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MONTHLY GDP PROXY MARKED A SOLID 3Q22

- The IBC-Br (the Brazil Central Bank’s (BCB) monthly GDP proxy) inched up 0.05% MoM-sa (+4.0% YoY) in September, slightly below our estimate of +0.21% MoM-sa (+4.14% YoY) and market consensus of +0.20% MoM-sa (+4.10% YoY).** In quarterly terms, the BCB’s proxy marked a solid 3Q22 (+1.36% QoQ-sa), and in comparison with the pre-pandemic benchmark (set at February 2020), September’s result placed the economy up by 3.2%. In terms of revisions, August’s figure was revised upward to +4.98% YoY (from +4.86% YoY).
- September’s performance reflected mixed signals across major activities.** On the one hand, industrial output showed a continued weakening and dropped 0.7% MoM-sa, marking a 0.3% QoQ-sa quarterly retreat. Conversely, the tertiary sector pointed to better figures, with broad retail sales jumping 1.5% MoM-sa at the margin, although this was not enough to prevent a 1.2% QoQ-sa quarterly retreat. services’ real revenue continued to strengthen, jumping 0.9% MoM-sa and marking a solid 3.2% QoQ-sa growth in 3Q22. In comparison with the pre-pandemic benchmark, goods-related sectors remain below the benchmark (-2.4% and -1.5% for broad retail sales and industry, respectively), while the services sector are up by 11.8%.
- We are maintaining our 3Q22 GDP growth tracking at +0.9% QoQ-sa.** This figure imparts upside risks to our current 2022 GDP forecast (+2.8%), and for 2023, we forecast GDP growth of +0.7%. We calculate a stronger carryover for 2023, based on our better expectations for 2H22, but we continue to project a slowdown in domestic demand and in cyclical supply components, stemming mainly from the expected global recession and the effects of a tight BCB policy. Conversely, we now expect strong growth for non-cyclical farm output, reflecting an all-time high forecast for the grain harvest.

Figure 1 – Economic Activity Breakdown

	% MoM			% YoY			% QoQ			% Carry*	
	Jul-22	Aug-22	Sep-22	Jul-22	Aug-22	Sep-22	Mar-22	Jun-22	Sep-22	Feb-20	Carry*
IBC-Br	1.68	-1.13	0.05	3.97	4.98	4.00	1.09	0.69	1.36	3.2	-0.4
Industry	0.5	-0.7	-0.7	-0.4	2.8	0.4	0.5	0.8	-0.3	-2.4	-0.7
Core Retail Sales	-0.3	0.1	1.1	-5.3	1.6	3.2	1.9	1.5	-1.1	2.8	0.7
Broad Retail Sales	-0.3	0.0	1.5	-6.9	-0.7	1.0	1.2	-1.0	-1.2	-1.5	1.0
Services	1.3	1.1	0.9	6.3	8.7	9.7	1.8	1.5	3.2	11.8	1.0

*Carryover calculated to 3Q22. Sources: IBGE, BCB, Santander.

For details on Santander’s economic activity outlook, please refer to our most recent reports¹.

¹ **Santander Brazil Economic Activity: “Chartbook: A Better Outlook for 2023”** – October 21, 2022 – Available on: <https://bit.ly/Std-chart-econact-oct22>

Santander Brazil Economic Activity: “Financial Conditions Continue to Worsen in October” – October 19, 2022 – Available on: <https://bit.ly/Std-FCI-oct22>

