

# Global Emerging Markets Forum

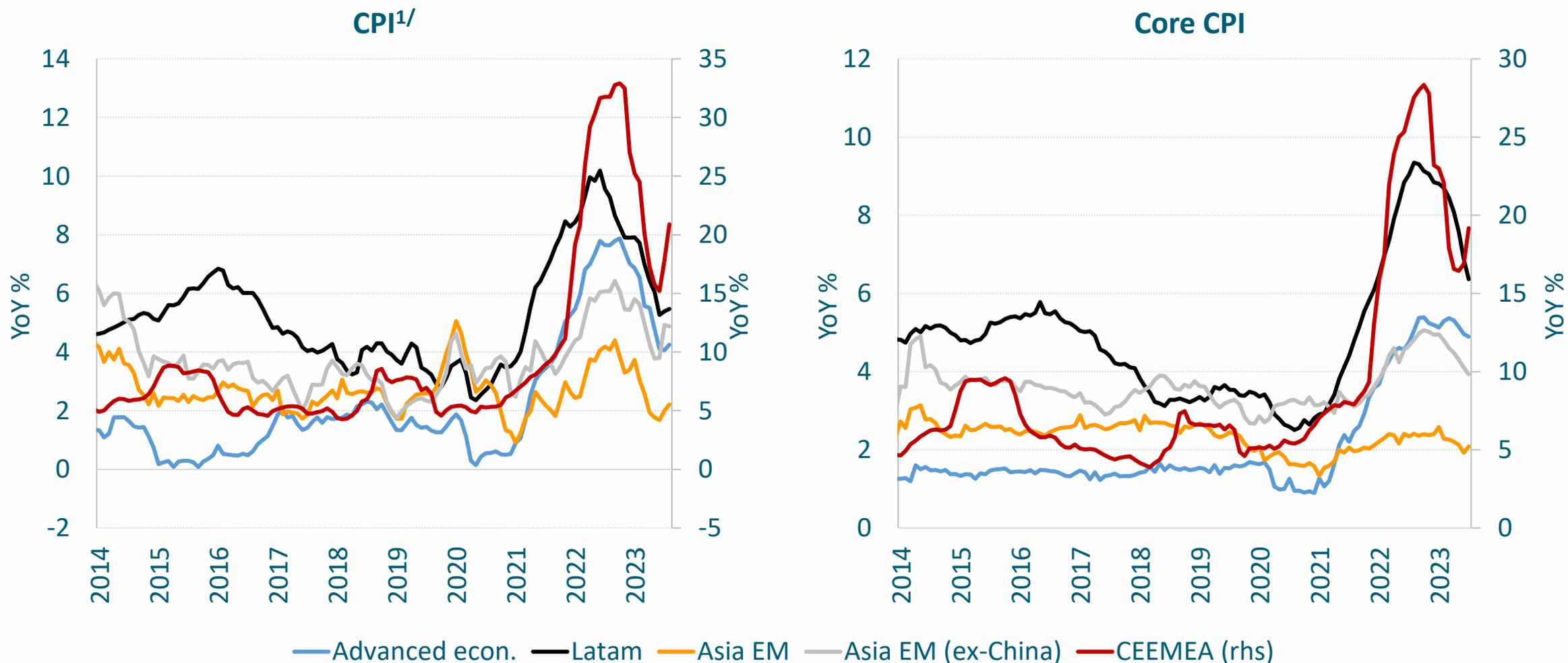
Banco Central do Brasil

Diogo Guillen – Deputy governor

September 29<sup>th</sup>, 2023

# Global outlook

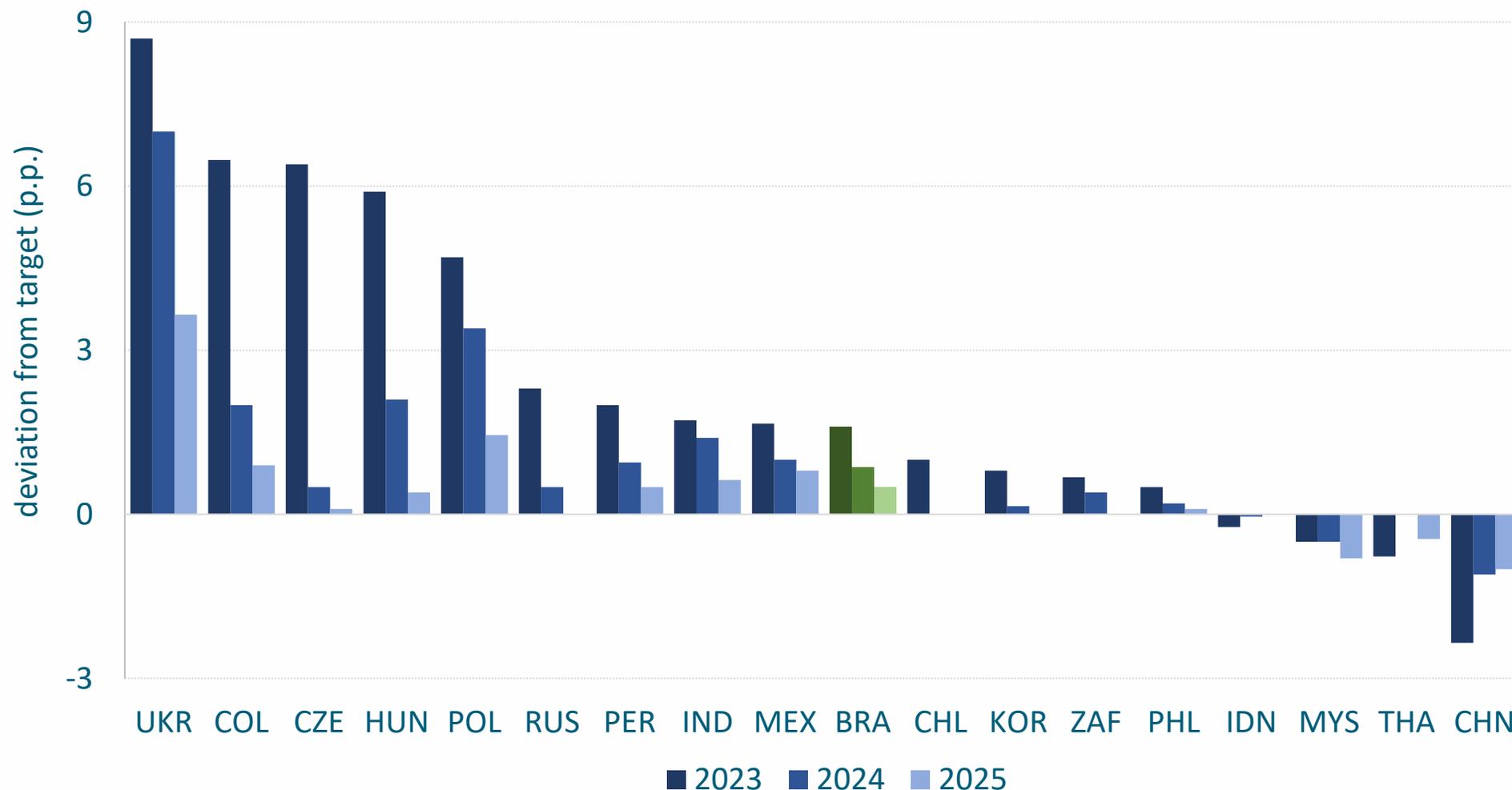
# CPIs and core inflation



1/ Weighted by PPP; Latam: BRA, MEX, CHL, COL, PER; CEEMEA: TUR, RUS, BGR, CZE, HUN, POL, ROU, SVK; Asia EM: CHN, IDN, IND, KOR, HKG, MYS, PHL, SGP, TWN, THA; Advanced economies: DEU, FRA, ITA, GRC, PRT, IRL, ESP, CHE, NOR, SWE, DNK, FIN, USA

Source: Bloomberg

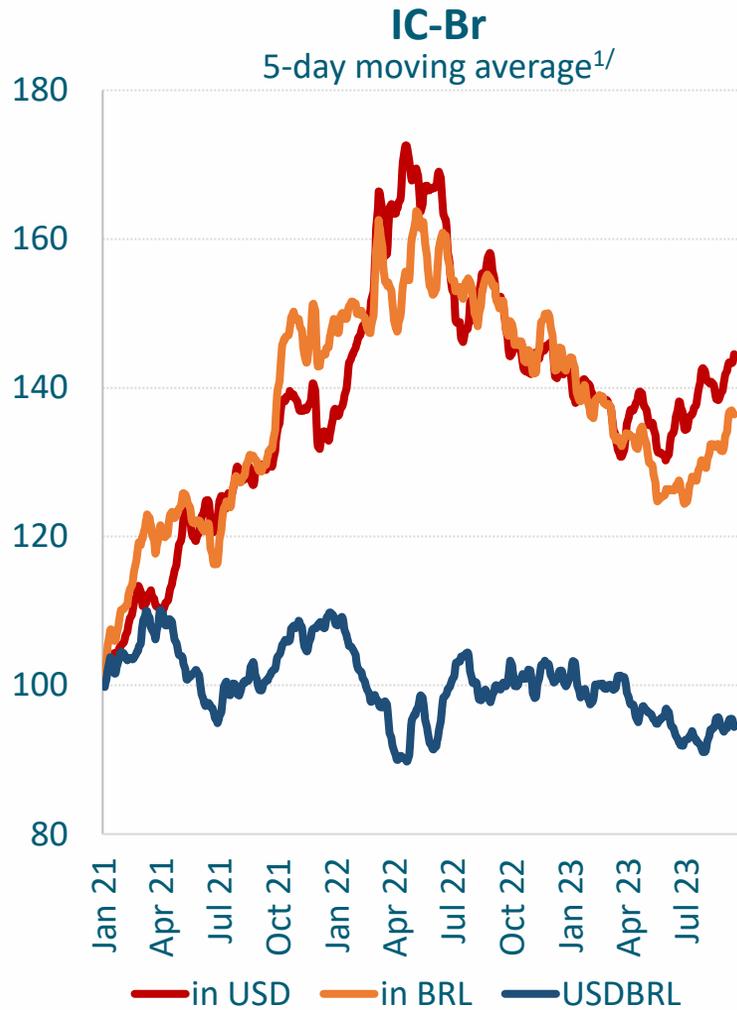
# Inflation expectations



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)

