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MONTHLY GDP PROXY DECLINES IN AUGUST

- **The IBC-Br (the Central Bank’s monthly GDP proxy) shrank 1.13% MoM-sa (+4.86% YoY) in August, in line with our estimate of -1.1% MoM-sa (4.8% YoY) and weaker than market consensus of -0.7% MoM-sa (+5.3% YoY).** This performance places the broad economy 3.2% above the pre-pandemic benchmark (set at February 2020).
- **Recent prints show only slight revisions from July’s release.** In the adjusted series, July’s figure was revised upward to +1.67% MoM-sa (from +1.17% MoM-sa), while in the unadjusted series, July’s figure was revised upward to +3.97% YoY (from +3.87% YoY).
- **August’s performance reflected mixed signals across major activities.** We saw sequential declines in goods-related sectors: industrial output and broad retail sales retreated 0.6% MoM-sa, while core retail activity inched down 0.1% MoM-sa. Conversely, the positive surprise in services likely partially offset this drag. In any case, despite the negative print at the margin for the monthly GDP proxy, the carryover calculated for 3Q22 still points to a sturdy quarterly gain of 1.34% QoQ-sa (+0.7% QoQ-sa in 2Q22 and +1.1% QoQ-sa in 1Q22). Regarding September’s activity data, our tracking for broad retail sales and core retail sales stands at +0.5% MoM-sa (-0.3% YoY and +2.1% YoY, respectively), while our tracking for industrial output and services real revenue stands at -0.7% MoM-sa (+0.6% YoY) and -0.1% MoM-sa (+7.5% YoY), respectively. Preliminary, our September IBC-Br tracking stands at -0.12 % MoM-sa (+3.62% YoY).
- **Maintaining our 3Q22 GDP growth tracking at +0.7% QoQ-sa.** In our most recent scenario update, we raised our GDP forecast for full year 2022 to 2.8% (from +2.6%). We expect mixed signals for economic activity throughout 2H22: on the one hand, labor market resilience and fiscal stimuli could partially support demand; on the other hand, we will likely finally see the effects of contractionary monetary policy and tight financial conditions. For 2023, we updated our GDP forecast to +0.7% (from -0.2% previously). We calculate a stronger carryover for 2023, based on better expectations for 2H22, but we continue to project a slowdown in domestic demand and in cyclical supply components, stemming mainly from the expected global recession and the effects of a tight BCB policy. Conversely, we now 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			%	
	Jun-22	Jul-22	Aug-22	Jun-22	Jul-22	Aug-22	Mar-22	Jun-22	Aug-22	Feb-20	Carry*
IBC-Br	0.8	1.7	-1.1	2.9	4.0	4.9	1.1	0.7	1.2	3.2	1.3
Industry	-0.4	0.6	-0.6	-0.4	-0.4	2.8	0.6	0.9	0.1	-1.5	0.0
Core Retail Sales	-1.9	-0.5	-0.1	-0.1	-5.3	1.6	1.8	1.3	-2.0	1.1	-1.8
Broad Retail Sales	-2.0	-0.8	-0.6	-3.0	-6.9	-0.7	1.1	-0.1	-2.6	-3.0	-2.4
Services	0.9	1.3	0.7	6.4	6.3	8.0	1.7	1.4	2.3	10.1	2.5

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

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

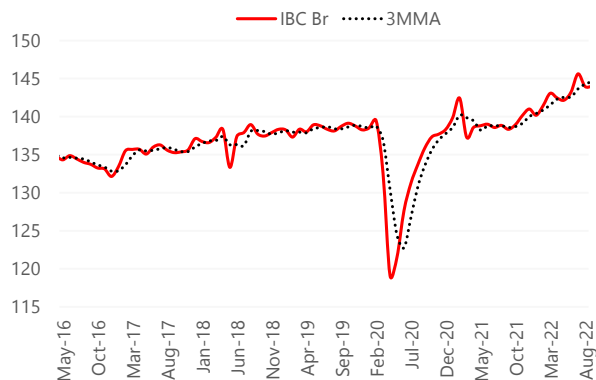
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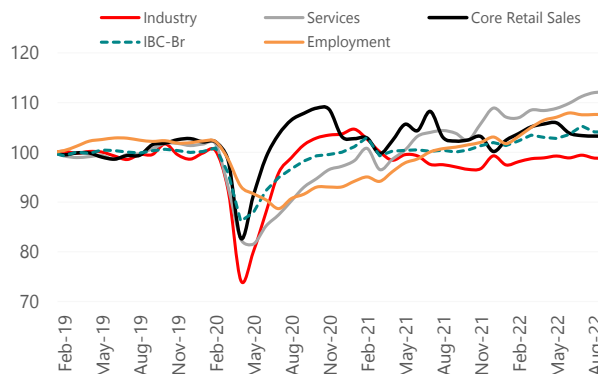
For details on Santander’s economic activity outlook, please refer to our most recent reports¹.

