



## MACRO OUTLOOK

April 2024

- » Some developed economies are facing a more pronounced slowdown of economic activity, such as Europe, while others are proving more resilient, like the US. Core inflation improved from its peak, but recent data showed that disinflation is moving through a “bumpy” path. In the latest FOMC meeting, policy rate was kept unchanged. Furthermore, the latest Fed Dots showed that most FOMC participants expects 75bps of easing this year, but there are also several members who expects only 50bps. Accordingly, the market adjusted the priced in yield curve, now divided between 50-75bps of cuts, in an easing cycle that could begin in June.
- » As for China, most indicators pointed to a good start of the year, with activity data and PMIs beating market expectations, exports recovering rapidly and inflation numbers rising into positive figures. Nonetheless, meeting the 2024 GDP growth target of “around 5%” will be challenging given that favourable base effects from 2022 has faded and the housing market is going through adjustments. It’s likely that the “new quality productive forces” will be key for achieving this goal. The term, coined by Xi, refers to the modernization of factors that drive production in China, such as strategic emerging industries related to energy and technology.
- » In Brazil, monthly indicators of economic activity indicated a strong economy in the begging of the year. Results well above market expectations in January were seen in both services (+0.7% MoM) and broad retail sales (+2.4% MoM). On the other hand, industrial production decreased by 0.3% MoM, after falling 1.5% MoM in January, driven mainly by the extractive industry, which declined for the second consecutive month. These results, combined with the IBC-Br’s (the Central Bank’s Economic Activity Index) increase of 0.6% MoM support the positive scenario for first quarter of 2024;
- » Concerning monetary policy, in its March meeting the Brazilian Central Bank decided to cut Selic rates by 50 bps, reaching 10.75% per year, as largely expected. BCB projections indicate that rates reaching 9 % by 2024 and 8.5% by 2025 would bring inflation to 3.5% in 2024 and 3.2% in 2025. The committee now acknowledges that underlying inflation finds itself above target. The committee also notes that domestic and international scenarios have become more uncertain, demanding caution in monetary policy conduction. In a unanimous decision, the BCB dropped the forward guidance of a 50bps cut in the next two meetings, committing only to 50bps cut in the next meeting. In the minutes, the committee emphasized that the new forward guidance will not necessarily lead to a different policy cycle. However, data will be particularly important in defining the pace and terminal rate, with some members leaning towards a slower pace if prospective uncertainty remains high;
- » In the inflation scenario, our forecasts for 2024 and 2025 were kept at 3.7% and 4.0%, respectively. March’s IPCA-15 led to increases in our estimates for services (airfares and labor-intensive services) but were offset by lower figures for durable goods and food at home (lower beef prices in daily price surveys). Although the projection did not change, its composition became worse;
- » In the fiscal scenario, total federal tax collections reached BRL 186.5 bn (12.3% YoY), slightly above the consensus, a historical record for the month. On the negative side, some effects from measures implemented early this year failed to achieve expectations, such as the change in ICMS subsidies, interest on equities (IoE), and the limitation on the use of tax credits. In turn, the central government's primary balance registered a deficit of BRL 58.4 bn in February, driven mainly by a change in the calendar of court-ordered debt payments.



# China: Activity

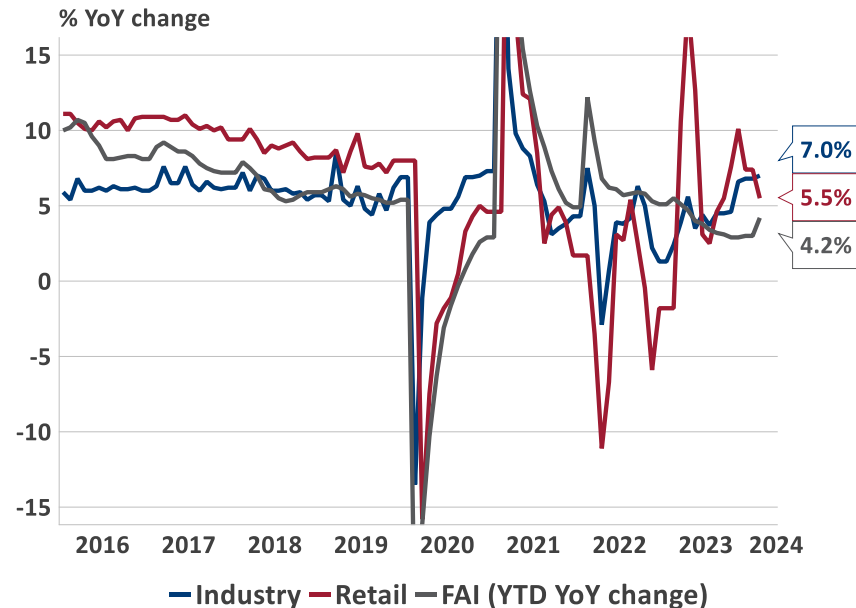
- » In Jan. and Feb., economic activity continued to grow in YoY terms, beating market expectations in IP and FAI, and matching them in retail sales;
- » **Retail sales slowed** from 7.4% to **5.5%** YoY (exp. 5.6%), backed by 2024 Chinese new year sales and tourism activities, but offset by base effects normalizing: notable on the slowdown of categories related to going-out, such as clothing and catering services (restaurants);
- » **Industrial prod. was the major surprise accelerating** from 6.8% to **7.0%** YoY (exp 5.3%), the highest in 2 years, reflecting strength in the manufacturing sector, likely supported by increased external demand as exports also grew strongly in this same period (7.1% YoY in Jan-Feb);
- » **FAI rose** from 3.0% to **4.2% YTD** (exp. 3.2%), reflecting the growth in manufacturing and infrastructure investment being offset by slower property;
- » The housing market **remains in adjustment**, as indicators worsened in Jan-Feb reflecting unfavorable base effects and sequential weakness;

China: Economic Activity Overview (% YoY)

	2/2024	12/2024	2/2023
<b>Industrial Production</b>	7.0	6.8	2.4
Mining	2.3	4.7	4.7
Manufacturing	7.7	7.1	2.1
Utilities	7.9	7.3	2.4
<b>Fixed Asset Investment (YTD)</b>	4.2	3.0	5.5
Manufacturing	9.4	6.5	8.1
Real Estate	-9.0	-9.6	-5.7
Infrastructure	6.3	5.9	9.0
<b>Retail Sales</b>	5.5	7.4	-1.8
Catering Services	12.5	30.0	-14.1
Consumer Goods	4.8	4.8	-0.1
Clothing	1.9	26.0	-12.5
Automobiles	8.7	4.0	4.6
Furniture	4.6	2.3	-5.8
Cellphones	16.2	11.0	-4.5
Home Appliances	5.7	-0.1	-13.1
Construction	2.1	-7.5	-8.9

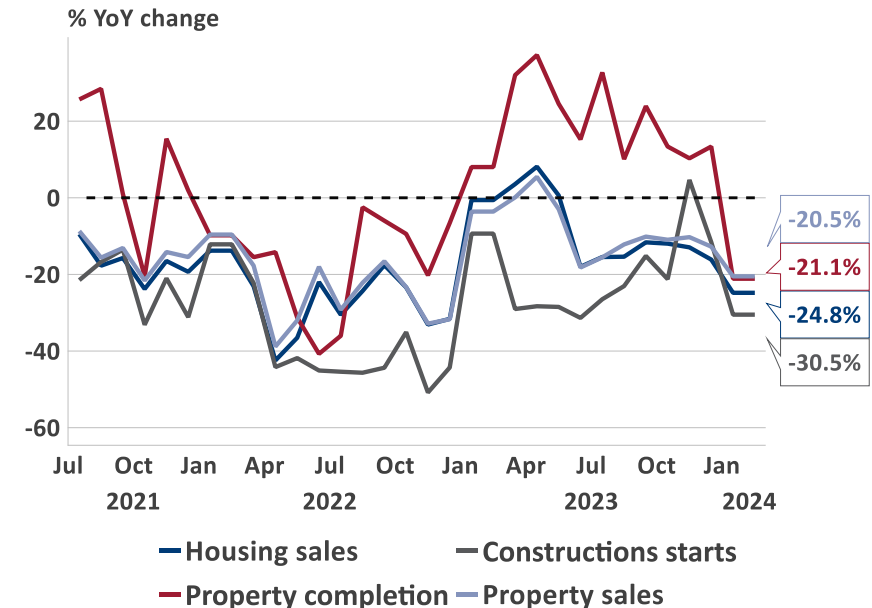
Source: BOCOM BBM, Macrobond

China: Activity (YoY, %)



Source: BOCOM BBM, Macrobond, NBS

China: Property Indicators (% YoY)

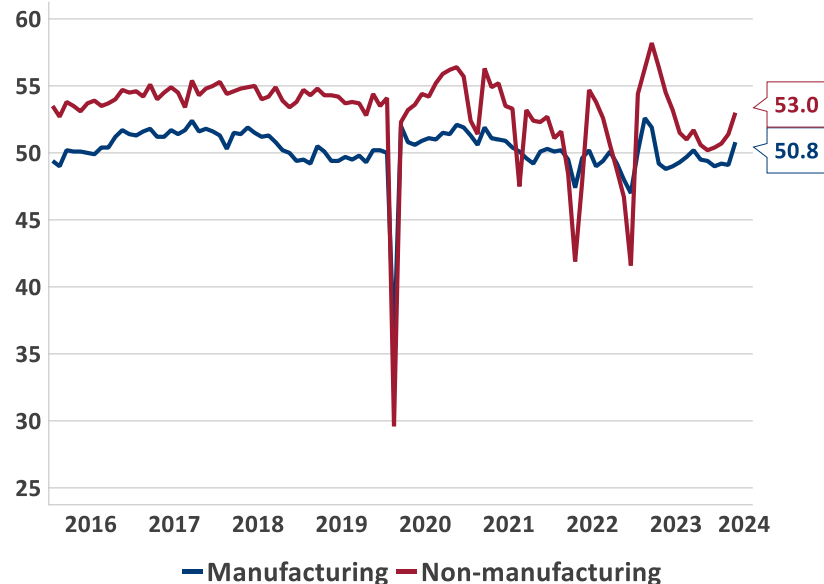


Source: BOCOM BBM, NBS

# China: Economic Scenario

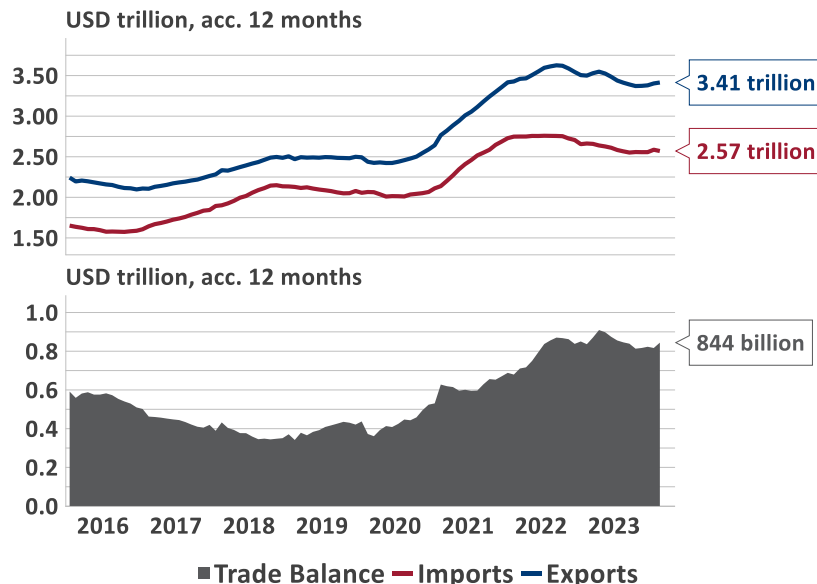
- » In March, both the manufacturing and the non-manufacturing Chinese **PMIs improved above market expectations:**
  - » The NBS manufacturing PMI rose from 49.1 to **50.8** (exp. 49.9), rising into expansion as both production and demand indicators recovered;
  - » The non-manufacturing sector continued expansionary, rising from 51.4 to **53.0**, as both services and construction components improved;
- » **Jan-Feb exports surprised to the upside** accelerating from 2.3% to **7.1% YoY** (exp. 1.9%): Household appliances and chips were the main drivers. Volume growth was the main factor contributing to robustness, as most export products continued to see price declines;
- » **Imports continued in expansion**, going from 0.2% to **3.5% YoY** (exp. 2.0%): growth in commodities imports volume moderated (except oil) while the drag from negative price effect narrowed as some mineral commodities saw a rise in import prices;
- » **CPI** inflation rose from -0.8% to **+0.7% YoY** (exp. 0.3%), as there was a broad-based pickup in most components due to the Lunar New Year;
  - » Despite easing some concerns about deflation, its too early to affirm that China is on a reflationary path as this increase could be only temporary due to fading LNY effect.

China: PMI



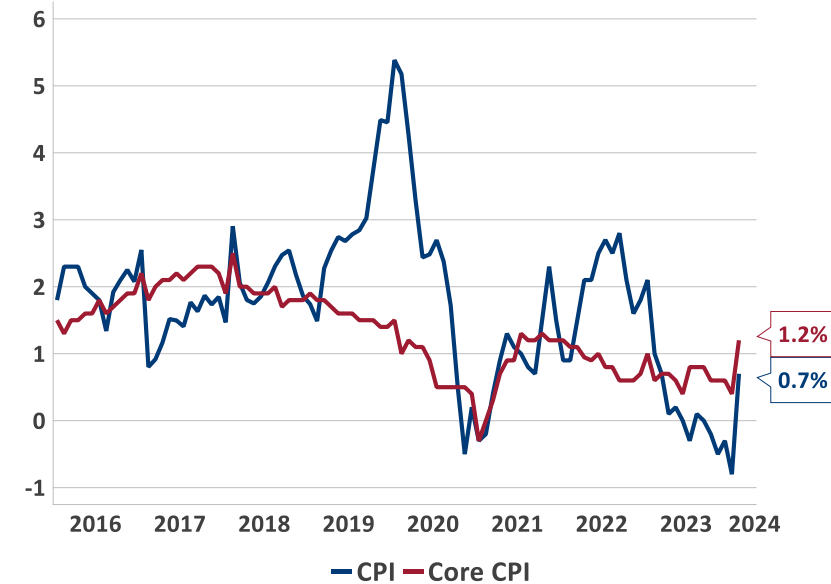
Source: BOCOM BBM, Macrobond, CFLP

China: Trade Balance



Source: BOCOM BBM, Macrobond, CCS

China: CPI (YoY, %)

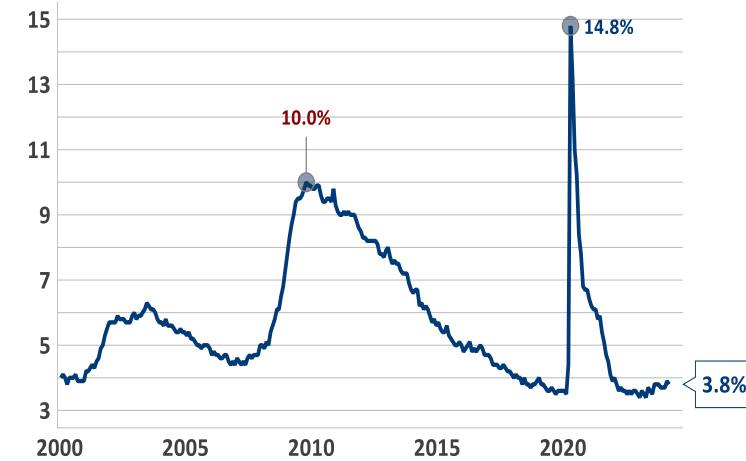


Source: BOCOM BBM, Macrobond, NBS

# USA: Labor Market

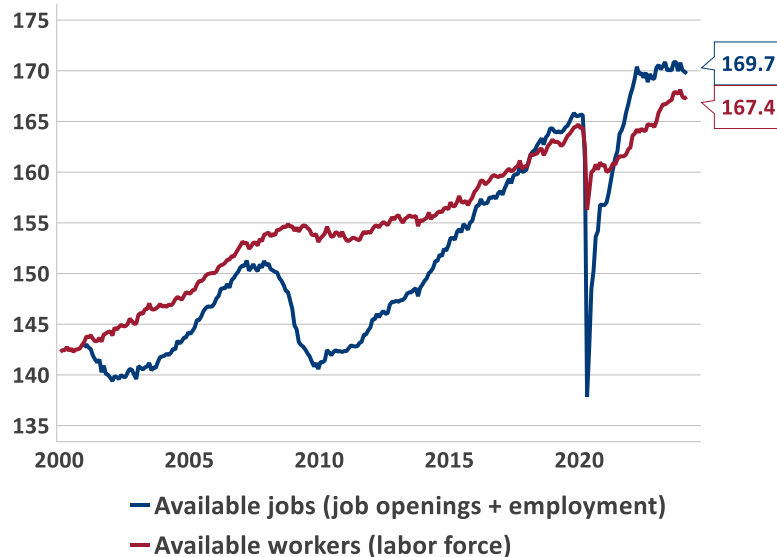
- » **Labor market has cooled sharply from its peak tightness, but recent months showed surprising resiliency:**
  - » March payroll data showed a job gain of **303k**, well above market expectations (200k), and also showed a positive net revision of previous months (+22k);
  - » The household survey, which discloses the unemployment rate, also came in strong, showing the rate moving down from 3.9% to **3.8%**, and ceasing the previous months divergence with payroll data;
- » In Feb., the jobs-workers gap decreased from 2.6M to **2.3M** due to an increase in the labor force and falling household survey employment, offset by an increase in the level of job openings.
- » March avg. hourly earnings **accelerated its monthly pace to 0.35% MoM**, despite the rise in average weekly hours worked from 34.3 to 34.4; Nonetheless the annual rate continued to fall from 4.3% to 4.1% YoY, still above levels compatible with the FOMC inflation target of 2.0%;

US: Unemployment Rate SA (%)



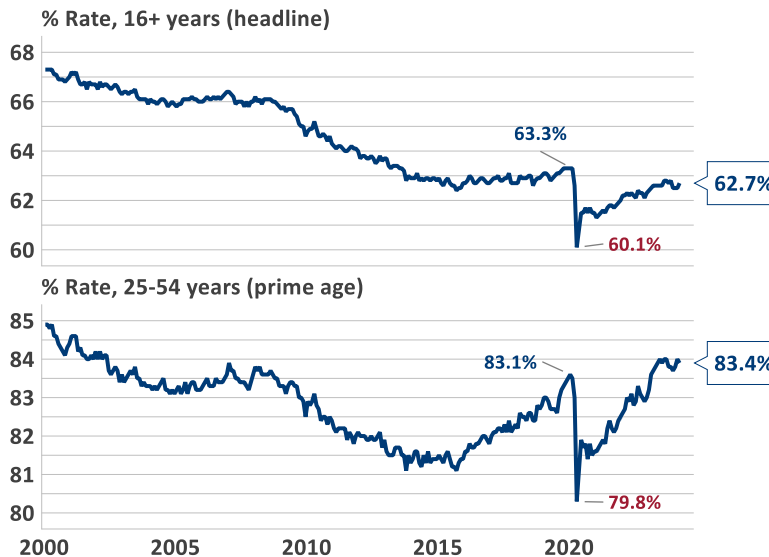
Source: BOCOM BBM, Macrobond, BLS

US: Jobs-workers gap (millions)



