

Domestic environment remains favorable, while global risks linger on

Overview

- **Current inflation is still contained and the scenario risk balance remains steady.** The IPCA-15 index was up 0.19% in November. Index continues to point toward a positive dynamics of core inflation, which rose 2.8% over the last twelve months. Coupled with a steady risk balance in the inflation scenario, this gives more time for the Central Bank of Brazil (BC) to think over the next steps for the monetary policy. We expect interest rate adjustments to being in the second quarter of 2019, ending next year at 8.0%, but there is now a higher chance of postponing the Selic rate hike.
- **The generation of formal jobs continued to show the economy's gradual improvement.** A net total of 57,700 formal jobs were generated in October, representing an average generation of 68,000 jobs per month over the last quarter. This matches our GDP growth forecast of 0.5% for the third quarter. In addition, the average wage of new hires showed a real year-over-year variation of zero, positive for inflation scenario. Similarly, the preliminary confidence index among industry executives rose in November, suggesting a steadier recovery over the next few quarters. We estimate a GDP increase of 1.1% in 2018 and 2.8% next year.
- **Economic data continued to reflect a general downturn worldwide.** In the Eurozone, preliminary PMI indexes dropped in November, suggesting a milder growth in the region at the end of the year. Rising trade conflicts throughout 2018 have already taken a toll on total trade, affecting the development of several economies and some commodity prices. Oil prices dropped around 30% since early October, reflecting a shier global economy, as well as offer issues. While this does take some pressure off of the inflation, it also affects the terms of trade of several emerging economies.
- **The U.S. economy, on the other hand, is still on the rise.** However, the economy is expected to tone down as we move on to the next year. The recent performance of U.S. stock markets and some economic data have already started indicating that the growth cycle may have peaked, like the durable goods orders in October. Weaker global trade, the end of tax stimuli, and the onset of monetary tightening should hold the economy back, as the Fed itself has already acknowledged.
- **The recent meeting between the UK and members of the European Commission may mean some progress in the Brexit process over the next few weeks.** In Italy, the European Union took on a stronger tone regarding the proposed budget and even threatened to apply sanctions. This prompted members of the Italian government to suggest the possibility of a more austere fiscal budget. As these two issues develop, this could help lower the volatility of global assets.

Weekly Outlook

- **The highlight in the domestic agenda is the announcement of the third-quarter GDP next week.** We expect a 0.5% increase, with positive household consumption and investment. There will also be the Central Bank's fiscal, credit and external sector data for October. Regarding these results, we expect public deficits to be better controlled, besides an adjusted balance of payments and new loans improving.
- **In the international agenda, the markets' attention will turn to the FOMC minutes, inflation data, and the beginning of the G-20 meeting.** The FOMC minutes should bring more details regarding the recent shift in tone, ushering in a speech slightly more concerned with global activity, and resulted in the closing of interest curves in the U.S. Meanwhile, we believe inflation data in the U.S. and Europe should not show any signs of pressure. Finally, other highlights include the new meeting between the United Kingdom and the European Commission on Sunday, and the kick-off of the G-20 meeting, which is expected to focus on negotiations between the U.S. and China.

