

## Caution remains elevated globally amid deadlocked Middle East negotiations, while inflationary risks become increasingly evident

### Highlights

In a lighter week for domestic economic data releases, the main highlight was the March IBC-Br activity index, which reinforced the perception that the Brazilian economy is beginning to show clearer signs of losing momentum after a still-positive start to the year. The downside surprise in the indicator, with activity falling 0.67% MoM (consensus: -0.3%), suggests that the slowdown is becoming more broad-based, particularly across sectors tied to domestic demand. The main drag came from services, in line with previous signals from the PMS survey, pointing to a more visible moderation in household consumption and in segments that had been supporting economic momentum in recent quarters. Industry and agriculture also declined on the margin, although more moderately, partially confirming signals already anticipated by the PIM-PF and by IBGE and Conab estimates. Still, the quarterly composition remained relatively constructive: industry showed a meaningful recovery after the sharp slowdown observed at the end of last year, while services continued to grow on a quarterly basis, albeit at a more moderate pace. As a result, despite the negative March surprise, the IBC-Br closed the first quarter up 1.3% QoQ saar, broadly in line with our 1.2% GDP growth forecast for the period. In other words, the data do not materially change the view of a still-robust first quarter, but they do reinforce the assessment that the economy is likely entering a clearer slowdown trajectory over the coming months, consistent with the lagged effects of still highly restrictive monetary policy.

In the United States, market attention this week centered on the FOMC minutes, which reinforced a more hawkish stance by the Federal Reserve amid persistent inflationary pressures and rising global uncertainty. The document showed that, despite still-resilient economic activity and a relatively balanced labor market, concerns within the Committee have grown that inflation may take longer to return to target, particularly in an environment of higher energy prices, persistent geopolitical risks, and potential second-round effects on wages and prices. Overall, the minutes suggest a Fed that is increasingly uncomfortable with initiating an easing cycle in the near term, with a meaningful share of participants even acknowledging the possibility of additional rate hikes should disinflation lose traction again. Moreover, the most relevant aspect of the document was precisely the qualitative assessment of inflation risks: nearly all participants highlighted concerns that the Middle East conflict could keep oil and commodity prices elevated for longer, while some members also cited the risk that higher tariffs could add further pressure to consumer prices. Concerns also intensified that a prolonged period of above-target inflation could begin to affect wage- and price-setting behavior more permanently, reinforcing the perception that the Fed continues to prioritize the inflation fight and that the bar for near-term rate cuts remains high.

**In the Middle East, the week was marked by repeated attempts to restart negotiations between the United States and Iran, though without meaningful progress on the key deadlocks, particularly regarding uranium enrichment and control of the Strait of Hormuz.** Over recent days, Trump alternated between signs of diplomatic openness and renewed threats of military action, while Iran maintained a firm stance in negotiations, repeatedly stressing that it would not relinquish its enriched uranium stockpile nor what it considers strategic nuclear capabilities. At the same time, escalation risks increased again following attacks involving strategic infrastructure in the region, including the Barakah nuclear plant in the United Arab Emirates, reinforcing concerns over the vulnerability of Gulf energy infrastructure. Although markets have started to partially discount Trump's more immediate threats, the overall backdrop continues to support higher energy prices and amplify concerns over more persistent impacts on global inflation, supply chains, and monetary policy across major economies.

## Economic Calendar

In **Brazil**, the main highlight next week will be the release of Q1 2026 GDP data, which we expect to show growth of 1.2% QoQ saar. In addition, markets will closely monitor April labor market data, as well as the Central Bank's economic and financial notes.

In the **International Scenario**, the key releases will be U.S. GDP and Core PCE deflator data.

