

Global economic growth expected to tone down this quarter

Overview

- **Monetary policy challenges linger on in Brazil amidst inflationary pressures and heightened by fiscal uncertainties.** In August readings, the IGP-10 and the second preliminary results of the IGP-M showed that wholesale prices remain under pressure, particularly agricultural and livestock prices. On the side of industrial prices, the recent bearish adjustment in iron ore prices, reflecting China's loss of economic momentum, should limit the upsurge in producer prices in general. This downward trend in industrial prices should keep IGPs at more moderate levels in the next readings, but the risk balance for inflation remains asymmetric on an upwards trend, which tends to intensify due to the recent exchange rate depreciation and worsened expectations, largely reacting to growing fiscal uncertainties in recent weeks.
- **Risk balance points to bearish bias in global growth this year.** In the U.S. the drop in retail sales in July was much larger than expected, suggesting weaker consumer momentum. Qualitative indicators of the manufacturing activity also showed moderate results in August. Chinese indicators, in turn, remain influenced by the lagging effects of the economic policy's normalization and greater mobility restrictions, amidst the worsening of the pandemic in the country and the Asian region. The indicators of industrial production, retail sales and fixed asset investments were surprisingly underwhelming in July, reinforcing the trend of an economic slowdown. The recent heightening of risks related to the pandemic in other regions, with relevant impacts on the chain of several industrial goods and the economic activity as a whole, in addition to its geopolitical nature, tends to negatively influence perceptions of economic agents.
- **The economic policy should remain stimulative in the U.S., while merely being adjusted in China, with no major stimuli.** The minutes of the FOMC's latest meeting reinforced signs of maintaining monetary stimuli, added to other recovery vectors, such as the infrastructure package recently passed in the Senate. However, the document revealed more details of the Fed's debate on reducing the pace of asset purchases, whose moment will be increasingly more dependent on data, and the intention of the Fed, dissociated from the increase in interest rate. In our view, this process of reducing purchases will begin gradually and carefully at the end of this year. In China, some relief is expected in stimuli reduction measures, but not a definitive reversal of public actions to mitigate structural imbalances.

The week ahead

- **Inflation and economic activity indicators are next week's highlights.** The IPCA-15 for August should show some decompression, but the cores should maintain unfavorable dynamics, indicating that the monetary policy's challenges should linger on. FGV will release its consumer and industry surveys for August, which should show a continuing trend of recovery in confidence. The Central Bank, in turn, will release press notes for the foreign and credit sectors.
- **The highlight in the global scenario will be the Jackson Hole annual symposium.** The meeting will be held on August 26-28. The attention drawn to this important forum of debate on global monetary policy will turn to eventual signs that may come from Jerome Powell. In the 2020 meeting, the Chair of the Fed announced a new monetary policy framework, implementing an average inflation target. Geopolitical developments and evolution of the pandemic will also remain on the radar.

Time	Country	Event	Forecast (Bloomberg)	Forecast (Depec)
Monday 08/23				
08:00	Brazil	FGV: Consumer Price Index (IPC-S) (weekly)		
08:25	Brazil	BCB: Currency Flows (weekly)		
15:00	Brazil	Secex: Trade Balance (weekly)		
-	Brazil	CNI: Construction Confidence (Jul)		
04:30	Germany	Markit: Composite PMI (Aug - P)	62.0	
05:00	Eurozone	Markit: Composite PMI (Aug - P)	59.6	
05:30	United Kingdom	Markit: Composite PMI (Aug - P)	58.7	
Tuesday 08/24				
03:00	Germany	GDP (2Q - F)	9.6% (YoY)	
Wednesday 08/25				
05:00	Brazil	FIPE: Consumer Price Index (weekly)		
08:00	Brazil	FGV: Consumer Confidence (Aug)		
09:00	Brazil	IBGE: Consumer Price Index (IPCA-15) (Aug)	0.84% (MoM)	0.86% (MoM)
09:30	Brazil	BCB: Current Account Balance (Jul)	US\$ 1.0 bn	-US\$ 1.1 bn
14:30	Brazil	BCB: Currency Flows (weekly)		
-	Brazil	Federal Debt Total (Jul)		
05:00	Germany	IFO Business Climate (Aug)	110.4	
08:00	Mexico	GDP (2Q - F)		
Thursday 08/26				
08:00	Brazil	FGV: Construction Costs (Aug)	1.16% (MoM)	
08:00	Brazil	FGV: Construction Confidence (Aug)		
09:30	USA	GDP (2Q - P)	6.6% (QoQ)	
09:30	USA	Initial Jobless Claims - Weekly		
Friday 08/27				
08:00	Brazil	FGV: Industrial Confidence (Aug)		
09:00	Brazil	IBGE: PPI (Jul)		
09:30	Brazil	BCB: Press Release - Monetary Policy (Jul)		16.2% (YoY)
-	Brazil	Caged: Formal Job Creation Total (Jul)		310 k
-	Brazil	Aneel: Electricity tariff range (Sep)		
09:30	USA	Personal Income (Jul)	0.1% (MoM)	
09:30	USA	Personal Spending (Jul)	0.4% (MoM)	
11:00	USA	University of Michigan Sentiment (Aug - F)	71.0	
During the week				
-	Brazil	Tax Collections (Jul)	R\$ 159.0 bn	R\$ 158.0 bn

	2019	2020	2021	2022
GDP growth (%)	1.4	-4.1	5.2	2.2
Consumer inflation - IPCA (%)	4.3	4.5	7.1	3.3
Wholesale inflation - IGP-M (%)	7.3	23.1	20.2	4.0
Selic Rate (% eop)	4.50	2.00	7.00	7.00
Exchange Rate (BRL/USD, eop)	4.03	5.20	4.70	5.30
Industrial Production (%)	-1.1	-4.5	6.0	2.5
Retail Sales (%)	3.9	-1.5	6.3	3.6
Job Creation (in thousands)	1816	-6619	2615	898
Unemployment Rate (% of labor force, avg)	11.9	13.2	13.8	12.4
Outstanding Credit Growth (%)	6.5	15.6	12.0	9.3
Trade Balance (USD bn)	40.5	43.2	76.2	74.3
Current Account (USD bn)	-50.7	-12.5	11.6	-1.7
Primary Balance (BRL bn)	-61.9	-703.0	-131	-87
Gross Debt (% of GDP)	74.3	88.8	81.8	82.7

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