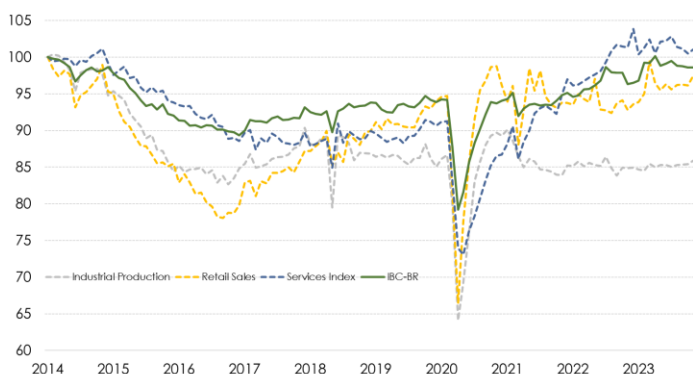


Exchange rate expected to close this year at R\$ 4.80

Highlights

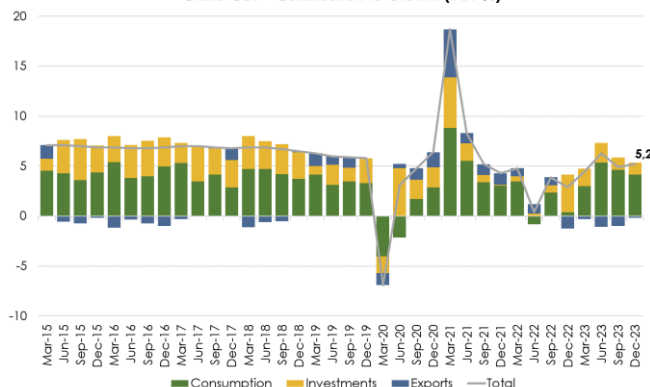
- » **After the decline in key economic activity indicators in October, we observed a recovery in surveys in November, aligning with expectations.** This resulted in a slight improvement in the IBC-BR for the month, showing a 0.01% MoM increase (+2.19% YoY), compared to the previous decrease of 0.06% MoM. For December, coincident indicators point to the continued recovery of the activity level. Given this scenario, we have maintained our call for stability in GDP in the fourth quarter of 2023, along with a growth scenario of 3% in 2023 and 1.6% in 2024.
- » **The performance of the Brazilian trade balance remains robust in the early weeks of January, reaching a record for the period.** Notable are the exports of oil, as well as significant figures for soy and corn, surpassing historical highs for the month. This scenario continues to play a fundamental role as a key structural driver for the currency in the coming months. In this regard, we have revised our exchange rate projection to R\$ 4.80 (previously R\$ 4.90), considering the strength of the external accounts. In other words, despite the depreciation of the real throughout the week, we attribute this decline to the external driver of dollar appreciation, given the market repricing regarding the shift in the U.S. interest rate cut cycle from March to May. We anticipate that this movement is temporary and not permanent.
- » **In the United States, December's activity data shows mixed results.** The more restrained growth of 0.1% in the industrial sector, influenced by weaker performance in durables, contrasts with the dynamism observed in non-durables and the extractive industry. On the other hand, trade has shown resilience, with consumption remaining strong at 0.6%, primarily due to elevated salary levels. In this sense, the resilience of American activity, supported by the labor market, also contributed to the strength of the dollar this week, in addition to the more hawkish speeches from members of the FOMC.
- » **In China, the data for 2023 reveals a 5.2% GDP growth, below expectations for the post-pandemic recovery year but above the government's 5.0% target.** Persistent challenges in the real estate sector led to a decline in confidence among both consumers and investors, resulting in a significant 9.6% drop in sector investments and a 6.0% decline in residential property sales throughout the year. These indicators indicate a clear need for additional fiscal and monetary stimuli from the Chinese government to boost the economy. In this scenario, our projections point to a more moderate growth of 4.4% in 2024.

Activity Indicators (Jan'2014=100)



Source: IBGE, Buysidebrazil

China GDP - Contribution to Growth (YoY %)



Source: IBGE, Buysidebrazil



Economic calendar

» On the domestic front, the **IPCA-15** is expected to show a deceleration in transportation costs, which should offset the increase in fresh produce. The Balance of Payments data for December is anticipated to continue benefiting from a strong trade balance.

» On the international agenda, attention is drawn to the consumption component of the **U.S. GDP**, expected to be influenced by robust retail consumption and December's payroll data. In the Personal Consumption Expenditures (PCE), there is an improvement bias driven by the Producer Price Index (PPI), with a pressure bias on goods in the Consumer Price Index (CPI), expected to be reversed in January.

