



New Cycle of Brazilian Economic Growth

Financial Times

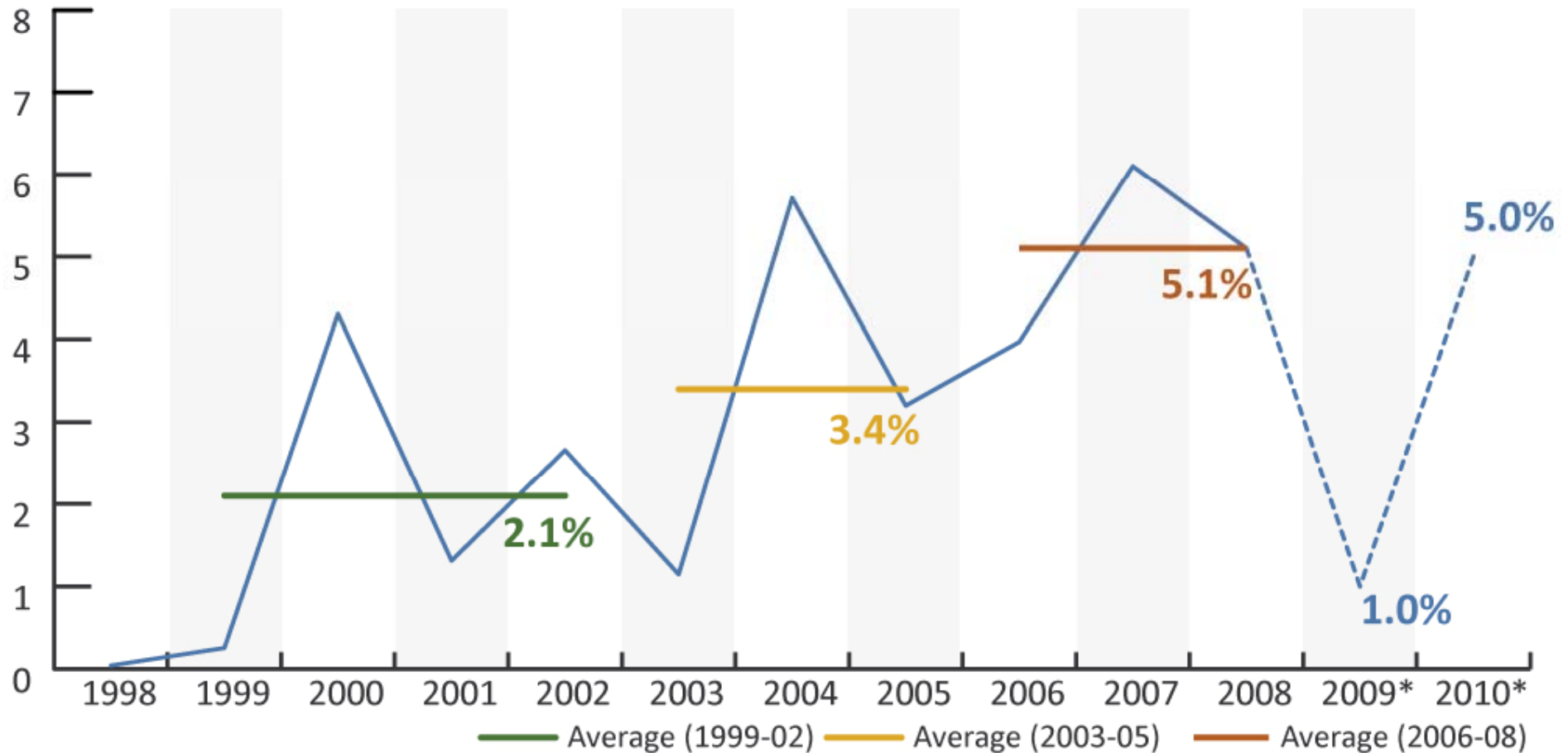


Min. **Guido Mantega**
November 2009

Reasons to begin a new growth cycle

- Brazil faced the crisis with a strong economy;
- Emerged from it stronger than before;
- Most of the countries emerged with low growth and imbalances
- Brasil emerged with high growth and good fundamentals.

GDP Annual Growth Rate

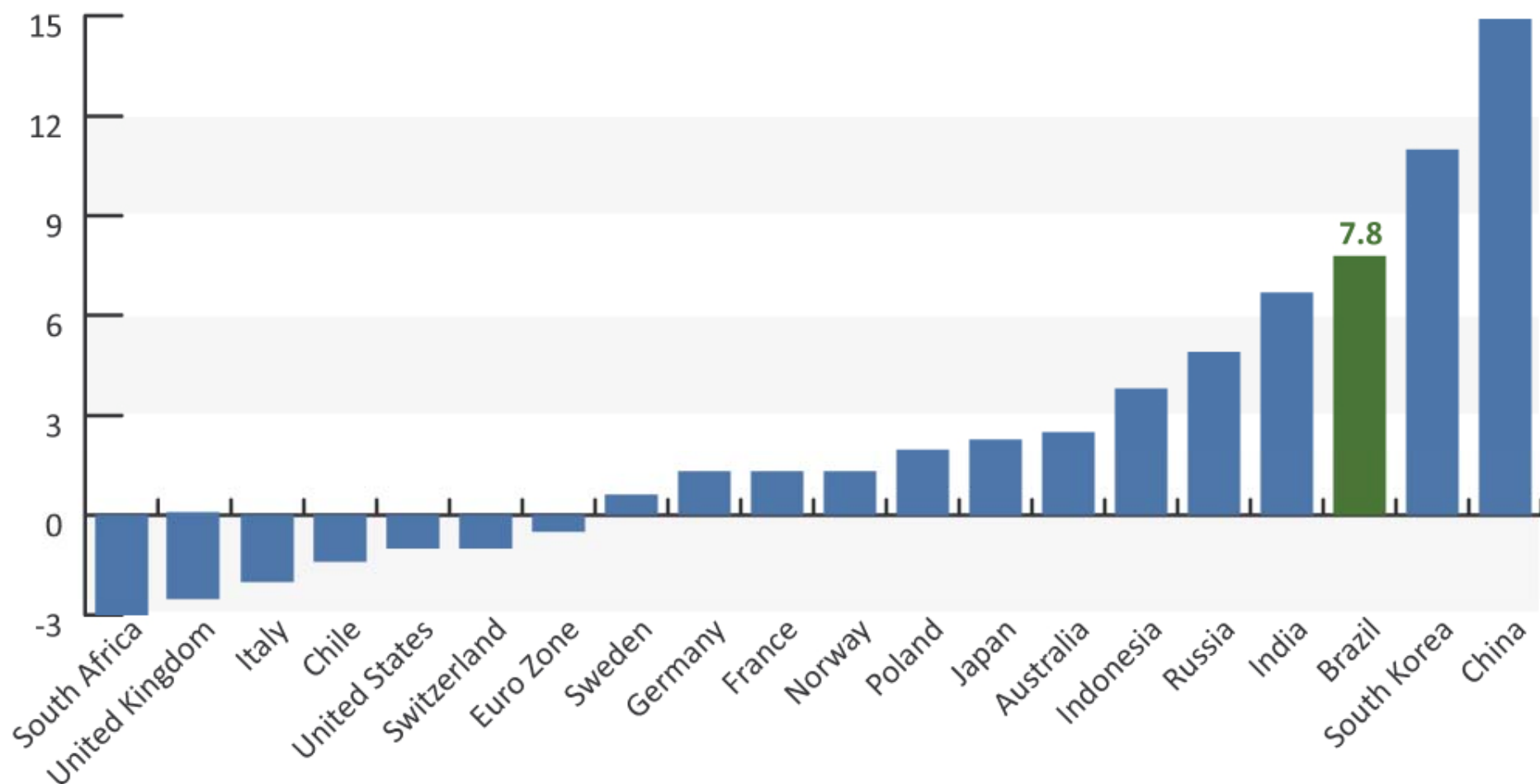


* Government forecasts.

Source: IBGE
Produced by: Ministério da Fazenda

GDP Growth – International Comparison

2nd Quarter/09* - %



* Growth relative to the previous quarter (1st Q 2009), annualized and seasonally adjusted.

Source: GDW JP Morgan 09/11/2009 and IBGE for Brazil

Impact of Anti-cyclical Policies

Summary of Policy Actions	% of GDP
Tax reductions.	0.4
Increase in investments and public expenditure	0.6
Interest rate equalizations and others.	0.2
Total (2009 only)	1.2

