BRAZIL MACRO

May 27, 2022

MACRO COMPASS

TAKING THE PULSE OF THE ECONOMY

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

- In the rolling week ended May 26, once again the BRL showed its pattern of a high-beta currency and stood among the best performers in a basket with the 31 most liquid currencies in the world, favored by a backdrop of a weaker USD. The USD/BRL pair closed the period at 4.77 (a 3.3% gain). The move was also helped by rising commodity prices and further progress in the likely deal for the privatization of Eletrobras, the state-owned electricity company. The latter feeds expectations of sizeable FX flows ahead.
- The local yield curve barely moved in the rolling week ended May 26 (vs. a week ago), as the impact of adverse inflation data was offset by discussions in Congress about measures to (temporarily) curb inflation by reducing taxation on some "essential" products/services. A rally in U.S. yields also favored the back end of the term structure in Brazil.
- Global commodity prices posted gain for another week, still driven by the energy complex. The Bloomberg Commodity Aggregate Index in BRL terms fell 1.7% in the period, but only due to the BRL rally. In USD terms, the index rose 1.6%, with the Agriculture Subindex down 0.9%, the Energy Subindex climbing 5.1%, and the Industrial Metals Subindex falling 1.4%.
- The Ministry of Economy published its second bimonthly budget review for 2022, estimating a primary fiscal deficit of BRL65.9 billion, nearly unchanged from the March review despite major revisions in revenue and expenditure forecasts. Federal tax collection continued to show a solid performance in April, with a 11% YoY gain, mainly driven by higher oil prices. Next Tuesday (May 31), the Brazilian Central Bank (BCB) is scheduled to release the public sector fiscal numbers for April, and we estimate a (hefty but seasonal) primary surplus of BRL40 billion.
- May's IPCA-15, mid-month preview for Brazil's official CPI, registered a 0.59% MoM change, above our call and consensus (0.45%). In YoY terms, the IPCA-15 accelerated to 12.2%, which is likely to be the peak for the cycle, in our view. With core inflation trending around 13% in annualized terms, and with the diffusion index near cyclical highs, this was another unfavorable report that reinforces the signs of a difficult and risky disinflation process ahead.
- Next Thursday (June 2), IBGE will release the 1Q22 GDP data, and we expect a solid 0.9% QoQ-sa growth. If our projection is on the mark, this would imply a 1.2% carryover for 2022 and place the economy 1.4% above the pre-pandemic mark (4Q19). On Monday (May 30), the Ministry of Labor will release the April CAGED payrolls data (which was postponed this week). Our seasonally adjusted estimate is at +183k (March: +232k). On Tuesday (May 31), the April PNAD household survey is due out: we estimate a 0.1 p.p. decrease to 10.8% in our seasonally adjusted unemployment rate series. Moreover, IBGE will release April industrial output on Friday (June 3), and we expect a flat monthly figure (0% MoM-sa).
- Next Wednesday (June 1), we expect the May trade report to post a USD3.8 billion surplus. This is a relatively weak print (e.g., compared to an USD8.5 billion surplus in May 2021) on the heels of higher imports (2.8% MoM-sa) and a sharp drop in exports (-14.7% MoM-sa). We believe the latter should prove temporary, reflecting short-term logistical bottlenecks. We continue to look for a record-high trade surplus for 2022, particularly led by higher commodity prices.

Most of the information in this report is up to the end of Thursday, May 26, 2022.

