



Brazilian Economy Overview: New Development Cycle

2007: Brazil Summit

*Brazilian-American
Chamber of Commerce*

April 16th, 2007



ON THE WAY TO DEVELOPMENT

- Brazil Has Initiated a New Growth Cycle
- Sustainable GDP Growth and Acceleration Towards 5% Rate Level
- New Type of Growth:
 - Income Distribution and Social Inclusion
- Growth Acceleration Program (PAC)

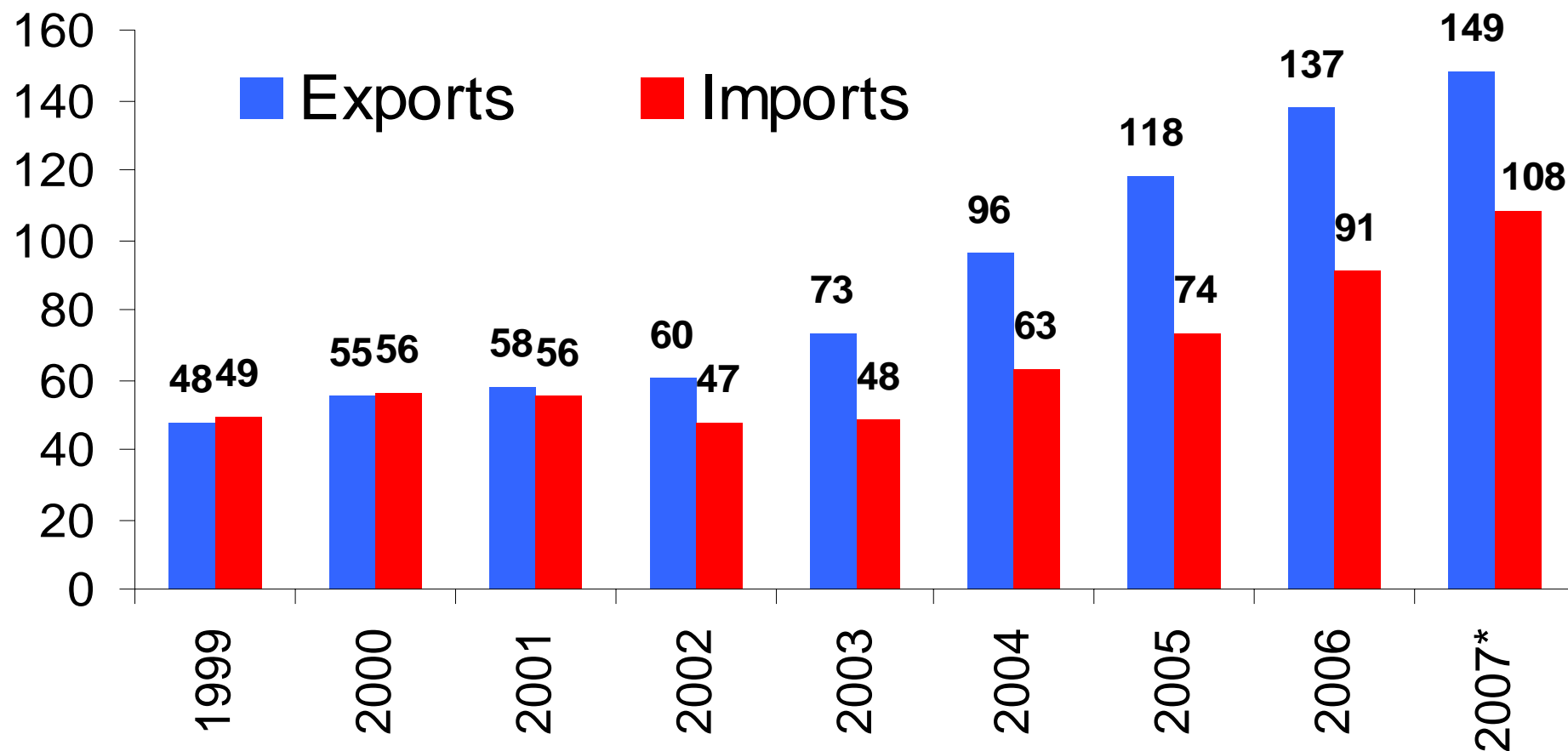


SUSTAINABLE GROWTH

- Reduction of the External Vulnerability
- Monetary Stability
- Fiscal Responsibility



TRADE SURPLUS INCREASE (US\$ billions)



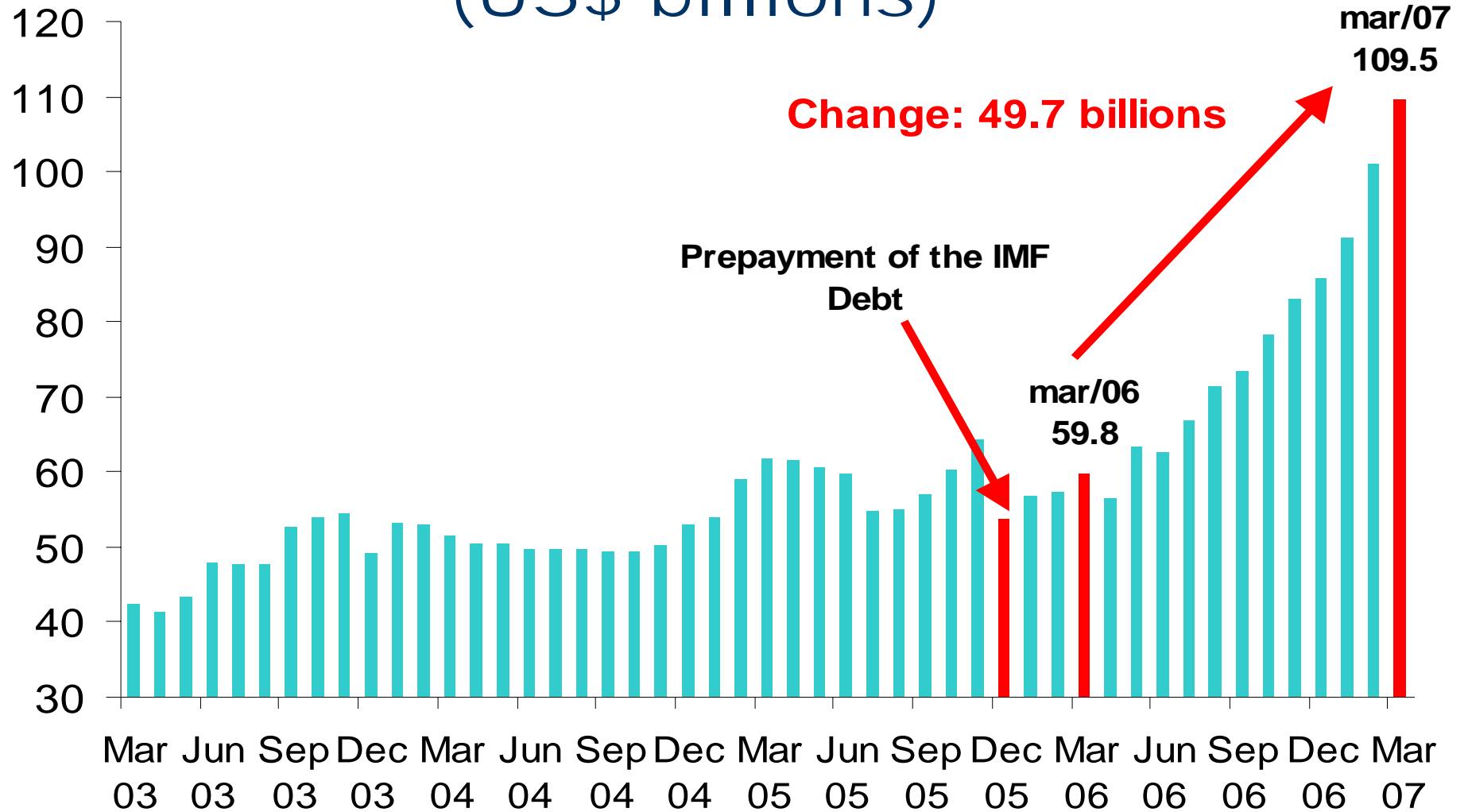
*/ Market Expectations.

Source: Ministry of Development, Industry and Foreign Trade.

Elaborated by: MF/SPE.

