

U.S. labor market data and domestic activity lose momentum

Highlights

In the United States, the week was marked by a full slate of labor market releases which, despite delivering mixed signals, ultimately reinforced the view of a gradual moderation in employment conditions. The May JOLTS report surprised to the upside, showing job openings remaining at elevated levels and suggesting that labor demand is still resilient. By contrast, the ADP report pointed to slower private-sector hiring, although still broadly consistent with a relatively healthy labor market, with job creation remaining concentrated in selected service sectors. The main highlight, however, was the June Nonfarm Payrolls report, which showed a more pronounced slowdown in employment growth. Payrolls increased by just 57k, well below expectations, while sizable downward revisions to April and May materially reduced the recent pace of job creation. Despite this, the unemployment rate declined to 4.2%, largely reflecting a lower labor force participation rate, while wage growth remained firm. Overall, although the data do not point to an abrupt deterioration in labor market conditions, they reinforce the view that employment momentum has been gradually cooling relative to previous months. Meanwhile, in his second speech as Chair of the Federal Reserve, Kevin Warsh maintained his opposition to the use of forward guidance but adopted a somewhat less hawkish tone by acknowledging recent improvements in the inflation outlook and a decline in upside inflation risks. He also reiterated that productivity gains associated with artificial intelligence could expand the economy's productive capacity and contribute to a more favorable disinflationary process over time. Taken together, the labor market data and the Fed's communication reinforced the perception that monetary policy has become somewhat more flexible, although the Committee remains highly data dependent.

In Brazil, weaker-than-expected activity indicators reinforced signs that the economy is losing momentum following the stronger performance recorded in the first quarter. The main highlight was the May Formal Job Creation (CAGED) report, which showed formal job creation well below expectations, with particularly weak hiring in the retail and agriculture sectors. The result partly offset the more constructive signal from the previous week's PNAD survey and reinforced the assessment that the formal labor market is beginning to cool, a trend that could gradually spread to other segments of the economy. On the activity front, industrial production also surprised to the downside, declining 0.2% MoM and interrupting the sequence of positive monthly readings seen earlier this year. Although part of the weakness reflected a normalization in sectors that had led recent growth, such as oil refining and extractive industries, the result reduced the near-term upside bias for the industrial sector. On the political front, the latest AtlasIntel/Bloomberg poll also remained in focus. The survey showed President Lula widening his lead over Flávio Bolsonaro in first-round voting intentions, pointing to a more favorable electoral backdrop for the incumbent government than in previous polls.

Economic Calendar

In Brazil, the lighter week ahead will be mainly marked by the release of June IPCA, for which we expect a 0.32% MoM increase, along with producer inflation data from the IGP-DI.

On the international front, attention will turn to the release of the minutes from the June FOMC meeting, which may provide additional signals on the Federal Reserve's latest assessment. The agenda also includes the U.S. ISM Services index and China's inflation data, both relevant for assessing the pace of global activity.

Date	Country	Event	Period	Survey	Buysidebrazil	Prior
07/06/26 Monday						
6:00	Eurozone	Retail Sales (MoM)	mai/26			
8:25	Brazil	Central Bank Weekly Economist Survey (Focus)	jul/26			-0,4
10:45	US	PMI Composite	jun/26			
11:00	US	ISM Services	jun/26			
15:00	Brazil	Weekly Trade Balance	jul/26	54,2		54,5
07/07/26 Tuesday						
3:00	Germany	Industrial Production (MoM)	mai/26			0,4
8:00	Brazil	IGP-DI (MoM)	jun/26			0,87
9:30	US	Trade Balance	mai/26	-78,7		-55,9
07/08/26 Wednesday						
14:30	Brazil	Weekly Fx Flow	jul/26			
14:30	Brazil	IC-Br (MoM)	jun/26			2,2
15:00	US	FOMC Minutes	jun/26			
22:30	China	PPI (YoY)	jun/26			3,9
22:30	China	CPI (YoY)	jun/26			1,2
07/09/26 Thursday						
9:30	US	Initial Jobless Claims	jul/26			
11:00	US	Existing Home Sales	jun/26	4,23		4,17
14:00	US	30-Year Treasury Bond Auction				
07/10/26 Friday						
3:00	Germany	CPI Harmonized (MoM)	jun/26			
9:00	Brazil	IPCA (MoM)	jun/26		0,32	0,58

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	1,9
Unemployment Rate (average, %)	12,0	13,8	13,2	9,3	8,0	6,6	5,6	5,5
IPCA (Consumer Price Index) (%)	4,3	4,5	10,1	5,8	4,6	4,8	4,3	5,2
Selic Rate (end of period, %)	4,50	2,00	9,25	13,75	11,75	12,25	15,00	14,0
Exchange Rate (end of period, R\$/US\$)	4,03	5,20	5,58	5,22	4,84	6,19	5,50	5,15
Current Account Transactions (US\$ billion)	-68,0	-28,2	-46,4	-53,6	-28,6	-66,2	-68,8	-52,9
Current Account Transactions (% of GDP)	-3,6	-1,7	-2,9	-2,8	-1,4	-3,0	-3,0	-2,3
Trade Balance - BCB (US\$ billion)	26,5	32,4	36,4	44,2	80,5	66,2	60,0	78,0
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	-0,2
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	2,3
United States - PCE (%)	1,4	1,1	4,1	6,6	3,8	2,5	2,9	3,1
United States - Fed Funds Rate (end of period, %)	1,8	0,3	0,3	4,0	5,5	4,5	3,75	3,8

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