Brazil Macro | September 2022

Economic Activity

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SUMMARY

- **We are raising our GDP growth forecasts for 2022 and 2023 and maintaining our estimate for 2024. For 2022, our forecast is now +2.6% (previously +1.9%).** The encouraging GDP performance in 1H22 led a strong carryover to the year, but we believe domestic activity will decelerate in 2H22, once the contractionary effects of a restrictive monetary policy start to kick in. We foresee more noticeable weakening to start in 4Q22, when see the lagged effects of monetary policy prevailing over a resilient labor market and the increase in disposable income. The latter factors may partially cushion the Selic rate impact next year: we are revising our GDP estimate for 2023 to -0.2% (previously -0.6%) and maintaining our +0.5% estimate for 2024.

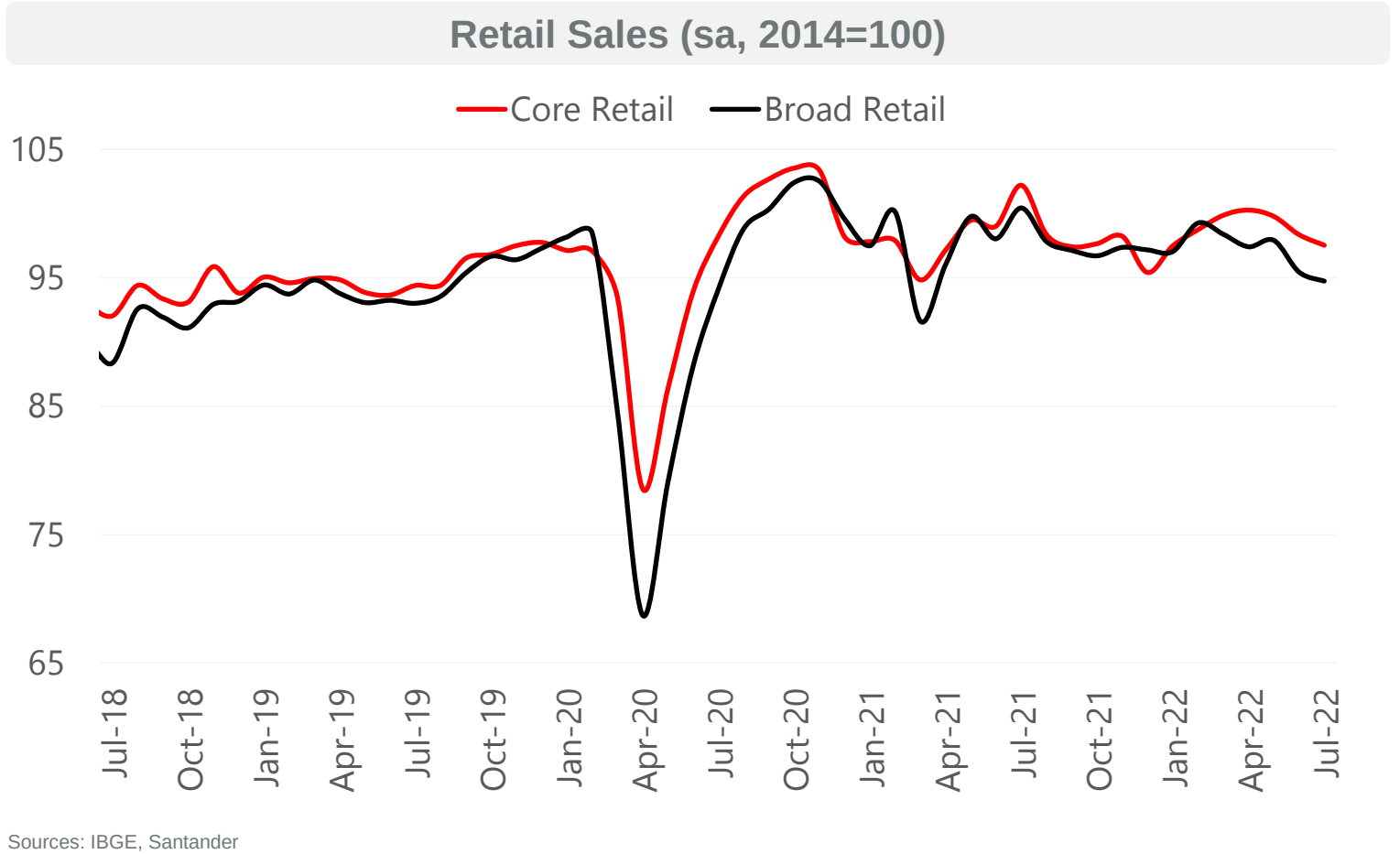
- **We still see an overheated labor market, as positive surprises in job creation in 2Q22 led us to marginally lower our unemployment rate estimates. However, we project worsening labor market conditions throughout 2023 and 2024, as the effects of monetary tightening kick in.** We estimate an average unemployment rate of 9.8% in 2022 (previously 10.0%), 10.7% in 2023 (previously 10.9%), and 10.6% in 2024 (previously 10.9%). In our view, the jobless rate should remain below the non-accelerating inflation rate of unemployment, or NAIRU (~10.5%), until mid-2023, with the labor market back to a more slackened situation thereafter. We project that the “expanded” real wage bill will grow 5.0%, 2.1%, and 1.0% in 2022, 2023, and 2024, respectively (we previously estimated gains of 3.9%, 1.4%, and 1.0%, respectively).

RETAIL SALES

01

Increasing Income Boosted Retail Sales In 1H22, But Data Shows a Slowdown

- The increase in disposable income along with government transfers, FGTS's withdrawal and pensioners benefits anticipation boosted goods consumption in 1H22, despite inflationary pressures and rising interest rates. However, even with the new round of fiscal stimulus and some deflation prints, we expect real wage bill to show a slight positive net print in 2H22, cooling down retail activity in the period.

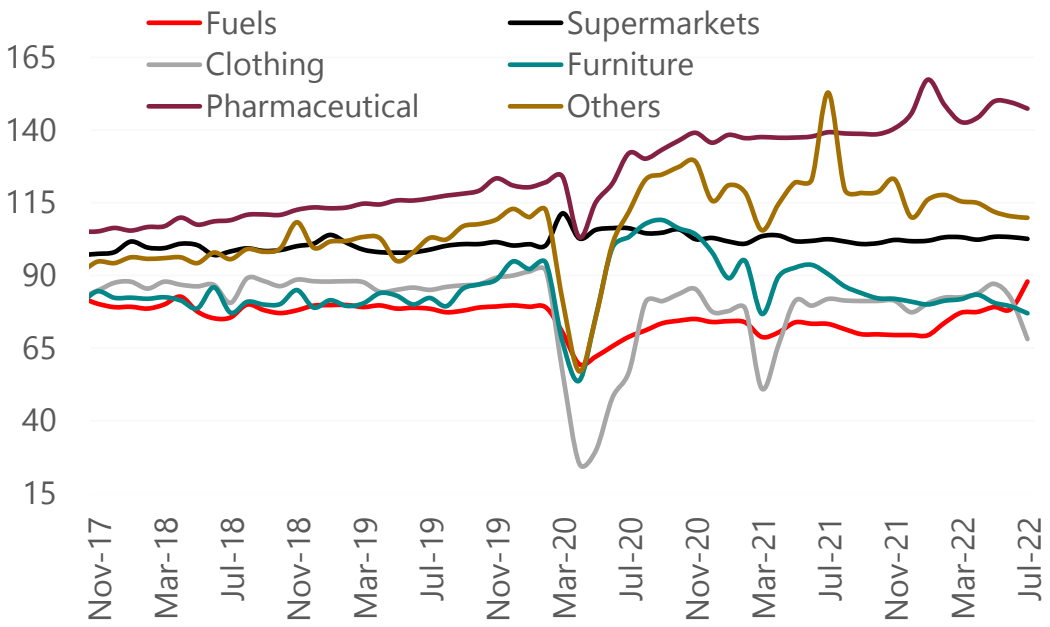


Sources: IBGE, Santander

Widespread Drop Among Retail Activities Point to Weaker Sales in 3Q22

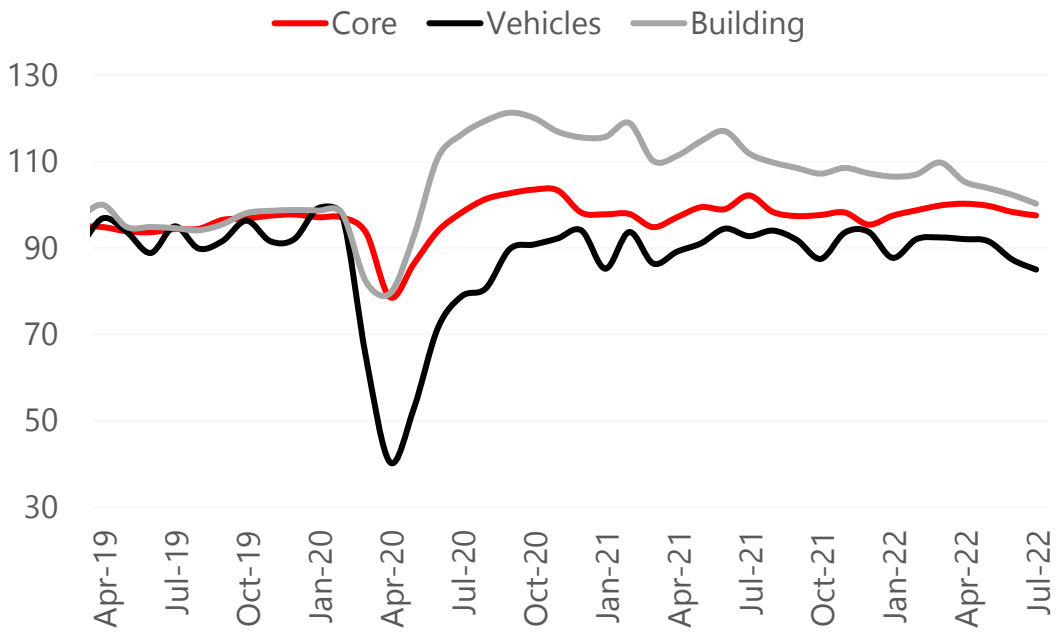
- Weak prints were disseminated across retail activities last months. At the margin, only fuels stood out positively, but reflecting a sharp deflation (due to tax cuts) in the period. The remaining activities continued to weaken, confirming a negative trend in the beginning of the quarter.

Core Retail Sales (sa, 2014=100)



Sources: IBGE, Santander

Broad Retail Sales (sa, 2014=100)



Sources: IBGE, Santander

Retail Sales Breakdown

Retail Sales Breakdown											
		% MoM			% YoY			% QoQ			%
Weights		May-22	Jun-22	Jul-22	May-22	Jun-22	Jul-22	Dec-21	Mar-22	Jul-22	Feb-20*
66.9%	Core Retail Sales	-0.5	-1.4	-0.8	-0.2	-0.1	-5.2	-2.2	1.6	-1.1	0.5
8.3%	Fuels	2.1	-0.9	12.2	7.2	8.0	17.4	-2.7	5.5	7.5	11.3
30.6%	Hypermarkets, supermarkets	1.0	-0.1	-0.6	-0.5	2.2	-0.1	0.0	1.0	0.2	2.2
6.2%	Fabrics, clothing and footwear	3.9	-5.7	-17.1	8.5	2.2	-16.2	-1.9	2.3	-4.6	-25.6
7.4%	Furniture and home appliances	-3.4	-1.5	-3.0	-12.5	-14.7	-14.6	-6.0	-0.8	-3.9	-18.4
5.1%	Pharmaceuticals	3.9	-0.2	-1.4	9.3	9.0	4.0	1.9	5.6	2.5	20.7
0.9%	Books, papers and magazine	4.8	-3.6	-2.0	25.8	2.7	11.2	0.7	-3.8	-1.4	-37.2
0.6%	Office equipment and supplies	1.8	-1.7	-1.5	2.1	1.9	-0.4	1.3	1.4	0.3	-12.4
7.8%	Other personal items	-2.6	-1.4	-0.5	-7.2	-11.4	-28.7	-10.0	-0.7	-4.6	-2.2
100%	Broad Retail Sales	0.5	-2.5	-0.7	-0.7	-3.0	-6.8	-1.4	1.2	-2.4	-3.8
8.9%	Building Materials	-1.5	-1.5	-2.0	-7.7	-12.0	-13.7	-2.2	0.1	-4.9	2.3
24.2%	Vehicles	-0.5	-4.6	-2.7	0.8	-7.1	-8.5	-1.4	-0.9	-4.6	-12.9

