

BROAD ACTIVITY PARTIALLY BOUNCES BACK AFTER JANUARY'S DROP

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- The IBC-Br (a proxy for monthly GDP) rose 0.34% MoM-sa (0.66% YoY) in February, slightly below our call of +0.6% MoM-sa (+0.7% YoY) and in line with market consensus of +0.4% MoM-sa (+0.5% YoY), but not enough to fully offset January's contraction (-0.73%). As expected, the original series was revised upward to +0.21% YoY (from 0% YoY in January), while the adjusted series was revised to -0.73% MoM-sa (from -0.99% MoM-sa).
- February's print placed broad activity virtually at the same level seen at the pre-pandemic mark (February 2020), mainly reflecting the positive performance in goods-related sectors in the month: broad retail sales and industrial output inched up 2.1% MoM-sa and 0.7% MoM-sa, respectively. We also consider that health and education services (not integrally captured by timely activity indexes) may have contributed positively, partially bouncing back after January's drop (which took place amid the Omicron variant outbreak) and in line with the employed population recovery seen in the period.
- Regarding 1Q22, February's figure implies a statistical carryover of -0.14% QoQ-sa, following 0.11% QoQ-sa growth in 4Q21. Regarding March's print, our tracking stands at +0.57% MoM-sa (+1.0% YoY). We are maintaining our 1Q22 GDP growth tracking at +0.5% QoQ-sa. Our growth thesis for 1Q22 rests on a good contribution from the services segments, primarily those that are still quite idle compared to the pre-crisis period (e.g., Other Services and Public Services, which account for nearly 30% of total GDP). Moreover, we (still) expect farm output to strengthen, contributing positively in 1Q22. We forecast GDP growth of 0.7% in 2022 and a 0.3% contraction of real activity in 2023.

Figure 1 – Economic Activity Breakdown

	% MoM			% YoY			% QoQ			%	
	Dec-21	Jan-22	Feb-22	Dec-21	Jan-22	Feb-22	Sep-21	Dec-21	Feb-22	Feb-20	Carry*
IBC-Br	0.3	-0.7	0.3	1.7	0.2	0.7	-0.1	0.1	0.3	0.0	-0.1
Industry	2.7	-2.2	0.7	-4.9	-7.2	-4.3	-1.9	-0.1	1.3	-2.6	0.0
Core Retail Sales	-2.6	2.0	1.1	-3.0	-1.9	1.3	-0.2	-2.6	-0.5	1.1	0.6
Broad Retail Sales	0.0	0.2	2.1	-2.7	-1.4	0.3	-1.4	-1.9	1.1	0.9	1.0
Services	2.3	-1.8	-0.2	11.0	9.3	7.4	2.6	0.1	2.2	5.4	1.0

Sources: IBGE, BCB, Santander. *Carryover calculated to 1Q22.

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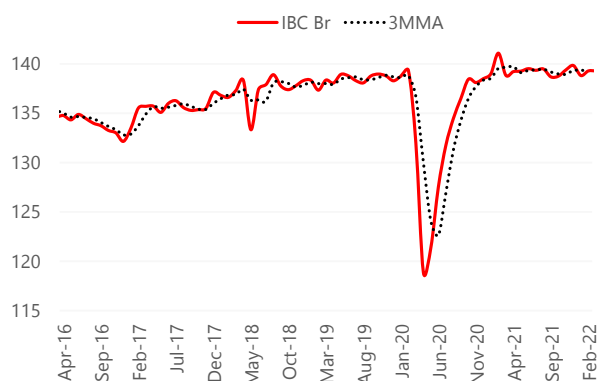


Monthly GDP proxy (IBC-Br) partially rebounded in February. The IBC-Br (a proxy for monthly GDP) rose 0.34% MoM-sa (0.66% YoY) in February, slightly below our call of +0.6% MoM-sa (+0.7% YoY) and in line with market consensus of +0.4% MoM-sa (+0.5% YoY). Despite the growth at the margin, it was insufficient to fully offset January's contraction (-0.73%). Regarding revisions, as expected, the original series was revised upward to +0.21% YoY (from 0% YoY) in January, while the adjusted series was revised to -0.73% MoM-sa (from -0.99% MoM-sa). We saw no significant revisions in the previous months (for either adjusted or unadjusted series).

