



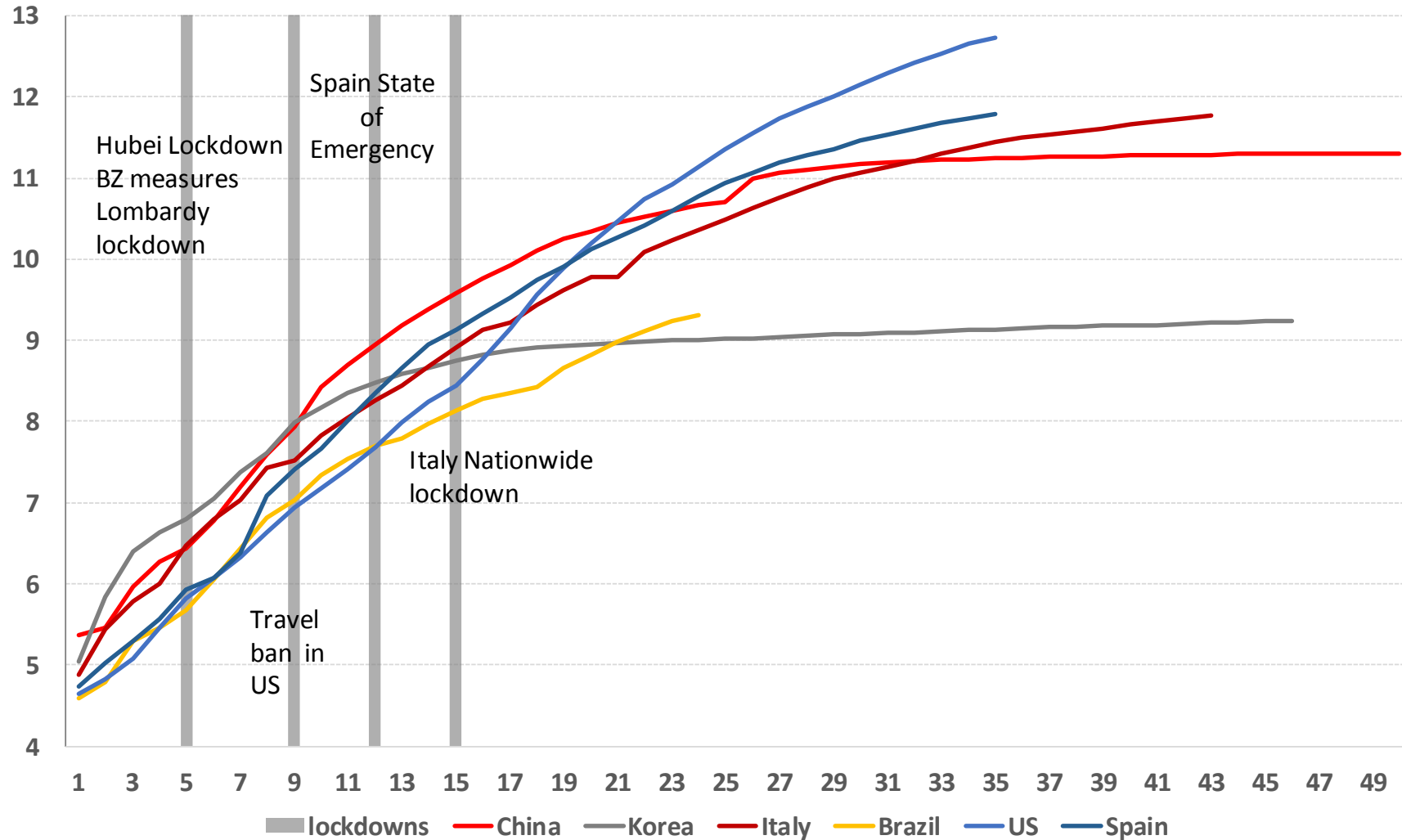
## MACRO OUTLOOK

Fernanda Guardado  
Chief-Economist

- » Negative impacts of Covid-19 continue to grow, and the world economy converges to a recession
- » Chinese economy shows improvement, but will be weighed down by global activity going forward
- » Governments and Central Banks act to accommodate the shock to the economy; but global growth continues to be revised downwards
- » Brazil: We have revised our forecast for growth to a -2.6% to -4.7% range, reflecting the high level of uncertainty regarding related to the epidemic's mitigation policies
- » We believe the BCB will cut interest rates again to 3.25%, where it should end the year

## » Epidemic advances in Brazil and in the rest of the world

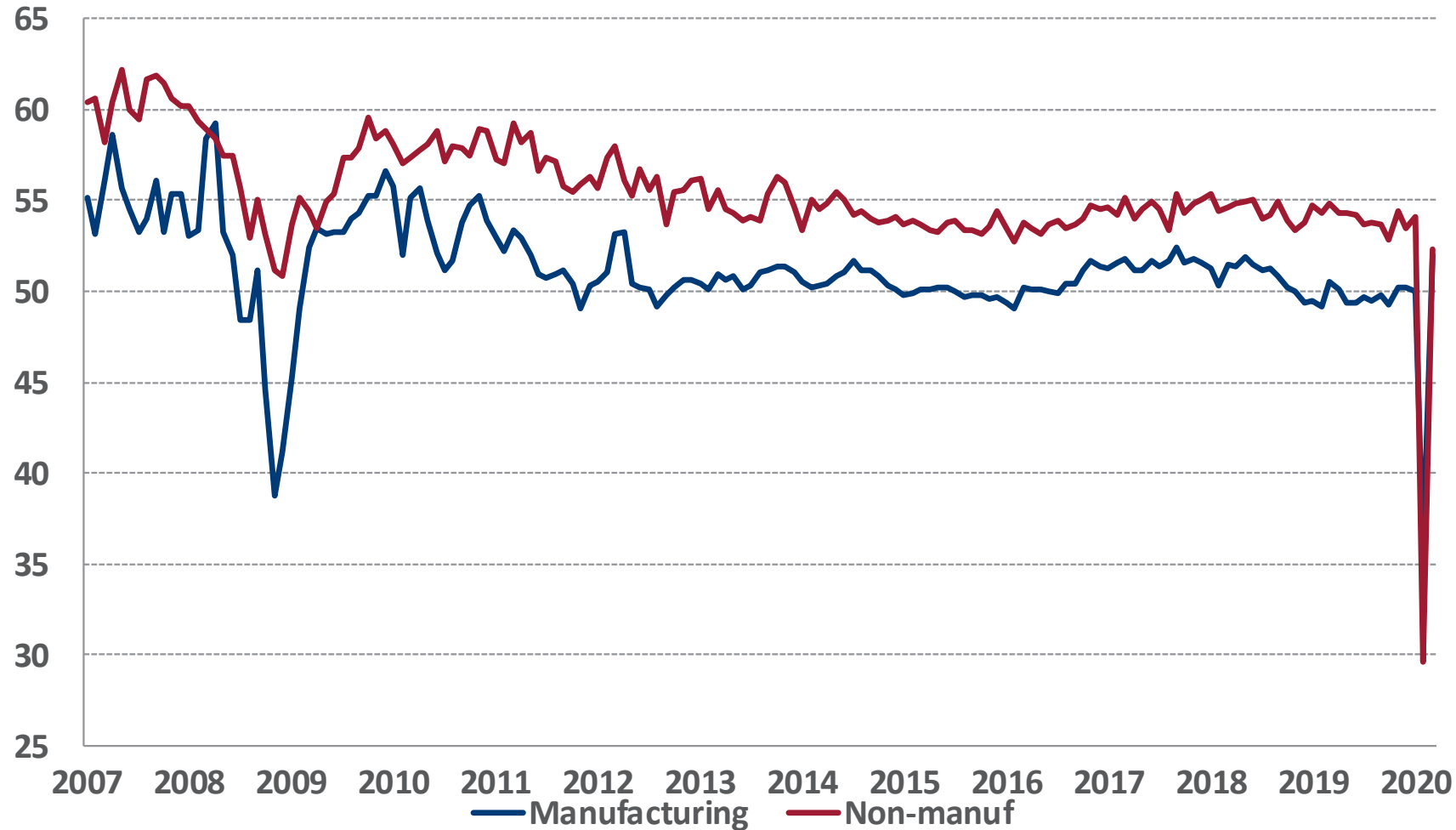
### Number of cases (log scale) - After 100 cases



