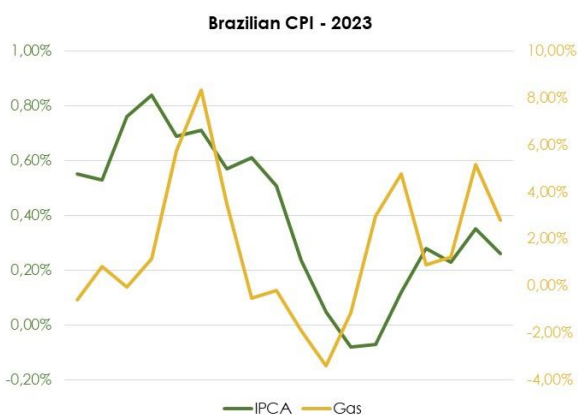


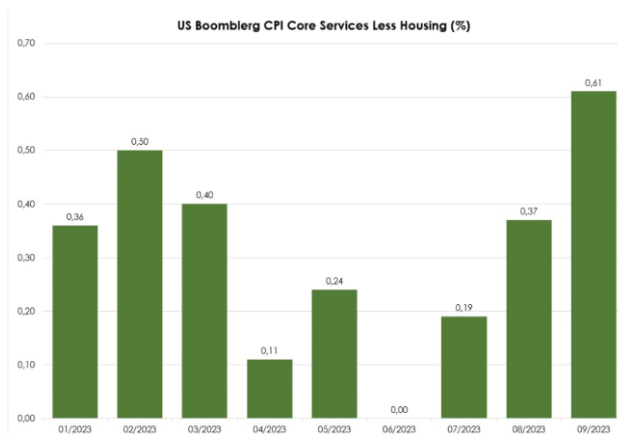
## More challenging global outlook, slight adjustments in the domestic scenario

### Highlights

- ▶▶ Brazilian consumer inflation remains benign in the short term.** Besides the downside surprise in September (0.26% MoM vs est. 0.33% MoM), driven mainly by gas and food prices, the IPCA still showed a favorable breakdown. Industrial goods inflation continued to decelerate, as already suggested by the producer prices drop, and total diffusion index fell last month. Despite the slight services prices acceleration at the margin with seasonal adjustment, we keep our more constructive view on the inflation scenario.
- ▶▶ Despite that, we recognize that some upside risks related to the global environment have recently increased.** The higher US yields, dollar strengthening, and oil prices hike on the back of the still strong US economy led us to revise our 2023 FX forecast from R\$/US\$ 4.90 to R\$/US\$ 5.00 by the year-end. Our 2023 IPCA number was also adjusted from 4.85% to 4.95%.
- ▶▶ We also revised our 2023 Selic rate estimate from 11.50% to 11.75%.** We now expect that Copom will accelerate the pace cuts to 75 bps from January (and not December), considering the global risk aversion scenario and some uncertainties regarding markets and the two biggest economies. However, given the more favorable current inflation and our expectations of some fiscal risk reduction after most of the measures to boost public revenue approvals by the year-end, we believe that this pace acceleration will be just postponed.
- ▶▶ The highlight of the external agenda was the release of the US September CPI (0.4% MoM vs 0.3% estimates), which showed a bad composition – as most services were worse than expected.** It is an ambiguous process, since it should urge a more combative stance from the monetary authority, urging an increase of market interest rates in turn. As a result, financial conditions become more restrictive and the need for further increases in the basic interest rate reduces. As Treasuries have been higher recently, we believe the Federal Reserve is likely to keep Fed Funds unchanged at its November meeting. For the following meeting (December), we recognize that a new high has become more likely, although it is not yet our base scenario.



Source: IBGE, Buysidebrazil



Source: Bloomberg, Buysidebrazil



10/13/2023

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## Economic calendar

- » August's activity indicators tend to confirm a gradual domestic slowdown scenario. We currently expect a 0.15% QoQ GDP advance in 3Q23, reflecting some services sector resilience amid a still robust job market. The Lower House may vote on the offshore and exclusive funds tax bill next Tuesday.
- » China's GDP is expected to show a relevant deceleration in 3Q23. Markets will also focus on Fed members' speeches, Beige Book release, and the Eurozone's CPI result.

