

Lucas Maynard*

lucas.maynard.da.silva@santander.com.br

+5511 3553 8487

POSITIVE KICKOFF FOR BROAD ECONOMY IN 3Q22

- The IBC-Br (the Central Bank’s monthly GDP proxy) marked a healthy kickoff to 3Q22, climbing 1.17% MoM-sa (+3.87% YoY), far above market consensus of +0.40% MoM (+2.8% YoY) and our estimate of +0.50 MoM (+2.9% YoY). This performance places the broad economy 4.4% above the pre-pandemic benchmark (set at February 2020) and 2.0% above the domestic high reached in February 2021 (which reflected a steep climb in soybean output in the period).
- In comparison to June’s release, there were only slight revisions in recent prints: in the adjusted series, June’s figure was revised upward to +0.93% MoM-sa (from +0.69% MoM-sa), while in the unadjusted series, June’s figure was revised downward to +2.97% YoY (from +3.09% YoY). All in all, we highlight widespread upward revision for most months so far this year.
- July’s performance reflected mixed signals across major activities. Services output continued to strengthen, climbing 1.1% MoM-sa, while industrial output also contributed positively, expanding 0.6% MoM-sa. Conversely, core retail sales disappointed with a drop of 0.8% MoM-sa (the broad index shrank 0.7% MoM-sa), not enough to offset the remaining positive sectorial contributions, thus dragging down overall activity. Farm output contributed positively, in our view, likely reflecting the normalization of corn and sugarcane production this year (compared to the crop failure in 2021).
- In quarterly terms, July’s strong figure led a carryover of 1.7% QoQ-sa to 3Q22 (+0.9% in 2Q22 and +1.2% in 1Q22). Our preliminary tracking for August IBC-Br points to a 1.7% MoM-sa retreat (+3.6% YoY). Our 3Q22 GDP growth tracking was updated to +0.6% (+3.6% YoY) from +0.4% QoQ-sa previously. This figure imparts upside risks to our 2022 GDP growth forecast of +2.6%. We also see upside risks to our 2023 GDP growth forecast (currently at -0.2%).

Figure 1 – Economic Activity Breakdown

	% MoM			% YoY			% QoQ			%	
	May-22	Jun-22	Jul-22	May-22	Jun-22	Jul-22	Mar-22	Jun-22	Jul-22	Feb-20	Carry*
IBC-Br	-0.3	0.9	1.2	3.8	3.0	3.9	1.2	0.9	0.9	4.4	1.7
Industry	0.4	-0.3	0.6	0.5	-0.5	-0.5	0.6	1.0	0.7	-0.8	0.5
Core Retail Sales	-0.5	-1.4	-0.8	-0.2	-0.1	-5.2	1.6	0.8	-1.1	0.5	-1.9
Broad Retail Sales	0.5	-2.5	-0.7	-0.7	-3.0	-6.8	1.2	-1.3	-2.4	-3.8	-2.3
Services	0.4	0.8	1.1	9.1	6.4	6.3	1.7	1.3	1.7	8.9	1.8

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

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

¹ 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>

Santander Brazil Special Report: “Tightest Financial Conditions since 2009” – August 11, 2022 – Available on: <https://bit.ly/Std-special-081122>

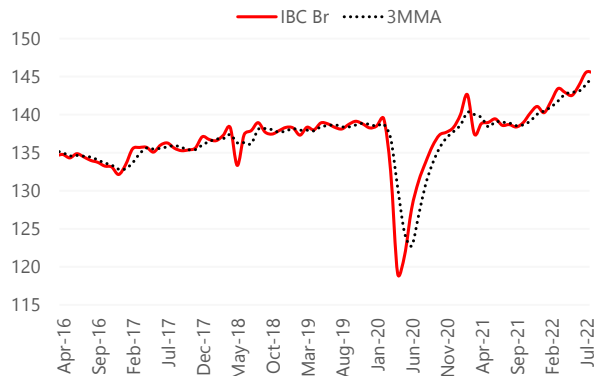
IMPORTANT DISCLOSURES/CERTIFICATIONS ARE IN THE “IMPORTANT DISCLOSURES” SECTION OF THIS REPORT.

U.S. investors’ inquiries should be directed to Santander Investment at (212) 350-0707.

*Employed by a non-US affiliate of Santander Investment Securities Inc. and is not registered/qualified as a research analyst under FINRA rules.

