

May reported positively surprising results, particularly in retail

Overview

- **May's results were surprisingly positive, especially the recovery in retail.** Retail sales grew 13.9% in May, with all sectors improving at the margin. Loosened social distancing rules combined with the emergency measures benefited the sector. Our estimates point to a major upsurge in the expanded wage bill in April – 16% compared to last year – boosting consumption and also increasing savings at the same time. The service sector's results, showing a 0.9% drop in the margin, indicate the recovery process will be slower in this segment. Some June indicator already indicate that this recovery trend will continue, such as vehicle and cement sales, as well as credit card purchase indicators.
- **Inflation remains well behaved.** Consumer inflation rose 0.26% in June, picking up the pace after a few months of deflation. This increase, however, can be explained by restatements in fuel prices, as oil stabilizes in the international market. There is also some resilience in food prices – especially meat products. Nonetheless, the average core inflation, which clears up these isolated effects and indicates inflation trend, remains very low, nearing 0% in recent months. The IGP-DI rose 1.6% in June, still at a high level despite the slowdown in agricultural prices. The industry remains under pressure, especially by the oil and iron ore chain, both with rising prices. Overall, core inflation behavior is still reassuring that these pressures will not spread across the economy. The moderate growth, even with a milder downturn than expected, is a limiting factor for this dynamic.
- **The global economy also shows signs of a faster recovery trend.** According to our estimates, the global PMI index reached 48.2 points in June, slightly below neutral (50). These signs of recovery in the second quarter are not enough to keep the global GDP from dropping, but they do manage to limit it: we expect a 1.3% drop in the quarter.
- **Concerns surrounding the pandemic stir up as the disease advances in some U.S. regions.** We should still see new activity restrictions in some countries, even if isolated, before an effective vaccine or medicine becomes available. The risk of broad and synchronized economic shutdown remains limited and will depend on the eventual overburdening of healthcare systems. This process may help delay or even limit economic recovery, besides potentially limiting markets' improvement.

The week ahead

- **The domestic agenda will feature only a handful of indicators, the most important of which is the IBC-Br in May.** The indicator ends the series of positively surprising results across several sectors in the month.
- **The highlight abroad is China's economic data, as the second quarter GDP is announced.** Data from retail, investments, industry, trade balance and employment in June will also be released and should reveal a continued improvement trend, albeit more moderate than seen in recent months. In the U.S., the highlight are consumer inflation and industrial output data in June.

Time	Country	Event	Forecast (Bloomberg)	Forecast (Depec)
Monday 07/13				
08:25	Brazil	BCB: Focus Survey		
15:00	Brazil	MDIC: Trade Balance (weekly)		
Tuesday 14/07				
09:00	Brazil	BCB: Economic Activity Index (May)		
03:00	Germany	CPI (Jun - F)	0.6% (m/m)	
06:00	Germany	ZEW Survey Expectations (Jul)	67.0	
06:00	Eurozone	Industrial Production (May)	-20.5% (y/y)	
09:30	USA	CPI (Jun)	0.6% (m/m)	
--	China	Trade Balance (Jun)	US\$ 57.4 bn	
Wednesday 07/15				
08:00	Brazil	FGV: IGP-10 (Jul)		
14:30	Brazil	BCB: Currency Flows (weekly)		
09:30	USA	Índice Empire Manufacturing de atividade (Jul)	6.0	
10:15	USA	Industrial Production (Jun)	4.6% (m/m)	
19:00	Chile	Central bank meeting	0.5%	0.5%
23:00	China	Industrial Production (Jun)	-1.5% (y/y)	
23:00	China	GDP (2Q)	2.5% (y/y)	
23:00	China	Fixed Assets Investments (Jun)	-3.4%	
15:00	USA	Fed: Beige Book		
--	Japan	Central bank meeting	-0.1%	-0.1%
Thursday 07/16				
08:45	Eurozone	Central bank meeting	0.0%	
09:30	USA	Initial Jobless Claims - Weekly		
09:30	USA	Fed Philadelphia Outlook (Jul)	20.0	
Friday 07/17				
05:00	Brazil	FIPE: Consumer Price Index (weekly)		
08:00	Brazil	FGV: IGP-M (2nd preview) (Jul)		
06:00	Eurozone	CPI (Jun - F)	0.3% (m/m)	
11:00	USA	University of Michigan Sentiment (Jul - P)	80.0	

	2017	2018	2019	2020
GDP growth (%)	1,3	1,3	1,1	-5,9
Consumer inflation - IPCA (%)	2,95	3,75	4,31	1,7
Wholesale inflation - IGP-M (%)	-0,5	7,5	7,3	5,5
Selic Rate (% eop)	7,00	6,50	4,50	2,25
Exchange Rate (BRL/USD, eop)	3,31	3,87	4,03	5,10
Industrial Production (%)	2,5	1,0	-1,1	-7,5
Retail Sales (%)	4,0	5,0	3,9	-8,0
Job Creation (in thousands)	1899	966	1816	-1796
Unemployment Rate (% of labor force, avg)	12,7	12,3	12,1	14,0
Outstanding Credit Growth (%)	-0,4	5,1	6,5	5,0
Trade Balance (USD bn)	64,0	53,0	39,4	50,5
Current Account (USD bn)	-15,0	-41,5	-50,8	-7,2
Primary Balance (BRL bn)	-111	-108,3	-61,9	-915
Gross Debt (% of GDP)	74,1	76,5	75,8	95,7

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