

Expectations Drive Business Confidence Recovery in August

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- **Aggregated business confidence was up 0.9% in August, reaching 94.8 points, a rebound from July's 0.5% MoM-sa drop.** Looking at the breakdown, this result was driven by a less favorable assessment of the current situation (-0.4% MoM-sa) along with a favorable assessment of expectations (0.6% MoM-sa). The worsening assessment of the current situation stems from weak figures for current demand (-0.7% MoM-sa) and for the current business situation (-1.7% MoM-sa). Regarding expectations for the coming months, there was an increase in expected demand (0.9% MoM-sa).
- **Construction confidence continued to expand in August, reaching 95.9 points, the highest level since October 2022 (100.9 points).** In the breakdown, August's figure stems mainly from an improvement in the current situation and in the expectations component. Capacity utilization was down by 0.6% MoM-sa, to 79.0% (from 79.5%).
- **Industrial confidence continued to weaken in August (-0.5% MoM-sa), marking the second decline in a row.** The headline index reached 91.4 points, the lowest number since August 2020 (89.8 points). This result was driven by a less favorable assessment of the current situation. The survey details indicate mixed signals for capacity utilization.
- **Retail confidence was up 2.4% in August, reaching 93.8 points, a partial rebound from July's number (2.8% MoM-sa drop).** Looking at the breakdown, this result was driven by a less favorable assessment of the current situation along with a favorable assessment of expectations. Regarding expectations for the coming months, there was an increase in all categories except expected employment.
- **Services confidence was down 0.6% in August, reaching 97.4 points, after a 1.4% MoM-sa increase in July.** August's figure was influenced by a less favorable assessment of the current situation and expectations. Among services, growth decelerated, with services to families (-2.4%) and transport (-2.9%) standing out as negatives.
- **Consumer confidence expanded 2.1% MoM-sa in August, reaching 96.8, the highest level since February 2014 (97.0).** In the breakdown, consumer confidence was influenced by improvements in the assessments of both the current situation and expectations. The survey details also indicate that the labor differential was down to 8.0 points MoM-sa (from 68.2), the lowest level since February 2015 (62.2). The labor differential correlates with the unemployment rate and continues to indicate a resilient labor market at the margin.
- **We continue to see financial conditions stifling cyclical activities.** The outlook for 2023 remains challenging, given a tight monetary policy from the Brazilian Central Bank (BCB) and an expected deceleration in global growth. However, a resilient labor market remains a likely positive driver in the short term.

