

**SANTANDER ACTIVITY INDEX****STILL INFLUENCED BY AGRICULTURE, SAI SIGNALS NEUTRAL  
PERFORMANCE IN APRIL**

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- **Considering April's available data, Santander's monthly activity index (SAI) returned to neutral territory.** The SAI reached 0.06 points, below March's level, returning to levels close to zero after two months of strong readings. After a positive 1Q23 GDP performance, this SAI result reinforces our view that domestic activity should return to a deceleration trend from 2Q23 onward.
- **Zooming in on the details, goods-related sectors remained the lowlights, while agriculture maintained a solid positive contribution.** The industrial component contributed negatively, -0.16 p.p., marking a weak streak of eight consecutive negative figures. The retail component has returned to negative territory, -0.06 p.p. Cyclical services continued to contribute positively, +0.06 p.p. at the margin, but with a considerable drop from March's figure, affected by the negative result of the IBGE's services survey. The labor market remained close to neutrality, +0.02 p.p. Lastly, the farm output component contributed positively, +0.20 p.p., which marked the third consecutive month at strong levels.
- **May's available data point to negative signals.** Regarding the tertiary sector, FGV's economic confidence data for households, services, and retail remain below the neutral threshold, while our proprietary data (IGet) suggest contraction in both retail sales and services rendered to families. For industry, both FGV's industrial confidence and PMI manufacturing remain below the neutral threshold.
- **Financial conditions remain seriously restrictive.** Santander's financial conditions indicator reached 0.84 points in May (from 0.95 points in April), and when we exclude oil prices from the analysis, financial conditions (ex oil) reached 1.09 points (from 1.06 points in April). These figures pose continued challenges to cyclical activities this year.
- **In the short term, our 2Q23 GDP growth tracking stands at +0.0% QoQ-sa.** Our 2023 GDP growth forecast stands at +1.9%. We continue to see signs of deceleration for broad activity ahead, as more cyclical segments indicate a continued slowing trend owing to highly restrictive financial conditions. In addition, we expect the positive impact of the record summer crops to be limited to 1Q23 and the beginning of 2Q23.

