

**SANTANDER ACTIVITY INDEX****ACTIVITY DATA POINT TO NEUTRAL PERFORMANCE IN  
JANUARY**

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- **Considering January's available data, Santander's monthly activity index (SAI) remains in neutral territory.** The SAI reached 0.03 points, slightly above December's level, but continued its weakest streak since COVID-19's resurgence between 1Q21 and 2Q21. After negative GDP performance in 4Q22, this SAI result reinforces our view that domestic activity remained weak in January.
- **Zooming in on the details, goods-related sectors remained the lowlights, while services showed resilience.** The industrial component contributed negatively, -0.18 p.p., marking a weak streak of five consecutive negative figures. The retail component showed some improvement, returning to positive territory, +0.02 p.p. Cyclical services continued to contribute positively, +0.15 p.p. at the margin, but with a considerable drop from December's figure, affected by the negative result of the IBGE's services survey. The labor market component also contributed positively, +0.02 p.p., stable compared to December. Lastly, the farm output component contributed positively, +0.01 p.p.
- **February's available data point to mixed signals.** For industry, IBGE's survey showed a slightly negative performance, with a contraction in manufacturing. Regarding the tertiary sector, we expect 0.7% MoM-sa growth for broad retail (due to be released on April 25) and stability for services (due to be released on April 27). It is important to note that February could mark the beginning of a streak of positive contributions from agriculture, which we expect to influence 1Q23 GDP, after the record volume of this year's grain harvest.
- **Financial conditions remain seriously restrictive owing to both domestic and external headwinds.** Santander's financial conditions indicator reached 1.14 points in March (from 1.13 points in February), and when we exclude oil prices from the analysis, financial conditions (ex oil) reached 1.38 points (from 1.29 points in February). These figures pose continued challenges to cyclical activities this year.
- **In the short term, our 1Q23 GDP growth tracking stands at +0.5% QoQ-sa.** We forecast GDP growth of 0.8% in 2023. We project a slowdown in domestic demand and in cyclical supply components, stemming mainly from the expected global recession and the effects of a tight Brazilian Central Bank policy, but we also expect strong growth for non-cyclical farm output, reflecting an all-time high forecast for the grain harvest.

**For details on Santander's economic activity outlook, please refer to our last reports<sup>1</sup>.**

<sup>1</sup> **Santander Brazil Economic Activity: "Financial Conditions Remained Stable at Highly Restrictive Levels in March"** – April 06, 2023 – Available on: <https://bit.ly/Std-FCI-mar23>

**Santander Brazil Economic Activity: "As Expected, Activity Data Point to a Weak 4Q22"** – February 28, 2023 – Available on: <https://bit.ly/Std-SAI-dec22>

**Santander Brazil Special Report: "A Breakdown of Brazilian Financial Conditions"** – January 19, 2023 – Available on: <https://bit.ly/Std-special-011923>

