

Short-term inflationary pressure remains, but shocks are expected to fade out

Overview

- **Short-term inflation remains under pressure as the mid-month consumer inflation report (IPCA-15) for April came in above expectations at 0.72%.** Not only have food and fuel prices picked up, but industrial goods also rose above the expected level. While this acceleration calls for a close eye on upcoming announcements, service prices remain muted and the effects of food price shocks have begun to fade. We maintain a benign outlook for inflation, since the slower pace of economic recovery and anchored expectations are factors that will keep underlying price indicators in check.
- **Job creation continued to disappoint, which should impede a full-throttle recovery going forward.** After 43,200 jobs were lost in March, the monthly average for formal job creation in the first quarter stood at 15,000. In addition to adding pressure to the unemployment rate, this figure is in line with the expected 0.1% decline in GDP for the quarter. We need to see a pick-up in economic activity and some improvement in the job market in order for our GDP growth forecast of 1.9% to be met. For now, the signals coming from job creation, income and business and consumer confidence suggest a more moderate recovery than we previously expected.
- **A more positive tone for this past week came from the political arena.** The social security reform bill passed its first committee vote, with the Constitution and Justice Committee approving the measure by 48 votes for and 18 against. In addition, the Special Committee convened earlier than expected. Despite its quick progress recently, the bill has a long road ahead.
- **Despite a slightly more positive domestic environment coming from accelerating prospects for reforms, the global economy outlook has weighed on local markets, especially the BRL.** Stronger growth in the U.S. is once again raising the specter of a tighter stance by the FOMC, which, in turn, led to a strengthening of the dollar against other currencies. The U.S. GDP grew 3.2% in the first quarter and reinforced the current growth differential favoring the U.S. against other world economies. Nonetheless, sluggish global growth and well-behaved core prices mean that the Fed is very unlikely to make any major changes to its communications, should the central bank choose to raise interest rates still in 2019.

The week ahead

- **On the international front, the focus is on the Fed's monetary policy decision and activity and inflation data from Europe, China and the United States.** We will keep a close eye on the Fed's message after the first-quarter GDP showed strong growth. In addition, labor and inflation data from the U.S. will help guide forecasts for the country's next steps in monetary policy. In the Eurozone, the first-quarter GDP is expected to reinforce the growth differential in favor of the U.S. Finally, April's activity indicators should provide a glimpse into how global activity is faring early in the second quarter.
- **On the domestic calendar, the highlights are industrial production for March and the General Price Index (IGP-M) for April.** However, these readings should not change our current outlook for sluggish growth and short-term inflationary pressures.

Time	Country	Event	Forecast (Bloomberg)	Forecast (Depec)
Monday 04/29				
08:00	Brazil	FGV: IGP-M (Apr)	0.90% (MoM)	0.91% (MoM)
08:00	Brazil	FGV: Industrial Confidence (Apr)		
08:25	Brazil	BCB: Focus Survey		
-	Brazil	CNI: Consumer Confidence		
-	Brazil	Central Govt Budget Balance (Mar)		- R\$ 16.7 b
09:30	USA	Personal Income (Mar)	0.4% (MoM)	
09:30	USA	Personal Spending (Mar)	0.8% (MoM)	
22:00	China	Manufacturing PMI (Apr)	50.7	
Tuesday 04/30				
08:00	Brazil	FGV: Services Confidence (Apr)		
09:00	Brazil	IBGE: Unemployment Change (Mar)	12.7%	12.9%
09:00	Brazil	IBGE: PPI Manufacturing (Mar)		
10:30	Brazil	BCB: Press Release - Fiscal Policy (Mar)		- R\$ 16.7 b
06:00	Eurozone	GDP (1Q - P)		
09:00	Germany	CPI (Apr - P)		
10:00	Mexico	GDP (1Q - P)		
11:00	USA	Consumer Confidence (Apr)	126.1	
Wednesday 05/01				
-	Brazil	National Holiday - Closed markets		
05:30	United Kingdom	Markit: Manufacturing PMI (Apr)		
09:15	USA	Employment Change (ADP) (Apr)	180k	
11:00	USA	ISM Manufacturing (Apr)	55.0	
15:00	USA	Central bank meeting	2.50%	2,50%
Thursday 05/02				
05:00	Brazil	FIPE: Consumer Price Index (Apr)		0.31% (MoM)
10:00	Brazil	Markit: PMI Manufacturing (Apr)		
12:30	Brazil	BCB: Currency Flows (weekly)		
12:30	Brazil	BCB: Commodity Price Index (Apr)		
15:00	Brazil	MDIC: Trade Balance - monthly (Apr)		
05/06	Brazil	Fenabrave: Vehicle sales (Apr)		
/2019	Brazil	CNI: Capacity Utilization (Mar)		
04:55	Germany	Markit: Manufacturing PMI (Apr - F)		
05:00	Eurozone	Markit: Manufacturing PMI (Apr - F)		
08:00	United Kingdom	Central bank meeting	0.75%	0.75%
09:30	USA	Initial Jobless Claims - Weekly		
Friday 05/03				
09:00	Brazil	IBGE: Industrial Production (PIM) (Mar)	-0.3% (MoM)	0.1% (MoM)
05:30	United Kingdom	Markit: Composite PMI (Apr)		
09:30	USA	Change in Nonfarm Payrolls (Apr)	185k	
09:30	USA	Unemployment Rate (Apr)	3.8%	
11:00	USA	ISM Services (Apr)	57.3	

	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

Technical Staff

Department of Economic Research and Studies Fernando Honorato Barbosa

Economists

Andréa Bastos Damico / Ariana Stephanie Zerbinatti / Constantin Jancsó / Ellen Regina Steter
Hanna Farath / Fabiana D'Atri / Igor Velecico / Leandro Câmara Negrão / Mariana Silva de Freitas/
Myriã Tatiany Neves Bast / Priscila Pacheco Trigo / Rafael Martins Murrer / Renan Bassoli Diniz /
Robson Rodrigues Pereira / Thiago Coraucci de Angelis / Thomas Henrique Schreurs Pires

Interns

Ana Beatriz Moreira dos Santos / Camila Medeiros Tanomaru / Daniel Funari Fouto / Gustavo
Rostelato de Miranda / Isabel Cristina Elias de Souza Oliveira / Lucas Maia Campos / 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).