Figure 1. Brazil Macro Agenda for the Week of May 30 to Jun 03, 2022

Indicators / Events	Source	Reference	Date	Santander Estimate	Prior
Formal Job Creation (thousands)	**CAGED**	**Apr/22**	**Mon, 30-May**	**276**	**136**
Formal Job Creation (thousands, sa)	**CAGED**	**Apr/22**	**Mon, 30-May**	**183**	**232**
IGP-M Inflation (% MoM)	FGV	May/22	Mon, 30-May	0.29	1.40
IGP-M Inflation (% YoY)	FGV	May/22	Mon, 30-May	10.5	14.7
Services Confidence (Index)	FGV	May/22	Mon, 30-May	-	96.2
Retail Confidence (index)	FGV	May/22	Mon, 30-May	-	78.6
Public Sector's Net Debt (% GDP)	BCB	Apr/22	Tue, 31-May	57.4	58.2
Primary Fiscal Balance (BRL billion)	BCB	Apr/22	Tue, 31-May	40.0	4.3
National Unemployment Rate (%, nsa)	**IBGE**	**Apr/22**	**Tue, 31-May**	**11.0**	**11.1**
National Unemployment Rate (%, sa)	**IBGE**	**Apr/22**	**Tue, 31-May**	**10.8**	**10.9**
Trade Balance (USD billion)	SECINT	May/22	Wed, 01-Jun	3.8	8.2
Aggregate Business Confidence (points)	FGV	May/22	Wed, 01-Jun	-	85.9
GDP (% QoQ)	**IBGE**	**1Q22**	**Thu, 02-Jun**	**0.9**	**0.5**
GDP (% YoY)	**IBGE**	**1Q22**	**Thu, 02-Jun**	**1.6**	**1.6**
GDP 4-Quarter Rolling	**IBGE**	**1Q22**	**Thu, 02-Jun**	**4.7**	**4.6**
Industrial Production (% MoM)	**IBGE**	**Apr/22**	**Fri, 03-Jun**	**0.0**	**0.3**
Industrial Production (% YoY)	**IBGE**	**Apr/22**	**Fri, 03-Jun**	**-0.9**	**-2.1**
Vehicle Sales (thousands)	Fenabrave	Apr/22	01 to 02-jun	-	147.2
IBC-Br Activity Index (% MoM)	BCB	Mar/22	n.a.*	-	0.34
IBC-Br Activity Index (% YoY)	BCB	Mar/22	n.a.*	-	0.66
Bank Lending Report	BCB	Mar/22	n.a.*	-	471.1
Current Account Balance (USD billion)	BCB	Mar/22	n.a.*	-	-2.4
Foreign Direct Investment (USD billion)	BCB	Mar/22	n.a.*	-	11.8
Central Gov. Prim. Balance (BRL billion)	STN	Apr/22	n.a.*	29.0	-6.3

* 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 Update[1].

[1] **Santander Brazil – Scenario Update: *"Surfing an Extended Commodity Wave"* –** April 14, 2022- Available on: https://bit.ly/Std-scenupdate-apr22

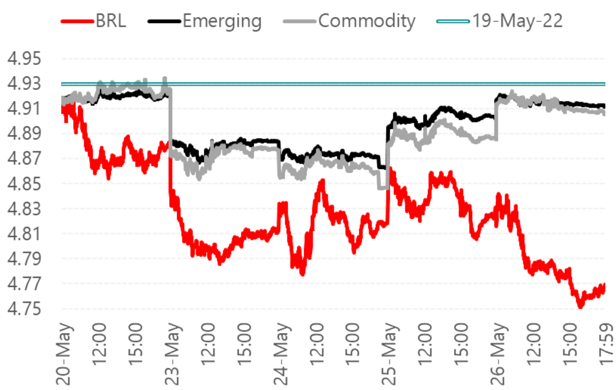
LOCAL MARKETS—FX

In the rolling week ended May 26, once again the BRL stood among the best performers in a basket with the 31 most liquid currencies in the world, reflecting mainly a global weakening of the USD. The USD/BRL pair closed the period at 4.77 (a 3.3% gain). Although markets continued to fear and mull over the possibility of a worldwide economic slowdown due to China's struggles with the latest COVID outbreak (in the context of that country's "zero-COVID" policy), additional evidence of a coming deceleration in the U.S. economy has likely paved the way for a weaker USD (especially favoring high-beta currencies such as the BRL). Additionally, commodity prices remained on the rise, also helping the BRL to strengthen. The news that the likely privatization deal for Eletrobras may move forward in the coming days reinforced expectations of sizeable FX flows in the short term, thus contributing as well to the positive performance of the BRL. Despite these current constructive circumstances, we continue to see limited room for further strengthening of the BRL, given substantial uncertainties on both the domestic and international fronts, particularly the Fed tightening and a stronger USD.

