



Economic Outlook

BACC meeting

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CLASSIFIED

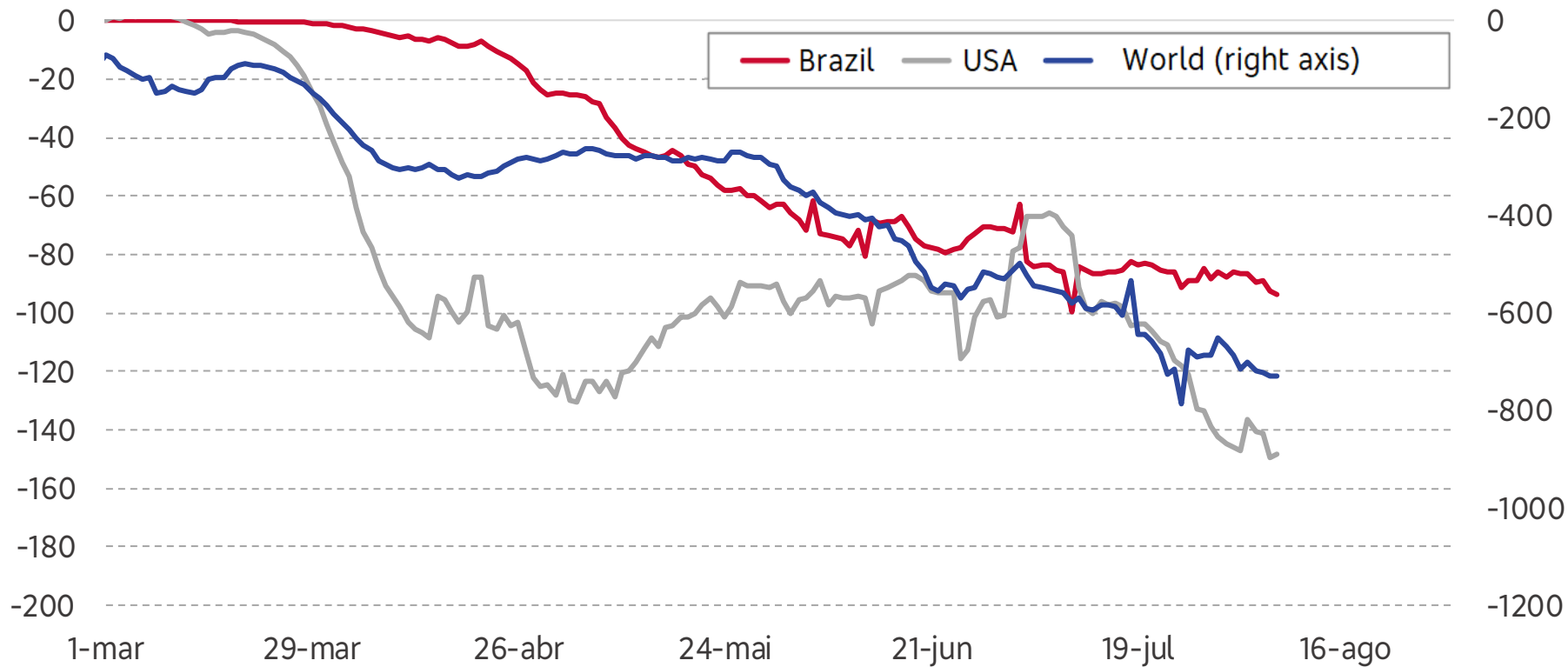
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**Domestic activity is
recovering at a
surprisingly decent rate on
the back of unprecedented
stimuli**

