

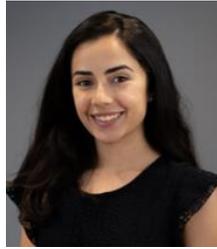


XP Analysis: GDP (1Q20)

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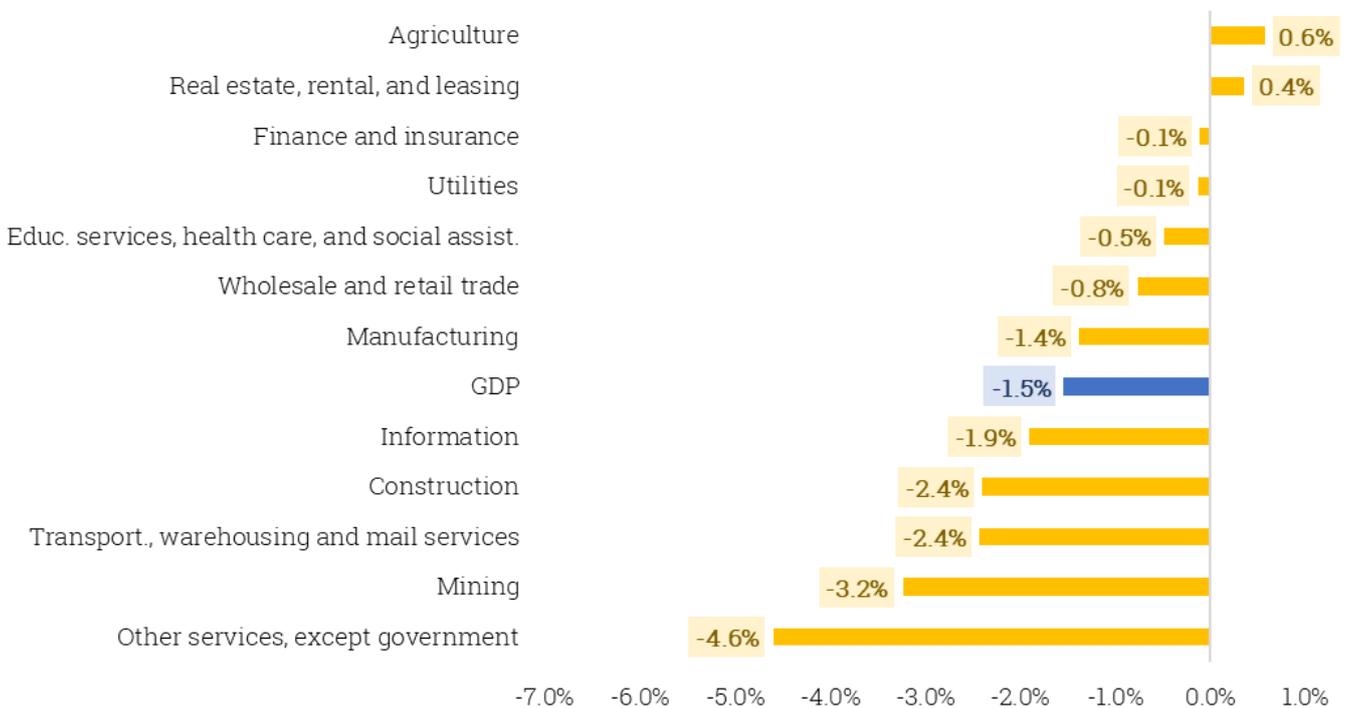
- *Brazil's GDP decreased by 1.5% QoQ and 0.3% YoY in 1Q20, slightly below our estimate and in line with market consensus.*
- *The result only partially reflects social distancing measures, which started being implemented in the second half of March in most Brazilian states.*
- *As expected, the sectors that affected the most the result were the ones where activities were completely interrupted by the measures. This can be observed in Other Services (which include restaurants, hotels and business segments) that decreased by -4.6% QoQ representing the largest contribution to the overall result. The main positive highlight, on the other hand, was Agriculture, that expanded by 0.6% Q/Q.*
- *On the demand side, the main negative highlight was Household Consumption, which decreased by -2.0% QoQ. This category had been contributing positively to economic output in the last three years, but this quarter's disappointing result illustrates the size of the recession that may happen in the coming quarters. The positive highlight was gross fixed capital, that expanded by 3.1% QoQ, which may not be observed in the next quarters of 2020, since investment decisions will likely be postponed to the post-pandemic.*
- *The features of the crisis caused by COVID-19 is different from the ones seen in recent recessions in Brazil and worldwide. On normal circumstances, one of the main drivers of economic recovery would be business and consumer confidence. However, the interannual changes in GDP already indicate that this won't be the case at least for 2020. Based on the indicators available so far, we maintain our 2Q20 GDP forecast at -15.0% YoY.*
- *For now, we maintain our GDP growth forecast at -6% for 2020 and +2.5% for 2021.*

