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International

In the United States, the Consumer Price Index (CPI) recorded a 0.1% increase from October to November.

In that sense, in december, the Federal Reserve (Fed) chose once again to keep unchanged the moving interval of the country's basic interest rate, at 5.25% to 5.50%. We assess that the the Fed's decision reinforces the perspective that the tightening cycle has come to an end. The trajectory of the interest rate and our predictions are available [here](#).

Brazil

The **Gross Domestic Product** (GDP) remained practically stable (+0.1%) in the third quarter, in the seasonally adjusted series.

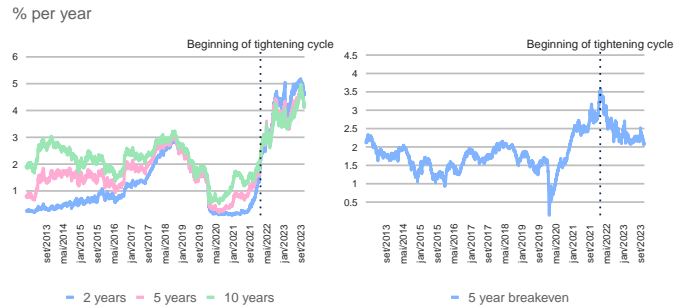
In this third quarter, the expectation of a slowdown in the dynamism of the agricultural sector was confirmed, resulting from the depletion of the effect originated in the robust soybean harvest in the first half of the year. However, from a demand perspective, we observed a satisfactory performance in household (+1.1%) and government consumption. We, however, also perceived a profound slowdown in investments (-2.5%)

Finally, we have kept unchanged our forecast for GDP growth in 2023, at 3.2%. For 2024, we expect an increase of 1.7% (compared to a previous projection of 1.8%).

The **industrial output** increased slightly by 0.1% in October, On the other hand, **restricted retail** decreased by 0.3%, alongside the **volume of services**, that declined for the third consecutive month (-0.6%).

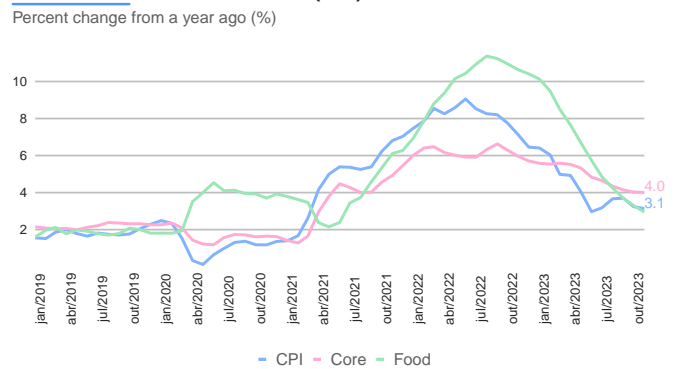
Looking ahead, the immediate short-term scenario suggests an industry still fluctuating, but that tends

Treasury Yields and Breakeven inflation



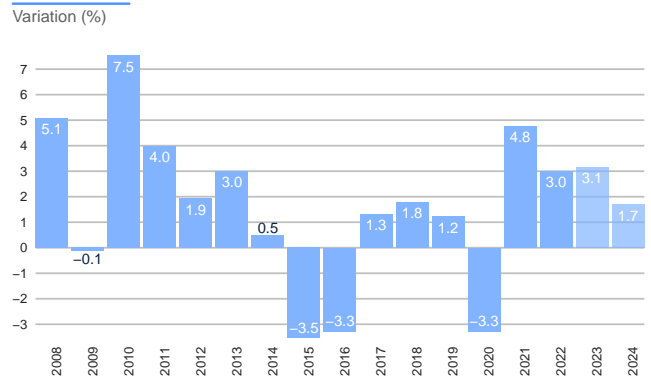
Source: Fed St. Louis Elaboration: 4intelligence

USA – Consumer Price Index (CPI)



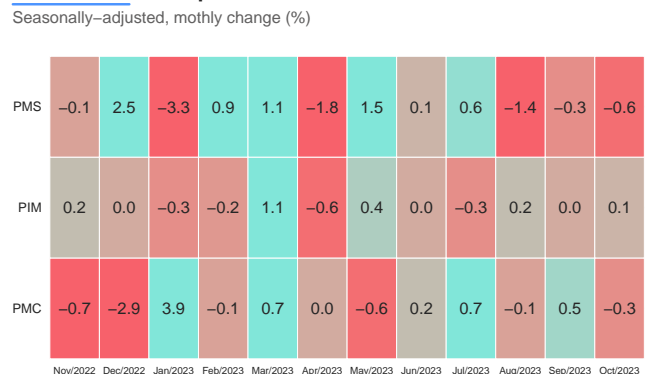
Source: Bureau of Labor Statistics Elaboration: 4intelligence

