

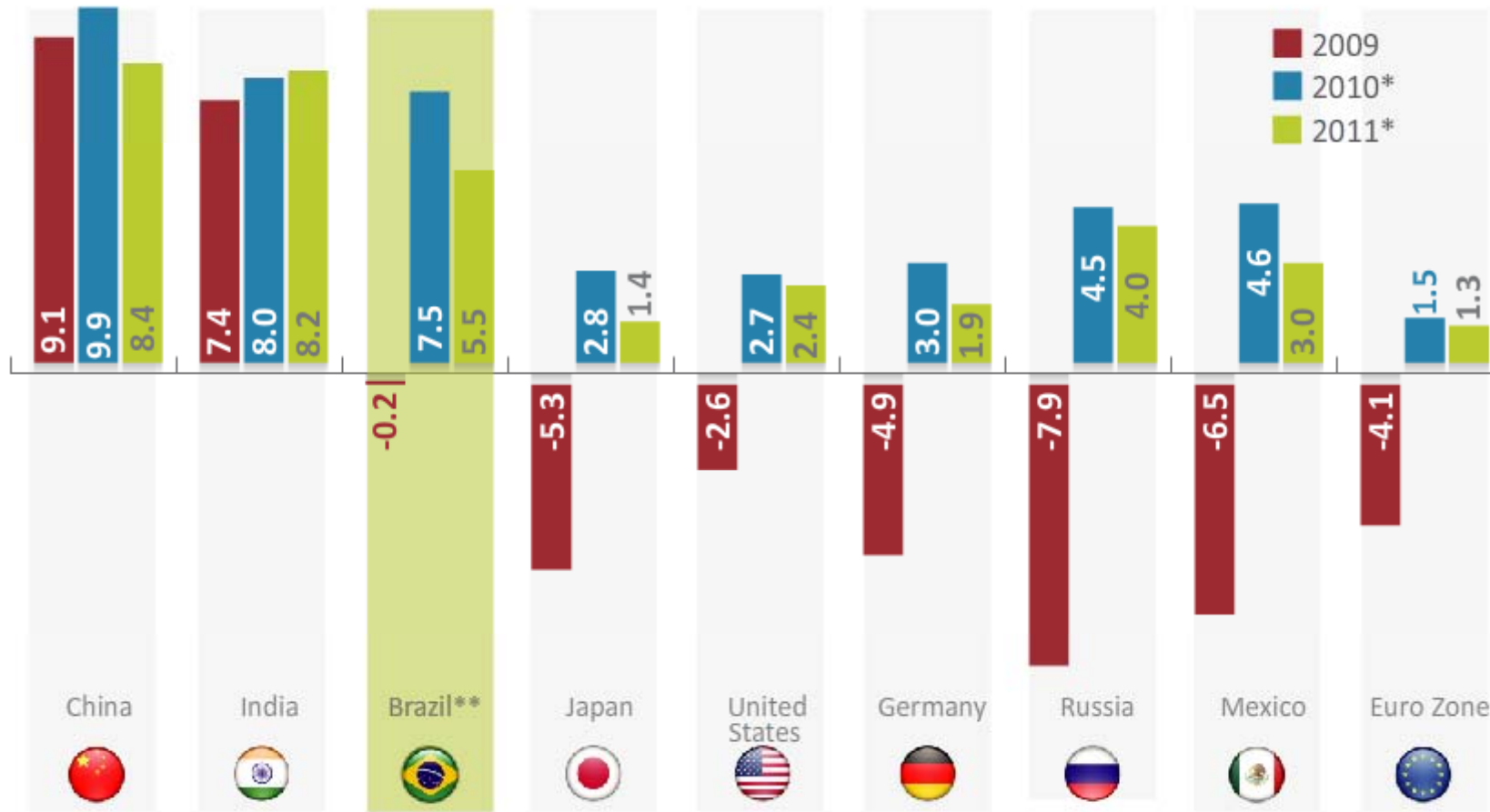


# Brazilian economic performance and challenges ahead

*Guido Mantega*  
*Minister of Finance*  
*October, 2010*

# Brazilian GDP growth: from the bottom to the top

In % YoY

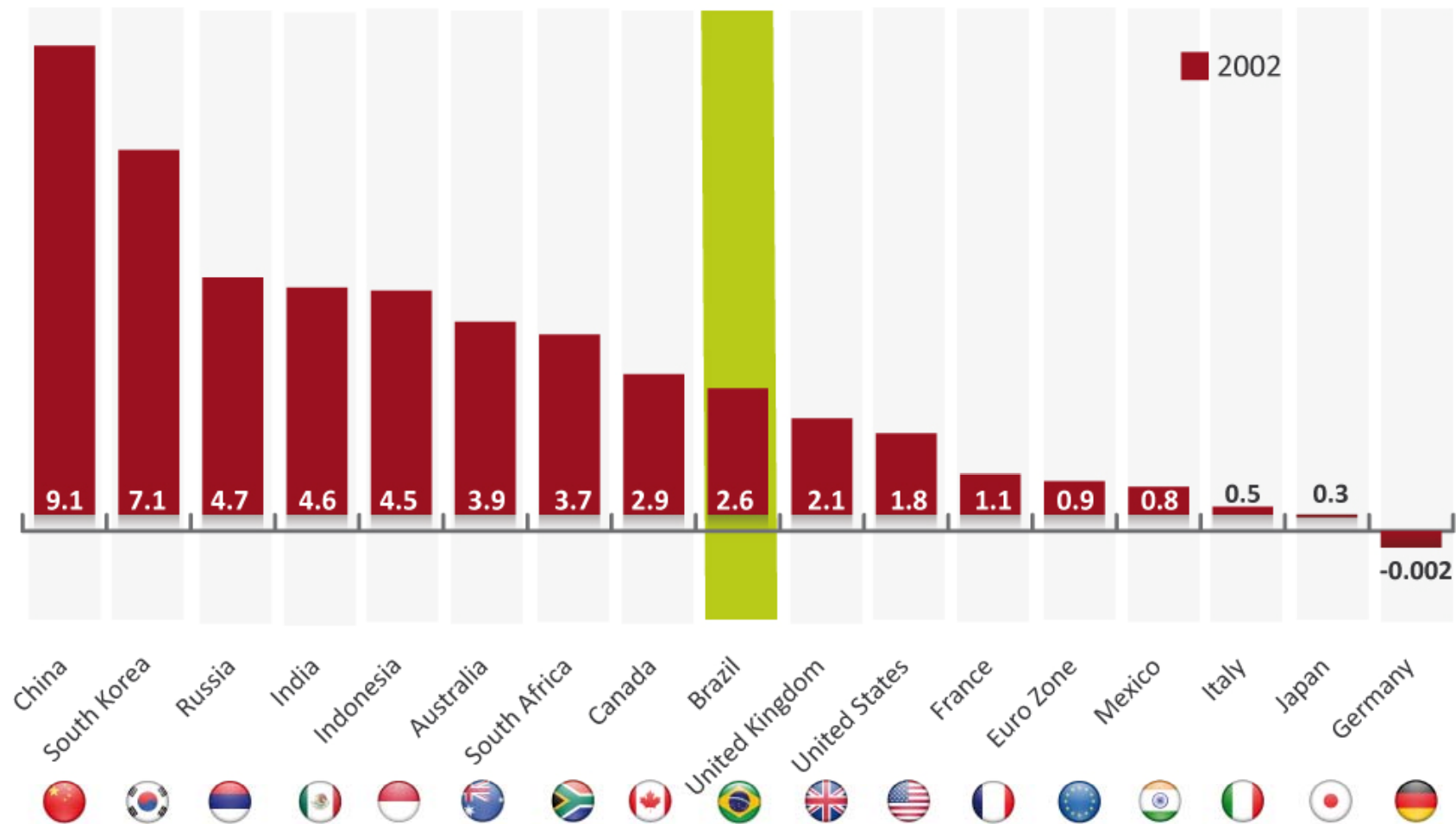


\* The Economist forecasts (September 29<sup>th</sup>, 2010)

\*\* Ministry of Finance forecasts

## GDP growth: Brazil among the average countries

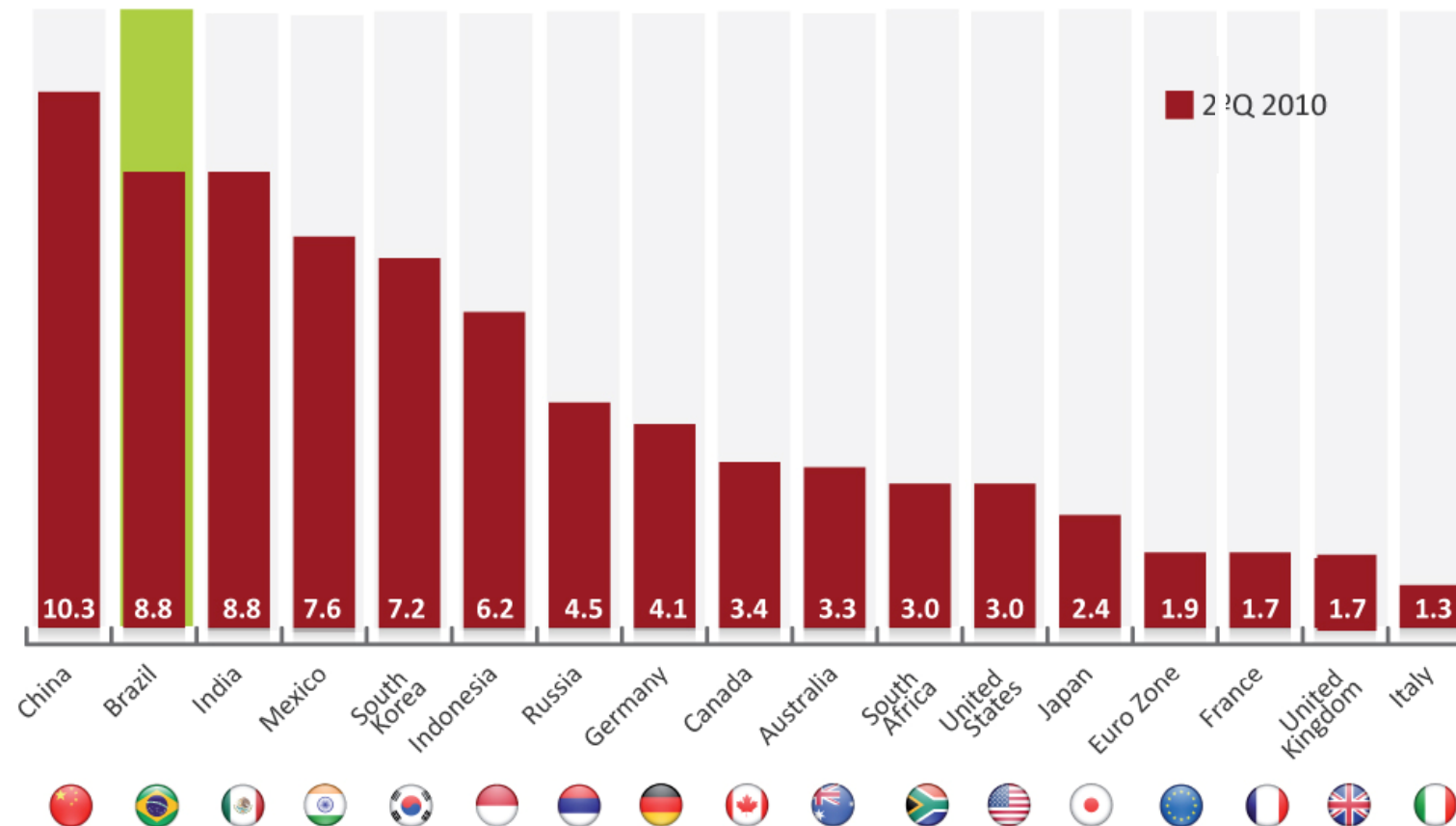
In % on a yearly basis in relation to the previous year – 2002



