



MACRO OUTLOOK

Fernanda Guardado
Chief-Economist



November 2020

- » Covid epidemic reaccelerates in Europe, triggering new restrictive measures
- » Global recovery advances, although new infection waves should weight on activity in the last quarter of 2020
- » Governments deepen fiscal expansions to reduce economic costs of the pandemic
- » Brazil: We revised up 2020 GDP to -4,6%; Modest 2021 growth at 3,1%
- » Short term inflation surprises to the upside taking the IPCA to 3,1% EOY
- » Interest rates should remain low in a recovery marked by controlled inflation, but fiscal outlook remains a relevant risk to the domestic scenario
- » External accounts improve substantially

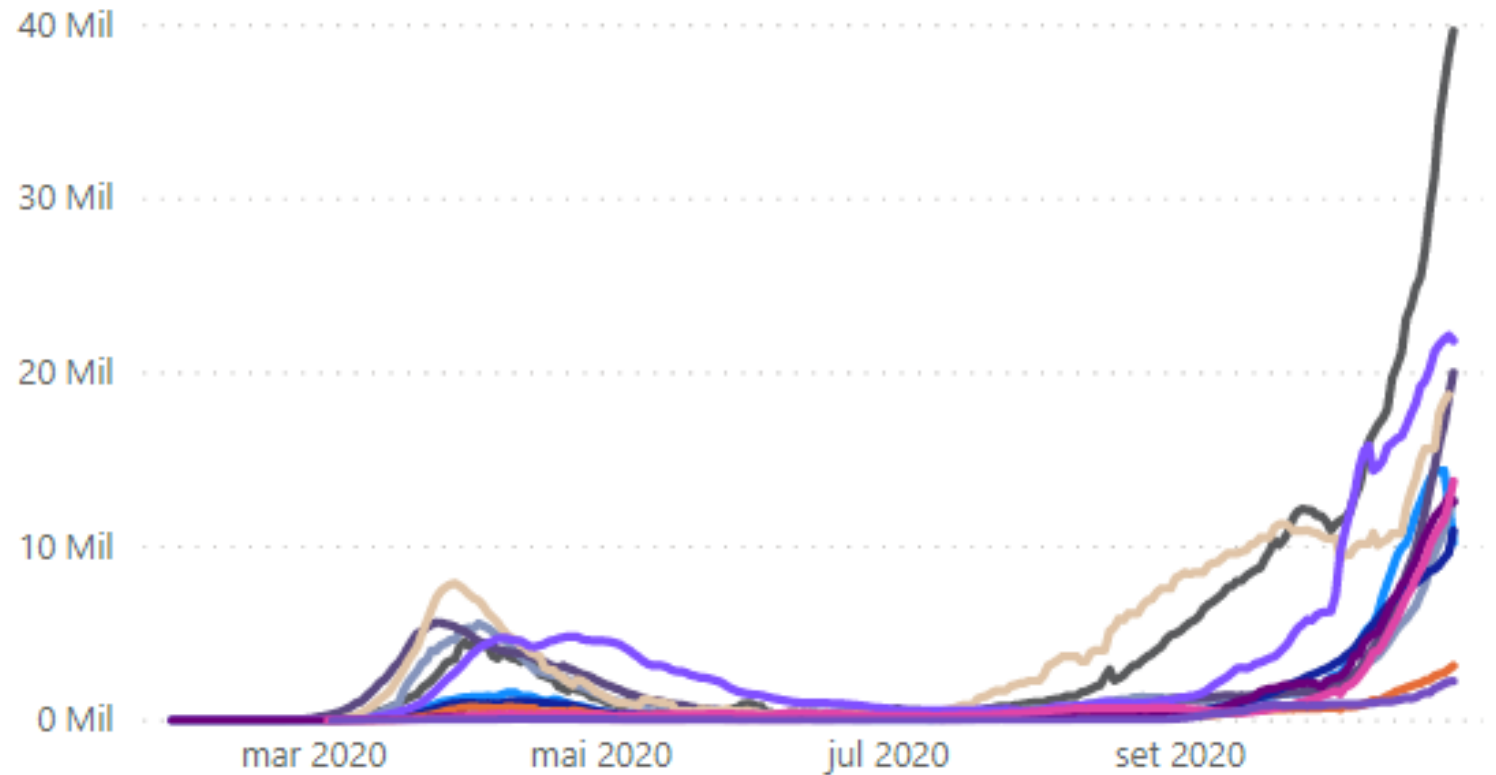
Covid-19

- » Second wave of infections accelerates in Europe, triggering restrictive containment measures
- » Eastern Europe suffering from a second wave stronger than the first

Legend



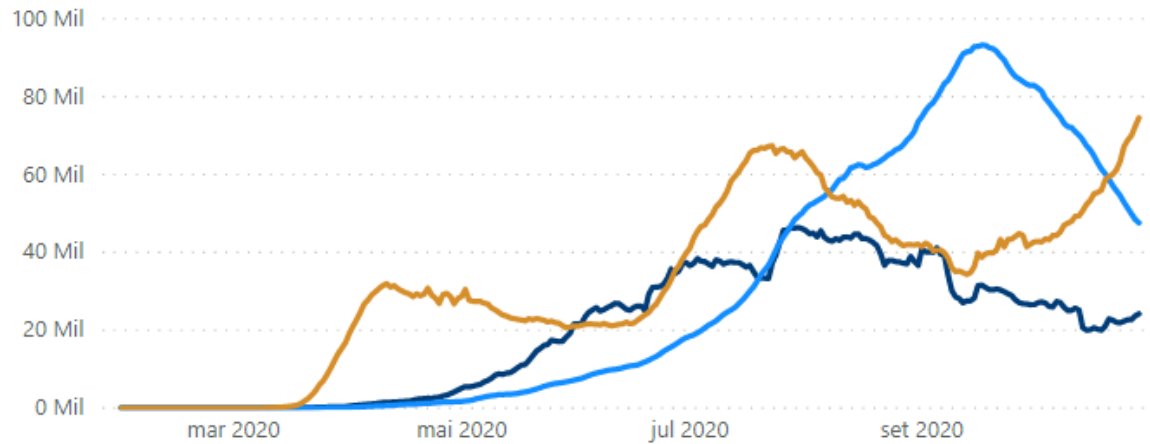
World –Covid-19 Cases, Moving Average 7 Days



Covid-19

» Cases in the US on the rise, as well as hospitalizations

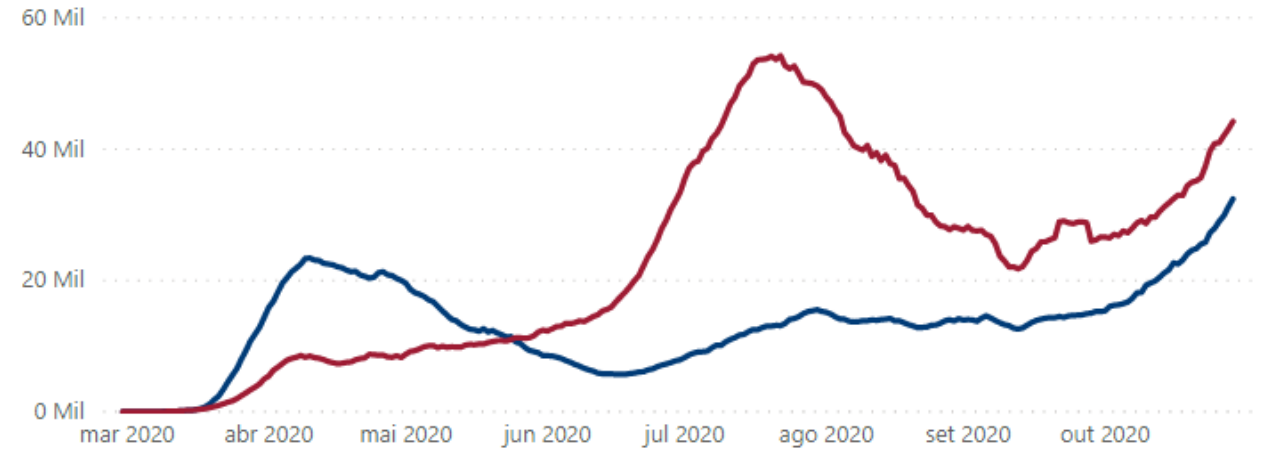
World –Covid-19 Cases, Moving Average 7 Days



