



In, On and For Emerging Markets

A CEIC Insights Report

Brazil Economy in a Snapshot Q4 2019



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Executive Summary



Key Highlights

- The Brazilian economy grew by 1.17% y/y in Q3 2019 according to seasonally adjusted data. The growth was mainly consumption-driven, whereas fixed investment slowed down, and exports contracted on an annual basis.
- Inflation ended Q3 within the central bank's target range but then slipped to 2.53% in October.
- To combat decreasing inflation the Central Bank of Brazil (BCB)'s rate-setting committee cut the benchmark Selic rate by a cumulative 200 bp in the period July-December to 4.5%.
- The Sao Paulo stock exchange benchmark index BOVESPA rose to 104,745.3 in September from 101,812.1 in July and ended 2019 at 115,645.3.
- The fiscal deficit narrowed down to 5.96% of GDP in Q3, whereas the current account deficit widened to 3.38% of GDP.
- The trade surplus narrowed down by 12.9% y/y to USD 5.59bn in December. The value of exports slipped by 6.15% y/y to USD 18.1bn in December, while imports dropped by 2.8% y/y to USD 12.5bn.

Economic Outlook

Economic growth is expected to remain stable according to the CEIC Leading Indicator. Data from the smoothed leading indicator trended downwards in Q3 from 107.3 in July to 107.08 in September but picked up in October to 107.15 and rose to 107.3 in November. Growth is expected to accelerate according to raw data, as the indicator rose from 108.28 in November from 105.29 in August. Based on latest high-frequency data, Focus Economics analysts forecast growth of 2% for 2020 and 2.5% in 2021.

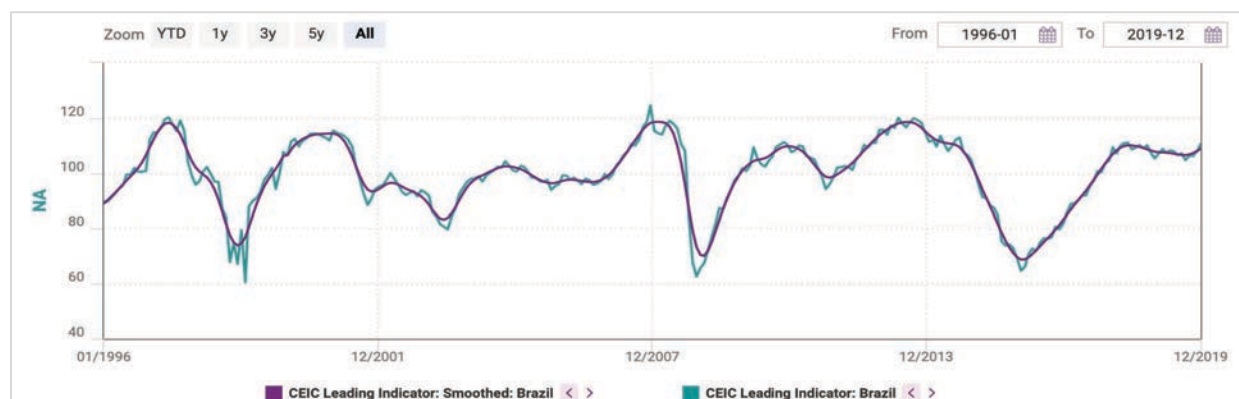
The IMF's forecasts are similar, however, less optimistic. According to the fund's estimations, Brazil's economy is projected to grow by 1.16% in 2019 and then accelerate to 2.17% and 2.27% in 2020 and 2021, respectively. Afterwards the growth rate is expected to remain stable, staying in a close range of 2.26%-2.41% up until 2024. The World Bank forecasts that Brazil's annual GDP growth rate will accelerate from 1.5% in 2019 to 2.5% in 2020 and then slow down marginally to 2.3%.

Industrial activity is forecast to slow down in the short term according to the purchasing managers' index (PMI). The composite PMI rose to 52.5 in September but trended downwards in Q4 to 50.9 in December. Manufacturing PMI dropped sharply to 50.2 in December from 52.9 in November, standing slightly above the threshold of 50 which divides positive from negative outlook. The manufacturing PMI was weighed on by main components such as the output index and the employment index, which dropped to 50.4 and 49.3, respectively, in December. The activity in the export sector is forecast to further deteriorate as the new export orders index plunged deeper into negative territory in Q4 to 40.1 in December from 47.9 in October. The services sector is expected to remain stable as the services PMI stood at 51 in December.

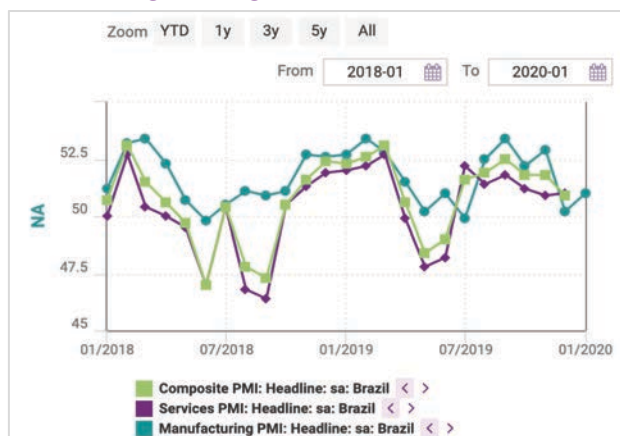
President Jair Bolsonaro's government delivered the long-awaited pension reform bill in October 2019. The bill is foreseen to generate savings of around USD 300bn, which could be used to reduce the country's high government debt. In such an improving environment, managers became increasingly optimistic as shown by the entrepreneurial confidence indicator which rose in Q4 to 64.3 in December from 59.3 in October. The growth of entrepreneur confidence is forecast to keep accelerating in 2020 as the Ministry of Economy led by Paulo Guedes is ready to deliver a reform aimed at simplifying the tax system. Moreover, the government is committed to speed up the privatisation of state-owned enterprises and increase investment in infrastructure. However, reforms have barely affected people's expectations and the consumer confidence index remained constant at 47.3 in both Q3 and Q4.

The BCB eased sharply its policy in the second half of 2019. From July to December the bank's rate setting committee cut the benchmark Selic rate by a cumulative 200 bp. Considering the pick-up in inflation in November coupled with the weakening real, analysts suggest that the current easing cycle might be put on hold or even put to an end.

Purchasing Managers' Index



Purchasing Managers' Index



Consumer & Entrepreneur Confidence



Source: CEIC Data

Summary

Economic growth accelerated marginally to 1.17% y/y in Q3 from 1.09% y/y in Q2, underpinned by robust private consumption. Government consumption dropped by 1.41% y/y in Q3, while investment growth slowed down to 2.87%. Exports plunged by 5.5% y/y amid a recession in neighbouring Argentina and subdued demand in main trading partners. Imports growth remained robust at 2.36% y/y in Q3.

In terms of value, **retail trade** expanded by 4.8% y/y and 5% y/y in September and October, respectively. The labour market remained robust as the **unemployment rate** stayed constant at 11.8% in Q3.

Inflation undershot the BCB's target range of 2.75%-5.75% as it stood at 2.53% in October. In November inflation picked up to 3.27%, returning within the central bank's target range. To tackle the low inflation, the central bank cut the interest rate by a cumulative 200 bp in the period July-December to a record low 4.5% in December.

The Sao Paulo **stock exchange benchmark index BOVESPA** increased to 104,745.3 in September from 101,812.1 in July and ended 2019 at 115,645.3. The **Brazilian real** depreciated to BRL 4.12 per USD in September from BRL 3.78 per USD in July and closed 2019 at USD/BRL 4.1. The real weakened against the euro as it traded at BRL 4.54 per EUR in September compared to BRL 4.24 per EUR in July and ended the year at BRL 4.57 per EUR.

The **fiscal deficit** narrowed to 5.96% of GDP in Q3, the lowest figure since Q4 2014. **Gross public debt** reached a historic high of 78.99% of GDP in August, though it slipped marginally to 77.65% of GDP in November.

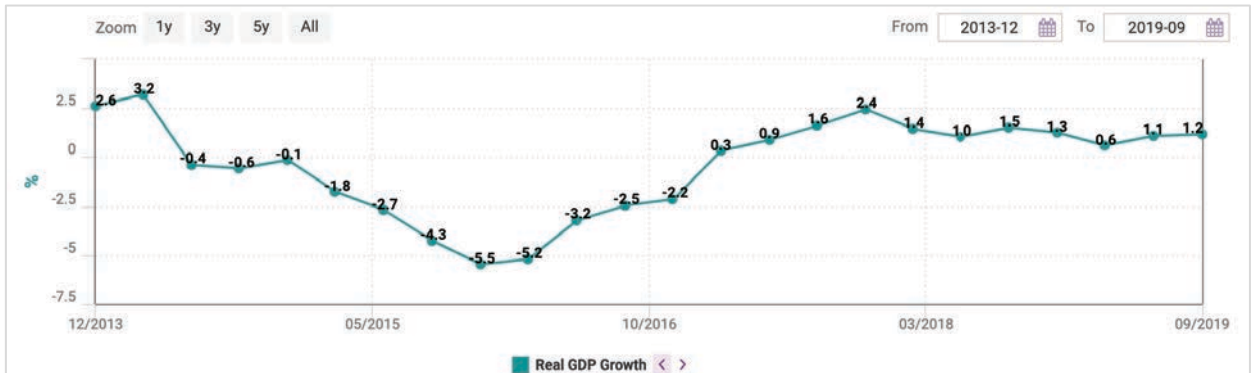
The **value of exports** fluctuated in Q3 and then slipped in Q4 to USD 18.1bn in December, down 6.15% y/y. **Imports** expanded by 16.86% y/y in September and by 5.72% y/y in October, before dropping by 2.8% y/y to USD 12.5bn in December. The **trade surplus** narrowed by 12.9% y/y to USD 5.59bn in December. The **current account deficit** widened to 3.38% of GDP as it stood at USD 15.8bn in Q3.

Brazil Economy: Statistics at a Glance

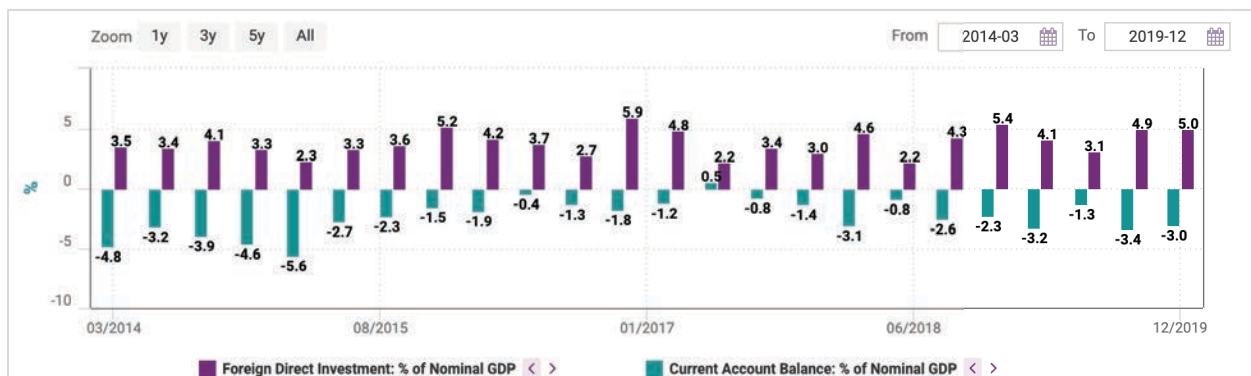
	Unit	01.01.2020	12.01.2019	11.01.2019	10.01.2019	09.01.2019	08.01.2019
Real GDP: sa: YoY%	%					1.17	
Industrial Production Index: YoY: Monthly: sa: Brazil	%			-0.68	1.03	0.46	-2.13
Consolidated Fiscal Balance: % of Nominal GDP: Quarterly: Brazil	%		-5.77			-5.96	
Government Debt: % of Nominal GDP: Quarterly: Brazil	%		75.77			78.01	
Tax Revenue: % of Nominal GDP: Quarterly: Brazil	%		14.87			14.63	
Unemployment Rate: Monthly: Brazil	%		11.00	11.20	11.60	11.80	11.80
Retail Sales: YoY: Monthly: sa: Brazil	%			1.57	4.09	3.21	0.63
Consumer Confidence: Jul2010=100: YoY Growth: Monthly: sa: Brazil	%	-5.14	-1.51	-3.66	4.55	7.41	6.59
Consumer Price Index: YoY: Monthly: Brazil	%		4.31	3.27	2.54	2.89	3.43
<i>Broad Producer Price Index: IPA DI: YoY</i>	%		9.63	6.24	3.29	2.60	10.18
Total Exports: YoY: Monthly: Brazil	%		-6.15	-15.55	-10.57	5.59	-13.40
Total Imports: YoY: Monthly: Brazil	%		-2.80	-15.98	5.72	16.86	-17.08
Current Account Balance: % of Nominal GDP: Quarterly: Brazil	%		-3.04			-3.39	
Foreign Direct Investment: % of Nominal GDP: Quarterly: Brazil	%		4.96			4.92	
External Debt: % of Nominal GDP: Annual: Brazil	%		31.21				
M2: YoY: Monthly: Brazil	%		8.46	8.44	7.33	6.48	6.91
Policy Rate: Month End: Brazil: SELIC	% pa	4.50	4.50	5.00	5.00	5.50	6.00
Energy Generation; %CHANGE(Over Year)	%		0.23	2.14	3.46	2.95	-0.51

Source: CEIC Data

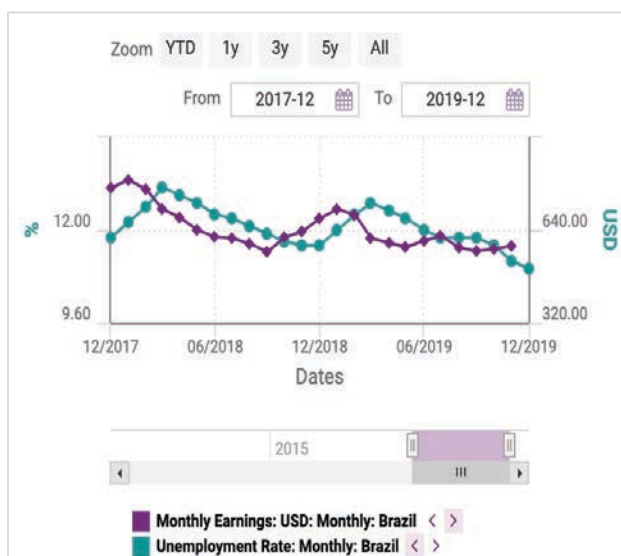
Real GDP Growth



Current Account Balance & FDI



Unemployment Rate & Monthly Earnings



Headline and Core Inflation



Source: CEIC Data



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Real Sector



Real Sector

The Brazilian economy kept recovering in Q3 2019 as it grew by 1.17% y/y, according to seasonally-adjusted data. The marginal increase from its Q2 reading of 1.09% y/y was mainly consumption-driven, as household expenditure expanded by 1.9% y/y. Public spending kept decreasing on a yearly basis, falling by 1.41% y/y in Q3. Although the economic outlook is improving, companies are still hesitant to increase investments, as fixed investment growth slowed down to 2.87% y/y in Q3 from 5.5% y/y in Q2.

