

## Week Marked by Monetary Policy Decisions in a More Inflationary Environment

### Highlights

- **In Brazil, the Copom raised interest rates to 13.25% and issued a neutral to slightly dovish statement**

The Central Bank unanimously decided to increase the interest rate by 100 basis points, as anticipated in the previous meeting. Its forecast for the IPCA in Q3 2026 (the current relevant horizon for monetary policy) rose from 3.8% to 4.0%, in line with our expectations. This deterioration primarily reflects the continued de-anchoring of inflation expectations in the Focus survey, although the Central Bank chose not to mention this worsening. Additionally, the institution maintained its inflation risk balance as asymmetrically tilted to the upside, but included a potential slowdown in domestic economic activity as a downside risk. Thus, there were relatively mild counterpoints to the factors pressuring the inflationary outlook, in an uncertain environment. As a result, attention will now turn to the tone of the new composition of the Monetary Policy Committee (Copom) in the minutes to be released next week. In any case, the current data suggests that interest rates will remain high for an extended period—we project a terminal rate of 15.0%, but with an upward bias.

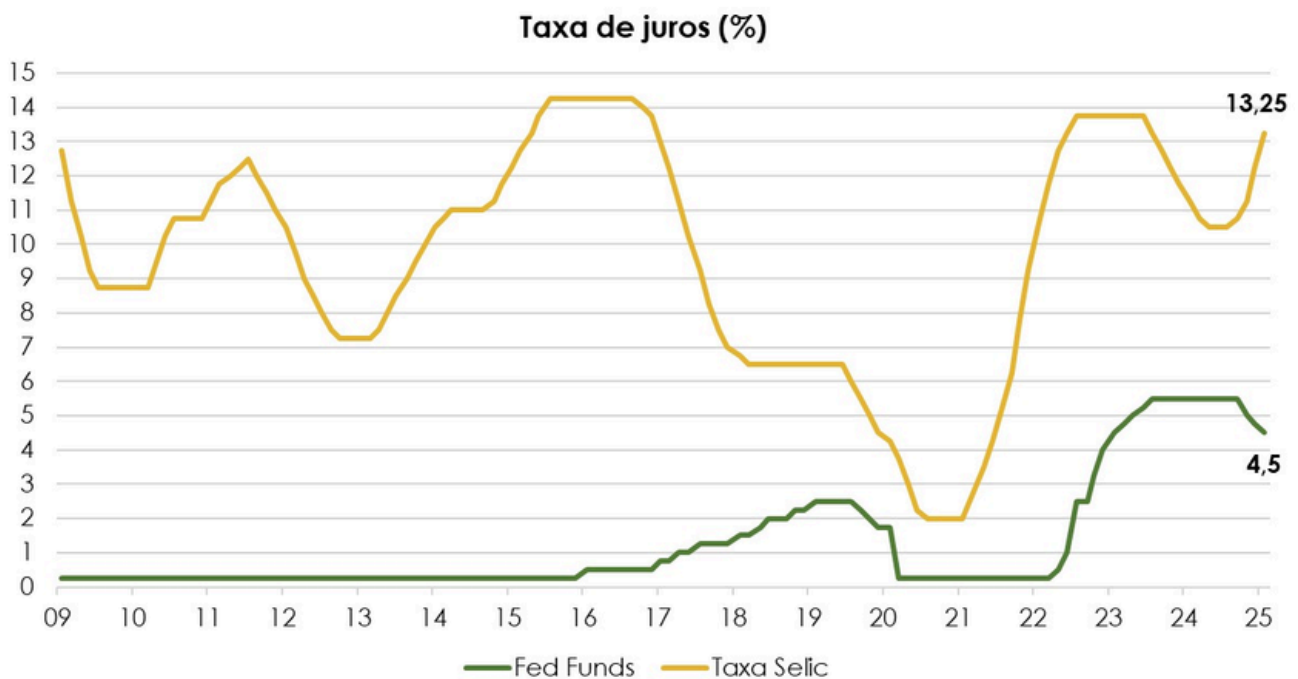
- **Labor market pressures on inflation remain**

The Continuous Household Sample Survey showed an unemployment rate of 6.2% at year-end, with an annual average of 6.6%—the lowest in historical records. This trend reflects the low unemployment rate, particularly driven by private sector employment, especially in formal jobs with signed contracts.

