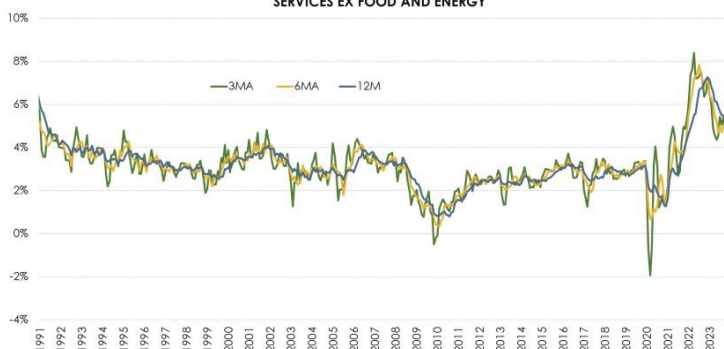


The beginning of the Fed Funds rate cuts is expected to occur in June.

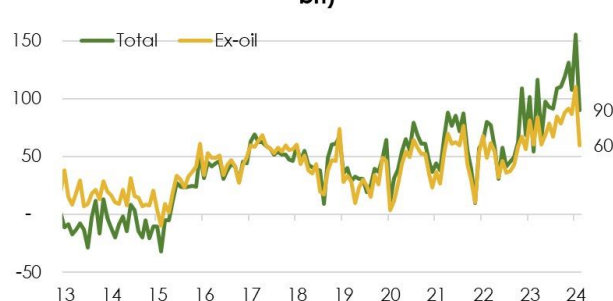
Highlights

- Recent inflation data in the United States suggest a more cautious stance in monetary policy conduct by the Fed.** The Consumer Price Index (CPI) rose 0.3% MoM in January, above market expectations (0.2%). Despite maintaining a more positive trend in goods, pressure on services, especially in healthcare and transportation, impacted by freight costs, deteriorated the composition of the number, with the core CPI advancing to 0.85% from 0.34% in December. Wholesale, the rise in January's Producer Price Index (PPI) reinforces a still cautious scenario for inflation in the coming months, with core worsening affecting the consumer pass-through horizon.
- Regarding economic activity, retail data significantly cooled off in January.** The 0.8% MoM decline evidenced the deceleration of US consumption, which occurred universally across openings. However, the increase in the food services and drinking places group, used as a proxy for services analysis, raised an alert by reinforcing the sector's resilience, still reflecting a high level of wages.
- Given this scenario of uncertainties, we expect the beginning of Fed Funds rate cuts to occur only in June.** In the latest FOMC release, Fed Chairman Jerome Powell emphasized the committee's need to gain more conviction in the slowdown of current data to start the cutting cycle. With inflationary pressure in services, the still robust labor market, and high wages, the space to ensure this confidence and initiate cuts in May is considerably reduced. Thus, we expect the Fed to adopt a tougher stance on monetary policy in upcoming speeches, aiming to tighten financial conditions toward activity and inflation deceleration.
- In the domestic environment, the drop in commodity prices had a dual effect on the Brazilian economy.** On one hand, initial February trade balance data showed a sharp slowdown in the annualized surplus, reversing the robust movement seen in January, falling from US\$ 156 billion to US\$ 90 billion. Mainly driven by soybeans and oil, the items declined 52% and 24% MoM respectively, which may be reversed in quantum in the next releases. Conversely, with lower international prices, producer inflation benefited in February. The IGP-10 recorded a deflation of 0.65%, below market expectations (-0.43%). With significant weight for these items, the IPA-Agro fell by 2.36%, while the IPA-Ind retreated to -0.61%. This scenario reinforces a more constructive path for consumer inflation, as it reflects the good performance of the industrial goods core, in addition to the dissipation of pressures on natural products.

SERVICES EX FOOD AND ENERGY



Trade Balance
Seasonally adjusted and annualized (US\$ bn)



02/16/2024

WR.51

Economic Calendar

» In **Brazil**, the agenda highlights the release of **activity data (IBC-BR and GDP Monitor)** and **tax collections**

» Meanwhile, **abroad**, the focus is on the release of **PMIs for the Eurozone and the United States**, as well as the release of the **FOMC minutes**

Date	Country	Event	Period	Survey	Prior
2/19/2024 Monday					
9:00 AM	Brazil	Economic Activity (MoM)	Dec	0.75%	0.01%
10:15 AM	Brazil	GDP Monitor (FGV)	Dec	-	0.5%
3:00 PM	Brazil	Trade Balance Weekly	-	-	\$1078m
10:15 PM	China	1-Year Loan Prime Rate	-	3.43%	3.45%
10:15 PM	China	5-Year Loan Prime Rate	-	4.10%	4.20%
2/20/2024 Tuesday					
8:00 AM	Brazil	FGV Inflation IGP-M MoM	Feb (P)	-	0.07%
8:30 AM	Brazil	Focus (Central Bank Weekly Economist Survey)	-	-	-
10:30 AM	USA	Services Confidence	Feb	-	-3.7
12:00 PM	USA	Leading Index	Jan	-0.3%	-0.1%
2/21/2024 Wednesday					
10:00 AM	USA	R. Bostic Speech	-	-	-
12:00 PM	Eurozone	Conf. Board Consumer Confidence	Feb (P)	-15.8	-16.1
2:30 PM	Brazil	Foreign Exchange Flow Weekly	-	-	-
4:00 PM	USA	FOMC Meeting Minutes	-	-	-
2/22/2024 Thursday					
6:00 AM	Eurozone	PMI	Feb (P)		
		Manufacturing		47.0	46.6
		Services		48.8	48.4
		Composite		48.5	47.9
7:00 AM	Eurozone	CPI MoM	Jan (F)	-0.4%	-0.4%
10:30 AM	USA	Chicago Fed Nat Activity Index	Jan	-	-0.15
10:30 AM	USA	Initial Jobless Claims	-	-	212k
11:45 AM	USA	PMI	Feb (P)		
		Manufacturing		50.1	50.7
		Services		52.0	52.5
		Composite		-	52.0
12:00 PM	USA	P. Jefferson Speech	-	-	-
12:00 PM	USA	Existing Home Sales	Jan	3.97m	3.78m
7:00 PM	USA	L. Cook Speech	-	-	-
7:00 PM	USA	N. Kashkari Speech	-	-	-
10:30 PM	China	New Home Prices (MoM)	Jan	-	-0.45%
2/23/2024 Friday					
5:00 AM	Brazil	FIPE CPI - Weekly	Feb (P)	-	0.49%
8:00 AM	Brazil	Consumer Confidence	Feb	-	90.8
10:00 AM	Brazil	Construction Confidence	Jan	-	-
TBA					
	Brazil	Tax Collections	Jan	277000m	231225m

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)	-68,0	-28,2	-46,4	-53,6	-29,4	-36,1
Current Account Balance (% GDP)	-3,6	-1,7	-2,9	-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

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