February's partial rebound virtually places the economy at pre-pandemic levels. Indeed, the index reached virtually the same level seen in February 2020, although it was 1.3% below the recent spike seen in February 2021 (in the adjusted series), which reflected an all-time high soybean harvest. Among key sectors, February's print is due to a positive performance in goods-related sectors: broad retail sales and industrial output inched up 2.1% MoM-sa and +0.7% MoM-sa, respectively, while services' real revenue stayed virtually flat (-0.1% MoM-sa) in the period. We also consider that health and education services (not integrally captured by timely activity indexes) may have contributed positively, bouncing back after January's drop (which took place amid the Omicron variant outbreak) and in line with the employed population recovery seen in the period.

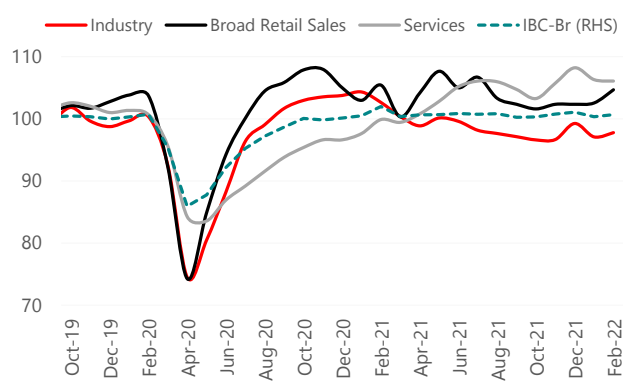
Regarding 1Q22, February's figure still implies a weak carryover. We calculate an implied statistical carryover of -0.14% QoQ-sa, following 0.11% QoQ-sa growth in 4Q21 (+0.6% YoY, while GDP rose +1.7% YoY in the period). Regarding March's print, our tracking stands at +0.57% MoM-sa (+1.0% YoY), owing mainly to a flat expected figure for industrial output (0% MoM-sa), to solid growth for services' real revenue (+1.2% MoM-sa), as well as to a slight retreat for broad retail sales (-0.4% MoM-sa). We are maintaining our 1Q22 GDP growth tracking at +0.5% QoQ-sa. Our growth thesis for 1Q22 rests on a good contribution from the services segments, primarily those that are still quite idle compared to the pre-crisis period (e.g., Other Services and Public Services, which account for nearly 30% of total GDP). Moreover, we (still) expect farm output to strengthen, contributing positively in 1Q22. We forecast GDP growth of 0.7% in 2022 and a 0.3% contraction of real activity in 2023. **For details on Santander's activity outlook, please refer to our last chartbook¹.**

Figure 2.A – IBC-Br (sa, 2003=100)



Sources: BCB, Santander.

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

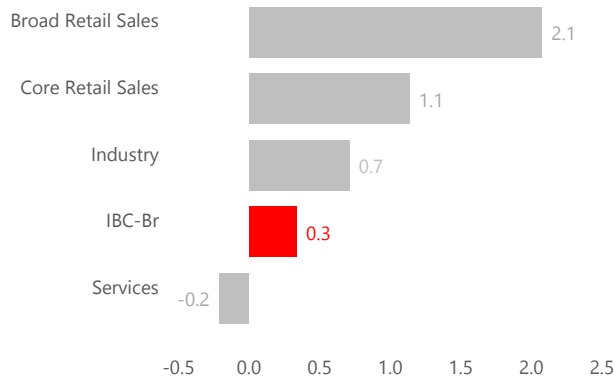


Sources: IBGE, BCB, Santander

¹ Santander Brazil Economic Activity: "Resilience in 2022, but with Concerns Regarding 2023" – April 19, 2022 – Available on: <https://bit.ly/Std-chart-Econact-apr22>

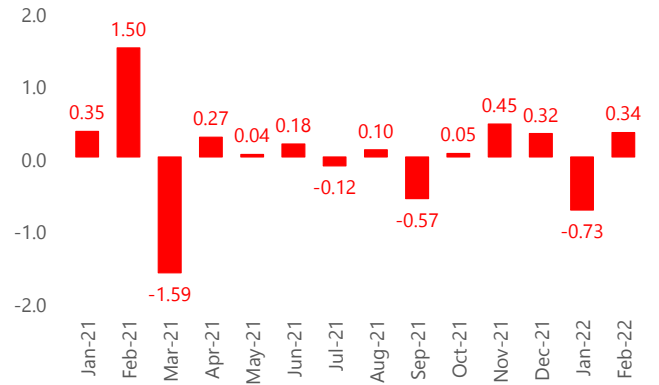


Figure 3.A – Activity Indexes (sa, MoM %)



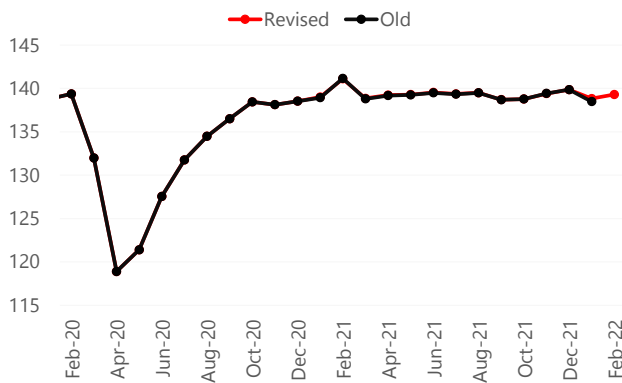
Sources: BCB, IBGE, Santander.