Similarly, average wages continued to rise, showing no signs of deceleration, contrary to what the Caged survey indicated. The Caged report recorded a net loss of 535,000 jobs in December, below market expectations and the month's seasonal trend. Seasonally adjusted data showed job creation slowing to around 20,000 positions, down from 90,000 in November. Nevertheless, the net number of formal jobs was 13% higher than in 2023, confirming the strong performance of the formal labor market in 2024. These data reinforce the view that inflation—particularly in services—will remain high in the coming months. Additionally, import trends should also be noted. According to MDIC data, the trade balance continues to show high levels of imported goods, despite the impact of recent currency depreciation on prices, further underscoring the resilience of domestic consumption. In summary, despite recent downward revisions for 2025, the inflationary bias remains predominantly to the upside for now.

• **On the external front, indications also point to increased economic activity**

The FOMC unanimously kept its interest rates at 4.5% and issued a hawkish statement regarding both the labor market and inflation. However, Fed Chair Jerome Powell took a more dovish tone, stating that the continuation of rate cuts depends primarily on the disinflation process, prioritizing price dynamics over labor market conditions in the Fed's reaction function. Regardless, PCE inflation ended 2024 at 2.6%, with core PCE at 2.8% and supercore inflation at 3.5% for the year—well above the 2.0% target. Similarly, the U.S. GDP report showed economic resilience. Despite a downward surprise in Q4 GDP growth (2.3% QoQ SAAR, vs. 2.6% expected), the main drag on GDP came from inventories, while household consumption accelerated significantly, rising from 3.7% to 4.2% on the same metric. All of this reinforces our expectation that this FOMC decision is not just an isolated pause but rather a prolonged hold in the Fed's monetary easing cycle, which is likely to keep the U.S. dollar strong.



Fonte: BCB, Fred, Buysidebrazil

## Economic Agenda

- In Brazil, the highlight of the week will be the release of the Copom Minutes. Additionally, the market will also be attentive to the Industrial Production results and fiscal data.
- Abroad, the agenda will be quite busy, with a focus on U.S. labor market data. The U.S. ISM reports will also be released. In the Eurozone, CPI, PPI, and Retail Sales will be in the spotlight.

