



XP Analysis: Formal Labor Market (Dec)

January, 24th 2020

 **xp** investimentos



**Lisandra
Barbero**
Economist

- *In December 2019, about 307 thousand jobs were closed in the Brazilian formal labor market, positively surprising both our expectation (-310 thousand) and market expectation collected by Bloomberg (-324 thousand).*
- *In the seasonally adjusted series, approximately 66.5 thousand jobs were created in December and 545 thousand in 2019. These were the best numbers since February 2019 and 2013, respectively.*

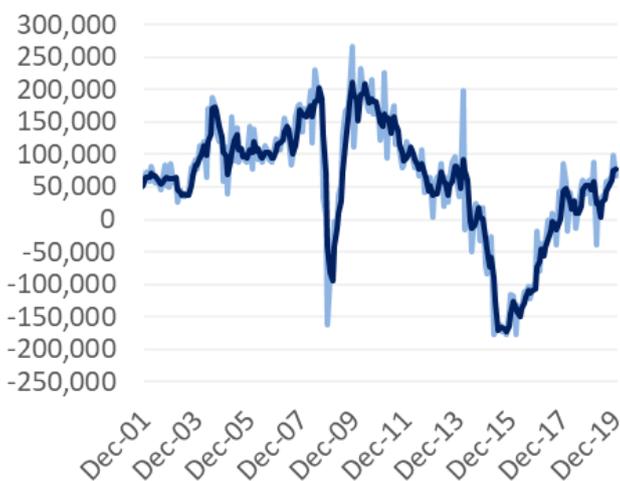
Find below some of the **main highlights** (charts are in the next page):

1. *The result in December was very positive. All sectors posted a positive print in the month.*
2. *Our monthly “momentum index” (which shows the percentage of sectors that have been creating jobs consistently over the past few months) increased in December and seems to be gaining traction, which is positive for the resumption of economic activity.*
3. *The civil construction sector was the main positive contribution both in December and in 2019. Retail sales and services sector, on the other hand, lost some momentum in December after positive performance in the last few months.*
4. *Despite the positive result in the month, the Brazilian formal labor market still shows a gradual recovery, with mixed performance between sectors.*
5. *Based on the gradual resumption of the labor market, the retraction presented by the consumer confidence index in January 2020 and the IPCA-15 in line with the expectations, we continue to believe that the Central Bank will deliver another rate cut of 0.25% in February.*

	2014	2015	2016	2017	2018	2019
Mineral Extraction	-2,761	-14,007	-11,779	-5,952	1,410	4,945
Transformation industry	-187,033	-610,378	-326,086	-34,542	-7,088	13,397
Industrial Public Utility Services	4,288	-8,301	-11,847	-5,366	6,237	2,621
Construction	-148,001	-422,140	-367,866	-122,075	-991	59,831
Retail Sales	127,297	-241,964	-206,463	20,245	77,748	133,069
Services	374,418	-315,582	-412,952	-19,444	340,730	336,987
Public administration	5,933	-13,504	-10,569	-3,046	-6,191	-56
Agriculture	-26,454	-10,353	-32,330	25,458	-7,824	4,767
Formal job creation (total)	154,610	-1,633,818	-1,371,980	-141,513	400,348	545,353

