



Economic Report

April 2022

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Inflation: Inflation is a global phenomenon

Global Economy

		CPI YoY												
		Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22
Developed Markets	United States	2.6	4.2	5.0	5.4	5.4	5.3	5.4	6.2	6.8	7.0	7.5	7.9	8.5
	Canada	2.2	3.4	3.6	3.1	3.7	4.1	4.4	4.7	4.7	4.8	5.1	5.7	6.7
	Japan	-0.4	-1.1	-0.8	-0.5	-0.3	-0.4	0.2	0.1	0.6	0.8	0.5	0.9	1.2
	UK	0.7	1.5	2.1	2.5	2.0	3.2	3.0	4.1	5.1	5.4	5.4	6.1	7.0
	Euro Zone	1.3	1.6	2.0	1.9	2.2	3.0	3.4	4.1	4.9	5.0	5.1	5.9	7.4
	Germany	1.7	2.0	2.5	2.3	3.8	3.9	4.1	4.5	5.2	5.3	4.9	5.1	7.3
	France	1.1	1.2	1.4	1.5	1.2	1.9	2.2	2.6	2.8	2.8	2.9	3.6	4.5
	Italy	0.8	1.1	1.3	1.3	1.9	2.0	2.5	3.0	3.7	3.9	4.8	5.7	6.5
	Spain	1.3	2.2	2.7	2.7	2.9	3.3	4.0	5.4	5.5	6.5	6.1	7.6	9.8
	Greece	-1.6	-0.3	0.1	1.0	1.4	1.9	2.2	3.4	4.8	5.1	6.2	7.2	8.9
Emerging Markets	China	0.3	0.8	1.5	1.2	0.9	0.6	0.4	1.4	2.4	1.4	0.8	0.8	1.3
	Indonesia	1.4	1.4	1.7	1.3	1.5	1.6	1.6	1.7	1.7	1.9	2.2	2.1	2.6
	South Korea	1.9	2.5	2.6	2.3	2.6	2.6	2.4	3.2	3.8	3.7	3.6	3.7	4.1
	Taiwan	1.2	2.1	2.4	1.8	1.9	2.3	2.6	2.5	2.9	2.6	2.8	2.3	3.3
	Thailand	-0.1	3.4	2.4	1.2	0.5	0.0	1.7	2.4	2.7	2.2	3.2	5.3	5.7
	Philippines	4.1	4.1	4.1	3.7	3.7	4.4	4.2	4.0	3.7	3.1	3.0	3.0	4.0
	Malaysia	1.7	4.7	4.4	3.4	2.2	2.0	2.2	2.9	3.3	3.2	2.3	2.2	2.2
	India	5.5	4.2	6.3	6.3	5.6	5.3	4.3	4.5	4.9	5.7	6.0	6.1	7.0
	Argentina	42.6	46.3	48.8	50.2	51.8	51.4	52.5	52.1	51.2	50.9	50.7	52.3	55.1
	Brazil	6.1	6.8	8.1	8.3	9.0	9.7	10.2	10.7	10.7	10.1	10.4	10.5	11.3
	Chile	2.9	3.3	3.6	3.8	4.5	4.8	5.3	6.0	6.7	7.2	7.7	7.8	9.4
	Colombia	1.5	1.9	3.3	3.6	4.0	4.4	4.5	4.6	5.3	5.6	6.9	8.0	8.5
	Mexico	4.7	6.1	5.9	5.9	5.8	5.6	6.0	6.2	7.4	7.4	7.1	7.3	7.5
	Russia	5.8	5.5	6.0	6.5	6.5	6.7	7.4	8.1	8.4	8.4	8.7	9.2	16.7
	Czech Republic	2.3	3.1	2.9	2.8	3.4	4.1	4.9	5.8	6.0	6.6	9.9	11.1	12.7
	Poland	3.3	4.2	4.8	4.3	4.9	5.4	5.9	7.0	7.9	8.8	9.4	8.6	11.0
	Hungary	3.6	5.1	5.1	5.3	4.6	4.9	5.5	6.4	7.4	7.4	7.9	8.3	8.5
South Africa	3.1	4.5	5.2	5.1	4.7	5.0	5.1	5.0	5.4	5.9	5.7	5.7	6.1	
Turkey	16.2	17.1	16.6	17.5	19.0	19.3	19.6	19.9	21.3	36.1	48.7	54.4	61.1	

