

## We forecast GDP growth of 0.4% qoq/sa in 4Q24

- ▶ The 4Q24 GDP will be released next Friday, March 7. According to our estimates, the Brazilian economy expanded 0.4% qoq/sa and 4.0% yoy.
- ▶ In the last quarter of 2024, the annual growth rate is expected to have remained stable at 4.0%. In particular, we estimate growth in the service sector to be close to that of the previous quarter, at +3.9% (compared to 4.1% in 3Q24), while the industry is expected to have recorded an increase of 2.2% (compared to 3.6% in 3Q24), and the agricultural sector is expected to have posted a positive annual reading of 3.1% (compared to -0.8% in 3Q24).
- ▶ At the margin, we estimate that some deceleration of the economy took place in the last months of the year, with 4Q24 GDP advancing 0.4%, after recording increases close to 1.0% in the first three quarters of 2024.
- ▶ If our estimate for 4Q24 GDP is confirmed, the GDP will end the year with an increase of 3.5%, with the service sector driving much of the rise (+3.8%), followed by industry (+3.2%), and with a negative contribution from agriculture (-2.5%).

### Economy likely slowed down in 4Q24

**We estimate that 4Q24 GDP advanced 0.4% qoq/sa and +4.0% yoy. The data will be released next Friday, March 7.** The economy slowed more sharply in the last two months of the year, with industry decelerating to 2.2% yoy compared to 3.6% in 3Q24, while the service sector continued to show greater resilience (3.9% from 4.1% in 3Q24). Agriculture is expected to have increased 3.1% yoy, coming from a 0.8% drop in 3Q24.

**On the demand side, domestic demand is expected to be once again the positive highlight, particularly household consumption and investments.** We estimate that private domestic demand grew 6.4% yoy (compared to 6.6% in 3Q24). For household consumption, our estimate is a 5.3% increase, driven by the resilience of the labor market. Gross fixed capital formation (GFCF) data is expected to record annual growth of 7.8% in 4Q24, the fourth consecutive increase after successive declines in 2023. For the external sector, we estimate that exports rose 4.5% yoy, while imports are expected to have recorded even stronger growth of 15.6% compared to 4Q23.

GDP 4Q24 (YoY)								
	Weight	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	2024
<b>GDP</b>	<b>100%</b>	<b>2.4%</b>	<b>2.4%</b>	<b>2.6%</b>	<b>3.3%</b>	<b>4.0%</b>	<b>4.0%</b>	<b>3.5%</b>
<b>Services</b>	<b>59%</b>	<b>2.3%</b>	<b>2.2%</b>	<b>3.5%</b>	<b>3.6%</b>	<b>4.1%</b>	<b>3.9%</b>	<b>3.8%</b>
Public Administration	13%	1.4%	1.7%	2.5%	1.5%	1.7%	1.7%	1.8%
Other Services	13%	1.7%	2.9%	5.4%	5.1%	6.4%	5.1%	5.5%
Retail	12%	0.8%	-0.1%	2.8%	3.8%	3.9%	5.0%	3.9%
Housing	8%	3.6%	2.7%	4.0%	3.8%	3.1%	3.2%	3.5%
Financial services	7%	7.6%	8.0%	3.0%	4.7%	5.1%	4.5%	4.3%
Transportation	3%	1.3%	-1.1%	0.4%	0.8%	2.5%	2.9%	1.7%
Information Technology	3%	1.7%	0.1%	5.0%	5.7%	7.8%	6.2%	6.2%
<b>Industry</b>	<b>21%</b>	<b>1.2%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>4.0%</b>	<b>3.6%</b>	<b>2.2%</b>	<b>3.2%</b>
Manufacturing	11%	-1.0%	-0.6%	1.5%	3.7%	4.2%	4.1%	3.5%
Construction	3%	-4.5%	1.1%	2.1%	4.4%	5.7%	7.0%	4.8%
Utilities	2%	5.1%	10.4%	6.3%	8.3%	3.7%	-0.5%	4.3%
Mining/Extractive	5%	7.8%	11.0%	6.1%	1.3%	-1.0%	-4.2%	0.4%
<b>Agriculture</b>	<b>7%</b>	<b>9.6%</b>	<b>0.5%</b>	<b>-5.5%</b>	<b>-3.3%</b>	<b>-0.8%</b>	<b>3.1%</b>	<b>-2.5%</b>
<b>Taxes</b>	<b>14%</b>	<b>1.4%</b>	<b>1.1%</b>	<b>3.8%</b>	<b>5.5%</b>	<b>6.4%</b>	<b>6.1%</b>	<b>5.5%</b>
Household consumption	63%	3.3%	2.6%	4.7%	5.1%	5.5%	5.3%	5.2%
Government Expenditure	18%	3.5%	5.1%	4.1%	1.2%	1.3%	0.4%	1.7%
Investment (GFCF)	18%	-6.8%	-4.4%	3.0%	5.7%	10.8%	7.8%	6.9%
Exports	20%	9.6%	7.3%	6.1%	4.3%	2.1%	4.5%	4.2%
Imports	-19%	-5.8%	-0.9%	10.0%	14.7%	17.7%	15.6%	14.6%