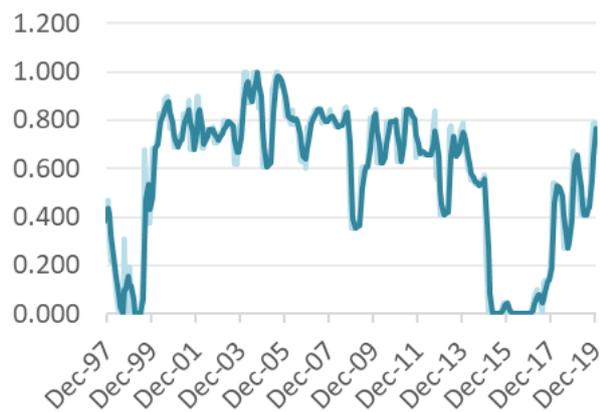
	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Mineral Extraction	207	534	220	-24	487	348	643	736	490	430	513	361
Transformation industry	-571	11,439	-9,618	-2,839	-2,471	679	-560	1,982	1,310	140	3,909	9,998
Industrial Public Utility Services	-690	341	-498	196	-535	2,249	277	-296	-264	-68	859	1,050
Construction	-1,860	2,421	-15,521	1,266	4,401	9,566	11,638	7,423	8,602	11,041	11,019	9,835
Retail Sales	-3,994	23,210	-2,707	5,552	5,434	7,009	11,799	12,181	10,572	19,403	30,424	14,185
Services	28,473	59,280	-5,623	29,166	12,942	24,764	22,905	30,312	38,837	25,041	43,049	27,841
Public administration	-506	766	-2,712	-719	-192	-4	182	526	76	-23	884	1,666
Agriculture	-2,770	-740	2,044	3,176	-1,977	-14,037	-3,920	3,329	10,633	4,278	3,125	1,627
Formal job creation (total)	25,193	88,646	-39,700	29,851	17,309	35,549	39,626	57,852	59,764	66,588	98,111	66,564

Formal job creation
(Caged, individuals, s.a.)

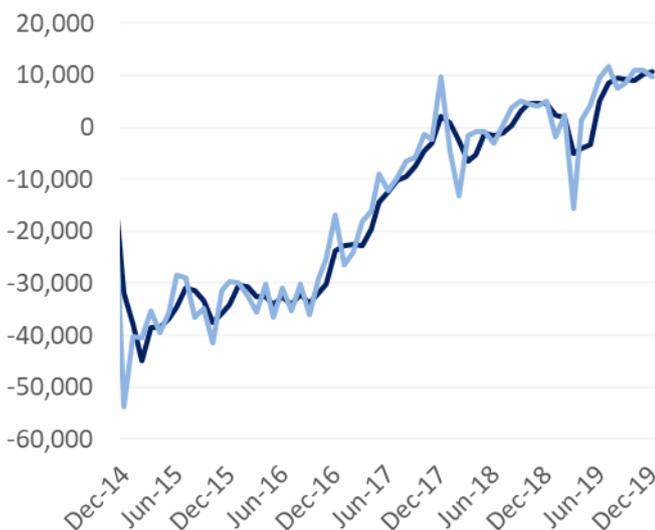


Momentum Index

(% of sectors growing consistently, MM3M > 0 for 3 consecutive months = 1, s.a.)



Jobs generated by Civil Construction
(Index, MM3M, s.a.)



Consumer confidence
(FGV Index, s.a.)