Legend

● Brazil ● India ● United_States_of_America

US –Covid-19 Cases, Moving Average 7 Days



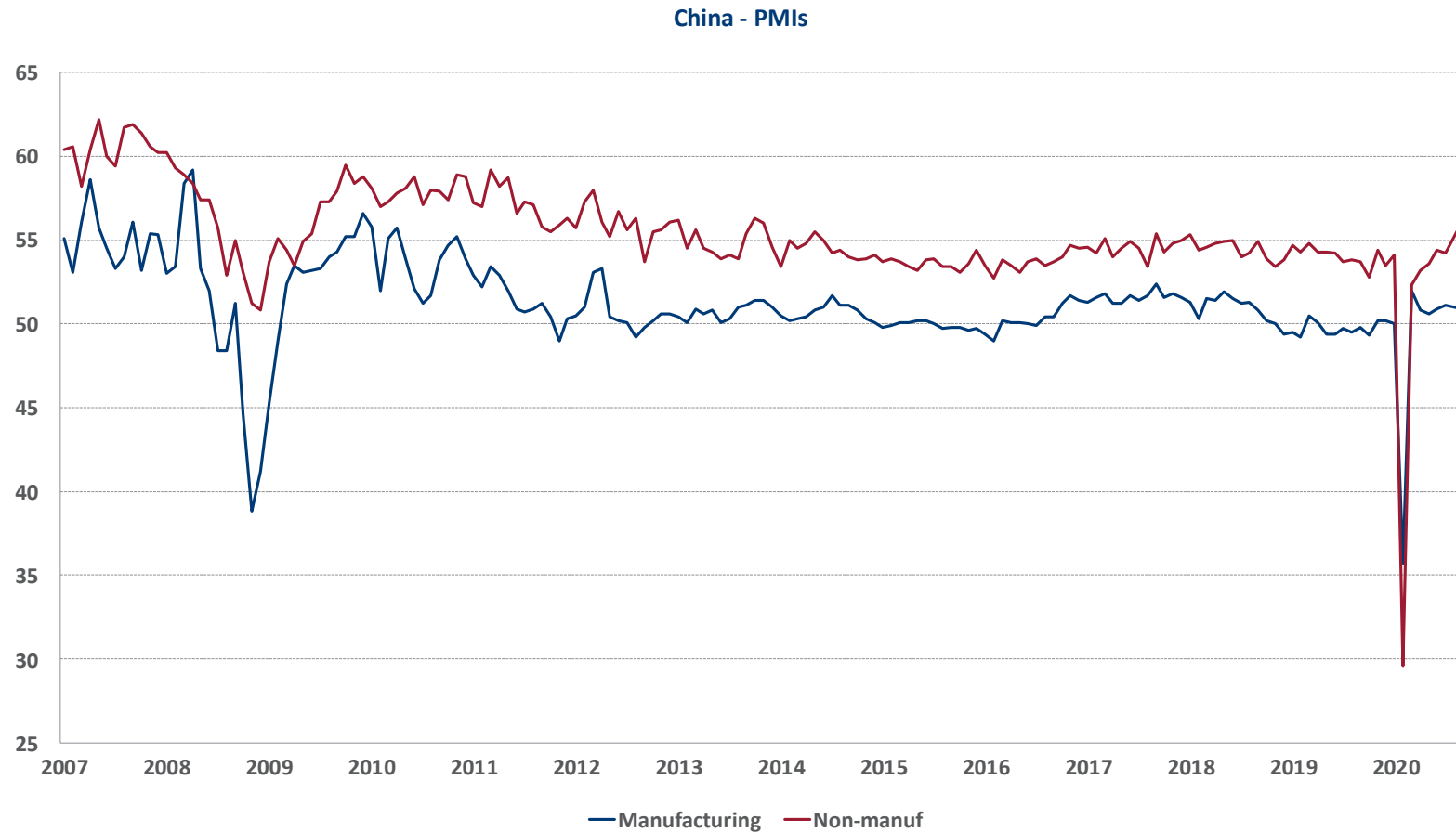
Legend

● Early Cycle States ● Late Cycle States

»» Global economy enters recession, but rebounds fast

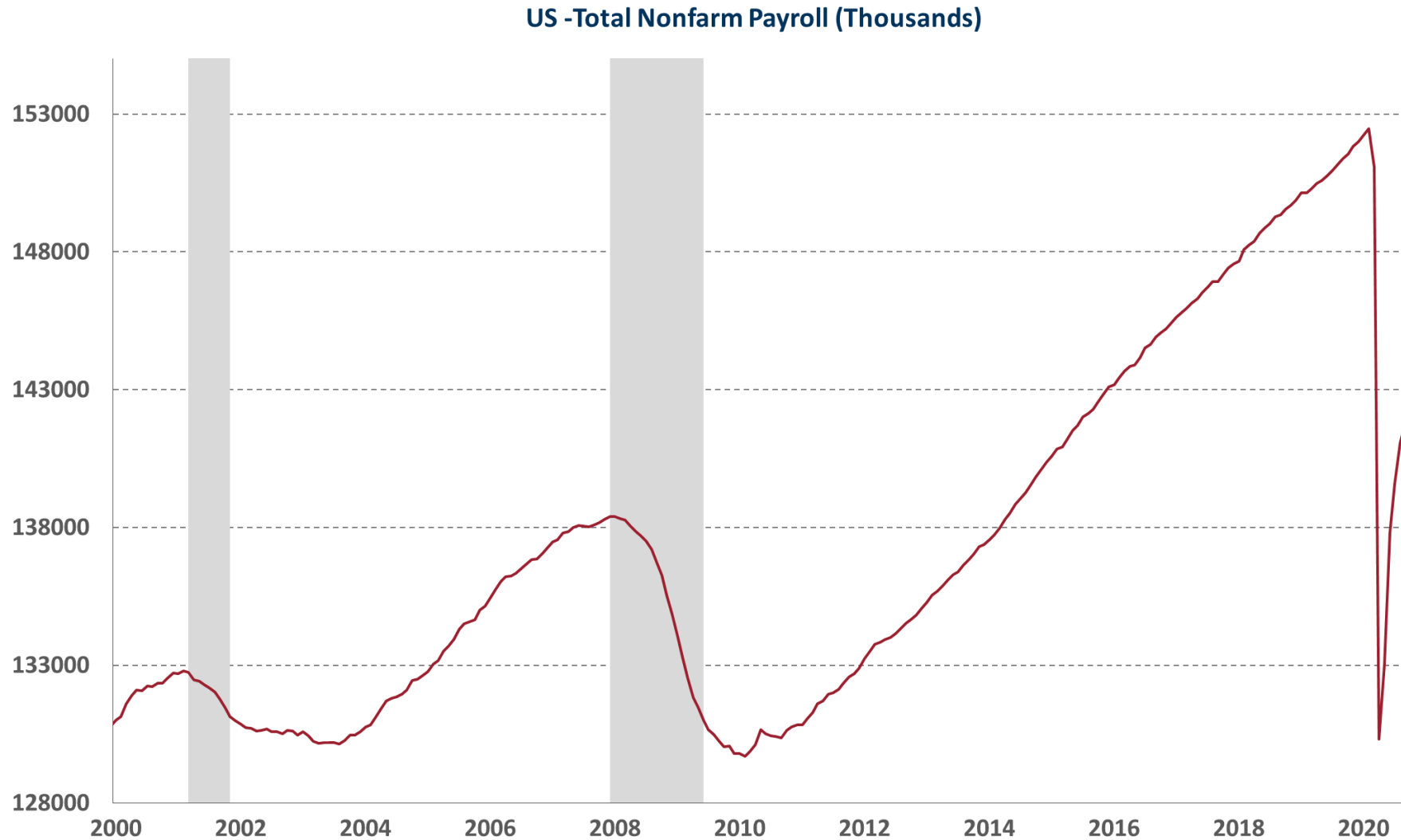


» Chinese economy recovers fast, with services gaining pace over the third quarter



