

## Despite the noise, Brazil has a more positive week

### Highlights

**The implementation of tariffs on Brazilian imports, expected today, was brought forward, but the United States surprised by exempting a long list of products.** Over the past few days, the government has been focusing on measures to contain the impact of the tariff hike, which would raise the Brazilian import tariff to 50%. However, many sectors were not covered – with only reciprocal tariffs (10%) in effect. This brought significant relief to businesses and local assets. Negotiations are now expected regarding the products still affected, which will be impacted starting August 6th. For now, support measures for companies are being studied, with a focus on job preservation. The idea is that any contingency plan will not be included in primary spending, given the "exceptional scenario." In any case, there are no official announcements at this time, and announcements are expected starting next week – when Congress will also return from its informal recess. According to our initial estimates, the impact on economic activity should be limited, while inflation may benefit from an increase in the domestic supply of taxed products, such as coffee. Furthermore, it is worth noting that presidential approval ratings have improved in this new scenario, which reduces the tail risk of a more stressed fiscal framework—due to the implementation of populist measures. All of this contributes to a less unfavorable outlook in the short term, although the environment remains volatile and susceptible to volatility.

**On the monetary policy front, the Copom (Copom) confirmed the maintenance of interest rates, indicating that they are likely to remain high for an extended period, but this new situation favors bets on earlier cuts.** In a unanimous decision, the Central Bank maintained the Selic rate at 15.0% per year, reinforcing its intention to bring inflation closer to the target. In its projection, the relevant horizon for monetary policy (the first quarter of 2027) indicates an IPCA of 3.4% over 12 months. Taking a hawkish tone, the institution indicated that it sees economic activity showing some moderation, but that the external scenario is more adverse and uncertain, which requires caution. Furthermore, the labor market remains quite resilient, according to this week's Continuous PNAD: in June, the unemployment rate reached 5.8%, below expectations (6.0%), and with a new record number of formally employed workers. Incomes were also under pressure again. However, other indicators do, in fact, reinforce the narrative of an economic slowdown to some extent. And, considering our recent studies of possible disinflationary impacts (including exchange rate dynamics and trade tariffs), we believe the disinflation process may be faster. Therefore, we will follow the guidance of upcoming hard data and credit statistics to measure the impacts of the contractionary monetary policy already implemented.

**In the US, expectations for interest rate cuts also grew after the Payrolls report indicated a greater weakness in the labor market.** Only 73,000 jobs were created in July, while expectations were for 104,000, in addition to significant downward revisions for May (from 144,000 to 19,000) and June (from 147,000 to 14,000). The goods sector has shown steady job losses—driven by manufacturing and, to a lesser extent, mining—while the services sector has shown weakness in the professional and information services segments. In turn, the federal government continues to downsize, with layoffs since February. Thus, a rate cut at the next September meeting becomes more likely, according to our baseline scenario. In its last decision this week, the FOMC held interest rates unchanged, but not unanimously. As expected, there were dissenting votes from Waller and Bowman, and the Committee remained data dependent. Furthermore, Powell's speech was quite hawkish, reinforcing that inflation remains above target and avoiding guidance for the next decision – reiterating that there is much to be observed regarding tariffs. In any case, the data paved the way for a reduction in the Fed Funds rate, and therefore, we revised our expectations: previously, we projected a single rate cut in the US, and now – with the clearer deterioration in the labor market – we expect two cuts by the end of the year, one in September and another in December. The pause in October is likely due to the recently imposed tariffs, which still have incipient effects on prices, which requires caution in policymaking.

## Economic Calendar

In **Brazil**, the agenda will focus on the Copom minutes, following a decision to maintain the Selic rate at 15.00%. Additionally, the June Caged (Formal Employment) results, which were postponed, will be released and are expected to show marginal improvement.

On the **international front**, the ISM Services Index will be highlighted in the US, while the PPI and Retail Sales will be released in the Eurozone. In China, July inflation data will be in focus, as will the trade balance results.

