buysidebrazil

01/09/2026

A resilient labor market in Brazil and a turbulent international backdrop mark the start of the year

Highlights

This week, the first data releases of the year pointed to a scenario of decelerating economic activity, but without major shocks, and to disinflation, with inflation ending the year below the upper bound of the target, although in line with market expectations both for the headline figure and for core measures. Industrial Production (PIM) was the first activity indicator released. After seasonal adjustment, the flat reading relative to November came slightly below market expectations (+0.1% MoM SA) and reinforces the perception of a mild economic slowdown throughout the second half of 2025. The main factor behind this weaker reading was the composition of the result: three of the four major economic categories posted negative changes in November, as did 15 of the 25 industrial sectors. In this context, expectations are that upcoming data will reinforce this cooling trend in economic activity, albeit without sharp declines. In contrast, labor market data released the previous week continue to move in the opposite direction. Although it is common for the labor market to be one of the last segments to reflect the effects of monetary policy, employment indicators continue to surprise positively. PNAD stood out, showing an unemployment rate of 5.2% in November, a new historical low, below the 5.4% expectation, alongside increases in both the employed population and the economically active population. Thus, while other activity indicators signal a gradual slowdown, the labor market remains a relevant point of attention from an inflationary and monetary policy perspective.

December's IPCA came in at 0.33%, in line with our projections and with the market median. In terms of composition, the qualitative picture remains less constructive, confirming expectations of further advances in core and labor-intensive services. On the margin, the average of core measures rose 0.46% MoM, also in line with our forecast and the market median. Once again, the composition of the cores was less benign, reflecting continued strength in core and labor-intensive services, while the normalization of prices after Black Friday also boosted the industrial goods group. On a year-over-year basis, the data confirm the disinflation trend in 2025, with inflation ending the year below the upper limit of the target at 4.26%. From a monetary policy standpoint, the December result is unlikely to materially change market views, as the median expectation for the start of rate cuts remains March.

On the international front, the week was marked by a combination of key U.S. labor market data and rising geopolitical tensions, notably due to a more assertive U.S. stance toward Venezuela and, more marginally, Greenland.
In the United States, the economic calendar was particularly busy, with a series of important labor market releases. The indicators reinforced the view of a gradual moderation, albeit without abrupt deterioration, and support expectations that interest rates will be kept unchanged at the January meeting. The ADP report showed a rebound in private job creation in December, following the negative impact of the November shutdown, driven mainly by the services sector, while goods—especially manufacturing—remained under pressure. JOLTS confirmed this cooling trend, with a slowdown in job openings and the vacancies-to-unemployed ratio falling below 1.0, signaling weaker labor demand. On the other hand, the decline in layoffs helped soften the negative reading.

December's payroll data reinforced this assessment: net job creation came in below expectations but remained positive, once again supported by services, while the goods sector posted widespread losses. The unemployment rate declined after the increase seen in November, which reflected the shutdown, and this was accompanied by a slight drop in the participation rate. Wages reaccelerated but remained below 4% on a year-over-year basis. Taken together, the data point to an orderly deceleration in the labor market, consistent with expectations of keeping interest rates unchanged at the January meeting. In parallel, the ISM Services index surprised to the upside, showing a strong acceleration in activity, a recovery in sector employment, and still-resilient demand, reinforcing the role of services as the main pillar of the U.S. economy.

On the geopolitical front, U.S. actions in Venezuela dominated the headlines. Following the capture of Nicolás Maduro by U.S. forces and targeted attacks in the country, interim president Delcy Rodríguez adopted a more conciliatory tone, and President Donald Trump conditioned the normalization of relations on the behavior of the new government, indicating that Venezuela would require a broad reconstruction process. U.S. officials emphasized that actions would matter more than rhetoric. The economic dimension of the intervention also gained prominence, with Trump announcing that Venezuela would need to send between 30 and 50 million barrels of oil to the U.S. —a move representing a strategic setback for China, previously the main destination for Venezuelan oil. For now, the impact on oil prices has been limited, particularly given the high degree of uncertainty surrounding these measures.

In Europe, attention focused on the approval of the European Union–Mercosur agreement after many years of negotiation. The vote passed with a qualified majority of European states in favor of consolidating the agreement this Friday, paving the way for European Commission President Ursula von der Leyen to sign the treaty next week. This comes despite opposition from the French government amid strong protests from farmers, who have pledged to further complicate governance for the Macron administration.

Economic Calendar

In **Brazil**, the domestic agenda will be highlighted by the release of November economic activity data. Our expectation is for a 0.1% MoM SA increase in the PMS. For the PMC, we expect +1.9% MoM SA in the core measure and +1.4% in the broad measure. Finally, our expectation for the IC-Br is a +0.6% increase in the seasonally adjusted monthly reading.

On the **international front**, the main focus will be the release of December inflation data in the United States, both consumer (CPI) and producer (PPI) inflation, in addition to industrial production.