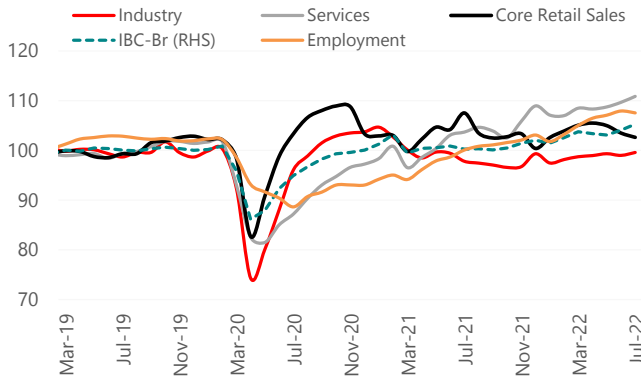


Figure 2.A – IBC-Br (sa, 2003=100)



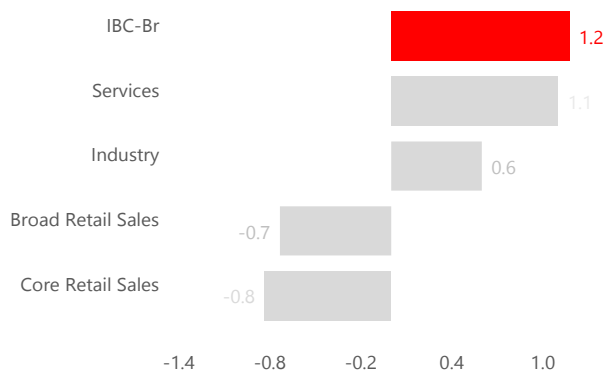
Sources: BCB, Santander.

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



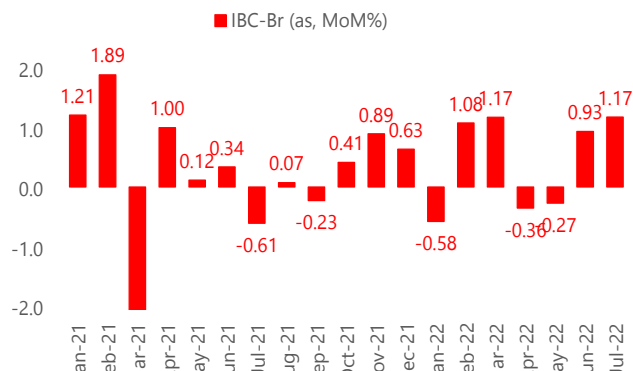
Sources: IBGE, BCB, Santander

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



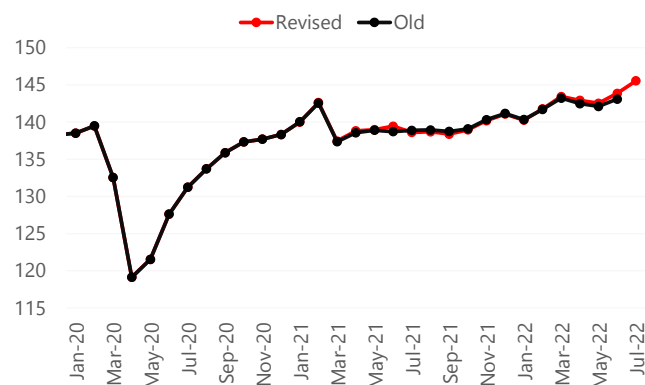
Sources: BCB, IBGE, Santander.

Figure 3.B – IBC-Br (sa, MoM%)



Sources: BCB, Santander.

Figure 4.A – IBC-Br (sa, 2002=100)

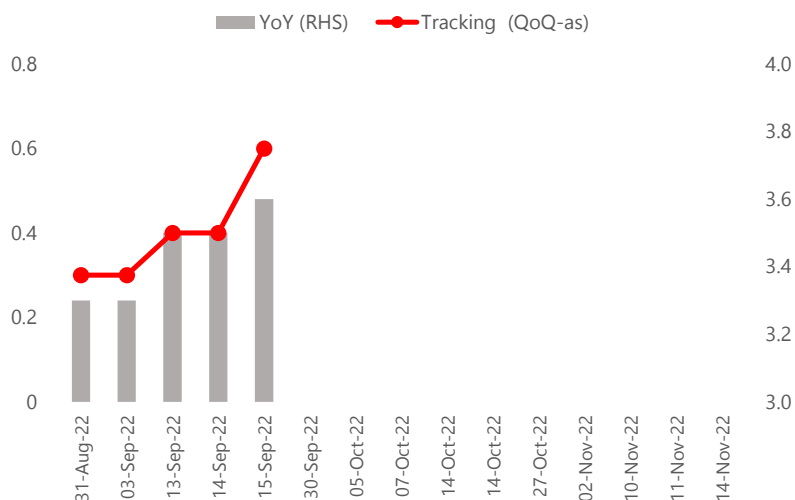


Sources: BCB, Santander.

