



MACRO OUTLOOK

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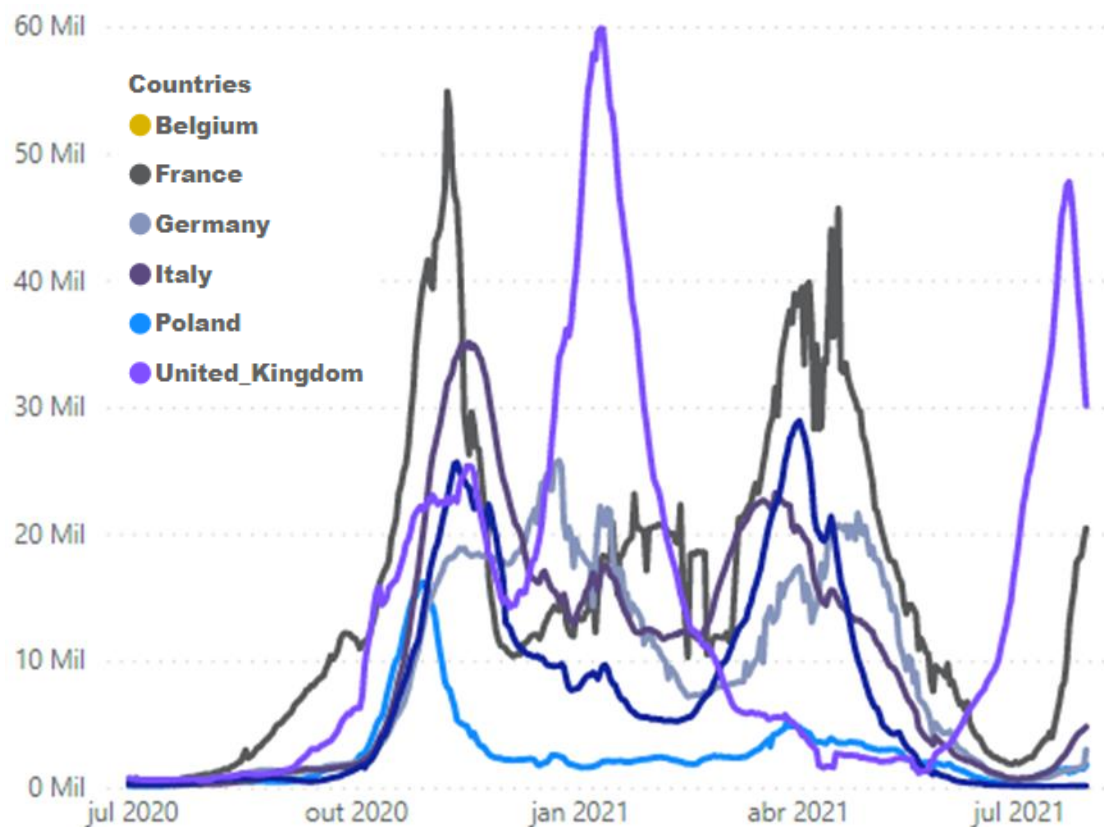
August 2021

- » Covid-19 vaccination campaigns advance in several countries, global activity being revised up, but delta variant represents a risk
- » In Brazil, the pandemics situation improved considerably, with decreases in cases, deaths and hospitalization rates, while vaccination is keeping up a faster pace
- » Economic activity in Brazil has been recovering solidly
- » We forecast a GDP growth of 5.3% this year
- » We revised up our inflation forecast to 7.1% due to increases in non processed food, to the recovery in services, the electric energy crisis and to the production costs pressure
- » We revised our Selic rate projection to 7.5% at the end of 2021 and at the end of 2022
- » A higher nominal GDP and a more bening fiscal outlook have contributed to a lower debt-to-GDP ratio

Covid-19

- » United Kingdom suffered from a new surge of cases with the Delta variant, but hospitalization number remained low

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



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



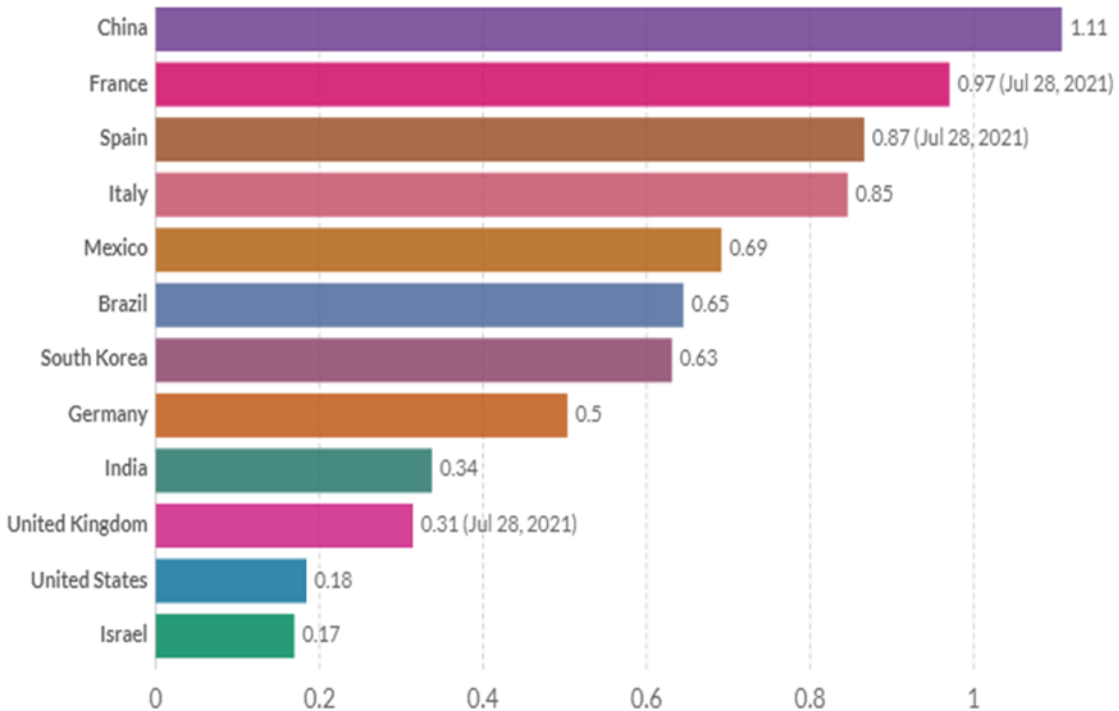
Covid-19

- » Vaccination advanced in China and Europe. There was also acceleration in vaccination programs from developing countries such as Brazil and Mexico
- » In USA, vaccination pace was slow

Daily COVID-19 vaccine doses administered per 100 people, Jul 29, 2021
Shown is the rolling 7-day average per 100 people in the total population. For vaccines that require multiple doses, each individual dose is counted.

Our World
in Data

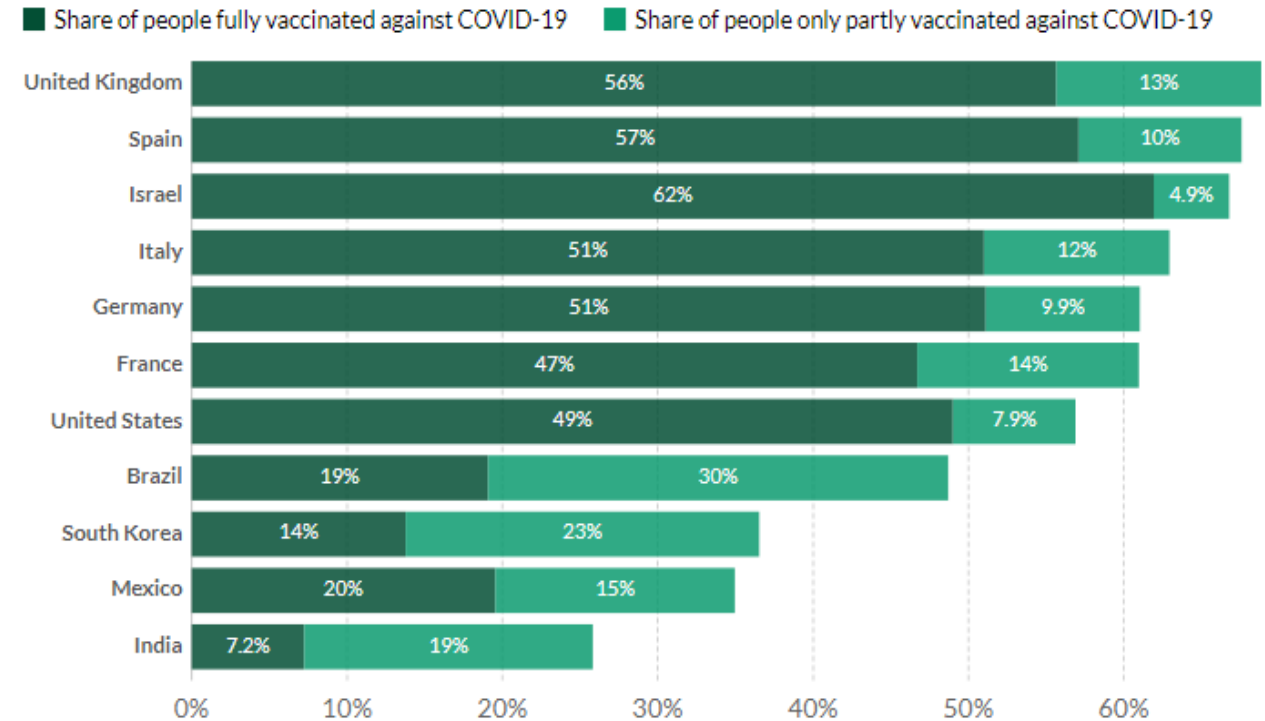
LINEAR LOG + Add country



Share of people vaccinated against COVID-19, Jul 29, 2021
This data is only available for countries which report the breakdown of doses administered by first and second doses.

