

International

In April, the United States Consumer Price Index (CPI) rose by 0.4% from March. This means that inflation, which has been slowing down, reached 4.9% in the last twelve months.

The Fed likely finished its cycle of rate hikes with the key interest rate between 5.00% and 5.25%. We think that this rate will remain stable until at least the end of the year.

Brazil

We raised our first quarter growth estimate to 0.6% due to a stronger-than-expected activity early in the year. This increased our 2023 growth outlook from 0.9% to 1.2%. We expect this projection to reflect a significant rebound in agricultural output, steady consumption and labor market, and lower fiscal risks with the introduction of the new fiscal framework project in congress.

The volume of services rose by 0.9% in March, following a 0.7% increase in February, after adjusting for seasonal factors. Retail sales grew by 0.2% in the restricted category and 0.4% in the expanded mode.

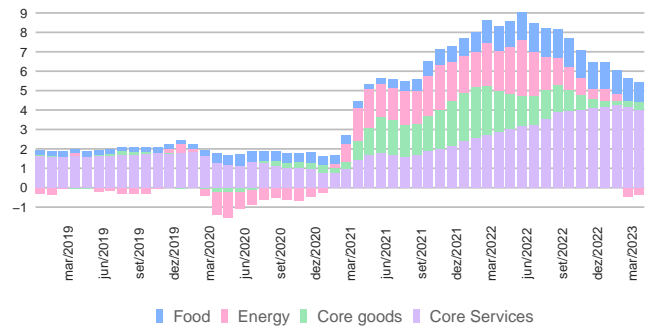
We expect that the Services sector activity will slow down in the medium term as it reaches its growth limit. So far, all segments except Family Services have recovered from the pandemic-induced slump. Family Services volume is still 6.2% below its February 2020 level.

We expect retail growth to be driven by sectors that depend more on income because of the strong labor market and the real increase in the minimum wage. For sectors that are more affected by the monetary cycle, however, the outlook is unfavorable, due to the high level of interest rates and the high household debt.

In April, the National Consumer Price Index (IPCA)

CPI – Contributions to Inflation

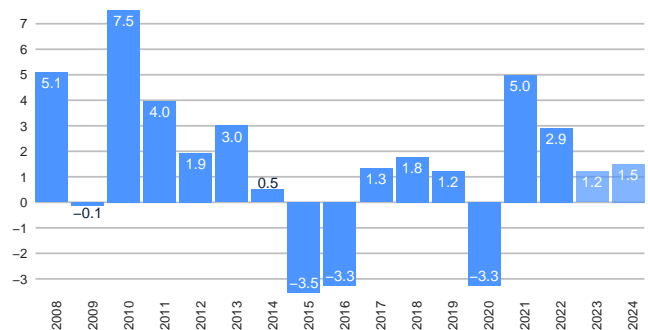
Change from a year ago, percentual points



Source: Bureau of Labor Statistics Elaboration: 4intelligence

GDP

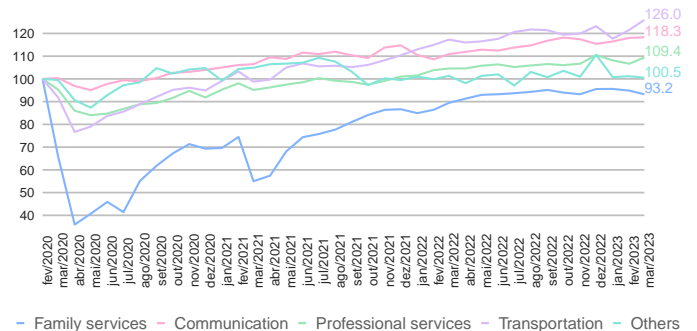
Change (%)



Source: IBGE Elaboration: 4intelligence

Recovery of the Services Sector

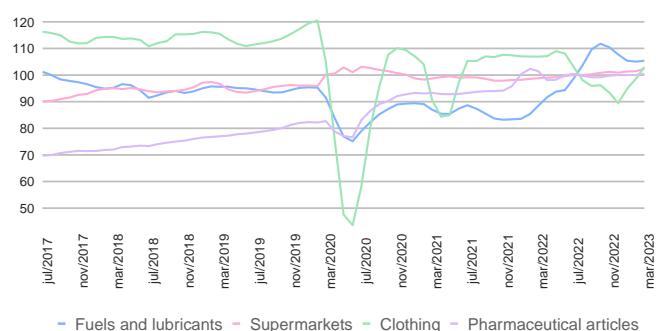
Index Feb/2020 = 100, seasonally adjusted



Source: IBGE Elaboration: 4intelligence

Income sensitive retail

Average with a three month rolling window, seasonally adjusted



Source: IBGE Elaboration: 4intelligence

rose by 0.61%, after increasing by 0.71% in March. This means that the IPCA has grown by 4.18% in the last twelve months and by 2.72% this year.