Date	Country	Event	Period	Survey	Prior
<b>2/3/2025 Monday</b>					
6:00 AM	Eurozone	PMI Manufacturing	Jan (F)	46.1	46.1
7:00 AM	Eurozone	CPI	Jan (P)		
		Total (MoM)		-0.4%	0.4%
		Total (YoY)		2.4%	2.4%
		Núcleo		2.6%	2.7%
8:25 AM	Brazil	Central Bank Weekly Economist Survey (Focus)	-	-	-
11:45 AM	US	PMI Manufacturing	Jan (F)	50.1	50.1
12:00 PM	US	Construction Spending (MoM)	Jan	0.2%	0.0%
12:00 PM	US	ISM Manufacturing	Jan	49.3	49.3
<b>2/4/2025 Tuesday</b>					
5:00 AM	Brazil	IPC-Fipe (MoM)	Jan	-	0.34%
8:00 AM	Brazil	Copom Statement	-	-	-
12:00 PM	US	JOLTS	Dec	-	8098k
12:00 PM	US	Factory Orders (MoM)	Dec	0.5%	-0.4%
10:45 PM	China	PMI (Caixin)	Jan		
		Services		52.4	52.2
		Composite		-	51.4
-	Brazil	Federal Debt Total	Dec	-	R\$ 7204 bn
-	Brazil	Annual Financing Plan (PAF)	2025	-	-
<b>2/5/2025 Wednesday</b>					
6:00 AM	Eurozone	PMI	Jan (F)		
		Services		51.4	51.4
		Composite		50.2	50.2
7:00 AM	Eurozone	PPI (MoM)	Dec	0.5%	1.6%
9:00 AM	Brazil	Industrial Production (MoM)	Dec	-	-
10:15 AM	US	ADP	Jan	153k	122k
10:30 AM	US	Trade Balance	Dec	US\$ -80.4 bn	US\$ -78.2 bn
11:45 AM	US	PMI	Jan (F)		
		Services		52.8	52.8
		Composite		52.4	52.4
12:00 PM	US	ISM Services	Jan	54.5	54.1
2:30 PM	Brazil	Foreign Exchange Transactions	-	-	-
2:30 PM	Brazil	Commodity Index (MoM)	Jan	-	-
<b>2/6/2025 Thursday</b>					
7:00 AM	Eurozone	Retail Sales (MoM)	Dec	-0.1%	0.1%
10:30 AM	US	Nonfarm Productivity (QoQ)	4T (P)	1.9%	2.2%
10:30 AM	US	Unit Labor Cost (QoQ)	4T (P)	3.4%	0.8%
10:30 AM	US	Initial Jobless Claims	-	-	-
<b>2/7/2025 Friday</b>					
8:00 AM	Brazil	IGP-DI (MoM)	Jan	-	0.87%
10:30 AM	US	Payroll	Jan	150k	256k
10:30 AM	US	Average Hourly Earnings (MoM)	Jan	0.3%	0.3%
10:30 AM	US	Unemployment Rate	Jan	4.1%	-
12:00 PM	US	Consumer Confidence - Michigan	Feb (P)	-	71.1
		Inflation expectation 1Y		-	-
		Inflation expectation 5-10Y		-	-
3:00 PM	Brazil	Monthly Trade Balance	Jan	-	\$ 4.8 bn
5:00 PM	US	Consumer Credit	Dec	US\$ 12.5 bn	US\$ -7.5 bn

**Macroeconomic projections**

	2019	2020	2021	2022	2023	2024	2025
GDP (%)	1,2	-3,3	4,8	3,0	2,9	<b>3,4</b>	<b>1,8</b>
Unemployment Rate (average, %)	12,0	13,8	13,2	9,3	8,0	<b>6,6</b>	<b>7,1</b>
IPCA (Consumer Price Index) (%)	4,3	4,5	10,1	5,8	4,6	4,8	<b>4,8</b>
Selic Rate (end of period, %)	4,50	2,00	9,25	13,75	11,75	12,25	<b>15,00</b>
Exchange Rate (end of period, R\$/US\$)	4,03	5,20	5,58	5,22	4,84	6,19	<b>6,10</b>
Current Account Transactions (US\$ billion)	-68,0	-28,2	-46,4	-53,6	-28,6	<b>-58,8</b>	<b>-62,8</b>
Current Account Transactions (% of GDP)	-3,6	-1,7	-2,9	-2,8	-1,4	<b>-2,7</b>	<b>-3,0</b>
Trade Balance - BCB (US\$ billion)	26,5	32,4	36,4	44,2	80,5	<b>66,2</b>	<b>60,1</b>
Foreign Direct Investment (US\$ billion)	69,2	37,8	46,4	87,2	62,0	<b>69,3</b>	<b>72,0</b>
Foreign Direct Investment (% of GDP)	3,7	2,6	2,8	4,5	2,8	<b>3,1</b>	<b>3,5</b>
Primary Result of the Central Government (R\$ billion)	-95,1	-743,3	-35,1	54,1	-249,1	<b>-45,2</b>	<b>-65,3</b>
Primary Result of the Central Government (% of GDP)	-1,3	-9,8	-0,4	0,5	-2,3	<b>-0,4</b>	<b>-0,6</b>
Primary Result of the Public Sector (R\$ billion)	-61,9	-703,0	64,7	126,0	-249,1	<b>-58,8</b>	<b>-55,6</b>
Primary Result of the Public Sector (% of GDP)	-0,8	-9,2	0,7	1,3	-2,3	<b>-0,5</b>	<b>-0,5</b>
Gross Public Debt (% of GDP)	74,4	86,9	77,3	71,7	74,3	<b>77,8</b>	<b>82,3</b>

## Our team

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