



Ministry of Finance

June 2004

Agenda

- Strengthening Macroeconomic Stability
- Brazil is growing
- Consolidating the agenda to growth

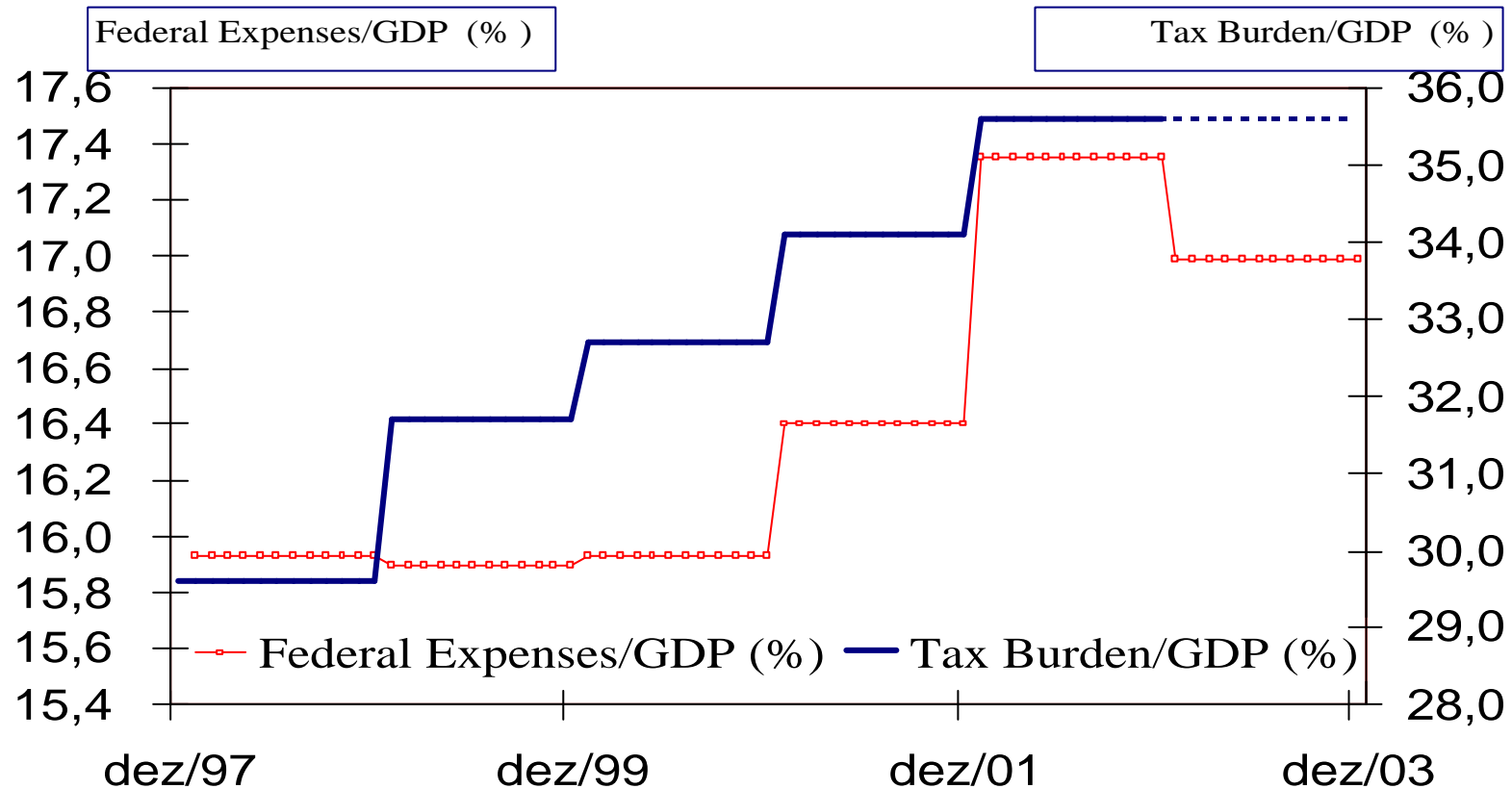
Strengthening Macroeconomic Stability

Strengthening Macroeconomic Stability

- The fiscal and monetary policy measures that were adopted in an environment that includes an inflation target system and a flexible exchange rate led to a quick recovery of confidence on the part of economic agents and to a reversal of the previous situation:
- Responsible fiscal policy, based on stringent control of government spending and long-term sustainability
- Sound monetary policy to fight off the rise in inflation in the end of 2002
- Significant improvement of external accounts
- Improvement in the composition of public debt

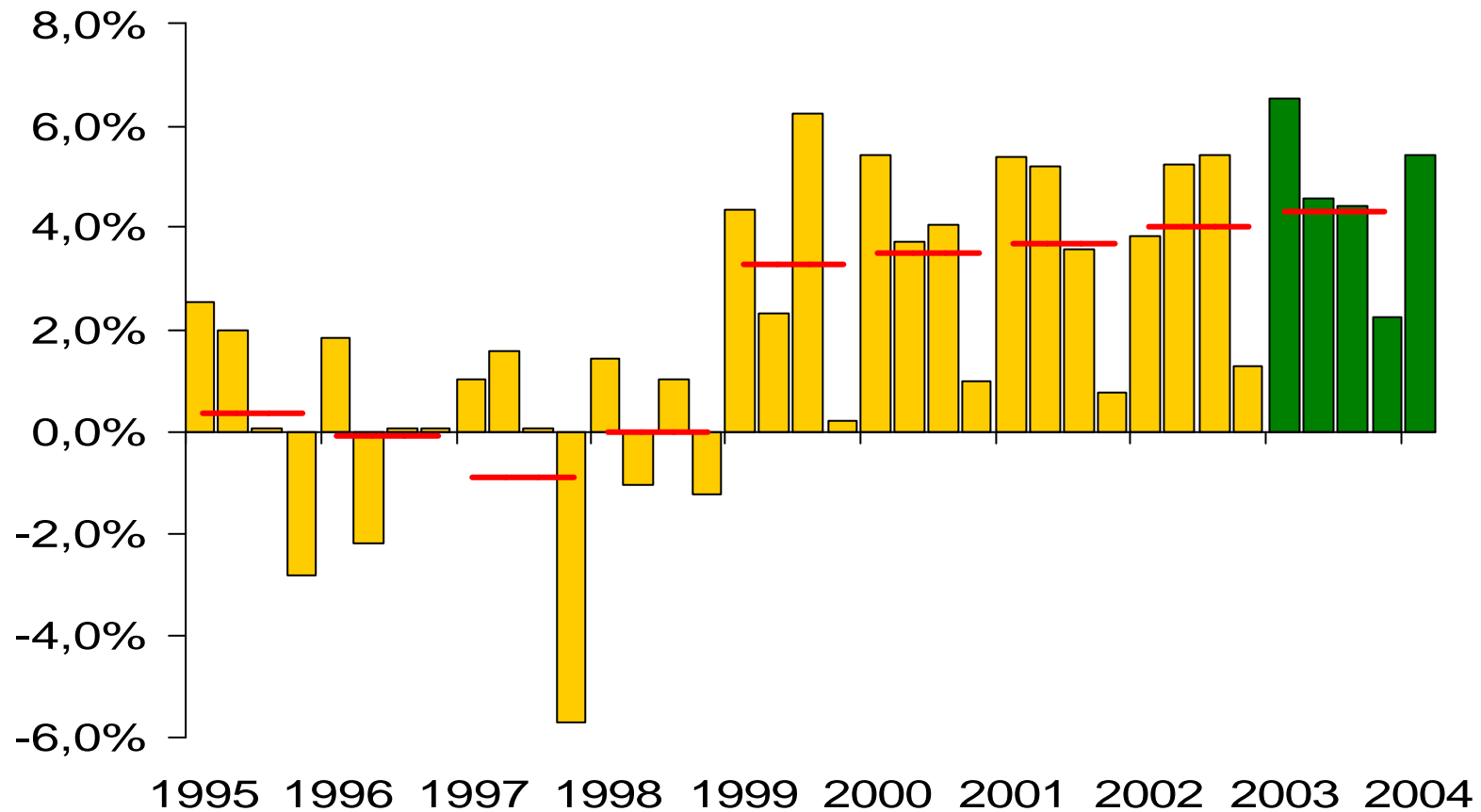
Strengthening Macroeconomic Stability Consistent Fiscal Policy

