The State of Economy

Start of recovery

In the international market, expectations are that in the second quarter of 2021, with the advent of mass vaccination, which started this December in most rich countries, the world economy will start a vigorous recovery. This is due to the normalization of access to circulation and work.

Average expectations are that the European economies and United States of America will grow between 4.5% and 5% per year. Asia would expand more rapidly and China could grow up to 8% in 2021.

These are optimistic expectations, with even better scenarios for asset prices. This considering that the ample global liquidity, with the increase of the money supply to foment the economies during the recession, generated almost US$ 10 trillion available, in bonds and cash, for investments in assets with potential to overcome the negative profitability that is obtained in fixed income.

In Brazil, the economy recovered strongly in the third quarter. There was a 7.7% growth in GDP when compared to the previous three months. It was practically what was expected, confirming the positive expectation that in the year the fall will be between -4% and -4.5%. It could be a little better, or worse, depending on the lockdown in the Christmas period.

In the results of GDP and Subsectors of the third quarter, the fact that the recovery in relation to the previous period was 14.8% in the Manufacturing Industry was very highlighted. However, the most impressive growth, considering the 12-month moving averages, was the leadership of Financial Activities (banks, insurance companies and others) and Extractive Industries, with growth of 4.3% each.

A positive point for the year 2021 is the fact that the basic interest rates - Selic at 2% per year - tend to continue in this range, as countries with Public Debt equal to or close to 100% of GDP cannot take chances with high rates without causing a disaster in public accounts.

At the same time, although inflation has shown some points out of the average, with the dollar stabilizing at less than R$ 5.50, unemployment of 14 million people and a reduction in the availability of assistance money, there will be a significant decrease in demand pressures, while the production and supply of industrial and agricultural goods expands.

In this environment, the external and internal scenario is very favorable to the appreciation in the prices of all assets. From financial prices and more liquid, such as shares and debentures, as well as urban and rural properties, among others.

In relation to the stock market, the entry of new investors on the stock exchange kept the recovery of paper prices, since the great collapse of March until the middle of October, when foreign investors began to return, encouraged by relatively low prices. in relation to the international market and for the dollar worth R$ 5.50, per unit. Foreign money continued to enter in November and the stock market's appreciation was 16% in the last month.

This “wave” of foreign investment was small in relation to the potential for new money to enter in 2021, as part of the US$ 10 trillion available on the international market is already positioned and increasing participation in Asian securities, awaiting for diplomatic relations between the US and China to return to normal. This will generate high prices in Asia and a profit for the first entrants to the exchanges in these countries.

The following investors will find prices already stretched in Asia, which will direct a significant part of the resources to the emerging ones that keep the largest volumes of business on the stock exchange. This will generate a second wave, significantly stronger than the current one, which will greatly benefit the shares listed on Bovespa, which maintains outstanding liquidity in relation to emerging markets.

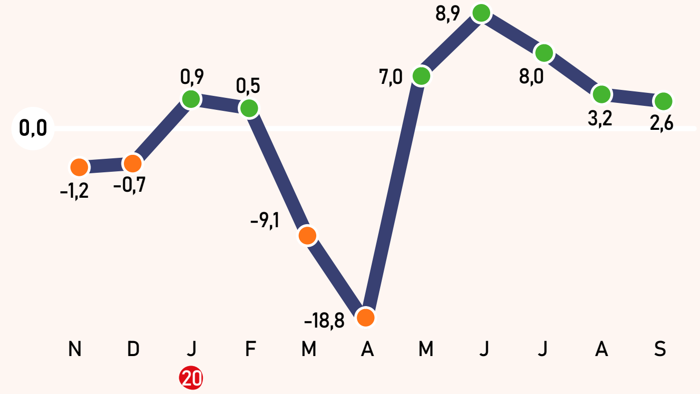
The negative point for Brazil, not in the short term, but in the medium and long term, is the growing lack of hope in relation to the government being able to carry out the reforms that the country needs, be it in the tax, administrative and many other reforms that are necessary for the country to modernize and face international competition.

In this relatively positive environment, albeit with threats of continuity in the pandemic and lockdown, the main trends that will affect your business and investments are as follows:

- Growth of the world economy between 4% and 5% in the year 2021.
- Asia will be the region of greatest growth and of world trade, which is increasingly moving to this part of the world.
- GDP growth in Brazil between -4% and -4.5% this year. Expansion of 4.5% to 5% in 2021, in line with the world economy.
- Brazilian summer harvest, close to 270 million tons of grains.
- Agricultural commodities, oil and metals prices rising.
- Basic interest rate at 2% at the end of this year and in 2021.
- Strong expansion in credit, with a continuous, smooth and persistent drop in interest rates for companies.
- Rising stock prices, stimulated by investors in the domestic market and the return of foreigners.