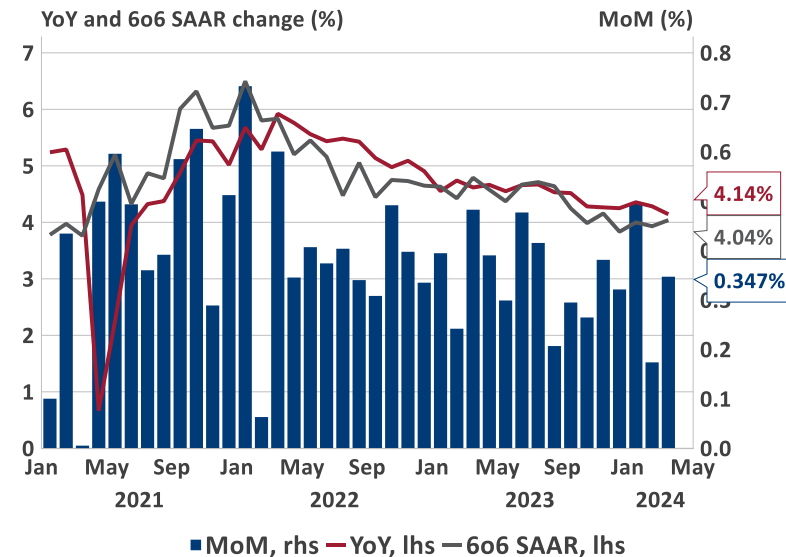
Source: BOCOM BBM, Macrobond, BLS

US: Labor Force Participation Rate (%)



Source: BOCOM BBM, Macrobond

US: Average Hourly Earnings Growth (%)

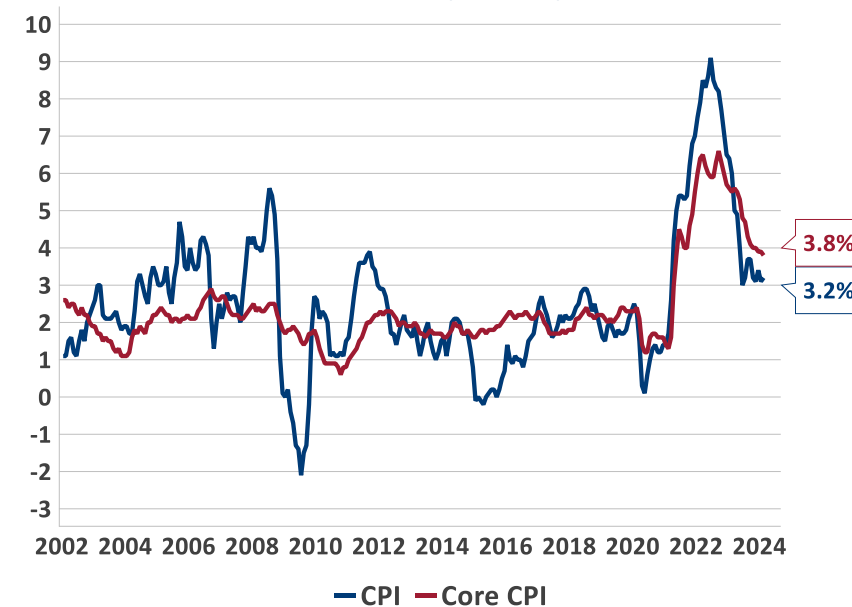


Source: BOCOM BBM, Macrobond

# USA: Inflation

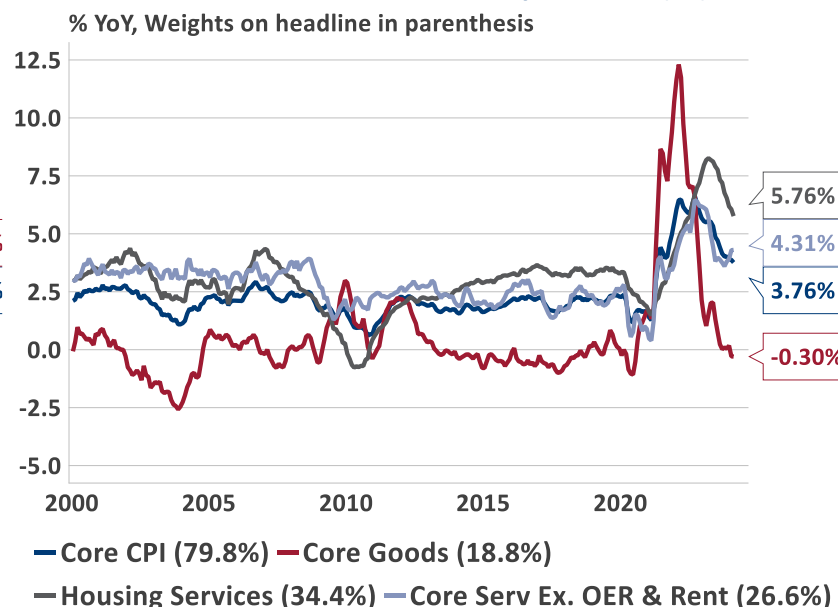
- Feb. headline CPI rose **0.44% MoM** (above the exp. 0.4%), leading to an annual growth rate increase from 3.1% to **3.2% YoY**:
  - Energy prices**: increased 2.3% MoM due to higher gasoline prices;
  - Food prices**: remained moderated with a flat monthly reading, a considerable improvement compared to the 0.9% MoM avg. pace of 2022;
- Core CPI** rose **0.36% MoM** (exp. 0.3%) and the annual rate fell from 3.9% YoY to **3.8% YoY**;
  - Core goods (0,11% MoM)**: showed an acceleration in the monthly pace, but remains controlled, reflecting the normalization of global supply chains, in addition to stability in the prices of imported consumer goods;
  - Housing services (0,44% MoM)**: a lagged component in the CPI, which began slowing down in April-23 and is expected to further decelerate as the prices of new rental contracts show a slower pace of growth;
  - Core Serv. Ex-Housing (0,47% MoM)**: the pace showed a slowdown compared to January's exacerbated pace and is expected to continue decelerating as the labor market achieves a better balance and pressure on salary indicators eases.

US: CPI (YoY, %)



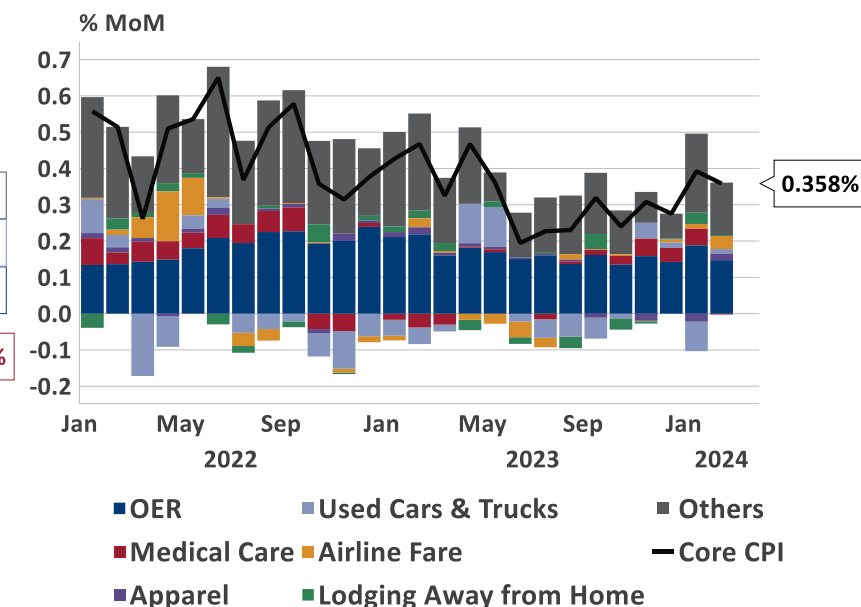
Source: BOCOM BBM, Macrobond, BLS

US: Core CPI Main Components (%)



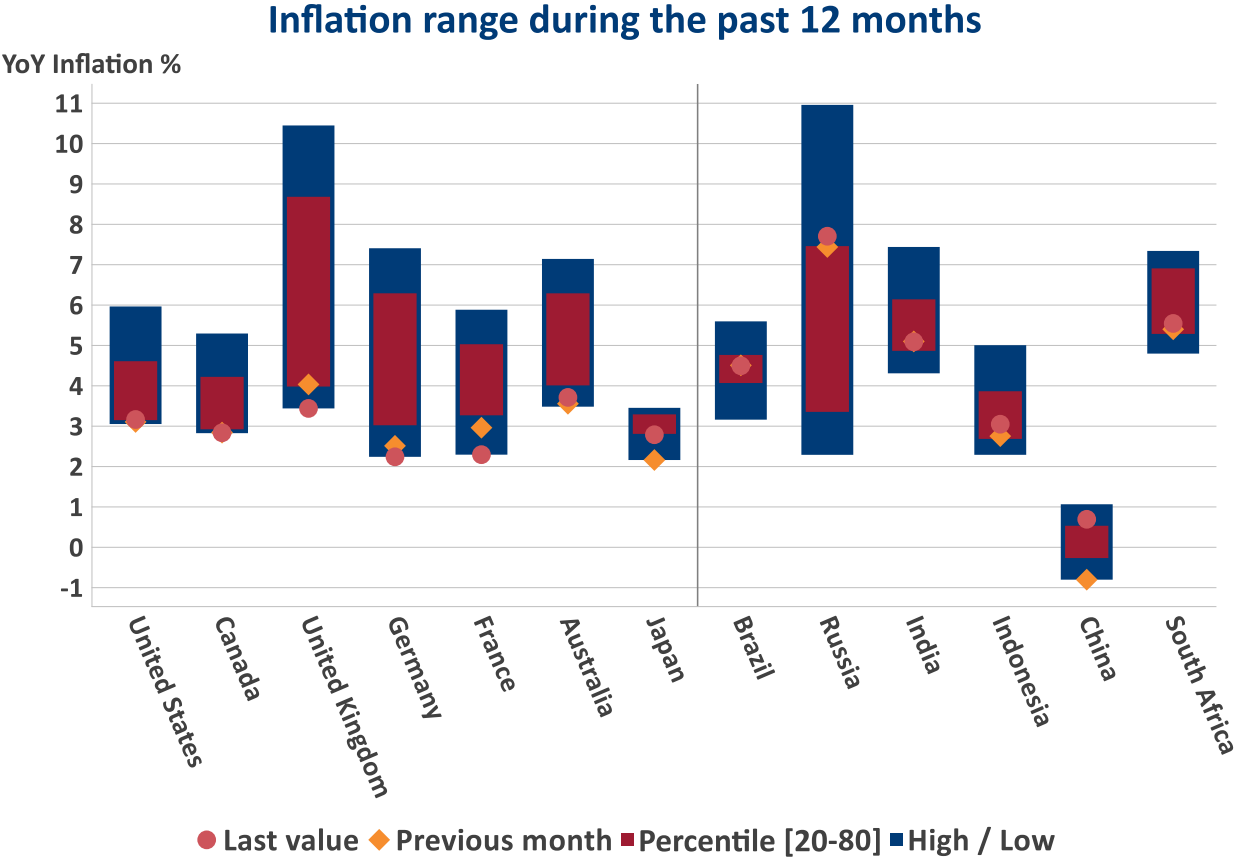
Source: BOCOM BBM, Macrobond, BLS

US: Core CPI MoM Contributions

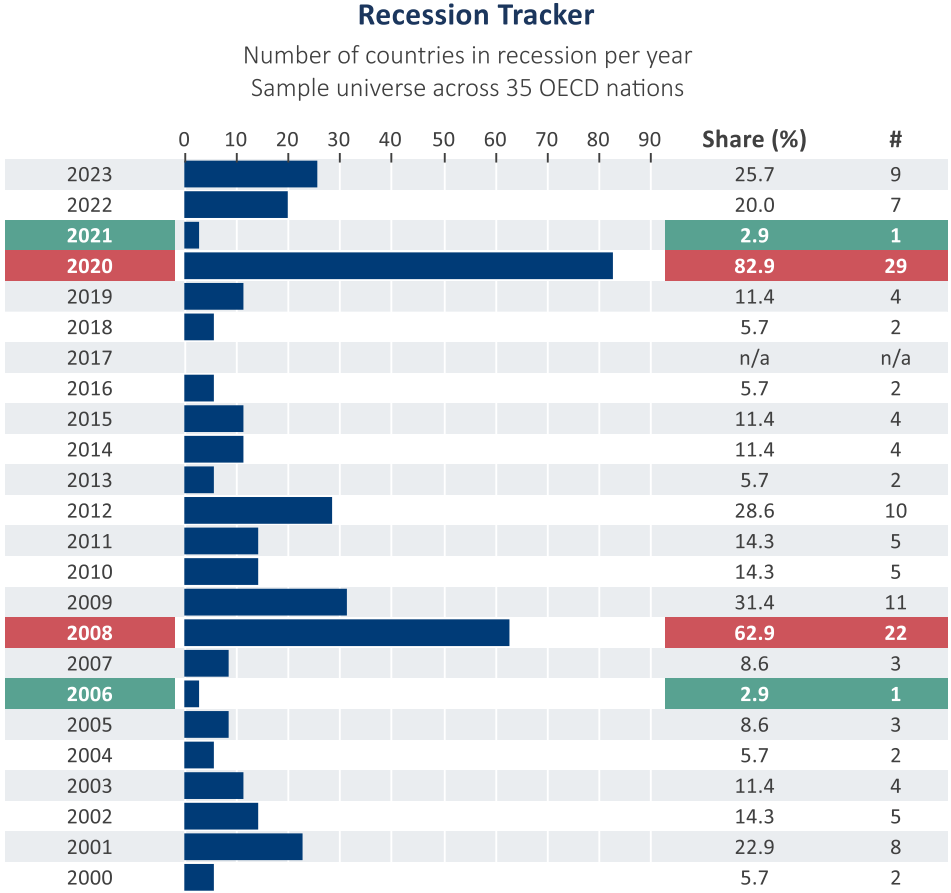


Source: BOCOM BBM, Macrobond, BLS

- » Progress in inflation numbers are being seen across developed markets, while some emerging markets are moving sideways;
- » Many central banks tightened sharply their monetary policy previous years resulting in a slowdown to economic activity across several countries, although some showed remarkable resiliency.



Source: BOCOM BBM, Macrobond



Source: BOCOM BBM, Macrobond, National Sources

# Global: Monetary Policy

- » Many of the **developed markets central banks are holding rates steady in elevated levels**, such as the BoE, Fed and ECB;
- » But in a surprise move, the Swiss National Bank (SNB) reduced its main interest rate by -25bps: a decision only made possible due to the economy's lower inflation prints;
- » In general, markets are widely expecting **rate reductions for DMs** this year (i.e. Fed, ECB and BoE);
- » In contrast, **EMs have already started easing policy**:
  - » **Mexico** cut its interest rate by **-25bps**, the first cut of this cycle, but left a hawkish tone by mentioning further easing would be data-dependent;
  - » **Chile** cut again by **-75bps** in Feb., slowing from the -100bps pace of the previous meeting;
  - » **Colombia** eased policy rates by **-50bps**, accelerating from the prior pace of 25bps;
  - » **Brazil** maintained its easing pace of **-50bps**, but was slightly more hawkish in its statement (see slides ahead);

Central bank tracker: G20 & OECD Countries

	CPI Y/Y %	Core CPI Y/Y %	Key rate	Last decision		Last Move	Months since last hike	Months since last cut
Argentina	276.2	291.9	80.00	-20.00	Cut	3/2024	6	1
Australia	4.0	4.1	4.35	0.25	Hike	11/2023	5	41
Brazil	4.5	4.5	10.75	-0.50	Cut	3/2024	20	1
Canada	2.8	2.1	5.00	0.25	Hike	7/2023	9	48
Chile	3.6	4.2	6.50	-0.75	Cut	4/2024	18	0
China	0.7	1.2	3.45	-0.10	Cut	8/2023	122	8
Colombia	7.7	7.3	12.25	-0.50	Cut	3/2024	11	0
Costa Rica	-1.1	-0.2	5.25	-0.50	Cut	3/2024	17	0
Czech Republic	2.0	0.1	5.75	-0.50	Cut	3/2024	21	1
Denmark	0.8	1.7	3.75	0.25	Hike	9/2023	7	30
Euro Area	2.4	2.9	4.50	0.25	Hike	9/2023	7	97
Hungary	3.7	5.1	8.25	-0.75	Cut	3/2024	18	0
Iceland	6.8	6.8	9.25	0.50	Hike	8/2023	7	41
India	5.1	3.3	6.50	0.25	Hike	2/2023	14	46
Indonesia	3.0	1.7	6.00	0.25	Hike	10/2023	6	38
Israel	2.5	2.3	4.50	-0.25	Cut	1/2024	10	3
Japan	2.8	3.3	0.10	0.20	Hike	3/2024	1	98
Mexico	4.4	4.6	11.00	-0.25	Cut	3/2024	12	0
New Zealand	4.7	4.1	5.50	0.25	Hike	5/2023	10	49
Norway	4.5	4.9	4.50	0.25	Hike	12/2023	4	47
Poland	2.1	5.4	5.75	-0.25	Cut	10/2023	19	6
Russia	7.7	7.6	16.00	1.00	Hike	12/2023	4	19
Saudi Arabia	1.8		6.00	0.25	Hike	7/2023	8	49
South Africa	5.5	5.0	8.25	0.50	Hike	5/2023	10	44
South Korea	3.1	2.4	3.50	0.25	Hike	1/2023	15	46
Sweden	4.5	2.5	4.00	0.25	Hike	9/2023	6	98
Switzerland	1.0	1.0	1.50	-0.25	Cut	3/2024	9	0
Turkey	68.5	75.2	50.00	5.00	Hike	3/2024	0	13
United Kingdom	3.4	4.5	5.25	0.25	Hike	8/2023	8	49
United States	3.2	3.8	5.50	0.25	Hike	7/2023	8	49

Source: BOCOM BBM, Macrobond



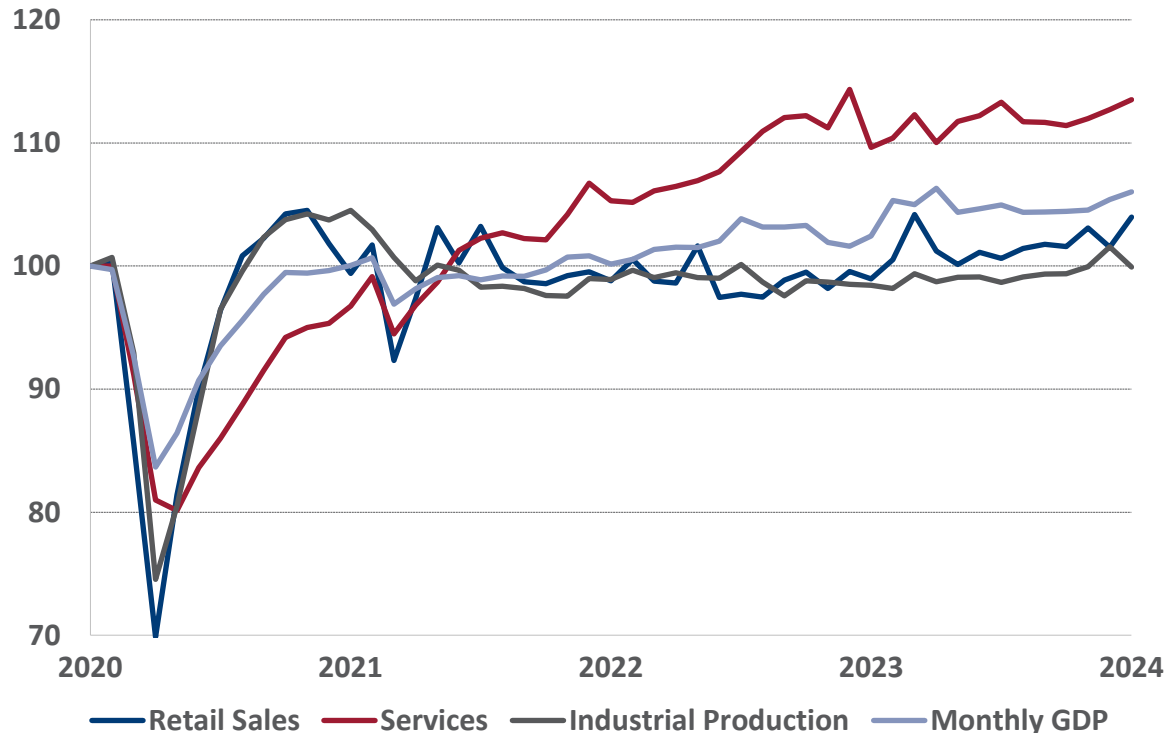
# Brazil: Forecasts

ECONOMIC FORECASTS	2020	2021	2022	2023	2024F	2025F
GDP Growth (%)	-3.3%	4.8%	3.0%	2.9%	1.7%	2.0%
Inflation (%)	4.5%	10.1%	5.8%	4.6%	3.7%	4.0%
Unemployment Rate (eoy ,%)	14.7%	11.7%	8.3%	7.4%	8.4%	8.5%
Policy Rate (eoy, %)	2.0%	9.3%	13.8%	11.75%	9.50%	8.75%
External Accounts						
Trade Balance MDIC (US\$ bn)	50	61	62	99	87	78
Trade Balance (US\$ bn)	32	36	44	81	67	58
Current Account Balance (US\$ bn)	-28	-46	-48	-29	-34	-43
Current Account Balance (% of GDP)	-1.9%	-2.8%	-2.5%	-1.3%	-1.5%	-1.8%
Fiscal Policy						
Central Government Primary Balance (% of GDP)	-9.8%	-0.4%	0.5%	-2.1%	-0.8%	-0.8%
Government Gross Debt (% of GDP)	86.9%	77.3%	71.7%	74.3%	77.8%	79.8%

