MACRO **OUTLOOK**

November 2026

bradesco asset management

GLOBAL SCENARIO

China: Opting for structural reforms, even as these fail to provide immediate support to the economy

WEAK DOMESTIC DEMAND AND STRONG EXPORTS

Following a series of meetings in China, the prevailing takeaway is that of an economy in which the challenges of the old growth model coexist with ongoing structural transformations. Domestic demand remains soft, the property sector continues to weigh on household balance sheets, local governments face material fiscal constraints, and traditional sectors continue to carry excess capacity. Against this backdrop, exports and technology stand out as key drivers of near-term momentum. The positive surprise in exports reflects both higher prices and new trade agreements, as well as, fundamentally, the need for companies to seek demand outside of China. At the same time, investment in technology remains a priority, particularly given the current geopolitical backdrop. As a result, growth is likely to remain below potential in the near term, as the Chinese government appears willing to use this period to deepen medium- and long-term structural adjustments.

CHALLENGES STEMMING FROM CONSUMPTION

Domestic demand weakness spans multiple dimensions. Consumption remains constrained by the ongoing balance sheet adjustment among households following the property market downturn. There are signs of stabilization in the sector in some large cities, with increased activity in the secondary market, some price recovery, and reduced inventories, though without a meaningful rebound in new project launches. At the same time, investment has also lost momentum: capacity expansion is facing increasing constraints, while infrastructure investment remains limited by the fiscal position of local governments. Many of these governments are focused on debt servicing, directing revenues toward that end. Against this backdrop, the consumption debate has shifted: there is broad consensus on the need to strengthen it, but less agreement on direct stimulus measures, with greater focus instead on employment, income growth, and the gradual expansion of the social safety net, particularly in light of population aging.

MODERATE GROWTH IN 2027

This dynamic helps explain why 2027 is likely to be another year of moderate growth rather than significant stimulus, with a GDP growth target potentially set around 4.5%. The dominant view is that the government is becoming more tolerant of a slowdown as it advances reform efforts, including tax changes and a possible new local government debt restructuring program. There is also an important political dimension, culminating in the 21st National Congress of the Chinese Communist Party in the second half of next year, which will mark the renewal of the country's top leadership. As such, the first half of 2027 could still reflect the current soft growth dynamic, with improvement likely emerging only in the second half as part of this political transition unfolds.

IMPLICATIONS FOR THE REST OF THE WORLD

For the rest of the world, the main consequence is that the external market is likely to remain a release valve for insufficient Chinese demand, keeping competition elevated across global markets. The appreciation trend of the renminbi, expected at close to 5% per year, combined with the end of export tax rebates, may begin to reduce part of the deflationary impulse exported by China. On the other hand, the persistence of strong exports amid weak domestic demand could prompt new trade protection measures in destination countries. The slower pace of the traditional economy, real estate weakness, and lower infrastructure investment point to a structurally less favorable environment for commodity prices.

SLOWDOWN RISKS

The main risk to this interpretation lies precisely in the delicate balance between structural transformation and growth. China appears willing to trade present-day growth for an economy considered more sustainable in the future, but this transition is not without risks. Persistently strong exports could heighten trade tensions. There also remains an open question: to what extent can technology and more internationally competitive Chinese companies offset, in terms of aggregate growth, the loss of momentum in real estate, infrastructure, and legacy industries, in an environment of fiscal constraints. Our reading, therefore, is less one of China entering a new stimulus cycle and more one of a China willing to accept lower growth.

BRAZIL SCENARIO

Fiscal measures take center stage

ACTIVITY SLOWDOWN AND RISING INFLATION

In recent months, we have highlighted our assessment that the coming quarters will be marked by continued deceleration in economic activity, while we should simultaneously observe rising inflation. Looking further ahead, the key question appears to be the extent to which fiscal and monetary policy will be rebalanced, resulting in a more sustainable trajectory for economic growth and public finances.

EL NIÑO PRESSURE ON INFLATION

Typically, a slowdown in economic activity would lead to a gradual decline in inflation. However, inflation in the coming months will be dominated by the impact of various shocks. The El Niño weather phenomenon has already been manifesting since mid-year and has brought pressure on certain agricultural prices. In the South of the country, rainfall has corresponded to more than double the historical average since July. In the Southeast, increased rainfall was recorded starting in September, accumulating one and a half times the historical volume.

REDUCTION OF DIESEL SUBSIDIES

More significant will be the need to reduce diesel subsidies, as well as the reintroduction of taxes on gasoline and ethanol (for the latter, production subsidies are also in effect). Although the recent decline in international oil prices provides some relief, a full reversal of the global supply constraint appears unlikely, particularly in the case of diesel. At the start of the year, the implementation of the Tax Reform, with the new CBS (which will replace the PIS/Cofins taxes) and the Selective Tax, will also represent some increase in the aggregate tax burden. There are important sectoral differences, but simulations point to some upward pressure on consumer prices on average (estimates remain highly uncertain).

