

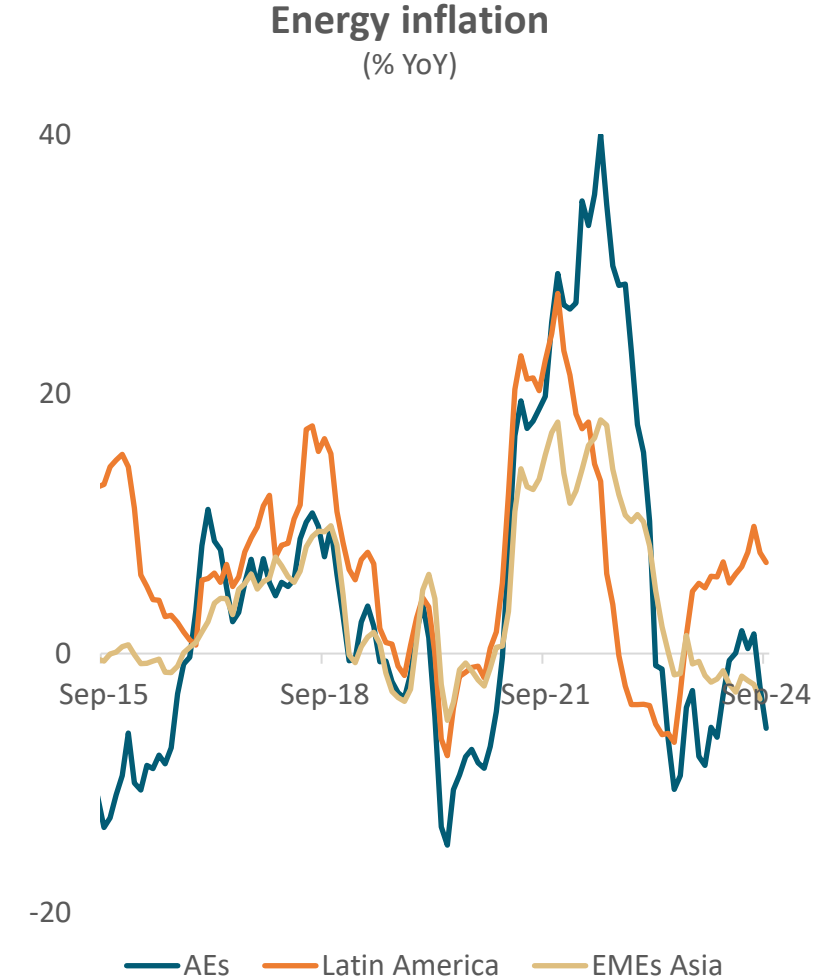
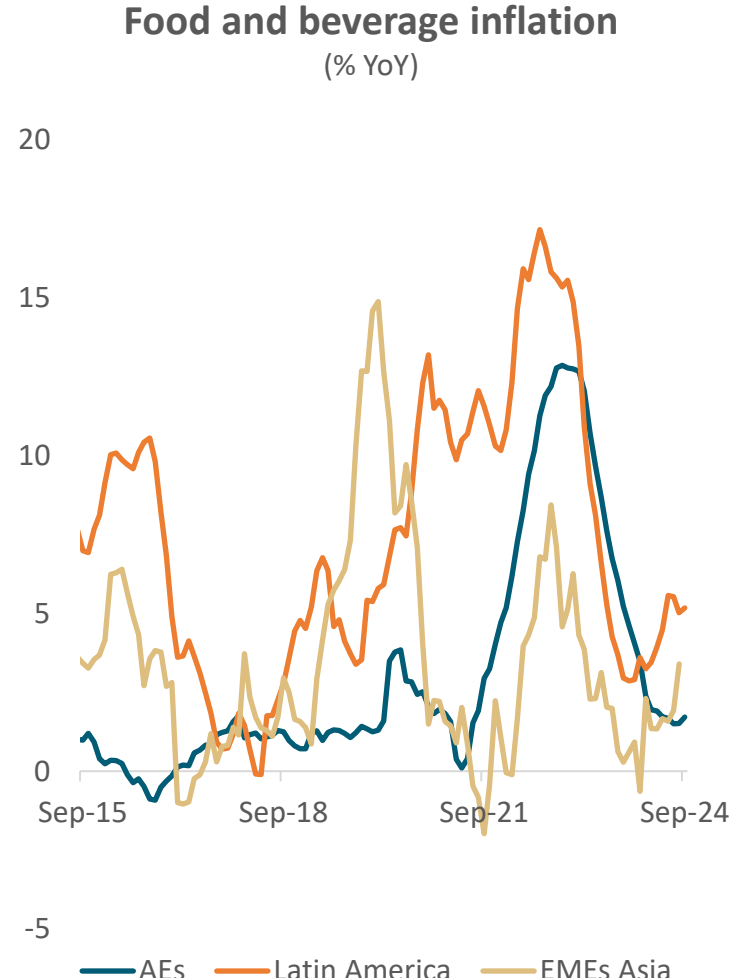
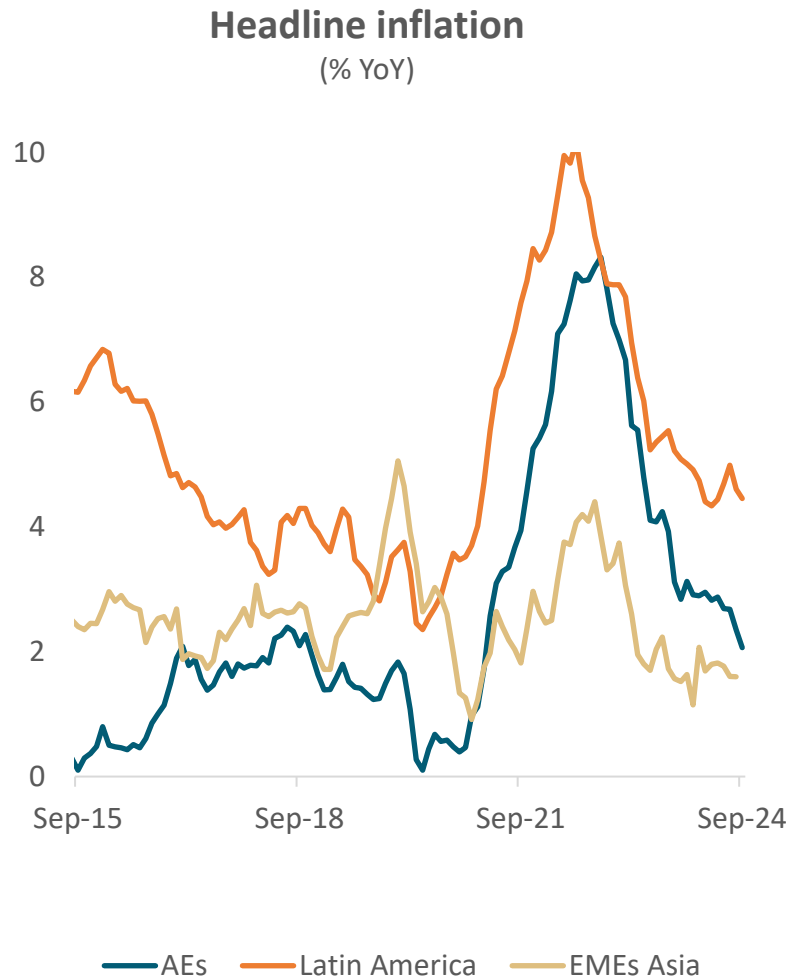
*LIDE Brazil Conference London*

# Economic Outlook and Agenda BC#

**Roberto Campos Neto**

Governor of Banco Central do Brasil

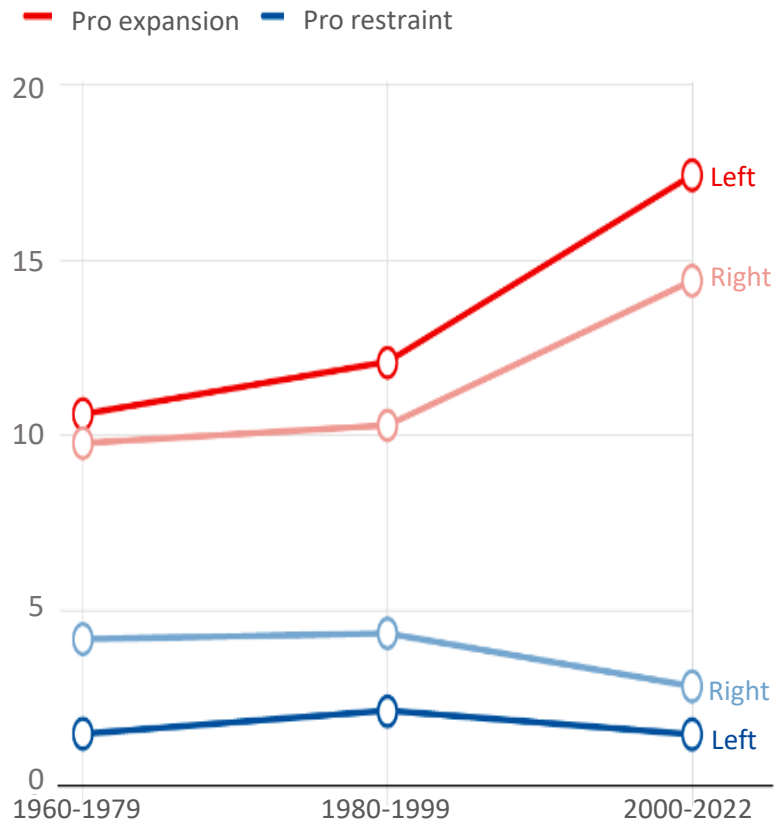
Gradual reduction in inflation. Food and energy prices in Latin America explain divergence between blocs in recent data.



Proposals discussed during the U.S. election campaign would have an inflationary effect, if implemented.

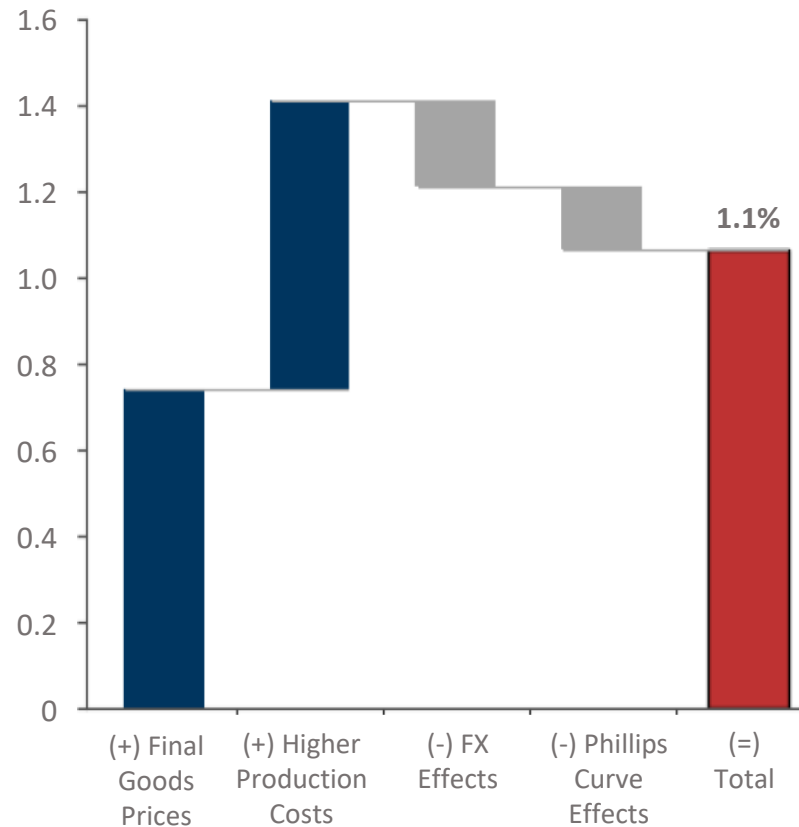
## Fiscal policy

Evolution of discourse by party family  
(% of platform)



## Import tax

Effect on U.S. inflation of tariff hikes\*  
(%)

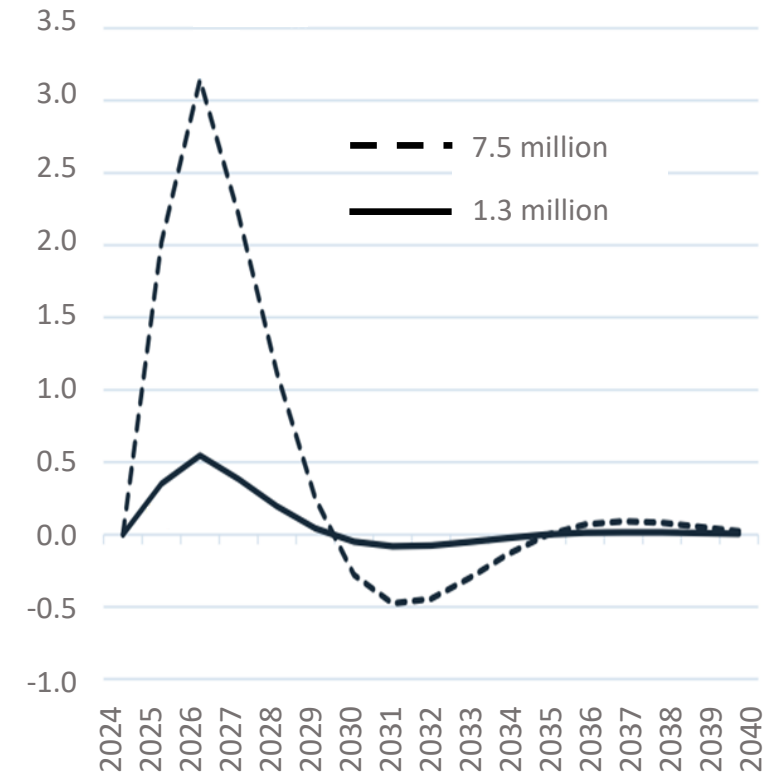


\*The exercise consists on a 10 p.p. hike in import tariffs by the U.S., followed by a 10 p.p. retaliation by other countries.

