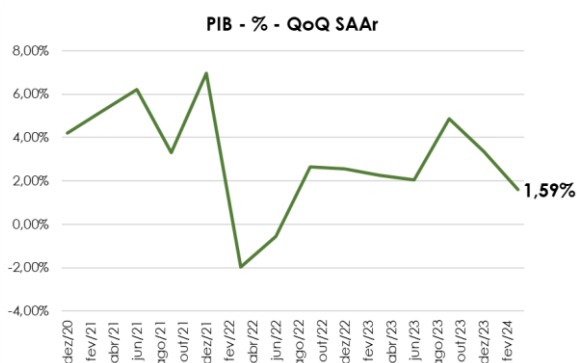


With economic growth still at a robust level, the Fed is not expected to cut interest rates in 2024, impacting a higher terminal Selic rate

Highlights

- » **Despite the market's below-expectation result, the US GDP composition in the 1st quarter of 2024 showed a buoyant American economy.** GDP advanced 1.6% QoQ SAAR (est. 2.5%), mainly reflecting weaker contributions from inventories and imports. However, the service consumption increase coupled with the acceleration of private investment suggests that economic activity continues to grow, in a robust labor market context. On the price front, the 0.3% MoM March PCE reinforced the view of stronger inflation in the short term, with services deterioration and a rise in the supercore (0.39% MoM) contributing to higher uncertainties regarding the speed and magnitude of the American slowdown.
- » **Given the cautious stance adopted by Fed members, the current situation of the American economy is not conducive to a rate cut this year.** The committee consistently emphasizes that monetary policy conduct depends on the convergence of economic data towards more accommodative levels, which has not been observed in the most recent releases. Thus, we revised our expectations of 2 cuts in the Fed Funds rate to no cuts in 2024, which should keep the dollar appreciated for longer against other currencies. Based on this premise, **we incorporated a more depreciated exchange rate scenario for the year, shifting from R\$5.10 to R\$5.20 in 2024 and from R\$5.00 to R\$5.05 in 2025, as higher US interest rates and expectations of a rate cut in June in the Eurozone are expected to pressure the DXY and exert a negative impact on the local exchange rate.**
- » **For domestic inflation, the exchange rate depreciation is expected to lead to a rise in industrial goods.** IPCA-15 recorded a 0.21% MoM increase in April, below our forecast and the market consensus. The main downward influence came from Services, with a more pronounced deflation in Airfares, along with Out-of-Home Food, which affected the underlying reading. Conversely, the number was counterbalanced by the acceleration in industrial goods, reversing the deflation of recent releases, especially with a higher pressure on the Personal Hygiene category. Due to the exchange rate pass-through over the next few months, **we revised our industrial goods estimates from 2.0% to 2.3% for 2024, increasing our IPCA projection from 3.6% to 3.8%. For 2025, our IPCA estimates increased from 3.4% to 3.5%.**
- » **On the monetary policy front, the worsening in the international environment, the exchange rate depreciation, and the increase in inflation expectations suggest that the Central Bank should adopt a more cautious stance in the upcoming meetings.** President Roberto Campos Neto, despite emphasizing the absence of a mechanical relationship between US and Brazilian interest rates, publicly highlighted the increasing importance of the external scenario given its effects on emerging economies. Thus, **we expect the committee to slow down the pace of rate cuts and keep the terminal rate at a higher level to meet the inflation target, with two more 25bps cuts in 2024, and a 10.25% rate at the end of the year (against the previously expected 9.25%).**



Source: BEA, IBGE, Buysidebrazil.



Economic Calendar

» **Domestically**, the week will feature the release of the Central Bank's economic-financial notes for March, labor market data (CAGED and PNAD), and activity data (Industrial Production).

» **Internationally**, attention will be focused on the monetary policy decision and employment data from the United States, as well as the release of CPI, GDP, and Unemployment Rate from the Eurozone.

