

## A NEW WEAK PRINT FOR IBC-BR

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- The IBC-Br (a proxy for monthly GDP) inched down 0.11% MoM-sa, close to our estimate of -0.3% MoM-sa and below market consensus of +0.05%. In comparison to May 2021, the index rose 3.74% YoY, also close to our call of +3.7% YoY and slightly below market expectations of +4.0% YoY.
- May's figure places broad activity 1.8% above the pre-pandemic benchmark (February 2020) but 0.4% below February 2021's local high reading (which reflected a steep farm output increase in the period). The carryover calculated for 2Q22 is +0.2% QoQ-sa (+1.0% in 1Q22), but we believe that the IBC-Br could be underestimating the actual steam of activity in the quarter. For June, we expect a +0.4% MoM-sa IBC-Br gain.
- We are upwardly revising our 2Q22 GDP growth tracking to +0.8% QoQ-sa (from +0.7% QoQ-sa previously). We still believe the broad economy will 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 (with a smoother weakening than previously thought). We forecast +1.9% GDP growth in 2022 and a 0.6% retreat in 2023.

Figure 1 – Economic Activity Breakdown

	% MoM			% YoY			% QoQ			% Carry*	
	Mar-22	Apr-22	May-22	Mar-22	Apr-22	May-22	Dec-21	Mar-22	May-22	Feb-20	Carry*
<b>IBC-Br</b>	<b>1.0</b>	<b>-0.6</b>	<b>-0.1</b>	<b>2.6</b>	<b>2.1</b>	<b>3.7</b>	<b>1.0</b>	<b>1.0</b>	<b>0.9</b>	<b>1.8</b>	<b>0.2</b>
<b>Industry</b>	<b>0.6</b>	<b>0.2</b>	<b>0.3</b>	<b>-1.9</b>	<b>-0.5</b>	<b>0.5</b>	<b>0.1</b>	<b>0.6</b>	<b>0.7</b>	<b>-1.1</b>	<b>1.0</b>
Core Retail Sales	1.4	0.8	0.1	4.9	4.5	-0.2	-2.3	2.0	3.6	3.9	2.2
<b>Broad Retail Sales</b>	<b>-0.3</b>	<b>0.5</b>	<b>0.2</b>	<b>5.3</b>	<b>1.6</b>	<b>-0.7</b>	<b>-1.8</b>	<b>1.5</b>	<b>1.7</b>	<b>1.2</b>	<b>1.2</b>
<b>Services</b>	<b>2.0</b>	<b>-0.1</b>	<b>0.9</b>	<b>11.6</b>	<b>9.4</b>	<b>9.2</b>	<b>0.9</b>	<b>2.1</b>	<b>1.9</b>	<b>8.4</b>	<b>1.9</b>

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

**The Brazil Central Bank's (BCB) monthly GDP proxy weakened in May.** The IBC-Br inched down 0.11% MoM-sa (+3.74% YoY), close to our estimate of -0.3% MoM-sa (+3.7% YoY) but below market consensus of +0.05% (+4.0% YoY). In comparison to April's release, slight revisions in recent prints: in the unadjusted series, April's print was revised to +2.14% YoY (from +2,23% YoY), and March's print was revised to +2.64% YoY (from +2.58% YoY); in the adjusted series, April's print was revised to -0.64% MoM-sa (from -0.44% MoM-sa) and March's print was revised to +1,0% MoM-sa (from +1.1% MoM-sa).

**May's figure still places broad activity far above the pre-pandemic benchmark.** The index is up 1.8% since February 2020 but remains 0.4% below February 2021's local high reading (which reflected a steep increase of farm output in the period). The carryover calculated for 2Q22 is +0.2% QoQ-sa (+1.0% in 1Q22), but we believe that the IBC-Br could be underestimating the actual steam of activity in the quarter. or June, we expect a 0.4% MoM-sa IBC-Br gain, stemming from increases in industry (+0.2%), services (+0.4%) and broad retail sales (-0.6%).

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

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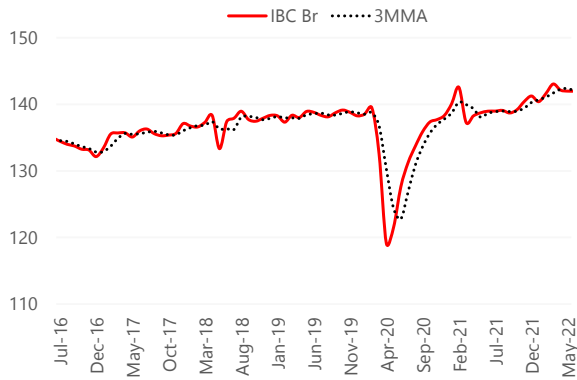
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**We are upward updating our 2Q22 GDP growth tracking to +0.8% QoQ-sa (from +0.7% QoQ-sa previously).** We still believe the broad economy will sour in 2H22, once the effects of a tighter monetary policy start to kick in, but the additional recent fiscal stimuli may partially support demand in 2H22 (with a smoother weakening than previously thought). We forecast a +1.9% GDP growth in 2022 and a 0.6% retreat in 2023.