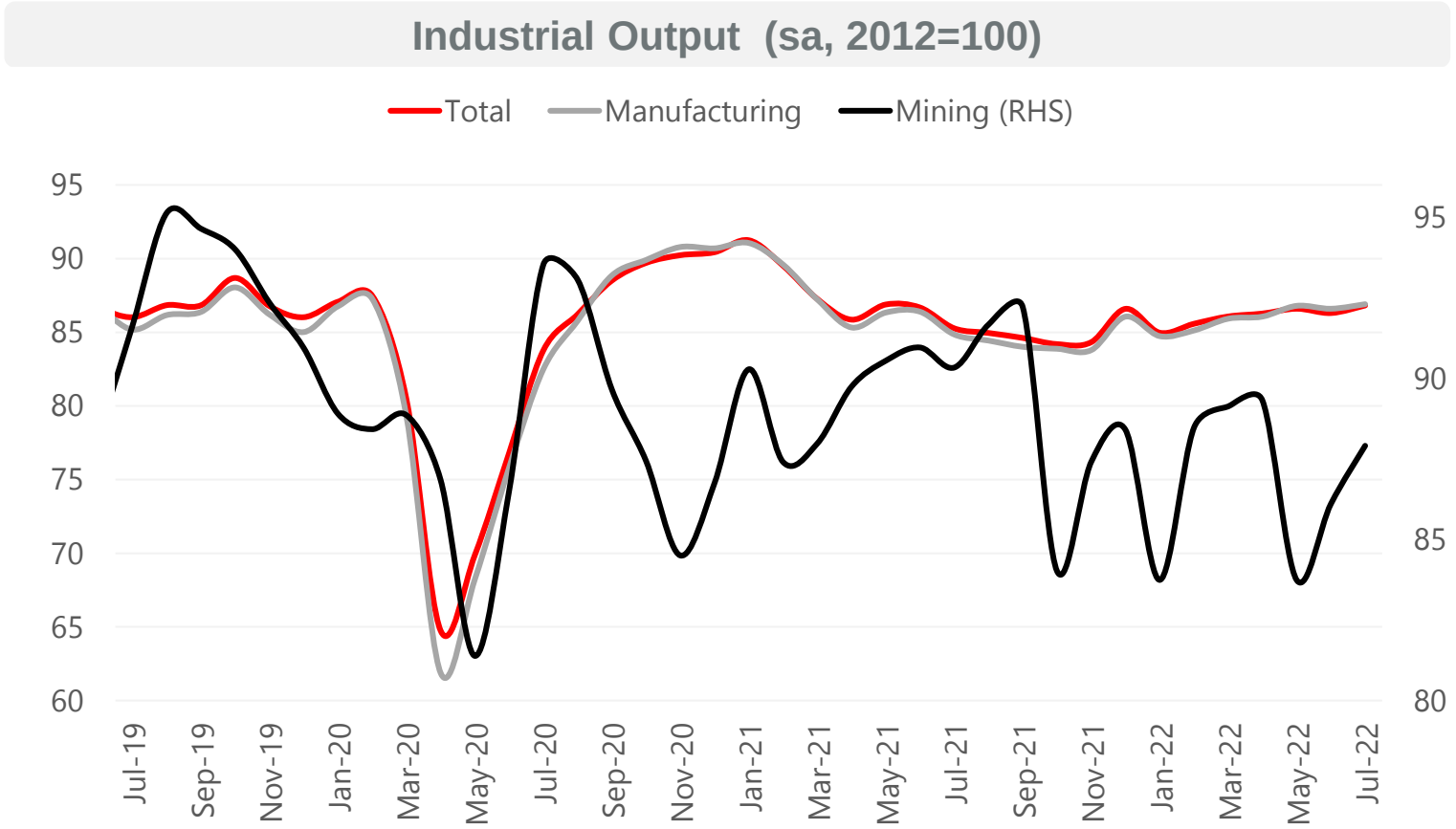
Sources: IBGE, Santander

INDUSTRIAL PRODUCTION

02

Strengthening Demand For Goods Stimulates Domestic Industry

- Following the continued weakening seen in 2H21, industrial output strengthening in 1H22 occurred on the heels of a boosted demand for goods and despite the lingering supply chain hurdles worldwide (reinforced by the European conflict outbreak). Inventories recovery also contributed positively, as well as commodity related capital goods sectors.

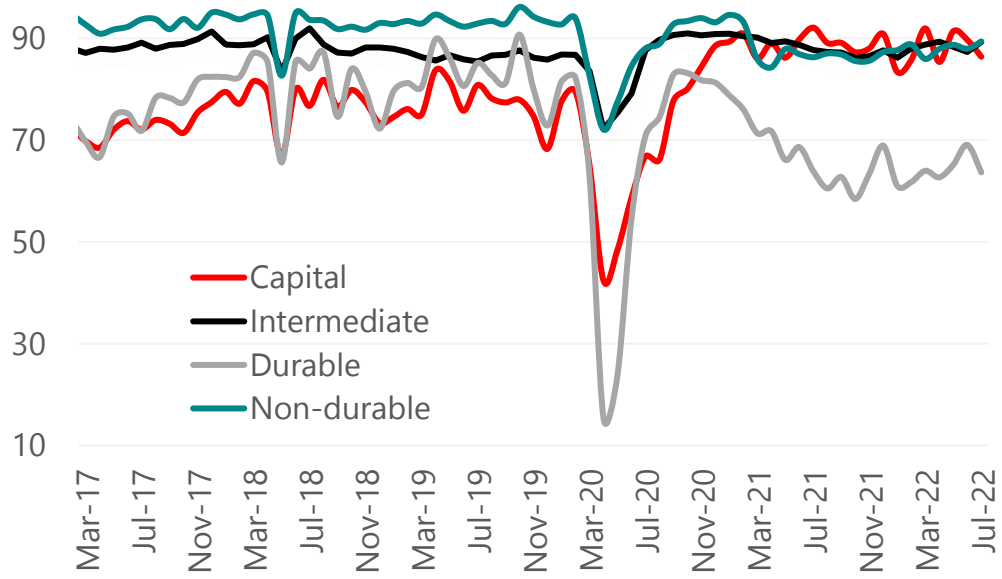


Sources: IBGE, Santander

Commodity-related Sectors and Construction Bring Resilience To Investments

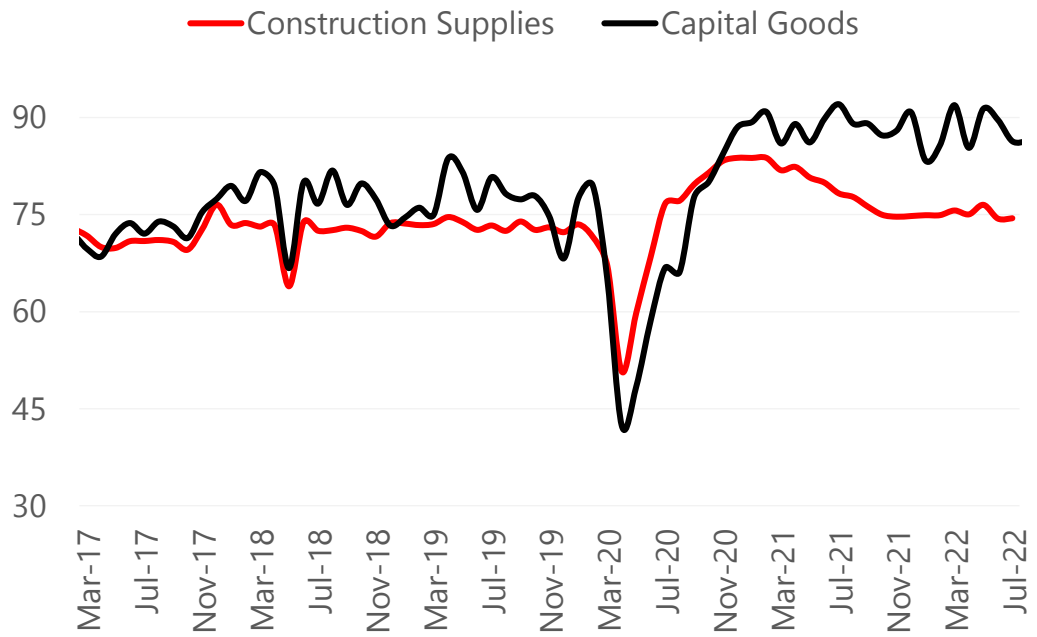
- We see commodity-related sectors strengthening as raw material prices remain high, and the construction sector (with longer cycle) entered into a positive path benefitted from the historically low interest rates set during the pandemic. These elements bring resilience to investments amid an environment with rising interest rates.

Economic Categories (sa, 2012=100)



Sources: IBGE, Santander

Related to Investments (sa, 2012=100)

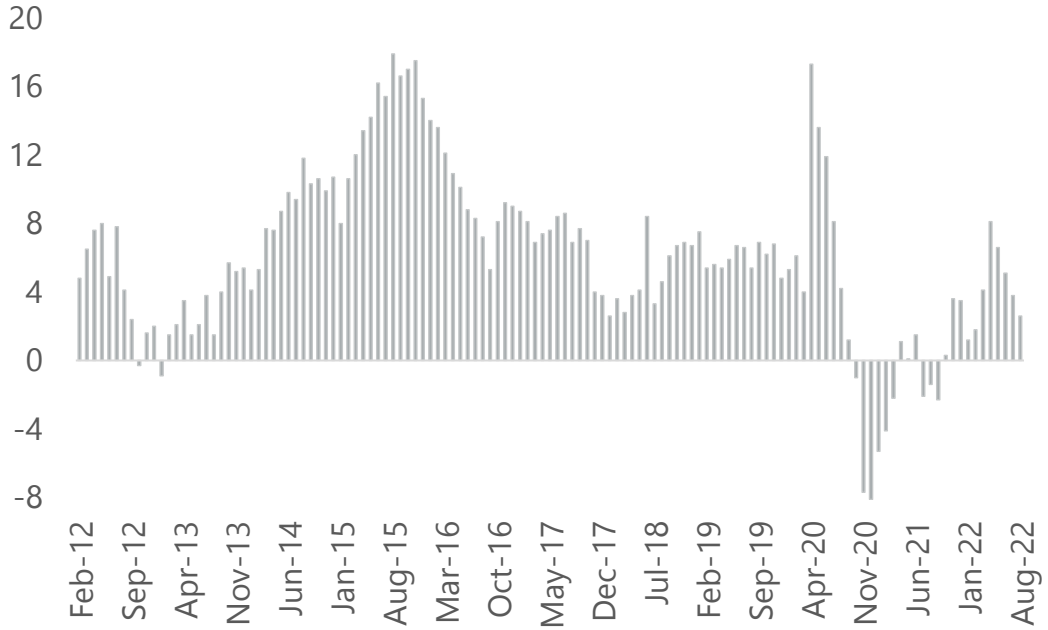


Sources: IBGE, Santander

The Recovery In Inventories Poses An Additional Upside Risk To Output

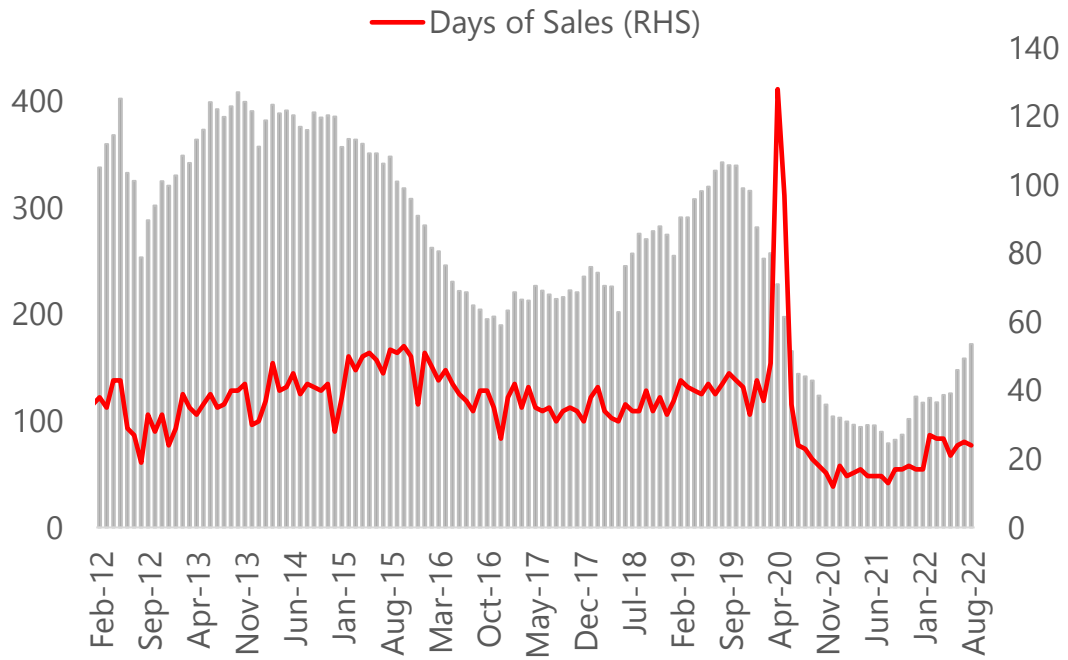
- The historically low inventories level recently reached meant that local industry (not only auto factories) had a hard time overcoming high costs and widespread inputs shortage amid important supply hurdles seen widespread. However, the last results suggested better figures. Inventories replenishment used to be a tailwind for production ahead, which may contribute to support production in 2022.

