



## MACRO OUTLOOK

Cecilia Machado  
Chief-Economist

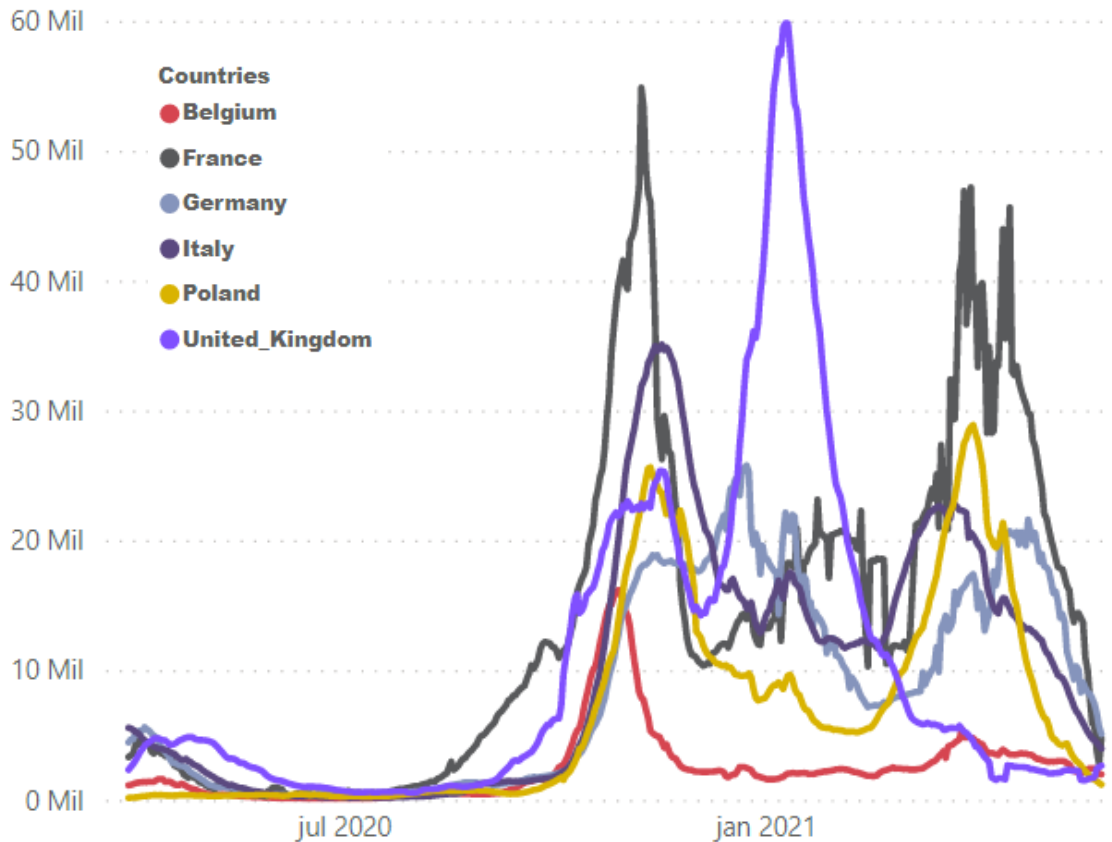
June 2021

- » Covid-19 vaccination campaigns advance in several countries, global activity being revised up
- » In Brazil, the pandemics still on elevated levels, while vaccine rollout advances slower than possible
- » Economic activity in Brazil showed more resilience in the first quarter
- » We are revising up our 2021 GDP forecast to 5.2%
- » We revised up our inflation forecast to 5.4%, on the back of strong commodities and pressure of production costs
- » We maintained our Selic rate projection at 5.5% at the end of 2021, and revised our projection for the end of 2022 to 6.5%
- » A higher GDP deflator will lead to a lower debt-to-GDP ratio in 2021

# Covid-19

»» Second wave recedes resonating vaccination campaigns

**World –Covid-19 Cases, 7-day moving average**



**USA –Covid-19 Cases, 7-day moving average**



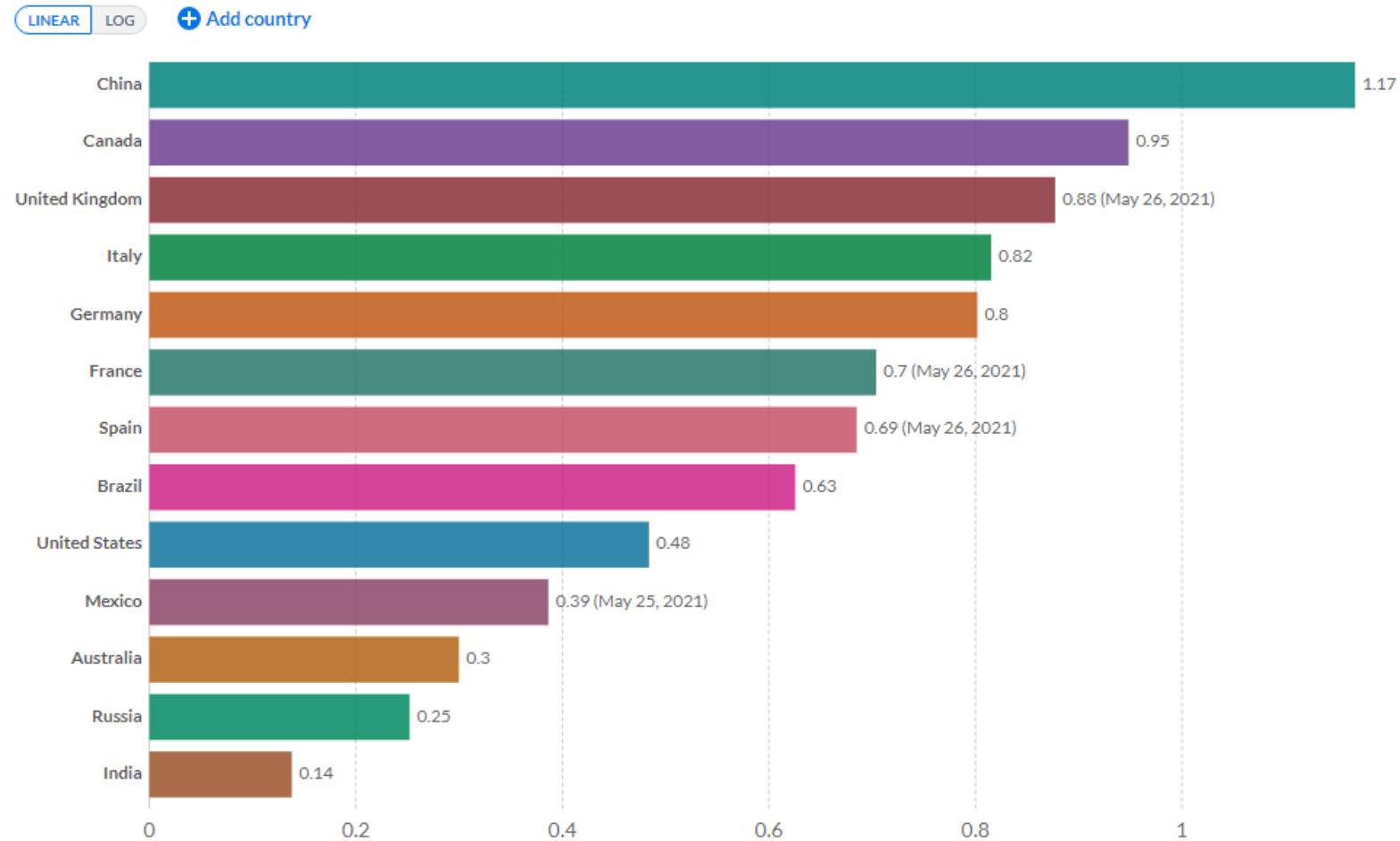


## » Vaccination advanced in China and Europe

### Daily COVID-19 vaccine doses administered per 100 people, May 27, 2021

Shown is the rolling 7-day average per 100 people in the total population. This is counted as a single dose, and may not equal the total number of people vaccinated, depending on the specific dose regime (e.g. people receive multiple doses).

Our World  
in Data



Source: Official data collated by Our World in Data - Last updated 28 May, 14:00 (London time)

OurWorldInData.org/coronavirus • CC BY

# Covid-19

» In Brazil number of cases increase, while deaths are still in a high level and decreasing slowly

