Brazil Macro | September 2023

Economic Activity

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INDEX

1. Retail Sales
2. Industrial Production
3. Services
4. Labor Market
5. GDP
6. Baseline Scenario

SUMMARY

- **After another positive surprise in 2Q23, we are revising our GDP forecast for 2023 to +2.5% (previously: +1.9%).** While 1Q23 saw a significant contribution from farm output and the record-volume summer grain crops, 2Q23's expansion was mainly concentrated in cyclical sectors, despite still restrictive financial conditions. On the demand side, we saw a recovery for domestic absorption at the margin (+1.0% QoQ-sa), as the external sector contributed negatively. The main highlight was household consumption (+0.9% QoQ-sa), with the seventh gain in a row, reflecting a still resilient labor market.

- **Still, the outlook for negative GDP QoQ growth throughout 2H23 remains, in our view, as the surprise in 2Q23 has set the bar high.** We believe QoQ contractions in 3Q23 and 4Q23 continue to be the most likely scenario.

- **We forecast +1.0% growth in 2024.** Although we expect a gradual acceleration throughout 2024 (as financial conditions are likely to become less restrictive, in our view) a negative carryover from 2023 and the base effects of the one-off gain in farm output this year could limit growth next year.

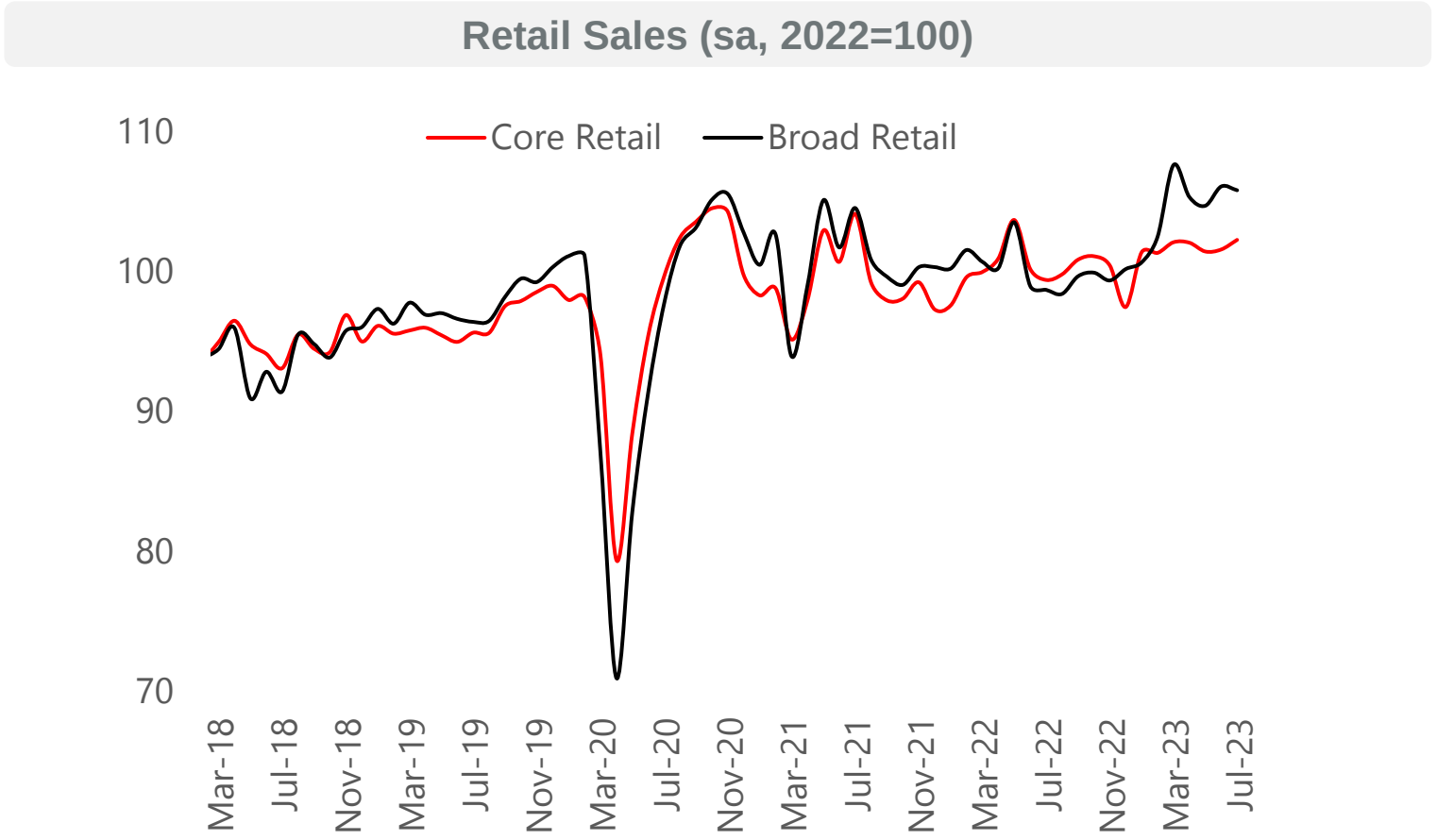
- **We are still seeing an overheated labor market, as the unemployment rate has remained at its lowest levels since mid-2015 (8.0%, seasonally adjusted), still short of our estimate for the NAIRU (which is in a downward trajectory, at ~10%).** We see the unemployment rate largely influenced by a lower participation rate (labor supply). While decelerating, usual nominal average income and usual nominal wage bill are running high at 10% YoY and 11% YoY, respectively. We continue to project an increase in the unemployment rate throughout 2023 as we expect a continuation of the contractionary effects of monetary tightening, but we now expect the job market participation rate to remain short of its historical average (~63%) at least until 2025. We estimate an average unemployment rate of 8.2% in 2023, and 9.3% for both 2024 and 2025. We forecast that the unemployment rate could remain below the structural level (NAIRU ~9.5% by 2024) until 2024. **As we consider a tight labor market for longer, our 2023 "expanded" real wage bill growth forecast is at 3.9%. We project 0.9% and 1.4% for 2024 and 2025, respectively.**

RETAIL SALES

01

End of Tax Break for Vehicles Led to Contraction in Broad Retail Sales

- After a positive print in June, broad retail sales returned to a downward trend on the heels of the end of the tax break for vehicles. Looking ahead, we expect retail activity to maintain a trend of tepid performances.

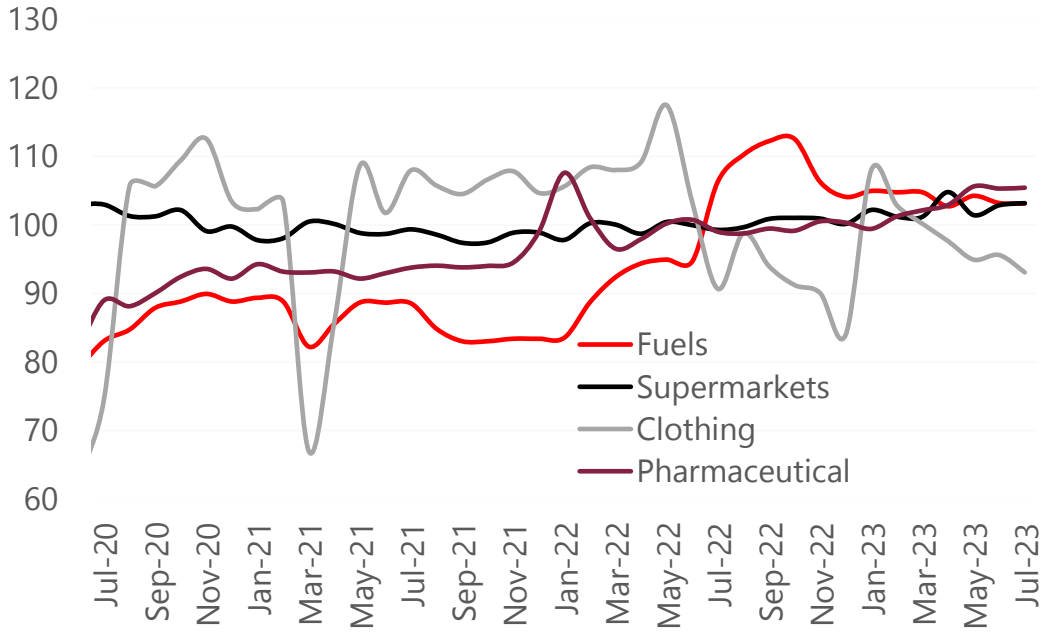


Sources: IBGE, Santander

The Details Showed a Mixed Breakdown in July

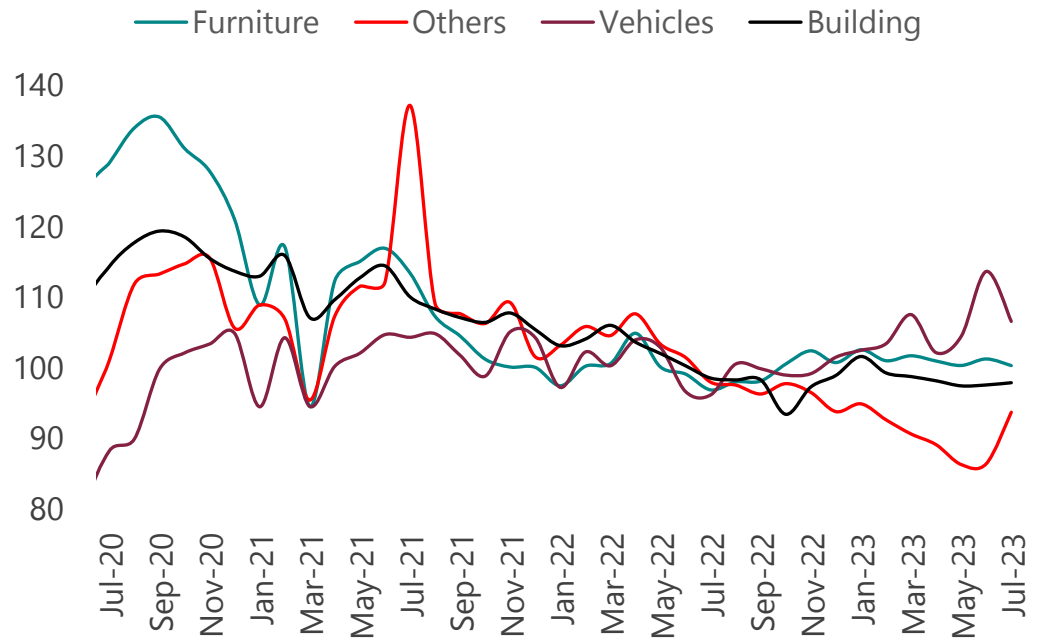
- We see a continued challenging environment for credit-led segments this year, owing to the critically restrictive levels of financial conditions. Income-led segments continued to show high volatility.

