

Mixed Signals in September's Confidence Results

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- **Aggregated business confidence weakened 0.7% in September, reaching 94.1 points, after a positive result in August (+0.9% MoM-sa).** Looking at the breakdown, this result was driven by a less favorable assessment of expectations (-2.2% MoM-sa) and a favorable assessment of the current situation (1.0% MoM-sa). The worsening of expectations assessment stems from weak figures for expected demand (-1.6% MoM-sa) and business trend (-2.6% MoM-sa). Regarding the current situation, there was an increase in current business situation (4.2% MoM-sa).
- **Construction confidence continued to increase in September, reaching 98.1, the highest level since October 2022 (100.9).** The headline index climbed 2.3% MoM-sa. In the breakdown, September's figure stems from an increase in the current situation component (up by 2.0%) and the expectations component (up by 2.5%). Capacity utilization climbed 0.4% MoM-sa, to 79.4% (from 79.0%).
- **Industrial confidence continued to weaken in September (-0.4% MoM-sa), marking the third decline in a row.** It was the worst level since July 2020 (89.8 points). Looking at the breakdown, this result was driven by a positive contribution from the current situation (1.4% MoM-sa) and a less favorable assessment of expectations (-2.1% MoM-sa). The survey details indicate mixed signals for capacity utilization.
- **Retail confidence weakened -1.7% in September, reaching 92.2 points, after a positive result in August (+2.4% MoM-sa).** Looking at the breakdown, this result stems from a less favorable assessment of both the current situation and expectations. Among retail activities, furniture (+1.8% MoM-sa) was the main positive highlight, while clothing (-5.5% MoM-sa), supermarkets (-5.0% MoM-sa), building materials (-3.1% MoM-sa), and vehicles and autoparts (-3.7% MoM-sa) were the main negatives.
- **Services confidence was down 0.5% in September, reaching 96.9 points, after a 0.6% MoM-sa decrease in August.** September's figure was influenced by a positive assessment of the current situation (0.6% MoM-sa) and a less favorable assessment of expectations (-1.7% MoM-sa). Among services, growth decelerated, with transport (-1.4% MoM-sa), professional (-0.9% MoM-sa), and information (-0.8% MoM-sa) as the main negatives.
- **Consumer confidence expanded 0.2% MoM-sa in September, reaching 97.0, the highest level since January 2014 (98.5).** The index rose for the fifth month in a row but at a slower rate than last month. In the breakdown, consumer confidence was influenced by an improved assessment of current situation (+2.2% MoM-sa) and a decrease in expectations (-0.8% MoM-sa). The survey indicates an increase in confidence at the lower income levels (up to BRL4,800), while for an income level of over BRL4,800 the survey indicates a decrease in consumer confidence. From a regional perspective, the survey indicates an increase in confidence in São Paulo and other capitals but a drop in confidence in Rio de Janeiro.
- **We continue to see financial conditions stifling cyclical activities.** The outlook remains challenging, given the tight monetary policy of the Brazilian Central Bank (BCB) and an expected deceleration in global growth. However, a resilient labor market continues to be a positive driver in the short term.

