



# ***BRAZIL AND THE INTERNATIONAL CRISIS***

***The Economist  
Conferences***

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➤ WHY THE INTERNATIONAL  
CRISIS HAS HAD LITTLE  
REPERCUSSION ON BRAZIL?



## NEW DEVELOPMENT CYCLE

- **A sustainable growth process is underway.**
  - ***Characterizing a new cycle of economic growth, which is:***
    - Consistent
    - Balanced
    - Promoted by foreign trade and mass consumption
    - Supporter of the social/regional (economic) inequality's reduction.
  
- **Why such growth is sustainable?**



## SUSTAINABLE GROWTH

- **Low external vulnerability**
  - New foreign policy – diversification of partners
  - Balance of trade (US\$ 40 billions in 2007) and current account surpluses (US\$ 3.6 billions in 2007)
  - Foreign reserves (US\$ 194 billions)
  
- **Monetary stability**
  - Low and stable inflation (2006: 3.14%; 2007: 4.46%; 2008 → 4.42%)
  - Aggressive monetary policy



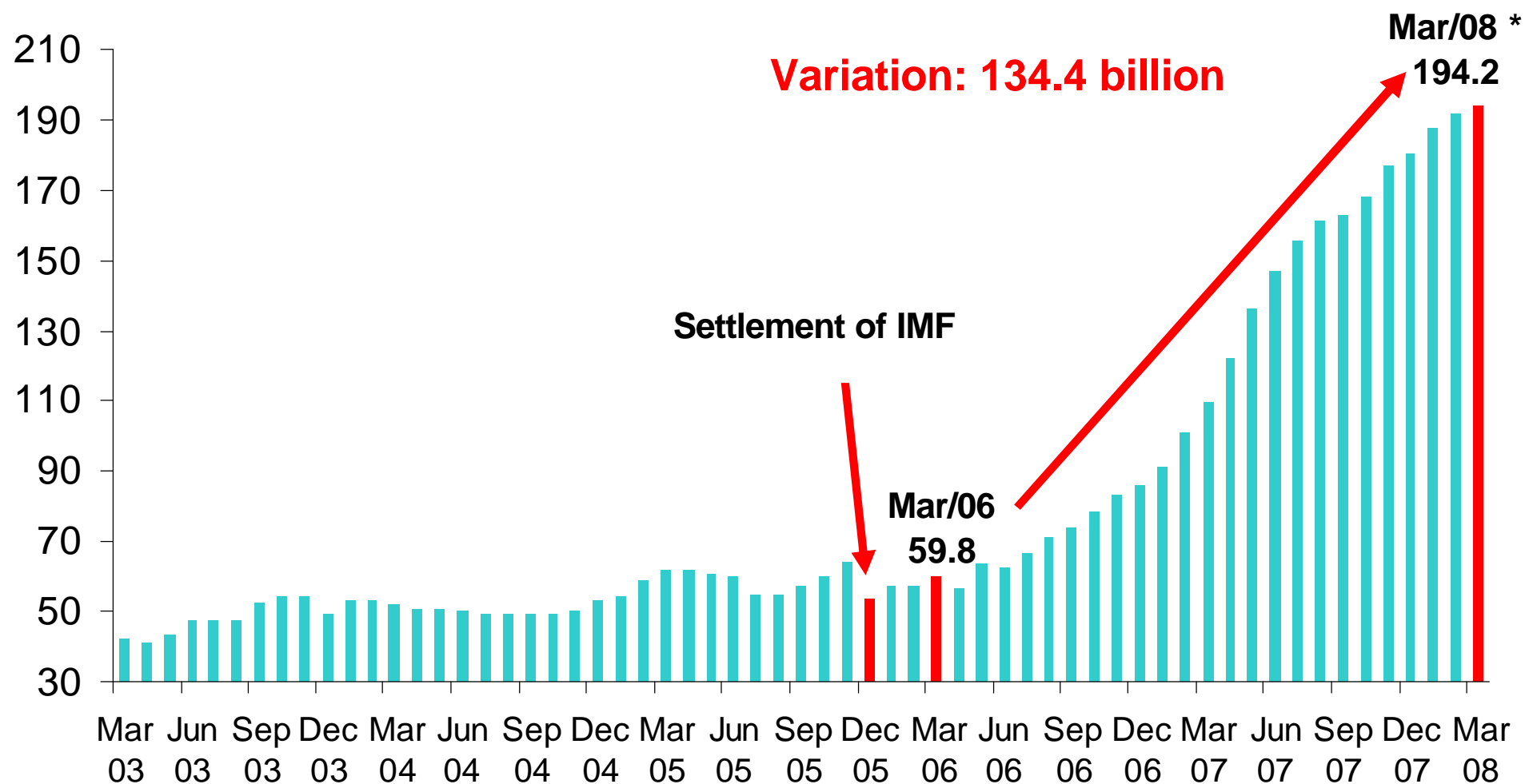
## SUSTAINABLE GROWTH

### ➤ Fiscal responsibility

- Consolidated public sector primary result: 4.15% of GDP (12-month cumulative – Jan/08)
- Nominal deficit :2.02% of GDP (12-month cumulative – Jan/08) – heading towards zero nominal deficit
- Net public debt: 42.1% of GDP in Jan/08 – reaching 36% in 2010