Income-led Segments (sa, 2022=100)



Sources: IBGE, Santander

Credit-led segments (sa, 2022=100)



Sources: IBGE, Santander

Retail Sales Breakdown

Retail Sales Breakdown										
		% MoM			% YoY			% QoQ		
Weights		May-23	Jun-23	Jul-23	May-23	Jun-23	Jul-23	Jan-23	Apr-23	Jul-23
60.8%	Core Retail Sales	-0.6	0.1	0.7	-1.1	1.4	2.4	-0.8	2.1	-0.1
7.7%	Fuels	1.5	-1.0	-0.1	10.8	9.2	-2.8	-5.9	-1.0	-0.5
33.0%	Hypermarkets, supermarkets	-3.2	1.4	0.3	1.3	3.2	3.0	0.6	1.3	0.1
3.2%	Fabrics, clothing and footwear	-2.8	0.7	-2.7	-18.2	-6.3	1.6	-0.7	6.6	-5.7
4.4%	Furniture and home appliances	-0.6	0.9	-0.9	0.4	2.7	3.4	3.0	-0.7	-0.6
5.6%	Pharmaceuticals	2.6	-0.3	0.1	7.6	4.7	6.5	1.0	2.0	3.3
0.4%	Books, papers and magazine	1.4	0.5	-2.6	-5.6	-2.2	-7.3	-6.1	0.7	0.8
0.9%	Office equipment and supplies	1.3	-3.9	11.7	-4.9	-8.8	6.9	0.4	-2.6	-0.5
5.6%	Other personal items	-3.2	0.1	8.4	-17.3	-14.9	-4.9	-2.2	-4.5	-2.2
100%	Broad Retail Sales	-0.6	1.3	-0.3	3.0	8.3	6.6	0.7	5.1	0.4
13.9%	Wholesale	-	-	-	18.3	21.4	19.6	-	-	-
8.0%	Building Materials	-0.7	0.1	0.3	-2.0	-2.4	-0.3	2.7	-0.5	-1.1
17.2%	Vehicles	2.3	8.8	-6.2	1.5	17.8	9.8	1.3	3.3	3.7

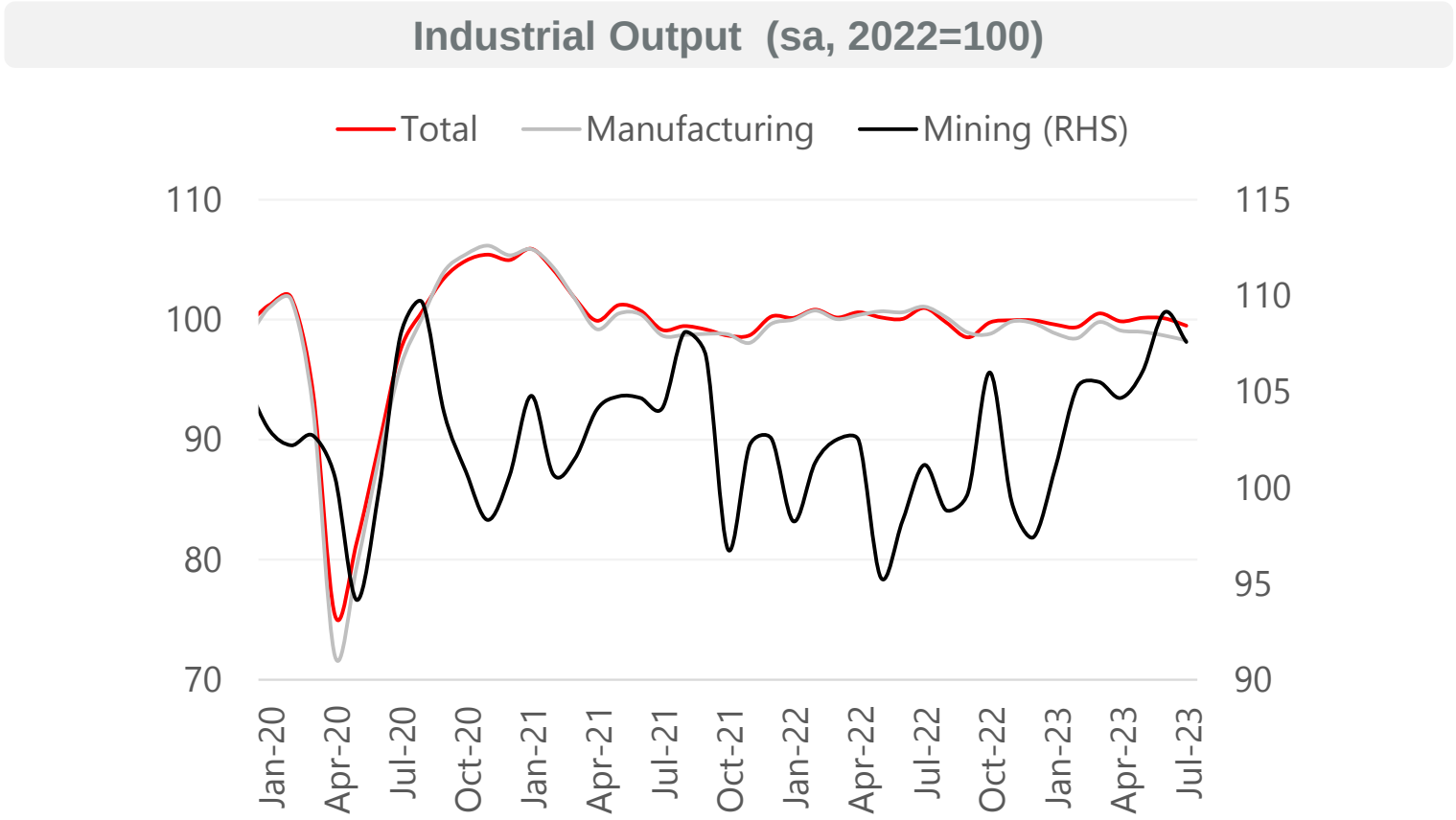
Sources: IBGE, Santander.
* For details, please see: https://tinyurl.com/Std-econoact-091523

INDUSTRIAL PRODUCTION

02

Industrial Production: A Weak Start to 3Q23

- The breakdown shows some worrying signals, as there was another negative result from manufacturing, this time in tandem with a tumble in mining. Capital goods continue to indicate a negative trend, and the diffusion index remained at low levels.

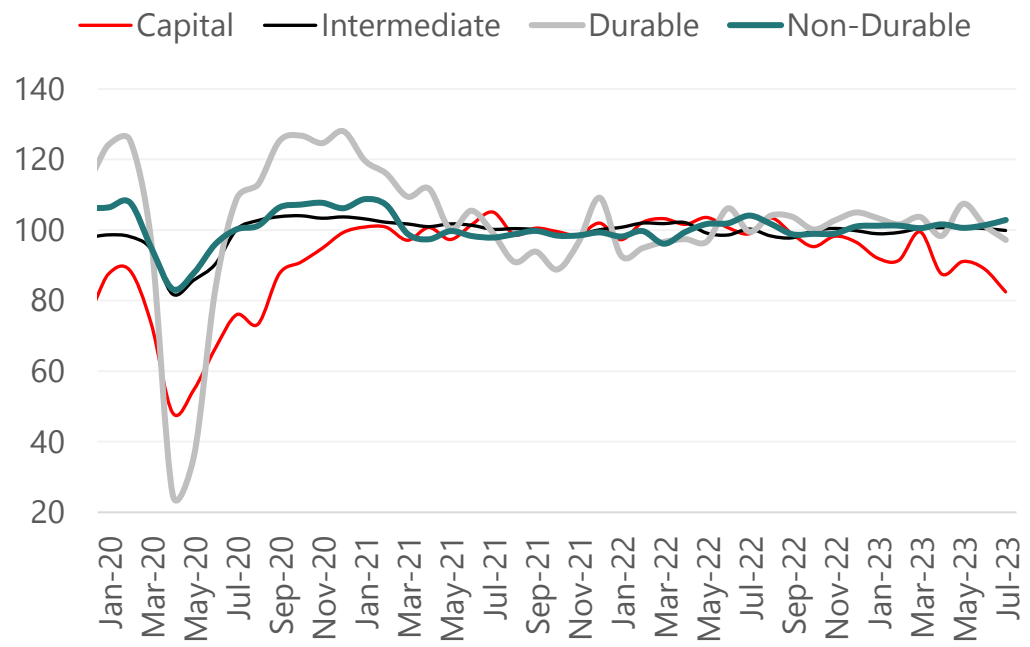


Sources: IBGE, Santander

Capital Goods Production Remained as the Lowlight in July

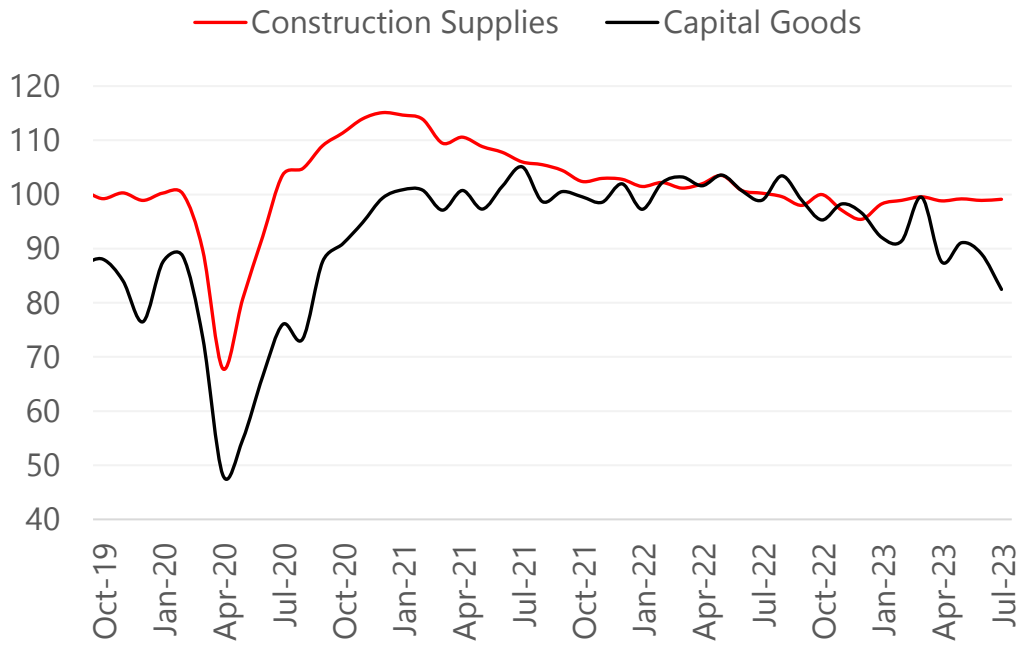
- Durable goods (-4.1% MoM-sa), capital goods (-7.4% MoM-sa) and intermediate goods (-0.6% MoM-sa) indicated negative prints. On the positive side, only nondurable goods (+1.5% MoM-sa) contributed positively.

Economic Categories (sa, 2022=100)



Sources: IBGE, Santander

Related to Investments (sa, 2022=100)



Sources: IBGE, Santander

Industrial Production Breakdown

Industrial Production Breakdown										
		% MoM-s.a.			% YoY			% QoQ		
	Weights	May-23	Jun-23	Jul-23	May-23	Jun-23	Jul-23	Mar-23	Jun-23	Jul-23
Total Industry	100%	0.3	0.0	-0.6	1.9	0.2	-1.1	-0.1	0.2	0.0
Mining	**15%**	**1.3**	**2.9**	**-1.4**	**12.0**	**10.9**	**7.0**	**3.0**	**2.6**	**2.3**
Manufacturing	**85%**	**-0.1**	**-0.3**	**-0.4**	**0.3**	**-1.6**	**-2.5**	**-0.4**	**-0.1**	**-0.5**
Capital Goods	6%	4.0	-2.3	-7.4	-11.3	-11.1	-16.9	-2.5	-5.4	-5.7
Intermediate Goods	61%	0.0	-0.3	-0.6	3.1	1.8	0.0	-0.5	1.0	0.2
Consumer goods	32%	-0.7	0.1	1.4	2.4	-0.7	-0.7	0.9	0.0	0.3
Durable	4%	9.2	-5.7	-4.1	11.1	-4.0	-3.5	-2.5	-5.4	-5.7
Non-Durable	27%	-1.0	0.7	1.5	1.0	-0.1	-0.3	-0.5	1.0	0.2
Construction Supplies	**-**	**0.4**	**-0.3**	**0.2**	**-2.1**	**-1.5**	**-1.1**	**1.4**	**0.1**	**0.0**

Sources: IBGE, Santander.

