

Economic Outlook

January 10th, 2024

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Reference scenario

Global outlook

- The global environment remains volatile and is less adverse than in the previous meeting, with a reduction in longer-term interest rates in the United States and some incipient signs of lower core inflation, despite remaining at high levels in many countries.
- The central banks of major economies remain committed to bringing inflation back to its targets in an environment characterized by labor market pressures.
- The Monetary Committee judges that the environment continues to require caution from emerging market economies.

Economic activity

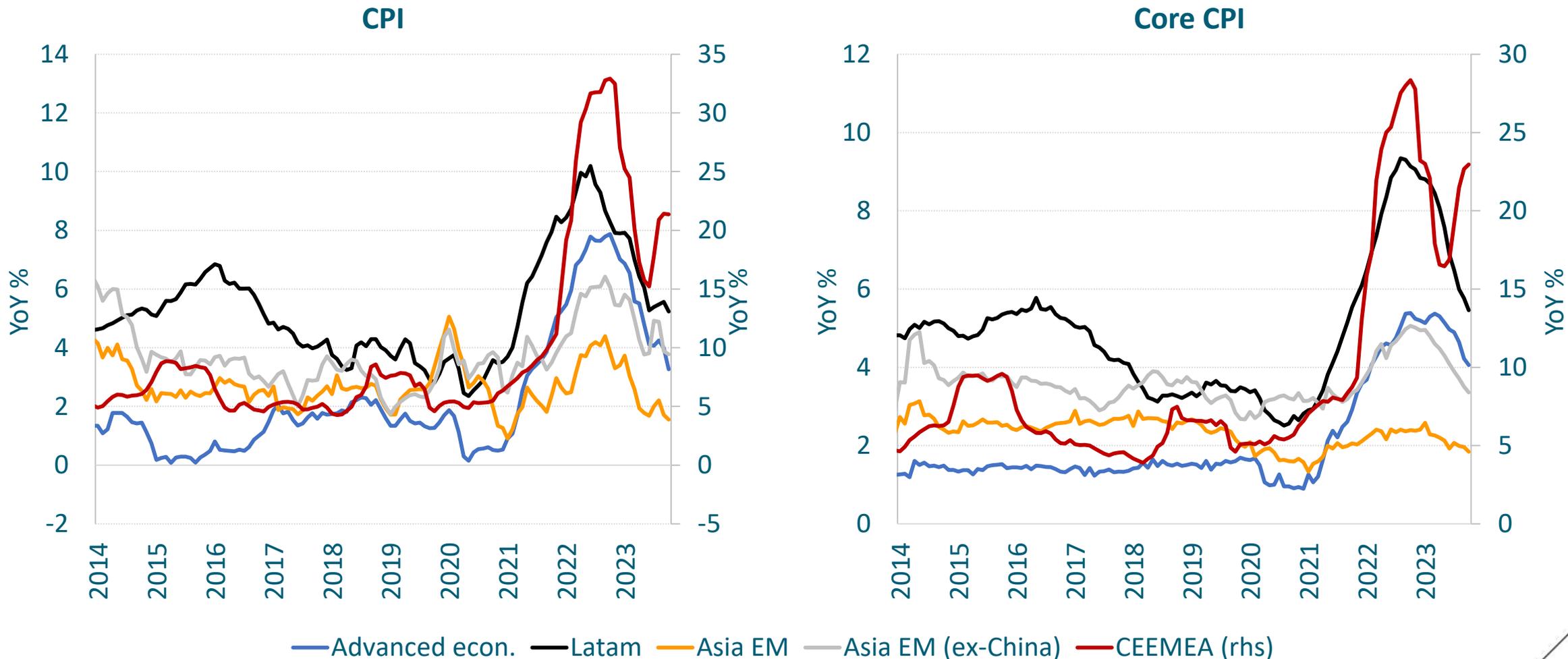
- The set of indicators on economic activity remains consistent with the scenario of deceleration expected by Copom.

Inflation

- Headline consumer inflation, as expected, remains in a path of disinflation, and various measures of underlying inflation are closer to the inflation target in recent releases.
- Inflation expectations for 2023, 2024, and 2025 collected by the Focus survey are around 4.5%, 3.9%, and 3.5%, respectively.