# INTERNATIONAL RESERVES (US\$ billion)



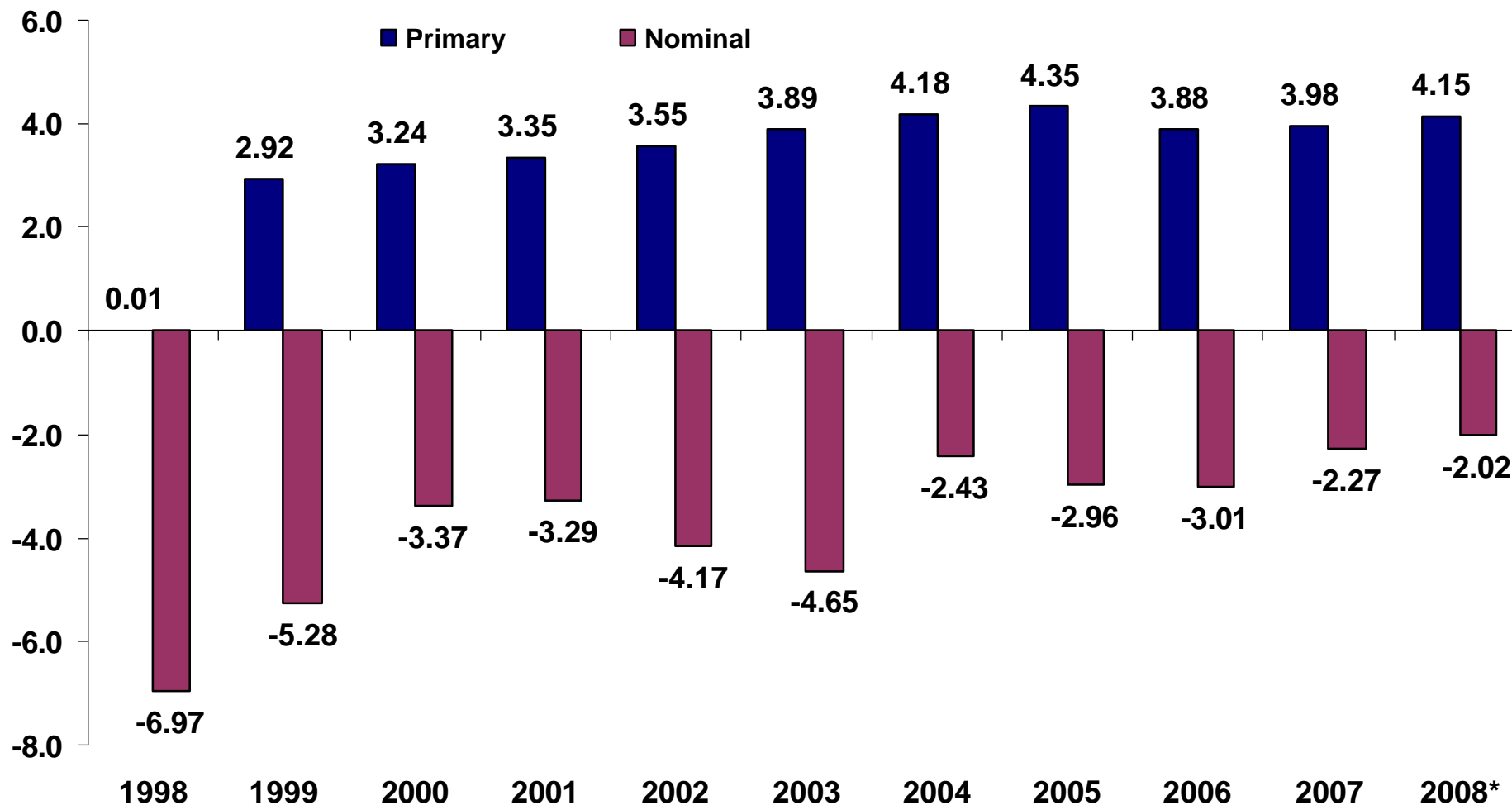
\*/ Position at: 03/10/2008

Source: BCB. Elaborated by: MF/SPE.