Inventories Perception (sa, points)



Sources: FGV, Santander

Auto Inventories (sa, Units in Thousands)



Sources: Anfavea, Santander

Industrial Production Breakdown

Industrial Production Breakdown											
		% MoM			% YoY			% QoQ			Feb-20 %
	Weights	May-22	Jun-22	Jul-22	May-22	Jun-22	Jul-22	Mar-22	Jun-22	Jul-22	Jul-22
Total Industry	100%	0.4	-0.3	0.6	0.5	-0.5	-0.5	0.6	1.0	0.7	-0.8
Mining	**11%**	**-6.2**	**2.8**	**2.1**	**-8.2**	**-5.4**	**-3.8**	**0.6**	**-0.8**	**-3.4**	**-0.6**
Manufacturing	**89%**	**0.8**	**-0.2**	**0.4**	**1.6**	**0.1**	**0.0**	**0.8**	**1.4**	**1.2**	**-0.4**
Capital Goods	8%	7.1	-1.9	-3.7	5.7	0.2	-5.8	-1.9	2.1	1.7	8.6
Intermediate Goods	60%	-1.1	-1.1	2.2	-0.9	-1.8	0.0	1.0	0.8	-0.5	2.9
Consumer goods	32%	0.4	0.4	0.9	1.3	1.5	0.5	0.6	1.2	1.8	-8.9
Durable	7%	3.9	6.0	-7.8	-2.1	2.3	-0.8	-2.1	5.4	5.0	-22.7
Non-Durable	25%	0.9	-0.9	1.6	2.2	1.3	0.8	1.6	0.8	1.3	-4.9
Construction Supplies	**-**	**2.0**	**-2.8**	**0.1**	**-4.5**	**-7.3**	**-6.6**	**0.5**	**0.2**	**-0.1**	**4.0**

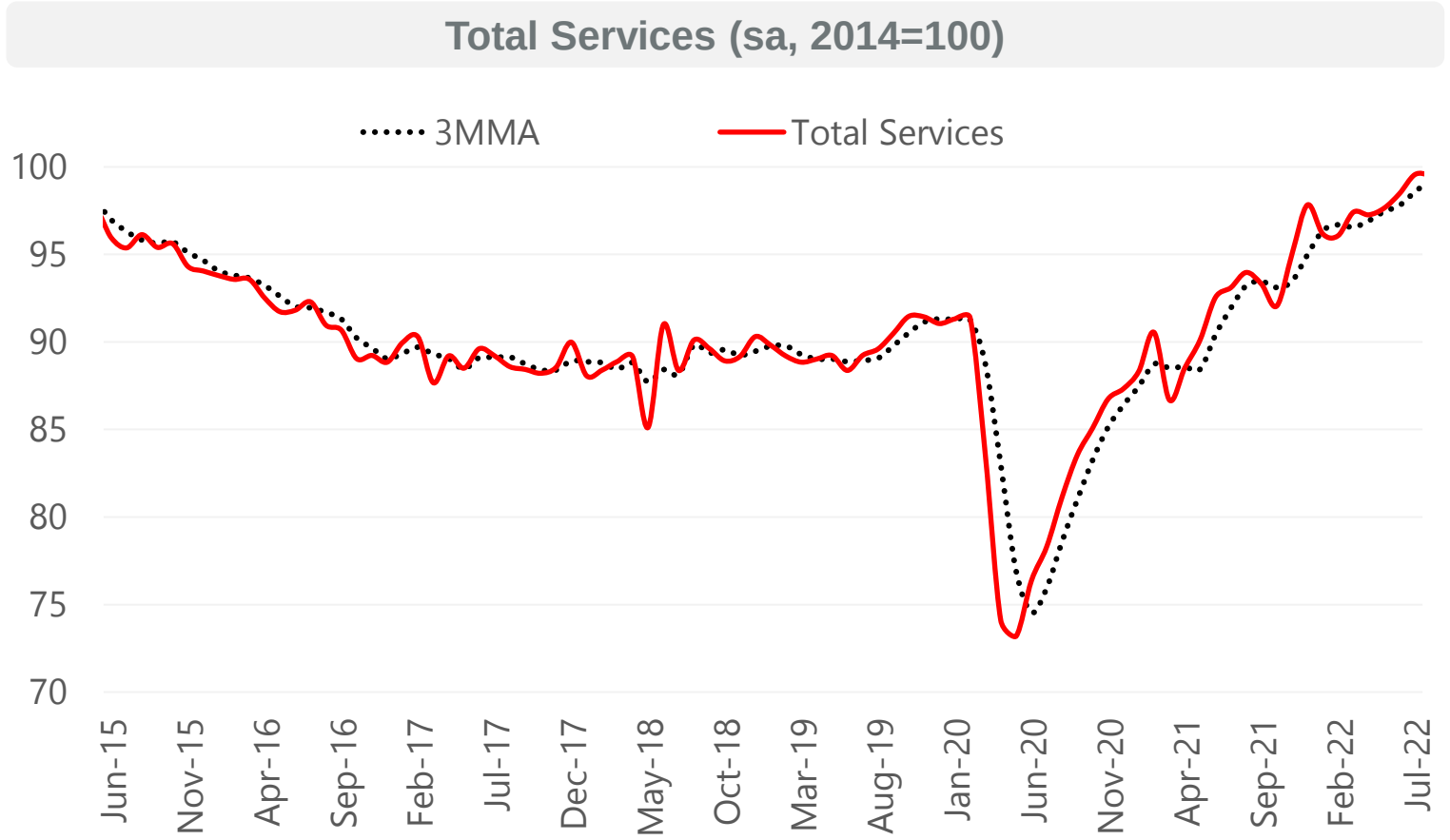
Sources: IBGE, Santander

SERVICES

03

Services Continue to be Benefited from Reopening

- Advances in the reopening process (and the consequent increase in mobility) continued to strengthen the services sector, benefitting the segments sensitive to presential activities (e.g., restaurants and professional activities). Moreover, the headline index not only surpassed the pre-pandemic benchmark but currently stands at the highest level since 2014, with a clear improvement of growth trend if compared with the pre-pandemic path.

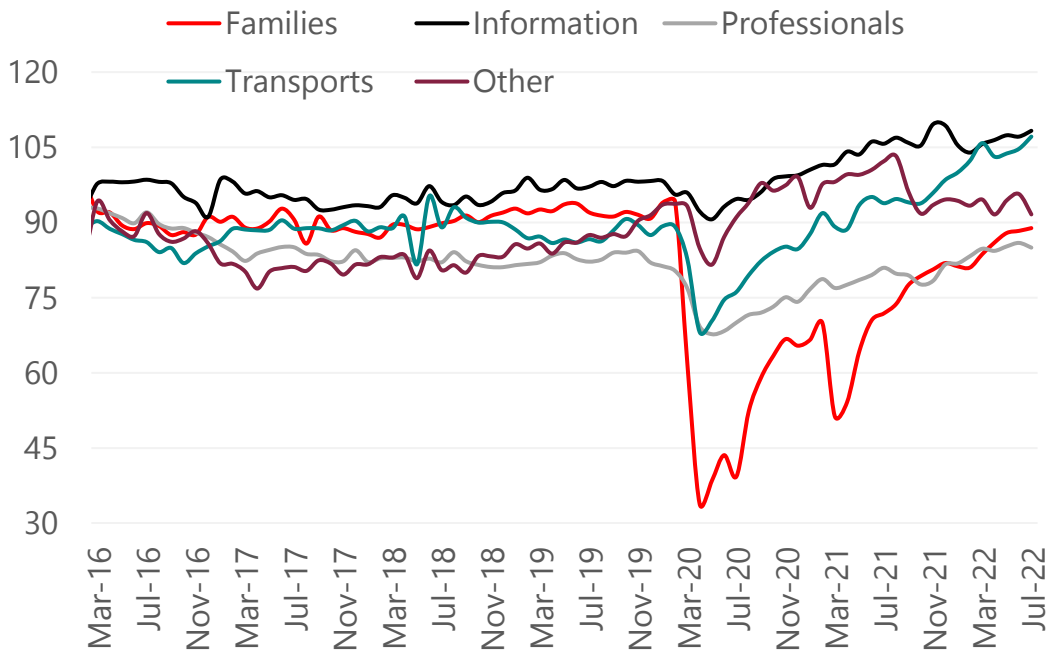


Sources: IBGE, Santander

Mobility-Related Activities Recover and Services Show Sharper Growth Trend

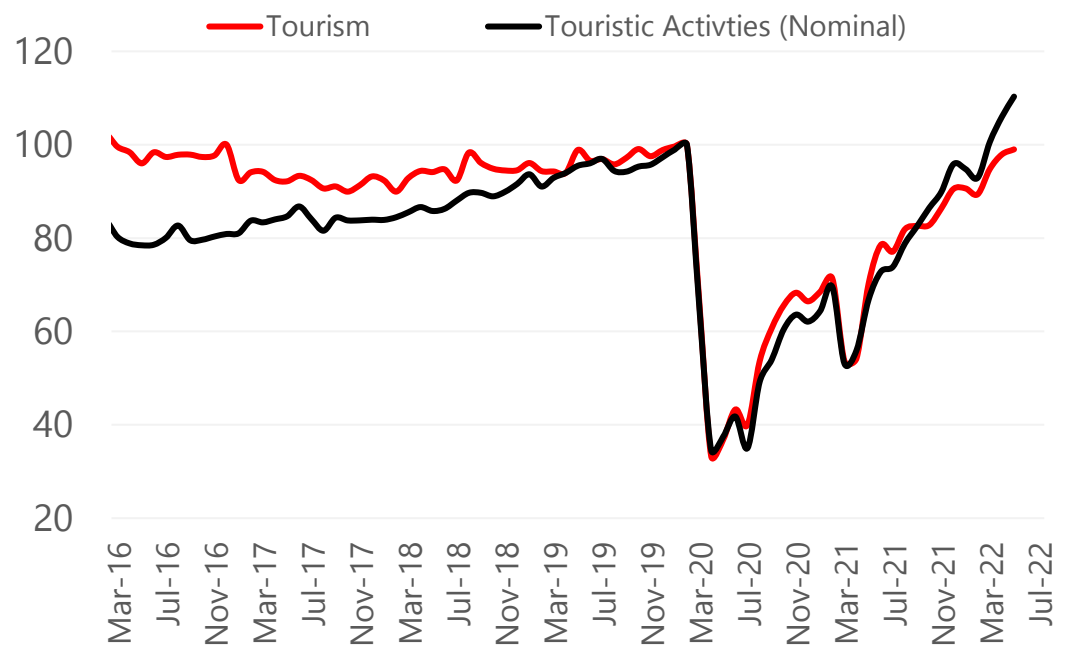
- Mobility-related segments like services to families continue to gain traction, on the heels of the consolidation of economy's reopening process. Moreover, segments like transports and information services had been showing sharper growth trend in comparison to the pre-pandemic path. In our view, this reflects i) increasing digitalization of the economy and ii) increasing e-commerce sales.

