

XV DIPLOMATIC BRIEFING

# ECONOMIC OVERVIEW

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*Video conference :: November 20<sup>th</sup>, 2020*



Confederação Nacional da Indústria

PELO FUTURO DA INDÚSTRIA

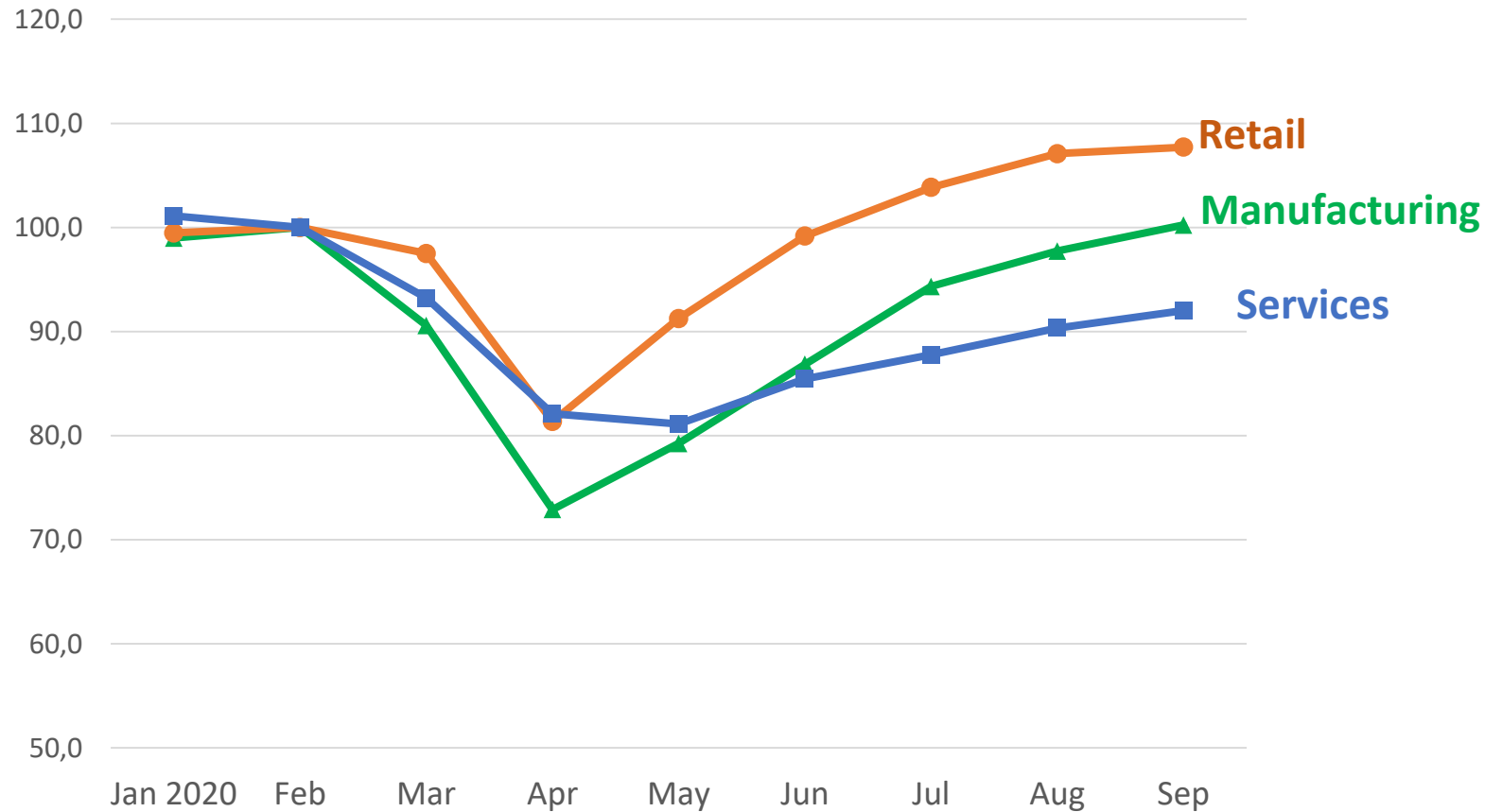


# Quick recovery of the Brazilian economy

## Manufacturing, Retail and Services

Seasonally adjusted

Volume index: Feb 2020 = 100



**Worst moment**  
of the economic crisis  
was in  
**April**

**Retail and**  
**manufacturing** have  
already reached  
pre-pandemic levels

Source: IBGE.

