

With qualitative worsening, current inflation reinforces caution in the conduct of monetary policy.

Highlights

- **Although the increase in the margin reflects the effects of the change in the electricity tariff flag in October, the release emphasized the rise in underlying metrics.**

October's IPCA-15 recorded a 0.54% increase, below our projections (0.59%), but above the market median (0.50%). Despite the downside surprise in services, driven mainly by the deflation in airfares, increases in voluntary car insurance and food out-of-home helped to pressure the underlying services, a metric closely monitored by the Central Bank. Thus, even though the breakdown incorporates volatile effects resulting from one-off pressures, such as the reversal of cinema discounts applied in September, the data corroborates the narrative of a deterioration in the quality of the inflation index, mainly reflecting the effects of a more heated economy, as well as currency depreciation, which raised the change in industrial goods at the margin. In this sense, the IPCA recorded an increase of 4.47% over the accumulated twelve months, a number very close to the tolerance range of the 3% inflation target. Thus, views that the Central Bank should remain cautious in the conduction of monetary policy have strengthened, consolidating the expectation of an accelerated pace of interest rate hikes at the next COPOM meeting in November, in favor of meeting the target in the relevant horizon.

- **At the IMF, Central Bank officials' speeches highlight the dynamism of economic activity in Brazil and concerns about fiscal risks.**

Overall, members kept a tougher tone in the COPOM's communication, being emphatic about reaching the inflation target, even though they did not signal guidance for upcoming meetings. In their speeches, the directors made it clear that the Central Bank is more sensitive to economic activity data, with gradual deceleration expected due to the reduction of the fiscal impulse in the second half. Amid debates about a possible scenario of budgetary dominance, Central Bank members did not corroborate this narrative but emphasized the importance of a credible fiscal policy for anchoring inflation expectations. In the same vein, Finance Minister Fernando Haddad reiterated his commitment to the fiscal target, stating that the framework does not need to be reformulated but rather strengthened, which was well received by market agents. The expectation is that, after the election period, the government will announce a package of structural spending revisions.

- **One week before the U.S. elections, Trump gains ground in the polls and moves global assets.**

Although margins remain narrow, the growing probability of Donald Trump's victory in betting markets and polls in recent days has strengthened the dollar and resulted in pressures on U.S. interest rates. According to a Wall Street Journal survey, prospects for the Republican candidate have become more optimistic as most of the electorate reported disapproving of Democrat Kamala Harris' performance, especially on economic issues. Thus, amid Trump's noisy rhetoric, particularly on import tariffs, the question arises about the possibility of a Republican victory with a majority in both houses, which would favor the implementation of the measures advocated by the candidate and, consequently, generate impacts on the global economy.

Economic Calendar

- The domestic agenda for next week will be marked by the release of September labor market data, as well as the Central Bank's economic-financial notes.
- Abroad, the focus will be on U.S. employment data, as well as September's PCE and the third-quarter GDP. In China, attention will be on October's PMIs.

