

Activity loses momentum in Brazil as Middle East tensions raise global risks

Highlights

On the domestic front, the data released throughout the week reinforce a narrative of gradual economic slowdown, still partially cushioned by the resilience of the labor market. GDP in the fourth quarter of 2025 grew 0.1% QoQ s.a., broadly in line with expectations, bringing full-year growth to 2.3%. While the headline result was close to forecasts, the composition points to weakening domestic demand, particularly through softer private consumption and domestic absorption at the margin, alongside a decline in imports, consistent with a less dynamic activity backdrop. Still, labor market data continue to signal a relatively resilient environment. Caged surprised to the upside in January, with 112k net formal jobs created, above market expectations. A significant share of this outcome was concentrated in the construction sector, which showed job creation above seasonal patterns, likely reflecting government incentives implemented at the end of last year, while other sectors posted job gains closer to their historical norms for the period. On the wage side, the average real hiring wage accelerated at the margin, reaching R\$2,389.50, up 1.8% YoY in real terms. In the same direction, the PNAD Survey reported an unemployment rate of 5.4%, in line with expectations. On a seasonally adjusted basis, the rate declined to 5.3%, marking a new historical low. In addition, income indicators continued to advance at the margin, with increases in both real earnings and the wage bill, reinforcing the view that the labor market remains relatively tight. Taken together, the indicators suggest that the economy enters 2026 in a process of gradual slowdown, with weaker domestic demand and investment momentum, even as the labor market remains relatively tight and wage dynamics remain firm. At the same time, the data highlight sectoral heterogeneity, with services and labor-market-linked segments still showing resilience, while more cyclical areas of the economy already display clearer signs of weakening, consistent with the Central Bank's recent assessment of a gradual and uneven deceleration in economic activity.

In the United States, the February payroll report delivered a significant downside surprise, reinforcing signs of moderation in the labor market and potentially placing the Federal Reserve in a more delicate position in the conduct of monetary policy.

The report showed a net loss of 92k jobs, well below expectations for job creation, alongside downward revisions to January and a sharp decline in the three-month moving average. The deterioration was relatively broad-based, with contractions in both the goods and services sectors, particularly in education and health, leisure and hospitality, and information, the latter still reflecting adjustments linked to the adoption of artificial intelligence technologies. By contrast, the ADP report had indicated the creation of 63k private jobs, slightly above expectations, suggesting some recovery from the previous month, albeit highly concentrated in a few segments, particularly construction within goods and education and health services. On wages, growth remained broadly stable, with monthly gains of 0.40% and annual growth of 3.84%. In the Household Survey, the unemployment rate increased to 4.4%, accompanied by a decline in employment and a slight drop in the participation rate, partly influenced by methodological updates related to the 2020 Census and migration flows. Overall, the data reinforce the view of a labor market losing momentum at the margin, with increasingly uneven sectoral dynamics and job creation concentrated in fewer industries.

Finally, the sequence of developments throughout the week points to a rapid escalation of the conflict in the Middle East, raising the risk of a more prolonged confrontation with potentially significant implications for global energy markets and financial assets. President Donald Trump stated that the military campaign could last for weeks and did not rule out further escalation, while Iran rejected negotiations and began the process of selecting a new supreme leader following the death of Ali Khamenei, increasing political uncertainty in the country. On the energy front, conditions in the Strait of Hormuz deteriorated markedly, with a sharp reduction in maritime traffic and several tankers waiting inside the Persian Gulf due to the heightened risk of attacks and navigation disruptions. Analysts note that if these disruptions persist for several weeks, Gulf producers may be forced to reduce output given limited onshore storage capacity and the constrained capacity of alternative pipeline routes. In response, the United States signaled that it could offer insurance guarantees and even naval escorts for vessels transiting the region in an effort to preserve global oil flows. In financial markets, the escalation in the conflict pushed oil prices higher, increased global risk aversion, and led investors to scale back expectations for Federal Reserve rate cuts, strengthening the US dollar and pushing Treasury yields higher. Safe-haven assets also reacted, with gold advancing amid rising geopolitical uncertainty. The IMF warned that a sustained increase in energy prices could lift global inflation and reduce world economic growth, highlighting the macroeconomic risks associated with a prolonged shock in the oil market. Taken together, recent developments point to an environment of elevated geopolitical uncertainty, with rising risks of disruptions to global energy flows should restrictions on traffic through the Strait of Hormuz persist for an extended period.

