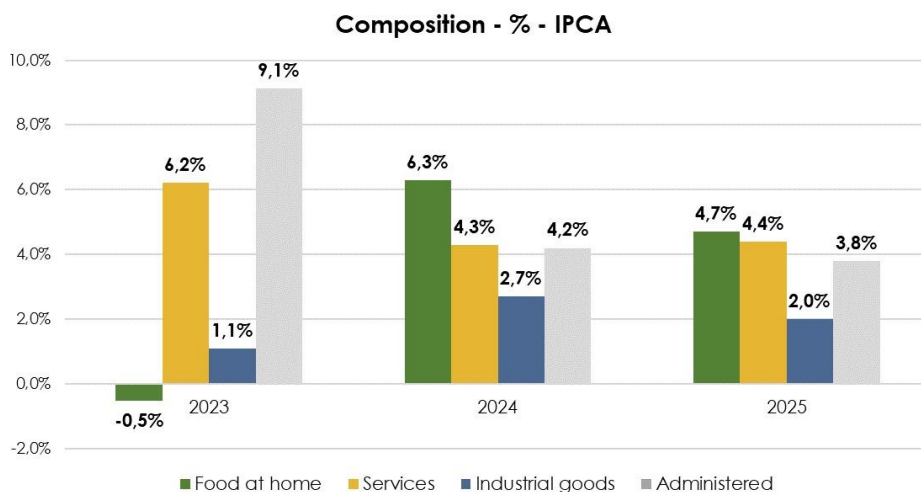


We revised our exchange rate projection for 2024 to R\$ 5.40, and IPCA should rise this year and next year.

Highlights

- **The more constructive bias for the exchange rate arising from the robustness of external accounts lost momentum in the second quarter of the year.** The May balance of payments result showed a US\$ 3.4 billion deficit, in line with market expectations. The worsening, compared to April, was mainly due to the deterioration of the services and income balance, with the deepening in other services and profit remittances breakdown, and a weaker direct investment in the country on the financial account side, with a significant capital participation drop in May. In this regard, the Central Bank revised expectations for current transactions for 2024 in the Quarterly Inflation Report, highlighting the worsening of services profits and dividends, as well as the revision of FDI to US\$ 65 billion compared to US\$ 70 billion published in March. As a result, without prospects for structural improvements and amid a weakened political and fiscal scenario, we believe that the BRL will end the year at R\$ 5.40 and R\$ 5.30 in 2025. We will detail our assumptions for this scenario more precisely in our Special Report on exchange rates and external accounts, to be published early next week.
- **On the inflationary side, incorporating the exchange rate pass-through, we raised our IPCA projection from 3.8% to 4.1% for 2024 and from 3.5% to 3.7% for 2025.** In food at home, although short-term pressures due to the impacts of the rains in Rio Grande do Sul will dissipate in the next releases, the exchange rate effect, according to the Central Bank's metrics, should keep food prices higher in the second half of the year, raising our estimate for the group to 6.3% in 2024 and 4.7% in 2025. Additionally, the industrial goods segment should end 2024 at 2.7%, as the core of industrial IPA in wholesale has not yet shown clear signs of cooling throughout the year.
- **Finally, without the direct impact of the exchange rate, underlying metrics and labor-intensive sectors continue to indicate a slower deceleration of services.** The sharp cooling of the group in the IPCA-15 in June was mainly driven by airfare deflation, a very volatile item within the index. Without this factor, the core change in services remained relatively stable, with pressures mainly coming from food outside the home. In labor-intensive sectors, the slight deceleration at the margin collides with a new downside surprise in the May unemployment rate, reaching 7.1% in the quarter. With a new increase in real income, reaching 5.6% for the year, the impacts of the labor market on inflation remain uncertain. Thus, we revised our service expectation from 4.2% to 4.3% in 2024, ending 2025 at 4.4%.



Economic Calendar

» **In Brazil**, the lighter agenda will highlight the release of the May **Industrial Production Survey** and the consolidated data of the **June Trade Balance**.

» **Internationally**, the highlight will be the release of **employment data** in the **United States**, as well as the **ISM Services** and the **FOMC Minutes**. In the Eurozone, the highlight will be inflation and unemployment data, while in China the PMI data will be released.

