

BRAZIL: MACROECONOMIC MONITOR AND REFORM AGENDA

March 18, 2022

Highlights

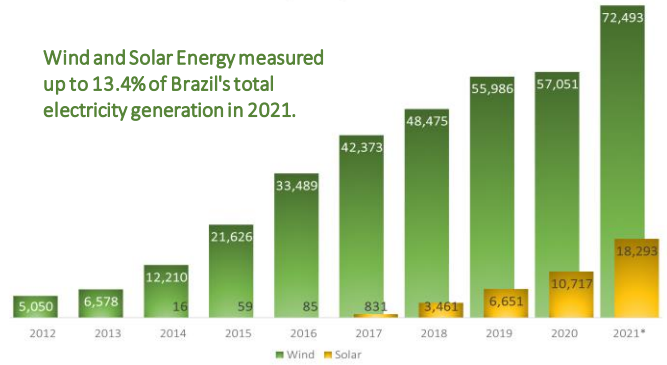
- **President Bolsonaro signed a decree that gradually eliminates the IOF rates** levied on foreign exchange operations until 2028. This measure will align Brazil with the provisions of the OECD Capital Liberalization Code, reducing barriers to the inflow of international capital and making investment possibilities cheaper.
- **The government issued two bills to boost support for the real sector:** (1) the New Securitization Framework, improving financing mechanisms for companies; and (2) the Strengthening of Rural Guarantees, which will help reduce agribusiness financing costs.
- **The National Fertilizer Plan 2022-2050 was launched by the government,** to strengthen the competitiveness of production and distribution of fertilizers in Brazil in a sustainable way, reducing the need for imports and increasing the competitiveness of Brazilian agribusiness in the international market.

THE LAST PAGE

2021 GDP Results and Perspectives

Electricity Generation - Wind and Solar Energy (GWh)

Wind and Solar Energy measured up to 13.4% of Brazil's total electricity generation in 2021.



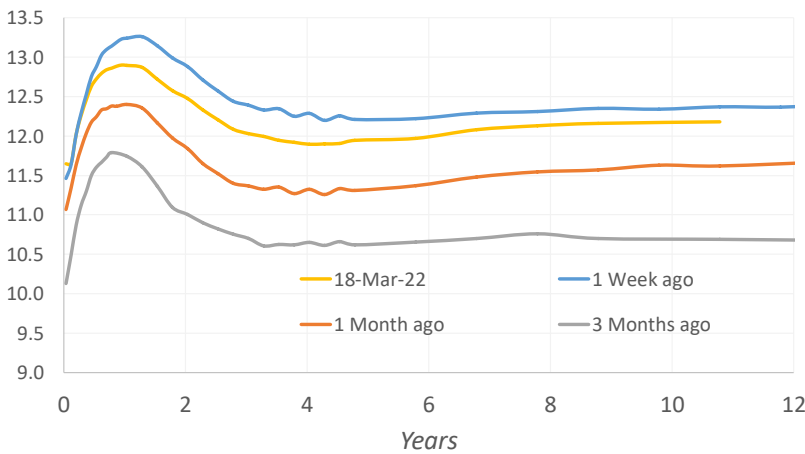
Source: Energy Research Company, National Energy Balance 2021
* Preliminary data

	2016	2017	2018	2019	2020	2021	2022
GDP (% YoY)	-3.28	1.32	1.78	1.22	-3.88	4.62	0.49 (*)
Consumer Inflation IPCA (% YoY)	6.29	2.95	3.75	4.31	4.52	10.06	6.45 (*)
Current Account (USD bi)	-24.5	-22.0	-51.5	-65.0	-24.5	-27.9	-20.6 (*)
Foreign Investment in the Country (USD bi)	74.3	68.9	78.2	69.2	37.8	46.4	59.0 (*)
International Reserves (USD bi)	365	374	375	357	356	362	355 (16 Mar)
Unemployment rate (%)	12.2	11.9	11.7	11.1	14.2	11.10	-
General Government Gross Debt (% GDP)	69.8	73.7	75.3	74.4	88.6	80.3	82.7 (**)
Ibovespa Index (BRL, % chg.)	38.9	26.9	15.0	31.6	2.9	-11.9	9.4 (ytd)
CDS 5 years (year average)	293	165	208	108	151	222	222
Interest rate (Selic Target) (% eop)	13.75	7.50	6.50	4.50	2.00	9.25	12.75 (*)