Amid an ongoing recession in Argentina fuelled by populist policies, exports plummeted by 5.5% on an annual basis in the third quarter, whereas imports growth remained stable at 2.19% y/y. Among Brazil's highest-grossing sectors in terms of value added, commerce kept expanding as the sector grew by 2.36% y/y in Q3. The growth of real estate activities decelerated for the fourth consecutive quarter, standing at 1.93% y/y in Q3. General growth was weighed on by contractions in both manufacturing and public administration, by 0.55% y/y and 0.61% y/y, respectively, in the same period.

The growth of industrial production managed to recover in September as the industrial production index (IPI) posted a 0.46% y/y growth, followed by 1.03% y/y in October. Growth was boosted by a recovery in manufacturing growth to 0.81% y/y and 2.09% y/y in September and October, respectively. On the contrary, mineral extraction continued to decline by 2.83% y/y in September and by 7.48% y/y in October.

Following a moderate reading in August, the retail trade index performed robustly in terms of value as it expanded by 4.8% y/y and 5% y/y in September and October, respectively. In volume terms, retail sales grew by 3.2% y/y in September and by 4% y/y in October.

The unemployment rate remained constant in Q3, at 11.8%. In the following two months, the rate dropped to an over-three-year low of 11.2% in November. The average nominal wage growth slowed down for the fourth quarter in a row to 3.06% in Q3 from 3.94% in Q2. The fastest growth in employment was registered in transportation activities and personal services, at 5.3% y/y and 3.45% y/y, respectively in November. Employment in manufacturing and mining activities, on the other hand, contracted by 1.47% y/y in November.

The volume of residential apartments sold expanded by 15.44% y/y in the third quarter to 32,575 units. Growth in construction costs was 4.43% in September, down from its 2019 peak of 4.97% in April 2019.

GDP: Real Growth and Nominal

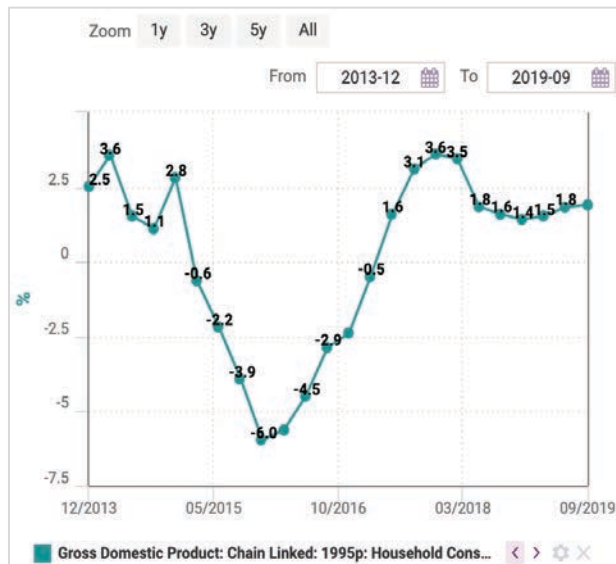


Monthly GDP: BRL & USD

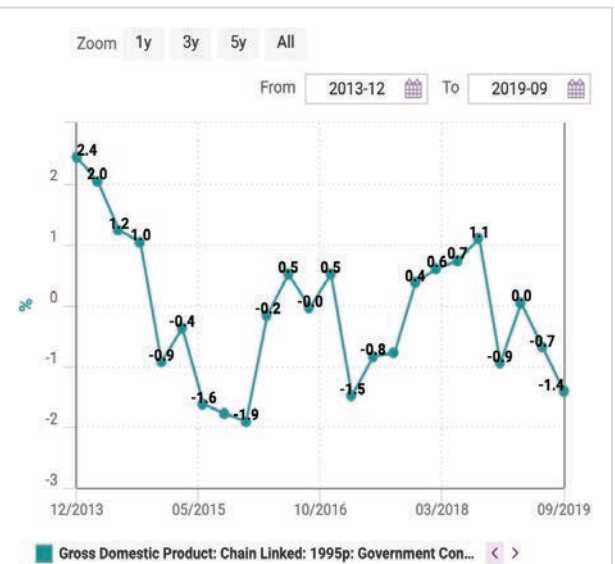


Source: CEIC Data

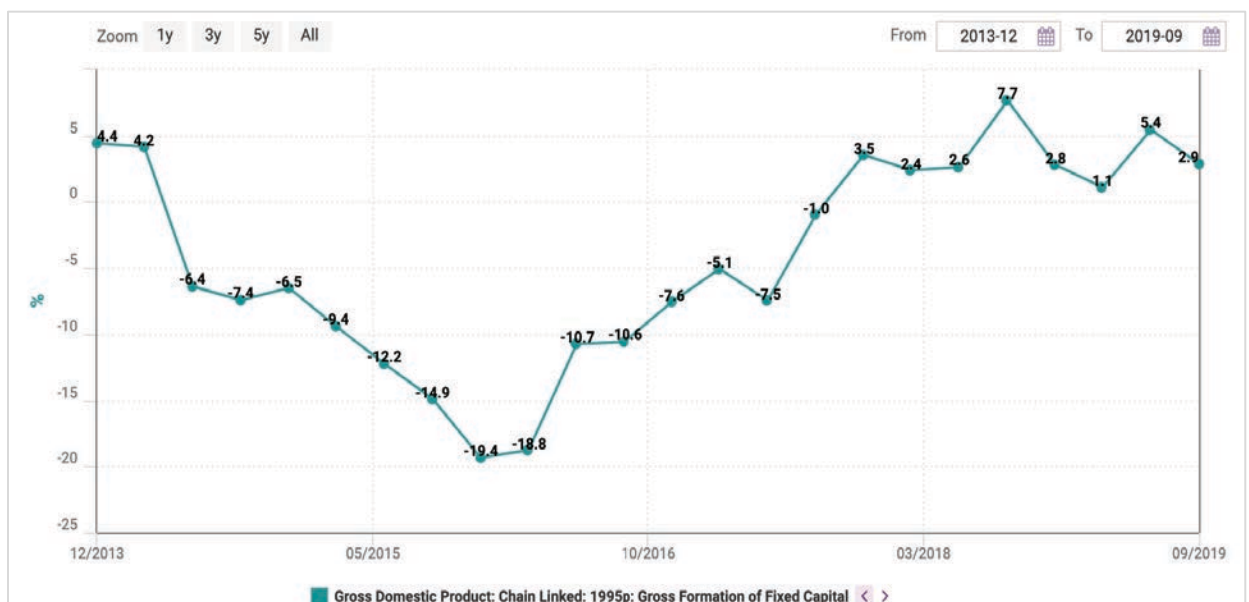
Household Consumption Expenditure: YoY Growth



