



MACRO OUTLOOK

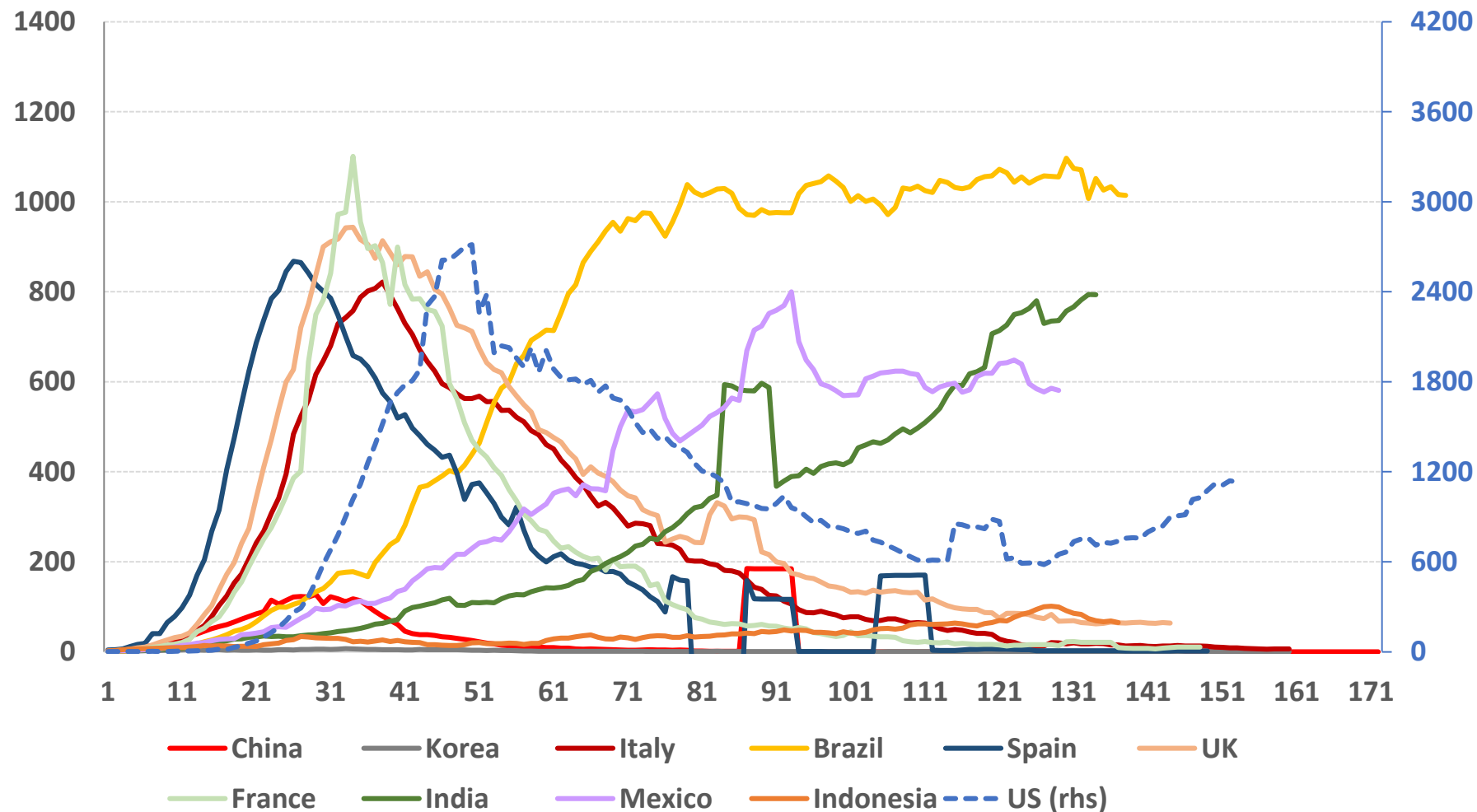
Fernanda Guardado
Chief-Economist

August 2020

- » Covid epidemic continues to spread in Latin America and the USA
- » Global economy embarks on recovery as economies reopen
- » Governments deepen fiscal and monetary expansions to reduce the economic costs of the pandemic
- » Brazil: GDP could fall close to 6%; end of year inflation below the target's lower-bound
- » Interest rates should remain low in a recovery marked by controlled inflation

» Epidemic advances in Brazil

Deaths (MA7D) - After 10 deaths



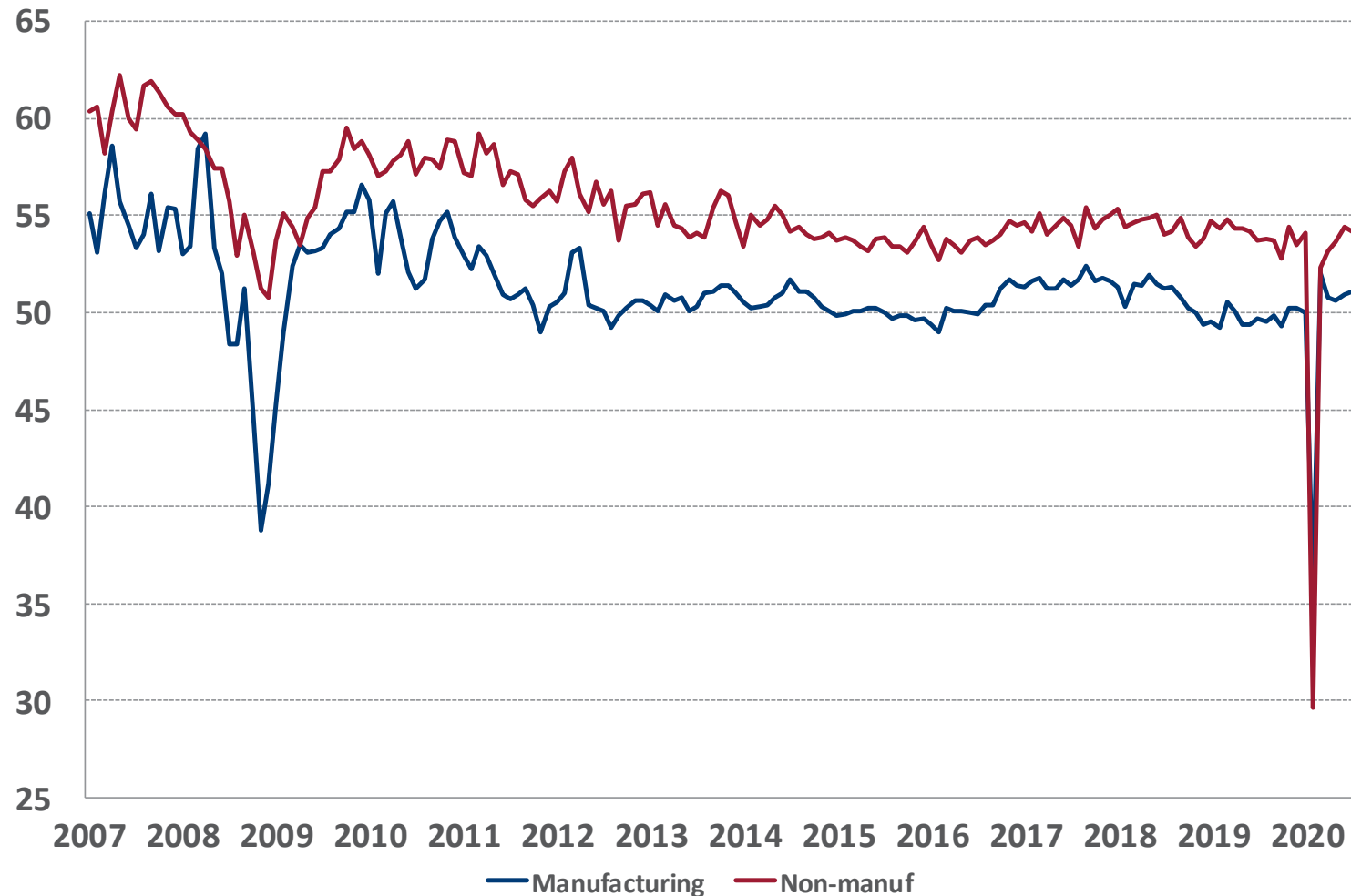
Global Growth

»» Global economy enters a recession



» Chinese economy shows recovery, with a pick-up that is slower in consumption and services

