

## Strong formal job creation in September

### Overview

- **Tension hotspots dwindled down this week. U.S. and China are almost taking the first step in a broader deal, while the EU and UK hashed out Brexit conditions.** There was not a definitive resolution in either case, but the latest developments were enough to bring some relief to the markets.
- **However, the global slowdown trend remains steady.** In the U.S., industry and retail printed figures below expectations in September. The same is true for the industry's qualitative indexes in October. These results suggest that the U.S. economy is indeed losing steam, which ultimately weakened the U.S. dollar in the last few days.
- **China's economy should stabilize in the coming months. Still, the country ended the third quarter at a sluggish pace.** The GDP grew 6.0% year over year, thwarting expectations (6.1%) and lower than the second quarter (6.2%). However, industrial output in September showed a 5.8% upsurge, above expectations and significantly higher compared to August (4.4%). The moderate, yet still present stimuli and a potential truce with the U.S. should secure a stability of around 6.0%.
- **Brazil keeps showing signs of economic recovery.** The IBC-Br rose 0.1% in August, reflecting the better performance of the industry and trade in the period. Formal job creation was surprisingly positive once again: a total of 157,200 new formal jobs were created in September (60,000 discounting seasonal adjustments). This stronger result is mainly explained by the service sector's improved performance. This rate is already compatible with a downward trend for the unemployment rate.
- **Despite these signs of improvement, the economy is still significantly idle.** That is one of the main reasons behind the benign inflation scenario. We maintain our expectations regarding new Selic rate cuts, which end the year at 4.5% and remain stable until late 2020.

### The week ahead

- **The highlights in Brazil include preliminary inflation results for October and the conclusion of Senate voting on the pension reform bill.** We expect the IPCA-15 to rise 0.01% and the overall reading should reinforce a comfortable scenario for inflation core measures. The agenda also includes (i) notes on the foreign and credit sector in September; (ii) preliminary industry and retail confidence results in October; and (iii) final decision regarding the power tariff flags for November (we expect the yellow flag to be maintained).
- **The main highlight in the international scenario will be preliminary industrial indicators worldwide in October.** The indicators should confirm a weak industrial scenario early on in Q4. There will also be another ECB meeting, which should not bring any news other than the same measures announced recently.

Time	Country	Event	Forecast (Bloomberg)	Forecast (Depec)
<b>Monday 10/21</b>				
08:25	Brazil	BCB: Focus Survey		
15:00	Brazil	MDIC: Trade Balance (weekly)		
<b>Tuesday 10/22</b>				
08:00	Brazil	FGV: Industrial Confidence (Oct - P)		
09:00	Brazil	IBGE: Consumer Price Index (IPCA-15) (Oct)	0.1% (MoM)	0.01% (MoM)
10:00	Brazil	CNI: Industrial Confidence (Sep)		
<b>Wednesday 10/23</b>				
14:30	Brazil	BCB: Currency Flows (weekly)		
18:00	Chile	Central bank meeting	1.75%	
<b>Thursday 10/24</b>				
08:00	Brazil	FGV: Consumer Confidence (Oct)		
09:30	Brazil	BCB: Current Account Balance (Sep)		
09:30	Brazil	BCB: Foreign Direct Investment (Sep)		
04:30	Germany	Markit: Composite PMI (Oct - P)	49.1	
05:00	Eurozone	Markit: Composite PMI (Oct - P)	50.4	
08:45	Eurozone	Central bank meeting	0.00%	0.00%
09:30	USA	Initial Jobless Claims - Weekly		
<b>Friday 10/25</b>				
05:00	Brazil	FIPE: Consumer Price Index (weekly)		
08:00	Brazil	FGV: Retail Confidence (Oct)		
09:30	Brazil	BCB: Press Release - Monetary Policy (Sep)		
10:00	Brazil	CNI: Construction Confidence (Sep)		
-	Brazil	Aneel: Tariff range (Nov)		
05:00	Germany	IFO Business Climate (Oct)	94.6	
11:00	USA	University of Michigan Sentiment (Oct - F)		
<b>During the week</b>				
-	Brazil	Tax Collections (Sep)	R\$ 119.8 b	R\$ 119 b

	2017	2018	2019	2020
Consumer inflation - IPCA (%)	2.95	3.75	3.10	3.70
GDP growth (%)	1.1	1.1	0.8	1.9
Industrial Production (%)	2.5	1.1	0.6	1.8
Retail Sales (%)	4.0	5.0	4.0	4.5
Job Creation (in thousands)	1899	966	742	1066
Unemployment Rate (% of labor force, avg)	12.7	12.3	12.5	12.3
Outstanding Credit Growth (%)	-0.5	5.0	7.5	9.4
Trade Balance (USD bn)	64.0	53.0	42.0	51.4
Current Account (USD bn)	-7.2	-21.9	-41.0	-43.3
Exchange Rate (BRL/USD, eop)	3.31	3.87	4.00	3.80
Selic Rate (% eop)	7.00	6.50	4.50	4.50
Primary Balance (BRL bn)	-111	-108.3	-135	-100
Gross Debt (% of GDP)	74.1	76.7	77.8	79.4

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