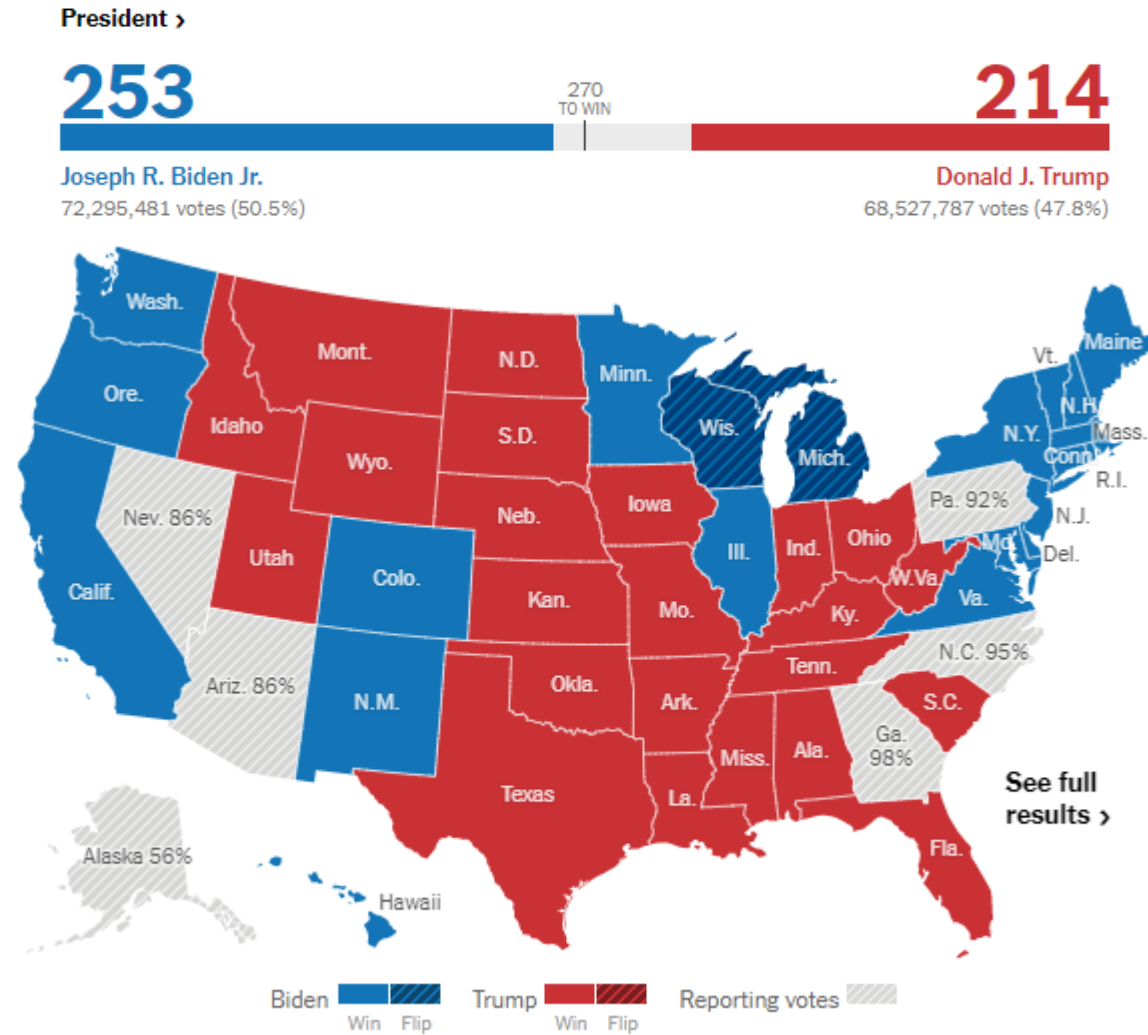
US: Labor Market

» Labor market recovering, but the number of lost jobs remains high



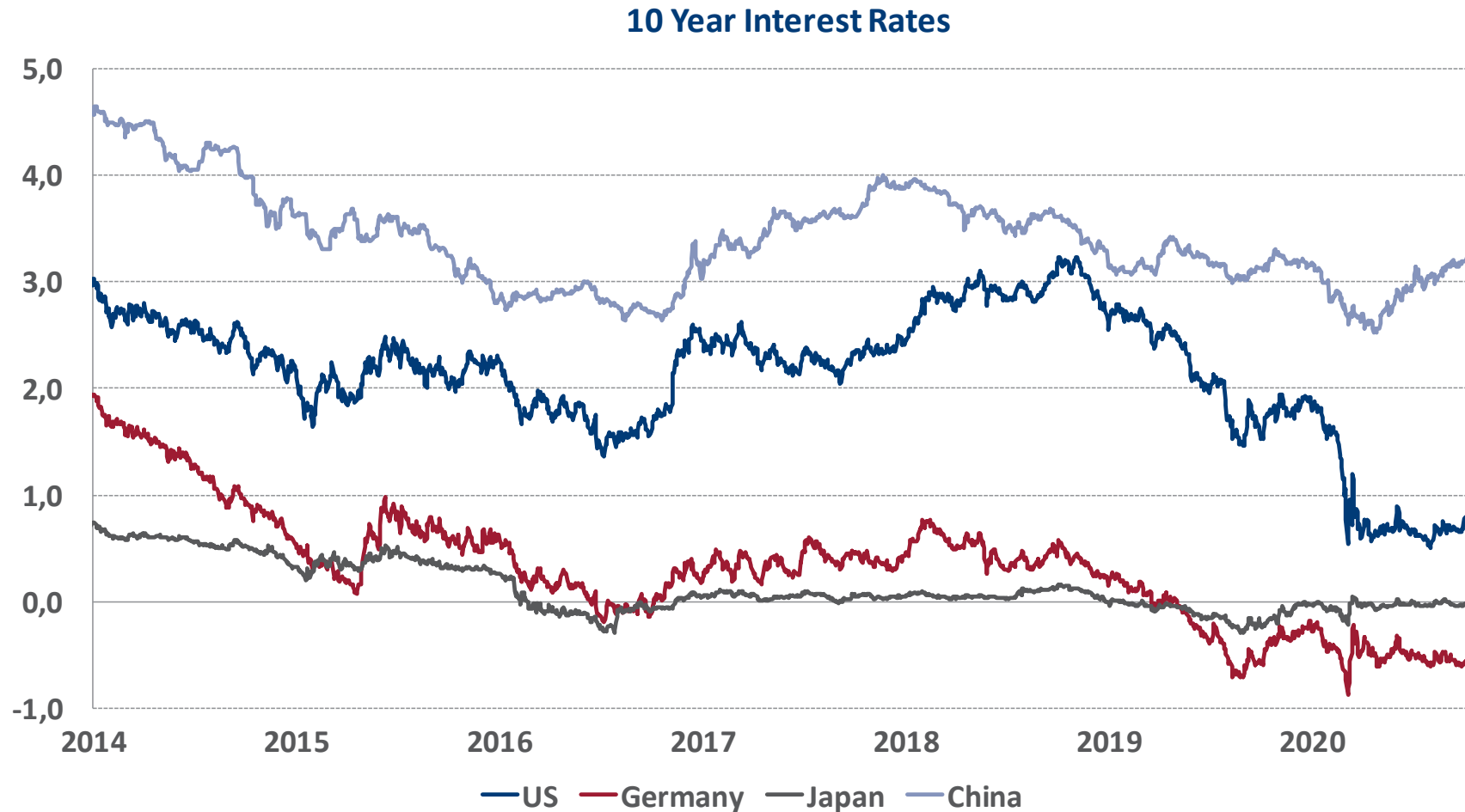
US: Election

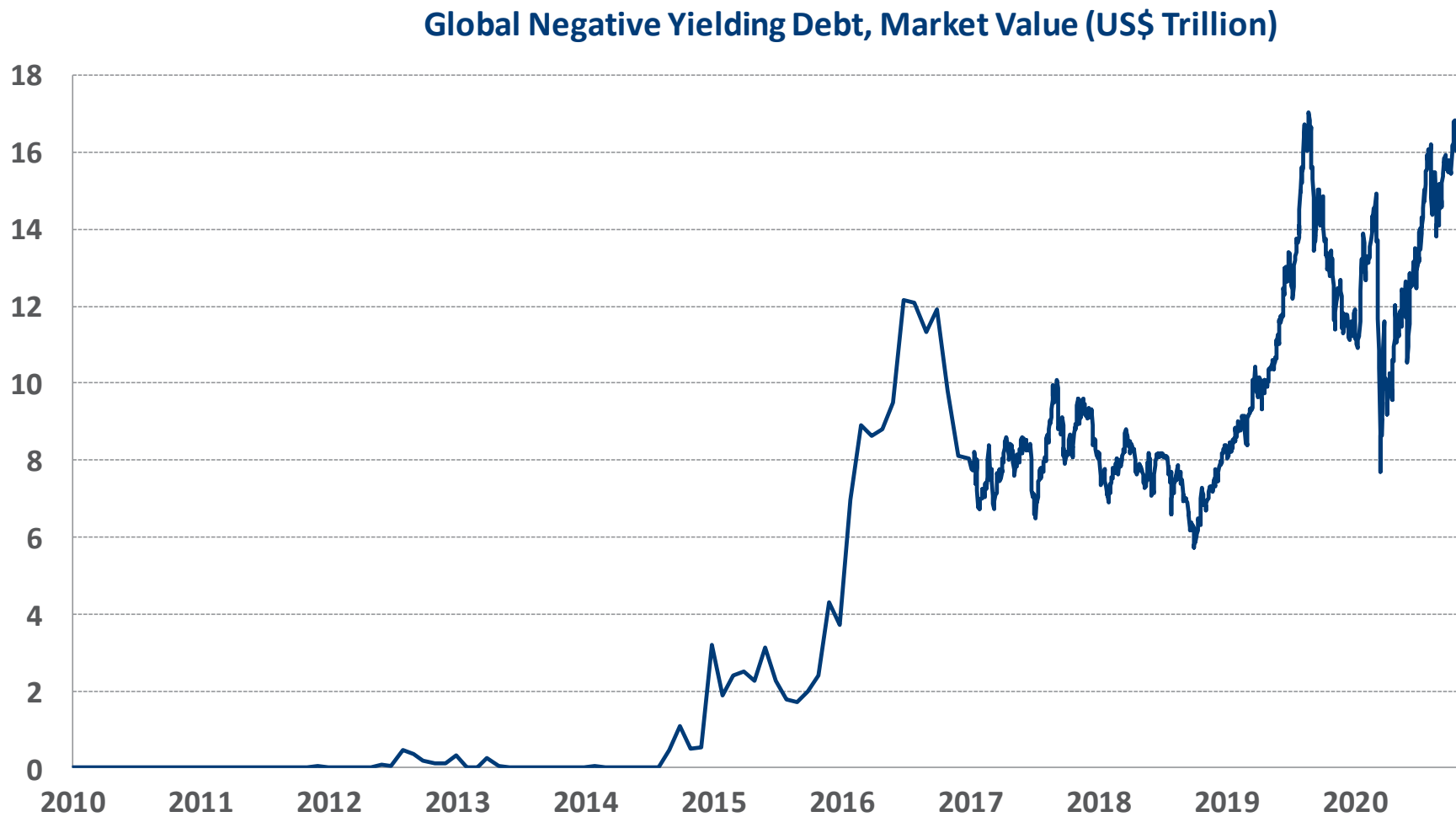
» Joe Biden seems to be poised to carry the presidential election



