



Brazilian National Confederation of Industry

THE FUTURE OF INDUSTRY

# Brazilian Economic Outlook

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**Executive Manager for Economy**

**Brazil-Japan Business Council Plenary Meeting**  
Belo Horizonte | July 05, 2023

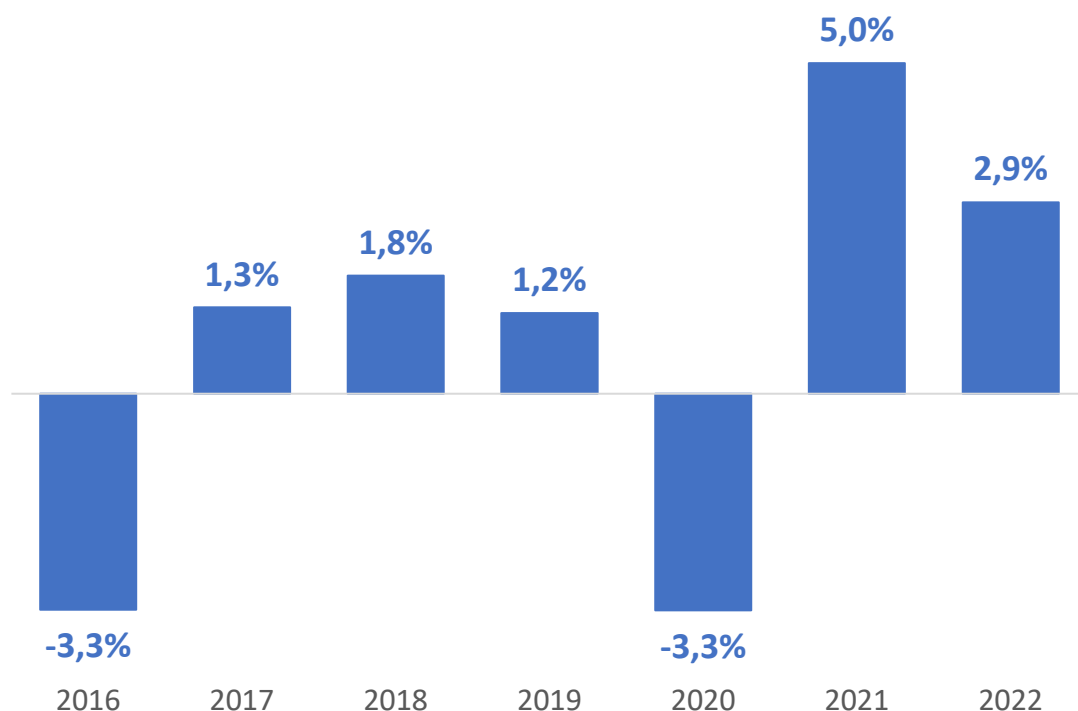
**Where are we and  
what to expect in  
2023?**

# The problem of low growth

Growth in 2021 and 2022 only represented a return to the previous growth trend

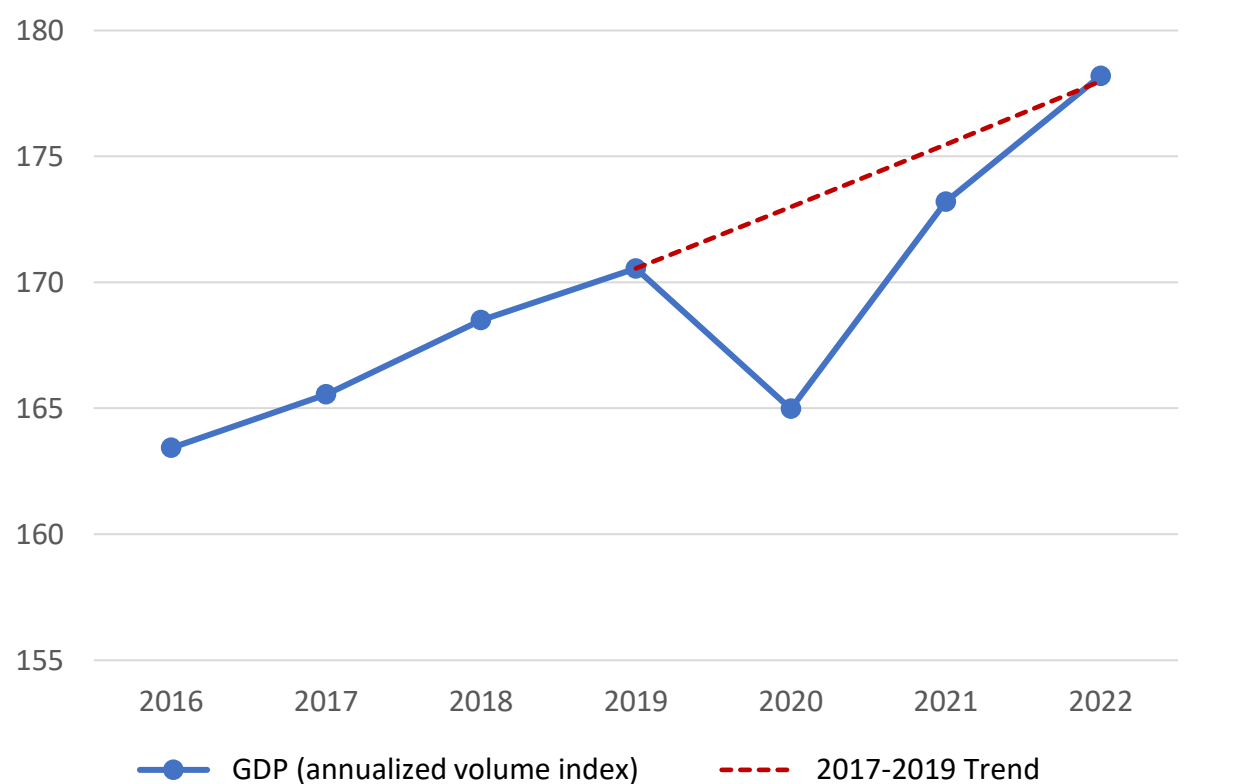
## BRAZILIAN GDP GROWTH

Growth rate, %



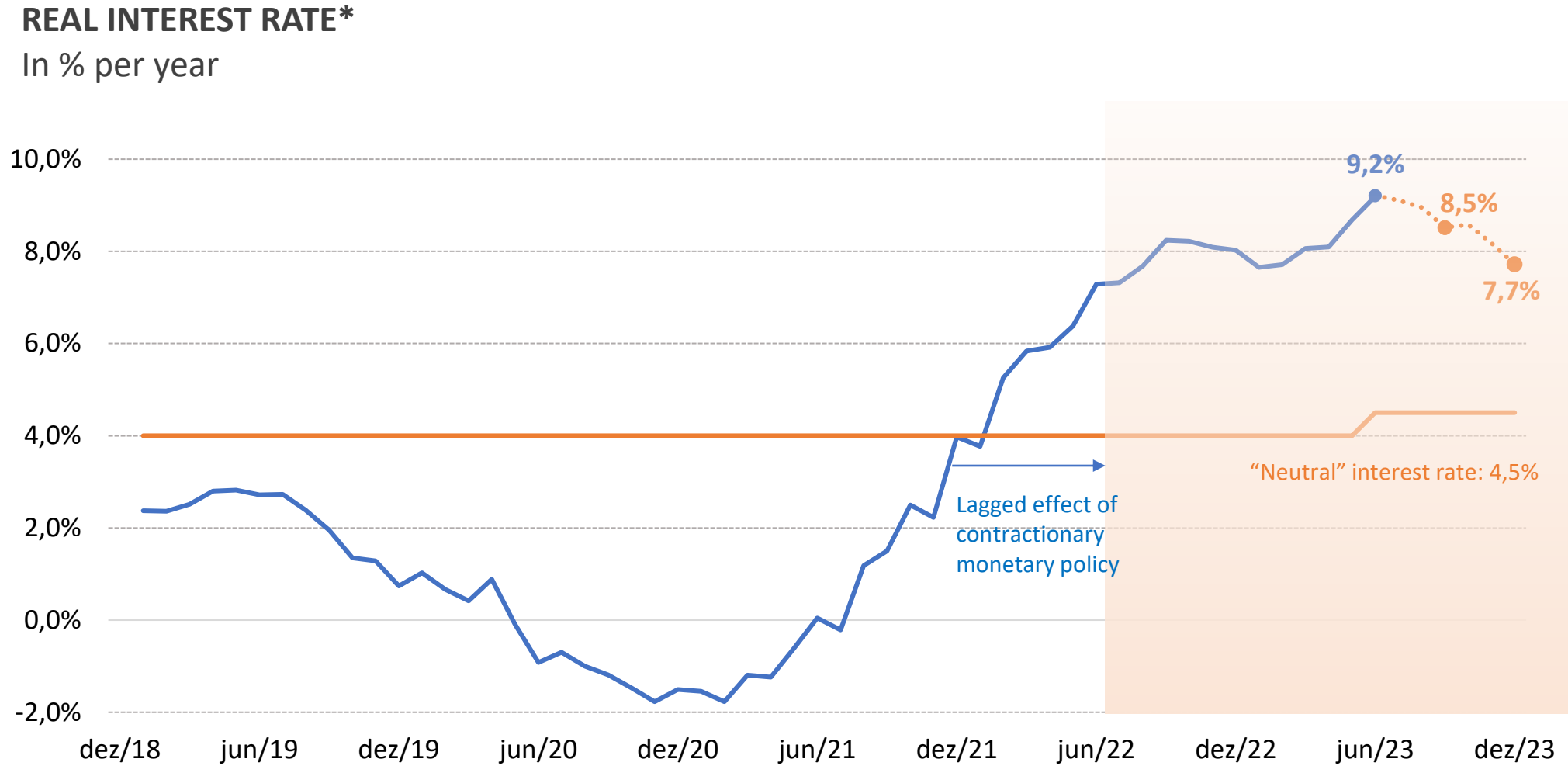
## BRAZILIAN GDP AND RECENT TREND

Quarterly volume index with seasonal adjustment (1995 = 100)