China - PMIs



US: Activity

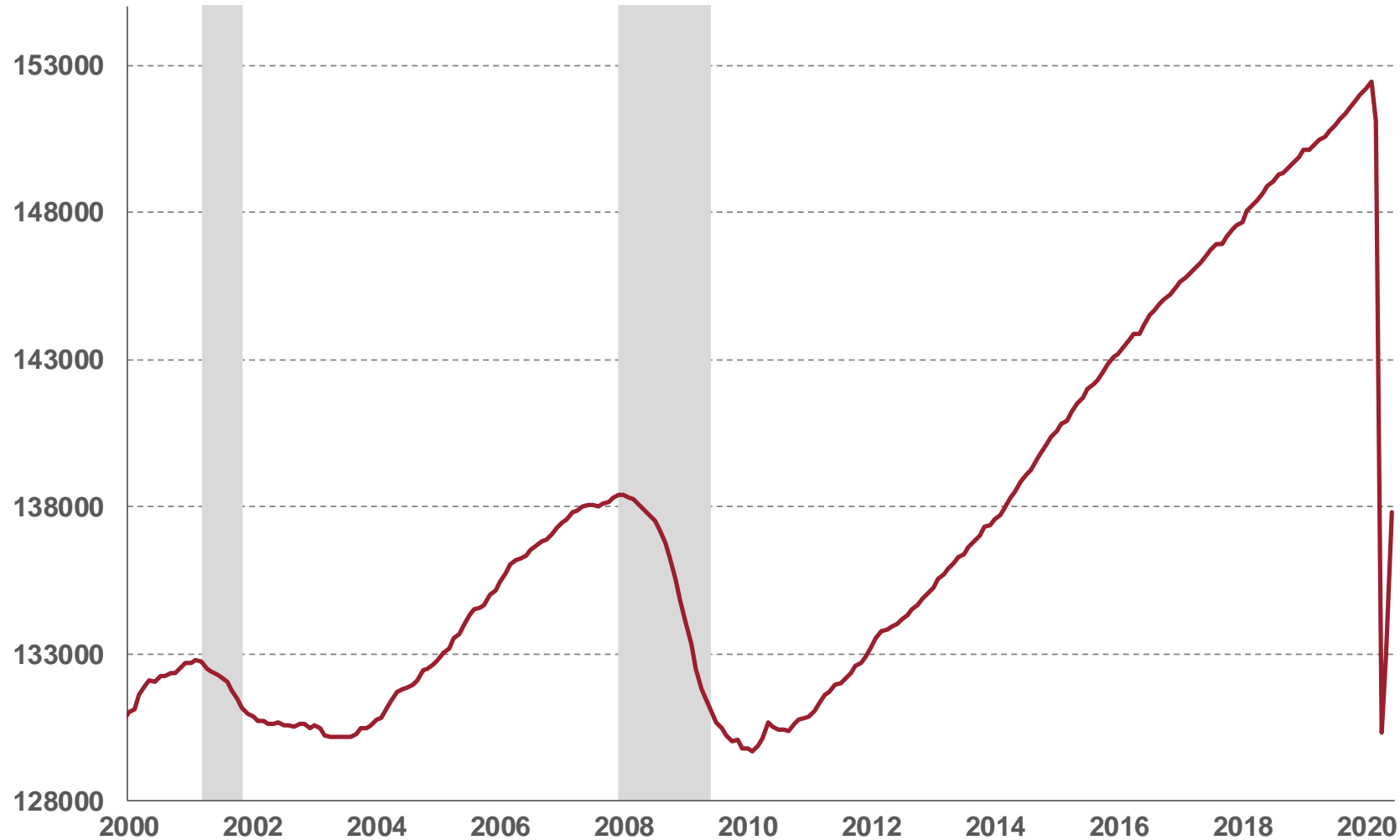
» American GDP suffers steepest decline in post-war history



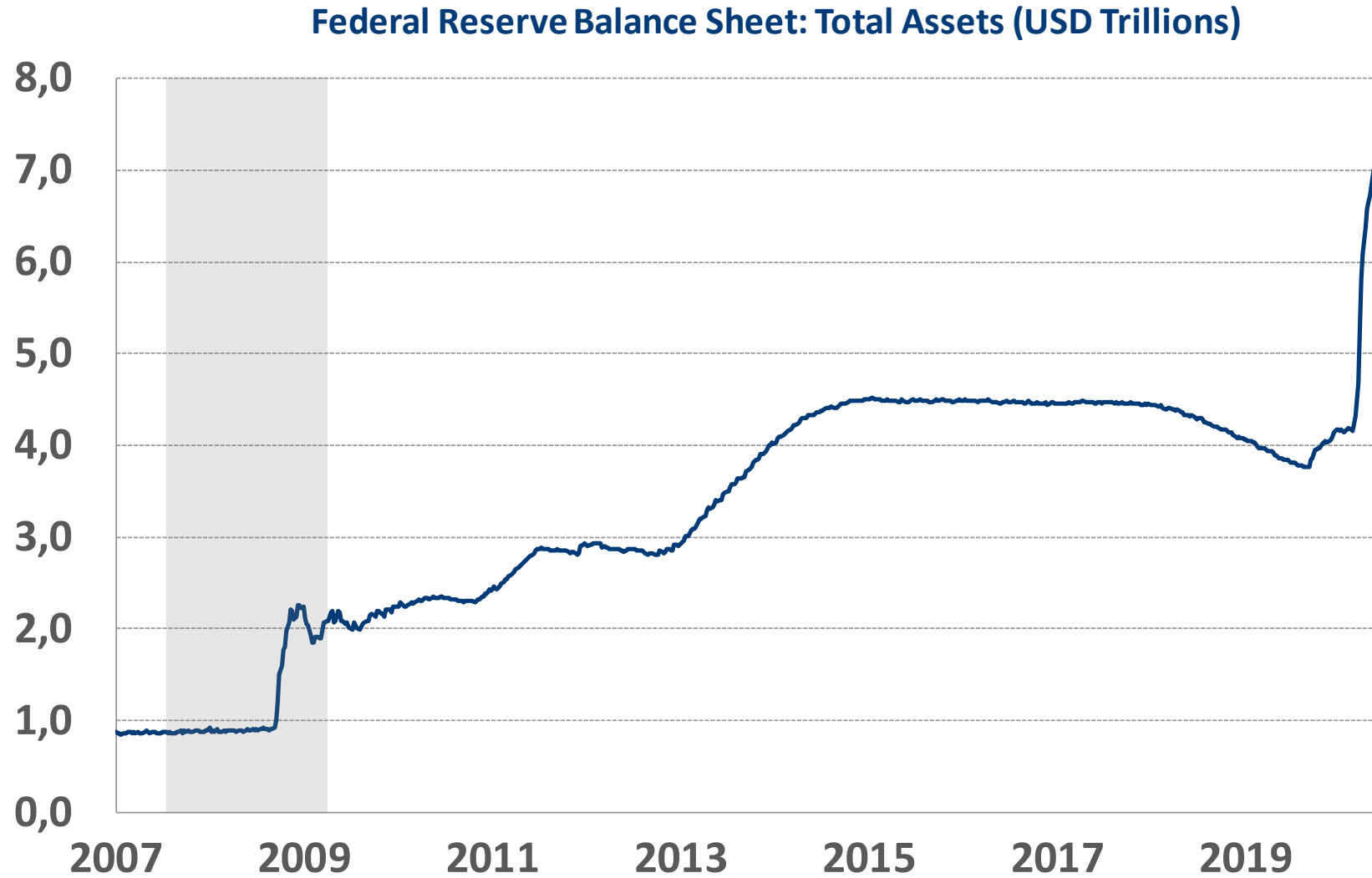
US: Labor Market

» Labor market shows a faster than expected recovery, but the number of lost jobs remains high