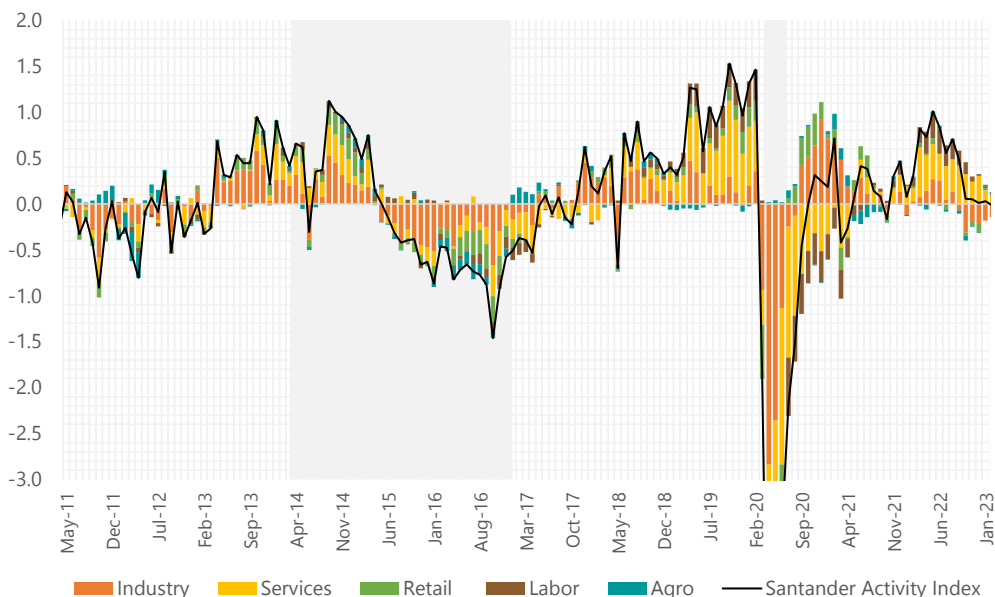


Figure 1 – Santander’s Activity Index Breakdown

Santander Activity Index							
	Weights	Headline			Change		
		Nov-22	Dec-22	Jan-23	Dec-22	Jan-23	
<b>SAI</b>	<b>100%</b>	<b>0.05</b>	<b>0.01</b>	<b>0.03</b>	↑	<b>-0.04</b>	<b>0.02</b>
Industry	20%	-0.20	-0.22	-0.18	↑	-0.02	0.04
Services	28%	0.24	0.31	0.15	↓	0.06	-0.16
Retail	14%	-0.04	-0.08	0.02	↑	-0.04	0.11
Labor	25%	0.06	0.02	0.02	↑	-0.04	0.00
Farm Output	13%	-0.01	-0.01	0.01	↑	0.00	0.03
<b>Goods Sector</b>	<b>34%</b>	<b>-0.24</b>	<b>-0.30</b>	<b>-0.16</b>	↑	<b>-0.06</b>	<b>0.15</b>
<b>Services Sector</b>	<b>54%</b>	<b>0.30</b>	<b>0.33</b>	<b>0.17</b>	↓	<b>0.03</b>	<b>-0.16</b>

Sources: Bloomberg, IBGE, Santander.

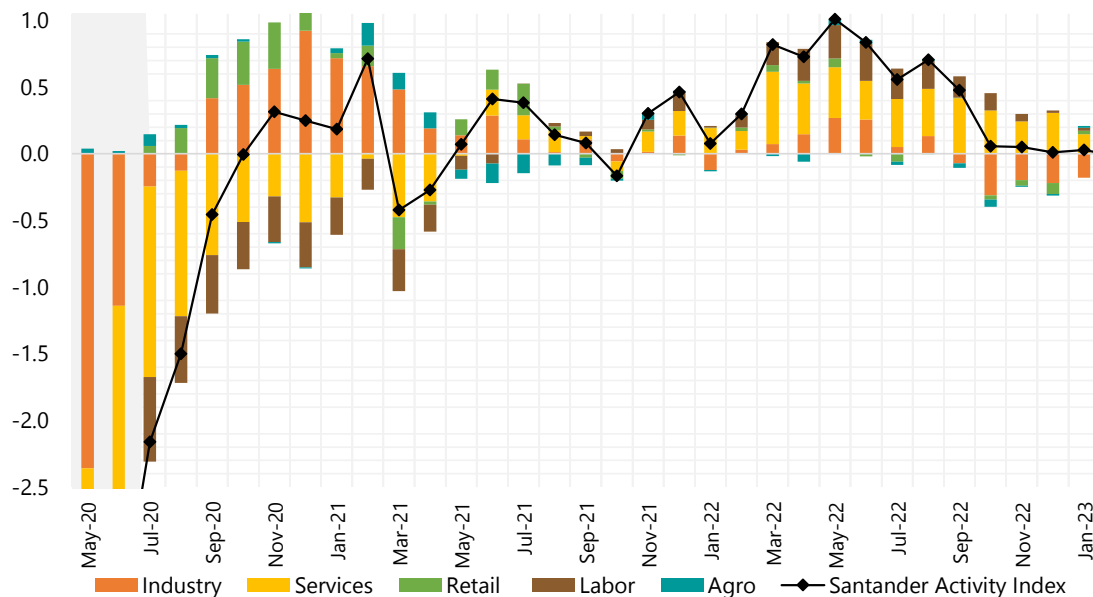
Figure 2 – Santander’s Activity Index (from 2011 to 2022)



Sources: IBGE, FGV, Santander.

