

World Crisis and Its Impacts on Brazil

Minister of Finance
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Ministério
da Fazenda

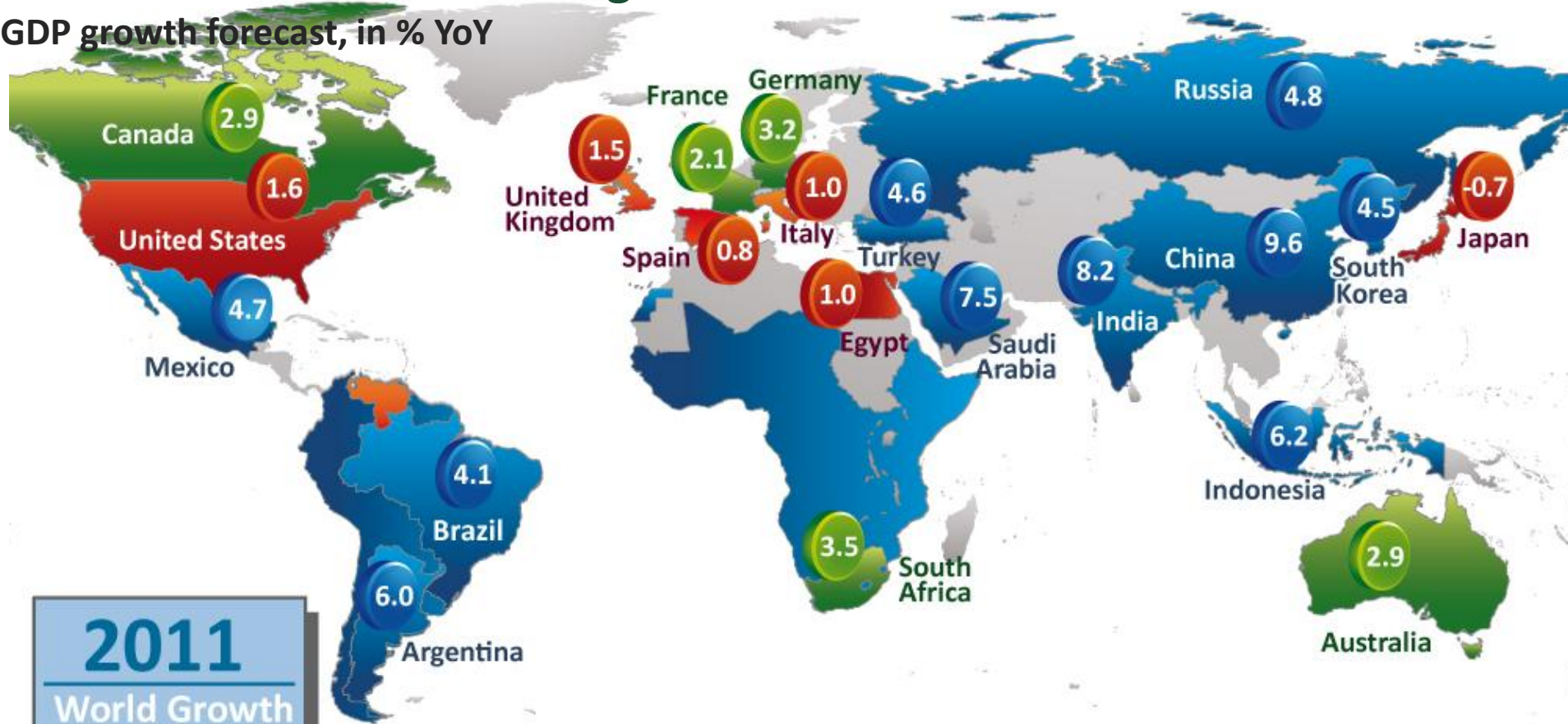
2011 Brazil Economic Conference
Brazilian-American Chamber of Commerce
Washington, September 23, 2011

Global economy has deteriorated in the last months

- ✓ The 2008 financial crisis was not overcome in advanced economies.
- ✓ Pessimistic analysts mention new financial crisis and recession (or stagnation) in advanced economies.
- ✓ The US economy is at a slow pace, but the core of the crisis is currently in Europe.
- ✓ European leaders are taking too much time to solve Greek and other countries' troubles and to capitalize European banks.
- ✓ Day after day the crisis is deeper and its solution is more expensive.