Source: The Economist  
Produced by: Ministry of Finance

# GDP growth: Brazil among the leading countries

In % on a quarterly basis in relation to the previous year – 2Q 2010



Source: The Economist  
Produced by: Ministry of Finance

# GDP composition from the demand perspective

In % YoY

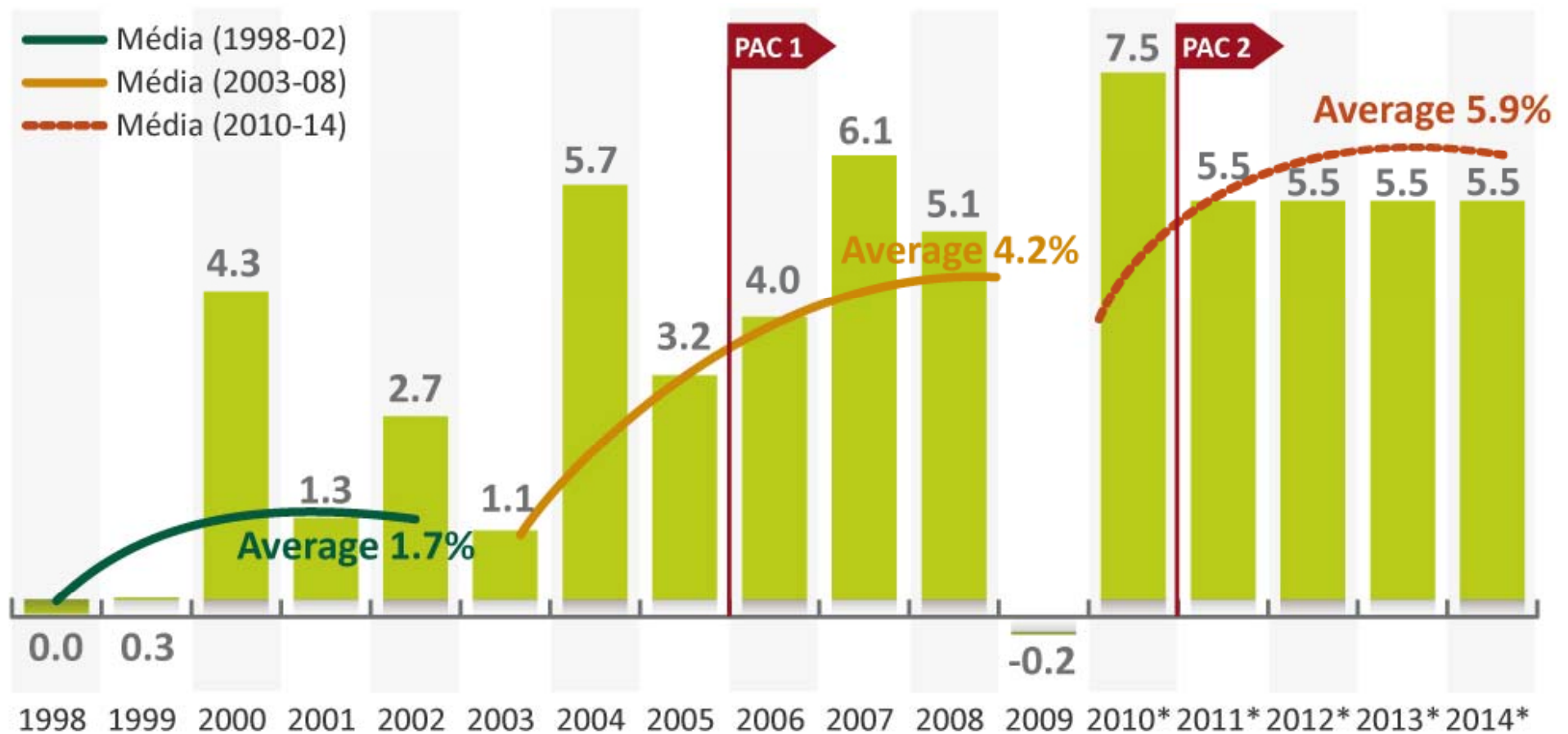


\* Ministry of Finance forecast

Source: SPE/Ministry of Finance  
Produced by: Ministry of Finance

# Brazil has reached a sustainable growth path

In % YoY

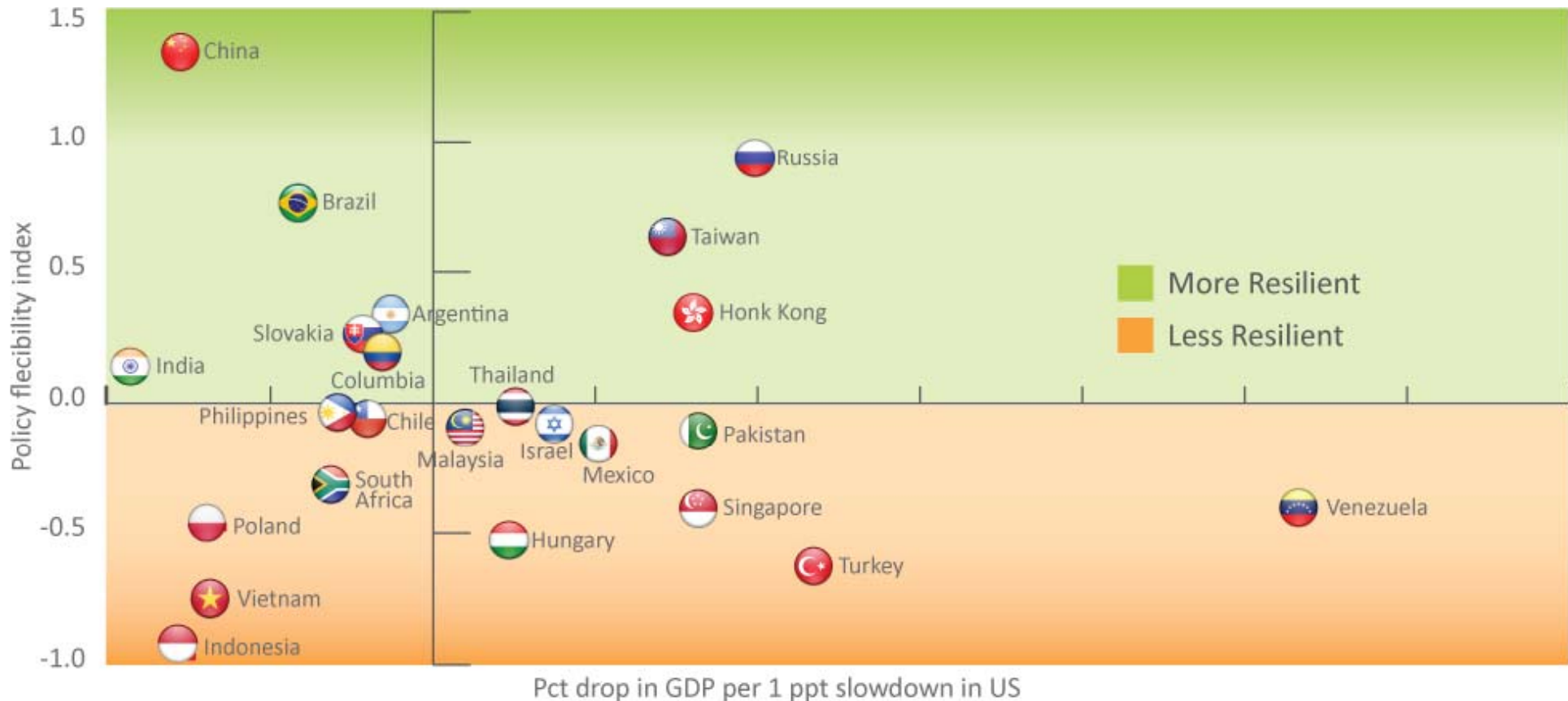


\* Ministry of Finance forecasts

Source: IBGE  
Produced by: Ministry of Finance

# A positive response to adverse conditions

Which economy is more resilient to recession among developed countries?

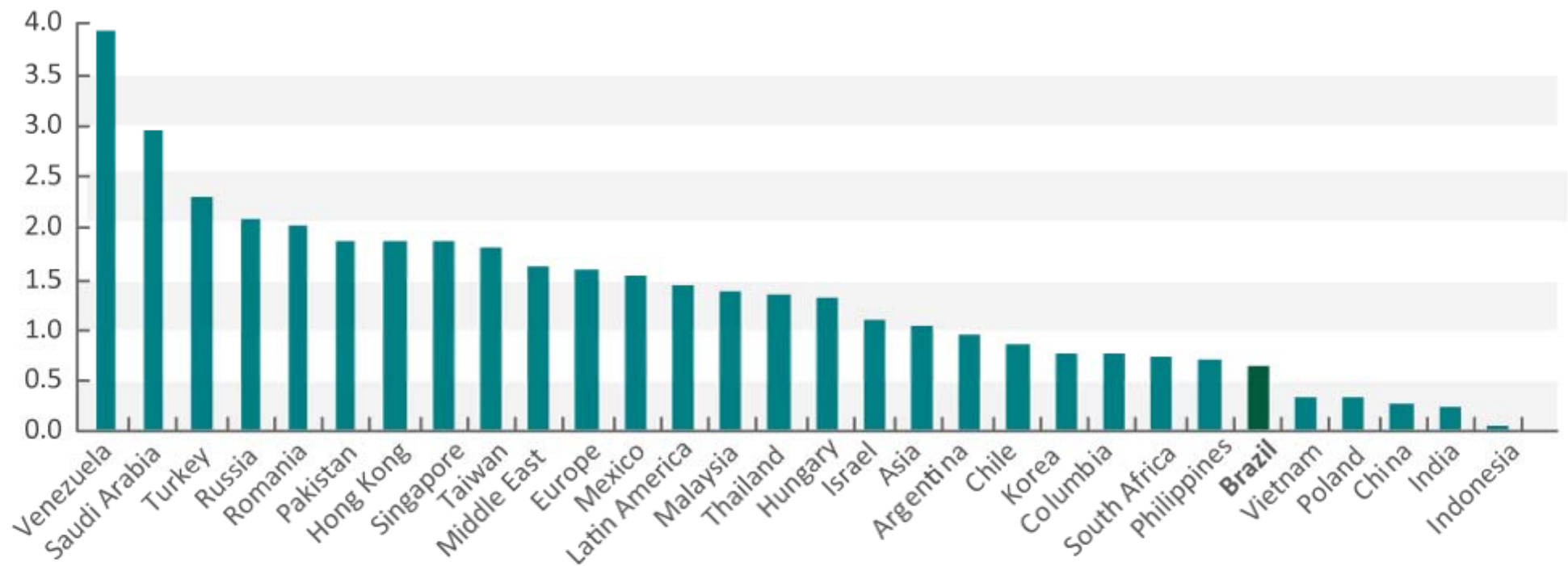


Policy flexibility index considers the countries within 5 categories: import/international reserves ratio (30%); fiscal result (20%); debt/GDP ratio, nominal interest rates (10%) and differential between expectations and inflation target (20%).

Source: HSBC  
Produced by: Ministry of Finance

## Emerging markets growth related to the USA GDP performance

Related to the 1% change of USA GDP

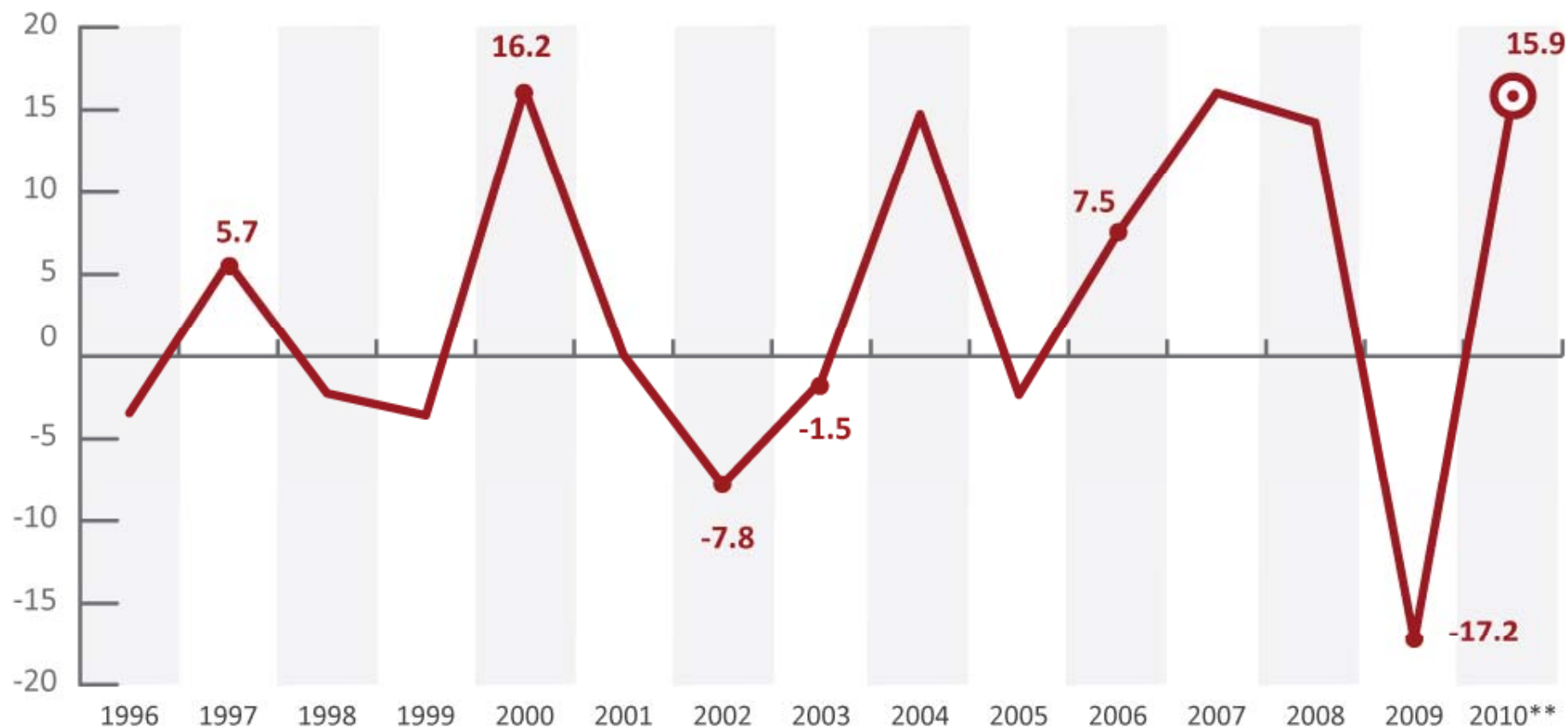


\* Middle East includes North of Africa

Source: HSBC  
Produced by: Ministry of Finance

# Real investment\*

In % YoY (GDP deflator)