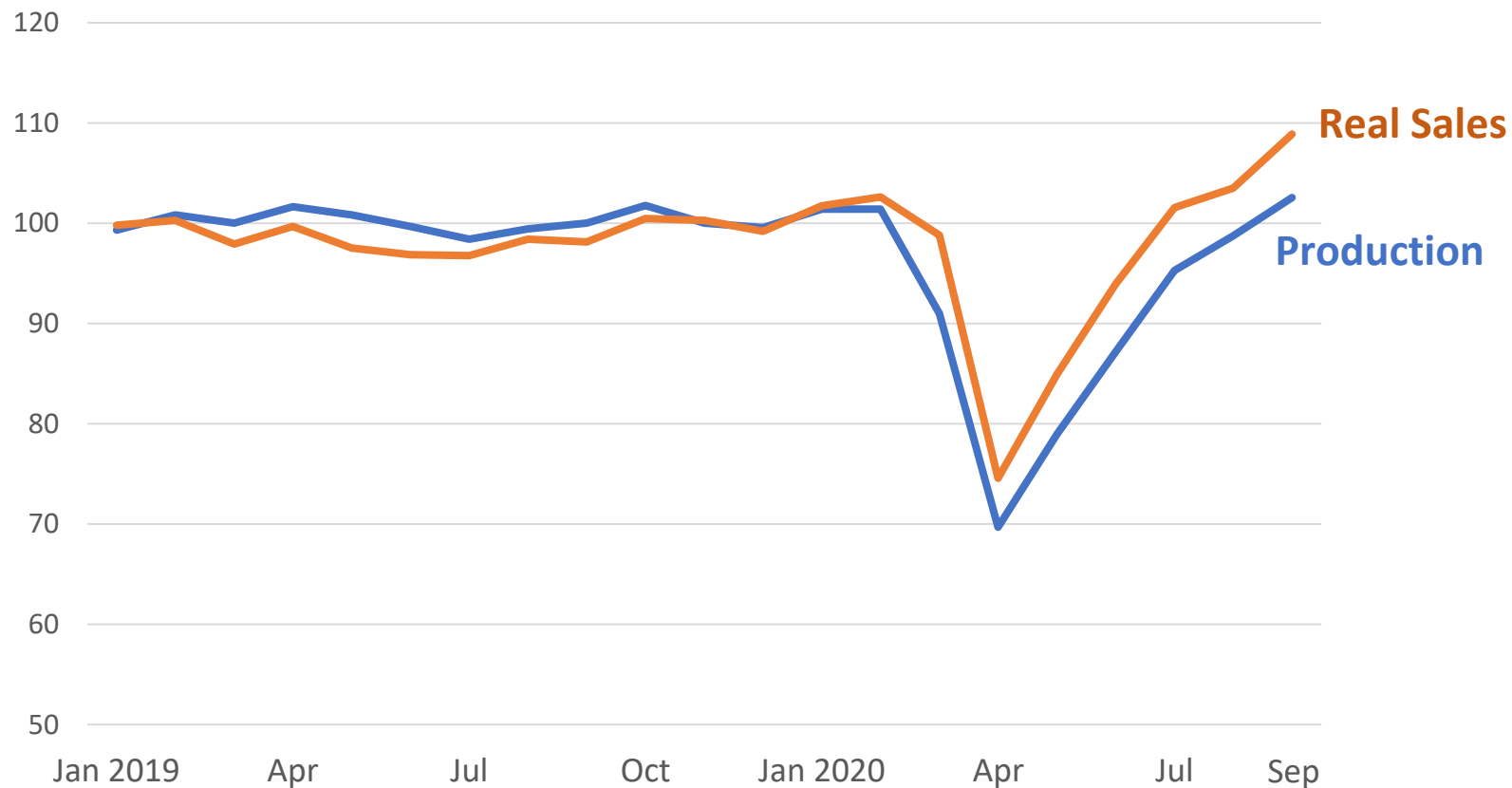


# Manufacturing industry recovers pre-pandemic levels

## Manufacturing: Production and Sales

Seasonally adjusted

Index: 2018 = 100



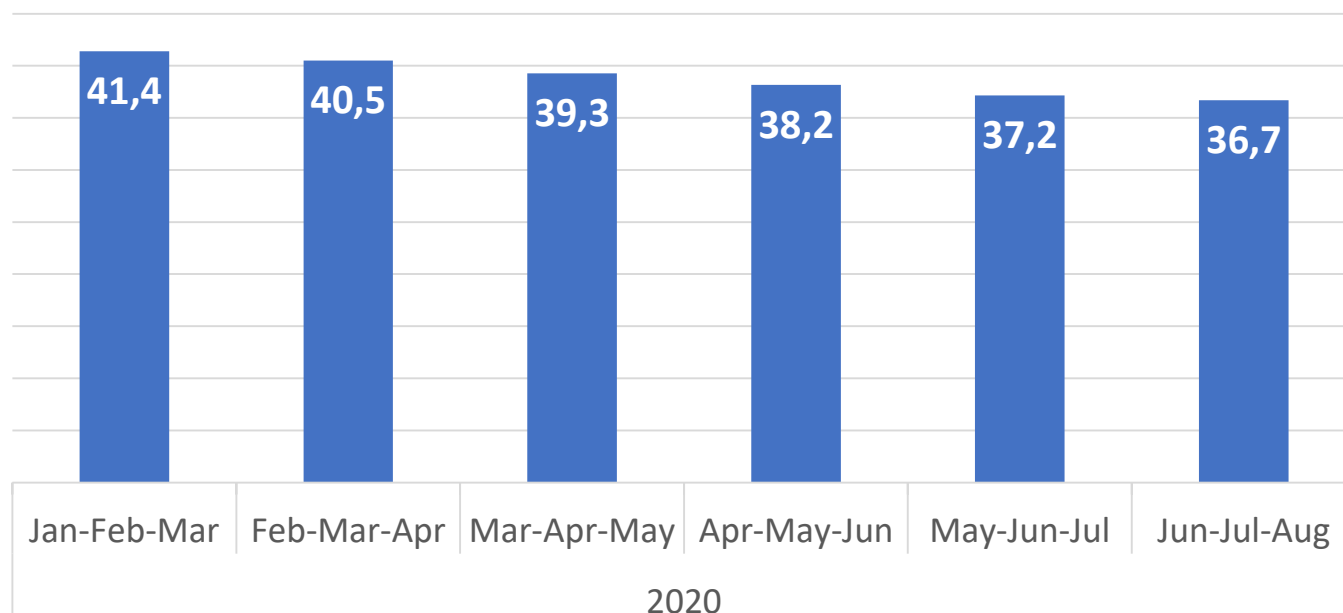
**Sales grow faster than production, but both have already surpassed the pre-pandemic level**



# Creating a safety net for families and companies has been essential for the economic recovery

## Formal employment

Millions of people



Source: IBGE.

Moderate impact on **formal employment** and on **household income** were very important for the recovery of the economy

