

## Recent evolution in the domestic scenario indicates that the Central Bank is likely to cut 25 basis points at the next Copom decision.

### Highlights

- Except for interest rate expectations, all other variables in the Central Bank's inflation model have deteriorated since March.** Using data available up to today, the Central Bank would not converge to the target within the relevant horizon, mainly due to the recent depreciation of the exchange rate. Although current inflation appears more constructive, with more moderate results for underlying services and industrial goods, recent statements by President Roberto Campos Neto regarding the global external scenario have shown that the committee should adopt a more cautious stance given the increase in uncertainties – notably the resilience of the United States economy in the last 45 days. **This should lead the members to exclude forward guidance from the statement.**
- The counterpoint to this increased risk aversion came mainly from the FOMC this week, as the market envisioned a less restrictive environment ahead.** The committee chose to keep the Fed Funds rate unchanged at 5.25% to 5.50%, acknowledging the recent worsening of American inflation and the still robust labor market. However, the statement also signaled a reduction in the pace of Quantitative Tightening, starting in June with a monthly decrease in Treasuries from \$25 billion to \$30 billion as indicated in the previous minutes. Additionally, during his speech, Fed Chairman Jerome Powell emphasized the need for confidence in the slowdown of inflation and signaled that the paths for rate cuts or maintenance of Fed Funds depend on data convergence.
- Thus, we maintain our perspective of a more depreciated real, even as the trade balance favors external accounts.** Current account transactions recorded a deficit of \$4.6 billion in March, corresponding to -1.5% of GDP over 12 months. The negative balance of Primary Income, with more intense profit and dividend remittances and interest expenses than in February, was offset by a surplus of \$5.1 billion in the trade balance of goods. Furthermore, direct investments in the country totaled \$9.6 billion in the period, well above market expectations (\$5.6 billion), although most of it came from intercompany operations. This result, combined with other factors (such as improvements in export prices and weakness in imports), puts an upward bias on our trade balance projection.
- Nevertheless, the domestic labor market remains resilient – which is still a point of attention regarding demand.** CAGED recorded a net opening of 244,000 formal job positions in March, exceeding market expectations (193,000) and registering a record value for the period in the historical series. Despite the slowdown compared to February, the data mainly reflected growth in the Services, Industry, and Commerce sectors. As for the unemployment rate, according to PNAD data, it ended the first quarter of the year at 7.9%, advancing below market projections (8.1%). The record growth of 1.5% QoQ in real usual earnings continues to be noteworthy, especially for its impact on the monetary policy conducted by the Central Bank, which has already shown concern about the high level of earnings.

	Mar-24		BCB model for inflation (Simulation)						
	IPCA	IPCA	Δ IPCA Focus	Δ Selic	Δ BRL	Δ GDP	Δ Brent	Δ Metal	Δ Agricultural
Jun-24	4,00	4,23 ●	0,02	-0,01	0,12	0,02	0,01	0,05	0,02
Sep-24	3,70	4,04 ●	-0,01	-0,04	0,18	0,03	0,03	0,12	0,03
Dec-24	3,50	3,98 ●	-0,01	-0,06	0,23	0,04	0,05	0,18	0,05
Mar-25	3,10	3,67 ●	0,00	-0,11	0,28	0,04	0,07	0,22	0,06
Jun-25	3,10	3,55 ●	0,00	-0,13	0,20	0,02	0,09	0,22	0,05
Sep-25	3,10	3,44 ●	0,00	-0,14	0,16	0,01	0,09	0,18	0,03
Dec-25	3,20	3,44 ●	0,01	-0,15	0,15	0,00	0,08	0,13	0,03
Mar-26	3,20	3,38 ●	0,00	-0,12	0,12	-0,01	0,07	0,10	0,02
Jun-26	3,20	3,35 ●	0,00	-0,11	0,11	-0,01	0,06	0,09	0,02
Sep-26	3,20	3,32 ●	0,00	-0,09	0,09	-0,01	0,05	0,07	0,02
Dec-26	3,20	3,31 ●	0,00	-0,06	0,08	-0,01	0,04	0,05	0,01
Mar-27	3,20	3,29 ●	0,00	-0,05	0,07	-0,01	0,02	0,05	0,01



## Economic Calendar

» In **Brazil**, the highlight of the week will be the **Copom's monetary policy decision** on Wednesday. Additionally, we will have the release of the PMC and the closed IPCA for April – for which we project a 0.30% increase.

» **Internationally**, attention will be on the preliminary Consumer Confidence Index from Michigan (**USA**), which includes consumer inflation expectations. Data from the **Eurozone** and inflation in **China** will also be released.