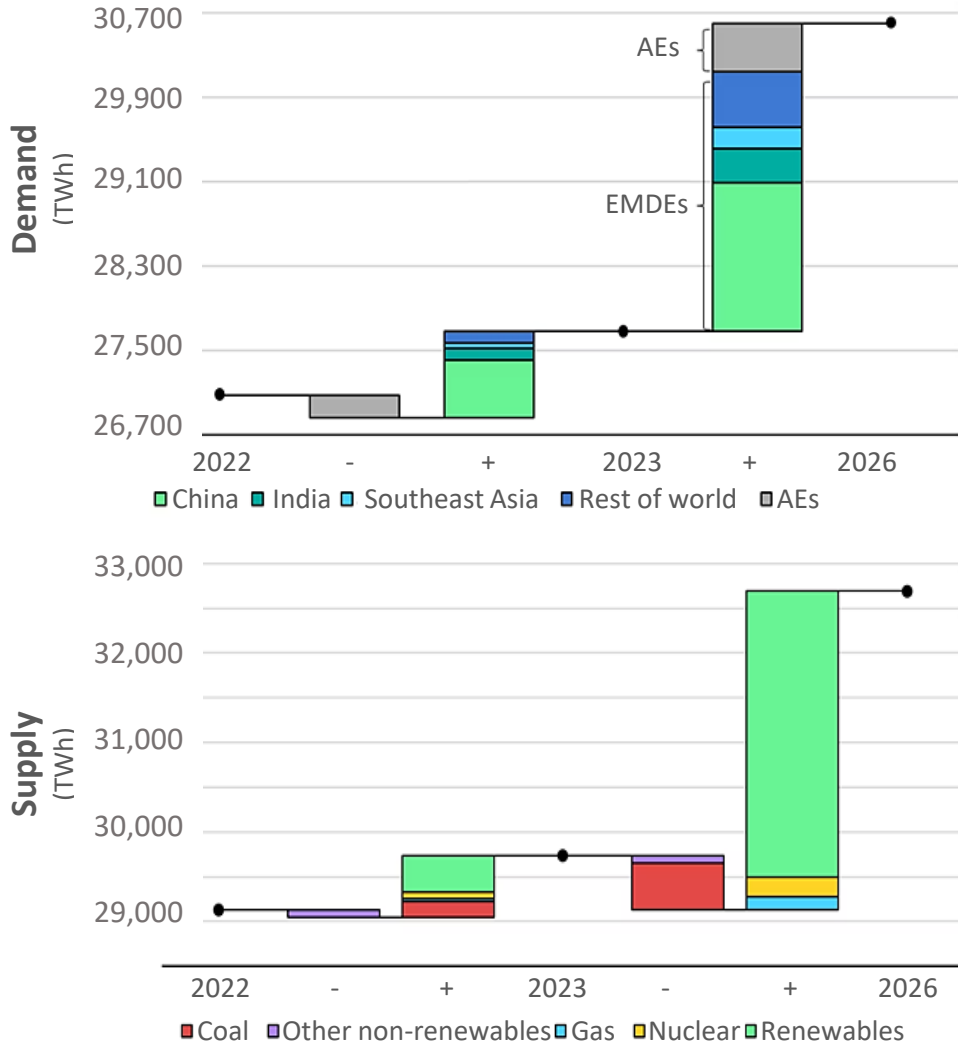
## Immigration policy

Effect on U.S. inflation of changes in the immigration policy

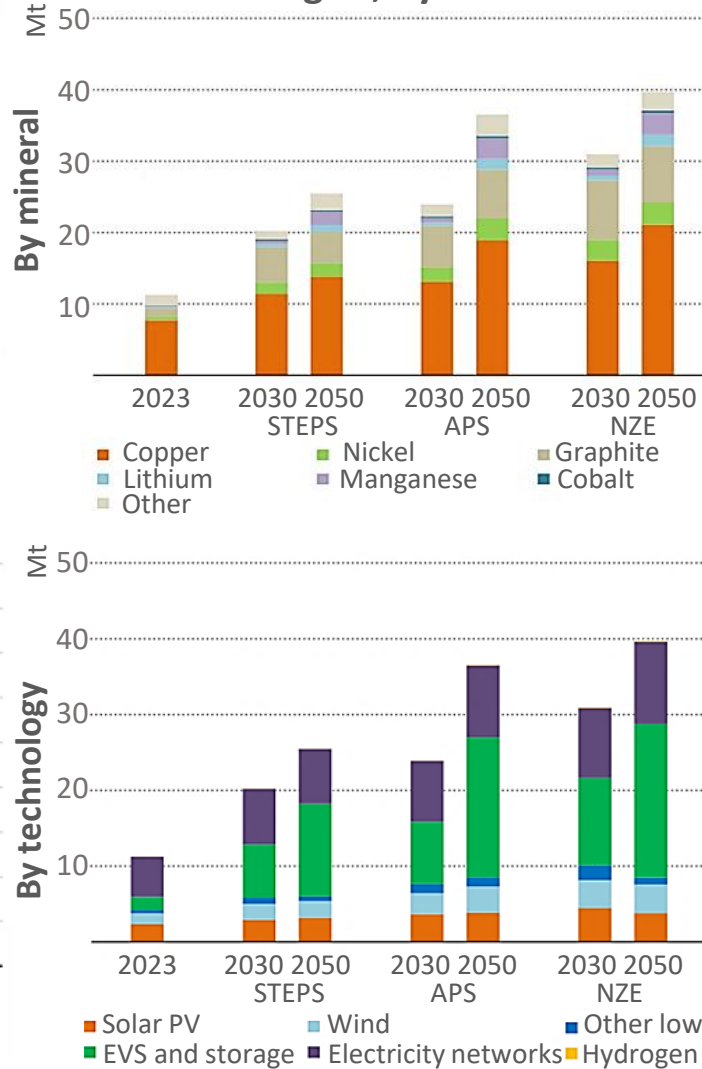
Scenario 1: deportation of 1.3 mi people from the US  
Scenario 2: deportation of 7.5 mi people from the US  
(Effect in p.p.)



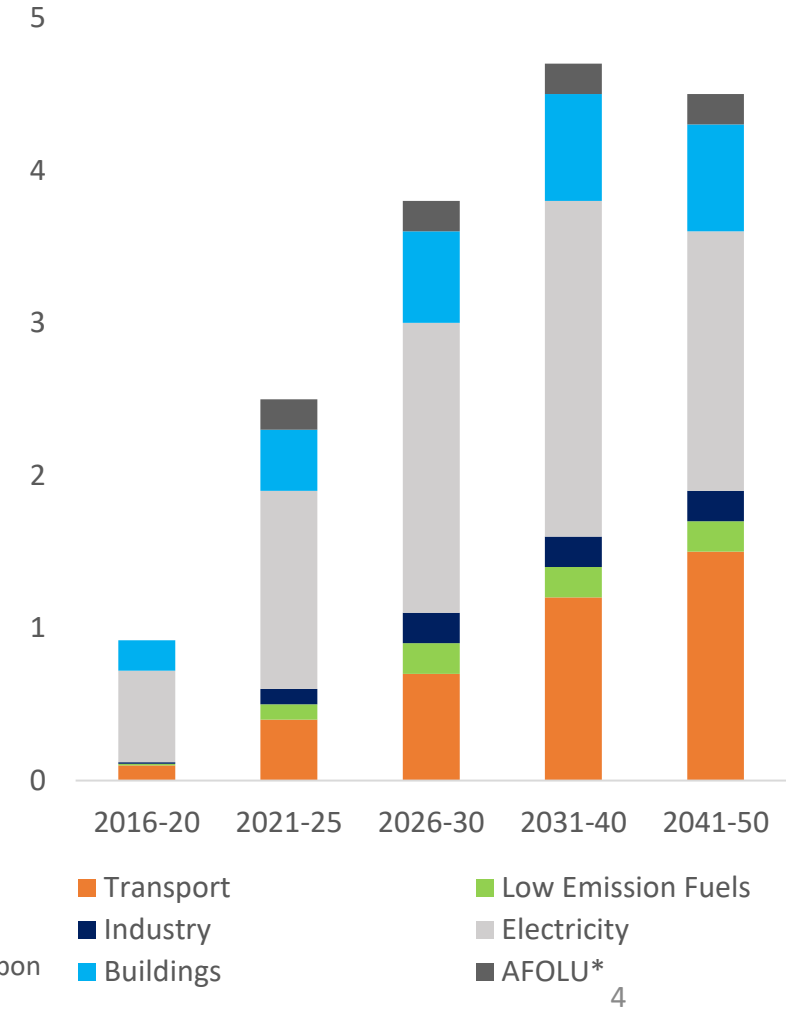
### Change in energy demand and supply



### Mineral requirements for clean energy technologies, by scenario\*



### Annual average investment requirement across sectors (2021-2050, in USD trillion)



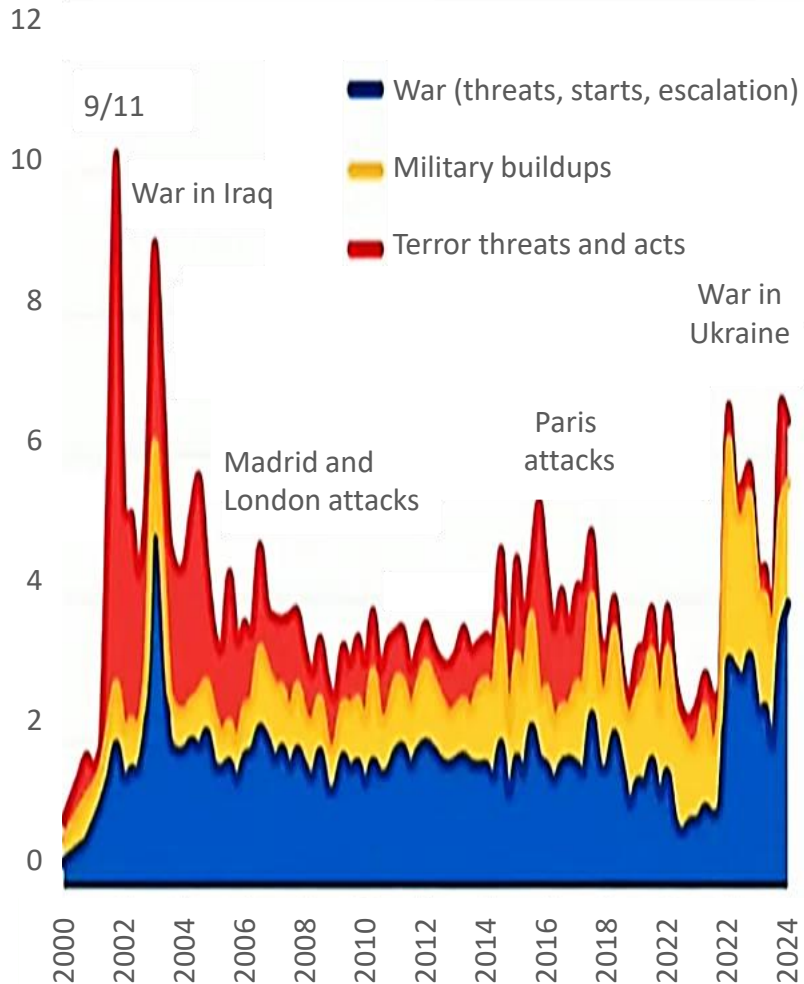
Sources: IEA.

\*STEPS: States Policies Scenario, APS: Announced Pledges Scenario, NZE: Net Zero Emissions by 2050

\*Agriculture, Forestry, and Other Land Use

## Geopolitical risk

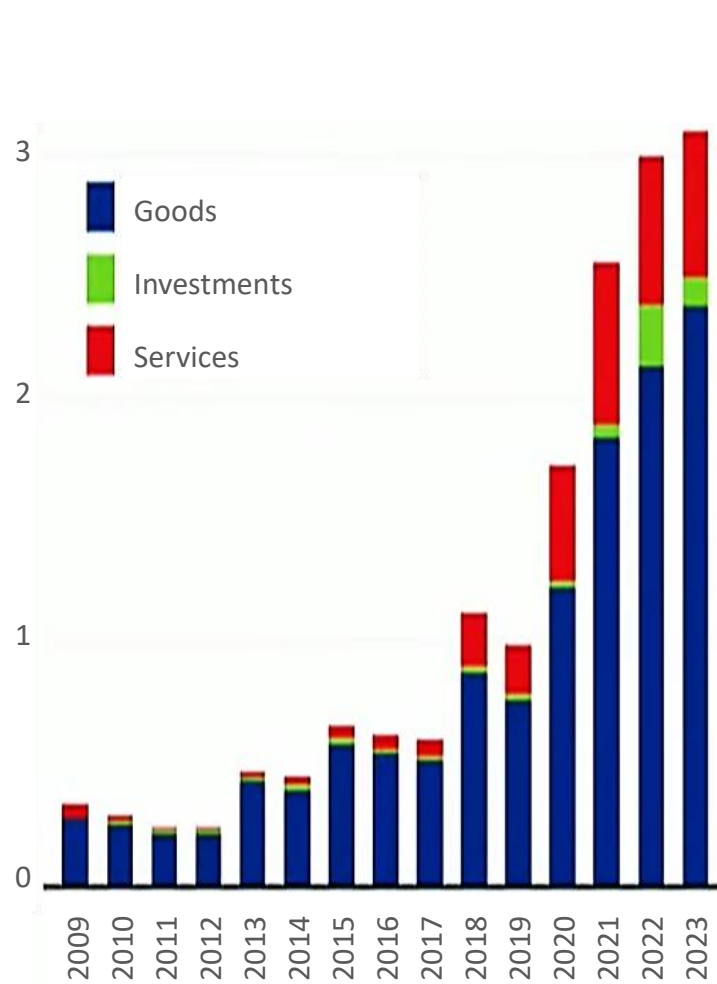
(Index)



Sources: IMF, WTO

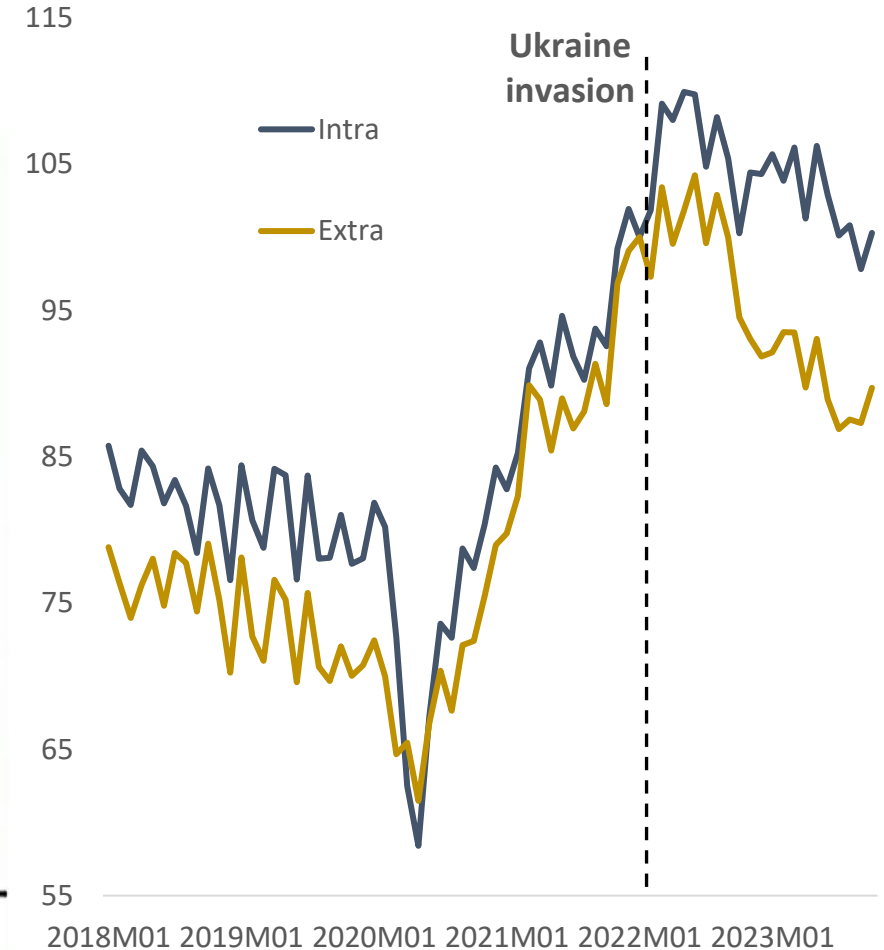
## Trade restrictions

(thousand)

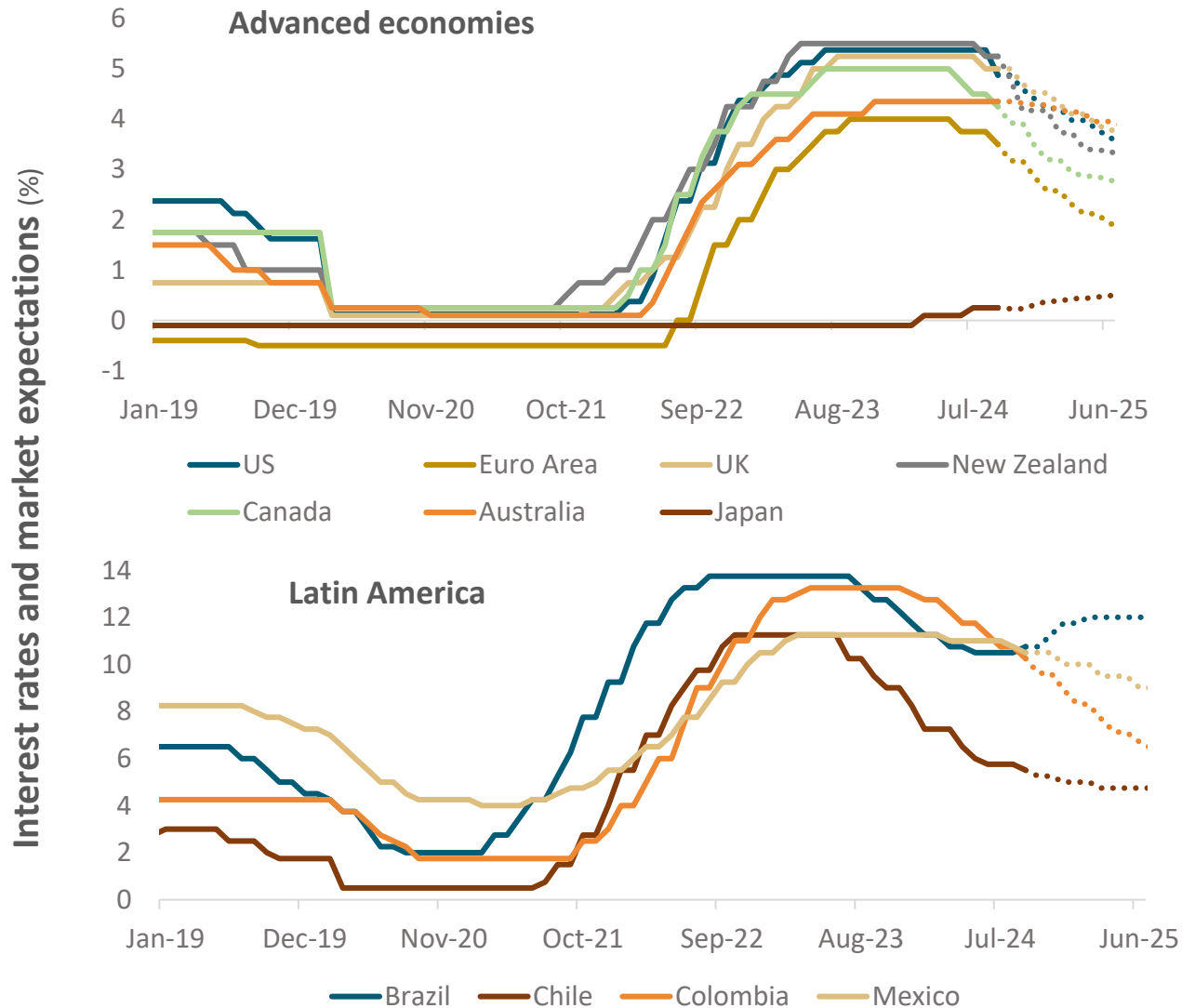


## Trade between geopolitical blocks

(Jan/2022 = 100)



Lower synchronization of monetary policy cycles among countries.



