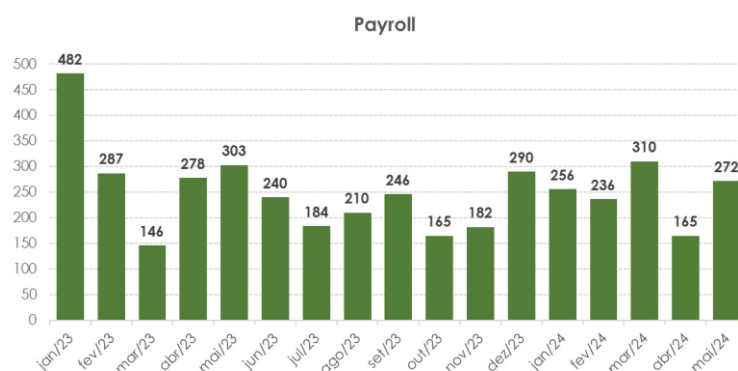
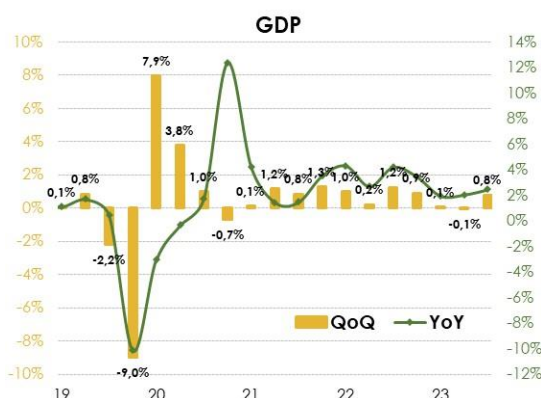


## Evolution of the Economic Scenario and Speeches Suggest a Pause in Monetary Easing

### Highlights

- **This week, the GDP release for the first quarter of 2024 reinforced the resilience of domestic activity.** The 0.8% QoQ growth (slightly above the 0.7% expected) was driven by the agricultural sector (11.3%), but services also indicated continued positive contributions – driven by consumer income, according to labor market data. Additionally, better credit conditions tend to remain a vector for consumption boosting, even though market expectations for the year were revised downward after the catastrophes in Rio Grande do Sul. This dynamic was corroborated by the May trade balance result, which recorded a surplus of \$8.5 billion in the month and, once again, showed robust imports (+5.3% YoY). Thus, activity continues to bring uncertainties regarding new inflationary pressures.
- **Adding to this is the unanchoring of inflation expectations in recent weeks, which were accompanied by tougher speeches from BC members.** Despite the benign dynamics of current inflation, a series of factors contributed to economic agents increasing their inflation forecasts over the relevant horizon. Besides the possible inflationary shock in food, derived from the rains in the south of Brazil, the medium-term fiscal risk remains high. In the last minutes, Copom highlighted that the perception regarding public accounts had worsened – which may have contributed to the deterioration of expectations – and since then, this increased risk aversion has supported further depreciation of the real, even when there was an improvement in the external environment. If this week's average is maintained, the committee's inflation modeling would already point to a significant worsening via exchange rate compared to May. Thus, in addition to some revision of the institution's base scenario, the alignment of speeches – even from the more dovish voters – shows that the unanchoring of expectations should be predominant in the June decision, despite of benign vectors, such as the raising market consensus regarding interest rates.
- **On the external front, Payroll confirmed the increased likelihood of a more cautious Central Bank stance.** Although other data throughout the week indicated a lesser heating of the labor market in the US, the payroll creation in May was much higher than expected (272k vs est. 180k). Alongside this, there was also an upside surprise in wages, which rose 0.4% on the margin (above the consensus, 0.3%), with services standing out. This sector, in fact, also showed more strength in the ISM (53.8%), indicating a positive activity outlook and signs of resilient inflation. Thus, consumption should continue as a point of attention for the Fed, corroborating our estimate that there will be no cut in US interest rates this year. Therefore, this tends to be another argument towards more restrictive domestic interest rates, as already commented by the BC president in recent interviews.



