

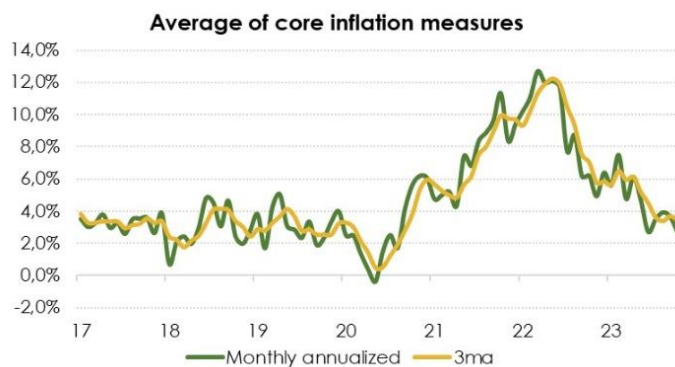
Inflation continues to lose strength in the short term

Highlights

- Consumer inflation surprised to the downside in October, with core prices decelerating.** The IPCA rose 0.24% MoM last month, well below market consensus and our forecast (0.29% and 0.35%, respectively). Regarding our number, the surprise concentrated on lower transportation and hygiene item prices. Moreover, the core inflation continued to slow down, reflecting both durable goods and services behaviors. In this sense, we highlight the consistent services disinflation trajectory, which tends to keep benefiting from activity moderation in the following months. This more favorable core prices scenario in the short term is one of the factors that will allow Copom to advance in the cut cycle at this current pace.
- The Copom Minutes reinforced the statement's hawkish tone, emphasizing caution and detailing external and fiscal risks.** In our view, the document is consistent with the continuation of 50 bps (basis points) rate cuts, as already indicated in the statement. Besides, the Committee reiterated that inflation expectations remain above the target. Their reduction requires a firm stance from the monetary authority and the reputation of fiscal and monetary institutions and frameworks. We maintain our Selic rate expectation at 11.75% by the end of this year and 9.25% in 2024.
- The tax reform was approved in the Senate this week. The text now returns to the Lower House since it was modified.** Despite the higher number of exceptions included in the proposal, which tends to elevate the final VAT tax, we keep our evaluation that the reform will simplify the current complex Brazilian tax system, attracting investments, boosting productivity, and, consequently, favoring a more robust economic growth in the medium term.
- Powell's speech had a tougher tone than his previous one.** The Fed Governor, Jerome Powell, did not discard an additional monetary tightening, if necessary, indicating that the FOMC members are committed to achieving the 2% inflation target and are not sure that the rates are high enough to reach this goal. We keep our expectations of Fed Funds rate maintenance, although we believe Fed members' speeches will continue to be hawkish, contributing to some financial conditions tightening.



Source: IBGE, Buysidebrazil



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Economic calendar

» We forecast some domestic economic activity growth in September, driven by the services and retail sectors. However, this advance is expected to be insufficient to reverse the previous drop. Given that, we currently foresee a 0.2% QoQ 3Q23 GDP contraction.

» Inflation in the US and activity indicators in China will be in the spotlight next week. After weak Chinese October inflation figures were recently released, markets will be focused on economic data, which tends to support expectations of 5.0% 2023 GDP growth.