**Brazil – Covid-19 Cases, 7-day moving average**



**Brazil – Covid-19 Cases, 7-day moving average**



# Global: GDP Growth

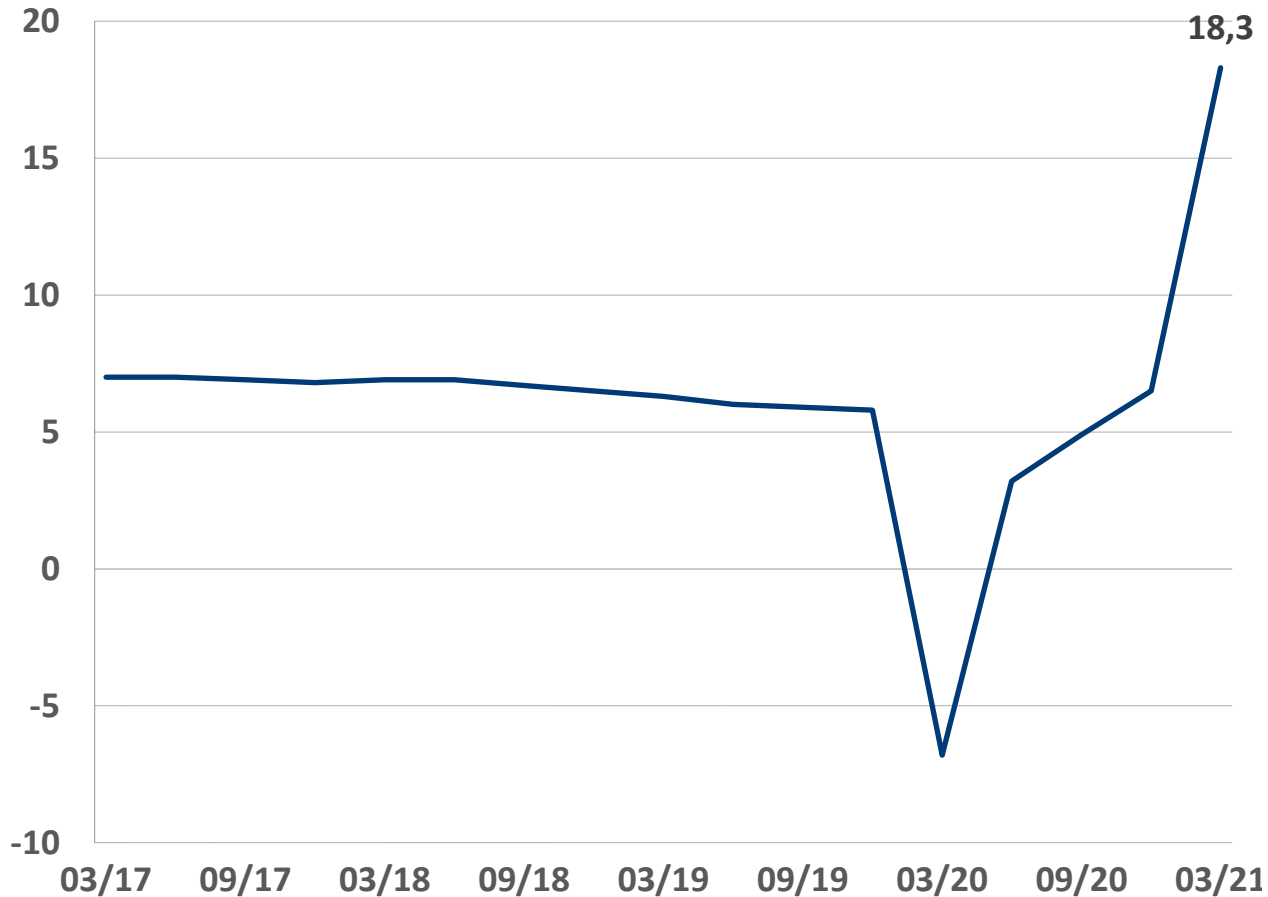
» Global economy should post strong recovery in 2021



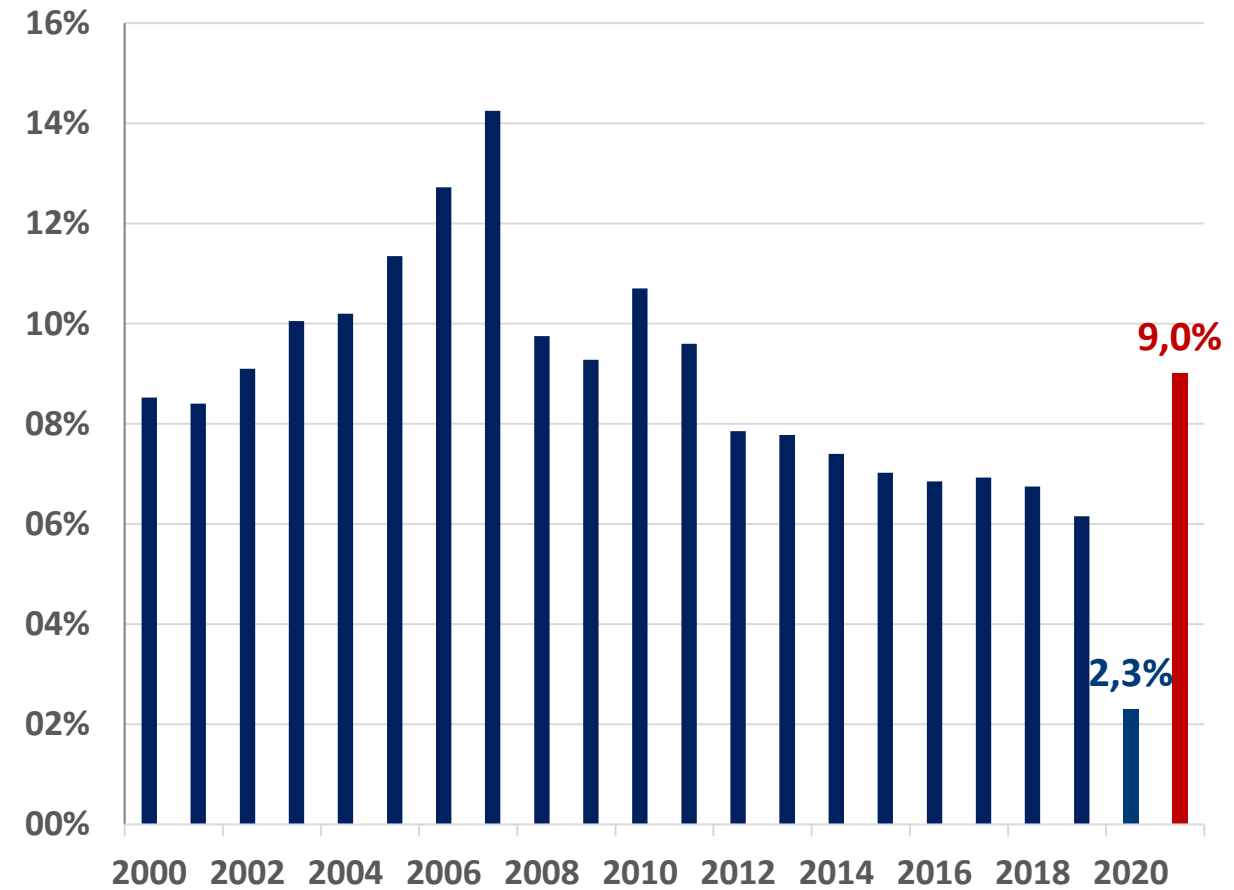
# China: Activity

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

China - Real GDP Growth (% YoY)