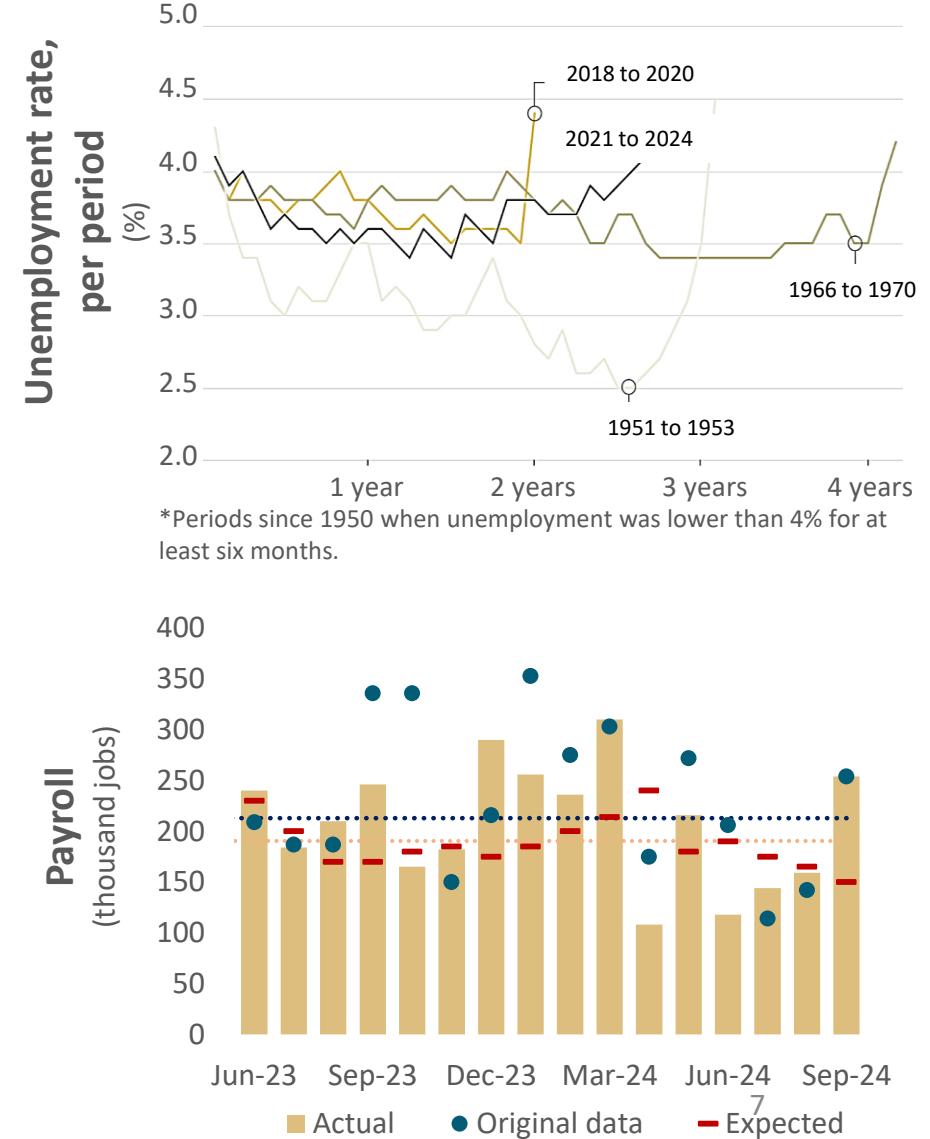
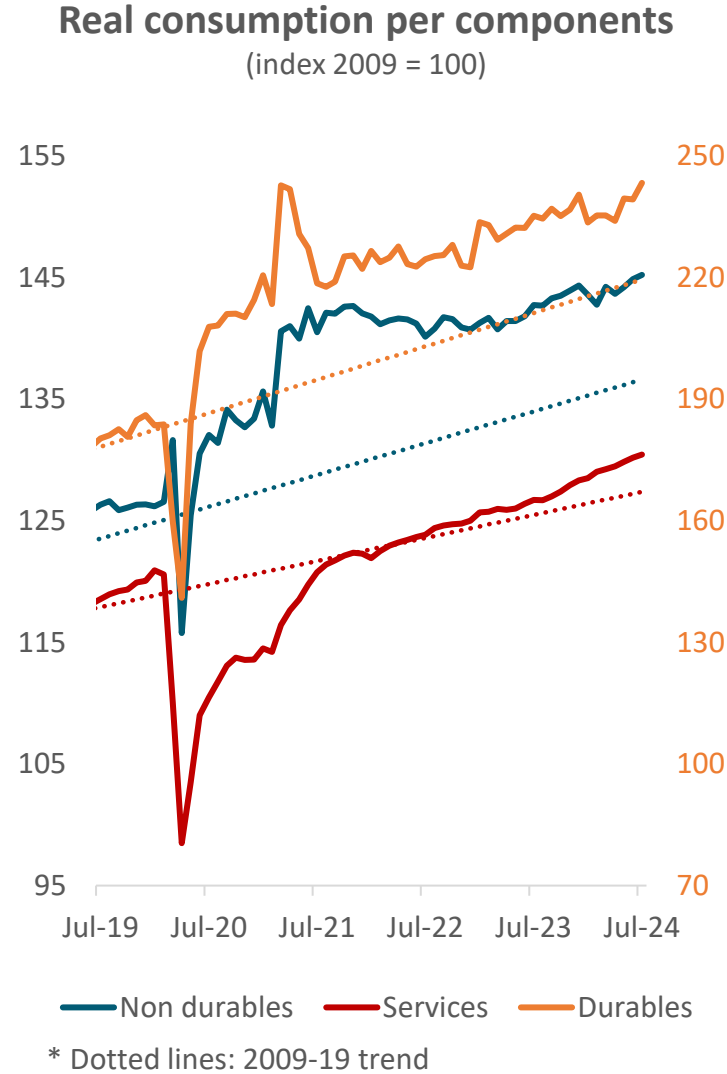
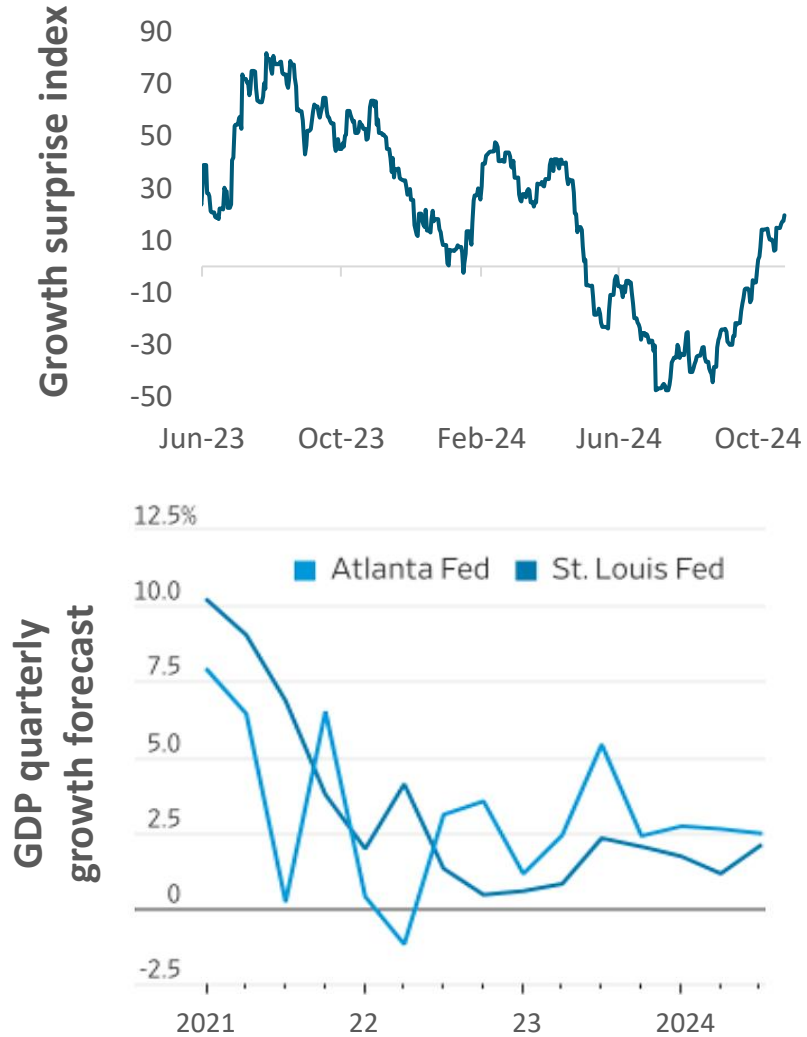
Sources: Bloomberg, central banks, BCB.

## Monetary policy pricing

MONETARY POLICY PRICING				
10/22/2024				
Country	Rate (%)	6 months pricing	1 year pricing	
	last decision	base-points	base-points	
<b>Aes</b>				
US	4,88 ↓	-81	-126	
Canada*	3,75 ↓	-86	-106	
Euro area	3,25 ↓	-126	-154	
UK	5,00 =	-88	-130	
Australia	4,35 =	-23	-55	
Newa Zealand	4,75 ↓	-129	-149	
Japan	0,25 =	+22	+31	
<b>EMEs</b>				
Mexico	10,50 ↓	-56	-111	
Chile	5,25 ↓	-54	-74	
Brazil	10,75 ↑	+208	+280	
Colombia	10,25 ↓	-181	-242	
Russia	19,00 ↑	+4	-130	
South Africa	8,00 ↓	-55	-83	
China	1,50 ↓	-25	-33	
India	6,50 =	-39	-65	
Korea	3,25 ↓	-34	-54	

\* Canada - pricing in 10/23, after cut decision

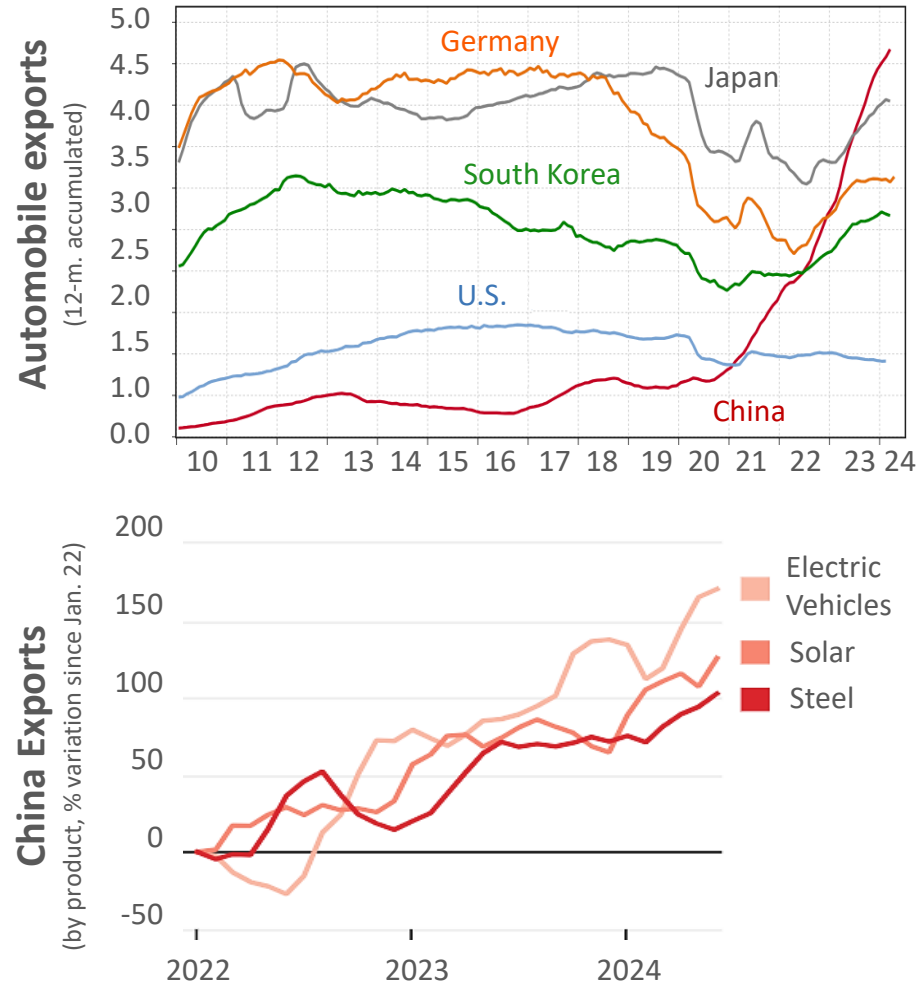
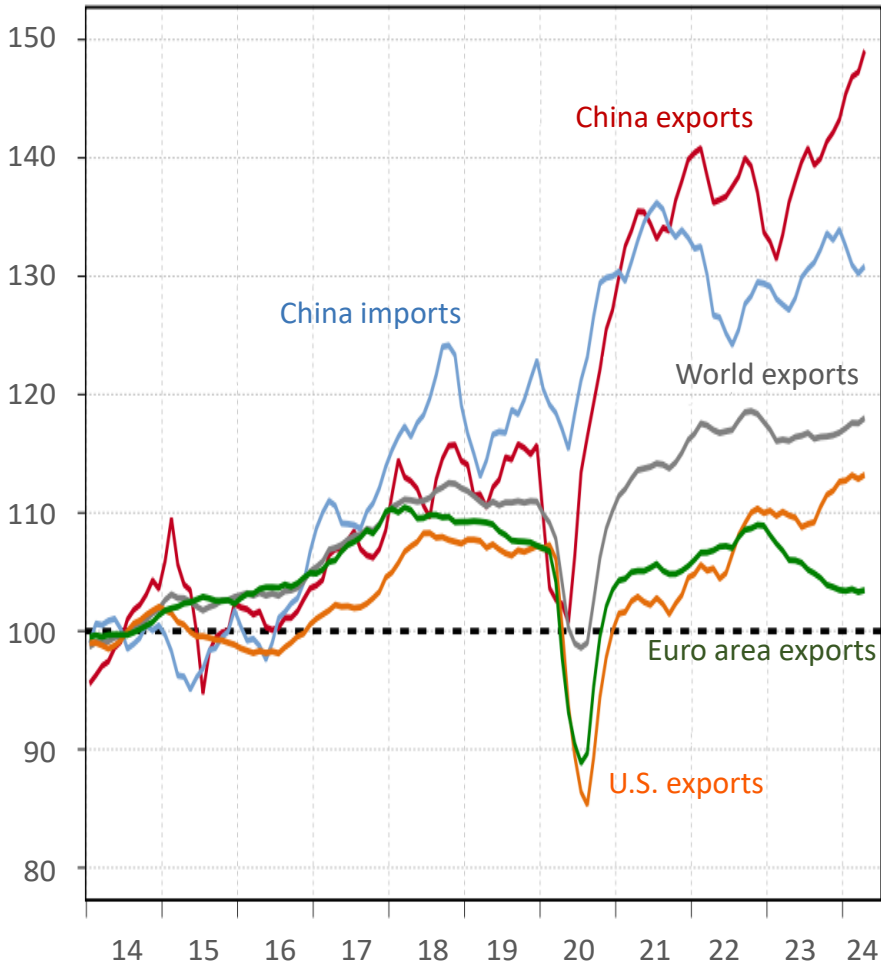
Scenario marked by doubts about the pace of the slowdown in economic activity.