Our World
in Data

+ Add country



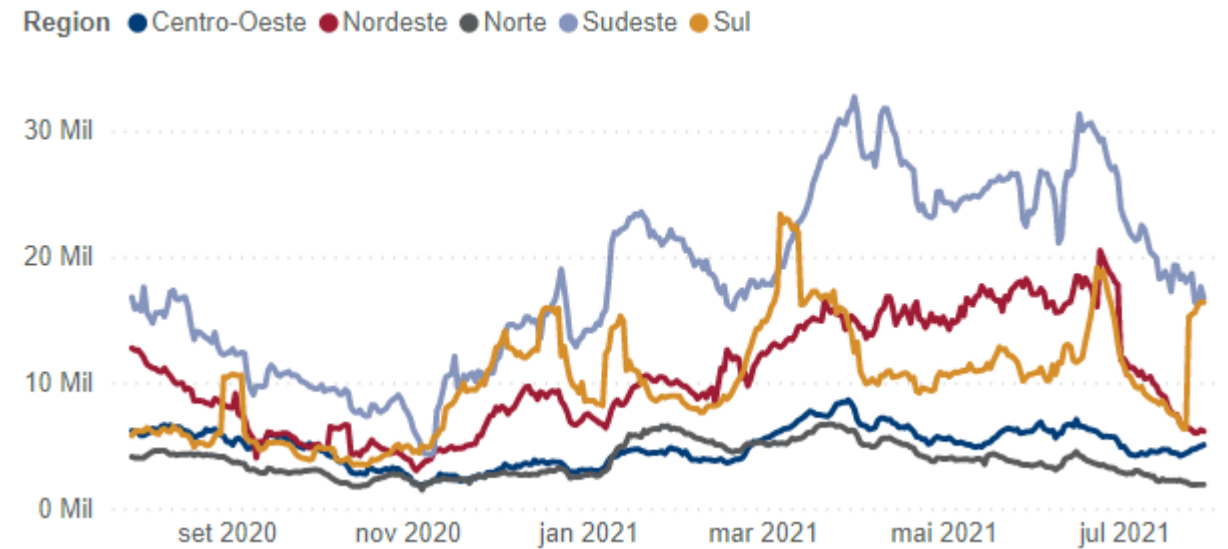
Covid-19

- » In Brazil the number of cases, deaths and hospitalization rates decreased considerably after months at high levels

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



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



Global: GDP Growth

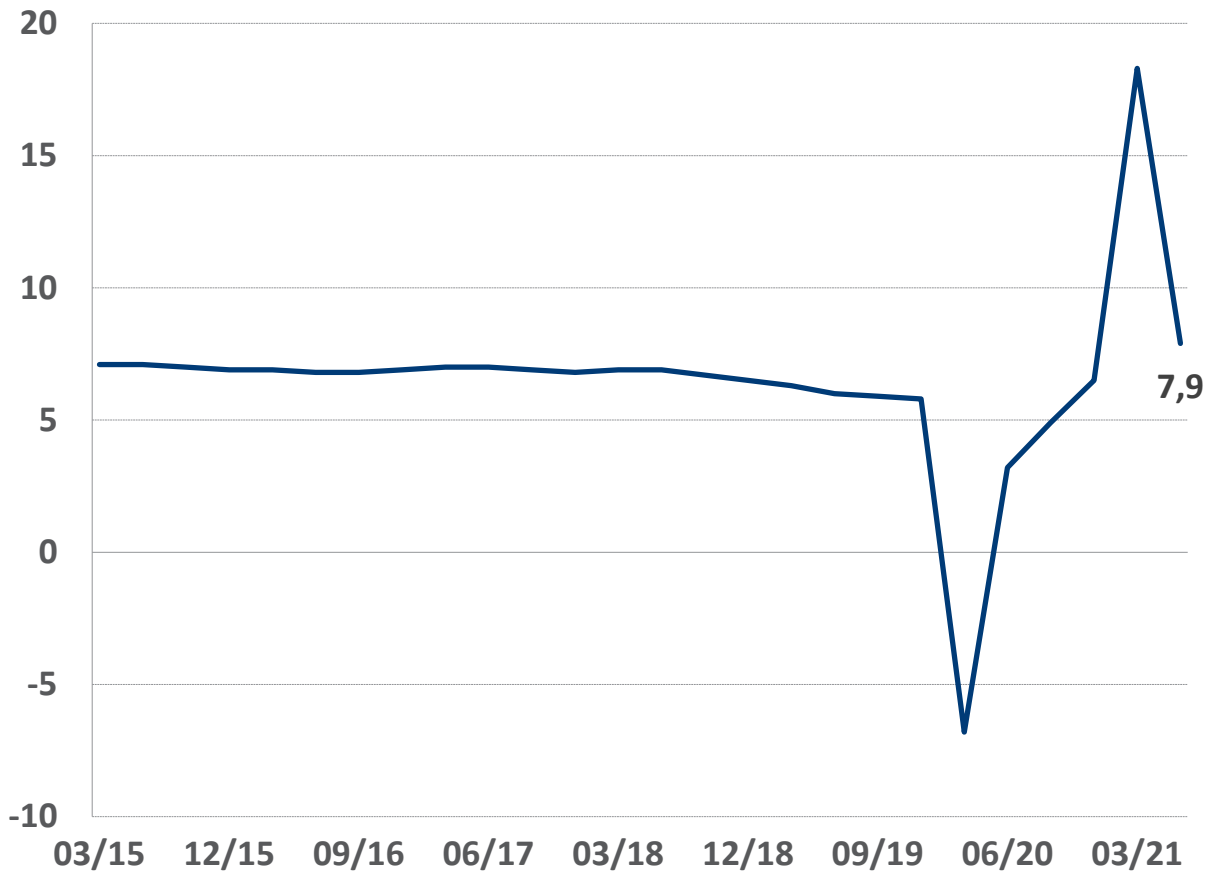
»» Global economy should post strong recovery in 2021



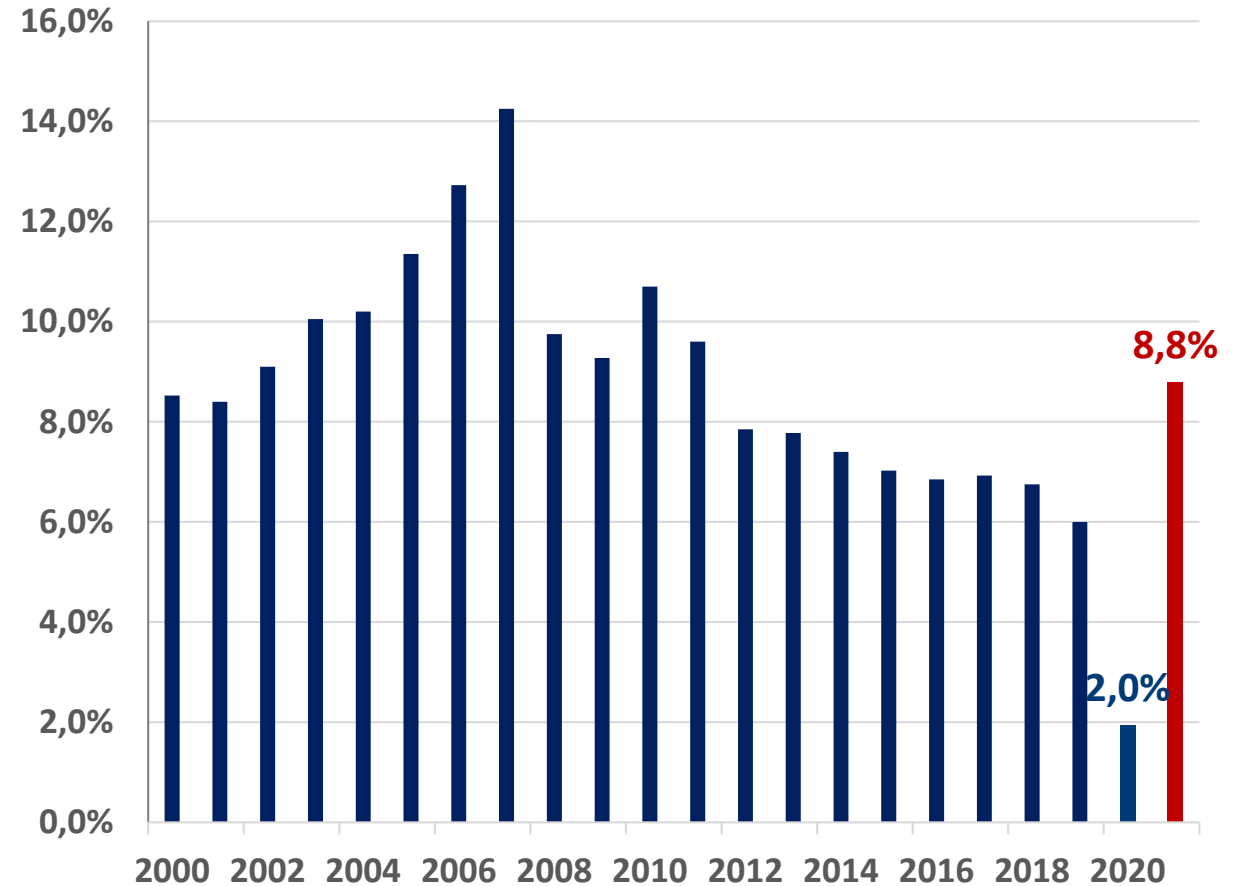
China: Activity

» Chinese economy recovery slowed down with decrease of the base effect

China - Real GDP Growth (% YoY)