LOCAL MARKETS—Rates

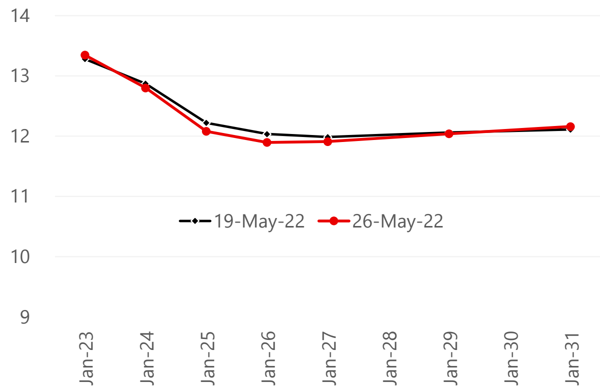
The local yield curve (nominal rates) barely moved on a weekly comparison, following ambiguous news for inflation. Since last Thursday (May 19), the front end of the curve (Jan-24 DI future) fell 7 bps, to 12.80%, while the back end of the curve (Jan-27 DI future) also fell 7 bps to 11.91%. The curve's steepness in this segment fell 1 bps, increasing the inversion to -89 bps. The front end sold off at the beginning of the week, on the back of dismal inflation numbers (see details in the "Inflation" section). A few days later, yields rallied on discussions in Congress about tax cuts aimed at curbing energy and other prices, which could lower short-term inflation (see details in the "Fiscal Policy" section). As for the pricing of monetary policy steps, another 50-bp hike remains the most likely scenario, with the options market pricing in a 62% probability for June's Copom meeting—in line with our expectation. For the August Copom meeting, rate stability is seen as the most likely outcome (47%), but the market still sees hikes of 25 bps (with 15% probability) and 50 bps (30% probability) as plausible scenarios. At the long end, despite the rising fiscal risk related to possible tax cuts, the domestic yield curve moved very little, possibly mirroring the (short-term) rally in longer US Treasury yields. We continue to believe that the BCB is close to the end of the hiking cycle and that IPCA is close to the peak in annual terms, and we see these elements conspiring to result in a steepening pattern in the local yield curve.

Figure 2. USD/BRL Intraday Trends



Sources: Bloomberg, Santander.
Note 1: As of the close on Thursday, May 26, 2022.
Note 2: For other currencies, we use USDBRL values as a base-index.

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



Sources: Bloomberg, Santander.
Note: As of the close on Thursday, May 26, 2022.

COMMODITIES

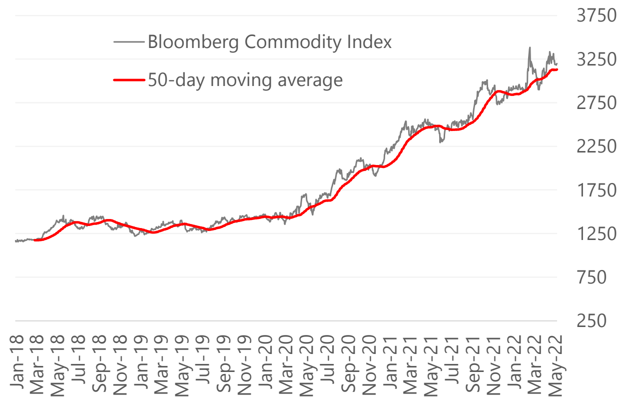
Commodity prices posted gains for another week, still driven by the energy complex. The Bloomberg Commodity Aggregate Index in BRL terms fell 1.7% in the period, but only due to the BRL rally. In USD terms, the index rose 1.6%, with the Agriculture Subindex down 0.9%, the Energy Subindex climbing 5.1%, and the Industrial Metals Subindex falling 1.4%.

