BRAZIL MACRO July 01, 2022

MACRO COMPASS

THE HEAT IS ON (THE JOB MARKET, FOR NOW)

Ana Paula Vescovi* and
Brazil Macroeconomics Team
anavescovi@santander.com.br
+5511 3553 8567

- The USD/BRL pair closed the session of Thursday June 30 at 5.26, implying a gain of 6.0% for the 1H22 — the second-best performance in the basket with the 31 most liquid currencies in the world. For the rolling week ended on June 30, however, the BRL slid 0.3% against the greenback in the period: while this means an intermediate performance for the basket, that move keeps a four-week streak of weakening for the Brazilian currency.
- Keeping the norm seen for most of 1H22, nominal rates sold off abruptly in recent days, this time reflecting perceptions of inflationary risks and signs of further budgetary stimulus. The relapse of fiscal risks is another element conspiring to produce a probable steepening in the yield that we expect, in the context of a peak in local inflation and interest rate, and amid rising global yields.
- Commodity prices sold off for a third week running in the period between June 23 and June 30. The Bloomberg Commodity Index in BRL terms decreased 2.9% in the period. In USD terms, the index fell 3.2%, with the Agriculture Subindex down 1.2%, the Energy Subindex dipping 5.3%, and the Industrial Metals Subindex dropping 3.9%. In our view, the recent softening in commodity prices likely follows the greater downside risks for the global economy (and the expected demand for raw materials).
- The Senate approved in two rounds the constitutional amendment proposal aimed at boosting social federal spending, meaning BRL41 billion in expenses above the constitutional limit in 2022. The bill now heads to the Lower House. Meanwhile, May's federal debt report showed that despite a comfortable liquidity position for the National Treasury, the debt profile continues to worsen. The central government posted a primary deficit of BRL39.3 billion in May, as the month was marked by atypical federal transfers of BRL7.7 billion for subnational entities related to oilfield concessions. Next week, the BCB could unveil the public sector's result: we forecast a primary deficit of BRL26.5 billion.
- On Thursday (June 30), the BCB published its 2Q22 inflation report, offering its latest simulations and forecasts. This time around, a more concise-than-usual publication was largely anticipated by last week's press conference with Copom officials. No new policy messages were given. We continue to see the BCB inclined to follow a smoothing policy rate strategy, avoiding a steeper peak for interest rate in this cycle but keeping it at a much higher level for much longer. We identify upside risks for our own call for the Selic rate at 13.50% for YE2022 and 10.50% for YE2023 (especially in the medium term).
- Based on IBGE's National Household Survey (PNAD, in Portuguese), we calculate that the seasonally adjusted jobless rate dropped 0.6 p.p. to 9.5% in May, reaching the lowest level since October 2015. The result stemmed from a 1.3% MoM-sa increase in the employed population, while the labor force rose 0.6%. After our own seasonal adjustment, we estimate that the trend pace of monthly payroll gains accelerated to ~200k in May, from 190k in April. In our view, the labor market is maintaining good momentum in 2Q22. While the recent labor market strength poses downward risk to our unemployment rate forecasts, and upside risks to our 2022 GDP growth estimate, we still believe employment conditions (and the broad economy) will sour in 2H22, once the effects of a tighter monetary policy start to kick in. In the coming week, IBGE will release industrial output data for May: we expect a monthly gain of 0.3% MoM-sa.

- We expect June's IPCA (due on Friday, July 8) to rise +0.71% MoM, meaning a still high print in seasonal terms, as the average for the month is 0.35% MoM (using data since 2010). With this result, the trend rate for headline CPI should see some relief, but is poised to remain uncomfortably high — running at 13.2% 3MMA-saar (from 15.1% previously). That is still above the annual change (~12% YoY), meaning upside risks ahead. Less negative news in this report is a likely relief in industrial goods at the margin. But we continue to expect a difficult disinflation process for the coming months.

Most of the information in this report is up to the end of Thursday, June 30, 2022.

