Santander Macroeconomic Research

BRAZIL MACRO

October 1, 2021

MACRO COMPASS

THE (INFLATION) PEAK, AT LAST

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- The BRL closed the rolling week ended September 30 at USD/BRL5.44, posting a loss of 2.6% and marking the third worst performance in a basket of 31 of the most liquid currencies in the world. The Brazilian currency continues to be largely impacted by adverse global market conditions, with the BRL's underperformance mirroring its high-beta pattern, additionally fed by lingering uncertainties regarding the fiscal outlook. Partly reflecting some of these factors, the nominal yield curve saw payback from a previous rally and largely bear-steepened for the period.
- In August, the public sector posted a surprising primary surplus (BRL16.7 billion), driven by (one-off) concession revenues that boosted the performance of regional governments. Debt indicators continued to edge down, mainly owing to a higher nominal GDP. On the debt management front, August was marked by some caution in new issuances; debt costs kept moving higher on the heels of higher inflation and interest rates.
- In a couple of opportunities (Copom minutes, 3Q21 inflation report), the Brazilian Central Bank (BCB) reaffirmed its strategy of implementing a monetary tightening that takes the policy rate to a "significantly restrictive" level. Based on the inflation simulations and upwardly tilted balance of risks, we continue to believe the current flight plan could include a terminal Selic rate at 9.00% or slightly above, imparting upside risk to our call (8.50%).
- The BCB released bank lending data for August, showing strong growth in balances. For households, the non-earmarked segment posted an increase of 0.4% MoM-sa. For (non-financial) firms, a decline was seen after a strong increase in earmarked new loans in July. We continue to see the rising debt-service and debt-to-income ratios as a risk for delinquency and credit growth ahead.
- The latest batch of labor market data pointed to additional improvement, especially for sectors more dependent on social interaction. We calculate that the seasonally adjusted jobless rate, measured by the PNAD Household Survey, stood at 13.4% in July, down 0.4 p.p. from June. As for the August CAGED survey, we estimate that seasonally adjusted, net formal job creation decelerated to +243k in August, from +304k in July, still a historically high level.
- Another batch of activity data for August is due to be released in the coming week. On Tuesday (October 5), the IBGE will release August industrial production: we expect stability (0% MoM-sa) On Wednesday (October 6), IBGE also releases retail sales data: we expect a monthly retreat of 0.9% MoM-sa for the broad index.
- We expect September's IPCA (due Friday, October 8) to rise 1.30% MoM, meaning 10.4% YoY. We project this reading to be the YoY peak of IPCA, and yet this is likely to be another sour CPI report, with the inflation data showing an uncomfortable level and an unfavorable composition. All in all, we remain very cautious about the inflation outlook, especially for next year.

Most of the information in this report is up to the end of Thursday, September 30, 2021.

* Employed by a non-US affiliate of Santander Investment Securities, Inc. and is not registered/qualified as a research analyst under FINRA rules.

Figure 1. Brazil Macro Agenda for the Week of October 4-8, 2021

Indicators / Events	Source	Reference	Date	Santander Estimate	Prior
Industrial Production (% MoM)	**IBGE**	**Aug/21**	**Tue, 05-Oct**	**0.0**	**-1.3**
Industrial Production (% YoY)	**IBGE**	**Aug/21**	**Tue, 05-Oct**	**0.3**	**1.2**
IGP-DI Inflation (% MoM)	FGV	Sep/21	Wed, 06-Oct	--	-0.14
IGP-DI Inflation (% YoY)	FGV	Sep/21	Wed, 06-Oct	--	28.21
Core Retail Sales (% MoM)	IBGE	Aug/21	Wed, 06-Oct	0.7	1.2
Core Retail Sales (% YoY)	IBGE	Aug/21	Wed, 06-Oct	2.0	5.7
Broad Retail Sales (% MoM)	**IBGE**	**Aug/21**	**Wed, 06-Oct**	**-0.9**	**1.1**
Broad Retail Sales (% YoY)	**IBGE**	**Aug/21**	**Wed, 06-Oct**	**2.3**	**7.1**
Vehicle Production (thousands)	Anfavea	Sep/21	Wed, 06-Oct	--	164
IPCA Inflation (% MoM)	**IBGE**	**Sep/21**	**Fri, 08-Oct**	**1.30**	**0.87**
IPCA Inflation (% YoY)	**IBGE**	**Sep/21**	**Fri, 08-Oct**	**10.4**	**9.68**
Vehicle Sales (thousands)	Fenabrave	Sep/21	01 to 05-Oct	--	172.8

Source: Santander.

