

AUGUST IBC-BR CONSOLIDATES EXPECTATIONS FOR A NEGATIVE 3Q23 GDP RESULT

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- **The IBC-Br (the monthly GDP proxy published by the Brazil Central Bank, or BCB) posted a 0.8% MoM-sa decrease (+1.3% YoY) in August.** This result was below market consensus of -0.6% MoM-sa (+1.3% YoY) and closer to our estimate of -0.9% MoM-sa (+0.9% YoY), with the series being revised. In the unadjusted series, July's figure was revised to +0.8% YoY (from +0.7% YoY); June's figure was revised to +2.5% YoY (from +2.4% YoY); and May's figure was revised to +2.8% YoY (from +2.7% YoY). The result led to a carryover of -0.6% QoQ-sa for 3Q23.
- **The upward revisions continued to adjust for the positive surprise in the 2Q23 GDP result.** All in all, the result was close to expectations and does not substantially change the outlook of a negative result for 3Q23 GDP. In our view, YoY variations still must pick up in September to meet our forecast for 3Q23 GDP (-0.3% QoQ-sa; +1.7% YoY). A +1.3% YoY variation in 3Q23 GDP is equivalent to a drop of approximately 0.6% QoQ-sa in the period.
- **August was a month of negative results for economic activity.** Tertiary sector data indicated a contraction for services volume (-0.9% MoM-sa) and for broad retail sales (-1.3% MoM-sa). Industrial production, on the other hand, performed positively (+0.4% MoM-sa), though only partially rebounding from July's drop (-0.6% MoM-sa).
- **September's available data provide mostly 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 an increase in broad retail sales and a decrease in services rendered to families. For industry, FGV's industrial confidence remains below the neutral threshold, as the PMI manufacturing index now stands above the 50.0-point threshold.
- **Our 3Q23 GDP growth tracking stands at -0.3% QoQ-sa (unchanged), and our forecast for full-year 2023 growth is +2.5%.** Despite the recent positive surprise in 2Q23 GDP result, we continue to see signs of deceleration for broad activity ahead, especially for more cyclical segments, owing to highly restrictive financial conditions. In addition, we expect negative contributions from farm output for 2H23, as the positive impact of the record summer crops was limited to 1Q23 and the beginning of 2Q23.

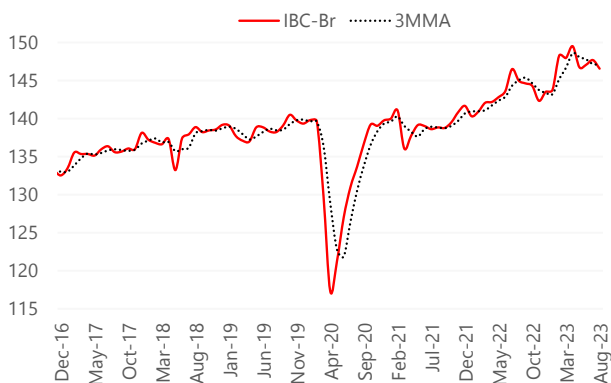


Figure 1 – Economic Activity Breakdown

	% MoM			% YoY			% QoQ			%	
	Jun-23	Jul-23	Aug-23	Jun-23	Jul-23	Aug-23	Mar-23	Jun-23	Aug-23	Feb-20	Carry*
IBC-Br	0.2	0.4	-0.8	2.5	0.8	1.3	2.3	0.8	-0.7	5.3	-0.6
Industry	0.0	-0.6	0.4	0.2	-1.1	0.5	0.0	0.2	-0.3	-1.8	-0.2
Core Retail Sales	0.1	0.7	-0.2	1.4	2.4	2.3	1.9	0.1	0.1	3.9	0.4
Broad Retail Sales	1.4	-0.4	-1.3	8.3	6.6	3.6	3.5	0.7	-0.7	1.6	-0.7
Services	0.2	0.4	-0.9	4.2	3.6	0.9	-0.8	0.4	0.6	11.6	0.4

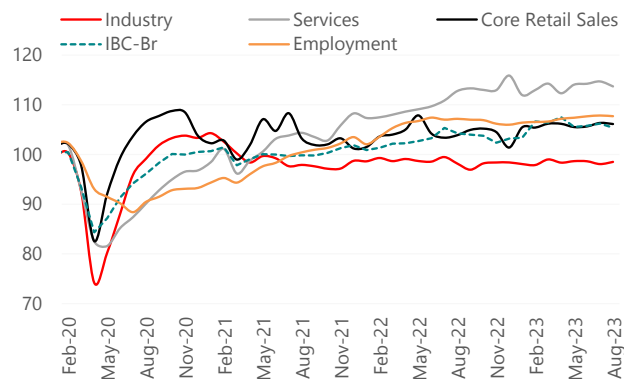
*Carryover calculated to 3Q23. Sources: IBGE, BCB, Santander.

Figure 2 – IBC-Br (sa, 2003=100)



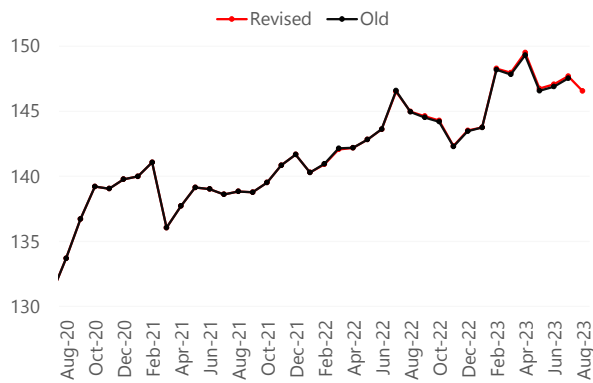
Sources: BCB, Santander.

Figure 3 – Activity Indexes (sa, Jan/2019=100)



Sources: IBGE, BCB, Santander

Figure 4 – IBC-Br (sa, 2003=100)



Sources: BCB, Santander.

Figure 5 – Revisions

	NSA (YoY%)		SA (MoM %)	
	Previous	Revised	Previous	Revised
Sep-22	4.25	4.25	-0.30	-0.25
Oct-22	3.26	3.26	-0.22	-0.23
Nov-22	0.88	0.88	-1.32	-1.36
Dec-22	0.93	0.93	0.83	0.84
Jan-23	3.40	3.45	0.20	0.17
Feb-23	3.31	3.42	3.09	3.14
Mar-23	6.09	6.25	-0.24	-0.22
Apr-23	3.93	4.08	0.99	1.05
May-23	2.68	2.79	-1.83	-1.85
Jun-23	2.37	2.50	0.22	0.22
Jul-23	0.66	0.83	0.44	0.42
Aug-23	-	1.28	-	-0.77

Sources: BCB, Santander.



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