DESEMPENHO NA INDÚSTRIA | *PERFORMANCE OF THE INDUSTRY*

Na comparação com o mês anterior, em %



PT

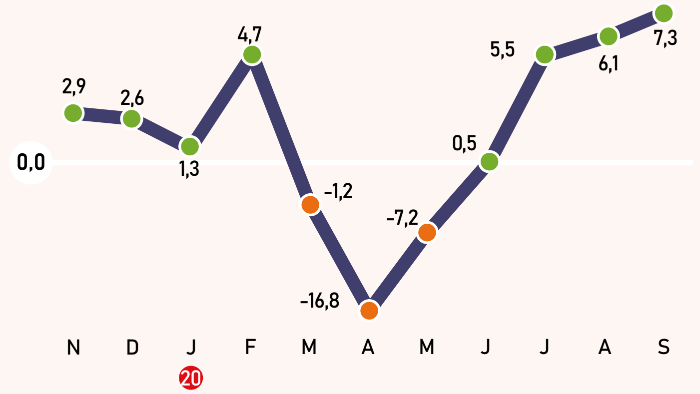
A produção industrial brasileira cresceu 3,4% em setembro deste ano na comparação com o mesmo mês de 2019, influenciada pela alta de 5,5% em Bens Intermediários. Nesta base, Bens de Capital registrou queda de 2,0%.

ENG

Brazilian industrial production grew 3.4% in September this year compared to the same month of 2019, influenced by the 5.5% increase in Intermediate Goods. On this basis, Capital Goods decreased by 2.0%.

VENDAS NO VAREJO | *RETAIL SALES BEHAVIOUR*

Em %



PT

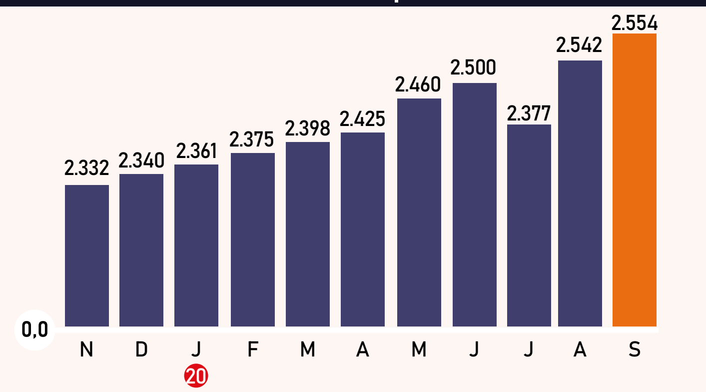
Em setembro deste ano, as vendas do comércio cresceram 7,3% na comparação com o mesmo mês de 2019, com o resultado sendo influenciado, mais uma vez, pelo ramo de Móveis e Eletrodomésticos, que apresentou uma alta de 28,7%.

ENG

This September, retail sales grew 7.3% in comparison with the same month of 2019, with the result being influenced, once again, by the Furniture and Appliances segment, which presented a 28.7% increase.

RENDIMENTO MÉDIO MENSAL | *AVERAGE INCOME IN REAL TERMS*

Média trimestral em trimestres móveis, em R$



PT

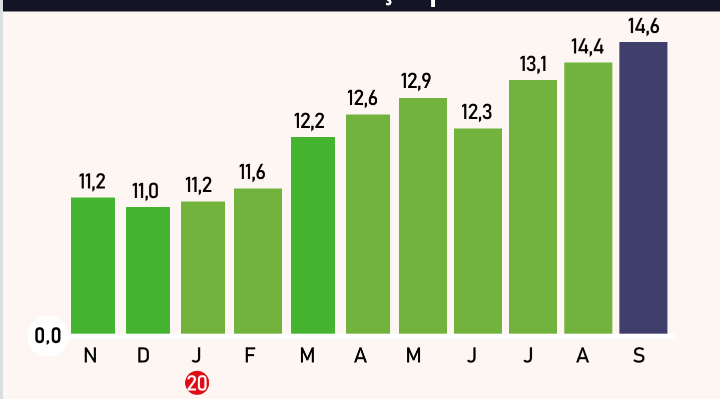
O rendimento médio nominal do trabalhador, medido pela PNAD Contínua, atingiu R$ 2554,00 no trimestre móvel fechado em setembro, crescendo 8,3% em relação ao mesmo período do ano anterior. A população ocupada ficou em 82,5 milhões, voltando a crescer.

