

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

## Activity Positively Surprises in 1Q21

- **Despite the monthly drop, Brazil Central Bank's (BCB) activity indicator surprised positively in March.** The headline index fell by 1.6% (6.3% YoY), above market consensus of -3.4% (our call: -3.4%) and the first drop since April 2020, breaking a string of ten increases.
- **March's figure placed the economy at levels 0.6% above the pre-crisis mark, according to this indicator.** This monthly drop reflects the steep decline in the tertiary sector (services: -4.0% and broad retail sales: -5.3%) and the drop seen in industrial production (-2.4%).
- **In quarterly terms, the IBC-Br ended 1Q21 with solid growth of 2.3%.** This result left a carryover of -0.4% for 2Q21; however, a positive start in 2Q21 could partially mitigate any negatives. April's consistent recovery of mobility and our proprietary index (IGet) already point in this direction.
- **Activity's positive surprises of the last few months imply upside risks to our nearly stable 1Q21 GDP forecast (+0.2% QoQ-sa).** Our tracking was updated to +0.6% QoQ-sa (from +0.4%). For 2Q21, rapidly increasing mobility, along with some positive activity figures for April also suggest upside risks to our projection (-0.6% QoQ-sa).

Figure 1 – Economic Activity Breakdown

	% MoM			% YoY			% QoQ		
	Jan-21	Feb-21	Mar-21	Jan-21	Feb-21	Mar-21	Jan-21	Feb-21	Mar-21
<b>IBC-Br</b>	<b>0.9</b>	<b>1.9</b>	<b>-1.6</b>	<b>-0.5</b>	<b>1.0</b>	<b>6.3</b>	<b>2.6</b>	<b>2.7</b>	<b>2.3</b>
Industrial Production	0.3	-1.0	-2.4	2.4	0.3	10.4	3.0	1.5	-0.4
Core Retail Sales	-0.2	0.5	-0.6	-0.3	-3.9	2.4	-3.6	-5.9	-4.3
Broad Retail Sales	-2.3	3.2	-5.3	-3.1	-1.9	10.1	-1.1	-2.8	-3.9
Services Sector	0.3	4.6	-4.0	-5.0	-1.8	4.5	4.4	3.9	2.8

Sources: IBGE, BCB, Santander.

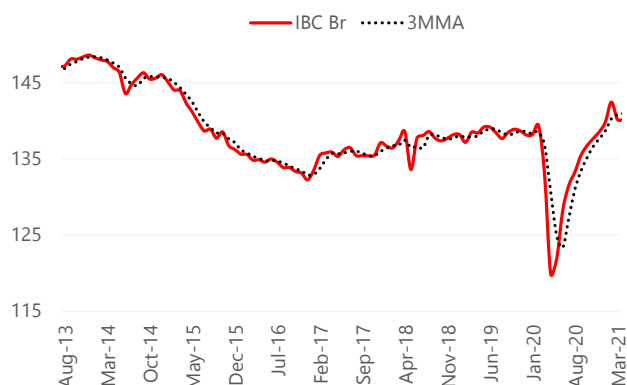
**IMPORTANT DISCLOSURES/CERTIFICATIONS ARE IN THE "IMPORTANT DISCLOSURES" SECTION OF THIS REPORT.**

U.S. investors' inquiries should be directed to Santander Investment Securities Inc. at (212) 583-4629 / (212) 350-918.  
 \* Employed by a non-US affiliate of Santander Investment Securities, Inc. and is not registered/qualified as a research analyst under FINRA rules.



