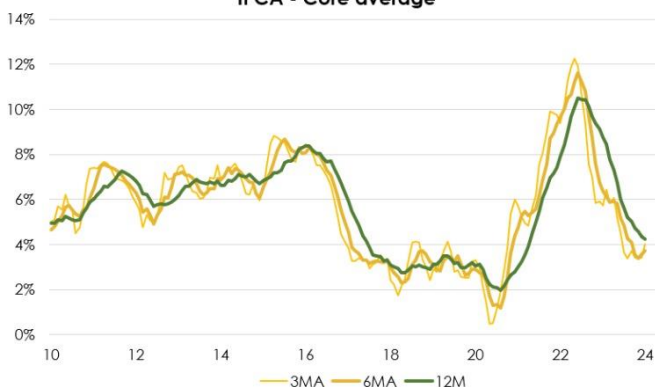


IPCA is expected to reach 3.6% in 2024.

Highlights

- » **The Central Bank brought a more hawkish tone in the minutes than in the previous communication, but we continue to project a terminal Selic rate of 8.75%.** The Copom emphasized the risks associated with the resilience of the domestic labor market, particularly highlighting concerns about underlying service inflation. Additionally, it mentioned the risks associated with geopolitical tensions. However, it reinforced that the external scenario is expected to be more constructive due to the anticipated monetary easing in developed economies. Nevertheless, it's worth noting that the institution maintained its projections for IPCA - which strengthens our more constructive prospective view on prices.
- » **In this sense, January's IPCA (0.42%) brought little surprise compared to our projection (0.39%), despite the headline being much more pressured than expected by the market (0.34%).** This release confirmed the increase we expected in personal hygiene - the main driver of the deviation from the median of projections. But the most negative news came from the advance in underlying services, especially banking services. However, our modeling indicates that this trend is likely to ease over the year, mainly due to the performance of interest rates in recent months. Thus, **we have revised our projection for 2024 to 3.6%, with a downward bias** - since (i) home food consumption is expected to be less pressured than previously anticipated by us, (ii) industrial goods remain with a benign outlook, and (iii) service pressures seem well incorporated into our scenario.
- » **The main risk continues to be the external scenario.** As per the recent dynamics of the real, it is evident that internal risk premiums are predominantly linked to the international environment - especially the US economy. Last week, the alignment of Fed officials' speeches, with a tougher tone regarding monetary policy, strengthened the dollar. This has prevented an appreciation of the Brazilian currency, despite robust results in the trade balance, which reduced the current account deficit in 2023 to 1.3% of GDP (compared to -2.6% the previous year). However, the expectation of a slowdown in the US economy remains, which allows us to envision less restrictive financial conditions ahead.
- » **Internally, political news remains on the radar, but there has been no change in our fiscal projections.** The end of the parliamentary recess did not boost the resolution of impasses. However, the discussion about the re-levy of payroll taxes has progressed towards a possible postponement of the deadline for full collection by the Ministry of Finance, now through a Bill. Therefore, threats to the new fiscal framework - largely focused on revenue improvement - persist, reigniting the debate about a potential change in the primary target. Nevertheless, in our analysis, the revenue-raising measures approved last year still support the reduction of the primary deficit in 2024 to 0.6% of GDP for the Central Government.

IPCA - Core average



IPCA - Underlying services



Source: IBGE, Buysidebrazil



Economic Calendar

» **The Carnival holiday** will keep the domestic agenda empty next week, with releases of secondary indicators such as the trade balance and the currency flow, both weekly. In the political sphere, little movement is also expected.

» Meanwhile, in the **US**, inflation and activity will take center stage. On Tuesday, January's **CPI** is expected to

show a slowdown compared to the previous month, while **retail sales** on Thursday are expected to decline marginally, according to median estimates. If confirmed, these data are likely to weigh on assets, bringing a more constructive view of **Fed Funds**, despite expectations of **industrial production and PPI advancement** - released on Thursday and Friday, respectively.

