



MACRO OUTLOOK

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Chief Economist

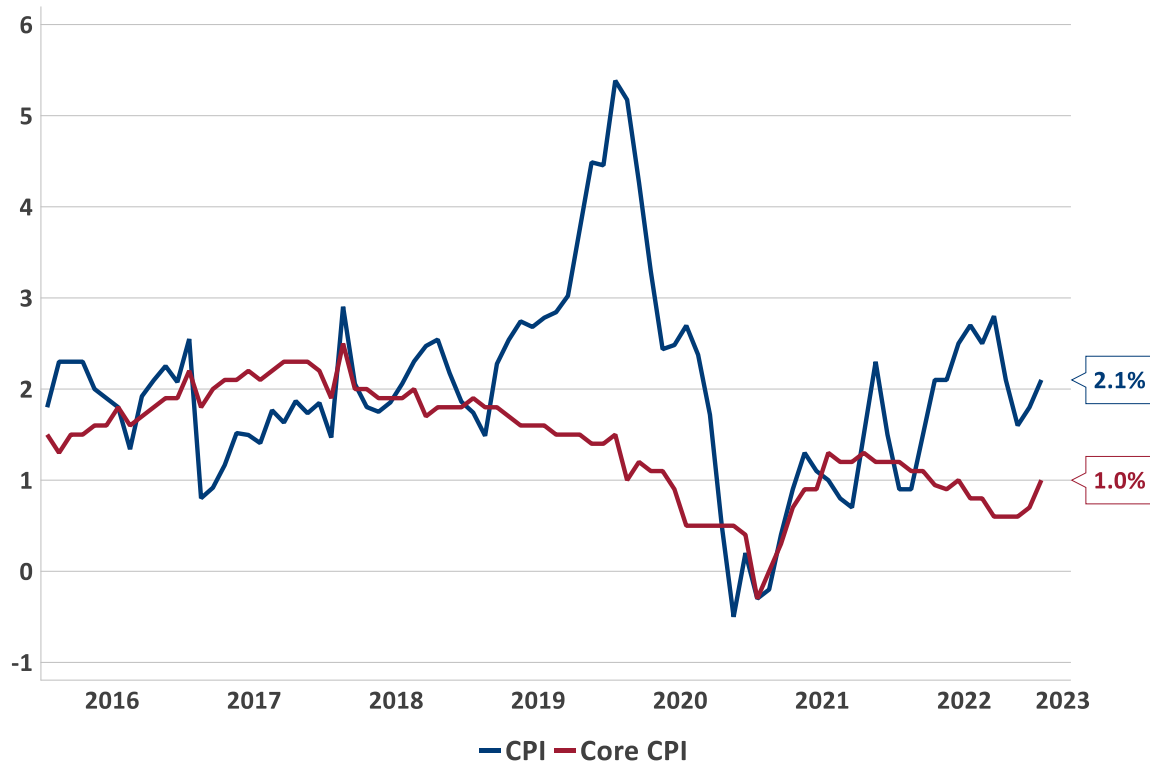
March 2023

- » Incoming data from developed economies points to resiliency in activity growth, strength in the labor market and persistency of inflation. Consistently, discussions about projections of the terminal Fed funds rate permeated the markets in February, suggesting the possibility of levels as high as 6.5%, even though most projections are around 5.5% (today's level is at 4.5-4.75%).
- » Concerning China, the abrupt U-turn in the zero-Covid policy resulted in over one billion Covid infections but also significantly hastened the economy's recovery. High frequency mobility indicators already normalized and, for 2023, domestic consumption will likely be the main driver on growth. As a downside risk, US-China tensions escalated, intensifying exports control on cutting-edge technology.
- » GDP for the last quarter of 2022 retracted -0.2% QoQ (1.9% YoY), slightly below our forecast of +0.0% QoQ (2.2% YoY), ending the year at 2.9%. Among activities, the downward surprise in relation to our projection was concentrated in just three activities, in order of relevance: Public Administration Services (APU), Civil Construction and Agriculture. The other activities came in line or surprised positively.
- » Despite the slightly negative surprise at the end of 2022, we maintain our projection of 1.5% for 2023 GDP. The negative surprises were very concentrated, in addition, the statistical carry-over of services and industry remain favorable for this year. The record crop projection should also help boost the economy as a whole. Finally, the policies announced and under study by the current government tend to boost demand in the short term, as is the case of greater income transfers and quasi-fiscal stimulus.
- » Our inflation forecast was reduced from 6.0% to 5.9% in 2023 following the government's announcement of a partial return of PIS/COFINS on gasoline and ethanol in March and price cuts by Petrobras. For 2024, we maintain our forecast of 4%.
- » We maintain the expectation that the Central Bank will keep the Selic constant at the current level until the end of the year, in line with its previous announcement, which indicates inflation reaching the target over the relevant horizon in the alternative scenario in which the Selic remains constant. The committee also reinforced concerns about the fiscal outlook and inflation expectations, which are moving away from the target over longer horizons.
- » Short-term fiscal results remain solid, driven by still strong revenues in the beginning of the year. For 2023 we expect a deficit of 1.1%, followed by a deficit of 0.8% of GDP in 2024, assuming that expenses grow in line with the IPCA of the previous year. For public debt (as a % of GDP), we project 74.7% in 2022, 79.9% in 2023 and 85.1% in 2024.

China: Economic Scenario

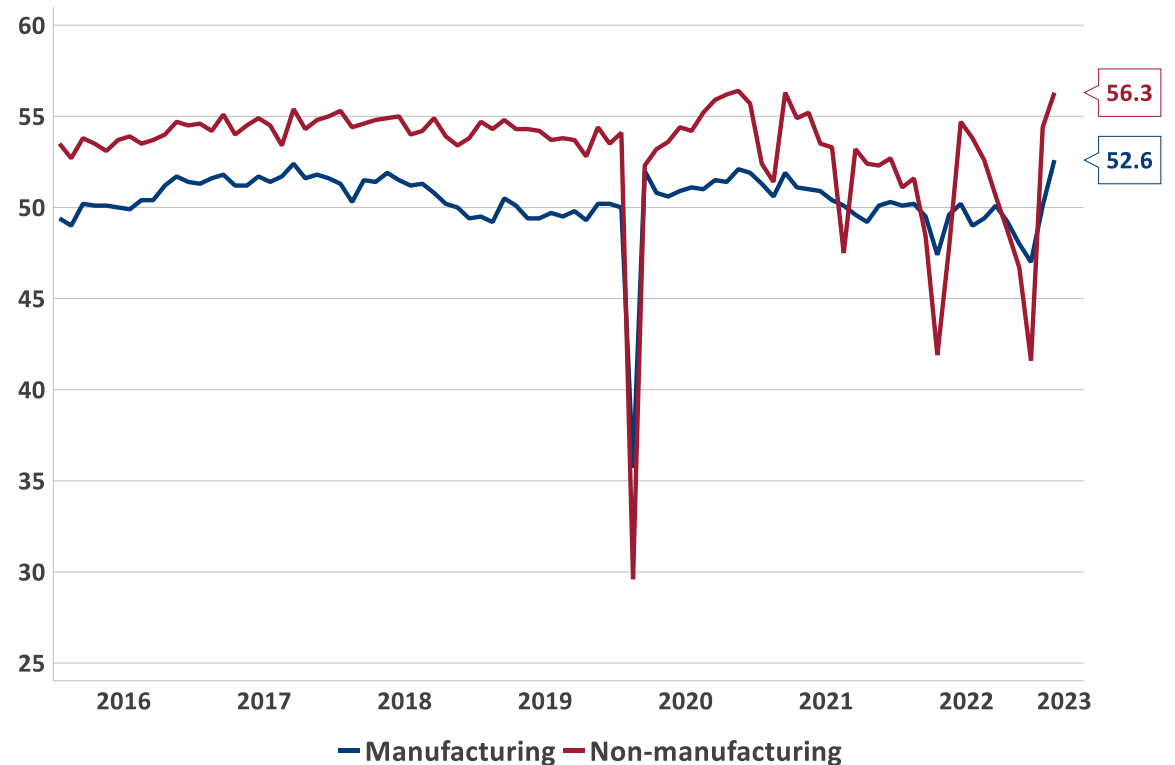
- » In February, the NBS manufacturing **PMI** rebounded sharply from 50.1 to 52.6 (the highest reading since April 2012), reflecting the reopening of the economy and the dissipation of the Lunar New Year impact;
- » **CPI** inflation came slightly below expectations in January and remains at a subdued level: low inflation leaves room for maintaining an accommodative monetary policy, but it is likely that the headline may start to pick up in the coming months due to economic rebound and normalization of activities.

China: CPI (YoY, %)



Source: BOCOM BBM, Macrobond, NBS

China: PMI



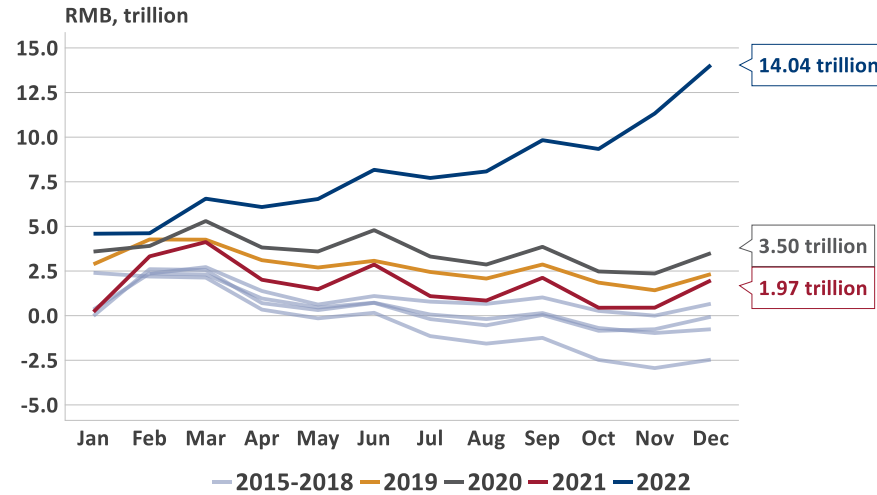
Source: BOCOM BBM, Macrobond, CFLP

China: Growth Outlook

- » Consumption was a significant drag in 2022 growth due to uncertainty around Covid restrictions;
- » As a result, Chinese households accumulated record high levels of net household deposits, largely repairing their balance sheets and raising the propensity to consume;
- » This can be seen through the significant reduction in household loans and new home sales;
- » Not only that, but consumption as a share of disposable income is likely to rebound due to the reopening and better expectations regarding future income;
- » Accounting all together, it is likely that domestic consumption may be the main driver for China's growth in 2023.

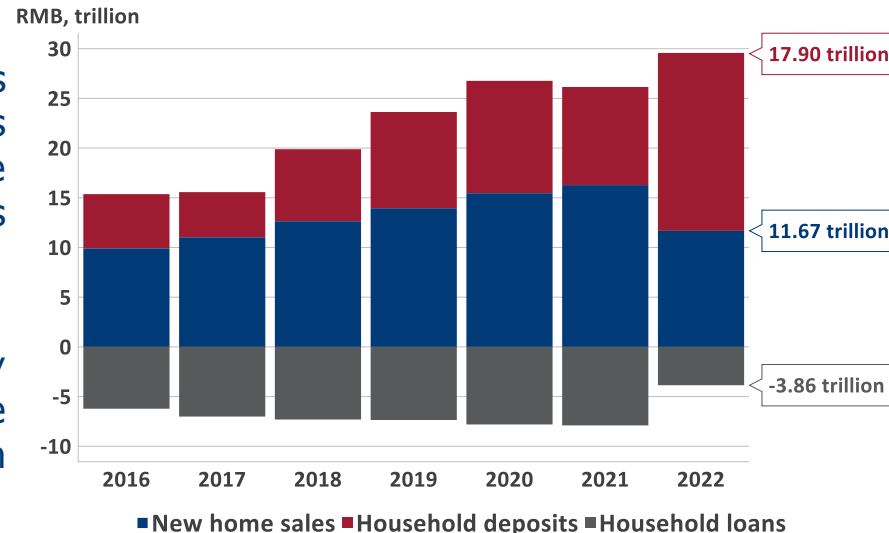
China: Net Households Deposits (cumulative YTD change)

Net household deposits = household deposits - household loans



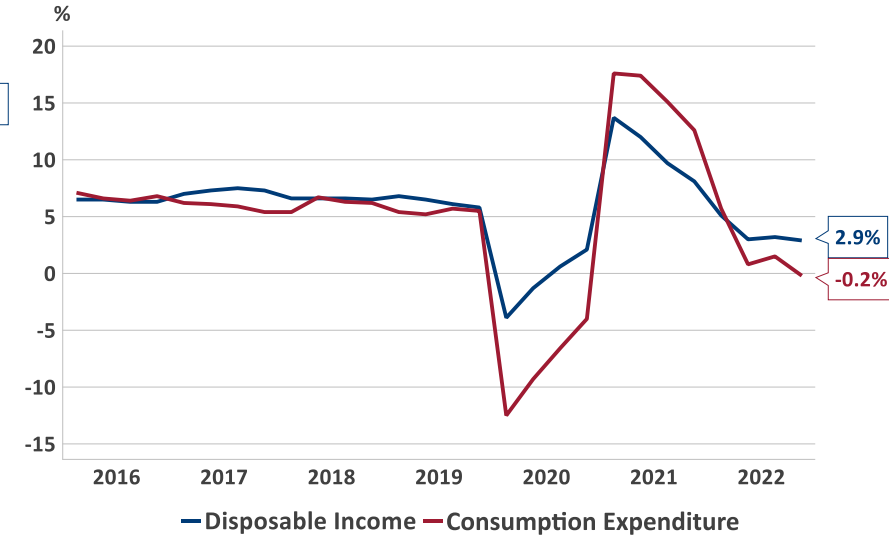
Source: BOCOM BBM, Macrobond, PBoC

China: Deposits, Loans and Home Sales (Annual Change)



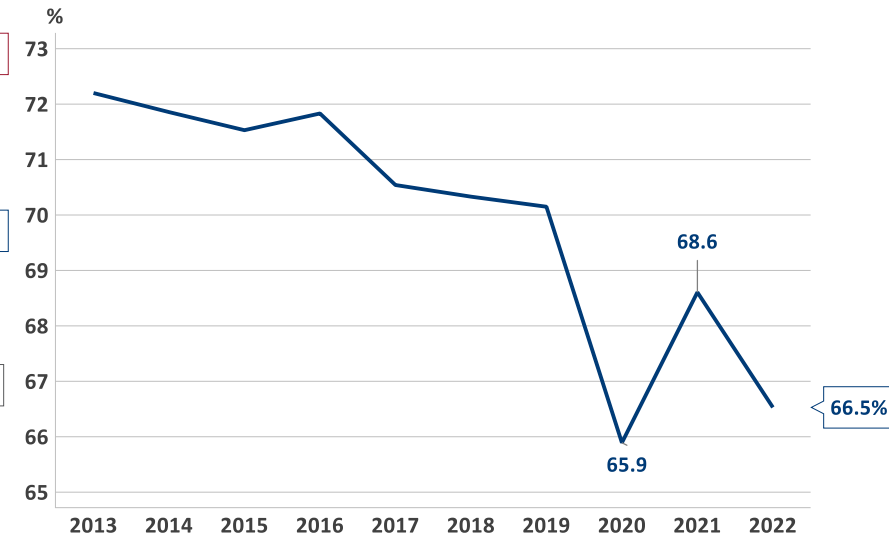
Source: BOCOM BBM, Macrobond, NBS, PBoC

China: Consumption Expenditure & Disposable Income (YoY)



Source: BOCOM BBM, Macrobond, NBS

China: Household Consumption Share on Disposable Income

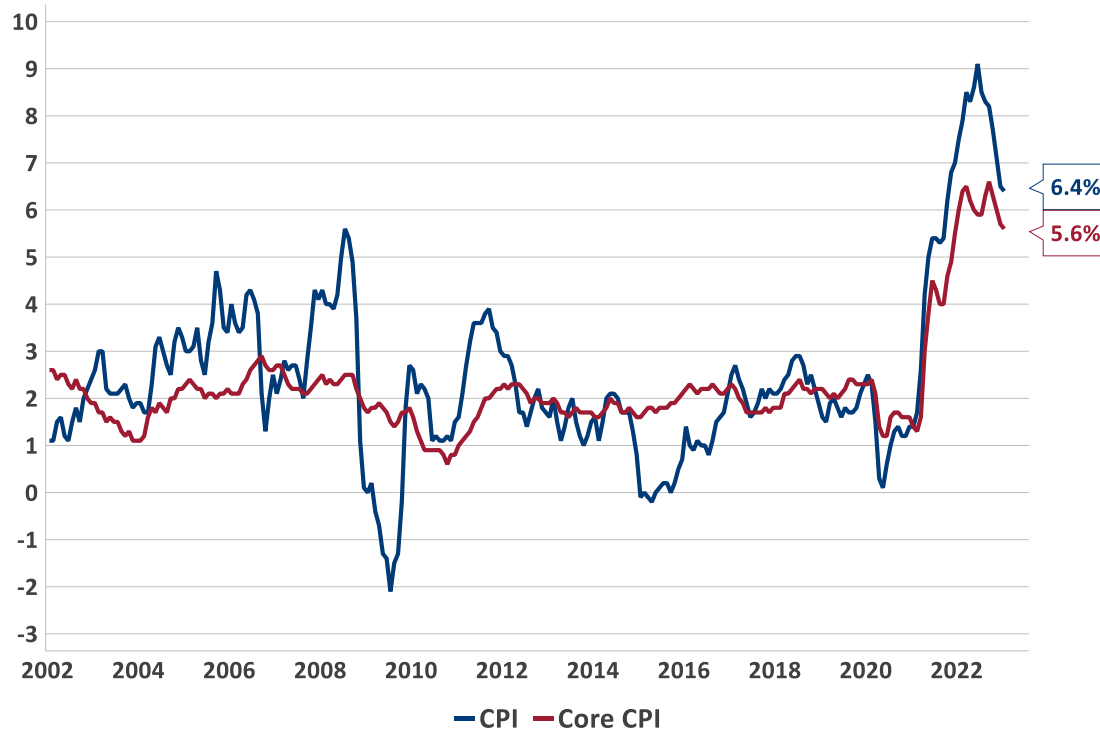


Source: BOCOM BBM, Macrobond, NBS

USA: Inflation

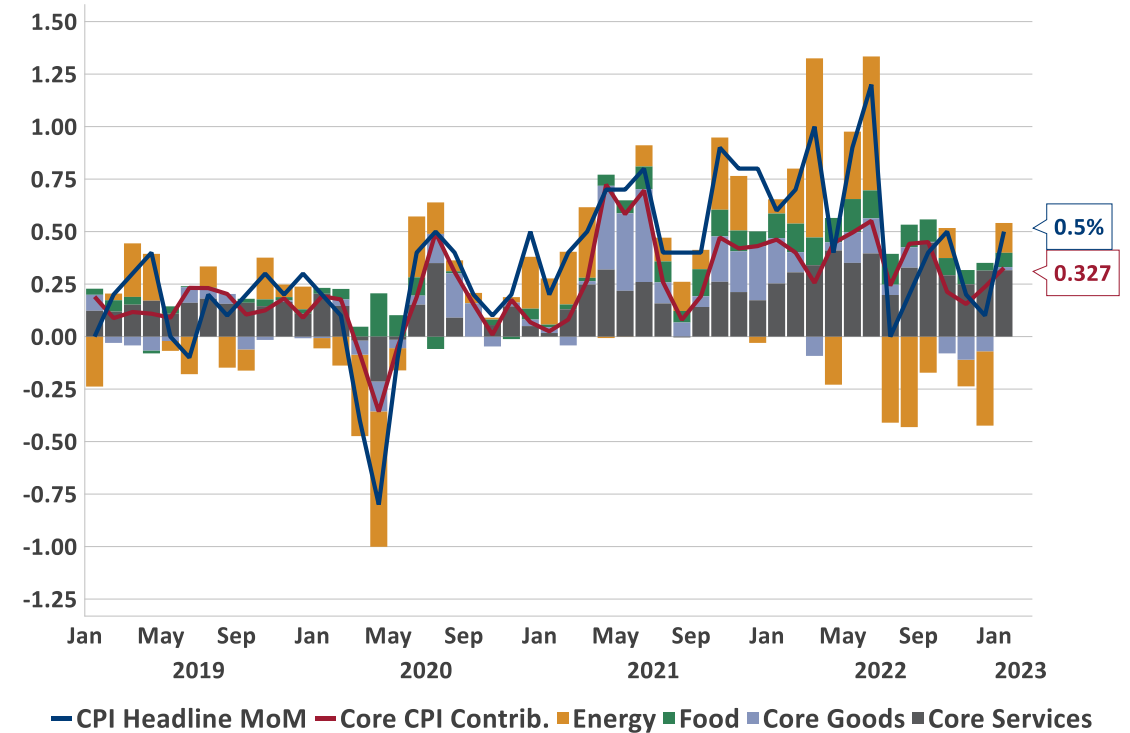
- » US CPI inflation came stronger than previous months but aligned with expectations in January moving from 6.5% to **6.4%** YoY and increasing by **0.5%** MoM:
 - » Gasoline prices rebounded in January, raising energy inflation and pressuring the headline CPI, while food prices remained moderated;
- » Core CPI increased **0.4%** MoM, reaching **5.6%** YoY (from 5.7%):
 - » After 3 months of deflation, core goods turned positive once again but remains subdued;
 - » Core of services is still being pressured by shelter inflation and labor market unbalances that results in wage inflation, which pressures core of services ex-housing components.

