交通銀行 BANK OF COMMUNICATIONS BBM

# Macro Outlook

November 2026

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# Macro Outlook

交通銀行 BANK OF COMMUNICATIONS BBM

- Tensions in the Middle East remained elevated despite ongoing negotiations mediated by Qatar and Pakistan. Recent attacks near the Strait of Hormuz and new limited military actions continue to pose significant risks of disruptions to energy and trade flows, adding inflationary pressures and downside risks to global growth. In the US, the FOMC decided to hold rates as the committee sought more time to assess incoming information amid elevated inflation. In its communication, the statement emphasized that "the accumulation of more information" would help determine the appropriate policy stance. In the press conference, Chair Warsh avoided forward guidance on December and announced changes to the meeting format: starting in 2027, one of the eight annual meetings will focus exclusively on monetary policy strategy, with no rate decision or policy statement; in 2028, two meetings will follow this format. Regarding data, September CPI came in above expectations, with higher energy prices and upside surprises in both core goods and core services. In the labor market, October payrolls came in well above expectations, with stronger job creation, upward revisions, and a lower unemployment rate despite increased labor force participation, pointing to a resilient labor market. Regarding activity, the first estimate of Q3 GDP showed growth of 3.4% QoQ, with a robust composition supported by Consumption and Business Investment, while Inventories contributed positively and Net Exports weighed on growth. Overall, the economy remains resilient, but inflation remains elevated, keeping the possibility of further Fed rate hikes on the table. On the political front, the midterm results showed Democratic majorities in both chambers of Congress and most governorships, setting the stage for divided government, greater reliance on bipartisan negotiations and continued use of executive action by Trump.

- Regarding China, economic activity showed a moderate improvement in September, although the recovery remained uneven across sectors. Industrial production accelerated, supported by the strong performance of high-tech sectors, while retail sales also picked up but continued to point to a limited recovery in domestic demand. Fixed asset investment remained in contraction, mainly reflecting persistent weakness in the property sector. Meanwhile, foreign trade remained strong, with a sharp acceleration in both exports and imports, providing meaningful support to activity. Additionally, CPI inflation increased, driven by higher energy prices, while core inflation remained stable and producer price inflation accelerated. Overall, high-tech manufacturing and foreign trade continue to outperform, while domestic demand and the property sector remain the main areas of concern for a broader economic recovery.

- In September, industrial production fell 0.8% MoM, below market expectations (-0.4% MoM). In August, services edged down 0.1% MoM, below market expectations (+0.5% MoM), while broad retail sales declined 0.2% MoM, also well below market expectations (+1.0% MoM). In contrast, the IBC-Br rose 0.3% MoM, slightly above market expectations (+0.2% MoM), following two consecutive monthly declines. Overall, the set of indicators remains consistent with a gradual moderation in economic activity, with the statistical carry-over for 26Q3 still pointing to a quarterly contraction (-0.5% QoQ). Looking ahead, confidence surveys showed a slight improvement in October, with four of the five indicators rising, led by retail confidence, while industry confidence declined further.

- The COPOM kept the Selic rate unchanged at 13.75% per year at its November meeting, a unanimous decision in line with market expectations, pausing the easing cycle that began in March after a cumulative 125 bps reduction. The committee raised its inflation projection for the relevant horizon (now 2Q28) from 3.2% to 3.5%, incorporating the supply shocks of recent months, and maintained an asymmetric balance of risks tilted to the upside. The statement acknowledged a more adverse external environment, due to the prolonged conflict in the Middle East and tighter monetary policy in advanced economies, as well as an acceleration in underlying inflation, now above the upper limit of the tolerance band, and a further de-anchoring of inflation expectations. On the other hand, it highlighted a sharper moderation in activity and the first signs of cooling in the labor market. The committee also removed the reference to the total magnitude of the easing cycle and described the Selic rate as substantially contractionary. Overall, the next steps will be guided by the evolution of the inflation outlook and activity, with the bar for resuming cuts depending on an improvement in inflation dynamics.

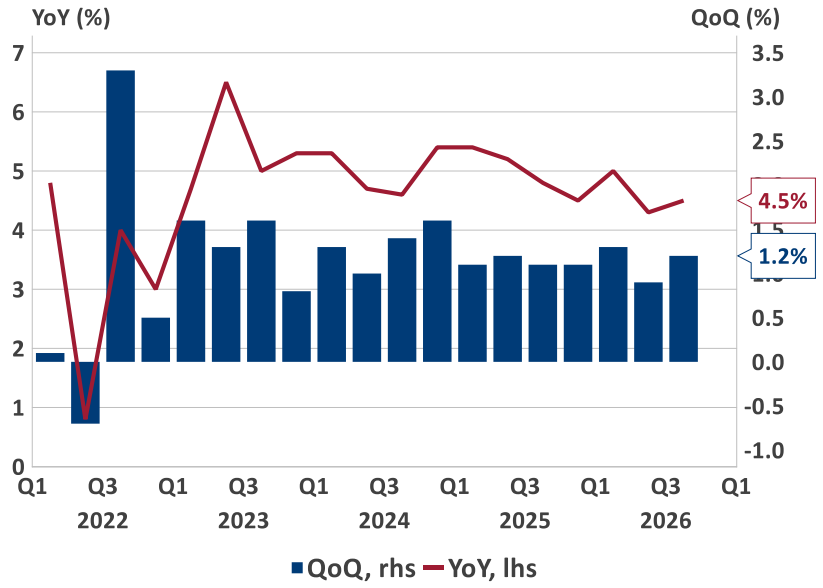
- October IPCA-15 rose 0.32% MoM, below market expectations (0.44% MoM). Twelve-month inflation accelerated from 4.47% in September to 4.62% in October. The main downward pressure came from airfares, which fell 9.24% MoM after rising 9.82% in September, while electricity declined 0.89% MoM. On the upside, gasoline rose 0.92% MoM. Core services inflation advanced 0.45% MoM. Its three-month moving average seasonally adjusted annualized rate (3MMA SAAR) accelerated from 5.27% in September to 6.29% in October, while the 12-month rate rose from 5.28% to 5.51%.The average of core inflation measures rose 0.31% MoM. Its 3MMA SAAR accelerated from 4.28% to 4.61%, while the 12-month rate increased from 4.32% to 4.43%. October's IPCA-15 showed a benign headline but a less favorable composition: the downside deviation was concentrated in airfares, a volatile item, while core measures, core services and labor-intensive services all accelerated.

- The consolidated public sector posted a primary deficit of BRL 5.5 billion in September, worse than the market consensus of a BRL 1.0 billion surplus, but an improvement from the BRL 17.5 billion deficit recorded in the same month of 2025. On a rolling twelve-month basis, the public sector recorded a primary deficit of BRL 70.1 billion, equivalent to 0.5% of GDP. Regarding the breakdown, the central government posted a surplus of BRL 3.5 billion, while regional governments and state-owned enterprises recorded deficits of BRL 5.6 billion and BRL 3.4 billion, respectively. General Government Gross Debt (GGGD) remained stable at 82.9% of GDP, the highest level since March 2021. Meanwhile, Net Public Sector Debt (NPSD) rose by 0.7 p.p. to 70.0% of GDP. Overall, deficits from regional governments and state-owned enterprises pushed the public sector into deficit in September, more than offsetting the central government surplus, which was supported by extraordinary revenues from the return of court-ordered debts (BRL 13 billion).

# China: Economic Activity

- **China's** GDP grew 4.5% YoY in 3Q26, slightly above expectations (4.4%) and accelerating from the previous quarter (4.3%), indicating firmer near-term growth momentum.
  - The improvement was supported by manufacturing, resilient exports and stronger fiscal delivery. However, growth remained uneven, with high-tech production outperforming while consumption improved only modestly and housing remained a major drag.
- **Monthly economic activity** continued to show mixed signals in September, despite some improvement from August:
  - **Industrial production** accelerated from 5.2% to 5.5% YoY, slightly above consensus of 5.4%. High-tech manufacturing continued to outperform, growing 15.3% YoY, compared with 6.0% for overall manufacturing output.
  - **Retail sales** rose from 0.4% to 1.1% YoY, above market expectations of 0.5%, primarily supported by communication equipment sales, which increased 31.1%, while automobile sales remained weak, falling 21.2%.
  - On the other hand**, fixed-asset investment (FAI)** remained at −7.2% YTD YoY, slightly above consensus of −7.3%. Real estate investment fell 20.6%, while manufacturing and infrastructure investment declined 2.1% and 4.2%, respectively, highlighting broad-based investment weakness.
  - **Housing:** property indicators remained deeply negative YoY, with housing completions posting the sharpest contraction.

## China: Real GDP Growth (Quarterly)



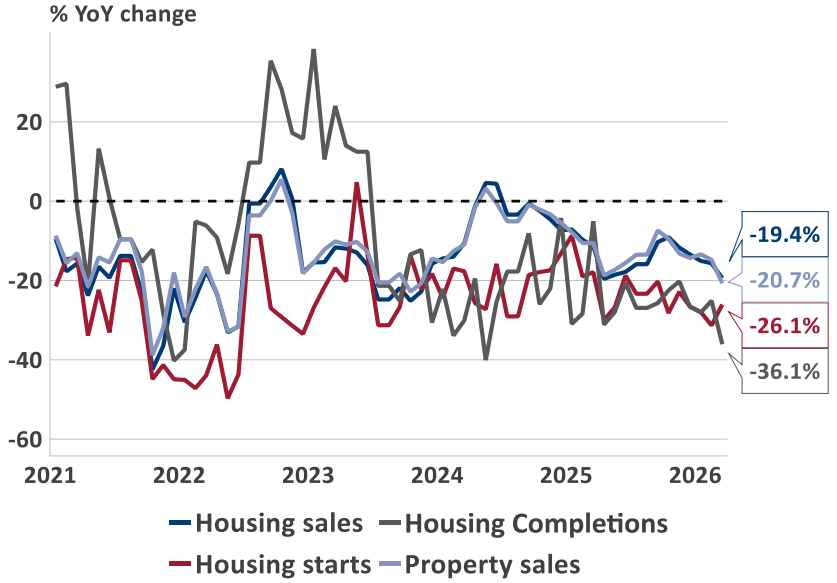

Source: BOCOM BBM, Macrobond, NBS

## China: Activity (% YoY)

| | 9/2026 | 8/2026 | 9/2025 |
|---|---|---|---|
| **Industrial Production** | **5.5** | **5.2** | **6.5** |
| Mining | 1.3 | 5.1 | 6.4 |
| Manufacturing | 6.0 | 6.1 | 7.3 |
| Utilities | 5.6 | 4.9 | 0.6 |
| **Fixed Asset Investment (YTD)** | **-7.2** | **-7.2** | **-0.5** |
| Manufacturing | -2.1 | -2.3 | 4.0 |
| Real Estate | -20.6 | -19.9 | -13.9 |
| Infrastructure | -4.2 | -4.0 | 1.1 |
| **Retail Sales** | **1.1** | **0.4** | **3.0** |
| Catering Services | 2.1 | 1.1 | 0.9 |
| Consumer Goods | 1.0 | 0.3 | 3.3 |
| Clothing | 1.2 | -0.5 | 4.7 |
| Automobiles | -21.2 | -18.5 | 1.6 |
| Furniture | -3.0 | -7.9 | 16.2 |
| Cellphones | 31.1 | 27.3 | 16.2 |
| Home Appliances | 1.9 | 2.3 | 3.3 |
| Construction | -9.2 | -11.8 | -0.1 |

Source: BOCOM BBM, Macrobond

## China: Property Indicators (YoY)

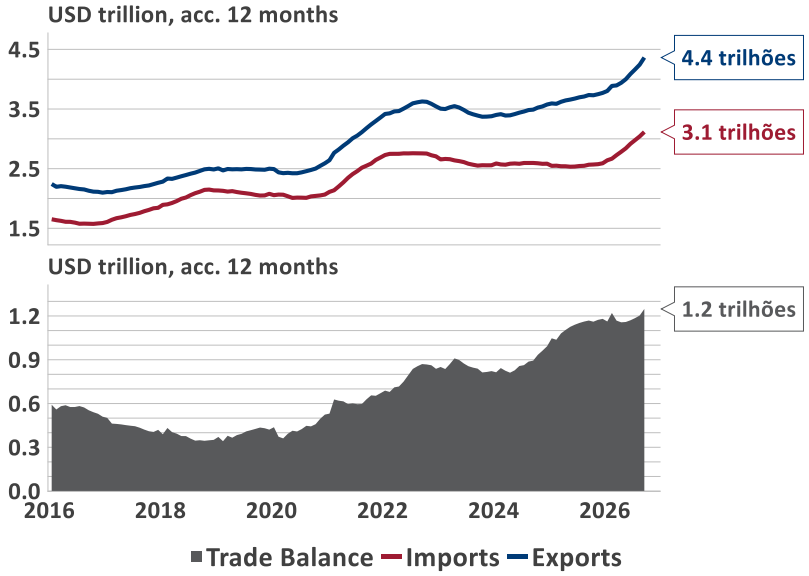



Source: BOCOM BBM, NBS

# China: Economic Scenario

- **Trade growth remained at elevated levels in September:**
  - **Export growth accelerated, from 25.0% to 36.3%, well above consensus of 25.7%.** The increase was broad-based across major trading partners, with exports increasing across all major regions and tech-related exports remaining very strong.
  - **Imports also accelerated, from 28.2% to 31.0% YoY, above consensus of 25.0%.** In the composition, imports increased broadly across products, led by energy products, while semiconductors remained a significant contributor.
- **CPI inflation edged up in September to 0.9% YoY, slightly below expectations of 1.0%:**
  - Energy prices rose sharply due to the Middle East conflict escalation, while food inflation remained weak and in deflationary territory.
  - **Core CPI remained stable at 1.0% YoY, in line with expectations, with services inflation unchanged at 0.8% and consumer goods inflation accelerating to 1.0%.**
  - PPI accelerated from 3.8% YoY to 5.0% YoY, above the 4.5% consensus. Producer prices were driven higher by energy, metals and coal prices, with pass-through to consumer prices remaining relatively contained.
- **Looking ahead, inflation should remain in positive territory, while strong external demand and resilient trade continue to support economic activity.**

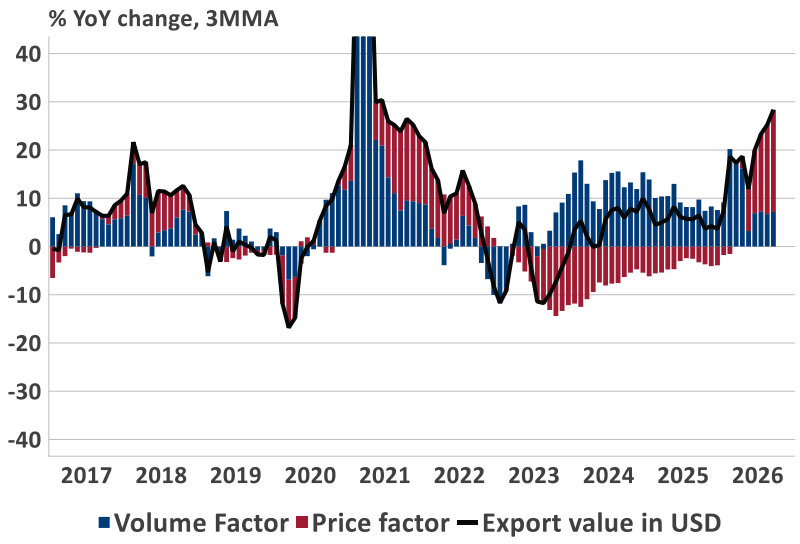
## China: Trade Balance




Source: BOCOM BBM, Macrobond, GAC

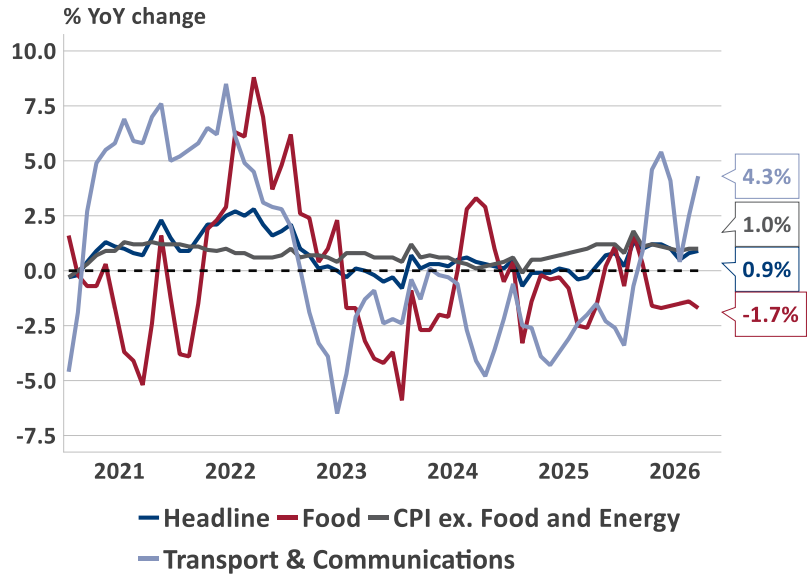
## China: Exports (Price x Volume)

Last observation at 9/2026




Source: BOCOM BBM, Macrobond, GAC

## China: CPI

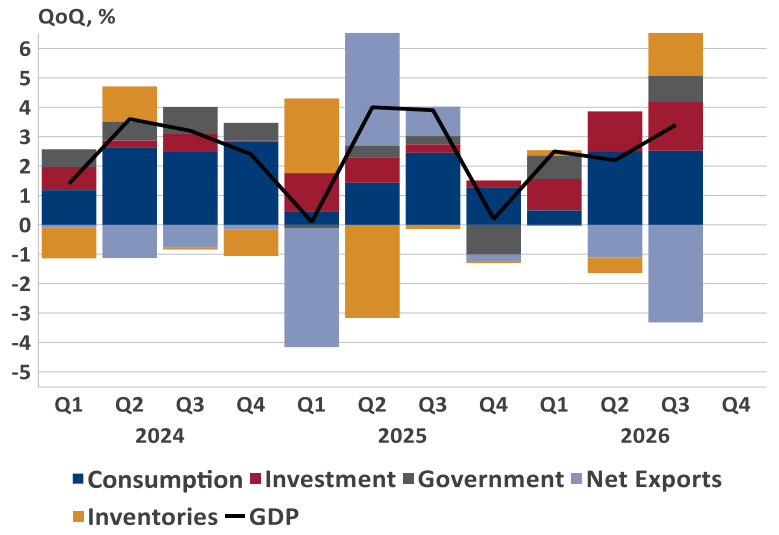



Source: BOCOM BBM, Macrobond, NBS

# USA: Labor Market and Activity

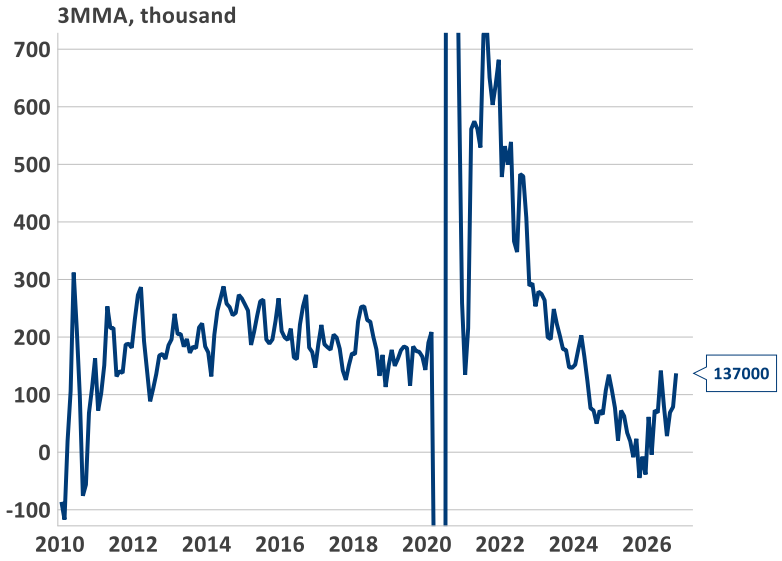
- **The October payroll report surprised expectations to the upside:**
  - Job creation increased from 60k to 165k, well above expectations of 65k.
  - The 2-month net revision added 84k: 31k in September and 53k in August.
    - This lifted the 3MMA pace of job creation to 137k from the previously reported 79k (after revision).
- In the breakdown, both private and government payrolls came in above expectations. **Private payrolls increased from 78k to 159k** (vs. 64k expected), **while government payrolls rebounded from -18k to 6k** (vs. 1k expected).
- The unemployment rate declined to 4.1%, below expectations of 4.2%, despite an increase in the participation rate from 61.8% to 61.9%, suggesting that employment growth was strong enough to absorb the increase in labor supply.
  - Average hourly earnings rose 0.4% MoM, above expectations of 0.3%.
  - Additionally, average weekly hours worked remained unchanged at 34.4 for the third consecutive month.
- Overall, the October payroll report showed stronger-than-expected job creation and substantial upward revisions, pointing to firmer hiring momentum and a resilient labor market.
- Regarding activity**, the first estimate of Q3 GDP showed growth of 3.4% QoQ.** The composition remained robust, with Consumption and Business Fixed Investment supporting domestic demand, while Inventories also contributed positively and Net Exports weighed on growth. Looking ahead, activity is expected to remain solid, supported by resilient consumption and the continued AI-related investment cycle, although global geopolitical instability remains a downside risk to growth.