\* Investments refer to the Gross Fixed Capital Formation

\*\* Ministry of Finance forecast

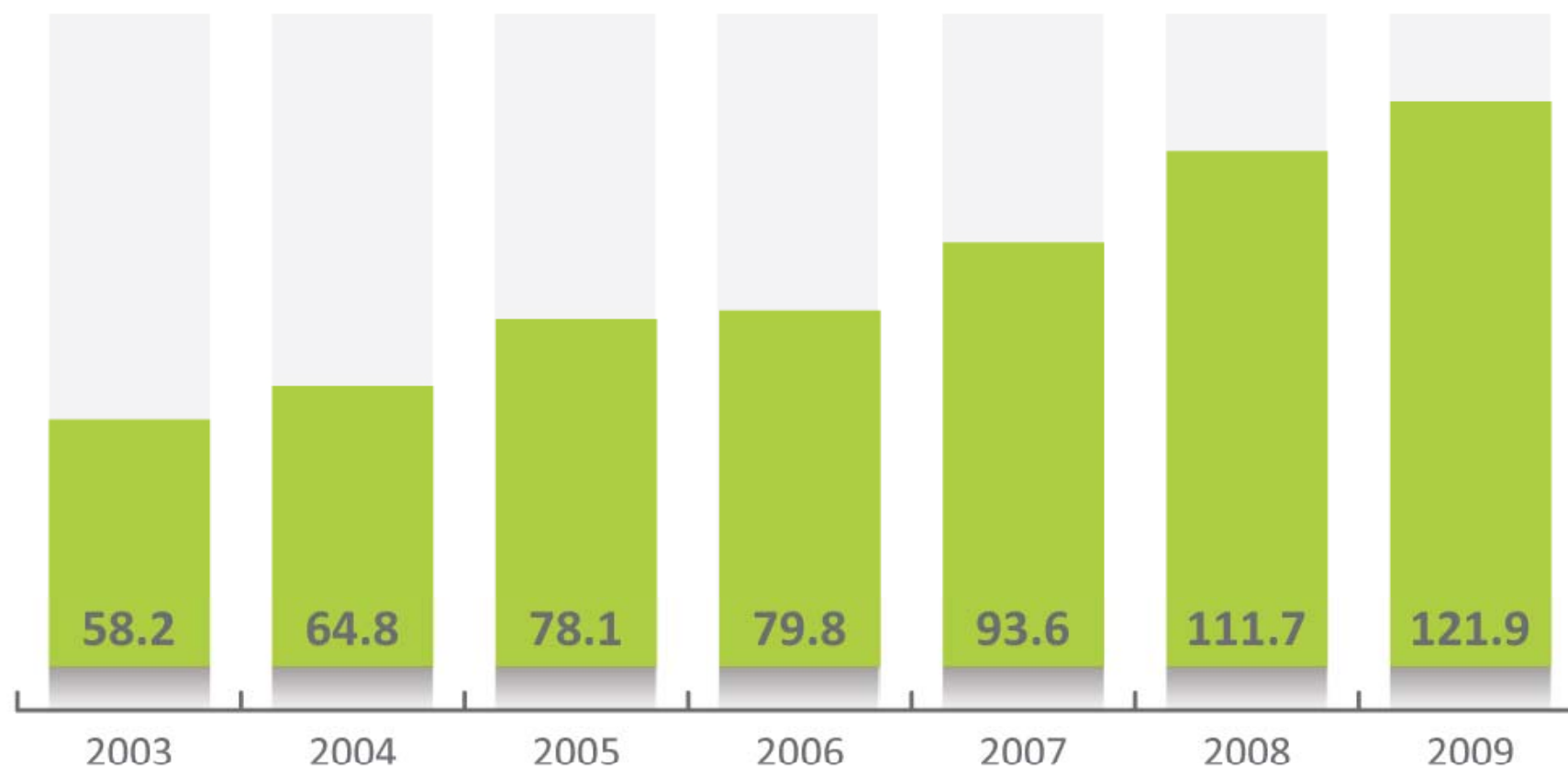
Source: IBGE

Produced by: Ministry of Finance

## Infrastructure investments

### Global investments shall increase more than 20% in 2010

In R\$ billion, 2009 prices – 2003 to 2009

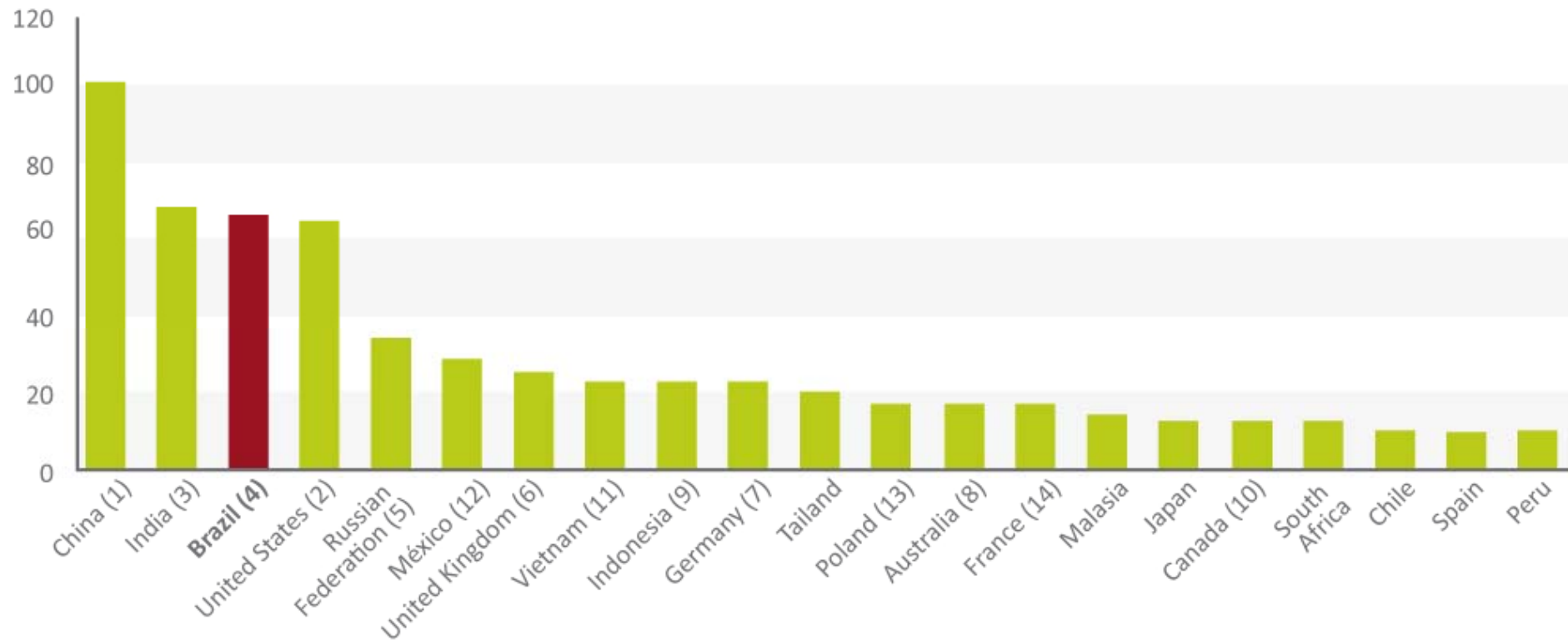


Source: ABDIB

Produced by: Ministry of Finance

## Top priority host economies for FDI for the next 3 years

In number of times a country has been mentioned as top priority for Foreign Direct Investment by respondent transnational corporations



