

Economic recovery still sluggish

Overview

- **The Brazilian economy began the year at a slower-than-expected pace of recovery.** The 0.7% increase in industrial production in February underlined the slowing trend affecting this indicator in recent months. The sector's weak performance during the month can be explained by an overall decline in mining production, spurred by the Brumadinho dam collapse. But other segments have been posting weak numbers as well, including the intermediate goods category. In the latest data releases, only durable goods – notably the automobile industry – has shown accelerated growth. Based on the data available so far – keeping in mind that these numbers were impacted by the fact that the Carnival holiday happened in March this year, rather than in February (as is the case most years) –, it is fair to say that the poor performance in the first quarter is not an isolated event. In fact, this claim is supported by the decline in business and consumer confidence level in recent months. Considering this scenario, we have kept our first-quarter GDP growth forecast unchanged at -0.1%. It should be noted that this forecast is based on improved household consumption numbers, which demonstrates that each sector plays a different role in the economic recovery.
- **The latest global economic indicators point towards a recovery in March, suggesting that the world economy may have turned a corner from its recent slow-growth period.** Some emerging markets posted better-than-expected numbers last month, led by China's PMI results. U.S. indicators have been recording mixed results, but also suggest a diminishing risk of recession for the American economy. The numbers confirm that the economy has cooled off in the first few months of 2019, therefore leading to less inflationary risks – which has kept the Fed's balance-of-risks tilted to the downside, eliminating the need for any monetary policy changes. In fact, the labor market has been cooling off slowly: 196,000 jobs were created in March, putting the quarterly average at 180,000 jobs created. While that is a solid pace, it does not put any upward pressure on wages.
- **U.S.-China trade talks are moving in a positive direction.** Optimism about the prospects for a trade agreement between the U.S. and China has helped improve the risk environment, which has had a major impact on the global economy in the past few quarters. The environment has become more positive for emerging markets, since the global slowdown has not intensified and there are no upward inflationary pressures, which allows central banks to keep interest rates at low levels.

Weekly Outlook

- **Next week's highlights include retail sales, survey of services and Consumer Inflation Index (IPCA) data for March.** We expect February's activity data to confirm a sluggish pace of recovery in the early part of 2019, in line with our expectations for a slight decline in GDP in the first quarter. Consumer inflation is expected to come in at 0.60%, with upward pressures from food and gasoline prices, but with core prices under control and compatible with a 3.8% reading for the year.
- **Internationally, all eyes will be focused on the latest FOMC meeting minutes and U.S. inflation data.** The inflation data may show some short-term inflationary pressures, as international oil prices have been rising. However, the Fed has adopted a more lenient stance towards changes to inflation, especially since core prices remain muted. Finally, China will release its trade balance data and credit report, which may confirm the positive trend indicated by the PMI readings, as monetary and fiscal stimulus measures begin to stabilize the economy.

Time	Country	Event	Forecast (Bloomberg)	Forecast (Depec)
Monday 04/08				
08:00	Brazil	FGV: Consumer Price Index (IPC-S) (weekly)		
08:00	Brazil	FGV: IGP-DI (Mar)		1.04% (MoM)
08:25	Brazil	BCB: Focus Survey (weekly)		
15:00	Brazil	MDIC: Trade Balance (weekly)		
Tuesday 04/09				
08:00	Brazil	FGV: Employment Indicators (Mar)		
09:00	Brazil	IBGE: Industrial Production - regional (Feb)		
09:00	Brazil	IBGE: Retail sales (PMC) (Feb)		-0.6% (MoM)
-	USA	USDA - World Agricultural Supply and Demand Estimates		
Wednesday 04/10				
05:00	Brazil	FIPE: Consumer Price Index (weekly)		0.45% (MoM)
08:00	Brazil	FGV: IGP-M (1st preview) (Apr)		
09:00	Brazil	IBGE: Consumer Price Index (IPCA) (Mar)		0.64% (MoM)
12:30	Brazil	BCB: Currency Flows (weekly)		
08:45	Eurozone	Central bank meeting		0.0%
09:30	USA	CPI (Mar)	0.3 % (MoM)	
15:00	USA	Fed Minutes		
22:30	China	CPI (Mar)	2.3 % (YoY)	
Thursday 04/11				
09:00	Brazil	IBGE: Agricultural production Survey (Mar)		
09:00	Brazil	Conab: 7th Grains crop survey 2018/2019		
03:00	Germany	CPI (Mar - F)	0.4% (MoM)	
09:30	USA	Initial Jobless Claims - Weekly		
20:00	Peru	Central bank meeting		
Friday 04/12				
09:00	Brazil	IBGE: Services Sector Volume (PMS) (Feb)		-0.1% (MoM)
06:00	Eurozone	Industrial Production (Feb)		
11:00	USA	University of Michigan Sentiment (Apr - P)	98.5	
During the week				
-	China	Trade Balance (Mar)	US\$ 15 b	

	2017	2018	2019
Consumer inflation - IPCA (%)	2,95	3,75	3,80
GDP growth (%)	1,1	1,1	2,4
Industrial Production (%)	2,5	1,1	2,0
Retail Sales (%)	4,0	5,0	5,0
Job Creation (in thousands)	263,5	1316,1	1103,6
Unemployment Rate (% of labor force, avg)	12,7	12,3	12,1
Outstanding Credit Growth (%)	-0,5	5,1	8,9
Trade Balance (USD bn)	64,0	53,6	56,1
Current Account (USD bn)	-7,2	-14,5	-13,5
Exchange Rate (BRL/USD, eop)	3,31	3,87	3,70
Selic Rate (% eop)	7,00	6,50	6,50
Primary Balance (BRL bn)	-111	-108,3	-97,8
Gross Debt (% of GDP)	74,1	76,7	77,8

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