Global outlook

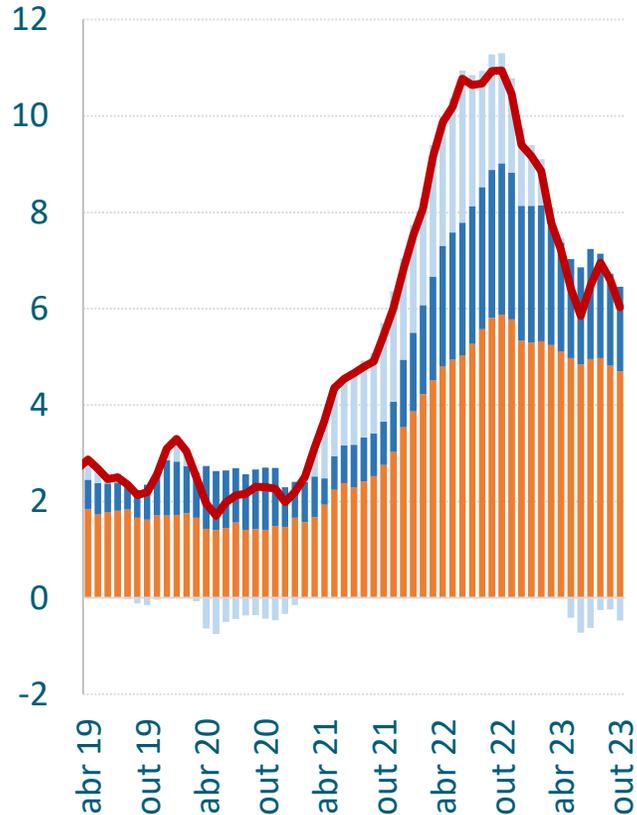
CPIs and core inflation



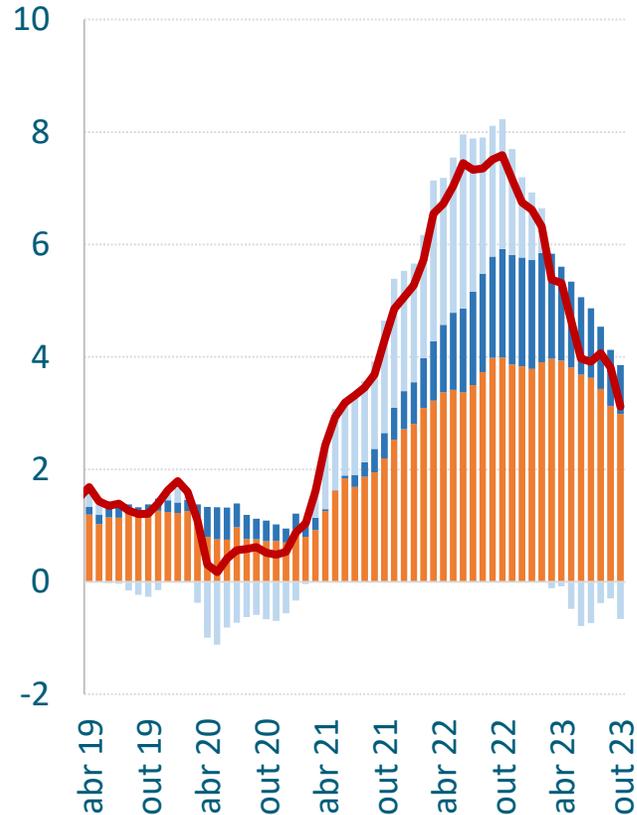
Source: Bloomberg

Global inflation

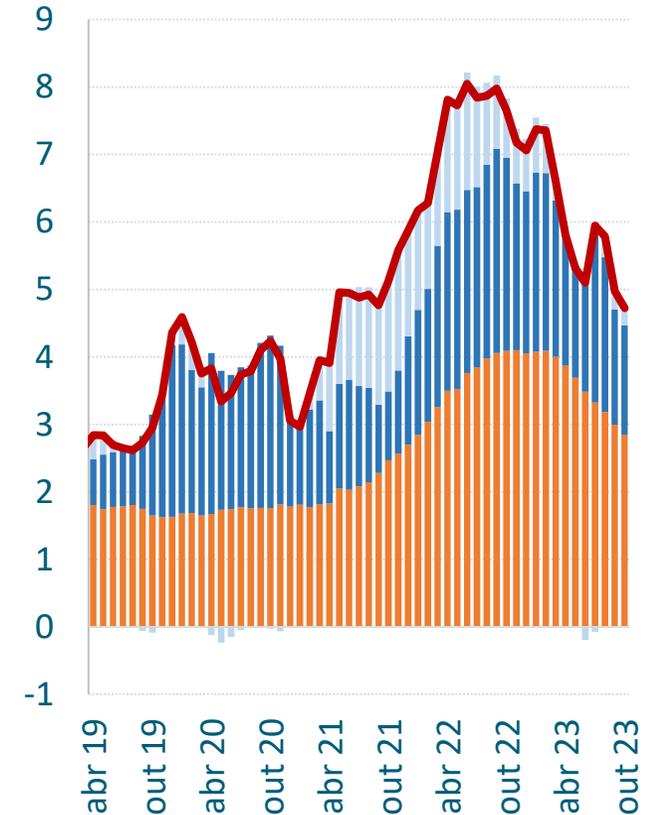
Global inflation^{1/}
YoY %



Advanced economies
YoY %



Emerging market economies
YoY %



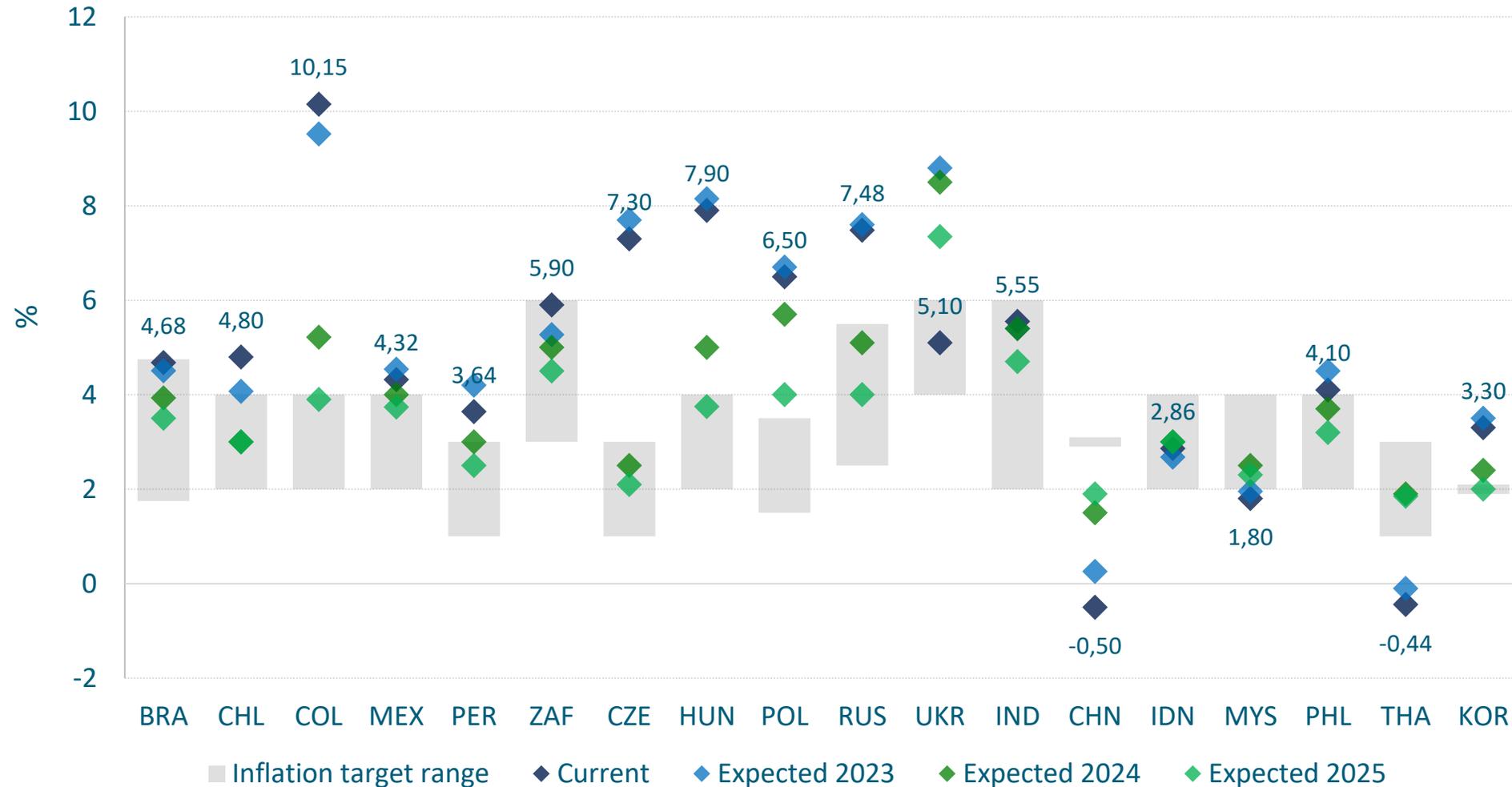
Core CPI

Food

Energy

CPI

Inflation expectations

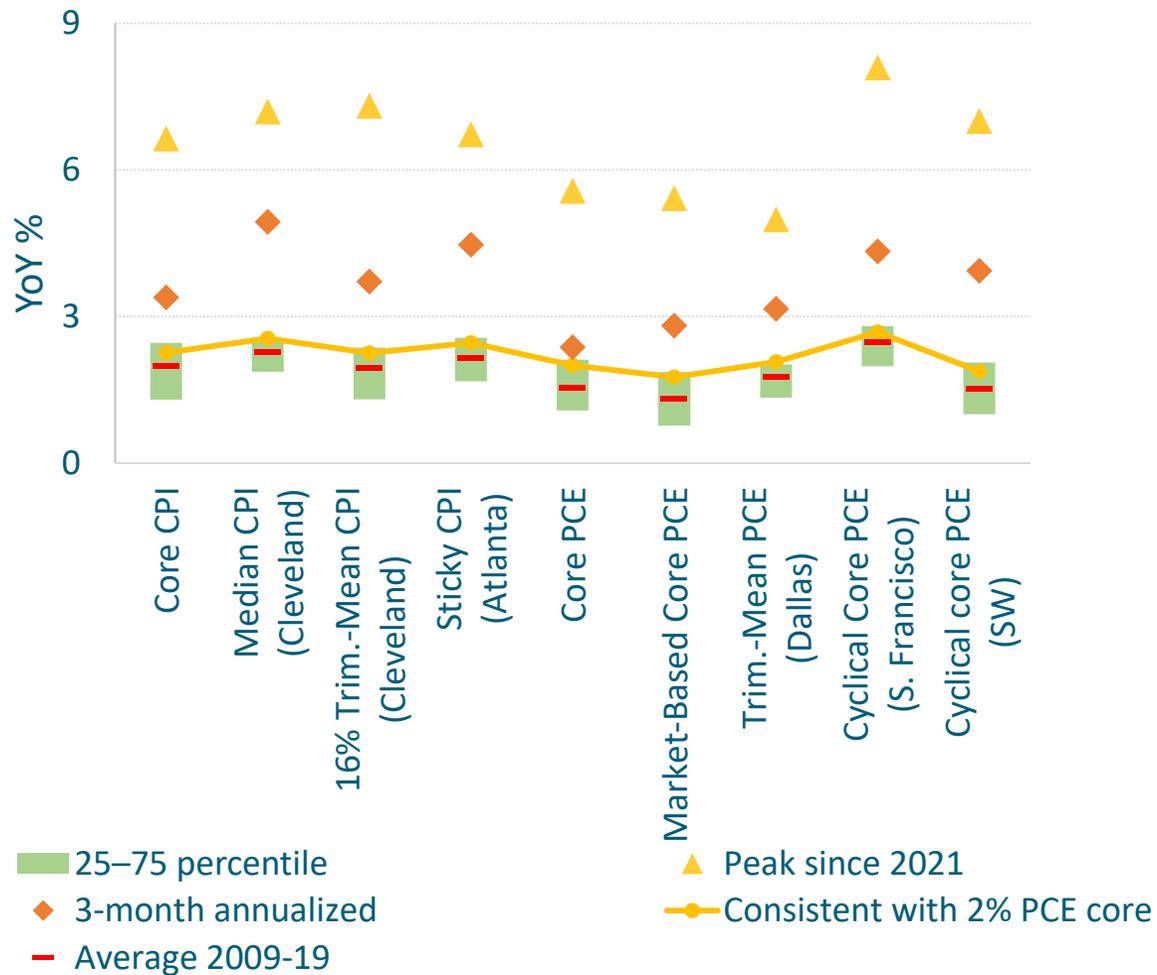


Sources: Bloomberg and surveys of central banks

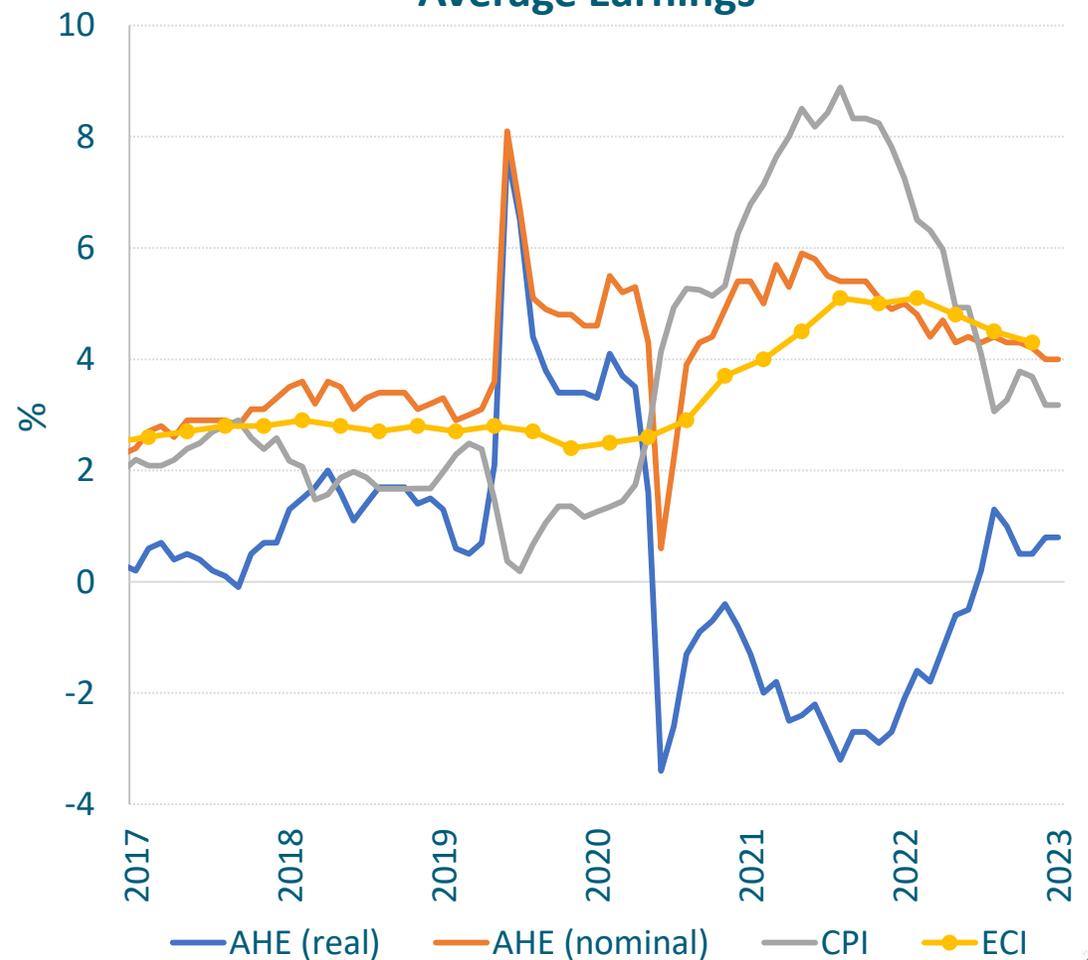
For 2023 and 2024: Surveys for BRA, CHL, COL, MEX, PER and RUS
 Others: Bloomberg (2023: YoY end of period; 2024 and 2025: yearly average)

Core inflation and wages in the US

Alternative measures of core inflation



Average Earnings

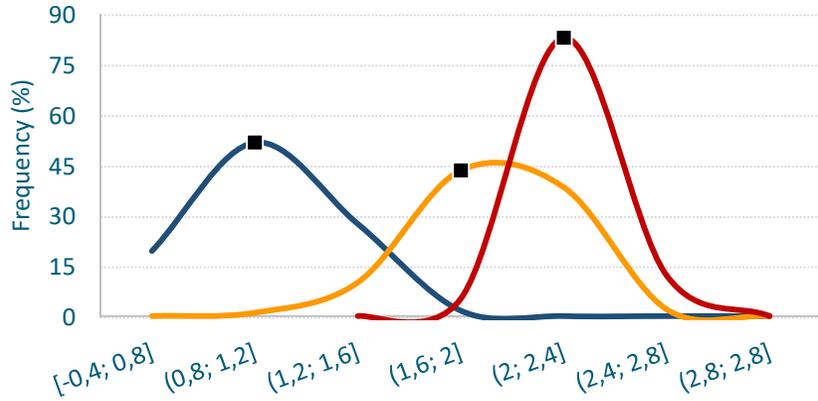


Source: Fed Atlanta, Fed S. Francisco and Bloomberg

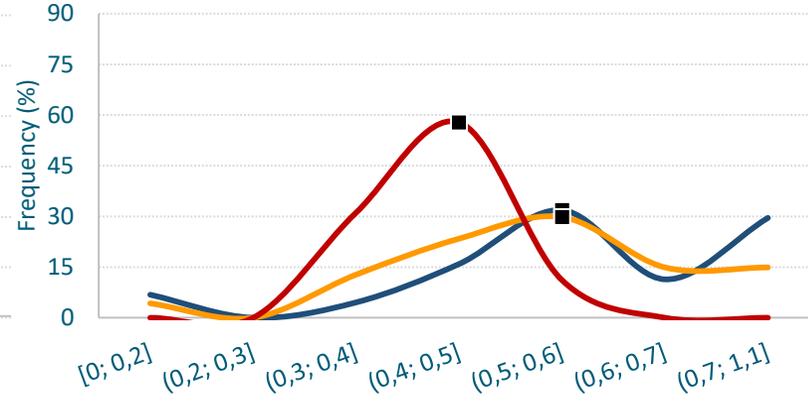
AHE: average hourly earnings; ECI: employment cost index

