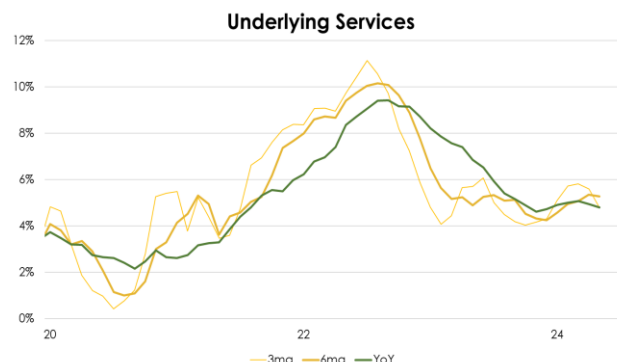
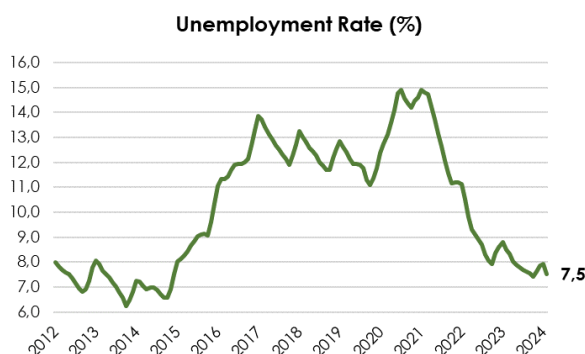


Although the domestic labor market remains strong, underlying inflation makes space for the last cut in the Selic rate.

Highlights

- » **April's labor market data continued to surprise pointing to high dynamism.** The payroll (CAGED) howed a net creation of 240 thousand formal jobs in the month, above the market consensus which expected an increase of 210 thousand. Job openings above seasonality were widespread across sectors, indicating a resilient labor market for the second half of the year. In the PNAD, the unemployment rate fell to 7.5% in April, the lowest level for the quarter since 2014. The employed population increased by 0.6% during the period, while real habitual earnings grew by 4.7% year-over-year, marking another record in the historical series. It is important to note that the continuous wage growth raises doubts about the speed and magnitude of a potential impact on service inflation, a factor closely monitored by the Central Bank in recent monetary policy meeting minutes.
- » **However, current inflation continues to indicate a more constructive trajectory for underlying inflation, making space for another Selic cut at the next meeting.** The IPCA-15 for May recorded an increase of 0.44%, below our projection and the market median (0.47%). Compared to our number, the surprises were concentrated in ex-core items, with a notable downward impact from Airline Tickets and Food at Home, while a more intense rise in Gasoline offset a more significant cooling of the headline. After upward pressures concentrated at the beginning of the year, underlying services losing steam and it reinforces our view of a slowdown for the group in the coming months. Thus, we understand that the recent data supports our monetary policy scenario, with an additional 25 bps cut at the June meeting and stability at the 10.25% level until next year. Although current inflation appears more positive, uncertainties regarding international economic developments and the resilience of domestic activity should keep the terminal rate elevated for a longer period.
- » **Along with the revision of the 1st quarter GDP, April's inflation data indicate that U.S. consumption is slowing down.** The growth in the United States for the first three months of the year was revised from 1.6% to 1.3% on an annualized basis, in line with market expectations. The new data highlighted consumer spending, which, although still robust, slowed to 2% compared to 3.3% in the previous quarter, while previously released data pointed to a reduction to the 2.5% level. On the inflation side, April's PCE result corroborated the slowdown narrative, albeit more slowly. The headline remained stable at 0.3% for the month, while the core slowed to 0.2% MoM. The composition of the number was more benign, with the improvement in April mainly explained by cooling in services, while the supercore slowing from 0.42% to 0.26% MoM, driven mainly by airfares. However, despite the marginal relief, the level of inflation in the three-month annualized moving average remains quite high, while on a year-over-year basis, the disinflation trajectory is slower than expected. Thus, from a monetary policy perspective, current data should dissipate the FED's concerns about the need for a potential rate hike, although the more prolonged convergence of inflation implies restrictive rates for a longer period.