Total Services Breakdown (sa, 2014=100)



Sources: IBGE, Santander

Touristic Activities (sa, Feb/20=100)



Sources: IBGE, Santander.

Services Sector Breakdown

Services Breakdown											
		% MoM			% YoY			% QoQ			Feb-20 %
	Weights	May-22	Jun-22	Jul-22	May-22	Jun-22	Jul-22	Mar-22	Jun-22	Jul-22	Jul-22
Total Services	100%	0.4	0.8	1.1	9.1	6.4	6.3	1.7	1.3	1.7	8.9
Families	**8%**	**2.2**	**0.5**	**0.6**	**39.7**	**28.1**	**22.6**	**1.7**	**6.6**	**5.8**	**-5.7**
Accommodation and Food	7%	1.3	-0.8	2.0	42.5	28.8	22.3	1.6	6.4	4.9	-6.7
Other Services to Families	1%	-0.1	3.1	2.2	25.0	24.6	24.1	6.8	4.2	3.4	-4.2
Information	**31%**	**0.9**	**-0.2**	**1.1**	**4.0**	**0.9**	**2.0**	**-2.9**	**1.9**	**2.2**	**13.3**
Technology	26%	1.5	-0.8	0.6	4.1	1.5	2.1	-3.0	2.3	2.4	12.6
Telecommunication	19%	0.6	0.6	-2.1	-7.4	-6.3	-9.1	-3.6	-0.6	0.2	-10.4
Information Technology	7%	2.6	-5.1	6.6	20.2	11.3	17.2	0.7	4.5	3.8	55.1
Audiovisual	5%	1.3	0.6	-0.9	3.3	-4.6	1.2	-1.8	0.7	0.9	-5.4
Professional	**23%**	**1.1**	**0.8**	**-1.1**	**9.7**	**8.3**	**4.2**	**5.1**	**2.3**	**1.5**	**5.8**
Professional	7%	1.2	3.6	-3.1	6.7	9.8	-2.0	4.5	2.5	2.7	20.4
Administrative	16%	1.0	0.0	-0.1	10.9	7.7	6.8	4.7	2.2	1.5	0.4
Transportation	**31%**	**0.6**	**0.9**	**2.3**	**11.9**	**10.1**	**12.8**	**6.9**	**1.1**	**1.4**	**20.2**
Ground Transportation	18%	2.3	2.4	0.9	19.6	20.6	18.7	7.6	5.5	5.4	21.7
Water Transportation	2%	4.2	1.6	3.4	12.4	14.6	13.7	0.6	4.0	7.5	33.3
Air Transport	3%	-12.8	-9.0	6.8	30.4	-3.3	15.4	24.9	-4.3	-13.1	0.8
Storage and Mail	9%	0.2	-2.2	5.4	-3.0	-3.4	2.7	2.7	-4.3	-2.7	15.8
Other Services	**7%**	**3.1**	**1.3**	**-4.2**	**-3.9**	**-4.6**	**-11.3**	**0.9**	**-0.2**	**0.8**	**-2.2**
Touristic Activities	-	1.1	-1.7	1.5	43.6	25.8	26.5	5.8	7.1	4.7	-1.1

Sources: IBGE, Santander

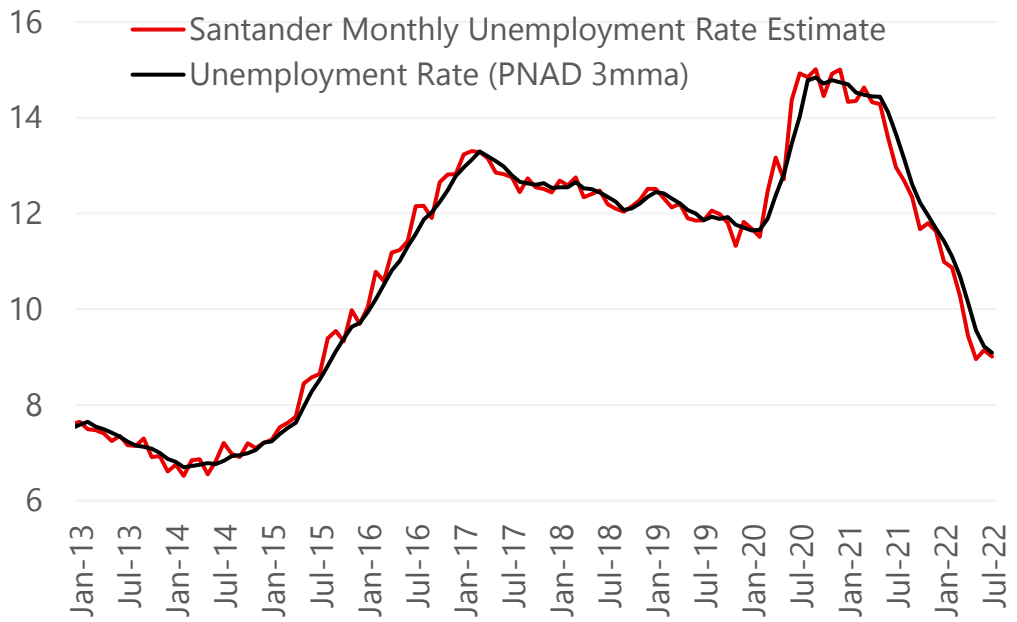
LABOR MARKET

04

Labor Market Remains Strong, Despite Stabilization of the Unemployment Rate

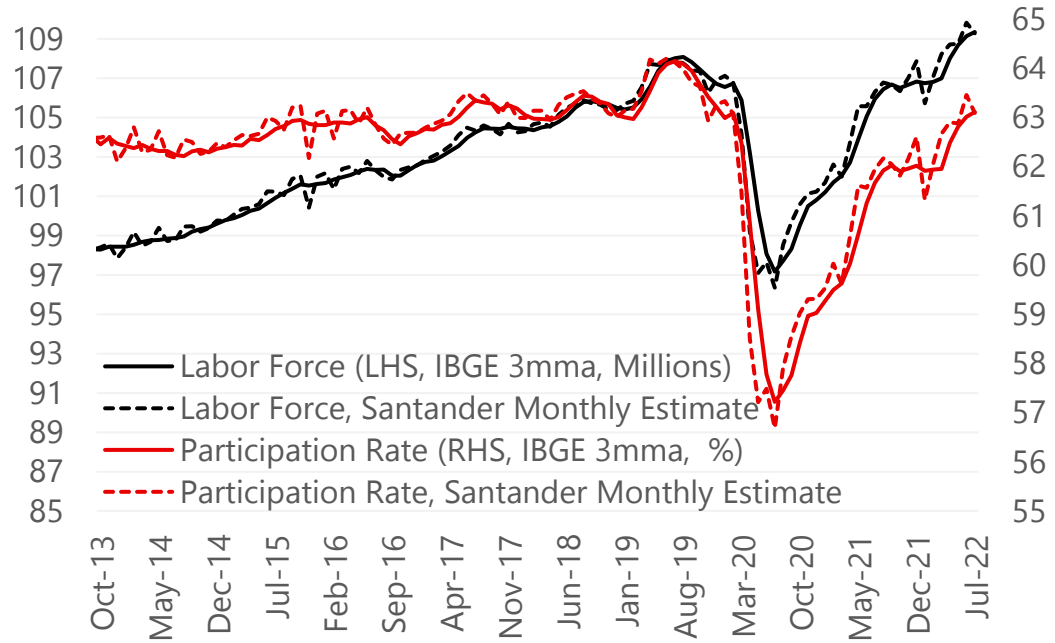
- The PNAD result shows that the labor market has decelerated in June and July but remains in good shape. The unemployment rate shows sings of stabilization at the margin, in the lowest levels observed since mid-2015.

Unemployment Rate (sa)



Sources: IBGE, Santander.

Labor Force and Participation Rate (sa)

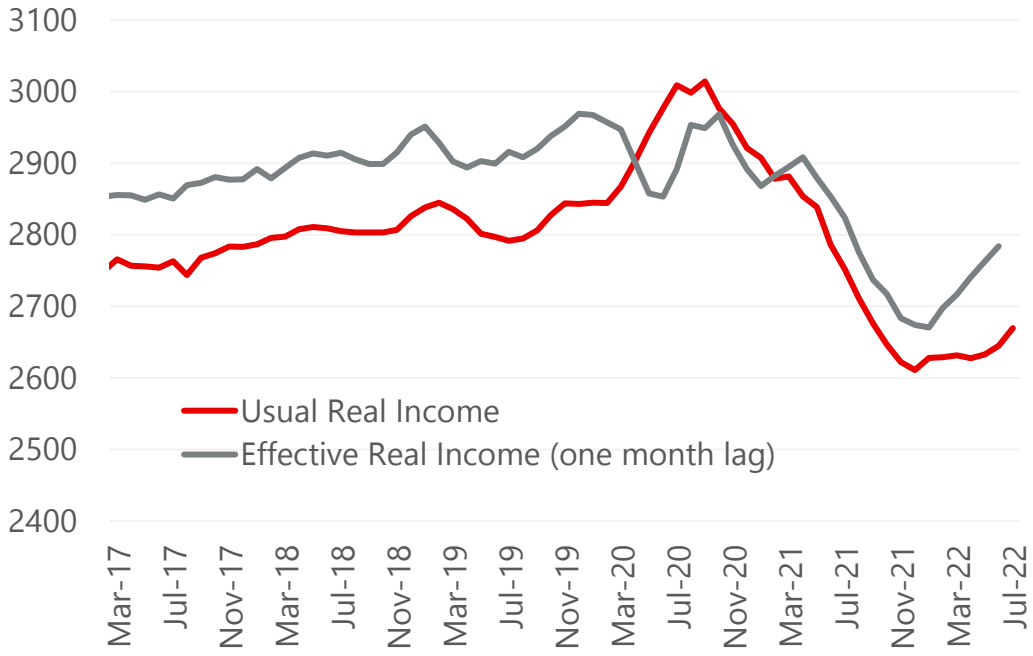


Sources: IBGE, Santander.

Average Real Income Showings Signs of Recovery

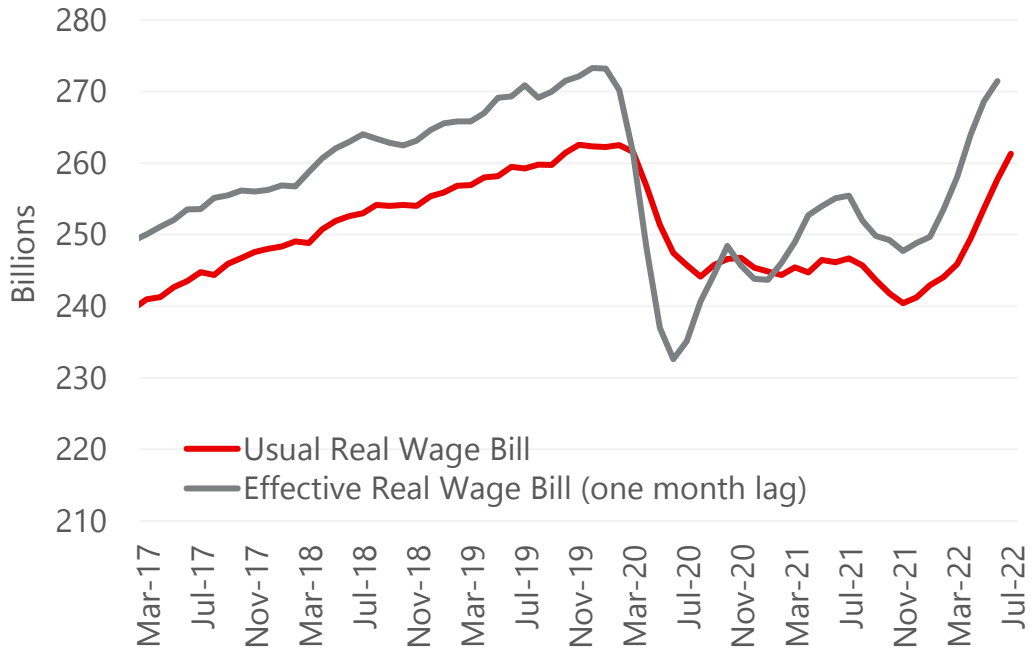
- The picture for the average real income indicators has improved at the margin, especially due to the inflation deceleration. The real wage bill continued to benefit from employment growth. The usual real wage bill increased 1.4% MoM-sa in July and is 0.5% below the pre-crisis mark. We expect real income to gradually recover as inflation slowly decelerates and the labor market remains tight.