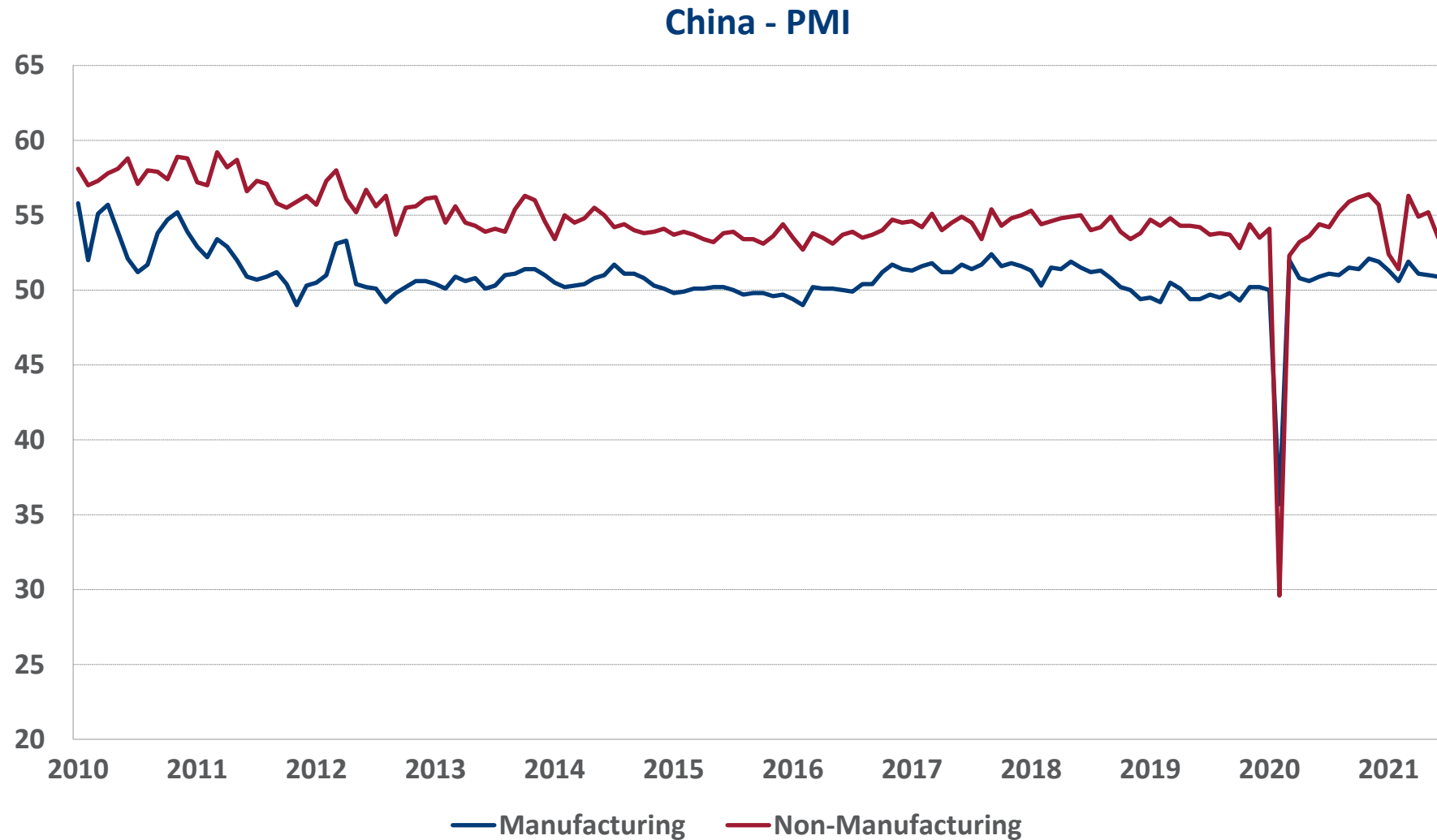


China - GDP, Yearly growth



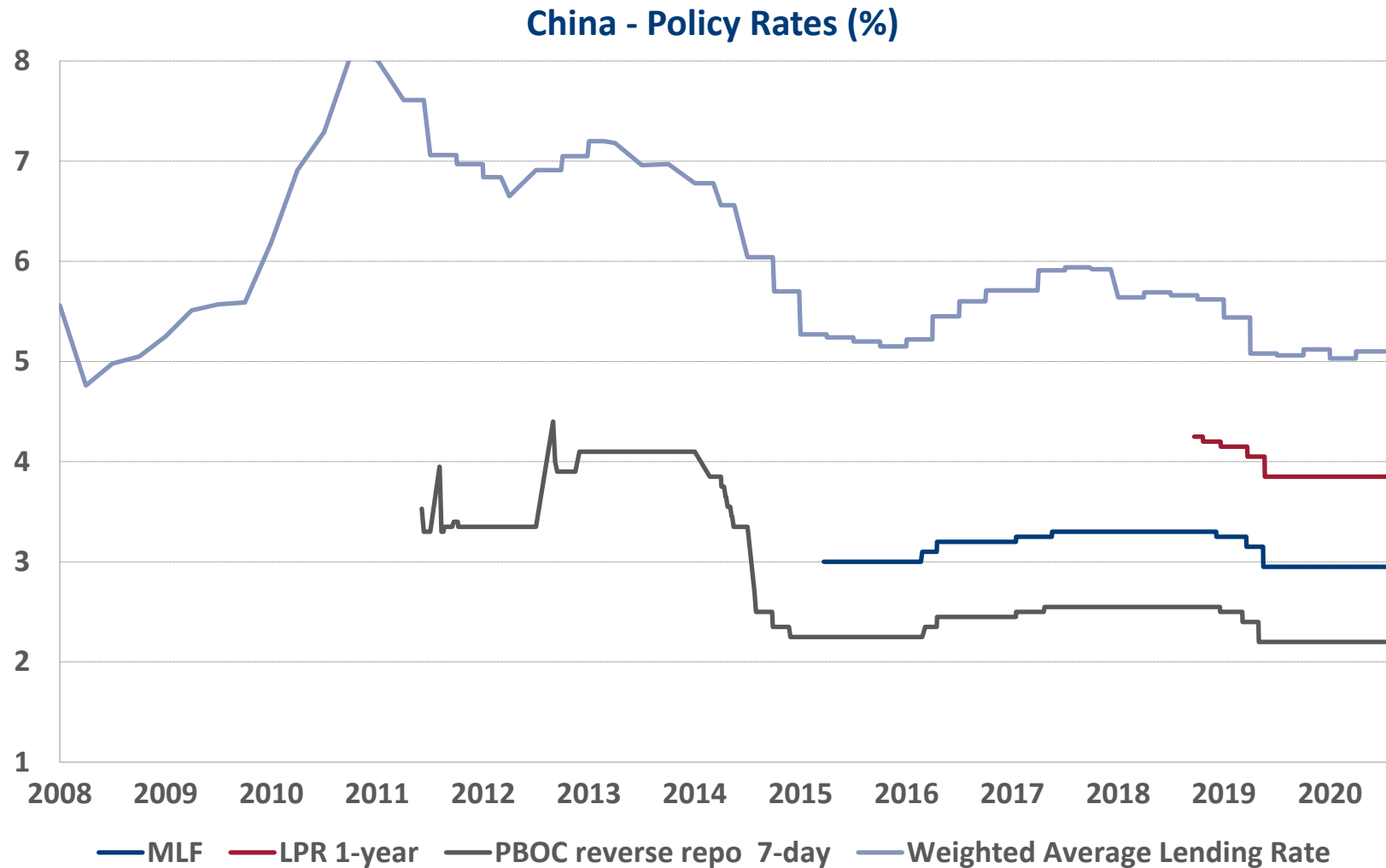
China: PMI

» But PMIs suggest a slowdown in July



China: Monetary Policy

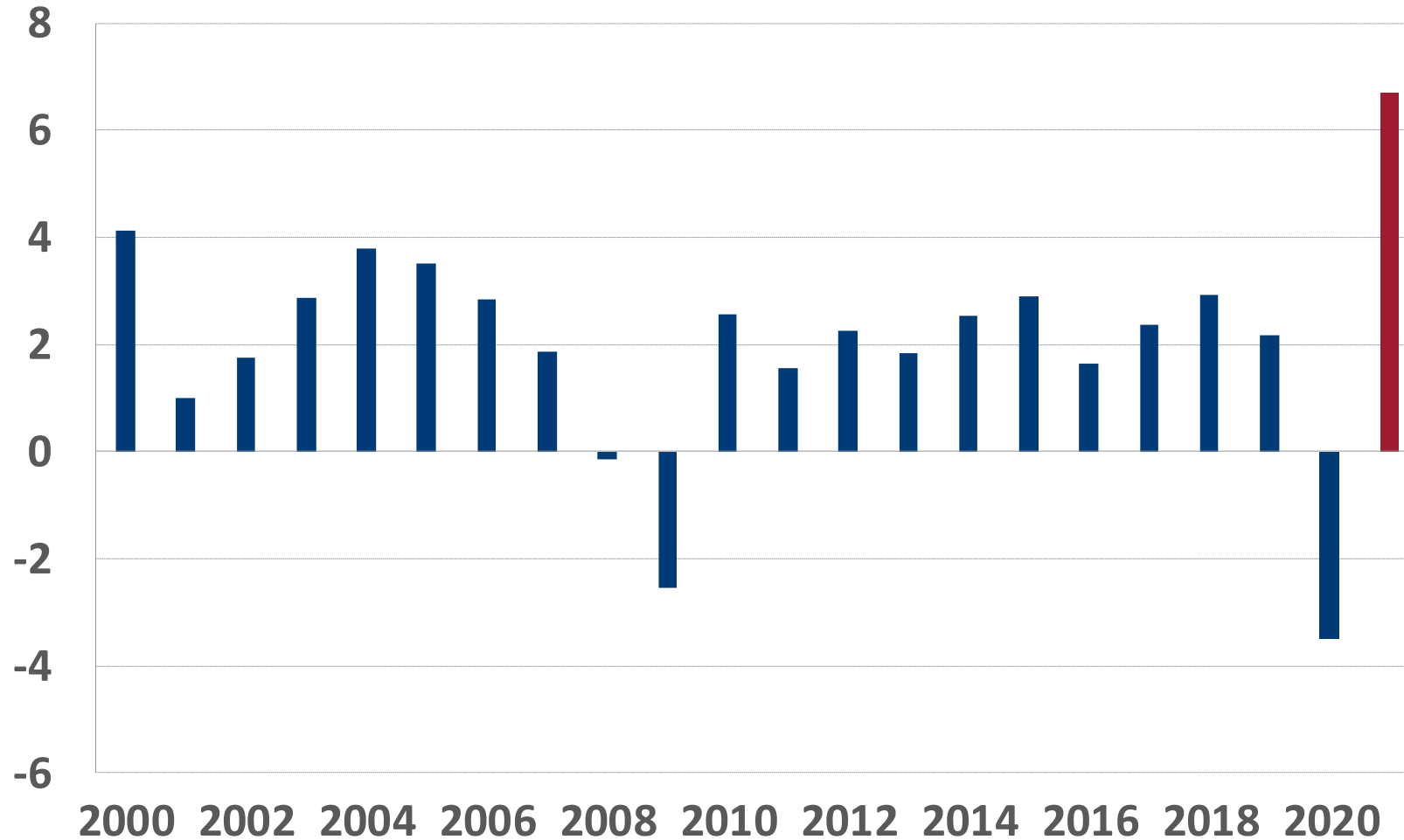
» Monetary policy will remain “prudent, precise and flexible” in 2021



