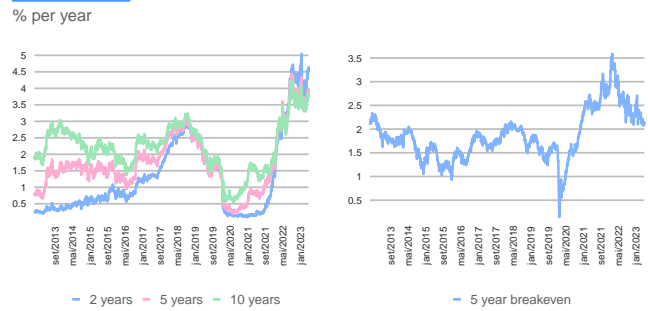


International

The Fed kept its key interest rate unchanged at 5.00% - 5.25% this month.

Despite the higher rates, consumption and employment remain strong, suggesting a smooth transition to lower inflation and stable growth.

Treasury Yields and Breakeven inflation



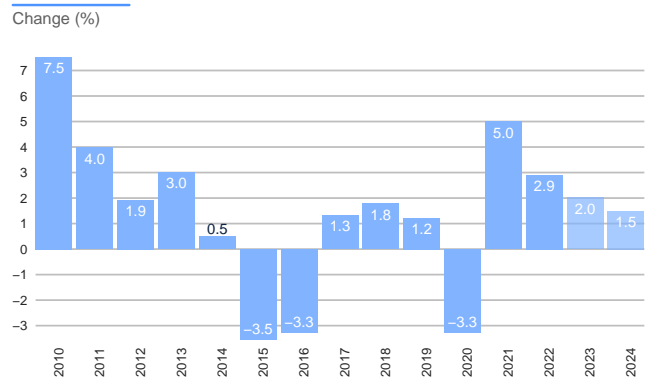
Source: Fed St. Louis Elaboration: 4intelligence

Brazil

Brazil's GDP rose 1.9% in Q1 2023, seasonally adjusted, boosted by a 21.6% jump in agriculture.

However, domestic demand was sluggish, as household and government spending grew modestly and Fixed Investment contracted. This reflects the tight macroeconomic environment - high interest rates and household debt. **Based on Q1 results, we lifted our 2023 growth estimate from 1.2% to 2.0%.**

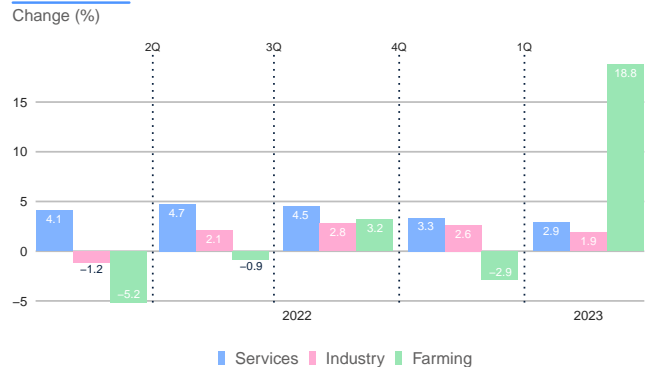
GDP



Source: IBGE Elaboration: 4intelligence

Restricted retail edged up 0.1% in April, after rising 0.8% in March, seasonally adjusted. Expanded retail, which includes vehicles, construction materials and food and beverage wholesalers, dropped 1.6%, dragged by the automotive sector.

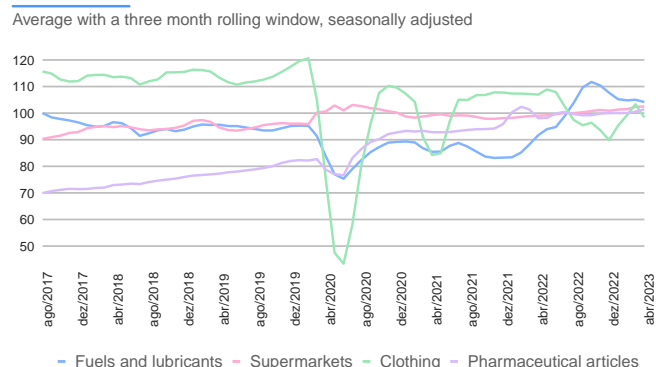
GDP – Supply side



Source: IBGE Elaboration: 4intelligence

We expect retail dynamics to depend on two opposing factors in the medium term. On one hand, income recovery, lower inflation and labor market resilience should support key sectors like Hyper and supermarkets. On the other hand, high interest rates and household debt limit the growth of credit-dependent segments - such as durable goods and construction.