# Covid-19: China

»» PMIs recover on March, but the Chinese economy will be weighed down by global activity going forward

## China - PMIs



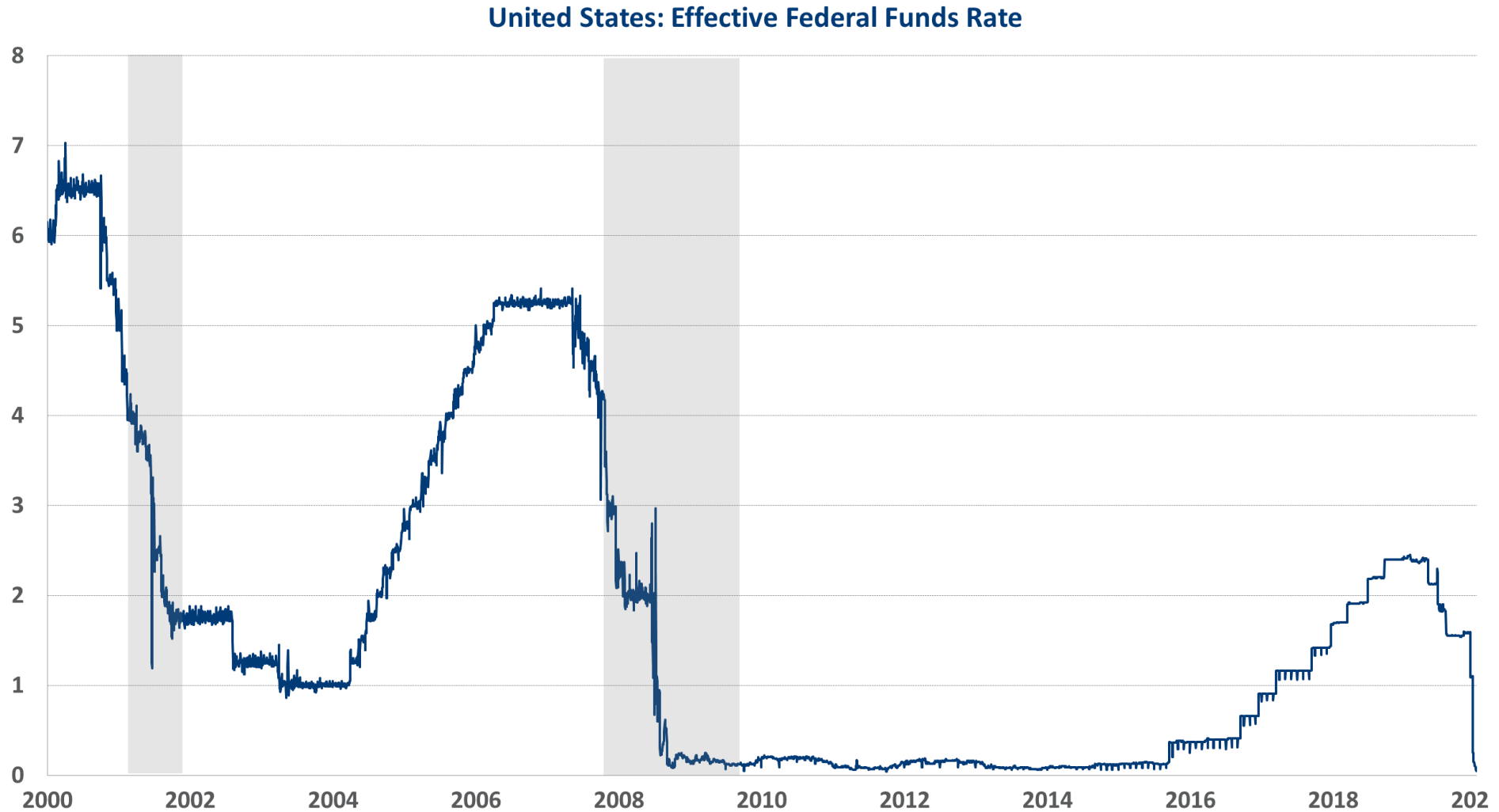
# Covid-19: Global Growth

- » Global growth should be below 2019, reflecting the impact of the epidemic on consumption and production chains