Oil prices rose to USD117/bbl as U.S. stockpiles remain tight ahead of summer driving season. Brent oil prices rose as U.S. crude and gasoline supplies continue to decline at a time when refineries usually replenish stocks to prepare for the higher demand resulting from the summer driving season. Following Russia's invasion of Ukraine, Russian fuel exports to EU have been declining, whereas exports from the U.S. have been increasing. Importantly, COVID-19 outbreaks in China have been hindering demand, but we expect the restrictions currently in place in major cities to be lifted gradually, a tailwind for fuel consumption.

Diesel shortage looms over Brazil, fueled by the global shortage of refined oil products. According to press sources[2], the country could face a diesel shortage in 3Q22 (given a higher demand owing to the harvest season, when commodities are shipped to ports across the country), and that may be conditional on the evolution of market prices. Fuel importers have been struggling to source imported diesel, as uncertainty over prices has been high, with the shipping time rising to 60 days. Brazil imports nearly 30% of its domestic demand for diesel, out of which 80% comes from the U.S. Gulf Coast. As such, a hypothetical shortage of fuel could quickly exacerbate domestic inflation pressures and dent economic activity.

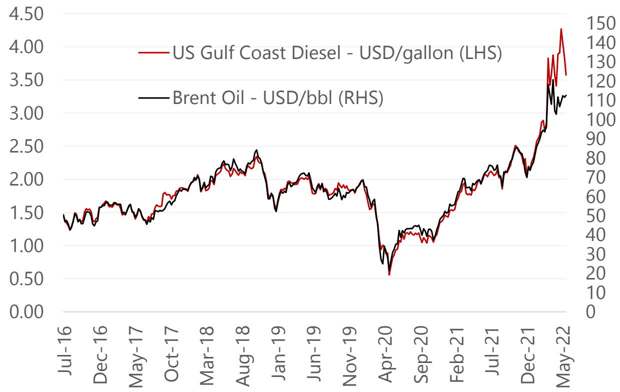
Russia to open sea corridor for Ukrainian shipping. Wheat prices fell as Russia announced it would open corridors for international shipping from several Ukrainian ports. Still, doubts remain as security issues could prevent free passage of ships. Moscow has been under international criticism as the conflict in the Black Sea has been feeding a global food crisis. Ukraine is estimated to have 20 million metric tons of grain stored at its ports, trapped by the Russian blockade.

Figure 4. Bloomberg Commodity Index in BRL



Sources: Bloomberg, Santander.

Figure 5. Oil and Refined Products Price Gap



Sources: Bloomberg, Santander.

[2] https://www.reuters.com/markets/commodities/exclusive-petrobras-warns-diesel-shortages-suggests-subsidies-presentation-2022-05-24/