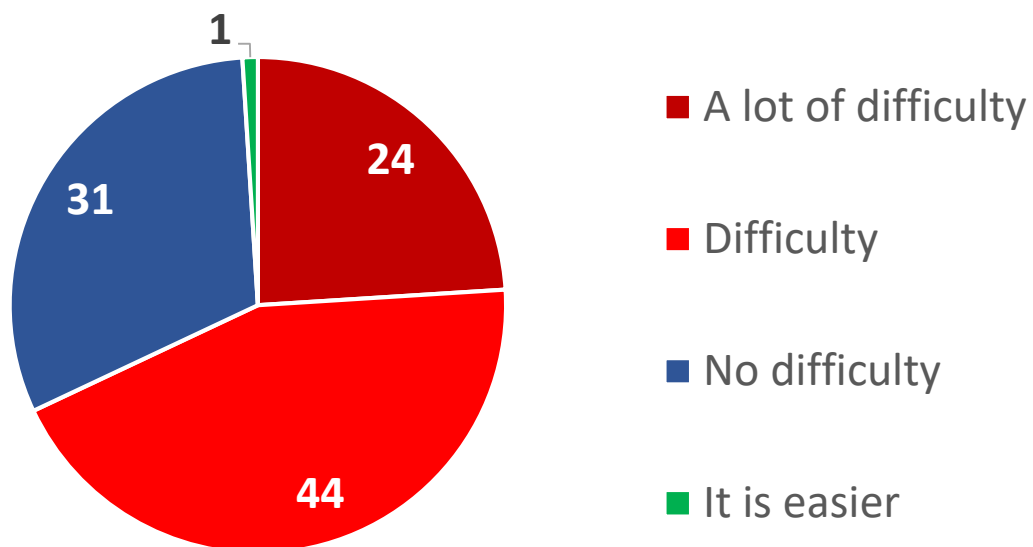


# Inputs and raw materials shortages should be a short-term problem

## Difficulty in obtaining raw materials or inputs

October 2020

Percentage of manufacturing companies (%)



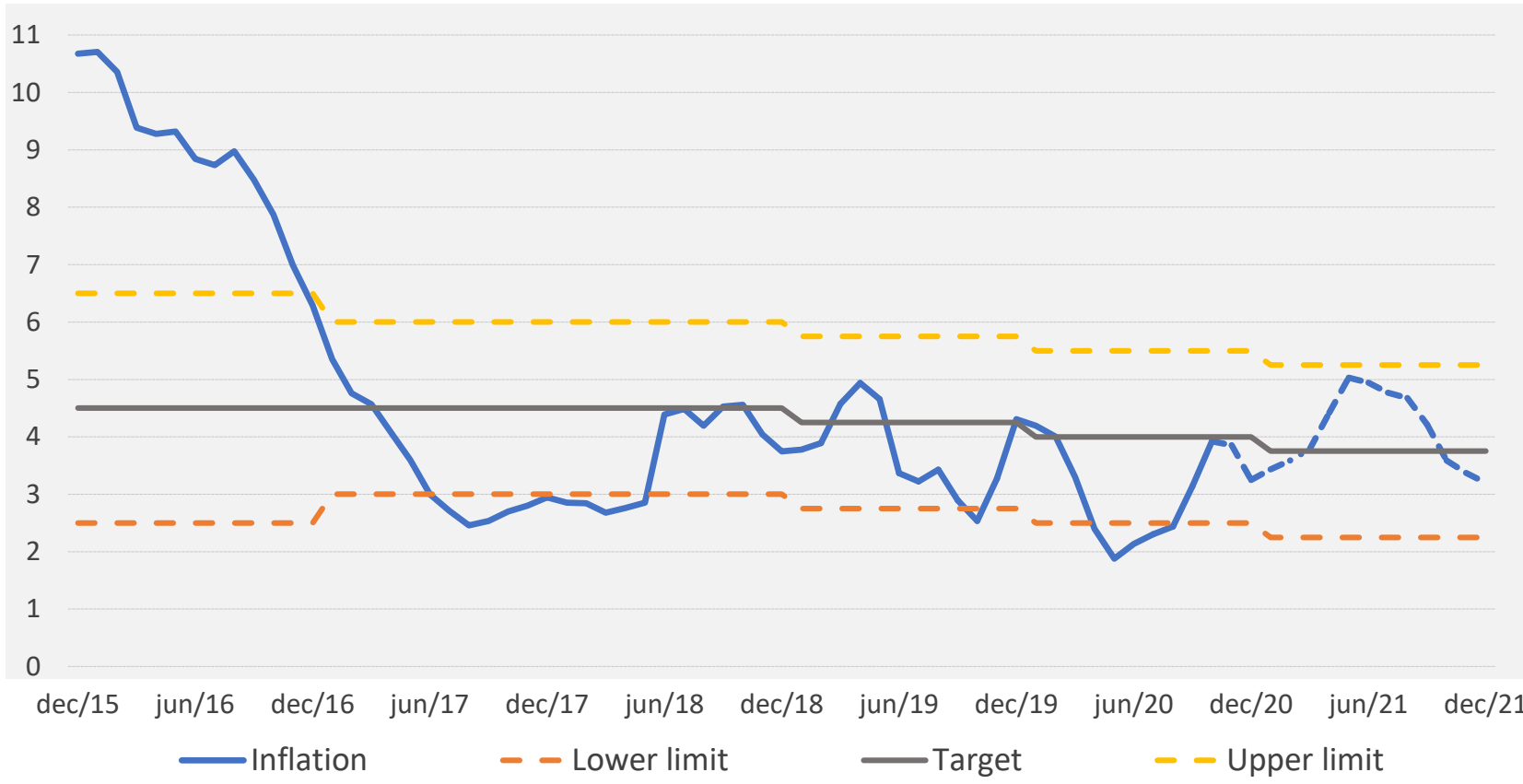
**Low inventories and rapid recovery in demand cause inputs and raw materials shortages**

source: CNI.



