Brazil Macro | September 2023

Monetary Policy

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BRIEF OVERVIEW

01

SUMMARY

- **This chartbook brings details our Monetary Policy outlook, contemplated in our latest Scenario Review, released on September 15 – "Adjustments To Reflect Past Surprises; Same Trends Continuing Ahead" - available in: https://bit.ly/std-sce-review-Sep23**

- The start of a new monetary easing cycle at the last Copom meeting (August 2) was set at a faster pace than economists (ourselves included) had been expecting. The Brazilian Central Bank (BCB) signaled its intention of keeping a "cruise-speed" of cuts of 50 bps in upcoming meetings and we believe the Bank will follow through with this intention at the end of this year or the beginning of the next.

- Given recent improvement in current inflation figures—especially in services—and an expected deceleration of activity in the coming quarters, we do not rule out a faster pace of cuts ahead. Nonetheless, we believe the BCB will be bound to a contractionary stance throughout 2024, as we see limited room for this easing cycle, due to local and international factors ranging from still unmoored inflation expectations to a resilient labor market.

- Based upon our expected path for inflation and the current signals conveyed by the Copom, we forecast the pace of cuts being kept at 50 bps, with the Selic rate reaching 11.75% at YE2023. We see the current monetary easing cycle leading the Selic rate to 9.50% during 2024, as we see both domestic and international factors limiting the room for much lower levels of interest rate in Brazil. Currently, we see limited room for lower terminal levels in this easing cycle, as the interest rate differential against both EM and DM countries is already low.

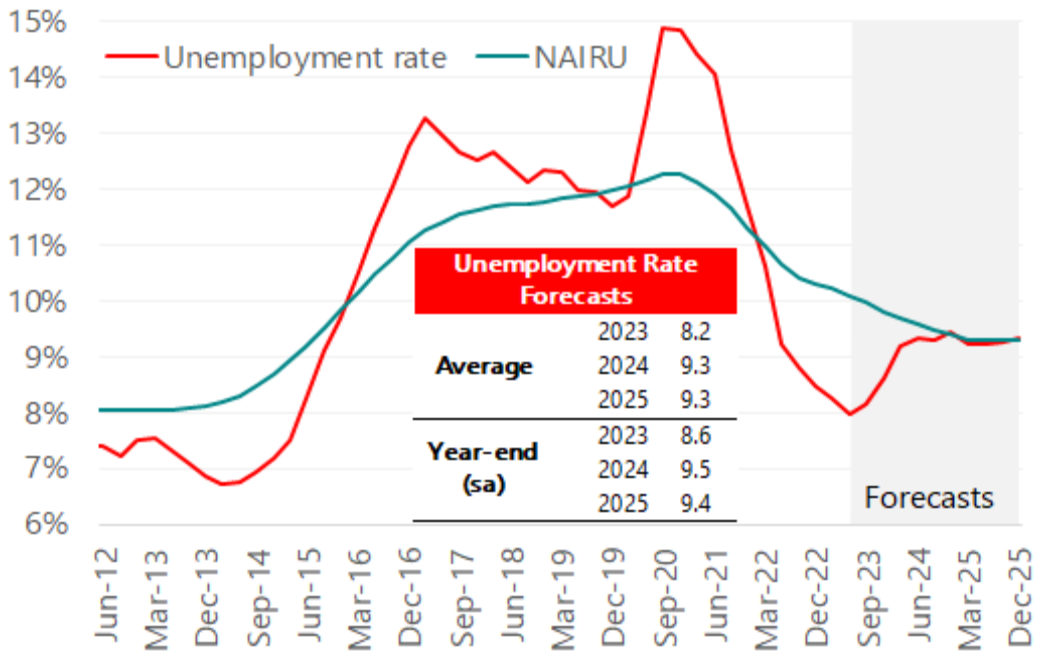
ACTIVITY

02

Worries on a (Still) Muted Textbook Phillips Curve: Resilience in the Labor Market

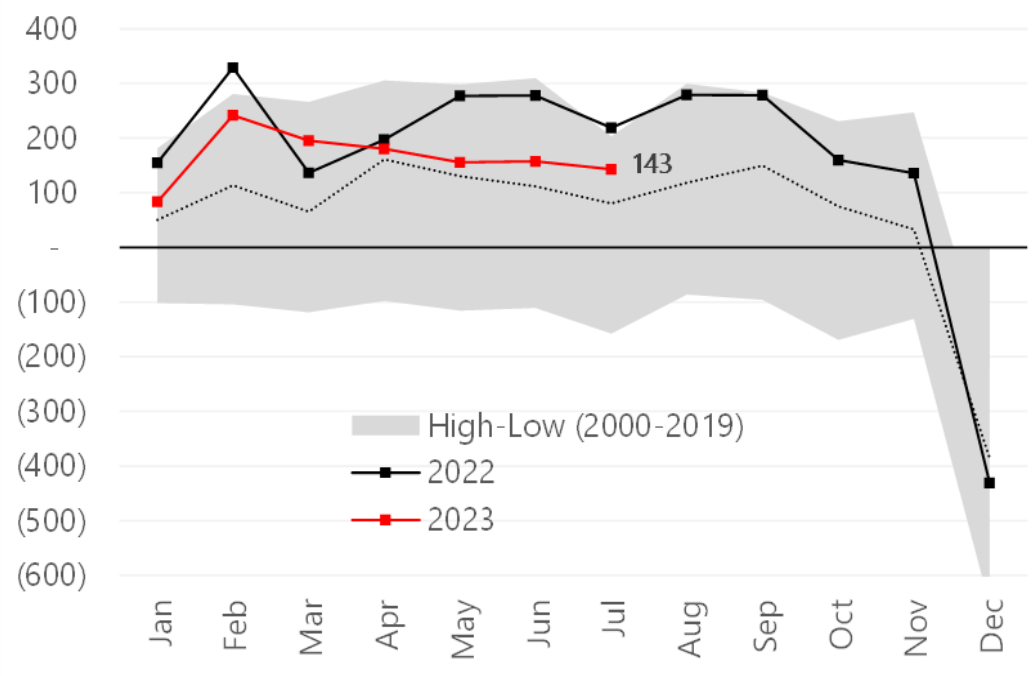
- The labor market shows signs of resilience, as it remains in overheated territory. We see a tight job market until 2024.
- The July results continued to indicate a strong increase in formal employment, but there was a tendency towards the historical mean in the latest figures.

Unemployment Rate and the NAIRU



Sources: National Treasury, IBGE, Ministry of Economy, Santander

Net Formal Job Creation (NSA)



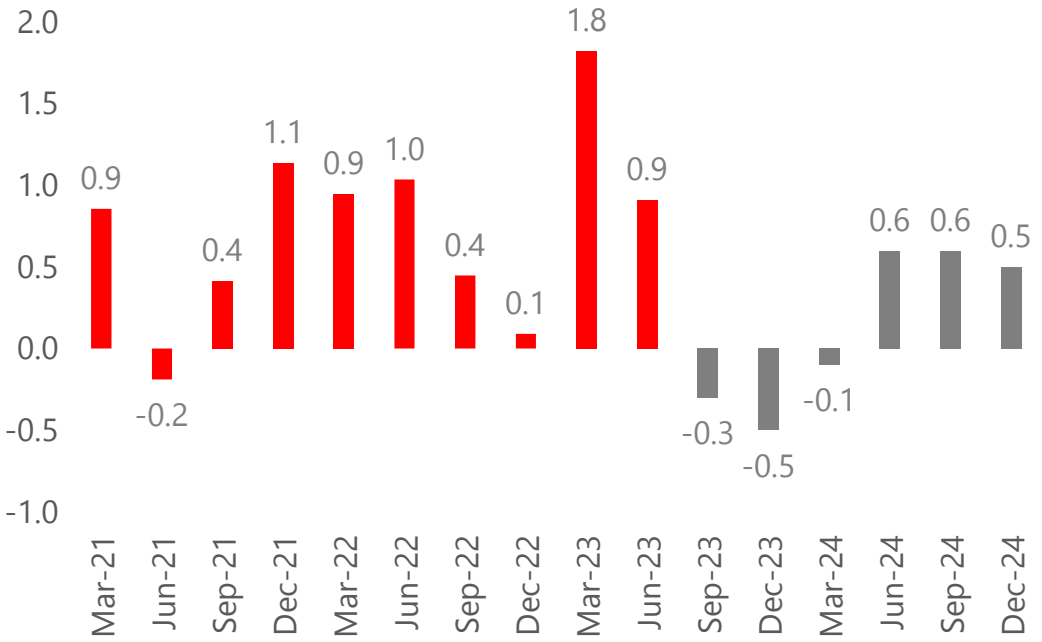
Sources: National Treasury, IBGE, Ministry of Economy, Santander

	2022	2023(E)	2024(E)	2025(E)	Long-Term
Real Wage Bill (With Government Transfers)	+8.7%	+3.9%	+0.9%	+1.4%	+1.4%

High Bar to Sustain Growth

- While the 1Q23 result benefited from a significant contribution from agriculture, 2Q23's expansion was mainly concentrated in cyclical-sensitive sectors — despite still restrictive financial conditions. The outlook for negative GDP variations throughout 2H23 remains, as the surprise in 2Q23 has set the bar even higher for new positive variations at the margin.

GDP Growth (% QoQ-sa, Santander Forecast)



Sources: IBGE, Santander.

*Estimates for 3Q23 onward.

GDP Growth Breakdown (% annual, Santander Forecast)

GDP Projections						
	2019	2020	2021	2022	2023e	2024e
GDP	1.2	-3.3	5.0	2.9	2.5	1.0
Farm Output	0.4	4.2	0.3	-1.7	13.0	1.5
Industry	-0.7	-3.0	4.8	1.6	1.3	0.5
Services	1.5	-3.7	5.2	4.2	1.9	0.7
Household	2.6	-4.6	3.7	4.3	2.2	0.7
Government	-0.5	-3.7	3.5	1.5	2.1	2.3
Investments	4.0	-1.7	16.5	0.9	-0.2	0.3
Exports	-2.6	-2.3	5.9	5.5	7.1	1.5
Imports	1.3	-9.5	12.0	0.8	1.3	1.2

Sources: IBGE, Santander.