ENG

The average nominal income of the worker, measured by 'PNAD Contínua', reached R$ 2554.00 in the mobile quarter closed in September, growing 8.3% in relation to the same period of the previous year. The employed population was 82.5 million, growing again.

TAXA DE DESOCUPAÇÃO | *UNEMPLOYMENT*

Média trimestral em trimestres móveis, em %



PT

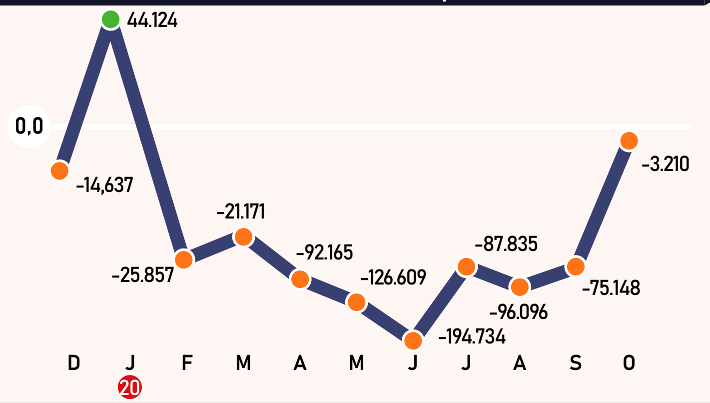
A taxa de desemprego (PNAD Contínua), medida pelo IBGE, ficou em 14,6% no trimestre móvel jul-ago-set. A população desocupada chegou a 14,1 milhões, alta de 12,6% na comparação com o mesmo período do ano passado.

ENG

The unemployment rate (PNAD Contínua), measured by the IBGE, was 14.6% in the mobile quarter Jul-Aug-Sep. The unemployed population reached 14.1 million, up 12.6% compared to the same period last year.

DESEMPENHO PRIMÁRIO DO GOVERNO | *PRIMARY GOVERNMENT RESULT*

Em R$ milhões



PT

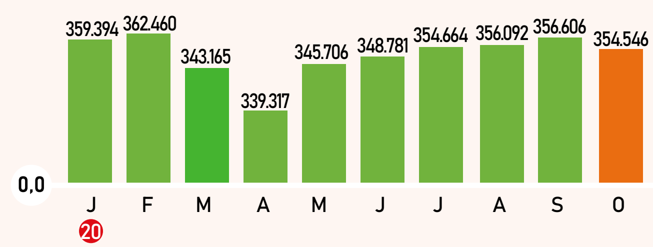
O Governo Central apresentou déficit primário de R$ 3,210 bilhões em outubro. Em 12 meses, R$ 714,988 bilhões de déficit, ou -9,86% do PIB. Nos dez primeiros meses do ano o déficit ficou em R$ 680,211 bilhões.

ENG

The Central Government presented a primary deficit of R$ 3.210 billion in October. In 12 months, a deficit of R$ 714.988 billion, or -9.86% of GDP. In the first ten months of the year, the deficit was R$ 680.211 billion.

RESERVAS INTERNACIONAIS | *INTERNATIONAL RESERVES*

em US$ milhões



PT

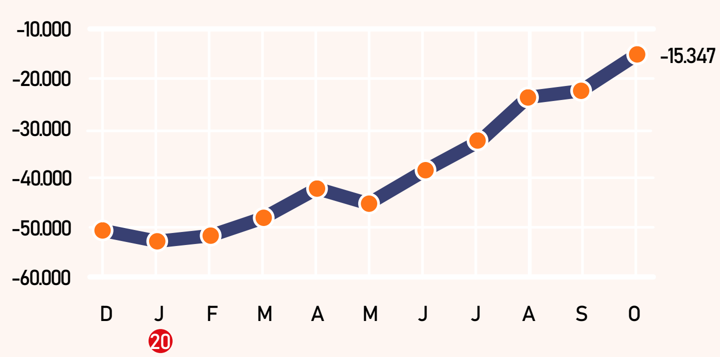
As reservas internacionais voltaram à trajetória de queda em outubro deste ano, ficando em US$ 354,546 bilhões. As reservas em divisas conversíveis ficaram em US$ 335,069 bilhões.

