

POSITIVE END OF 2Q FOR MONTHLY GDP PROXY

Lucas Maynard*
 lucas.maynard.da.silva@santander.com.br
 +5511 3553 8487

- The IBC-Br (a proxy for monthly GDP) expanded 0.69% MoM-sa, topping market consensus of +0.35% MoM-sa and our estimate of +0.44% MoM-sa. In the YoY metric, The index expanded 3.09%, also above market consensus of +2.7% YoY and our estimate of +2.84% YoY.
- After two months of negative prints, June's result placed the economy 2.6% above the pre-pandemic benchmark (set in February 2020), but the index remains below the readings seen in March 2022. In quarterly terms, the index expanded 0.6% QoQ-sa (+1.1% QoQ-sa in 1Q22), marking a streak of four consecutive quarterly gains. Regarding 3Q22, we calculate a statistical carryover of +0.37% QoQ-sa, led by June's print.
- This healthy figure capped the batch of economic activity data releases for 2Q22. We believe domestic activity will turn sour in 2H22 when the effects of a tighter monetary policy start to kick in, but the additional recent fiscal stimuli could partially support demand in the period. We are making a slight upward revision in our 2Q22 GDP growth tracking, to +1.1% QoQ-sa (from +1.0% QoQ-sa previously), imparting upside risks to our current 2022 GDP growth forecast of +1.9%. For 2023, we expect a 0.6% retreat of the real economy.

Figure 1 – Economic Activity Breakdown

	% MoM			% YoY			% QoQ			% Carry*	
	Apr-22	May-22	Jun-22	Apr-22	May-22	Jun-22	Dec-21	Mar-22	Jun-22	Feb-20	Carry*
IBC-Br	-0.5	-0.3	0.7	2.2	3.6	3.1	1.0	1.1	0.6	2.6	0.4
Industry	0.2	0.3	-0.4	-0.5	0.5	-0.5	0.1	0.6	0.9	-1.5	-0.2
Core Retail Sales	0.6	-0.4	-1.4	4.5	-0.2	-0.3	-2.3	1.8	1.1	1.6	-1.1
Broad Retail Sales	-1.1	0.3	-2.3	1.6	-0.7	-3.1	-1.3	1.3	-1.4	-3.0	-1.5
Services	-0.2	0.4	0.7	9.4	9.1	6.3	1.5	1.6	1.1	7.5	0.6

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

The Brazil Central Bank's (BCB) monthly GDP proxy rebounded in June. The IBC-Br expanded 0.69% MoM-sa, topping market consensus of +0.35% MoM-sa and our estimate of +0.44% MoM-sa. In the YoY metric, the index rose 3.09%, also beating market consensus (+2.7% YoY) and our estimate (+2.84% YoY). After two consecutive months of weakening, June's positive result placed the economy 2.6% above the pre-pandemic benchmark; however, the index remains below the readings seen in March 2022. In quarterly terms, the index expanded 0.6% QoQ-sa (+1.1% QoQ-sa in 1Q22), marking a streak of four consecutive quarterly gains.

A healthy end of the quarter. This healthy figure capped the batch of economic activity data releases for 2Q22, and regarding 3Q22, we calculate a statistical carryover of +0.37% QoQ-sa, led by June's print. We believe domestic activity will turn sour in 2H22 when the effects of a tighter monetary policy start to kick in, but the additional recent fiscal stimuli could partially support demand in the period.

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

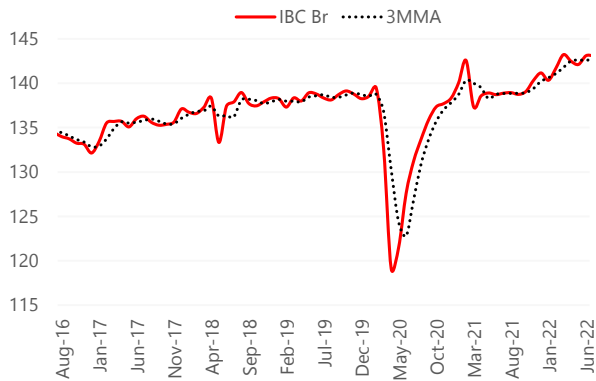
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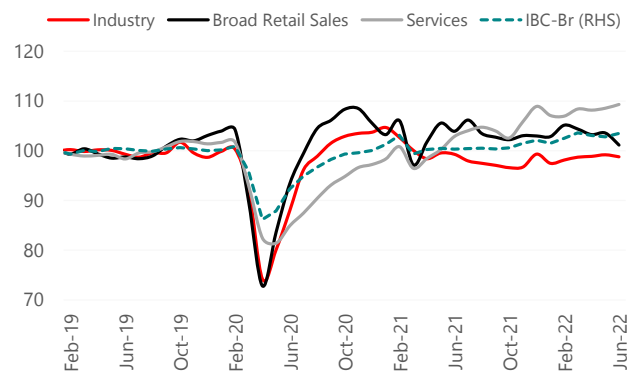
We are upwardly revising our 2Q22 GDP growth tracking slightly to +1.1% QoQ-sa (from +1.0% QoQ-sa previously). This result imparts upside risks to our current 2022 GDP growth forecast of +1.9%, and for 2023, we expect a 0.6% retreat of the real economy. **For details on Santander’s economic activity outlook, please refer to our last reports¹.**