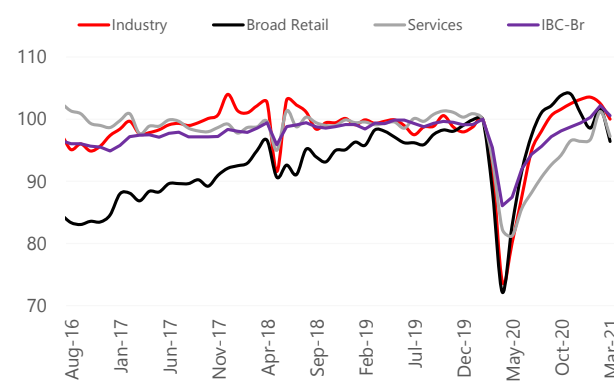
**Economic activity positively surprised again in March.** The BCB published its monthly activity indicator for March, capping the batch of activity index releases for the month. The IBC-Br posted a monthly drop of 1.6% MoM-sa (6.3% YoY), considerably above market consensus of -3.4% (6.1%) and our call (-3.4%). The wide gap between actual data and estimates stems mainly from a non-linearity in the seasonal adjustment procedure in this neighborhood. March's decline was the first negative figure since April 2020, breaking a string of ten gains in a row. **The first figures of 2021 painted a picture of resilience in economic activity, particularly considering the withdrawal of the government income transferences and the relapse of the pandemic.**

Figure 2.A – IBC-Br (sa, 2013=100)



Sources: BCB, Santander.

Figure 2.B – Economic Activity Indexes (sa, February 2020=100)



Sources: IBGE, BCB, Santander.

Figure 3 – Recovery Breakdown

	Mar-21	% MoM	% QoQ	% Feb-20 *	Carryover**
<b>IBC-Br</b>		<b>-1.6</b>	<b>2.3</b>	<b>0.6</b>	<b>-0.4</b>
<b>Industrial Production</b>		<b>-2.4</b>	<b>-0.4</b>	<b>0.0</b>	<b>-2.0</b>
Core Retail Sales		-0.6	-4.3	-0.3	-0.2
<b>Broad Retail Sales</b>		<b>-5.3</b>	<b>-3.9</b>	<b>-3.6</b>	<b>-2.5</b>
<b>Services</b>		<b>-4.0</b>	<b>2.8</b>	<b>-2.8</b>	<b>-1.2</b>

Sources: IBGE, BCB, Santander.

\* Variation relative to February 2020 (seasonally adjusted basis)

\*\* Carryover for 2Q21.

**March's figure placed the economy at levels 0.6% above the pre-crisis mark, according to this indicator.**

This drop was not enough to give back the recent gains, and the index is still running above January's reading. In quarterly terms, the IBC-Br ended 1Q21 with solid growth of 2.3%, but looking at the data from a sectorial perspective, first quarter's figure is consistent with a resilience of the services sector, while the goods sector (industry<sup>2</sup> and broad retail sales<sup>3</sup>) suffered more substantially.

<sup>2</sup> Santander Brazil Economic Activity - "Industrial Production Ends 1Q21 with Quarterly Contraction" – May 05, 2021 - Available on: <http://bit.ly/Std-econact-050521>

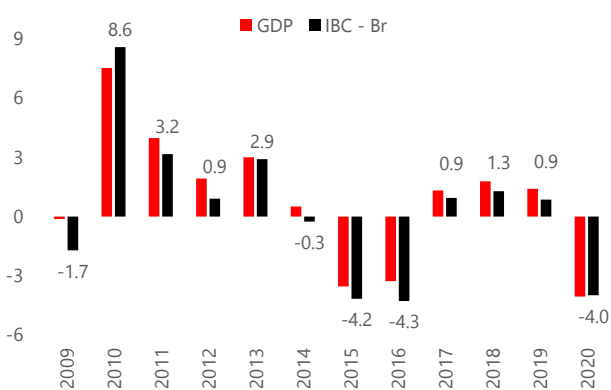
<sup>3</sup> Santander Brazil Economic Activity - "A Positive Surprise, Driven by Supermarkets" – May 07, 2021 - Available on: <http://bit.ly/Std-econact-070521>



**Weaker-than-expected negative carryover for 2Q21.** Despite the monthly retreat, March's tumble left a slight negative carryover of -0.4% for the second quarter. A positive start in 2Q21 will contribute to a likely mitigation of any negatives. April's consistent recovery of mobility and our proprietary index (IGet) already point in this direction. [See details in the link<sup>4</sup>.](#)