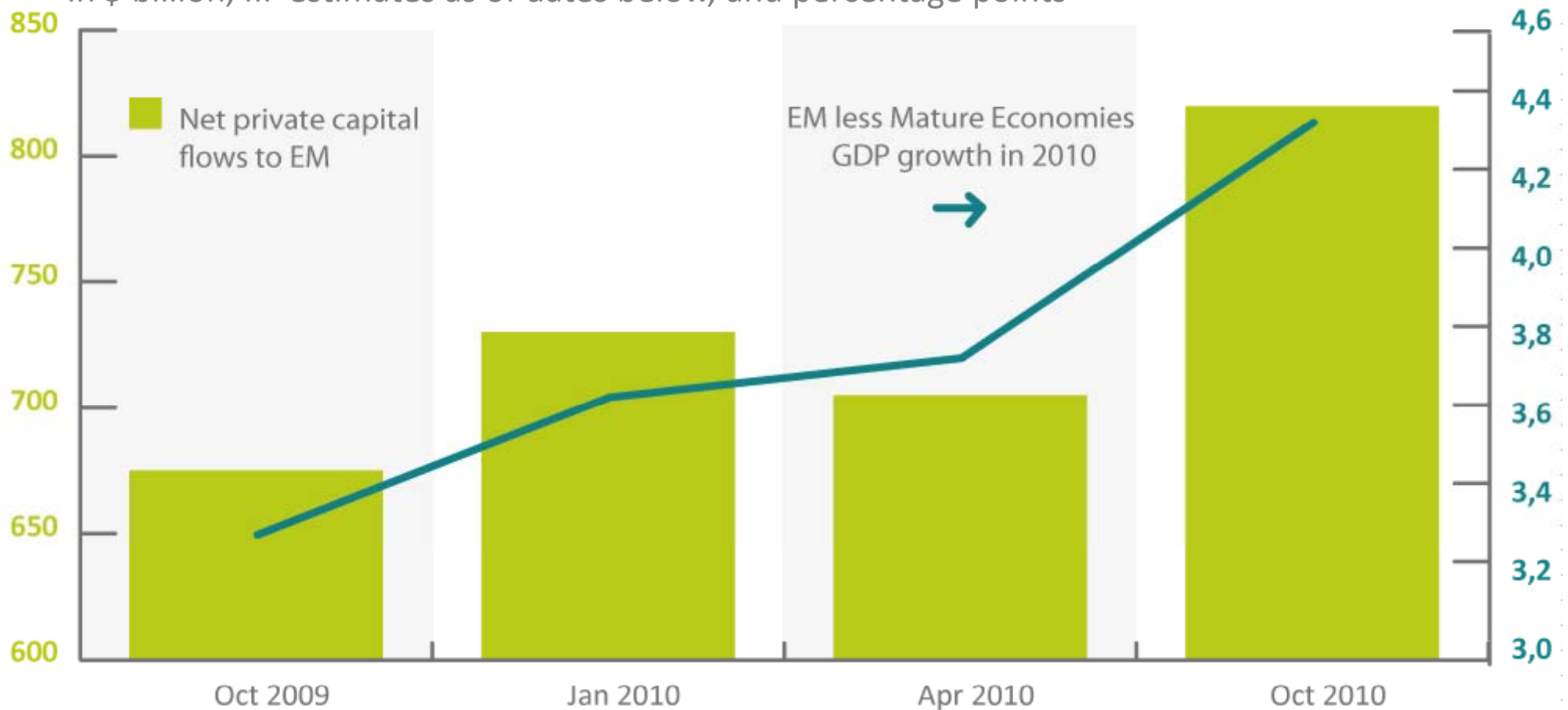
\* 2009 rank in brackets

Source: UNCTAD World Investment Prospects Survey 2010-2012

Produced by: Ministry of Finance

## Net Private Capital Flows to Emerging Markets in 2010 and GDP Growth Gap

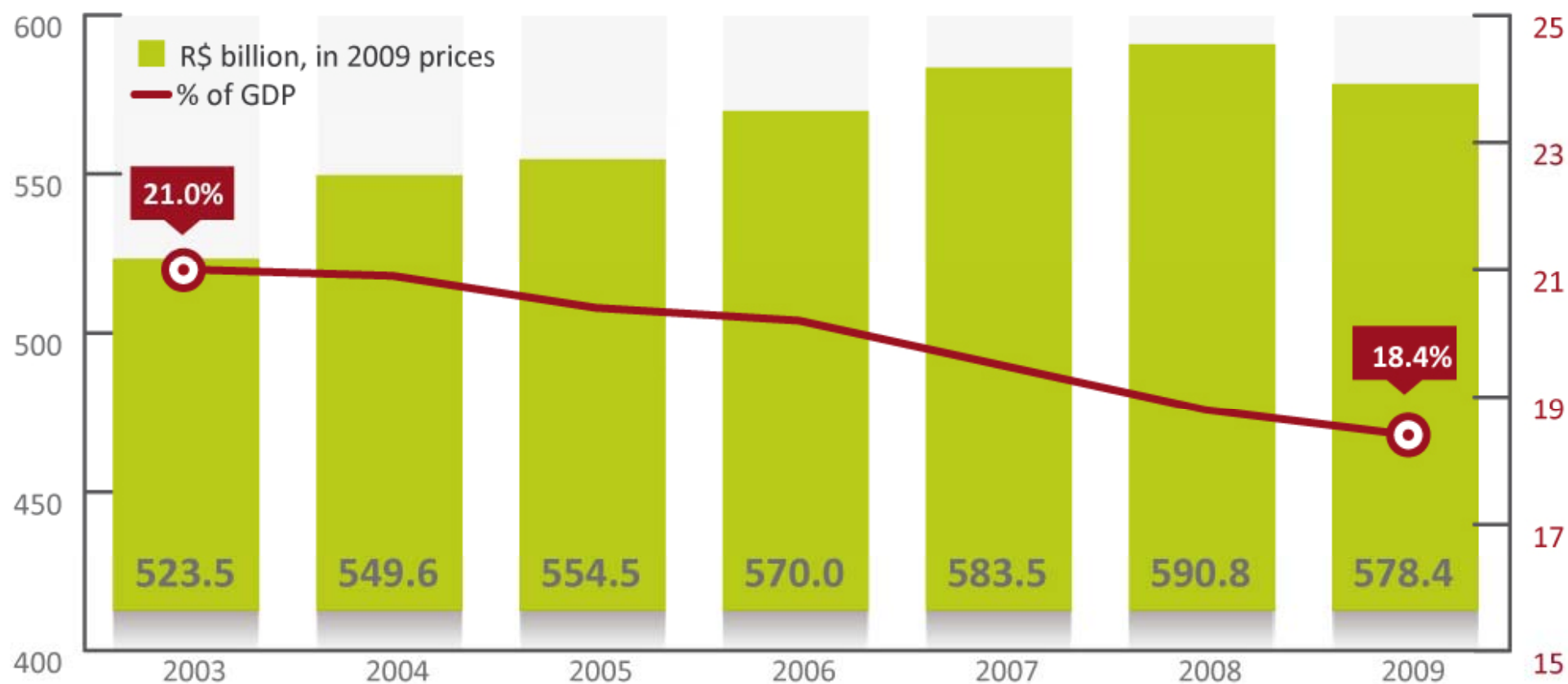
In \$ billion, IIF estimates as of dates below, and percentage points



Source: Institute of International Finance  
Produced by Ministry of Finance

# Informal economy

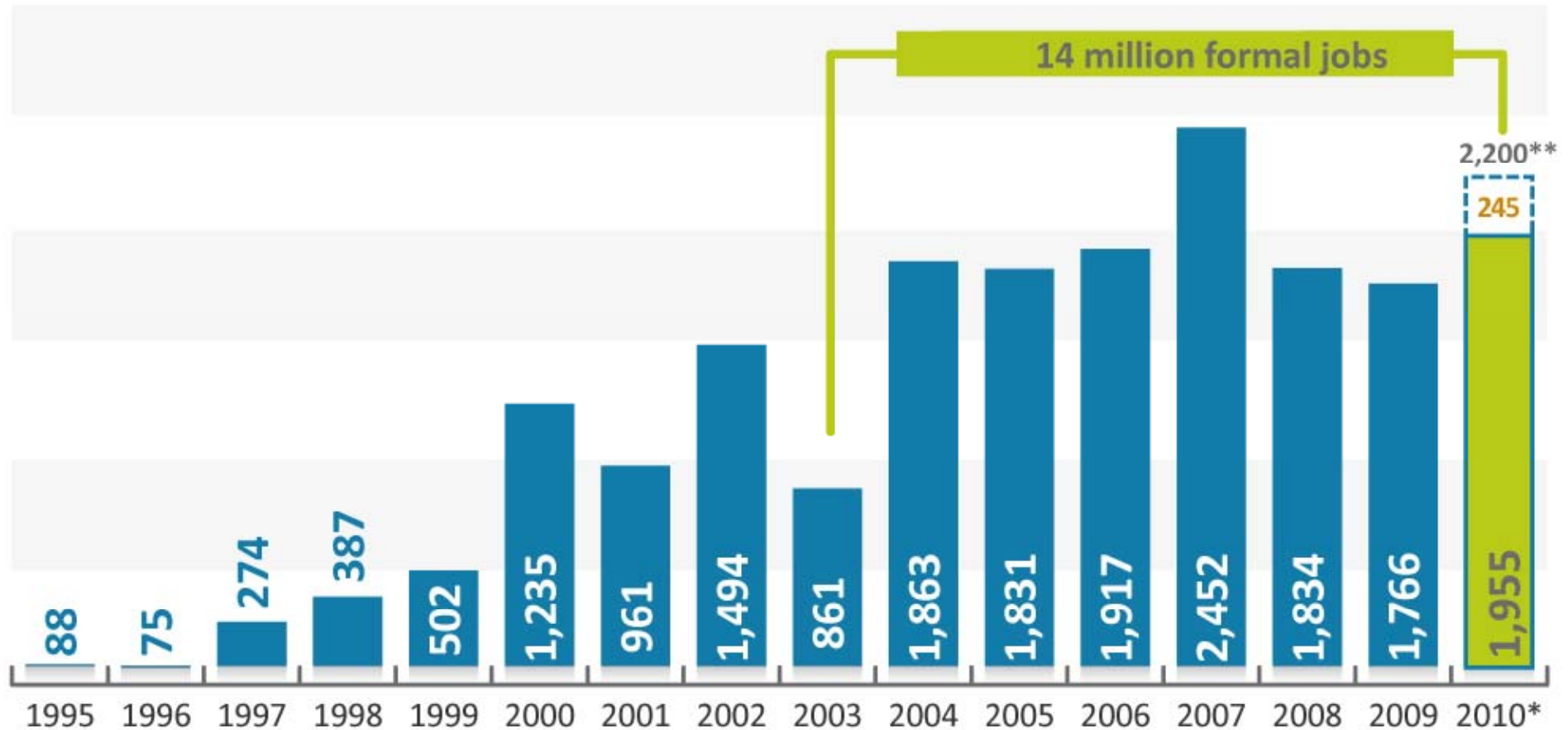
In % of GDP and R\$ billion, 2009 prices



Source: Getulio Vargas Foundation  
Produced by: Ministry of Finance

# Robust growth and formal employment generation

In thousands of jobs



\* Results as of 2010 refer only to CAGED balance accumulated from the preceding year up to August, 2010

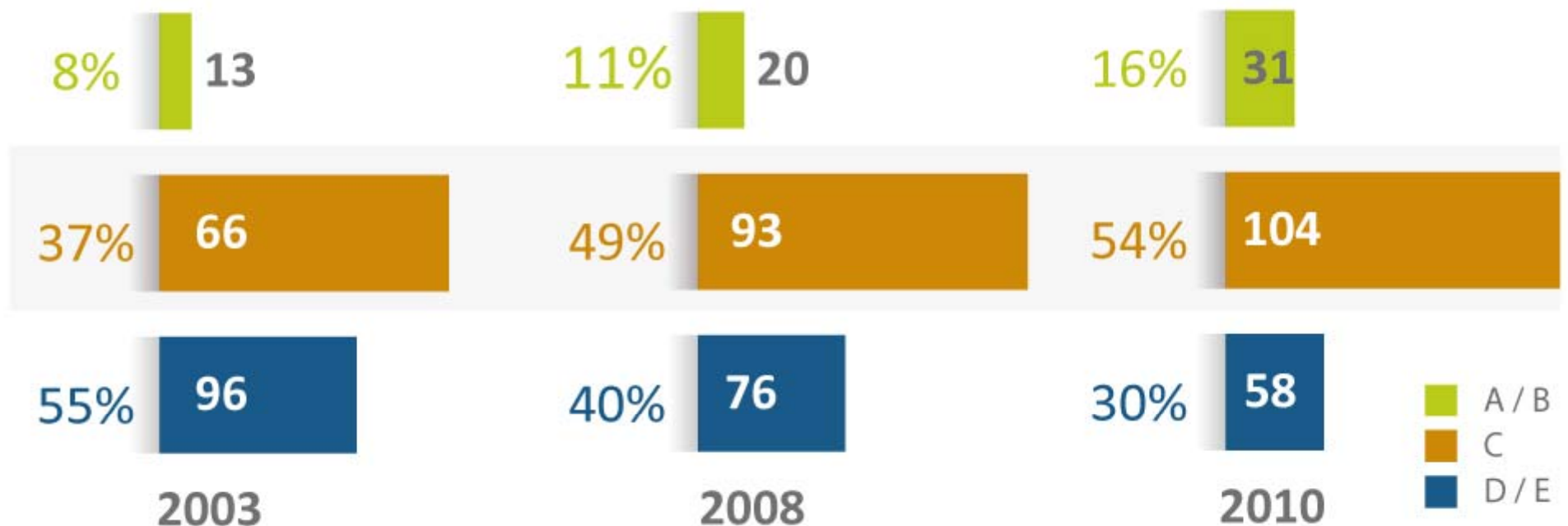
\*\* Ministry of Finance forecast

Source: Ministry of Labor & Employment  
Produced by: Ministry of Finance

# Evolution of social economic classes

In % of population and millions of individuals

In 2010, D class individuals are expected to spend R\$ 381.1 billion, which is higher than the total consumption of A class (R\$ 261.1 billion) and B class (R\$ 329.5 billion). **Class C will spend R\$ 500 billion.**

