

## **Powell surprises with hawkish tone after FED rate cut, while Brazil's labor market remains strong**

### **Highlights**

**The FED reduced interest rates, but Powell's remarks surprised markets with a more hawkish stance than expected.**

The decision to cut the federal funds rate by 25 basis points to a range of 3.75%–4.00% came with dissenting votes in opposite directions, reflecting growing divisions within the Committee. Stephen Miran, recently appointed by Trump, favored a larger 50-basis-point cut, arguing that the risk of economic slowdown warranted a faster policy response. Conversely, Jeffrey Schmid, from the Kansas City Fed, voted for no change, citing persistent inflation and the need for caution amid the lack of recent data. In its statement, the Committee noted that the economy continues to grow at a moderate pace, while the labor market shows signs of cooling, with a slight uptick in unemployment but still at historically low levels. Inflation remains relatively high, and the Fed emphasized that it remains vigilant regarding risks to both mandates, acknowledging increased downside risks to the labor market in recent weeks. The statement also announced that the balance sheet runoff (QT) will end on December 1 after concluding that bank reserves are close to their minimum adequate level. Although the rate decision was broadly expected, the surprise came in Chair Jerome Powell's press conference, where he struck a firmer tone and cast doubt on the likelihood of another cut in December. Powell said that another rate reduction at the next meeting is not guaranteed, that policy is now closer to neutral, and that the Committee should proceed cautiously given the data blackout caused by the federal shutdown. He also downplayed recent labor market softening, saying there has been no material deterioration and unemployment remains historically low amid limited labor supply. On the other hand, he reiterated that inflation is still above target and that the Fed's job is not done. Given the unexpectedly hawkish tone, we believe the likelihood of another rate cut in December has decreased significantly, though for now we maintain our baseline forecast pending clearer signals from upcoming U.S. labor data.

**In geopolitics, the week was marked by the extension of the trade truce between the United States and China and positive signs in dialogue between Washington and Brasilia.**

Donald Trump and Xi Jinping announced a new agreement extending the truce and reducing tariffs, paving the way for an improvement in relations between the world's two largest economies. The deal provides for the U.S. to halve tariffs related to fentanyl-linked Chinese products, while China resumes purchases of soybeans, sorghum, and other U.S. agricultural commodities. Beijing will also suspend, for one year, export controls on rare-earth magnets in exchange for relief on U.S. restrictions against Chinese firms. Both countries pledged to cooperate on strategic areas such as trade, energy, and artificial intelligence. At the same time, talks between Trump and President Lula were described as productive, marking the formal start of bilateral negotiations aimed at removing the 50% tariffs currently imposed on Brazilian goods. According to Brazil's Foreign Ministry, a high-level delegation will travel to Washington next week to advance discussions covering trade, critical minerals, and rare-earth elements. Both leaders expressed optimism about the outcome and agreed to conduct reciprocal state visits, signaling a diplomatic rapprochement between the two nations.

**The Brazilian labor market remained resilient in September.**

The net job creation totaled 213 thousand, well above expectations, reflecting broad-based gains across sectors, led by Services and Industry. Seasonally adjusted data indicate an acceleration at the margin after a weaker August. More sensitive indicators, such as the voluntary quit rate, continued to rise year-over-year, suggesting that workers are still moving toward better opportunities, evidence of a tight labor market with healthy job reallocation dynamics. In the household survey (PNAD), the unemployment rate held steady at 5.6% in the quarter ending in September, while the seasonally adjusted series stood at 5.8%, still historically low. The number of formal employees reached a record 39.2 million, and the informality rate remained stable at 37.8%. On wages, the real average admission salary from the CAGED registry edged down slightly, but PNAD data continued to show real income growth of 4% YoY and a 5.5% increase in total wage mass. Overall, the figures confirm the labor market's resilience, with only a gradual pace of cooling.

## Economic Calendar

In Brazil, the domestic agenda will be dominated by the monetary policy decision on Wednesday, for which we project the Selic rate to remain unchanged, as well as the release of September's industrial production data.

Internationally, the focus will be on U.S. private labor market data, which have gained greater relevance amid the ongoing government shutdown. In addition, the release of global PMIs and the Bank of England's monetary policy decision will also be key events on the week's agenda.