Calendar

Date	Country	Event	Period	Survey	Prior
1/22/2024 Monday					
8:25 AM	Brazil	Focus (Central Bank Weekly Economist Survey)	-	-	-
10:15 AM	Brazil	GDP Monitor (FGV)	Nov	-	0,1%
12:00 PM	USA	Leading Index	Dec	-0,3%	-0,5%
3:00 PM	Brazil	Trade Balance Weekly	-	-	\$1391m
1/23/2024 Tuesday					
10:30 AM	USA	Services Confidence	Jan	-	6,3
12:00 PM	USA	Richmond Fed Manufact. Index	Jan	-	-11
12:00 PM	USA	Richmond Fed Business Conditions	Jan	-	0
12:00 PM	Eurozone	Conf. Board Consumer Confidence	Jan (P)	-14.4	-15,0
1/24/2024 Wednesday					
6:00 AM	Eurozone	PMI	Jan (P)		
		Manufacturing		44.8	44,4
		Services		49.0	48,8
		Composite		48.0	47,6
11:45 AM	USA	PMI			
		Manufacturing PMI	Jan (P)	47.7	47,9
		Non-manufacturing PMI	Jan (P)	51.0	51,4
		Composite PMI	Jan (P)	-	50,9
2:30 PM	Brazil	Foreign Exchange Flow Weekly	Jan (P)	-	-
1/25/2024 Thursday					
8:00 AM	Brazil	Consumer Confidence	Jan	-	93,7
8:30 AM	Brazil	Current Account Balance	Dec	-	-\$1553m
8:30 AM	Brazil	Foreign direct investment	Dec	-	\$7780m
10:15 AM	Eurozone	ECB Main Refinancing Rate	-	4.50%	4,50%
10:30 AM	USA	GDP (QoQ)	4Q A	2.3%	4,9%
10:30 AM	USA	GDP Price Index	4Q A	2,0%	3,3%
10:30 AM	USA	Personal Consumption	4Q A	2.4%	3,1%
10:30 AM	USA	Core PCE (QoQ)	4Q A	-	2,0%
10:30 AM	USA	Trade Balance	Dec	-\$88.5b	-\$90,3b
10:30 AM	USA	Durable Goods Orders	Dec (P)	1.0%	5,4%
10:30 AM	USA	Initial Jobless Claims	-	200k	187k
12:00 PM	USA	New Homes Sales (MoM)	Dec	10,2%	-12,2%
1:00 PM	USA	Manufacturing Confidence	Jan	-	-1
1/26/2024 Friday					
5:00 AM	Brazil	FIPE CPI - Weekly	-	-	0,33%
8:00 AM	Brazil	FGV Construction Costs (MoM)	Jan	-	0,26%
8:30 AM	Brazil	Total Outstanding Loans	Dec	-	5655b
9:00 AM	Brazil	IPCA-15 (MoM)	Jan	0.50%	0,40%
10:30 AM	USA	Personal Income (MoM)	Dec	0,3%	0,4%
10:30 AM	USA	Personal Spending	Dec	0.4%	0,2%
10:30 AM	USA	PCE Deflator (MoM)	Dec	0,2%	-0,1%
10:30 AM	USA	PCE Core Deflator MoM	Dec	0,2%	0,1%
1:00 PM	USA	Kansas City Fed Services Activity	Jan	-	-10
10:30 PM	China	Chinese Industrial profit YTD	Dec	-	29,5%

MACROECONOMIC FORECASTS	2018	2019	2020	2021	2022	2023	2024
GDP (%)	1,8	1,2	-3,3	4,8	3,0	2,9	1,6
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	4,50	3,80
Selic Rate (eop, %)	6,50	4,50	2,00	9,25	13,75	11,75	8,75
USDBRL (eop)	3,87	4,03	5,20	5,58	5,22	4,90	4,80
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	-215,8	-72,2
Central Government Primary Result (%GDP)	-1,7	-1,3	-9,8	-0,4	0,5	-2,0	-0,6
Public Sector Primary Result (BRL bn)	-108,3	-61,9	-703,0	64,7	126,0	-234,8	-59,2
Public Sector Primary Result (% GDP)	-1,5	-0,8	-9,2	0,7	1,3	-2,1	-0,5
Gross Public Debt (% GDP)	75,3	74,4	86,9	78,3	73,5	74,2	76,8

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