COVID-19

Deaths / mobility



Source: Google/mobility, Bloomberg

REAL INTEREST RATE

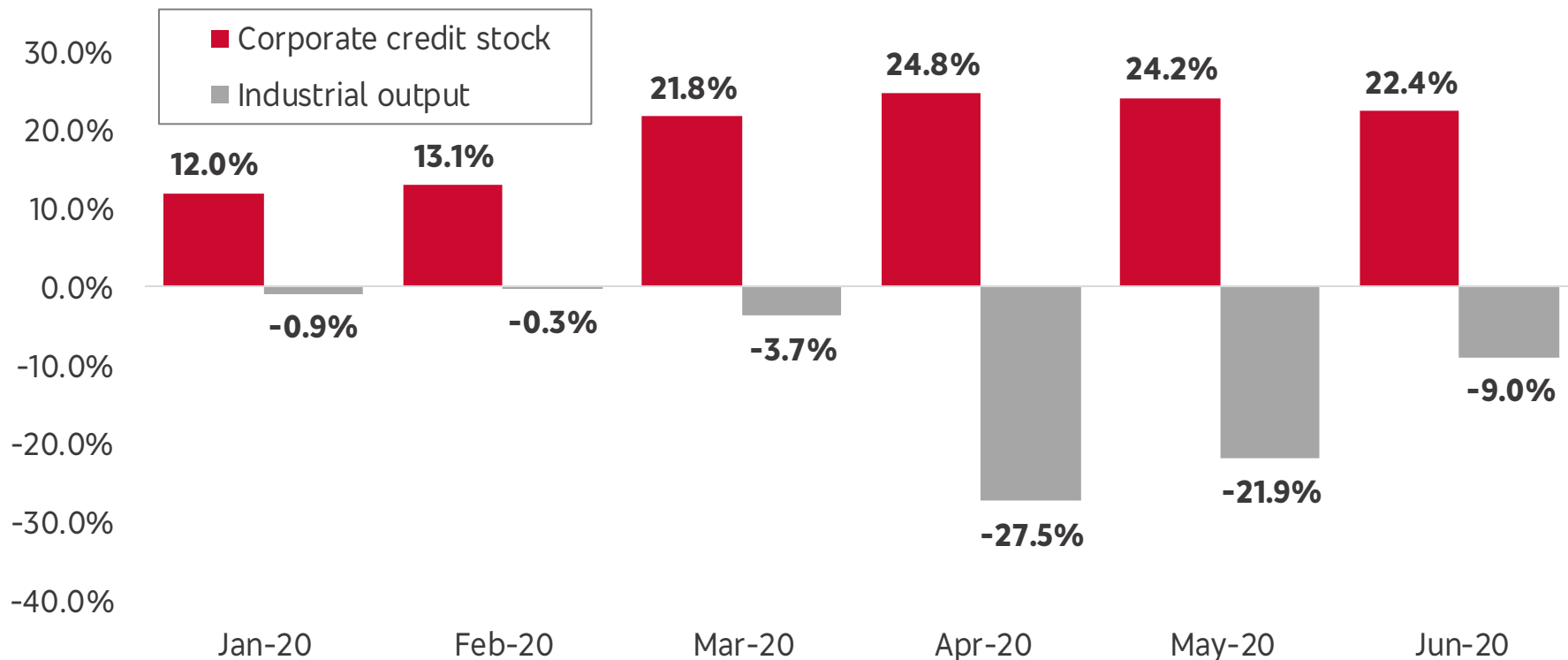
Swap pre deflated by IPCA expectation



Source: Bloomberg, Bradesco

CREDIT AND INDUSTRIAL PRODUCTION

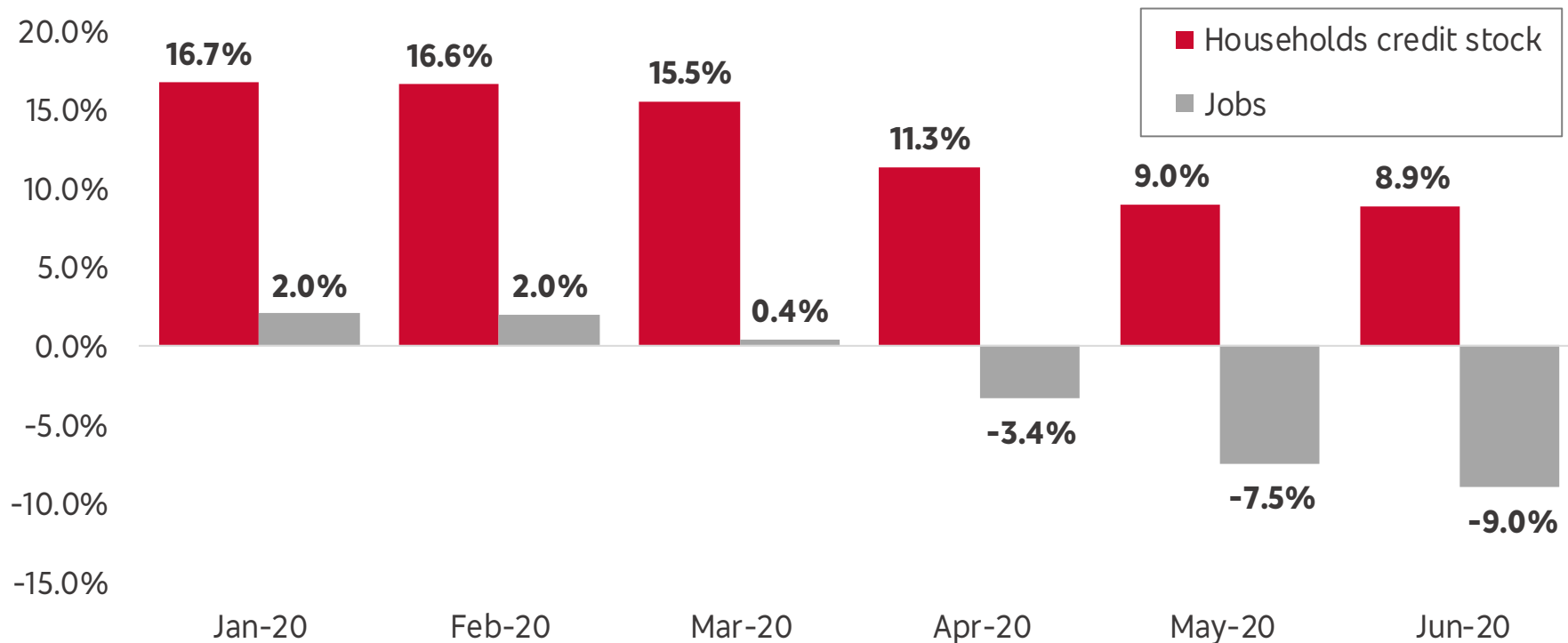
Corporate credit stock and industrial production (YoY%)



Source: Bradesco, BCB – YoY

CREDIT AND JOBS

Credit for families and job creation (YoY%)



Source: Bradesco, BCB, IBGE – YoY

EFFECTIVE REAL EXCHANGE RATE BASKET

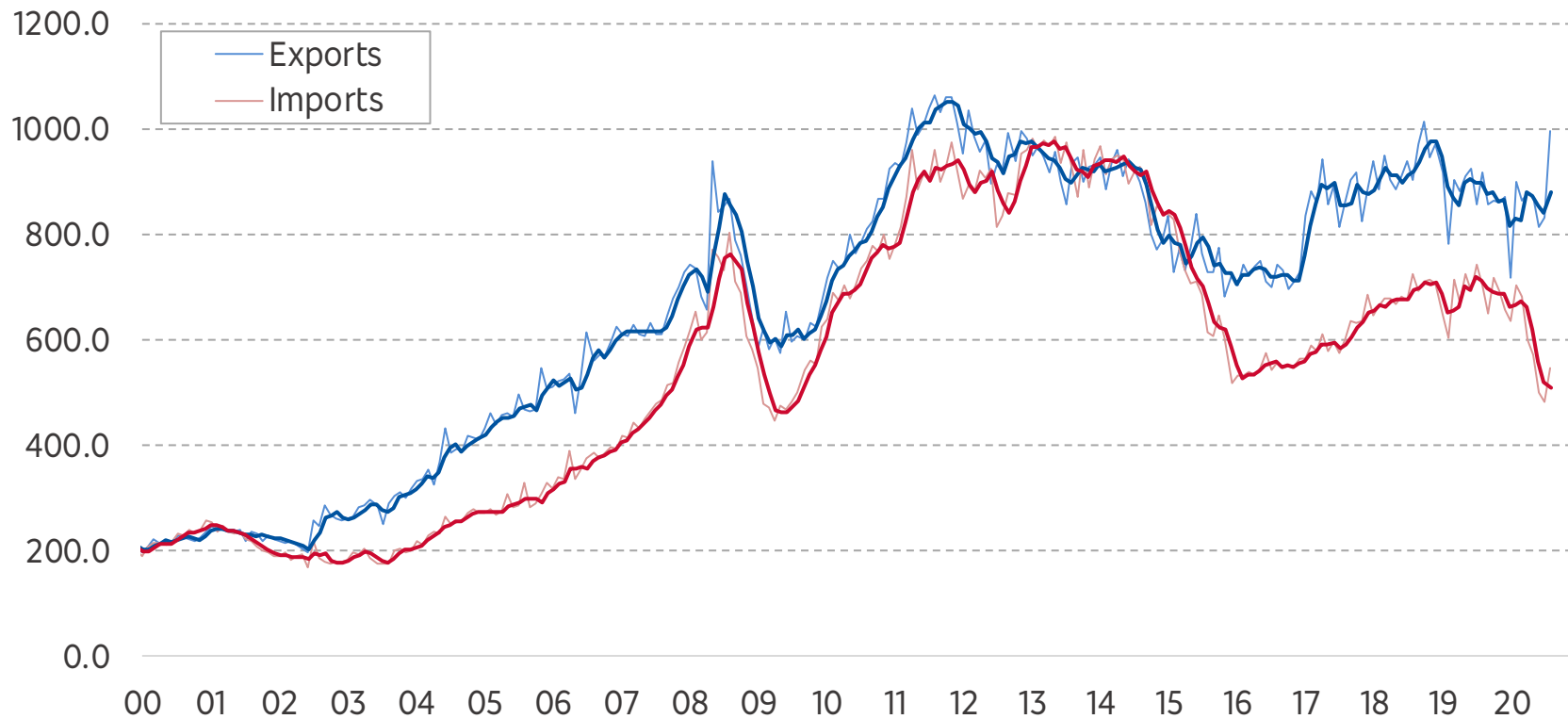
Last point = average current value



Source: Bloomberg, Bradesco

EXPORTS AND IMPORTS

US\$ millions, daily average



Source: MDIC, Bradesco

LABOR INCOME + GOVERNMENT TRANSFERS

Effect of transfers



	Actual scenario				R\$ 200 extension	
	Labor Income before stimuli (BRL billions)	YoY (%)	Labor Income + gov. transf. (BRL billions)	YoY (%)	Labor Income + extension of gov. transfers (BRL billions)	YoY
1Q	894	5,8%	894	5,8%	894	5,8%
2Q	798	-1,20%	934	15,6%	934	15,6%
3Q	840	-0,10%	972	15,7%	972	15,7%
4Q	898	0,0%	900	0,3%	950	5,8%
2020	3.430	1,10%	3.700	9,1%	3.750	10,6%