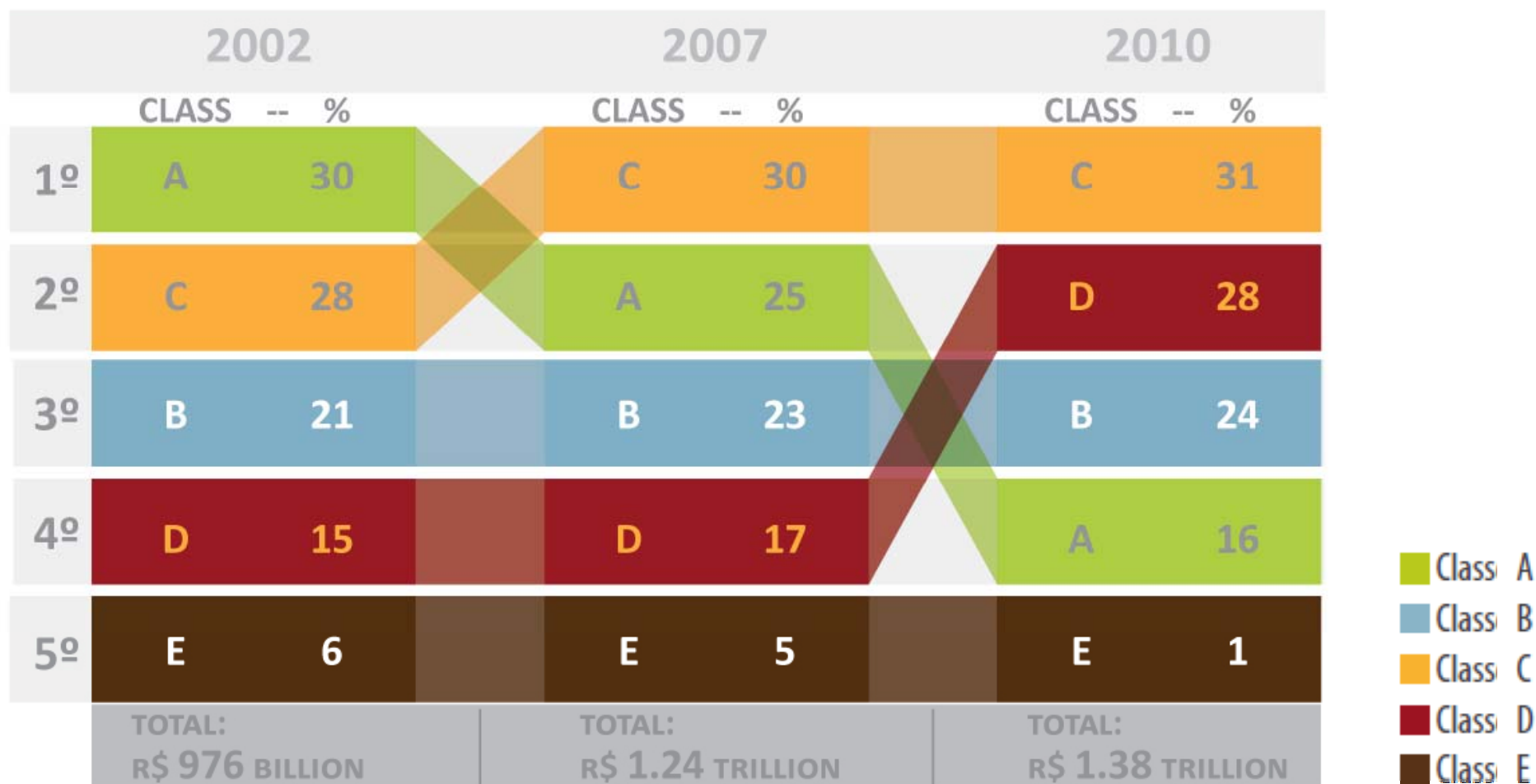


Source: Getulio Vargas Foundation, IBGE and LCA

Produced by: Ministry of Finance

# Social classes and wage mass

In % and R\$

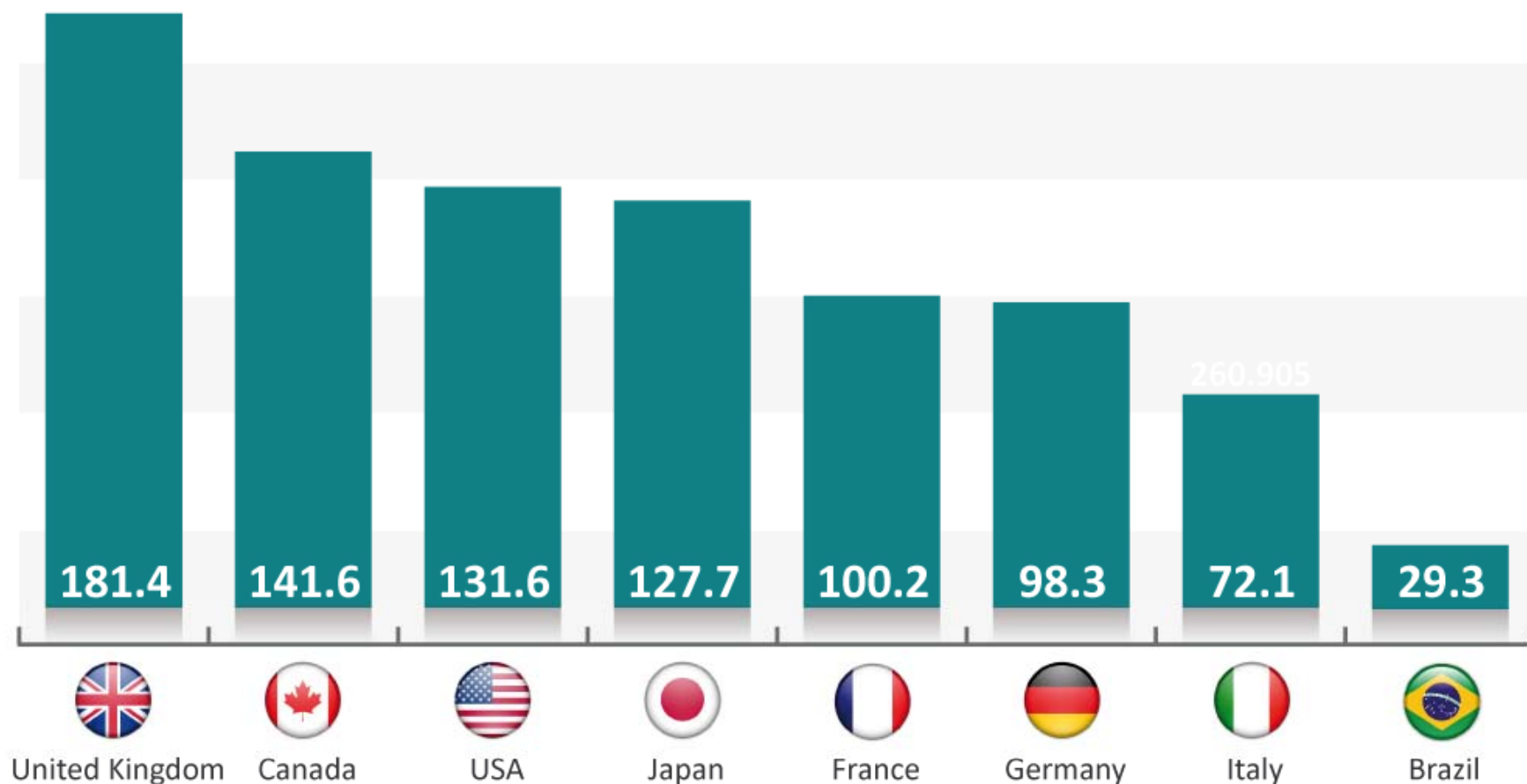


Source: DATA POPULAR  
Produced by: Ministry of Finance

# Household debt in mortgage credit and consumption

Selected countries

In % share of household income

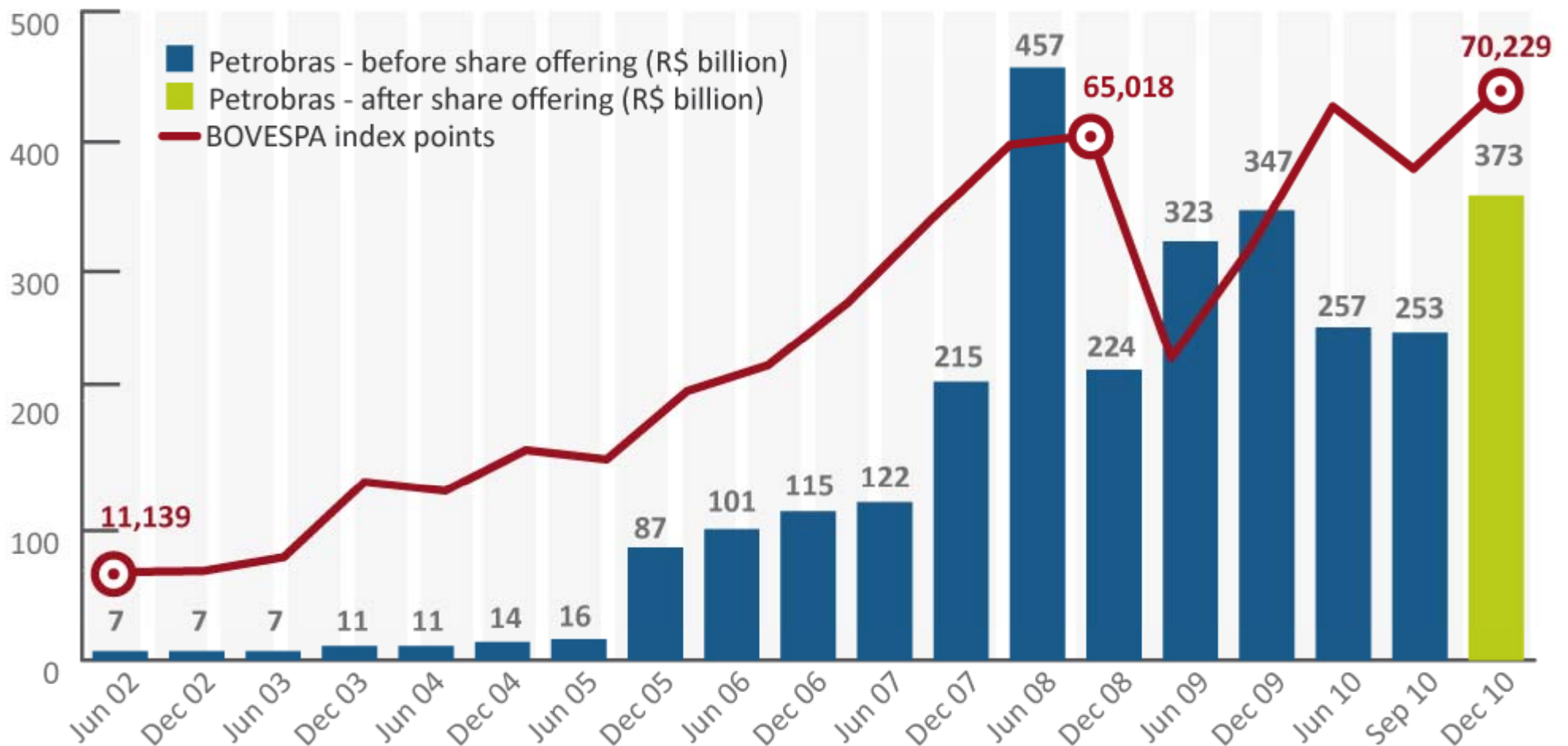


Source: OCDE, IBGE and Brazilian Central Bank

Produced by: Ministry of Finance

## Petrobras market value and BOVESPA index

In R\$ billion and Bovespa index points

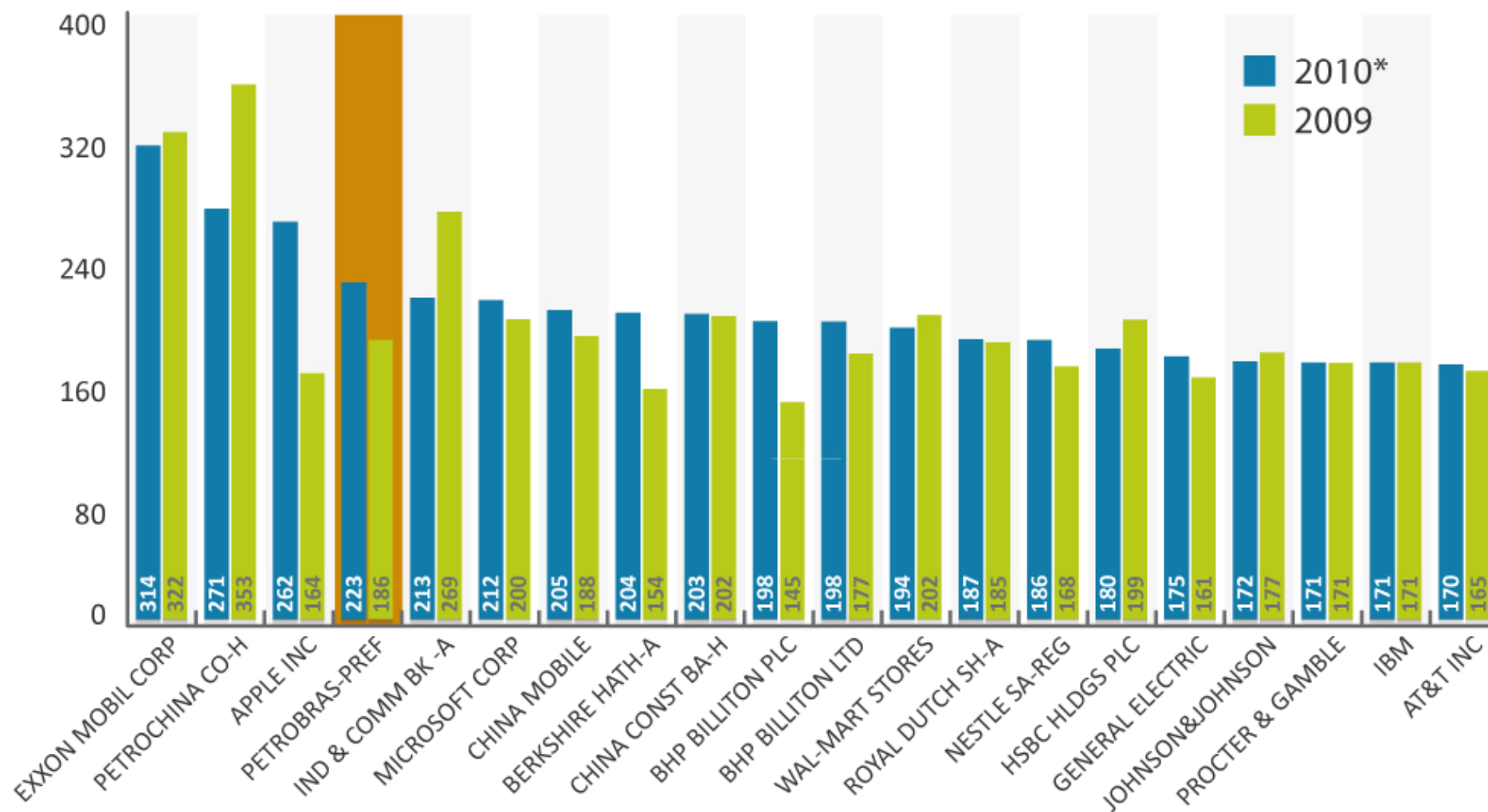


\* Market value has been estimated as a product of the number of issued shares (preferred and common ones) and respective share prices at the Oct. 1<sup>st</sup>, 2010 closing

