

**Gabriel Couto\***

gabriel.couto@santander.com.br

+5511 3553 8487

**BROAD ECONOMIC ACTIVITY REMAINED FLAT IN JANUARY**

- **The IBC-Br (the Brazil Central Bank's monthly GDP proxy) remained flat in January (0.0% MoM-sa; +3.0% YoY).** This result was close to the market consensus of -0.1% MoM-sa and above our estimate of -0.5% MoM-sa, but with the series being revised downward. Indeed, in the unadjusted series, December's figure was revised to 0.8% YoY (from +1.4% YoY), while November's figure was revised to +0.8% YoY (from +1.3% YoY). January's flat performance came after an increase in December, which posted a slight recovery after a streak of four consecutive declines for BCB's monthly GDP proxy. January's result left a -0.1% QoQ-sa carryover for 1Q23.
- **January's activity releases were marked by mixed signals.** Goods-related activities showed divergent performances, with positive figures in retail and a contraction in industry. Broad retail sales increased 0.2% MoM-sa, while the core index climbed 3.8% MoM-sa. Industrial output dropped 0.3% MoM-sa, in line with its recent trend; it has maintained roughly the same level since September. Services' real revenue was the lowlight of the month, tumbling 3.1% MoM-sa and fully offsetting December's strong increase.
- **February's available data also point to mixed 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 expansion in retail sales and flat performance for services rendered to families. For industry, both FGV's industrial confidence and PMI manufacturing remain below the neutral threshold. Services activities played a major role in cushioning the first impacts of restrictive financial conditions that began to be felt throughout 3Q22 (hitting mainly goods-related activities), benefiting from tax cuts and from mobility normalization (in the wake of the economy's reopening consolidation). Looking ahead, we do not expect these elements to be repeated, and we believe deteriorating financial conditions will have a greater impact on services provided to firms in the coming months.
- **We are maintaining our 1Q23 GDP growth tracking at +0.5% QoQ-sa, with a positive impact from farm output.** We forecast GDP growth of 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.

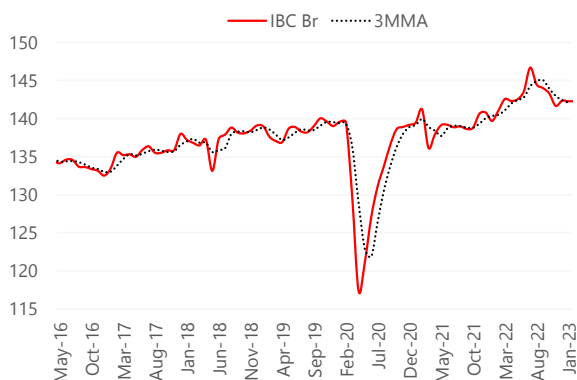


Figure 1 – Economic Activity Breakdown

	% MoM			% YoY			% QoQ			% Carry*	
	Nov-22	Dec-22	Jan-23	Nov-22	Dec-22	Jan-23	Sep-22	Dec-22	Jan-23	Feb-20	Carry*
IBC-Br	-1.13	0.47	-0.04	0.75	0.83	3.03	1.58	-1.82	-1.28	2.7	-0.1
Industry	0.2	0.0	-0.3	0.8	-0.4	0.3	-0.9	0.1	0.4	-2.3	-0.3
Core Retail Sales	-0.7	-2.8	3.8	1.4	0.4	2.6	-0.8	-0.4	-0.8	3.3	1.6
Broad Retail Sales	-0.6	0.4	0.2	-1.4	-0.6	0.5	-1.8	0.4	0.2	-1.3	0.2
Services	0.1	2.9	-3.1	6.5	6.0	6.1	2.8	1.3	0.8	10.3	-1.2

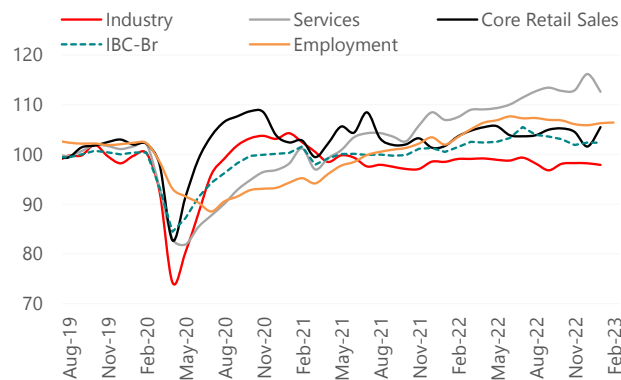
\*Carryover calculated to 1Q23. Sources: IBGE, BCB, Santander.