US -Total Nonfarm Payroll (Thousands)

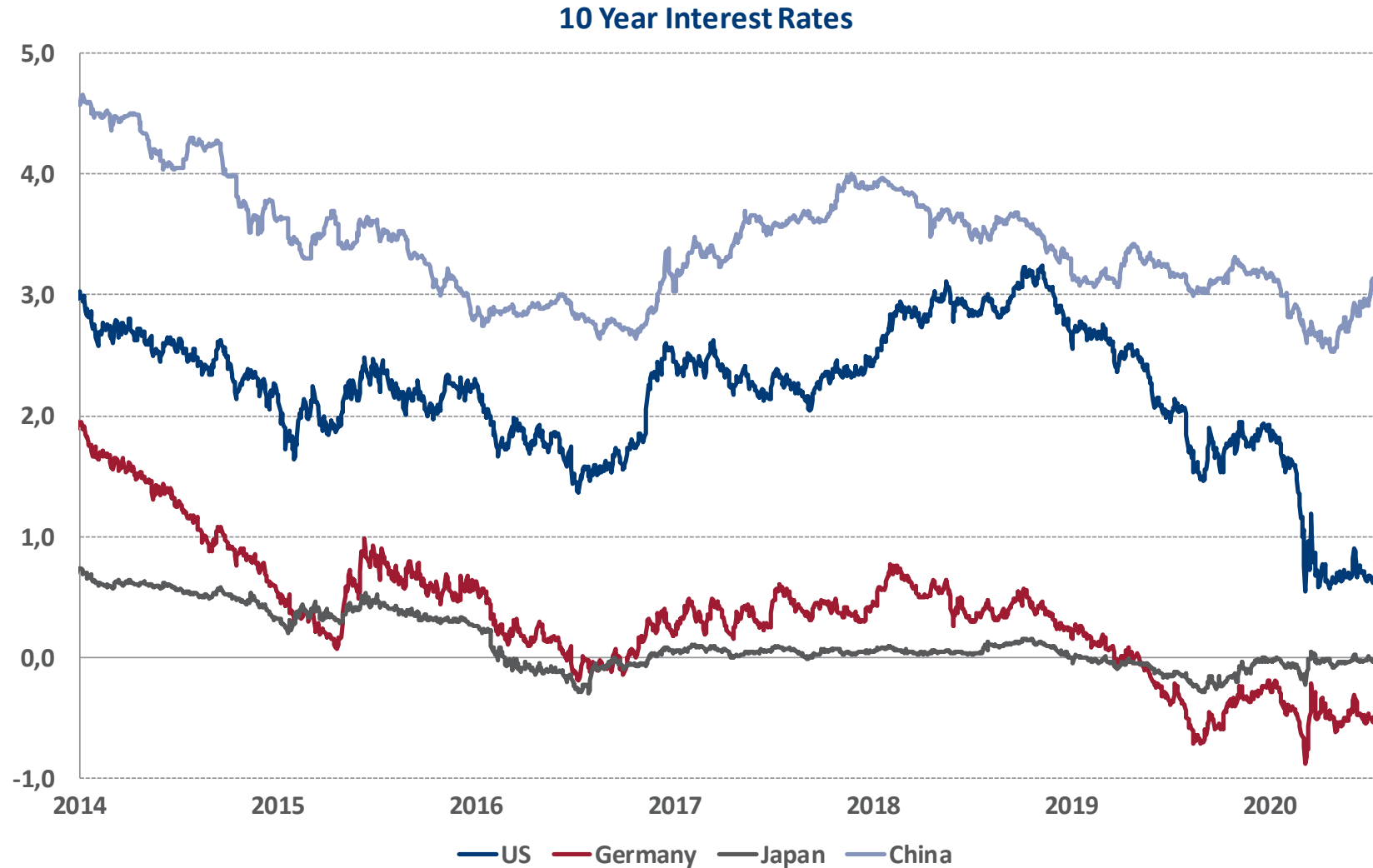


»» FED's balance sheet expansion sharper than post-GFC



Global Interest Rates

»» Interest rates should remain at extremely low levels for a considerable time



Global Negative Yielding Debt - Market Value - US\$ Trillion

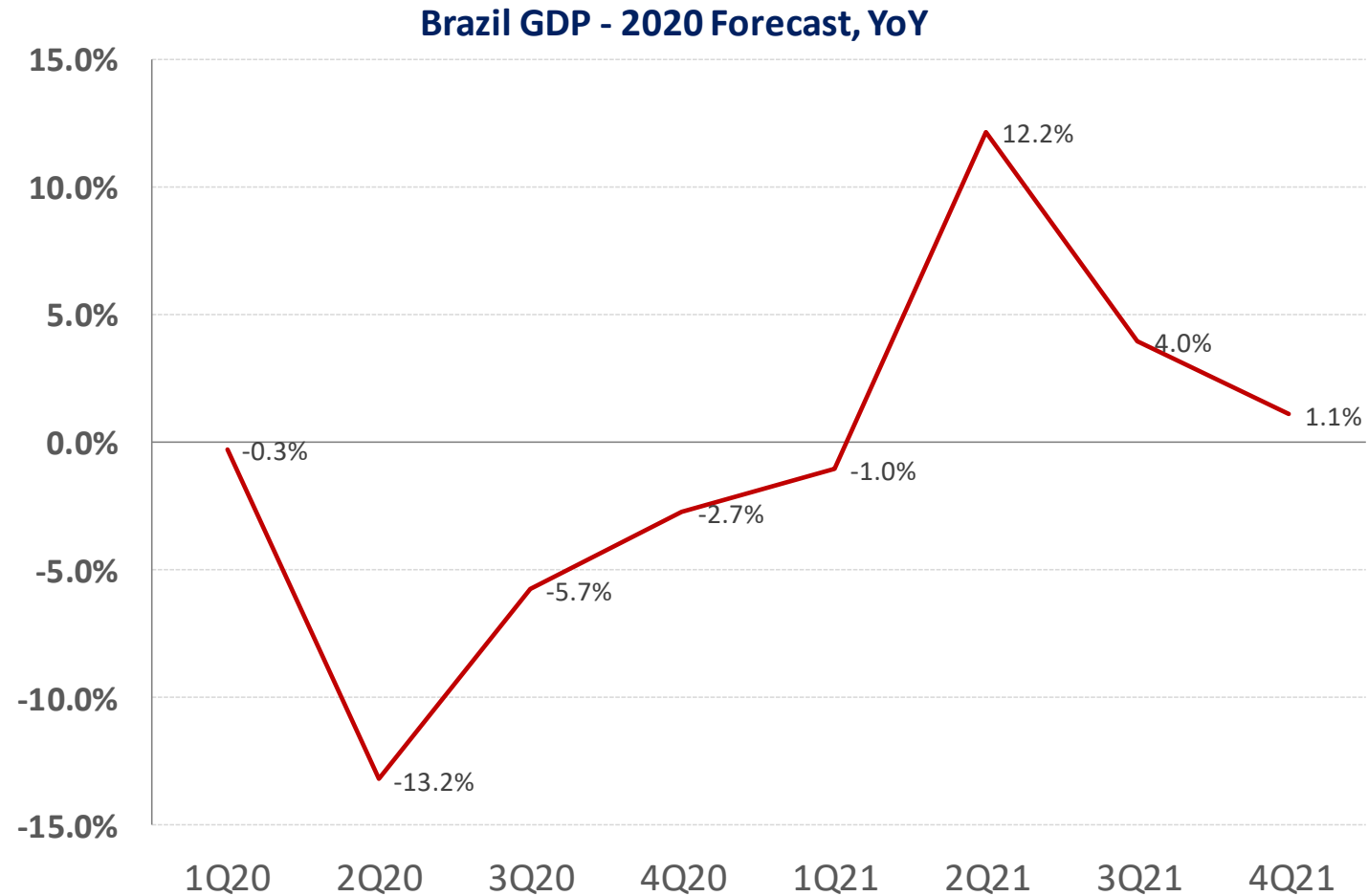


Brazil: Forecasts

ECONOMIC FORECASTS	2016	2017	2018	2019	2020F	2021F
GDP Growth (%)	-3.3%	1.3%	1.3%	1.1%	-5.8%	3.8%
Inflation (%)	6.3%	2.9%	3.7%	4.3%	1.8%	3.0%
Unemployment Rate, SA (eoy, %)	12.6%	12.4%	12.2%	11.7%	14.8%	12.5%