Economic Calendar

In **Brazil**, the domestic agenda will be highlighted by the February inflation data, for which we expect a 0.64% MoM increase. In addition, sectoral data for retail sales and services for January will also be released.

In **International front**, the main highlights will be US inflation data, with both CPI and PCE releases throughout the week, alongside the January JOLTS report.

Date	Country	Event	Period	Buysidebrazil	Prior
03/09/26	Monday				
7:00	US	Small Business Confidence	fev/26		99,3
8:25	Brazil	Central Bank Weekly Economist Survey (Focus)	mar/26		
15:00	Brazil	Weekly Trade Balance	mar/26		2,071
03/10/26	Tuesday				
5:00	Brazil	IPC-FIPE - 1st week	mar/26		0,25%
8:00	Brazil	IGP-M - 1st Preview	mar/26		
11:00	US	Existing Home Sales	fev/26		3,91
03/11/26	Wednesday				
4:00	Alemanha	Harmonized CPI (YoY)	fev/26		
9:00	Brazil	Retail Sales (MoM)	jan/26	-0,7%	-0,4%
9:00	Brazil	Broad Retail Sales (MoM)	jan/26	0,0%	-1,2%
9:30	US	CPI (MoM)	fev/26		0,2%
		Core (MoM)	fev/26		0,3%
14:30	Brazil	Foreign Exchange Transactions	mar/26		
15:00	US	Monthly Fiscal Balance	fev/26		-94,6
03/12/26	Thursday				
9:00	Brazil	IPCA (MoM)	fev/26	0,6%	0,33%
9:30	US	Trade Balance	jan/26		-70,3
9:30	US	Initial Jobless Claims	mar/26		
03/13/26	Friday				
7:00	Eurozone	Industrial Production (MoM)	jan/26		-1,40%
9:00	Brazil	Services Volume (MoM)	jan/26	0,2%	-0,40%
9:00	Brazil	Systematic Agricultural Production Survey (LSPA)	fev/26		-
9:30	US	Personal Income (MoM)	jan/26		0,30%
9:30	US	Personal Spending (MoM)	jan/26		0,40%
9:30	US	PCE Price Index (MoM)	jan/26		0,40%
9:30	US	Core (MoM)	jan/26		0,40%
9:30	US	Factory Orders (MoM)	jan/26		-1,4%
9:30	US	GDP (QoQ Annualized)	dez/25		1,4%
11:00	US	JOLTS	jan/26		6542
11:00	US	Consumer Confidence	mar/26		56,6
11:00	US	1-Year Inflation Expectations	mar/26		3,40%
11:00	US	5-10 Year Inflation Expectations	mar/26		3,30%

Macroeconomic projections

	2019	2020	2021	2022	2023	2024	2025	2026
Brazil GDP (%)	1,2	-3,3	4,8	3,0	2,9	3,4	2,3	1,8
Unemployment Rate (average, %)	12,0	13,8	13,2	9,3	8,0	6,6	5,6	6,4
IPCA (Consumer Price Index) (%)	4,3	4,5	10,1	5,8	4,6	4,8	4,3	3,8
Selic Rate (end of period, %)	4,50	2,00	9,25	13,75	11,75	12,25	15,00	12,00
Exchange Rate (end of period, R\$/US\$)	4,03	5,20	5,58	5,22	4,84	6,19	5,50	5,40
Current Account Transactions (US\$ billion)	-68,0	-28,2	-46,4	-53,6	-28,6	-66,2	-68,8	-74,9
Current Account Transactions (% of GDP)	-3,6	-1,7	-2,9	-2,8	-1,4	-3,0	-3,0	-3,3
Trade Balance - BCB (US\$ billion)	26,5	32,4	36,4	44,2	80,5	66,2	60,0	53,6
Foreign Direct Investment (US\$ billion)	69,2	37,8	46,4	87,2	62,0	71,1	77,7	75,0
Foreign Direct Investment (% of GDP)	3,7	2,6	2,8	4,5	2,8	3,2	3,4	3,3
Primary Result of the Central Government (% of GDP)	-1,3	-9,8	-0,4	0,5	-2,3	-0,4	-0,4	-0,6
Gross Public Debt (% of GDP)	74,4	86,9	77,3	71,7	74,3	76,1	78,7	83,7
United States - GDP (%)	2,5	-2,2	6,1	2,5	2,9	2,8	2,2	2,0
United States - PCE (%)	1,4	1,1	4,1	6,6	3,8	2,5	2,9	2,8
United States - Fed Funds Rate (end of period, %)	1,8	0,3	0,3	4,0	5,5	4,5	3,75	3,25

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