

International

The US CPI rose by 0.2% month-over-month in July, mainly driven by housing costs – which accounted for about 90% of the monthly increase. The index recorded a 3.2% year-on-year change.

The FOMC – the Fed’s policy-making committee – decided to lift the Fed Funds target range by 25 bps to 5.25%–5.50% at its July meeting, the highest level since 2001. We anticipate the Committee to pause the tightening cycle again in September, while the future course of interest rates will rely on the pace of moderation of core US inflation, which is still above the comfort zone.

Brazil

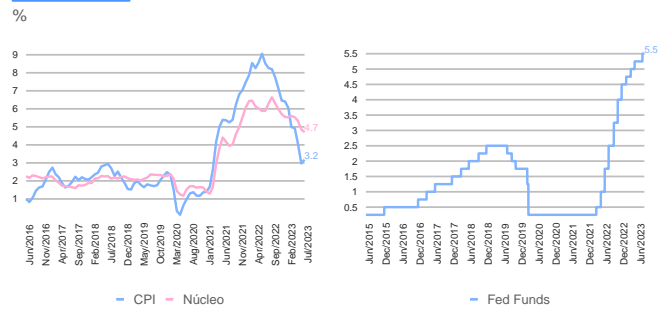
We estimate that GDP has remained stable (0.0%) in the second quarter. We expect a negative contribution from agriculture after a strong Q1, offset by stable industry despite tight monetary conditions, and service sector growth, supported by the resilient labor market and income recovery.

We also raised our 2023 growth forecast from 2.0% to 2.4% due to the performance of Agribusiness and Services. In 2024, growth is projected to slow to 1.4%, reflecting the limited room for service expansion and some loss of momentum in the labor market.

The Services sector remained resilient in June, expanding by 0.2 percent – after a 1.4 percent surge in May. Retail sales also grew by 1.2% in the broad measure, boosted by the automotive market, while industry showed a marginal increase (+0.1%).

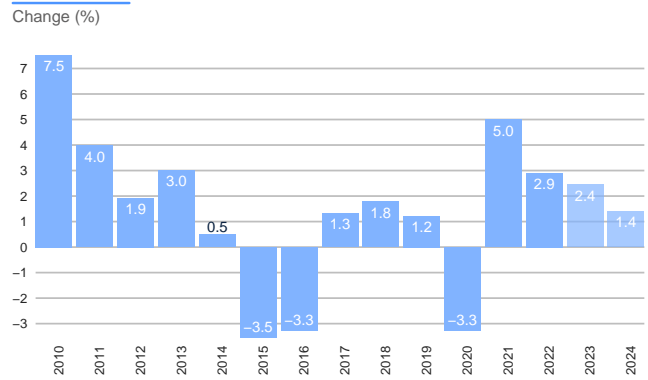
We anticipate the industry to benefit from the monetary easing in the coming months – even though interest rates will stay high for a while. For retail, we see income-sensitive segments sustaining the sector, which gains from lower inflation – especially for food and fuel. The outlook is also favorable for the ser-

Inflation and Fed Funds



Source: Bureau of Labor Statistics and Federal Reserve Elaboration: 4intelligence

GDP



Source: IBGE Elaboration: 4intelligence

Economic heatmap

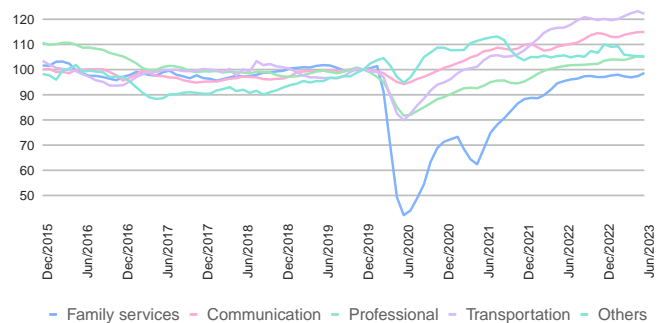
Seasonally adjusted series, monthly change (%)

	Jul/2022	Aug/2022	Sep/2022	Oct/2022	Nov/2022	Dec/2022	Jan/2023	Feb/2023	Mar/2023	Apr/2023	May/2023	Jun/2023
IBC-Br	2.2	-1.4	-0.3	-0.2	-1.3	0.8	0.2	3.0	-0.3	0.8	-2.1	0.6
PMS	1.5	1.1	0.5	-0.3	-0.1	2.8	-3.4	0.8	1.2	-1.6	1.4	0.2
PIM	0.7	-1.1	-1.3	1.3	0.2	0.0	-0.3	-0.2	1.1	-0.6	0.3	0.1
PMC	-0.2	0.2	1.0	0.2	-0.7	-3.0	4.1	-0.2	0.6	-0.1	-0.7	0.0

Source: IBGE, Banco Central Elaboration: 4intelligence

Volume of services

Moving average with a quarterly window, dec/2019 = 100



Source: IBGE Elaboration: 4intelligence

vices sector, although some moderation in growth is expected due to the strong performance of recent months.