Policy Rate (eoy, %)	13.8%	7.0%	6.5%	4.5%	2.0%	4.0%
External Accounts						
Trade Balance (US\$ bn)	48	67	53	39	56	34
Current Account Balance (US\$ bn)	-23	-10	-42	-51	1	-19
Current Account Balance (% of GDP)	-1.3%	-0.7%	-2.2%	-2.8%	0.1%	-1.3%
Fiscal Policy						
Fiscal Primary Balance (% of GDP)	-2.5%	-1.8%	-1.6%	-0.9%	-11.5%	-3.1%
Government Gross Debt (% of GDP)	69.4%	73.7%	77.2%	75.9%	95.0%	95.0%

Brazil: Growth

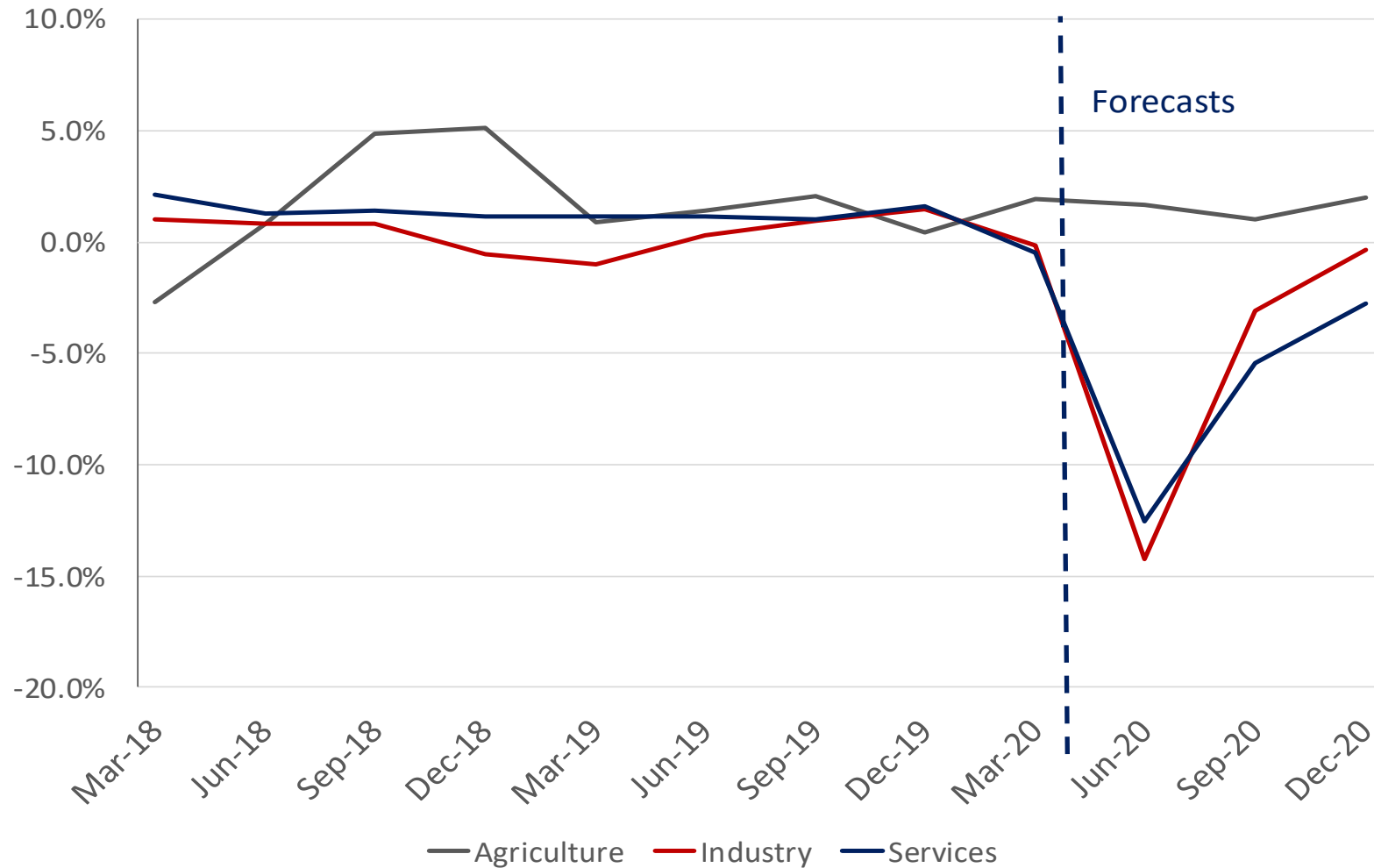
- » Activity seems to have bottomed in April; but great uncertainty remains, mainly with regards to the recovery in consumption and new infection waves