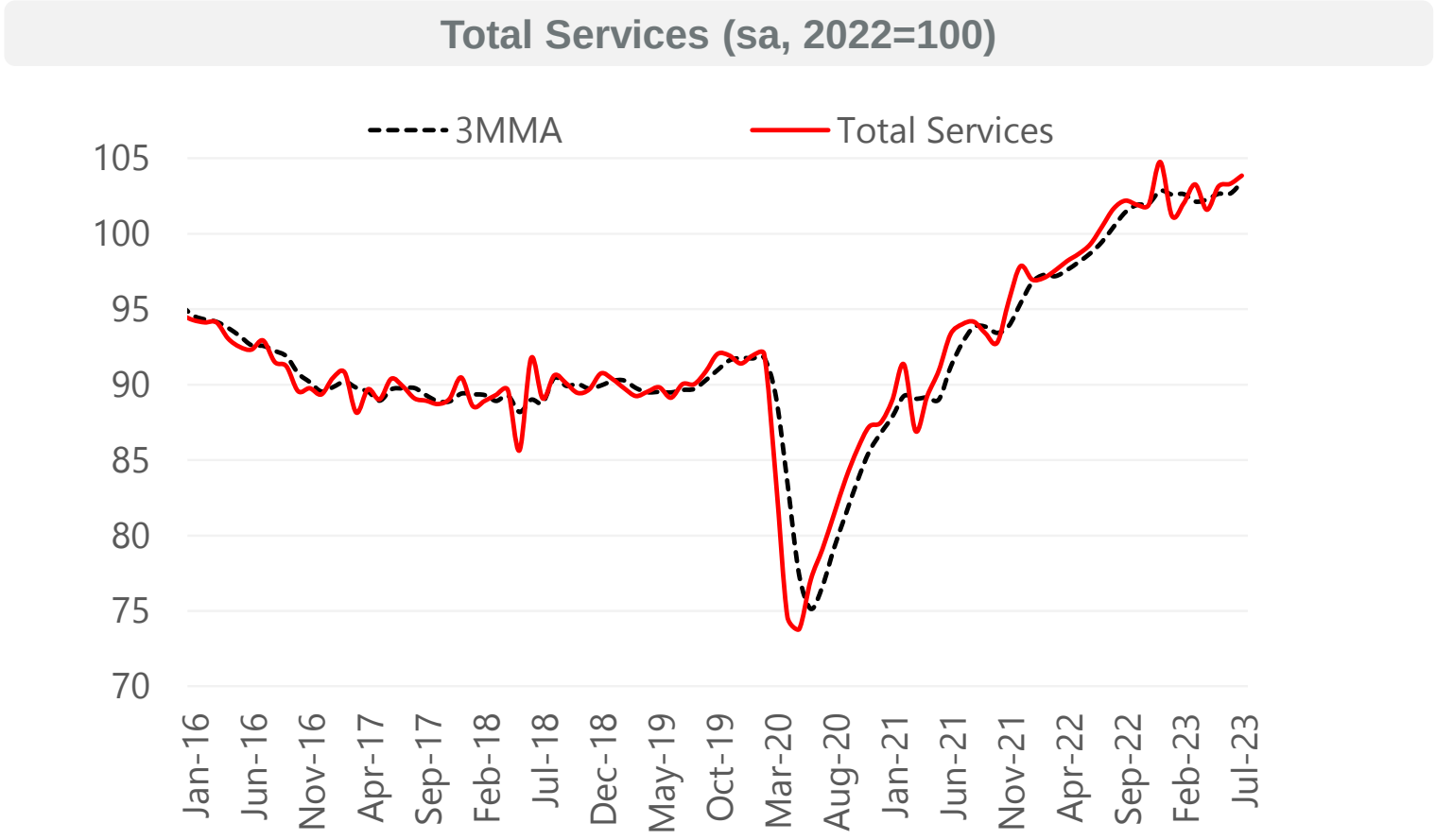
* For details, please see: https://tinyurl.com/std-econoact-090523

SERVICES

03

Services in Line With Expectations in July

- Services output increased 0.5% MoM-sa (+3.5% YoY) in July, in line with both market consensus and our estimate (both at +0.5% MoM-sa; +3.5% YoY). The result represents an acceleration from June's result (+0.2% MoM-sa) and implies a 1.1% QoQ-sa carryover for 3Q23.

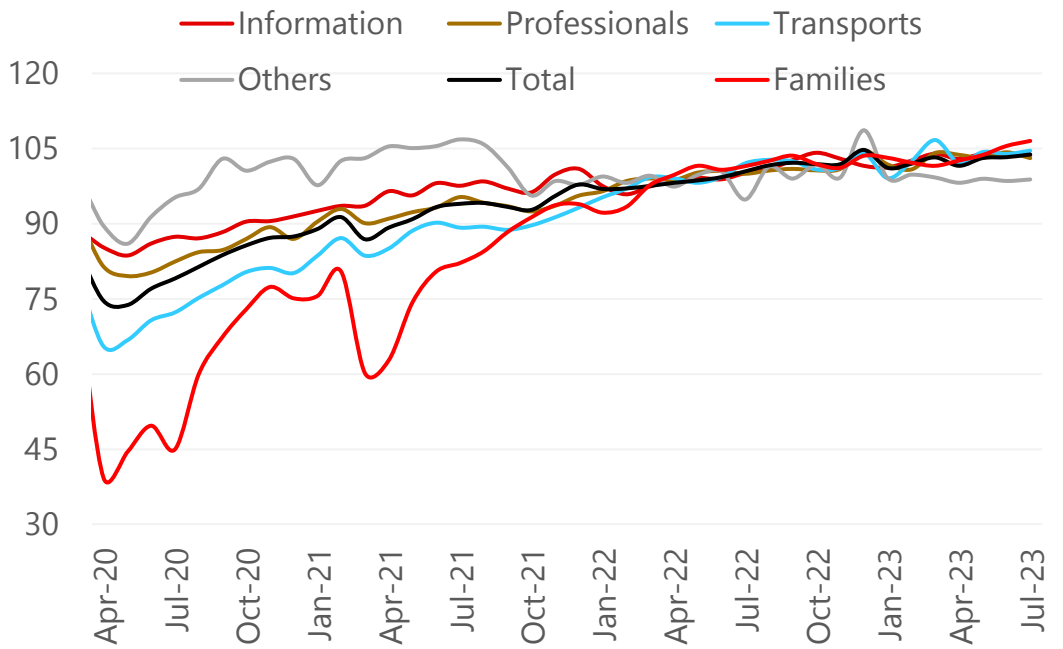


Sources: IBGE, Santander

Services: Mixed Signals Across Activities

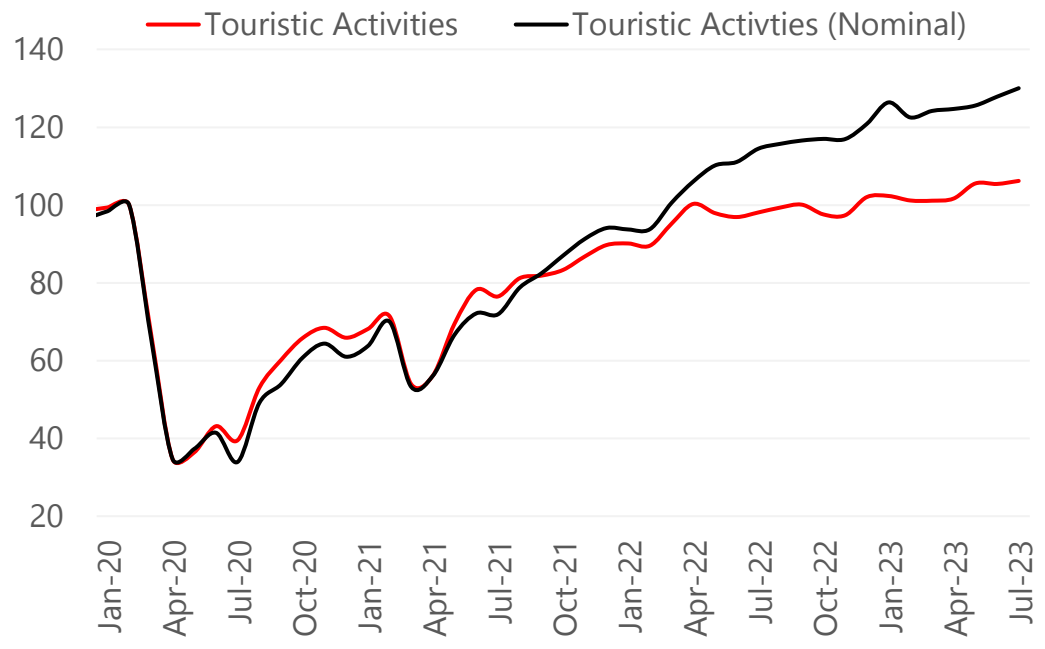
- Services to families posted another positive contribution to the result, increasing 1.0% MoM-sa, the third expansion in a row. Information services decreased 0.2% MoM-sa. Professional services decreased 1.1% MoM-sa, fully offsetting June's 1.1% MoM-sa increase. Other services increased 0.6% MoM-sa. Transportation increased 0.6% MoM-sa, a rebound from June's -0.4% MoM-sa.

Total Services Breakdown (sa, 2022=100)



Sources: IBGE, Santander

Touristic Activities (sa, 2022=100)



Sources: IBGE, Santander.

Services Sector Breakdown

Services Breakdown									
	% MoM			% YoY			% QoQ		
	May-23	Jun-23	Jul-23	May-23	Jun-23	Jul-23	Mar-23	Jun-23	Jul-23
Total Services	1.5	0.2	0.5	5.1	4.0	3.5	-0.7	0.5	1.1
Families	**1.1**	**1.7**	**1.0**	**2.4**	**5.3**	**4.9**	**0.1**	**1.6**	**3.1**
Accommodation and Food	0.1	1.4	1.8	2.3	5.2	5.8	1.0	1.3	2.5
Other Services to Families	0.7	4.3	-1.5	3.0	5.5	-0.5	-2.9	1.0	3.5
Information	**1.0**	**-0.1**	**-0.2**	**5.3**	**5.1**	**3.6**	**-0.3**	**1.0**	**0.7**
Technology	1.6	0.0	-0.3	5.1	5.7	4.3	-0.3	1.1	1.2
Audiovisual	4.3	-3.6	-1.6	7.4	1.2	-1.8	1.0	0.0	-0.7
Professional	**-0.6**	**1.1**	**-1.1**	**3.8**	**4.0**	**3.2**	**0.2**	**1.4**	**0.6**
Professional	-8.5	4.3	-0.7	1.6	4.3	5.3	1.6	2.3	-1.8
Administrative	2.6	-0.7	-0.5	5.6	3.8	2.7	0.9	0.4	1.1
Transportation	**2.2**	**-0.4**	**0.6**	**7.2**	**4.6**	**2.5**	**0.7**	**0.7**	**0.5**
Ground Transportation	2.0	0.9	0.7	9.3	6.8	6.7	2.5	1.3	1.8
Water Transportation	9.9	-7.6	0.5	15.7	4.2	1.4	2.3	1.5	2.9
Air Transport	10.0	-4.2	1.0	14.2	13.5	9.8	5.0	6.7	6.6
Storage and Mail	-0.9	-2.7	0.3	-1.0	-3.2	-8.1	-4.0	-2.8	-5.2
Other Services	**0.8**	**-0.4**	**0.3**	**0.5**	**-1.6**	**4.2**	**-3.7**	**-0.8**	**-0.3**
Sewage	-	-	-	**6.1**	2.3	2.2	-	-	-
Financial	-	-	-	**-7.5**	-5.7	0.1	-	-	-
Rents	-	-	-	**11.8**	14.8	9.8	-	-	-
Other	-	-	-	**-1.4**	4.8	7.3	-	-	-
Touristic Activities	3.8	-0.1	0.7	8.4	9.3	7.8	2.6	2.6	4.3

Sources: IBGE, Santander.