Figure 1. Brazil Macro Agenda for the Week of June July 04 to July 08, 2022

Indicators / Events	Source	Reference	Date	Santander Estimate	Prior
Industrial Production (% MoM)	**IBGE**	**May/22**	**Tue, 05-Jul**	**0.3**	**0.1**
Industrial Production (% YoY)	**IBGE**	**May/22**	**Tue, 05-Jul**	**0.4**	**-0.5**
IGP-DI Inflation (% MoM)	FGV	Jun/22	Thu, 07-Jul	0.76	0.69
IGP-DI Inflation (% YoY)	FGV	Jun/22	Thu, 07-Jul	10.4	10.6
IPCA Inflation (% MoM)	**IBGE**	**Jun/22**	**Fri, 08-Jul**	**0.71**	**0.47**
IPCA Inflation (% YoY)	**IBGE**	**Jun/22**	**Fri, 08-Jul**	**11.9**	**11.7**
Vehicle Production (thousands)	Anfavea	Jun/22	Fri, 08-Jul	-	206
Primary Budget Balance (BRL billion)	BCB	May/22	04 to 08-Jun	-26.5	39.0
Net Debt (% GDP)	BCB	May/22	04 to 08-Jun	58.4	57.8
Current Account Balance (USD billion)	BCB	Mar/22	n.a.*	-	-2.4
Foreign Direct Investment (USD billion)	BCB	Mar/22	n.a.*	-	11.8
Bank Lending Report	BCB	Mar/22	n.a.*	-	471.1
IBC-Br Activity Index (% MoM)	BCB	Mar/22	n.a.*	-	0.34

* Owing to a strike of federal workers, these data releases have been postponed with no specific publication date scheduled for now.

Sources: Bloomberg, IBGE, Santander.

For details on Santander's economic forecasts for Brazil, please refer to our last Scenario Review[1].

[1] **Santander Brazil – Scenario Review: *"A Bittersweet Scenario"* –** June 02, 2022- Available on: https://bit.ly/Std-scenreview-jun22

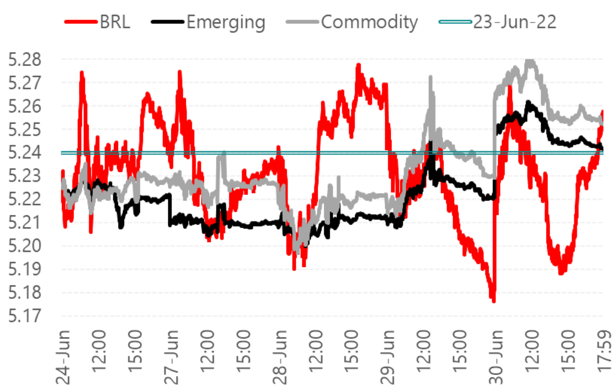
LOCAL MARKETS—FX

The USD/BRL pair closed the session of Thursday June 30 at 5.26, implying a gain of 6.0% for 1H22 — the second-best performance in the basket with the 31 most liquid currencies in the world. For the rolling week ended on June 30, however, the BRL slid 0.3% against the greenback in the period: while this means an intermediate performance for the basket, that move keeps a four-week streak of weakening for the Brazilian currency. The global backdrop has U.S. and Eurozone monetary authorities hinting at a tighter stance to deal with high inflation, as policymakers downplay the impact of monetary tightening on activity. As an upshot, financial markets remain wary of a strong deceleration of the world economy in the near future, which favors the strengthening of hard currencies. At the local level, discussions in Congress about new fiscal stimulus that could weigh further on the government debt trajectory are adding pressure on the Brazilian currency. All in all, conditional on the future signs regarding economic policy in the coming years, we continue to see the USD/BRL cross hovering around the 5.00 level in the coming months.