Government Consumption Expenditure: YoY Growth

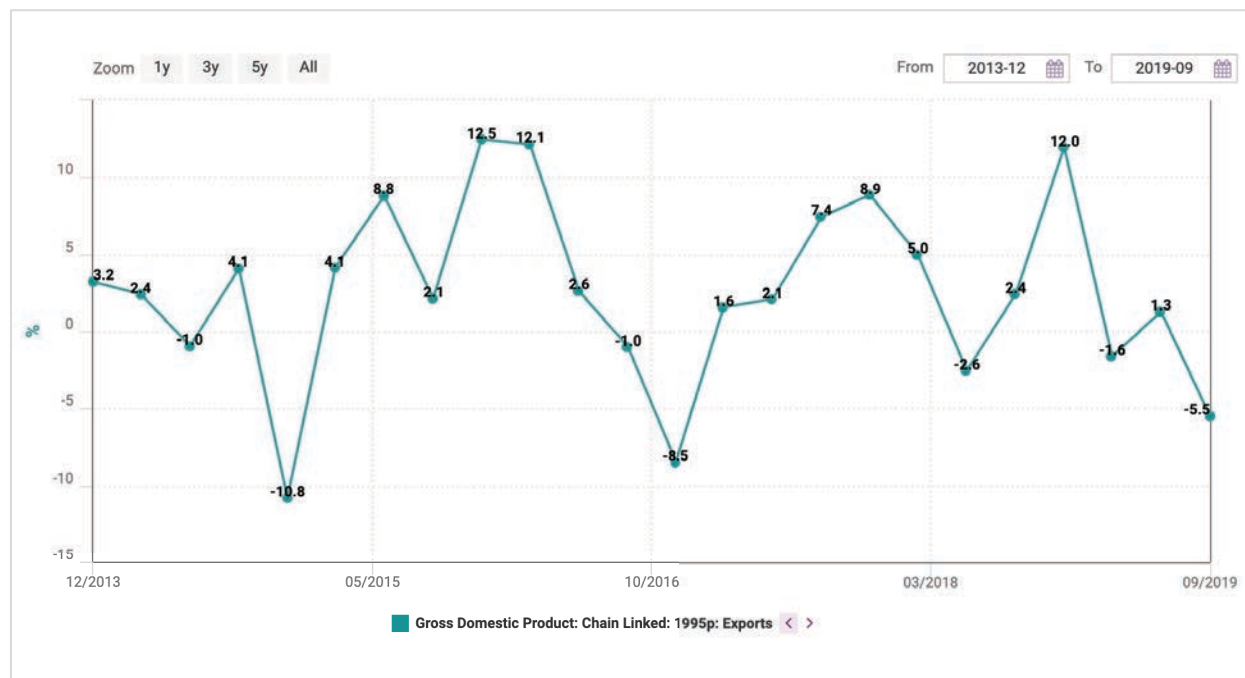


Fixed Investment: YoY Growth

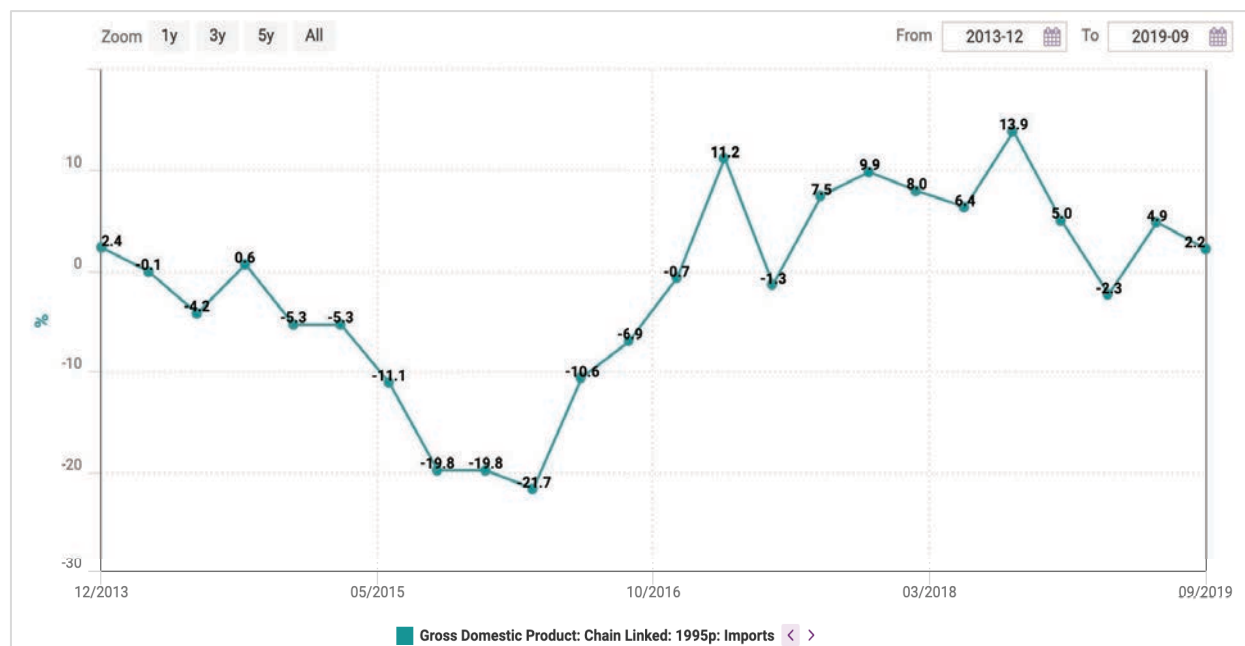


Source: CEIC Data

Exports of Goods and Services: YoY Growth



Gross Domestic Product: Chain Linked: 1995p: Imports

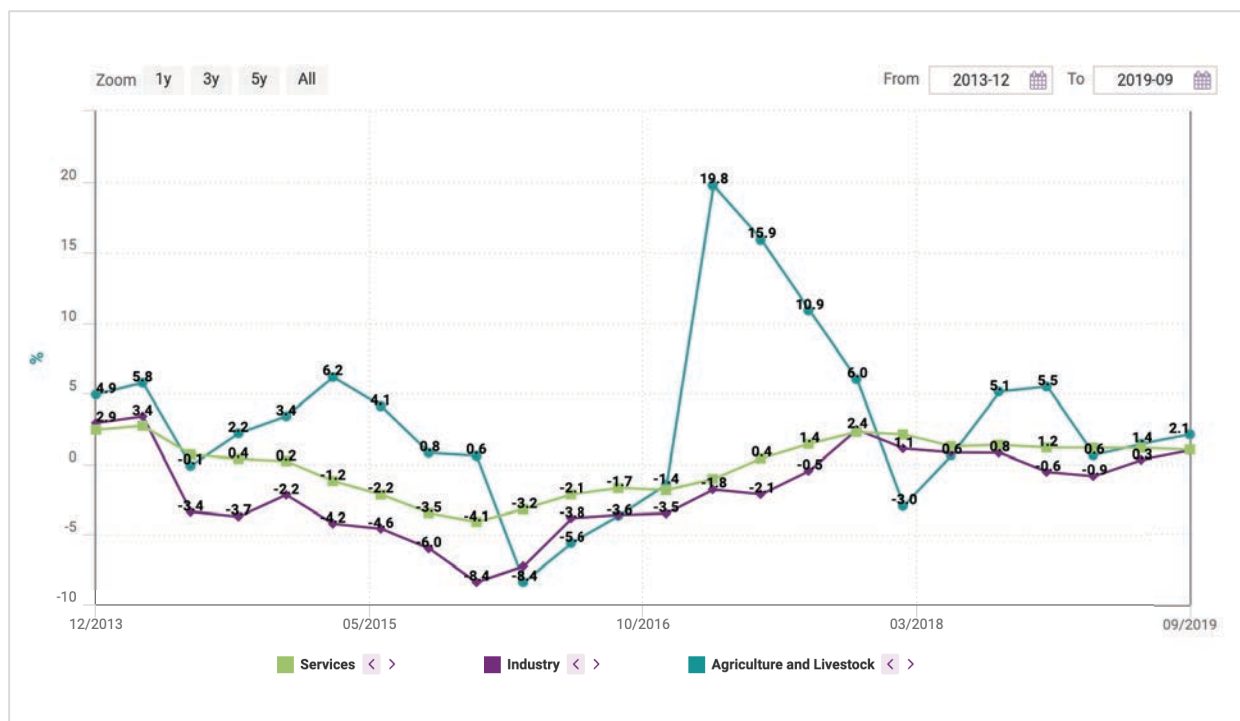


Source: CEIC Data

Gross Domestic Product: by Expenditure: 1995p

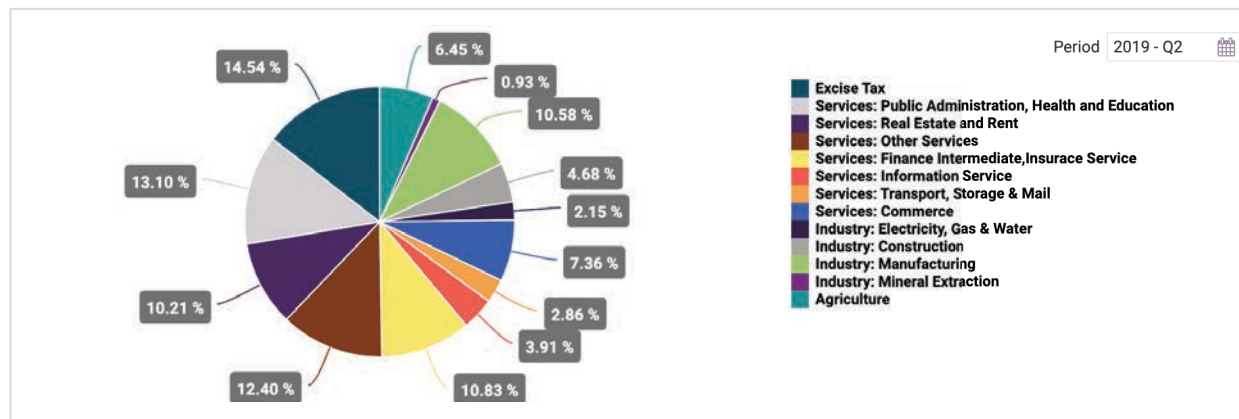
	Unit	09.01.2019	06.01.2019	03.01.2019	12.01.2018	09.01.2018	06.01.2018
Gross Domestic Product: Chain Linked: 1995p	BRL mn	305,146	297,749	292,648	297,152	301,545	294,579
Household Consumption	BRL mn	206,098	200,046	199,059	209,185	202,248	196,451
Government Consumption	BRL mn	54,446	54,727	52,772	55,678	55,226	55,106
Gross Formation of Fixed Capital	BRL mn	56,354	52,022	49,431	52,258	54,784	49,334
Exports	BRL mn	41,462	41,787	38,661	43,532	43,877	41,266
Imports	BRL mn	46,632	40,570	39,482	42,858	45,631	38,690

GDP Index: Main Industries



Source: CEIC Data

GDP by Industry

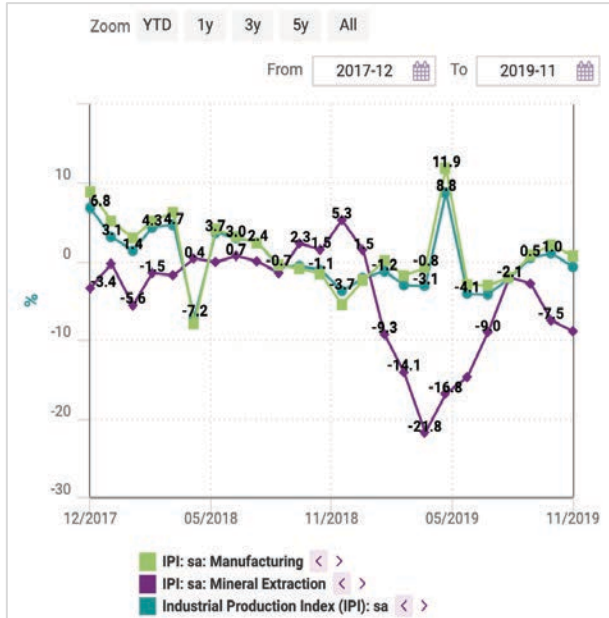


Gross Domestic Product: by Industry: 1995p

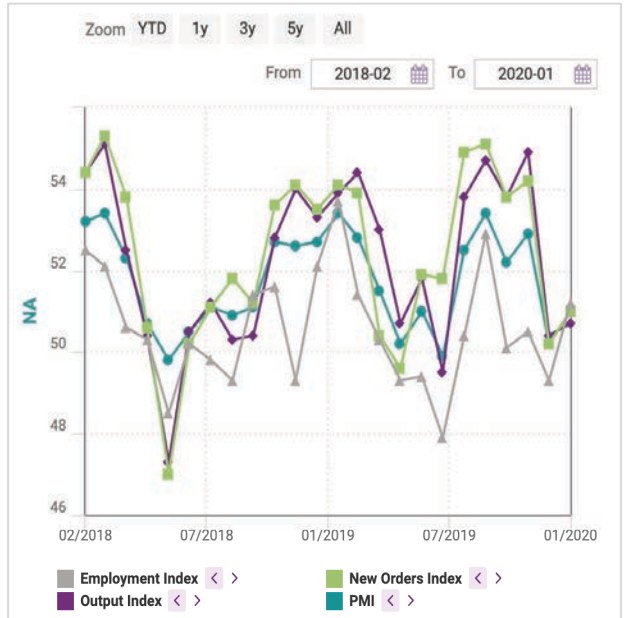
	Unit	09.01.2019	06.01.2019	03.01.2019	12.01.2018	09.01.2018	06.01.2018
GDP: Added Value at Basic Prices	BRL mn	260,181	254,590	250,234	252,714	257,385	252,169
Agriculture	BRL mn	19,674	22,906	24,667	13,694	19,276	22,583
Industry	BRL mn	57,904	54,093	51,889	55,059	57,351	53,939
Industry: Mineral Extraction	BRL mn	2,827	2,359	2,370	2,754	2,718	2,601
Industry: Manufacturing	BRL mn	32,266	30,076	27,900	29,942	32,443	29,646
Industry: Construction	BRL mn	14,282	13,455	12,953	13,611	13,680	13,138
Industry: Electricity, Gas & Water	BRL mn	6,551	6,806	7,043	6,827	6,451	6,661
Services	BRL mn	183,635	179,811	176,587	183,027	181,755	177,764
Services: Commerce	BRL mn	22,451	21,019	20,445	21,844	21,933	20,606
Services: Transport, Storage & Mail	BRL mn	8,719	8,258	8,112	8,574	8,810	8,224
Services: Information Service	BRL mn	11,932	11,708	11,514	12,298	11,452	11,330
Services: Finance Intermediate, Insurance Service	BRL mn	33,023	32,253	32,425	33,413	32,592	32,591
Services: Other Services	BRL mn	37,802	37,240	36,212	38,250	37,475	36,703
Services: Real Estate and Rent	BRL mn	31,115	30,993	30,659	30,843	30,525	30,203
Services: Public Administration, Health and Education	BRL mn	39,927	40,205	39,623	39,693	40,174	40,190
Excise Tax	BRL mn	44,318	42,527	41,793	43,851	43,522	41,754

Source: CEIC Data

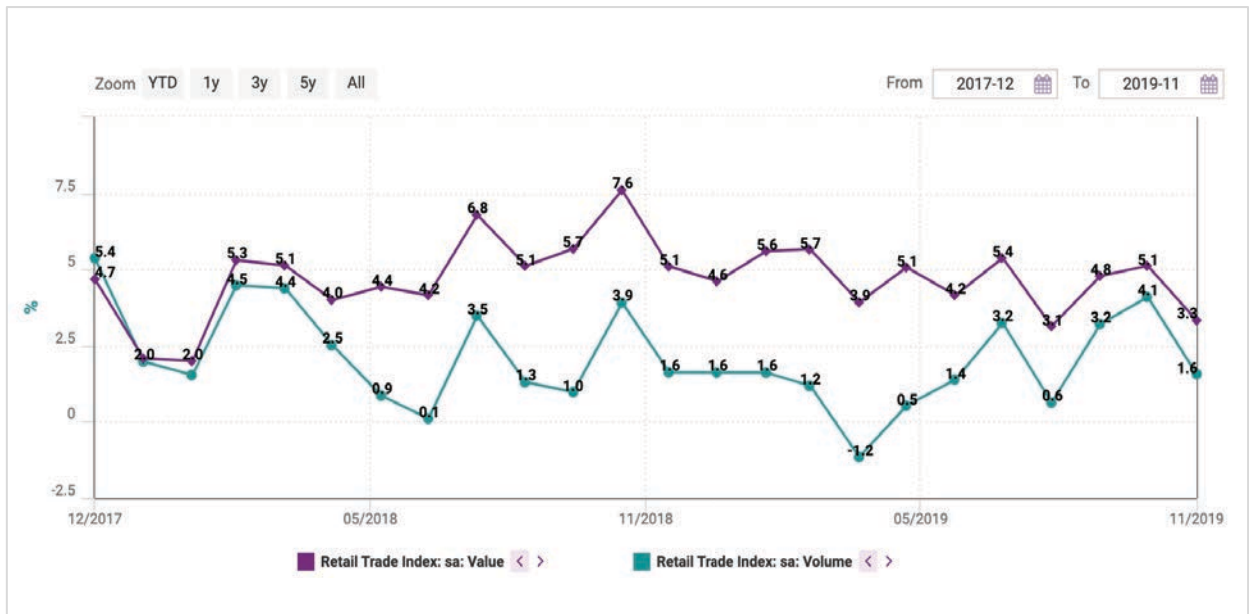
Industrial Production Index Growth



Manufacturing PMI

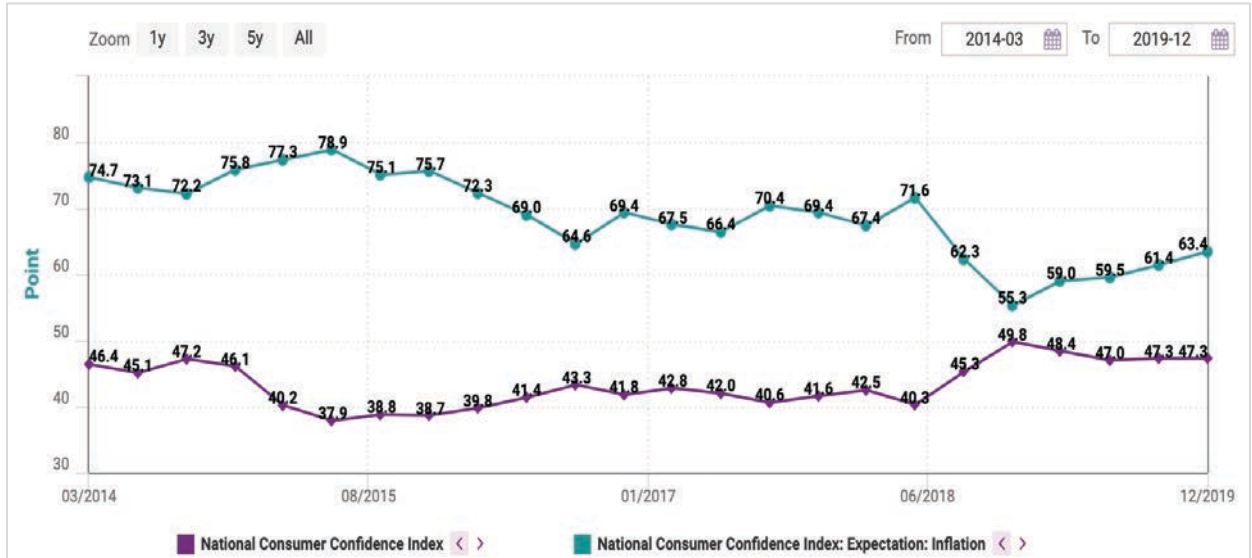


Retail Trade Index: Volume & Value



Source: CEIC Data

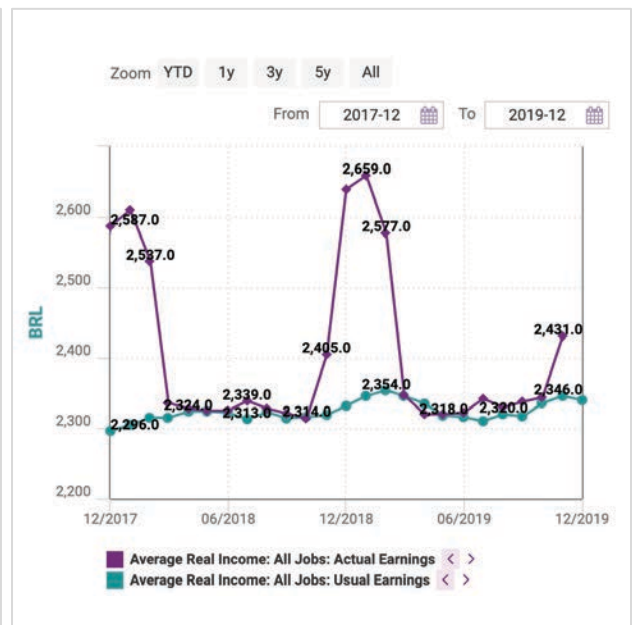
National Consumer Confidence



Unemployment: Rate & Level



Usual & Actual Real Income



Source: CEIC Data



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Monetary & Financial Sector



Monetary & Financial Sector

Inflation ended Q3 at 2.89% in September. For the first time since May 2018 it dipped below the central bank lower-bound target to 2.53% in October. In November inflation picked up to 3.27%, returning within the range of 2.75%-5.75% set by the central bank. The CPI deceleration comes as a consequence of price drops of essential goods and services: food and beverage inflation stood at 3%, housing inflation was 3.12% and transportation inflation was a mere 0.41% in October. Core inflation dropped to 0.04% in October, before picking up slightly to 0.39% in November. Upward pressure on food prices could stem from a severe drought which has adversely affected the corn crops in Southern Brazil.

