

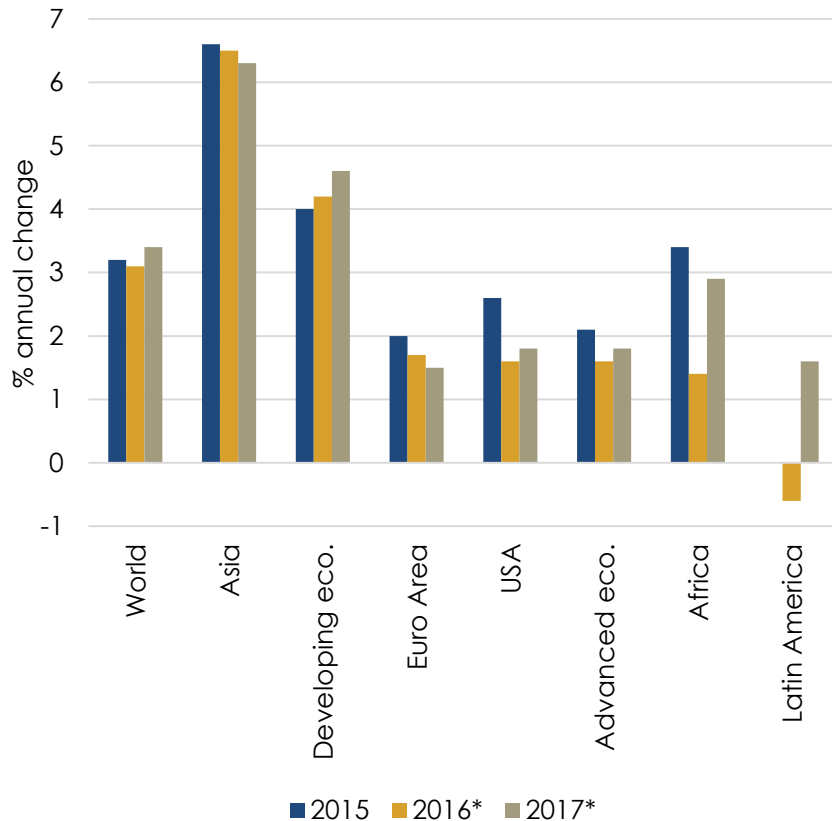


BRAZIL ECONOMIC OUTLOOK: Selected ideas

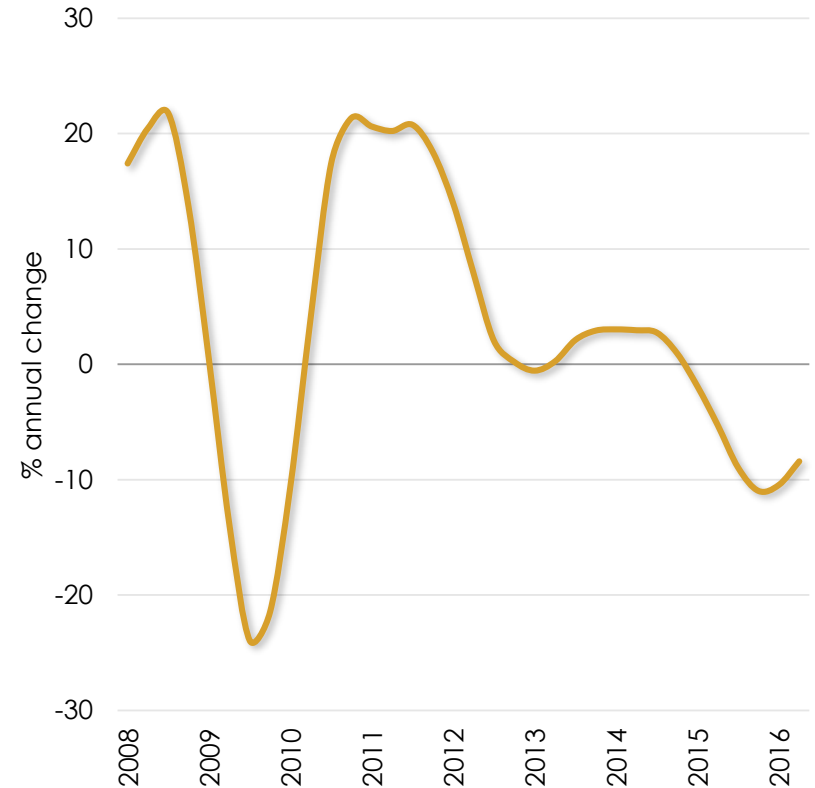
OCTOBER 2016

Global recovery continues, but at an increasingly slower and fragile pace

Global economic forecasts 2016 and 2017



Performance of global exports



Source: IMF, World Trade Organization, Equipo Economico. (*) Forecast.