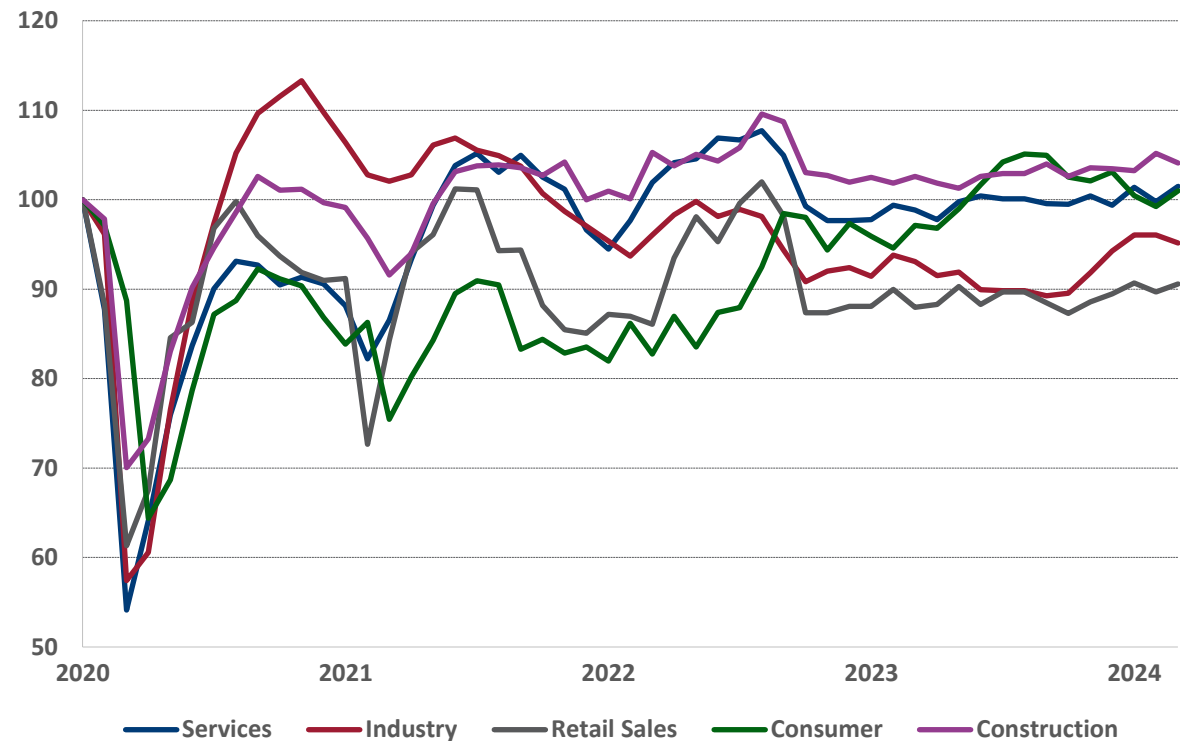
# Brazil: Activity

- » In January, the main economic activity indicators posted a positive trend. Increases were seen in both services (+0.7 MoM) and retail sales (2.4% MoM), meanwhile industrial production was the only indicator contracting (-1.5% MoM);
- » Summarizing the positive outlook, IBC-Br increased 0.6% MoM;
- » Looking forward, construction and industry confidence contracted in March, while services, consumer and retail sales confidence increased.

Brazil - Economic Activity Indicators (Jan/20=100)

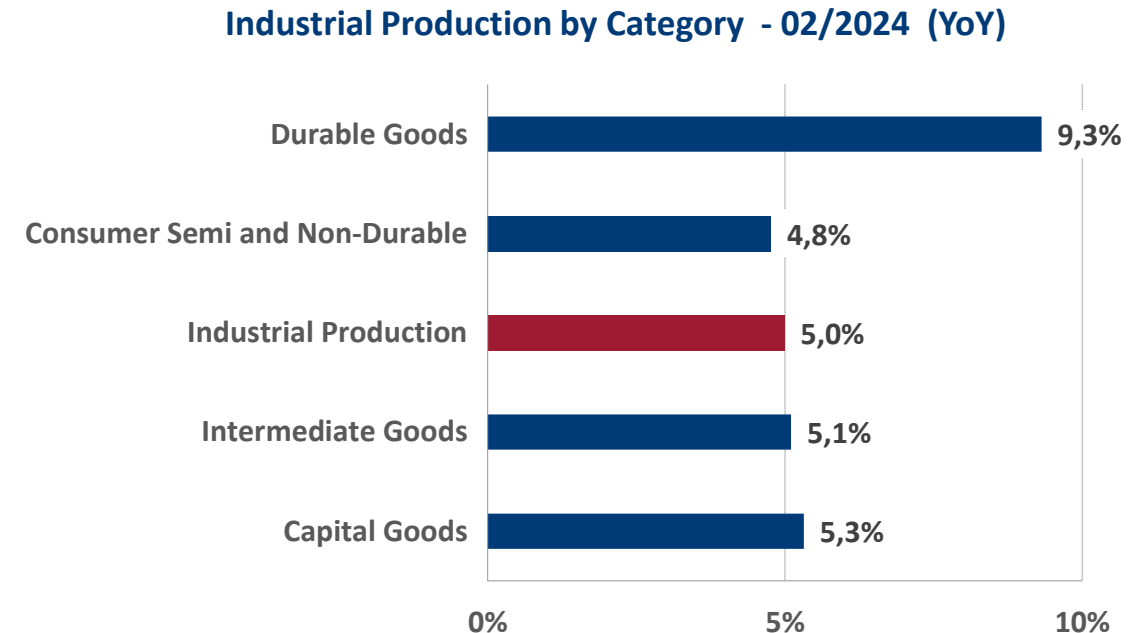
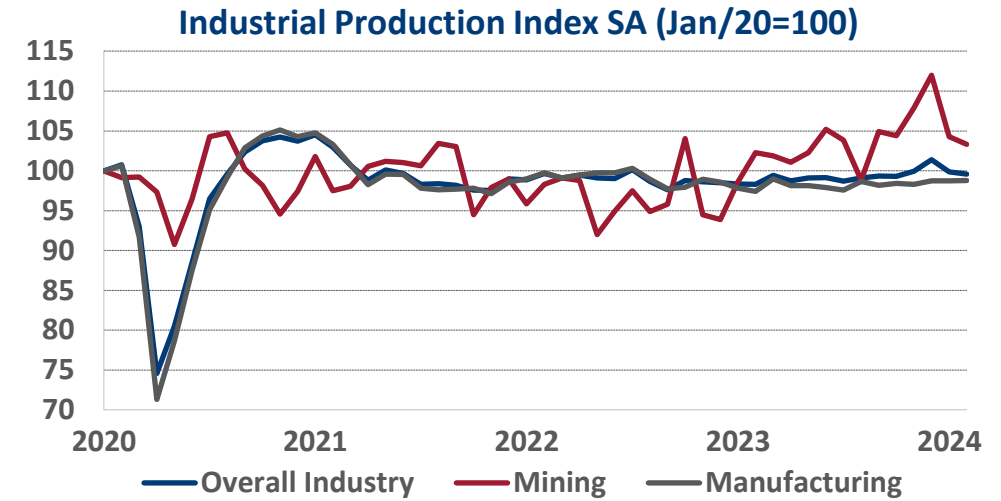
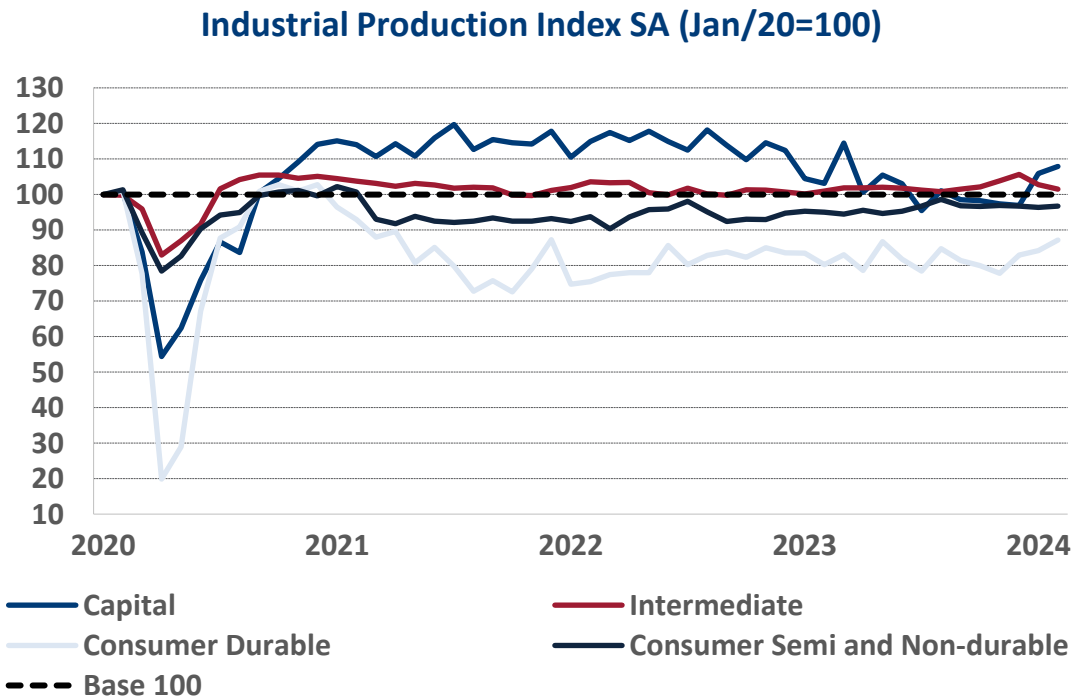


Brazil - Economic Confidence Index (Jan/20 = 100)



# Brazil: Industrial Production

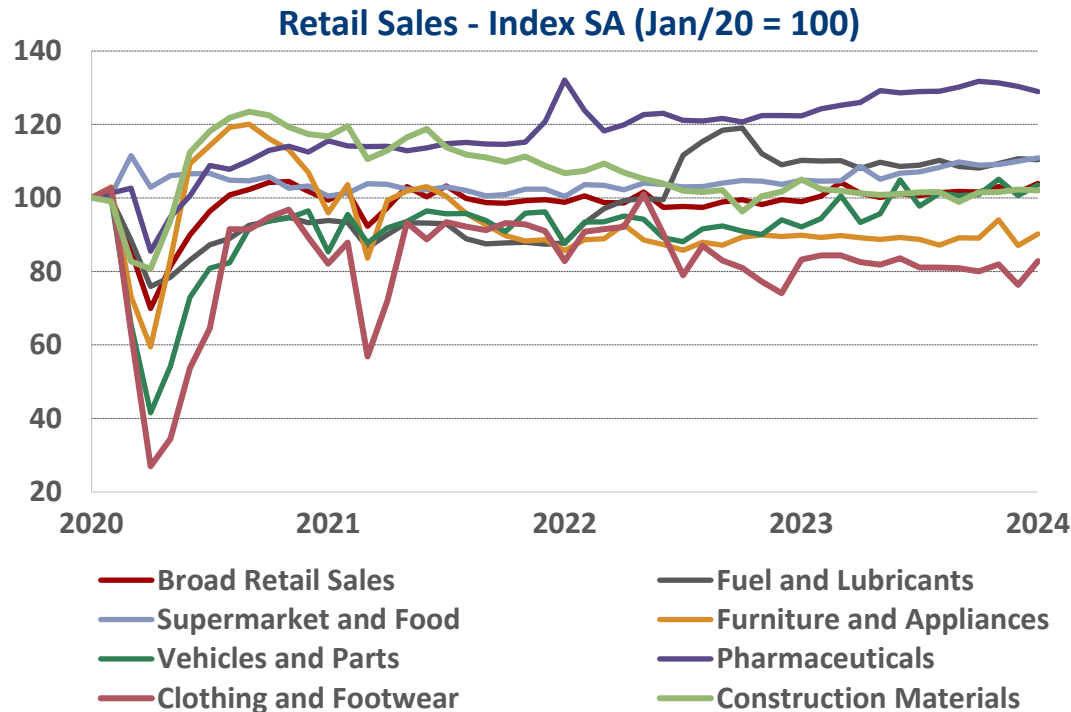
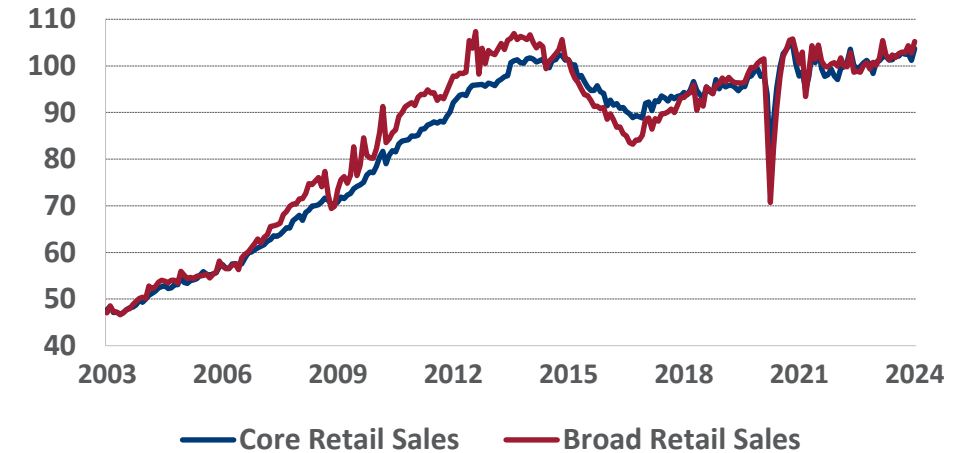
- » In February, industrial production decreased 0.3% MoM (+5.0% YoY), below expectations (+0.2% MoM and +5.7% YoY), after a decrease of 1,5% MoM in January;
- » The extractive industry declined for the second month in a row, falling 0.9% MoM;
- » The more cyclical categories as the production of capital goods and durable goods grew in the first two months of 2024.



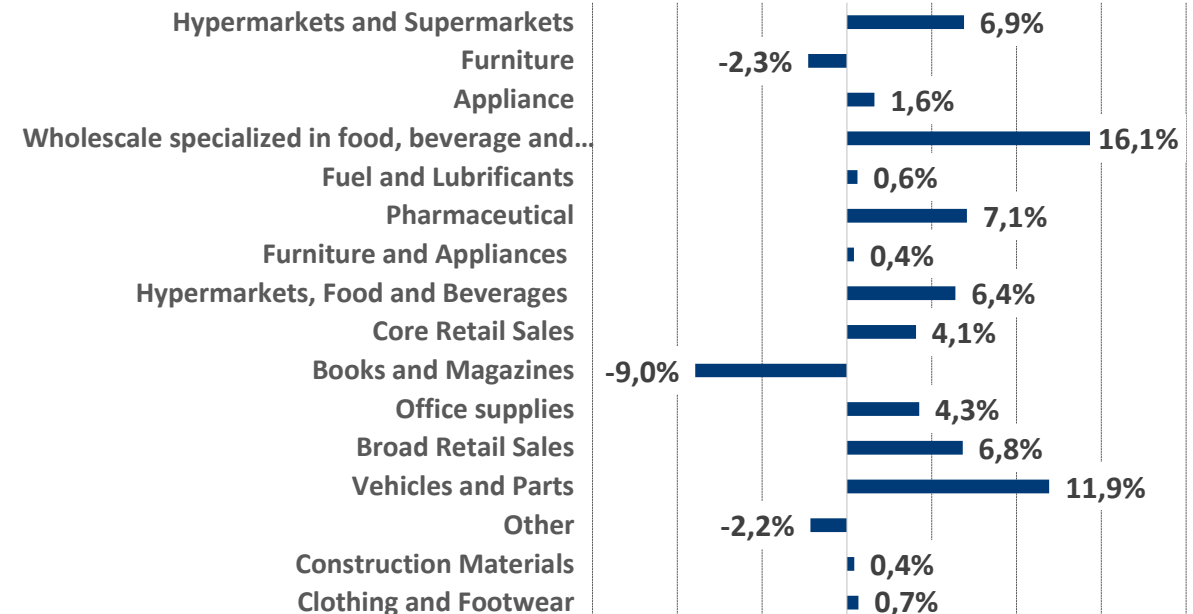
# Brazil: Retail Sales

- » Broad retail sales increased 2.4% MoM (6.8% YoY) in January, well above expectations (+0.4% MoM and +3.4% YoY);
- » The result was boosted by vehicles (11.9% YoY), supermarkets (6.9% YoY), and cash & carry activities (16.1% YoY);
- » In the same line, core retail sales jumped 2.5% MoM (+4.1% YoY);
- » Personal spending on goods has gained steam in early 2024 due the increase in real household disposable income and massive fiscal transfers. Moreover, credit conditions have been improving gradually.

