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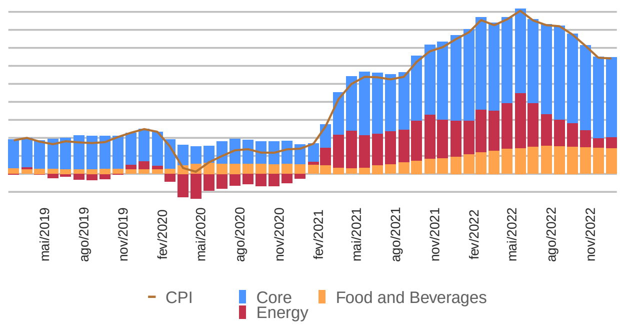
International

The North American CPI jumped 0.5% in January and advanced 6.4% compared to a year ago. The movement was propelled mainly by shelter (0.7% MoM) and food (0.5% MoM).

The composition of US inflation changed in the second half of 2022, when it began to reflect pressures linked to less volatile forces, such as rents and services.

United States – CPI Composition

Contributions to annual inflation, percentual points



Source: St. Louis Fed **Elaboration:** 4intelligence

Brazil

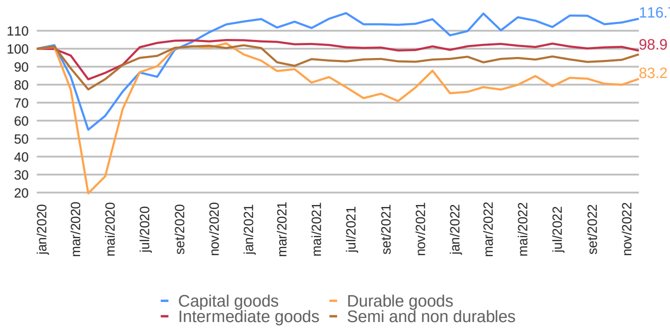
Industrial production held steady in December. We believe that the industry experienced, in the fourth quarter, a period of relative stability due to the gradual normalization of the supply chains and consequent depressurization of sector costs. **In the medium term**, on the other hand, interest rates at a restrictive level and the global economic slowdown should lead the **industry to retreat for the second consecutive year in 2023**

Restricted retail grew by 1.0% in 2022, while expanded retail, which includes vehicles, motorcycles and parts, as well as construction materials, fell by 0.6%. The behavior of more income-sensitive sectors - the case of restricted retail - reflects the improvement in employment indicators, the expansion of government aid that started in 2022, in addition to the cooling of inflation, which, until the middle of last year, was a corrosive factor of household income. We believe that there is still room for growth in the coming months, but timidly, in line with our estimate of a more timid expansion of the economy in 2023 (+0.7%). For expanded retail, the picture is more delicate. The segments that characterize this modality are more sensitive to the credit cycle and should suffer the effects of high interest rates throughout 2023, in addition to the scenario of high family indebtedness.

The IBC-Br increased by 0.3% in December, in the

Industrial production by categories of use

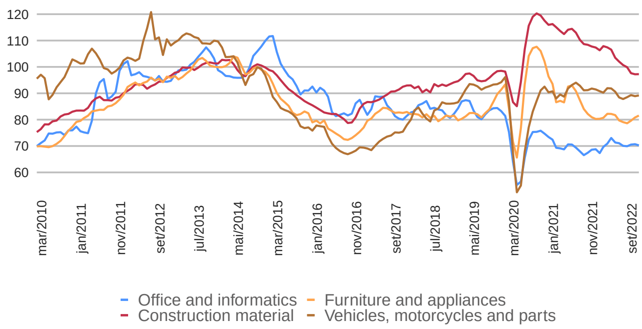
Index, jan/2020 = 100, seasonally adjusted



Source: IBGE **Elaboration:** 4intelligence

Credit sensitive retail

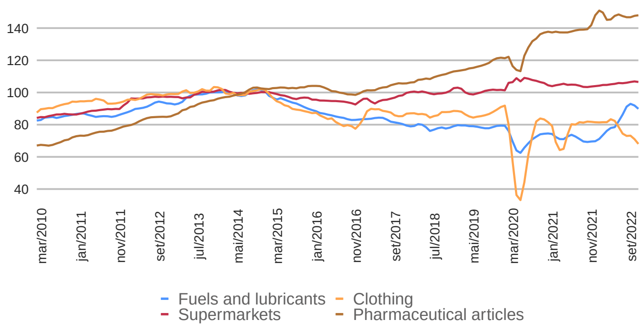
Average with a three month rolling window, seasonally adjusted



Source: IBGE **Elaboration:** 4intelligence

Income sensitive retail

Average with a three month rolling window, seasonally adjusted



Source: IBGE **Elaboration:** 4intelligence

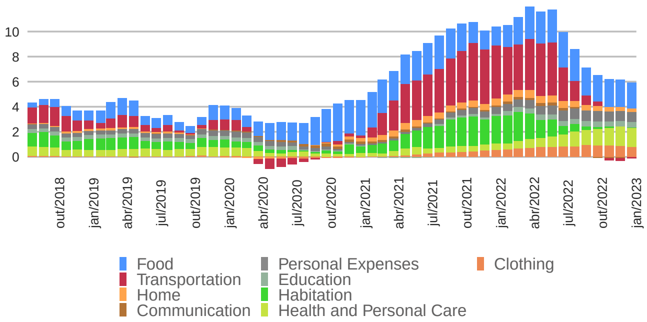
seasonally adjusted series. Despite the positive result, we expect GDP to have retreated by 0.4% in the last quarter.

