

Economic activity surprises in the second quarter and raises growth projections for the year

Highlights

- » **After stronger sector data in June, the GDP for the 2nd quarter of 2024 confirmed the resilience of economic activity.** In the quarterly comparison, growth reached 1.4% in the seasonally adjusted metric, above market expectations (0.9%) and with an upward revision of the first quarter data (1.0% vs 0.8% QoQ). From the production perspective, unlike the previous quarter, which was driven by agriculture, the GDP's good performance was pulled by the Industrial sector (1.8%), especially in public utility activities, in addition to Services (1.0%), with highlights in information and trade-related branches. On the demand side, the composition was more constructive from the inflation perspective, with prominent Investment growth advancing 2.1% on the margin. In comparison, Household Consumption (1.3% QoQ) was mainly driven by greater labor market dynamism. Since the employment data for the third quarter of the year continues to show elevated levels, the consumption dynamics and impulse to the Services sector remain favorable, which should encourage upward growth revisions for the year. Thus, although a slowdown in fiscal stimulus and labor market growth is already expected in the second half, we have revised our GDP forecast to 2.9% for 2024, reflecting mainly the statistical carryover from the second quarter data, along with the maintenance of a more constructive trajectory of marginal activity data. For 2025, we expect 1.8% growth, incorporating the contractionary effects of both fiscal and monetary policies.
- » **Regarding inflation, we have revised our 2024 forecast from 4.5% to 4.6%, considering the impacts of changes in tariff flags during the year.** Last Friday (30th), ANEEL announced the red flag level 2 activation for September, which was later revised to red flag level 1. The correction occurred after adjustments in the information provided by ONS, with the revised level adding BRL 4.463 for every 100 kWh consumed, in a scenario of precipitation scarcity and high temperatures. Thus, we have revised our monthly forecasts for electricity for the next three months, with a return to the yellow flag level by the end of December. For 2025, incorporating an improvement in the hydroelectric scenario and expecting the year to end with a green flag, we have revised our IPCA projection to 3.7%.
- » **In the United States, employment data showed gradual weakening, reinforcing expectations of a slower start to the cycle of cuts in FED Funds.** The payroll recorded 142,000 job creations in August, below market expectations (165k) and with downward revisions in previous months. The data followed the same trajectory as ADP and JOLTS released during the week, both also surprising to the downside for the month. Compared to July, the payroll accelerated marginally, highlighting job creation in the private sector, especially in Services, with growth in leisure and hospitality-related activities. In addition to wages growing above expectations (0.4% MoM; est. 0.3%), the positive news came from the unemployment rate's slowdown, decreasing from 4.3% to 4.2%, approaching the FED's reference scenario (4.0%). Thus, the result supports the soft landing narrative in the country, especially in a scenario of upside surprises from recent economic activity data. Therefore, **we keep our view of the beginning of the monetary easing cycle in September, following a 25bps pace until the end of the year.**



Economic Calendar

» The domestic agenda will be marked by the release of the first **activity data for July**, as well as the result of the **final IPCA for August**, for which we project a **0.02% deflation**.

» Abroad, the highlight will be the release of **inflation data in the U.S.**, both at the retail and wholesale levels. In the **Eurozone**, the highlight will be the **monetary policy decision**, while China is expected to release August unemployment data.

Date	Country	Event	Period	Survey	Prior
9/9/2024 Monday					
8:25 AM	Brazil	Focus (Central Bank Weekly Economist Survey)	-	-	-
3:00 PM	Brazil	Trade Balance Weekly	-	-	\$413m
4:00 PM	USA	Consumer Credit	Jul	\$12.000b	\$8.934b
9/10/2024 Tuesday					
5:00 AM	Brazil	FIPE CPI (MoM)	-	-	-
7:00 AM	USA	NFIB Small Business Optimism	Aug	93.7	93.7
8:00 AM	Brazil	IGP-M (MoM)	Sep	-	-
9:00 AM	Brazil	IBGE Inflation IPCA (MoM)	Aug	0.00%	0.38%
-	China	Trade Balance Monthly	Aug	\$82.00b	\$84.65b
9/11/2024 Wednesday					
9:00 AM	Brazil	IBGE Services Volume (MoM)	Jul	-	1.7%
9:30 AM	USA	CPI (MoM)	Aug	0.2%	0.2%
		Core (MoM)		0.2%	0.2%
2:30 PM	Brazil	Foreign Exchange Flow Weekly	-	-	-
9/12/2024 Thursday					
9:00 AM	Brazil	Retail Sales (MoM)	Jul	-	-1.0%
9:00 AM	Brazil	Retail Sales Broad (MoM)	Jul	-	0.4%
9:15 AM	Eurozone	BCE Rate Decision	-	3.50%	3.75%
9:30 AM	USA	PPI (MoM)	Aug	0.2%	0.1%
		Core (MoM)	Aug	0.2%	0.0%
9:30 AM	USA	Initial Jobless Claims	-	230k	227k
3:00 PM	USA	Monthly Budget Statement	Aug	-	-\$243.7b
9/13/2024 Friday					
6:00 AM	Eurozone	Industrial Production (MoM)	Jul	-0.4%	-0.1%
9:00 AM	Brazil	Economic Activity (MoM)	Jul	-	1.37%
11:00 AM	USA	Conf. Board Consumer Confidence	Sep (P)	68.0	67.9
10:30 PM	China	New Home Prices (MoM)	Aug	-	-0.65%
11:00 PM	China	Industrial Production (YoY)	Aug	4.7%	5.1%
11:00 PM	China	Retail Sales (YoY)	Aug	2.5%	2.7%
11:00 PM	China	Fixed AsSeps Ex-Rural (YoY)	Aug	3.5%	3.6%
11:00 PM	China	Property Investment (YoY)	Aug	-10.0%	-10.2%
11:00 PM	China	Residential Property Sales (YoY)	Aug	-	-25.9%
11:00 PM	China	Unemployment Rate	Aug	5.2%	5.2%



Macroeconomic projections

	2019	2020	2021	2022	2023	2024	2025
GDP (%)	1,2	-3,3	4,8	3,0	2,9	2,9	1,8
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	4,6	3,7
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

Our team

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