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## REBOUND FOR BROAD ACTIVITY IN JUNE

- **The IBC-Br (the monthly GDP proxy published by the Brazil Central Bank, or BCB) posted a 0.63% MoM-sa increase (+2.1% YoY) in June.** This result was a slight upward surprise relative to the market consensus and our estimate of 0.5% MoM-sa (1.8% YoY), with the series being revised. In the unadjusted series, May's figure was revised to 2.3% YoY (from 2.1% YoY), and April's figure was revised to 3.5% YoY (from 3.4% YoY). Overall, these numbers led to a +0.4% QoQ-sa result for 2Q23 and a carryover of -0.3% QoQ-sa for 3Q23.
- **June was a month of marginally weaker performance for economic activity.** Tertiary sector data indicated a deceleration for services volume. For retail sales, June's positive result was influenced by the impact of a one-off tax break. The industrial production print showed slightly positive but decelerating performance (+0.1% MoM-sa).
- **July's available data provide mixed signals.** According to FGV, services confidence increased 1.4% MoM-sa in July (to 98.0, below the 100 points neutral mark), while services PMI reached 50.2 points (from 53.3 in June, slightly above the 50 points neutral mark). Our proprietary IGet index fell 14.7% MoM-sa in July, though we acknowledge the possibility of noise in July's data owing to the school recess.
- **Our 2Q23 GDP growth tracking stands at +0.0% QoQ-sa (unchanged), and our forecast for full year 2023 growth is at +1.9%.** The numbers continue to indicate overall softening in the Brazilian economy, but still with elements of resilience given solid demand for services and continued robust employment conditions.

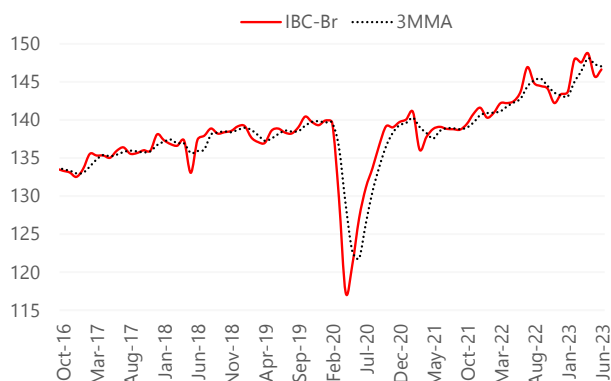


**Figure 1 – Economic Activity Breakdown**

	% MoM			% YoY			% QoQ			%	
	Apr-23	May-23	Jun-23	Apr-23	May-23	Jun-23	Dec-22	Mar-23	Jun-23	Feb-20	Carry*
<b>IBC-Br</b>	<b>0.82</b>	<b>-2.05</b>	<b>0.63</b>	<b>3.54</b>	<b>2.29</b>	<b>2.10</b>	<b>-1.50</b>	<b>2.21</b>	<b>0.43</b>	<b>5.0</b>	<b>-0.7</b>
Industry	-0.6	0.3	0.1	-2.7	1.9	2.7	0.2	0.0	0.4	-1.4	0.2
Core Retail Sales	-0.1	-0.7	0.0	0.5	-1.0	2.8	-0.5	1.9	-0.2	3.0	-0.2
Broad Retail Sales	-2.1	-0.5	1.2	2.6	3.0	7.4	0.9	3.7	1.7	4.8	0.6
Services	-1.6	1.4	0.2	2.8	4.7	3.6	1.3	-0.7	0.5	12.1	0.6

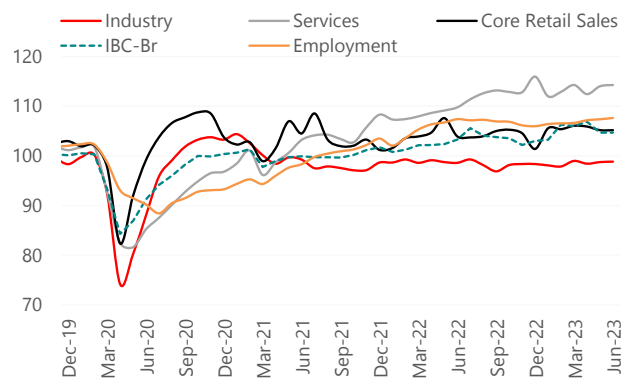
\*Carryover calculated to 3Q23. Sources: IBGE, BCB, Santander.

**Figure 2 – IBC-Br (sa, 2003=100)**



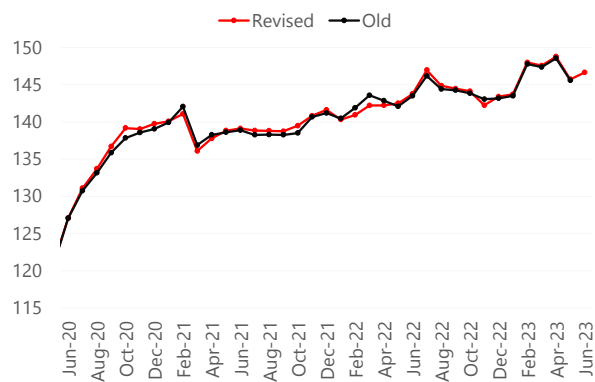
Sources: BCB, Santander.

**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
Jul-22	4.72	4.72	1.87	2.23
Aug-22	5.64	5.64	-1.21	-1.42
Sep-22	4.25	4.24	-0.11	-0.28
Oct-22	3.27	3.24	-0.28	-0.24
Nov-22	0.89	0.87	-0.55	-1.31
Dec-22	0.94	0.94	0.08	0.82
Jan-23	3.39	3.40	0.23	0.22
Feb-23	3.15	3.20	2.98	2.98
Mar-23	5.81	5.87	-0.27	-0.28
Apr-23	3.43	3.54	0.81	0.82
May-23	2.15	2.29	-2.00	-2.05
Jun-23	-	2.10	-	0.63

Sources: BCB, Santander.



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