

A Weak Figure at the Start of 2Q21

Lucas Maynard*
 lucas.maynard.da.silva@santander.com.br
 +5511 3553 7495

- **In April, industrial production posted a weak figure, retreating 1.3% MoM-sa (34.7% YoY),** below our call (-0.7%) and market consensus (-0.1%). April's drop was partially cushioned by the mining industry (+1.6%), while manufacturing fell sequentially (-2.2%).
- **This result was the third decline in a row and placed industrial production 1.0% below the pre-pandemic mark (February 2020).** Looking at the breakdown, intermediate goods stood out by falling 0.8%, while non-durable goods also retreated (-0.9%). On the positive side, capital goods and durable goods contributed positively by climbing 2.9% and 1.6%, respectively, but still with an accumulated contraction. Looking at the details, this drop was quite widespread, with 72% of the subsectors retreating in April.
- **Regarding the quarter, data seem to indicate a negative outlook for the industrial sector.** This result left a carryover of -3.1% for 2Q21, and FGV soft data points to only a slight increase (0.7%) in industrial confidence in May, not enough to give back March's drop. These figures support the likelihood of a weak figure for the sector in 2Q21.
- **The IBC-Br tracking for April was updated to +0.8% MoM-sa from +1.0% MoM-sa.** Next week, the IBGE will release the tertiary sector data, complementing the information set used to project the monthly GDP proxy.

Figure 1 – Industrial Production Breakdown

	% MoM			% YoY			% QoQ		
	Feb-21	Mar-21	Apr-21	Feb-21	Mar-21	Apr-21	Feb-21	Mar-21	Apr-21
Total Industry	-1.0	-2.2	-1.3	0.3	10.4	34.7	1.3	-0.5	-2.5
Mining	-5.2	5.7	1.6	-6.6	-0.1	3.6	-0.7	0.9	1.2
Manufacturing	-0.9	-3.1	-2.2	1.1	11.9	40.2	2.1	-0.8	-3.5
Capital Goods	-3.5	-7.1	2.9	14.7	29.5	125.1	11.9	4.1	-3.4
Intermediate Goods	0.3	0.1	-0.8	0.4	10.1	25.8	0.8	0.3	0.0
Consumer goods	-1.1	-11.4	-0.9	-3.1	7.4	41.1	1.9	-3.0	-8.3
Durable	-3.5	-7.5	1.6	-8.2	12.0	430.5	1.9	-4.5	-8.8
Non-Durable	-0.2	-10.7	-0.9	-1.6	6.2	17.1	1.4	-1.9	-6.6
Construction Supplies	1.0	-1.9	1.8	11.3	22.4	66.4	3.6	1.4	0.5

Sources: IBGE, Santander.

IMPORTANT DISCLOSURES/CERTIFICATIONS ARE IN THE "IMPORTANT DISCLOSURES" SECTION OF THIS REPORT.

U.S. investors' inquiries should be directed to Santander Investment at (212) 350-0707.

*Employed by a non-US affiliate of Santander Investment Securities Inc. and is not registered/qualified as a research analyst under FINRA rules.

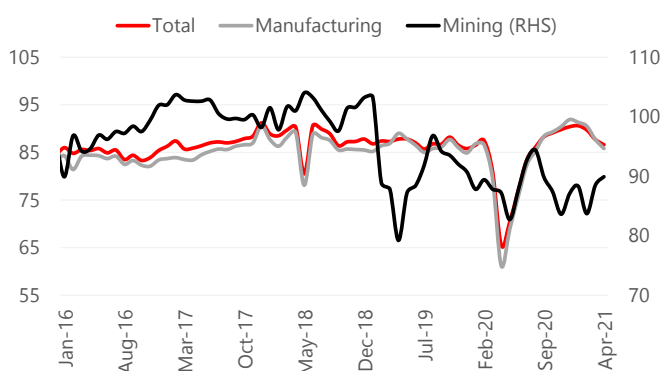


Industrial production loses steam, retreating to below the pre-crisis mark. Industrial production confirmed our expectations of a sequential decline, retreating by 1.3% MoM-sa (34.7% YoY), below market consensus of -0.1% (our call: -0.7%). April's drop stems mainly from the 2.2% decline in manufacturing (our call: -2.7%), partially cushioned by the mining industry's increase of 1.6%. This negative figure was the third decline in a row and placed industrial production 1.0% below the pre-pandemic mark.