What will happen to emerging economies such as Brazil? If crisis does not become worse: low growth in developed economies, but emerging countries could continue to grow

GDP growth forecast, in % YoY



2011

World Growth

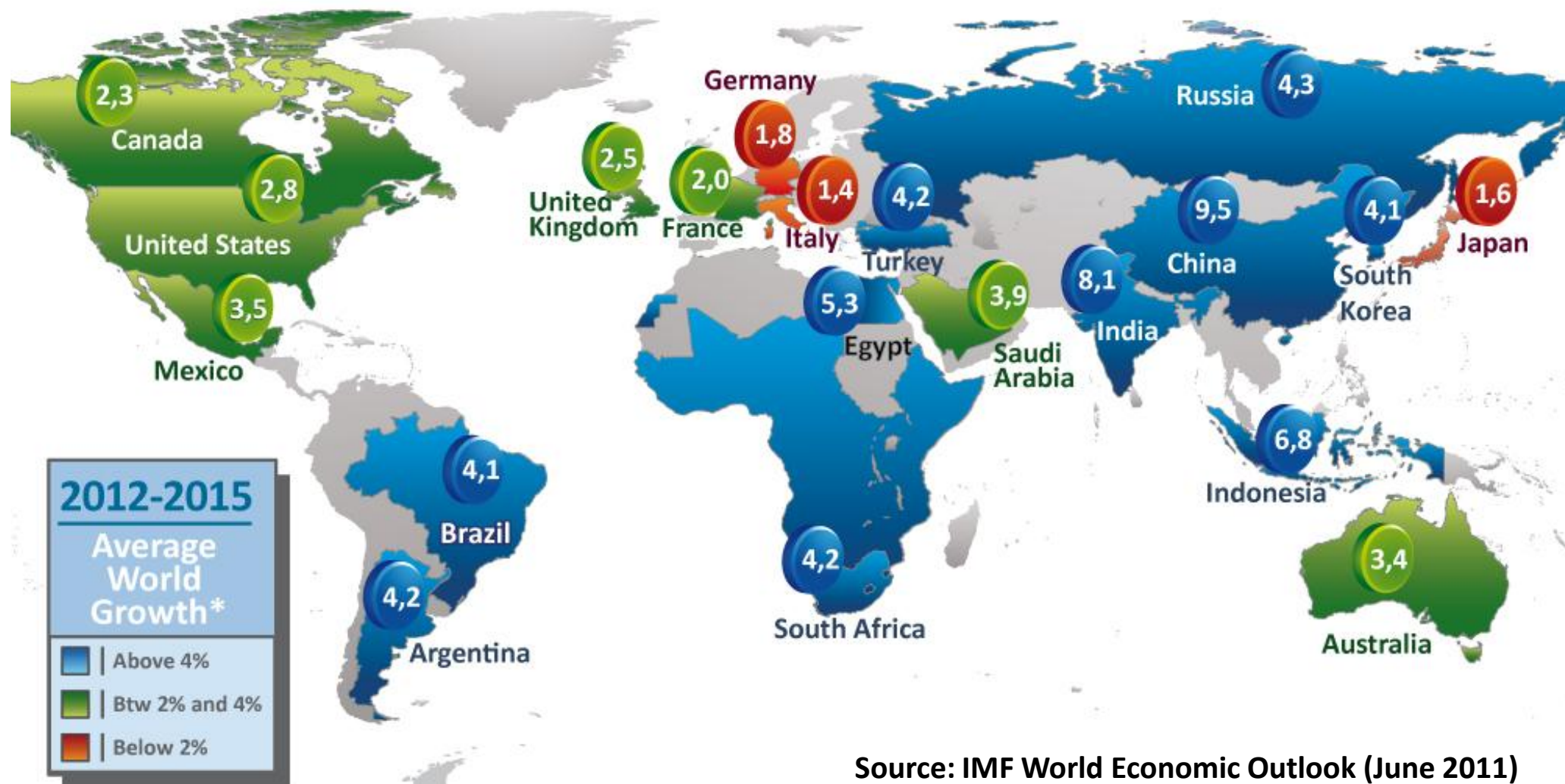
Blue	Above 4%	High growth; Job creation; More balanced situation for the Public Sector
Green	Between 2% and 4%	
Red	Below 2%	Low growth; High unemployment; High debt and high deficit

Source: IMF World Economic Outlook (June 2011)