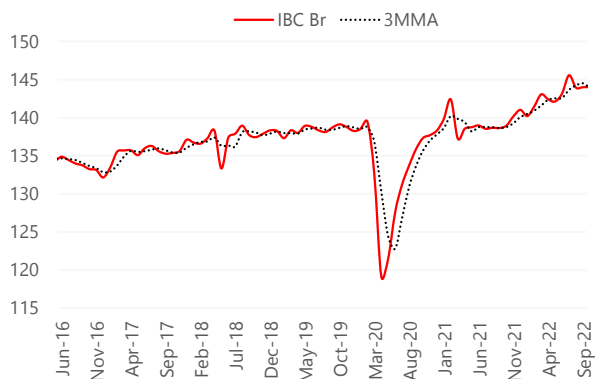
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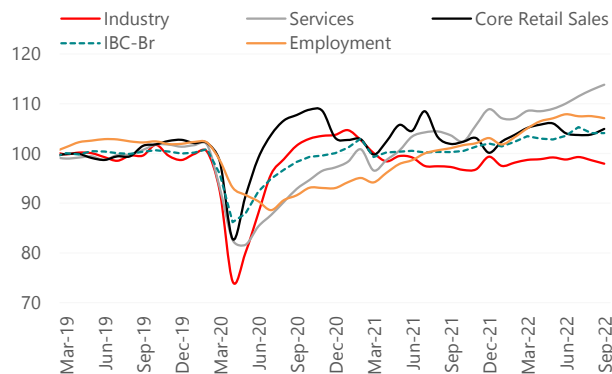


Figure 2 – IBC-Br (sa, 2003=100)



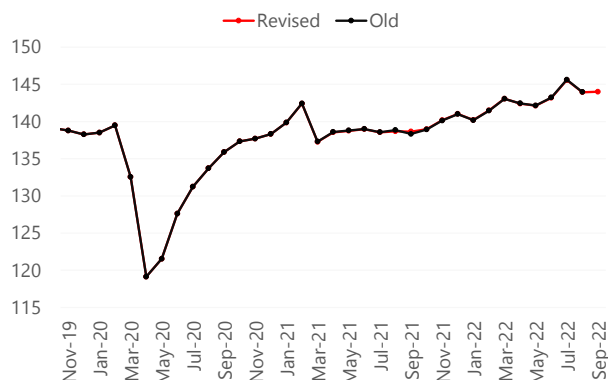
Sources: BCB, Santander.

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



Sources: IBGE, BCB, Santander

Figure 4 – IBC-Br (sa, 2002=100)

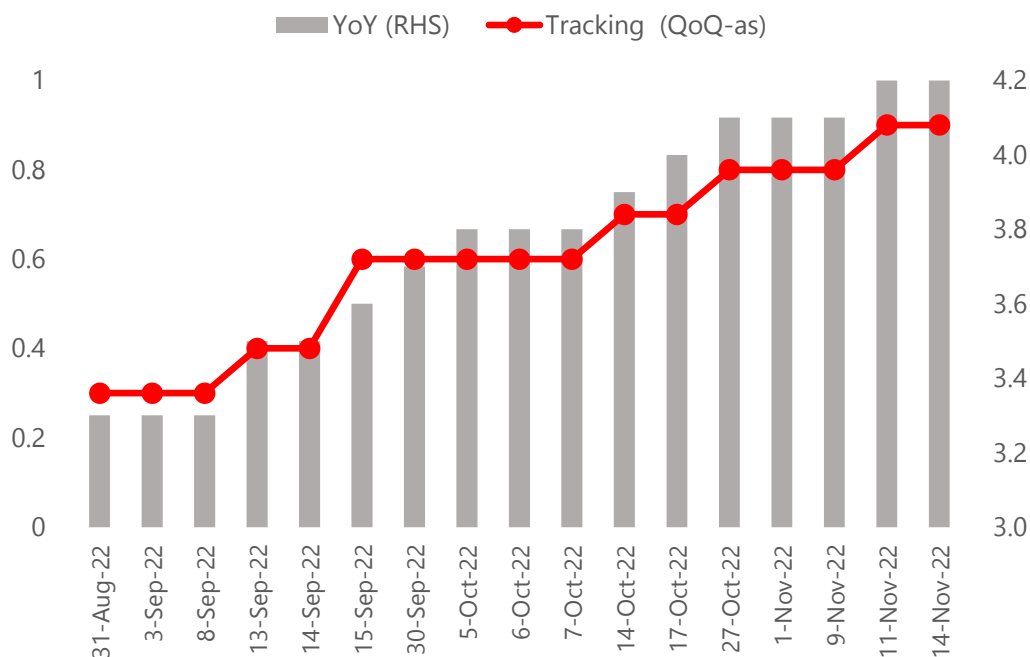


Sources: BCB, Santander.