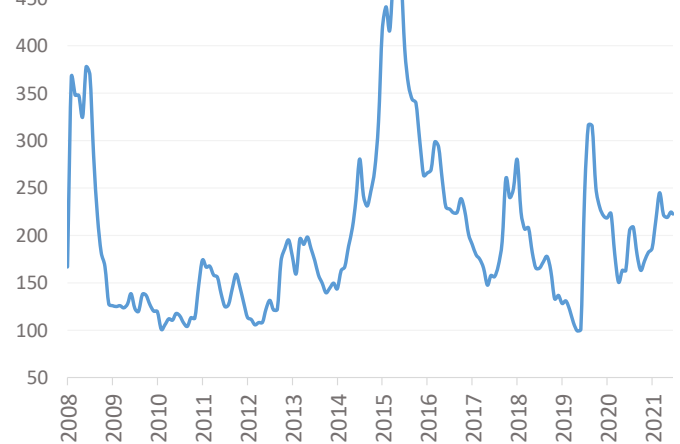
Estimates: (*) Focus Survey, Central Bank of Brazil, Mar. 18, 2022; (**) Prisma Fiscal, Jan.2022

MARKET WATCH

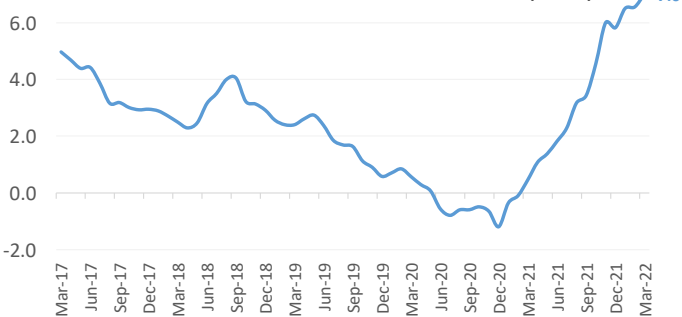
Yield Curve (CDI, YoY %)



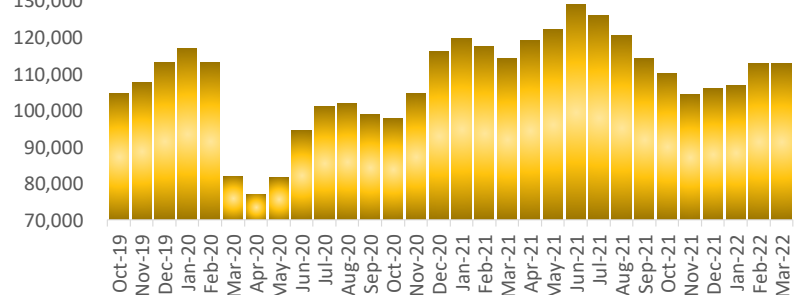
Brazil 5-year CDS (month average)



Real Interest Rate (YoY %)