Global Interest Rates

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





Global Interest Rates

» Latin America stands out with historically low rates

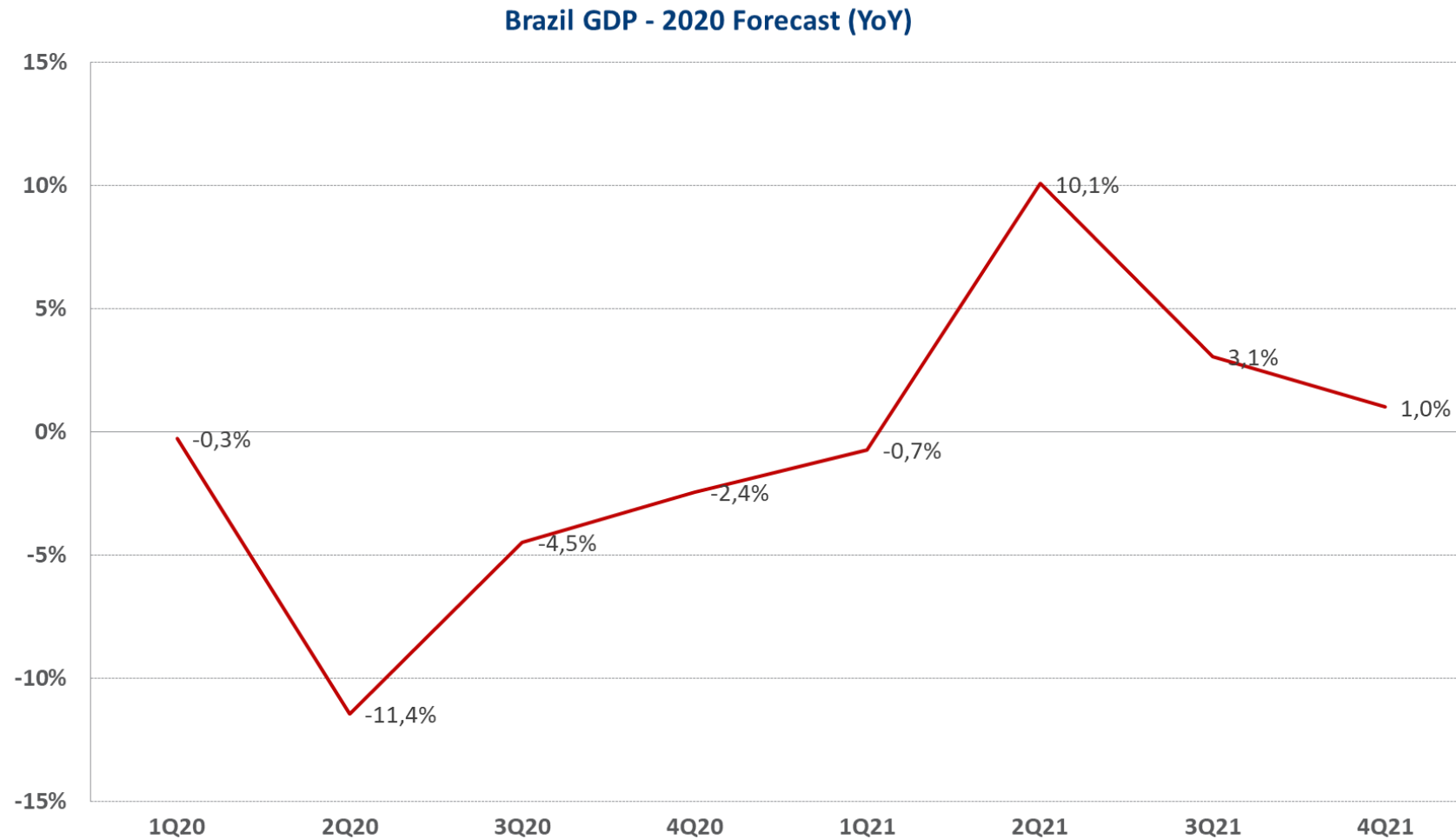
Country	Rate in Jan/2020	Curent Rate	Last move
Turkey	11,25	10,25	Increase
China (loan prime 5y)	4,80	4,65	Pause
Mexico	7,25	4,25	Easing
Russia	6,25	4,25	Pause
India	5,15	4,00	Pause
Indonesia	5,00	4,00	Pause
China (loan prime 1y)	4,15	3,85	Pause
South Africa	6,25	3,50	Pause
Philippines	4,00	2,25	Pause
Brazil	4,50	2,00	Pause
Colombia	4,25	1,75	Easing
Malaysia	3,00	1,75	Pause
Chile	1,75	0,50	Pause
Peru	2,25	0,25	Pause
Poland	1,50	0,10	Pause

Brazil: Forecasts

ECONOMIC FORECASTS	2016	2017	2018	2019	2020F	2021F
GDP Growth (%)	-3.3%	1.3%	1.3%	1.1%	-4.6%	3.1%
Inflation (%)	6.3%	2.9%	3.7%	4.3%	3.1%	3.2%
Unemployment Rate, SA (eoy ,%)	12.6%	12.4%	12.2%	11.7%	16.4%	15.8%
Policy Rate (eoy, %)	13.8%	7.0%	6.5%	4.5%	2.0%	3.5%
External Accounts						
Trade Balance (US\$ bn)	48	67	53	39	61	58
Current Account Balance (US\$ bn)	-23	-10	-42	-51	11	2
Current Account Balance (% of GDP)	-1.3%	-0.7%	-2.2%	-2.8%	0.8%	0.1%
Fiscal Policy						
Fiscal Primary Balance (% of GDP)	-2.5%	-1.8%	-1.6%	-0.9%	-11.9%	-3.0%
Government Gross Debt (% of GDP)	69.4%	73.7%	77.2%	75.9%	93.0%	94.2%