Date	Country	Event	Period	Survey	Prior
<b>5/6/2024 Monday</b>					
5:00 AM	Eurozone	PMI Services Composite	Apr (F)	-	52.9
				-	51.4
6:00 AM	Eurozone	PPI (MoM)	Mar	-0.4%	-1.0%
8:30 AM	Brazil	Budget Surplus	Mar	-	-48.7b
2:00 PM	USA	Speech J. Williams (Fed New York)	-	-	-
<b>5/7/2024 Tuesday</b>					
6:00 AM	Eurozone	Retail Sales (MoM)	Mar	0.7%	-0.5%
8:25 AM	Brazil	Focus (Central Bank Weekly Economist Survey)	-	-	-
12:30 PM	USA	N. Kashkari Speech	-	-	-
3:00 PM	Brazil	Trade Balance Monthly	Apr	-	\$7483m
4:00 PM	USA	Consumer Credit	Mar	\$15.000b	\$14.125b
<b>5/8/2024 Wednesday</b>					
9:00 AM	Brazil	Retail Sales Restrict Broad	Mar	-	1.0%
				-	1.2%
2:30 PM	USA	L. Cook Speech	-	-	-
6:30 PM	Brazil	Selic Rate	-	-	10.75%
<b>5/9/2024 Thursday</b>					
8:00 AM	UK	Bank of England Bank Rate	-	-	5.25%
9:30 AM	USA	Initial Jobless Claims	-	212k	208k
2:30 PM	Brazil	Foreign Exchange Flow Weekly	-	-	-
<b>5/10/2024 Friday</b>					
5:00 AM	Brazil	FIPE CPI MoM	-	-	-
8:00 AM	Brazil	IGP-M (MoM)	May	-	-
9:00 AM	Brazil	IBGE Inflation IPCA (MoM)	Apr	-	0.16%
11:00 AM	USA	Conf. Board Consumer Confidence	May (P)	76.2	77.2
11:00 AM	USA	U. of Mich. 1 Yr Inflation	May (P)	3.3%	3.2%
11:00 AM	USA	U. of Mich. 5-10 Yr Inflation	May (P)	-	3.0%
1:45 PM	USA	Speech A. Goolsbee	-	-	-
3:00 PM	USA	Monthly Budget Statement	Apr	-	-\$236.5b
10:30 PM	China	PPI (YoY)	Apr	-2.3%	-2.8%
10:30 PM	China	CPI (YoY)	Apr	0.1%	0.1%



## Macroeconomic projections

	2019	2020	2021	2022	2023	2024
GDP (%)	1,2	-3,3	4,8	3,0	2,9	<b>2,1</b>
Unemployment Rate (average, %)	12,0	13,8	13,2	9,3	8,0	<b>8,1</b>
IPCA (Consumer Price Index) (%)	4,3	4,5	10,1	5,8	4,6	<b>3,8</b>
Selic Rate (end of period, %)	4,50	2,00	9,25	13,75	11,75	<b>10,25</b>
Exchange Rate (end of period, R\$/US\$)	4,03	5,20	5,58	5,22	4,86	<b>5,20</b>
Current Account Transactions (US\$ billion)	-68,0	-28,2	-46,4	-53,6	-28,6	<b>-29,8</b>
Current Account Transactions (% of GDP)	-3,6	-1,7	-2,9	-2,8	-1,4	<b>-1,5</b>
Trade Balance - BCB (US\$ billion)	26,5	32,4	36,4	44,2	80,5	<b>78,0</b>
Foreign Direct Investment (US\$ billion)	69,2	37,8	46,4	87,2	62,0	<b>72,0</b>
Foreign Direct Investment (% of GDP)	3,7	2,6	2,8	4,5	2,8	<b>3,7</b>
Primary Result of the Central Government (R\$ billion)	-95,1	-743,3	-35,1	54,1	-249,1	<b>-51,7</b>
Primary Result of the Central Government (% of GDP)	-1,3	-9,8	-0,4	0,5	-2,3	<b>-0,4</b>
Primary Result of the Public Sector (R\$ billion)	-61,9	-703,0	64,7	126,0	-249,1	<b>-43,2</b>
Primary Result of the Public Sector (% of GDP)	-0,8	-9,2	0,7	1,3	-2,3	<b>-0,4</b>
Gross Public Debt (% of GDP)	74,4	86,9	77,3	71,7	74,3	<b>76,5</b>

## 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](mailto:andrea@buysidebrazil.com)  
[gustavo@buysidebrazil.com](mailto:gustavo@buysidebrazil.com)  
[thais@buysidebrazil.com](mailto:thais@buysidebrazil.com)  
[rita@buysidebrazil.com](mailto:rita@buysidebrazil.com)  
[italo@buysidebrazil.com](mailto:italo@buysidebrazil.com)  
[rafaela@buysidebrazil.com](mailto:rafaela@buysidebrazil.com)  
[adamtasca@buysidebrazil.com](mailto:adamtasca@buysidebrazil.com)  
[pedro@buysidebrazil.com](mailto:pedro@buysidebrazil.com)  
[adam@buysidebrazil.com](mailto:adam@buysidebrazil.com)