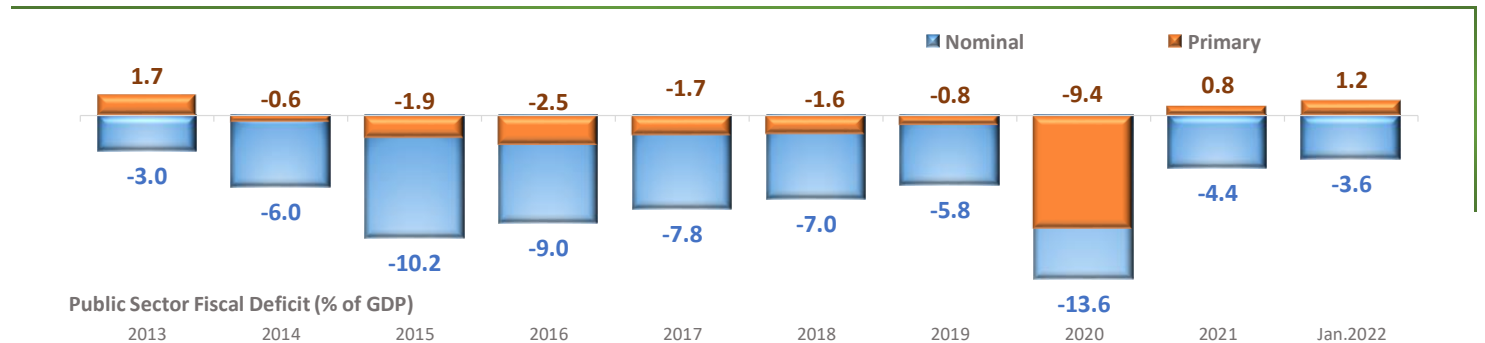
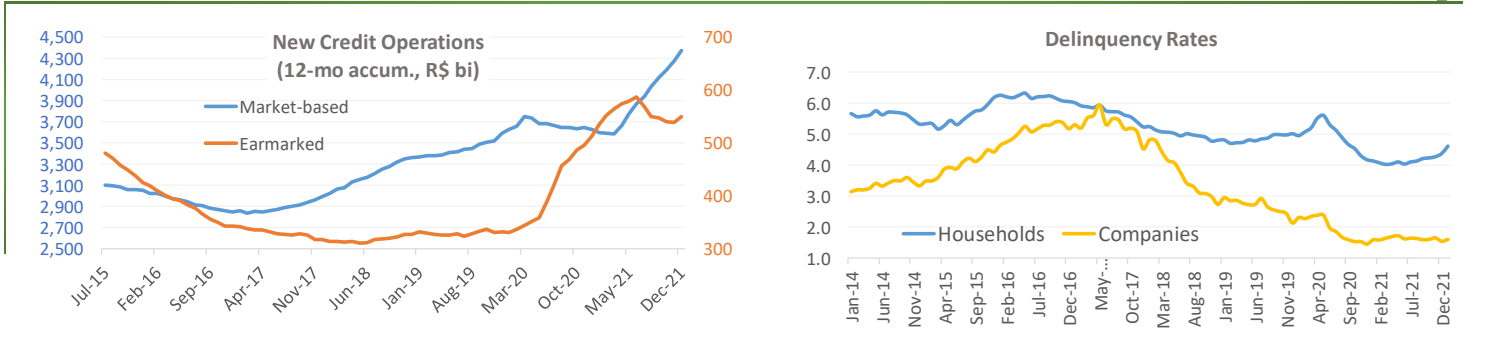
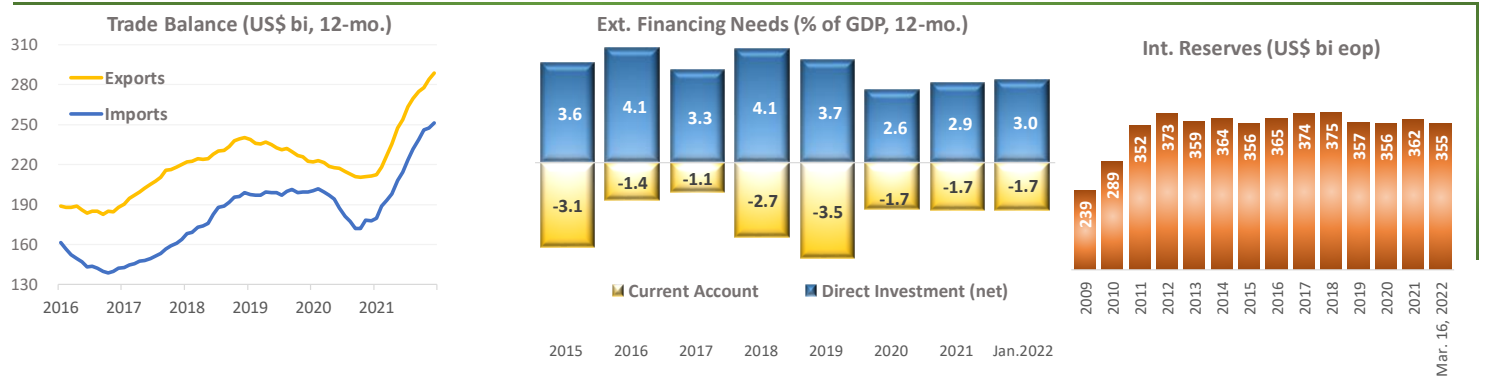