ENG

International reserves returned to a downward trend in October this year, reaching US$ 354.546 billion. Convertible currency reserves stood at US$ 335.069 billion.

TRANSAÇÕES CORRENTES | *CURRENT TRANSACTIONS*

Acumulada em 12 meses, em US$ milhões



PT

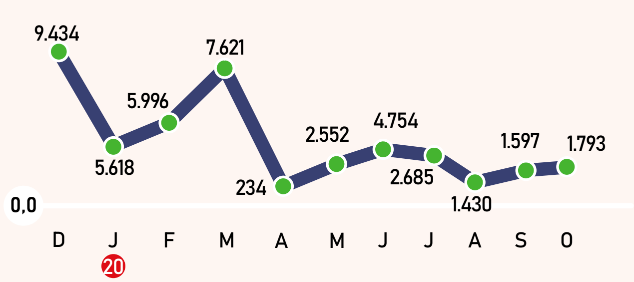
Em outubro, as transações correntes tiveram um superávit de US$ 1,473 bilhão, o que levou o resultado em 12 meses a um déficit de US$ 15,347 bilhões, ou -1,04% do PIB. Nos primeiros dez meses do ano, o resultado ficou em um déficit de US$ 7,588 bilhões.

ENG

In October, current transactions had a surplus of US$ 1.473 billion, which led the result in 12 months to a deficit of US$ 15.347 billion, or -1.04% of GDP. In the first ten months of the year, the result was a deficit of US$ 7.588 billion.

INVESTIMENTO DIRETO NO PAÍS | *DIRECT INVESTMENT IN THE COUNTRY*

Mês a mês, em US$ milhões



PT

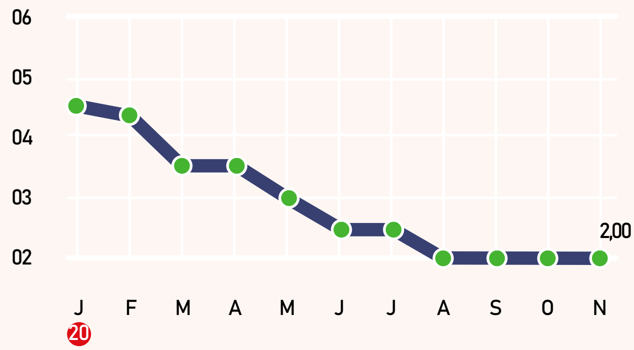
O IDP de outubro ficou em US$ 1,793 bilhão, levando o resultado em 12 meses a US$ 43,474 bilhões ou 2,94% do PIB. Nos dez primeiros meses do ano, o resultado ficou em US$ 31,914 bilhões.

ENG

October's IDP stood at US$ 1.793 billion, bringing the 12-month result to US$ 43.474 billion or 2.94% of GDP. In the first ten months of the year, the result was US $ 31.914 billion.

VARIAÇÃO DA SELIC ANUAL | *VARIATION OF THE ANNUAL SELIC*

Acumulada em 12 meses, em %



PT

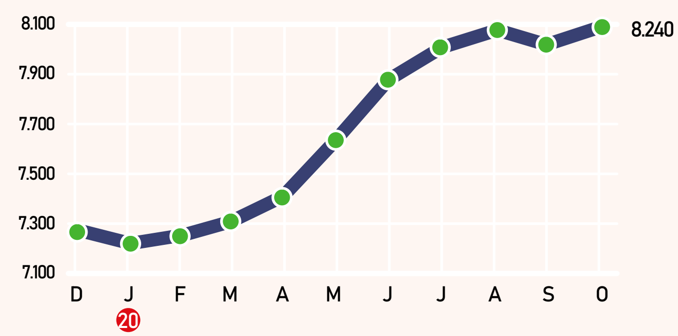
O mercado de juros no Brasil convive neste final de ano com as incertezas provocadas pela paralisação da pauta econômica no Congresso Nacional. Com isso, o mercado passou por algumas oscilações em novembro, sobretudo nos juros futuros.

ENG

The interest market in Brazil lives at the end of this year with the uncertainties caused by the paralysis of the economic agenda in the National Congress. As a result, the market experienced some fluctuations in November, especially in future interest rates.