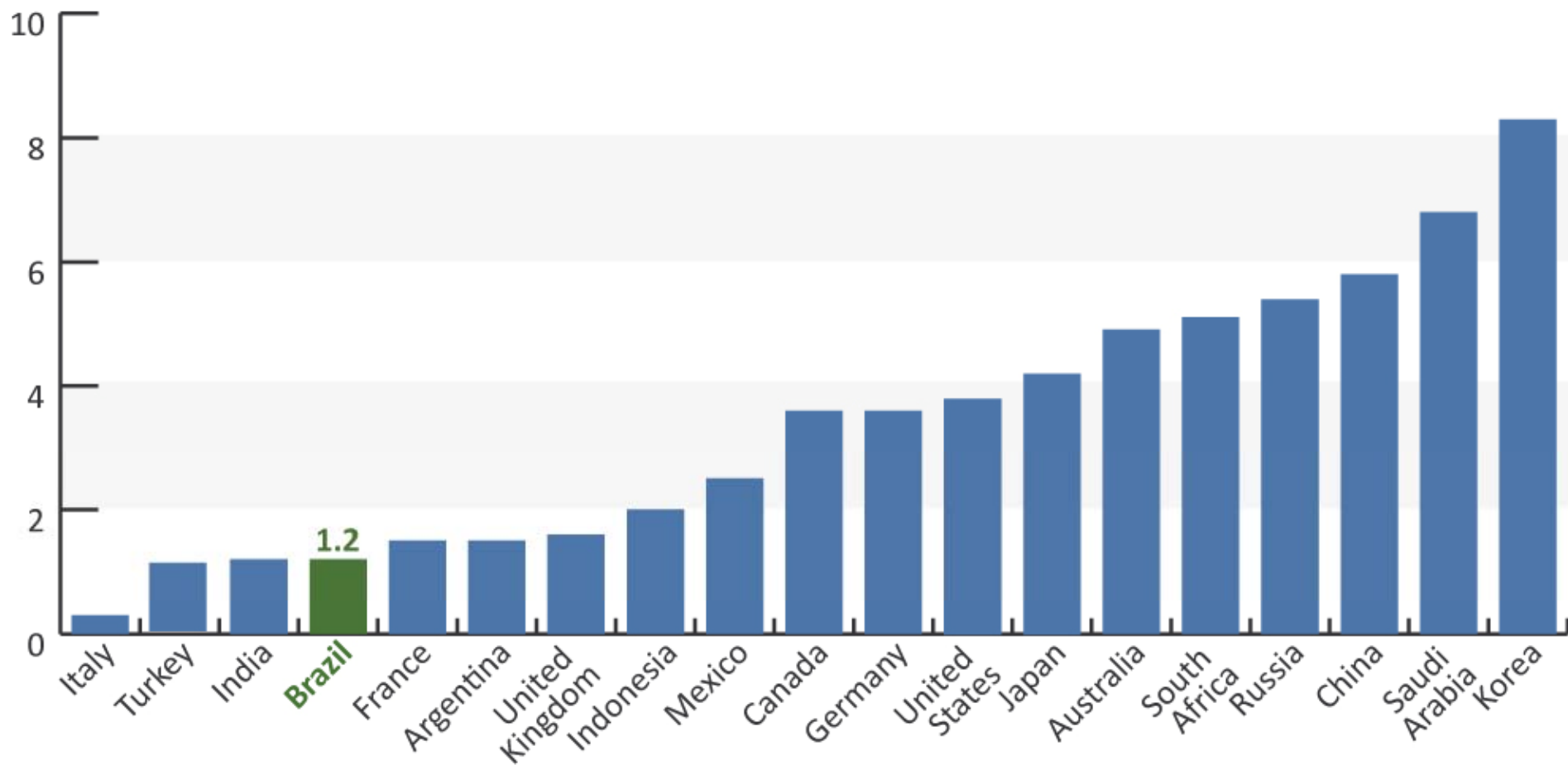


2.5 to 3.0 pp INCREASE in 2009's GDP

EXAMPLE (GDP 2009)	
Without stimulus would be	With stimulus will be
-2.0%	+1.0%

Fiscal Stimulus*

% of GDP



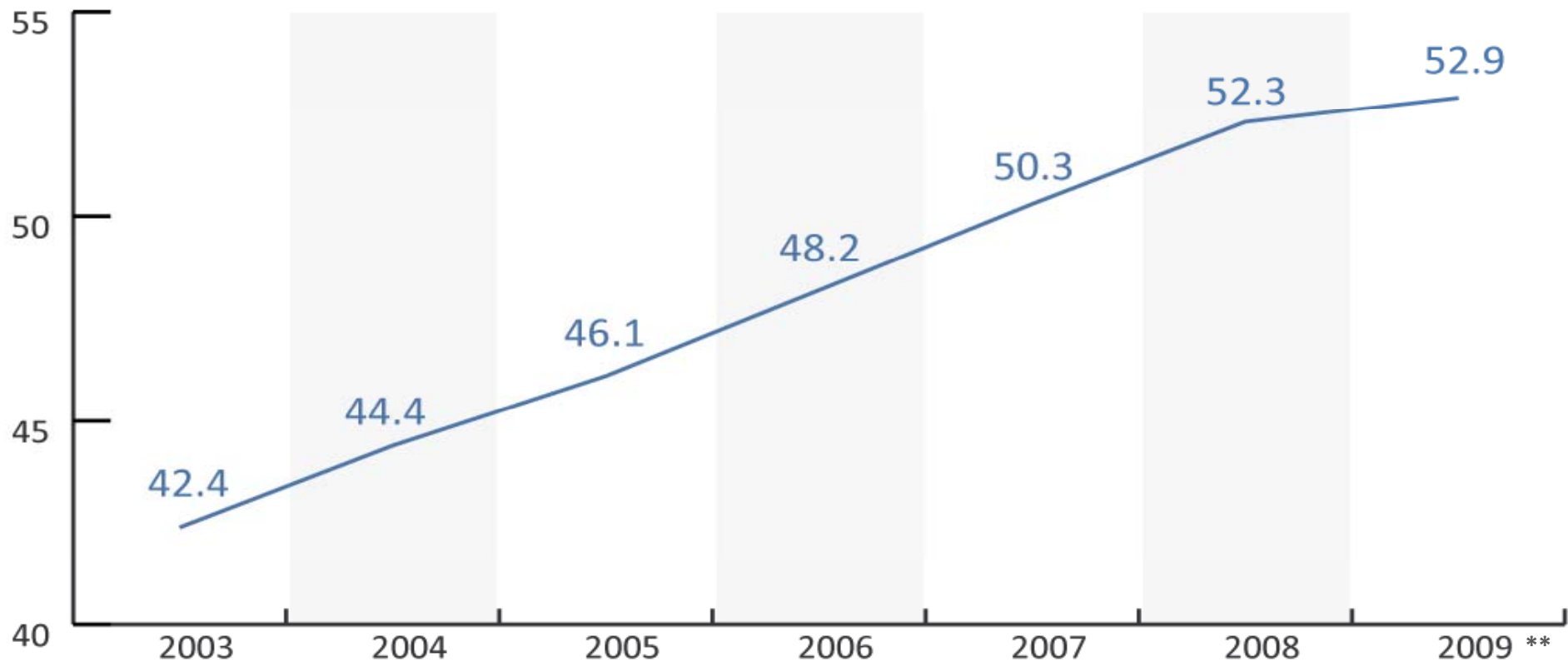
*Discretionary actions related to the crisis with fiscal effects in 2009 and 2010

Source: IMF
Produced by: Ministry of Finance

Expanding Domestic Market

Middle Class in the Big Cities*

% of the total population – annual



* Cities surveyed: Recife, Salvador, Belo Horizonte, Rio de Janeiro, São Paulo e Porto Alegre

** January to July

Source: FGV and IBGE
Produced by: Ministry of Finance

Vehicles

1000 units per person (2007)

COUNTRY	1000 units/person
Brazil	135
USA	820
Germany	535
Spain	606
France	600
Mexico	243
South Korea	339

Source: ANFAVEA

Produced by: Ministry of Finance

Vehicles

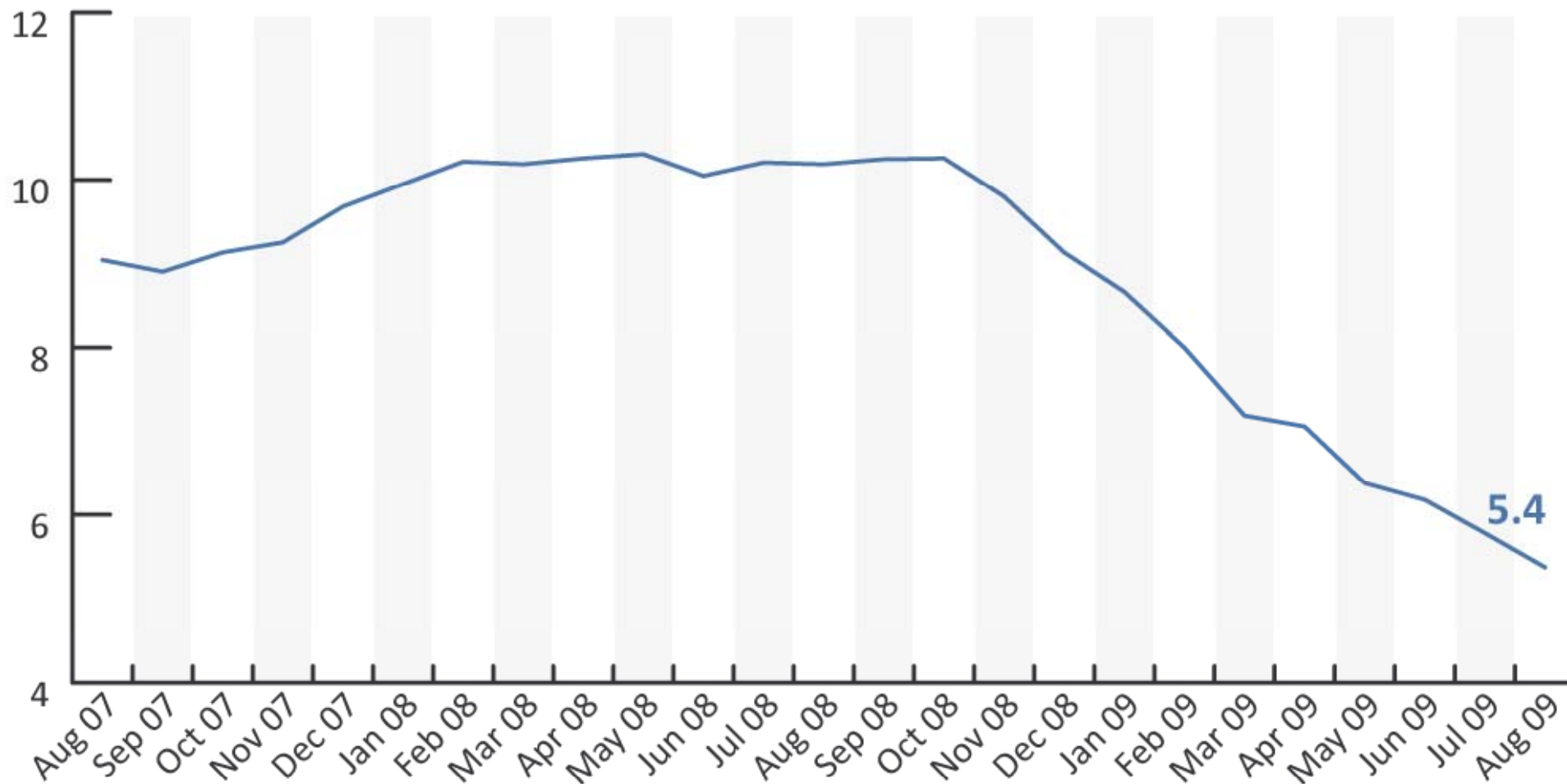
Countries	Units of vehicles (million)	Inhabitants per vehicles ()
USA	247.3	1.2
Japan	75.7	1.7
Germany	44.0	1.9
UK	35.4	1.7
Italy	40.4	1.5
France	37.0	1.7
Spain	27.2	1.6
Canada	20.5	1.6
Argentina	8.3	4.8
Brazil	27.5	6.9