Broad Retail Sales SA x Core Retail Sales SA



Retail Sales - YoY (01/2024)

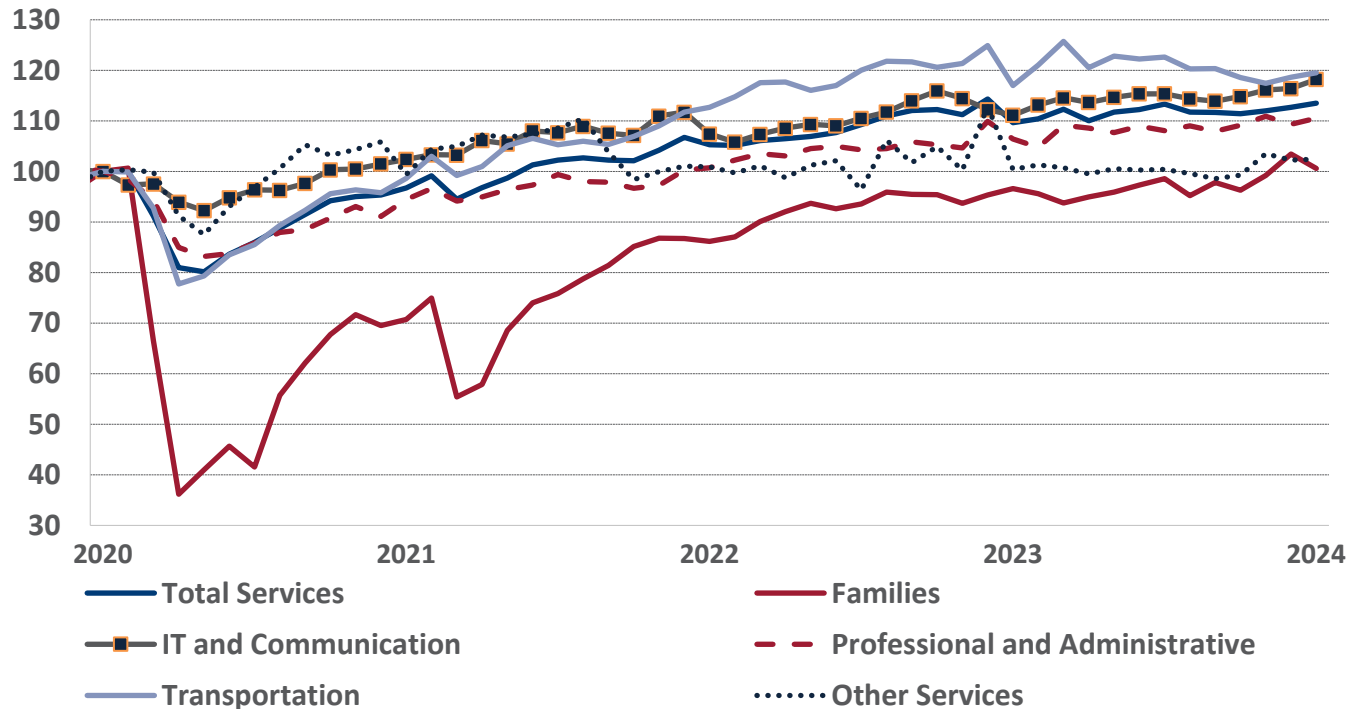




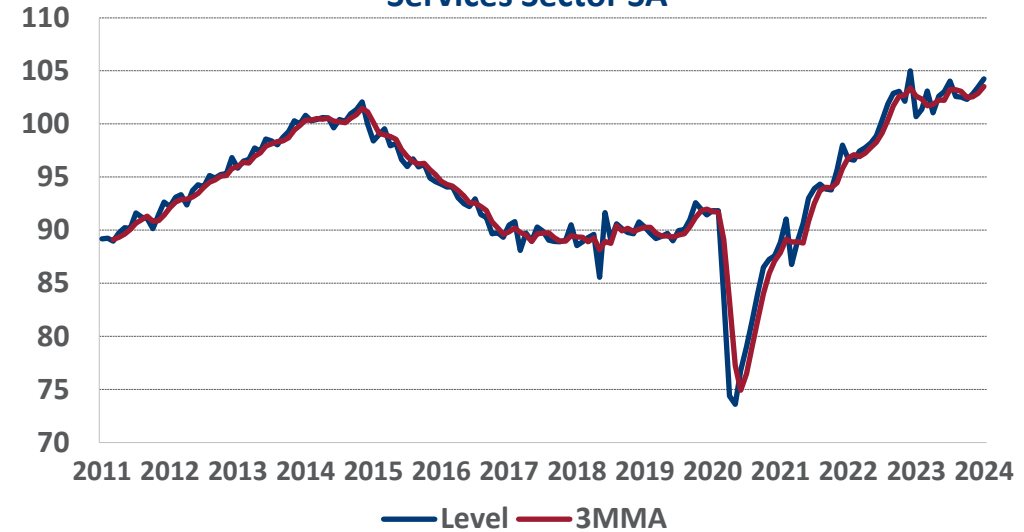
# Brazil: Services

- » In January, the services sector expanded 0.7% MoM (4.5% YoY), the third consecutive gain, above market expectations (-0.4% MoM and 1.8% YoY) ;
- » The breakdown results were mostly positive, only services rendered to families dropped after a strong December (-2.7% MoM);
- » In a nutshell, the services sector keep showing resilience.

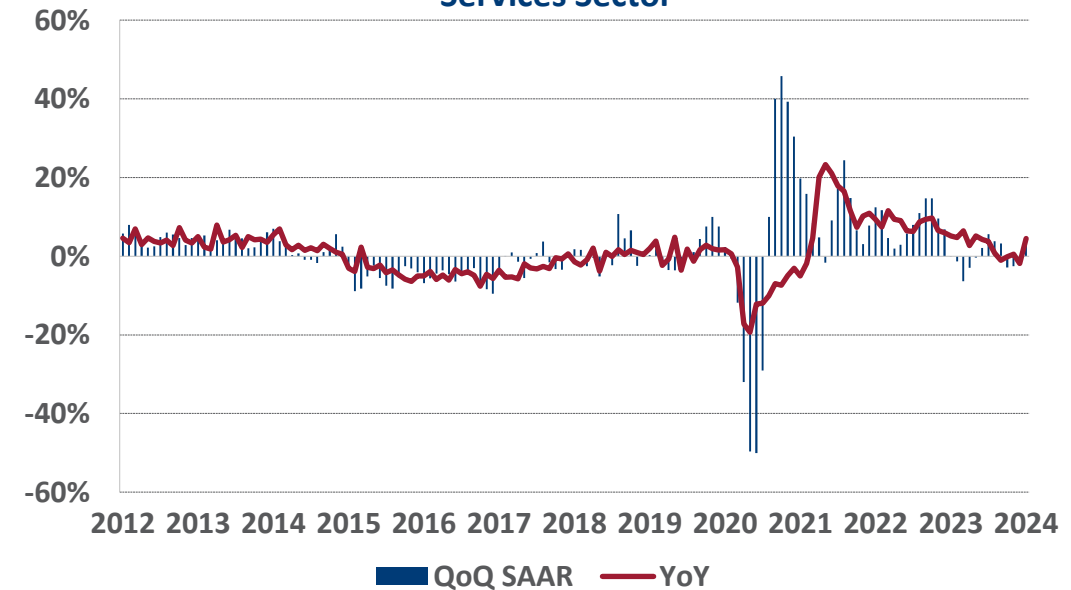
Services Sector SA (Jan20=100)



Services Sector SA



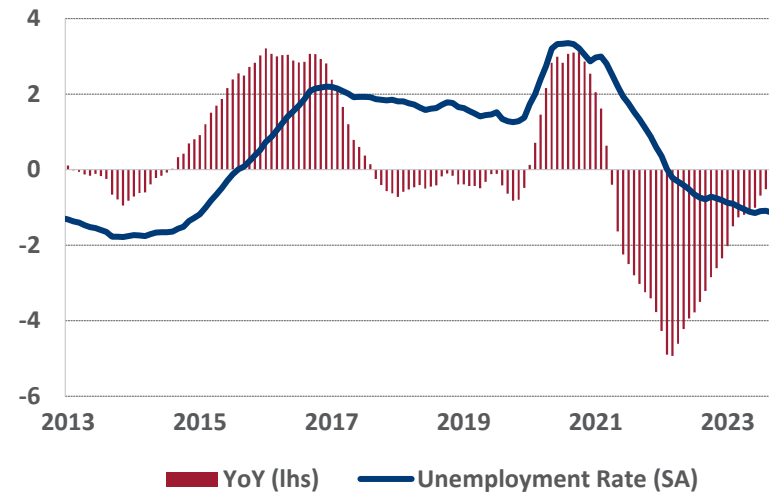
Services Sector



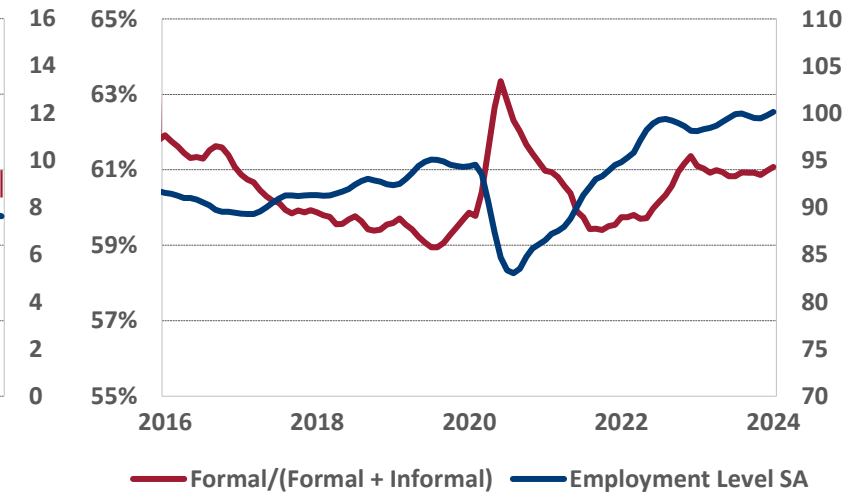
# Brazil: PNAD

- » The unemployment rate increased to 7.8% in the moving quarter up to February, from 7.6% on the previous period;
- » Seasonally adjusted, the indicator decreased from 7.7% to 7.6%, remaining at the lowest level since the beginning of 2015;
- » Total employment stretched 0.39% MoM whereas labor force showed an expansion of 0.14% MoM;
- » The labor force participation inched up to 62.1% from 62%, staying below pre-pandemic levels (63.5%);
- » Continuing the positive trend, real labor earnings (+0.4% MoM) expanded for the sixth time in a row, alongside with the real aggregated labor income (+0.8% MoM). This increase helps support household consumption, which has triggered upward revisions for 2024 GDP growth.

Brazil - Unemployment Rate



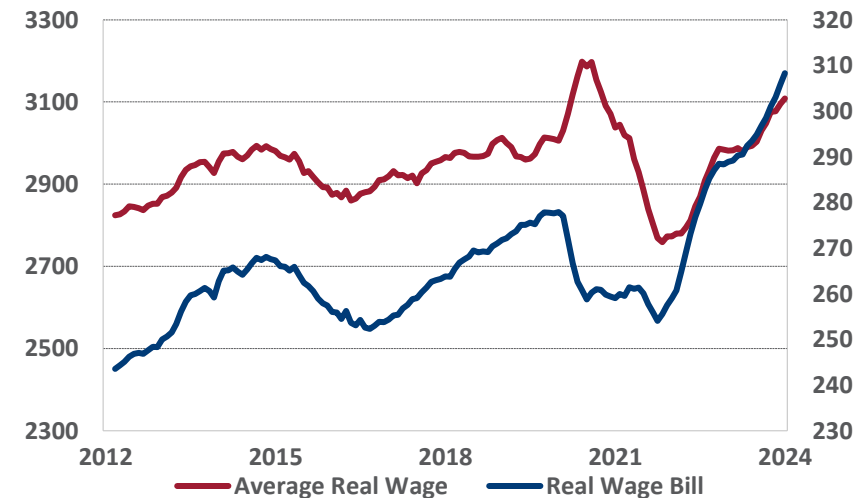
Brazil - Employment Level SA



Brazil - Workforce Participation



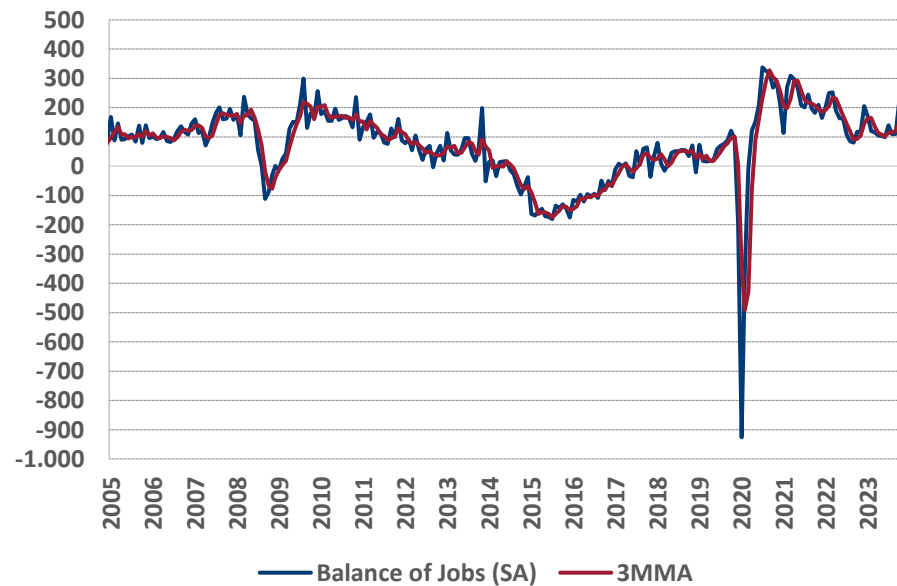
Brazil - Average Real Wage and Real Wage Bill



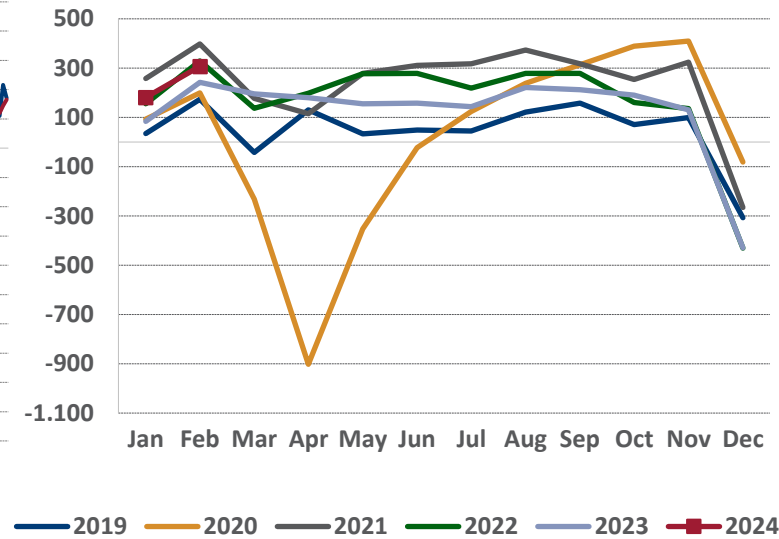
# Brazil: Formal Labor Market

- » Caged registered a net creation of 306.1k formal jobs in February, above market expectations (236k);
- » Seasonally adjusted, we estimated a net addition of 171.6k formal jobs;
- » Overall, the formal labor market continues to surprise to the upside, reinforcing the perception of the economy's resilience.

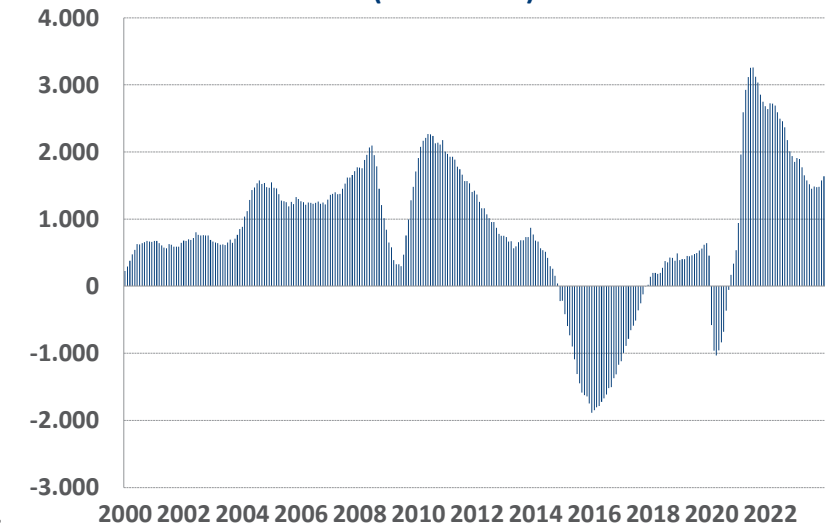
CAGED - Balance of Jobs (SA, Thousand)



CAGED - Balance of Jobs (Thousand)



Net Payroll Job Creation 12 Months (Thousands)



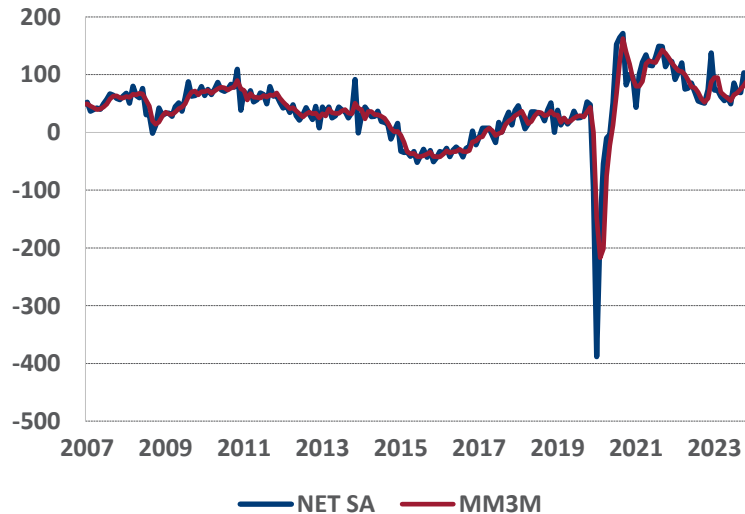
# Brazil: Formal Labor Market

- » The breakdown shows that all sectors registered positive net results;
- » The biggest contribution came once again from the services sector, with a net creation of 174.7k formal jobs;
- » Industry was the second best, creating about 53.1k formal jobs;
- » Retail Sales, in turn, registered a net of 19.7k jobs;
- » Finally, the construction sector created about 35k formal jobs.

Brazil - Retail Net Payroll Job Creation (SA)



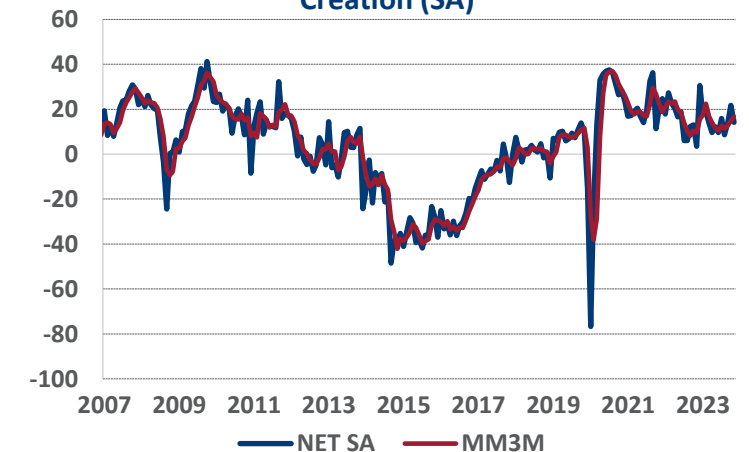
Brazil - Services Net Payroll Job Creation (SA)



Brazil - Industry Net Payroll Job Creation (SA)



Brazil - Construction Net Payroll Job Creation (SA)

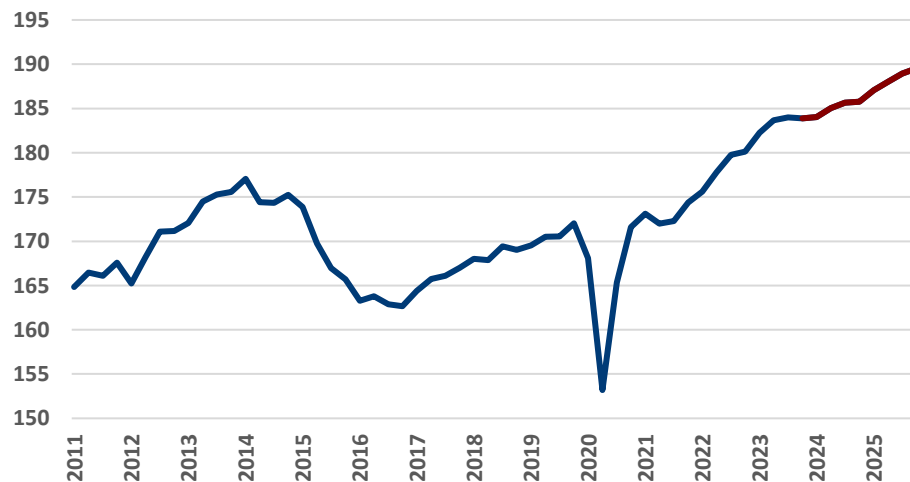




# Brazil: GDP

- » After strong economic activity data in January, we revised our forecast for Q1 GDP from 0.4% to 0.6% QoQ, but the year remained at 1.7%;
- » We highlight upside risks due to the strong expansion in real disposable income and in credit concessions;
  - » If no payback occurs in the February data, GDP forecasts should move towards 2%.