Given the mild inflation and unsatisfactory growth rate, the central bank's rate-setting committee cut the benchmark Selic rate by a cumulative 200 bp in the July-December period. The key interest rate fell from 6.5% in July to a record low 4.5% in December. As economic activity begins to pick up, the central bank hinted that the current rate-cutting cycle might be paused for a while or even ended. Inflation targets are set at a range of 2.5%-5.5% in 2020 and 2.25%-5.25% in 2021. The reserve requirement rate – the minimum amount of reserves that commercial banks must hold – remained at the rather conservative figure of 21%.

The growth of producer prices slowed down in Q3 before picking up in October. Mineral extraction prices' growth plummeted to 4.28% y/y in September from 31.44% y/y in August and slipped further to 1.59% y/y, before rising to 7.06% y/y in November. Manufacturing prices dropped by 1.16% y/y in September but recovered in the following two months, rising by 2.75% y/y in November. A similar trend was observed in industrial prices, which declined by 0.95% y/y in September, followed by increases of 0.33% y/y and 2.92% y/y in October and November, respectively.

As the central bank advanced with its accommodative policy, the rate on savings deposits fell from 0.34% in September to 0.32% in October and 0.29% in November. The long-term interest rate declined from 5.95% in September to 5.57% in October. The growth of the M2 money supply, which includes cash and assets easily convertible to cash, dropped in Q3 from 7.43% y/y in July to a 2019-low of 6.54% y/y in September. In October and November growth accelerated to 7.33% y/y and 8.38% y/y, respectively, indicating the prospect for a potential rise in inflation. Loan growth rose in Q3 from 5.09% in July to 5.78% in September. The total value of outstanding loans expanded to BRL 3,409.5bn in November, up 6.25% y/y.

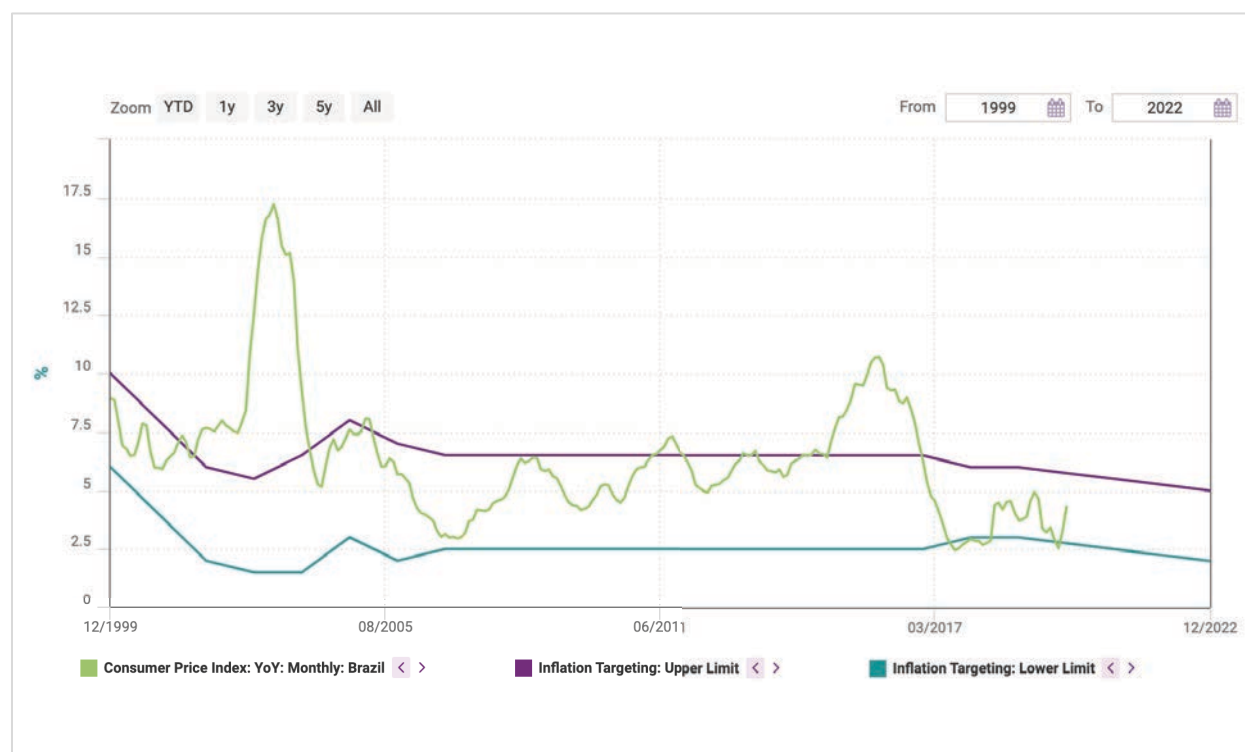
Financial stability indicators sent optimistic signals to investors. The return on equity (ROE), a measure of how effectively assets are used to create profit, stood at 16.68% in August before it slipped slightly to 16.51% in September. Return on assets (ROA) rose to 1.84% in August, before decreasing marginally to 1.83% in September. The interest margin rose by 17.72% y/y to BRL 342.8bn in Q3. The regulatory capital to risk-weighted assets ratio also indicated a healthy financial sector as it stood at 17.98% in October and far above the 10.5% minimum under the Basel III accord.

Source: CEIC Data

The third quarter of 2019 was a good period for the Sao Paulo stock exchange benchmark index BOVESPA. The index increased to 104,745.3 in September from 101,812.1 in July. The rise continued in Q4, as the stock exchange index ended 2019 at 115,645.3, boosted by accelerating economic activity and monetary stimulus.

The Brazilian real depreciated to BRL 4.12 per USD in September from BRL 3.78 per USD in July on the back of the BCB's dovish stance. The exchange rate fluctuated during Q4, closing 2019 at BRL 4.1 per USD. The real weakened against the euro, as it traded at BRL 4.54 per EUR in September compared to BRL 4.24 per EUR in July. The real kept depreciating in Q4 and traded at BRL 4.57 per EUR on average in December.

Consumer Price Index: Actual vs Target



Source: CEIC Data

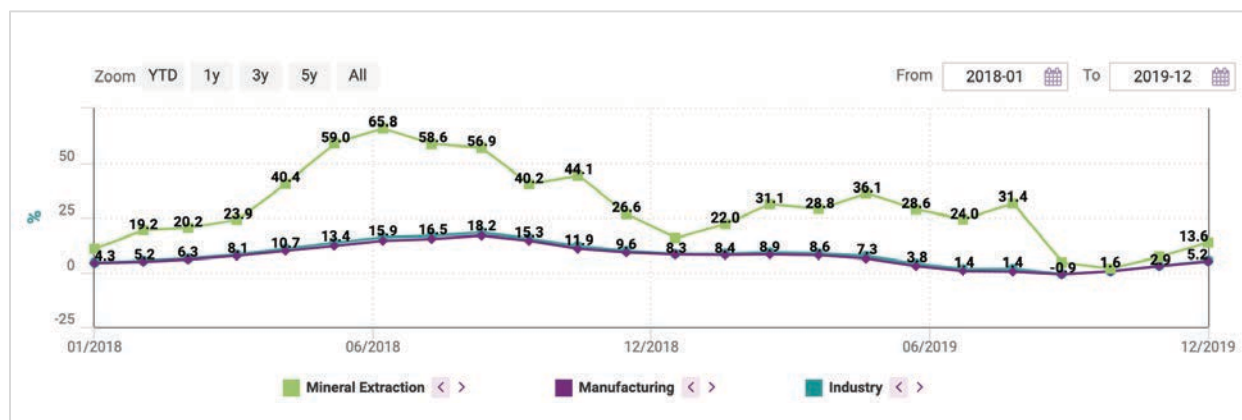
Core and Headline CPI



National Consumer Price Index: Broad Category (IPCA)

	Unit	12.01.2019	11.01.2019	10.01.2019	09.01.2019	08.01.2019	07.01.2019
IPCA: General	%	4.31	3.27	2.54	2.89	3.43	3.22
Food & Beverage	%	6.36	3.34	3.00	3.56	4.11	4.12
Housing	%	3.90	4.60	3.12	3.90	4.26	3.49
Household Articles	%	-0.38	0.67	1.52	2.39	3.28	3.28
Apparel	%	0.74	1.89	1.10	0.79	0.50	0.46
Transportation	%	3.58	1.46	0.41	0.88	2.58	1.73
Health & Personal Care	%	5.41	5.31	4.34	4.20	3.89	4.47
Personal Expenses	%	4.67	4.02	3.11	3.16	3.51	3.57
Education	%	4.76	4.77	4.73	4.74	4.95	5.04
Communication	%	1.08	0.43	0.38	0.41	0.35	0.29

PPI: Main Groups

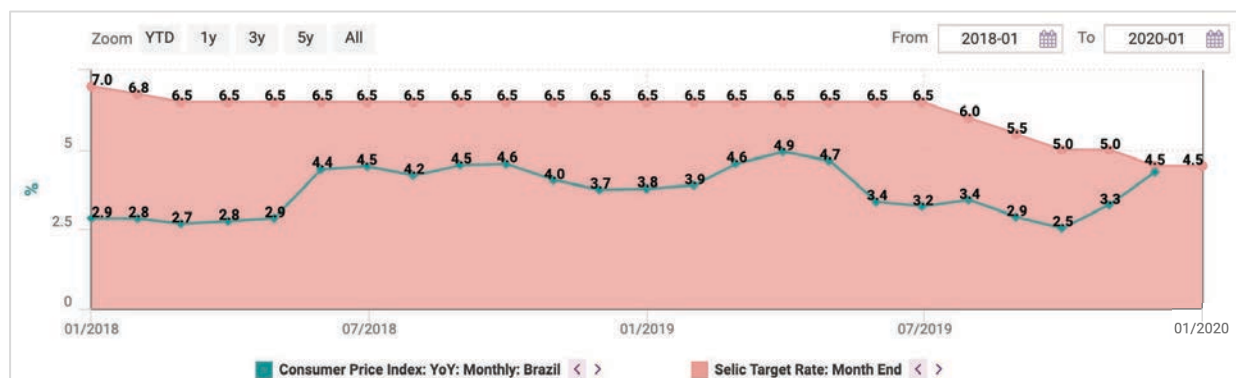


Source: CEIC Data

Producer Price Index

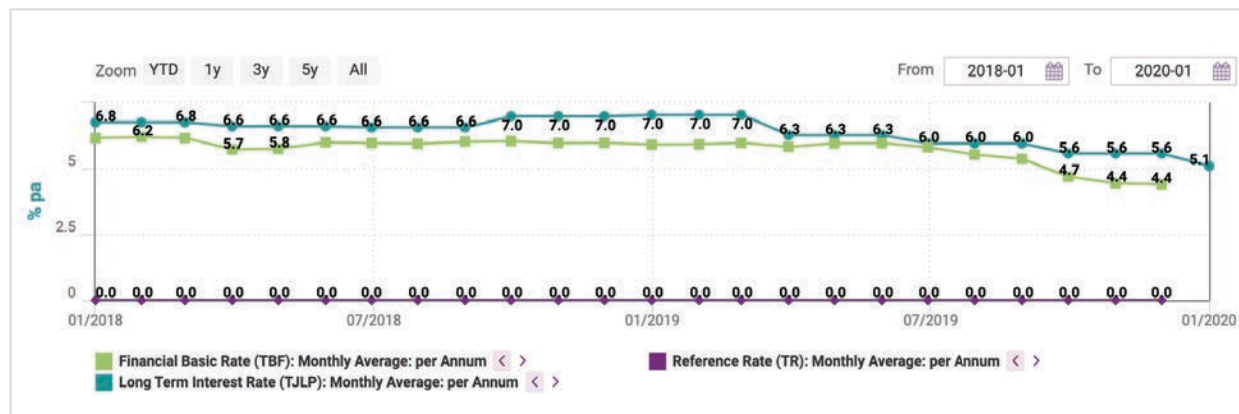
	Unit	12.01.2019	11.01.2019	10.01.2019	09.01.2019	08.01.2019	07.01.2019
Industry	%	5.19	2.89	0.33	-0.95	1.43	1.37
Mineral Extraction	%	13.59	7.06	1.59	4.28	31.44	24.04
Manufacturing	%	4.83	2.72	0.30	-1.16	0.14	0.40
Manufacturing: Food Products	%	10.12	9.73	4.89	1.27	0.73	-0.73
Manufacturing: Beverages	%	0.51	1.06	-0.12	0.00	-0.17	3.69
Manufacturing: Tobacco	%	-0.50	2.23	2.16	-2.78	-0.98	-1.67
Manufacturing: Textiles	%	2.36	1.85	1.31	0.24	1.80	2.50
Manufacturing: Clothing & Accessories	%	0.00	2.14	0.96	1.63	2.03	1.89
Manufacturing: Leather Preparation, Leather Products, Travel Accessories & Footwear	%	-5.27	-6.03	-5.68	-7.04	-7.08	-6.24
Manufacturing: Wood	%	-2.11	-1.20	-1.22	-5.63	-5.29	-2.88
Manufacturing: Cellulose, Paper & Paper Products	%	-11.16	-11.47	-11.29	-12.47	-9.07	-7.14
Manufacturing: Edition, Impression & Reproduction of Writing	%	1.20	3.28	4.24	0.84	4.15	6.68
Manufacturing: Coke, Petroleum Products & Biofuels	%	20.25	4.99	-2.16	-4.52	-1.03	-0.57
Manufacturing: Soaps & Detergents, Cleaning Products, Cosmetics, Perfumes & Toiletries	%	4.09	1.79	3.60	1.92	3.11	2.89
Manufacturing: Other Chemical Products	%	-6.38	-8.05	-11.72	-10.37	-7.47	-5.78
Manufacturing: Pharmaceutical Chemicals & Pharmaceutical Products	%	9.23	10.10	10.06	9.31	8.85	10.74
Manufacturing: Rubber & Plastic	%	0.01	0.27	0.81	3.52	3.57	4.45
Manufacturing: Non Metallic Minerals	%	2.53	1.02	2.60	0.85	-0.20	0.76
Manufacturing: Metallurgy	%	-1.66	-2.98	-1.65	-3.83	-1.43	-2.20
Manufacturing: Metal Products excl Machines & Equipment	%	6.04	5.34	3.97	4.06	4.06	2.82
Manufacturing: Machine for Office, Electronic & Optical	%	3.52	2.93	1.76	1.35	2.15	1.04
Manufacturing: Machine, Equipments & Electrical Materials	%	5.16	5.06	5.38	6.08	5.62	5.75
Manufacturing: Machine & Equipment	%	6.21	6.26	7.07	6.33	7.86	8.12
Manufacturing: Vehicles	%	4.49	5.00	4.89	4.26	4.00	4.87
Manufacturing: Other Transportation Equipment, Except Vehicles	%	6.33	10.15	9.08	2.27	4.31	2.66
Manufacturing: Furniture	%	4.45	4.72	6.38	5.98	6.19	6.27