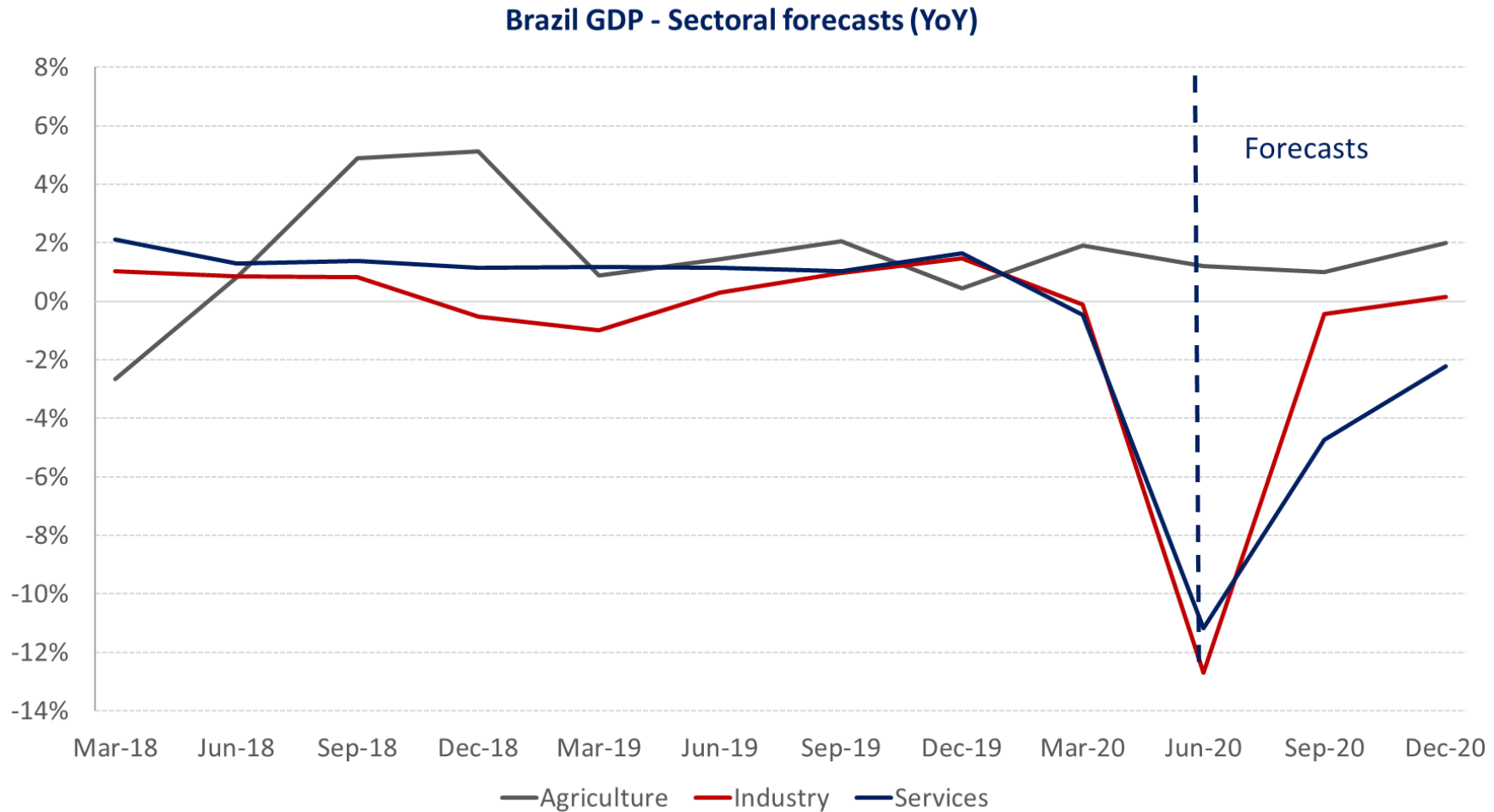
Brazil: GDP

» Activity valleyed in Q2



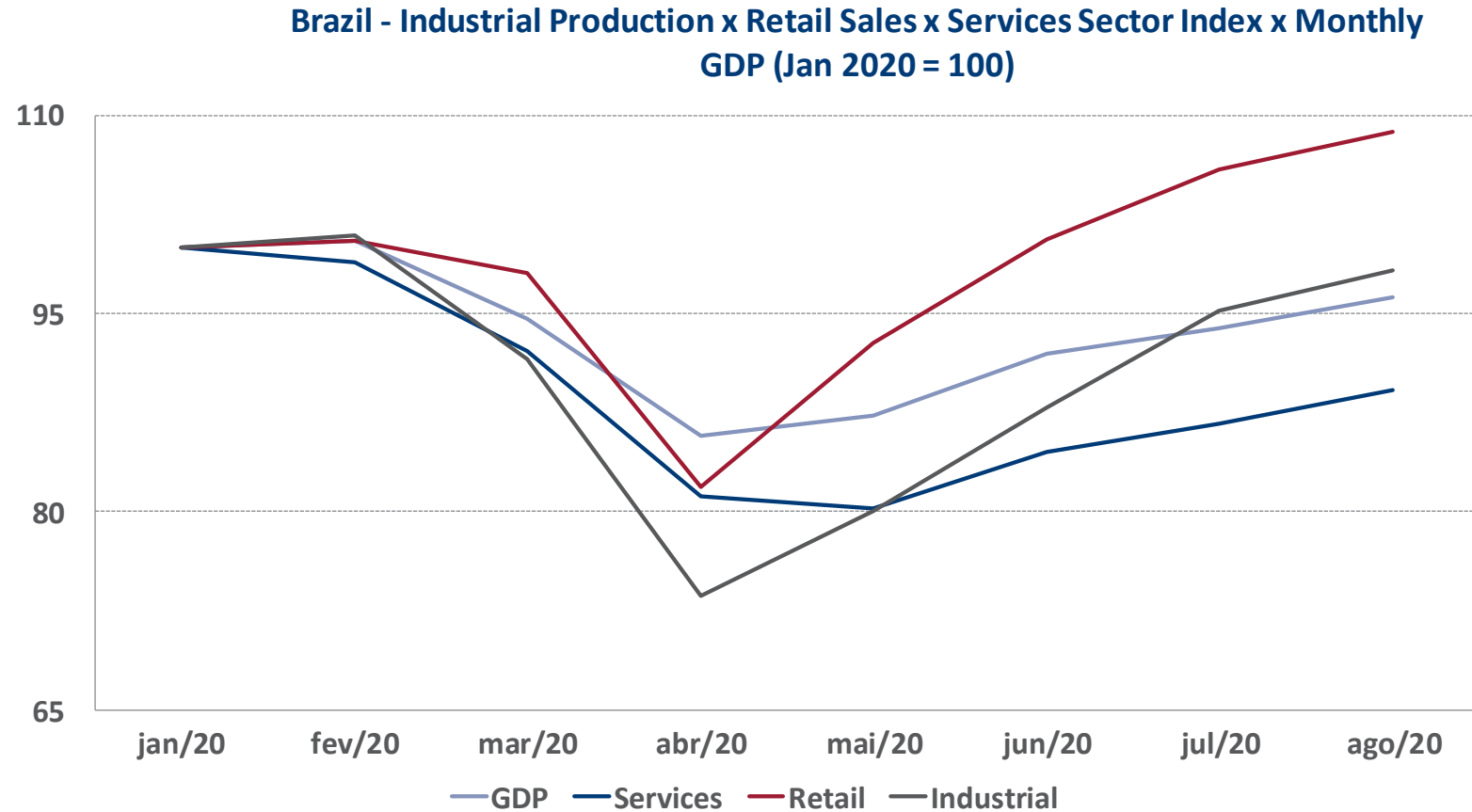
Brazil: GDP

»» We expect services to recover more slowly



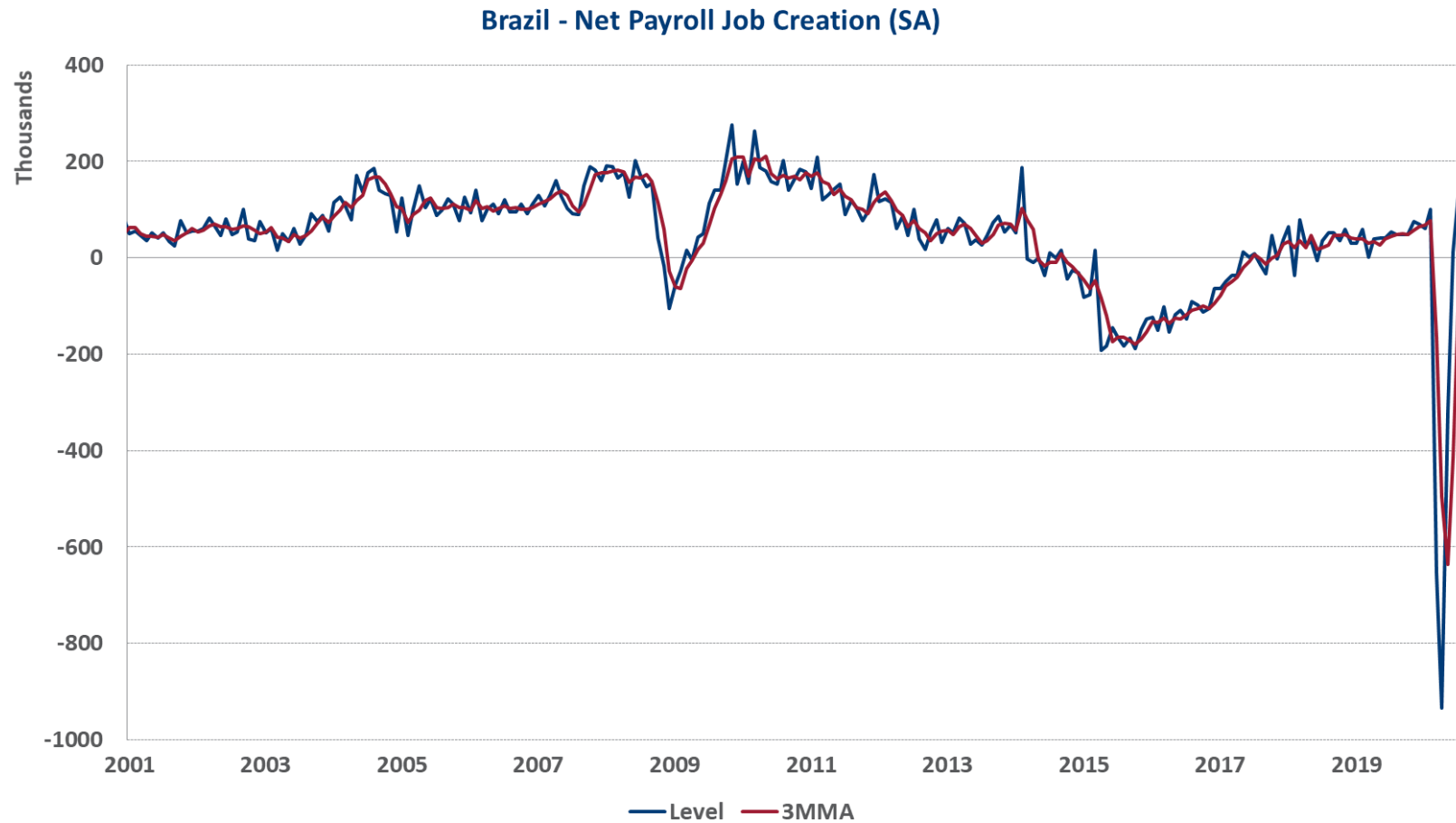
Brazil: Activity

» Industrial recovery driven by higher consumption of goods; Services recover slowly