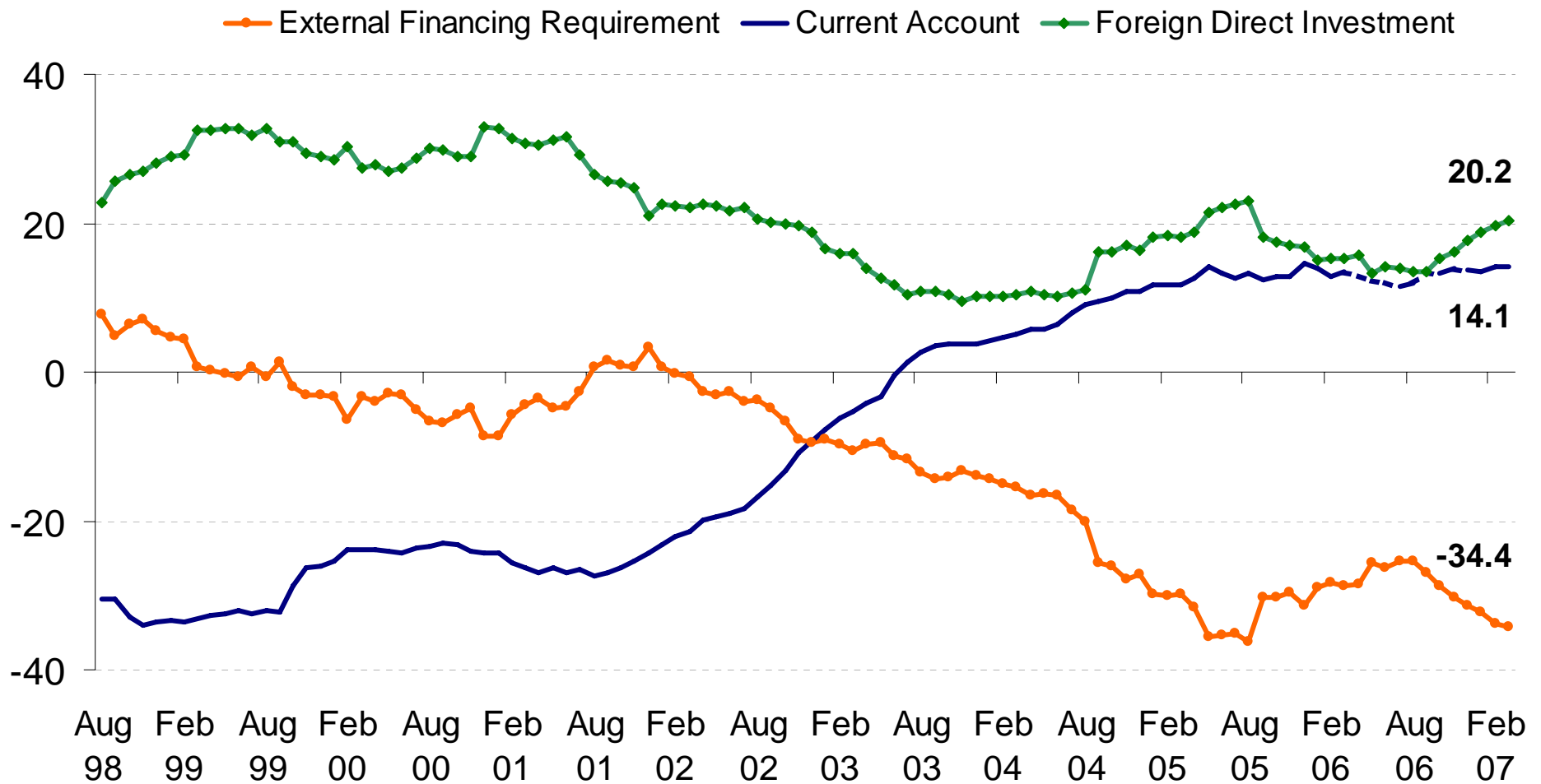


INTERNATIONAL RESERVES (US\$ billions)





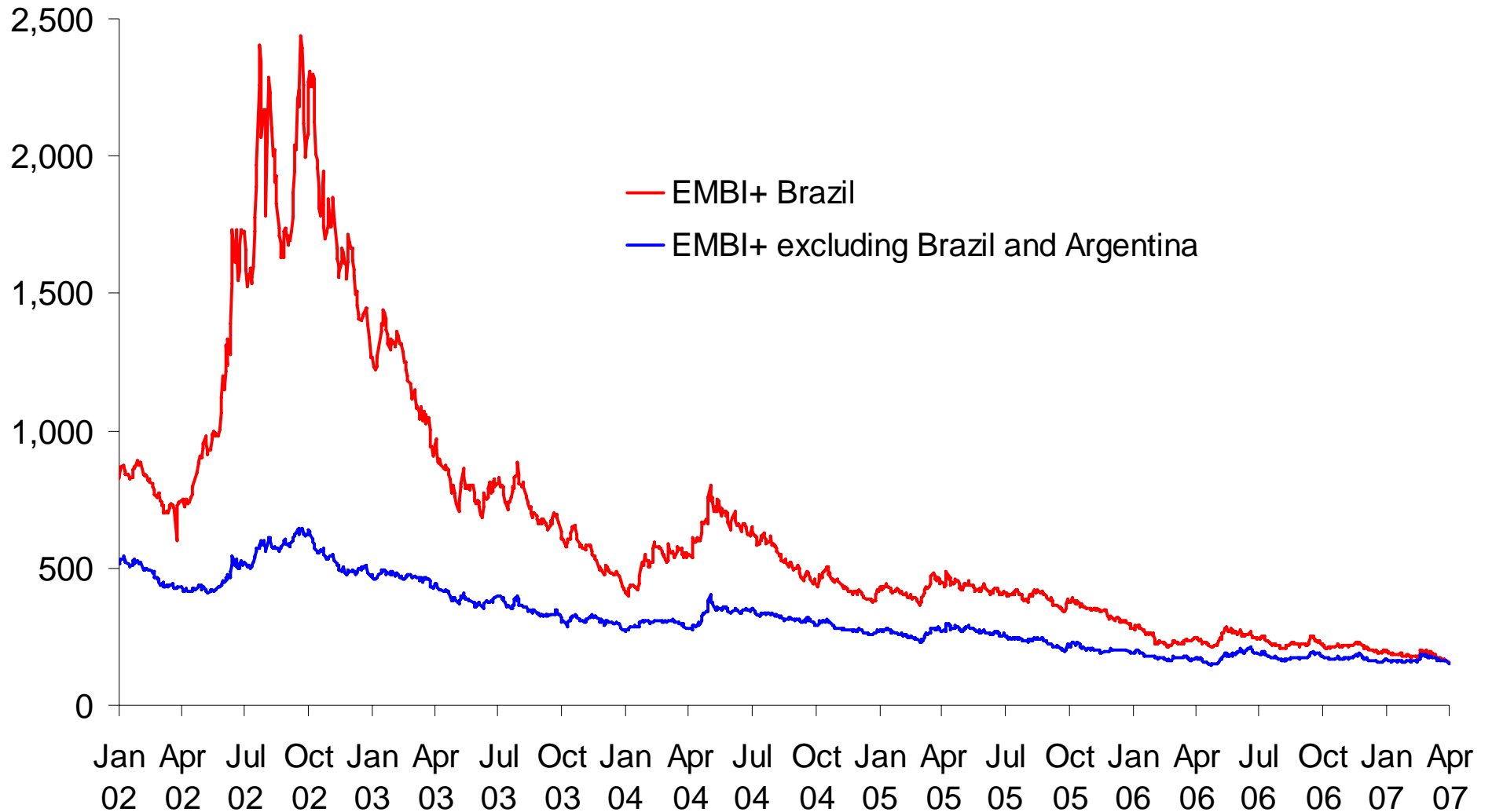
CURRENT ACCOUNT, FOREIGN DIRECT INVESTMENT AND EXTERNAL FINANCING REQUIREMENT (US\$ billions, 12 months accum. basis)





REDUCTION IN THE SOVEREIGN RISK

basis points



Source: JP Morgan

Elaborated by: MF/SPE

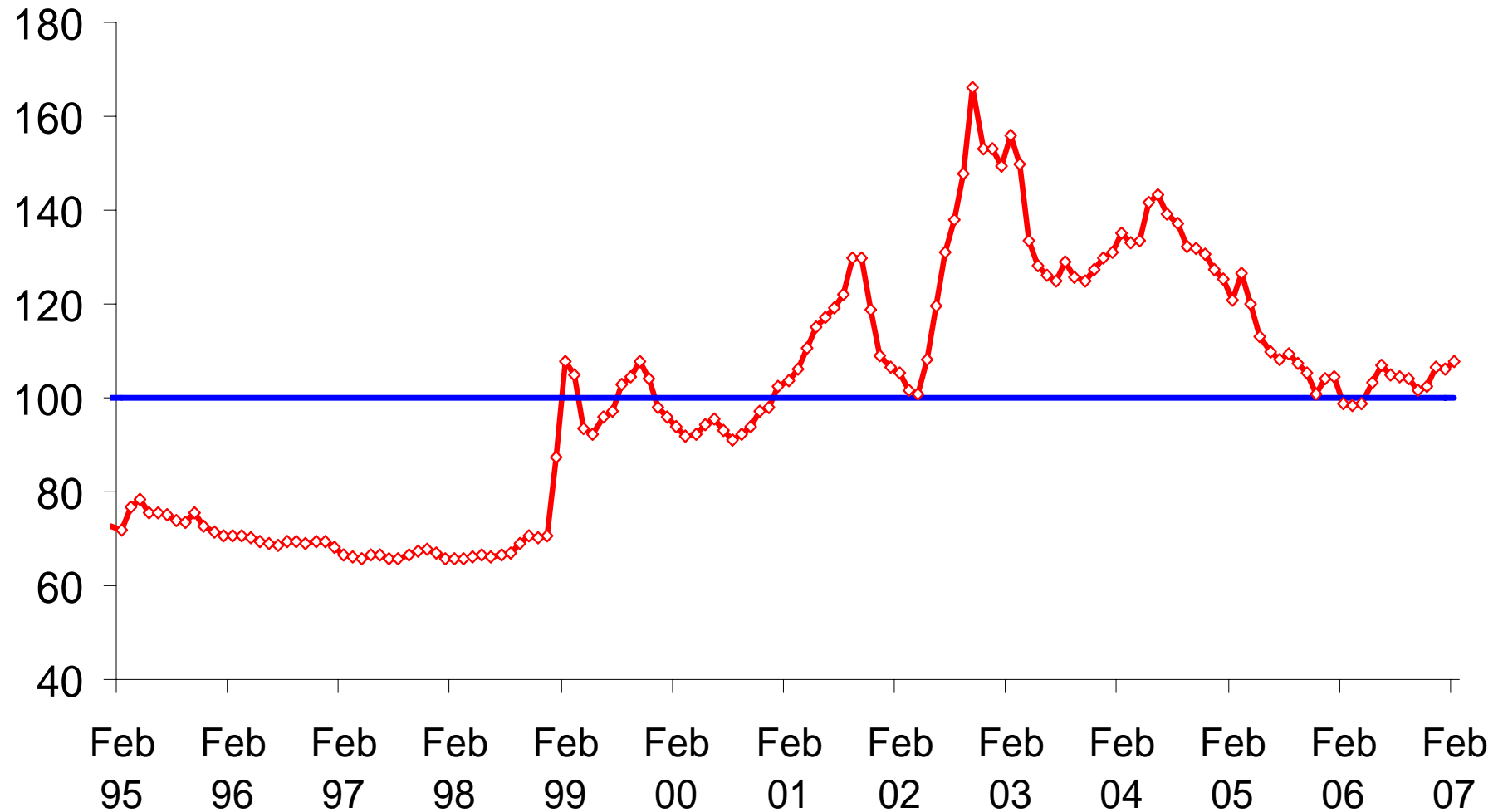


NOMINAL EXCHANGE RATE (R\$/US\$)





REAL EFFECTIVE EXCHANGE RATE(*)



(*) Weighted average of the Real relative to a basket of other major currencies adjusted for the effects of inflation.

