

## Indicators already reflect the impact of Covid-19 on the Brazilian economy

### Overview

- **Early indicators for the month of March have begun to show the effects of Covid-19 on the Brazilian economy.** In line with falling confidence indicators, activity data experienced significant drops over the past month. Auto sales fell 35% from February, as reported by the auto distributors federation Fenabrave. Other indicators are expected to show a similar trend, compatible with a shrinking GDP for the first quarter. For the next few months, we believe that monitoring the speed of the outbreak, and the success of containment measures will be key in determining how the economy might recover.
- **To mitigate these impacts, new measures to shore up the job market were announced by the government this week.** They include expanding the financial aid for formal workers to a larger number of activities and the announcement of a program that will allow for more flexible employment contracts. Meanwhile, measures to boost liquidity continue to be implemented.
- **In the U.S., the current epicenter of the coronavirus, indicators are already signaling a recession.** Labor market data showed a significant drop in employment, with more than six million people applying for unemployment benefits last week and a net loss of 701,000 jobs in March. In addition, the ISM and PMI fell to below 50 points last month, indicating a contraction for the period.
- **While European indicators also took a sharp dive, the Chinese economy is showing tentative signs of recovery.** Worldwide, the service sector has taken the hardest hit, in line with the final reading of the Eurozone PMIs for March. In China, the uptick in these indicators suggests a gradual economic recovery, in line with our expectation of a 3.0% GDP growth in 2020.

### The week ahead

- **Activity and inflation data will be on the radar.** Anfavea will release auto manufacturing data for March, which should also reflect the effects of the coronavirus outbreak. In addition, we expect last month's IPCA to continue showing a benign inflation outlook, intensified by the impacts of Covid-19.
- **Worldwide, the pandemic has also led to deflationary effects.** U.S. and China consumer inflation are both expected to turn negative for the month of March.

Time	Country	Event	Forecast (Bloomberg)	Forecast (Depec)
<b>Monday 04/06</b>				
08:00	Brazil	FGV: IGP-DI (Mar)	1.17% (MoM)	1.28% (MoM)
08:25	Brazil	BCB: Focus Survey (weekly)		
10:30	Brazil	Anfavea: Vehicle Production (Mar)		
15:00	Brazil	MDIC: Trade Balance (weekly)		
<b>Tuesday 04/07</b>				
08:00	Brazil	FGV: Employment Indicators (Mar)		
09:00	Brazil	IBGE: Retail sales (PMC) (Feb)	-0.4% (MoM)	-0.6% (MoM)
03:00	Germany	Industrial Production (Feb)	-2.9% (YoY)	
<b>Wednesday 04/08</b>				
08:00	Brazil	FGV: IGP-M (1st preview) (Apr)		
09:00	Brazil	IBGE: Services Sector Volume (PMS) (feb)		2.0% (YoY)
09:00	Brazil	IBGE: Industrial Production - regional (Feb)		
14:30	Brazil	BCB: Currency Flows (weekly)		
--	Brazil	CNI: Capacity Utilization (Jan)	78.1%	
15:00	USA	Fed Minutes		
<b>Thursday 04/09</b>				
05:00	Brazil	FIPE: Consumer Price Index (weekly)		
09:00	Brazil	IBGE: Consumer Price Index (IPCA) (Mar)	0.11% (MoM)	0.10% (MoM)
09:00	Brazil	IBGE: Agricultural production Survey (abr)		
09:00	Brazil	Conab: 6th Grains crop survey 2019/2010 (Apr)		
09:30	Brazil	BCB: Economic Activity Index (Feb)		0.1% (MoM)
09:30	USA	Initial Jobless Claims - Weekly		
11:00	USA	University of Michigan Sentiment (Apr - P)	82	
22:30	China	CPI (Mar)	4.9% (YoY)	
-	USA	USDA: World Agricultural Supply and Demand Estimates		
<b>Friday 04/10</b>				
-	Brazil	National Holiday - Closed markets		
09:30	USA	CPI (Mar)	-0.3% (MoM)	

	2017	2018	2019	2020
<b>GDP growth (%)</b>	1.3	1.3	1.1	-1.0
<b>Consumer inflation - IPCA (%)</b>	2.95	3.75	4.3	3.0
<b>Wholesale inflation - IGP-M (%)</b>	-0.5	7.5	7.3	4.9
<b>Selic Rate (% eop)</b>	7.00	6.50	4.50	3.00
<b>Exchange Rate (BRL/USD, eop)</b>	3.31	3.87	4.03	4.70
<b>Industrial Production (%)</b>	2.5	1.0	-1.1	-0.8
<b>Retail Sales (%)</b>	4.0	5.0	3.9	-1.7
<b>Job Creation (in thousands)</b>	1899	966	1816	-189
<b>Unemployment Rate (% of labor force, avg)</b>	12.7	12.3	12.1	13.3
<b>Outstanding Credit Growth (%)</b>	-0.5	5.1	6.5	4.0
<b>Trade Balance (USD bn)</b>	64.0	53.0	39.4	46.2
<b>Current Account (USD bn)</b>	-15.0	-41.5	-50.8	-30.1
<b>Primary Balance (BRL bn)</b>	-111	-108.3	-62	-350
<b>Gross Debt (% of GDP)</b>	74.1	76.5	75.8	85.8

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