

THE DAILY CHECK-IN WITH GOLDMAN SACHS

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RECORDED OCTOBER 28, 2020

LIZ BOWYER: Hi Maria Silvia.

MARIA SILVIA BASTOS MARQUES: Hi Liz.

LIZ BOWYER: You help run Goldman Sachs' business in Brazil. Economies around the world have been reshaped as a result of the pandemic. What are you seeing in Brazil specifically when it comes to economic performance?

MARIA SILVIA BASTOS MARQUES: Yes, Liz. It's been a tough year. Wild. But looking now to the Brazilian economy, I can say that it's going to perform better than we expected at the beginning. Of course, it's still very bad. The forecast now is around five percent GDP negative growth. But at the beginning we were expecting, like, almost ten percent negative growth. So this is due mainly because the government, the federal government, was able to provide a sound program, monetary and fiscal, that helped the economy not to perform in such a bad way. Of course, this has a huge fiscal impact, we're not doing very well before the pandemic. This is an issue that will have to be addressed in the following years. But it could be able to support, not only the companies, but people, especially the ones in lower income, like to go through this process and help the economy not to perform so badly as expected in the first moments.

LIZ BOWYER: And what are you hearing from our clients in Brazil right now? What are some of their key concerns?

MARIA SILVIA BASTOS MARQUES: Well, Liz, this is not like-- Brazil is a big country. It has a very dynamic economy. Agriculture. Industry. Services. Services are the majority percentage of our GDP, like more than 70 percent nowadays. They were badly hit during the pandemic. But no, the situation is uneven. The big companies, they were-- big and medium, I would say, they were able to access liquidity. Of course, there is a lot of liquidity, not only abroad Brazil, but in Brazil. We have the lowest interest rate we have ever had historically. It's two percent. Nominal terms. Some zero real terms. So it's really

very low. Our capital markets have developed significantly in the recent years. So, everyone--and of course there were liquidity lines provided by the Central Bank. So the companies, they were able to keep their working capital and also liquidity. They accessed the markets either to the active capital markets or debt capital markets. So they're in a good situation looking ahead.

The small businesses, and this did not only happen in Brazil, they had a worse time to access credit. So, some of them were hit during the pandemic. But I would say that they are now starting to be better. Our clients, they worry about the fiscal situation of the country. I would say the main concern nowadays in terms of investments for the mid and long-term, but again, it's very uneven.

LIZ BOWYER: So talk more about this unevenness that you're seeing.

MARIA SILVIA BASTOS MARQUES: During the pandemic, there were sectors that performed very, very well, like retail. This again was a trend worldwide. But in Brazil, it's amazing how it did well and how the pandemic leveraged investments that were going to be done, like in two or three years, and they were done in six months. Some companies really performed very well and developed marketplaces, hubs, and this is for good. Several trends like telemedicine, edutechs, health techs, insurtechs [PH] and fintechs, of course, they were leveraged by the pandemic. So, I would say agritech, the agri business is doing very well. The price of commodities, they have increased during the pandemic. You know, Brazil is a big exporter of commodity goods, not only foods, but I mean iron ore and other goods, including oil. And so I would say on average they are confident. We expect next year the economy to resume growth. Of course, there is [UNINTEL] effect because this year we are going to go into a recession. But we can discuss this deeply. But everything, I'd say, is depending on what kind of path we will have from now on in the fiscal accounts.

LIZ BOWYER: So you mentioned fintech. It's one of the fastest growing sectors in Brazil. Talk more about what you're seeing there.

MARIA SILVIA BASTOS MARQUES: Yeah, it's amazing how well we are doing in that. Everything has started-- the deregulation process led by Central Bank in, like, the recent years. And the economy responded very quickly. We have, like, a very competitive

landscape nowadays, more and more, with these big banks. Have some very important big banks in Brazil. But more and more, small and mediums and even big fintechs, and not only the financial side, but in other sectors of the economy, they are appearing, they are merging, and they are becoming big platforms. In fact, Liz, this is one of the areas we are more strong in Brazil, you know? To provide services and to help companies in that sector, helping them to grow, to access markets like ECM, capital markets, and also DCM.

LIZ BOWYER: And how is the digital transformation shaping the financial services sector in particular?

MARIA SILVIA BASTOS MARQUES: The Central Bank, as I said, leading this movement, it started now in October with a process of instant payments. It's called PIX, P-I-X. It's going to be a free service, an instant payment, 24 hours a day, seven days a week. So every individual, every company will be able to pay instantaneously at any moment free of charge. It's going to completely change the competitive landscape. We pay in Brazil, now, tariffs for that. For every payment you have to do through your bank, you have to pay. So, imagine how transformational this is going to be, how it's going to impact productivity, costs of the company. I'm very excited about this process.

And besides that, even this year we are going to start the open banking system. So, the open banking system will allow every individual, every company to really own its banking account. It will allow, for instance, a small or medium company that needs a loan, it can go into the system, put the terms they need, and like to auction this kind of loan they need. You can imagine how competitive this is going to be, how costs are going to be going down, how the costs of this loan and the maturity is going to increase. So, the impact on the economy, it's just amazing.

LIZ BOWYER: And how about ESG? We've seen an acceleration of ESG across industries during the pandemic. How's that playing out in Brazil?

MARIA SILVIA BASTOS MARQUES: Very committed, Liz, very committed. You know, everybody knows about the noise we have been having, mainly because of the speech of the President regarding Amazon, deforestation, fires. It's been very sad. A lot is happening. And also the approach, the Ministry of the Environment and also the President has. I think the worst has passed. But we had a lot of noise this year.

But on the other side, a reaction came very strongly from the private sector, of course, because this is something that is so important for Brazil. As I mentioned in another part of our conversation, we have a very strong agribusiness in Brazil. Brazil is, I would say, the most competitive country regarding food production. And we can be even more. Every year we, like, beat our own records in that regard. And it's fundamental for agribusiness and for all of our business that compete internationally to really have ESG principles.

LIZ BOWYER: Finally, Maria Silvia, before joining Goldman Sachs you were the CEO of the Brazilian National Development Bank and you led other companies in traditionally male-dominated sectors. Just given your own personal experience, what kind of progress are you seeing in Brazil when it comes to gender and racial diversity?

MARIA SILVIA BASTOS MARQUES: Well, you know Liz, I think the most important transformation I've been seeing, and I have a long career, and you're right, in sectors male, very male dominant, is the awareness of people. The more you talk about the problem--I think the first step to solve any problem is through acknowledge that you have a problem. You know? And then you can address the problem and have targets and move ahead.

And I've seen in the recent years a lot of change in that regard. People are realizing, and I've read studies, research, that proves this in terms of numbers, that companies that have more diversity, they have better results. And this is so easy to understand because if everybody, for instance, at the C level has the same background, is the same race, same age, same education, it's hard to believe they are going to disagree on anything. And disagreement is important. You have to discuss things.

So, all of this is becoming more clear to everyone. So the companies are setting targets. The companies are, like, paying attention to that in terms of compensation, in terms of hiring, in terms of providing, really, equal opportunity to everybody. And you know, equal opportunities sometimes means, and I would say means most of the time, different approaches to different people. That's how you can give equal opportunities to everyone.

LIZ BOWYER: Thanks Maria Silvia.

MARIA SILVIA BASTOS MARQUES: Thank you, Liz. It was great talking to you.

LIZ BOWYER: You too.

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