

BRAZIL – We forecast GDP growth of 0.6% qoq/sa in 3Q24

- ▶ The 3Q24 GDP report will be released next Tuesday, December 3. According to our estimates, the Brazilian economy expanded 0.6% qoq/sa and 3.8% yoy.
- ▶ Annual growth in the services and industrial sectors should be in line with the previous quarter (3.4% vs. 3.5% in 2Q24 for the former, and 4.0% vs. 3.9% for the latter). Meanwhile, agricultural GDP will probably show a positive annual reading of 1.8%, after a decline of 2.9% in 2Q24.
- ▶ Importantly, this report carries additional uncertainty: as in every third quarter of the year, the IBGE will incorporate new information from sector-wide surveys, which may lead to revisions of the results starting in 1H23.
- ▶ If our estimates for 3Q24 are confirmed, that would mean a slight upward bias in our growth projection for the full year, currently at 3.2%.

Economy likely slowed down in 3Q24

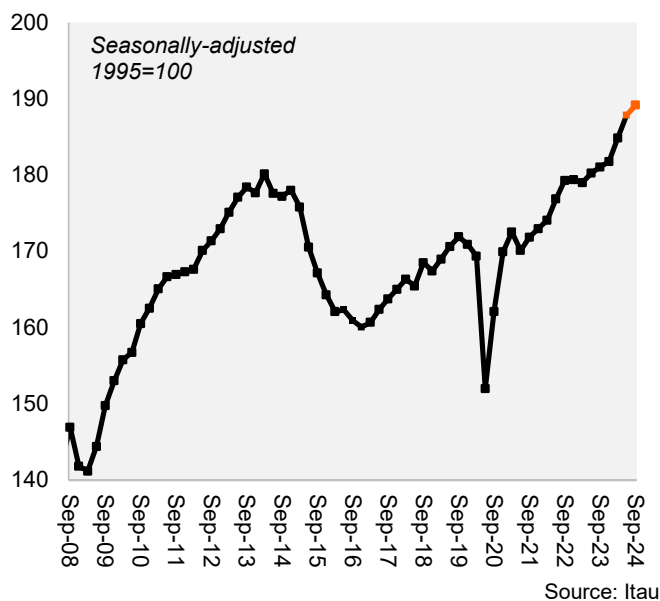
According to our estimates, Brazilian GDP expanded 0.6% qoq/sa and 3.8% yoy in 3Q24. The data will be released on Tuesday, December 3. Greater resilience throughout 1H24 came from strong gains in new loans to individuals and rising household income, due to a more dynamic labor market as well as cash transfers. Activity likely decelerated in 2H24 because of the smaller —albeit non-contractionary— fiscal and monetary momentum.

On the supply side, the services and industrial sectors stood out, and should deliver annual growth in line with the previous quarter (3.4% vs. 3.5% in 2Q24 for the former, and 4.0% vs. 3.9% in 2Q24 for the latter). Agricultural GDP will probably show a positive reading of 1.8% yoy (after a decline of 2.9% in 2Q24), driven by an increase in cattle slaughter.

On the aggregate demand side, domestic demand was once again the positive highlight, particularly household spending and investments. According to our forecast, private domestic demand advanced 5.2% yoy (5.1% in 2Q24). Household spending likely increased 4.3% yoy, thanks to higher income and new loans (especially to individuals), which are still supporting consumer expenses despite some deceleration at the margin. With robust gains in capital goods' imports, gross fixed capital formation probably expanded 8.4% yoy in 3Q24, marking the third consecutive increase after successive declines in 2023. In the external sector, exports are expected to climb 2.5% yoy, while imports should show sharper growth, of 17.5%.

Finally, this upcoming report carries additional uncertainty: as in every third quarter of the year, IBGE will incorporate new information from sector-wide surveys, which may lead to revisions of results from 1H23 onwards. In recent years, the census bureau has revised GDP readings for the previous year by an average of +0.2pp, with the maximum revision reaching +0.4pp (in 2021).

Private domestic demand (household spending and capex): Growth in 3Q24



GDP 3Q24 (YoY)							
	Weight	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
GDP	100%	3.5%	2.0%	2.1%	2.5%	3.3%	3.8%
Services	59%	2.7%	1.8%	1.9%	3.0%	3.5%	3.4%
Public Administration	13%	1.7%	0.4%	1.7%	1.3%	1.9%	1.5%
Other Services	13%	2.8%	1.1%	2.4%	4.7%	4.5%	4.8%
Retail	12%	0.6%	0.7%	-0.1%	3.0%	4.0%	4.1%
Housing	8%	2.9%	3.6%	2.7%	3.9%	3.7%	3.5%
Financial services	7%	7.8%	7.0%	5.6%	2.5%	4.0%	2.6%
Transportation	3%	4.3%	1.6%	0.0%	0.4%	0.7%	0.2%
Information Technology	3%	3.9%	1.6%	-0.3%	4.6%	6.1%	9.0%
Industry	21%	1.0%	1.0%	2.9%	2.8%	3.9%	4.0%
Manufacturing	11%	-1.9%	-1.5%	-0.5%	1.5%	3.6%	4.3%
Construction	3%	0.5%	-4.5%	0.9%	2.1%	4.4%	6.3%
Utilities	2%	3.3%	7.3%	8.7%	4.6%	8.5%	4.4%
Mining/Extractive	5%	8.6%	7.2%	10.8%	5.9%	1.0%	0.6%
Agriculture	7%	20.9%	8.8%	0.0%	-3.0%	-2.9%	1.8%
Taxes	14%	2.8%	1.2%	0.7%	3.4%	5.4%	5.9%
Consumption	63%	3.1%	3.3%	2.3%	4.4%	4.9%	4.3%
Government Expenditure	18%	2.3%	0.8%	3.0%	2.6%	3.1%	2.3%
Investment (GFCF)	18%	-1.8%	-6.8%	-4.4%	2.7%	5.7%	8.4%
Exports	20%	11.9%	10.0%	7.3%	6.5%	4.5%	2.5%
Imports	-19%	1.2%	-6.1%	-0.9%	10.2%	14.8%	17.5%

Source: IBGE, Itau

Our forecast for GDP growth in 2024 remains at 3.2%, with an upward bias

For the full year, we expect 3.2% growth, considering a strong first half and a moderate slowdown in the second half. If our estimates for 3Q24 are confirmed, that would mean a slight upward bias in our call for 2024.

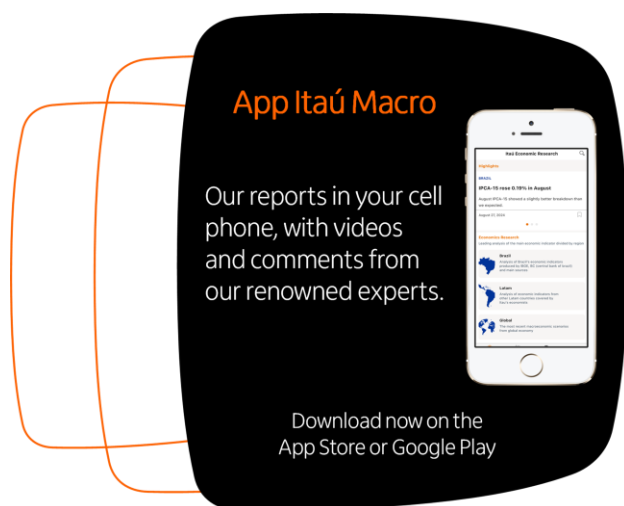
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