For details on Santander's economic forecasts for Brazil, please refer to our last scenario review[1].

[1] **Santander Brazil - Macroeconomic Scenario: *"The Inflation Factor…Again"* –** Set 16, 2021- Available on: https://bit.ly/Std-scenreview-set21

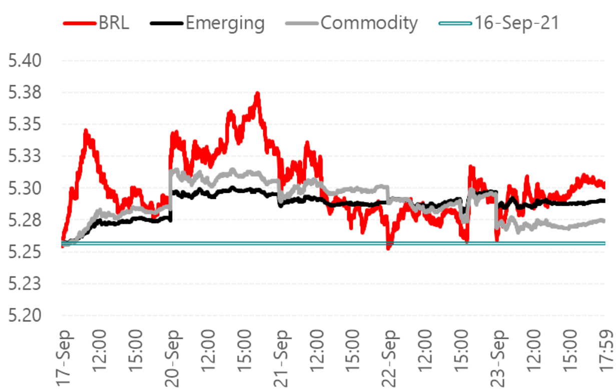
LOCAL MARKETS—FX

The BRL closed the rolling week ended September 30 at USD/BRL5.44, posting a loss of 2.6% and marking the third worst performance in a basket of 31 of the most liquid currencies in the world. The Brazilian currency continues to be largely impacted by adverse global market conditions in recent weeks, with the underperformance mirroring the BRL's high-beta pattern, which is additionally fed by lingering uncertainties about the fiscal outlook. In recent days, the risk (for now, likely in the tail) of disruptive outcomes for the negotiations regarding the increase in the U.S. debt ceiling and the lower expectations about the size of the U.S. fiscal packages seem to be souring market sentiment abroad. And this takes place amid an increased probability for a more pronounced slowing of economic activity in China, with looming risks from the Delta variant, energy shortages and a cooling real-estate market. The domestic context fails to provide relief, amid continued pressures for further fiscal policy stimulus, feeding market perceptions of risks for the efficacy and credibility of the constitutional spending cap in the coming years. The BCB's interventions (selling FX swaps to the market) had a limited effect in the market, as the authority continues to act exclusively to correct (situations perceived as) market dysfunctionalities. Last Friday (September 24) the authority announced a program with auctions that could amount to nearly US$18 billion, with a view to cover the estimated (one-off) demand by financial institutions by year-end, as the latter seek to comply with regulatory/tax changes in the FX legislation (the so-called over hedge problem).

LOCAL MARKETS—Rates

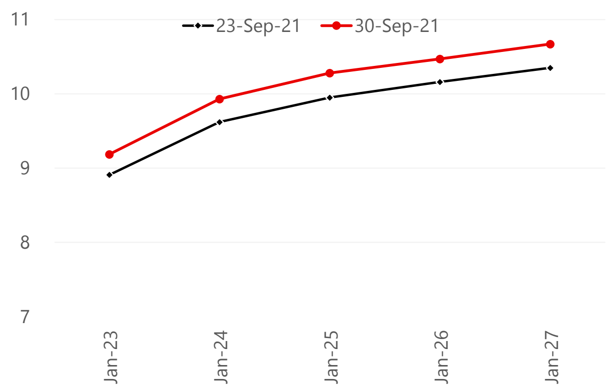
The nominal yield curve saw payback from the rally seen in the last two weeks and largely sold off in a bear-steepening pattern. Since last Thursday (September 23), the front end of the curve (Jan-23 DI future) rose 25 bps to 9.16%, while the back end of the curve (Jan-27 future) rose 28 bps to 10.63%. As a result, the curve's steepness in this segment rose 3 bps to 147 bps. Both the Copom minutes and the 3Q21 Inflation Report reinforced the view that the pace of Selic hikes should not accelerate from 100 bps, but that the 8.5% terminal Selic used in the BCB models' simulations seem to be a lower bound for the terminal Selic rate, given the still unfavorable inflation outlook and balance of risks (see more in the Monetary Policy section) which could have driven the front end higher. At the back end, the souring appetite for risky assets and, in particular, the sell-off in U.S. Treasuries yields, amid local perception of uncertainty about the fiscal consolidation process, created a perfect cocktail for some re-building of premium.

Figure 2.A. – USD/BRL Intraday Trends



Sources: Bloomberg, Santander.
Note1: As of the close Thursday, September 30, 2021.
Note2: For other currencies, we use USDBRL values as a base-index

Figure 2.B. – Brazilian Domestic Yield Curve (% p.a.)