LOCAL MARKETS—Rates

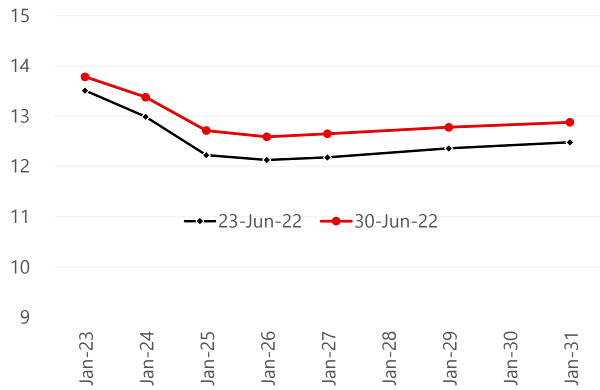
Keeping the norm seen for most of 1H22, nominal rates sold off abruptly in recent days. Since last Thursday (June 23), the front end of the curve (Jan-24 DI future) jumped 39 bps, to 13.38%, while the back end of the curve (Jan-27 DI future) rose 47 bps to 12.65%. The curve's steepness in this segment increased 8 bps, decreasing the inversion to -73 bps. In 1H22, some of the most liquid tenors saw rates widening by ~200-250 bps, compared to the pricing as of late 2021, on the heels of an aggravated inflationary picture and the due response of the central bank in terms of policy tightening. For the last few days, the widening in rates across the curve could have followed perceptions of inflationary risks (and probability of even further BCB tightening) as well as expectations about tax cuts aimed at curbing fuel prices and discussions about a new round of subsidies, with the latter being in breach of the federal constitutional spending cap. The relapse of fiscal risks is just another element conspiring to produce a probable steepening in the yield that we expect, in the context of a peak in local inflation and interest rates and amid a process of rising global yields.

Figure 2. USD/BRL – Intraday trends



Sources: Bloomberg, Santander.
Note: As of the close on Thursday, June 30, 2022.

Figure 3. Brazilian Domestic Yield Curve (% p.a.)



Sources: Bloomberg, Santander.
Note: As of the close on Thursday, June 30, 2022.

COMMODITIES

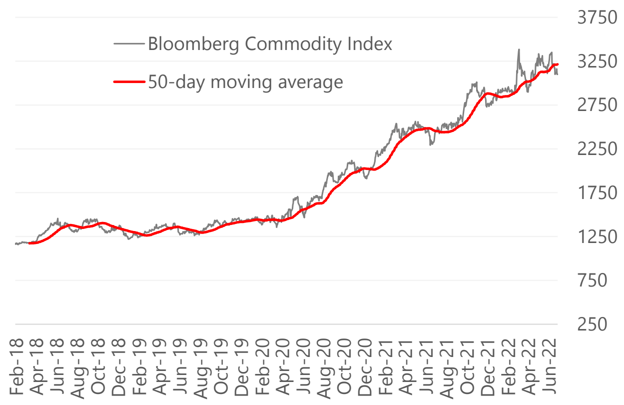
Commodity prices sold off for a third week running in the period between June 23 and June 30. The Bloomberg Commodity Index in BRL terms decreased 2.9% in the period. In USD terms, the index fell 3.2%, with the Agriculture Subindex down 1.2%, the Energy Subindex dipping 5.3%, and the Industrial Metals Subindex dropping 3.9%. In our view, the recent softening in commodity prices likely follows the greater downside risks for the global economy (and the expected demand for raw materials).

Brent oil prices climbed back to US$115. Oil prices increased 3% in the week as the markets continued to reassess the balance of risks for the commodity: on the upside, an output shortage in the oil market as producers struggle with the underinvestment of recent years; on the downside, a global backdrop of rising interest rates could push the economy into recession and dent fuel demand. On Thursday (June 30), OPEC+ ratified the August quota increase of +648k bpd, completing the resumption of supplies halted during the pandemic and deferring discussion on the cartel's next move. Despite the increase, it should have a marginal impact on actual output (Saudi Arabia and UEA are more likely to pump more oil) as the cartel has consistently failed to meet its target.

U.S. farmers are expected to plant less soybeans than expected. According to the USDA[2] Acreage Report, corn planted area for the 2022-23 marketing year is estimated at 89.9 million acres, down from 93.4 million last season and in line with market expectations. Conversely, the estimate for soybean planted area is 88.3 million acres, up from 87.2 million last season but below the market's estimate of 90.6 million. Higher fertilizer prices are likely behind this shift of resources: soybeans typically require just a quarter of the fertilizer that corn does. Additionally, the USDA Quarterly Grain Stocks showed U.S. corn stocks at 4,346 million bushels, in line with the market's estimate of 4,345 million bushels, while soybean stocks came in at 971 million bushels, above market consensus of 954 million bushels. All in all, these numbers reinforce the perception of tight supply, with the "weather market" in the U.S. starting to add more volatility.