Brazil: Growth

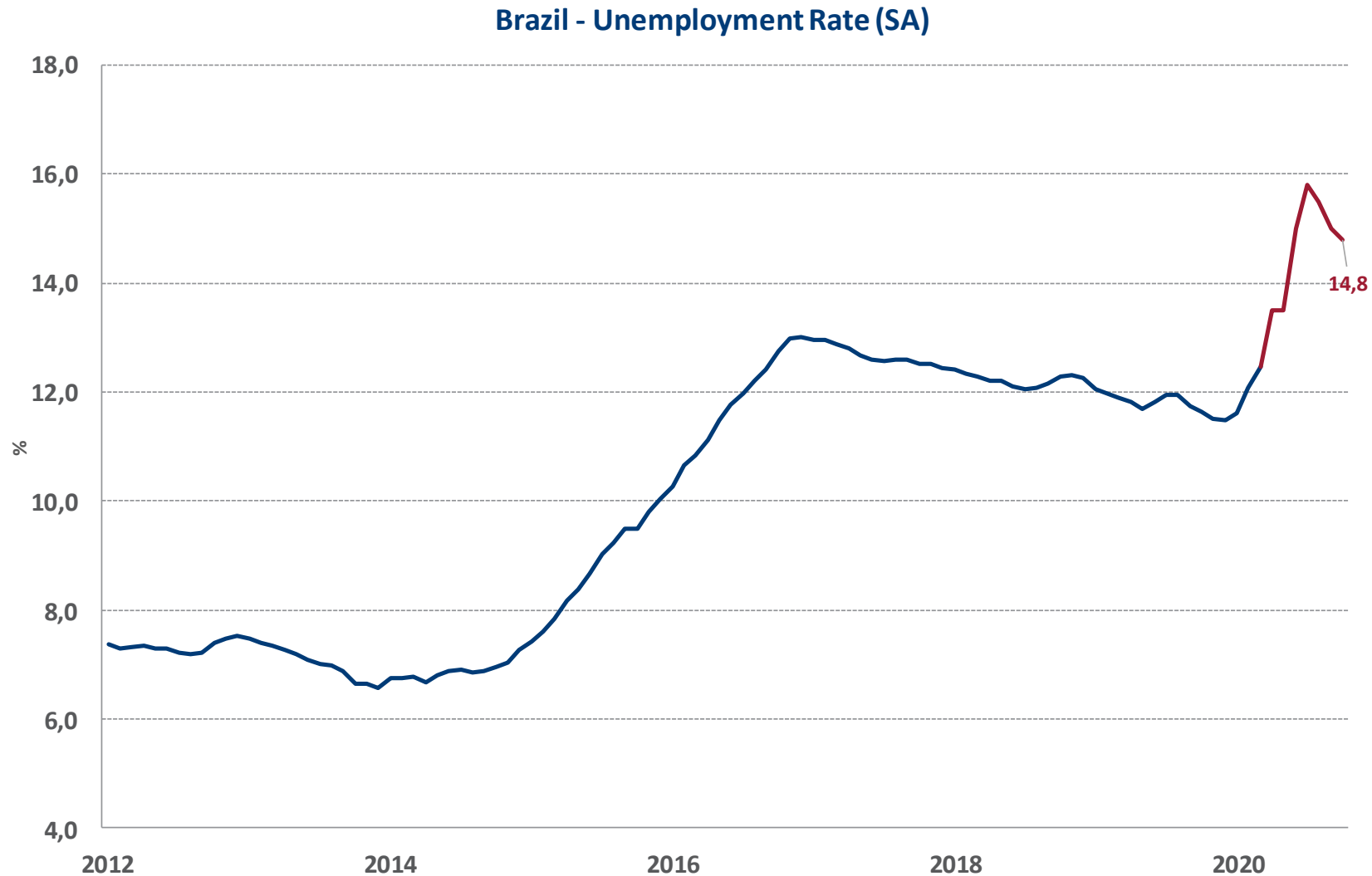
»» Services will recover more slowly

Brazil GDP - Supply side forecasts, YoY



Brazil: Labor Market

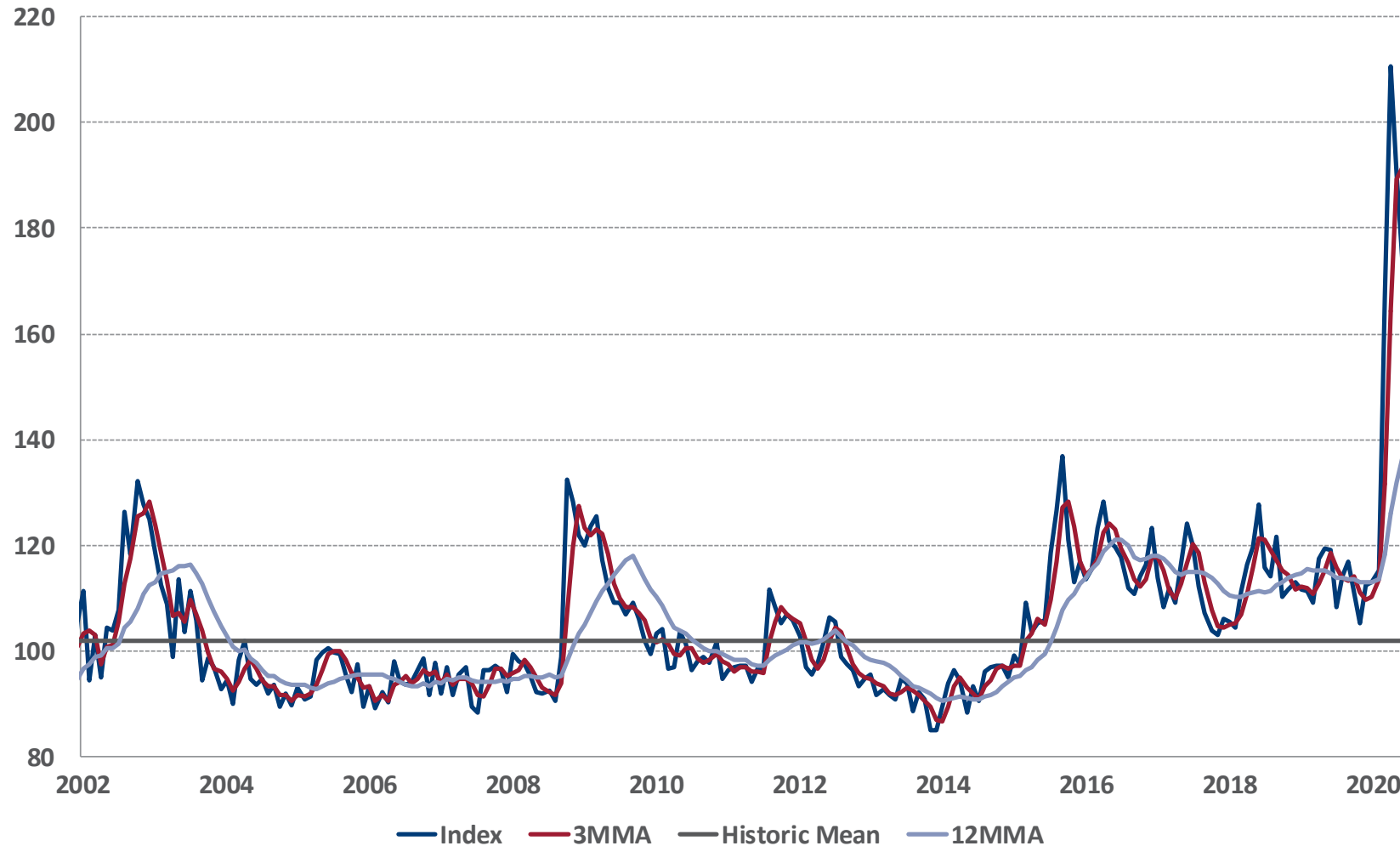
» Unemployment rate should go up, but will revert part of the increase throughout the last quarter



