

Macro Research

**Monthly Scenario Review - Global
December 2024**

Global outlook: US growth remains strong, limiting the room for monetary easing

1. US: Economic activity remains resilient, leading to even fewer rate cuts by the Fed

- Our forecast for GDP growth in 2025 was revised to 2.5% from 2.2%; we also see 2.5% growth in 2026.
- We anticipate two 25-bp cuts in the Fed's benchmark rate – in December and March – to a terminal level of 4.00-4.25%.
- The agenda of the new Trump administration should lead to increased tariffs, a widening public deficit, and restrictions on illegal immigration.

2. China: Renewed promises of additional stimulus, but policy stance will remain more reactive than proactive

- We forecast 4.0% GDP growth in both 2025 and 2026, along with a weaker exchange rate (CNY 7.40) in this horizon.
- Long-term challenges endure, while more intense short-term stimulus must await the impacts of a new round of tariffs.

3. Europe: Low growth amid greater political and global uncertainty

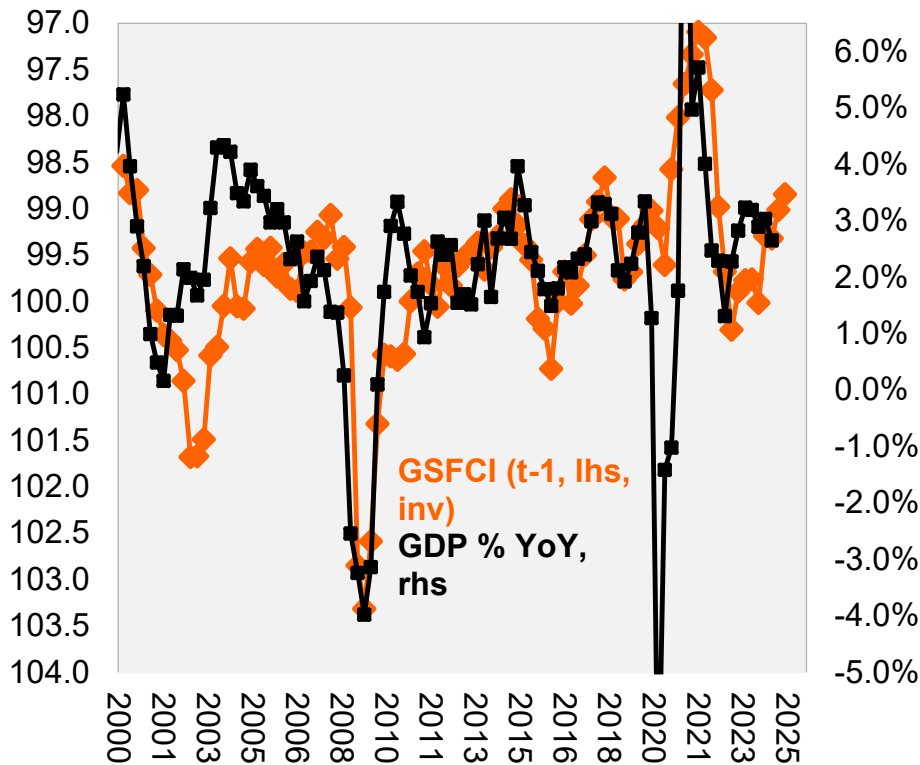
- ECB signals a more expansionary stance and should reduce interest rates to a terminal level of 2.0%.
- Elections in Germany could lead to a less restrictive fiscal policy; voting in France should not reverse the political turmoil.
- We expect the EUR to depreciate further (\$1.03 vs. \$1.05 previously) and see risk of below-parity levels.