# NET PUBLIC SECTOR BORROWING REQUIREMENTS

(in 12 months - % of GDP)

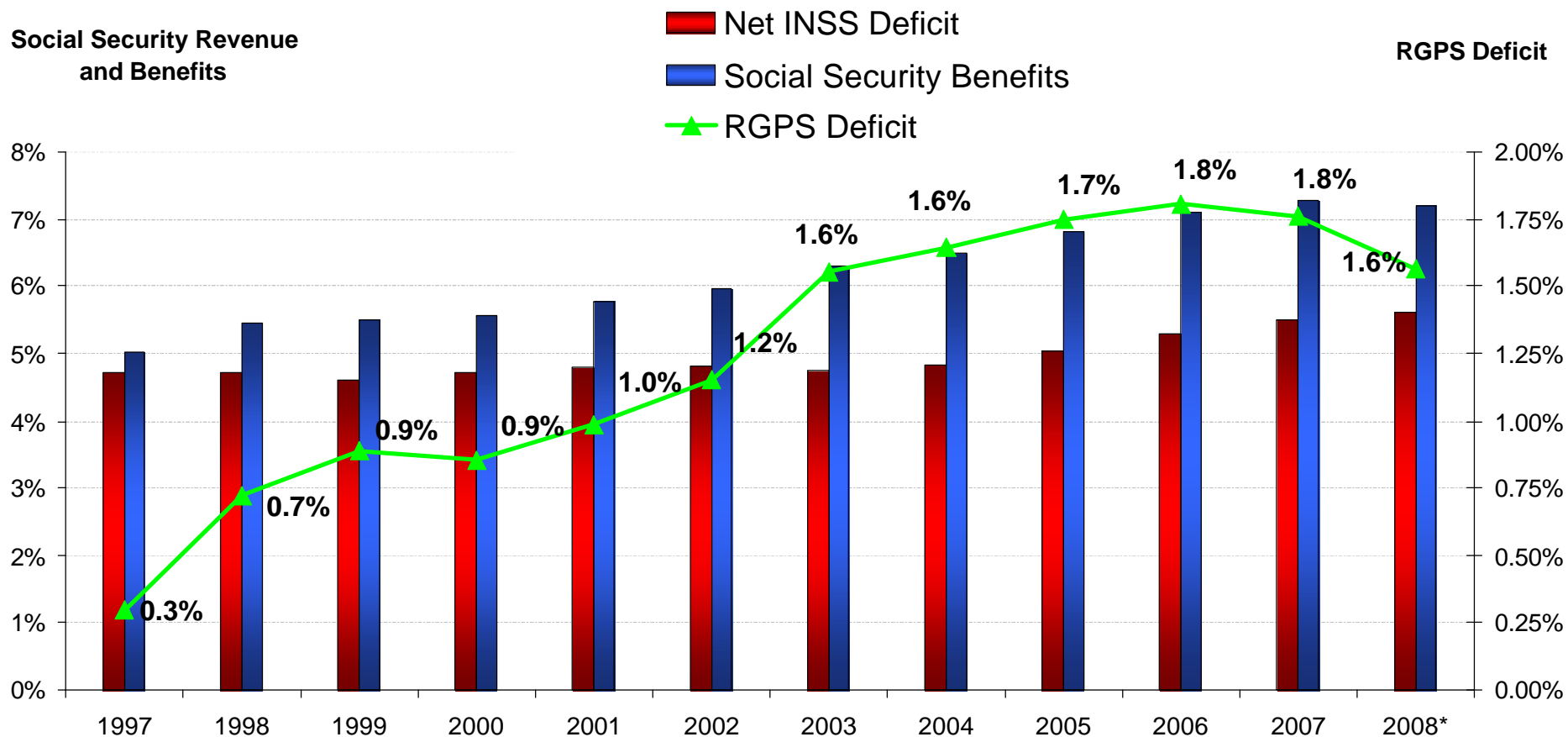


\*/ Up to January/08.