# 2023: Contractionary monetary policy with effects felt throughout the year

## High interest rates are expected to be the main constraint on GDP growth in 2023



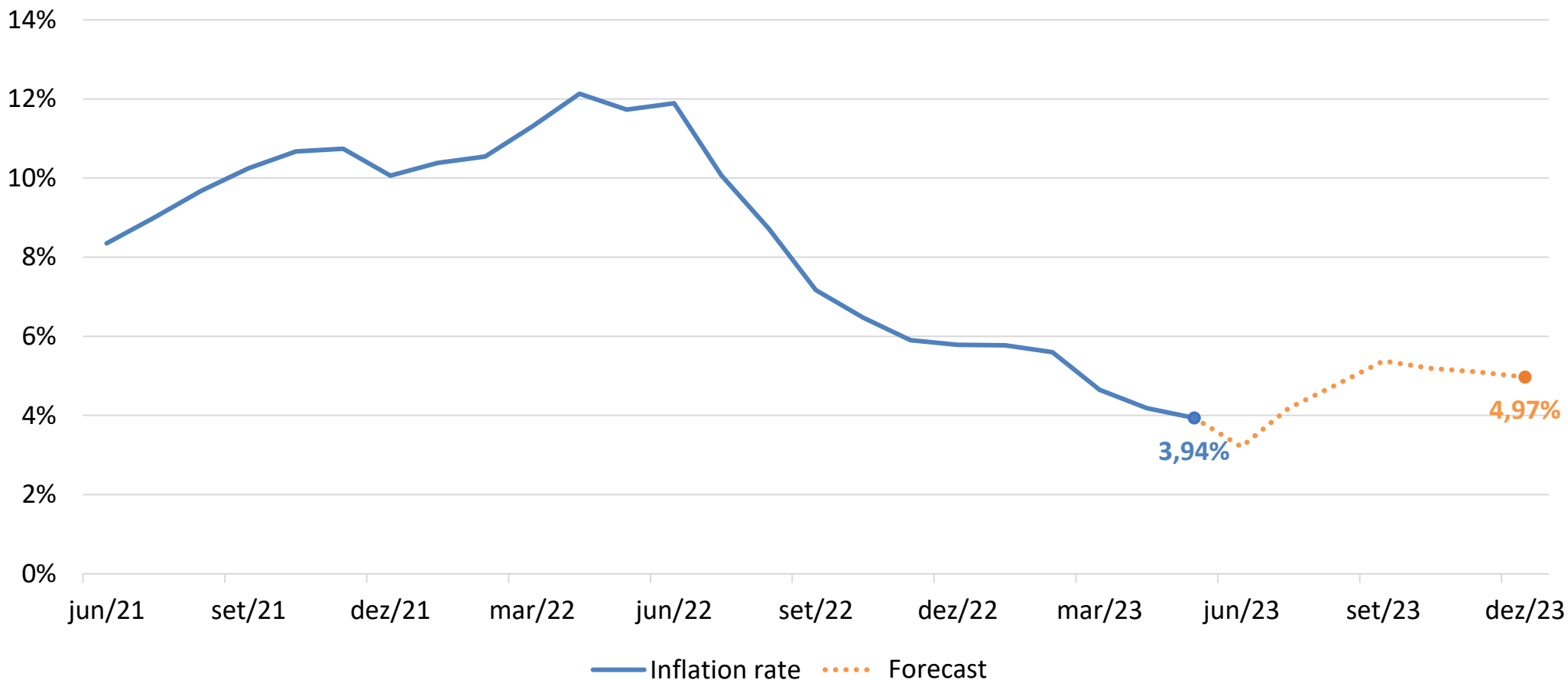
\*Real Selic rate (ex ante), that is, Selic rate in the month with the expectation of inflation for the following 12 months.  
Source: Central Bank of Brazil, IBGE.  
Elaboration and Projection: CNI.

# 2023: Inflation is going down

## Inflation is expected to end 2022 at 4.97%

INFLATION RATE MEASURED BY IPCA

12-month accumulated, %



Source: IBGE.  
Elaboration and Projection: CNI.



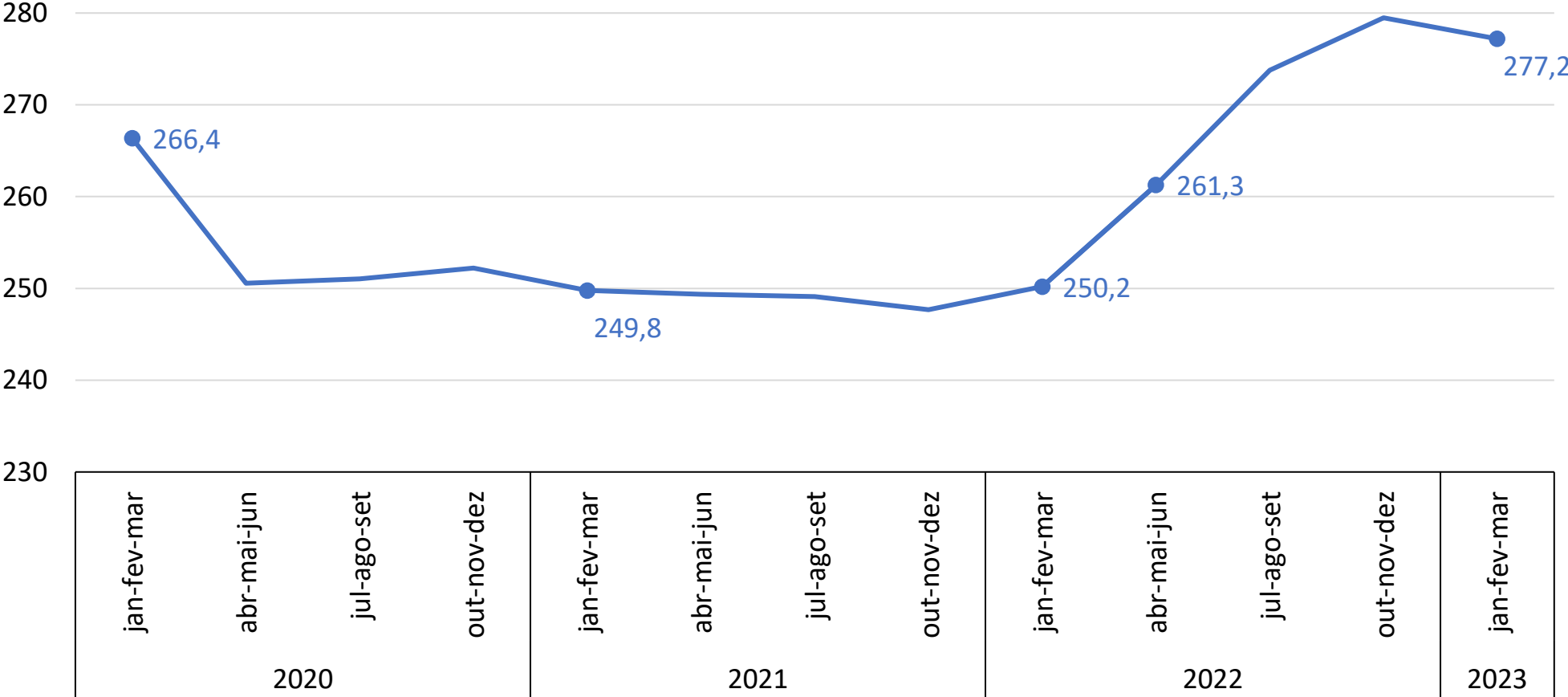
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# 2023: Labor market still resilient to the effects of monetary policy