Source: IBGE, Buysidebrazil.



Economic Calendar

» On the domestic environment, the highlight is the release of the **1st quarter GDP for 2024, where we expect a 0.7% margin increase**. Additionally, the monthly Trade Balance data for May and the April Industrial Survey will be released.

» **Internationally**, the attention will be on **U.S. employment data**, with JOLTS, ADP, and Payroll, as well as ISM data for the industry and services. In the **Eurozone**, highlights include the **monetary policy decision and the 1Q24 GDP**.

Date	Country	Event	Period	Survey	Prior
6/3/2024 Monday					
5:00 AM	Eurozone	Manufacturing PMI	May (F)	47.4	47.4
8:25 AM	Brazil	Focus (Central Bank Weekly Economist Survey)	-	-	-
10:45 AM	USA	Manufacturing PMI	May (F)	50.9	50.9
11:00 AM	USA	Construction Spending (MoM)	Apr	0.2%	-0.2%
11:00 AM	USA	ISM Manufacturing	May	49.7	49.2
6/4/2024 Tuesday					
5:00 AM	Brazil	FIPE CPI (MoM)	May	-	0.33%
9:00 AM	Brazil	GDP (QoQ)	1Q	0.7%	0.0%
11:00 AM	USA	JOLTs Job Openings	Apr	8400k	8488k
11:00 AM	USA	Factory Orders (MoM)	Apr	0.6%	1.6%
10:45 PM	China	PMI	May	-	52.8
		Composite		-	52.6
		Non-manufacturing		52.6	52.5
6/5/2024 Wednesday					
5:00 AM	Eurozone	PMI	May (F)	-	-
		Non-manufacturing		53.3	53.3
		Composite		52.3	52.3
6:00 AM	Eurozone	PPI MoM	Apr	-0.6%	-0.4%
9:00 AM	Brazil	Industrial Production	Apr	-	0.9%
9:15 AM	USA	ADP Employment Change	May	180k	192k
10:45 AM	USA	PMI	May (F)	-	-
		Non-manufacturing		54.8	54.8
		Composite		-	54.4
11:00 AM	USA	ISM Services Index	May	51.0	49.4
2:30 PM	Brazil	IC-Br (MoM)	May	-	5.86%
2:30 PM	Brazil	Foreign Exchange Flow Weekly	-	-	-
6/6/2024 Thursday					
6:00 AM	Eurozone	Retail Sales (MoM)	Apr	-0.2%	0.8%
9:15 AM	Eurozone	ECB Mayn Refinancing Rate	-	3.75%	4.00%
9:30 AM	USA	Nonfarm Productivity	1Q (F)	0.3%	0.3%
9:30 AM	USA	Unit Labor Costs	1Q (F)	4.7%	4.7%
9:30 AM	USA	Trade Balance	Apr	-\$75.1b	-\$69.4b
9:30 AM	USA	Initial Jobless Claims	-	220k	219k
3:00 PM	Brazil	Trade Balance Monthly	May	-	\$9041m
6/7/2024 Friday					
6:00 AM	Eurozone	GDP (QoQ)	1Q (F)	0.3%	0.3%
6:00 AM	Eurozone	Employment (YoY)	1Q (F)	-	1.0%
8:00 AM	Brazil	FGV Inflation IGP-DI (MoM)	May	-	0.72%
9:30 AM	USA	Nonfarm Payrolls	May	180k	175k
9:30 AM	USA	Unemployment Rate	May	3.9%	3.9%
9:30 AM	USA	Average Hourly Earnings MoM	May	0.3%	0.2%
4:00 PM	USA	Consumer Credit	Apr	\$10.200b	\$6.274b



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	-75,5	-80,5
Primary Result of the Central Government (% of GDP)	-1,3	-9,8	-0,4	0,5	-2,3	-0,7	-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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