Income sensitive retail



Source: IBGE Elaboration: 4intelligence

For services, we expect the sector to benefit from its income sensitivity – which has improved lately. However, the sector faces the challenge of high domestic indebtedness – which reduces household resources. The scenario, thus, is set for the segment to fluctuate, influenced by these two opposing forces.

The IGP-M showed a deflation of 1.84% in May, driven by the biggest drop in the IPA ever recorded

(-2.72%).

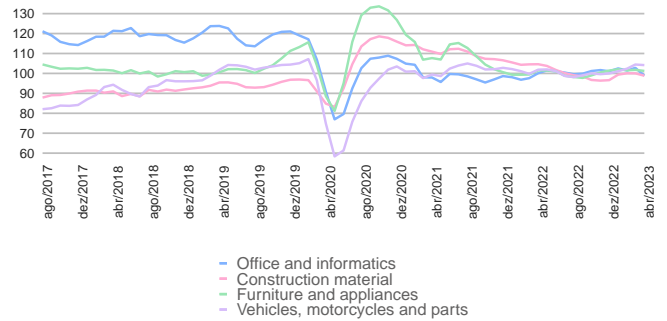
We expect that, in the short term, the rebound in agricultural output will keep easing wholesale prices– a scenario that can be reinforced by the continued currency appreciation. Globally, we have the outlook of a slowdown in advanced economies offset by the strong recovery of Chinese activity, a context that, in our view, causes some volatility in commodity prices.

The unemployment rate ended the quarter through April at 8.5% – the lowest level for the period since 2015.

For now, employment data show a stronger-than-expected labor market. We think, however, that this trend will not last in the next quarters, which should see a slower growth of the labor force and employment, movements that, together, will make the unemployment rate fluctuate.

Credit sensitive retail

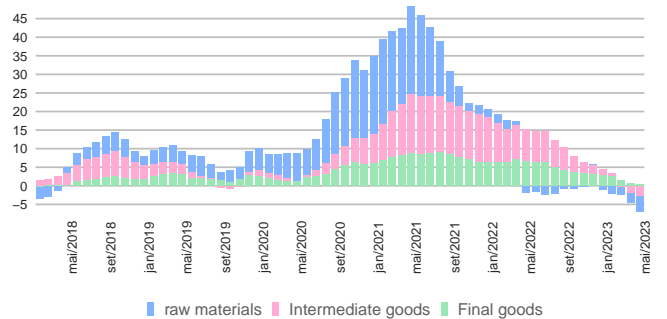
Average with a three month rolling window, seasonally adjusted



Source: IBGE Elaboration: 4intelligence

IPA – M Composition

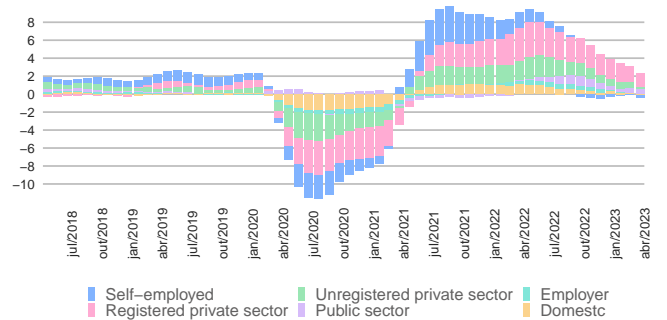
Change from a year ago, percentual points



Source: FGV Elaboration: 4intelligence

Occupation

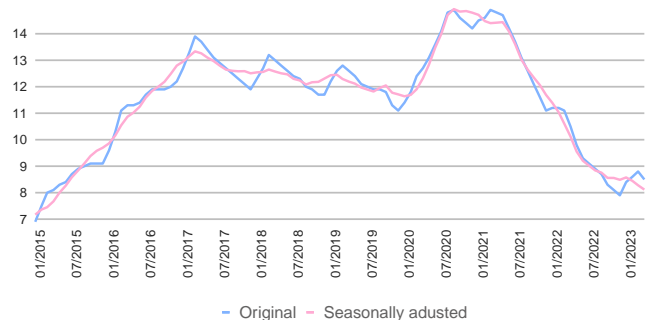
Million of persons, change from a year ago



Source: IBGE Elaboration: 4intelligence

Unemployment Rate

%



Source: IBGE Elaboration: 4intelligence

Disclaimer

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.

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