## Total labor recovered since the beginning of 2022

### TOTAL LABOR INCOME

In billions of Brazilian reais (R\$)



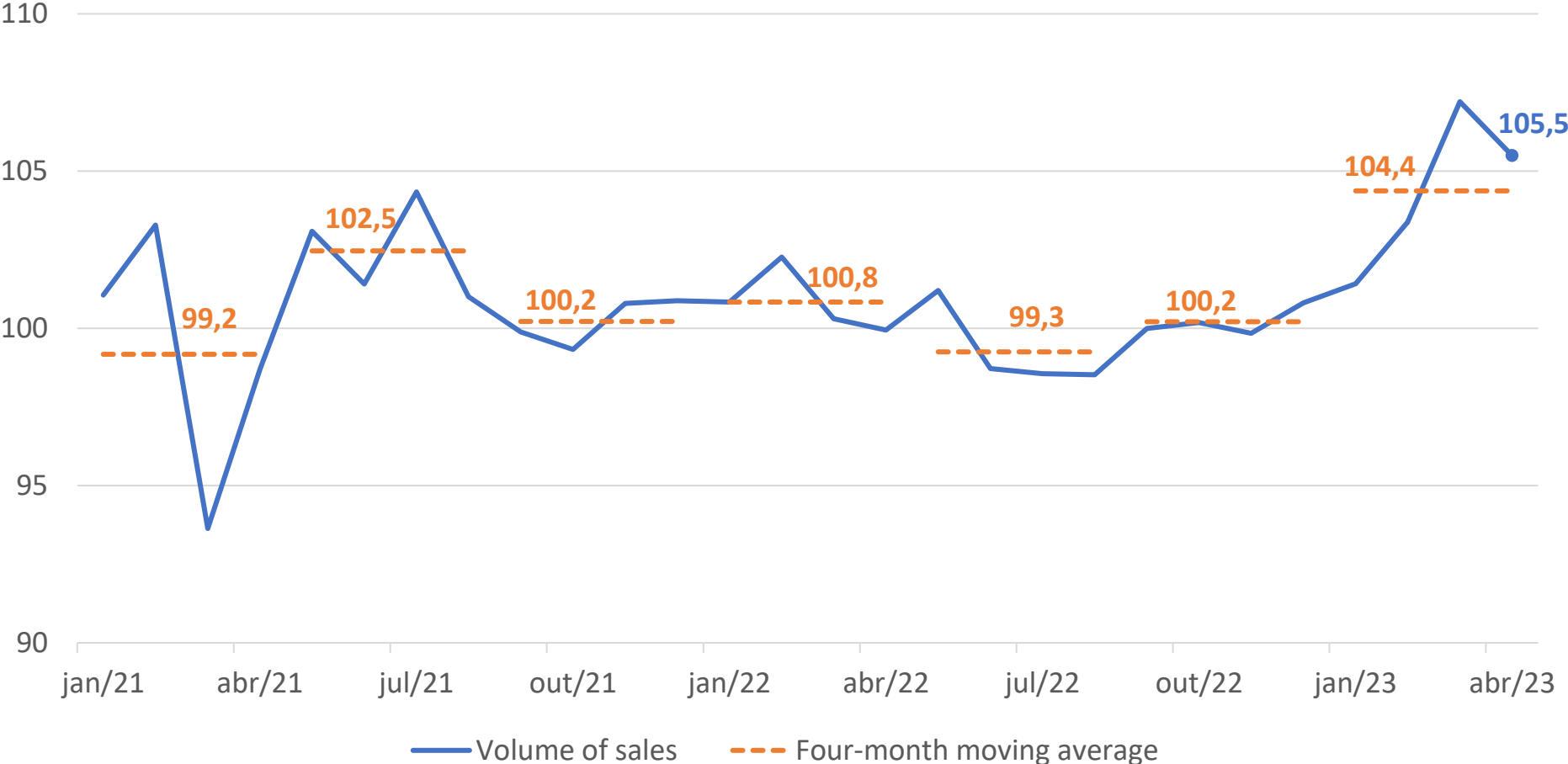
Source: IBGE.