* For details, please see: https://tinyurl.com/std-econoact-091423

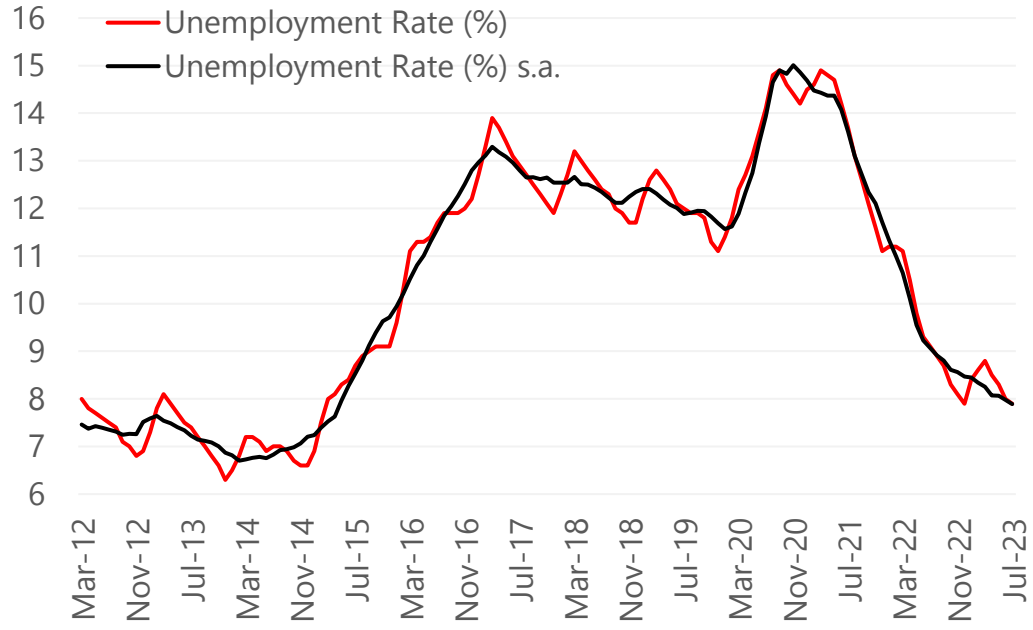
LABOR MARKET

04

A Still Overheated Job Market, But About To Revert

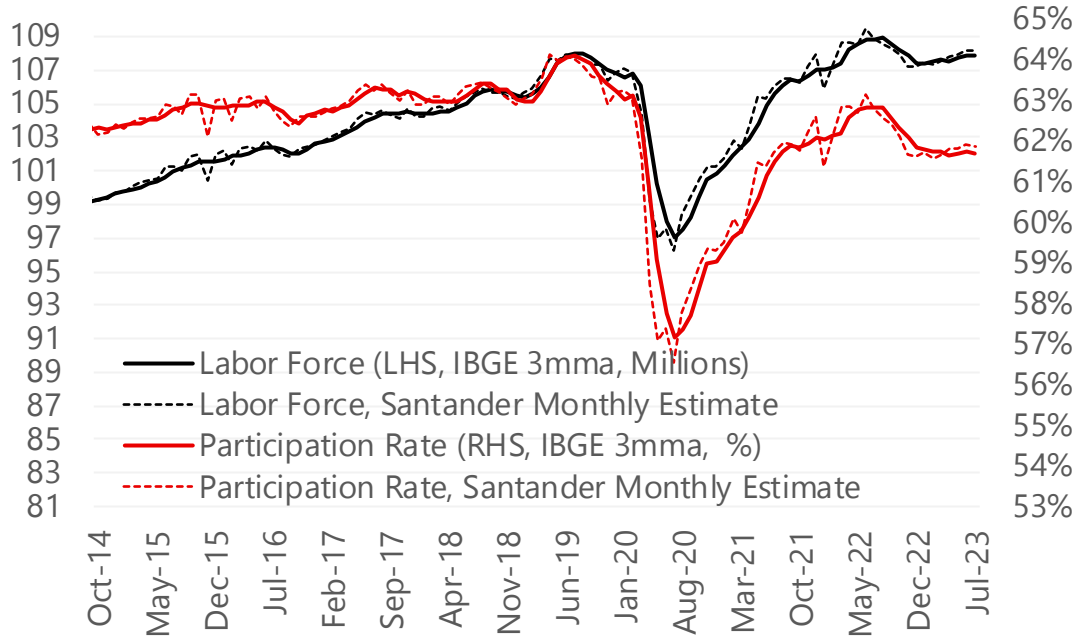
- The PNAD survey continues to show a likely overheated job market. At 7.9%, it is the lowest unemployment rate since 2015.
- We see unemployment rate at this low level more because of a reduction in the participation rate than because of employment growth.

Unemployment Rate (sa)



Sources: IBGE, Santander.

Labor Force and Participation Rate (sa)

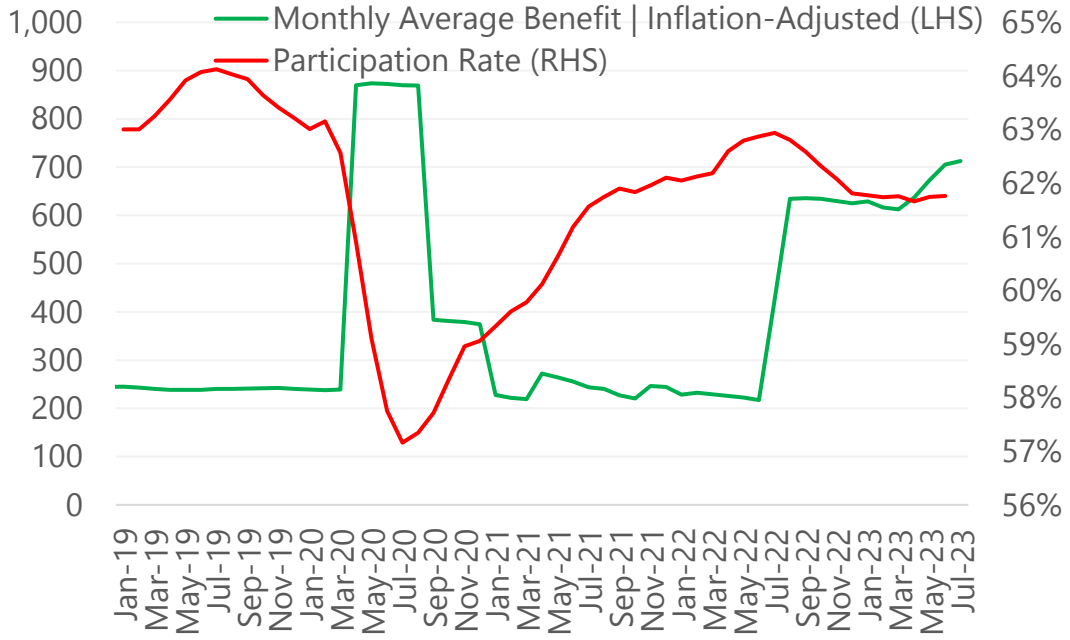


Sources: IBGE, Santander.

Lower Participation Preventing A Faster Softening of The Job Market

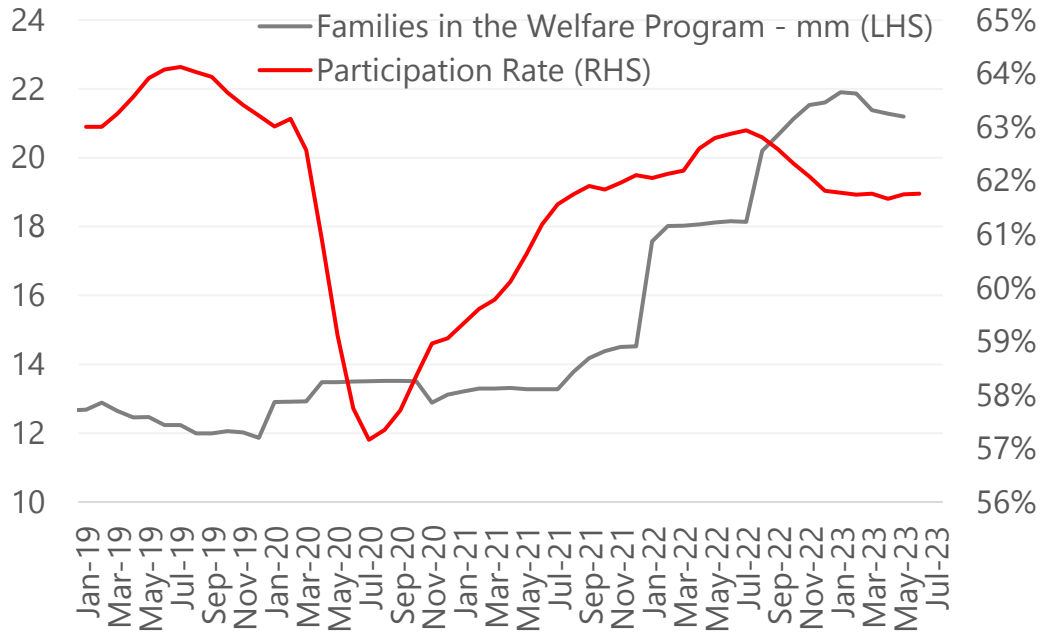
- In our assessment, the hefty surge in both government transfer to households and families included in the welfare program in 2H22 had a major role in pushing down the participation rate.
- We believe the participation rate should stay short of its historical average (63%) and remaining at low levels throughout 2024.

Participation Rate (sa) x Transfer to Households



Sources: IBGE, Santander.

Participation Rate (sa) x Families in the welfare program

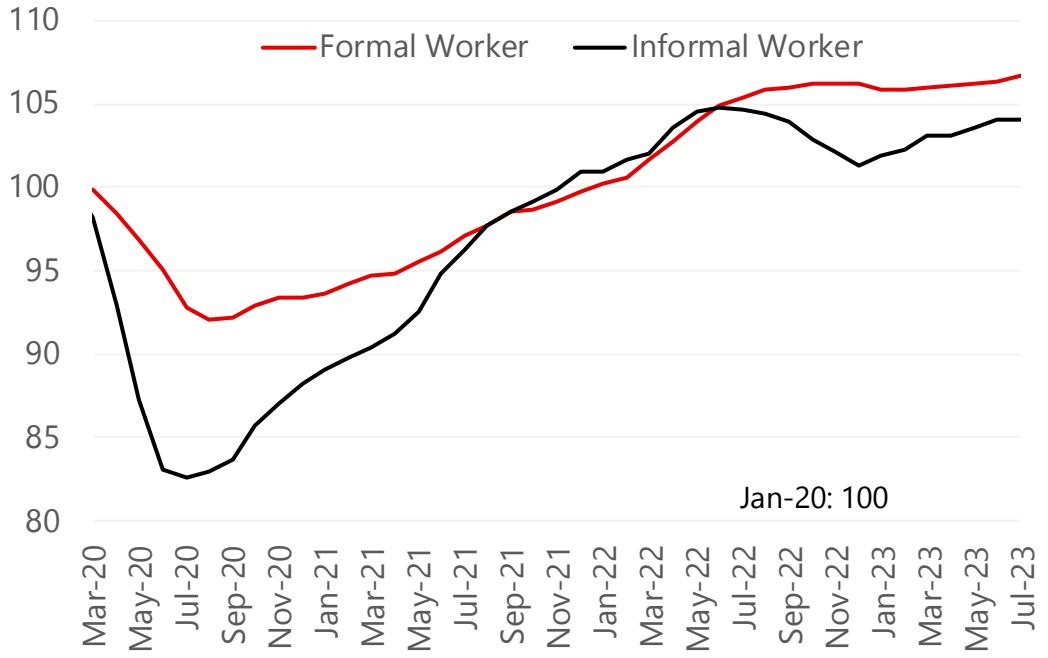


Sources: IBGE, Santander.

Employed Population Growth Driven By Informal Workers

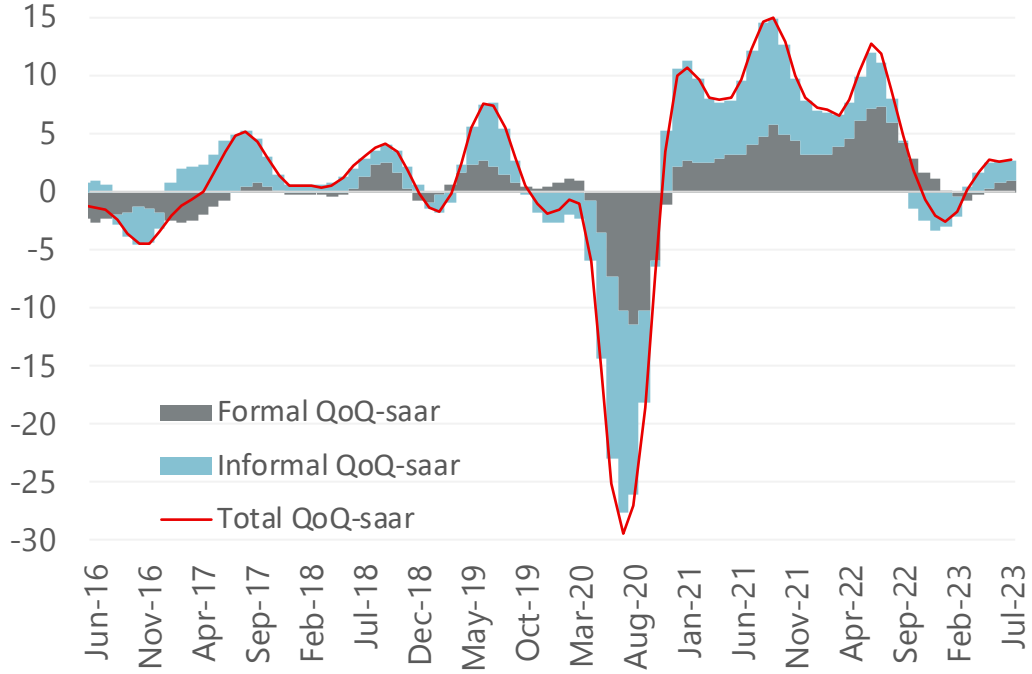
- The increase in employed population has been led by the informal sector (+3% since December 2022).
- At the margin, however, formal sector has been adding workers.

Employed Population Breakdown (million)



Sources: IBGE, Santander.