Latin America's economy is expected to deteriorate this year and recover in 2017

Main figures – Latin American economies

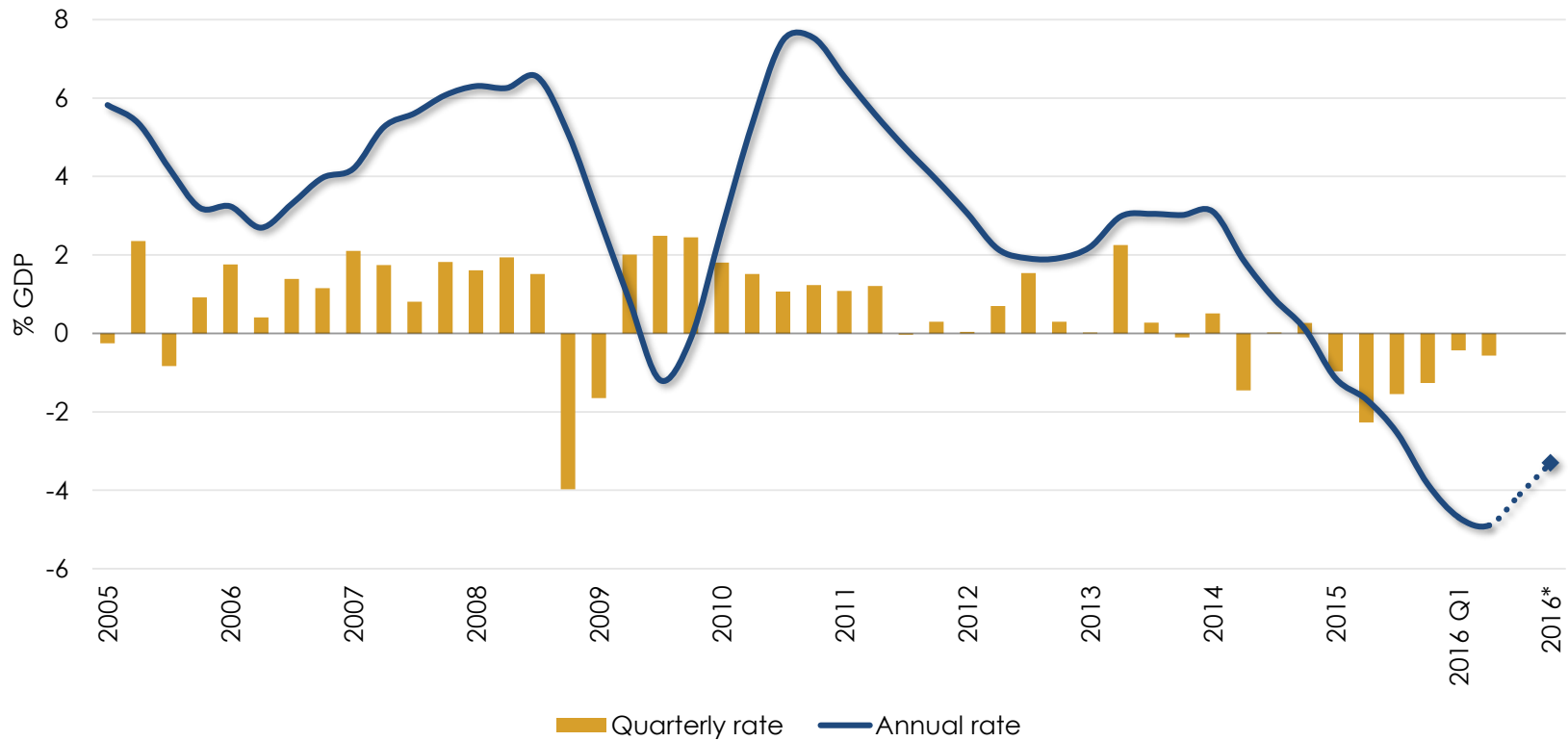


	2013	2014	2015	2016*	2017*		2016*		
	GDP					Inflation	Unemployment rate	Fiscal balance	Current account balance
Argentina	2.4	-2.5	2.5	-1.8	2.7	39.4	9.2	-7.1	-2.3
Brazil	3.0	0.1	-3.8	-3.3	0.5	7.2	11.2	-10.4	-0.8
Chile	4.0	1.8	2.3	1.7	2.0	3.5	7.0	-3.2	-1.9
Colombia	4.9	4.4	3.1	2.2	2.7	6.0	9.7	-2.9	-5.2
Mexico	1.4	2.2	2.5	2.1	2.3	3.2	4.1	-3.0	-2.7
Peru	5.8	2.4	3.3	3.7	4.1	2.9	6.0	-2.6	-3.8

Source: IMF, CEPAL (for Argentina), Equipo Economico, (*) Forecast.

We estimate 2016 will be the turning point of Brazilian crisis, so economic growth will converge towards positive rates in 2017

