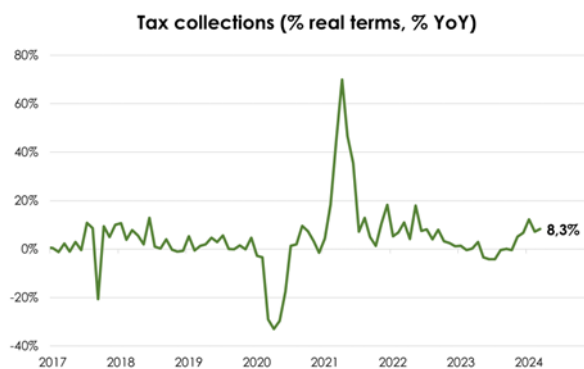


Still heated economic activity data (PMIs) in the United States corroborate a more hawkish view of FED members.

Highlights

- **The uncertainty regarding the persistence of U.S. inflation sustained the hawkish tone of the FOMC minutes released last Wednesday (22).** Committee members acknowledged that the disinflationary trajectory is slower than expected, especially in core services, while economic activity and labor market data remained heated. The officials' concern focused on the effectiveness of the current interest rate in controlling current inflation, raising debates about the level of restrictiveness of the Fed Funds rates, the appropriate timing to start easing the monetary cycle, and the eventual possibility of raising rates if inflation risks materialize, which reinforced the economic agents' perception of high-interest rates for a longer period. It is noteworthy that the FOMC meeting occurred before the release of April's inflation and labor market data, which suggest a less heated economy with some room for lower interest rates. However, the upside surprises in May's PMI data, particularly in the services sector, indicate that U.S. economic activity is likely to remain robust in the second quarter of the year, consistent with our scenario of Fed Funds easing rates only in 2025.
- **In Brazil, Monetary Policy Committee (Copom) members speeches reinforced the commitment to converging inflation to the target and the need for caution in conducting the next steps.** In interviews following the release of the Copom minutes, the officials emphasized the technical nature of the dissent among voters, strengthening the view that all are committed to anchoring inflation expectations. Members reiterated the next move would depend on the evolution of the external and internal economic scenarios, and the absence of signals for upcoming meetings would be important for the flexibility of monetary policy and for keeping Central Bank's credibility. Therefore, we expect only an additional 25 bps cut in the Selic rate at the next meeting in June.
- **Finally, on the fiscal front, both robust revenue collection in April and the release of Bimonthly Revenue and Expenditure Report were the highlights of the week.** Federal revenue collection in April reached a new record, with a real increase of 8.3% compared to the previous year. The main contributors to the increase were PIS, Cofins, and Import Tax revenues, as well as growth in labor market-related collections. In the bimonthly report, the government revised its 2024 primary deficit expectation from R\$ 9.3 billion to R\$ 14.5 billion, remaining within the target limit. Although the zero-fiscal deficit target has not been changed, the shift in the deficit level pressures for changes in the coming months. Additionally, the government reversed the freeze on ministry expenses approved in March, releasing R\$2.9 billion for the budget. Thus, there was an increase of R\$ 24.4 billion in projected expenditures, while revenues increased by R\$ 16 billion. It is important to note that extraordinary expenses approved to mitigate the impacts of Rio Grande do Sul floods were not considered in this report. Incorporating these extraordinary credit measures directed to the state, we revise our central government's primary deficit expectation from R\$ 61.9 billion to R\$ 75.5 billion in 2024, equivalent to -0.65% of GDP. For 2025, we expect the primary result to reach R\$ -80.5 billion (-0.66% of GDP).



Source: Brazilian Federal Revenue, Buysidebrazil.



Economic Calendar

» Domestically, highlight to the release of the **IPCA-15 for May**, for which we project a **0.47% MoM** increase, along with labor market data from CAGED and PNAD. Additionally, the Central Bank will release financial notes on Credit and Fiscal Policy.

» Internationally, attention will be focused on **GDP and PCE data in the United States**, CPI and Unemployment Rate in the Eurozone, and PMI data from China.