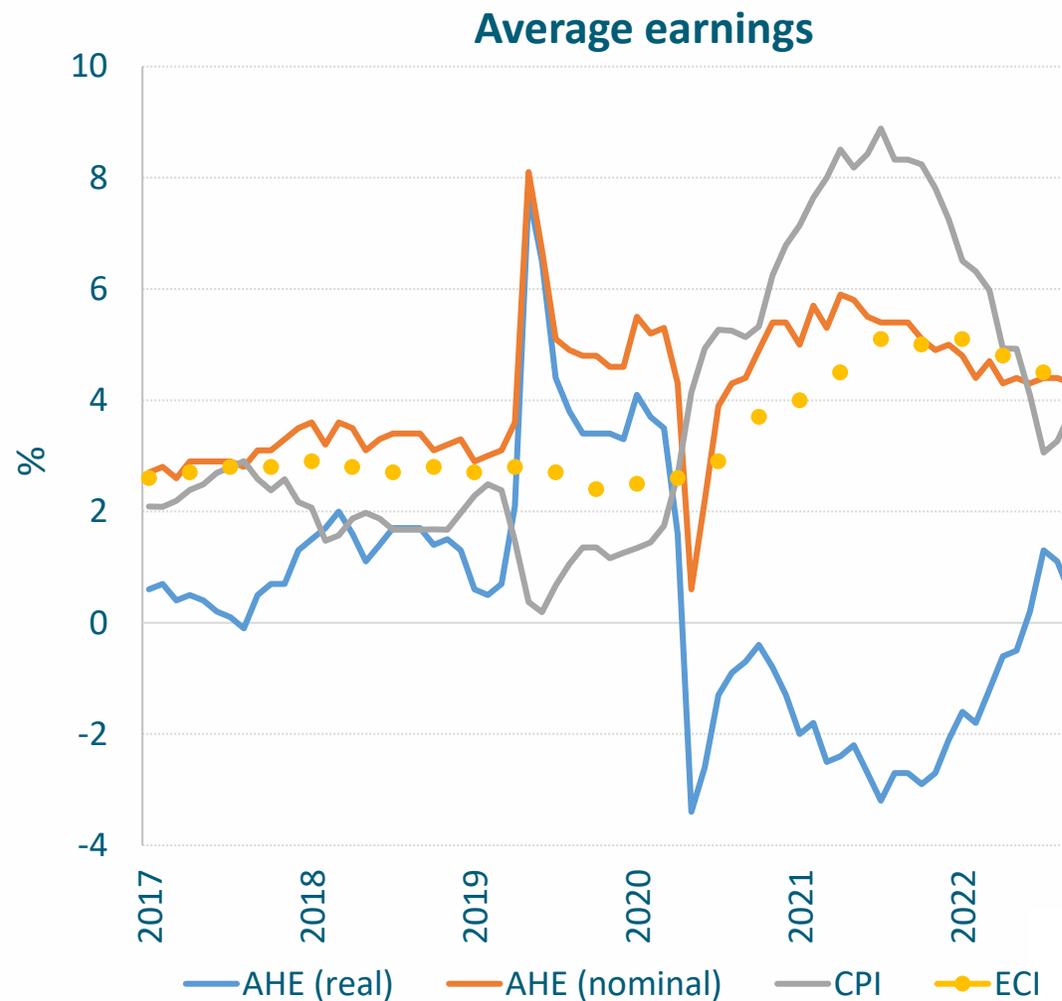
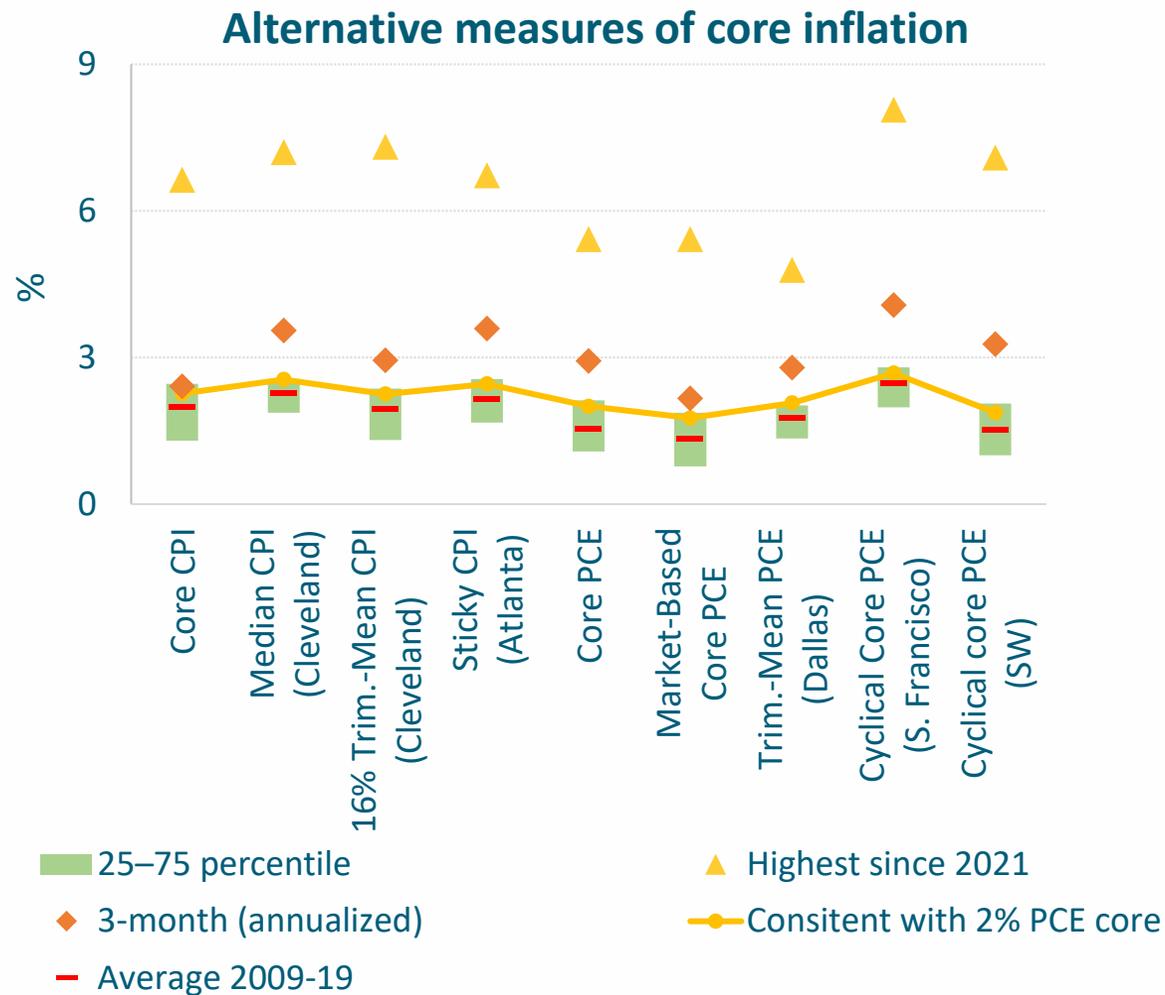
# Commodity prices



Sources: BCB and Fed New York

1/ Index Dec 31<sup>st</sup>, 2020 = 100  
 2/ standard deviation from the mean

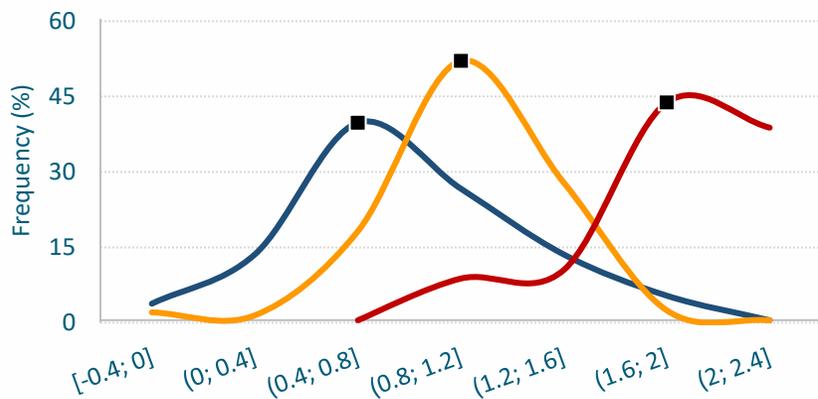
# Core inflation and labor market in the US



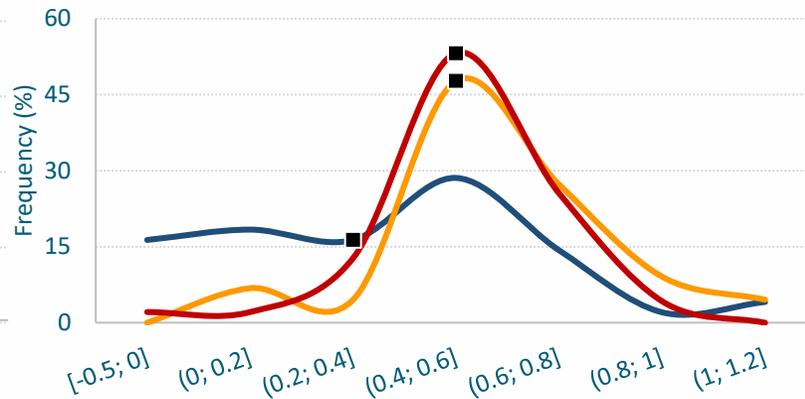
Source: Fed Atlanta, Fed S. Francisco and Bloomberg