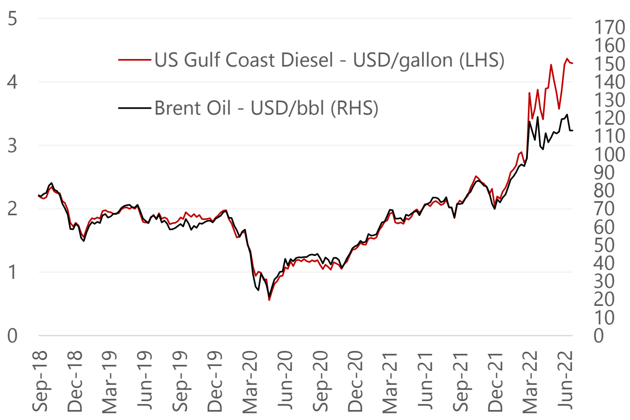
Iron ore traded sideways as China's data came below market expectations. China's June steel industry PMI fell to 36.2, the lowest since the 2008 financial crisis. Additionally, new steel orders fell, and inventories posted a marginal decline during the month, suggesting that domestic consumption remains sluggish. Iron ore is down 25% in the current quarter. Other base metals fell for the week: copper -5%, aluminum -1%, zinc -10%, nickel -6%, and tin -2%.

Figure 4. Bloomberg Commodity Index in BRL



Sources: Bloomberg, Santander.

Figure 5. Price Gap: Crude Oil and Refined Products



Sources: Bloomberg, Santander.

[2] United States Department of Agriculture.

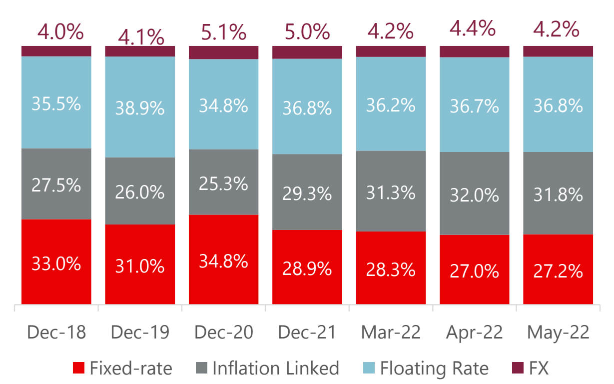
FISCAL POLICY AND LEGISLATION

The Senate approved in two rounds the constitutional amendment proposal (PEC 16/22) aimed to increase fiscal transfers, and the text now heads to the Lower House. For a third year running, we have seen a constitutional amendment to increase fiscal stimulus outside the constitutional spending cap limit (for which we currently see no fiscal margin for additional outlays). This legislation would entail BRL41 billion in government spending outside the spending cap, up from an original estimate of BRL35 billion. The legislation includes an increase in the welfare program *Auxílio Brasil* (with a temporary supplement of BRL200 per month, starting in August), doubling up on the cooking gas vouchers (*Auxílio Gás*) for low-income families, and the creation of a new diesel voucher for truckers.

The government debt profile continues to worsen, and funding costs continue to increase. On June 28, the National Treasury published the Monthly Debt Report for April and May. The data from April was not published last month due to the federal workers' strike. In YTD terms, weekly bond issuances averaged BRL22.6 billion, above the financial needs to keep liquidity reserves stable until the end of the year (~BRL21 billion per week, according to our estimate). The public debt liquidity reserve rose BRL71 billion, reaching BRL1,108 billion, implying 9.5 months of debt maturities. In addition, the cost of new domestic issuances rose to 11.7% p.a. from 10.5% p.a. in March (in tandem with increases in IPCA and the Selic). Non-residents registered a negative flow of BRL1.9 billion in May, leading the YTD total to -BRL67.3 billion. As a consequence, non-residents' share as debt holders fell to 9.1% from 10.6% last December. In our view, despite the comfortable levels of liquidity reserves to navigate the 2022 uncertainties, the outlook for debt management remains challenging for the medium term. Yet, we think the length and extension of the current cycle of high commodity prices could somewhat help ease the short-term headwinds. See details in the link[3].

