



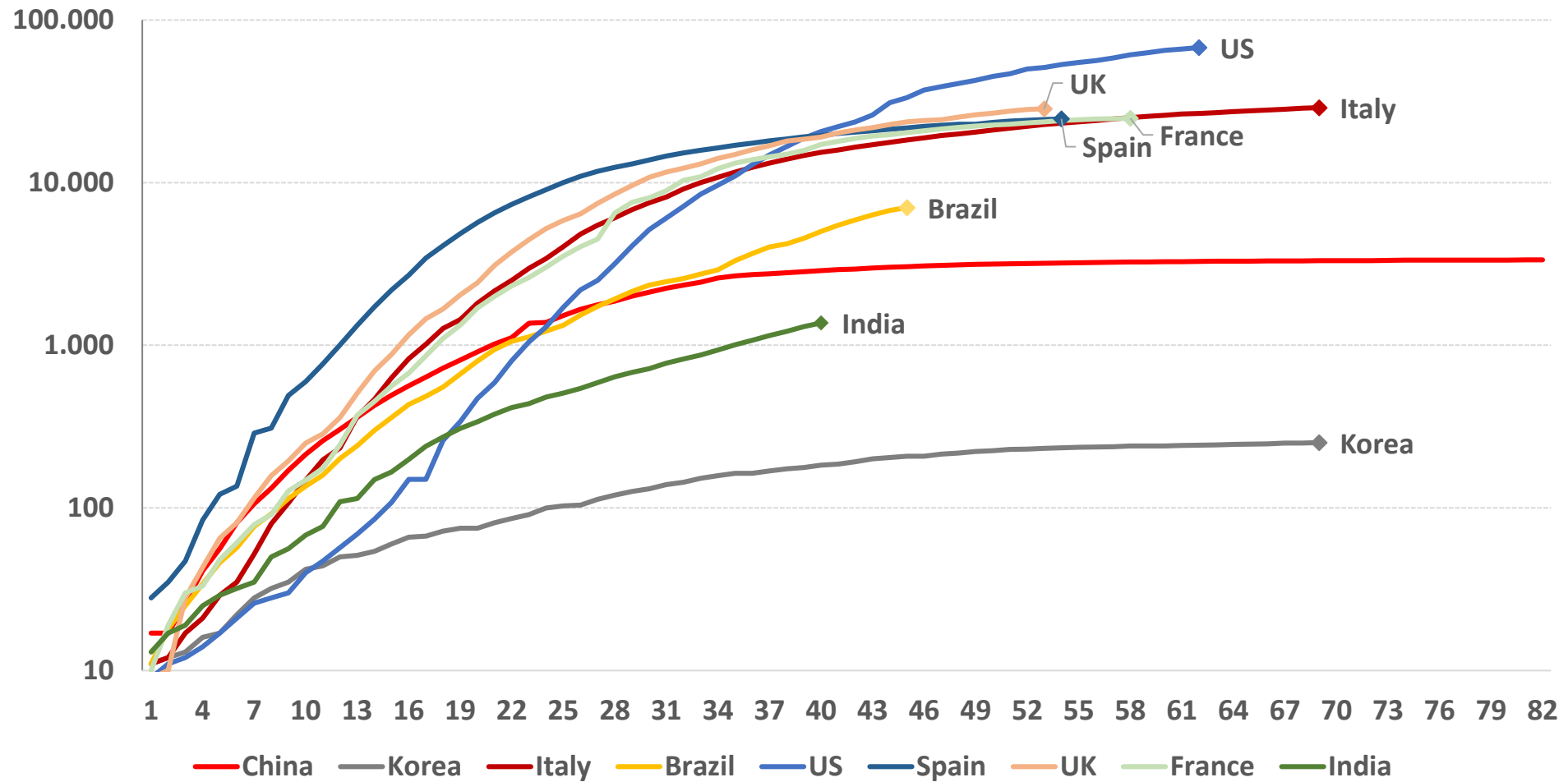
## MACRO OUTLOOK

Fernanda Guardado  
Chief-Economist

- »» The world economy converges to a recession; growth forecasts continue to be revised downwards
- »» Chinese economy shows signs of recovery, but will be weighed down by global activity going forward
- »» Governments extend fiscal expansions to reduce economic costs of the pandemic
- »» Brazil: We have revised our forecast for growth to a -3.1% to -5.0% range, scenario will be determined by the extent of social distancing policies
- »» Interest rates will remain low, in a scenario of recovery will controlled inflation