MEIOS DE PAGAMENTO | *BROAD MONEY*

M4



PT

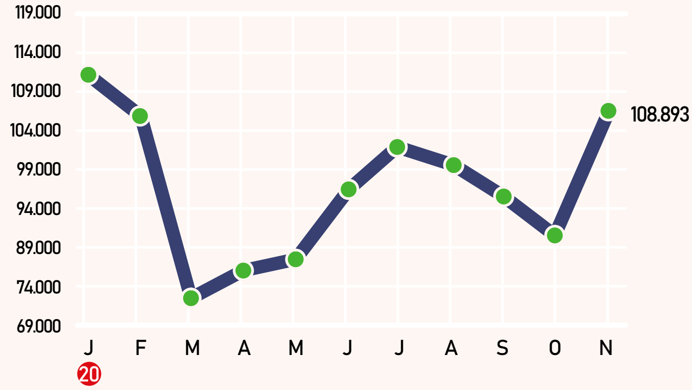
Em outubro deste ano, os meios de pagamento ampliados no Brasil chegaram a R$ 8,240 trilhões, influenciados pelos depósitos de poupança, pelo papel moeda em poder do público e pelos depósitos a prazo.

ENG

This October, the expanded means of payment in Brazil reached R$ 8.240 trillion, influenced by savings deposits, paper money held by the public and term deposits.

EVOLUÇÃO DA BOVESPA | *STOCK MARKET*

Fechamento do mês



PT

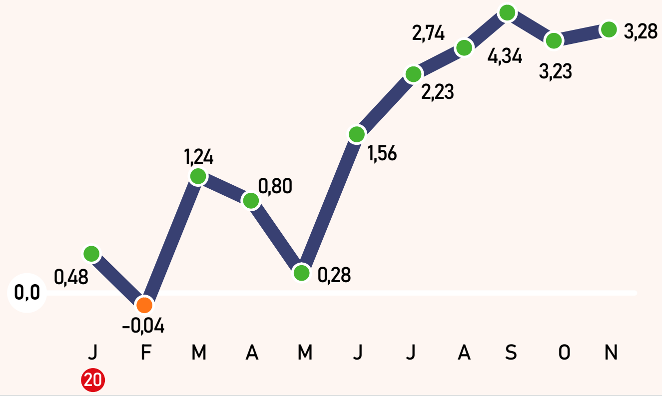
O Ibovespa fechou novembro de 2020 a 108893 pontos, crescendo 15,90% em relação ao mês anterior. No ano, a variação é negativa em 5,84%.

ENG

The Ibovespa closed November 2020 at 108893 points, growing 15.90% over the previous month. In the year, the variation is negative by 5.84%.

INFLAÇÃO | *INFLATION*

Em %



PT

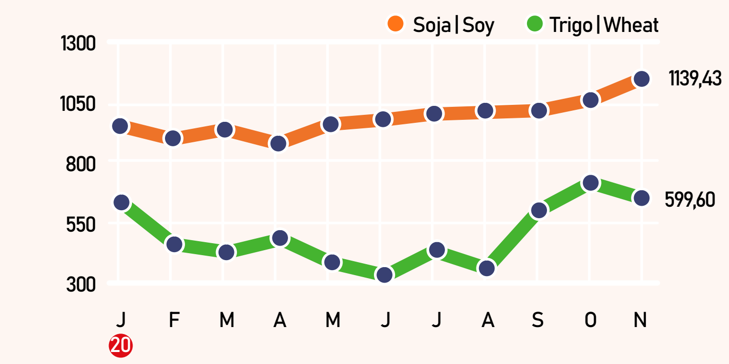
O IGP-M de novembro fechou em 3,28%, ligeiramente acima do registrado em outubro, com influência dos preços no atacado, sobretudo alguns preços agrícolas, como milho em grão e café em grão. No ano o IGP-M acumula alta de 21,97% e em 12 meses a aceleração é de 24,52%.

ENG

The IGP-M in November closed at 3.28%, slightly above that registered in October, influenced by wholesale prices, especially some agricultural prices, such as corn and coffee beans. In the year, the IGP-M accumulated an increase of 21.97% and in 12 months the acceleration is 24.52%.