Source: IBGE, BCB, Bradesco

RETAIL SALES

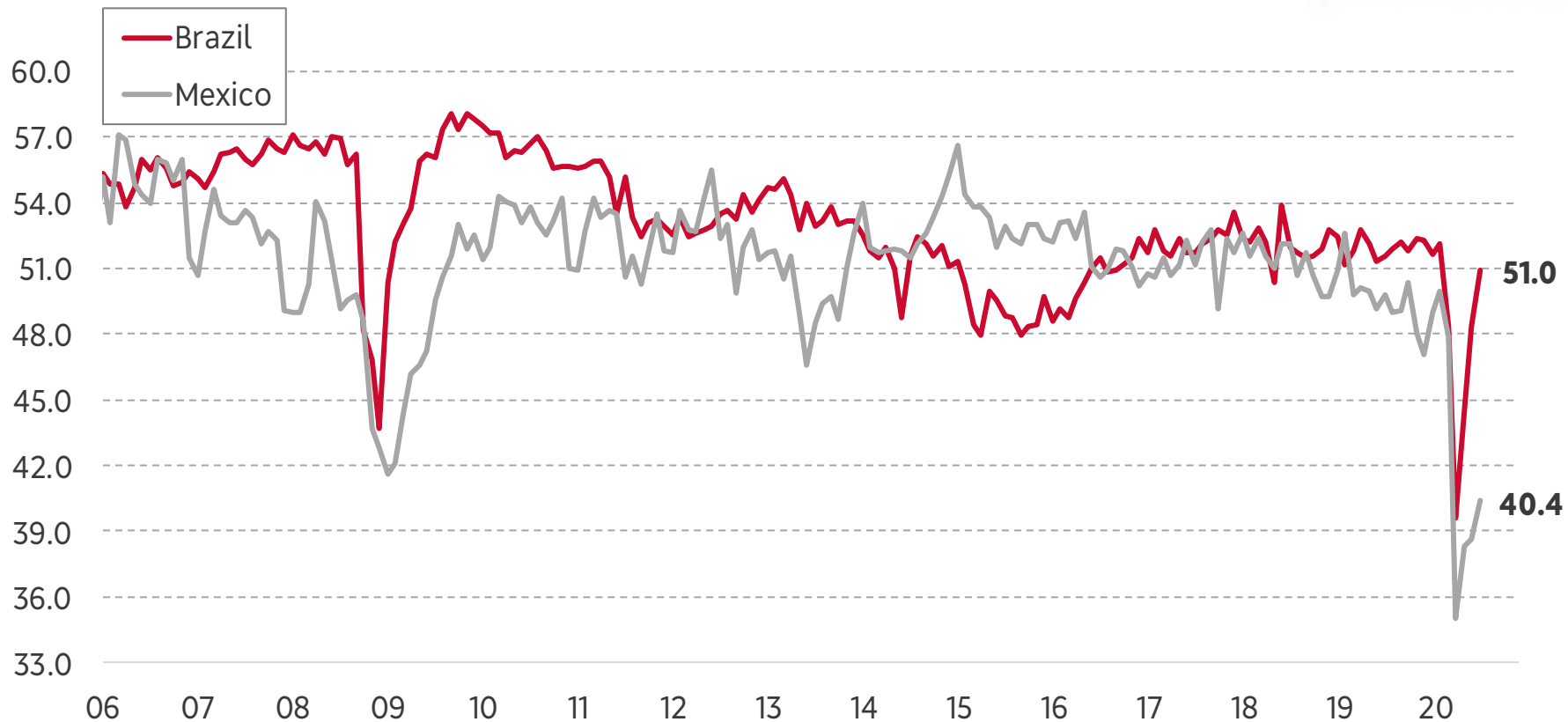
Level, in real terms



Source: IBGE, Bradesco

MANUFACTURING PMI INDEX

Level



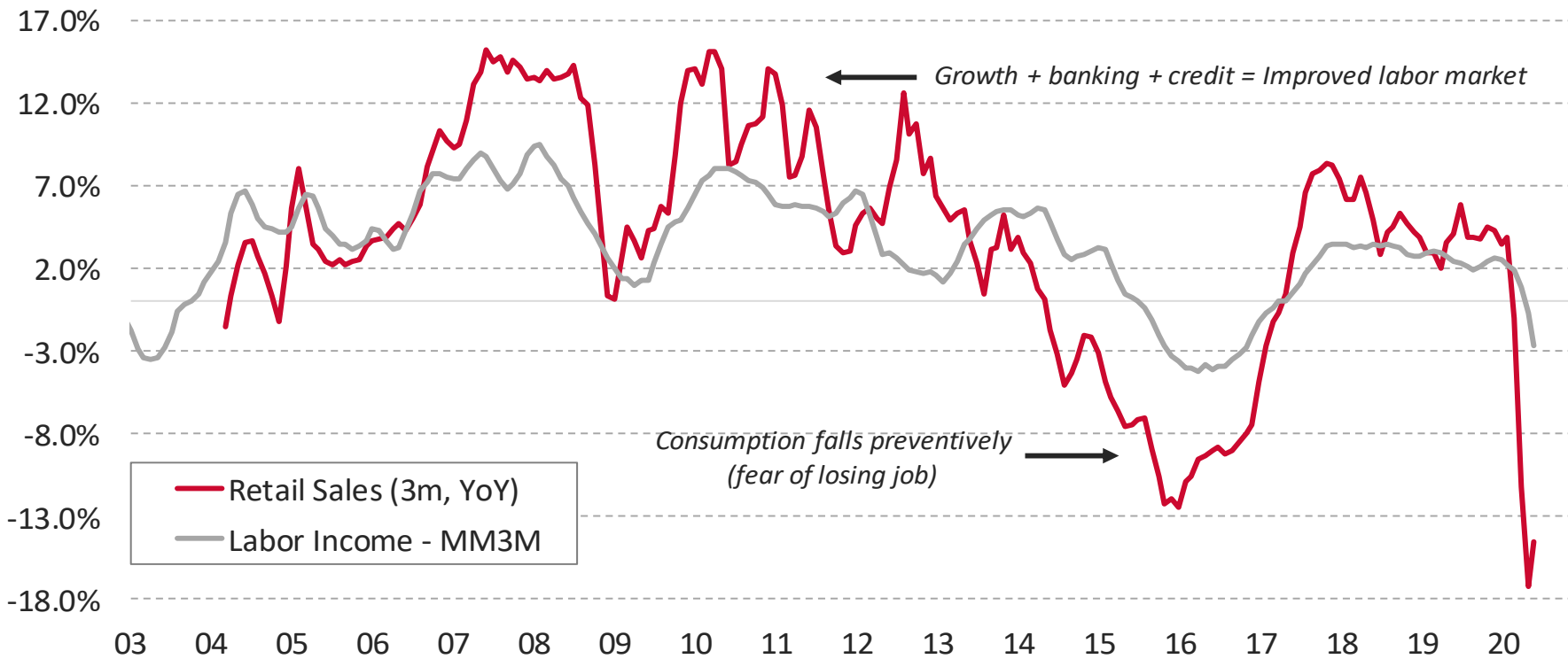
Source: Bloomberg



**Will there be an “income cliff”
or rising NPLs when transfers
are ceased?**

CONSUMPTION AND LABOR INCOME

Retail sales and labor income



Source: IBGE, Bradesco

"SAVINGS" PROXY

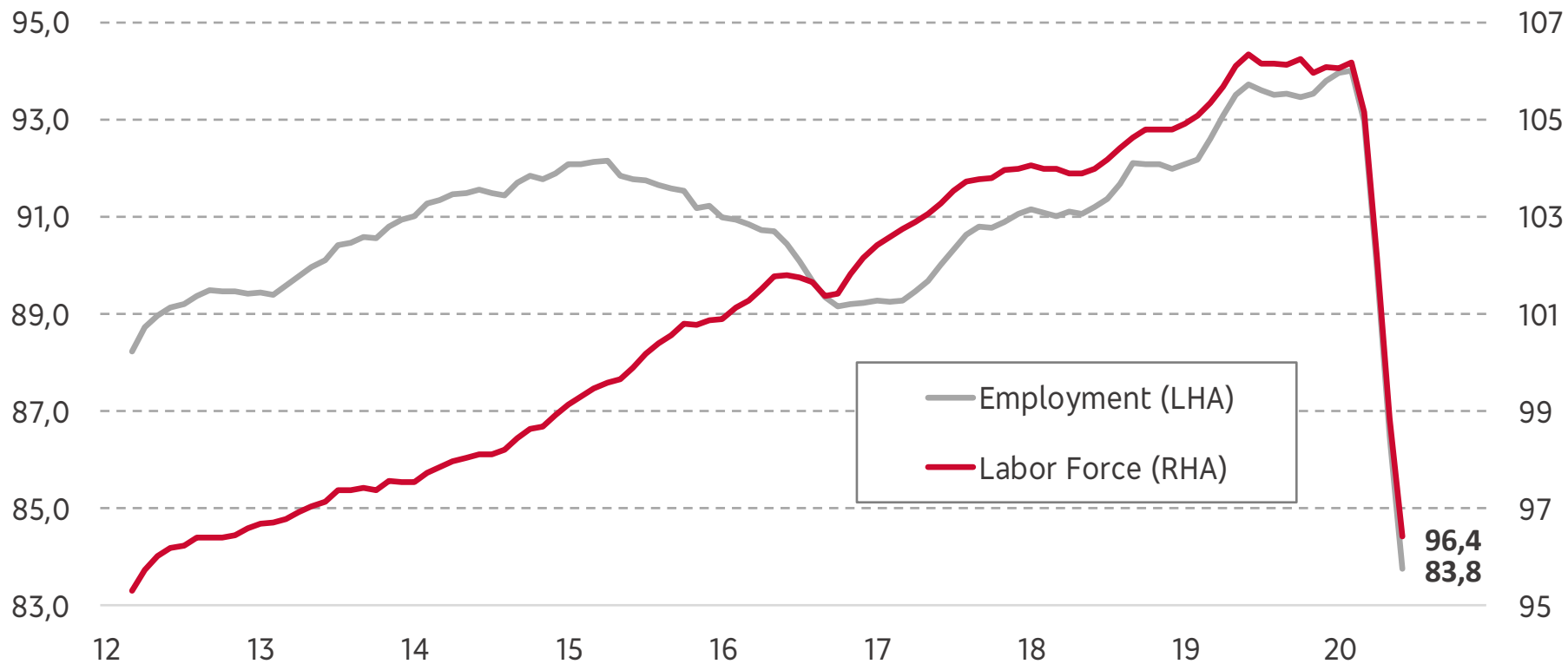
Monetary aggregate – M2



Source: BCB, Bradesco. M2 = paper money + cash deposit + savings accounts + term deposits (CDB/LF)

