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# Brazil's economy shows moderate growth as Central Bank signals rates will remain high for longer

## Highlights

**Brazil's economic activity posted a moderate advance in August, recovering part of the losses from early in the third quarter but still expanding at a contained pace.**
The industrial sector broke a four-month streak without growth (0.8% MoM), driven by manufacturing, while the extractive industry declined and offset part of July's gain. The services sector showed moderate growth (0.1% MoM), though gains were broadly spread across segments, with only information and communication services falling due to a high base in the previous month. Retail trade also performed positively, with core retail sales up 0.2% MoM, mainly supported by supermarkets and pharmaceutical goods, while broad retail (0.9% MoM) remained strong in the automotive segment, still reflecting recent tax incentives such as the IPI reduction. Aggregating these results, the IBC-Br rose 0.4% MoM, reflecting solid performance across sectors even as agriculture contributed negatively, consistent with the sector's more volatile nature. Despite the sequential increase, the movement indicates a temporary and limited rebound after months of weak results, with overall activity still losing momentum under the lagged effects of monetary tightening. The data reinforce the view that the economy is entering a phase of more moderate expansion, consolidating the transition toward a slower growth pace.

**In monetary policy, statements from Central Bank officials highlighted the need to maintain a cautious stance amid persistent uncertainty.**
During recent presentations in Washington, BCB directors maintained a hawkish tone, emphasizing that the monetary authority should keep interest rates elevated for a prolonged period to ensure calm and predictable decision-making. The message underscored that this policy cycle is more uncertain than usual, requiring a more restrictive and patient approach until there is clear evidence of inflation convergence to the target. According to Nilton David, the BCB aims to avoid adding volatility or reacting hastily to short-term noise, while Paulo Picchetti reaffirmed that the monetary policy transmission channel is functioning properly, as shown by the ongoing slowdown in activity and weaker credit demand. Both officials noted that the risk of the BCB underestimating inflation is smaller than in past episodes, while signaling that the institution will respond if the disinflation process advances faster than expected. In its risk balance, the Central Bank still points to inflationary pressures from the labor market and services, though it acknowledged that inflation expectations have been gradually easing. Overall, the communication reinforced that the BCB remains committed to consolidating disinflation, recognizing that the current stage of monetary policy requires patience and consistency to ensure inflation convergence to the target.

**In the United States, Federal Reserve Chair Jerome Powell's remarks reinforced expectations of further rate cuts, while renewed trade tensions with China heightened global market uncertainty.**

Speaking at the annual meeting of the National Association for Business Economics (NABE), Powell signaled that the Fed is likely to deliver another 25-basis-point cut at the October meeting, given the weakening labor market and the potential for higher unemployment if hiring continues to slow. He also noted that the central bank may soon end its balance-sheet reduction to ensure sufficient system liquidity, acknowledging that the economy remains resilient but faces increasing risks from tariff-driven inflation and labor-market softness. The situation is compounded by the ongoing government shutdown, which restricts access to official data and raises uncertainty in policy calibration. On the geopolitical front, U.S.–China relations have worsened again, with the Trump administration alternating between conciliatory gestures and threats of new tariffs, while Beijing responded with sanctions on U.S. maritime firms and warned of further retaliation. Despite these tensions, both countries appear interested in avoiding an uncontrolled escalation and could pursue a temporary deal to ease volatility and mitigate global trade pressures.

## Economic Calendar

In **Brazil**, the domestic agenda will focus on the **October inflation preview**, for which we project a 0.42% MoM increase. In addition, the Central Bank will release the External Sector data for September.

On the **international front**, the highlight will be the release of the **U.S. consumer inflation report**, originally scheduled for October 15. **It is worth noting that the Bureau of Labor Statistics (BLS) confirmed that only the CPI will be published, while all other releases remain suspended due to the government shutdown**. In the Eurozone, the focus will be on the activity data.

| Date | Country | Event | Period | Survey | Buysidebrazil | Prior |
|---|---|---|---|---|---|---|
| **10/10/25** | **Monday** | | | | | |
| 3:00 | Germany | PPI (MoM) | Sep | 0,1% | | -0,5% |
| 8:25 | Brazil | Central Bank Weekly Economist Survey (Focus) | - | - | | - |
| 11:00 | US | Leading Indicators (MoM) | Sep | - | | -0,5% |
| 15:00 | Brazil | Weekly Trade Balance | - | - | | - |
| **10/11/25** | **Tuesday** | | | | | |
| 8:00 | Brazil | **IGP-M - 2nd Preview** | Oct | - | | 0,3% |
| 9:30 | US | Philadelphia Fed Services Activity Index | Oct | - | | -12,3 |
| **10/12/25** | **Wednesday** | | | | | |
| 11:30 | US | Crude Oil Inventories | - | - | | - |
| 14:00 | US | 20-Year Treasury Bond Auction | - | - | | - |
| 14:30 | Brazil | Foreign Exchange Transactions | - | - | | - |
| **10/13/25** | **Thursday** | | | | | |
| 9:30 | US | Chicago Fed National Activity Index (CFNAI) | Sep | - | | -1200 |
| 9:30 | US | Initial Jobless Claims | - | - | | |
| 11:00 | US | Existing Home Sales | Sep | 4,07m | | 4,00m |
| 12:00 | US | Kansas City Fed Manufacturing Survey | Oct | - | | 4,0 |
| - | Brazil | CMN Meeting | - | - | | |
| **10/14/25** | **Friday** | | | | | |
| 4:30 | Germany | PMI Composite | Oct | 51,5 | | 52,00 |
| 5:00 | Eurozone | PMI Composite | Oct | 51,0 | | 51,20 |
| 8:30 | Brazil | **External Sector Statistics: Current Account (USD bi)** | Sep | - | -8,1 bi | US$ -4,7 bi |
| 8:30 | Brazil | FDI (USD bi) | | - | 7,0 bi | US$ 8,0 bi |
| 9:00 | Brazil | **IPCA-15 (MoM)** | Oct | - | 0,42% | 0,5% |
| 9:30 | US | **CPI (MoM)** | Sep | 0,4% | | 0,4% |
| | | Core (MoM) | | 0,3% | | 0,3% |
| 9:30 | US | New Home Sales | Sep | - | | 664k |
| 10:45 | US | **PMI Composite** | Sep | - | | 53,9 |
| 11:00 | US | Consumer Confidence | Oct | 55 | | 55,0 |
| 12:00 | US | Kansas City Fed Services Activity Index | Oct | - | | -9,0 |

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

## Our team

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