## US: GDP Growth



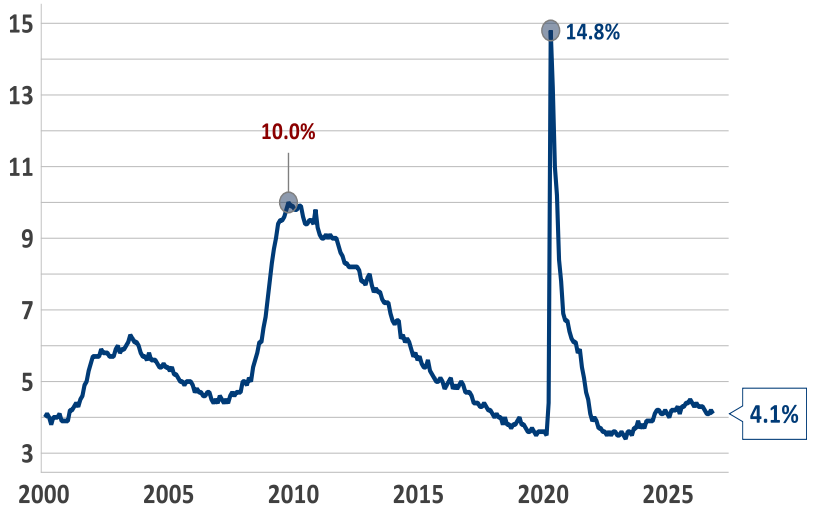

Source: BOCOM BBM, Macrobond, BEA

## US: Nonfarm Payroll Employment Change



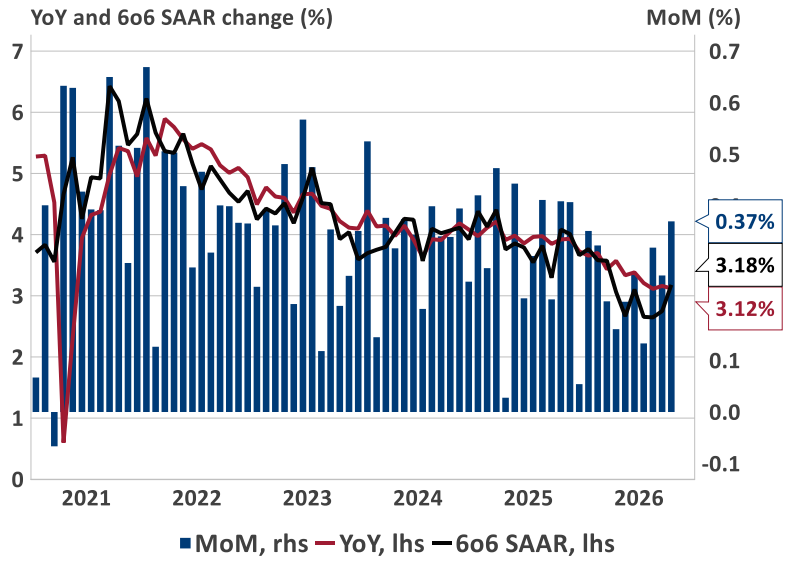

Source: BOCOM BBM, Macrobond, BLS

## US: Unemployment Rate SA (%)




Source: BOCOM BBM, Macrobond, BLS

## US: Average Hourly Earnings Growth (%)

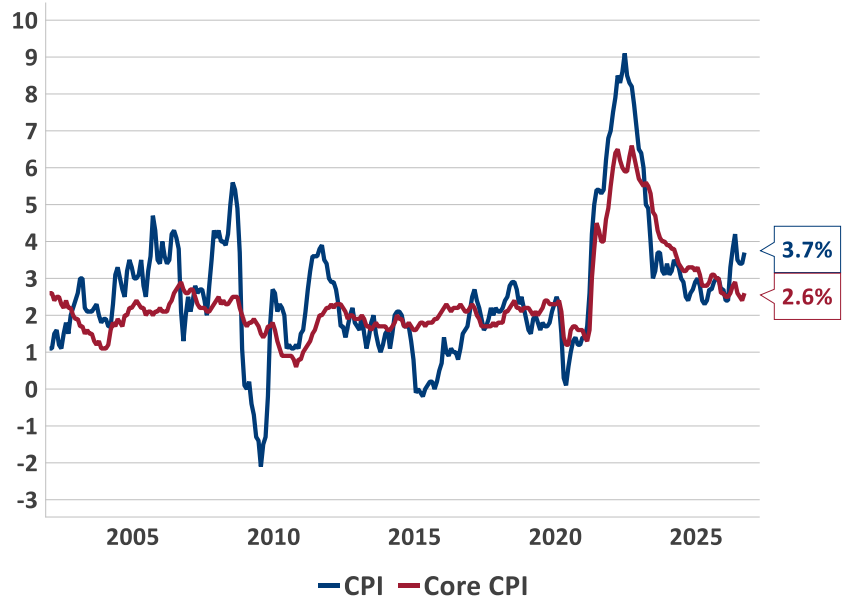



Source: BOCOM BBM, Macrobond, BLS

# USA: Inflation

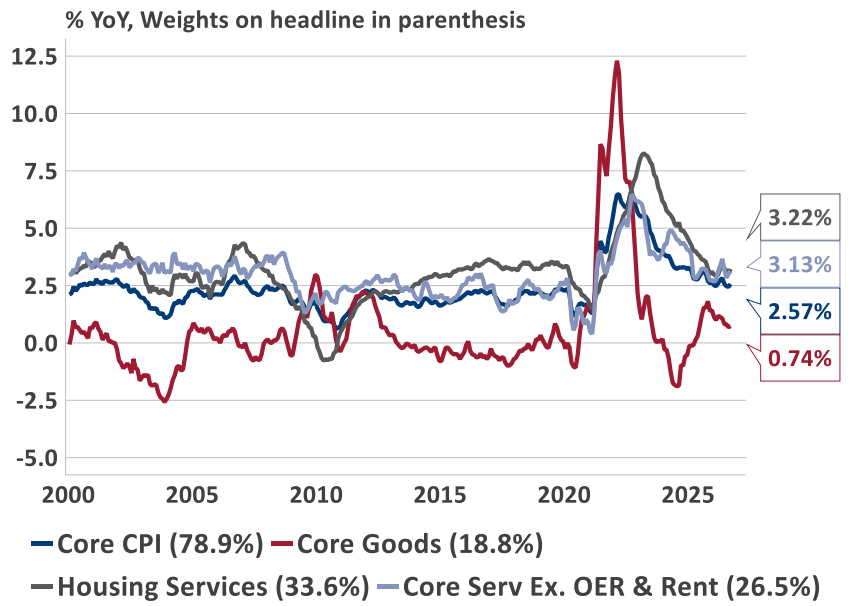
- **September headline CPI accelerated from 0.40% to 0.65% MoM, above expectations of 0.58%, leaving the YoY rate at 3.74%:**
  - In the composition, energy prices accelerated sharply, broadly in line with expectations (from 2.10% to 5.20% MoM, vs. 5.10% exp.), while food prices rose by less than consensus;
- **The core CPI came in above consensus, from 0.29% to 0.33% MoM (vs. 0.23% exp.)**, with the YoY rate increasing from 2.45% to 2.56%:
  - **Core goods accelerated** from 0.11% to 0.25% MoM (vs. 0.12% exp.). Core goods excluding vehicles also came in above expectations, rising 0.18% MoM;
  - **Core services accelerated** from 0.33% to 0.37% MoM (vs. 0.28% exp.), with shelter showing renewed pressure, while supercore remained elevated at 0.42% MoM (vs. 0.32% exp.), mainly driven by transportation services.
- **Overall, the September CPI report came in stronger than expected**, with upside surprises across both core goods and services, reinforcing signs of broader inflationary pressures;
  - **Nonetheless, inflation levels remain elevated, and the unresolved Middle East conflict poses additional risks in the coming months, making a rate hike at the December FOMC meeting likely.**

## US: CPI (YoY, %)



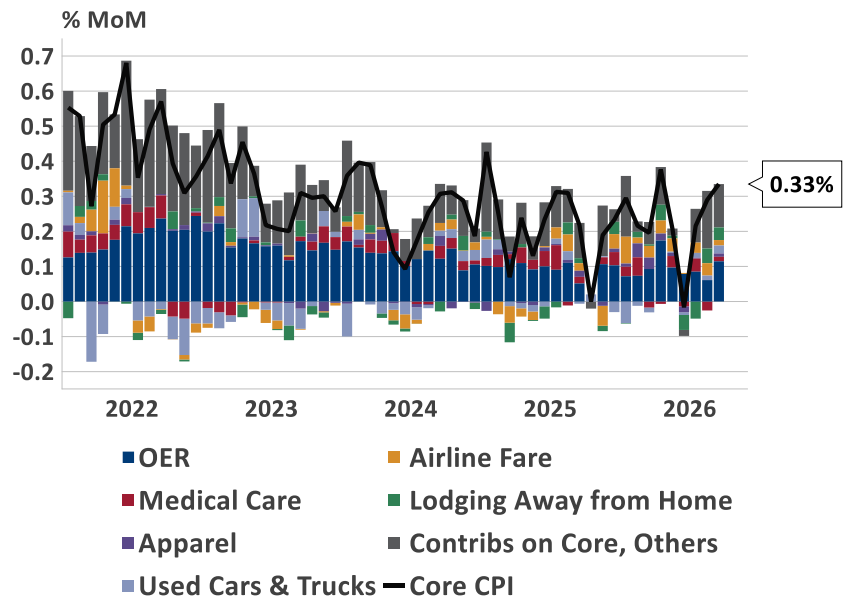

Source: BOCOM BBM, Macrobond, BLS

## US: Core CPI Main Components (%)




Source: BOCOM BBM, Macrobond, BLS

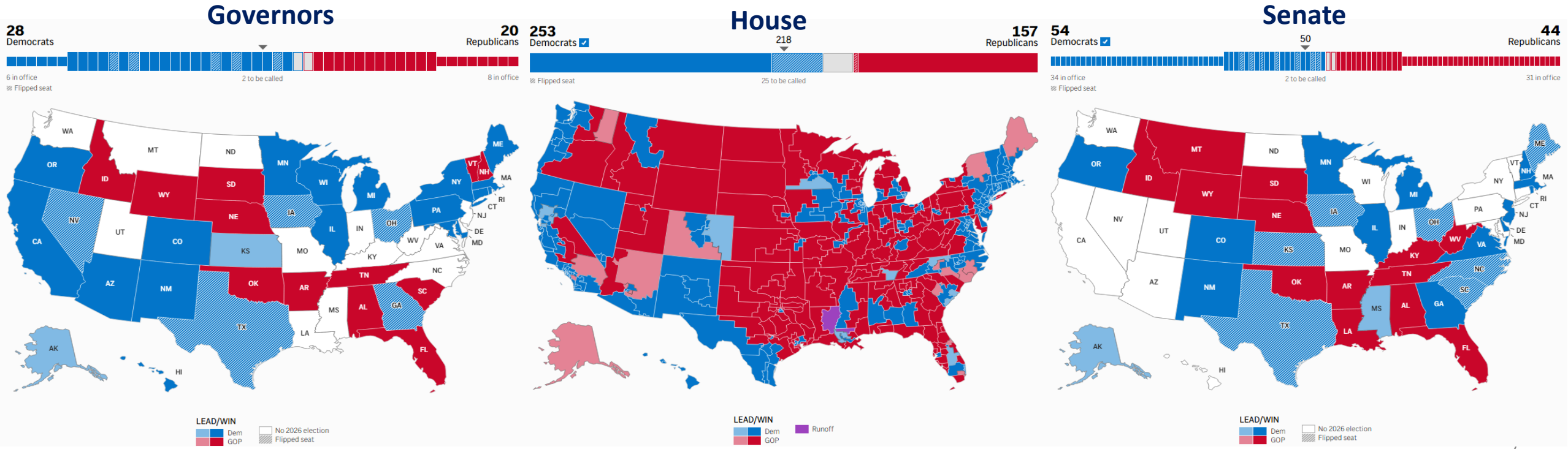
## US: Core CPI MoM Contributions




Source: BOCOM BBM, Macrobond, BLS

# USA: Midterm Elections

- The United States held its midterm elections on November 3. **The results show Democrats above the majority threshold in both chambers of Congress and in most governorships, with gains extending into traditionally Republican states**. Democratic congressional control, alongside a Republican president, sets the stage for divided government during the final two years of Trump's presidency.
- **A Democratic-controlled Congress limits Trump's ability to pass new legislation, while his veto power also constrains Democrats' legislative agenda**. Major changes to taxes and spending therefore require agreement between Congress and the White House, making bipartisan negotiations central to policymaking.
- Trump has already made extensive use of executive orders, and **reliance on executive action is likely to remain high as congressional opposition limits his legislative options**. These powers allow him to advance parts of his agenda without new legislation but remain subject to constitutional and statutory limits and judicial review.
- **Democratic gubernatorial gains could slow the AI infrastructure buildout in states where incoming governors support restrictions on new data centers.** Governors can influence project approvals through state agencies, making permitting policy a key investment risk. In Texas, the proposed moratorium on new permits could delay projects in the state's large development pipeline.

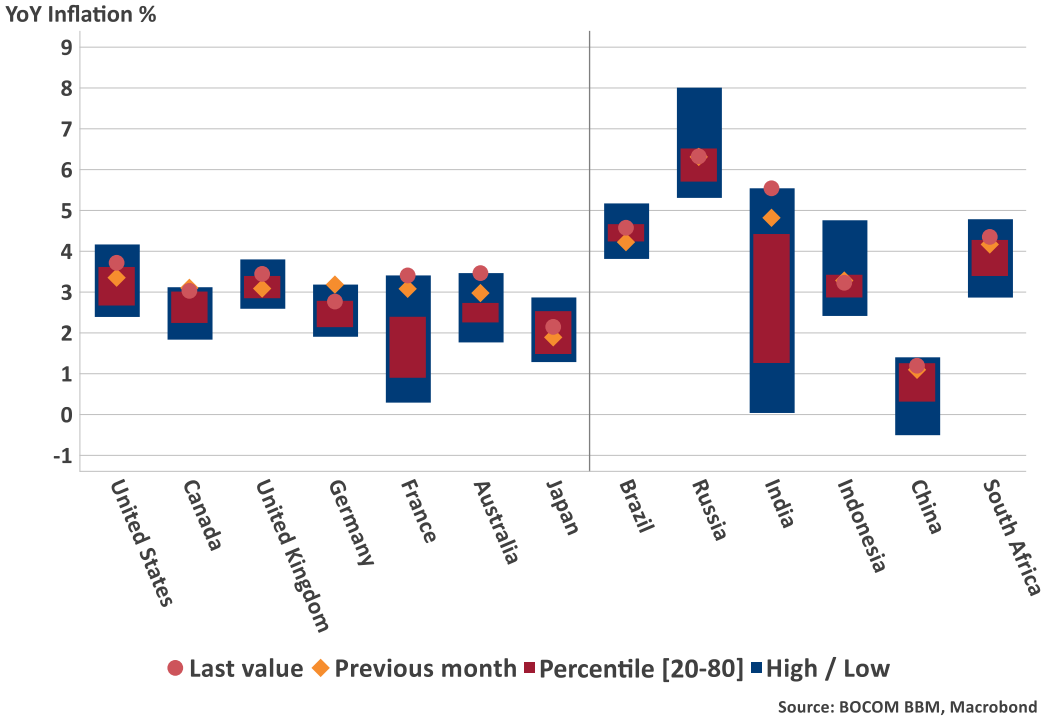



Source: BOCOM BBM, AP News

# Global: Inflation & Activity

- **Persistent uncertainty surrounding the Middle East conflict continued to affect trade flows and raise risks of disruptions to global supply chains.**
- **These uncertainties continue to support expectations of higher inflation and weaker activity across most economies**, although the impact remains heterogeneous depending on countries' exposure to the conflict and domestic fundamentals.
- Nonetheless, **global activity is expected to benefit from several resilience buffers, particularly the strong AI investment cycle**, ongoing fiscal support, and still-accommodative effects from past monetary easing. However, these buffers are gradually narrowing, leaving the global economy more exposed to additional shocks. **The impact of the conflict on energy markets, trade flows, and supply chains is expected to remain a key driver of global inflation and activity dynamics through the remainder of 2026.**

## Inflation range during the past 12 months




Source: BOCOM BBM, Macrobond

## G20: GDP Growth Tracker (QoQ, %)

Countries marked in red indicates a technical recession:
2 consecutive quarters of negative sequential growth

| | Q3 2026 | Q2 2026 | Q1 2026 | Q4 2025 | Q3 2025 | Q2 2025 | Q1 2025 | Q4 2024 |
|---|---|---|---|---|---|---|---|---|
| Argentina | | -0,6 | 0,7 | 1,1 | 0,3 | 0,3 | 0,7 | 1,9 |
| Australia | | 0,4 | 0,3 | 0,9 | 0,5 | 0,8 | 0,4 | 0,4 |
| Brazil | | 0,5 | 1,1 | 0,2 | 0,1 | 0,4 | 1,3 | 0,1 |
| Canada | | 0,8 | 0,1 | -0,2 | 0,5 | -0,2 | 0,7 | 0,7 |
| China | 1,2 | 0,9 | 1,3 | 1,1 | 1,1 | 1,2 | 1,1 | 1,6 |
| Euro Area | 0,4 | 0,6 | 0,6 | 0,2 | 0,3 | 0,0 | 0,5 | 0,3 |
| France | -0,1 | 0,0 | -0,2 | 0,2 | 0,5 | 0,2 | 0,2 | -0,1 |
| Germany | 0,2 | 0,3 | 0,4 | 0,3 | 0,0 | 0,0 | 0,1 | 0,2 |
| India | | -8,4 | 4,4 | 12,7 | -0,1 | -7,8 | 3,6 | 13,2 |
| Indonesia | 1,6 | 3,7 | -0,8 | 0,9 | 1,4 | 4,0 | -1,0 | 0,5 |
| Italy | 0,0 | 0,2 | 0,3 | 0,3 | 0,3 | 0,0 | 0,4 | 0,1 |
| Japan | | 0,4 | 0,5 | 0,3 | -0,4 | 0,1 | 0,5 | 0,4 |
| Mexico | 0,9 | 1,4 | -0,3 | 0,9 | -0,1 | 0,0 | 0,8 | -0,9 |
| Russia | | 1,3 | -0,6 | 0,4 | 0,0 | 0,3 | -0,4 | 0,9 |
| Saudi Arabia | 3,4 | -8,1 | -2,6 | 3,9 | 2,4 | -0,7 | -0,4 | 3,9 |
| South Africa | | -0,3 | 0,5 | 0,4 | 0,3 | 0,7 | 0,0 | 0,3 |
| South Korea | 1,0 | 0,6 | 1,8 | -0,1 | 1,4 | 0,6 | -0,2 | 0,2 |
| Turkey | | 7,2 | -16,3 | 1,7 | 12,1 | 7,5 | -15,5 | 2,1 |
| United Kingdom | | 0,5 | 0,6 | 0,0 | 0,2 | 0,0 | 0,6 | 0,4 |
| United States | 0,8 | 0,6 | 0,6 | 0,1 | 1,0 | 1,0 | 0,0 | 0,6 |
| Euro Area 21 | 0,4 | 0,6 | 0,0 | 0,2 | 0,3 | 0,0 | 0,5 | 0,3 |

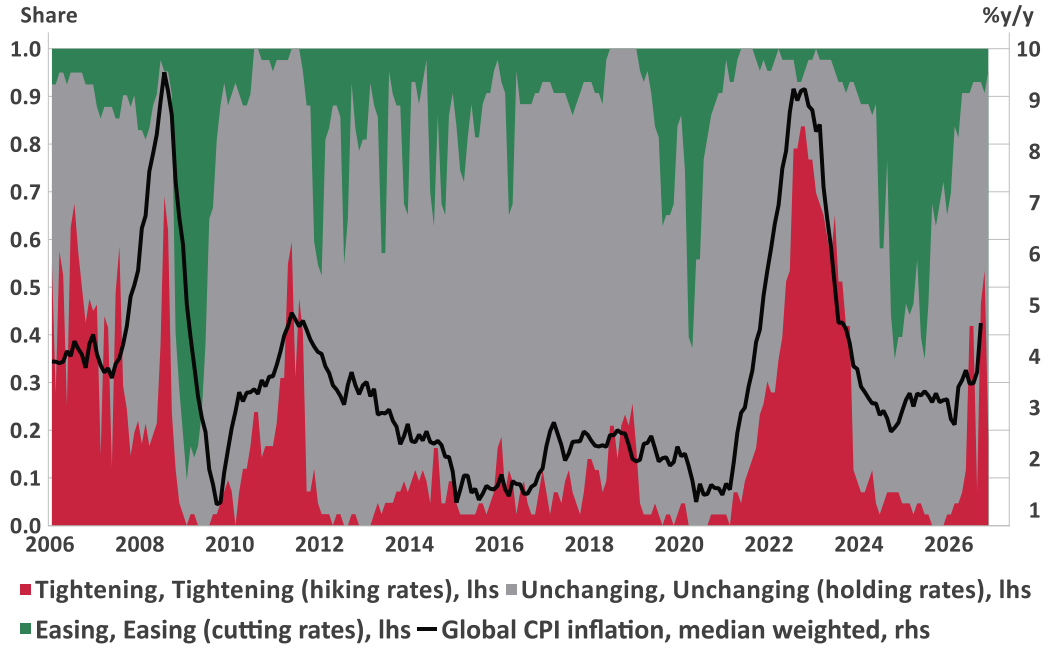
Sources: BOCOM BBM, Macrobond, National Sources

# Global: Monetary Policy

- After a global easing in monetary policy during 2025, the stagflationary impulse from the Middle East conflict, combined with rising risk premia, **has reinforced the global repricing toward a more restrictive monetary stance.**
- The uncertainty surrounding the impact of geopolitical tensions across domestic economies continues to keep central banks on a cautious and data-dependent path.
- Overall, **the easing bias has largely been replaced by discussions of higher-for-longer rates across most G20 economies**. Recent rate decisions across major central banks reinforce this shift toward a less accommodative, albeit increasingly heterogeneous, global monetary backdrop.