# GDP growth expectations

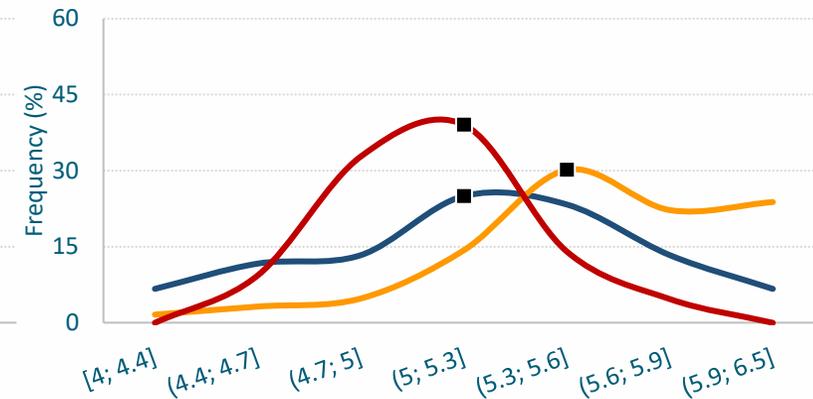
GDP US 2023



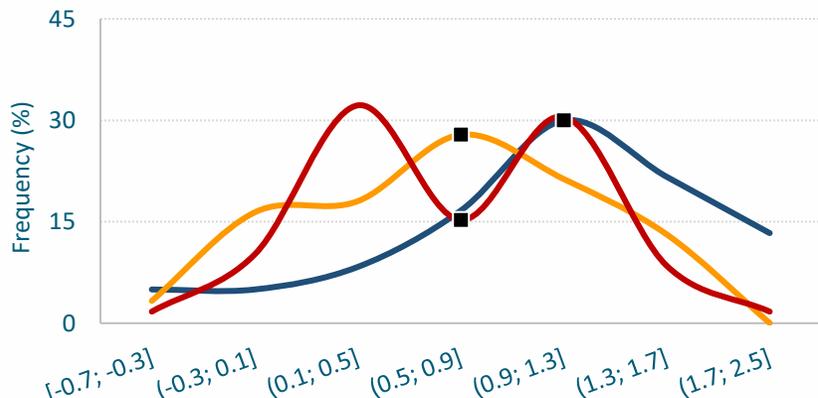
GDP Euro Area 2023



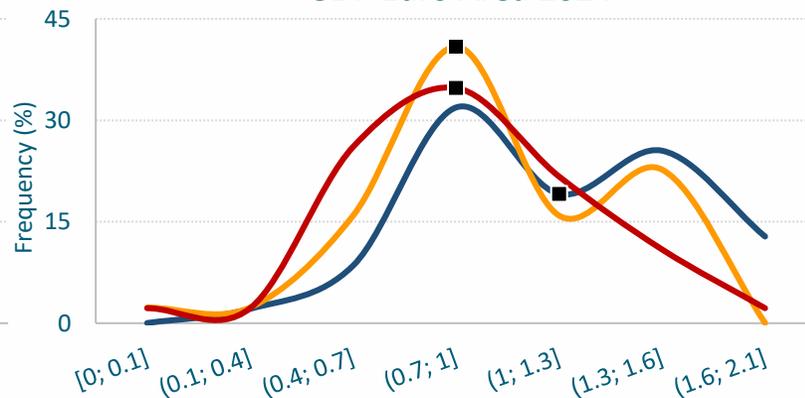
GDP China 2023



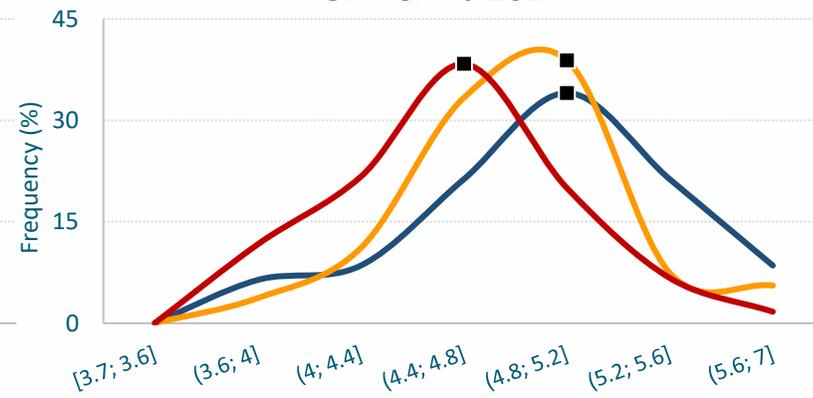
GDP US 2024



GDP Euro Area 2024



GDP China 2024



— in February 2023

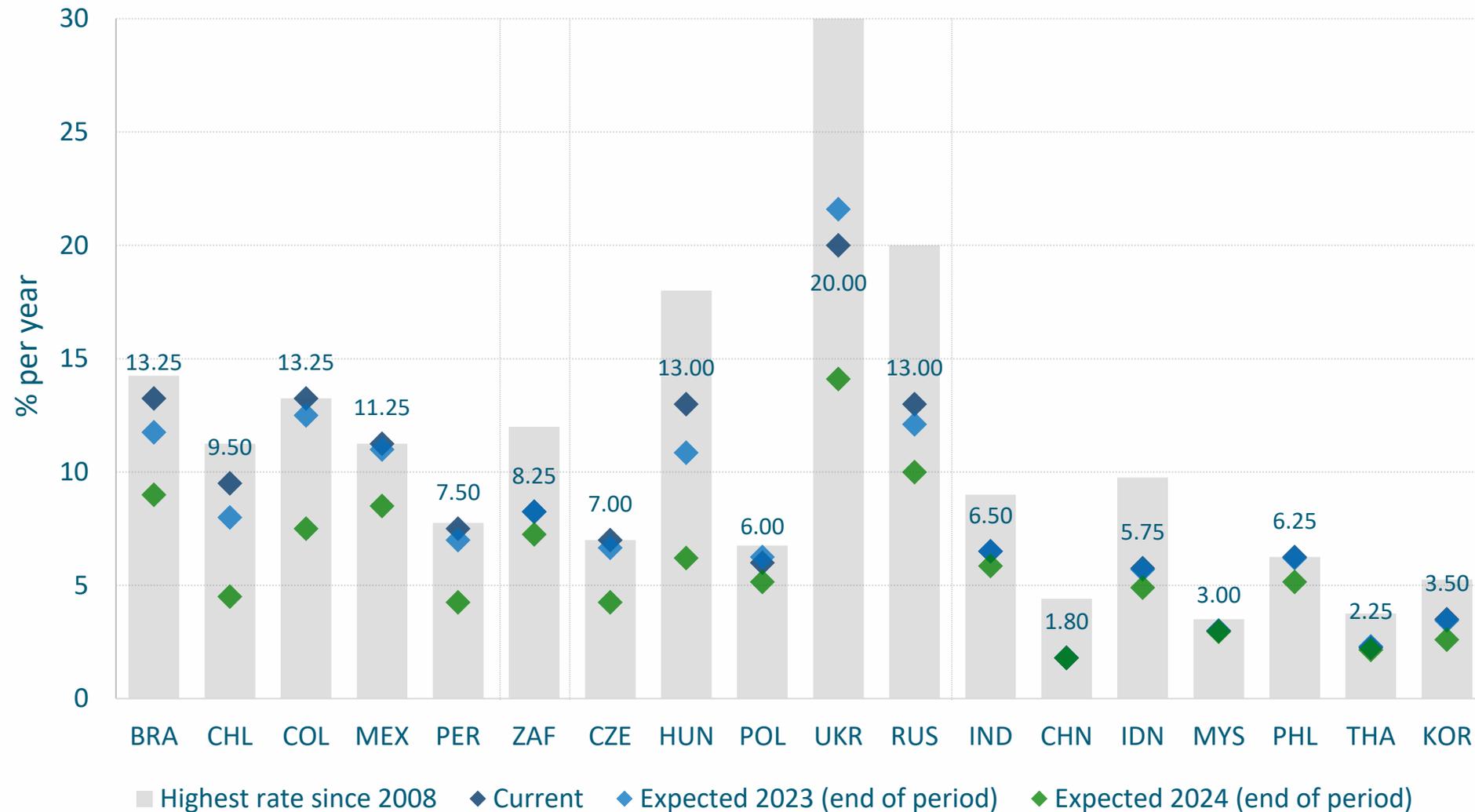
— in May 2023

— in August 2023

■ median

Source: Bloomberg

# Expectations for base interest rate



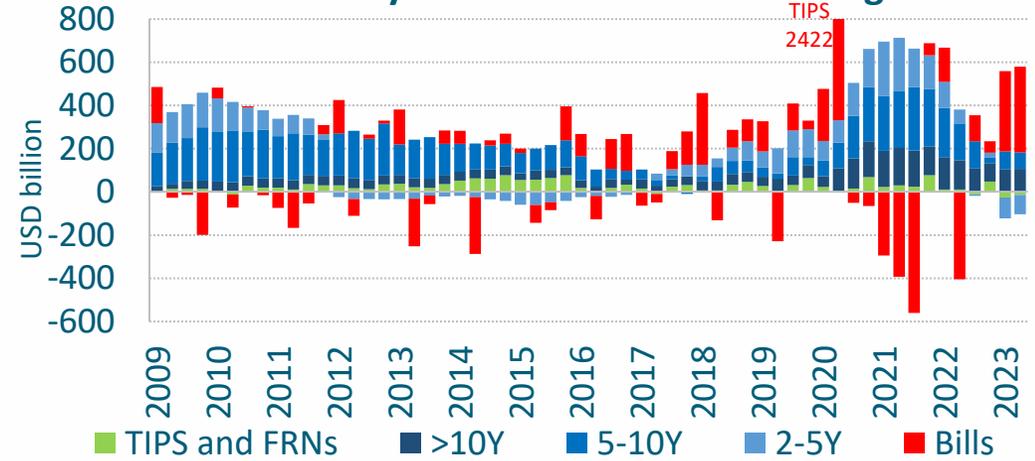
Sources: Bloomberg and central banks

# Interest rate in the US

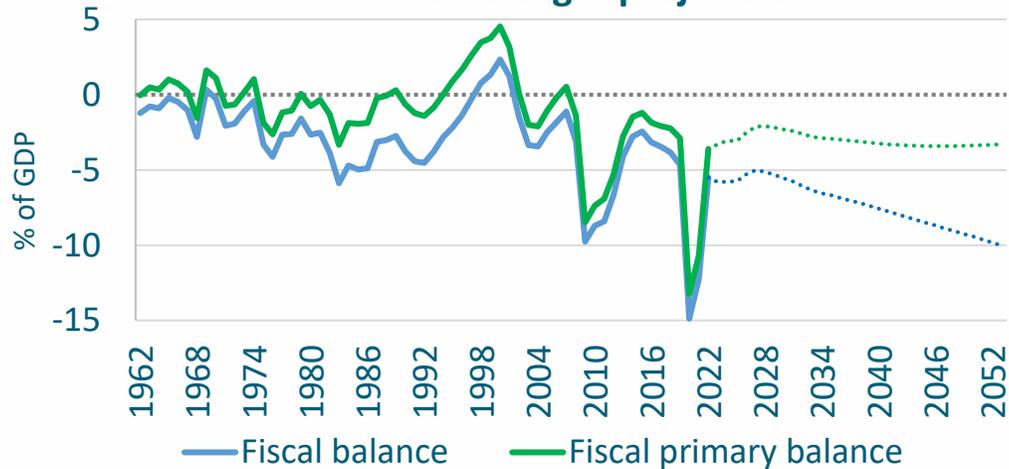
### US Treasury yield (10-year bonds)