1. US: No signs of weakening

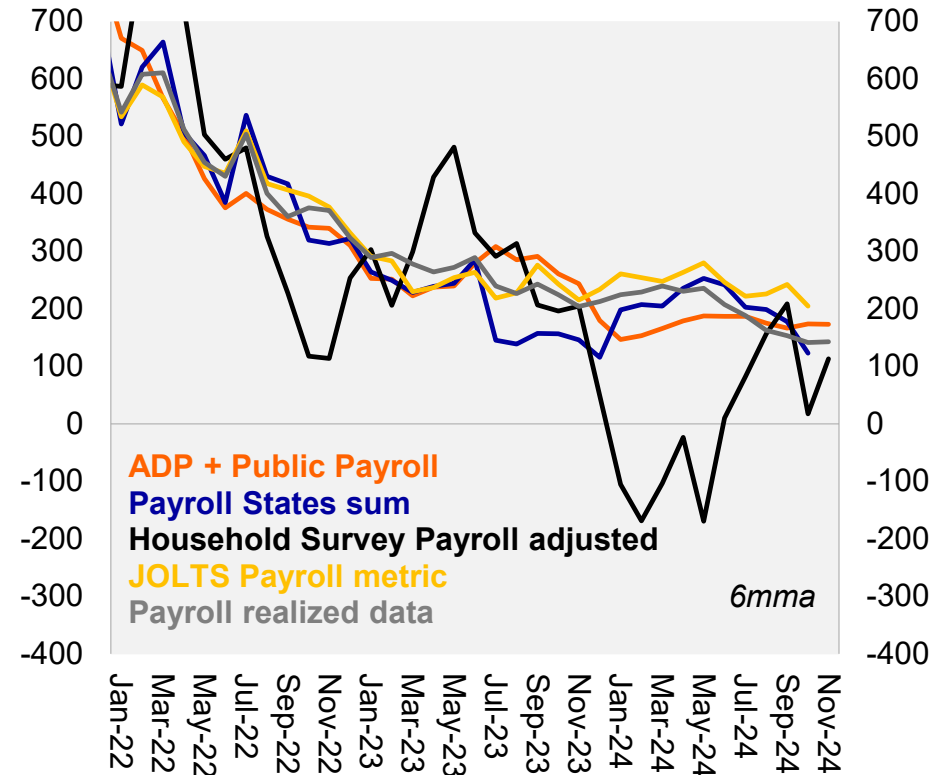
Our forecast for GDP growth in 2025 was revised to 2.5% from 2.2%; we also see 2.5% growth in 2026

- A more resilient economy reduced the Fed's easing budget to a total of 125 bps in the cycle, with two rate cuts of 25 bps ahead (December and March).

US: FCI indicates GDP ~3.5%



Resilient job market



1. US: Agenda Trump 2.0

We see partial implementation of tariff hikes, a widening public deficit and restrictions on illegal immigration.