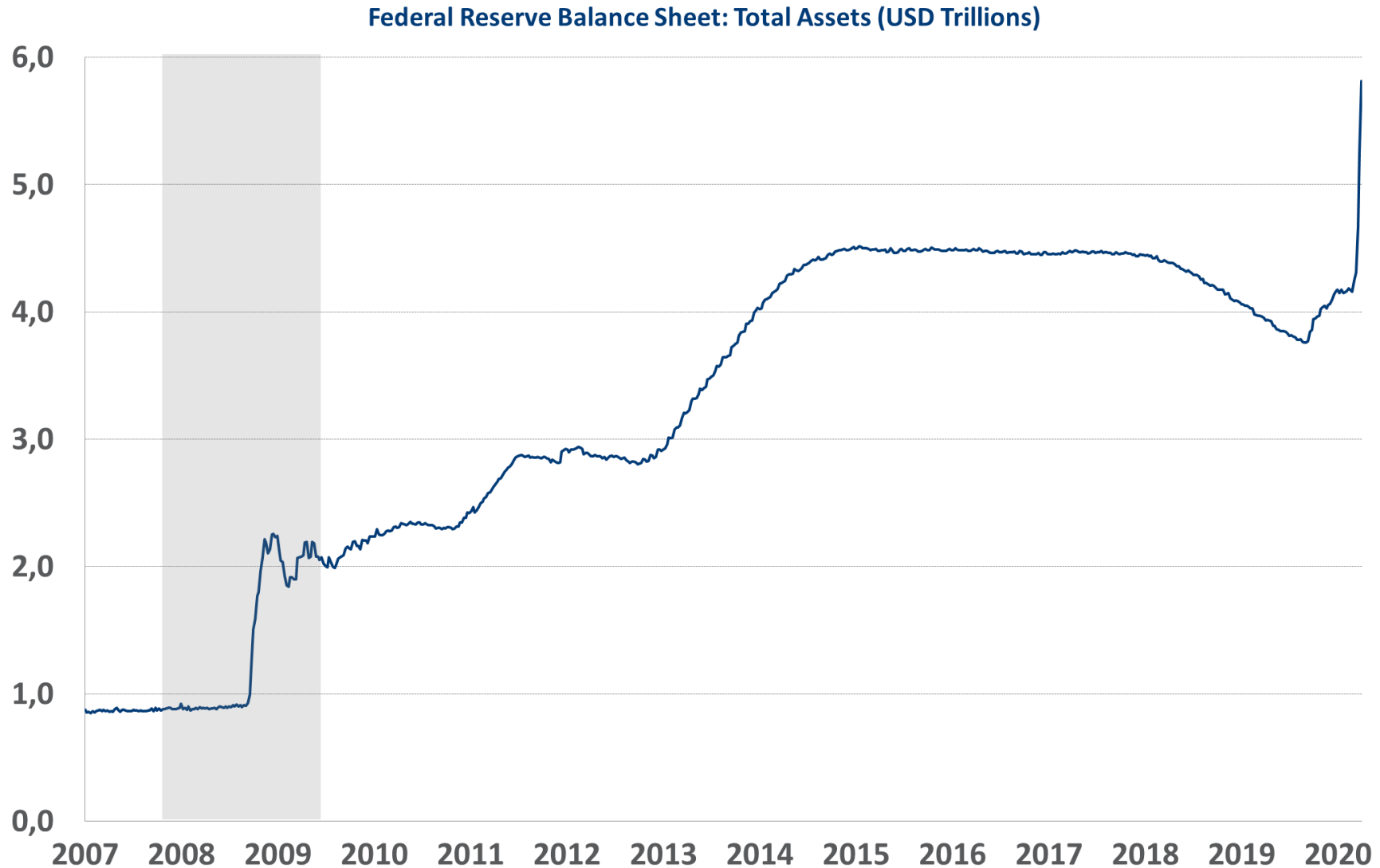
# Covid-19: USA

»» FED cut rates to zero again, and strenghtens asset buying schemes



# Covid-19: USA

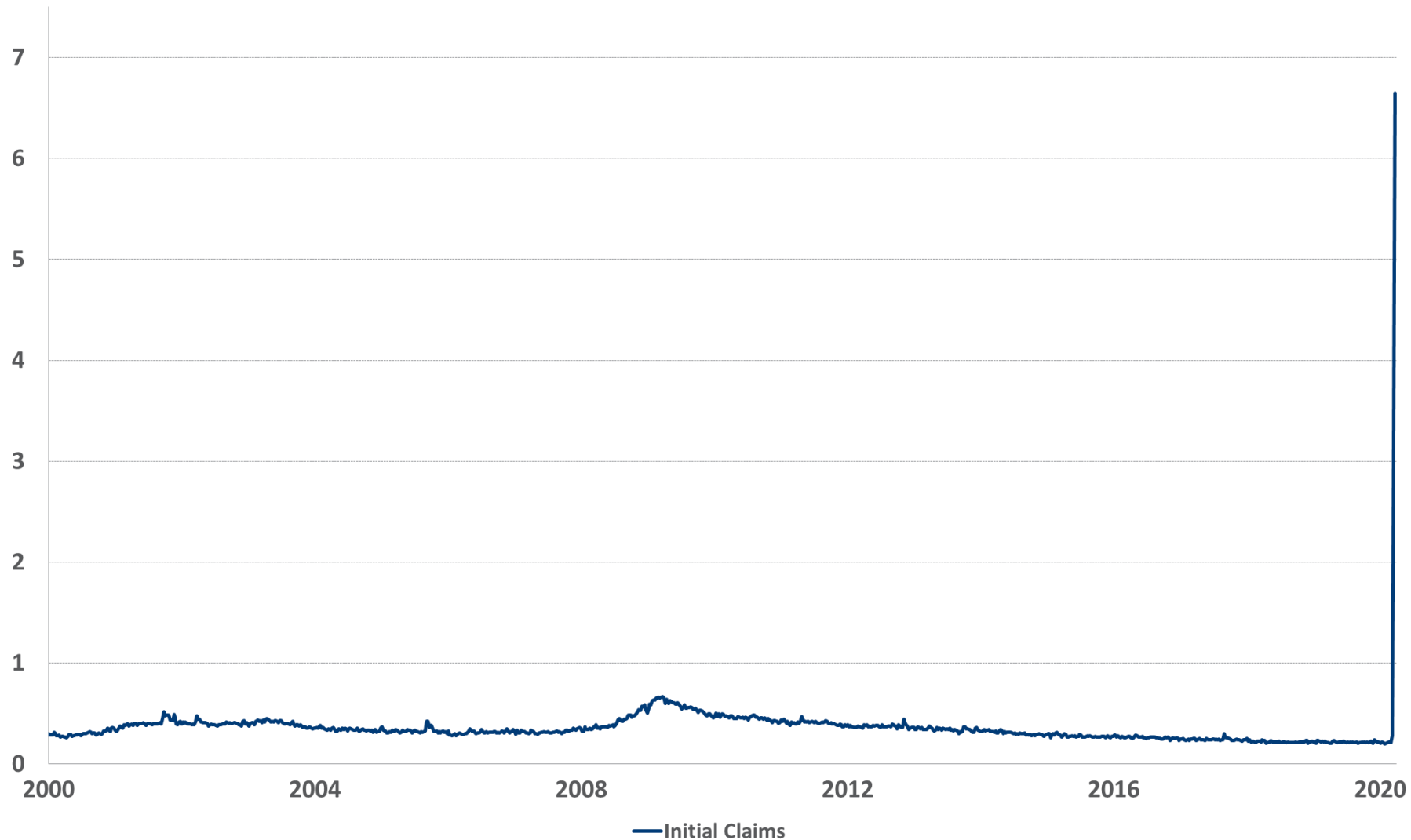
»» FED cut rates to zero again, and strenghtens asset buying schemes



# Covid-19: USA

» But the hit to activity, particularly the job market, is already quite deep

Weekly US Employment Insurance Claims (millions)

