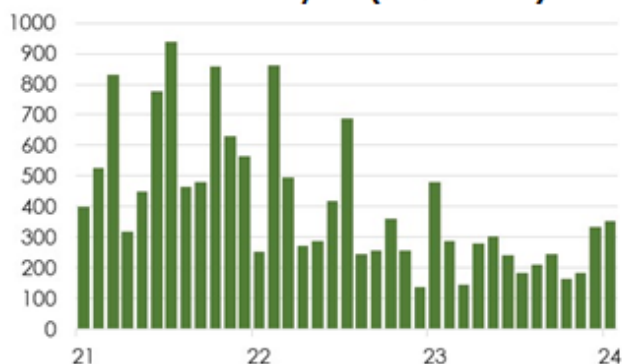


Central Bank's Flight Plan remains unchanged

Highlights

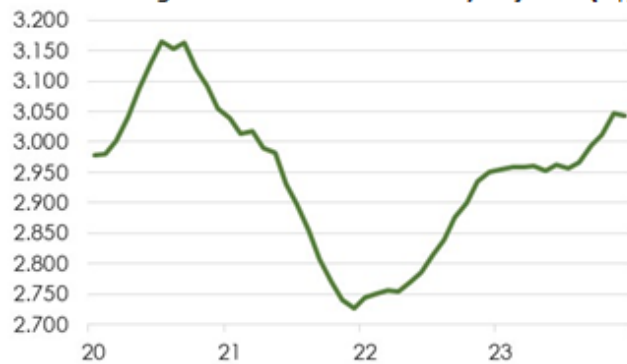
- » **The Copom opted for neutrality, reinforcing that interest rates will continue declining at 50 basis points in the upcoming meetings.** Despite threats to global freight prices, recent upside surprises in underlying services, and currency depreciation in January, the statement brought little change compared to the last meeting – with unchanged projections and risk balance. This stance mainly reflects the expected benign price dynamics in the coming months. Not only is there an expectation of the appreciation of the real, but there should also be less pressure than previously anticipated on home food consumption. Current weather data and updates to our modeling suggest a downside bias in our annual IPCA projection, which will be fully calibrated next week with the January result. Thus, in addition to this 50-point drop (to 11.25%) in the Selic rate, as per consensus, we expect further drops of the same magnitude until the terminal point of 8.75% – or even lower.
- » **Contributing to this is the monetary policy of the U.S. – with Powell stating that the next move will be a rate cut, despite reducing the probability of a cut in March.** At the FOMC, the president of the U.S. Federal Reserve reiterated that the institution needs to have confidence in inflation convergence. This solidified our view that Fed Funds are likely to fall only in May. Another highlight this week was the release of the January Payroll, which contradicted other labor market data by recording a creation of 353k jobs, well above the expected 185k. This data, therefore, prevents an early interest rate cut. However, given the recent accommodating performance, the expectation of the country's monetary easing, a predominant vector in Copom's analysis of the external scenario, is maintained – which is expected to reduce risk premiums in the coming months further.
- » **Finally, it is important to highlight the dynamics of the domestic labor market, which remains resilient but shows signs of some moderation.** In the December Unemployment Rate (PNAD), there was a slowdown in real incomes – suggesting a continuation of the moderation in household consumption, as expected. In the same vein, there was a bearish surprise with the Formal Job Creation (Caged) of the same month. This indicator showed more intense closure of temporary positions than suggested by seasonality. We expect the continuation of this trend, which is likely to keep service inflation on a cooling trajectory.

Nonfarm Payroll (thousands)



Source: BLS, Buysidebrazil

Average real income - Seasonally adjusted (R\$)



Source: IBGE, Buysidebrazil



Economic Calendar

- » In addition to the end of the parliamentary recess, which is expected to stir domestic political news, there will be the release of significant indicators in Brazil next week. **The highlight is the January IPCA**, which is likely to show some easing in food prices. Additionally, we will have the results of the Central Bank Notes, which had been postponed, and activity data (**Retail Sales and Services Volume**). On **Tuesday**, the **Copom minutes will be released**.
- » Internationally, American figures will take the spotlight. Both the **ISM Non-Manufacturing Index** and **CPI Revisions** will be important gauges of prospective inflation. In **China**, ongoing disinflation is expected, as indicated by the medians of projections for **CPI and PPI** – which bodes well for expectations of moderate levels of commodities and goods.