Source: Bloomberg  
Produced by: Ministry of Finance

# Top global corporations

In US\$ billion, market value

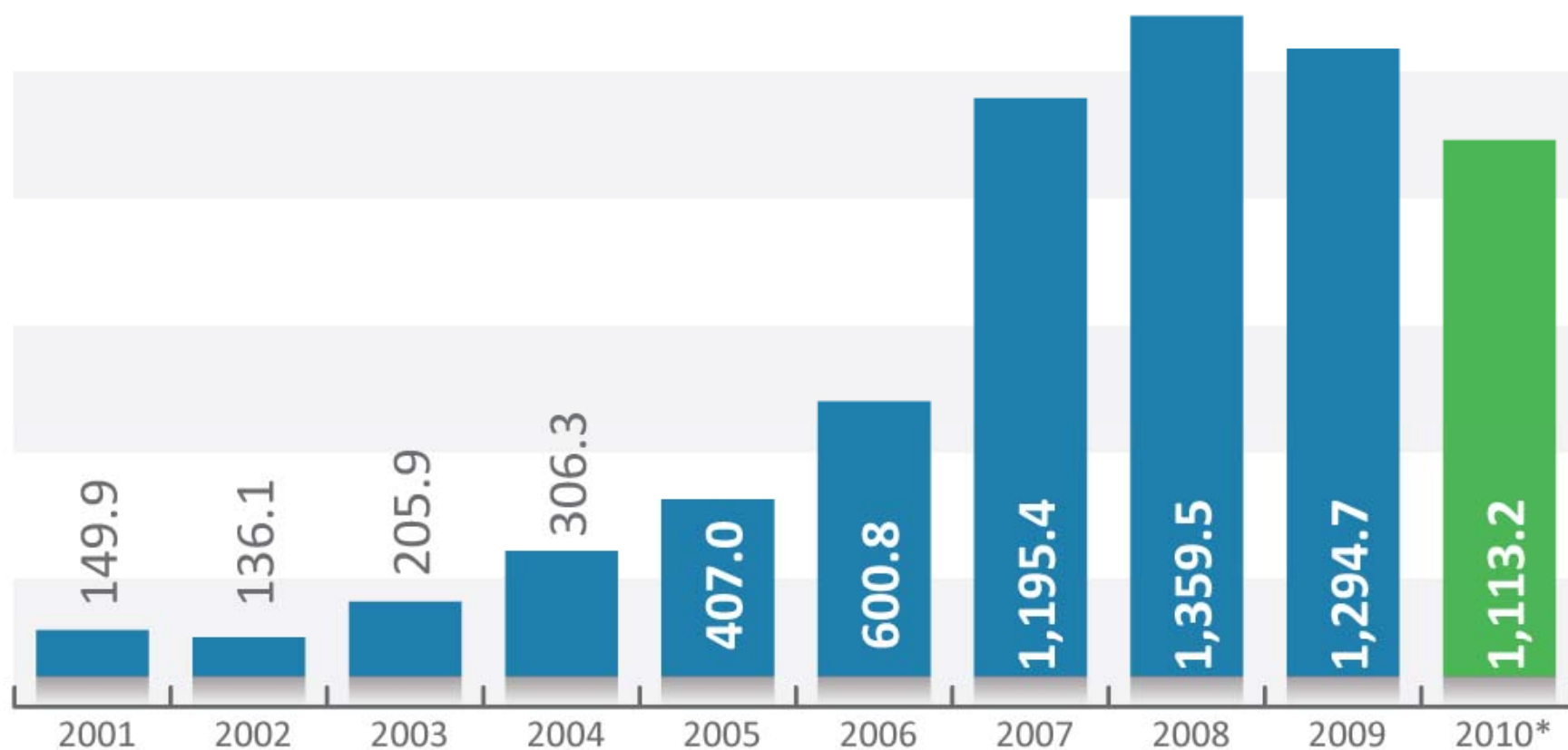


\* In September 30<sup>th</sup>, 2010

Source: Bloomberg  
Produced by: Ministry of Finance

# Stock market trading - BMF & Bovespa

In R\$ billion



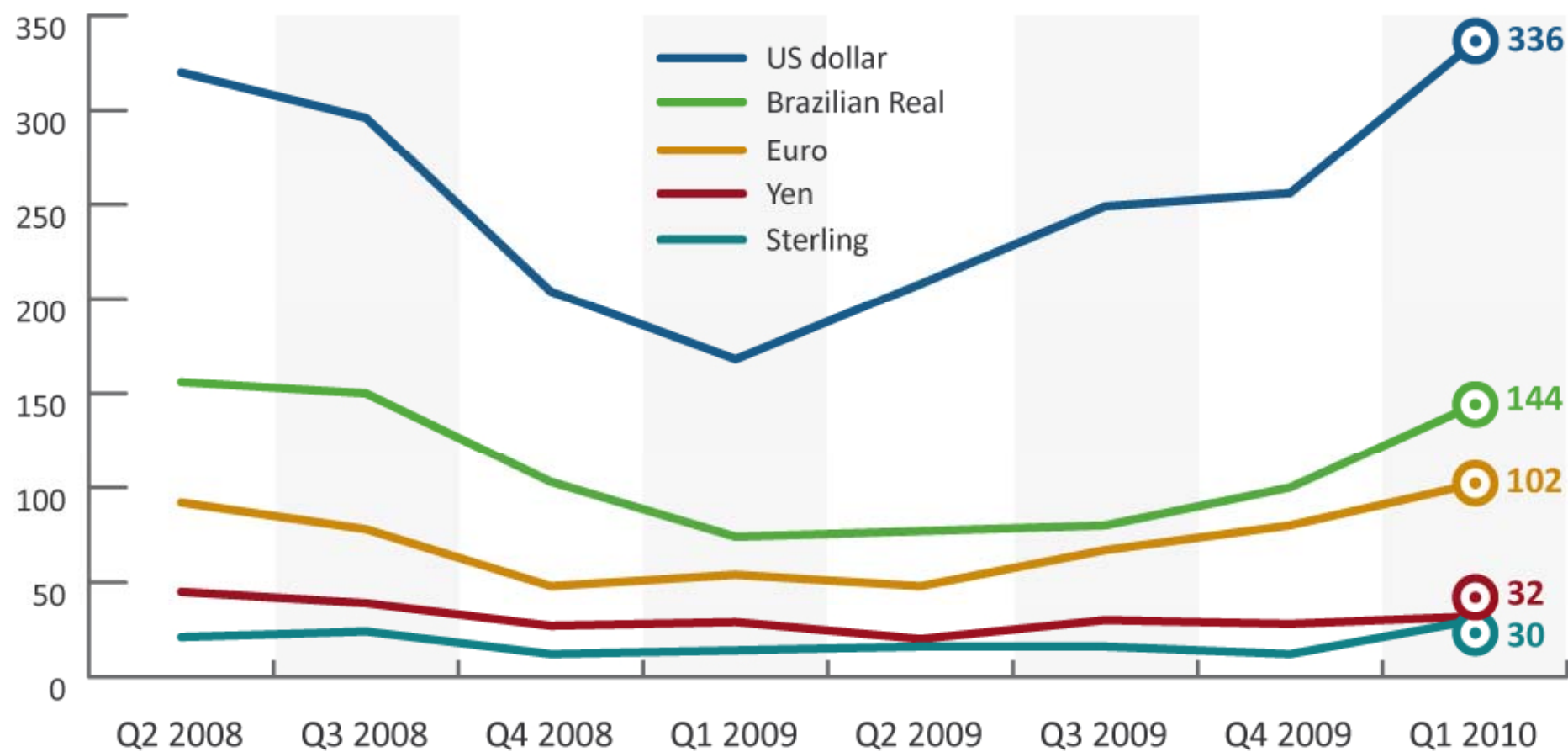
\* In September 17<sup>th</sup>, 2010

Source: BMF&BOVESPA - BVMF  
Produced by: Ministry of Finance

# FX derivatives

Future & Options contracts referenced in respective currencies

In index number



Source: BIS

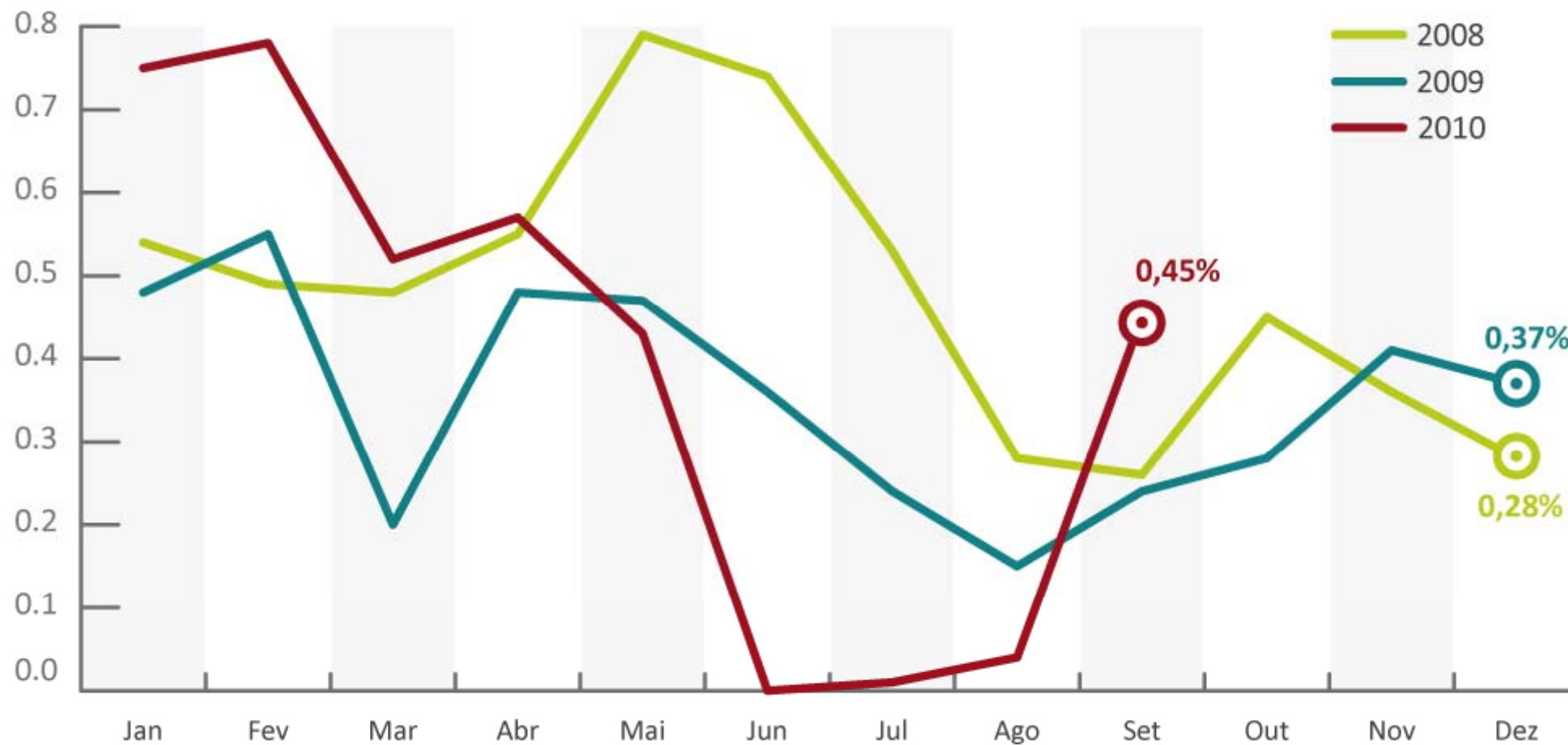
Produced by: Ministry of Finance

# Sustainable high quality growth

- No macroeconomic imbalances
- Inflation under control
- Fiscal soundness
- No gaps

