WebFórum Planejamento Estratégico
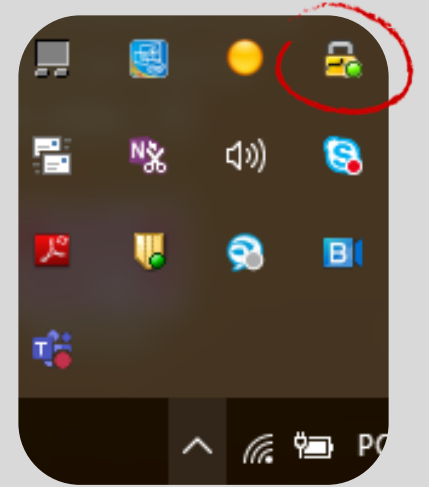
May, 2020

Please pay attention to the following recommendations
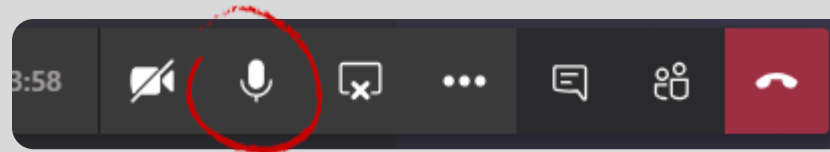
1   Disconnect your VPN in the taskbar to avoid network instability
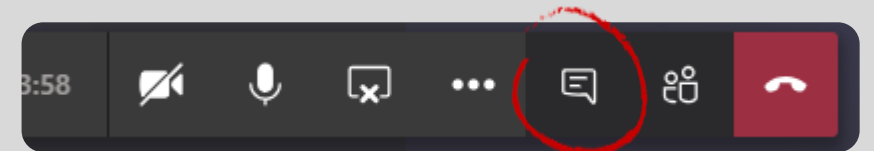
2   Mute your Microsoft Teams

3   If you have any questions, please send us by chat

Agenda

Political scenario: crisis resulting from the Covid-19 has the potential to change Brazilian policy in the short and medium term

Moment can be a **turnpoint** for presidential term

1) Crisis and **presidential political capital**: Covid-19 is expected to reduce presidential political capital. Pressure strategy in legislative houses through the appeal to the electorate should have limited effects;

2) Covid-19 and **economic agenda**: political capital of the liberalizing agenda must be reduced. Economic policy debate should be more plural and international experience pressure for greater distributivism;

3) Political-institutional tension: there is an inherent contradiction between "Bolsonarism" and moderation. **President should not change his *modus operandi***. Thus, the expected scenario is not one of losing popularity, but there are relevant signs of loss of support, especially after the departure of former Justice Minister Sérgio Moro;

President Jair Bolsonaro and former Justice Minister Sérgio Moro

4) Economic debate should be affected by the state of public calamity (which ends in 31th Dec'20). Crisis affects structural reforms through **two channels**: emergency measures and new political issues (parallel budget, postponement of elections).

Political scenario: crisis resulting from the Covid-19 has the potential to change Brazilian policy in the short and medium term

Crisis must exacerbate perception of **political vacuum**

Bolsonaro makes appearance in protests calling for closure of Congress and STF in Mar'20 (left) and Apr'20 (right)

Governors and Covid-19: performance (%)

Very poor/poor	16
Fair	23
Very good/good	58
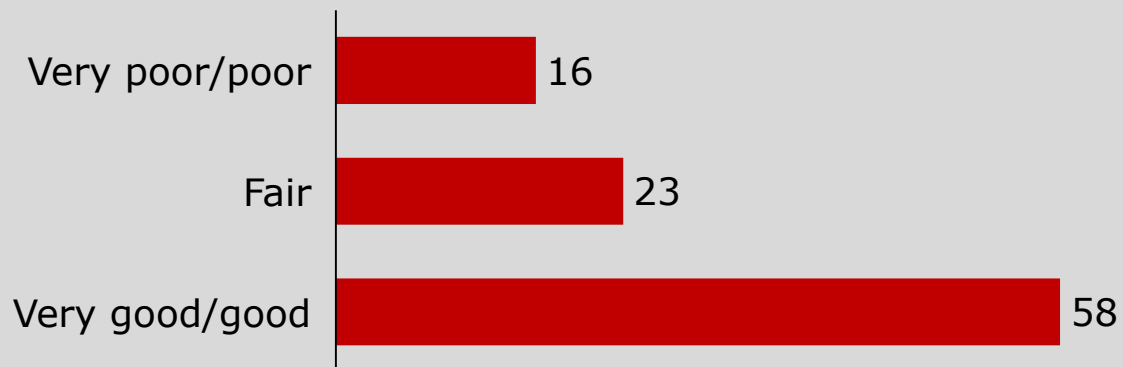
Bolsonaro and Covid-19: performance (%)

Very poor/poor	39
Fair	25
Very good/good	33

Sources: Tendências and Datafolha (1-3 Apr'20)

Agenda

- **1. Political Scenario**

- **2. Economic Scenario**

  - 1.1 International

  - 1.2 Brazil

- **3. Benchmarkings Covid-19**

- **4. Final Message**

Economy: pandemic transmission channels

Direct impacts

- Supply:

  - Social isolation, quarantine and border closure temporarily **deplete production chains**;

- Demand:

  - Global trade, including **falling commodity prices**;

  - Uncertainty with effect on **the level of spending**;

  - Financial conditions/Financial market: **preference for liquidity** and flight to **higher quality assets**. Negative "wealth effect" for families via stock market.

Source: Tendências

Economy: pandemic transmission channels

Indirect impacts that increase the effect on demand

- Companies:

  - Abrupt and expressive drop in revenues endanger the **ability to honor contracts and maintain job posts** (differentiated impact between sectors: **airlines, tourism, restaurants: most affected**);

- Job market:

  - Reduction in **employment and income**, especially severe on informal workers.

Source: Tendências

Agenda

Global responses stringency index: Brazil has not adopted more restrictive measures and according to Johns Hopkins University, the country surpassed France in number of cases and ranks 6th

Global responses to the pandemic

Oxford Covid-19 government response stringency index

| 0 | 1 | 25 | 50 | 75 | 85 | 100 |

NO DATA

Jan 1 — May 5

Italy

Germany

France

India

Spain

US

Brazil

Australia

UK

Graphic: Max Harlow, Caroline Nevitt and Aleksandra Wisniewska
Source: Blavatnik School of Government, University of Oxford
© FT
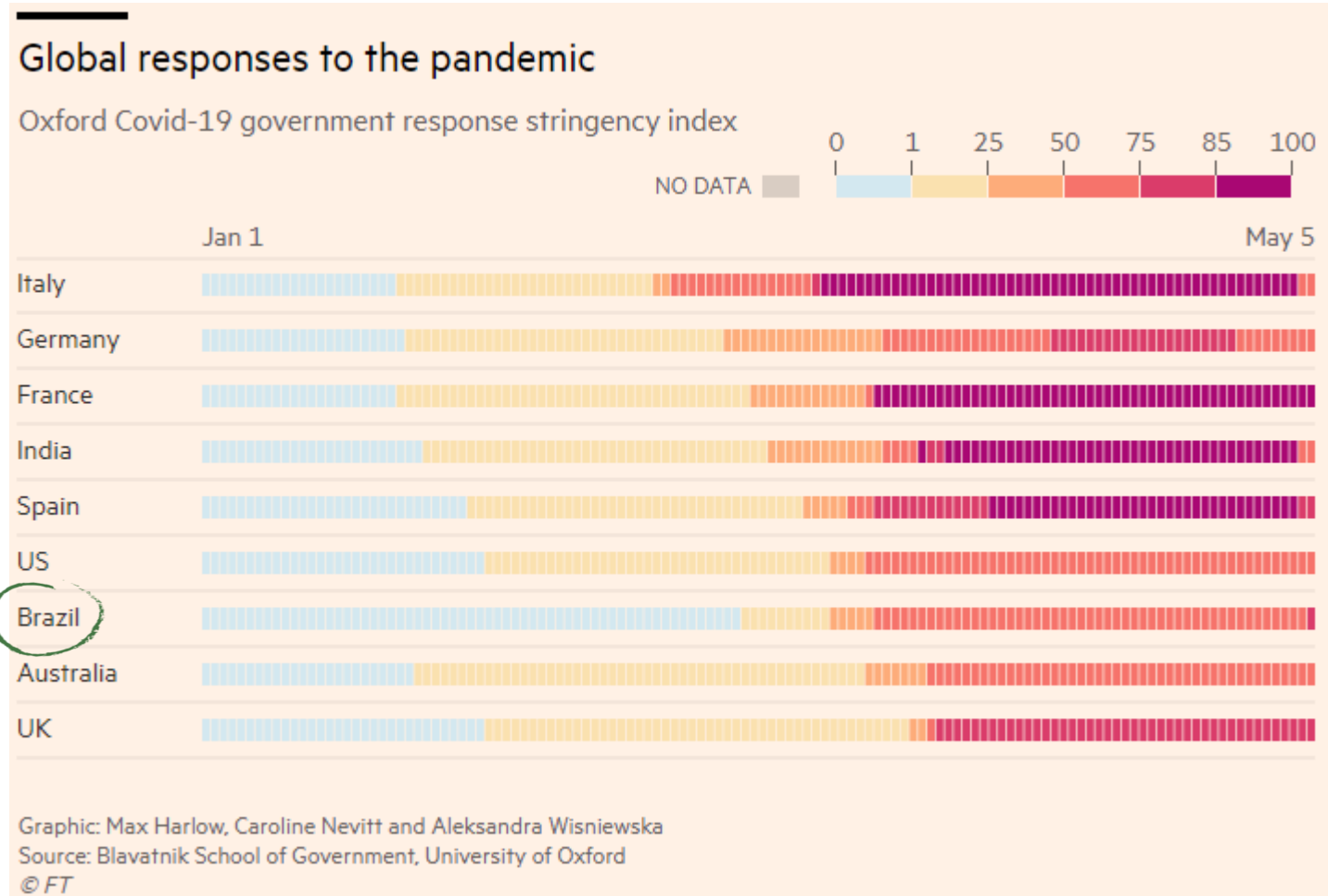
The Government Response Stringency Index is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100 = strictest response).

This index simply records the number and strictness of government policies, and should not be interpreted as 'scoring' the appropriateness or effectiveness of a country's response.