Sources: Bloomberg, Santander.
Note: As of the close Thursday, September 30, 2021.

COVID-19 MONITORING

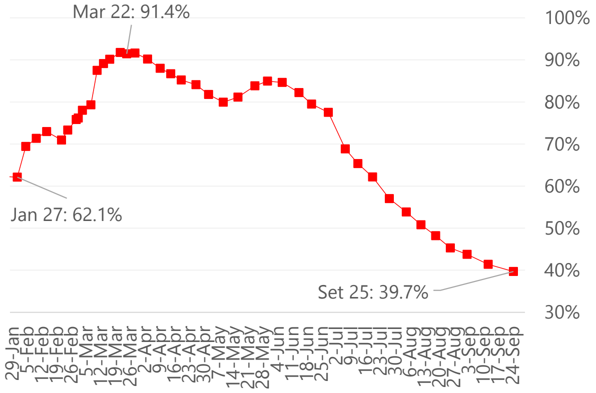
Brazil's daily vaccination rate has decreased slightly to an average of 1.4 million doses, as of Wednesday (September 29). We expect the average pace to hold up close to that number throughout 2H21, as vaccine inventories remain high and deliveries are expected to remain above the levels of vaccine administration.

With nearly 42% of the population now fully immunized, infections and deaths apparently remain at tamer levels. Based on the last available data (September 25), our proxy[2] for a nationwide average ICU occupancy rate is down at ~40%, the lowest level in our series (begun in January). That number compares to a previous peak of 92% (late March). Data from Brazil's Health Ministry showed that the 7-day average of infections stood at ~16k as of Thursday (September 30), down 53% from last week (owing to the backlog of cases) and up 8% from two weeks before. As for casualties, the 7-day average stood at ~543, up 2% from a week ago but down 8% compared to two weeks ago.

Urban mobility shows a recovery and is virtually back to the pre-pandemic levels. September's data so far indicates a virtual return of urban mobility to pre-pandemic readings, with our lockdown index now moving to 0.1 point (as of September 24, 2021) from 0.5 point (as of September 17, 2011). This recent recovery stems mainly from a solid increase of mobility in the Transit Station segment, with Retail and Parks segments still showing some idleness regarding the pre-crisis mark. The workplaces segment still shows high levels of mobility and has been running above the pre-pandemic mark since June. We expect the index to consistently stand at "normal" levels ahead, as vaccinations advance.

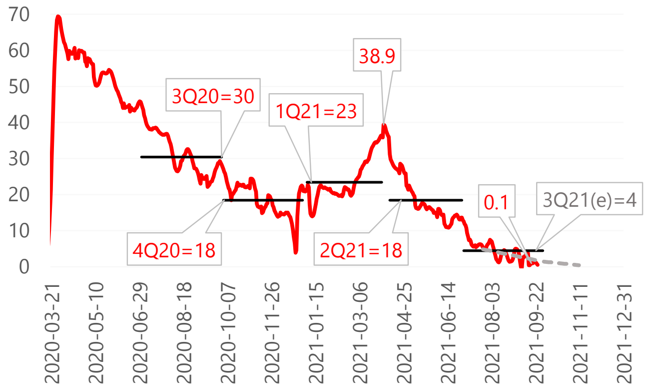
Our daily activity index seems to have gained momentum in September. The index—based on daily data on energy consumption, car sales, and mobility—seems to have started 3Q21 at a slower pace, with a 0.8% drop in July, but August's figure showed a solid 1.7% expansion, more than offsetting the previous month's fall. Considering the average so far in September (up to the 24th), we calculate a strong 3.6% expansion, fully offsetting March's losses and placing the index 0.7% above February 2021 levels (i.e., before the pandemic's resurgence seen earlier this year).

Figure 3.A. – Our Proxy for a Nationwide ICU Occupancy Rate (%)



Sources: @coronavirusbra1, Santander.

Figure 3.B. – Lockdown Index*, Mobility Forecasts (Feb/20=0, 7-day average)



Sources: Google, Santander.

* This index is built as an average of selected segments from Google Mobility Report with inverted scales. Data are available until September 24, 2021.

[2] The nationwide average proxy is a weighted average (by state population) of state ICU occupancy rates. Hence, it is does not reflect the actual national occupancy rate = Total beds occupied in Brazil / Total beds available in Brazil.