Federal Expenses and Tax Burden as % of GDP



Strengthening Macroeconomic Stability Consistent Fiscal Policy

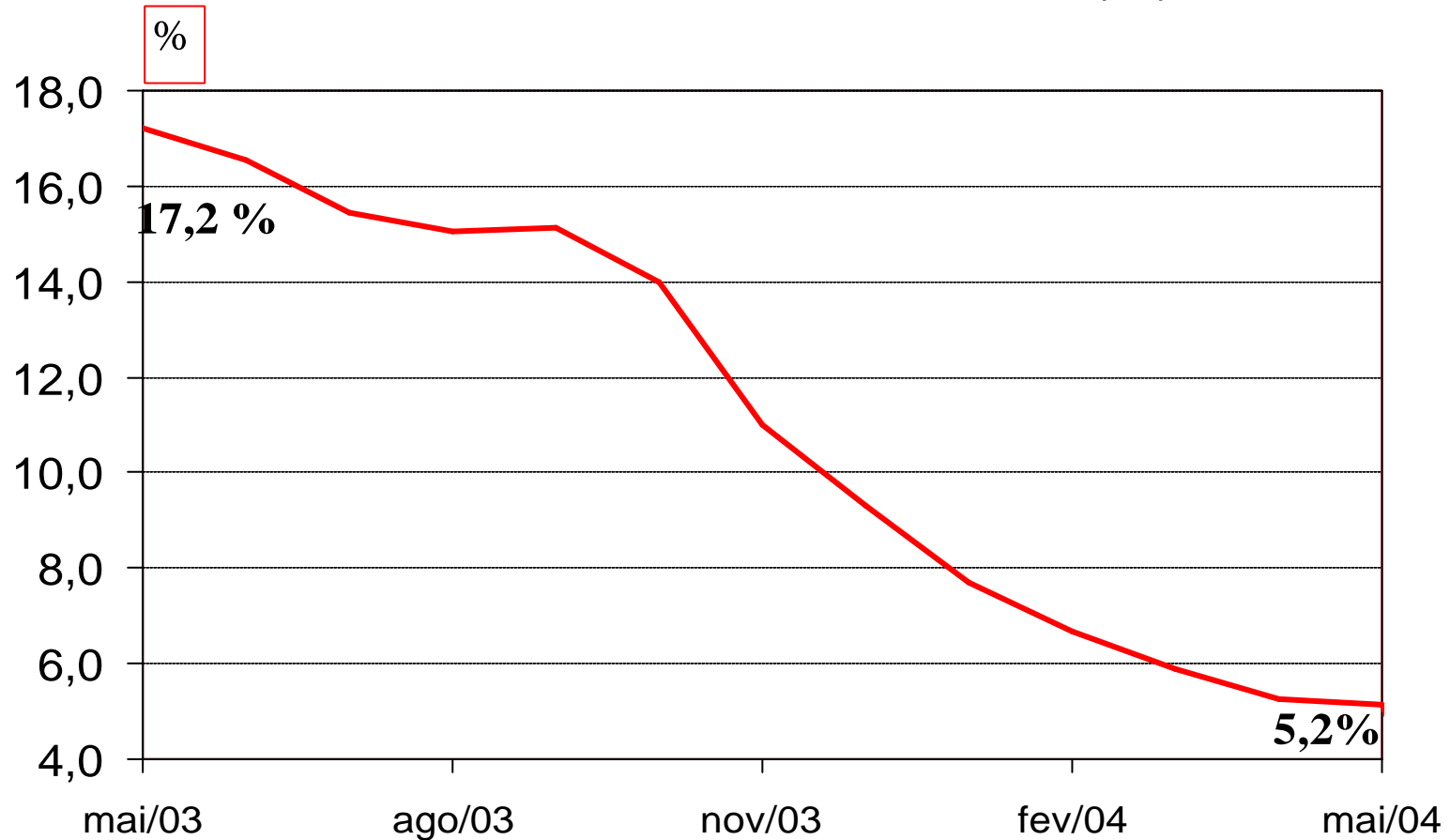
Primary surplus as % of GDP (quarterly)