Copom Data Panel – Activity

ECONOMIC TOPIC *Key Variables*	LATEST DATA *When?*		THIS MEETING *Sep-23*	LAST MEETING *Aug-23*	SECOND LAST *Jun-23*
REAL ACTIVITY					
GDP forecasts (% p.a.) - BCB's Focus report					
Forecast for 2023	08-Sep-23	↑	2.64	2.24	2.14
Forecast for 2024	08-Sep-23	↑	1.47	1.30	1.20
Forecast for 2025	08-Sep-23	↑	2.00	1.90	1.80
Forecast for 2026	08-Sep-23	↑	2.00	1.97	1.99
Forecast for 2027	08-Sep-23	→	2.00	2.00	1.99
Actual activity data					
IBC-Br (% QoQ, saar)	Jul-23	↓	1.7	6.6	14.7
Industrial production (% QoQ, saar)	Jul-23	↓	0.8	2.5	0.7
Broad retail sales (% QoQ, saar)	Jul-23	↓	7.0	20.1	22.0
Services volume (% QoQ, saar)	Jul-23	↑	1.8	-0.2	-1.4
Unemployment rate (% 3m, SA)	Jul-23	↓	7.9	8.0	8.0
Real wage bill (% YoY, 3m)	Jul-23	↓	6.2	7.2	7.9
Real average wage (% YoY, 3m)	Jul-23	↓	5.1	6.2	6.6
Nominal average wage (% YoY, 3m)	Jul-23	↓	9.0	10.1	11.0
Caged payrolls (thousands, SA, 3m)	Jul-23	↓	83	124	192
Economic confidence (2011=100)	Aug-23	↑	93.3	90.3	89.1

Sources: IBGE, Brazilian Central Bank, Santander.

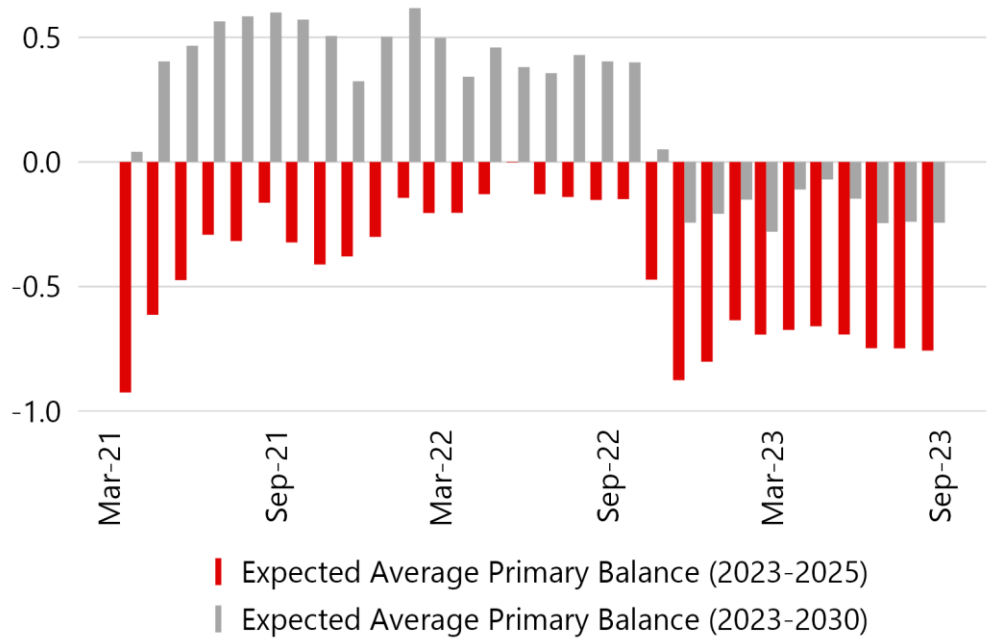
FISCAL POLICY

03

Fiscal Uncertainties Remain

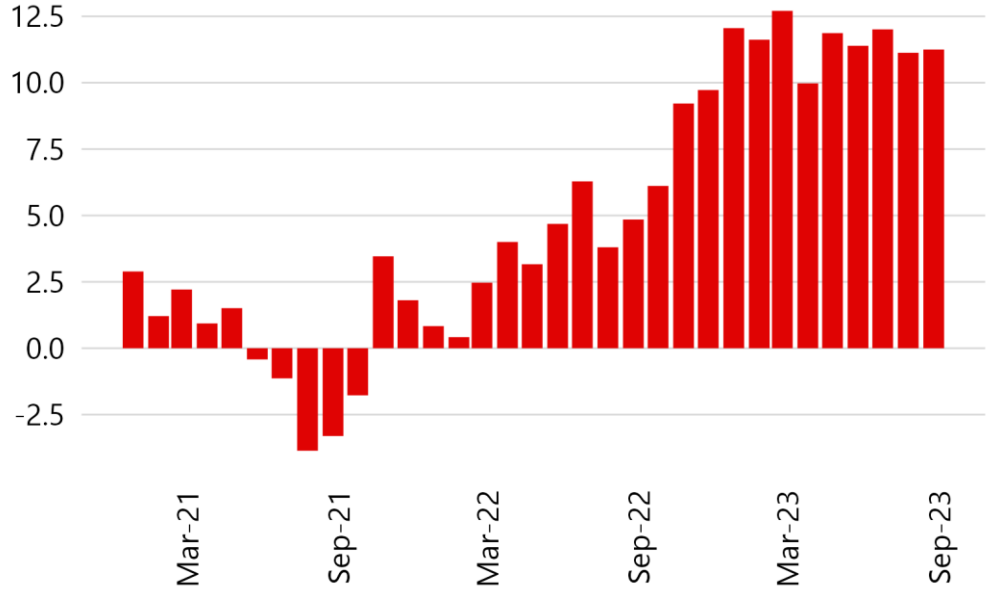
- The expected primary balance average result for 2023-2025 shows deficits.
- Up to date, economists did not expect a stabilizing debt for the coming years.

Focus Expectations for Primary Balance (% GDP)



Sources: Brazilian Central Bank, Santander.

Focus Expected Increase in Govt Debt Up to 2030 (p.p. of GDP)



Sources: Brazilian Central Bank, Santander.

Copom Data Panel – Fiscal Policy

ECONOMIC TOPIC *Key Variables*	LATEST DATA *When?*		THIS MEETING *Sep-23*	LAST MEETING *Aug-23*	SECOND LAST *Jun-23*
FISCAL POLICY					
Primary Fiscal Balance (% GDP)					
Actual level (12-month rolling)	Jul-23		-0.8	-0.2	0.4
Forecast for 2023	08-Sep-23		-1.00	-1.00	-1.01
Forecast for 2024	08-Sep-23		-0.71	-0.80	-0.80
Forecast for 2025	08-Sep-23		-0.50	-0.60	-0.50
Forecast for 2026	08-Sep-23		-0.30	-0.30	-0.25
Forecast for 2027	08-Sep-23		-0.10	-0.30	0.00
Forecast for 2028	08-Sep-23		0.20	0.20	0.20
Forecast for 2029	08-Sep-23		0.45	0.50	0.45
Forecast for 2030	08-Sep-23		0.60	0.70	0.80
Gross General Government Debt (% GDP)					
Actual level	Jul-23		74.1	73.6	73.0
Forecast for 2023	08-Sep-23		76.10	76.60	76.50
Forecast for 2024	08-Sep-23		78.70	79.23	79.10
Forecast for 2025	08-Sep-23		80.50	81.50	82.00
Forecast for 2026	08-Sep-23		81.80	83.20	83.10
Forecast for 2030	08-Sep-23		86.80	89.30	86.89

Sources: IBGE, Brazilian Central Bank, Santander.

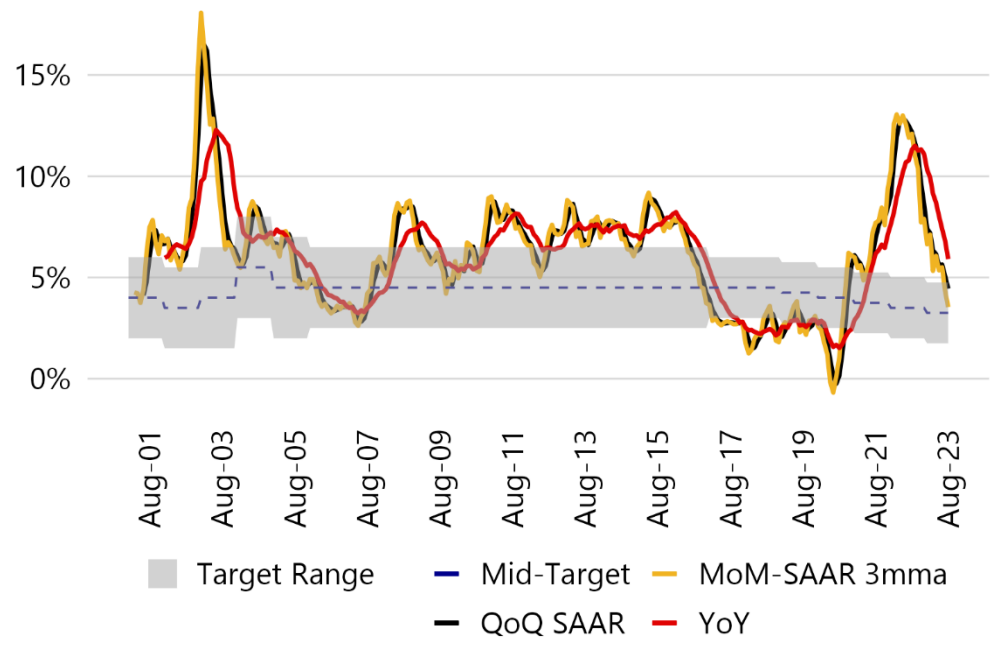
INFLATION

04

Positive Suprises in Inflation Scenario

- The main core figures followed by the BCB have continued their downward trend.