# 2023: Labor market in opposition to the deceleration ordered by monetary policy

## Sales in the retail trade are benefiting from the recovery of average labor income

### RETAIL TRADE SALES

Index number with seasonal adjustment (2022 = 100) and semester moving averages



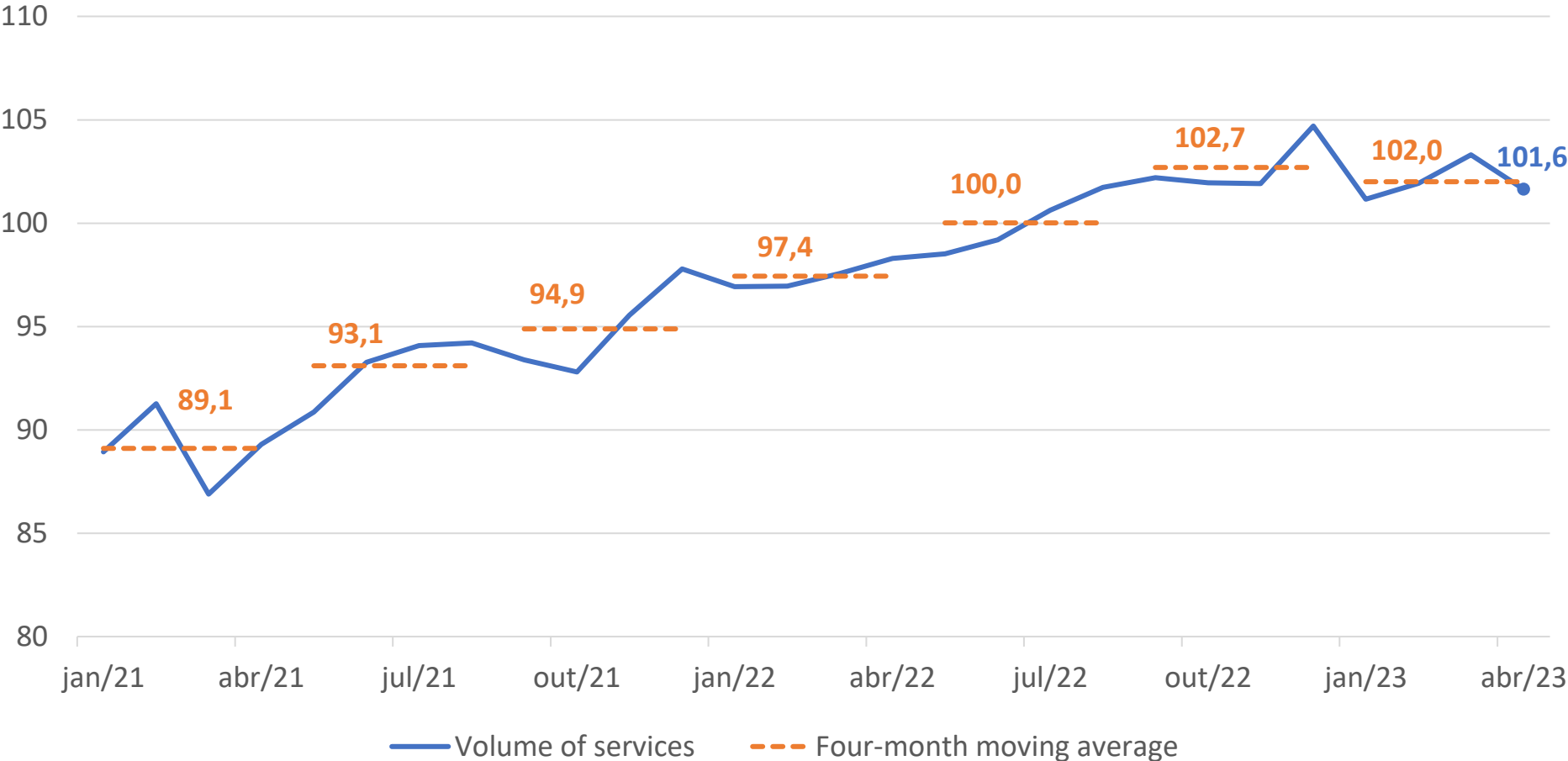
Source: IBGE.  
Elaboration: CNI

# 2023: Labor market in opposition to the deceleration ordered by monetary policy

## Demand for services loses steam

### VOLUME OF SERVICES

Index number with seasonal adjustment (2022 = 100) and semester moving averages



Source: IBGE.  
Elaboration: CNI

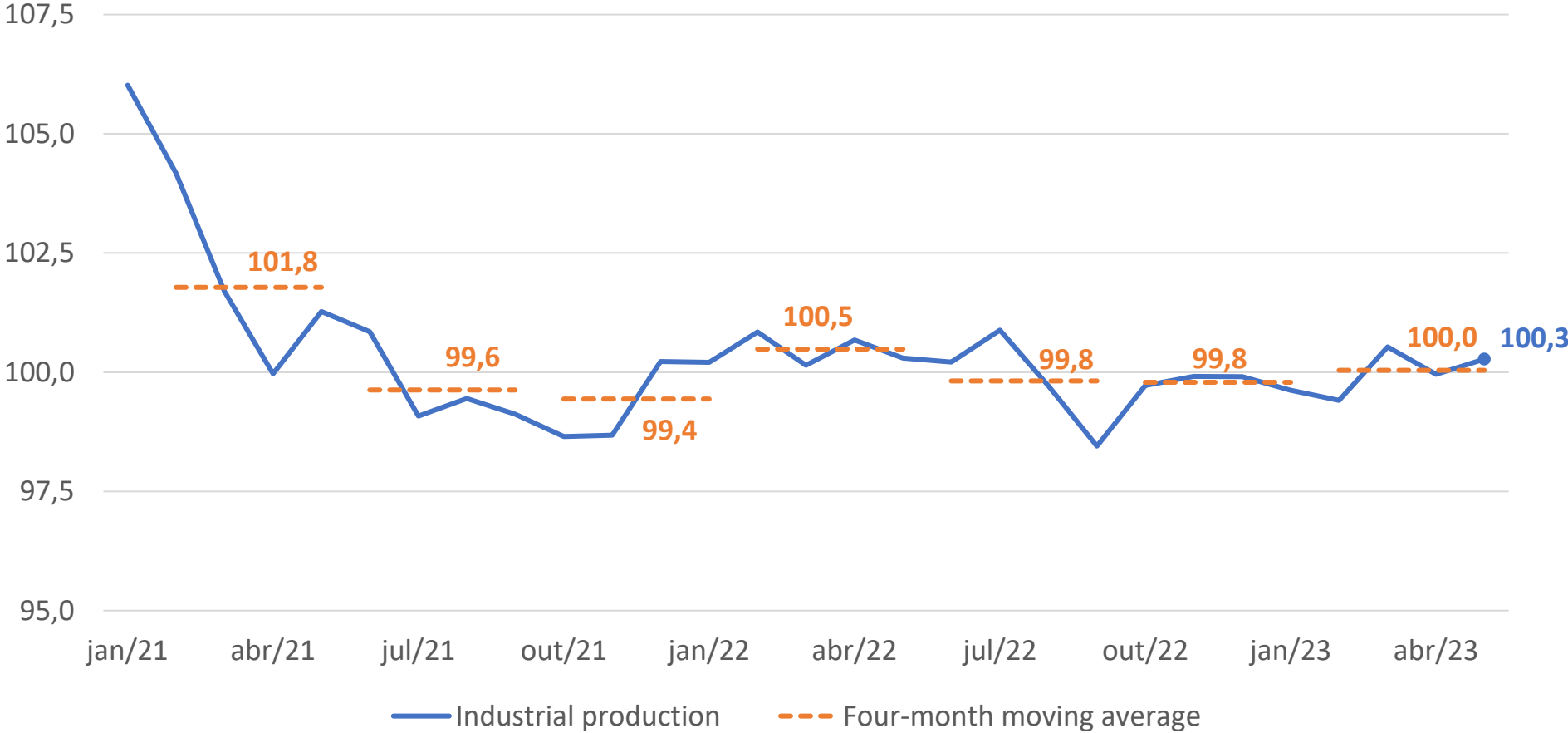


# 2023: Labor market in opposition to the deceleration ordered by monetary policy

## Industrial production is expected to remain without significant advances

### INDUSTRIAL PRODUCTION

Index number (2022 = 100) and four-month moving averages



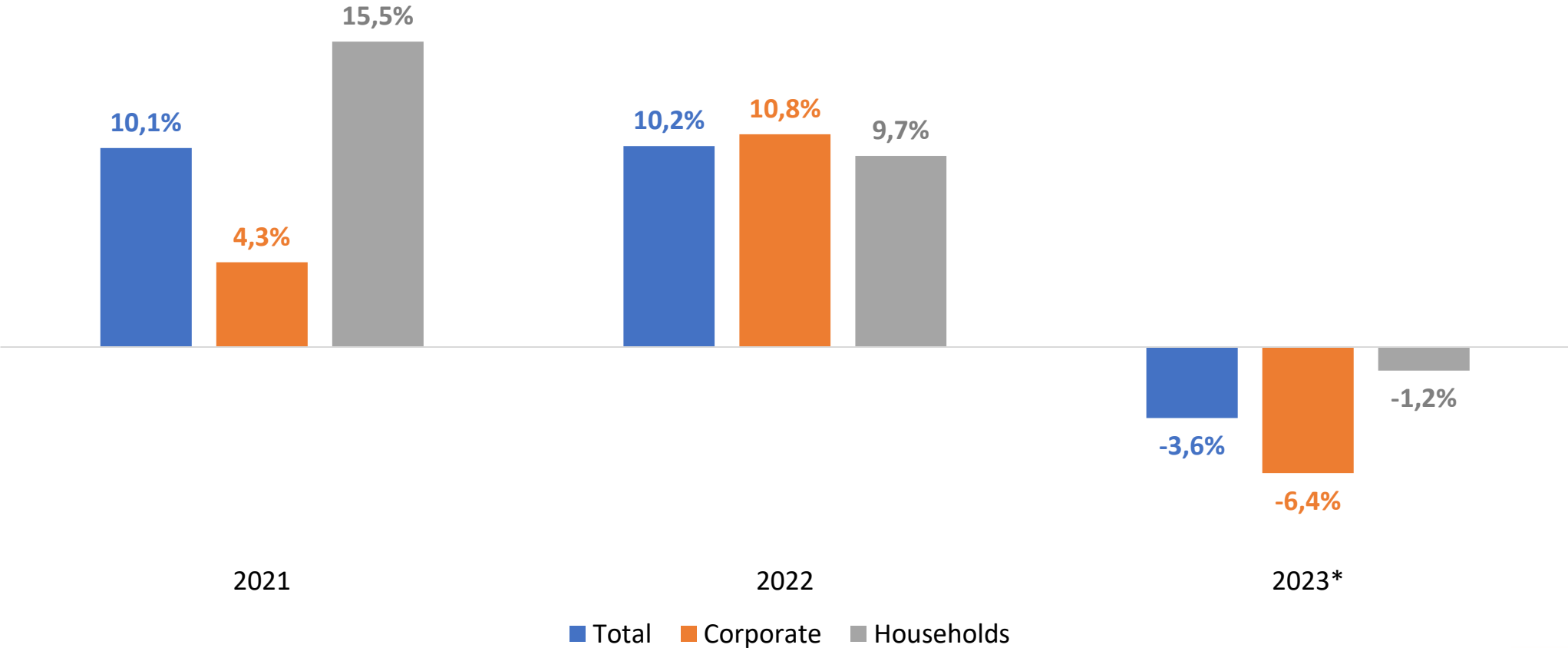
Source: IBGE.  
Elaboration: CNI

# 2023: Credit concessions are expected to decline by the end of the year

High interest rates, high delinquency, and high indebtedness affect credit concessions

## REAL VARIATION OF CREDIT CONCESSIONS

Year-to-date growth, %



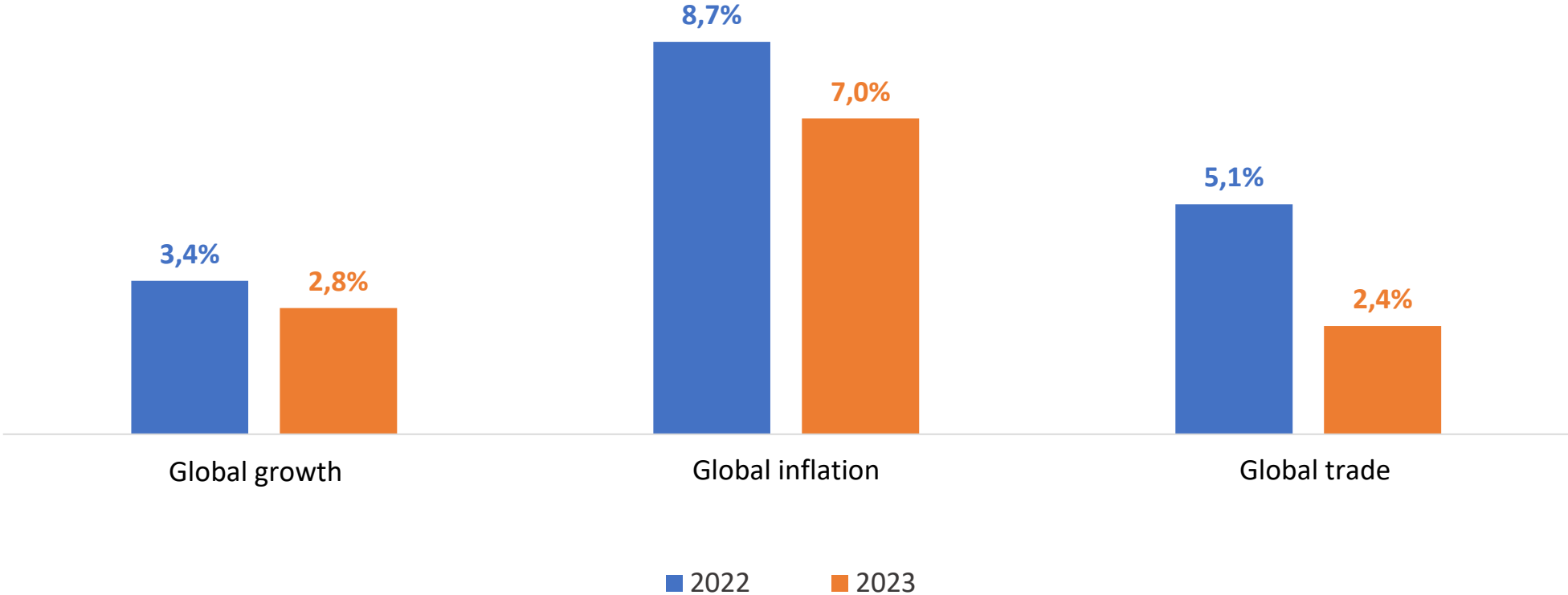
Source: Central Bank of Brazil.  
\*CNI Projection