Strengthening Macroeconomic Stability

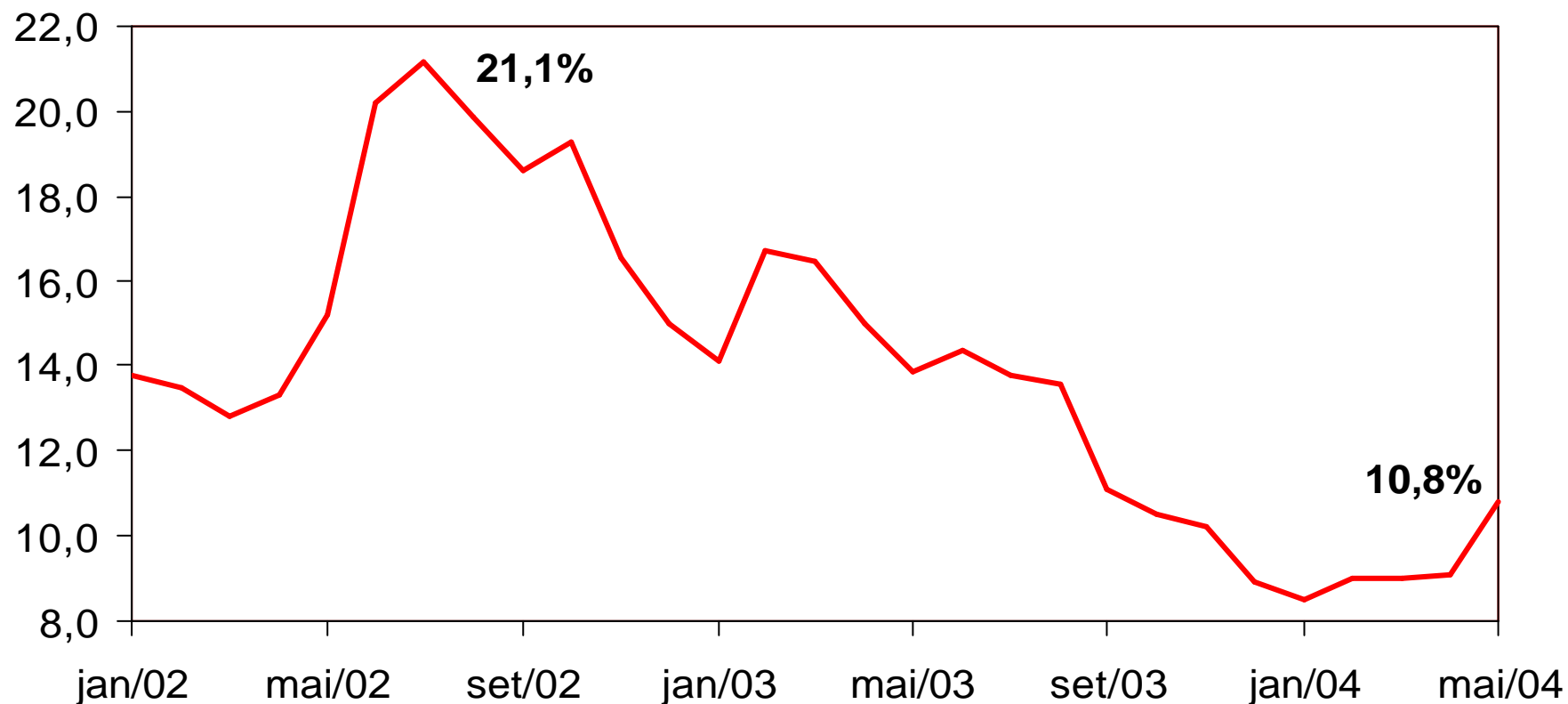
Inflation under control

IPCA - Accumulated in 12 months (%)



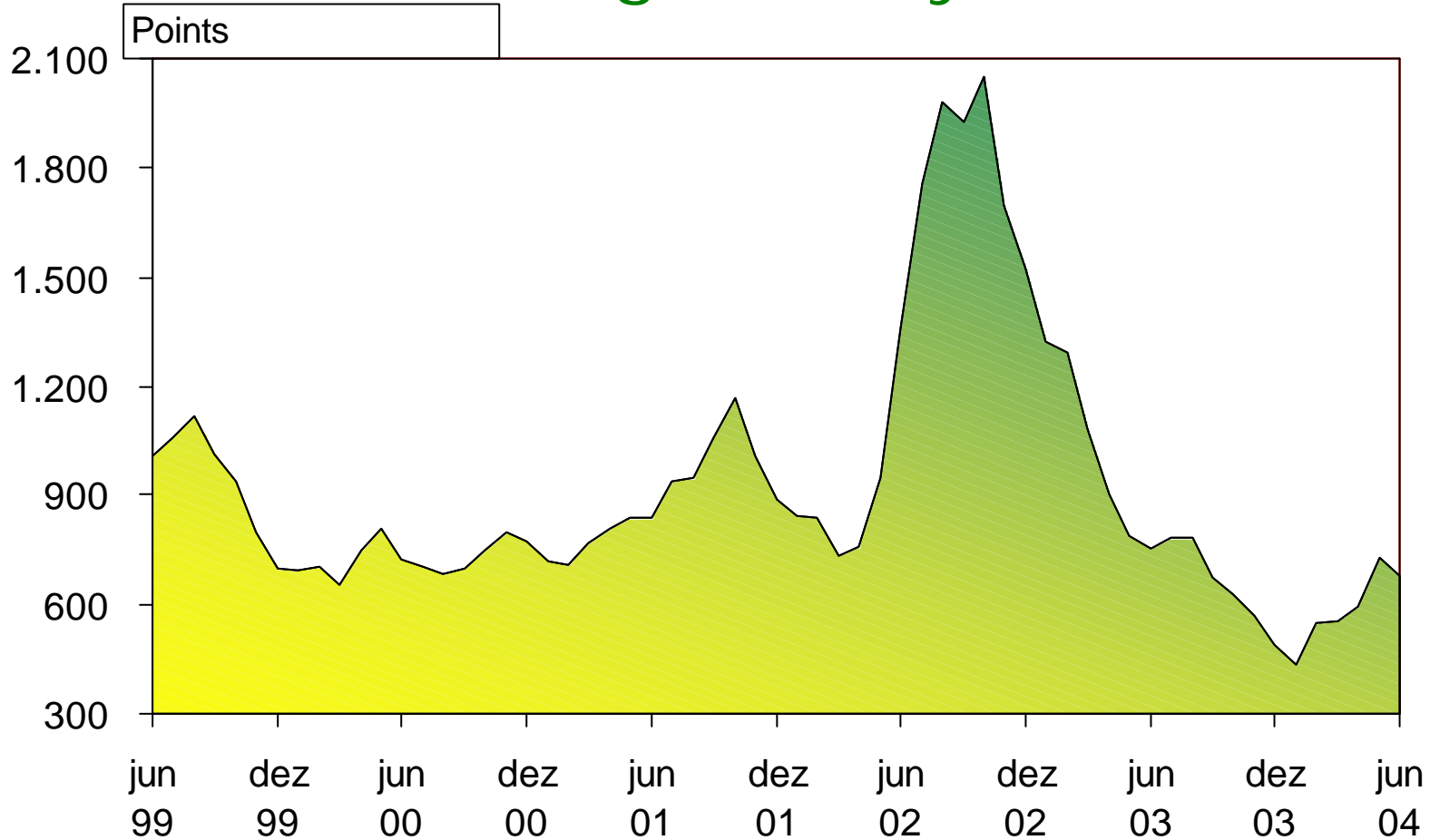
Strengthening Macroeconomic Stability Decreasing Real Interest Rates

Future Real Interest Rates - Swap DI Pré 360 days (% p.y.)



Swap DI x Pre 360 days deflated by IPCA expectations for next 12 months.
Source: BCB. Prepared by: MF/SPE.