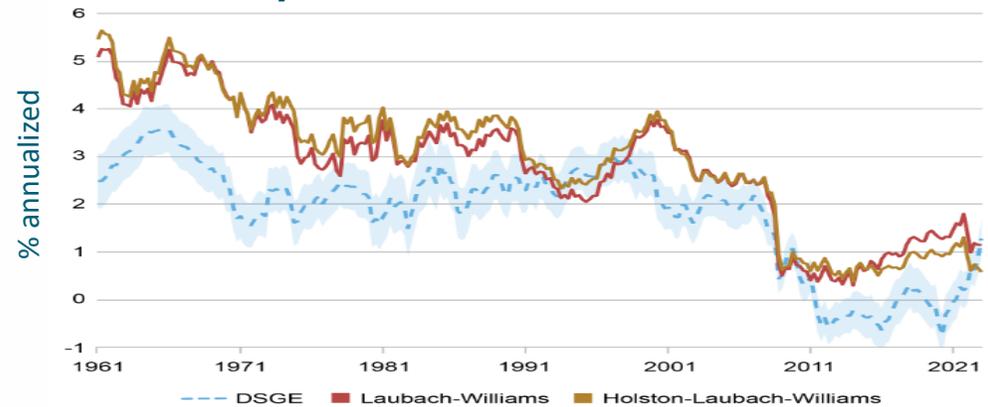
### Treasury Net Marketable Borrowing



### Federal budget projections



### DSGE 5-year $r^*$ and the LW and HLW measures

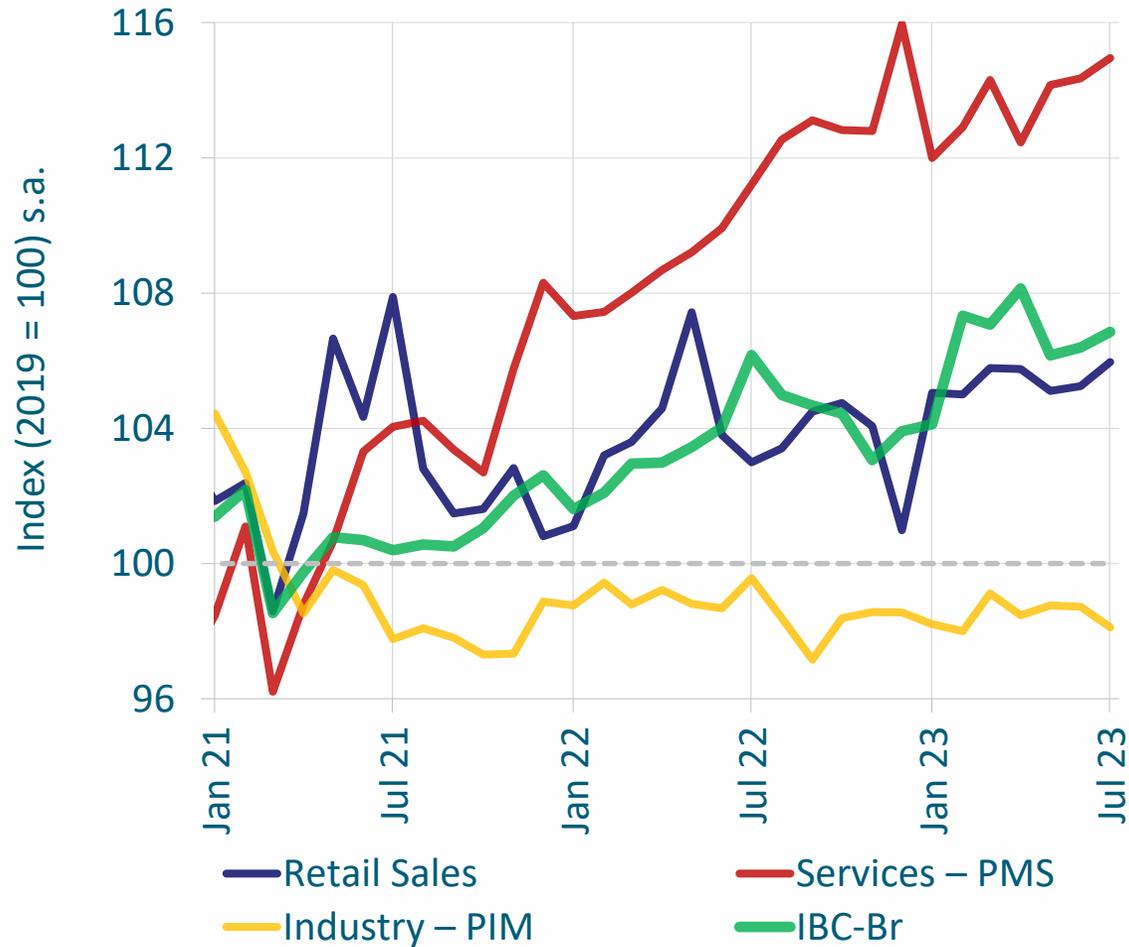


Sources: Bloomberg, CBO, US Treasury and Federal Reserve of New York

# Economic Activity

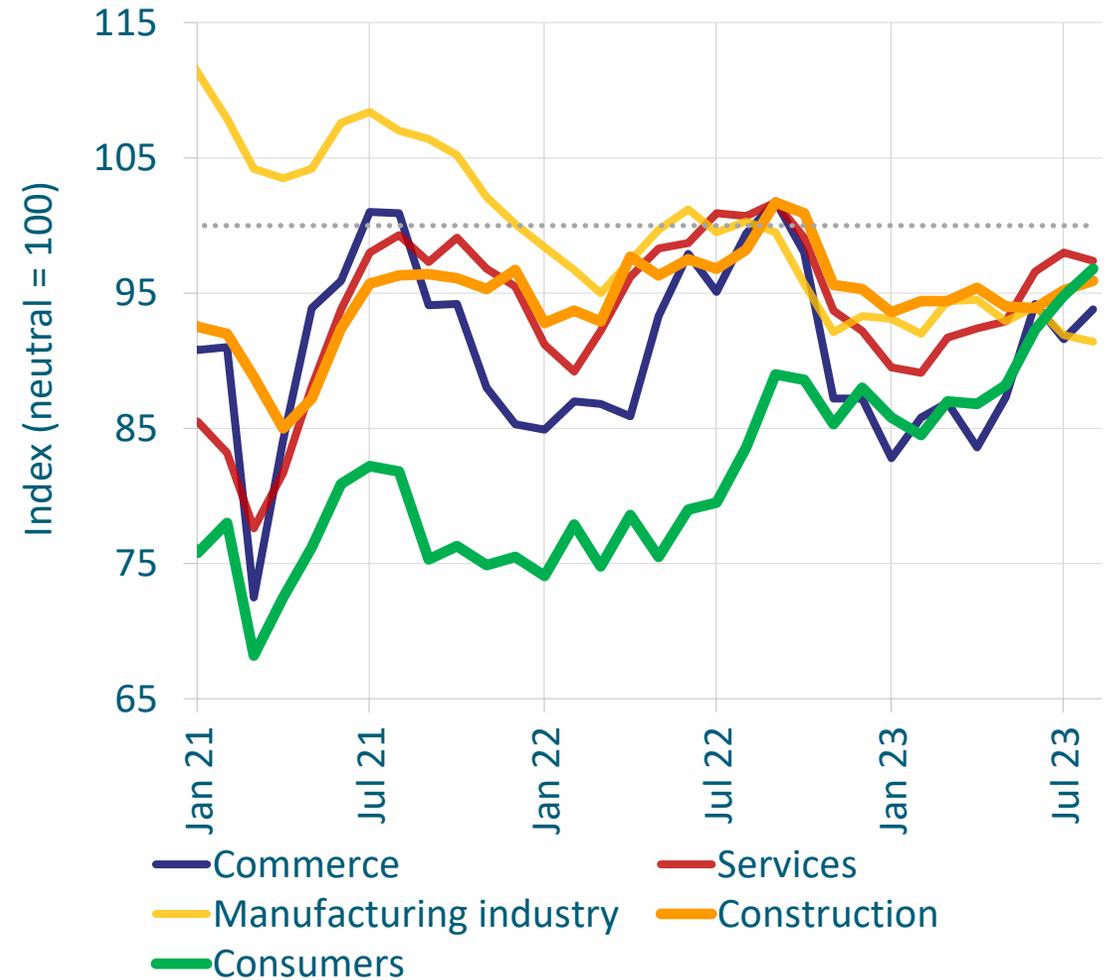
# Economic activity

## Economic activity



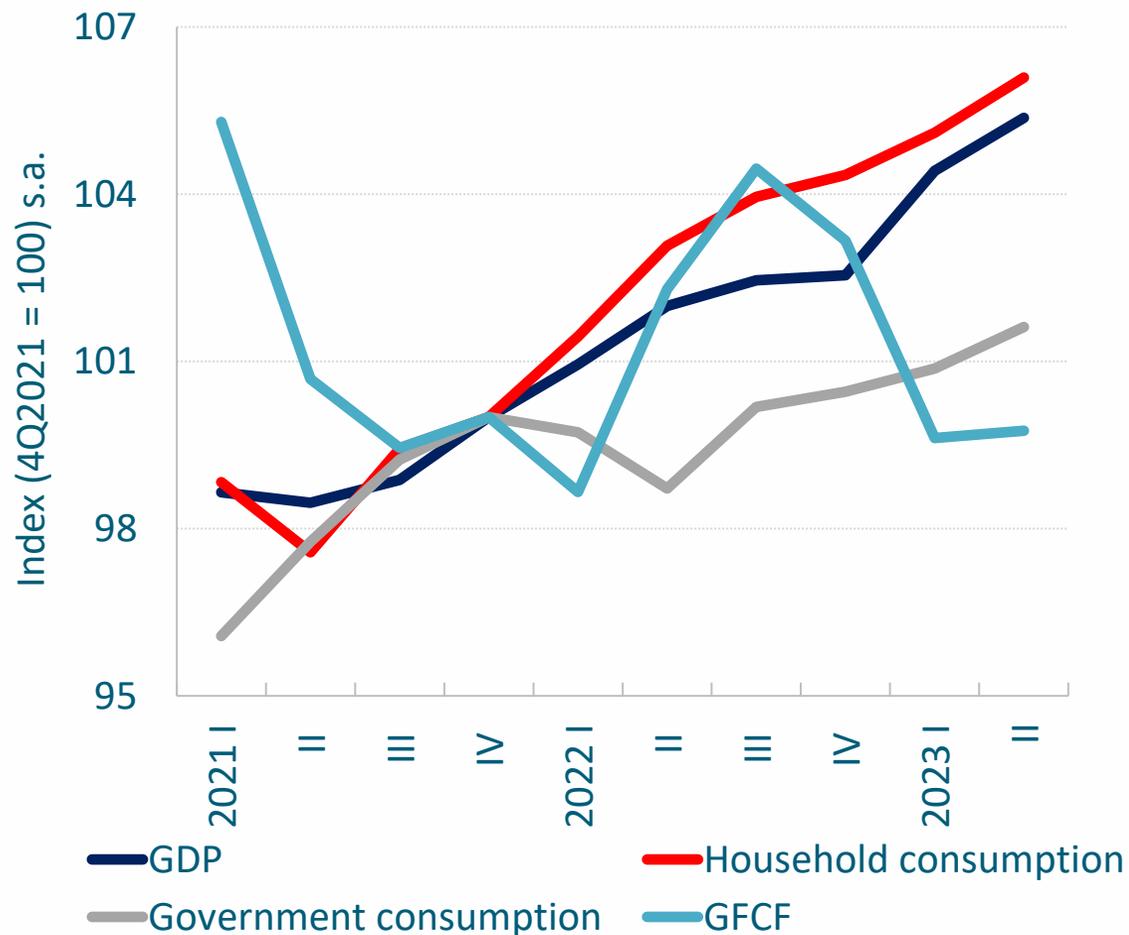
Sources: IBGE, BCB and FGV

## Confidence Index



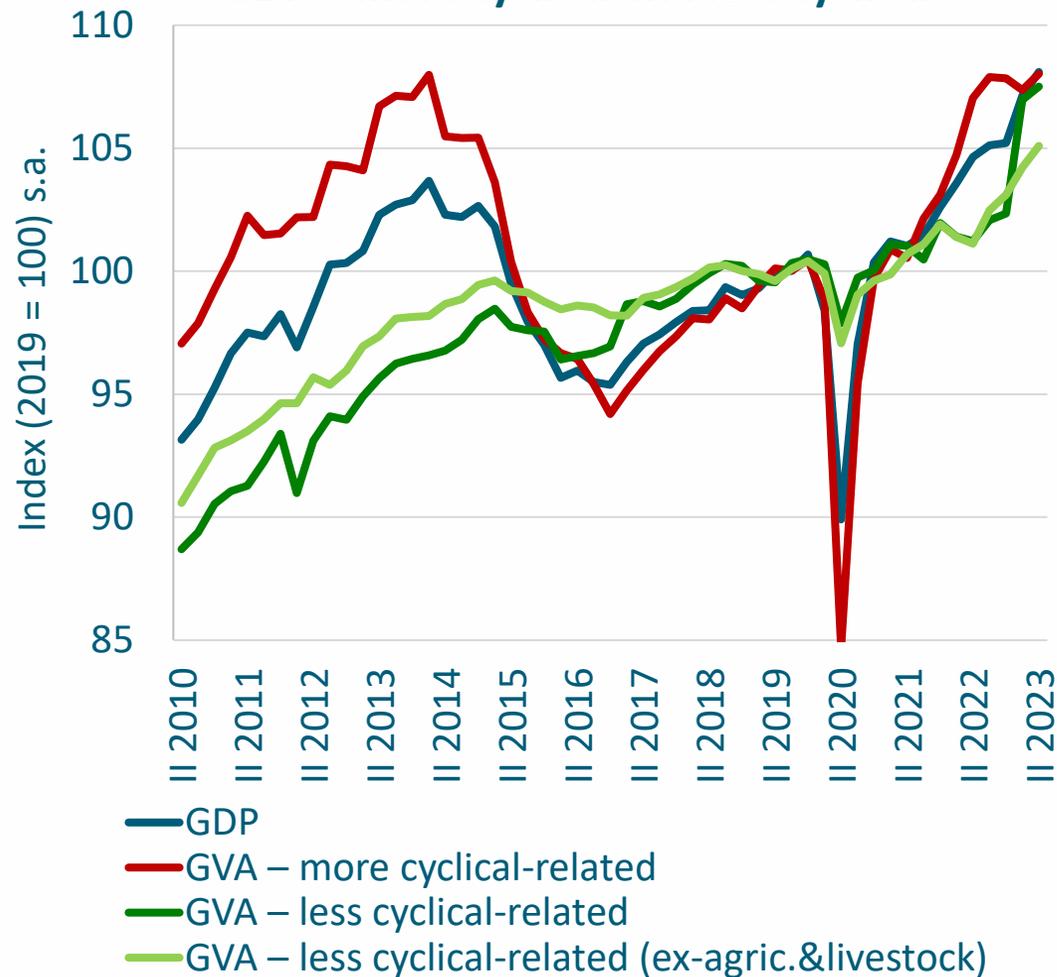
# Quarterly GDP

## GDP – Demand



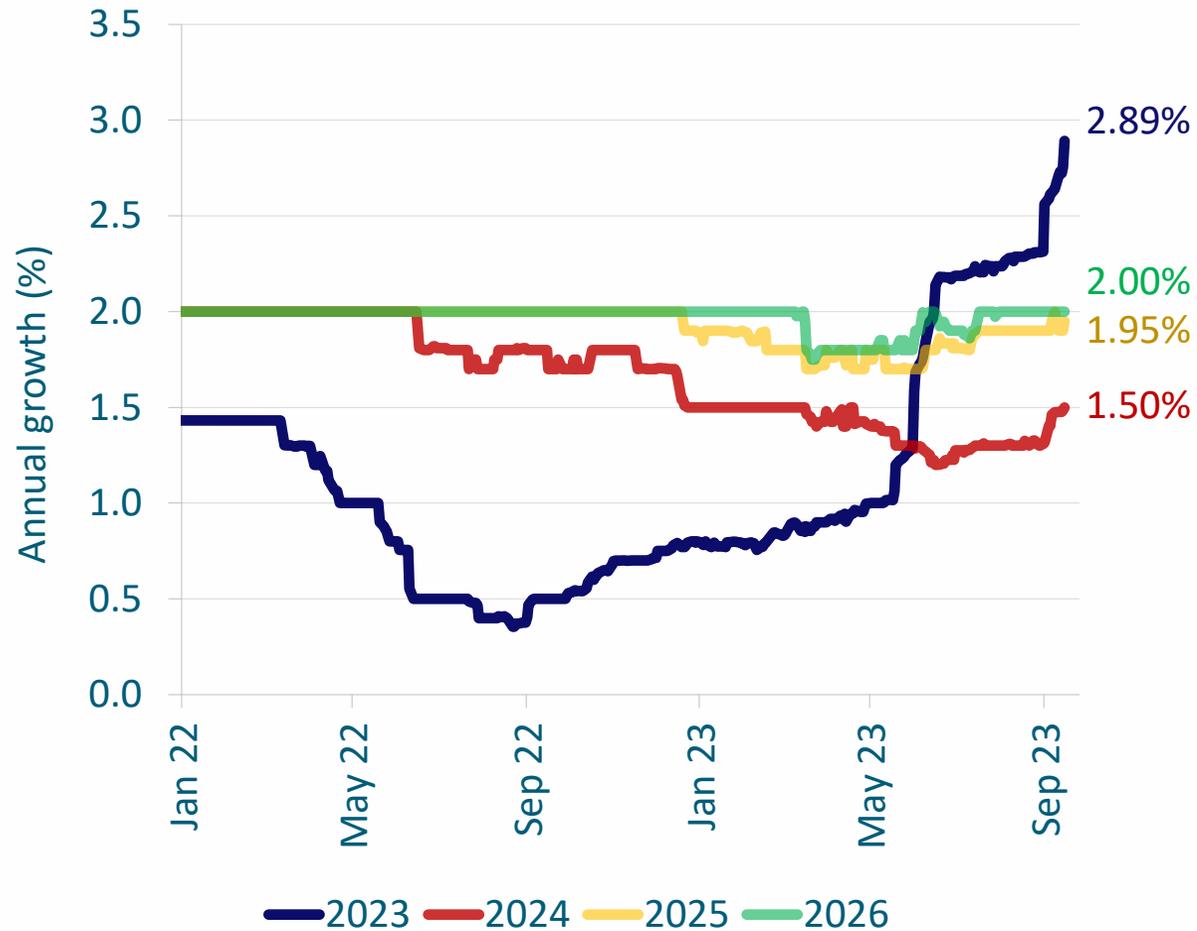
Sources: IBGE and BCB

## GDP – more cyclical and less cyclical



# Expectations for GDP growth

## Focus Expectations for GDP growth



Sources: IBGE and BCB

## Gross Domestic Product

Quarter/previous quarter

Seasonally adjusted

Itemization	2022				% change	