Calendar

Date	Country	Event	Period	Survey	Prior
2/5/2024 Monday					
6:00 AM	Eurozone	PMI	Jan (F)		
		Services		48.4	48.4
		Composite		47.9	47.9
7:00 AM	Eurozone	PPI MoM	Dec	-0.8%	-0.3%
8:25 AM	Brazil	Focus (Central Bank Weekly Economist Survey)	-	-	-
8:30 AM	Brazil	Current Account	Dec	-\$7500m	-\$1553m
8:30 AM	Brazil	Foreign direct investment	Dec	\$5543m	\$7780m
11:45 AM	USA	PMI	Jan (F)		
		Services		52.9	52.9
		Composite		-	52.3
12:00 PM	USA	ISM Services Index	Jan	52.0	50.6
4:00 PM	USA	R. Bostic Speech	-	-	-
4:00 PM	USA	Senior Loan Officer Opinion Survey on Bank Lending Practices	4Q	-	-
2/6/2024 Tuesday					
7:00 AM	Eurozone	Retail Sales MoM	Dec	-1.0%	-0.3%
8:00 AM	Brazil	FGV Inflation IGP-DI MoM	Jan	-	-
8:00 AM	Brazil	Central Bank Meeting Minutes	-	-	0.64%
8:30 AM	Brazil	Total Outstanding Loans	Dec	-	0.9%
2:00 PM	USA	Speech L. Mester (Fed Cleveland)	-	-	-
9:00 PM	USA	P. Harker Speech	-	-	-
2/7/2024 Wednesday					
8:30 AM	Brazil	Budget Surplus	Dec	-121.2b	-37.3b
9:00 AM	Brazil	Retail Sales	Dec		
		Restrict			0.1%
		Broad			1.3%
2:30 PM	Brazil	IC-Br (MoM)	Jan	-	-3.98%
2:30 PM	USA	Speech T. Barkin (Fed Richmond)	-	-	\$9360m
3:00 PM	Brazil	Trade Balance Monthly	Jan	-	-
5:00 PM	USA	Consumer Credit	Dec	\$16.500b	\$23.751b
10:30 PM	China	PPI YoY	Jan	-2.6%	-2.7%
10:30 PM	China	CPI YoY	Jan	-0.5%	-0.3%
2/8/2024 Thursday					
8:00 AM	Brazil	FGV IGP-M	Feb (P)	-	-
9:00 AM	Brazil	IBGE Inflation IPCA MoM	Jan	-	0.56%
10:30 AM	USA	Initial Jobless Claims	-	215k	224k
2:30 PM	Brazil	Foreign Exchange Flow Weekly	-	-	-
2/9/2024 Friday					
5:00 AM	Brazil	FIPE CPI MoM	-	-	0.34%
9:00 AM	Brazil	IBGE Services Volume (MoM)	Dec	-	0.4%
-	USA	Revisions: CPI	-	-	-

MACROECONOMIC FORECASTS	2019	2020	2021	2022	2023	2024
GDP (%)	1,2	-3,3	4,8	3,0	2,9	1,6
Unemployment rate (average, %)	12,0	13,8	13,2	9,3	8,0	8,1
IPCA (CPI, %)	4,3	4,5	10,1	5,8	4,6	3,7
Selic Rate (eop, %)	4,50	2,00	9,25	13,75	11,75	8,75
USDBRL (eop)	4,03	5,20	5,58	5,22	4,86	4,80
Current Account Balance (USD bn)	-65,0	-28,2	-46,4	53,6	-29,4	-36,1
Current Account Balance (% GDP)	-3,5	-1,9	-2,8	-2,8	-1,5	-1,3
Trade Balance - BCB (USD bn)	26,5	32,4	36,4	44,2	81,2	82,0
Foreign Direct Investment (USD bn)	69,2	37,8	46,4	87,2	58,7	65,0
Foreign Direct Investment (% GDP)	3,7	2,6	2,8	4,5	3,0	3,3
Central Government Primary Result (BRL bn)	-95,1	-743,3	-35,1	54,1	-216,9	-70,2
Central Government Primary Result (%GDP)	-1,3	-9,8	-0,4	0,5	-2,0	-0,6
Public Sector Primary Result (BRL bn)	-61,9	-703,0	64,7	126,0	-236,9	-61,7
Public Sector Primary Result (% GDP)	-0,8	-9,2	0,7	1,3	-2,2	-0,5
Gross Public Debt (% GDP)	74,4	86,9	77,3	71,7	73,9	76,5

Nossa equipe

Andrea Bastos Damico
 Gustavo Rostelato
 Thais Rodrigues
 Rita Milani
 Rafaela de Sousa
 Adam Tasca
 Pedro Tempel
 Adam Mountout

Economista chefe e CEO
 Economista e sócio
 Economista e sócia
 Economista
 Analista macroeconômica
 Analista macroeconômico
 Estagiário
 Gerente de vendas internacionais

andrea@buysidebrazil.com
gustavo@buysidebrazil.com
thais@buysidebrazil.com
rita@buysidebrazil.com
rafaela@buysidebrazil.com
adamtasca@buysidebrazil.com
pedro@buysidebrazil.com
adam@buysidebrazil.com

