

# Brazilian overview

## MONTHLY REPORT

PANROT45<sup>ASSOCIATION</sup>

FECOMERCIO<sup>SP</sup>

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## BRAZIL

### MAIN FACTS:

■ The **highlight in December** was the **release of third quarter GDP by IBGE**, which grew 0.6% . The cumulative 12-month highest rate is 1%. The positive result of Household Consumption (0.8% ) and investments (2% ) indicates a **stronger recovery of the Brazilian economy**. As a result, year-end projections are being revised upwards from 0.8% to a variation of at least over 1%.

■ Inflation was unusual in this positive data trend. The IPCA, the official price index, performed atypically for November and had a rise of 0.51%, accumulating 3.27% in 12 months. **The main reason for this was the rise in beef prices (+8.09% )** due to the increase in Brazilian exports to China, **boosted by the devaluation of the real**, which reduced domestic supply.

■ Even with this fact, **inflation is under control and below the center of the 4.5% target**, so the Banco Central [Central Bank of Brazil] once again reduced the basic interest rate from **5% to 4.5% ** per year, renewing its lowest record. This interest reduction movement that began in late July has already had consequences in the **credit market with the 17.5% expansion of lending to households** in the quarter ended in October.

■ The sector which benefits most from credit is the trade, considering that the most important time of year, Christmas, is coming. A preview of the year-end sales pace was Black Friday, which, **according to E-bit, e-commerce grew 23% over last year ** And according to the FecomercioSP projections, **in December, retail in the state of São Paulo (representing 1/3 of sales in the country)** tends to have the highest revenue in the historical series, started in 2008.

■ Good retail performance is linked to a combination of positive factors: **release of FGTS** [Government Severance Indemnity Fund for Employees]; **injection of 13th salary in November; controlled inflation** which maintains the purchasing power of households; **lower interest rates and higher consumer credit offerings**; relatively better labor market; increased **consumer confidence**.

■ The economic improvement is happening in a structured way, and this should keep this positive picture for next year. **Brazil is expected to regain the investment level of the world's rating agencies**, which will give more room for foreign investment in the country. With the parliamentary recess, important discussions for the continued improvement of the country's business environment, such as tax reform and other interim measures sent by the government, will be taken in 2020. In any case, National Congress has shown to have understood the importance of the reformist agenda along this year.

■ Regarding the global environment, there is still a seesaw in the United States and China trade war; sometimes it seems it will be solved, sometimes the conclusion is uncertain. With the U.S. election approaching and the president's impeachment discussion, even understanding the limited sequence, considering the Republican majority in the Senate, tensions are increasing, which tends to impact mainly emerging market currencies.

■ And alongside Brazil, Argentina's President-elect **Alberto Fernandez has shown that he wants to strengthen trade relations**, which will be very important to restore the economy of the neighboring country, which is our third trading partner.

### IMPORTANT DATA:

■ In October, the Brazilian retail trade registered annual growth of 4.2%. Adding the automotive and building materials sectors, the result is even more favorable, 5.6%. It is worth mentioning that of the 10 groups analyzed by the IBGE's PMC [Monthly Trade Survey], 9 pointed to an increase in the month and the highlights were the automotive and supermarket sectors. **Year-to-date, overall sales grew 3.8%.↑**

■ October employment data indicates a better labor market for this holiday season. According to CAGED [General Employed and Unemployed Register], provided by the Ministry of Labor, 71,000 jobs with a formal contract were created and in the year to date **the balance is positive at 842,000.↑** Trade was the **highlight of the month with 44 thousand jobs created.**

■ Brazilian industrial production registered another month of growth. In October, the variation was 1% considering the annual comparison. However, it was not enough to reverse the negative balance of the year (**until October it is -1.1%↓**).

<b>Latin America Macro Data Resume</b>	<b>Argentina</b>	<b>Brazil</b>	<b>Chile</b>	<b>Colombia</b>	<b>Mexico</b>	<b>Peru</b>
Unemployment rate	10,60%	11,80%	7,00%	9,80%	3,60%	6,40%
Basic interest rate	63,00%	5,00%	2,50%	4,25%	7,50%	2,50%
Inflation (LTM - nov*)	49,70%	3,27%	2,79%	3,86%	3,02%	1,68%
*LTM - Last Twelve Months Until November						

Legend: **Green**, **Red** and **Black** -  
The data get better, worth and equal than last month.

