

April's IPCA-15 keeps a negative qualitative tone in a week marked by milder speeches from Central Bank directors

Highlights

Although the figure was marked by a downside surprise in airline fares, the core inflation average came in above expectations.

April's IPCA-15 rose 0.43% MoM, slightly above market consensus (0.42%) but below our forecast (0.49%). Compared to our number, downside surprises were concentrated in transportation, with a significant drop in airline ticket prices in April, along with administered prices, particularly due to the decline in gasoline. On the upside, in addition to the contribution from food at home, the highlight was the change in industrial goods, mainly driven by the upward movement in the personal care subgroup. These items were the main factors behind the core inflation average deviation from expectations, keeping a 12-month accumulated level of 5%. Combined with still-elevated levels of underlying services (6.4% YoY), current inflation continues to weigh negatively on monetary policy decisions, with little relief expected in the coming months. For the year, we keep our IPCA forecast at 5.4%, although now with a more benign trajectory for electricity prices. After the weekly update of CCEE data, we revised our forecast for the June tariff flag from red level 1 to yellow, with July and August remaining at red level 1. Despite the change, we keep our year-end forecast at green tariff flag, with no additional pressures expected for the 2025 accumulated index.

At the International Monetary Fund, Central Bank directors struck a more dovish tone.

Although the official communication was kept —reiterating the guidance from the March meeting for a smaller adjustment at the May COPOM— the current scenario of macroeconomic uncertainty reinforced the Central Bank's need for caution in conducting monetary policy. Directors emphasized that the current interest rate level is contractionary, with economic activity reflecting its restrictive effects, which is relevant for inflation convergence toward the target. The members acknowledged that expectations remain unanchored and that it is a key role of the Central Bank to reverse this scenario. However, particularly in the speech by Economic Policy Director Diogo Guillen, the use of the term “gradualism” as a monetary policy prescription in times of uncertainty stood out—an expression used in the Central Bank's recent communications as a signal for an adjustment between 25bps and 50bps. Thus, combined with the latest minutes, in which members highlighted the lagged effects of monetary policy, the director's statement was interpreted as dovish, increasing the probability of only one more 50bps hike in the May meeting, ending the tightening cycle that began in September. For now, we keep our expectation of a 50bps hike in the May meeting, followed by a 25bps hike in June, reaching a terminal rate of 15.0%.

Internationally, Donald Trump adopts a more moderate tone toward the FED chairman and China.

Under intense pressure from financial markets and close allies, President Donald Trump's more moderate rhetoric signaled a possible softening in his economic strategy. After harsh criticism of monetary policy and the trade tariffs imposed on China, Trump backtracked by stating he does not intend to remove FED Chairman Jerome Powell and showed willingness to gradually reduce the 145% tariffs on Chinese goods, provided there is progress in a potential agreement. According to Trump, his team is keeping trade talks with China, although Chinese authorities, through the Ministry of Commerce spokesperson, denied the existence of any formal dialogue, labeling the U.S. claims as unfounded and reinforcing the deadlock in bilateral relations. On the Chinese side, sources reported that the country is considering suspending part of the tariffs of up to 125% on certain U.S. imports—such as medical equipment, chemical products, and aircraft leasing contracts—in an attempt to mitigate the economic impacts of the trade war. Although the news was well received by Asian markets, China's foreign minister denied having any knowledge of the matter.

Economic Calendar

In **Brazil**, the focus of the agenda will be the labor market data for March, as well as the Central Bank's economic and financial statistics, particularly the External Sector and Fiscal Policy reports.

On the **international front**, attention will center on the U.S. labor market data for April, along with inflation figures in the Eurozone. In China, the spotlight will be on April's PMIs.