GDP growth expectations

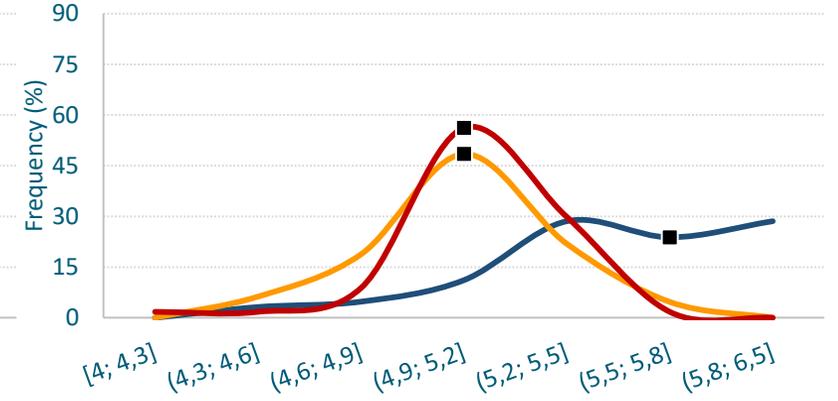
GDP US 2023



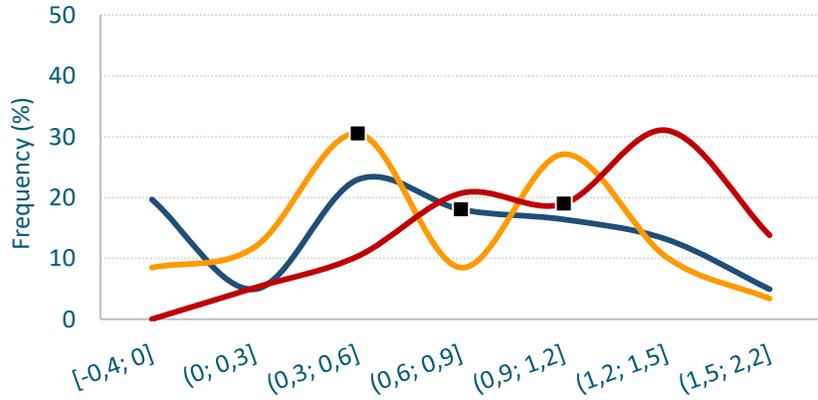
GDP Euro Area 2023



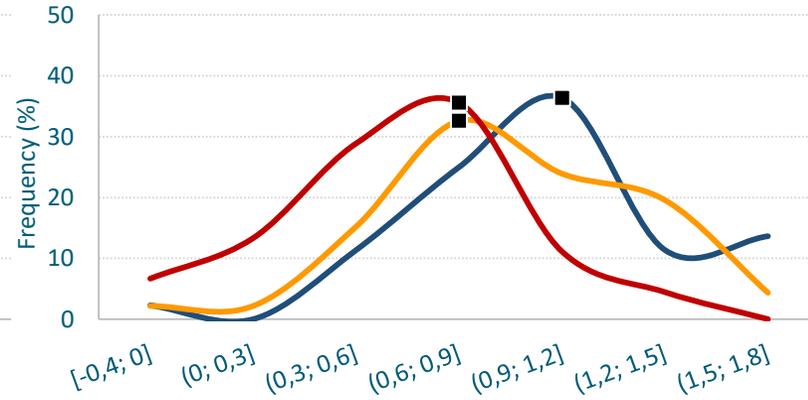
GDP China 2023



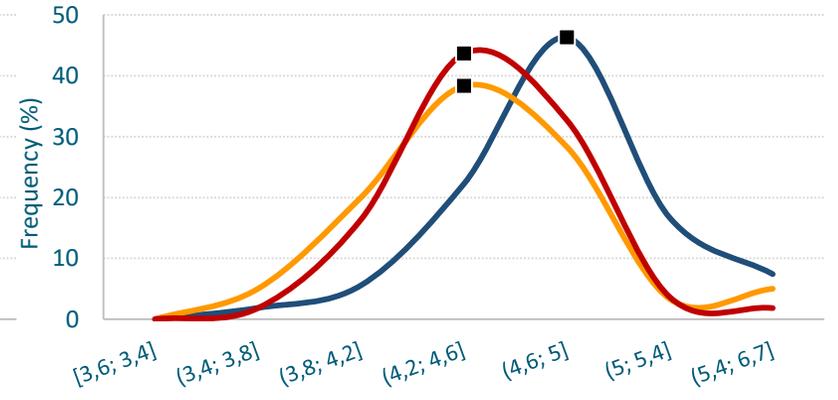
GDP US 2024



GDP Euro Area 2024



GDP China 2024



— in May 2023

— in August 2023

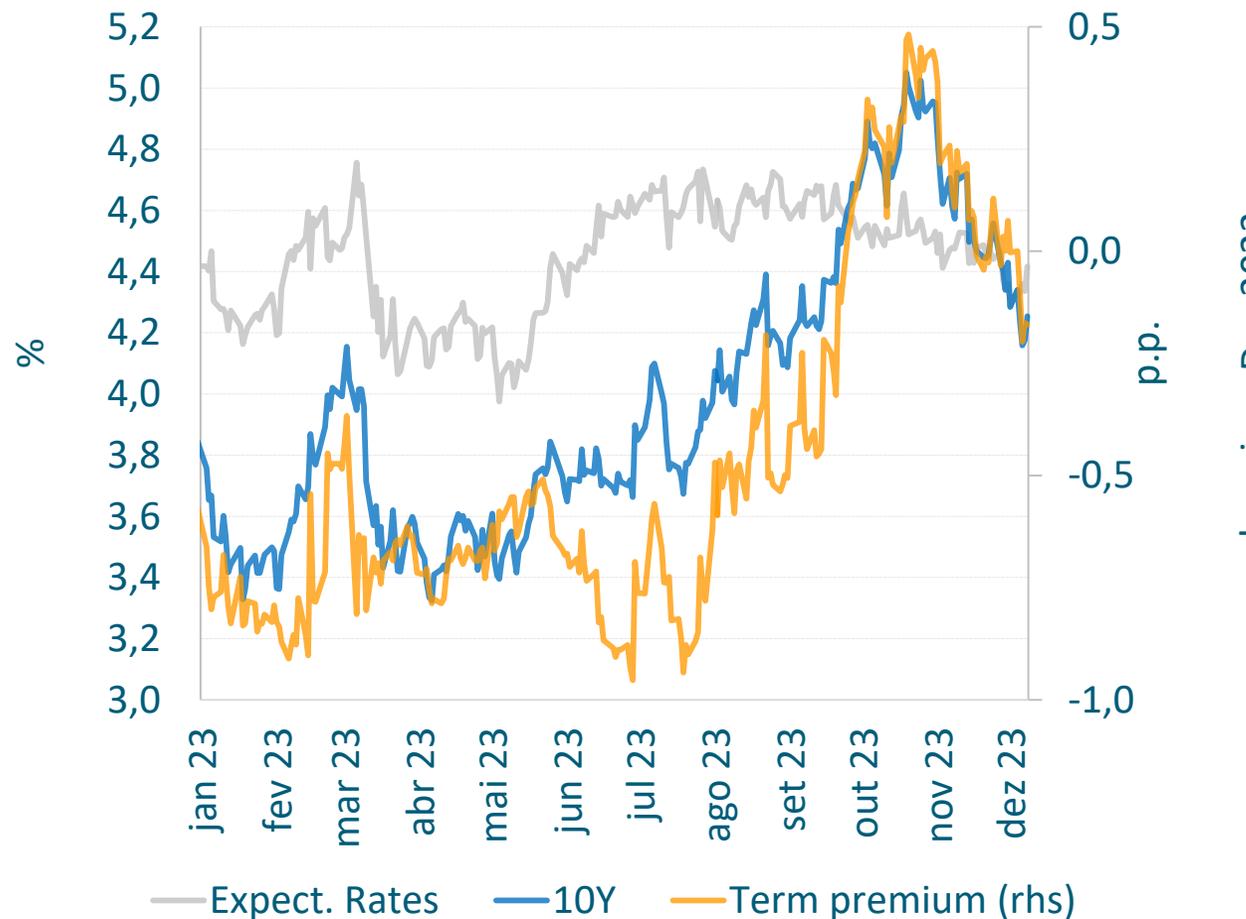
— in November 2023

■ median

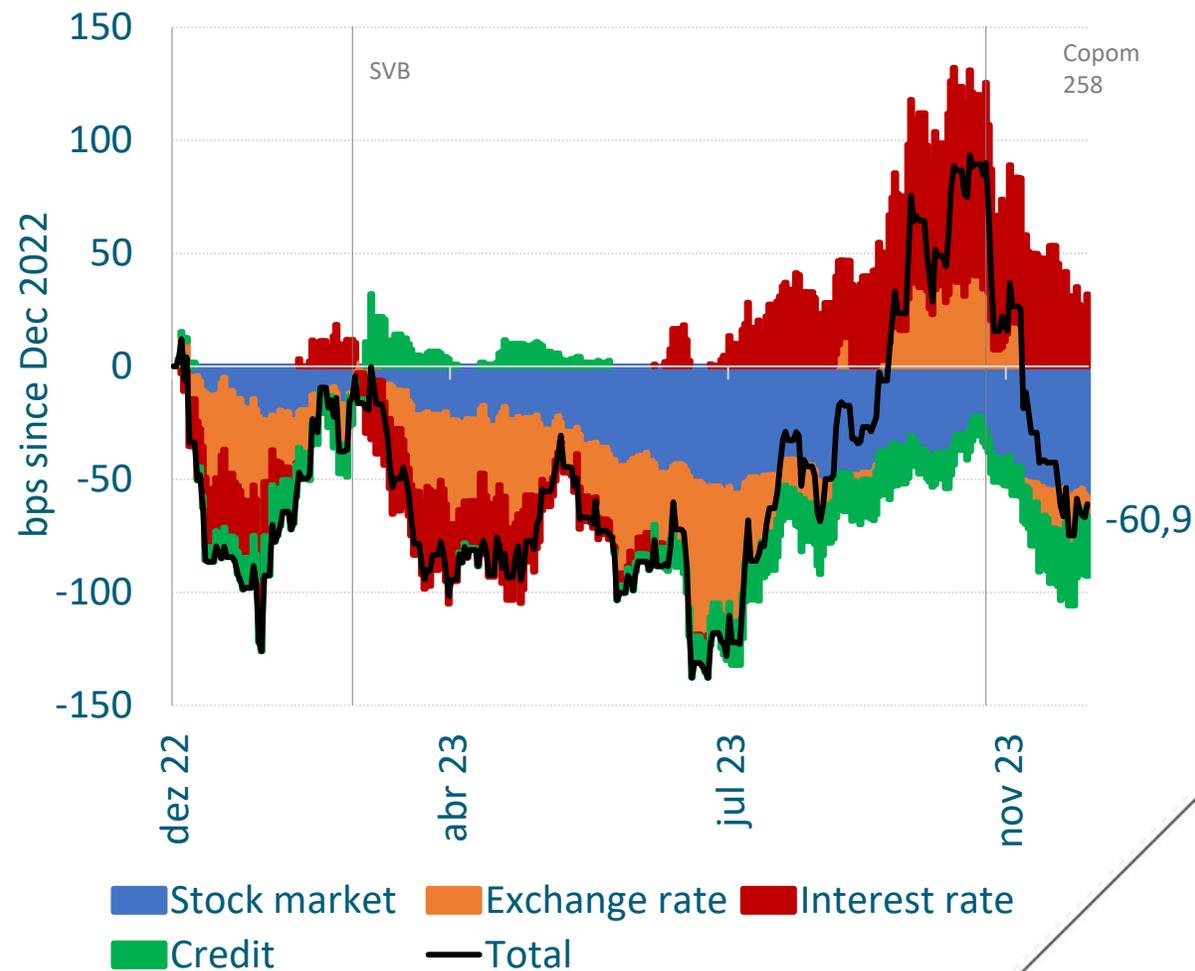
Source: Bloomberg

Interest rates

10-year interest rate and term premium

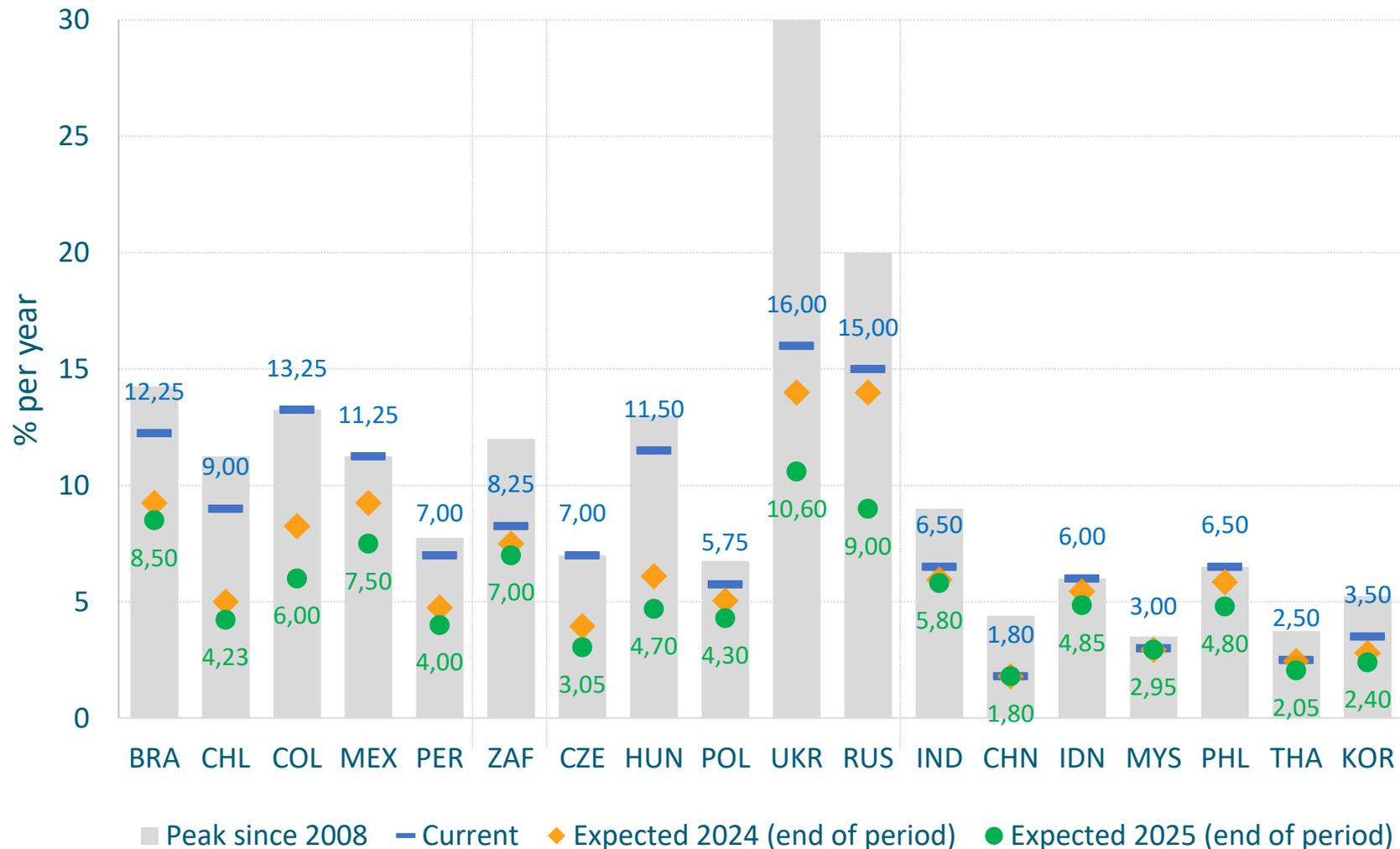


Fed Fund equivalent to financial conditions



Source: Bloomberg

Expectations for base interest rate



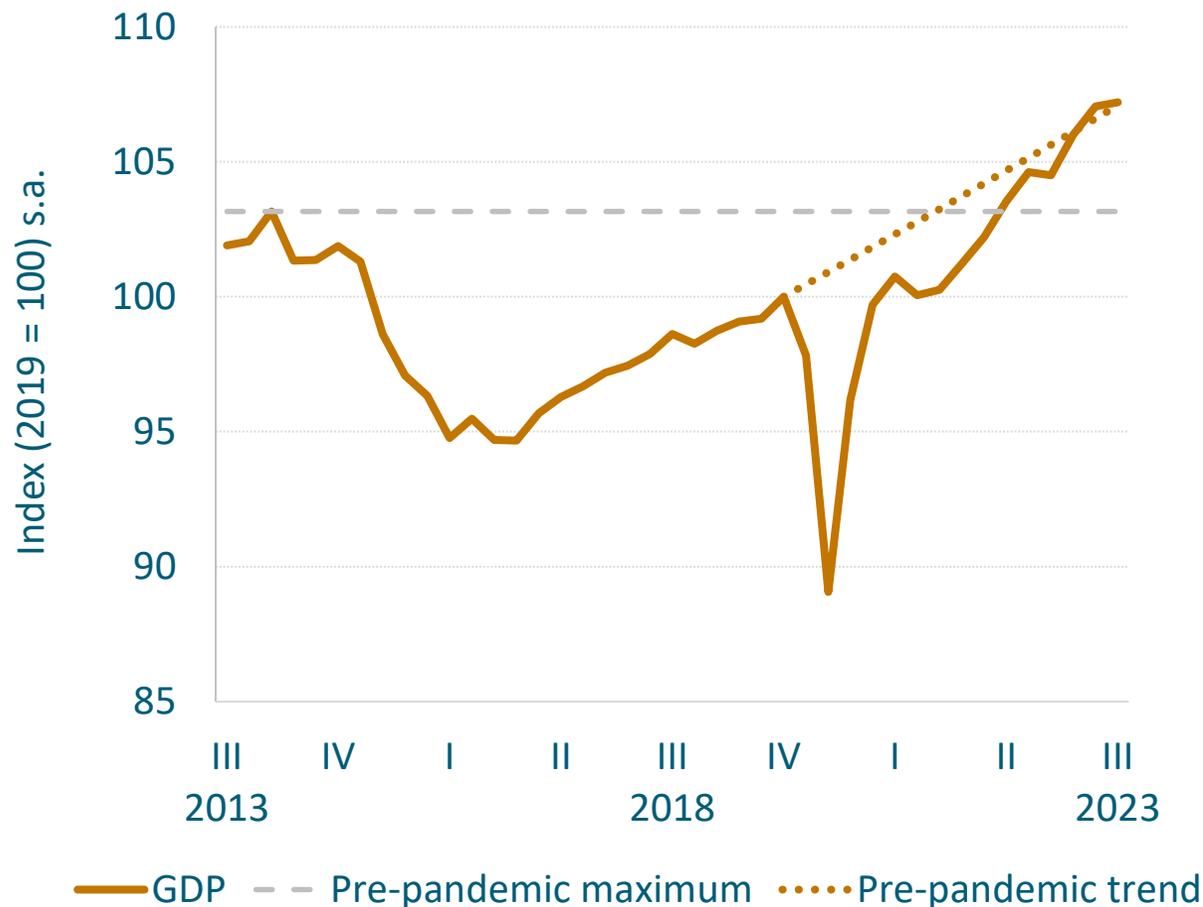
- **Mexico** (Nov 9) maintained its interest rate at 11.25% for the fifth meeting, as expected.
- **South Africa** (Nov 23) maintained the rate at 8.25% in line with expectations in a unanimous decision.