Policy Rate vs Inflation



Source: CEIC Data

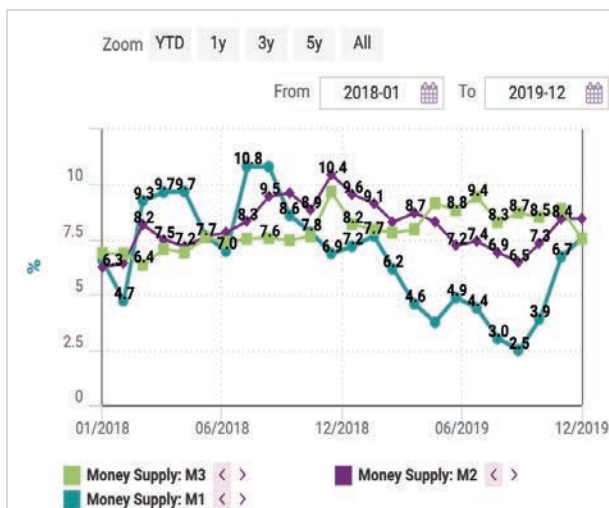
Lending Rate: Central Bank of Brazil



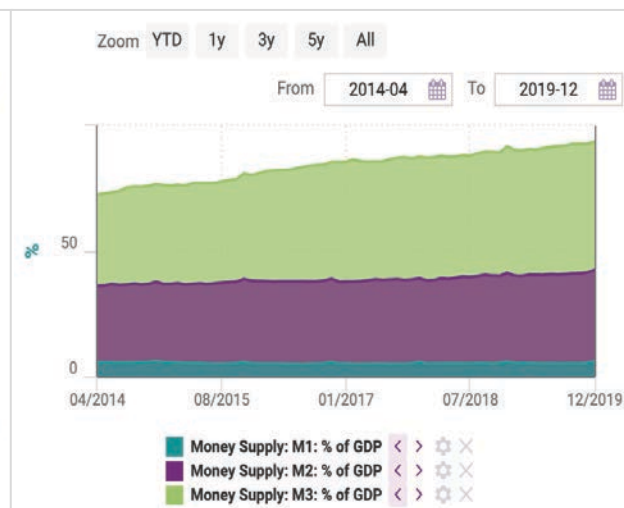
Key Interest Rates

	Unit	01.01.2020	12.01.2019	11.01.2019	10.01.2019	09.01.2019	08.01.2019
Savings Deposits Rate	% per Month		0.29	0.29	0.32	0.34	0.34
Long Term Interest Rate (TJLP): Per Annum	% pa	5.09	5.57	5.57	5.57	5.95	5.95
Money Market Interest Rate: Monthly Average: Per Annum	% pa		4.59	4.90	5.38	5.71	5.90
Reference Interest Rate: Monthly Average: Per Annum	% pa		0.00	0.00	0.00	0.00	0.00
Financial Basic Rate: Monthly Average: Per Annum	% pa		4.40	4.44	4.69	5.36	5.52
BCB Forecast: Over Selic Rate: Median: Current Calendar Year	% pa	4.25	4.50	4.50	4.50	4.75	5.00
Policy Rate: Month End: SELIC	% pa	4.50	4.50	5.00	5.00	5.50	6.00

Money Supply: M1, M2, M3: YoY Growth



M1, M2, M3: % of GDP

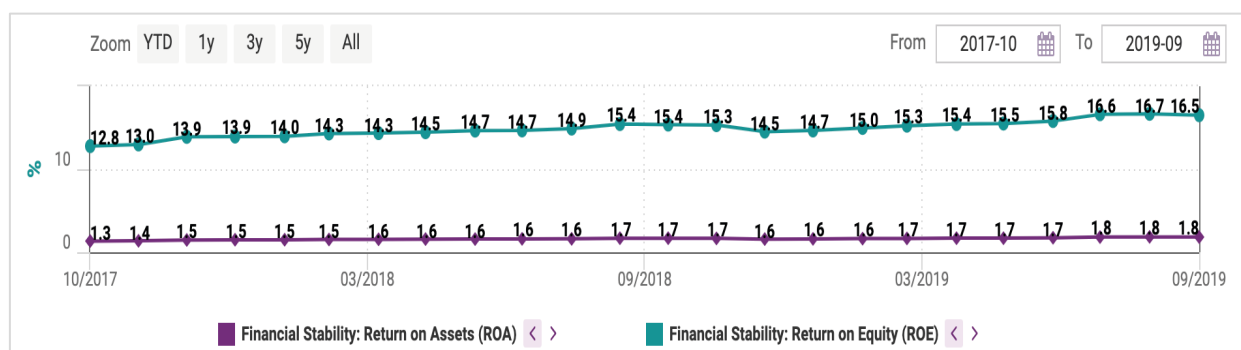


Source: CEIC Data

Money Supply

	Unit	12.01.2019	11.01.2019	10.01.2019	09.01.2019	08.01.2019	07.01.2019
M1: Seasonally Adjusted	BRL mn	402,618	397,770	388,683	386,801	386,252	380,792
M1	BRL mn	441,264	401,478	377,012	380,677	376,744	372,453
M1: Currency Held by the Public	BRL mn	229,383	211,844	202,063	194,865	197,967	195,600
M1: Demand Deposits	BRL mn	211,881	189,634	174,950	185,812	178,777	176,853
M2	BRL mn	3,092,397	3,001,034	2,961,249	2,947,929	2,910,838	2,887,326
M2: Savings Deposits	BRL mn	845,052	829,348	824,232	821,616	810,066	805,719
M2: Private Securities Issued by National Financial System	BRL mn	1,806,082	1,770,208	1,760,004	1,745,636	1,724,029	1,709,153
M2: Private Securities Issued by National Financial System: Time Deposits	BRL mn	1,114,806	1,085,798	1,073,000	1,066,916	1,045,593	1,038,106
M2: Private Securities Issued by National Financial System: Financial Bonds	BRL mn	351,046	344,571	343,522	332,502	333,179	325,204
M2: Private Securities Issued by National Financial System: Exchange Bills	BRL mn	299,503	300,549	305,020	308,622	308,704	310,595
M2: Private Securities Issued by National Financial System: Others	BRL mn	40,727	39,291	38,462	37,595	36,553	35,248
M3	BRL mn	6,805,104	6,696,860	6,661,221	6,639,171	6,552,928	6,514,148
M3: Quotas of Fixed Income Fund	BRL mn	3,512,341	3,512,226	3,522,340	3,499,742	3,448,149	3,423,766
M3: Repo Operations with Federal Public Securities	BRL mn	135,546	128,637	127,833	138,492	142,251	150,705
M3: Repo Operations with Private Securities	BRL mn	64,819	54,963	49,800	53,009	51,690	52,351
M4	BRL mn	7,243,839	7,151,218	7,085,362	7,085,358	7,022,463	6,915,632
M4: Federal Securities	BRL mn	438,735	454,358	424,141	446,187	469,534	401,484
Non-Resident Assets	BRL mn	494,929	517,466	519,050	523,816	538,941	537,085
Daily Average	BRL mn	432,593	391,485	385,659	382,985	374,566	376,781
Daily Average: Currency Outside Banks	BRL mn	227,643	207,930	205,937	204,969	199,552	199,298
Daily Average: Demand Deposits	BRL mn	204,950	183,555	179,722	178,016	175,014	177,483

Financial Stability: ROA & ROE

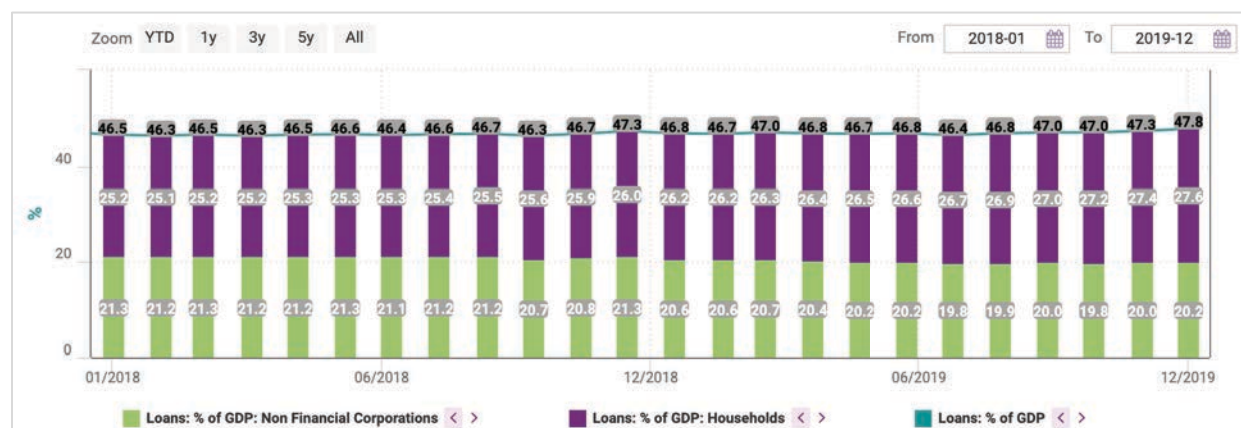


Source: CEIC Data

Financial Stability

	Unit	10.01.2019	09.01.2019	08.01.2019	07.01.2019	06.01.2019	05.01.2019
Regulatory Capital to Risk-Weighted Assets	%	17.99	17.73	17.72	17.93	18.02	18.08
Capital to Assets	%	10.43	10.37	10.34	10.46	10.33	10.40
Tier I Capital	BRL mn	661,005	651,044	645,926	638,862	634,720	629,976
Tier II Capital	BRL mn	129,097	130,297	130,195	128,379	128,920	131,282
Total Regulatory Capital	BRL mn	790,102	781,341	776,121	767,241	763,639	761,258
Equity	BRL mn	694,041	687,503	681,572	674,915	668,976	665,247
Assets	BRL mn	6,656,628	6,629,888	6,590,246	6,453,130	6,473,040	6,397,004
Return on Equity (ROE)	%		16.51	16.68	16.63	15.81	15.51
Return on Assets (ROA)	%		1.83	1.84	1.83	1.74	1.70
Tier 1 Ratio	%		14.78			14.97	
Risk Weighted Assets	BRL mn		4,406,289			4,238,624	
Noninterest Expenses to Gross Income	%		48.18			48.68	
Interst Margin	BRL mn		342,819			337,587	

