

BROAD ACTIVITY POINTS TO A HEFTY INCREASE IN 1Q23 GDP

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- **The IBC-Br (the Brazil Central Bank's monthly GDP proxy) posted a -0.15% MoM-sa decrease (+5.46% YoY) in March.** This result was an upward surprise relative to the market consensus of -0.3 % MoM-sa (3.7% YoY) and our estimate of -1.1% MoM-sa (+3.8% YoY), with the series being revised upward. Indeed, in the unadjusted series, February's figure was revised to 2.80% YoY (from +2.76% YoY), while January's figure was revised to +3.19% YoY (from +2.99% YoY). March's slightly negative result was not enough to offset February's strong increase (+2.5% MoM-sa). The result led to a +2.4% QoQ-sa growth in 1Q23 and a +0.7% QoQ-sa carryover for 2Q23. Although the breakdown of the IBC-Br index is not provided by the BCB, we estimate that the positive performance of broad activity in 1Q23 stemmed mainly from the contribution of record grain production from 2022-23 summer crops.
- **March's activity releases were marked by mostly positive signals.** Goods-related activities recorded robust performances, with positive figures for broad and core retail, as well as in industry. Broad retail sales jumped 3.6% MoM-sa, while the core index increased 0.8% MoM-sa. Industrial output had a 1.1% MoM-sa growth, after two contractions in a row. Services' real revenue posted another increase in March, climbing 0.9% MoM-sa and partially offsetting January's drop (January and February: -2.9% MoM-sa and +0.7% MoM-sa, respectively).
- **April's available data 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 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 increasing our 1Q23 GDP growth tracking to +1.2% QoQ-sa (previously: +1.1% QoQ-sa), considering March's better results and the positive impact from farm output.** We forecast GDP growth of 1.0% in 2023, but we acknowledge there is a slight upside risk to this number. We still 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.

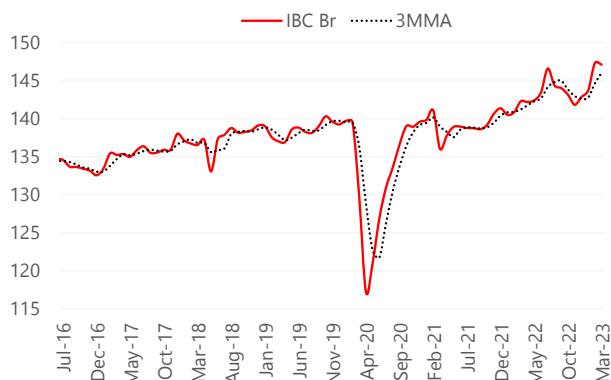


Figure 1 – Economic Activity Breakdown

	% MoM			% YoY			% QoQ			% Carry*	
	Jan-23	Feb-23	Mar-23	Jan-23	Feb-23	Mar-23	Sep-22	Dec-22	Mar-23	Feb-20	Carry*
IBC-Br	0.59	2.53	-0.15	3.19	2.80	5.46	1.62	-1.65	2.41	2.5	0.7
Industry	-0.3	-0.2	1.1	0.3	-2.4	0.9	-0.7	0.2	0.0	-1.3	0.7
Core Retail Sales	3.9	0.0	0.8	2.8	1.1	3.2	-0.7	-0.2	2.0	4.3	0.5
Broad Retail Sales	0.6	2.0	3.6	0.7	0.0	8.8	-0.9	1.3	3.7	5.3	3.0
Services	-2.9	0.7	0.9	5.9	5.2	6.3	3.0	1.4	-0.3	12.4	0.8

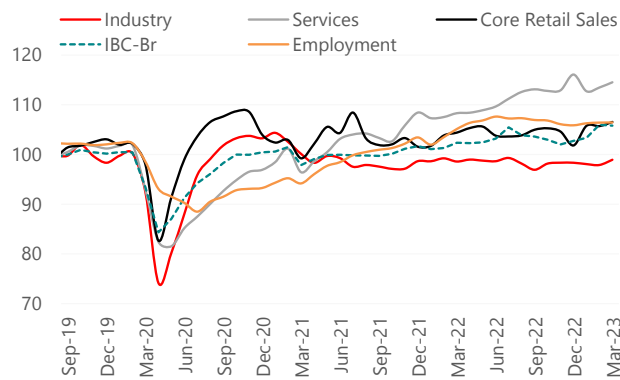
*Carryover calculated to 1Q23. Sources: IBGE, BCB, Santander.

Figure 2 – IBC-Br (sa, 2003=100)



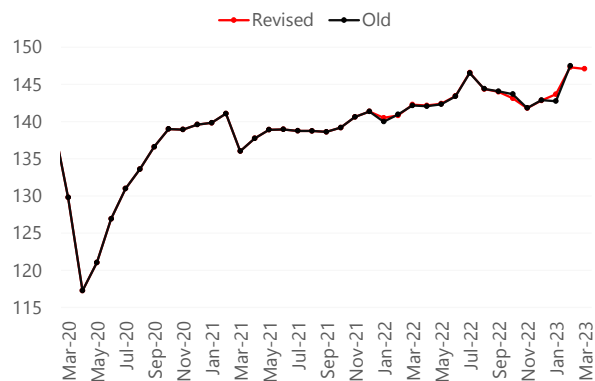
Sources: BCB, Santander.

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
Apr-22	2.53	2.53	-0.07	-0.08
May-22	3.68	3.68	0.19	0.16
Jun-22	3.22	3.22	0.74	0.73
Jul-22	4.50	4.49	2.19	2.19
Aug-22	5.37	5.37	-1.45	-1.51
Sep-22	4.07	4.08	-0.24	-0.26
Oct-22	3.13	3.15	-0.26	-0.60
Nov-22	0.75	0.77	-1.29	-0.92
Dec-22	0.81	0.80	0.74	0.73
Jan-23	2.99	3.19	-0.09	0.59
Feb-23	2.76	2.80	3.32	2.53
Mar-23	-	5.46	-	-0.15

Sources: BCB, Santander.



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