Date	Country	Event	Period	Survey	Buysidebrazil	Prior
<b>08/04/25 Monday</b>						
5:00 AM	Brazil	IPC-Fipe (MoM)	Jul	-	-	-0.08%
5:30 AM	Eurozone	Sentix Investor Confidence	Aug	6.9	-	4.5
8:25 AM	Brazil	Central Bank Weekly Economist Survey (Focus)	-	-	-	-
11:00 AM	USA	Factory Orders (MoM)	Jun	-4.9%	-	8.2%
<b>2:30 PM</b>	<b>Brazil</b>	<b>Caged (Formal Employment)</b>	<b>Jun</b>	<b>175k</b>	<b>175k</b>	<b>149k</b>
10:45 PM	China	PMI Caixin	Jul			
		Services		50.3	-	50.6
		Composite		-	-	51.3
<b>08/05/25 Tuesday</b>						
5:00 AM	Eurozone	PMI	Jul (F)			
		Services		51.2	-	51.2
		Composite		51.0	-	51.0
<b>6:00 AM</b>	<b>Eurozone</b>	<b>PPI (MoM)</b>	<b>Jun</b>	<b>0.9%</b>	-	<b>-0.6%</b>
<b>8:00 AM</b>	<b>Brazil</b>	<b>Copom Minutes</b>	-	-	-	-
9:30 AM	USA	Trade Balance	Jun	-\$61.9b	-	-\$71.5b
10:45 AM	USA	PMI	Jul (F)			
		Services		55.2	-	55.2
		Composite		54.6	-	54.6
<b>11:00 AM</b>	<b>USA</b>	<b>ISM Services</b>	<b>Jul</b>	<b>51.5</b>	-	<b>50.8</b>
<b>08/06/25 Wednesday</b>						
<b>6:00 AM</b>	<b>Eurozone</b>	<b>Retail Sales (MoM)</b>	<b>Jun</b>	<b>0.3%</b>	-	<b>-0.7%</b>
2:30 PM	Brazil	IC-Br (MoM)	Jul	-	-	-1.35%
2:30 PM	Brazil	Foreign Exchange Transactions	-	-	-	-
3:00 PM	Brazil	Monthly Trade Balance	Jul	-	\$5.8b	\$5.9b
<b>08/07/25 Thursday</b>						
8:00 AM	Brazil	IGP-DI (MoM)	Jul	-	-	-1.8%
<b>9:30 AM</b>	<b>USA</b>	<b>Labor Productivity (QoQ)</b>	<b>2T (P)</b>	<b>1.9%</b>	-	<b>-1.5%</b>
<b>9:30 AM</b>	<b>USA</b>	<b>Unit Cost Labor (QoQ)</b>	<b>2T (P)</b>	<b>1.5%</b>	-	<b>6.6%</b>
9:30 AM	USA	Initial Jobless Claims	-	224k	-	218k
4:00 PM	USA	Consumer Credit	Jun	\$7.2b	-	\$5.1b
<b>08/08/25 Friday</b>						
10:30 PM	China	PPI (YoY)	Jul	-3.2%	-	-3.6%
10:30 PM	China	CPI (YoY)	Jul	-0.1%	-	0.1%
<b>In the week</b>						
-	China	Trade Balance	Jul	\$108b	-	\$115b
		Export (YoY)		5.5%	-	5.8%
		Import (YoY)		-1.5%	-	1.1%

**Macroeconomic projections**

	2019	2020	2021	2022	2023	2024	2025	2026
Brazil GDP (%)	1,2	-3,3	4,8	3,0	2,9	3,4	<b>2,3</b>	<b>1,8</b>
Unemployment Rate (average, %)	12,0	13,8	13,2	9,3	8,0	6,6	<b>6,9</b>	<b>7,3</b>
IPCA (Consumer Price Index) (%)	4,3	4,5	10,1	5,8	4,6	4,8	<b>5,2</b>	<b>4,5</b>
Selic Rate (end of period, %)	4,50	2,00	9,25	13,75	11,75	12,25	<b>15,00</b>	<b>13,00</b>
Exchange Rate (end of period, R\$/US\$)	4,03	5,20	5,58	5,22	4,84	6,19	<b>5,75</b>	<b>5,85</b>
Current Account Transactions (US\$ billion)	-68,0	-28,2	-46,4	-53,6	-28,6	-56,0	<b>-69,9</b>	<b>-69,4</b>
Current Account Transactions (% of GDP)	-3,6	-1,7	-2,9	-2,8	-1,4	-2,6	<b>-3,2</b>	<b>-3,0</b>
Trade Balance - BCB (US\$ billion)	26,5	32,4	36,4	44,2	80,5	66,2	<b>52,8</b>	<b>57,9</b>
Foreign Direct Investment (US\$ billion)	69,2	37,8	46,4	87,2	62,0	71,1	<b>69,7</b>	<b>75,0</b>
Foreign Direct Investment (% of GDP)	3,7	2,6	2,8	4,5	2,8	3,2	<b>3,2</b>	<b>3,3</b>
Primary Result of the Central Government (R\$ billion)	-95,1	-743,3	-35,1	54,1	-249,1	-43,0	<b>-73,9</b>	<b>-67,8</b>
Primary Result of the Central Government (% of GDP)	-1,3	-9,8	-0,4	0,5	-2,3	-0,4	<b>-0,6</b>	<b>-0,5</b>
Primary Result of the Public Sector (R\$ billion)	-61,9	-703,0	64,7	126,0	-249,1	-47,6	<b>-42,5</b>	<b>-37,8</b>
Primary Result of the Public Sector (% of GDP)	-0,8	-9,2	0,7	1,3	-2,3	-0,4	<b>-0,3</b>	<b>-0,3</b>
Gross Public Debt (% of GDP)	74,4	86,9	77,3	71,7	74,3	76,1	<b>79,4</b>	<b>83,7</b>
United States - GDP (%)	2,5	-2,2	6,1	2,5	2,9	2,8	<b>1,7</b>	<b>2,0</b>
United States - PCE (%)	1,4	1,1	4,1	6,6	3,8	2,5	<b>3,5</b>	<b>2,8</b>
United States - Fed Funds Rate (end of period, %)	1,8	0,3	0,3	4,0	5,5	4,5	<b>4,0</b>	<b>3,75</b>

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