# Inflation is still under control ...

Inflation Rate and Inflation Target Range  
12-month period (%)



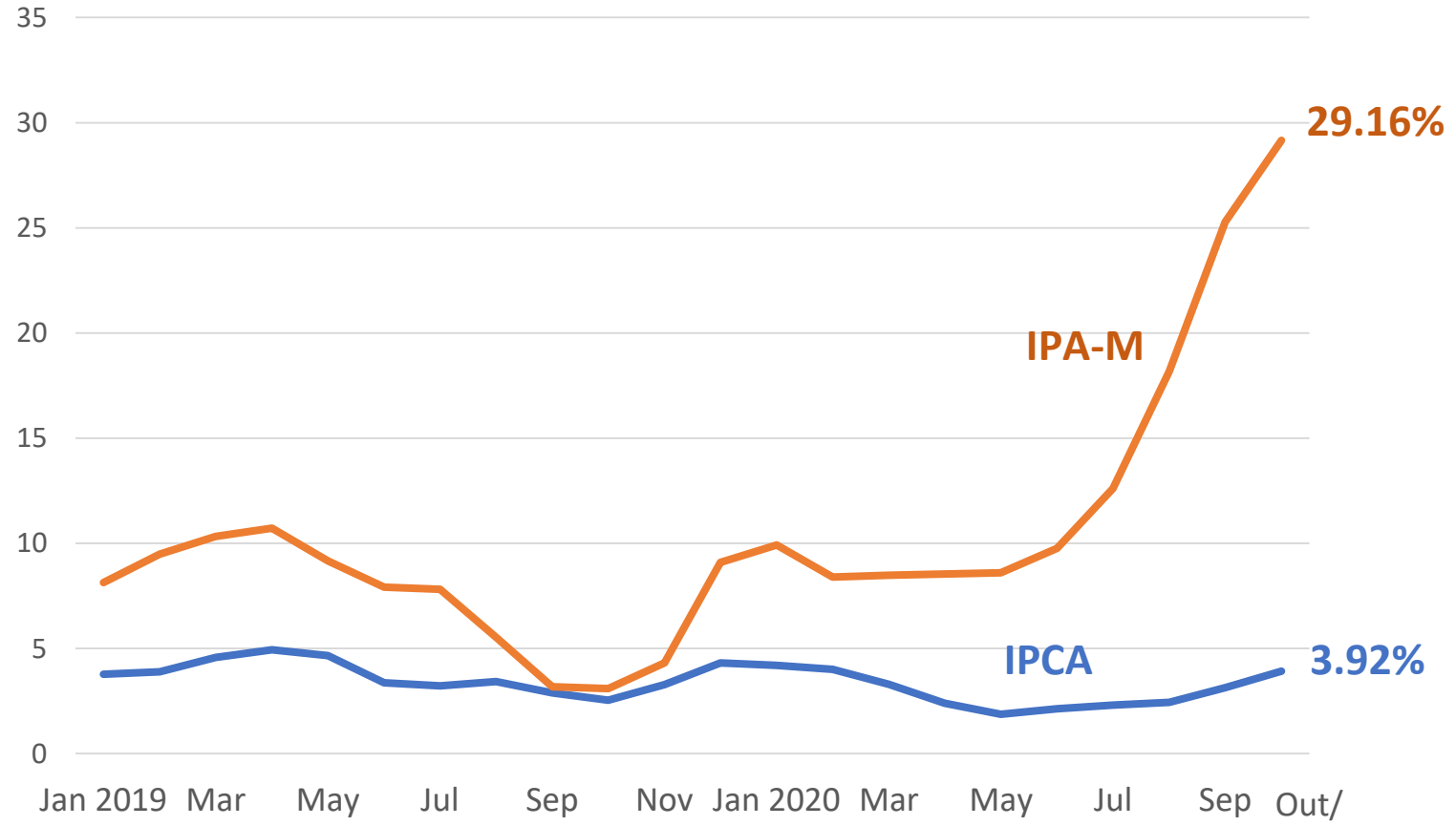
The use of  
expansionary  
**monetary**  
**policy** is an  
option

Source: IBGE and Central Bank.  
As of November 2020, forecast (Focus survey/ Central Bank).