EMPLOYMENT AND LABOR FORCE

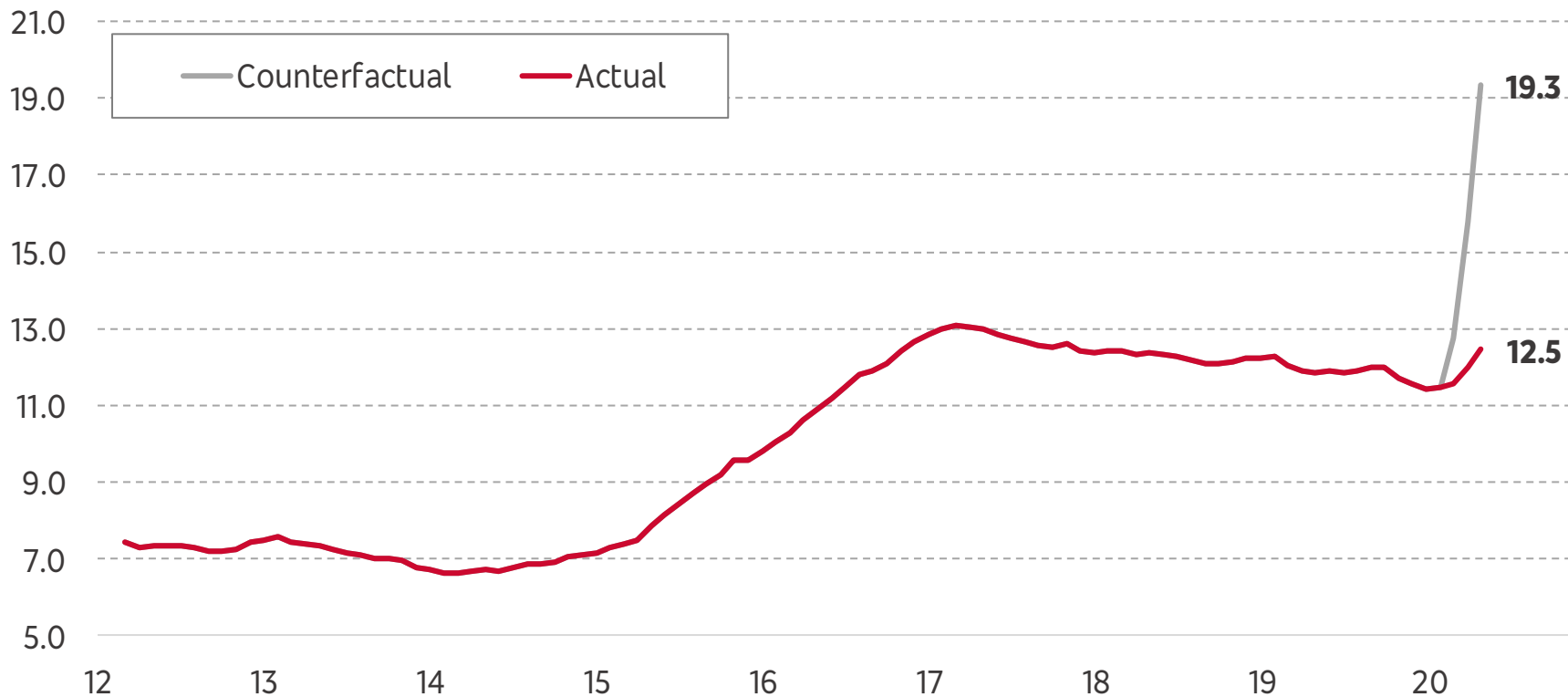
Seasonally adjusted, in millions



Source: IBGE, Bradesco

UNEMPLOYMENT RATE

Actual and counterfactual – participation rate Feb/20



Source: IBGE, Bradesco

FORMAL JOB CREATION

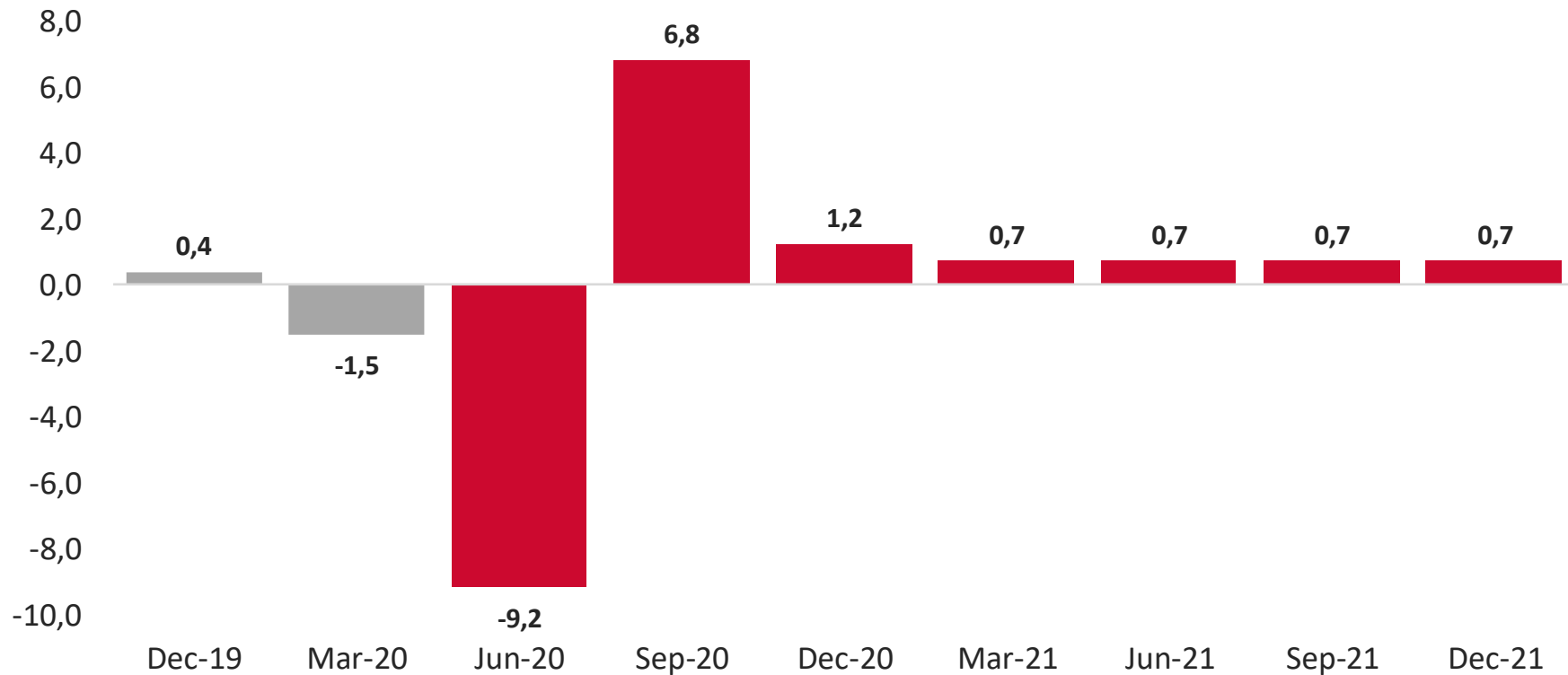