Source: Central Bank



# SOCIAL SECURITY GENERAL REGIME (RGPS): REVENUE, EXPENDITURES AND RESULT (% of GDP)

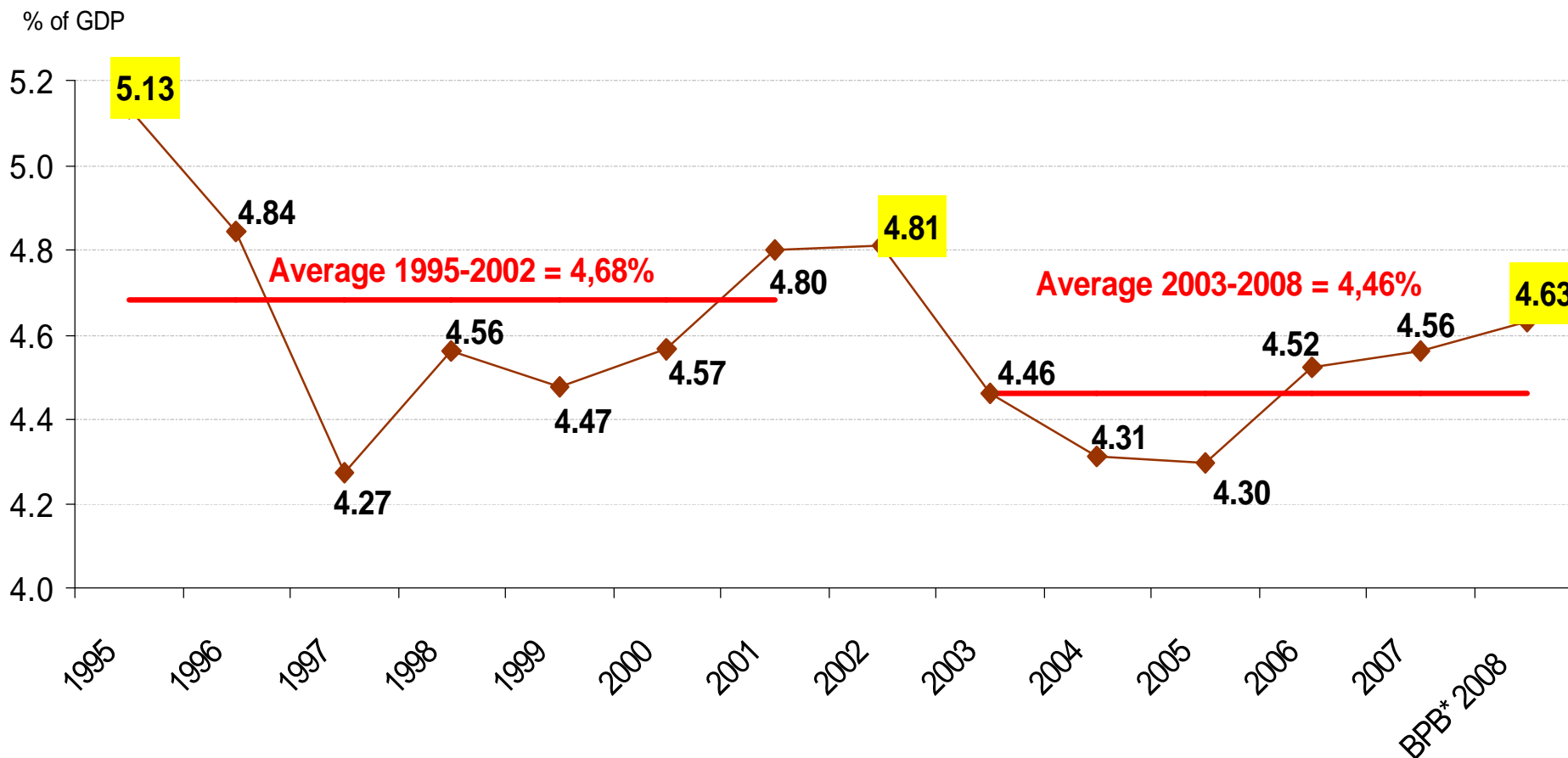


\* / Social Security Ministry estimation.

Source: MF/STN.



# EVOLUTION OF TOTAL GOVERNMENT PAYROLL (Not including CPSS)



\*/ Budget Proposal Bill

Source: MPOG/SOF.

Elaborated by: MF/SPE.



