

BBVA Research Flash

Brazil

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Economic Analysis

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Brazil: retail sales came up strong in July, but we expect economic activity to moderate in Q3

Retail sales grew 1.4%m/m in July, the strongest pace in the year. In spite of this figure we expect activity to gradually continue moderating in the third quarter

- **Retail sales expanded 1.4%m/m in July, more than markets expected (consensus: 1.0%m/m)** and significantly more than the average expansion observed in Q2 (0.33%m/m).
- **In yearly terms, retail sales grew 7.1%y/y in July -same pace as in June - especially supported by the sectors furniture and household appliances (21.4%y/y)**, office, computer and communication material and equipment (15.9%y/y), and pharmaceutical, medical and orthopaedic articles, toiletries and cosmetics (10.3%y/y).
- **The retail sales expansion at the beginning of Q3 reinforces the evidence that domestic demand remains very robust in Brazil.** Nonetheless, we expect activity to continue slowing down this quarter. More precisely, we expect Q3 GDP growth to be around 0.7%q/q in comparison to 1.2%q/q and 0.8%q/q in Q1 and Q2 respectively.

For more on Brazil, click [here](#)

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