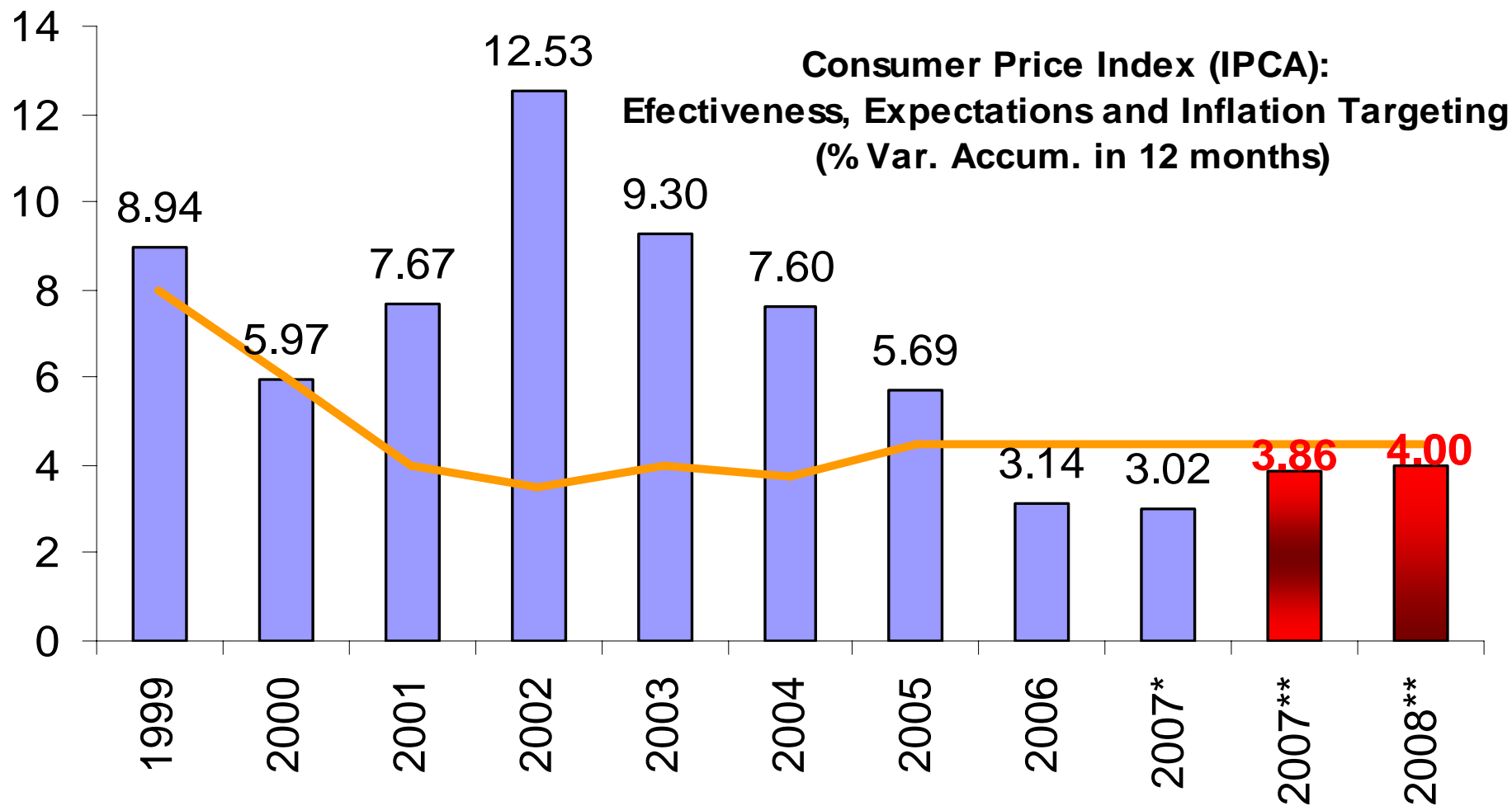
External Prices: Producer – PPI. Domestic Prices: Consumer - IPCA (June 1994 = 100).

Source:BCB.

Prepared by: MF/SPE.



INFLATION: REDUCTION AND CONTROL



*/in February 2007

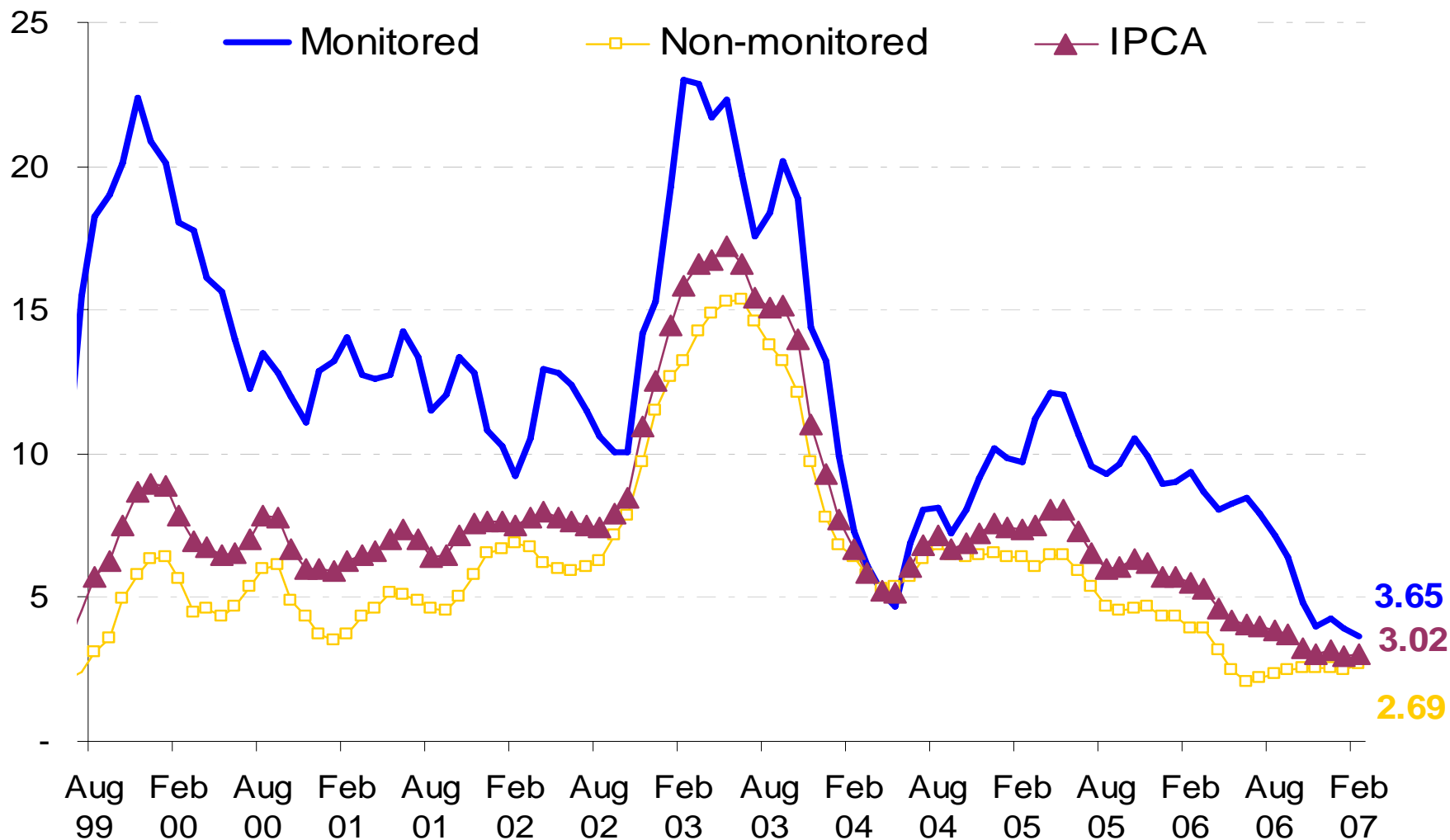
**/ Market Expectations

Sources: IBGE e BCB.

Elaborated by: MF/SPE.



REDUCTION OF INFLATION INERTIA (% Var. accum. in 12 months)





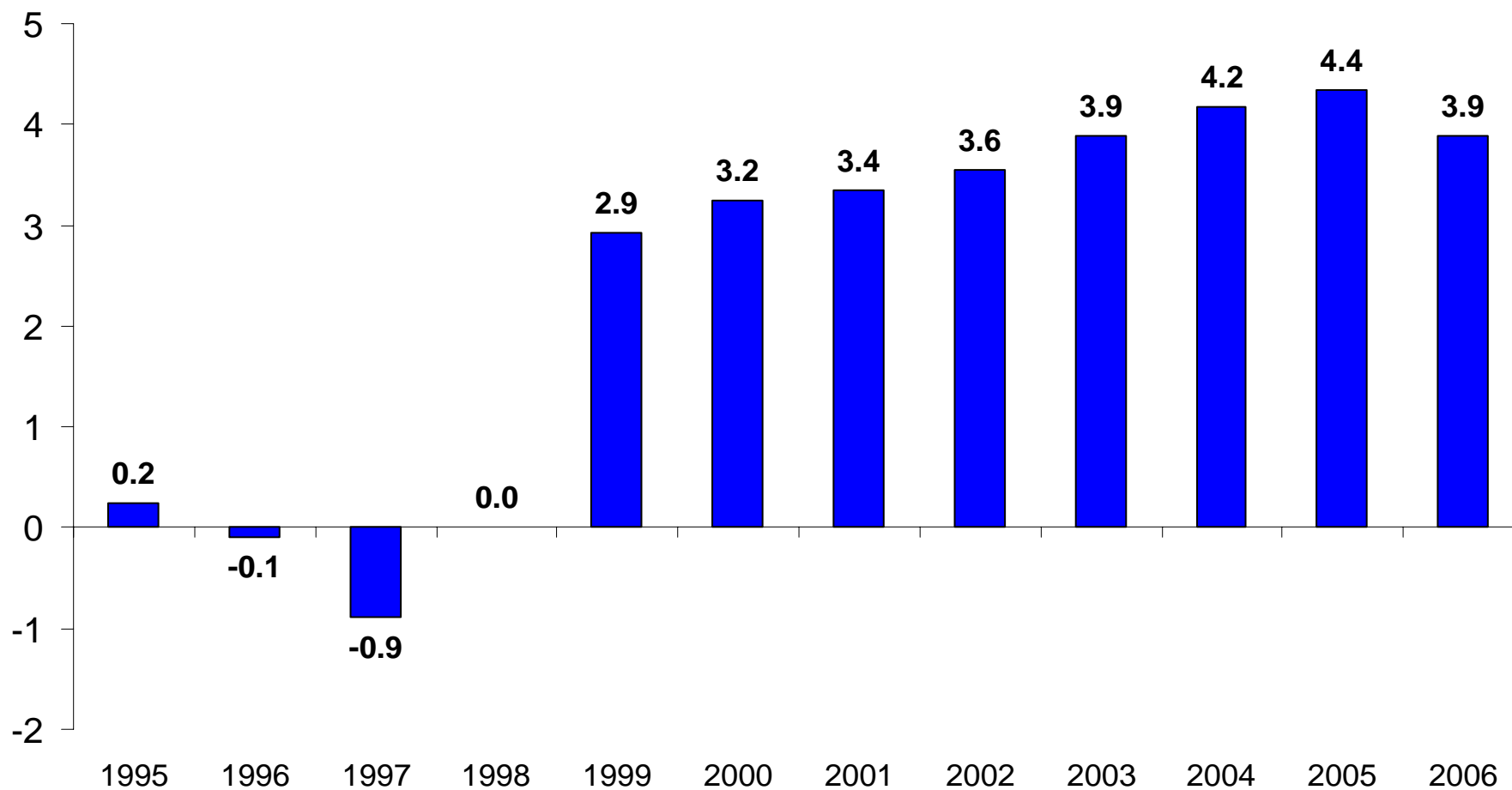
INFLATION: CONSUMER PRICE INDEX

Year	Advanced Economies	Emerging Markets	Brazil
2000	2.2	4.0	6.0
2001	2.1	4.7	7.7
2002	1.5	3.3	12.5
2003	1.8	4.2	9.3
2004	2.0	4.4	7.6
2005	2.3	5.6	5.7
2006	2.6	5.5	3.1