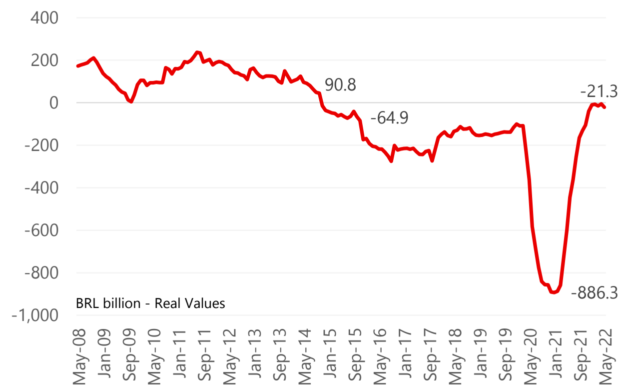
According to the data published by the Treasury on June 30, the central government posted a primary deficit of BRL39.2 billion in May. It was the second worst performance for the month in the historical series (only better than May 2020, when massive fiscal stimulus took place with a view to curbing the economic effects of the pandemic). The month was marked by higher "Transfers by Revenue Sharing" — with an atypical (one-off) transfer of BRL7.7 billion for subnational entities related to Transfer of Rights from the Sépia and Atapu oilfield concessions. Expenditures rose 7.9% YoY in real terms, with a rise in pension expenditures (+BRL20.7 billion) due to the year-end bonuses for pensioners, usually paid in the last quarter of the year, being moved forward to 2Q22. Revenue rose 5.6% YoY, particularly thanks to taxes based on labor-income and oil-led proceeds. For 2022, we forecast a central government deficit of BRL35 billion (0.6% of GDP). However, we see a negative bias due to the debate over legislation to expand federal tax breaks (currently amounting to BRL80 billion) and approve expenditures above the constitutional spending cap (with discussions now pointing to extra-cap spending of BRL41 billion). **Next week, the BCB could unveil the public sector's result for May.** We forecast a primary deficit of BRL26.5 billion, as that publication was postponed (from June 30) due to the BCB workers' strike. **For details on Santander's fiscal policy outlook, please refer to our last chartbook[4].**

Figure 6. Federal Debt Securities Profile (%)



Sources: National Treasury, Santander.

Figure 7. Central Government Balance Budget (12m)



Sources: National Treasury, Santander.

[3] **Santander Brazil Fiscal Policy: "*Debt Report: More of the Same - Higher Debt Cost, Comfortable Liquidity Reserves*"** – June 28, 2022 – Available on: https://bit.ly/Std-fiscal-062822

[4] **Santander Fiscal Policy: *"Chartbook - New Push from Price Shocks"* –** June 13, 2022 – Available on: https://bit.ly/Std-chart-fiscal-jun22

MONETARY POLICY

On Thursday (June 30), the BCB published its 2Q22 inflation report, offering its latest simulations and forecasts. This time around, a more concise-than-usual publication was largely anticipated by last week's press conference with Copom officials. No new policy messages were found in that release.

On economic activity, the authority forecast 2022 GDP growth of 1.7%, compared to a previous estimate of 1.0%. The upward revision follows the upside surprise in the 1Q22 GDP headline and the solid numbers seen so far for 2Q22, both implying higher carryover for the year. Yet the BCB continues to expect a softening in activity in 2H22, reflecting the effects of monetary tightening, the impact of supply shocks, and the payback from the anticipation of year-end bonuses in 1H22.

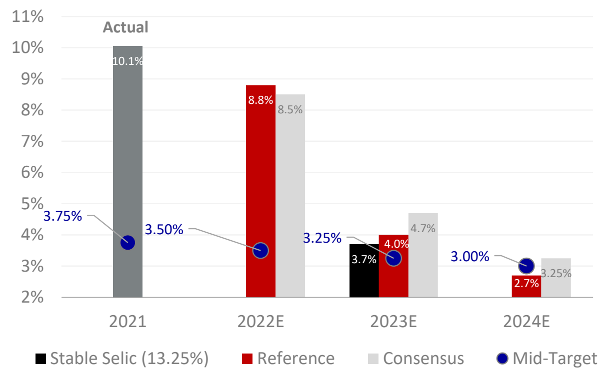
The BCB sees the output gap as narrower than it did in its previous inflation report, mainly based on stronger-than-expected GDP and employment. That is another factor behind the recent upward revisions in the official inflation forecasts. Yet the BCB believes that the narrowing trajectory of the output gap, under way since the trough of 2Q20, is decelerating, with a widening trend poised to resume in 2Q22. The authority estimates the economy was running 1.1% below its potential in 1Q22 and projects the output gap will widen to -1.3% for the 2Q22 and -1.7% for 4Q23.

