

### Brazil Macro Compass

## Not Much Job Creation Ahead of the International Workers' Day Holiday

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### What's New: Flat Unemployment Rate in March

March unemployment rate (after seasonal adjustments) stayed flat, at 12.4%, slightly above our forecast (12.3%) and mainly due to slower employment growth (up only 1.8% y/y, whereas the total labor force grew 1.1% in the same period). We recently revised our year-end unemployment rate forecast to 11.4% (from 10.8%), which we believe should allow for a longer period of loose monetary policy (see our April 12, 2018 report, *Lower for Longer: We Expect 2019 Year-End Selic at 7.5%*).

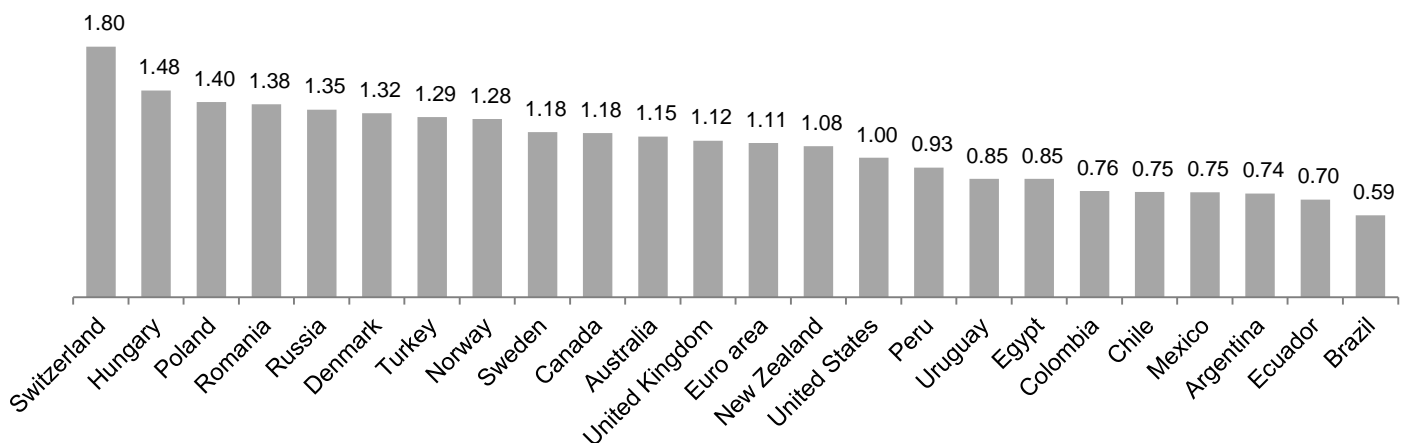
### Upcoming Data: April Inflation, March Industrial Production

IBGE releases its monthly industrial production survey this coming Thursday. We forecast 3% y/y growth (0.6% m/m), which would bring 1Q18 growth to only 0.3% (versus 1.6% in 4Q17). For more on the economic activity slowdown, see our April 13 *Brazil Macro Compass*.

### Chart of the Week: Stickernomics – Soccer Sticker Prices Around the World

In *Stickernomics – What Do the Prices of Soccer Stickers Around the World Tell Us About Exchange Rates?* (April 24, 2018), we emulate the methodology of the famous Big Mac Index, replacing hamburgers with soccer stickers as a yardstick to test the “law of one price”. As in the case of Big Macs, there are large divergences among sticker prices among countries — from USD1.80 a packet in Switzerland to USD0.59 in Brazil, the cheapest country for soccer aficionados.

#### Price in USD of a Packet with 5 Soccer Stickers



Sources: Panini, *LatinAmerican Post*, Santander.

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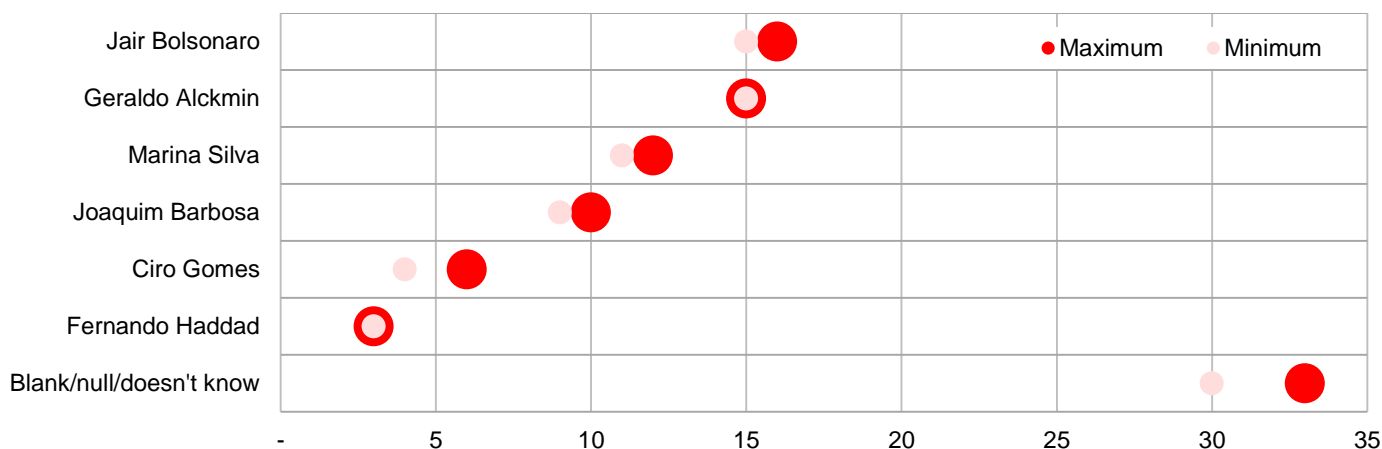
## Political Agenda: Gridlock Persists in the Lower House