US: CPI (YoY, %)



Source: BOCOM BBM, Macrobond, BLS

US: CPI MoM Contributions

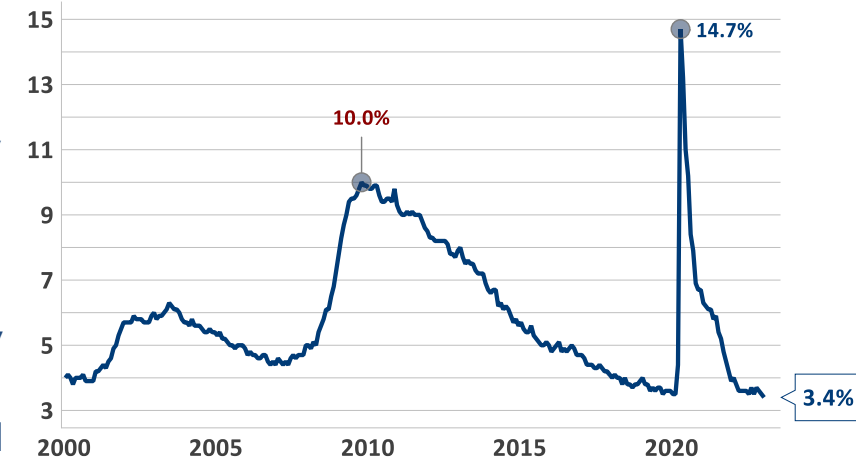


Source: BOCOM BBM, Macrobond, BLS

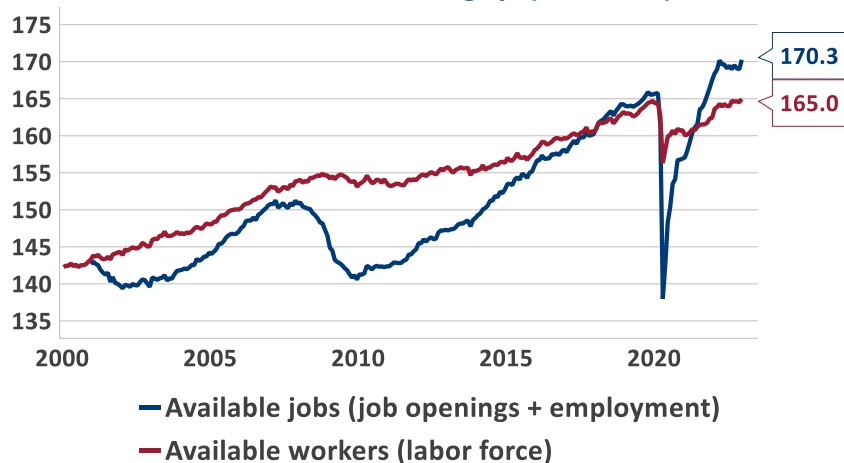
USA: Labor Market

- » The US labor market remains very strong in January showing an unemployment rate of **3.4%**, the lowest level for the series since 1969;
- » With this report, the jobs-workers gap increased significantly from 4.5M to **5.3M**, signaling that labor supply and demand remains persistently unbalanced;
 - » The job openings per unemployed person ratio ticked up from 1.7 to **1.9**;
- » Even with higher labor demand than supply, nominal wages has started to slowly decelerate, but it remains considerably elevated;
 - » This is important due to the positive correlation between wage inflation and inflation in services excluding housing & energy, which remains persistently high.

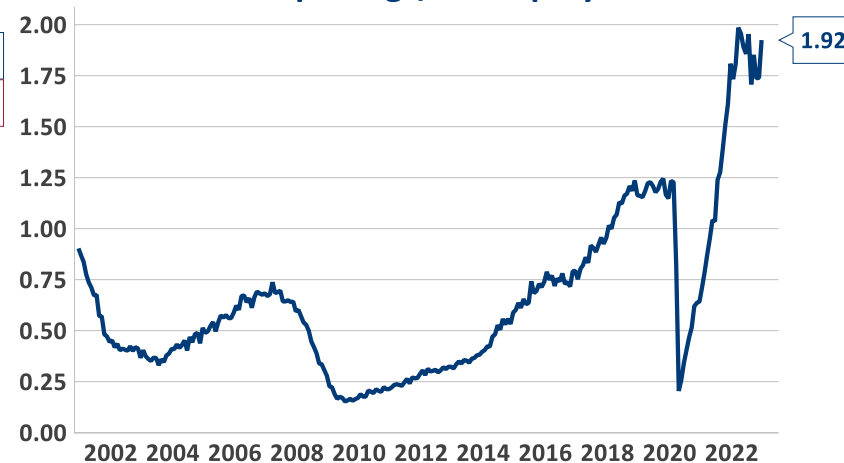
US: Unemployment Rate SA (%)



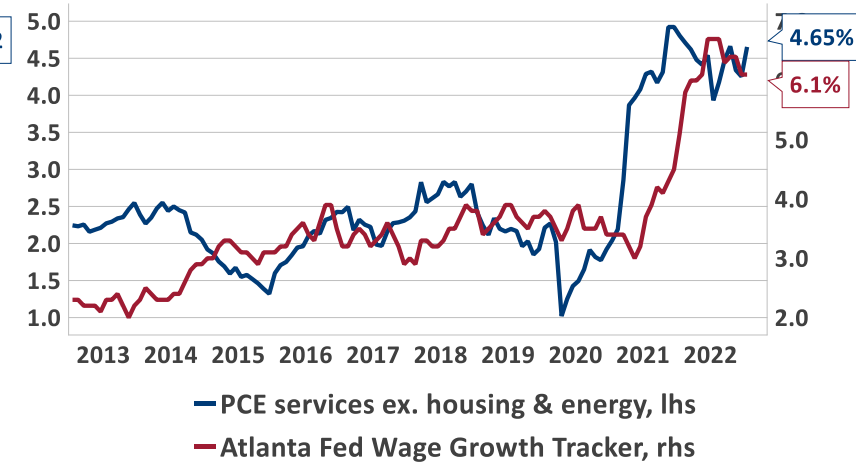
US: Jobs-workers gap (millions)



US: Job Openings/Unemployed Ratio



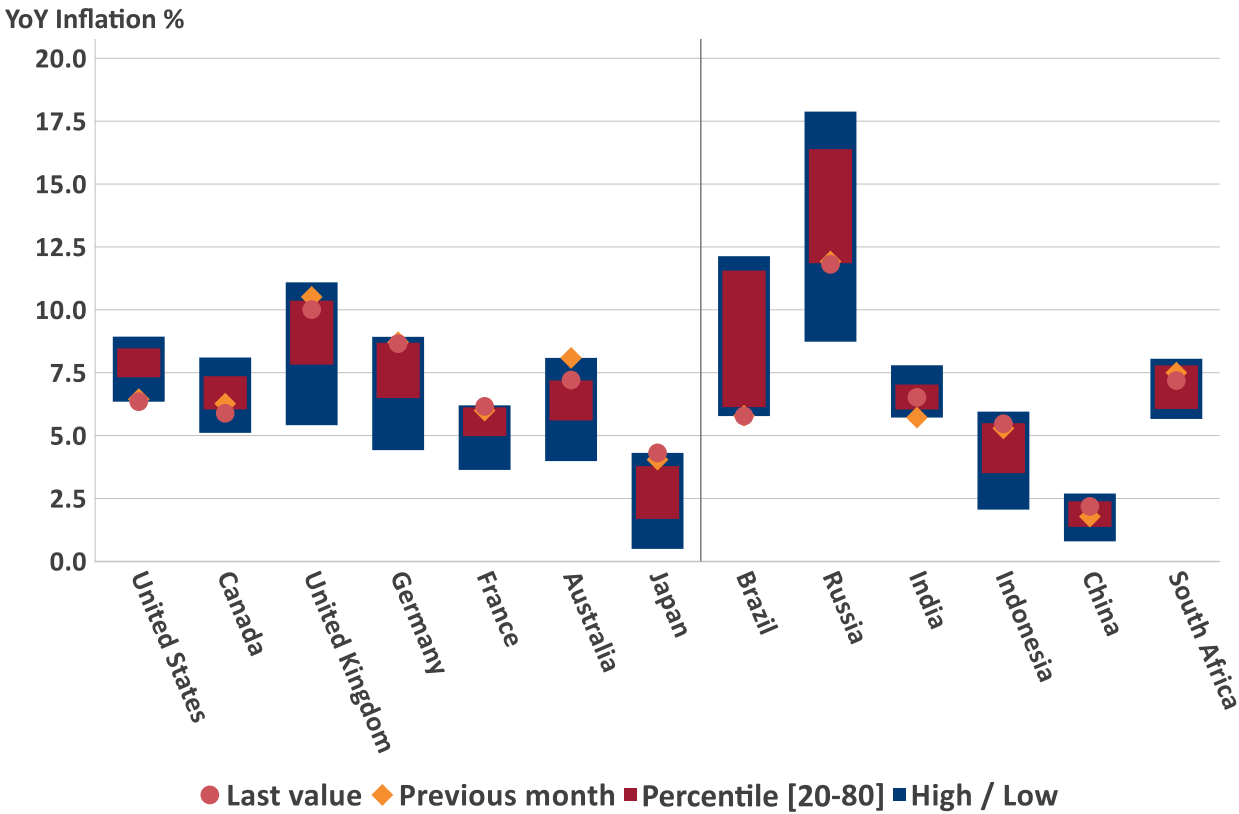
US: PCE Core Services ex-housing vs Wages (YoY, %)



Global: Inflation

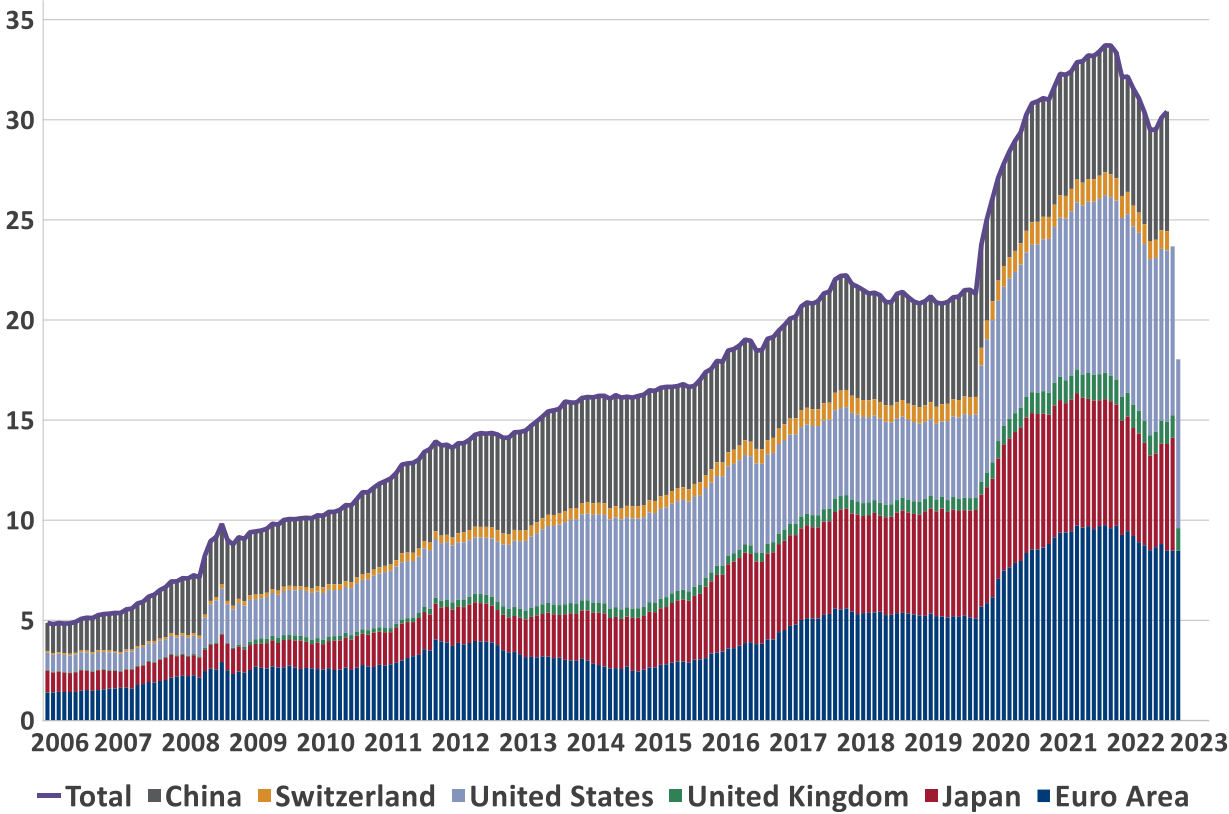
- » For the first time in decades, inflation across emerging markets is not significantly higher than it is in developed markets;
- » In order to bring inflation convergence back to their respective targets, many central banks are reducing their balance sheets, resulting in a tightening of the monetary policy of several economies.

Inflation range during the past 12 months



Source: BOCOM BBM, Macrobond

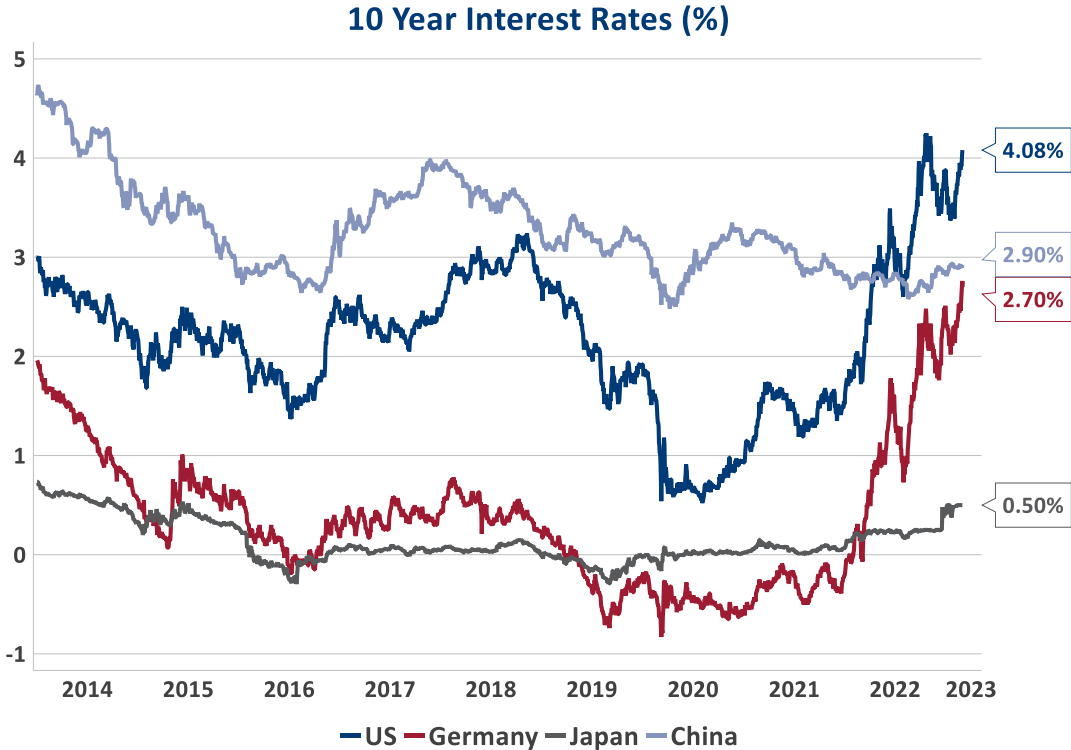
Central banks balance sheets (Trillions of USD)



Source: BOCOM BBM, Macrobond

Global: Interest Rates

- Correspondingly, interest rates across several countries are rising, with a few exceptions like China and Japan;
- Moreover, the persistency of US inflation ignited a trend of upward revisions in the projections for the Fed funds terminal rate;
- A recent study, discussed by FOMC members, suggested the possibility of rates going as high as 6.5%, although most market projections are around 5.5%.