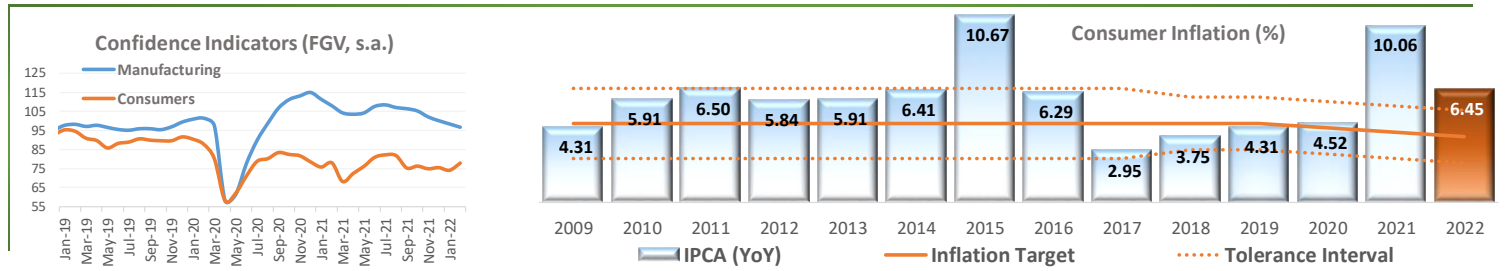
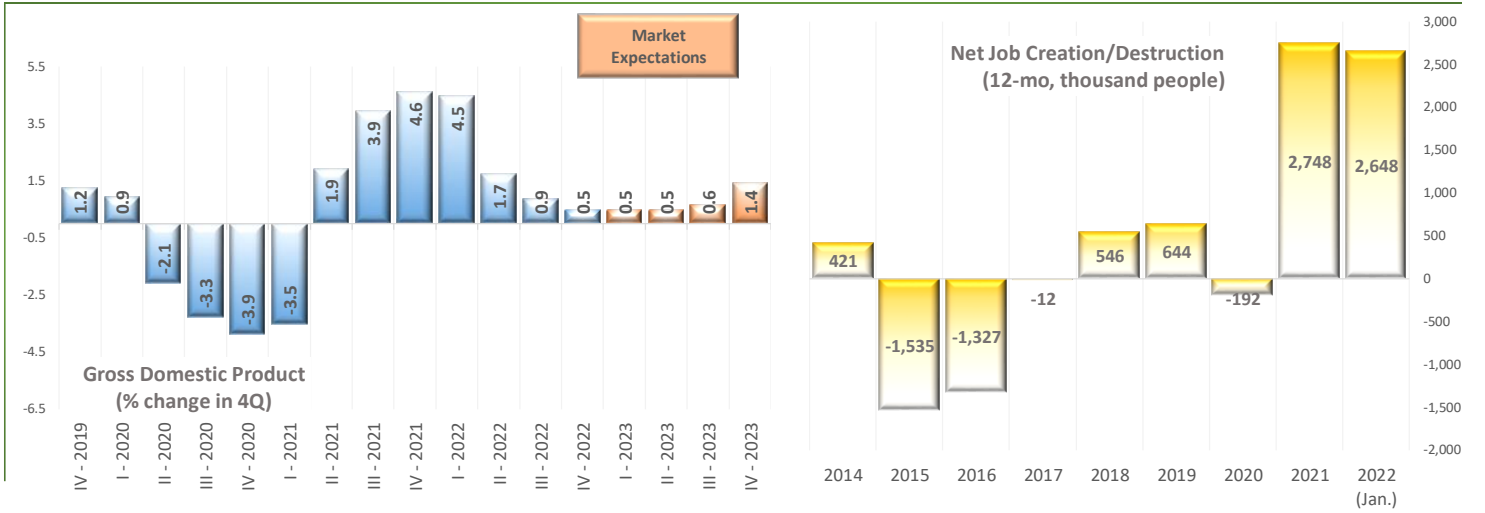
Ibovespa Brasil Sao Paulo Stock Exchange (month avg.)