- **Indonesia** (Nov 23) remained at 6.0%, in line with expectations.
- **Peru** (Nov 9) third cut of 25 bps, as expected.

Sources: Bloomberg and surveys of central banks and Corfi (Colombia)

Economic Activity

GDP growth

Gross Domestic Product



Sources: IBGE and BCB

Gross Domestic Product

Quarter/previous quarter

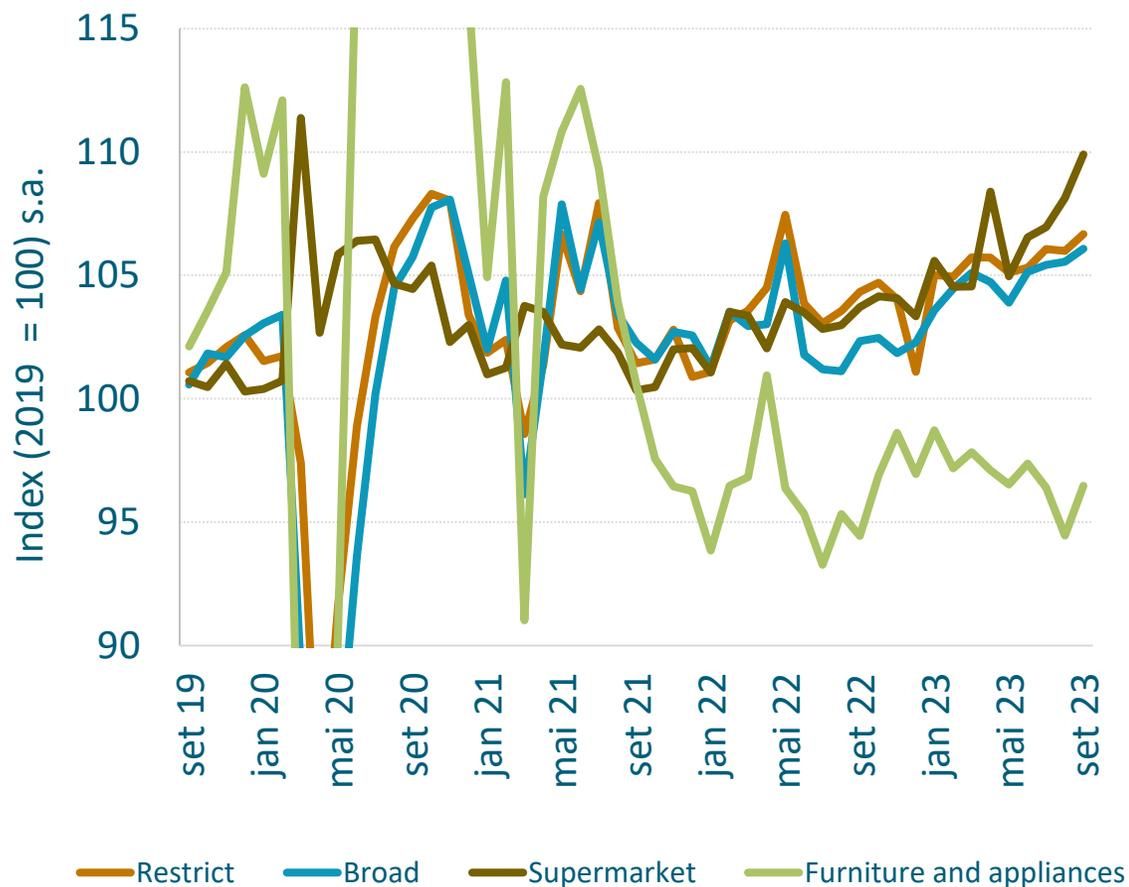
Seasonally adjusted

	% change						
	2022				2023		
	I	II	III	IV	I	II	III
GDP at market prices	1.0	1.3	1.1	-0.1	1.4	1.0	0.1
Agric. and livestock	-10.8	2.3	5.9	0.4	12.5	0.5	-3.3
Industry	3.1	1.4	0.6	-0.4	-0.2	0.9	0.6
Services	1.2	1.3	1.4	-0.1	0.5	1.0	0.6
Household consumption	1.6	1.9	0.9	0.2	1.0	0.9	1.1
Government consumption	0.0	-0.6	2.2	-1.2	0.3	1.0	0.5
Gross fixed capital formation	-1.5	3.2	2.7	-1.2	-2.9	-0.3	-2.5
Exports	9.2	-3.5	3.2	5.0	0.2	3.5	3.0
Imports	-2.4	5.9	5.1	-4.8	-3.4	4.1	-2.1