Brazil: Uncertainty

»» Uncertainty diminished but remains well above norm

Brazil - Economic Uncertainty Index



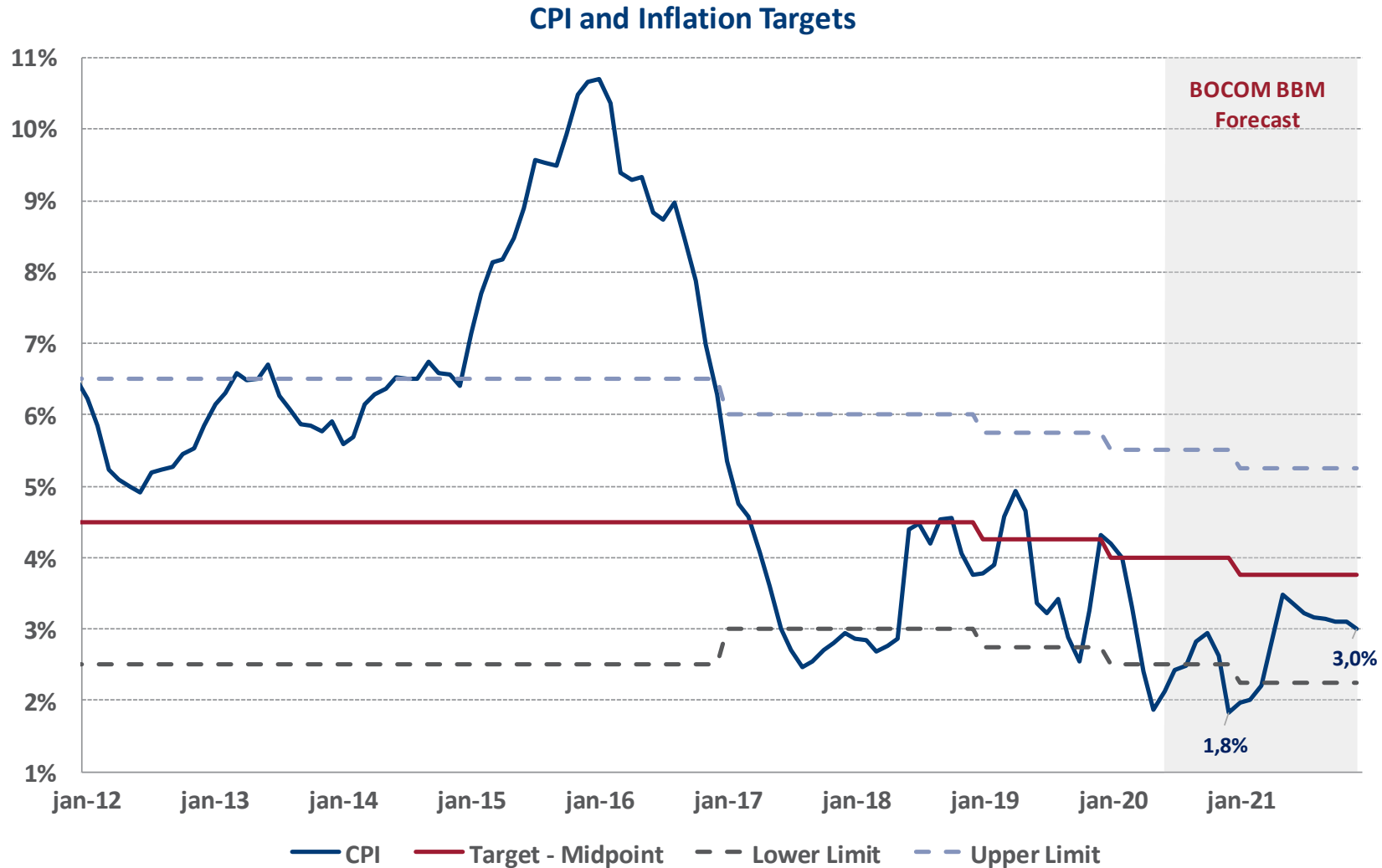
Brazil: Inflation

»» Deflationary bias in the short term, even with recovery of gasoline prices

Baseline Scenario			
	CPI	Regulated	Non-Regulated
19 Q1	4,6%	6,3%	4,0%
19 Q2	3,4%	3,8%	3,2%
19 Q3	2,9%	2,9%	2,9%
19 Q4	4,3%	5,5%	3,9%
20 Q1	3,3%	4,8%	2,9%
20 Q2	2,1%	0,1%	2,8%
20 Q3	2,7%	1,4%	3,1%
20 Q4	1,8%	0,8%	2,2%
21 Q1	1,9%	1,3%	2,1%
21 Q2	3,3%	6,6%	2,2%
21 Q3	3,1%	6,0%	2,1%
21 Q4	3,0%	4,9%	2,4%

Brazil: Inflation

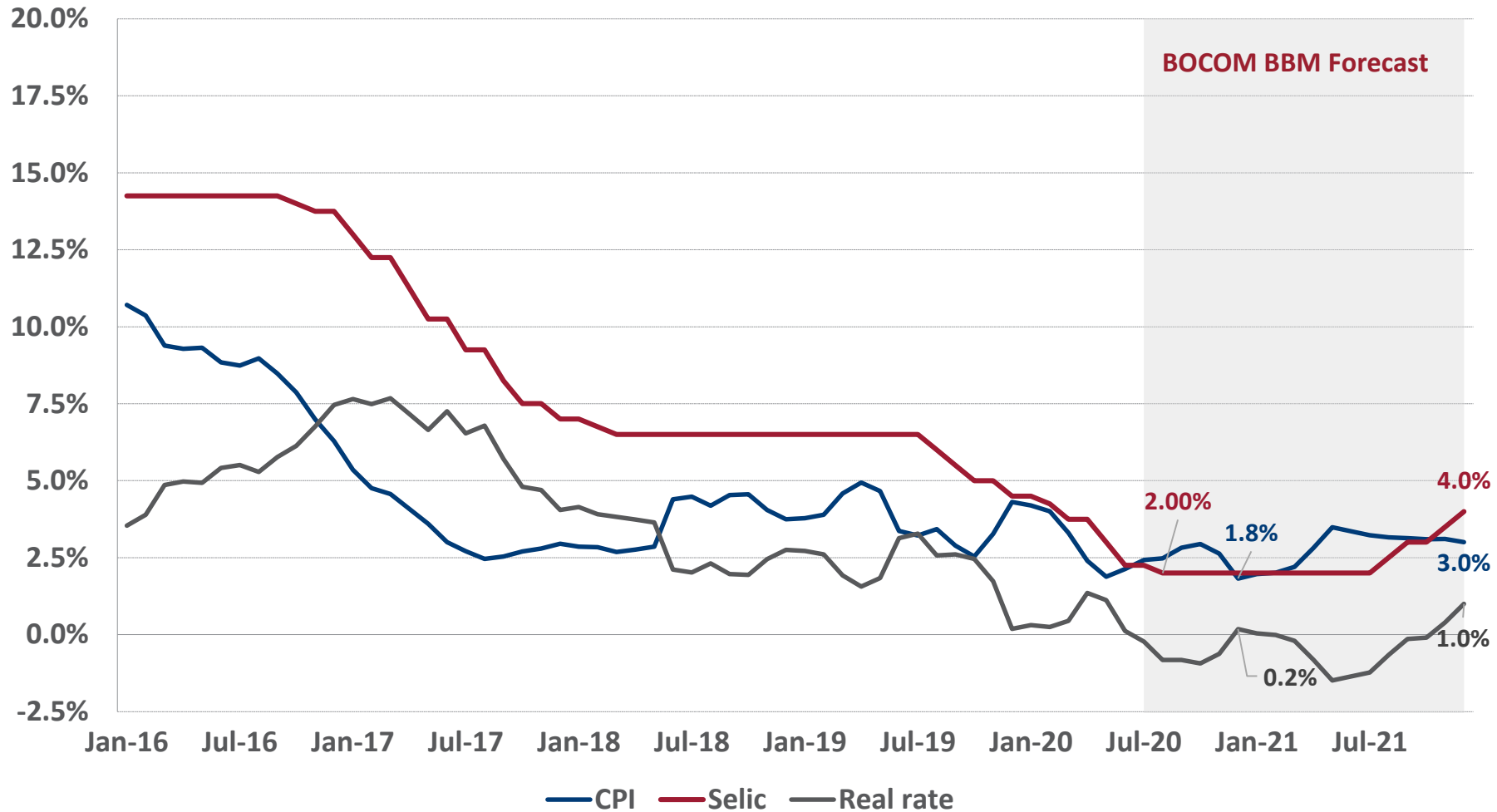
» Inflation should remain below the target's midpoint, leaving space for low interest rate levels