## Global monetary breadth

Share of economies (GDP top 50) with higher/unchanged/lower policy rates; monthly/mtd avg, 6-Nov-26




Source: BOCOM BBM, Macrobond, World Bank

## Central bank tracker: G20 & OECD Countries

| | CPI Y/Y % | Core CPI Y/Y % | Key rate | Last Move | | Date of Last Move | Months since last hike | Months since last cut |
|---|---|---|---|---|---|---|---|---|
| Argentina | 33,4 | 31,6 | 29,00 | -3,00 | Cut | 1/2025 | 37 | 21 |
| Australia | 4,4 | 3,7 | 4,85 | 0,25 | Hike | 11/2026 | 0 | 15 |
| Brazil | 4,6 | 4,4 | 13,75 | -0,25 | Cut | 9/2026 | 17 | 2 |
| Canada | 3,0 | 2,2 | 2,50 | 0,25 | Hike | 10/2026 | 0 | 12 |
| Chile | 4,5 | 3,3 | 4,50 | -0,25 | Cut | 12/2025 | 49 | 11 |
| China | 1,2 | 1,0 | 3,00 | -0,10 | Cut | 5/2025 | 153 | 18 |
| Colombia | 6,3 | 6,4 | 12,25 | 0,25 | Hike | 10/2026 | 1 | 18 |
| Costa Rica | 0,3 | 0,7 | 3,00 | -0,25 | Cut | 7/2026 | 48 | 4 |
| Czech Republic | 2,4 | 0,2 | 4,00 | 0,25 | Hike | 11/2026 | 0 | 18 |
| Denmark | 2,2 | 1,9 | 2,25 | 0,25 | Hike | 9/2026 | 2 | 17 |
| Euro Area | 4,0 | 2,5 | 2,65 | 0,25 | Hike | 9/2026 | 2 | 17 |
| Hungary | 1,6 | 1,9 | 5,50 | -0,25 | Cut | 8/2026 | 49 | 2 |
| Iceland | 5,9 | 4,6 | 8,00 | 0,25 | Hike | 8/2026 | 3 | 12 |
| Indonesia | 3,2 | 2,6 | 5,75 | 0,25 | Hike | 6/2026 | 5 | 14 |
| Israel | 1,6 | 1,6 | 3,25 | -0,25 | Cut | 9/2026 | 42 | 2 |
| Japan | 2,1 | 2,4 | 1,25 | 0,25 | Hike | 9/2026 | 2 | 129 |
| Mexico | 3,5 | 3,7 | 6,25 | -0,25 | Cut | 11/2026 | 43 | 0 |
| New Zealand | 3,7 | 2,9 | 2,75 | 0,25 | Hike | 9/2026 | 2 | 11 |
| Norway | 3,4 | 3,0 | 4,50 | 0,25 | Hike | 9/2026 | 2 | 14 |
| Poland | 3,4 | 3,1 | 3,75 | -0,25 | Cut | 3/2026 | 50 | 8 |
| Russia | 6,3 | 5,5 | 14,00 | -0,25 | Cut | 7/2026 | 24 | 3 |
| Saudi Arabia | 1,9 | | 4,50 | 0,25 | Hike | 9/2026 | 2 | 11 |
| South Africa | 4,4 | 4,0 | 7,25 | 0,25 | Hike | 9/2026 | 2 | 12 |
| South Korea | 2,8 | 2,8 | 3,00 | 0,25 | Hike | 8/2026 | 2 | 17 |
| Sweden | 1,1 | 0,5 | 2,00 | 0,25 | Hike | 11/2026 | 0 | 13 |
| Switzerland | 1,5 | 0,5 | 0,00 | -0,25 | Cut | 6/2025 | 41 | 17 |
| Turkey | 29,8 | 28,3 | 36,00 | -1,00 | Cut | 10/2026 | 19 | 1 |
| United Kingdom | 3,4 | 2,8 | 4,00 | 0,25 | Hike | 11/2026 | 0 | 11 |
| United States | 3,7 | 2,6 | 4,00 | 0,25 | Hike | 9/2026 | 2 | 11 |

Source: BOCOM BBM, Macrobond

# Brazil: Forecasts

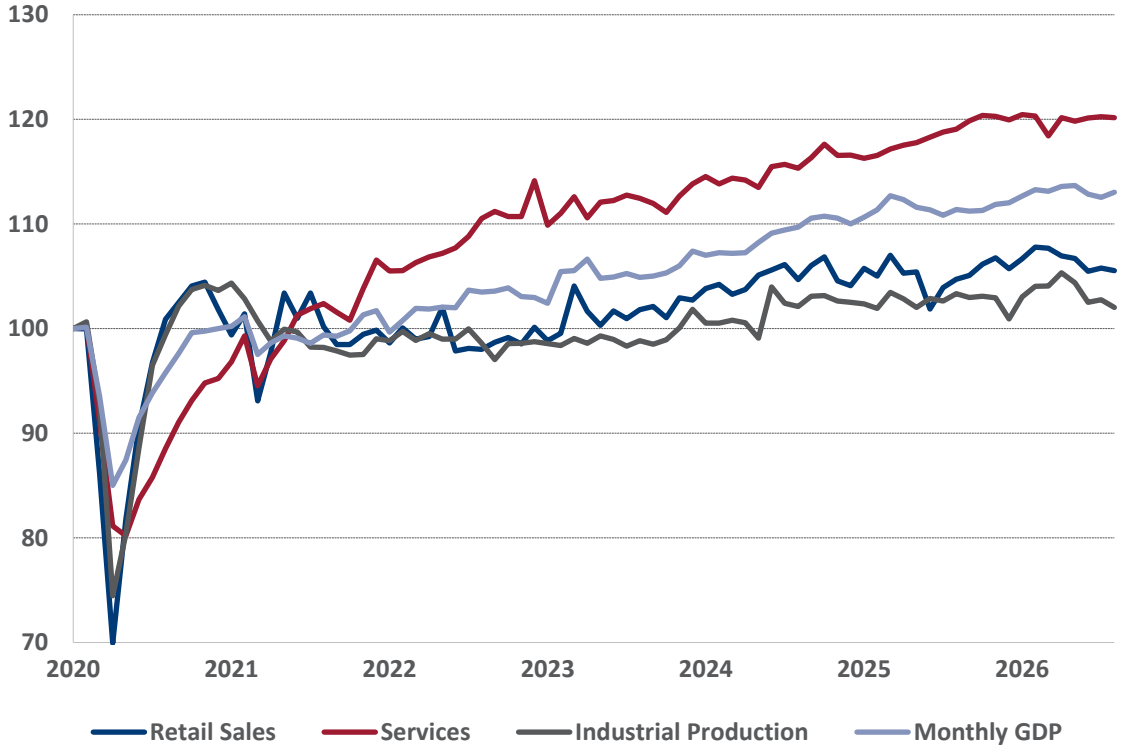
| ECONOMIC FORECASTS | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026F | 2027F |
|---|---|---|---|---|---|---|---|---|
| GDP Growth (%) | -3.3% | 4.8% | 3.0% | 2.9% | 3.4% | 2.3% | 1.6% | 1.0% |
| Inflation (%) | 4.5% | 10.1% | 5.8% | 4.6% | 4.8% | 4.3% | 5.3% | 5.7% |
| Unemployment Rate (eoy ,%) | 14.2% | 11.1% | 7.9% | 7.4% | 6.2% | 5.1% | 5.5% | 6.2% |
| Policy Rate (eoy, %) | 2.0% | 9.3% | 13.8% | 11.75% | 12.3% | 15.0% | 13.75% | 13.00% |
| External Accounts | | | | | | | | |
| Trade Balance (US$ bn) | 36 | 42 | 52 | 92 | 66 | 60 | 81 | 75 |
| Current Account Balance (US$ bn) | -25 | -40 | -42 | -28 | -66 | -69 | -59 | -58 |
| Current Account Balance (% of GDP) | -1.7% | -2.4% | -2.2% | -1.3% | -3.0% | -2.9% | -2.3% | -2.2% |
| Fiscal Policy | | | | | | | | |
| Central Government Primary Balance (% of GDP) | -9.8% | -0.4% | 0.5% | -2.1% | -0.4% | -0.5% | -0.5% | -0.3% |
| Government Gross Debt (% of GDP) | 86.9% | 77.3% | 71.7% | 74.4% | 76.1% | 78.7% | 84.0% | 89.4% |

Source: BOCOM BBM, IBGE

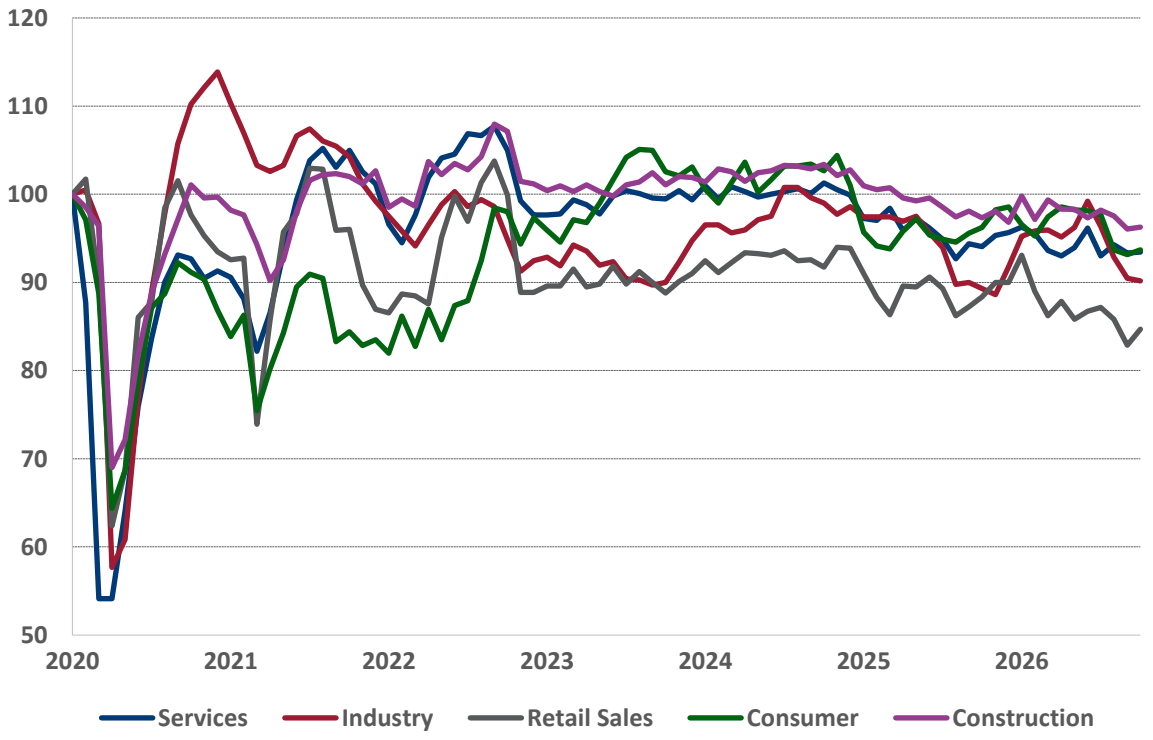
# Brazil: Activity

- In September, industrial production fell 0.8% MoM, below market expectations (-0.4% MoM). In August, services edged down 0.1% MoM, below market expectations (+0.5% MoM), while broad retail sales declined 0.2% MoM, also well below market expectations (+1.0% MoM). In contrast, the IBC-Br rose 0.3% MoM, slightly above market expectations (+0.2% MoM), following two consecutive monthly declines. Overall, the set of indicators remains consistent with a gradual moderation in economic activity, with the statistical carry-over for 26Q3 still pointing to a quarterly contraction (-0.5% QoQ).
- Looking ahead, confidence surveys showed a slight improvement in October, with four of the five indicators rising, led by retail confidence, while industry confidence declined further.

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




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

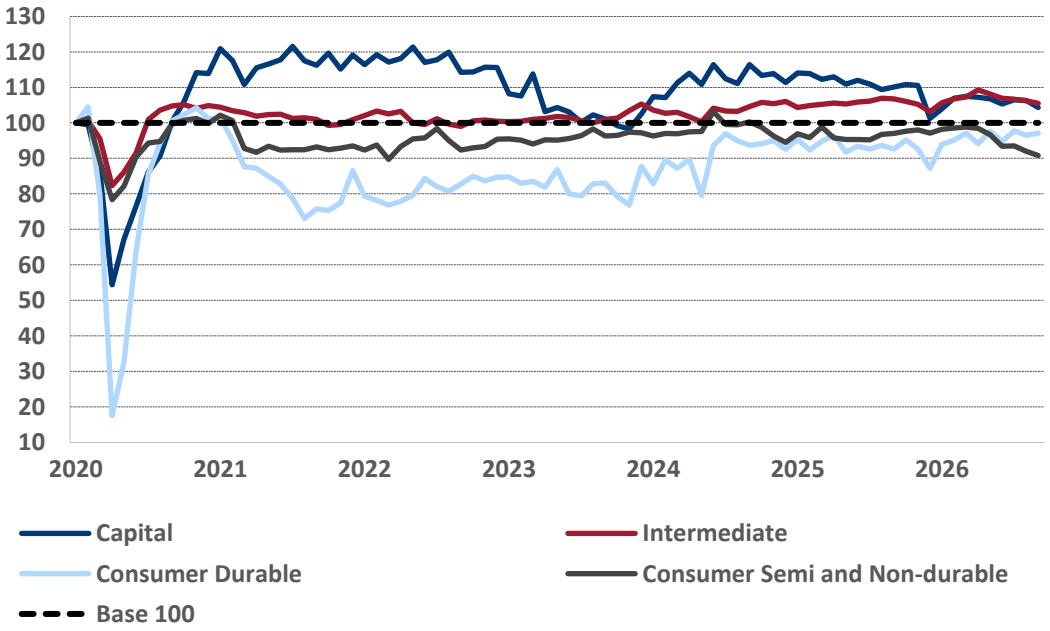



Source: BOCOM BBM, IBGE, FGV

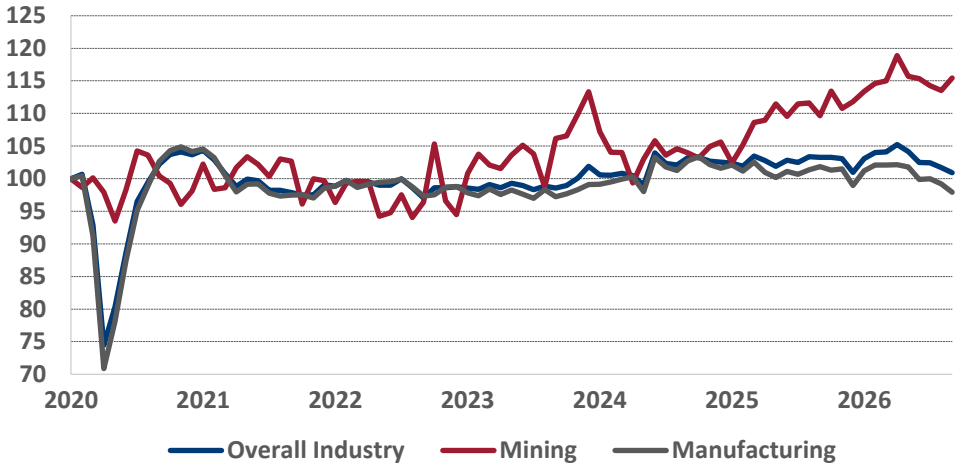
# Brazil: Industrial Production

- Industrial output fell 0.8% MoM in September, below market expectations (-0.4% MoM), marking the fifth consecutive monthly decline. Compared to September 2025, production dropped 2.5% (market: -2.0%). Manufacturing fell 1.3% MoM, while extractive industry rose 1.7% MoM, remaining the only segment with a solid annual expansion (4.4% YoY).
- On the negative side, Capital Goods fell 1.9% MoM, while Intermediate Goods, the index's main component, declined 0.7% MoM and turned negative in annual terms (-1.3% YoY).
- Meanwhile, Consumer Goods decreased 0.8% MoM, with Durable Goods rising 0.7% and Semi- and Non-Durable Goods falling 1.2%. Consumer Goods remained down 4.8% YoY, with Semi- and Non-Durable Goods falling 6.3% YoY.
- Overall, industry contracted 2.2% QoQ in 3Q26, the sharpest quarterly decline since 2Q21, and the weakness was widespread, with 17 of the 25 activities declining in September. Momentum into 4Q26 is also unfavorable, with a statistical carry-over of -0.8%.

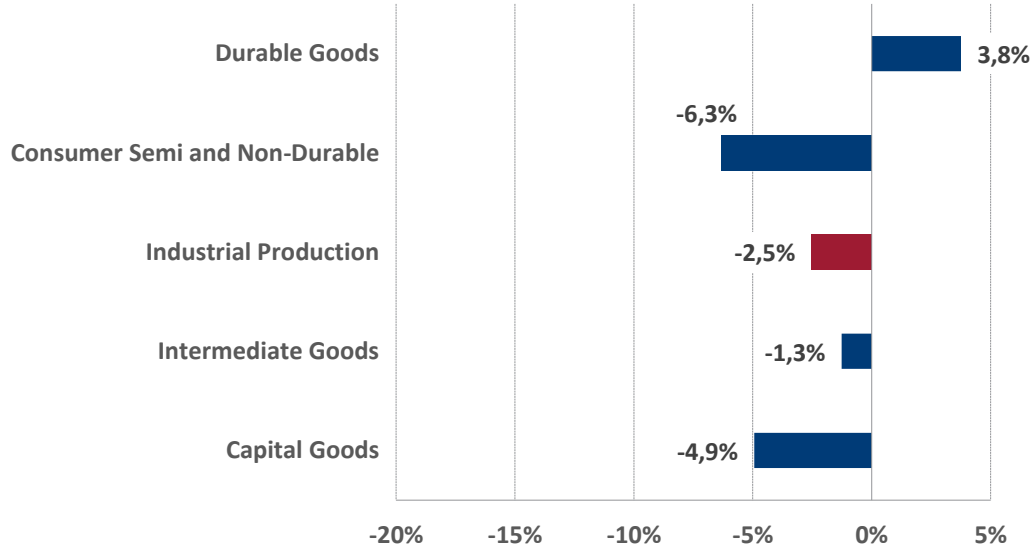
**Industrial Production Index SA (Jan/20=100)**




**Industrial Production Index SA (Jan/20=100)**




**Industrial Production by Category - 09/2026 (YoY)**

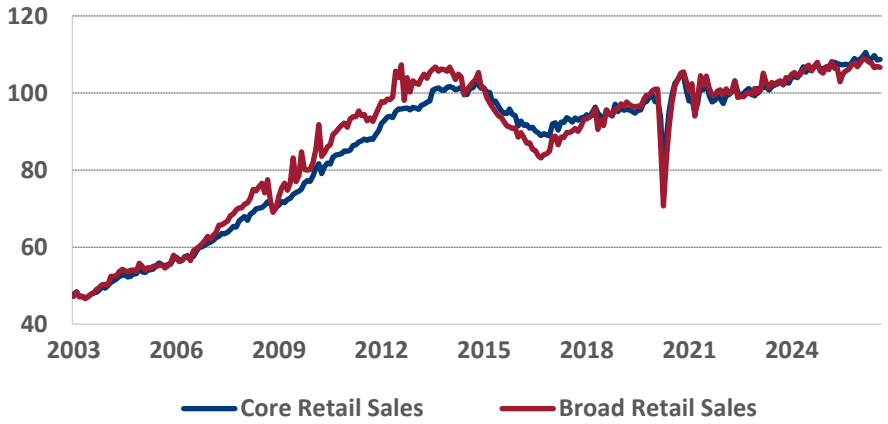



Source: IBGE, BOCOM BBM

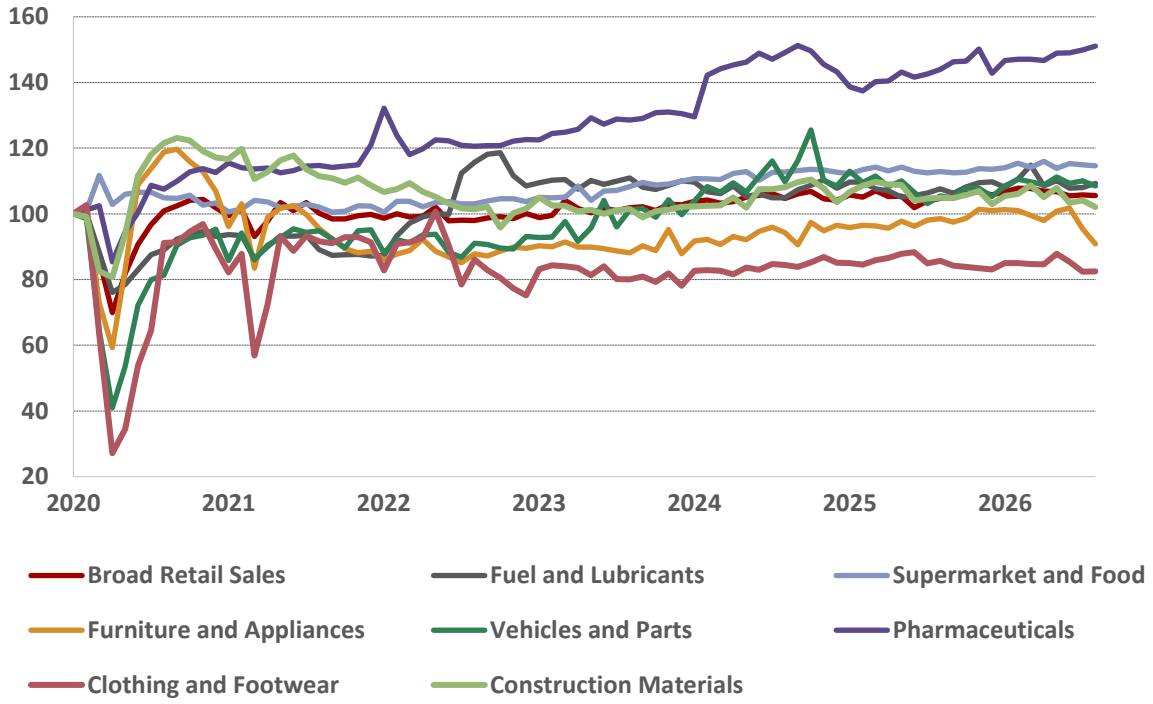
# Brazil: Retail Sales

- Broad retail sales declined 0.2% MoM in August, well below market consensus (1.0% MoM), while rising only 0.1% YoY, also below market expectations (2.0%).
- Core retail sales rose 0.1% MoM, below market consensus (0.8% MoM). Monthly performance was mixed in August: gains in Office Supplies (+6.3%), Other Personal and Household Articles (+1.4%), Fuel and Lubricants (+1.1%) and Pharmaceuticals (+0.7%) were offset by sharp declines in Furniture & Appliances (-4.2%), Construction Materials (-2.0%) and Vehicles (-1.0%).
- The 3Q26 outlook has weakened further, with negative carry-over effects (-0.5% QoQ for both core and broad retail sales) and credit-sensitive activities driving the deceleration.