# IPCA inflation index towards target in 2010

In % on a monthly basis

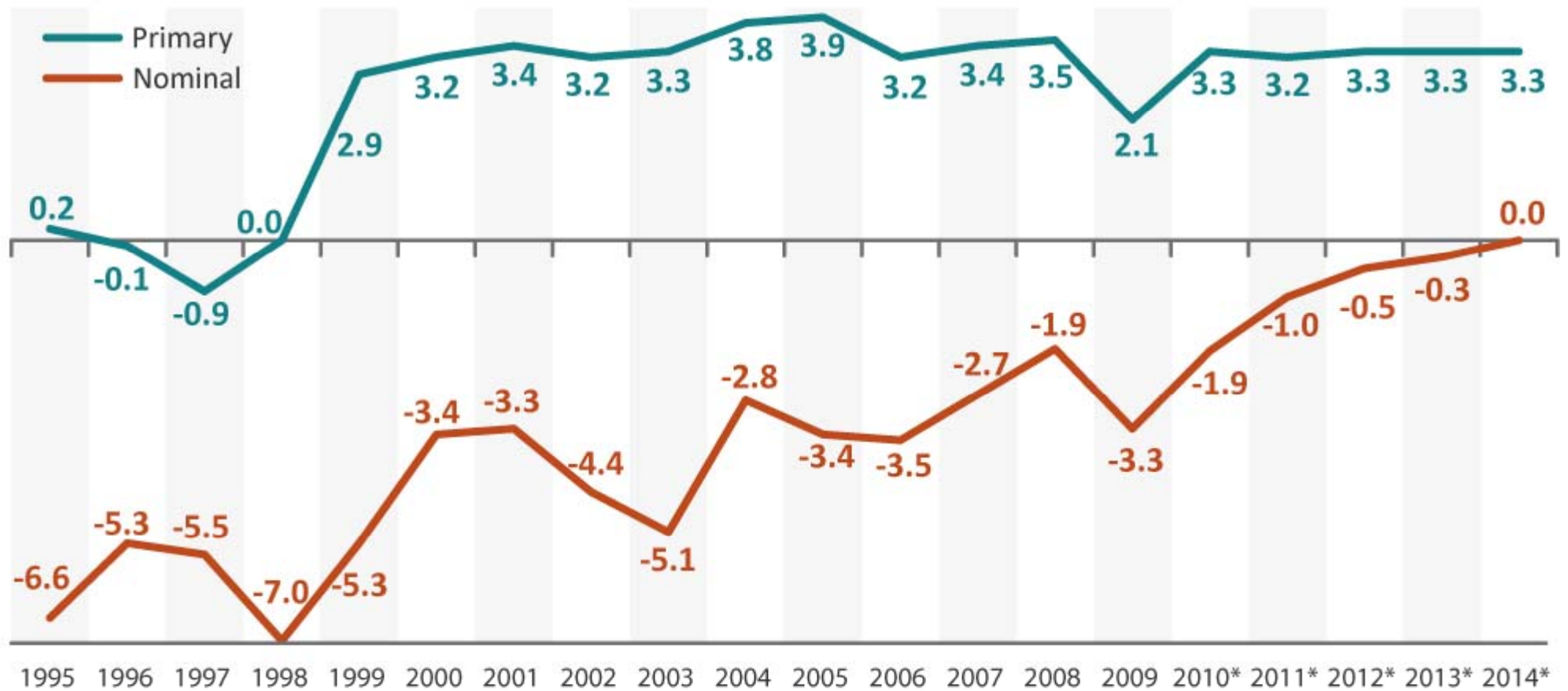


Source: IBGE

Produced by: Ministry of Finance

# Fiscal soundness towards nominal surplus

Fiscal results – primary surplus and nominal deficit/surplus  
In % of GDP

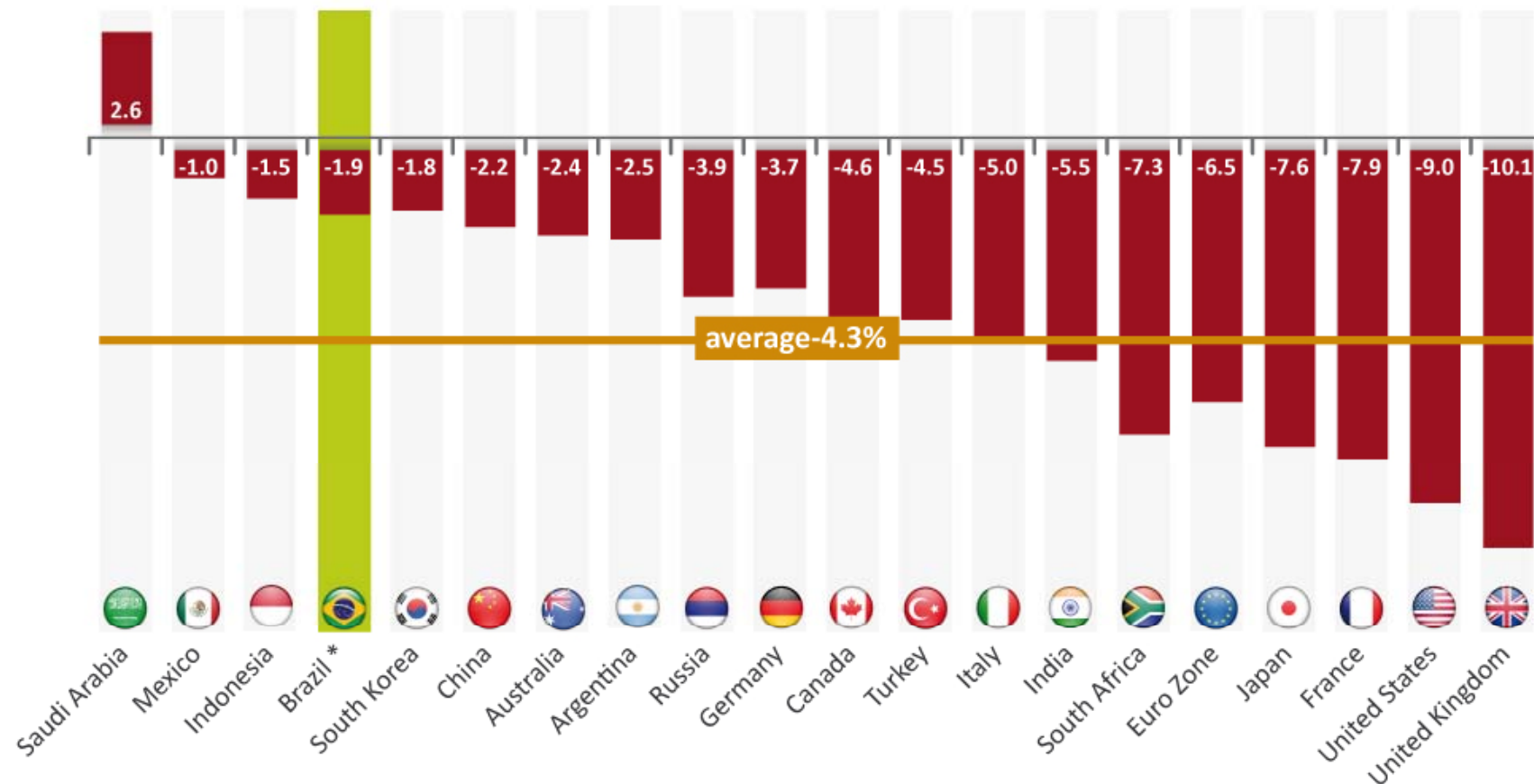


\* Ministry of Finance forecasts

Source: Brazilian Central Bank  
Produced by: Ministry of Finance

## A sustainable nominal result compared to G20 economies

Nominal deficit  
In % of GDP

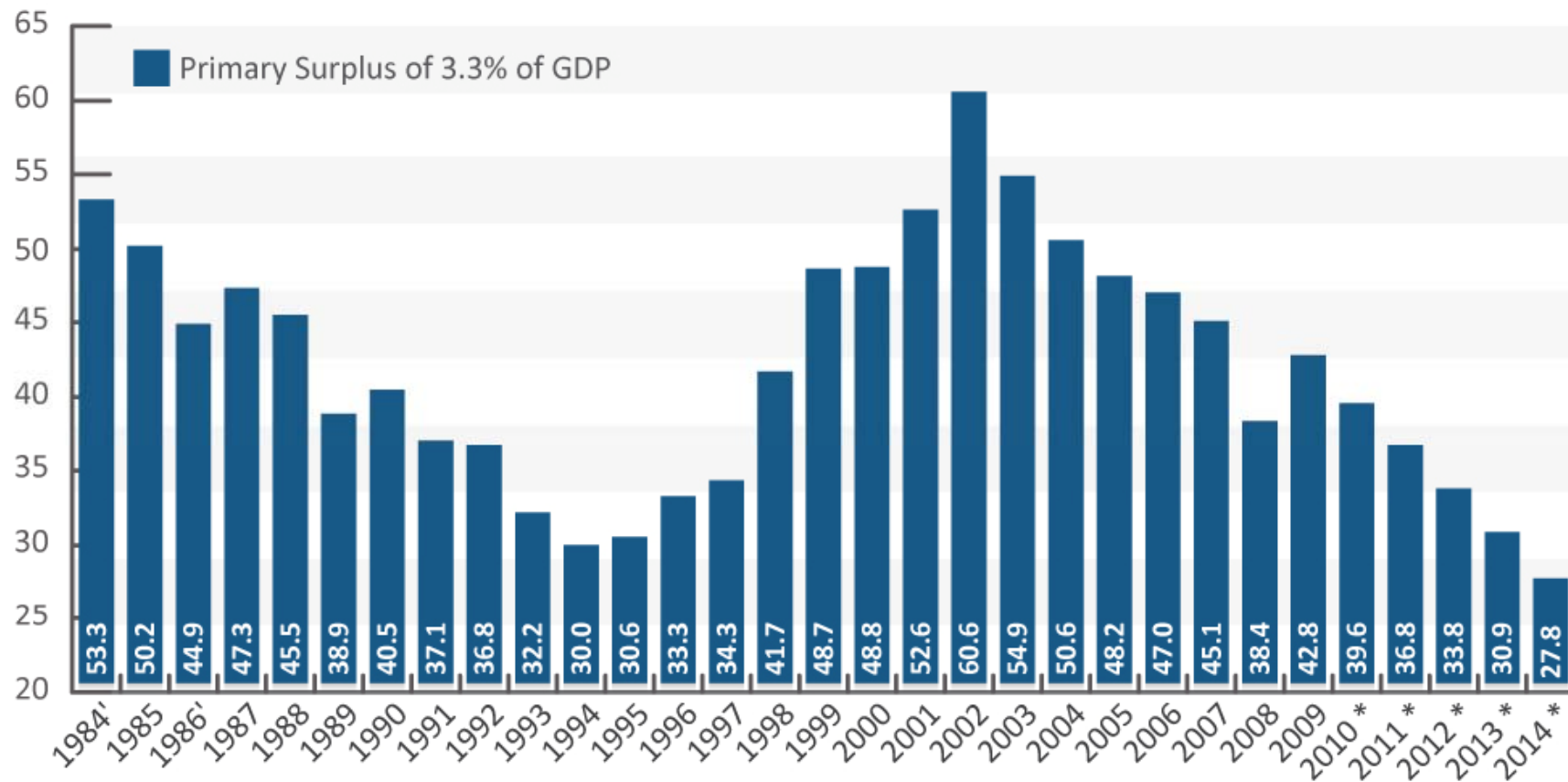


\* Ministry of Finance forecast

Source: The Economist  
Produced by: Ministry of Finance

# Sustainable PAC: reduction of public debt

Public Sector Net Debt  
In % of GDP



\* Ministry of Finance forecast

Source: Brazilian Central Bank  
Produced by: Ministry of Finance

## More investments in the next 4 years

### PAC 2: initial estimated investment

In R\$ million

<b>PAC Projects</b>	<b>2011 - 2014</b>	<b>After 2014</b>	<b>TOTAL</b>
<b>PAC Better Town</b>	57.1	-	57.1
<b>PAC Citizen Community</b>	23.0	-	23.0
<b>PAC MCMV Housing Program</b>	278.2	-	278.2
<b>PAC Water and Light for All</b>	30.6	-	30.6
<b>PAC Transportation</b>	104.5	4.5	109.0
<b>PAC Energy</b>	461.6	626.9	1,088.5
<b>TOTAL</b>	<b>955.0</b>	<b>631.4</b>	<b>1,586.4</b>