Source: BOCOM BBM, Macrobond, BUBA, JBT, CCDC

Central bank tracker: G20 & OECD Countries

	Key rate	Last decision		Last Move	Months since last hike	Months since last cut
Argentina	75.00	5.50	Hike	9/2022	6	28
Australia	3.35	0.25	Hike	2/2023	1	28
Brazil	13.75	0.50	Hike	8/2022	7	31
Canada	4.50	0.25	Hike	1/2023	1	35
Chile	11.25	0.50	Hike	10/2022	5	35
China	3.65	-0.05	Cut	8/2022	109	6
Colombia	12.75	0.75	Hike	1/2023	1	29
Costa Rica	9.00	0.50	Hike	10/2022	4	32
Czech Republic	7.00	1.25	Hike	6/2022	8	34
Denmark	2.25	0.35	Hike	2/2023	1	17
Euro Area	3.00	0.50	Hike	2/2023	1	84
Hungary	13.00	1.25	Hike	9/2022	5	31
Iceland	6.50	0.50	Hike	2/2023	1	27
India	6.50	0.25	Hike	2/2023	1	33
Indonesia	5.75	0.25	Hike	1/2023	1	24
Israel	4.25	0.50	Hike	2/2023	0	35
Japan	-0.10	-0.20	Cut	1/2016	192	85
Mexico	11.00	0.50	Hike	2/2023	1	25
New Zealand	4.75	0.50	Hike	2/2023	0	36
Norway	2.75	0.25	Hike	12/2022	3	34
Poland	6.75	0.25	Hike	9/2022	6	33
Russia	7.50	-0.50	Cut	9/2022	12	5
Saudi Arabia	5.00	0.50	Hike	12/2022	3	36
South Africa	7.25	0.25	Hike	1/2023	1	31
South Korea	3.50	0.25	Hike	1/2023	2	33
Sweden	3.00	0.50	Hike	2/2023	1	85
Switzerland	1.00	0.50	Hike	12/2022	3	98
Turkey	8.50	-0.50	Cut	2/2023	23	0
United Kingdom	4.00	0.50	Hike	2/2023	1	35
United States	4.75	0.25	Hike	2/2023	1	36

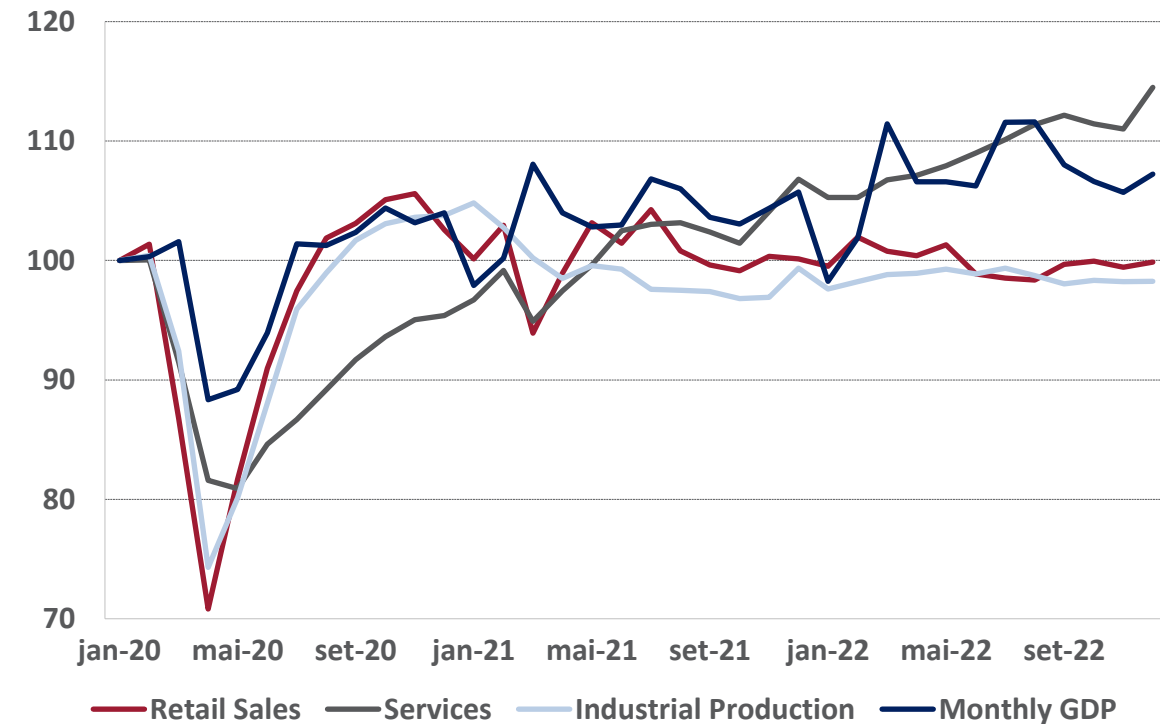
Brazil: Forecasts

ECONOMIC FORECASTS	2019	2020	2021	2022F	2023F	2024F
GDP Growth (%)	1.2%	-3.3%	5.0%	2.9%	1.5%	1.0%
Inflation (%)	4.3%	4.5%	10.1%	5.8%	5.9%	4.0%
Unemployment Rate (eoy ,%)	11.1%	14.2%	11.1%	7.9%	8.5%	9.0%
Policy Rate (eoy, %)	4.5%	2.0%	9.3%	13.75%	13.75%	10.0%
External Accounts						
Trade Balance (US\$ bn)	27	32	36	44	43	35
Current Account Balance (US\$ bn)	-68	-28	-46	-56	-48	-52
Current Account Balance (% of GDP)	-3.6%	-1.9%	-2.8%	-2.9%	-2.4%	-2.5%
Fiscal Policy						
Central Government Primary Balance (% of GDP)	-1.3%	-9.8%	-0.4%	0.6%	-1.1%	-0.9%
Government Gross Debt (% of GDP)	74.3%	86.9%	78.8%	73.5%	78.1%	83.3%

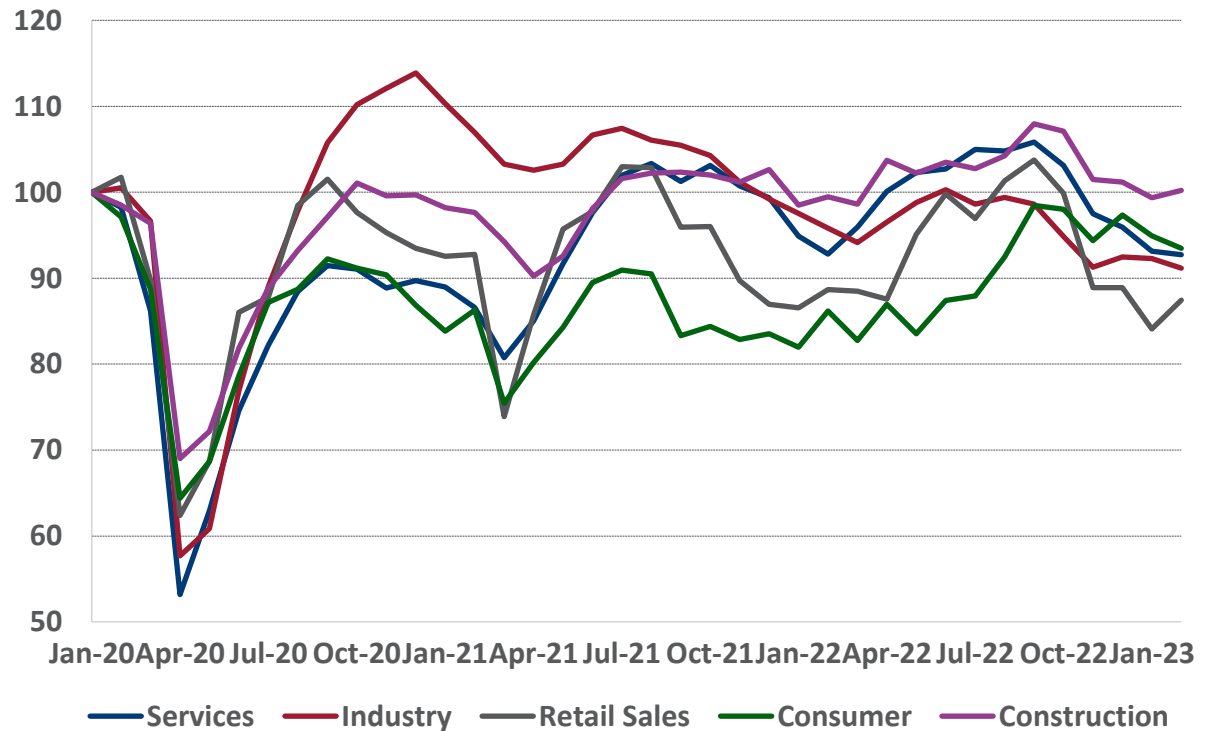
Brazil: Activity

- » The main indicators of economic activity showed mixed signals in December, with retail slowing down and services sustaining economic growth;
- » Confidence indicators pointed to a deceleration in January, with no very significant changes in February, except for retail sales, which recovered a large part of January's losses.

Brazil - Economic Activity Indicators (Jan/20=100)



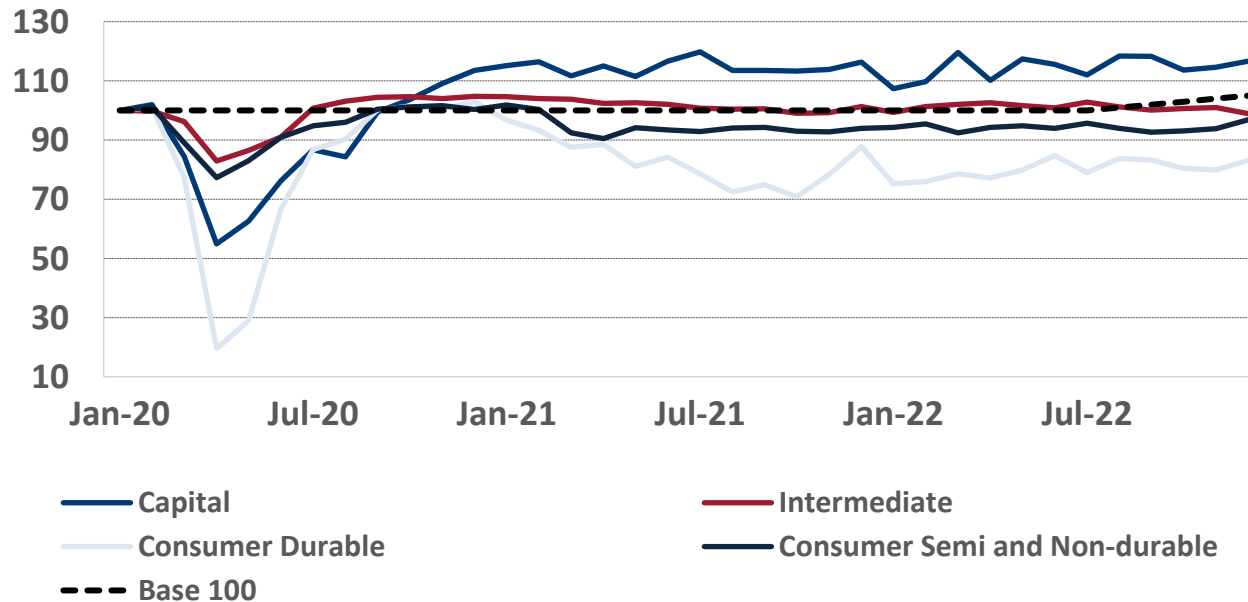
Brazil - Economic Confidence Index (Jan/20 = 100)



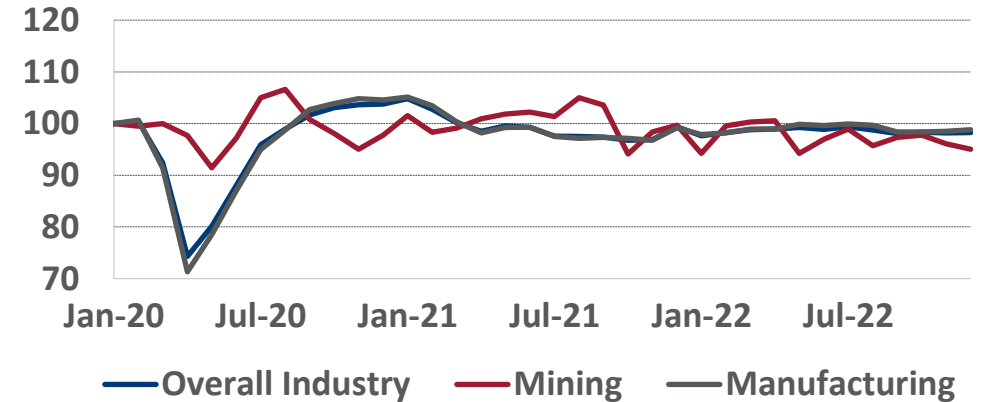
Brazil: Industrial Production

- » Industrial production remained stable in December, in line with market expectations;
- » Mining and quarrying fell 1.1% MoM, the second month of decline, pulling the aggregate result down. In contrast, there was an expansion of 0.3% MoM in the manufacturing industry;
- » Four of the five survey categories advanced in December.

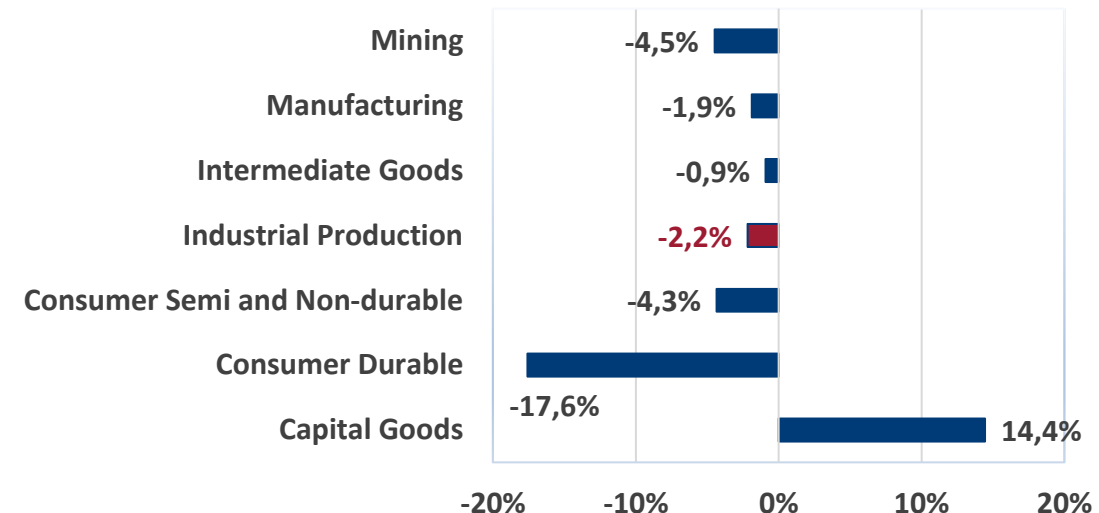
Industrial Production Index SA (Jan/20=100)



Industrial Production Index SA (Jan/20=100)



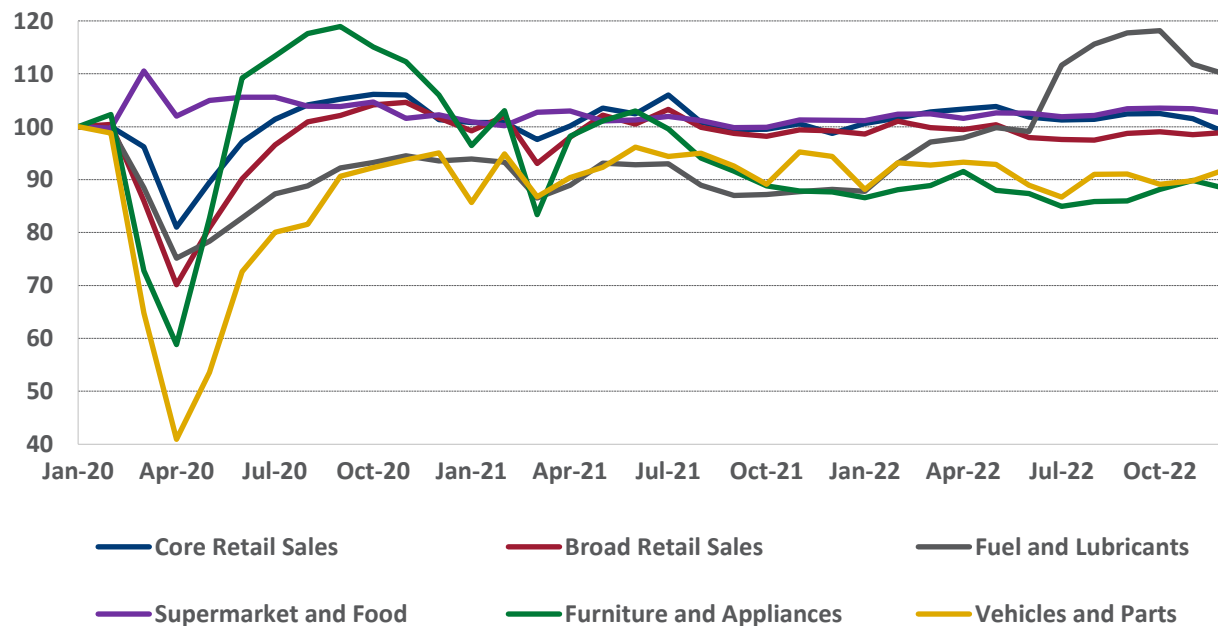
Industrial Production - Distance to pre-pandemic (Dec/22)



Brazil: Retail Sales

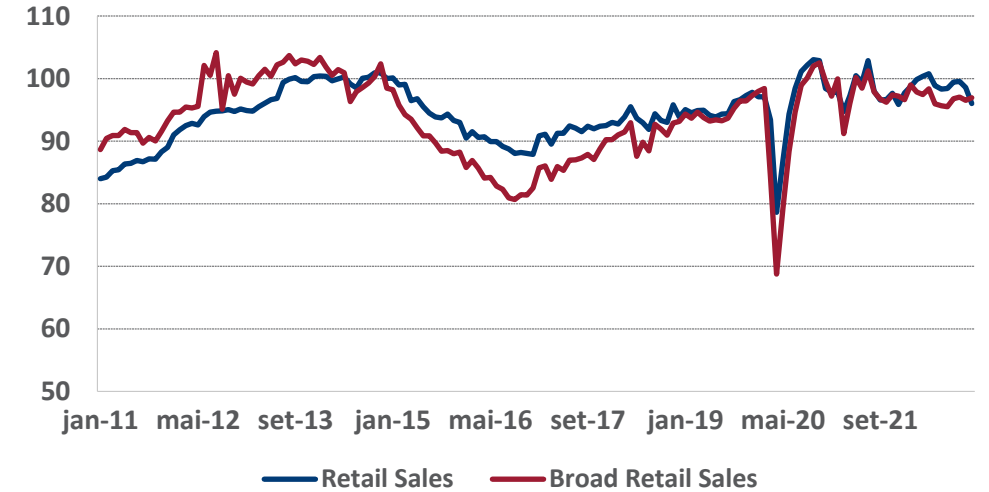
- » Retail sales contracted by 2.6% MoM s.a. in December (+0.4% YoY), below market expectations of -0.8% MoM (+2.7% YoY);
- » Broad Retail Sales expanded by 0.4% MoM s.a. (-0.6% YoY), led by Construction Material and Vehicles and Parts. These were the only two categories to register a significant increase this month (1.3% MoM and 2.4% MoM, respectively);
- » This suggests that the monetary cycle and the decelerating labor market tend to impact the consumption of goods.