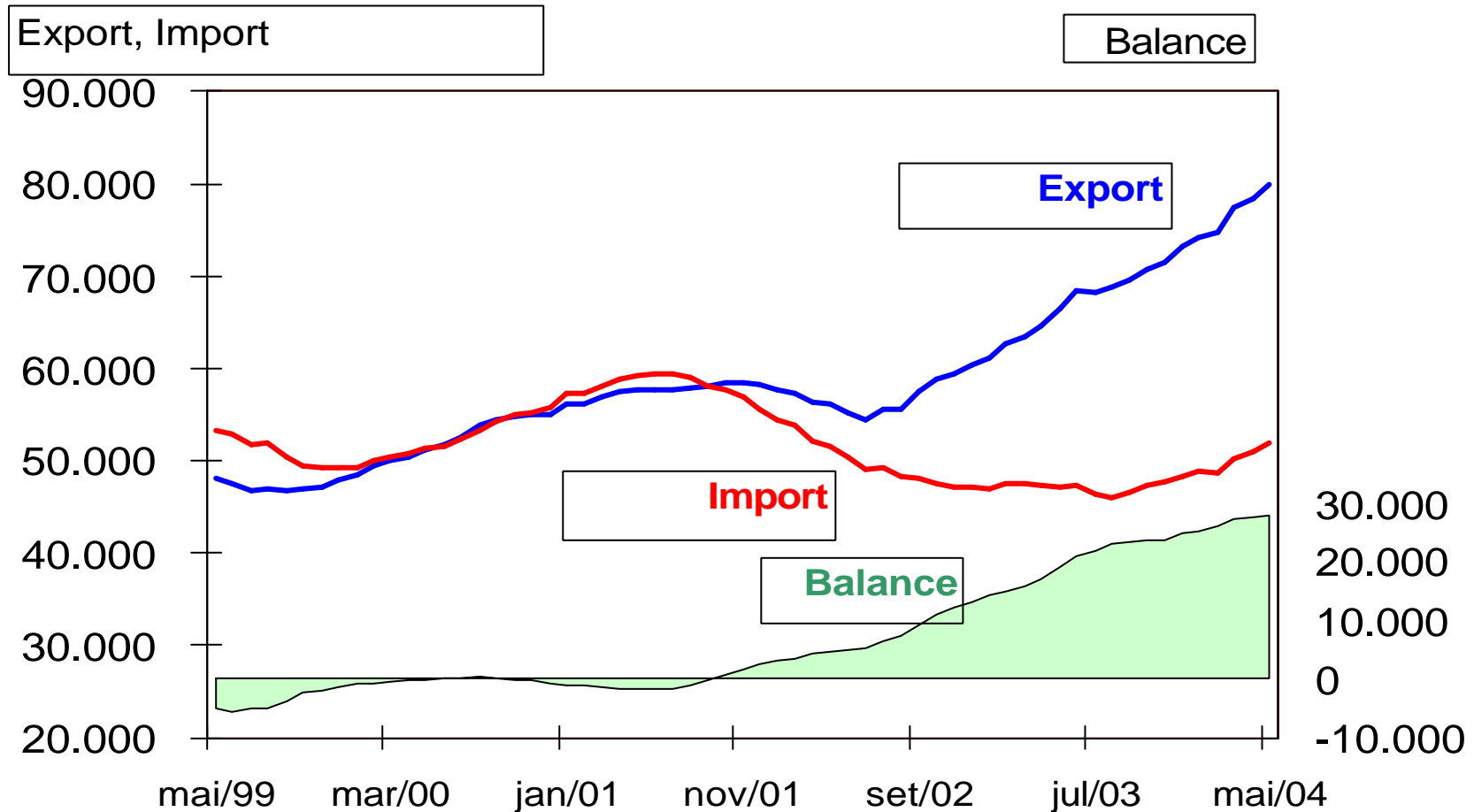
Strengthening Macroeconomic Stability Declining Country Risk



Source: JP Morgan. Prepared by: MF/SPE

Strengthening Macroeconomic Stability

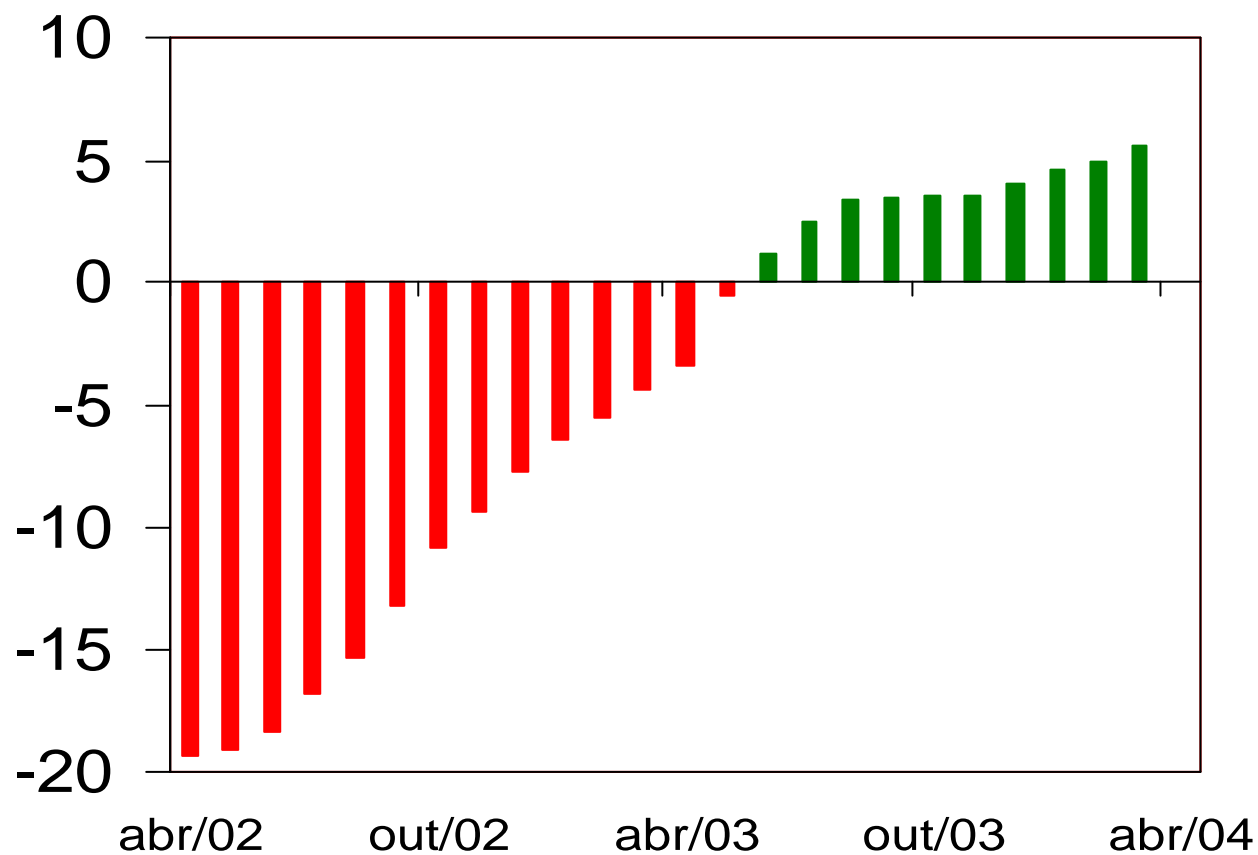
External Accounts Solidity Trade Balance



Strengthening Macroeconomic Stability

External Accounts Solidity

Current Account Balance (US\$ billions - Accumulated in 12 months)