Initiatives taken so far in Latin America: Brazil has implemented, to a certain extent, all measures listed by the World Bank

	Argentina	Belice	Bolívia	Brasil	Chile	Colômbia	Costa Rica	Dominica	Rep. Dominicana	Ecuador	El Salvador	Granada	Guatemala	Guiana	Haiti	Honduras	Jamaica	México	Nicaragua	Panamá	Paraguai	Peru	Santa Lúcia	São Vicente e Granadinas	Uruguai

Sistemas de continuidade administrativa

Serviços eletrônicos

Gestão de recursos humanos

Agilidade da gestão financeira pública

Agilidade nas compras públicas

Isenção fiscal

Justiça e estado de direito

Administração financeira remota

Administração tributária remota

Administración fiscal virtual

Medidas múltiplas ■   Medidas limitadas ■   Nenhuma medida ou medidas desconhecidas □

Source: World Bank

Some initial measures by selected countries against the effects of Covid-19

The G20 nations have pledged to contribute more than US$ 5 trillion to try to mitigate the effects of a short-term economic crisis

CONTRA A PANDEMIA ECONÔMICA

Os pacotes de estímulos econômicos contra a paralisação gerada pelo coronavírus estão na casa dos trilhões de dólares. Será suficiente?

ESTADOS UNIDOS

O maior pacote da história

À medida que os casos da doença acumulam, os americanos aumentam os estímulos. O resultado é o maior pacote de auxílio econômico já registrado na história do país, totalizando mais de 1 trilhão de dólares. O socorro inclui 500 bilhões de ajuda direta a pessoas de baixa renda, 200 bilhões de crédito para companhias aéreas e outros 300 bilhões para pequenas e médias empresas.

Proposta de 2.2 trilhões de dólares aprovada em 27/03

BRASIL

O fim da austeridade?

Com a aprovação de decreto que reconhece o estado de calamidade pública, o governo está liberado para descumprir a meta fiscal prevista no Orçamento. Até o momento, o pacote de auxílio econômico anunciado pelo ministro da Economia, Paulo Guedes, soma 179,6 bilhões de reais.

Medidas somam R$ 762.5 bilhões (10% do PIB), sendo R$ 35.7 bilhões para a Saúde (5% do total)

REINO UNIDO

15% do PIB em estímulos

Os britânicos vão oferecer 330 bilhões de libras em empréstimos garantidos a empresas, montante que equivale a 15% do PIB do país. PMEs receberão 20 bilhões de libras em isenção de impostos e subsídios.

FRANÇA

Novo projeto orçamentário

Os franceses calculam que vão perder 1% do PIB por causa da pandemia. Para evitar o pior, o governo promete liberar 50 bilhões de dólares em ajuda a empresas e trabalhadores prejudicados. Para isso, o projeto orçamentário deste ano está sendo revisado.

ÍNDIA

Quase 10% do PIB

Anunciou um pacote de estímulos à economia de 20 trilhões de rúpias (US$ 266 bilhões) para ajudar os setores mais afetados pela crise.

ALEMANHA

Artilharia pesada

Acertou um pacote de até 750 bilhões de euros, dentre os quais, 100 bilhões para um fundo de estabilidade econômica que pode assumir participações diretas em empresas

CHINA

Estímulos fiscais

Anunciou redução de juros de empréstimos, após várias injeções de liquidez e outras flexibilidades, como corte de compulsório. Adotou várias pequenas medidas e despesas fiscais, como incentivos fiscais, tarifas reduzidas de energia e redução de taxas.

AUSTRÁLIA

Estímulos às aéreas

Anunciou financiamento de 90 bilhões de dólares australianos (US$ 53,3 bilhões) para bancos a uma taxa fixa de 0,25% e um programa de suporte, de 715 milhões dólares australianos, para companhias aéreas.

JAPÃO

Adiamento dos Jogos Olímpicos

O país adiou para 2021 os Jogos Olímpicos. Além disso, o Banco do Japão afrouxou a política monetária, aumentando as compras de fundos negociados em bolsa e outros ativos de risco. Anunciou gastos de 430,8 bilhões de ienes (US$ 4,1 bilhões), destinados a auxiliar as pequenas e médias empresas afetadas.

International scenario: uncertainties mean that projections can be revised in shorter periods

- Falling global trade

Global GDP weighted according to main partners
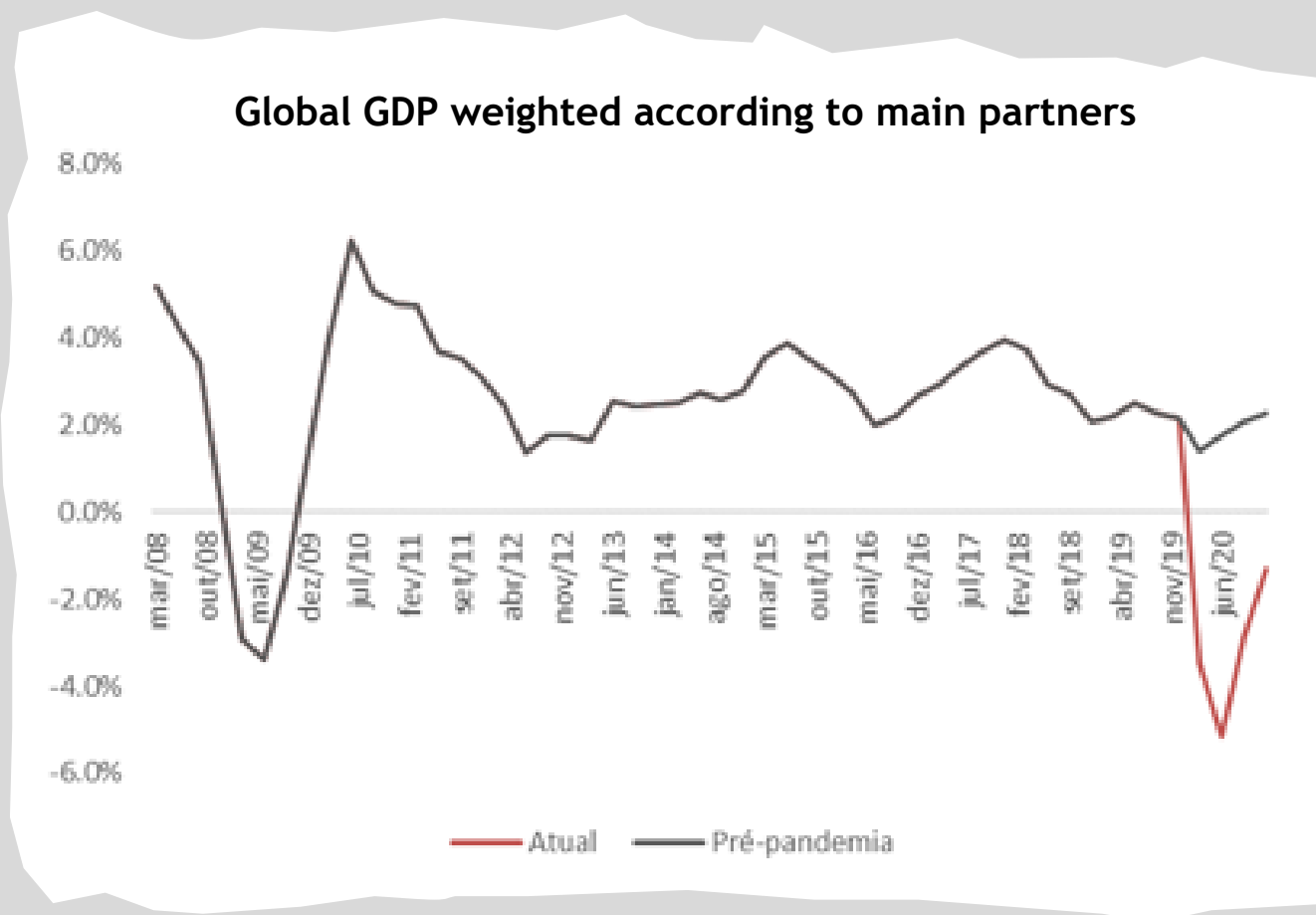
GDP 2020				
Basic Scenario				
EUA	Europa	China	Argentina	Mundo
-5.0%	-6.7%	1.5%	-7.0%	-3.2%

- The deterioration of the international situation also has a negative impact on the Brazilian economy by expanding the decrease in commodity prices

Agenda

Brazilian GDP: drop of the economic activity concentrated in the 2Q'20 and 3Q'20

Scenario throughout the quarters of economic activity

Interanual (%)

2020 committed working days

49
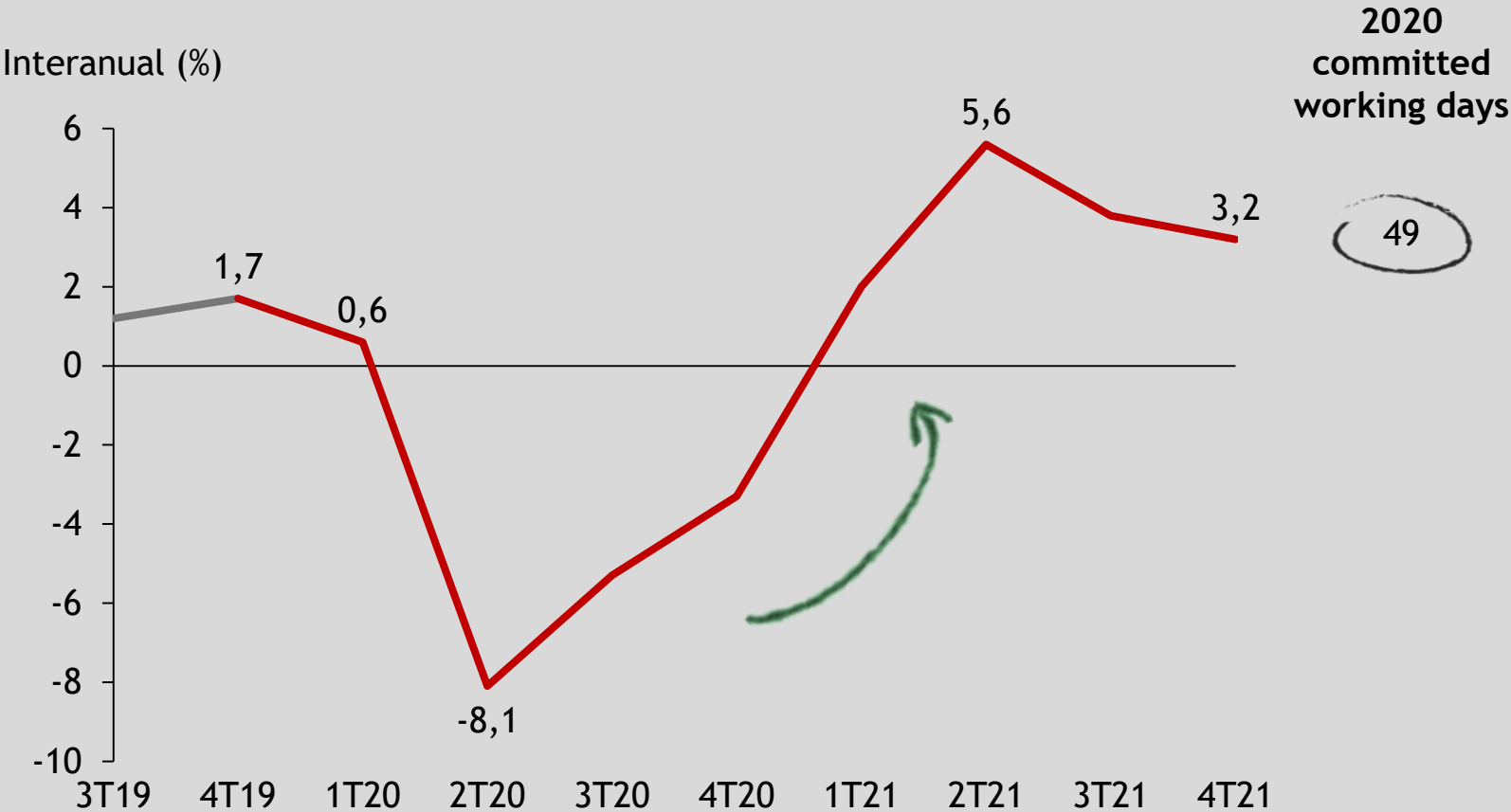
Recovery limitations:

- **Household consumption: households' financial situation was already tight**

- **Economic structure worsens some impacts of the pandemic:**
  - **Business structure in Brazil: high number of micro and informal firms;**
  - **High informality in the labor market.**

Tendências Projections: expectation of fast recovery in 2021 for economic activity

GDP (% vs PY)

Government revised estimate for 2020 from 0% to –4.7%

+7.7pp
-5.2pp

- 2018: 1,3
- 2019: 1,1
- 2020: -4,1
- 2021: 3,6

FX (EoP)

+32.7%
-1.9%

- 2018: 3,87
- 2019: 4,03
- 2020: 5,35
- 2021: 5,25

Unemployment (%)

+2.2pp
-0.2pp

- 2018: 12,3
- 2019: 11,9
- 2020: 14,1
- 2021: 13,9

Household Consumption (% vs PY)

+8.4pp
-6.6pp

- 2018: 2,1
- 2019: 1,8
- 2020: -4,8
- 2021: 3,6

Inflation - IPCA (% LTM)

-2.1pp
+1.1pp

- 2018: 3,75
- 2019: 4,31
- 2020: 2,17
- 2021: 3,29

Real Wage and Salary Mass (% vs PY)

Real wage

+4.0pp

- 2019: 0,4
- 2020: -2,7
- 2021: 1,3

Salary Mass

+7.5pp

- 2019: 2,5
- 2020: -4,5
- 2021: 3,0

In Apr'20, Consumer Confidence Index (CCI) decreased -22.0pp vs PM reaching 58.2 points, the lowest level of the historical series started in Sep'05, influenced by COVID-19 pandemic and political and economic uncertainties

Consumer confidence by segment

Index adjusted for seasonality (points)

— CCI — Current situation — Expectancy

Optimistic
Pessimistic

-22.0pp
65.6
58.2
55.0

2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021

Confidence by sector

— Consumer confidence (index): 58.2 (Apr'20) — Retail confidence (index): 61.2 (Apr'20) — Industry confidence (index): 58.2 (Apr'20)

Index adjusted for seasonality (points)

Optimistic
Pessimistic

61.2
58.2
58.2

2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021

[1]IBRE-FGV, Apr'20 27/04/2020

Regarding social economic level, index reduced in Apr'20 for all income consumer. The great impact came from the range up to BRL 2,100 (-23.0 points)

Consumer confidence by social economical level

Legend:
- CCI (red)
- Up to BRL 2,100.00 (black)
- BRL 2,100.01 to BRL 4,800.00 (gray)
- BRL 4,800.01 to BRL 9,600.00 (dark blue)
- Above BRL 9,600.00 (pink)

Index adjusted for seasonality (points)

Optimistic ↑ / Pessimistic ↓ (threshold at 100)

End values:
- 63,8
- 62,6
- 59,5
- 58,2
- 55,4

X-axis: 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020

In Mar'20, core retail decreased 1.2% vs PY, better result than Tendências projection (-2.9%), but the first drop after 11 consecutive months of positive variations in this comparison, influenced by Covid-19

Core and Broad Retail

Variation (% vs PY), without seasonal adjustment

— Broad retail — Core retail

Core retail projections:
2020: −3.1%
2021: 3.3%

Variation (% vs PM), seasonally adjusted

Core retail

Broad retail

-2,5

-13,7

-1,2

-6,3
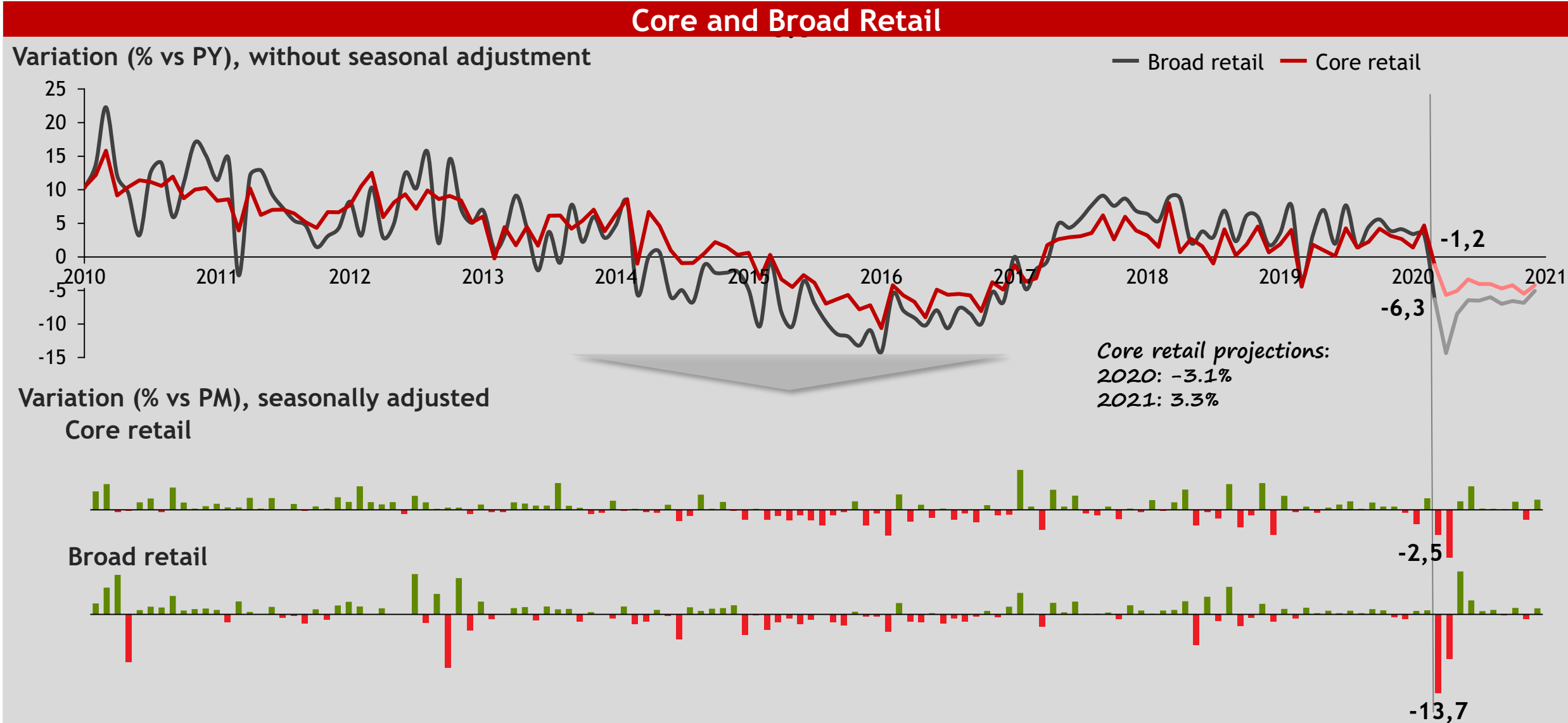
In Mar'20, sales volume decreased for all States served by KOF, except SP; KOF area grew 0.7% (just because of SP) while total Brazil reduced 1.2%

Ranking by State – Sales Volume

Ranking sectors – Sales Volume

	FY'19 vs PY	Mar'20 vs PY	YTD'20 vs PY
Status (total 27)	▼ 07 ▲ 20	▼ 23 ▲ 04	▼ 10 ▲ 17
Amapá	16,6	-11,0	-0,6
Santa Catarina	8,6	-5,4	0,3
Amazonas	7,9	-5,6	6,0
Acre	6,5	-11,8	0,9
Tocantins	6,1	3,4	7,3
Roraima	5,5	-6,4	1,2
Pará	4,8	-3,1	4,6
Espírito Santo	4,7	-4,4	2,0
Mato Grosso	3,6	2,1	4,6
São Paulo	2,5	5,4	4,0
KOF Area	2,2	0,7	2,0
Bahia	2,1	-7,6	-2,3
Brasil	1,8	-1,2	1,6
Rio Grande do Sul	1,5	-6,2	-1,0
Minas Gerais	1,0	-1,3	0,0
Distrito Federal	0,8	-6,7	0,6
Mato Grosso do Sul	0,6	-2,3	1,1
Rio de Janeiro	0,5	-1,7	2,2
Pernambuco	0,5	-6,2	-0,2
Maranhão	0,4	-4,0	0,4
Goiás	0,3	-8,4	-2,0
Rio Grande do Norte	0,0	-6,9	-2,7
Paraná	-0,7	-0,1	2,2
Rondônia	-0,8	-25.3	-8.0
Paraíba	-1,0	1,0	6,9
Ceará	-1,4	-14,4	-7.0
Sergipe	-1,9	-11,7	-4,5
Alagoas	-2,4	-7,9	-1,5
Piauí	-6,0	-3,8	0,7

In LTM, KOF Area had higher growth in retail and H&S than Brazil

Brazil and KOF Area: Retail (LTM)

Brazil —— KOF Area ——

2014 = 100

+2.6%

+2.2%

+2.4%

(Y-axis: 90, 91, 92, 93, 94, 95, 96, 97, 98, 99)
(X-axis: Jan-16, Jan-17, Jan-18, Jan-19, Jan-20, Jan-21)

Brazil and KOF Area: H&S (LTM)

