

# Economic Activity Index

19 February 2024

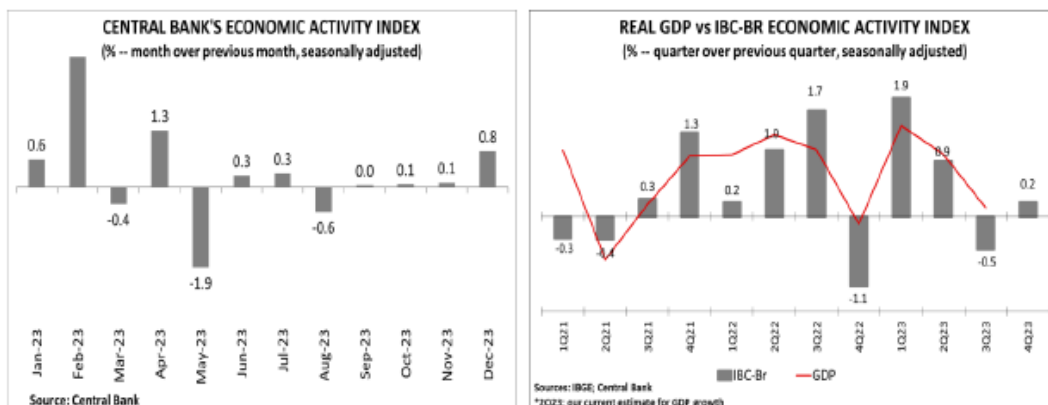
## Upward bias for the 4Q23 GDP

### What happened

In December, the IBC-BR (economic activity index) grew 0.82% versus the previous month, seasonally adjusted, coming better than our call (+0.5%) and in line with the median of market expectation (+0.82%). The performance in the previous months since August were revised upwards.

Such growth was influenced by the sectoral indicators: industrial production (+1.1%) and services activities (+0.3%), whereas broad retail sales showed contraction of 1.1%.

In the 4Q23, IBC-BR showed a mild growth of 0.22%. And in the full 2023, IBC-BR posted +2.45%



### Our expectation

The better-than-expected performance of IBC-BR poses an upward bias in our call for the 4<sup>th</sup> quarter GDP from -0.2% to +0.2%. Such change leads to a slight upward revision for the full 2023 GDP that might accumulate 3.1% rather than our current call of 3.0%.

For this year, we see conditions for an average quarterly growth between 0.6% to 0.8% in the wake of a more sustained demand pushed by further improvement on labor market, lower inflation (IPCA at 3.5%) and mainly the reduction of Selic policy rate ending up this year at 9% paving the way for gradual reduction of loan rates. Specifically for the 1<sup>st</sup> quarter, the court ordered payments might increase consumption somewhat.

However, GDP growth for the full 2024 might be way lower than last year. We expect +1.8% once the GDP growth during this year depends on the quarterly growth, with no statistical contribution from last year.

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