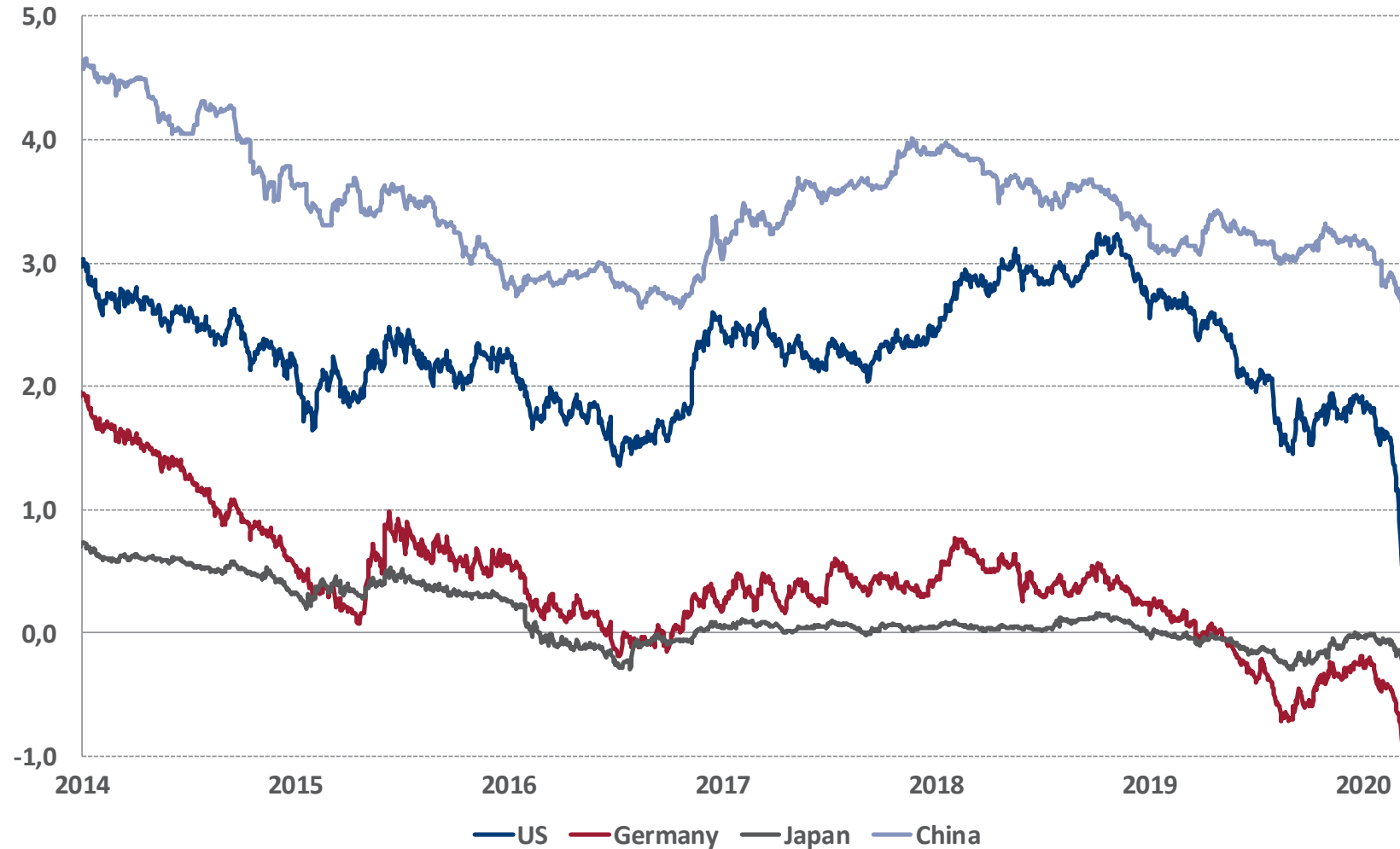




# GLOBAL INTEREST RATES

»» Interest rates will remain at extremely low levels for the coming quarters

### 10 Year Interest Rates



# BRAZIL: FORECASTS

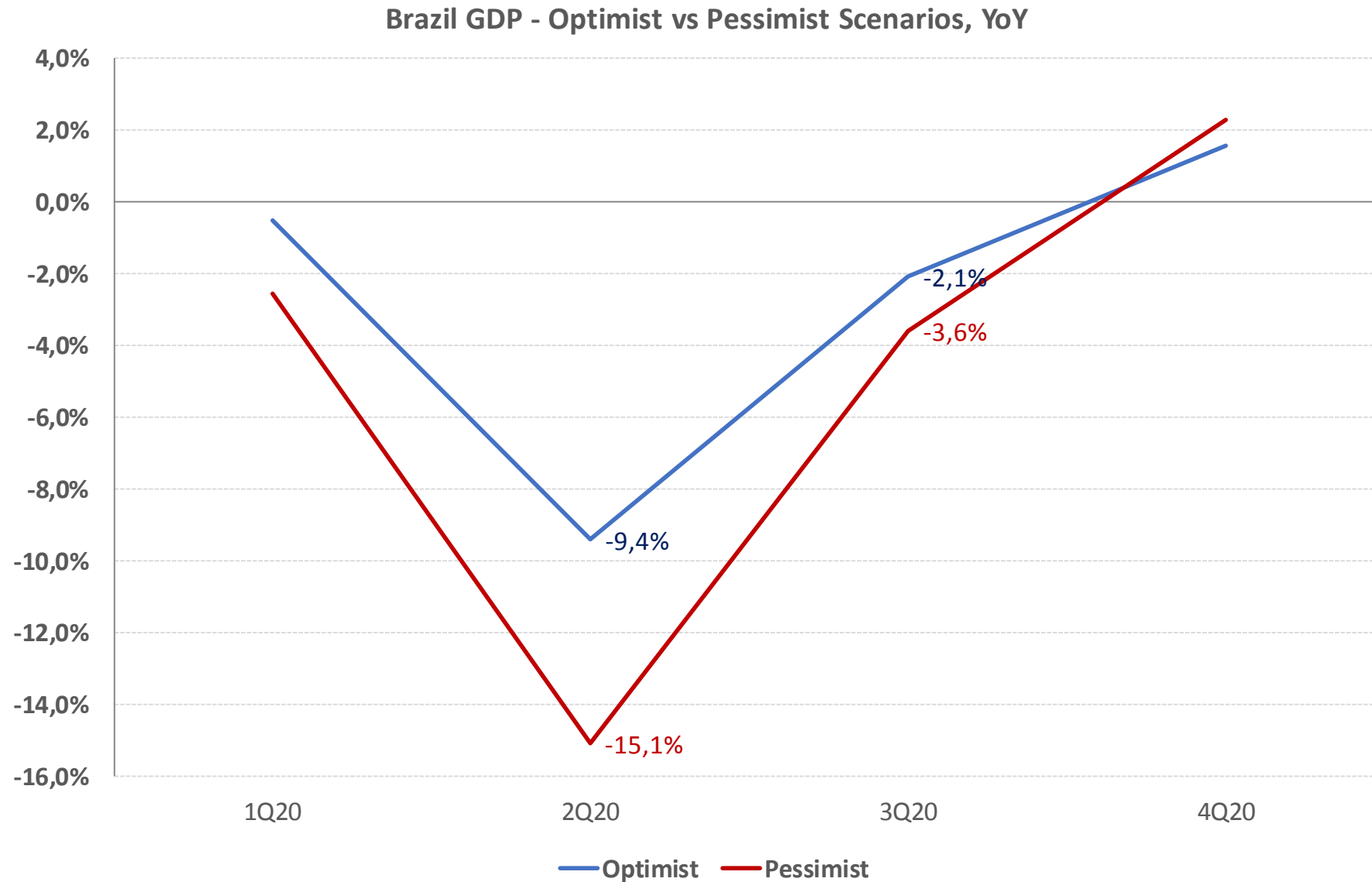
ECONOMIC FORECASTS	2015	2016	2017	2018	2019	2020F	2021F
GDP Growth (%)	-3,5%	-3,3%	1,3%	1,3%	1,1%	-2.6% to -4.7%	4% to 5.2%
Inflation (%)	10,7%	6,3%	2,9%	3,7%	4,3%	1.8% to 2.2%	3.1% to 3.3%
Unemployment Rate, SA (%)	9,6%	12,6%	12,4%	12,2%	11,7%	12% to 13.5%	11.5% to 12.5%
Policy Rate (%)	14,3%	13,8%	7,0%	6,5%	4,5%	3,3%	5,0%
<b>External Accounts</b>							
Trade Balance (US\$ bn)	20	48	67	53	39	33 to 40	40 to 46
Current Account Balance (US\$ bn)	-59	-23	-10	-42	-51	-40 to -45	-45 to -50
Current Account Balance (% of GDP)	-3,3%	-1,3%	-0,7%	-2,2%	-2,8%	-2,2% to -2,7%	-2,2 to -2,5%
<b>Fiscal Policy</b>							
Fiscal Primary Balance (% of GDP)	-1,9%	-2,5%	-1,8%	-1,6%	-0,9%	-6.5% to -7.5%	-1.5% to -2.5%
Government Gross Debt (% of GDP)	66,2%	69,4%	73,7%	77,2%	75,9%	83% to 86%	82% to 85%

# Brazil: Growth scenarios

- » **Optimistic Scenario:** Lockdowns end in April; negative impacts on May and June, moderate recovery in Q3
- » **Pessimistic Scenario:** Lockdowns extended until June, with negative effects on demand ongoing over Q3