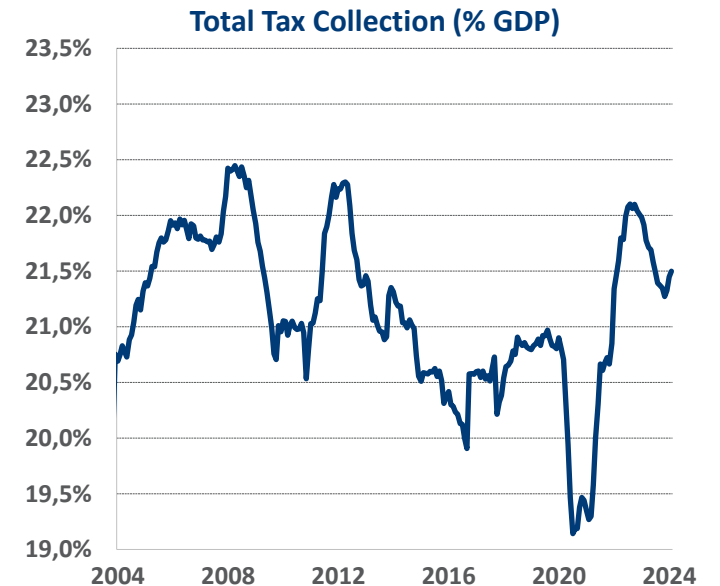
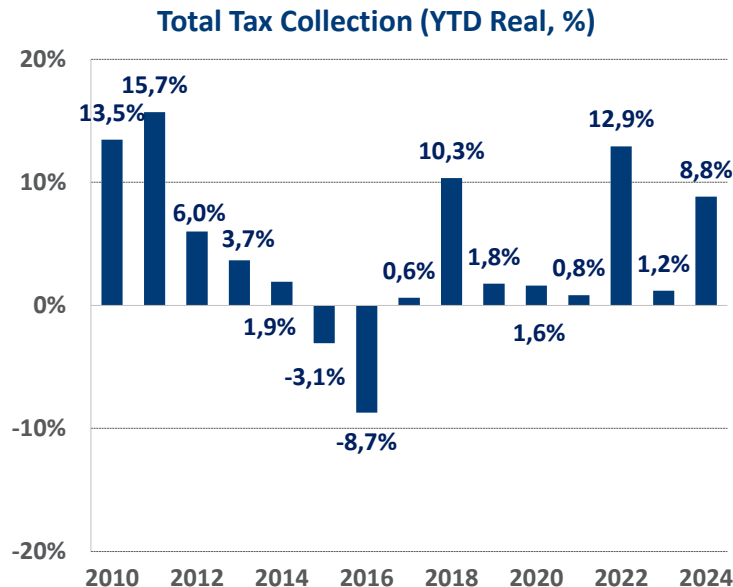
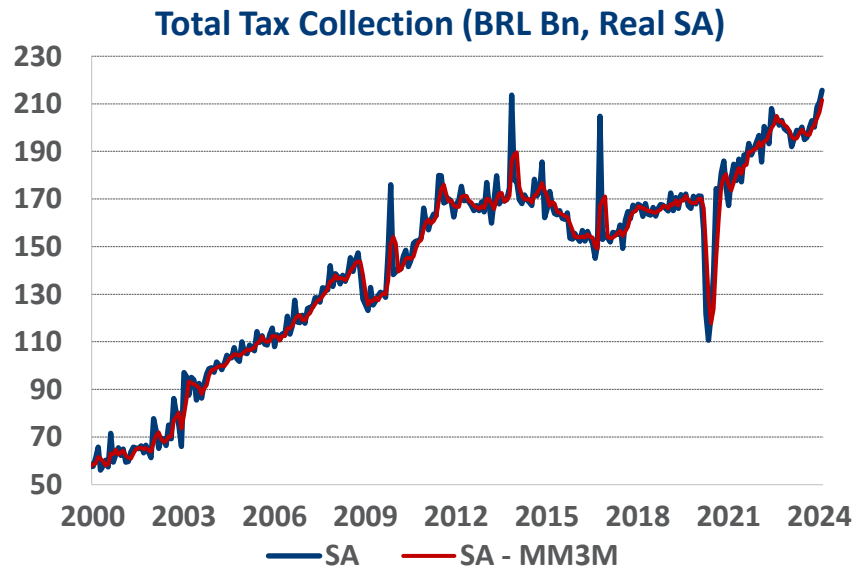
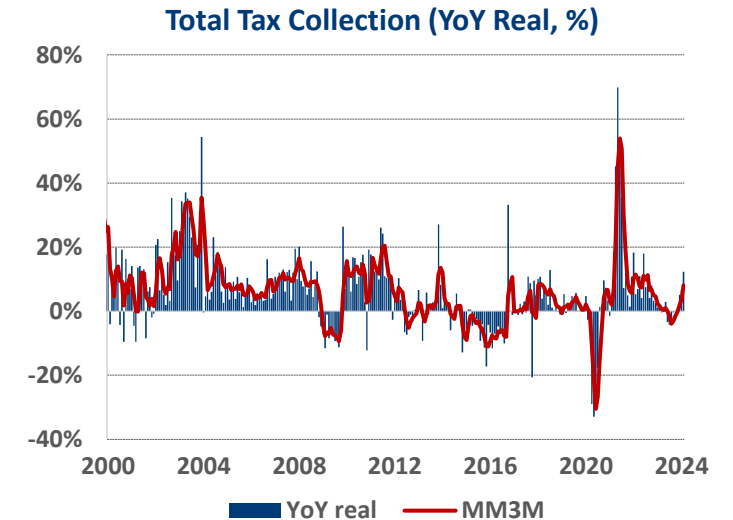
**GDP Level SA**



Forecasts				
	2024.I QoQ	2024.I YoY	2024	2025
<b>GDP</b>	<b>0,6%</b>	<b>2,1%</b>	<b>1,7%</b>	<b>2,0%</b>
<b>Agriculture</b>	<b>9,2%</b>	<b>-5,8%</b>	<b>-3,7%</b>	<b>4,9%</b>
<b>Industry</b>	<b>0,4%</b>	<b>3,4%</b>	<b>2,1%</b>	<b>2,2%</b>
Mining	1,2%	7,0%	5,1%	7,0%
Manufacturing	1,0%	2,0%	1,3%	1,0%
Electricity	-1,1%	5,3%	3,0%	2,7%
Civil Construction	-0,2%	2,4%	1,9%	1,1%
<b>Services</b>	<b>0,4%</b>	<b>2,8%</b>	<b>2,1%</b>	<b>1,7%</b>
Retail	1,3%	2,6%	1,7%	1,6%
Transports	2,7%	3,0%	2,2%	2,2%
Information and Communication	0,9%	2,5%	2,7%	3,5%
Financial Services	0,6%	4,0%	3,3%	1,1%
Rents	0,1%	2,5%	2,2%	1,9%
Other Services	0,2%	3,9%	2,5%	2,0%
Public Administration	0,0%	1,5%	1,2%	1,0%

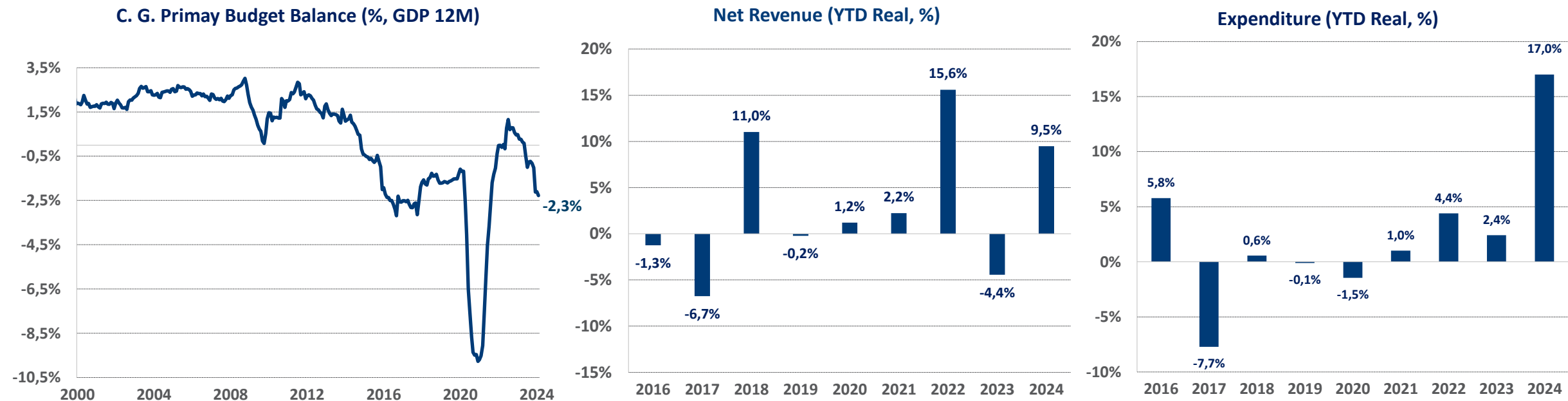
# Brazil: Federal Tax Collections

- » In February, total federal tax collections reached BRL 186.5 bn (12.3% YoY), slightly above the consensus, a historical record for the month;
- » The main drivers were income tax on capital gains (58.0% YoY) due to taxing of exclusive funds, PIS/Cofins (21.4%) thanks to the reversal of tax cuts on fuels, and social security revenue (4.7%) due to the heated labor market;
- » On the negative side, some effects from measures implemented early this year failed to achieve expectations, such as the change in ICMS subsidies, interest on equities (IoE), and the limitation on the use of tax credits.



# Brazil: Central Government Primary Result

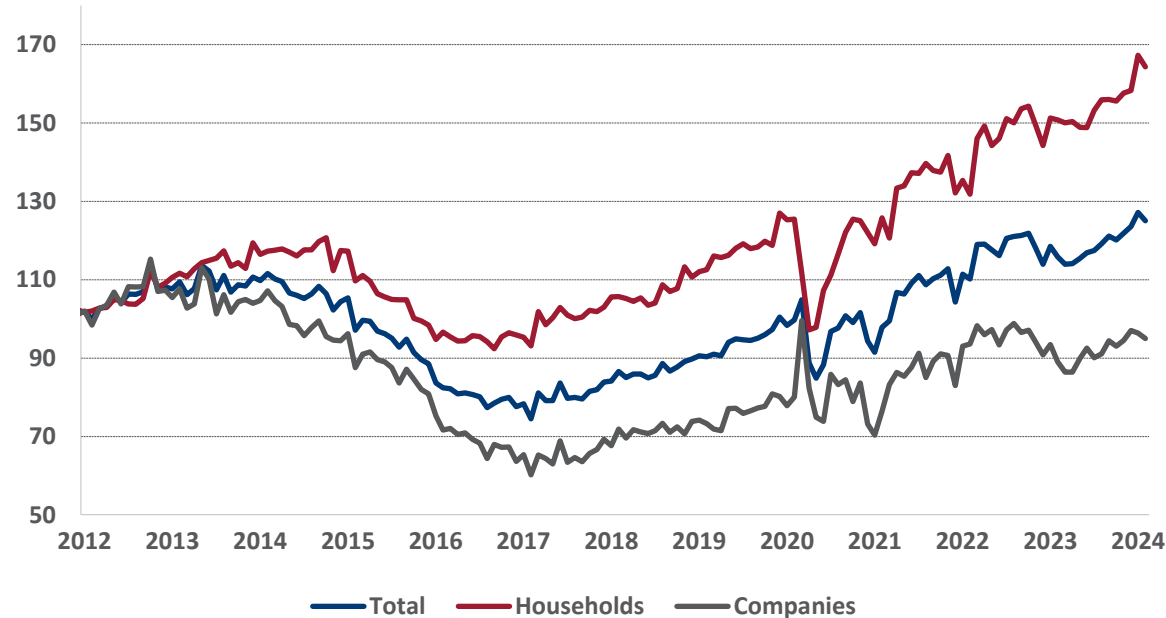
- » The central government's primary balance registered a deficit of BRL 58.4 bn in February, the worst result for the month in the historical series;
- » The 12-M accumulated primary deficit reached 252.9 bn, or 2.3% of GDP;
- » Net revenue increased 23.4% YoY, while total spending increased 27.4% YoY in real terms, driven mainly by a change in the calendar of court-ordered debt payments (without this effect, the expenditure would grow at a slower pace (7.7%) and the deficit to reduce to BRL 28.8 billion).



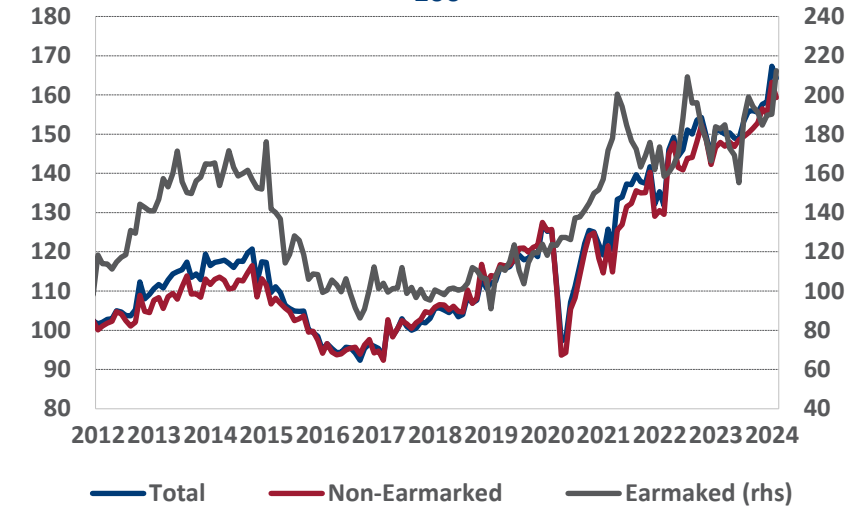
# Brazil: Credit Statistics

- » In February, total credit concessions expanded by 1.0% MoM in real terms;
- » Non-earmarked credit concessions decreased 2.0% MoM to companies and 2.4% MoM to households;
- » Earmarked credit concessions, in turn, expanded 11.7% MoM to families and fell 3.6% MoM companies.

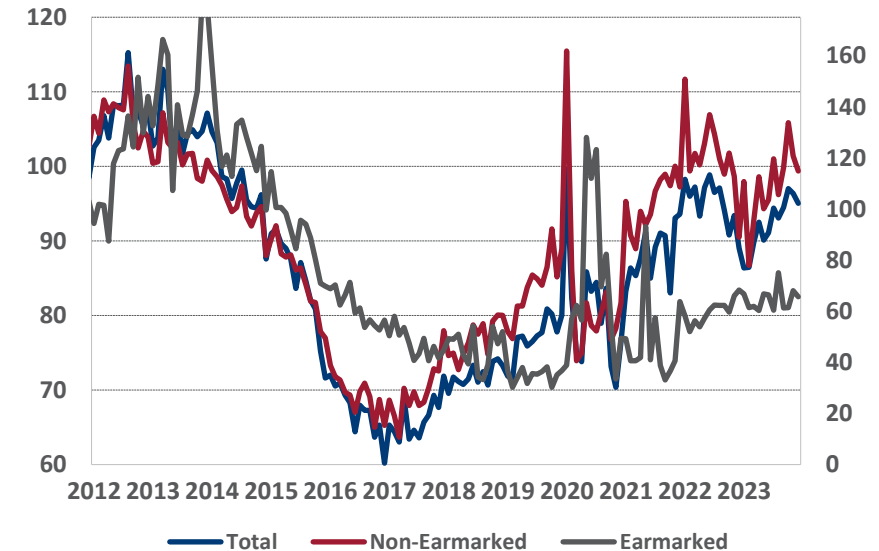
New Credit Operations SA (Real) - mar/11 = 100



Concessions - Households SA (Real) - Mar/11 = 100



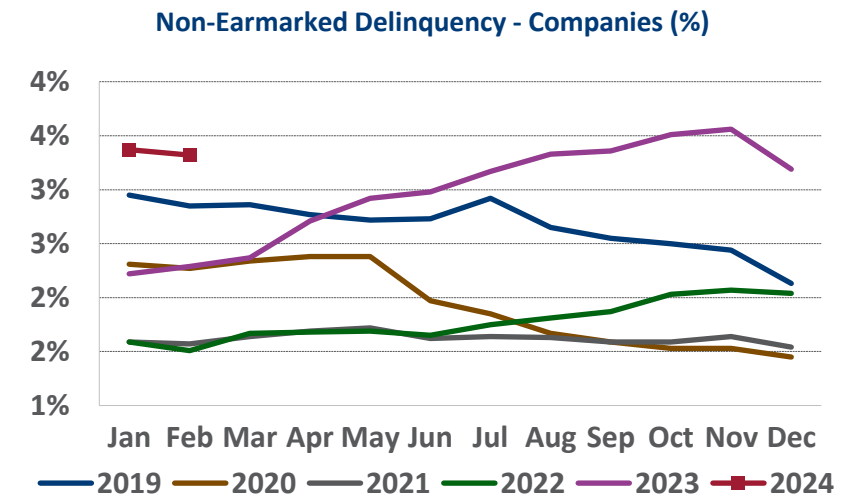
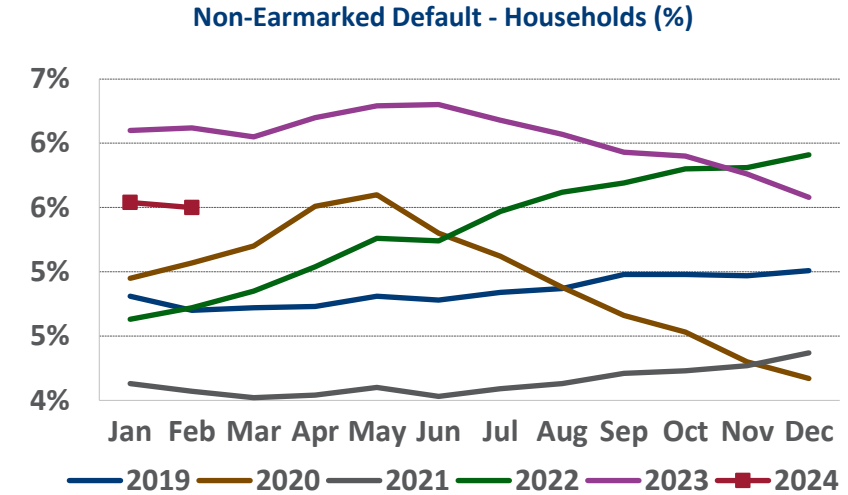
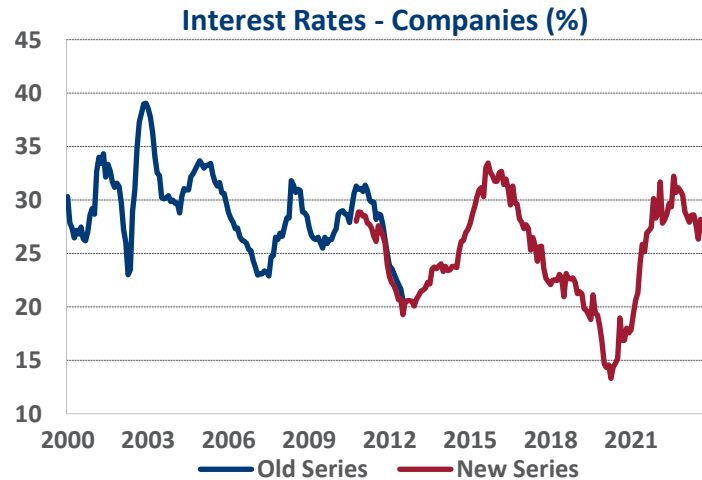
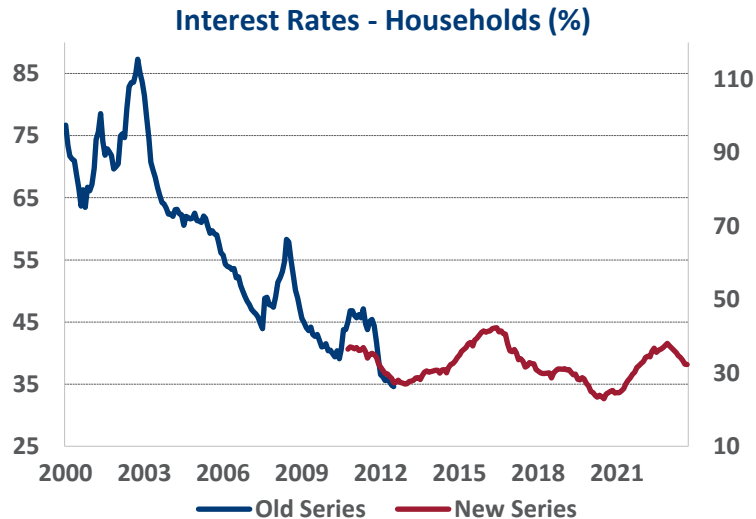
Concessions - Companies SA (Real) - mar/11 = 100





