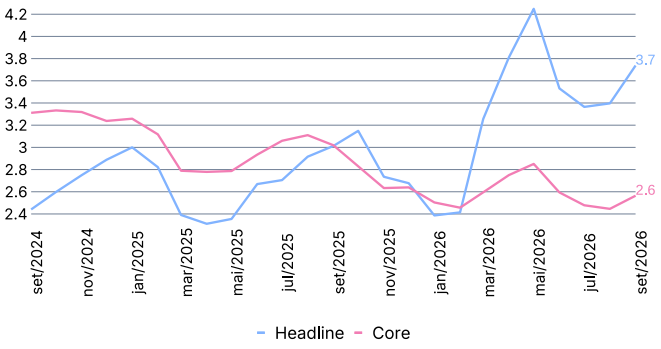
The historical data and forecasts presented here can be accessed in **our Feature Store.Access here.**

International

Global inflation remains under pressure. The conflict in the Middle East continues to keep international oil prices at elevated levels, above USD 100 per barrel since mid-September, contributing to rising global inflation. In the U.S., CPI increased 3.7% YoY in September, while the PCE deflator, the Fed's preferred inflation gauge, rose 3.4% YoY in August. In the Euro Area, harmonized CPI accelerated to 3.7%. As a result, inflation has moved further away from the 2% target pursued by both the Fed and the ECB. Against this backdrop, we expect monetary tightening to continue in both regions, including two additional U.S. rate hikes by March next year.

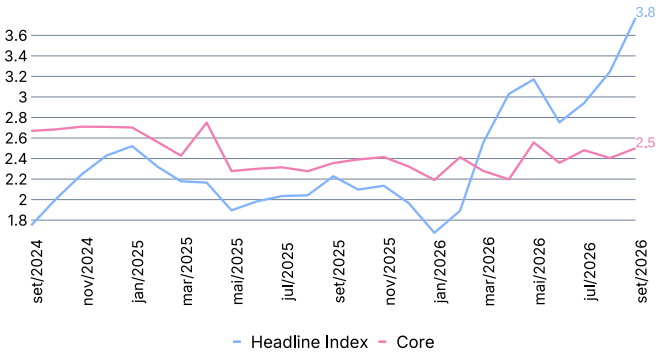
CPI - Consumer Prices

Annual variation (%) Source: Bureau of Labor Statistics Elaboration: 4intelligence



Eurozone - Consumer Price Index

Annual variation (%) Source: Eurostat Elaboration: 4intelligence

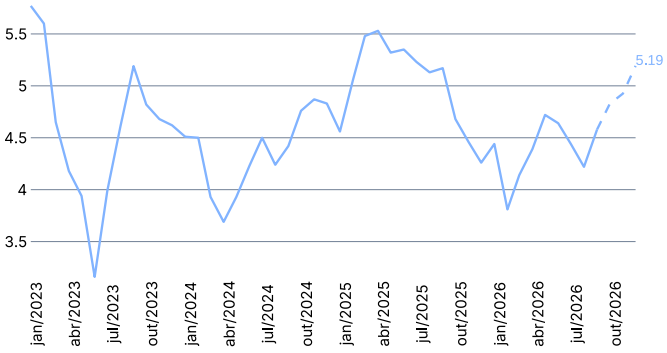


Brazil

Inflation accelerates and moves back above target. According to the IBGE, Brazil's IPCA rose 0.82% MoM in September, after falling 0.32% in August, bringing 12-month inflation to 4.58%, once again above the BCB's target ceiling (3.0%, with a ±1.5 pp tolerance band). The main driver was Housing, largely due to the end of the Itaipu bonus, which had reduced electricity bills. Transportation and Food also contributed to the acceleration, reflecting higher oil prices. Food prices were further pressured by the effects of El Niño. We expect inflation to continue accelerating through year-end, driven mainly by these factors, reaching 5.19% YoY. Even so, we believe the Central Bank will continue cutting the Selic, as interest rates remain clearly restrictive and economic activity has been losing steam since the second quarter. We expect the Selic rate to end 2026 at 13.25%.