Produced by: Ministry of Finance

Emerging markets will sustain global economy in the coming years

Average GDP growth forecast, in % YoY

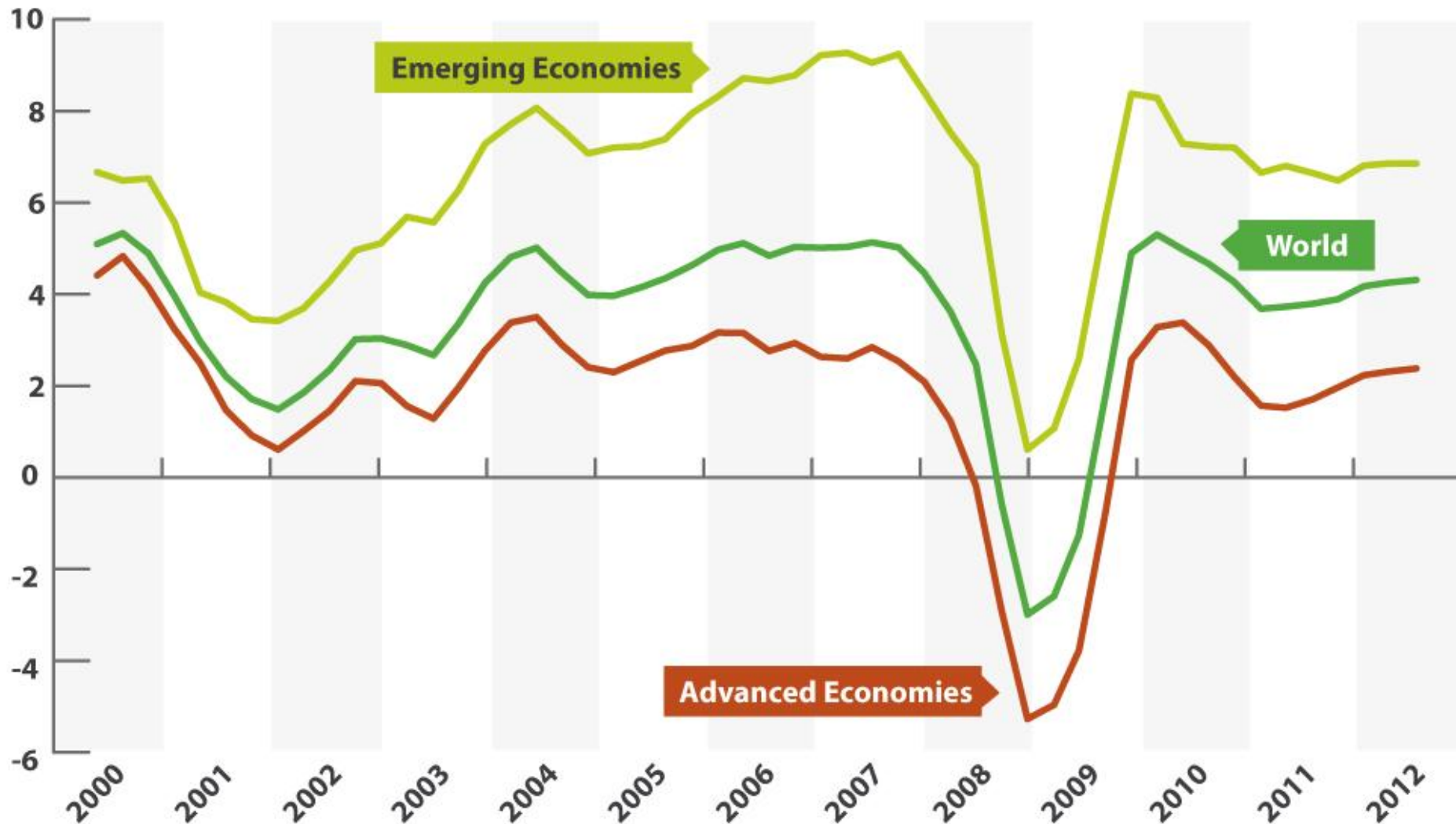


Source: IMF World Economic Outlook (June 2011)