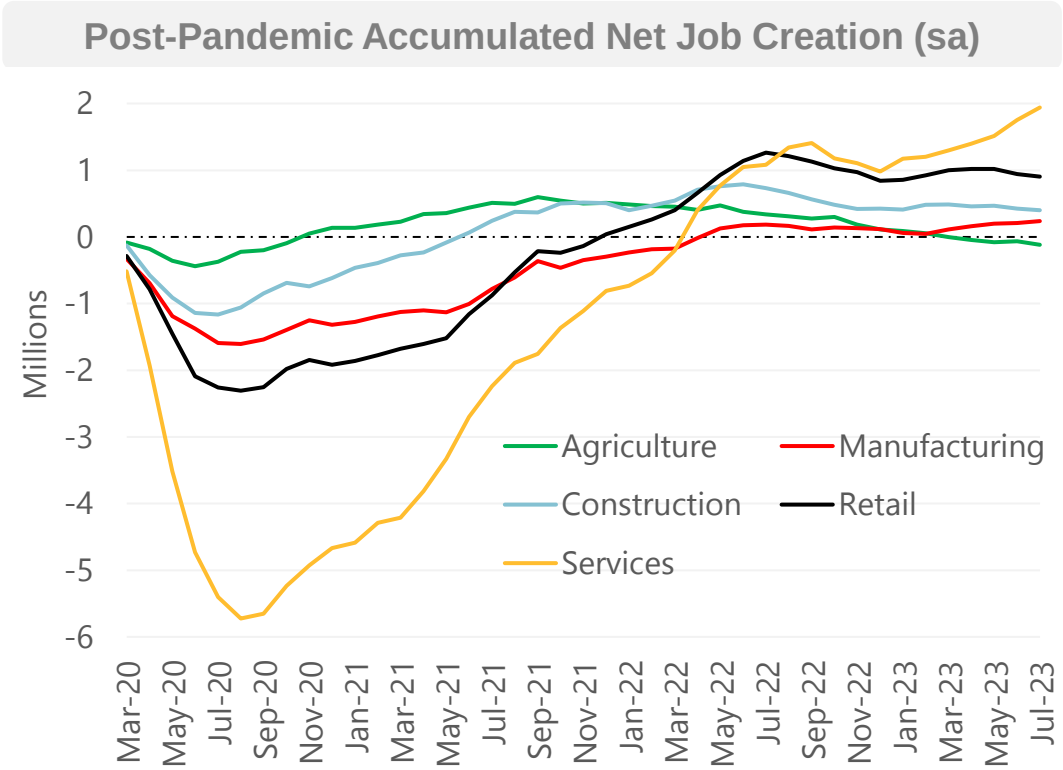
Employed Population Growth



Sources: IBGE, Santander.

Services Sector Driving Net Job Creation

- Services (driven by accommodation/food and services to companies) has been the highlight in recent months. In our view, more cycle-sensitive sectors tend to signal deceleration or stability in employment ahead, due to tight financial conditions.

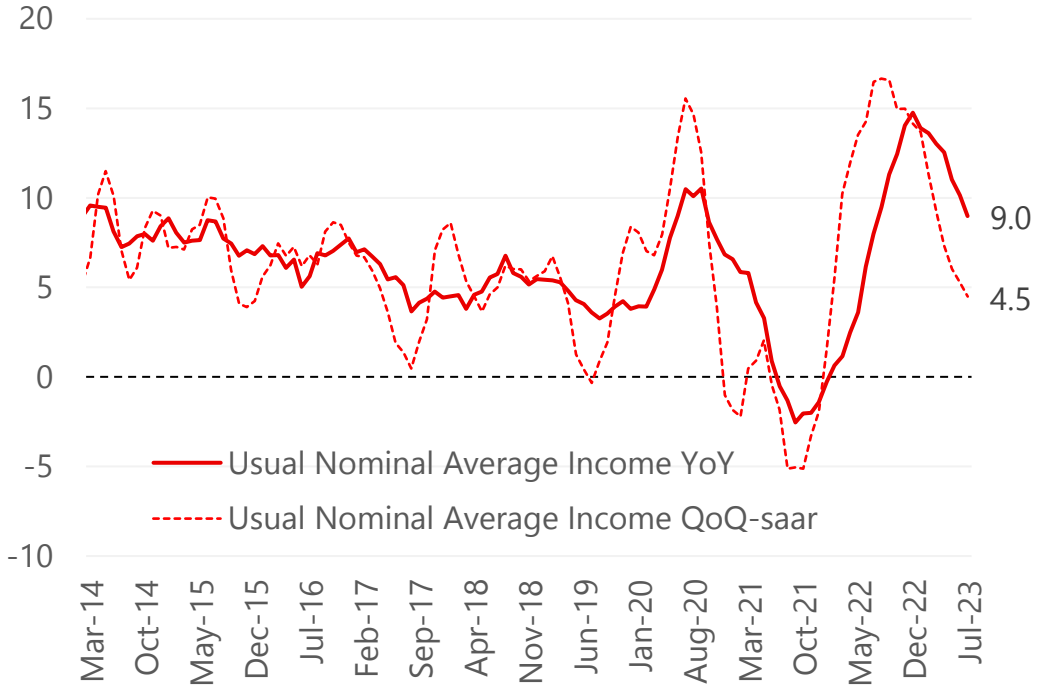


Sources: IBGE, Santander.

Nominal Wage Bill Stabilizing

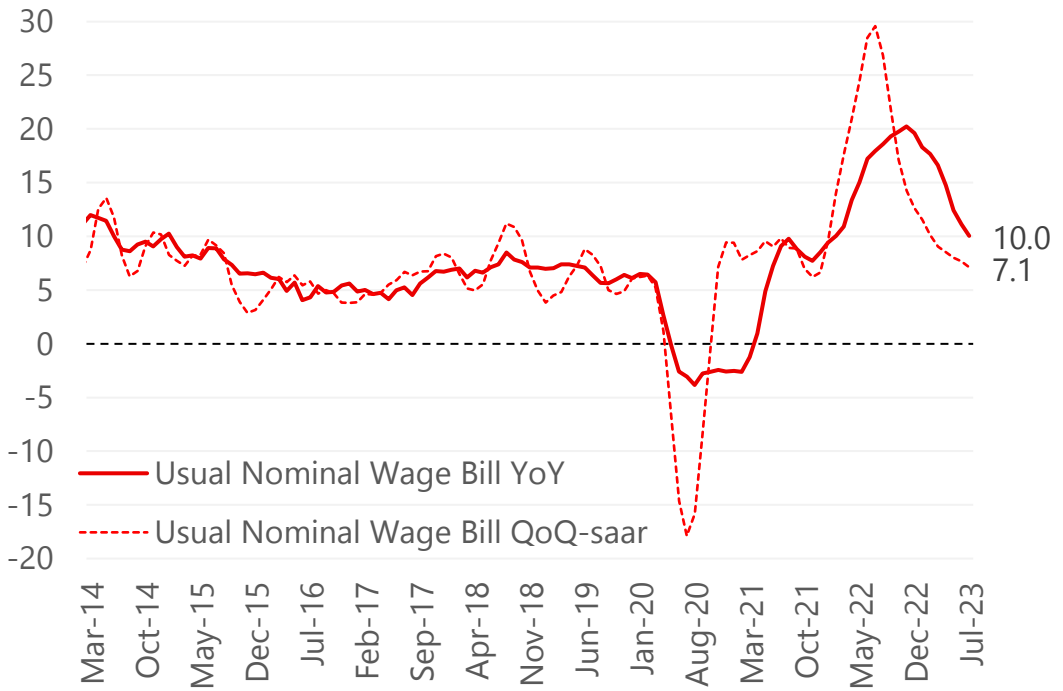
- Nominal average income growth trend still decelerating.
- However, nominal wage bill growth has been stable around 8% since April 2023, a tad above the average of 6-7% between 2017-2019.

Nominal Average Income (%)



Sources: IBGE, Santander.

Nominal Wage Bill (%)



Sources: IBGE, Santander.

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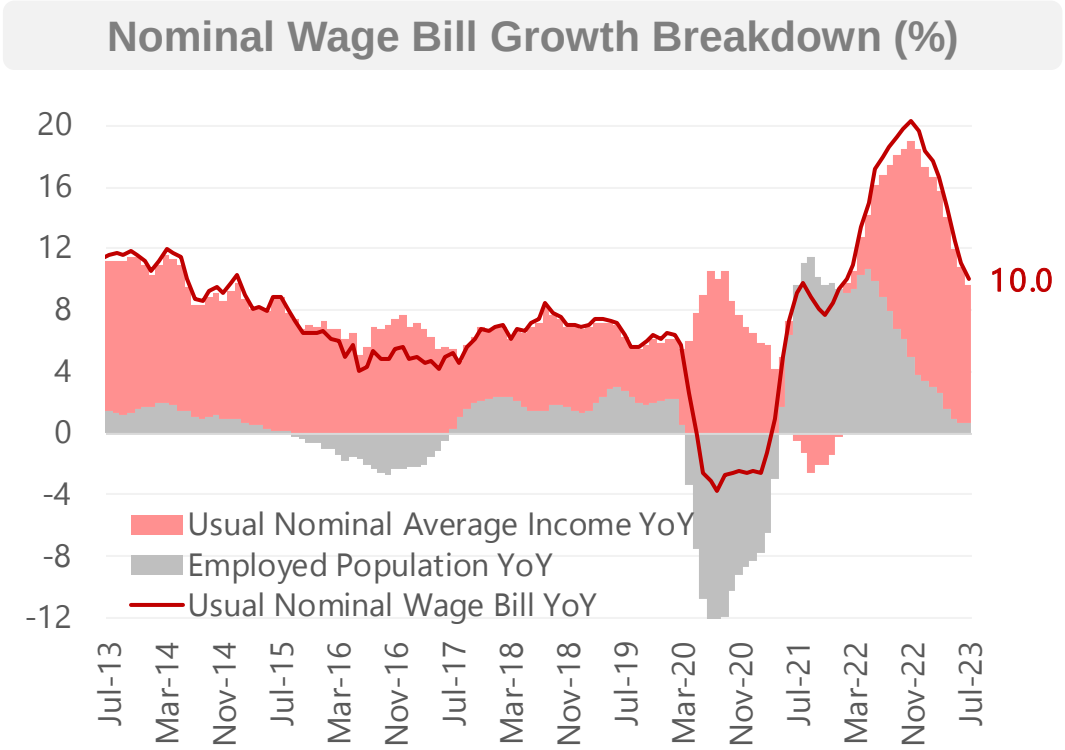
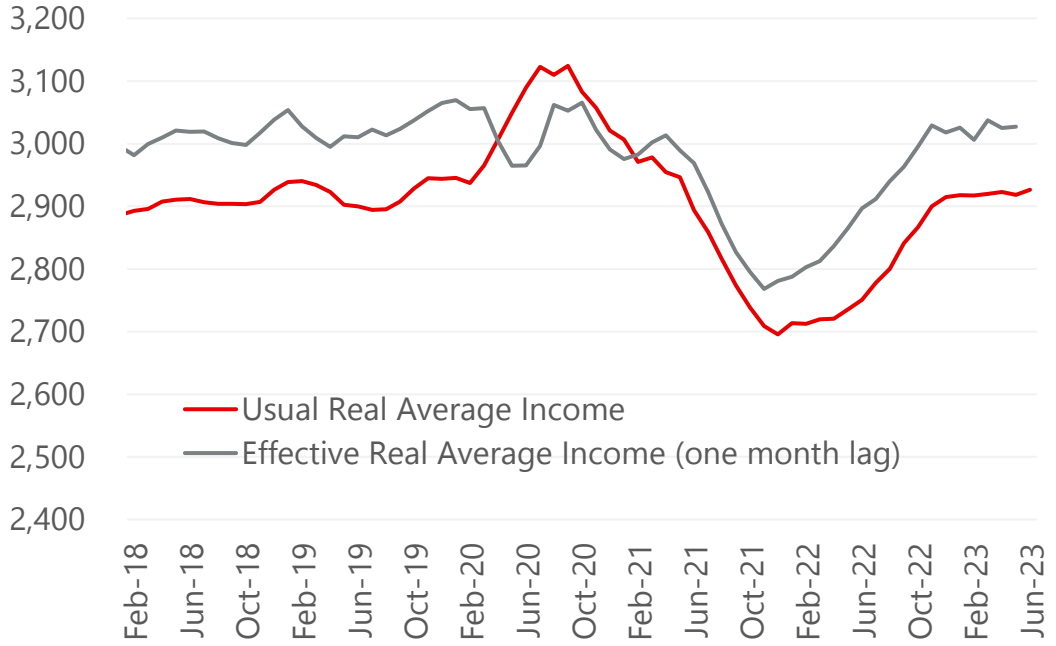


Sources: IBGE, Santander.