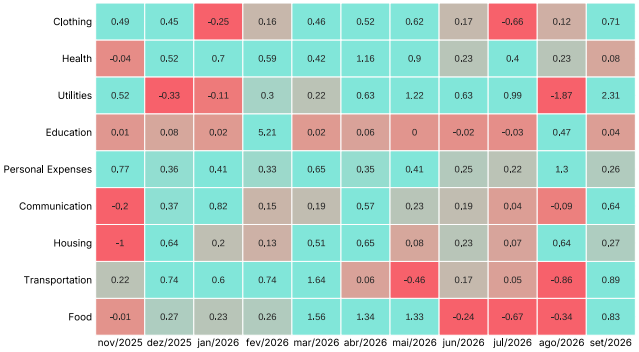
IPCA Inflation Trend

Annual variation (%) Source: IBGE. Elaboration: 4intelligence



Inflation Heatmap

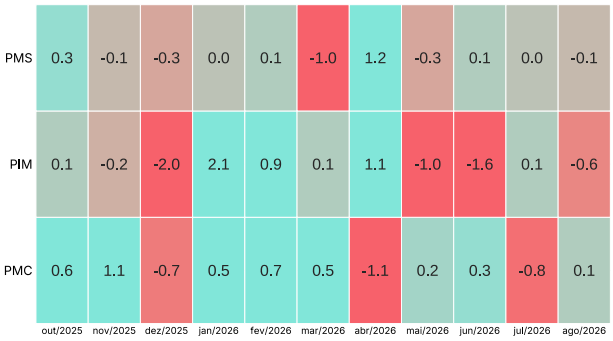
Monthly variation (%). Source: IBGE



Economic activity continues to slow. In August, Brazil's economy continued to lose steam. Industry saw the sharpest slowdown: according to the PIM, output fell 0.6% MoM (-1.2% YoY), led by a 1.7% MoM decline in Semi- and Non-Durable Consumer Goods. Retail (PMC) and services (PMS), in turn, were broadly stable, posting changes of 0.1% MoM and -0.1% MoM, respectively. The slowdown reflects the lagged effects of restrictive interest rates and the heavy burden of financial obligations, such as interest payments and debt servicing, on household budgets, limiting disposable income available for spending on goods and services.

Heatmap of Economic Activity

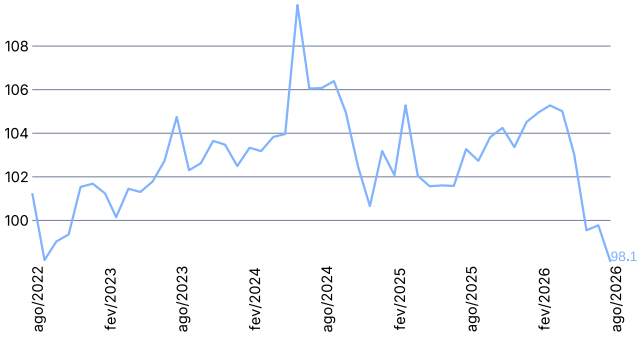
Seasonally adjusted series, Monthly variation (%). Source: IBGE, Central Bank of Brazil



IBC-Br posts a positive reading despite slower activity. According to the BCB, the index rose 0.3% MoM (+1.2% YoY) in August, following two consecutive declines. The result contrasted with the sector surveys previously released by the IBGE, as Industry was the main driver of monthly growth (+0.9% MoM), while Agriculture, the sector least sensitive to the business cycle, posted the largest decline (-1.8% MoM). In our view, this result does not alter the assessment that economic activity remains on a path of moderate deceleration.

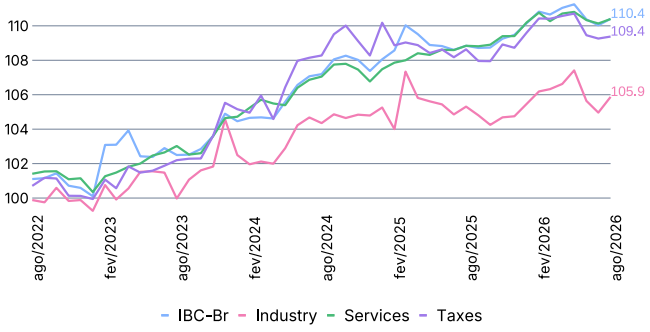
Industrial Production: Semi- and Non-Durable Consumer Goods

2022 average = 100, seasonally adjusted. Fonte: IBGE



IBC-Br and its cyclical components

2022 average = 100, seasonally adjusted series. Fonte: BCB

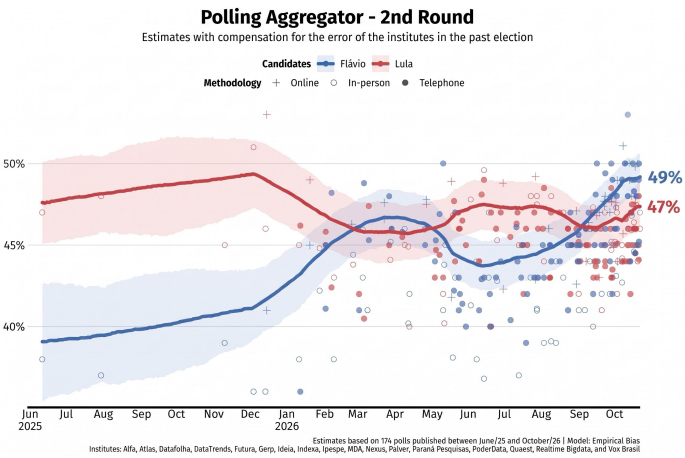


Politics

Flávio Bolsonaro wins the first round. In the presidential election held on Oct. 4, Flávio Bolsonaro received 47.03% of valid votes, compared with 45.16% for Lula. The result differed from the polls released in the days leading up to the election and made the PL candidate the favorite to win. Post-election polls suggest Flávio has maintained his lead: according to 4intelligence's poll aggregator, based on surveys released through Oct. 22, he holds 49% of voting intentions, versus 47% for Lula. Given the margin of error, however, the race remains statistically tied. As a result, markets are awaiting the runoff for clearer signals regarding the fiscal adjustment proposals of the eventual winner.

Polling Aggregator - 2nd Round

Estimates with compensation for the error of the institutes in the past election



Disclaimer

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