

## Broad Activity Jumps in November

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- **The IBC-Br jumped 0.69% MoM-sa (+0.43% YoY) in November, breaking a string of four negative results.** This result came in line with our estimate of +0.8% MoM-sa (+0.8% YoY) and market consensus of +0.7% (+0.5% YoY), fully offsetting the three previous declines. The seasonally-adjusted series was revised to -0.28% MoM-sa (from -0.40%) in October and to -0.59% MoM-sa (from -0.46%) in September. The original series was revised to -1.55% YoY (from -1.48%) in October and to +0.77% YoY (from +0.69%) in September.
- **November’s figure places the economy 1.0% below the pre-pandemic mark (February 2020), according to this indicator.** Moreover, broad activity remains 2.3% below the recent spike reached in February 2021. Among the key sectors, November’s result stems mainly from the positive surprises seen in the tertiary sector (+0.5% for broad retail sales and +2.4% for services output), while industry slightly decreased 0.2%. We also understand that farm output rebound (after the sharp drop seen in 3Q21) and continued recovery of health and education services (not captured in the monthly surveys) may have also contributed positively.
- **In quarterly terms, November’s result implies a -0.33% carryover to 4Q21 (-0.86% from October’s release), in line with the key sectors.** According to our calculations, November’s results imply carryovers of -1.3% for industry, -2.1% for broad retail sales and -0.3% for services output to 4Q21.
- **Despite these still weak quarterly figures, we are keeping our 4Q21 GDP growth tracking at +0.2% QoQ-sa.** Our growth thesis for GDP this quarter rests mainly on good contribution coming from services segments that still show strong idleness compared to the pre-crisis period (e.g., Other Services and Public Services) and that are not well captured by timely activity indexes, along with a farm output rebound.

Figure 1 – Economic Activity Breakdown

	% MoM			% YoY			% QoQ			%	
	Sep-21	Oct-21	Nov-21	Sep-21	Oct-21	Nov-21	Jun-21	Sep-21	Nov-21	Feb-20	Carry*
<b>IBC-Br</b>	<b>-0.6</b>	<b>-0.3</b>	<b>0.7</b>	<b>0.8</b>	<b>-1.6</b>	<b>0.4</b>	<b>-0.5</b>	<b>-0.5</b>	<b>-0.8</b>	<b>-1.0</b>	<b>-0.3</b>
Industrial Production	-0.6	-0.6	-0.2	-4.1	-7.8	-4.4	-2.9	-2.0	-2.1	-4.3	-1.3
Core Retail Sales	-1.0	0.2	0.6	-5.1	-6.9	-4.2	2.5	0.0	-2.3	1.2	-1.4
<b>Broad Retail Sales</b>	<b>-0.9</b>	<b>-0.8</b>	<b>0.5</b>	<b>-3.9</b>	<b>-7.0</b>	<b>-2.9</b>	<b>2.5</b>	<b>-1.5</b>	<b>-2.9</b>	<b>-1.9</b>	<b>-2.1</b>
<b>Services Sector</b>	<b>-0.6</b>	<b>-1.6</b>	<b>2.4</b>	<b>11.5</b>	<b>7.4</b>	<b>10.0</b>	<b>2.2</b>	<b>2.8</b>	<b>-0.3</b>	<b>4.5</b>	<b>-0.3</b>

Sources: IBGE, BCB, Santander. \* Carryover calculated for 4Q21.