China has been seeking a new model of economic growth, less based on domestic consumption and more on exports.

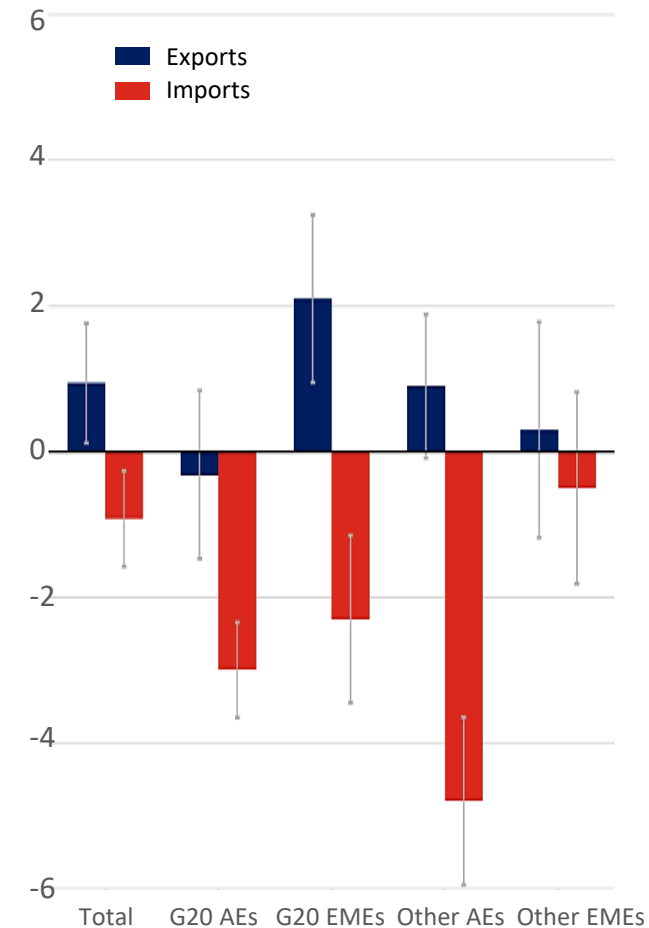
## Exports

(volume, s.a., 5-m.m.a., 2014=100)



## Effect of subsidies on China's foreign trade

(% var)





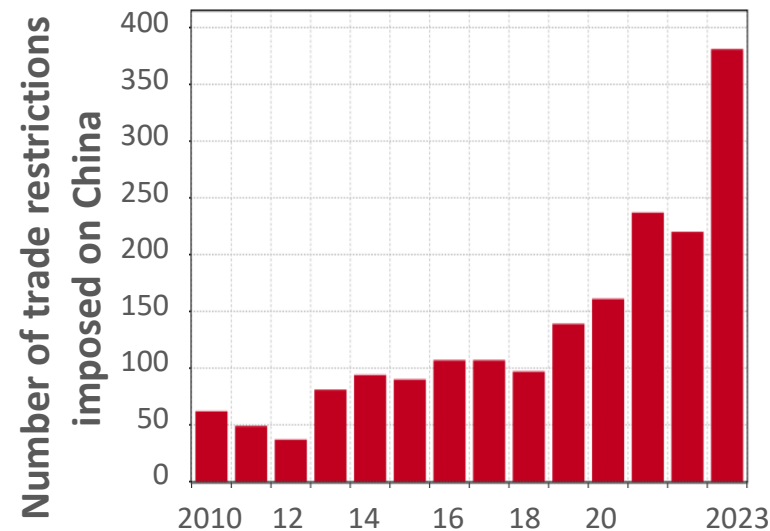
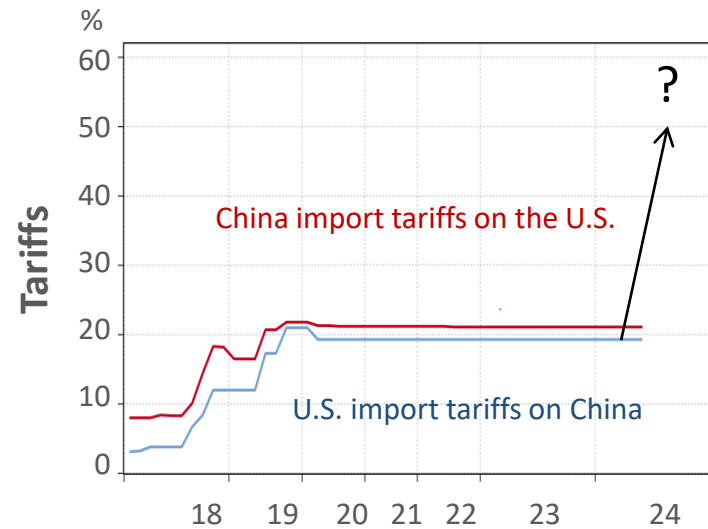
More protectionism may have a large effect on China and spill over to the global economy.

## Recent changes in tariffs on China\*

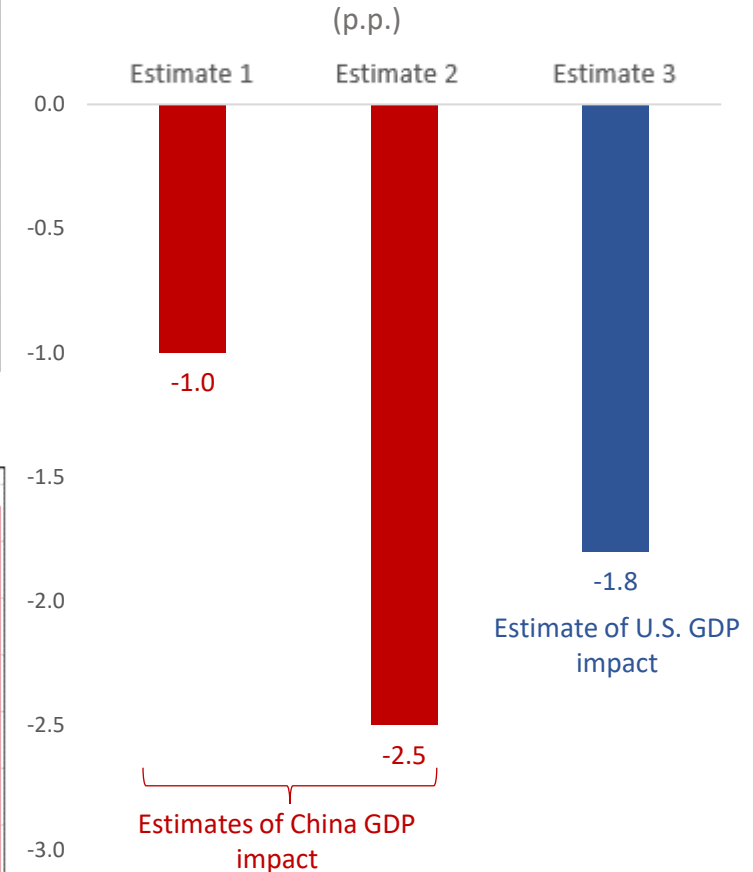
Country/region	Product	Tariff
USA	Steel, aluminum, cranes, solar cells, and other products	Increase in tariffs on steel and aluminium products from 7.5% to 25%. For solar cells, the increase is from 25% to 50%. New tariff on cranes is 50%. Other announced increases will take effect in 2026, such as on batteries (from 7.5% to 25%) and graphite (from 25%).
EU	Electric vehicles	The tariff on EVs imported from China was raised from 10% to between 27.4% and 48.1%.
Canada	EV, steel and aluminium	Tariff of 100% on electric vehicles and 25% on steel and aluminum imported from China.
Turkey	Electric vehicles	Tariff of 40% on electric vehicles imported from China.

\* Other countries have opened anti-dumping investigations against China. India is examining Chinese pigments and chemicals. Japan is analyzing electrodes. UK is investigating imports of excavators and biodiesel, while Argentina and Vietnam are investigating Chinese microwave ovens and wind turbines.

Sources: WSJ, EU, Gavekal, UBS, Peterson Institute, Goldman Sachs.

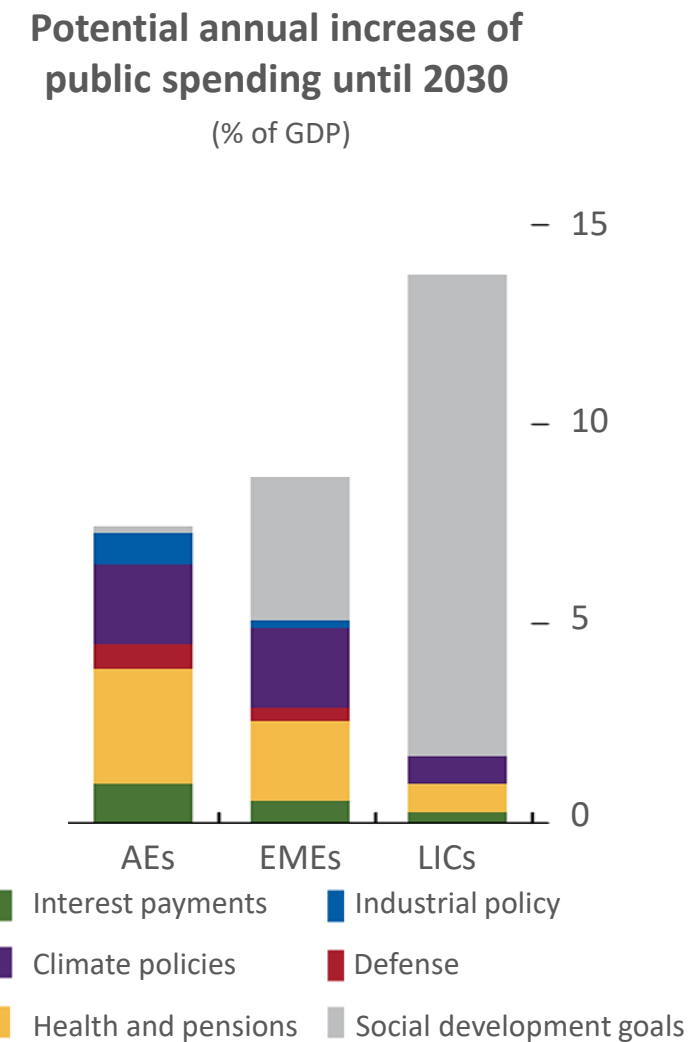
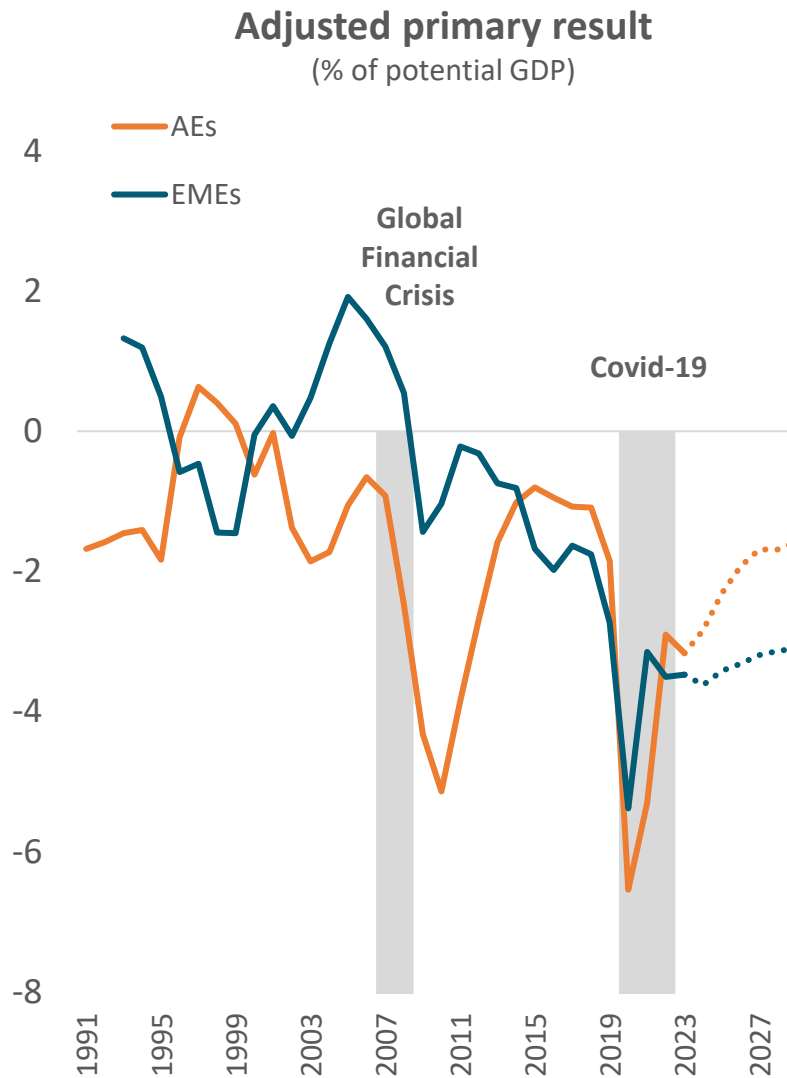
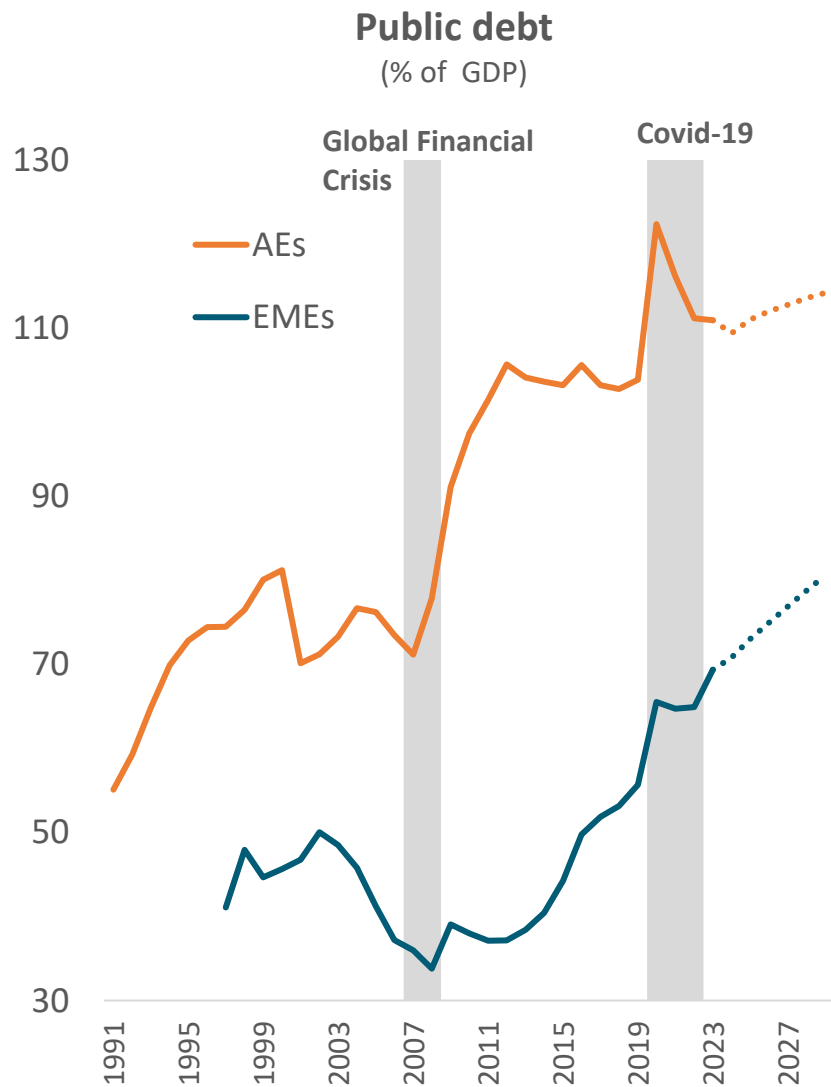