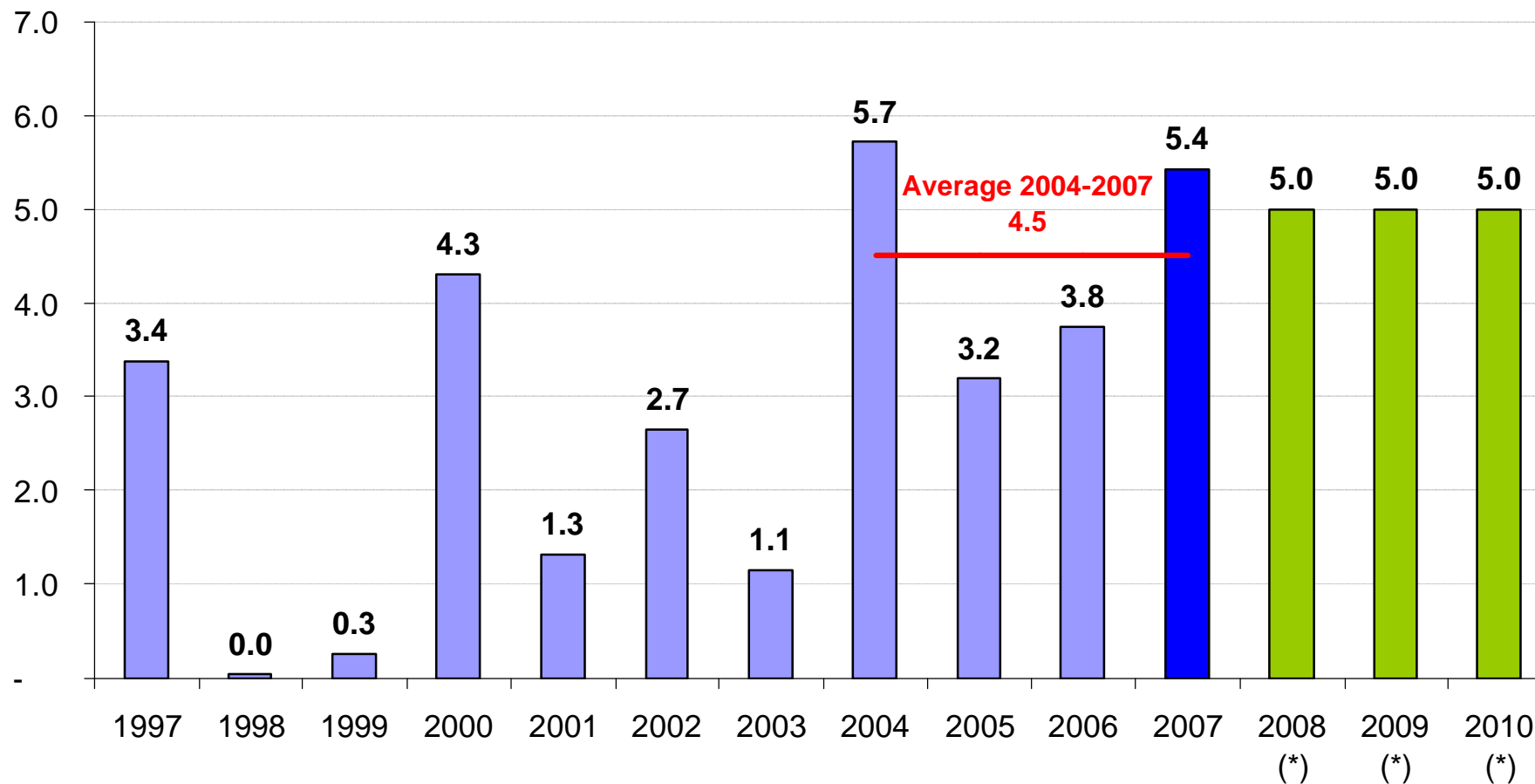
## SUSTAINABLE GROWTH

- Higher rates of growth
  - GDP growth: 24 consecutive quarters
  - Consumption growth: 17 consecutive quarters
  - Investment growth: 16 consecutive quarters
  - Sound financial sector
  - Higher profits in the private sector
  - Expanding domestic market



# GDP GROWTH

(annual rate – %)



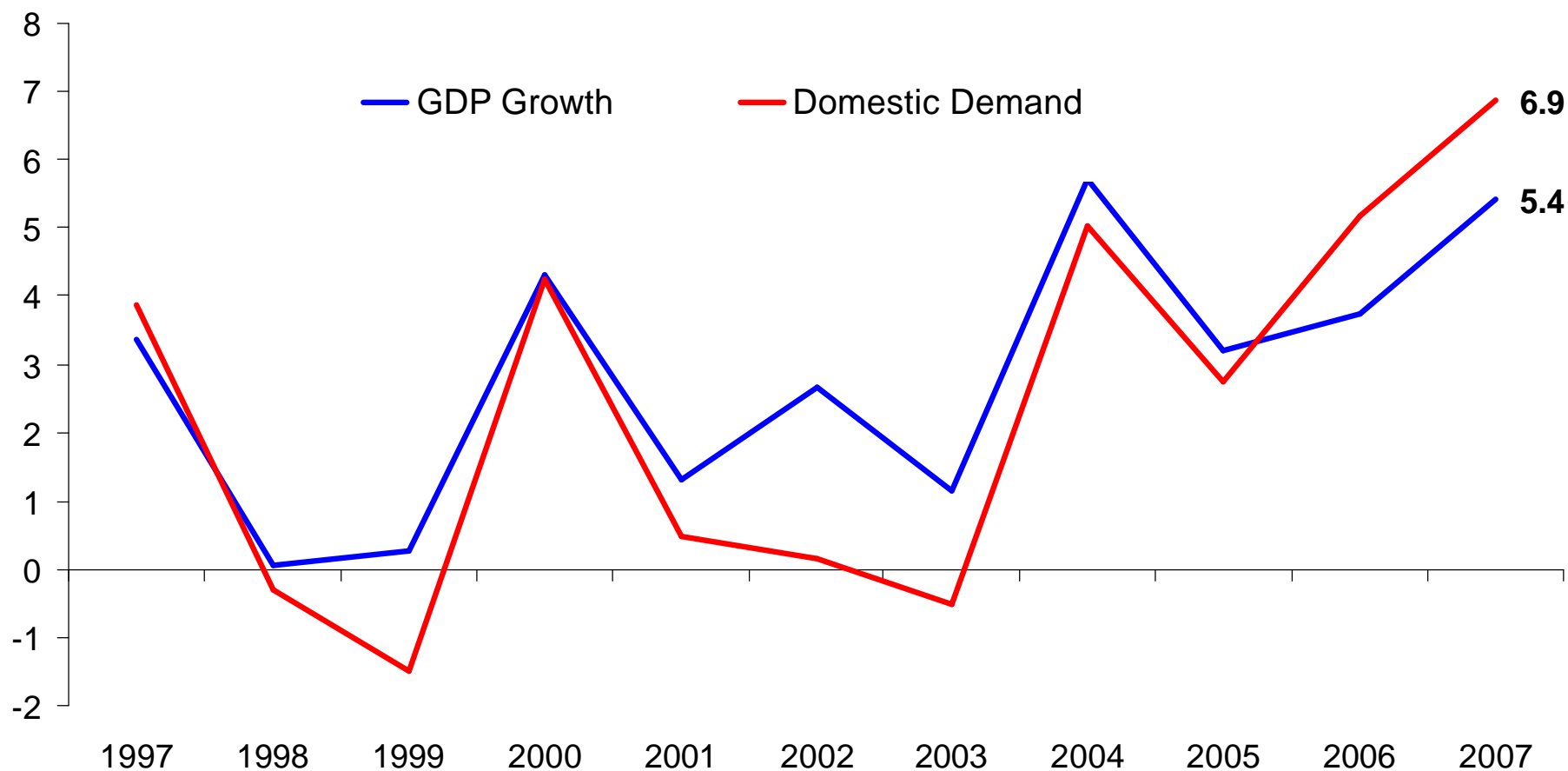
\*/ Government projections (PPA 2008-2011)