Produced by: Ministry of Finance

Emerging economies grow above average

Real GDP, in quarterly percent change vis-à-vis one year earlier



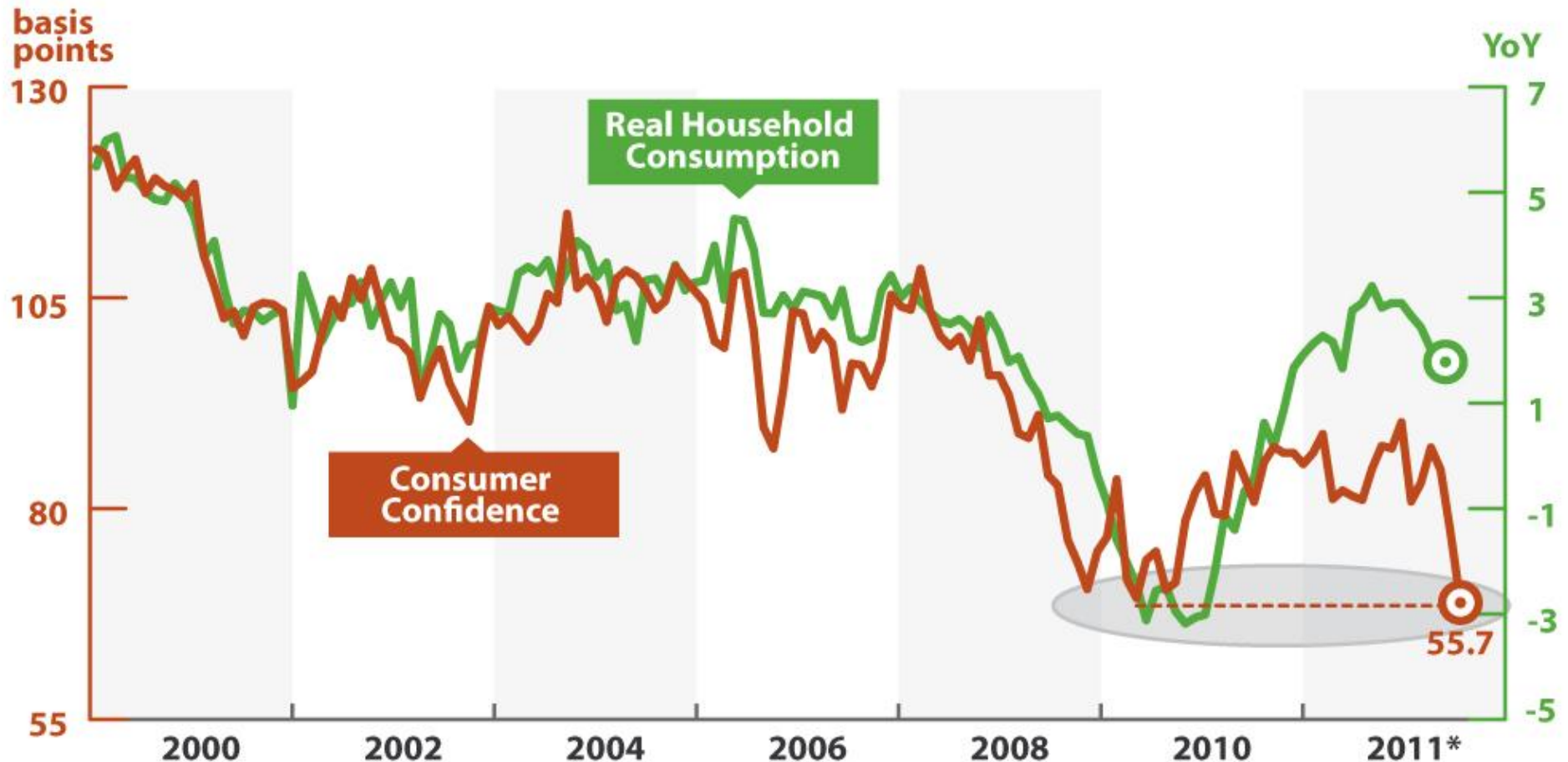
Source: IMF

Produced by: Ministry of Finance

Crisis of confidence

Consumer confidence returns to 2008 levels

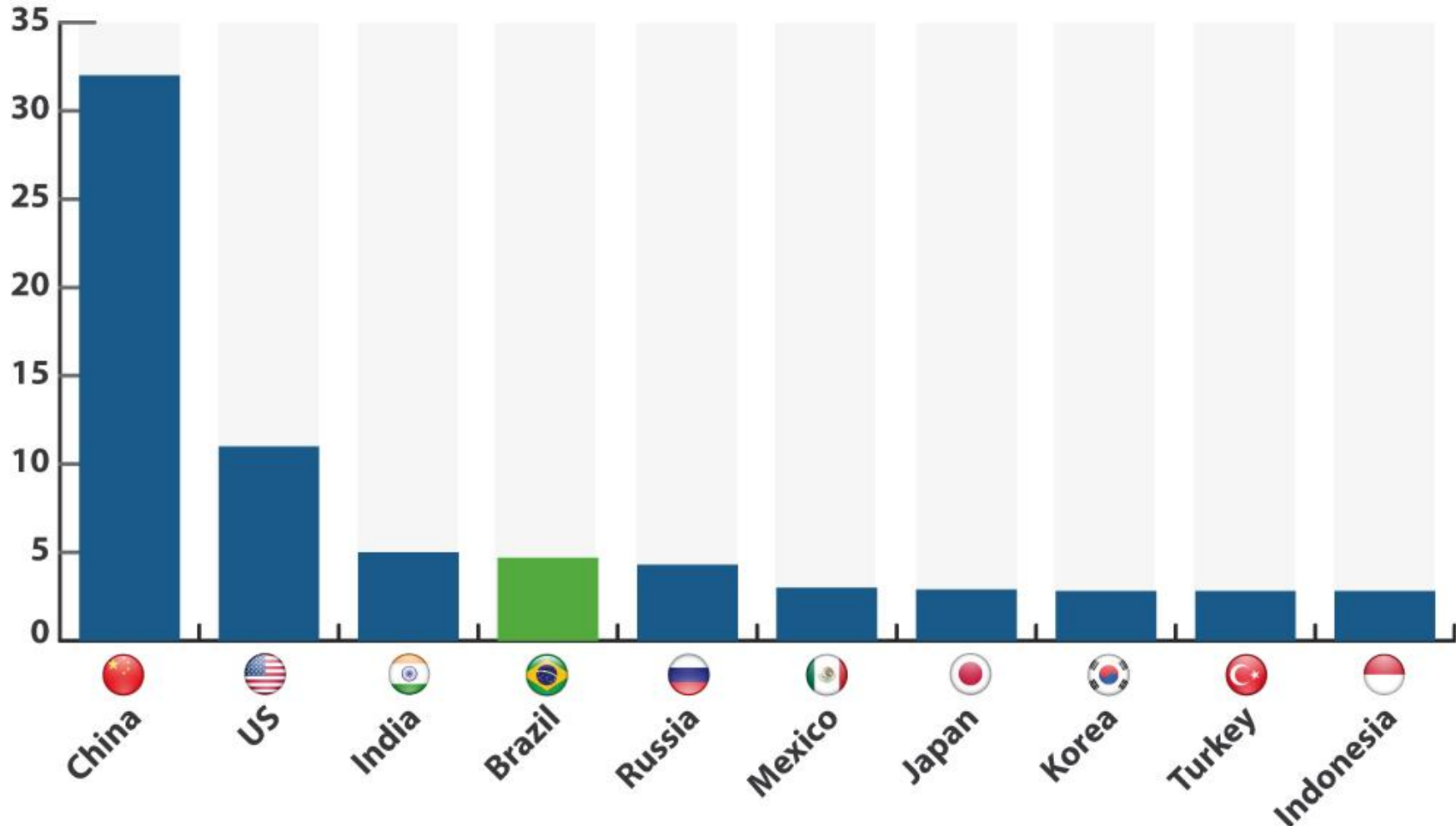