REDUCTION OF THE WORKWEEK

The reduction in working hours, beginning at year-end with a second phase next year, is a measure that has already been adopted in other countries (generally with longer transition periods). International experience suggests that this also generates some transitory cost pressure. Exchange rate depreciation, if sustained, would also represent a source of pressure on price indices. Starting from a current level of approximately 4.5% on a 12-month basis, the IPCA should rise to around 6% at the start of the year. For the medium term, the key factor will be whether monetary policy can keep inflation expectations anchored, so as not to perpetuate these short-term pressures over longer horizons.

ACTIVITY SLOWDOWN

On the activity side, current indicators suggest a continuation of the deceleration observed since mid-year. The most recent data, such as industrial production, reinforce this reading. In our view, this deceleration stems from the combination of a still-restrictive monetary policy stance and moderation in the credit cycle, even as the fiscal policy vector remains expansionary. On a sectoral basis, it is worth noting the strong performance of oil and gas production, which has also contributed to robust trade balances throughout the year (in addition to the effect of international prices). In September, sector output rose 20% year-over-year.

MODERATE GDP GROWTH

Over the coming quarters, we expect GDP growth to remain moderate. As has occurred in recent years, it is possible that Q1 will be distorted by agricultural output and seasonal adjustment issues. However, underlying investment and consumption growth should remain modest. On the investment side, we have observed a degree of stagnation over the past two years.

With respect to household consumption, we assess that the household deleveraging process will be fairly gradual, which tends to keep consumption growth subdued even against a favorable backdrop from a labor market standpoint (the unemployment rate remains at historical lows).

INTEREST RATE MAINTAINED AT 13.75%

The decision to hold the policy rate at 13.75% at the latest Copom meeting marks the transition to an observation period. The Central Bank emphasized that the policy rate remains at a 'substantially contractionary' level, which is a clear signal that its flight plan does not contemplate a new tightening cycle. On the other hand, an observation period will be necessary to assess the effects of the various shocks that will impact inflation over the coming months.

NEW DOWN-CYCLE HINGES ON FISCAL POLICY

The possibility of a new easing cycle for the Selic rate will depend to a significant extent on the rebalancing of forces with fiscal policy. For the 2027 fiscal outcome, two sets of measures will be most relevant: (1) the reversal of fuel subsidies and tax exemptions (currently, the monthly value of expenditure and forgone revenue reaches approximately BRL 15 billion); (2) measures to reduce the pace of mandatory expenditure growth (several possibilities exist here). Even with these measures, we project a primary deficit for the public sector of around 0.5% of GDP for next year. Quasi-fiscal policy (subsidies embedded in credit programs that do not impact primary expenditure) will also be a determining factor, allowing for a more broad-based easing of financial conditions through monetary policy.

RESUMPTION OF THE INTEREST RATE CUTTING CYCLE

With a rebalancing of macroeconomic policy, we believe the Central Bank could, by mid-2027, shift its focus to the more extended inflation projection horizon. Should the scenario of economic activity deceleration be confirmed, we assess that Copom could resume the policy rate easing cycle.

BRADESCO ASSET MACROECONOMIC PROJECTIONS

	2023	2024	2025	2026E	2027E
PIB (% ao ano)	3,2%	3,4%	2,3%	**1,8%**	**0,6%**
IPCA (% a.a.)	4,6%	4,8%	4,3%	**5,3%**	**5,2%**
IGP-M (% a.a.)	-3,2%	6,6%	-1,0%	**6,4%**	**4,9%**
Taxa Selic (final do ano)	11,75%	12,25%	15,00%	**13,75%**	**12,50%**
R$/US$ média do ano	4,99	5,39	5,59	**5,20**	**5,45**
R$/US$ final do ano	4,85	6,19	5,50	**5,40**	**5,50**
Saldo de Conta Corrente (US$ bi)	-27,0	-65,3	-67,4	**-61,7**	**-62,0**
Saldo de Conta Corrente (% PIB)	-1,2%	-3,0%	-3,0%	**-2,4%**	**-2,2%**
Resultado Primário Consolidado (% PIB)	-2,3%	-0,4%	-0,6%	**-0,4%**	**-0,3%**
Dívida Líquida (% PIB)	60,4%	61,3%	65,3%	**70,5%**	**75,1%**
Dívida Bruta (% PIB)	73,8%	76,3%	78,7%	**83,2%**	**87,0%**
Fed Funds (limite inferior, final do ano)	5,25%	4,25%	3,50%	**4,00%**	**4,50%**
PIB Global	3,3%	3,2%	3,3%	**2,8%**	**2,9%**

Fontes: IBGE, BCB, MDIC, FMI e Bradesco Asset

COMMENTS ON THE PROJECTIONS

In the US, resilient growth and a pressured inflation environment call for tighter monetary policy. In our scenario assessment, robust household consumption, continued AI-related investment, and low expectations for government spending cuts point to a moderately tight labor market. Against this backdrop, we continue to find it challenging to project core inflation converging to target over the medium term. The reaction function of the current Fed, which has become more data-dependent, renders the definition of this hiking trajectory more erratic. Accordingly, after holding rates steady at the October meeting, the Fed should resume hikes in December and continue into early next year, raising rates to the 4.50%-4.75% range.