Date	Country	Event	Period	Survey	Prior
10/28/2024	Monday				
8:00 AM	Brazil	Construction Confidence	Oct	-	-
8:25 AM	Brazil	Focus (Central Bank Weekly Economist Survey)	-	-	-
10:00 AM	Brazil	Construction Confidence	Sep	-	-
11:30 AM	USA	Dallas Fed Manf. Activity	Oct	-9	-9
10/29/2024	Tuesday				
8:00 AM	Brazil	Industry Confidence	Oct	-	-
8:30 AM	Brazil	Current Account	Sep	-	-\$6.589b
8:30 AM	Brazil	Foreign direct investment	Sep	-	\$6.104b
9:30 AM	USA	Trade Balance	Sep	-\$96.0b	-\$94.3b
11:00 AM	USA	JOLTs Job Openings	Sep	7900k	8040k
11:00 AM	USA	Conf. Board Consumer Confidence	Oct	99.0	98.7
11:30 AM	USA	Texas Services Sector Outlook	Oct	-	-2.6
10/30/2024	Wednesday				
7:00 AM	Eurozone	Economic Confidence	Oct	96.3	96.2
7:00 AM	Eurozone	GDP (QoQ)	3Q A	0.2%	0.2%
8:00 AM	Brazil	FGV Inflation IGP-M (MoM)	Oct	-	0.62%
8:00 AM	Brazil	Services Confidence	Oct	-	-
8:00 AM	Brazil	Commerce Confidence	Oct	-	-
8:30 AM	Brazil	Total Outstanding Loans	Sep	-	0.9%
9:15 AM	USA	ADP Employment Change	Oct	98k	143k
9:30 AM	USA	GDP (QoQ)	3Q A	3.0%	3.0%
11:00 AM	USA	Pending Home Sales (MoM)	Sep	-	0.6%
2:30 PM	Brazil	Foreign Exchange Flow Weekly	-	-	-
10:30 PM	China	NBS PMI	Oct		
		Composite		-	50.4
		Non-Manufacturing		50.0	49.8
		Services		50.5	50.0
-	Brazil	Central Govt Budget Balance	Sep	-	-22.4b
-	Brazil	Formal Job Creation Total	Sep	222600	232513
10/31/2024	Thursday				
7:00 AM	Eurozone	CPI (MoM)	Oct (P)	0.2%	-0.1%
7:00 AM	Eurozone	Unemployment Rate	Sep	6.4%	6.4%
8:30 AM	Brazil	Budget Surplus	Sep	-	-21.4b
9:00 AM	Brazil	National Unemployment Rate	Sep	-	6.6%
9:30 AM	USA	Personal Income (MoM)	Sep	0.4%	0.2%
9:30 AM	USA	Personal Spending	Sep	0.4%	0.2%
9:30 AM	USA	PCE Deflator (MoM)	Sep	0.2%	0.1%
9:30 AM	USA	PCE Core Deflator (MoM)	Sep	0.3%	0.1%
9:30 AM	USA	Initial Jobless Claims	-	-	227k
10:15 AM	Brazil	#N/D	Oct	-	107.8
10:45 PM	China	Caixin Manufacturing PMI	Oct	49.7	49.3
11/1/2024	Friday				
9:00 AM	Brazil	Industrial Production	Sep	-	0.1%
9:30 AM	USA	Nonfarm Payrolls	Oct	120k	254k
9:30 AM	USA	Unemployment Rate	Oct	4.1%	4.1%
9:30 AM	USA	Average Hourly Earnings MoM	Oct	0.3%	0.4%
10:45 AM	USA	Manufacturing PMI	Oct (F)	-	47.8
11:00 AM	USA	Construction Spending (MoM)	Sep	0.0%	-0.1%
11:00 AM	USA	ISM Manufacturing	Oct	47.6	47.2

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	4,4	3,5
Selic Rate (end of period, %)	4,50	2,00	9,25	13,75	11,75	11,75	12,50
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	-54,1	-47,6
Current Account Transactions (% of GDP)	-3,6	-1,7	-2,9	-2,8	-1,4	-2,4	-2,0
Trade Balance - BCB (US\$ billion)	26,5	32,4	36,4	44,2	80,5	69,0	65,6
Foreign Direct Investment (US\$ billion)	69,2	37,8	46,4	87,2	62,0	74,6	73,0
Foreign Direct Investment (% of GDP)	3,7	2,6	2,8	4,5	2,8	3,3	3,1
Primary Result of the Central Government (R\$ billion)	-95,1	-743,3	-35,1	54,1	-249,1	-79,5	-54,5
Primary Result of the Central Government (% of GDP)	-1,3	-9,8	-0,4	0,5	-2,3	-0,6	-0,4
Primary Result of the Public Sector (R\$ billion)	-61,9	-703,0	64,7	126,0	-249,1	-67,5	-55,6
Primary Result of the Public Sector (% of GDP)	-0,8	-9,2	0,7	1,3	-2,3	-0,5	-0,5
Gross Public Debt (% of GDP)	74,4	86,9	77,3	71,7	74,3	77,8	78,3

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