Real Average Income Growth Stable Since December 2022

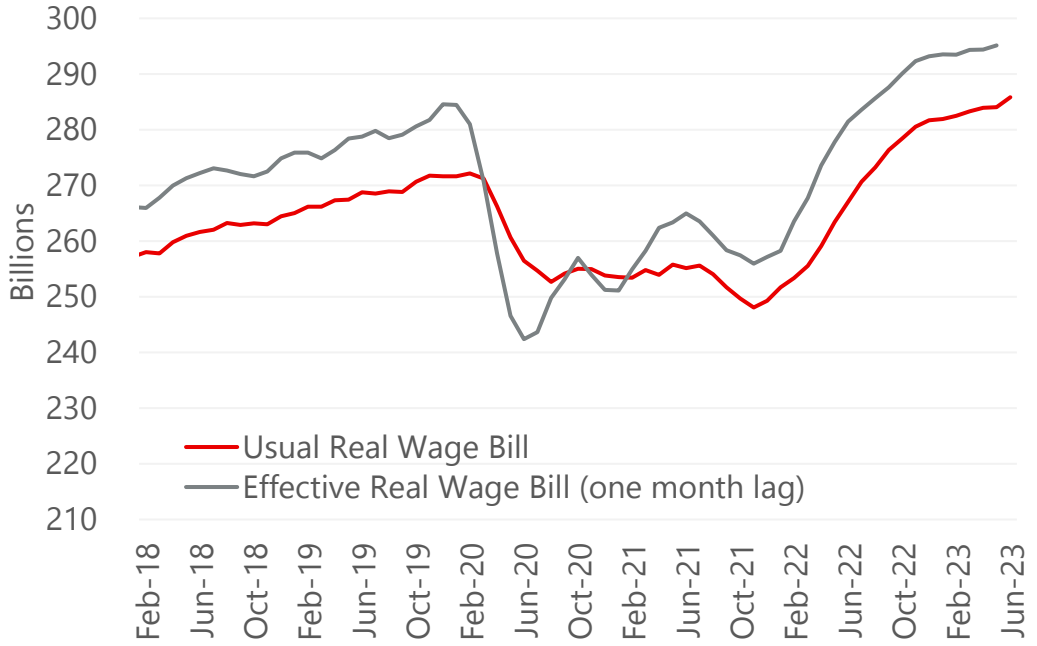
- Both usual and effective real average income have been growing at a stable pace since December 2022.
- Real wage bill growth is also stable, currently growing at 5% YoY, and we expect it to slowly stabilize at 2.5% YoY.

Real Average Income (BRL, sa)



Sources: IBGE, Santander.

Real Wage Bill (BRL, sa)

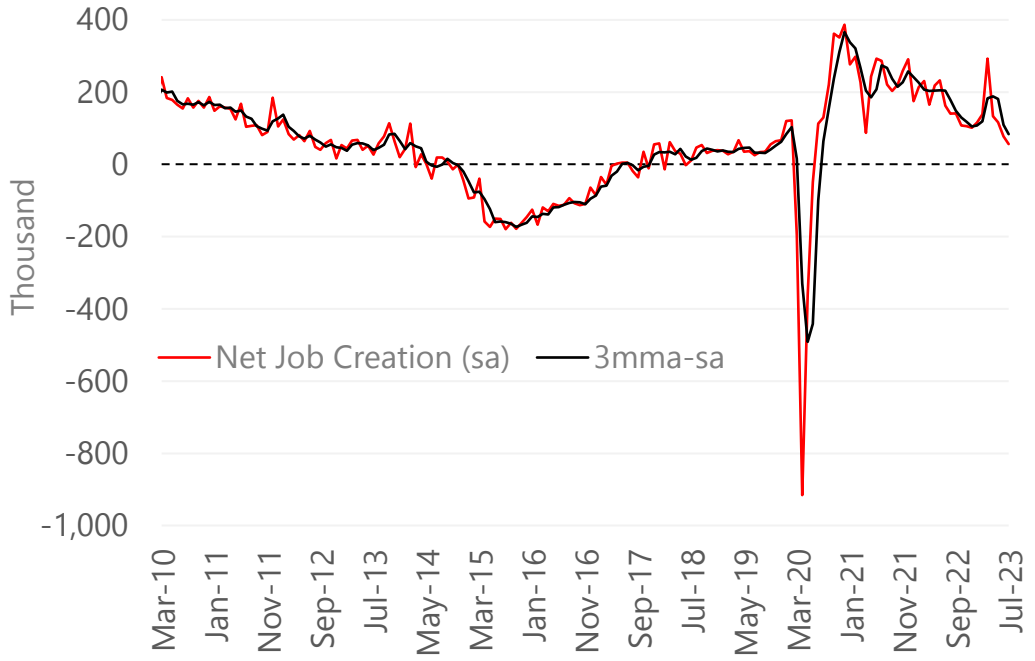


Sources: IBGE, Santander.

CAGED: Monthly Payroll Expansion Decelerating since March's Strong Result

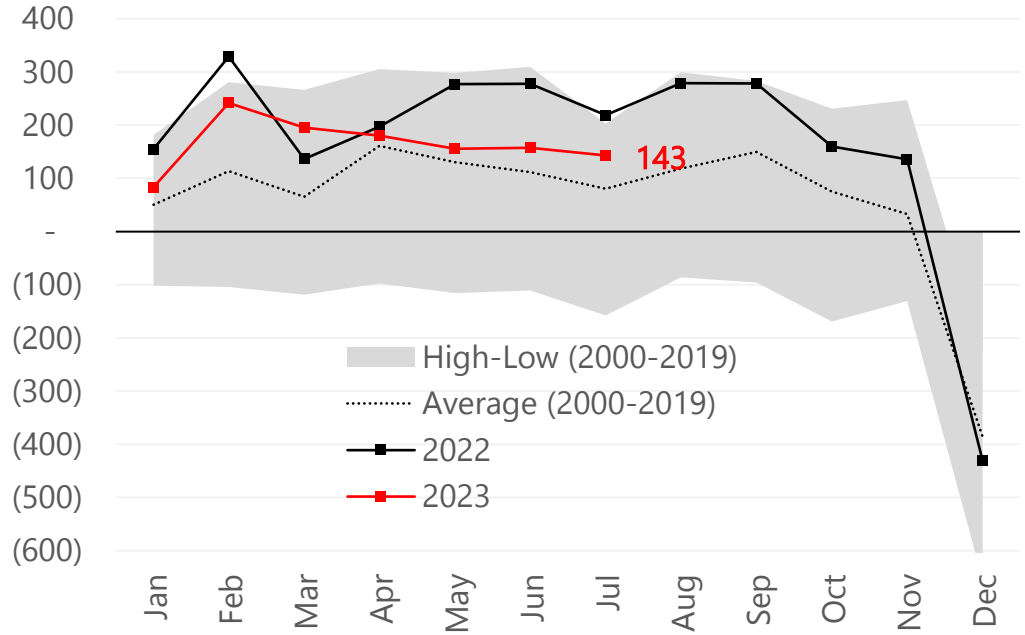
- According to the July 2023 CAGED survey, net formal job creation stood at +143k. After our seasonal adjustment, net formal job creation decelerated to 56k (June: 77k). The three-month average now points to payroll expansion of 83k (June: 108k).

CAGED Net Job Creation (sa)



Sources: Ministry of Labor, Santander.

Net Job Creation and Historical Average

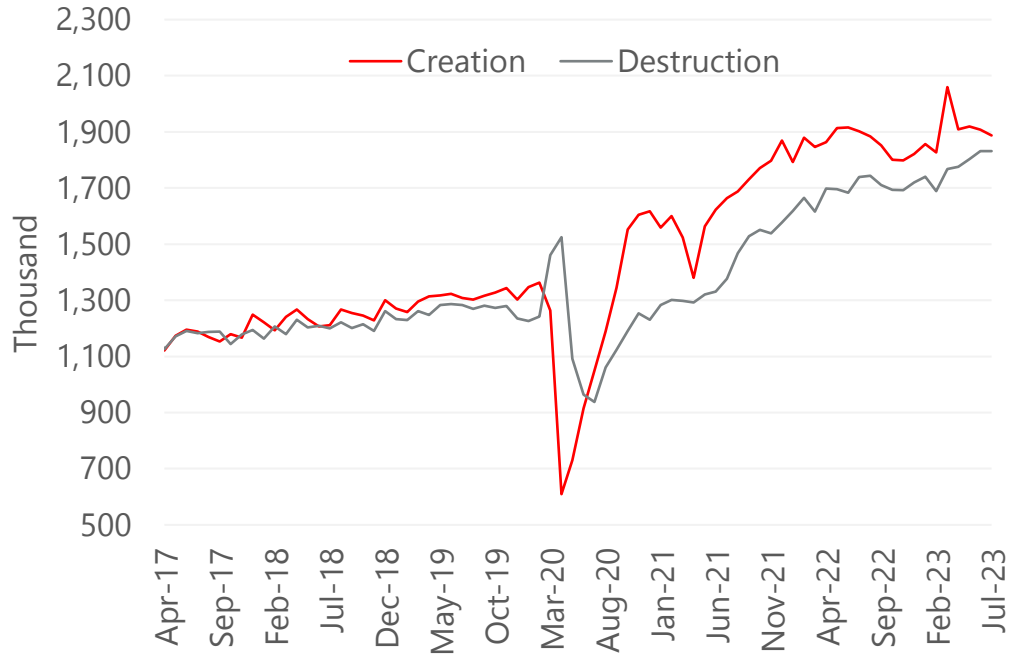


Sources: Ministry of Labor, Santander.

CAGED: Net Job Creation Still Above Joblessness-Neutral Level

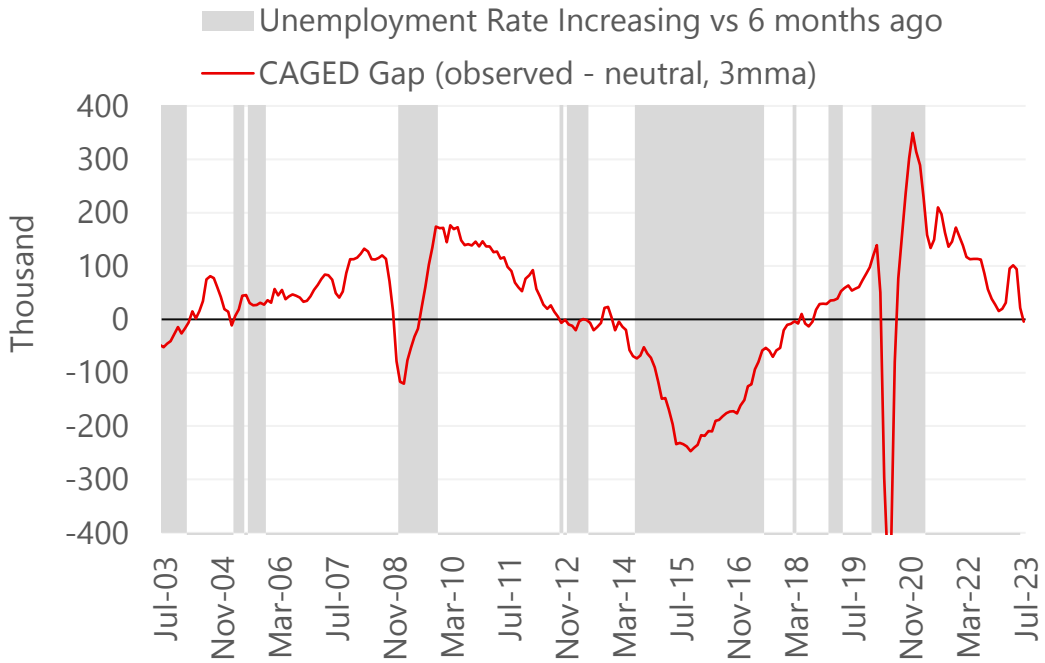
- July's CAGED result went slightly below our estimate for the joblessness-neutral level. We estimate that the 3mma of CAGED's gap to the joblessness-neutral level (~87k) stood at -4k (June: +21k).

CAGED: Creation and Destruction (sa)



Sources: Ministry of Labor, Santander.

Net Job Creation Gap (sa)



Sources: Ministry of Labor, IBGE, Santander.