US: 2021 Outlook

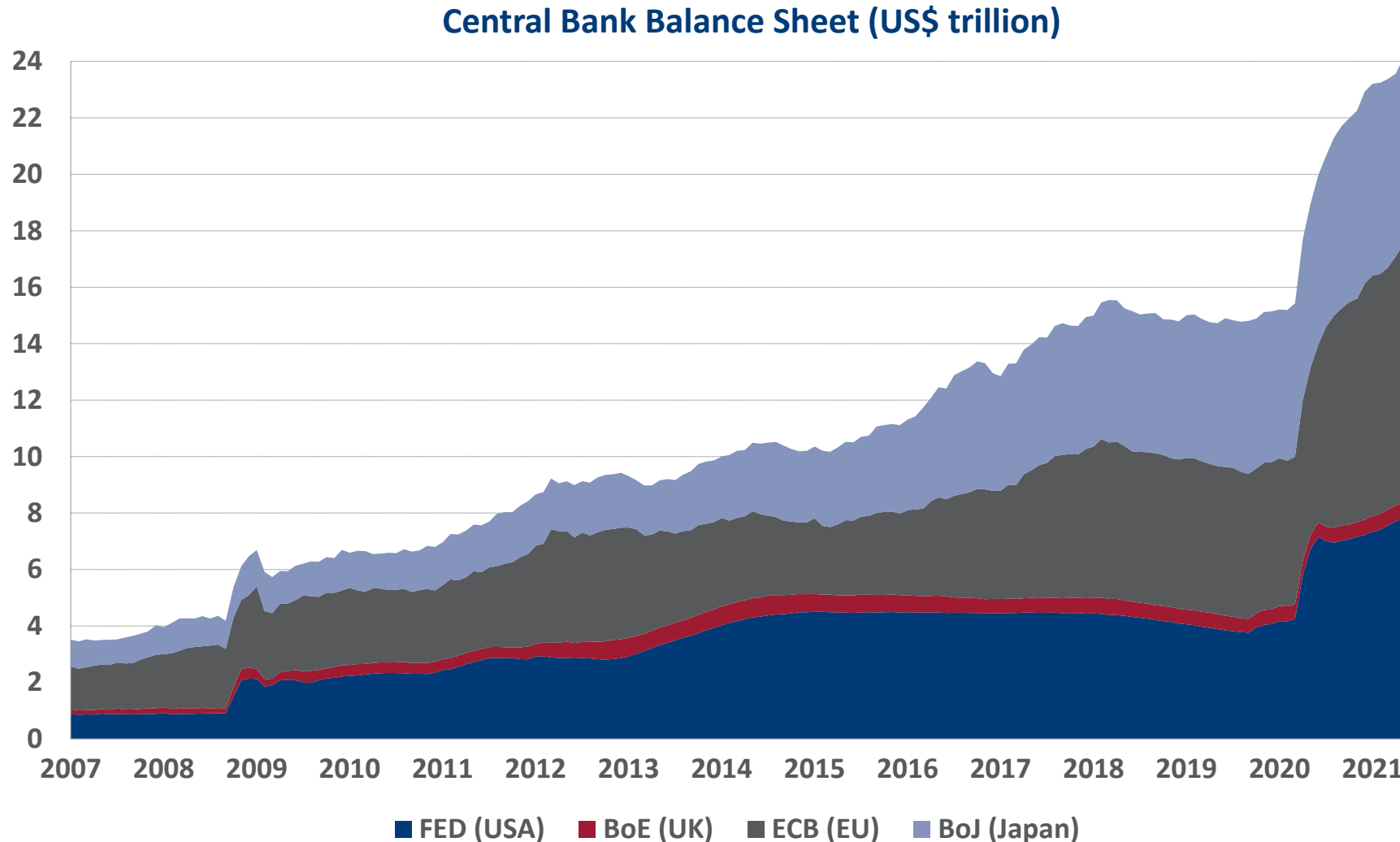
- » On the back of the reopening process and the effects of increased spending, the US GDP growth should pick up this year

USA - Gross Domestic Product (% Growth)

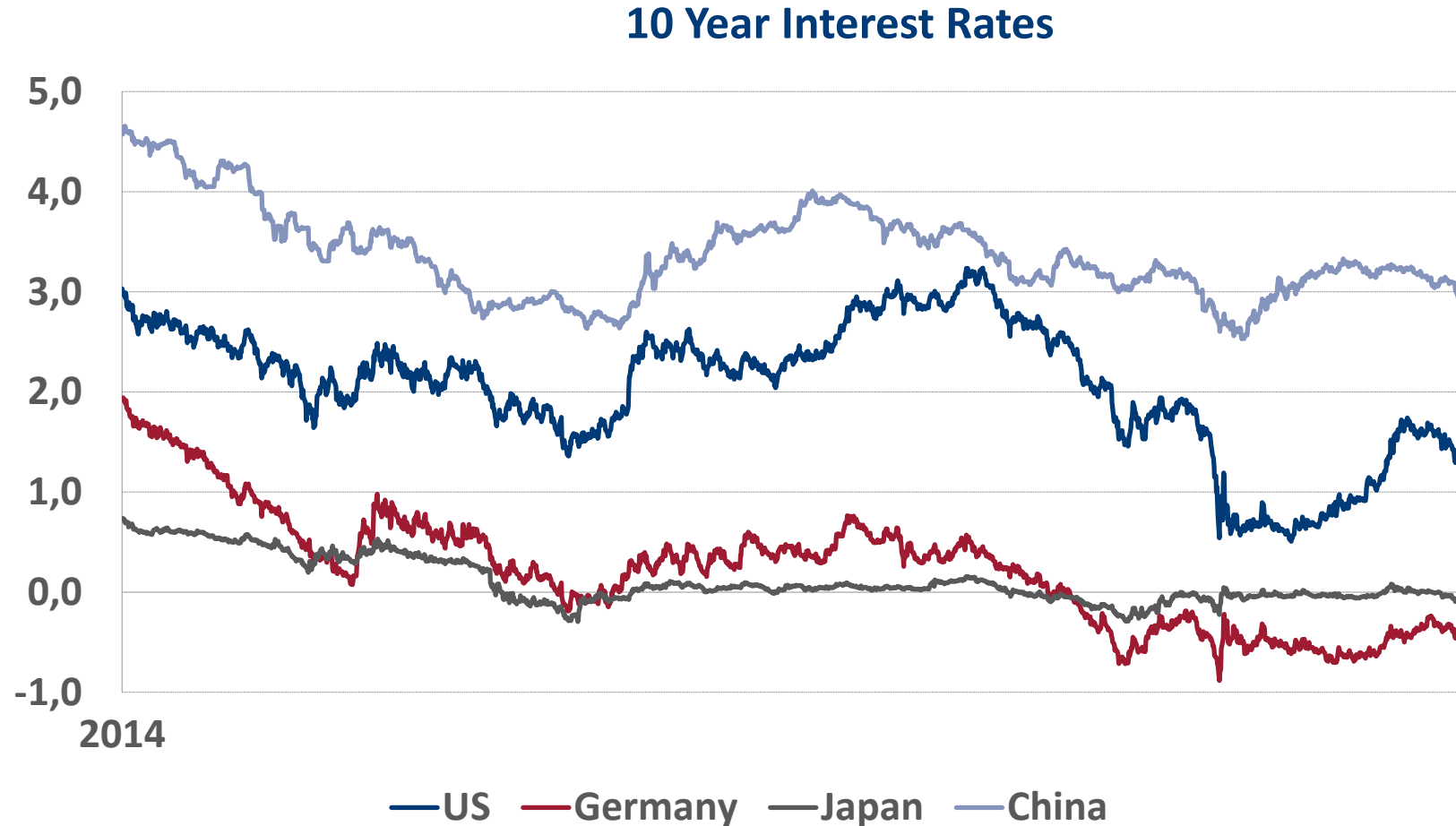


Global: Monetary Expansion

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



» Interpretations that the current inflation shock is temporary, led interest rates to fall



Global: Negative Interest Rates

- » In line with the declines in the interest rate in developed countries, the volume of negative yielding sovereign debt has increased