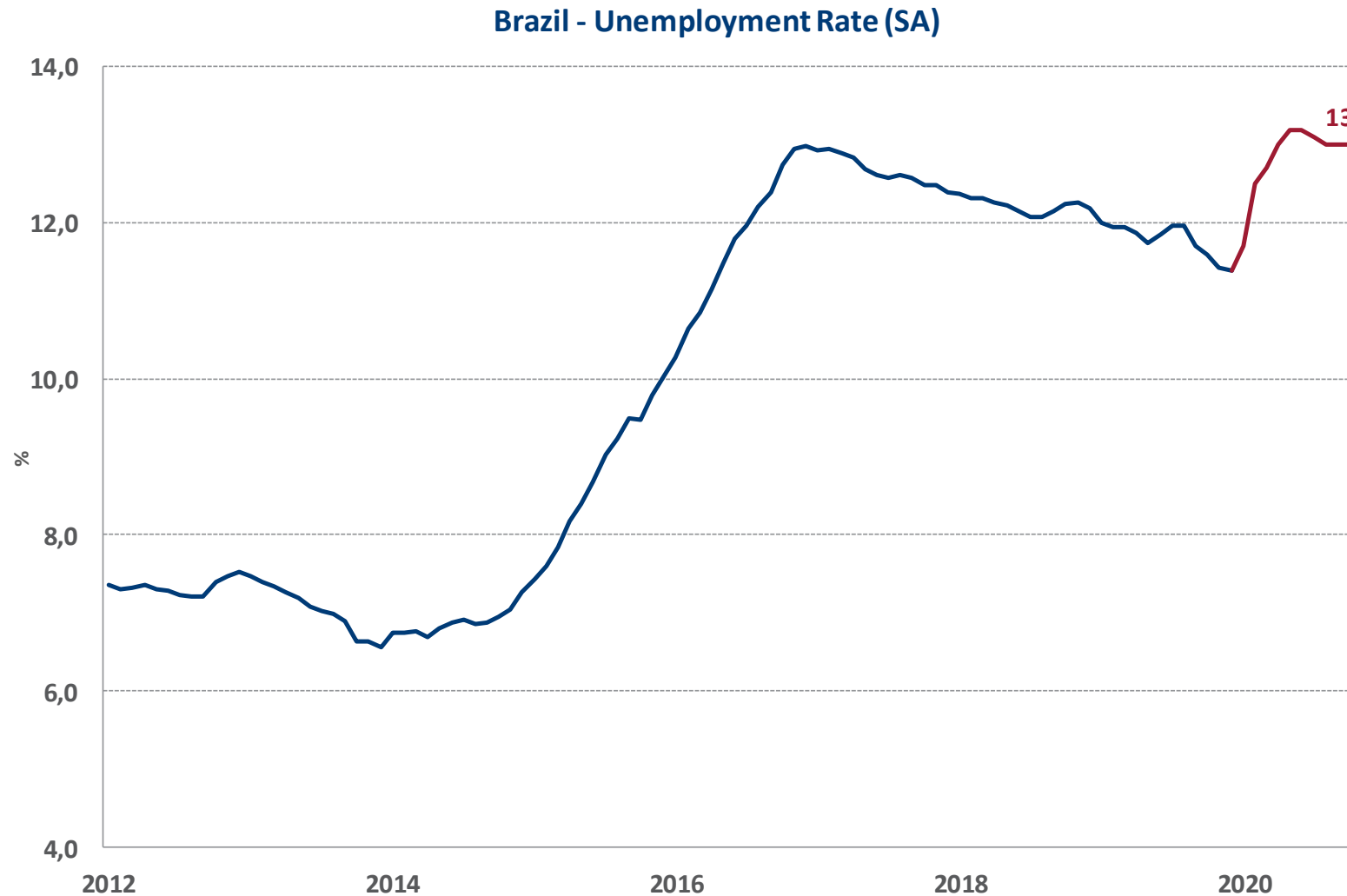
<i>2020 growth</i>	<b>Optimistic</b>	<b>Pessimistic</b>
<b>Agriculture</b>	-1,5%	-1,7%
<b>Industry</b>	-3,7%	-4,0%
<b>Services</b>	-1,5%	-4,8%
<b>GDP</b>	-2,6%	-4,7%

# Brazil: Growth scenarios



# BRAZIL: LABOR MARKET

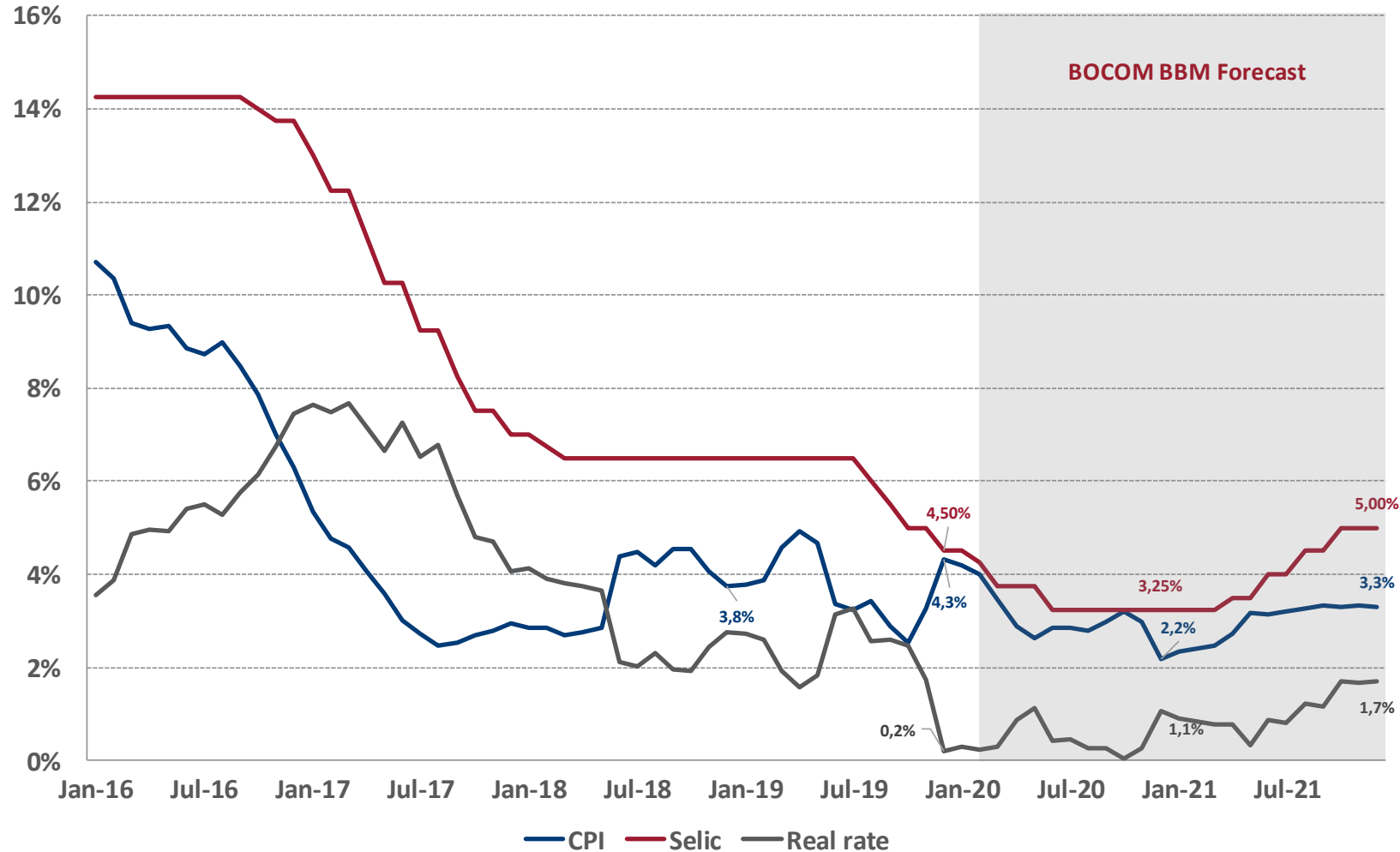
» Unemployment rate will go up



# BRAZIL: MONETARY POLICY

» Selic rate will probably be cut to 3.25%, where we expect it to remain till yearend