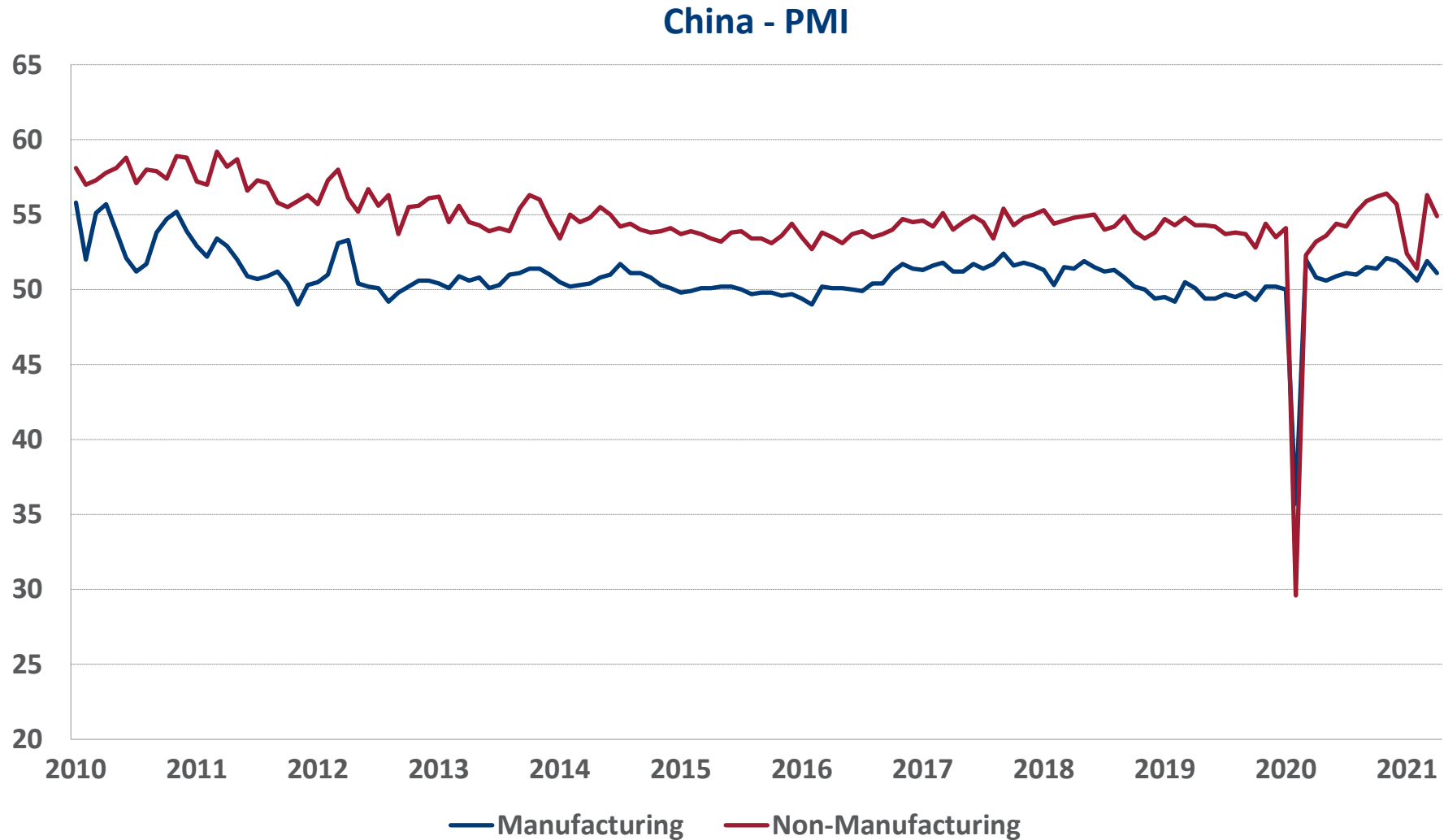


China - GDP, Yearly growth



# China: PMI

» But PMIs suggest a slowdown in the beginning of 2021

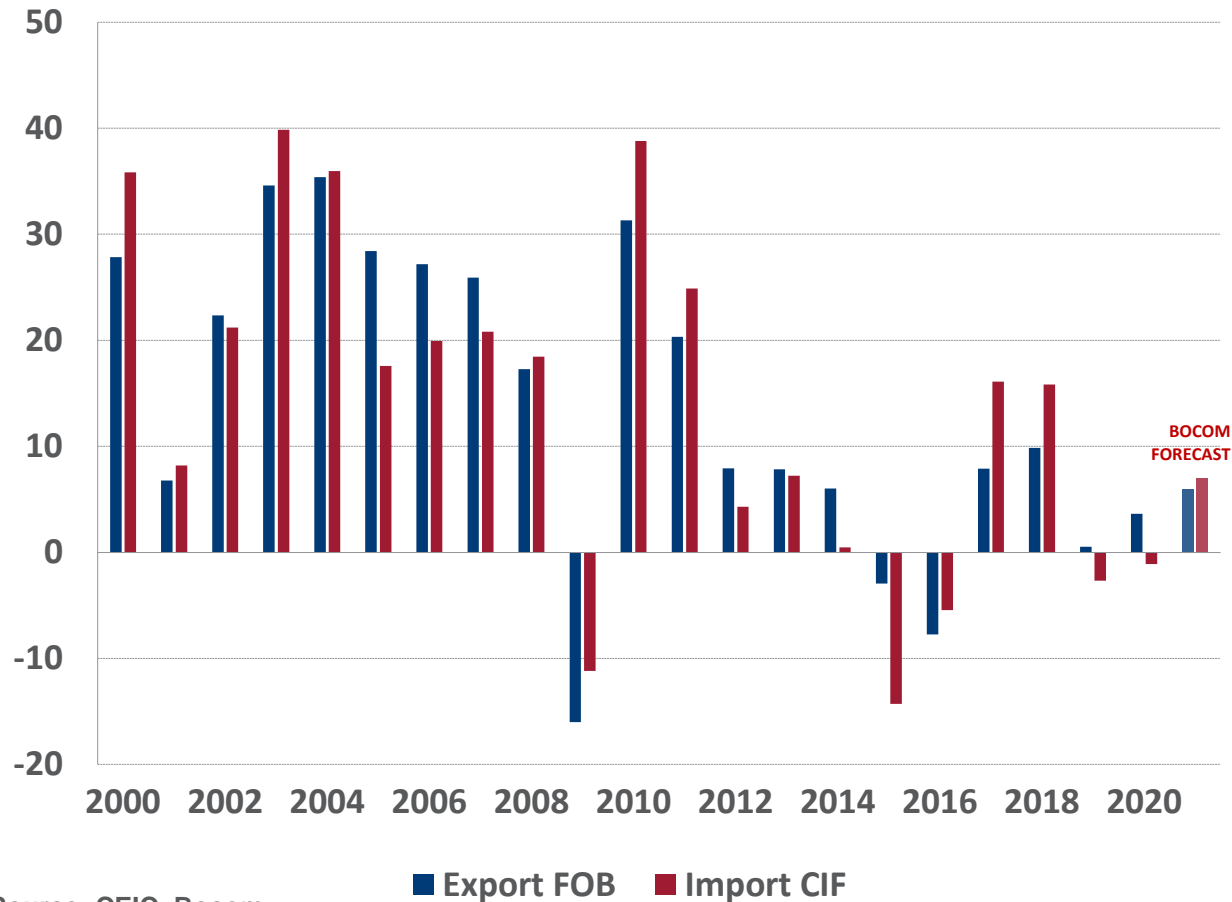




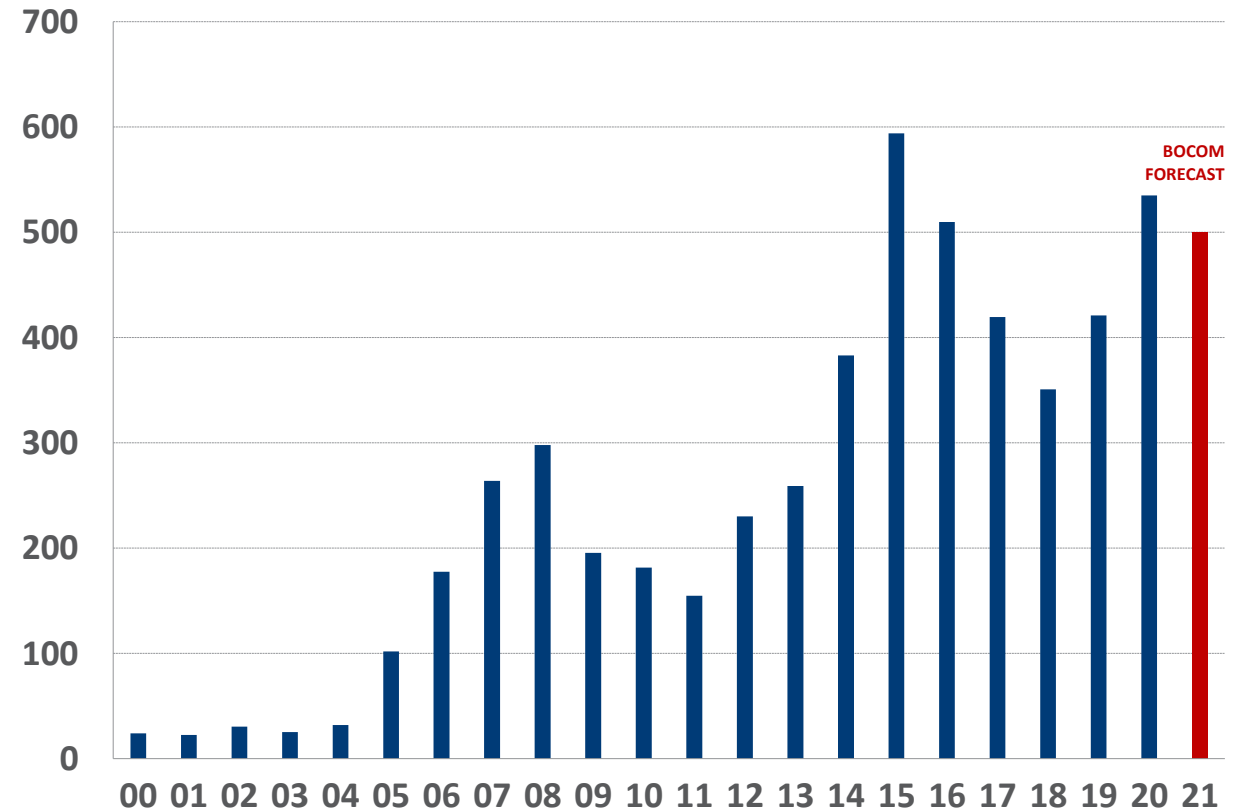
# China: Trade

» Imports will accelerate, but trade balance will remain elevated

## China - Foreign Trade ( % YoY )

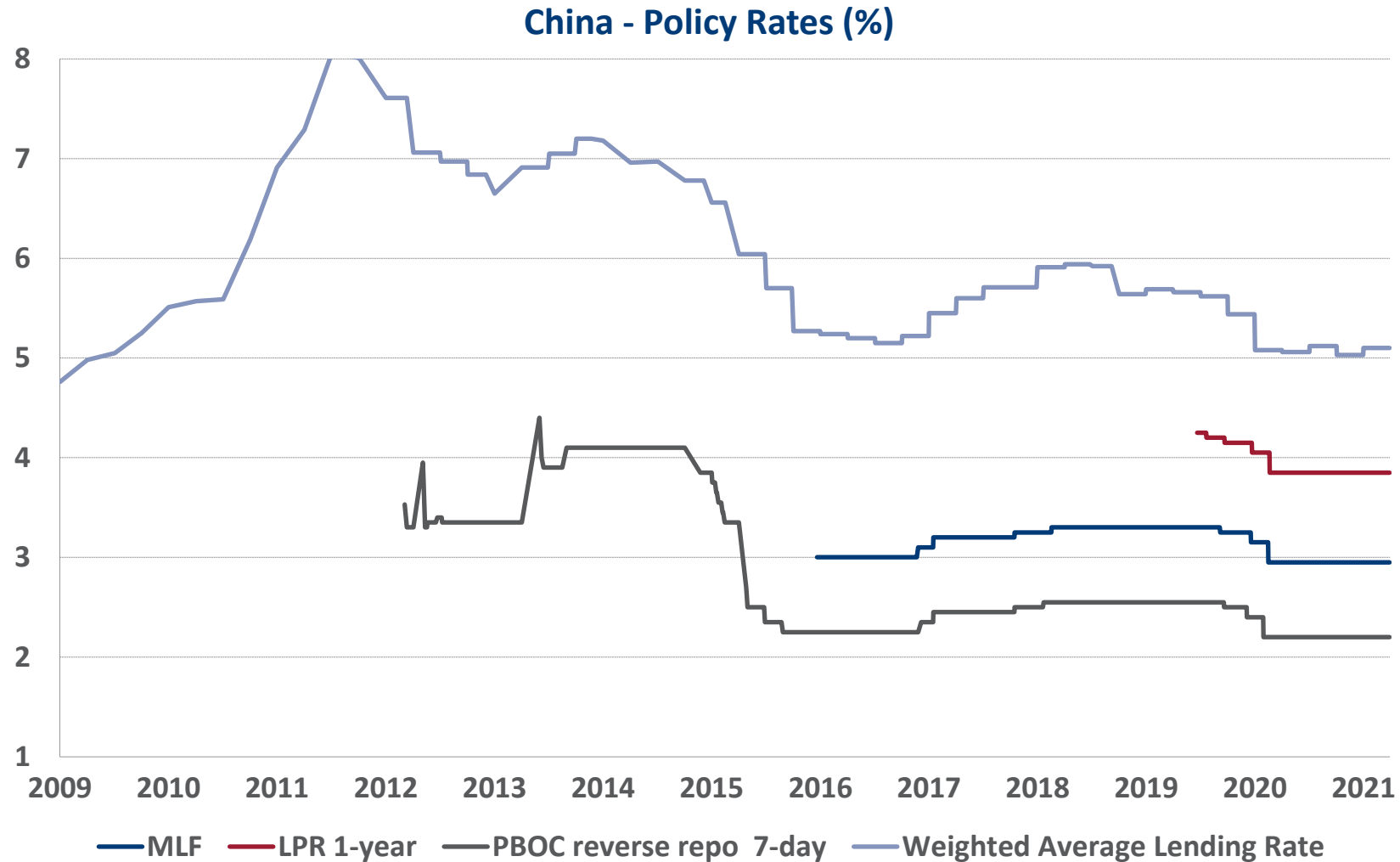


## China - Trade Balance (USD Billions)



# China: Monetary Policy

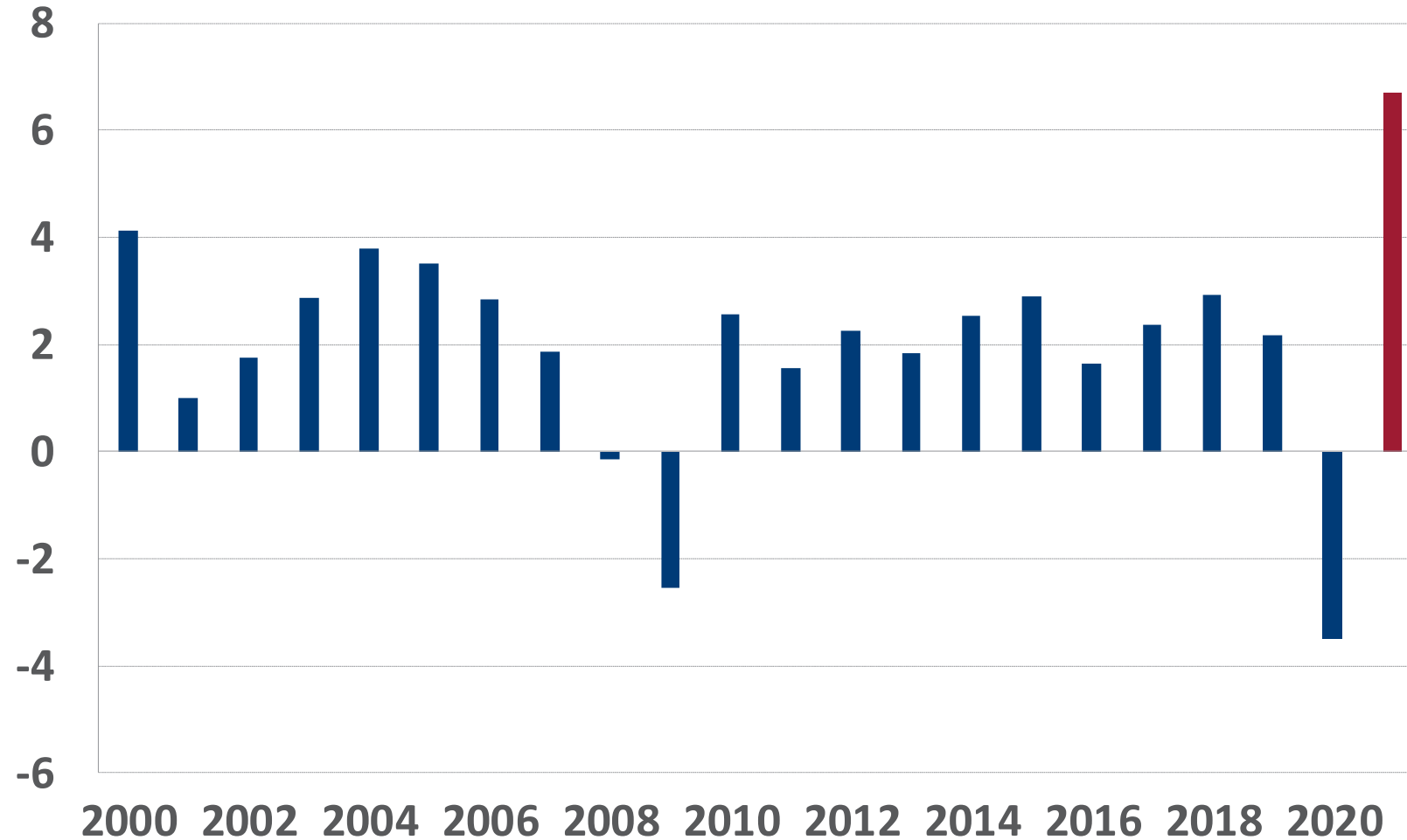