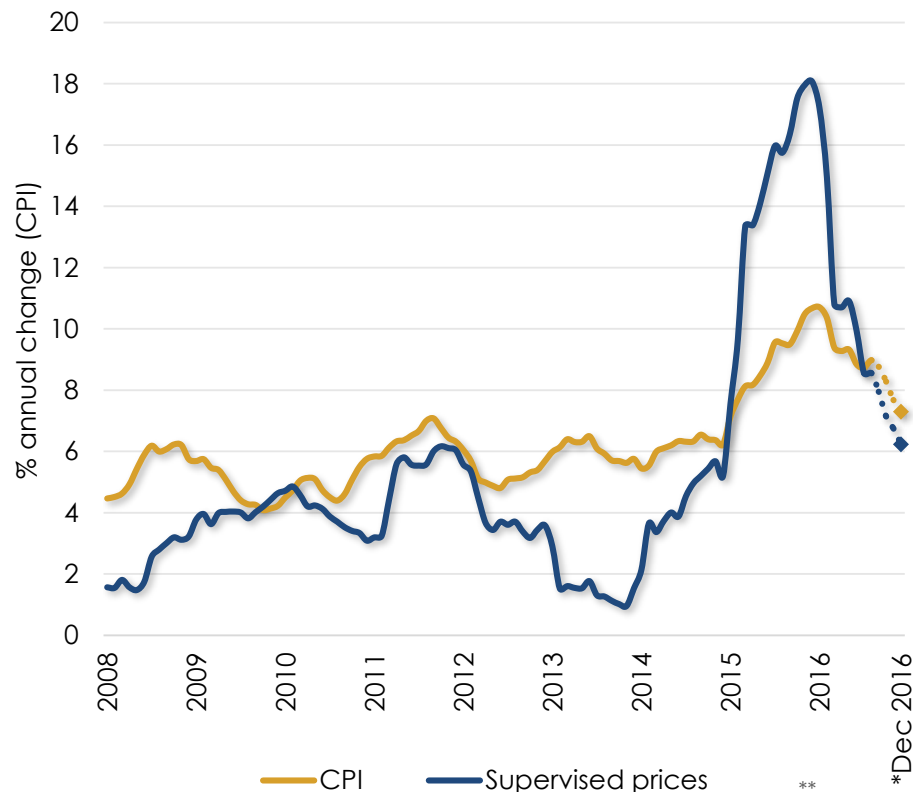
Performance of GDP in Brazil



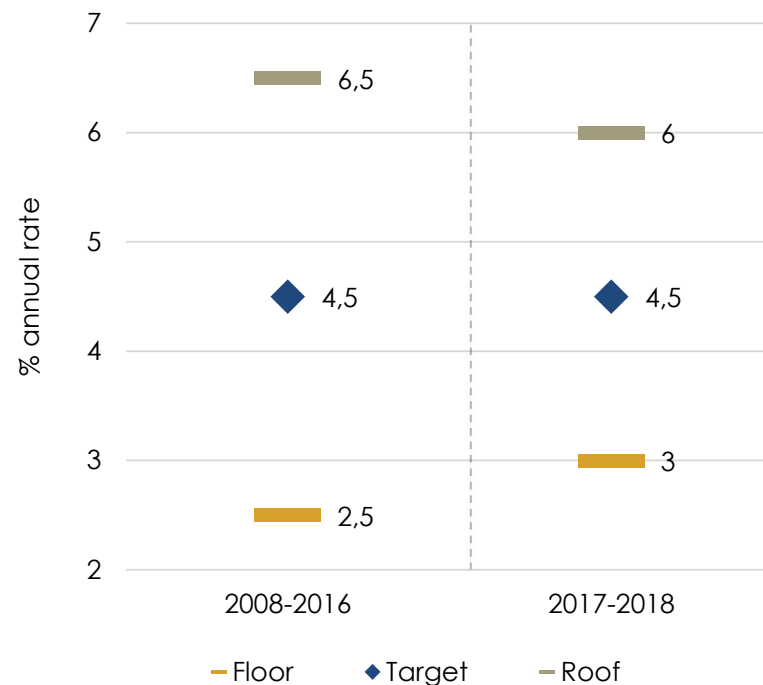
Source: IBGE, IMF, Equipo Economico.(*) Forecast; (**) IMF's World Economic Outlook of October 2016.

Inflation is trending downwards in 2016 but is still far from the Central Bank's target level

Performance of inflation in Brazil



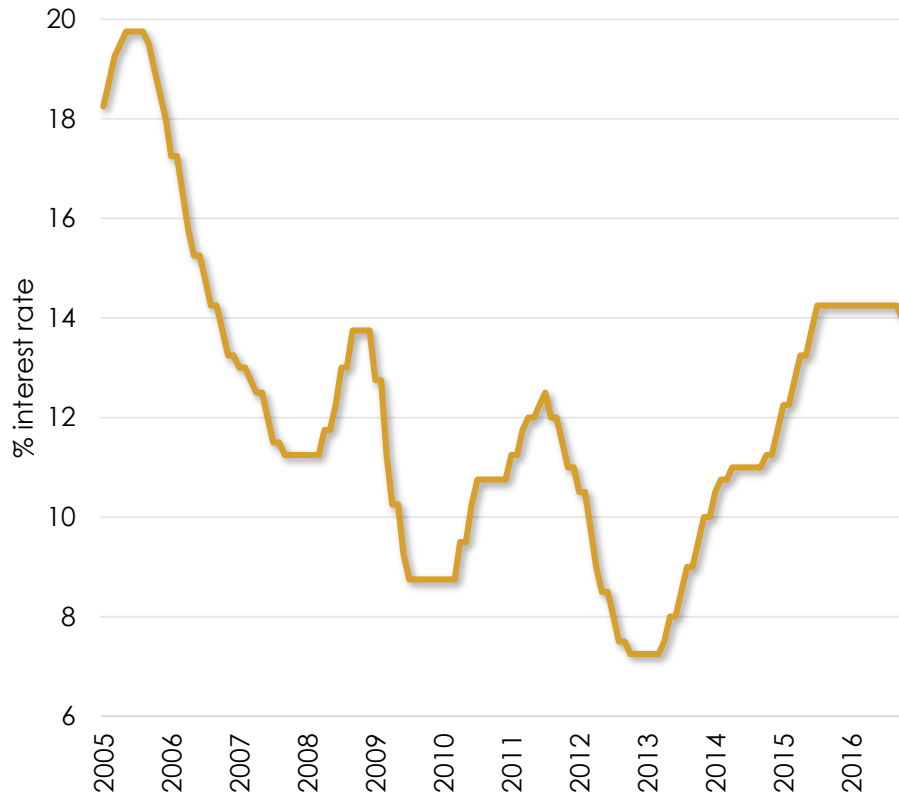
Government's inflation target narrowing for 2017