Date	Country	Event	Period	Survey	Buysidebrazil	Prior
01/12/26	**Monday**					
5:00	Brazil	IPC-FIPE (MoM) - 1st week	Jan-26	-		0,3%
8:00	Brazil	IGP-M (MoM) - 1st preview	Jan-26	-		0,2%
8:25	Brazil	Central Bank Weekly Economist Survey (Focus)	-	-		-
15:00	Brazil	Weekly Trade Balance	-	-		-
19:30	US	Speech by J. Williams (Fed NY)	-	-		-
13/01/26	**Tuesday**					
9:00	Brazil	**Services Volume (MoM)**	Nov-25	0,10%	0,1%	0,30%
10:30	US	**CPI (MoM)**	Dec-25	0,30%		-
		Core (MoM)		0,30%		-
12:00	US	Speech by (Fed St. Louis)	-	-		-
16:00	US	Monthly Tax Result	Dec-25	-		-173,3
18:00	US	Speech by T. Barkin (Fed Richmond)	-	-		-
0:00	China	Exports (YoY)	Dec-25	2,90%		5,90%
0:00	China	Imports (YoY)	dez/25	0,9%		1,90%
14/01/26	**Wednesday**					
10:30	US	**PPI (MoM)**	Nov-25	0,20%		-
		Core (MoM)		0,20%		-
10:30	US	**Retail Sales (MoM)**	Nov-25	0,4%		0,00%
		Core (MoM)		0,4%		0,8%
14:30	Brazil	Foreign Exchange Transactions	Jan-26	-		-
16:10	US	Speech by J. Williams (Fed de Nova York)		-		-
15/01/26	**Thursday**					
7:00	Eurozone	Industrial Production (MoM)	Nov-25	0,50%		0,80%
9:00	Brazil	Systematic Survey of Agricultural Production	Dec-25	-		-
9:00	Brazil	**Retail Sales**	Nov-25	0,90%	1,9%	0,50%
		Broad Retail Sales		**1,00%**	**1,4%**	**1,1%**
10:30	US	Initial Jobless Claims	Jan-25	-		-
10:30	US	Empire Manufacturing	Jan-25	-		-3,9
10:30	US	Sondagem Industrial - Filadélfia	Jan-25	-2,9		-10,2
14:40	US	Speech by T. Barkin (Fed Richmond)	-	-		-
16/01/26	**Friday**					
4:00	Germany	CPI Harmonized (YoY)	Dec-25	0,20%		0,20%
8:00	Brazil	IGP-10 (MoM)	Jan-26	**-**		**0,04%**
9:00	Brazil	**Economic Activity Index (MoM)**	Nov-25	**0,3%**	**0,6%**	**-0,3%**
10:30	US	New York Service Sector Activity Index	Jan-26	**-**		**-20**
11:15	US	**Industrial Production (MoM)**	Dec-25	0,20%		0,20%
11:15	US	Capacity Utilization	Dec-25	76		76
12:00	US	Builder Confidence	Jan-26	-		39
12:00	US	Speech by P. Jefferson (Board do Fed)	-	-		-

	2019	2020	2021	2022	2023	2024	2025	2026
PIB - Brasil (%)	1,2	-3,3	4,8	3,0	2,9	3,4	**2,1**	**1,8**
Taxa de Desemprego (média, %)	12,0	13,8	13,2	9,3	8,0	6,6	**6,1**	**6,4**
IPCA (%)	4,3	4,5	10,1	5,8	4,6	4,8	4,3	**4,0**
Taxa Selic (final de período, %)	4,50	2,00	9,25	13,75	11,75	12,25	15,00	**12,25**
Taxa de Câmbio (final de período, R$/US$)	4,03	5,20	5,58	5,22	4,84	6,19	5,50	**5,50**
Transações Correntes (US$ bi)	-68,0	-28,2	-46,4	-53,6	-28,6	-56,0	**-76,3**	**-74,9**
Transações Correntes (% PIB)	-3,6	-1,7	-2,9	-2,8	-1,4	-2,6	**-3,5**	**-3,3**
Balança Comercial - BCB (US$ bi)	26,5	32,4	36,4	44,2	80,5	66,2	68,3	**53,6**
Investimento Direto Estrangeiro (US$ bi)	69,2	37,8	46,4	87,2	62,0	71,1	**66,8**	**75,0**
Investimento Direto Estrangeiro (% PIB)	3,7	2,6	2,8	4,5	2,8	3,2	**3,1**	**3,3**
Resultado Primário do Governo Central (% PIB)	-1,3	-9,8	-0,4	0,5	-2,3	-0,4	**-0,5**	**-0,5**
Dívida Pública Bruta (% PIB)	74,4	86,9	77,3	71,7	74,3	76,1	**79,4**	**83,7**
PIB - Estados Unidos (%)	2,5	-2,2	6,1	2,5	2,9	2,8	**1,7**	**2,0**
PCE - Estados Unidos (%)	1,4	1,1	4,1	6,6	3,8	2,5	**3,5**	**2,8**
Fed Funds (final do período, %)	1,75	0,25	0,3	4,0	5,5	4,5	3,75	**3,00**

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