Once again, the BCB raised its own estimate for the neutral level of real interest rates, which is now seen at 4.0%. That variable was previously at 3.6%, as of the 4Q21 inflation report. Not too long ago, the real structural level of interest rates was estimated (by both analysts and the BCB) at 3.0%. In practical terms, this implies a less tight policy stance for the short term, which illustrates the need for a little more tightening than the Selic path assumed in the simulations.

On inflation, the BCB projects IPCA at 4.0% for 2023 — the relevant policy horizon now — assuming: the Selic rate at 13.25% for YE2022 and 10.00% for YE2023; real FX at USD/BR 4.90; and year-end oil prices around USD110/bbl (and stable in real terms). The BCB tests two alternative scenarios, one assuming oil prices rising 2% annually for the entire horizon and a second one assuming a stable Selic rate at 13.25% all the way to YE2023. The former implies IPCA inflation of 4.3% for 2023, and the latter yields IPCA of 3.7% for 2023. This number suggests the BCB may believe that a terminal Selic at 13.75% (and stable at that level for a considerable time) can bring inflation to "around the target in the relevant horizon." Additionally, the BCB now estimates a probability of 29% that IPCA could come in above the upper target (4.75%), which is higher than the 12% estimated in the last inflation report.

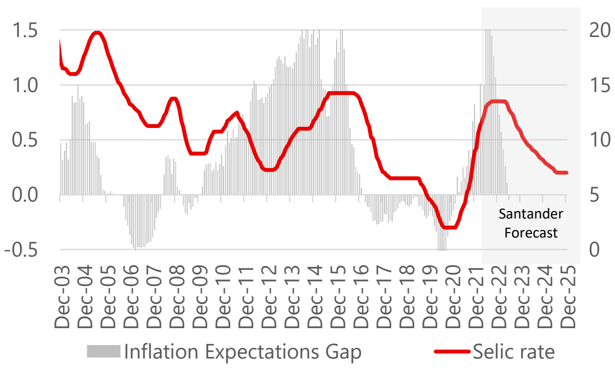
All in all, we continue to see the BCB more inclined to follow a smoothing policy rate strategy ahead, meaning avoiding a steeper peak for interest rate in this cycle but keeping it at a much higher level for much longer. We identify upside risks for our own call for the Selic rate at 13.50% for YE2022 and 10.50% for YE2023 (especially in the medium term). See details in the link[5].

Figure 8. BCB's Inflation Forecast (% annual)



Sources: Brazilian Central Bank, Santander.

Figure 9. Selic Rate (%), Expectations Gap (12m)



Sources : Brazilian Central Bank, Santander.

[5] **Santander Brazil: "*Inflation Report: Summarizing the Numbers*"** – June 30, 2022 – Available on: https://bit.ly/Std-infla-report-2Q22

ECONOMIC ACTIVITY

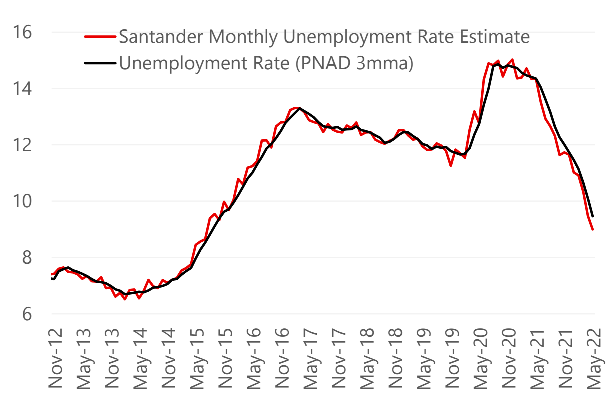
Unemployment rate posts a fresh new 7-year low. According to the IBGE's National Household Survey (PNAD), the unemployment rate stood at 9.8% in the three months to May. The result was close to our estimate (9.9%) and below the market consensus (10.2%), implying a 4.9 p.p. drop from the year-ago level (14.7%). We calculate that the seasonally adjusted jobless rate stood at 9.5%, a decrease compared to the April level (10.1%). The decrease in the seasonally adjusted unemployment rate stemmed from a 1.3% increase in the employed population, while the labor force increased 0.6% MoM-sa. The labor market participation rate stood at 62.8% (sa), an increase compared to April's level (62.5%), and 0.2 p.p. below the pre-crisis mark (February 2020). We estimate that the monthly unemployment rate figure stood at 9.0% (sa) in May, compared to 9.5% in April. This is the lowest level of the series since July 2015. This result followed +0.5% and +0.0% MoM-sa variations in the employed population and the labor force, respectively. The usual real wage bill had a +1.7% MoM sa variation in May and is now 3.6% below the pre-crisis mark. This reflects the recovery in the employed population, as average real wages continue at historical lows. In our view, the labor market maintained good momentum in May, despite a deceleration from April's strong employment figures (considering our monthly estimates). The strength of employment in recent months poses downward risk to our unemployment rate forecasts, but we still expect some deceleration in the labor market once the effects of a tighter monetary policy start to kick in — especially from 2H22 onward[6].