Caged, seasonally adjusted



Source: CAGED, Bradesco

GDP

% QoQ



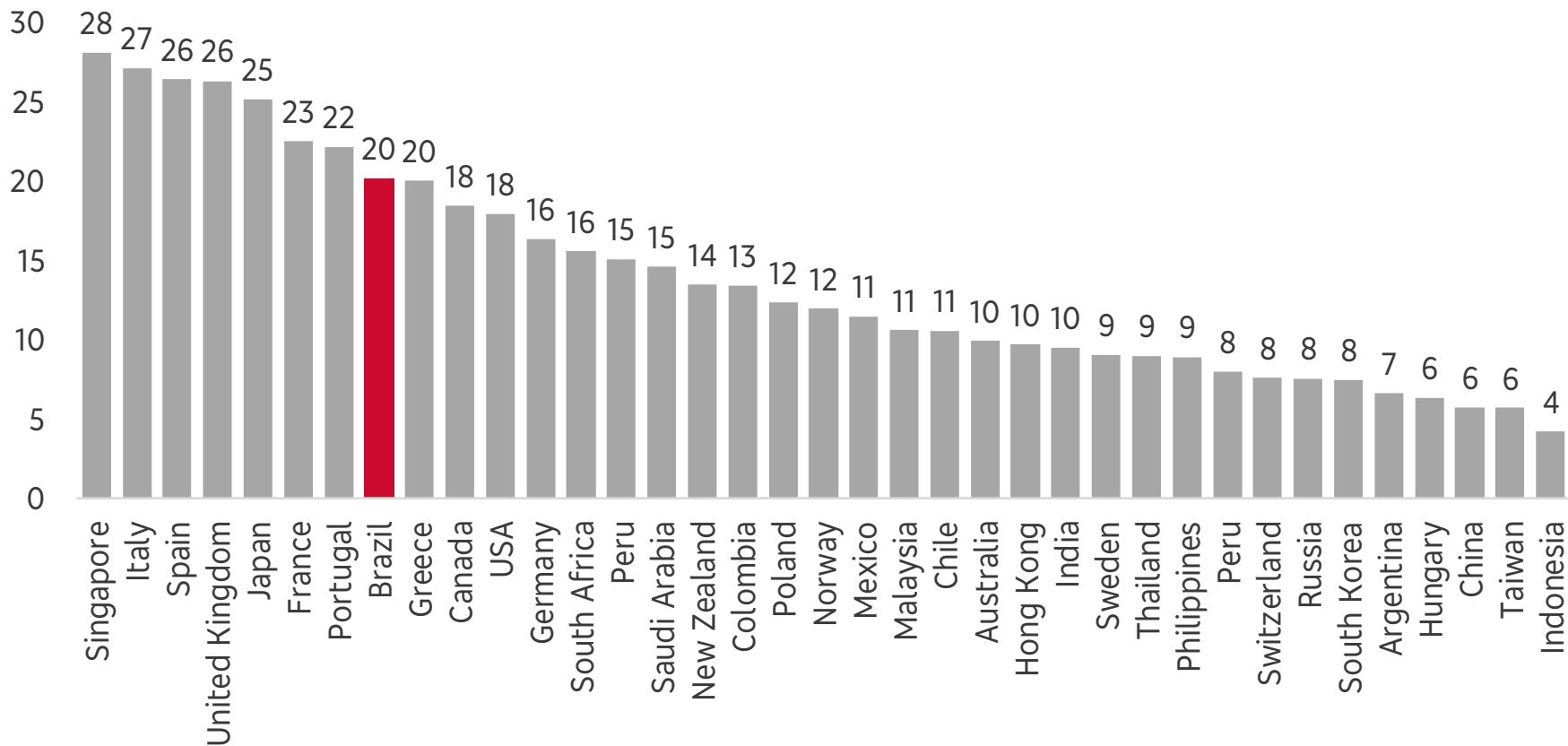
Source: IBGE, Bradesco



Challenges ahead

GROWTH OF GROSS PUBLIC DEBT

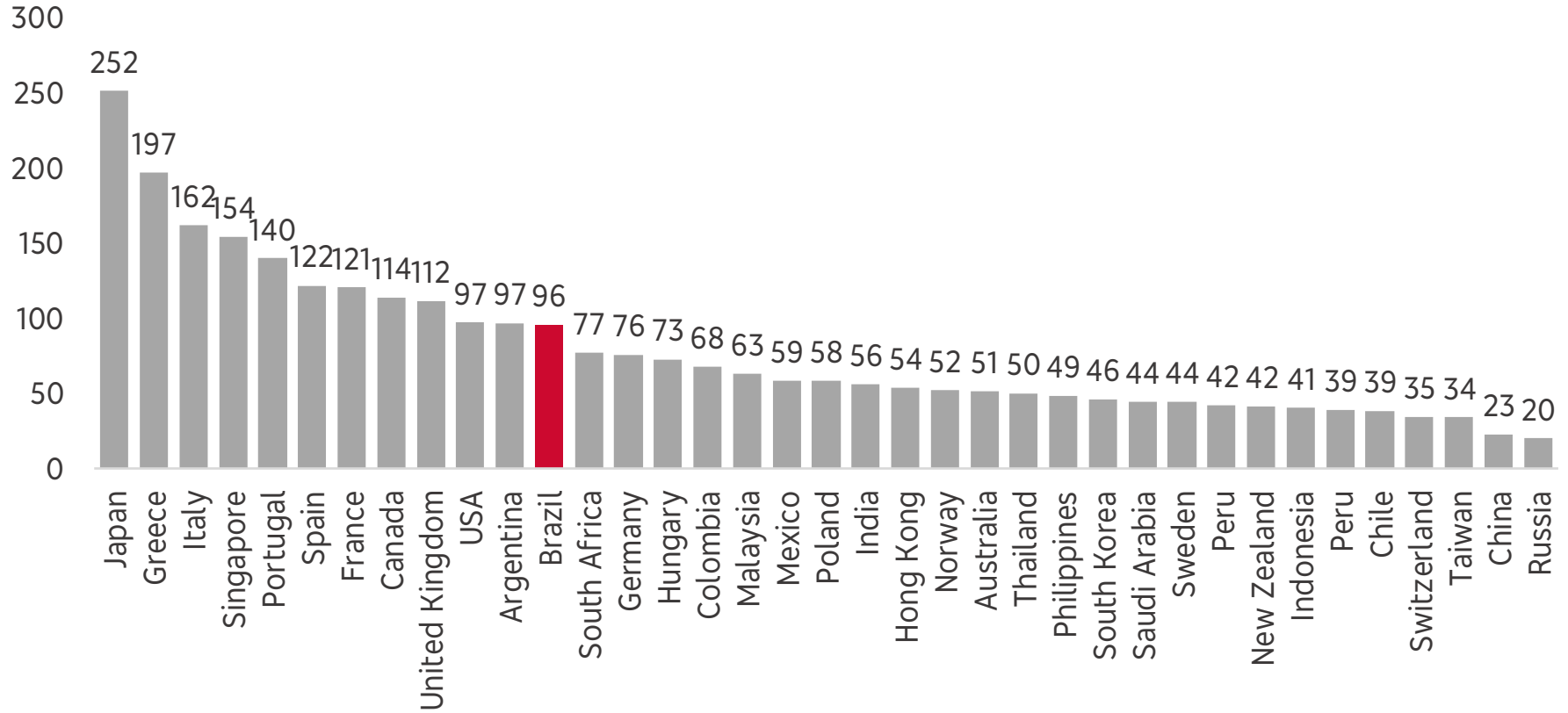
Increase between 2019-2020 (p.p. of GDP)



