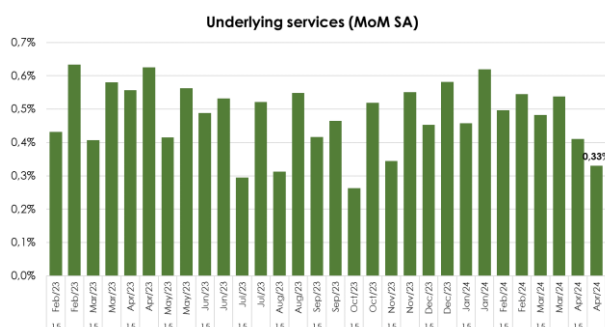
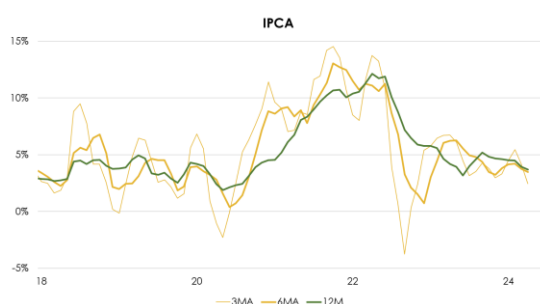


Despite the more hawkish statement tone, dissent among members was the highlight of the COPOM decision.

Highlights

- **As expected, the Central Bank reduced the Selic rate by 0.25 percentage points, shifting from 10.75% to 10.50%.** The statement struck a tougher tone, reinforcing increased uncertainties in the external scenario, especially regarding the resilience of the United States economy, and highlighting the greater dynamism of the domestic scenario, with the robustness of economic activity and labor market. The committee also emphasized the importance of a credible fiscal policy, committed to debt sustainability, which contributes to reducing the risk premium and anchoring inflation expectations, currently not within the target range. Thus, the committee chose to slow down the pace of interest rate cuts, adopting a more cautious stance and emphasizing monetary policy should remain contractionary until the disinflation process and anchoring of expectations materialize.
- **Although the decline magnitude was already priced in by the market, dissent among voters intensified debates about the horizon of monetary policy conduction.** From 9 members, 5 voted in favor of a 0.25 percentage point reduction, while the others voted for a 0.50 percentage point reduction, as signaled by the COPOM last March. It is worth noting that forward guidance was conditioned on the maintenance of the baseline scenario expected by the Central Bank, which, according to the statement, has changed. Additionally, the guidance had already been somewhat relaxed by President Roberto Campos Neto, who during the IMF meeting in mid-April explicitly outlined the possible scenarios for rate cuts depending on the evolution of economic data. Thus, despite the debate about how significant the changes of the last 45 days were, the divergence highlight pointed to the more dovish position adopted by members appointed by President Luiz Inácio Lula da Silva, who will become the majority of voters next year. In this sense, dissent supported a more aggressive interest rate cut stance, starting in 2025, aligned with the government's position.
- **With no indications of the next steps from the committee, we maintain for now our scenario of another 0.25 percentage point cut at the next meeting, with the terminal rate at 10.25%.** Economic activity in the United States remains heated, with inflation and labor market data still soaring, which we believe is not consistent with Fed Funds rate cuts. Thus, the impact via currency depreciation should affect BC's inflation model, requiring a higher Selic rate to anchor expectations. We acknowledge that the bias for interest rates, especially for next year, is downward, but we will wait for the minutes of the meeting next Tuesday for any scenario adjustment.
- **On the inflation side, the IPCA headline for April corroborates the Central Bank's inflation upward revision.** The index rose by 0.38% MoM, above market consensus (0.35%), with surprises concentrated in ex-core items, keeping the more constructive view of current inflation unchanged. The upward contribution came from Administered prices, with a significant impact from Gasoline (+8bps), although Subdued Services cooled down on the margin in both original and seasonally adjusted data. In the COPOM statement, the committee revised monitored expectations to 4.8% in 2024 and 4.0% in 2025, while headline inflation moved to 3.8% in 2024 and 3.3% in 2025, from 3.5% and 3.2%, respectively.



Economic Calendar

» In Brazil, attention will be turned to the release of the **COPOM meeting minutes** on Tuesday, along with economic activity data such as the **PMS, IBC-BR, and the GDP Monitor**.

» Internationally, focus on activity and inflation data in the **United States**, especially the **CPI and the PPI**. Meanwhile, in China, there will be the release of industry and employment data.

Date	Country	Event	Period	Survey	Prior
5/13/2024 Monday					
8:25 AM	Brazil	Focus (Central Bank Weekly Economist Survey)	-	-	-
3:00 PM	Brazil	Trade Balance Weekly	-	-	\$1078m
5/14/2024 Tuesday					
6:00 AM	Eurozone	ZEW Survey Expectations	May	-	43.9
8:00 PM	Brazil	Central Bank Meeting Minutes	May	-	-
9:00 AM	Brazil	IBGE Services Volume (MoM)	Mar	0.2%	-0.9%
9:30 AM	USA	PPI (MoM)	Apr	0.3%	0.2%
		Core (MoM)		0.2%	0.2%
11:00 AM	USA	J. Powell Speech	-	-	-
5/15/2024 Wednesday					
6:00 AM	Eurozone	GDP (QoQ)	1Q (P)	0.3%	0.3%
6:00 AM	Eurozone	Employment (QoQ)	1Q (P)	-	0.3%
6:00 AM	Eurozone	Industrial Production (MoM)	Mar	0.2%	0.8%
9:00 AM	Brazil	Economic Activity (MoM)	Mar	0.00%	0.40%
9:30 AM	USA	Empire Manufacturing	May	-10.0	-14.3
9:30 AM	USA	CPI (MoM)	Apr	0.4%	0.4%
		Core (MoM)		0.3%	0.4%
9:30 AM	USA	Retail Sales (MoM)	Apr	0.4%	0.7%
11:00 AM	USA	NAHB Housing Market Index	May	51	51
2:30 PM	Brazil	Foreign Exchange Flow Weekly	-	-	-
5/16/2024 Thursday					
8:00 AM	Brazil	IGP-10 (PPI MoM)	May	-	-0.33%
9:30 AM	USA	Initial Jobless Claims	-	219k	231k
9:30 AM	USA	Housing Starts	Apr	1433k	1321k
9:30 AM	USA	Building Permits	Apr	1489k	1458k
9:30 AM	USA	New York Fed Services Business Activity	May	-	-0.6
9:30 AM	USA	Philadelphia Fed Business Outlook	May	6.3	15.5
10:15 AM	USA	Industrial Production (MoM)	Apr	0.2%	0.4%
10:15 AM	Brazil	GDP Monitor (FGV)	Mar	-	0.8%
10:30 PM	China	New Home Prices (MoM)	Apr	-	-0.34%
11:00 PM	China	Industrial Production (YoY)	Apr	5.5%	4.5%
11:00 PM	China	Retail Sales (YoY)	Apr	3.7%	3.1%
11:00 PM	China	Fixed Assets Ex-Rural YTD (YoY)	Apr	4.7%	4.5%
11:00 PM	China	Property Investment YTD (YoY)	Apr	-9.6%	-9.5%
11:00 PM	China	Residential Property Sales YTD (YoY)	Apr	-	-30.7%
11:00 PM	China	Unemployment Rate	Apr	5.2%	5.2%
5/17/2024 Friday					
5:00 AM	Brazil	FIPE CPI (MoM)	-	-	0.20%
6:00 AM	Eurozone	CPI (MoM)	Apr (F)	0.6%	0.6%
11:00 AM	USA	Leading Index	Apr	-0.3%	-0.3%



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

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