Figure 2 – IBC-Br (sa, 2003=100)



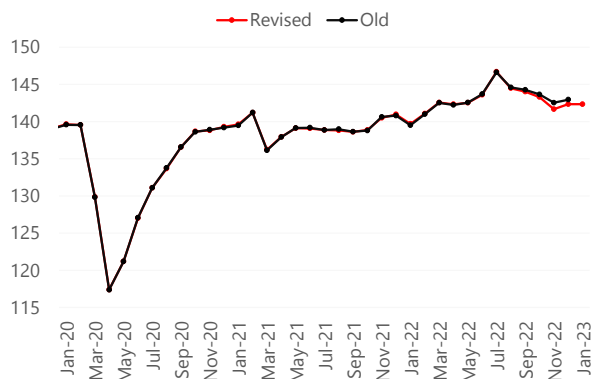
Sources: BCB, Santander.

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
Feb-22	1.72	1.79	1.05	0.98
Mar-22	3.12	3.07	1.09	1.06
Apr-22	2.48	2.53	-0.20	-0.17
May-22	3.66	3.67	0.22	0.14
Jun-22	3.18	3.22	0.80	0.75
Jul-22	4.44	4.49	2.04	2.17
Aug-22	5.28	5.37	-1.38	-1.51
Sep-22	4.22	4.07	-0.22	-0.33
Oct-22	3.46	3.13	-0.43	-0.51
Nov-22	1.29	0.75	-0.77	-1.13
Dec-22	1.42	0.83	0.00	0.47
Jan-23	-	3.03	-	0.00

Sources: BCB, Santander.

**For details on Santander's economic activity outlook, please refer to our most recent reports<sup>1</sup>.**

<sup>1</sup> Santander Brazil Special Report: "Forecasting Probability of Recession in Brazil with Financial Conditions" – January 4, 2023 – Available on: <https://bit.ly/Std-special-010423>

Santander Brazil Economic Activity: "Financial Conditions Remained Stable at Highly Restrictive Levels in March" – April 06, 2023 – Available on: <https://bit.ly/Std-FCI-mar23>

Santander Brazil Economic Activity: "As Expected, Activity Data Point to a Weak 4Q22" – February 28, 2023 – Available on: <https://bit.ly/Std-SAI-dec22>

Santander Brazil Special Report: "A Breakdown of Brazilian Financial Conditions" – January 19, 2023 – Available on: <https://bit.ly/Std-special-011923>



## 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
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
Aline de Souza Cardoso*	Head, Brazil	aline.souza.cardoso@santander.com.br	5511-3553-1684

### Electronic

Bloomberg  
Reuters

SIEQ <GO>  
Pages SISEMA through SISEMZ

This research report (“report”) has been prepared by Santander US Capital Markets LLC (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 report 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. Santander US Capital Markets LLC, 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: Gabriel Couto\*. Employed by a non-US affiliate of Santander US Capital Markets LLC and is not registered/qualified as a research analyst under FINRA rules and is not an associated person of the member firm and therefore is not subject to FINRA Rule 2241 or FINRA Rule 2242 and restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account. The information contained within this report has been compiled from sources believed to be reliable. Although all reasonable care has been taken to ensure the information contained within these reports is not untrue or misleading, we make no representation that such information is accurate or complete and it should not be relied upon as such. All opinions and estimates included within this report constitute our judgment as of the date of the 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 Santander US Capital Markets LLC, 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. Hong Kong (HK): This report is distributed in Hong Kong by Banco Santander, S.A. (a public limited liability company incorporated in Spain) which has a branch in Hong Kong. Banco Santander, S.A., Hong Kong Branch is regulated as a Registered Institution by the Hong Kong Monetary Authority for the conduct of Advising and Dealing in Securities (Regulated Activity Type 4 and 1 respectively) under the Securities and Futures Ordinance. This report is not intended for distribution to any persons other than professional investors. Banco Santander, S.A. or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is greater than 1%, the specific holding is disclosed in the Important Disclosures section above. The recipient of this report must not distribute it to any person without the prior written consent of Banco Santander, S.A.. Singapore (SG): This report is distributed in Singapore by Banco Santander, S.A. which has a branch in Singapore. It is not intended for distribution to any persons other than institutional investors, accredited



investors and expert investors (each as defined in the Securities and Futures Act 2001 of Singapore). Recipients of this report should contact Banco Santander, S.A., Singapore Branch at [researchsingapore@gruposantander.com](mailto:researchsingapore@gruposantander.com) for matters arising from, or in connection with, this report. Mainland China (CN): This report is being distributed in Mainland China by Banco Santander, S.A. which has two branches in Mainland China, being Shanghai Branch and Beijing Branch (“Santander China”). Santander China is regulated by China Banking and Insurance Regulatory Commission. Banco Santander, S.A., Shanghai Branch is licensed for foreign currency business, RMB business and derivative business. Banco Santander, S.A., Beijing Branch is licensed with foreign currency business. The recipient of this report must not distribute it to any person without the prior written consent of Banco Santander, S.A. © 2023 by Santander US Capital Markets LLC All Rights Reserved.