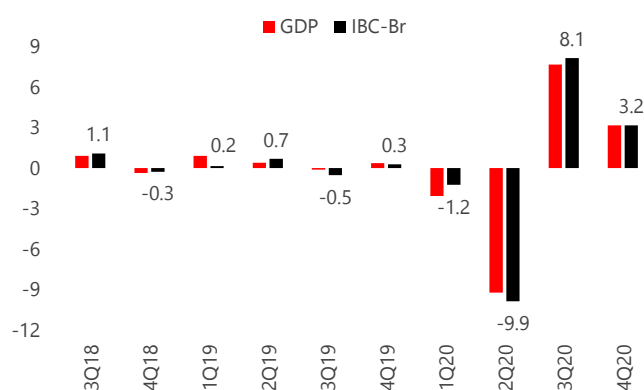
**Activity's positive surprises of the last few months imply upside risks to our nearly stable 1Q21 GDP forecast (+0.2% QoQ-sa).** Our tracking was updated to +0.6% QoQ-sa (from +0.4%). For 2Q21, rapidly increasing mobility, along with some positive activity figures for April also suggest upside risks to our projection (-0.6% QoQ-sa). **For details on Santander's economic activity scenario, please refer to our last chartbook<sup>5</sup>.**

Figure 4.A – GDP vs IBC-Br (Full-Year %)



Sources: IBGE, BCB, Santander.

Figure 4.B – GDP vs IBC-Br (sa, QoQ%)



Sources: IBGE, BCB, Santander.

