

## Global stimuli attempt to cushion impacts of Covid-19

### Overview

- **The most recent indicators have shown a strong economic contraction in key economies.** March previews of the PMI indexes portrayed very sharp drops in the US, Europe and Japan. As expected due to the shutdown resulting from the fight against Covid-19, the strongest impacts have been shown in the services sector. It is the sector most relevant to the GDP of those economies, with a high absorption of labor. In the US, initial jobless claims reached a record high of 3.3 million last week. Gradual economic resumption has been recorded in China.
- **Global authorities have responded to intensified risks with a wide variety of stimuli.** Announcements of monetary and fiscal stimuli have been on an upswing recently. Central banks in developed and emerging countries have cut interest rates, while their governments have introduced spending expansion programs. Although it is questionable whether the current fiscal deterioration could generate a future sovereign crisis, such actions are necessary, at this time, to mitigate the intensifying risks, with probable recession in the global economy. In the US alone, the Senate approved a USD 2 trillion stimulus package for businesses, workers and the healthcare system. G-20 leaders would be willing to inject USD 5 trillion through further stimuli.
- **In Brazil, the expansion of the economic shutdown was followed by the announcement of more stimuli.** The Central Bank announced stimuli totaling BRL 1.2 trillion (16.7% of the GDP). The measures are of macroprudential nature and include an additional temporary reduction of the bank reserve requirement. On the other hand, recent communication reinforced that, despite the benign inflation scenario, further interest rate cuts are not on the horizon at this time. The BNDES, in turn, launched a BRL 55 billion package to assist companies in maintaining employment. At the same time, the Federal Government announced a BRL 88 billion package for states and municipalities, which includes funds for healthcare and suspended payment of state debts with the Federal Government.
- **Signs are mounting that first quarter growth will be weak.** The January IBC-Br indicated a 0.24% increase in the margin, corroborating the also positive results pointed out in the conjunctural surveys of industry and services in that period. However, this result suggests a weaker start for 2020. At the same time, the most recent industry, retail, construction and consumer surveys showed significant drops in confidence in March.

### The week ahead

- **Next week, eyes will be on the labor market and industrial production indicators for February.** The constant downward trend in the unemployment rate was likely to have been interrupted in February, reflecting weaker economic data early in the year, even before the economic shutdown due to the pandemic. February industrial production, in turn, is expected to drop, returning part of the increase seen in January. The FGV Survey will weigh in heavily to assess the recent impacts of the shutdown on the most relevant sector of the Brazilian economy.
- **Highlights abroad will include payroll in the US in March and the final result of the PMI indexes, including China, which should already reflect some recovery from the February dip.** After the sharp rise in the number of claims for unemployment benefits, we will receive more indications on the North American labor market.

Time	Country	Event	Forecast (Bloomberg)	Forecast (Depec)
<b>Monday 03/30</b>				
08:00	Brazil	FGV: IGP-M (Mar)		1.09% (MoM)
08:00	Brazil	FGV: Services Confidence (Mar)		
08:25	Brazil	BCB: Focus Survey (weekly)		
--	Brazil	Central Govt Budget Balance (Feb)		-R\$ 28.8 b
09:00	Germany	CPI (Mar - P)		
22:00	China	Manufacturing PMI (Mar)	44.8	
<b>Tuesday 03/31</b>				
09:00	Brazil	IBGE: Unemployment Change (Feb)		11.7%
09:30	Brazil	BCB: Press Release - Fiscal Policy (Feb)		
03:00	United Kingdom	GDP (4Q - P)	0.0% (QoQ)	
06:00	Eurozone	CPI (Mar - P)		
11:00	USA	Consumer Confidence (Mar)	119	
18:00	Chile	Central bank meeting		
<b>Wednesday 04/01</b>				
09:00	Brazil	IBGE: Industrial Production (PIM) (Feb)		-0.4% (MoM)
10:00	Brazil	Markit: PMI Manufacturing (Mar)		
10:00	Brazil	CNI: Capacity Utilization (Jan)		
14:30	Brazil	BCB: Commodity Price Index		
14:30	Brazil	BCB: Currency Flows (weekly)		
15:00	Brazil	MDIC: Trade Balance - monthly (Mar)		
--	Brazil	Fenabreve: Vehicle sales (Mar)		
04:55	Germany	Markit: Manufacturing PMI (Mar - F)		
05:00	Eurozone	Markit: Manufacturing PMI (Mar - F)		
05:30	United Kingdom	Markit: Manufacturing PMI (Mar - F)	47	
09:15	USA	Employment Change (ADP) (Mar)	-90k	
11:00	USA	ISM Manufacturing (Mar)	45.5	
<b>Thursday 04/02</b>				
05:00	Brazil	FIPE: Consumer Price Index - monthly (Mar)		
09:30	USA	Initial Jobless Claims - Weekly		
22:45	China	Composite PMI (Mar)		
<b>Friday 04/03</b>				
10:00	Brazil	Markit: Composite PMI (Mar)		
04:55	Germany	Markit: Composite PMI (Mar - F)		
05:00	Eurozone	Markit: Composite PMI (Mar - F)		
05:30	United Kingdom	Markit: Composite PMI (Mar - F)		
09:30	USA	Unemployment Rate (Mar)	3.9%	
09:30	USA	Change in Nonfarm Payrolls (Mar)	-61k	
11:00	USA	ISM Services (Mar)	48.5	
<b>During the week</b>				
-	Brazil	Caged: Formal Job Creation Total (Jan)	77.5 k	74 k

	2017	2018	2019	2020
<b>GDP growth (%)</b>	1,3	1,3	1,1	2,0
<b>Consumer inflation - IPCA (%)</b>	2,95	3,75	4,3	3,3
<b>Wholesale inflation - IGP-M (%)</b>	-0,5	7,5	7,3	4,5
<b>Selic Rate (% eop)</b>	7,00	6,50	4,50	3,75
<b>Exchange Rate (BRL/USD, eop)</b>	3,31	3,87	4,03	4,30
<b>Industrial Production (%)</b>	2,5	1,0	-1,1	0,5
<b>Retail Sales (%)</b>	4,0	5,0	3,9	3,7
<b>Job Creation (in thousands)</b>	1899	966	1816	1229
<b>Unemployment Rate (% of labor force, avg)</b>	12,7	12,3	12,1	11,3
<b>Outstanding Credit Growth (%)</b>	-0,5	5,0	6,5	9,4
<b>Trade Balance (USD bn)</b>	64,0	53,0	39,4	35,6
<b>Current Account (USD bn)</b>	-15,0	-41,5	-50,8	-56,0
<b>Primary Balance (BRL bn)</b>	-111	-108,3	-62	-106
<b>Gross Debt (% of GDP)</b>	74,1	76,5	75,8	74,3

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