Retail Sales - Index SA (Jan/20 = 100)

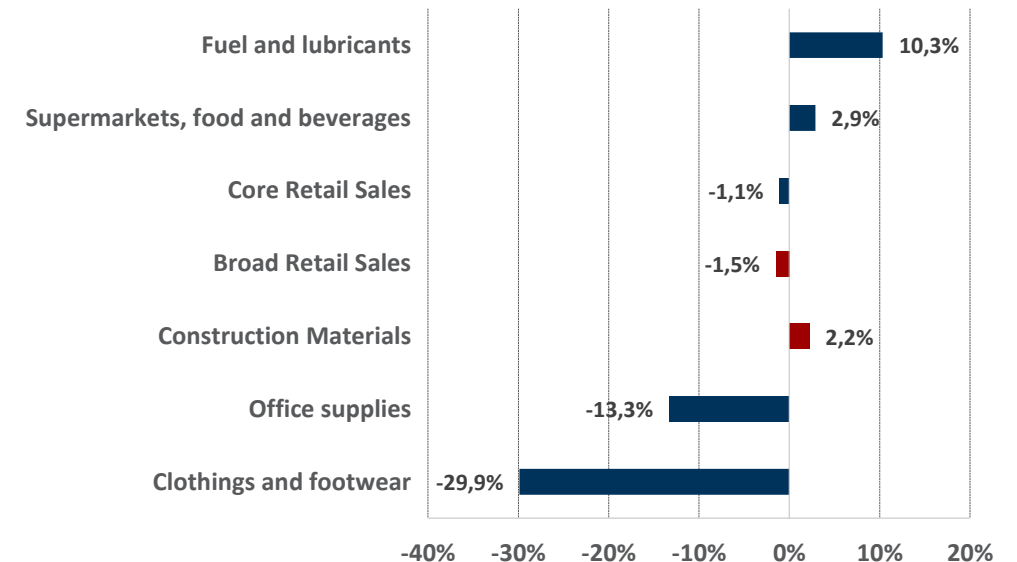


Source: IBGE, BOCOM BBM

Retail Sales (Level SA)

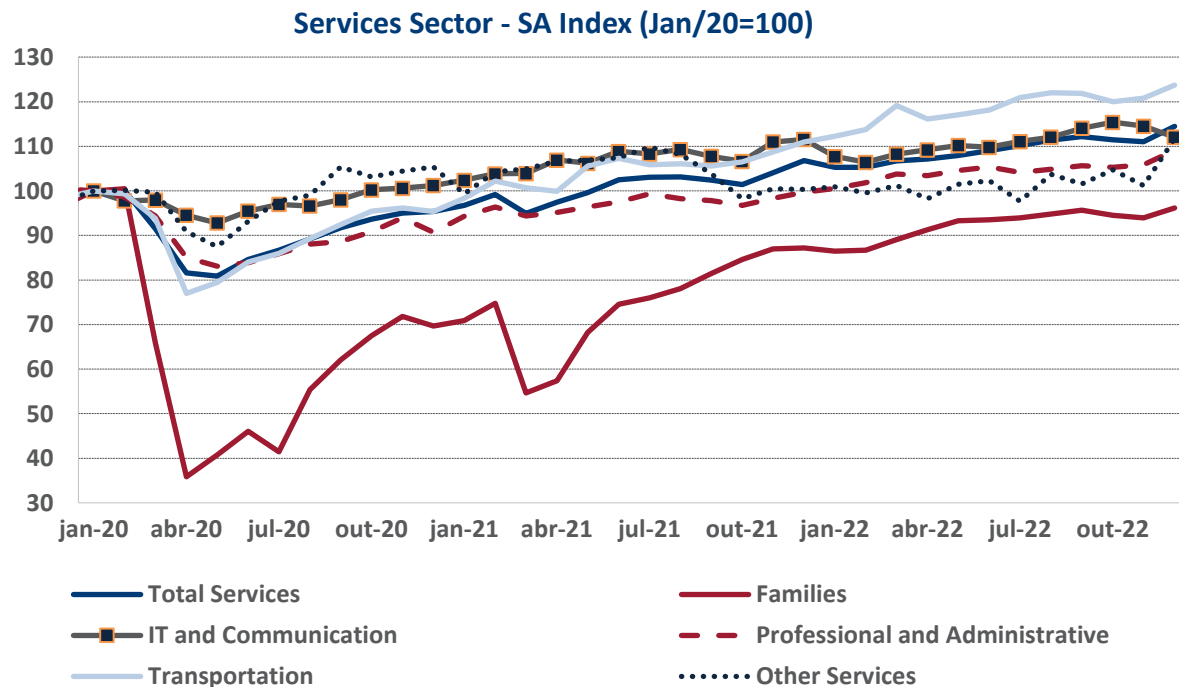


Retail Sales - Distance to pre-pandemic level (Dec/22)



Brazil: Services

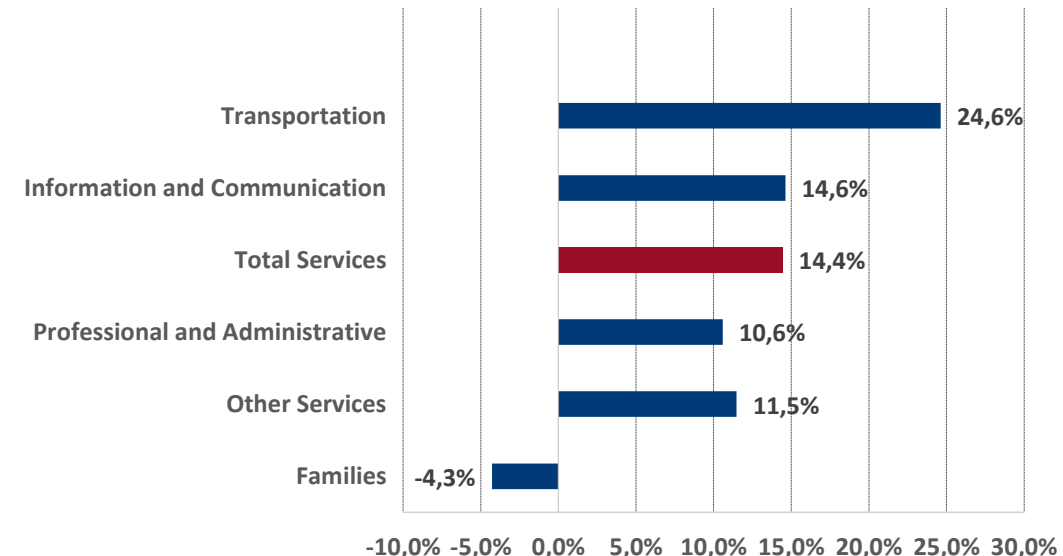
- » The Services sector recorded strong growth of 3.1% MoM (6% YoY) in December, reinforcing the good performance since the pandemic and beating market expectations (1.3% MoM and 4% YoY);
- » Information and Communication Services is the only category to drop this month, with a monthly rate of -2.2%;
- » Services to families grew by 2.4% MoM (9.2% YoY) after two months of decline.



Services Level SA



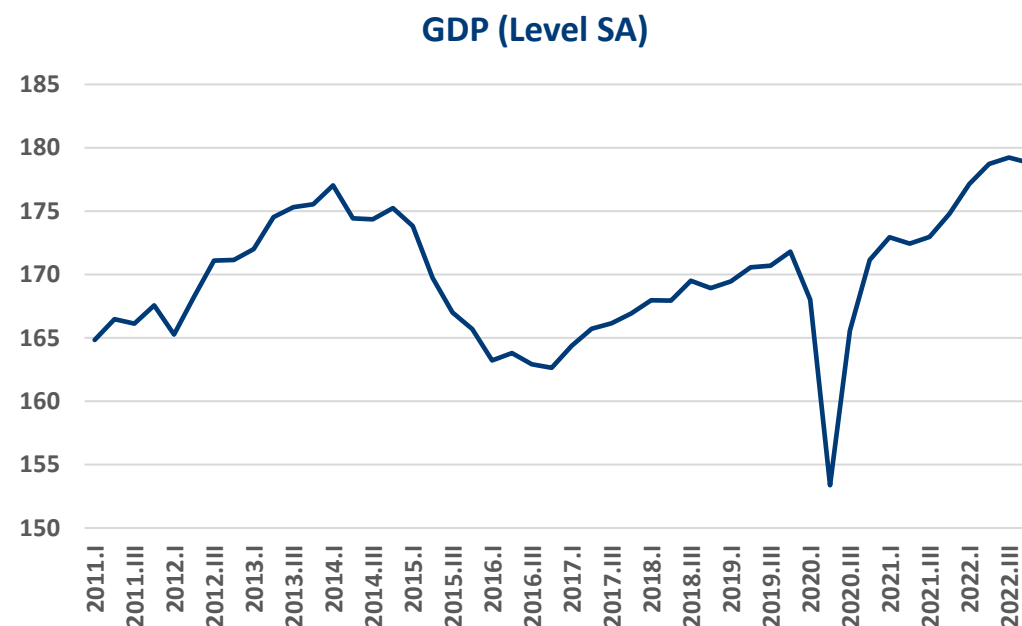
Service Sector - Distance to pre-pandemic level (Dec/22)



Brazil: GDP 2022 Q4

- » The 2022 Q4 GDP retracted -0.2% QoQ (1.9% YoY), slightly below our forecast of +0.0% QoQ (2.2% YoY), ending the year at 2.9% %. Among the categories, the downward surprise in relation to our projection was concentrated in just three activities, in order of relevance: Public Administration Services (APU), Civil Construction and Agriculture. The other activities came in line or surprised positively.

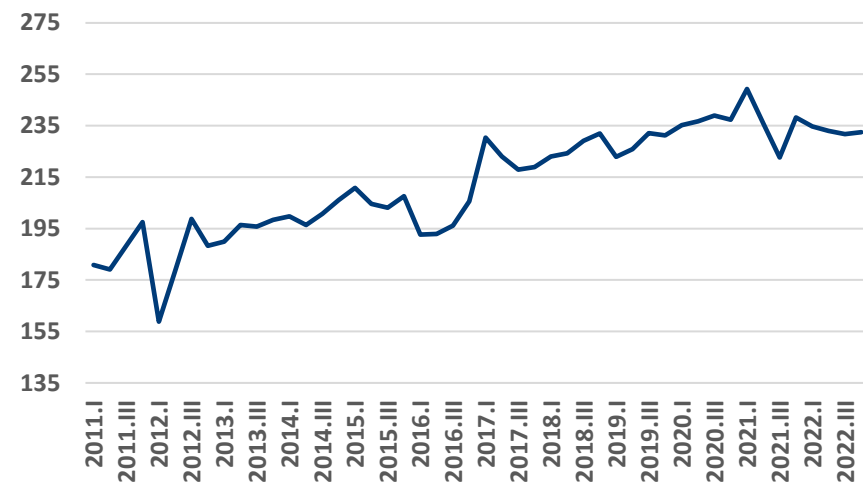
	Official	Forecast	Official	Forecast	Official	Forecast
	2022.IV	2022.IV	2022.IV	2022.IV	2022	2022
	QoQ	QoQ	YoY	YoY		
GDP	-0.2%	0.0%	1.9%	2.2%	2.9%	3.0%
Agriculture	0.3%	0.5%	-2.9%	0.1%	-1.7%	-1.3%
Industry	-0.3%	-0.6%	2.6%	2.4%	1.6%	1.6%
Mining	2.5%	1.0%	1.4%	-0.5%	-1.7%	-2.2%
Manufacturing	-1.4%	-1.7%	1.0%	0.5%	-0.3%	-0.5%
Electricity	-0.4%	-0.4%	10.8%	10.8%	10.1%	10.1%
Civil Construction	-0.7%	1.6%	3.2%	6.0%	6.9%	7.6%
Services	0.2%	0.4%	3.3%	3.7%	4.2%	4.3%
Retail	-0.9%	-2.4%	2.1%	0.1%	0.8%	0.3%
Transports	0.2%	-0.4%	5.3%	4.7%	8.4%	8.2%
Information and Communication	1.8%	2.2%	4.9%	5.4%	5.4%	5.6%
Financial Services	0.9%	0.1%	2.4%	1.2%	0.4%	0.1%
Rents	0.7%	0.7%	3.2%	3.0%	2.5%	2.4%
Other Services	0.9%	0.7%	8.3%	8.8%	11.1%	11.2%
Public Administration	-0.5%	3.1%	-0.3%	3.3%	1.5%	2.4%



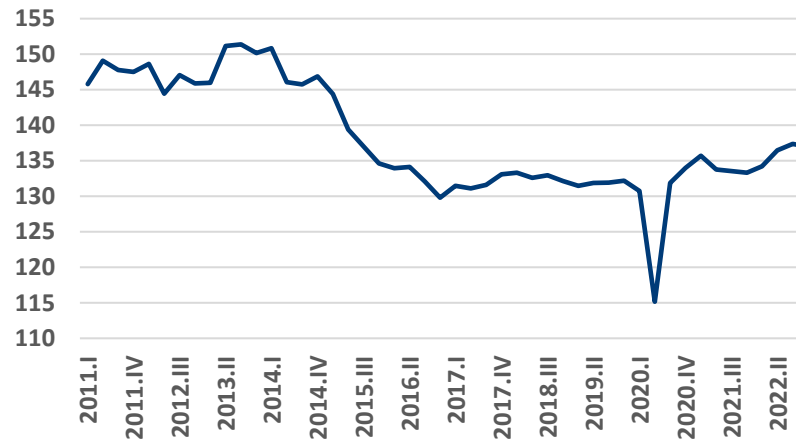
Brazil: GDP 2022 Q4

- » From the supply side, services continue an upward trajectory, but at a slower pace at the margin, advancing by 0.2% QoQ in Q4, compared to the growth of 1.1% QoQ in Q3. In 2022, services grew by 4.2%;
- » Agriculture grew 0.3% QoQ and ended the year down 1.7%;
- » Industry, in turn, fell by 0.3% QoQ, after three quarters of increases, driven by the manufacturing industry and civil construction.

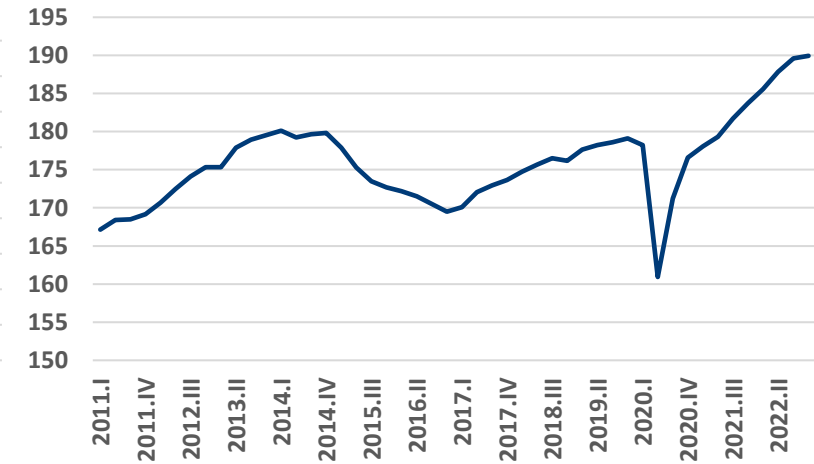
Agriculture



Industry



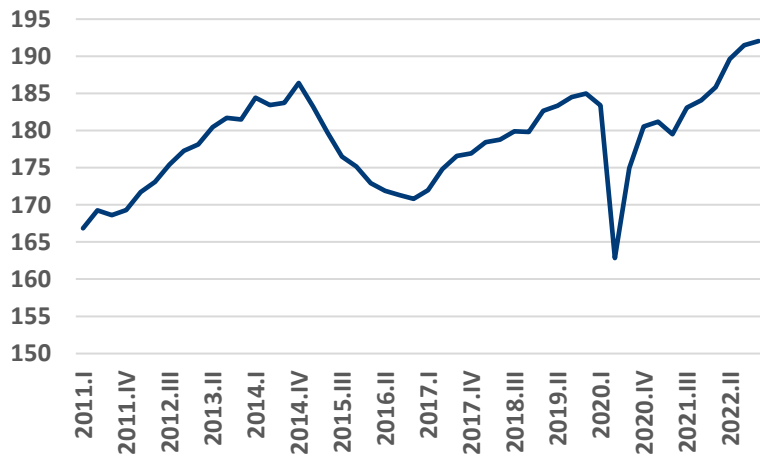
Services



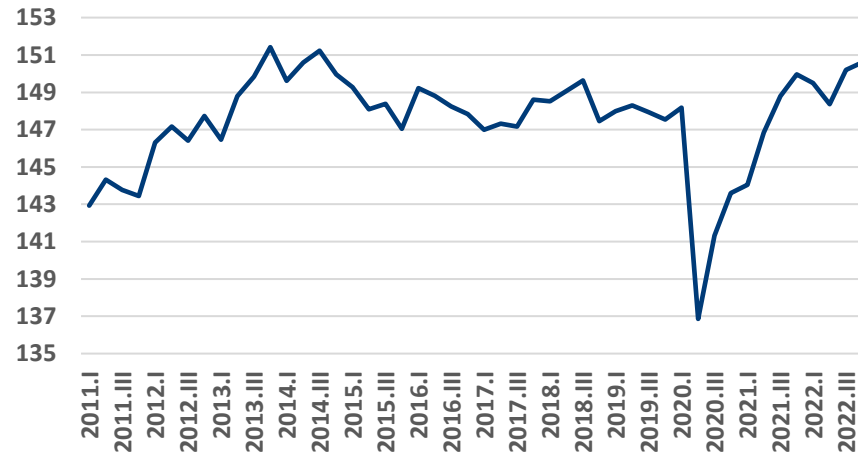
Brazil: GDP 2022 Q4

- » On the demand side, domestic demand was stable in Q4, in view of a 1.1% QoQ drop in investment, offset by 0.3% QoQ growth in household consumption and government consumption;
- » The external sector contributed positively to GDP growth in Q4 (+1.0 p.p.), with exports growing 3.5% QoQ and imports contracting 1.9% QoQ.

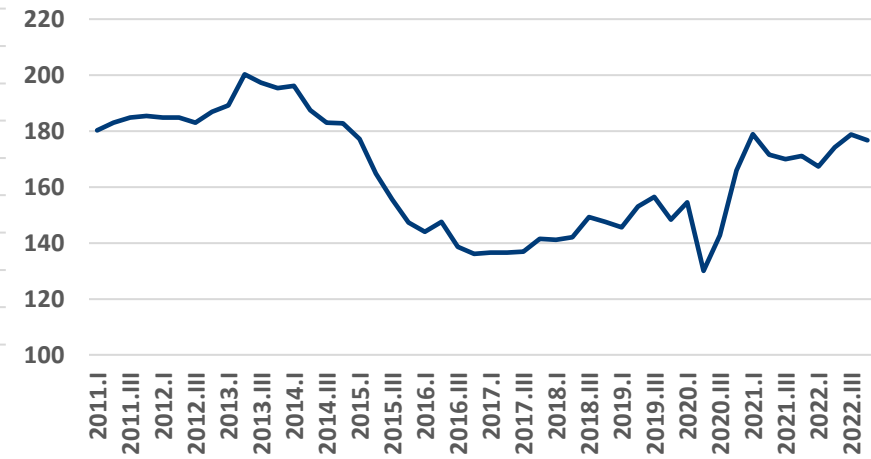
Household Consumption



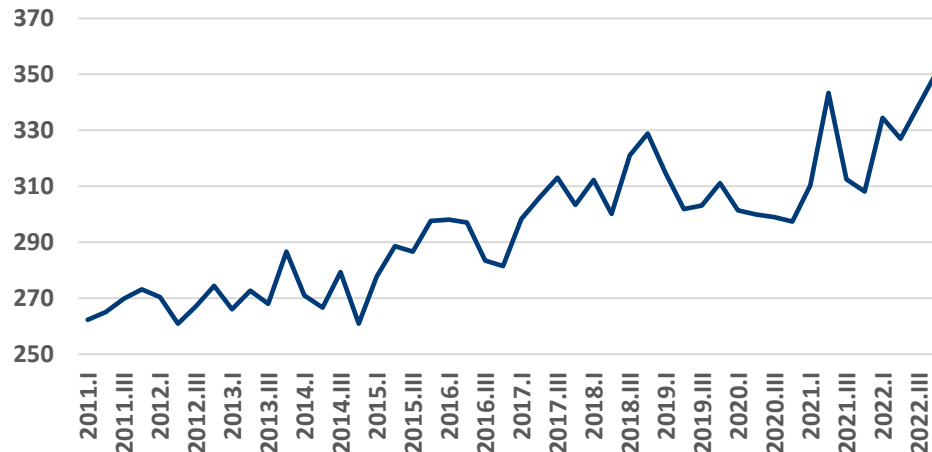
Government Consumption



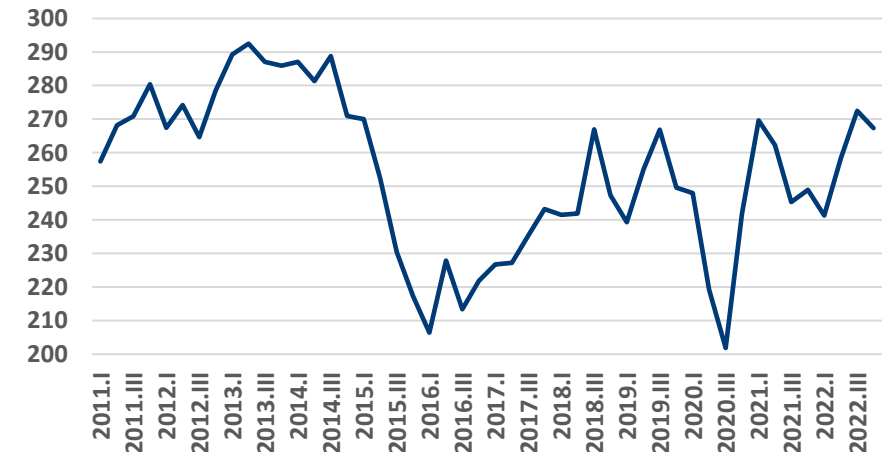
Gross Fixed Capital Formation



Exports



Imports



Brazil: Scenario for 2023

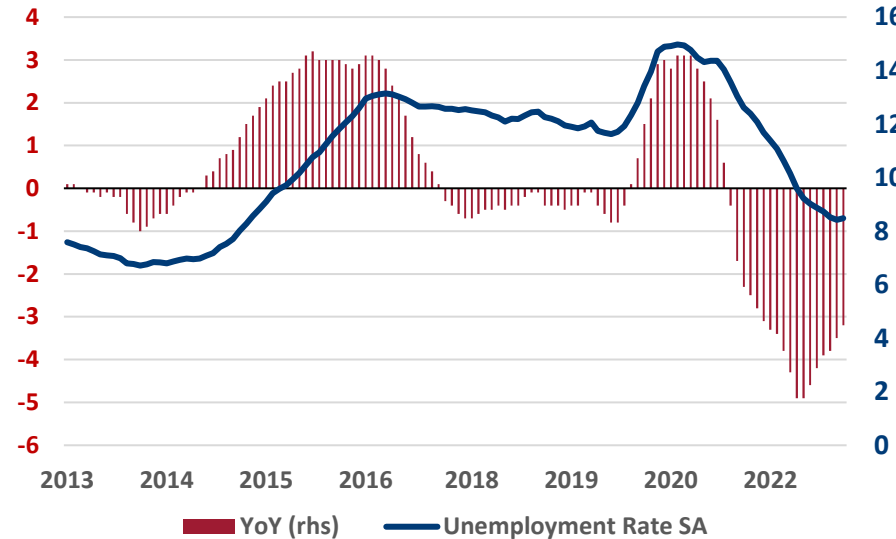
- » Despite the GDP negative surprise at the end of 2022, we maintain our projection of 1.5% for 2023;
- » The negative surprises were very concentrated, in addition, the statistical carry-over of services and industry remains favorable for this year;
- » The projection of a record harvest this year should help boost the economy as a whole;
- » Finally, the policies announced and under study by the current government tend to boost demand in the short term, as is the case of greater income transfers and quasi-fiscal stimulus.