## » Epidemic advances in Brazil

### Number of deaths (log scale) - After 10 deaths



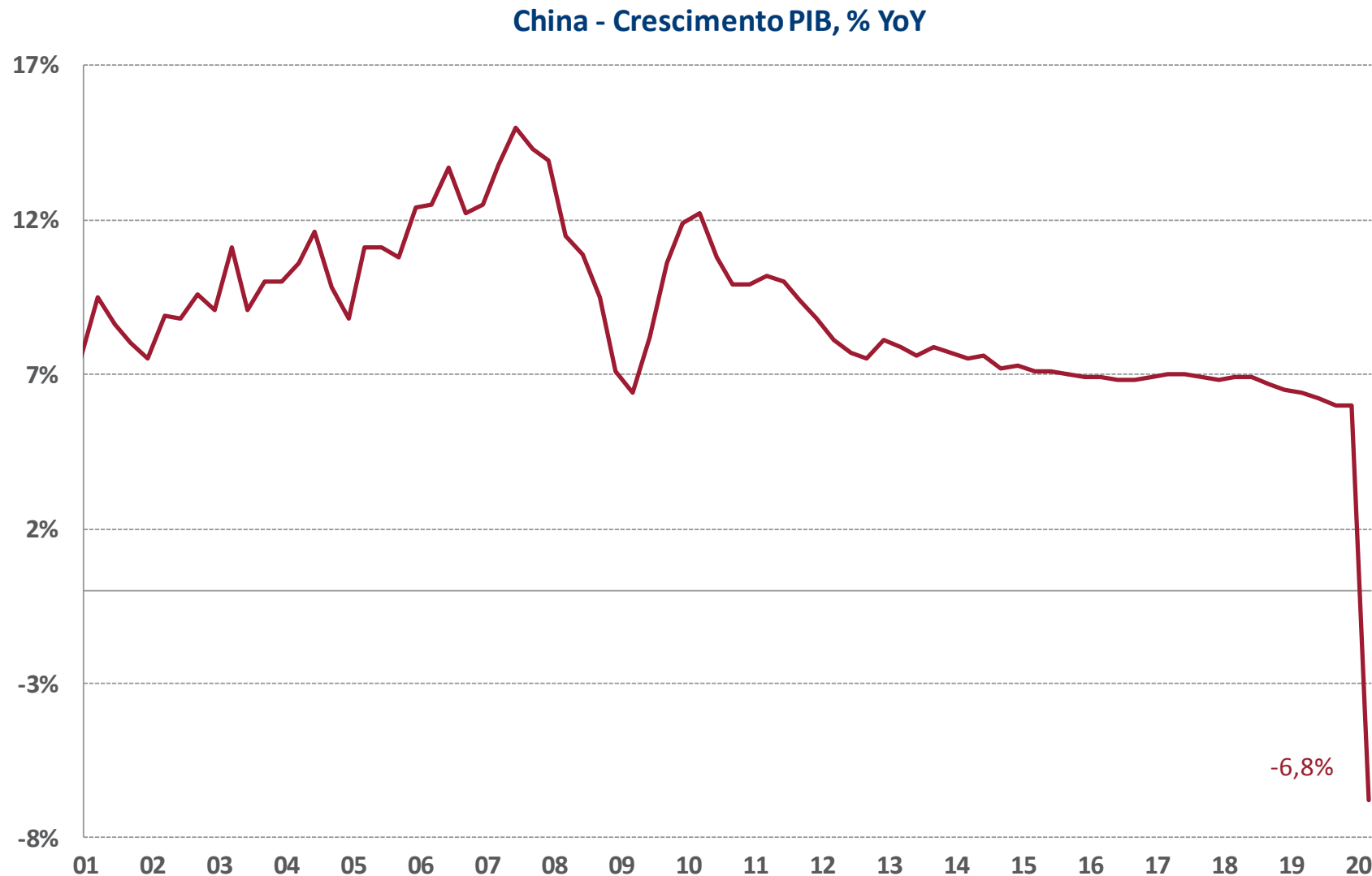
# Covid-19: Global Growth

»» Global economy enters a recession



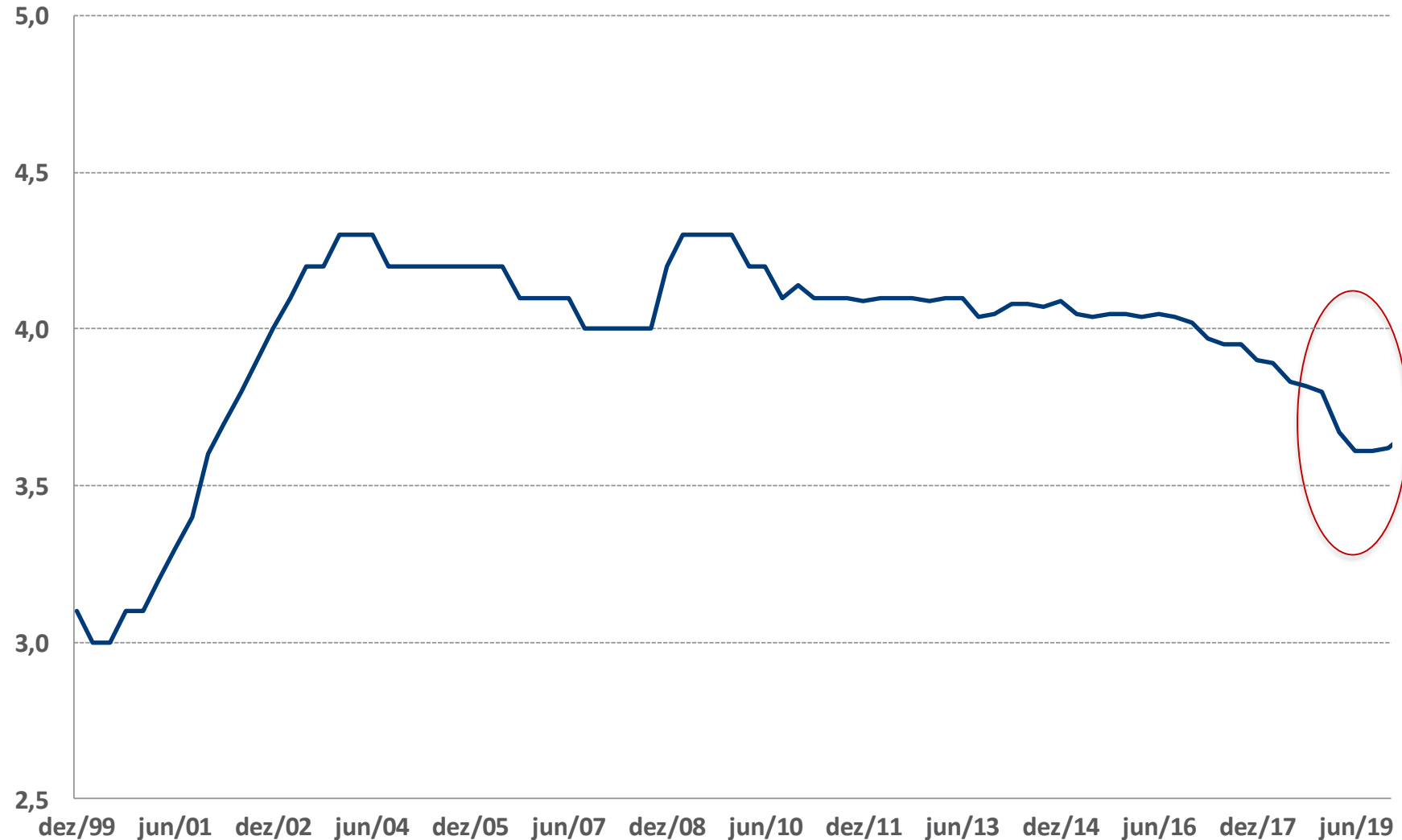
# Covid-19: China

- » Chinese economy decreases 6.8% in the first quarter, compared with same period in 2019, under the negative impacts of the epidemic