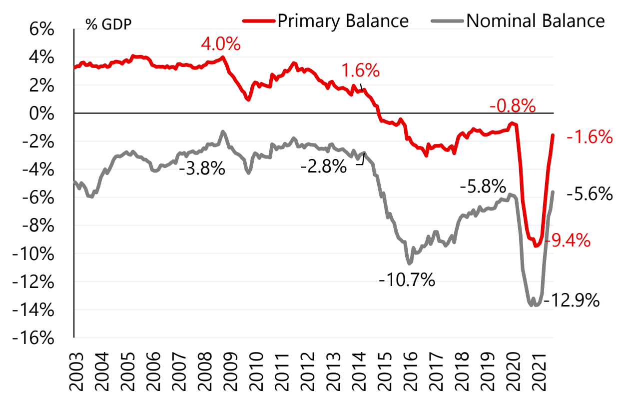
FISCAL POLICY AND LEGISLATION

In August, the public sector posted a surprising primary surplus, driven by higher regional government result, with one-off resources from a public water company concession in Rio de Janeiro that occurred in April. According to BCB data published on September 29, the public sector posted a primary surplus of BRL16.7 billion in August, beating our forecast (-BRL2.0 billion) and the market's median estimate (-BRL7.0 billion). The main surprise was regional governments' primary surplus of +BRL27.3 billion, compared to our estimate of +BRL7.5 billion. This difference is related to the revenue estimate of a public water company concession in Rio de Janeiro state (BRL15 billion) that occurred in April: we had expected a payment in installments throughout the year. In YTD terms, the surplus reached BRL1.2 billion (0.02% of GDP) in August, compared to BRL571 billion (11.8% of GDP) in 2020. Surplus of regional governments continues to register positive primary results, reaching an all-time high in real terms. In August, we witnessed a rise in the interest account, which reached BRL46.5 billion, compared to BRL34.3 billion in 2020. The result was affected by higher inflation and Selic rate, leading to a rise in the cost of debt. In 12-months, the nominal deficit reached 5.6% of GDP in August, compared to 6.8% of GDP in July. Debt indicators reduced marginally. Gross debt reached 82.7% of GDP in August, a drop of 0.4 pp from the July reading—on the heels of the increase in nominal GDP (-1.0pp of impact). For the coming months, we continue to expect a sequence of primary deficits, the consolidated public sector deficit should likely reach BRL110 billion in 2021 (1.3% of GDP)—with a positive bias due to regional government results and higher oil prices. See details in the link[3].

According to National Treasury data published on September 28, the central government registered a deficit of BRL9.9 billion in August, in line with our forecast (BRL9.7 billion) and lower than the market median (BRL14.0 billion). August's result was the best for the month since 2015, "helped" by higher dividends payments (BRL6.5 billion) from an oil company. In the 12-month reading, the deficit reached BRL236.2 billion, or 2.7% of GDP, reducing from BRL328.8 billion or 3.8% of GDP registered in July. For 2021, we estimate a federal primary deficit of ~BRL150 billion (1.7% of GDP)

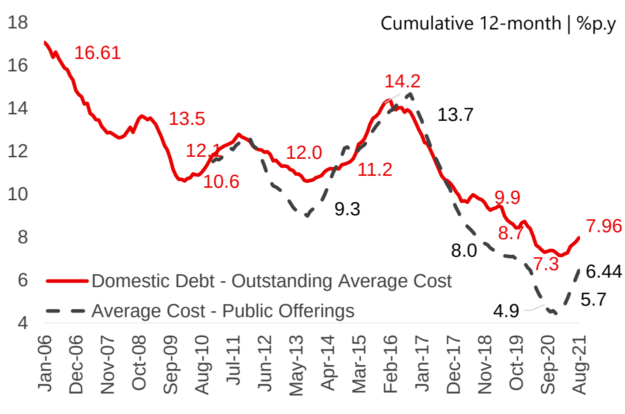
With respect to debt management, August was marked by caution in new issuances and debt cost rose with Inflation and Selic increase. On September 27, the National Treasury published the Monthly Debt Report for August. Debt issuances registered a sharp decline (BRL72.0 billion), less than the half of the last 12 months average (BRL155.9 billion). Weekly bond issuances reduced to BRL34.9 bn until August (from BRL37.1 billion until July), yet above to a required financial need until the end of the year of BRL28.8 billion per week. At BRL 1.227 trillion, the debt cushion rose BRL67.3 billion, enough for more than 11 months of debt maturities. The debt cost continued to rise, affected by higher inflation and policy interest rate. The domestic average debt cost stock accumulated in 12-months rose to 7.96% (from 7.78% in Jul-21). The debt maturing totaled BRL518 billion until December—most of which will come in October (BRL267 billion). For September, the Treasury began to observe a gradual return in the demand for fixed rate and inflation-linked bonds. For details on Santander's Fiscal outlook, please refer to our last chartbook. See details in the link[4].