» Monetary policy will remain “prudent, precise and flexible” in 2021; no rate hikes in sight



# US: 2021 Outlook

» Growth being revised upwards especially on the back of extra fiscal spending

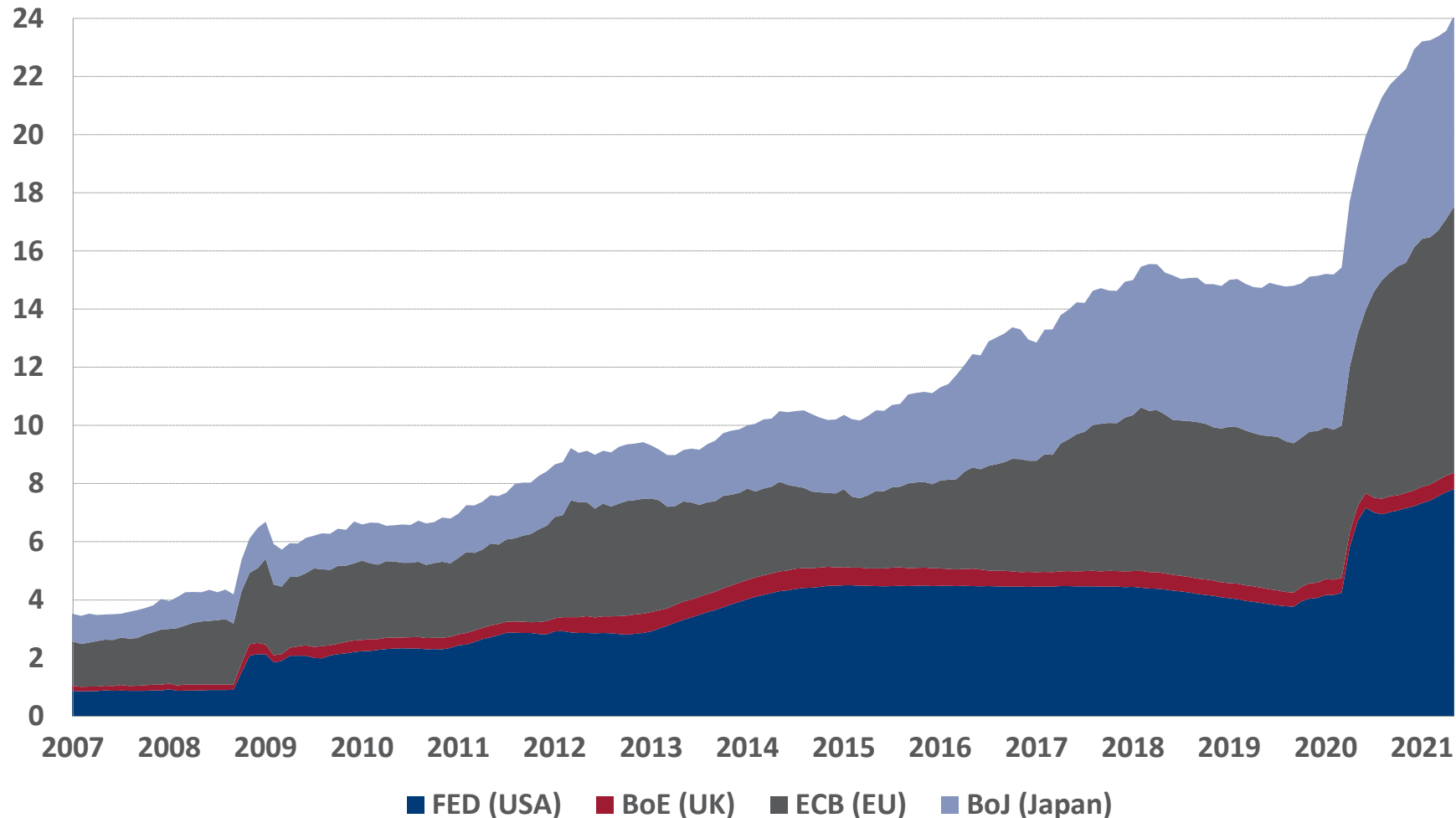
## USA - Gross Domestic Product (% Growth)



# Global: Monetary Expansion

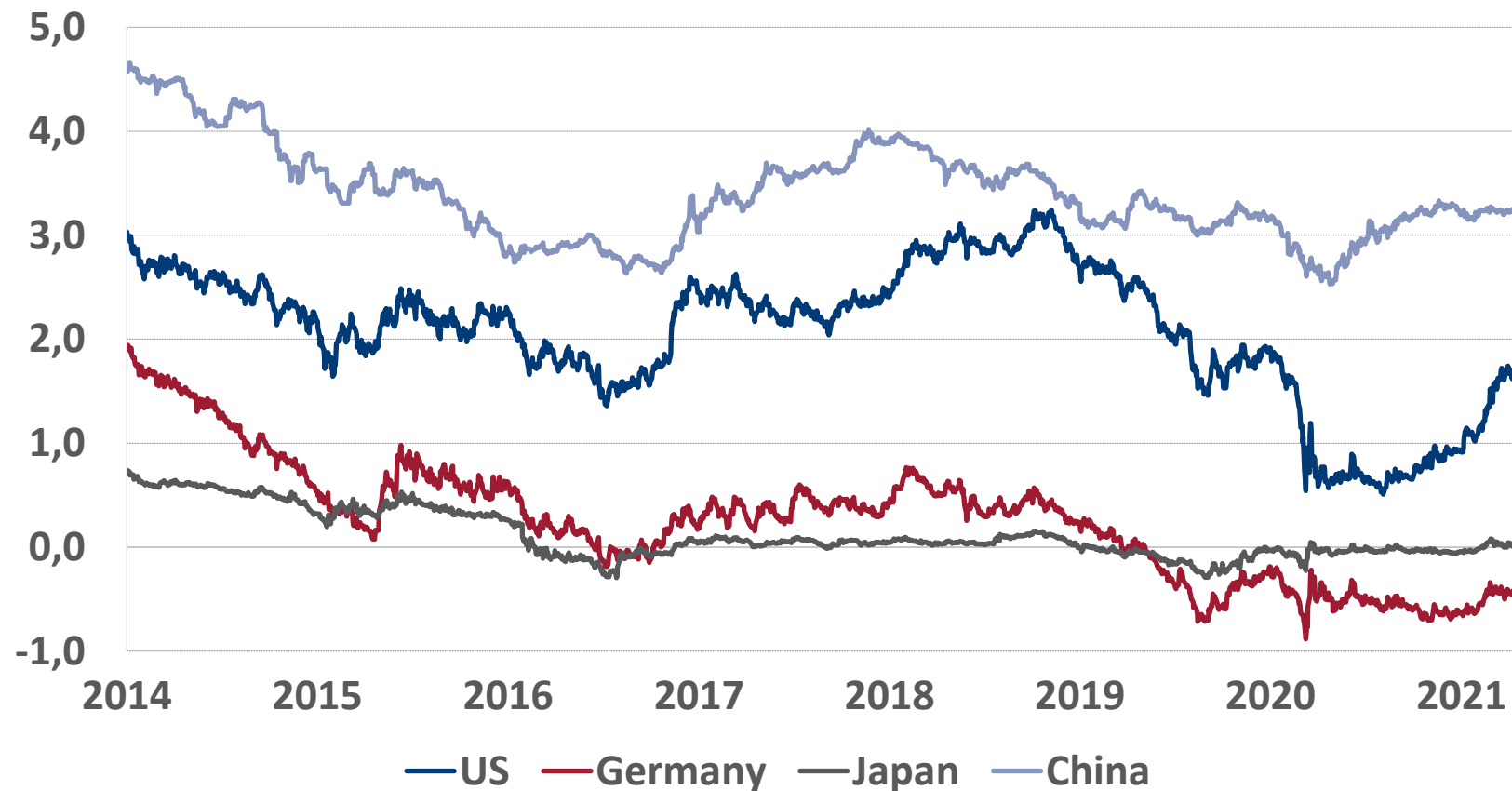
- » Balance of G10 Central Banks will continue expanding in 2021, sustaining the elevated global liquidity environment