Date	Country	Event	Period	Survey	Prior
2/12/2024 Monday					
-	Brazil	Closed Market			
3:00 PM	USA	N. Kashkari Speech	-	-	-
4:00 PM	USA	Monthly Budget Statement	Jan	-	-\$129.4b
2/13/2024 Tuesday					
-	Brazil	Closed Market			
8:00 AM	USA	NFIB Small Business Optimism	Jan	-	91.9
10:30 AM	USA	CPI MoM	Jan	0.2%	0.3%
		Core MoM		0.3%	0.3%
2/14/2024 Wednesday					
7:00 AM	Eurozone	GDP (QoQ)	4Q P	0.0%	0.0%
7:00 AM	Eurozone	Employment (QoQ)	4Q P	-	0.2%
7:00 AM	Eurozone	Industrial Production (MoM)	Dec	-0.2%	-0.3%
11:30 AM	USA	Speech A. Goolsbee	-	-	-
6:00 PM	USA	S. Barr Speech	-	-	-
2/15/2024 Thursday					
7:00 AM	Eurozone	Trade Balance	Dec	-	14.8b
8:25 AM	Brazil	Focus (Central Bank Weekly Economist Survey)	-	-	-
10:30 AM	USA	Empire Manufacturing	Feb	-10.0	-43.7
10:30 AM	USA	Philadelphia Fed Business Outlook	Feb	-9.0	-10.6
10:30 AM	USA	Retail Sales MoM	Jan	-0.2%	0.6%
10:30 AM	USA	Initial Jobless Claims	-	-	218k
11:15 AM	USA	Industrial Production (MoM)	Jan	0.4%	0.1%
2:30 PM	Brazil	Foreign Exchange Flow Weekly	-	-	-
3:00 PM	Brazil	Trade Balance Weekly	-	-	\$2026m
9:00 PM	USA	R. Bostic Speech	-	-	-
2/16/2024 Friday					
5:00 AM	Brazil	FIPE CPI MoM	Feb (P)	-	0.43%
8:00 AM	Brazil	IGP-10 (PPI MoM)	Feb	-	0.42%
10:30 AM	USA	Building Permits	Jan	1515k	1495k
10:30 AM	USA	Housing Starts	Jan	1468k	1460k
10:30 AM	USA	PPI MoM	Jan	0.1%	-0.1%
		Core MoM		0.1%	0.0%
12:00 PM	USA	Conf. Board Consumer Confidence	Feb (P)	79.0	79.0
2:10 PM	USA	M. Daly Speech	-	-	-

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 (%)	4,3	4,5	10,1	5,8	4,6	3,6
Selic rate (end of period, %)	4,50	2,00	9,25	13,75	11,75	8,75
Exchange rate (end of period, R\$/US\$)	4,03	5,20	5,58	5,22	4,86	4,80
Current Transactions (US\$ billion)	-68,0	-28,2	-46,4	-53,6	-29,4	-36,1
Current Account Transactions (% of GDP)	-3,6	-1,7	-2,9	-2,8	-1,5	-1,3
Trade Balance - BCB (US\$ billion)	26,5	32,4	36,4	44,2	81,2	82,0
Foreign Direct Investment (US\$ billion)	69,2	37,8	46,4	87,2	58,7	65,0
Foreign Direct Investment (% of GDP)	3,7	2,6	2,8	4,5	3,0	3,3
Primary Surplus of the Central Government (R\$ billion)	-95,1	-743,3	-35,1	54,1	-216,9	-70,2
Primary Surplus of the Central Government (% of GDP)	-1,3	-9,8	-0,4	0,5	-2,0	-0,6
Primary Surplus of the Public Sector (R\$ billion)	-61,9	-703,0	64,7	126,0	-236,9	-61,7
Primary Surplus of the Public Sector (% of GDP)	-0,8	-9,2	0,7	1,3	-2,2	-0,6
Gross Public Debt (% of GDP)	74,4	86,9	77,3	71,7	73,9	76,5

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