Figure 4.A. – Public Sector Fiscal Result



Sources: Brazilian Central Bank, Santander.

Figure 4.B. – Public Debt Average Cost



Sources: National Treasury, Santander.

[3] **Santander Brazil Fiscal - *"A Surprising Primary Surplus in August"* –** September 29, 2021 - Available on: https://bit.ly/Std-Fiscal-092921
[4] **Santander Brazil Fiscal - *"Chartbook – Inflation Effects - Two Sides of the Same Coin"* –** September 27, 2021 - Available on: https://bit.ly/Std-chart-fiscal-Sep21

MONETARY POLICY

In a couple of opportunities this week, the BCB reaffirmed its strategy to implement a monetary tightening that takes the policy rate to a "significantly restrictive" level.

The BCB published the minutes of its September 21-22 COPOM policy meeting, when the authority again raised the Selic rate by 100 bps to 6.25%. Our impression is that the BCB kept a moderately hawkish tone, in line with the statement. The BCB reaffirms some comfort with the current speed of hikes (100 bps per meeting) and confirmed (our impression following the communiqué) that the adjusting variable for the cycle is likely the budget of total hikes, as the BCB remains focused on inflation (expectations and forecasts) for 2022, while increasingly eyeing inflation forecasts for 2023. The authority believes this strategy (i.e., keeping the speed and changing the budget) helps the BCB buy time to watch how the economy (and the inflation outlook) will evolve amid considerable uncertainty.

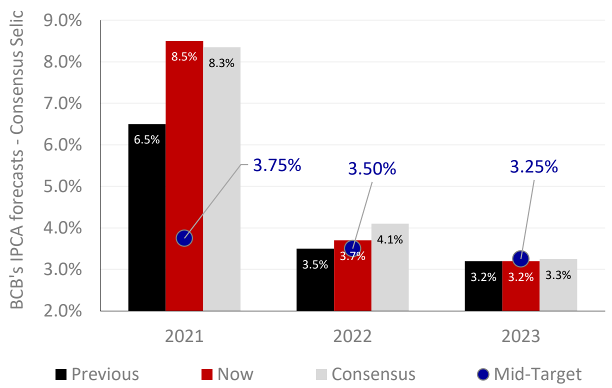
In the minutes, the BCB also reaffirmed a constructive outlook for activity in 2H21 and 2022, as the BCB is continuing to see positive contributions from economic normalization (following continued progress in the vaccination rollout), the reopening of services and the less cyclical commodity-related segments. See details in the link[5].

The BCB has also published the 3Q21 inflation report, disclosing further information on the authority's macroeconomic analyses, inflation forecasts and policy discussions. In our view, the BCB took the opportunity to explain points of divergence vis-à-vis market analyses and estimates, as well as its recent position on policy actions, the consequences, and the impact of recent shocks that dramatically altered current inflation conditions and the outlook.

The BCB sees most of this year's inflation surprise largely associated with energy price shocks and believes an eventual persistence in inflation of industrial consumer goods will hinge more on the future evolution of costs and shocks, rather than on the lagged CPI pass through of a repressed upstream inflation. The BCB also sees well-anchored inflation expectations for the long run and a small deviation for the shorter policy horizon. See details in the link[6].

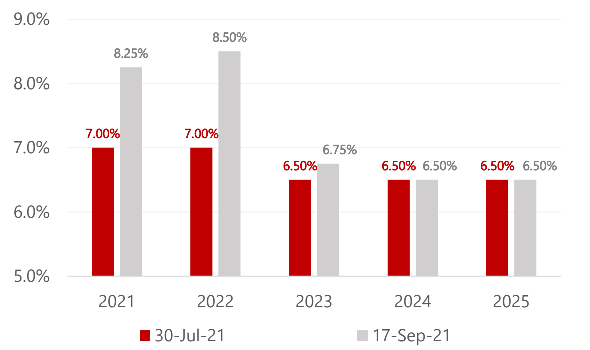
Given the inflation simulations and the upwardly tilted balance of risks, we continue to believe the current BCB flight plan includes a terminal Selic rate at 9.00% or slightly above, likely to be reached in February 2022. That said, we see clear upside risk to our terminal rate forecast (8.5% as per our last scenario review, published on September 16, 2021).