Date	Country	Event	Period	Survey	Prior
4/29/2024 Monday					
6:00 AM	Eurozone	Conf. Board Consumer Confidence	Apr (F)	-	-14.7
6:00 AM	Eurozone	Services Confidence	Apr	6.8	6.3
6:00 AM	Eurozone	Industrial Confidence	Apr	-8.5	-8.8
6:00 AM	Eurozone	Economic Confidence	Apr	96.7	96.3
8:00 AM	Brazil	FGV Inflation IGP-M (MoM)	Apr	-	-0.47%
8:00 AM	Brazil	Services Confidence	Apr	-	-
8:00 AM	Brazil	Commerce Confidence	Apr	-	-
11:30 AM	USA	Dallas Fed Manf. Activity	Apr	-11.3	-14.4
3:00 PM	Brazil	Trade Balance Weekly	-	-	\$2940m
3:00 PM	Brazil	Formal Job Creation Total	Mar	161.823	306.111
10:30 PM	China	NBS PMI	Apr		
		Composite		-	52.7
		Manufacturing		50.3	50.8
		Services		52.2	53.0
10:45 PM	China	Caixin Manufacturing PMI	Apr	51.0	51.1
4/30/2024 Tuesday					
6:00 AM	Eurozone	CPI (MoM)	Apr (P)	0.6%	0.8%
6:00 AM	Eurozone	GDP (QoQ)	1Q A	0.1%	0.0%
8:25 AM	Brazil	Focus (Central Bank Weekly Economist Survey)	-	-	-
9:00 AM	Brazil	National Unemployment Rate	Mar	8.1%	7.8%
9:30 AM	USA	Employment Cost Index	1Q	1.0%	0.9%
10:00 AM	USA	House Price Index (MoM)	Feb	0.10%	0.14%
11:00 AM	USA	Conf. Board Consumer Confidence	Apr	104.0	104.7
11:30 AM	USA	Services Confidence	Apr	-	-5.5
5/1/2024 Wednesday					
9:15 AM	USA	ADP Employment Change	Apr	180k	184k
10:45 AM	USA	Manufacturing PMI	Apr (F)	49.9	49.9
11:00 AM	USA	Construction Spending (MoM)	Mar	0.3%	-0.3%
11:00 AM	USA	JOLTs Job Openings	Mar	8690k	8756k
11:00 AM	USA	ISM Manufacturing	Apr	50.1	50.3
3:00 PM	USA	FOMC Rate Decision	-	5.50%	5.50%
3:30 PM	USA	J. Powell Speech	-	-	-
5/2/2024 Thursday					
5:00 AM	Eurozone	Manufacturing PMI	Apr (F)	45.6	45.6
8:30 AM	Brazil	Current Account	Mar	-	-\$4373m
8:30 AM	Brazil	Foreign direct investment	Mar	-	\$5012m
9:30 AM	USA	Trade Balance	Mar	-\$69.2b	-\$68.9b
9:30 AM	USA	Nonfarm Productivity	1Q (P)	0.7%	3.2%
9:30 AM	USA	Unit Labor Costs	1Q (P)	3.3%	0.4%
9:30 AM	USA	Initial Jobless Claims	-	212k	207k
11:00 AM	USA	Factory Orders (MoM)	Mar	1.6%	1.4%
2:30 PM	Brazil	Foreign Exchange Flow Weekly	-	-	-
5/3/2024 Friday					
5:00 AM	Brazil	FIPE CPI (MoM)	Apr	-	0.26%
6:00 AM	Eurozone	Unemployment Rate	Mar	6.5%	6.5%
8:30 AM	Brazil	Total Outstanding Loans	Mar	-	0.2%
9:00 AM	Brazil	Industrial Production	Mar	-	-0.3%
9:30 AM	USA	Nonfarm Payrolls	Apr	250k	303k
9:30 AM	USA	Unemployment Rate	Apr	3.8%	3.8%
9:30 AM	USA	Average Hourly Earnings (MoM)	Apr	0.3%	0.3%
10:45 AM	USA	PMI	Apr (F)		
		Services		50.9	50.9
		Composite		-	50.9
11:00 AM	USA	ISM Services Index	Apr	52.0	51.4
8:45 PM	USA	Speech A. Goolsbee			



Macroeconomic projections

	2019	2020	2021	2022	2023	2024
GDP (%)	1,2	-3,3	4,8	3,0	2,9	2,1
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	3,8
Selic Rate (end of period, %)	4,50	2,00	9,25	13,75	11,75	10,25
Exchange Rate (end of period, R\$/US\$)	4,03	5,20	5,58	5,22	4,86	5,20
Current Account Transactions (US\$ billion)	-68,0	-28,2	-46,4	-53,6	-28,6	-29,8
Current Account Transactions (% of GDP)	-3,6	-1,7	-2,9	-2,8	-1,4	-1,5
Trade Balance - BCB (US\$ billion)	26,5	32,4	36,4	44,2	80,5	78,0
Foreign Direct Investment (US\$ billion)	69,2	37,8	46,4	87,2	62,0	72,0
Foreign Direct Investment (% of GDP)	3,7	2,6	2,8	4,5	2,8	3,7
Primary Result of the Central Government (R\$ billion)	-95,1	-743,3	-35,1	54,1	-249,1	-51,7
Primary Result of the Central Government (% of GDP)	-1,3	-9,8	-0,4	0,5	-2,3	-0,4
Primary Result of the Public Sector (R\$ billion)	-61,9	-703,0	64,7	126,0	-249,1	-43,2
Primary Result of the Public Sector (% of GDP)	-0,8	-9,2	0,7	1,3	-2,3	-0,4
Gross Public Debt (% of GDP)	74,4	86,9	77,3	71,7	74,3	76,5

Our team

Andrea Bastos Damico

Gustavo Rostelato

Thaís Rodrigues

Rita Milani

Ítalo Faviano

Rafaela de Sousa

Adam Tasca

Pedro Tempel

Adam Mountout

Chief economist and CEO

Economist and partner

Economist and partner

Economist

Economist

Economist

Macroeconomic analyst

Intern

Management sales

andrea@buysidebrazil.com

gustavo@buysidebrazil.com

thais@buysidebrazil.com

rita@buysidebrazil.com

italo@buysidebrazil.com

rafaela@buysidebrazil.com

adamtasca@buysidebrazil.com

pedro@buysidebrazil.com

adam@buysidebrazil.com