Disclaimer

- 1) This report was prepared by XP Investimentos CCTVM S.A. ("XP Investimentos or XP ") according to the requirements provided in CVM Instruction No. 598, on May, 3 2018, and aims to provide information that can help the investors make their own investment decisions, and does not constitute any kind of offer or purchase request and/or sale of any product. The information contained in this report is considered valid on the date of disclosure and has been obtained from public sources. XP Investimentos is not liable for any decisions made by the customer based on this report.
- 2) This report was prepared considering the product risk classification in order to generate allocation results for each investor profile.
- 3) The signatory of this report declare that the recommendations reflect solely and exclusively their personal analyses and opinions, which have been produced independently, including in relation to XP Investimentos and which are subject to modifications without notice due to changes in market conditions, and that their remuneration are indirectly affected by revenue from business and financial transactions carried out by XP Investimentos.
- 4) The analyst responsible for the content of this report and the compliance with CVM Instruction No. 598/18 is indicated above, and, in the event of an indication of another analyst in the report, the person responsible will be the first accredited analyst to be mentioned in Report.
- 5) XP Investimentos' analysts are obligated to comply with all the rules laid down in the APIMEC's conduct code for the securities analyst and XP Investimentos' analyst of securities conduct policy.
- 6) Customer service is carried out by XP Investimentos employees or by autonomous investment agents who perform their activities through XP, in accordance with CVM N ° 497/2011, which are registered in the national association of brokers and distributors of securities ("ANCORD"). The autonomous agent of investment may not provide consulting, administration or management of customer net worth, and must act as an intermediary and request prior authorization from the client for the realization of any operation in the capital market.
- 7) The products presented in this report may not be suitable for all types of customer. Before making any decisions, customers should ensure that the products presented are suitable for their investor profile. This material does not suggest any change of portfolio, but only guidance on products suitable to a certain investor profile.
- 8) The profitability of financial products may present variations and their price or value may increase or decrease in a short period of time. Past performance is not necessarily indicative of future results. Performance disclosed is not net of any applicable taxes. The information present in this material is based on simulations and the actual results may be significantly different.
- 9) This report is intended exclusively for to the XP Investimentos' network, including independent XP agents and XP customers, and may also be released on XP's website. It is prohibited to reproduce or redistribute this report to any person, in whole or in part, whatever the purpose, without the prior express consent of XP Investimentos.
- 10) XP Investimentos' ombudsman has the mission to serve as a contact channel whenever customers who do not feel satisfied with the solutions given by the company to their problems. The contact can be made via telephone: 0800 722 3710.
- 11) The cost of the transactions billing policies are defined in the operational cost tables which are made available on XP Investimentos website: www.xpi.com.br.
- 12) XP Investimentos is exempt from any liability for any damages, direct or indirect, that come from the use of this report or its contents.
- 13) Technical analysis and fundamental analysis follow different methodologies. Technical analysis is performed following concepts such as trends, support, resistance, candles, volume, and moving averages, amongst others. Fundamental analysis uses as information the results disseminated by the issuing companies and their projections. In this way, the opinions of fundamental analysts, who seek the best returns given the market conditions, the macroeconomic scenario and the specific events of the company and the sector, may differ from the opinions of technical analysts, which aim to identify the most likely movements on asset prices, using "stops" limit possible losses.
- 14) Investment in stocks is appropriate for moderate and aggressive profile investors, according to the suitability policy practiced by XP Investimentos. Equity investments available are portion a company's capital that is traded on the market. Stock is a variable financial investment (i.e. an investment in which profitability is not pre-established and varies depending on market quotations). Investment in stock is a high-risk investment and past performance is not necessarily indicative of future results and no statement or warranty, expressed or implied, is made in this material in relation to future performance. Market conditions, macroeconomic scenario, company and sector specific events can affect investment performance and may even result in significant asset losses. The recommended duration for equity investments is medium-long term. There is no guarantee of investment return for customers' investments in stock.
- 15) Investment in options is preferably indicated for aggressive profile investors, according to the suitability policy practiced by XP Investimentos. In options market, the purchase or sale rights of a good shall be negotiated at a price fixed at a future date, and the purchaser of the negotiated duty should pay a premium to the seller as in a secure agreement. Operations with these derivatives are considered very high risk for presenting high risk and return relationships and some positions present the possibility of losses higher than the capital invested. The recommended duration for the investment is short-term and the customer's assets are not guaranteed in this type of product.
- 16) Investment in terms is indicated for aggressive profile investors, according to the suitability policy practiced by XP Investimentos. They are contracts for the purchase or sale of a certain number of shares at a fixed price for settlement within a specified period. The term of the contract is freely chosen by the investors, complying with the minimum period of 16 days and a maximum of 999 days. The price will be the value of the added share of a portion corresponding to the interest-which are set freely on the market, depending on the term of the contract. Every transaction in the term requires a guarantee deposit. These guarantees are provided in two forms: coverage or margin.
- 17) Investments in futures markets are subject to significant loss of principal, and are therefore appropriate for aggressive profile investors, according to the suitability policies practiced by XP Investimentos. A commodity is an object or price determinant of a future contract or other derivative instrument, which may substantiate an index, a fee, a movable value or a physical product. Commodities are considered high risk investments, which include the possibility of price fluctuation due to the use of financial leverage. The recommended duration for commodity investments is short-term and customers' assets are not guaranteed in this type of product. Market conditions and the macroeconomic scenario can affect the performance investments.
- 18) This institution is adhering ANBIMA Code of Regulation and best practices for the distribution activity of retail investment products.



ECONOMIC TEAM



Marcos Ross
Senior Economist

Lisandra Barbero
Economist