Average Real Income (BRL, sa)



Sources: IBGE, Santander.

Real Wage Bill (BRL, sa)

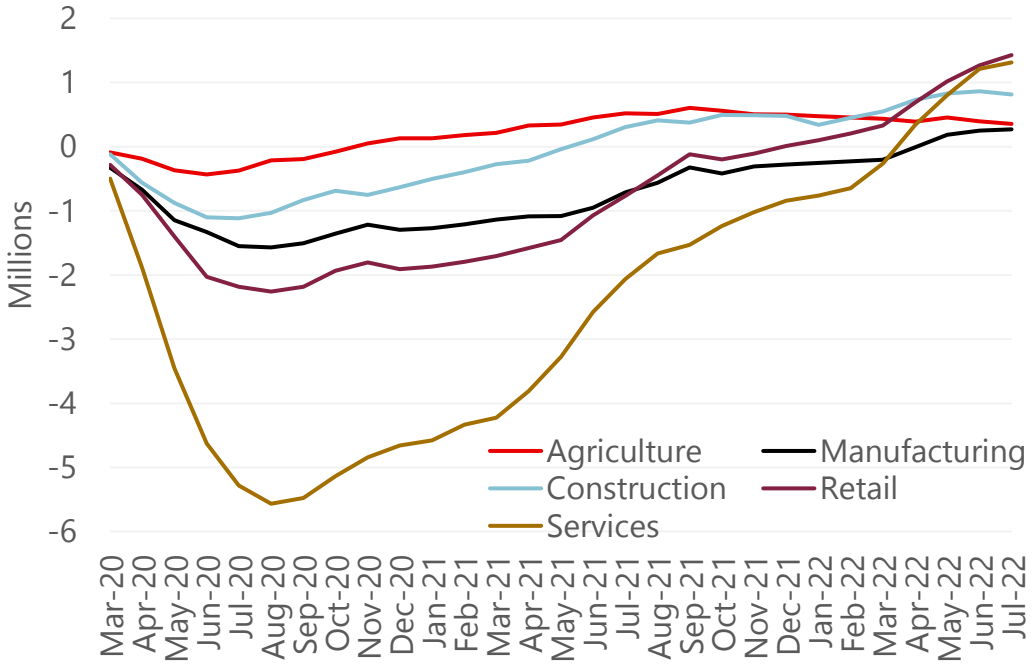


Sources: IBGE, Santander.

All Main Sectors Above the Pre-Crisis Mark

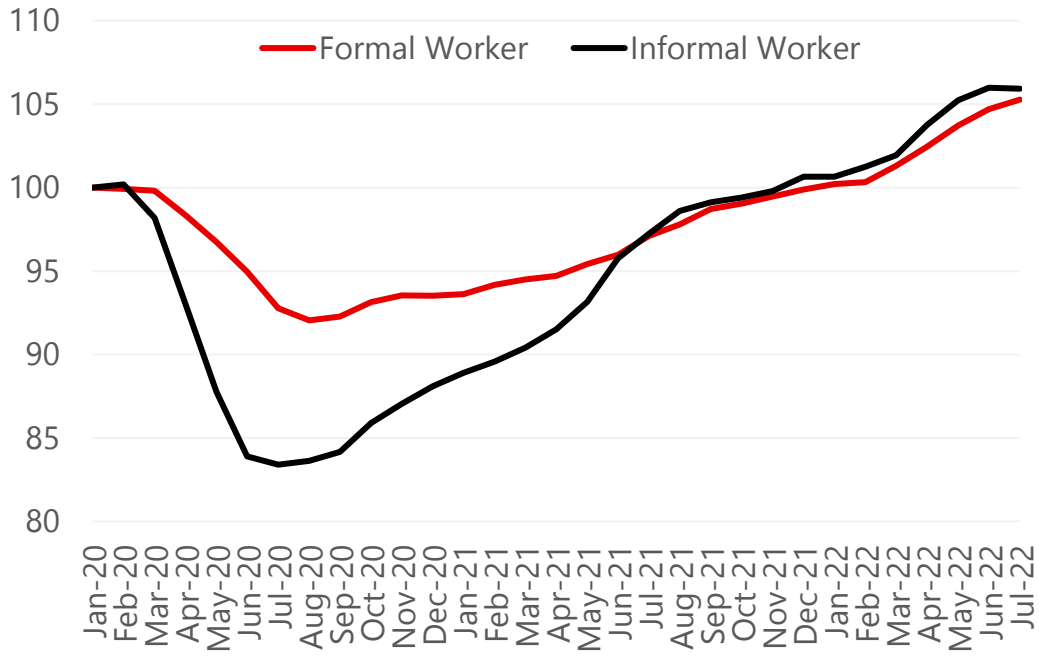
- Despite some deceleration, the services sector remains as the highlight of employment growth among the main segments. Formal employment posted a +0.6% MoM-sa variation in July, while informal employment decreased 0.1% MoM-sa. Still, both formal and informal employment maintain the recent expansion trend and are above the pre-pandemic mark.

Post-Pandemic Accumulated Job Losses (sa)



Sources: IBGE, Santander.

Employment by Position (sa, Jan-20=100)

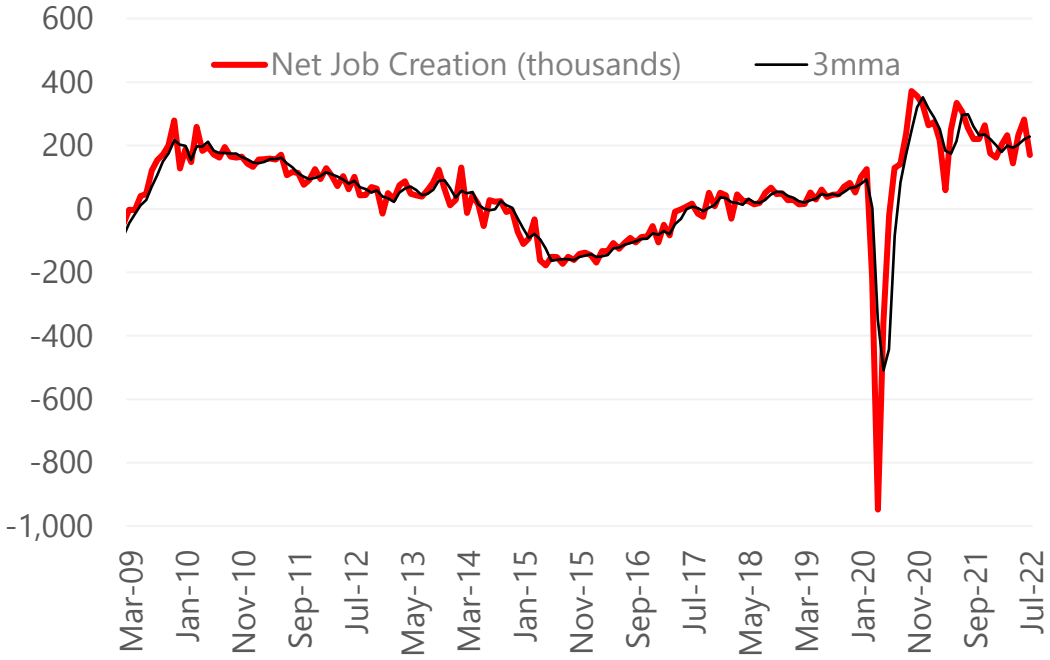


Sources: IBGE, Santander.

Monthly Payroll Expansion Stabilized at a Strong Pace

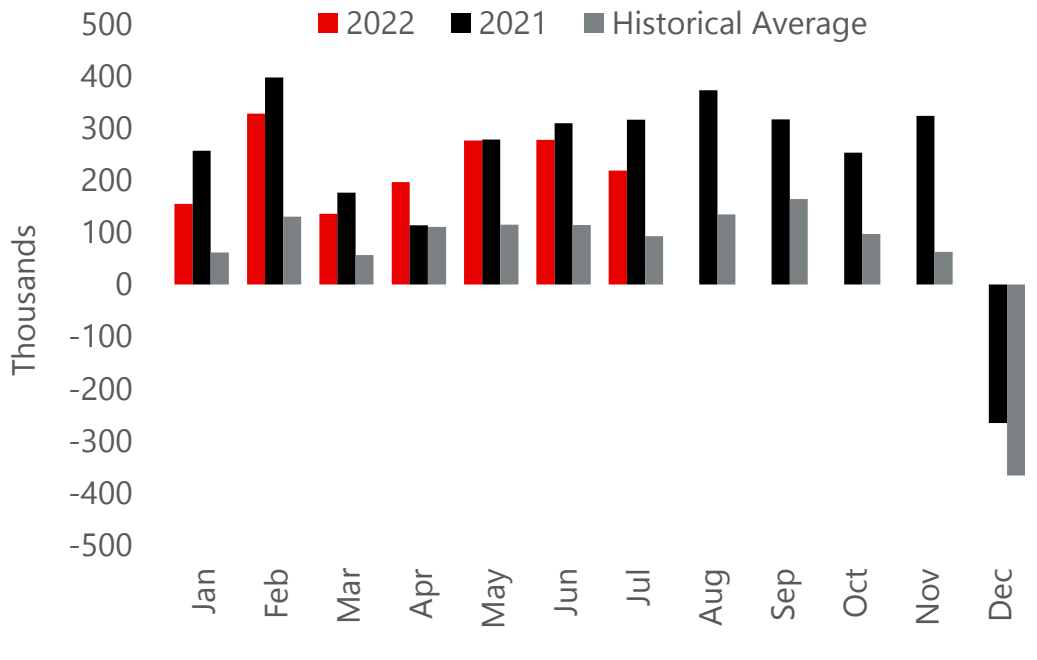
- Based on the July CAGED survey, after our own seasonal adjustment, net formal job creation decelerated to 170k, from 282k in June. The three-month average now points to a payroll expansion of 228k jobs (June: 220k). After decelerating since mid-2021, the net job creation figure consolidated a stabilization above 200k, a strong pace, equivalent to more than 2.5 million annualized.

CAGED Net Job Creation (sa)



Sources: Ministry of Labor, Santander.

Net Job Creation and Historical Average

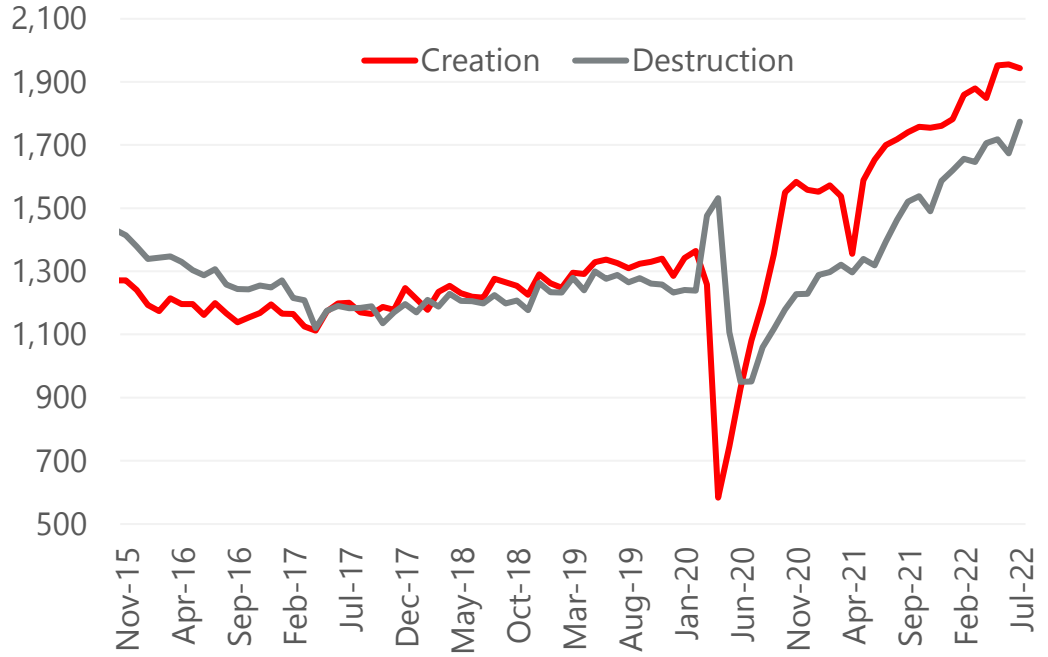


Sources: Ministry of Labor, Santander.