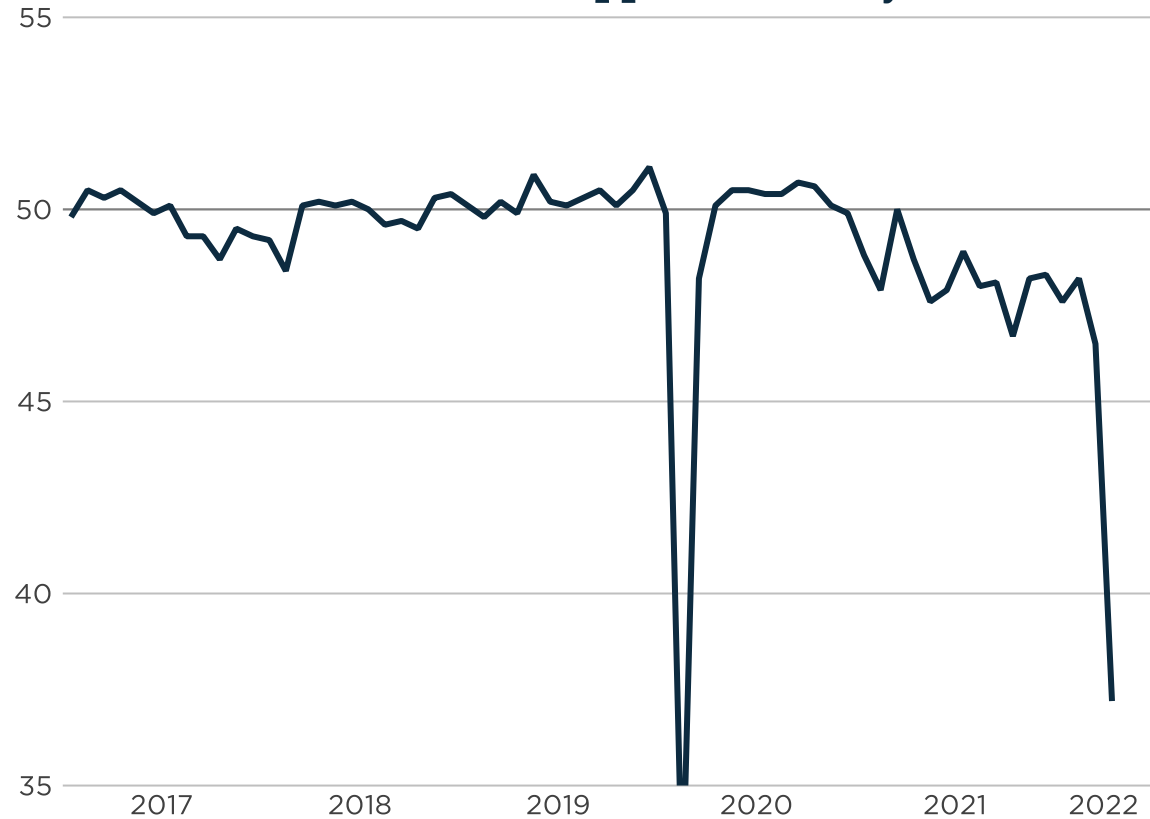
The rise in inflation at global level can be attributed to three main factors: (I) the disorganization of production chains, catalyzed by the increase in the relative consumption of goods compared with services; (II) the accumulation of supply shocks, particularly in energy, along with the lockdowns in China; and (III) the effects of the massive fiscal and monetary stimulus measures used since the peak of the pandemic.

The heat map alongside shows the year-on-year variation of inflation in some of the main economies, developed and emerging, highlighting a significant and widespread acceleration of price increases worldwide.

China: Effects of the lockdowns had big impact on activity

Global Economy

NBS: China PMI - Supplier Delivery Time



The recent lockdowns implemented in China have worsened the situation of the global supply chains even further, bringing additional inflationary pressures.