Source: EIU, Bradesco

GROSS PUBLIC DEBT

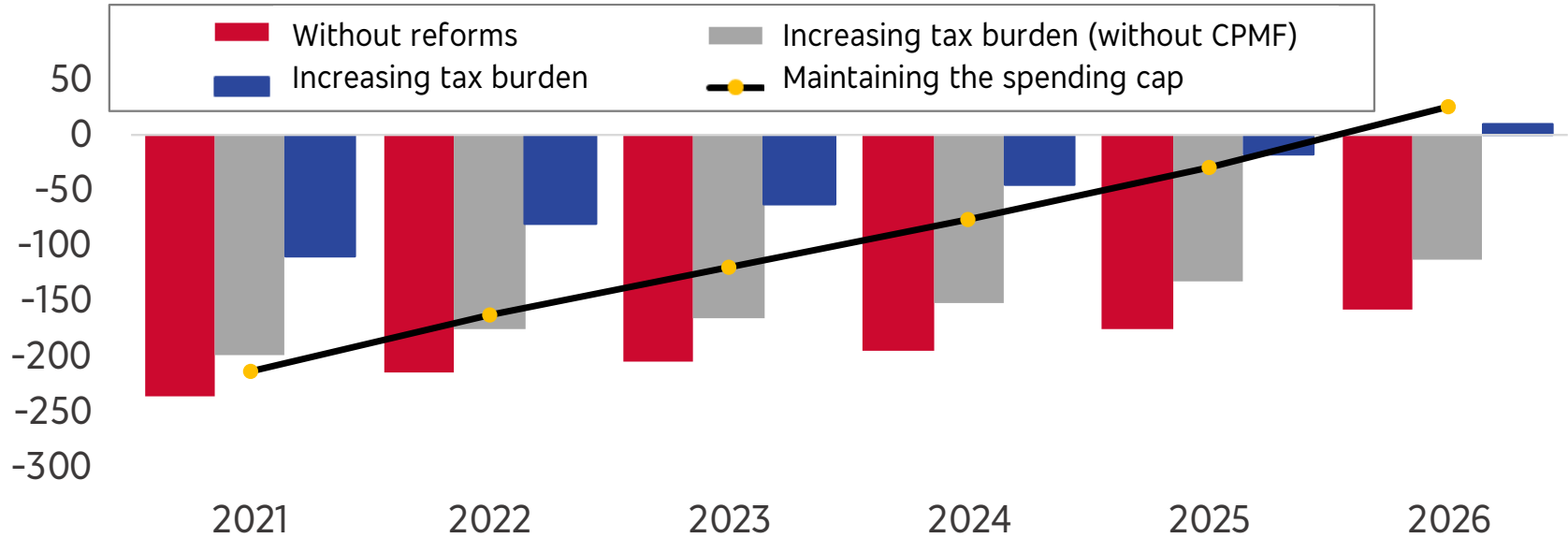
% of GDP



Source: EIU, Bradesco

INCREASE OF TAX BURDEN

Estimates for the primary budget balance, R\$ billion



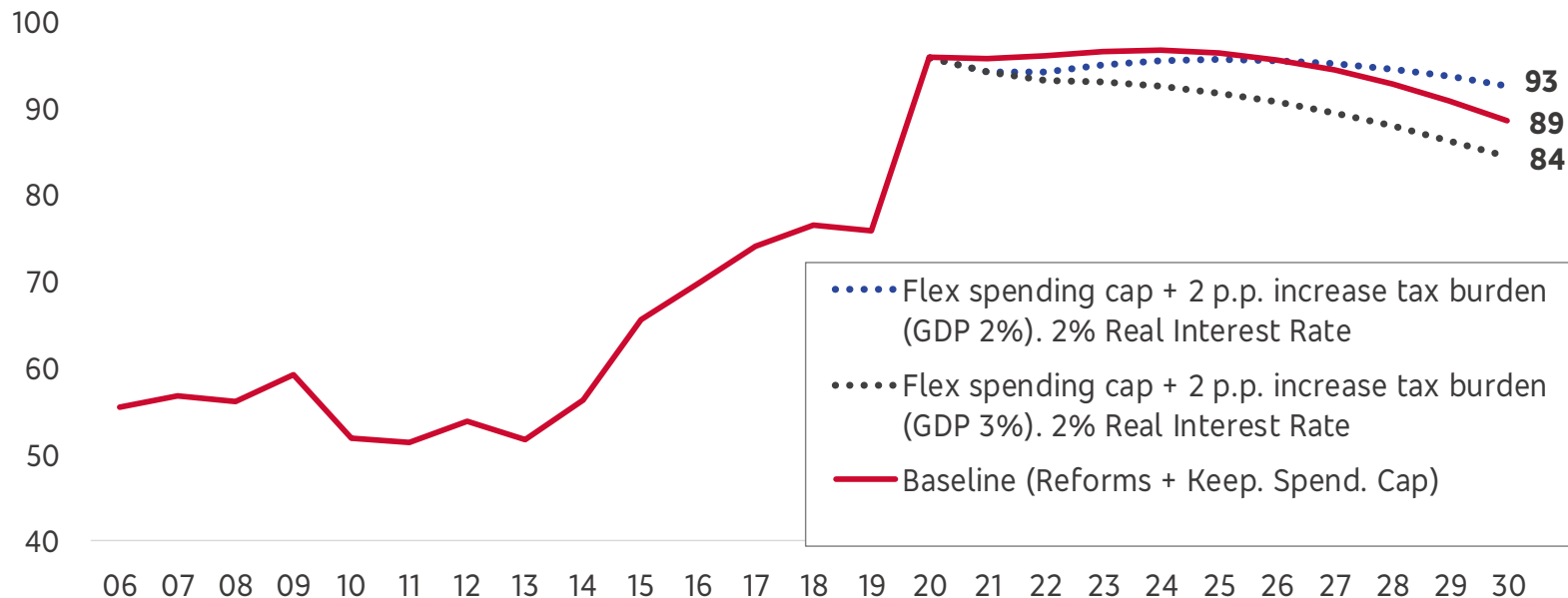
Assumptions: extension of FUNDEB (fund for basic education) and there are no expenditure reforms.

Taxation of dividends (20%), extinction of health and education deductions within income taxes, taxation of LCA/LCI (15%) and creation of tax on financial transactions ("CPMF").