Figure 5 – Revisions

	NSA (YoY%)		SA (MoM %)	
	Previous	Revised	Previous	Revised
Oct-21	-1.12	-1.12	0.43	0.23
Nov-21	1.45	1.45	0.86	0.88
Dec-21	2.00	2.00	0.62	0.61
Jan-22	0.52	0.55	-0.58	-0.58
Feb-22	1.14	1.19	0.91	0.91
Mar-22	2.63	2.67	1.13	1.12
Apr-22	2.18	2.21	-0.43	-0.46
May-22	3.72	3.74	-0.20	-0.20
Jun-22	2.87	2.86	0.75	0.74
Jul-22	3.97	3.97	1.67	1.68
Aug-22	4.86	4.98	-1.13	-1.13
Sep-22		4.00		0.05

Sources: BCB, Santander.

Figure 6 – 3Q22 GDP Growth Nowcasting (% , QoQ-sa and YoY-nsa)²

Sources: IBGE, Santander

Figure 7 – Santander GDP Tracking

3Q22 GDP Growth							Breakdown (%)		
Date	Release	Reference	Tracking (%)		Projection (%)		Farm Output	Industry	Services
			QoQ-sa	YoY	QoQ-sa	YoY	QoQ-sa	QoQ-sa	QoQ-sa
31-Aug-22	Labor Market	Jul-22	0.3	3.3	0.3	3.3	2.3	0.3	0.3
03-Sep-22	Industry	Jul-22	0.3	3.3	0.3	3.3	2.3	0.3	0.3
08-Sep-22	LSPA	Aug-22	0.3	3.3	0.3	3.3	2.3	0.3	0.3
13-Sep-22	Retail Sales	Jul-22	0.4	3.5	0.3	3.3	2.3	0.3	0.3
14-Sep-22	Services	Jul-22	0.4	3.5	0.3	3.3	2.3	0.3	0.3
15-Sep-22	IBC-Br	Jul-22	0.6	3.6	0.3	3.3	2.3	0.3	0.3
30-Sep-22	Labor Market	Aug-22	0.6	3.7	0.3	3.3	2.3	0.3	0.3
05-Oct-22	Industry	Aug-22	0.6	3.8	0.3	3.3	2.3	0.4	0.4
06-Oct-22	LSPA	Sep-22	0.6	3.8	0.3	3.3	2.3	0.4	0.4
07-Oct-22	Retail Sales	Aug-22	0.6	3.8	0.3	3.3	2.3	0.5	0.4
14-Oct-22	Services	Aug-22	0.7	3.9	0.6	3.8	2.3	0.5	0.6
17-Oct-22	IBC-Br	Aug-22	0.7	4.0	0.6	3.8	2.3	0.4	0.6
27-Oct-22	Labor Market	Sep-22	0.8	4.1	0.6	3.8	2.3	0.3	0.7
01-Nov-22	Industry	Sep-22	0.8	4.1	0.6	3.8	2.3	0.3	0.7
09-Nov-22	Retail Sales	Sep-22	0.8	4.1	0.6	3.8	2.3	0.3	0.7
11-Nov-22	Services	Sep-22	0.9	4.2	0.6	3.8	2.3	0.3	0.8
14-Nov-22	IBC-Br	Sep-22	0.9	4.2	0.6	3.8	2.3	0.3	0.8

Sources: IBGE, Santander.

² Santander Brazil Special Report: “Nowcasting Brazilian GDP with LASSO” – May 16, 2022 – Available on: <https://bit.ly/Std-special-051622>
 Santander Brazil Special Report: “Nowcasting Supply Sectors: Updating GDP Tracking” – October 28, 2022 – Available on: <https://bit.ly/Std-special-102822>



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