# ... but producer prices are growing fast

Inflation Rate: Consumer prices (IPCA) and Producer prices (IPA-Manufacturing)  
12-month period (%)



Inputs and raw materials shortages and currency devaluation are putting pressure on **producer prices and food prices**

Source: IBGE and FGV.



# Depreciated and volatile Brazilian currency

Exchange Rate (R\$/US\$)



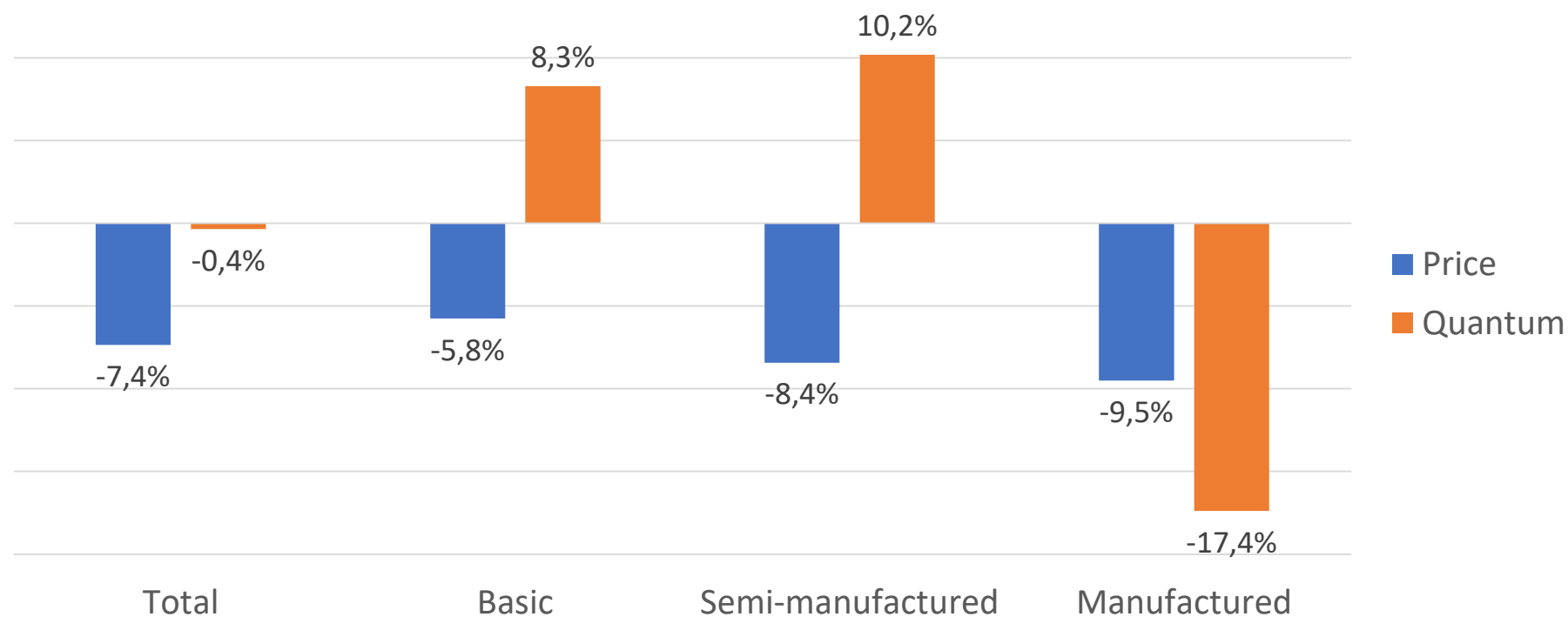
Source: Central Bank





# Exports of basic and semi-manufactured products also support the recovery

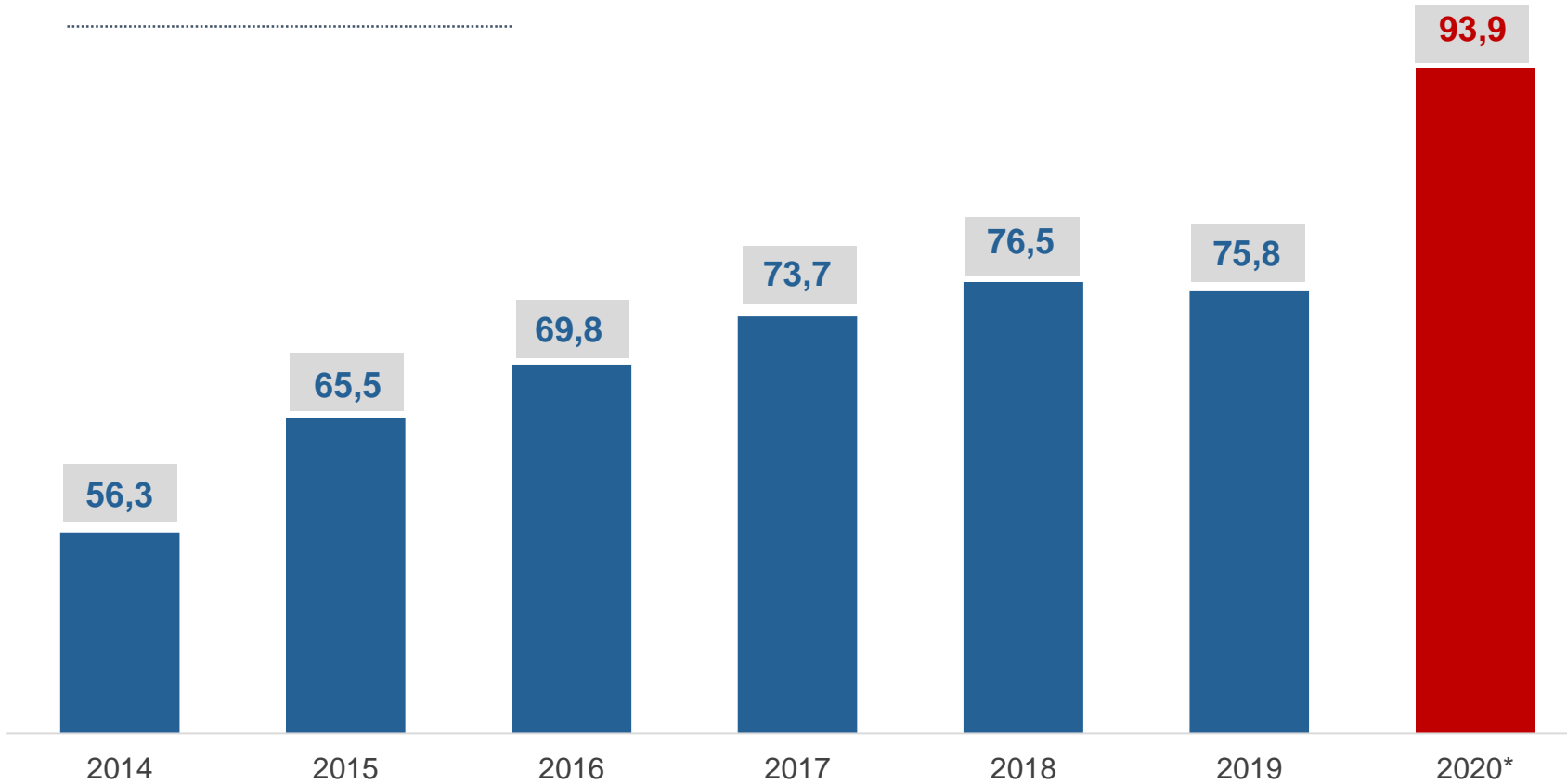
Brazilian exports  
Price and Quantum Index  
Variation Jan-Oct 2020 / Jan-Oct 2019





