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International

The **Federal Reserve (Fed)** opted to keep the target range for the [federal funds rate](#) unchanged at **5.25% - 5.50%** for the eighth consecutive time. Additionally, according to the new projections released, the ideal target range is expected to be between 4.88% and 5.12% throughout 2024. The market now sees September as the most likely month for the start of interest rate cuts in the United States, according to the CME's FedWatch Tool, in line with projections the projections from *4intelligence*.

Additionally, the [Consumer Price Index](#) (CPI) in the U.S. showed stability (0.0%) from April to May, after an increase of 0.3% in the previous period. Over the past year, the index has accumulated a variation of 3.3%.

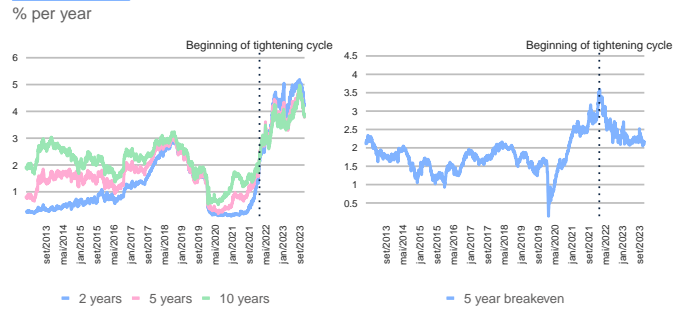
Brazil

The [Gross Domestic Product](#) (GDP) grew by **0.8%** in the first quarter of 2024, in the seasonally adjusted series. With this result, the GDP has accumulated growth of 2.5% over the last four quarters.

The expansion during this period can be explained by the still strong performance of **Agriculture, which grew by 11.3%** (QoQsa) despite showing a year-on-year decline of 3.0% due to last year's robust performance. Additionally, we highlight the performance of Services, especially Commerce (3.0%). As for Industry, the sector remained virtually stable (-0.1%), registering modest growth of 0.7% only in Manufacturing. In 2024, we expect growth to slow to 1.7% amid the realignment of interest rate expectations, a less intense contribution from Agriculture, and the direct impacts of the floods in the South.

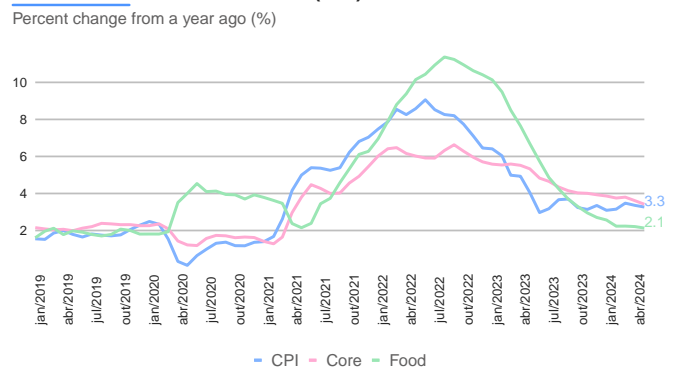
The [restricted retail](#) increased in april (0.3%), after recording stability in the previous month.. On the other hand, [industrial output](#) fell by 0.5% in the same month. Meanwhile, the [volume of services](#) increased

Treasury Yields and Breakeven inflation



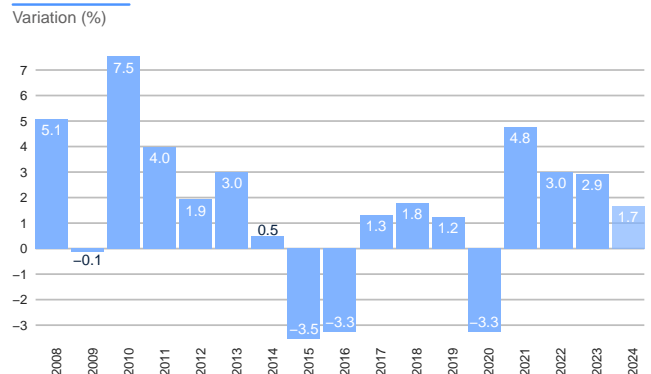
Source: Fed St. Louis Elaboration: 4intelligence

USA – Consumer Price Index (CPI)



Source: Bureau of Labor Statistics Elaboration: 4intelligence

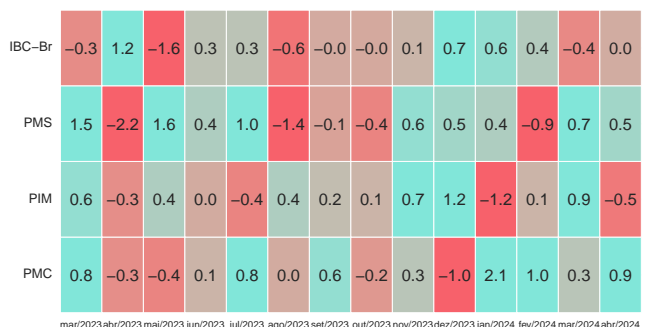
GDP



Source: IBGE Elaboration: 4intelligence

Economic Heatmap

Seasonally-adjusted, monthly change (%)



Source: IBGE, Banco Central Elaboration: 4intelligence

by 0.5%. Thus, the seasonally-adjusted [IBC-Br](#) was stable (0,0%) in April, and accumulates a 4,0% growth over twelve months.