## Estimates of GDP impact from hikes in import tariffs in the U.S.

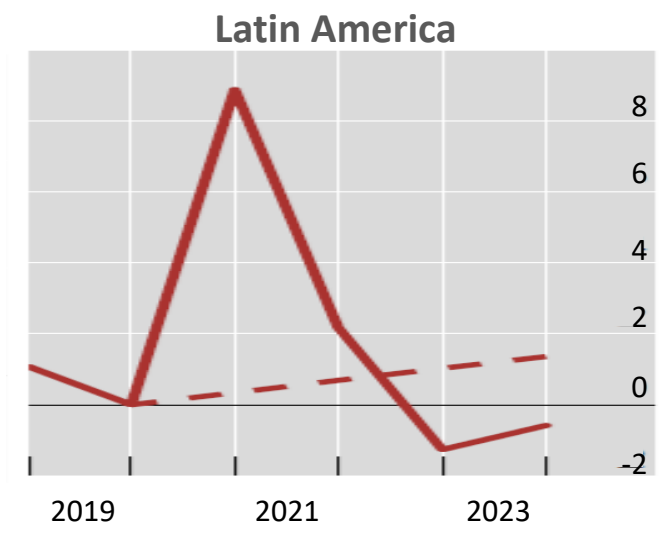
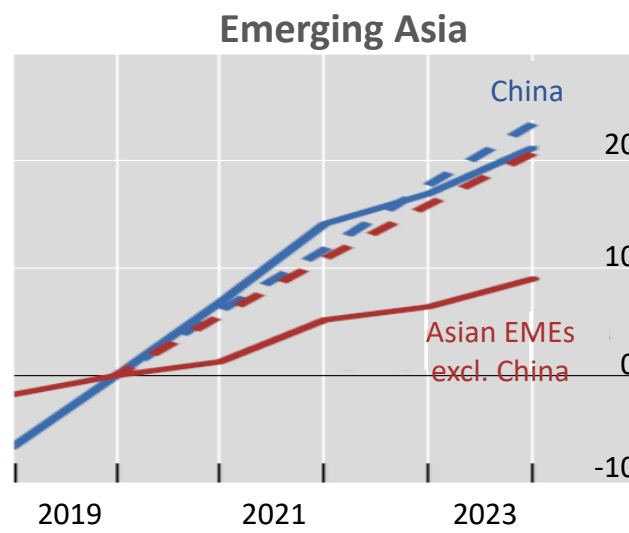
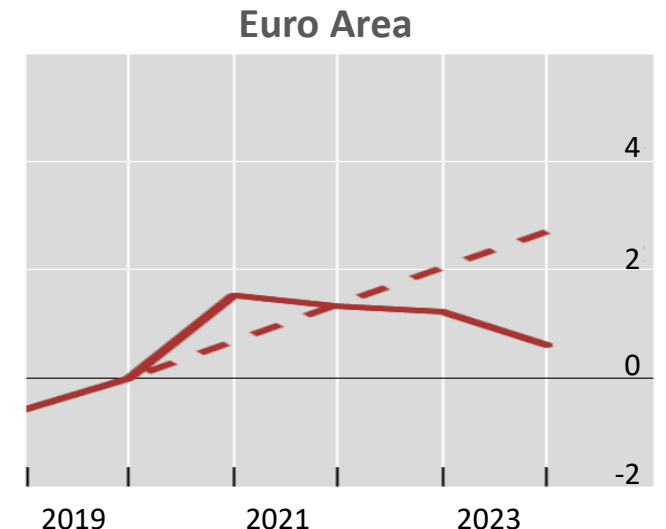
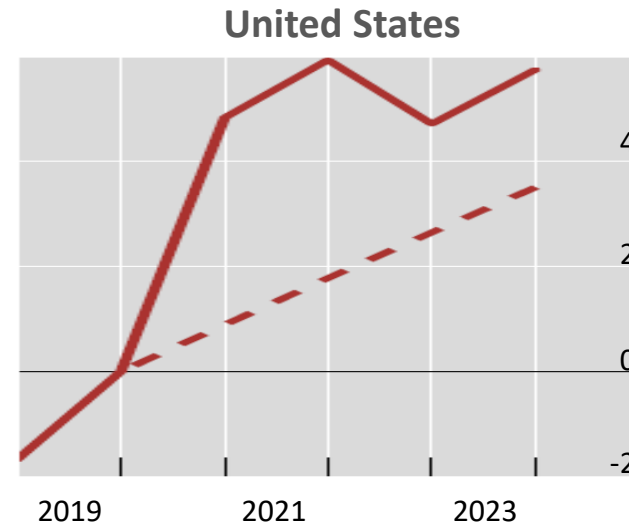
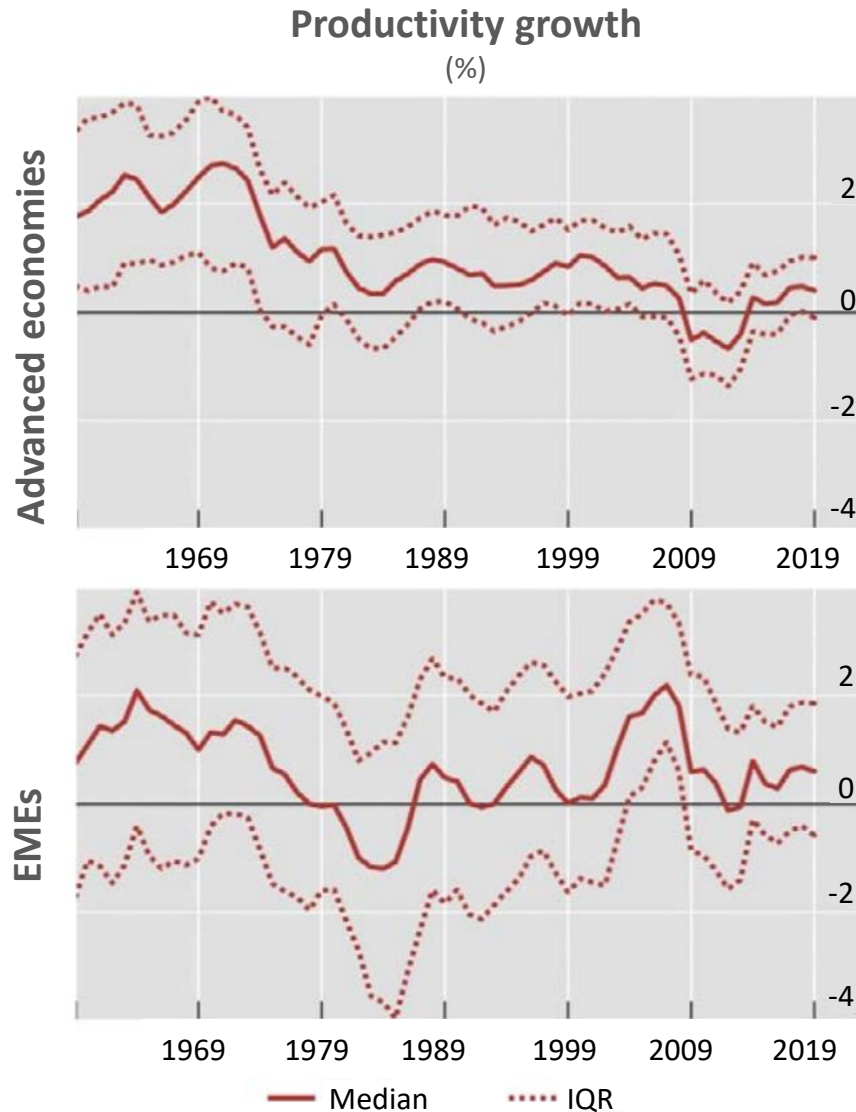


Estimate 1 (Goldman Sachs): General 10% hike and 60% hike on China  
 Estimate 2 (UBS): 60% hike on China  
 Estimate 3 (Peterson): General 10% hike and 60% hike on China

In case of economic hard landing, there is little room for economic policy.

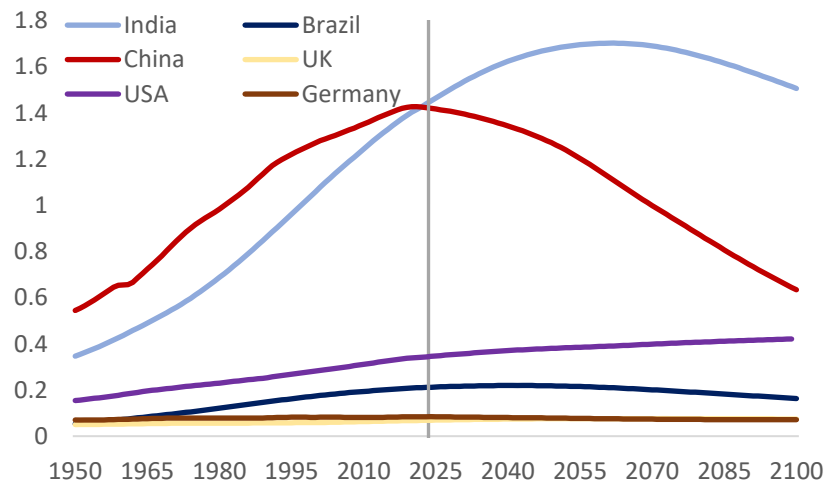
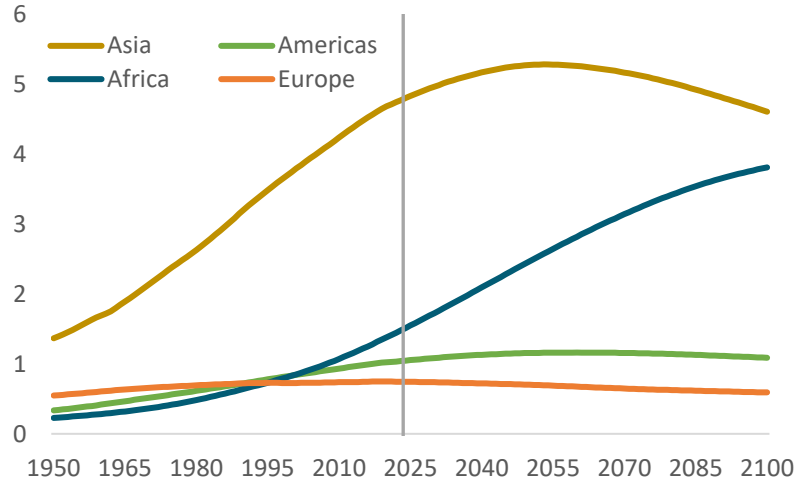


Source: IMF.



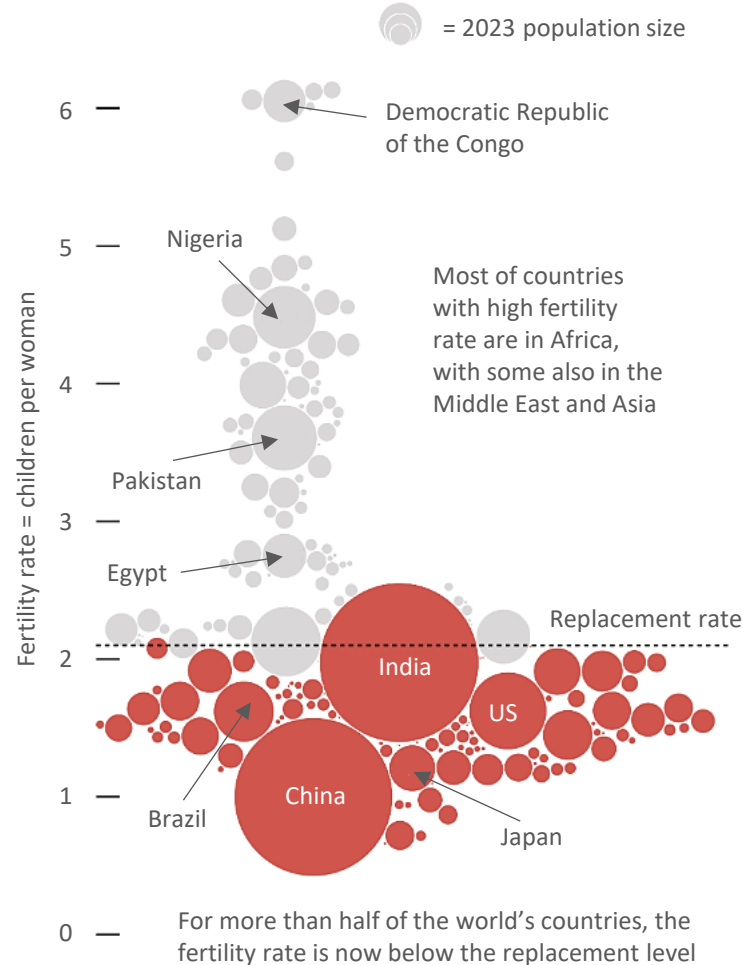
## Total population

(historical and projections, billion)