Date	Country	Event	Period	Survey	Buysidebrazil	Prior
04/28/25 Monday						
8:25	Brazil	Central Bank Weekly Economist Survey (Focus)	-	-	-	-
8:30	Brazil	External Statistics	Mar	-	-	-
		Current Account		-	-\$2.7b	-\$8.8b
		FDI		-	\$7.5m	\$9.3m
11:30	USA	Dallas Fed Manufacturing Activity	Apr	-13.3	-	-16.3
14:30	Brazil	Federal Debt Total	Mar	-	-	7492b
15:00	Brazil	Weekly Trade Balance	-	-	-	\$1.5b
04/29/25 Tuesday						
5:00	Eurozone	ECB 1 Year CPI Expectations	Mar	2.5%	-	2.6%
5:00	Eurozone	ECB 3 Year CPI Expectations	Mar	2.3%	-	2.4%
6:00	Eurozone	Economic Confidence	Apr	94.5	-	95.2
8:00	Brazil	IGP-M (MoM)	Apr	-	-	-0.34%
8:00	Brazil	Retail Survey	Apr	-	-	83.1
8:00	Brazil	Services Survey	Apr	-	-	92.9
10:00	USA	FHFA House Price Index (MoM)	Fev	0.3%	-	0.2%
11:00	USA	JOLTS	Mar	7490k	-	7568k
11:00	USA	Conference Board Consumer Confidence	Apr	87.3	-	92.9
11:30	USA	Dallas Fed Services Activity	Apr	-	-	-11.3
22:30	China	PMI (NBS)	Apr	-	-	-
		Manufacturing		49.8	-	50.5
		Services		50.7	-	50.8
		Composite		-	-	51.4
22:45	China	PMI Manufacturing (Caixin)	Apr	49.8	-	51.2
-	Brazil	Formal Employment (Caged)	Mar	-	195k	432k
-	Brazil	Central Government Primary Result	Mar	-	-R\$5.8b	-R\$31.7b
04/30/25 Wednesday						
6:00	Eurozone	GDP (QoQ)	1 Q (A)	0.2%	-	0.2%
8:30	Brazil	Fiscal Statistics (Primary Result)	Mar	-	-R\$7.5b	-R\$19.0b
8:30	Brazil	Credit Statistics	Mar	-	-	-
		Total Outstanding Loans		-	-	6487b
		Default Rate		-	-	5.6%
9:00	Brazil	Unemployment Rate (PNAD Continua)	Mar	-	7.0%	6.8%
9:15	USA	ADP	Apr	125k	-	155k
9:30	USA	Employment Cost Index	1 Q	0.9%	-	0.9%
9:30	USA	GDP (annualized QoQ)	1 Q (A)	0.4%	-	2.4%
9:30	USA	PCE Deflator - Core (annualized QoQ)	1 Q (A)	3.0%	-	2.6%
11:00	USA	Personal Expense (MoM)	Mar	0.6%	-	0.4%
11:00	USA	Personal Income (MoM)	Apr	0.4%	-	0.8%
11:00	USA	PCE deflator (MoM)	Mar	-	-	-
		Total		0.0%	-	0.3%
		Core		0.1%	-	0.4%
11:00	USA	Pending Home Sales (MoM)	Mar	1.0%	-	2.0%
14:30	Brazil	Foreign Exchange Transactions	-	-	-	\$186m
-	Brazil	General Government Net Financial Assets	4Q24	-	-	-
05/01/25 Thursday						
9:30	USA	Initial Jobless Claims	-	222k	-	222k
10:45	USA	PMI Manufacturing	Apr (F)	50.7	-	50.7
11:00	USA	Construction Expenditure (MoM)	Mar	0.2%	-	0.7%
11:00	USA	ISM Manufacturing	Apr	48.0	-	49.0
-	Brazil	National Holiday - Closed Market	-	-	-	-
-	Japan	BoJ Decision	-	0.50%	-	0.50%
05/02/25 Friday						
5:00	Eurozone	PMI Manufacturing	Apr (F)	48.7	-	48.7
6:00	Eurozone	CPI (YoY)	Apr (P)	-	-	-
		Total		2.1%	-	2.2%
		Core		2.5%	-	2.4%
6:00	Eurozone	Unemployment Rate	Mar	6.1%	-	6.1%
9:30	USA	Payroll	Apr	133k	-	228k
9:30	USA	Unemployment Rate	Apr	4.2%	-	4.2%
9:30	USA	Average Hourly Earnings (MoM)	Apr	0.3%	-	0.3%
11:00	USA	Factory Orders (MoM)	Mar	4.1%	-	0.6%

Macroeconomic projections

	2019	2020	2021	2022	2023	2024	2025	2026
GDP (%)	1,2	-3,3	4,8	3,0	2,9	3,4	1,9	1,6
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	5,4	4,6
Selic Rate (end of period, %)	4,50	2,00	9,25	13,75	11,75	12,25	15,00	13,00
Exchange Rate (end of period, R\$/US\$)	4,03	5,20	5,58	5,22	4,84	6,19	5,85	5,95
Current Account Transactions (US\$ billion)	-68,0	-28,2	-46,4	-53,6	-28,6	-56,0	-65,1	-69,4
Current Account Transactions (% of GDP)	-3,6	-1,7	-2,9	-2,8	-1,4	-2,6	-2,9	-3,0
Trade Balance - BCB (US\$ billion)	26,5	32,4	36,4	44,2	80,5	66,2	60,2	57,9
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	3,2	3,2
Primary Result of the Central Government (R\$ billion)	-95,1	-743,3	-35,1	54,1	-249,1	-43,0	-61,0	-51,0
Primary Result of the Central Government (% of GDP)	-1,3	-9,8	-0,4	0,5	-2,3	-0,4	-0,5	-0,4
Primary Result of the Public Sector (R\$ billion)	-61,9	-703,0	64,7	126,0	-249,1	-47,6	-52,3	-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	80,0	84,4

Our team

Andrea Bastos Damico
Chief Economist and CEO
andrea@buysidebrazil.com

Rita Milani
Economist
rita@buysidebrazil.com

Rafaela de Sousa
Economist
rafaela@buysidebrazil.com

Henrique Miareli
Economist
henrique@buysidebrazil.com

Mirella Hirakawa
Research Coordinator and Partner
mirella@buysidebrazil.com

Thaís Rodrigues
Economist and Partner
thais@buysidebrazil.com

Ítalo Faviano
Economist
italo@buysidebrazil.com

Pedro Tempel
Macroresearch Analyst
pedro@buysidebrazil.com