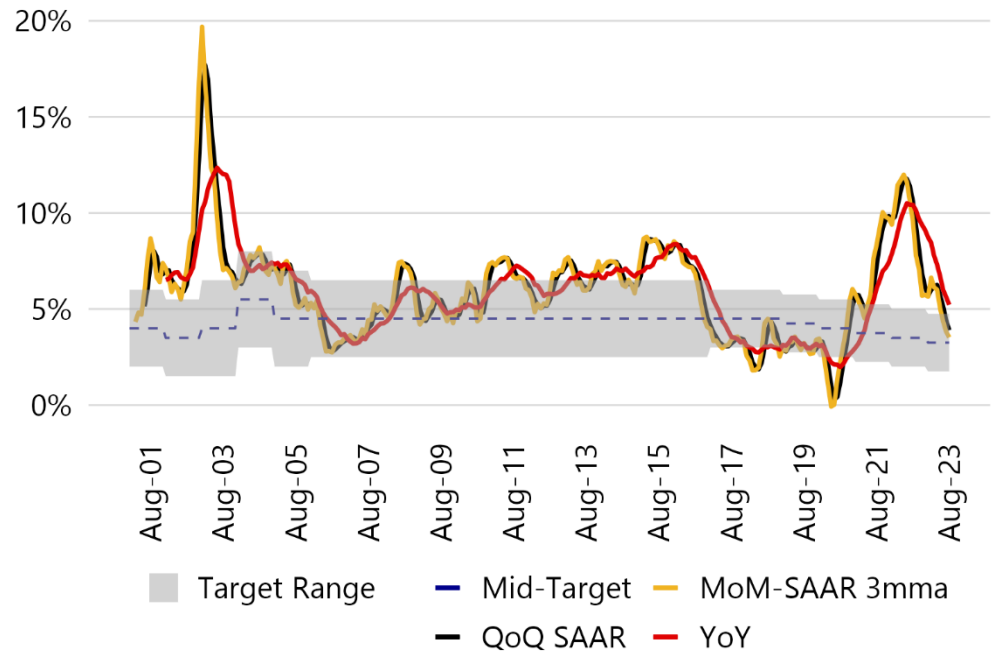
IPCA Average of Cores* vs Target (%)



Sources: IBGE, Brazilian Central Bank, Santander.

* EX0, EX3, P55, MS, and DP.

IPCA EX3 Core vs Target (%)

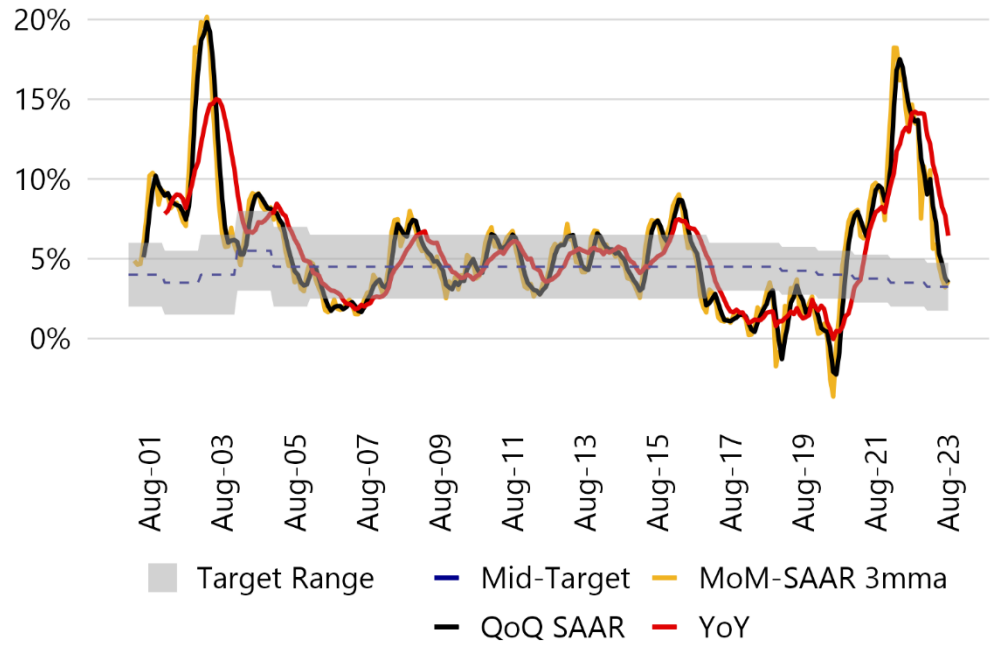


Sources: IBGE, Brazilian Central Bank, Santander.

Positive Suprises in Inflation Scenario

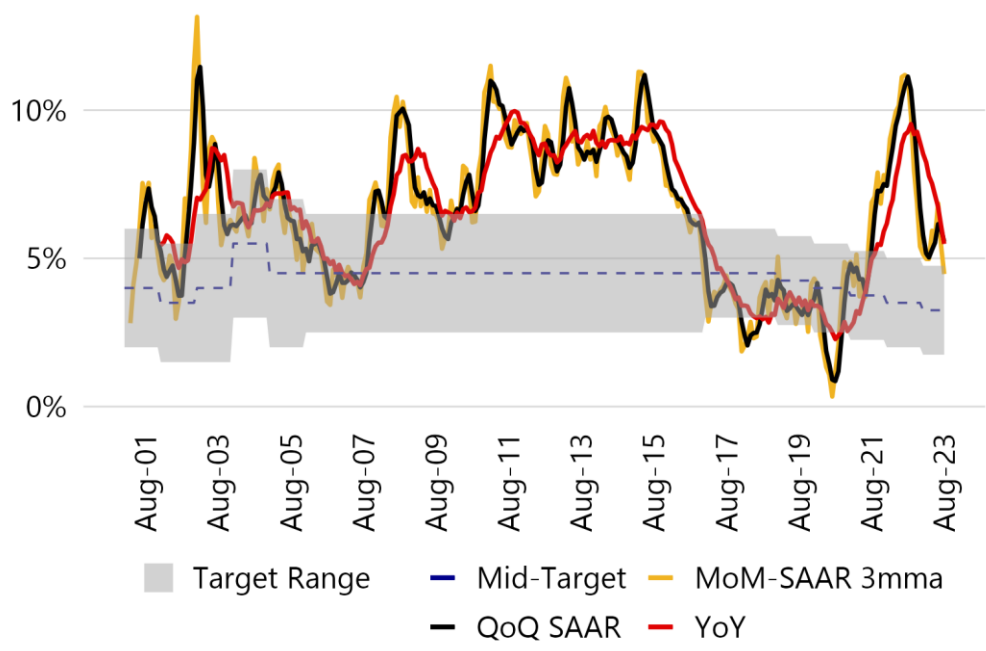
- There was a positive surprise in services inflation.
- Considering services have been one of the most resilient segments in recent inflation dynamics, this surprise was a very welcome.

IPCA Underlying Industrial Goods vs Target (%)



Sources: IBGE, Brazilian Central Bank, Santander.

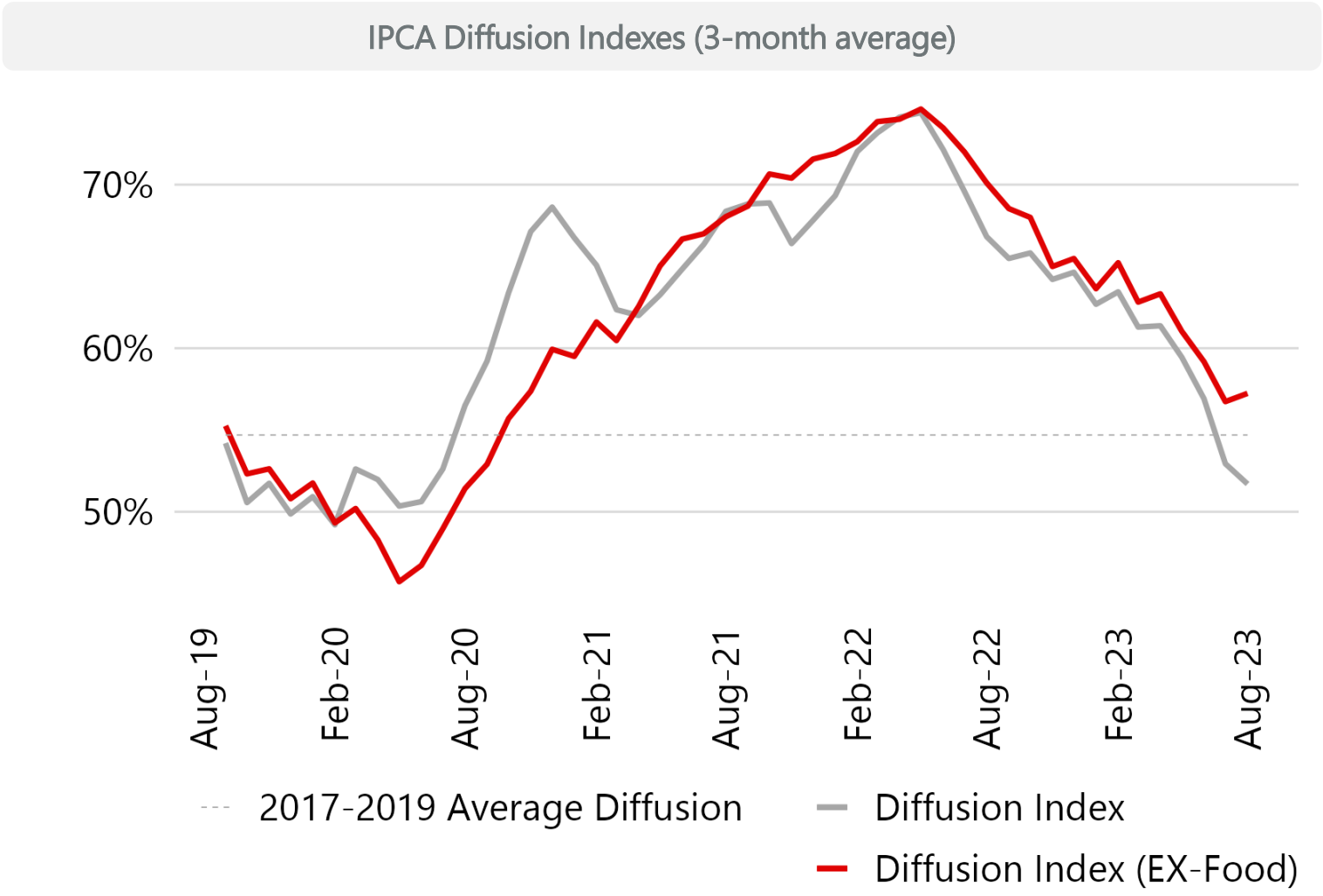
IPCA Underlying Services vs Target (%)



Sources: IBGE, Brazilian Central Bank, Santander.