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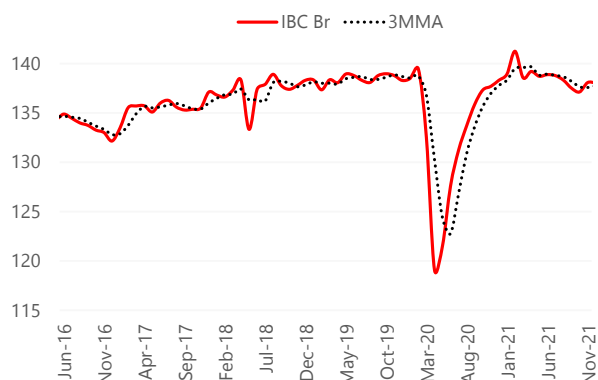
**November's growth offset the three previous declines.** The IBC-Br jumped 0.69% MoM-sa (+0.43% YoY), breaking a string of four declines and coming in line with our estimate of +0.8% MoM-sa (+0.8% YoY) and market consensus of +0.7% (+0.5% YoY). Regarding revisions, the seasonally-adjusted series was revised to -0.28% MoM-sa (from -0.40%) in October and to -0.59% MoM-sa (from -0.46%) in September, while the original series was revised to -1.55% YoY (from -1.48%) in October and to +0.77% YoY (from +0.69%) in September. Moreover, November's result fully offset the three previous declines, placing the economy 1.0% below the pre-pandemic mark and 2.25% below the recent spike reached in February 2021, according to this indicator.

**Positive surprises in the tertiary sector drive broad activity.** Among the key sectors, today's result stems mainly from the positive surprises seen in the tertiary sector (+0.5% for broad retail sales<sup>1</sup> and +2.4% for the services sector<sup>2</sup>), while industry<sup>3</sup> slightly decreased by 0.2%. We also understand that farm output rebound (after the sharp drop seen in 3Q21) and continued recovery of health and education services (not captured in the monthly surveys) may have also contributed positively to November's growth.

**Despite the widespread growth, we still calculate negative carryovers to 4Q21.** In quarterly terms, for IBC-Br we calculate a -0.33% carryover to 4Q21 (-0.86% from October's release), in line with the key sectors. According to our calculations, November's results imply carryovers of -1.3% for industry, -2.1% for broad retail sales and -0.3% for services output to 4Q21. According to FGV we still see a widespread decline in economic confidence for December, which brings challenges for overall activity in the month: -2.0% in industry, -3.1% in retail, -1.3% in services and -1.9% for aggregated business confidence. Conversely, we saw positive prints for construction (+1.5%) and consumer confidence (+0.8%).

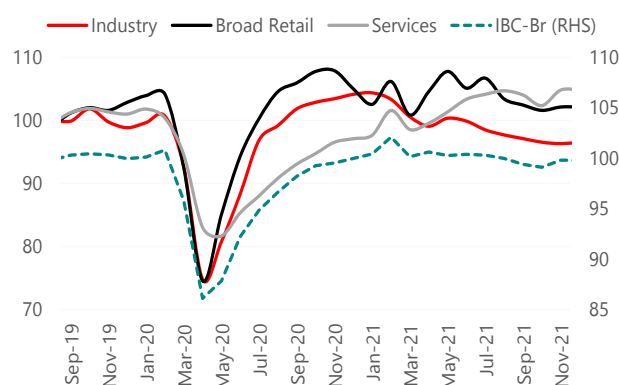
**Despite these still weak quarterly figures, we are keeping our 4Q21 GDP growth tracking at +0.2% QoQ-sa.** Our growth thesis for GDP this quarter (and for 2022) rests mainly on good contribution coming from services segments that still show strong idleness compared to the pre-crisis period (e.g., Other Services and Public Services) and that are not well captured by timely activity indexes, along with a farm output rebound. **For details on Santander's activity outlook, please refer to our last chartbook<sup>4</sup> and our most recent special report<sup>5</sup>.**

Figure 2.A – IBC-Br (sa, 2003=100)



Sources: BCB, Santander.

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



Sources: IBGE, BCB, Santander

<sup>1</sup> Santander Brazil Economic Activity - "A Positive Surprise for Retail Activity" – January 14, 2021 – Available on: <https://bit.ly/Std-econact-011422>

<sup>2</sup> Santander Brazil Economic Activity - "Services Output Jumps, Offsetting Previous Drops" – January 13, 2022 – Available on: <https://bit.ly/Std-econact-011322>

<sup>3</sup> Santander Brazil Economic Activity - "Industrial Output Declines for the Sixth Month in a Row" – January 06, 2022 – Available on: <https://bit.ly/Std-econact-060122>

