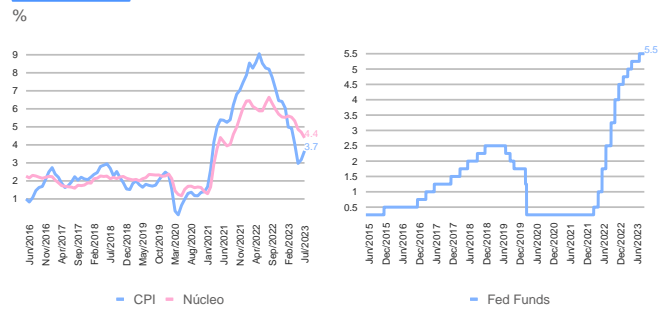


## International

The US CPI rose by 0.6% month-on-month in August, reaching an annual inflation rate of 3.7%. The core CPI, which excludes food and energy prices, increased by 0.3% over the same period.

We anticipate that the Fed will pause its tightening cycle at its September meeting, but the future path of interest rates will hinge on how quickly the core inflation cools down, as it remains above the Fed's comfort zone.

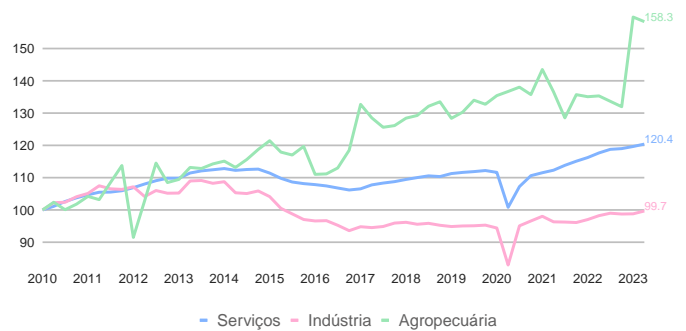
### Inflation and Fed Funds



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

### GDP – Supply side

Index 1Q/2010 = 100, seasonally adjusted



Source: IBGE Elaboration: 4intelligence

### Economic heatmap

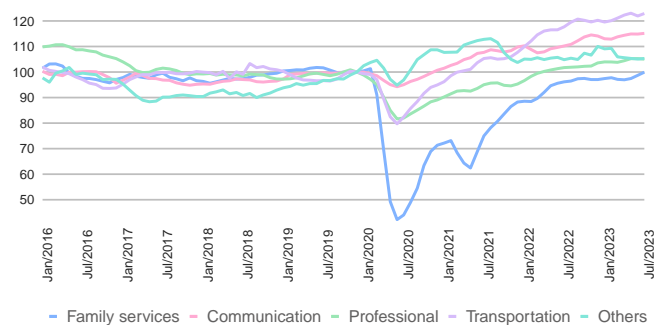
Seasonally adjusted series, monthly change (%)

PMC	-1.1	-0.3	-0.2	-1.3	0.8	0.2	3.1	-0.2	1.0	-1.8	0.2	0.4
IBC-Br	1.2	0.5	-0.3	0.0	2.8	-3.4	0.8	1.2	-1.6	1.5	0.2	0.5
PIM	-1.2	-1.2	1.3	0.2	0.0	-0.3	-0.2	1.1	-0.7	0.3	0.0	-0.6
PMS	0.4	1.1	0.2	-0.7	-3.0	4.0	0.0	0.7	0.0	-0.6	0.1	0.7
	Aug/2022	Sep/2022	Oct/2022	Nov/2022	Dec/2022	Jan/2023	Feb/2023	Mar/2023	Apr/2023	May/2023	Jun/2023	Jul/2023

Source: IBGE, Banco Central Elaboration: 4intelligence

### Volume of services

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



Source: IBGE Elaboration: 4intelligence

## Brazil

Seasonally adjusted GDP increased by 0.9% in Q2, following a 0.7% rise in Q1.

Unlike the first quarter, when the GDP growth was mainly driven by a rebound in agricultural output after a weather shock, the second quarter showed a more balanced and robust performance of the economy. From the demand side, domestic demand expanded, with positive contributions from private consumption (+0.9%), public spending (+0.7%) and gross fixed capital formation (+0.1%), which recovered from a 3.4% drop in the previous quarter. **We attribute these developments to the favorable dynamics of the labor market and the improved economic sentiment.**

Based on the better-than-expected results in the first half of the year, we have revised our 2023 GDP growth forecast from 2.4% to 3.2%. For 2024, we project a growth rate of 1.8% (up from 1.4%).

