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Macro Research

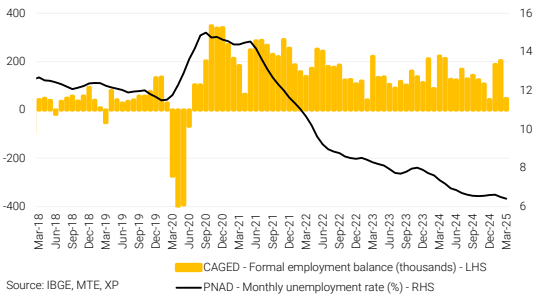
We estimate that Brazil's GDP increased by 1.6% in Q1

Domestic activity should gradually decelerate ahead
Our projection for 2025 GDP growth remains at 2.3%

Rodolfo Margato
Macro Research

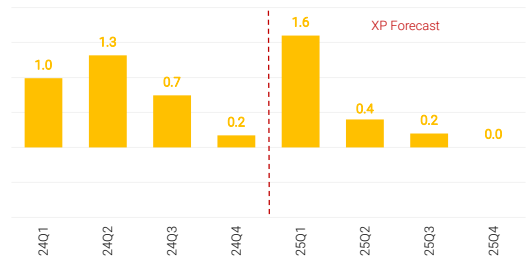
- Economic activity accelerated in Q1, reflecting the recovery in domestic demand and the strong performance of agriculture;
- We estimate that total GDP increased by 1.6% QoQ in 25Q1 (3.1% YoY), following a 0.2% QoQ gain in 24Q4 (3.6% YoY). Official results will be released on May 30;
- Our final estimate for Q1 GDP growth is above what we expected three months ago. Our *XP Tracker* – high-frequency forecast – was initially pointing to 1.2% QoQ (2.7% YoY);
- On the supply side, Agriculture and Livestock will likely record double-digit growth in Q1 amid the record soybean harvest. The Services sector is expected to show a moderate increase, while the Industry should present a slight decline, with mixed signals across its components;
- On the demand side, Domestic Absorption grew strongly in Q1 after an unexpected drop in late 2024. Both Household Consumption and Gross Fixed Capital Formation remain resilient. In turn, the External Sector's contribution was again negative due to the sharp rise in Imports;
- If our estimate for Q1 proves correct, the statistical carry-over effect for 2025 GDP growth will be 2.4%. Our preliminary projection for Q2 stands at 0.4% QoQ (2.5% YoY);
- We reiterate the scenario of a gradual economic slowdown. In addition to a robust labor market – low unemployment rate and strong expansion in real aggregate wage bill –, recently announced growth spurring measures should be relevant. Therefore, we continue to forecast GDP to increase by 2.3% in 2025.

The labor market remains robust, despite volatility in job creation
Seasonally adjusted data



Source: IBGE, MTE, XP

GDP slowdown expected to be milder than initially anticipated
Total GDP. QoQ s.a. (%)



Source: IBGE, XP

GDP Breakdown	2023	2024	2025 (F)
Agriculture & Livestock	16.3	-3.2	6.5
Industry	1.7	3.3	2.0
Services	2.8	3.7	2.2
Total GDP	**3.2**	**3.4**	**2.3**
Household Consumption	3.2	4.8	2.1
Government Consumption	3.8	1.9	1.9
Gross Fixed Capital Formation	-3.0	7.3	4.2
Exports	8.9	2.9	2.8
Imports (-)	-1.2	14.7	4.5

Source: IBGE. XP forecasts.

We estimate that Brazil's GDP increased by 1.6% in Q1

Brazilian economic activity accelerated in Q1, reflecting the recovery in domestic demand and the strong performance of agriculture. We estimate that total GDP rose by 1.6% QoQ in 25Q1 (3.1% YoY), following a 0.2% QoQ gain in 24Q4 (3.6% YoY). If our expectation proves accurate, the statistical carry-over effect for 2025 GDP growth will be 2.4%. Official Q1 GDP results will be published on May 30.

Our final estimate for Q1 GDP growth is above what we expected three months ago. Our XP Tracker – high-frequency forecast – was initially pointing to 1.2% QoQ (2.7% YoY).

On the supply side, Agriculture & Livestock will likely record double-digit growth (12.5% QoQ). The record soybean harvest explains much of this strong performance. Livestock activity remained in positive territory, despite a milder expansion compared to last year.

Moderate growth in the Services sector, with predominantly positive signals across its components. As per our calculations, Total Services GDP rose by 0.5% QoQ in Q1, following a timid 0.1% QoQ advance in the previous reading. We believe that six out of the seven services subsectors grew in the quarterly comparison. Information and Communication Services and Other Services - driven by the services rendered to families - are expected to present the most significant increases. Furthermore, Real Estate Activities and Financial Services likely gained steam after disappointing figures at the end of 2024. On the other hand, Transportation and Storage Services were the lowlight in the period (-0.5% QoQ) – we expect this category to resume growth in Q2.

Meanwhile, Total Industry is expected to show the first decline since Q422 (-0.3% QoQ). We draw attention to the contraction in Manufacturing Industry, ending a streak of four consecutive increases. Conversely, Mining Industry will register the second straight gain, and Utilities have likely recovered after falling in Q4.