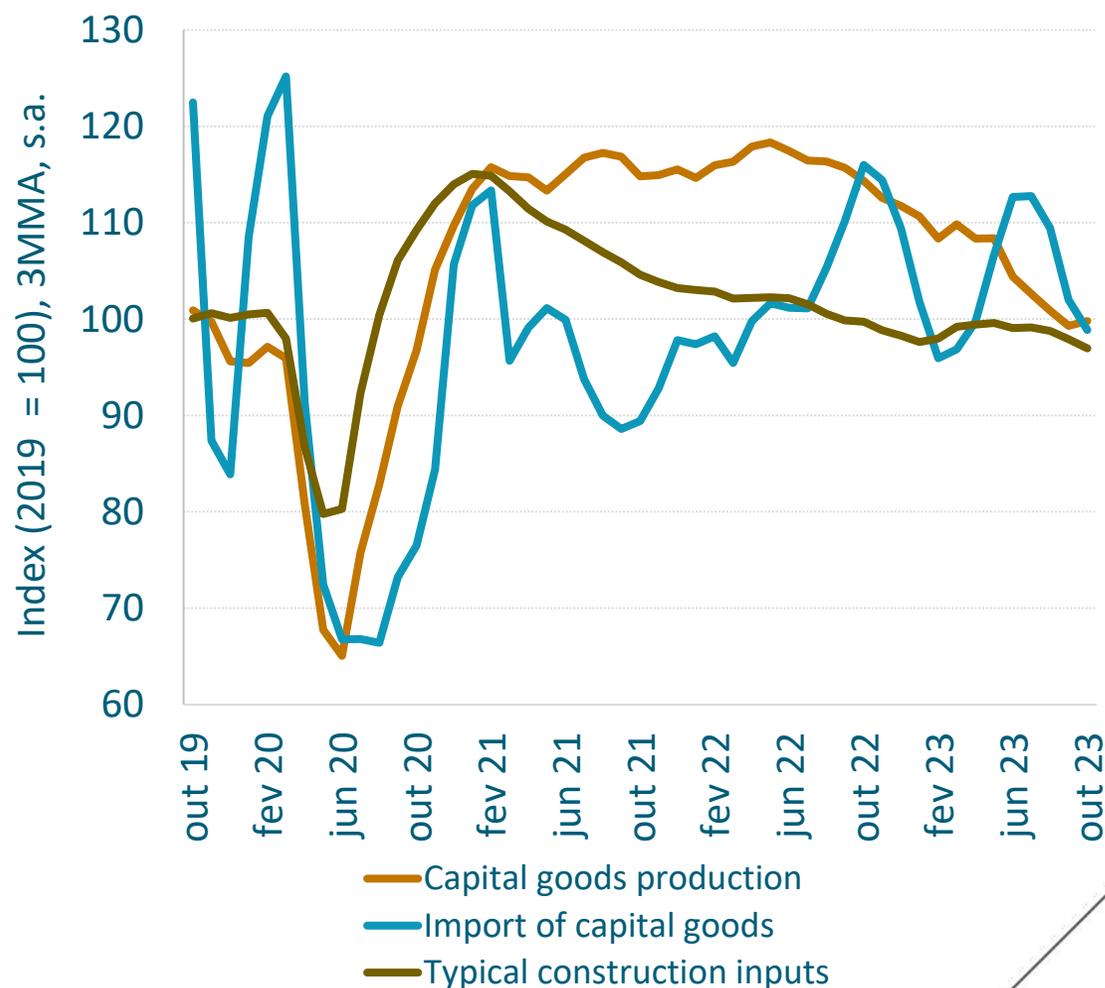
Source: IBGE

Proxies for consumption and investment

Retail sales – PMC



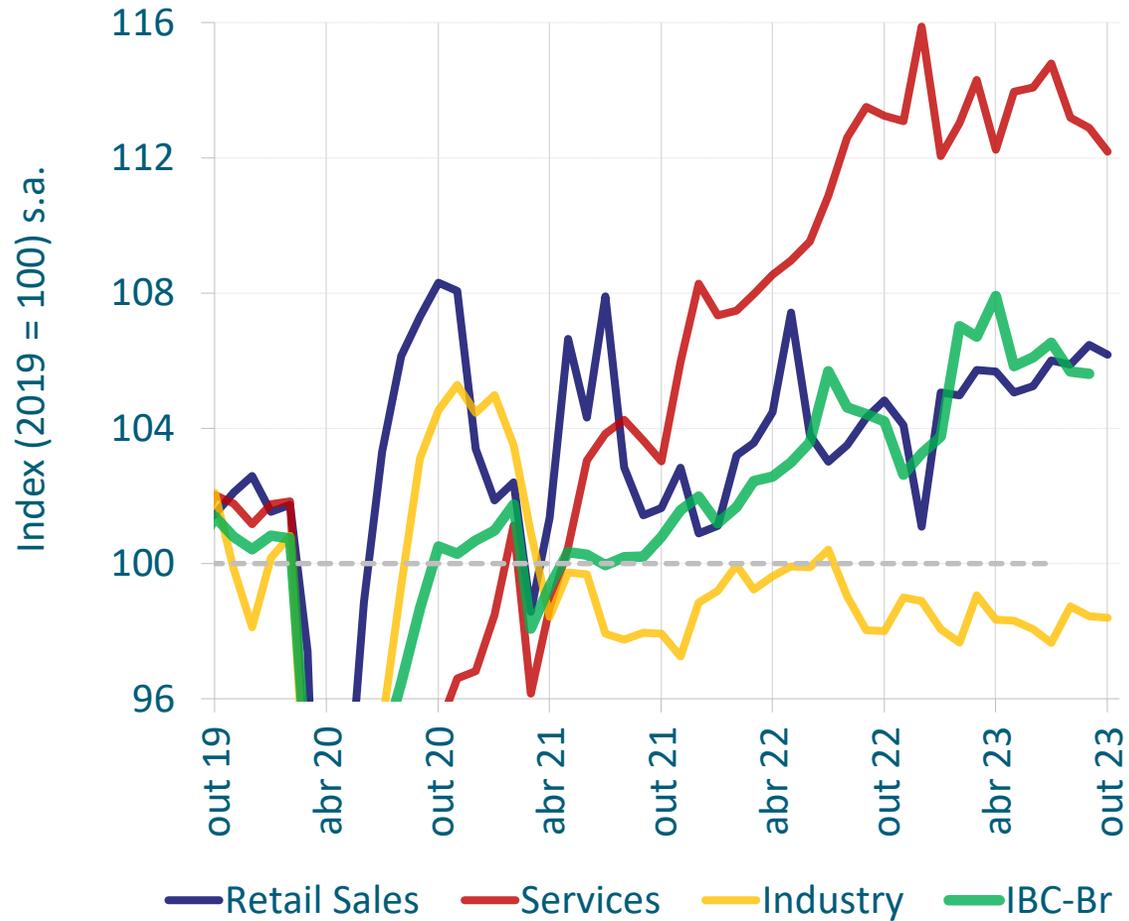
Investment indicators



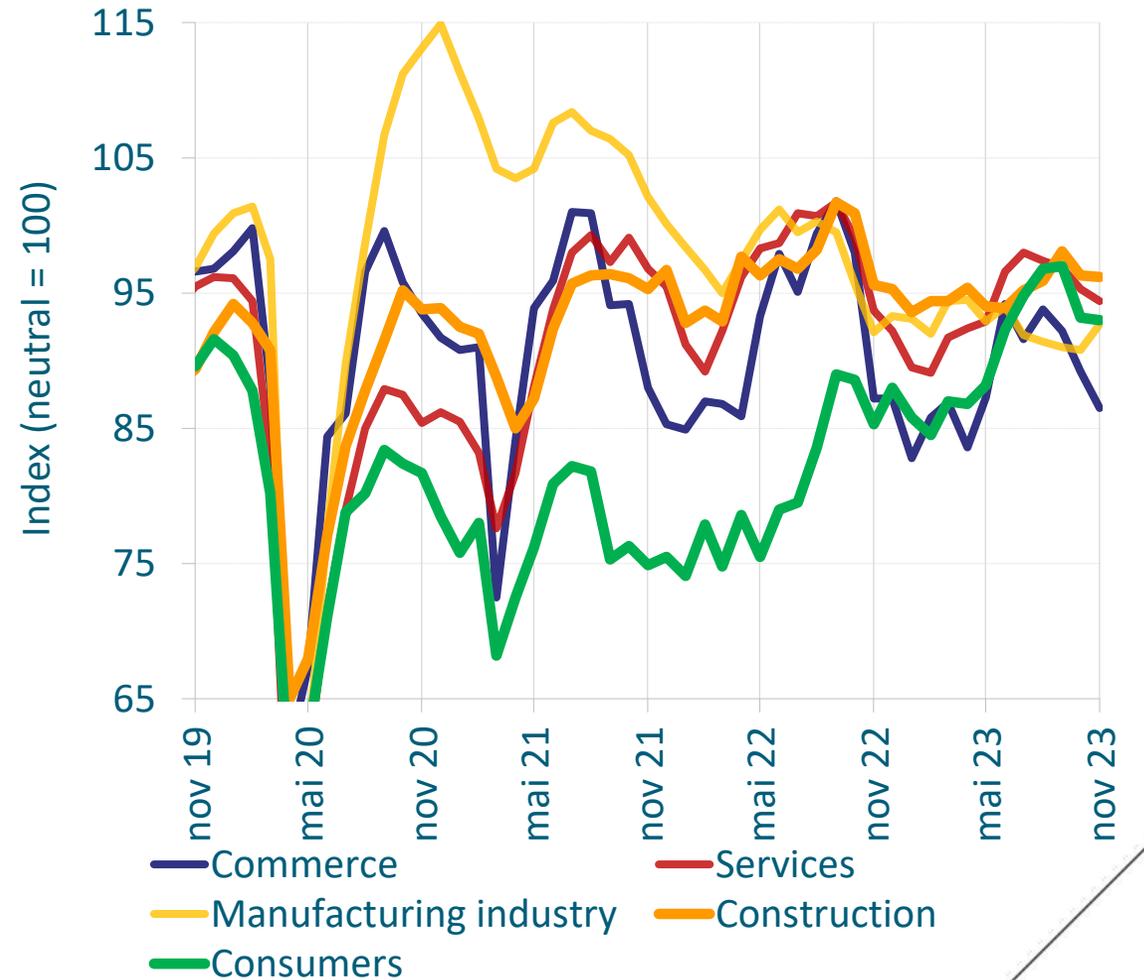
Sources: IBGE and BCB

Economic activity

Economic activity



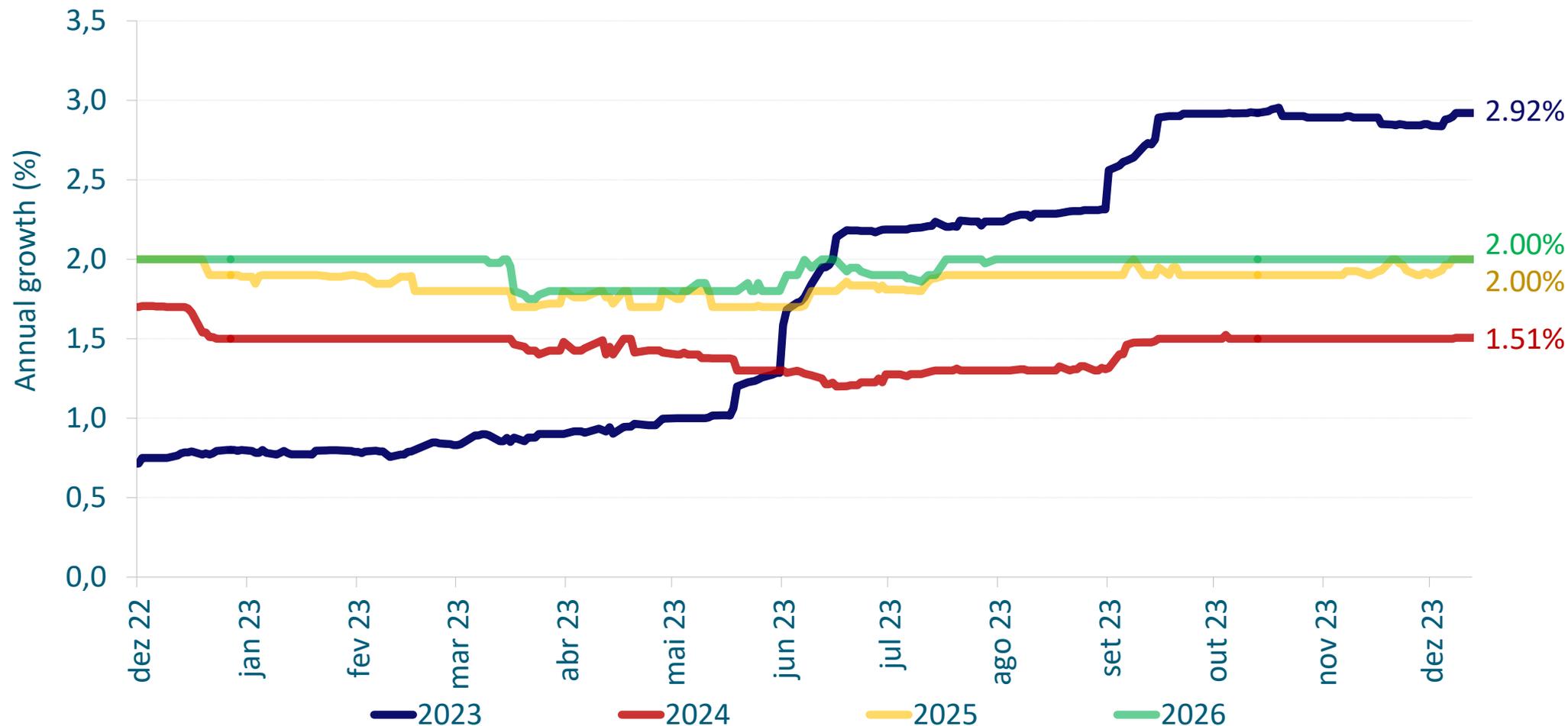
Confidence Index



Sources: IBGE and BCB

Expectations for GDP growth

Focus Expectations for GDP growth

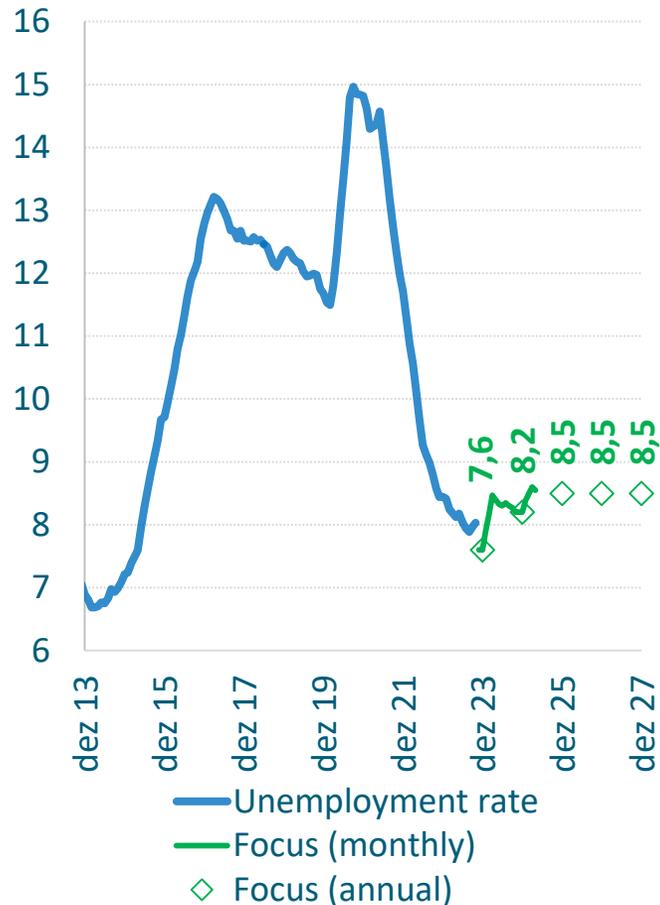


Sources: IBGE and BCB

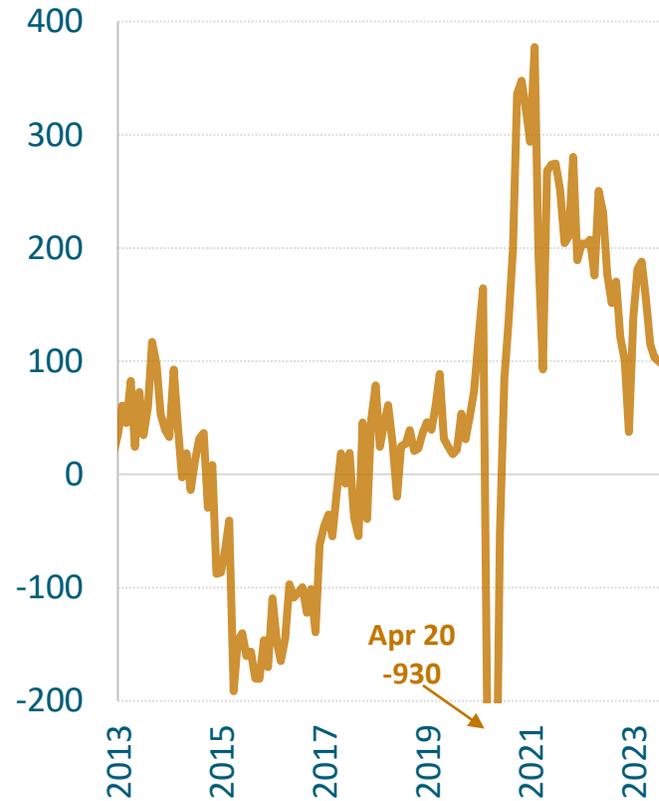
Focus: expectativas até 15 de dezembro

Labor market – Unemployment

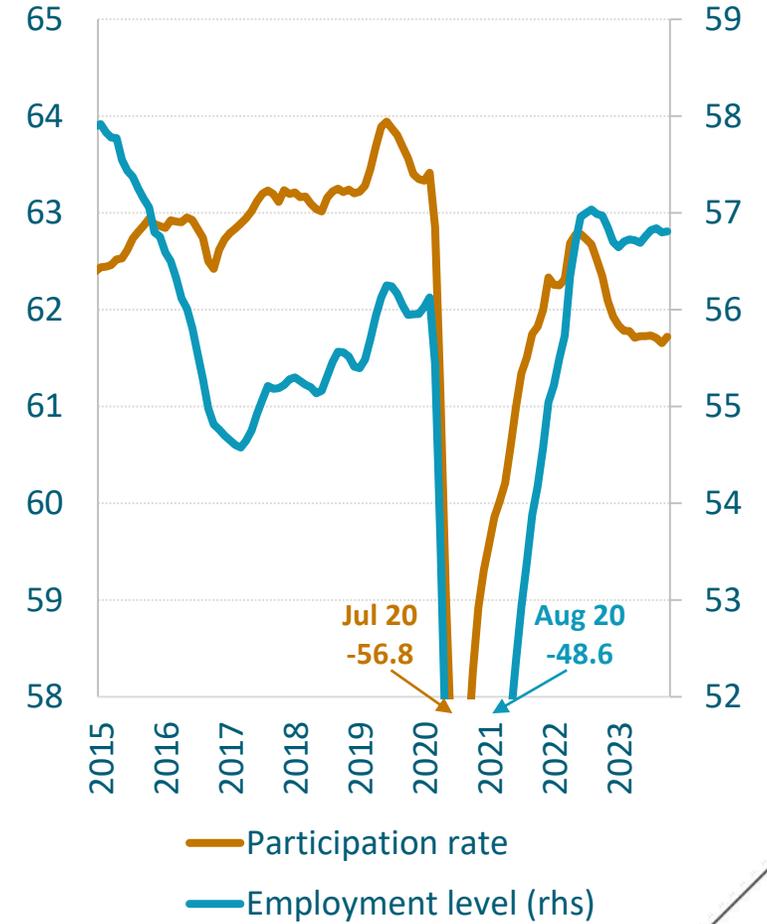
Unemployment rate^{1/}
%; s.a. 3MMA