	I	II	III	IV	I	II
GDP at market prices	0.9	1.0	0.4	0.1	1.8	0.9
Agric. and livestock	-0.5	0.2	-1.2	-1.3	21.0	-0.9
Industry	1.0	1.2	0.8	-0.2	0.1	0.9
Services	1.0	1.2	0.9	0.2	0.6	0.6
Household consumption	1.4	1.6	0.8	0.4	0.7	0.9
Government consumption	-0.3	-1.0	1.5	0.3	0.4	0.7
Gross fixed capital formation	-1.3	3.7	2.1	-1.2	-3.4	0.1
Exports	8.6	-4.2	5.5	3.5	0.3	2.9
Imports	-2.2	5.5	5.2	-3.7	-3.9	4.5

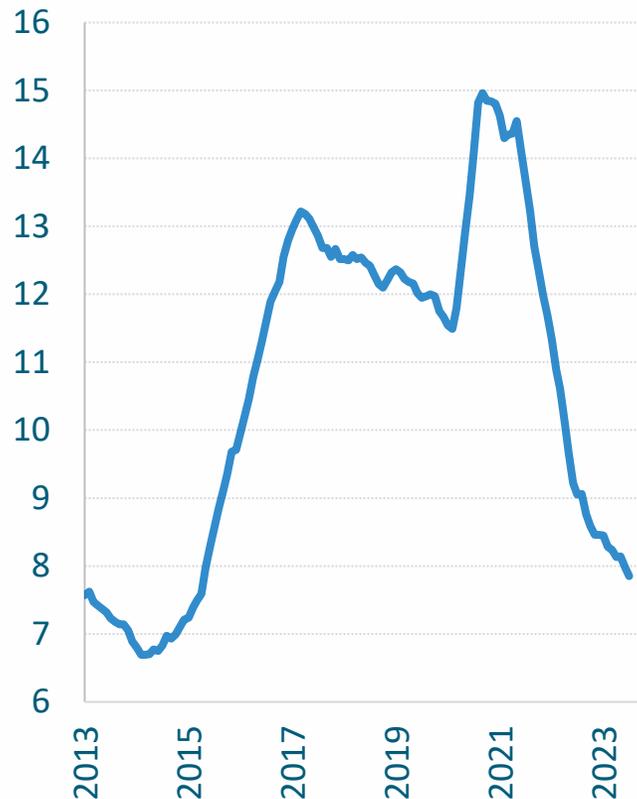
Source: IBGE

Focus: expectations up to September 15<sup>th</sup>

# Labor market – Unemployment

## Unemployment rate

%; s.a. 3MMA



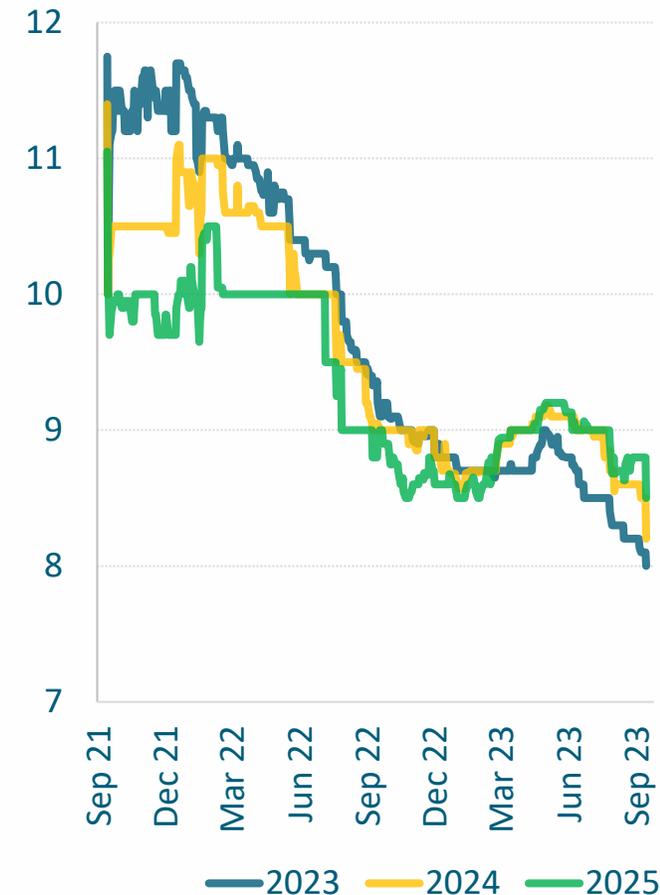
## Formal Jobs creation

thousand jobs, 3MMA, s.a.



## Expectations – Unemployment rate

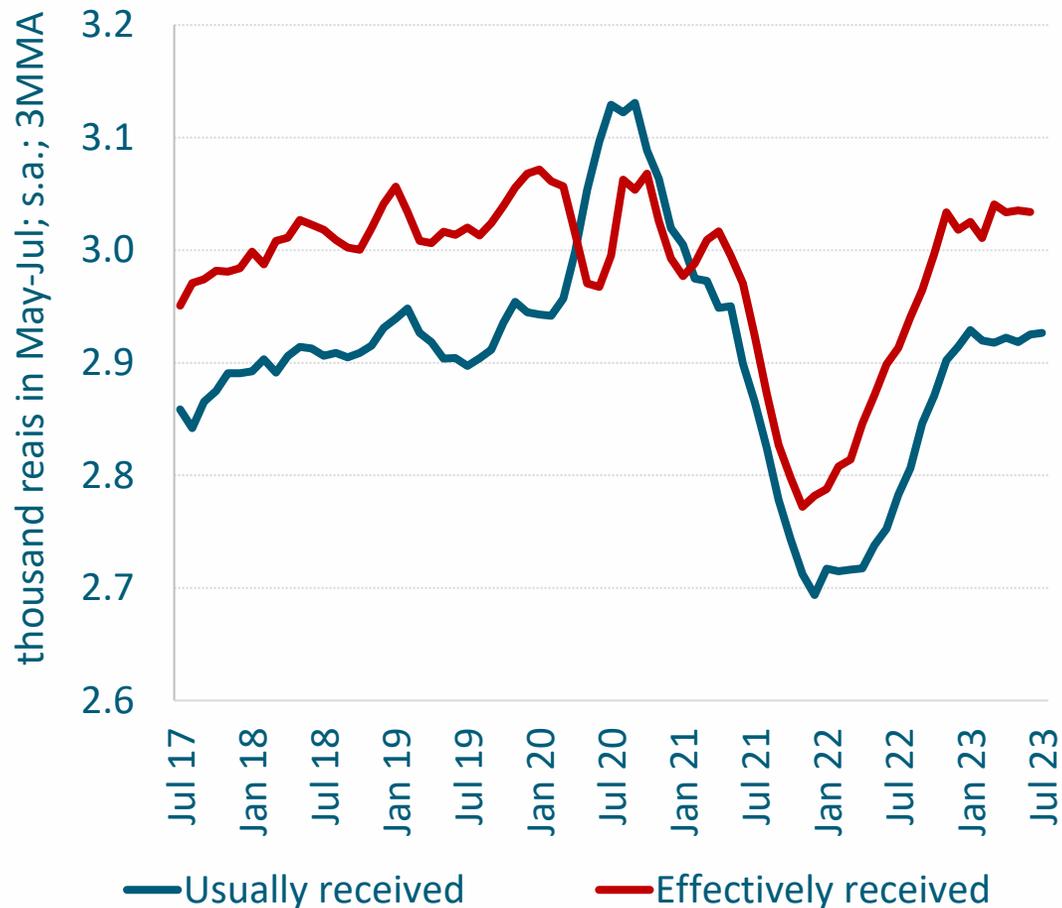
% Focus survey (end of period)



Sources: IBGE, Ministério do Trabalho and BCB (Focus)