Calendar

Date	Country	Event	Period	Survey	Prior
11/13/2023 Monday					
8:25 AM	Brazil	Focus (Central Bank Weekly Economist Survey)	-	-	-
3:00 PM	Brazil	Trade Balance Weekly	-	-	-
4:00 PM	USA	Monthly Budget Statement	Oct	-65bn	-171bn
11/14/2023 Tuesday					
7:00 AM	Eurozone	GDP (YoY)	3Q (P)	0.1%	0.1%
7:00 AM	Eurozone	Employment (YoY)	3Q (P)	-	1.3%
7:00 AM	Eurozone	ZEW Survey Expectations	Nov	-	2.3
8:00 AM	USA	NFIB Small Business Optimism	Oct	90.5	90.8
9:00 AM	Brazil	IBGE Services Volume (MoM)	Sep	0.4%	-0.9%
10:30 AM	USA	CPI (MoM)	Oct	0.1%	0.4%
10:20 PM	China	1-Yr Medium-Term Lending Facility Rate	-	2.5%	2.5%
11:00 PM	China	Industrial Production (YoY)	Oct	4.5%	4.5%
11:00 PM	China	Retail Sales (YoY)	Oct	7.0%	5.5%
11:00 PM	China	Fixed Assets Ex Rural (YTD YoY)	Oct	3.1%	3.1%
11:00 PM	China	Property Investment (YTD YoY)	Oct	-9.1%	-9.1%
11:00 PM	China	Residential Property Sales (YTD YoY)	Oct	-	-3.2%
11:00 PM	China	Surveyed Jobless Rate	Oct	5,0%	5,0%
11/15/2023 Wednesday					
-	Brazil	Closed Markets	-	-	-
7:00 AM	Eurozone	Industrial Production (MoM)	Sep	-0.9%	0.6%
7:00 AM	Eurozone	Trade Balance	Sep	-	11.9bn
10:30 AM	USA	Retail Sales (MoM)	Oct	-0.3%	0.7%
10:30 AM	USA	PPI (MoM)	Oct	0.1%	0.5%
10:30 AM	USA	Empire Manufacturing	Nov	-3.5	-4.6
10:30 PM	China	New Home Prices (MoM)	Oct	-	-0.3%
11/16/2023 Thursday					
9:00 AM	Brazil	IBC-Br (MoM)	Sep	0.10%	-0.77%
10:30 AM	USA	Initial Jobless Claims	-	222k	217k
10:30 AM	USA	New York Fed Services Business Activity	Nov	-	-19.1
10:30 AM	USA	Philadelphia Fed Business Outlook	Nov	-10.8	-9.0
10:30 AM	USA	Import Prices Index (MoM)	Oct	0.3%	0.1%
11:15 AM	USA	Industrial Production (MoM)	Oct	-0.3%	0.3%
12:00 PM	USA	NAHB Housing Market Index	Nov	40.0	40.0
1:00 PM	USA	Kansas City Fed Manf. Activity	Nov	-	-8.0
2:30 PM	Brazil	Foreign Exchange Flow Weekly	-	-	-
11/17/2023 Friday					
8:00 AM	Brazil	IGP-10 (PPI MoM)	Nov	0.54%	0.52%
7:00 AM	Eurozone	CPI (MoM)	Out (Final)	0.1%	0.1%
10:30 AM	USA	Building Permits	Out	1450K	1473k
10:30 AM	USA	Housing Starts	Out	1347k	1358k
1:00 PM	USA	Kansas City Fed Services Activity	Nov	-	-1



MACROECONOMIC FORECASTS	2018	2019	2020	2021	2022	2023	2024
GDP (%)	1.8	1.2	-3.3	5.0	2.9	3.1	1.9
Unemployment rate (average, %)	12.4	12.0	13.8	13.2	9.3	8.0	8.1
IPCA (CPI, %)	3.7	4.3	4.5	10.1	5.8	4.80	3.80
Selic Rate (eop, %)	6.50	4.50	2.00	9.25	13.75	11.75	9.25
USDBRL (eop)	3.87	4.03	5.20	5.58	5.22	5.00	5.00
Current Account Balance (USD bn)	-51.5	-65.0	-28.2	-46.4	53.6	-28.2	-36.1
Current Account Balance (% GDP)	-2.7	-3.5	-1.9	-2.8	-2.8	-1.4	-1.8
Trade Balance - BCB (USD bn)	43.4	26.5	32.4	36.4	44.2	81.3	71.0
Foreign Direct Investment (USD bn)	78.2	69.2	37.8	46.4	87.2	58.3	75.0
Foreign Direct Investment (% GDP)	4.2	3.7	2.6	2.8	4.5	3.0	3.8
Central Government Primary Result (BRL bn)	-120.2	-95.1	-743.3	-35.1	54.1	-107.8	-58.7
Central Government Primary Result (%GDP)	-1.7	-1.3	-9.8	-0.4	0.5	-1.0	-0.5
Public Sector Primary Result (BRL bn)	-108.3	-61.9	-703.0	64.7	126.0	-121.8	-45.3
Public Sector Primary Result (% GDP)	-1.5	-0.8	-9.2	0.7	1.3	-1.1	-0.4
Gross Public Debt (% GDP)	75.3	74.4	86.9	78.3	73.5	75.4	78.5

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