Source: ANFAVEA

Produced by: Ministry of Finance

Retail Sales Volume Index

12 months variation (%)

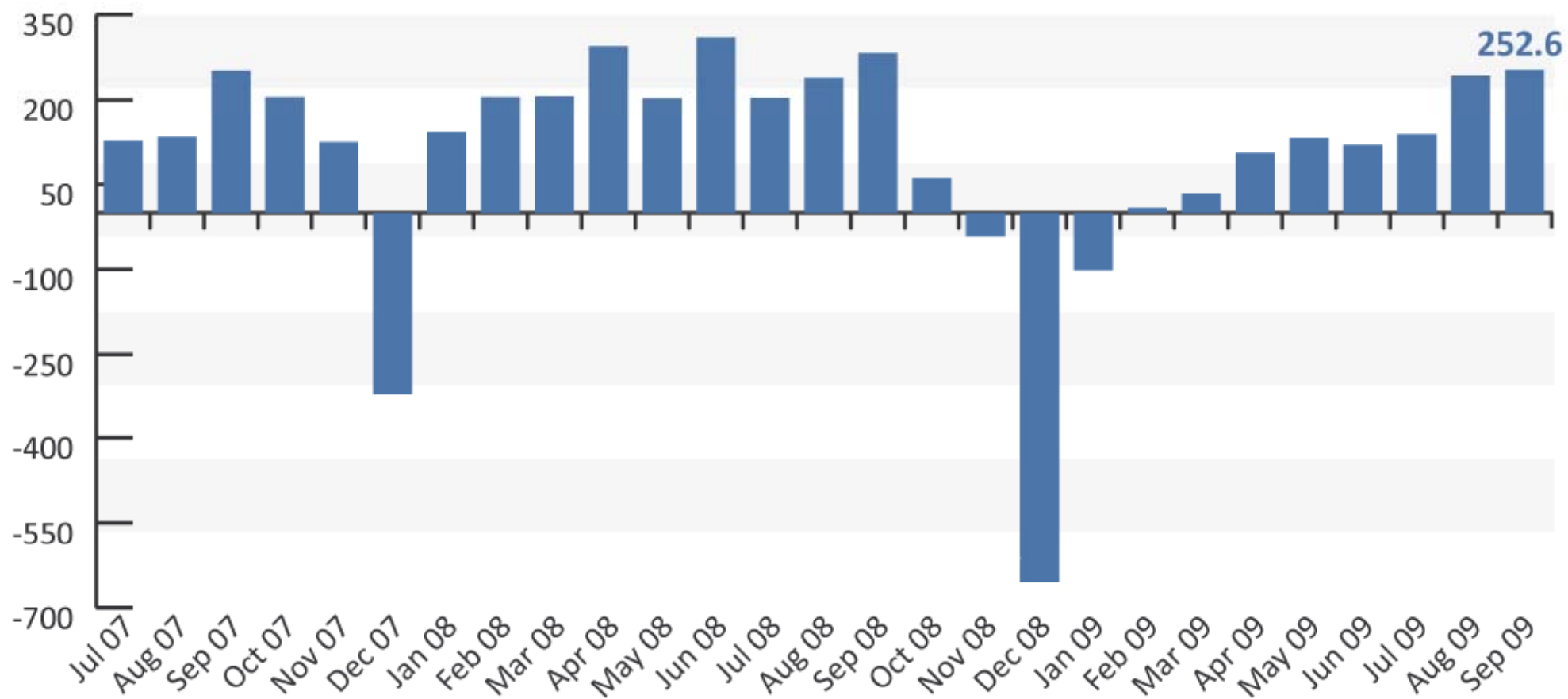


Source: IBGE

Produced by: Ministry of Finance

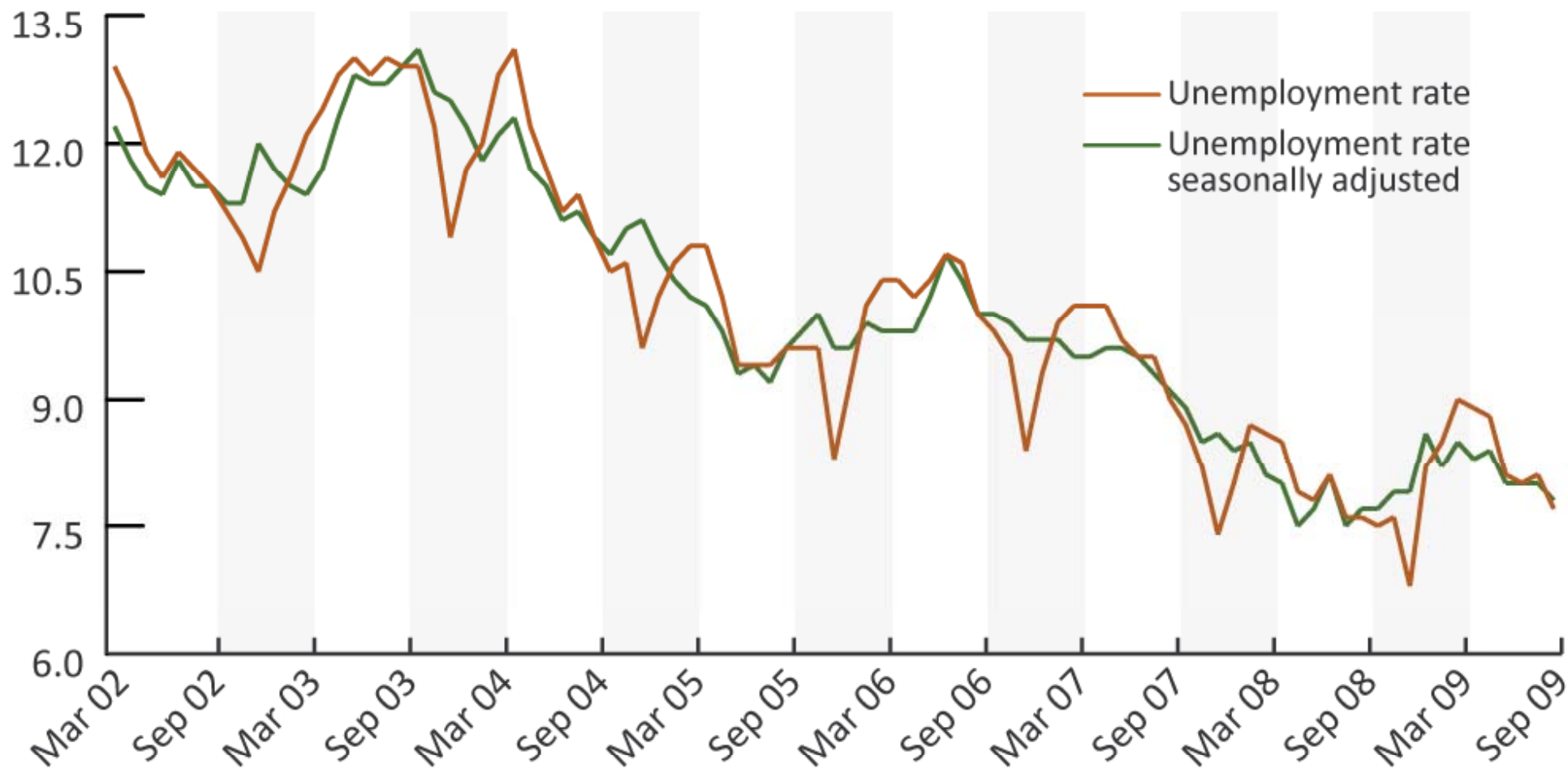
Job Positions – Net of Dismissals

Absolute change in thousands of workers



Source: MTE/CAGED
Produced by: Ministry of Finance

Unemployment Rate

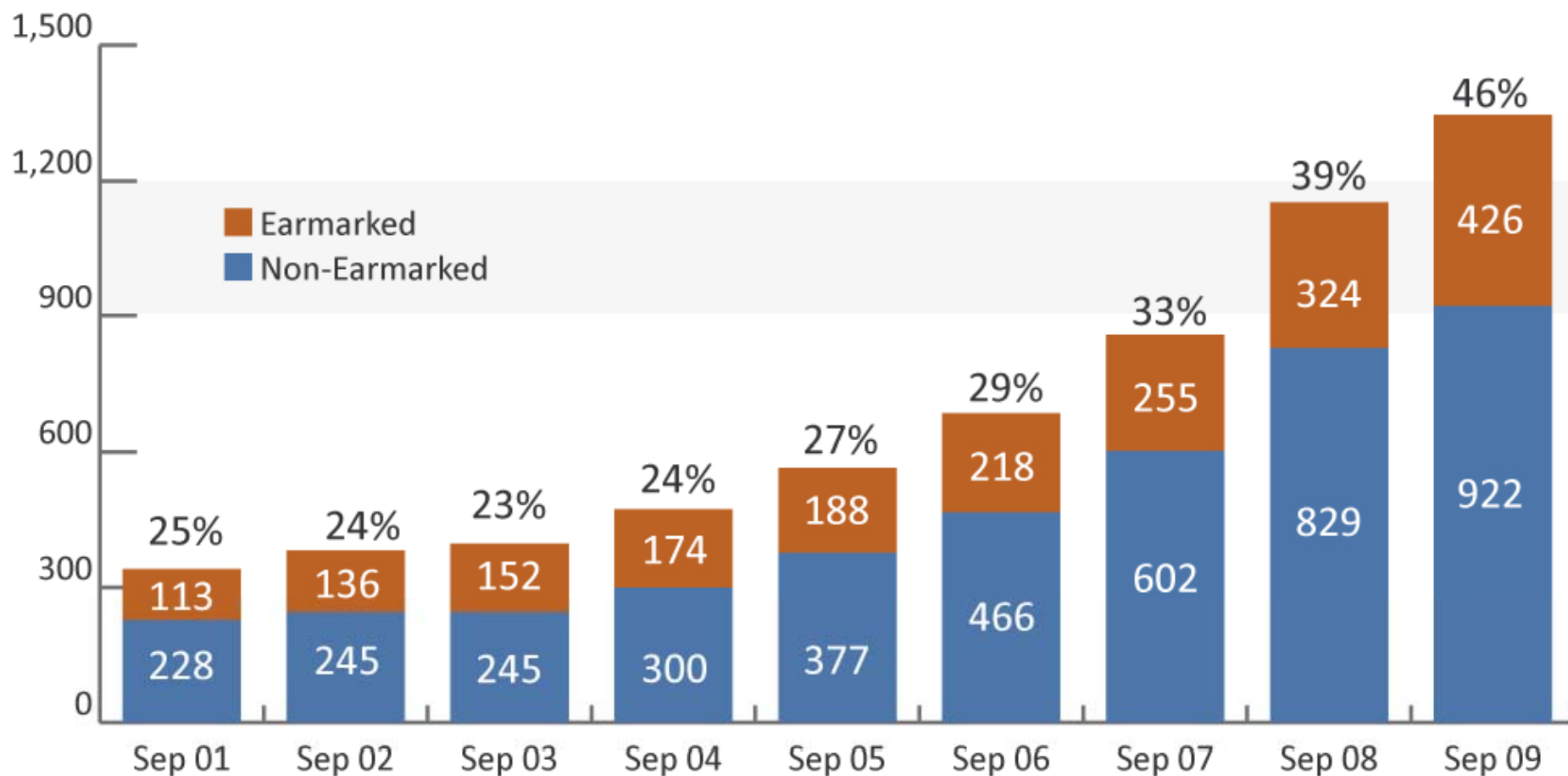


Source: IBGE
Produced by: Ministry of Finance

Solid Financial System

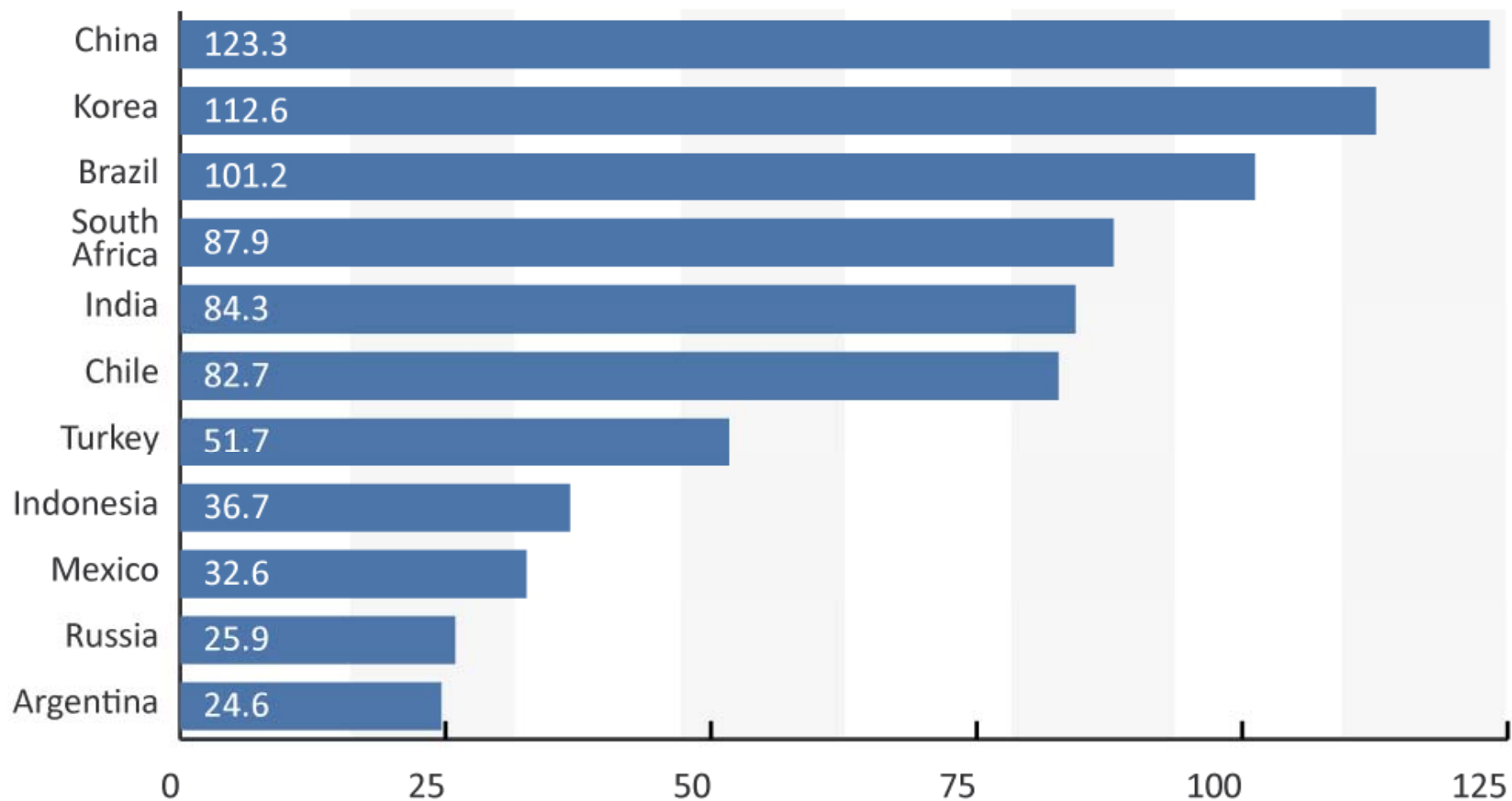
Evolution of Credit Composition

(net nominal values)
Total % of GDP