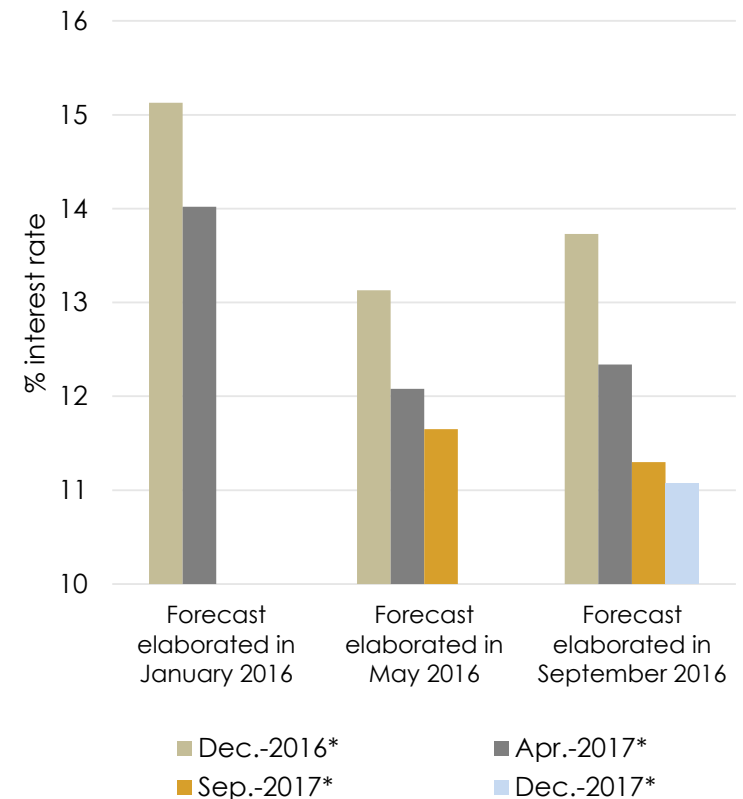
Source: Central Bank of Brazil, Equipo Economico.(*) Forecast; (**) Prices set at federal level (telephone services, petroleum derivatives, electricity, health plans, water and sewage taxes, taxes, public transport costs).

Monetary conditions remain restrictive to control inflation; nevertheless the Central Bank of Brazil has started to cut interest rates.

Performance of SELIC** rate



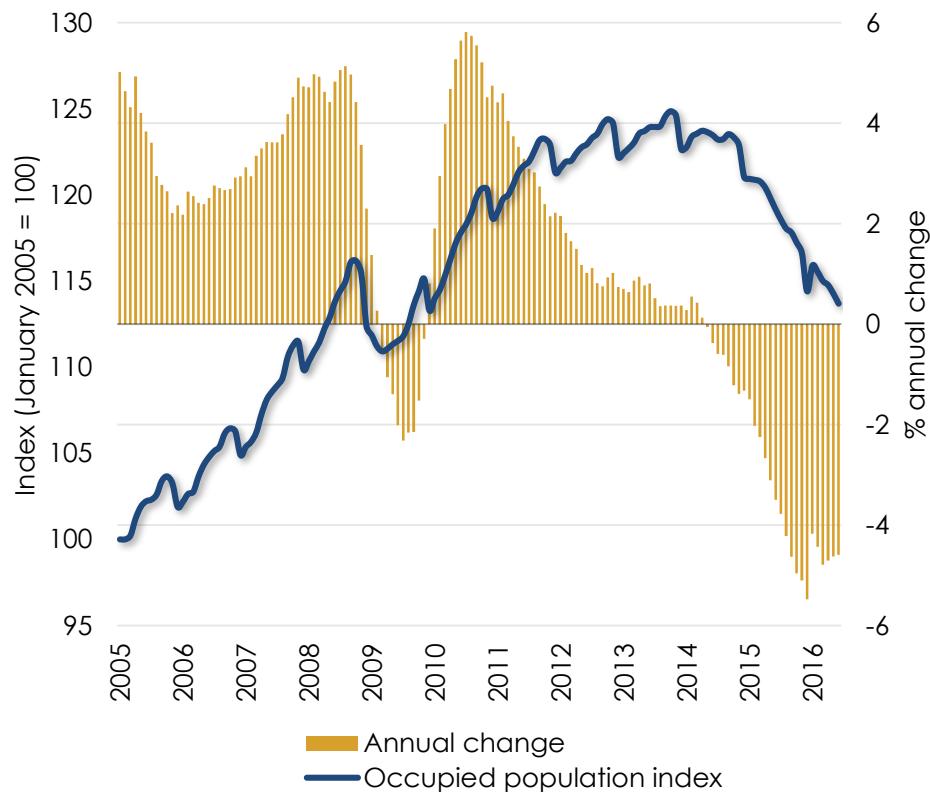
Performance of SELIC rate's market forecasts throughout this year



