

Brazilian overview

MONTHLY REPORT

PANROT45^{ANZOS}

FECOMERCIO^{SP}

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BRAZIL

MAIN FACTS:

- Brazil has presented a sequence of positive data, which has encouraged entrepreneurs and investors. Following the announcement of 0.4% ▲ GDP growth in the second quarter, the Banco Central [Central Bank of Brazil] reduced the basic interest rate, SELIC, to 5.5% per year, the **lowest percentage ever**, faced with several economies with negative real interest rates, looking ahead to a possible cooling of global economy. The consequence of lower interest rates can already be seen, for example, in banks offering lower rates for real estate financing. That is, financial institutions will have to seek more profitability in the market, exposing themselves more to risks, and the result of this movement tends to contribute to the process of stronger recovery of the Brazilian economy.
- Another reason for the Banco Central to be more confident to reduce interest rates was that **inflation was well controlled**. Brazil's official price index (IPCA) showed deflation of -0.04% ▼ in September, the smallest change for the month since 1998, influenced mainly by the food prices drop (-0.43%). In the accumulated of the 12 months period, the variation is 2.89%.
- The data from the job market follow the positive trend, showing a total of **151 thousand jobs created with a formal contract in August**. In the year, the total reaches almost 600 thousand new jobs and the best: seven of the eight groups analyzed by the Ministry of Labor showed positive figures between January and August. According to another survey, PNAD [National Household Sample Survey], conducted by IBGE [Brazilian Institute of Geography and Statistics], the number of unemployed dropped from 13.4 million to 12.8 million ▼ between the two quarters of the beginning of the year.
- On the international scene, there was a strong turmoil in September with attacks on Saudi oil refineries. The price of oil soared at first and the real depreciated, following the movement of other currencies. However, what seemed like a major problem was solved: the production could be normalized in the short term, which brought more tranquility to the market and prices returned to previous levels.
- And the theme that has always been on discussions around the world is the United States-China trade war, an issue far from over. The upcoming US elections in 2020 and the opening of President Trump's impeachment process complicate global political and economic stability.

IMPORTANT DATA:

■ **Retail sales** in the month of Father's Day, August, grew 1.4%  compared to the same period last year and accumulates positive variation of 3.5%  in the year. In the month, the highlights were supermarkets (2.4%) and vehicles (2.9%).

■ In spite of the positive figures presented in the main analysis, the industry is going through a tough time. In August, the sector registered another fall, 2.3%  in the annual comparison and accumulates a retraction of 1.7% in the year. The performance is not generalized, as 8 out of 15 states surveyed are showing recession in the month, especially Espírito Santo (-16.2%).

■ According to the 2017-2018 Brazilian Household Budget Survey (POF), released earlier this month by IBGE, the share of food in Brazilian household expenses was 17.5%; ten years ago this percentage was 19.8%. At that time, the improvement of the purchasing power of families, due to a more favorable labor market and increased supply from the Brazilian agribusiness, **gave conditions for families to expand and improve the quality of their expenses**, not limiting themselves to essential goods.

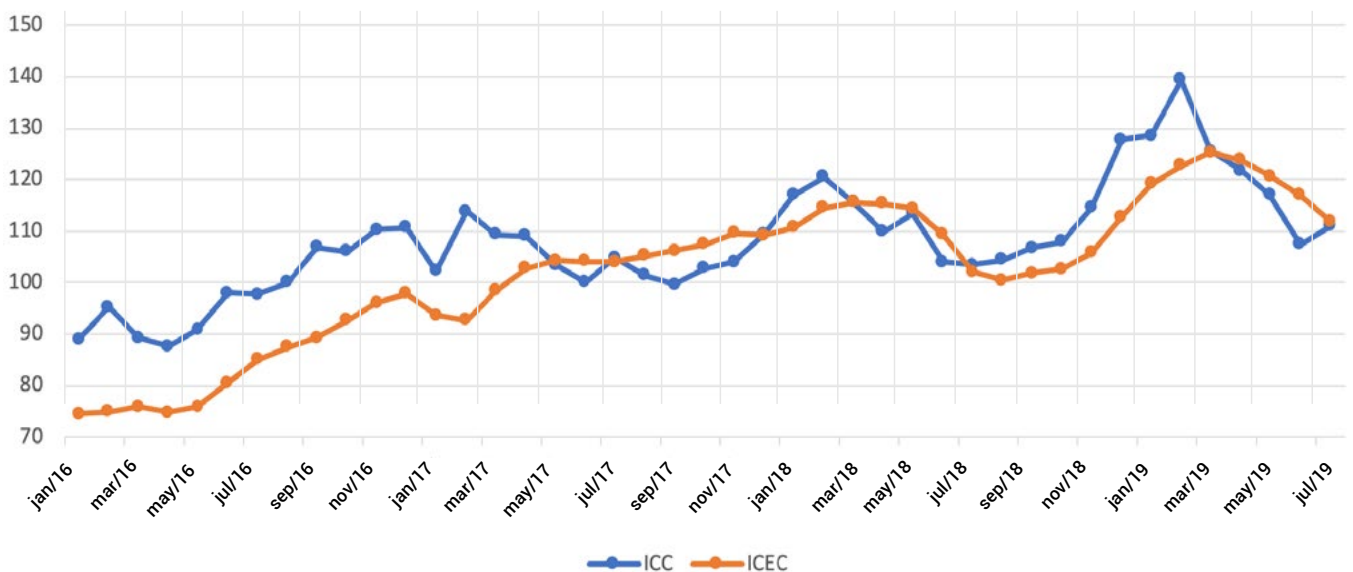
Latin America Macro Data Resume	Argentina	Brazil	Chile	Colombia	Mexico	Peru
Unemployment rate	10,60%	11,80%	7,20%	10,80%	3,70%	5,80%
Basic interest rate	68,00%	5,50%	2,00%	4,25%	7,75%	2,50%
Inflation (LTM - sep*)	53,50%	2,89%	2,24%	3,82%	3,16%	1,85%
*LTM - sep - Last Twelve Months Untill August						

CONFIDENCE INDEXES:

The Consumer Confidence Index (ICC) of the city of São Paulo presented a slight fall of 2.1% in September, interrupting the sequence of two months with positive figures. However, even with the negative performance in the month, the index is at an optimistic level, above 100 points, with 112.2 points, **5.1% ↑ above the one presented a year ago**.

