

# BRAZIL OUTLOOK

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# OUTLINE

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Global Economy

Brazil

Risks

Disclaimer

- Investment Thesis

# MAIN THEMES

- Recovery to remain gradual over 2017 and gathering momentum into 2018.
- Central Bank to lower the Selic rate until reaching 7.00%
- General Elections of 2018 is key event to start monitoring from October 2017.
- Prior to that, attempts to push forward with social security reform will be of prime importance.

# MAIN FORECASTS

Variable	2016	2017E	2018E
GDP (% yoy)	-3.5	0.4	3.0
Selic Rate (%)	13.25	7.00	7.00
Fx Rate (BRL per USD)	3.20	3.30	3.40
CPI (% yoy)	6.3	3.5	4.0
Primary Surplus (% GDP)	-2.1	-2.0	-1.5
Current Account (%GDP)	-1.2	-1.2	-1.8

# GLOBAL ECONOMY

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# OUTLOOK

- Growth standing at/close to potential at DMs amid tamed inflation, for now.
- Easy financial conditions and asset valuations near record levels.
- Firm Economic performance at emerging Asia.
- Evolution of inflation in DMs looks key for the continuation of financial condition.

# GROWTH GROWTH

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# COMMODITY PRICES

# BRAZIL

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# OUTLOOK

- Activity lack remains unprecedented.
- Forward looking gauges indicates the economy gathering momentum.
- Inflation is to persist tamed in 2017 and 2018 along the economic take off.
- The need to a long-term fiscal anchor is becoming ever more evident.

# ACTIVITY

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# FINANCIAL AND CREDIT CONDITIONS

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# INFLATION

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- Temer survival granted another changes to push through a reforming agenda.
- His pecking order hinges:
  - Social Security: most likely a watered down version.
  - Tax reform.
- Election reform stands in the middle of this agenda along with much needs convincing of both Houses.

# RISKS

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## MAIN RISKS:

- Change of inflationary conditions in DMs.
- Fiscal conditions in Brazil.

# DISCLAIMER

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