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- **The IBC-Br (the Brazil Central Bank's monthly GDP proxy) posted a 3.3% MoM-sa increase (+2.8% YoY) in February.** This result was a significant upward surprise relative to the market consensus of +1.0% MoM-sa (0.8% YoY) and our estimate of +1.4% MoM-sa (+1.0% YoY), with no major revisions in the series. February's strong increase came after virtual stability in January. The result left a +2.2% QoQ-sa carryover for 1Q23. Although the breakdown of the IBC-Br index is not provided by the BCB, we estimate that the positive surprise stemmed mainly from the contribution of record grain production from 2022-23 summer crops.
- **February's activity releases were marked by mostly positive signals.** Goods-related activities showed divergent performances, with a positive figure for broad retail and slight contractions in the core retail industry. Broad retail sales increased 1.7% MoM-sa, while the core index dropped 0.1% MoM-sa. Industrial output declined 0.2% MoM-sa, the third contraction in a row. Services' real revenue showed a partial rebound in February, climbing 1.1% MoM-sa (January: -3.0% MoM-sa).
- **March'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 expansion in retail sales and a slight contraction for services rendered to families. For industry, both FGV's industrial confidence and PMI manufacturing remain below the neutral threshold.
- **We are revising our 1Q23 GDP growth tracking to +0.8% QoQ-sa (previously: +0.5%QoQ-sa), considering February's better results and the positive impact from farm output.** We forecast GDP growth of 0.8% in 2023, but we acknowledge there is 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.

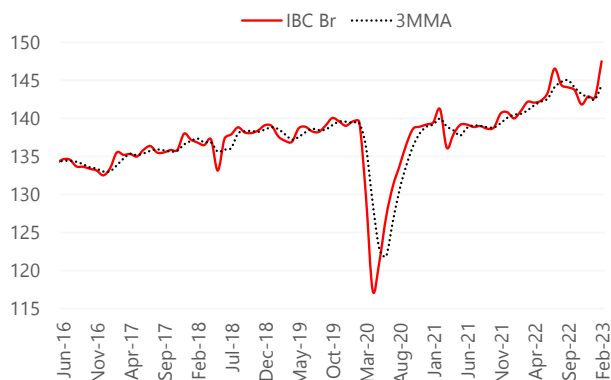


Figure 1 – Economic Activity Breakdown

	% MoM			% YoY			% QoQ			%	
	Dec-22	Jan-23	Feb-23	Dec-22	Jan-23	Feb-23	Sep-22	Dec-22	Feb-23	Feb-20	Carry*
IBC-Br	0.74	-0.09	3.32	0.81	2.99	2.76	1.69	-1.52	0.82	3.0	2.2
Industry	-0.1	-0.3	-0.2	-0.4	0.3	-2.4	-0.8	0.1	0.2	-2.6	-0.5
Core Retail Sales	-2.8	3.8	-0.1	0.4	2.6	1.0	-0.8	-0.4	-0.8	3.0	1.5
Broad Retail Sales	0.8	0.2	1.7	-0.6	0.5	-0.2	-1.2	0.9	1.2	0.9	1.7
Services	3.0	-3.0	1.1	6.0	5.9	5.4	2.7	1.3	1.1	11.5	-0.4

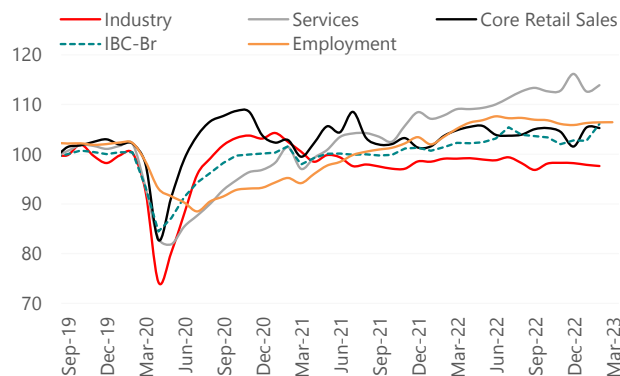
*Carryover calculated to 1Q23. Sources: IBGE, BCB, Santander.

Figure 2 – IBC-Br (sa, 2003=100)



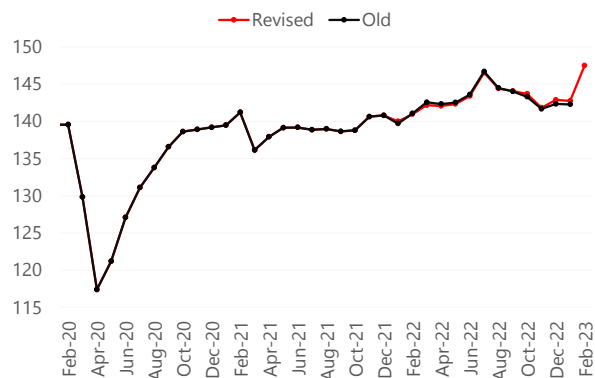
Sources: BCB, Santander.

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
Mar-22	3.08	3.08	1.06	0.85
Apr-22	2.53	2.53	-0.17	-0.07
May-22	3.67	3.68	0.14	0.19
Jun-22	3.23	3.23	0.75	0.74
Jul-22	4.50	4.51	2.17	2.19
Aug-22	5.37	5.37	-1.51	-1.45
Sep-22	4.08	4.08	-0.33	-0.24
Oct-22	3.13	3.13	-0.51	-0.26
Nov-22	0.75	0.75	-1.13	-1.29
Dec-22	0.83	0.81	0.47	0.74
Jan-23	3.03	2.99	-0.04	-0.09
Feb-23	-	2.76	-	3.32

Sources: BCB, Santander.

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

¹ **Santander Brazil Economic Activity: “Activity Data Point to Neutral Performance In January”** – April 24, 2023 – Available on: <https://bit.ly/Std-SAI-jan23>

Santander Brazil Economic Activity: “Low Growth Expected for 2023 and 2024” – April 19, 2023 – Available on: <https://bit.ly/Std-chart-econact-apr23>



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