# 2023: External scenario does not favor growth through exports

## Slower global economic and trade growth and inflation deceleration

### EXPECTATIONS FOR GDP, INFLATION, AND GLOBAL TRADE

Annual percentage variation, %

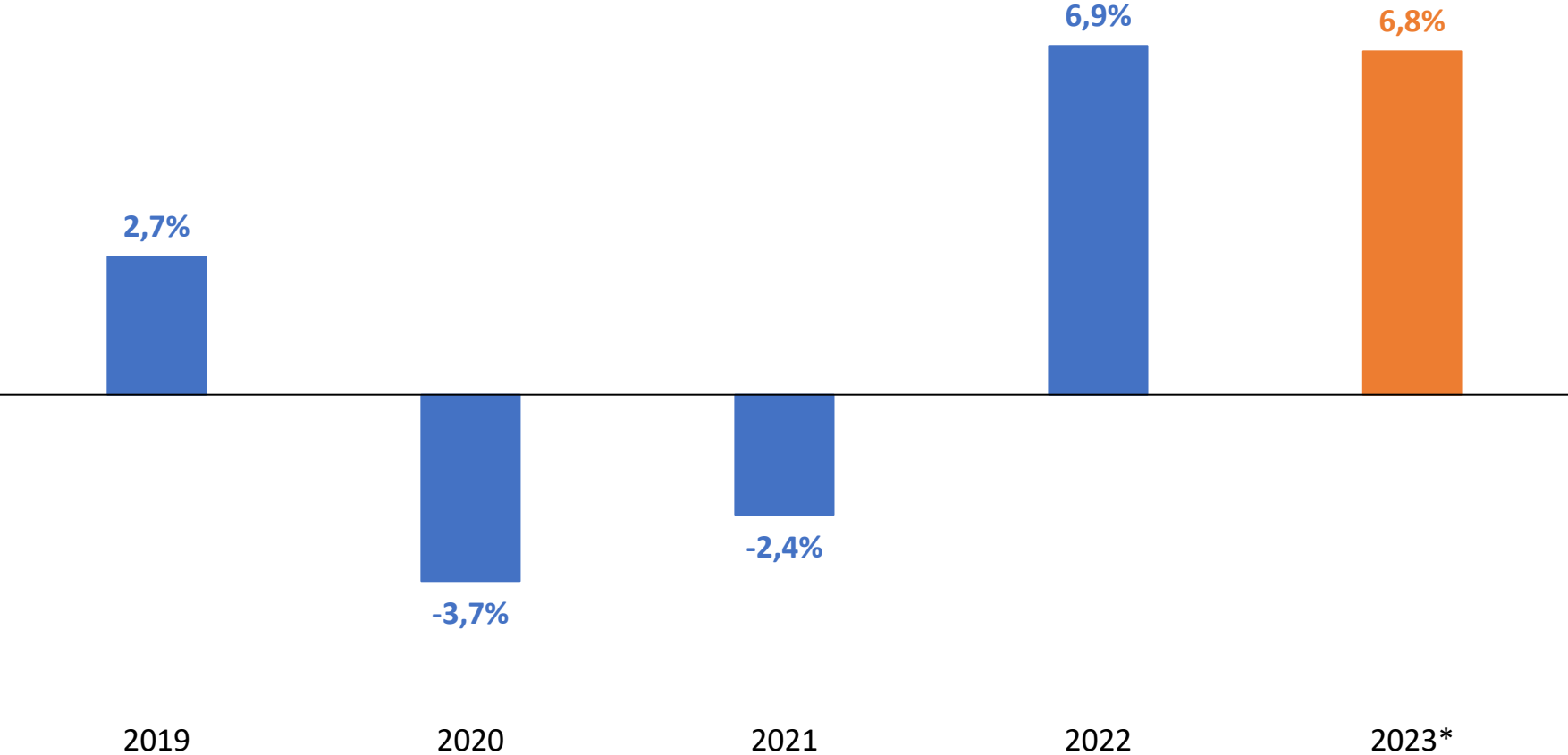


Source: IMF

# 2023: Despite slower growth, the labor market sustains growth

## Total labor income will advance, sustaining household consumption

TOTAL LABOR INCOME GROWTH RATE  
In percentage



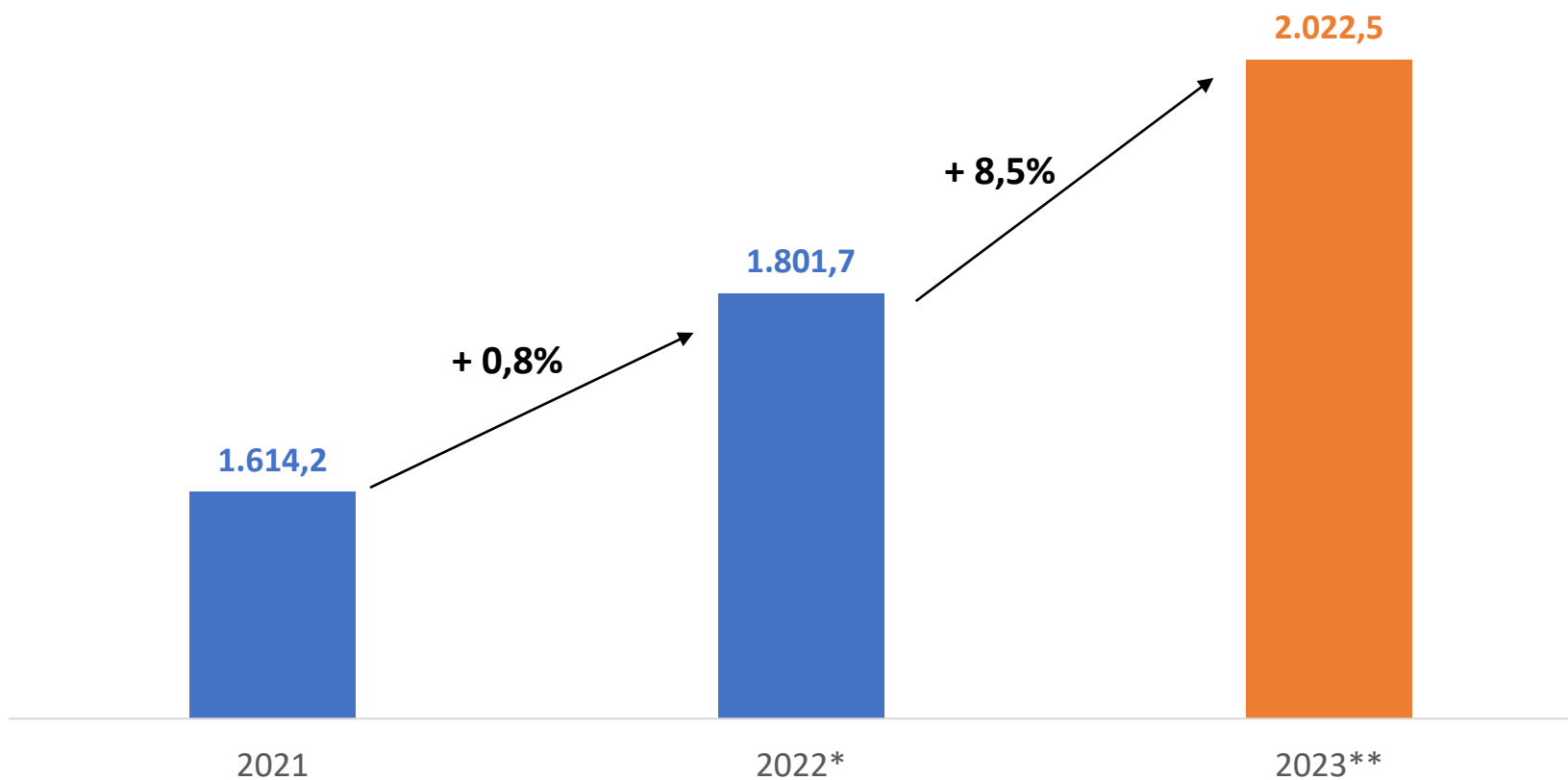
Source: IBGE.  
\*CNI Projection

# 2023: Fiscal expansion counteracts (and pressures) monetary policy

## Increased public spending in 2023 helps sustain demand

### PRIMARY EXPENDITURE OF THE FEDERAL GOVERNMENT

In billions (R\$) and real variation (%)



Source: Brazilian National Treasury.