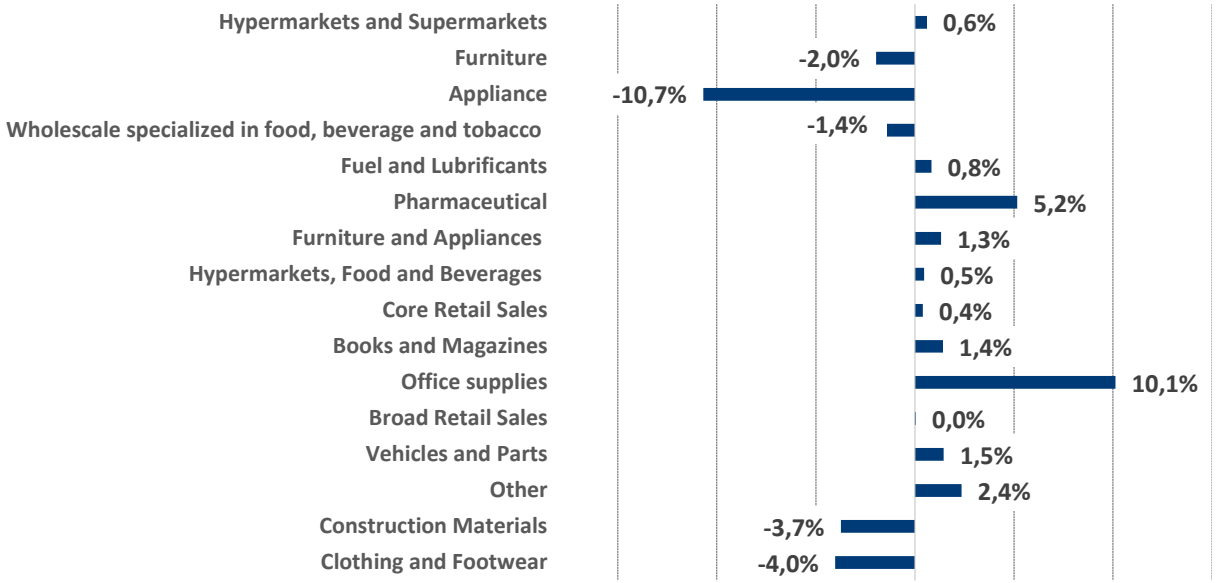
## Broad Retail Sales SA x Core Retail Sales SA




## Retail Sales - Index SA (Jan/20 = 100)



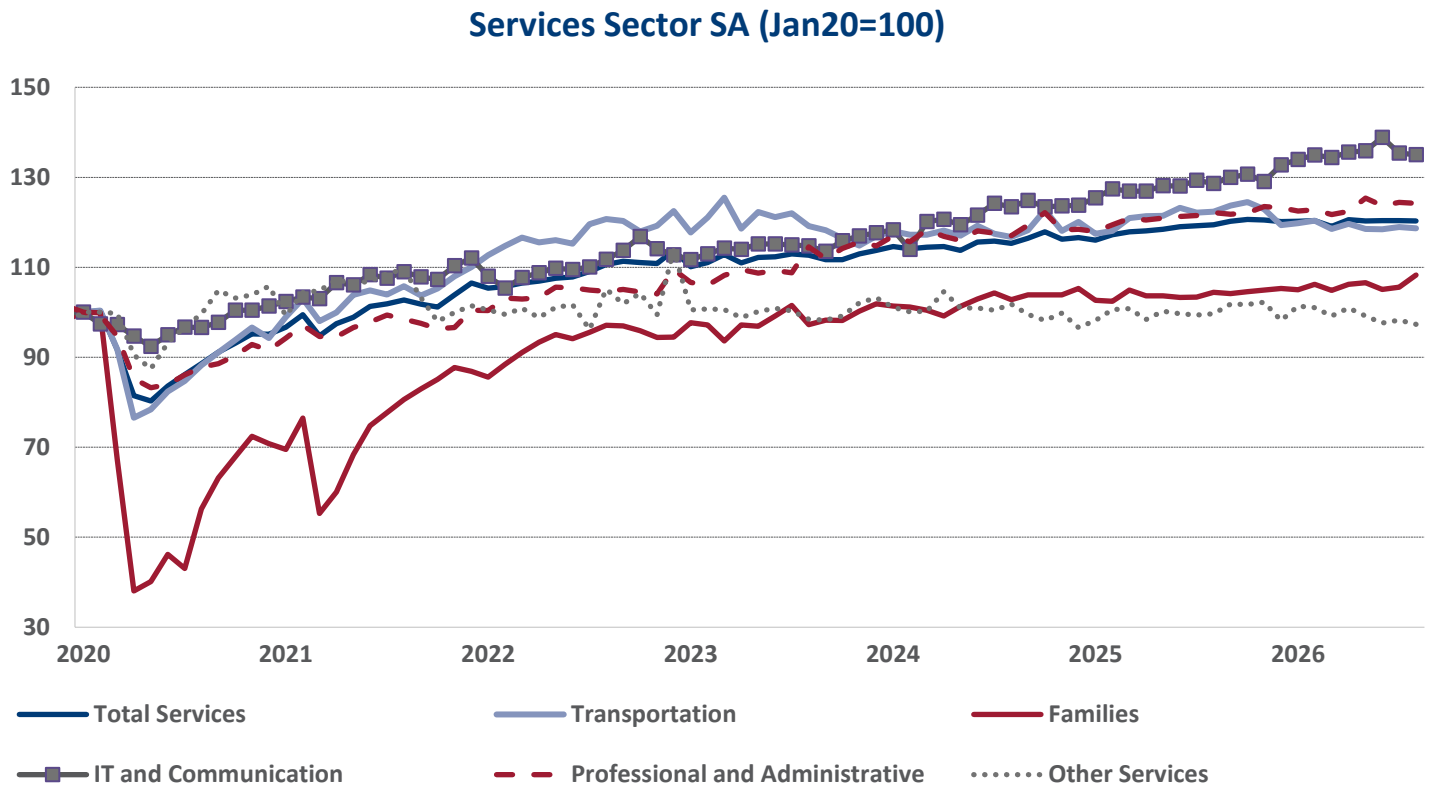

## Retail Sales - YoY (08/2026)



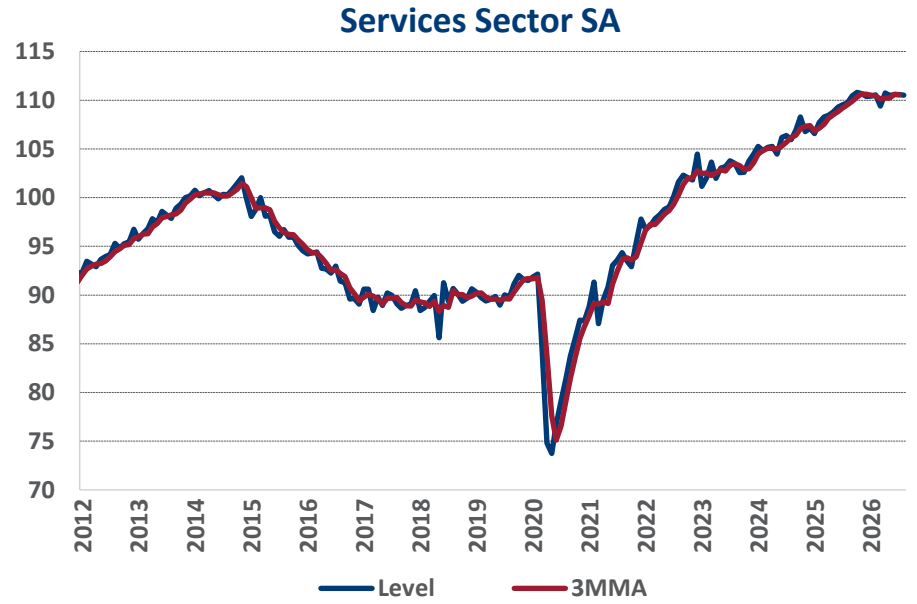

Source: IBGE, BOCOM BBM

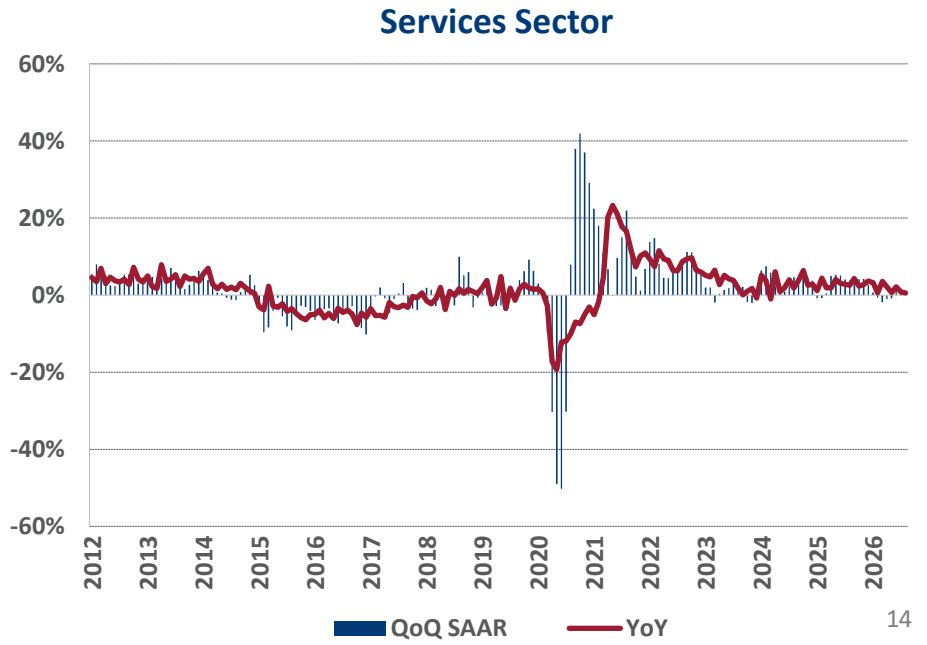
# Brazil: Services

- The services sector edged down 0.1% MoM in August, below market consensus (0.5% MoM). Compared to August 2025, real service sector revenues increased 0.6%, below expectations of 1.3%.
- Results were mixed across segments, with Services Rendered to Families leading the gains (4.2% YoY; 2.1% MoM), while Communication and Information Services were flat (4.3% YoY; 0.0% MoM), failing to recover from July's decline, and Professional, Administrative and Complementary Services slipped (1.7% YoY; -0.2% MoM).
- Transportation Services were the main drag (-2.8% YoY; -0.2% MoM), weighed down by Land Transportation.
- Overall, the August reading was weaker than expected, with weakness concentrated in Transportation Services, while household-related services remained resilient. The statistical carry-over for 26Q3 stood at 0.0% QoQ, a deceleration from the 0.4% QoQ gain recorded in 26Q2.



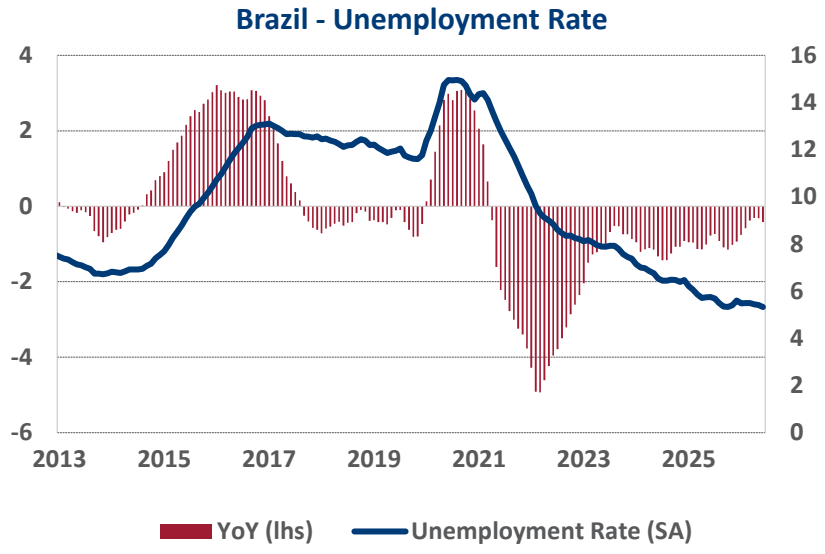

Source: IBGE, BOCOM BBM

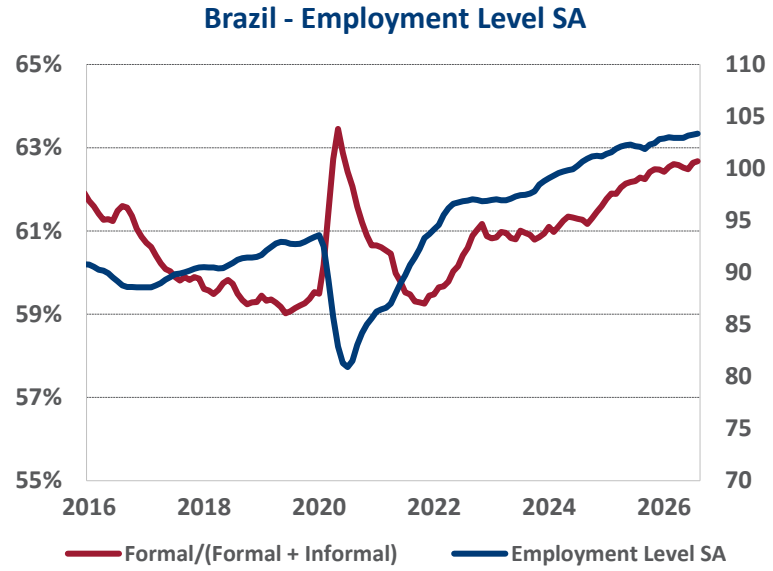


# Brazil: PNAD

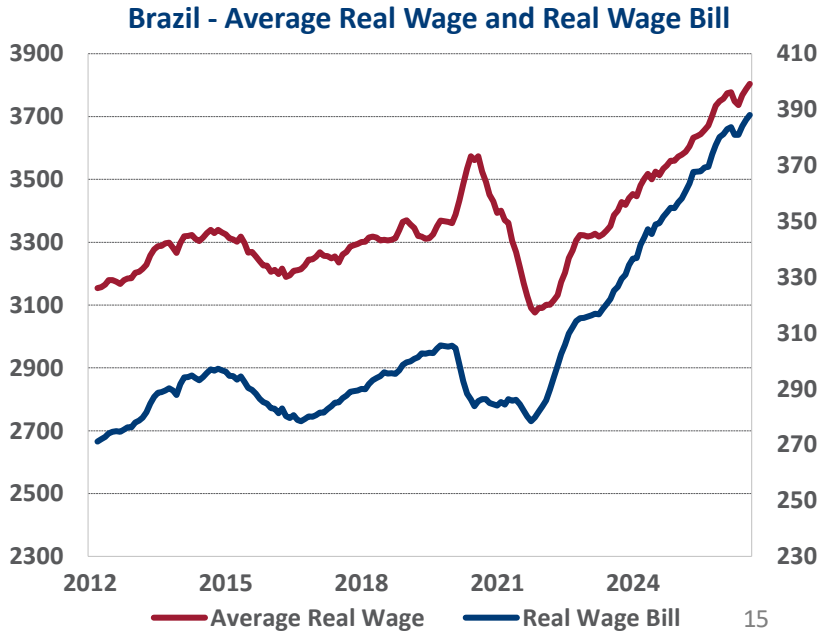
- The unemployment rate fell from 5.3% in the moving quarter up to August to 5.15% in the moving quarter up to September, in line with the market consensus (5.2%).
- Seasonally adjusted, the indicator reached 5.1%, a new all-time low.
- Total employment edged up 0.1% MoM in September, reaching 103.4 million, marking the eleventh consecutive monthly increase. On a year-over-year basis, employment grew 1.2%, taking the 12-month gain to 1.1%.
- The labor force participation rate edged down from 62.2% to 62.1%, still well below pre-pandemic levels of around 63.5%.
- The effective average real labor income increased 0.4% MoM in September, the third consecutive gain. The indicator expanded 4.0% over the past 12 months.
- Real aggregate labor income, which combines average labor earnings and total employment, advanced 0.5% MoM, while expanding 4.7% YoY and 5.6% over the past 12 months.
- Overall, September's PNAD data reinforced the view of a still-tight labor market, with the unemployment rate at an all-time low and well below its neutral level, with some signs of cooling.





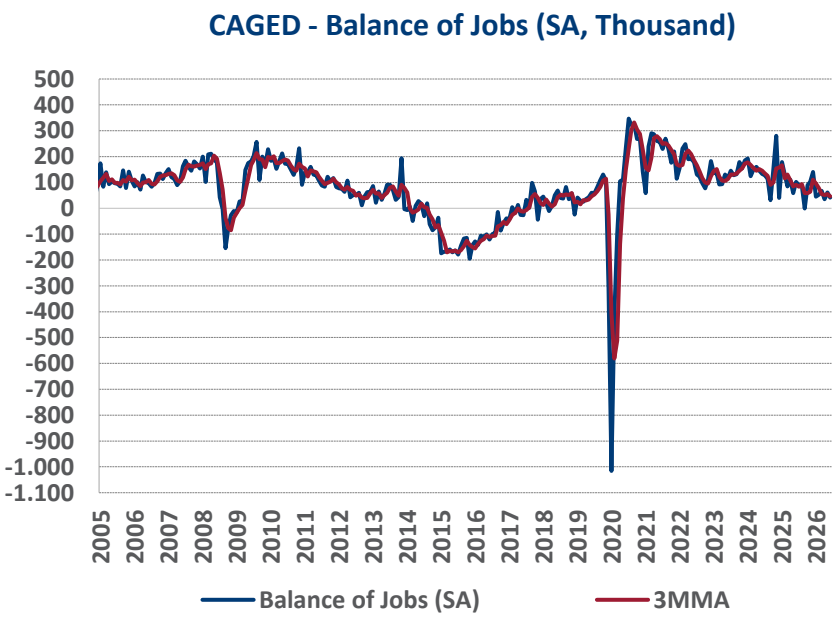


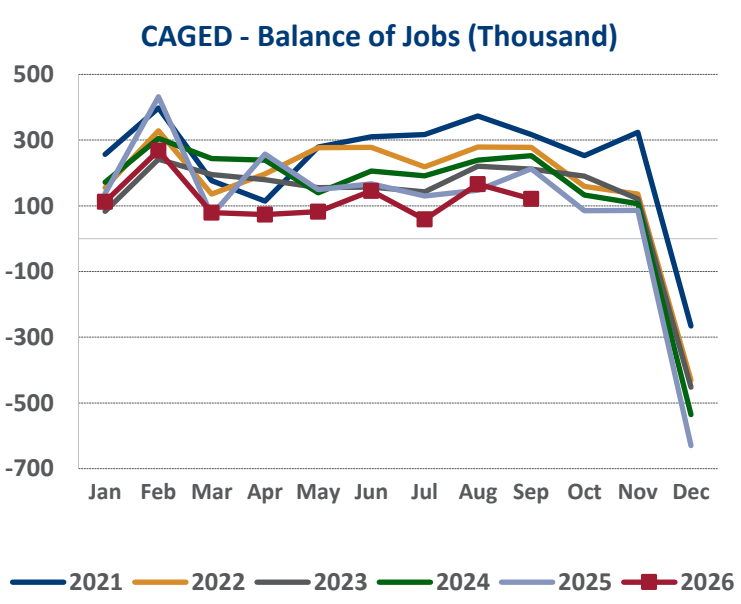


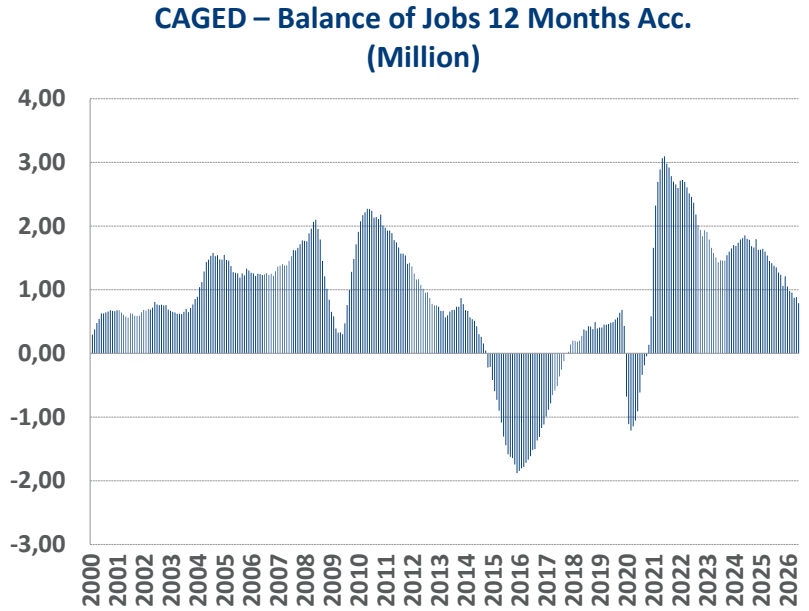

Source: IBGE, BOCOM BBM, MTE

# Brazil: Formal Labor Market

- September's CAGED report showed a net creation of 121.3k formal jobs, considerably below market expectations (183.5k).
- The 12-month cumulative job balance fell to 787k, from 880k previously, resuming the downtrend observed over recent months.
- Following August's upside surprise, the labor market continues to show signs of gradual cooling rather than contraction.