	Carry-over	2023 Forecast
GDP	0.2%	1.5%
Agriculture	-0.2%	8.0%
Industry	0.5%	0.2%
Mining	2.4%	2.0%
Manufacturing	-0.7%	-0.9%
Electricity	0.2%	0.5%
Civil Construction	0.3%	1.5%
Services	0.9%	1.2%
Retail	-0.1%	-0.9%
Transports	1.2%	1.6%
Information and Communication	4.2%	3.3%
Financial Services	1.4%	1.9%
Rents	1.5%	1.6%
Other Services	2.1%	1.8%
Public Administration	-0.1%	1.3%

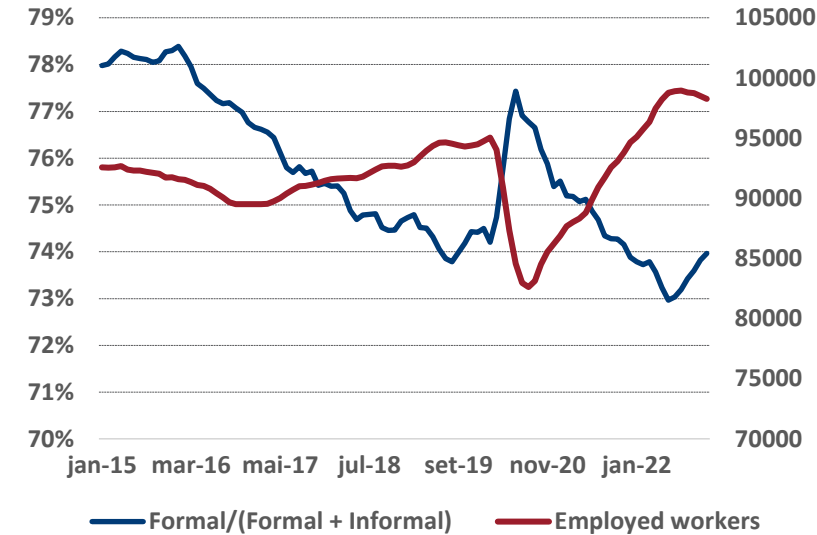
Brazil: PNAD

- » The Brazilian unemployment rate ended 2022 at the lowest level in eight years, falling to 7.9% in the fourth quarter, from 8.1% in the moving quarter of November 2022 (seasonally adjusted, we calculate that the unemployment rate ended the year in 8.5%);
- » The contraction in the rate is explained by a sharper drop in labor force participation than in employment, which may reflect greater income transfers made by the government in the recent period;
- » Employment registered the third consecutive negative variation on a monthly basis, a significant change in relation to the average gain of 0.6% MoM from January to September;
- » Average real wages continued to rise in December and the real wage bill is 3.5% above Dec-19;
- » We expect total employment to continue to weaken through 2023.

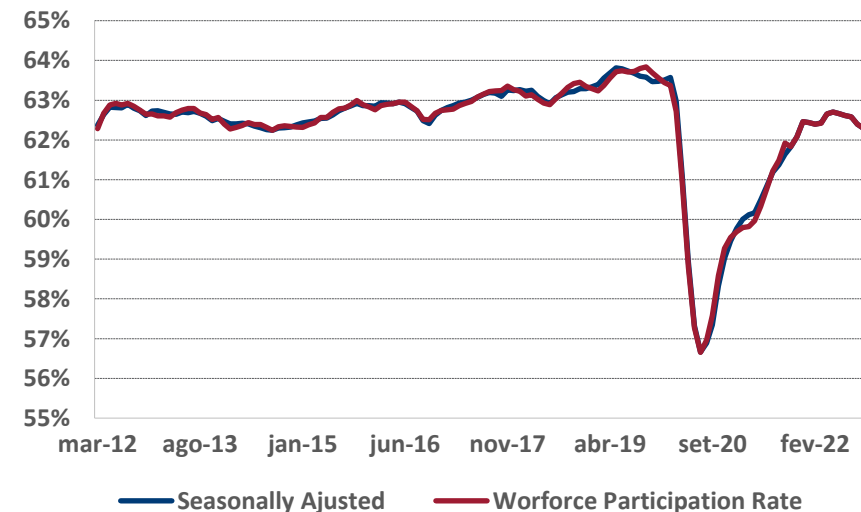
Brazil – Unemployment rate



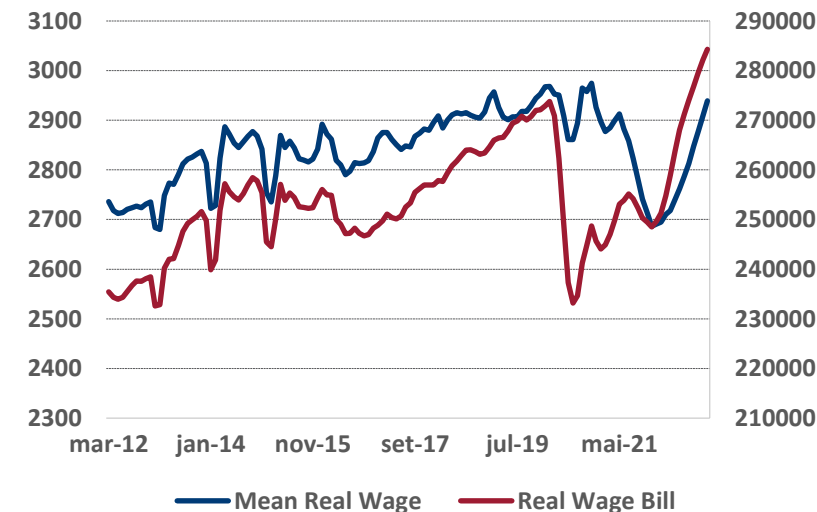
Brazil - Employment Level SA



Brazil - Workforce Participation



Brazil – Real Wage Bill SA (R\$ Billions)



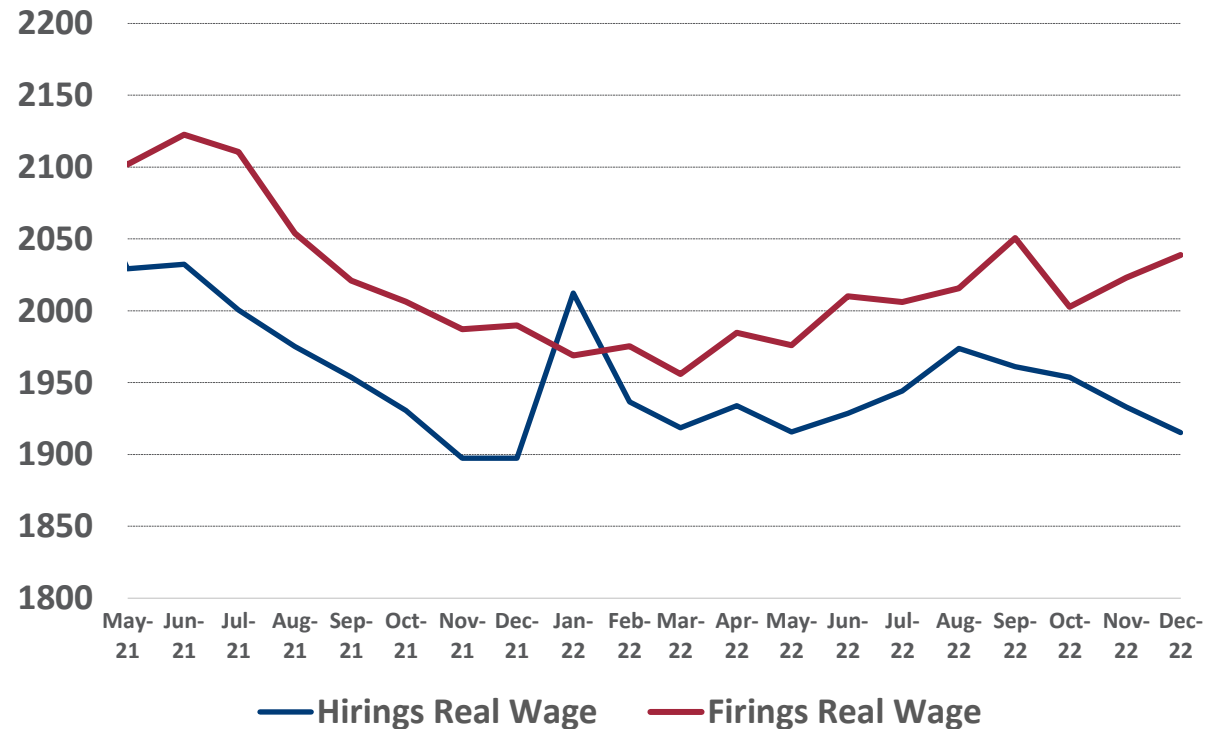
Brazil: Formal Labor Market

- » Caged recorded a net decrease of 431k formal jobs in December, below the market consensus of -328k;
- » Using our seasonal adjustment, 103k formals jobs were created, while in November this number was 128k.
- » In 2022, there were 2mn job openings, while in 2021 this number was 2.9mn.

Net Payroll Job Creation SA (Thousands)



Average Real Wage - NSA



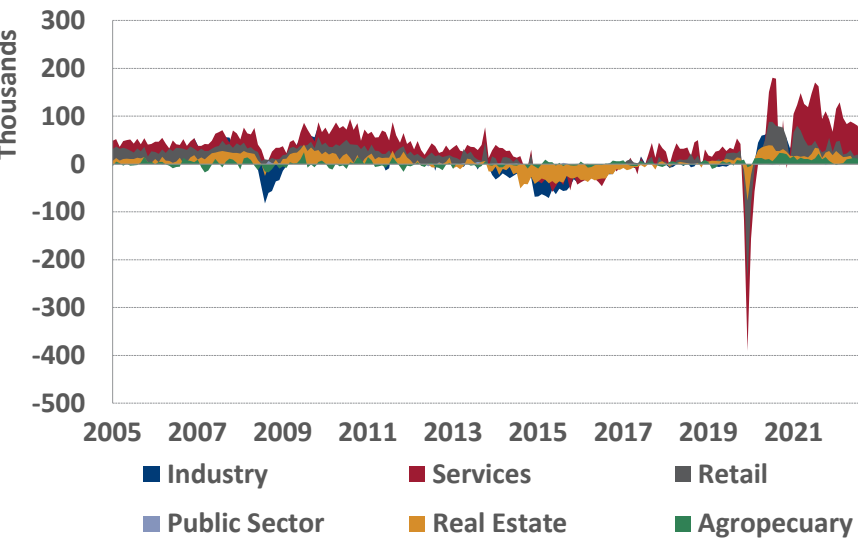
Brazil: Formal Labor Market

- » Regarding the sectors, service activities showed a total net creation of 60k (SA) formal jobs in December from 80k (SA) jobs in November;
- » The net creation of jobs in the Retail sector registered 9k (SA) in December from 20k (SA) in November;
- » Industry presented a total net creation of 11k s.a formal jobs in December from 5k (SA) jobs in November;
- » The trend of deceleration spread across all sectors is clear.

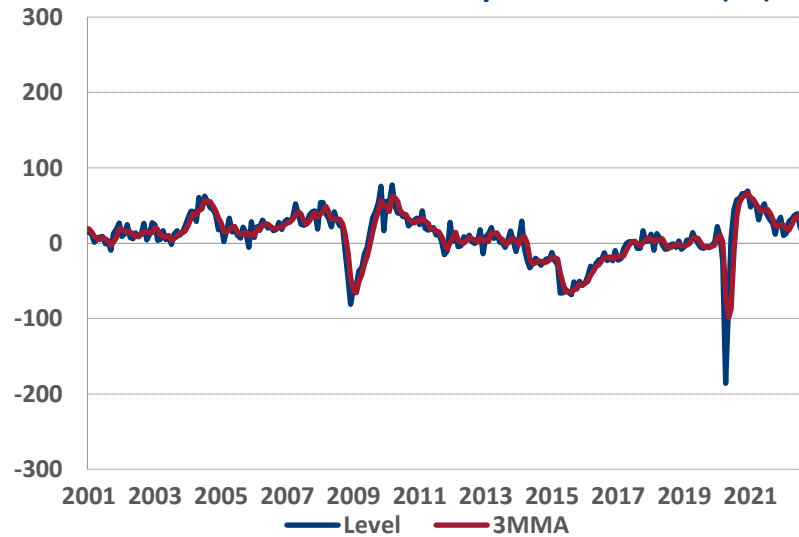
Brazil - Retail Net Payroll Job Creation (SA)



Brazil - Net Payroll Job Creation (SA)



Brazil - Industrial Net Payroll Job Creation (SA)



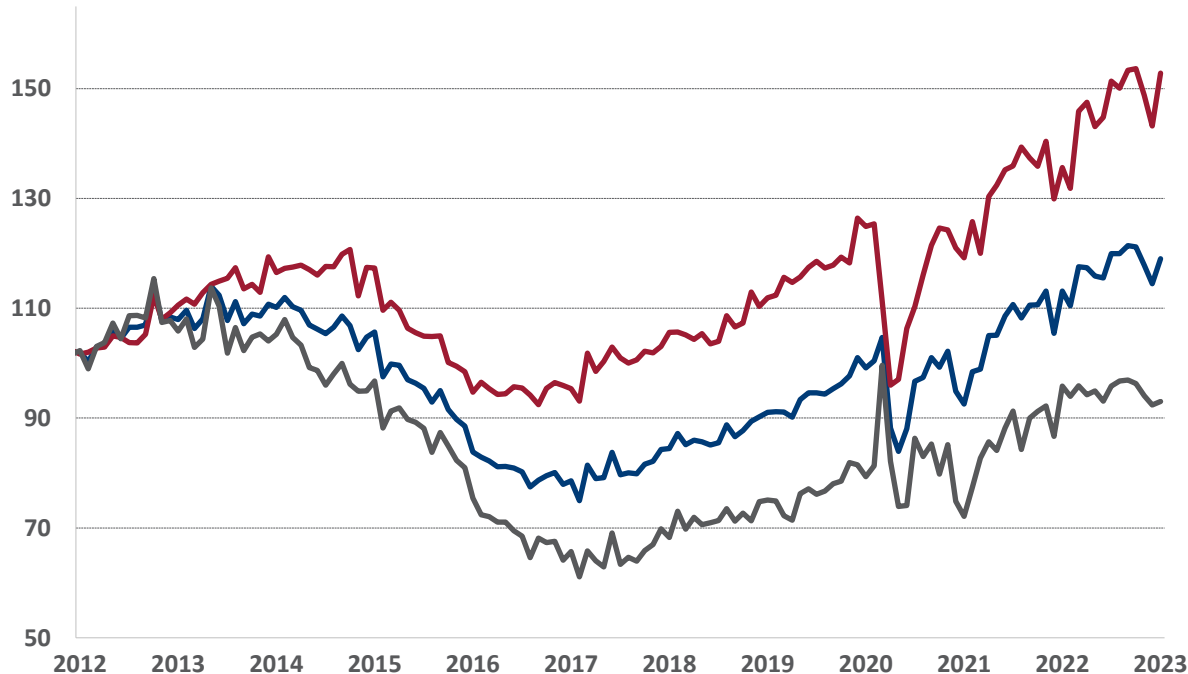
Brazil - Construction Net Payroll Job Creation (SA)



Brazil: Credit Statistics

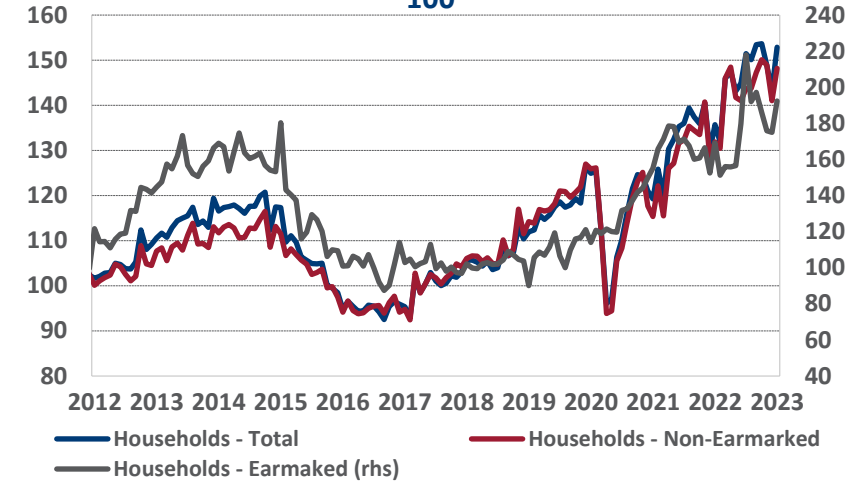
- » In January, total credit concessions advanced 4% MoM in real terms, driven by credit concessions to families that increased 6.7% MoM, while to companies grew only 0.7% MoM;
- » We expect credit conditions to become more demanding in the coming months, given the high level of consumer indebtedness, high interest rates and the slowdown in economic activity.