Time	Country	Event	Forecast (Bloomberg)	Forecast (Depec)
Monday 11/26				
8:00	Brazil	FGV: Consumer Confidence (Nov)		
8:25	Brazil	BCB: Focus Survey (weekly)		
15:00	Brazil	MDIC: Trade Balance (weekly)		
-	Brazil	Federal Debt Total (Oct)		
-	Brazil	CNI: Industrial Confidence (Nov)		
07:00	Germany	IFO Business Climate (Nov)	102.3	
Tuesday 11/27				
05:00	Brazil	FIPE: Consumer Price Index (weekly)		0.31%
8:00	Brazil	FGV: Construction Confidence (Nov)		
8:00	Brazil	FGV: Construction Costs (Nov)		
10:30	Brazil	BCB: Current Account Balance (Oct)		US\$ 1.0 b
10:30	Brazil	BCB: Foreign Direct Investment (Oct)		US\$ 8.6 b
13:00	USA	Consumer Confidence (Nov)	136.1	
Wednesday 11/28				
8:00	Brazil	FGV: Retail Confidence (Nov)		
9:00	Brazil	IBGE: PPI (Oct)		
10:30	Brazil	BCB: Press Release - Monetary Policy (Oct)		
12:30	Brazil	BCB: Currency Flows (weekly)		
-	Brazil	CNI: Construction Confidence (Oct)		
11:30	USA	GDP (3Q)	3.6% (QoQ)	3.6% (QoQ)
15:00	USA	Fed: J. Powell's speech		
Thursday 11/29				
8:00	Brazil	FGV: Industrial Confidence (Nov)		
8:00	Brazil	FGV: Services Confidence (Nov)		
8:00	Brazil	FGV: IGP-M (Nov)		-0.50% (MoM)
9:00	Brazil	IBGE: Unemployment Change (Oct)		11.70%
-	Brazil	Central Govt Budget Balance (Oct)		
11:00	Germany	CPI (Nov - P)	0.0% (MoM)	
11:30	USA	Personal Spending (Oct)	0.4% (MoM)	
11:30	USA	Initial Jobless Claims - Weekly		
11:30	USA	Personal Income (Oct)	0.4% (MoM)	
17:00	USA	Fed Minutes		
23:00	China	Manufacturing PMI (Nov)		
Friday 11/30				
09:00	Brazil	IBGE: GDP (3Q - P)		0.5% (QoQ)
10:30	Brazil	BCB: Press Release - Fiscal Policy (Oct)		
-	Brazil	Aneel: Tariff range		
-	-	G20 meeting		

	2017	2018	2019
Consumer inflation - IPCA (%)	2.95	4.40	4.25
GDP growth (%)	1.0	1.1	2.8
Industrial Production (%)	2.5	1.5	3.0
Retail Sales (%)	4.0	5.5	5.5
Unemployment Rate (% of labor force, avg)	12.7	12.3	11.9
Outstanding Credit Growth (%)	-0.5	4.0	8.3
Trade Balance (USD bn)	64.0	57.1	56.1
Current Account (USD bn)	-9.8	-13.2	-13.5
Exchange Rate (BRL/USD, eop)	3.31	3.70	3.70
Selic Rate (% eop)	7.00	6.50	8.00
Primary Balance (BRL bn)	-111	-117.9	-94.7
Gross Debt (% of GDP)	74.0	75.7	76.5

Technical Staff

Department of Economic Research and Studies Fernando Honorato Barbosa

Economists

Andréa Bastos Damico / Constantin Jancsó / Ellen Regina Steter Hanna Farath / Estevão Augusto Oller Scripilliti / Fabiana D'Atri / Igor Velecico / Leandro Câmara Negrão / Mariana Silva de Freitas/ Myriã Tatiany Neves Bast / Priscila Pacheco Trigo / Rafael Martins Murrer / Robson Rodrigues Pereira / Thomas Henrique Schreurs Pires

Interns

Ana Beatriz Moreira dos Santos / Camila Medeiros Tanomaru / Daniel Funari Fouto / Felipe Yamamoto Ricardo da Silva / Isabel Cristina Elias de Souza Oliveira / Lucas Maia Campos / Renan Bassoli Diniz / Thaís Rodrigues da Silva

economiaemdia.com.br

DEPEC – BRADESCO is not responsible for any acts/decisions made based on the information disclosed in its publications and projections. All data or opinions contained in the information herein is carefully checked and prepared by fully qualified professionals, but should not be taken, under any circumstances, as a basis, support, guidance or standard for any document, assessment, judgment or decision-making, of a formal or informal nature. Thus, we emphasize that all consequences and responsibility for the use of any data or analysis of this publication are assumed solely by the user, exempting BRADESCO from all actions resulting from the use of this material. We also point out that access to this information implies acceptance of this term of responsibility and usage. The total or partial reproduction of this publication is strictly prohibited, except with authorization from Banco BRADESCO or full citation of the source (naming the authors, the publication and Banco BRADESCO).