Positive Suprises in Inflation Scenario

- The 3mma diffusion index continues to be below its 2017-2018 average, indicating a deceleration not concentrated in a few items, ranging over different groups. An incipient improvement, but still requiring caution considering its Ex-Food equivalent.



Sources: IBGE, Brazilian Central Bank, Santander.

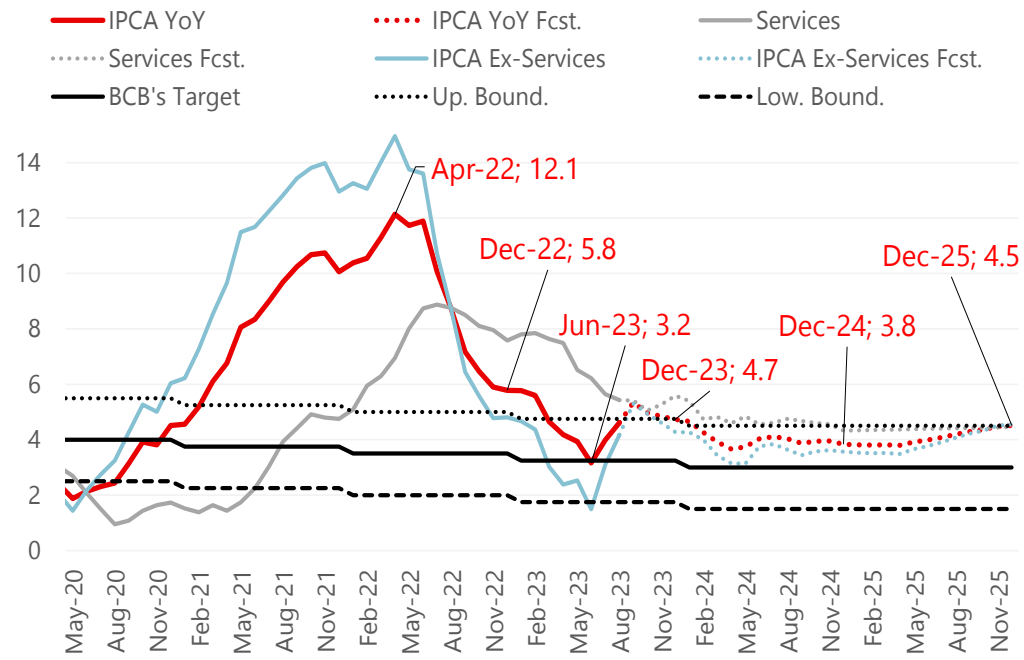
Services (still) Preventing a Sharper Deceleration in the Short Run

- Services' resilience still limits disinflation, but recent positive surprises have pointed towards a better inflation outlook ahead.
- For IPCA 2024 we reduced our projection to 3.8% (from 3.9%).

IPCA forecasts (%)

	2017-2019	2020	2021	2022	2023e	2024e
Headline IPCA	**3.7**	**4.5**	**10.1**	**5.8**	**4.7**	**3.8**
Free prices	**2.7**	**5.2**	**7.7**	**9.4**	**3.1**	**3.4**
Food-at-home	**2.5**	**18.2**	**7.9**	**13.2**	**-1.2**	**3.7**
Industrial goods	**1.3**	**3.2**	**12.0**	**9.6**	**2.3**	**2.0**
Tradables	1.2	3.2	10.8	10.1	2.4	2.0
Non-Tradables	1.7	3.0	5.4	8.8	4.7	2.0
Services	**3.8**	**1.8**	**4.8**	**7.6**	**5.6**	**4.3**
Food-service	3.6	4.8	7.2	7.5	5.7	4.5
Airline tickets	7.4	-17.2	17.6	23.5	7.9	4.5
Economic activity	2.9	0.7	3.6	7.1	5.1	4.0
Education	6.0	1.1	2.8	7.5	8.0	5.2
Inertial	2.9	2.9	5.1	8.2	6.0	4.0
Salaries	4.4	1.8	2.5	5.4	5.3	4.3
Administered prices	**6.6**	**2.6**	**16.9**	**-3.8**	**9.7**	**5.0**
Gasoline	7.2	-0.2	47.5	-25.8	15.4	5.0
Energy	8.0	8.9	24.4	-19.0	8.1	5.0
Health insurance	11.0	2.5	2.3	6.9	11.7	6.0
Bus fares	5.6	1.3	1.2	2.8	2.4	3.0
MEMO:						
Core Average	***3.5***	***2.8***	***7.4***	***8.5***	***5.1***	***3.4***

IPCA forecasts (%)

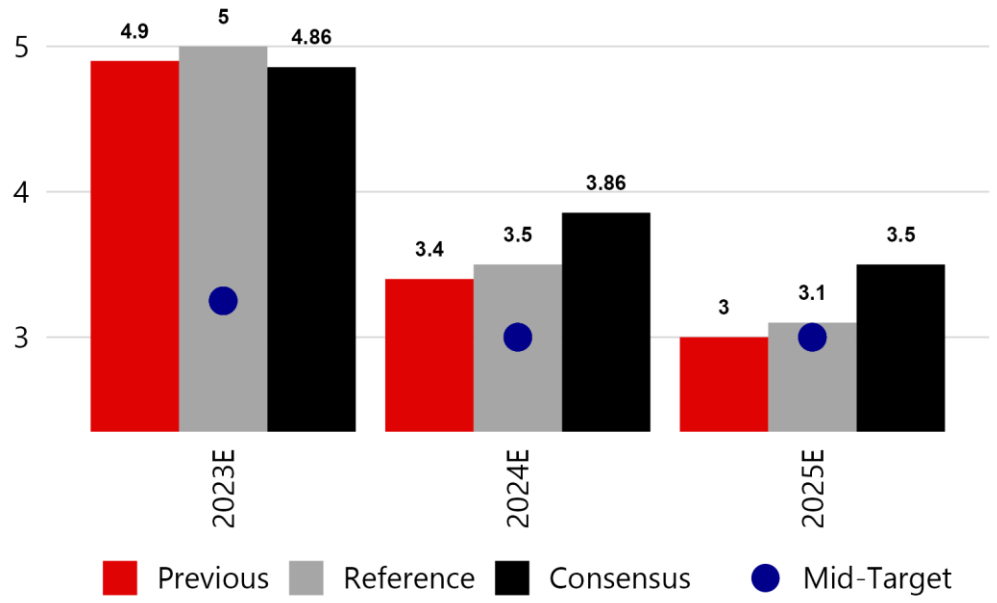


Sources: IBGE, BCB, Santander.

Convergence to Mid-Target to Take Longer?

- There was a marginal deterioration of BCB's inflation expectations across the board, since almost all the inputs for the BCB's inflation forecasting model worsened since the last meeting. Divergence from consensus continues to be from free market prices.
- In the BCB's view, convergence to mid-target much faster than what is expected by the market.

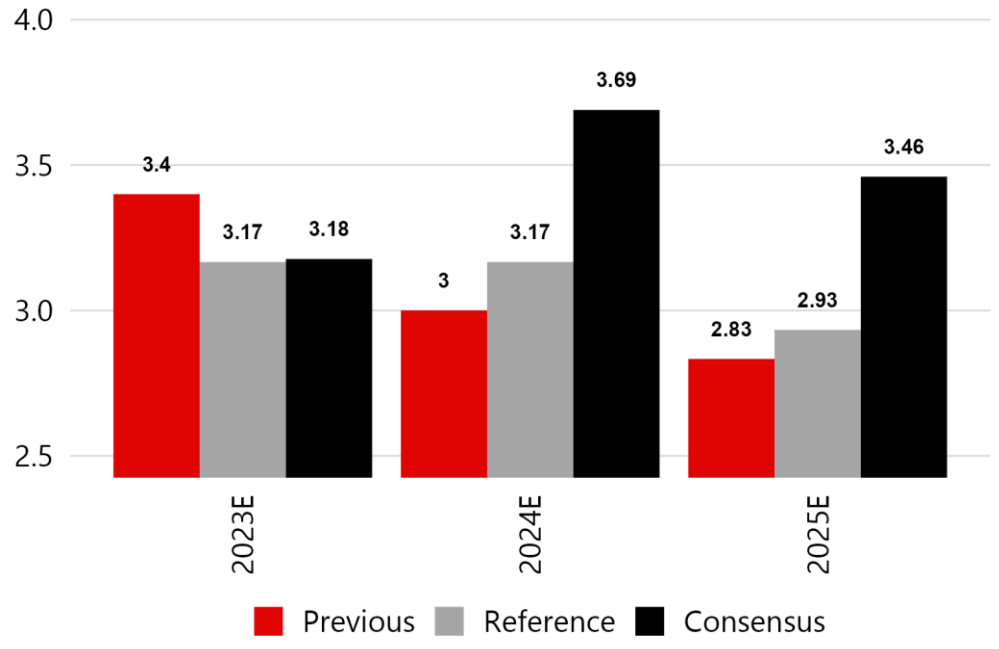
BCB's Inflation Forecast – Reference Scenario



Sources: Brazilian Central Bank, Santander.

