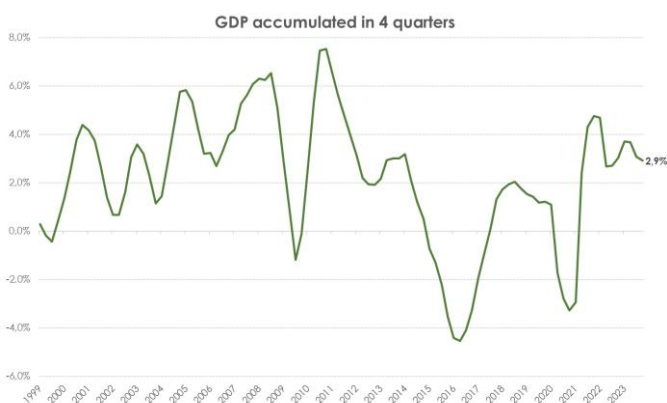


The modest drop in services is expected to bring the 2024 GDP to 1.9%

Highlights

- » **Brazil's growth saw a 2.9% increase in 2023, strongly driven by the agricultural sector, which grew by 15.1%.** Therefore, we expect a more moderate number for 2024, at 1.9%, as we will not have the effects of past bumper harvests. However, the positive performance of the extractive industry is expected to remain relevant, as already observed at the end of the previous year, mainly due to oil production – partially offsetting this decline. Furthermore, the recent increase in incomes and wage mass alongside the ongoing interest rate cuts cycle should support a more gradual slowdown in consumption. Thus, we have revised our GDP number for this year, previously at 1.6%.
- » **Nevertheless, our bias remains predominantly constructive for inflation.** This week, the IPCA-15 for February (0.78% vs. estimates of 0.83%) brought a downside surprise in airfares (-8bps compared to our projection), counterbalanced by the rise in service items from the Communication group (+7bps). Food at home also surprised us on the downside (-3bps). However, the highlight of the number was the seasonal advance in Education, which was below that recorded in 2023. Regarding our number, regular courses came in line with expectations, while various courses had a smaller increase than expected – confirming our expectation of a demand slowdown.
- » **This, together with a thorough observation of underlying services, has maintained our expectation of 3.6% for this year's IPCA, despite the pressure from this group on current inflation.** Firstly, the improved climate has favored agricultural prices at wholesale – which tends to favor food away from home (the main component of the group). Regarding banking services, which were under pressure in January, our modeling points to a continuation of the decompression already seen in this February release. Finally, the other items are in line with our projection overall and should be contained to some extent by the expected increase in the unemployment rate throughout the year, albeit modest.
- » **In the external scenario, the American economy remains the main driver of the real's performance.** With mixed signals, volatility has predominated over assets. The US GDP for the fourth quarter of 2023 was revised from 3.3 to 3.2 QoQ SAAR, with much of this downward revision derived from lower inventories. Meanwhile, January's PCE, like the CPI, showed greater pressure on prices, particularly in the supercore of services. Uncertainties remain regarding the start of American monetary easing – which has maintained a more cautious stance among investors. Thus, Brazilian contracted foreign exchange flow continues to be weaker, despite the high level of physical outflow.



Source: IBGE, Buysidebrazil



Economic Calendar

» Following a postponement, the Central Bank of **Brazil's** Statistical Notes will be released this week – for January. Additionally, there is a highlight on the release of the February trade balance (MDIC).

» **Internationally**, attention is drawn to **US** labor market data. Additionally, in the **Eurozone**, there will be a monetary policy decision, and in **China**, inflation data will be released.