Trump's Agenda 2.0

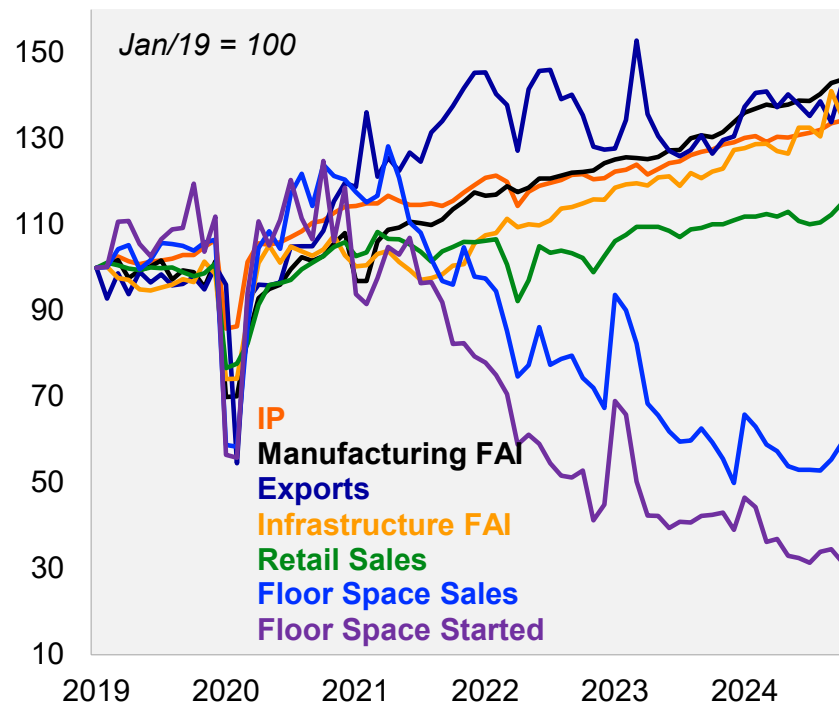
	Promise	Expectation	Impact Incorporated	Implementation	Timing
Tariffs	Aggressive 10% general; 60% increase on China	China: 20pp to 34pp average tariff Europe: 2pp to 22.5pp automobiles Mexico: 100% on Chinese cars No general increase	US: Core CPI +0.5/1.0 ; Mixed GDP Europa: GDP -0.5; China: GDP -1.0;	(i) Executive order, question on whether investigation is required (Sections 301, 302, 232, 201) (ii) IEEPA (extraordinary threat to the US) (iii) Congress	Priority. 1H25
Fiscal	Deficit expansion, with uncertainty over mitigating factors (tariffs and efficiency gains) increases deficit by ~1.5% of GDP and debt by 39 pp in 10 years. Renewal of TCJA, tax cuts (corporate tax, social security, overtime income, tips), increased spending (defense and others) financed by efficiency gains (Doge/Musk), reduced IRA, tariffs, and growth	Increase in deficit by ~1.0% of GDP and debt by 30 pp in 10 years	10Y treasury under pressure at 4.5/5.0%	Congress through simple majority ("reconciliation"), as long as it does not increase the deficit within 10 years.	Major discussion in 2H25, but debt ceiling reached in January, budget sent in February
Immigration	Restriction on illegals and mass deportations	Stable foreign-born population, some deportations	Neutral payroll from 150/200 to <0	Executive order + sublegal	Continuous discussion

2. China: Renewed promises of additional stimulus, but challenges are mounting

Policy stance will remain more reactive than proactive

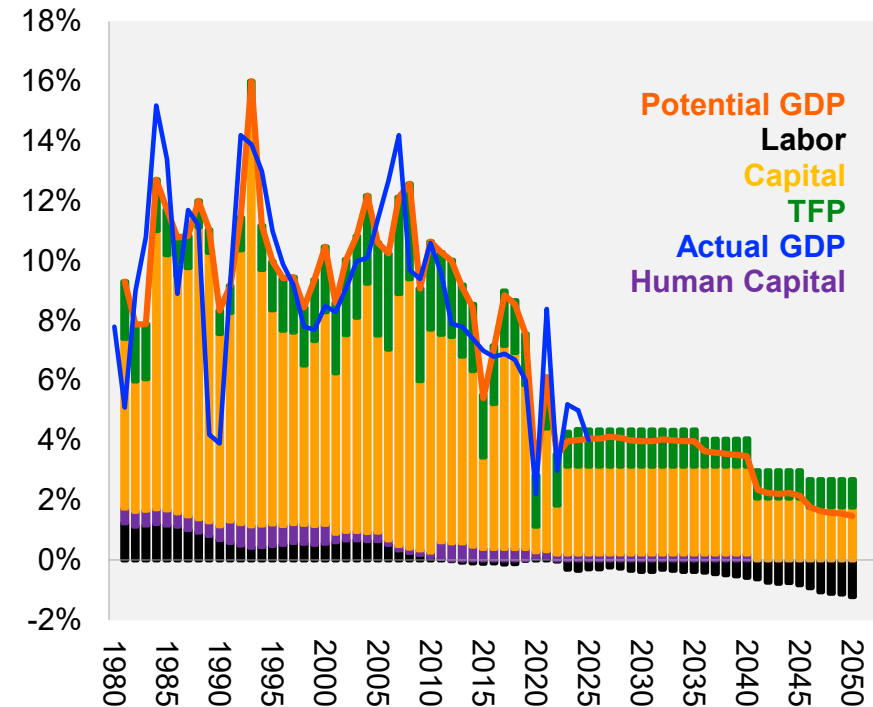
- Authorities continue to reaffirm fiscal and monetary support, while not announcing new concrete measures.
- The 2025 target – to be announced in March – should remain “around 5%” as a way to avoid a sharper slowdown, even with the risk of a negative shock (tariffs).