US consumer confidence index, in basis points, and annual change of household consumption, in %



Source: Conference Board and Standard & Poor's
Produced by: Ministry of Finance

Emerging countries' contribution to global economy on the rise

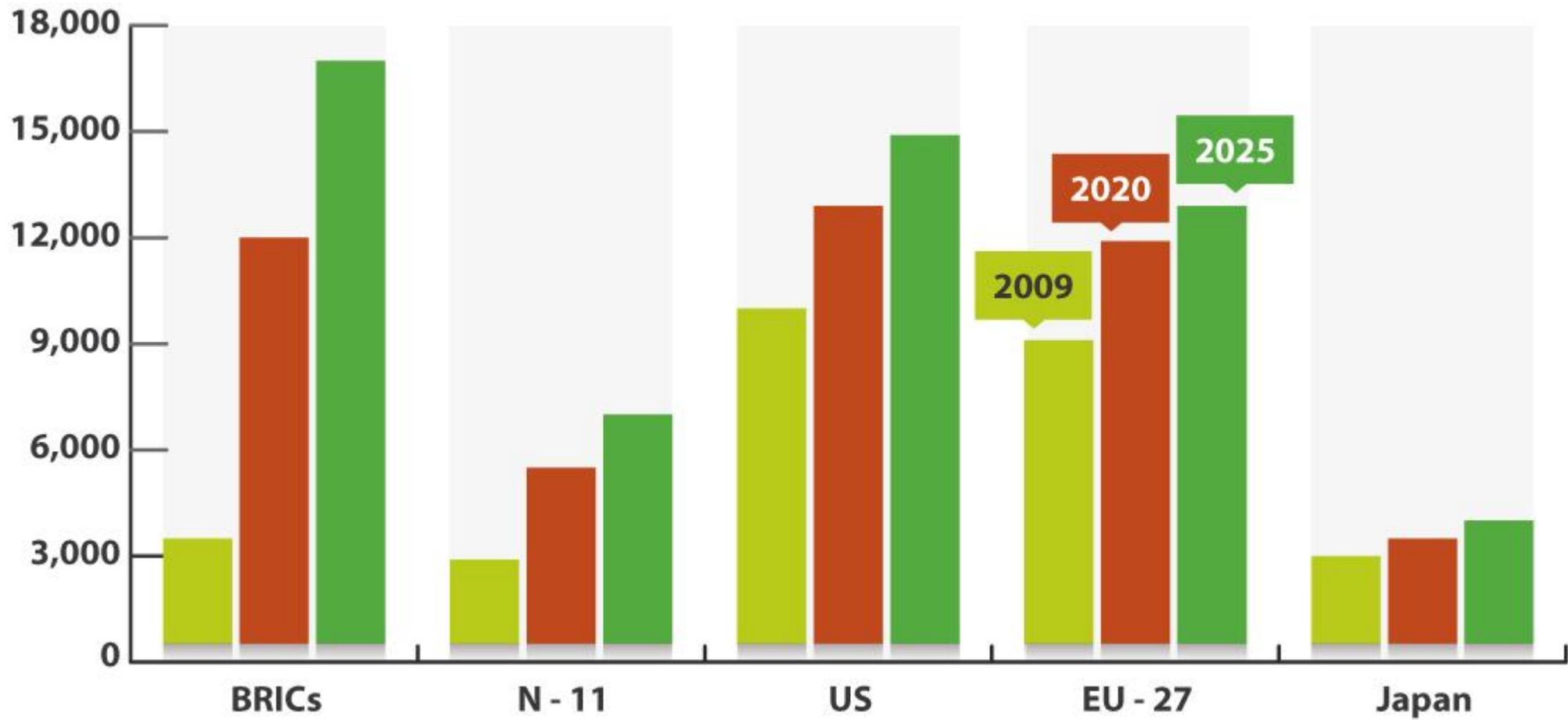
Share of total world GDP growth, 2010-2019, in %



