

Uncertainty is the key word in domestic and external scenarios

Highlights

The fiscal situation was the focus of the news this week, with emphasis on the new decree publication that deals with the increase in the IOF and the Provisional Measure with proposals for revenue compensation.

There was a meeting on Sunday between the Minister of Finance and Congressional leaders to discuss alternatives that would compensate for the setbacks in the previous decree on the Tax on Financial Transactions, which had a very negative impact. Even so, the official announcements on Wednesday did not meet all interests, generating new noise. With the partial setback in the IOF decree, the Treasury still estimates revenue of around R\$6 billion, but this rule may be revoked, which would generate the need for greater spending contingency. The Speaker of the Chamber of Deputies indicated that there were disagreements, raised the tone throughout the week, and next Monday there will be an urgent vote on the bill that overturns this new decree. The provisional measure, which includes five measures on the expenditure side, should be valid for 120 days and will only lose its effect if it is returned by the president of Congress. As part of the agreement for the text, the government party will not be the rapporteur for the Budget Guidelines Law (LDO), but the leadership of the Chamber of Deputies has indicated that the measure should not move forward if no other spending cut measures are presented. Thus, the government will have an informal deadline of two more weeks to do so, since Congress will be empty due to the holiday and the São João festivities – keeping uncertainty and speculation throughout this period.

On the economic agenda, the indication was a slowdown in activity at the beginning of the second quarter, together with more modest inflation.

Retail data brought a bearish surprise in the broad reading (-1.9% m/m, vs est. -1.3%), with emphasis on the declines in vehicles and construction materials – which accentuated the deceleration trajectory in the year-on-year comparison, possibly reflecting more restrictive credit. The restricted reading was slightly above expectations (-0.4% m/m vs est. -0.5%), but still fell due to hypermarkets and supermarkets, together with fuels and lubricants. In turn, the services sector advanced 0.2% m/m, in line with expectations, but driven by transportation services, while the other openings fell at the margin. In transportation, the highlight was the dynamics of the airline sector, driven by lower ticket prices in the month. Thus, sectoral surveys pointed to more modest data in April, reinforcing the expectation of weakening activity in the coming months. In the same sense, the IPCA for May brought a new bearish surprise (0.26% m/m, vs est. 0.32%), which included not only the headline, but also the average of the cores. In terms of composition, the weaker numbers for apparel and automobiles, which impacted industrial goods, stood out. This was a positive sign, especially considering the exchange rate pass-through and the effects of global disinflation. In addition, food at home and gasoline also surprised on the downside. In any case, underlying services remained under pressure and 12-month accumulated inflation is still far from the target. Thus, there is a more favorable outlook for inflation expectations arising from the global scenario, but this trajectory still faces obstacles in the still heated dynamics of the domestic labor market that influences services prices. **In this sense, we still foresee that the scenario of maintaining interest rates at the next COPOM remains the majority, given the continued high level of uncertainty in the global scenario, now accentuated by geopolitical tensions in the Middle East.**

Finally, in the external scenario, there was a bearish surprise in US inflation, while risk premiums rose, reflecting tensions in the geopolitical scenario.

The US CPI rose 0.1% m/m in May, both in the headline and core, while estimates pointed to 0.2% and 0.3% respectively. There was a loss of traction compared to the previous month due to the fall in fuel prices, but also in goods and services. In industrials, vehicles and apparel stood out, due to inventories built up before the increase in tariffs. On the other hand, goods such as furniture and appliances, typically imported from China, came in stronger. Services, on the other hand, showed a more widespread slowdown, which led the supercore to also show a slowdown in the month. In the same vein, the PPI was below expectations (0.1% m/m vs. est. 0.2%), with categories included in the PCE, such as medical services and transportation, showing better behavior – indicating a more favorable dynamic for the Fed. Despite this, there was an increase in the prices of durable consumer goods, affected by trade tariffs. Overall, these data show that the effects of the tariff shocks, which are still under negotiation, are still incipient. This week, representatives of China and the United States reached a provisional agreement, which benefited assets. However, Israel's attack on Iran's nuclear facilities increased risk aversion and impacted mainly oil prices. Thus, in addition to the previous trade risks, geopolitical risk is gaining prominence in market pricing.

Economic Calendar

In **Brazil**, the agenda will be lighter, with attention focused on the Copom decision. In addition, the IBC-Br and FGV's GDP Monitor will be released to round off the activity indicators for April. Thursday will be the Corpus Christi holiday.

On the **international** scene, the week begins with a series of activity data from China, but the highlight will be monetary policy decisions. In addition, the US will release industrial and retail data.