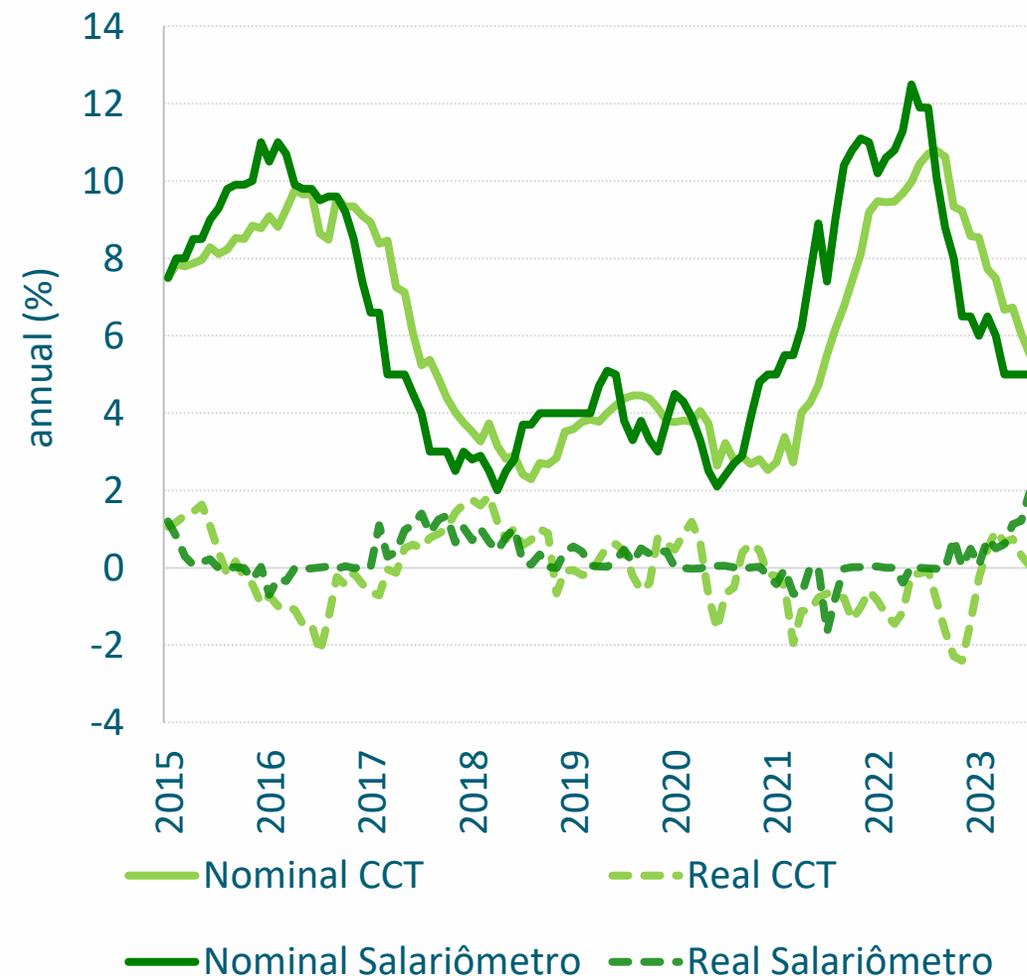
# Labor market – Earnings

## Real earnings



Sources: IBGE, BCB and Fipe

## Collective bargaining agreements<sup>1/</sup>

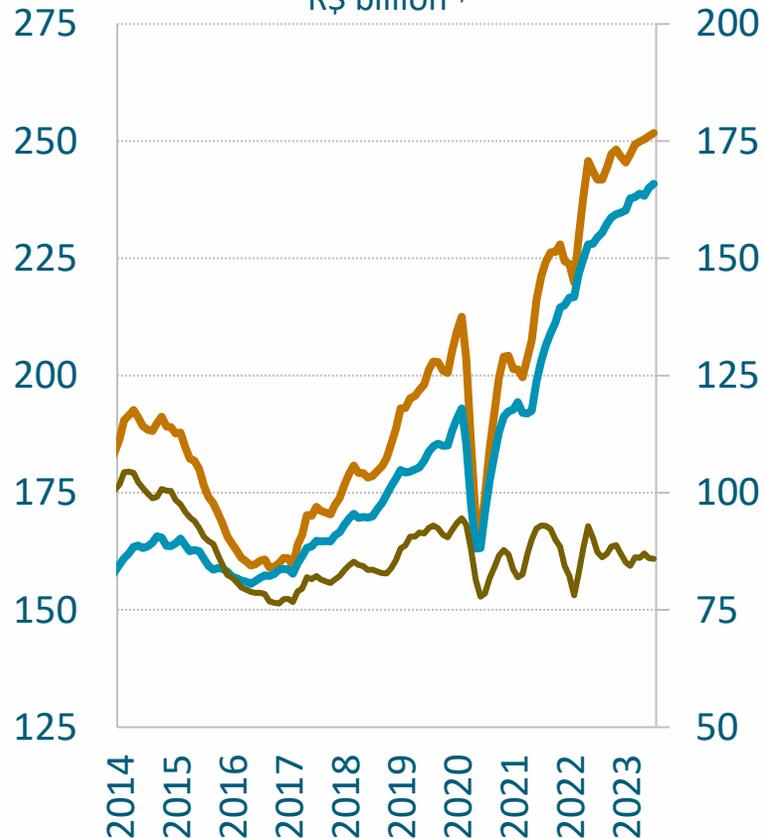


1/ CCT: nominal average wage adjustment in São Paulo and Rio de Janeiro deflated by INPC (t-5); Salariômetro: nominal median adjustment, deflated by INPC (t-1).

# Credit

## New loans to households

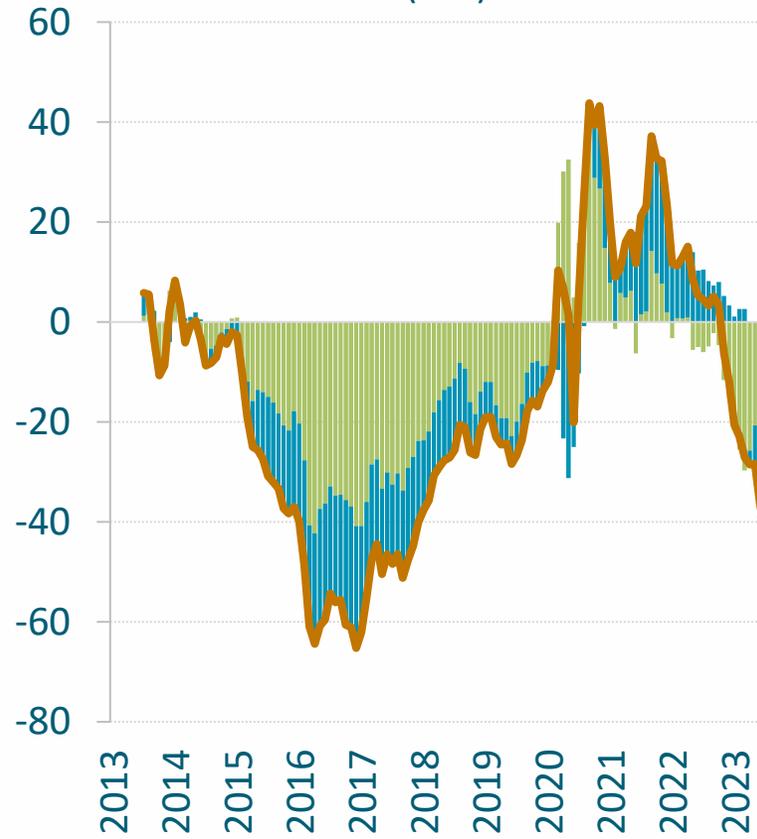
R\$ billion<sup>1/</sup>



- Total
- Non financing credit card (rhs)
- Total ex non financing credit card (rhs)

## Financial Flow

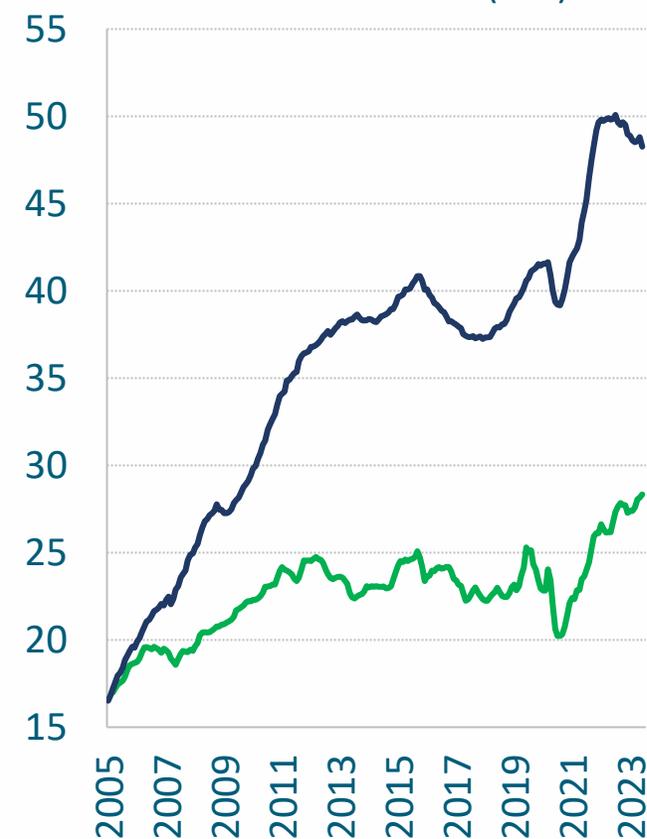
% (s.a.)<sup>2/</sup>



- Companies
- Households
- Total

## Debt to income and Debt service ratio

% of income (s.a.)



- Debt service ratio
- Debt to income

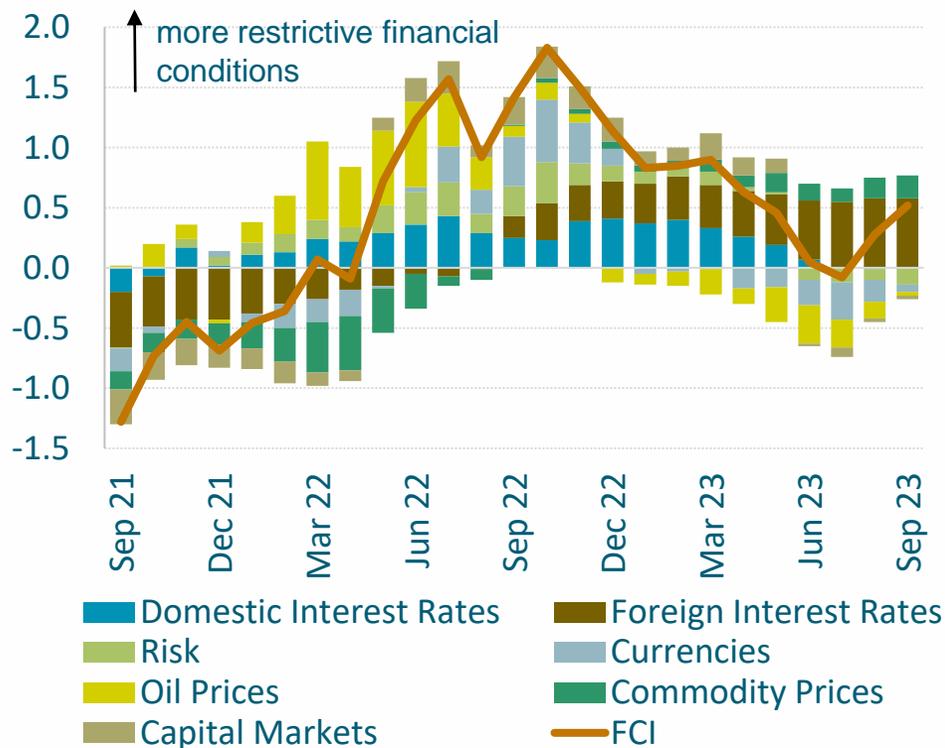
1/ 3-month moving average in R\$ billion (July 2023 prices) seasonally adjusted

2/ Financial flow = new loans – payments.

# Financial conditions

## Financial Conditions Indicator

Standard-deviations from the mean and contributions



Note The higher the value of the indicator, the tighter the financial conditions. Figures refer to the monthly average. September 2023 figures value refers to the average up to September 15<sup>th</sup>.

In 2023, the FCI fell in July and rose in August and September. The main factors for less restrictive financial conditions in July 2023 were:

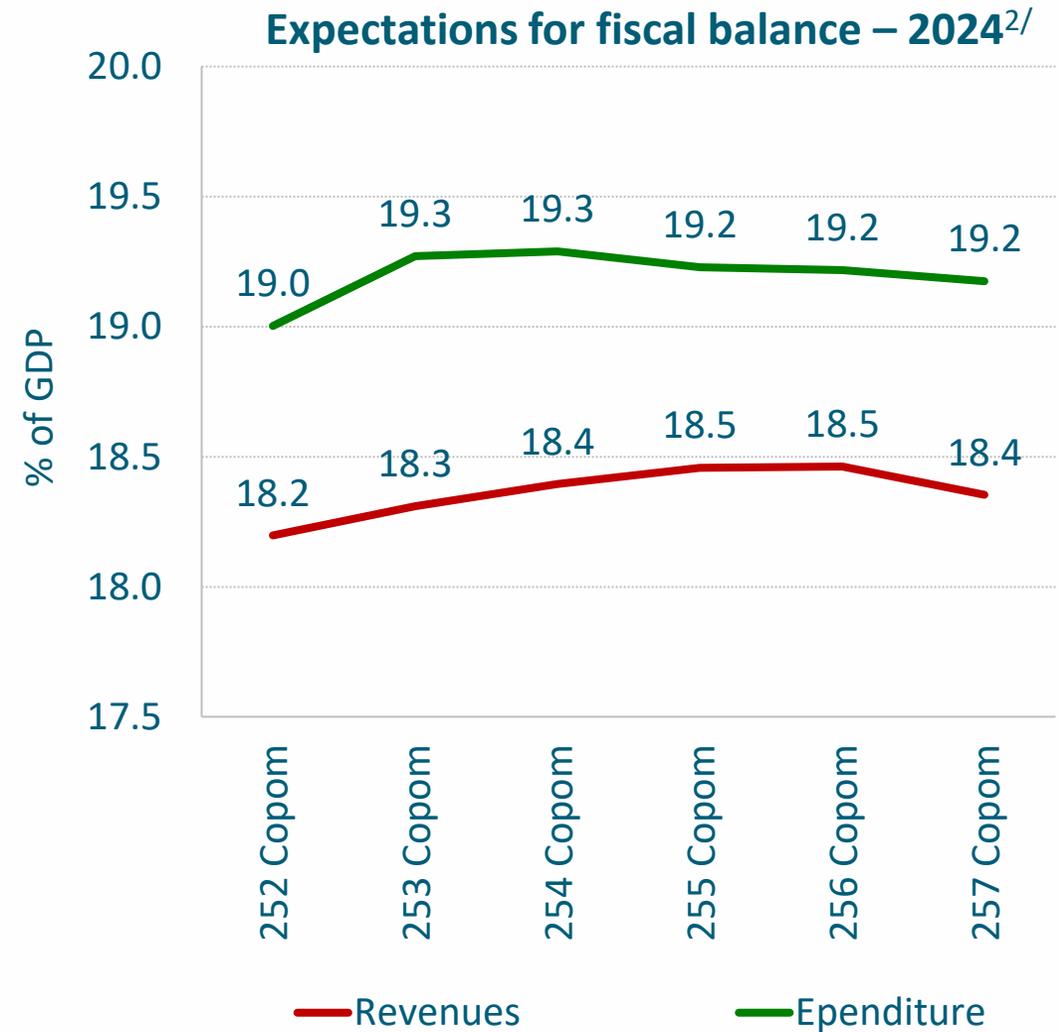
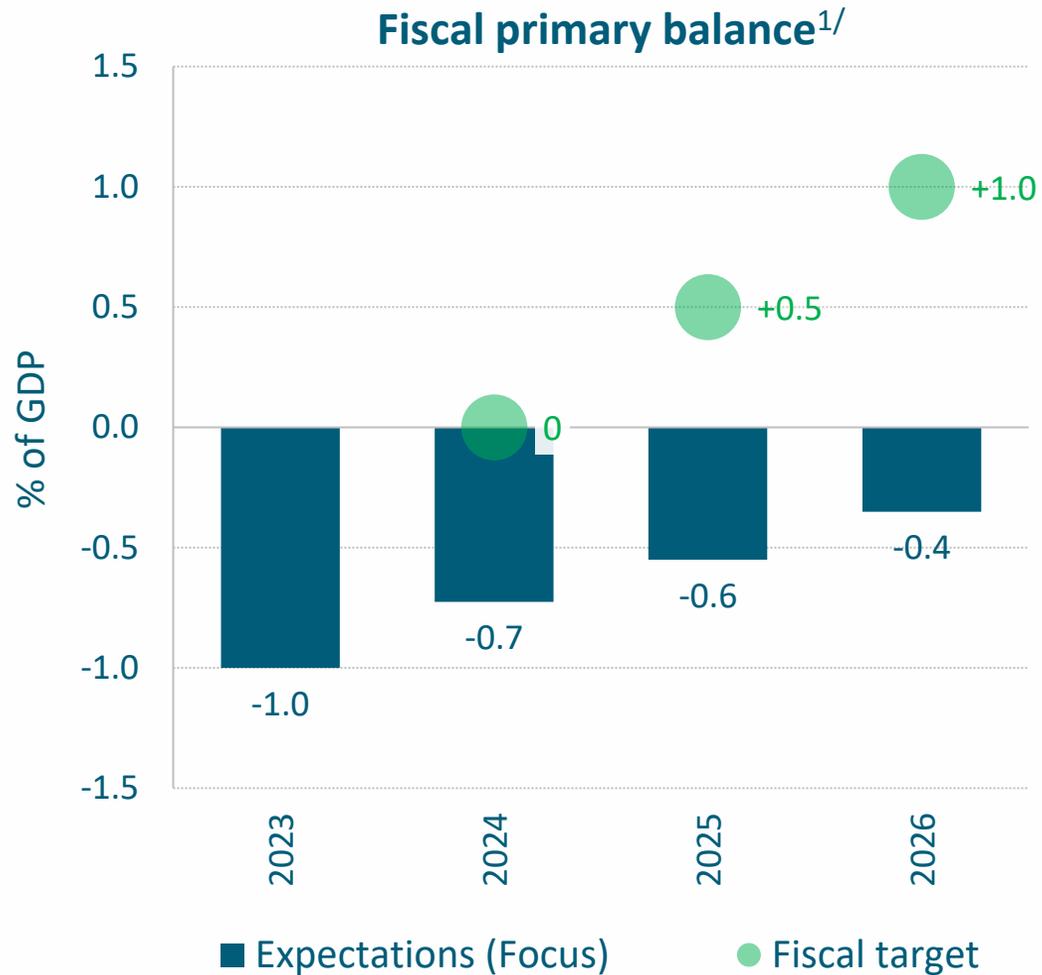
- lower future interest rates in Brazil;
- falling country risk;
- BRL appreciation;
- increase in the prices of agricultural and metal commodities;
- appreciation of domestic and foreign stock markets.

These factors more than offset the rise in oil prices and in future interest rates in developed economies.

However, in August and September, the latter two factors continued to strengthen, accompanied by:

- Global USD appreciation;
- BRL depreciation;
- fall in agricultural and metal commodity prices;
- fall in the domestic stock market.

# Fiscal

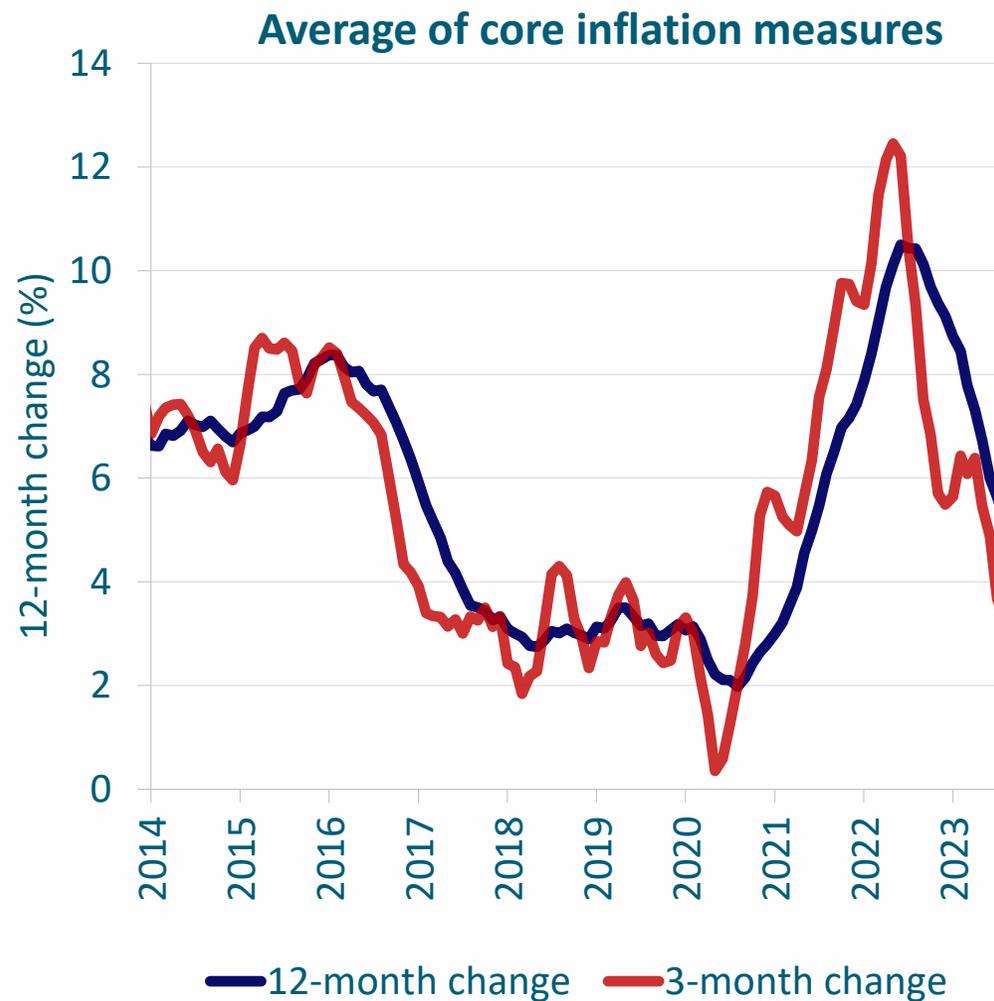
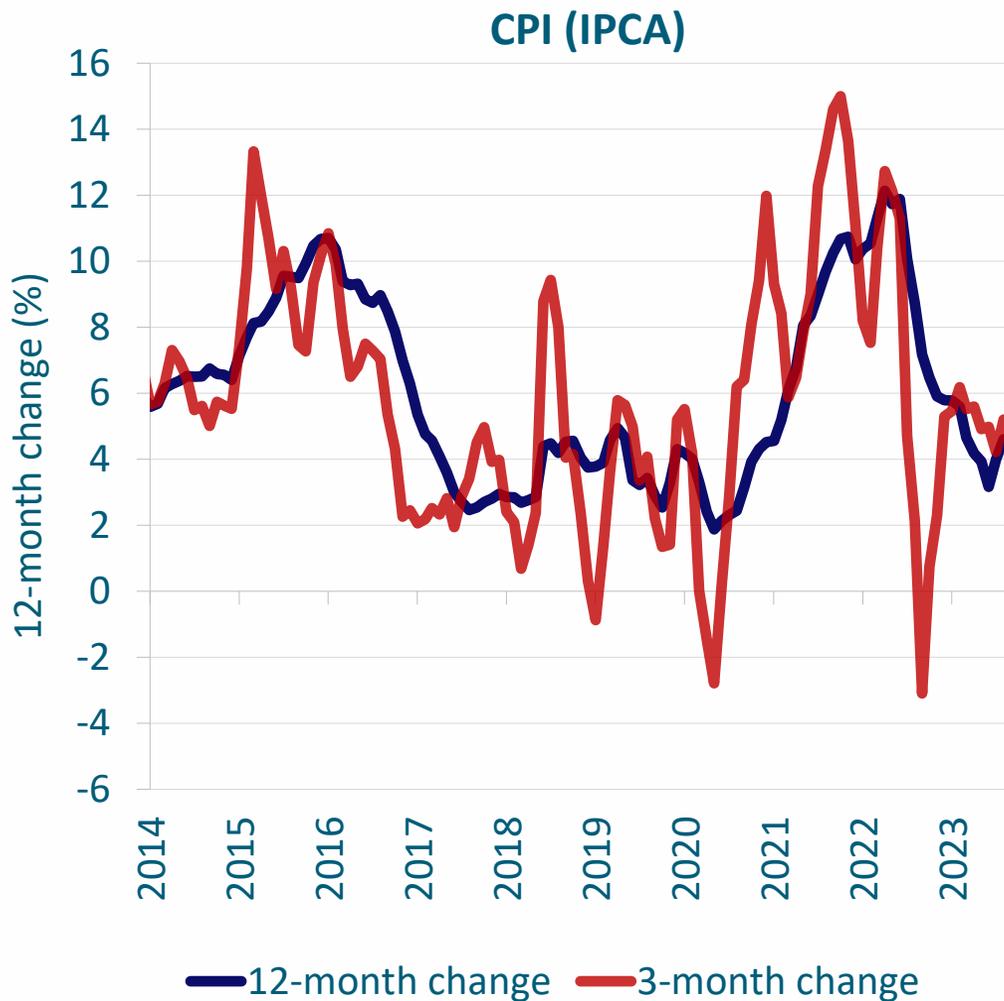