Figure 5.A. – BCB's Inflation Simulations



Sources: Brazilian Central Bank, Santander.
Note: BCB simulations assume Selic rate from the Focus survey and USD/BRL starting at 5.25 and evolving according to purchase power parity

Figure 5.B. – Median Selic Rate Forecasts (Annually)



Sources: Brazilian Central Bank, Santander.
Note: Based on BCB's weekly Focus survey with professional forecasters (refer to https://www.bcb.gov.br/en/publications/focusmarketreadout).

[5] **Santander Brazil Monetary Policy - *"Copom Minutes: Going Farther, Not Necessarily Faster"* –** September 28, 2021 – Available on: https://bit.ly/Std-Copom-min-set21
[6] **Santander Brazil Monetary Policy - *"Inflation Report: Hindsight and Outlook"* –** September 30, 2021 - Available on: https://bit.ly/Std-InflaReport-3Q21

CREDIT

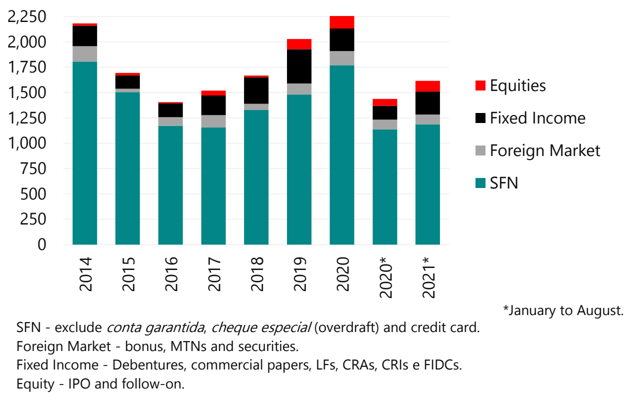
Total outstanding loans in the National Financial System (SFN) posted inflation-adjusted growth of 5.6% YoY in August to BRL4.3 trillion (+0.8% MoM-sa), up 8.3% YoY for households (+1.1% MoM-sa) and up 2.3% YoY for non-financial corporations (0.3% MoM-sa). The growth rate of total outstanding loans declined from 16.2% to 15.9%. In addition, credit to corporations fell to 12.2% from 13.6%, while the volume of credit for households continued to accelerate, rising to 18.8% from 18.2%.

New loans adjusted for inflation and seasonality (BCB methodology) recorded the first decrease of the year, -3.0% in August. For households, the non-earmarked segment posted an increase of 0.4% MoM-sa. This result is mainly composed of credit card purchases and purchases of other goods. In the earmarked segment, credit financed by BNDES funds stood out (+184.1%). For companies, there was an increase of 0.9% MoM-sa in August in the non-earmarked segment. The earmarked segment registered a significant decrease of 52.0% MoM-sa after the strong number last month, when BRL17 billion was provided to companies from the Pronampe program (for 2021, BRL25 billion in credit is expected).

Considering total corporate financing YTD through August 2021 (new loans in the SFN, debt and equity issues in the capital markets) vs. the year-ago period, issuances in the capital markets were 62.18% higher, while SFN concessions were up 4.66%. **As a result, total corporate financing was up 13.91% compared to the year-ago period.**

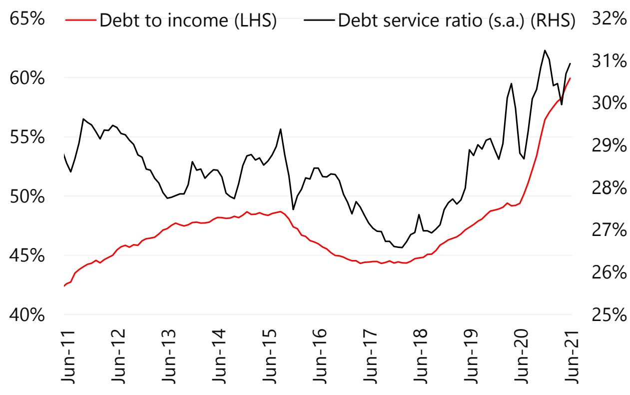
Still regarding non-earmarked loans, the seasonally adjusted default rate (% of 90-day past-due loans) was stable at 4.2% and 1.6%, respectively, for households and corporations. **Importantly, the household debt-service ratio continued to rise, reaching 59.9% in June, with real estate financing and payroll loans accounting for most of the increase. In addition, the debt-to-income ratio rose to 30.9% in June, which we see as a risk for delinquencies as the economy recovers.** For more details on Santander's credit outlook, please refer to our last chartbook[7]

Figure 6.A. – Total Corporate Financing (BRL billion, Inflation Adjusted)



Sources: Brazilian Central Bank, Anbima, Santander.

