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International

In the United States, the Federal Reserve (Fed) decided, in its last meeting, to interrupt the cycle of interest rate cuts ([Fed Funds target rate](#)) maintaining the target range between 4.25% and 4.5% per year. Furthermore, the Fed's chairman, Jerome Powell, stated that the U.S. central bank is "in no hurry to cut rates".

This decision reflects an economy that is still overheated and uncertainties regarding the policies to be adopted by President Donald Trump. Although the U.S. Consumer Price Index ([CPI](#)) has shown a downward trend in recent years, it has remained stable recently, staying above the Fed's 2% target. At the same time, the labor market remains relatively stable. These factors, along with Trump's economic policies, may put additional inflationary pressure on the U.S. economy.

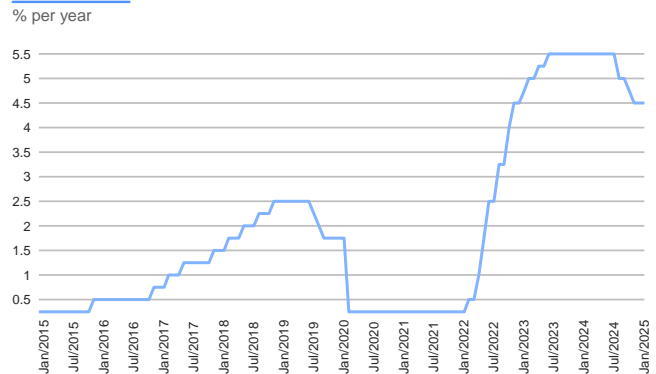
Brazil

The [exchange rate – BRL/USD](#) ended January considerably lower (5.83) relative to December of last year (6.19). Since the internal situation hasn't changed significantly, it is plausible to argue that the downward variation in the exchange rate is mainly due to the weakening of the Dollar.

The exchange rate remains historically high due to significant domestic political and economic uncertainties. As these factors have no immediate resolution at the moment, 4intelligence projects that the exchange rate will end the year around 5.80 BRL/USD.

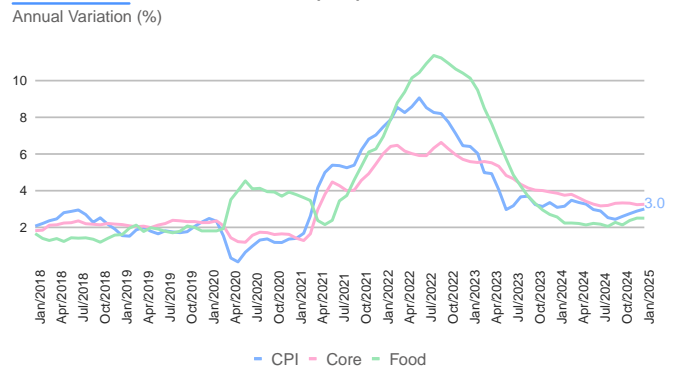
The economic activity indicators for December 2024 pointed to a slowdown in the economy. The Industrial Production Index (PIM) in December showed a decrease of 0.3% compared to November and a growth of 1.6% compared to the previous year. After seasonal adjustments, the Services Volume (PMS)

USA – Fed Funds Rate – Target



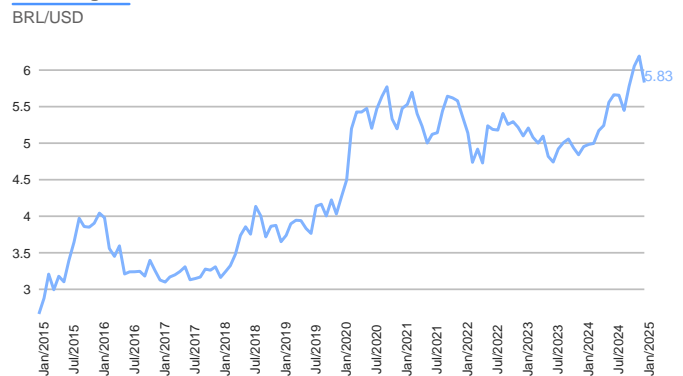
Fonte: St. Louis Fed Elaboração: 4intelligence

USA – Consumer Price Index (CPI)



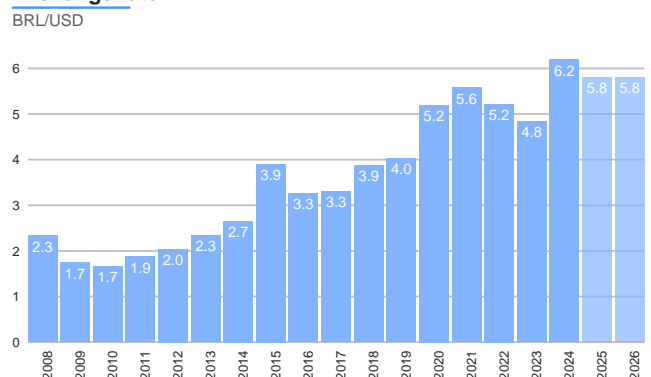
Source: Bureau of Labor Statistics Elaboração: 4intelligence