Formal Jobs creation
thousand jobs, 3MMA, s.a.



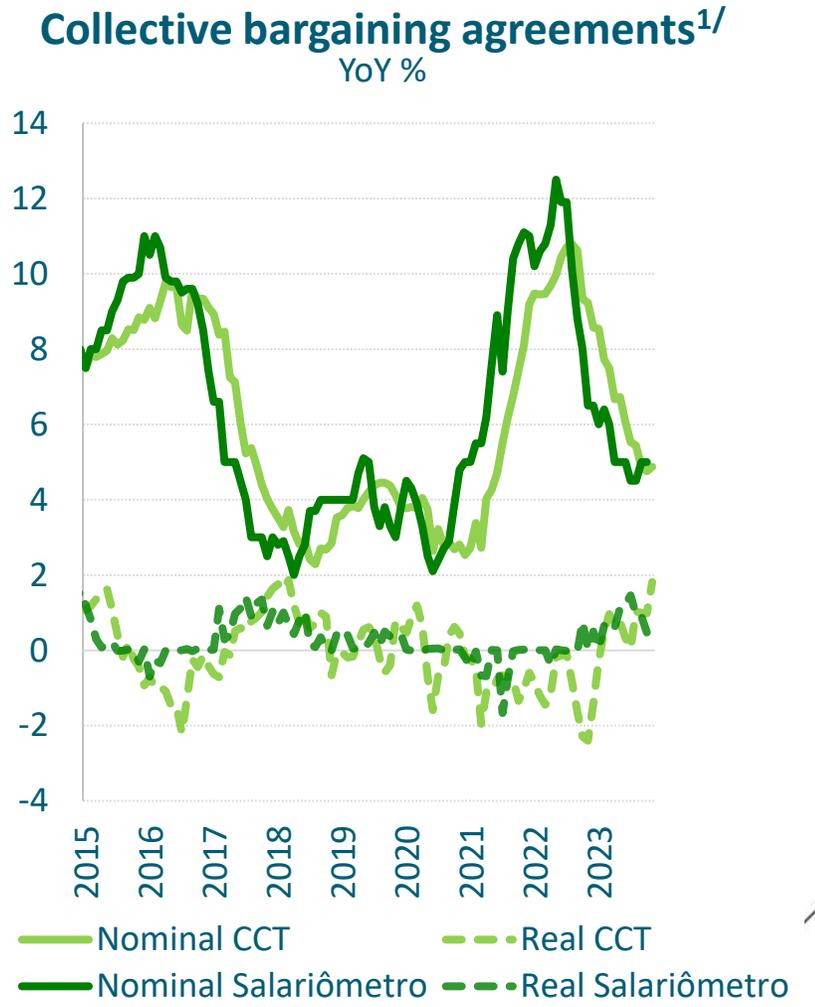
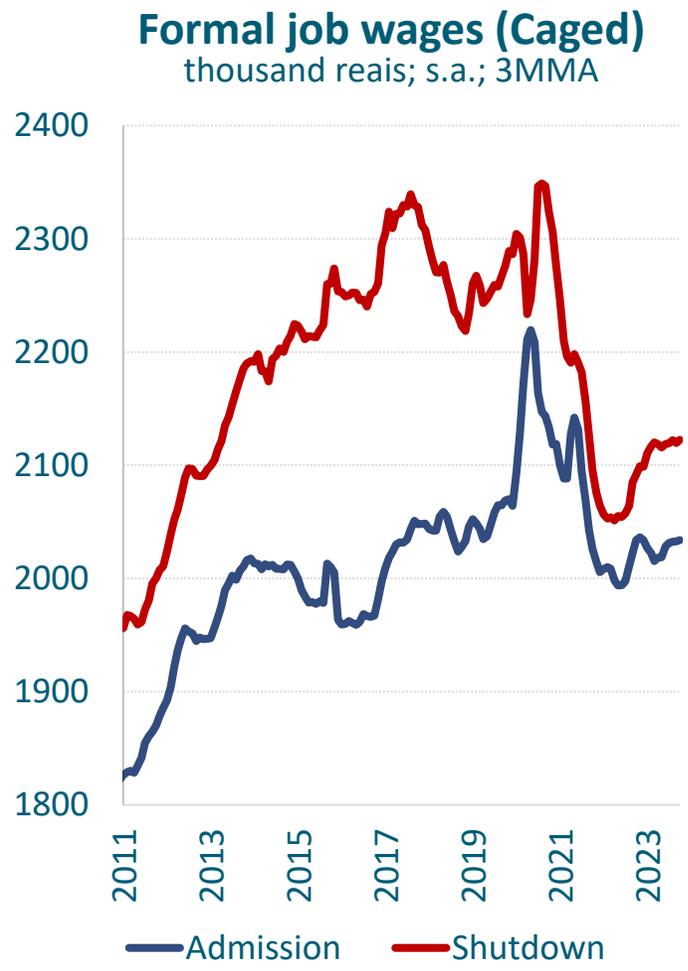
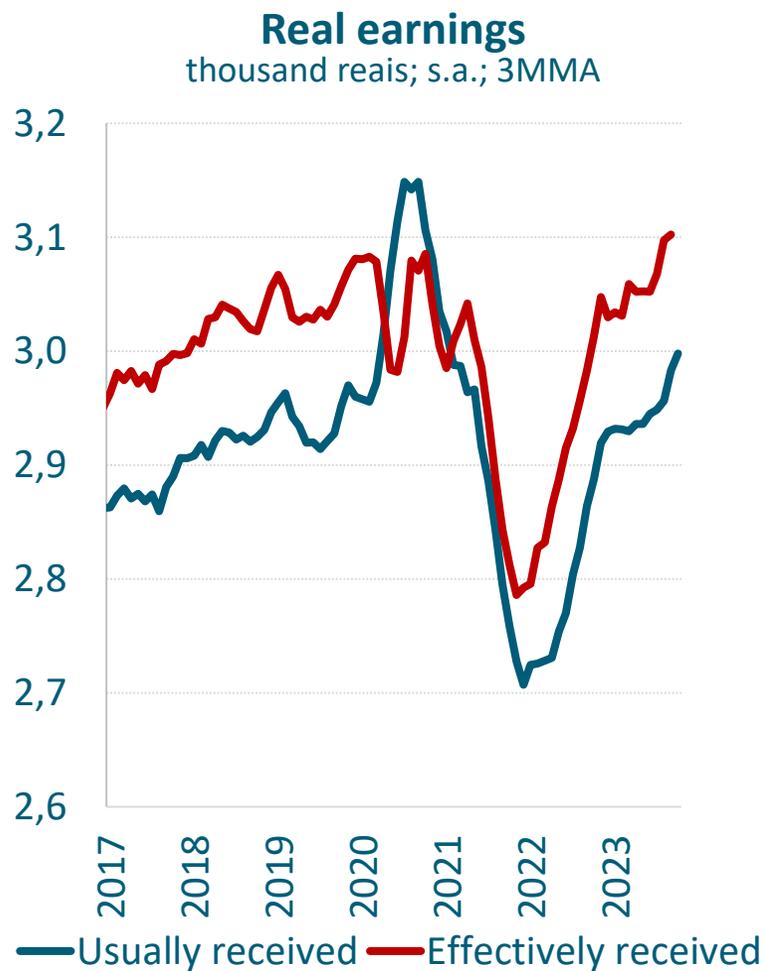
Participation rate and occupation
%, 3MMA, s.a.



Sources: IBGE, Ministério do Trabalho and BCB

1/ Focus: expectations for the unemployment rate as of December 15 without seasonal adjustment; annual expectations refer to December of each year

Labor market – Earnings

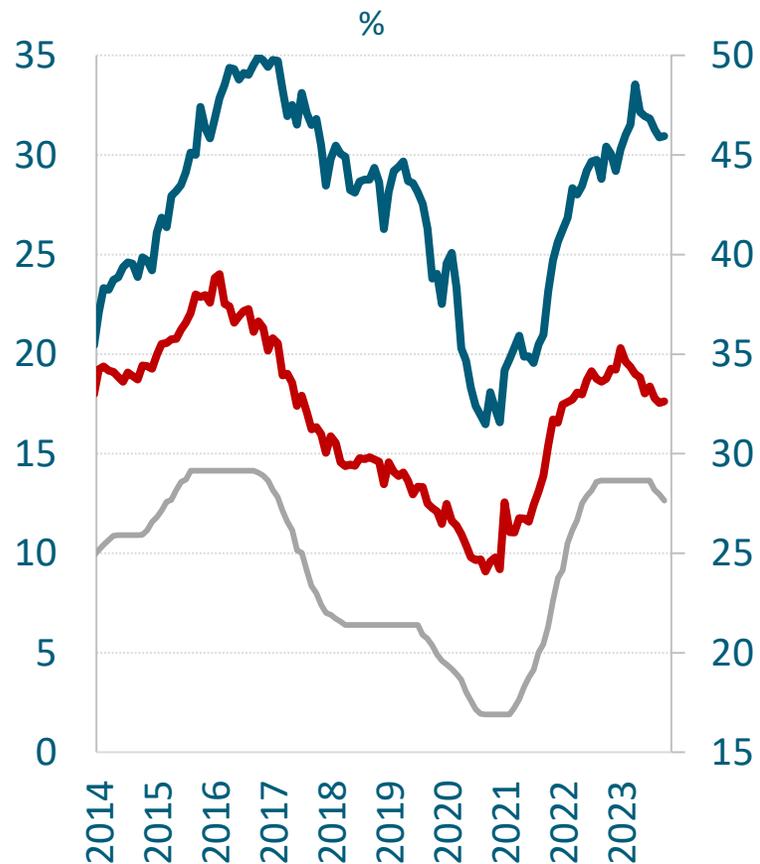


Sources: IBGE, Ministério do Trabalho, BCB and Fipe

1/ CCT: nominal average wage adjustment in São Paulo and Rio de Janeiro deflated by INPC (t-5); Salariômetro: nominal median adjustment, deflated by INPC (t-1).

