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A WEAK KICK-OFF FOR BROAD ACTIVITY IN 4Q22

- The IBC-Br (the Brazil Central Bank’s monthly GDP proxy) inched down 0.05% MoM-sa (+3.68% YoY) in October.** This result came in below market consensus of +0.4% MoM-sa (+4.0% YoY) and our estimate of +0.5% MoM-sa (+4.2% YoY), but with the series being considerably revised (as usual after 3Q GDP releases). In the unadjusted series, September’s figure was revised to +4.53% YoY (from +4.0% YoY), while August’s figure was revised to +5.66% YoY (from +4.98% YoY). In comparison with the pre-pandemic benchmark (set at February 2020), October’s result placed the economy up by 3.0%.
- October’s performance reflected tepid figures across key sectors.** Regarding goods-related sectors, industrial output inched up 0.3% MoM-sa, while core retail sales inched up 0.4% MoM-sa. Services real revenue shrank 0.6% MoM-sa. In terms of carryovers to 4Q, we calculate for IBC-Br a -0.4% QoQ-sa figure, with mixed figures for industry (-0.4% QoQ-sa), services (+0.1% QoQ-sa), and core retail sales (+1.2% QoQ-sa). In comparison with the pre-pandemic benchmark, the industry remains 2.1% below, while core retail sales and services are up by 3.4% and 10.5%, respectively.
- We are lowering our 4Q22 GDP growth tracking to -0.1% QoQ-sa (from 0% QoQ-sa previously).** We forecast GDP growth of 3.0% in 2022 and 0.8% in 2023. We project a slowdown in domestic demand and in cyclical supply components, stemming mainly from the expected global recession and the effects of a tight Central Bank policy, but we also 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			%	
	Aug-22	Sep-22	Oct-22	Aug-22	Sep-22	Oct-22	Jun-22	Sep-22	Oct-22	Feb-20	Carry*
IBC-Br	-1.13	0.00	-0.05	5.66	4.53	3.68	0.61	1.67	0.00	3.0	-0.4
Industry	-0.6	-0.7	0.3	2.8	0.4	1.7	0.8	-0.3	-0.8	-2.1	-0.4
Core Retail Sales	0.2	1.2	0.4	-3.6	-0.7	7.1	1.5	-0.9	0.3	3.4	1.2
Broad Retail Sales	0.0	1.5	0.5	-0.7	0.9	0.3	-1.0	-1.1	0.2	-0.9	1.5
Services	1.2	0.5	-0.6	8.7	9.4	9.5	1.4	3.1	2.6	10.5	0.1

*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: “Financial Conditions Remain Critically Restrictive”** – November 30, 2022 – Available on: <https://bit.ly/Std-FCl-nov22>

Santander Brazil Economic Activity: “Serviços enfraquecem em novembro” – December 6, 2022 – Available on: <https://bit.ly/Std-IGETser-nov22>

Santander Brazil Economic Activity: “Varejo segue fraco em novembro” – December 6, 2022 – Available on: <https://bit.ly/Std-IGET-nov2>

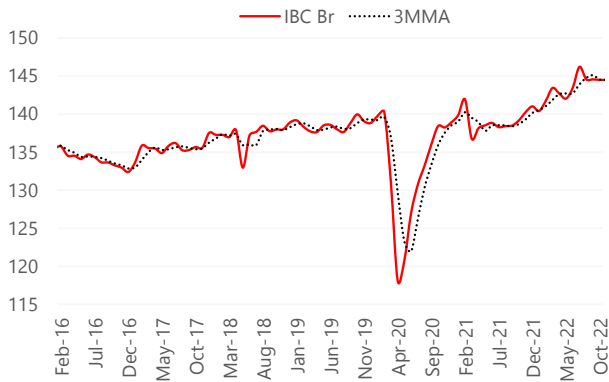
IMPORTANT DISCLOSURES/CERTIFICATIONS ARE IN THE “IMPORTANT DISCLOSURES” SECTION OF THIS REPORT.

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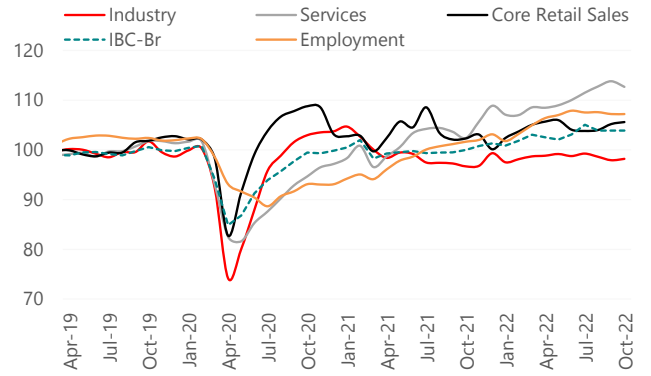


Figure 2 – IBC-Br (sa, 2003=100)