China: dual-speed economy



Source: Haver and Itau

China: potential GDP trending lower



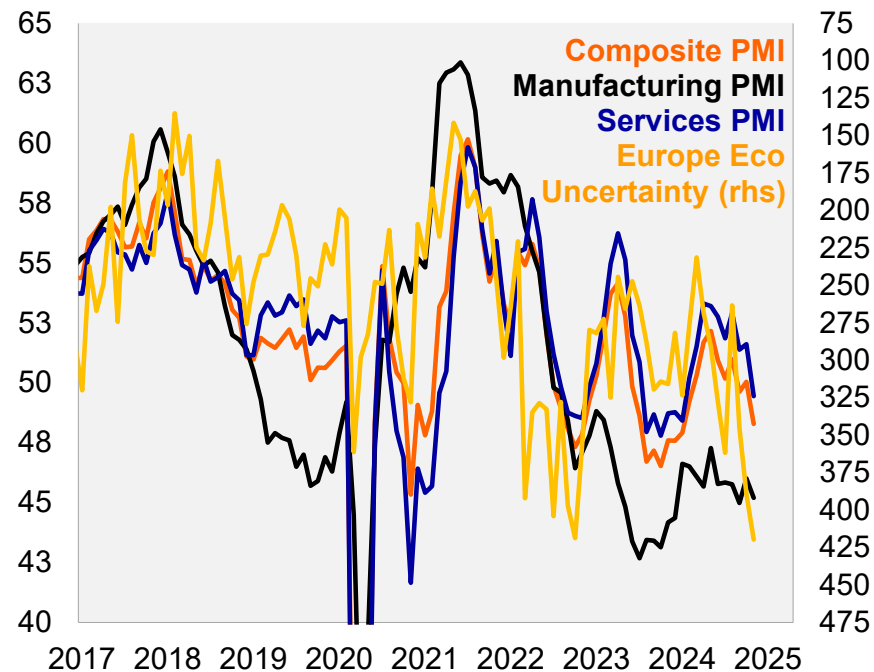
Source: Haver and Itau

3. Europe: Low growth amid greater political and global uncertainty

We expect a weaker EUR (\$1.03 vs. \$1.05 previously) and see risk of below-parity levels

- Elections in Germany on February 23 may lead to flexibilization of the fiscal rule as a way to partially offset the weakness in economic activity and the risk of a new tariff-related shock.
- The ousting of the French Prime Minister suggests difficulties in the minimum path of fiscal convergence in the country, but should not trigger new elections.

Europe: Uncertainties in global and domestic spheres are expected to weigh on activity



	2019	2020	2021	2022	2023	2024F		2025F		2026P
						Current	Previous	Current	Previous	Current
GDP Growth										
World GDP growth - %	2.8	-2.8	6.3	3.5	3.2	3.2	3.2	3.2	3.1	3.2
USA - %	2.6	-2.2	6.1	2.5	2.9	2.8	2.7	2.5	2.2	2.5
Euro Area - %	1.6	-6.2	6.3	3.6	0.4	0.8	0.8	0.8	0.8	1.0
China - %	6.0	2.3	8.4	3.0	5.2	5.0	5.0	4.0	4.0	4.0
Interest rates and currencies										
Fed Funds - %, eop	1.63	0.13	0.13	4.4	5.4	4.4	4.4	4.1	3.9	4.1
U.S. 10 Year Treasury - %, eop	2.00	0.93	1.47	3.88	3.88	4.25	4.25	4.25	4.00	4.25
USD/EUR - eop	1.12	1.22	1.13	1.07	1.10	1.05	1.05	1.03	1.05	1.03
CNY/USD - eop	7.0	6.5	6.4	6.9	7.1	7.3	7.3	7.4	7.4	7.4
DXY Index* - eop	96.4	89.9	95.7	103.5	101.3	106.3	106.4	107.0	105.7	106.4

Source: IMF, Bloomberg and Itaú

* The DXY is a leading benchmark for the international value of the U.S. dollar, measuring its performance against a basket of currencies that includes the euro, yen, pound, Canadian dollar, Swiss franc and Swedish krona.