Source: Goldman Sachs
Produced by: Ministry of Finance

Consumption will be stronger in BRIC countries

In 2009 US\$ billion



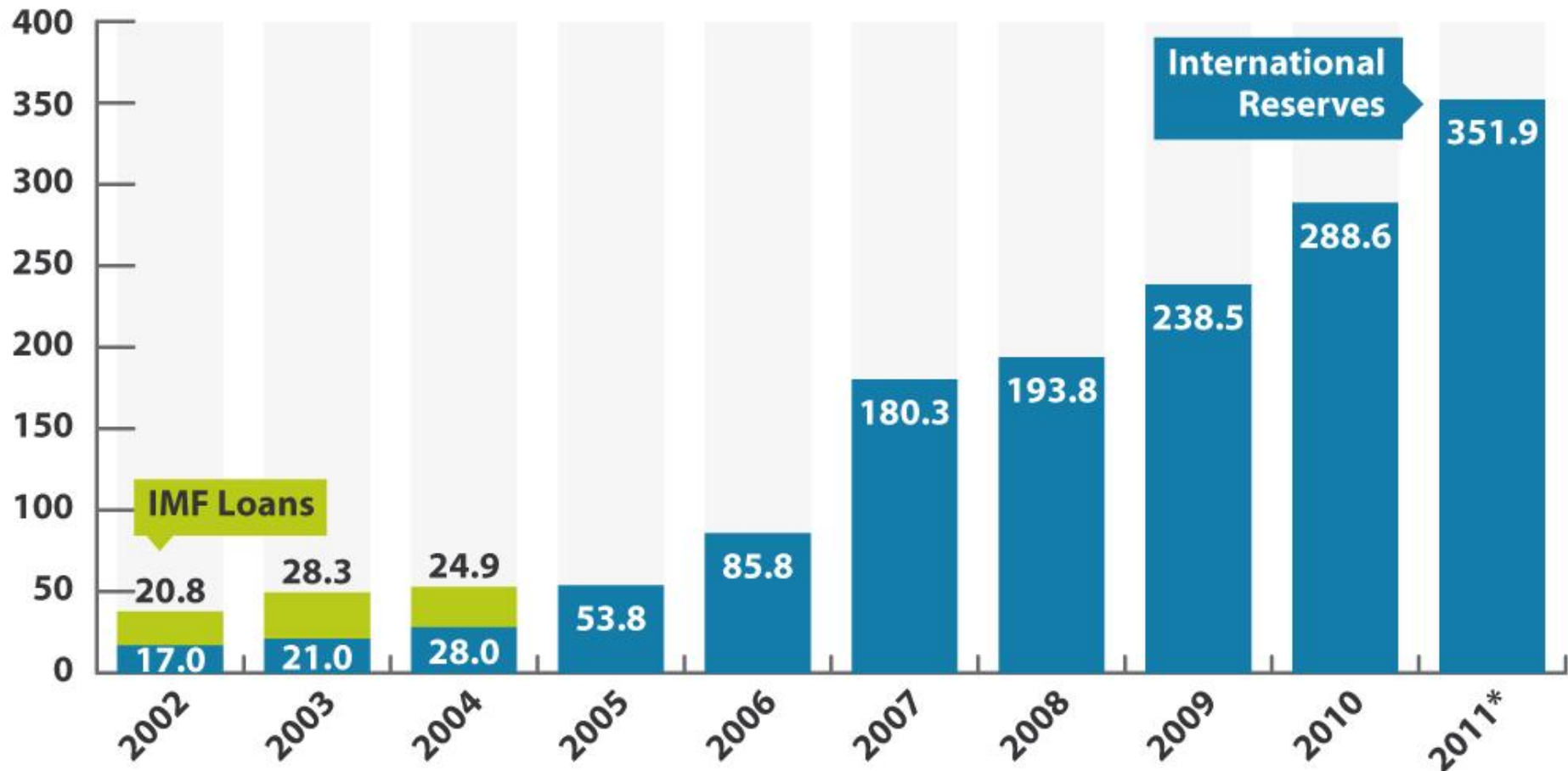
N-11 (Next-11): Eleven most populous emerging countries after the BRICs.