Note: Assuming FX rate departing from USD/BRL 4.90, and then moving along with the PPP (purchasing power parity). Oil price following the futures curve for six months and stable in real terms in USD. The BCB assumes energy tariff flag "green" for both December 2023 and 2024. Consensus forecast for the future path of interest rate. Consensus as of the week before the last Copom meeting (Sep 15, 2023)

BCB's Inflation Forecast – Free Market Prices



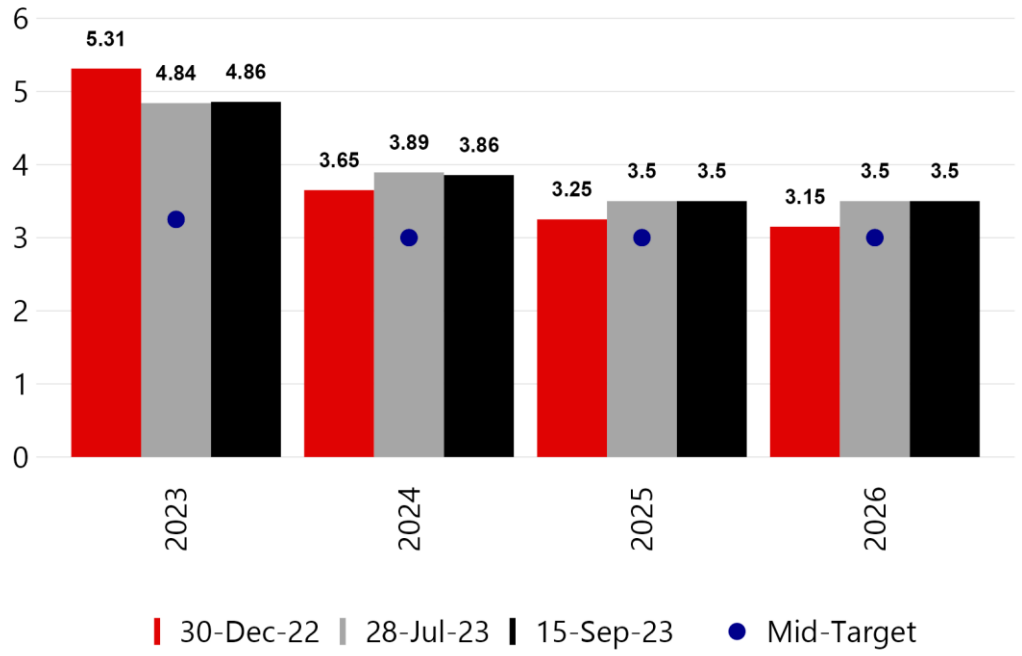
Sources: Brazilian Central Bank, Santander.

Note: Assuming FX rate departing from USD/BRL 4.90, and then moving along with the PPP (purchasing power parity). Oil price following the futures curve for six months and stable in real terms in USD. The BCB assumes energy tariff flag "green" for both December 2023 and 2024. Consensus forecast for the future path of interest rate. Consensus as of the week before the last Copom meeting (Sep 15, 2023)

Expectations Partly Unmoored for the Policy Horizon

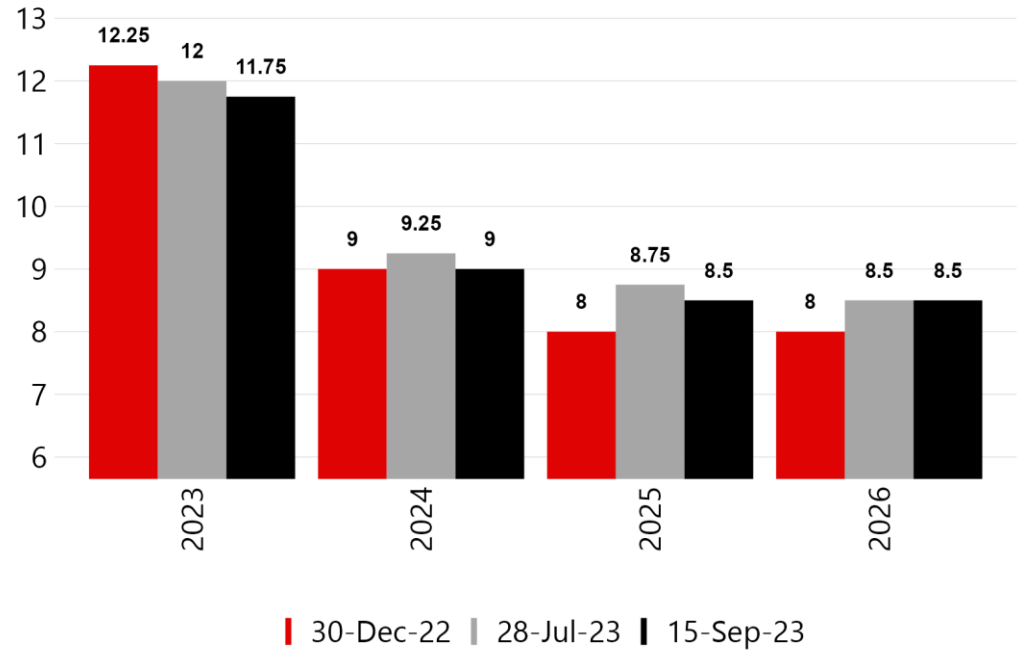
- Contrasting to the BCB's IPCA expectations for longer horizons, median consensus expectations have only partially re-anchored.
- This might point towards a perception by market economists of a lower relative weight to the inflation gap in a BCB reaction function. An alternative view can be of an implicit inflation target different from the official mid-target announced.

Median IPCA Focus Expectations (% annual)



Sources: Brazilian Central Bank, Santander.

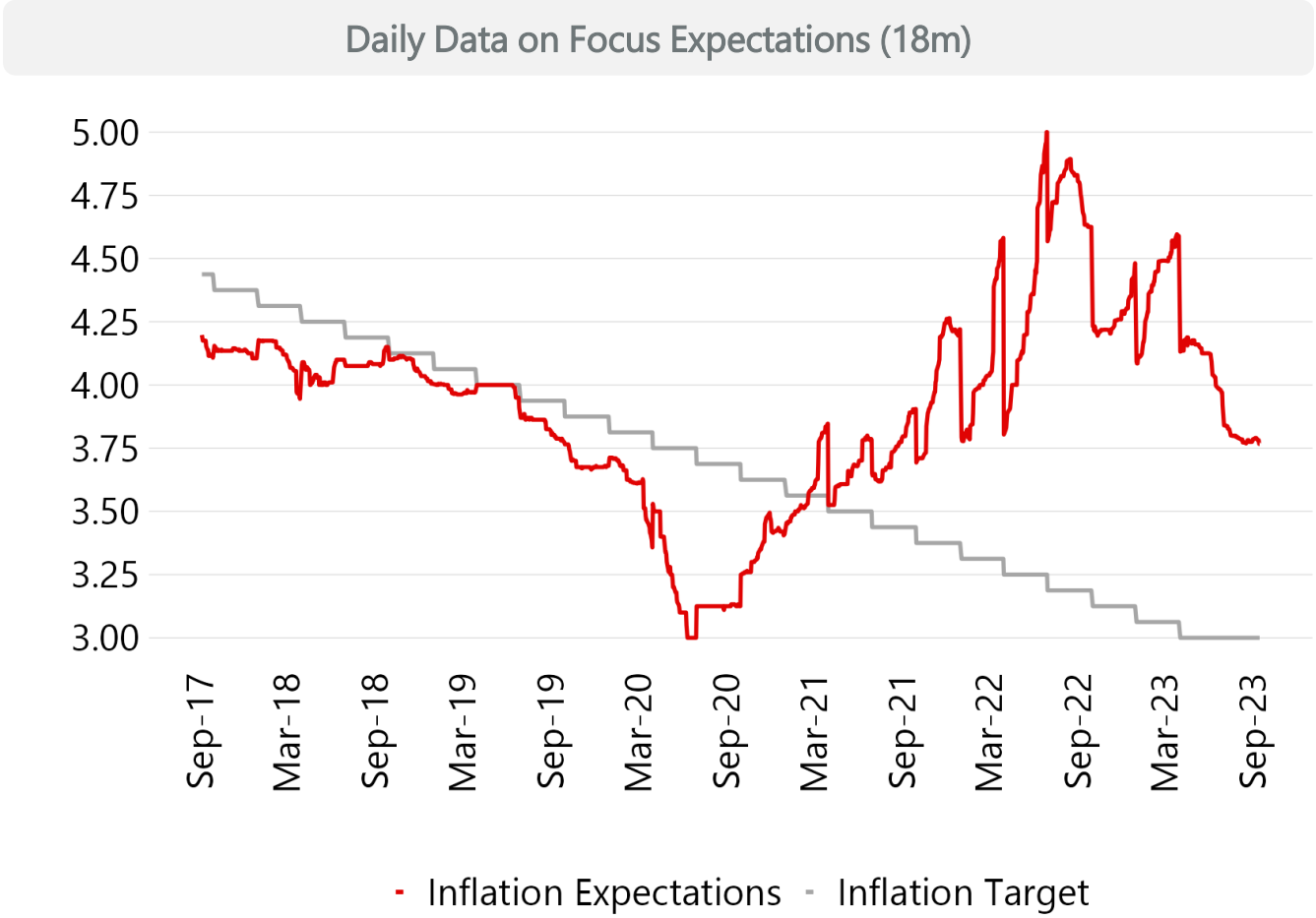
Median Selic Focus Expectations (% pa)



Sources: Brazilian Central Bank, Santander.

Policy-horizon-relevant inflation expectations remain high

- Considering the BCB's rule-of-thumb for the policy-relevant horizon (18m), the inflation expectations gap sits now at above 75 bps. We read this data combined with the start of the easing cycle as indicative of the BCB attributing more relative weight to current conditions than to expectations.



Sources: IBGE, Brazilian Central Bank, Santander.