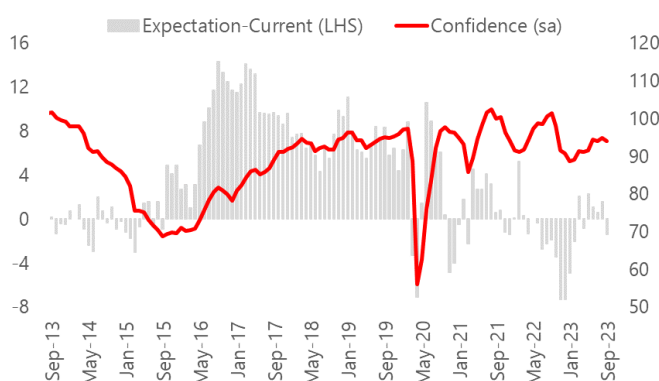


Figure 1 – Confidence Breakdown

FGV Confidence Breakdown							
	Headline				% MoM		
	Jul-23	Aug-23	Sep-23		Jul-23	Aug-23	Sep-23
Business Confidence	94.0	94.8	94.1	↓	-0.5	0.9	-0.7
Current Situation	94.0	93.6	94.5	↑	-1.2	-0.4	1.0
Expectations	94.6	95.2	93.1	↓	-1.7	0.6	-2.2
Construction	95.2	95.9	98.1	↑	1.4	0.7	2.3
Current Situation	94.0	94.6	96.5	↑	1.6	0.6	2.0
Expectations	96.7	97.4	99.8	↑	1.5	0.7	2.5
Industrial	91.9	91.4	91.0	↓	-2.2	-0.5	-0.4
Current Situation	89.5	88.5	89.7	↑	-3.1	-1.1	1.4
Expectations	94.4	94.4	92.4	↓	-1.3	0.0	-2.1
Retail	91.6	93.8	92.2	↓	-2.8	2.4	-1.7
Current Situation	98.0	94.6	94.2	↓	-0.9	-3.5	-0.4
Expectations	85.6	93.2	90.5	↓	-4.6	8.9	-2.9
Services	98.0	97.4	96.9	↓	1.4	-0.6	-0.5
Current Situation	99.5	98.5	99.1	↑	0.2	-1.0	0.6
Expectations	96.6	96.3	94.7	↓	2.8	-0.3	-1.7
Consumer	94.8	96.8	97.0	↑	2.7	2.1	0.2
Current situation	76.8	81.4	83.2	↑	1.5	6.0	2.2
Expectations	107.4	107.6	106.7	↓	3.3	0.2	-0.8

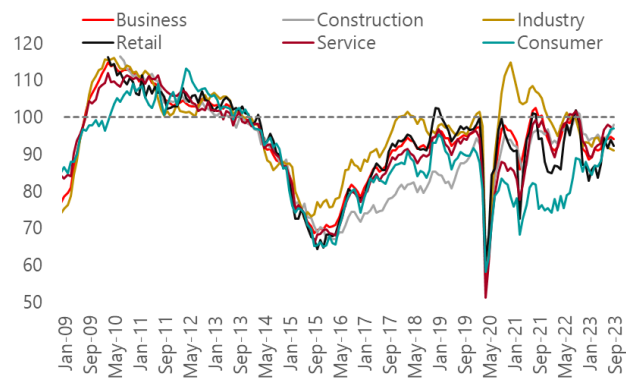
Sources: FGV, Santander.

Figure 2 – Business Confidence (points, sa)



Sources: FGV, Santander.

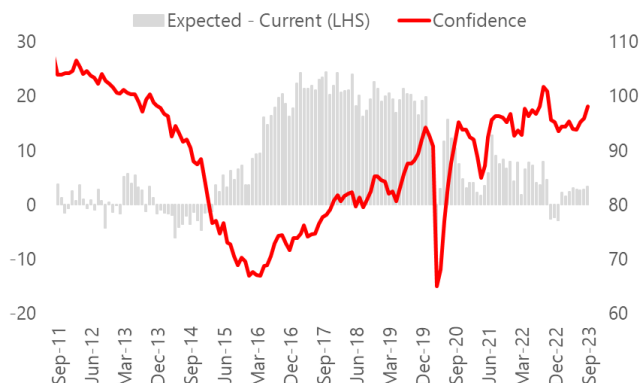
Figure 3 – Economic Confidence Data (points, sa)



Sources: FGV, Santander.

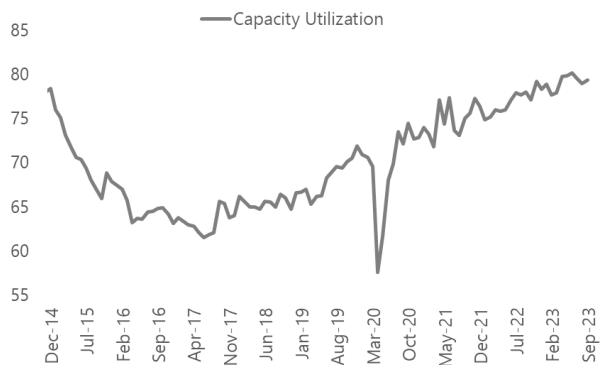


Figure 4 - Construction Confidence (points, sa)