Source: IBGE.

Elaborated by: MF/SPE.



# CONTRIBUTION OF THE DOMESTIC DEMAND TO GDP GROWTH (%)



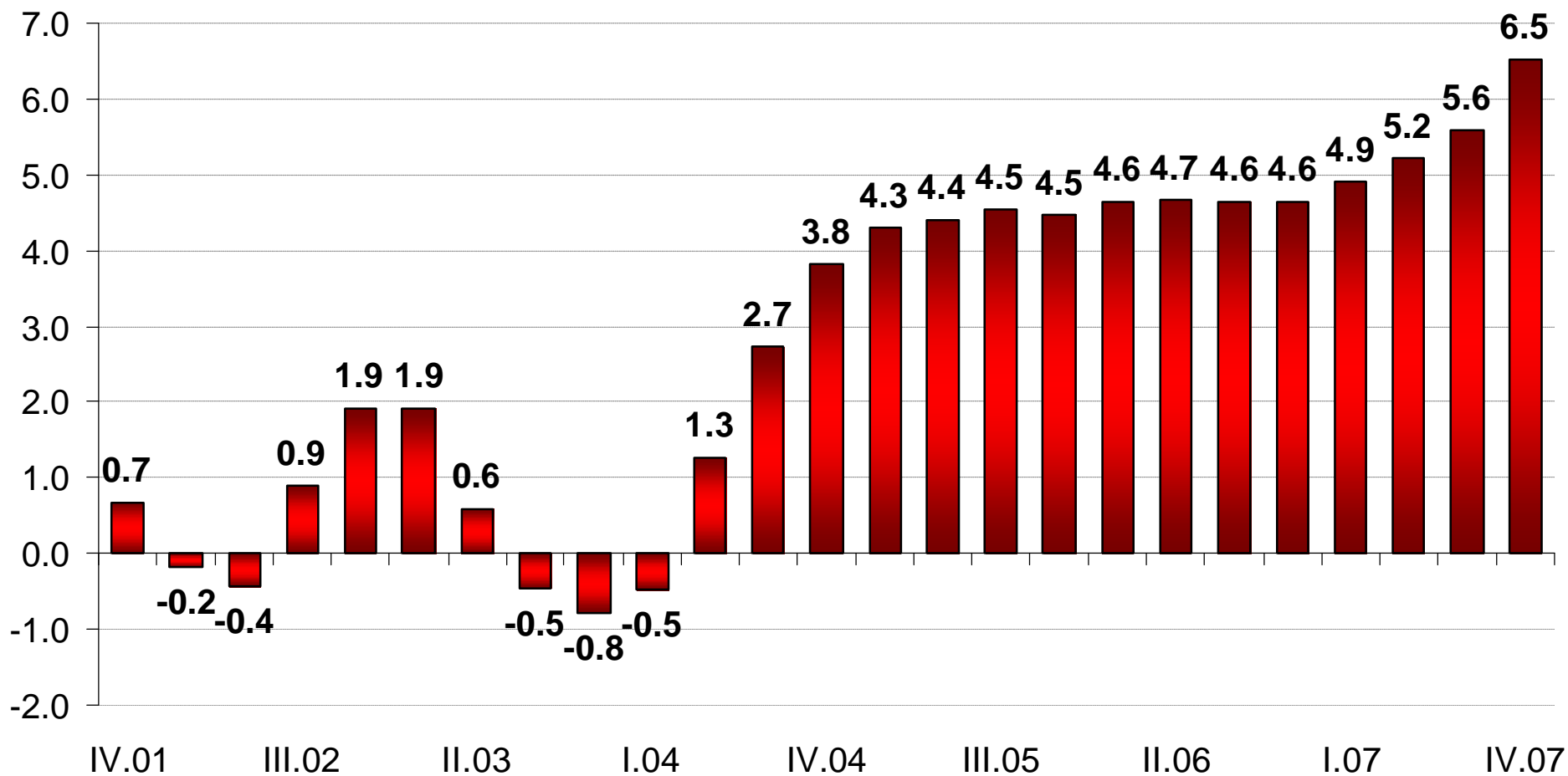
Source: IBGE.