Brazil —— KOF Area ——

2014 = 100

+3.0%

+1.8%

+9.2%

(Y-axis: 96, 98, 100, 102, 104, 106, 108, 110, 112)
(X-axis: Jan-16, Jan-17, Jan-18, Jan-19, Jan-20, Jan-21)

¹IBGE – PMC – Mar'20 – 13/05/2020
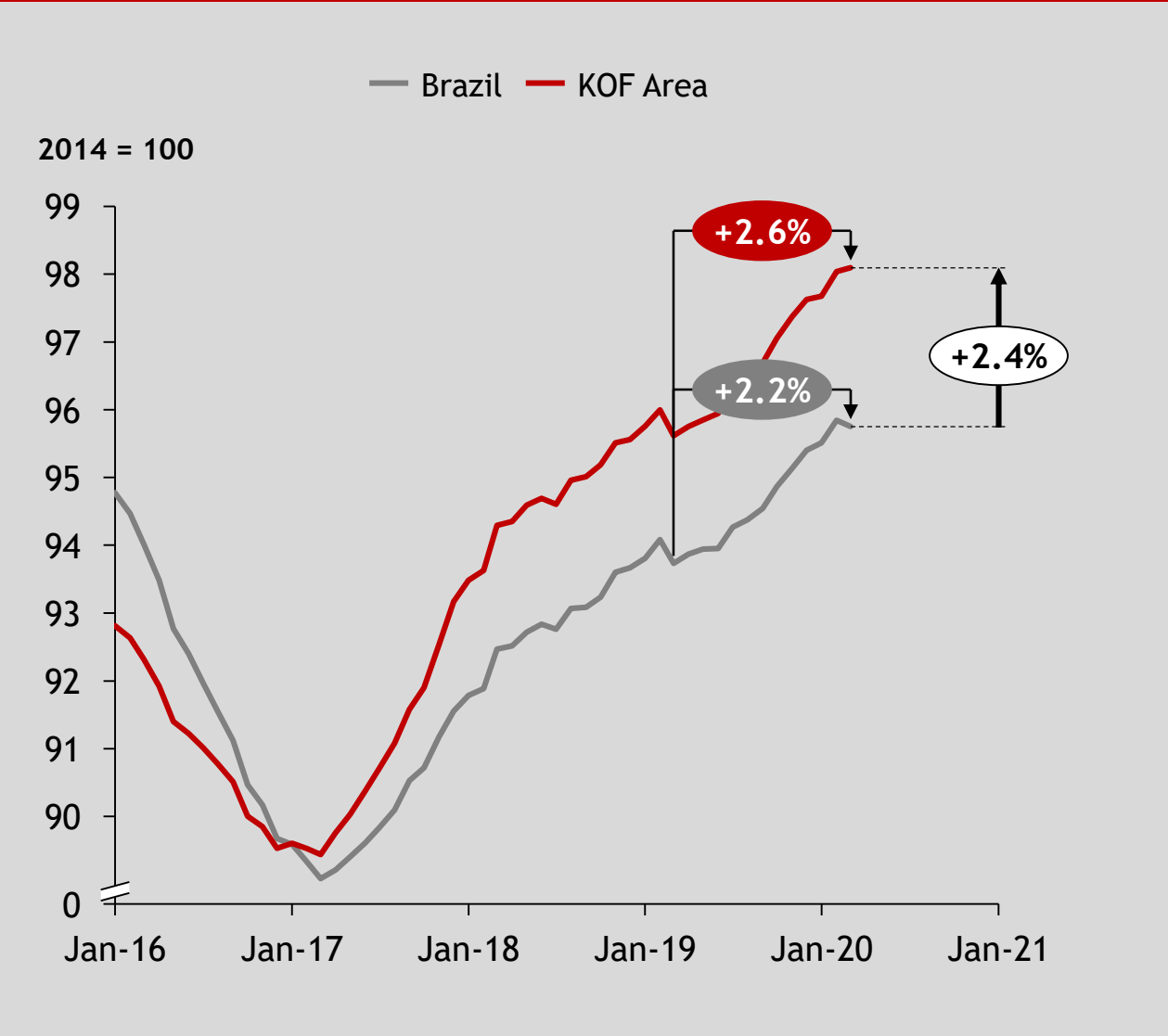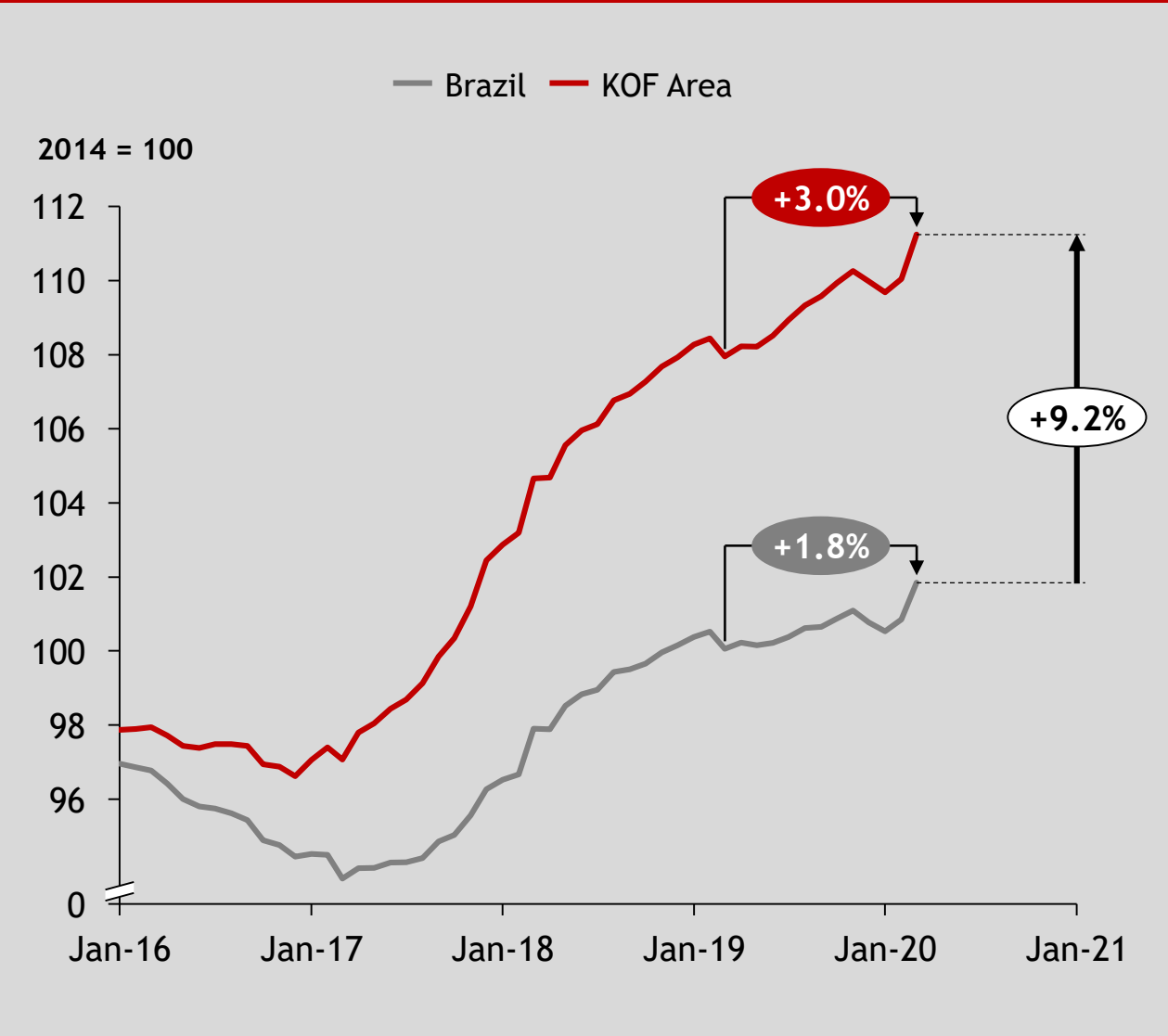
H&S, food, beverages and tobacco categories accelerated growth from 4.1% to 11.1% in Mar'20 vs PY. The category, considered an essential sector, concentrated the expenditure of families at the beginning of the quarantine, causing strong positive variation

Ranking by sector – Sales Volume

Ranking sectors – Sales Volume

	FY'19 vs PY	Mar'20 vs PY	YTD'20 vs PY
Status (total 13)	⬇ 01 ⬆ 12	⬇ 10 ⬆ 03	⬇ 07 ⬆ 06
Auto	10,0	-20,8	-3,6
Pharmaceutical	6,8	12,1	9,1
Other goods of personal use	6,1	-17,9	-0,6
Furniture	5,8	-10,4	2,6
Construction material	4,2	-7,6	-2,3
Broad Retail	3,9	-6,3	0.0
Furniture and appliances	3,6	-12,1	3,6
Appliances	2,8	-12,4	3,8
Core Retail	1,8	-1,2	1,6
Material for office	0,8	-23,2	-14,4
H&S	0,6	12,0	4,3
Fuel	0,6	-11,2	-3,9
H&S, Food, beverages and tobacco	0,4	11,1	4,1
Apparel	0,1	-39,6	-12,4
Books, periodicals and magazines	-20,7	-32,9	-8,6

In Mar'20, Food Service Retail Cielo Index (ICV-FS) decreased 33.9% for revenue and 29.5% for sales volume; in the 12-month rolling average, ICV-FS for sales volume slowed down from 7.3% to 3.2%. The result was impacted by the quarantine imposed in face of the dissemination of Covid-19

