

GDP result consolidates slowdown in economic activity in the fourth quarter, but maintains consistent growth in 2024

Highlights

After continuous upward surprises in previous quarters, the growth in the quarter was lower than expected.

GDP grew by 0.2% QoQ, below our expectations and the market average (0.4%). In terms of composition, the supply side was marked by widespread cooling among the openings, although with an emphasis on the dynamics of services, a segment under considerable pressure in recent releases. Compared to the previous quarter, the sector grew by 0.1% compared to the 0.8% level, driven mainly by declines in financial activities and other services. From a demand perspective, the negative contribution from household consumption, together with a slowdown in investments and government spending, was the highlight of the number. As a result, domestic absorption fell at the margin, after high levels in both the full and private consumption metrics. In annual terms, growth was 3.4%, in line with our projection and slightly below the market median. In relation to forecasts, as with the quarterly variation, the number showed a downward surprise in more cyclical openings, which are more sensitive to the monetary policy cycle, which should be relevant for the Central Bank when it holds its next meetings. Although it does not indicate an abrupt slowdown in the current year, the observation is relevant given the concern attributed by the Central Bank to weaker than expected activity in its balance of risks. It is important to note that the leading indicator data available so far do not point to significant falls in the first quarter of 2025. Thus, together with the more intense agricultural dynamics, GDP growth in 1Q25 should prove solid, with a gradual slowdown throughout the year reflecting the effects of contractionary monetary policy. Therefore, and considering the statistical burden of 2024 for the current year (0.8%), we maintain our growth projection at 1.8% in 2025.

Under pressure from falling popularity, government announces measures to try to reduce food prices.

The announcement was made by Vice President Geraldo Alckimin and the main proposal is to zero out the import tax on nine items, especially meat, coffee, corn and sugar. Although the measure includes important items in the average consumer's basket, the share of domestic consumption coming from imports is quite small, which may not have such a significant impact on consumer inflation. However, the government is discussing with the states the possibility of exempting state taxes on the basic food basket, such as ICMS. In this scenario, the impact on the IPCA would be significant, although it is not yet clear whether the states will accept the proposal, given the movement to raise tax rates to compensate for the loss of revenue in recent years. In addition, the government has proposed joint measures to make sanitary issues more flexible, focus on the Safra plan for basic items, as well as publicity incentives. Thus, studies of the measures will be on the radar over the next few weeks, as will the forecast for implementation.

In the United States, Trump backs down again on import tariffs for Mexico and Canada, while the labor market surprises to the downside.

After reiterating the implementation of import tariffs for Mexico and Canada for March 4th, President Donald Trump agreed to postpone the application of tariffs for another month, now expected for April 2nd. The postponement applies to all items belonging to the USMCA trade agreement, but although Trump has shown himself to be more willing to negotiate, the US government's stance is still very much one of strengthening security and domestic trade. In interviews with the press, members linked to the president acknowledged the inflationary impact of the tariff measures, although they consider it to be temporary. On the labor market side, the February Payroll recorded the creation of 151,000 jobs, below market expectations (160,000). With an upward revision for December and a downward revision for January, the data reflected a widespread improvement across sectors, with an emphasis on the private sector, especially services. Thus, together with wages decelerating on the margin (0.3% MoM), the data proved to be more constructive from a monetary policy perspective, indicating a less pressured labor market in 2025.

Economic Calendar

On the domestic agenda, the highlight of the week will be the release of the **IPCA for February**, which we expect to accelerate to **1.29% MoM**, together with the monthly economic activity surveys for January. In addition, the Central Bank's fiscal and credit statistics will be released.

Internationally, the highlight of the agenda will be February's **inflation data in the United States**, as well as the release of January's JOLTS. In China, inflation data will also be the highlight.

Date	Country	Event	Period	Survey	Prior
03/08/25	Saturday				
10:30 PM	China	PPI (YoY)	Feb	2.1%	-2.3%
10:30 PM	China	CPI (YoY)	Feb	-0.4%	0.5%
03/10/25	Monday				
6:30 AM	Eurozone	Sentix Investor Confidence	Mar	-9.5	-12.7
8:00 AM	Brazil	IGP-DI (MoM)	Feb	-	0.11%
8:25 AM	Brazil	Central Bank Weekly Economist Survey (Focus)	-	-	-
3:00 PM	Brazil	Weekly Trade Balance	-	-	-
03/11/25	Tuesday				
5:00 AM	Brazil	IPC-Fipe	Mar (1P)	-	0.23%
7:00 AM	USA	NFIB Small Business Optimism	Feb	101.0	102.8
9:00 AM	Brazil	Industrial Production (MoM)	Jan	-	-0.3%
11:00 AM	USA	JOLTS	Jan	-	7600k
03/12/25	Wednesday				
8:00 AM	Brazil	IGP-M (MoM)	Mar (1P)	-	-
8:30 AM	Brazil	Primary Budget Balance	Jan	-	R\$15.7b
9:00 AM	Brazil	IPCA (MoM)	Feb	-	0.16%
9:30 AM	USA	CPI	Feb	-	-
		Total (MoM)		0.3%	0.5%
		Core (MoM)		0.3%	0.4%
2:30 PM	Brazil	Foreign Exchange Transactions	-	-	-
3:00 PM	USA	Federal Budget Balance	Feb	-	\$-128.6b
03/13/25	Thursday				
7:00 AM	Eurozone	Industrial Production (MoM)	Jan	0.7%	-1.1%
8:30 AM	Brazil	Credit Statistics	Jan	-	-
		Personal Loan Default Rate		-	5.3%
		Total Outstanding Loans		-	6427b
9:00 AM	Brazil	Services Volume (MoM)	Jan	-	-0.5%
9:30 AM	USA	PPI	Feb	-	-
		Total (MoM)		0.3%	0.4%
		Core (MoM)		0.3%	0.3%
9:30 AM	USA	Initial Jobless Claims	-	-	221k
1:00 PM	USA	Flow of Funds	4Q24	-	\$4766b
03/14/25	Friday				
9:00 AM	Brazil	Retail Sales (MoM)	Jan	-	-
		Restrict		-	-0.1%
		Broad		-	-1.1%
11:00 AM	USA	University of Michigan Sentiment	Mar (P)	63.9	64.7
		Expectations: 1Y Inflation		-	4.3%
		Expectations: 5-10 Inflation		-	3.5%

Macroeconomic projections

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

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