Elaborated by: MF/SPE.



# HOUSEHOLD CONSUMPTION

(% variation accumulated in the last 4 quarters)





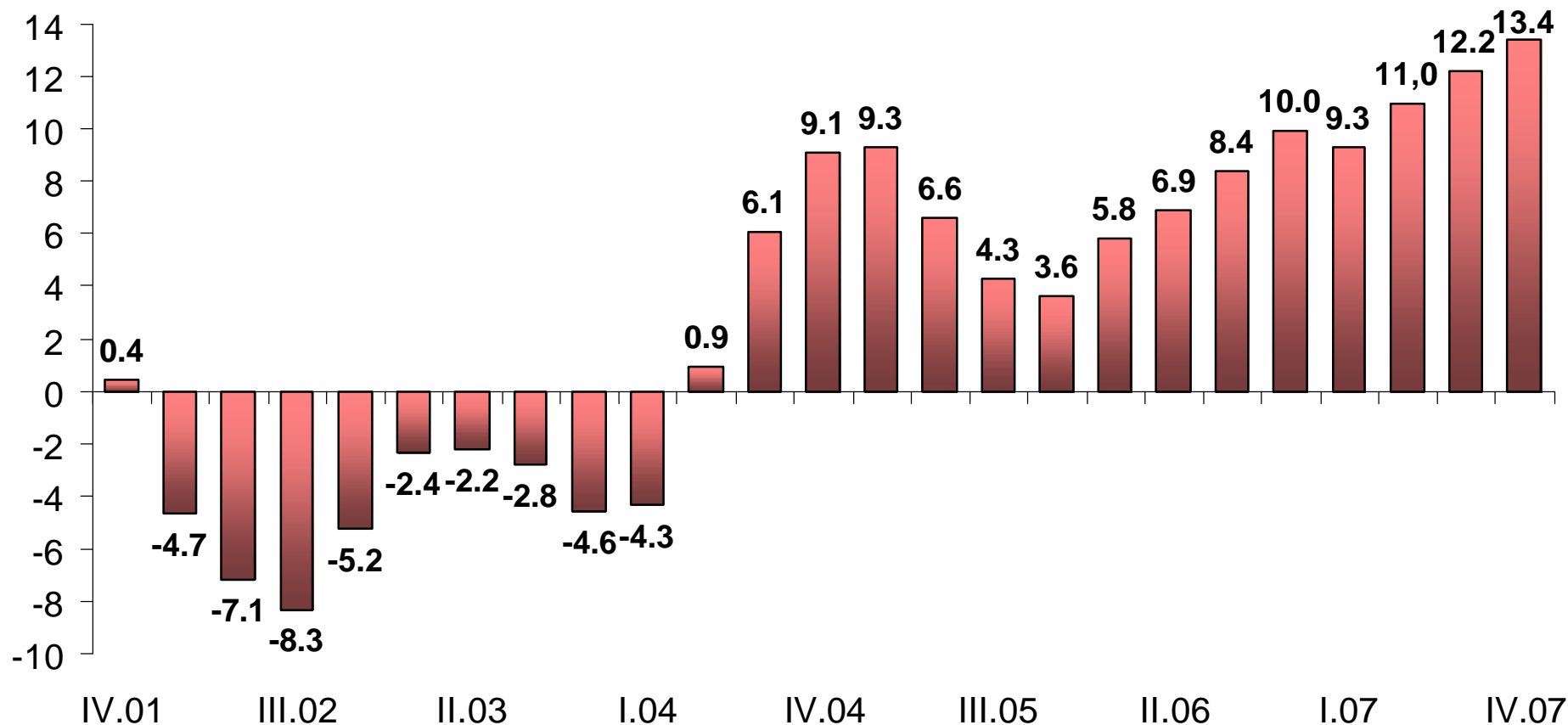
## MASS MARKET

- Enhancement of the Population Consumption Capacity
  - Expansion of employment and income
  - Minimum salary wage
  - Credit revolution
  - Expansion of social programs
  - Inflation under control
  