Date	Country	Event	Period	Buysidebrazil	Prior
<b>05/25/26</b>	<b>Monday</b>				
8:00	Brazil	Consumer Confidence	mai/26		89,1
8:25	Brazil	Central Bank Weekly Economist Survey (Focus)	mai/26		-
15:00	Brazil	Weekly Trade Balance	mai/26		-
-	US	<b>National Holiday</b>	-		-
<b>05/26/26</b>	<b>Tuesday</b>				
5:00	Brazil	IPC-FIPE	mai/26		-
8:00	Brazil	Construction Confidence	mai/26		-
8:30	Brazil	<b>Current Account</b>	abr/26		-6,04
8:30	Brazil	<b>FDI</b>	abr/26		6,04
9:30	US	Chicago Fed National Activity Index (CFNAI)	abr/26		-0,2
9:30	US	Philadelphia Fed Services Survey	mai/26		-16,5
11:00	US	Consumer Confidence	mai/26		92,8
11:30	US	Dallas Fed Manufacturing Survey	mai/26		-2,3
<b>05/27/26</b>	<b>Wednesday</b>				
8:00	Brazil	Manufacturing Confidence	mai/26		-
9:00	Brazil	<b>IPCA-15 (MoM)</b>	mai/26	0,51%	0,89%
11:00	US	Richmond Fed Manufacturing Survey	mai/26		3
11:30	US	Dallas Fed Services Survey	mai/26		-9,9
14:30	Brazil	Weekly FX Flow	mai/26		-
-	Brazil	Monthly Public Debt Report	abr/26		-
<b>05/28/26</b>	<b>Thursday</b>				
8:00	Brazil	Trade Confidence	mai/26		-
8:00	Brazil	Services Confidence	mai/26		-
8:00	Brazil	IGP-M (MoM)	mai/26		2,73%
8:30	Brazil	<b>BCB Credit Statistics</b>	abr/26		9,70%
9:00	Brazil	<b>Unemployment Rate</b>	abr/26	5,90%	6,10%
9:30	US	Personal Income (MoM)	abr/26		0,60%
9:30	US	Personal Spending (MoM)	abr/26		0,90%
9:30	US	<b>PCE (MoM)</b>	abr/26		0,70%
9:30	US	<b>Core PCE (MoM)</b>	abr/26		0,30%
9:30	US	Jobless Claims	mai/26		-
9:30	US	GDP (QoQ Annual.)	mar/26		2%
11:30	Brazil	<b>Central Government Primary Balance</b>	abr/26		-73,8
<b>05/29/26</b>	<b>Friday</b>				
8:30	Brazil	<b>BCB Fiscal Statistics</b>	abr/26		-80,7
9:00	Brazil	<b>GDP (QoQ)</b>	mar/26	1,20%	0,10%
9:00	Brazil	GDP (YoY)	mar/26	2,00%	1,80%
-	Brazil	<b>Formal Job Creation</b>	abr/26	252k	228k

**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	<b>1,8</b>
Unemployment Rate (average, %)	12,0	13,8	13,2	9,3	8,0	6,6	5,6	<b>5,5</b>
IPCA (Consumer Price Index) (%)	4,3	4,5	10,1	5,8	4,6	4,8	4,3	<b>4,7</b>
Selic Rate (end of period, %)	4,50	2,00	9,25	13,75	11,75	12,25	15,00	<b>13,0</b>
Exchange Rate (end of period, R\$/US\$)	4,03	5,20	5,58	5,22	4,84	6,19	5,50	<b>5,15</b>
Current Account Transactions (US\$ billion)	-68,0	-28,2	-46,4	-53,6	-28,6	-66,2	-68,8	<b>-52,9</b>
Current Account Transactions (% of GDP)	-3,6	-1,7	-2,9	-2,8	-1,4	-3,0	-3,0	<b>-2,3</b>
Trade Balance - BCB (US\$ billion)	26,5	32,4	36,4	44,2	80,5	66,2	60,0	<b>78,0</b>
Foreign Direct Investment (US\$ billion)	69,2	37,8	46,4	87,2	62,0	71,1	77,7	<b>75,0</b>
Foreign Direct Investment (% of GDP)	3,7	2,6	2,8	4,5	2,8	3,2	3,4	<b>3,3</b>
Primary Result of the Central Government (% of GDP)	-1,3	-9,8	-0,4	0,5	-2,3	-0,4	-0,4	<b>-0,2</b>
Gross Public Debt (% of GDP)	74,4	86,9	77,3	71,7	74,3	76,1	78,7	<b>83,7</b>
United States - GDP (%)	2,5	-2,2	6,1	2,5	2,9	2,8	2,2	<b>2,4</b>
United States - PCE (%)	1,4	1,1	4,1	6,6	3,8	2,5	2,9	<b>2,9</b>
United States - Fed Funds Rate (end of period, %)	1,8	0,3	0,3	4,0	5,5	4,5	3,75	<b>3,8</b>

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