New Credit Operations SA (Real) - mar/11 = 100

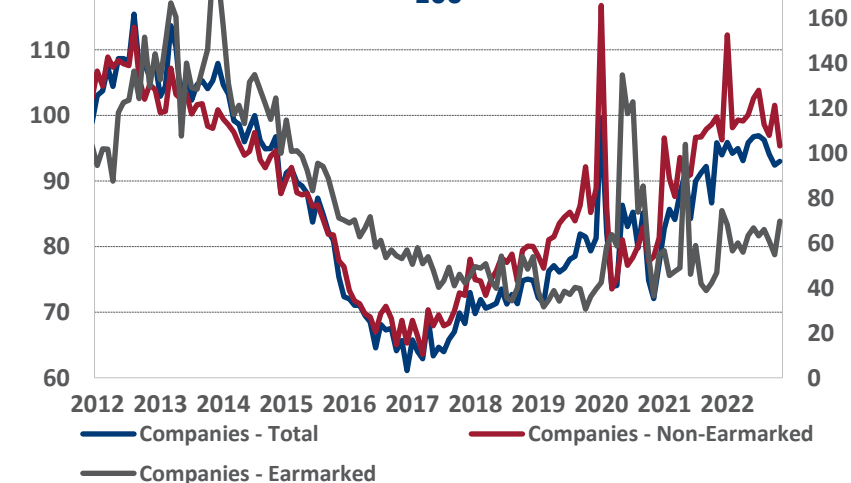


— Total — Households — Companies

Concessions - HouseHolds SA (Real) - Mar/11 = 100



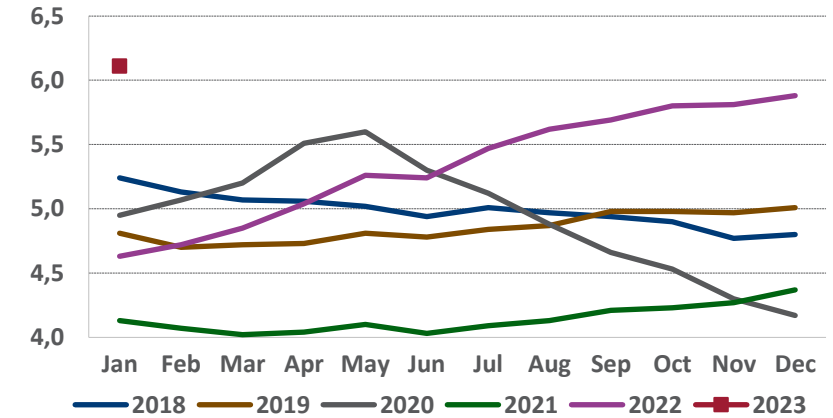
Concessions - Companies SA (Real) - mar/11 = 100



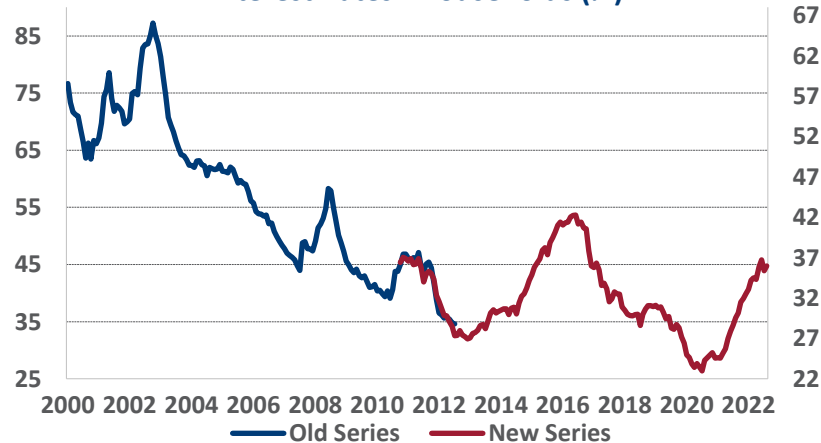
Brazil: Credit Statistics

- » In January, individual lending rates rose further 60 bps to 36%, while corporate lending rates rose 200 bps to 22.2%;
- » Default rates continue to rise, reaching 6.1% for individuals, the highest level since 2016, and 2.3% for companies.

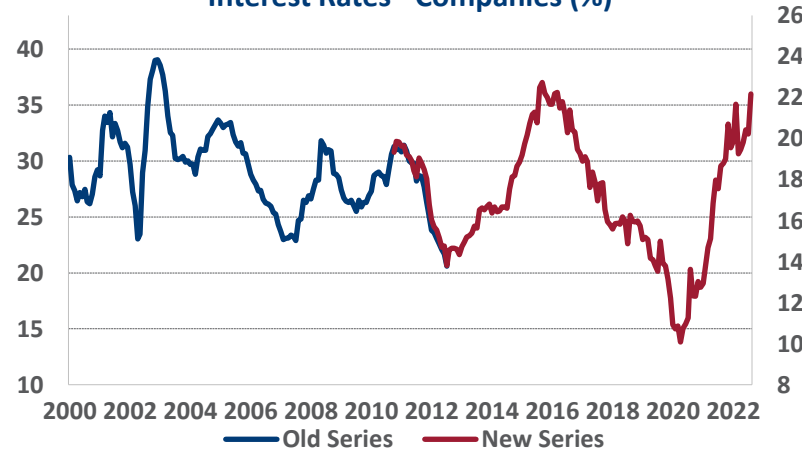
Non-Earmarked Default - Households (%)



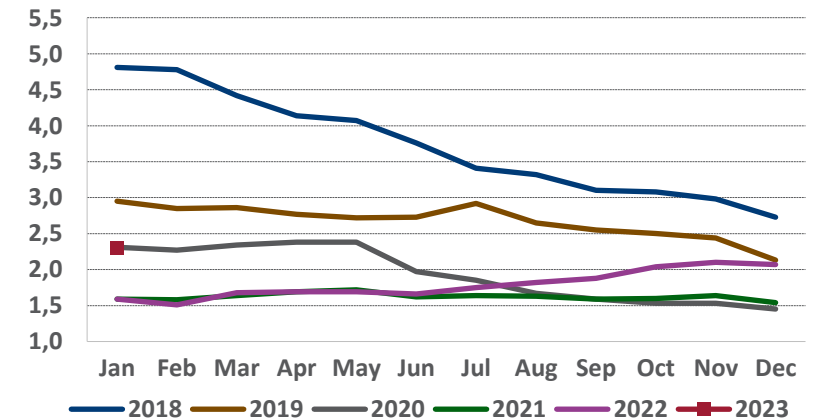
Interest Rates - Households (%)



Interest Rates - Companies (%)

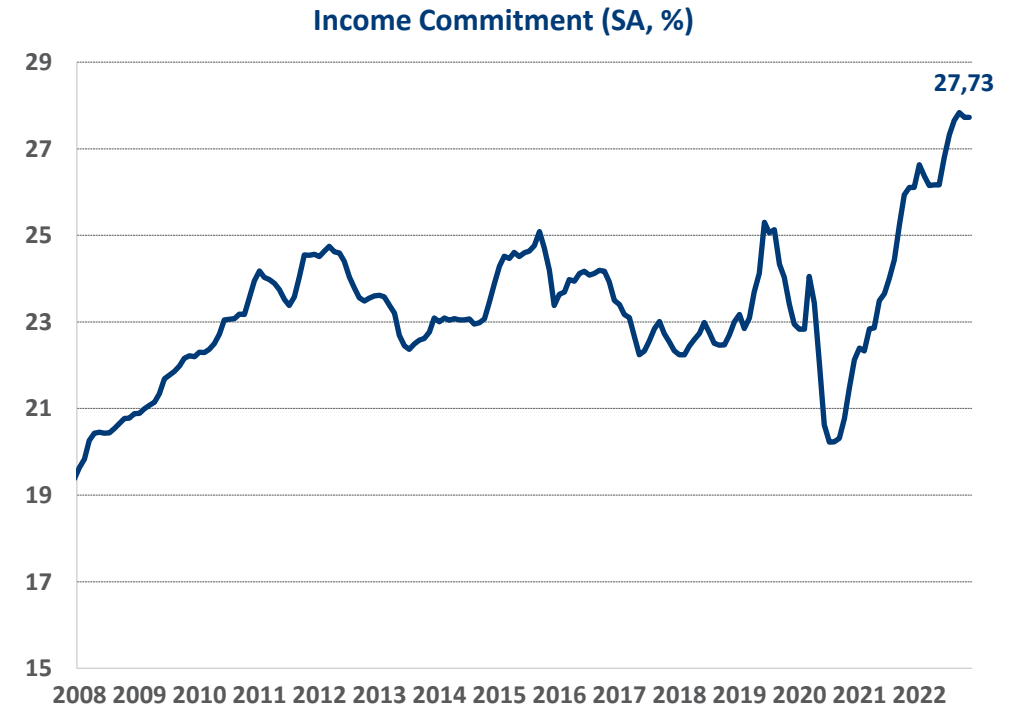
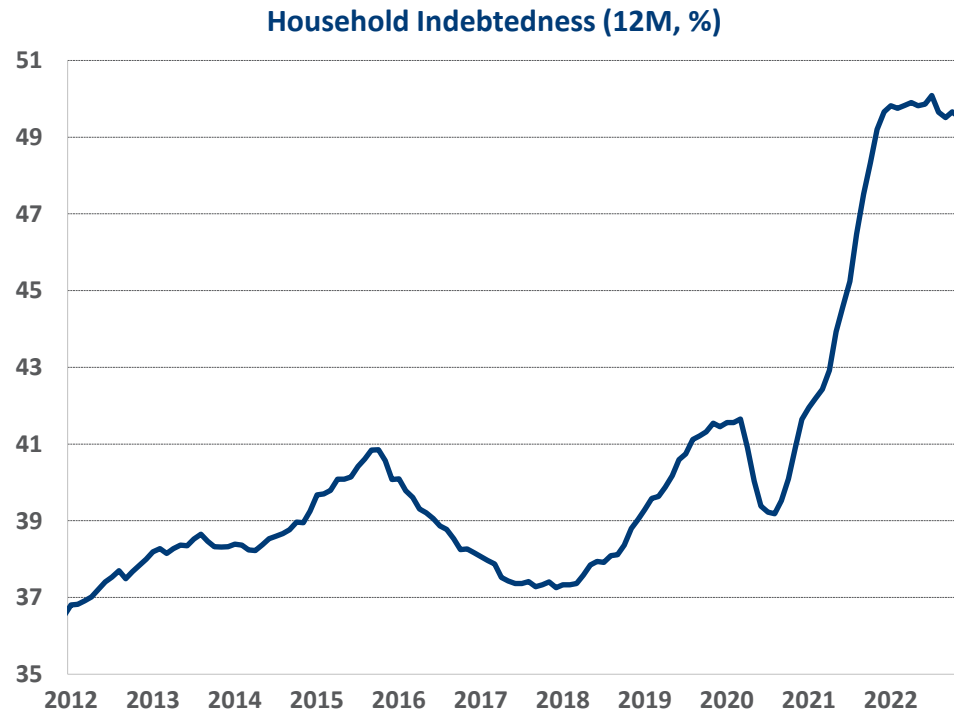


Non-Earmarked Delinquency - Companies (%)



Brazil: Credit Statistics

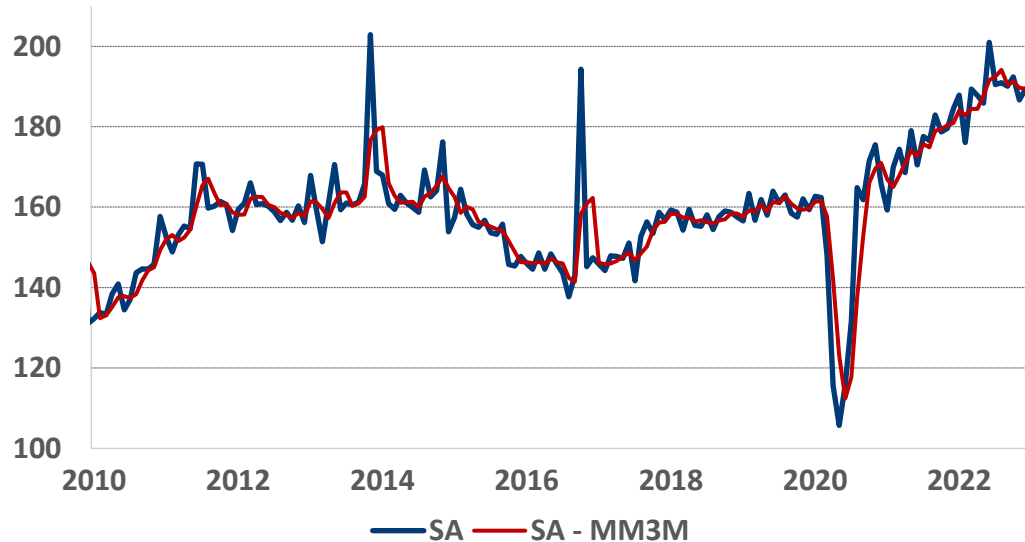
- » The household indebtedness remains at high levels: 49.5%;
- » The household income commitment remained stable close to the highest level of the historical series at 27.7%.



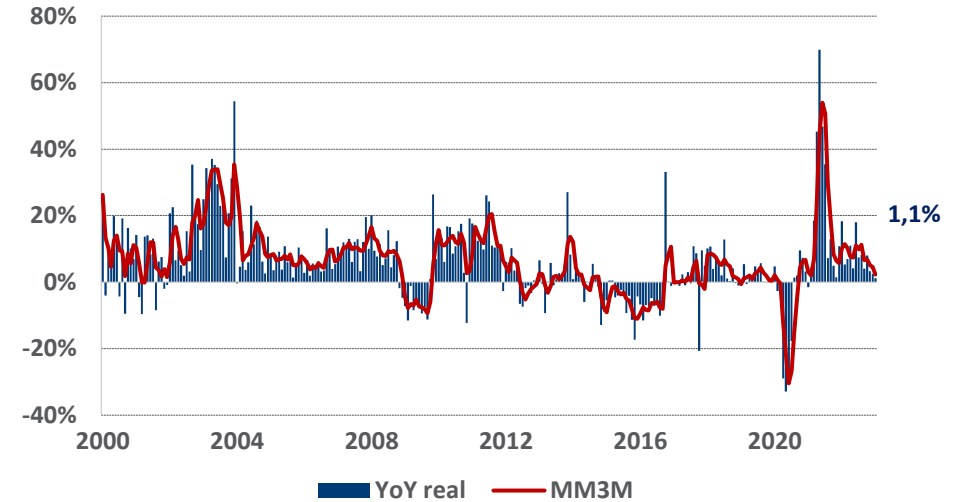
Brazil: Federal Tax Collections

- » Total federal tax collections reached BRL 251.7 bn in January, growing 1.1% MoM in real terms, slightly above consensus (BRL 250.4);
It was the best monthly performance since 2000;
- » The 12-month accumulated result reached BRL 2,270.9 billion, an increase of 6.4%;
- » The main highlights of the month were social security revenue and withholding tax from capital and labor market.

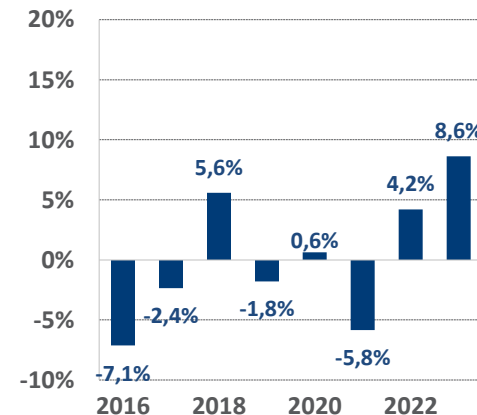
Total Tax Collection (BRL Bn, Real SA)



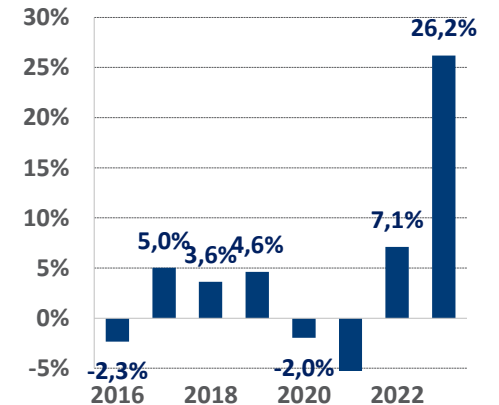
Total Tax Collection (YoY Real, %)



Social Security (YTD Real, %)

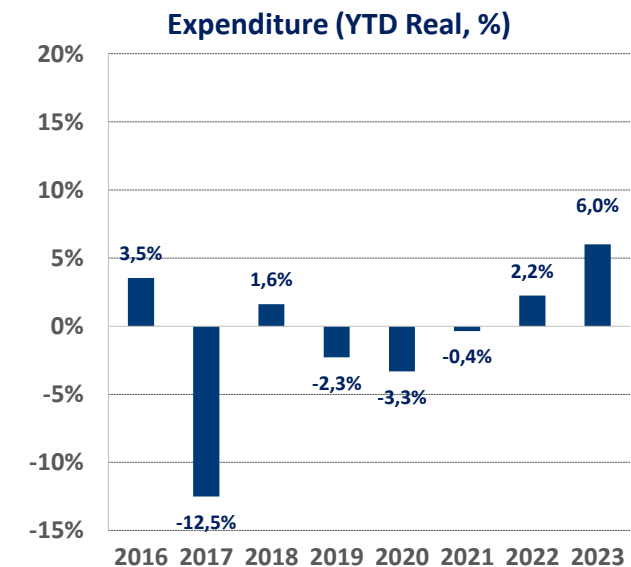
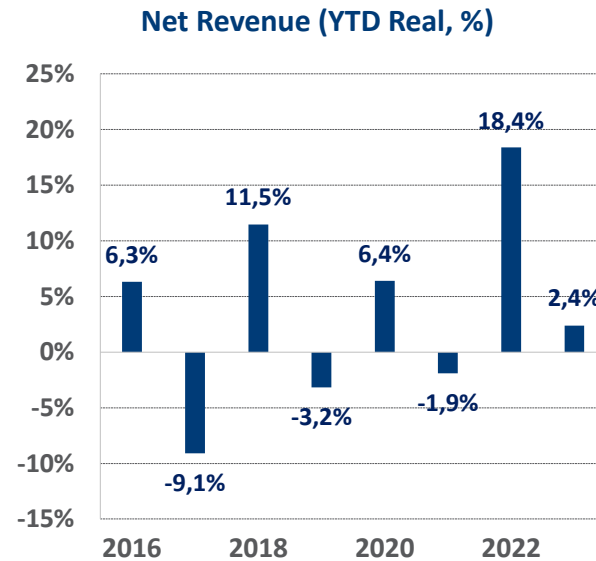
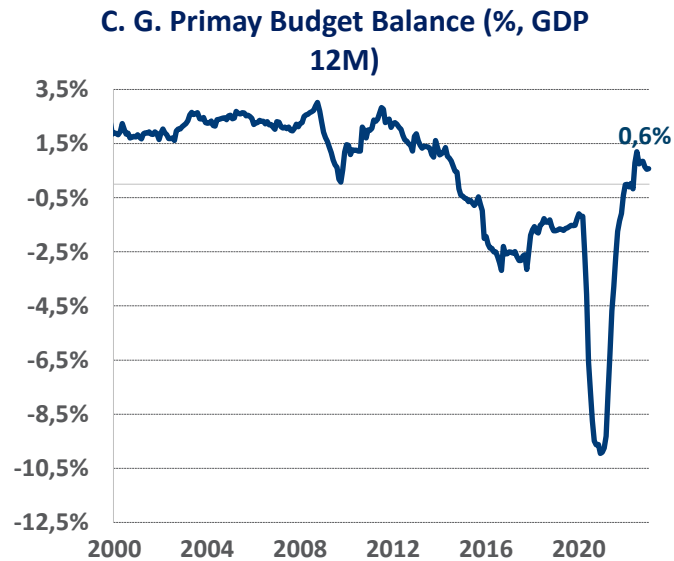


Withholding Income (YTD Real, %)



Brazil: Central Government Primary Result

- » In January, the Brazilian central government registered a primary surplus of BRL 78.3 bn - The 12-M accumulated primary result is BRL 54.5 bn;
The 12-M accumulated primary result increased to 0.6% of GDP;
- » In real terms, **net revenue** grew by BRL 5.1 billion (2.4%) compared to January 2022;
- » **Highlights of the month:** i) real increase of BRL 11.1 billion in the IRRF; ii) increase in the receipt of dividends (BRL 6.3 billion); iii) reduction in the actual collection of IRPJ/CSLL; and iv) reduction in the collection of the exploitation of natural resources;
- » Total **expenses** increased by BRL 8.1 billion (6%) in real terms, compared to January 2022;
- » **Main factors:** i) growth of BRL 7.0 billion in mandatory expenses with flow control, especially Bolsa Família e Auxílio Brasil (BRL 5.7 billion); ii) increase in social security benefit payments (BRL 3.8 billion); and iii) reduction of BRL 3.5 billion in expenses with extraordinary credits (except CAP).