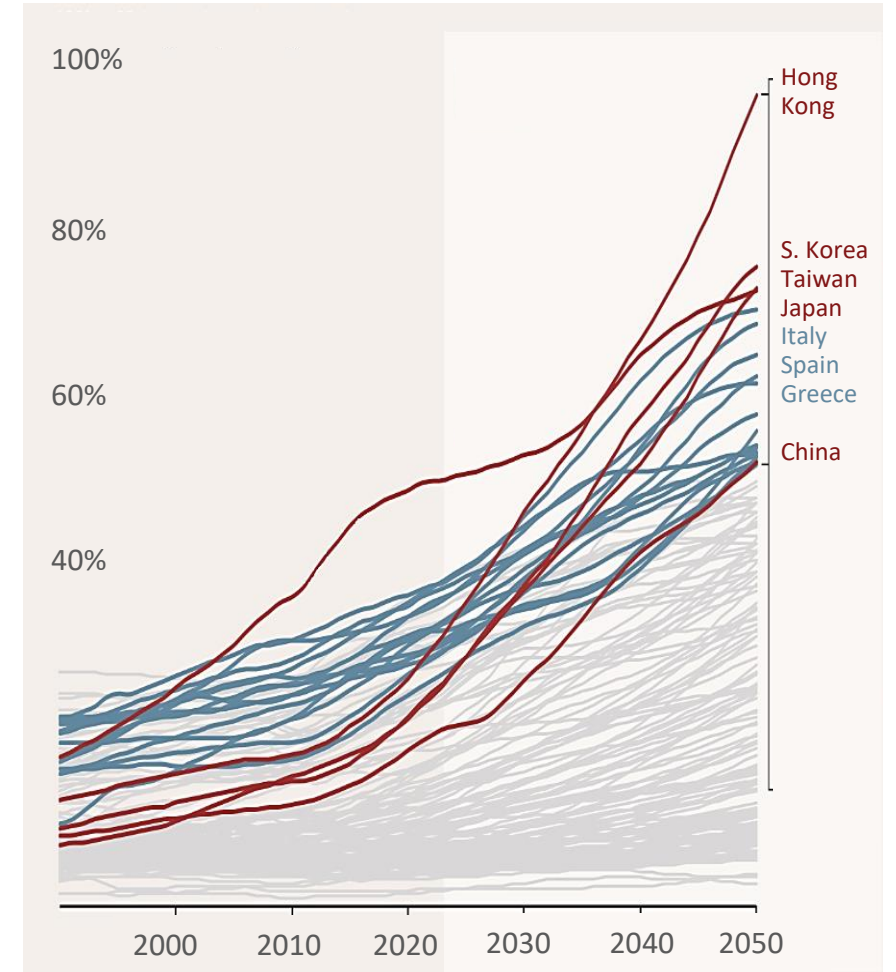


## Total fertility rate

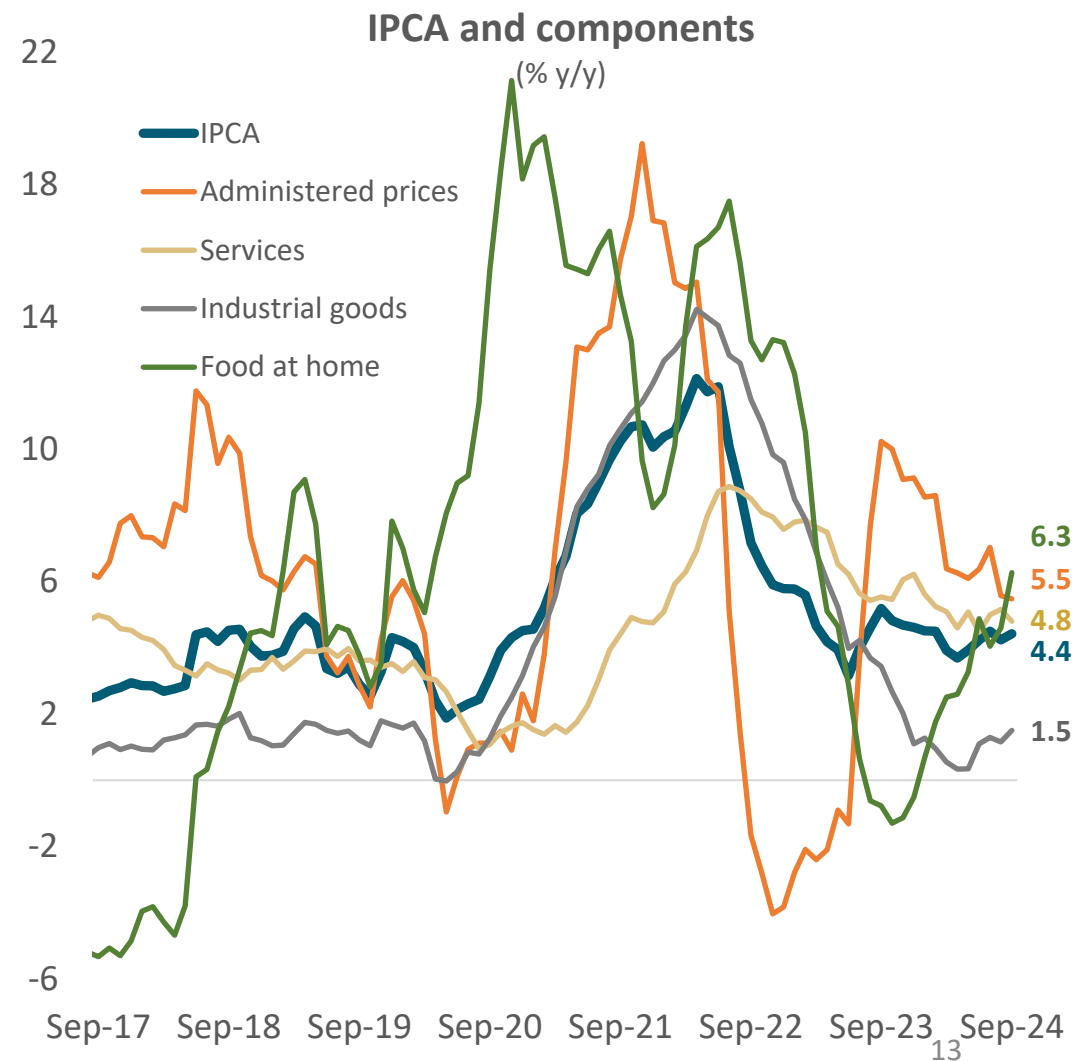
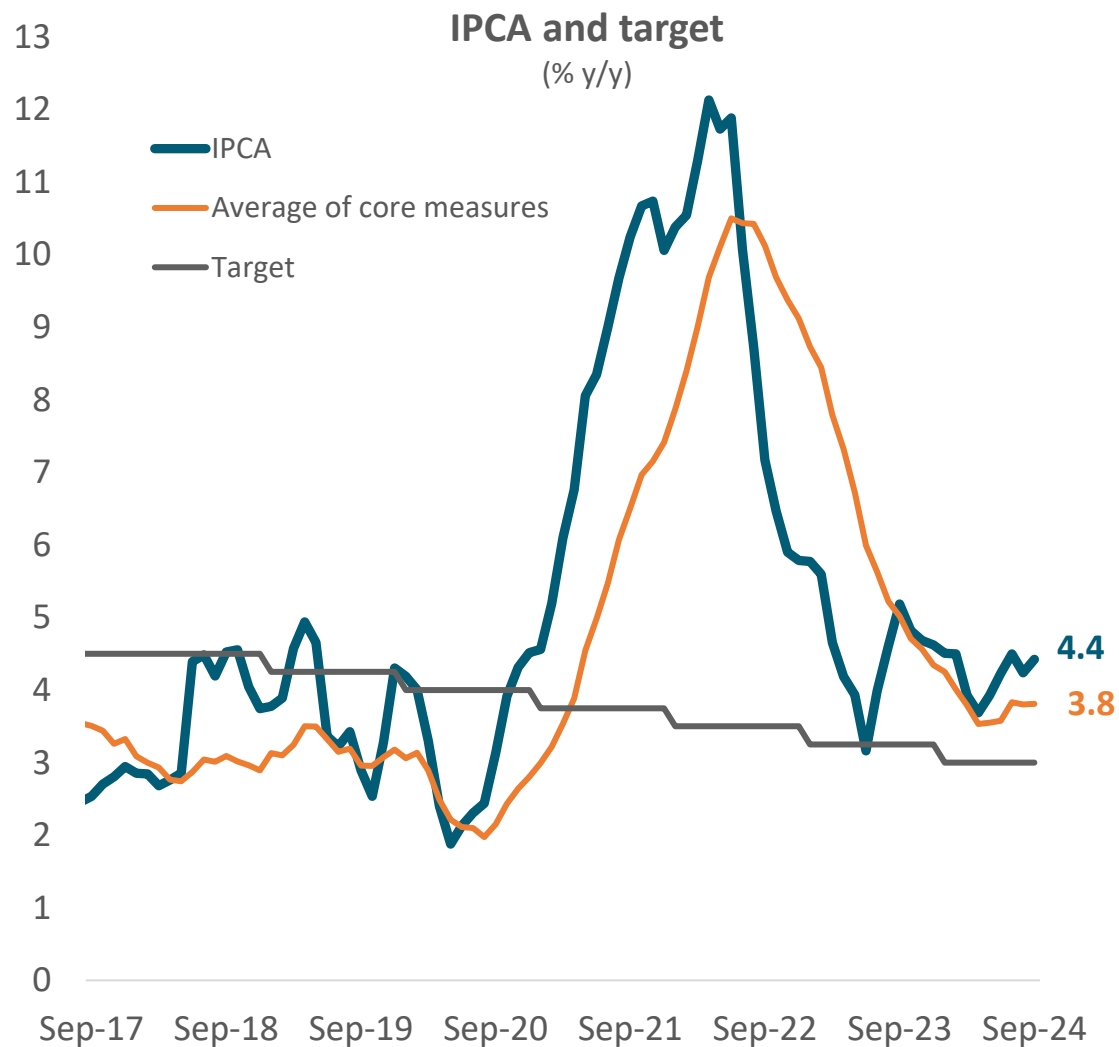
(2023)



## Old-age dependency ratio



Headline inflation and measures of underlying inflation are above the target in recent releases.

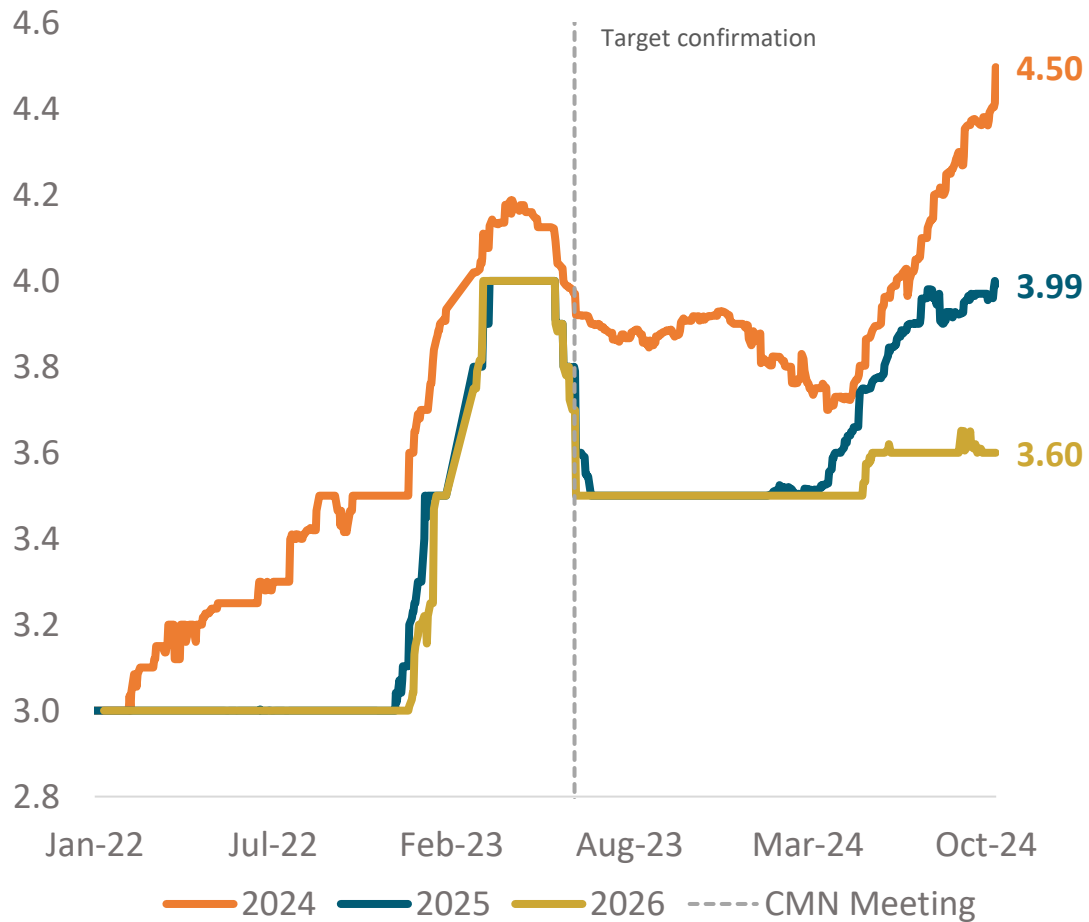


Sources: IBGE and BCB

Inflation expectations unanchored.

## Inflation expectation

(% YoY, Focus\*, median)

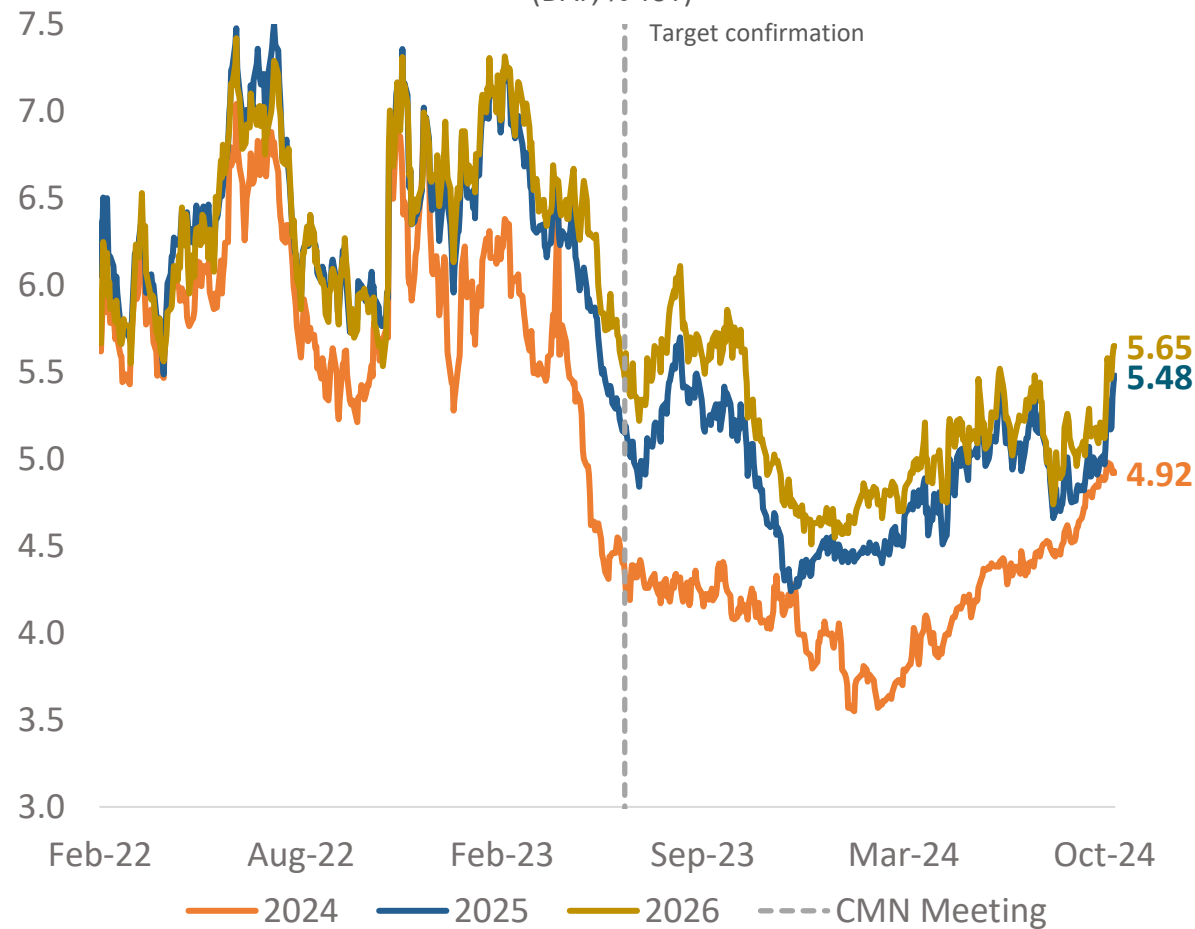


• Updated until 10/18/2024

Source: BCB

## Break-even inflation

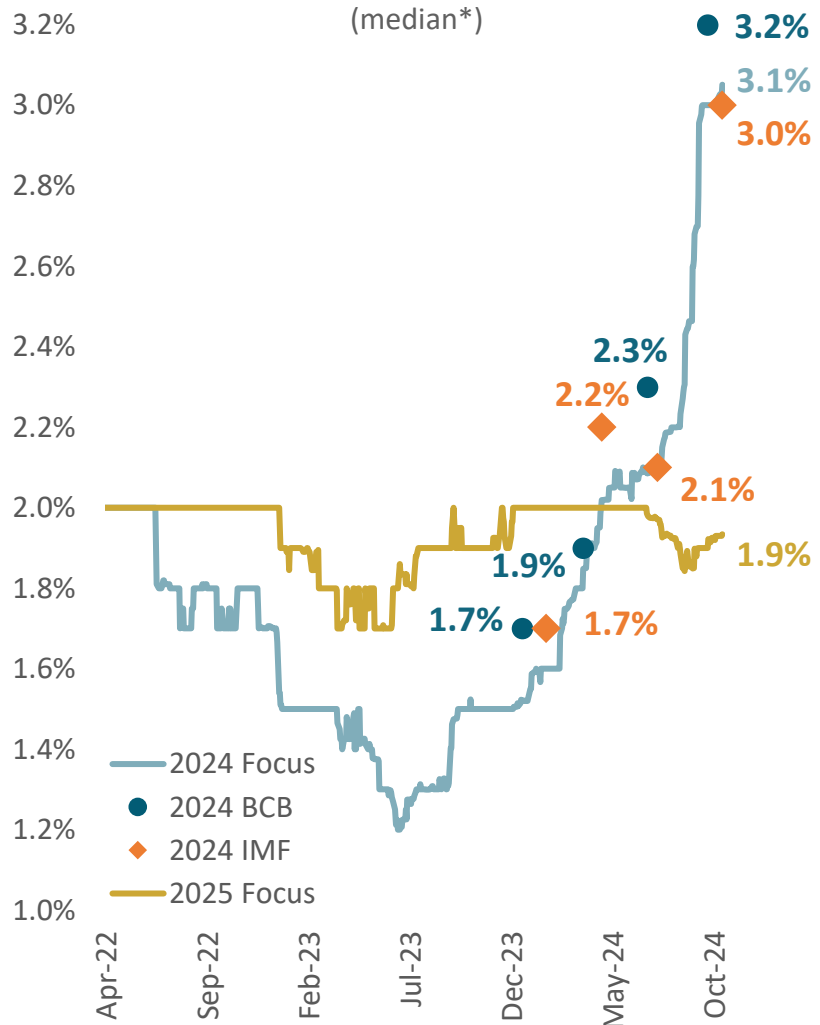
(DAP, % YoY)



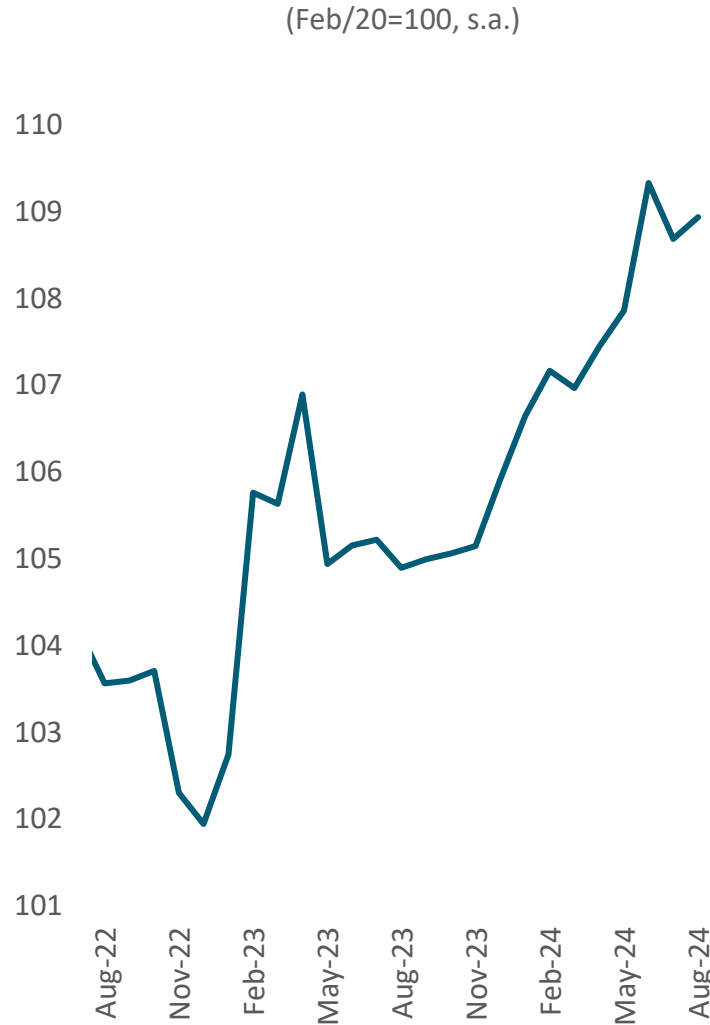
• Updated until 10/18/2024

Indicators of economic activity and labor market keep showing greater dynamism than expected.