Source: Central Bank of Brazil
Produced by: Ministry of Finance

Domestic Credit as % of GDP

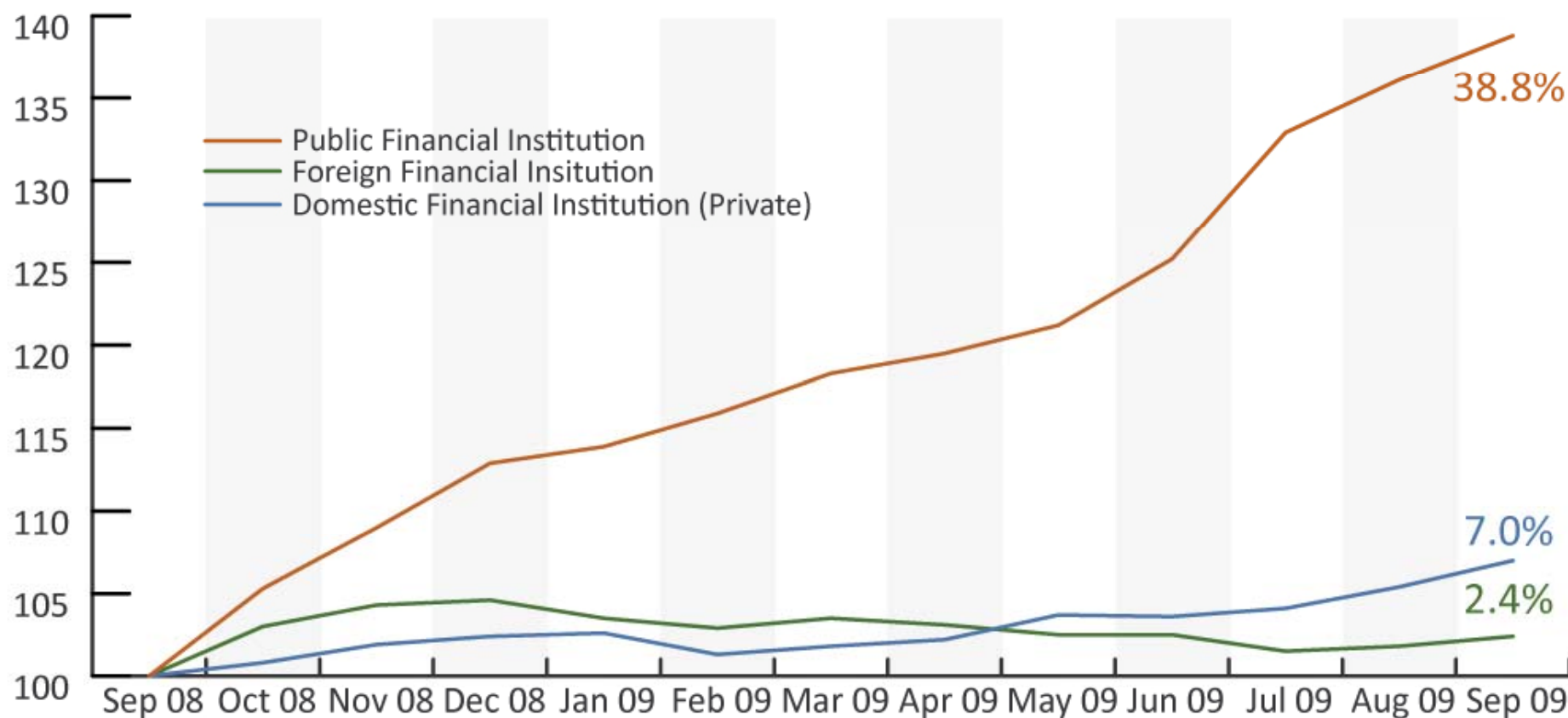


Source: Credit Suisse

Produced by: Ministry of Finance

Public Banks Sustained Credit Growth After the Crisis

Index number: sep 08 = 0%

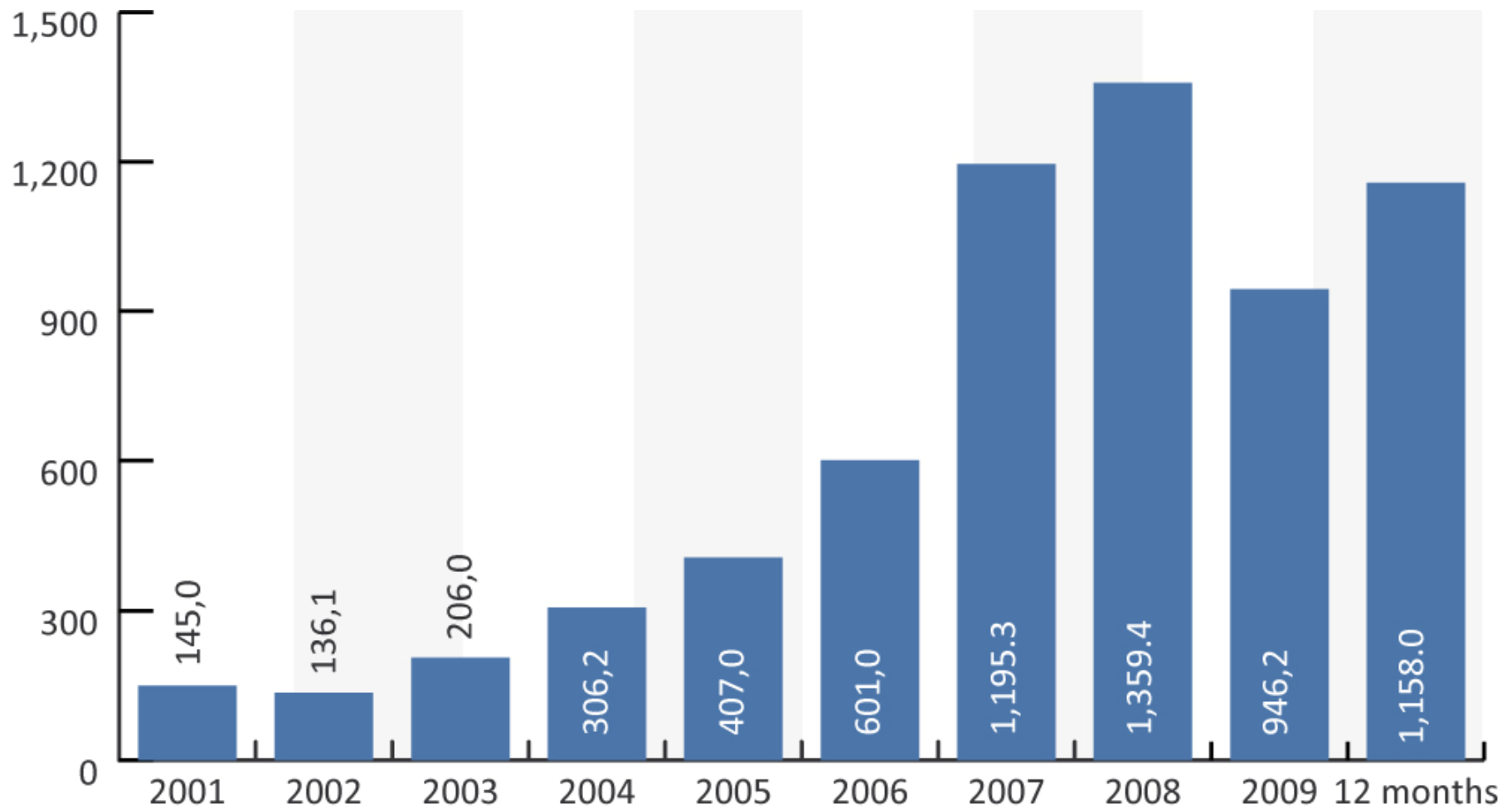


Source: Central Bank of Brazil
Produced by: Ministry of Finance

Capital Markets

BOVESPA Trade Volume

R\$ billion

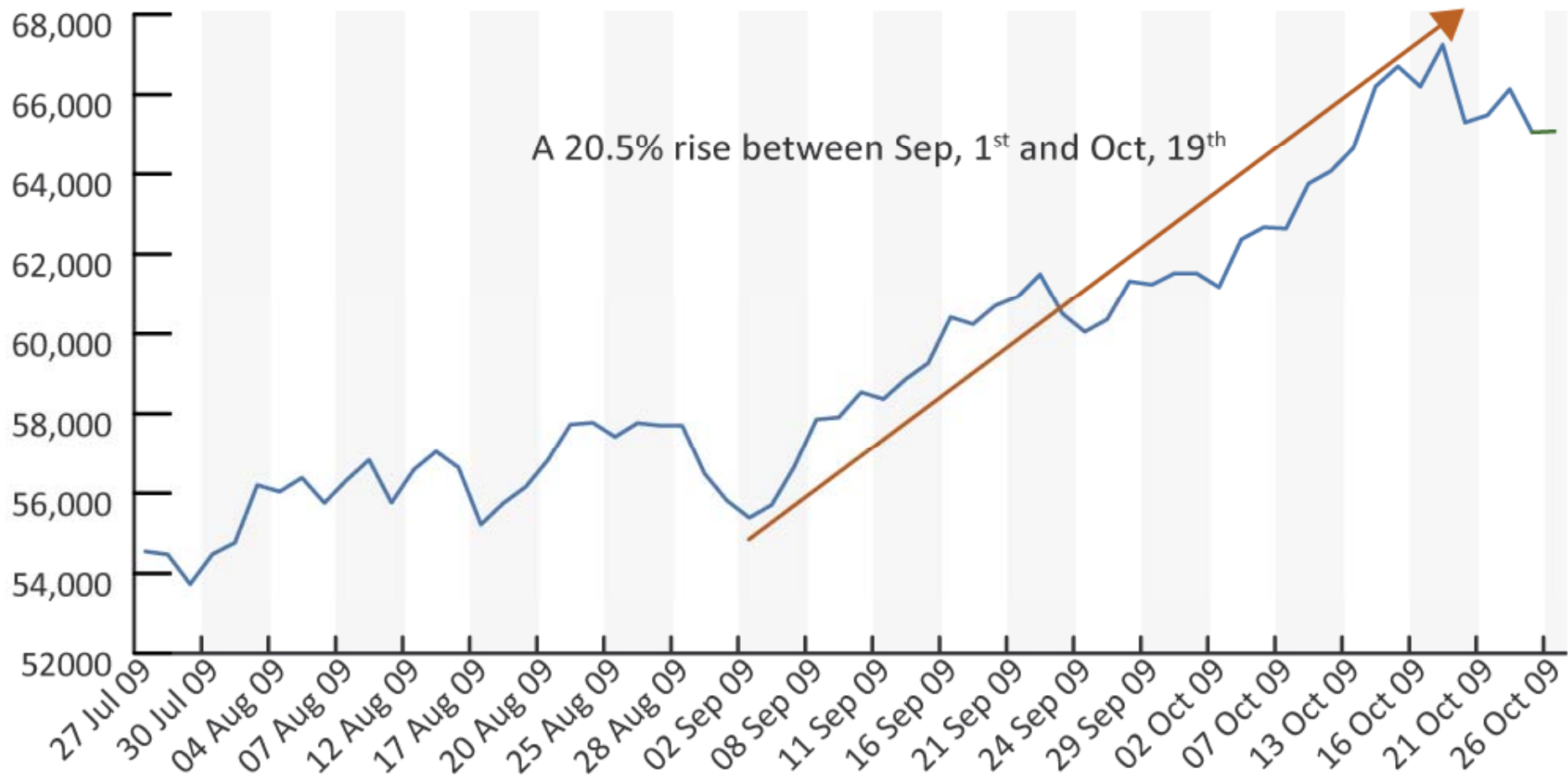


Source: BOVESPA

Produced by: Ministry of Finance

Brazilian Stock Exchange - Rational exuberance

Biggest world ADR bussiness – Bovespa Index