Among economic categories, the monthly drop stemmed from intermediate and consumer goods. In the breakdown, intermediate goods stood out by falling 0.8%, after two gains in a row, reflecting the sharp drop seen in oil and biofuel coke (-12.5%), while non-durable goods retreated 0.9%. On the positive side, capital goods and durable goods grew 2.9% and 1.6%, respectively, but were far from offsetting the retreat seen in February and March. In our view, this growth reflects mainly the slight expansion of 1.5% in vehicles, following two sharp declines in a row (-7.9% and -9.2%). In the details, as seen in March's drop, this decline was quite widespread, with 72% of the subsectors retreating at the margin (vs. 64% in March).

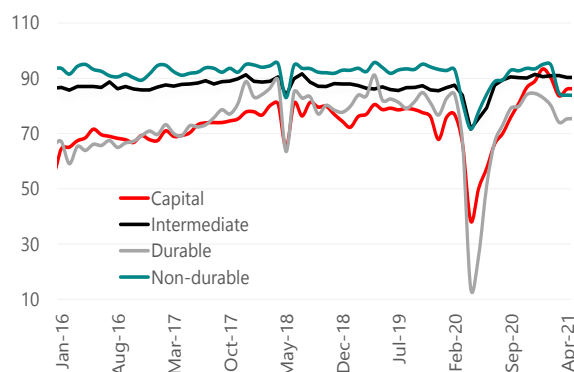
Looking ahead, negative carryover and soft data point to a negative outlook for 2Q21. April's figure left a carryover of -3.1% for 2Q21 (-4.5% in manufacturing, which represents almost 60% of Industrial GDP). Moreover, FGV soft data points to only a slight climb (0.7%) in industrial confidence in May (-0.7% in April), far from fully offsetting March's retreat. These figures reinforce the likelihood of a sectorial contraction in 2Q21. In our view, the industrial sector will still create something of a drag on the recovery, reflecting the lingering impact of the pandemic and the widespread shortage of inputs. The IBC-Br tracking for April was updated to +0.8% MoM-sa from +1.0% MoM-sa, and next week, the IBGE will release the tertiary sector data, complementing the information set used to project the monthly GDP proxy. **For details on Santander's economic activity scenario, please refer to our last chartbook¹.**

Figure 2.A. – Industrial Production Index (sa, 2012=100)



Sources: IBGE, Santander.

Figure 2.B. – Economic Categories Index (sa, 2012=100)

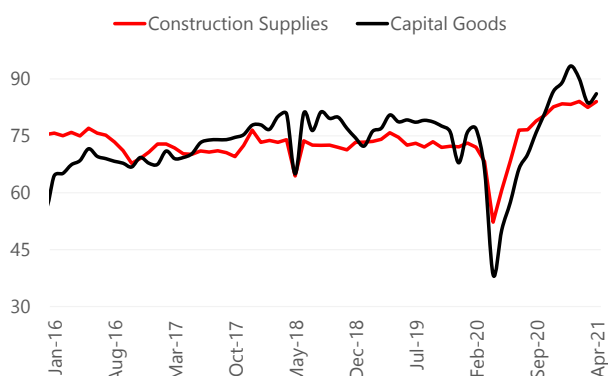


Sources: IBGE, Santander.

¹ Santander Brazil Economic Activity - "Chartbook – Positive Surprises with Risks On The Upside" – May 25, 2021- <http://bit.ly/Std-chart-econact-may21>



Figure 3.A. – Industrial Production Related to Investment (sa, 2012=100)



Sources: IBGE, Santander.

Figure 3.B. – Industrial Production Breakdown

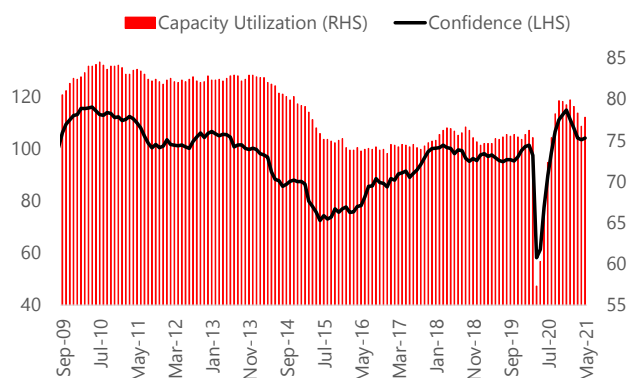
	Apr-21	MoM %	Feb-20 % *	Carryover **
Total Industry		-1.3	-1.0	-3.1
Mining		1.6	0.6	3.5
Manufacturing		-2.2	-0.9	-4.5
Capital Goods		2.9	12.0	-3.3
Intermediate Goods		-0.8	3.2	-0.6
Consumer goods		-0.9	-11.7	-9.0
Durable		1.6	-10.6	-4.8
Non-Durable		-0.9	-9.9	-8.3
Construction Supplies		1.8	16.7	0.9