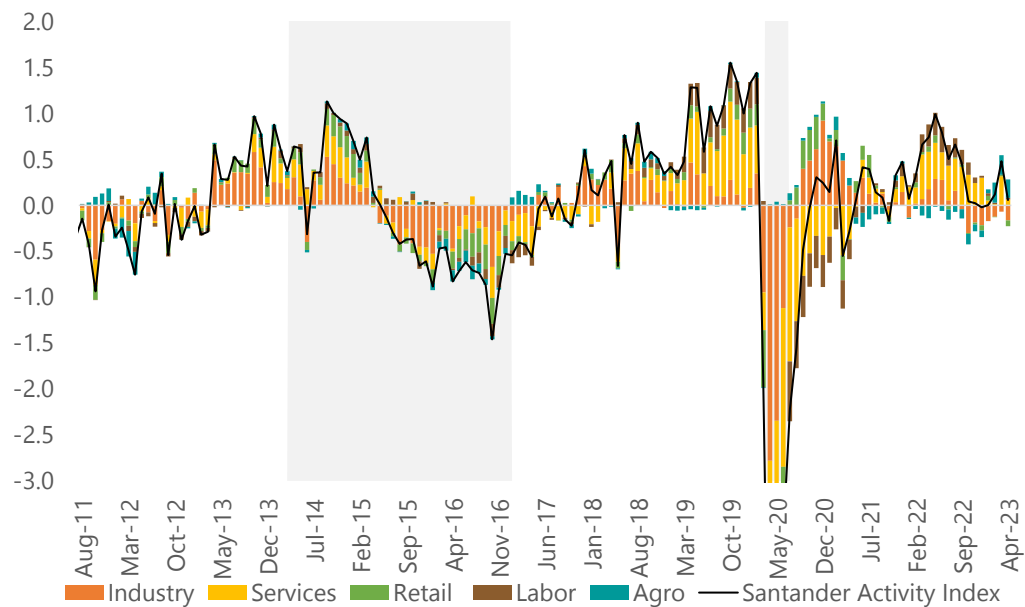


Figure 1 – Santander's Activity Index Breakdown

Santander Activity Index							
	Weights	Headline			Change		
		Feb-23	Mar-23	Apr-23	Mar-23	Apr-23	
<b>SAI</b>	<b>100%</b>	<b>0.12</b>	<b>0.48</b>	<b>0.06</b>	↓	<b>0.36</b>	<b>-0.42</b>
Industry	20%	-0.12	-0.07	-0.16	↓	0.06	-0.10
Services	28%	0.01	0.32	0.06	↓	0.30	-0.25
Retail	14%	-0.01	0.01	-0.06	↓	0.02	-0.08
Labor	25%	0.02	0.00	0.02	↑	-0.02	0.02
Farm Output	13%	0.22	0.21	0.20	↓	0.00	-0.01
<b>Goods Sector</b>	<b>34%</b>	<b>-0.13</b>	<b>-0.05</b>	<b>-0.23</b>	↓	<b>0.08</b>	<b>-0.17</b>
<b>Services Sector</b>	<b>54%</b>	<b>0.03</b>	<b>0.32</b>	<b>0.08</b>	↓	<b>0.29</b>	<b>-0.24</b>

Sources: Bloomberg, IBGE, Santander.

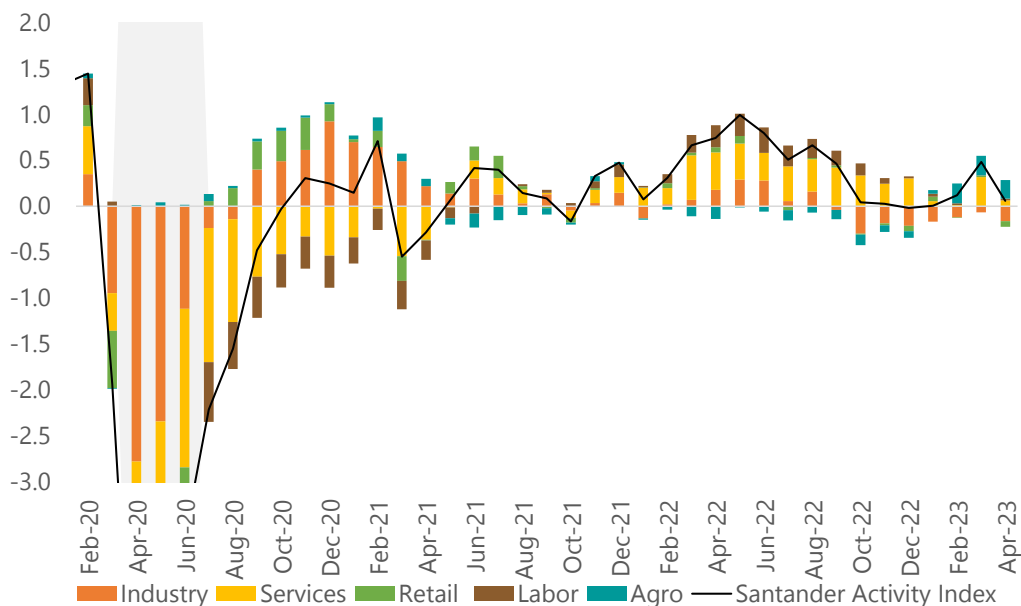
Figure 2 – Santander's Activity Index (from 2011 to 2022)



Sources: IBGE, FGV, Santander.