- Emerging New Middle Class



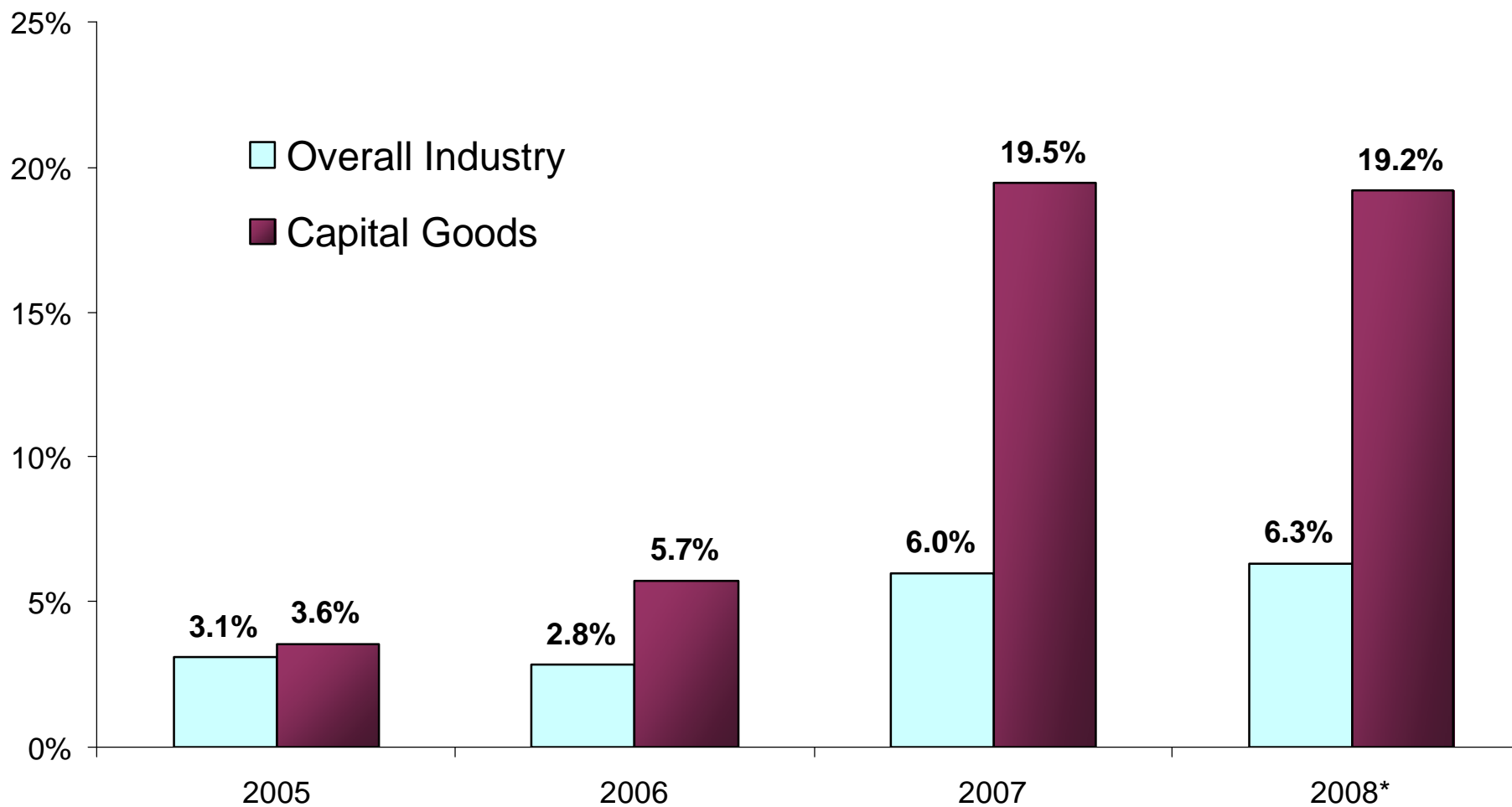
# INVESTMENT

(% variation accumulated in the last 4 quarters)





## INDUSTRIAL AND CAPITAL GOODS PRODUCTION (% growth rate)



\*/ 12-month cumulative up to January/08

Source: IBGE.

Elaborated by: MF/SPE.



## ECONOMIC, GROWTH AND DEVELOPMENT POLICY

The immediate challenges faced by the Federal Government are:

- Tax reform
- Reduction of the tax burden
- Social Security reform
- Political reform
- Positive credit bureau
- Investment grade, interest rate reductions
- Current expenditure control
- **Increase in infra-structure investments – PAC**