Sources: IBGE, Santander.

* Variation relative to February's-2020 reading.

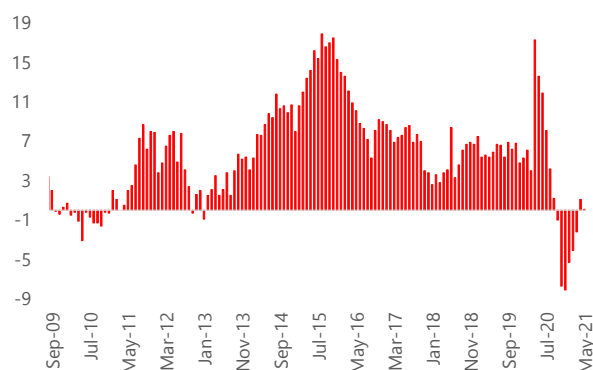
** Carryover left for 2Q21.

Figure 4.A. – Confidence (points, sa) x Capacity Utilization (% , sa)



Sources: FGV, Santander.

Figure 4.B. – Inventories Perception: Excessive-Insufficient (points, sa)



Sources: FGV, Santander.



Figure 5 - "Heatmap" Showing Industrial Production by Activity

	By Activity (% MoM sa)											
	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21
Food products	0.60	-1.19	2.09	0.00	1.85	-4.41	-2.71	-4.22	2.90	0.00	0.42	-3.43
Oil and biofuel coke	16.48	-1.61	5.23	3.21	0.80	-1.39	-0.81	-1.53	-1.45	-0.73	1.90	-9.53
Vehicles	250.00	70.97	42.01	16.60	14.08	4.02	10.07	4.01	-0.36	-7.86	-9.19	1.45
Metalurgy	10.69	-1.09	18.84	3.57	4.08	3.06	1.66	18.60	-11.64	1.34	-0.66	-0.44
Other chemical products	-0.96	7.66	6.28	0.00	0.00	-2.74	5.53	0.31	0.41	2.65	-3.98	0.31
Machines and equipments	13.15	11.44	15.57	1.63	12.72	2.38	3.71	6.26	-2.42	2.80	-0.84	2.65
Metalic products except machines and equipments	17.80	13.92	12.68	3.80	2.65	2.70	2.87	5.12	-1.22	-4.14	-1.40	-4.03
Non-metallic minerals	20.80	16.75	11.90	4.40	4.68	1.90	0.66	1.09	0.54	-0.43	-2.59	2.43
Rubber and plastic products	12.77	17.45	11.55	5.71	2.59	2.20	2.04	4.11	-1.31	0.10	-4.20	-0.43
Beverages	70.73	23.93	2.94	-2.21	0.47	-2.16	3.55	-7.87	-0.70	-1.42	-4.93	2.27
Cellulose,paper and paper-based products	-6.47	0.50	3.50	1.35	3.90	-1.01	0.46	-2.49	5.58	0.72	0.18	-2.57
Machines, equipments and eletric material	20.83	26.86	9.47	2.62	5.62	0.36	2.89	0.12	1.29	-1.15	-2.57	-2.52
Computer equipments, electronics and optical products	29.06	20.57	17.22	-3.46	4.48	-1.10	-2.23	5.57	-9.83	-0.13	2.13	-1.04
Pharmaceuticals	5.04	0.89	-0.22	-9.06	6.32	4.11	-10.43	8.70	-0.79	-2.05	-9.63	-2.82
Manufacture of clothing and accessories	19.33	7.26	30.86	13.02	13.19	5.90	9.47	10.94	0.46	-3.08	-21.44	-5.25
Leather, travel items and footwears	51.34	16.19	12.21	15.68	16.87	4.97	5.98	-2.98	1.21	-6.61	-10.09	-8.90
Textile products	9.95	35.48	22.24	10.30	6.52	2.16	2.00	16.94	-3.35	-8.36	-5.90	-5.44
Other transport equipments, except motor vehicles	56.52	133.33	6.36	-5.34	1.35	-4.23	13.95	-6.73	-16.63	6.56	35.47	-0.36
Repair of Machines and equipments	-3.18	-0.30	1.49	-3.53	3.97	-0.29	1.77	1.45	-5.71	1.82	5.94	-0.84
Furniture	48.01	29.37	17.30	3.35	0.84	-1.31	-1.81	0.98	2.67	-0.95	-8.72	-6.54
Personal Care	-5.02	3.17	5.29	-7.23	2.28	-4.09	-0.68	0.39	3.50	-3.38	0.00	-2.24
Wood products	1.88	19.29	11.52	-0.60	5.35	3.54	0.46	-0.83	-2.60	-1.14	4.15	2.78
Printing and playback of recordings	0.00	0.00	-41.38	-2.77	-4.98	29.59	28.61	-6.97	4.83	11.06	17.01	-34.75
Miscellaneous	-15.25	29.00	29.72	8.61	-1.05	5.42	2.91	0.87	15.07	-8.14	-0.41	2.45
Tobacco products	20.13	1.05	7.73	0.93	21.56	-17.36	-3.08	9.66	-12.35	9.93	3.34	-4.31

