

Brazil Watch

Economic activity index: starting the year on a positive note

Announced: Monday, 18 March, 8:00 am ET
 Actual: 0.60% momsa
 Previous: 0.82% momsa
 Consensus: 0.60% momsa
 BofA: 0.30% momsa

Economic activity rose in January

Economic Activity (IBC-Br Index) increased 0.60% in January, after 0.82% momsa in December, according to the Brazilian Central Bank (BCB). The number was in line with market consensus, though above our forecast of 0.3% moms. In yoy terms, IBC-Br increased by 3.5% yoy, accelerating from 1.3% yoy in the previous month. With this read, the 1Q24 started on a positive note for activity. The IBC-Br statistical carry-over for 2024 is at 1.30%.

Activity data supported by retail and services

The rise happened in line with upward surprises in retail and services fronts. In January, retail sales registered an increase of 2.5% momsa (vs 0.2% expected by the market), while services volume increased 0.7% momsa (vs. -0.4% expected). On the other hand, industrial production contracted by 1.6% momsa, in line with expectations.

Although confidence indicators brought mixed signals in January, three out of the five indicators we follow registered an increase. Looking ahead, sentiment seems more negative, as only one of them improved at the margin in February. Consumer confidence continued to move down, as high interest rates and elevated indebtedness are pressuring households balance sheet. Regarding the four business confidence indicators we follow, on average the current situation index improved, while economic expectations drove overall confidence down.

Reinforcing our 2.2% growth forecast

As 2023 GDP growth virtually matched our forecast, we maintain our growth forecast of 2.2% this year, once again above consensus. Interest rate reduction and better credit market conditions, amid a still resilient labor market should prompt private consumption this year. Municipal elections also have a role in government consumption every four years. Investments should register growth in the back of easier monetary policy. All in, we expect a different composition of GDP growth this year: driven up mostly by domestic demand, in oppose to large net exports results seen last year.

18 March 2024

GEM Economics
 LatAm | Brazil

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