Once again the Lower House failed in putting to a vote the *Cadastro Positivo* (credit bureau) bill, perhaps signaling that the government could not build a majority, with parties from the left and the center opposing the proposal. The discussion will not continue until the week of May 7, as next week's Labor Day holiday (Tuesday) is likely to empty Brasília.

In an interview with *Estadão* (April 27, 2018), PDT's pre-candidate to the presidency, **Ciro Gomes**, said that he wants a businessman from the Southeast as his vice-president, suggesting in the interview that he already invited Josué Gomes da Silva to be his running mate ("I already told him: if he wants, it's his [the nomination]"). Regarding a possible alliance with PT, he said that it is "possible, even desirable, but highly unlikely". According to the latest Datafolha poll (released on April 15), **Ciro** has around 9% vote intention (see the April 20 edition of this report for further details on that poll).

Ibope released a new poll on Tuesday, assessing voter intention for president, governor, and senator only in the state of **São Paulo**, the largest in Brazil, concentrating more than 22% of total voters. Results for the presidential election are summarized in the chart below. The larger share of electors intends to vote blank or null (at least 25% in the scenarios below), with 4-5% of electors still undecided.

Vote Intention (% of Total Votes) in São Paulo State, Minimum and Maximum in Several Different Scenarios



Considers scenarios assuming Fernando Haddad as PT's candidate. Sources: Ibope, Santander.

In the poll on the state governorship, **PSDB's João Doria** leads with 24% vote intention, followed by MDB's Paulo Skaf (19%), PT's Luiz Marinho (4%), and PSB's Márcio França (3%), the sitting governor (replaced Geraldo Alckmin, who stepped down this month to run for the presidency).

### Number of the Week

# 141,000

According to the Ministry of Labor, an excess of 141,000 formal jobs was created in Brazil during the 12 months until last March, the most for similar periods since December 2014. We estimate that net formal job creation needs to exceed 400,000 until year-end for the unemployment rate to keep falling from the current level.

### Quote of the Week

*Young and debt-burdened people have never been happy, and nothing increases more the debts of the State than expenditures without proportion to the nation's economic resources.*

— **Marshal Floriano Peixoto**, Brazil's second president, in a speech right after he took power, in 1891. Quoted in the superb *História da Riqueza no Brasil*, by Jorge Caldeira.



## What We've Been Reading

- *IMF Fiscal Monitor: Capitalizing on Good Times, April 2018*. IMF estimates that implicit liabilities linked to aging would add 240% of GDP to Brazil's general government debt (estimated at 84% of GDP), more than any other emerging country except Kuwait.
- "As Tensions Mount, Brazil Hedges Its Bets on Russia and the West," by Oliver Stuenkel (*Americas Quarterly*). President Temer has been keeping the same friendly stance of his leftist predecessors towards other BRICS countries.
- "Black and white and read all over: the best books on finance and economics," by Philip Coggan (*The Economist*). A nice farewell list from the Buttonwood columnist.
- "Map of the day: how many Switzerlands fit in Brazil," by Rafael Pereira (*Urban Demographics*). Quite a few.
- *Paninomania: sticker rarity and cost-effective strategy*, by Sylvain Sardy and Yvan Velenik (Swiss Statistical Society Bulletin). A great quantitative companion (from 2010) to our *Stickernomics* (see the "Chart of the Week").
- "Meet the David Bowie of Brazil: the Wild, Weird Glam Tropicália Hybrid of Secos e Molhados," by Richard Metzger (*Dangerous Minds*). Secos e Molhados lead singer, Ney Matogrosso, now 76, keeps rocking.

## Recent Publications (Available on Our Website)

- *Stickernomics – What Do the Prices of Soccer Stickers Around the World Tell Us About Exchange Rates* (April 24, 2018)
- *Lower for Longer: We Expect 2019 Year-End Selic at 7.5%* (April 12, 2018)
- *Falling Interest Rates Leading to BRL Weakness* (March 28, 2018)
- *NPLs Improving More Than Meets the Eye* (March 26, 2018)
- *TJLP: Less Discretion, More Volatility?* (March 19, 2018)



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