Sources: IBGE, Santander

Figure 6 - "Heatmap" Showing Industrial Production by Economic Category

	By Activity (% MoM sa)												
	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	
Capital Goods	Computer equipments, electronics and optical products	5.8	8.6	9.0	4.0	4.4	-1.8	4.2	30.2	-17.0	2.7	-4.4	-4.4
	Machines, equipments and eletric material	-0.1	14.9	1.7	-1.6	9.6	2.1	3.4	2.4	-3.4	-5.9	3.0	1.6
	Machines and equipments	16.5	7.8	13.5	6.8	7.8	3.6	10.5	-2.6	1.5	1.4	-2.8	0.3
	Vehicles	181.1	60.2	20.8	-6.4	41.2	4.6	11.2	11.5	-2.5	2.2	-4.3	2.7
	Other transport equipments, except motor vehicles	16.3	20.7	29.6	-36.2	9.1	-10.9	10.4	21.7	-21.1	19.3	-3.4	-8.6
Intermediate Goods	Miscellaneous	12.1	0.4	5.6	1.4	-1.9	-0.8	0.9	2.4	1.2	-1.3	1.2	-0.9
	Mining	-3.4	3.2	6.4	-1.1	-3.1	-2.4	-2.2	1.9	2.8	-0.9	0.4	2.7
	Food products	-7.4	-3.9	0.7	-0.1	3.1	-4.8	-6.4	-3.3	0.5	2.4	0.3	-2.2
	Textile products	-1.1	31.5	21.5	11.8	7.3	3.7	2.5	10.8	-1.7	-6.3	-4.0	-6.1
	Cellulose,paper and paper-based products	-6.4	0.6	3.4	1.4	3.2	0.1	-0.6	-0.8	4.6	0.9	-0.2	-2.5
	Oil and biofuel coke	20.0	-4.0	6.5	3.4	-2.0	-0.6	-0.5	-1.5	-3.7	0.7	3.9	-12.5
	Other chemical products	-0.2	7.8	5.3	2.0	0.2	-3.0	5.7	0.2	1.4	2.2	-3.3	-2.0
	Rubber and plastic products	11.7	15.8	11.8	3.6	3.4	1.6	1.5	5.0	-2.1	-0.5	-2.0	-0.6
	Non-metallic minerals	16.6	22.6	10.8	2.4	6.9	0.1	0.1	1.9	-0.4	-0.5	-1.5	2.5
	Metalurgy	10.5	18.6	17.1	3.1	5.1	2.1	1.2	17.4	-10.6	2.5	-0.1	-1.6
Durable Goods	Metalic products except machines and equipments	17.7	10.8	12.5	4.2	1.3	4.2	2.3	3.0	0.3	-3.7	0.4	-0.5
	Machines and equipments	15.6	13.1	18.0	5.8	10.4	1.8	0.1	7.6	-4.4	0.4	3.7	-2.9
	Vehicles	121.4	57.8	37.1	16.4	9.8	0.5	10.9	6.4	-6.7	-5.2	-6.5	-3.7
	Miscellaneous	8.4	24.2	11.6	3.7	6.5	2.9	4.8	-3.0	-0.7	-2.4	0.4	-0.4
	Computer equipments, electronics and optical products	48.4	29.0	22.8	-3.1	5.6	-1.8	-2.4	-8.6	-19.2	-0.4	5.7	-3.3
Non Durable Goods	Machines, equipments and eletric material	45.1	105.9	14.7	0.1	9.1	-4.1	-2.3	2.1	-4.1	1.9	-1.5	-3.8