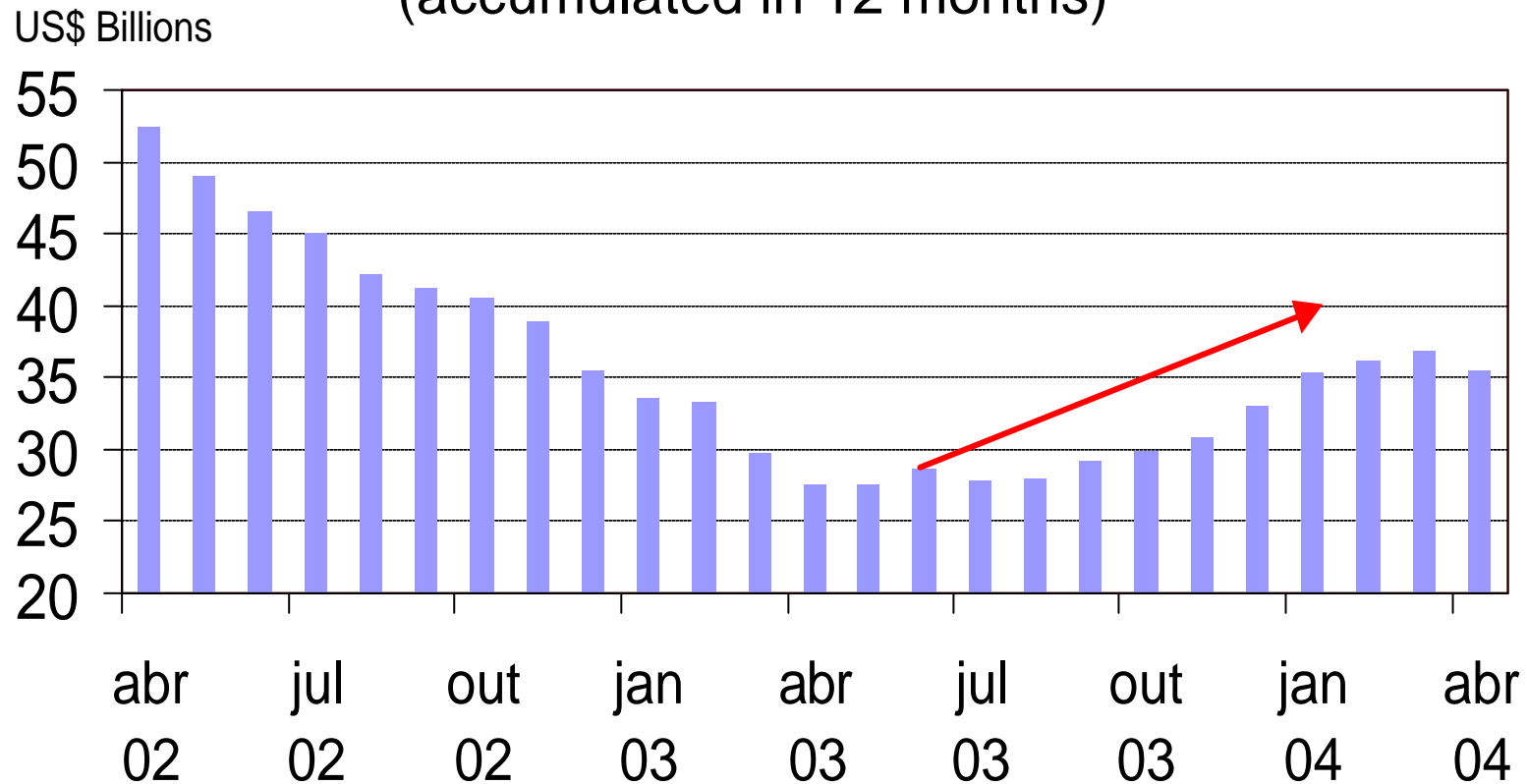


Strengthening Macroeconomic Stability

External Accounts Solidity

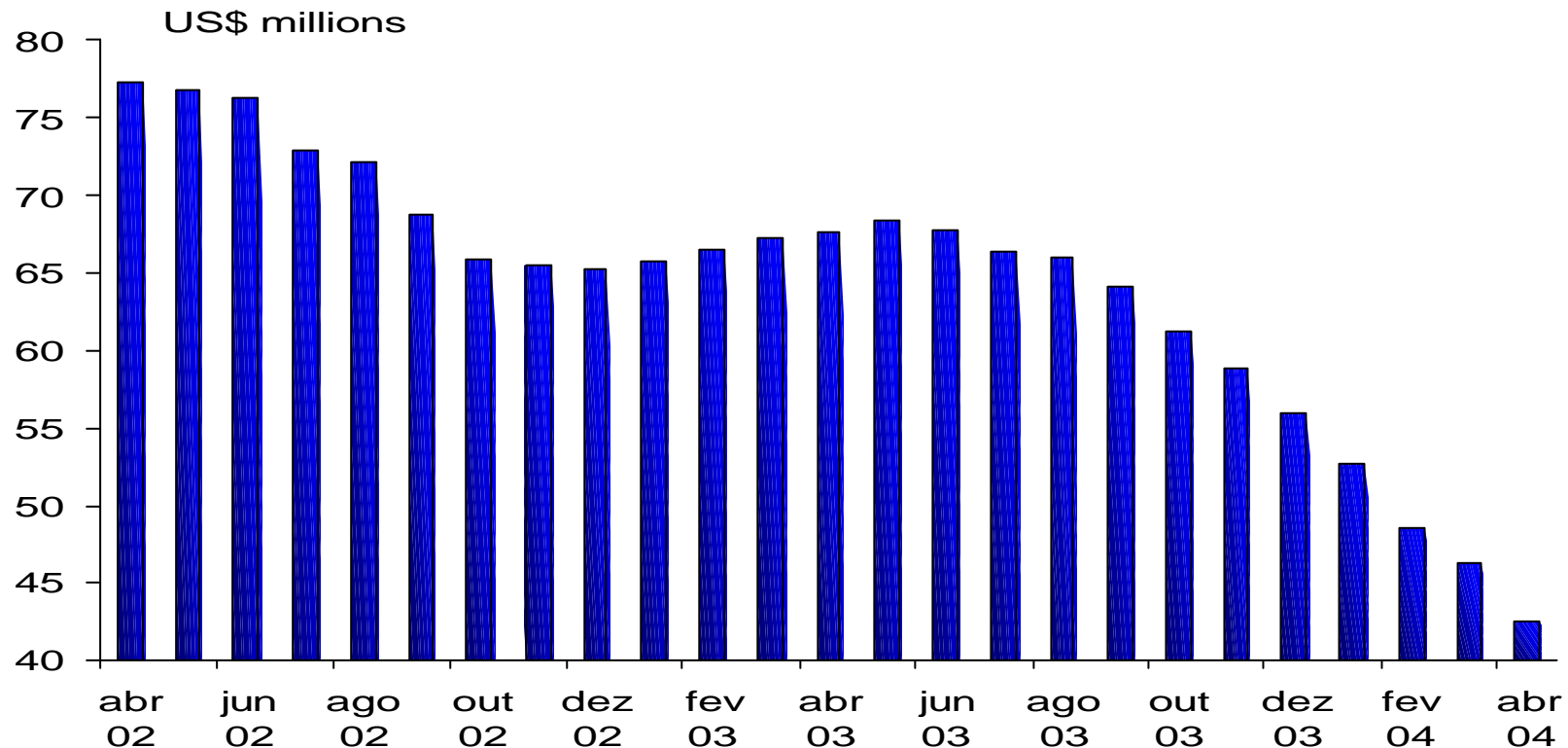
Foreign Direct Investment (FDI) + Medium and Long-Term Inflow

(accumulated in 12 months)



Strengthening Macroeconomic Stability Improving the Composition of Public Debt

Federal Domestic Public Debt Securities Indexed to Exchange Rate + Swap (US\$ millions)