Central Bank Balance Sheet (US\$ trillion)



» Long term Interest rates rise on the back of upside revisions to activity and inflation

## 10 Year Interest Rates





# Global: Negative Interest Rates

» Driving the volume of negative yielding sovereign debt down

Global Negative Yielding Debt, Market Value (US\$ Trillion)



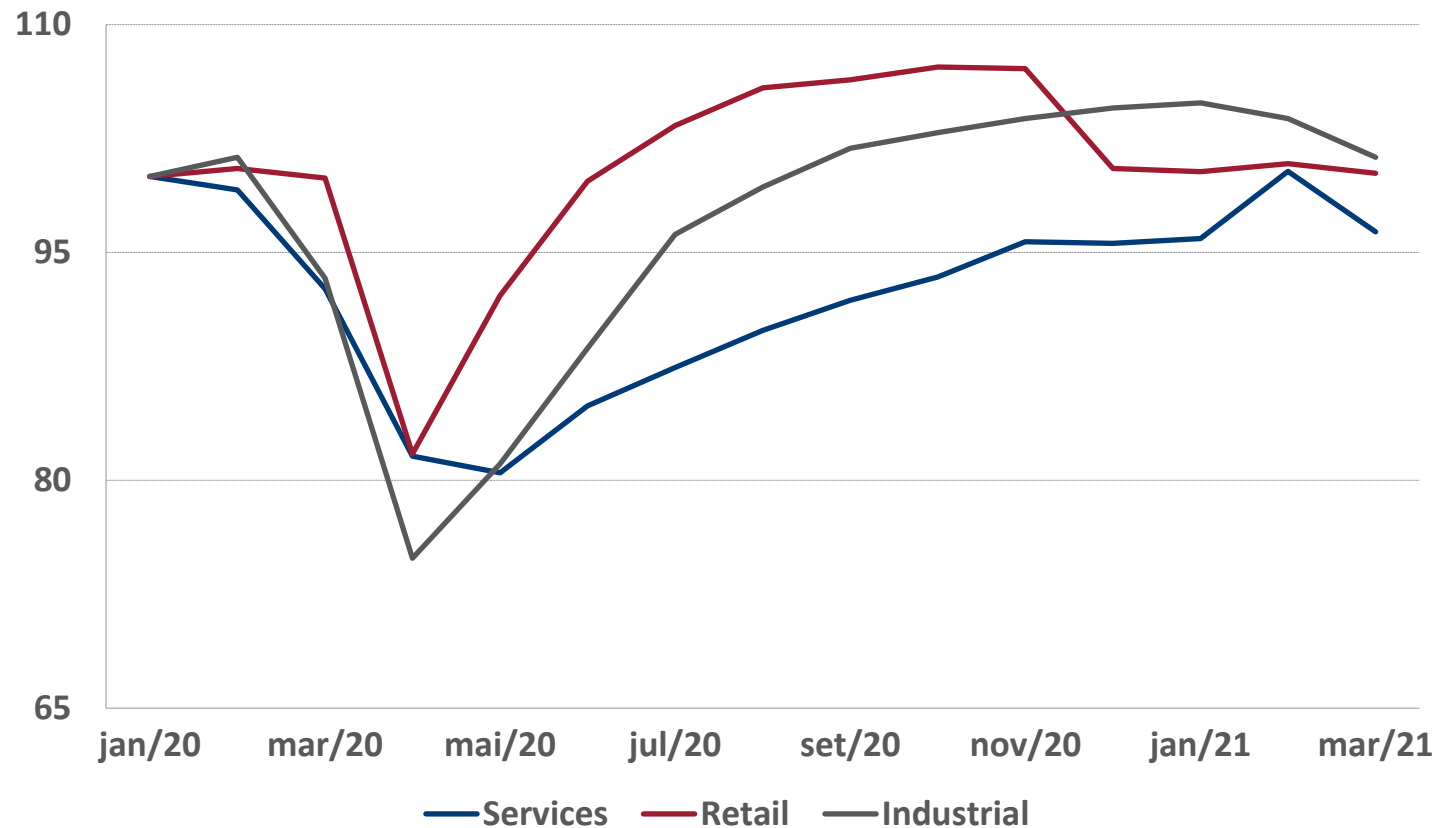
# Brazil: Forecasts

ECONOMIC FORECASTS	2016	2017	2018	2019	2020	2021F	2022F
GDP Growth (%)	-3,3%	1,3%	1,3%	1,1%	-4,1%	5,2%	2,5%
Inflation (%)	6,3%	2,9%	3,7%	4,3%	4,5%	5,4%	3,6%
Unemployment Rate, SA (eoy ,%)	12,6%	12,4%	12,2%	11,7%	13,9%	13,0%	13,0%
Policy Rate (eoy, %)	13,8%	7,0%	6,5%	4,5%	2,0%	5,5%	6,5%
External Accounts							
Trade Balance (US\$ bn)	48	67	53	48	51	70	46
Current Account Balance (US\$ bn)	-23	-10	-42	-51	-13	3	-15
Current Account Balance (% of GDP)	-1,3%	-0,7%	-2,2%	-2,8%	-0,9%	0,2%	-0,9%
Fiscal Policy							
Fiscal Primary Balance (% of GDP)	-2,5%	-1,7%	-1,7%	-1,2%	-10,0%	-2,5%	-1,4%
Government Gross Debt (% of GDP)	69,4%	73,7%	75,3%	74,3%	88,8%	85,0%	85,8%

# Brazil: Activity

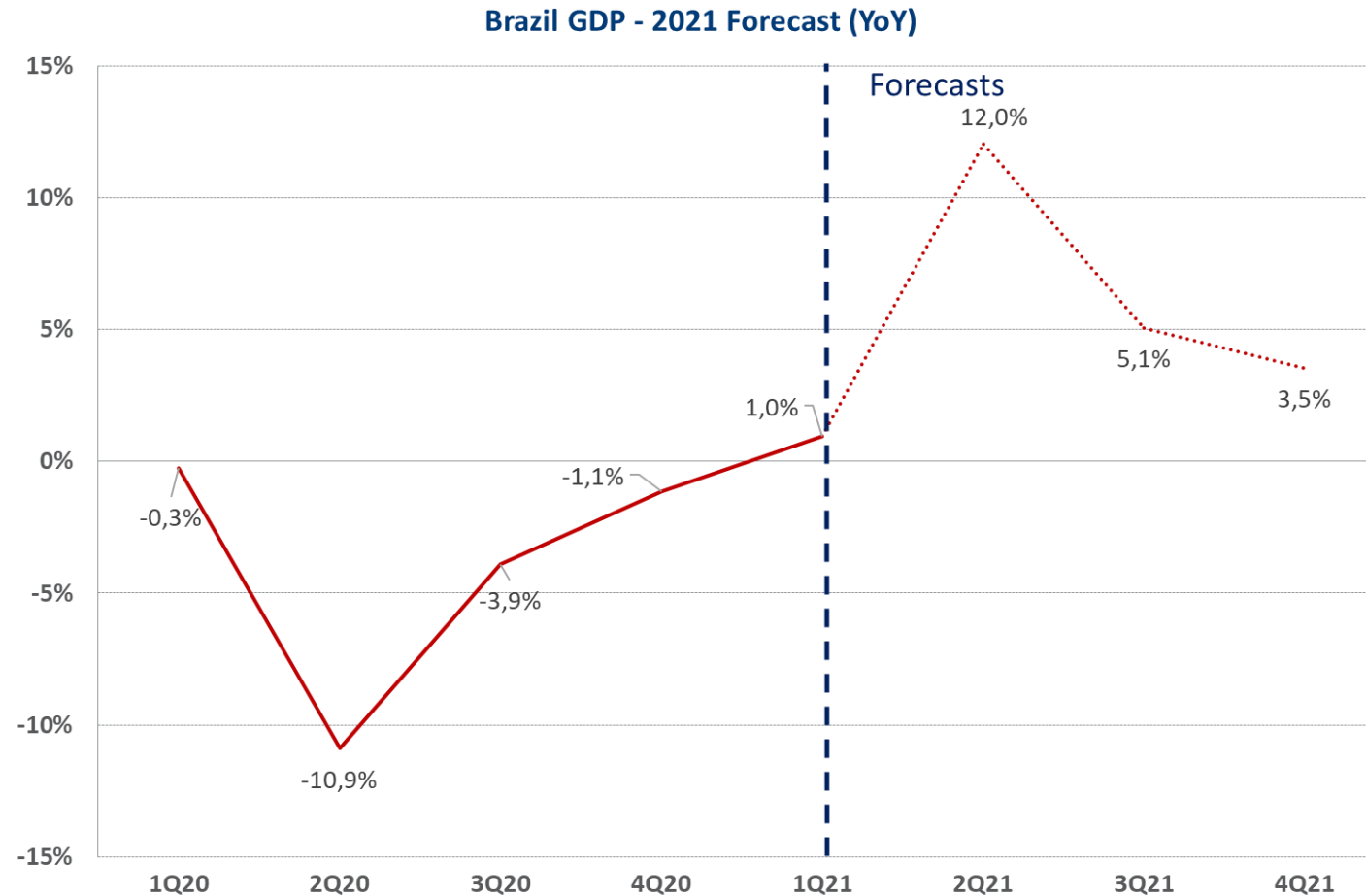
- » Although we have observed a drop in the economy in March, activity showed more resilience in the first quarter than we first thought