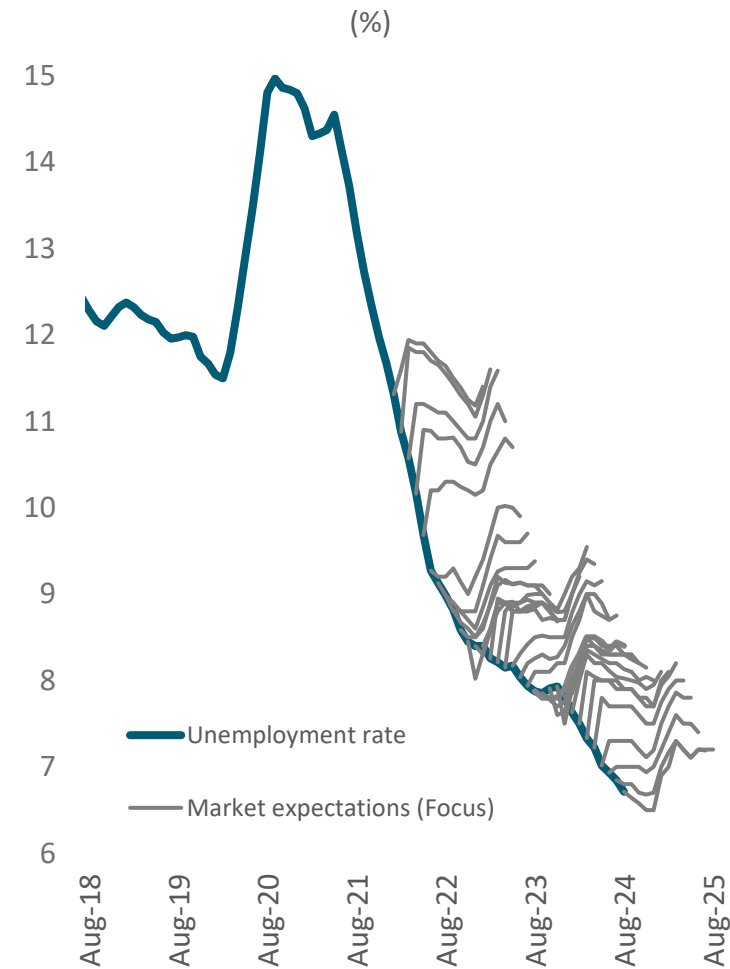
## GDP expectations (median\*)



## IBC-Br (Feb/20=100, s.a.)



## Unemployment rate and market forecasts\* (%)



Sources: IBGE, Focus.

\* Updated until Oct 18, 2024

## Nominal interest rates

(% YoY)

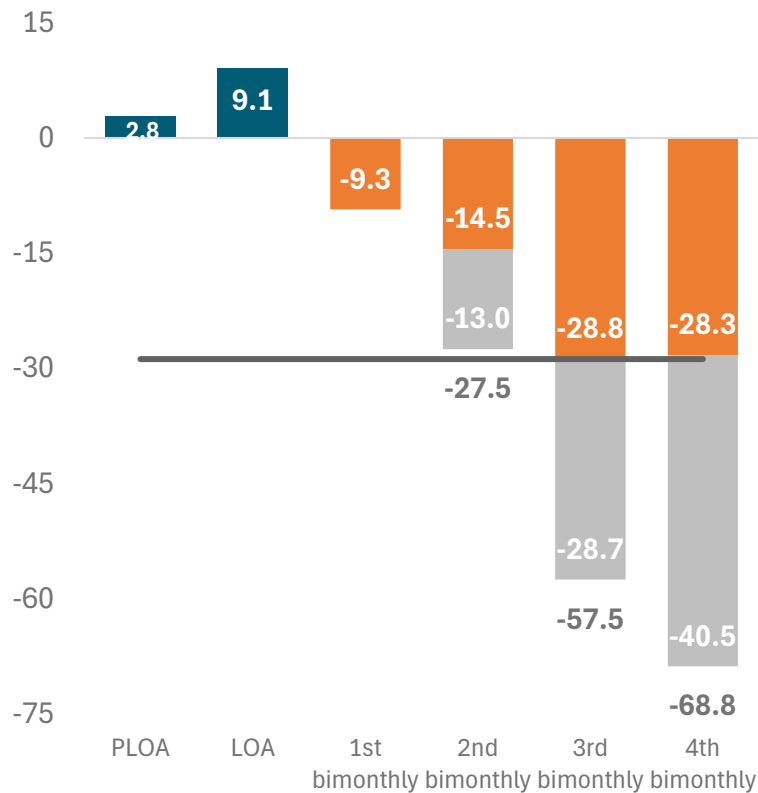




## National Treasury forecast for 2024

### primary result

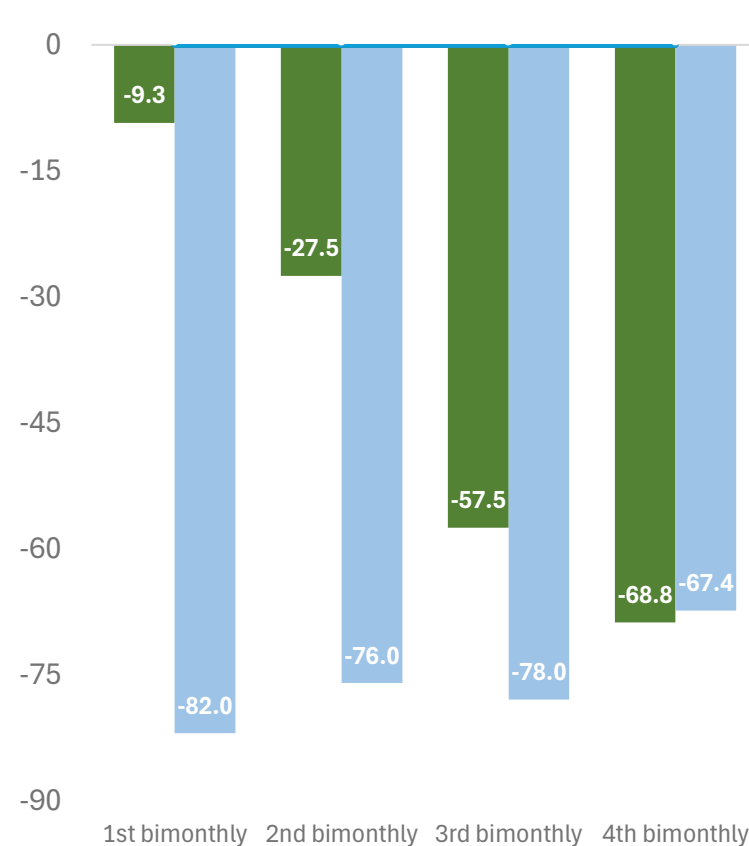
(R\$ billion, RARDP)



■ Beyond the target  
■ Compatible with target  
— 2024 deficit ceiling by the legal fiscal framework

## Treasury and market forecasts for 2024 primary result

(R\$ billion)

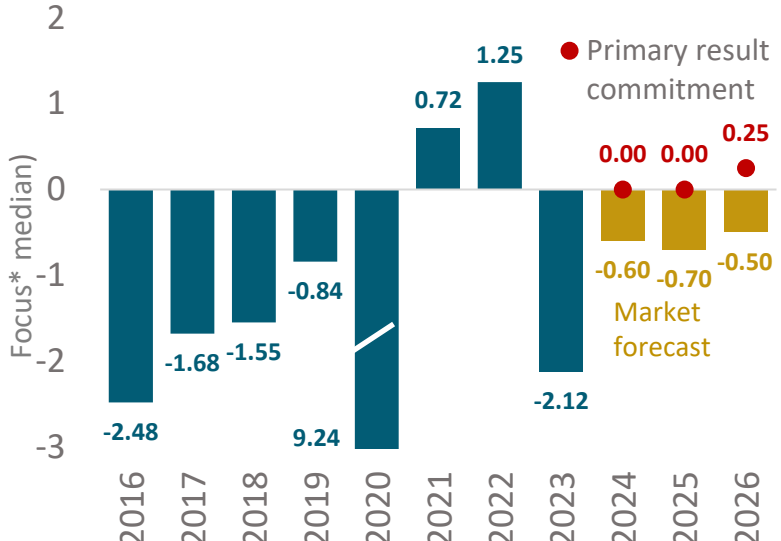


■ STN  
■ QPC

Sources: BCB, STN (RARDP) and PLDO 2025.

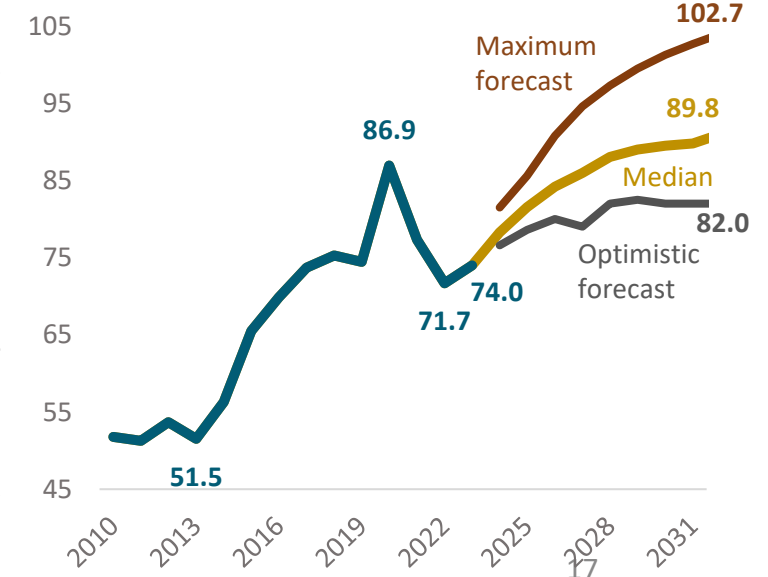
## Public sector primary result

(% GDP, several years and forecast, Focus\* median)



## Evolution of GGGD/GDP

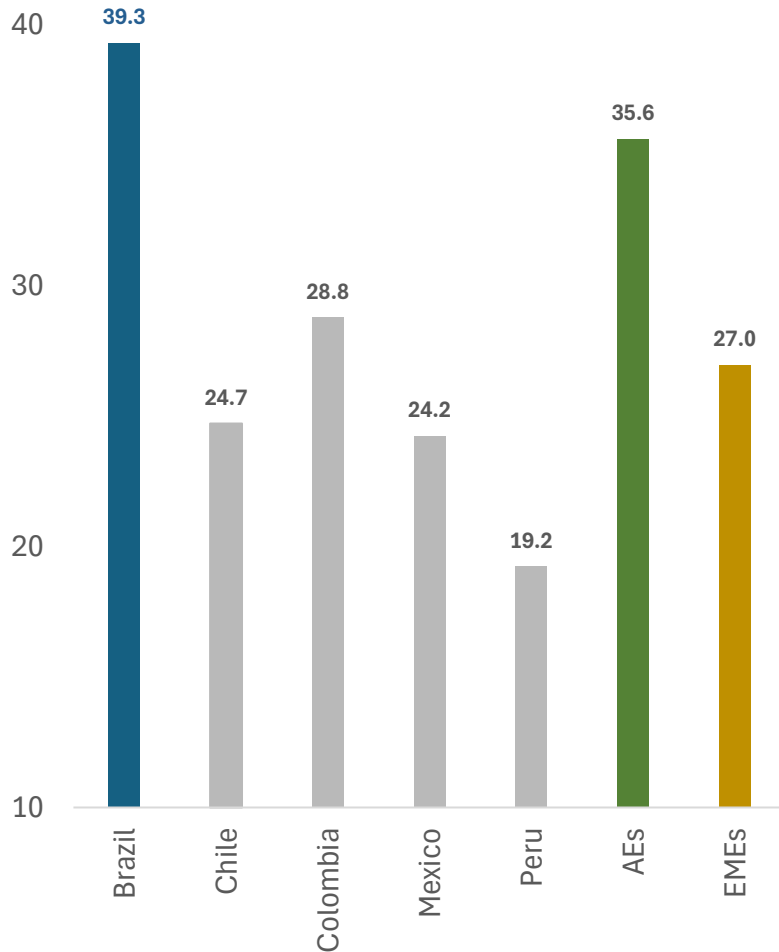
(%, several years, Focus\* median)



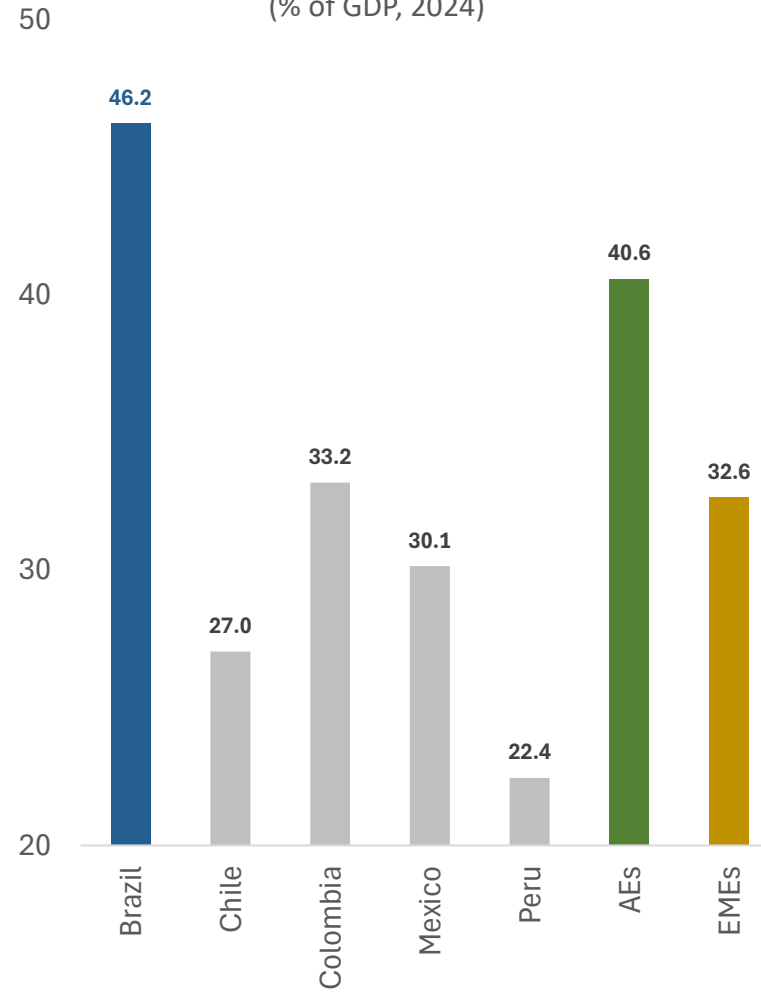
\* Updated until 10/18/2024

Brazil has a history of high tax burden and expenditure, in comparison with other countries.