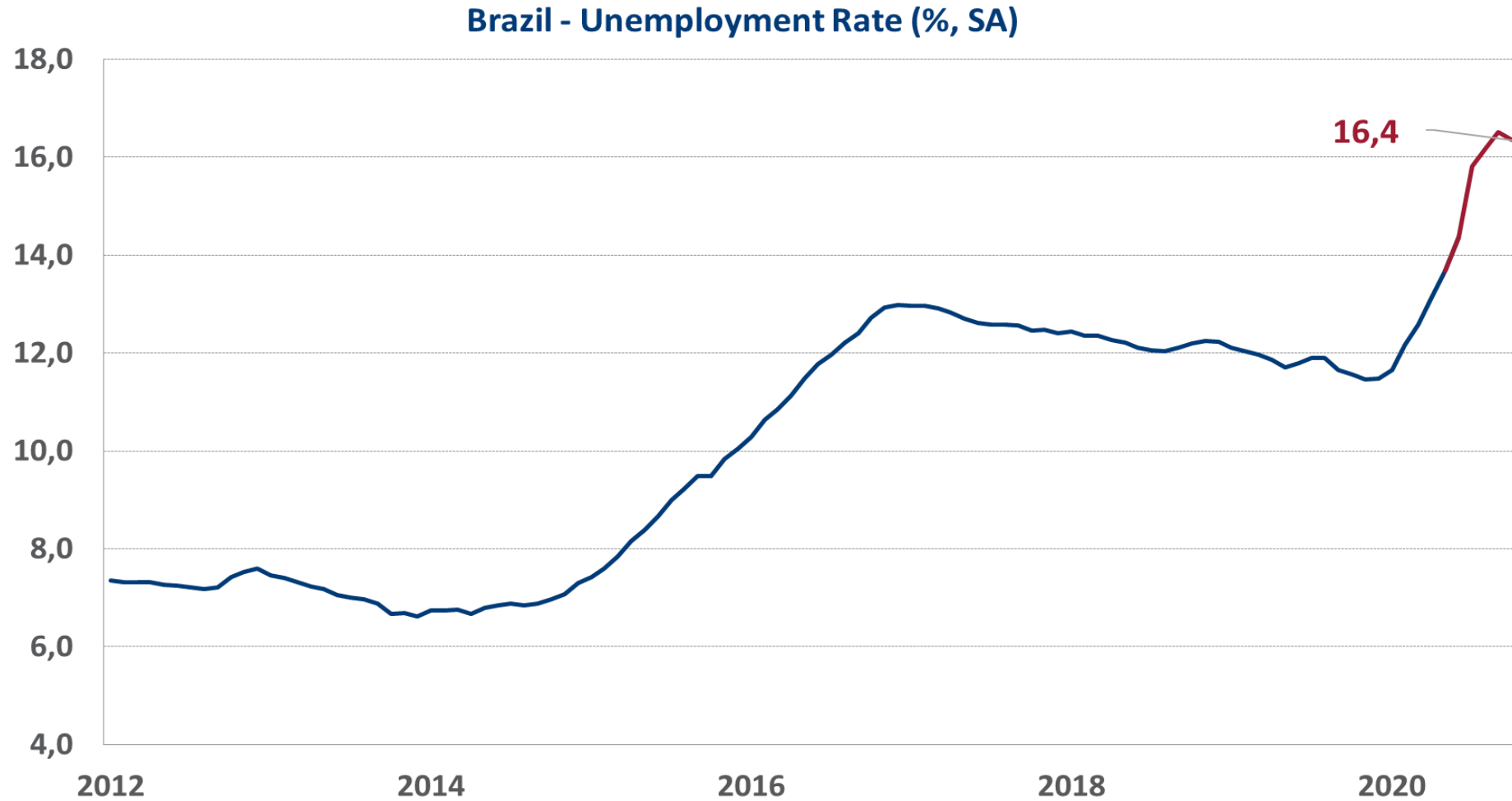
Brazil: Job Market

» Formal job creation recovers, sustained by construction and retail



Brazil: Labor Market

» But unemployment rate should increase over the next months with increase in search for jobs



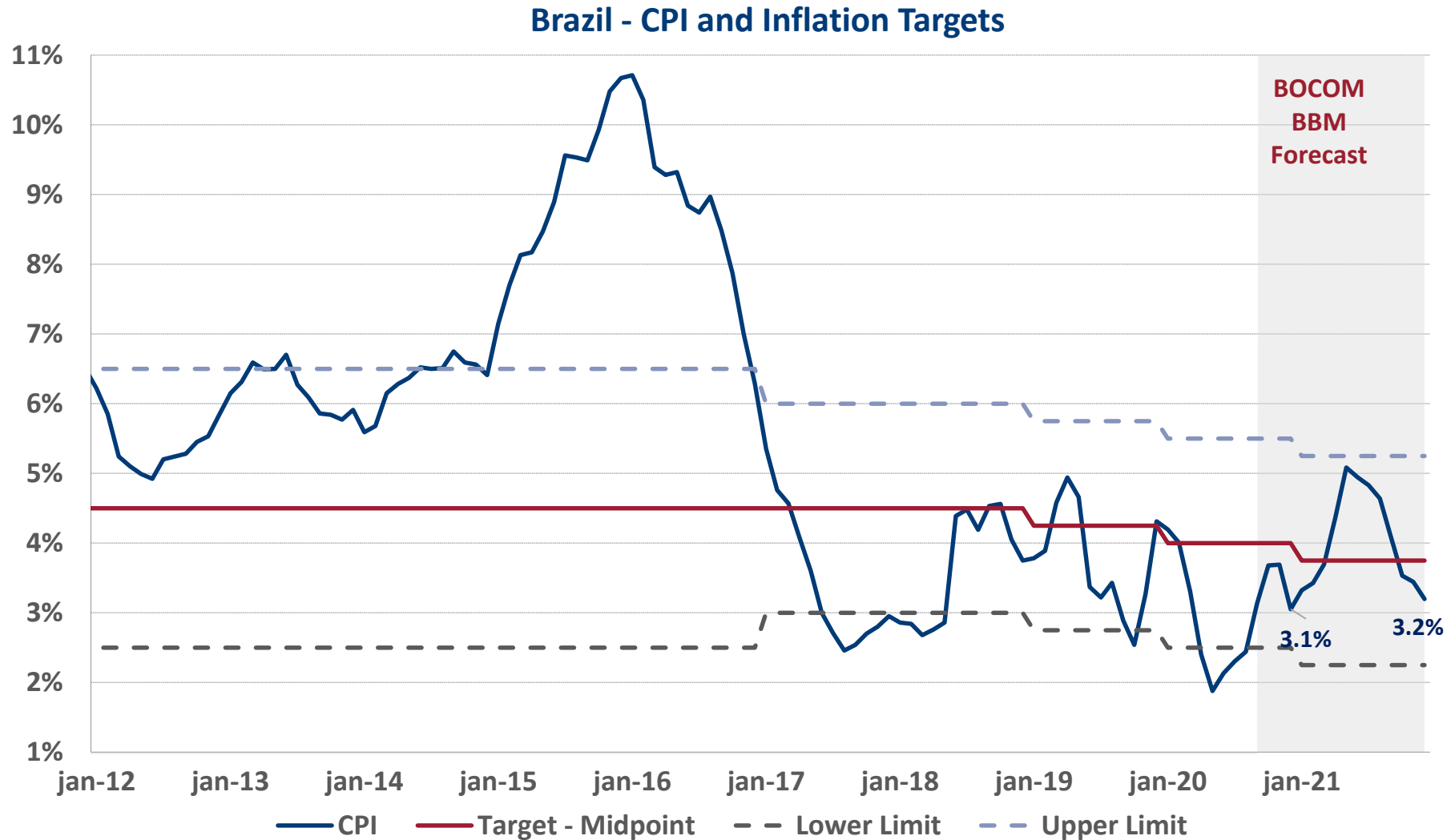
Brazil: Inflation

» Second semester pressures take the IPCA above 3% in 2020

Baseline Scenario (YoY)						
	IPCA	Regulated	Non-Regulated	Services	Food-at-Home	Industrial Products
19 Q4	4.3%	5.5%	3.9%	3.5%	7.8%	1.7%
20 Q1	3.3%	4.8%	2.9%	3.1%	5.1%	1.2%
20 Q2	2.1%	0.1%	2.8%	2.1%	9.0%	0.4%
20 Q3	3.1%	1.1%	3.9%	1.1%	15.4%	1.3%
20 Q4	3.1%	0.3%	4.2%	1.6%	13.6%	2.3%
21 Q1	3.7%	1.5%	4.6%	2.0%	13.8%	2.9%
21 Q2	5.0%	5.5%	4.9%	3.0%	11.4%	3.6%
21 Q3	4.1%	4.7%	3.9%	3.9%	6.1%	2.4%
21 Q4	3.2%	4.6%	2.8%	3.2%	4.2%	1.2%