**Brazil - Retail Sales x Industrial Production x Services Sector  
Index (Jan 2020 = 100)**



# Brazil: Activity

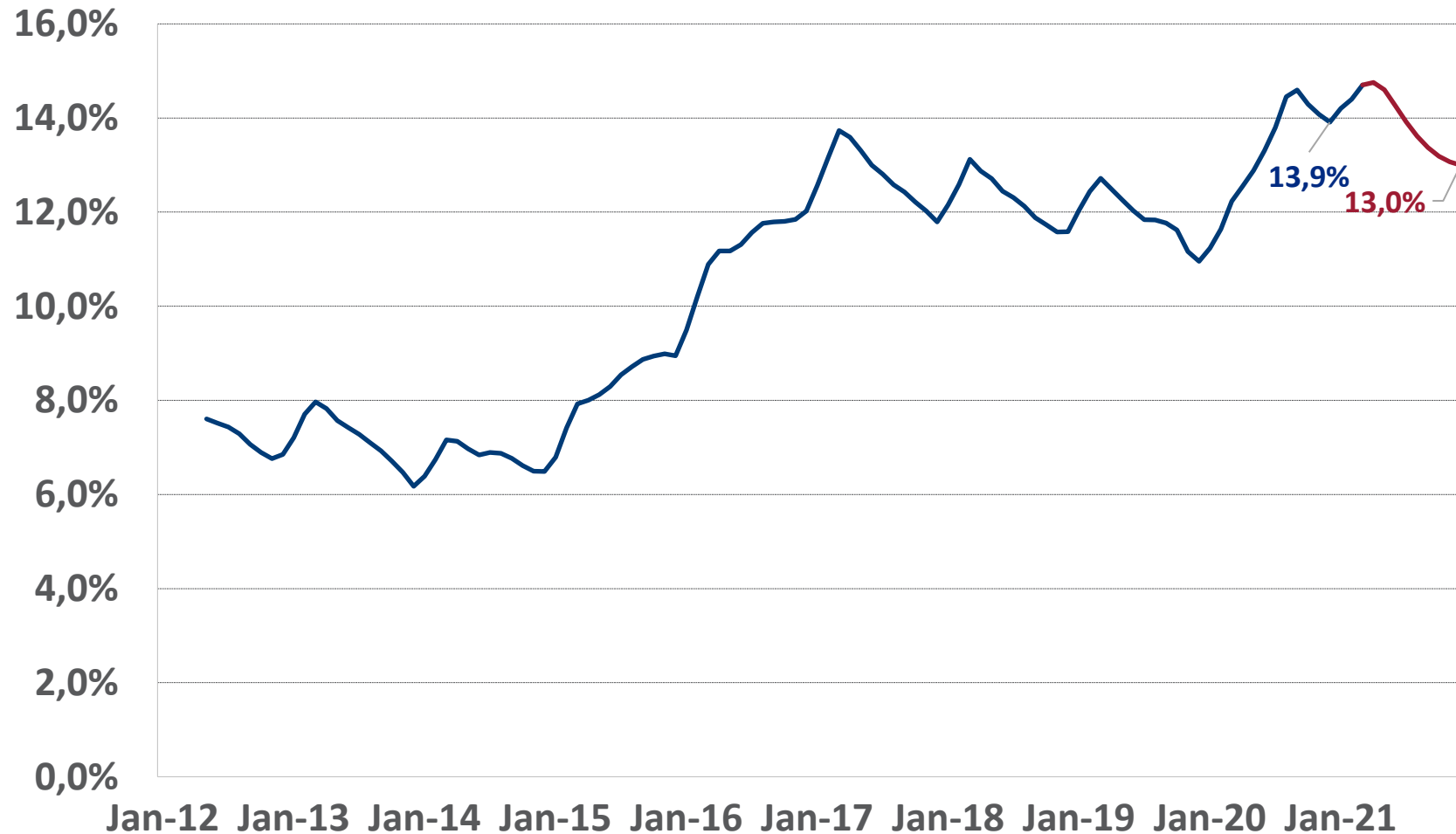
- » We are revising up our 2021 GDP forecast to 5.2%
- » Economic recovery has been heterogeneous, but we expect the reopening of the economy will allow a consistent recovery in the service sector in the second half of the year



# Brazil: Labor Market

- » Unemployment rate should increase over the next months as more people look for jobs, but will decrease throughout 2021

Brazil - Unemployment Rate (% , SA)





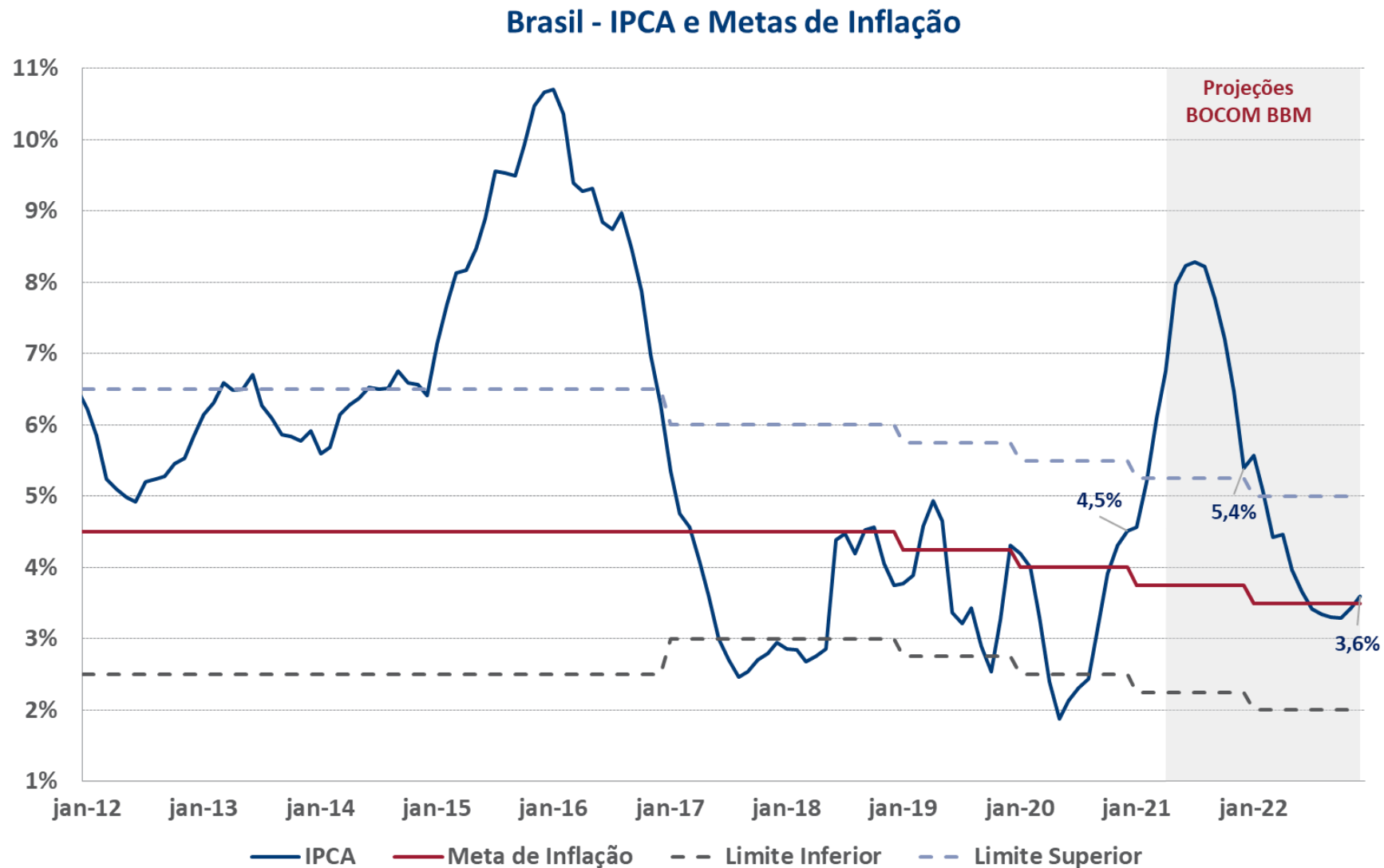
# Brazil: Inflation

- » Base effect will lead to decrease on 12-month inflation in second half of the year
- » 12-month CPI will reach 8,2% during the third quarter and will bring discomfort to the Central Bank

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%	2,6%	2,8%	2,1%	9,0%	0,2%
20 Q3	3,1%	2,1%	3,8%	1,1%	15,4%	1,3%
20 Q4	4,5%	2,6%	5,5%	1,7%	18,2%	3,2%
21 Q1	6,1%	7,0%	6,1%	1,6%	17,6%	5,5%
21 Q2	8,2%	13,0%	6,8%	1,9%	15,6%	8,6%
21 Q3	7,9%	12,4%	6,4%	2,9%	12,0%	8,0%
21 Q4	5,5%	8,4%	4,5%	2,5%	7,7%	5,3%
22 Q1	4,5%	4,6%	4,5%	3,3%	8,8%	3,4%
22 Q2	3,7%	2,5%	4,2%	4,2%	8,7%	1,3%
22 Q3	3,3%	1,8%	3,9%	4,5%	7,3%	0,8%
22 Q4	3,6%	3,6%	3,6%	4,2%	5,7%	1,4%

# Brazil: Inflation

» Inflation forecast revised to 5,4% in 2021, above the target's upper limit



»» In spite of the inflation forecast already being above the upper limit, we see several upside risks:

1. Further cost inflation passthrough to industrial goods
2. Stronger recovery of the service sector and consequently of the labor market
3. Additional pressure from commodities
4. Additional pressure from regulated prices, especially the risk of red flag 1 or 2 tariff in December

»» However, a cycle of foreign exchange rate appreciation could mitigate these pressures

»» A downward risk, however, is the readjustment of health plans which could be negative in 2021

