

## A TEPID START TO 2Q22

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- The IBC-Br (a proxy for monthly GDP) inched down 0.44% MoM-sa in April (our forecast: -0.30% MoM-sa), following the 1.09% MoM-sa jump seen in March, but with the series considerably being revised upwards. Compared to April 2021, broad activity jumped 2.23% YoY, following the 2.58% YoY growth seen in March.
- Despite marking a tepid start to the quarter, April's figure places broad activity 2.1% above the pre-pandemic mark (February 2020). Moreover, April's figure implies a 0.5% carryover to 2Q22 (+1.1% in 1Q22), reinforcing the likelihood of a sequential gain for broad activity during the period.
- We are slightly upgrading our 2Q22 GDP growth tracking to +0.6% QoQ-sa (from +0.5% QoQ-sa previously), which implies significant upside risks to our 2022 GDP growth forecast of 1.2%. We still believe the broad economy will turn sour in 2H22, once the effects of a tighter monetary policy start to kick in, but the additional recent fiscal stimuli may partially support demand in 2H22, in our view.

Figure 1 – Economic Activity Breakdown

	% MoM			% YoY			% QoQ		%		
	Feb-22	Mar-22	Apr-22	Feb-22	Mar-22	Apr-22	Dec-21	Mar-22	Apr-22	Feb-20	Carry*
<b>IBC-Br</b>	<b>0.7</b>	<b>1.1</b>	<b>-0.4</b>	<b>1.1</b>	<b>2.6</b>	<b>2.2</b>	<b>1.0</b>	<b>1.1</b>	<b>1.2</b>	<b>2.1</b>	<b>0.5</b>
<b>Industry</b>	0.7	0.6	0.2	-4.1	-1.9	-0.5	0.1	0.6	0.8	-1.4	1.0
Core Retail Sales	1.4	1.4	0.9	1.3	4.9	4.5	-2.3	2.1	3.3	4.0	2.3
<b>Broad Retail Sales</b>	<b>2.4</b>	<b>0.1</b>	<b>0.7</b>	<b>0.3</b>	<b>5.3</b>	<b>1.5</b>	<b>-1.9</b>	<b>1.7</b>	<b>2.6</b>	<b>1.6</b>	<b>1.5</b>
<b>Services</b>	<b>-0.1</b>	<b>1.4</b>	<b>0.2</b>	<b>7.4</b>	<b>11.6</b>	<b>9.4</b>	<b>1.0</b>	<b>1.6</b>	<b>0.7</b>	<b>7.2</b>	<b>1.1</b>

Sources: IBGE, BCB, Santander. \*Carryover calculated to 2Q22.

**Monthly GDP proxy (IBC-Br) weakened in April.** The index inched down 0.44% MoM-sa in April, slightly below our estimate (+0.3% MoM-sa) and following a solid jump of 1.09% MoM-sa seen in March. In the interannual metric, broad activity accelerated to 2.23% YoY growth (from +2.58% YoY seen in March). April's print places the headline index 2.1% above the pre-pandemic mark (February 2020) but the index remain slightly below the spike seen in February 2021 (down 0.1%).

**Data still points to an encouraging view of 2Q activity.** Despite marking a tepid start to the quarter, April's figure implies a solid 0.5% carryover to 2Q22 (the index expanded +1.1% QoQ-sa in 1Q22), reinforcing the likelihood of a new sequential healthy figure for broad activity. We are slightly upward updating our 2Q22 GDP growth tracking to +0.6% QoQ-sa (from +0.5% previously), which implies significant upside risks to our 1.2% 2022 GDP growth forecast.