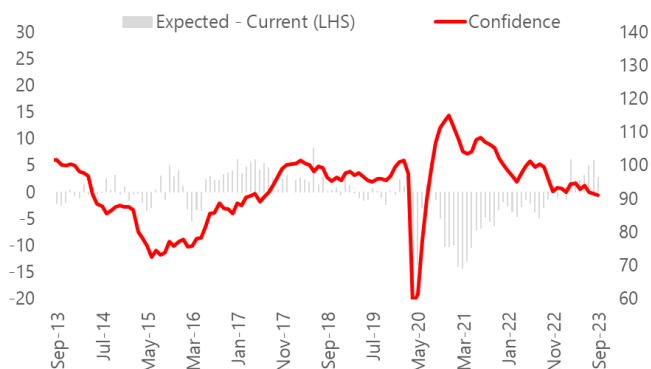
Sources: FGV, Santander.

Figure 5 - Construction Capacity Utilization (%)



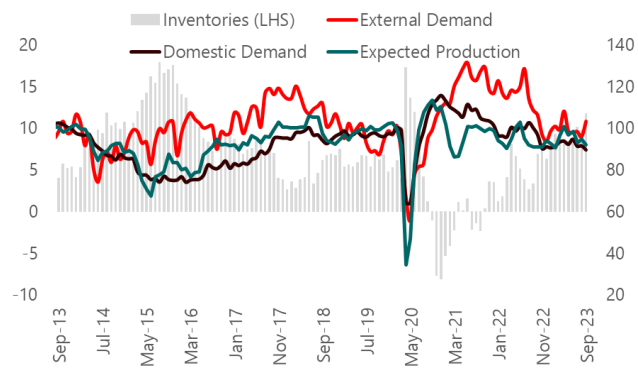
Sources: FGV, Santander.

Figure 6 - Industrial Confidence (points, sa)



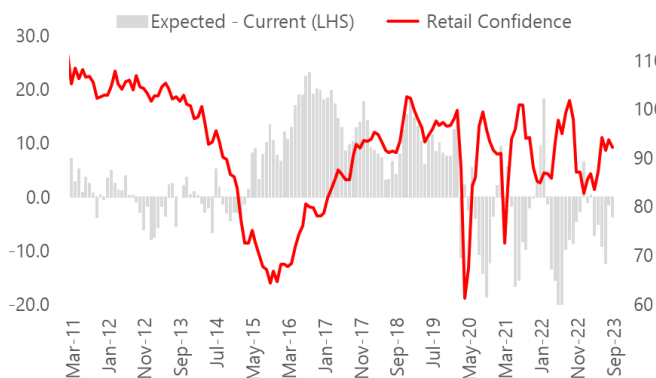
Sources: FGV, Santander.

Figure 7 - Industrial Confidence Breakdown (points, sa)



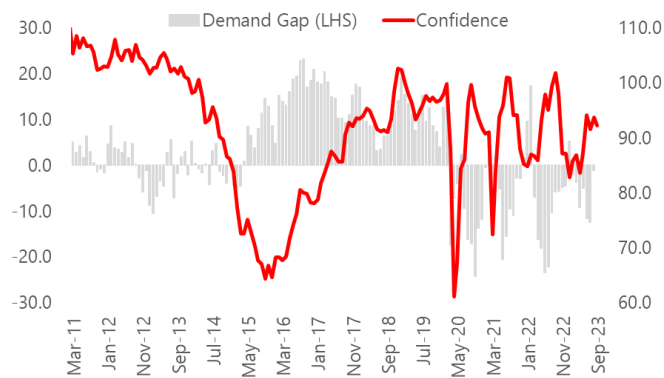
Sources: FGV, Santander.

Figure 8 - Retail Confidence (points, sa)