Net formal job creation surprises on the upside. According to the May 2022 CAGED survey, released on June 28, net formal job creation stood at 277k (vs. consensus 181k, Santander estimate 175k), above the historical average (114.9k) and close to the number observed in May 2021 (278.7k). After our seasonal adjustment, net formal job creation accelerated to 231k, from 140k in April. The number of hirings increased 5.6% MoM-sa, while layoffs increased 0.8% MoM-sa. The three-month average now points to a payroll expansion of 201k jobs, from 190k in April.

FGV economic confidence data for June pointed to positive prints at the end of 2Q22. Goods-related sectors like industry (+1.5%) and retail (+4.9%) continued to strengthen at the margin, while services inched up 0.4%.

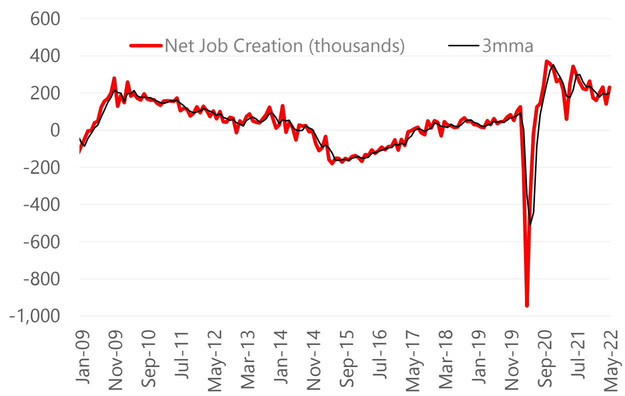
In the coming week, IBGE will release industrial output data for May. We expect the index to inch up 0.3% at the margin. Our 2Q22 GDP growth tracking was updated to +0.5% QoQ-sa (from +0.4%), imparting upside risks to our current 2022 GDP growth projection of +1.2%. **For details on Santander's economic outlook, please refer to our last chartbook[7].**

Figure 10. Monthly Unemployment Rate (sa)



Sources: IBGE, Santander.

Figure 11. Net Formal Job Creation (sa)



Sources: Ministry of Labor, Santander.

[6] **Santander Brazil Labor Market: "*Another Month of Strong Labor Market Results*" –** June 30, 2022 – Available on: https://bit.ly/Std-labor-063022

[7] **Santander Brazil Economic Activity: "*Chartbook – Upward Revisions in 2022, Concerns Regarding 2023 Intensify*" –** June 14, 2022 – Available on: https://bit.ly/Std-chart-econact-jun22

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

INFLATION

We expect June's IPCA (due on Friday, July 8) to rise +0.71% MoM, meaning a still high print in seasonal terms, as the average for the month is 0.35% MoM (using data since 2010). With this result, the trend rate for headline CPI should see some relief, but is poised to remain high — running at 13.2% 3MMA-saar (from 15.1% previously). That is still above the annual change (~12% YoY), meaning upside risks ahead.

