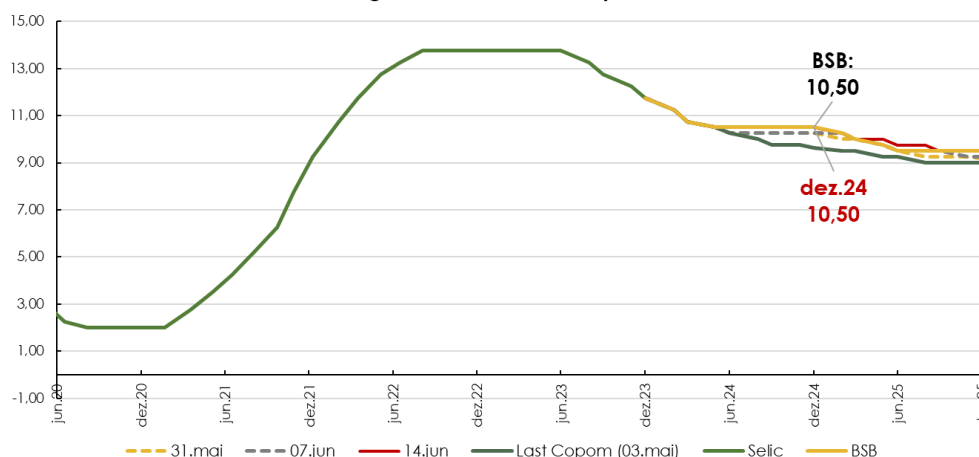


Unanimity among COPOM members reinforces the Central Bank's autonomy.

Highlights

- » **As expected, the monetary policy committee maintained the basic interest rate at 10.50% per annum, halting the downward cycle that began in mid-2023.** Adopting a tougher tone in the statement, the members acknowledged that the external scenario remains adverse while the domestic economic activity has performed better than expected, particularly in the labor market which remains quite heated. On the inflation side, the committee revised the IPCA forecasts from 3.8% to 4.0% in 2024 and from 3.3% to 3.4% in 2025, also simulating an alternative scenario with a stable Selic rate over the relevant horizon, which would bring the 2025 projection to around 3.1%, close to the target, but still above it. The statement emphasized the continuous expansion of the expectations de-anchoring and highlighted the committee's commitment to reversing this process, with the members unanimously voting for keeping the current interest rate level.
- » **In this regard, the consensus among voters helped dispel noises of political influence from the current government on COPOM, in a week marked by speeches from the President of the Republic criticizing the institution.** In press interviews, President Lula was quite incisive in contesting the actions of Central Bank President Roberto Campos Neto and the current high level of interest rates, which is not aligned with the government's view of stimulating investments. Amid discussions about expense adjustments and measures to compensate for the sectoral tax exemptions, the noises from the government generated more market volatility, particularly impacting the exchange rate channel. In the statement, the committee reiterated that it closely monitors fiscal developments and stressed the need for credible fiscal policy to help anchor expectations. It is important to note that the alternative scenario presented by the Central Bank used an exchange rate of R\$5.30, which if unchanged, would bring the 2025 inflation projection very close to the target. However, with the recent depreciation of the Real to R\$5.45 due to political noise, the Central Bank's inflation model projection would undergo another upward revision.
- » **Finally, without the constraints of forward guidance, the commitment to re-anchor expectations will dictate the Central Bank's actions in upcoming meetings.** The committee adopted a vigilant stance and emphasized that monetary policy should remain contractionary until the process of convergence of current and future inflation to the target occurs, not ruling out the possibility of occasional interest rate adjustments to achieve this goal. Thus, for now, we believe that the 10.50% Selic rate should remain stable until the end of the year, with rate cuts resuming only in 2025.

Selic Target - FOCUS Market Expectations



Source: BCB, Buysidebrazil



Economic Calendar

» In **Brazil**, the week will be marked by the release of the **COPOM minutes**, the **Quarterly Inflation Report**, and the **IPCA-15** for June, which we expect to **increase by 0.50% MoM**. Additionally, labor market data and the Central Bank's economic-financial notes for May will be

released.