China's PMI* delivery time index, shown in the accompanying graph, has fallen sharply in recent months (meaning slower deliveries) as has overall economic activity in the region as the flow of urban and maritime transport has been interrupted in Shanghai

*PMI (Purchasing Managers' Index): Economic index used to evaluate the outlook for important activities of the economy.

United States: Financing conditions tightened

Global Economy

Goldman Sachs Financial Conditions Index



The change in the Fed's stance has already produced a significant tightening in financial conditions. The Goldman Sachs Financial Conditions index, which weighs the conditions of the American interest rates markets, corporate credit spread, dollar and share prices, shows this impact. This should begin to "tighten" aggregate demand although with lagged effects.

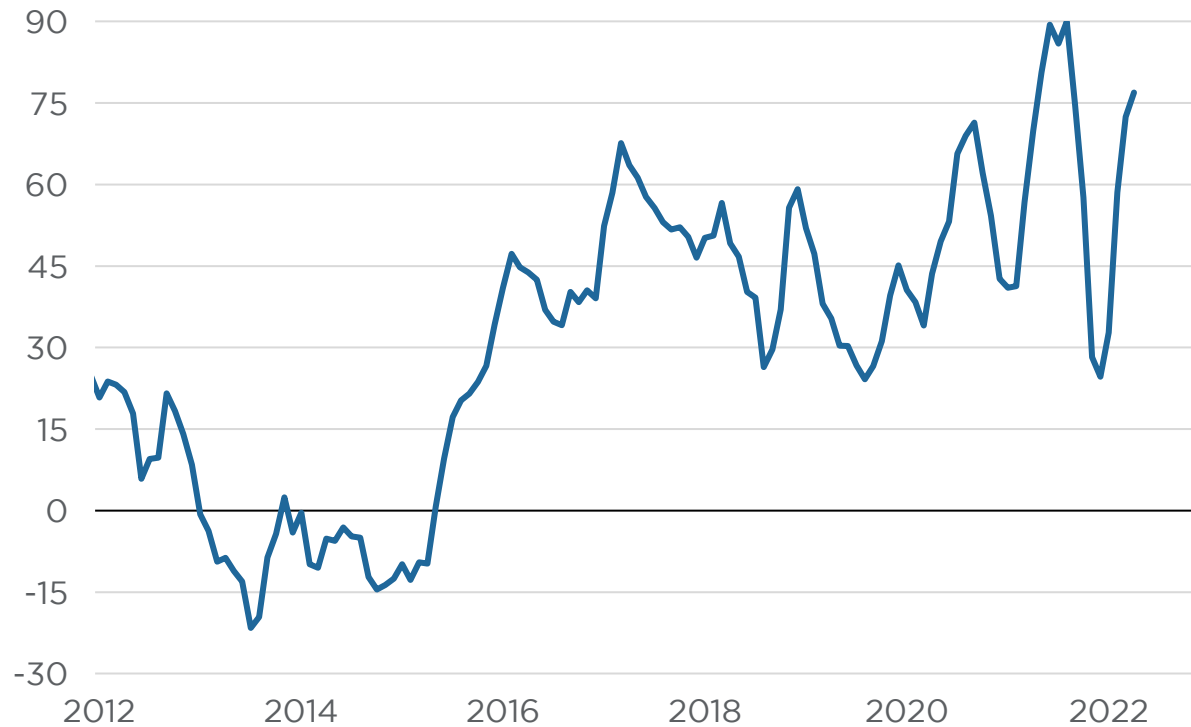
A large part of the index's recomposition is linked to the sharp correction in stock markets.

External Accounts: Trade balance could have record year

Brazilian Economy

Trade Balance

US\$ billion | 3-month Moving Average Seasonally Adjusted



Brazil's trade balance continues to maintain a historically high level, bringing comfort to the external accounts. This occurrence is more linked to the sustained rise in commodity prices than the volume transacted.

The latest results are in line with projections by the market and the Central Bank that Brazil could have a record year, registering a positive balance in the current account.