Date	Country	Event	Period	Survey	Prior
3/4/2024 Monday					
5:00 AM	Brazil	FIPE CPI MoM	Feb	-	0.46%
6:30 AM	Eurozone	Investor Confidence	Mar	-	-12.9
8:25 AM	Brazil	Focus (Central Bank Weekly Economist Survey)	-	-	-
1:00 PM	USA	P. Harker Speech	-	-	-
10:45 PM	China	PMI	Feb		
		Non-manufacturing Composite		52.9	52.7
				-	52.5
3/5/2024 Tuesday					
6:00 AM	Eurozone	PMI	Feb (F)		
		Non-manufacturing Composite	50.0	-	50.0
			48.9	-	48.9
7:00 AM	Eurozone	PPI MoM	Jan	-0.1%	-0.8%
11:45 AM	USA	PMI	Feb (F)		
		Non-manufacturing Composite		51.4	51.3
				-	51.4
12:00 PM	USA	Factory Orders (MoM)	Jan	-3.0%	0.2%
12:00 PM	USA	ISM Services Index	Feb	52.9	53.4
3/6/2024 Wednesday					
7:00 AM	Eurozone	Retail Sales MoM	Jan	0.1%	-1.1%
8:30 AM	Brazil	Current Account	Jan	-\$5400m	-\$5834m
8:30 AM	Brazil	Foreign direct investment	Jan	\$4500m	-\$389m
10:15 AM	USA	ADP Employment Change	Feb	145k	107k
12:00 PM	USA	J. Powell Speech	-	-	-
12:00 PM	USA	JOLTs Job Openings	Jan	8925k	9026k
2:00 PM	USA	M. Daly Speech	-	-	-
3:00 PM	Brazil	Trade Balance Monthly	Feb	-	\$6527m
4:00 PM	USA	Federal Reserve Releases Beige Book	-	-	-
3/7/2024 Thursday					
8:00 AM	Brazil	FGV Inflation IGP-DI MoM	Feb	-0.30%	-0.27%
8:30 AM	Brazil	Budget Surplus	Jan	97.4b	-129.6b
10:15 AM	Eurozone	BCE Rate Decision	-	4.00%	4.00%
10:30 AM	USA	Nonfarm Productivity	4Q F	3.1%	3.2%
10:30 AM	USA	Unit Labor Costs	4Q F	0.7%	0.5%
10:30 AM	USA	Initial Jobless Claims	-	-	215k
12:00 PM	USA	J. Powell Speech	-	-	-
1:30 PM	USA	Speech L. Mester (Fed Cleveland)	-	-	-
2:30 PM	Brazil	Foreign Exchange Flow Weekly	-	-	-
5:00 PM	USA	Consumer Credit	Jan	\$10.000b	\$1.561b
3/8/2024 Friday					
7:00 AM	Eurozone	GDP (QoQ)	4Q F	0.0%	0.0%
7:00 AM	Eurozone	Employment (YoY)	4Q F	-	1.3%
8:30 AM	Brazil	Total Outstanding Loans	Jan	-	1.4%
9:00 AM	USA	Speech J. Williams (Fed New York)	-	-	-
10:30 AM	USA	Nonfarm Payrolls	Feb	190k	353k
10:30 AM	USA	Unemployment Rate	Feb	3.7%	3.7%
10:30 AM	USA	Average Hourly Earnings MoM	Feb	0.2%	0.6%
10:30 PM	China	PPI YoY	Feb	-2.6%	-2.5%
10:30 PM	China	CPI YoY	Feb	0.2%	-0.8%



Macroeconomic projections

	2019	2020	2021	2022	2023	2024
GDP (%)	1,2	-3,3	4,8	3,0	2,9	1,9
Unemployment Rate (average, %)	12,0	13,8	13,2	9,3	8,0	8,1
IPCA (Consumer Price Index) (%)	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 Account Transactions (US\$ billion)	-68,0	-28,2	-46,4	-53,6	-28,6	-36,1
Current Account Transactions (% GDP)	-3,6	-1,7	-2,9	-2,8	-1,4	-1,3
Trade Balance - BCB (US\$ billion)	26,5	32,4	36,4	44,2	80,5	82,0
Foreign Direct Investment (US\$ billion)	69,2	37,8	46,4	87,2	62,0	68,0
Foreign Direct Investment (% GDP)	3,7	2,6	2,8	4,5	2,8	3,5
Central Government Primary Result (R\$ billion)	-95,1	-743,3	-35,1	54,1	-249,1	-70,2
Central Government Primary Result (% GDP)	-1,3	-9,8	-0,4	0,5	-2,3	-0,6
Public Sector Primary Result (R\$ billion)	-61,9	-703,0	64,7	126,0	-249,1	-61,7
Public Sector Primary Result (% GDP)	-0,8	-9,2	0,7	1,3	-2,3	-0,6
Gross Public Debt (% GDP)	74,4	86,9	77,3	71,7	74,3	76,5

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