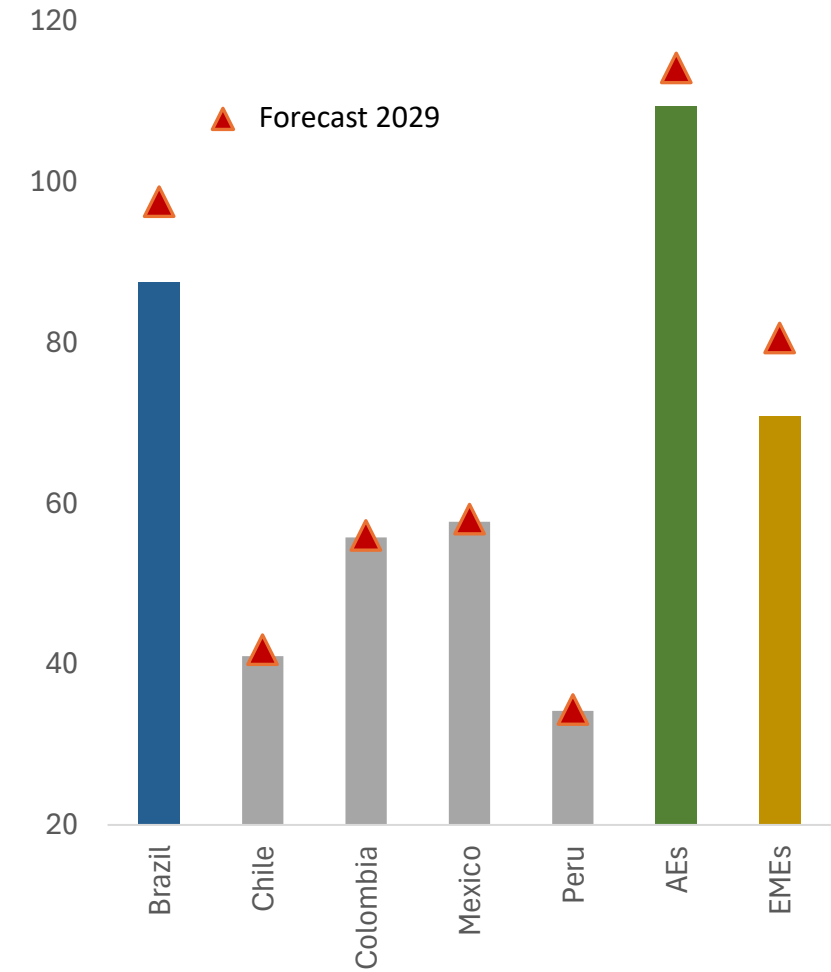
**Revenue**  
(% of GDP, 2024)



**Expenditure**  
(% of GDP, 2024)

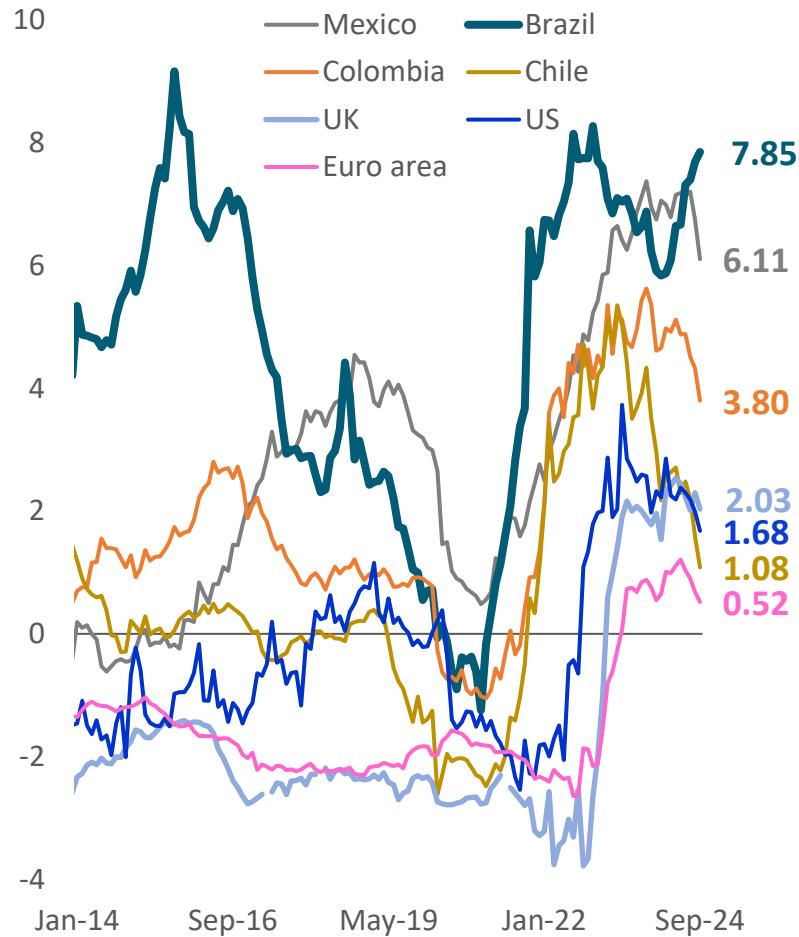


**Gross debt**  
(% of GDP, 2024)



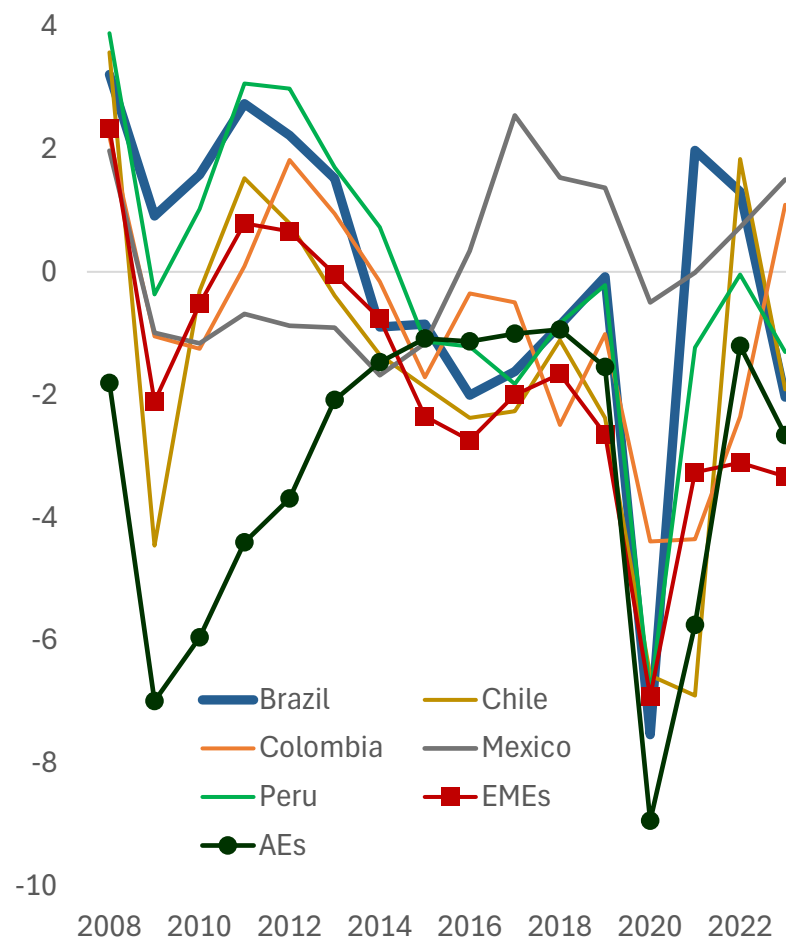
### Real interest rate (ex ante)

(%)



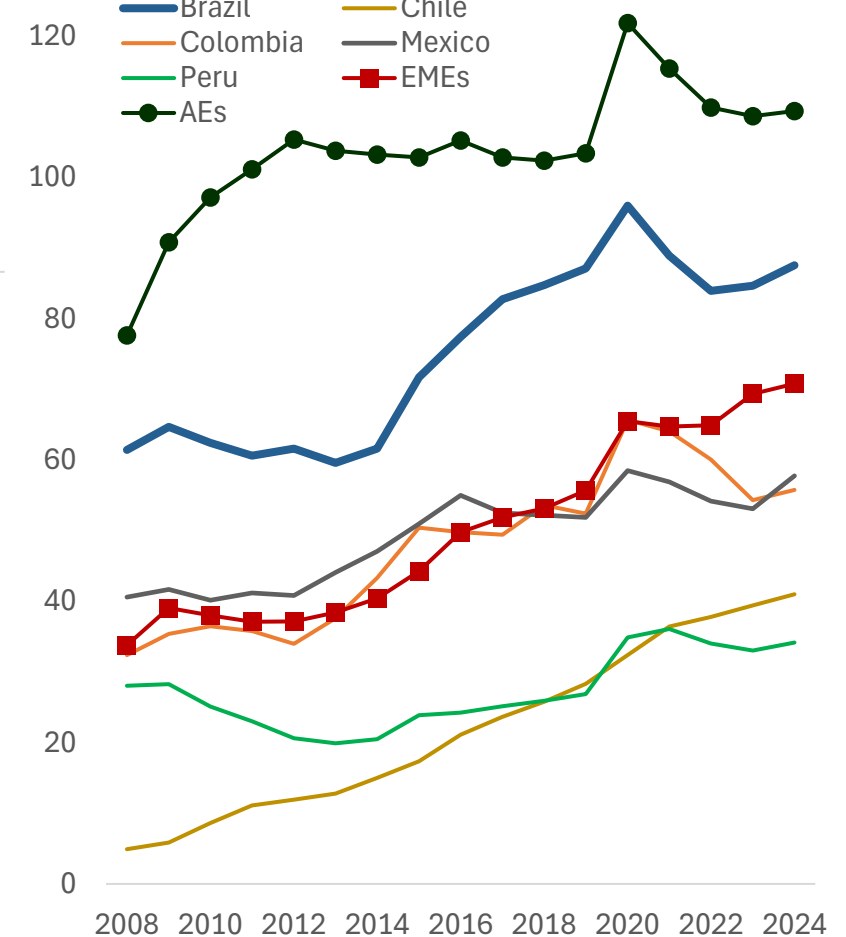
### Primary balance

(% of GDP)



### Gross debt

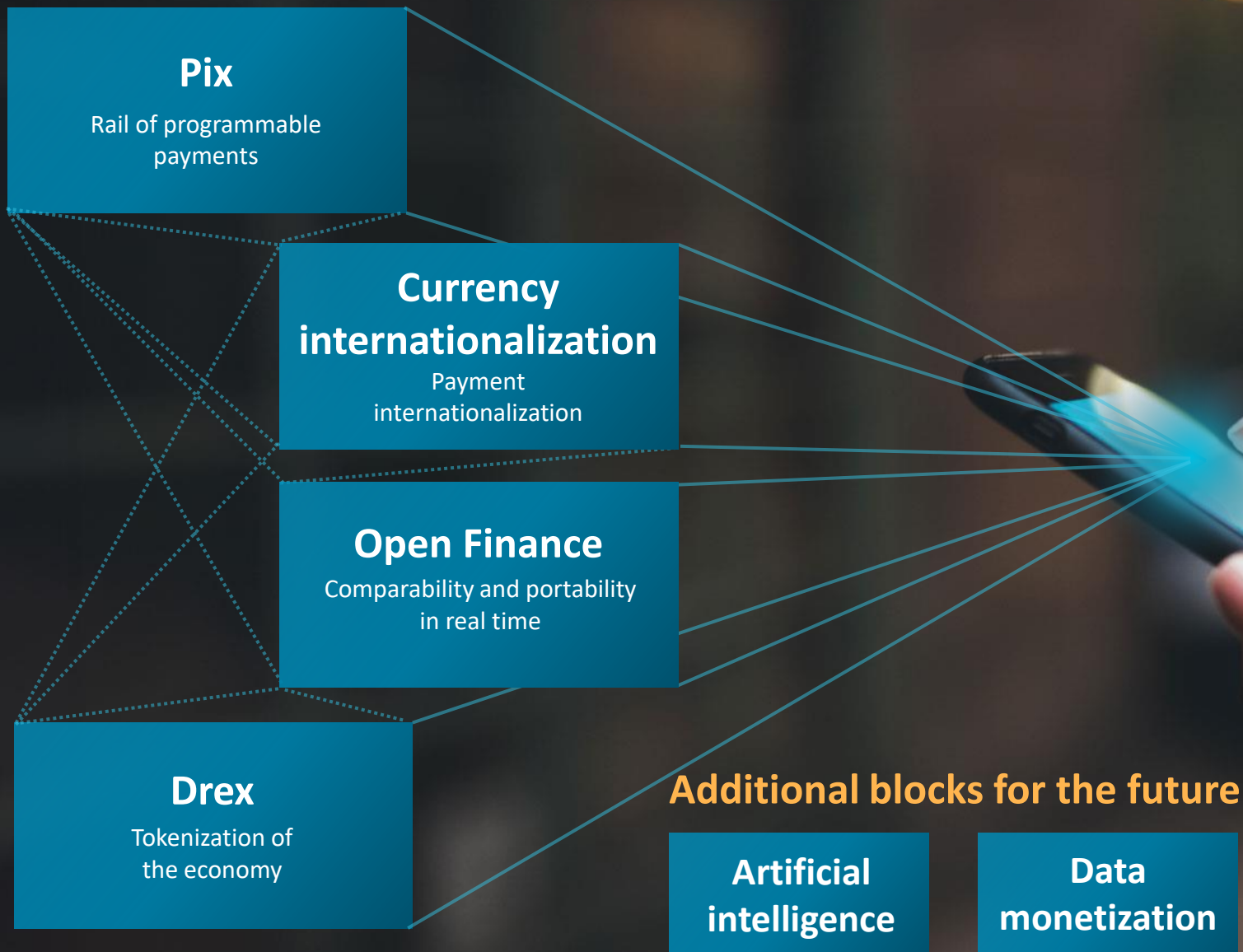
(% of GDP)



Sources: IMF, Bloomberg, national central banks.

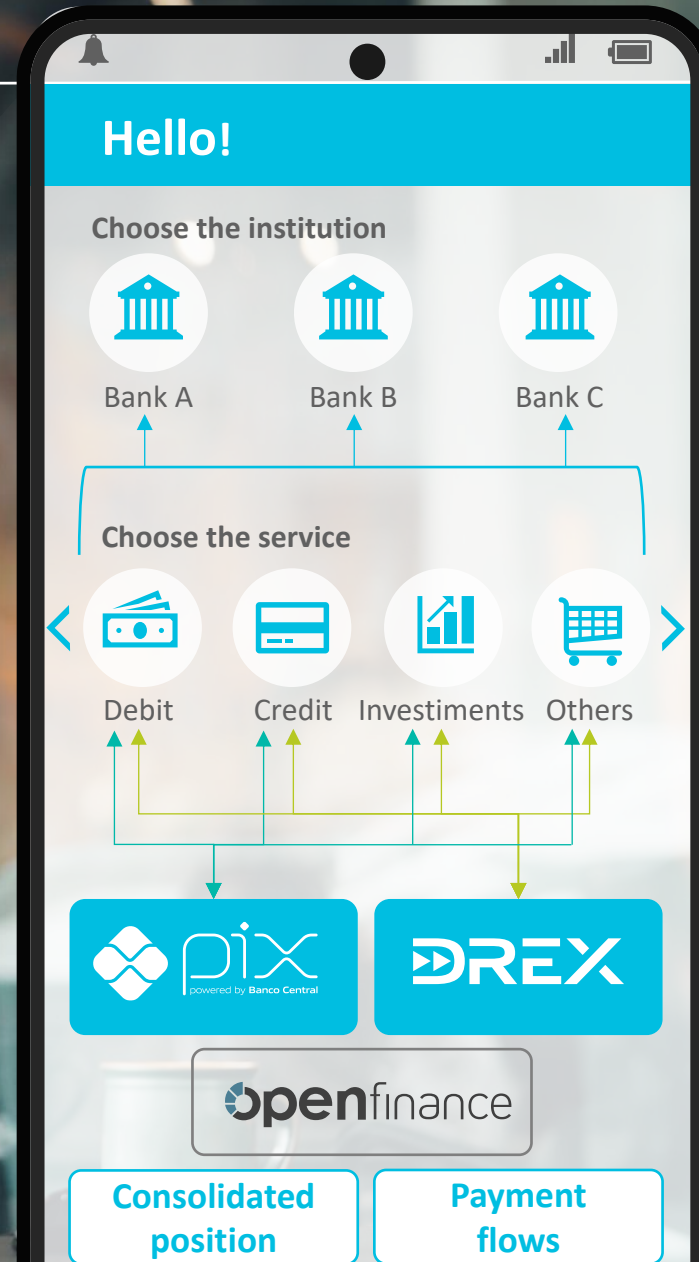
# An integrated agenda

The four fundamental blocks



# Financial services aggregator

- Marketplace environment
- Competition by channel and for principality



 Offline

 Online

 Data wallet