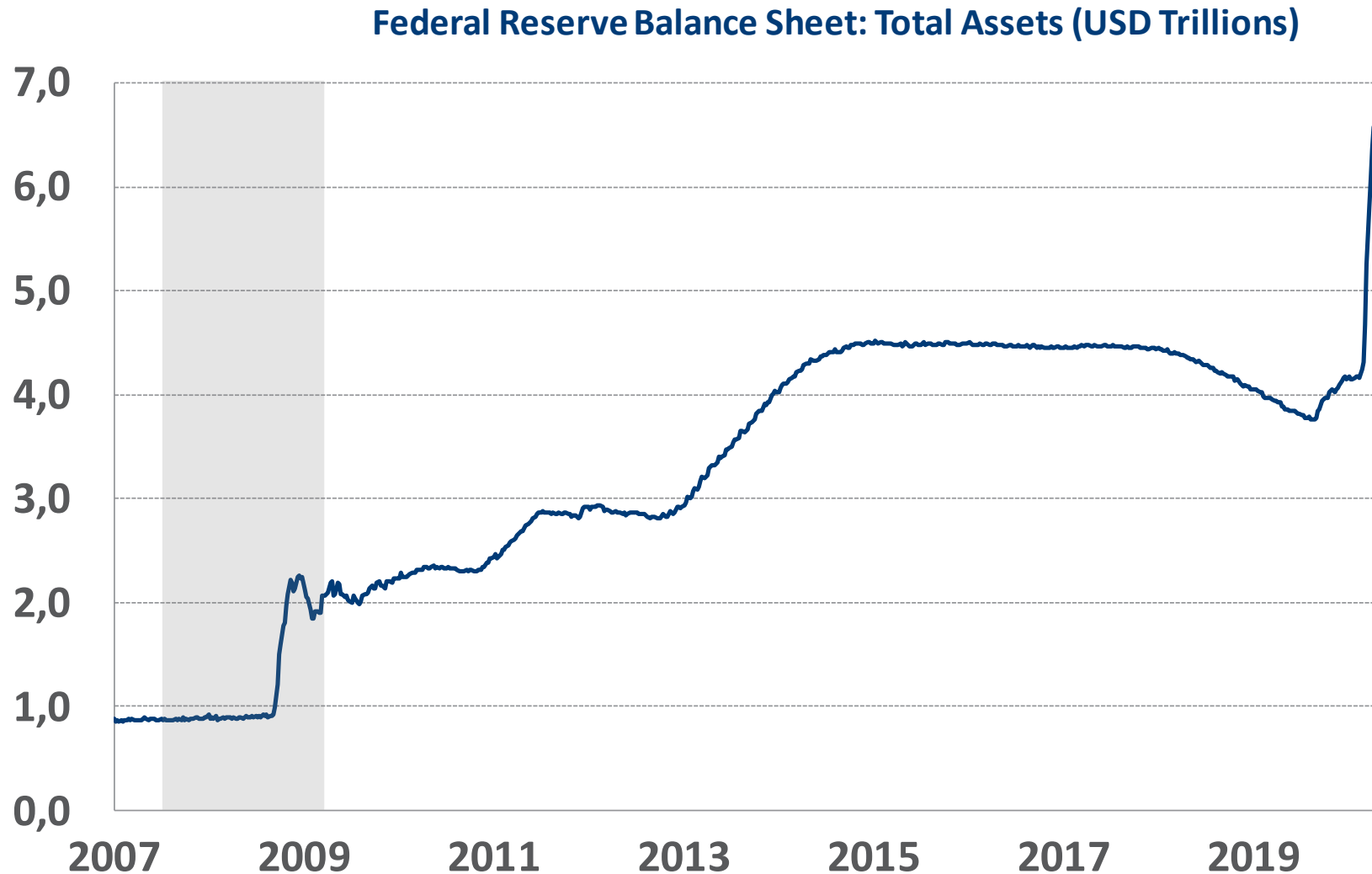


»» Unemployment rates show increase, foreshadowing even more stimulus to contain economic damage

### China - Registered Unemployment Rate



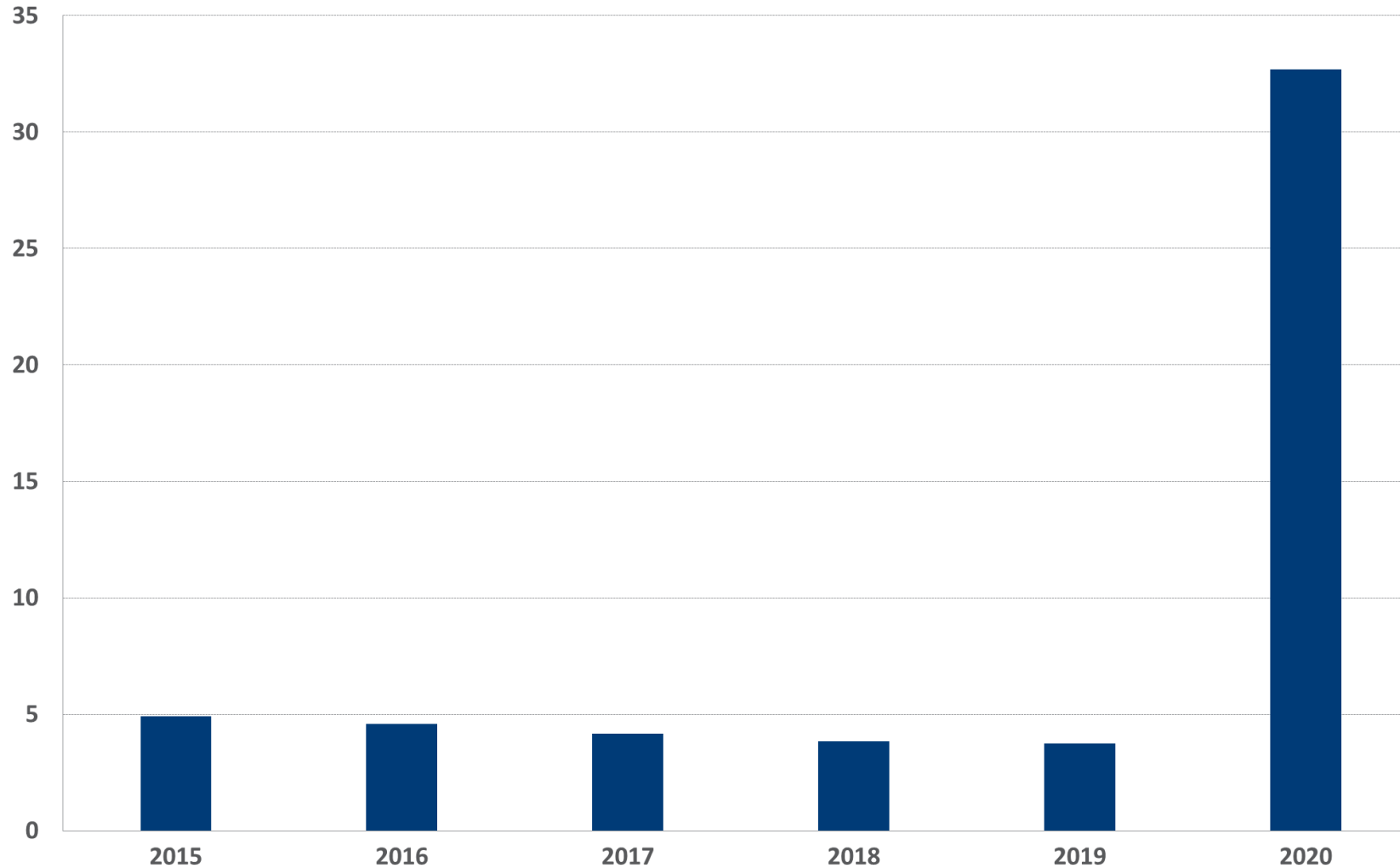
»» FED's asset buying surpasses pace of 2008-09