Revenue – Mar'20
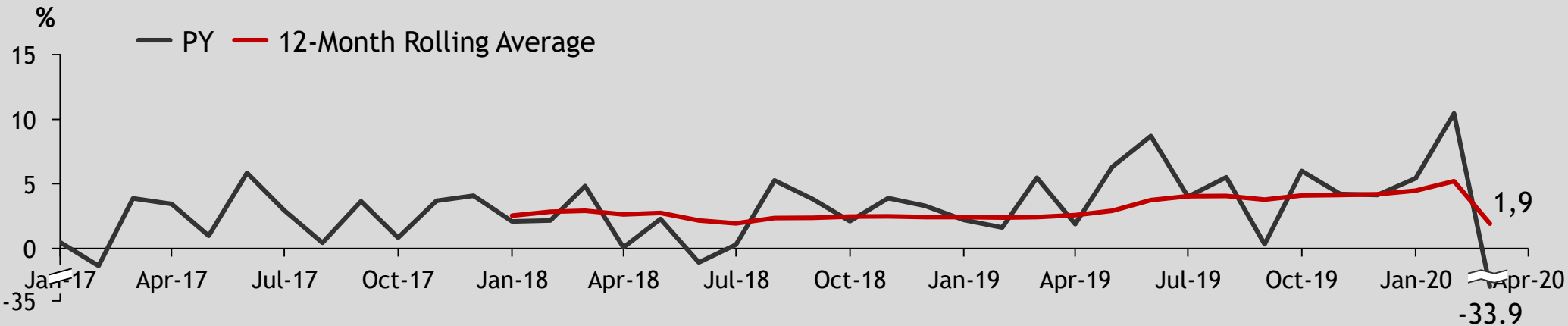
Sales Volume – Mar'20
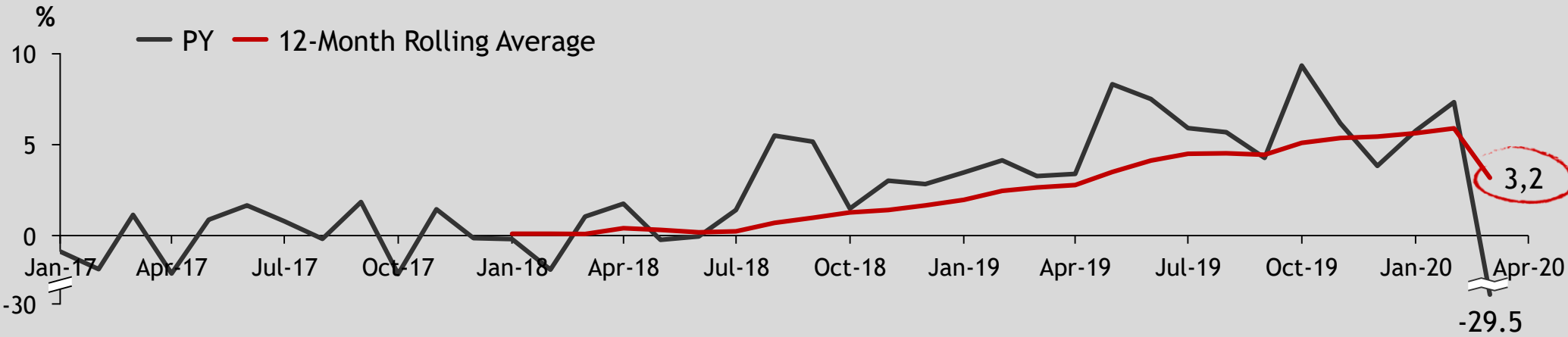
Source: Cielo - 20/04/2020

In Mar'20, sales volume decreased for all States due to great impact of Covid-19; KOF area reduced 28.4% while total Brazil, -29.5%

Ranking by State – Sales Volume

Ranking sectors – Sales Volume

	FY '19 vs PY	Mar'20 vs PY
Status (total 27)	↓ 03 ↑ 24	↓ 27 ↑ 00
Goiás	13,4	-25,9
Mato Grosso	10,2	-22,2
Paraná	9,8	-28,3
Paraíba	9,4	-34,4
Pará	8,8	-23,5
Minas Gerais	7,8	-24,4
Pernambuco	7,2	-34,5
Bahia	7,0	-28,9
Santa Catarina	7,0	-33,0
Sergipe	6,9	-27,9
Rio Grande do Sul	6,4	-30,2
KOF Area	6,3	-28,4
Espírito Santo	5,6	-27,5
Brasil	5,5	-29,5
Maranhão	5,3	-25,6
São Paulo	4,7	-29,3
Ceará	4,6	-31,8
Piauí	4,5	-29,3
Alagoas	4,5	-32,7
Rio Grande do Norte	4,2	-31,7
Amapá	4,1	-32,4
Rio de Janeiro	4,0	-33,4
Mato Grosso do Sul	3,3	-21,3
Rondônia	2,7	-26,4
Amazonas	1,7	-27,0
Distrito Federal	0,8	-34,2
Acre	0,0	-21,7
Roraima	-0,3	-16,0
Tocantins	-6,4	-21,3

Source: Cielo - 20/04/2020

In the Monetary Policy Committee Meeting ("Copom"), Brazil's Central Bank, unanimously, decided to reduce Selic rate to 3.00% (-0.75 pp), above market projections (which expected -0.50 pp), reaching a new historical minimum

The Committee judges that various measures of underlying inflation are running below the level compatible with meeting the inflation target at the relevant horizon for monetary policy

Meetings

SELIC (%): 3.00 (May'20)

3,00   3,00

11/12/2019
4.50% (-0.50 pp)

05/02/2020
4.25% (-0.25 pp)

18/03/2020
3.75% (-0.50 pp)

06/05/2020
3.00% (-0.75 pp)

17/06/2020
2.25% (-0.75 pp)

05/08/2020
2.25% (0.00 pp)

16/09/2020
2.25% (0.00 pp)

Projections by Tendências
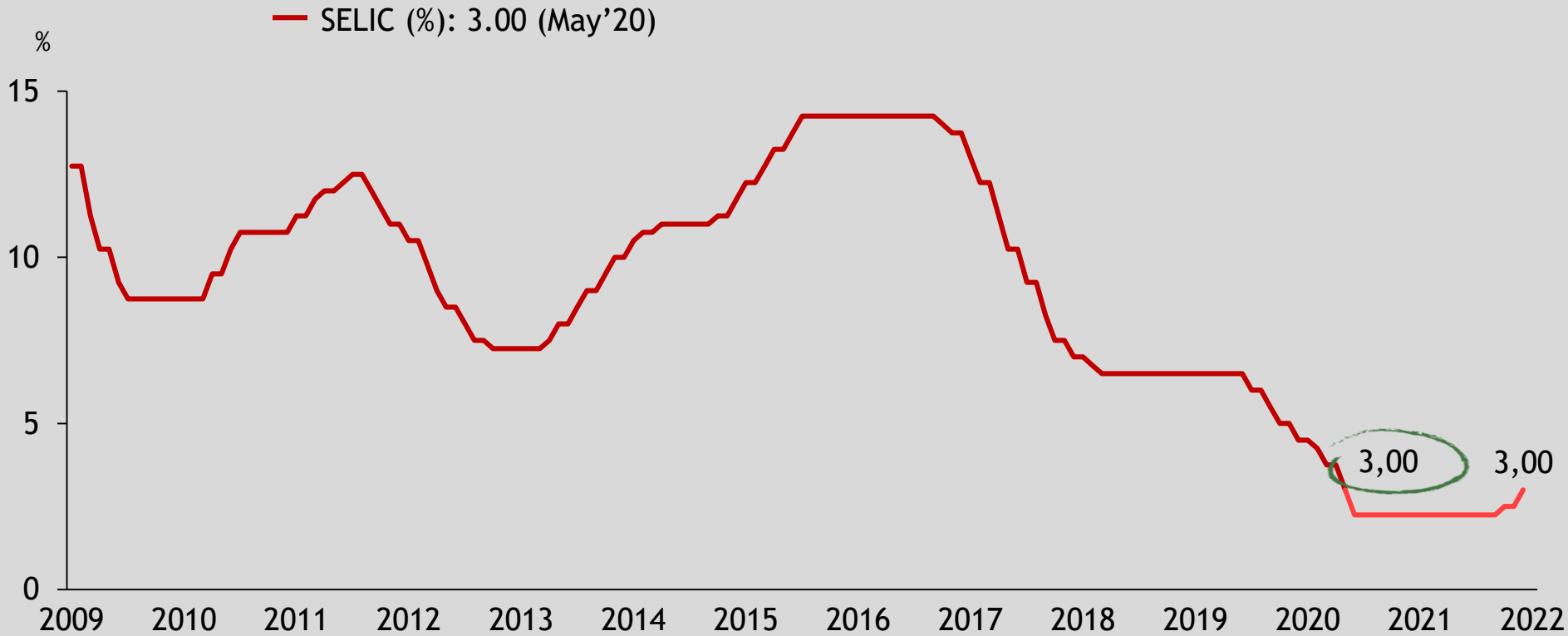
- The Copom believes that the current state of affairs recommends an unusually large monetary stimulus, but it reinforces that there are potential limits to the remaining space for adjustment. The Committee believes that the fiscal trajectory over the next year, as well as the perception of its sustainability, will be crucial to determine the length of the stimulus.

Source: Bacen – 06/05/2020 | Projection by Tendências

In Apr'20, inflation index decreased 0.31%, below Tendências projections (-0.18%) and the lowest result for inflation since Aug'98 (-0.51%). In LTM, index slowed down from 3.30% to 2.40%, below to Government target center (+4.00%)

Inflation vs PM

Inflation LTM vs Government target

In Apr'20, inflation index was negative caused by "Transportation" group that had the biggest impact (-0.54 pp) due to the decrease in fuel's prices (international oil prices dropped driven by Covid-19); the deflation in this group more than offset the increase in "Food and Beverages" (+1.79% in Apr'20)

Inflation Index[1] (Apr'20)

Households living in urban areas with 1 to 40 minimum wages

IPCA (% YTD)[1]

Category	IPCA (% YTD)	Weight
Education	4,47	6.1%
Food and Beverage	3,45	19.3%
Health	0,39	13.5%
Personal	0,29	10.7%
General Index	0,22	100.0%
Housing	0,18	15.6%
Comunication	0,16	5.7%
Apparel	-0,90	4.6%
Household Items	-2,58	3.7%
Transportation	-3,44	20.6%

Inflation Index[1] (Apr'20)

Households living in urban areas with 1 to 40 minimum wages

IPCA (% YTD)[1]