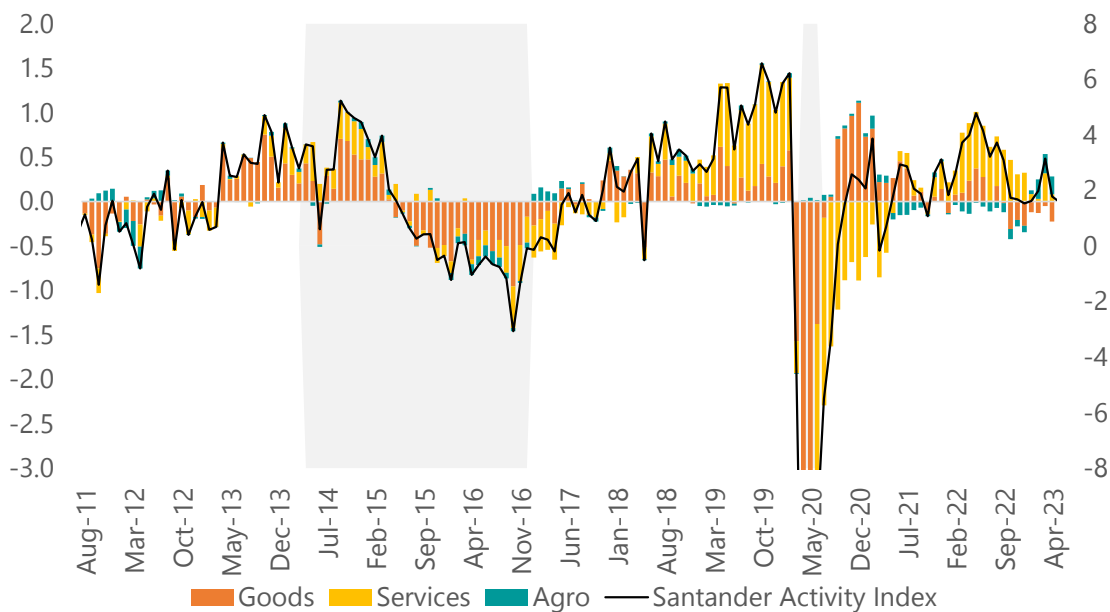


**Figure 3 – Santander's Activity Index (from 2020 to 2022)**



Sources: IBGE, FGV, Santander.

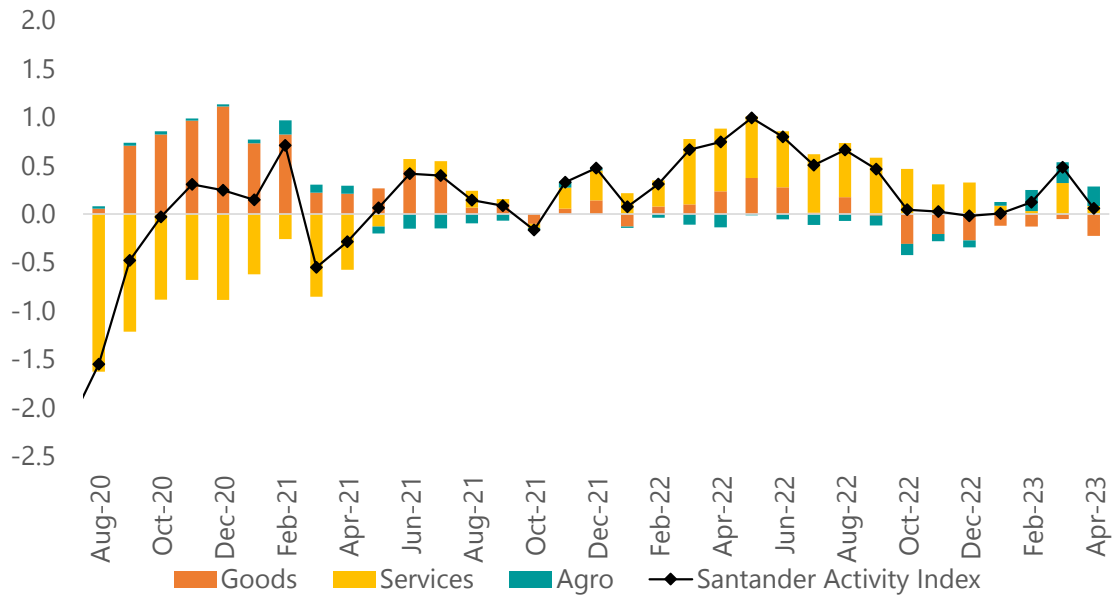
**Figure 4 – Santander's Activity Index Breakdown (from 2011 to 2022)**



Sources: IBGE, FGV, Santander.