# Covid-19: USA

- »» Jobless claims surpass 30 million since start of crisis, unemployment rate should show increase of over 10 bps in April

Unemployment Insurance Initial Claims: Accumulated Jan-Apr (US, millions)

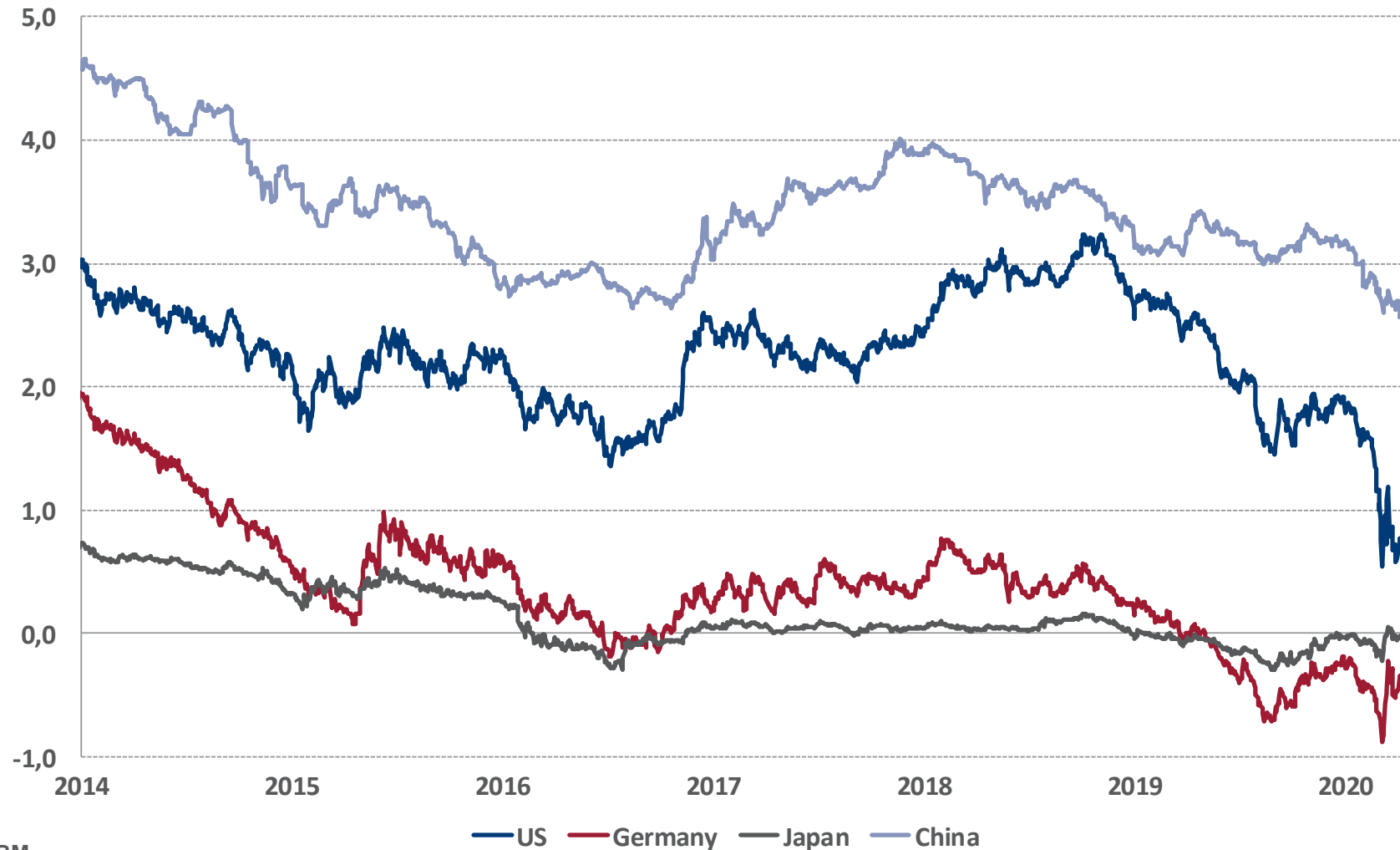




# GLOBAL INTEREST RATES

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

### 10 Year Interest Rates



# BRAZIL: FORECASTS

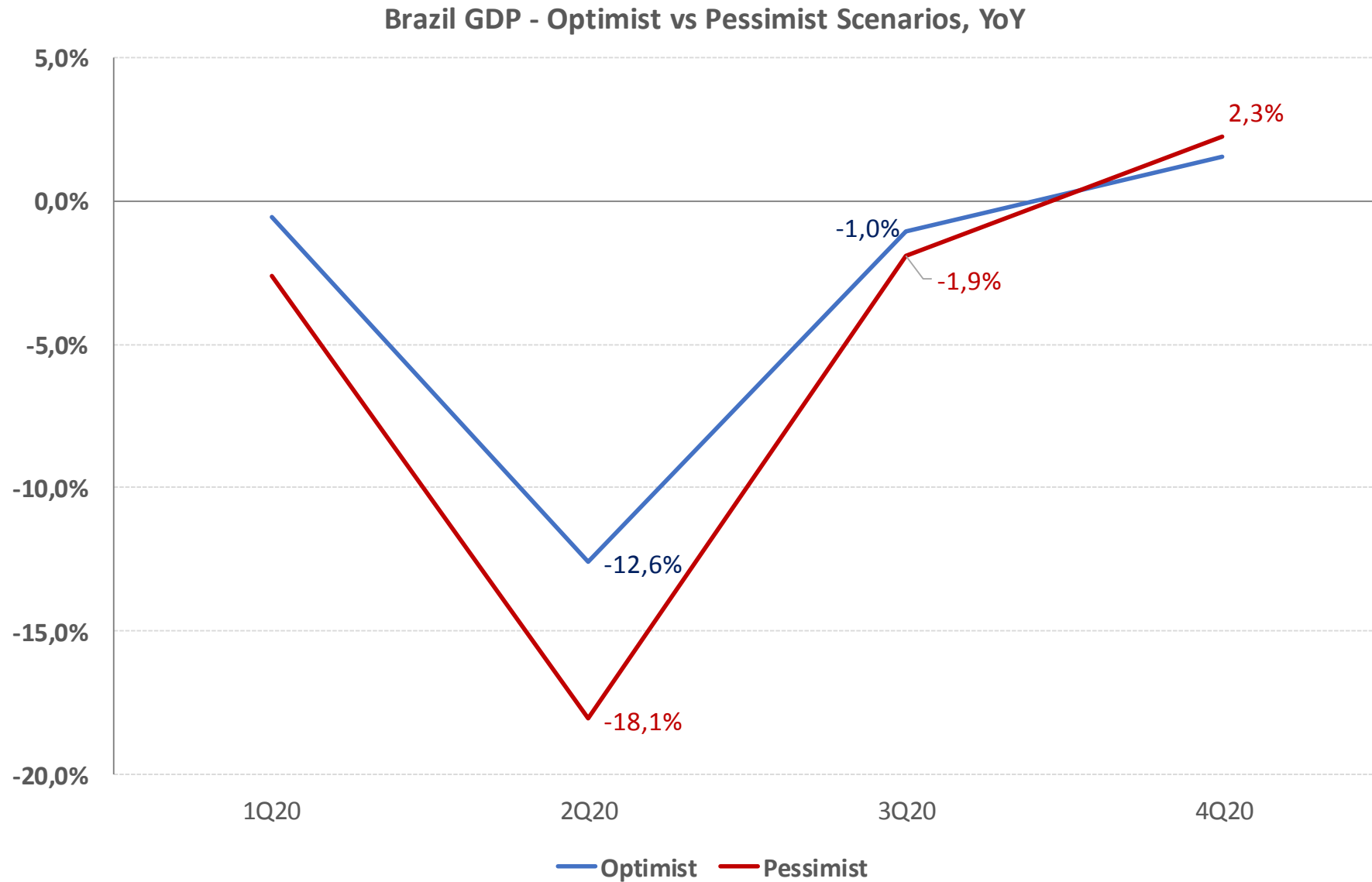
ECONOMIC FORECASTS	2016	2017	2018	2019	2020F	2021F
GDP Growth (%)	-3,3%	1,3%	1,3%	1,1%	-3.1% to -5%	3.7% to 4.8%
Inflation (%)	6,3%	2,9%	3,7%	4,3%	1.5% to 2%	2.5% to 3%
Unemployment Rate, SA (%)	12,6%	12,4%	12,2%	11,7%	12.2% to 13.7%	11.5% to 12.5%
Policy Rate (%)	13,8%	7,0%	6,5%	4,5%	3,25%	5,0%
<b>External Accounts</b>						
Trade Balance (US\$ bn)	48	67	53	39	41 to 47	42 to 47
Current Account Balance (US\$ bn)	-23	-10	-42	-51	-40 to -47	-45 to -52