Sources: FGV, Santander

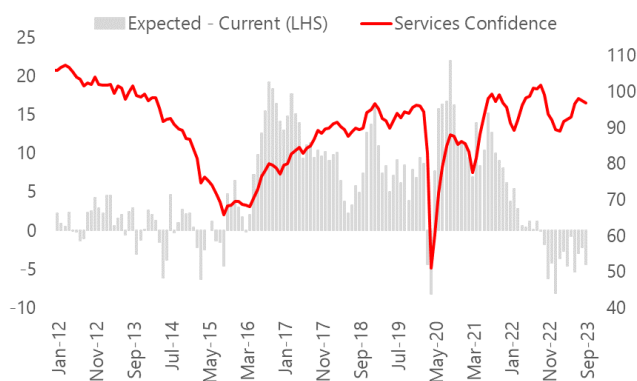
Figure 9 - Retail Demand Gap



Sources: FGV, Santander

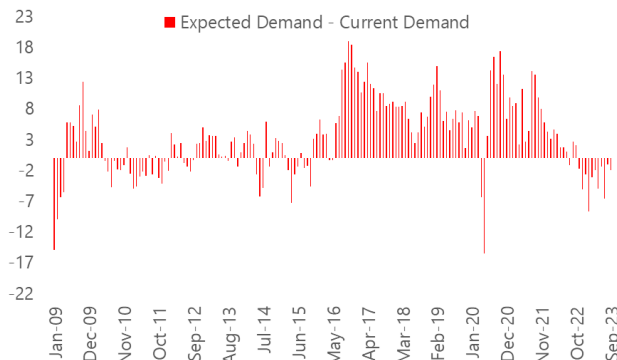


Figure 10 – Service Confidence (points, sa)



Sources: FGV, Santander.

Figure 11 – Service Demand Gap (points, sa)



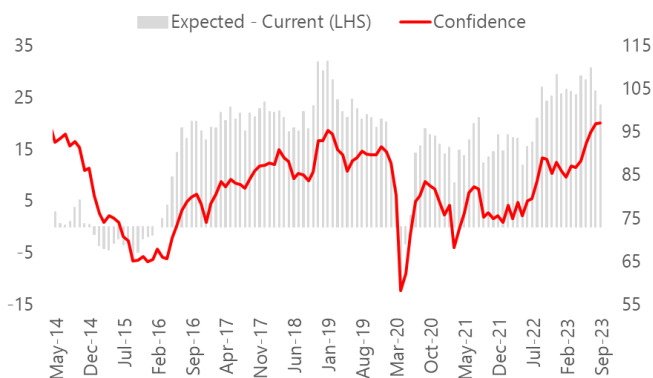
Sources: FGV, Santander.

Figure 12 – Consumer Confidence Breakdown

FGV Consumer Confidence Breakdown							
	Headline				% MoM		
	Jul-23	Aug-23	Sep-23		Jul-23	Aug-23	Sep-23
Consumer Confidence	94.8	96.8	97.0	↑	2.7	2.1	0.2
Current situation	76.8	81.4	83.2	↑	1.5	6.0	2.2
Expectations	107.4	107.6	106.7	↓	3.3	0.2	-0.8
Current economic situation	54.2	64.1	67.6	↑	1.9	4.4	1.4
Current financial situation	90.5	94.0	95.5	↑	0.8	7.9	3.2
Current employment	25.8	31.5	37.3	↑	2.4	5.3	5.1
Expected economic situation	137.0	126.0	128.1	↑	4.6	-6.6	1.3
Expected financial situation	133.8	135.3	132.3	↓	3.7	2.5	-4.8
Durable goods purchase	80.6	83.4	83.8	↑	0.8	6.8	0.9
Expected employment	127.3	125.1	123.6	↓	0.3	-1.6	-1.1
Interest rates	115.5	120.2	114.1	↓	3.8	1.4	-1.8
Labor Differential	74.1	68.2	61.6	↓	-3.8	-8.0	-9.7

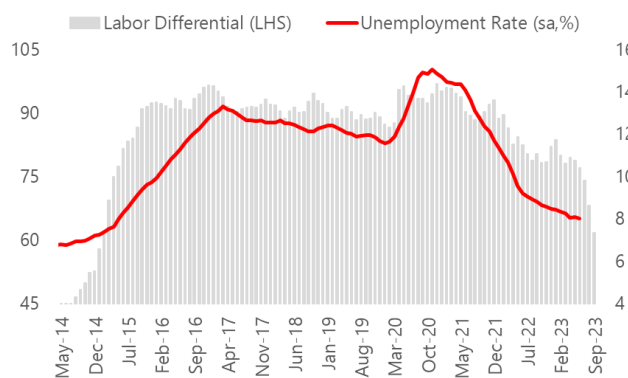
Sources: FGV, Santander.

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 – Upgrading Our 2023 GDP Growth Forecast (Again)” – September 22, 2023 – Available on: <https://tinyurl.com/Std-chart-econact-sep23>



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