Source: Bradesco, Tesouro Nacional

INCREASE OF PUBLIC DEBT

Gross Public Debt/GDP simulations



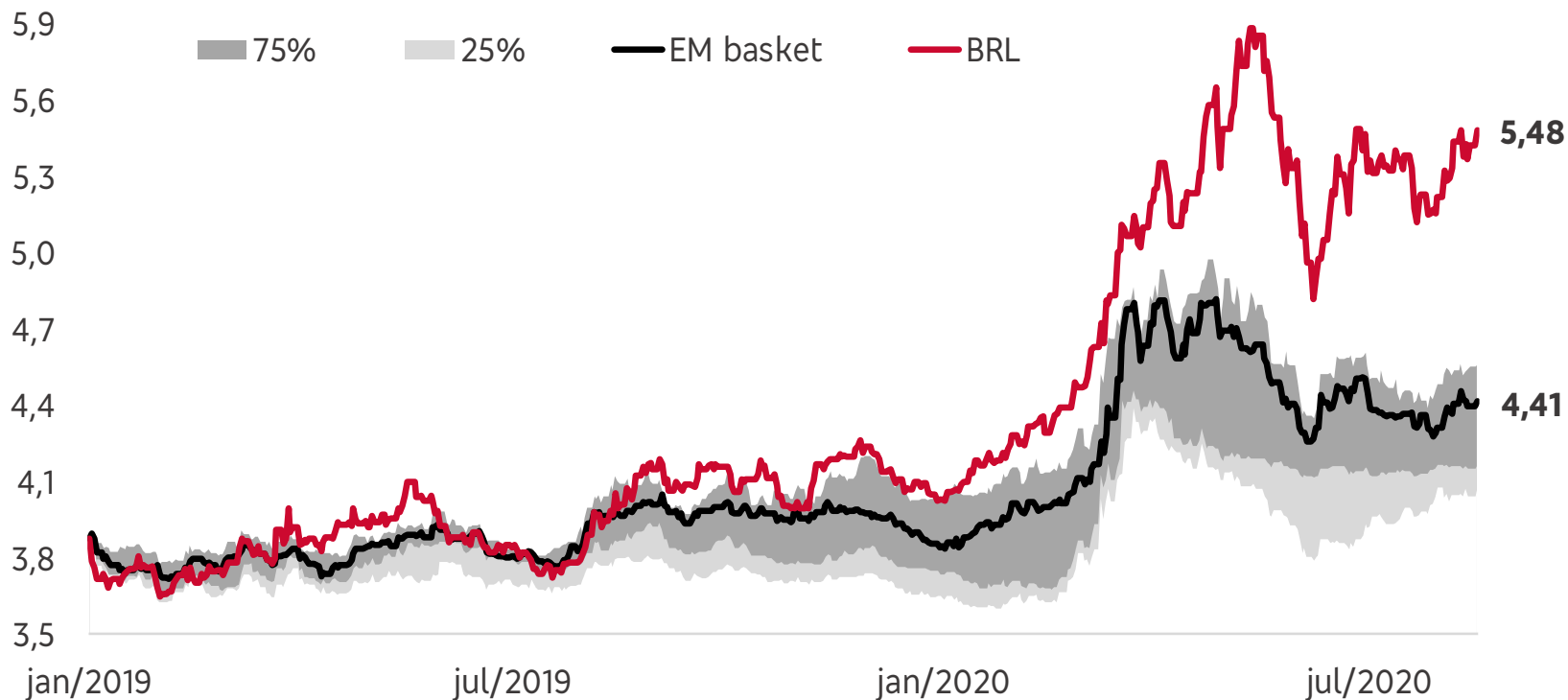
Flexible spending cap: Renda Brasil expenses and investments are excluded from the rule and grow by IPCA + 1%.

Increase tax burden: taxing dividends, LCA/LCI, end of IRPF health and education deductions and CPMF creation.

Source: Bradesco, BCB

EXCHANGE RATE: BRL vs EMERGING MARKETS

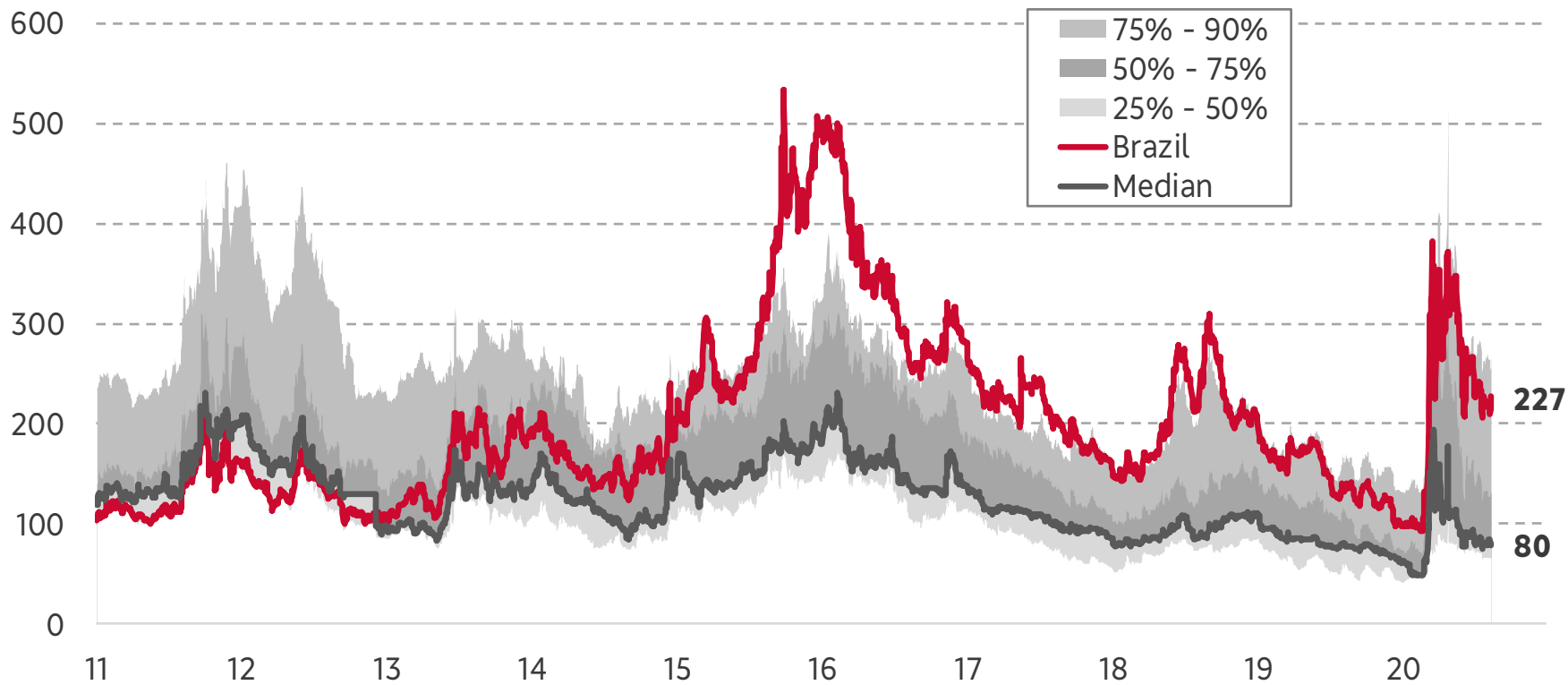
Accumulated change in the BRL against the median and emerging percentiles



Source: Bloomberg, Bradesco

5-YEAR CDS

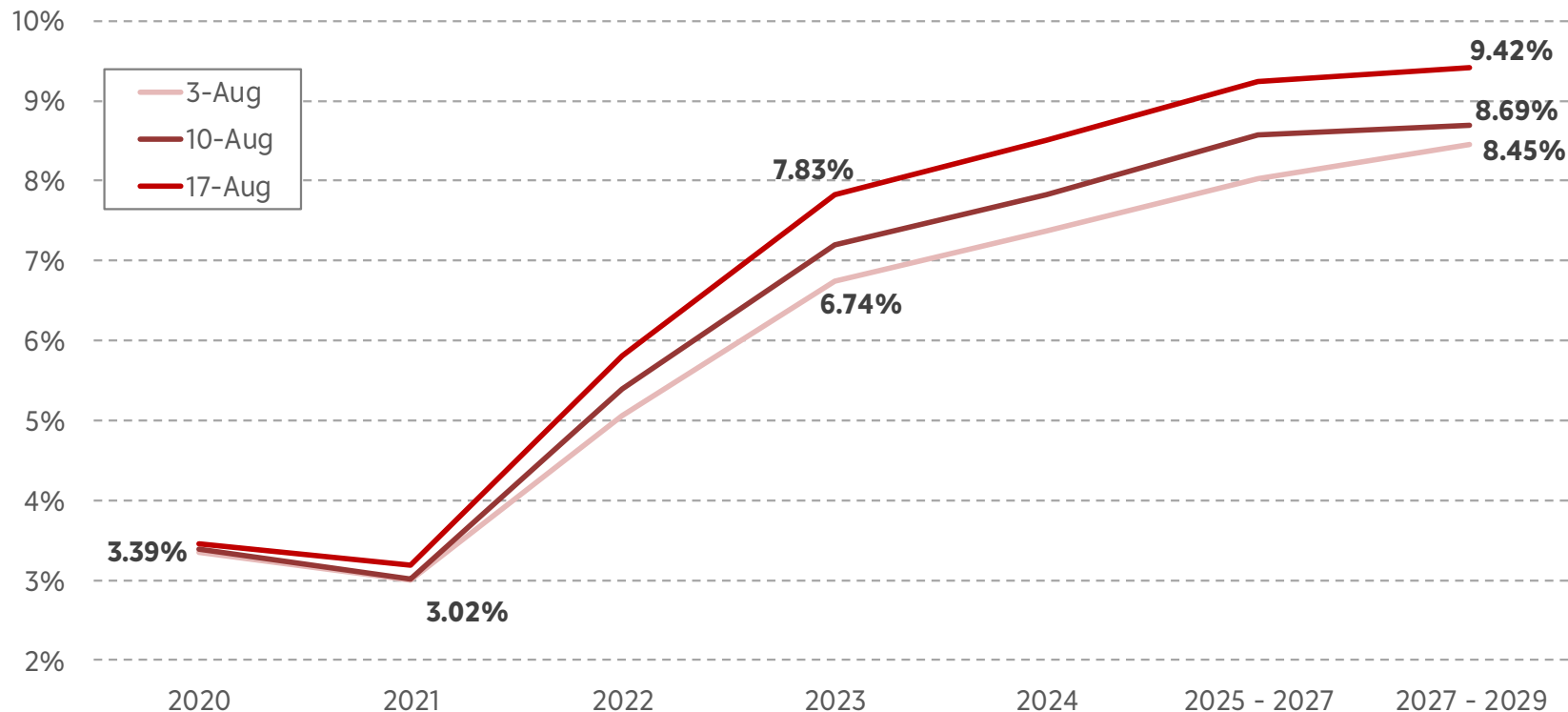
Brazil x EMs (*)



