

Broad Activity Off to a Weak Start in 4Q21

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- **The Brazil Central Bank’s (BCB) broad activity indicator (IBC-Br) retreated in October (-0.4%), marking a weak start of 4Q21.** This result came in line with market consensus (-0.4%) and our estimate (-0.35%) but with significant revisions in the series. The seasonally-adjusted series was revised to -0.46% MoM-sa (from -0.27%) in September and to -0.45% MoM-sa (from -0.29%) in August. The original series was revised to 0.7% YoY (from 1.5%) in September and to 4.1% YoY (from 4.7%) in August.
- **This result also places the economy 1.9% below the pre-pandemic mark (February 2020), according to this indicator.** Moreover, the index stands 3.1% below the recent spike reached in February 2021. Among the key sectors, October’s figure stems both from weak figures seen in goods-related sectors like industry (-0.6%) and broad retail sales (-0.9%), and in services activity (-1.2%).
- **In quarterly terms, October’s result implies a 0.86% carryover to 4Q21, in line with the key sectors: according to our calculations, October’s figures implied carryovers of -1.3% for industry, -2.7% for broad retail sales, and -1.5% for the services output to 4Q21.** For November, widespread decline in economic confidence bring challenges for overall activity, mainly for goods-related sectors.
- **We are lowering our tracking to -0.1% QoQ-sa (from a flat GDP, 0%) in 4Q21.** Despite the weak figures expected to goods-related sectors, we still expect good growth contribution coming from services segments that still show strong idleness compared to the pre-crisis period (e.g., Other Services and Public Services) and that are not well captured by timely activity indexes, along with a farm output rebound. These figures may impart some upside risks to our current tracking.

Figure 1 – Economic Activity Breakdown

	% MoM			% YoY			% QoQ			% Carry*
	Aug-21	Sep-21	Oct-21	Aug-21	Sep-21	Oct-21	Aug-21	Sep-21	Oct-21	4Q21
IBC-Br	-0.4	-0.5	-0.4	4.1	0.7	-1.5	-0.3	-0.6	-0.9	-0.9
Industrial Production	-0.8	-0.6	-0.6	-0.5	-4.1	-7.8	-1.2	-2.0	-2.4	-1.3
Core Retail Sales	-4.1	-1.1	-0.1	-4.1	-5.1	-7.1	1.6	-0.2	-3.3	-2.3
Broad Retail Sales	-3.1	-1.0	-0.9	-0.1	-3.9	-7.1	0.5	-1.7	-4.0	-2.7
Services Sector	0.5	-0.7	-1.2	16.5	11.5	7.5	4.2	2.8	0.8	-1.5

Sources: IBGE, BCB, Santander. * Carryover for 4Q21 calculated with September’s figures.

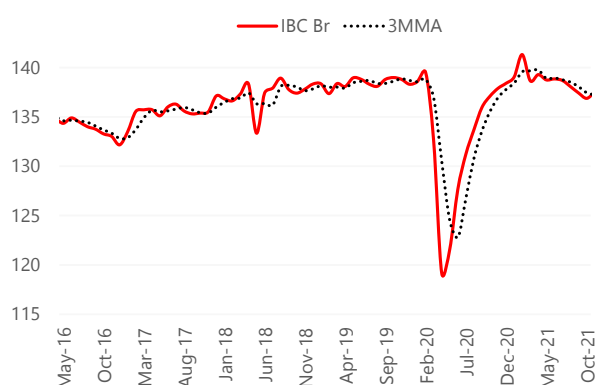


October's figure point to a weak start to 4Q21. The index retreated 0.4% in October, in line with market consensus (-0.4%) and our estimate (-0.35%) but with significant revisions in the historical series. Indeed, the original series (unadjusted) was revised to 0.7% YoY (from 1.5%) in September, to 4.1% YoY (from 4.7%) in August and to 5.1% YoY (from 5.5%) in July. The seasonally-adjusted series was revised to -0.46% MoM-sa (from -0.27%) in September, to -0.45% MoM-sa (from -0.29%) in August and to -0.12% MoM-sa (from +0.13%). This result also places the economy 1.9% below the pre-pandemic mark (February 2020) and at the lowest reading since September 2020, according to this indicator. Moreover, the index stands 3.1% below the recent spike reached in February 2021, a reflect of a steep climb in farm output that was fully offset in the subsequent quarters. Among the key sectors, October's figure stems both from weak figures seen in goods-related sectors like industry¹ (-0.6%) and broad retail sales² (-0.9%), and in services output³ (-1.2%).

In quarterly terms, October's result implies a 0.86% carryover to 4Q21, in line with the key sectors: according to our calculations, October's figures implied carryovers of -1.3% for industry, -2.7% for broad retail sales, and -1.5% for the services output to 4Q21. For November, widespread decline in economic confidence bring challenges for overall activity, mainly for goods-related sectors: -2.9% in industry and -6.6% in retail, with consumer confidence also retreating 1.8%⁴.