GDP



Source: IBGE Elaboration: 4intelligence

Economic Heatmap



Source: IBGE, Banco Central Elaboration: 4intelligence

to benefit from the cuts in interest rate and from an improved economic environment. As for services, we anticipate a slowdown, natural for a sector operating at high levels, yet with positive expectations ahead, driven both by the recovery of income and the labor market, as well as by the seasonal demand of year-end period. Similarly for retail, this dynamic will probably continue benefitting its segments most sensitive to income. Furthermore, the outlook should turn more benign for the segments sensitive to credit as interest rates continually lower.

The national Consumer Price Index (IPCA) presented an inflation of 0.28% in November. With this result, the IPCA has accumulated an increase of 4.82% in the past twelve months and 3.75% for 2023.

This result indicates an inflation pulled by the Foods and Beverages group, pressured by the effects of *El Niño* as well as by the foreign demand, especially for agricultural inputs and animal protein

Looking ahead, we presume *El Niño* will continue pressuring more volatile prices, particularly agricultural goods, from the supply side, acting alongside pressures stemming from the instability of the external scenario due to the effects of ongoing conflicts.

Politics

Released on December 11th, the result of the Governability Index (I-Gov) stood at 43%, an improvement from October (42%) and consistent with September. Regarding the legislative dimension, Lula hit the mark of 15%, where he continues to face most of his challenges, while in the judiciary dimension, he achieved 63%. Finally, when it comes to public opinion, the government slightly decreased to the mark of 52%, still above the 50% threshold but below the results of his earlier mandates.

PIM

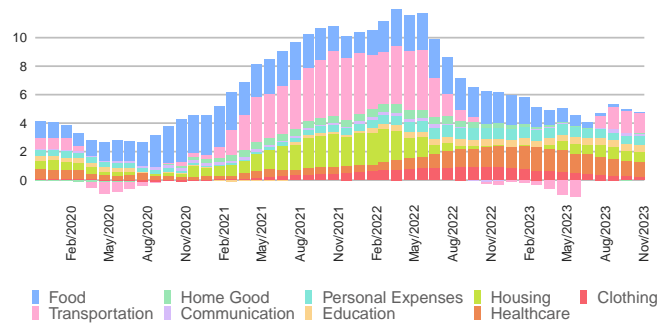
Seasonally adjusted series



Source: IBGE Elaboration: 4intelligence

Contributions to Annual Inflation

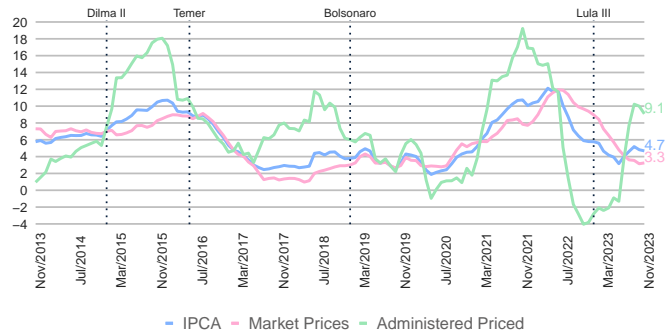
Percentual points, weighted by POF – 2019



Source: IBGE Elaboration: 4intelligence

IPCA – Market and Administered Prices

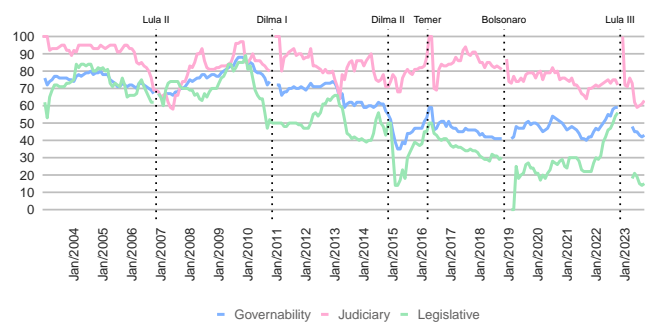
YoY Comparisons (%)



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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