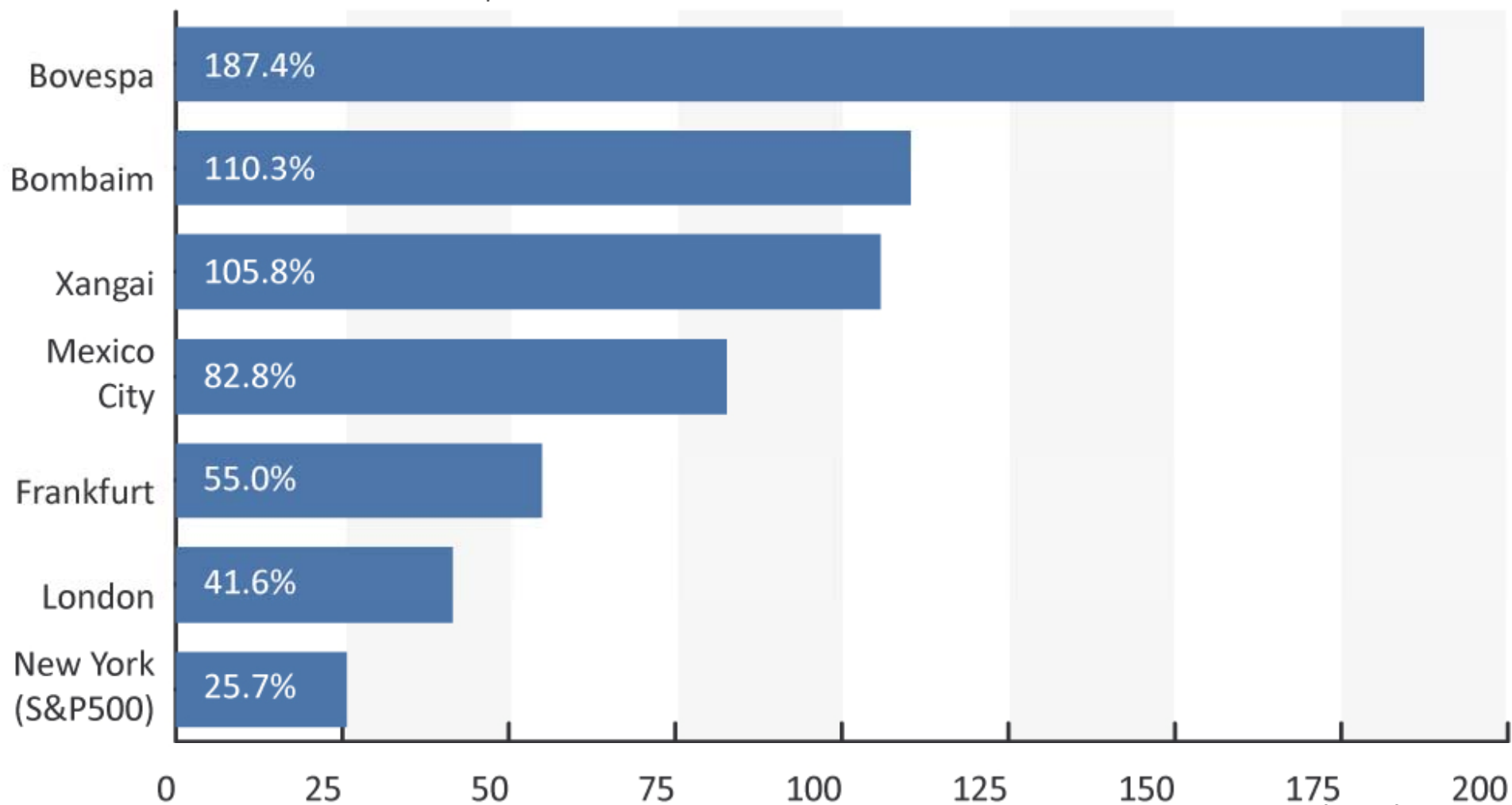


Source: BOVESPA

Produced by: Ministry of Finance

Stock Exchange Capitalization

12 months variation in US\$



Source: Bloomberg

Produced by: Ministry of Finance

Great Attractiveness of the Brazilian Economy

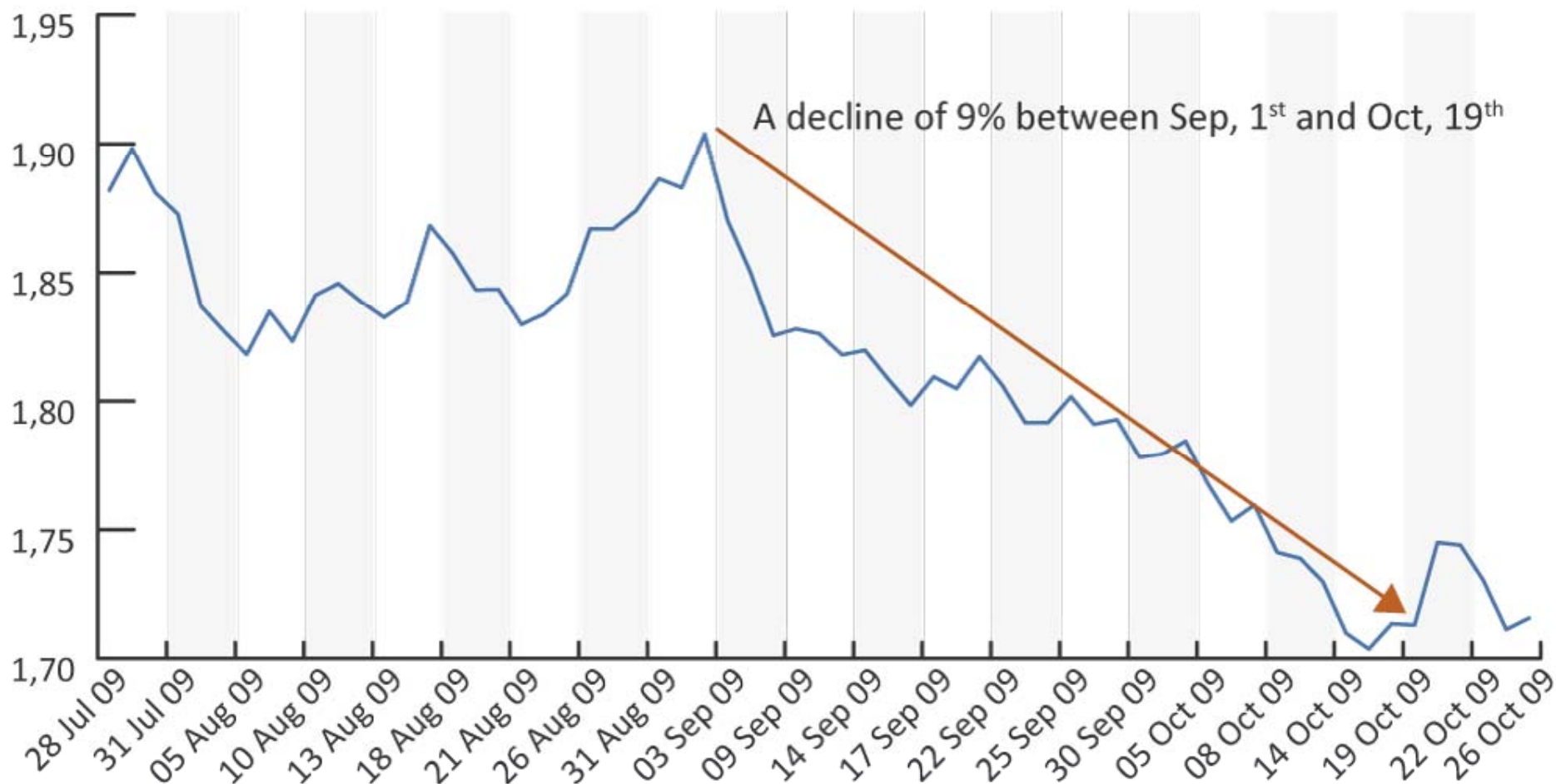
- Strong perspectives for a new growth cycle
- Expanding investments, domestic markets and produce commodities
- There are not many similar high return opportunities in the world
- Brasil is a free market for international investors (no external capital controls like China and India)

Purchase of Reserve Currencies and 2% Tax Avoid “Fatal Attration”and “Inevitable bubble”

- The adoption of a 2% Tax on capital inflows, equity and assets, reduced only marginally the returns on long-term investments;
- Taxation intended to reduce incentives only for short-term transactions, and prevent currency overvaluation and undershooting
- Brazil still offers the best carry trade in market, with an official interest rate (SELIC) of 8.75%;

Brazilian Exchange Rate

BRL



Source: Central Bank of Brazil
Produced by: Ministry of Finance

Real Overvaluation

- Real is the most overvalued currency – Goldman Sachs
- Currency equilibrium Tax