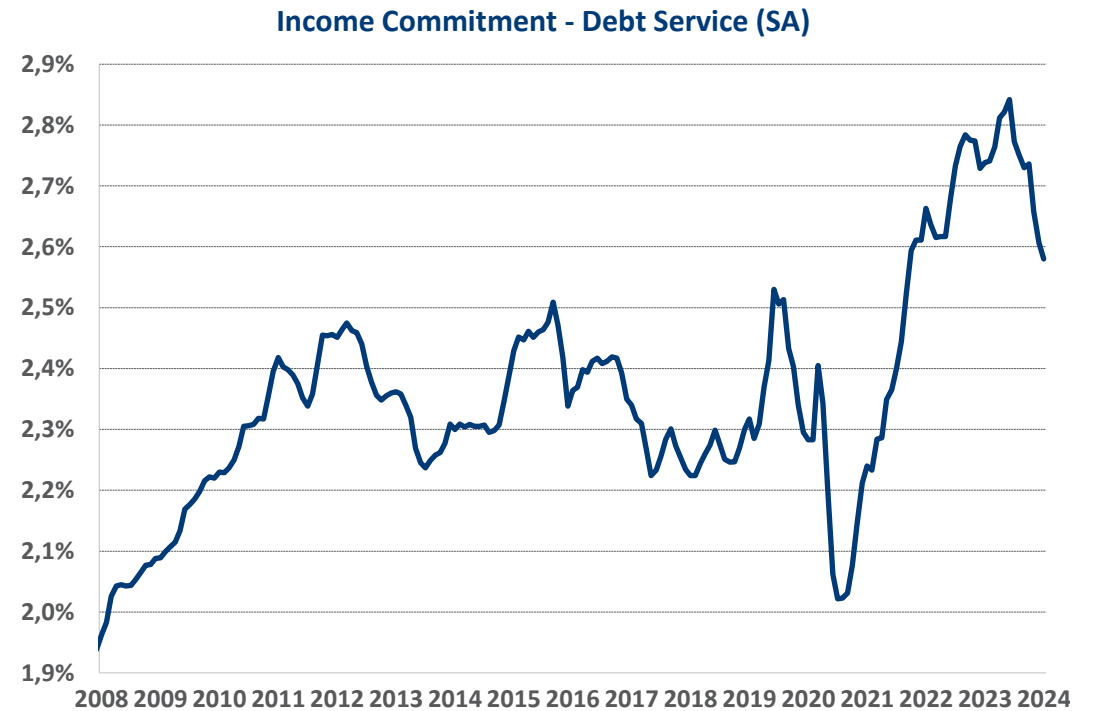
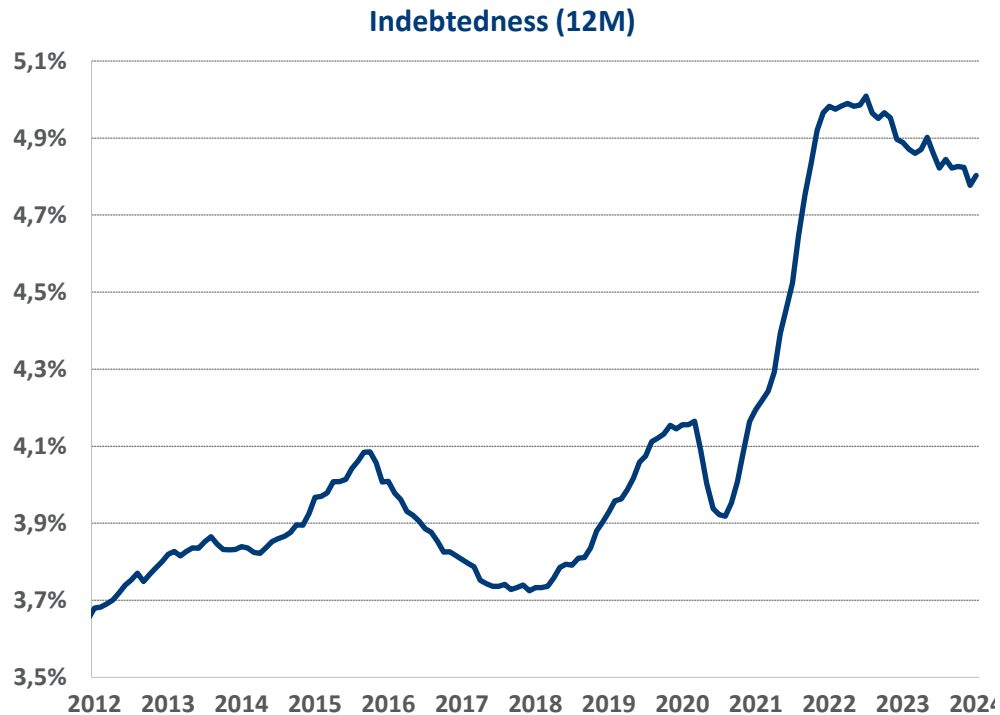
# Brazil: Credit Statistics

- » Lending rates decreased, which was a result of a fall to 32.2% (from 32.5%) for individuals and to 18.8% (from 19.5%) for companies;
- » In turn, non-earmarked default rate is around 5.5% to individuals and 3.3% to companies.



# Brazil: Credit Statistics

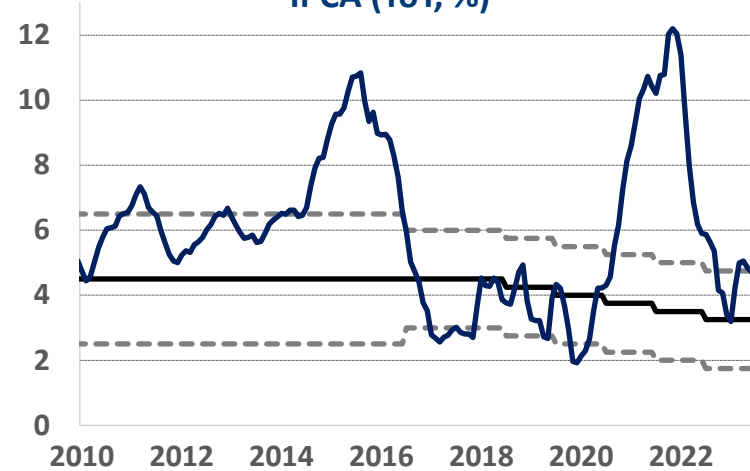
- » Household indebtedness stood at 48%, slight increase when compared to the previous month;
- » Accordingly, income commitment to debt service decreased to 25.8%;



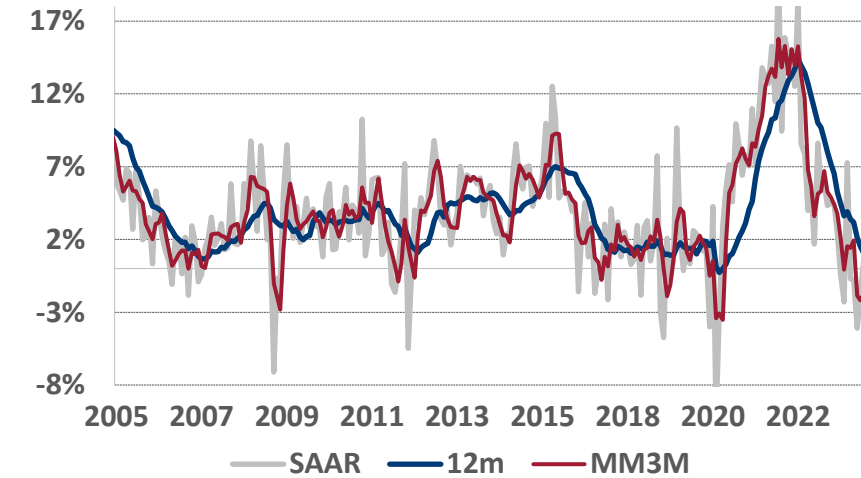
# Brazil: Inflation 2024

- » The IPCA-15 advanced 0.36% MoM in March, above market consensus (0.30% MoM);
- » The 12-month variation dropped to 4.14% in March from 4.49% in February;
- » The higher-than-expected print was largely explained by airfares, along with lesser upward surprises in core services, and food-at-home;
- » These were partially offset by a significant downward surprise for durable goods.

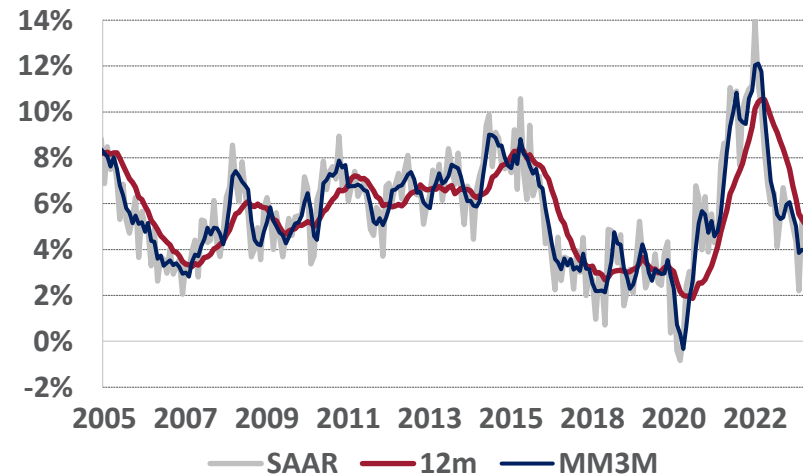
IPCA (YoY, %)



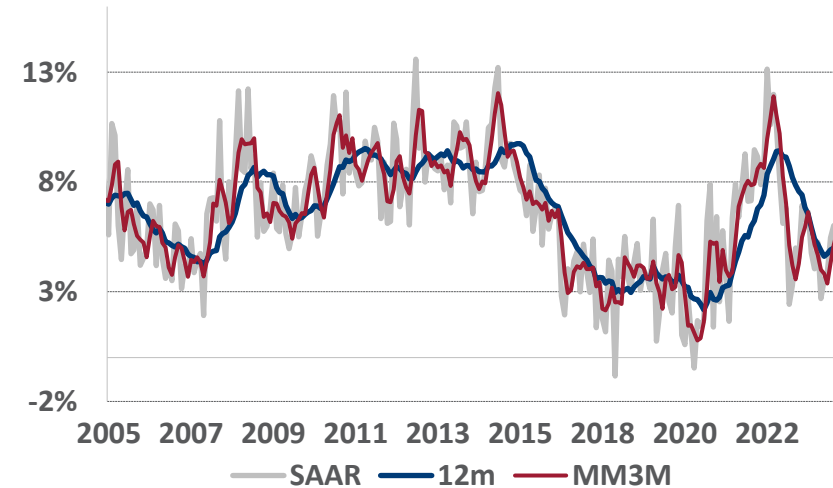
Industrial Goods



Average of Cores



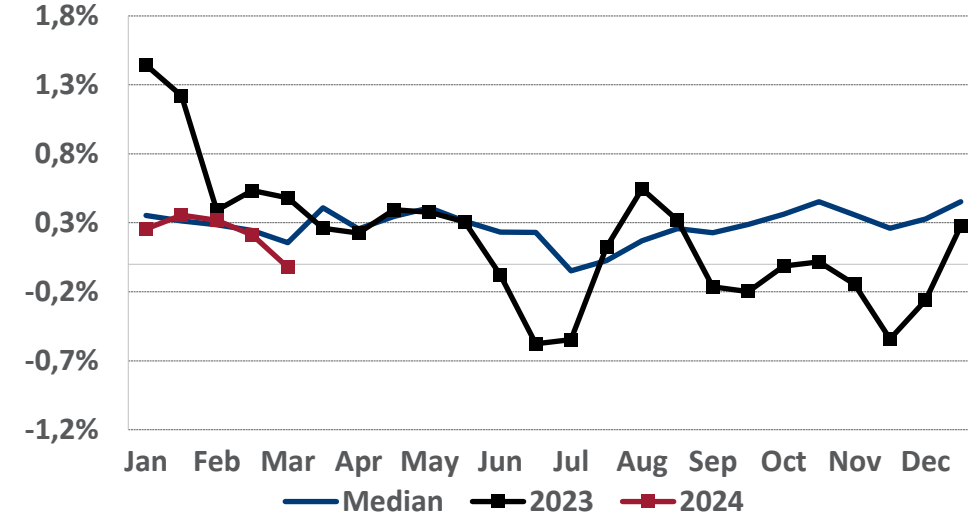
Core Services



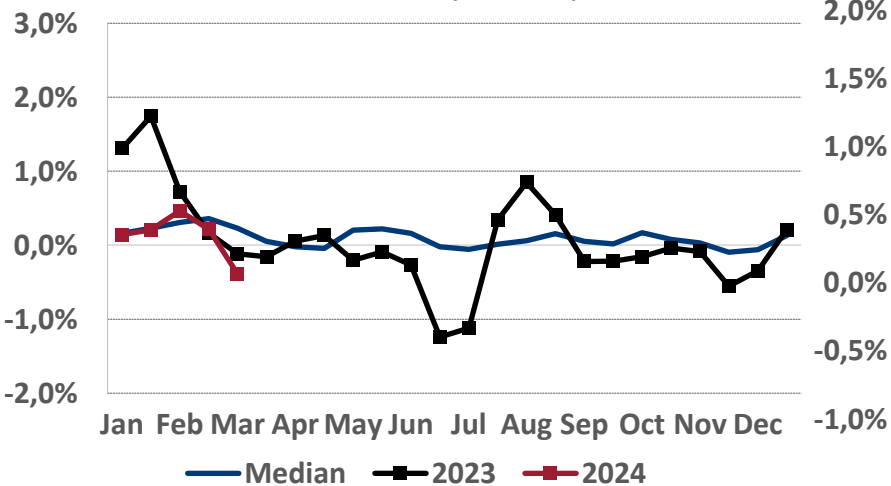
# Brazil: Inflation 2024

- » The group of industrial prices decreased by 0.02% MoM, surprising downwards, especially in durable goods, which decreased 0.39% MoM;
- » Part of the downward surprise in durable goods can be attributed to "Consumer Week" discounts, but a payback must occur in April.

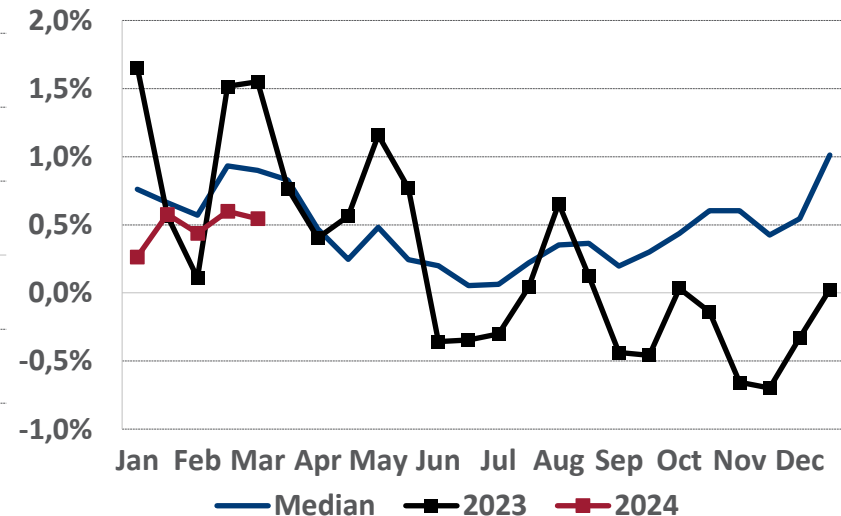
Industrial Goods (MoM, %)



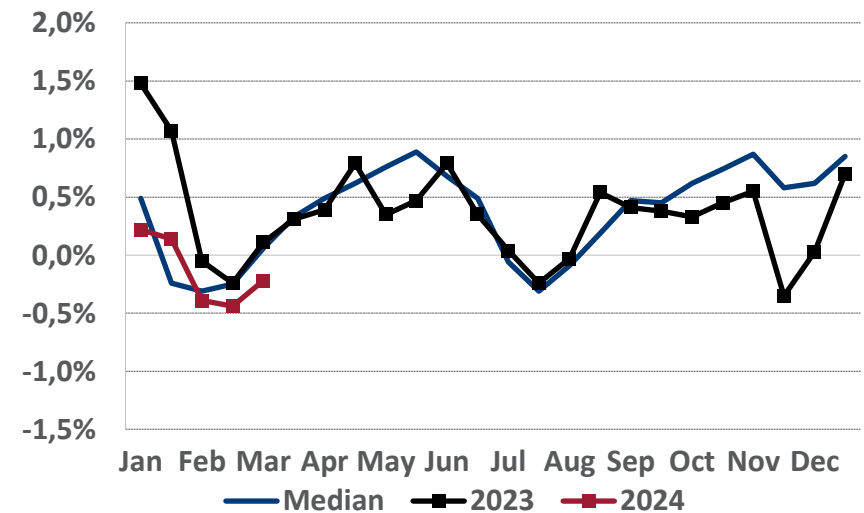
Durable Goods (MoM, %)



Non-Durable Goods (MoM, %)