Activity: Surprise in activity leads to revisions of GDP estimates for the year

Brazilian Economy

Estimates for GDP Growth in 2022

Focus Bulletin



The economic activity data in Brazil is causing a surprise in sequential terms, with some better-than-expected readings in services, trade and manufacturing surveys. Against this backdrop, it is worth highlighting the result of the April services PMI which reached the highest level of the historical series, representing a significant improvement in the month.

These surprises, among other factors, have contributed to a change in expectations and pushed the outlook for 2022 GDP higher, as can be seen in the Focus Bulletin estimates in the accompanying graph. We are already seeing a host of projections closer to 1.5%.

Equity vs. Fixed Income: Strong correction in both classes

Markets

	S&P 500	Bloomberg Barclays Global Aggregate Bond Index*
1977	-7.2%	3.0%
1981	-4.9%	6.2%
1990	-3.2%	9.0%
2000	-9.1%	11.6%
2001	-11.9%	8.4%
2002	-22.1%	10.3%
2008	-37.0%	5.2%
2018	-4.4%	0.0%
2022 YTD	-13.3%	-11.3%

Total Return *YTD to end of April

The return to more normal monetary policy conditions around the world has led to sharp corrections in stock markets.

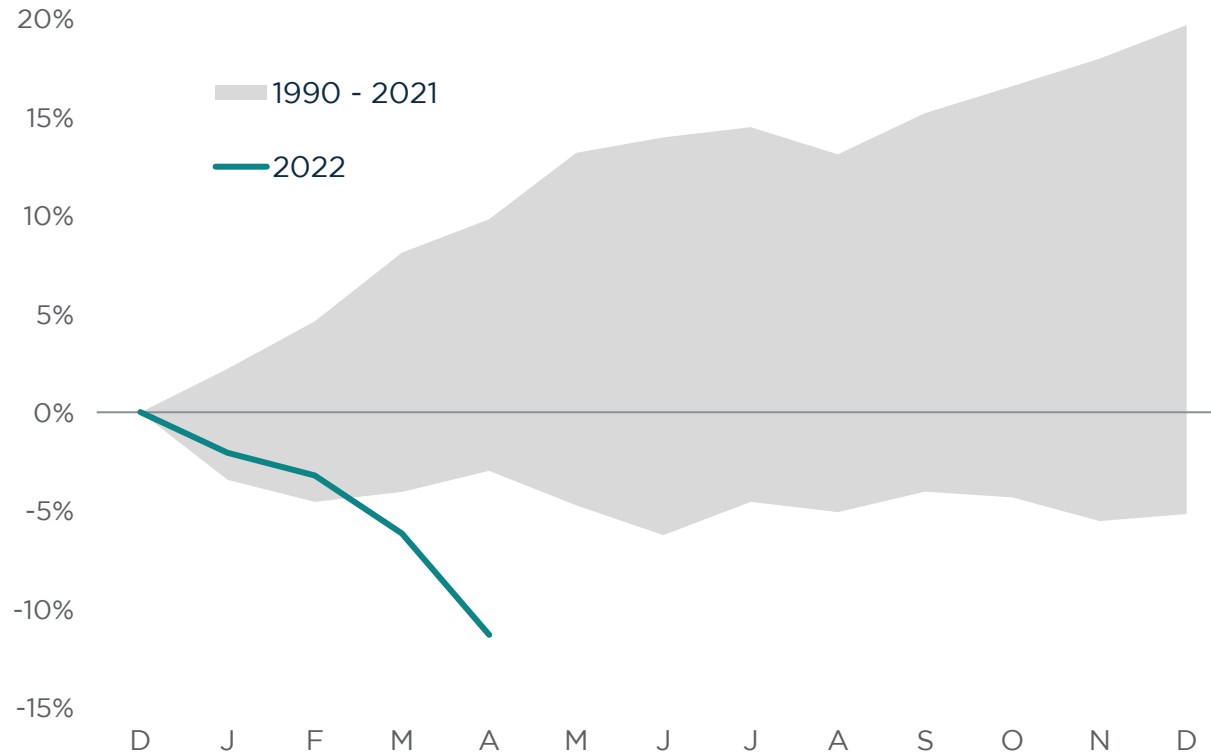
What draws attention in this market correction is that fixed income (represented by the Barclays Aggregate Bond Index in the accompanying table), which generally acts as a counterweight in investment portfolios, is also presenting a highly negative result. The reason for this is the change in approach by the global central banks which are more concerned with inflation.