Figure 2 – IBC-Br (sa, 2003=100)



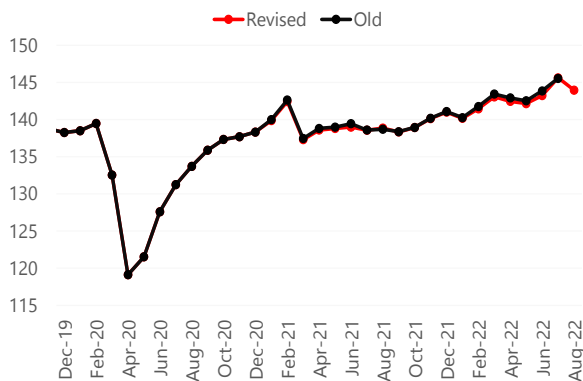
Sources: BCB, Santander.

Figure 3 – Activity Indexes (sa, Jan/2019=100)



Sources: IBGE, BCB, Santander

Figure 4 – IBC-Br (sa, 2002=100)



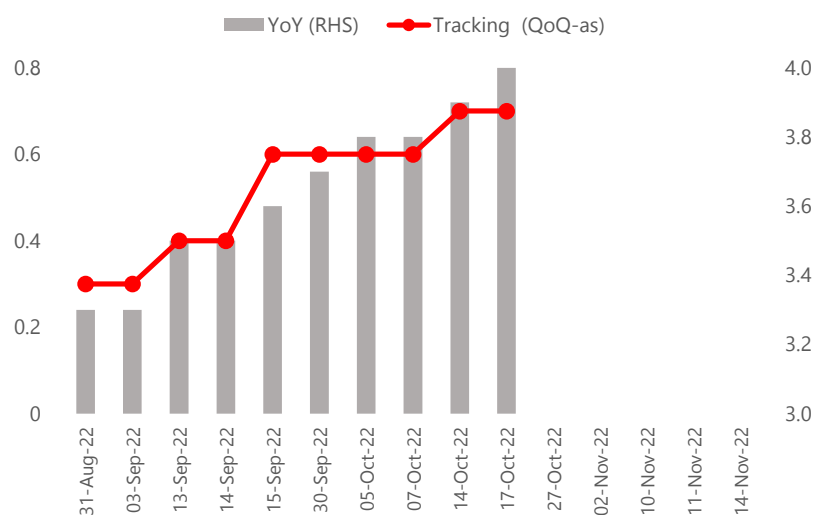
Sources: BCB, Santander.

Figure 5 – Revisions

	NSA (YoY%)		SA (MoM %)	
	Previous	Revised	Previous	Revised
Feb-21	-0.01	-0.10	1.89	1.84
Mar-21	5.91	5.83	-3.63	-3.60
Apr-21	17.12	17.04	1.00	0.94
May-21	15.12	15.03	0.12	0.15
Jun-21	9.61	9.51	0.34	0.14
Jul-21	5.56	5.46	-0.61	-0.31
Aug-21	4.97	4.88	0.07	0.20
Sep-21	1.43	1.33	-0.23	-0.37
Oct-21	-0.99	-1.12	0.41	0.43
Nov-21	1.55	1.45	0.89	0.86
Dec-21	2.08	2.00	0.63	0.62
Jan-22	0.48	0.52	-0.58	-0.58
Feb-22	1.23	1.14	1.08	0.91
Mar-22	2.73	2.63	1.17	1.13
Apr-22	2.33	2.18	-0.36	-0.43
May-22	3.83	3.72	-0.27	-0.20
Jun-22	2.97	2.87	0.93	0.75
Jul-22	3.87	3.97	1.17	1.67
Aug-22	-	4.86	-	-1.13

Sources: BCB, Santander.

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>
 Santander Brazil Economic Activity: “Financial Conditions Worsen in Mid-September” – September 14, 2022 – Available on: <https://bit.ly/Std-FCI-sep22>


Figure 6 – 3Q22 GDP Growth Nowcasting (% , QoQ-sa and YoY-nsa)²


Sources: IBGE, Santander

Figure 7 – 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
30-Sep-22	Labor Market	Aug-22	0.6	3.7	0.3	3.3
05-Oct-22	Industry	Aug-22	0.6	3.8	0.3	3.3
07-Oct-22	Retail Sales	Aug-22	0.6	3.8	0.3	3.3
14-Oct-22	Services	Aug-22	0.7	3.9	0.6	3.8
17-Oct-22	IBC-Br	Aug-22	0.7	4.0	0.6	3.8

Sources: IBGE, Santander.

² Santander Brazil Special Report: “Nowcasting Brazilian GDP with LASSO” – May 16, 2022 – Available on: <https://bit.ly/Std-special-051622>



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