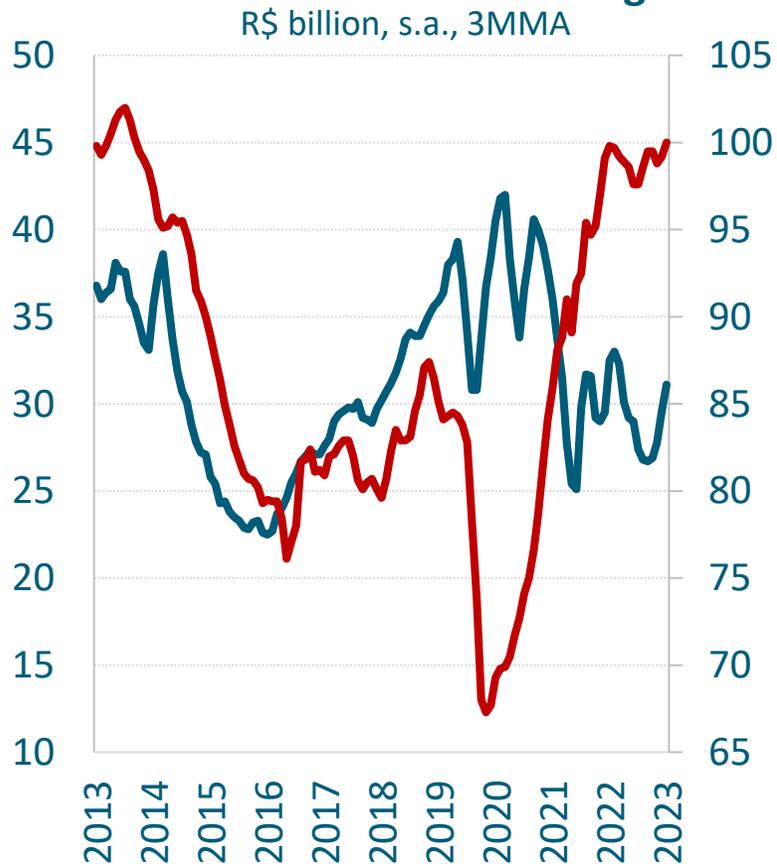
Credit

Interest rate for non-earmarked credit



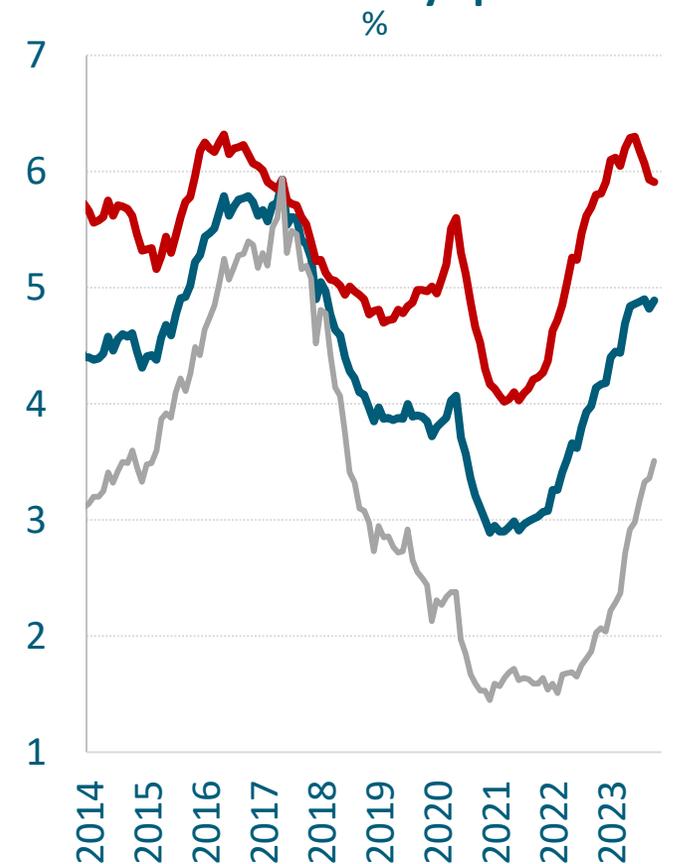
- Companies ex revolving
- Selic
- Households ex revolving (rhs)

Households non-earmarked grants



- Low interest rates
- High interest rates (rhs)

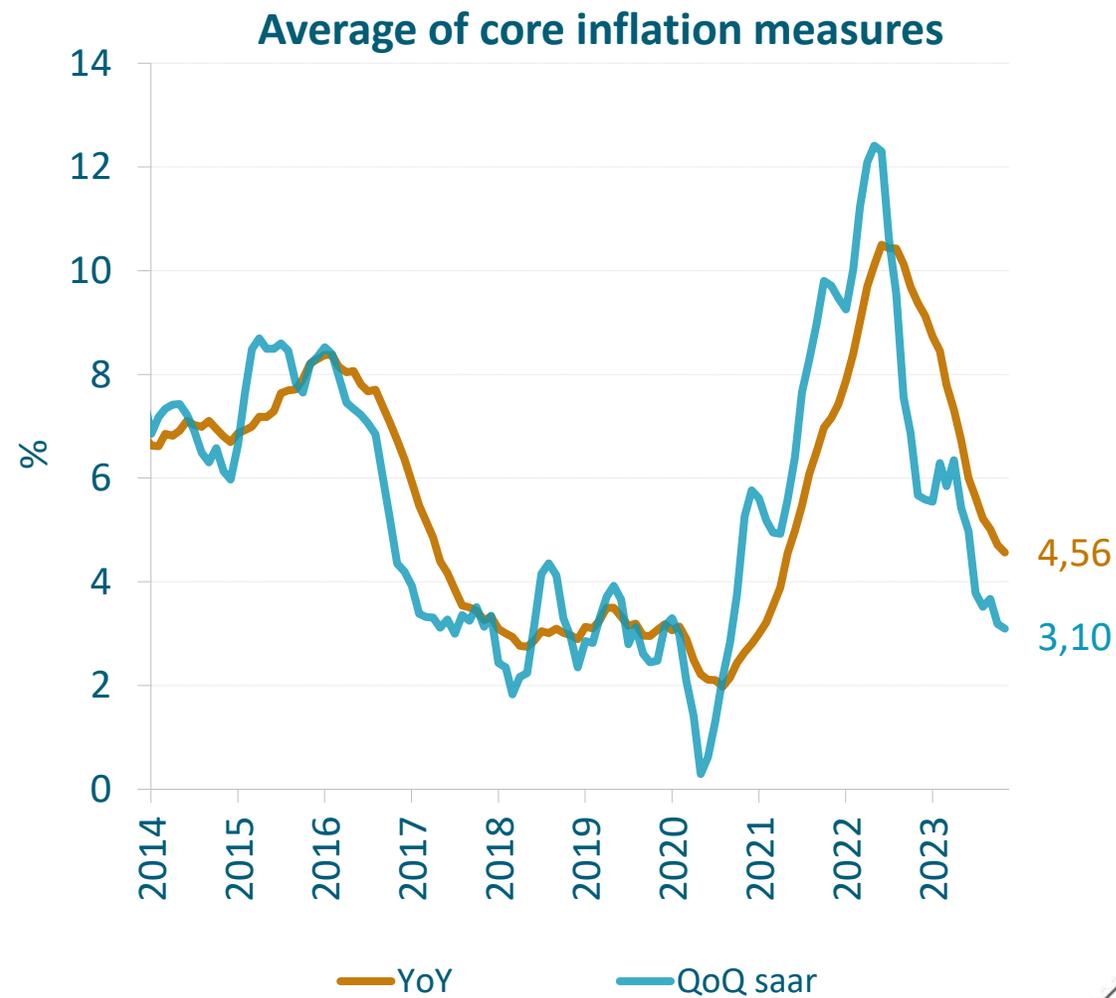
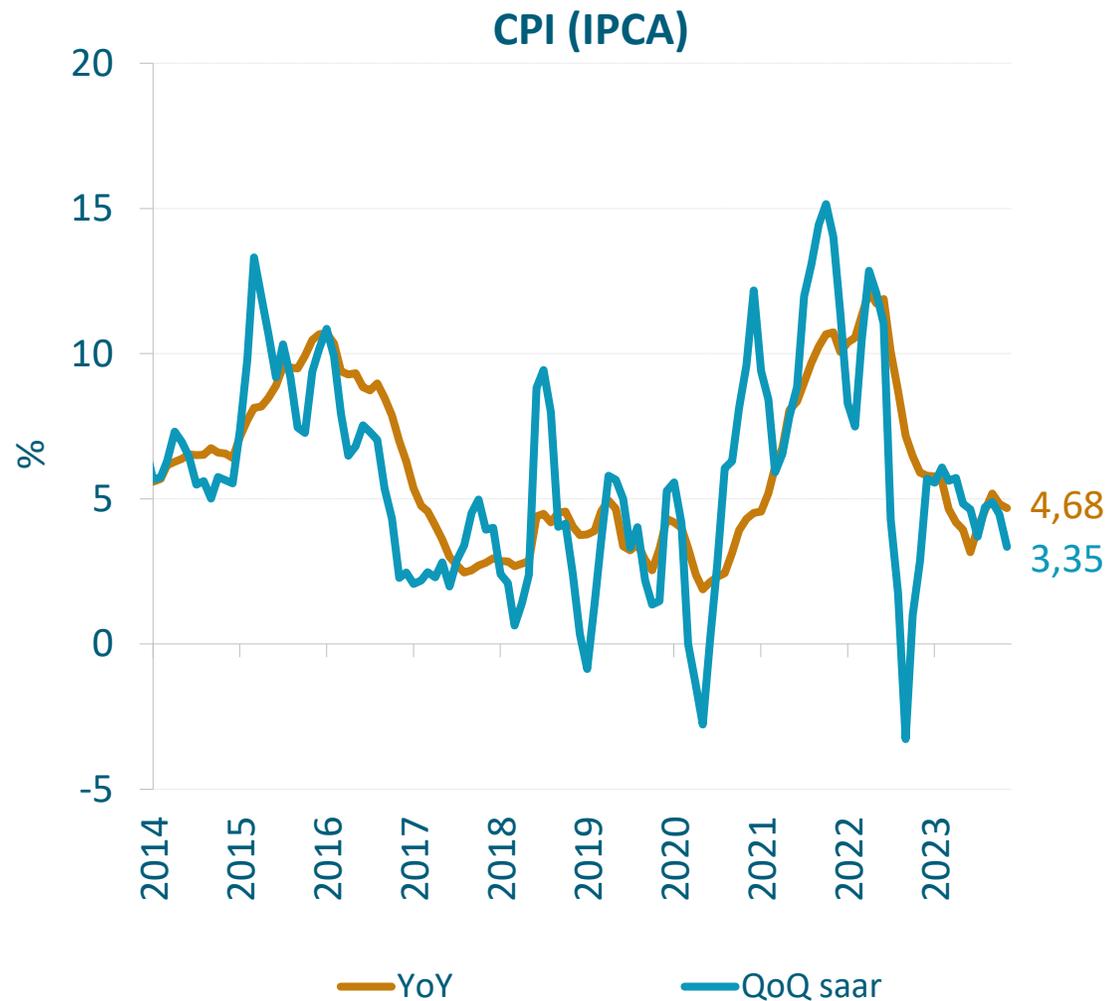
Non-earmarked 90 days past due loans