Fixed Income: Worst start to year since the 1980s

Markets

Bloomberg Barclays Global Aggregate Bond Index

Total Return | Cumulative by year

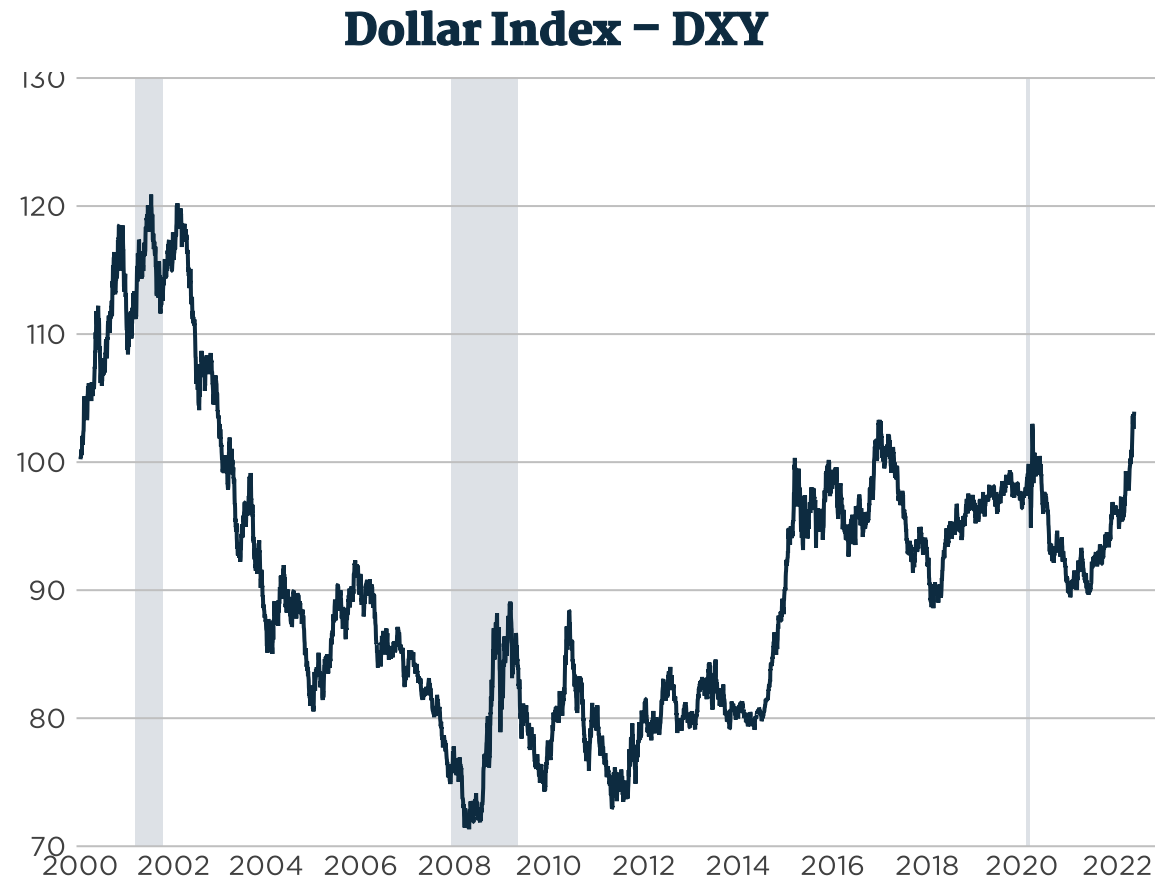


The benchmark index shown in the accompanying graph reflects the performance of investment-grade debt of public and private service securities in 24 markets, including developed and emerging.

A look at the historical series shows that the performance from 2022 to the end of April has been the worst by far since the 1980s.