Swaps Pre x Di 360 days discounted of the IPCA Expectation for the next 12 months

Sources: BCB, Min. of the Economy, Bloomberg

ECONOMY OUTLOOK



Fiscal consolidation and productivity increase are crucial inputs for Brazil to grow strongly and sustainably. The new government is going forward to put in place a set of reforms for speeding up growth and increasing potential output.

Priority Agenda

As of March 15, 2022

Legislation	Title	What is the main change?	Relevance for the country's economy	Current Situation
PEC 45/2019	Tax reform	Simplify the tax system by streamlining taxation on the production and sale of goods and services.	Improvement of the tax system transparency, accessibility, and reduction of the cost of red tape on taxpayers and economic sectors.	Ready for Chamber of Deputies' Plenary Deliberation
PEC 32/2020	Administrative reform	Change provisions on civil servants, public employees, and administrative organizations.	Transformation of the Brazilian state to provide more efficiency to the services offered by the government to citizens.	Ready for Chamber of Deputies' Plenary Deliberation.
PL 6726/2016 (PL 2721/2021)	Wage ceiling	Regulate the wage limit for civil servants referred to in the Federal Constitution.	Reduction of public spending by curbing the payment of civil servants' wages above the established ceiling.	Substitutive Proposition approved by the Chamber of Deputies and submitted to the Federal Senate. Awaiting deliberation from the Senate's Constitution and Justice Committee.
PL 2633/2020	Land regularization	Establish criteria for land tenure regularization of federal buildings, including settlements.	Benefits 300 thousand families installed in federal lands for at least five years.	Approved by the Chamber of Deputies and submitted to the Federal Senate. Awaiting deliberation from Senate's Committees (CRA and CMA).
PL 191/2020	Mining on indigenous lands	Establish conditions for the exploitation of mineral resources, the extraction of hydrocarbons, and the use of water resources for the generation of electric energy in Indigenous Lands with compensation.	Make the use of these areas more flexible for economic exploitation, whether by agribusiness, mining, tourism, and water resources.	Awaiting creation of Temporary Committee by the Chamber of Deputies.
PL 3729/2004 (PL 21599/2021)	Environmental Licensing	Establishes clearer rules for the environmental licensing of federal public works, in addition to facilitating and guiding the regulation of the subject in the Brazilian subnational states.	Planned public works and activities will be implemented quickly, socially inclusive, and environmentally safe.	Approved by the Chamber of Deputies and submitted to the Federal Senate. Subject with the rapporteur.
PL 5518/2020	Forest concessions	Make the bidding process faster, more flexible contracts, and attractiveness to the business model of forestry concessions.	Offers a model of legal timber production with forest preservation and green jobs created.	Awaiting the report of the Finance and Taxation Committee.
PEC 187/2019	Public Funds PEC	Sets up a reserve of complementary law to create public funds and extinguish those that are not ratified by the end of the second financial year following the PEC.	Guarantee the Congress and the Executive branch more flexibility to allocate money in priority public policies.	Ready for deliberation by the Senate's Plenary.
PEC 188/2019	Federative Pact PEC	Gives more autonomy to states and municipalities through the deployment of resources and their allocations, increasing the accountability in caring for public accounts.	Decentralize, deindex and untie fiscal resources between the three spheres of government in Brazil based on a new federative compact.	Awaiting deliberation by the Senate's CCJ - Constitution, Justice and Citizenship Committee. Subject with the Rapporteur.
PL 2646/2020	Infrastructure debentures	Encourage the use of debentures to raise private funds for infrastructure projects in the telecommunications sector.	Increase of private participation in financing infrastructure projects in the country.	Approved by the Chamber of Deputies and awaiting deliberation at the Federal Senate