Exchange rate



Source: Brazilian Central Bank Elaboração: 4intelligence

Exchange rate



Source: Brazilian Central Bank Elaboração: 4intelligence

showed a 0.5% drop in services between November and December. The Retail Sales (PMC) revealed a 2.0% growth in December compared to the previous year, the lowest in 2024. Finally, in 2024, restricted retail grew 4.7%, the services sector grew 3.1%, and industry also grew 3.1%.

The Broad Consumer Price Index (IPCA) decreased to 0.16% in January, reaching a 12-month accumulated variation of 4.56%. The result was slightly below our projection (0.17%) and in line with the market expectations median (0.16%).

For February's IPCA, we project around 1.33%. Compared to January's IPCA, the increase in the indicator will be due to the impact of the end of the incorporation of the Itaipu Bonus, the new increment in Services, and the increase in the ICMS tax.

In a meeting of the Monetary Policy Committee (Copom), the Central Bank decided to raise the Selic interest rate again by 100 basis points, to 13.25% per year. The decision aligned with the minutes from the December 11th meeting, where Copom signaled that it would implement 100 basis point increases in the subsequent two meetings. The guidance for another increase of the same magnitude at the next meeting was renewed.

Politics

The Governability Index ([I-Gov](#)) January 2025 closed at 48.0%, a drop of 1.7 points compared to December. In the Judiciary, the index remained at 84.8%. In the legislative dimension, the government achieved 16%, due to the parliamentary recess, reflecting a slight decline. In public opinion, Lula recorded his worst approval rating in his third term, with 44%, impacted by rumors about the PIX and food inflation.

Economic heatmap

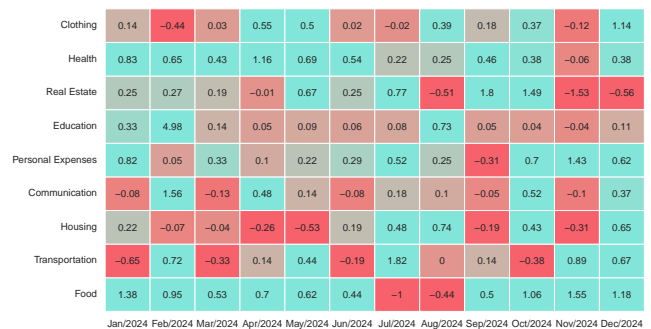
Sasonally-adjusted, monthly change (%)



Source: IBGE, Central Bank Elaboration: 4intelligence

Inflation Heatmap

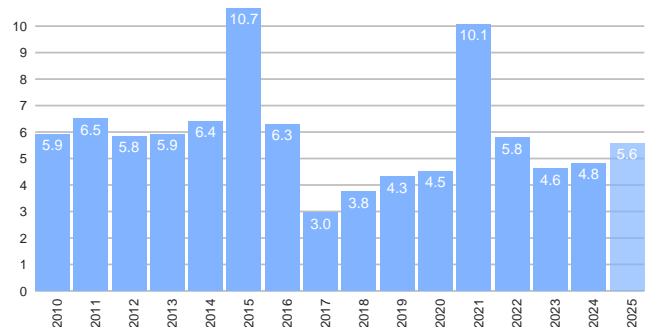
Monthly Variation (%)



Fonte: IBGE Elaboração: 4intelligence

IPCA – General Index

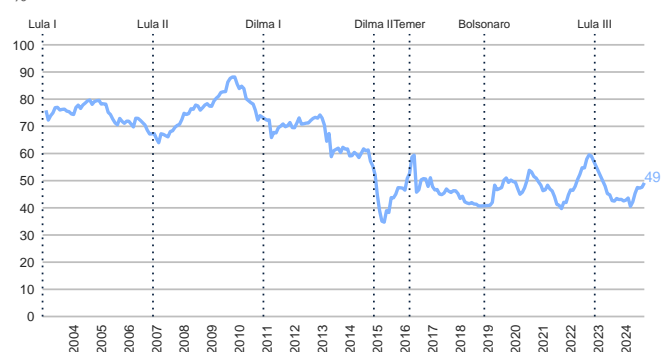
Annual Variation (%)



Source: IBGE Elaboration: 4intelligence

Governability Index

%



Source: 4intelligence Elaboration: 4intelligence

Disclaimer

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