Figure 2.A – IBC-Br (sa, 2003=100)



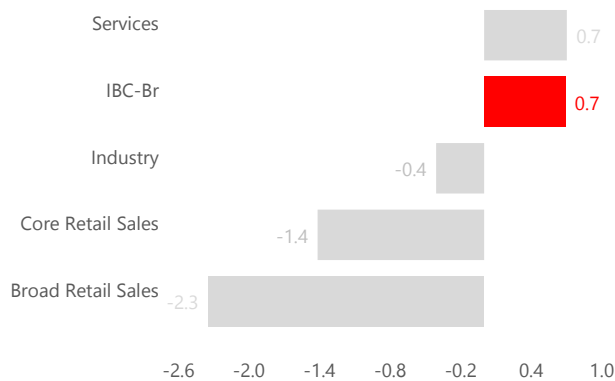
Sources: BCB, Santander.

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



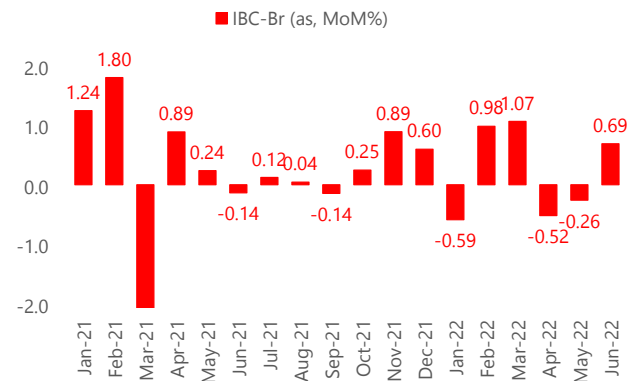
Sources: IBGE, BCB, Santander

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



Sources: BCB, IBGE, Santander.

Figure 3.B – IBC-Br (sa, MoM%)

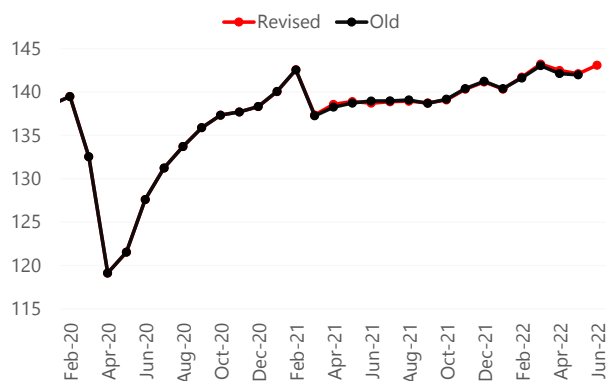


Sources: BCB, Santander.

¹ Santander Brazil Economic Activity: “Chartbook: Further improvements in 2022, as 2023 remains challenging” – July 20, 2022 – Available on: <https://bit.ly/Std-chart-econact-jul22>
 Santander Brazil Special Report: “Tightest Financial Conditions since 2009” – August 11, 2022 – Available on: <https://bit.ly/Std-special-081122>
 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>
 Santander Brazil Special Report: “A Model to Forecast Probability of Recession in Brazil” – June 08, 2022 – Available on: <https://bit.ly/Std-special-060822>



Figure 4.A – IBC-Br (sa, 2002=100)



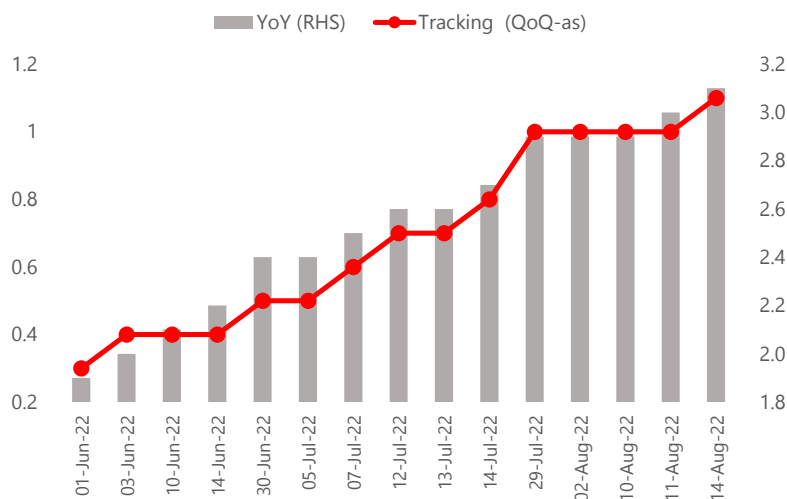
Sources: BCB, Santander.