Brazil: Consolidated Public Sector Budget

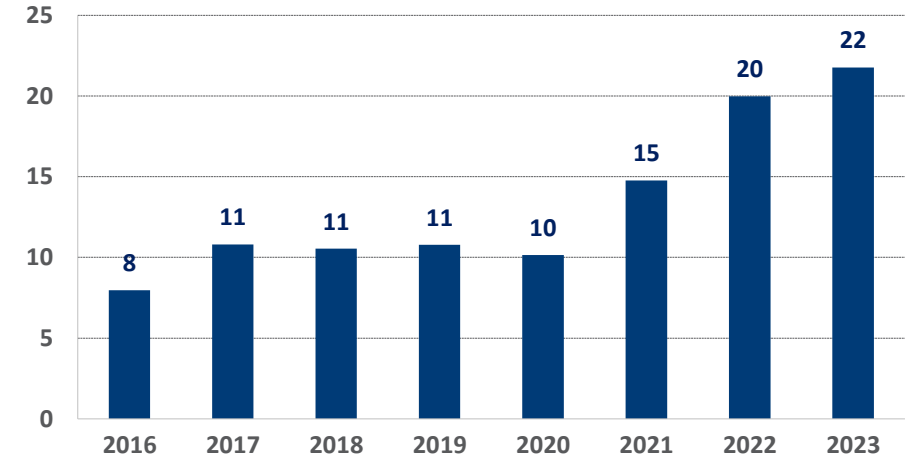
» In January, the consolidated public sector registered a primary surplus of BRL 99.0 bn, above market consensus (BRL 90.0 bn);

In 12 months, the public sector accumulates a surplus of BRL 123.2 bn (1.2% of GDP);

» Central government and Subnational governments achieved a surplus of BRL 79.4 bn and BRL 21.8 bn, respectively;

While SOEs had a deficit of BRL 2.2 bn.

Primary Suplus: States and Municipalities
(BRL Bn, YTD)



Primary Budget Balance (% GDP 12M)



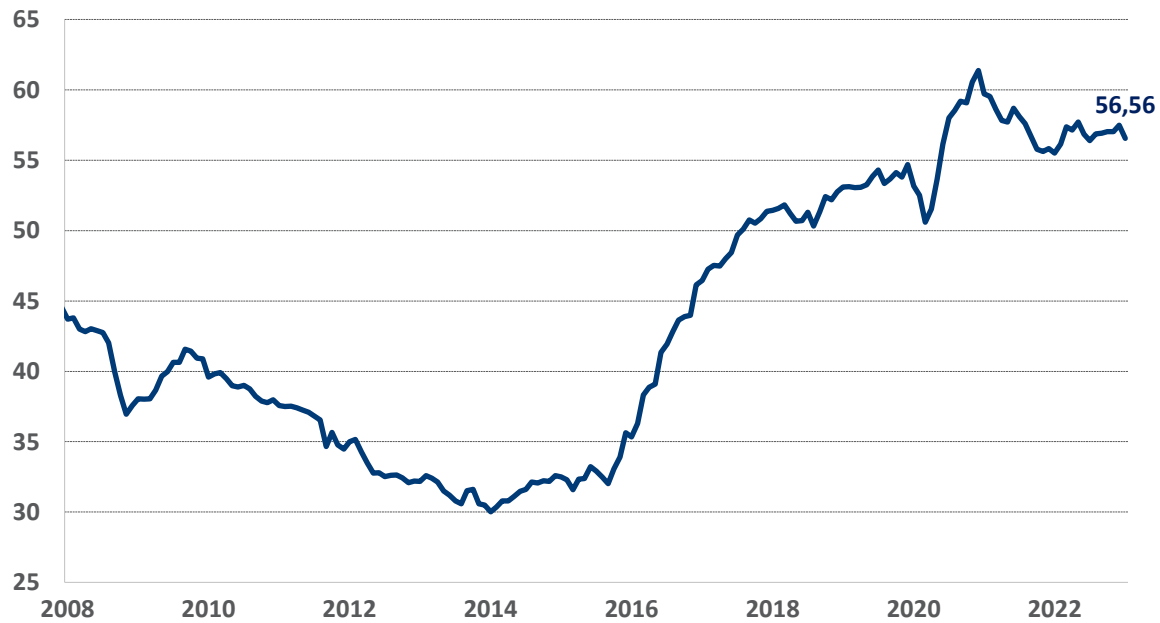
Primary Surplus: States and Municipalities
(% GDP 12M)



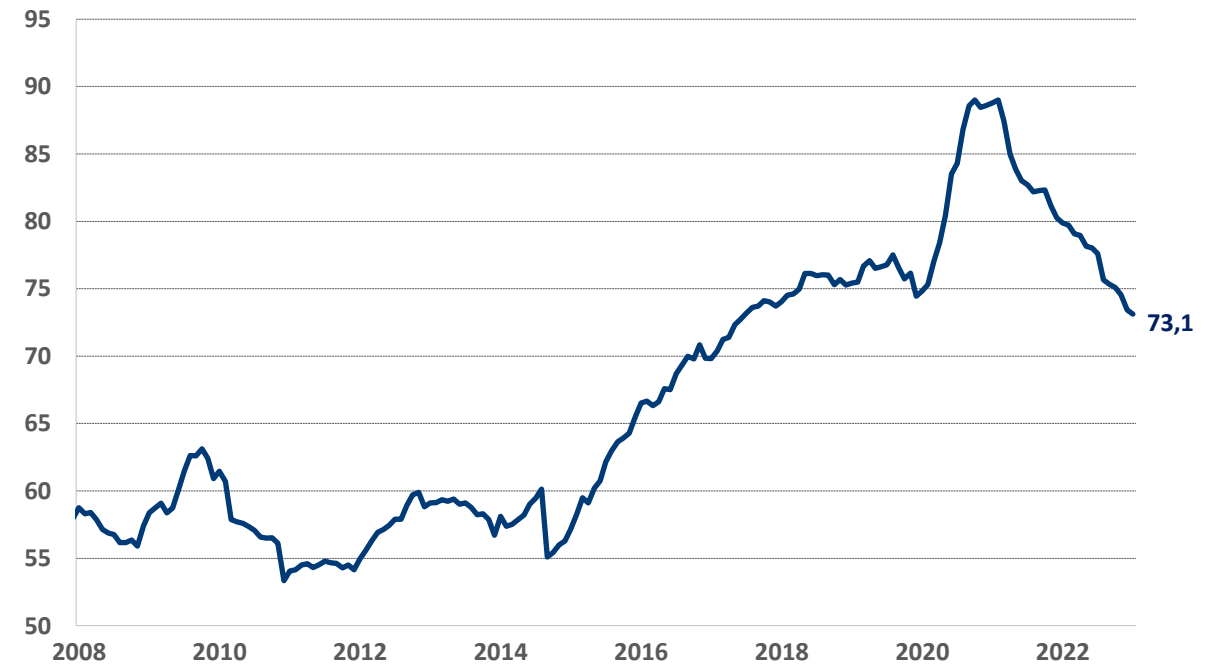
Brazil: Consolidated Public Sector Budget

- » General Government Gross Debt **fell** from 73.5% in December 2022 to 73.1%;
- » Public Sector Net Debt **shrank** from 57.5% to 56.6%.

Net Public Sector Debt (% GDP)

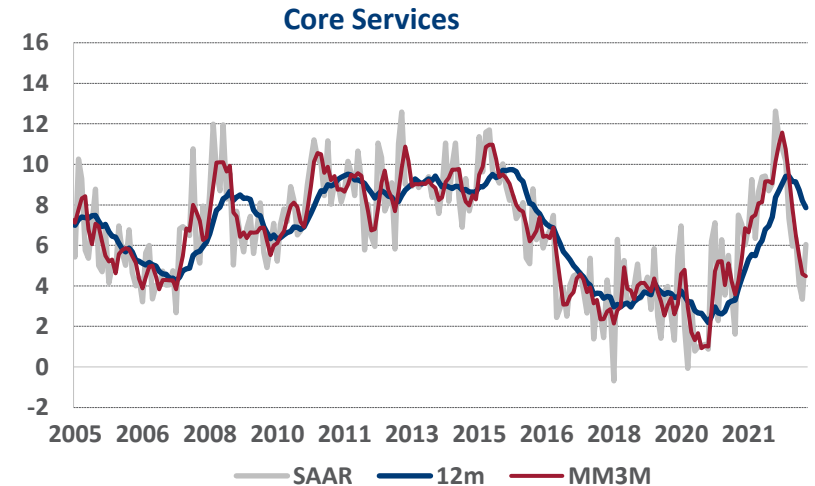
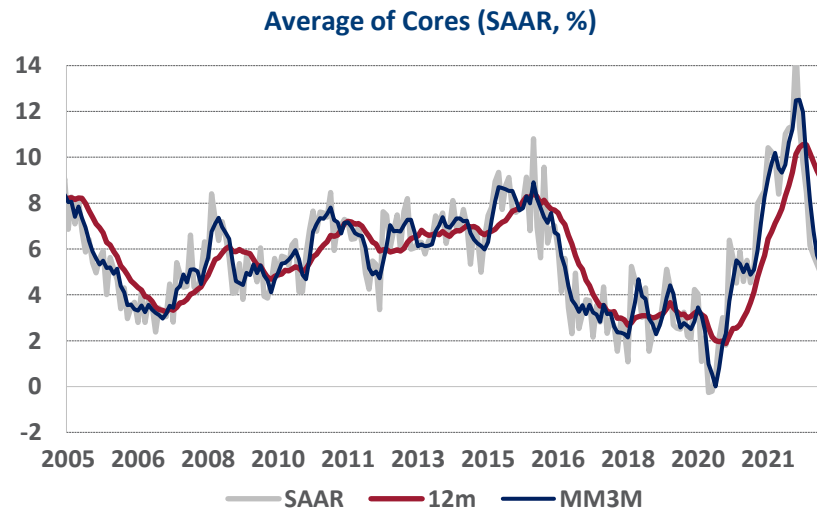
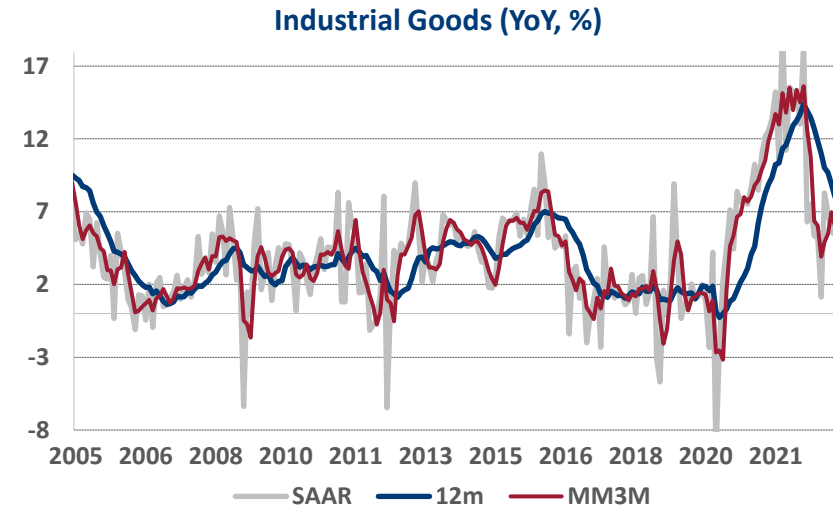
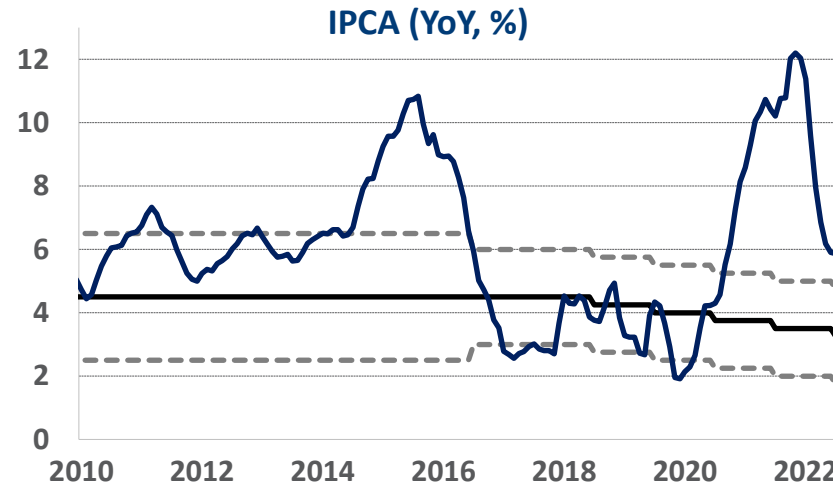


General Government Gross Debt (% GDP)



Brazil: Inflation 2023

- » The February IPCA preview rose 0.76% MoM, slightly above our forecast (0.74%) and the consensus (0.72%);
- » Highlight for the readjustment in Education of 6.28%, which usually happens in this period of the year, in line with our expectation;
- » On the one hand, we had upward surprises in industrials (vehicles, appliances and clothing) and services (personal expenses and residential rent);
- » On the other hand, negative surprises in food out of home, airfare, gasoline and personal hygiene items;
- » The average of cores and underlying services surprised slightly to the upside.



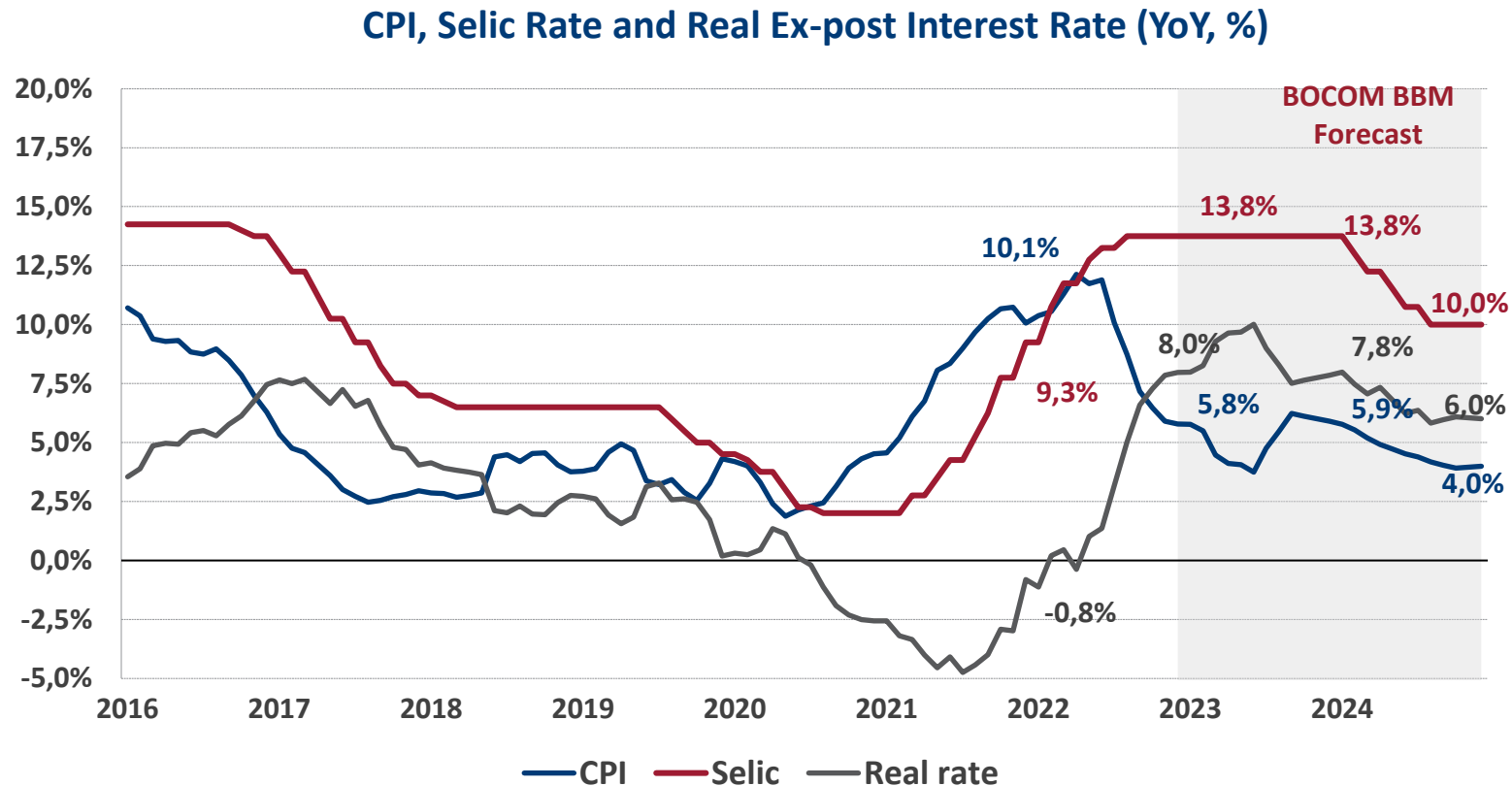
Brazil: Inflation 2023

- » Government announced a partial return of PIS/Cofins for gasoline (R\$ 0.47) and ethanol (R\$ 0.02)
- » Petrobras announced a reduction of R\$ 0.13 in the price of gasoline;
- » Resulting in a net impact of R\$0.34 on gas stations and +25 bps on the IPCA;
- » Our scenario considered a full PIS/Cofins return and Petrobras price cut (+35 bps on the IPCA)
- » Therefore, we revised our forecast for 2023 from 6% to 5.9%.

IPCA (% , annual)						
	Weight	2019	2020	2021	2022	2023
Regulated	26.6	5.5	2.6	16.9	-3.8	9.6
Industrial goods	23.6	1.7	3.2	11.9	9.5	3.6
Durable goods	10.3	0.0	4.5	12.9	6.1	2.5
Semi-durable goods	5.9	0.6	-0.1	10.2	15.7	4.1
Non-durable goods	7.3	4.4	4.0	11.9	9.5	4.6
Food at home	15.7	7.8	18.2	8.2	13.2	3.3
Services	34.1	3.5	1.7	4.8	7.6	6.1
Food away from home	5.6	3.8	4.8	7.2	7.5	7.0
Related to minimum wage	5.2	2.9	1.5	3.3	6.3	6.8
Sensitive to economic activity	8.2	2.4	0.2	5.1	6.3	5.3
Inertial	15.0	4.3	1.6	4.2	8.8	5.8
IPCA		4.3	4.5	10.1	5.8	5.9

Brazil: Monetary Policy

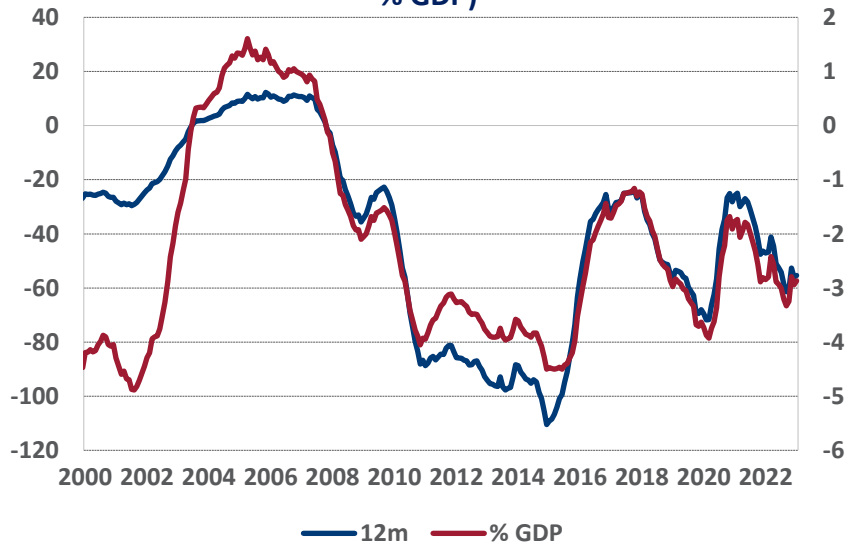
- » We maintain the expectation that the Central Bank will keep the Selic constant at the current level until the end of the year, in line with its previous announcement, which indicates inflation reaching the target over the relevant horizon in the alternative scenario in which the Selic remains constant. The committee also reinforced concerns about the fiscal outlook and inflation expectations, which are moving away from the target over longer horizons.