Current Account Balance (% of GDP)	-1,3%	-0,7%	-2,2%	-2,8%	-1.8% to -2.3%	-2.2 to -2.5%
<b>Fiscal Policy</b>						
Fiscal Primary Balance (% of GDP)	-2,5%	-1,8%	-1,6%	-0,9%	-7.5% to -9.1%	-1.7% to -2.5%
Government Gross Debt (% of GDP)	69,4%	73,7%	77,2%	75,9%	85% to 88%	83% to 85%

# Brazil: Growth scenarios

- » Growth revised downwards; but great uncertainty remains, basically referring to the extent of restriction measures and the duration of the pandemic
- » **Optimistic Scenario:** Lockdowns end in mid-May; negative impacts on demand linger in June, slow recovery starting Q3
- » **Pessimistic Scenario:** Lockdowns extended until June, with greater negative effects on Q3 demand

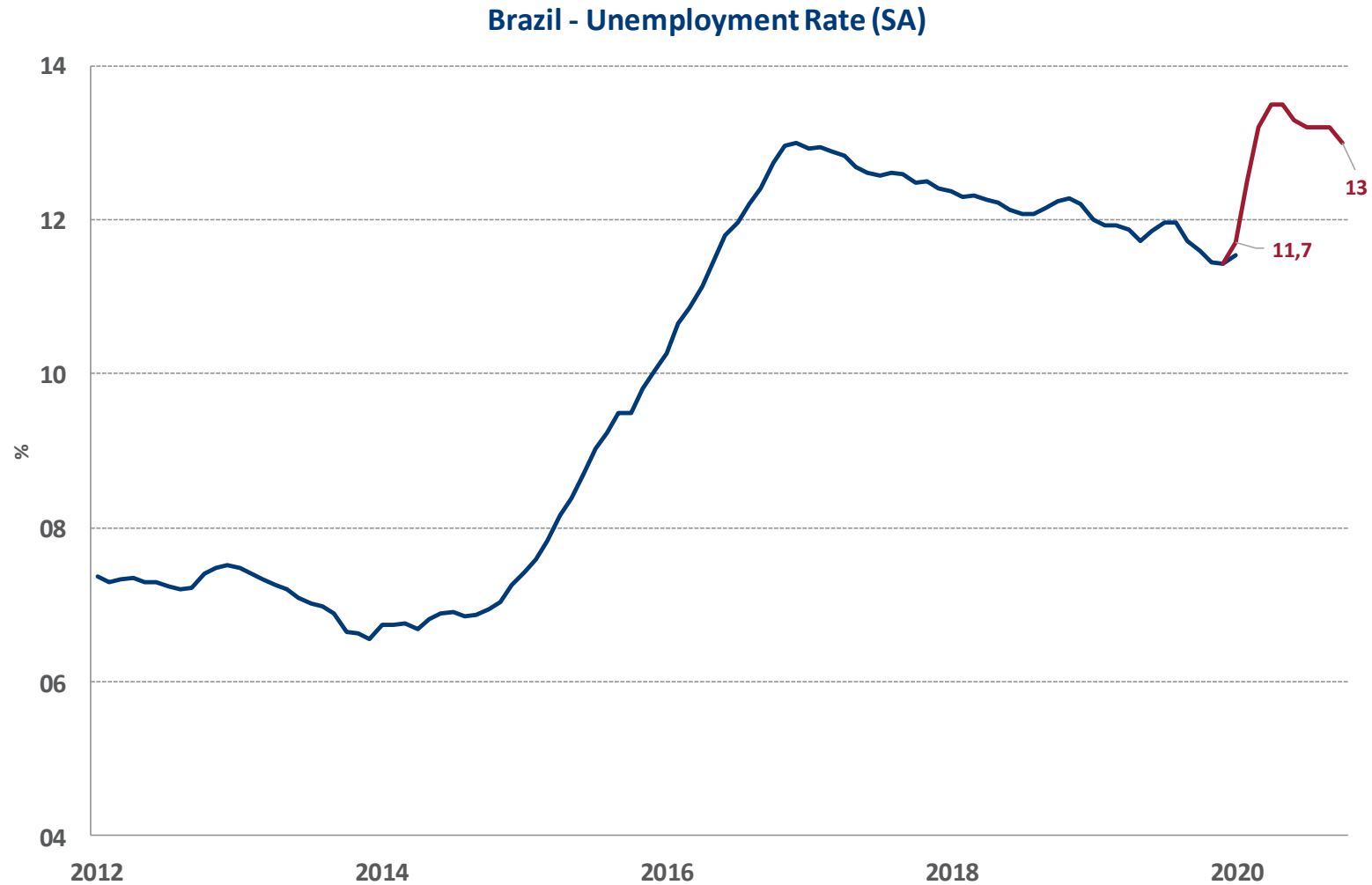
<i>2020 growth</i>	<b>Optimistic</b>	<b>Pessimistic</b>
<b>Agriculture</b>	1,0%	0,8%
<b>Industry</b>	-3,8%	-4,3%
<b>Services</b>	-2,7%	-5,4%
<b>GDP</b>	-3,1%	-5,0%