**IMPORTANT DISCLOSURES/CERTIFICATIONS ARE IN THE "IMPORTANT DISCLOSURES" SECTION OF THIS REPORT.**

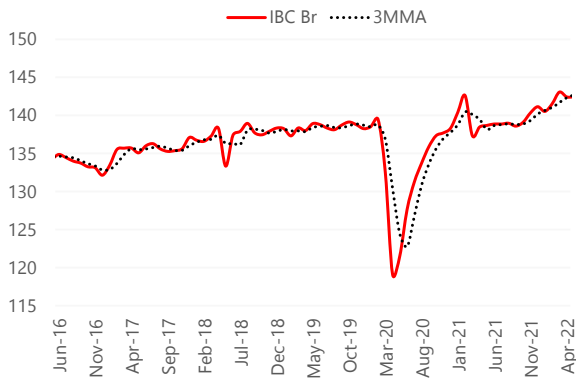
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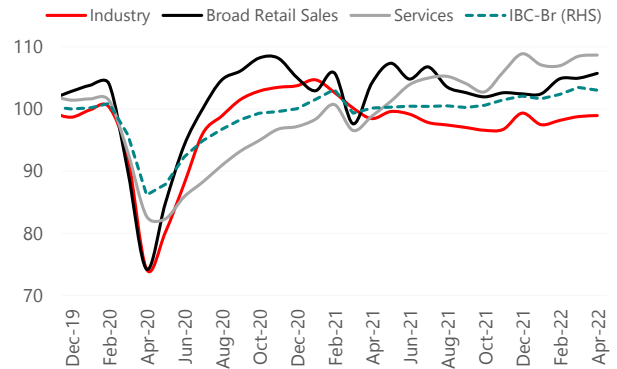
**Our baseline scenario contemplates a weakening activity ahead.** Indeed, we expect broad economy to turn sour in 2H22, once the effects of a tighter monetary policy start to kick. However, the additional recent fiscal stimuli may partially support household consumption in 2H22, which implies upsides risks to our view. **For details on Santander’s economic outlook, please refer to our last chartbook<sup>1</sup>.**

**Figure 2.A – IBC-Br (sa, 2003=100)**



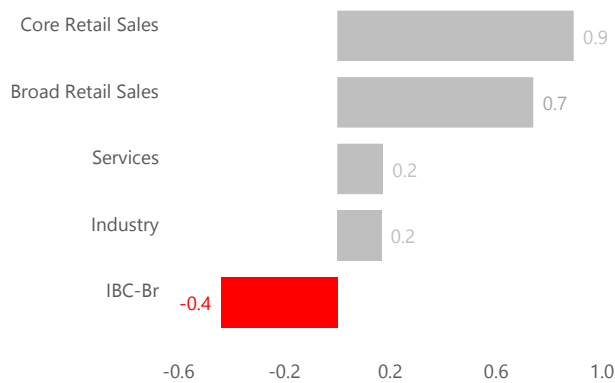
Sources: BCB, Santander.

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



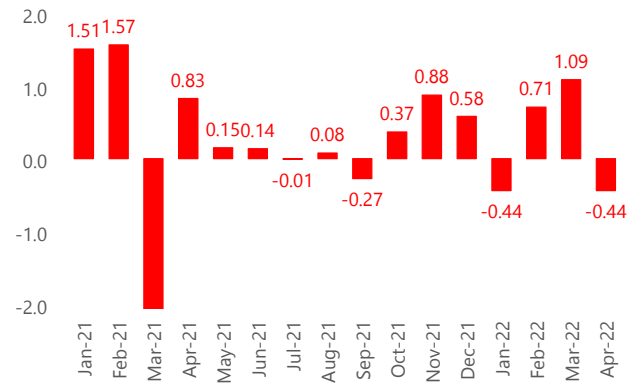
Sources: IBGE, BCB, Santander

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



Sources: BCB, IBGE, Santander.

**Figure 3.B – IBC-Br (sa, MoM%)**

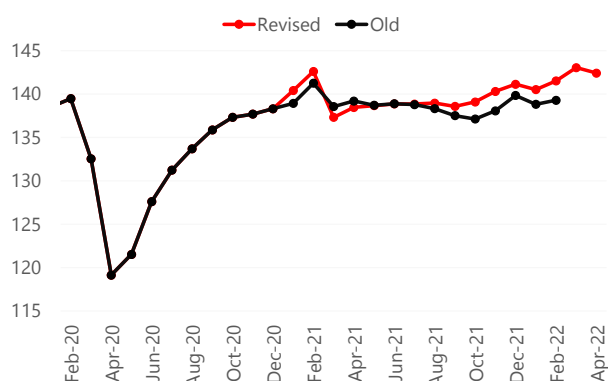


Sources: BCB, Santander.