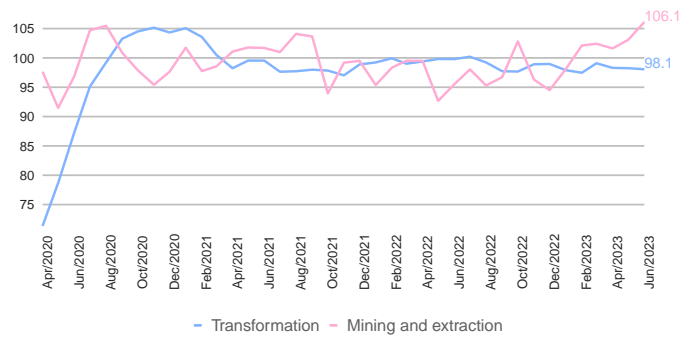
The IPCA rose 0.12% in July and reached a 3.99% year-over-year change.

The evolution of the Brazilian main price indicators has revealed that the disinflation process has intensified in the last quarter. The main driver of this movement is food, due to the fall in agricultural commodity prices in the global market, especially grains and energy inputs, reflecting the weaker international activity. In any case, due to the recent volatility of the global oil price, we expect fuels to be, in the near term, a source of inflation - a scenario that prompted us to revise our inflation forecast from 4.8% to 5.0%.

The Governability Index (I-GOV) from 4intelligence, which gauges the environment for the progress of the Executive's agenda before the Legislative, the Judiciary and Public Opinion, dropped 2 percentage points from June to July - from 48% to 46%. The move reflects judicial dynamics – which are ruling on decisions from the previous government. In the Legislature, only one edict was resolved in July, and approved with amendment. **You can find the I-GOV, in portuguese, here.**

Industrial production

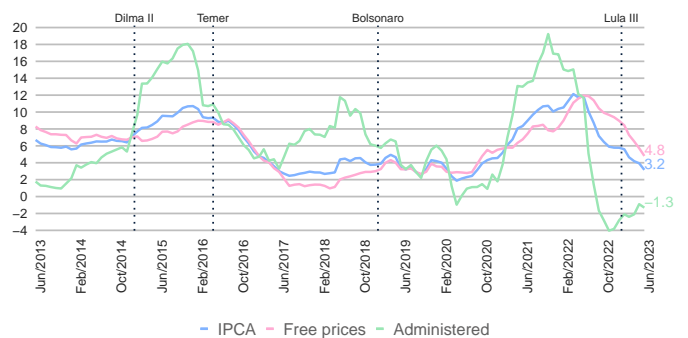
Index, jan/2020 = 100, seasonally adjusted



Source: IBGE Elaboration: 4intelligence

IPCA – Free and administered prices

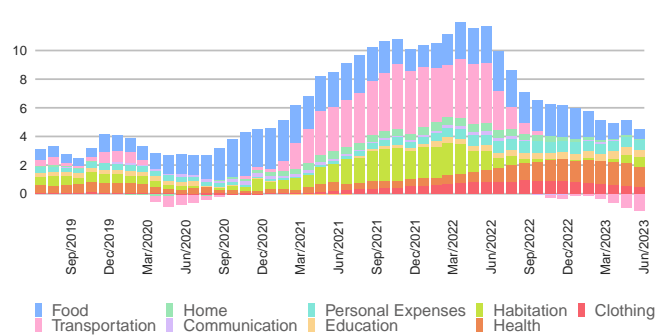
Year over year (%)



Source: IBGE Elaboration: 4intelligence

Contributions to annual inflation

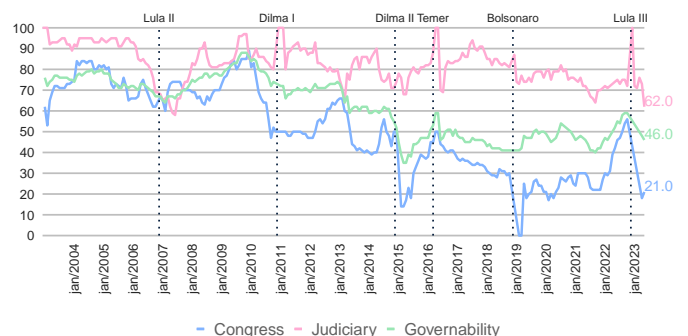
Percentual points, weighted by the 2019 POF



Source: IBGE Elaboration: 4intelligence

I-GOV

Percentual points



Source: 4intelligence Elaboration: 4intelligence

Disclaimer

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