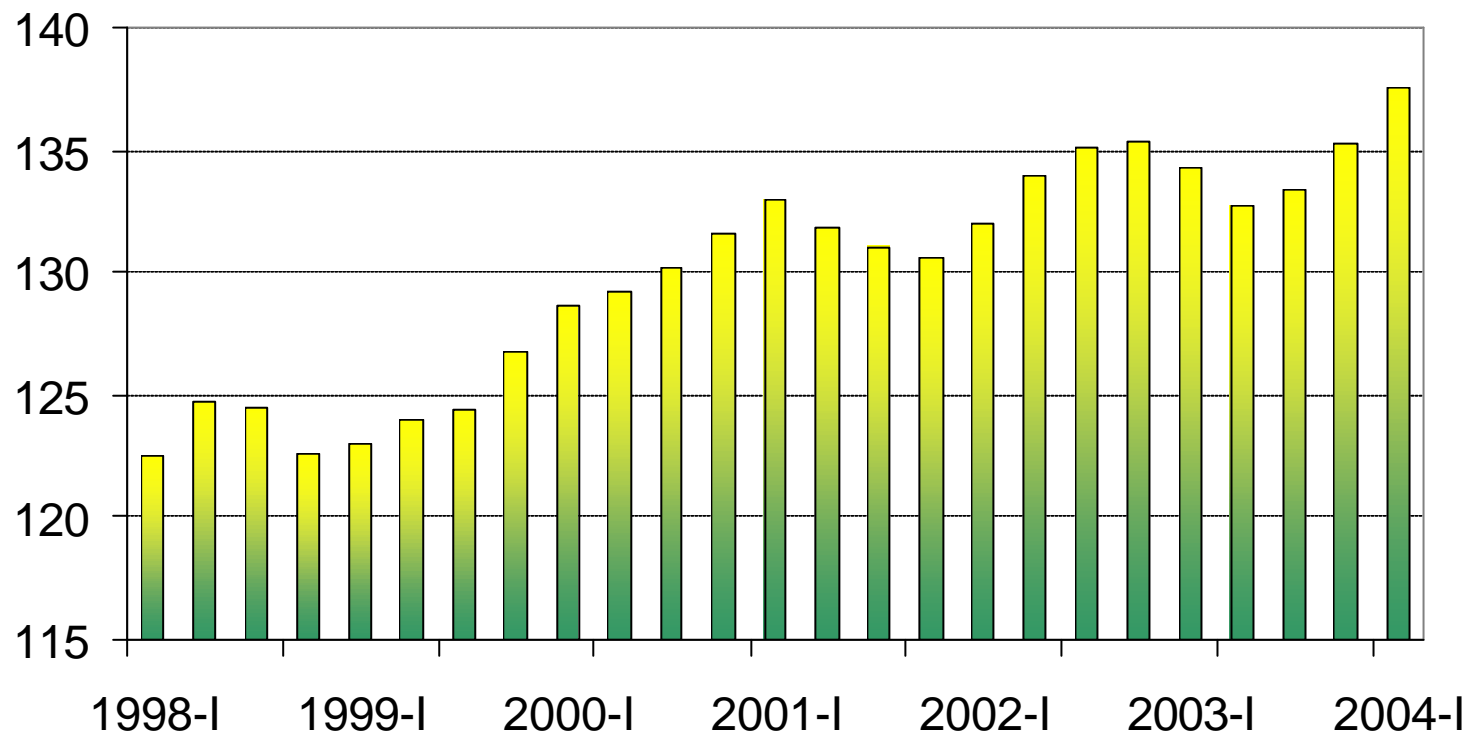


After a year and six months of consistent adjustments, there are visible results already

Brazil is growing!

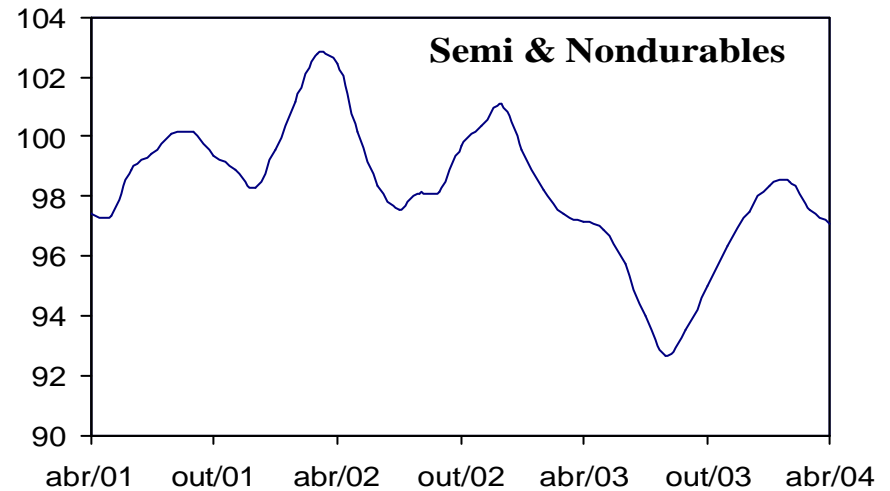
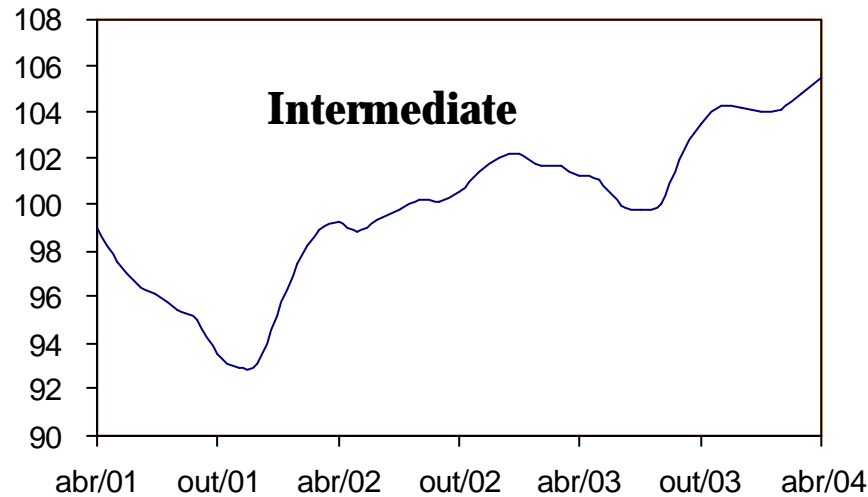
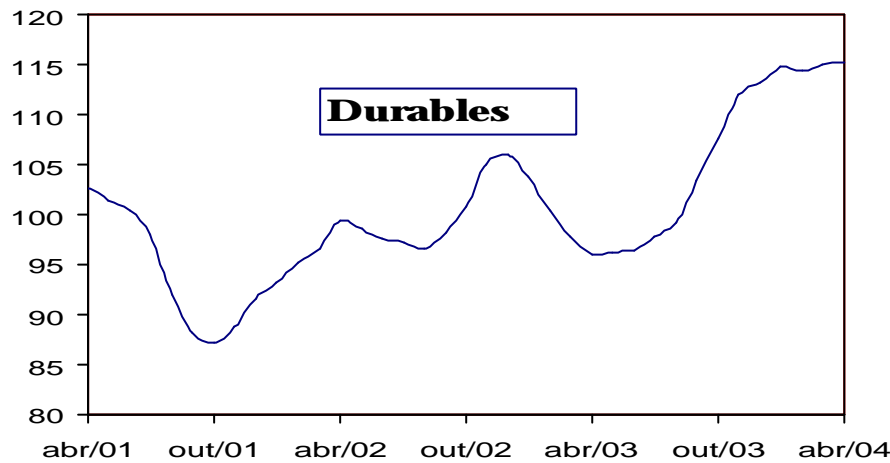
Brazil is growing