Source: IBGE, Itaú

## In 2024, the economy was driven by domestic demand

For the year, GDP is expected to have recorded a 3.5% increase, following a 3.2% growth in 2023, if the 0.4% qoq/sa rise in 4Q24 GDP is confirmed. A positive highlight is domestic demand, which is expected to have grown 5.0% last year. The direct effects of a heated domestic economy were felt in some sectors of the Services GDP, particularly trade and other services (which includes services provided to households), which are expected to have recorded growth of 3.9% and 5.5%, respectively, driven by fiscal stimuli and the resilience of the labor market. Finally, we estimate a growth of 3.2% for the industry, with the manufacturing, construction, and utilities offsetting the weaker performance of the extractive sector.

## We expect a 2.2% GDP growth in 2025

For now, we project a 2.2% increase for the 2025 GDP. Despite lower growth compared to the 2024 figure, we expect an acceleration of activity at the beginning of this year, mainly driven by the Agricultural GDP and the effects of the increase in the minimum wage. The economy slowdown is expected to be more pronounced in the second half of the year, as the positive impact of Agricultural GDP (concentrated in the first half) should have dissipated, alongside the deceleration of fiscal impulse and the intensification of the lagged effects of the contractionary monetary policy. Thus, we project that the average quarterly growth will fall to 0.2% (qoq/sa) in the second half of 2025, compared to 0.7% in the first six months of the year. This scenario does not incorporate new stimulus measures for domestic demand.

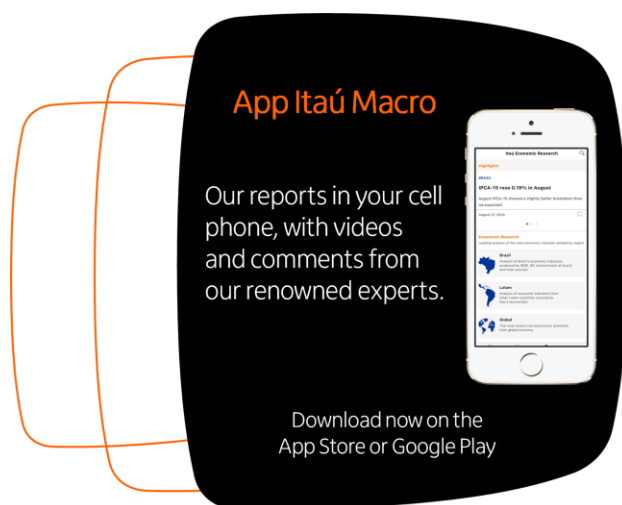
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