

International

The Chinese Central Bank reduced its medium-term lending rate by 10 basis points to 2.75% per year, in a movement that anticipates another cut in its main benchmark rate at the end of this month.

In the United States, the minutes of the last meeting of the FOMC showed that members believe below potential growth may be necessary to bring inflation back under control. The committee considers that consumption, residential investment and production indicators no longer keep up with the robust pace growth seen over the past year and, despite the apparent overheating of the labor market, the dynamics suggest that the economy will undergo a moment of accommodation throughout the second half of the year.

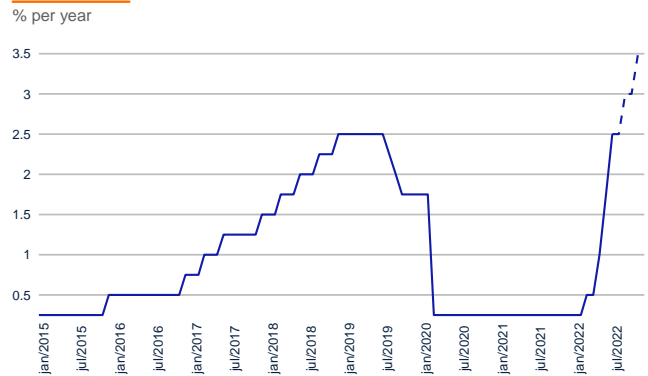
Brazil

After growing for four consecutive months, industrial production fell, in the seasonally adjusted series, 0.4% in June. Prospectively, we do not anticipate a benign scenario for the industry in the second half, especially in the last three months of the year. But, for now, the traction in the labor market and the resilience of the private consumption should maintain demand for goods stable.

Sales volume declined both in restricted retail (-1.3%) and in the extended (-2.3%) - in the seasonally adjusted series. We believe that restricted retail should continue to grow in the coming months, but at rates very close to stability. The sector is one of those that should take up part of the resources destined by the federal government to the most poor families. For extended retail, the scenario is more delicate, as a result of an environment marked by restrictions of the monetary policy and shrinking of private investment.

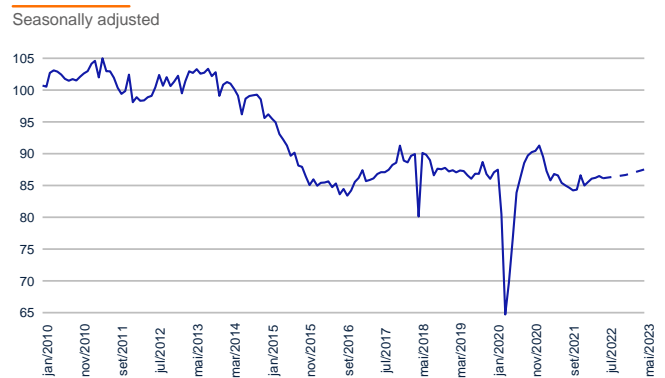
The volume of services increased by 0.7% in June, in the series free of seasonal influences. As a result, the tertiary sector started to operate at a level 6.3%

Fed Funds



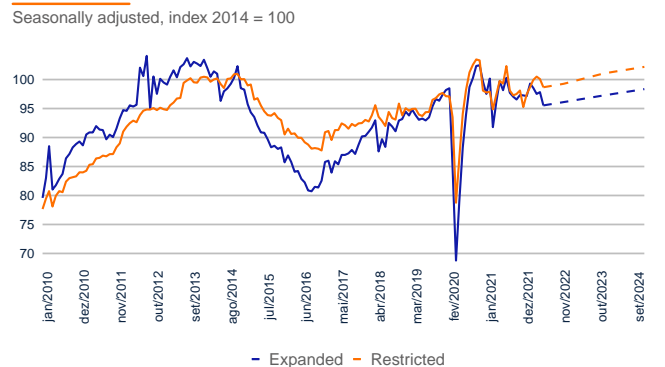
Source: Federal Reserve Elaboration: 4i

Industrial Production



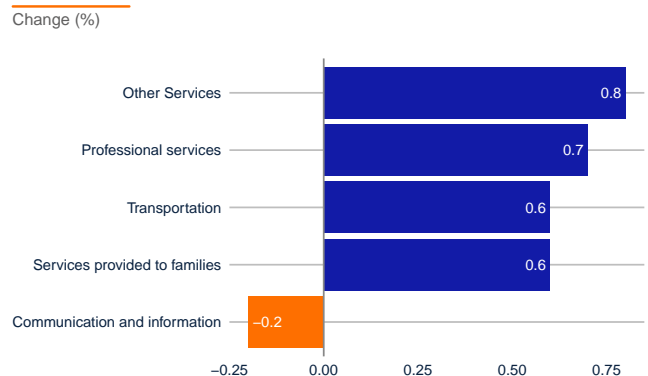
Source: IBGE Forecast: 4i Elaboration: 4i

Retail Sales



Source: IBGE Elaboration: 4i

Volume of services in June



Source: IBGE Elaboration: 4i

higher than that observed in the same period last year and 7.5% above that of February 2020.