Source: BNDES

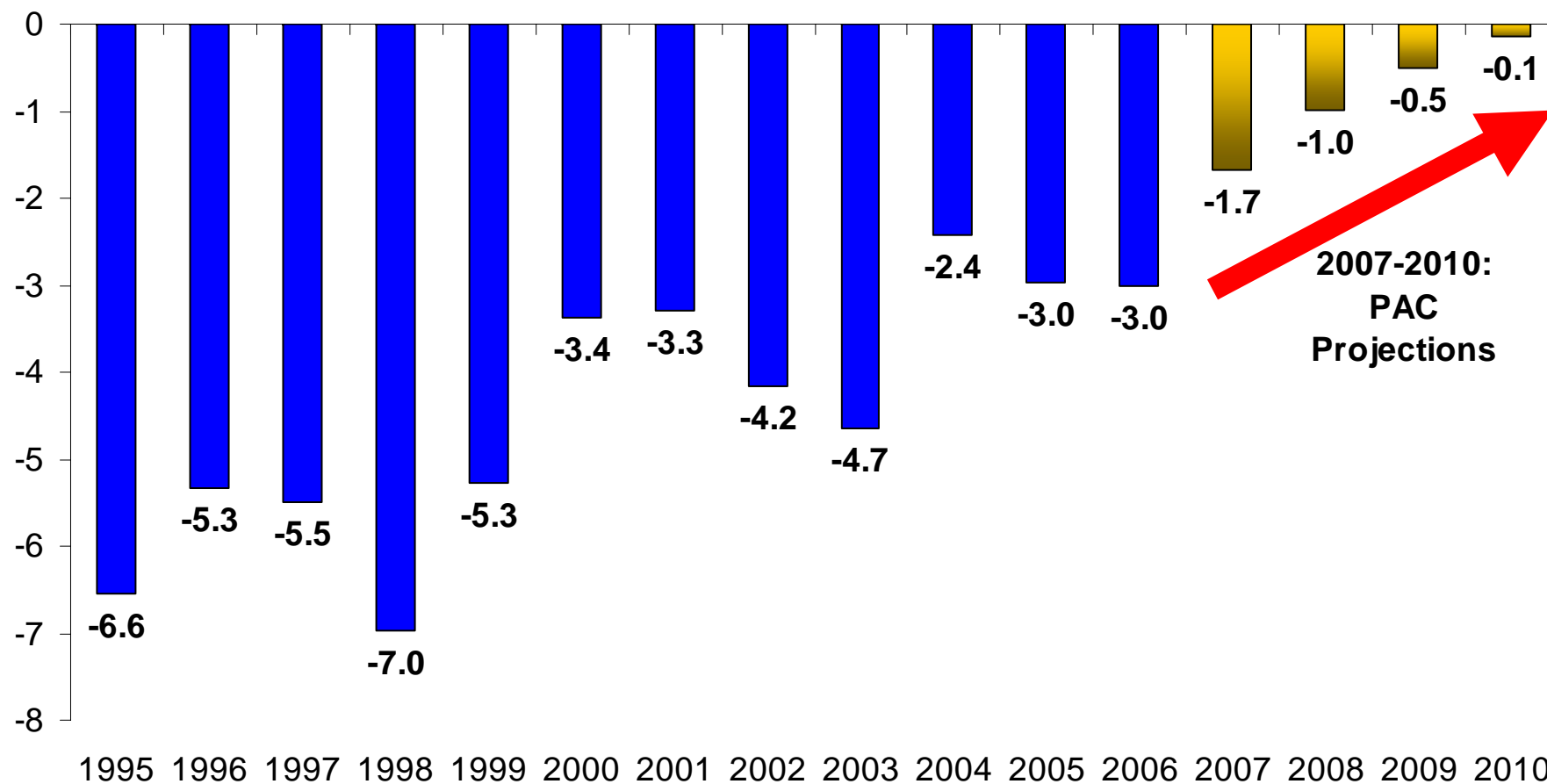


GOVERNMENT'S PRIMARY SURPLUS (% of GDP)



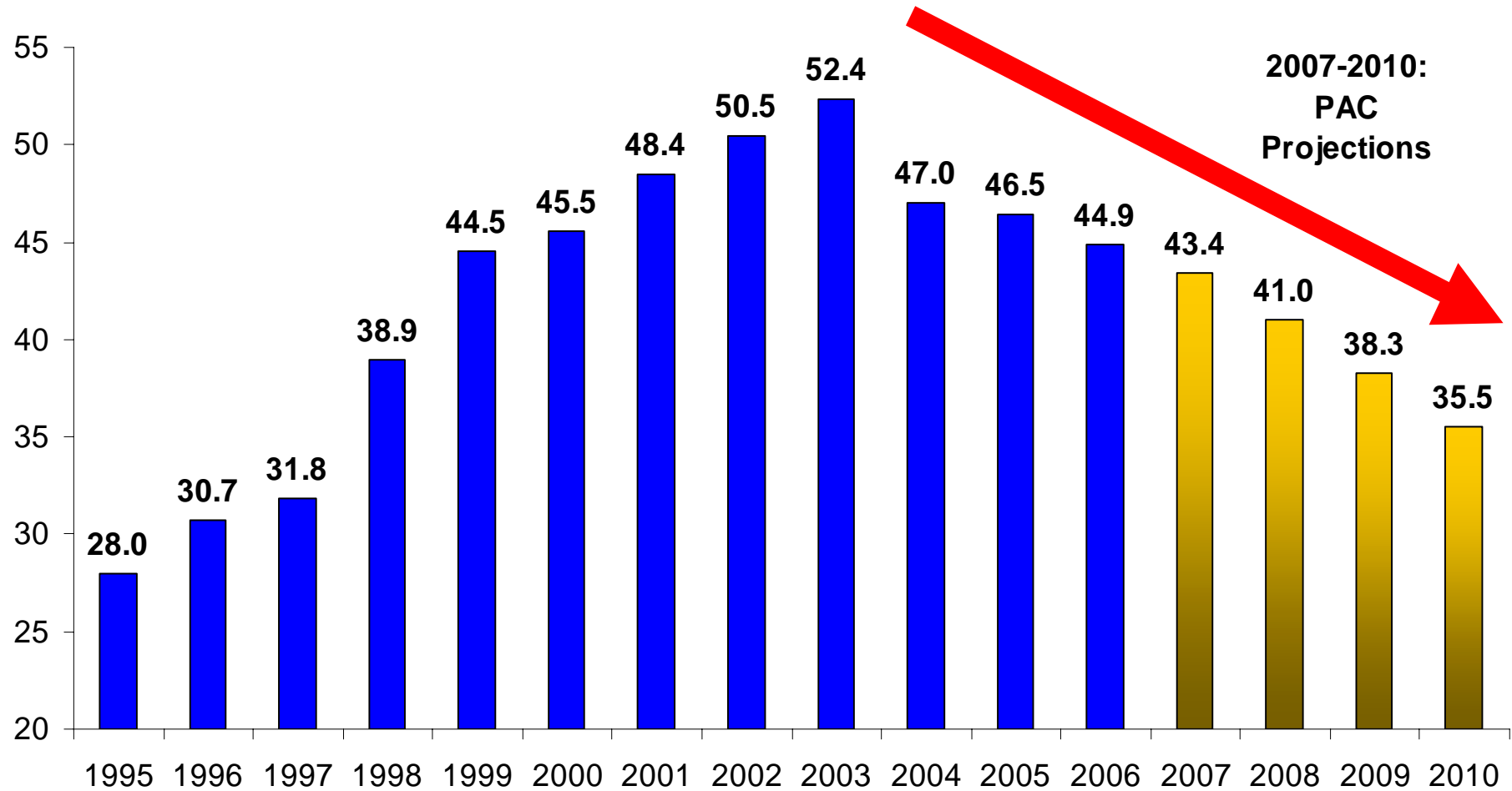


NOMINAL RESULT (WITHOUT DEPRECIATION) (% of GDP)