BRAZIL: MONETARY POLICY

» Selic rate should remain at 2% until the end of the year, with normalization starting in mid 2021

CPI, Selic Rate and Real Ex-post Interest Rate

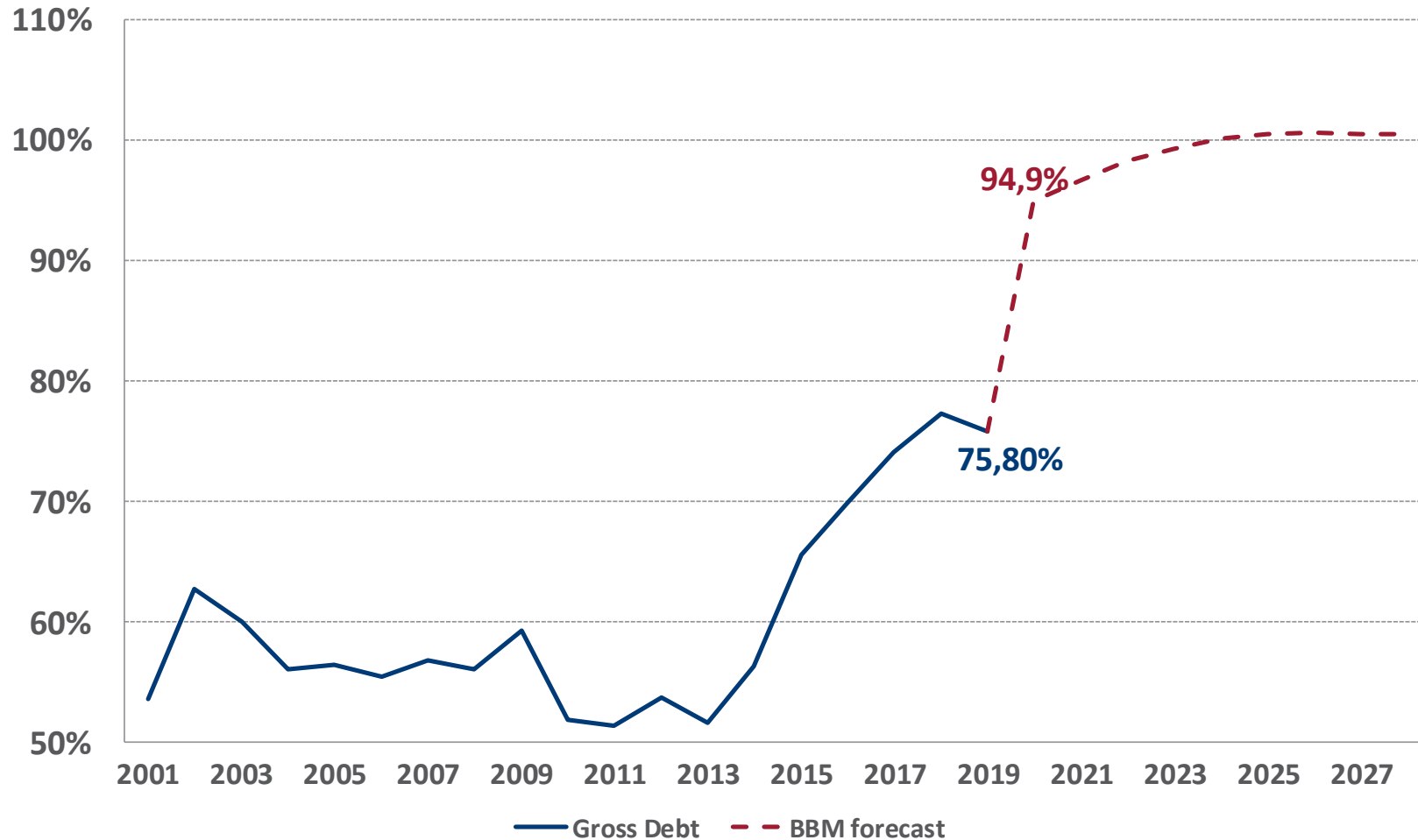


- » Measures to mitigate economic impacts from the pandemic should result in a primary deficit above 11% of GDP in 2020, returning to around 3% of GDP in 2021 if the spending cap remains in place

Covid-19 Policy Response	R\$ Bilions	%GDP
Federal Government		
Taxes Defferal	352	4,9%
Emergencial aid for the vulnerable population	180	2,5%
Healthcare	28	0,4%
Emergencial aid for states and municipalities	171	2,4%
Labor support	350	4,8%
Total	1080	15,0%
Total ex-taxes defferal	729	10,1%
BCB		
Liquidity Support	1216	-
Capital Support	1157	-
Special Credit Line for small and medium-sized companies (40	-
Federal Public Banks		
BNDES	86	1,2%
CAIXA	111	1,5%

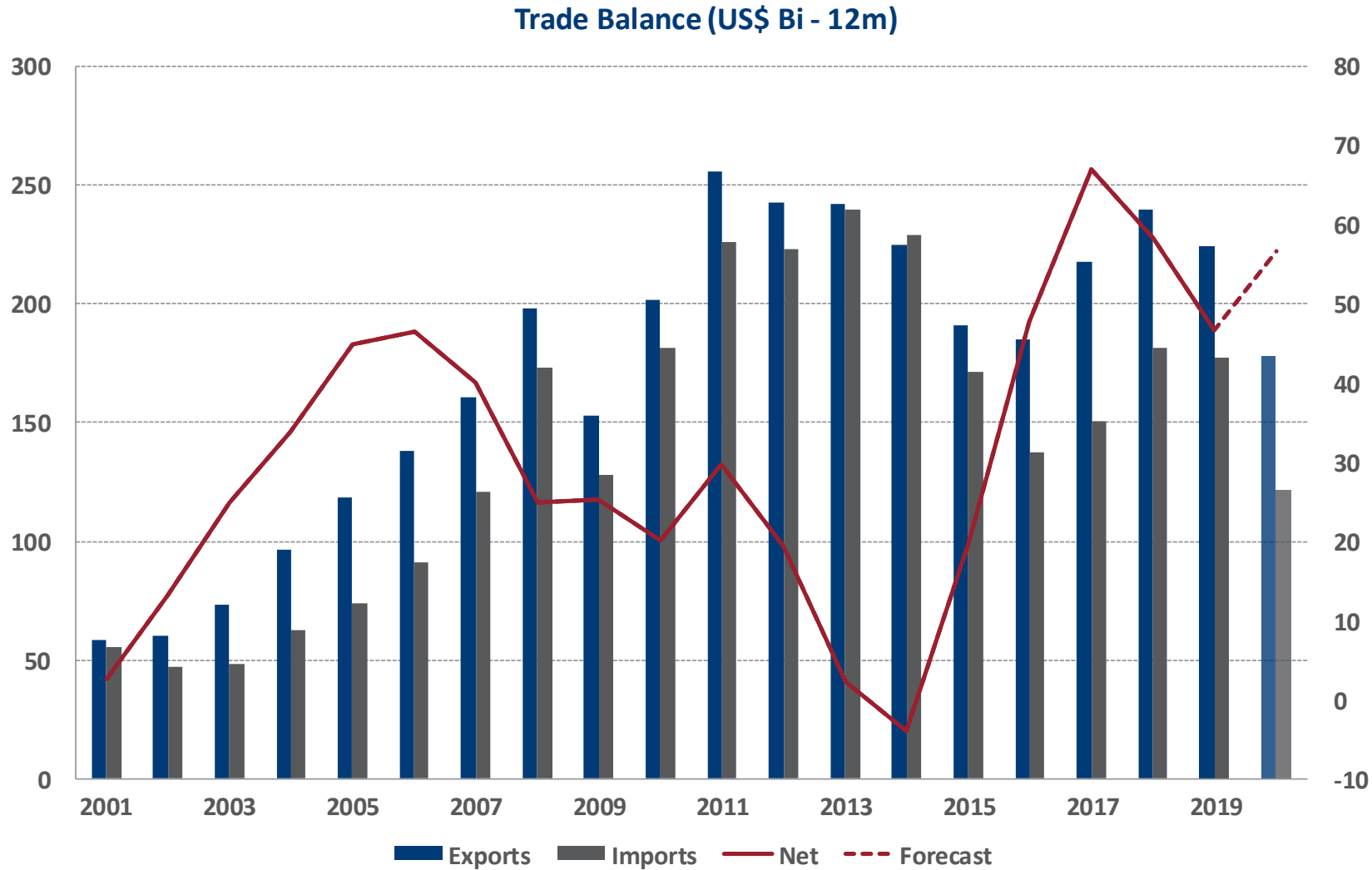
- » Fiscal measures to mitigate economic fallout will result in a sharp rise in the Debt/GDP ratio
- » It is essential to keep the fiscal deterioration contained to 2020