Currencies: Dollar strengthens on prospect of faster monetary tightening

Markets



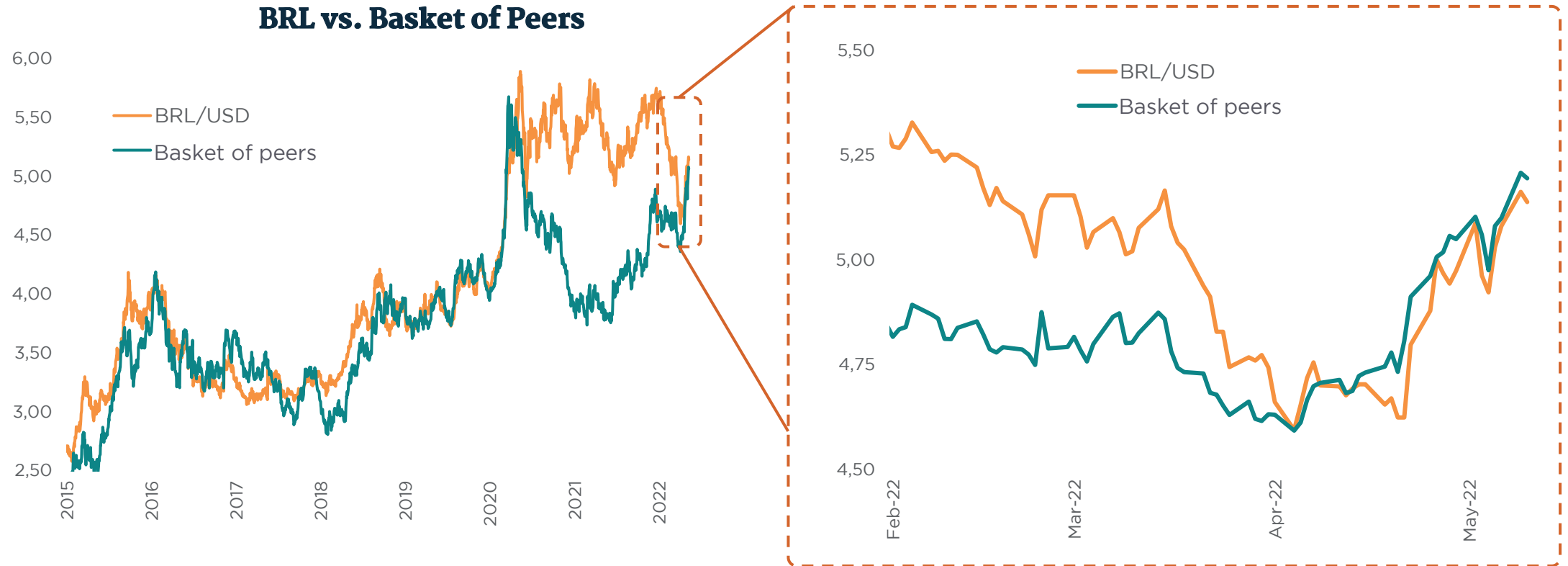
DXY: The DXY index measures the American dollar against a basket of developed country currencies (EUR, JPY, GBP, CAD, SEK, CHF).

Another result of the monetary tightening conditions carried out by the Federal Reserve, which has moved before its peers in the developed markets, is the appreciation of the dollar, due to the increase in the interest differential.

In other words, the increase in the "risk-free" return on American fixed income securities has attracted flows of foreign capital, thereby appreciating the currency.