### Calendar

Date	Country	Event	Period	Survey	Prior
<b>10/16/2023 Monday</b>					
8:25 AM	Brazil	Focus (Central Bank Weekly Economist Survey)	-	-	-
9:30 AM	USA	Empire Manufacturing	Oct	-5.0	1.9
3:00 PM	Brazil	Trade Balance Weekly	-	-	\$1483m
<b>10/17/2023 Tuesday</b>					
8:00 AM	Brazil	IGP-10 (PPI MoM)	Oct	0.38%	0.18%
<b>9:00 AM</b>	<b>Brazil</b>	<b>IBGE Services Volume (MoM)</b>	<b>Aug</b>	<b>0.6%</b>	<b>0.5%</b>
<b>9:30 AM</b>	<b>USA</b>	<b>Retail Sales (MoM)</b>	<b>Sep</b>	<b>0.3%</b>	<b>0.6%</b>
9:30 AM	USA	New York Fed Services Business Activity	Oct	-	-3.0
<b>10:15 AM</b>	<b>USA</b>	<b>Industrial Production (MoM)</b>	<b>Sep</b>	<b>0.0%</b>	<b>0.4%</b>
11:00 AM	USA	NAHB Housing Market Index	Oct	44	45
<b>11:00 PM</b>	<b>China</b>	<b>GDP (YoY)</b>	<b>3Q</b>	<b>4.5%</b>	<b>6.3%</b>
<b>11:00 PM</b>	<b>China</b>	<b>GDP (QoQ)</b>	<b>3Q</b>	<b>1.0%</b>	<b>0.8%</b>
<b>11:00 PM</b>	<b>China</b>	<b>Industrial Production (YoY)</b>	<b>Sep</b>	<b>4.3%</b>	<b>4.5%</b>
<b>11:00 PM</b>	<b>China</b>	<b>Retail Sales (YoY)</b>	<b>Sep</b>	<b>4.9%</b>	<b>4.6%</b>
<b>11:00 PM</b>	<b>China</b>	<b>Fixed Assets Ex-Rural YTD (YoY)</b>	<b>Sep</b>	<b>3.2%</b>	<b>3.2%</b>
<b>11:00 PM</b>	<b>China</b>	<b>Property Investment YTD (YoY)</b>	<b>Sep</b>	<b>-8.9%</b>	<b>-8.8%</b>
<b>11:00 PM</b>	<b>China</b>	<b>Unemployment Rate</b>	<b>Sep</b>	<b>5.2%</b>	<b>5.2%</b>
<b>11:00 PM</b>	<b>China</b>	<b>Residential Property Sales YTD (YoY)</b>	<b>Sep</b>	<b>-</b>	<b>-1.5%</b>
<b>10/18/2023 Wednesday</b>					
5:00 AM	Brazil	FIPE CPI (MoM)	-	-	0.27%
<b>6:00 AM</b>	<b>Eurozone</b>	<b>CPI (MoM)</b>	<b>Sep (F)</b>	<b>0.3%</b>	<b>0.3%</b>
<b>9:00 AM</b>	<b>Brazil</b>	<b>Retail Sales (MoM)</b>	<b>Aug</b>	<b>-0.9%</b>	<b>0.7%</b>
9:30 AM	USA	Building Permits	Sep	1450k	1543k
9:30 AM	USA	Housing Starts	Sep	1380k	1283k
2:30 PM	Brazil	Foreign Exchange Flow Weekly	-	-	-
<b>3:00 PM</b>	<b>USA</b>	<b>Federal Reserve Releases Beige Book</b>	-	-	-
10:30 PM	China	New Home Prices (MoM)	Sep	-	-0.29%
<b>10/19/2023 Thursday</b>					
5:00 AM	Eurozone	Current Account Balance	Aug	-	20.9b
8:00 AM	Brazil	IGP-M (MoM)	Oct	-	-
<b>9:00 AM</b>	<b>Brazil</b>	<b>Economic Activity (MoM)</b>	<b>Aug</b>	<b>-0.30%</b>	<b>0.44%</b>
9:30 AM	USA	Initial Jobless Claims	-	214k	209k
9:30 AM	USA	Philadelphia Fed Business Outlook	Oct	-6.0	-13.5
10:00 AM	Brazil	Industry Confidence	Sep	-	-
11:00 AM	USA	Existing Home Sales	Sep	3.88m	4.04m
11:00 AM	USA	Leading Index	Sep	-0.4%	-0.4%
<b>10/20/2023 Friday</b>					
-	-	-	-	-	-



MACROECONOMIC FORECASTS	2018	2019	2020	2021	2022	2023	2024
<b>GDP (%)</b>	1.8	1.2	-3.3	5.0	2.9	3.1	1.9
<b>IPCA (CPI, %)</b>	3.7	4.3	4.5	10.1	5.8	4.95	3.60
<b>Selic Rate (eop, %)</b>	6.50	4.50	2.00	9.25	13.75	11.75	8.75
<b>USDBRL (eop)</b>	3.87	4.03	5.20	5.58	5.22	5.00	5.00
<b>Current Account Balance (USD bn)</b>	-51.5	-65.0	-28.2	-46.4	53.6	-32.0	-45.6
<b>Current Account Balance (% GDP)</b>	-2.7	-3.5	-1.9	-2.8	-2.8	-1.6	-2.3
<b>Trade Balance - BCB (USD bn)</b>	43.4	26.5	32.4	36.4	44.2	78.6	60.0
<b>Foreign Direct Investment (USD bn)</b>	78.2	69.2	37.8	46.4	87.2	63.0	75.0
<b>Foreign Direct Investment (% GDP)</b>	4.2	3.7	2.6	2.8	4.5	3.2	3.8
<b>Central Government Primary Result (BRL bn)</b>	-120.2	-95.1	-743.3	-35.1	54.1	-107.8	-58.7
<b>Central Government Primary Result (%GDP)</b>	-1.7	-1.3	-9.8	-0.4	0.5	-1.0	-0.5
<b>Public Sector Primary Result (BRL bn)</b>	-108.3	-61.9	-703.0	64.7	126.0	-96.7	-45.3
<b>Public Sector Primary Result (% GDP)</b>	-1.5	-0.8	-9.2	0.7	1.3	-0.9	-0.4
<b>Gross Public Debt (% GDP)</b>	75.3	74.4	86.9	78.3	73.5	75.4	78.5

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