\*Does not consider expenses with Campo de Marte

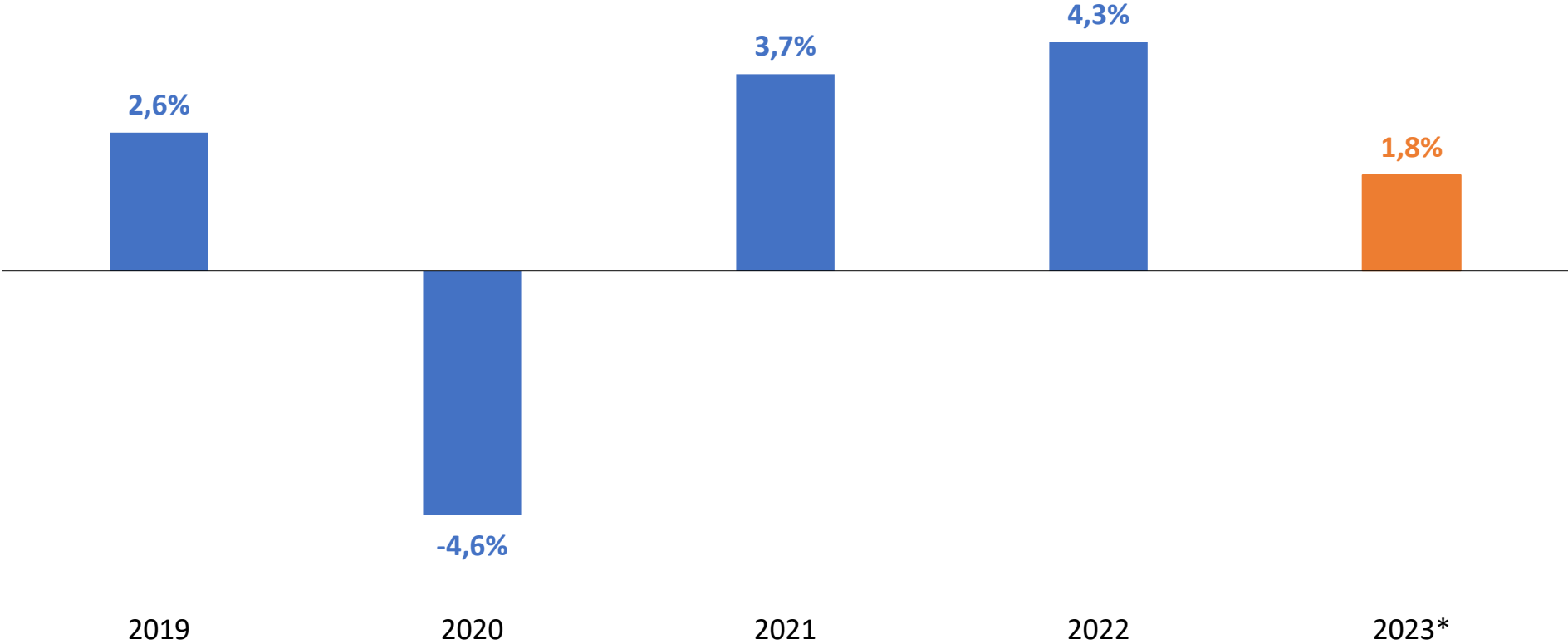
\*\*CNI Projection

# 2023: Consumption will be sustained by the labor market and fiscal policy

## Consumer market will still benefit from increased labor income and public spending

### HOUSEHOLD CONSUMPTION GROWTH RATE

Annual growth rate (%)



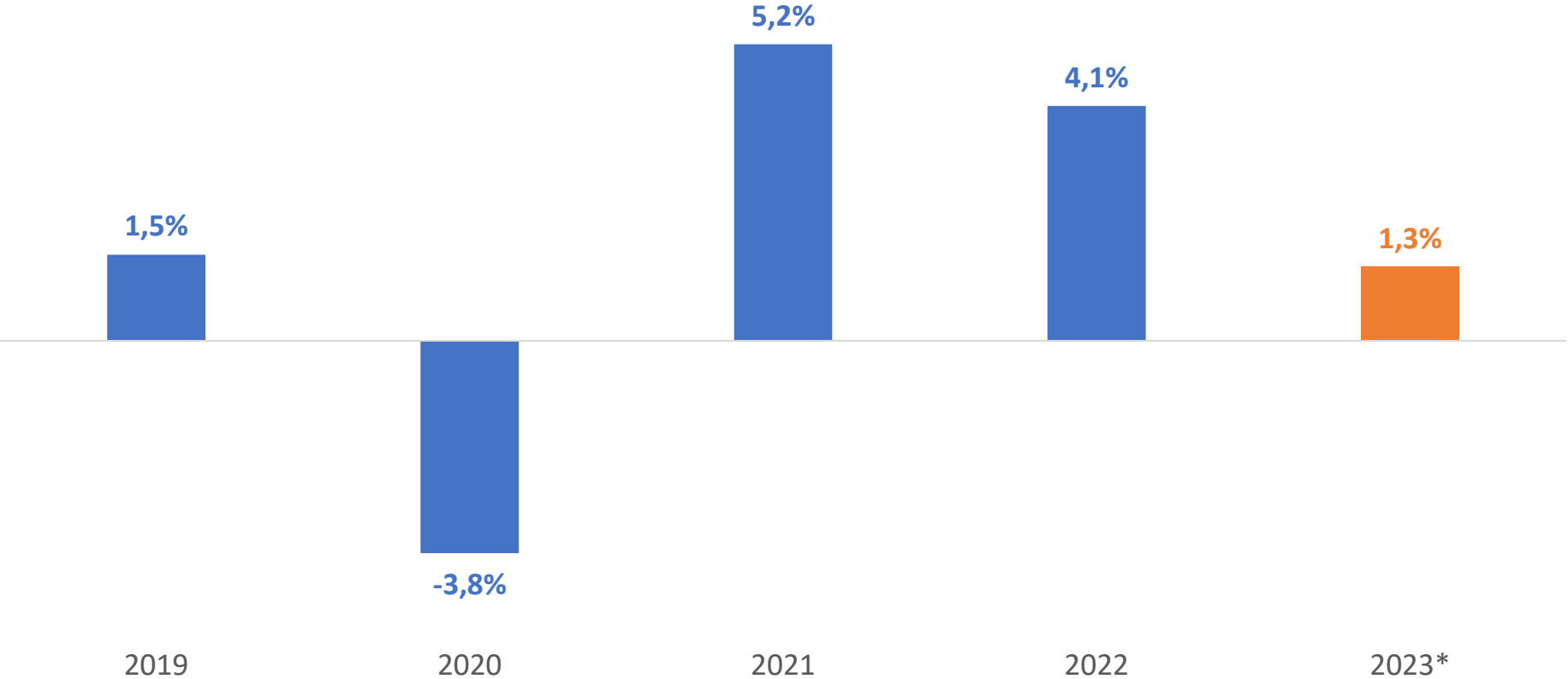
Source: IBGE.  
\*CNI Projection

# 2023: Deceleration ordered by monetary policy

## Expectation of services sector slowdown in 2023

### SERVICES GDP AND CNI EXPECTATION

Annual growth rate (%)