Sources: BCB and Ministério da Fazenda

1/ Focus on September 15<sup>th</sup>; 2/ QPC: fiscal balance expected for 2024

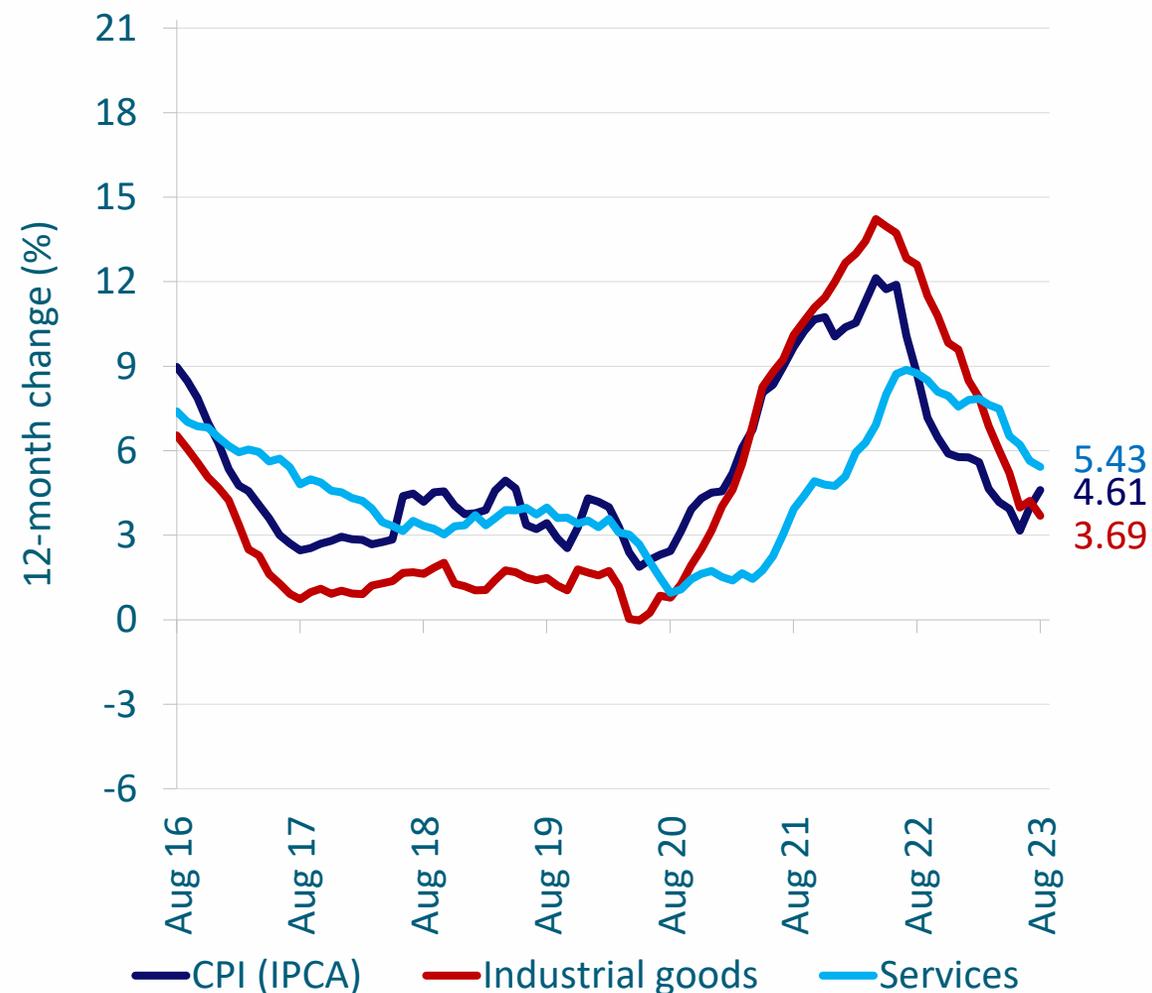
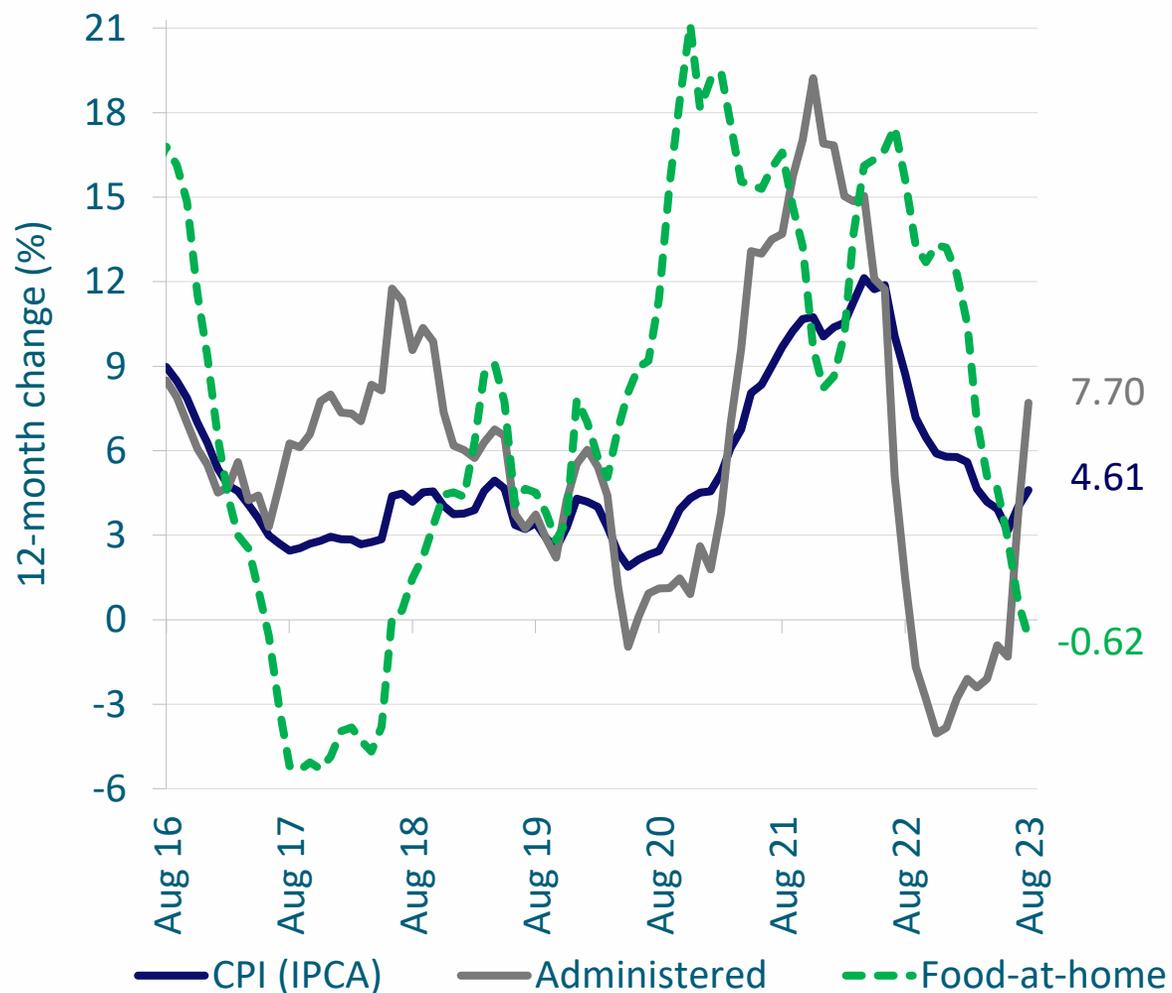
# Inflation

# CPI and core inflation



Sources: IBGE and BCB

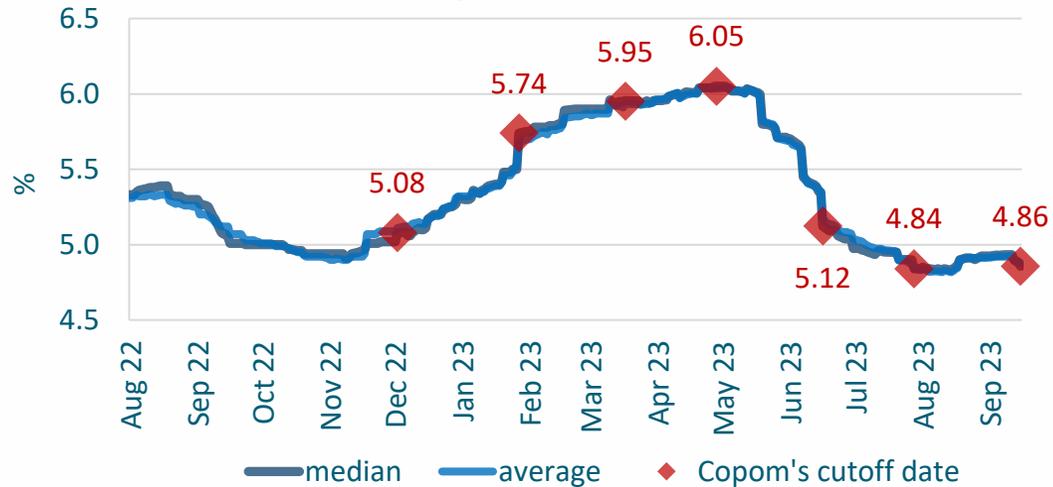
# CPI components



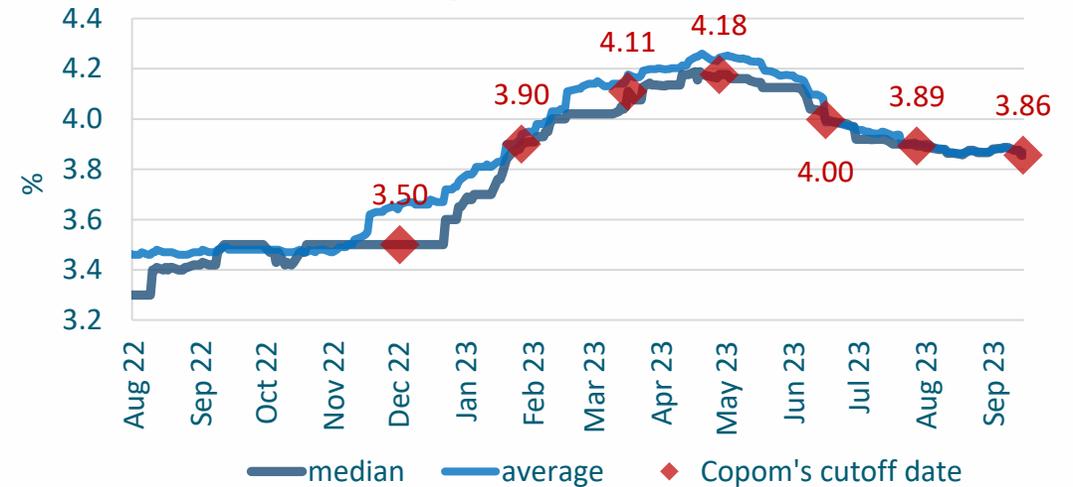
Sources: IBGE and BCB

# Inflation expectations

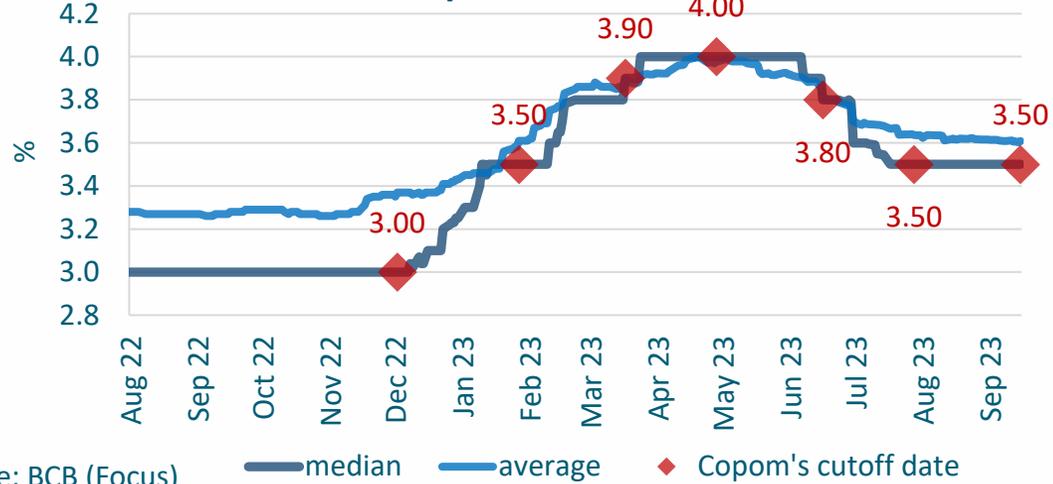
### Focus expectations – IPCA 2023



### Focus expectations – IPCA 2024



### Focus expectations – IPCA 2025



### Focus expectations – IPCA 2026 and 2027



Source: BCB (Focus)

— median — average ◆ Copom's cutoff date

— 2026 — 2027 ◆ 2026 Copom's cutoff date × 2027 Copom's cutoff date

data up to June 16<sup>th</sup>

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Banco Central do Brasil

Diogo Guillen – Deputy governor

September 29<sup>th</sup>, 2023