PLS 232/2016 (PL 414/2021)	Electricity sector modernization	Introduces changes in the format of energy auctions, in low-voltage consumer pricing, in their access to the Free Market, and others.	Implementation of a more efficient electricity sector, with positive impacts on the entire energy market with positive spillovers.	Approved by the Federal Senate and submitted to the Chamber of Deputies.
PL 3178/2019	Changes in oil sharing regime	Allows block auctions under the concession regime in the pre-salt area when contracting by the production-sharing regime is mandatory.	Implementation of a more suitable concession model for the country to contract new exploitation areas in the country.	Under consideration from three Senates' Committees (CI, CAE, and CCJ). Subject with the CI's Rapporteur.
PL 7063/2017	Concessions and PPPs	Amends Law no 11,079, of December 30, 2004, to reduce the minimum value of public-private partnership contracts (PPPs) signed by states, the Federal District, and municipalities.	Authorizes all federated entities to partner with the private sector in contracts above certain values, increasing the number of projects that can be partnered.	Approved by the Federal Senate and submitted to the Chamber of Deputies. Ready for Plenary Deliberation
PL 591/2021	Correios [The National Post Service]	The bill implies breaking the postal monopoly of Correios and opening the market to other companies.	Puts an end to the state's postal monopoly and provides dynamism to the sector.	Submitted to the Senate. At the Economic Affairs Committee.
PL 4188/2021	Legal Framework for Credit Guarantees	Establishes a legal framework for the use of guarantees for credit in the country.	Simplifies the use of credit guarantees, reduces financing costs, and increases competition.	Awaiting the view of three commissions: Constitution, Justice and Citizenship; Education; and Finance and Taxation.
PL 3887/2020	Social Contribution on Operations with Goods and Services (CBS)	Creates the Contribution on Goods and Services (CBS), with a rate of 12%, replacing the Social Integration Program (PIS) and the Contribution for Financing Social Security (Cofins).	The text is the first stage of the tax reform of the federal government.	Awaiting the constitution of a special commission.
PL 6539/2019	National Policy on Climate Change	Updates the National Policy on Climate Change (PNMC), established by Law 12,187, of 2009, adapting it to the Paris Agreement on Climate.	Establishes that Brazil will neutralize 100% of its emissions by the year 2050, in the form of the National Long-Term Strategy.	Awaiting the designation of rapporteur in the Mines and Energy Commission.
PL 528/2021 (PL 290/2020)	Carbon Market	Establishes the Brazilian Emission Reduction Market, which will regulate the country's purchase and sale of carbon credits. It follows a recommendation of the Kyoto Protocol.	The carbon credits will be linked to projects to reduce or remove GHG from the atmosphere. The regulation includes those who do not have mandatory targets but want to offset the environmental impact of their activities.	Ready to enter the Plenary voting agenda.
PL 2337/2021	Income tax	Changes the Income Tax for individuals, companies, and financial investments. Among the measures with the greatest impact is the updating individual Income Tax table, which readjusts the exemption range.	The second phase of tax reform.	Awaiting amendments.
PEC 110/2019	Tax on Transactions with Goods and Services	Restructures the entire tax system, extinguishes taxes, and creates the Tax on Operations with Goods and Services (IBS).	Without changing the tax burden, simplifies the current system. The efficiency of tax collection is improved, with less red tape. Allow for lower production and hiring costs; increased competitiveness, consumption and growth.	Subject with the rapporteur.
PL 4847/2019	Resources for environmental inspection and reforestation actions	Provides for the destination of tools used in environmental violations, which can be destroyed, incorporated as a public asset, donated, sold, or auctioned.	Allows for withdrawing high-value equipment used by the environmental crime industry from circulation, disrupting the chain of criminal wood production, and promoting the economic strangulation the aforementioned groups.	Awaiting appointment of the rapporteur.