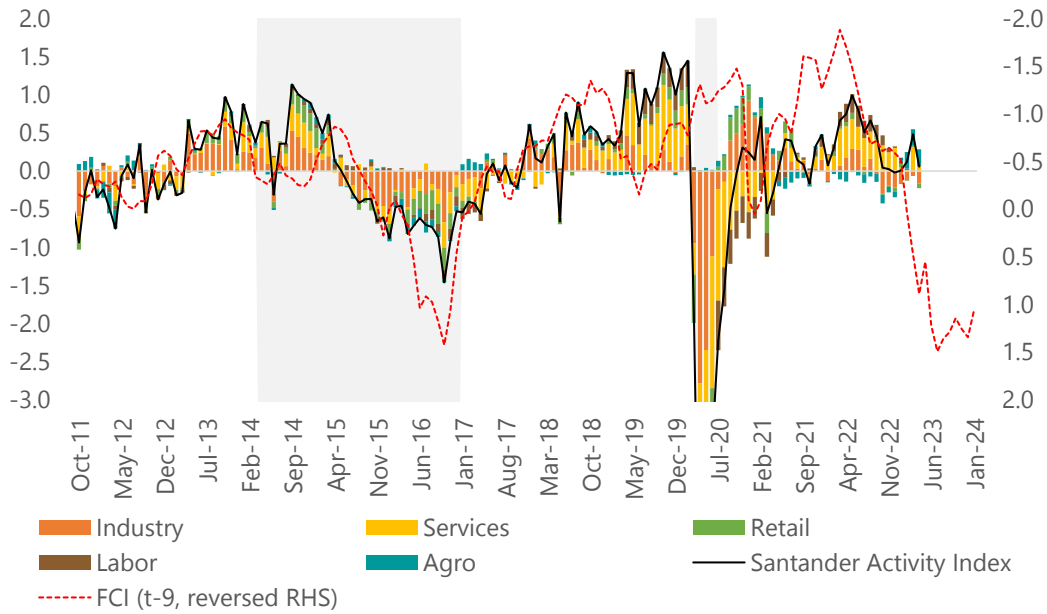


**Figure 5 – Santander's Activity Index Breakdown (from 2020 to 2022)**



Sources: IBGE, FGV, Santander.

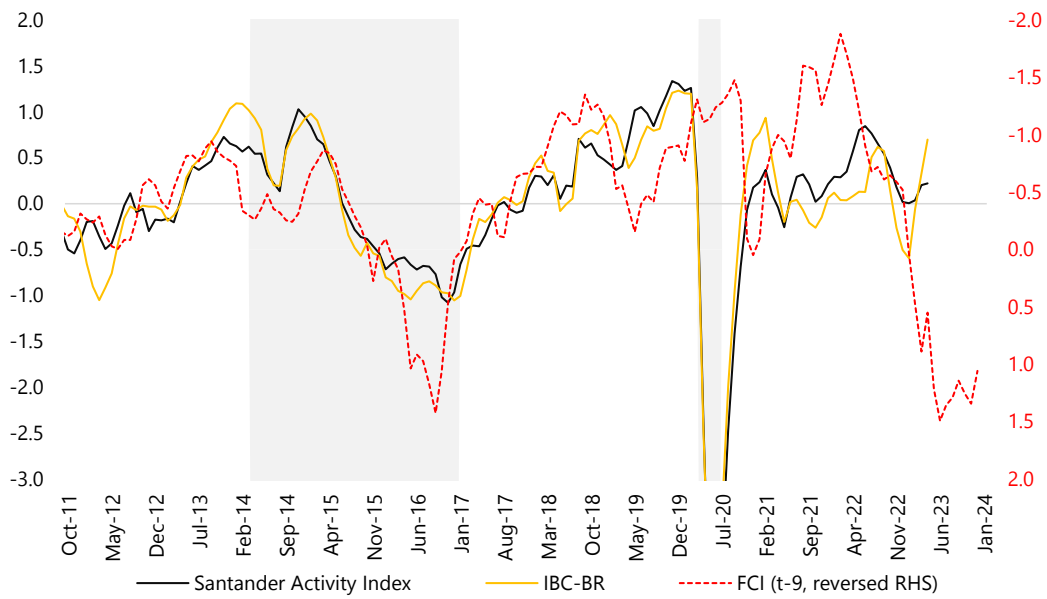
**Figure 6 – Santander's Activity Index vs. Financial Conditions Indicator (from 2011 to 2023)**



Sources: IBGE, FGV, Bloomberg, Santander.



**Figure 7 – SAI vs. IBC-Br and Financial Conditions Indicator (from 2011 to 2023)**



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



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