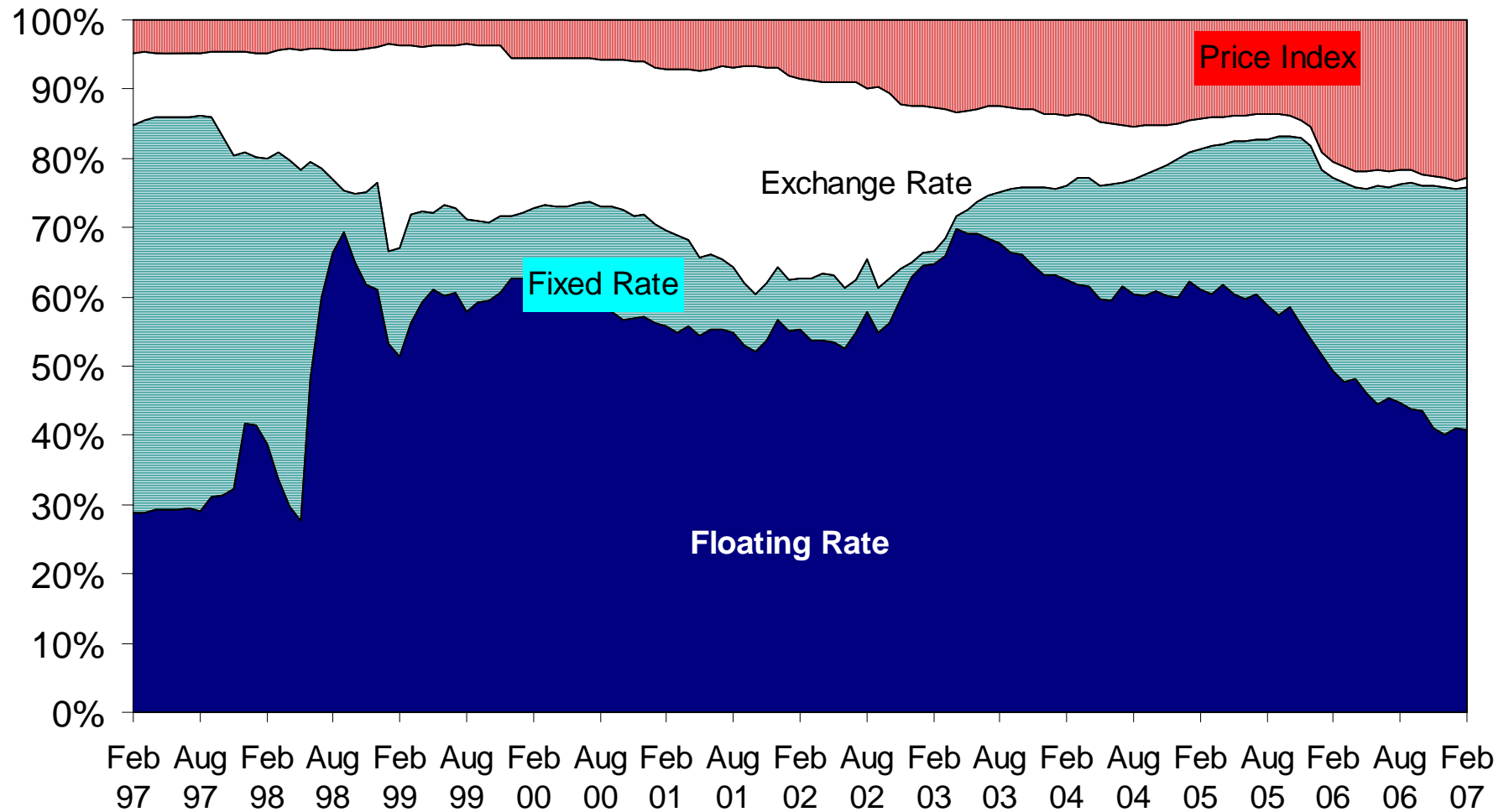


PUBLIC SECTOR'S NET DEBT REDUCTION (% of GDP)



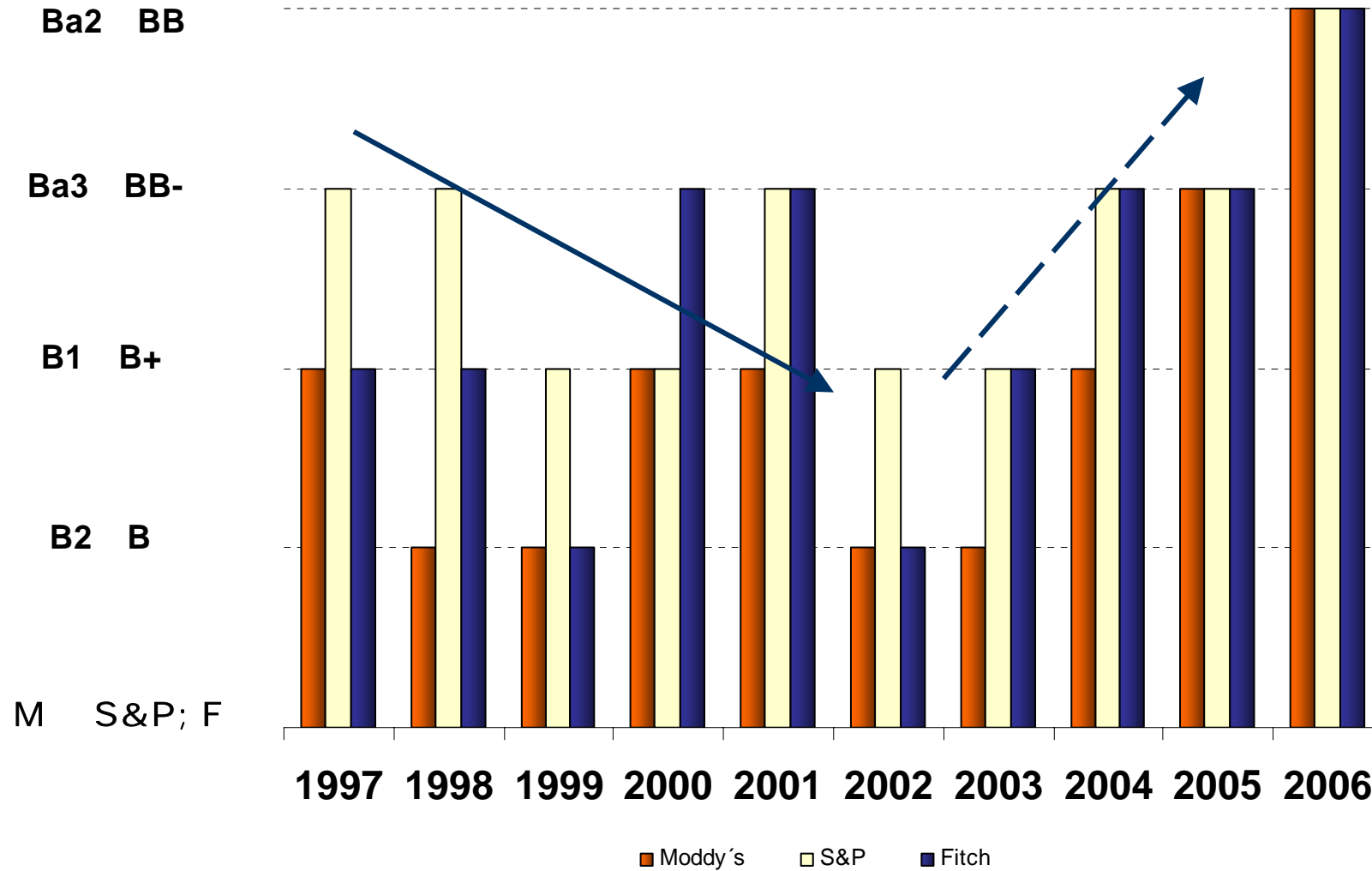


PUBLIC SECTOR'S DEBT: FEDERAL SECURITIES (% of total debt)