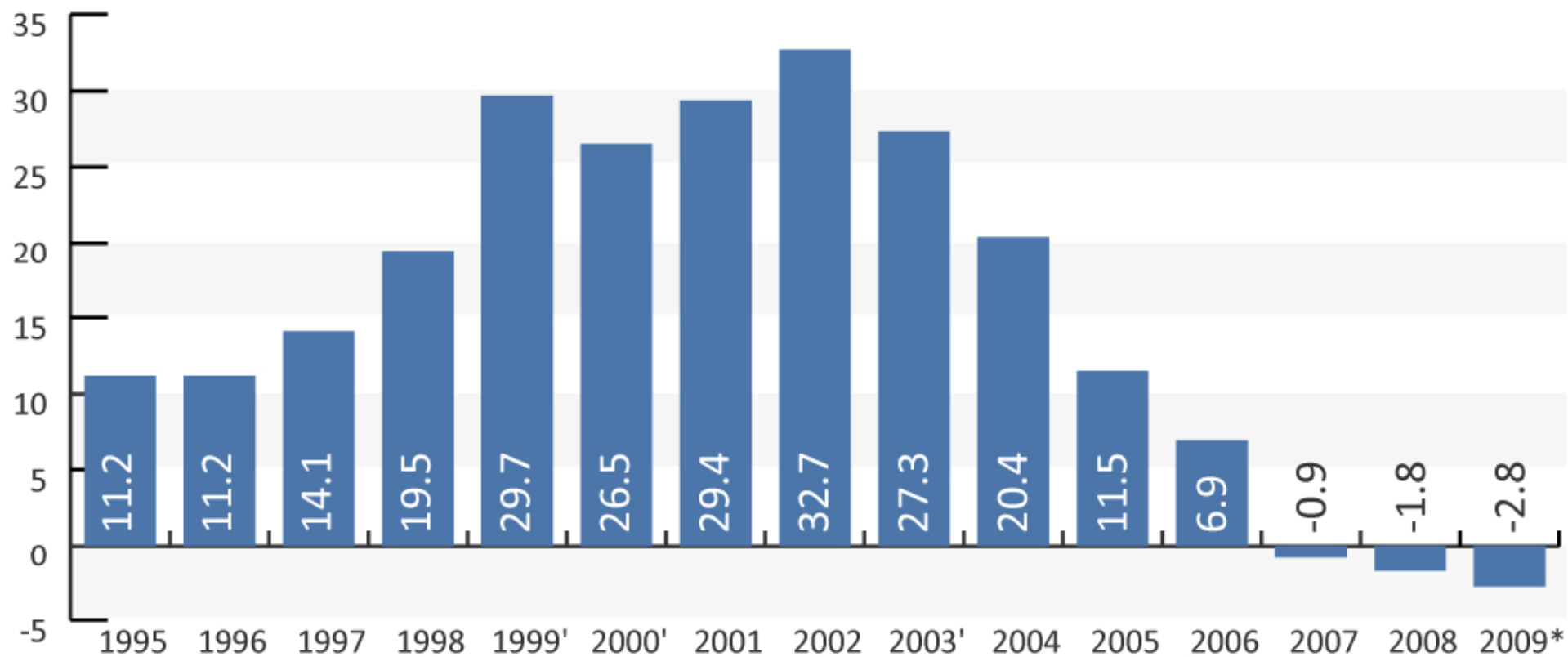
USD	R\$ 2,63	+51%
Euro		+23%
Chinese		+50%
Corea		+45%
Argentina		+80%

Large and diversified Investment Programs

- Logistics and Infrastructure, including mega-projects in electricity and transportation;
- Popular Housing program;
- Oil Fields at the “*Pre-sal*”;
- 2014 World Cup;
- 2016 Olympic Games.

Total External Net Debt

% of GDP



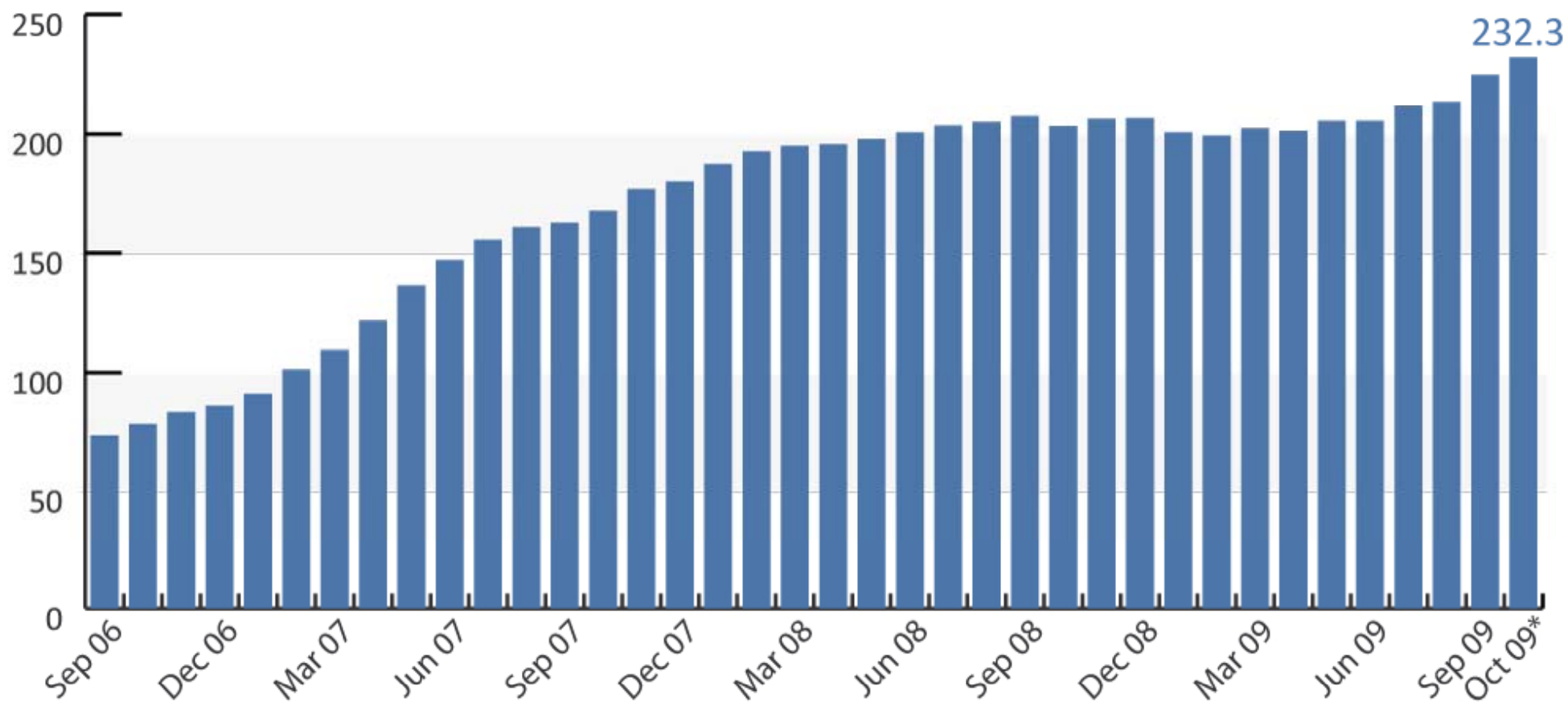
*Forecast

Source: Central Bank of Brazil
Produced by: Ministry of Finance

Foreign Exchange Reserves

(International Liquidity)