Source: Goldman Sachs
Produced by: Ministry of Finance

Brazil is prepared to face crisis deterioration

International reserves

In US\$ billion

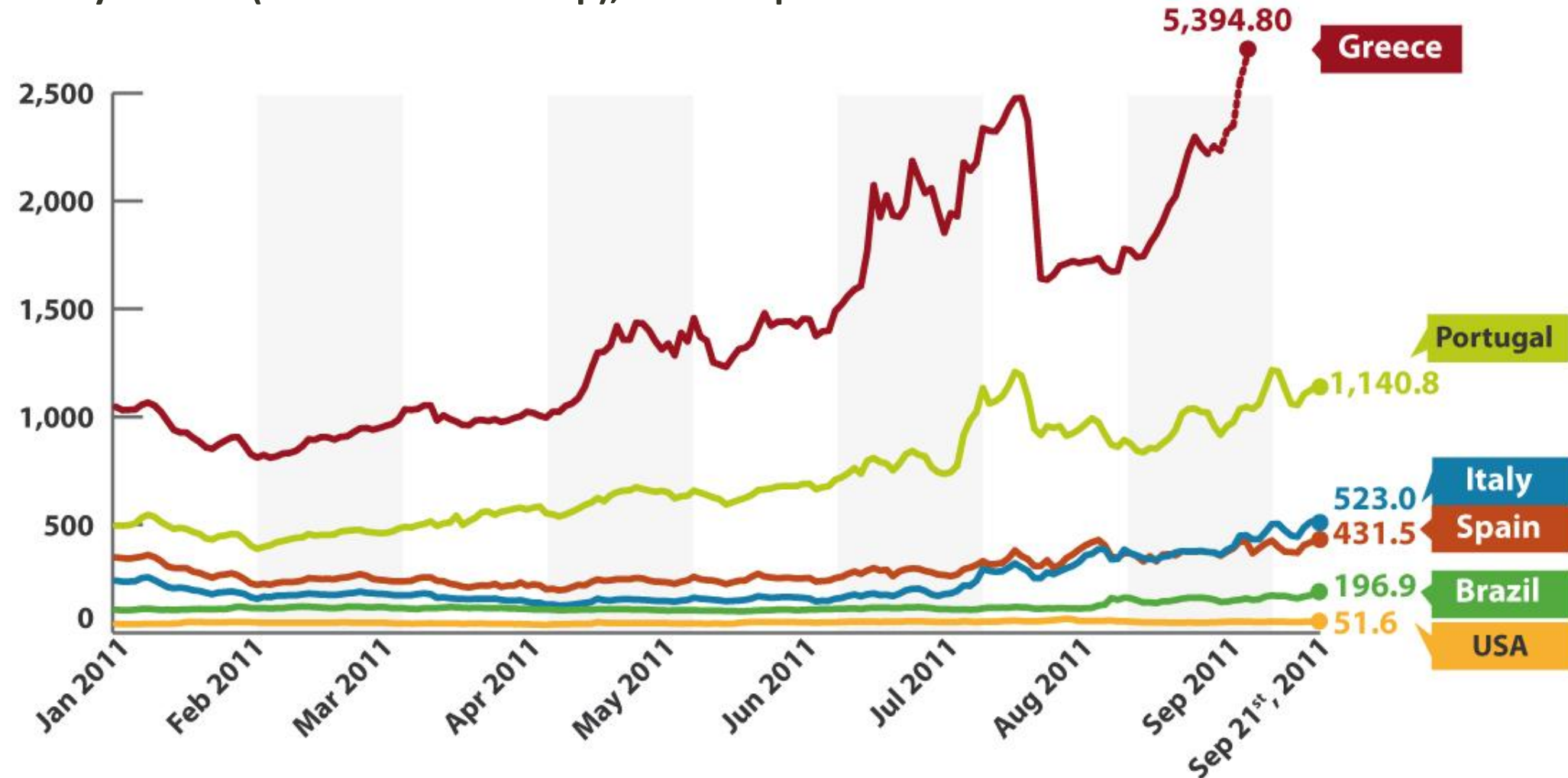


* On September 21st, 2011.

