

Low economic dynamism and pressures on short-term inflation continue to drive the domestic scenario

Overview

- **The Brazilian economy is moving along at a moderate pace.** The first quarter probably closed with a slight contraction of 0.1%, as indicated by the 0.73% decline of the February IBC-Br. Initial data for April suggests a slightly firmer is showing some signs of resumption in retail trade and industry. At any rate, the economy needs to pick up steam in the coming months for our growth scenario of 1.9% to come about.
- **Concerns regarding short-term inflation persist, exacerbated by the risk of the arrival of the African swine fever that has affected pig-farming in Asia.** The growing number of cases of the disease, especially in China, poses challenges to the global animal protein outlook from an inflation point of view (whether due to the increase in Asian imports or a substitution effect from pork to other proteins). Our forecast of a 3.8% rise in the IPCA this year already considers additional increases in chicken, pork and beef prices.
- **The voting process for the social security reform has been slower and noisier than expected.** After extensive discussion on the project, the vote at the House Committee for Constitution and Justice (CCJ) was postponed to April 23. The delay and discussions on withdrawing points from the initial project draw out passing the reform and cause markets remain cautious as to what extent the proposal will be trimmed down.
- **The international economy is on the rise, with strong results in the U.S. and China.** Contrary to the first two months' data, March figures have led to a review of U.S. economic growth estimates in the first quarter, climbing from close to 1.0% to 2.0%. Preliminary April data also shows more favorable signs. On the other hand, disappointing early indicators for April in the Eurozone deserve to be monitored closely.
- **In China, the result of the first-quarter GDP was surprisingly positive. This trend is expected to continue in the coming months given the government's willingness to expand both monetary and consumption stimuli.** The year-over-year growth of 6.4% in the first quarter was slightly higher than the median of expectations (6.3%) and industrial production rose from 5.3% in January and February to 8.5% in March.

The week ahead

- **The highlight of the international agenda will be the first quarter GDP in the U.S.** The first GDP preview is expected to show expansion close to 2.0%. Despite the more moderate growth compared to late 2018, signs of resumption prevail throughout the period, following a weaker first two months. Decisions of the Central Bank of Japan stand out among monetary policies, which should maintain its expansionist speech.
- **On the domestic agenda from a market perspective, all eyes will be on inflation and the vote at the CCJ.** We expect variation of 0.66% for the April IPCA-15. The full index continues to be pressured by supply shocks (food, iron ore and oil). March data on the external sector and credit will also be published. Although the release date has yet to be set, we expect the March Caged to show the creation of 10,000 formal jobs.

Time	Country	Event	Forecast (Bloomberg)	Forecast (Depec)
Monday 04/22				
08:00	Brazil	FGV: Industrial Confidence (Apr - P)		
08:25	Brazil	BCB: Focus Survey		
10:00	Brazil	CNI: Industrial Confidence (Apr)		
-	Brazil	MDIC: Trade Balance (weekly)		
Tuesday 04/23				
08:00	Brazil	FGV: Consumer Price Index (IPC-S) (weekly)		
Wednesday 04/24				
12:30	Brazil	BCB: Currency Flows (weekly)		
05:00	Germany	Ifo Business Climate (Apr)	99.9	
-	Japan	Central bank meeting		
Thursday 04/25				
08:00	Brazil	FGV: Consumer Confidence (Apr)		
09:00	Brazil	IBGE: Consumer Price Index (IPCA-15) (Apr)		0.66% (MoM)
10:30	Brazil	BCB: Current Account Balance (Mar)		
10:30	Brazil	BCB: Foreign Direct Investment (Mar)		
-	Brazil	CNI: Industrial Confidence (Mar)		
09:30	USA	Initial Jobless Claims - Weekly		
Friday 04/26				
08:00	Brazil	FGV: Construction Costs (Apr)		
08:00	Brazil	FGV: Construction Confidence (Apr)		
08:00	Brazil	FGV: Retail Confidence (Apr)		
10:30	Brazil	BCB: Press Release - Monetary Policy		
-	Brazil	Federal Debt Total (Mar)		
-	Brazil	CNI: Construction Confidence (Mar)		
-	Brazil	Aneel: Tariff range		
09:30	USA	GDP (1Q - P)	1.8% (QoQ)	1.8% (QoQ)
11:00	USA	University of Michigan Sentiment (Apr - F)		
-	Colombia	Central bank meeting	4.25%	
During the week				
-	Brazil	Caged: Formal Job Creation Total (Mar)		10k
-	Brazil	Tax Collections (Mar)		R\$ 122.2 b

	2017	2018	2019
Consumer inflation - IPCA (%)	2.95	3.75	3.80
GDP growth (%)	1.1	1.1	1.9
Industrial Production (%)	2.5	1.1	1.6
Retail Sales (%)	4.0	5.0	5.0
Job Creation (in thousands)	263.5	1316.1	873.6
Unemployment Rate (% of labor force, avg)	12.7	12.3	12.3
Outstanding Credit Growth (%)	-0.5	5.0	8.6
Trade Balance (USD bn)	64.0	53.6	54.3
Current Account (USD bn)	-7.2	-14.5	-16.4
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	-108.1
Gross Debt (% of GDP)	74.1	76.7	77.8

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