Date	Country	Event	Period	Survey	Buysidebrazil	Prior
06/15/25 Sunday						
11:00 PM	China	Retail Sales (YoY)	May	4.9%	-	5.1%
11:00 PM	China	Industrial Production (YoY)	May	6.0%	-	6.1%
11:00 PM	China	Fixed Assets Ex-Rural (YTD YoY)	May	4.0%	-	4.0%
11:00 PM	China	Unemployment Rate	May	5.1%	-	5.1%
11:00 PM	China	Property Investments (YTD YoY)	May	-10.5%	-	-10.3%
11:00 PM	China	Residential Property Sales (YTD YoY)	May	-	-	-1.9%
06/16/25 Monday						
6:00 AM	Eurozone	Labor Cost (YoY)	1T25	-	-	3.7%
8:00 AM	Brazil	IGP-10 (MoM)	Jun	-	-	-0.01%
8:25 AM	Brazil	Central Bank Weekly Economist Survey (Focus)	-	-	-	-
9:00 AM	Brazil	IBC-Br - Economic Activity (MoM)	Apr	-	0.30%	0.80%
9:30 AM	USA	Empire Manufacturing	Jun	-6.0	-	-9.2
3:00 PM	Brazil	Weekly Trade Balance	-	-	-	-
06/17/25 Tuesday						
5:00 AM	Brazil	IPC-Fipe (MoM)	Jun (2P)	-	-	0.26%
6:00 AM	Eurozone	ZEW Survey Expectations	Jun	-	-	11.6
9:30 AM	USA	Retail Sales (MoM)	May	-	-	-
		Total		-0.7%	-	0.1%
		Control Group		0.3%	-	-0.2%
9:30 AM	USA	New York Fed Services Business Activity	Jun	-	-	-16.2
9:30 AM	USA	Import Prices (MoM)	May	-0.3%	-	0.1%
9:30 AM	USA	Export Prices (MoM)	May	-0.2%	-	0.1%
10:15 AM	Brazil	GDP Monitor (FGV)	Apr	-	-	1.3%
10:15 AM	USA	Industrial Production (MoM)	May	0.0%	-	0.0%
11:30 AM	Brazil	LFT and NTN-B Auction	-	-	-	-
11:00 AM	USA	NAHB Housing Market Index	Jun	36	-	34
-	Japan	BoJ - Target Rate	-	0.50%	-	0.50%
06/18/25 Wednesday						
6:00 AM	Eurozone	CPI (YoY)	May (F)	1.9%	-	1.9%
8:00 AM	Brazil	IGP-M (MoM)	Jun (2P)	-	-	-0.32%
9:30 AM	USA	Housing Starts	May	1360k	-	1361k
9:30 AM	USA	Building Permits	May (P)	1430k	-	1422k
9:30 AM	USA	Initial Jobless Claims	-	245k	-	248k
11:30 AM	Brazil	NTN-F and LTN Auction	-	-	-	-
2:30 PM	Brazil	Foreign Exchange Transactions	-	-	-	-
3:00 PM	USA	FOMC - Target Rate	-	4.50%	4.50%	4.50%
3:00 PM	USA	Summary of Economic Projections	-	-	-	-
3:00 PM	USA	Jerome Powell Interview	-	-	-	-
6:30 PM	Brazil	Copom - Target Rate	-	14.75%	14.75%	14.75%
06/19/25 Thursday						
6:00 AM	Eurozone	Construction Production (MoM)	Apr	0.0%	-	0.1%
8:00 AM	UK	BoE - Target Rate	-	4.25%	-	4.25%
10:00 PM	China	Loan Prime Rate	-	-	-	-
		1 Year		3.00%	-	3.00%
		5 Years		3.50%	-	3.50%
-	Brazil	National Holiday - Market Closed	-	-	-	-
06/20/25 Friday						
9:30 AM	USA	Philadelphia Fed Business Outlook	Jun	-1.0	-	-4.0
11:00 AM	USA	Leading Index (MoM)	May	-0.1%	-	-1.0%
11:00 AM	Eurozone	Consumer Confidence	Jun (P)	-14.6	-	-15.2

Macroeconomic projections

Macroeconomic projections	2019	2020	2021	2022	2023	2024	2025	2026
Brazil GDP (%)	1,2	-3,3	4,8	3,0	2,9	3,4	2,3	1,8
Unemployment Rate (average, %)	12,0	13,8	13,2	9,3	8,0	6,6	6,9	7,3
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	14,75	12,75
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	-67,4	-69,4
Current Account Transactions (% of GDP)	-3,6	-1,7	-2,9	-2,8	-1,4	-2,6	-3,1	-3,0
Trade Balance - BCB (US\$ billion)	26,5	32,4	36,4	44,2	80,5	66,2	58,1	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	3,3	3,3
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
United States - GDP (%)	2,5	-2,2	6,1	2,5	2,9	2,8	1,7	2,0
United States - PCE (%)	1,4	1,1	4,1	6,6	3,8	2,5	3,5	2,8
United States - Fed Funds Rate (end of period, %)	1,8	0,3	0,3	4,0	5,5	4,5	4,3	3,8

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