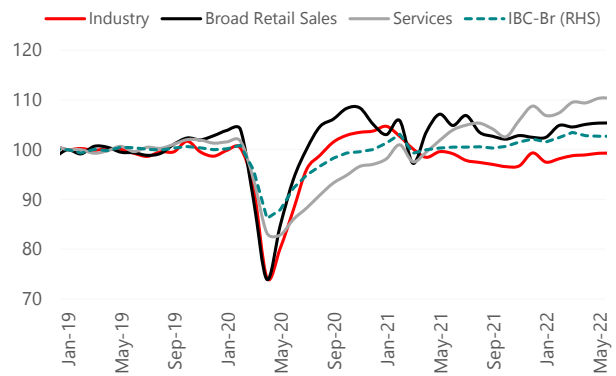
**For details on Santander’s economic outlook, please refer to our last reports<sup>1</sup>.**

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



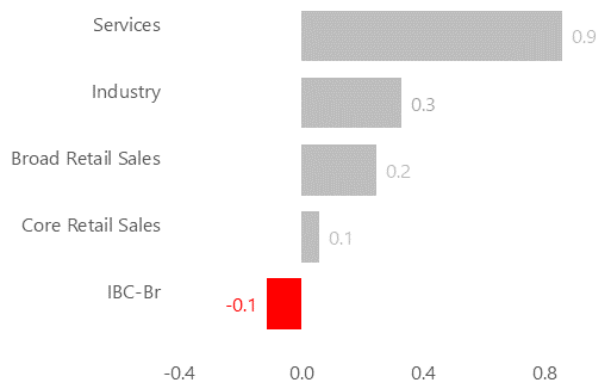
Sources: BCB, Santander.

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



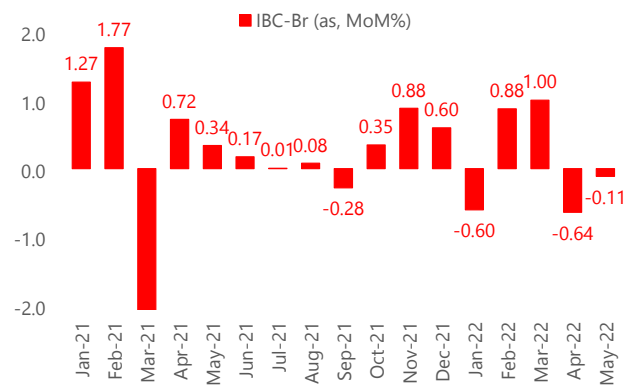
Sources: IBGE, BCB, Santander

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



Sources: BCB, IBGE, Santander.

**Figure 3.B – IBC-Br (sa, MoM%)**

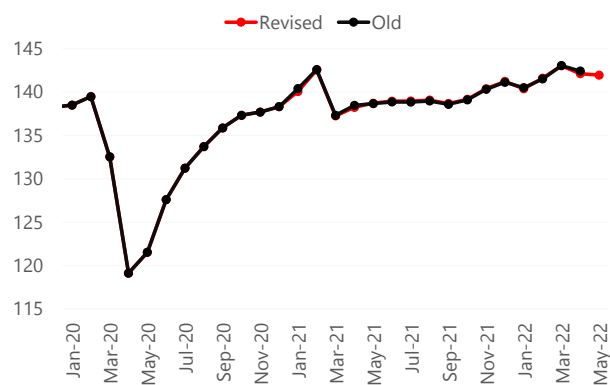


Sources: BCB, Santander.

<sup>1</sup> **Santander Brazil Special Report: “Nowcasting Brazilian GDP with LASSO”** – June 14, 2022 – Available on: <https://bit.ly/Std-special-051622>  
**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)



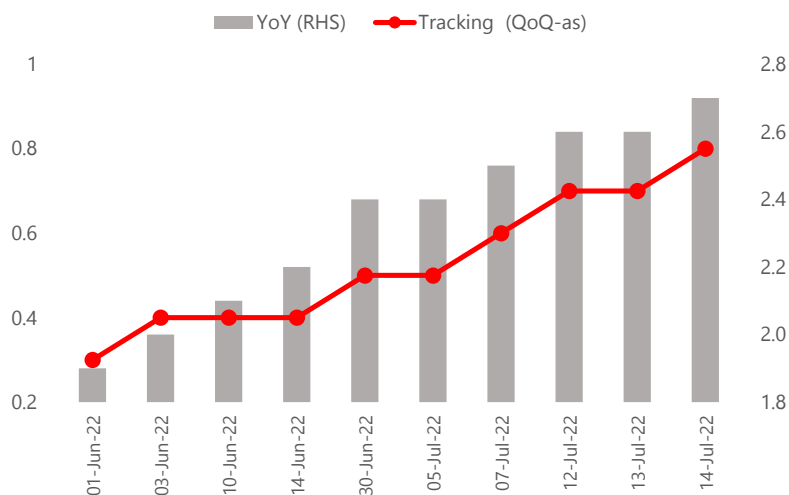
Sources: BCB, Santander.

Figure 4.B – Revisions

	NSA (YoY%)		SA (MoM %)	
	Previous	Revised	Previous	Revised
Feb-21	-0.01	-0.01	1.57	1.77
Mar-21	5.91	5.91	-3.70	-3.71
Apr-21	17.13	17.13	0.83	0.72
May-21	15.12	15.12	0.15	0.34
Jun-21	9.61	9.61	0.14	0.17
Jul-21	5.55	5.56	-0.01	0.01
Aug-21	4.97	4.97	0.08	0.08
Sep-21	1.43	1.42	-0.27	-0.28
Oct-21	-0.97	-0.99	0.37	0.35
Nov-21	1.56	1.54	0.88	0.88
Dec-21	2.05	2.09	0.58	0.60
Jan-22	0.36	0.54	-0.44	-0.60
Feb-22	1.08	1.22	0.71	0.88
Mar-22	2.58	2.64	1.09	1.00
Apr-22	2.23	2.14	-0.44	-0.64
May-22	-	3.74	-	-0.11

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
12-Jul-22	Services	May-22	0.7	2.6	0.2	1.8
13-Jul-22	Retail Sales	May-22	0.7	2.6	0.2	1.8
14-Jul-22	IBC-Br	May-22	0.8	2.7	0.7	2.6

Sources: IBGE, Santander.



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