# Brazil: Growth scenarios



# BRAZIL: LABOR MARKET

» Unemployment rate will go up, but revert part of increase throughout the last quarter



# BRAZIL: INFLATION

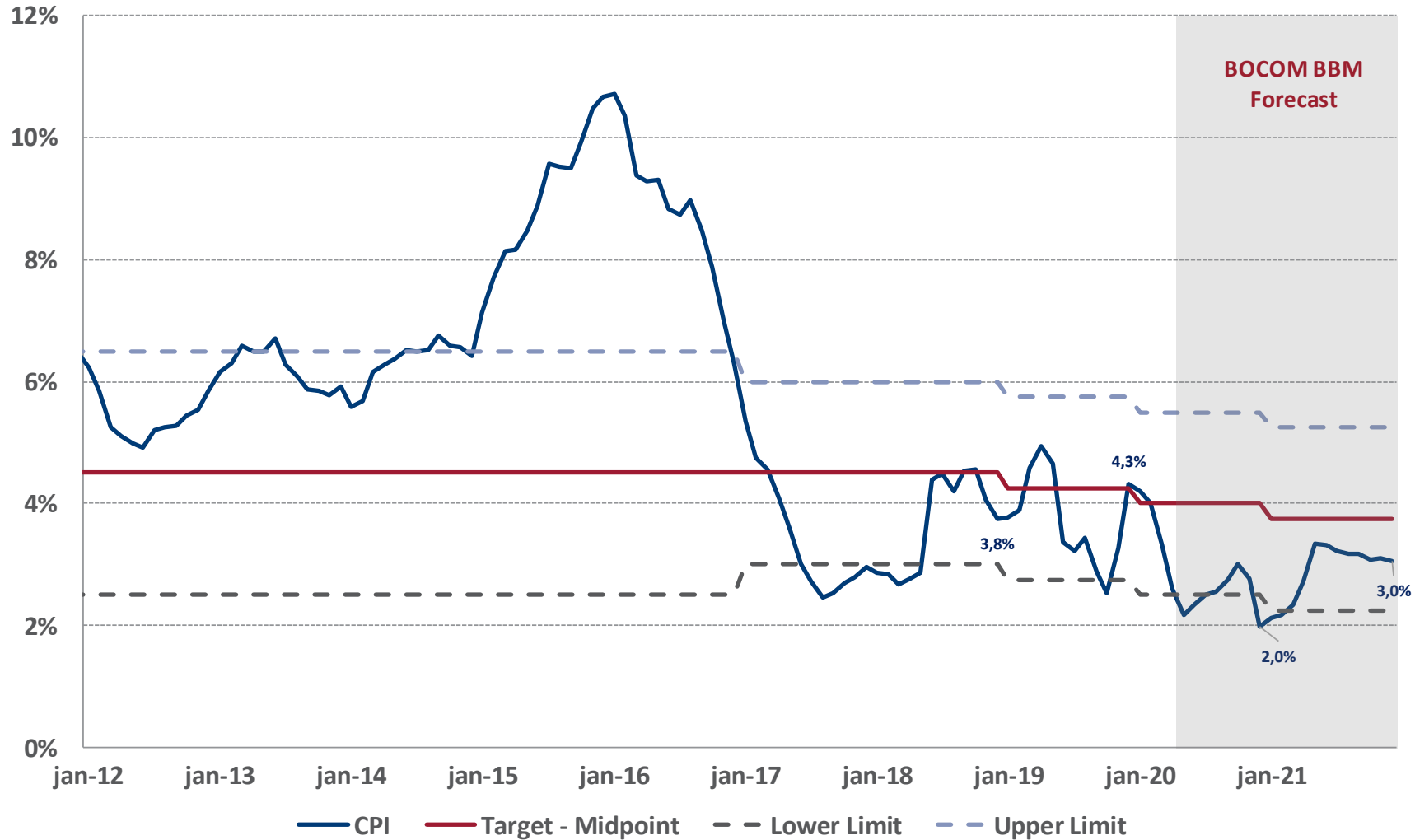
» Pressure from falling gasoline prices in the short term reinforces deflationary bias of the shock

Inflation Scenarios						
	Optimist			Pessimist		
	CPI	Regulated	Non-Regulated	CPI	Regulated	Non-Regulated
19 Q1	4.6%	6.3%	4.0%	4.6%	6.3%	4.0%
19 Q2	3.4%	3.7%	3.2%	3.4%	3.7%	3.2%
19 Q3	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%
<b>19 Q4</b>	4.3%	5.5%	3.9%	4.3%	5.5%	3.9%
20 Q1	3.3%	4.4%	2.9%	3.3%	4.4%	2.9%
<b>20 Q2</b>	2.3%	-0.2%	3.2%	2.3%	-0.2%	3.1%
20 Q3	2.8%	0.1%	3.7%	2.6%	0.0%	3.5%
<b>20 Q4</b>	2.0%	0.0%	2.7%	1.5%	-0.1%	2.1%
21 Q1	2.4%	0.8%	2.9%	1.6%	0.7%	2.0%
21 Q2	3.3%	4.6%	2.9%	2.5%	4.4%	1.9%
21 Q3	3.1%	4.6%	2.6%	2.4%	4.4%	1.7%
<b>21 Q4</b>	3.0%	3.8%	2.8%	2.5%	3.5%	2.1%