CPI, Selic rate and Real ex-post interest rate



# BRAZIL: INFLATION

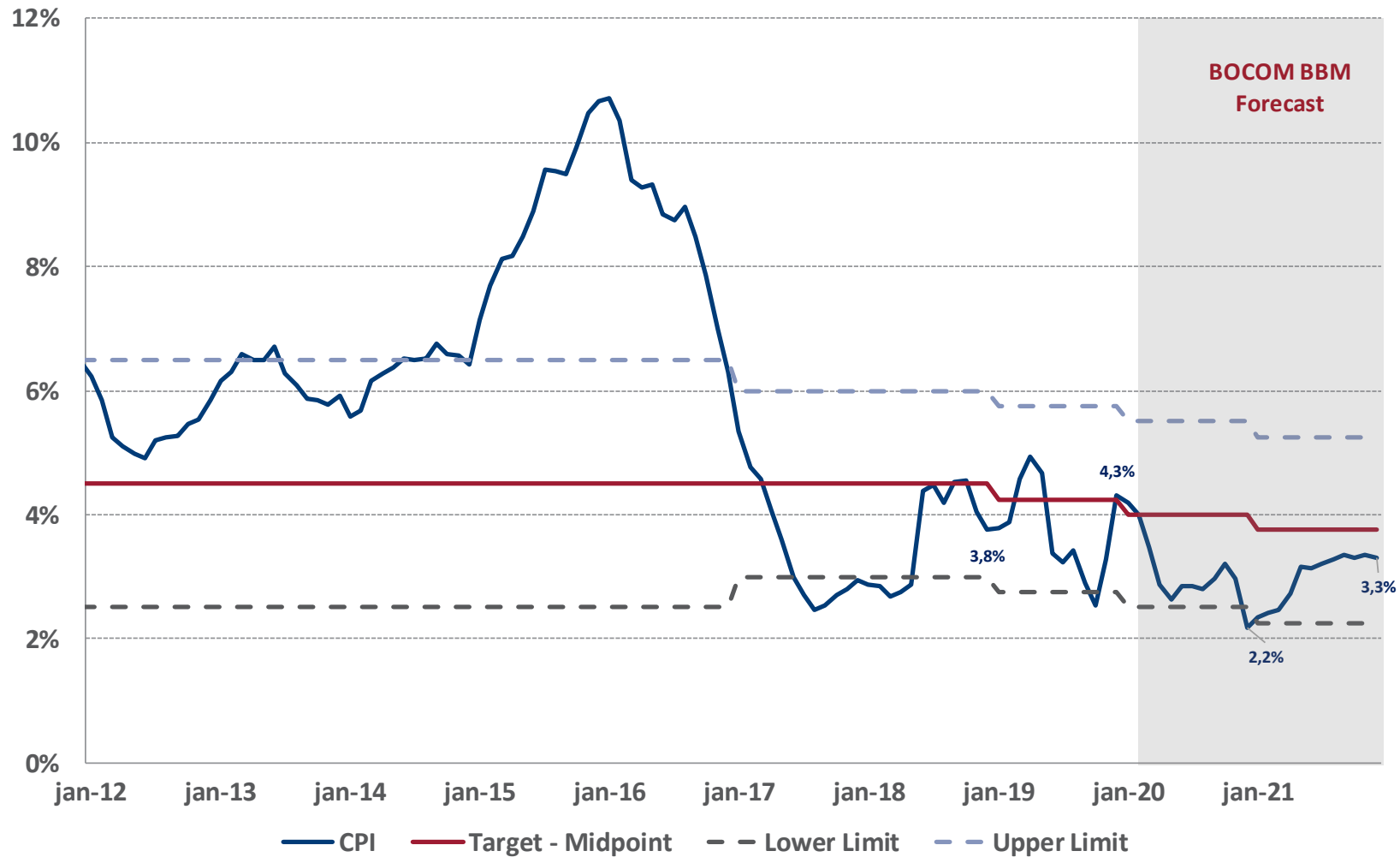
»» Falling gasoline prices will help to keep inflation low

Baseline Scenario							
EOY USD/BRL: 4,75 in 2020, 4,25 in 2021							
GDP Growth: -0,7% in 2020, 4,6% in 2021							
Potential GDP growth: 1,5% in 2020 and 1,5% in 2021							
	IPCA	Administred	Non-Regulated	Services	Food-at-Home	Industrial Products	Output-Gap
19 Q1	4,6%	6,3%	4,0%	3,6%	8,7%	1,4%	-2,4%
19 Q2	3,4%	3,7%	3,2%	4,0%	4,1%	1,5%	-2,0%
19 Q3	2,9%	2,9%	2,9%	3,6%	3,8%	1,2%	-1,6%
<b>19 Q4</b>	4,3%	5,5%	3,9%	3,5%	7,8%	1,7%	-1,2%
<b>20 Q1</b>	3,4%	4,5%	3,0%	3,0%	5,4%	1,7%	-1,6%
20 Q2	2,8%	0,3%	3,6%	3,0%	8,3%	1,9%	-3,2%
20 Q3	2,9%	0,1%	3,9%	3,2%	9,0%	1,8%	-3,7%
<b>20 Q4</b>	2,1%	-0,1%	2,9%	3,0%	4,7%	1,7%	-3,5%
21 Q1	2,5%	0,6%	3,1%	3,7%	4,3%	1,4%	-3,0%
21 Q2	3,1%	3,8%	2,9%	4,0%	3,1%	1,0%	-1,6%
21 Q3	3,3%	4,3%	3,0%	4,1%	3,5%	1,0%	-0,7%
<b>21 Q4</b>	3,3%	3,5%	3,3%	4,4%	4,2%	0,8%	-0,4%