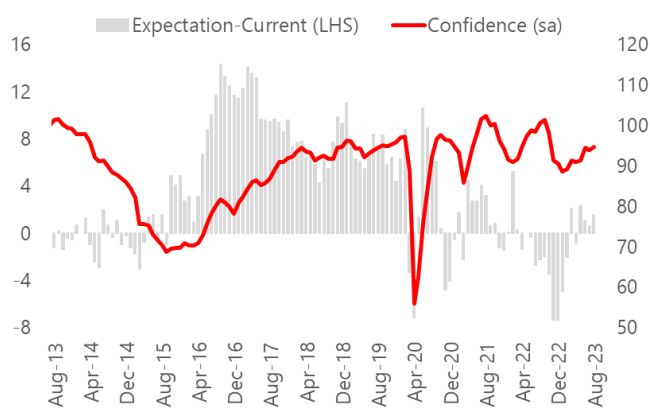


Figure 1 – Confidence Breakdown

FGV Confidence Breakdown							
	Headline				% MoM		
	Jun-23	Jul-23	Aug-23		Jun-23	Jul-23	Aug-23
Business Confidence	94.5	94.0	94.8	↑	3.3	-0.5	0.9
Current Situation	95.1	94.0	93.6	↓	4.4	-1.2	-0.4
Expectations	96.2	94.6	95.2	↑	3.0	-1.7	0.6
Construction	93.9	95.2	95.9	↑	-0.1	1.4	0.7
Current Situation	92.5	94.0	94.6	↑	0.0	1.6	0.6
Expectations	95.3	96.7	97.4	↑	-0.3	1.5	0.7
Industrial	94.0	91.9	91.4	↓	1.2	-2.2	-0.5
Current Situation	92.4	89.5	88.5	↓	0.7	-3.1	-1.1
Expectations	95.6	94.4	94.4	↑	1.7	-1.3	0.0
Retail	94.2	91.6	93.8	↑	7.9	-2.8	2.4
Current Situation	98.9	98	94.6	↓	9.8	-0.9	-3.5
Expectations	89.7	85.6	93.2	↑	5.4	-4.6	8.9
Services	96.6	98.0	97.4	↓	4.0	1.4	-0.6
Current Situation	99.3	99.5	98.5	↓	6.3	0.2	-1.0
Expectations	94.0	96.6	96.3	↓	1.4	2.8	-0.3
Consumer	92.3	94.8	96.8	↑	4.6	2.7	2.1
Current situation	75.7	76.8	81.4	↑	6.2	1.5	6.0
Expectations	104.0	107.4	107.6	↑	3.6	3.3	0.2

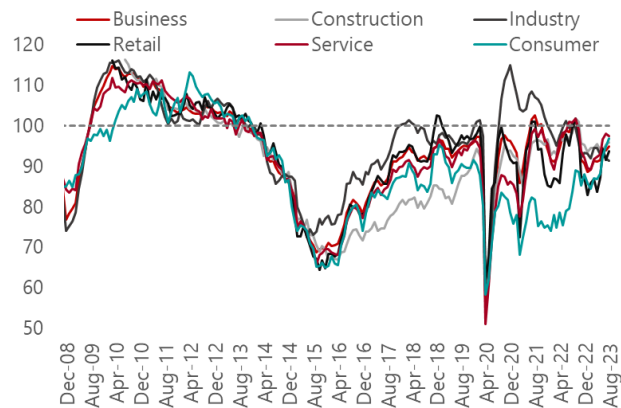
Sources: FGV, Santander.

Figure 2 – Business Confidence (points, sa)



Sources: FGV, Santander.

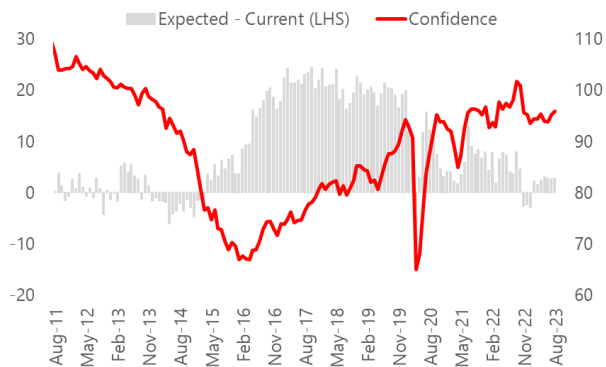
Figure 3 – Economic Confidence Data (points, sa)



Sources: FGV, Santander.

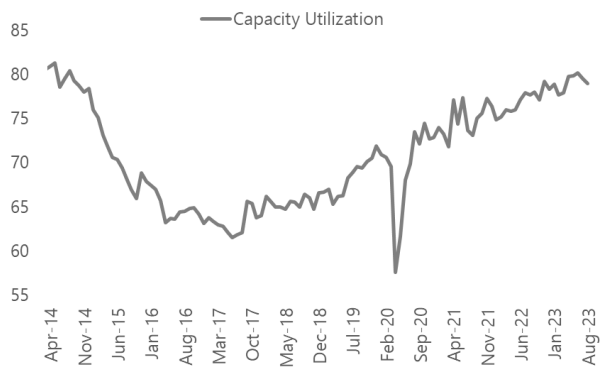


Figure 4 - Construction Confidence (points, sa)



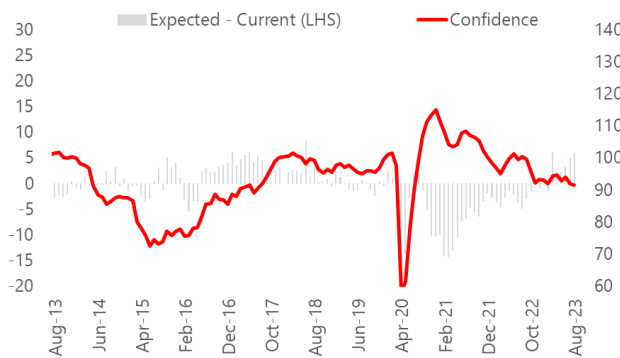
Sources: FGV, Santander.