Compared scenario

World

	2023	2024		2025		2026
		Current	Previous	Current	Previous	Current
GDP (%)	3.2	3.2	3.2	3.2	3.1	3.2

Brazil

	2023	2024		2025		2026
		Current	Previous	Current	Previous	Current
GDP (%)	3.2	3.6	3.2	2.2	1.8	2.0
BRL / USD (eop)	4.86	5.90	5.70	5.70	5.70	5.70
Monetary Policy Rate (eop,%)	11.75	12.25	12.00	15.00	13.50	13.00
IPCA (%)	4.6	4.9	4.8	5.0	5.0	4.3

Argentina

	2023	2024		2025		2026
		Current	Previous	Current	Previous	Current
GDP (%)	-1.6	-3.0	-3.5	4.2	4.0	3.0
ARS / USD (eop)	809	1032	1030	1235	1350	1445
Reference rate (eop,%)	100.0	32.0	30.0	25.0	30.0	20.0
CPI (%)	211.4	120.0	120.0	30.0	35.0	20.0

Colombia

	2023	2024		2025		2026
		Current	Previous	Current	Previous	Current
GDP (%)	0.6	2.0	2.0	2.4	2.4	3.0
COP / USD (eop)	3855	4300	4300	4500	4500	4200
Monetary Policy Rate (eop,%)	13.00	9.25	9.25	6.75	6.50	6.00
CPI (%)	9.3	5.1	5.1	3.7	3.7	3.0

Source: Itau

Latin America and Caribbean

	2023	2024		2025		2026
		Current	Previous	Current	Previous	Current
GDP (%)	2.2	2.3	2.1	2.5	2.4	2.5

Mexico

	2023	2024		2025		2026
		Current	Previous	Current	Previous	Current
GDP (%)	3.2	1.7	1.4	1.5	1.0	1.7
MXN / USD (eop)	16.97	20.0	20.0	21.0	21.0	21.3
Monetary Policy Rate (eop,%)	11.25	9.75	10.00	8.50	9.00	8.00
CPI (%)	4.7	4.3	4.3	3.9	3.9	3.6

Chile

	2023	2024		2025		2026
		Current	Previous	Current	Previous	Current
GDP (%)	0.2	2.2	2.2	1.9	1.9	2.0
CLP / USD (eop)	879	965	940	955	940	930
Monetary Policy Rate (eop,%)	8.25	5.00	5.00	4.50	4.50	4.50
CPI (%)	3.9	4.7	4.7	3.7	3.5	3.0

Peru

	2023	2024		2025		2026
		Current	Previous	Current	Previous	Current
GDP (%)	-0.6	2.9	2.9	2.8	2.8	3.0
PEN / USD (eop)	3.70	3.80	3.80	3.80	3.80	3.80
Monetary Policy Rate (eop,%)	6.75	5.00	5.00	4.50	4.50	4.50
CPI (%)	3.2	2.6	2.6	2.5	2.5	2.5

Commodities

	2019	2020	2021	2022	2023	2024		2025		2026
						Current	Previous	Current	Previous	Current
Brent Oil (USD/bbl)	64	50	75	82	77	75	75	70	70	70
Iron Ore (USD/tonne)	90	153	116	110	135	110	110	85	85	75
Copper (USD/tonne)	7788	7788	9525	8402	8489	9500	9500	9500	9500	9500
Corn (Usd/bu)	383	437	592	656	480	425	450	420	420	400
Soy (Usd/bu)	912	1207	1290	1474	1311	980	980	950	950	900
Wheat (Usd/bu)	540	604	790	757	669	550	530	580	580	600
Sugar (Usd/lb)	13	15	19	20	22	21	21	20	20	19
Coffee (Usd/lb)	130	123	235	166	188	290	260	300	240	210

Source: BBG, Itaú

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