City	IPCA (% YTD)
Fortaleza	1,17
Recife	0,79
Rio de Janeiro	0,68
Grande Vitória	0,66
Belo Horizonte	0,53
Salvador	0,51
Belém	0,31
São Paulo	0,29
Brasil	0,22
Porto Alegre	-0,04
Curitiba	-0,90
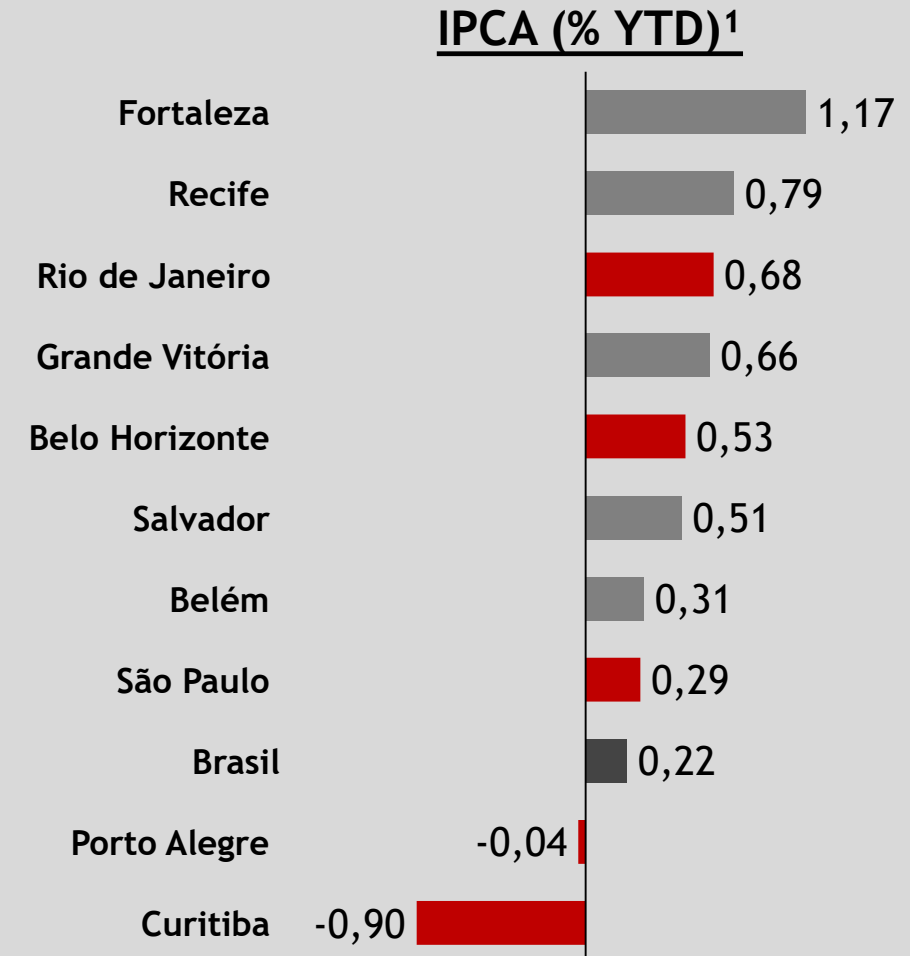
[1] IBGE – IPCA Apr'20 – 08/05/2020

Conclusions

Despite the strong economic impact caused by the pandemic, growth is expected to come back in 2021

The global scenario proves to be challenging, with the projection of falling economic growth and protectionist trends

Brazilian Challenges

High **informality** in the labor market

+

High political risk associated with **lack of governance**

+

Postponement of **structural reforms** due to the emergence of actions in the National Congress to combat the Covid-19 pandemic

Agenda

According to McKinsey, Confidence in own country's economic recovery after COVID-19 uncertainty with economic recovery in Brazil is continuously increasing. Optimism is significantly lower than India and China, and even the US, country most affected

Confidence in own country's economic recovery by country

% of respondents

Brazil

	Mar 21-24	Mar 28-30	Apr 02-05	Apr 09-12	Apr 16-19
Optimistic	25	25	23	22	21
Unsure	53	53	59	57	62
Pessimistic	22	22	19	21	18
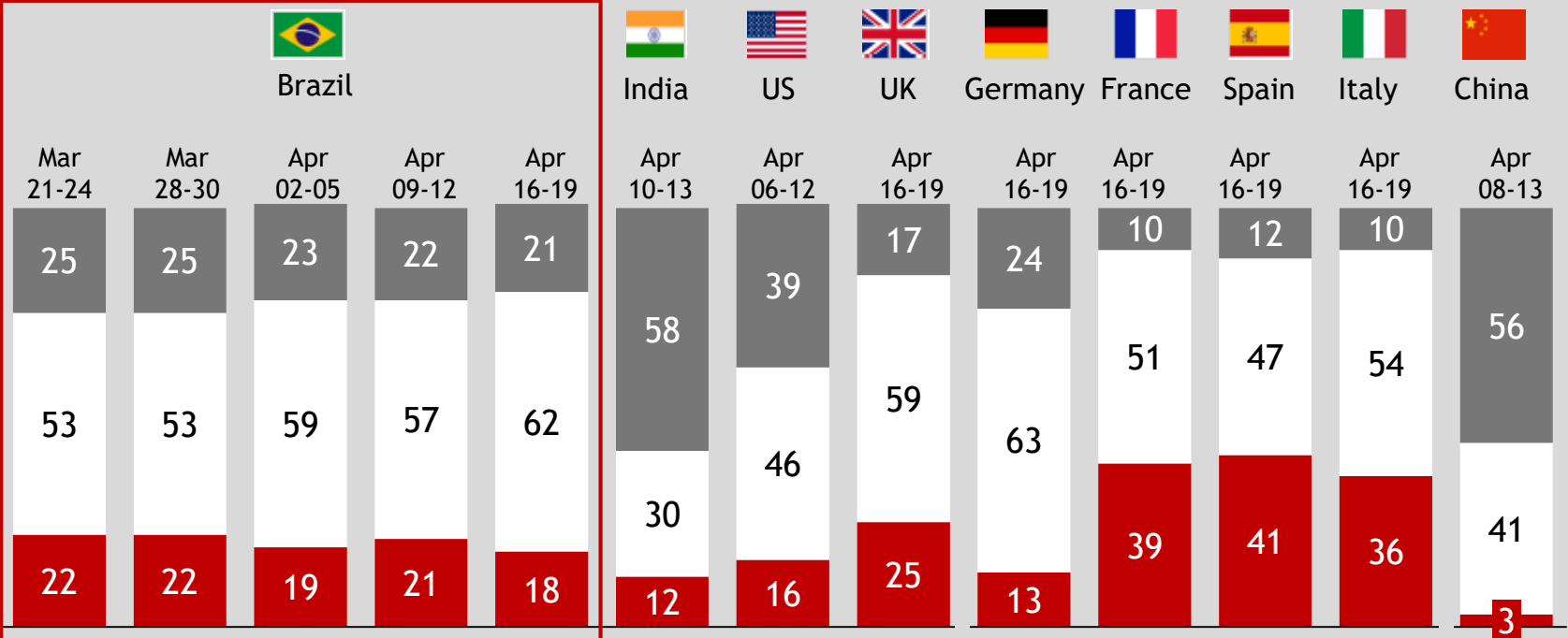
Early development and acceleration

	India Apr 10-13	US Apr 06-12	UK Apr 16-19	Germany Apr 16-19	France Apr 16-19	Spain Apr 16-19	Italy Apr 16-19	China Apr 08-13
Optimistic	58	39	17	24	10	12	10	56
Unsure	30	46	59	63	51	47	54	41
Pessimistic	12	16	25	13	39	41	36	3

Late accumulation — **Recovery**

COVID-19 development stage

Confidence in own country's economic recovery by Socio-economic group

% of respondents

Brazil

	W1	W2	W3	W4	W5	W1	W2	W3	W4	W5
Optimistic	27	29	29	24	23	24	21	22	22	20
Unsure	48	48	53	59	55	48	54	60	57	63
Pessimistic	25	23	18	17	23	27	24	19	21	17
		A+B1					**B2+C1+C2**			
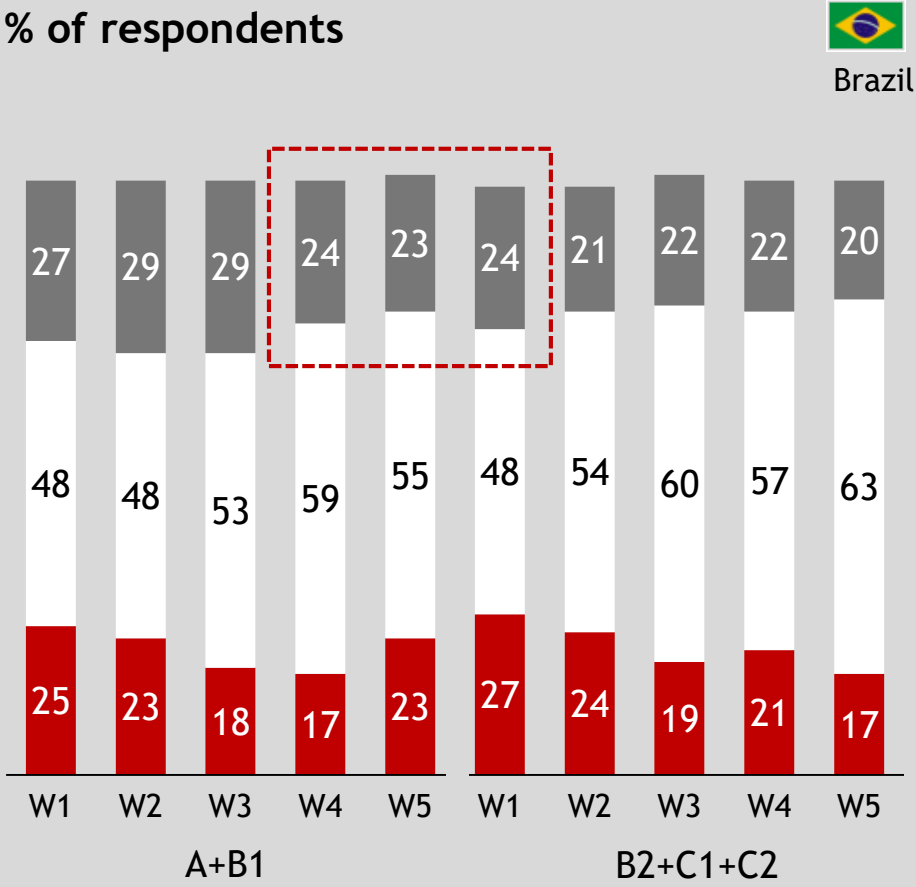
Socio-economic groups

Social group A+B1 optimism is lower since W3

Legend:
- **Optimistic**: economy will rebound within 2-3 months
- **Unsure**: economy will be impacted for 6-12 months or longer within 2-3 months
- **Pessimistic**: COVID-19 will have a long lasting impact on the economy

Aside from grocery, child products, household supplies and personal care products, consumer shopping intent remains mostly negative

Expected spend over the next 2 weeks compared to usual

% of respondents

Legend: ■ Decrease ▨ Stay the Same ■ Increase

Category	Decrease	Increase	Net intent Total	Var week 4
Groceries	17	41	24%	↑ +3
Snacks	53	17	-36%	↑ +1
Tobacco products	37	9	-28%	↑ +3
Food take out & delivery	52	22	-30%	↓ -9
Alcoholic beverages	62	10	-52%	↓ -2
Quick-service meals	70	12	-58%	↓ -1
Restaurants	83	7	-76%	↓ -5
Footwear	91	3	-88%	↑ +2
Apparel	78	4	-74%	↑ +5
Jewelry	86	4	-82%	↑ +5
Accessories	87	2	-85%	↓ -6
Non-food child products	15	19	4%	↑ +19
Household supplies	19	29	10%	↑ +1
Personal-care products	18	20	2%	↑ +1
Skincare & make-up	66	7	-59%	↓ -1
Household furnishing	84	6	-78%	↓ -1