Figure 3.B – IBC-Br (sa, MoM%)



Sources: BCB, Santander.

Figure 4.A – IBC-Br (sa, 2002=100)



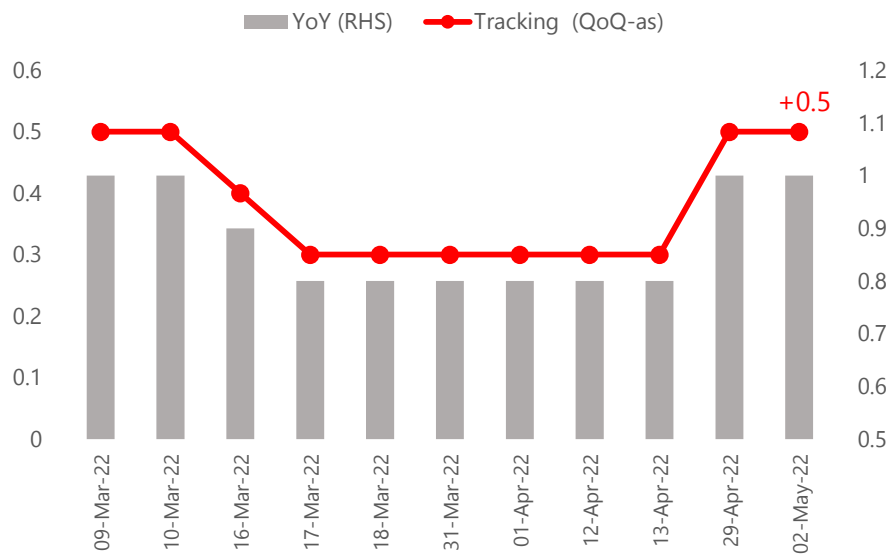
Sources: BCB, Santander.

Figure 4.B – Revisions

	NSA (YoY%)		SA (MoM %)	
	Previous	Revised	Previous	Revised
Feb-21	-0.04	0.00	1.60	1.50
Mar-21	5.99	6.00	-1.67	-1.59
Apr-21	17.26	17.27	0.27	0.27
May-21	14.97	14.98	0.06	0.04
Jun-21	9.41	9.42	0.17	0.18
Jul-21	5.15	5.16	-0.11	-0.12
Aug-21	4.51	4.53	0.11	0.10
Sep-21	1.11	1.13	-0.57	-0.57
Oct-21	-1.22	-1.21	0.06	0.05
Nov-21	1.22	1.23	0.47	0.45
Dec-21	1.73	1.74	0.32	0.32
Jan-22	0.01	0.21	-0.99	-0.73
Feb-22	-	0.66	-	0.34

Sources: BCB, Santander.

Figure 5 – 1Q22 GDP Growth Tracking (% , QoQ-sa and YoY-nsa)



Sources: IBGE, Santander



Figure 6 – Santander GDP Tracking

1Q22 GDP Growth						
Date	Release	Reference	Tracking (%)		Projection (%)	
			QoQ-sa	YoY	QoQ-sa	YoY
09-Mar-22	Industry	Jan-22	0.5	1.0	0.5	1.0
10-Mar-22	Retail Sales	Jan-22	0.5	1.0	0.5	1.0
16-Mar-22	Services	Jan-22	0.4	0.9	0.5	1.0
17-Mar-22	IBC-Br	Jan-22	0.3	0.8	0.5	1.0
18-Mar-22	PNAD	Jan-22	0.3	0.8	0.5	1.0
31-Mar-22	PNAD	Feb-22	0.3	0.8	0.5	1.0
01-Apr-22	Industry	Feb-22	0.3	0.8	0.5	1.0
12-Apr-22	Services	Feb-22	0.3	0.8	0.5	1.0
13-Apr-22	Retail Sales	Feb-22	0.3	0.8	0.5	1.0
29-Apr-22	PNAD	Mar-22	0.5	1.0	0.5	1.0
02-May-22	IBC-Br	Feb-22	0.5	1.0	0.5	1.0

Sources: IBGE, Santander.



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