Brazil: Inflation

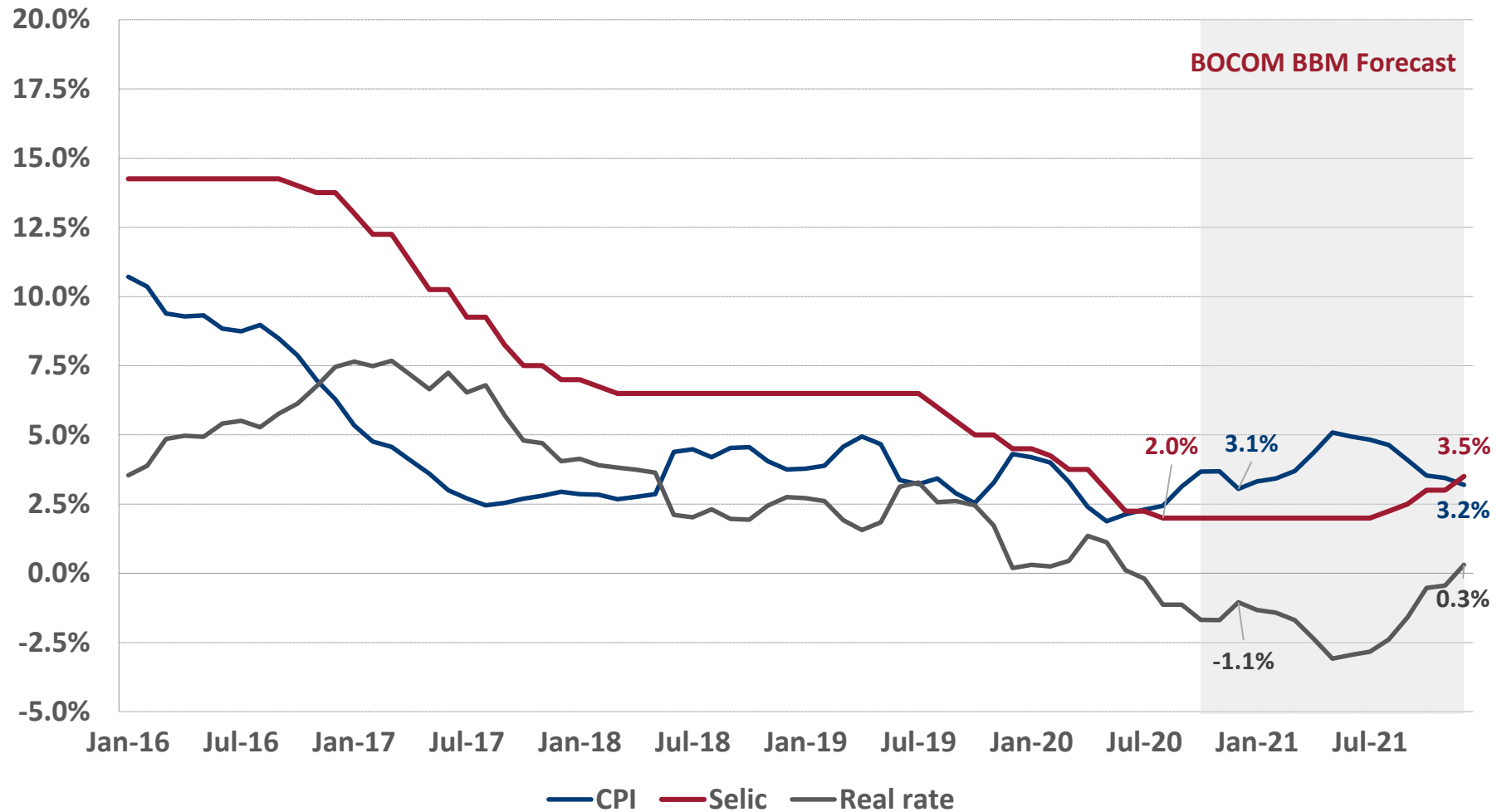
» Inflation should remain below the target's midpoint, leaving space for low interest rate levels



BRAZIL: MONETARY POLICY

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

Brazil - CPI, Selic Rate and Real Ex-post Interest Rate

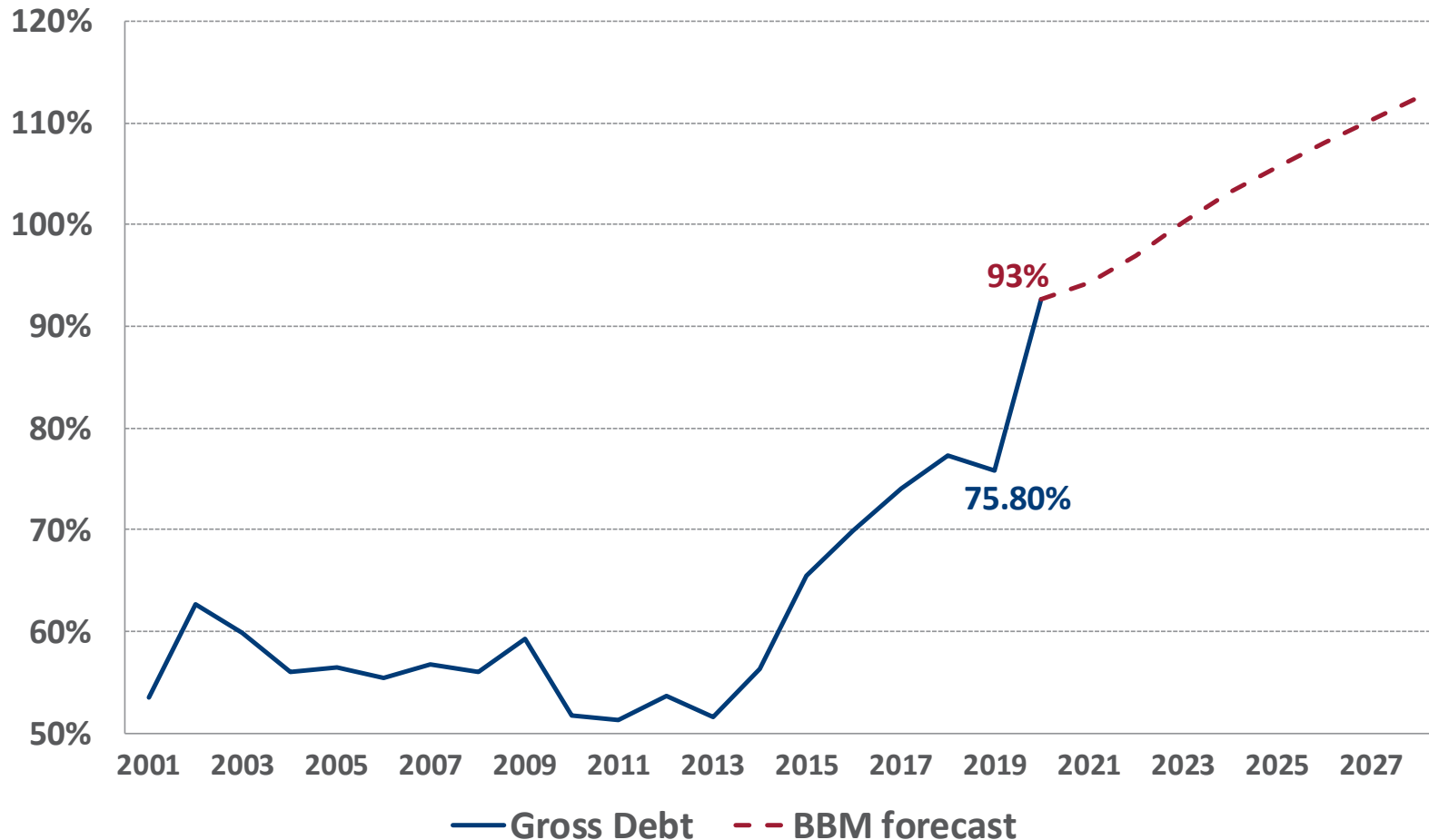


- » Measures to mitigate economic impacts from the pandemic should result in a primary deficit around 12% of GDP in 2020, returning to 3% of GDP in 2021 if the spending cap remains in place