Weight/GDP	Sector	YoY	QoQ
	GDP	-0.3%	-1.5%
4.4%	Agriculture	1.9%	0.6%
17.9%	Industry	-0.1%	-1.4%
2.6%	Mining	4.8%	-3.2%
9.4%	Manufacturing	-0.8%	-1.4%
3.2%	Construction	-1.0%	-2.4%
2.7%	Utilities	-1.8%	-0.1%
63.3%	Services	-0.5%	-1.6%
11.7%	Wholesale and retail trade	0.4%	-0.8%
3.7%	Transport., warehousing and mail services	-1.6%	-2.4%
2.9%	Information	1.3%	-1.9%
5.9%	Finance and insurance	2.0%	-0.1%
15.1%	Other services, except government	-3.4%	-4.6%
8.5%	Real estate, rental, and leasing	1.6%	0.4%
15.4%	Educ. services, health care, and social assist.	-0.4%	-0.5%
14.4%	Taxes	-0.4%	-
	Household consumption	-0.7%	-2.0%
	Government	0.0%	0.2%
	Gross Fixed Capital Formation	4.3%	3.1%
	Exports	-2.2%	-0.9%
	Imports	5.1%	2.8%

Economic activity (QoQ)

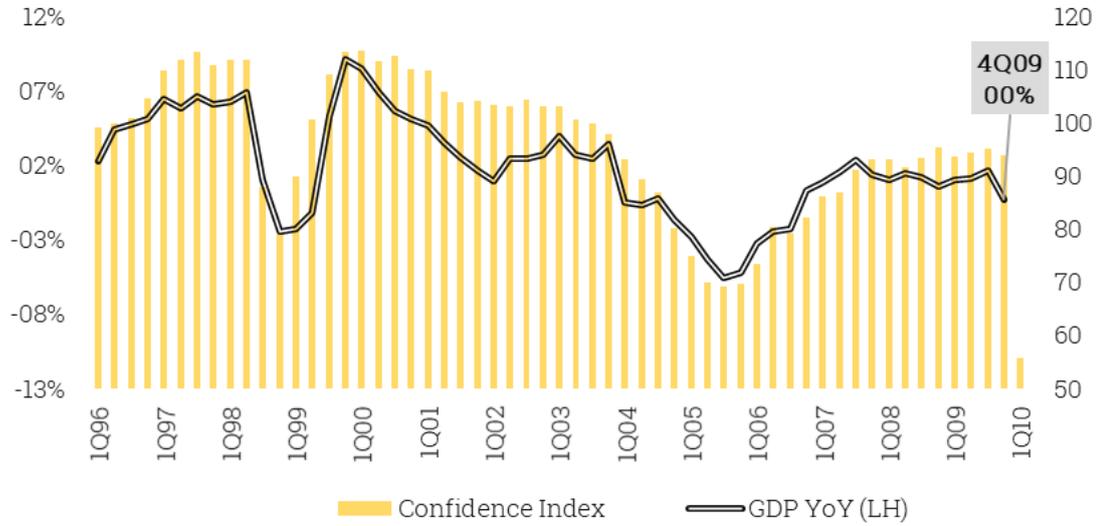
Seasonally adjusted (%)

Source: IBGE by XP Inc.



Correlation between economic activity and business confidence

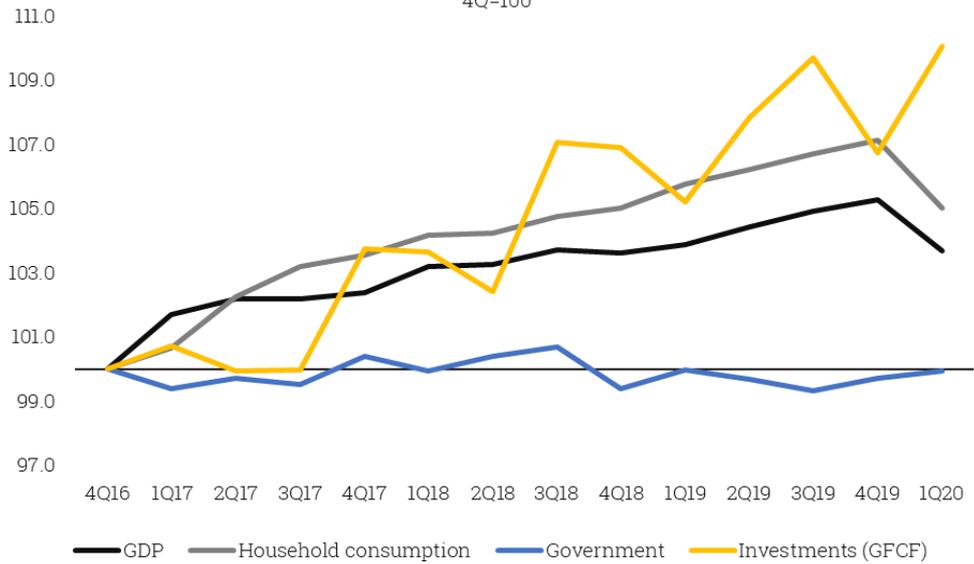
Source: IBGE and FGV by XP Inc.



* CI 2Q average April and May (previous)

Demand side breakdown

After the last recession
4Q=100



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