# BRAZIL: INFLATION

» Inflation should remain below the target midpoint, leaving space for low interest rate level

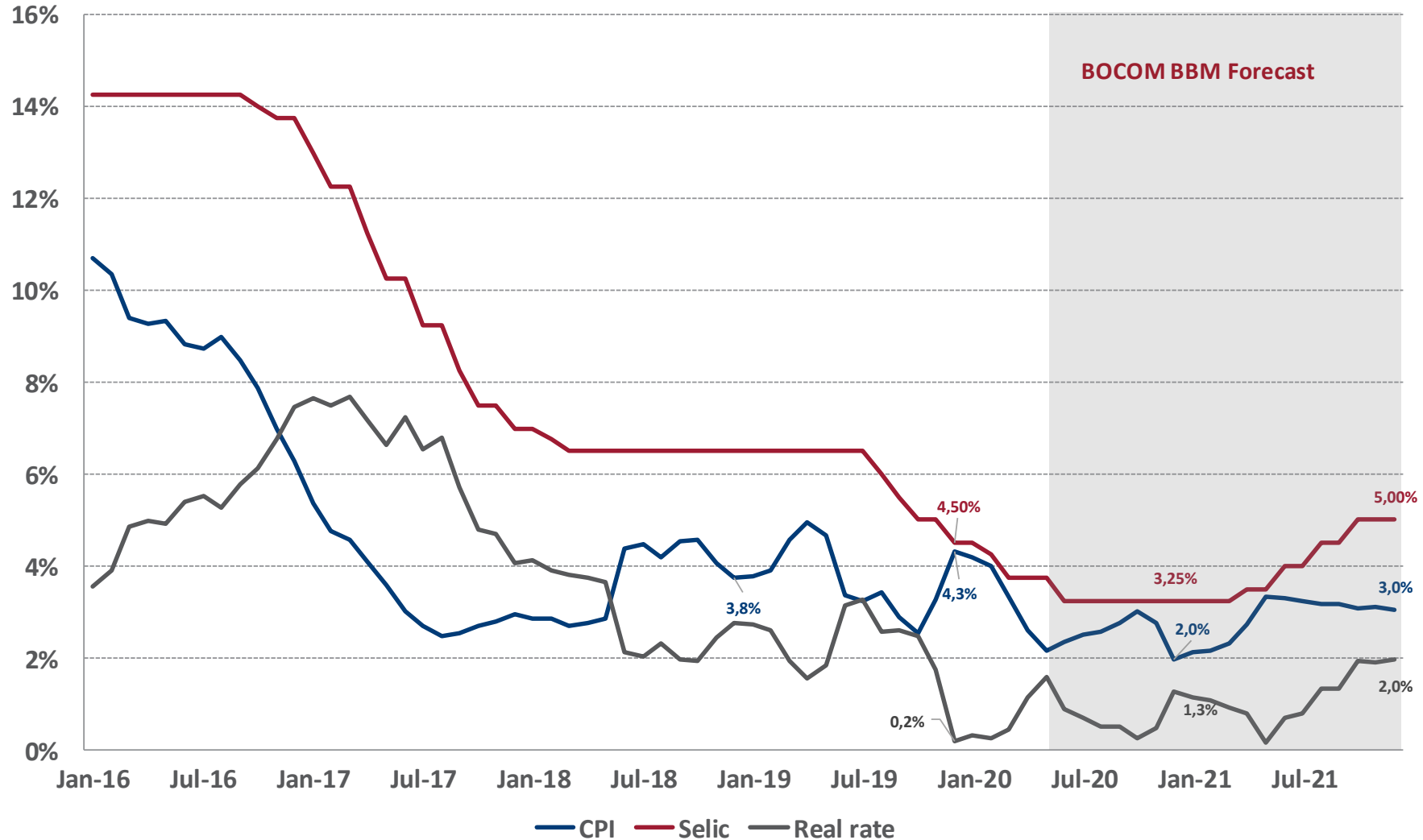
### CPI and Inflation Targets



# BRAZIL: MONETARY POLICY

» Selic rate should remain at 3.25% till the end of the year, with normalization at beginning of 2021