Figure 6.B. – Household Debt-to-Income and Debt Service Ratio (%)



Source: Brazilian Central Bank, Santander.

[7] **Santander Brazil Credit – *"Chartbook - Eyeing a Higher Consumer Indebtedness"* –** September 24, 2021 – Available on: https://bit.ly/Std-chart-credit-set21

ECONOMIC ACTIVITY

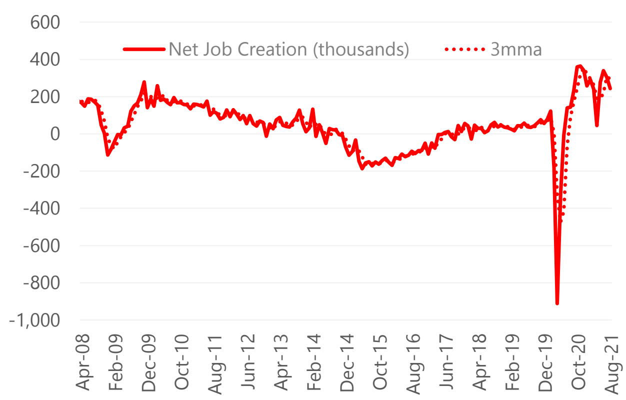
According to August CAGED survey, net formal job creation stood at +372.3k. The result was above both market consensus and our estimate (+300k and +340k, respectively). We estimate that the seasonally adjusted figure decelerated to +243.3k in August, from +304.0k in July. In our view, the CAGED survey continued to show robust job creation, due to the maintenance of high urban mobility. Since April, a new round of the government's job-supporting program (BEm) has limited layoffs, in our view, and also helped boost net job creation. However, we believe that the end of the program on August 26 has already led to fewer new working hours and salary reduction agreements, which contributed to more layoffs.

According to the IBGE's National Household Survey (PNAD), the unemployment rate stood at 13.7% in the three months to July. This result was slightly below both our estimate and market consensus (13.8% and 13.9%, respectively). We calculate that the seasonally adjusted jobless rate stood at 13.4%, a decrease compared to the June level (13.8%), following increases of 1.4% MoM sa and 1.0% MoM sa in the employed population and the labor force, respectively. Formal employment posted a 1.6% MoM sa growth, as we believe that the IBGE's efforts in July to increase the survey's response rate could have affected this result and reduced the underestimation for this class of workers since the pandemic's outset. The usual real wage bill had a 0.3% MoM sa increase in July, but remained 5.9% below the pre-crisis mark. The current batch of labor market data indicates additional improvement, especially for some sectors that are more dependent on social interaction. We expect the maintenance of the current vaccine rollout pace and high urban mobility to be crucial for the labor force and employment recovery in coming months. See details in the link[8].

According to FGV, economic confidence widespread retreated in September. Industrial confidence fell 0.6% MoM-sa, the second decline in a row but with the index still recording a 2.1% QoQ-sa gain (2Q21: -2.5%). Moreover, the index still stands almost 5.0% above the pre-crisis mark (February-2020). The survey details indicate that the inventory surplus (i.e., percentage of respondents seeing inventories as excessive minus respondents seeing inventories as insufficient) was down again, reaching -2.3 points, the third month in a row with negative figures. In usual cycles, low inventory levels are a tailwind for production growth ahead. This time around, however, amid significant supply hurdles seen worldwide in the wake of the pandemic, low inventories now could mean that the local industry is having a hard time overcoming high costs and widespread input shortages. Regarding the tertiary sector, services confidence was down by 2.0%, while retail confidence sharply retreated 6.7%. Despite the sequential retreats, both indexes ended 3Q21 with quarterly expansion (up by 11.8% and 8.1%, respectively).

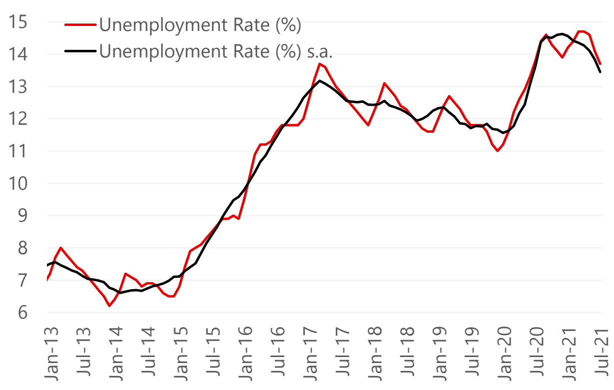
Next week, another batch of activity data for August is due to be released. On Tuesday (October 5), the IBGE will release the August industrial production, for which we expect stability (0% MoM-sa). Moreover, on Wednesday (October 6), the IBGE will also release the broad retail sales, for which we expect a monthly retreat of 0.9% MoM-sa. For details on Santander's activity outlook, please refer to our last chartbook[9].