FISCAL POLICY AND LEGISLATION

On May 20, the Ministry of Economy published its second bimonthly budget review for 2022. Official forecasts showed higher revenue forecasts (+BRL49.1 billion, compared to the budget review released in March). This rise in revenue mostly relates to higher corporate revenue (IRPJ/CSLL), which is linked to better profits from fuel sales following the jump in oil prices. However, the fiscal stimulus via tax breaks is currently estimated at ~BRL60.8 billion for the federal government. On the expenditure side, the official estimate rose by BRL34.9 billion (totaling BRL1,787 billion, or 18.4% of GDP), mainly affected by an expected increase in judicial claims related to pension benefits (BRL10.6 billion). The Ministry of Economy also included BRL24 billion in discretionary expenditures from the agreement between São Paulo City Hall and the federal government that ended the dispute over the management of the *Campo de Marte* region, owing to the cancellation of the municipality's debts with the federal government. Importantly, this type of spending is not restricted by the constitutional spending cap. Speaking of which, the government froze BRL8.2 billion (totaling BRL9.9 billion in the year, mainly in discretionary outlays) in order to comply with the cap. The margin to comply with the fiscal rule dropped to -BRL6.9 billion (from BRL1.3 billion in March), showing no room for new expenses in Budget 2022. The plan to increase public servants' wages by 5% would add approximately BRL8 billion in personnel expenditures for 2022 (already included in our scenario), exceeding the BRL1.7 billion budgeted. This means the need for more cuts in other expenditures to accommodate the pay increase, if it is granted in July. Regarding the judicial claims, the government is expected to pay a total of BRL62 billion (out of BRL89 billion), with BRL12.2 billion not included in the spending cap limit (as per the constitutional amendment EC114/2021). Thus, there is still more than BRL20 billion that will need to be paid via debt cancellation or pushed back to 2023. All in all, the official forecast for the central government's primary deficit, dropped to BRL65.5 billion (0.7% of GDP), from BRL66.9 billion in March. We believe the government will not face difficulties in meeting this year's primary target (BRL170.4 billion, or 1.7% of GDP). We forecast a central government deficit of BRL45 billion for 2022 (0.5% of GDP), with risks tilted to the upside for the federal primary balance.

Federal tax collection posted a positive performance in April, driven by soaring oil prices. Revenue rose 10.9% YoY in real terms, the highest ever for April. The year-to-date reading is also the strongest since 1995. On May 26, the Brazilian internal revenue service published data for April, and the result (BRL195.1 billion) was close to our forecast (BRL194.4 billion), with 11.1% YoY growth in YTD terms. The performance was boosted once again by higher oil-related proceeds, with royalties up 47% YoY in real terms. In the coming months, while we continue to expect positive results for federal tax collection, we expect an activity slowdown, especially in 2H22 and beyond, which could prompt a softening trend in government revenue. Higher inflation numbers and the new commodity price spike continue to imply upside risks for our estimates. We forecast tax collection to rise ~1.5% YoY in real terms in 2022.

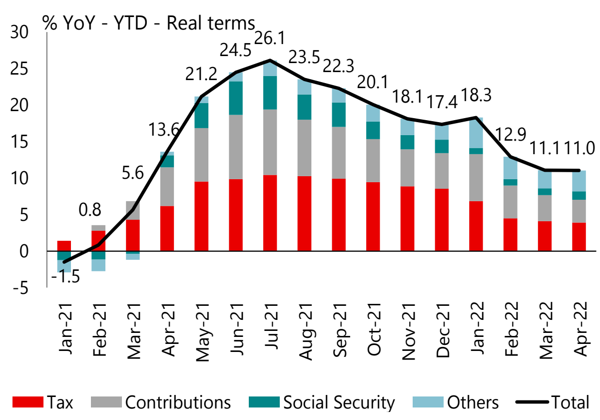
The release of central government results for April was postponed due to the strike by federal service employees. No new date for the release has been scheduled as yet. We forecast a seasonal primary surplus of BRL29 billion, boosted by oil revenue. However, t**he Central Bank confirmed for next Tuesday (May 31) the release of public sector fiscal data for April; we estimate a seasonal primary surplus of BRL40 billion.**

Figure 6. 2022 Bi-Monthly Budget Review

BRL billion	Budget (LOA)	Budget Review Mar-22	Budget Review May-22
Total Revenue	2,031	**2,118**	2,167
Revenues Collected by the Brazilian IRS	1,289	1,286	1,332
Net Social Security Revenues	499	527	532
Revenues Not Collected by the IRS	242	305	304
Transfers by Revenue Sharing	386	432	445
Net Revenue	1,644	1,686	1,722
Total Expenditure	1,720	1,753	**1,788**
Social Security Benefits	778	778	789
Payroll - Public Servants	336	339	341
Other Mandatory Expenses	253	282	245
Mandatory Expenses with Cash Control	223	223	223
Discretionary Expenses	131	131	155
Central Gov. Primary Balance	-76.2	-66.9	-65.5
% GDP	-0.8%	-0.7%	-0.7%

Sources: Ministry of Economy, Santander.