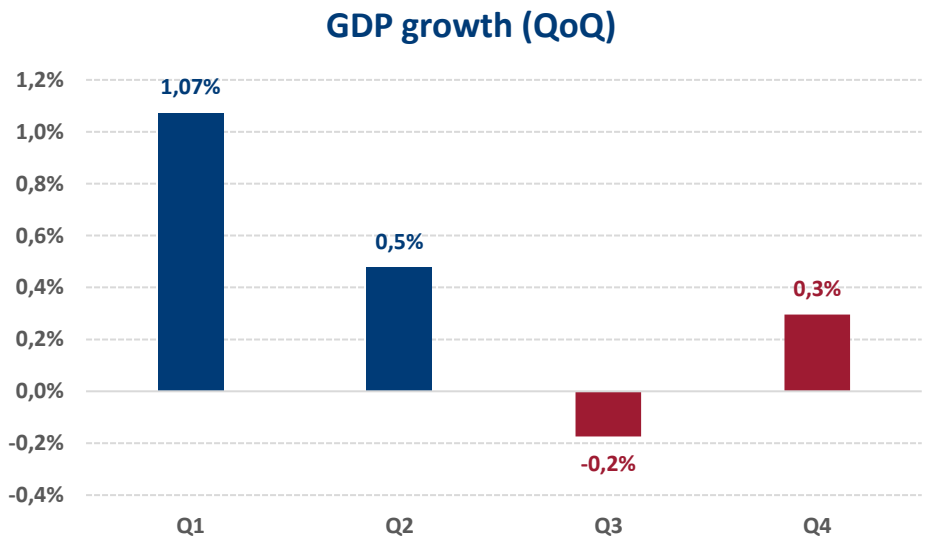




Source: BOCOM BBM, MTE

# Brazil: GDP Forecast

- Tighter financial conditions and elevated household indebtedness are expected to reinforce the slowdown in consumption growth through this year and next
- Household debt and debt-service burdens remain historically high, while borrowing costs and delinquency rates have continued to rise.

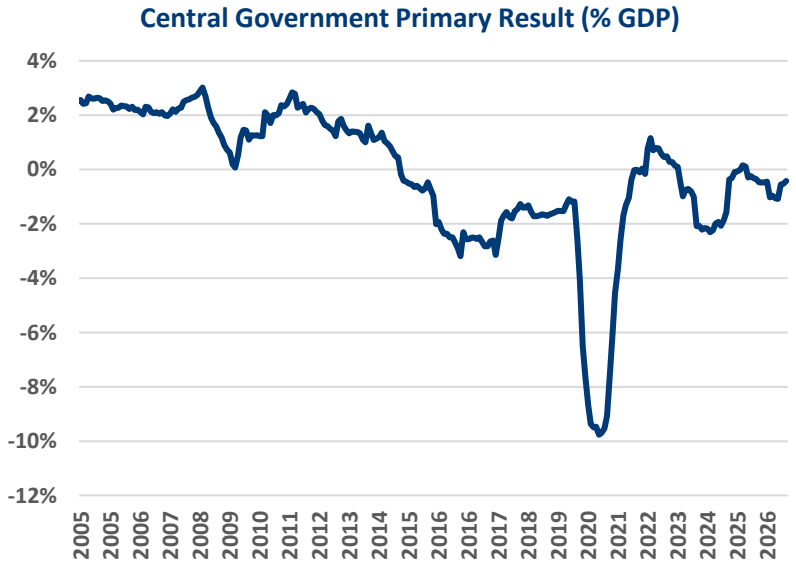
| Forecasts | | | | |
|---|---|---|---|---|
| | 2026.III QoQ | 2026.III YoY | 2026 | 2027 |
| **GDP** | **-0.2%** | **1.3%** | **1.6%** | **1.0%** |
| **Agriculture** | **-0.6%** | **4.0%** | **3.3%** | **0.0%** |
| **Industry** | **0.0%** | **0.4%** | **1.1%** | **0.6%** |
| Mining | 0.0% | 8.5% | 10.4% | 6.1% |
| Manufacturing | -0.4% | -1.5% | -1.1% | -0.7% |
| Electricity | 1.0% | 0.4% | -0.1% | 0.7% |
| Construction | 0.1% | -0.5% | 0.5% | 0.1% |
| **Services** | **0.2%** | **1.3%** | **1.6%** | **1.3%** |
| Retail | -0.2% | 0.4% | 0.6% | 0.0% |
| Transports | 0.5% | -0.4% | 0.4% | 0.4% |
| Information and Comunication | 0.6% | 6.9% | 7.0% | 6.0% |
| Financial Services | 0.5% | 1.9% | 1.8% | 2.1% |
| Rents | 0.5% | 2.1% | 2.4% | 2.7% |
| Other Services | 0.4% | 1.3% | 1.6% | 0.9% |
| Public Administration | 0.4% | 0.8% | 0.9% | 0.5% |

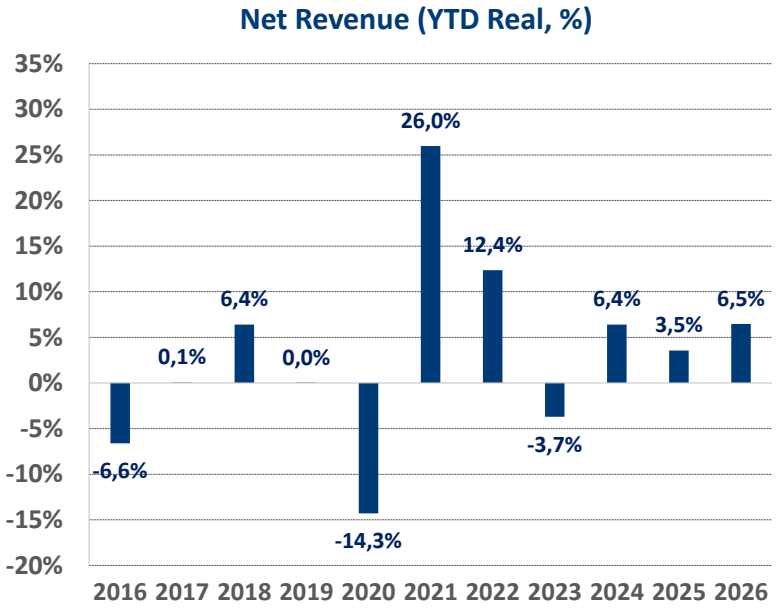


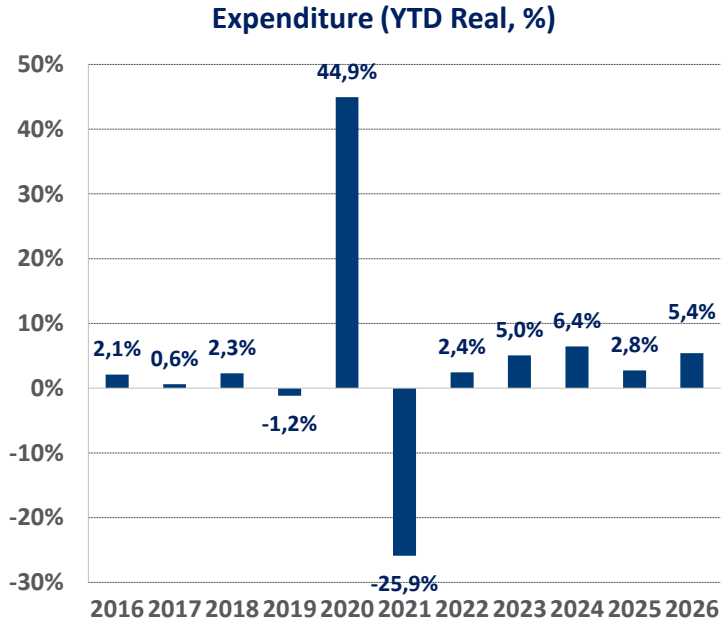

Source: BOCOM BBM, IBGE

# Brazil: Central Government Primary Result

- The Central Government posted a primary surplus of BRL 4.8 billion in September, slightly below the market consensus of a BRL 5.3 billion surplus, but an improvement relative to the BRL 14.4 billion deficit recorded in the same month of 2025.
- Net revenues increased 13.6% YoY. Revenues administered by the Federal Revenue Service rose 9.9%, supported by IRPJ/CSLL (+69.1%), due to a fall in tax compensations, other administered revenues (+74.8%), mainly reflecting the export tax on crude oil, and import tax (+21.6%). Social security contributions fell 3.7%, while non-administered revenues surged 78.8%, driven by the exploitation of natural resources (+71.9%) and extraordinary revenues from the return of court-ordered payments (precatórios).
- Total expenditure rose 2.4% YoY, driven by extraordinary credits, mostly related to fuel subsidies (BRL 7.6 billion), as well as social security benefits (+2.6%) and BPC/LOAS (+4.7%). Discretionary spending declined 35.8%, while mandatory expenses with flow control fell 4.0%.
- Looking ahead, oil-related revenues should continue to support fiscal results, although taxes more sensitive to economic activity are showing weaker growth, while softer discretionary spending execution should limit expenditure pressures through year-end. Extraordinary credits related to fuel subsidies, however, remain a risk.



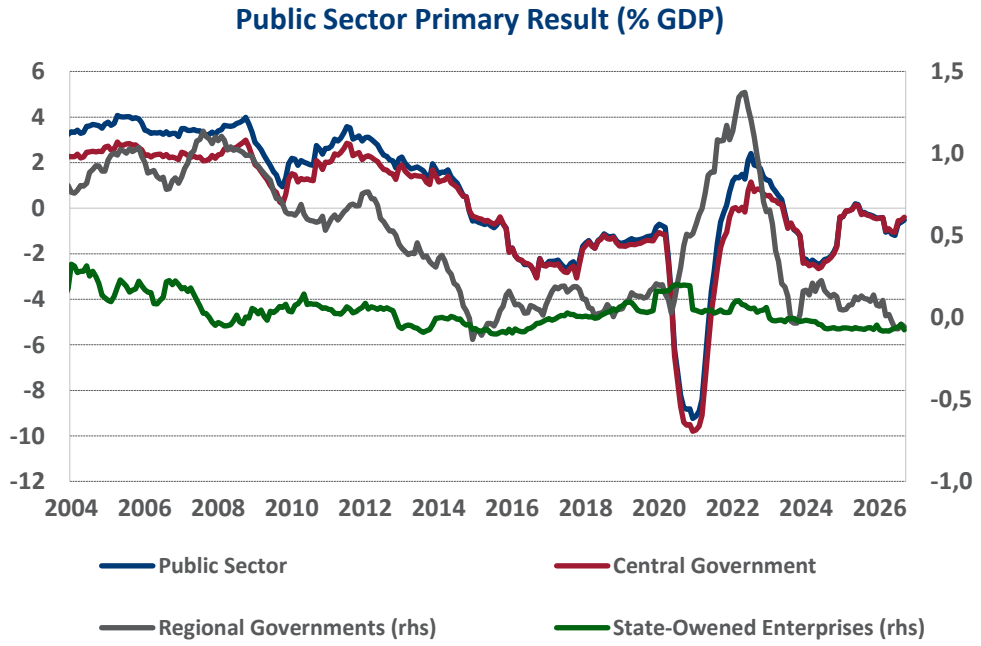



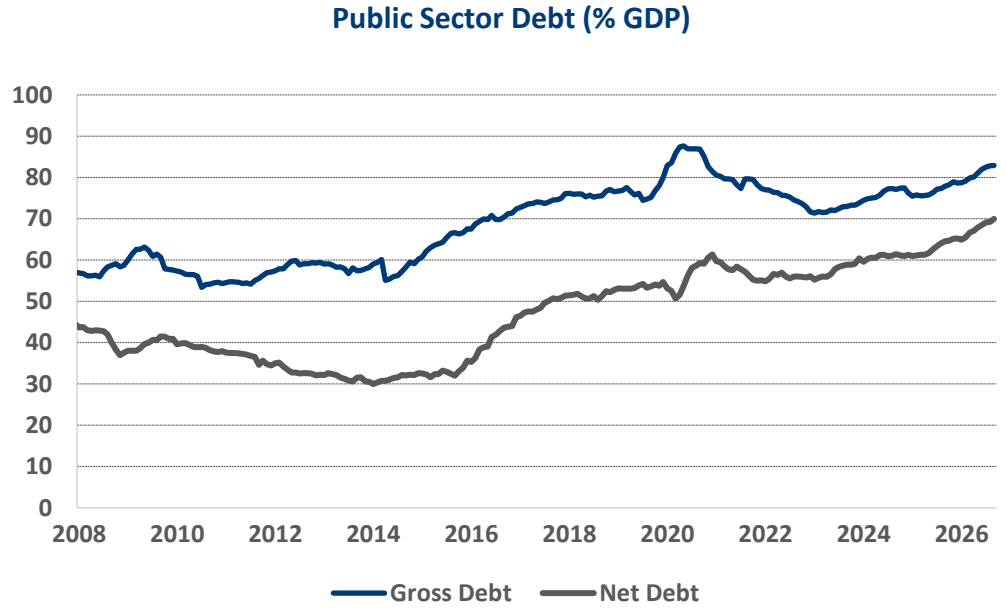




Source: BOCOM BBM, RTN

# Brazil: Consolidated Public Sector Budget

- The consolidated public sector posted a primary deficit of BRL 5.5 billion in September, worse than the market consensus of a BRL 1.0 billion surplus, but an improvement from the BRL 17.5 billion deficit recorded in the same month of 2025. On a rolling twelve-month basis, the public sector recorded a primary deficit of BRL 70.1 billion, equivalent to 0.5% of GDP.
- Regarding the breakdown, the central government posted a surplus of BRL 3.5 billion, while regional governments and state-owned enterprises recorded deficits of BRL 5.6 billion and BRL 3.4 billion, respectively.
- General Government Gross Debt (GGGD) remained stable at 82.9% of GDP, the highest level since March 2021. Meanwhile, Net Public Sector Debt (NPSD) rose by 0.7 p.p. to 70.0% of GDP.
- Overall, deficits from regional governments and state-owned enterprises pushed the public sector into deficit in September, more than offsetting the central government surplus.

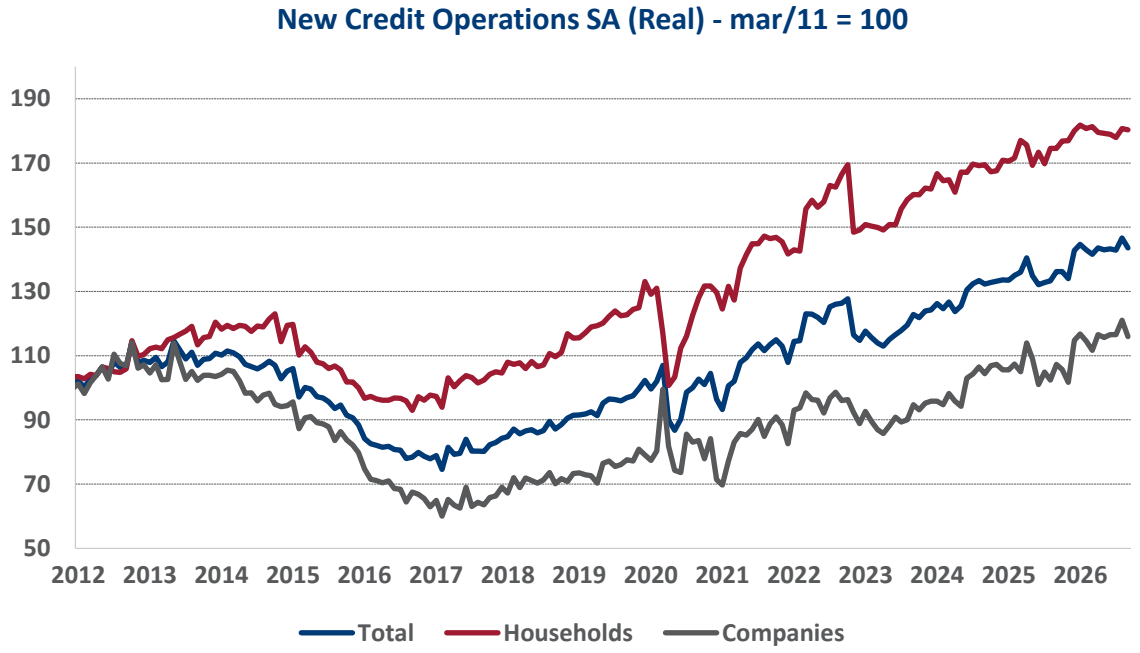


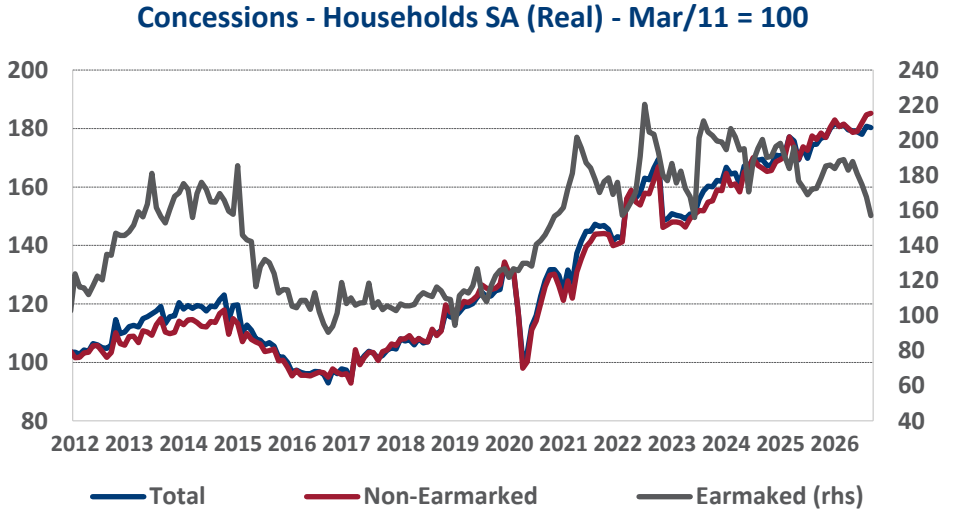



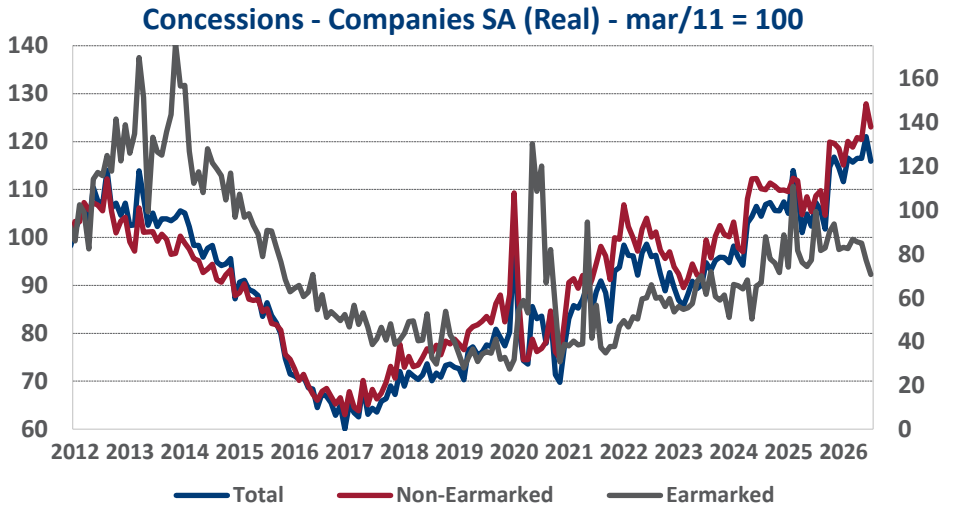

Source: BOCOM BBM, BCB

# Brazil: Credit Statistics

- In September, total credit concessions fell 2.1% MoM in real terms, after a 2.6% increase in August.
- Earmarked concessions drove the decline, contracting 12.5% MoM, while non-earmarked concessions fell 3.8% to companies and rose 0.3% to households.
- Credit activity remained resilient, with real total concessions around 6.9% above their September 2025 level, although performance was uneven across segments.