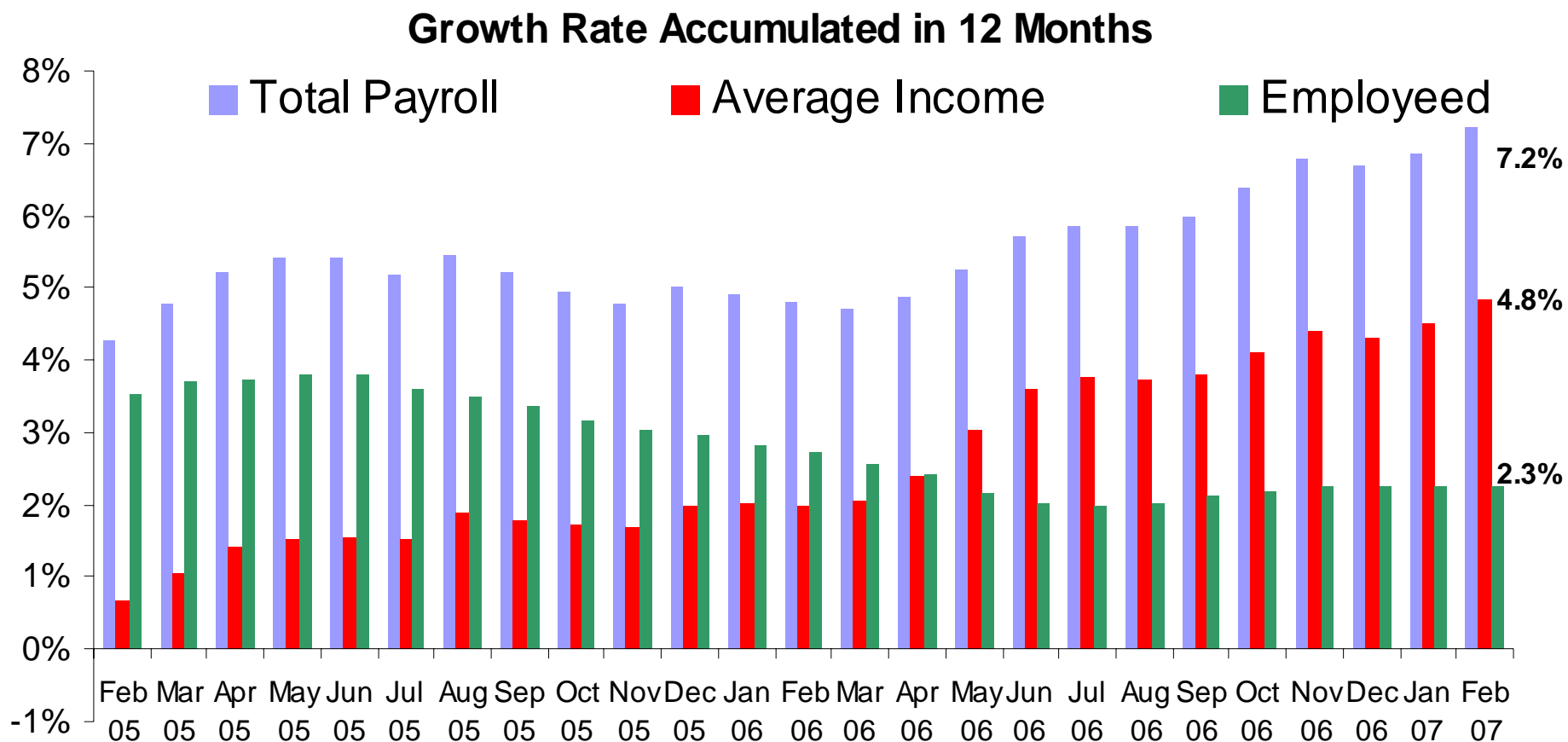
RATINGS





HOUSEHOLD CONSUMPTION MARKET'S GROWTH

Employment, Income and Total Payroll



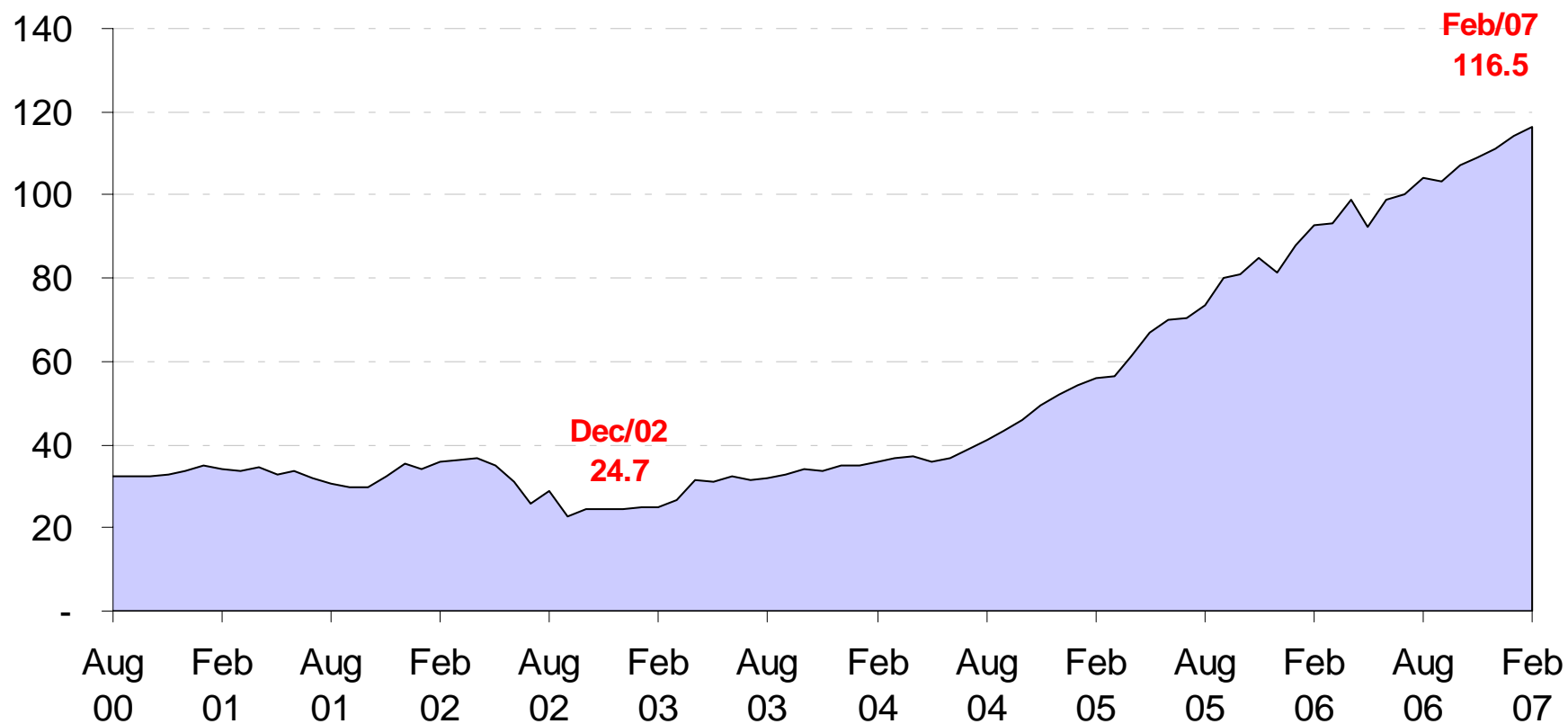


CREDIT REVOLUTION

- Credit Expansion
 - Individuals
 - Agriculture
 - Industry
 - Housing and Real Estate
- New Instruments
 - Payroll Consigned Credit, Fiduciary Contract, Usage of Banking Services
- Capital Market
 - Accelerated Growth

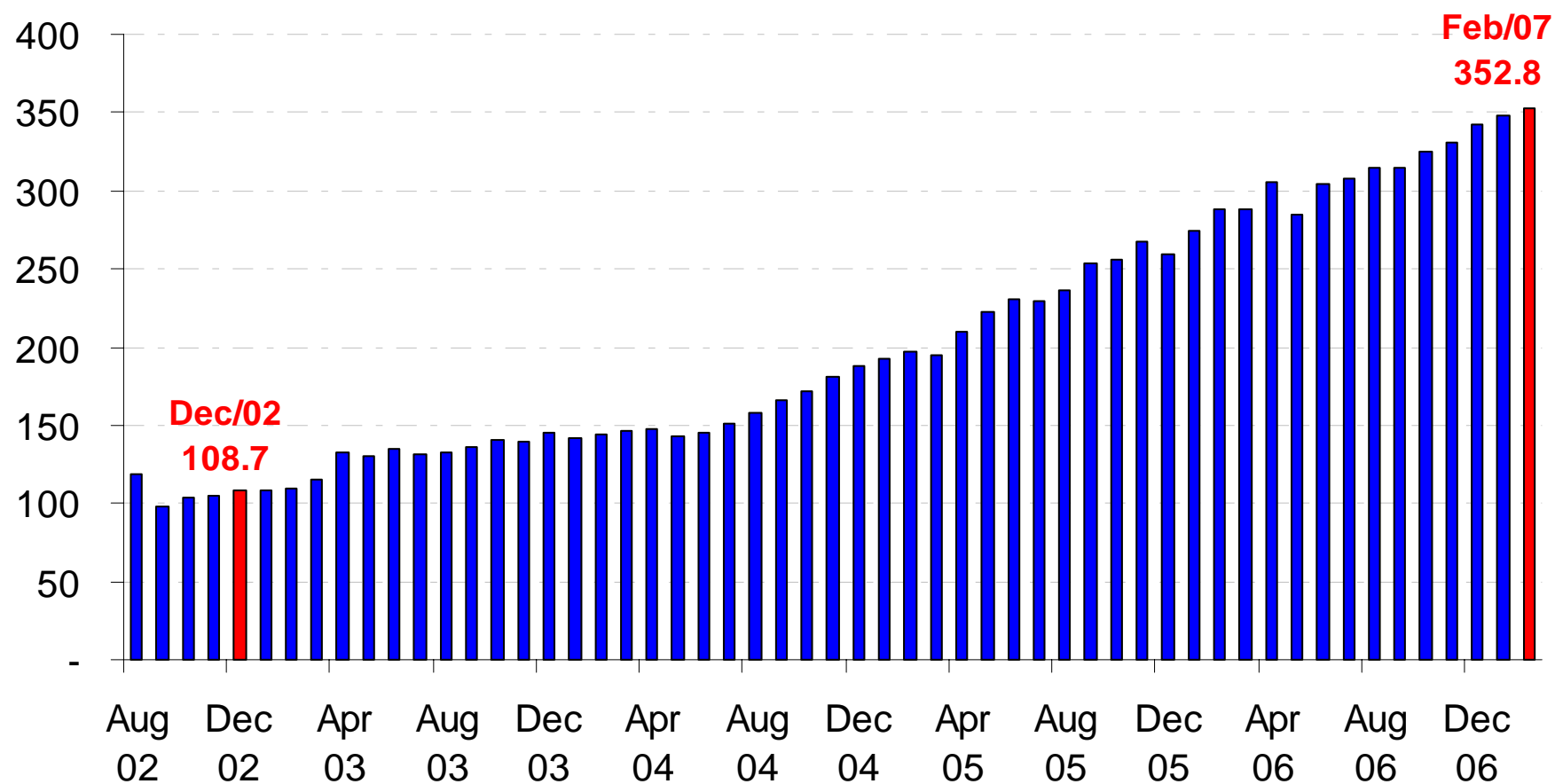


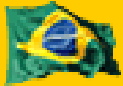
VOLUME OF BANKING CREDIT FOR INDIVIDUALS (in US\$ Billions)