Source: EIU, Bradesco (*) Mexico, S. Africa, Chile, China, Croatia, Hungary, Malaysia, Poland, Russia, Turkey, India, Thailand, Colombia, Indonesia, Peru

FORWARD INTEREST RATES

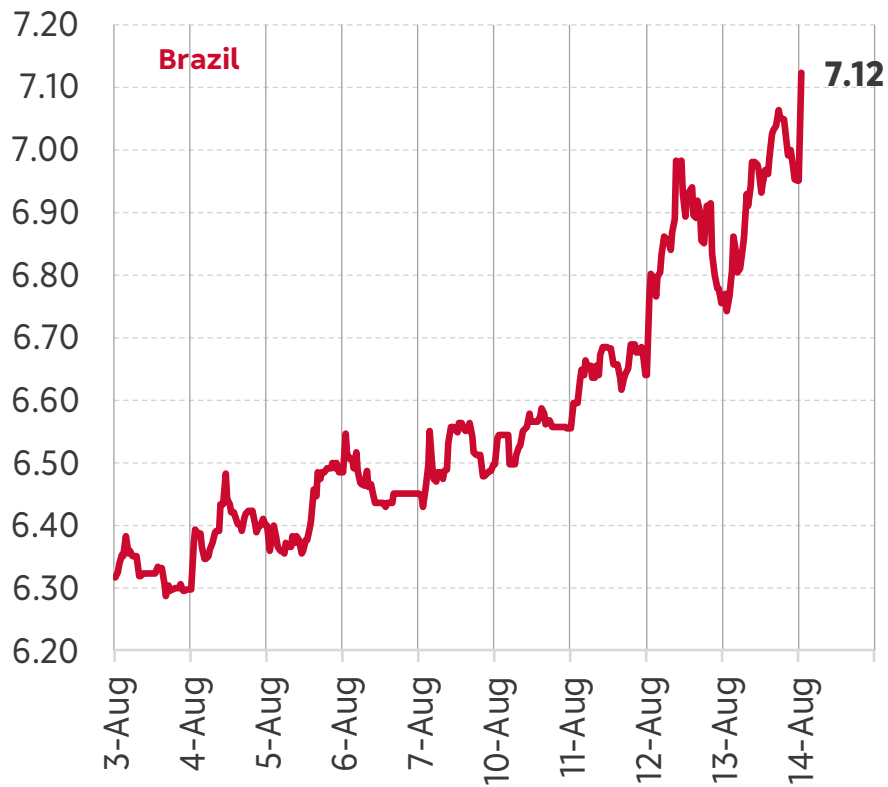
% per year



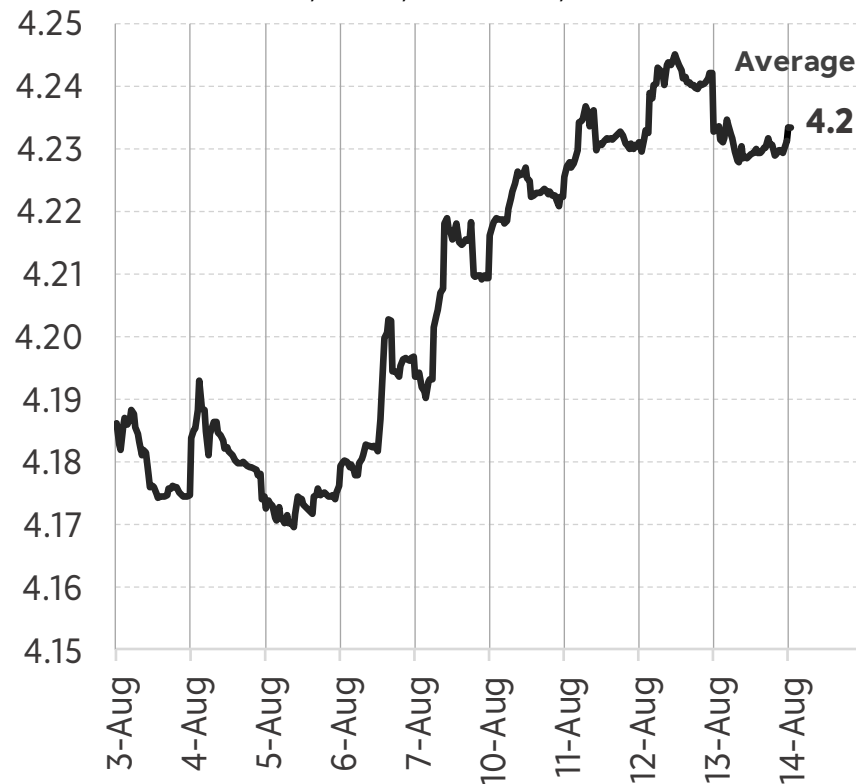
Source: Anbima, Bloomberg, Bradesco

10-YEAR INTEREST RATES

In the past two weeks, %



Average: South Africa, Australia, Canada, Chile, India, Indonesia, Mexico, New Zealand, Peru and Russia



Source: Bloomberg, Bradesco

OUR SCENARIO...



	2017	2018	2019	2020	2021
GDP growth (%)	1,3	1,3	1,1	-4,5	3,5
Consumer inflation - IPCA (%)	2,95	3,75	4,31	1,9	3,1
Wholesale inflation - IGP-M (%)	-0,5	7,5	7,3	8,5	4,0
Selic Rate (% eop)	7,00	6,50	4,50	2,00	3,00
Exchange Rate (BRL/USD, eop)	3,31	3,87	4,03	5,10	5,10
Industrial Production (%)	2,5	1,0	-1,1	-4,5	3,0
Retail Sales (%)	4,0	5,0	3,9	-6,0	4,5
Job Creation (in thousands)	1899	966	1816	-5200	1904
Unemployment Rate (% of labor force, avg)	12,7	12,3	12,1	13,5	13,5
Outstanding Credit Growth (%)	-0,4	5,1	6,5	5,0	7,6
Trade Balance (USD bn)	64,0	53,0	39,4	58,0	66,9
Current Account (USD bn)	-15,0	-41,5	-50,8	-7,7	-7,8
Primary Balance (BRL bn)	-111	-108,3	-61,9	-864	-225
Gross Debt (% of GDP)	74,1	76,5	75,8	96,0	96,7

Bradesco economic forecasts are revised at the beginning of each month. During moments of greater volatility, the level of uncertainty and error margins naturally rise, especially between revisions. Our forecasts are based on the assumption that the adjustments necessary to ensure the sustainability of Brazil's macroeconomic framework will be implemented over the next few years. If these adjustments do not materialize or are better than expected, the forecast could be altered significantly. Last updated on July, 28 2020

Source: Bradesco