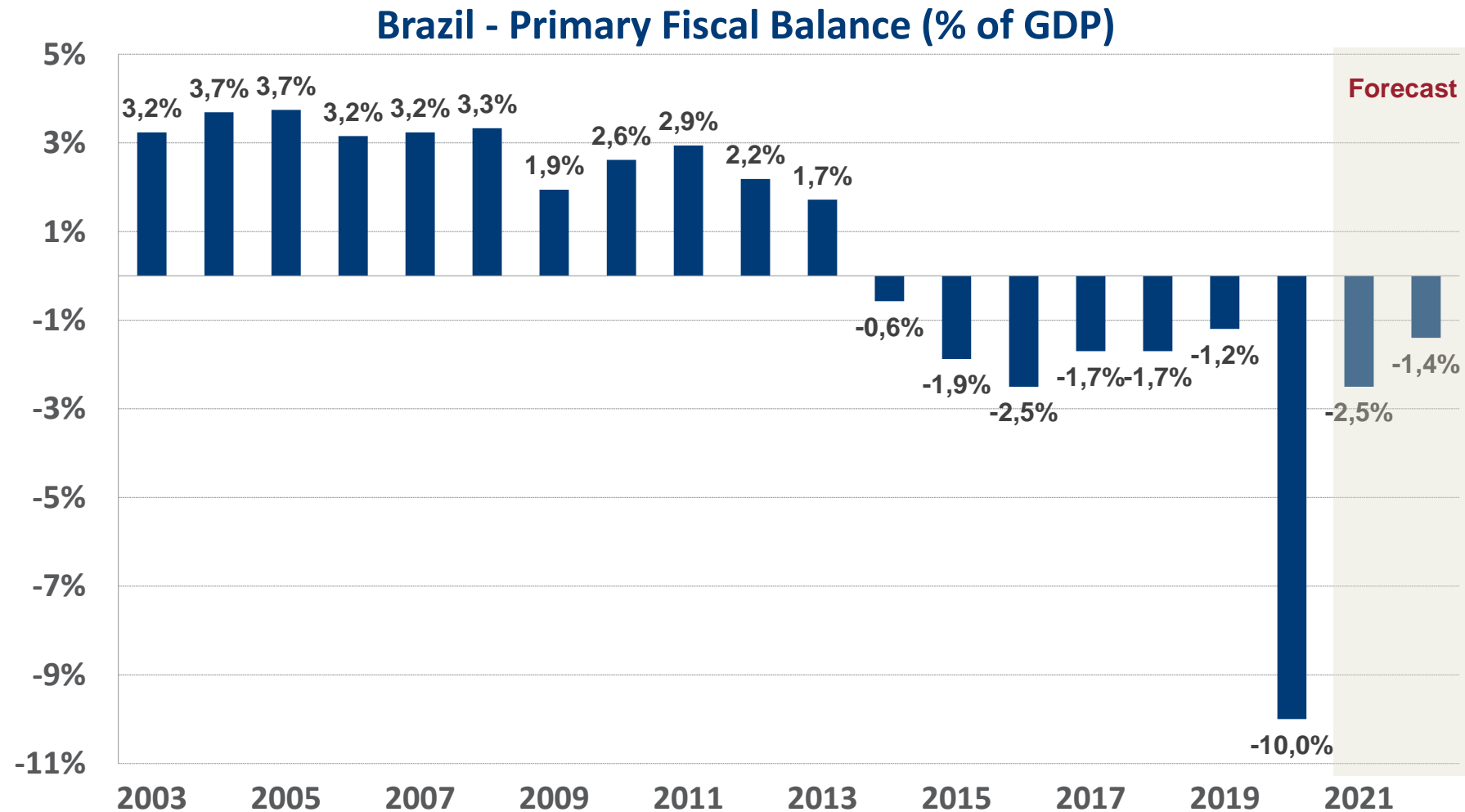
# BRAZIL: MONETARY POLICY

- » We maintained our Selic rate projection at 5.5% at the end of 2021 with the cycle's end in September
- » We revised our Selic rate projection for 2022 to 6.5%, with two increases of 50 basis points after the election

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



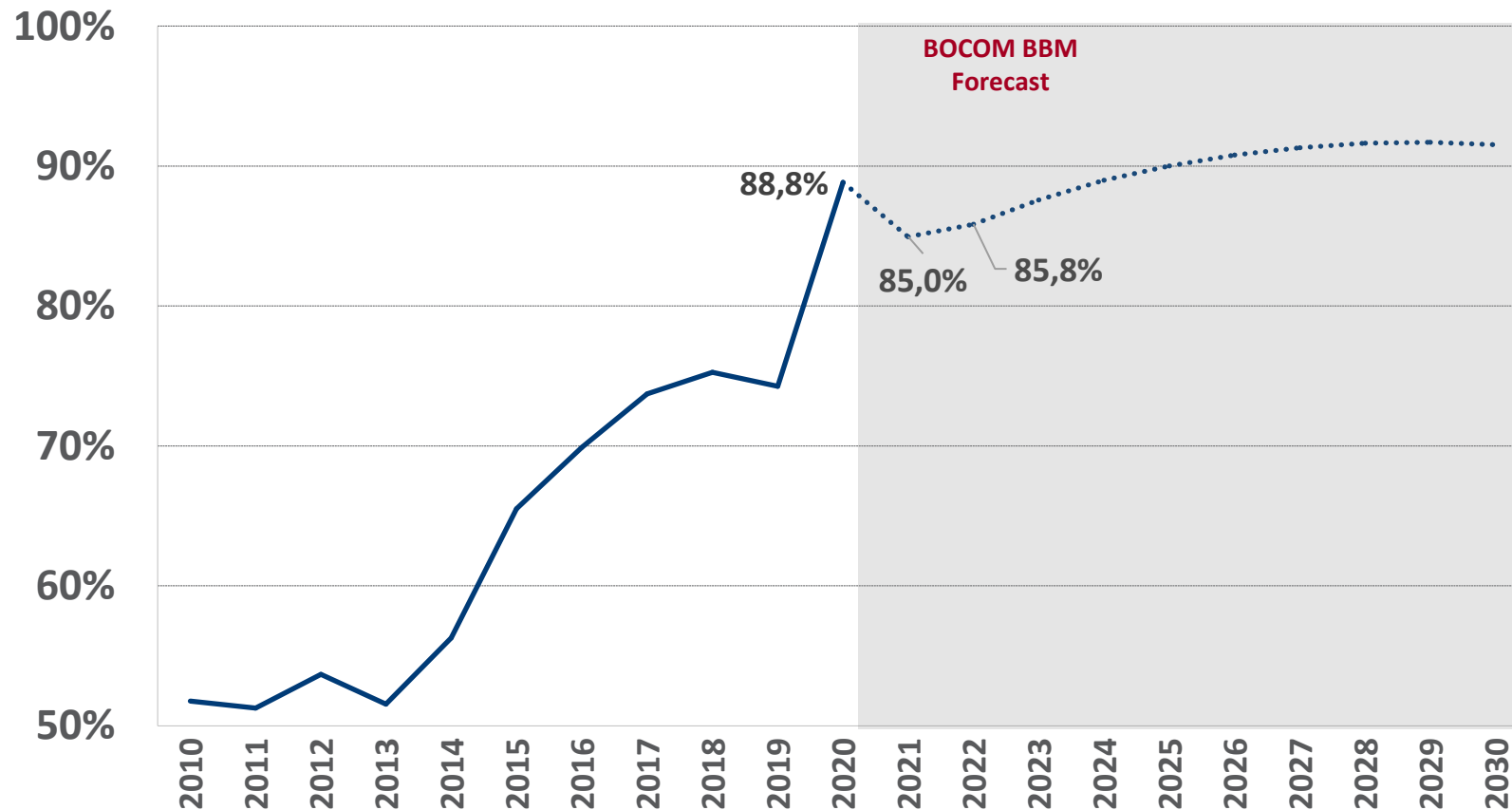
- » Measures to mitigate economic impacts from the pandemic elevated the primary deficit in 2020
- » With stronger growth in tax collection, the primary deficit should return to 2,5% of GDP in 2021





- » Fiscal measures to mitigate economic fallout will result in a sharp rise in the Debt/GDP ratio
- » The smaller fiscal deficit, but also a higher GDP deflator, will decrease the debt-to-GDP ratio this year
- » But it is important to continue pursuing fiscal consolidation to reduce the elevated public debt