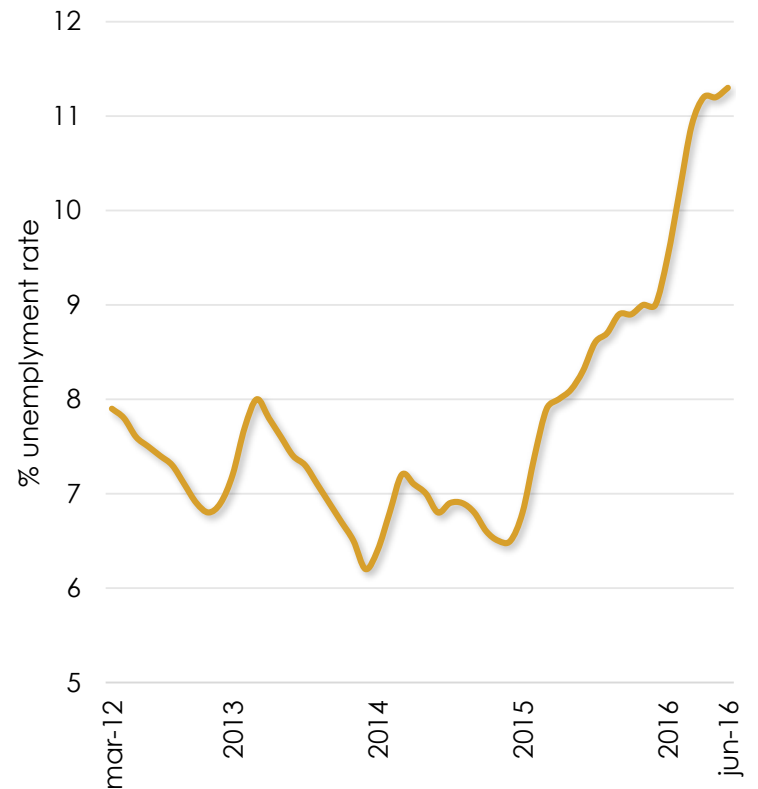
Source: Central Bank of Brazil, Equipo Economico. (*) Forecast; (**) SELIC rate is the reference interest rate set by the Central Bank of Brazil.

The fall in economic activity is driving the labor market to an intense contraction in employment levels