CAGED: Net Job Creation Still Above Joblessness-Neutral Level

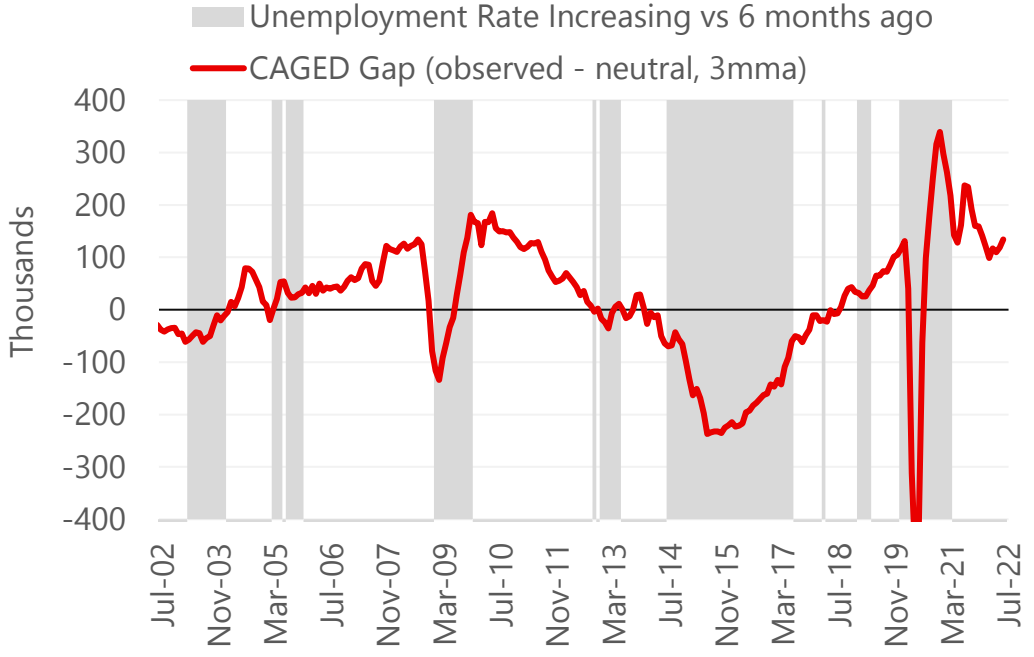
- The number of hirings decreased 0.6% MoM-sa, while layoffs increased 6.0% MoM-sa. The three-month average now points to a payroll expansion of 228k jobs, from 220k in June. We estimate that the 3mma of CAGED's gap to the joblessness-neutral level stood at 141k (134k in June).

CAGED: Creation and Destruction (sa)



Sources: Ministry of Labor, Santander.

Net Job Creation Gap (sa)

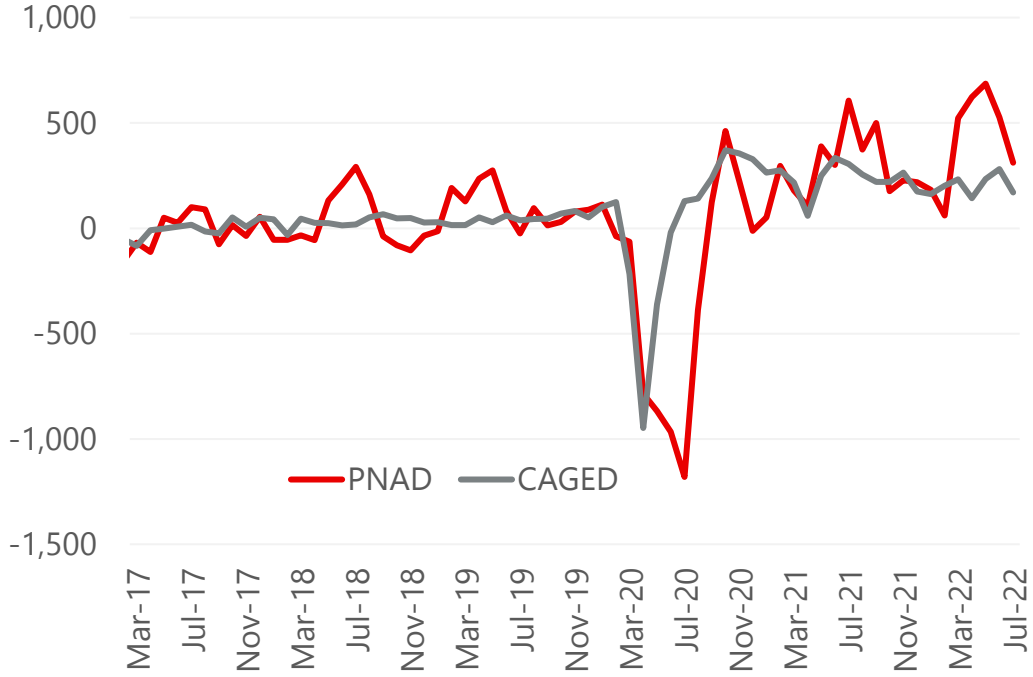


Sources: Ministry of Labor, IBGE, Santander.

PNAD Continues to Paint a Better Picture Than CAGED

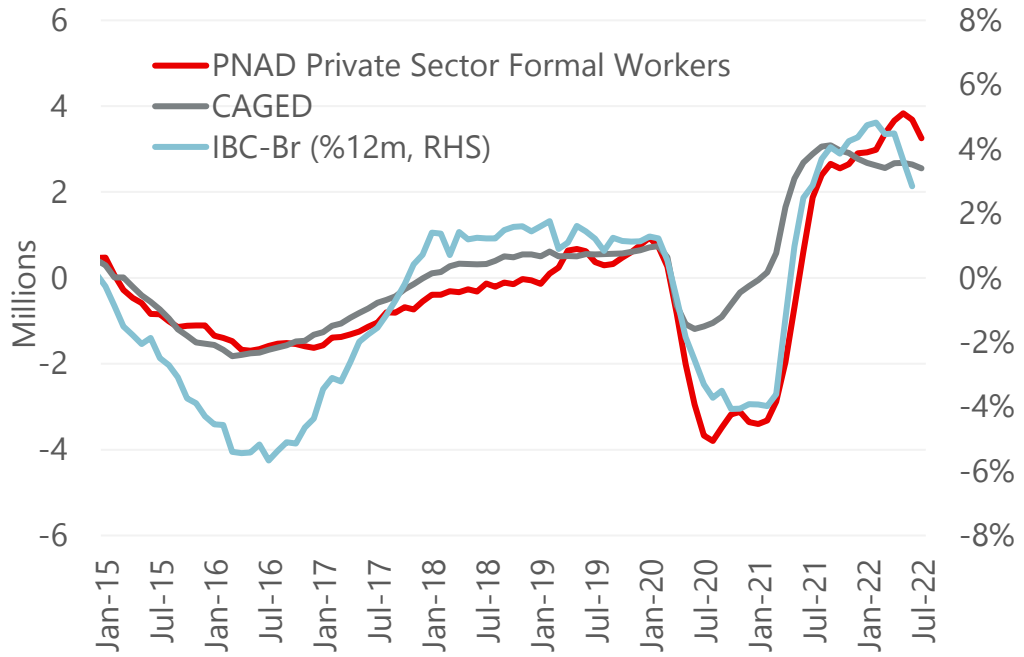
- As formal employment in PNAD printed strong results from March to July, CAGED data showed grater volatility, but remains at a strong pace of payroll expansion. After diverging during 2020 and 2021, both the PNAD and CAGED surveys are now more aligned with core economic activity indicators, despite some short-term differences.

Net Formal Job Creation (thousands, sa)



Sources: Ministry of Labor, IBGE, Santander.

Net Job Creation and IBC-Br (12m)



Sources: Ministry of Labor, BCB, IBGE, Santander.

July 2022 PNAD Results

PNAD Breakdown	s.a.			% YoY			% Feb-20*		
	May-22	Jun-22	Jul-22	May-22	Jun-22	Jul-22	May-22	Jun-22	Jul-22
Unemployment rate (%)	9.6	9.2	9.1	-4.9	-4.9	-4.6	-2.1	-2.4	-2.6
Participation rate (%)	62.8	63.0	63.1	2.2	1.8	1.5	-0.3	-0.1	0.0
Labor force (millions)	108.7	109.1	109.4	4.6	4.0	3.3	2.0	2.4	2.6
Employment	98.3	99.1	99.4	10.6	9.9	8.8	4.3	5.1	5.4
Unemployment	10.4	10.1	9.9	-30.2	-32.0	-31.4	-16.5	-19.1	-20.1
Formalization Rate (%)	56.9	57.0	57.1	-1.0	-0.4	-0.1	-0.3	-0.2	-0.1
Formal Workers (millions)	56.0	56.5	56.8	8.8	9.2	8.6	3.8	4.8	5.4
Informal Workers (millions)	42.3	42.6	42.6	13.2	10.9	9.2	5.0	5.8	5.7
Average usual earnings (BRL)**	2,633	2,645	2,669	-7.2	-5.1	-2.9	-7.4	-7.0	-6.2
Average effective earnings (BRL)**	2,763	2,784	-	-4.0	-2.3	-	-6.6	-5.8	-
Usual wage bill (BRL bn)**	253.7	257.7	261.3	3.0	4.8	6.1	-3.4	-1.8	-0.5
Effective wage bill (BRL bn)**	268.6	271.4	-	6.0	6.7	-	-0.6	0.5	-

* Seasonally adjusted variation relative to February 2020 (pre-pandemic) reading. For rates, change is in percentage points.

** In real terms

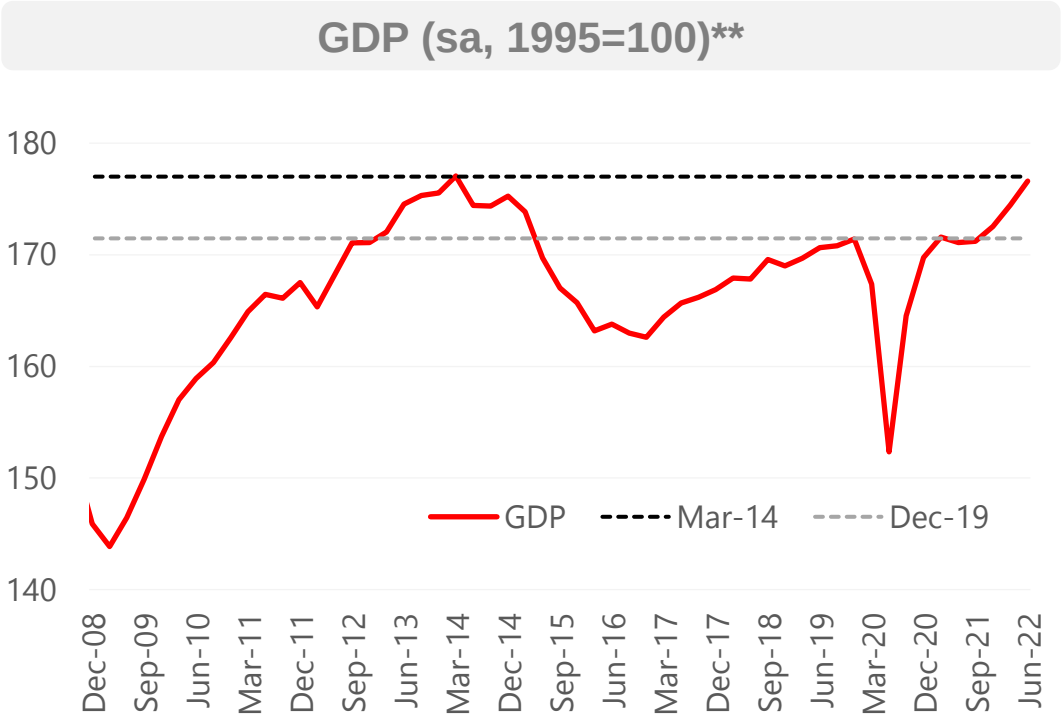
Sources: IBGE, Santander.