Covid-19 Policy Response	R\$ Bilions	%GDP
Federal Government		
Taxes Defferal	359	5.0%
Emergencial aid for the vulnerable population	180	2.5%
Healthcare	28	0.4%
Emergencial aid for states and municipalities	171	2.4%
Labor support	417	5.8%
Total	1155	16.0%
Total ex-taxes defferal	796	11.0%
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%

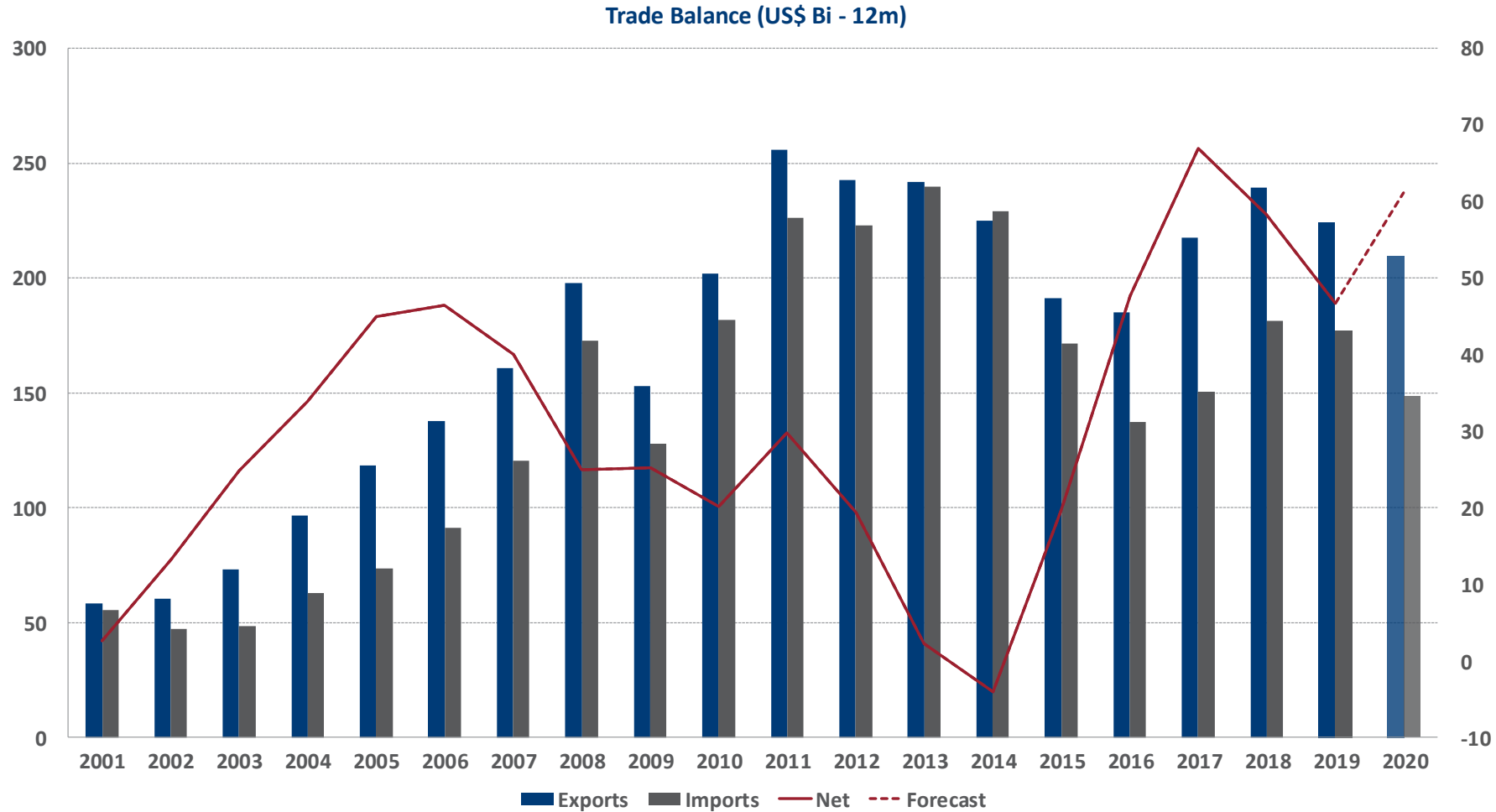
- » Fiscal measures to mitigate economic fallout will result in a sharp rise in the Debt/GDP ratio
- » Important to keep the fiscal deterioration contained to 2020 and adhere to the spending ceiling in 2021

Brazil - Gross Debt as share of GDP



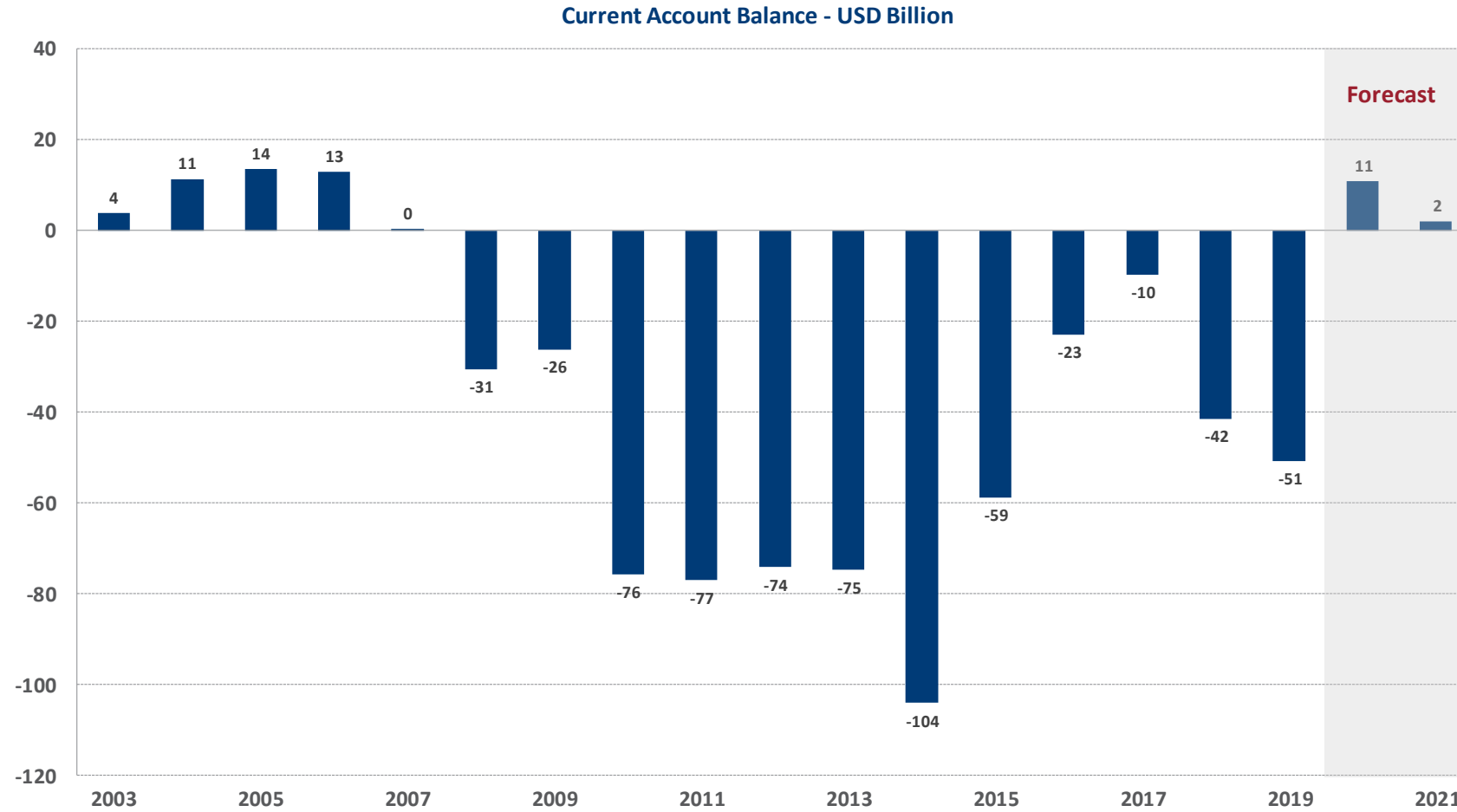
Brazil: Trade Balance

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



Brazil: Balance of Payments

» Leading to reversal of the current account deficit in the current and next year



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