# BRAZIL: INFLATION

» Inflation should remain contained and below the target midpoint

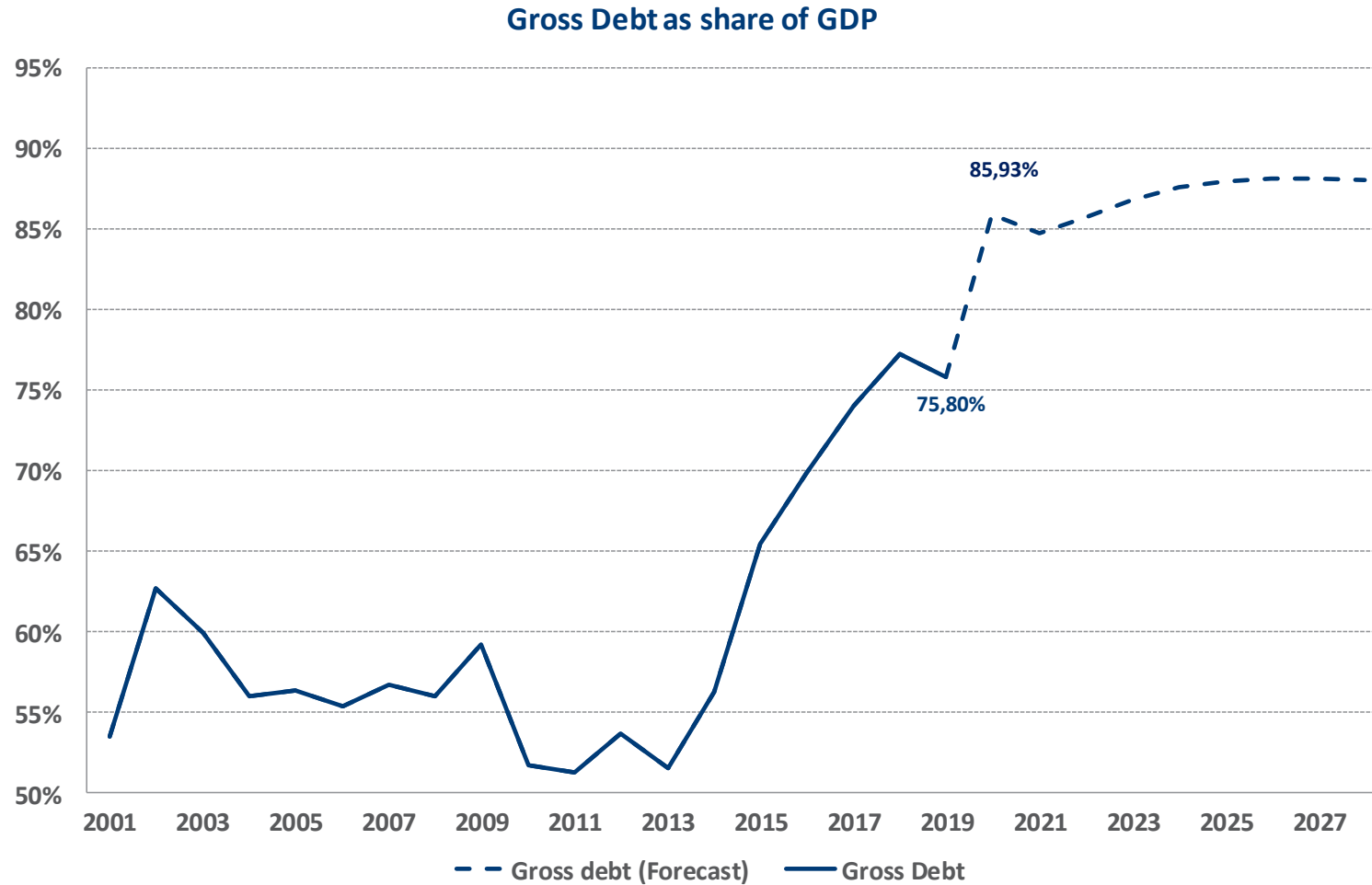
### CPI and Inflation Targets





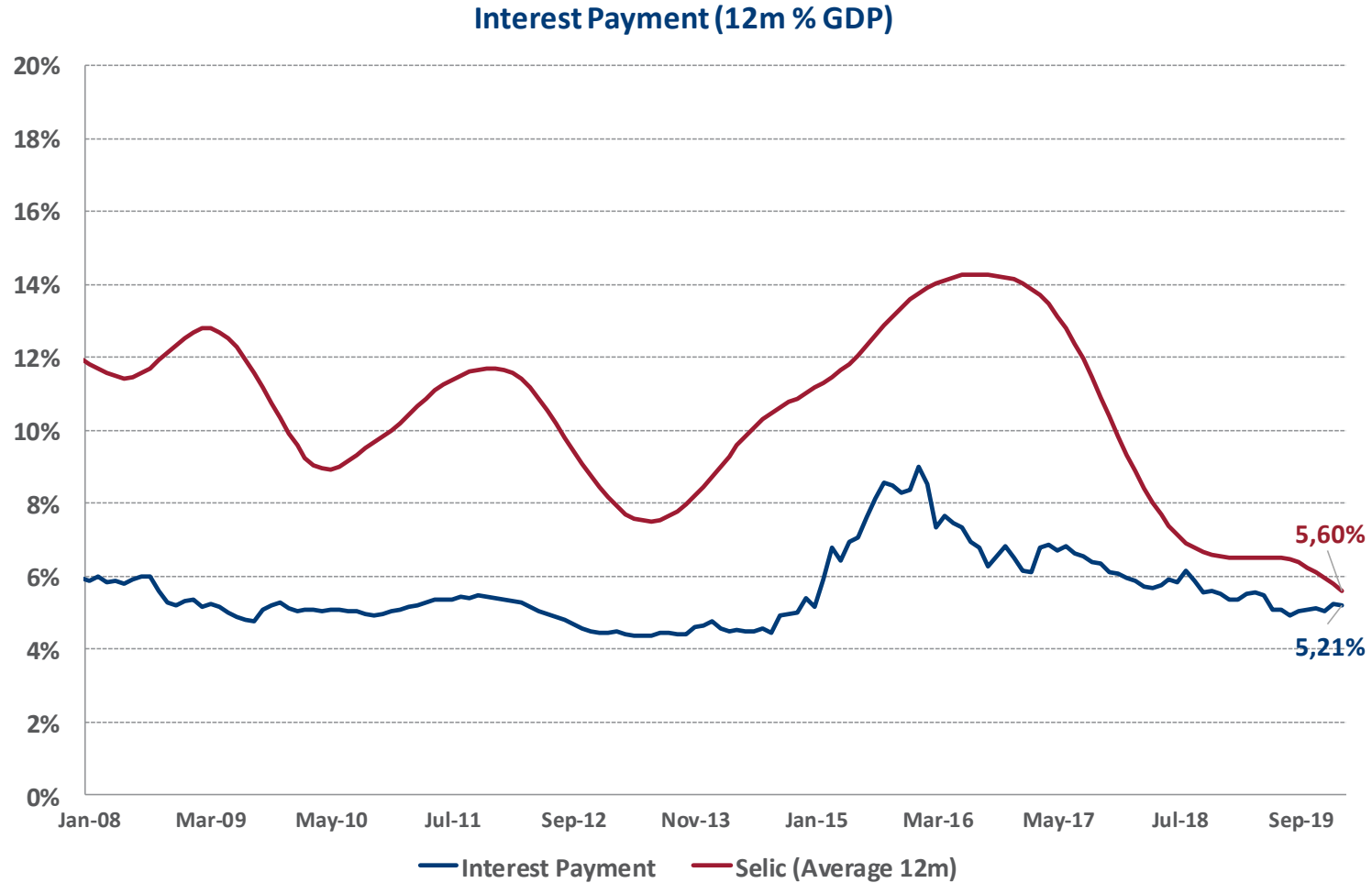
# BRAZIL: DEBT DYNAMICS

- » Fiscal measure to mitigate economic fallout will induce a sharp rise in Debt/GDP ratio
- » It is essential to keep the fiscal deterioration contained to 2020