# Public sector deficit is a serious constraint

Public Sector Gross Debt  
% of GDP



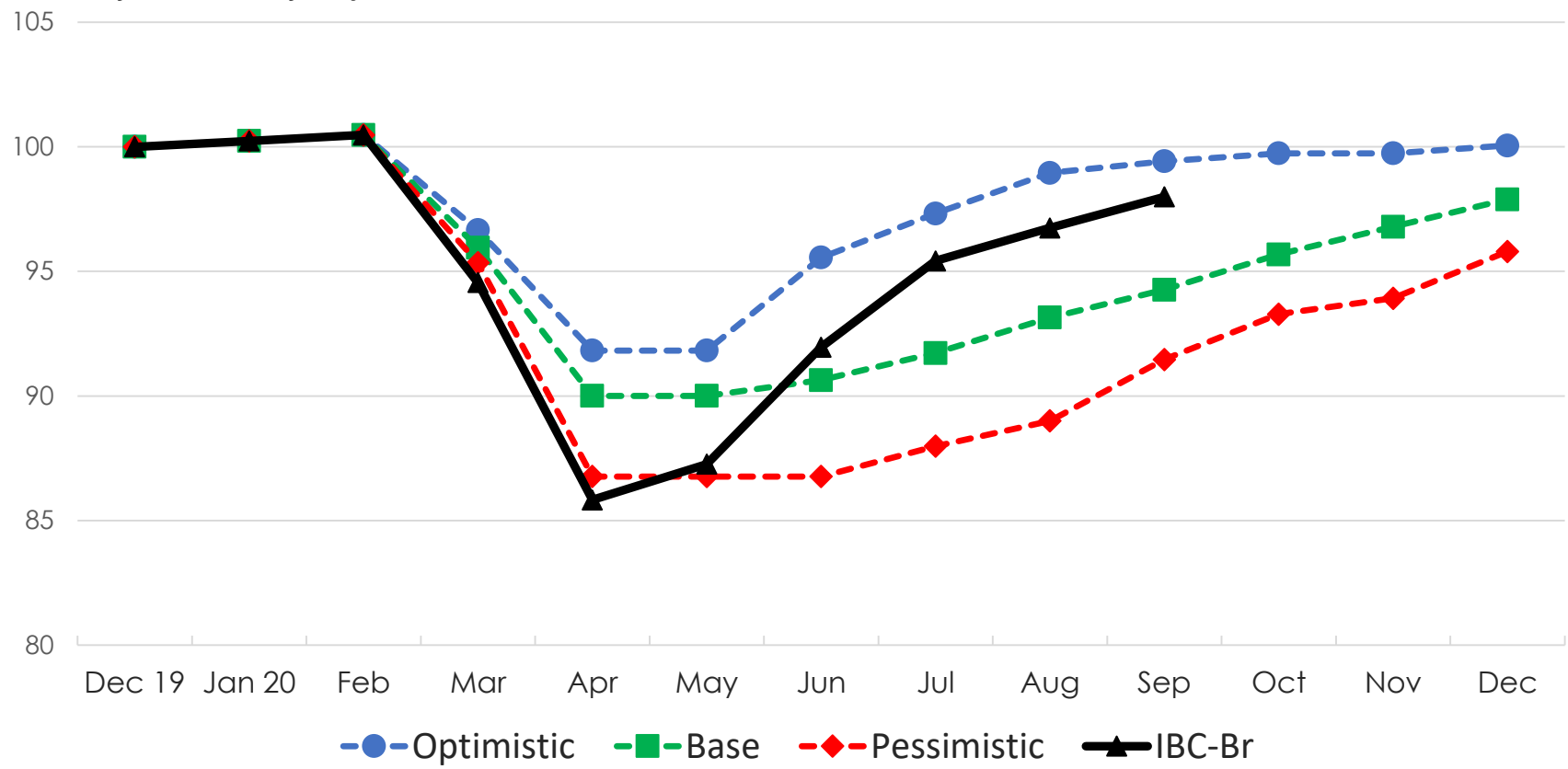
The use of an expansionary **fiscal policy** is limited

Source: Central Bank of Brazil. \*CNI estimate.



# Outlook for Brazilian GDP

CNI's GDP growth scenarios and IBC-Br (GDP proxy)  
 Monthly seasonally adjusted index. Dec 2019=100



-0.9%  
 -4.2%  
 -7.3%

IBC-Br: Index of Economic Activity of the Brazilian Central Bank. It is a leading indicator reflecting GDP.  
 Source: CNI and Central Bank



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