Source: IBGE, BLS, Buysidebrazil



## Economic Calendar

» **In Brazil**, the highlight to the release of the **May IPCA**, the last inflation data before the next Copom meeting. We expect a 0.41% increase, with stability in underlying services and the average of core measures relative to the IPCA-15, but the risk asymmetry is upward.

» **Internationally**, the main economic data to be released will be the **US May CPI**, which will be followed by the FOMC interest rate decision. Additionally, inflation data from China will also be released.

Date	Country	Event	Period	Survey	Prior
<b>6/10/2024 Monday</b>					
8:25 AM	Brazil	Focus (Central Bank Weekly Economist Survey)	-	-	-
12:00 PM	USA	U. of Mich. 1 Yr Inflation	May	-	3.26%
3:00 PM	Brazil	Trade Balance Weekly	-	-	\$2734m
<b>6/11/2024 Tuesday</b>					
5:00 AM	Brazil	FIPE CPI (MoM)	-	-	0.04%
7:00 AM	USA	NY Fed 1-Yr Inflation Expectations	May	89.5	89.7
8:00 AM	Brazil	IGP-M (MoM)	Jun	0.59%	-
<b>9:00 AM</b>	<b>Brazil</b>	<b>IBGE Inflation IPCA (MoM)</b>	<b>May</b>	<b>0.42%</b>	<b>0.38%</b>
<b>10:30 PM</b>	<b>China</b>	<b>PPI (YoY)</b>	<b>May</b>	<b>-1.5%</b>	<b>-2.5%</b>
<b>10:30 PM</b>	<b>China</b>	<b>CPI (YoY)</b>	<b>May</b>	<b>0.4%</b>	<b>0.3%</b>
<b>6/12/2024 Wednesday</b>					
9:00 AM	Brazil	IBGE Services Volume (MoM)	Apr	-	0.4%
9:30 AM	USA	CPI (MoM)	May	0.1%	0.3%
		Core (MoM)		0.3%	0.3%
2:30 PM	Brazil	Foreign Exchange Flow Weekly	-	-	-
<b>3:00 PM</b>	<b>USA</b>	<b>FOMC Rate Decision</b>	-	<b>5.50%</b>	<b>5.50%</b>
3:00 PM	USA	Monthly Budget Statement	May	-	\$209.5b
3:30 PM	USA	J. Powell Speech	-	-	-
<b>6/13/2024 Thursday</b>					
6:00 AM	Eurozone	Industrial Production (MoM)	Apr	0.2%	0.6%
<b>9:00 AM</b>	<b>Brazil</b>	<b>Retail Sales (MoM)</b>	Apr	-	0.0%
<b>9:00 AM</b>	<b>Brazil</b>	<b>Retail Sales Broad (MoM)</b>	Apr	-	-0.3%
9:30 AM	USA	Initial Jobless Claims	-	220k	229k
<b>9:30 AM</b>	<b>USA</b>	<b>PPI (MoM)</b>	<b>May</b>	<b>0.1%</b>	<b>0.5%</b>
		<b>Core (MoM)</b>		<b>0.3%</b>	<b>0.5%</b>
1:00 PM	USA	J. Williams & Yellen Speech	-	-	-
<b>6/14/2024 Friday</b>					
6:00 AM	Eurozone	Trade Balance	Apr	-	17.3b
11:00 AM	USA	Conf. Board Consumer Confidence	Jun (P)	73.0	69.1
3:00 PM	USA	Speech A. Goolsbee	-	-	-
-	<b>Japan</b>	<b>BOJ Target Rate (Upper Bound)</b>	-	<b>0.10%</b>	<b>0.10%</b>



## Macroeconomic projections

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

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