

We expect GDP growth of 1.0% qoq/sa in 2Q24

- ▶ The 2Q24 GDP report will be released on next Tuesday, September 3rd. According to our forecasts, the indicator advanced 1.0% qoq/sa and 2.8% yoy.
- ▶ We expect the services sector to stand out with an estimated year-over-year growth rate close to the previous quarter's reading (2.8% vs. 3.0% in 1Q24). The industrial sector has likely expanded by 3.2% yoy (compared to 2.8% in 1Q24), while the agricultural sector is expected to show another negative performance, declining by 0.8% (from -3.0% in 1Q24).
- ▶ We anticipate a slowdown in 2H24 to an average growth of 0.2% at the margin, amid weaker fiscal and monetary momentum. If our estimates are confirmed, full-year growth will reach 2.5%.

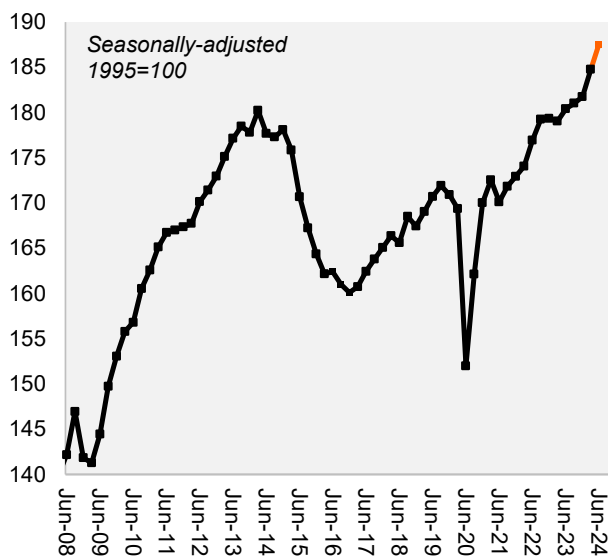
Economy remained strong in 2Q24

We estimate that 2Q24 GDP expanded by 1.0% qoq/sa and 2.8% yoy, with the data set to be released next Tuesday, September 3. More resilient activity led to better-than-anticipated results in monthly indicators throughout 1H24, particularly in retail and services, thanks to higher household income — due to a more dynamic labor market and income transfers.

On the supply side, the services sector stood out with an estimated year-over-year growth rate close to the previous quarter's (2.8% vs. 3.0% in 1Q24), following a weaker 2H23. Meanwhile, agricultural performance is likely to remain negative, declining 0.8% yoy (-3.0% in 1Q24) as soybean and corn production volumes were lower than last year. Industrial activity is expected to accelerate in year-over-year terms to 3.2% (from 2.8% in 1Q24), with stronger growth in all segments except for extraction/mining.

On the aggregate demand side, household spending and investments are once again the positive highlights. We expect household spending to have advanced by 4.8% yoy, supported by the strong increase in new loans (especially for individuals) and by rising income. Gross fixed capital formation is expected to have climbed 7.8% yoy in 2Q24, marking a second consecutive increase after successive declines in 2023, amid robust growth in capital goods imports as well as in the capital markets. For the external sector, exports likely increased 3.9%, but imports rose more sharply by 15.7% vs. 2Q23. Therefore, domestic demand continued to be the engine of economic growth in 2Q24, climbing by an estimated 4.4% yoy (compared to 3.8% in 1Q24).

Domestic demand: Strong 2Q24 growth in breakdown that considers investments, household and government spending



Source: Itaú

GDP 2Q24 (YoY)							
	Weight	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
GDP	100%	4.2%	3.5%	2.0%	2.1%	2.5%	2.8%
Services	59%	3.3%	2.7%	1.8%	1.9%	3.0%	2.8%
Public Administration	13%	0.6%	1.7%	0.4%	1.7%	1.3%	0.7%
Other Services	13%	5.2%	2.8%	1.1%	2.4%	4.7%	3.7%
Retail	12%	1.5%	0.6%	0.7%	-0.1%	3.0%	4.7%
Housing	8%	2.7%	2.9%	3.6%	2.7%	3.9%	3.2%
Financial services	7%	6.1%	7.8%	7.0%	5.6%	2.5%	1.8%
Transportation	3%	4.8%	4.3%	1.6%	0.0%	0.4%	0.8%
Information Technology	3%	6.1%	3.9%	1.6%	-0.3%	4.6%	4.9%
Industry	21%	1.5%	1.0%	1.0%	2.9%	2.8%	3.2%
Manufacturing	11%	-1.4%	-1.9%	-1.5%	-0.5%	1.5%	3.0%
Construction	3%	1.5%	0.5%	-4.5%	0.9%	2.1%	4.1%
Utilities	2%	6.8%	3.3%	7.3%	8.7%	4.6%	5.5%
Mining/Extractive	5%	8.0%	8.6%	7.2%	10.8%	5.9%	1.0%
Agriculture	7%	22.9%	20.9%	8.8%	0.0%	-3.0%	-0.8%
Taxes	14%	3.8%	2.8%	1.2%	0.7%	3.4%	4.7%
Consumption	63%	3.9%	3.1%	3.3%	2.3%	4.4%	4.8%
Government Expenditure	18%	0.6%	2.3%	0.8%	3.0%	2.6%	0.3%
Investment (GFCF)	18%	1.4%	-1.8%	-6.8%	-4.4%	2.7%	7.8%
Exports	20%	7.1%	11.9%	10.0%	7.3%	6.5%	3.9%
Imports	-19%	1.8%	1.2%	-6.1%	-0.9%	10.2%	15.7%

Our call for 2024 GDP growth remains at 2.5%

For the full year, we expect GDP growth of 2.5%, considering a strong 1H24 followed by a slowdown in 2H24. Fundamentals indicate that economic growth will likely moderate going forward. We anticipate an average quarterly growth rate of 0.2% qoq/sa in 2H24 amid weaker fiscal and monetary momentum in 3Q24 and slightly negative momentum in 4Q24. Nevertheless, at present, we acknowledge potential upward risks to this forecast.

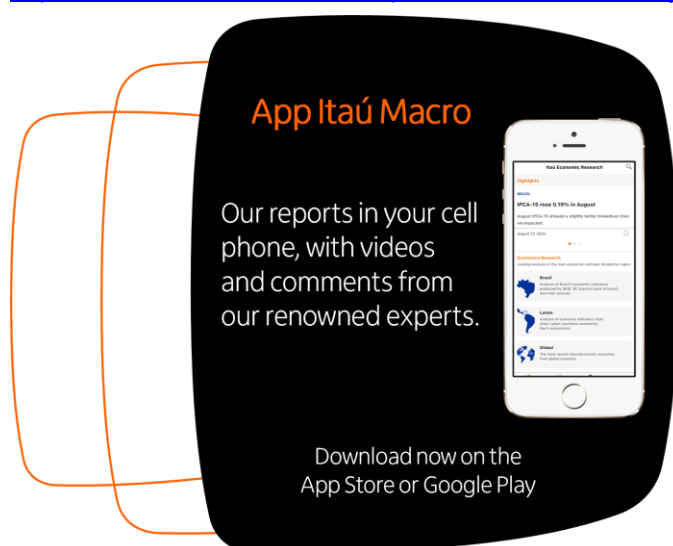
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