PPI Public-Private Partnerships

Source: PPI, www.ppi.gov.br/ppi-english

Main deliveries 2019/2022 Updated on March 11th

137 auctions/projects

Expected Investments: **USD 166 bi** | Concession fees: **USD 29.5 bi**

Transportation projects
Assets auctioned/signed contracts (2019-2022)

Transportation modes	Investments
Port terminals (31) <i>Solid, liquid, general and containerized cargo</i>	USD 754 million
Airports (34)	USD 1.9 billion
Highways (6)	USD 5.9 billion
Railways (5)	USD 6.7 billion
Total (77)	USD 15.34 billion



Energy, Mining and Oil & Gas projects
Assets auctioned/signed contracts (2019-2022)

Sectors	Investments
Oil and gas (9)	USD 124.74 billion
Transfer of rights	USD 86.89 billion
6th sharing round	USD 29.34 billion
16th and 17th concessions round	USD 8.4 billion
Open Acreage 2 auctions	USD 96.2 million
Energy - Generation (9)	USD 5.3 billion
Energy - Transmission (4)	USD 3.16 billion
Mining	
• CPRM (2)	USD 89.2 million
• ANM (5)	
Total (79)	USD 133.2 billion



Other projects
Assets auctioned/signed contracts (2019-2022)

Sector	Investments
ICT - 5G (1)	USD 8.42 billion
Sanitation (9)	USD 8.30 billion
Public lighting (12)	USD 340 million
Parks for visitation (3)	USD 85.4 million
Fishery terminal (4)	USD 120 million
Total (29)	USD 17.3 billion



PPI next auctions - 2022

Updated on March 11th

Airports (25)

- 15 Airports in 3 Blocks - 7th Round**
 - Block SP-MG-MS-PA (11): Congonhas/SP, Uberlândia/MG, Montes Claros/PA, Uberaba/MG, Campo Grande/MS, Corumbá/MS, Ponta Porã/MS, Santarém/PA, Marabá/PA, Carajás/PA and Altamira/PA
 - North Block II (2): Belém/PA and Macapá/AP
 - General aviation Block RJ-SP (2): Campo de Marte/SP and Jacarepaguá/RJ
- 8 Regional Airports in the state of Amazonas:** Parintins, Carauari, Coari, Eirunepé, São Gabriel da Cachoeira, Barcelos, Lábrea and Maués
- 2 Airports (Rebidding)**
 - Viracopos/Campinas (SP)
 - São Gonçalo do Amarante (Natal/RN)

Mining rights (9)

- 6th to 9th rounds of ANM available areas
- Copper - Bom Jardim de Goiás/GO
- Limestone - Aveiro/PA
- Diamonds - Santo Inácio/BA
- Gypsum - Rio Cupari/PA
- Kaolinite - Rio Capim/PA

Electric Power (2)

- 2 auctions of power transmission lines **Jun/30 (1)**

Oil and Gas (1)

- 3rd ANP cycle of the Open Acreage regime **Apr/13**

Regional Development (2)

- Irrigation Project in Irecê/BA **June, 1st**
- Irrigation Project in the Vale do Jequitaiá

Security (1)

- Federal Highway Police Impoundment Services

Supply (1)

- CONAB Warehouses and assets

Privatizations (10)

- Eletrobras
- CODESA **Mar/30**
- ABGF
- Trensurb
- Correios
- EMGEA
- CBTU/MG + line 2 of BH metro
- Cesasaminas
- Nuclep
- Port of Santos

Environmental license (7)

- Prior License for the Dredging of Pedral do Lourenço/PA
- Installation License for Highway BR-080/MT
- Installation License for the Highway BR-158/MT belt
- Prior License of Highway BR-319/AM/RO
- Decision on unlocking the BR-135/BA/MG
- Prior License for BR-242/MT (Section between Querência and Santiago do Norte)
- Installation license of highway BR 135/MG (Manga/MG - Itacarambi/MG)

Highways (15):

- BR-116/493/RJ/MG - Rio Valadares **May/20**
- BR-040/495/MG/RJ
- 2153,6 kilometers of federal highways - North-Center lot
- 667,44 km of federal highways - Rio Grande do Sul lot
- 2.471 km of federal highways - Northeast lot
- BR-040/DF/GO/MG - rebidding
- BR-060/153/262/DF/GO/MG
- Integrated highways of PR (6 lots)
- BR-158/155/MT/PA
- BR-163/267/MS

Portos (30)