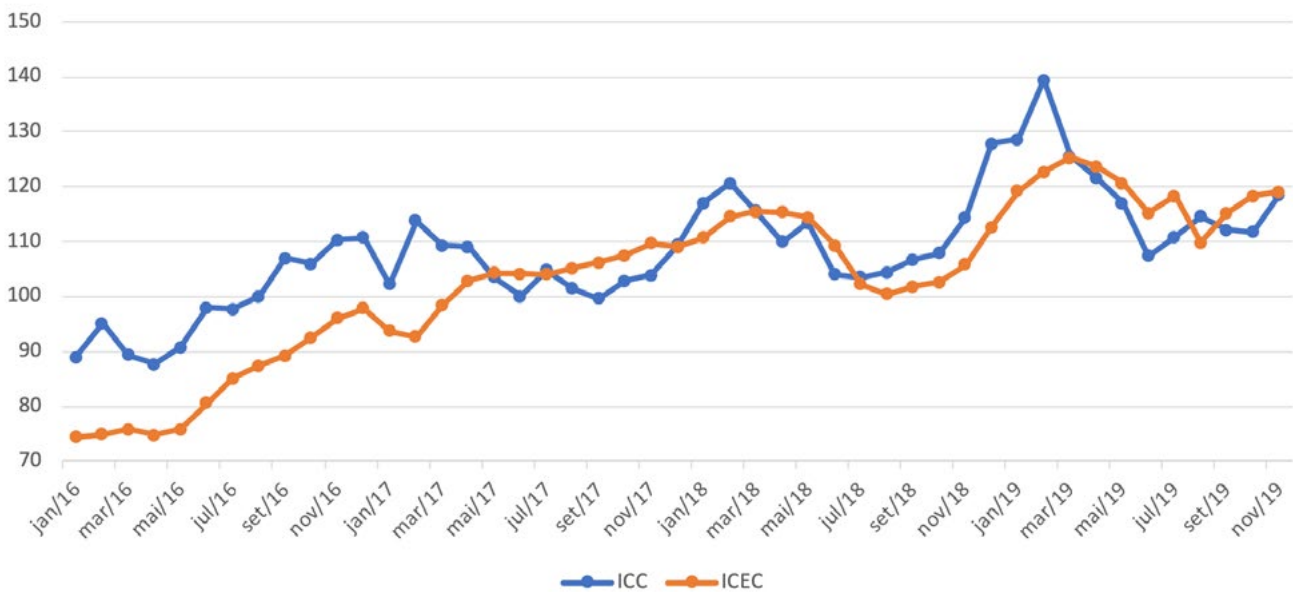


## CONFIDENCE INDEXES:

Consumer Confidence Index (ICC) of the city of São Paulo **expanded 6.1% ↑ in November and reached 118.6 points ↑, the best result since April.** Compared to the same month last year, the increase was 3.6%. Improved employment rates and injection of the 13th salary increase **confidence for year-end purchases.**

The Retail Businessmen Confidence Index (ICEC) of the city of São Paulo went from **118.4 points in October to 119.2 points in November, a slight rise of 0.6%.** ↑, However, when compared to the same period of 2018, confidence is at a 12.6% higher level, which is already a consequence of the most registered rise in sales in recent months.

### 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

### WHAT TO EXPECT FROM BRAZIL TOURISM IN 2020?

If 2019 was a year to breathe a sigh of relief, but still tense, especially because of Avianca Brasil bankruptcy, soaring airfares (particularly domestic flights and flights to the United States) and the dollar hike, 2020 promises to be a bit better.

#### 1 - More flights

In the second week of December, Air Canada began a seasonal winter flight between Montreal and São Paulo, which is to be set on the company's schedule in 2020/2021. The company will also increase capacity on the Toronto-São Paulo route, with the 777 replacing the current 787-900 from March. Other airlines, such as American Airlines, which will have a seasonal Rio-New York flight from this month, Delta Air Lines, Gol (expecting to return to 737 MAX operation) and LATAM (due to Delta partnership) have already signaled that will increase capacity in 2020. It all depends on the economy to correspond to the expectations. For us to have an idea, American has operated 118 weekly flights between Brazil and the United States, and today there are only 49.