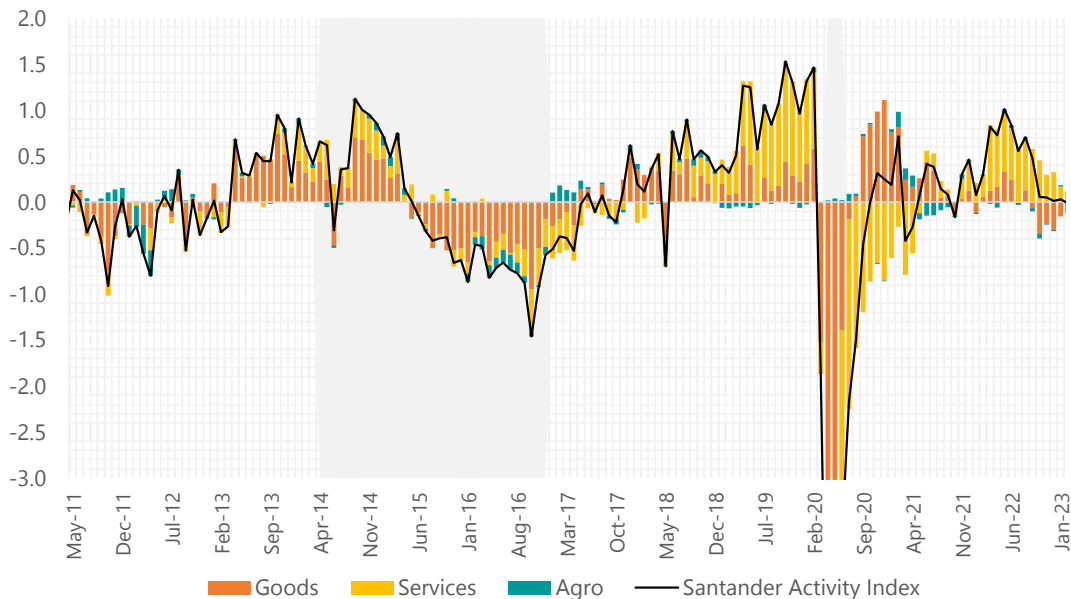


Figure 3 – Santander's Activity Index (from 2020 to 2022)



Sources: IBGE, FGV, Santander.

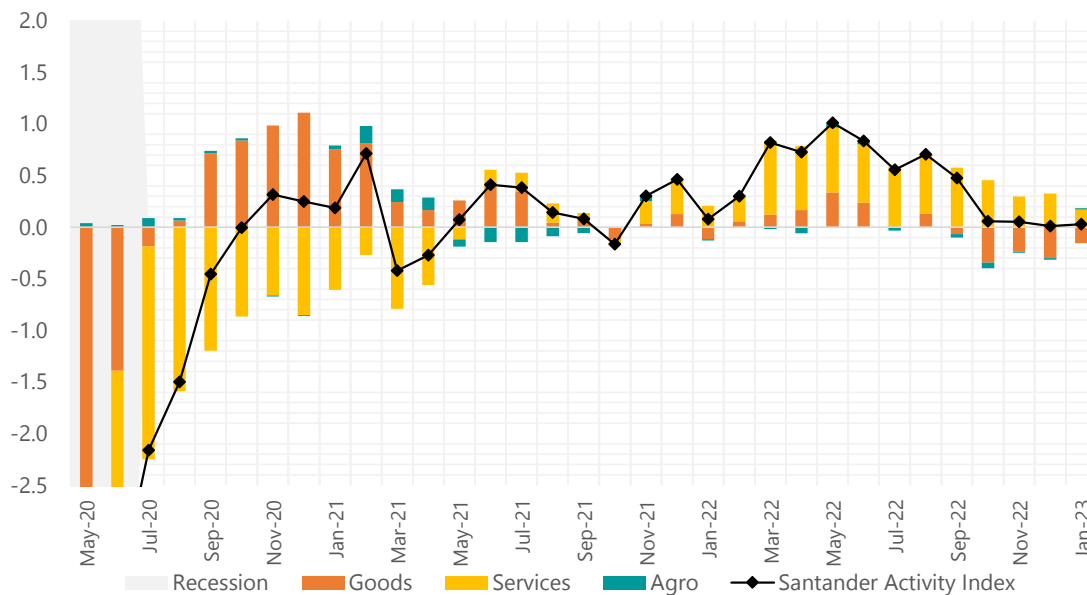
Figure 4 – Santander's Activity Index Breakdown (from 2011 to 2022)



Sources: IBGE, FGV, Santander.

