

Subdued inflation and a resilient labor market shape the domestic agenda

Highlights

This week, Brazil's economic indicators delivered a mixed picture, combining signs of a still-resilient labor market with a benign inflation reading.

On the price front, November's IPCA-15 rose 0.20% MoM, marginally above expectations at the headline level, reflecting concentrated pressures in services such as airfares and accommodation. Within the core measures, however, these upside surprises were offset by disinflationary drivers, including the sharp decline in voluntary vehicle insurance and the moderation in industrial goods, influenced by November's seasonal discounting. Food at home also surprised to the downside again, softening the aggregate result and pointing to a milder acceleration into December. Despite the marginal upside surprise, we assess that the overall inflation dynamic remains constructive and consistent with year-end inflation around 4.4%. On the activity side, formal job creation data disappointed, showing a net creation of 85 thousand formal jobs in October, below expectations and suggesting some loss of momentum after September's strong print. While formal job creation was more moderate, the Continuous PNAD survey reinforced the resilience of the labor market. The unemployment rate fell to 5.4 percent in the rolling quarter through October, the lowest level in the historical series, real earnings continued to rise, and the wage bill remains on a robust upward trend. Unlike other activity indicators, which show gradual deceleration, labor market strength remains a key point of attention for inflation and monetary policy.

In this context, speeches from Central Bank officials carried a firm tone, emphasizing prudence, data dependence and full commitment to inflation convergence.

President Gabriel Galípolo reiterated that there are no new elements warranting a change in the policy stance at this stage, stressing that the Central Bank does not react to short-term noise, external pressures or interpretations related to the electoral cycle. Monetary Policy Director Nilton David reinforced that the hiking cycle is over, but the transition to cuts requires convincing signs of inflation easing, improved expectations and reduced uncertainty. He highlighted that any premature move would be counterproductive and could add volatility at a still-sensitive moment. Both officials underscored that credibility remains the Central Bank's main asset and that communication must stay technical, calm and well-calibrated to avoid misinterpretation and preserve predictability. This more cautious tone was reflected in the yield curve, with short-term DI rates giving back part of the recent optimism as markets reassessed the likelihood of cuts in the near term. In our view, the easing cycle should begin in January 2026, when better-anchored expectations and a less volatile external environment should provide safer conditions for a shift in direction.

In the United States, this week's data reinforced a picture of moderating activity and eased some inflation concerns, supporting higher market pricing for near-term cuts.

The PPI came in line with expectations, reversing August's deflation, with gains driven by food and energy and a still-benign core goods component, suggesting limited pass-through of tariff adjustments. Retail sales showed a clearer slowdown: the 0.2 percent increase came in below expectations, the control group contracted, and real sales returned to negative territory, indicating softer underlying momentum and a shift in consumption toward essential items, while imported durable goods weakened. On the policy front, although Chair Powell has not spoken since the post-FOMC press conference, communication from other officials gained relevance. Williams, Waller and Daly adopted a more dovish tone, emphasizing labor-market deceleration and the fragility of post-shutdown statistics, factors that, according to the Financial Times, align with the Chair's own assessment. As a result, markets more consistently priced in a December cut, supported by both softer data and a shift in communication among FOMC members.

Economic Calendar

In **Brazil**, the domestic agenda will be highlighted by the release of the 2025 Q3 GDP, for which we forecast a 0.2% QoQ expansion, as well as October's Industrial Production (PIM).

On the **international front**, the key releases will be the ADP employment report, the ISM Services index and the PCE inflation gauge in the United States. In addition, both inflation and activity data will be published in the Euro Area, while China will release its November PMI.

Date	Country	Event	Period	Survey	Buysidebrazil	Prior
12/01/25 Monday						
5:55	Germany	PMI Manufacturing	Nov	48,4		48,4
6:00	Eurozone	PMI Manufacturing	Nov	49,7		49,7
8:25	Brazil	Central Bank Weekly Economist Survey (Focus)	-	-		
11:45	US	PMI Manufacturing	Nov	-		51,9
12:00	US	ISM Manufacturing	Nov	49		48,7
12/02/25 Tuesday						
5:00	Brazil	IPC-FIPE	Nov	-		0,17%
7:00	Eurozone	CPI (MoM)	Nov	-0,3%		0,20%
		Core (YoY)	Nov	2,4%		2,40%
7:00	Eurozone	Unemployment Rate	Oct	6,30%		
9:00	Brazil	Industrial Production (MoM)	Oct	0,20%	0,10%	-0,40%
22:45	China	PMI Composite	Nov	-		51,8
22:45	China	PMI Services	Nov	52,0		52,6
12/03/25 Wednesday						
5:55	Germany	PMI Composite	Nov	5210,0%		52,1
6:00	Eurozone	PMI Composite	Nov	52,4		52,4
7:00	Eurozone	PPI (MoM)	Oct	0,20%		-0,10%
10:15	US	ADP	Nov	20k		42k
10:30	US	Imported Prices Index (MoM)	Set	0,1%		0,003
11:15	US	Industrial Production (MoM)	Set	0,1%		0,1%
11:45	US	PMI Composite	Nov	-		54,8
12:00	US	ISM Services	Nov	52,0		52,4
14:30	Brazil	IC-Br (MoM)	Nov	-		-0,3%
14:30	Brazil	Foreign Exchange Transactions	-	-		
12/04/25 Thursday						
5:30	Germany	Construction PMI	Nov	-		42,8
7:00	Eurozone	Retail Sales (MoM)	Oct	0,0%		-0,10%
9:00	Brazil	GDP (QoQ)	3Q25	0,1%	0,2%	0,40%
		GDP (YoY)	3Q25	1,6%	1,7%	2,2%
10:30	US	Jobless Claims	-	-		
15:00	Brazil	Monthly Trade Balance	Nov	-		US\$ 7,0 bi
12/05/25 Friday						
4:00	Germany	Factory Orders (MoM)	Oct	0,5%		1,1%
7:00	Eurozone	GDP (QoQ)	3Q25	0,2%		0,2%
7:00	Eurozone	Employment (QoQ)	3Q25	-		0,1%
8:00	Brazil	IGP-DI (MoM)	Nov	-		0,0%
12:00	US	Personal Income (MoM)	Set	0,3%		0,4%
12:00	US	Personal Spending (MoM)	Set	0,3%		0,6%
12:00	US	PCE (MoM)	Set	0,3%		0,3%
12:00	US	Core PCE (MoM)	Set	0,2%		0,2%
12:00	US	Consumer Confidence	Dec	52,0		51,0
12:00	US	One-Year Inflation Expectations	Dec	-		4,5%
12:00	US	Five-to-Ten-Year Inflation Expectations	Dec	-		3,4%
17:00	US	Consumer Credit	Oct	\$15.0b		\$13.093b

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	6,1	6,4
IPCA (Consumer Price Index) (%)	4,3	4,5	10,1	5,8	4,6	4,8	4,4	4,0
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 (% of GDP)	-1,3	-9,8	-0,4	0,5	-2,3	-0,4	-0,5	-0,5
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	4,00	3,00

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