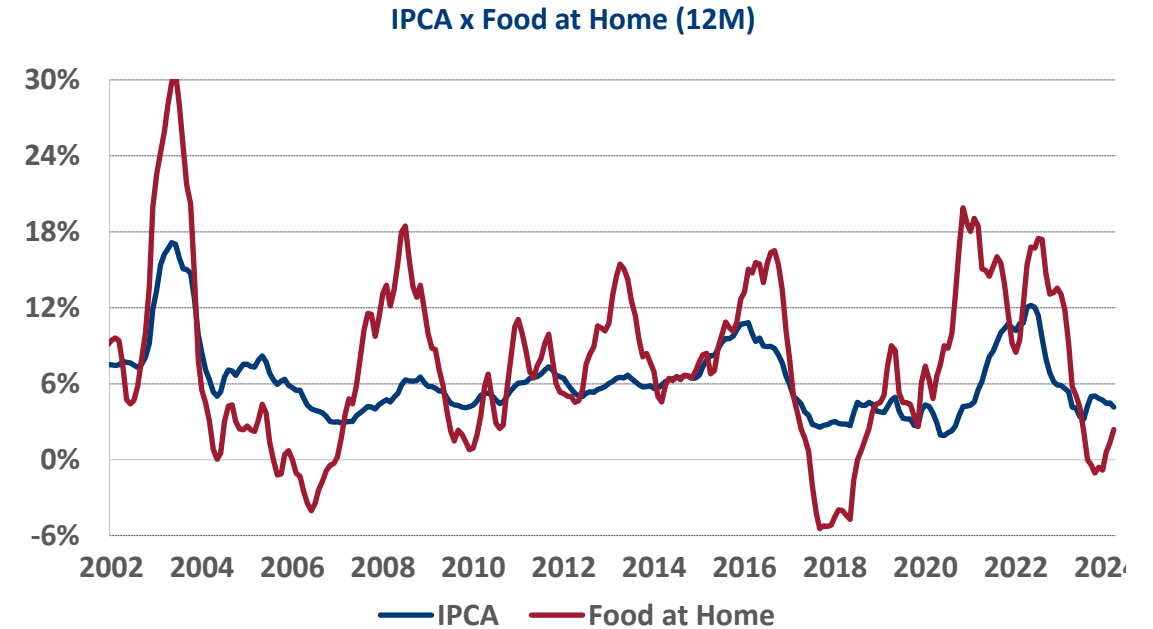
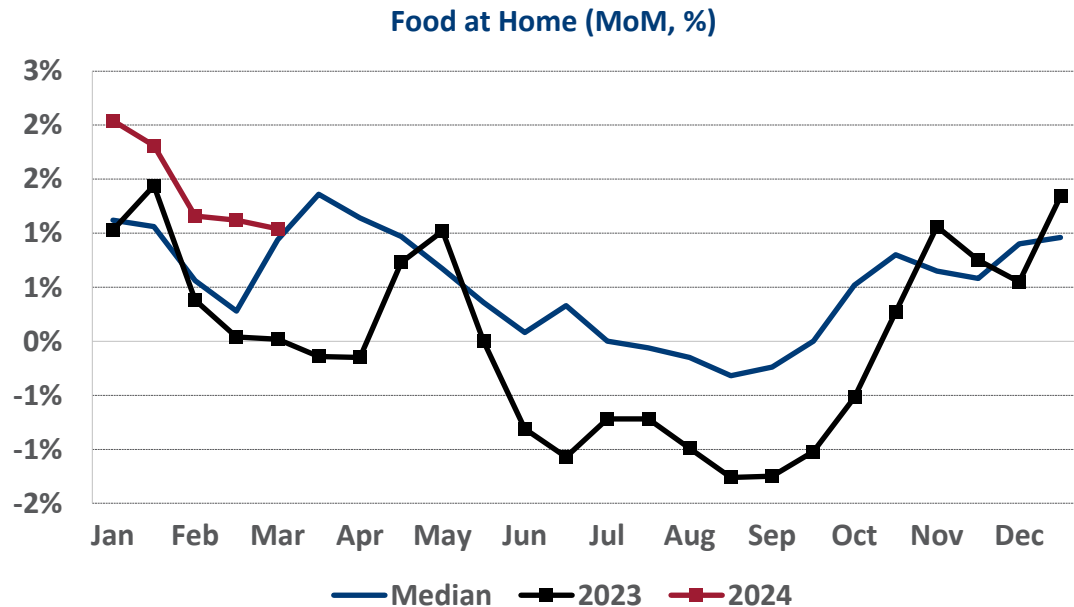
Apparel (MoM, %)





# Brazil: Inflation 2024

- » Food at home came above market expectations, especially due to fresh food;
- » However, the expected El Niño dissipation throughout the year must bring relief to food inflation.



# Brazil: Inflation

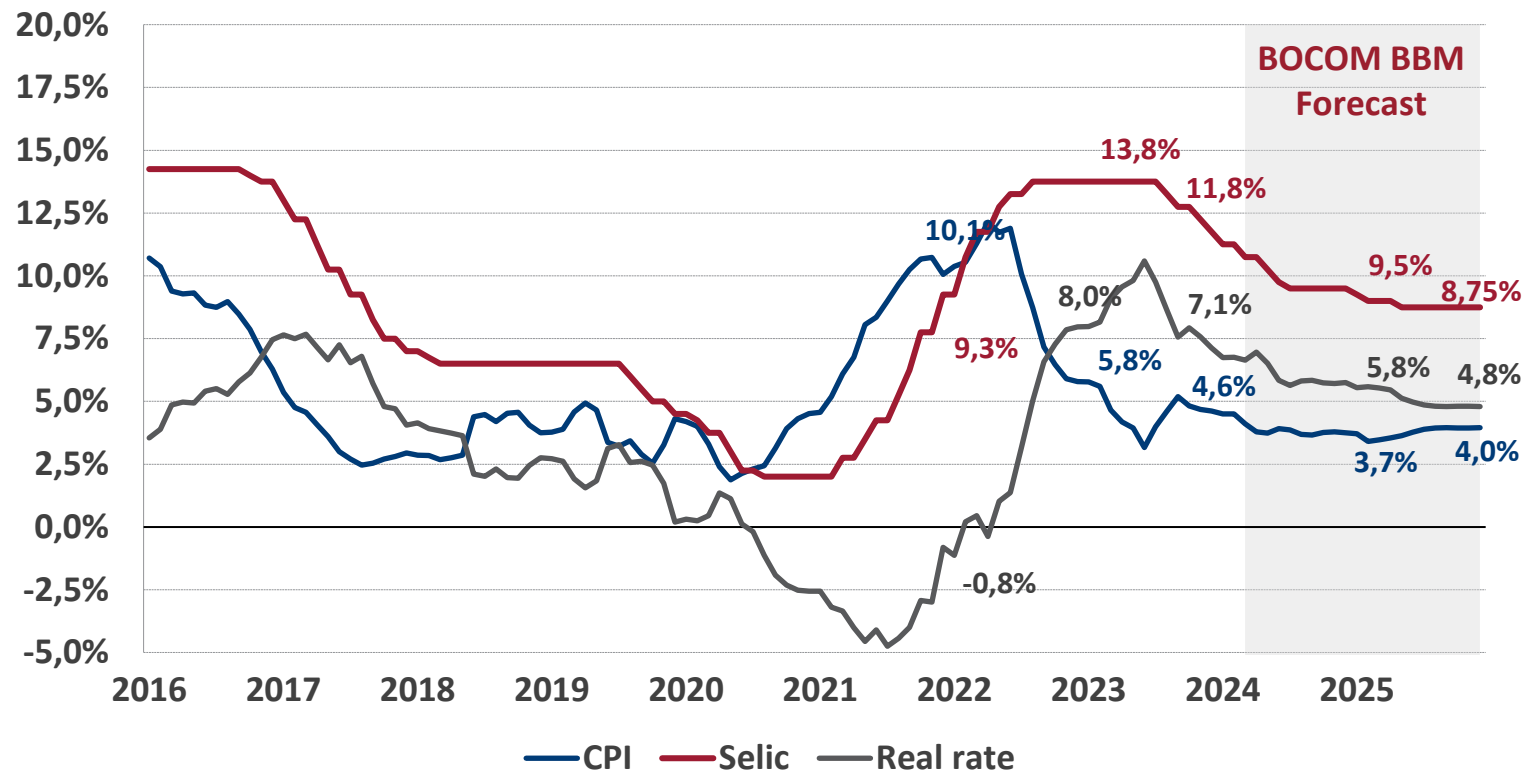
- » Our forecasts for 2024 and 2025 IPCA inflation were kept at 3.7% and 4.0%, respectively;
- » March's figure led to increases in our estimates for services (airfares and labor-intensive services), but were offset by lower figures for durable goods and food at home (lower beef prices in daily price surveys).

IPCA (% annual)								
	Weight	2019	2020	2021	2022	2023	2024	2025
<b>Regulated</b>	<b>26.6</b>	<b>5.5</b>	<b>2.6</b>	<b>16.9</b>	<b>-3.8</b>	<b>9.1</b>	<b>4.5</b>	<b>4.1</b>
<b>Industrial goods</b>	<b>23.6</b>	<b>1.7</b>	<b>3.2</b>	<b>11.9</b>	<b>9.5</b>	<b>1.1</b>	<b>1.9</b>	<b>3.1</b>
Durable goods	10.3	0.0	4.5	12.9	6.1	-0.4	0.8	-
Semi-durable goods	5.9	0.6	-0.1	10.2	15.7	2.7	2.7	-
Non-durable goods	7.3	4.4	4.0	11.9	9.5	1.7	2.5	-
<b>Food at home</b>	<b>15.7</b>	<b>7.8</b>	<b>18.2</b>	<b>8.2</b>	<b>13.2</b>	<b>-0.5</b>	<b>3.1</b>	<b>4.5</b>
<b>Services</b>	<b>34.1</b>	<b>3.5</b>	<b>1.7</b>	<b>4.8</b>	<b>7.6</b>	<b>6.2</b>	<b>4.6</b>	<b>4.3</b>
Food away from home	5.6	3.8	4.8	7.2	7.5	5.3	4.9	4.2
Related to minimum wage	5.2	2.9	1.5	3.3	6.3	5.2	5.8	6.4
Sensitive to economic activity	8.2	2.4	0.2	5.1	6.3	9.5	3.6	4.2
Inertial	15.0	4.3	1.6	4.2	8.8	5.1	4.6	3.6
<b>IPCA</b>		<b>4.3</b>	<b>4.5</b>	<b>10.1</b>	<b>5.8</b>	<b>4.6</b>	<b>3.7</b>	<b>4.0</b>

# Brazil: Monetary Policy

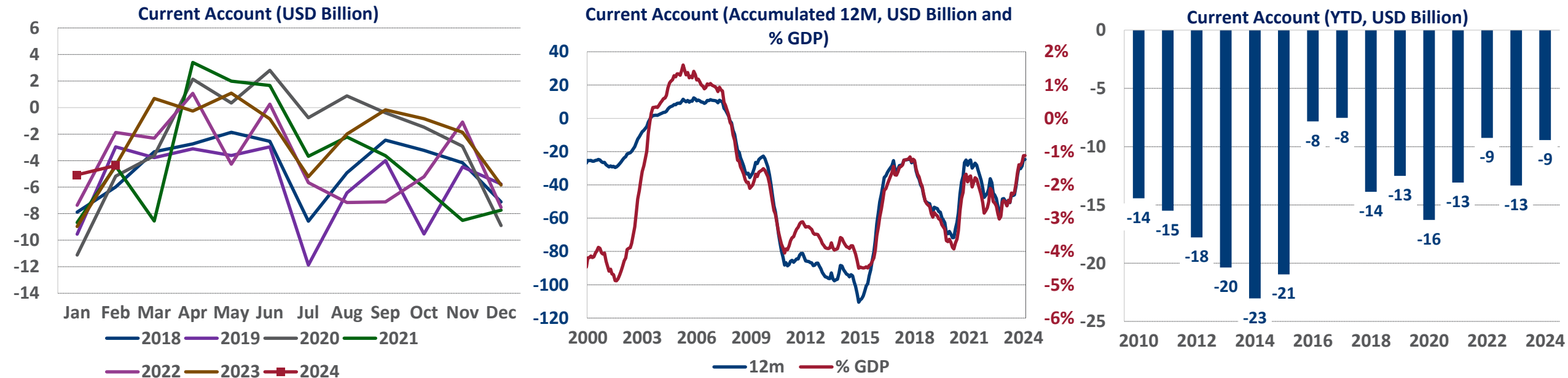
- » Concerning monetary policy, in its March meeting the Brazilian Central Bank decided to cut Selic rates by 50 bps, reaching 10.75% per year, as largely expected. BCB projections indicate that rates reaching 9% by 2024 and 8.5% by 2025 would bring inflation to 3.5% in 2024 and 3.2% in 2025. The committee now acknowledges that underlying inflation finds itself above target. The committee also notes that domestic and international scenarios have become more uncertain, demanding caution in monetary policy conduction. **In a unanimous decision, the BCB dropped the forward guidance of a 50bps cut in the next two meetings, committing only to 50bps cut in the next meeting;**
- » In the minutes, the committee emphasized that the new forward guidance will not necessarily lead to a different policy cycle. However, data will be particularly important in defining the pace and terminal rate, with some members leaning towards a slower pace if prospective uncertainty remains high.

CPI, Selic Rate and Real Ex-post Interest Rate (YoY, %)



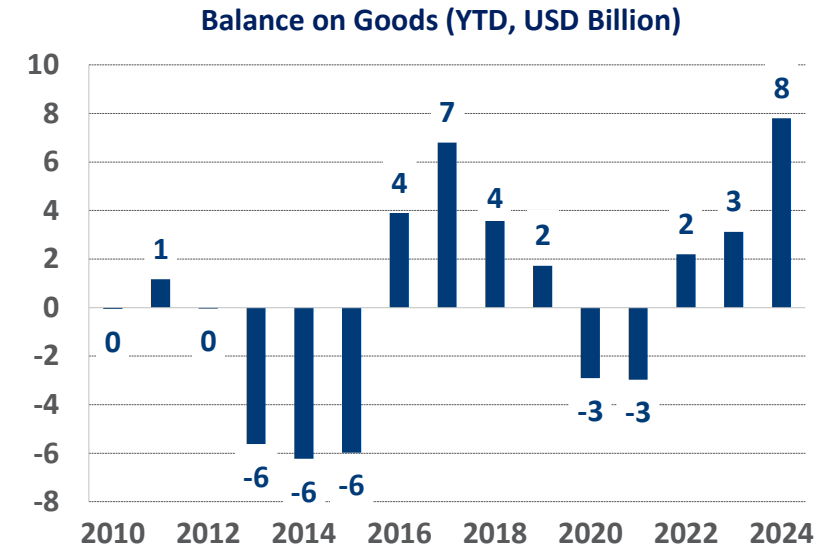
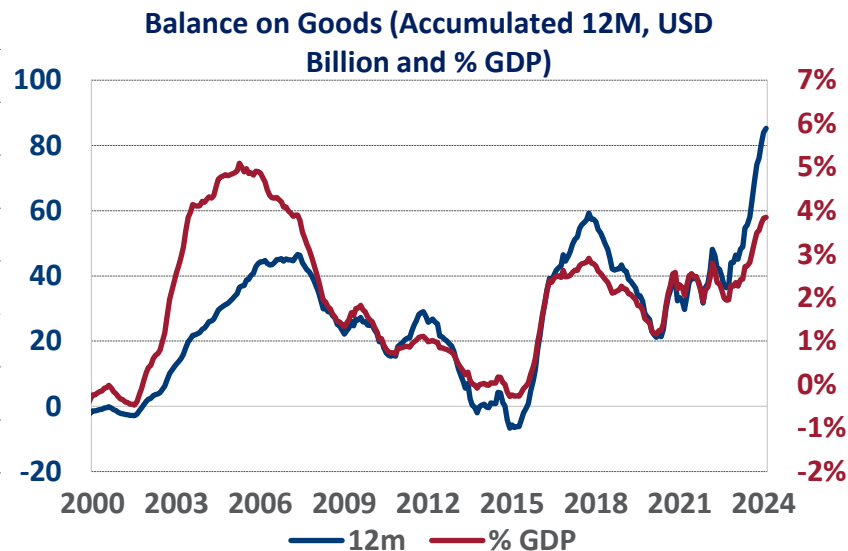
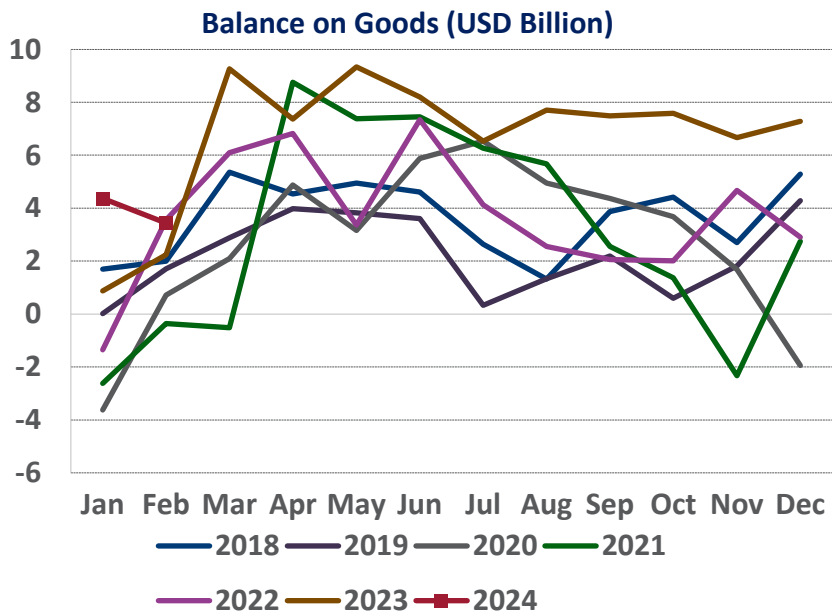
# Brazil: Balance of Payments

- » The Brazilian current account recorded a deficit of USD 4.4 billion in February 2024, below expectations of USD 3.5 billion;
- » Nevertheless, the current account deficit remains significantly below one year ago (it reached 1.1% of GDP in February 2024 versus 2.6% of GDP in the same month of last year).



# Brazil: Balance of Payments

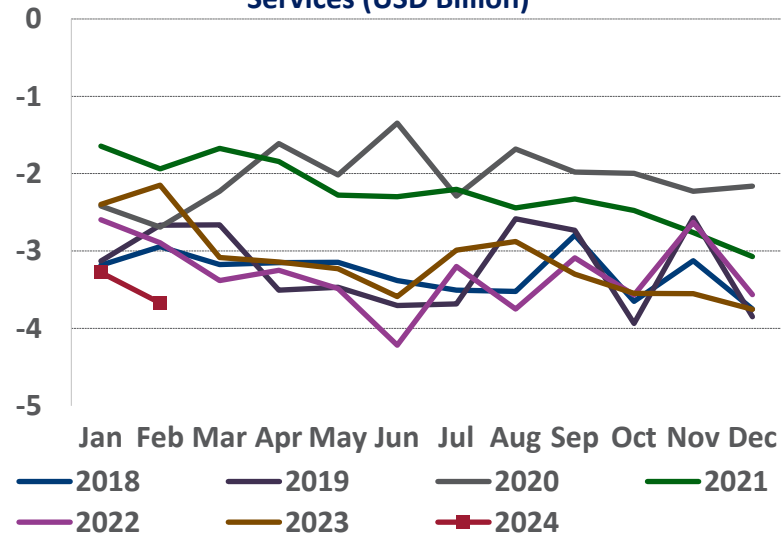
- » The Merchandise Trade Balance recorded a surplus of USD 3.4 billion in February;
- » The 12-month rolling sum up to February 2024 reached USD 85.2 billion;
- » However, a slowdown in the trade balance is expected throughout the year due to falling export prices.



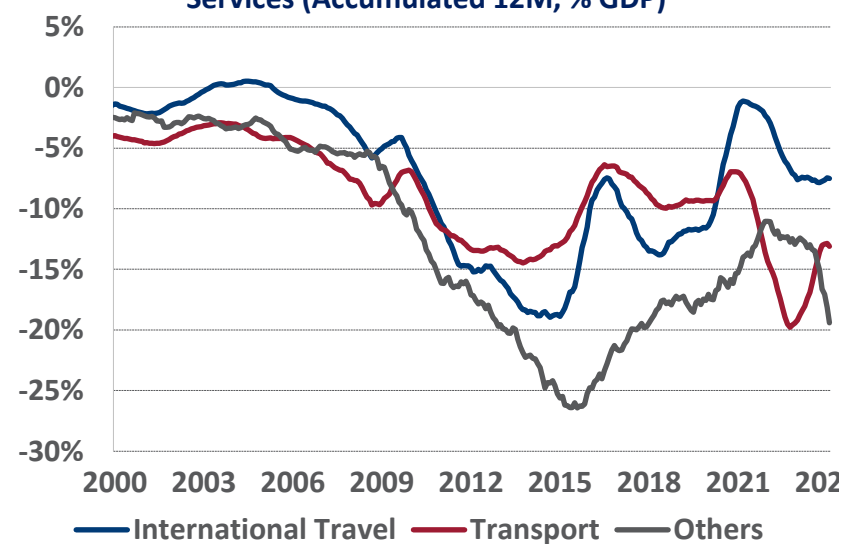
# Brazil: Balance of Payments

- » The deficit in the Services Account totaled USD 3.7 billion, from USD 2.1 billion a year earlier;
- » The deficit in the Primary Income account reached USD 4.2 billion in February 2024 and USD 70.8 billion in the 12-month rolling sum.