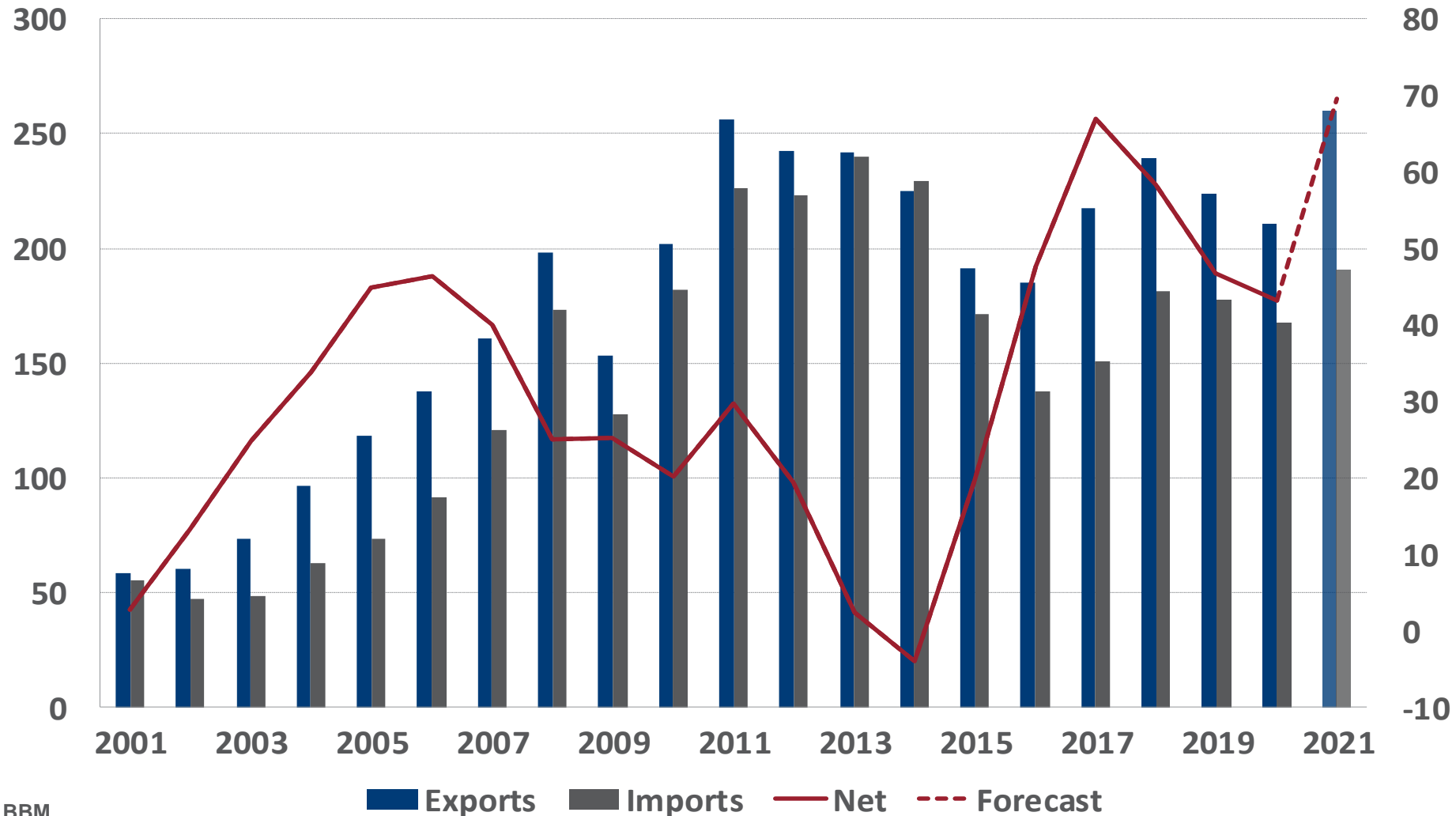
## Brazil - Gross Public Debt-to-GDP



# Brazil: Trade Balance

» In April, the trade balance presented a remarkable surplus and shall remain strong along 2021

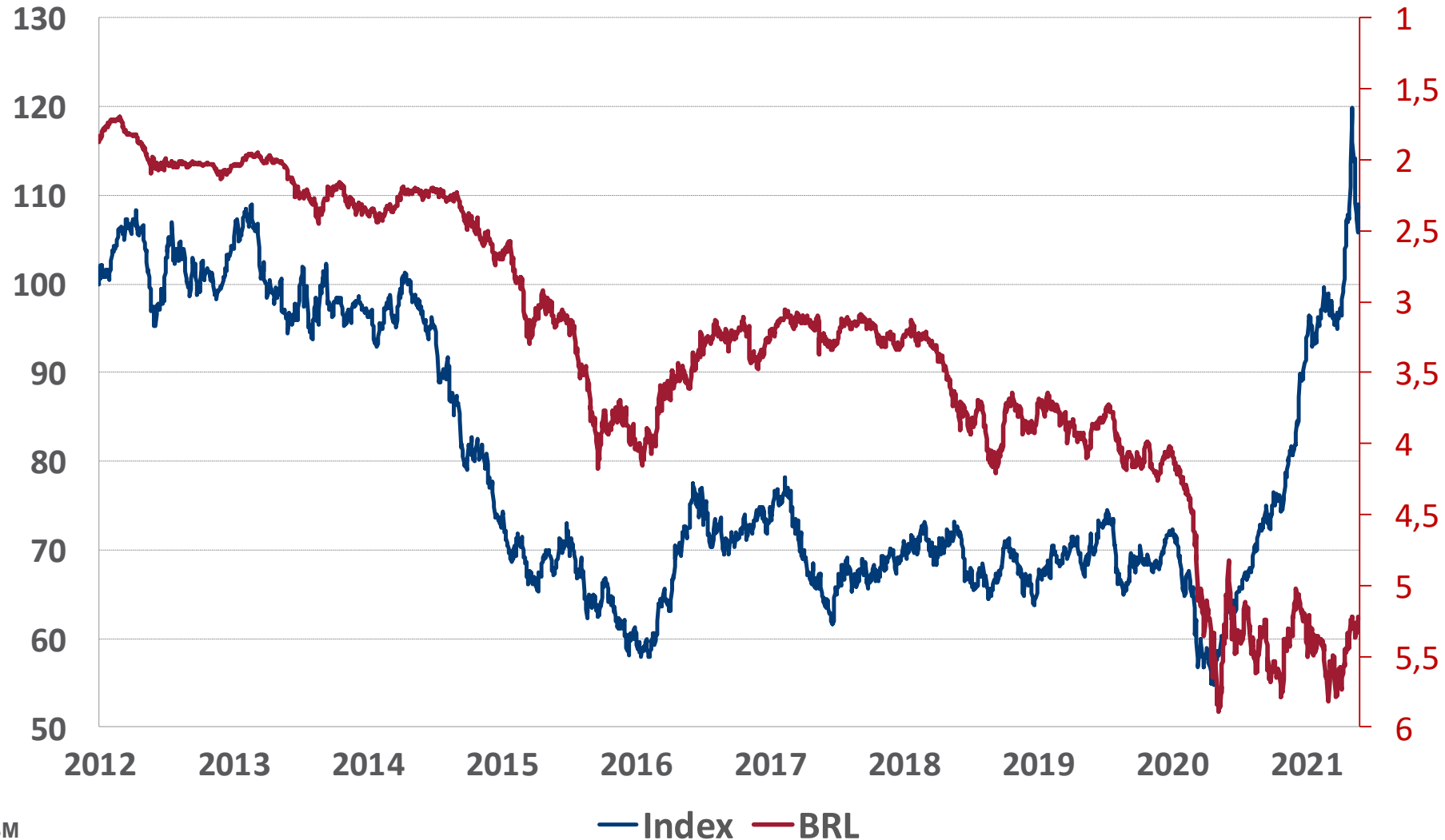
Brazil - Trade Balance (US\$ Bi - 12m)



# Brazil: Trade Balance

»» Appreciation of commodity prices has not yet translated into a more appreciated Real

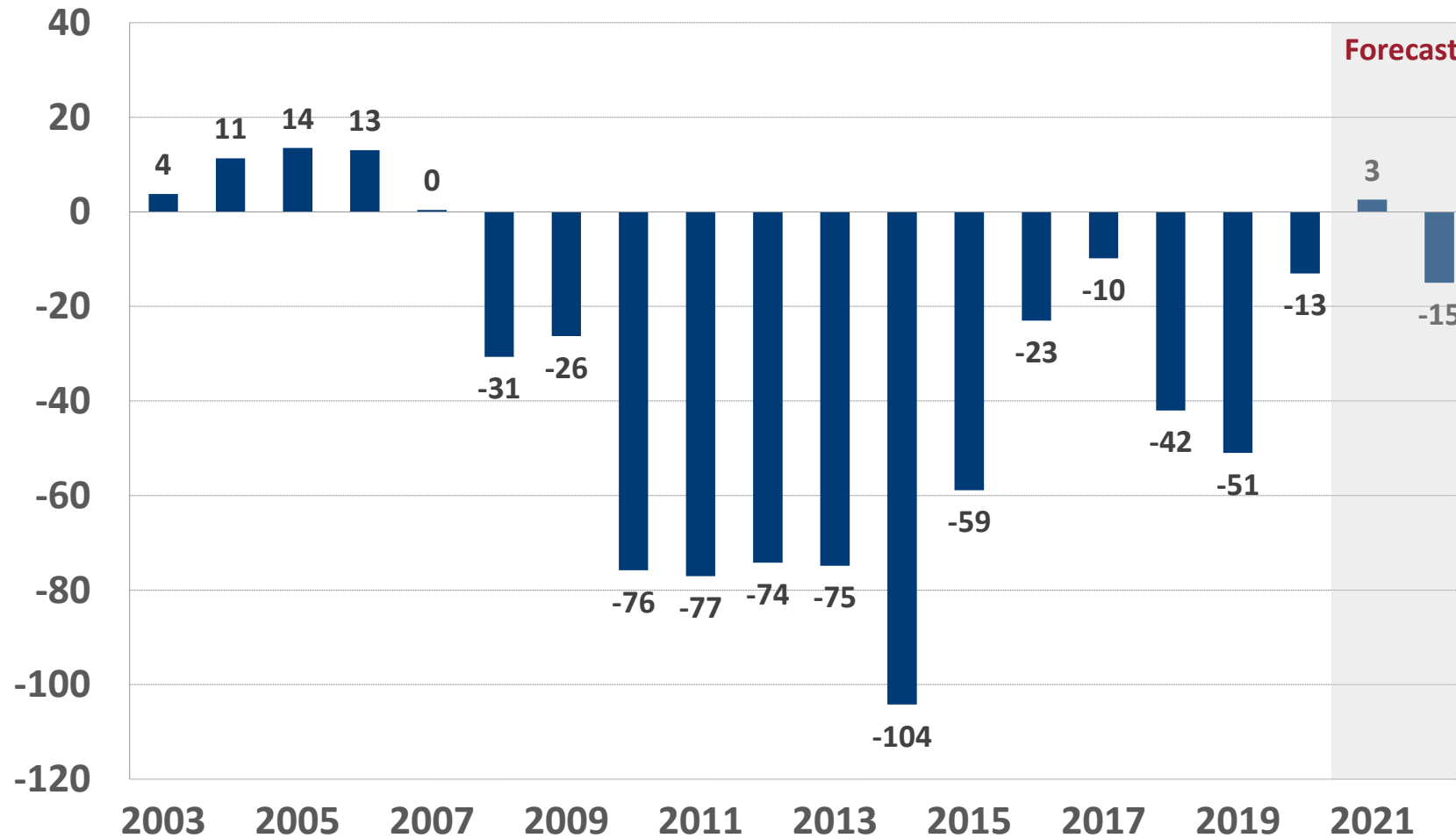
Brazil - Commodity Index vs BRL



# Brazil: Balance of Payments

» The trade balance is causing an improvement of the 2021 current account

Current Account Balance - USD Billion



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 – 20<sup>th</sup> and 21<sup>st</sup> 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](http://www.bocombbm.com.br)

**Ombudsman** | Phone.: 0800 724 8448 | Fax: 0800 724 8449  
E-mail: [ouvidoria@bocombbm.com.br](mailto:ouvidoria@bocombbm.com.br)