	Vehicles	-16441.5	530.0	45.0	13.9	18.0	3.8	4.4	5.2	-2.9	-6.7	-15.3	-2.1
	Other transport equipments, except motor vehicles	-375.5	648.1	-0.9	-8.9	29.9	-20.8	22.5	-1.2	39.9	9.5	72.9	-6.8
	Furniture	46.6	29.2	17.9	4.2	-1.1	-0.2	-1.5	1.6	3.3	0.5	-6.6	-10.2
	Miscellaneous	-13.2	17.9	64.0	-9.5	22.5	1.0	2.3	-9.0	11.1	10.1	5.5	-2.2
	Food products	-0.2	1.9	2.1	-0.8	0.9	-1.5	0.0	-2.2	0.6	-0.1	-1.5	0.4
	Beverages	-4.5	31.9	7.2	2.0	-1.1	-0.2	0.4	-0.8	-1.4	-0.4	-1.1	-3.3
	Textile products	36.7	51.6	21.9	6.0	6.9	-1.4	-0.8	6.9	-0.5	-3.5	-8.1	-5.5
	Manufacture of clothing and accessories	21.0	9.2	35.0	12.8	11.9	4.1	9.2	9.0	0.4	8.2	-10.9	-11.9
	Leather, travel items and footwears	49.5	9.2	18.9	12.6	17.8	4.1	8.7	-4.2	0.8	-7.9	-9.2	-8.1
Printing and playback of recordings	-42.9	156.6	-56.7	-30.3	-8.1	36.9	69.2	-12.7	7.6	35.8	12.5	-11.4	
Oil and biofuel coke	6.7	0.1	2.8	2.8	5.2	-5.4	0.6	-2.6	4.8	-3.2	-7.0	-3.4	
Personal Care	-3.6	1.5	5.8	-6.3	1.7	-4.2	-1.2	0.3	1.6	-1.4	1.1	-3.3	
Pharmaceuticals	-2.8	8.1	-2.8	-10.8	10.2	3.2	-13.8	16.3	-5.3	2.2	-10.6	-4.9	
Miscellaneous	-4.5	31.9	7.2	2.0	-1.1	-0.2	0.4	-0.8	-1.4	-0.4	-1.1	-3.3	

Sources: IBGE, Santander.



CONTACTS / IMPORTANT DISCLOSURES

Brazil Macro Research

Ana Paula Vescovi*	Chief Economist	anavescovi@santander.com.br	5511-3553-8567
Mauricio Orenge*	Head of Macro Research	mauricio.oreng@santander.com.br	5511-3553-5404
Jankiel Santos*	Economist – External Sector	jankiel.santos@santander.com.br	5511-3012-5726
Ítalo Franca*	Economist – Fiscal Policy	italo.franca@santander.com.br	5511-3553-5235
Daniel Karp Vasquez*	Economist – Inflation	daniel.karp@santander.com.br	5511-3553-9828
Tomas Urani*	Economist – Global Economics	tomas.urani@santander.com.br	5511-3553-9520
Lucas Maynard*	Economist – Economic Activity	lucas.maynard.da.silva@santander.com.	5511-3553-7495
Felipe Kotinda*	Economist – Credit	felipe.kotinda@santander.com.br	5511-3553-8071
Gabriel Couto*	Economist – Special Projects	gabriel.couto@santander.com.br	5511-3553-8487
Gilmar Lima*	Economist – Modeling	gilmar.lima@santander.com.br	5511-3553-6327

