

## In a week with few economic data releases, IBC-Br surprises expectations and Trump announces new import tariffs

### Highlights

#### **IBC-Br registers a sharper drop in margin, but shows consistent growth over the year.**

The Central Bank's economic activity index fell 0.7% MoM in December, below our projections and the market median (-0.3%). Although the indicator's breakdown is not disclosed, its components saw steeper declines at the margin, particularly in broad retail sales and services, which weighed on the IBC-Br level. In contrast, the GDP monitor from Fundação Getúlio Vargas showed 0.3% growth compared to November, driven by household consumption and investment performance. For the full year, the Central Bank index indicates economic activity growth of 3.8%, while the FGV monitor points to an expansion of around 3.5%. In seasonally adjusted quarterly terms, the growth rate would be 0.7% QoQ and 0.4% QoQ, respectively. The first suggests an upside bias for market projections, while the second aligns with our forecast for Q4 2024 GDP. Thus, we maintain our projection of a 0.4% expansion at the margin, with 3.4% annual growth. For Q1 2025, while early FGV survey indicators suggested a sharper economic slowdown—an outlook even mentioned in the January COPOM minutes—available sectoral data show a rebound from December lows, countering the narrative of a more intense deceleration in early 2025. Combined with a stronger agricultural sector performance, mainly in the first half of the year, Q1 GDP growth should remain solid, with an estimated 1% expansion QoQ.

#### **In politics, president Lula remains concerned about food inflation amid his lowest approval ratings ever.**

Recent electoral polls indicate a significant drop in president Lula's popularity, with widespread dissatisfaction. The decline follows a credibility crisis fueled by rumors of a PIX tax, alongside accelerating food inflation in recent months—though the latest IPCA data already show some easing in certain items. The government has prioritized measures to reduce food prices, but details remain unclear. Lula acknowledged that price reductions will be gradual. Finance minister Fernando Haddad also addressed the issue, citing climate-related problems as the main driver of higher food inflation and emphasizing the need for more robust Safra Plans to stabilize prices amid a stronger exchange rate. However, launching a new Safra Plan requires budget approval, which has been delayed. Initially expected in December, the vote has now been pushed to March. Haddad highlighted ongoing negotiations to secure approval, aiming to balance public accounts.

#### **In the U.S., Trump announces new import tariffs set to take effect on April 2.**

One month into his term, U.S. president Donald Trump announced 25% tariffs on imported cars, semiconductors, and pharmaceuticals, escalating trade tensions. The measures are set to take effect on April 2, with Trump suggesting potential increases throughout the year, allowing companies time to shift production to the U.S. The tariffs would primarily impact automakers in Europe and Asia, though it remains unclear whether vehicles from Canada and Mexico will be exempt. Last week, Trump had already announced 25% tariffs on steel and aluminum, which will take effect in March. In response, the European Union has expressed willingness to negotiate tariff reductions or eliminations to avoid a trade war. Meanwhile, despite imposing a 10% tariff on all Chinese imports, Trump signaled that a trade agreement with China remains possible, despite current tensions.

## Economic Calendar

On the domestic agenda, the highlight of the week will be the release of the **February IPCA-15**, for which we expect an acceleration to **1.29% MoM**, reflecting the seasonal increase in education prices along with the rebound in energy prices following the Itaipu bonus. Additionally, **fiscal and labor market data for January** will be released.

Internationally, the key event will be the **January PCE** in the United States on Friday, along with the final **GDP data for Q4 2024**. In China, the focus will be on February's activity data.

Date	Country	Event	Period	Survey	Buysidebrazil	Prior
<b>2025-02-24 Monday</b>						
8:00	Brazil	Consumer Confidence	Feb			86.2
8:25	Brazil	Focus (Central Bank Weekly Economist Survey)	-			
12:30	US	Dallas Fed Manf. Activity	Feb			14.1
15:00	Brazil	Trade Balance	-			US\$ 991

Date	Country	Event	Period	Survey	Buysidebrazil	Prior
<b>2025-02-25 Tuesday</b>						
4:00	Germany	GDP (QoQ)	4Q24	-0.2%		-0.2%
5:00	Brazil	IPC-Fipe (MoM)	3 <sup>o</sup> qs Feb			0.01%
6:20	US	Speech L. Logan (Fed Dallas)	-			
8:00	Brazil	Construction Confidence	Feb			94.9
<b>9:00</b>	<b>Brazil</b>	<b>IPCA-15 (MoM)</b>	<b>Feb</b>		<b>1.29%</b>	<b>0.11%</b>
10:30	US	Philadelphia Fed Services Activity	Feb			-9.1
12:00	US	Consumer Confidence	Feb	103.5		104.1
12:00	US	Richmond Fed Manufact. Index	Feb			-4.0
12:30	US	Dallas Fed Services Activity	Feb			7.4
15:00	US	Speech T. Barkin (Fed Richmond)				

Date	Country	Event	Period	Survey	Buysidebrazil	Prior
<b>2025-02-26 Wednesday</b>						
8:00	Brazil	Industry Confidence	Feb			98.4
14:00	US	Speech R. Bostic (Fed Atlanta)	-			
<b>14:30</b>	<b>Brazil</b>	<b>Federal Debt Total</b>	<b>Jan</b>			
14:30	Brazil	Foreign Exchange Flow	-			