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



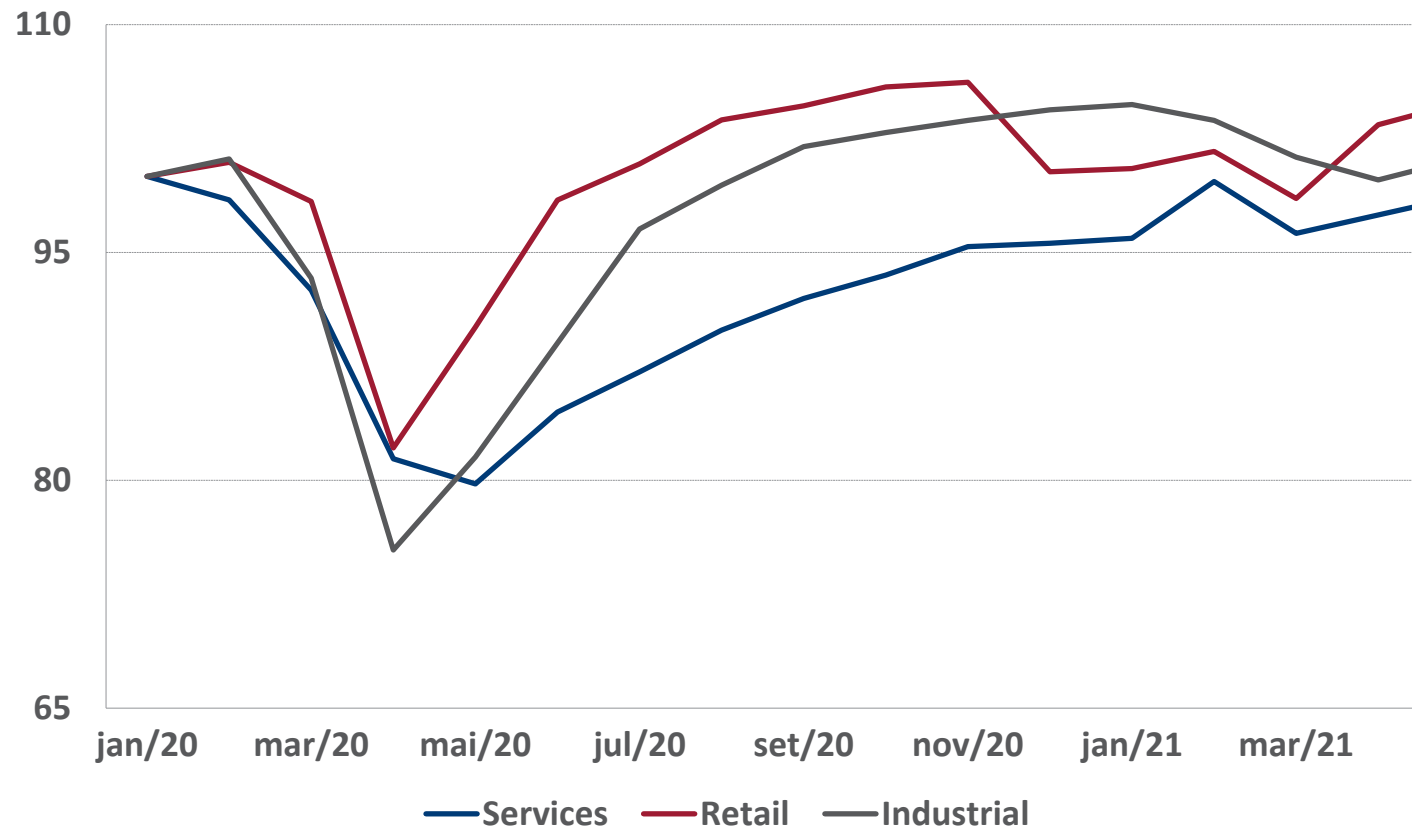
Brazil: Forecasts

ECONOMIC FORECASTS	2016	2017	2018	2019	2020	2021F	2022F
GDP Growth (%)	-3,3%	1,3%	1,3%	1,1%	-4,1%	5,3%	2,2%
Inflation (%)	6,3%	2,9%	3,7%	4,3%	4,5%	7,1%	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%	7,5%	7,5%
External Accounts							
Trade Balance (US\$ bn)	48	67	53	48	51	69	46
Current Account Balance (US\$ bn)	-23	-10	-42	-51	-13	-2	-15
Current Account Balance (% of GDP)	-1,3%	-0,7%	-2,2%	-2,8%	-0,9%	-0,1%	-0,9%
Fiscal Policy							
Fiscal Primary Balance (% of GDP)	-2,5%	-1,7%	-1,7%	-1,2%	-10,0%	-2,0%	-1,1%
Government Gross Debt (% of GDP)	69,4%	73,7%	75,3%	74,3%	88,8%	82,3%	82,9%

Brazil: Activity

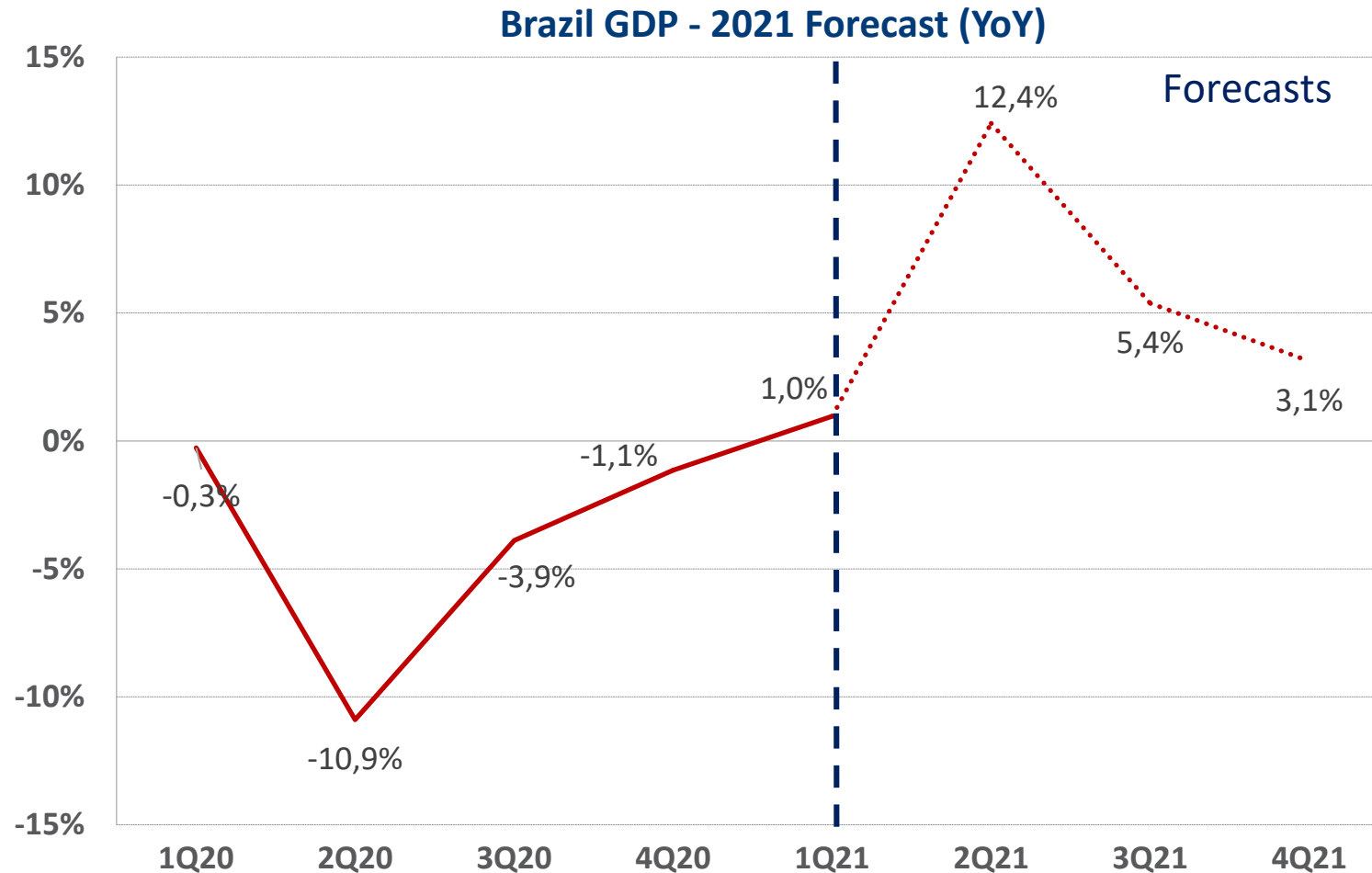
- » The economic activity recovery in Brazil continued in May, with the main activity indicators increasing in the period

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



Brazil: Activity

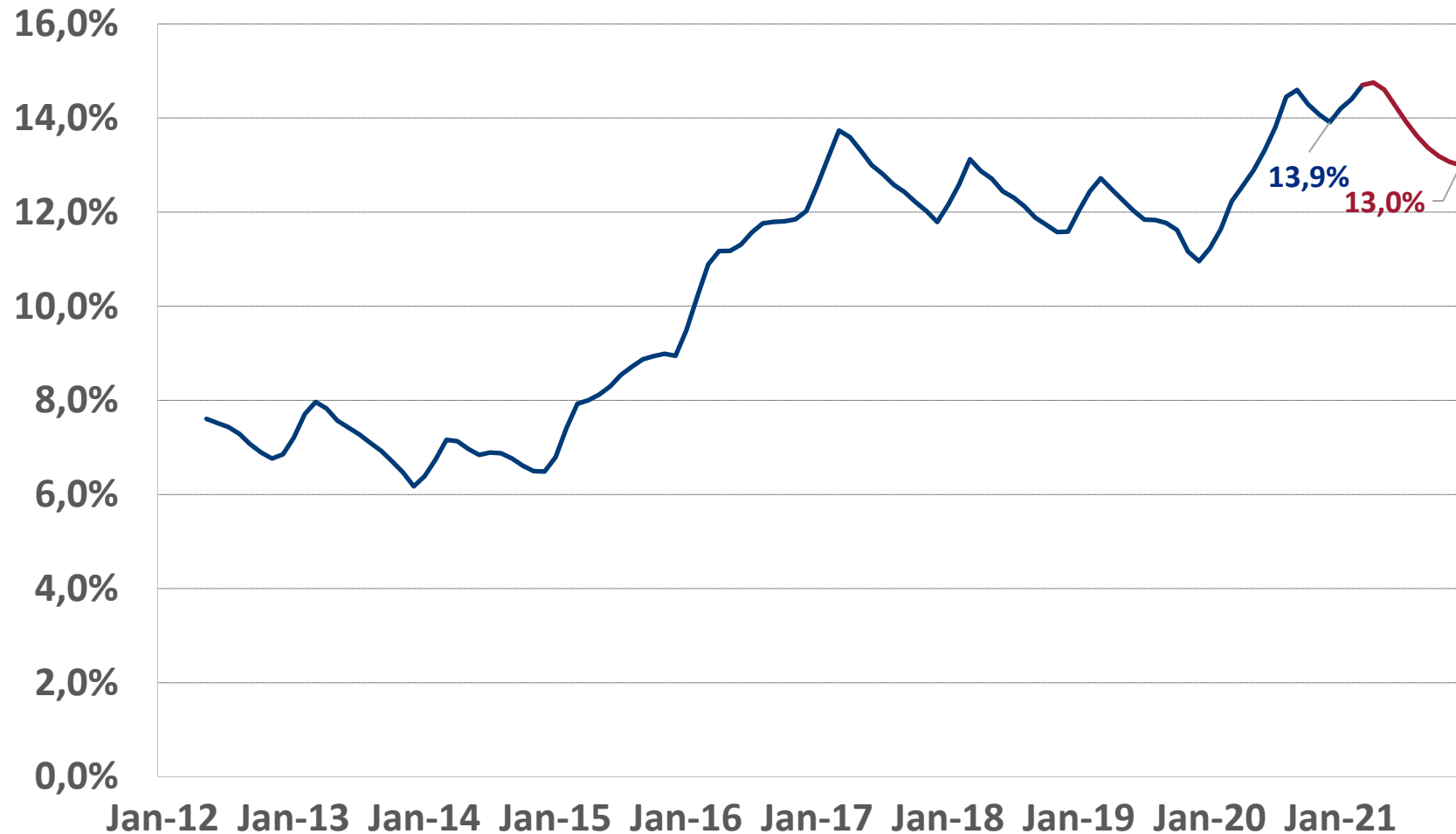
- » We have maintained our GDP growth forecast of 5.3% for 2021
- » The reopening of the economy should allow a consistent recovery of the service sector in the second half of the year