July 2023 PNAD Results

PNAD Breakdown									
	s.a.			% MoM-sa*			% YoY*		
	May-23	Jun-23	Jul-23	May-23	Jun-23	Jul-23	May-23	Jun-23	Jul-23
Unemployment rate (%)	8.1	8.0	7.9	0.0	-0.1	-0.1	-1.5	-1.3	-1.2
Participation rate (%)	61.7	61.7	61.7	0.1	0.0	0.0	-1.0	-1.0	-1.0
Labor force (millions)	107.7	107.8	107.9	0.2	0.1	0.1	-0.7	-0.7	-0.6
Employment	99.0	99.2	99.4	0.2	0.2	0.2	0.9	0.7	0.7
Unemployment	8.7	8.6	8.5	0.0	-0.9	-1.1	-15.9	-14.2	-13.8
Formalization Rate (%)	57.8	57.7	57.8	-0.1	-0.1	0.1	0.8	0.4	0.4
Formal Workers (millions)	57.3	57.4	57.6	0.2	0.0	0.3	2.2	1.4	1.4
Informal Workers (millions)	41.8	42.0	42.0	0.5	0.6	-0.1	-0.9	-0.4	-0.3
	s.a.			% QoQ-saar			% YoY*		
	May-23	Jun-23	Jul-23	May-23	Jun-23	Jul-23	May-23	Jun-23	Jul-23
Nominal average income (BRL)**	2,893	2,907	2,917	6.0	5.3	4.5	11.0	10.1	9.0
Nominal wage bill (BRL bn)**	281.8	283.9	285.6	8.0	7.7	7.1	12.4	11.1	10.0
Real average income (BRL)**	2,918	2,924	2,926	0.2	0.1	-0.1	6.6	6.2	5.1
Real wage bill (BRL bn)**	284.5	285.8	286.6	2.7	2.5	2.4	7.9	7.2	6.2

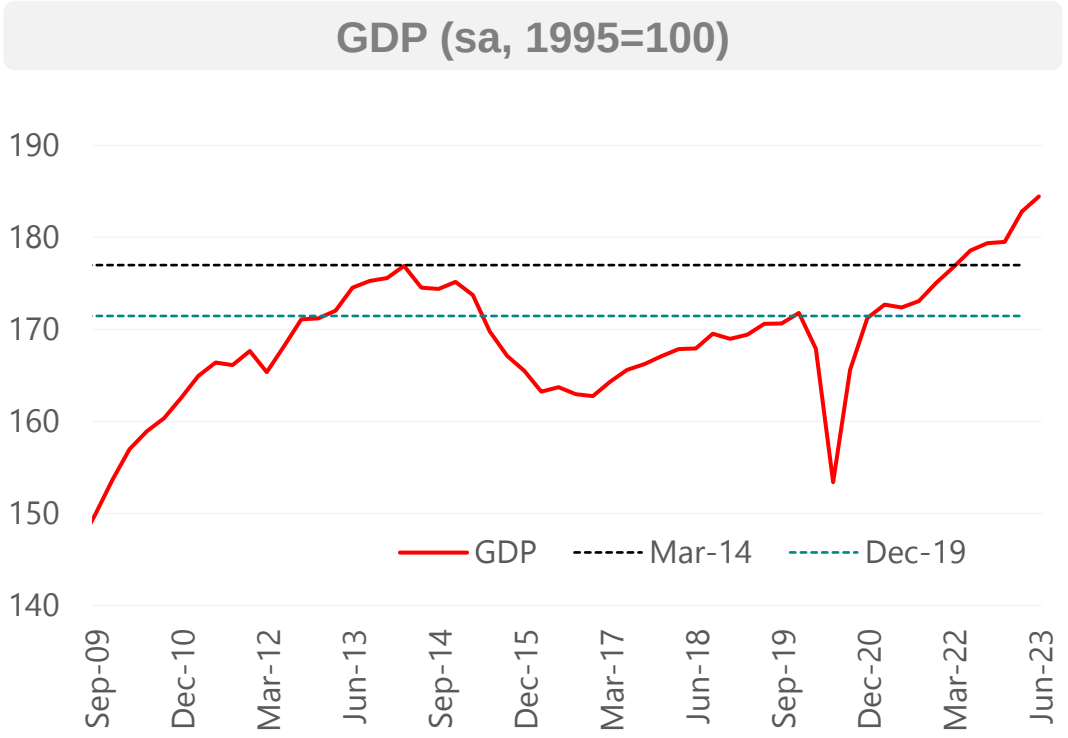
Sources: IBGE, Santander.

GDP

05

Another Positive Surprise for GDP in 2Q23

- After posting a strong result in 1Q22, 2Q23 GDP data pointed to a deceleration to +0.9% QoQ-sa (+3.4% YoY). However, this result was well above our estimate of +0.1% QoQ-sa (+2.3% YoY) and market consensus of +0.3% QoQ-sa (+2.7% YoY). Despite the end of the massive contribution from farm output, all supply sectors surprised on the upside. Still, the outlook for negative GDP variations throughout 2H23 remains, as the surprise in 2Q23 has set the bar high for new positive variations at the margin.



Sources: IBGE, Santander.

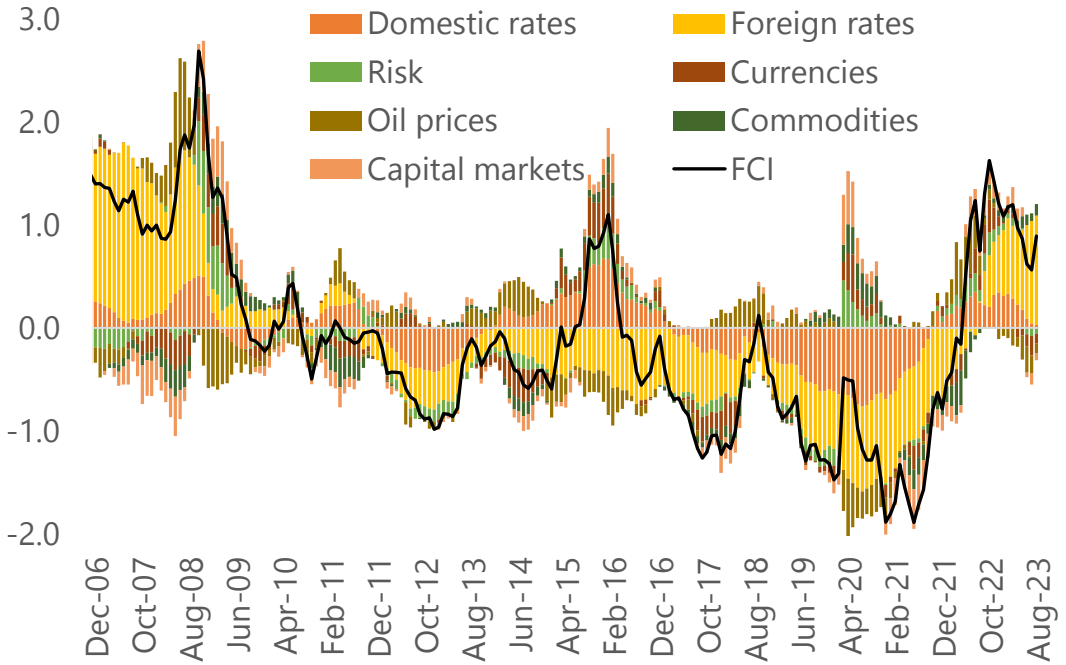
"Another Positive Surprise for GDP in 2Q23" – September 01, 2023 – Available on: https://bit.ly/Std-GDP-2Q23

		2Q23e		2Q23		Roll 4Q	4Q19*
		% YoY	% QoQ	% YoY	% QoQ	%	%
GDP	100%	2.3	0.1	3.4	0.9	3.2	7.4
Supply							
Taxes	15%	0.8	0.0	3.3	1.5	3.0	7.3
Farm Output	**7%**	**15.0**	**-1.6**	**17.0**	**-0.9**	**11.2**	**19.3**
Industry	**19%**	**0.5**	**0.2**	**1.5**	**0.9**	**2.2**	**4.6**
Mining	23%	6.5	0.5	8.8	1.8	3.5	5.0
Manufacturing	51%	-2.6	0.0	-1.7	0.3	0.0	-1.3
Construction	14%	-1.5	-0.6	0.3	0.7	2.9	15.6
Utilities	12%	4.5	0.2	4.8	0.4	8.1	13.8
Services	**59%**	**1.7**	**0.2**	**2.3**	**0.6**	**3.3**	**7.3**
Retail	21%	0.8	0.6	0.1	0.1	1.5	3.6
Transports	6%	4.5	0.7	3.4	0.9	5.6	11.8
Information	5%	3.7	0.7	3.8	0.7	5.6	23.3
Financial	9%	2.5	0.0	6.9	1.3	3.9	7.8
Other Services	23%	1.5	0.1	2.4	1.3	6.2	11.4
Rents	14%	2.5	0.2	2.8	0.5	3.0	8.7
Public Services	24%	1.0	0.0	1.6	0.4	0.8	0.3
Demand							
Consumption	**61%**	**2.5**	**0.8**	**3.0**	**0.9**	**3.9**	**5.6**
Government	**19%**	**1.0**	**-0.5**	**2.9**	**0.7**	**1.4**	**3.3**
Investments	**19%**	**-3.6**	**-0.7**	**-2.6**	**0.1**	**1.7**	**14.7**
Exports	**20%**	**12.5**	**3.0**	**12.1**	**2.9**	**9.8**	**16.5**
Imports	**19%**	**1.4**	**4.0**	**2.1**	**4.5**	**4.9**	**4.4**

Financial Conditions Still Restrictive

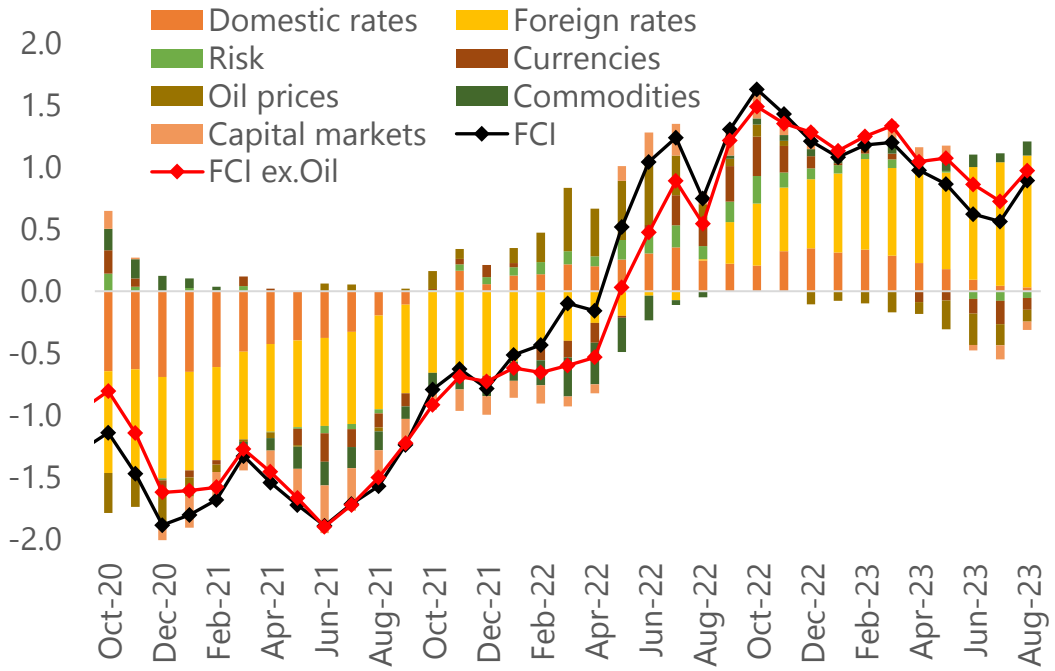
- Our proxy points out that financial conditions remain strongly restrictive. After some improvement from May to July, the tightening trend returned in August. The negative outlook for financial conditions suggests that cyclical activities will remain compromised at least until mid-2024.

Santander's FCI Proxy (2006 to 2023)



Sources: Bloomberg, Santander.

Santander's FCI Proxy (2020 to 2023)



Sources: Bloomberg, Santander.

BASELINE SCENARIO

06

GDP: Key Hypotheses, Basic Description and Risks

- Main hypothesis: The effects of a tight monetary policy stance will continue to weigh on economic activity in 2023. We assume the positive impact from farm output was limited to 1Q23 and that no further weather problems hit the main crop harvests in 2023 and 2024. Given higher consumer debt and higher NPLs, we expect a slowdown in credit in 2023, reversing part of the strong growth of the last three years, but in line with more restrictive financial conditions. Our scenario does not assume a major, dysfunctional credit crunch.