Copom Data Panel – Inflation

ECONOMIC TOPIC *Key Variables*	LATEST DATA *When?*		THIS MEETING *Sep-23*	LAST MEETING *Aug-23*	SECOND LAST *Jun-23*
INFLATION					
Forecasts (% p.a.) - BCB's Focus report					
Calendar-Weighted Forecast (~18 months)	08-Sep-23	→	3.79	3.79	4.00
Calendar-Weighted Target (~18 months)	08-Sep-23	→	3.00	3.00	3.00
Calendar-Weighted Expectations Gap	08-Sep-23	→	0.79	0.79	1.00
Forecast for a year ahead (12 months)	08-Sep-23	↑	4.12	4.11	4.18
Forecast for 2023 - target: 3.25%	08-Sep-23	↑	4.93	4.84	5.12
Forecast for 2024 - target: 3.00%	08-Sep-23	→	3.89	3.89	4.00
Forecast for 2025 - target: 3.00%	08-Sep-23	→	3.50	3.50	3.80
Forecast for 2026 - target: 3.00%	08-Sep-23	→	3.50	3.50	3.80
Forecast for 2027 - target: 3.00%	08-Sep-23	→	3.50	3.50	3.70
Breakeven inflation rates (% p.a.)					
1-year	08-Sep-23	↓	3.90	4.06	4.29
18-month	08-Sep-23	↓	4.22	4.29	4.50
2-year	08-Sep-23	↓	4.42	4.46	4.67
5-year	08-Sep-23	↓	5.20	5.26	5.45
10-year	08-Sep-23	↓	5.49	5.54	5.78

Sources: IBGE, Brazilian Central Bank, Santander.

Copom Data Panel – Inflation

ECONOMIC TOPIC *Key Variables*	LATEST DATA *When?*		THIS MEETING *Sep-23*	LAST MEETING *Aug-23*	SECOND LAST *Jun-23*
INFLATION					
Actual CPI data					
Headline (% YoY)	Aug-23	↑	4.6	3.2	3.9
Headline (% QoQ, saar)	Aug-23	↓	3.9	5.2	6.1
Core IPCA EX3 (% YoY)	Aug-23	↓	5.9	7.4	8.0
Core IPCA EX3 (% QoQ, saar)	Aug-23	↓	3.2	6.1	5.9
Core IPCA Services (% YoY)	Aug-23	↓	5.5	6.7	7.1
Core IPCA Services (% QoQ, saar)	Aug-23	↓	4.1	6.1	5.9
New cores average (% YoY)	Aug-23	↓	6.4	8.2	9.2
New cores average (% QoQ, saar)	Aug-23	↓	3.6	6.6	5.8
Diffusion index (sa, 3m)	Aug-23	↓	51.7%	57.3%	59.7%
Diffusion index ex-food (sa, 3m)	Aug-23	↓	57.2%	58.7%	61.4%

Sources: IBGE, Brazilian Central Bank, Santander.

RATES

05

Copom Data Panel – External Sector

ECONOMIC TOPIC *Key Variables*	LATEST DATA *When?*		THIS MEETING *Sep-23*	LAST MEETING *Aug-23*	SECOND LAST *Jun-23*
EXTERNAL SECTOR					
FX rate (USD/BRL)					
Current level	08-Sep-23	↑	4.99	4.73	4.76
Actual: 5-day average (previous week)	08-Sep-23	↑	4.96	4.74	4.84
USD/BRL (to be) used in simulations	**16-Jun-23**	→	**4.75**	**4.75**	**4.85**
Forecast for 2023	08-Sep-23	↑	5.00	4.91	5.00
Forecast for 2024	08-Sep-23	↑	5.02	5.00	5.10
Forecast for 2025	08-Sep-23	↑	5.10	5.08	5.18
Forecast for 2026	08-Sep-23	↑	5.15	5.10	5.25
Forecast for 2027	08-Sep-23	↑	5.20	5.15	5.25

Sources: IBGE, Brazilian Central Bank, Santander.

Copom Data Panel – Asset Prices

ECONOMIC TOPIC *Key Variables*	LATEST DATA *When?*		THIS MEETING *Sep-23*	LAST MEETING *Aug-23*	SECOND LAST *Jun-23*
ASSET PRICES					
Santander Brasil's financial conditions index*	Aug-23	↑	**0.89**	**0.64**	**0.68**
IC-Br (% YoY)	Aug-23	→	-19.9	-19.9	-20.1
CRB Commodity Index (Futures, USD terms)	08-Sep-23	↑	284.5	280.5	270.6
CRB Commodity Index (Futures, BRL terms)	08-Sep-23	↑	1418.3	1327.0	1290.3
CRB Commodities in BRL: 50-day average	08-Sep-23	↑	1341.6	1287.7	1296.0
Brent Oil Price (USD bbl) / 1st Active Future	08-Sep-23	↑	90.7	84.4	77.1
Brazil 5-year CDS (basis-points)	08-Sep-23	↑	171.1	163.9	179.9
Ibovespa stock index (points)	08-Sep-23	↓	115,313	120,187	120,420
DI Jan-24 (% p.a.) / Futures	08-Sep-23	↓	12.34	12.62	13.01
DI Jan-25 (% p.a.) / Futures	08-Sep-23	↓	10.54	10.65	11.10
DI Jan-26 (% p.a.) / Futures	08-Sep-23	↑	10.22	10.12	10.51
NTN-F 2029 (% p.a.) / Pre-Fixed Rate	08-Sep-23	↑	11.00	10.69	10.88
NTN-F 2033 (% p.a.) / Pre-Fixed Rate	08-Sep-23	↑	11.29	10.92	11.02
NTN-B 2045 (% p.a.) / Inflation-Linked	08-Sep-23	↑	5.66	5.46	5.57
NTN-B 2060 (% p.a.) / Inflation-Linked	08-Sep-23	↑	5.70	5.48	5.57

Santander

Sources: IBGE, Brazilian Central Bank, Santander.

Copom Data Panel – Monetary Policy

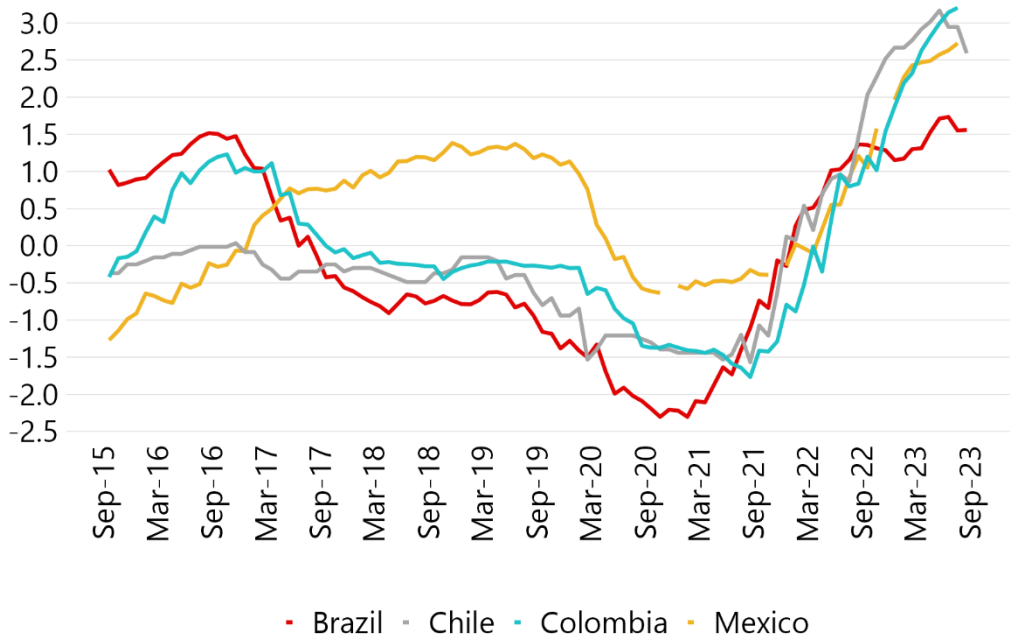
ECONOMIC TOPIC *Key Variables*	LATEST DATA *When?*		THIS MEETING *Sep-23*	LAST MEETING *Aug-23*	SECOND LAST *Jun-23*
MONETARY POLICY					
Selic rate (% p.a.)					
Current level	Aug-23	↓	13.25	13.75	13.75
Forecast for 2023	08-Sep-23	↓	11.75	12.00	12.25
Forecast for 2024	08-Sep-23	↓	9.00	9.25	9.50
Forecast for 2025	08-Sep-23	↓	8.50	8.75	9.00
Forecast for 2026	08-Sep-23	→	8.50	8.50	8.75
Forecast for 2027	08-Sep-23	↓	8.50	9.00	9.00
Yield curve (% p.a.)					
1-year OIS swaps (pré-DI)	08-Sep-23	↓	10.9	11.3	11.9
2-year OIS swaps (pré-DI)	08-Sep-23	→	10.3	10.3	10.7
Ex-ante real interest rate (% p.a.)					
1-year (OIS swaps vs. inflation forecast)	08-Sep-23	↓	6.5	6.9	7.5

Sources: IBGE, Brazilian Central Bank, Santander.

Limited Easing: International Stance

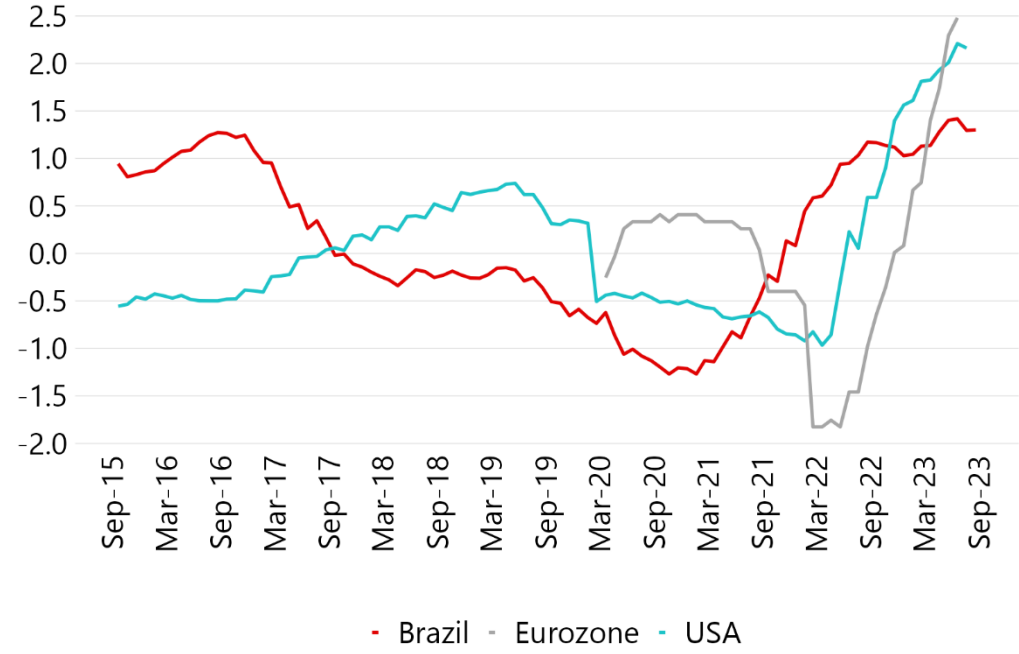
- The international stance continues to be very tight.
- High real rates in Emerging and Developed Market Economies limit the local easing cycle.