US\$ billion



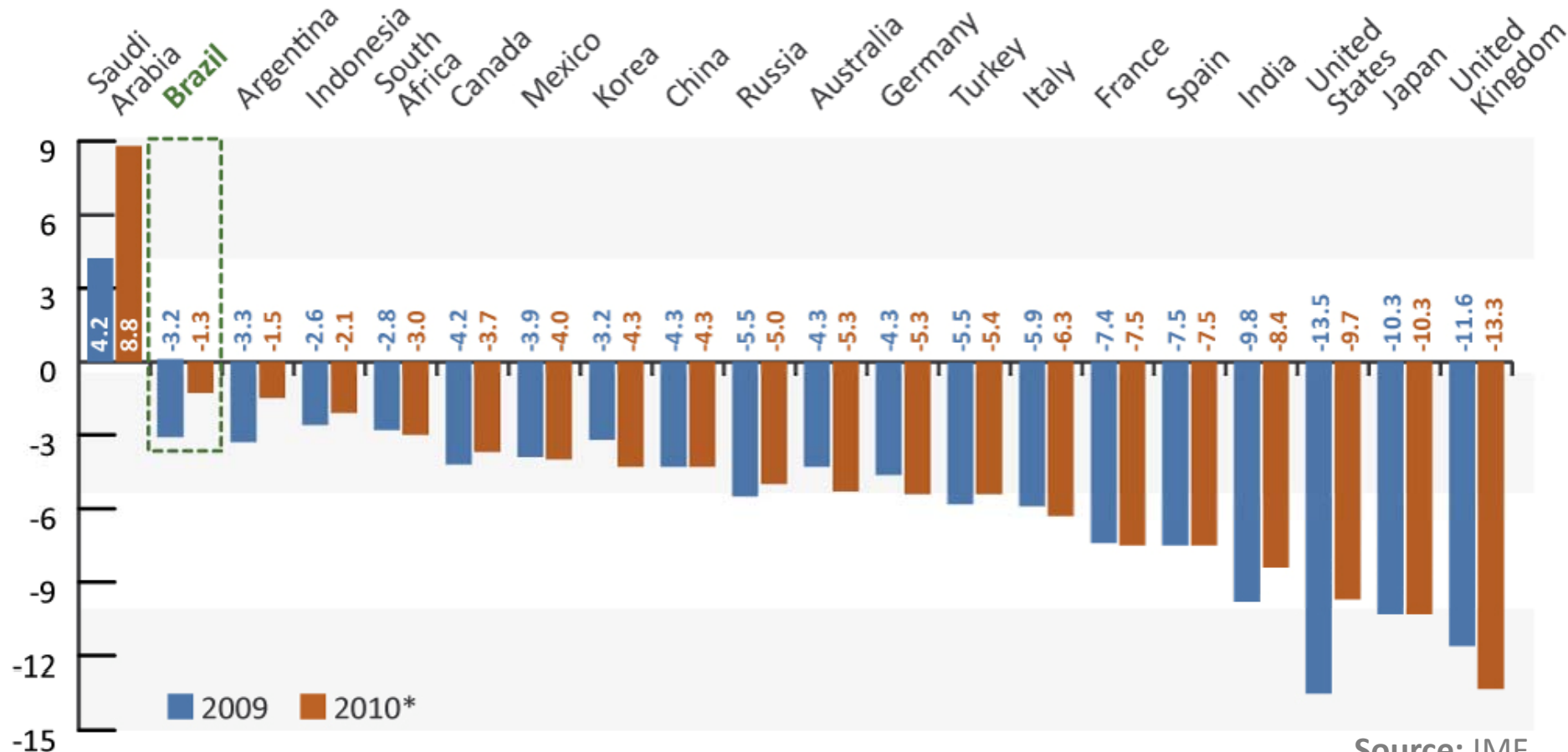
*Position at October 16th, 2009

Source: Central Bank of Brazil
Produced by: Ministry of Finance

Fiscal Responsibility

Cost of Countercyclical Policies in Brazil was Lower than in Other Countries

G20's fiscal results (% of GDP) – IMF forecasts

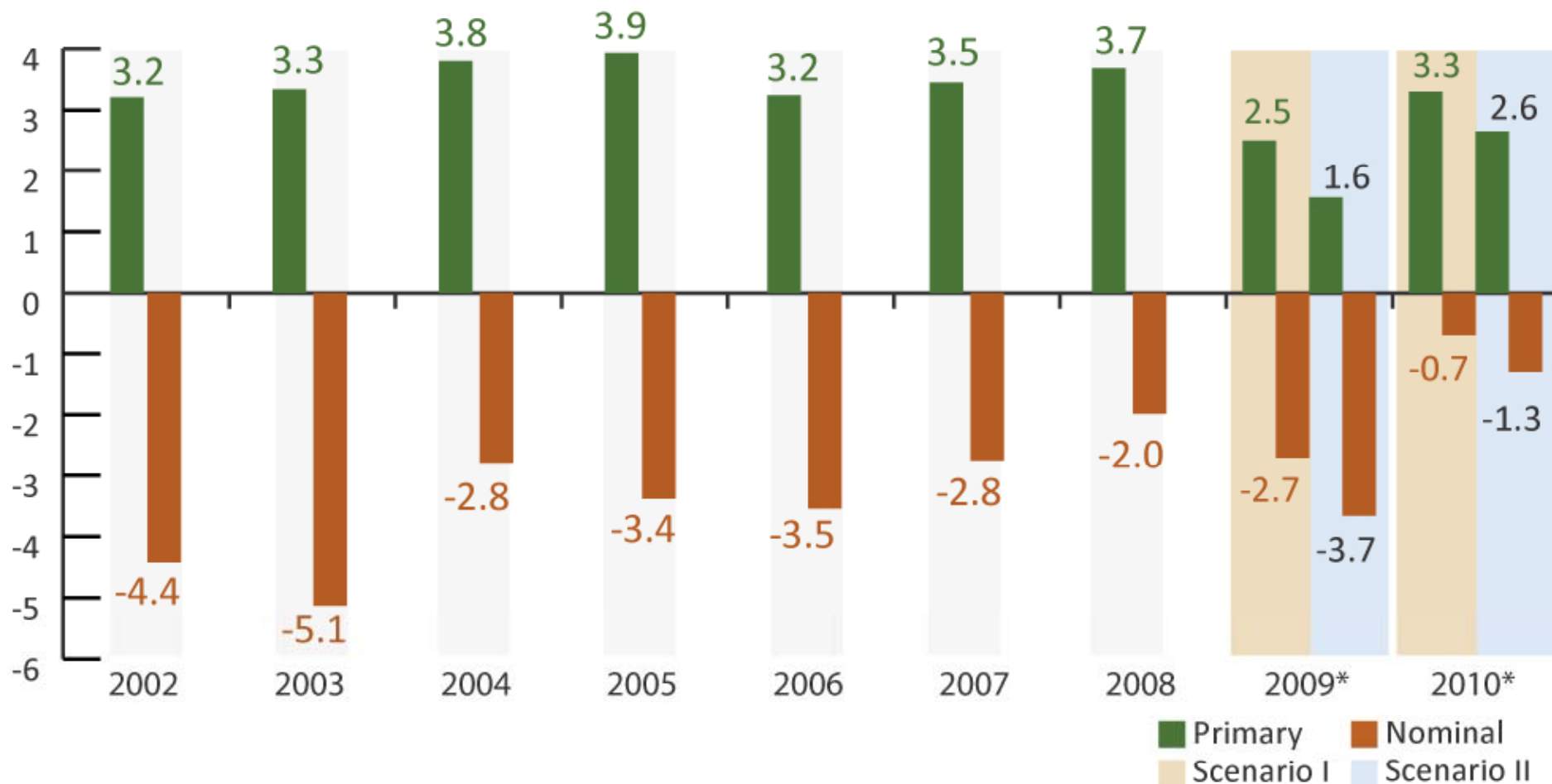


Source: IMF

Produced by: Ministry of Finance

Public Sector Fiscal Balance

Excluding Petrobras - % GDP



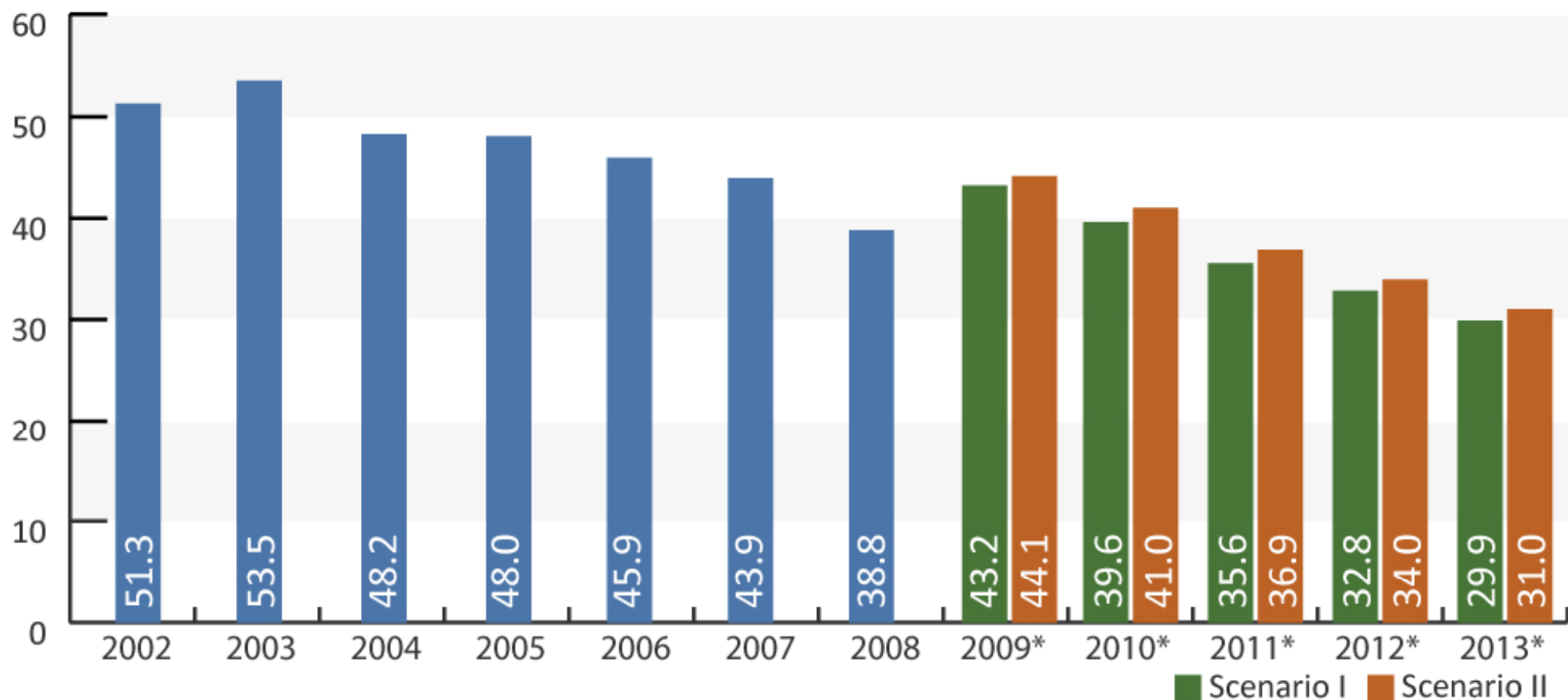
Scenario I: Primary Surplus 2009 = 2.5% and 2010 = 3.3%

Scenario II: Primary Surplus 2009 = 1.56% and 2010 = 2.65%

Source: Ministry of Finance
Produced by: Ministry of Finance

Public Sector Net Debt

Excluding Petrobras - % GDP



Scenario I: Primary Surplus 2009 = 2.5% and 2010 = 3.3%

Scenario II: Primary Surplus 2009 = 1.56% and 2010 = 2.65%

Source: Central Bank of Brazil
Produced by: Ministry of Finance

Brazil: 5th World Economy in 2026?

Economist Intelligence Unit (Nominal GDP - US\$ at PPP)											
2008			2011			2018			2026		
Ranking	Country	GDP (billions) - PPP	Ranking	Country	GDP (billions) - PPP	Ranking	Country	GDP (billions) - PPP	Ranking	Country	GDP (billions) - PPP
1	U.S.	14,441	1	U.S.	15,154	1	U.S.	21,342	1	China	38,594
2	China	8,161	2	China	10,821	2	China	21,183	2	U.S.	34,090
3	Japan	4,333	3	Japan	4,331	3	India	8,209	3	India	16,255
4	India	3,369	4	India	4,238	4	Japan	5,503	4	Japan	7,558
5	Germany	2,868	5	Germany	2,877	5	Germany	3,962	5	Brazil	5,721
6	Russia	2,260	6	Russia	2,285	6	Brazil	3,446	6	Germany	5,700
7	U.K.	2,191	7	Brazil	2,232	7	Russia	3,435	7	Russia	5,200
8	France	2,135	8	France	2,213	8	U.K.	2,998	8	U.K.	4,495
9	Brazil	1,984	9	U.K.	2,211	9	France	2,970	9	France	4,283
10	Italy	1,798	10	Italy	1,760	10	Italy	2,213	10	Spain	3,116

Source: Economist Intelligence Unit
Produced by: Ministry of Finance