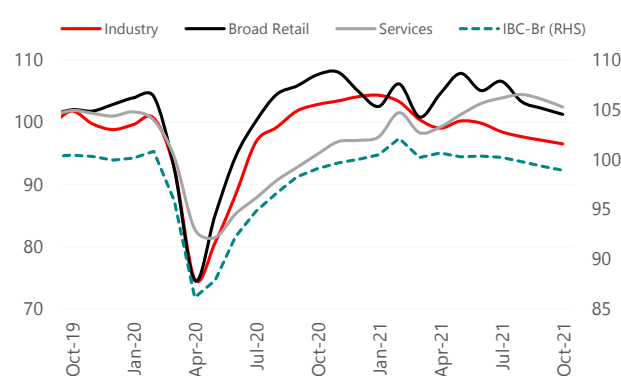
We are lowering our tracking to -0.1% QoQ-sa (from a flat GDP, 0%) in 4Q21. Despite the weak figures expected to goods-related sectors, we still expect good growth contribution coming from services segments that still show strong idleness compared to the pre-crisis period (e.g., Other Services and Public Services) and that are not well captured by timely activity indexes, along with a farm output rebound. These figures may impart some upside risks to our current tracking. **For details on Santander's activity outlook, please refer to our last chartbooks⁵.**

Figure 2.A – IBC-Br (sa, 2003=100)



Sources: BCB, Santander.

Figure 2.B – Activity Indexes (sa, Jan/2019=100)



Sources: IBGE, BCB, Santander.

¹ Santander Brazil Economic Activity - "Mining Dragged Down Industrial Output in October" – December 3, 2021 – Available on: <https://bit.ly/Std-Econact-120321>

² Santander Brazil Economic Activity - "Weak Figure (Once Again) For Retail Activity" – December 08, 2021 – Available on: <https://bit.ly/Std-Econact-120821>

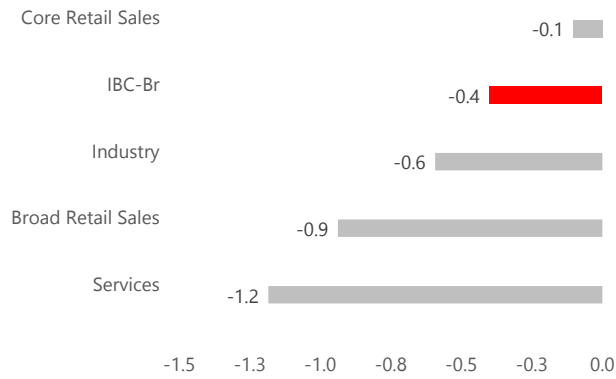
³ Santander Brazil Economic Activity - "A New Retreat for Services" – December 12, 2021 – Available on: <https://bit.ly/Std-Econact-121421>

⁴ Santander Brazil Economic Activity - "Widespread Drop in November" – December 1, 2021 – Available on: <https://bit.ly/Std-Econact-120121>

⁵ Santander Brazil Economic Activity - "Chartbook – Lowering (Again) Our GDP Estimates" – December 8, 2021 – Available on: <https://bit.ly/Std-chart-econact-dec21>

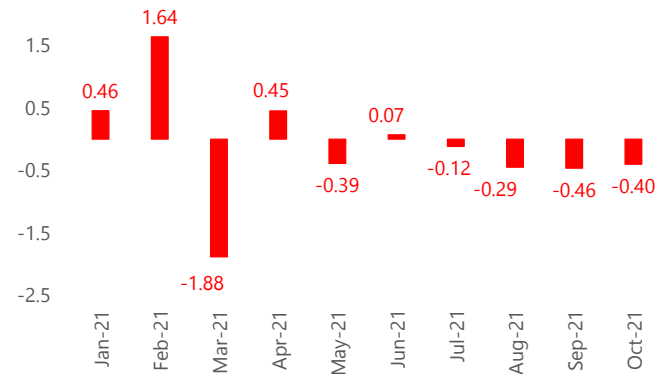


Figure 3.A – Activity Indexes (sa, MoM %)



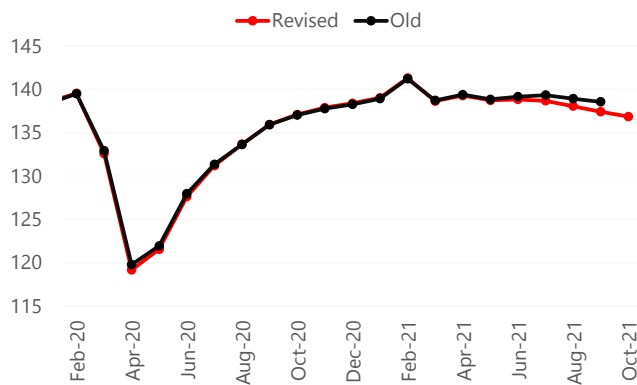
Sources: BCB, IBGE, Santander.

Figure 3.B – IBC-Br (sa, MoM%)



Sources: IBGE, BCB, Santander.

Figure 4.A – IBC-Br (sa, 2003=100)



Sources: BCB, Santander.

Figure 4.B – Revisions

	NSA (YoY%)		SA (MoM %)	
	Previous	Revised	Previous	Revised
Jan-21	-1.3	-1.4	0.48	0.46
Feb-21	0.0	0.1	1.66	1.64
Mar-21	5.3	5.5	-1.78	-1.88
Apr-21	16.5	17.0	0.49	0.45
May-21	14.1	14.4	-0.39	-0.39
Jun-21	8.8	8.9	0.22	0.07
Jul-21	5.5	5.1	0.13	-0.12
Aug-21	4.7	4.1	-0.29	-0.45
Sep-21	1.5	0.7	-0.27	-0.46
Oct-21	-	-1.5	-	-0.40

Sources: BCB, Santander.



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