

BC Members Reiterate in Speeches that Doing What is Necessary to Meet the Inflation Target is Not Guidance for a Rate Hike

Highlights

- » **In a week with little domestic economic data, speeches from Central Bank directors were the main highlights.** The members chose to keep the tone and emphasize the minutes' content, highlighting discomfort with the unanchoring of expectations, although some remarks were interpreted by the market as more dovish. Initially, President Roberto Campos Neto noted in an interview that forecasts for a Selic rate hike this year are not coming from economists but rather from market agents. He also emphasized that the international environment has become more favorable in recent weeks, reinforcing the dependence on the evolution of internal data for monetary policy decisions and the need for calm and caution during volatile times. Along the same lines, Director Gabriel Galípolo expressed satisfaction with the reception of his statements over the past few days, though he made it clear that he is not endorsing the expectations in the Focus survey, which currently suggests maintaining the current level until the end of 2024, nor those of the interest rate curves and options, which price a Selic hike as early as the next meeting in September. Thus, he emphasized that the BC now has a broader degree of freedom in its conduct, allowing room to act as necessary to anchor inflation expectations.
- » **For now, we keep our expectation of the current Selic rate at 10.50% until the end of 2025, based on the understanding that, in this alternative scenario, the Central Bank will achieve its objective of bringing inflation to around the target by the relevant horizon (first quarter of 2026).** We acknowledge that the probability of a hike has increased in recent days, but we do not consider this our base scenario. The maintenance of the exchange rate at R\$5.50, the continuation of a more constructive trajectory for commodities, and the improvement in inflation expectations, as observed in the latest Focus data, improve the inflation model monitored by the BC, reducing the forecast for the relevant horizon from 3.2% to 3.1% in 2026. **Thus, while members emphasize that they will not hesitate to raise rates to meet the target, we interpret this narrative as a cautious stance rather than guidance, and once our scenario outlook is confirmed, keeping the current interest rate level would be sufficient to achieve the central objective.**
- » **In the United States, J. Powell's speech at Jackson Hole solidified expectations for cuts in the Fed Funds rate at the next meeting in September.** In his speech, the president highlighted the disinflation process in the country, demonstrating increased confidence in achieving the 2% target. Additionally, the chairman expressed concerns about the weakening of the labor market, as outlined in the FOMC minutes, emphasizing that the current interest rate level provides ample room to respond to any future risks, such as further employment deterioration. Thus, although the president did not signal the pace of cuts for upcoming meetings, we believe his speech remains consistent with our scenario of **three 25bps cuts by the end of the year**, supported by Powell's ongoing rhetoric of a solid economy, compatible with a soft-landing trajectory.



Economic Calendar

» The domestic agenda will be marked by the release of **economic-financial notes** and **July labor market data**, as well as the release of the **IPCA-15** on Tuesday, for which we expect a **0.08% increase**.

» Abroad, the highlights will be the release of the **July PCE** and the **revision of the second quarter GDP for the United States**. In the Eurozone, attention will be on the July employment data and August inflation figures.

Date	Country	Event	Period	Survey	Prior
8/26/2024 Monday					
8:00 AM	Brazil	Consumer Confidence	Aug	-	92.9
8:25 AM	Brazil	Focus (Central Bank Weekly Economist Survey)	-	-	-
8:30 AM	Brazil	Current Account	Jul	-	-\$4029m
8:30 AM	Brazil	Foreign direct investment	Jul	-	\$6269m
9:30 AM	USA	Durable Goods Orders	Jul (P)	4.2%	-6.7%
11:30 AM	USA	Dallas Fed Manf. Activity	Aug	-16.0	-17.5
3:00 PM	Brazil	Trade Balance Weekly	-	-	\$1370m
10:30 PM	China	Chinese Industrial profit (YoY)	Jul	-	3.6%
8/27/2024 Tuesday					
5:00 AM	Brazil	FIPE CPI - Weekly	-	-	0.18%
8:00 AM	Brazil	Construction Confidence	Aug	-	-
9:00 AM	Brazil	IPCA-15 (MoM)	Aug	0.20%	0.30%
10:00 AM	USA	House Price Index (MoM)	Jun	0.30%	0.34%
11:00 AM	USA	Conf. Board Consumer Confidence	Aug	100.1	100.3
11:00 AM	USA	Richmond Fed Manufact. Index	Aug	-	-17
11:00 AM	USA	Richmond Fed Business Conditions	Aug	-	-9
11:30 AM	USA	Texas Services Sector Outlook	Aug	-	-0.1
8/28/2024 Wednesday					
8:00 AM	Brazil	Industry Confidence	Aug	-	-
2:30 PM	Brazil	Federal Debt Total	Jul	-	7068b
2:30 PM	Brazil	Foreign Exchange Flow Weekly	-	-	-
7:00 PM	USA	R. Bostic Speech	-	-	-
8/29/2024 Thursday					
6:00 AM	Eurozone	Economic Confidence	Aug	-	95.8
8:00 AM	Brazil	FGV Inflation IGP-M MoM	Aug	-	0.61%
8:00 AM	Brazil	Commerce Confidence	Aug	-	-
8:00 AM	Brazil	Services Confidence	Aug	-	-
8:30 AM	Brazil	Total Outstanding Loans	Jul	-	6019b
9:30 AM	USA	GDP (QoQ)	2Q S	2.8%	2.8%
9:30 AM	USA	Initial Jobless Claims	-	235k	232k
11:00 AM	USA	Pending Home Sales (MoM)	Jul	0.4%	4.8%
4:30 PM	USA	R. Bostic Speech	-	-	-
-	Brazil	Central Govt Budget Balance	Jul	-	-38.8b
-	Brazil	Formal Job Creation Total	Jul	-	201705
8/30/2024 Friday					
6:00 AM	Eurozone	Unemployment Rate	Jul	-	6.5%
6:00 AM	Eurozone	CPI (MoM)	Aug (P)	-	0.0%
8:30 AM	Brazil	Budget Surplus	Jul	-	-40.9b
9:00 AM	Brazil	National Unemployment Rate	Jul	-	6.9%
9:30 AM	USA	Personal Income (MoM)	Jul	0.2%	0.2%
9:30 AM	USA	Personal Spending	Jul	0.5%	0.3%
9:30 AM	USA	PCE Deflator (MoM)	Jul	0.2%	0.1%
9:30 AM	USA	PCE Core Deflator (MoM)	Jul	0.2%	0.2%
11:00 AM	USA	Conf. Board Consumer Confidence	Aug (F)	67.9	67.8
11:00 AM	USA	U. of Mich. 1 Yr Inflation	Aug (F)	-	2.9%
11:00 AM	USA	U. of Mich. 5-10 Yr Inflation	Aug (F)	-	3.0%
10:30 PM	China	NBS PMI	Aug	-	-
		Composite		-	50.2
		Manufacturing		49.2	49.4
		Non-manufacturing		50.0	50.2



Macroeconomic projections

	2019	2020	2021	2022	2023	2024	2025
GDP (%)	1,2	-3,3	4,8	3,0	2,9	2,1	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	4,5	3,8
Selic Rate (end of period, %)	4,50	2,00	9,25	13,75	11,75	10,50	10,50
Exchange Rate (end of period, R\$/US\$)	4,03	5,20	5,58	5,22	4,86	5,50	5,40
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	-75,4	-54,5
Primary Result of the Central Government (% of GDP)	-1,3	-9,8	-0,4	0,5	-2,3	-0,5	-0,4
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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