Date	Country	Event	Period	Survey	Buysidebrazil	Prior
<b>2025-02-27 Thursday</b>						
<b>8:00</b>	<b>Brazil</b>	<b>IGP-M (MoM)</b>	<b>Feb</b>			<b>0.27%</b>
8:00	Brazil	Commerce Confidence	Feb			89.3
8:00	Brazil	Services Confidence	Feb			91.8
<b>8:30</b>	<b>Brazil</b>	<b>External Sector Statistics</b>	<b>Jan</b>			
		Current Account			US\$ -9,1 bi	US\$ -9033m
		FDI			US\$ 1 bi	US\$ 2765m
<b>9:00</b>	<b>Brazil</b>	<b>Unemployment Rate</b>	<b>Jan</b>		<b>6.60%</b>	<b>6.2%</b>
10:30	US	GDP (QoQ)	4Q24	2.3%		2.3%
10:30	US	Initial Jobless Claims	-			219k
13:00	US	Manufacturing Confidence	Feb			-5.0
15:15	US	Speech B. Hammack (Fed Cleveland)				
17:15	US	Speech P. Harker (Fed Filadélfia)				
-	<b>Brazil</b>	<b>Central Govt Budget Balance</b>	<b>Jan</b>			
-	Brazil	National Monetary Council Meeting	Feb			
-	US	Speech T. Barkin (Fed Richmond)				

Date	Country	Event	Period	Survey	Buysidebrazil	Prior
<b>2025-02-28 Friday</b>						
5:55	Germany	Unemployment Rate	Feb			6.2%
10:00	Germany	CPI (MoM)	Feb (P)	0.5%		-0.2%
<b>10:30</b>	<b>US</b>	<b>PCE Price Index (MoM)</b>	<b>Jan</b>			
		PCE		0.3%		0.3%
		Core		0.3%		0.2%
<b>10:30</b>	<b>US</b>	<b>Personal Income (MoM)</b>	<b>Jan</b>	<b>0.3%</b>		<b>0.4%</b>
<b>10:30</b>	<b>US</b>	<b>Personal Spending (MoM)</b>	<b>Jan</b>	<b>0.3%</b>		<b>0.7%</b>
10:30	US	Trade Balance	Jan	US\$ -113.3 bi		US\$ -122.1 bi
13:00	US	Kansas Fed Services Activity	Feb			
<b>22:30</b>	<b>China</b>	<b>PMI (NBS)</b>	<b>Feb</b>			
		Manufacturing				49.1
		Services				50.2
		Composite				50.1
-	Brazil	Definition of the electricity tariff flag	Mar			Green
-	<b>Brazil</b>	<b>CAGED - Formal Job Creation</b>	<b>Jan</b>	<b>65k</b>	<b>55k</b>	<b>-535k</b>

**Macroeconomic projections**

	2019	2020	2021	2022	2023	2024	2025	2026
GDP (%)	1,2	-3,3	4,8	3,0	2,9	<b>3,4</b>	<b>1,8</b>	<b>1,7</b>
Unemployment Rate (average, %)	12,0	13,8	13,2	9,3	8,0	<b>6,6</b>	<b>7,1</b>	<b>7,5</b>
IPCA (Consumer Price Index) (%)	4,3	4,5	10,1	5,8	4,6	<b>4,8</b>	<b>5,2</b>	<b>4,4</b>
Selic Rate (end of period, %)	4,50	2,00	9,25	13,75	11,75	<b>12,25</b>	<b>15,50</b>	<b>11,75</b>
Exchange Rate (end of period, R\$/US\$)	4,03	5,20	5,58	5,22	4,84	<b>6,19</b>	<b>6,10</b>	<b>6,00</b>
Current Account Transactions (US\$ billion)	-68,0	-28,2	-46,4	-53,6	-28,6	<b>-56,0</b>	<b>-62,8</b>	<b>-63,7</b>
Current Account Transactions (% of GDP)	-3,6	-1,7	-2,9	-2,8	-1,4	<b>-2,6</b>	<b>-3,0</b>	<b>-2,8</b>
Trade Balance - BCB (US\$ billion)	26,5	32,4	36,4	44,2	80,5	<b>66,2</b>	<b>60,1</b>	<b>63,4</b>
Foreign Direct Investment (US\$ billion)	69,2	37,8	46,4	87,2	62,0	<b>71,1</b>	<b>72,0</b>	<b>75,0</b>
Foreign Direct Investment (% of GDP)	3,7	2,6	2,8	4,5	2,8	<b>3,2</b>	<b>3,5</b>	<b>3,3</b>
Primary Result of the Central Government (R\$ billion)	-95,1	-743,3	-35,1	54,1	-249,1	<b>-43,0</b>	<b>-54,7</b>	<b>-57,0</b>
Primary Result of the Central Government (% of GDP)	-1,3	-9,8	-0,4	0,5	-2,3	<b>-0,4</b>	<b>-0,5</b>	<b>-0,5</b>
Primary Result of the Public Sector (R\$ billion)	-61,9	-703,0	64,7	126,0	-249,1	<b>-47,6</b>	<b>-45,7</b>	<b>-50,0</b>
Primary Result of the Public Sector (% of GDP)	-0,8	-9,2	0,7	1,3	-2,3	<b>-0,4</b>	<b>-0,4</b>	<b>-0,4</b>
Gross Public Debt (% of GDP)	74,4	86,9	77,3	71,7	74,3	<b>76,1</b>	<b>78,5</b>	<b>80,8</b>

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