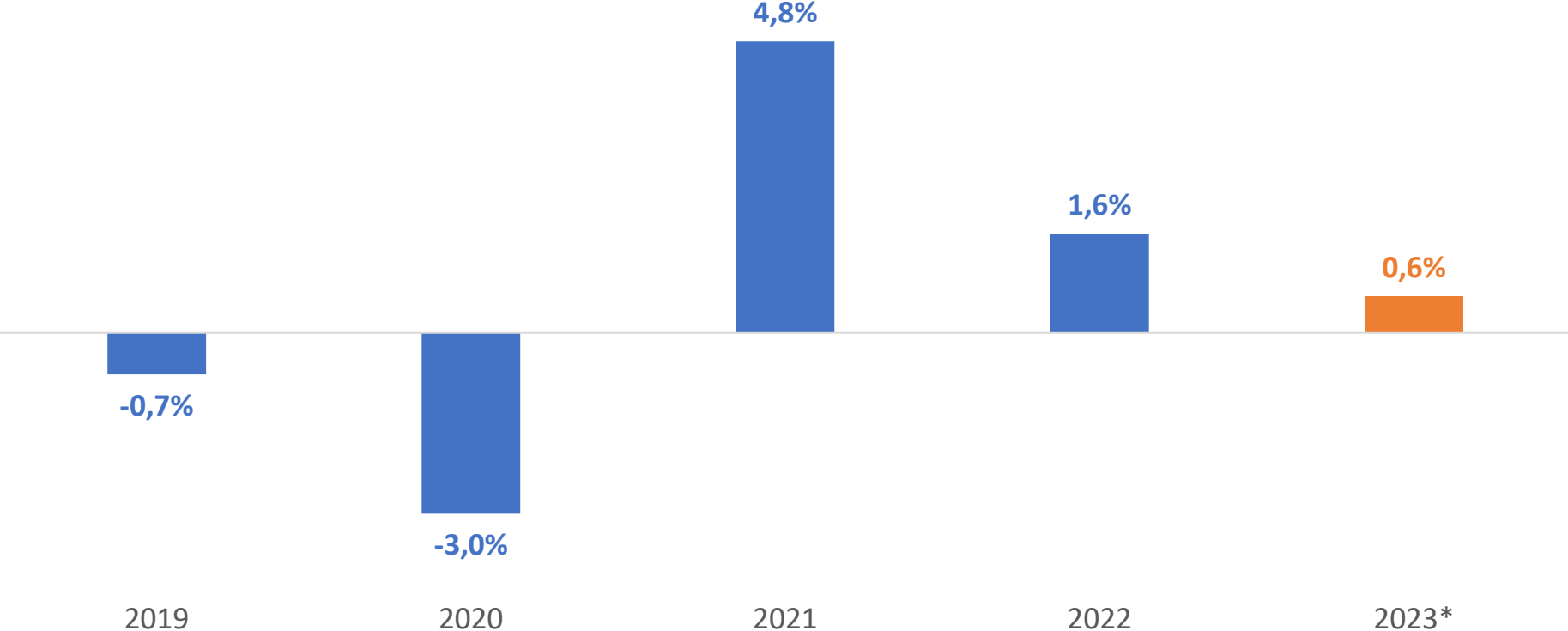
Source: IBGE.  
\*CNI Forecast

# 2023: Deceleration ordered by monetary policy

## Expectation of industrial growth slowdown in 2023

### INDUSTRIAL GDP AND CNI EXPECTATION

Annual growth rate (%)



Source: IBGE.  
\*CNI Forecast

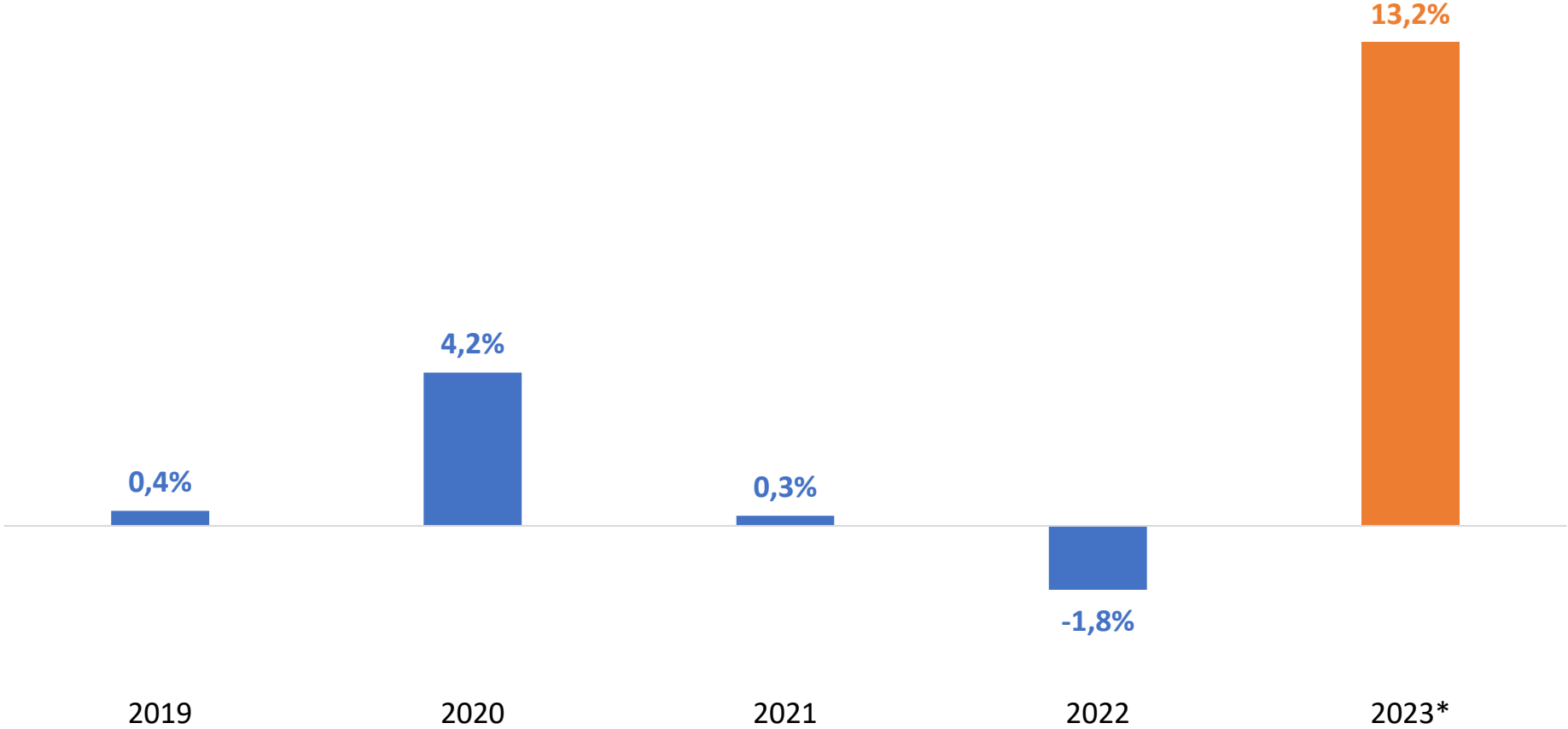


# 2023: Deceleration ordered by monetary policy

## Expectation of strong agricultural GDP growth in 2023

### AGRICULTURAL GDP AND CNI EXPECTATION

Annual growth rate (%)



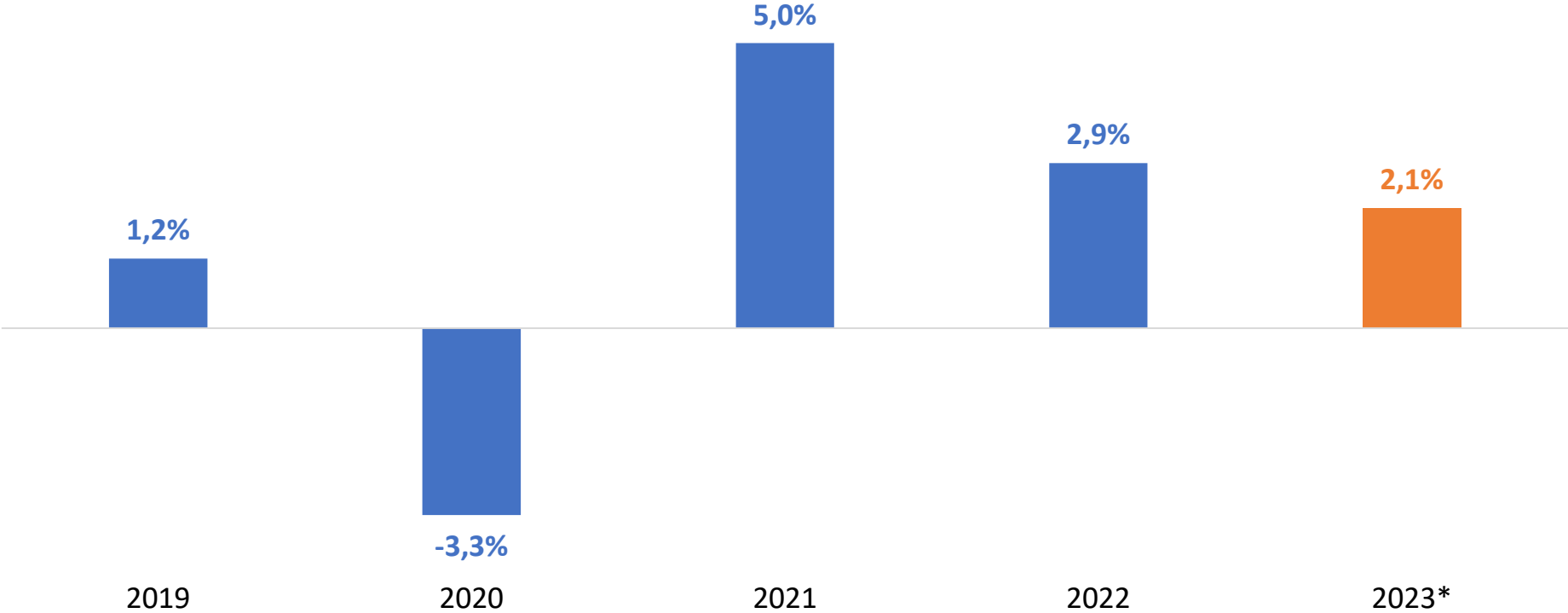
Source: IBGE.  
\*CNI Forecast

# 2023: Deceleration ordered by monetary policy

## Reduction in economic growth in 2023

### TOTAL GDP AND CNI EXPECTATION

Annual growth rate (%)



