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A POSITIVE SURPRISE FOR BROAD ACTIVITY IN APRIL

- **The IBC-Br (the Brazil Central Bank's — BCB — monthly GDP proxy) posted a 0.6% MoM-sa increase (+3.3% YoY) in April.** This result was an upward surprise relative to the market consensus of 0.15% MoM-sa (2.70% YoY) and our estimate of 0.20% MoM-sa (+2.4% YoY), with the series being revised upward. Indeed, in the unadjusted series, March's figure was revised to 5.7% YoY (from +5.5% YoY), while February's figure was revised to +3.1% YoY (from +2.8% YoY). The result led to a +1.3% QoQ-sa carryover for 2Q23. Although the BCB does not provide the breakdown of the IBC-Br index, we estimate that the positive performance of broad activity in April stemmed mainly from the contribution of record grain production from 2022-23 summer crops. We expect this contribution to fade in the following months.
- **April activity releases were marked by mostly negative signals.** Goods-related activities showed weak performances, with negative figures for broad retail and industry, as core retail remained close to stability. Broad retail sales tumbled 1.6% MoM-sa, while the core index increased 0.1% MoM-sa. Industrial output had a 0.6% MoM-sa decrease. Services' real revenue surprised negatively in April, with a 1.6% MoM-sa decrease and fully offsetting March's increase.
- **May's available data point to negative signals.** Regarding the tertiary sector, FGV's economic confidence data for households, services, and retail remain below the neutral threshold, while our proprietary data (IGet) suggest contraction in both retail sales and services rendered to families. For industry, both FGV's industrial confidence and PMI manufacturing remain below the neutral threshold.
- **We are maintaining our 2Q23 GDP growth tracking at +0.0% QoQ-sa.** Our 2023 GDP growth forecast stands at +1.9%. We continue to see signs of deceleration for broad activity ahead, as more cyclical segments indicate a continued slowing trend owing to highly restrictive financial conditions. In addition, we expect the positive impact of the record summer crops to be limited to 1Q23 and the beginning of 2Q23.

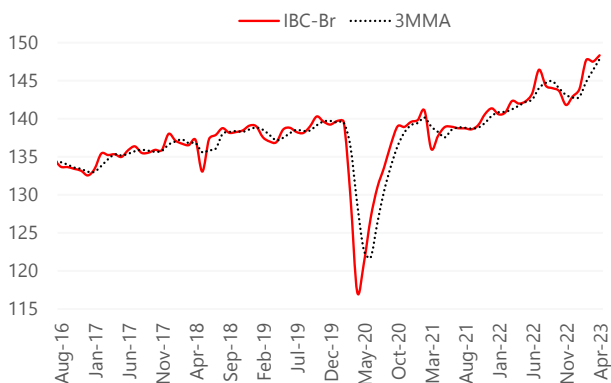


Figure 1 – Economic Activity Breakdown

	% MoM			% YoY			% QoQ			%	
	Feb-23	Mar-23	Apr-23	Feb-23	Mar-23	Apr-23	Dec-22	Mar-23	Apr-23	Feb-20	Carry*
IBC-Br	2.64	-0.14	0.56	3.06	5.70	3.31	-1.48	2.51	3.47	2.9	1.3
Industry	-0.2	1.0	-0.6	-2.4	0.9	-2.7	0.1	0.0	0.1	-2.0	0.0
Core Retail Sales	0.0	0.8	0.1	1.1	3.3	0.5	-0.3	2.0	2.2	4.4	0.6
Broad Retail Sales	1.9	3.7	-1.6	0.0	8.8	3.1	1.3	3.7	4.6	3.7	1.4
Services	0.8	1.4	-1.6	4.8	6.5	2.7	1.3	-0.7	-0.3	10.5	-0.5

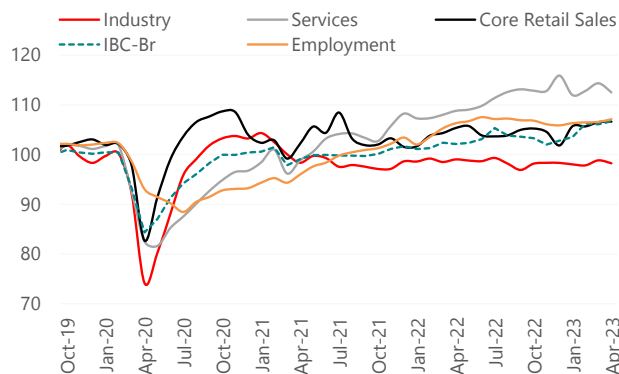
*Carryover calculated to 2Q23. Sources: IBGE, BCB, Santander.

Figure 2 – IBC-Br (sa, 2003=100)



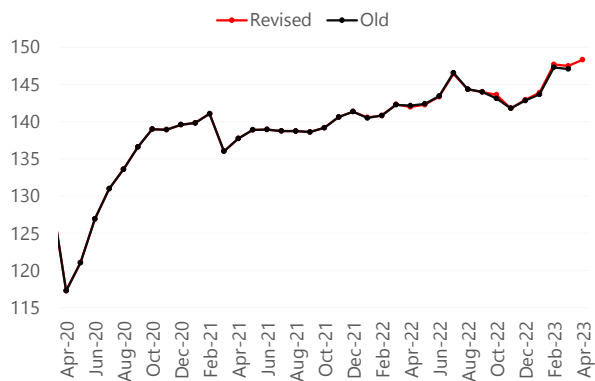
Sources: BCB, Santander.

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
May-22	3.68	3.69	0.16	0.21
Jun-22	3.22	3.23	0.73	0.74
Jul-22	4.49	4.50	2.19	2.16
Aug-22	5.37	5.38	-1.51	-1.43
Sep-22	4.08	4.09	-0.26	-0.24
Oct-22	3.15	3.16	-0.60	-0.27
Nov-22	0.77	0.77	-0.92	-1.26
Dec-22	0.80	0.81	0.73	0.79
Jan-23	3.19	3.31	0.59	0.68
Feb-23	2.80	3.06	2.53	2.64
Mar-23	5.46	5.70	-0.15	-0.14
Apr-23	-	3.31	-	0.56

Sources: BCB, Santander.



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