Performance of the National Occupied Population Index



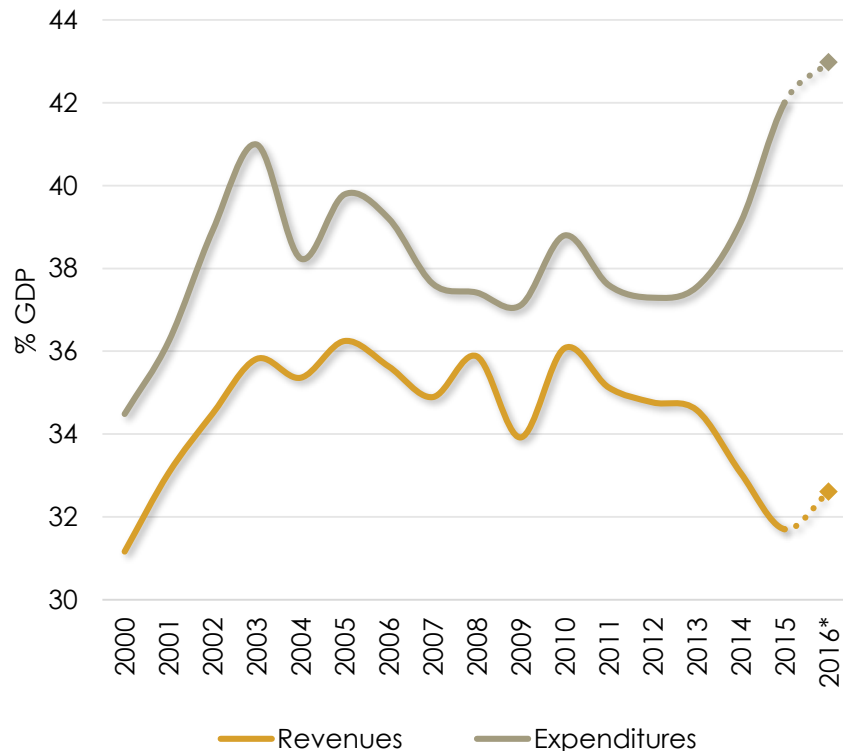
Evolution of the unemployment rate



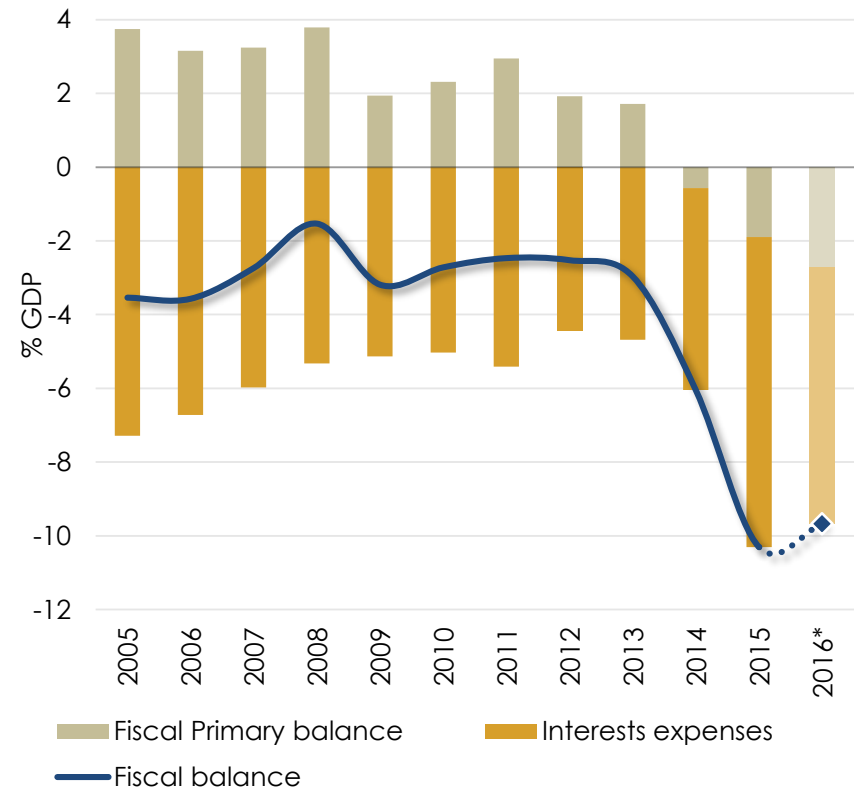
Source: IBGE's PNAD survey, Ministry of Employment of Brazil, Equipo Econômico.

Fiscal deficit remains high, due to problems cutting expenditure and low structural public revenues