Global Macro Research

Maciej Reluga*	Head Macro, Rates & FX Strategy – CEE	maciej.reluga@santander.pl	48-22-534-1888
Juan Cerruti *	Senior Economist – Argentina	jcerruti@santander.com.ar	54 11 4341 1272
Ana Paula Vescovi*	Economist – Brazil	anavescovi@santander.com.br	5511-3553-8567
Juan Pablo Cabrera*	Economist – Chile	jcabrera@santander.cl	562-2320-3778
Guillermo Aboumrad*	Economist – Mexico	gjaboumrad@santander.com.mx	5255-5257-8170
Piotr Bielski*	Economist – Poland	piotr.bielski@santander.pl	48-22-534-1888
Mike Moran	Head of Macro Research, US	mike.moran@santander.us	212-350-3500

Fixed Income Research

Juan Arranz*	Chief Rates & FX Strategist – Argentina	jarranz@santanderrio.com.ar	5411-4341-1065
Mauricio Orenge*	Senior Economist/Strategist – Brazil	mauricio.oreng@santander.com.br	5511-3553-5404
Juan Pablo Cabrera*	Chief Rates & FX Strategist – Chile	jcabrera@santander.cl	562-2320-3778

Equity Research

Miguel Machado*	Head Equity Research Americas	mmachado@santander.com.mx	5255 5269 2228
Alan Alanis*	Head, Mexico	aalanis@santander.com.mx	5552-5269-2103
Andres Soto	Head, Andean	asoto@santander.us	212-407-0976
Claudia Benavente*	Head, Chile	claudia.benavente@santander.cl	562-2336-3361
Walter Chiarvesio*	Head, Argentina	wchiarvesio@santanderrio.com.ar	5411-4341-1564
Mariana Cahen Margulies*	Head, Brazil	mmargulies@santander.com.br	5511 9641-78759

Electronic

Bloomberg
Reuters

SIEQ <GO>
Pages SISEMA through SISEMZ

This report has been prepared by Santander Investment Securities Inc. ("SIS"; SIS is a subsidiary of Santander Holdings USA, Inc. which is wholly owned by Banco Santander, S.A. "Santander"), on behalf of itself and its affiliates (collectively, Grupo Santander) and is provided for information purposes only. This document must not be considered as an offer to sell or a solicitation of an offer to buy any relevant securities (i.e., securities mentioned herein or of the same issuer and/or options, warrants, or rights with respect to or interests in any such securities). Any decision by the recipient to buy or to sell should be based on publicly available information on the related security and, where appropriate, should take into account the content of the related prospectus filed with and available from the entity governing the related market and the company issuing the security. This report is issued in Spain by Santander Investment Bolsa, Sociedad de Valores, S.A. ("Santander Investment Bolsa"), and in the United Kingdom by Banco Santander, S.A., London Branch. Santander London is authorized by the Bank of Spain. This report is not being issued to private customers. SIS, Santander London and Santander Investment Bolsa are members of Grupo Santander.

ANALYST CERTIFICATION: The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed, that their recommendations reflect solely and exclusively their personal opinions, and that such opinions were prepared in an independent and autonomous manner, including as regards the institution to which they are linked, and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report, since their compensation and the compensation system applying to Grupo Santander and any of its affiliates is not pegged to the pricing of any of the securities issued by the companies evaluated in the report, or to the income arising from the businesses and financial transactions carried out by Grupo Santander and any of its affiliates: Lucas Maynard*.

*Employed by a non-US affiliate of Santander Investment Securities Inc. and not registered/qualified as a research analyst under FINRA rules, and is not an associated person of the member firm, and, therefore, may not be subject to the FINRA Rule 2242 and Incorporated NYSE Rule 472 restrictions on communications with a subject company, public appearances, and trading securities held by a research analyst account.

The information contained herein has been compiled from sources believed to be reliable, but, although all reasonable care has been taken to ensure that the information contained herein is not untrue or misleading, we make no representation that it is accurate or complete and it should not be relied upon as such. All opinions and estimates included herein constitute our judgment as at the date of this report and are subject to change without notice.

Any U.S. recipient of this report (other than a registered broker-dealer or a bank acting in a broker-dealer capacity) that would like to effect any transaction in any security discussed herein should contact and place orders in the United States with SIS, which, without in any way limiting the foregoing, accepts responsibility (solely for purposes of and within the meaning of Rule 15a-6 under the U.S. Securities Exchange Act of 1934) for this report and its dissemination in the United States.

© 2021 by Santander Investment Securities Inc. All Rights Reserved.