

New stimulus measures continue to be announced

Overview

- **The trajectory of COVID-19 cases suggests that the worse in Europe may have been left behind.** As the number of new cases and deaths suggests that the outbreak is slowing, some European countries announce that they will begin to ease restrictions for specific sectors over the next few weeks. Countries like the U.S. and Brazil, however, will still see the number of recorded cases rising in the coming weeks before following the same trajectory. However, the Chinese experience shows that, even if restrictions are fully lifted, there is no guarantee that the economy will restart immediately – which suggests caution, especially when we think about the pace of recovery ahead.
- **Early indicators suggest that the global economy came to a screeching halt in March.** The global PMI fell from 47.1 to 40.7 points – the lowest level since December 2008 –, suggesting an annualized GDP growth of 0.6% in the first quarter. Indicators will remain stuck at low levels, at least in the beginning of the second quarter, probably indicating a much more severe contraction of the global economy in the period. Initial jobless claims remains above the 6.6 million level per week, pointing to a sharp deterioration of the US job market.
- **While a large number of stimulus measures have already been implemented, new packages continue to be announced,** including some that were rolled out this past week. The European Central Bank announced sweeping measures to ease the guarantees required for loans and the FED announced additional USD 2.3 trillion in support for the economy. The Japanese government prepares a fiscal package worth approximately USD 1 trillion and the White House announced that it will ask Congress for an additional USD 250 billion to help prevent layoffs.
- **In Brazil, activity indicators for March show a sharp decline at the end of the first quarter.** Manufacturing and retail data came in above expectations in February and suggested that activity had started 2020 at a robust pace. However, auto manufacturing fell by 20% in March, and is expected to drop even more in April, in line with expectations for a severe economic contraction in the second quarter. In this context, relief measures are beginning to gain traction, as businesses credit lines are being offered and emergency funds being paid to families to supplement their income.
- **Consumer Inflation (IPCA) rose 0.07% in March, below expectations.** The breakdown of the index showed an encouraging picture, as food, durable and industrial goods prices remained muted. There was some concern over these products, given the increased demand for food while the country is facing restrictions on movement and a sharp depreciation of the BRL.

The week ahead

- **The monthly GDP proxy for February is the only release on the domestic calendar.** In the absence of figures that capture the economic dynamics since the isolation period began, markets should look for coincident indicators, even if they are secondary, to gauge the extent of the shock.
- **The highlights on the international calendar are the growth numbers for China and new indicators for the U.S.** China's first-quarter GDP growth will provide clues into the size of the impact on the first country to go through the isolation. In the US, retail sales, manufacturing output and real estate data will indicate the magnitude of the slowdown in March.

Time	Country	Event	Forecast (Bloomberg)	Forecast (Depec)
Monday 04/13				
08:25	Brazil	BCB: Focus Survey		
15:00	Brazil	MDIC: Trade Balance (weekly)		
Tuesday 04/14				
09:00	Brazil	BCB: Economic Activity Index (Feb)	0.25% (m/m)	0.0% (m/m)
00:00	China	Trade Balance (Mar)	US\$ 21.3 bi	
Wednesday 04/15				
08:00	Brazil	FGV: IGP-10 (Apr)		
14:30	Brazil	BCB: Currency Flows (weekly)		
09:30	USA	Empire Manufacturing Index (Apr)	-28	
10:15	USA	Industrial Production (Mar)	-3.9% (m/m)	
15:00	USA	Fed: Beige Book		
Thursday 04/16				
03:00	Germany	CPI (Mar - F)	0.1% (m/m)	
06:00	Eurozone	Industrial Production (Feb)	-2.0% (a/a)	
09:30	USA	Initial Jobless Claims - Weekly		
09:30	USA	Fed Philadelphia Outlook (Apr)	-20	
20:00	Peru	Central bank meeting		1,25%
23:00	China	GDP (1Q)	-5.9% (a/a)	
23:00	China	Industrial Production (Mar)	-9.9% (a/a)	
23:00	China	Fixed Assets Investments (Mar)	-14.5%	
Friday 04/17				
05:00	Brazil	FIPE: Consumer Price Index (weekly)		
06:00	Eurozone	CPI (Mar - F)		
08:00	Brazil	FGV: IGP-M (2nd preview) (Apr)		

	2017	2018	2019	2020
GDP growth (%)	1,3	1,3	1,1	-1,0
Consumer inflation - IPCA (%)	2,95	3,75	4,3	3,0
Wholesale inflation - IGP-M (%)	-0,5	7,5	7,3	4,9
Selic Rate (% eop)	7,00	6,50	4,50	3,00
Exchange Rate (BRL/USD, eop)	3,31	3,87	4,03	4,70
Industrial Production (%)	2,5	1,0	-1,1	-0,8
Retail Sales (%)	4,0	5,0	3,9	-1,7
Job Creation (in thousands)	1899	966	1816	-189
Unemployment Rate (% of labor force, avg)	12,7	12,3	12,1	13,3
Outstanding Credit Growth (%)	-0,5	5,1	6,5	4,0
Trade Balance (USD bn)	64,0	53,0	39,4	46,2
Current Account (USD bn)	-15,0	-41,5	-50,8	-30,1
Primary Balance (BRL bn)	-111	-108,3	-62	-350
Gross Debt (% of GDP)	74,1	76,5	75,8	85,8

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