Figure 4.B – Revisions

	NSA (YoY%)		SA (MoM %)	
	Previous	Revised	Previous	Revised
Feb-21	-0.01	-0.01	1.77	1.80
Mar-21	5.91	5.91	-3.71	-3.65
Apr-21	17.13	17.12	0.72	0.89
May-21	15.12	15.12	0.34	0.24
Jun-21	9.61	9.61	0.17	-0.14
Jul-21	5.56	5.56	0.01	0.12
Aug-21	4.97	4.97	0.08	0.04
Sep-21	1.42	1.42	-0.28	-0.14
Oct-21	-0.99	-0.99	0.35	0.25
Nov-21	1.54	1.55	0.88	0.89
Dec-21	2.09	2.08	0.60	0.60
Jan-22	0.54	0.52	-0.60	-0.59
Feb-22	1.22	1.25	0.88	0.98
Mar-22	2.64	2.70	1.00	1.07
Apr-22	2.14	2.16	-0.64	-0.52
May-22	3.74	3.63	-0.11	-0.26
Jun-22	-	3.09	-	0.69

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
29-Jul-22	Labor Market	Jun-22	1.0	2.9	0.7	2.6
02-Aug-22	Industry	Jun-22	1.0	2.9	0.7	2.6
10-Aug-22	Retail Sales	Jun-22	1.0	2.9	0.7	2.6
11-Aug-22	Services	Jun-22	1.0	3.0	0.7	2.6
14-Aug-22	IBC-Br	Jun-22	1.1	3.1	0.7	2.6

Sources: IBGE, Santander.

**CONTACTS / IMPORTANT DISCLOSURES****Brazil Macro Research**

Ana Paula Vescovi*	Chief Economist	anavescovi@santander.com.br	5511-3553-8567
Mauricio Oreng*	Head of Macro Research	mauricio.oreng@santander.com.br	5511-3553-5404
Jankiel Santos*	Economist – External Sector	jankiel.santos@santander.com.br	5511-3012-5726
Ítalo Franca*	Economist – Fiscal Policy	italo.franca@santander.com.br	5511-3553-5235
Daniel Karp Vasquez*	Economist – Inflation	daniel.karp@santander.com.br	5511-3553-9828
Tomas Urani*	Economist – Global Economics	tomas.urani@santander.com.br	5511-3553-9520
Lucas Maynard*	Economist – Economic Activity	lucas.maynard.da.silva@santander.com.br	5511-3553-7495
Felipe Kotinda*	Economist – Commodities	felipe.kotinda@santander.com.br	5511-3553-8071
Gabriel Couto*	Economist – Special Projects	gabriel.couto@santander.com.br	5511-3553-8487
Fabiana Moreira*	Economist – Credit	fabiana.de.oliveira@santander.com.br	5511-3553-6120
Gilmar Lima*	Economist – Modeling	gilmar.lima@santander.com.br	5511-3553-6327

Global Macro Research

Maciej Reluga*	Head Macro, Rates & FX Strategy – CEE	maciej.reluga@santander.pl	48-22-534-1888
Rodrigo Park *	Economist – Argentina	rpark@santander.com.ar	54-11-4341-1272
Ana Paula Vescovi*	Economist – Brazil	anavescovi@santander.com.br	5511-3553-8567
Juan Pablo Cabrera*	Economist – Chile	jcabrera@santander.cl	562-2320-3778
Guillermo Aboumrad*	Economist – Mexico	gjaboumrad@santander.com.mx	5255-5257-8170
Piotr Bielski*	Economist – Poland	piotr.bielski@santander.pl	48-22-534-1888
Mike Moran	Head of Macro Research, US	mike.moran@santander.us	212-350-3500

Fixed Income Research

Juan Arranz*	Chief Rates & FX Strategist – Argentina	jarranz@santanderrio.com.ar	5411-4341-1065
Mauricio Oreng*	Senior Economist/Strategist – Brazil	mauricio.oreng@santander.com.br	5511-3553-5404
Juan Pablo Cabrera*	Chief Rates & FX Strategist – Chile	jcabrera@santander.cl	562-2320-3778

Equity Research

Miguel Machado*	Head Equity Research Americas	mmachado@santander.com.mx	5255 5269 2228
Alan Alanis*	Head, Mexico	aalanis@santander.com.mx	5552-5269-2103
Andres Soto	Head, Andean	asoto@santander.us	212-407-0976
Walter Chiarvesio*	Head, Argentina	wchiarvesio@santanderrio.com.ar	5411-4341-1564
Mariana Cahen Margulies*	Head, Brazil	mmargulies@santander.com.br	5511-3553-1684
Murilo Riccini*	Head, Chile	murilo.riccini@santander.cl	56 22336 3359

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