Figure 7. Federal Tax Collection



Sources: Brazilian IRS, Santander.

INFLATION

May's IPCA-15 registered a 0.59% MoM change, above our call and the consensus expectation (0.45%). In YoY terms, the IPCA accelerated to 12.2%, which should be the peak of IPCA inflation, in our view.

The main upward surprises relative to our forecast came from services (+8 bps) and industrial goods (+3 bps). More specifically, services related to economic activity rose 1.1% MoM (vs. 0.5% estimated), while services related to wages rose 0.7% MoM (vs. 0.3% estimated). Meanwhile, industrial goods rose 1.6% MoM (vs. our estimate of 1.5%), with both new and used vehicles surprising to the upside, each contributing +1 bps to the headline error. Administered prices also exceeded our forecast, driven by gasoline's 1.2% MoM increase (vs. our estimate of 0.5%).

Once again, broad qualitative measures remain solidly unfavorable. The average of the main core measures accelerated to 13.1% from 11.9% 3MMA-saar, reaching a new high. As for the diffusion index, it continued to rise, reaching 77.3% (seasonally adjusted), also a new high and showing that inflation is widespread.

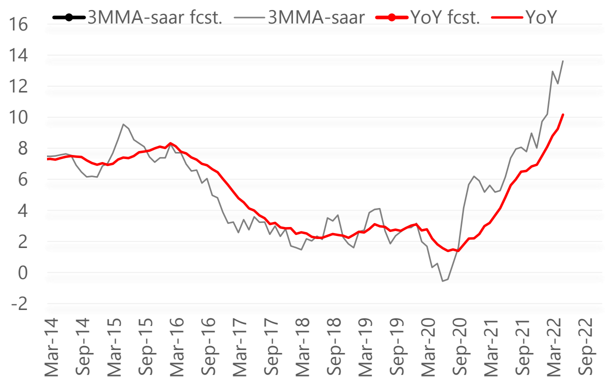
All in all, this is another unfavorable print that reinforces our belief in a difficult outlook for inflation. However, we maintain our view that this was likely the peak of IPCA in YoY terms. Leading indicators and high-frequency inflation surveys point to some relief ahead. However, the pace of deceleration should be slow, sticky and risky, as the level and composition of inflation are likely to remain sources of concern, just as the latest shock from commodity prices is a new risk, keeping the balance of risks tilted to the upside (i.e., higher inflation). IPCA 2022 tracking is now at 9.5% (from 9.2% previously). We also revised IPCA 2023 tracking to 5.3% (from 4.8%), on the back of inertial effects. See details in the link[3].

Figure 8. May's IPCA-15 Details (%)

	MoM			YoY	
	May-22	Santander	Dev.	Apr-22	May-22
IPCA-15	0.59	0.45	0.14	12.1	12.2
Administered	-1.44	-1.68	0.06	15.0	13.1
Free	1.34	1.23	0.08	11.1	11.9
Food-at-home	1.71	1.89	-0.03	16.1	16.8
Industrial goods	1.62	1.49	0.03	14.2	14.4
Services	1.00	0.76	0.08	6.9	8.2
EX3 Core	1.30	1.05	0.09	9.6	10.2

Sources: IBGE, Santander.

Figure 9. Core Inflation IPCA-15 EX3 (%)



Sources: IBGE, Santander.