The IPCA dropped 0.68% in July - in the biggest monthly deflation of the historical series. We understand that the favorable scenario for the prices remain on a cooling path in the last months of the year.

Firstly, due to the diffusion of deflation of basic items - energy and fuel - over other prices in the economy. In addition, due to the accommodation of international commodity prices and the consolidation of the monetary tightening, which should be felt more strongly in 2023.

The unemployment rate ended the second quarter at 9.3% - the lowest value for the period since 2015. We expect the unemployment rate to increase downward trajectory in the coming months and settle at 9.0% at the end of the year. Throughout 2023, less favorable economic conditions, with the exhaustion of the service recovery and the advance in real interest rates, should contribute to the slowdown of the labor market.

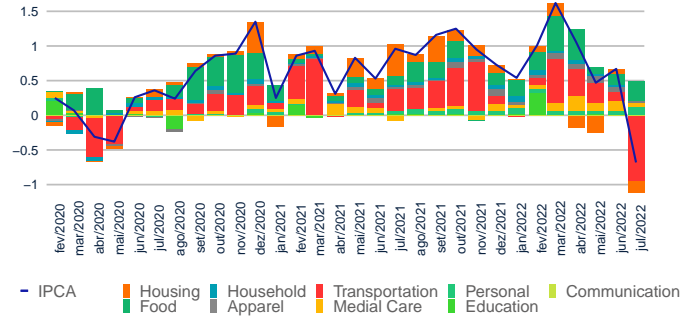
The Central Bank unanimously decided to increase the basic interest rate at 0.50 p.p. to 13.75% per year. At the next meeting we should have a new high of 0.25 p.p. ending the cycle of monetary tightening with the Selic at 14.00% per year.

Politics

With the start of electoral campaigns, deputies and senators are focused on organizing their schedules to assist supporters.

Contributions to monthly inflation

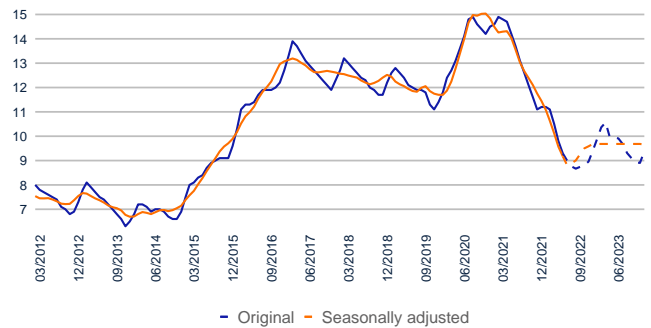
Percentage points



Source: IBGE Elaboration: 4i

PNAD – Unemployment Rate

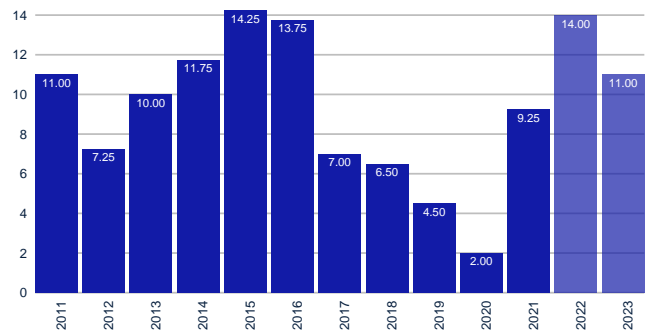
%



Source: IBGE Elaboration: 4i

Selic Rate

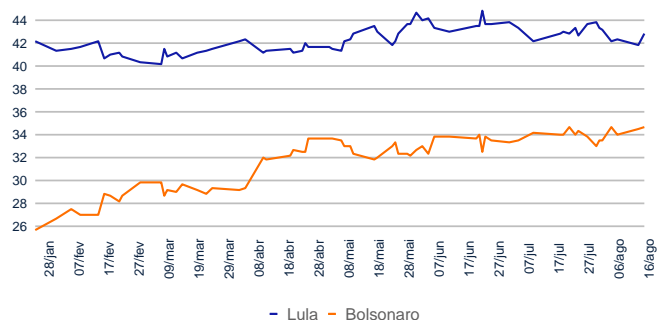
% per year



Source: BCB Forecast: 4i Elaboration: 4i

Voting intentions – Lula and Bolsonaro

Moving average of seven polls



Source: Quaesit IPESPE, Poder Data, Futura, Ideia e Paraná Elaboration: 4i

Disclosure

The points of view expressed in this document constitute the private opinions of the analyst responsible for its elaboration up to the date of publication.

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