The service sector grew by 0.5% in July, continuing its positive trend. Restricted retail sales also increased by 0.7%, while expanded retail sales declined by 0.3%, dragged down by the automotive sector. Industrial production, however, fell by 0.6% after remaining stable in the previous months.

We expect the industry to recover in the coming

months, supported by the monetary easing and the improved economic environment. For retail, segments that are more sensitive to income will benefit from the lower inflation and the strong labor market. We also foresee a better outlook for expanded retail, as the automotive market and the financing costs will improve with the start of the interest rate cuts. The prospects are also favorable for services, although some moderation in growth is expected due to the high base of comparison.

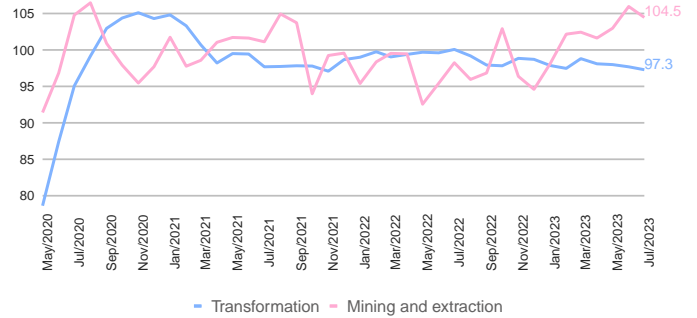
The IPCA increased by 0.23% in August, bringing the annual and year-to-date rates to 4.61% and 3.23%, respectively.

**The August figure indicates a reversal of the disinflation trend observed in the previous months**, but inflation should not reach worrisome levels, as the fundamentals remain mostly favorable. Regarding energy, we expect the green tariff flag to persist in the short and medium term. For food, we will still see the impact of the soybean and corn harvests on prices. The only source of uncertainty comes from the international scenario and the elevated oil and fuel prices.

**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 1 percentage point from July to August - from 46% to 45%. The move reflects judicial and legislative dynamics. **You can find the I-GOV, in portuguese, here.**

## Industrial production

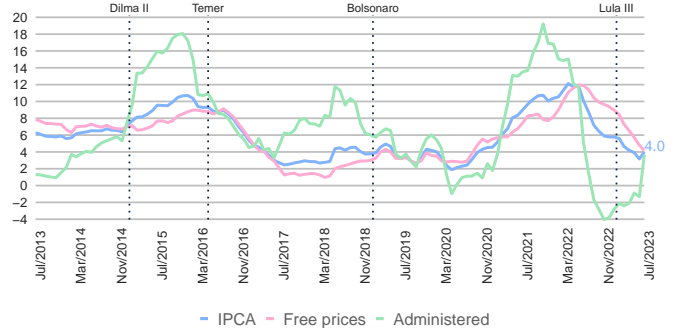
Index, jan/2020 = 100, seasonally adjusted



Source: IBGE Elaboration: 4intelligence

## IPCA – Free and administered prices

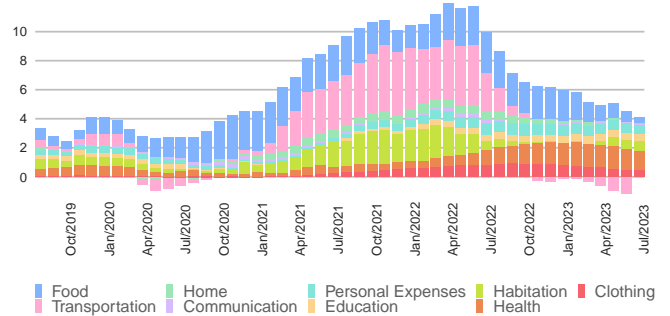
Year over year (%)



Source: IBGE Elaboration: 4intelligence

## Contributions to annual inflation

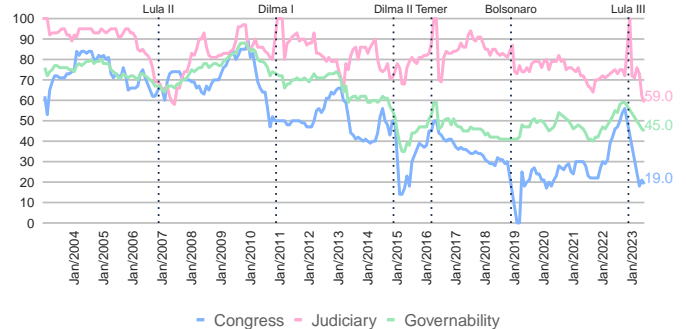
Percentual points, weighted by the 2019 POF



Source: IBGE Elaboration: 4intelligence

## I-GOV

Percentual points



Source: 4intelligence Elaboration: 4intelligence

## Disclaimer

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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