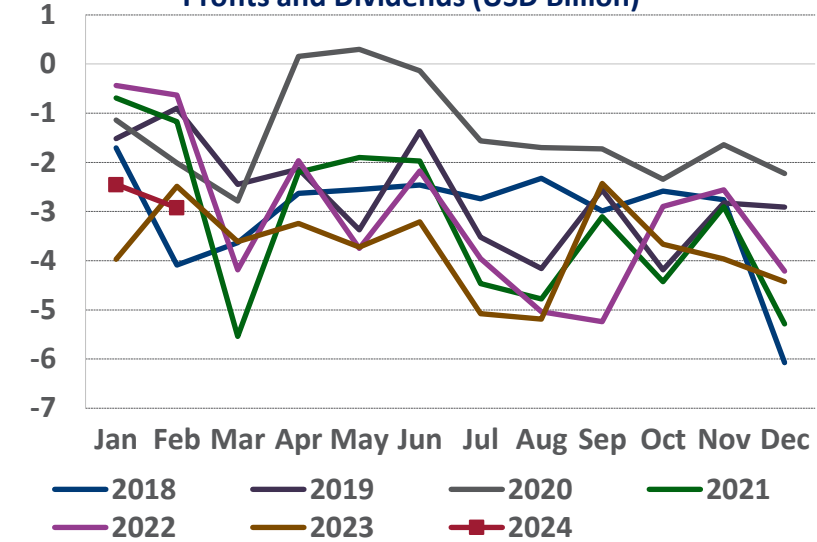
Services (USD Billion)



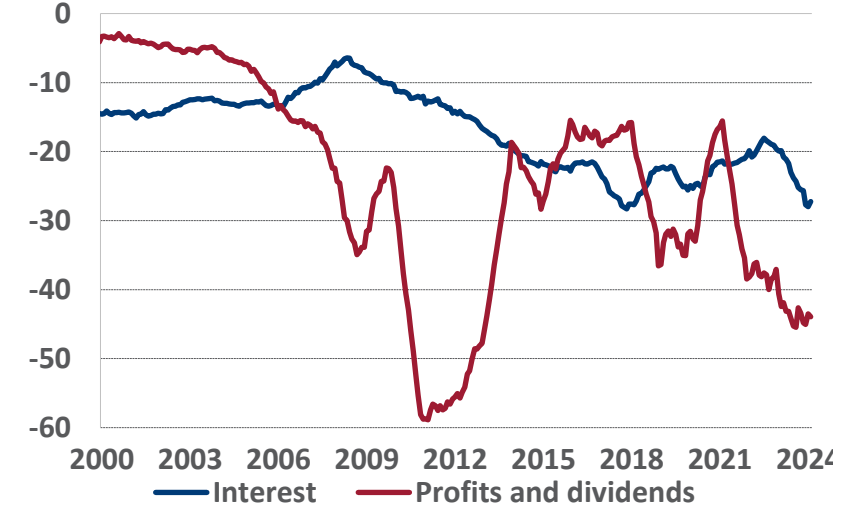
Services (Accumulated 12M, % GDP)



Profits and Dividends (USD Billion)



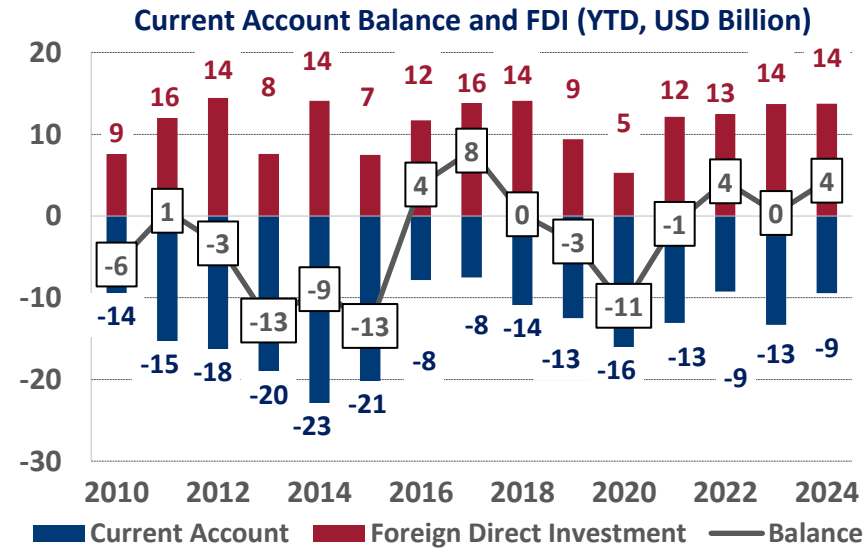
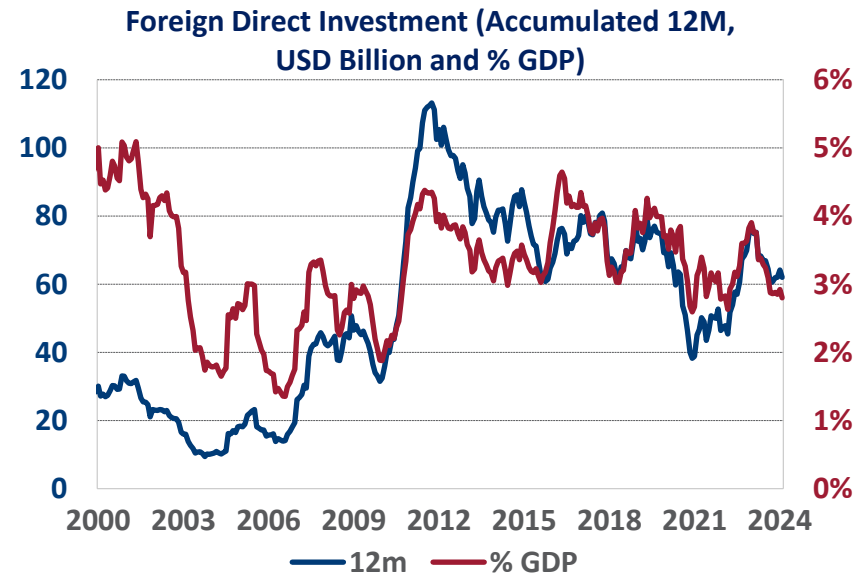
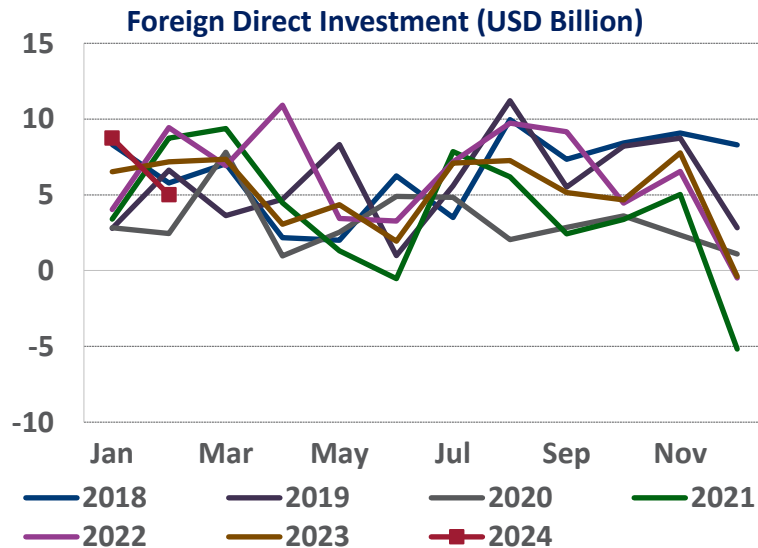
Primary Income (Accumulated 12M, USD Billion)





# Brazil: Balance of Payments

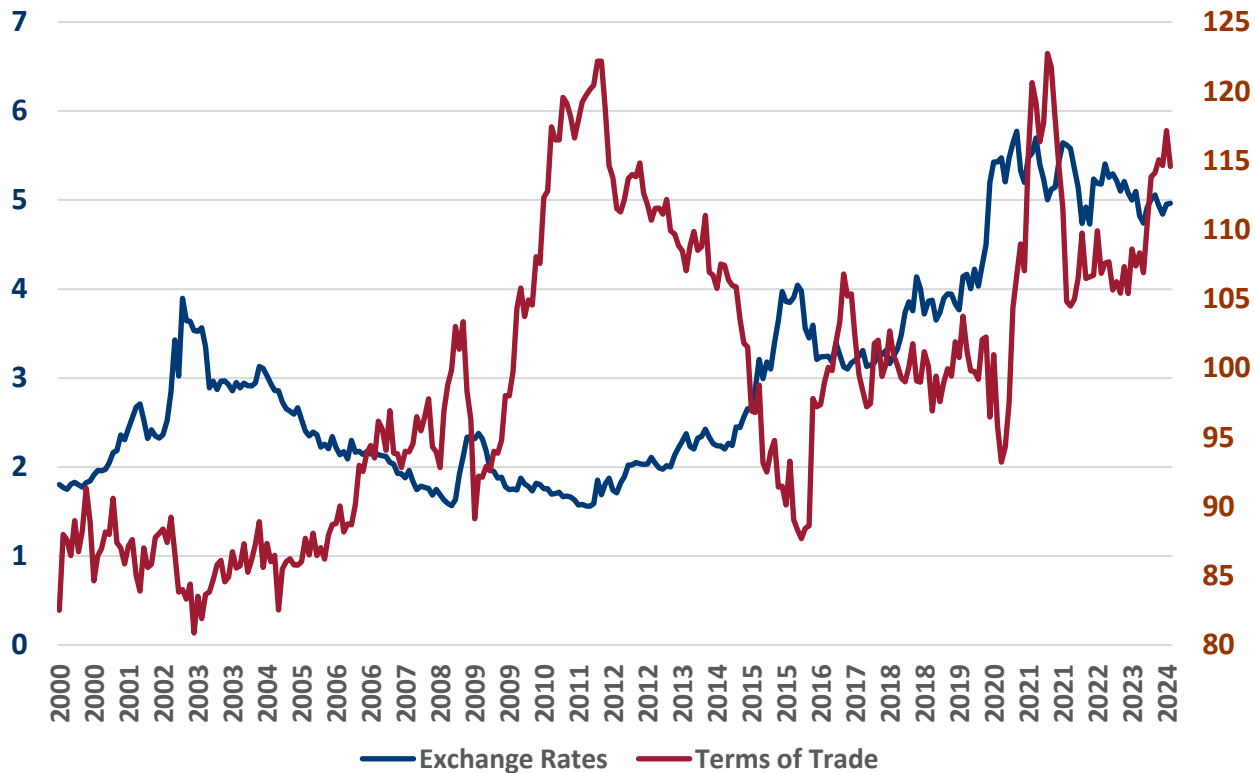
- » Net inflows in Foreign Direct Investment (FDI) totaled USD 5 billion in February 2024, below projections (USD 6.6 billion) and below the amount of USD 7.2 billion recorded one year earlier. This result counterbalances January FDI which surprised considerably to the upside.
- » In 12 months it reached USD 62 billion (2.8% of GDP);
- » Overall, Brazilian balance of payments remain robust, with net inflows in FDI surpassing the current account deficit.



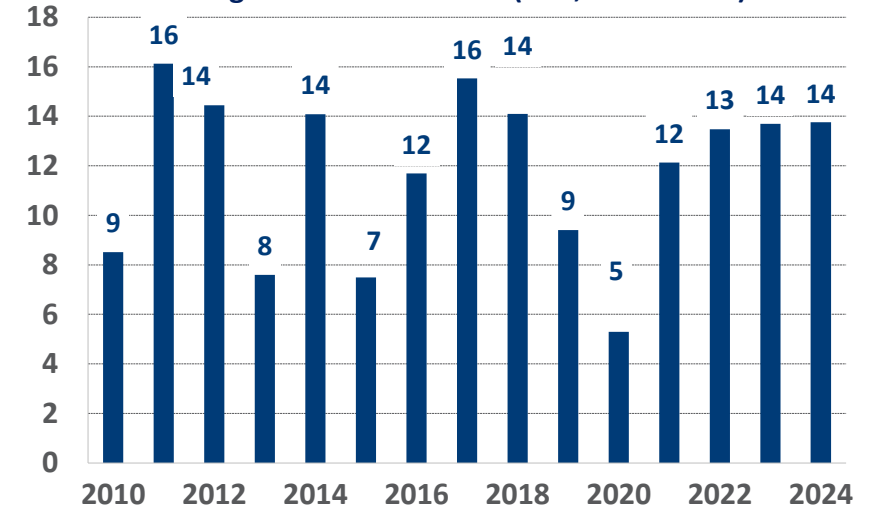
# Brazil: External Sector

- » In the international front, the Fed statement, press conference and projections showed an optimistic outlook, consequently the FOMC maintained its projection for three rate cuts this year;
- » At the same time, the Brazilian Central Bank sounded hawkish on its March statement, emphasizing that a slower pace of cuts could be appropriate if uncertainty remains high after May meeting.

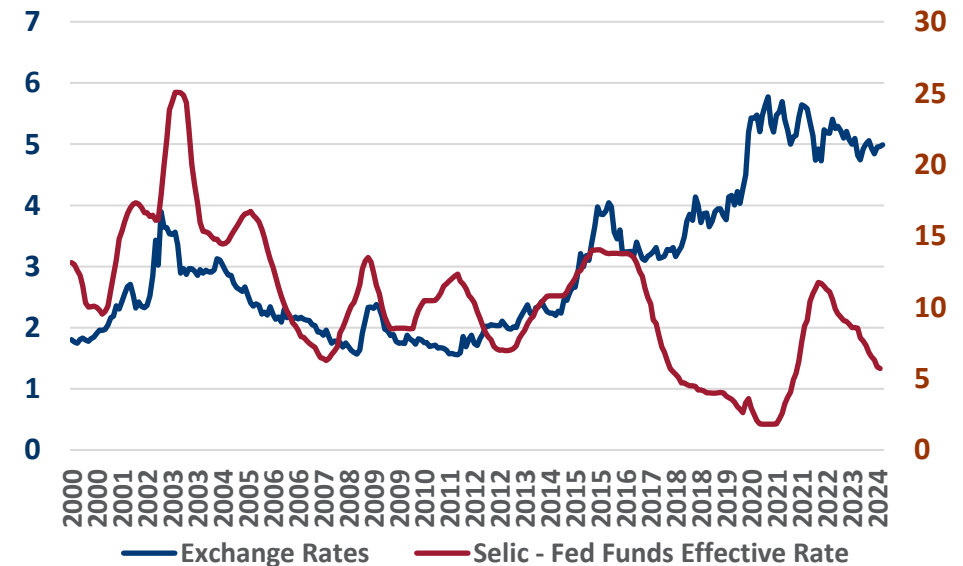
Terms of Trade x BRL



Foreign Direct Investment (YTD, USD Billion)



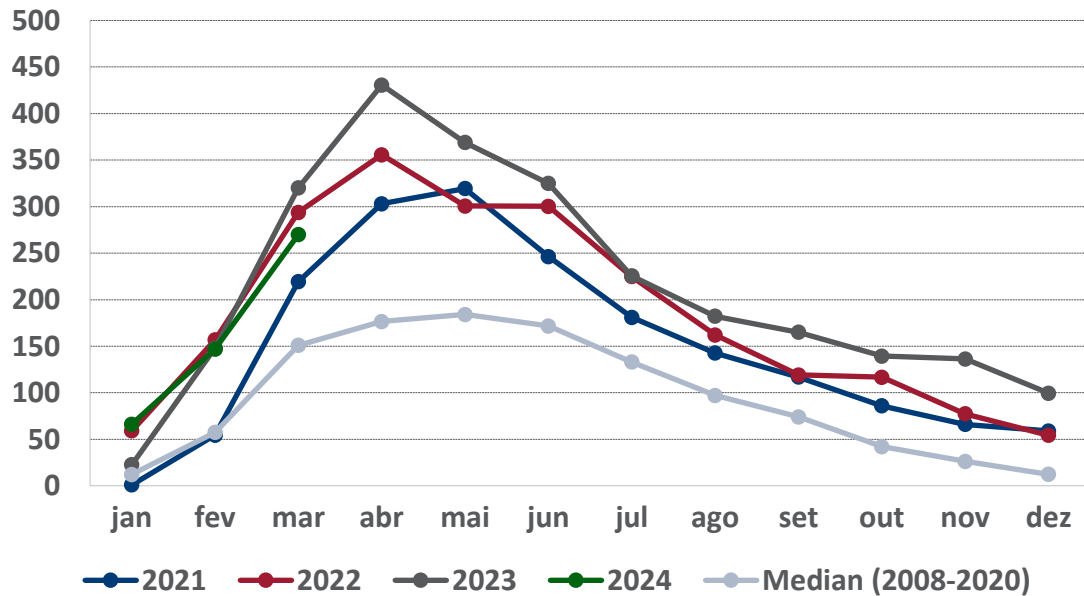
Interest Rate Differential x BRL



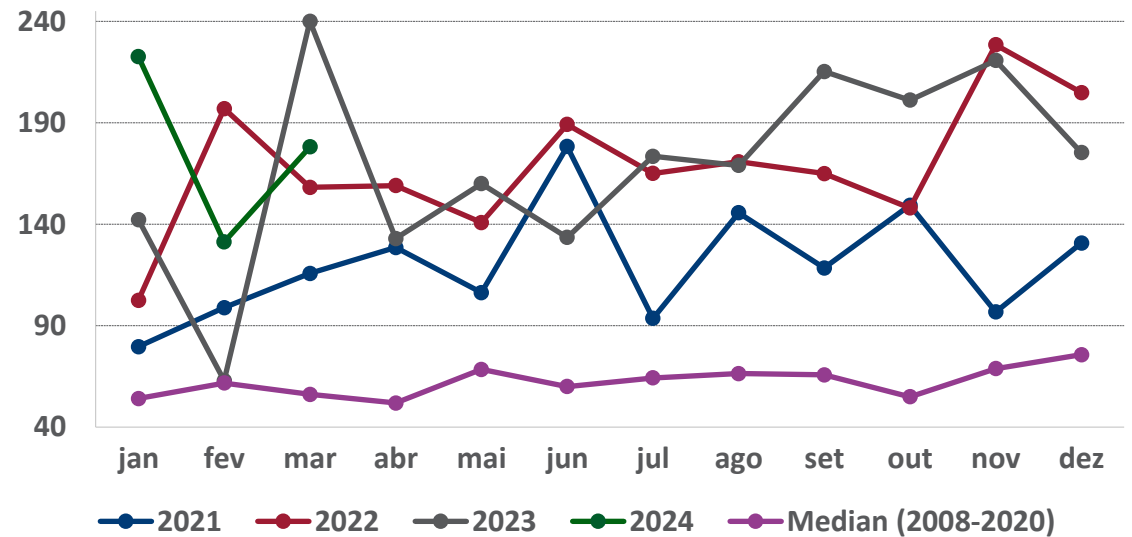
# Brazil: External Sector

- » In March, the trade balance presented a surplus of US\$ 7.48 bn (-30.4% YoY) according to Secex data;
- » Year to date, the trade surplus reached US\$ 19.08 bn (22.2%% YoY);
- » The exports decreased 14.8% YoY, pushed down by soybeans (-26.7% YoY), corn (-72.5% YoY) and crude oil (-35.5% YoY);
- » On the other hand, imports decreased 7.1% YoY, mainly because of fuel oil (-17.6% YoY) and chemical fertilizers (-43.5% YoY).

Brazil BoP: Soybeans Exports  
US\$ Million Daily Average



Brazil BoP: Crude Oil Exports  
US\$ Million Daily Average



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