GDP

05

Strong 2Q GDP Data (Again)

- GDP climbed 1.2% QoQ-sa (+3.2% YoY), reflecting widespread growth, with 11 of the 12 supply-subsectors surveyed posting growth at the margin. We attribute this strong figure to the economy's reopening process consolidation coupled with expansion in the real wage bill (labor market strong recovery + increasing disposable income). From a demand standpoint, substantial strengthening of domestic demand, but with the external sector weighing on activity.



		1Q22		2Q22		4Q19*	Carry **
	Weights	% YoY	% QoQ	% YoY	% QoQ	%	%
GDP	100%	1.7	1.1	3.2	1.2	3.0	2.7
Supply							
Taxes	15%	0.5	0.2	1.6	0.7	2.9	1.0
Farm Output	**7%**	**-8.0**	**-0.9**	**-2.5**	**0.5**	**0.3**	**-1.7**
Industry	**19%**	**-1.5**	**0.6**	**1.9**	**2.2**	**2.6**	**1.3**
Mining	25%	-2.4	-2.8	-4.0	2.2	-2.4	-2.4
Manufacturing	51%	-4.7	1.7	0.5	1.7	0.9	0.2
Construction	12%	9.0	1.0	9.9	2.7	12.5	7.0
Utilities	12%	7.6	6.5	10.8	3.1	9.0	9.8
Services	**59%**	**3.7**	**1.1**	**4.5**	**1.3**	**3.7**	**3.4**
Retail	22%	-1.5	2.1	1.3	1.7	3.9	1.3
Transports	5%	9.4	2.5	11.7	3.0	11.8	8.8
Information	5%	5.5	-5.3	4.6	2.9	15.1	2.3
Financial	9%	-1.6	-0.6	1.0	1.4	4.5	0.4
Other Services	22%	12.6	2.4	13.6	3.3	4.4	10.1
Rents	14%	0.3	0.7	0.5	0.3	5.1	0.6
Public Services	24%	2.9	0.4	1.1	-0.8	-2.2	1.0
Demand							
Consumption	**61%**	**2.2**	**0.5**	**5.3**	**2.6**	**1.9**	**3.7**
Government	**19%**	**3.3**	**-0.1**	**0.7**	**-0.9**	**-1.7**	**0.7**
Investments	**19%**	**-7.2**	**-3.0**	**1.5**	**4.8**	**18.8**	**-0.7**
Exports	**20%**	**8.1**	**5.7**	**-4.8**	**-2.5**	**3.6**	**1.6**
Imports	**-19%**	**-11.0**	**-4.0**	**-1.1**	**7.6**	**3.2**	**-1.6**

Sources: IBGE, Santander.

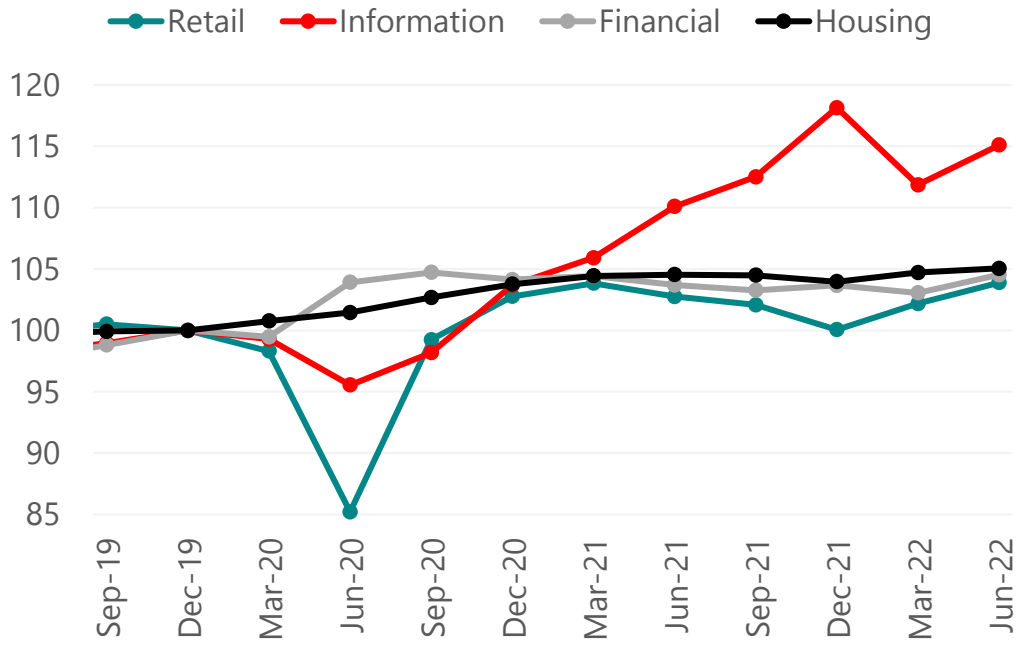
** "Strong 2Q GDP Data (Again)"* – September 01, 2022 - Available on: https://bit.ly/Std-GDP-2Q22

** GDP is 3.0% above the pre-pandemic mark (Dec-19) and 0.3% below the all-time high (Mar-14).

Services Recovery Boosted GDP in 1H22

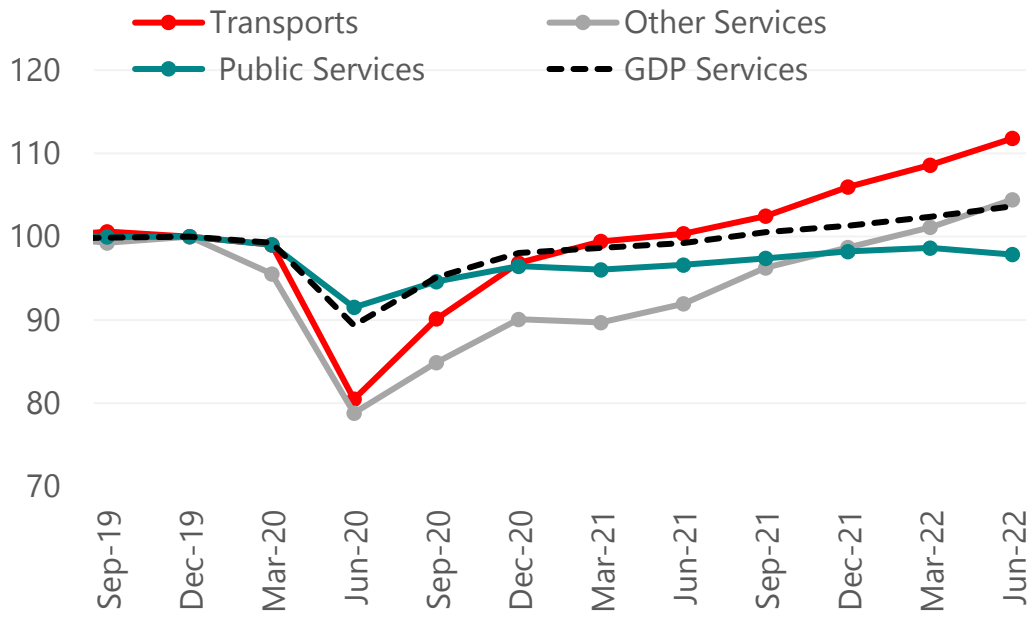
- The sharp growth seen in 1H22 placed the subsector at an all-time high level, playing a major role in the strong labor market recovery seen in the period. The normalization of presential activities, along with sharper growth rates of segments that had relatively benefitted in the post-pandemic dynamics (transports and information services), boosted the major component of GDP (from a supply standpoint).

Selected Segments of Services (sa, 4Q19=100)



Sources: IBGE, Santander.

Mobily-Related Segments (4Q19=100)



Sources: IBGE, Santander.

- Transports, Other Services and Public Services account for 4%, 13% and 15%, respectively, summing up 30% of GDP.
- Other Services: Leisure, restaurants, health and education (mercantile).
- Public Services: Public administration, health and education (non-mercantile).

BASELINE SCENARIO

06

GDP: Key Hypotheses, Basic Description and Risks

- We assume that the benefits of reopening the economy are restricted to 1H22. From 2H22 onward, the effects of a tight monetary policy stance will start to show. The inflation deceleration, a tight labor market, and new government transfers should lead to a partial recovery in real income toward mid-2023, implying resilience in consumption despite weaker economic activity.

- We are raising our GDP growth forecasts for 2022 and 2023 and maintaining our estimate for 2024. For 2022, our forecast is now +2.6% (previously +1.9%). The encouraging GDP performance in 1H22 led a strong carryover to the year, but we believe domestic activity will decelerate in 2H22, once the contractionary effects of a restrictive monetary policy start to kick in. We foresee more noticeable weakening to start in 4Q22, when see the lagged effects of monetary policy prevailing over a resilient labor market and the increase in disposable income. The latter factors may partially cushion the Selic rate impact next year: we are revising our GDP estimate for 2023 to -0.2% (previously -0.6%) and maintaining our +0.5% estimate for 2024.

- **Upside risks:** stronger than expected recovery in real household income as a result of the lower jobless rate and a greater impact of government transfers on consumption. Faster than expected solutions to supply-chain disruptions in manufacturing. Resilience in commodity prices could mean a persistent impulse.
- **Downside risks:** prolonged shortage of inputs in some production chains in manufacturing. Stronger than expected inflationary resilience, leading the BCB to adopt an even tighter policy stance in the medium term. Worsening weather problems, temporarily dampening farm output.

GDP Path and Breakdown

GDP Baseline Scenario			
	YoY	QoQ	Full Year
2Q21	12.3%	-0.3%	
3Q21	4.0%	0.1%	
4Q21	1.6%	0.8%	4.6%
1Q22	1.7%	1.1%	
2Q22	3.2%	1.2%	
3Q22	3.3%	0.3%	
4Q22	2.0%	-0.2%	2.6%
1Q23	0.6%	-0.2%	
2Q23	0.0%	-0.2%	
3Q23	-0.7%	0.0%	
4Q23	-0.7%	0.0%	-0.2%

Sources: IBGE, Santander

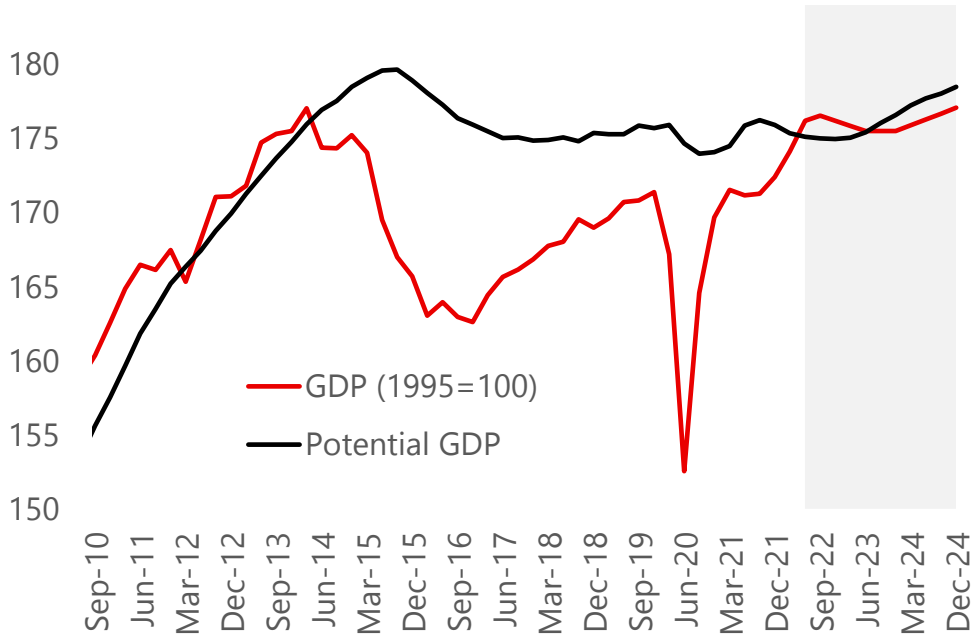
GDP Projections						
	2018	2019	2020	2021	2022e	2023e
GDP	1.8	1.2	-3.9	4.6	2.6	-0.2
Farm Output	1.3	0.4	3.8	-0.2	-0.3	0.5
Industry	0.7	-0.7	-3.4	4.5	0.9	-0.2
Services	2.1	1.5	-4.3	4.7	3.3	-0.2
Household	2.4	2.6	-5.4	3.6	3.6	1.0
Government	0.8	-0.5	-4.5	2.0	1.0	0.5
Investments	5.2	4.0	-0.5	17.2	-0.6	-1.6
Exports	4.1	-2.6	-1.8	5.8	3.2	4.6
Imports	7.7	1.3	-9.8	12.4	-1.5	1.4