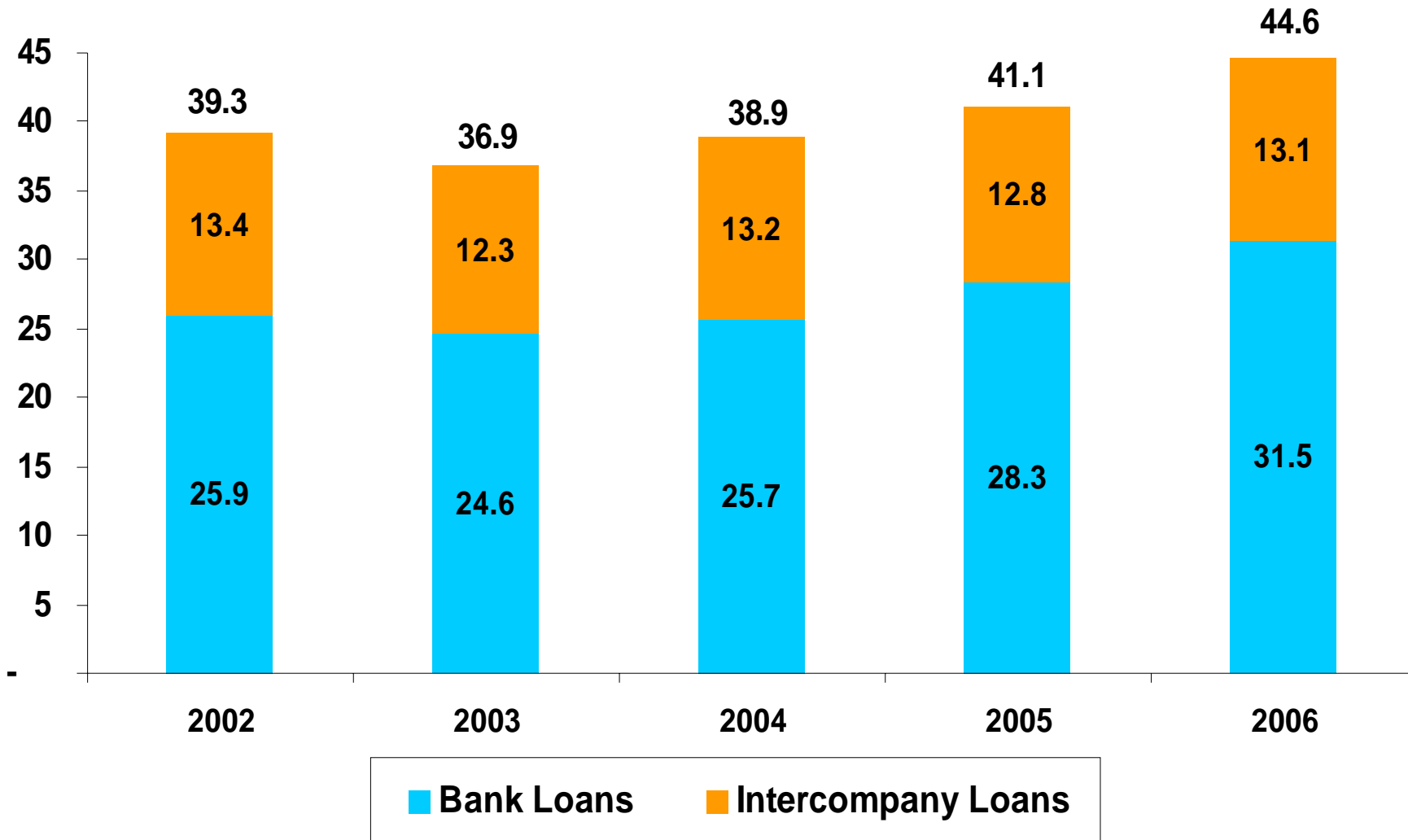


VOLUME OF TOTAL BANKING CREDIT (in US\$ Billions)





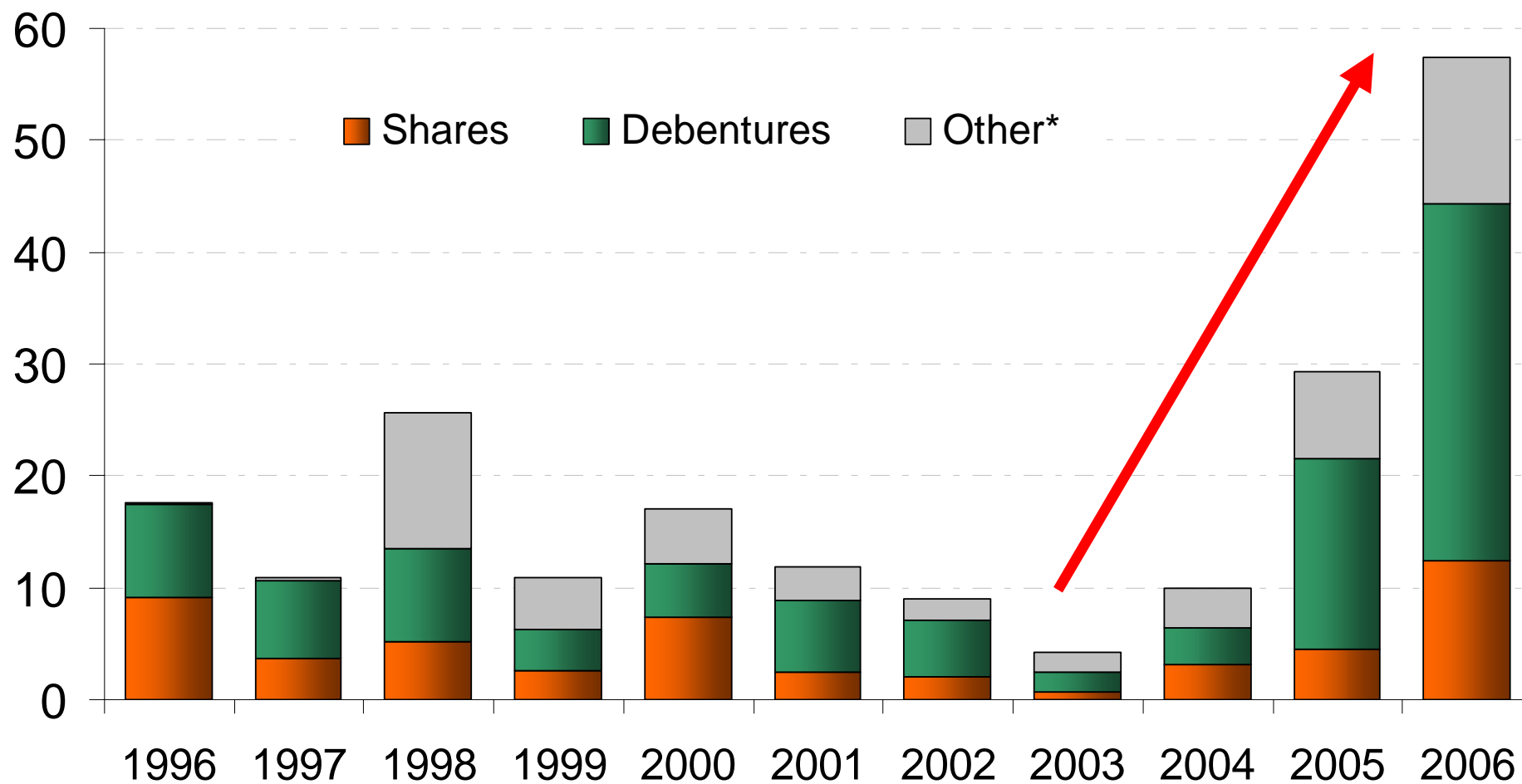
BRAZIL'S ECONOMY FINANCING SOURCES (as % of GDP)





CAPITAL MARKET

(US\$ Billions)



(*)Includes promissory notes, CRIs (real estate receivables certificates), and quotas of credit rights investment funds, among others.
Source: CVM.
Elaborated by: MF/SPE.



CAPITAL MARKET – IBOVESPA INDEX (points)





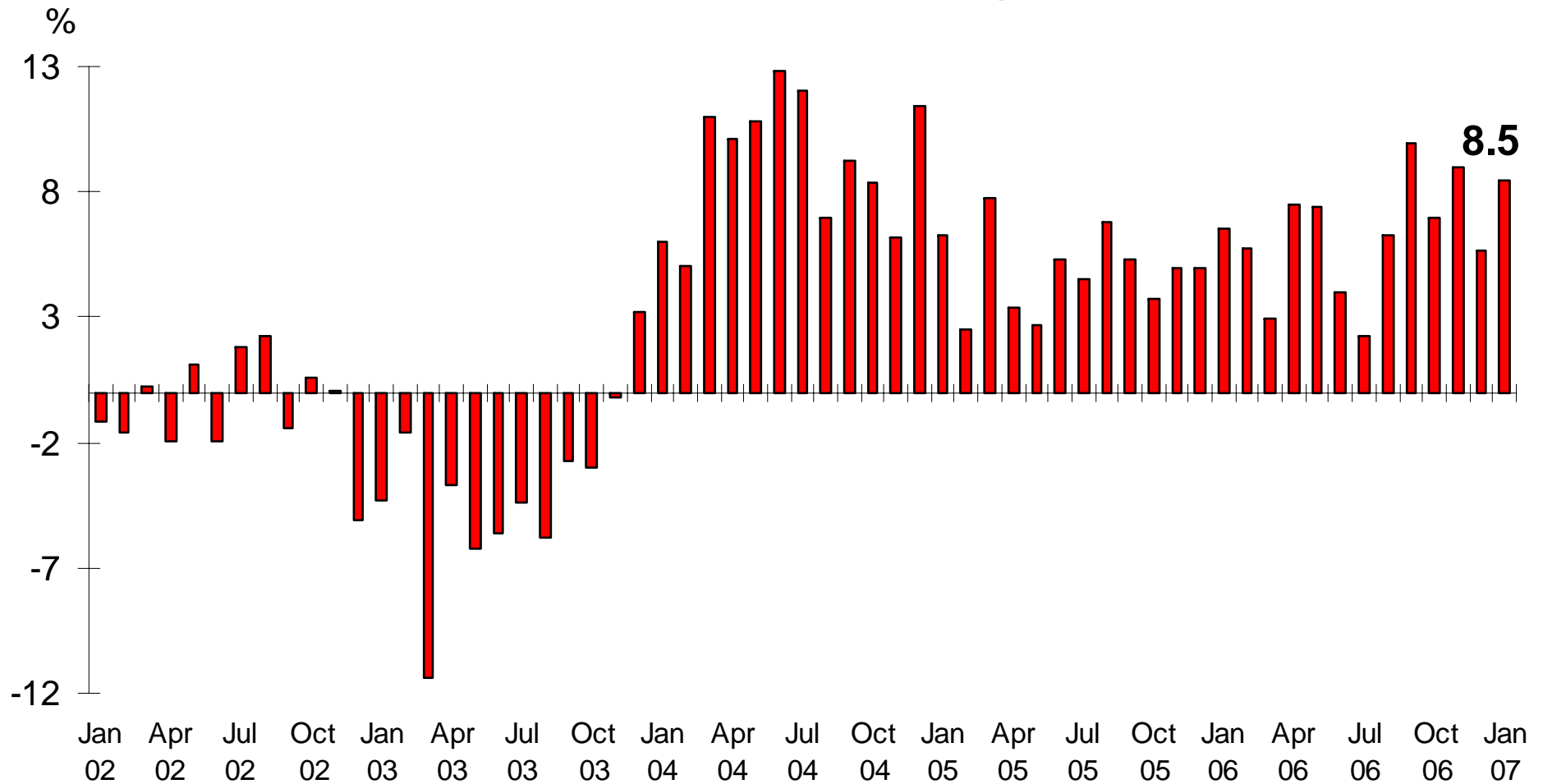
CONSUMPTION AND INVESTMENT

- Expansion of Consumption
 - The Volume of Retail Sales Is on a Strong and Constant Growth, Which Indicates the Strength of Brazil's Domestic Market.
 - The Household Consumption Has Been on a Crescent Trend
- Increase on Investments
 - Due to a Higher Domestic Demand, the Entrepreneurs Are Increasing Their Investments Substantially.