Figure 7.A. – Net Formal Job Creation (sa)



Sources: Ministry of Labor, Santander.

Figure 7.B. – Unemployment Rate



Sources: IBGE, Santander.

[8] **Santander Brazil Labor Market - *"Keeping the Recovery Pace"* –** September 30, 2021 - Available on: https://bit.ly/Std-labor-093021
[9] **Santander Brazil Economic Activity - *"Chartbook – Downgrading the Estimate for 2022"* –** September 20, 2021 – Available on: https://bit.ly/Std-chart-econact-set21

INFLATION

We expect September's IPCA (due on Friday, October 8) to rise 1.30% MoM, which would be an acceleration in annual terms to +10.4% YoY (from +9.7% YoY in August). Our forecast implies a fresh new multi-year high in YoY terms, with the trend pace accelerating to 12.3% 3MMA-saar (from 11.1%).

Worth noticing, we estimate this reading to be the YoY peak of inflation, very close to the 10.7% high of December, 2015. The peak should be driven mostly by a base-effect: the very high monthly readings from 4Q20 will start to leave the 12-months sample, giving space for lower readings from now on.

The cooling down at the margin (MoM), on the other hand, should not be a major one, as we expect the 3MMA-saar measure to reach 5% in December and then remain relatively stable at this high level until at least mid-2022. As a result, although we welcome the peak of IPCA YoY inflation, we are still cautious about the inflation outlook, as we see inertia as a risk for the pace of deceleration after the peaking.

Compared to the August IPCA (+0.87% MoM), September data should pick up, mainly driven by regulated prices (+2.09% MoM), as the impact of the Red 2 "Hydro Scarcity" flag increase to electrical energy costs should reach its maximum. Services is another group that should accelerate, going to 0.71% MoM, pushed by the highly volatile item of airline tickets (+28.8% MoM). Headline services should reach 7.9% 3MMA-saar (from 6.9% in August), with core services reaching 7.3% 3MMA-saar (from 7.1% in August). Industrial goods should continue to rise at roughly the same pace of 1.07% MoM, which might maintain the trend which is hovering at the high level of 11.6% 3MMA-saar, but the core industrial goods could decelerate a bit, going to 8.5% 3MMA-saar (from 9.4%). Food-at-home should also rise at basically the same pace of August, at 1.62% MoM, leaving the trend stable at 18% 3MMA-saar.

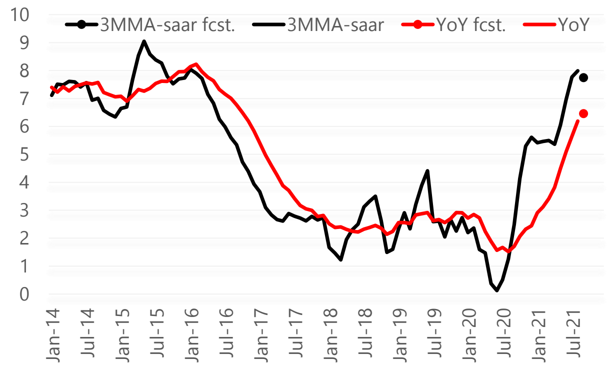
Finally, in terms of broad underlying inflation measures, we estimate the EX3 core will rise around +0.61% MoM, which would represent a small deceleration to a still hefty level of 7.7% 3MMA-saar (from 8.0%). This will be the twelfth month the EX3 core has run above the BCB's mid-target in 3MMA-saar terms (headline CPI target is 3.75% for 2021 and 3.50% for 2022). As we have been tirelessly repeating after each IPCA report, we see this as another unfavorable CPI reading.

Figure 8.A. – IPCA: Forecast Details (%)

	MoM		YoY	
	Sep-21	Contrib.	Aug-21	Sep-22
IPCA	1.30	1.30	9.7	10.4
Administered	2.09	0.56	13.7	15.9
Free	1.01	0.74	8.3	8.5
Food-at-home	1.62	0.24	16.6	15.1
Industrial goods	1.07	0.25	10.1	10.7
Services	0.71	0.25	3.9	4.5
EX3 Core	0.61	0.61	6.2	6.5

Sources: Brazilian Central Bank, Santander.

Figure 8.B. – Core Inflation Forecast (EX3 %)



Sources: Brazilian Central Bank, Santander.

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