Date	Country	Event	Period	Survey	Buysidebrazil	Prior
<b>11/03/25 Monday</b>						
5:55	Germany	Manufacturing PMI	Oct	49,6		49,60
6:00	Eurozone	Manufacturing PMI	Oct	50,0		50,00
8:25	Brazil	BCB Focus Survey	-	-		-
11:45	US	Manufacturing PMI	Oct	52,5		52,20
12:00	US	ISM Manufacturing Index	Oct	49,4		49,10
12:00	US	Construction Spending (MoM)	Sep	-		-
<b>11/04/25 Tuesday</b>						
5:00	Brazil	IPC - Fipe (MoM)	Oct	-		0,52%
9:00	Brazil	<b>Industrial Production (MoM)</b>	Sep	-0,4%	-0,5%	0,8%
10:30	US	Trade Balance (USD bn)	Sep	-		-
11:00	US	<b>JOLTS</b>	Sep	7204k		7227k
12:00	US	Factory Orders (MoM)	Sep	-		-
22:45	China	Composite PMI	Oct	-		52,50
<b>11/05/25 Wednesday</b>						
4:00	Germany	Factory Orders (MoM)	Sep	0,9%		-0,8%
5:55	Germany	Composite PMI	Oct	53,8		53,80
7:00	Eurozone	Producer Price Index (MoM)	Sep	-0,1%		-0,3%
10:15	US	<b>ADP</b>	Oct	25k		-32k
11:45	US	Composite PMI	Oct	-		54,80
12:00	US	ISM Services Index	Oct	50,7		50,00
12:30	US	Crude Oil Inventories	-	-		-
14:30	Brazil	IC-Br (MoM)	Oct	-		0,0%
14:30	Brazil	Foreign Exchange Transactions	-	-		-
18:30	Brazil	<b>Interest Rate Decision</b>	-	15,0%	15,0%	15,0%
<b>11/06/25 Thursday</b>						
4:00	Germany	Industrial Production (MoM)	Sep	3,0%		-4,3%
7:00	Eurozone	Retail Sales (MoM)	Sep	0,2%		0,0
9:00	U. Kingdom	<b>Interest Rate Decision</b>	-	4,0%		4,0%
10:30	US	Labor Productivity (QoQ)	3Q25	3,7%		3,3%
10:30	US	Unit Labor Costs (QoQ)	3Q25	0,90%		1,00%
10:30	US	Initial Jobless Claims	-	-		-
13:00	US	Speech by J. Williams (Fed Board)	-	-		-
14:00	US	Speech by B. Hammack (Fed Cleveland)	-	-		-
15:00	Brazil	<b>Monthly Trade Balance</b>	Oct	-		US\$ 2,9 bi
18:30	US	Speech by A. Paulson (Fed Philadelphia)	-	-		-
19:30	US	Speech by A. Musalem (Fed St. Louis)	-	-		-
<b>11/07/25 Friday</b>						
5:00	US	Speech by J. Williams (Fed New York)	-	-		-
8:00	Brazil	<b>IGP-DI (MoM)</b>	Oct	-		0,4%
10:30	US	Nonfarm Payrolls	Oct	-		-
10:30	US	Unemployment Rate	Oct	-		-
12:00	US	Consumer Confidence	Nov	53,0		53,6
12:00	US	1-Year Inflation Expectations	Nov	-		-
12:00	US	5-to-10-Year Inflation Expectations	Nov	-		-
17:00	US	Consumer Credit (USD bn)	Sep	\$11.000b		\$0.363b

**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>2,1</b>	<b>1,8</b>
Unemployment Rate (average, %)	12,0	13,8	13,2	9,3	8,0	6,6	<b>6,3</b>	<b>6,7</b>
IPCA (Consumer Price Index) (%)	4,3	4,5	10,1	5,8	4,6	4,8	<b>4,5</b>	<b>4,1</b>
Selic Rate (end of period, %)	4,50	2,00	9,25	13,75	11,75	12,25	<b>15,00</b>	<b>12,25</b>
Exchange Rate (end of period, R\$/US\$)	4,03	5,20	5,58	5,22	4,84	6,19	<b>5,50</b>	<b>5,50</b>
Current Account Transactions (US\$ billion)	-68,0	-28,2	-46,4	-53,6	-28,6	-56,0	<b>-76,3</b>	<b>-74,9</b>
Current Account Transactions (% of GDP)	-3,6	-1,7	-2,9	-2,8	-1,4	-2,6	<b>-3,5</b>	<b>-3,3</b>
Trade Balance - BCB (US\$ billion)	26,5	32,4	36,4	44,2	80,5	66,2	<b>52,6</b>	<b>53,6</b>
Foreign Direct Investment (US\$ billion)	69,2	37,8	46,4	87,2	62,0	71,1	<b>66,8</b>	<b>75,0</b>
Foreign Direct Investment (% of GDP)	3,7	2,6	2,8	4,5	2,8	3,2	<b>3,1</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>3,75</b>	<b>3,00</b>

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