The Retail Businessmen Confidence Index (ICEC) of the city of São Paulo registered a rise of 5% after five consecutive months of decline. In September, the ICEC presented 115.3 points, a percentage 13.2% higher than the same month of 2018.

Consumer Confident Index (ICC) and Commerce Businessman (ICEC)



Note: The ICC and ICEC range from 0 to 200 points. The level from 100 to 200 points is considered optimistic and below 100 points, pessimistic.

Although the indicators are from the city of São Paulo, they follow the trend of what is happening in the rest of the country since the largest city in Brazil represents 11% of the national GDP.

TOURISM NEWS

AVIATION

■Delta/Latam agreement takes industry by surprise

Forget Latin America where **Latam Airlines** is a partner of **American Airlines** and **Gol** is a partner of **Delta Air Lines**. After having its joint venture application with AA denied in Chile, Latam has a new strategic partner in the region: Delta Air Lines, which, thus, leaves its partnership with Gol.

Delta will buy 20% of Latam Group for **US\$ 1.9 billion**, invest **US\$ 350 million** in the partnership, and have 14 aircraft of the Latin company: 4 are already in the fleet and 10 are **A350** orders.

The end of AA and Latam and Delta and Gol partnerships, which, according to experts should take a year for all procedures to be settled, will impact on other partnerships and agreements. Latam, for example, is already leaving Oneworld. It is not yet known how the agreements with European airlines will be impacted. They remained unchanged until the beginning of October.

MORE FLIGHTS

■American Airlines responded quickly to the new partnership situation, and will increase **flights from São Paulo, Lima and Santiago to Miami from 2020**. São Paulo will have three daily flights to Miami again, one of them, possibly, daytime.

NEW DIRECTOR—BRAZIL

■American Airlines has a new **Brazil Sales Director: Alexandre Cavalcanti**, who was Rio/Norte manager and was in Dallas for two years. He replaces **Dilson Verçosa Jr.**, now based in Miami as regional director for South and Central America.

FINANCIAL RESULTS

■Azul, Gol and Latam had, together, a net profit of **R\$ 194.1 million** over the second quarter of 2019, representing a positive net **margin of 2%**. During the same period last year, the negative net margin was 20.9% and the result was a loss of **R\$ 1.6 billion**.

In the first semester of the year, the net loss was **R\$ 84.5 million**, while the negative margin was 0.4%. In the previous year, the loss was **R\$ 1.2 billion** and the negative margin was 7.4%. The data refer to the financial statements presented by the three main Brazilian airlines and released by the National Civil Aviation Agency (ANAC).

Considering the three companies included in the second quarter consolidated financial statements, Azul and Gol presented a net income of **R\$ 341.8 million and R\$ 60.5 million**, respectively, while Latam presented a negative result of **R\$ 208.3 million** in the same period.

FLORIANOPOLIS AIRPORT

■ Florianopolis, the capital of Santa Catarina, in southern Brazil, has a new airport with two floors and 13 departure gates. It is managed by Zurich Airport, which has invested more than **US\$ 130 million** in the airport.

FAMILY TRIPS

■ 78% of Brazilians believe they can only be happy if they have a family, according to a survey conducted by Instituto Locomotiva. And family trips are a priority for Brazilians, who have at least three months of school vacation and one month of work vacation per year. And Catalonia, in Spain, wants to fight for those trips.

Tourism Department of Catalonia has commissioned a survey to Mapie to find out how the destination is seen by families. The best known parks in the region are PortAventura World and Ferrari Land. And **64.29% of Brazilians** would consider visiting these parks on their next trip, being the most attractive factors the possibility of combining a cultural trip with fun moments in the parks, especially because of the diversity of attractions in the same place and the proximity to the beach.

PEOPLE

■ Azul Viagens operator has a **new manager, Daniel Bicudo**. The company has 48 stores in Brazil and is a Disney Select tour operator.

100 + POWERFUL PEOPLE IN TOURISM

■ PANROTAS launched, during the **Abav Expo 2019**, which received about **30 thousand visitors**, its 2019 edition of the **100+ Powerful People in Tourism**. The special issue of the magazine **can be read at** https://issuu.com/panrotas/docs/panrotas1391powerlist2019-24_09_2019_20_49_36. Or in EDIÇÕES DIGITAIS [DIGITAL EDITIONS] at www.panrotas.com.br. And the full coverage of Abav 2019 is at <https://www.panrotas.com.br/abav-expo-2019> (in Portuguese). A record 33 women joined the list this year.

INTERNATIONAL MISSIONS: BRAZILIANS ABROAD

■ **PANROTAS and B2LIVE** company have launched the **International Missions** project, which will take Brazilian Travel and Tourism industry professionals for technical trips to destinations around the world. The first trip is scheduled for **November 24-29 in Barcelona**. Travel itinerary includes meetings, visits and a daily analysis of what was seen and that will inspire the participants' business in Brazil. The expectation is to have about **20 professionals from Brazil in each trip**.

Learn more at www.missoesinternacionais.com.br or email guilherme@panrotas.com.br, in care of **José Guilherme Alcorta, PANROTAS CEO**.

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YEARS

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