Figure 5 – “Heatmap” Showing Economic Activity by Coincident Indexes

		By Index (% MoM sa)												
		mai/20	jun/20	jul/20	ago/20	set/20	out/20	nov/20	dez/20	jan/21	fev/21	mar/21	abr/21	
Industry	Light Vehicles Production	3272.5%	153.1%	59.7%	19.2%	10.2%	1.7%	8.2%	3.7%	-2.9%	-6.9%	-13.2%	3.8%	
	Heavy Vehicles Production	578.8%	32.4%	12.7%	12.1%	20.6%	7.5%	1.3%	-0.4%	5.8%	1.1%	1.3%	3.1%	
	Steel Production	17.1%	4.2%	7.9%	7.5%	0.0%	2.8%	3.7%	13.6%	-7.3%	1.0%	-6.6%	-	
	Corrugated Fiberboard Production	-8.5%	11.3%	4.1%	3.0%	2.9%	-2.5%	-0.4%	2.0%	0.6%	5.3%	-3.5%	-0.8%	
	Heavy Vehicles Road Flow	10.3%	9.6%	4.2%	2.1%	2.8%	0.7%	1.5%	-0.5%	0.7%	0.5%	-0.2%	-3.9%	
	Energy	3.4%	4.4%	2.8%	1.0%	2.8%	-0.1%	-0.7%	1.9%	-1.0%	0.2%	1.3%	-	
	Capacity Utilization (FGV)*	5.2%	10.4%	8.6%	4.1%	3.9%	2.0%	-0.1%	-0.5%	0.8%	-1.0%	-1.0%	-2.0%	
	Capacity Utilization (CNI)*	6.0%	3.8%	3.8%	2.2%	1.8%	0.9%	0.0%	1.0%	0.0%	-0.5%	-	-	
	Intermediate Goods Imports	-2.5%	-21.5%	5.4%	10.5%	3.9%	2.7%	21.7%	1.4%	4.4%	2.2%	-3.3%	-	
	Motorcycles Production	871.5%	492.8%	6.4%	0.5%	5.7%	-14.6%	23.3%	-1.3%	-45.5%	7.4%	84.0%	12.3%	
	Oil Production	-7.2%	7.2%	0.9%	-1.2%	-1.8%	-1.0%	-2.3%	-2.6%	4.0%	0.1%	1.7%	-	
	Cement Consumption	11.8%	8.3%	0.4%	0.7%	-0.3%	2.2%	-1.8%	-3.9%	6.2%	1.5%	-3.2%	-	
	Retail	Autovehicles Sales	17.1%	111.6%	16.2%	9.0%	4.9%	2.1%	4.0%	-3.4%	-0.8%	5.9%	-15.0%	9.9%
		Light Commercial Sales	2.7%	57.1%	20.4%	17.7%	7.6%	1.3%	3.8%	-12.3%	18.6%	7.4%	-12.0%	23.4%
Motorcycles Sales		0.4%	63.7%	64.1%	16.9%	-4.6%	-4.0%	-2.9%	-3.8%	0.4%	-16.3%	-15.5%	76.0%	
Light Vehicles Road Flow		29.8%	20.1%	-1.2%	19.3%	6.0%	4.5%	-0.8%	-5.1%	-3.7%	4.7%	-17.4%	0.2%	
Broad IGet		15.2%	9.7%	4.5%	1.8%	1.0%	-2.1%	-7.4%	0.6%	-2.9%	3.1%	-9.8%	7.3%	
Credit to Households		0.5%	12.1%	3.1%	5.8%	6.1%	1.5%	1.6%	-6.6%	-3.7%	6.2%	-5.7%	-	
ACSP SPC		-7.2%	18.8%	24.4%	17.4%	9.0%	2.1%	2.2%	0.1%	-10.5%	3.6%	-28.1%	15.7%	
ACSP Useechegue		-32.2%	65.3%	7.3%	6.5%	19.0%	6.8%	4.1%	-9.4%	11.5%	7.0%	-30.3%	3.5%	
Serasa		2.4%	16.5%	4.8%	4.9%	3.0%	2.7%	2.9%	1.2%	-0.3%	0.2%	-10.4%	-1.4%	
Consumer Confidence (current)		-0.9%	8.6%	0.6%	0.7%	1.5%	-0.3%	-0.8%	-2.9%	-2.3%	2.1%	-7.9%	0.8%	
Retail Confidence (current)		-5.1%	19.8%	-2.2%	22.8%	-0.2%	-5.6%	1.7%	-1.3%	-4.4%	-2.6%	-11.8%	6.4%	
Services	Capacity Utilization (FGV)*	-1.9%	-1.0%	4.3%	1.6%	0.0%	-0.6%	2.2%	-0.7%	1.1%	-1.2%	1.0%	-1.6%	
	Services Confidence (current)	2.7%	12.3%	10.9%	8.2%	0.1%	3.4%	0.4%	1.1%	-0.9%	-1.7%	-5.3%	0.5%	
	IGet Services	24.0%	8.8%	7.5%	17.4%	12.4%	14.0%	-5.3%	-7.0%	-3.7%	-1.0%	-32.0%	19.0%	
	ANAC Flights	34.1%	70.5%	45.8%	49.7%	40.5%	27.0%	20.8%	8.8%	3.0%	-13.4%	-	-	
	Heavy Vehicles Road Flow	10.3%	9.6%	4.2%	2.1%	2.8%	0.7%	1.5%	-0.5%	0.7%	0.5%	-0.2%	-3.9%	

Sources: Anfavea, Fenabrave, IBS, ABCR, Abraciclo, Funcex, ANP, BCB, ACSP, Serasa, FGV, ANAC, Santander

<sup>4</sup> Santander Brazil Economic Activity - “Um Começo Positivo de Trimestre” – May 04, 2021 - Available (in Portuguese) on: <http://bit.ly/iget-serv-abril>

<sup>5</sup> Santander Brazil Economic Activity - “Chartbook - Lingering Impacts to Keep Recovery at a Slow Pace” – April 13, 2021 - Available on: <http://bit.ly/STD-chartbook-Act-apr21>



## CONTACTS / IMPORTANT DISCLOSURES

### Brazil Macro Research

Ana Paula Vescovi*	Chief Economist	anavescovi@santander.com.br	5511-3553-8567
Mauricio Oreng*	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.br	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 Oreng*	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
Henrique Navarro*	Head, Brazil	havieira@santander.com.br	5511-3012-5756

### 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.