For retail, the outlook ahead is less favorable and we expect slower growth in credit-sensitive sectors compared to the original projection, as Brazil is expected to have reached the end of its interest rate easing cycle in 2024.

The national Consumer Price Index (IPCA) rose by 0.46% in May. With this result, the IPCA has accumulated an increase of 3.93% over the last twelve months. This month's result mainly reflects the strong increase in Healthcare prices, that rose by 0.69%, as well as the increase seen in Food and Beverage prices (0.62%), that still suffer under the effects of the *El Niño*

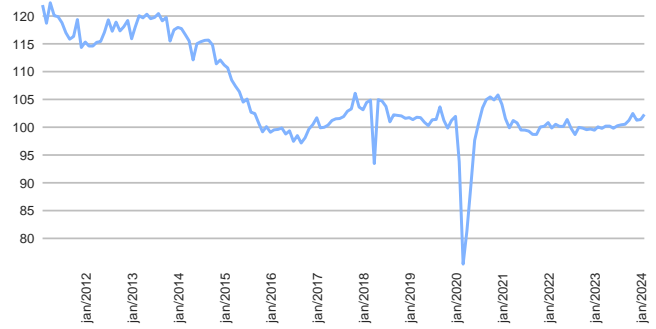
Even with the weakening of El Niño from mid-April onwards, there is still some uncertainty about the return to normal agricultural prices in the medium term—especially due to the passage of another similar phenomenon, the *La Niña*, with intense droughts forecasted for the second half of the year.

Politics

The Governability Index (I-Gov) for May 2024 was at 40,4% the worst result of Lula's third term. Regarding the Judiciary, that dropped to 60%, activities still focused on trials around the previous governments. In the legislative dimension, the government experienced a new decline in the month, hitting 14%, amidst the loss of 11 Provisional Measures (MPs). Finally, concerning public opinion, Lula remained at the mark of 47.1%.

PIM

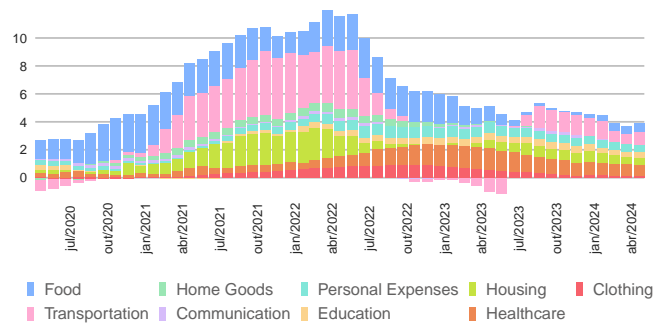
Seasonally adjusted series



Source: IBGE Elaboration: 4intelligence

Contributions to Annual Inflation

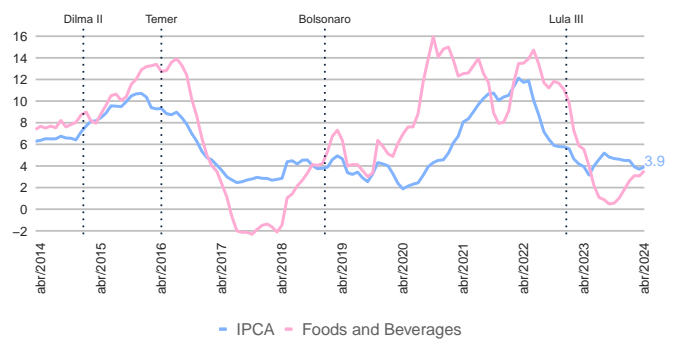
Percentual points, weighted by POF – 2019



Source: IBGE Elaboration: 4intelligence

IPCA – Full Index x Foods and Beverages

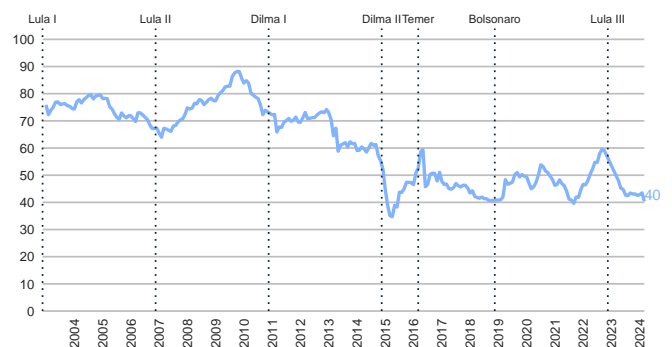
YoY (%)



Source: IBGE Elaboration: 4intelligence

Governability Index

%



Fuente: 4intelligence Elaboración: 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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