Figure 5 - Construction Capacity Utilization (%)



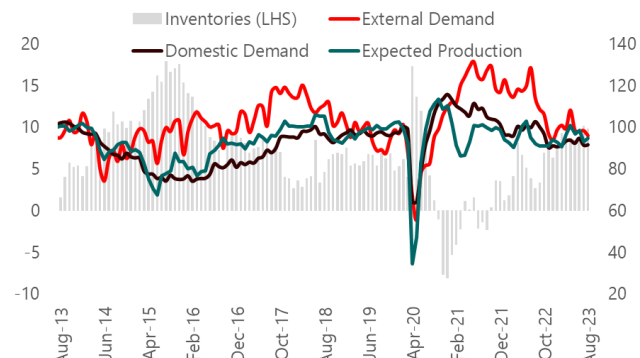
Sources: FGV, Santander.

Figure 6 - Industrial Confidence (points, sa)



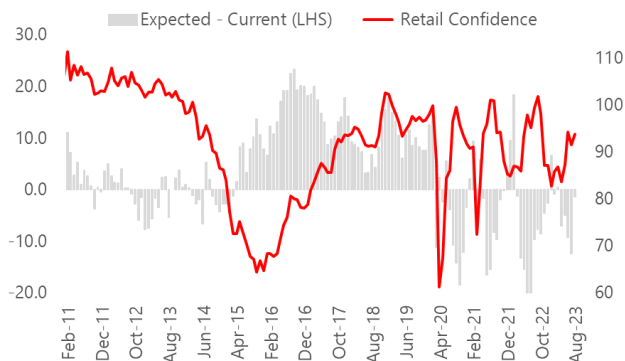
Sources: FGV, Santander.

Figure 7 - Industrial Confidence Breakdown (points, sa)



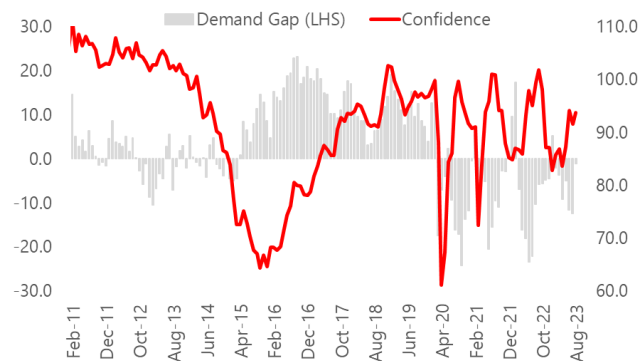
Sources: FGV, Santander.

Figure 8 - Retail Confidence (points, sa)