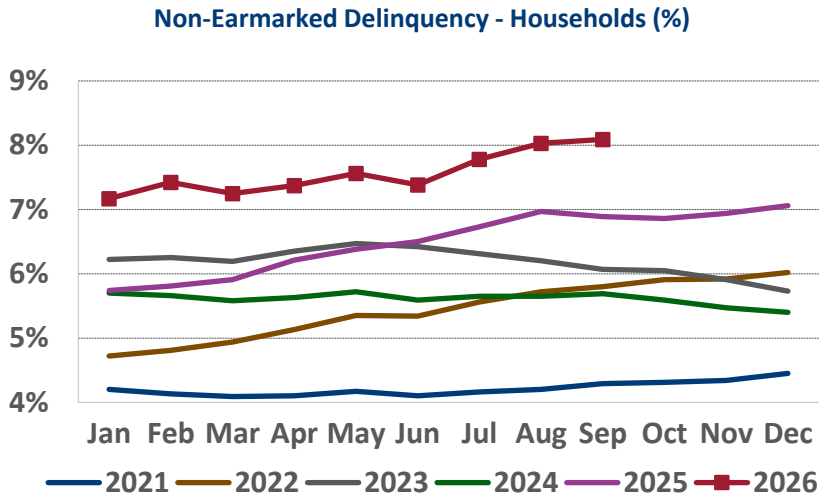



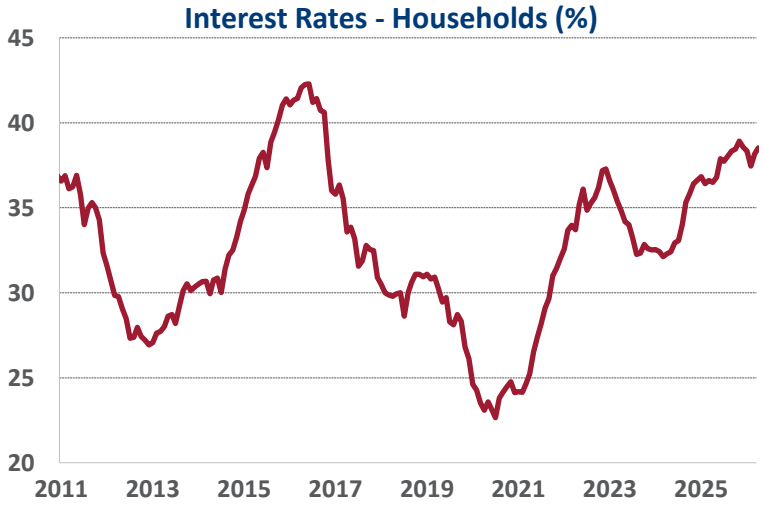




Source: BOCOM BBM, BCB

# Brazil: Credit Statistics

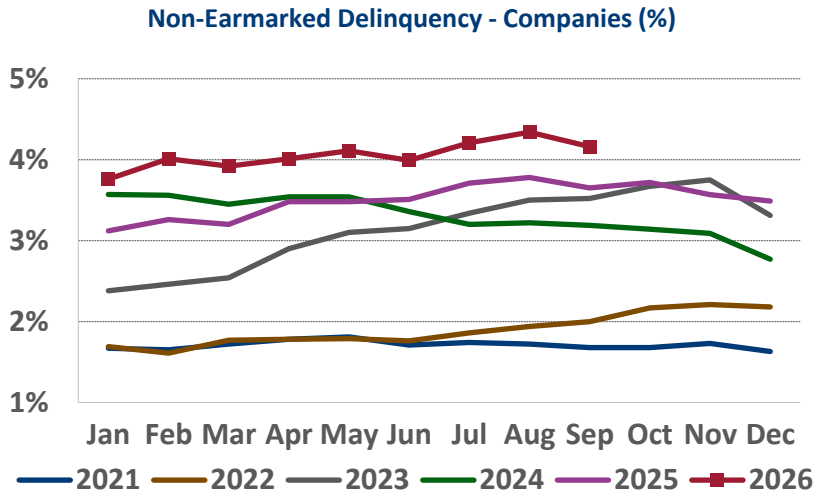
- Lending rates remained elevated in September. Rates on new household loans rose from 38.17% to 38.53%, while rates for companies declined from 19.65% to 19.36%.
- Meanwhile, delinquency on non-earmarked loans diverged between segments, rising from 8.03% to 8.09% for households, the highest level in the series, while declining from 4.34% to 4.16% for companies.





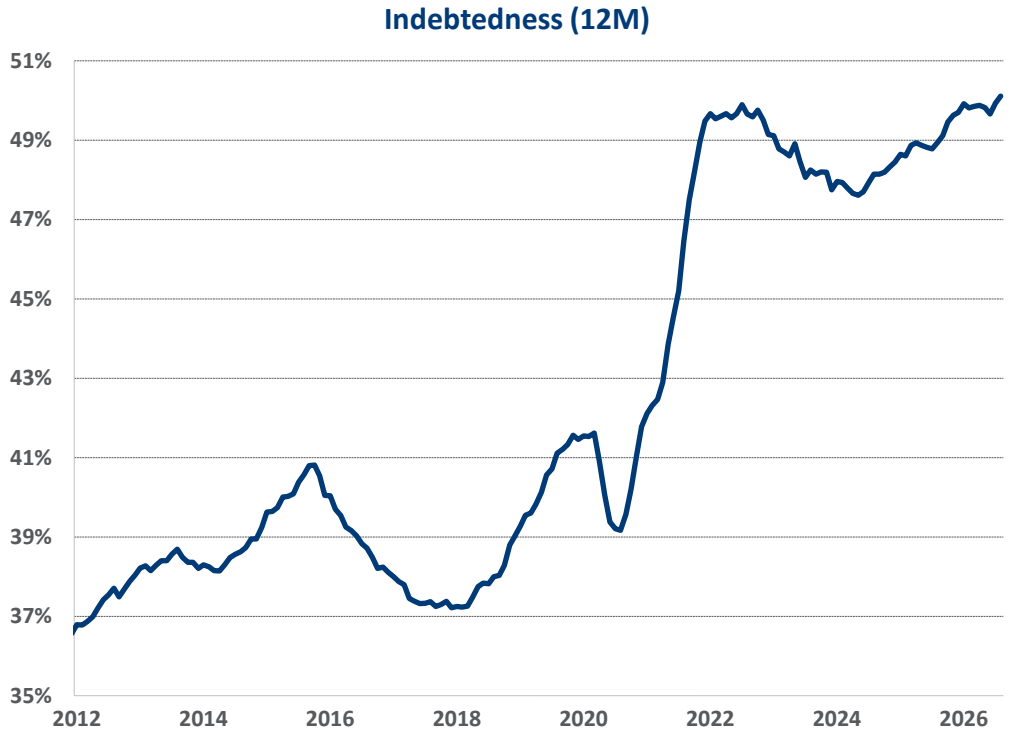


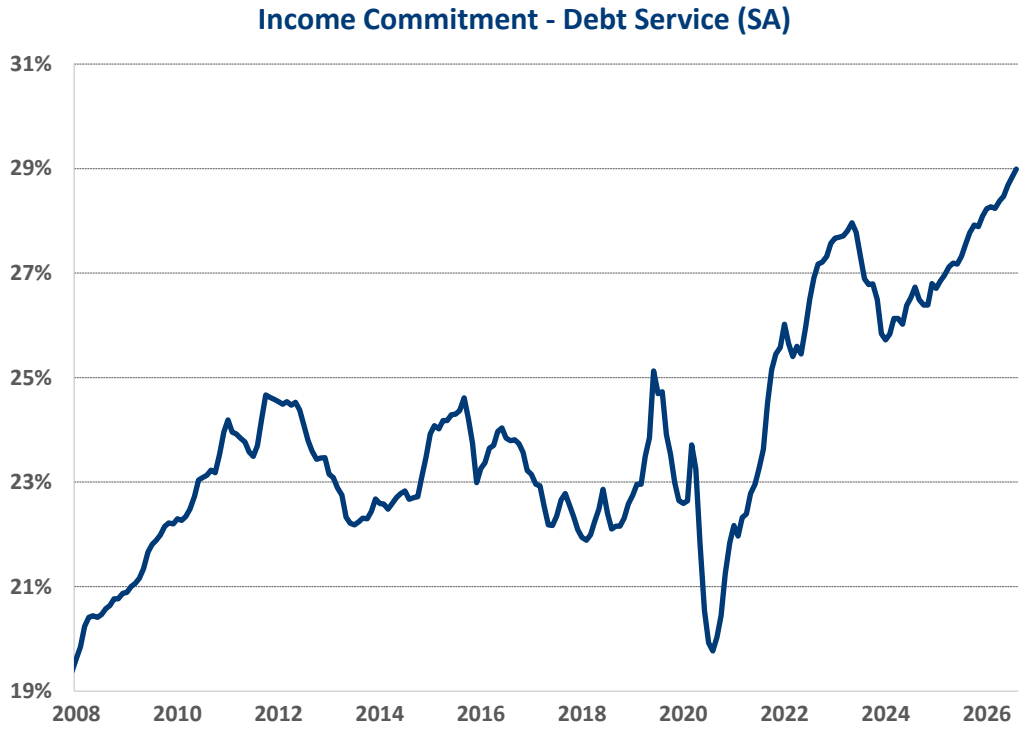



Source: BOCOM BBM, BCB

# Brazil: Credit Statistics

- Total household indebtedness remained high, rising from 49.93% in July to 50.11% in August, up 1.2 p.p. over twelve months.
- Meanwhile, income commitment increased from 28.83% to 28.99%, reaching a new high in the series.
- Credit conditions remained tight: the combination of high income commitment, rising delinquency and still-elevated interest rates limits the room for credit to support consumption in the coming months, particularly for households.

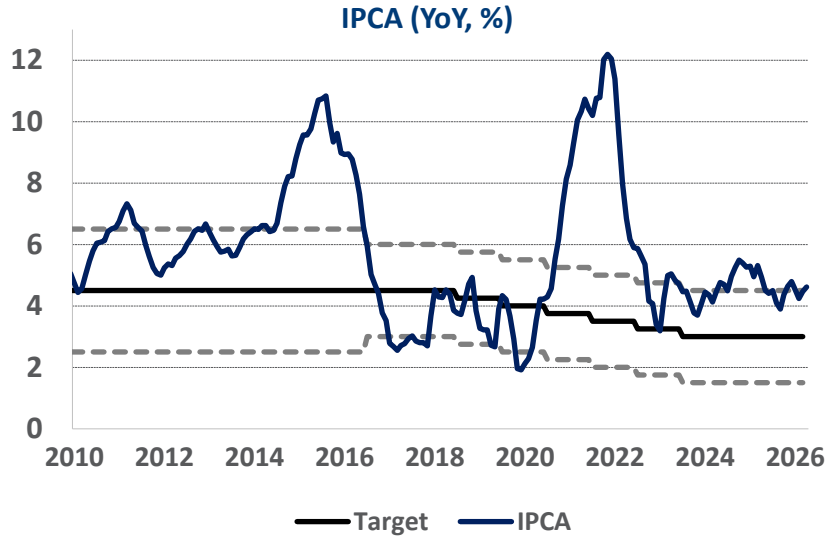


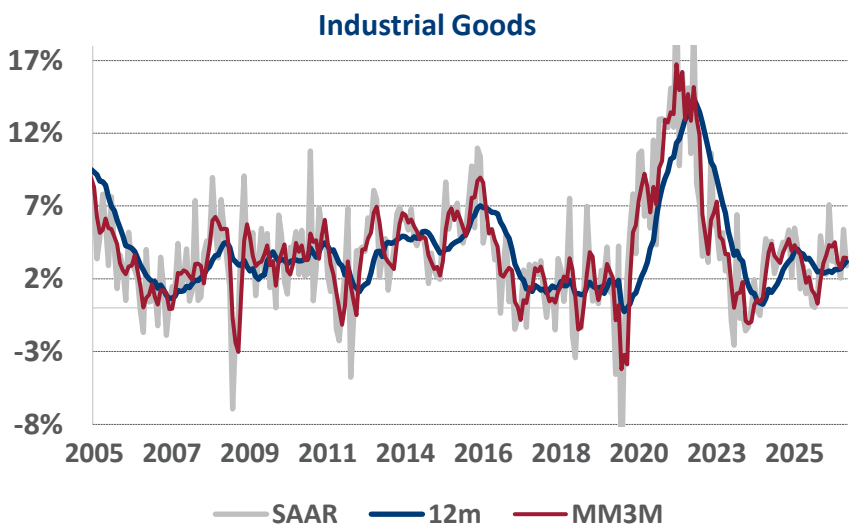



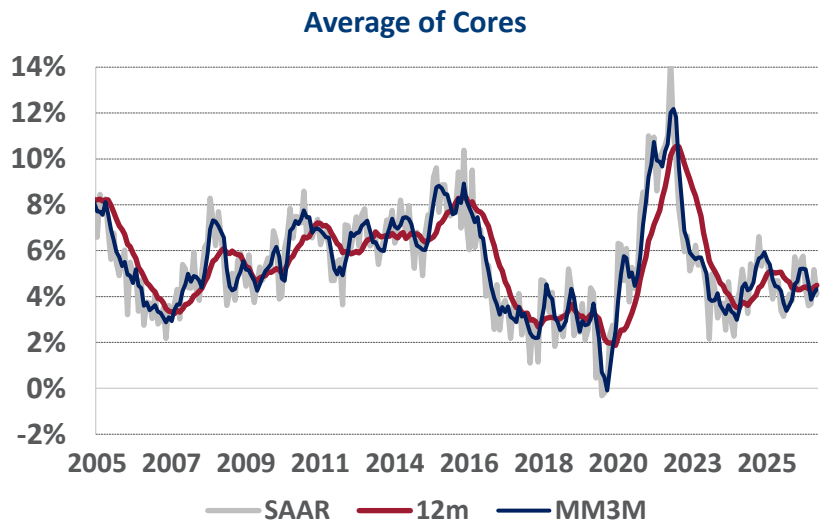

Source: BOCOM BBM, BCB

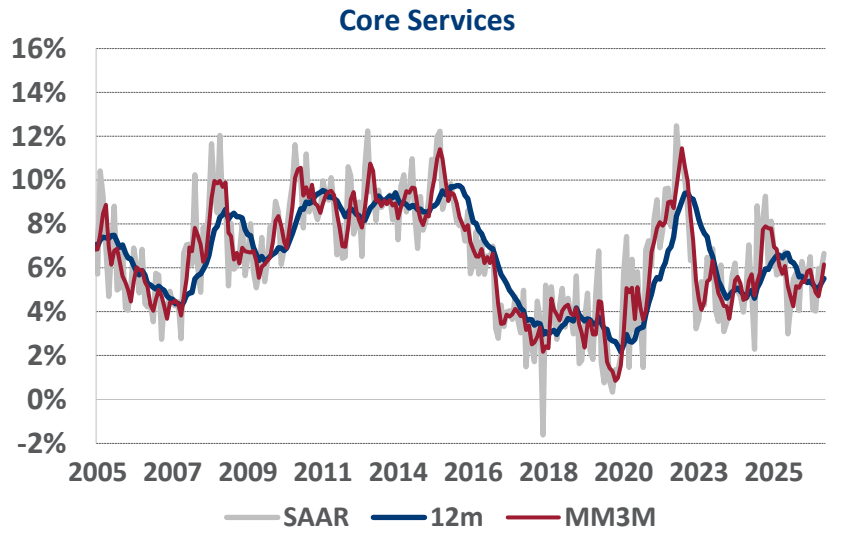
# Brazil: Inflation 2026

- October IPCA-15 rose 0.32% MoM, below market expectations (0.44% MoM). Twelve-month inflation accelerated from 4.47% in September to 4.62% in October.
- The main downward pressure came from airfares, which fell 9.24% MoM after rising 9.82% in September, while electricity declined 0.89% MoM. On the upside, gasoline rose 0.92% MoM.
- Core services inflation advanced 0.45% MoM. Its three-month moving average seasonally adjusted annualized rate (3MMA SAAR) accelerated from 5.27% in September to 6.29% in October, while the 12-month rate rose from 5.28% to 5.51%.
- The average of core inflation measures rose 0.31% MoM. Its 3MMA SAAR accelerated from 4.28% to 4.61%, while the 12-month rate increased from 4.32% to 4.43%.
- October's IPCA-15 showed a benign headline but a less favorable composition: the downside deviation was concentrated in airfares, a volatile item, while core measures, core services and labor-intensive services all accelerated.



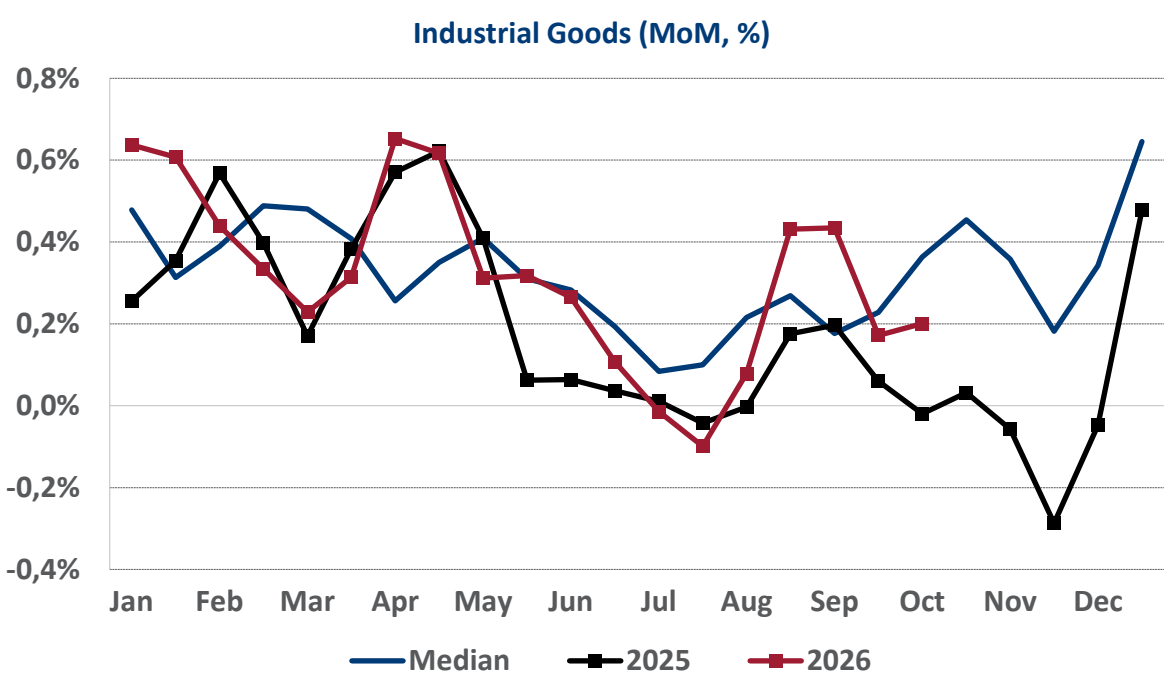



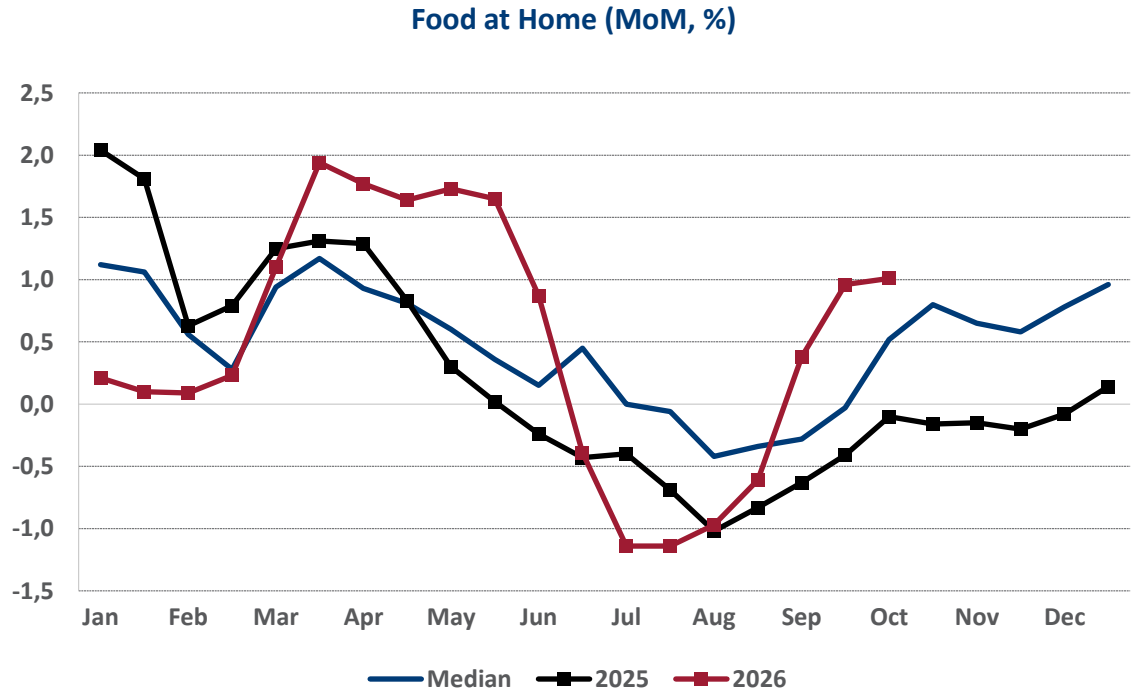




Source: BOCOM BBM, IBGE

# Brazil: Inflation 2026

- Industrial goods inflation rose 0.20% MoM in October, easing from 0.43% in September.
- Food-at-home prices rose 1.01% MoM, a sharp acceleration from 0.38% in September and the second consecutive monthly increase, while food away from home rose 0.56% MoM.
- The food deflation seen since June has run its course, and food inflation is expected to keep accelerating into 4Q26 on El Niño effects and firmer meat prices.