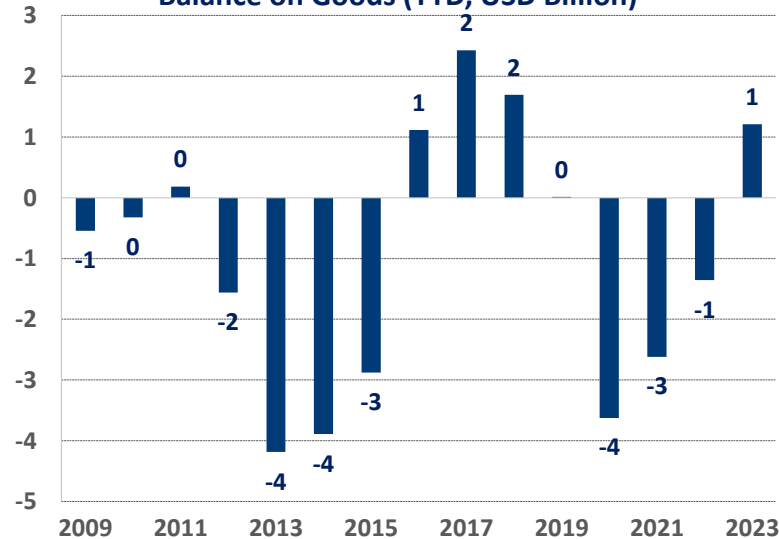
Brazil: Balance of Payments

- » The current account (CA) recorded a deficit of USD 8.8 billion in January 2023;
- » The goods trade balance increased by USD 2.6 billion on a yearly basis (to USD 1.2 billion from USD -1.4 billion) – Due to the heels of the China’s economic reopening, resilience of activity in advanced countries and A firm external demand for Brazilian exports;
- » The services balance deficit narrowed to USD2.3bn from US\$2.6bn a year ago, driven in part by lower transportation expenses;
- » Primary Income account posted a larger deficit in the yearly comparison (USD -7.8 billion in January 2023 from USD -5.7 billion in January 2022) - owing chiefly to sharper net expenditures on profits and dividends linked to both direct and portfolio investments.

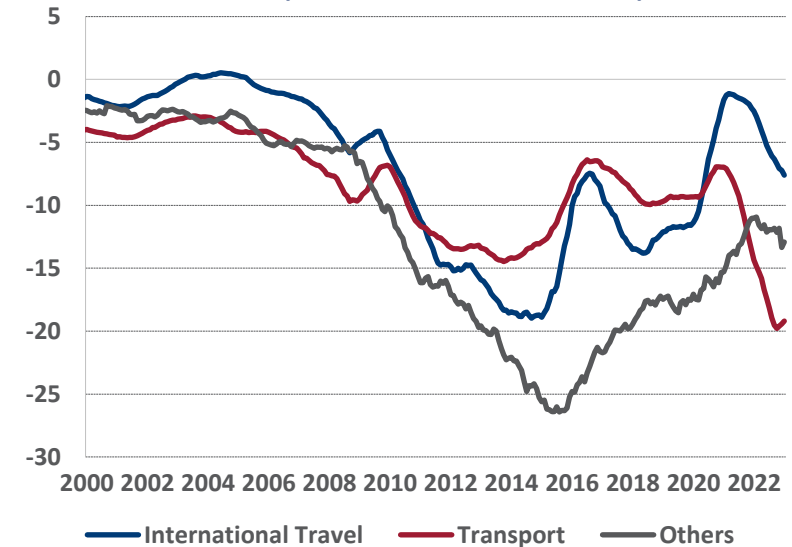
Current Account (Accumulated 12M, USD Billion and % GDP)



Balance on Goods (YTD, USD Billion)

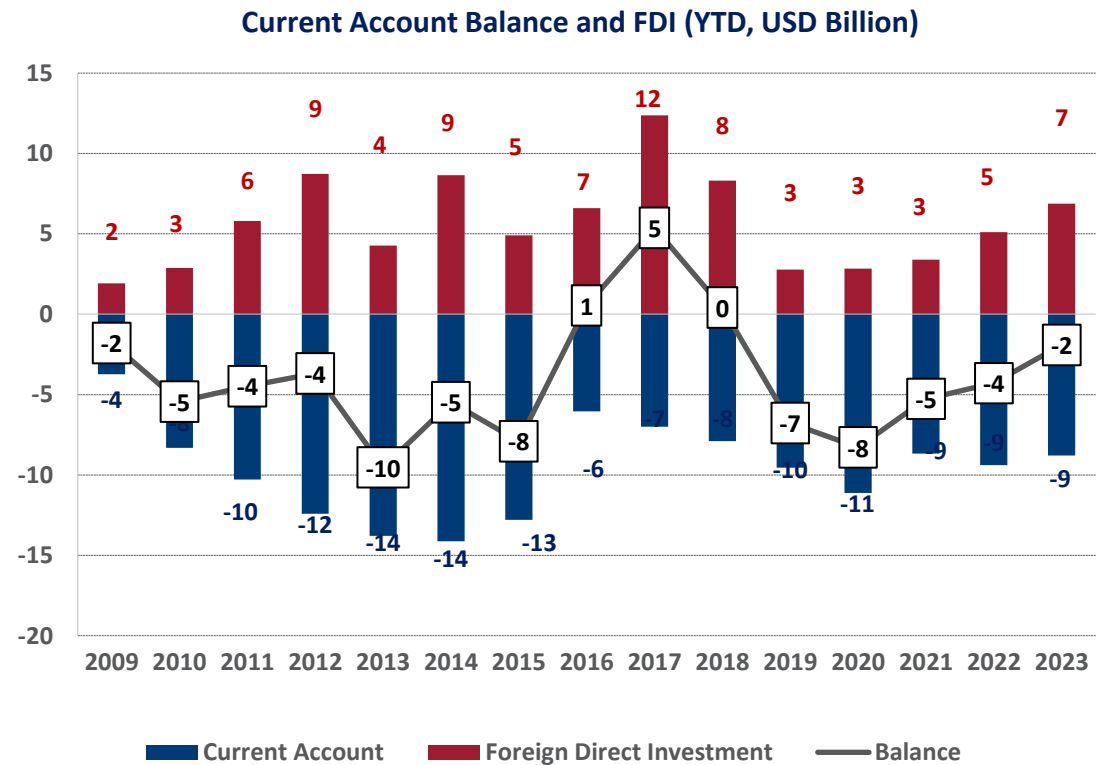
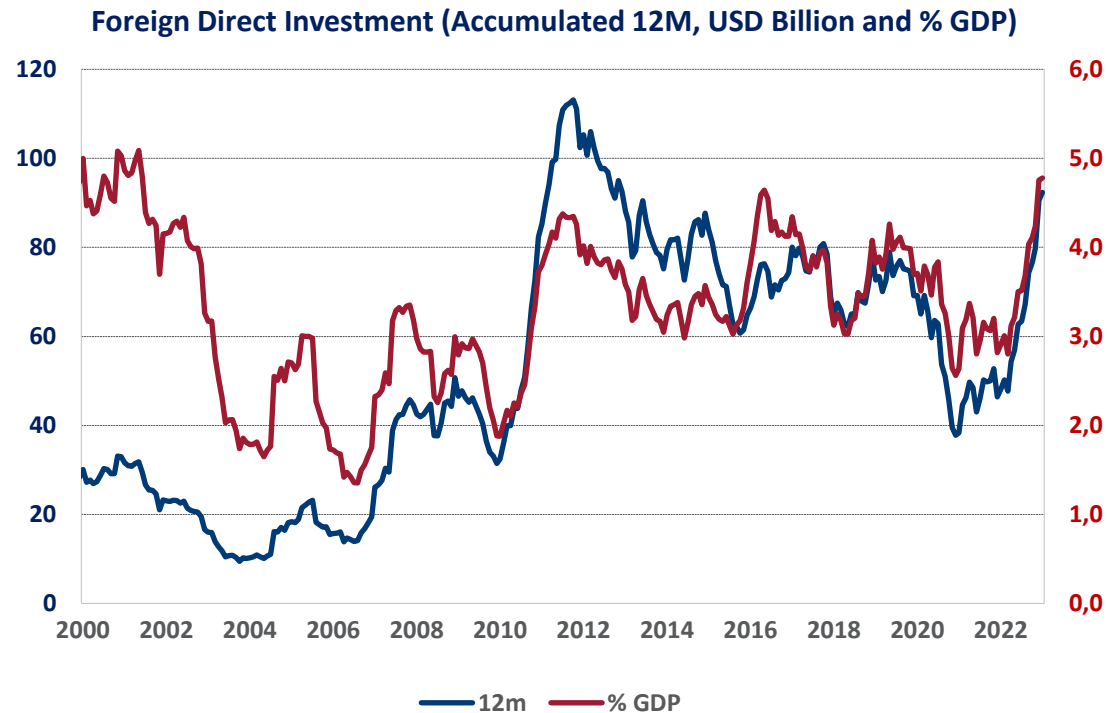


Services (Accumulated 12M, % GDP)



Brazil: Balance of Payments

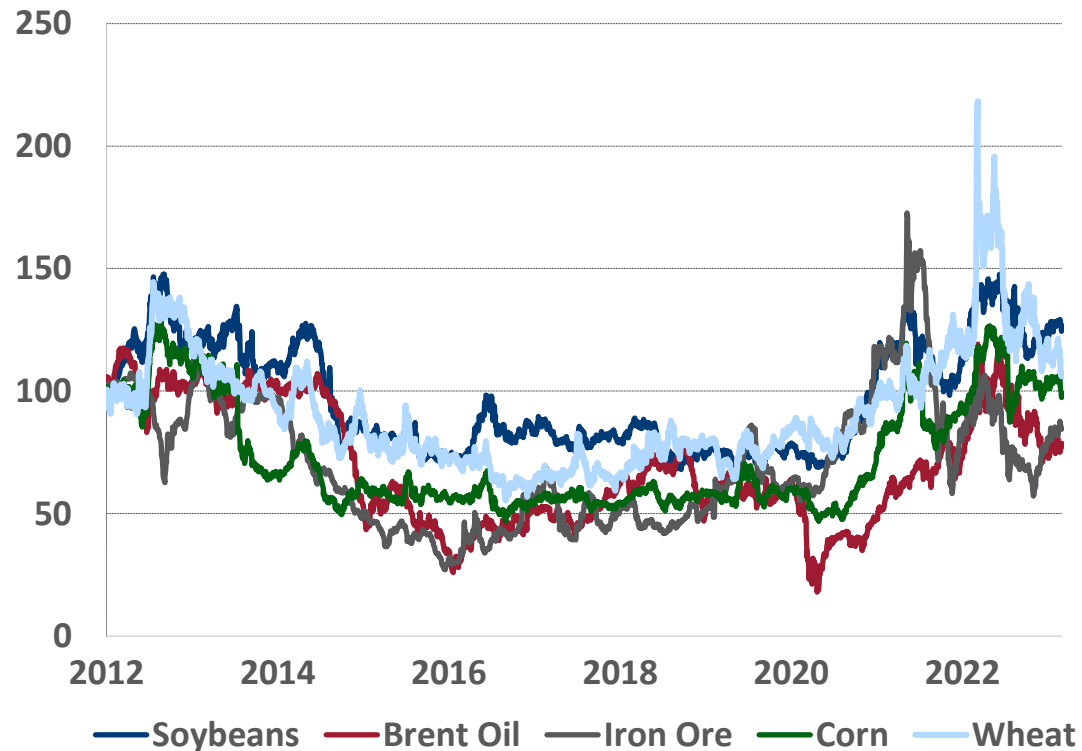
- » In January, Foreign Direct Investment (FDI) posted a net inflow of US\$6.9bn, below market estimate of USD 7.6 billion but above the amount of USD 5.1 billion one year earlier;
- » net FDI recorded a USD 3.9bn inflow in January.



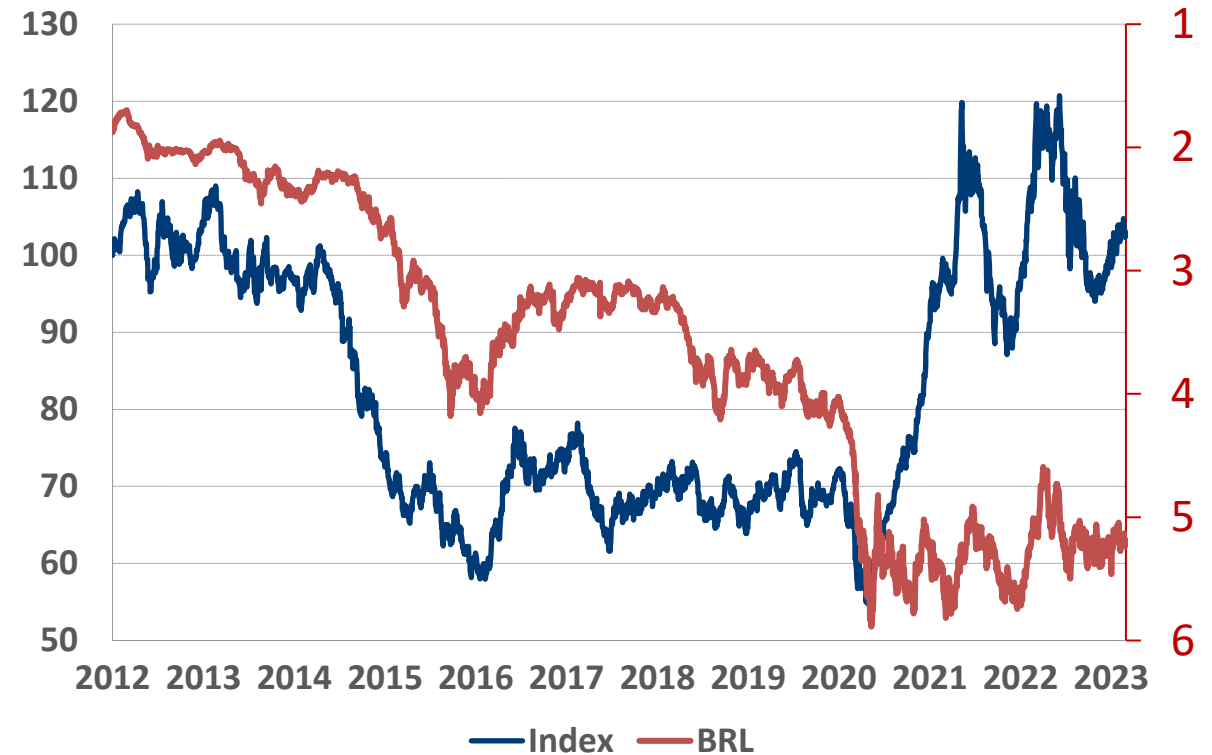
Brazil: External Sector

- » The prices of the main commodities exported by Brazil persist at levels lower than those prevailing throughout the first half of 2022;
- » In February, the real depreciation followed the movement of emerging market currencies against the dollar and was intensified by the increase in internal risk due to internal uncertainty with the clashes between the government and the Central Bank.

Commodities Prices (01/jan/12=100)



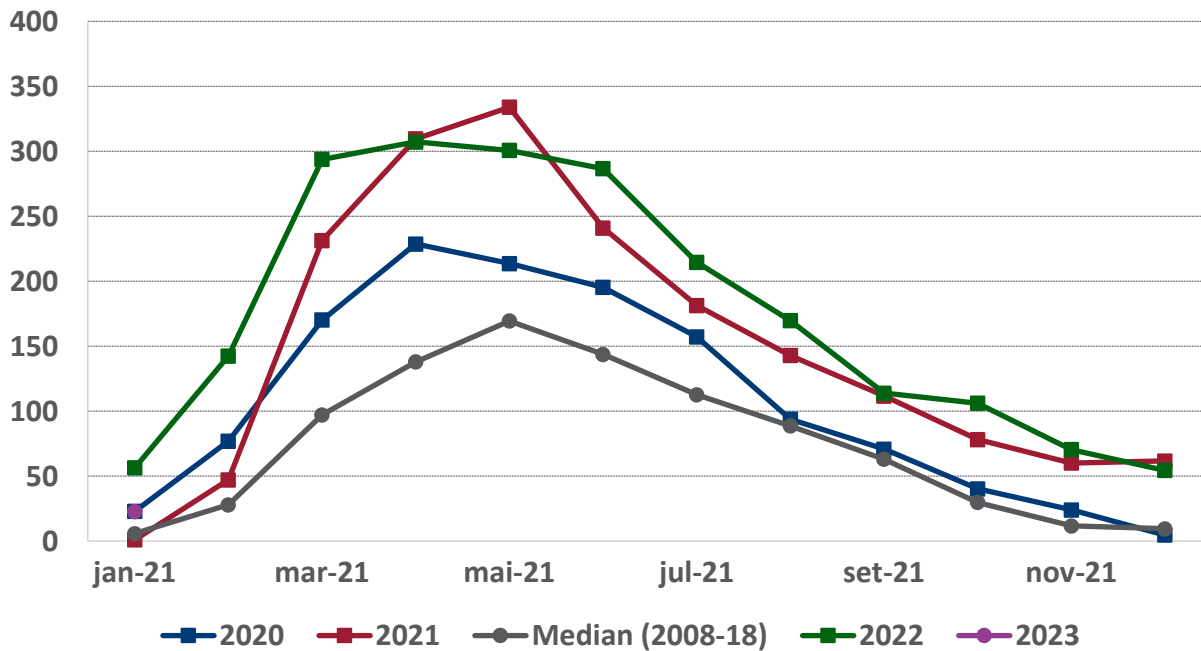
Commodities Index x BRL



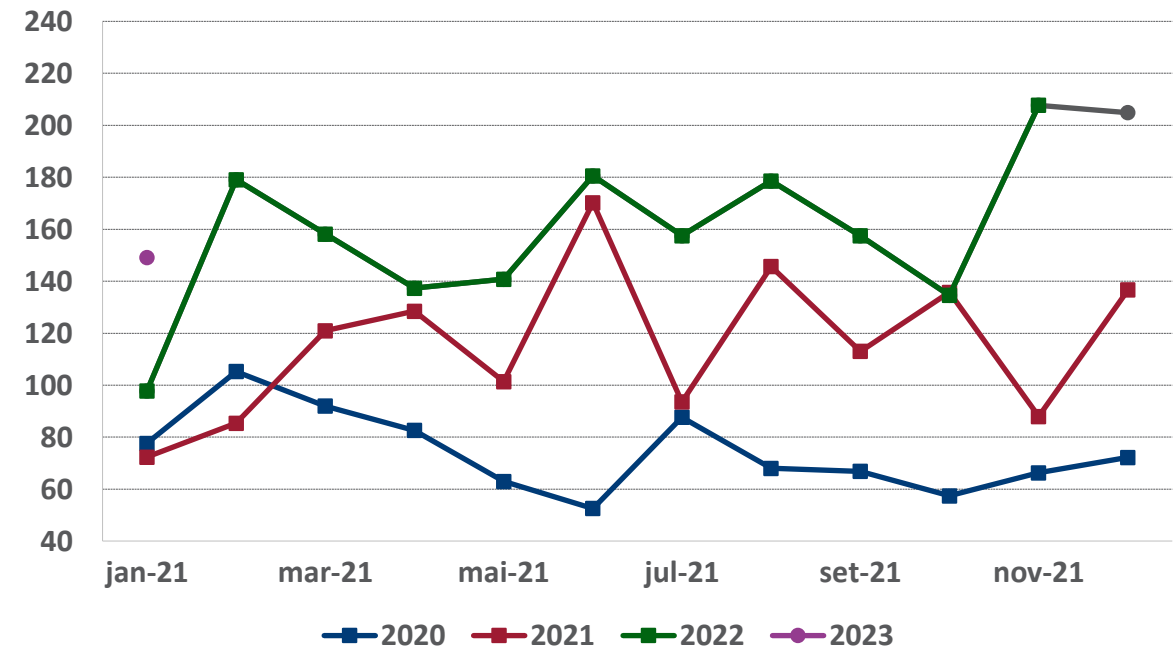
Brazil: External Sector

- » The trade balance remains strong, favored by high global demand and still high prices, despite the recent drop. The prospective scenario remains quite favorable, given expectations of excellent harvests, an increase in oil production and the reopening of the Chinese economy.

Brazil BoP: Soybeans Exports
US\$ Million Daily Average



Brazil BoP: Crude Oil Exports
US\$ Million Daily Average



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