Sources: FGV, Santander

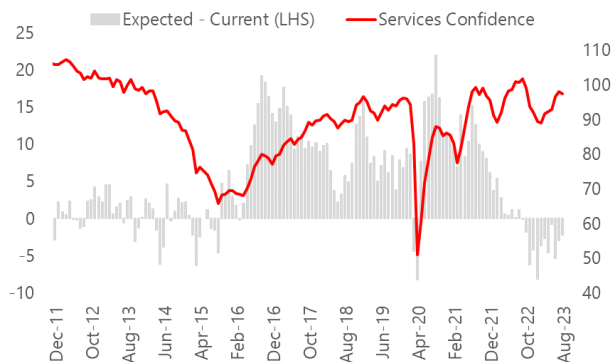
Figure 9 - Retail Demand Gap



Sources: FGV, Santander

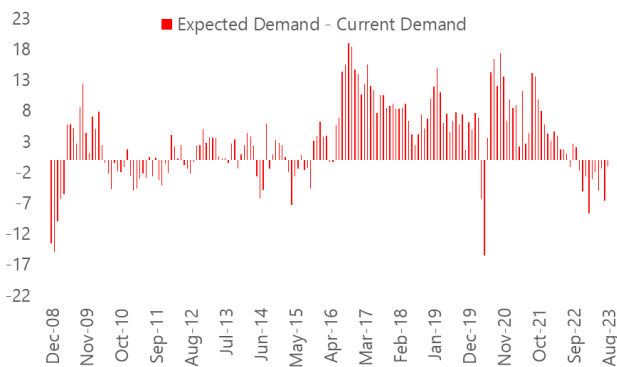


Figure 10 – Service Confidence (points, sa)



Sources: FGV, Santander.

Figure 11 – Service Demand Gap (points, sa)



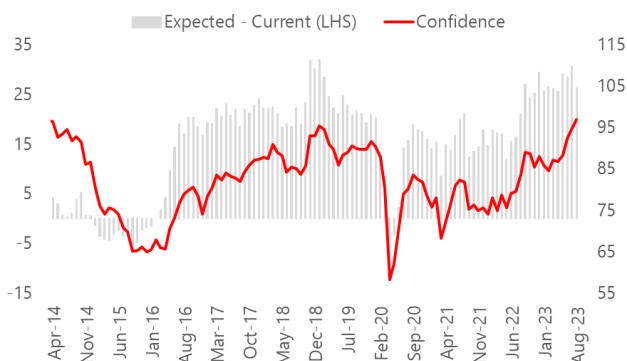
Sources: FGV, Santander.

Figure 12 – Consumer Confidence Breakdown

FGV Consumer Confidence Breakdown							
	Headline				% MoM		
	Jun-23	Jul-23	Aug-23		Jun-23	Jul-23	Aug-23
Consumer Confidence	92.3	94.8	96.8	↑	4.6	2.7	2.1
Current situation	75.7	76.8	81.4	↑	6.2	1.5	6.0
Expectations	104.0	107.4	107.6	↑	3.6	3.3	0.2
Current economic situation	50.1	54.2	64.1	↑	4.7	1.9	4.4
Current financial situation	90.2	90.5	94.0	↑	8.1	0.8	7.9
Current employment	23.2	25.8	31.5	↑	1.6	2.4	5.3
Expected economic situation	129.7	137.0	126.0	↓	2.0	4.6	-6.6
Expected financial situation	131.7	133.8	135.3	↑	-3.8	3.7	2.5
Durable goods purchase	80.3	80.6	83.4	↑	14.6	0.8	6.8
Expected employment	126.8	127.3	125.1	↓	1.5	0.3	-1.6
Interest rates	103.1	115.5	120.2	↑	4.0	3.8	1.4
Labor Differential	77.0	74.1	68.2	↓	-2.2	-3.8	-8.0

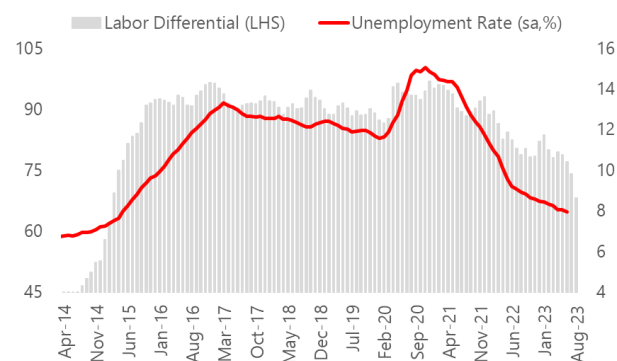
Sources: FGV, Santander.

Figure 13 – Consumer Confidence (points, sa)



Sources: FGV, Santander.

Figure 14 – Labor Differential (points, sa) x Unemployment Rate (% sa)



Sources: FGV, Santander.

For details on Santander’s activity outlook, please refer to our last chartbook¹ and our most recent special report².

¹ Santander Brazil Economic Activity - “Chartbook – Increasing our 2024 GDP Growth Forecast” – August 16, 2023 – Available on: <https://tinyurl.com/Std-chart-econact-aug23>



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