Quarterly GDP (seasonally adjusted - 1990=100)



Industrial Production by Category of Use

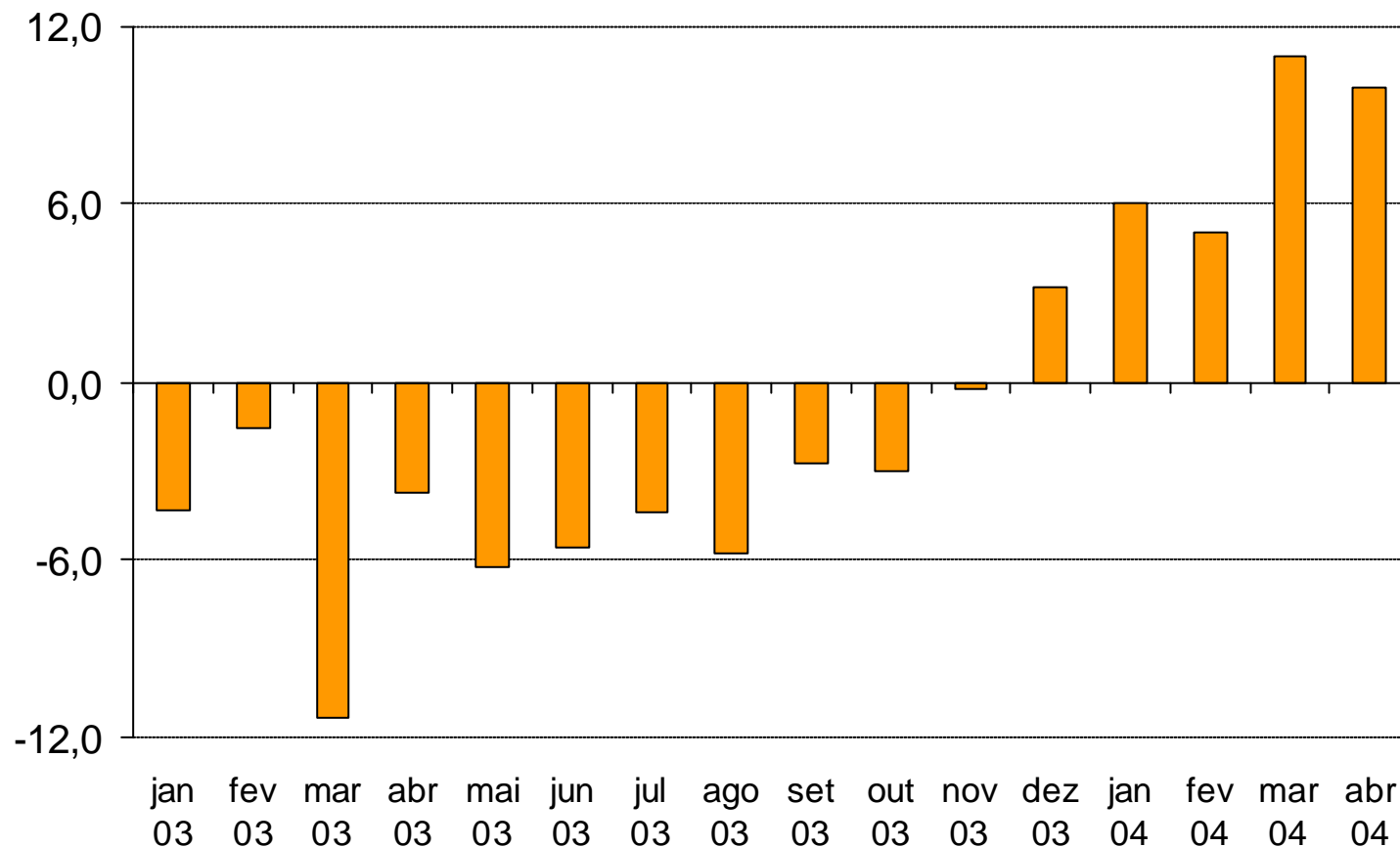
(Quarterly Moving Average - seasonally adjusted)



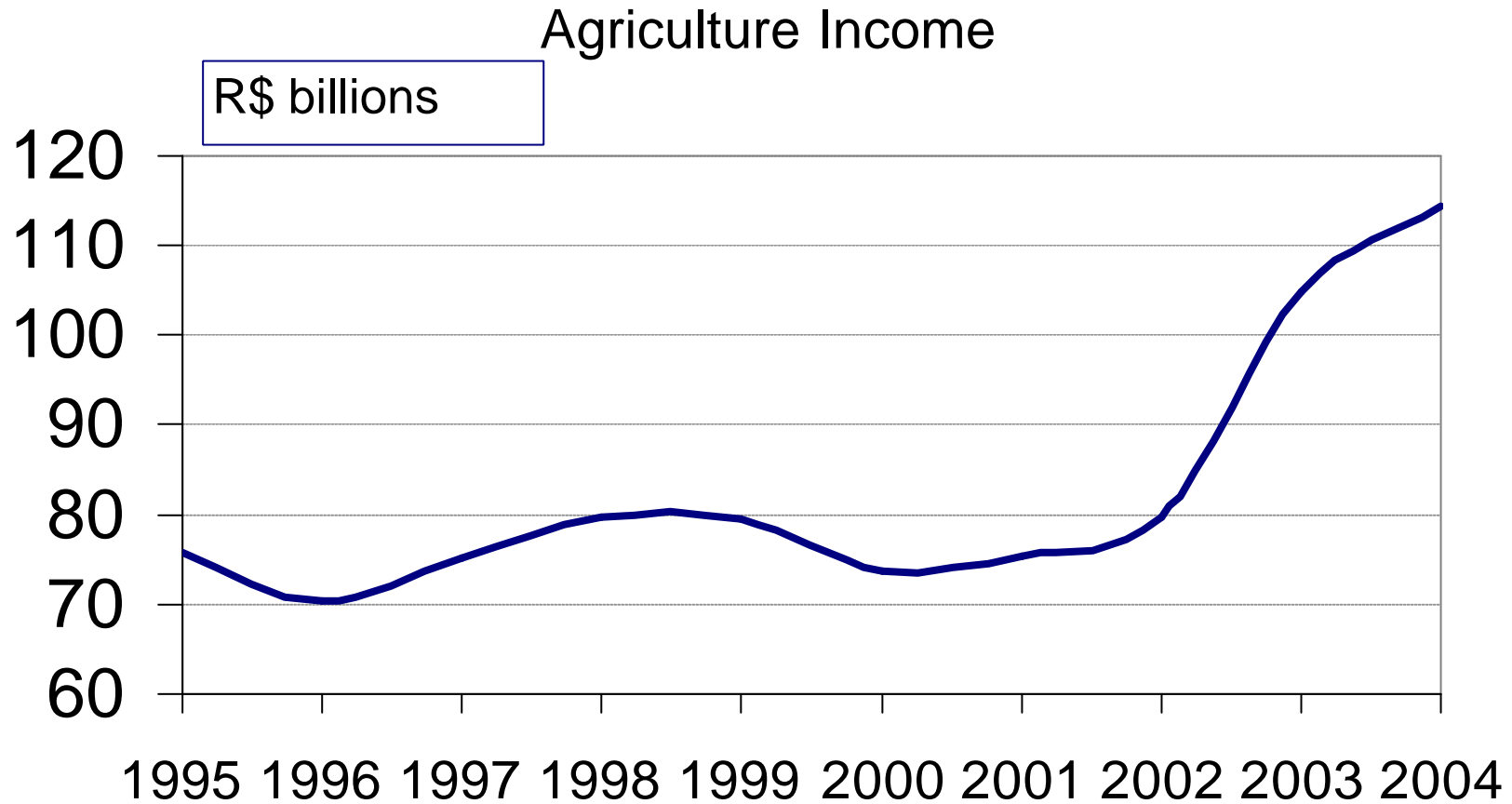
Brazil is growing

Retail Sales Index

Change (%) in 12 months (2003 = 100)