Source: BOCOM BBM, IBGE

# Brazil: Inflation Outlook

- Our forecast for 2027 increased from 4.5% to 5.7% due to BRL depreciation, El Niño effects on food inflation, the end of the 6x1 work schedule and the tax reform implementation.

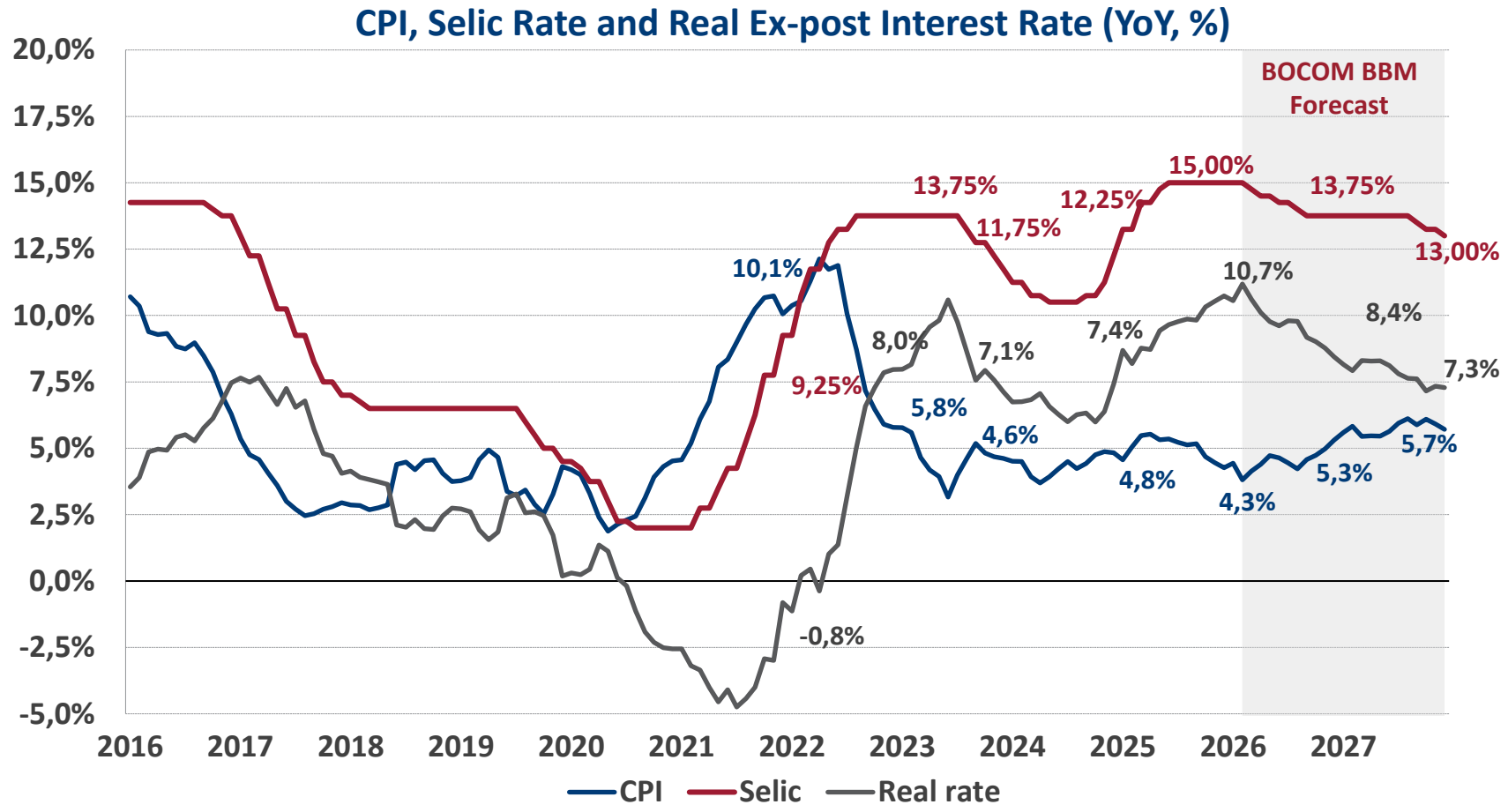
**IPCA (%, annual)**

| | Weight | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|---|
| **Regulated** | **26.6** | **2.6** | **16.9** | **-3.8** | **9.1** | **4.7** | **5.3** | **4.4** | **5.1** |
| **Industrial goods** | **23.6** | **3.2** | **11.9** | **9.5** | **1.1** | **2.9** | **2.4** | **3.3** | **4.0** |
| Durable goods | 10.3 | 4.5 | 12.9 | 6.1 | -0.4 | 1.5 | 0.5 | 1.8 | 2.8 |
| Semi-durable goods | 5.9 | -0.1 | 10.2 | 15.7 | 2.7 | 2.1 | 3.5 | 2.0 | 4.1 |
| Non-durable goods | 7.3 | 4.0 | 11.9 | 9.5 | 1.7 | 5.4 | 3.9 | 6.4 | 5.4 |
| **Food at home** | **15.7** | **18.2** | **8.2** | **13.2** | **-0.5** | **8.2** | **1.4** | **8.5** | **8.1** |
| **Services** | **34.1** | **1.7** | **4.8** | **7.6** | **6.2** | **4.6** | **5.8** | **5.8** | **6.2** |
| Food away from home | 5.6 | 4.8 | 7.2 | 7.5 | 5.3 | 6.3 | 7.0 | 6.6 | 7.2 |
| Related to minimum wage | 5.2 | 1.5 | 3.3 | 6.2 | 5.5 | 5.2 | 6.7 | 6.7 | 7.3 |
| Sensitive to economic activity | 8.2 | 0.2 | 5.1 | 6.3 | 9.5 | 0.9 | 5.4 | 6.2 | 4.2 |
| Inertial | 15.0 | 1.6 | 4.2 | 8.8 | 5.1 | 6.0 | 5.2 | 5.0 | 6.0 |
| **IPCA** | | **4.5** | **10.1** | **5.8** | **4.6** | **4.8** | **4.3** | **5.3** | **5.7** |

Source: BOCOM BBM, IBGE

# Brazil: Monetary Policy

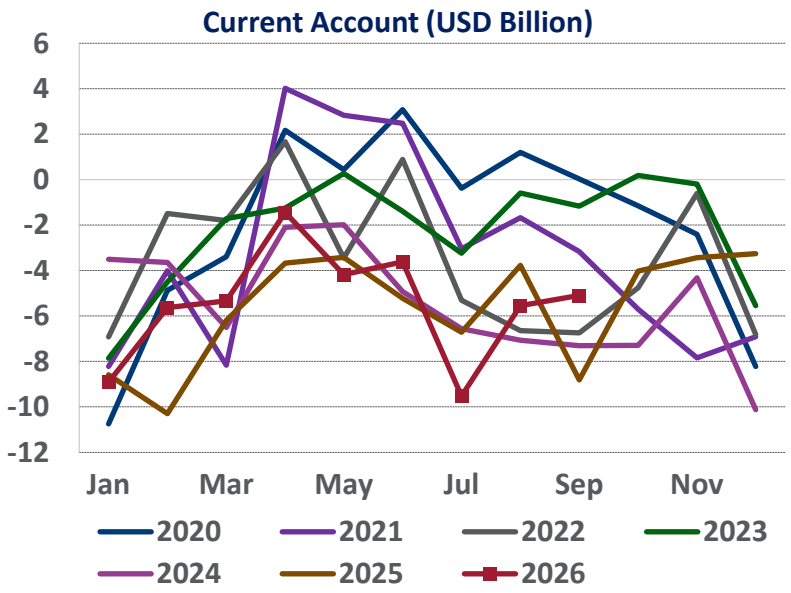
- The COPOM kept the Selic rate unchanged at 13.75% per year at its November meeting, in line with market expectations, pausing the easing cycle that began in March. The committee raised its inflation projection for the relevant horizon (2Q28) to 3.5% in a scenario where rates reach 13.5% in 2026, 12.5% in 2027 and 11% in 2028. A moderate currency depreciation and a sizable increase in inflation expectations explain the increase in inflation projection. The asymmetric in the balance of risks remained tilted to the upside. The statement acknowledged a more adverse external environment, as well as an acceleration in underlying inflation. On the other hand, it highlighted a sharper moderation in activity and the first signs of cooling in the labor market. The Committee characterizes interest rates as being substantially restrictive, which raises the bar for hikes, and reinforces the view of a pause in the easing cycle. Moving forward, the Committee will be assessing the appropriate level of restrictiveness.

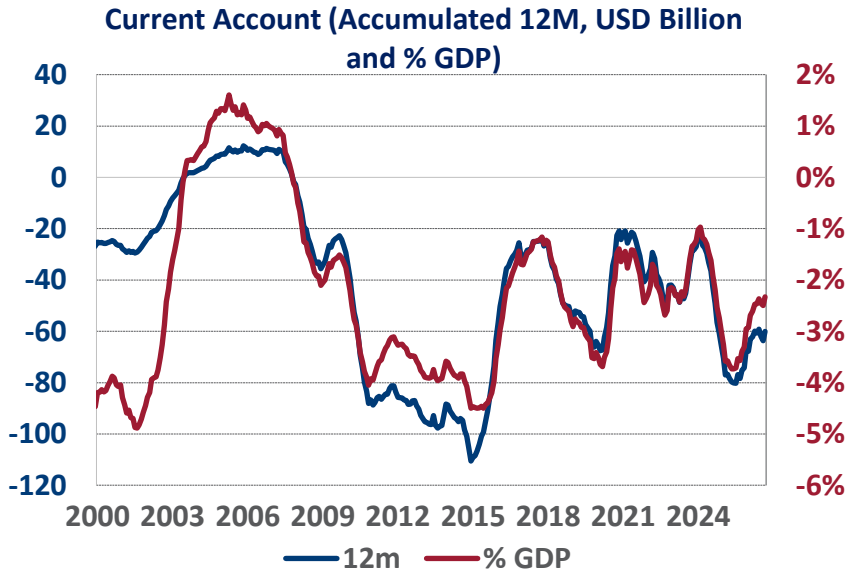


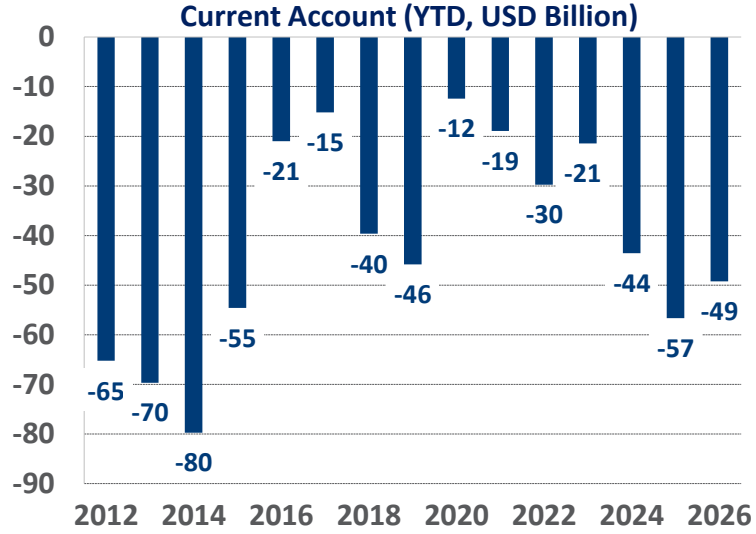

Source: BCB, BOCOM BBM, IBGE

# Brazil: Balance of Payments

- Brazil's current account posted a deficit of USD 5.1 billion in September 2026, slightly narrower than market consensus of USD 5.3 billion and compared with a deficit of USD 8.8 billion in September 2025.
- On a 12-month rolling basis, the current account deficit narrowed to USD 60.0 billion, equivalent to 2.33% of GDP, from USD 63.7 billion and 2.50% of GDP in August.



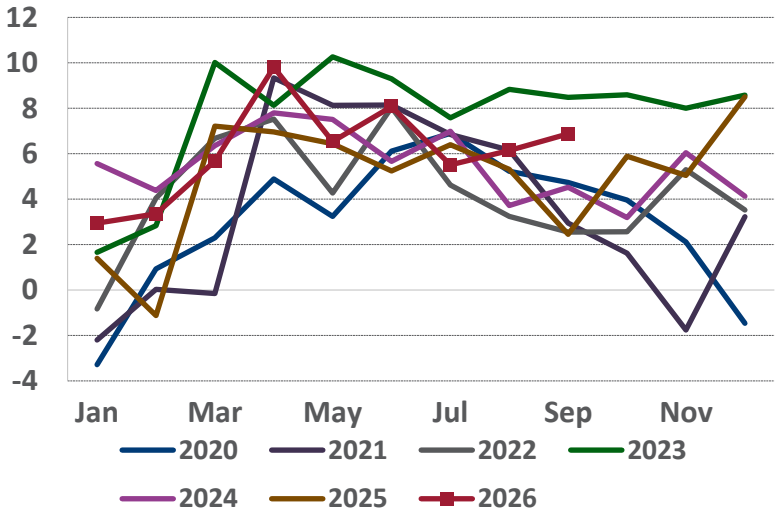




Source: BOCOM BBM, BCB

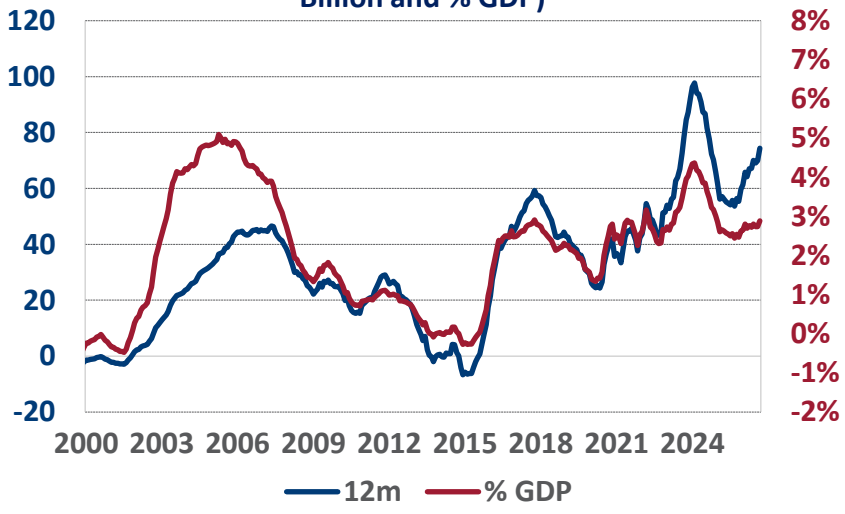
# Brazil: Balance of Payments

- The merchandise trade balance recorded a surplus of USD 6.9 billion in September, compared with a surplus of USD 2.5 billion in September 2025.
- Exports reached USD 34.6 billion, up 12.9% YoY, supported by higher crude oil prices and shipments. Imports totaled USD 27.7 billion, down 1.7% YoY, reflecting a high comparison base due to an oil platform purchase in September 2025.
- On a 12-month rolling basis, the trade surplus reached USD 74.3 billion, up from USD 70.6 billion in August.