Loans: % of GDP



Source: CEIC Data

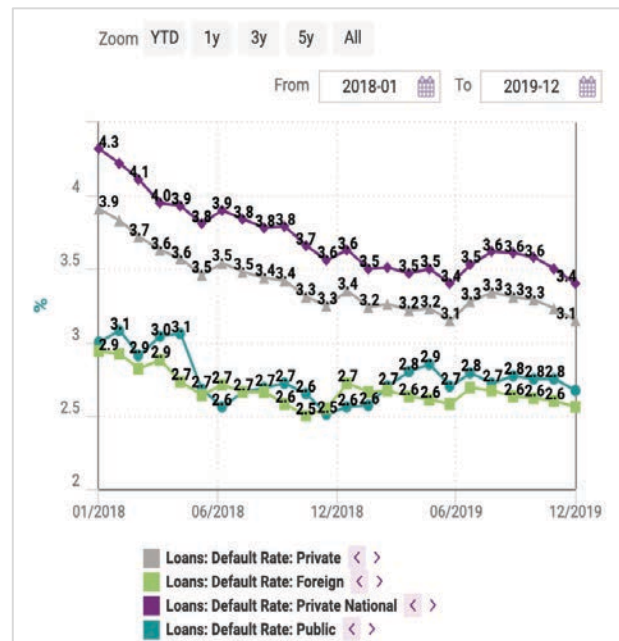
Index: B3: Bovespa Index: IBOV



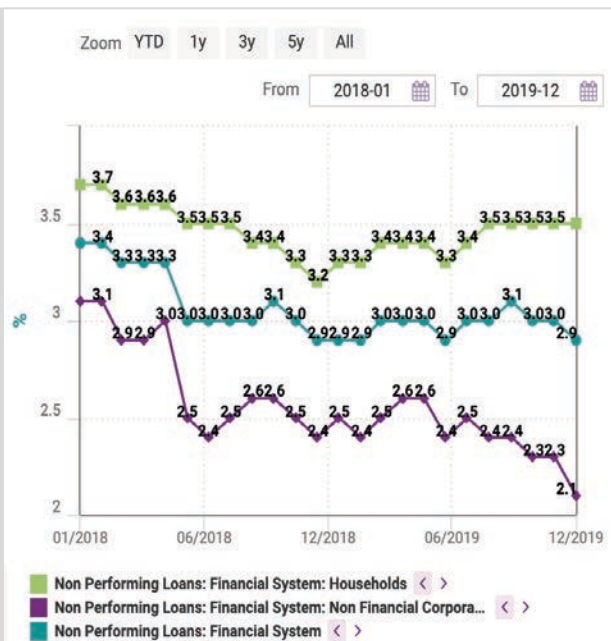
Loans: Outstanding Balance



Loans: Default Rate

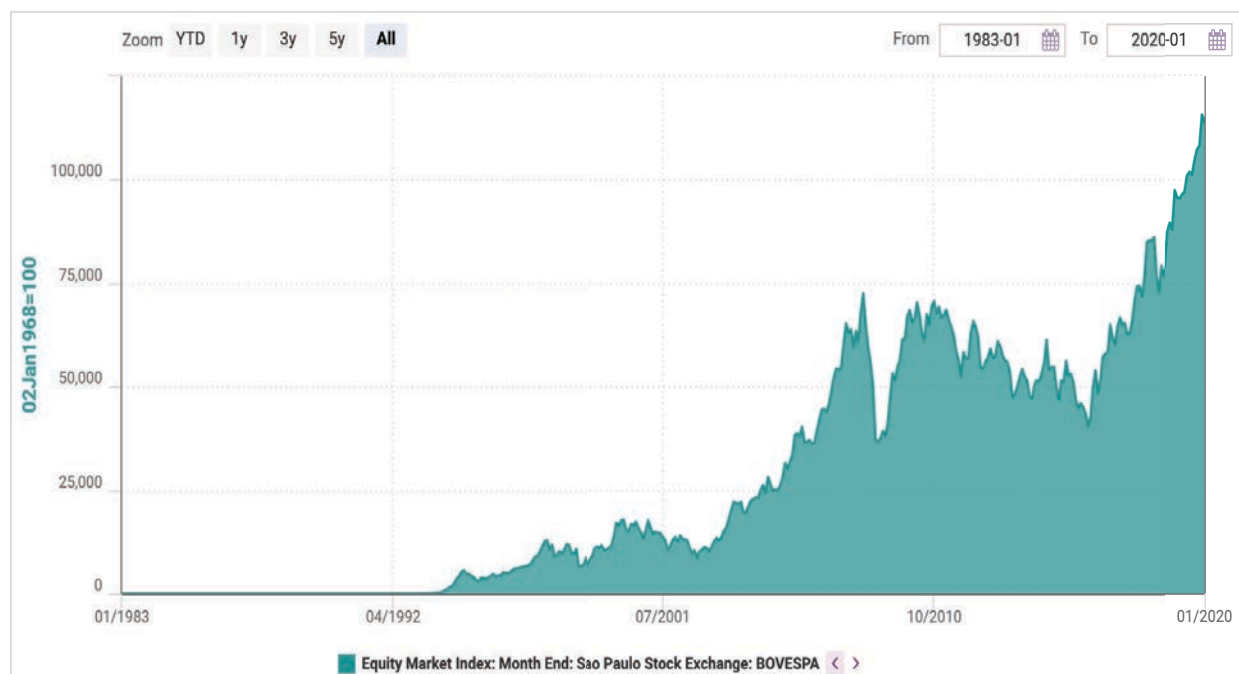


Non-Performing Loans: Financial System

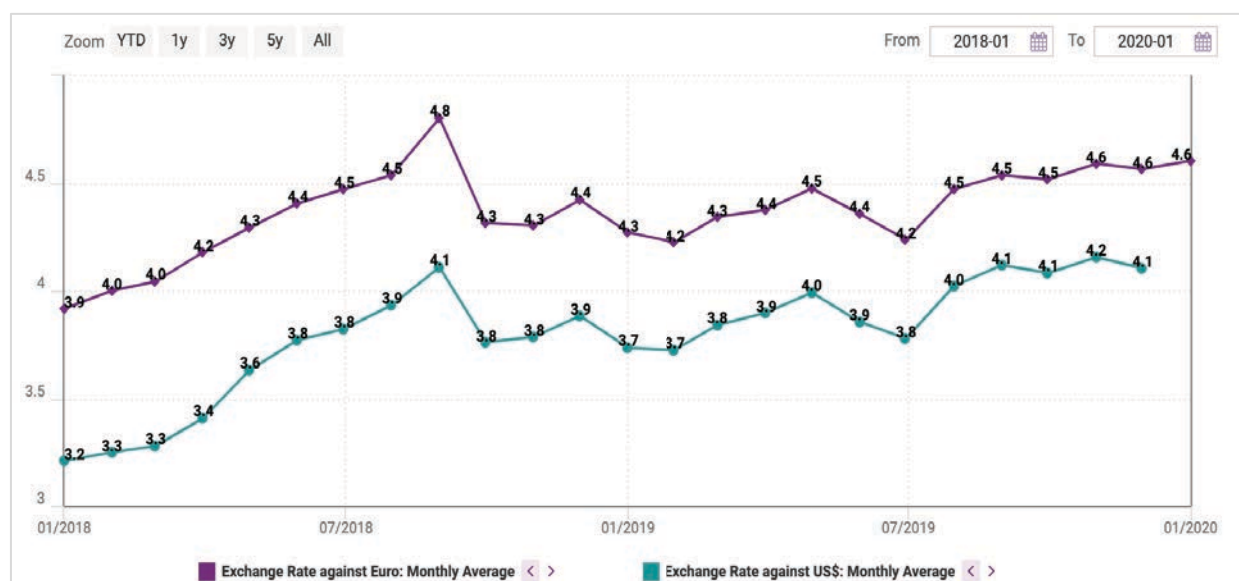


Source: CEIC Data

Equity Market Index: Month End: Sao Paulo Stock Exchange: BOVESPA



Foreign Exchange Rates



Source: CEIC Data



In, On and For Emerging Markets

Brazil Economy in a Snapshot, Q4 2019

A CEIC Insights Report



Fiscal Sector



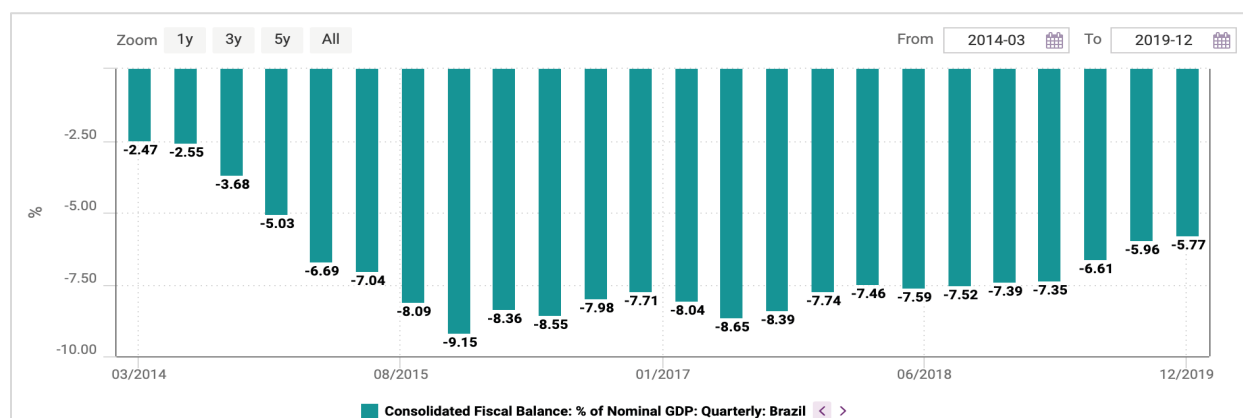
Fiscal Sector

President Bolsonaro's government continued improving Brazil's public finances. The fiscal deficit narrowed down to 5.96% of GDP in Q3, the lowest figure since Q4 2014. It is a significant improvement from the Q1 and Q2 figures when the deficit stood at 7.35% and 6.61%, respectively. In line with economy minister Paulo Guedes' liberal agenda, public expenditure growth exceeded that of revenues in only one month out of six months in the period June-November 2019. Central government revenue rose by 2.36% y/y to BRL 127.1bn in November, whereas public spending contracted by 5.04% y/y to BRL 167.3bn in the same period. Consequently, the central government fiscal deficit stood at BRL 40.2bn.

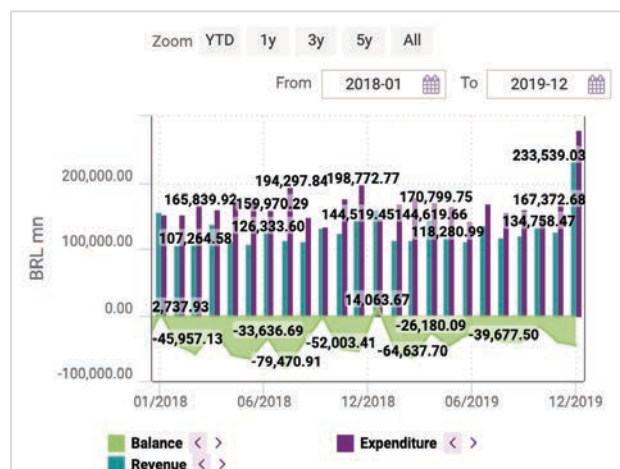
Fiscal health is expected to further improve as the Congress finally passed the long-awaited pension reform. The pension reform bill is aimed at cutting social security costs, which now stand at 13% of GDP, while other G-20 countries spend just 8% on average. The plan is foreseen to generate savings of around USD 300bn, which could be used to reduce the country's high government debt. Moreover, its expansionary effect could be strengthened by a tax simplification reform that involves aggregating five different taxes into one VAT. The reform is expected to be approved in 2020.

Due to severe fiscal imbalances, gross public debt reached a historic high of 78.99% of GDP in August. During the following months the figure slipped marginally to 77.65% of GDP in November. A significant fraction of the debt comes on the back of increased borrowing to support the activities of an unsustainable amount of state-owned enterprises (134 as of January 2019). The current governmental policy's aim is to narrow down the debt to a more sustainable level. The dovish monetary policy will ease the task as the interest on debt repayments decreased with the Selic rate cuts. Recent advancements towards fiscal consolidation motivated the rating agency S&P to revise the outlook on Brazil to positive from stable. The revision came as a consequence of the pension reform as well as expected progress on fiscal and growth measures. Amid an accommodative monetary policy, the yield on 10-year government bonds has been gradually declining. The rate of return on government securities dropped to a 2019 low of 6.34% in October, but increased to 6.81% in November and remained unchanged in December.

Fiscal Balance: % of Nominal GDP



Central Government Operations



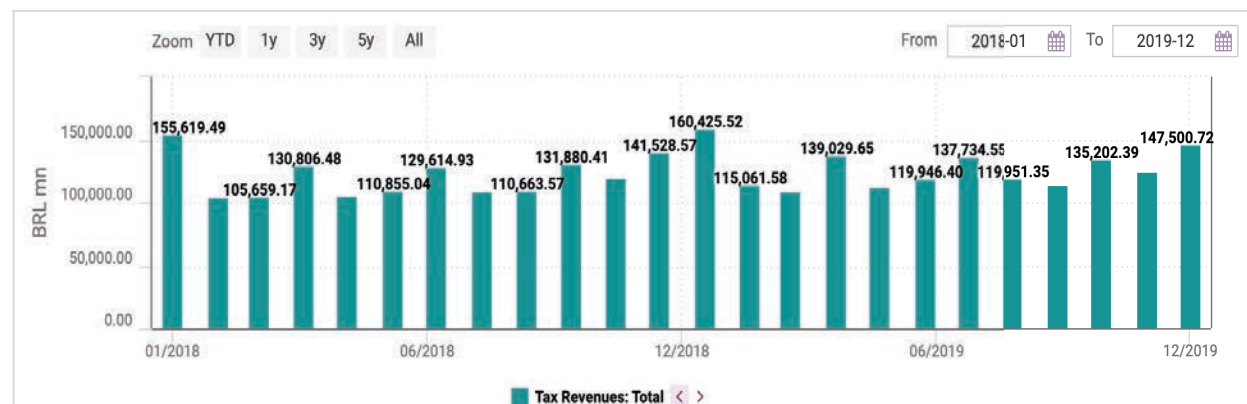
Revenue & Expenditure Growth



Central Government Operations

	Unit	12.01.2019	11.01.2019	10.01.2019	09.01.2019	08.01.2019	07.01.2019
Revenue	BRL mn	233,539.0	127,085.1	134,758.5	120,725.1	117,281.4	136,008.0
Expenditure	BRL mn	278,841.5	167,372.7	150,716.5	160,695.8	156,958.9	168,233.2
Balance	BRL mn	-45,302.5	-40,287.6	-15,958.1	-39,970.7	-39,677.5	-32,225.2
Primary Result	BRL mn	-14,653.7	-16,416.6	8,758.6	-20,377.3	-16,787.0	-5,881.1
Nominal Interest	BRL mn	30,648.8	23,871.0	24,716.7	19,593.4	22,890.5	26,344.0