LatAm: Normalized Ex Ante Real Rates (%)



Sources: Brazilian Central Bank, Santander.

DM: Normalized Ex Ante Real Rates (%)

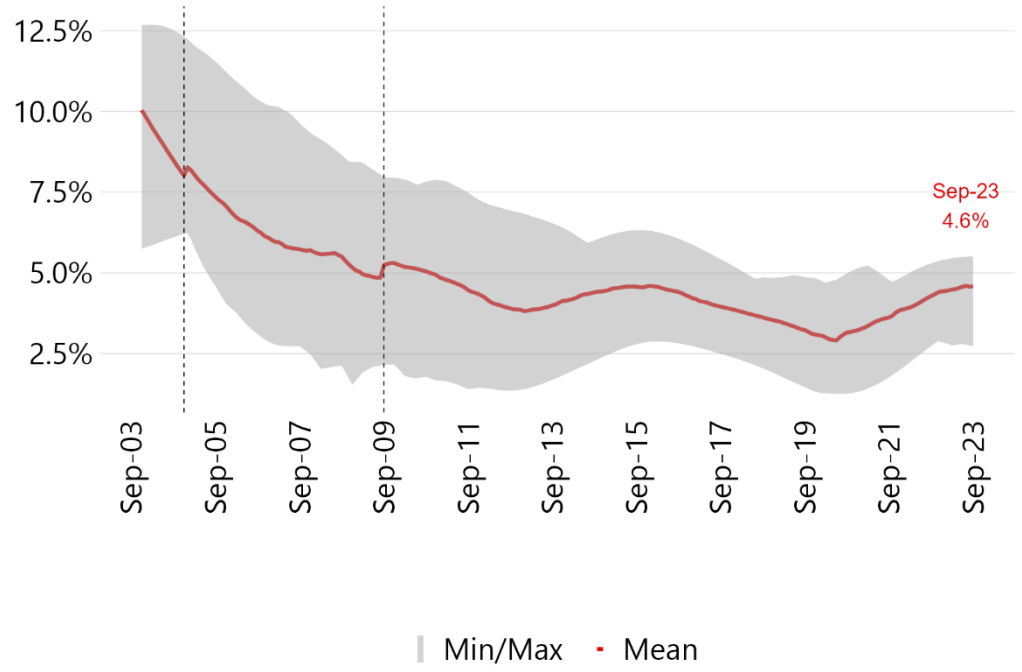


Sources: Brazilian Central Bank, Santander.

Limited Easing: Natural Rate of Interest

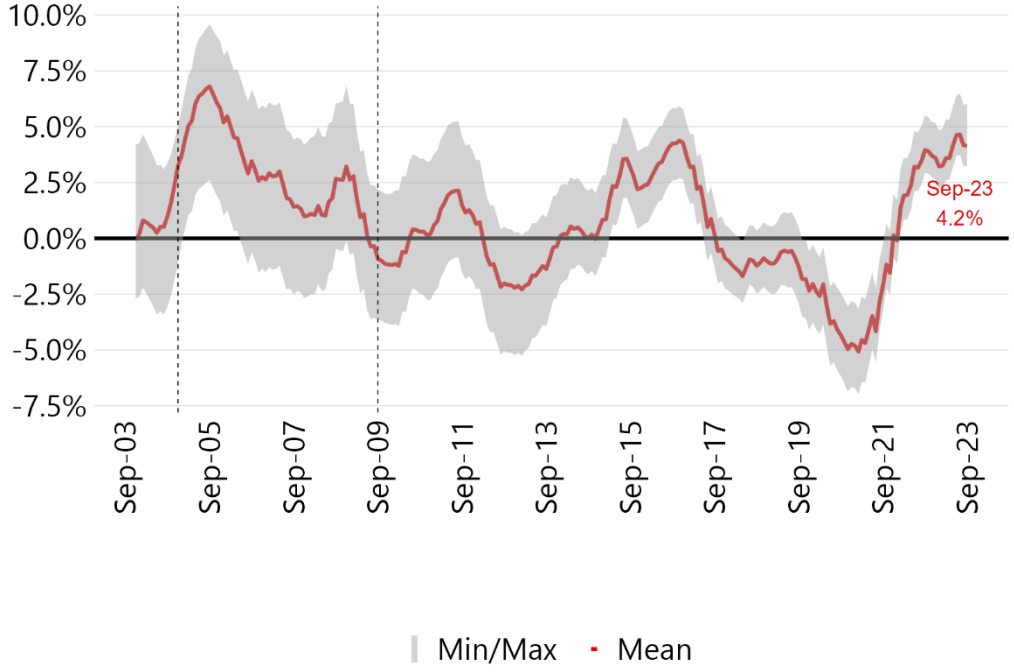
- In our view, there was a surge in natural rates since mid-2020.
- Considering the real rate gap, there is room for cuts, yet the higher current levels of the natural rate also serve as a restriction to the terminal level of the policy rate.

Natural Rate of Interest (%)



Sources: Brazilian Central Bank, Santander.

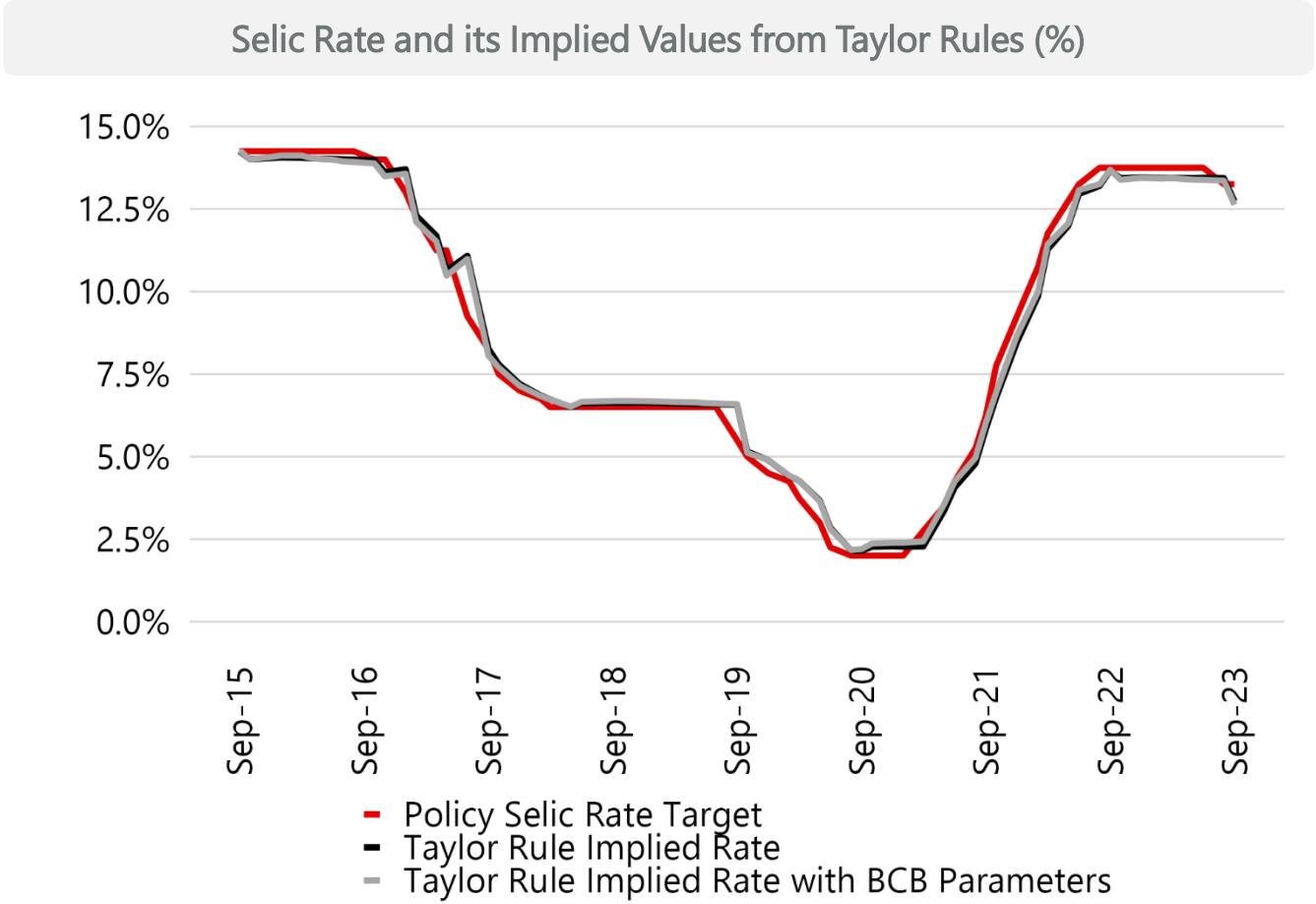
Ex Ante Real Rate Gap (%)



Sources: Brazilian Central Bank, Santander.

BCB's Taylor Rule

- We estimated the TR from the Small Scale Model from the 4Q21 Inflation Report and compared the fitted results to both the actual Selic rate and the fitted values from the same equation using the BCB's results.
- Despite considering only inflation expectations and lagged values of the rate, it predicts a cut to 12.75% in the next meeting.



Sources: Brazilian Central Bank, Santander.