Category	Decrease	Increase	Net intent Total	Var week 4
Entertainment at home	25	15	-10%	↓ -8
Books/magazines	60	8	-52%	↓ -3
Consumer electronics	49	12	-37%	↑ +5
Out of home entertainment	90	3	-87%	↑ +5
Petcare services	48	10	-38%	↓ -5
Fitness & wellness	70	9	-61%	↑ +1
Personal-care services	77	3	-74%	↑ +4
Gasoline	61	7	-54%	↑ +1
Vehicle purchases	80	3	-77%	↑ +5
Short-term rental	67	1	-66%	↑ +7
Travel by car	85	4	-81%	↑ +1
Cruises	76	5	-71%	↓ -15
Adventures & tours	85	1	-84%	↑ +6
International flights	77	2	-75%	↑ +3
Hotel / resort stays	94	2	-92%	↓ -5
Domestic flights	88	2	-86%	↑ +2

Grocery purchases on local supermarkets /close to home shops is the leading trend when it comes to frequency and change on spending. This trend is expected to continue after COVID

McKinsey &Company

Change in grocery purchase frequency and spending

Legend: More frequently (blue) · Same (grey) · Less frequently (black)

Change in grocery purchase frequency[1,2]
% of respondents who visited each channel

	More frequently	Same	Less frequently	During vs. prior Net behavior[5]	After vs. during Net behavior[5]
Hypermarket	31	42	26	5	20
Local supermarket	68	24	8	59	40
Cash & Carry	24	45	31	-6	18
Convenience store	11	51	38	-26	-17
Hortifruti / Quitanda	35	45	20	15	32
Bakery	44	36	20	24	39
App Store	27	49	24	4	5
Supermarket's Website or App	21	65	14	7	4

Change in grocery spending[3,4]
% of respondents who visited each channel

	More frequently	Same	Less frequently	During vs. prior Net behavior[5]	After vs. during Net behavior[5]
Hypermarket	23	53	24	-1	32
Local supermarket	56	33	11	45	46
Cash & Carry	20	51	29	-9	29
Convenience store	6	58	36	-30	14
Hortifruti / Quitanda	25	56	19	7	38
Bakery	32	44	25	7	34
App Store	24	55	21	3	18
Supermarket's Website or App	18	70	13	5	14

Changes on consumer habits are not expected only during crisis, but also to shape the "new normal" on emerging trends

Post-COVID consumer and the emerging trends

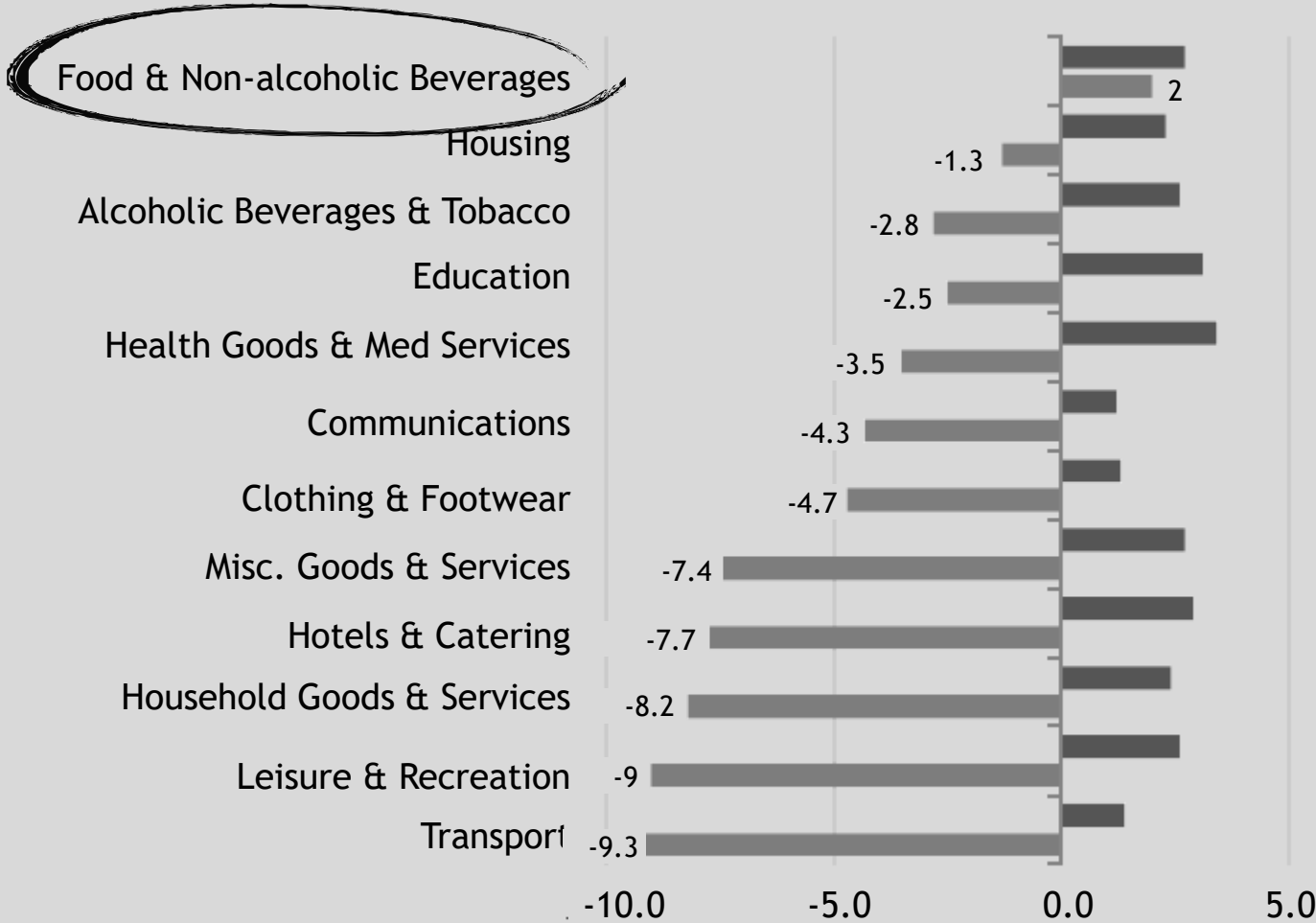|	What the new normal could look like	Potential implications for the system	
Consumer & shopper behavior	Increased online experimentation leading to accelerated adoption of online sales channels	Radically boost D2C to make it a sizeable, robust channel (e.g., subscriptions, platform partnerships; in home mixing machines	Online everything / Post War Consumer
Go-to-market	Productivity pressure and safety concerns driving digitization of sales and new B2B interfaces	Boost digital sales force enablement and B2B digital channels / interfaces	Rise of Contactless Economy / Safe consumption
Supply chain	Tail-end assortment less relevant in recessionary environment; drop sizes are reduced; heightened risk / fear of virus resurgence	Restructure supply chain for more flexibility and productivity. Reset manufacturing and SC footprint	Sustainability redefined / Efficiency and Resilience
Organization, operating model	Remote working and crisis response operations will ignite new ways of working that will likely remain	Zero-based org simplification based on digitized processes at scale	Distance is back / Home repurposed
Competitive landscape	Large brands gain favor, driven by familiarity and availability backed by at scale supply chains; small brands lose strength	Rethink competitive positioning and pursue M&A and/or new business building	Resurgence of the big box / Shock to loyalty
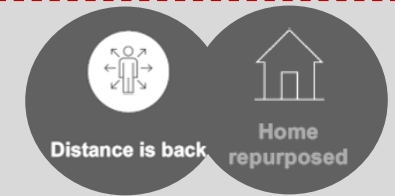
Long-lasting change in consumer attitudes and behavior, including a decline in expenditure in the short term, and increase in precautionary savings, falling consumption rates and increasing frugality on the long term

Long-lasting change in consumer attitudes and behaviour

% annual real growth   ■ 2019   ■ 2020

Category	2020 value
Food & Non-alcoholic Beverages	2
Housing	-1.3
Alcoholic Beverages & Tobacco	-2.8
Education	-2.5
Health Goods & Med Services	-3.5
Communications	-4.3
Clothing & Footwear	-4.7
Misc. Goods & Services	-7.4
Hotels & Catering	-7.7
Household Goods & Services	-8.2
Leisure & Recreation	-9
Transport	-9.3

- Global consumer expenditure is set to decline by 4.3% in real terms year-on-year in 2020

- Long-term increase in precautionary savings, falling consumption rates, increasing frugality

- Older consumers will have to resort to online grocery shopping

- COVID-19 will be a catalyst for a permanent shift to a cashless world

Credit card companies already announced that maximum number for credit card payment without password might go up to from current R$50 to R$ 120

Shifts like at home meals and more frequent e-commerce shopping are trends expected to impact on the short-term and remain after COVID-19

EUROMONITOR INTERNATIONAL

What can we expect for the future of packaged goods after COVID-19

Short-term impact (Q1-2)

- More meal occasions at home and increased purchases across grocery retailing
- More frequent online shopping
- Supply chains under pressure as borders close across the world
- Possible shortage of agricultural workers, either from home or abroad

Medium-term impact (Q3-4)

