

Formal job market continues to grow

Overview

- **Brazil's formal job market continued to print good results in the third quarter.** According to data from the Ministry of Labor, the Brazilian economy added 315,580 formal jobs in July, pushing the year-to-date figure up to 1.6 million jobs added. Increased vaccination rates have been allowing the economy to reopen more fully, thus boosting hiring, while the Employment and Income Preservation (BEm) benefit program has also helped curtail layoffs. The service sector once again led the way, adding 127,000 new jobs in July. The formal job market should keep posting positive results over the next few months. On the other hand, FGV's consumer survey took a downturn this month, after four consecutive positive months. Consumer sentiment may have weakened on the heels of accelerating inflation, uncertainties surrounding the economy and the spread of the Delta variant.
- **Short-term inflation pressures remain in place, with mid-month inflation report (IPCA-15) for August coming in at 0.89%.** The index was driven by higher food prices, as extreme weather events had an impact on fresh produce supplies, and by higher regulated prices, reflecting the increase in electricity rates and fuel prices. Core measures also accelerated, driven especially by auto prices.
- **In the Eurozone, economic activity continues to advance despite new coronavirus surges across the continent.** The flash composite PMI index fell from 59.2 in July to 60.2 points. Manufacturing was down, while services component remained virtually flat. Despite the slowdown, the indicator still suggests an expansion in economic activity in the third quarter. It is also worth noting that this is the first time since the beginning of the pandemic that the service sector outpaced manufacturing, reflecting the reopening of the European economy.
- **The Fed is expected to begin scaling back its bond-buying program later this year – a process known as tapering.** Speaking at the Jackson Hole symposium, Jerome Powell reinforced the strategy of an early normalization of U.S. monetary policy, by striking a dovish tone when it comes to inflation (mentioning deflationary forces) and the job market, implying that nothing should be done right away. Barring any unexpected developments (especially with regards to the Delta variant), tapering will start only by yearend. Perhaps more important than the start date for tapering is the rate with which the Fed reduces its purchases, which should be gradual and dissociated from any rate hike, as reinforced by today's speech. However, markets should most likely speculate on the likely date of a first interest rate hike based on that reduction rate.

The week ahead

- **Economic activity and inflation indicators are the highlight for next week.** The IBGE will release the June PNAD survey on Tuesday and second-quarter GDP on Wednesday. We also get July's manufacturing output on Thursday. FGV will release its service, retail, consumer and industry surveys for August, which are expected to show confidence continuing to rebound. Finally, we will get the wholesale inflation reading (IGP-M) for August, which is expected to show agricultural prices on the rise due to recent weather events.
- **Emphasis is on activity data in the global scenario.** August PMI readings for the Eurozone are also scheduled for the upcoming week. U.S. highlights include the ISM index and job market data for August.

Monday 08/30

08:00	Brazil	FGV: IGP-M (Aug)	0.91% (MoM)	0.72% (MoM)
08:00	Brazil	FGV: Services Confidence (Aug)		
08:00	Brazil	FGV: Retail Confidence (Aug)		
08:25	Brazil	BCB: Focus Survey (weekly)		
14:30	Brazil	Central Govt Budget Balance (Jul)	-R\$ 38.8 bln	-R\$ 13.6 bln
09:00	Germany	CPI (Aug - P)		
22:00	China	Manufacturing PMI (Aug)	50.2	

Tuesday 08/31

09:00	Brazil	IBGE: Unemployment Change (Jun)	14.5%	14.5%
09:00	Brazil	IBGE: Quartely employment survey (2Q)		
09:30	Brazil	BCB: Press Release - Fiscal Policy (Jul)		
06:00	Eurozone	CPI (Aug - P)		
11:00	USA	Consumer Confidence (Aug)	124.0	
19:00	Chile	Central bank meeting		

Wednesday 09/01

08:00	Brazil	FGV: Consumer Price Index (IPC-S) (weekly)		
09:00	Brazil	IBGE: GDP (2Q)	0.1% (QoQ)	0.1% (QoQ)
10:00	Brazil	Markit: PMI Manufacturing (Aug)		
14:30	Brazil	BCB: Commodity Price Index (Ago)		
14:30	Brazil	BCB: Currency Flows (weekly)		
15:00	Brazil	Secex: Trade Balance - monthly (Aug)		
04:55	Germany	Markit: Manufacturing PMI (Aug - F)		
05:00	Eurozone	Markit: Manufacturing PMI (Aug - F)		
05:30	United Kingdom	Markit: Manufacturing PMI (Aug - F)		
09:15	USA	Employment Change (ADP) (Aug)	675k	
11:00	USA	ISM Manufacturing (Aug)	59.0	

Thursday 09/02

05:00	Brazil	FIPE: Consumer Price Index - monthly (Aug)		
09:00	Brazil	IBGE: Industrial Production (PIM) (Jul)		-1.2% (MoM)
-	Brazil	Fenabreve: Vehicle sales (Aug)		
09:30	USA	Initial Jobless Claims - Weekly		

Friday 09/03

10:00	Brazil	Markit: Composite PMI (Aug)		
10:00	Brazil	Markit: PMI Services (Aug)		
04:55	Germany	Markit: Composite PMI (Aug - F)		
05:00	Eurozone	Markit: Composite PMI (Aug - F)		
05:30	United Kingdom	Markit: Composite PMI (Aug - F)		
09:30	USA	Change in Nonfarm Payrolls (Aug)	800k	
09:30	USA	Unemployment Rate (Aug)	5.2%	
11:00	USA	ISM Services (Aug)	62.5	

During the week

-	China	Trade Balance (Aug)		
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	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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