MONETARY POLICY COMMUNICATION

06

Highlights from the Last Copom Meeting

BCB's FORECASTS AND BALANCE OF RISKS

- There was a **marginal deterioration of BCB's inflation expectations across the board**, since almost all the drivers used as inputs for the BCB's inflation forecasting model have worsened since the last meeting (oil prices are up, the BRL has depreciated, the output gap has become smaller, and Focus's expectation for the Selic rate has fallen). Surprisingly, **this revision was smaller than expected by us and the market** (the revised numbers for 2024 and 2025 were raised by 10 bps while we had expected a 30 and 20 bps revision respectively), which we interpret as a dovish message.

- The BCB's balance of risks analysis underwent no changes. The authority continued to identify risks in both directions and does not suggest any explicit presence of a bias.

  ⇑ Among the elements that feed upward inflationary risks, the BCB highlights global inflation worries and cautions to a potential surprise on the local services inflation resiliency due to a tighter output gap.

  ⇓ On the downward inflationary risks side, the emphasis continued to be the international economy, pointing to the risk of a stronger-than-expected deceleration of global economic activity, and to the potentially large effects of globally synchronized monetary policy tightening.

Highlights from the Last Copom Meeting

THE SIGNALS ABOUT THE NEXT POLICY STEPS

- The BCB continued its attempt to anchor expectations regarding the next policy steps, **unanimously signaling a "cruise-speed" pace of cuts of 50 bps for the next meetings.**
- In the minutes from the August meeting, the Copom listed 3 "**substantial positive surprises"** that would trigger enough **confidence for it to consider a faster pace**:
  - ✓ *a much more solid reanchoring of expectations,*
  - ✓ *a sharp widening of the output gap,*
  - ✓ ***OR** a services inflation dynamics substantially more benign than the expected".*

Highlights from the Last Copom Meeting

IN OUR VIEW...

- Our scenario is in line with the BCB's signals, as we forecast the pace of cuts being maintained at -50 bps, with the Selic rate reaching 11.75% at YE2023. For now, looking at 2024, we continue to expect 50 bps cuts at the first four meetings, with a last 25 bps cut, leaving the YE2024 Selic at 9.50%.
- Based on the latest set of BCB communications, the recent actions by the Copom could reflect that:
  - ✓ *(i) the BCB may have opted to **give more weight to the balance of risks than on inflation projections***
  - ✓ *(ii) amid a context of higher than usual inflation persistence, the BCB could be more willing to accept a slightly **slower CPI convergence towards 3%.***
- Thus, we cannot rule out the possibility of sharper cuts coming around the end of 2023/beginning of 2024 thanks to improved inflation dynamics – especially in the services sector – and decelerating activity.

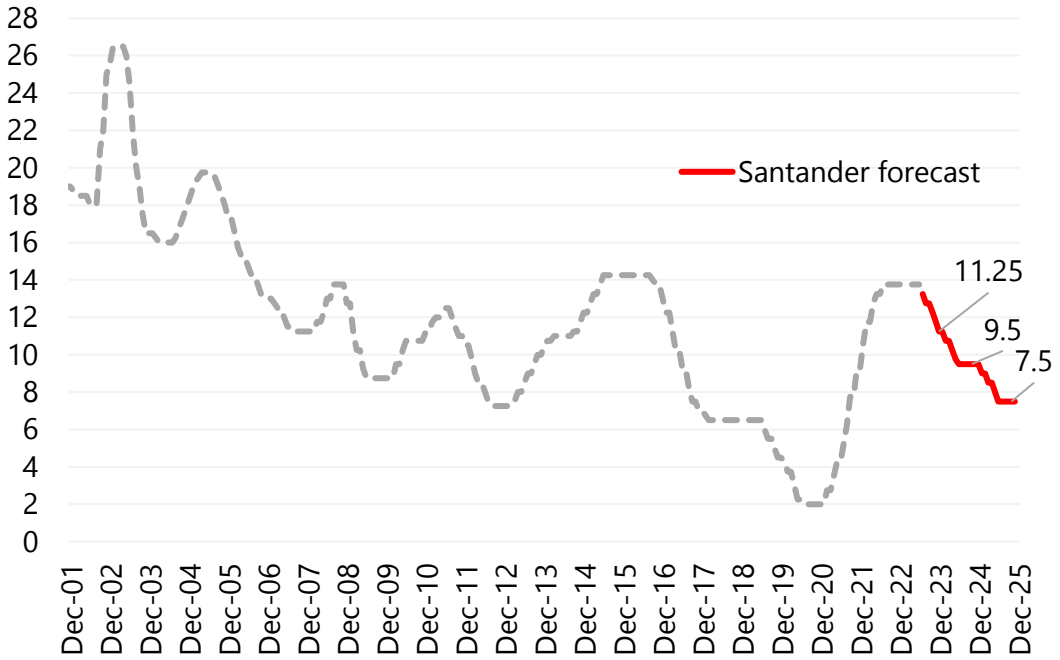
FORECASTS

07

Santander Projections and Consensus

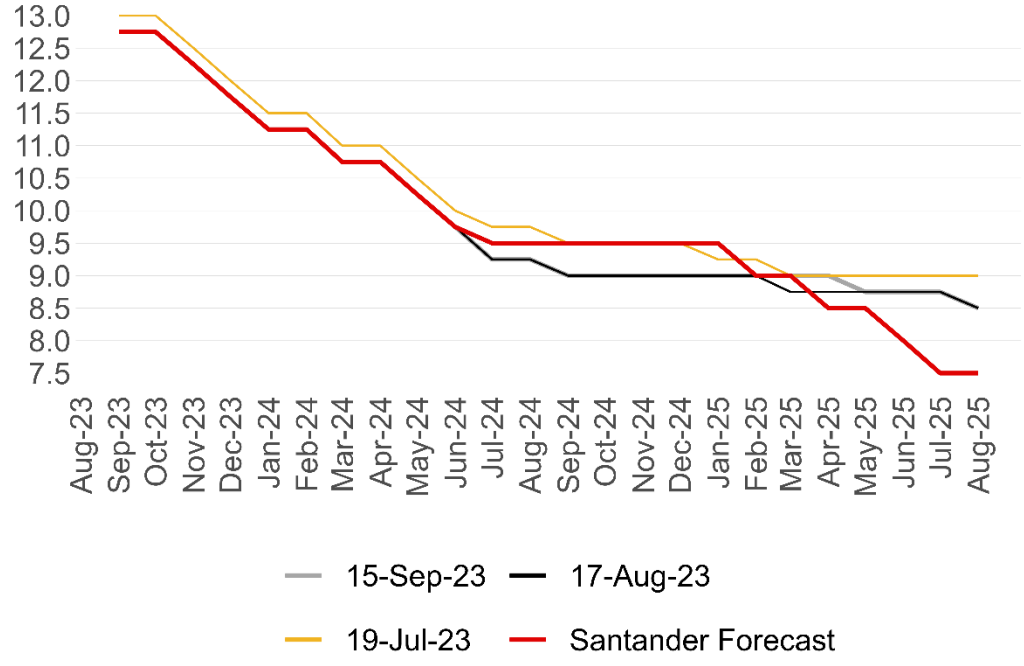
- Our forecast is in line with the BCB's communication and predicts a restrictive stance until YE2024. Our forecast remains above the consensus for up to next year, but we recognize the risks are skewed to the downside. We cannot discard a faster pace until the end of the year or in the beginning of 2024 due to the improved performance in the inflation scenario and deceleration of activity.

Santander's Projection of Selic Rate (%)



Sources: Brazilian Central Bank, Santander.

Focus' Consensus and Santander's Projection of Selic Rate (%)



Sources: Brazilian Central Bank, Santander.

Forecasts

Macroeconomic Variables		Previous		Current
GDP (%)	2023E	1.9	↑	2.5
	2024E	1.0	→	1.0
	2025E	1.5	→	1.5
IPCA (%)	2023E	4.9	↓	4.7
	2024E	3.9	↓	3.8
	2025E	4.5	→	4.5
Selic Rate (% end of period)	2023E	11.75	→	11.75
	2024E	10.00	↓	9.50
	2025E	7.50	→	7.50
FX Rate - USDBRL (end of period)	2023E	5.20	↓	5.10
	2024E	5.35	↓	5.25
	2025E	5.40	↓	5.30
Current Account Balance (% of GDP)	2023E	-2.5	→	-2.5
	2024E	-2.7	→	-2.7
	2025E	-2.7	→	-2.7
Primary Fiscal Balance (% of GDP)	2023E	-1.0	→	-1.0
	2024E	-0.9	→	-0.9
	2025E	-0.7	→	-0.7
Gross Public Debt (% of GDP)	2023E	77.0	↓	76.5
	2024E	81.1	↓	80.5
	2025E	83.9	↓	83.2

Note: Our previous forecasts date from August 4, 2023 (Scenario Update: "Better Growth Outlook in 2024 Given a Less Contractionary Monetary Policy" – Available on: https://tinyurl.com/Std-scenreview-aug23).

The forecasts refers to our latest Scenario Review

"Adjustments to Reflect Past Surprises; Same Trends Continuing Ahead"
(sent on September 15, 2023)

For the full report click on the link:

https://tinyurl.com/Std-scenreview-sep23

Santander Brazil's Global Macro Assumptions – Summary

Global Macro Scenario	2018	2019	2020	2021	2022	2023E	2024E	2025E
Global GDP (%)	3.5	2.8	-3.5	5.9	3.4	2.4	2.2	2.8
China GDP (%)	6.7	6.0	2.3	8.1	3.0	5.2	5.1	5.0
US GDP (%)	3.0	2.2	-3.5	5.7	2.1	2.1	0.1	1.8
US Inflation (Core PCE, %)	2.1	1.6	1.5	4.9	5.0	4.0	2.5	2.0
US Interest Rate (FFR, %)	2.50	1.75	0.25	0.25	4.50	5.50	4.00	2.50
US Interest Rate (UST10y, %)	2.7	1.9	0.8	1.8	3.9	4.0	3.5	3.0
Dollar Index - DXY	96	96	90	96	104	103	100	100
Commodity Prices - CRB	409	401	444	571	558	528	474	445

*Core PCE is referred to the y/y variation for Q4.

Source: Santander

The forecasts refers to our latest Scenario Review

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Thank you.

Our purpose is to help people and businesses prosper.

Our culture is based on believing that everything we do should be:

Simple Personal Fair

Santander

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