- Total
- Households
- Companies

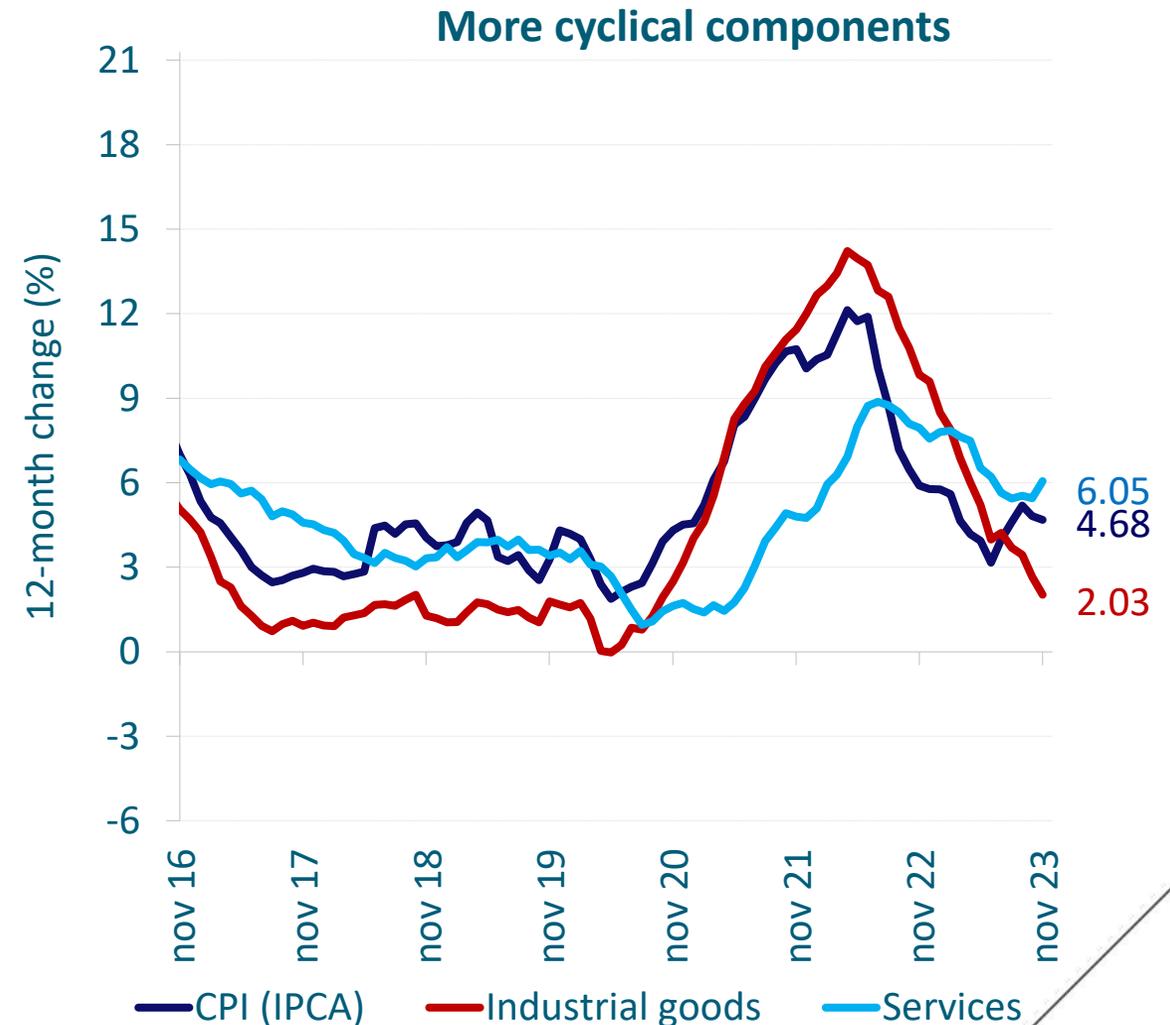
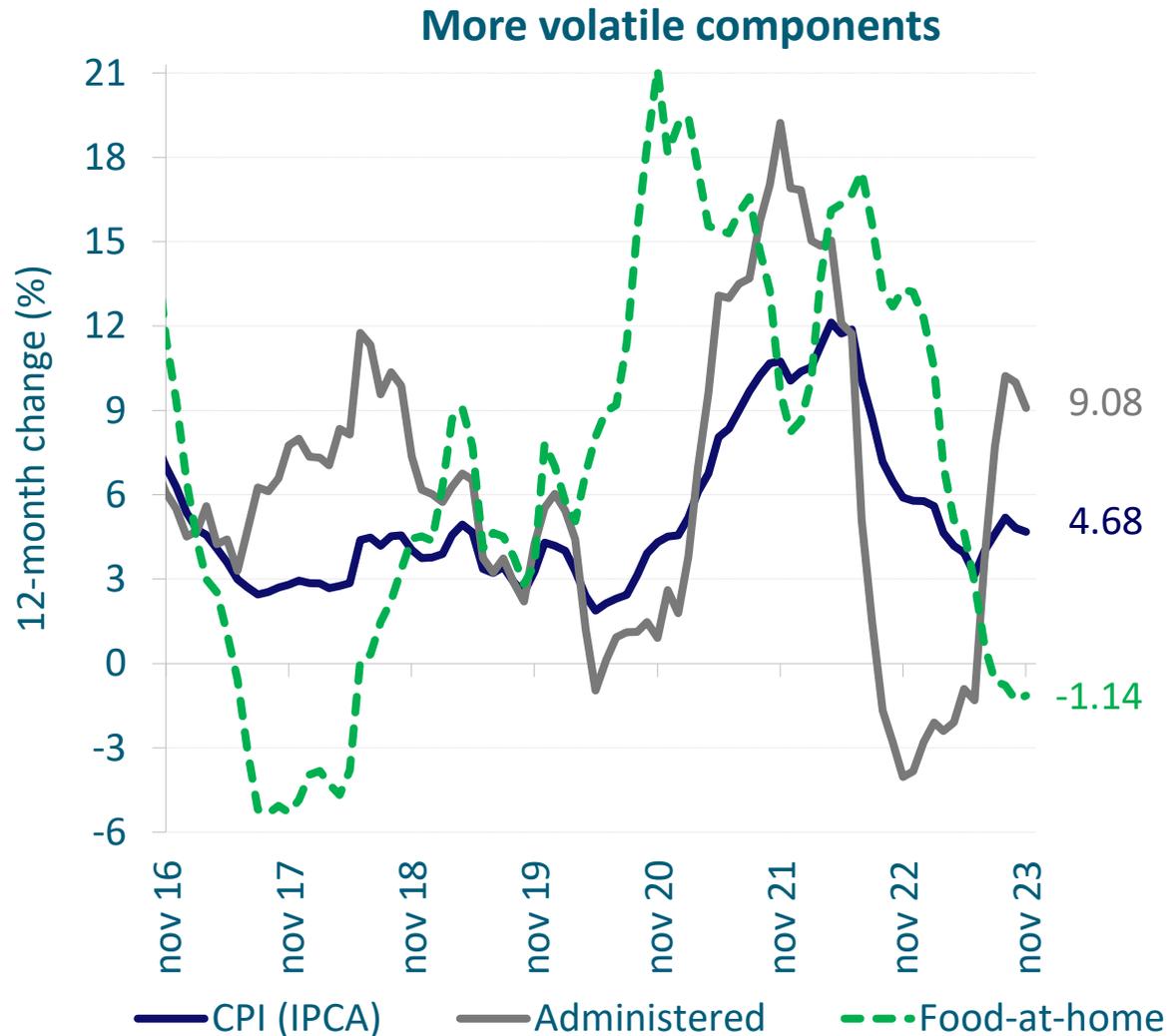
Inflation

CPI and core inflation



Sources: IBGE and BCB

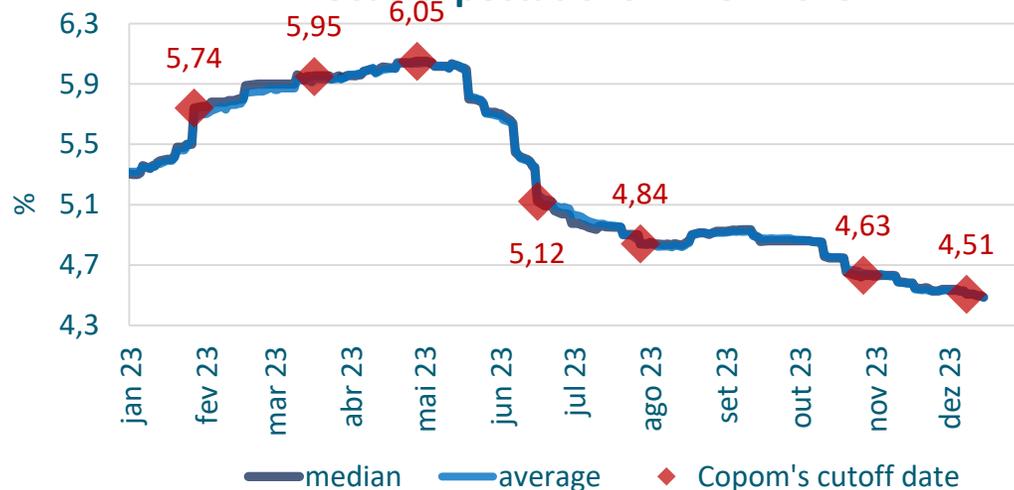
CPI components



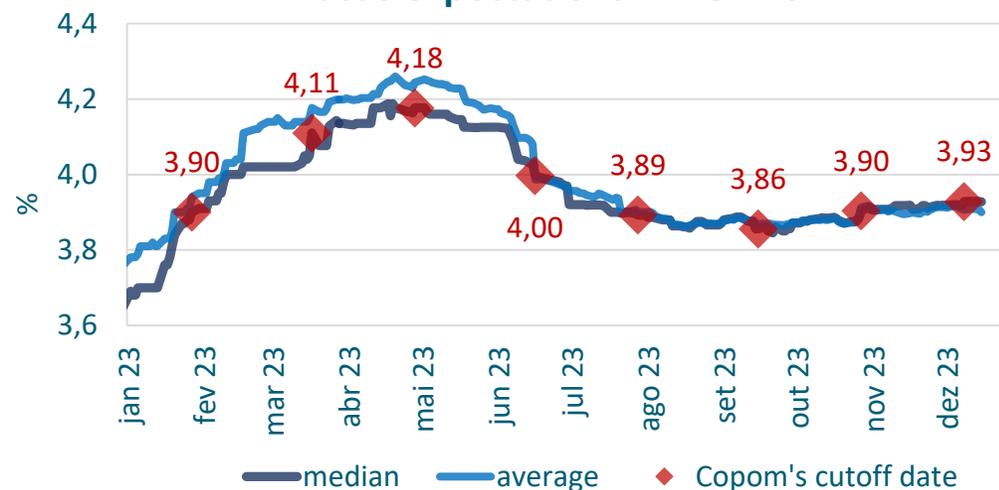
Sources: IBGE and BCB

Inflation expectations

Focus expectations – IPCA 2023



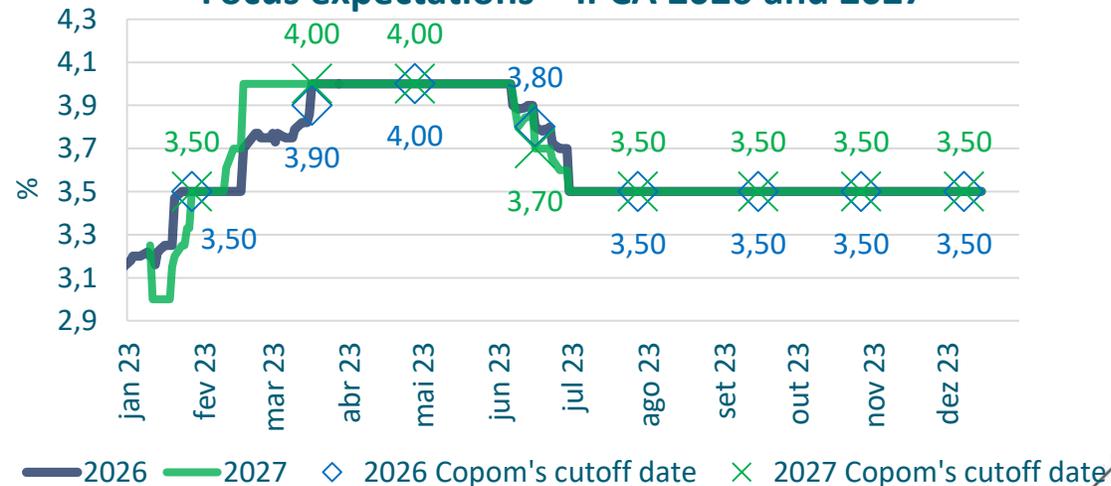
Focus expectations – IPCA 2024



Focus expectations – IPCA 2025



Focus expectations – IPCA 2026 and 2027



Source: BCB (Focus)

data up to December 15th

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