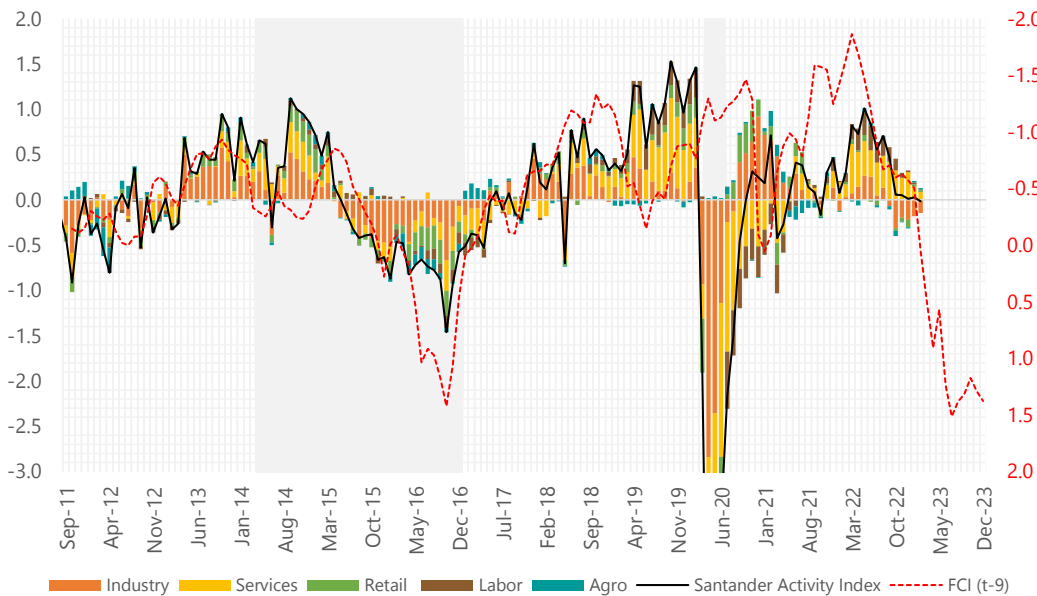


Figure 5 – Santander's Activity Index Breakdown (from 2020 to 2022)



Sources: IBGE, FGV, Santander.

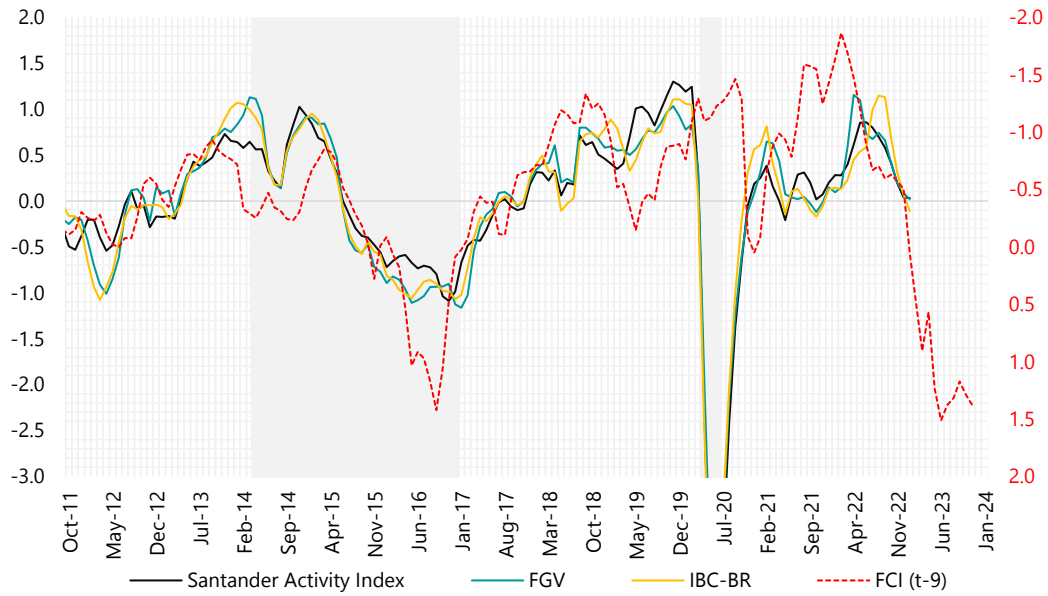
Figure 6 – Santander's Activity Index vs. Financial Conditions Indicator (from 2011 to 2023)



Sources: IBGE, FGV, Bloomberg, Santander.



**Figure 7 – SAI vs. Monthly GDP Proxies\* and Financial Conditions Indicator (from 2011 to 2023)**



Sources: IBGE, FGV, Bloomberg, Santander. \*SAI, FGV's *Monitor do PIB* and BCB's IBC-Br are presented in 3-month moving average.



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