XV DIPLOMATIC BRIEFING

ECONOMIC OVERVIEW

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Executive Manager of Economics
Video conference :: November 20th, 2020
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

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

Manufacturing: Production and Sales
Seasonally adjusted
Index: 2018 = 100

Source: IBGE.
Creating a safety net for families and companies has been essential for the economic recovery.

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

Formal employment
Millions of people

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<tbody>
<tr>
<td>41,4</td>
<td>40,5</td>
<td>39,3</td>
<td>38,2</td>
<td>37,2</td>
<td>36,7</td>
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Source: IBGE.
Inputs and raw materials shortages should be a short-term problem

Difficulty in obtaining raw materials or inputs
October 2020
Percentage of manufacturing companies (%)

- A lot of difficulty: 1
- Difficulty: 24
- No difficulty: 31
- It is easier: 44

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

source: CNI.
Inflation is still under control …

The use of expansionary monetary policy is an option.

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

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

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

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<thead>
<tr>
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<th>Price</th>
<th>Quantum</th>
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<tbody>
<tr>
<td>Total</td>
<td>-7.4%</td>
<td>-17.4%</td>
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<tr>
<td>Basic</td>
<td>-5.8%</td>
<td>8.3%</td>
</tr>
<tr>
<td>Semi-manufactured</td>
<td>-8.4%</td>
<td>10.2%</td>
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<tr>
<td>Manufactured</td>
<td>-9.5%</td>
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Source: Funcex
Public sector deficit is a serious constraint

Public Sector Gross Debt
% of GDP

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

- Optimistic
- Base
- Pessimistic
- IBC-Br

Source: CNI and Central Bank