Tax Revenue: Including Security Revenue

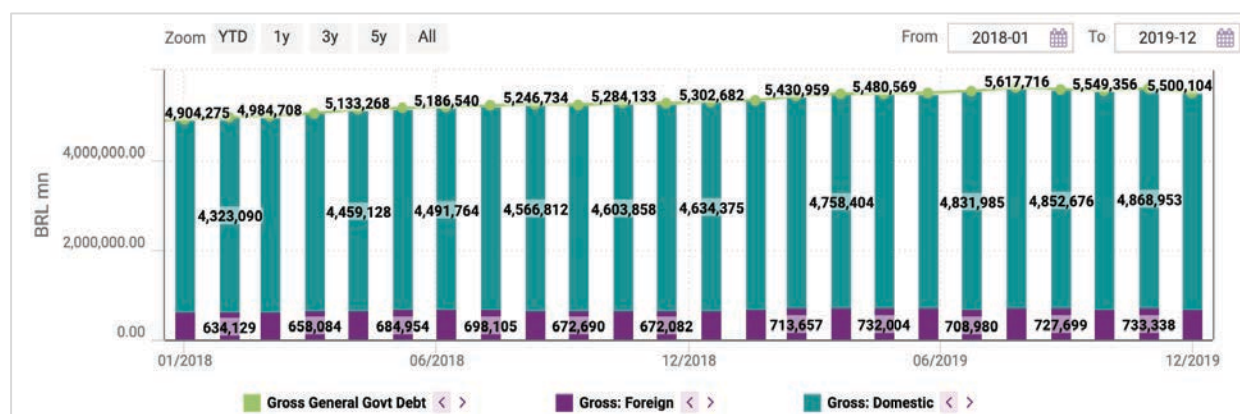


Source: CEIC Data

Federal Tax Revenues

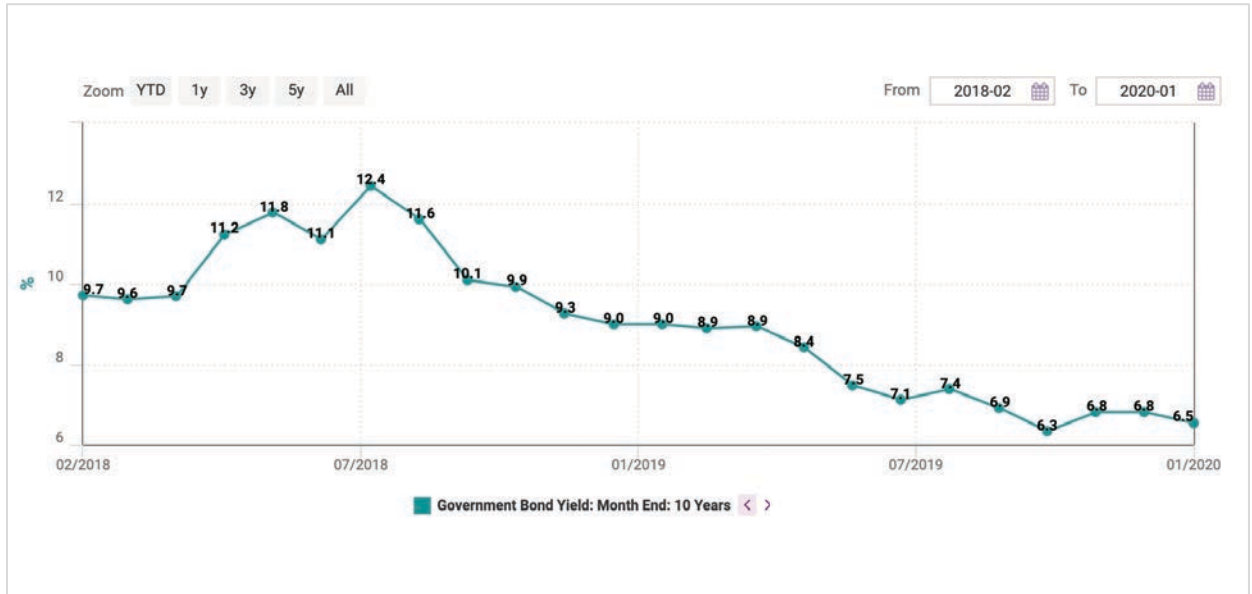
	Unit	12.01.2019	11.01.2019	10.01.2019	09.01.2019	08.01.2019	07.01.2019
Income Tax - IR	BRL mn	40,036.9	35,498.6	36,948.3	28,340.9	32,745.2	40,229.1
Tax on Industrial Products - IPI	BRL mn	4,854.9	4,998.8	5,059.2	4,847.9	4,610.1	4,552.1
Tax on Financial Transactions - IOF	BRL mn	4,100.6	3,694.3	3,249.0	3,451.9	3,471.7	3,404.7
Contribution to Social Security Financing - COFINS	BRL mn	21,025.5	21,152.3	21,241.9	20,545.0	21,030.9	21,332.2
Social Contribution without Net Income	BRL mn	5,054.7	6,086.5	8,844.4	5,165.9	7,030.0	10,219.3
Integration Program/Public Servants Patrimony Training Program - PIS/PASEP	BRL mn	5,740.1	5,725.7	5,591.9	5,520.6	5,675.9	5,573.1
Import Tax - II	BRL mn	3,341.2	3,611.4	4,243.6	3,870.4	3,802.6	3,720.4
Rural Property Tax - ITR	BRL mn	139.7	174.3	188.4	1,059.1	35.9	23.7
Provisional Contribution on Financial Transaction - CPMF	BRL mn	0.0	0.0	0.0	0.0	0.0	0.0
Intervention Contributions in the Economic Domain - CIDE	BRL mn	222.7	245.2	233.5	213.6	230.5	207.6
Contribution to Fund of Development and Administration of Collection and Inspection - FUNDAF	BRL mn	0.0	0.0	0.0	0.0	0.0	0.0
Contribution to Social Security Plan of Government Employee - PSS	BRL mn	2,760.7	4,726.5	2,491.3	2,531.3	2,576.2	2,512.7
Other Administrative Revenue	BRL mn	1,537.9	1,982.0	1,919.3	1,966.5	1,985.4	2,060.8
Subtotal	BRL mn	88,814.8	87,895.5	90,010.8	77,513.2	83,194.3	93,835.9
Security Revenue	BRL mn	56,002.5	34,845.7	35,158.6	34,009.4	34,338.5	33,801.2
Administered by the Federal Revenue of Brazil	BRL mn	144,817.3	122,741.1	125,169.5	111,522.5	117,532.9	127,637.1
Administered by Other Agencies	BRL mn	2,683.4	2,419.9	10,032.9	2,410.9	2,418.5	10,097.5
Total	BRL mn	147,500.7	125,161.0	135,202.4	113,933.5	119,951.3	137,734.5

Central Government: Gross Debt

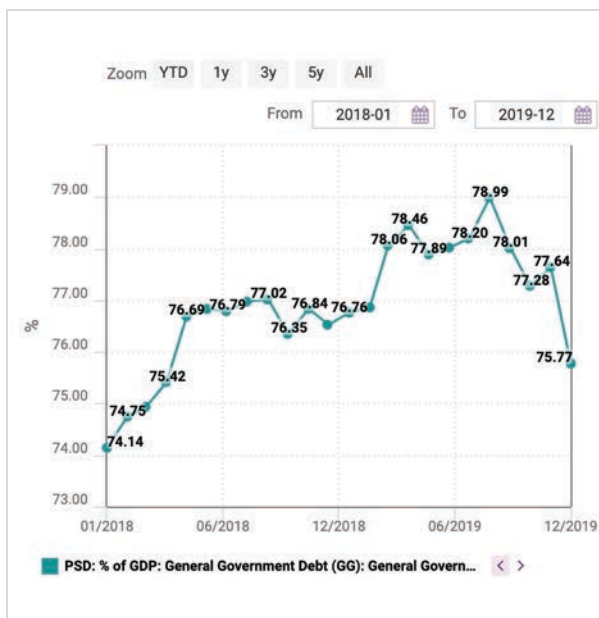


Source: CEIC Data

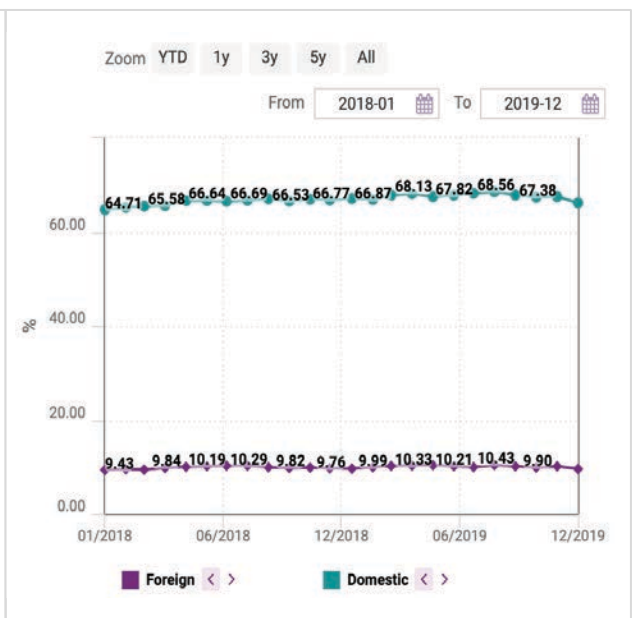
Government Bond Yield: Month End: 10 Years



Gross Government Debt: % of Nominal GDP



Gross Government Debt: % of Nominal GDP (Domestic & Foreign)



Source: CEIC Data



In, On and For Emerging Markets

Brazil Economy in a Snapshot, Q4 2019

A CEIC Insights Report



External Sector



External Sector

The second half of 2019 was characterized by weak foreign trade flows. In the face of a recession and rising populism in neighbouring Argentina and subdued demand on behalf of the main trading partners, exports contracted on an annual basis in five out of the six months in H2 2019. The value of exports fluctuated in Q3 and then slipped in Q4 to USD 18.1bn in December, down 6.15% y/y. Imports followed a similar pattern, shrinking on a yearly basis in four out of six readings in H2 2019. The value of imports expanded by 16.86% y/y in September and 5.72% y/y in October, before dropping by 2.8% y/y to USD 12.5bn in December. Consequently, the trade surplus narrowed down by 12.9% y/y to USD 5.59bn in December. At the end of Q3, it stood at USD 3.8bn.

The Brazilian export sector was harmed by the political turmoil and recession in Argentina, the country's third largest trading partner. The value of exports to the neighbouring market trended downwards in Q3 to USD 787mn in September and further in Q4 to USD 697mn in November, down by 25.5% y/y. China remained the largest buyer of Brazilian goods with USD 5.3bn in September, up by 7.09% y/y. Exports to the US grew by 9.08% y/y in July, however, they contracted on a yearly basis in the following four months. In December, exports' growth recovered to 5.22% as the value of goods sold to the US reached USD 2.6bn.

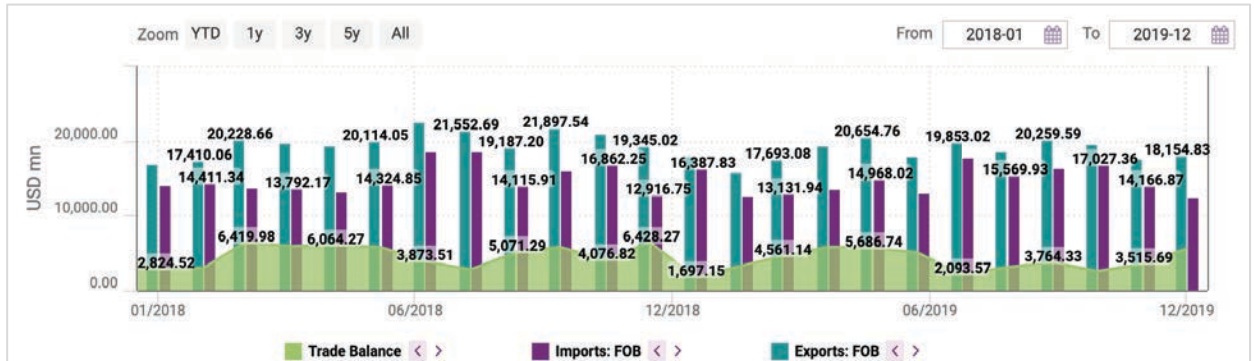
Growth of food and live animals' exports remained robust in Q3 and Q4 as they rose by 5.2% y/y in September and by 4.65% y/y to USD 4.5bn in December. Mineral fuel exports ended the third quarter on a negative note with an 11.98 y/y decline in September. Their performance deteriorated further in Q4, as they contracted by 28.9% y/y and 27.2% y/y in October and November, respectively, though they managed to bounce back, growing by 34.9% y/y in December. Exports of machinery and transport equipment were volatile in terms of yearly changes, with the Q3 ending with 50.5% y/y growth. Then they dived deep into negative territory in Q4, declining at double-digit rates in October in November and recovering to a 7.8% y/y drop in December. Crude materials' exports contracted by 21.9% y/y in December as iron ore production has not recovered from the Brumadinho dam disaster in late January. They ended Q3 with a modest 2.3% y/y growth.

The imports from China rose by 16.22% y/y in September and declined by 5.36% in November. However, imports grew by 21.84% y/y in December to USD 2.6bn. Imports from the US ended the third quarter with a modest 1.7% y/y growth, but then plummeted in December by 20.8% y/y to USD 2.1bn. Brazil imported goods from Argentina worth USD 776.9mn in September. This figure increased subsequently in Q4, but the yearly change remained in negative territory from June up until December, as imports from the neighbouring market contracted by 6.4% y/y.

Imports of machinery and transport equipment rose by 43.27% y/y in September and then by 15.54% y/y in December to USD 4.29bn. Imports of chemicals grew by 5.3% y/y in September, but later contracted by 13.36% y/y in November and by 7.68% in December to reach USD 3.1bn. Growth of mineral fuel imports oscillated between positive and negative territory in Q3 and Q4, ultimately decreasing by 35.3% y/y in December to USD 1.7bn.

In the third quarter, the current account deficit widened to 3.38% of GDP from 1.33% in Q2. In nominal terms, the deficit stood at USD 15.8bn in Q3, significantly larger than the Q2 deficit of USD 6bn. Net portfolio investment outflow amounted to USD 6.91bn in Q3 as it grew from USD 5.32bn in Q2. Positive signals came from the 10.9% y/y rise in foreign direct investment to USD 23.1bn in Q3. The FDI value is equivalent to 4.92% of GDP in Q3 as it rose from 3.06% in Q2.

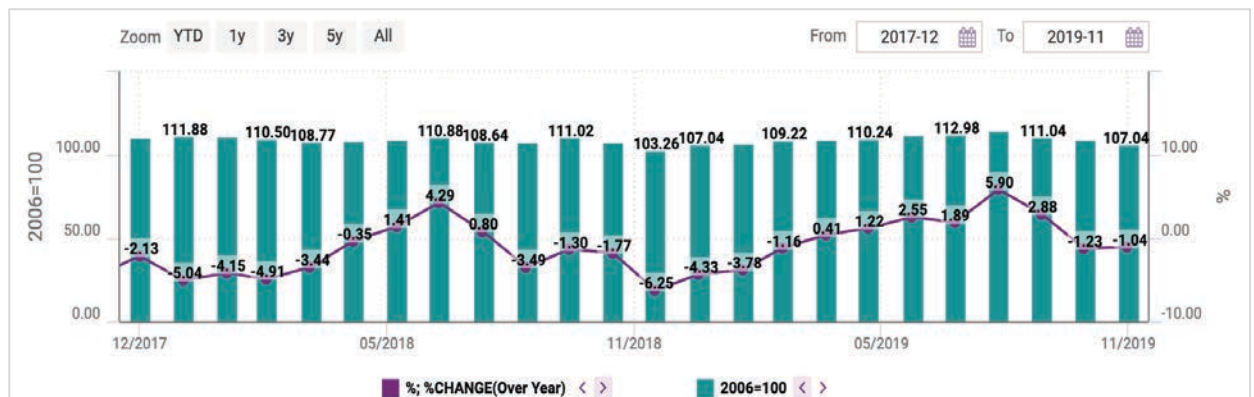
Foreign Trade Balance



Foreign Trade: YoY Growth



Terms of Trade Index



Source: CEIC Data

Exports: Main Categories

	Unit	12.01.2019	11.01.2019	10.01.2019	09.01.2019	08.01.2019	07.01.2019
Exports: FOB	USD mn	18,154.8	17,682.6	19,582.5	20,259.6	18,664.2	19,853.0
Crude Materials, Inedible, Exclude Fuels	USD mn	4,373.3	5,193.8	5,834.8	5,250.3	5,556.9	6,583.7
Food and Live Animals	USD mn	4,534.3	4,369.9	4,728.3	4,481.2	4,433.7	4,414.7
Machinery and Transport Equipment	USD mn	2,568.6	2,395.2	2,197.9	3,811.8	2,396.3	2,572.4
Mineral Fuels, Lubricants and Related Materials	USD mn	3,170.4	1,950.4	2,649.5	2,567.6	2,318.2	2,145.1
Manufactured Goods Classified by Materials	USD mn	1,775.1	1,968.0	2,114.3	2,024.2	1,955.0	2,125.7
Chemical and Related Products	USD mn	875.4	861.7	983.0	971.2	1,015.2	1,074.7
Commodities and Transactions not Specified in Other Parts	USD mn	316.1	336.4	394.7	307.3	332.8	262.6
Commodities and Transactions not Specified in Other Parts: Special Operations and Commodities Not Classified	USD mn	0.1	0.0	0.3	0.3	0.3	0.2
Beverages and Tobacco	USD mn	135.1	135.0	242.6	328.2	187.1	201.2
Animal and Vegetables Oils, Fats and Waxes	USD mn	52.0	37.3	66.1	73.1	90.3	105.0
Miscellaneous Articles	USD mn	354.5	434.9	371.2	444.6	378.6	367.8
Commodities and Transactions not Specified in Other Parts: Gold, Non-Monetary	USD mn	316.0	336.3	394.4	307.1	332.4	262.4