The National Consumer Price Index (IPCA) increased by 0.53% in the first month of 2023, after expanding by 0.63% in December. **Prospectively, we expect inflation to once again exceed the target ceiling in 2023 - albeit at a slower pace than last year.** In the short term, the IPCA tends to be pressured by transport due to the readjustment promoted by Petrobras in the price of gasoline at the end of January. In addition, in our view, the possible return of taxes on alcohol and gasoline throughout the year should once again impact administered prices, after a 3.8% deflation in 2022. At the same time, the movement should be partially counterbalanced by a cooling of the inflation of services and industrial goods - in the wake of an expected slower pace of economic activity, in addition to the interest rate at high levels for a longer time.

We have revised upwards our inflation forecast this year to 5.8%, due to greater potential pressure from fuel prices.

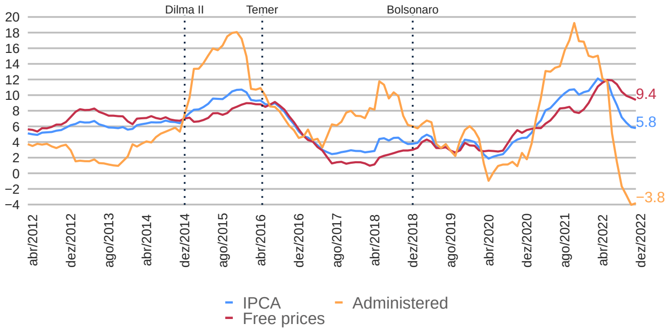
The General Register of Employed and Unemployed People (Caged) indicated the net loss of 431.0 thousand new jobs in December. **We observed, for most of the year, a heated labor market, fueled by the recovery of the services sector and the resistance of private consumption despite inflation, a movement sustained, in large part, by the expansionist policies of the federal government.** The results obtained in the last quarter, on the other hand, point to a reversal of this situation, influenced by the sectors that are more sensitive to the monetary cycle, which should keep the pace of hiring down throughout 2023, given the prospect of high interest rates this year.

Contributions to annual inflation
Percentual points, weighted by the 2019 POF



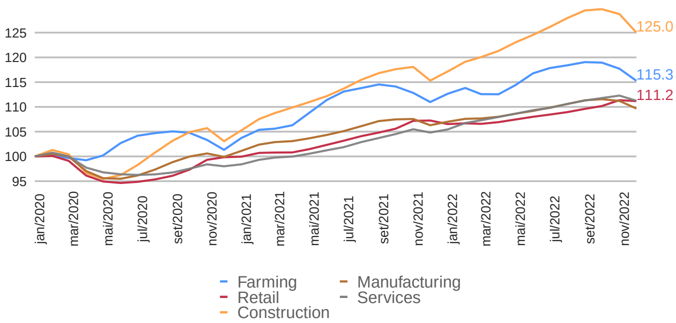
Source: IBGE **Elaboration:** 4intelligence

IPCA – Free and administered prices
Year over year (%)



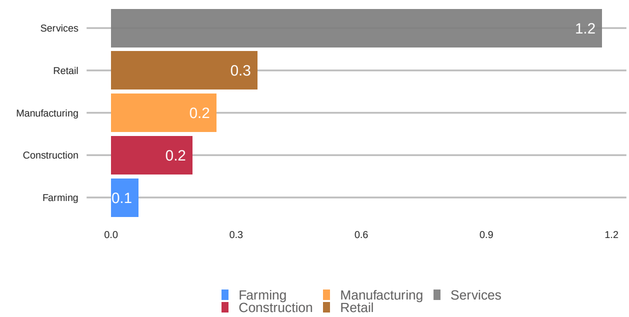
Source: IBGE **Elaboration:** 4intelligence

Employment Recovery
Number of jobs, index, jan/2020 = 100



Source: Ministério da Economia **Elaboration:** 4intelligence

Caged – Formal Payroll
Million of people



Source: Ministério da Economia **Elaboration:** 4intelligence

Disclaimer

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Technical Team

Bruno Lavieri / Gabriel Belle / Gustavo Oliveira / Humberto Dantas / Joyce Luz / Juan Jensen / Luiz Tavares / Maria Rafaela Silva / Matheus Almeida / Wellington Nobrega / Yasmin Ventura