[3] **Santander Brazil Inflation: "*May's IPCA-15: A Print with No Silver Lining*"** – May 25, 2022 – Available on: https://bit.ly/Std-IPCA15-mai22

ECONOMIC ACTIVITY

Positive expectations for GDP growth in 1Q22. The widespread healthy activity figures seen in the first quarter topped our already optimistic expectations, prompting us to revise our 1Q22 GDP growth projection to +0.9% QoQ-sa (from +0.5% in the previous scenario update). For the supply side, we forecast widespread growth in key sectors, something not seen since 1Q21. We expect the services sector to continue its rebound (+0.7% QoQ-sa), owing mainly to consolidation of the economy's reopening process (though the upsurge in COVID cases due to the Omicron variant delayed this process). We also see the industrial sector contributing positively (+0.9% QoQ-sa) following persistent weakening since 2Q21. Moreover, we (still) expect farm output to expand (+0.6% QoQ-sa) at the margin. On the demand side, we see a continued strengthening of domestic demand, with the external sector lending a hand. Household consumption has been inching up again (+0.8% QoQ-sa), reinforced by government spending (+0.5%). Investments are also regaining strength (+1.0% QoQ-sa), while the external sector is expected to contribute positively, with growth in exports (+6.4% QoQ-sa) more than offsetting increased imports (+1.0% QoQ-sa). If our projection is met, this result would imply a 1.2% carryover to 2022 and would place the economy 1.4% above the pre-pandemic mark (4Q19). This figure not only reinforces our expectation of resilient economic growth in 2022 but also implies significant upside risks to our 0.7% forecast for GDP growth this year. Regarding 2023, we forecast a 0.3% retreat of real activity, with risks tilted to the downside. The official data will be released by IBGE next Thursday (June 02). See details in the link[4].

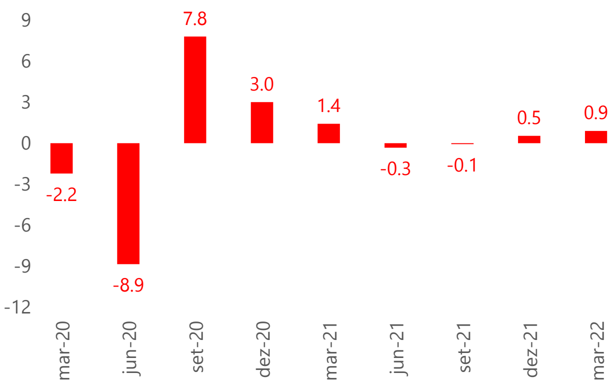
The first batch of economic activity and labor market data for 2Q22 is due out next week. On Monday (May 30), the Ministry of Labor will release the April CAGED payrolls data (postponed from last week). Our estimate is +276k (nsa), meaning a print of +183k (March: +232k), according to our preliminary seasonal adjustment. On Tuesday (May 31), the April PNAD household survey comes out: we estimate an unemployment rate of 11.0% nsa, meaning a 0.1 p.p. decrease to 10.8% in our seasonally adjusted series. Industrial output for April will be available next Friday (June 3), and we expect a flat reading (0.0% MoM-sa).

Figure 10. GDP Growth Projection Breakdown

		4Q21		1Q22e	
	Weights	% YoY	% QoQ	% YoY	% QoQ
GDP	100%	1.7	0.5	1.6	0.9
Supply					
Agriculture	7%	-0.8	5.8	-5.6	0.6
Industry	19%	-1.3	-1.2	-0.3	0.9
Services	59%	3.3	0.5	3.0	0.7
Demand					
Consumption	61%	2.1	0.7	2.4	0.8
Government	19%	2.8	0.8	4.2	0.5
Investments	19%	3.4	0.4	-1.0	1.0
Exports	20%	3.3	-2.4	10.0	6.4
Imports	-19%	3.7	0.5	-1.8	1.0

Sources: IBGE, Santander.

Figure 11. GDP Growth (% QoQ-sa)



Sources: IBGE, Santander. *Expectations for 1Q22.

