

COVID-19

Impact on

BRAZIL'S ECONOMY



Interrupted economic activities due to Covid-19 outbreak, backed by looming uncertainties about the future has caused tremors in the Brazilian economy. Concerns on the impact of the pandemic has resulted in a downward revision of growth projections for 2020

-5.3%

GDP Growth %
(For FY21)

3.5%

Inflation Rate %
(for FY 21)

9.3%

Fiscal Deficit
% of GDP (FY 21)

-1.7%

Current Account
Balance (% of GDP)

36
(Apr 2020)

48.4
(Mar 2020)

Purchasing
Managers Index (PMI)

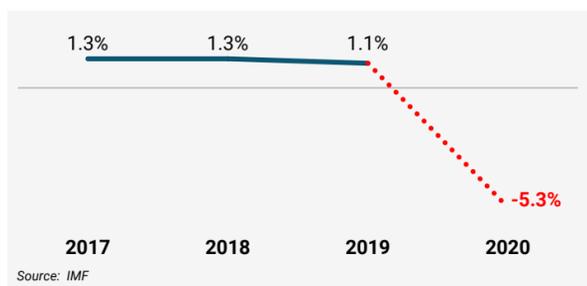
14.7%

Unemployment
Rate

Source: IHS Markit

Note: All indicators for the year 2020 as estimated in April 2020 unless specified
Source of GDP, Inflation, Fiscal deficit, Current account balance & Unemployment rate: IMF

Impact on Annual GDP Growth Rate



- With the Covid-19 incidents intensifying, Brazil is expected to witness an economic fallout. The services sector is expected to witness a major impact. Industry experts are forecasting a year of negative real GDP growth for the country in 2020
- The Covid-19 outbreak has mounted pressure on Brazil's trade relations with other BRIC nations, especially China, which is its largest trading partner and a key supplier of medical resources

Key Government Measures...

1

Economic stimulus of USD 150 Bn announced aimed at injecting liquidity to the market (USD 40 Bn as compulsory deposits), financial support to states (USD 17.5 Bn), support to small and medium sized companies (USD 8 Bn), financial support to airlines sector among other

2

USD 15 Bn aid by the Brazilian government for states and municipalities to cope with the healthcare demands and economic impact of the coronavirus. The package measures include health and social assistance expenses, suspension of the debts of the states to the union, and easy loan facilitation among others

3

Relaxations on debt repayments aided by The Brazilian Federation of Banks agreement in which the five largest banks in the country have agreed for 60 days extension for the debt maturity of individuals and SME's

4

Relief plan worth USD 9 Bn considered and worked upon by the Brazilian Federal Government along with private banks, investment funds and the BNDES (National Bank for Economic and Social Development). This is aimed at large companies impacted by the coronavirus crisis from Airlines, Energy and retail sector.

The continuous implementation of social distancing measures even post Covid-19 lockdowns is expected to impact the tourism sector the most; this can put the Brazilian economy under tremendous pressure which has tourism as its key contributor

Impact on the key sectors contributing to the economy



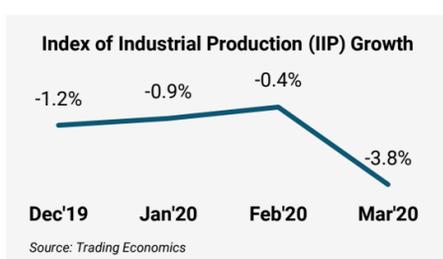
Although, the sector witnessed increase in orders for agricultural commodities, it had its share of slowdowns owing to the decline in trade prices with shutdown of major ports and trade cities, labor shortage, disruption in logistics chains and so on

- The pandemic has impacted the grain and soybean shipments negatively; with the peak of Covid-19 hitting in April-May period in Brazil which also is the peak export season for soybean. The disruption in logistics and transportation and reduced demand from overseas market is expected to be a dampener
- The poultry sector has remained strong amidst the difficult situations since poultry meat, as well pork meat and beef, are in high demand in both domestic and global markets. Brazilians also have reportedly increased their consumption of meat and poultry during the pandemic
- Some of the key aids to the sector has been
 - USD100 Mn relief plan for small agricultural producers and family owned farms announced by the Ministry of Agriculture
 - Many state-owned banks have cut down their interest rates on loans by 2% for SMBs in agribusiness



The sector contributes ~25% to the country's GDP and witnessed slowdown due to temporary shutdown of domestic plants and disruption in international supply chains

- Among the core industries, automotive manufacturing was the most impacted owing to the reduced exports and demand from the international markets
- Post covid, the recovery of the sector will be highly dependent on the investments and demand from the US, Europe and China.
- Also the demand for essential primary commodities such as oil, copper, zinc is expected to boost the economy
 - The Brazilian Federal Government announced a credit line worth USD 7.7 Bn for the SMEs to finance salaries for a period of two months for April & May 2020; the companies opting for this relief will have a 6-month grace period and 36 months to repay the loan
 - Brazil's Development Bank announced financial support for airlines through a system involving convertible debentures and by contributing capital to the companies through the purchase of shares to sustain their operations through the pandemic



Brazilian services sector, which is normally the largest contributor to the GDP with a contribution of around 70%, witnessed a steep contraction. The pandemic and the resultant lockdown coupled with lay offs, drop in orders from domestic and overseas market and the business closures.

- The major impact on services sector has been seen in segments such as ICT, Telecommunications and most importantly in tourism sector
- The contribution of tourism to Brazil's GDP is expected to decrease in 2020 due to the current and anticipated fall in the number of international visitors as a result of the pandemic
 - The Brazilian Development Bank (BNDES) is in plans to open a working capital loan line for small and medium-sized firms in tourism and service sectors

For a more detailed assessment of the impact of COVID-19 on Brazil's Economy please reach out to marketing@datamaticsbpm.com