Performance of General Government's revenues and expenditures



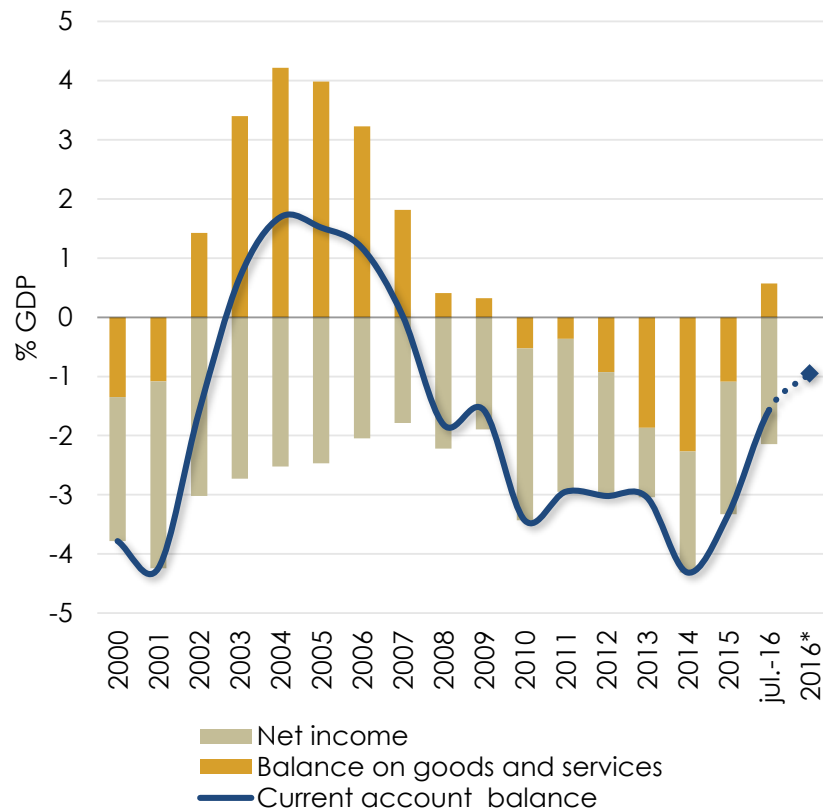
Evolution of fiscal balance



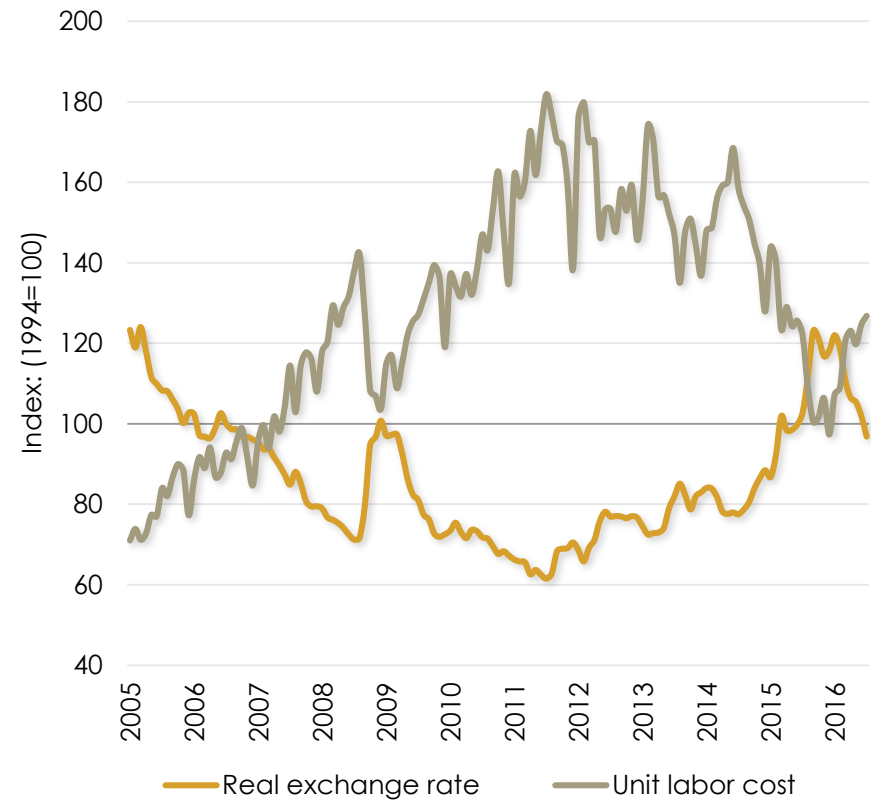
Source: Central Bank of Brazil, IMF, Equipo Economico. (*) Forecast.

Sharp adjustment in current account due to improved real exchange rate and contraction in domestic demand

Performance of current account balance



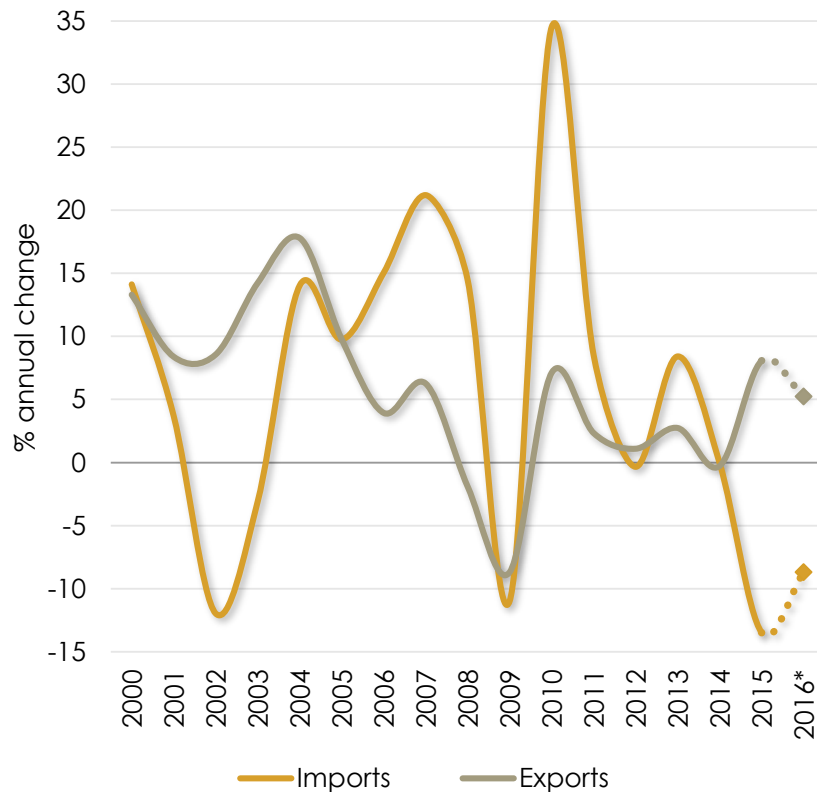
Economic competitiveness indicators



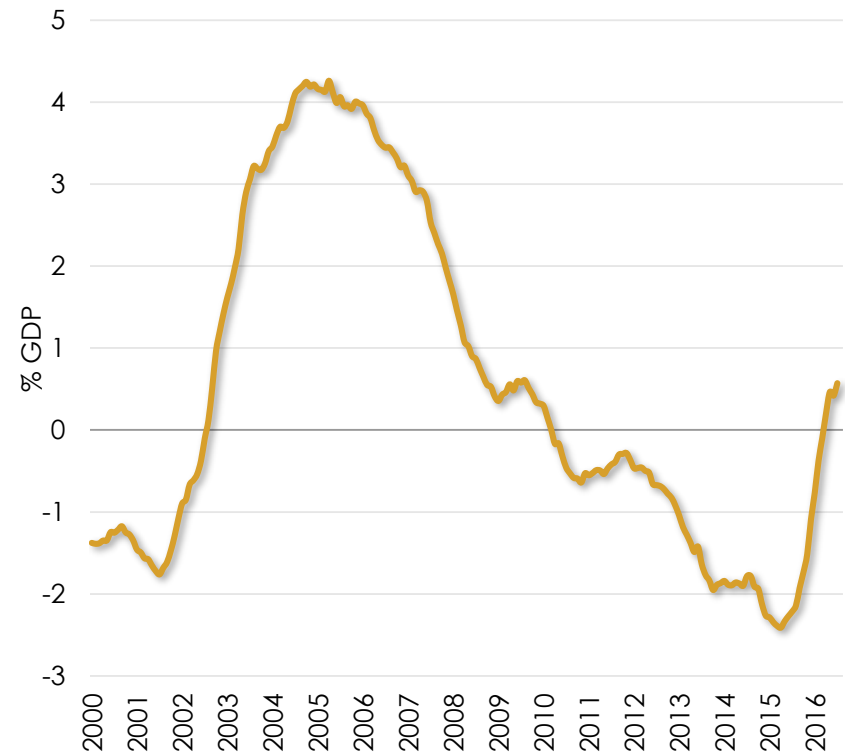
Source: IBGE, Central Bank of Brazil, Equipo Economico. (*) Forecast.