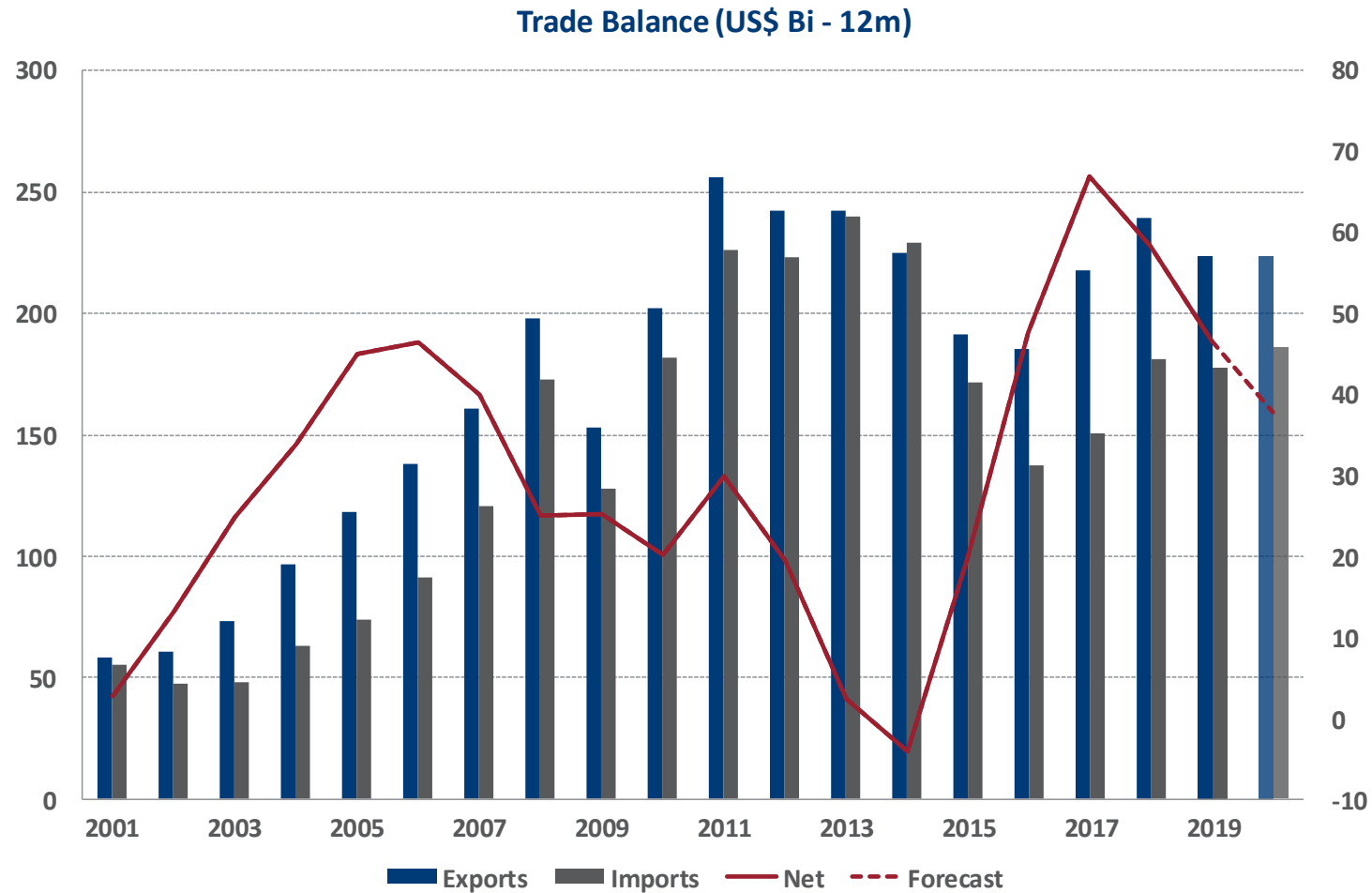
# BRAZIL: DEBT DYNAMICS

»» Decline in interest rates is an important source of improvement to debt dynamics



# BRAZIL: TRADE

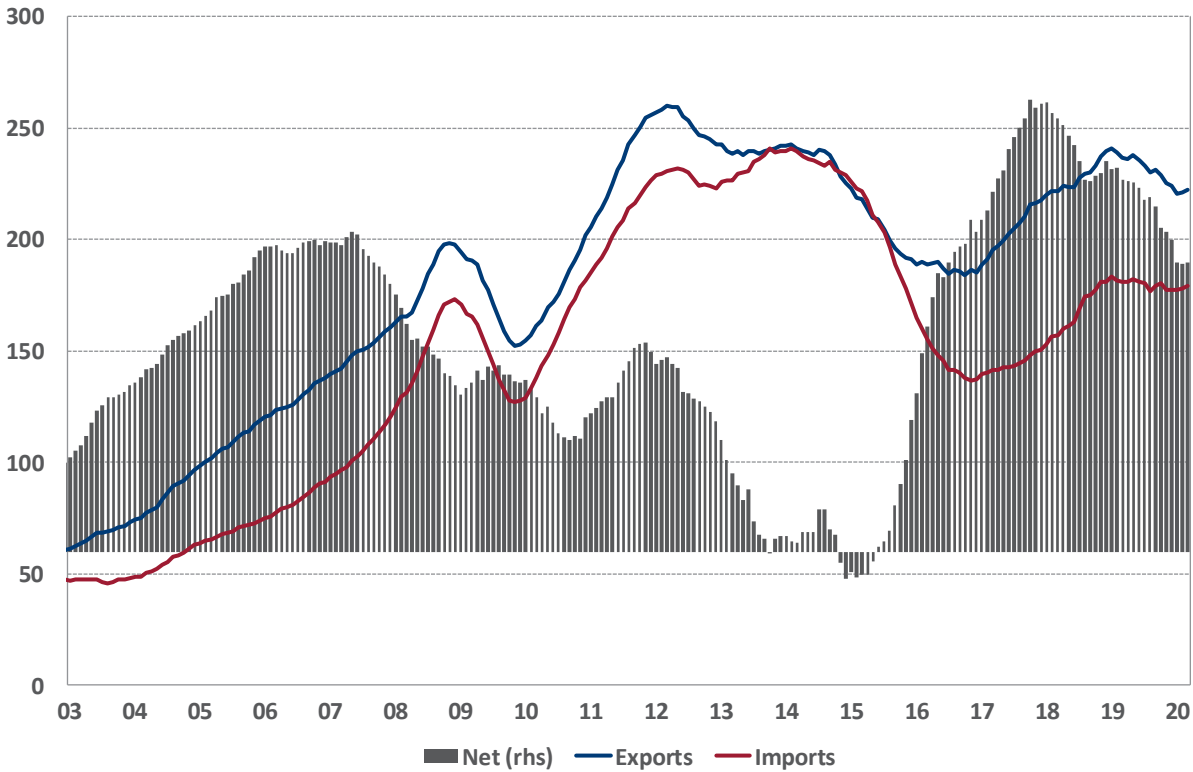
» Trade balance will should continue to feel the negative impacts from decelerating trade partners



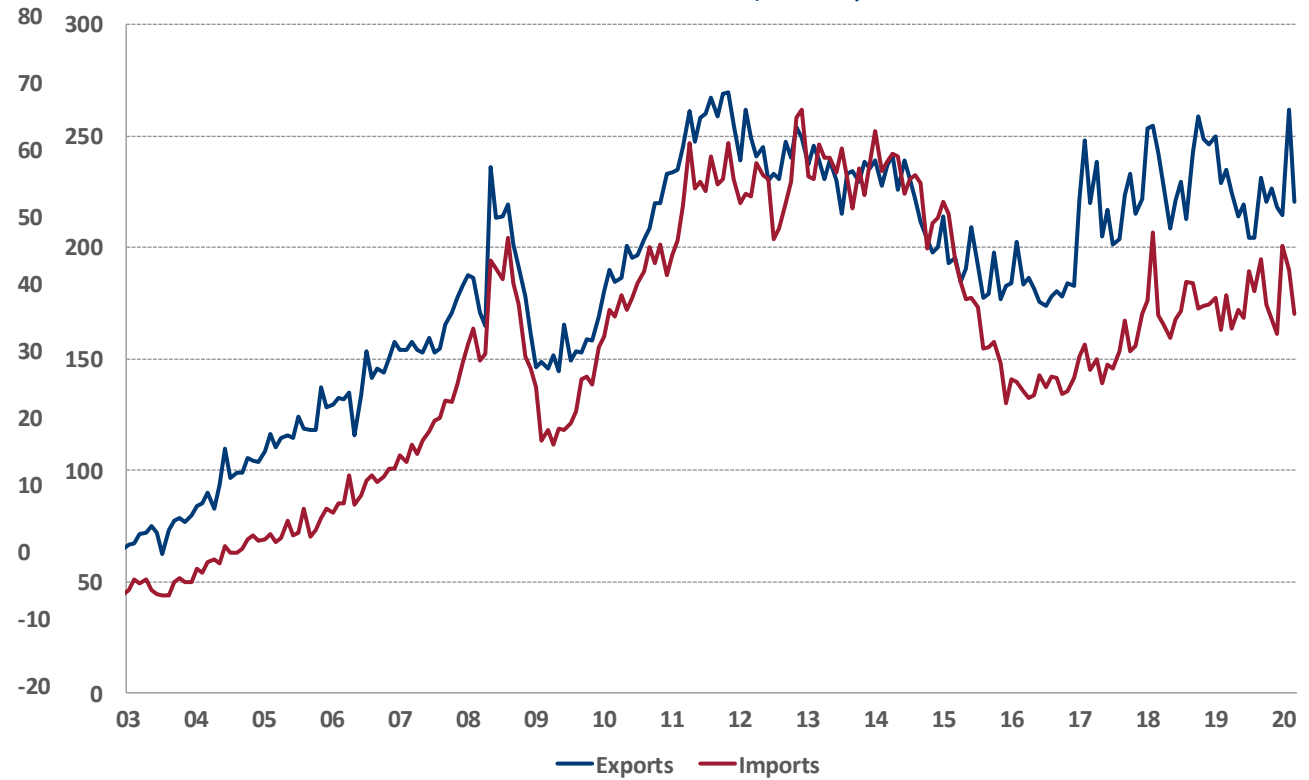
# BRAZIL: Trade Balance

»» Decrease in commodity prices and demand could press down trade surplus

Trade Balance - US\$ Billion in 12m



Brazil: Trade Balance - US\$ Billion, SAA



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