The main contributor to the monthly change should be services, for which we estimate a rise of 0.85% MoM. If we are correct, then the services inflation trend should accelerate to 13% 3MMA-saar, meaning a new high (considerably above the 8-9% 3MMA-saar level of the 2014-16 period). We expect the services core gauge to also post a new high in trend terms at 11.2% 3MMA-saar (from 10.8% in the last print), which is above the high of 10.7% 3MMA-saar in mid-2015. We estimate regulated prices rose 1.02% MoM, being the second main contributor to the headline change, and with health insurance being the main driver of the group's price rise. We forecast industrial goods to rise 0.51% MoM, and we expect this monthly print to lead to the first material relief in trend terms: a deceleration to 13% 3MMA-saar (from 15.5% previously). If we are correct, this would be the first time that the industrial goods trend (3MMA-saar) has run below the annual change (YoY) since May 2020 — which is usually is an indication of YoY deceleration ahead. Finally, we expect food-at-home to rise 0.15% MoM, only a minor contributor to the headline change, which could lead to a trend deceleration to 19% 3MMA-saar (from 30% in May).

The EX3 core (which accounts for services and industrial goods core inflation) is likely to rise 0.83% MoM, according to our forecasts, which, despite being high, should be enough to push the trend slightly down to 13.2% 3MMA-saar (from 13.7% last month), driven by relief in industrial goods. If correct, May would be the 21st consecutive month in which the EX3 core has run above the BCB's mid-target in 3MMA-saar terms (headline CPI target is 3.50% for 2022 and 3.25% for 2023).

For the coming readings we still project a deceleration of inflation in YoY terms, but the level and composition of recent IPCA readings have been worrisome, implying additional risks that further tilt the balance of risks upward, particularly for 2023.

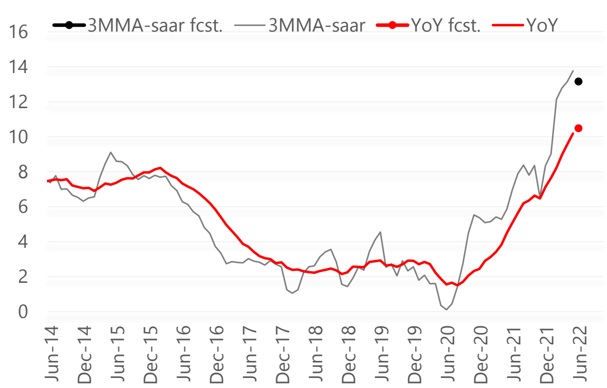
On Wednesday (June 29), June's IGP-M registered a 0.59% MoM change (10.7% YoY). See details in the link[8].

Figure 12. June's IPCA Details (%)

	MoM		YoY	
	Jun-22	Contrib.	May-22	Jun-22
IPCA	0.71	0.71	11.7	11.9
Administered	1.02	0.28	12.1	12.3
Free	0.59	0.43	11.6	11.8
Food-at-home	0.15	0.02	16.3	16.1
Industrial goods	0.51	0.12	14.0	13.7
Services	0.85	0.29	8.0	8.7
EX3 Core	0.83	0.30	10.2	10.5

Sources: IBGE, Santander.

Figure 13. Core Inflation – IPCA EX3 (%)



Sources: IBGE, Santander.

[8] **Santander Brazil Inflation: "*June's IGP-M: Commodities Relief; BRL Depreciation*"** – June 29, 2022 – Available on: https://bit.ly/Std-IGPM-jun22

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
Lucas Maynard*	Economist – Economic Activity	lucas.maynard.da.silva@santander.com.br	5511-3553-7495
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
Mariana Cahen Margulies*	Head, Brazil	mmargulies@santander.com.br	5511-3553-1684
Murilo Riccini*	Head, Chile	murilo.riccini@santander.cl	56 22336 3359
Electronic			
Bloomberg		SIEQ <GO>	
Reuters		Pages SISEMA through SISEMZ	

This report has been prepared by Santander Investment Securities Inc. ("SIS"; SIS 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 document 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. SIS, 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: Ana Paula Vescovi*.

*Employed by a non-US affiliate of Santander Investment Securities Inc. and not registered/qualified as a research analyst under FINRA rules, and is not an associated person of the member firm, and, therefore, may not be subject to the FINRA Rule 2242 and Incorporated NYSE Rule 472 restrictions on communications with a subject company, public appearances, and trading securities held by a research analyst account.

The information contained herein has been compiled from sources believed to be reliable, but, although all reasonable care has been taken to ensure that the information contained herein is not untrue or misleading, we make no representation that it is accurate or complete and it should not be relied upon as such. All opinions and estimates included herein constitute our judgment as at the date of this 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 SIS, 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.