

Driven by investments, GDP accelerated in the third quarter

Overview

- **Brazil's GDP accelerated to 0.8% growth in the third quarter, with investments heating up.** Fueled by oil rig imports, investments expanded 6.6% in the period. On the supply side, growth came from the agricultural sector. Even though we are unlikely to see the same growth drivers in place in the fourth quarter, November's business confidence reading indicates that the recovery trend will continue going forward.
- **Other numbers confirm the economy is picking up.** Total loans grew 3.5% in October, followed by a slight decline in delinquency rates, which should keep the economy on a recovery track. Unemployment continues its downward trend, ending October at 11.7% (down from 12.2%). Nonetheless, this improvement in the labor market has been mostly associated with an increase in the number of self-employed individuals and informal jobs. Taking stock of these results, our GDP growth forecasts remained unchanged at 1.1% for 2018 and 2.8% in 2019.
- **The General Market Price Index (IGP-M) slipped into deflation in November, with prices falling 0.49% for the month, after rising 0.89% in October.** With agricultural prices down across the board, the Wholesale Price Index (IPA) for the Agricultural sector recorded 2.51% deflation. Benefitting from falling oil prices, the Industrial IPA was down 0.24%. Finally, both the Consumer Price Index (IPC) and the National Cost of Construction Index (INCC) were also down from October levels. The current scenario provides some relief to producers, who have been feeling cost pressures all year.
- **External accounts remain positive.** The current account deficit for the last twelve months ended October reached USD 15.4 billion (or 0.8% of GDP), while foreign direct investment stood at USD 75.0 billion (3.89% of GDP).
- **The FOMC minutes and comments by the Fed led to increased volatility in global markets.** More analysts now believe in a more gradual approach to US monetary policy after the Fed chairman said that the current interest rate is "a little below" the neutral level, noting that two months ago he suggested that the two rates were "far apart". In other words, his statement has led the market to believe that the wave of interest rate hikes in the U.S. are nearing an end. In addition, the FOMC minutes raised doubts about the need for multiple interest rate hikes going forward, especially if we consider the possible effects of a global economic slowdown.

Weekly outlook

- **Consumer inflation (IPCA) and industrial data are the highlights in next week's economic indicator calendar.** In line with the latest inflation indicators, we expect November's IPCA to record 0.09% deflation, reinforcing a more balanced risk assessment and giving the Central Bank time to review its next monetary policy moves. We expect October's manufacturing output to bounce back from September and post a 0.6% increase.
- **On the international calendar, we will pay close attention to the G-20 meeting, final PMI readings and U.S. job numbers are some of the .** All eyes will shift to the G-20 meeting over the weekend, especially to talks between the U.S. and China. On economic activity, we expect final Eurozone PMI and U.S. ISM data to be in line with mid-month readings, indicating growth moderation in November. The U.S. jobs report will also be released this week, with expectations that some 200,000 jobs were created this month. Finally, no date has been set yet, but Chinese imports and exports numbers will be announced this week. The consensus is that the data will reflect China's economic slowdown and the new tariffs on goods sold to the United States.

Time	Country	Event	Forecast (Bloomberg)	Forecast (Depec)
Monday 12/03				
08:00	Brazil	FGV: Consumer Price Index (IPC-S) (weekly)		
08:25	Brazil	BCB: Focus Survey		
10:00	Brazil	Markit: PMI Manufacturing (Nov)		
15:00	Brazil	MDIC: Trade Balance (weekly)		
-	Brazil	CNI: Capacity Utilization (Nov)		
-	Brazil	Fenabreve: Vehicle sales (Dec)		
06:55	Germany	Markit: Manufacturing PMI (Nov - F)	51.6	
07:00	Eurozone	Markit: Manufacturing PMI (Nov - F)		
07:30	United Kingdom	Markit: Manufacturing PMI (Nov - F)	52.0	
13:00	USA	ISM Manufacturing (Nov)	58.0	
23:45	China	Markit: Manufacturing PMI (Nov)*		
*The indicator will be released on December, 2nd				
Tuesday 12/04				
05:00	Brazil	FIPE: Consumer Price Index - Nov		0.16% (MoM)
09:00	Brazil	IBGE: Industrial Production (PIM) - Oct		0.6% (MoM)
19:00	Chile	Central bank meeting	2.75%	2.50%
Wednesday 12/05				
10:00	Brazil	Markit: Composite PMI (Nov)		
12:30	Brazil	BCB: Currency Flows (weekly)		
12:30	Brazil	BCB: Commodity Price Index (Nov)		
06:55	Germany	Markit: Composite PMI (Nov - F)	52.3	
07:00	Eurozone	Markit: Composite PMI (Nov - F)		
07:30	United Kingdom	Markit: Composite PMI (Nov)		
11:15	USA	Employment Change (ADP) (Nov)	200k	
13:00	USA	ISM Services (Nov)	59.5	
17:00	USA	Fed: Beige Book		
Thursday 12/06				
8:00	Brazil	FGV: Employment Indicators (Nov)		
11:20	Brazil	Anfavea: Vehicle Production (Nov)		
-	Brazil	Serasa experian: Retail Activity Index (Nov)		
11:30	USA	Initial Jobless Claims - Weekly		
Friday 12/07				
08:00	Brazil	FGV: IGP-DI (Nov)		-0.77% (MoM)
09:00	Brazil	IBGE: Industrial Production - regional (Oct)		
09:00	Brazil	IBGE: Consumer Price Index (IPCA) - Nov		-0.09% (MoM)
05:00	Germany	Industrial Production (Oct)		
08:00	Eurozone	GDP (3Q - P)	0.3% (QoQ)	
11:30	USA	Change in Nonfarm Payrolls (Nov)	203k	
11:30	USA	Unemployment Rate (Nov)	3.7%	
13:00	USA	University of Michigan Sentiment (Dec - P)	97.0	
During the week				
23:30	China	CPI (Nov)		
-	China	Trade Balance (Nov)		

	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

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