Brazil - Gross Debt as share of GDP



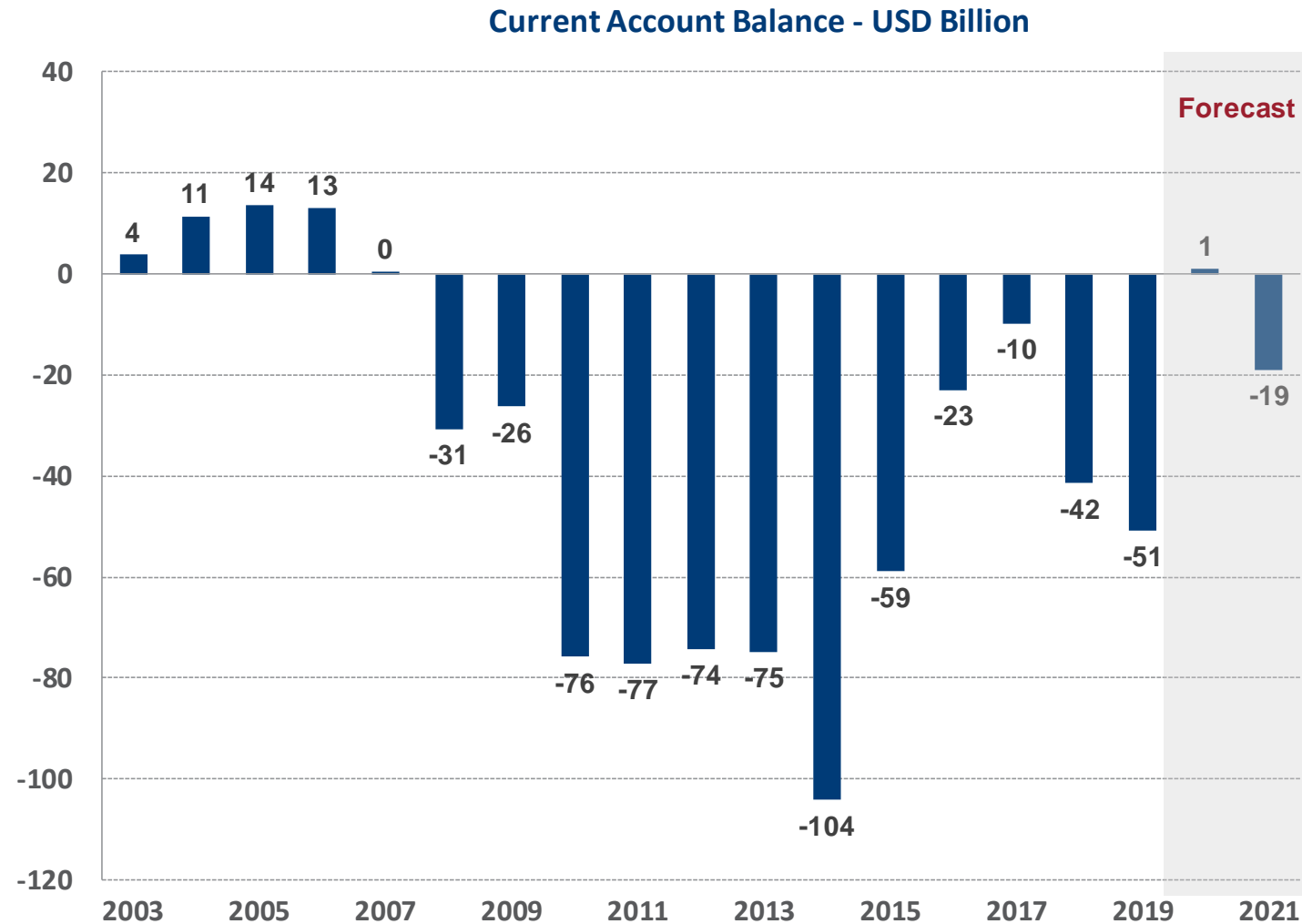
Brazil: Trade Balance

»» Trade balance surprises upward with stronger exports to Asia and sharp decline in imports



Brazil: Trade Balance

»» Leading to reversal of the current account deficit



This presentation was prepared by Banco BOCOM BBM. The information contained herein should not be interpreted as investment advice or recommendation. Although the information contained herein was prepared with utmost care and diligence, in order to reflect the data at the time in which they were collected, Banco BOCOM BBM cannot guarantee the accuracy thereof. Banco BOCOM BBM cannot be held responsible for any loss directly or indirectly derived from the use of this presentation or its contents. This report cannot be reproduced, distributed or published by the recipient or used for any purpose whatsoever without the prior written consent of Banco BOCOM BBM.

ADDRESSES

Rio de Janeiro, RJ

Avenida Barão de Tefé, 34 – 20th and 21st floors
Zip Code 20220-460
Tel.: +55 (21) 2514-8448
Fax: +55 (21) 2514-8293

Salvador, BA

Rua Miguel Calmon, 398 – 2nd floor
Zip Code 40015-010
Tel.: +55 (71) 3326-4721 +55 (71) 3326-5583
Fax: +55 (71) 3254-2703

São Paulo, SP

Av. Brigadeiro Faria Lima, 3311 – 15th floor
Zip Code 04538-133
Tel.: +55 (11) 3704-0667 +55 (11) 4064-4867
Fax: +55 (11) 3704-0502

Nassau, Bahamas

Shirley House | Shirley House Street, 50, 2nd floor
P.O. N-7507
Tel.: (1) (242) 356-6584
Fax: (1) (242) 356-6015

www.bocombbm.com.br

Ombudsman | Phone.: 0800 724 8448 | Fax: 0800 724 8449
E-mail: ouvidoria@bocombbm.com.br