### CPI, Selic rate and Real ex-post interest rate





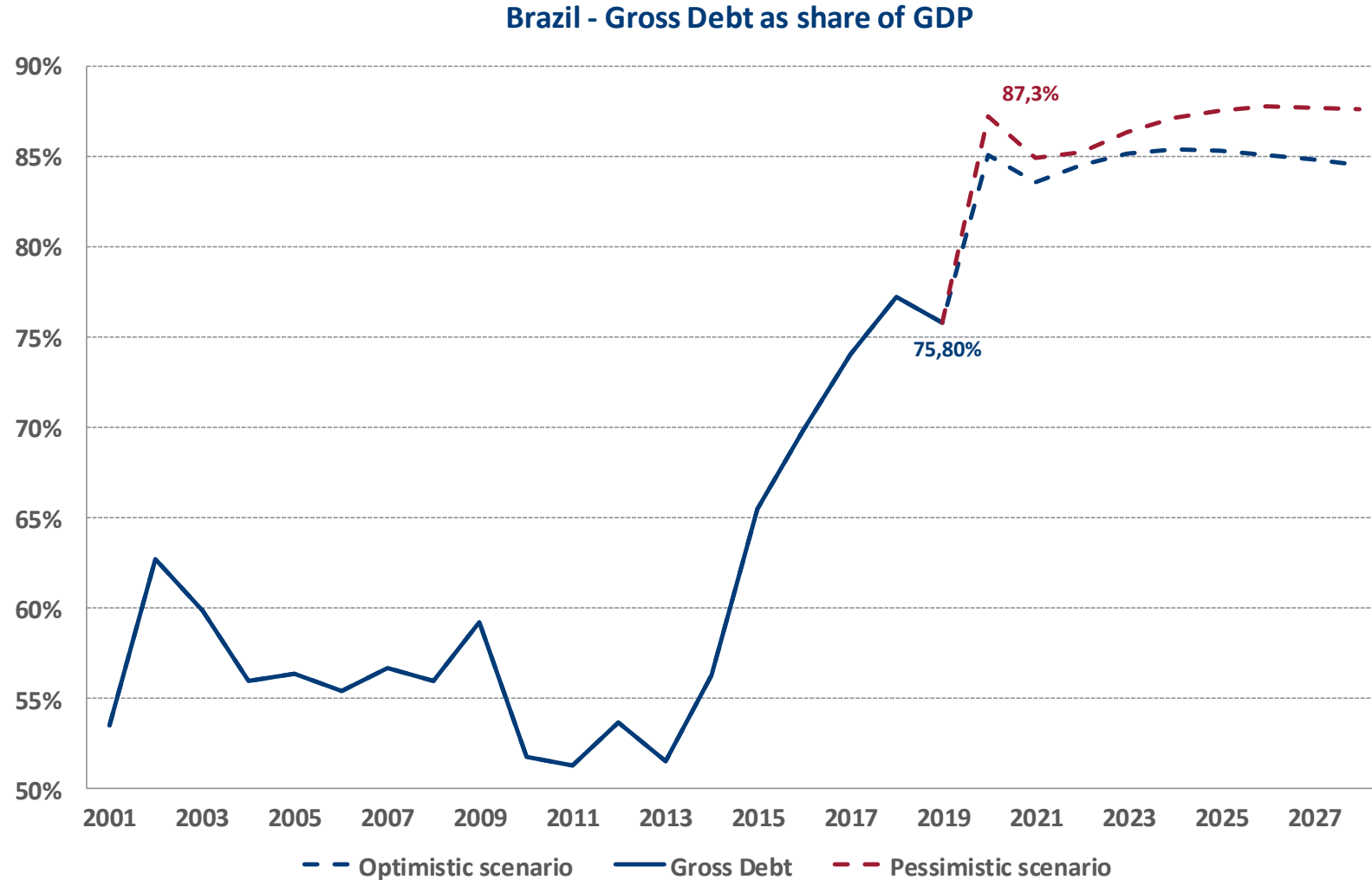
# Brazil: Fiscal

- »» Fiscal policies of crisis impact mitigation are above 8% of GDP
- »» Primary deficit should remain between 8% and 9% of GDP in 2020, returning to around 2% of GDP

Covid-19 Policy Response	R\$ Bilions	%GDP
<b>Federal Government</b>		
Taxes Defferal	352	4,8%
Emergencial aid for the vulnerable population	180	2,4%
Healthcare	18	0,2%
Emergencial aid for states and municipalities	161	2,2%
Labor support	245	3,3%
<b>Total</b>	<b>956</b>	<b>13,0%</b>
<b>Total ex-taxes defferal</b>	<b>604</b>	<b>8,2%</b>
<b>BCB</b>		
Liquidity Support	1216	-
Capital Support	1157	-
Special Credit Line for small and medium-sized companies (	40	-
<b>Federal Public Banks</b>		
BNDES	62	0,8%
CAIXA	111	1,5%

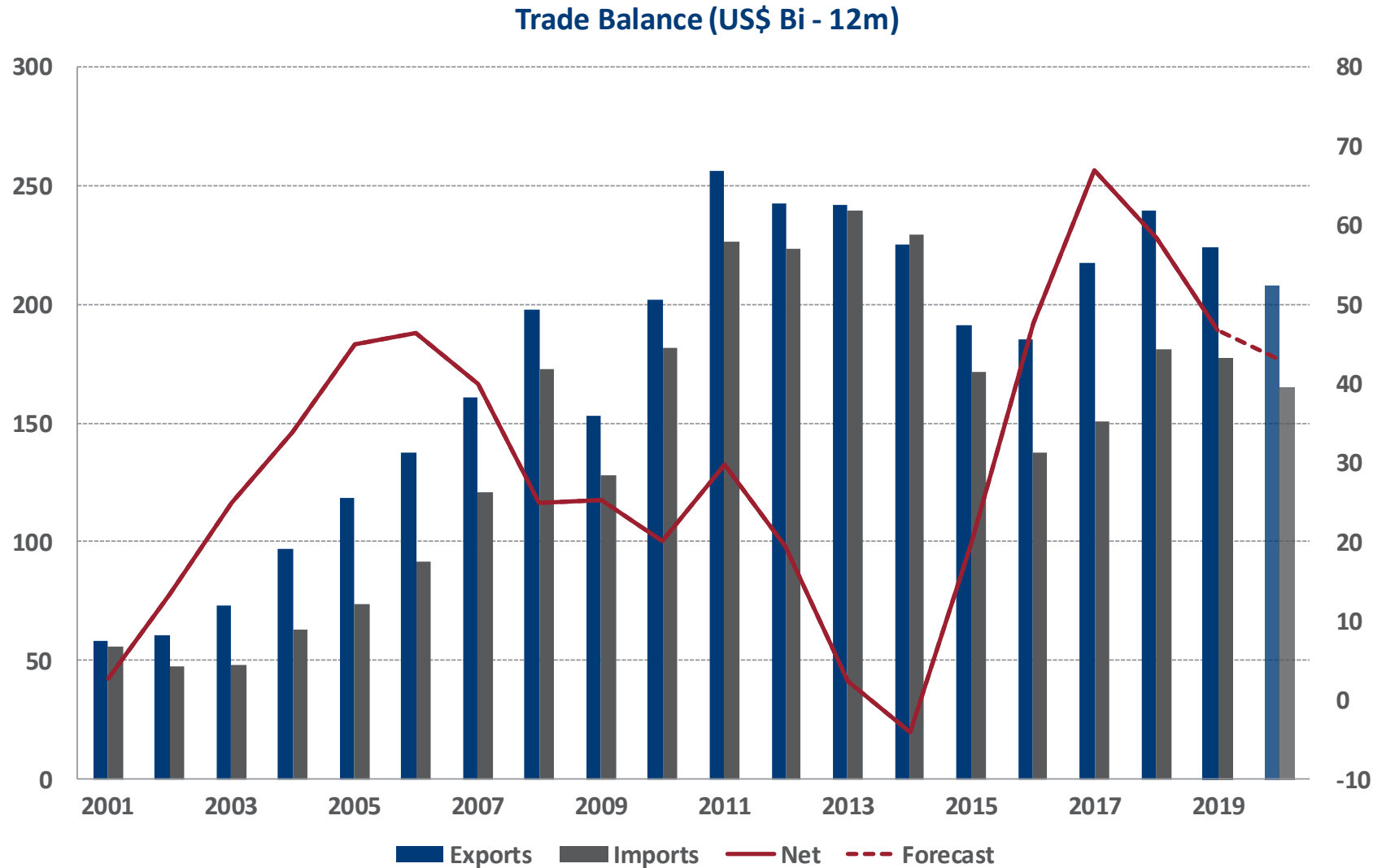
# BRAZIL: FISCAL

- » Fiscal measures 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: Trade Balance

»» Decrease in commodity prices and falling demand could pressure trade surplus downwards



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