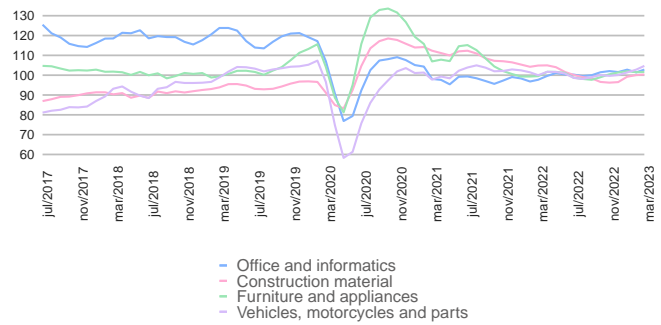
In the medium term, we expect food prices to have a smaller impact on total inflation in 2023, as agricultural output recovers and the base effects from last year fade away. In the energy sector, we think that prices will depend on the global activity level, which is very uncertain right now. In any case, we also expect energy and fuel prices to contribute less to inflation this year. Lastly, the underlying inflation more linked to the business cycle should remain pressured and cool down more slowly as activity slows down gradually.

The unemployment rate ended the first quarter of the year at 8.8% - 0.9 p.p. higher than the level seen in the three months ending in December.

For now, the employment data show a hotter labor market than expected at the beginning of the year. We think, however, that this dynamic will not last in the next quarters, which will be characterized by a slower growth of the labor force and employment. These movements will cause the unemployment rate to fluctuate. The background is an economy slowing down due to monetary tightening, high household debt and a less favorable external scenario.

Credit sensitive retail

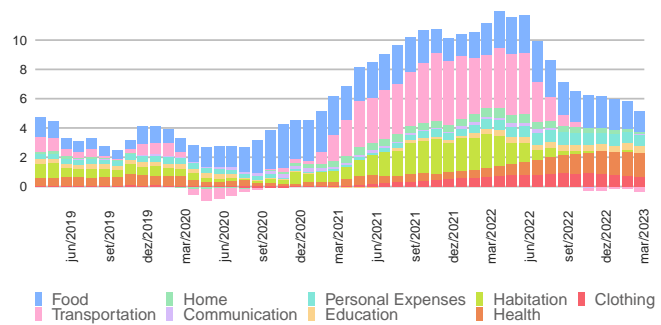
Average with a three month rolling window, seasonally adjusted



Source: IBGE Elaboration: 4intelligence

Contributions to annual inflation

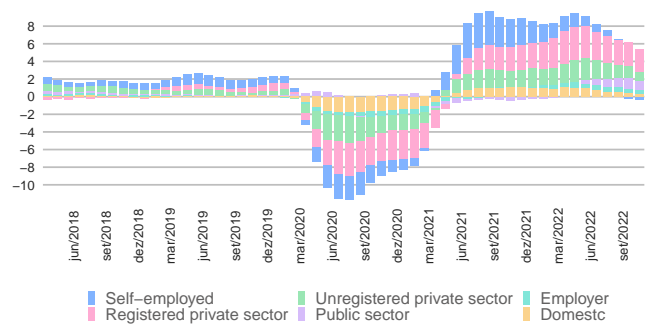
Percentual points, weighted by the 2019 POF



Source: IBGE Elaboration: 4intelligence

Occupation

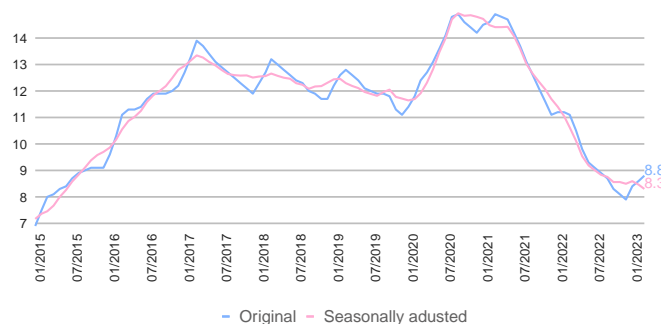
Million of persons, change from a year ago



Source: IBGE Elaboration: 4intelligence

Unemployment Rate

%



Source: IBGE Elaboration: 4intelligence

Disclaimer

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