Brazil: Labor Market

» The unemployment rate remains elevated, but will decrease throughout 2021 as the service sector recovers

Brazil - Unemployment Rate (% , SA)



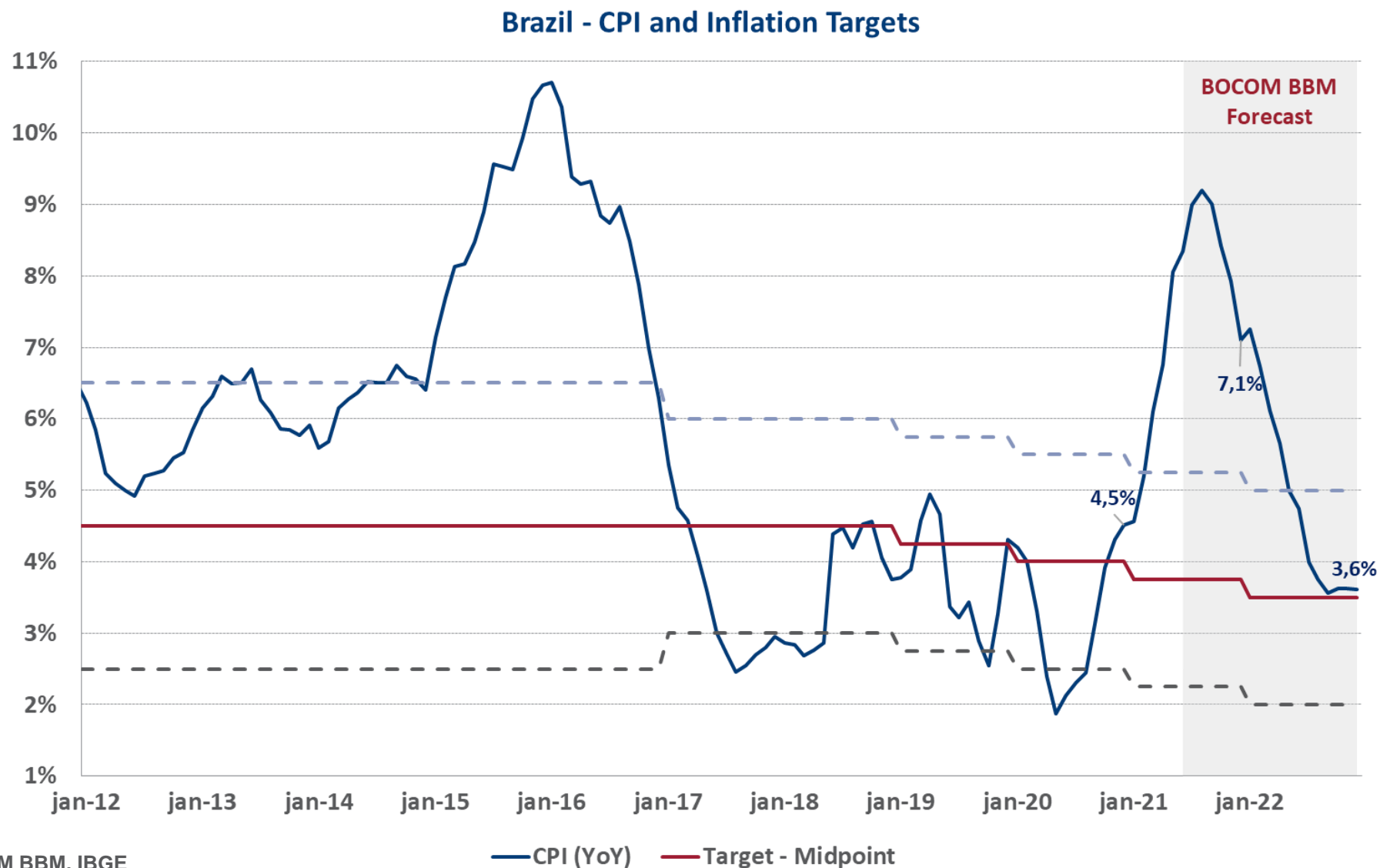
Brazil: Inflation

- » Stronger services and non processed food inflation and new electric energy flag tariffs are adding pressure to 2021 CPI
- » Inflation in 2021 to reach 9,2% in August

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	8,3%	13,0%	7,0%	2,2%	15,3%	8,8%
21 Q3	9,0%	13,7%	7,5%	4,1%	12,9%	9,1%
21 Q4	7,1%	11,5%	5,6%	3,6%	7,9%	7,2%
22 Q1	6,1%	7,6%	5,6%	4,5%	8,6%	5,4%
22 Q2	4,7%	3,4%	5,2%	5,1%	8,6%	3,2%
22 Q3	3,6%	2,3%	4,0%	4,5%	5,9%	2,2%
22 Q4	3,6%	3,0%	3,8%	4,3%	4,8%	2,4%

Brazil: Inflation

» Inflation forecast revised to 7.1% in 2021, above the target's upper limit



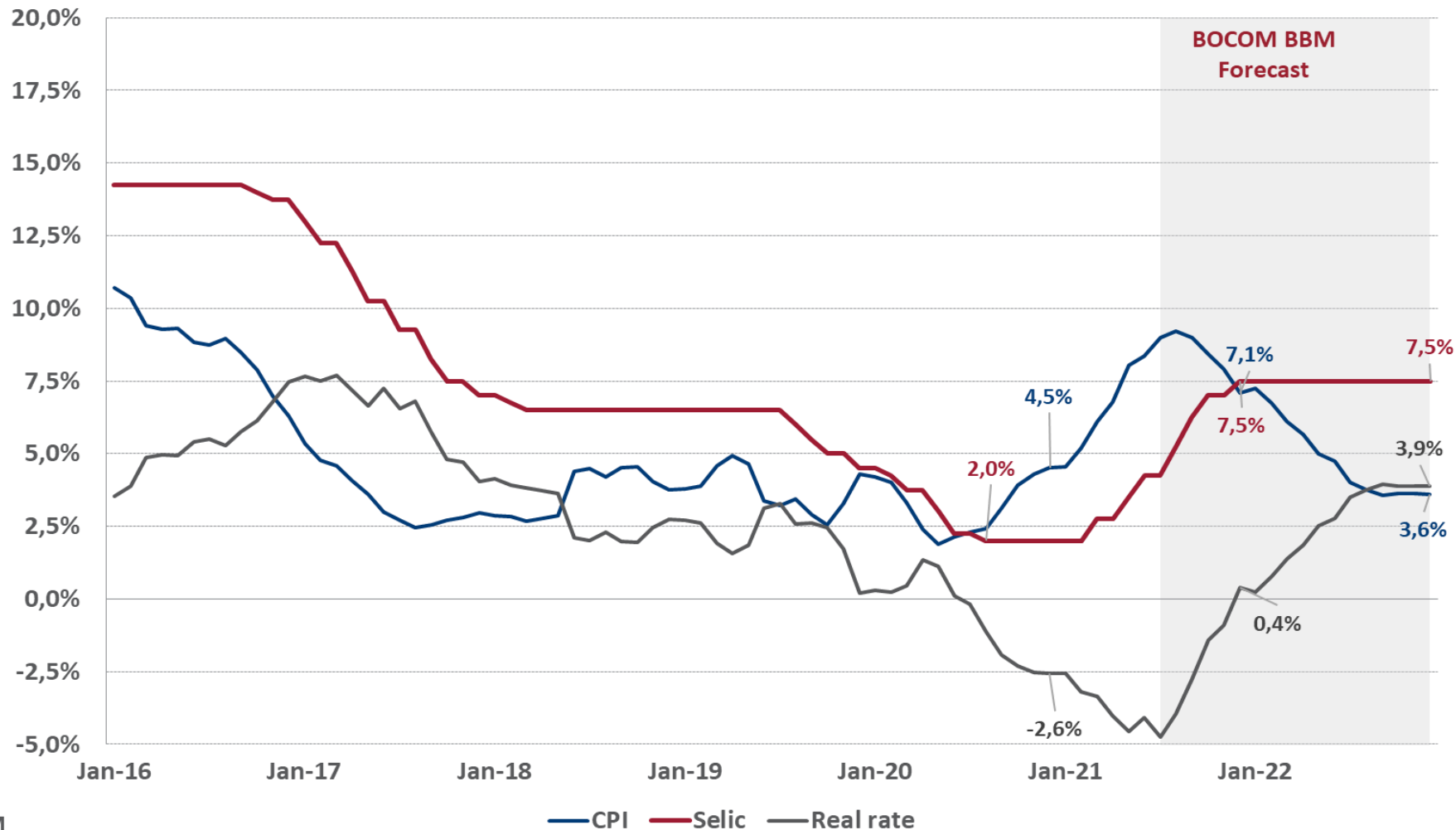
- » Inflation forecast is at 7.1% and the principal factors accountable for the cpi above upper limit are:
 1. Wholesale inflation passthrough to industrial goods
 2. Non processed food inflation increased with frosts
 3. Stronger recovery of the service sector
 4. Red 2 flag in December and another readjustment in its tariff