#### 2 - More budget-oriented travels

Brazilians are increasingly aware of any spending on international travel due to the high price of dollar, which should remain in 2020. They will continue traveling, but are aware of the budget, cost-effectiveness and quality of what is being offered.

#### 3 - More Florida

Yes, Brazil will continue to be in Top 3 sales for Walt Disney World, Universal Orlando, Miami and other Florida destinations and attractions. Brazilians like the way they are received in the State, feel familiarity with it and have no language barrier problems. Florida will continue to be a favorite destination.

#### 4 - More destinations

However, you can expect people to look for new destinations (often in conjunction with familiar ones) and experiences. On the rise: Asia (with stops midway, which may be in Europe, the United States, Africa or the Middle East); cruises to different destinations (including river trips); West Coast of the United States; secondary cities in Europe and extreme destinations, like Antarctica.

#### 5 - Luxury, luxury, luxury

Luxury travel will always have a demand in Brazil, but pay attention. The luxury super tourist is diverse and there are regional differences: from the new rich to the intellectual rich. There are those who are looking for six star palaces and hotels and those who want the most local and conscious experience.

#### 6 - Accommodation is in hotels

Brazilian first time travelers may even opt for alternative accommodation, but the Brazilian prefer to stay in hotels or serviced houses, such as in Kissimmee, Florida. But hotels need to offer benefits and value for money invested. Internet, shuttle service to attractions, breakfast, early check-in and late check-out and discounts on purchases, for example. The amount of hotel brands, however, confuses the Brazilian. They trust hotel chains and need to better understand what each brand offers and what type of guest it is intended for.

#### 7 - Family travel

It is and will continue to be the priority for Brazilians. The number of days off during summer and even winter holidays requires parents to take their children on a trip. Northeastern and the Southern Brazil, besides Rio de Janeiro, are the favorite destinations. Abroad, Europe is being more chosen for family travels and tries to topple Florida and New York. California is also keeping an eye on this segment.

## 8- Niches

Content trips, exchange programs, women traveling alone, trips for sport practicing, sports watching trips (remember we'll have Tokyo 2020), trips to theme fairs, pop culture, and shows and concerts are on the rise, as well as wellness.

## 9- Domestic travel

In Brazil, corporate travel dominates air travels, with about 60% of aircraft utilization. Domestic travel is a powerhouse, but it is often made by car and bus (something that has been growing strongly, since Brazil has not invested in railroads but rather in highways). Internationally, leisure dominates, but there are routes to the United States and Europe, in which corporate travels are very significant.

## 10- South America

Asleep in 2019 due to conflicts and political crises, South America promises to come back in full force in 2020, whether in winter, mainly Chile and Argentina, or in summer.

### PANROTAS IN 2020

We will invest in events, exclusive content and publications that may help the tourism professionals to differentiate themselves and grow with quality.

■ **Fórum PANROTAS 2020** - March 17th and 18th, in São Paulo

■ **Next 2020** - main theme: Customer loyalty

**May 25th** - Porto Alegre

**May 26th** - Curitiba

**June 16th** - Rio de Janeiro

**July 14th** - São José dos Campos

**July 2th** - Sorocaba

**August 18th** - Belo Horizonte

**August 26th** - Recife

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And in 2020, Portal PANROTAS celebrates **20 years**.

**Learn more** about our specials, events and publications at [www.panrotas.com.br](http://www.panrotas.com.br) or email us at [artur@panrotas.com.br](mailto:artur@panrotas.com.br)

To receive PANROTAS magazine via WhatsApp (we already have more than 7,000 professionals subscribing for free), send a message to

**11 95609-1507**

#### Special Editions

■ **Corporate Yearbook**, including Business Hotels section, focused on business travel:

FEBRUARY, together with Lacte 2020

■ **PANROTAS Special Forum**, including ranking of the largest tourism companies: MARCH

■ **Melhores do Turismo [Best in Tourism]:** MARCH, together with WTM Latin America

■ **Brazilian Overview 2020:** MAY, for IPW 2020

■ **Luxury 2020:** MAY, for ILTM Latin America

■ **Cruises 2020 Special:** JUNE

■ **Tour Operators Special:** JULY

■ **Hotel Brands Special:** JULY

■ **100+ Powerful People in Tourism:** SEPTEMBER, together with Abav Expo 2020