COMMODITIES | *AGRICULTURAL COMMODITIES*

Em US$ cents/bushel



PT

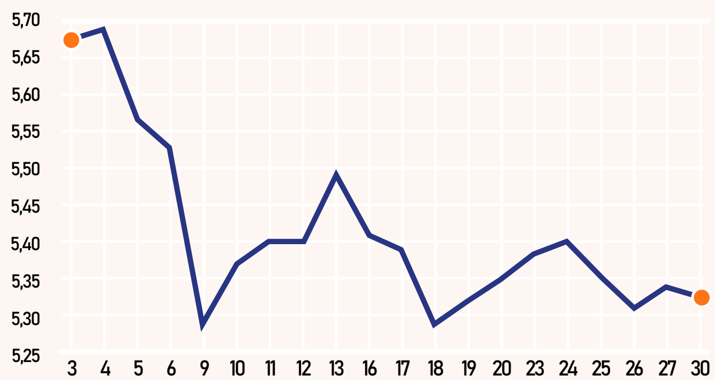
Em novembro, os preços médios, tanto em Chicago quanto em Nova York, tiveram boa valorização apoiados no otimismo do mercado com as notícias sobre as vacinas e também com informações de alguns problemas climáticos em regiões produtoras.

ENG

In November, average prices, both in Chicago and New York, appreciated strongly on the back of market optimism with news about vaccines and also with information on some climate problems in producing regions.

DÓLAR/REAL | *PARITY US DOLLAR/REAL*

Em outubro



PT

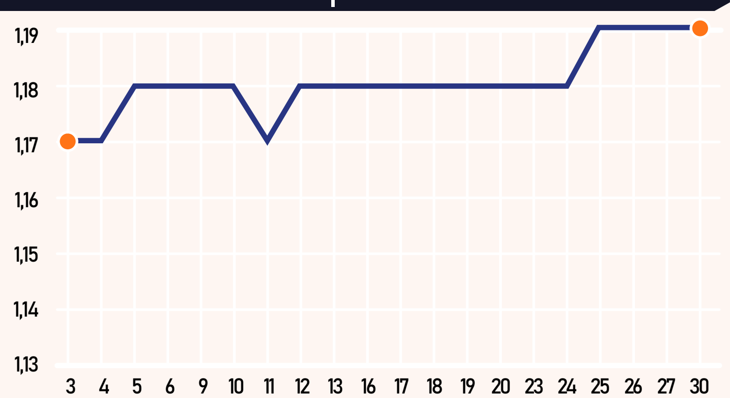
O dólar iniciou o mês de novembro a R$ 5,689, mas o real conseguiu uma ligeira valorização durante o mês com o Banco Central realizando alguns leilões e o mercado mundial mais calmo com a sinalização de uma transição mais calma no governo norte-americano. O fechamento ficou em R$ 5,332.

ENG

The dollar started November at R$ 5.689, but the real appreciated slightly during the month with the Central Bank holding a few auctions and the calmer world market with the signal of a calmer transition in the US government. The closing was R$ 5.332.

EURO/DÓLAR | *PARITY EURO/US DOLLAR*

Em outubro



PT

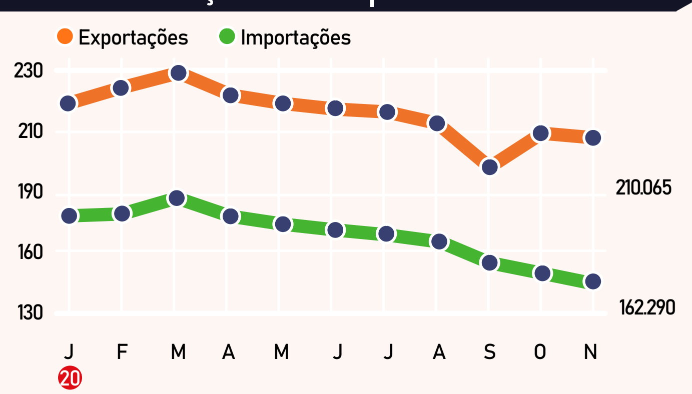
O euro iniciou a US$ 1,173 o penúltimo mês do ano e manteve uma trajetória de valorização frente ao dólar com notícias otimistas sobre as vacinas contra o Covid-19. O fechamento foi em US$ 1,196.

ENG

The euro started at US$ 1.173 the penultimate month of the year and maintained a path of appreciation against the dollar with optimistic news about vaccines against Covid-19. The closing was US$ 1.196.

BALANÇA COMERCIAL | *TRADE BALANCE*

Em US$ bilhões



PT

Em novembro, as exportações brasileiras alcançaram US$ 17,531 bilhões, enquanto as importações chegaram a US$ 13,799 bilhões, levando a um saldo comercial de US$ 3,732 bilhões.

ENG

In November, Brazilian exports reached US$ 17.531 billion, while imports reached US$ 13.799 billion, leading to a surplus of US$ 3.732 billion.