Source: State Department  
Produced by: Ministry of Finance

## Modernization of the financial system

- Increase in long-term credit volumes, with a larger share from the private sector
- Dynamic capital market
- Debentures
- Financial institution notes/bills
- Mortgage credit - CRI

# Modernization of tax structure and cost reduction

- Tax reform
- Payroll charges relief
- Investment taxation relief
- Bureaucracy reduction (licenses)
- Law 8.666/93: procurement

## Balanced external accounts

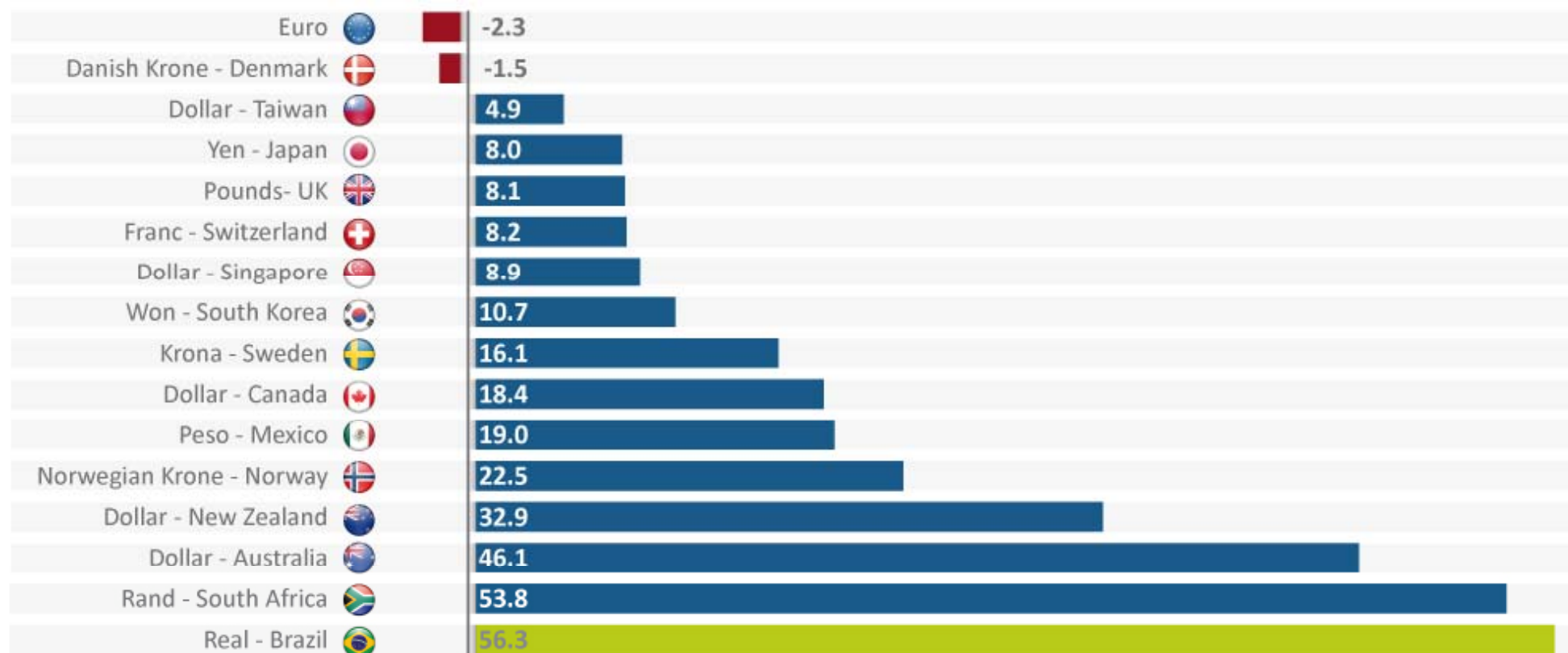
- Control of current account deficit
- Against fiscal war in imports
- EXIMBANK
- Promotion of export competition

## Constraints to overvalued currency

- Mitigating excessive overvaluation
- Maintaining FDI attraction
- Dollar purchases via Brazilian Central Bank and Sovereign Fund
- IOF – Financial transaction tax

# Overvalued currencies against US dollar

In % related to US dollar – 2009 and 2010

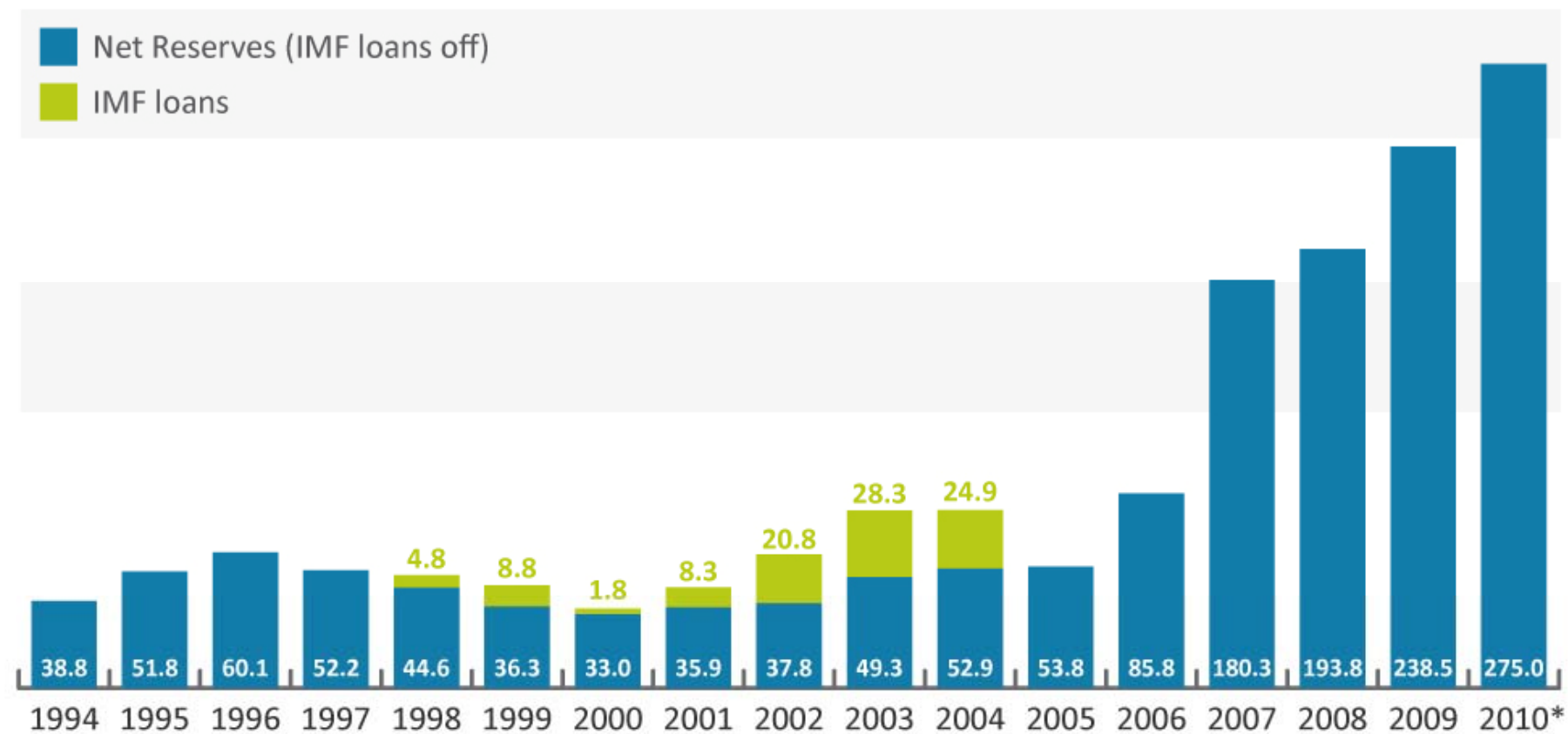


\* In September 29<sup>th</sup>, 2010

Source: Bloomberg  
Produced by: Ministry of Finance

# Foreign reserves

In US\$ billion

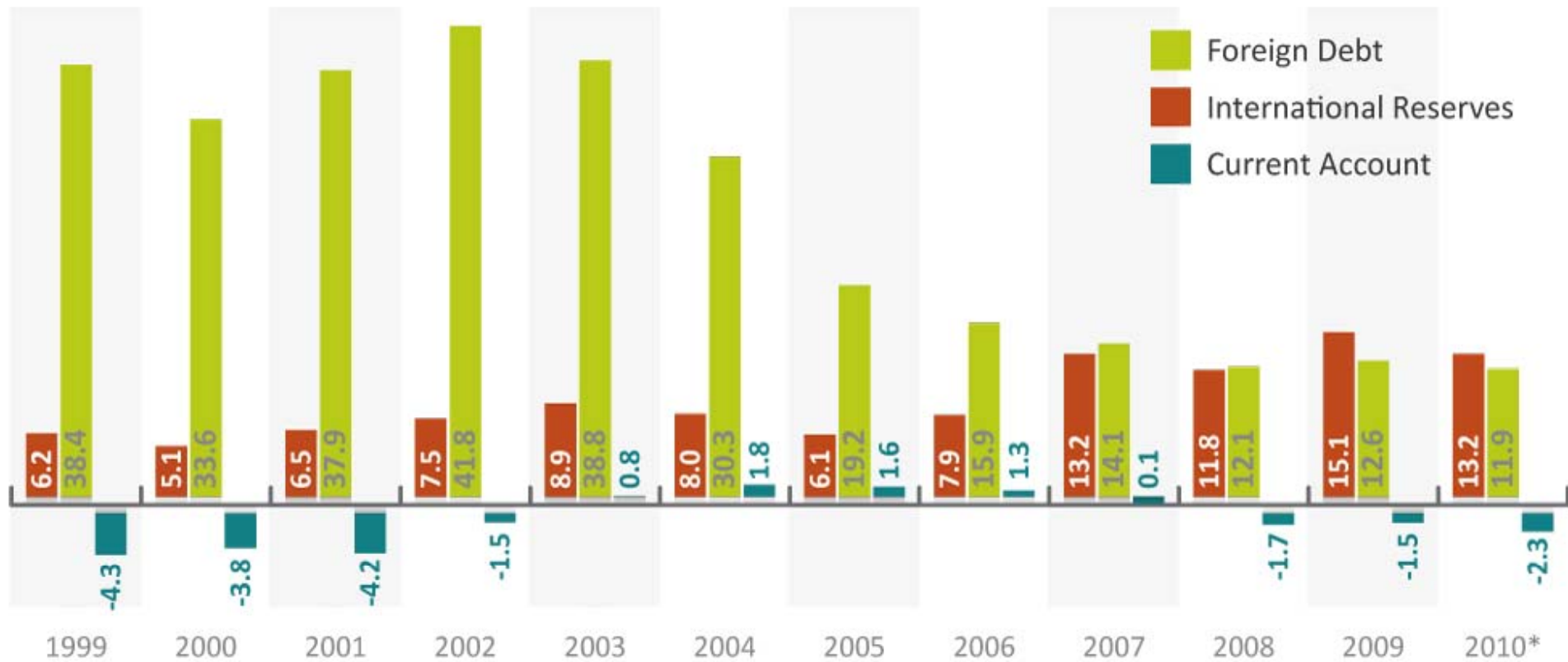


\* In September, 2010

Source: Brazilian Central Bank  
Produced by: Ministry of Finance

# Net foreign debt reduction and international reserves increase

In % of GDP



\* In August, 2010

Source: Brazilian Central Bank  
Produced by: Ministry of Finance

Brazil gathers the conditions  
to a long term growth cycle  
and to become one of  
the most dynamic  
world economies



**Ministry  
of Finance**