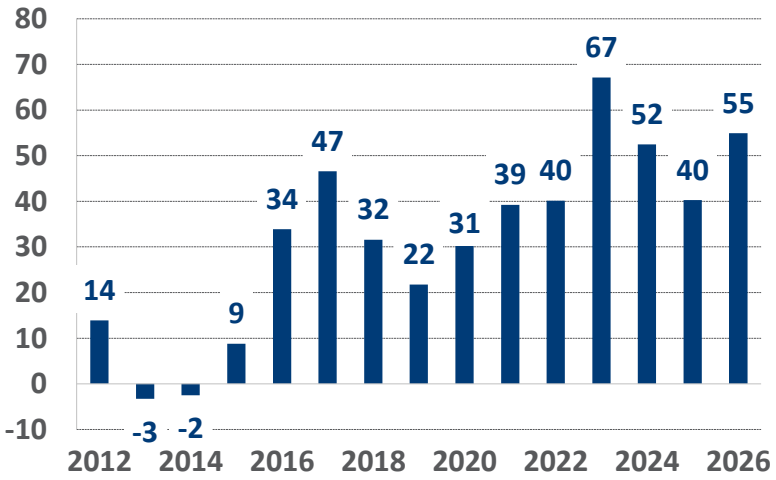
**Balance on Goods (USD Billion)**




**Balance on Goods (Accumulated 12M, USD Billion and % GDP)**



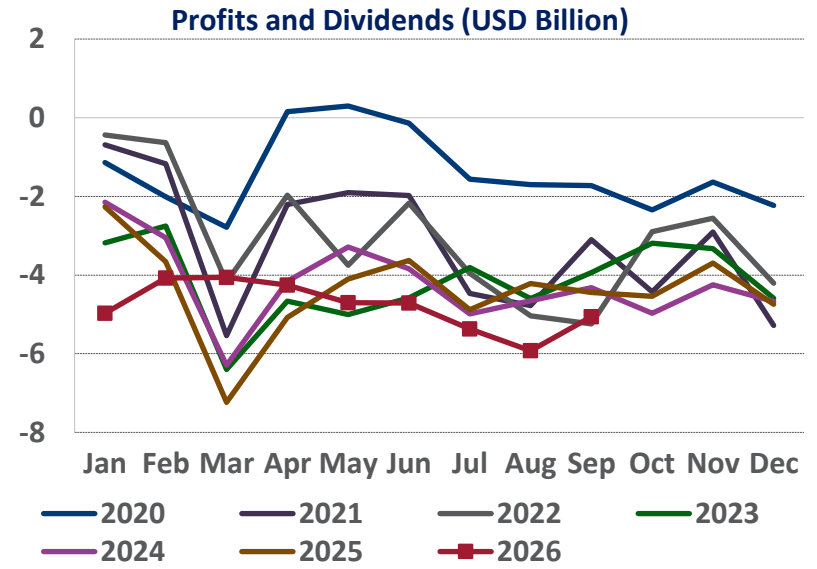

**Balance on Goods (YTD, USD Billion)**

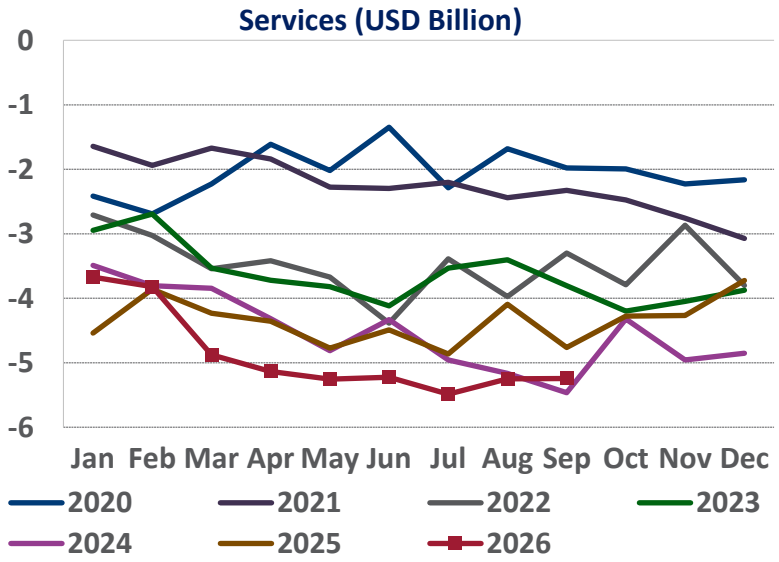


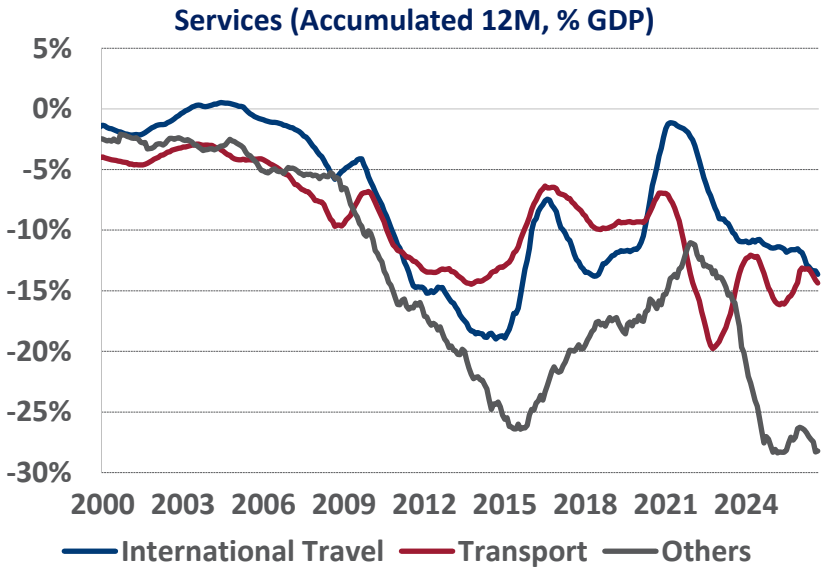

Source: BOCOM BBM, BCB

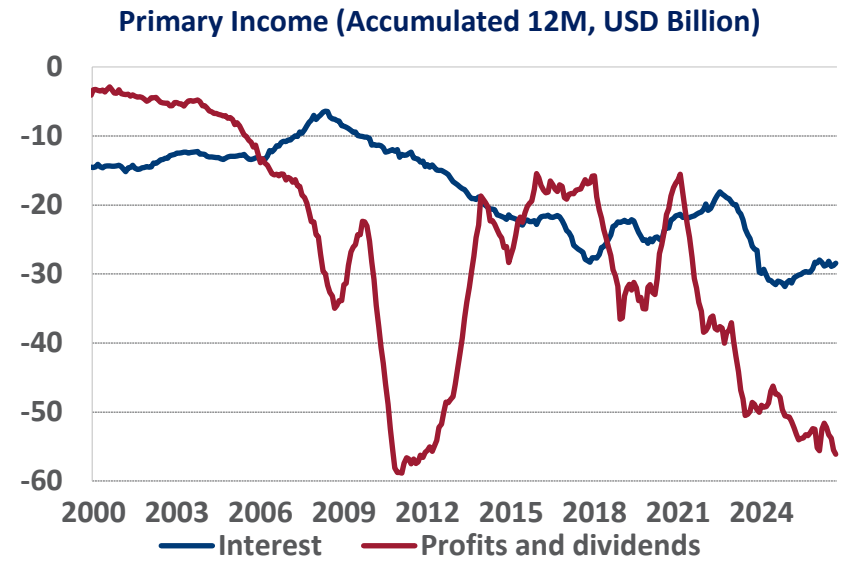
# Brazil: Balance of Payments

- The services account registered a deficit of USD 5.2 billion in September, slightly wider than the USD 4.8 billion deficit recorded in September 2025.
- Net transportation expenses rose 19.4% YoY, reflecting higher freight costs amid the escalation of the Middle East conflict. Equipment rental, travel and intellectual property expenses also contributed to the wider deficit, while net expenses in telecommunications, computer and information services declined YoY.
- The primary income account posted a deficit of USD 7.2 billion in September, wider than the USD 6.9 billion deficit recorded in September 2025.
- On a 12-month rolling basis, the services deficit reached USD 56.2 billion, up from USD 55.8 billion in August.



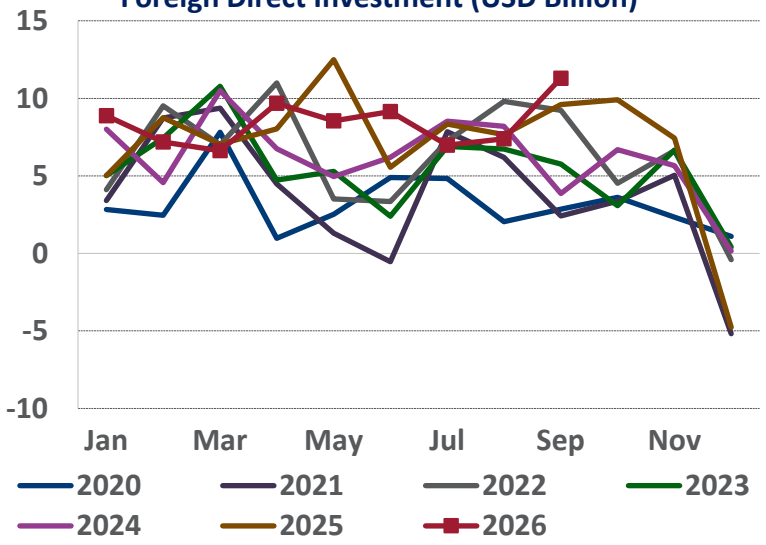



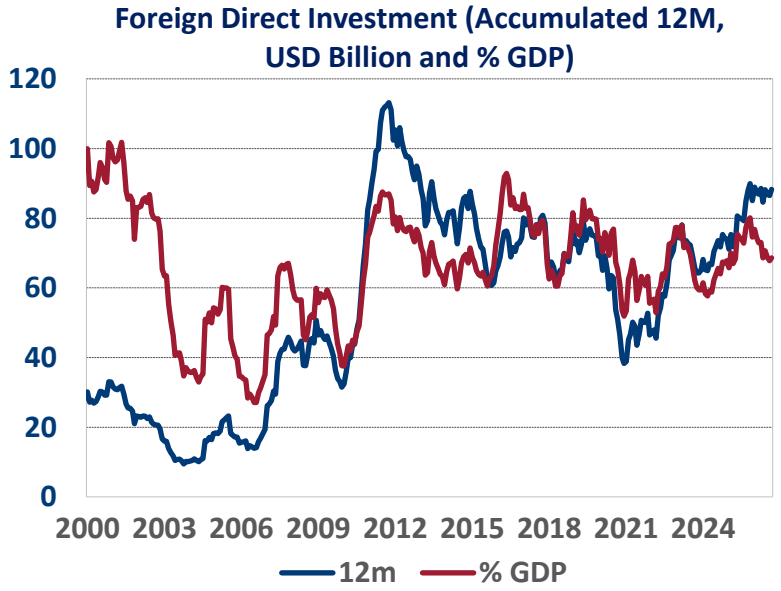



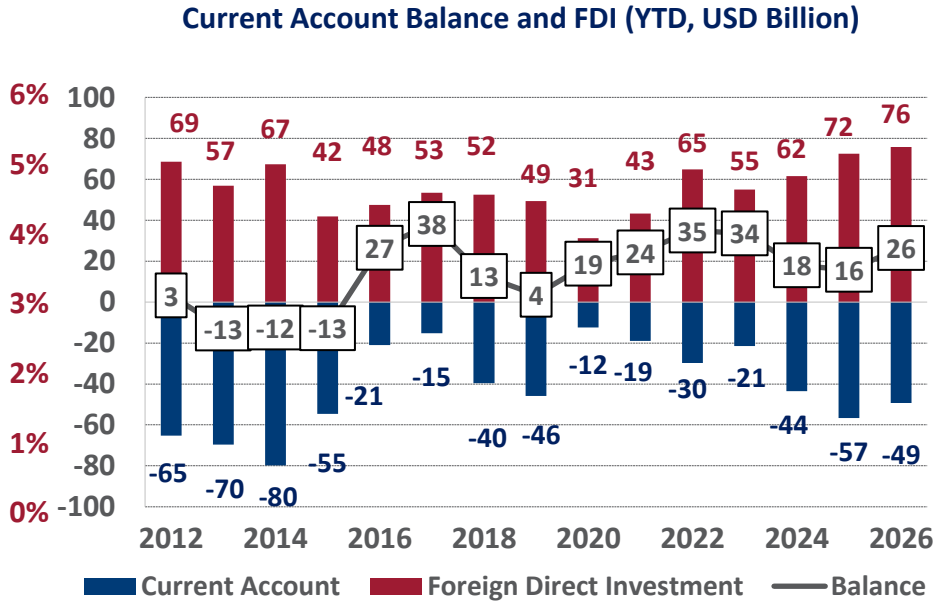

Source: BOCOM BBM, BCB

# Brazil: Balance of Payments

- Foreign direct investment registered net inflows of USD 11.3 billion in September, well above market consensus of USD 6.4 billion and compared with USD 9.6 billion in September 2025.
- On a 12-month rolling basis, FDI inflows reached USD 88.3 billion, equivalent to 3.43% of GDP, up from USD 86.6 billion and 3.39% of GDP in August.
- Year-to-date FDI inflows reached USD 75.7 billion, compared with USD 72.5 billion in the same period of 2025. Reinvested earnings and intercompany loans increased, while equity inflows excluding reinvested earnings remained below last year's level.



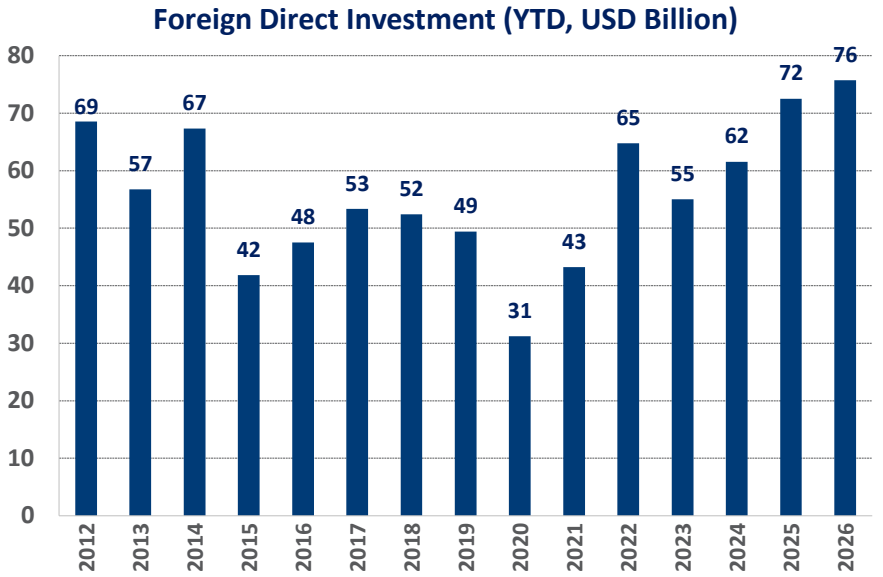



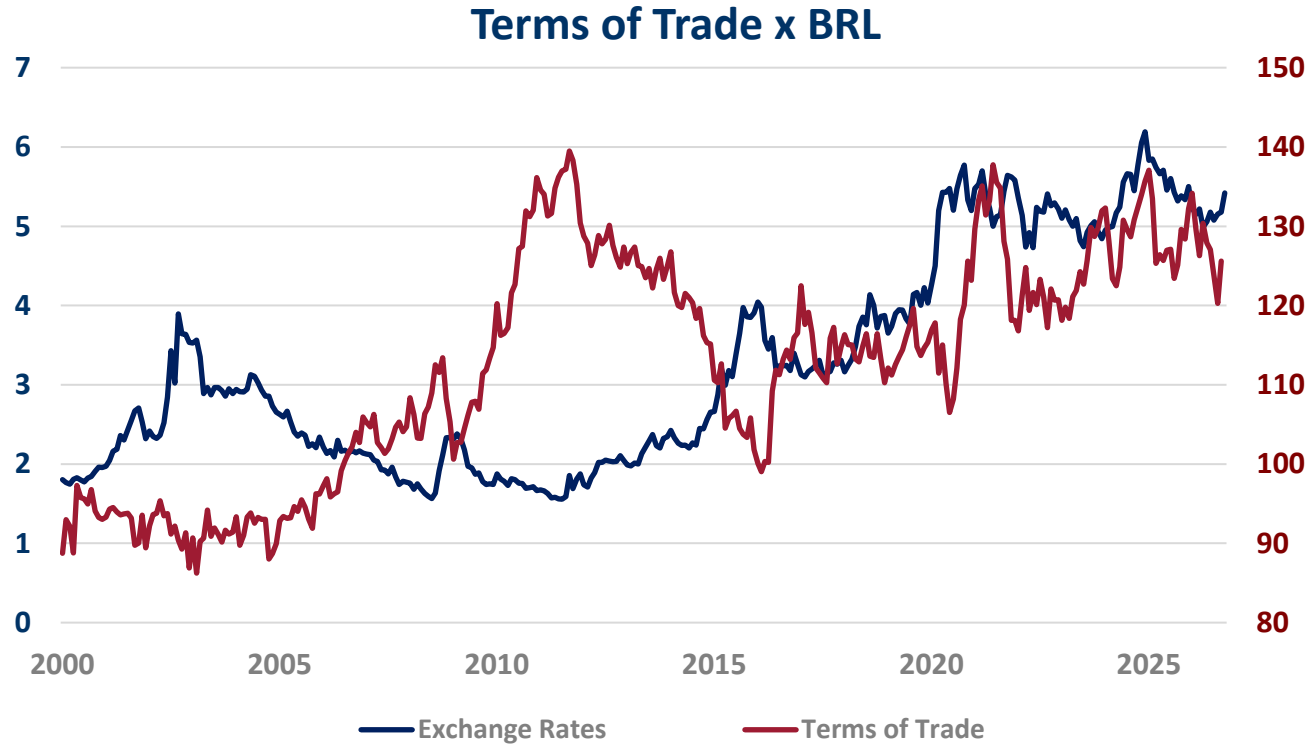



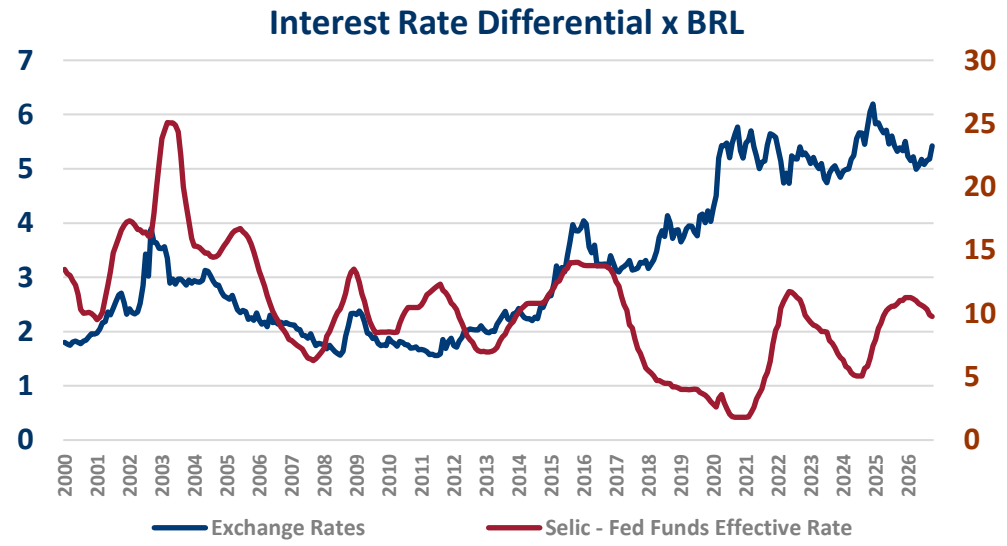

Source: BOCOM BBM, BCB

# Brazil: External Sector

- In October, the Brazilian real weakened, moving from around 5.18 to 5.42. The month was dominated by the presidential election. The BRL initially rallied after the first round, when Flávio Bolsonaro finished ahead, briefly trading below 5.00, but sold off sharply after President Lula's unexpected re-election, with the currency posting its largest daily loss since 1999. Unlike in September, the depreciation was largely idiosyncratic, as emerging-market peers were broadly stable over the period. Globally, the possible diplomatic progress between the US and Iran contrasted with expectations of a further escalation of the conflict, although these developments remained secondary for the BRL. Overall, attractive carry and solid external financing were outweighed by the repricing of fiscal risks following the election, with market attention now turning to the composition of the new government, particularly the choice of Finance Minister.



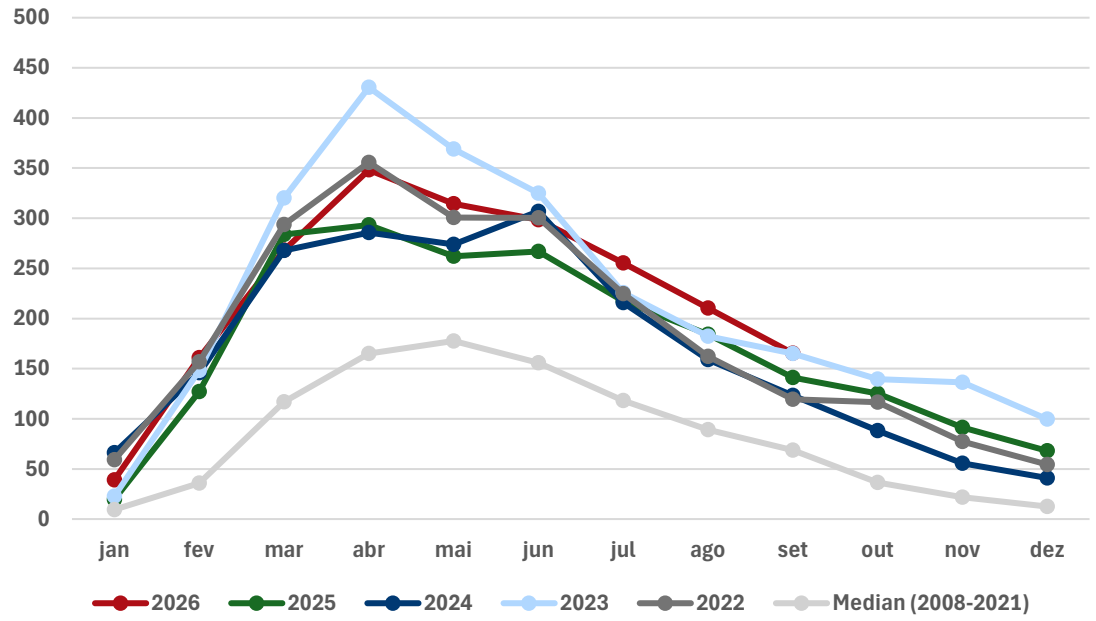




Source: BOCOM BBM, Bloomberg, BCB

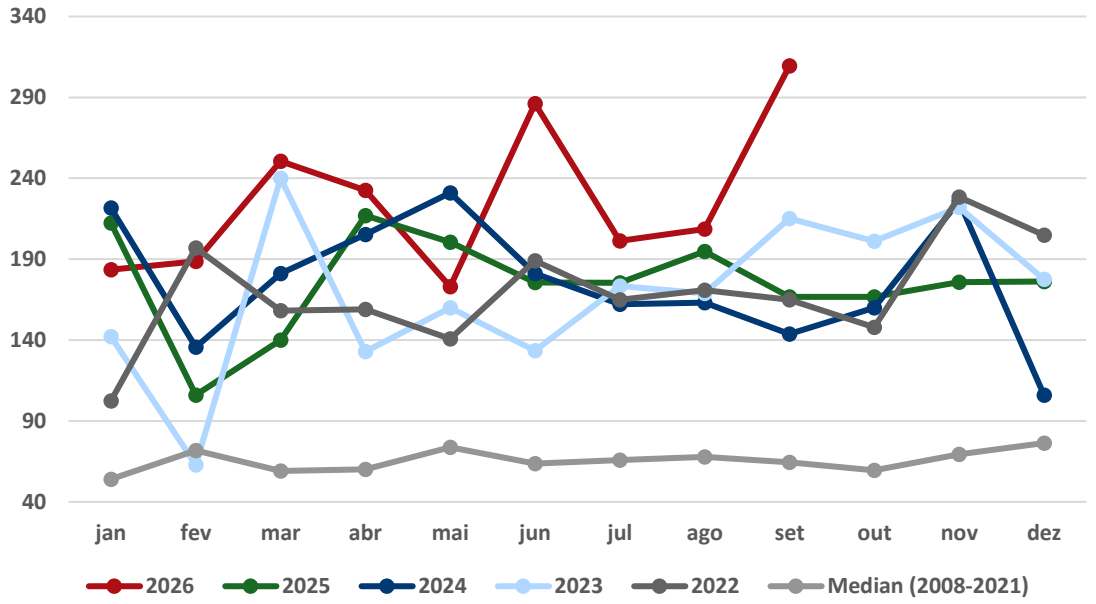
# Brazil: External Sector

- In September, exports totaled US$34.42 billion and imports US$26.68 billion, resulting in a trade surplus of US$7.74 billion.
- Export performance was positive across the three major sectors, with growth in Agriculture (+4.8%, USD 7.00bn), Extractive Industries (+39.8%, USD 9.44bn), and Manufacturing (+5.3%, USD 17.67bn), resulting in an overall increase in total exports. The main positive contributions came from crude oil, soybeans, soybean meal, fuel oils, copper ores and gold.
- Imports, on the other hand, declined, with growth in Agriculture (+9.3%, USD 0.52bn) and Extractive Industries (+7.4%, USD 1.21bn), while Manufacturing fell (-3.2%, USD 24.79bn), driving an overall decrease in total imports. The decrease was mainly influenced by platforms and floating structures, non-electric engines and machinery, fertilizers, wheat and corn.

**Brazil: Soy Exports**
**USD Million Daily Average**




**Brazil: Crude Oil Exports**
**USD Million Daily Average**




Source: Secex, BOCOM BBM

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