RETAIL SALES

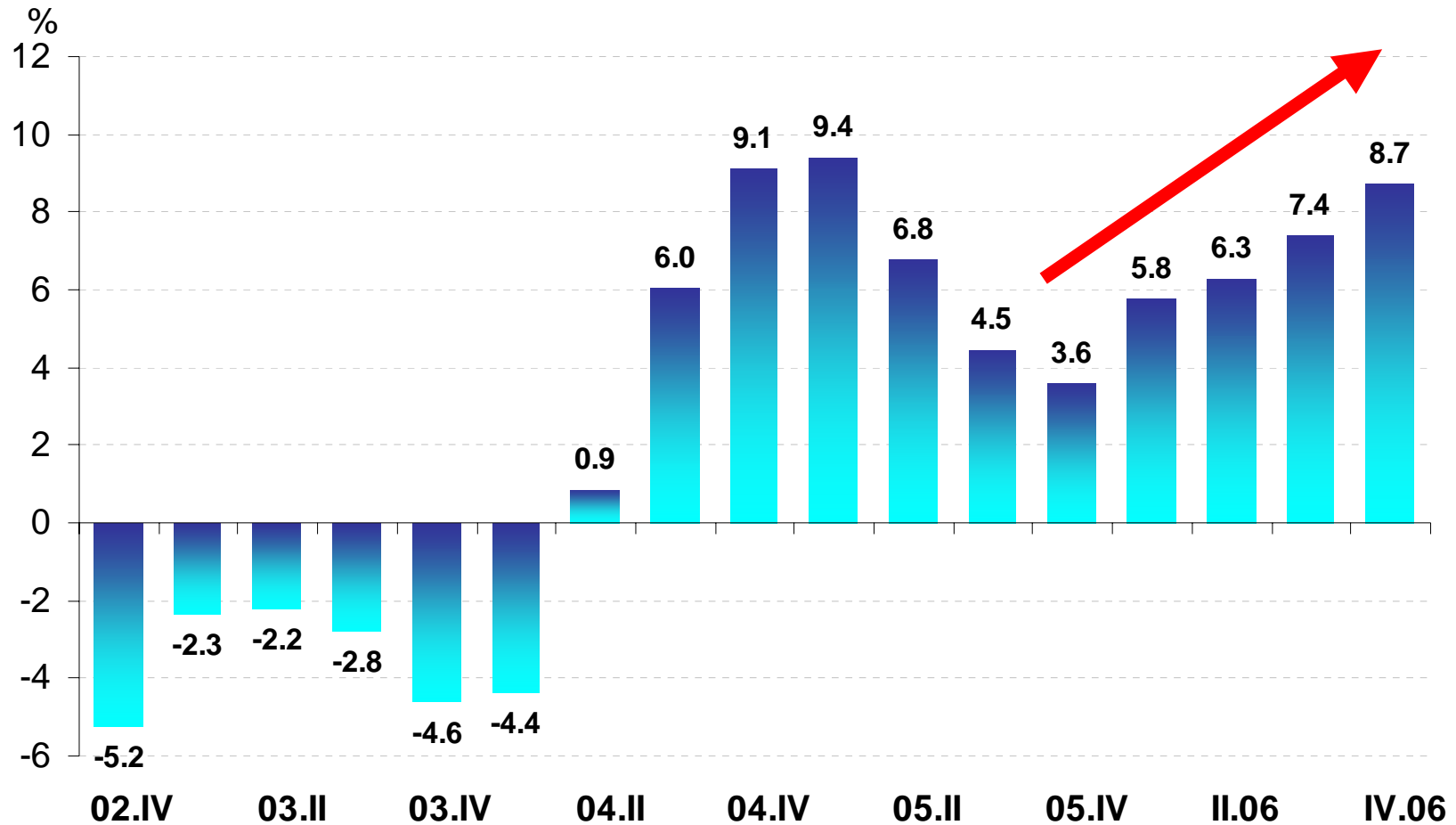
(12 months change)





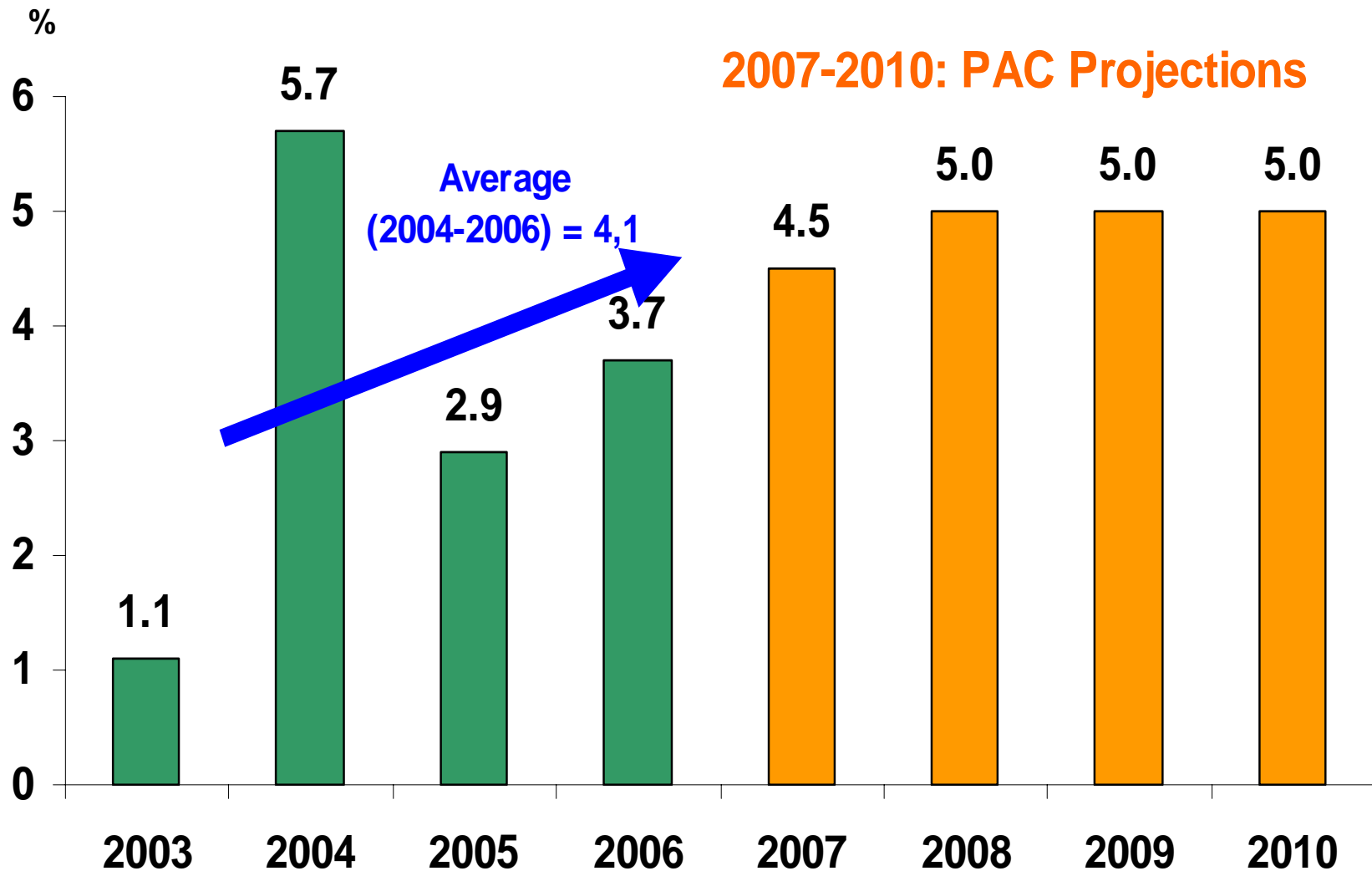
INVESTMENTS

(accum. in 4 quarters)





BRAZILIAN ECONOMY IS ACCELERATING THE ECONOMIC GROWTH





COUNTRY RANKING BY GDP - 2006

(Purchasing Power Parity in US\$ millions)

Previous GDP Series		Current GDP Series	
Country	US\$ millions	Country	US\$ millions
1 USA	12,794,158	1 USA	12,794,158
2 China	9,464,223	2 China	9,464,223
3 India	4,143,691	3 Japan	4,026,573
4 Japan	4,026,573	4 India	4,143,691
5 Germany	2,506,986	5 Germany	2,506,986
6 Great Britain	1,984,613	6 Great Britain	1,984,613
7 France	1,869,809	7 Brazil	1,870,663
8 Italy	1,714,450	8 France	1,869,809
9 Brazil	1,674,453	9 Italy	1,714,450
10 Russia	1,661,330	10 Russia	1,661,330

Source: World Bank

Elaborated by: MF/SPE

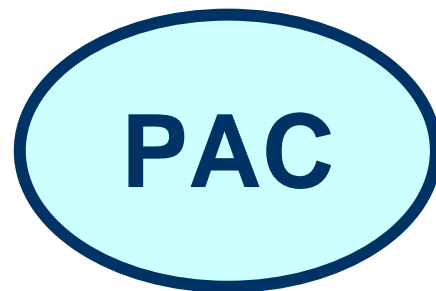


GROWTH ACCELERATION PROGRAM (PAC)



PAC 2007-2010

The PAC is organized in five blocks:



- 1) Investment in Infra-Structure**
- 2) Credit and Long-Term Finance**
- 3) Investment Climate**
- 4) Tax Cuts and Tax Policy**
- 5) Long-Run Fiscal Policy**



FISCAL CONSISTENCY

The increase in public investment is consistent with the reduction of the public debt and the budget deficit.

PAC Projections	2007	2008	2009	2010
Federal Funds Interest Rate (SELIC)	12.2%	11.0%	10.3%	10.0%
Inflation Rates	4.1%	4.5%	4.5%	4.5%
Real GDP % Rate	4.5%	5.0%	5.0%	5.0%
Government Primary Surplus before PPI (% of GDP)	3.80%	3.80%	3.80%	3.80%
Pilot Project Investment - PPI (% of GDP)	0.45%	0.45%	0.45%	0.45%
Net Interest Payments in % of GDP	5.0%	4.3%	3.8%	3.5%
Public Sector Nominal Deficit (% of GDP)	-1.7%	-1.0%	-0.5%	-0.1%
Public Sector Net Debt (% of GDP)	43.4%	41.0%	38.3%	35.5%



PROSPECTIVES 2007 - 2010

- ✓ **High priority: creating conditions for faster growth;**
 - investing in infrastructure;
 - decrease current expenditure as % of GDP;
 - face regulatory issues;

- ✓ **Agenda:**
 - extension of the Provisional Contribution on Financial Movement (CPMF)
 - DRU – reducing earmarked revenues from the government
 - tax reform
 - political reform