Date	Country	Calendar Event	Period	Survey	Prior
5/27/2024 Monday					
5:00 AM	Germany	IPO Business Climate	May	-	89.4
5:00 AM	Brazil	FIPE CPI - Weekly	-	-	0.12%
8:00 AM	Brazil	Construction Confidence	May	-	-
8:25 AM	Brazil	Focus (Central Bank Weekly Economist Survey)	-	-	-
8:30 AM	Brazil	Total Outstanding Loans	Apr	-	1.2%
3:00 PM	Brazil	Trade Balance Weekly	-	-	\$1131m
5/28/2024 Tuesday					
8:00 AM	Brazil	Industry Confidence	May	-	-
9:00 AM	Brazil	IBGE Inflation IPCA-15 MoM	May	0.47%	0.21%
10:55 AM	USA	N. Kashkari Speech	-	-	-
11:00 AM	USA	Conf. Board Consumer Confidence	May	-	97.0
11:30 AM	USA	Dallas Fed Manf. Activity	May	-	-14.5
5/29/2024 Wednesday					
8:00 AM	Brazil	IGP-M (MoM)	May	-	0.31%
8:00 AM	Brazil	Commerce Confidence	May	-	-
8:00 AM	Brazil	Services Confidence	May	-	-
9:00 AM	Brazil	National Unemployment Rate	Apr	7.8%	7.9%
11:00 AM	USA	Richmond Fed Manufact. Index	May	-	-7
11:00 AM	USA	Richmond Fed Business Conditions	May	-	-6
11:30 AM	USA	Texas Services Sector Outlook	May	-	-10.6
2:30 PM	Brazil	Foreign Exchange Flow Weekly	-	-	-
3:00 PM	USA	Federal Reserve Releases Beige Book	-	-	-
5/30/2024 Thursday					
6:00	Euro Zone	Unemployment Rate	Apr	-	6.5%
9:30	USA	GDP (QoQ)	1Q S	1.3%	1.6%
9:30	USA	Personal Consumption (QoQ)	1Q S	2.2%	2.5%
9:30	USA	Initial Jobless Claims	-	-	-
9:30	USA	Trade Balance	Apr	-\$91.4b	-\$91.8b
13:05	USA	Speech J. Williams (Fed New York)	-	-	-
17:30	USA	Speech L. Logan (Fed Dallas)	-	-	-
10:30 PM	China	Composite PMI	May	-	51.7
		Manufacturing PMI	May	-	50.4
		Non-manufacturing PMI	May	-	51.2
5/31/2024 Friday					
8:30	Brazil	Primary Budget Balance	Apr	-	-
6:00	Euro Zone	CPI MoM	May P	-	-
9:30	USA	Personal Spending (MoM)	Apr	0.3%	0.5%
9:30	USA	PCE price index (MoM)	Apr	0.3%	0.8%
9:30	USA	Core PCE price index (MoM)	Apr	0.3%	0.3%
TBA					
-	Brazil	Formal Job Creation Total	Apr	205k	244k
-	Brazil	Central Govt Budge Balance	Apr	12.8b	-1.5b
-	Brazil	Federal Debt Total	Apr	-	6638b



Macroeconomic projections

	2019	2020	2021	2022	2023	2024	2025
GDP (%)	1,2	-3,3	4,8	3,0	2,9	1,9	2,0
Unemployment Rate (average, %)	12,0	13,8	13,2	9,3	8,0	7,6	7,8
IPCA (Consumer Price Index) (%)	4,3	4,5	10,1	5,8	4,6	3,8	3,5
Selic Rate (end of period, %)	4,50	2,00	9,25	13,75	11,75	10,25	9,25
Exchange Rate (end of period, R\$/US\$)	4,03	5,20	5,58	5,22	4,86	5,20	5,10
Current Account Transactions (US\$ billion)	-68,0	-28,2	-46,4	-53,6	-28,6	-36,0	-24,6
Current Account Transactions (% of GDP)	-3,6	-1,7	-2,9	-2,8	-1,4	-1,9	-1,2
Trade Balance - BCB (US\$ billion)	26,5	32,4	36,4	44,2	80,5	78,0	84,1
Foreign Direct Investment (US\$ billion)	69,2	37,8	46,4	87,2	62,0	68,0	72,0
Foreign Direct Investment (% of GDP)	3,7	2,6	2,8	4,5	2,8	3,5	3,6
Primary Result of the Central Government (R\$ billion)	-95,1	-743,3	-35,1	54,1	-249,1	-61,9	-90,5
Primary Result of the Central Government (% of GDP)	-1,3	-9,8	-0,4	0,5	-2,3	-0,5	-0,7
Primary Result of the Public Sector (R\$ billion)	-61,9	-703,0	64,7	126,0	-249,1	-53,4	-70,5
Primary Result of the Public Sector (% of GDP)	-0,8	-9,2	0,7	1,3	-2,3	-0,5	-0,6
Gross Public Debt (% of GDP)	74,4	86,9	77,3	71,7	74,3	77,1	79,7

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