Currency: Real depreciates against peers

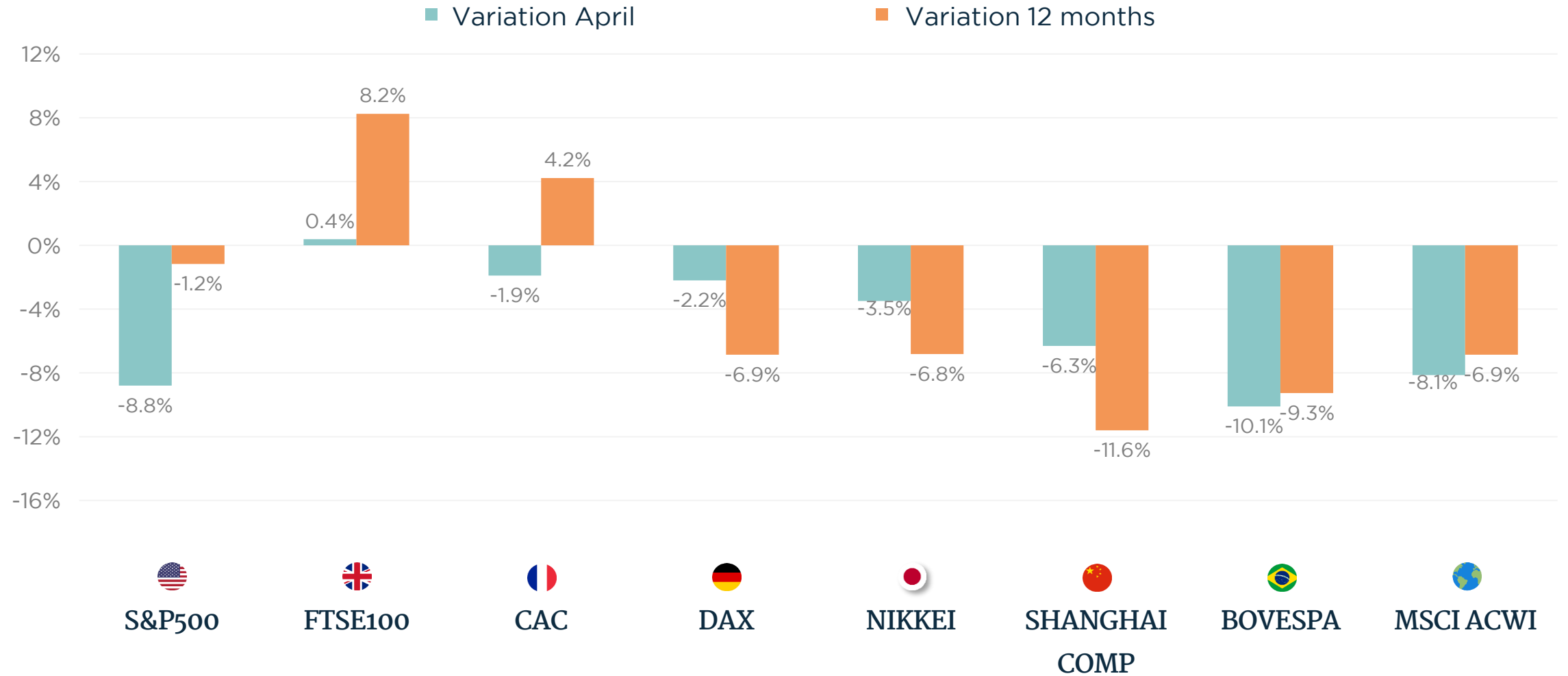
Markets



The Brazilian currency appreciated strongly at the beginning of the year, supported by the rise in commodity prices and strong foreign flows, closing the "gap" it presented in relation to a basket of currencies regarded as peers of the Real. The rapid depreciation seen in the Real in April was a reflection of the generalized movement of the strength of the dollar, as seen in the above chart.

Stock Markets

Markets



Indexes

	% April	Value on 30/04/2022	% 2022	% 12 months
COMMODITIES				
OIL WTI	4.4%	104.69	36.0%	64.7%
GOLD	-2.1%	1,896.93	3.7%	7.2%
CURRENCIES (IN RELATION TO US\$)				
EURO	-4.7%	1.05	-7.3%	-12.3%
GBP	-4.3%	1.26	-7.1%	-9.0%
YEN	-6.2%	129.70	-11.3%	-15.7%
REAL	-4.6%	4.97	12.1%	9.4%
INDEXES				
S&P500	-8.8%	4,131.93	-13.3%	-1.2%
FTSE100	0.4%	7,544.55	2.2%	8.2%
CAC	-1.9%	6,533.77	-8.7%	4.2%
DAX	-2.2%	14,097.88	-11.2%	-6.9%
NIKKEI	-3.5%	26,847.90	-6.8%	-6.8%
SHANGHAI COMP	-6.3%	3,047.06	-16.3%	-11.6%
BOVESPA	-10.1%	107,876.16	2.9%	-9.3%
MSCI ACWI	-8.1%	653,67	-13.4%	-6.9%

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