- E-commerce grocery shopping will hold up
- Shift to eating at home is likely to stay to some extent as a result of financial uncertainties and pressures
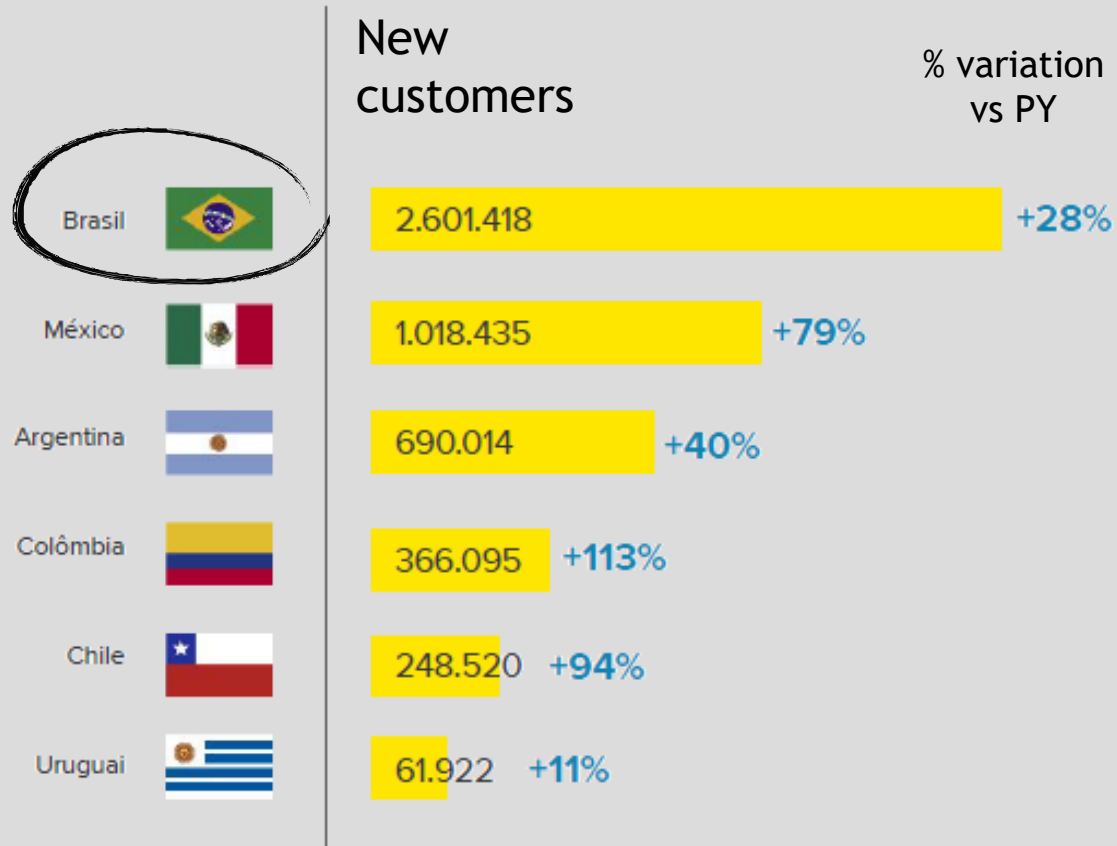- Buying food for cooking and ready-made meals at home will continue

Long-term impact (2021 onwards)

- Reduced consumer spending power will be characterized by budget friendly options
- Less expenditure on eating out even when foodservice outlets return, affordable treats to remain popular as consumers compromise on other luxuries
- Online grocery shopping will have been jumpstarted and plenty will shop this way, but some consumers will have had poor e-commerce experiences at a time when demand was more than some providers could cope with

Mercado livre new customers continues to grow during quarantine months – there has been an increase of 45% during this period vs. same period on previous year

Number of new customers during COVID period

	New customers	% variation vs PY
Brasil	2.601.418	+28%
México	1.018.435	+79%
Argentina	690.014	+40%
Colômbia	366.095	+113%
Chile	248.520	+94%
Uruguai	61.922	+11%

COVID-19 Period (24/02 a 03/05/2020) vs. Same period in 2019

% participation in categories of new buyers

- 7% Computação
- 6% Beleza / Cuidados Pessoais*
- 10% Acessórios para Veículos
- 6% Bens de Consumo e Alimentos
- 11% Roupas, Bolsas e Calçados
- 8% Celulares e Telefonia
- 5% Saúde e Equipamento Médico
- 8% Esportes e Fitness
- 9% Casa, Móveis e Jardim

ML has a section for grocery shopping

Mercado livre number of orders grew 39% in Brazil during COVID-19 period, with more orders on categories related to this new way of living

% of Order growth

+39% +47% +52% +112% +119% +125%

Brasil Uruguai Argentina México Colômbia Chile
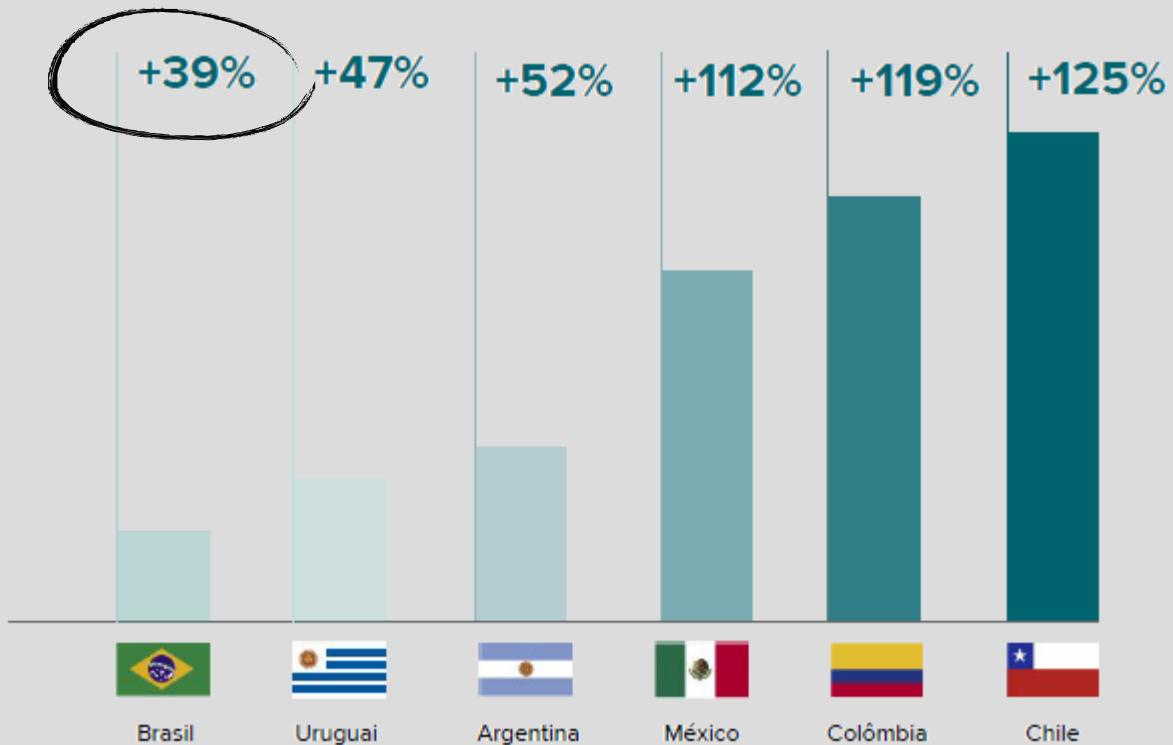
COVID-19 Period (24/02 a 03/05/2020) vs. Same period in 2019

% of Order growth by category

+300%
Saúde e Equipamento médico

+164%
Bens de Consumo e Alimentos

+84%
Casa, Móveis e Jardim

+61%
Entretenimento & Fitness

+55%
Computação

Consumption of non-alcoholic beverages during social isolation has increased or stayed the same specially on higher socio-economic groups and economically active population

Non-alcoholic Beverages - Consumption of products during social isolation (by profile)

		Aumentou	Manteve	Diminuiu	NS/NR
TOTAL		24%	54%	21%	0%
Renda Familiar	Até 1 S.M.	22%	50%	28%	0%
	De 1 até 2 S.M.	27%	49%	22%	1%
	De 2 até 5 S.M.	22%	62%	16%	0%
	Mais de 5 SM	32%	60%	9%	0%
PEA	PEA	27%	54%	18%	0%
	Não PEA	18%	54%	27%	0%
Região	Norte/Centro-Oeste	19%	63%	19%	0%
	Nordeste	28%	45%	26%	0%
	Sudeste	25%	56%	19%	0%
	Sul	21%	57%	22%	0%
Condição do Município	Capital	27%	57%	16%	0%
	Região Metropolitana (exceto capital)	29%	51%	20%	0%
	Interior	22%	54%	24%	0%

Consumption of alcoholic beverages is higher on households with highest wages, but has been maintained across profile segments

Alcoholic Beverages - Consumption of products during social isolation (by profile)

		Aumentou	Manteve	Diminuiu	NS/NR
	TOTAL	**11%**	**57%**	**29%**	**3%**
Renda Familiar	Até 1 S.M.	8%	58%	29%	5%
	De 1 até 2 S.M.	10%	54%	31%	5%
	De 2 até 5 S.M.	10%	57%	31%	1%
	Mais de 5 SM	24%	52%	21%	2%
PEA	PEA	12%	56%	28%	4%
	Não PEA	8%	58%	30%	4%
Região	Norte/Centro-Oeste	9%	56%	30%	5%
	Nordeste	7%	57%	31%	5%
	Sudeste	11%	57%	28%	3%
	Sul	18%	54%	28%	1%
Condição do Município	Capital	15%	53%	30%	2%
	Região Metropolitana (exceto capital)	13%	55%	29%	3%
	Interior	9%	58%	29%	5%

Online shopping is more significant among those with higher socio-economic levels and on Southeast and South regions. Over half of North and Northeast regions, and also those with up to 2 minimum wages do not intend to shop online

Online shopping (by profile)

		Já fazia compras online antes da pandemia de coronavírus	Passei a fazer compras online após o isolamento social provocado pela pandemia de coronavírus	Não fazia, mas pretendo passar a fazer compras online	Não fazia e não pretendo passar a fazer compras online	NS/NR
TOTAL		42%	3%	8%	47%	0%
Renda Familiar	Até 1 S.M.	21%	2%	8%	68%	1%
	De 1 até 2 S.M.	36%	5%	10%	50%	0%
	De 2 até 5 S.M.	62%	1%	8%	28%	0%
	Mais de 5 SM	85%	5%	2%	8%	0%
PEA	PEA	50%	3%	7%	39%	0%
	Não PEA	28%	2%	9%	61%	1%
Região	Norte/Centro-Oeste	32%	5%	9%	53%	0%
	Nordeste	29%	1%	10%	60%	0%
	Sudeste	51%	3%	7%	39%	0%
	Sul	51%	3%	4%	42%	1%
Condição do Município	Capital	48%	3%	6%	43%	0%
	Região Metropolitana (exceto capital)	57%	6%	4%	33%	0%
	Interior	36%	2%	9%	52%	0%

In times of COVID-19, consultancies recommendations are to stimulate conscious purchases, partnering with delivery companies and recommending products that are part of portfolio and can be useful or basic during the quarantine period

What can brands do

1 Avoid being perceived as opportunist

2 Focus on comfort

3 Go Virtual

4 Acts of kindness

5 Help people on how they spend their time

6 Help go through crisis in style

7 Laughter is the best medicine

*"Brands are **nervous about appearing to profit** from this crisis. The conversation is being had in many client and agency organizations, but they have to **be absolutely sure** they are helping people not just making money from it, or being seen to make money from it."*

Owen Lee, chief creative officer of FCB Inferno
(The Drum)

Questions and Answers

Agenda

- **1. Political Scenario**

- **2. Economic Scenario**
    - 1.1 International
    - 1.2 Brazil

- **3. Benchmarkings Covid-19**

- **4. Final Message**

Coca-Cola FEMSA BRASIL