The rise in exports appears to be robust, favored by a depreciated exchange rate and stable commodity prices in 2016

Performance of imports and exports of goods and services in Brazil



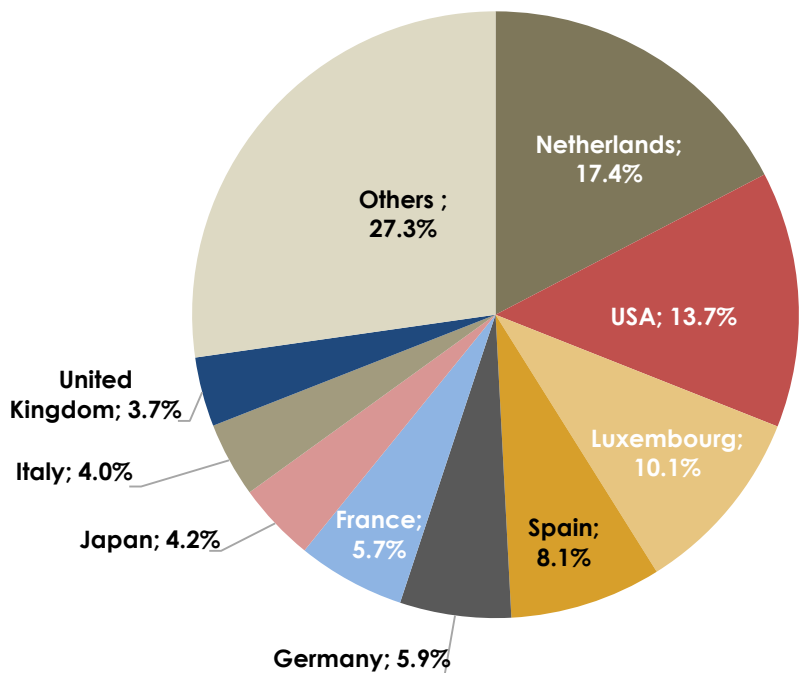
Performance of trade balance of goods and services



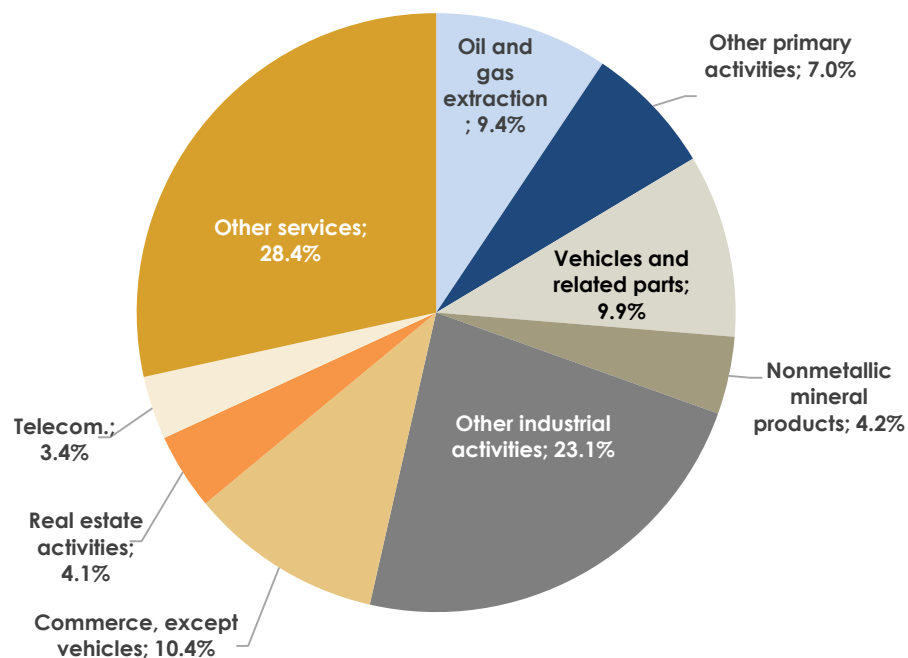
Source: IMF, Central Bank of Brazil, Equipo Economico.

Nowadays, Netherlands, USA, Luxembourg and Spain are the main investors in Brazil

Foreign direct investment inflows* by **geographic areas** in January-July 2016



Foreign direct investment inflows* by destination of **economic sector** in January-July 2016



Source: Central Bank of Brazil, UNCTAD, Equipo Economico. (*) Preliminary data.



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