[4] **Santander Brazil Economic Activity: "*Positive Expectations for GDP Growth in 1Q22*"** – May 24, 2022 – Available on: https://bit.ly/Std-GDP-p-1Q22

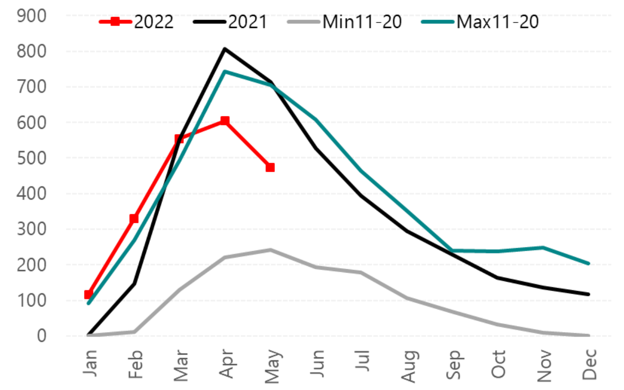
BALANCE OF PAYMENTS

We expect the May 2022 trade surplus to reach USD3.8 billion from USD8.5 billion a year ago, which—if our projection proves right—will bring the surplus on a 12-month basis below the USD60.0 billion threshold for the first time since April 2021. Although disappointing, we believe this performance should be taken with a pinch of salt, as it seems us to stem from logistical bottlenecks that affected some key export items. In a nutshell, we continue to look for a new record trade surplus for 2022.

Despite many signs of strong demand for (and higher prices of) commodities around the globe—especially foodstuff and oil—when we look at preliminary figures of the volume of Brazilian exports of these products in May, we find it baffling to witness strong declines in these sales compared with a year ago. According to figures provided by the Foreign Trade Secretariat, the daily average volume of soybeans exported this month until May 22 is 33.5% below the level observed a year ago, while the same comparison shows the daily average volume of oil exports running 31.1% below the level seen in May 2021. All in all, we expect exports to decline 14.7% MoM-sa this month. In our view, these dismal performances may reflect logistical bottlenecks that we expect to be resolved soon.

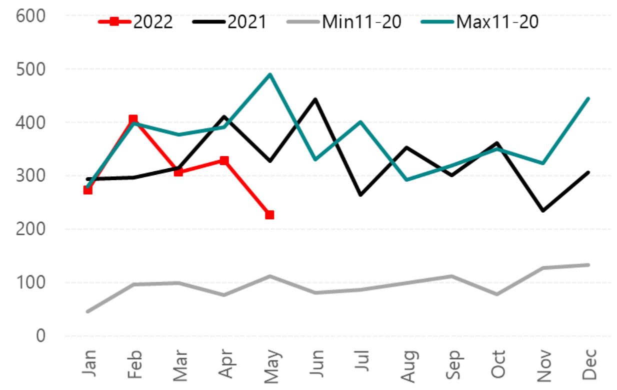
Regarding imports, we project a 2.8% MoM-sa increase, which would be the second in a row—if our projection proves right. Such a result would underpin the current perception that the Brazilian economic recovery in the initial months of 2022 has been stronger than anticipated. Nonetheless, we continue to anticipate a significant economic deceleration, especially in 2H22, when the lagged impact of rate hikes starts to appear.

Figure 12. Soybeans Exports (kiloton/business day)



Sources: SECINT, Santander.

Figure 13. Oil Exports (kiloton/business day)



Sources: SECINT, Santander.

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.

Within the past 12 months, Grupo Santander has managed or co-managed a public offering of securities of Eletrobras.

Within the past 12 months, Grupo Santander has received compensation for investment banking services from Eletrobras.

Within the next three months, Grupo Santander expects to receive, or intends to seek, compensation for investment banking and/or underwriting activities and/or other services (including acting as adviser, manager, or lender) services from: Eletrobras.

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.

Santander