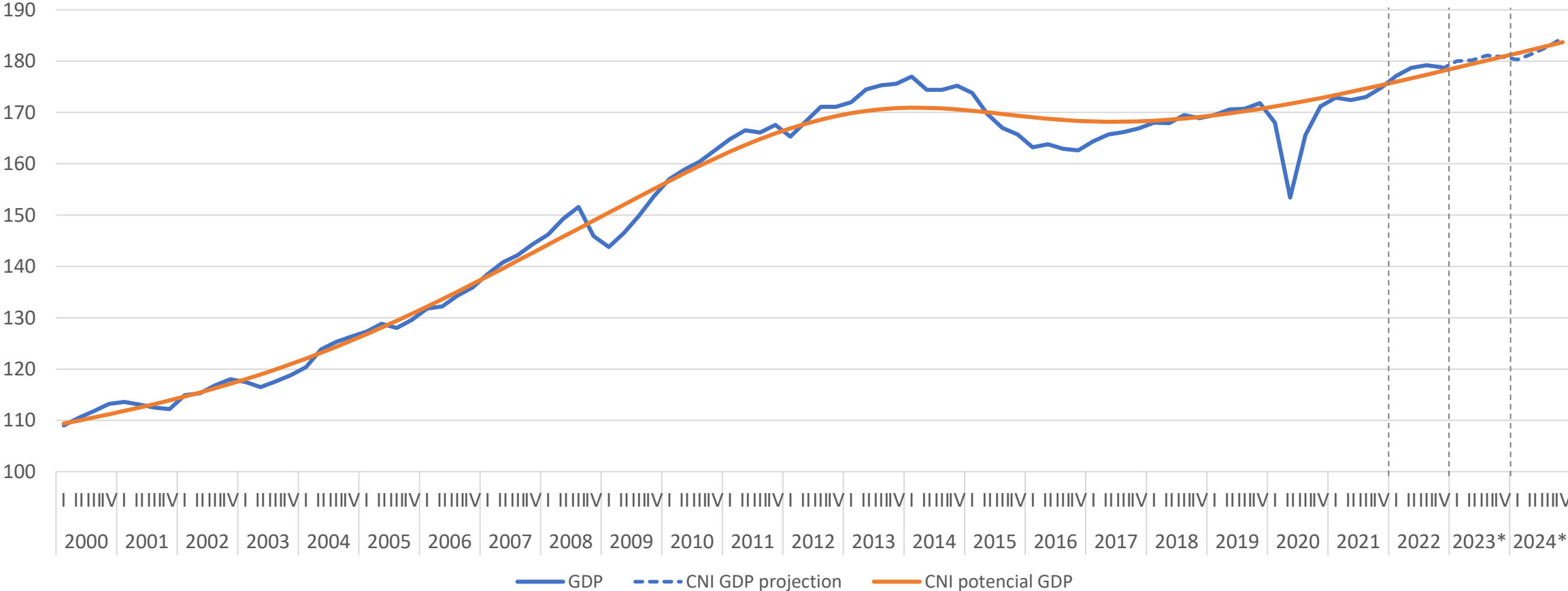
Source: IBGE.  
\*CNI Forecast

**Brazil: low growth in  
previous decades and  
recent structural  
reforms**

# The problem of low growth

## Potential for economic growth remains low

**BRAZILIAN GDP, CNI PROJECTION, AND POTENTIAL GDP**  
Quarterly volume index with seasonal adjustment (1995 = 100)



Source: IBGE. Elaboration: CNI.  
\*CNI Forecast

# **Industry priorities: Brazil's Industrial Plan**

# Priority missions

## Response to relevant social challenges



### 1 DECARBONIZATION

Develop a Low Carbon Economy, with incentives for industrial decarbonization, energy efficiency, and promotion of bioeconomy and circular economy.



### 2 DIGITAL TRANSFORMATION

Enable Brazilian companies, particularly small and medium-sized enterprises, to broaden their market reach and thus qualify for participation in global supply chains.



### 3 HEALTH AND SANITARY SAFETY

Ensure universal access and foster the competitive development of the production and export chain of medicines, vaccines, tests, protocols, equipment and services.



### 4 DEFENSE AND NATIONAL SECURITY

Support the development of strategic links within the defense and national security industrial complex chains focusing on dual-use technologies.

# Brazil's Industrial Plan

## Horizontal actions

THE HORIZONTAL PROPOSALS AIM TO CREATE A LEVEL PLAYING FIELD FOR BRAZIL. BRAZIL'S INDUSTRIAL PLAN PRESENTS **60 PROPOSALS**, DIVIDED INTO **9 THEMATIC CATEGORIES** COVERING THE FOLLOWING AREAS:



# Achieved results

## CNDI announces a mission-oriented industrial policy

### PROPOSAL 47

Ensure access to inputs, technologies, and logistics necessary for food security

The measures proposed in this proposal are:

- a) Make efforts to implement the “Plano Nacional de Fertilizantes - PNF” (national fertilizer plan);
- b) Facilitate credit for rural producers to have access to Agriculture 4.0;
- c) Identify vulnerabilities in critical inputs for agribusiness to anticipate disruptions in supply chains;
- d) Diversify means of transportation to reduce dependence on highways for the transportation of goods and people; and
- e) Develop and increase the use of bioinputs to strengthen more sustainable agricultural production, aiming at a low-carbon economy and the expansion of the bioeconomy\*

\*Nota: The Industrial Development Directorate, within the scope of the Agroindustry Thematic Council, is preparing the study "The Importance of Industry for Food Security," which will be released soon.

### CNDI MISSIONS

Sustainable and digital agro-industrial chains for food and nutritional security

Expand and strengthen national production of bioinputs and generate new goods, services, and biotechnological routes in the food and agricultural sectors;

Reduce external dependency and enhance domestic production of machinery, agricultural implements, fertilizers, pesticides, and other relevant inputs and technologies for agricultural production;

Develop secure and suitable digital equipment and solutions for different types of agriculture, focused on the production and distribution of food; and

Develop and implement relevant technologies to improve quality, add value, and reduce losses and waste in the food and agricultural sectors.



# Achieved results

## CNDI announces a mission-oriented industrial policy

### PROPOSAL 30

#### Increase investment in infrastructure

Ensure the increase in public investments in infrastructure to leverage private investments through the expansion and acceleration of the Public-Private Partnership (PPP)

### PROPOSAL 23

#### Accelerate the negotiation of strategic trade agreements

Accelerate Brazil's international integration based on a comprehensive negotiation agenda in trade, tax, and investment issues, with a priority on concluding and internalizing the Mercosur-European Union Agreement without reopening negotiations. Adopt the necessary policies to promote exports, greater internationalization of our companies, and attract foreign investments

### CNDI MISSIONS

#### Sustainable infrastructure, sanitation, housing, and mobility for productive integration and well-being in large cities

Strengthen national production chains in water and sanitation infrastructure, mobility, transportation logistics, telecommunications, and energy, enhancing productive and commercial integration nationally and with neighboring countries in coordination with investment programs.

Expand local digital infrastructures with a focus on 5G, including private networks and the integration of hardware and software to provide services in the scope of smart cities and industries.

Strengthen national production chains in construction and infrastructure works, prioritizing digitization, intelligent construction systems, sustainable materials, renewable energy, water and sewer networks, and stormwater drainage, especially for housing under the Minha Casa, Minha Vida Program and other investment programs.

Develop technologies, goods, services, and national companies in mobility systems, transportation logistics, their parts, and components, with a focus on the circular economy, energy transition, and digitalization.



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