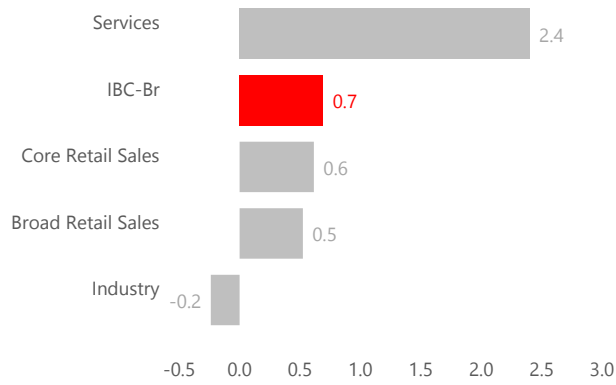
<sup>4</sup> Santander Brazil Economic Activity - "Chartbook – Lowering (Again) Our GDP Estimates" – December 8, 2021 – Available on: <https://bit.ly/Std-chart-econact-dec21>

<sup>5</sup> Santander Brazil Economic Activity - "Chartbook – Household Debt is a Risk for Loan Growth and Delinquencies" – December 02, 2021 – Available on: <https://bit.ly/Std-chart-credit-dec21>

<sup>6</sup> Santander Brazil Economic Activity - "Special Report – Resilience Factors for 2022 GDP Growth" – January 14, 2022 – Available on: <https://bit.ly/Std-special-011422>

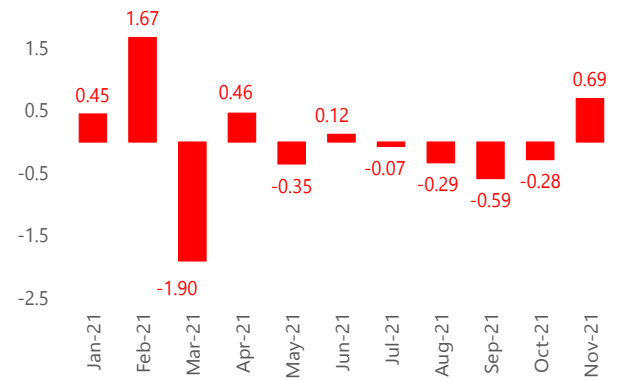


**Figure 3.A – Activity Indexes (sa, MoM %)**



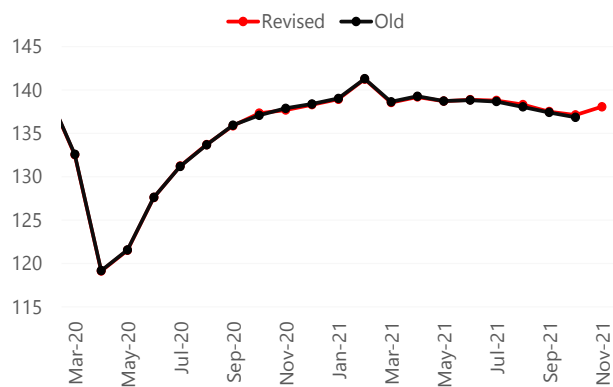
Sources: BCB, IBGE, Santander.

**Figure 3.B – IBC-Br (sa, MoM%)**



Sources: IBGE, BCB, Santander.

**Figure 4.A – IBC-Br (sa, 2003=100)**



Sources: BCB, Santander.

**Figure 4.B – Revisions**

	NSA (YoY%)		SA (MoM %)	
	Previous	Revised	Previous	Revised
Jan-21	-1.36	-1.38	0.46	0.45
Feb-21	0.07	0.07	1.64	1.67
Mar-21	5.50	5.48	-1.88	-1.90
Apr-21	17.01	17.03	0.45	0.46
May-21	14.41	14.42	-0.39	-0.35
Jun-21	8.90	8.95	0.07	0.12
Jul-21	5.10	5.15	-0.12	-0.07
Aug-21	4.06	4.25	-0.45	-0.33
Sep-21	0.69	0.77	-0.46	-0.59
Oct-21	-1.48	-1.55	-0.40	-0.28
Nov-21	-	0.43	-	0.69

Sources: BCB, Santander.



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