Sources: IBGE, Santander

Output Gap Closed Until Mid-2023

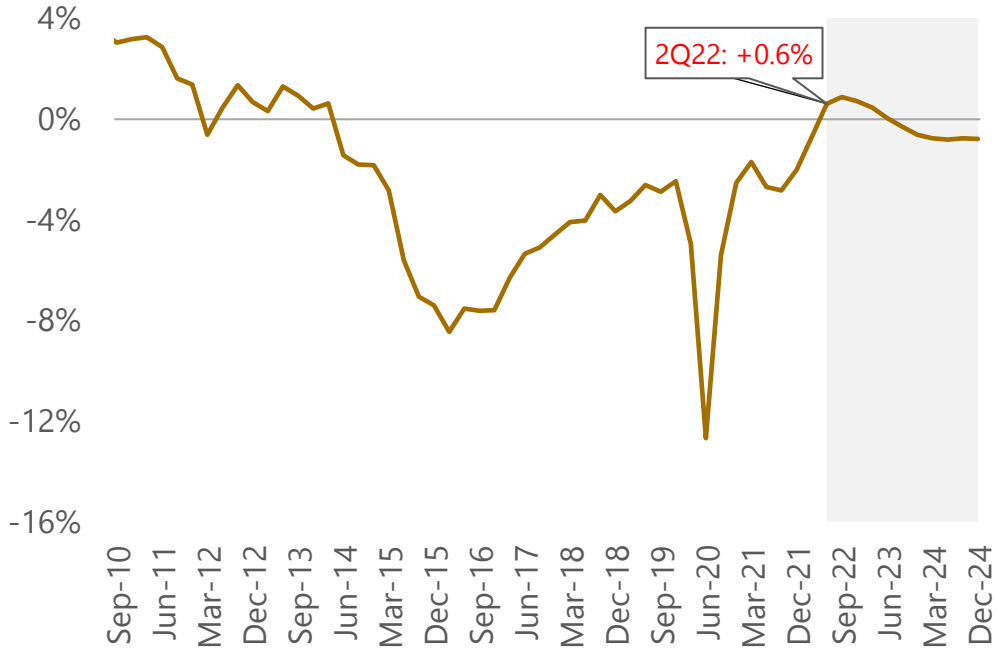
- The strength of economic activity in 2022 took the output gap to positive terrain for the first time since 2014 in 2Q22. We expect the GDP to remain above potential until mid-2023. The GDP contraction expected for 2023 and the growth below potential in 2024 should maintain a negative output gap at least until YE-2024 (~-0.5%). Our long-term potential growth stands at the 1.5%.

GDP (sa, average 1995=100)



Sources: IBGE, Santander.

Output Gap (%)



Sources: IBGE, Santander.

Better Results Have Led Us to Reduce our Unemployment Rate Estimates

- We are still seeing an overheated labor market, as positive surprises in job creation in 2Q22 led us to marginally lower our unemployment rate estimates. However, we project worsening labor market conditions throughout 2023 and 2024, as the effects of monetary tightening kick in.

- We estimate an average unemployment rate of 9.8% in 2022 (previously 10.0%), 10.7% in 2023 (previously 10.9%), and 10.6% in 2024 (previously 10.9%). In our view, the jobless rate should remain below the structural level (NAIRU ~10.5%) until mid-2023, with the labor market back to a more slackened situation thereafter.

- **Upside risks:** Faster than expected growth in employment, on the heels of further positive surprises on labor intensive services and construction activities.

- **Downside risks:** Stronger inflationary pressures leading the BCB to adopt an even tighter monetary policy stance in the medium term.

	2019	2020	2021	2022e	2023e
Unemployment Rate *					
Average	12.0	13.8	13.2	9.8	10.5
End of Period (s.a.)	11.7	14.9	11.8	10.0	10.7
Unemployed Population **					
Average	12.8	13.8	13.9	10.7	11.6
End of Period	12.5	15.0	12.6	11.0	11.7

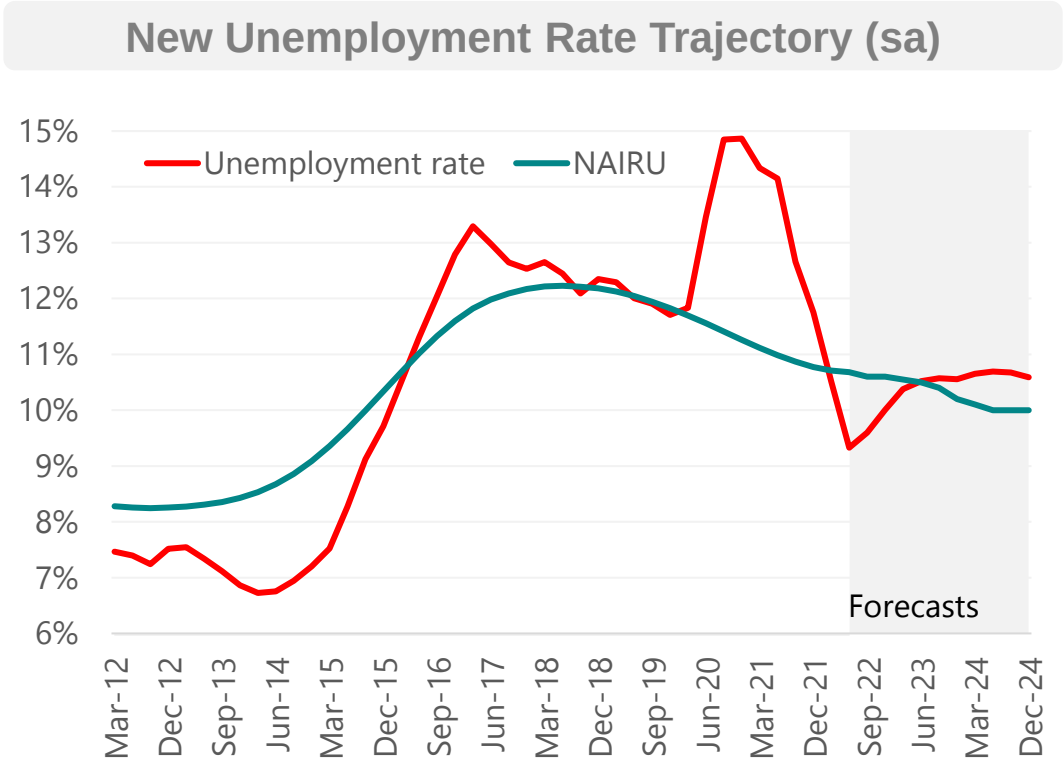
Sources: IBGE, Santander.

Job Market to Remain Tight Until 2Q23

- We are slightly lowering our unemployment rate trajectory for 2022, 2023, and 2024, considering the positive employment surprises of 2Q22. We project that the jobless rate will remain below the NAIRU at least until mid-2023.

		Jul-22	Sep-22
Unemployment Rate (avg)	2022	10.0	9.8
	2023	10.8	10.5
	2024	11.0	10.6
Unemployment Rate (YE, sa)	2022	10.4	10.0
	2023	10.9	10.7
	2024	10.9	10.6
Unemployed (YE, Millions sa)	2022	11.3	11.0
	2023	12.0	11.7
	2024	12.2	11.8

Sources: IBGE, Santander.

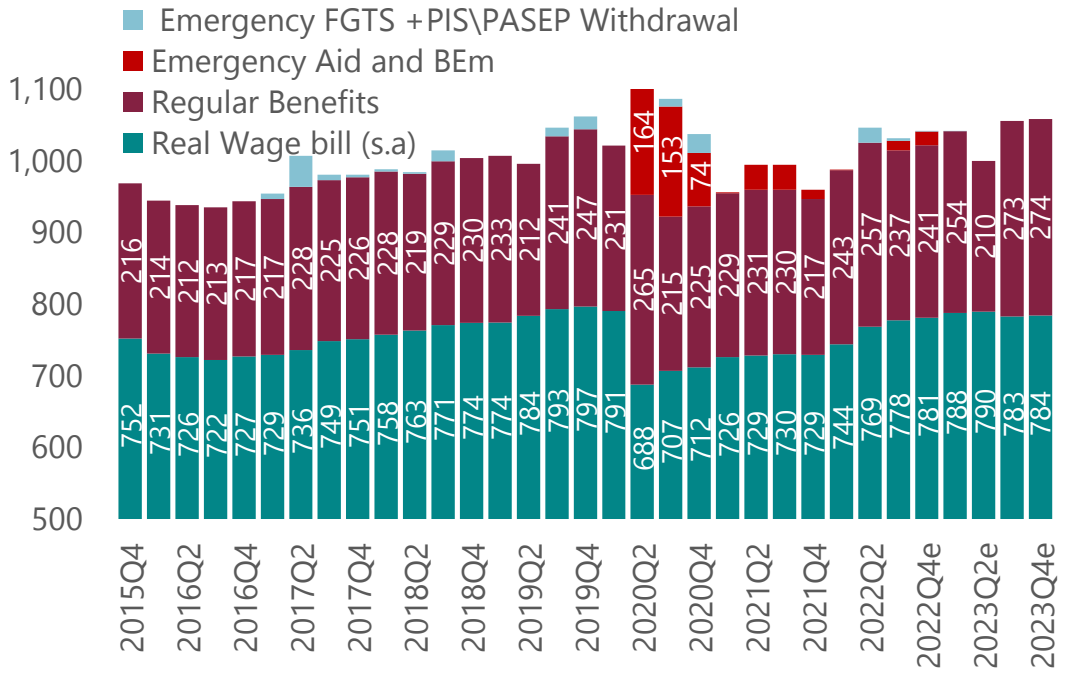


Sources: IBGE, Santander.

“Expanded” Real Wage Bill: Better Figures for 2022 and 2023

- As for the “expanded” real wage bill, our forecasts underwent considerable upward changes, as most elements moved to the upside since our last scenario update: the higher trajectory for the employed population, a faster than expected recovery in real wages, higher government transfers in 2H22 and 2023, and a lower expected trajectory for inflation in the coming quarters. We project growth of 5.0%, 2.1%, and 1.0% in 2022, 2023, and 2024, respectively (we previously estimated gains of 3.9%, 1.4%, and 1.0%, respectively).

“Expanded” Real Wage Bill (BRL billion)



Sources: National Treasury, IBGE, Ministry of Economy, Santander.

	2021	2022(E)	2023(E)	2024(E)
Real Wage Bill	+0.6%	+5.5%	+2.4%	+1.7%
Real Wage Bill (With Government Transfers)	-8.0%	+5.0%	+2.1%	+1.0%

Sources: National Treasury, IBGE, Ministry of Economy, Santander.

Macro Scenario: Projections

- For our Scenario Update 'STRONGER NOW, WEAKER LATER' (sent on September 09, 2022), **click on the link:** https://bit.ly/Std-scenreview-sep22

Macroeconomic Variables		Previous		Current
GDP (%)	2022E	1.9	↑	2.6
	2023E	-0.6	↑	-0.2
	2024E	0.5	→	0.5
IPCA (%)	2022E	7.9	↓	6.3
	2023E	5.7	↓	5.3
	2024E	3.0	→	3.0
Selic Rate (% end of period)	2022E	14.25	↓	13.75
	2023E	12.00	→	12.00
	2024E	9.00	→	9.00
FX Rate - USDBRL (end of period)	2022E	5.30	→	5.30
	2023E	5.15	↑	5.40
	2024E	5.20	↑	5.50
Current Account Balance (% of GDP)	2022E	-1.4	↓	-2.1
	2023E	-1.2	↓	-2.2
	2024E	-2.0	↓	-2.4
Primary Fiscal Balance (% of GDP)	2022E	-0.2	↑	1.0
	2023E	-1.2	↓	-1.4
	2024E	-1.0	↓	-1.2
Gross Public Debt (% of GDP)	2022E	79.9	↓	79.0
	2023E	84.6	↓	83.5
	2024E	88.7	↑	88.9

Sources: IBGE, The National Treasury Secretariat, BCB and Santander.

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Our culture is based on believing that everything we do should be:

Simple Personal Fair

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