<sup>1</sup> **Santander Brazil Economic Activity: “Chartbook – Upward Revisions in 2022, Concerns Regarding 2023 Intensify”** – June 14, 2022 – Available on: <https://bit.ly/Std-chart-econact-jun22>  
**Santander Brazil Special Report: “A Model to Forecast Probability of Recession in Brazil”** – June 08, 2022 – Available on: <https://bit.ly/Std-special-060822>  
**Santander Brazil Special Report: “Resilience Factors for GDP Growth: What Has Changed Since January”** – June 30, 2022 – Available on: <https://bit.ly/Std-special-GDP-062922>



Figure 4.A – IBC-Br (sa, 2002=100)



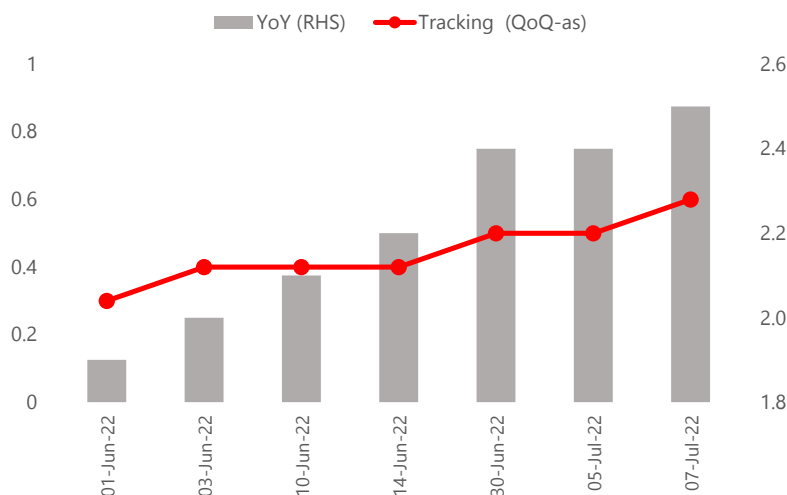
Sources: BCB, Santander.

Figure 4.B – Revisions

	NSA (YoY%)		SA (MoM %)	
	Previous	Revised	Previous	Revised
Feb-21	0.07	-0.01	1.67	1.57
Mar-21	5.48	5.91	-1.90	-3.70
Apr-21	17.03	17.13	0.46	0.83
May-21	14.42	15.12	-0.35	0.15
Jun-21	8.95	9.61	0.12	0.14
Jul-21	5.15	5.55	-0.07	-0.01
Aug-21	4.25	4.97	-0.33	0.08
Sep-21	0.77	1.43	-0.59	-0.27
Oct-21	-1.55	-0.97	-0.28	0.37
Nov-21	0.43	1.56	0.69	0.88
Dec-21	2.03	2.05	1.28	0.58
Jan-22	0.20	0.36	-0.73	-0.44
Feb-22	0.58	1.08	0.34	0.34
Mar-22	-	2.58	-	0.34
Apr-22	-	2.23	-	0.34

Sources: BCB, Santander.

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



Sources: IBGE, Santander

Figure 6 – Santander GDP Tracking

2Q22 GDP Growth						
Date	Release	Reference	Tracking (%)		Projection (%)	
			QoQ-sa	YoY	QoQ-sa	YoY
01-Jun-22	Labor Market	Apr-22	0.3	1.9	0.2	1.8
03-Jun-22	Industry	Apr-22	0.4	2.0	0.2	1.8
10-Jun-22	Retail Sales	Apr-22	0.4	2.1	0.2	1.8
14-Jun-22	Services	Apr-22	0.4	2.2	0.2	1.8
30-Jun-22	Labor Market	May-22	0.5	2.4	0.2	1.8
05-Jul-22	Industry	May-22	0.5	2.4	0.2	1.8
07-Jul-22	IBC-Br	Apr-22	0.6	2.5	0.2	1.8

Sources: IBGE, Santander.



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