Date	Country	Event	Period	Survey	Prior
6/24/2024 Monday					
5:00 AM	Eurozone	Manufacturing PMI	Jun (F)	45.6	45.6
8:25 AM	Brazil	Focus (Central Bank Weekly Economist Survey)	-	-	-
10:45 AM	USA	Manufacturing PMI	Jun (F)	51.7	51.7
11:00 AM	USA	Construction Spending (MoM)	May	0.3%	-0.1%
11:00 AM	USA	ISM Manufacturing	Jun	49.2	48.7
6/25/2024 Tuesday					
5:00 AM	Brazil	FIPE CPI (MoM)	Jun	-	0.09%
6:00 AM	Eurozone	CPI MoM	Jun (P)	0.2%	0.2%
6:00 AM	Eurozone	Unemployment Rate	May	6.4%	6.4%
10:30 AM	-	J. Powell (Fed), C. Lagarde (BCE) and R.C. Neto (BCB) Speech	-	-	-
11:00 AM	USA	JOLTs Job Openings	May	7864k	8059k
10:45 PM	China	Caixin PMI	Jun	-	54.1
		Composite PMI		53.4	54.0
		Non-manufacturing PMI			
6/26/2024 Wednesday					
5:00 AM	Eurozone	PMI	Jun (F)		
		Non-manufacturing PMI		52.6	52.6
		Composite PMI		50.8	50.8
6:00 AM	Eurozone	PPI (MoM)	May	-0.1%	-1.0%
8:00 AM	USA	Speech J. Williams (Fed New York)	-	-	-
9:00 AM	Brazil	Industrial Production	May	-	-0.5%
9:15 AM	USA	ADP Nonfarm Employment Change	Jun	158k	152k
9:30 AM	USA	Trade Balance	May	-\$76.0b	-\$74.6b
9:30 AM	USA	Initial Jobless Claims	-	235k	233k
10:45 AM	USA	PMI	Jun (F)		
		Non-manufacturing PMI		52.3	55.1
		Composite PMI		-	54.6
11:00 AM	USA	ISM Services Index	Jun	52.5	53.8
11:00 AM	USA	Factory Orders (MoM)	May	0.3%	0.7%
11:00 AM	USA	Durable Goods Orders	May (F)	-	0.1%
2:30 PM	Brazil	Foreign Exchange Flow Weekly	-	-	-
3:00 PM	USA	FOMC Meeting Minutes	-	-	-
6/27/2024 Thursday					
3:00 PM	Brazil	Trade Balance Monthly	Jun	-	\$8534m
-	USA	Independence Day	Jul 4		
6/28/2024 Friday					
3:00 AM	#N/D	Industrial Production (MoM)	May	0.2%	-0.1%
6:00 AM	Eurozone	Retail Sales MoM	May	0.2%	-0.5%
6:40 AM	USA	Speech J. Williams (Fed New York)	-	-	-
9:30 AM	USA	Nonfarm Payrolls	Jun	188k	272k
9:30 AM	USA	Unemployment Rate	Jun	4.0%	4.0%
9:30 AM	USA	Average Hourly Earnings (MoM)	Jun	0.3%	0.4%



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	4,1	3,7
Selic Rate (end of period, %)	4,50	2,00	9,25	13,75	11,75	10,50	10,00
Exchange Rate (end of period, R\$/US\$)	4,03	5,20	5,58	5,22	4,86	5,40	5,30
Current Account Transactions (US\$ billion)	-68,0	-28,2	-46,4	-53,6	-28,6	-46,5	-47,5
Current Account Transactions (% of GDP)	-3,6	-1,7	-2,9	-2,8	-1,4	-2,0	-2,0
Trade Balance - BCB (US\$ billion)	26,5	32,4	36,4	44,2	80,5	69,0	65,7
Foreign Direct Investment (US\$ billion)	69,2	37,8	46,4	87,2	62,0	71,5	73,0
Foreign Direct Investment (% of GDP)	3,7	2,6	2,8	4,5	2,8	3,1	3,1
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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