- » Red 2 flag in December 2021 is a downward force for 2022 CPI, since it is considered that 2022 will end with yellow flag

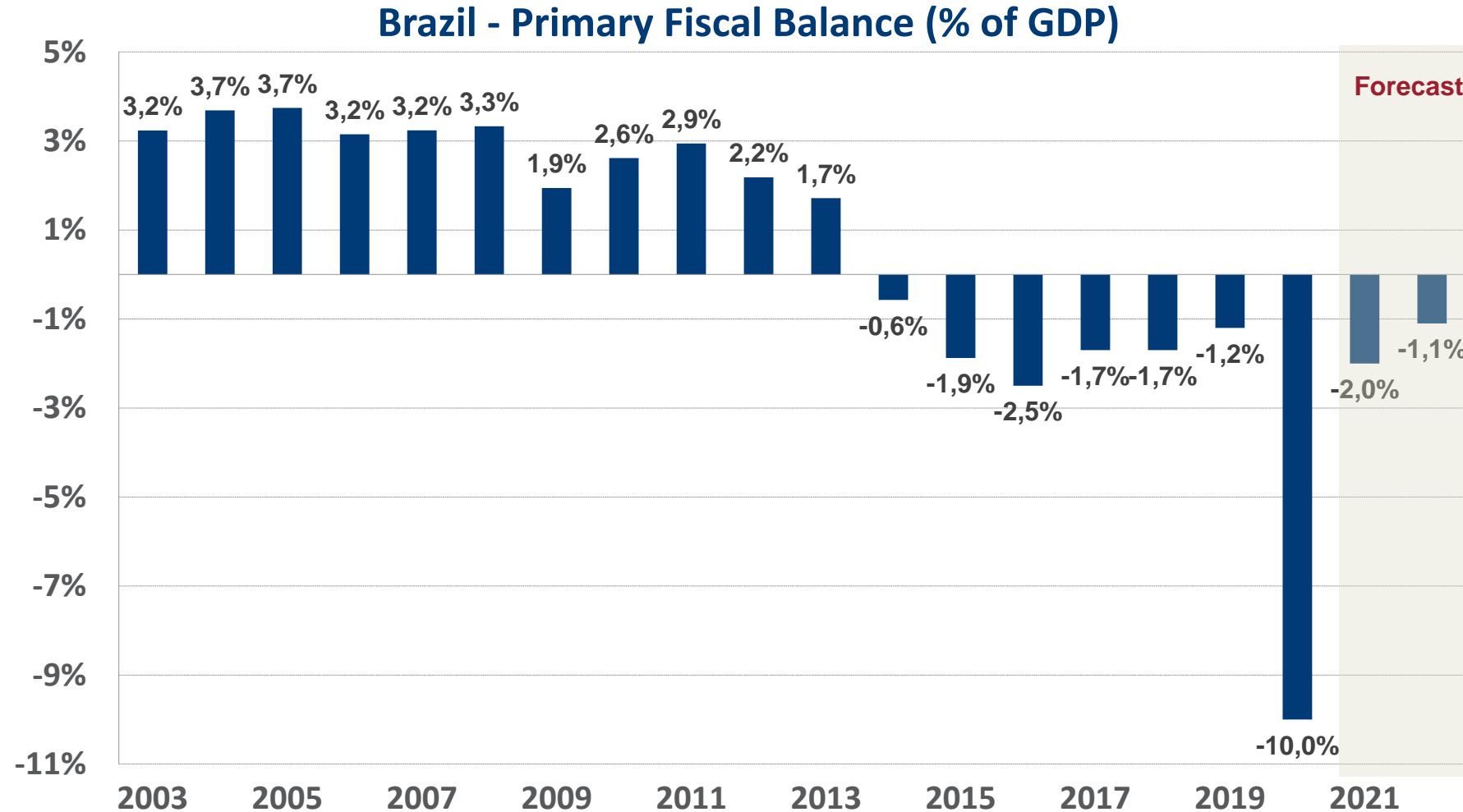
BRAZIL: MONETARY POLICY

- » We revised our Selic rate projection to 7.5% at the end of 2021 with the cycle's end in December
- » The pace of increase will be of 1% in the next meeting, followed by one hike of 0.75% and another of 0.5%

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

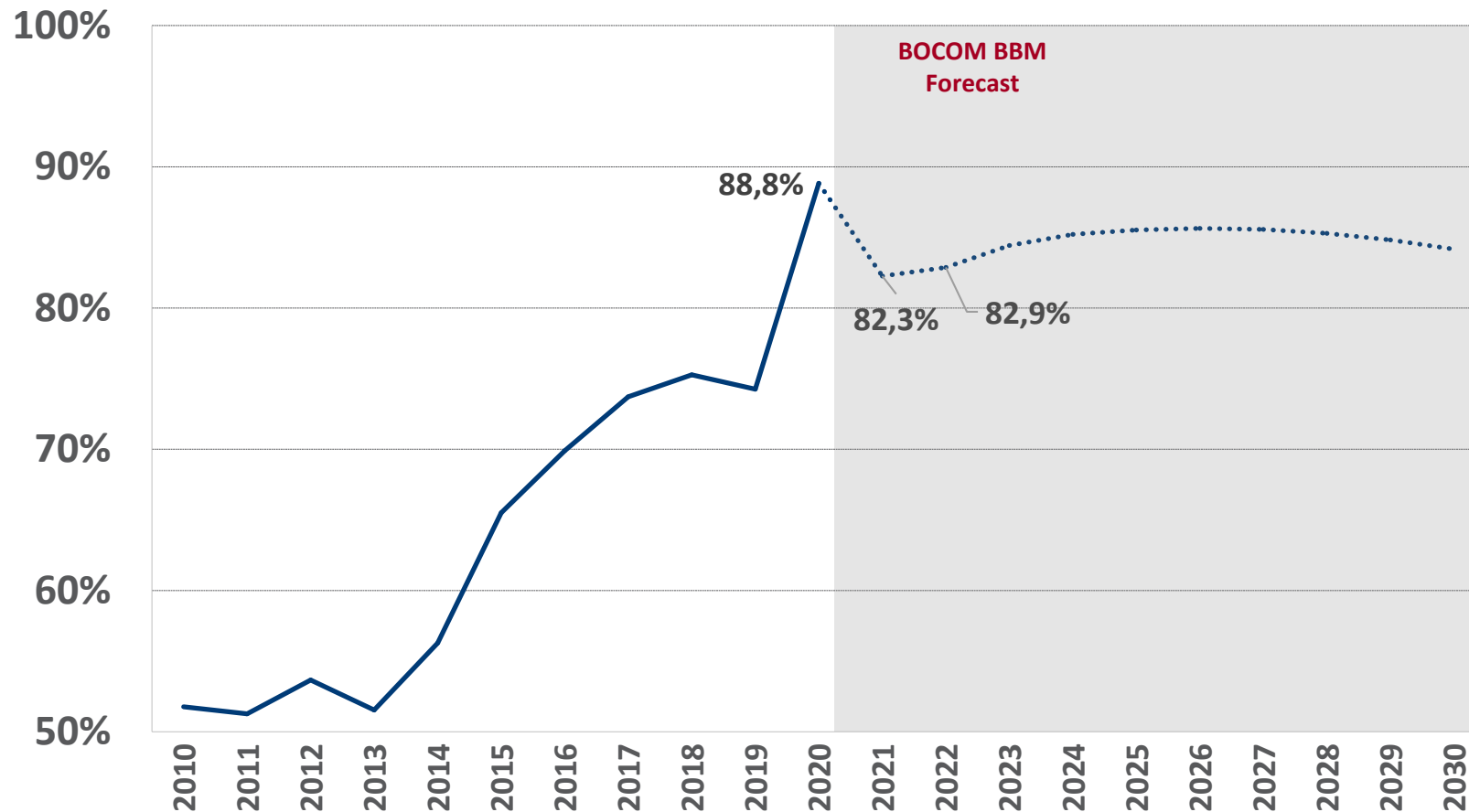


- » Measures to mitigate economic impacts from the pandemic elevated the primary deficit in 2020
- » This year, with the stronger growth in tax collection, the primary deficit should return to 2,0% of GDP