- 4 Port Terminals in Santos/SP **Mar/30(STS 11)**
- 6 Port Terminals in Paranaguá/PR **Mar/30 (PAR32)**
- Port of Itajaí/SC
- Port of São Sebastião/SP
- 1 Port Terminal in Suape/PE **Mar/30**
- 2 Port Terminals in Vila do Conde/PA
- Access channel to the Ports of Paranaguá and Antonina/PR
- 2 Port Terminals in Rio de Janeiro/RJ
- 1 Port Terminal in Salvador/BA
- 1 Port Terminal in Ilhéus/BA
- 1 Port Terminal in Mucuripe/CE
- 1 Port Terminal in Itaqui/MA
- 2 Port Terminal in Macaé/AL
- 1 Port Terminal in São Francisco do Sul/SC
- 1 Port Terminal in Rio Grande/RS
- 1 Access tunnel in the Port of Santos/SP
- 1 Port terminal in Itaguaí/RJ
- 1 Port terminal in Porto Alegre/RS

Railways (4)

- Ferrogirão
- Contract renewal - FCA railway
- Railway Paraná Oeste S.A. - New Ferroeste
- Contract renewal - MRS railway

PPI Projects to Support States and Municipalities (24)

- Daycare units PPP:** 20 new units in the Municipality of Teresina/PI
- 2 Prisional units PPP:** Municipality of Blumenau/SC; Municipality of Erechim/RS
- 1 Correctional facilities PPPs:** State of Santa Catarina
- 2 Wastewater projects:** State of Ceará; Municipality of Volta Redonda/RJ
- 1 Water and wastewater projects:** Municipality of Porto Alegre/RS
- 1 Health:** New Municipal Children and Adolescents Hospital of Guarulhos/SP
- 4 MSW projects:** Consortia Convale/MG **April/14**, Consortia Comares/CE, Municipality of Bauru/SP and Municipality of Teresina/PI
- 12 Street Lighting:**
 - Corumbá/MS
 - Crato/CE
 - Valparaíso de Goiás/GO
 - Camaçari/BA **April/25**
 - Nova Iguaçu/RJ
 - Jaboatão dos Guararapes/PE **March/16**
 - Cachoeiro do Itapemirim/ES **April/29**
 - Barreiras/BA
 - Colatina/ES
 - Ariquemes/RO
 - Toledo/PR **April/25**
 - Curitiba/PR

152 assets | **USD 70.7 Billion of investments**



THE LAST PAGE

2021 GDP Results and Perspectives

- ✓ **The Brazilian economy grew by 4.6% in 2021**, recovering the level of activity prior to the pandemic.
- ✓ **The 2021 GDP result was better than market expectations** collected in the beginning of 2021, which indicated a slowdown in growth in the first months and were around 3.0 to 3.5%. However, coincident indicators changed this perspective, indicating growth of around 1.4 pp higher than the March projections. Almost ¾ of the market projections in March deviated from the result achieved by more than two standard deviations.
- ✓ **The change of the Brazilian GDP in the period 2020-21 (+0.5%) was larger** than that of all the G7 countries, except for the United States. In relation to the G20, the variation in this metric was above most countries and was higher than the median of this group. The same relationship can be observed when comparing Brazil to its peers in Latin America.
- ✓ **There was an increase in production in services (4.7%) and in industry (4.5%)**, while agriculture showed a slight decrease (-0.2%). In terms of demand, the highlight was the 17.2% increase in investment and the recovery in household consumption (3.6%).
- ✓ **For 2022, there are positive factors, such as the continued recovery of the labor market.** According to data from the *PNAD Contínua*, in 4Q21, 3.6 million jobs were created. Participation rates and the level of occupancy are returning to historical averages and there is a rapid decline in the unemployment rate, reaching 11.1% at the end of 2021, the lowest level since Dec/19.
- ✓ **Another highlight is the good outlook for private investments**, which, according to capital goods production indicators and a survey of businessmen, suggest a positive scenario for 2022. In addition, Private-Public Partnership data indicate that around R\$ 78 billion should be invested this year. In this way, the expansion of PPI projects for 2022 can add 2.3% more in the GDP investment figure and 0.4% more in total GDP.
- ✓ **The Brazilian Government supports an estimate of economic growth in 2022 that is higher** than currently projected by the market. Reasons include the normalization of negative supply shocks; the reestablishment of global production chains; the reduction of hydrological risk, with positive impacts on the energy market; the improvement of the labor market; and the expansion of private investments.

Source: Economic Policy Secretariat. The source document (in portuguese) can be accessed using the QR-code



Reforms carried out since 2019