Figure 4.B – Revisions

	NSA (YoY%)		SA (MoM %)	
	Previous	Revised	Previous	Revised
Feb-21	-0.01	-0.01	1.80	1.89
Mar-21	5.91	5.91	-3.65	-3.63
Apr-21	17.12	17.12	0.89	1.00
May-21	15.12	15.12	0.24	0.12
Jun-21	9.61	9.61	-0.14	0.34
Jul-21	5.56	5.56	0.12	-0.61
Aug-21	4.97	4.97	0.04	0.07
Sep-21	1.42	1.43	-0.14	-0.23
Oct-21	-0.99	-0.99	0.25	0.41
Nov-21	1.55	1.55	0.89	0.89
Dec-21	2.08	2.08	0.60	0.63
Jan-22	0.52	0.48	-0.59	-0.58
Feb-22	1.25	1.23	0.98	1.08
Mar-22	2.70	2.73	1.07	1.17
Apr-22	2.16	2.33	-0.52	-0.36
May-22	3.63	3.83	-0.26	-0.27
Jun-22	3.09	2.97	0.69	0.93
Jul-22	-	3.87	-	1.17

Sources: BCB, Santander.


Figure 5 – 1Q22 GDP Growth Tracking (% , QoQ-sa and YoY-nsa)


Sources: IBGE, Santander

Figure 6 – Santander GDP Tracking

3Q22 GDP Growth						
Date	Release	Reference	Tracking (%)		Projection (%)	
			QoQ-sa	YoY	QoQ-sa	YoY
31-Aug-22	Labor Market	Jul-22	0.3	3.3	0.3	3.3
03-Sep-22	Industry	Jul-22	0.3	3.3	0.3	3.3
13-Sep-22	Retail Sales	Jul-22	0.4	3.5	0.3	3.3
14-Sep-22	Services	Jul-22	0.4	3.5	0.3	3.3
15-Sep-22	IBC-Br	Jul-22	0.6	3.6	0.3	3.3

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 Chiavesio*	Head, Argentina	wchiavesio@santanderrio.com.ar	5411-4341-1564
Mariana Cahen Margulies*	Head, Brazil	mmargulies@santander.com.br	5511-3553-1684

Electronic

Bloomberg
Reuters

SIEQ <GO>
Pages SISEMA through SISEMZ

This report has been prepared by Santander Investment Securities Inc. ("SIS"; SIS is a subsidiary of Santander Holdings USA, Inc. which is wholly owned by Banco Santander, S.A. "Santander"), on behalf of itself and its affiliates (collectively, Grupo Santander) and is provided for information purposes only. This document must not be considered as an offer to sell or a solicitation of an offer to buy any relevant securities (i.e., securities mentioned herein or of the same issuer and/or options, warrants, or rights with respect to or interests in any such securities). Any decision by the recipient to buy or to sell should be based on publicly available information on the related security and, where appropriate, should take into account the content of the related prospectus filed with and available from the entity governing the related market and the company issuing the security. This report is issued in Spain by Santander Investment Bolsa, Sociedad de Valores, S.A. ("Santander Investment Bolsa"), and in the United Kingdom by Banco Santander, S.A., London Branch. Santander London is authorized by the Bank of Spain. This report is not being issued to private customers. SIS, Santander London and Santander Investment Bolsa are members of Grupo Santander.

ANALYST CERTIFICATION: The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed, that their recommendations reflect solely and exclusively their personal opinions, and that such opinions were prepared in an independent and autonomous manner, including as regards the institution to which they are linked, and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report, since their compensation and the compensation system applying to Grupo Santander and any of its affiliates is not pegged to the pricing of any of the securities issued by the companies evaluated in the report, or to the income arising from the businesses and financial transactions carried out by Grupo Santander and any of its affiliates: Lucas Maynard*.

*Employed by a non-US affiliate of Santander Investment Securities Inc. and not registered/qualified as a research analyst under FINRA rules, and is not an associated person of the member firm, and, therefore, may not be subject to the FINRA Rule 2242 and Incorporated NYSE Rule 472 restrictions on communications with a subject company, public appearances, and trading securities held by a research analyst account.

The information contained herein has been compiled from sources believed to be reliable, but, although all reasonable care has been taken to ensure that the information contained herein is not untrue or misleading, we make no representation that it is accurate or complete and it should not be relied upon as such. All opinions and estimates included herein constitute our judgment as at the date of this report and are subject to change without notice.

Any U.S. recipient of this report (other than a registered broker-dealer or a bank acting in a broker-dealer capacity) that would like to effect any transaction in any security discussed herein should contact and place orders in the United States with SIS, which, without in any way limiting the foregoing, accepts responsibility (solely for purposes of and within the meaning of Rule 15a-6 under the U.S. Securities Exchange Act of 1934) for this report and its dissemination in the United States.

© 2022 by Santander Investment Securities Inc. All Rights Reserved.