- » 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

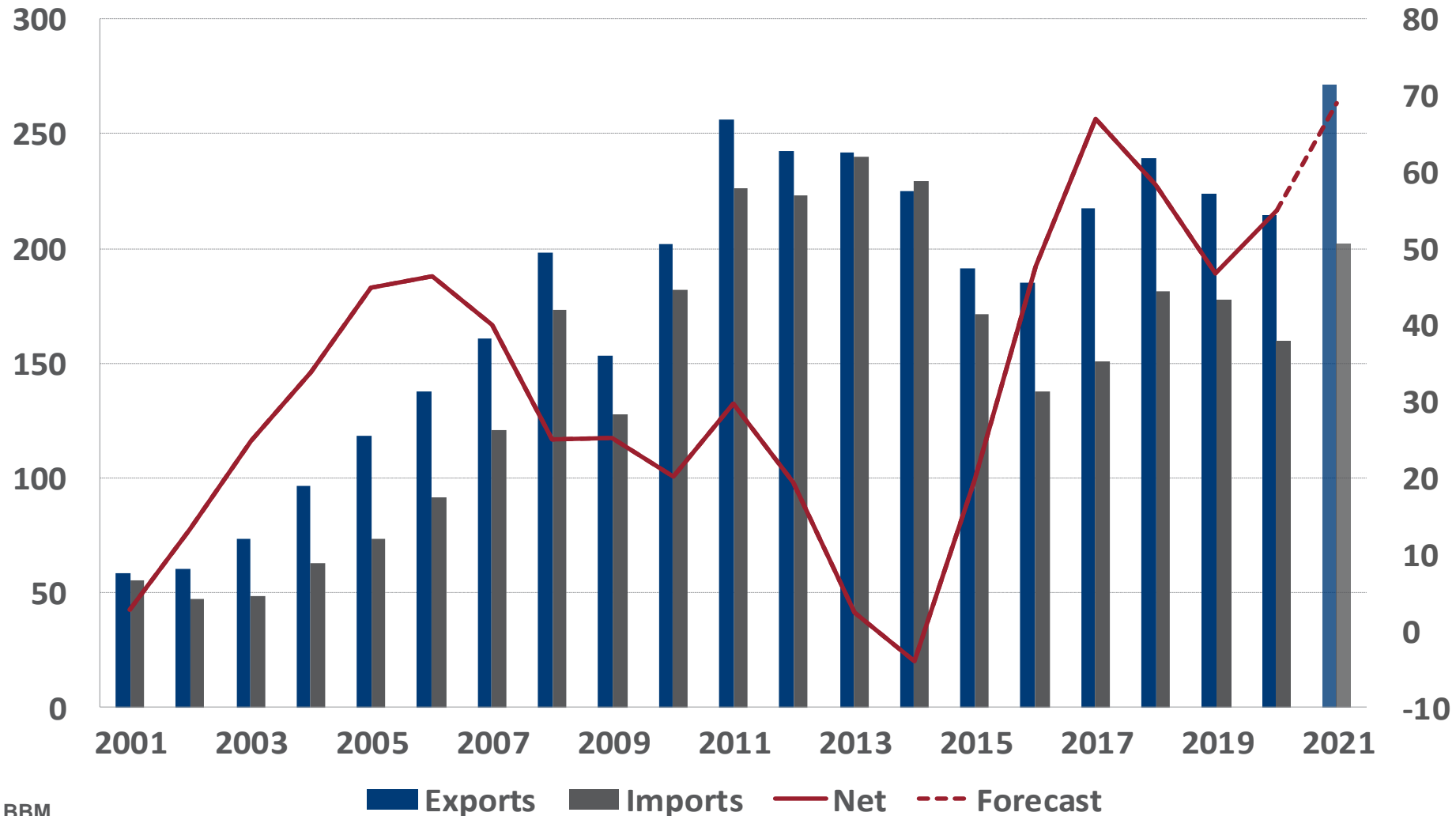
Brazil - Gross Public Debt-to-GDP



Brazil: Trade Balance

» In July, the trade balance remained strong and registered one of the largest monthly surplus in the series

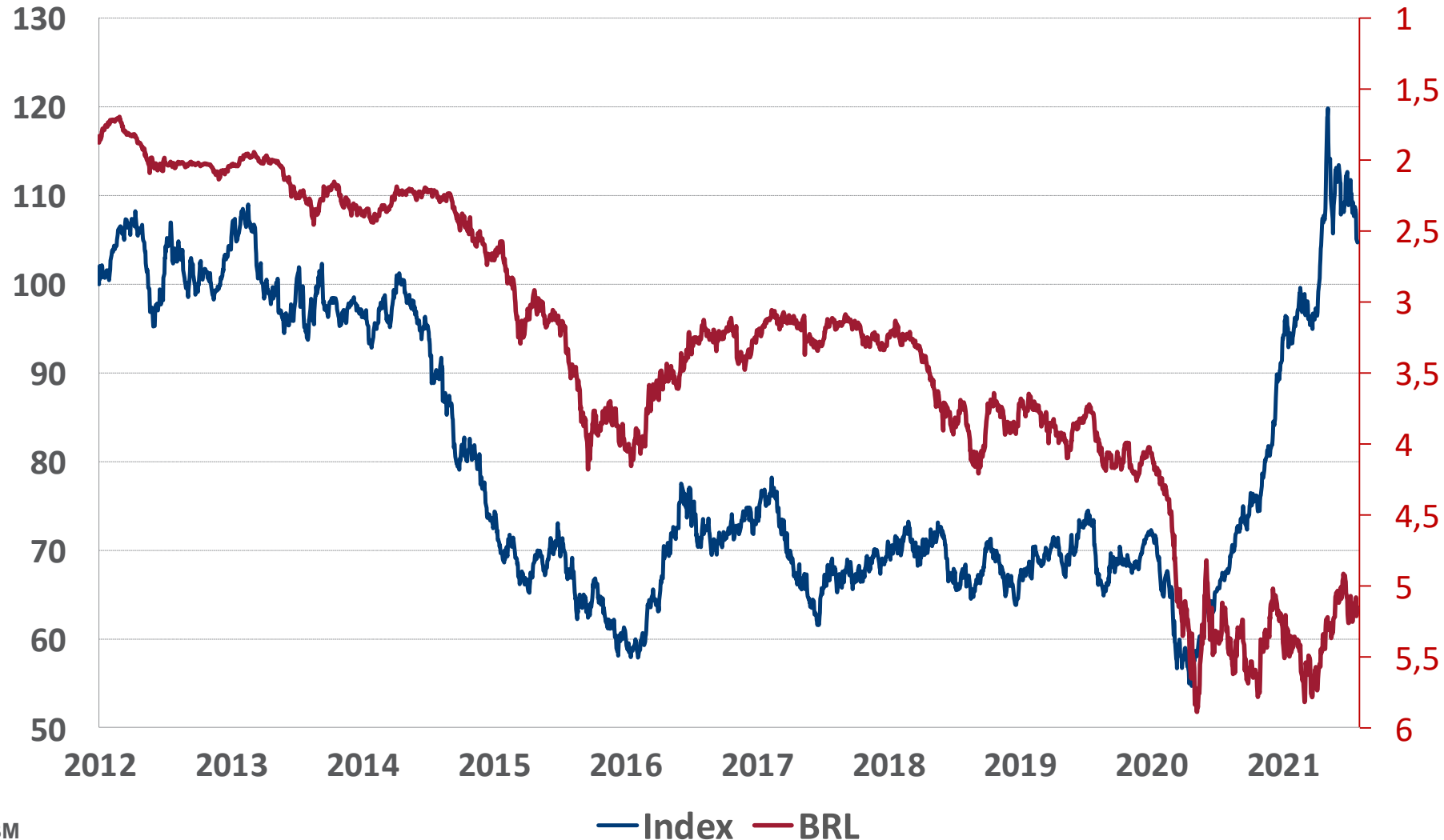
Brazil - Trade Balance (US\$ Bi - 12m)



Brazil: Trade Balance

- » BRL depreciated in July, returning to levels prior to June and keeping distant from what the commodities index points

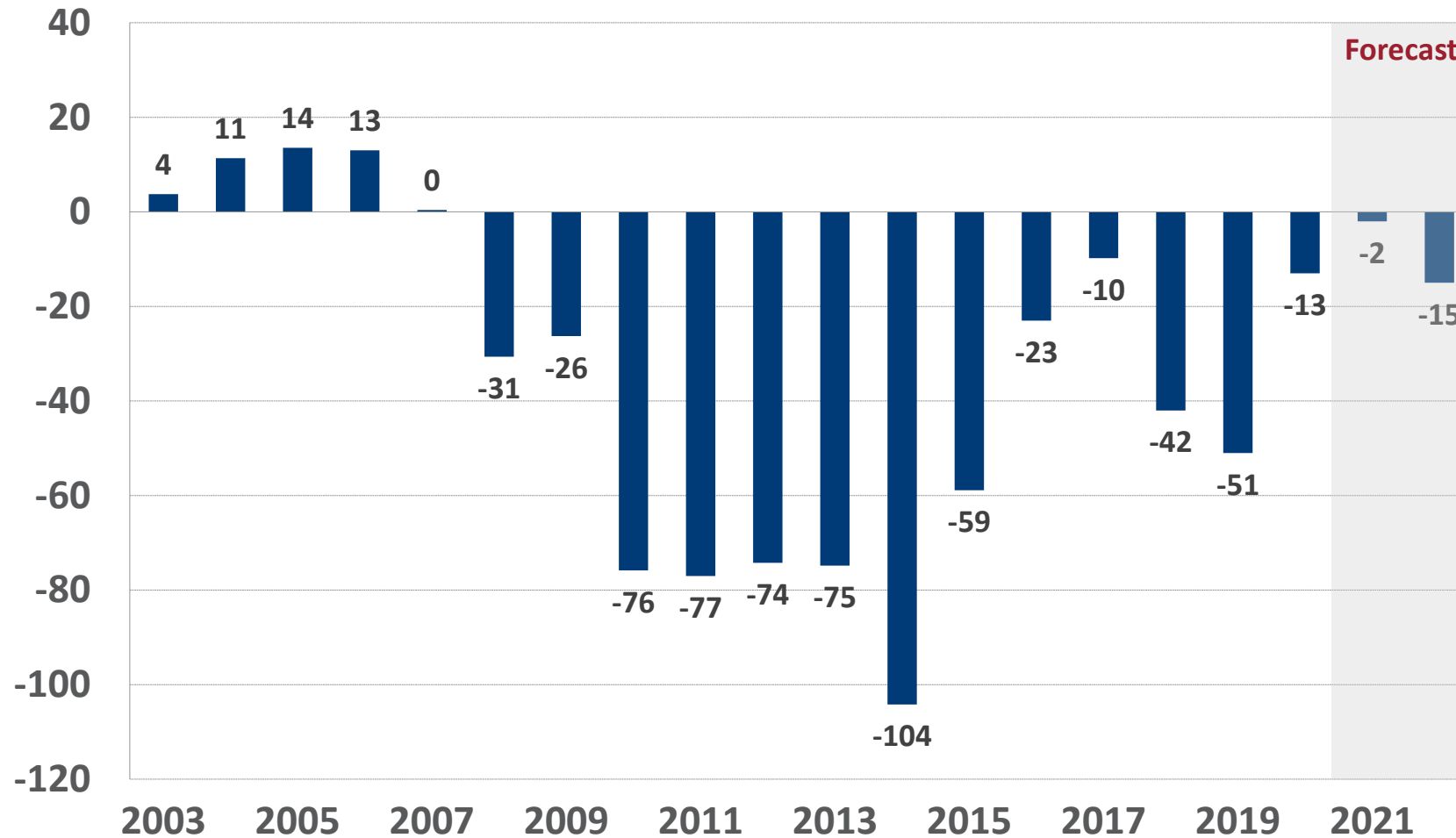
Brazil - Commodity Index vs BRL



Brazil: Balance of Payments

» The trade balance is the main driver of the current account improvement

Current Account Balance - USD Billion



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