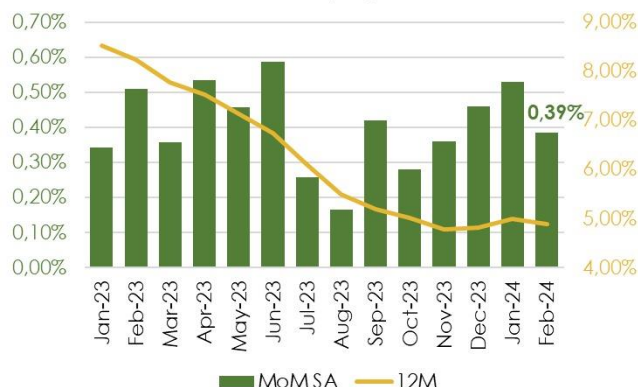


The evolution of the scenario was neutral for the Copom

Highlights

- **The IPCA for February was in line with our expectations (0.83%) and reinforced a constructive outlook ahead.** Although it exceeded the market consensus (0.79%), inflation showed a significant improvement in the dynamics of underlying services, corroborating the trend of cooling within the group in the coming months - as indicated by our modeling. The highlight of the more pressured number came from gasoline, whose variation reflected the pass-through of the return of fuel tax collection. However the widespread improvement in the number prevailed over the assets, also reflected in industrial goods and the average of inflation cores on the margin.
- **This reading is fundamental to the perception of the Central Bank, which will cut interest rates next week.** In addition to the drop in market inflation expectations, the result of the IPCA for February dissipated one-off surprises in current inflation. This, combined with the rise in commodities, should maintain the institution's neutral tone regarding the next steps in monetary policy. On the exchange side, the level was stable even with the opening of Treasuries in the period. The resilience of activity is expected to remain a risk vector - however, the trajectory of consumer prices has been consolidating despite this.
- **In this sense, the first results for January showed stronger trade and services.** Restricted PMC grew 2.5% MoM (well above expectations, 0.2%), probably already reflecting the dynamics of better wages shown by PNAD. However, part of this increase is expected to be reversed in the February result. PMS was also surprised on the upside (0.7% MoM vs est. -0.4%) and should further consolidate recent upward revisions to growth in 2024. However, a warmer first quarter is not expected to alter our expectation of 1.9% GDP for this year - which is included in our projection of 3.6% for the IPCA.
- **Thus, we maintain an estimate of 8.75% for the Selic rate at the end of 2024.** And, in addition to internal inflation, it is also worth noting the fiscal and international perspectives. Here, the robust federal revenue at the beginning of the year has balanced out political noise - since any change in the primary result target is postponed. Thus, the Copom should only reiterate the importance of pursuing fiscal targets. The external scenario was marked by the resilience of American activity in the last 45 days - which led us to revise the expectation of starting cuts in Fed Funds from May to June. But, as mentioned earlier, the real remained stable despite the period's volatility and this would be the main channel of inflationary transmission resulting from the external conjuncture. In other words, the performance of the US economy and developed countries will continue to be highlighted by the Central Bank.

IPCA - Underlying services



Activity Indicators (Jan'2014=100)



Source: IBGE, Buysidebrazil



Economic Calendar

» In addition to the monetary policy decision, the release of the IBC-Br for January here in **Brazil** will also be highlighted. However, Copom's statement is expected to be the main driver of asset movements.

» **Internationally**, monetary policy will also be the center of attention. For the **FOMC**, we expect a still hawkish tone to contain financial conditions. Meanwhile, in **Japan**, the expected maintenance will be accompanied by important forward-looking signals.

Date	Country	Event	Period	Survey	Prior
3/18/2024	Monday				
7:00 AM	Eurozone	CPI MoM	Feb (F)	0.6%	0.6%
7:00 AM	Eurozone	Trade Balance	Jan	-	13.0b
8:00 AM	Brazil	IGP-10 (PPI MoM)	Mar	-0.36%	-0.65%
9:00 AM	Brazil	Economic Activity (MoM)	Jan	0.50%	0.82%
9:30 AM	USA	New York Fed Services Business Activity	Mar	-	-7.3
3:00 PM	Brazil	Trade Balance Weekly	-	-	\$1522m
3/19/2024	Tuesday				
5:00 AM	Brazil	FIPE CPI MoM	-	-	0.45%
7:00 AM	Eurozone	Labour Costs (YoY)	4Q	-	5.3%
8:25 AM	Brazil	Focus (Central Bank Weekly Economist Survey)	-	-	-
9:30 AM	USA	Building Permits	Feb	1500k	1470k
9:30 AM	USA	Housing Starts	Feb	1430k	1331k
10:00 AM	Brazil	Industry Confidence	Feb	-	-
10:15 AM	Brazil	GDP Monitor (FGV)	Jan	-	0.6%
10:15 PM	China	5-Year Loan Prime Rate	-	3.95%	3.95%
10:15 PM	China	1-Year Loan Prime Rate	-	3.45%	3.45%
3/20/2024	Wednesday				
10:00 AM	Brazil	Construction Confidence	Feb	-	-
12:00 PM	Eurozone	Conf. Board Consumer Confidence	Mar (P)	-15.0	-15.5
2:30 PM	Brazil	Foreign Exchange Flow Weekly	-	-	-
3:00 PM	USA	FOMC Rate Decision	-	5.50%	5.50%
3:30 PM	USA	J. Powell Speech	-	-	-
6:30 PM	Brazil	Selic Rate	-	10.75%	11.25%
3/21/2024	Thursday				
6:00 AM	Eurozone	PMI	Mar (P)		
		Manufacturing		47.0	46.5
		Services		50.5	50.2
		Composite		49.7	49.2
6:00 AM	Eurozone	ECB Current Account SA	Jan	-	31.9b
9:00 AM	UK	Bank of England Bank Rate	-	5.25%	5.25%
9:30 AM	USA	Philadelphia Fed Business Outlook	Mar	-1.3	5.2
9:30 AM	USA	Initial Jobless Claims	-	215k	209k
10:45 AM	USA	PMI	Mar (P)		
		Manufacturing		-	52.2
		Services		-	52.3
		Composite		-	52.5
11:00 AM	USA	Leading Index	Feb	-0.3%	-0.4%
11:00 AM	USA	Existing Home Sales	Feb	3.93m	4.00m
3/22/2024	Friday				
8:00 AM	Brazil	Consumer Confidence	Mar	-	89.7
5:00 PM	USA	R. Bostic Speech	-	-	-
TBA					
	Japan	BOJ Rate Decision	-	-0.100%	-0.100%



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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