

We expect the Central Bank to maintain the interest rate at 10.50% in the next COPOM decision.

Highlights

» Since the last meeting, considering the alternative scenario of a constant Selic rate, the evolution of variables observed by the Central Bank would bring the inflation model close to the target by March 2026. Although this period was marked by the release of stronger second-quarter GDP data for 2024—which consequently raised the output gap in the model—and the additional depreciation of the exchange rate by five cents (BRL5.60 compared to BRL5.55), oil remains the main highlight in terms of modeling, accumulating a drop of around 10% compared to the last curve used by the Central Bank. Thus, even in exercises considering the partial impacts of this variable, the downward effect remained relevant, with the model still resulting in projections close to the target. It is important to note that our incorporation of the impact of a higher output gap was based on the curve used by the Central Bank in the June 2024 inflation report, in which, after a shock in the gap, the effects would begin to dissipate over the next few quarters. Therefore, without additional de-anchoring of expectations in March 2026, with more constructive current inflation data and a more favorable external scenario—given the imminent rate cuts by the Fed—we believe that COPOM's decision should follow the commitments made by the committee with technical aspects, as reiterated by President Roberto Campos Neto. Furthermore, we understand that the Central Bank will opt for greater predictability without losing one of its main communication tools for a credibility cycle.

» While our expectation is for maintenance, we recognize that the probability of an increase is significant. Stronger activity and labor market data, advances in cumulative metrics of core services, and the average of core inflation in the latest IPCA, along with concerns about the impacts of climate issues on inflation expectations, can be understood as arguments in favor of a rate hike. Today, with the market pricing in an interest rate increase, the additional depreciation of the real in the case of maintenance can also be taken into consideration. Not less important, the speech by Director Diogo Guillen, downplaying the importance of the alternative scenario while expressing discomfort with the de-anchoring of expectations and emphasizing the graduality of the tightening cycle, also bolstered the monetary tightening scenarios, with a higher probability of a 25bps increase at the next meeting. Although we are aware of these points, we consider that the arguments for maintenance outweigh those for an increase, especially focusing on the technical aspects.

» Finally, in terms of communication, we believe the committee should endorse a hawkish tone. Considering the more favorable trajectory of the inflation model forecasts, one way to keep a tough stance would be through a more intense revision of the output gap, similar to the one presented in the September 2022 meeting. Additionally, the Central Bank should make it explicit that both monetary policy options, either keeping the interest rate or raising it, were debated, although the decision is likely to be unanimous. Thus, the committee should reinforce that all members agree on the fundamental role of monetary policy in anchoring inflation expectations, keeping a vigilant and cautious stance.

	Jul-24	Today - Alternative scenario (Selic 10.50%)							
	IPCA BCB	Simulation	Δ IPCA Focus	Δ Selic Focus	Δ BRL	Δ GDP gap	Δ Brent	Δ Metal	Δ Agri
Dec-24	4,20	3,92 ●	5	-	4	6	-45	1	1
Mar-25	3,98	3,72 ●	6	-	5	9	-51	2	2
Jun-25	3,48	3,21 ●	5	-	7	12	-56	2	2
Sep-25	3,58	3,30 ●	8	-	8	13	-61	2	2
Dec-25	3,40	3,41 ●	2	-	5	14	-23	1	1
Mar-26	3,23	3,17 ●	0	-	4	8	-21	1	1



Economic Calendar

» The domestic agenda will be marked by the **monetary policy decision on Wednesday** at 6:30 PM, in addition to the release of **federal tax collection data and the September bi-monthly revenue and expenditure report.**

» Abroad, the highlight is the **Federal Reserve's interest rate decision in the United States**, as well as August's retail and industrial production data. Additionally, the United Kingdom and Japan will also set their interest rate levels.

Date	Country	Event	Period	Survey	Prior
9/16/2024 Monday					
6:00 AM	Eurozone	Trade Balance	Jul	15.0b	17.5b
8:25 AM	Brazil	Focus (Central Bank Weekly Economist Survey)	-	-	-
9:30 AM	USA	Empire Manufacturing	Sep	-4.0	-4.7
10:15 AM	Brazil	GDP Monitor (FGV)	Jul	-	1.4%
3:00 PM	Brazil	Trade Balance Weekly	-	-	\$2108m
9/17/2024 Tuesday					
5:00 AM	Brazil	FIPE CPI (MoM)	-	-	0.13%
8:00 AM	Brazil	IGP-10 (PPI MoM)	Sep	-	0.72%
9:30 AM	USA	Retail Sales (MoM)	Aug	-0.2%	1.0%
9:30 AM	USA	New York Fed Services Business Activity	Sep	-	1.8
10:15 AM	USA	Industrial Production (MoM)	Aug	0.1%	-0.6%
11:00 AM	USA	NAHB Housing Market Index	Sep	41	39
9/18/2024 Wednesday					
6:00 AM	Eurozone	CPI (MoM)	Aug (F)	0.2%	0.2%
9:30 AM	USA	Building Permits	Aug	1410k	1396k
9:30 AM	USA	Housing Starts	Aug	1310k	1238k
3:00 PM	USA	FOMC Rate Decision	-	5.25%	5.5%
6:30 PM	Brazil	Selic Rate	-	10.75%	10.5%
9/19/2024 Thursday					
8:00 AM	UK	Bank of England Bank Rate	-	5.0%	5.0%
8:00 AM	Brazil	IGP-M (MoM)	Sep	-	-
9:30 AM	USA	Current Account Balance	2Q	-\$260.0b	-\$237.6b
9:30 AM	USA	Philadelphia Fed Business Outlook	Sep	-1.0	-7
9:30 AM	USA	Initial Jobless Claims	-	231k	230k
11:00 AM	USA	Leading Index	Aug	-0.3%	-0.6%
11:00 AM	USA	Existing Home Sales	Aug	3.90m	3.95m
10:00 PM	China	1-Year Loan Prime Rate	-	3.85%	3.85%
10:00 PM	China	5-Year Loan Prime Rate	-	3.35%	3.35%
9/20/2024 Friday					
1:00 AM	Japan	BOJ Target Rate	-	0.25%	0.25%
11:00 AM	Eurozone	Conf. Board Consumer Confidence	Sep (P)	-13.2	-13.5
-	Brazil	Report on the Assessment of Primary Revenues and Expenses	-	-	-
TBA					
-	Brazil	Tax Collections	Aug	-	231044m



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

Andrea Bastos Damico
Mirella Hirakawa
Gustavo Rostelato
Thaís Rodrigues
Rita Milani
Ítalo Faviano
Rafaela de Sousa
Adam Tasca
Pedro Tempel
Vitor Rodrigues

Chief economist and CEO
Research Coordinator and partner
Economist and partner
Economist and partner
Economist
Economist
Economist
Macroeconomic analyst
Macroeconomic analyst
Intern

andrea@buysidebrazil.com
mirella@buysidebrazil.com
gustavo@buysidebrazil.com
thais@buysidebrazil.com
rita@buysidebrazil.com
italo@buysidebrazil.com
rafaela@buysidebrazil.com
adamtasca@buysidebrazil.com
pedro@buysidebrazil.com
vitor@buysidebrazil.com