Bottom-up estimates for Brazil's GDP

GDP Breakdown (%)	Weights	24Q4	25Q1 (F)	24Q4	25Q1 (F)	Carryover for 2025 (F)	2025 (F)
		YoY		QoQ			
Agriculture & Livestock	**5.6**	**-1.5**	**10.5**	**-2.3**	**12.5**	**9.5**	**6.5**
Total Industry	**21.3**	**2.5**	**2.0**	**0.3**	**-0.3**	**0.4**	**2.0**
Extractive Industry	3.6	-3.6	-1.1	0.7	1.2	0.3	2.5
Manufacturing Industry	12.4	5.3	2.6	0.8	-1.1	0.3	1.7
Construction	3.1	5.1	4.3	2.5	0.1	2.0	3.0
Utilities	2.2	-3.5	1.6	-1.2	1.8	1.0	1.9
Total Services	**59.3**	**3.4**	**2.3**	**0.1**	**0.5**	**1.4**	**2.2**
Retail	10.4	4.7	2.1	0.3	0.3	0.8	1.8
Transportation & Storage	3.1	3.9	1.4	0.4	-0.5	0.2	2.6
Information & Communication	3.0	6.2	7.6	-0.4	3.7	4.9	5.2
Financial Activities	6.2	2.0	3.0	-0.3	0.5	1.3	2.1
Other Services	15.1	4.5	2.8	-0.1	1.0	2.1	2.4
Real Estate Activities	7.6	2.6	2.5	0.1	0.6	1.4	2.0
Public Services	13.9	1.7	0.6	0.0	0.7	1.1	1.6
Added Value	**86.2**	**3.3**	**3.0**	**0.0**	**1.6**	**2.4**	**2.4**
Net Indirect Taxes	**13.8**	**6.1**	**3.3**	**-**	**-**	**-**	**2.1**
Total GDP	**100.0**	**3.6**	**3.1**	**0.2**	**1.6**	**2.4**	**2.3**
Household Consumption	63.8	3.7	2.9	-1.0	1.3	1.6	2.1
Government Consumption	18.8	1.2	1.7	0.6	0.4	1.2	1.9
Gross Fixed Capital Formation	16.9	9.4	9.5	0.4	3.4	5.9	4.2
Exports	18.0	-0.7	0.6	-1.3	2.5	1.6	2.8
Imports (-)	17.5	16.0	12.8	-0.1	5.1	8.1	4.5

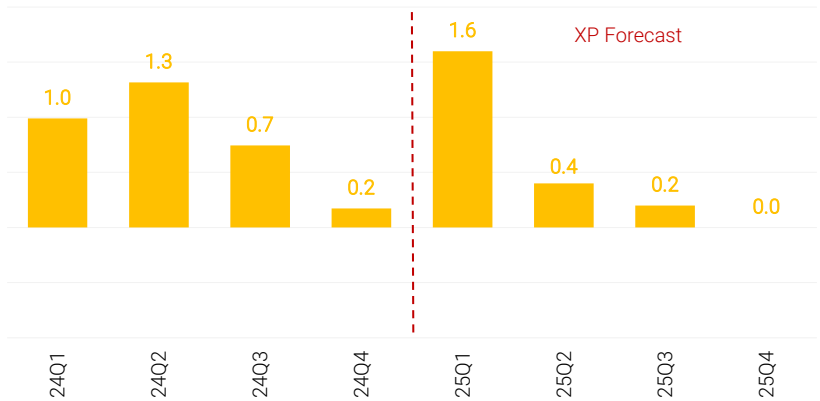
Source: IBGE, XP.

On the demand side, we calculate that Domestic Absorption expanded by 1.5% QoQ in Q1 (3.8% YoY), recovering from the 0.5% QoQ drop in Q4 (4.0% YoY). Both Household Consumption (1.3% QoQ) and Gross Fixed Capital Formation (3.4% QoQ) remain resilient. The latter was influenced by the import of an oil platform (non-recurring event); that said, construction and apparent consumption of capital goods continue on a growth trajectory. Moreover, Government Consumption is expected to unveil the third consecutive increase on a quarterly basis, although moderately (0.4% QoQ).

The External Sector's contribution was again negative (-0.4% QoQ; -2.1% YoY). This estimate reflects the sharp rise in Imports in Q1 (5.1% QoQ), which more than offset the rebound in Exports (2.5% QoQ). In turn, Change in Inventories should have added 0.5pp to overall GDP growth in Q1 versus Q4 (1.5pp compared to the same period of last year) – bear in mind the strong expansion of agriculture and, at the same time, the moderate increase in exports.

We reiterate the scenario of a gradual economic slowdown. In addition to a robust labor market – low unemployment rate and substantial rise in real aggregate wage bill –, recently announced growth spurring measures should be relevant. For instance, the release of FGTS (Workers' Severance Fund) resources, additional funds for the "Minha Casa Minha Vida" housing program, and the new payroll-deductible loan program to private sector workers should support internal demand. **Therefore, we continue to expect GDP to increase by 2.3% in 2025.** For details, see our report *Brazil Macro Monthly: Amid global uncertainties and local pressures*.

GDP slowdown expected to be milder than initially anticipated
Total GDP. QoQ s.a. (%)



Source: IBGE, XP

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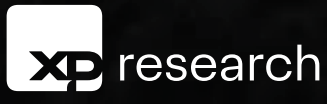
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