The European Central Bank should raise rates in December, but the extent of the tightening cycle into 2027 remains uncertain. The inflation acceleration, which already reached 4.0% last month, has been driven primarily by higher energy prices. Even so, core inflation remains relatively contained, rising 2.6% over the 12 months through October. Activity data—following a recovery in recent months—have indicated some moderation, with fiscal risks limiting a stronger economic rebound, which should grow around 1% next year.

China's GDP is expected to grow 4.5% this year, reflecting an economy that continues to expand moderately while remaining dependent on exports. Signs of domestic demand weakness persist, even as exports remain resilient. The government has demonstrated greater commitment to reducing local government financial risks, accepting lower growth as a trade-off. We maintain our 2027 growth projection at 4.3%, in an environment of stabilizing China-U.S. relations, though trade concerns are gradually shifting toward the China-Europe relationship.

In Brazil, we maintained our GDP growth projection at 1.8% for this year, but revised downward our expectation for 2027. The economic slowdown scenario, marked by moderation in cyclical sectors and a pullback in household consumption, has intensified rapidly in recent data readings. In addition to the diminished effect of credit stimulus measures this year, particularly in the auto and real estate sectors, the contractionary stance of monetary policy has been felt more acutely in the services sector. The slowdown has been partially offset by a labor market that remains tight, with only incipient signs of moderation in formal job creation. Looking ahead to next year, the exhaustion of stimulus measures, reduced fiscal space, and credit deceleration amid high household indebtedness, combined with a scenario offering less room for interest rate cuts, should lead to a GDP slowdown to 0.6%

The inflationary backdrop shows increasing signs of pressure, reinforcing our assessment that inflation will accelerate again in the coming months. Against this backdrop, we raised our IPCA projection for 2026 to 5.3% and, notably, for 2027, from 4.5% to 5.2%. The revision largely incorporates the effects of a more depreciated exchange rate, persistently elevated oil prices, and the impacts associated with domestic changes, such as the reduction in the formal workweek. Going forward, the combination of less favorable seasonality, currency depreciation, and the already observed effects of El Niño should keep inflation under pressure in the near term. We expect additional pressures stemming from food, fuel—given the outlook for domestic price realignment—and services, leading both headline inflation and core measures to continue accelerating and keeping the IPCA above the target ceiling over the coming months. Although a significant portion of these risks has already been incorporated into our projections, the balance of risks remains skewed to the upside.

In the external sector, we have revised our exchange rate projections to incorporate a higher probability of limited fiscal adjustment in 2027. At the same time, on the external front, the broad strengthening of the US dollar, associated with the resumption of the rate hike cycle by the Fed, adds further pressure on the Brazilian currency. Given this combination of domestic and external factors, we revised our year-end 2026 exchange rate forecast from R$/US$ 5.05 to R$/US$ 5.40, and our year-end 2027 forecast from R$/US$ 5.10 to R$/US$ 5.50.

With stronger growth, the government should deliver the primary result within the target range in 2026. Still within the expectation of a contained slowdown in activity, but with higher fuel subsidy expenditures, we maintained our central government primary deficit estimate at R$58 billion. For target purposes, the government should close this year with a positive balance of R$9 billion, above the lower bound of the target, which is neutrality. In terms of debt, we project the debt/GDP ratio to remain on an upward trajectory, reaching 83.2% of GDP. For 2027, however, the challenge of meeting the target persists, with an estimated primary result for target purposes of a R$22 billion surplus, approximately R$50 billion below the target's midpoint. We project the debt/GDP ratio at 87.0%. It is worth noting that these figures do not include the continuation of fuel subsidies.

bradesco asset management

MARCELO CIRNE DE TOLEDO Chief Economist
marcelo.toledo@bradescoasset.com.br

DANIEL CASULA *daniel.casula@bradescoasset.com.br*

FABIANA D'ATRI *fabiana.datri@bradescoasset.com.br*

GIANCARLO RUGGIERO *giancarlo.ruggiero@bradescoasset.com.br*

HUGO RIBAS DA COSTA *hugo.costa@bradescoasset.com.br*

NICOLE TONGU *nicole.tongu@bradescoasset.com.br*

SARAH BRETONES *sarah.paula@bradescoasset.com.br*

THOMAS PIRES *thomas.pires@bradescoasset.com.br*

bradesco asset management

Tel: 11 3847-9171
economia@assetbradesco.com.br

Material prepared on 11/09/2026 at 3:00 PM

The opinions, estimates, and forecasts presented in this report constitute our judgment and are subject to change without prior notice, as are the outlooks for financial markets, which are based on prevailing market conditions. We believe the information presented herein to be reliable; however, we do not guarantee its accuracy and note that it may be presented in summarized form. This material is not intended to constitute an offer or solicitation to buy or sell any financial instrument. Material produced by **Bradesco Asset Management**, the entity responsible for third-party asset management at Banco Bradesco S.A.

Autorregulação ANBIMA
Gestão de Recursos