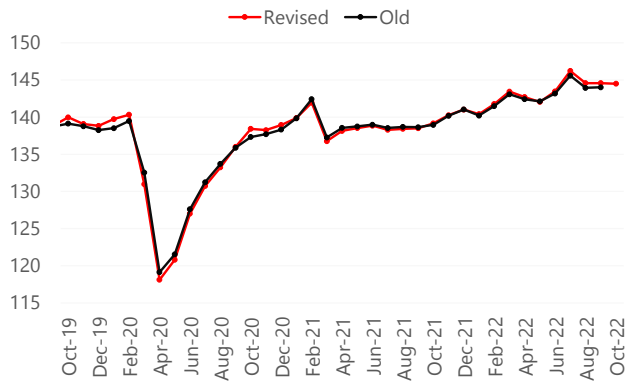
Sources: BCB, Santander.

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



Sources: IBGE, BCB, Santander

Figure 4 – IBC-Br (sa, 2003=100)

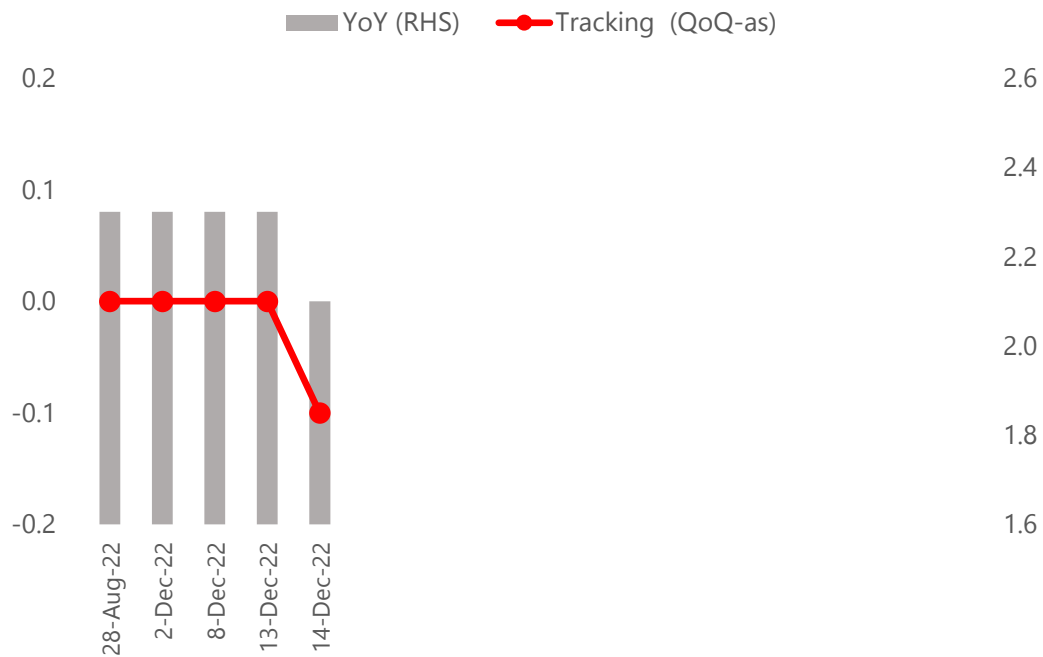


Sources: BCB, Santander.

Figure 5 – Revisions

	NSA (YoY%)		SA (MoM %)	
	Previous	Revised	Previous	Revised
Nov-21	1.45	1.49	0.88	0.78
Dec-21	2.00	1.92	0.61	0.54
Jan-22	0.55	0.62	-0.58	-0.44
Feb-22	1.19	1.70	0.91	0.97
Mar-22	2.67	3.31	1.12	1.19
Apr-22	2.21	2.72	-0.46	-0.52
May-22	3.74	3.83	-0.20	-0.46
Jun-22	2.86	3.16	0.74	1.01
Jul-22	3.97	4.64	1.68	1.92
Aug-22	4.98	5.66	-1.13	-1.13
Sep-22	4.00	4.53	0.05	0.00
Oct-22	-	3.68	-	-0.05

Sources: BCB, Santander.


Figure 6 – 4Q22 GDP Growth Nowcasting (% , QoQ-sa and YoY-nsa)²


Sources: IBGE, Santander

Figure 7 – Santander GDP Tracking

4Q22 GDP Growth						
Date	Release	Reference	Tracking (%)		Projection (%)	
			QoQ-sa	YoY	QoQ-sa	YoY
28-Aug-22	Labor Market	Oct-22	0.0	2.3	0.0	2.3
02-Dec-22	Industry	Oct-22	0.0	2.3	0.0	2.3
08-Dec-22	Retail Sales	Oct-22	0.0	2.3	0.0	2.3
13-Dec-22	Services	Oct-22	0.0	2.3	0.0	2.3
14-Dec-22	IBC-Br	Oct-22	-0.1	2.1	0.0	2.3

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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