» **Internationally**, the highlight will be the release of **May's PCE** and **the revision of the first quarter GDP** of the United States.

Date	Country	Event	Period	Survey	Prior
6/24/2024 Monday					
8:00 AM	Brazil	Consumer Confidence	Jun	-	-
8:25 AM	Brazil	Focus (Central Bank Weekly Economist Survey)	-	-	-
8:30 AM	Brazil	Current Account	Mai	-\$3300m	-\$2516m
8:30 AM	Brazil	Foreign direct investment	Mai	\$4900m	\$3867m
11:30 AM	USA	Dallas Fed Manf. Activity	Jun	-15.0	-19.4
3:00 PM	Brazil	Trade Balance Weekly	-	-	\$1986m
3:00 PM	USA	M. Daly Speech	-	-	-
6/25/2024 Tuesday					
5:00 AM	Brazil	Mid-Month CPI (MoM)	-	-	0.38%
8:00 AM	Brazil	Central Bank Meeting Minutes	-	-	-
8:00 AM	Brazil	Construction Confidence	Jun	-	-
8:00 AM	Brazil	Consumer Confidence	Jun	-	89.2
9:30 AM	USA	Services Confidence	Jun	-	-0.6
9:30 AM	USA	Chicago Fed Nat Activity Index	Mai	-0.25	-0.23
10:00 AM	USA	House Price Index (MoM)	Abr	0.30%	0.33%
11:00 AM	USA	Conf. Board Consumer Confidence	Jun	100.0	102.0
11:00 AM	USA	Richmond Fed Manufact. Index	Jun	-3	0
6/26/2024 Wednesday					
8:00 AM	Brazil	Industry Confidence	Jun	-	-
8:30 AM	Brazil	Total Outstanding Loans	Mai	-	0.2%
9:00 AM	Brazil	IPCA-15 (MoM)	Jun	0.45%	0.44%
11:00 AM	Brazil	Federal Debt Total	Mai	-	6704b
11:00 AM	USA	New Homes Sales (MoM)	Mai	2.5%	-4.7%
2:30 PM	Brazil	Foreign Exchange Flow Weekly	-	-	-
3:00 PM	Brazil	Central Govt Budget Balance	Mai	-	11.1b
10:30 PM	China	Chinese Industrial profit YTD	Mai	-	4.0%
6/27/2024 Thursday					
6:00 AM	Eurozone	Economic Confidence	Jun	96.0	96.0
8:00 AM	Brazil	BCB Inflation Report	-	-	-
8:00 AM	Brazil	FGV Inflation IGP-M MoM	Jun	0.88%	0.89%
8:00 AM	Brazil	Services Confidence	Jun	-	-
8:00 AM	Brazil	Commerce Confidence	Jun	-	-
9:30 AM	USA	GDP (QoQ)	1Q T	1.4%	1.3%
9:30 AM	USA	Initial Jobless Claims	-	235k	238k
12:00 PM	USA	Manufacturing Conficende	Jun	-	-2
-	Brazil	Formal Job Creation Total	Mai	200000	240033
6/28/2024 Friday					
7:00 AM	USA	Speech T. Barkin (Fed Richmond)	-	-	-
8:30 AM	Brazil	Budget Surplus	Mai	-54.5b	6.7b
9:00 AM	Brazil	National Unemployment Rate	Mai	7.3%	7.5%
9:30 AM	USA	Personal Income (MoM)	Mai	0.4%	0.3%
9:30 AM	USA	Personal Spending	Mai	0.3%	0.2%
9:30 AM	USA	PCE Deflator (MoM)	Mai	0.0%	0.3%
9:30 AM	USA	PCE Core Deflator MoM	Mai	0.1%	0.2%
11:00 AM	USA	Conf. Board Consumer Confidence	Jun (F)	66.0	65.6
12:00 PM	USA	Kansas City Fed Services Activity	Jun	-	11



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	10,50	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 GD	-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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