- We have maintained the outlook for negative GDP variations throughout 2H23, as the surprise in 2Q23 has set the bar even higher for new positive variations at the margin (QoQ contractions in 3Q23 and 4Q23 continue to be the most likely scenario, in our view). We estimate that QoQ expansions would require YoY expansions of around 2% (at least) for both 3Q23 and 4Q23. Although we expect a gradual acceleration throughout 2024 — as financial conditions are likely to become less restrictive, in our view — a negative carryover from 2023 (-0.3% per our estimates) and the base effects from the one-off gain in farm output this year could limit growth next year.

- **Upside risks:** Stronger-than-expected real household income amid a more resilient job market and a greater impact of government transfers on consumption. Resilience in commodity prices could favor investment. The program for household debt renegotiations (*Desenrola*) could mean slight upside risk for new loans to households in the short term.

- **Downside risks:** Stronger-than-expected inflationary resilience, leading the BCB to keep a tight policy stance for even longer. Weather problems dampening farm output. Lagged contractionary monetary policy effects and high NPLs creating downside risks for new loans to households.

GDP Path and Breakdown

GDP Baseline Scenario			
	YoY	QoQ	Full Year
4Q22	1.9%	0.1%	2.9%
1Q23	4.0%	1.8%	
2Q23	3.4%	0.9%	
3Q23	1.7%	-0.3%	
4Q23	1.1%	-0.5%	2.5%
1Q24	0.0%	-0.1%	
2Q24	0.3%	0.6%	
3Q24	1.3%	0.6%	
4Q24	2.3%	0.5%	1.0%

Sources: IBGE, Santander.

GDP Projections						
	2019	2020	2021	2022	2023e	2024e
GDP	1.2	-3.3	5.0	2.9	2.5	1.0
Farm Output	0.4	4.2	0.3	-1.7	13.0	1.5
Industry	-0.7	-3.0	4.8	1.6	1.3	0.5
Services	1.5	-3.7	5.2	4.2	1.9	0.7
Household	2.6	-4.6	3.7	4.3	2.2	0.7
Government	-0.5	-3.7	3.5	1.5	2.1	2.3
Investments	4.0	-1.7	16.5	0.9	-0.2	0.3
Exports	-2.6	-2.3	5.9	5.5	7.1	1.5
Imports	1.3	-9.5	12.0	0.8	1.3	1.2

Sources: IBGE, Santander

Lowest Unemployment Rate Since 2015

- The labor market has continued to post multi-year lows for the unemployment rate and remains overheated, in our view.

- We continue to project an increase in the unemployment rate throughout 2023, as we expect a continuation of the contractionary effects of monetary tightening. We expect the job market participation rate to remain short of its historical average (~63%) at least until 2025. We estimate the unemployment rate moving toward 8.6% throughout 2023, considering the lower participation rate. For 2023, our average unemployment rate forecast is at 8.2%, while for both 2024 and 2025 are at 9.3%.

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

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

	2020	2021	2022	2023e	2024e
Unemployment Rate *					
Average	13.8	13.2	9.3	8.2	9.3
End of Period (s.a.)	14.8	11.7	8.4	8.6	9.5
Unemployed Population **					
Average	13.8	13.9	10.0	8.9	10.3
End of Period	15.0	12.5	9.2	9.4	10.5

* in %

** in Millions

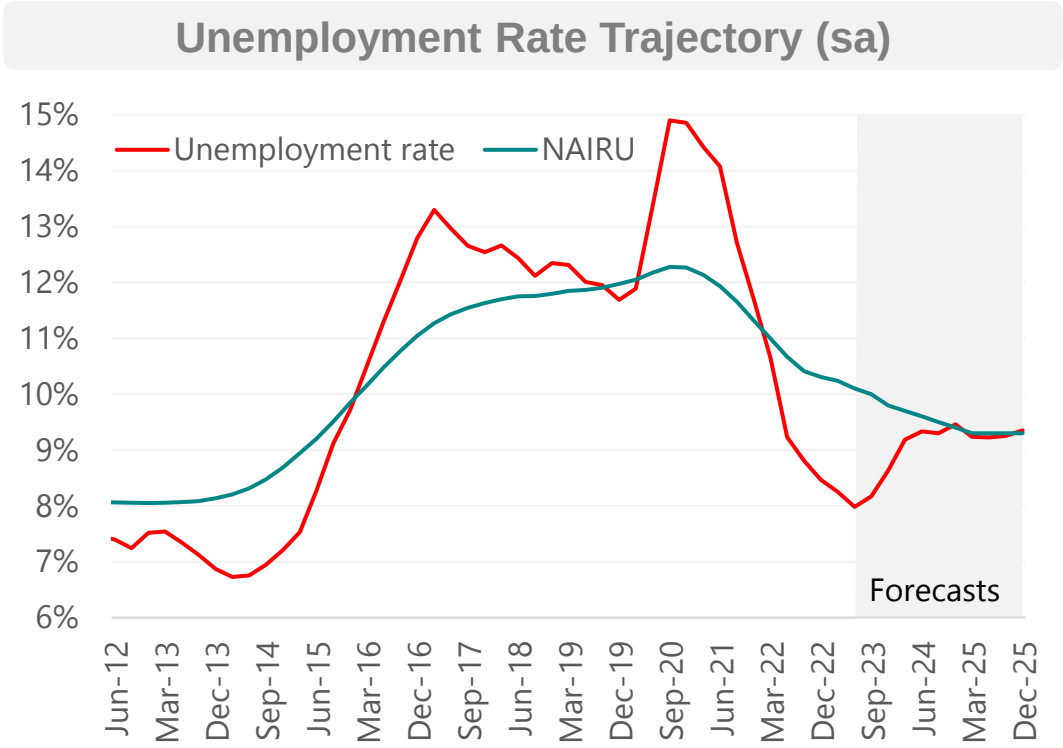
Sources: IBGE, Santander.

Job Market to Remain Tight Until 2024

- We keep our unemployment rate forecasts: 8.6% for 2023YE and 9.5% for 2024YE.
- Our scenario considers an increasing unemployment rate from 3Q23 onwards.

		Jul-23	Sep-23
Unemployment Rate (avg)	2023	8.2	8.2
	2024	9.3	9.3
	2025	9.3	9.3
Unemployment Rate (YE, sa)	2023	8.6	8.6
	2024	9.5	9.5
	2025	9.4	9.4
Unemployed (YE, Millions sa)	2023	9.4	9.4
	2024	10.5	10.5
	2025	10.4	10.4
NAIRU (avg)	2023	10.3	10.3
	2024	9.5	9.5
	2025	9.3	9.3

Sources: IBGE, Santander.

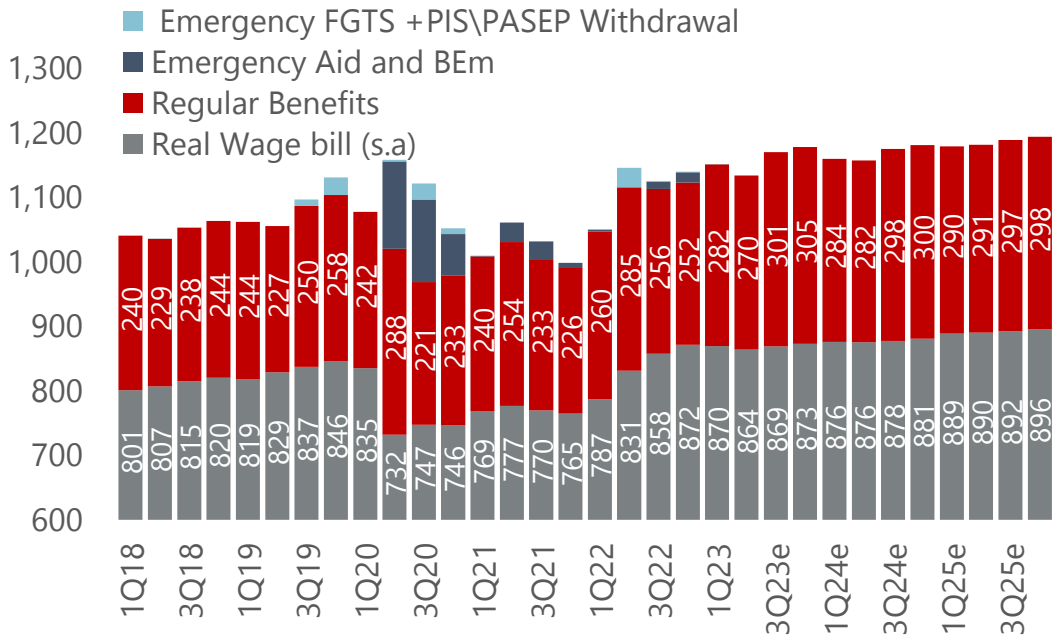


Sources: IBGE, Santander.

“Expanded” Real Wage Bill: Better Figures for 2023

- We are maintaining our projections for the “expanded” real wage bill (a statistic that aggregates labor income with government transfers and social programs) in 2023.
- We project that the “expanded” real wage bill will grow 3.9%, 0.9%, and 1.4% in 2023, 2024, and 2025, respectively. We also maintained our estimate for long-term “expanded” real wage bill growth at +1.4%.

“Expanded” Real Wage Bill (BRL billion)



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

	2022	2023(E)	2024(E)	2025(E)	Long-Term
"Expanded" Real Wage Bill (previous)	+8.7%	+3.9%	+0.9%	+1.4%	+1.4%
"Expanded" Real Wage Bill (current) UNCHANGED	+8.7%	+3.9%	+0.9%	+1.4%	+1.4%

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

Macro Scenario - Forecasts

Macroeconomic Variables		Previous		Current
GDP (%)	2023E	1.9	↑	2.5
	2024E	1.0	→	1.0
	2025E	1.5	→	1.5
IPCA (%)	2023E	4.9	↓	4.7
	2024E	3.9	↓	3.8
	2025E	4.5	→	4.5
Selic Rate (% end of period)	2023E	11.75	→	11.75
	2024E	10.00	↓	9.50
	2025E	7.50	→	7.50
FX Rate - USDBRL (end of period)	2023E	5.20	↓	5.10
	2024E	5.35	↓	5.25
	2025E	5.40	↓	5.30
Current Account Balance (% of GDP)	2023E	-2.5	→	-2.5
	2024E	-2.7	→	-2.7
	2025E	-2.7	→	-2.7
Primary Fiscal Balance (% of GDP)	2023E	-1.0	→	-1.0
	2024E	-0.9	→	-0.9
	2025E	-0.7	→	-0.7
Gross Public Debt (% of GDP)	2023E	77.0	↓	76.5
	2024E	81.1	↓	80.5
	2025E	83.9	↓	83.2

Note: Our previous forecasts date from August 4, 2023 (Scenario Update: "Better Growth Outlook in 2024 Given a Less Contractionary Monetary Policy" – Available on: https://tinyurl.com/Std-scenreview-aug23).

The forecasts refers to our latest Scenario Review

"Adjustments to Reflect Past Surprises; Same Trends Continuing Ahead"
(sent on September 15, 2023)

For the full report click on the link:

https://bit.ly/std-sce-review-Sep23

Macro Scenario - Santander Brazil's Global Macro Assumptions – Summary

Global Macro Scenario												
	2018	2019	2020	2021	2022	2023E		2024E		2025E		
Global GDP (%)	3.5	2.8	-3.5	5.9	3.4	2.4	→	2.2	→	2.8	→	
China GDP (%)	6.7	6.0	2.3	8.1	3.0	5.2	↓	5.1	→	5.0	→	
US GDP (%)	3.0	2.2	-3.5	5.7	2.1	2.1	↑	0.1	↑	1.8	→	
US Inflation (Core PCE, %)	2.1	1.6	1.5	4.9	5.0	4.0	↑	2.5	→	2.0	→	
US Interest Rate (FFR, %)	2.50	1.75	0.25	0.25	4.50	5.50	→	4.00	→	2.50	→	
US Interest Rate (UST10y, %)	2.7	1.9	0.8	1.8	3.9	4.0	↑	3.5	↑	3.0	→	
Dollar Index - DXY	96	96	90	96	104	103	↑	100	→	100	→	
Commodity Prices - CRB	409	401	444	571	558	528	→	474	→	445	→	

*Core PCE is referred to the y/y variation for Q4.

Source: Santander

The forecasts refers to our latest Scenario Review

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