Exports: Top Products: YoY Growth

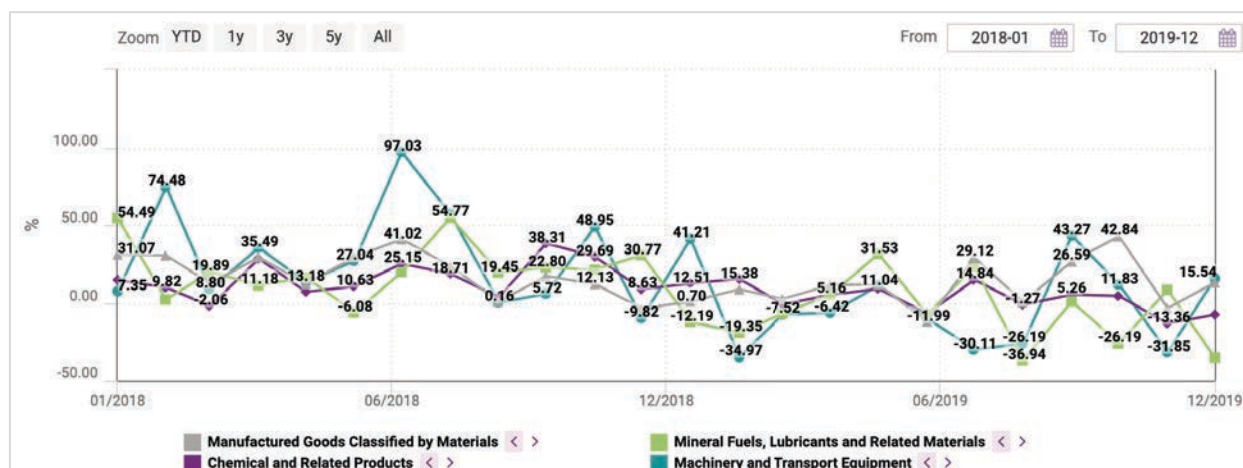


Source: CEIC Data

Imports: Main Categories

	Unit	12.01.2019	11.01.2019	10.01.2019	09.01.2019	08.01.2019	07.01.2019
Imports: FOB	USD mn	12,555.5	14,166.9	17,027.4	16,495.3	15,569.9	17,759.5
Machinery and Transport Equipment	USD mn	4,289.8	4,679.1	5,794.6	6,565.8	5,439.0	5,731.7
Chemical and Related Products	USD mn	3,109.4	3,555.3	4,342.4	4,115.3	4,310.1	4,550.1
Mineral Fuels, Lubricants and Related Materials	USD mn	1,722.4	2,336.1	1,951.9	1,911.0	1,790.0	2,726.0
Manufactured Goods Classified by Materials	USD mn	1,361.8	1,574.4	2,490.6	1,911.6	1,856.5	2,441.7
Food and Live Animals	USD mn	752.4	647.6	697.0	623.9	625.9	682.9
Crude Materials, Inedible, Exclude Fuels	USD mn	291.9	325.5	459.1	246.8	351.1	465.1
Animal and Vegetables Oils, Fats and Waxes	USD mn	73.9	79.9	72.0	46.6	59.2	68.1
Beverages and Tobacco	USD mn	54.6	62.9	79.6	64.3	64.0	63.1
Commodities and Transactions not Specified in Other Parts	USD mn	1.8	1.5	1.4	1.1	1.2	1.5
Miscellaneous Articles	USD mn	897.4	904.5	1,139.0	1,009.0	1,072.9	1,029.3
Commodities and Transactions not Specified in Other Parts: Gold, Non-Monetary	USD mn	0.4	1.1	1.4	1.1	1.2	1.5

Imports: Top Products: YoY Growth



Source: CEIC Data

Top Trading Partners: Exports

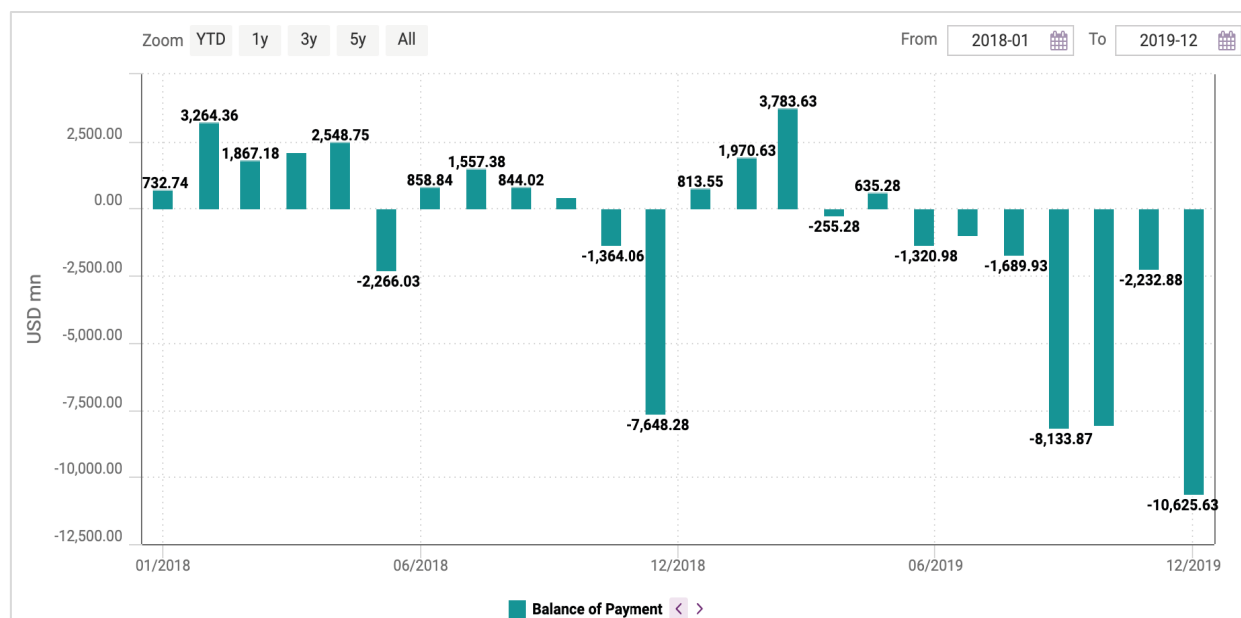
	Unit	12.01.2019	11.01.2019	10.01.2019	09.01.2019	08.01.2019	07.01.2019
China	USD mn	5,318.3	5,122.7	5,855.9	5,271.3	5,338.3	5,702.6
USA	USD mn	2,618.5	2,376.5	2,589.7	2,298.3	2,316.7	2,695.1
Argentina	USD mn	708.8	697.3	729.0	787.9	792.3	845.3
Netherlands	USD mn	515.9	796.4	656.2	2,397.9	710.5	773.1
Chile	USD mn	423.0	347.1	511.4	398.7	441.8	398.2
Germany	USD mn	326.2	345.3	342.2	301.0	438.1	440.8
Spain	USD mn	262.6	274.0	290.4	368.2	384.2	294.0
Mexico	USD mn	382.9	388.4	413.5	501.5	390.9	478.9
Japan	USD mn	644.5	439.1	559.5	540.7	482.6	589.7
India	USD mn	180.6	125.8	202.3	237.7	163.2	255.5

Top Trading Partners: Imports

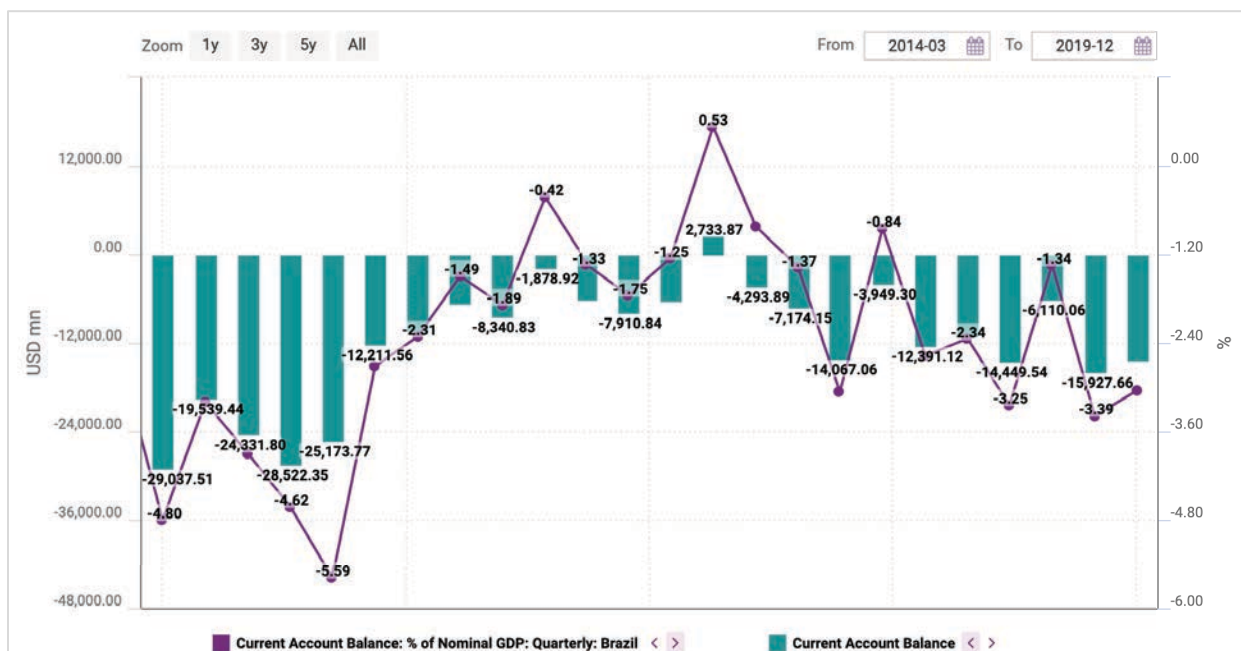
	Unit	12.01.2019	11.01.2019	10.01.2019	09.01.2019	08.01.2019	07.01.2019
China	USD mn	2,608.7	2,582.0	3,435.1	2,907.3	2,944.5	2,818.4
USA	USD mn	2,137.4	2,633.4	2,847.4	2,492.2	3,166.7	3,186.3
Argentina	USD mn	904.9	854.3	978.5	776.9	825.2	907.1
Germany	USD mn	726.4	791.4	930.3	916.8	987.5	973.8
South Korea	USD mn	266.9	332.9	435.2	396.3	413.4	435.4
Mexico	USD mn	311.9	293.7	356.4	367.0	414.6	394.2
Italy	USD mn	301.6	307.8	363.9	344.9	378.8	399.4
Japan	USD mn	264.1	295.5	338.9	324.5	338.5	548.1
France	USD mn	241.4	339.2	353.0	291.3	312.3	323.3
India	USD mn	314.1	403.1	419.5	300.1	337.6	391.3

Source: CEIC Data

Balance of Payments



Current Accounts: % of Nominal GDP

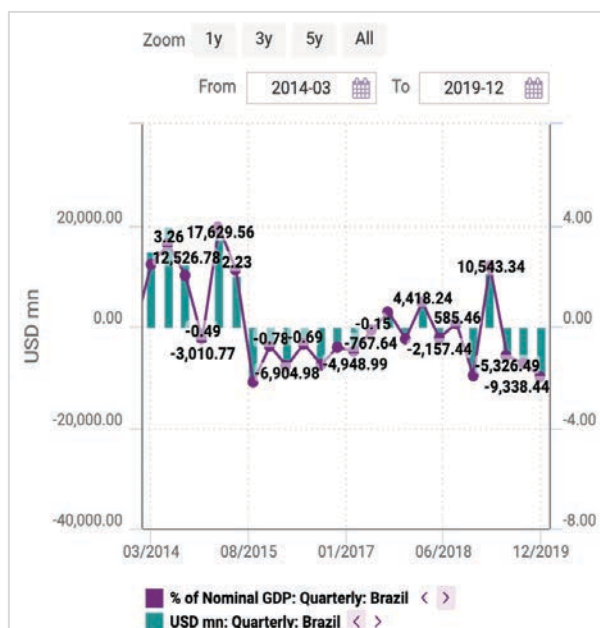


Source: CEIC Data

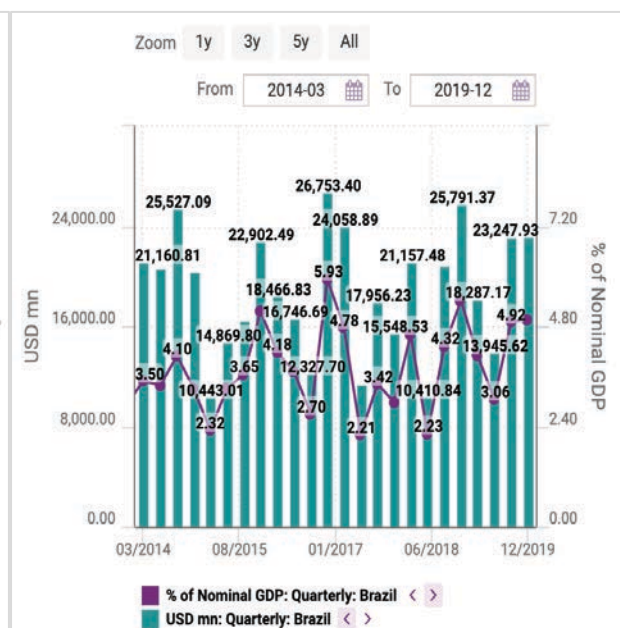
Flows of Direct and Portfolio Investment (+ Inflows, - Outflows)



Foreign Portfolio Investment (Net) (+ Inflows, - Outflows)



Foreign Direct Investment (Net) (+ Inflows, - Outflows)



Source: CEIC Data



In, On and For Emerging Markets



About CEIC Data

CEIC is an ISI Emerging Markets Group Company specialized in high quality macroeconomic databases. CEIC's databases have earned a world-class reputation among financial institutions, government agencies, universities, and corporations due to accuracy and comprehensiveness. Today, we are the service of choice for economic research on emerging and developed markets by economists around the globe.

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