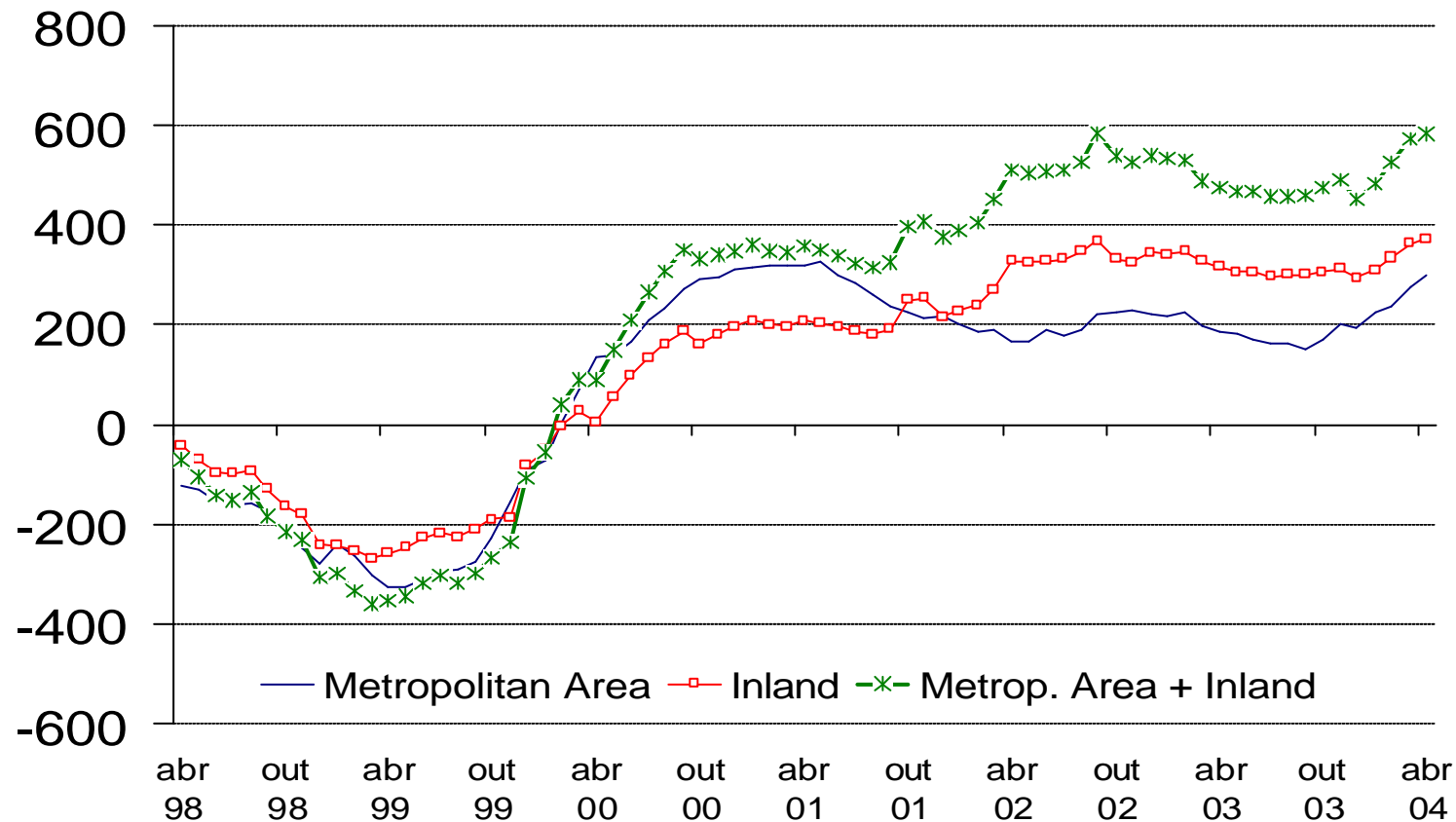
Brazil is growing Agribusiness maintains growing trend



Brazil is growing

Employment with Formal Contract

Net change in last 12 months (a thousand workplaces)



Source: MTE/Caged. Prepared by: MF/SPE.

Consolidating the agenda for growth

**Growth
Employment
Reduction of poverty and social disparities**

Capital Cost Reduction

**Improvement of real estate
credit market, credit
securitization instruments
& Bankruptcy
Recuperation Law**

**Strengthening the
Business Environment**

**Better conditions for
investors (costs, return
of capital, uncertainty
reduction, credit and
information)**

Effective Social Protection

**Improvement of the
fiscal adjustment quality
and of public expenses
to increase the efficiency
of social programs**

Macroeconomic Stability

**Fiscal Responsibility, Inflation Targets, Flexible Exchange Rates,
Sound External Accounts**

Structural Reforms

- Tax Reform
- Social Security Reform
- Electric Sector Mark (decree under elaboration)
- Regulatory Agencies Strengthening Law
- Public Private Partnership - PPP (under Senate exam)
- Enterprise Recuperation Law (under Senate exam)
- Real Estate Sector Reform Law
- Research and Innovation Incentive Law
- Investment Account – Exemption from Temporary Contribution on
- Financial Operations (CPMF) when allocating resources
- in Saving Accounts
- Judiciary Reform (Senate Committees)
- & much more...

Capital Cost Reduction and Institutional Efficiency

The target of the reform agenda is to improve entrepreneurship environment, credit access and to solve claim processes promptly

- Creation of many private credit instruments, nonexistent up to now due to lack of regulation or to incompatibility with legal aspects
- Legislation allowing creation of credit securitization instruments in many areas: from the real estate market to the agriculture sector
- Enhancement of the warranties' quality, according to the Consumer Defense Law
- Guarantee of an efficient and fast claim resolution, with incentive to mediation and to the reform of the judicial process code. These measures, taken in the scope of Judiciary Reform, will impact positively the entrepreneurship environment, specially the credit system

Capital Cost Reduction and Institutional Efficiency

- New Bankruptcy Law, having as target the preservation of the productive assets of enterprises in distress, as well as the improvement of the credit conditions
- Improvement of tax efficiency, replacing accumulating taxes by taxes on aggregated value
- Simplification of tax legislation in several sectors
- Increasing of management and efficiency in competitive defense processes
- Simplification of procedures in opening and closing enterprises

Improvement of the entrepreneurship environment

- Bill sent to the Congress unifying the structure of the regulating agencies, granting their independence and rules stability, besides precisely delimitating policy making competence (Ministries), regulation and supervising of the contracts (agencies)
- Bill sent to the Congress establishing the Private Public Partnership, an efficient mechanism to grant private long-term investment in sectors which have high social return but low financial return



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