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

More confidence in Brazil

5-year CDS (Credit Default Swap), in basis points

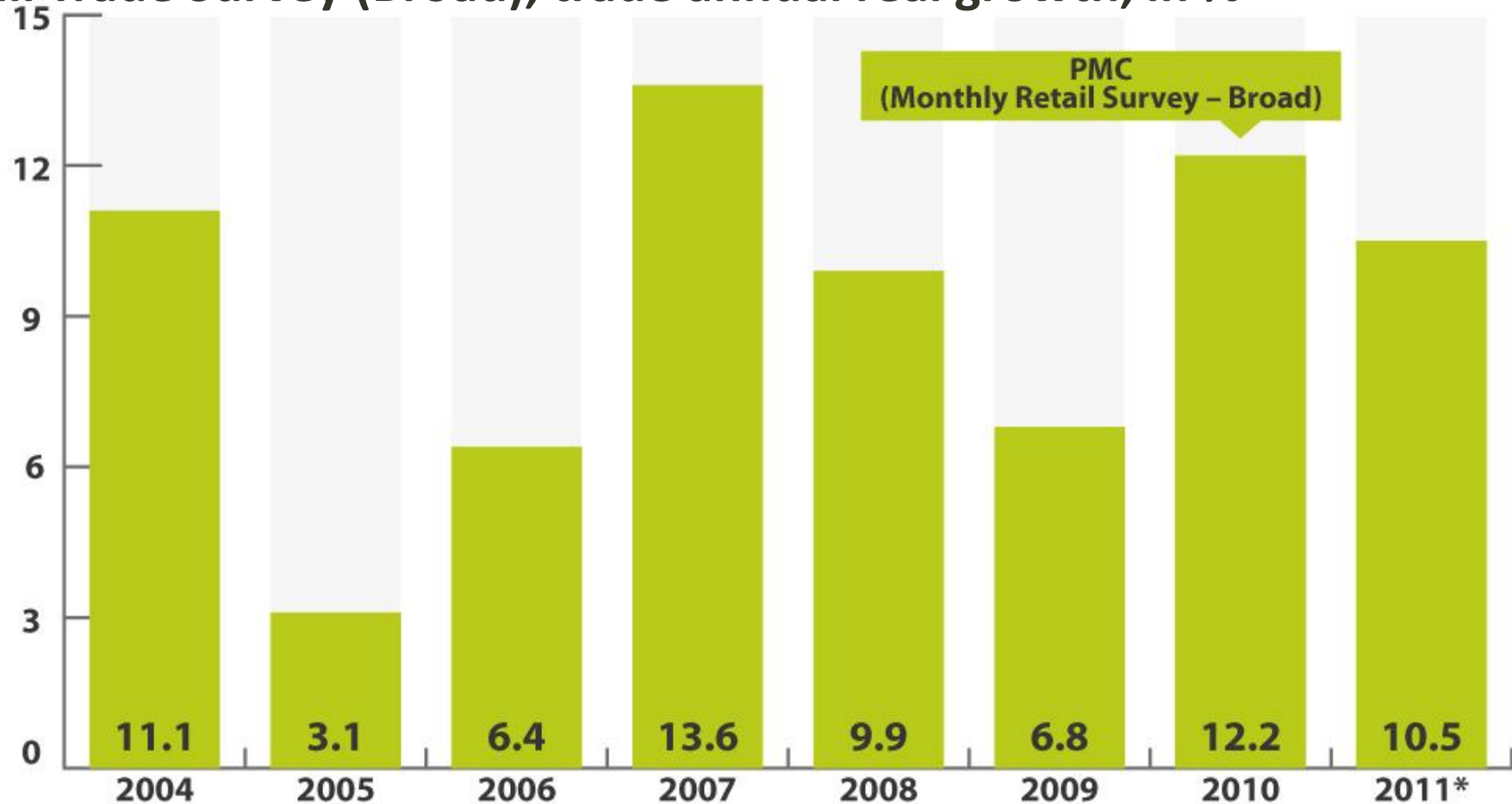


* Updated on September 21st, 2011.

Source: Moody's
Produced by: Ministry of Finance

Brazil has a large and dynamic consumer market, making the country less dependent on foreign economies

Retail Trade Survey (Broad), trade annual real growth, in %



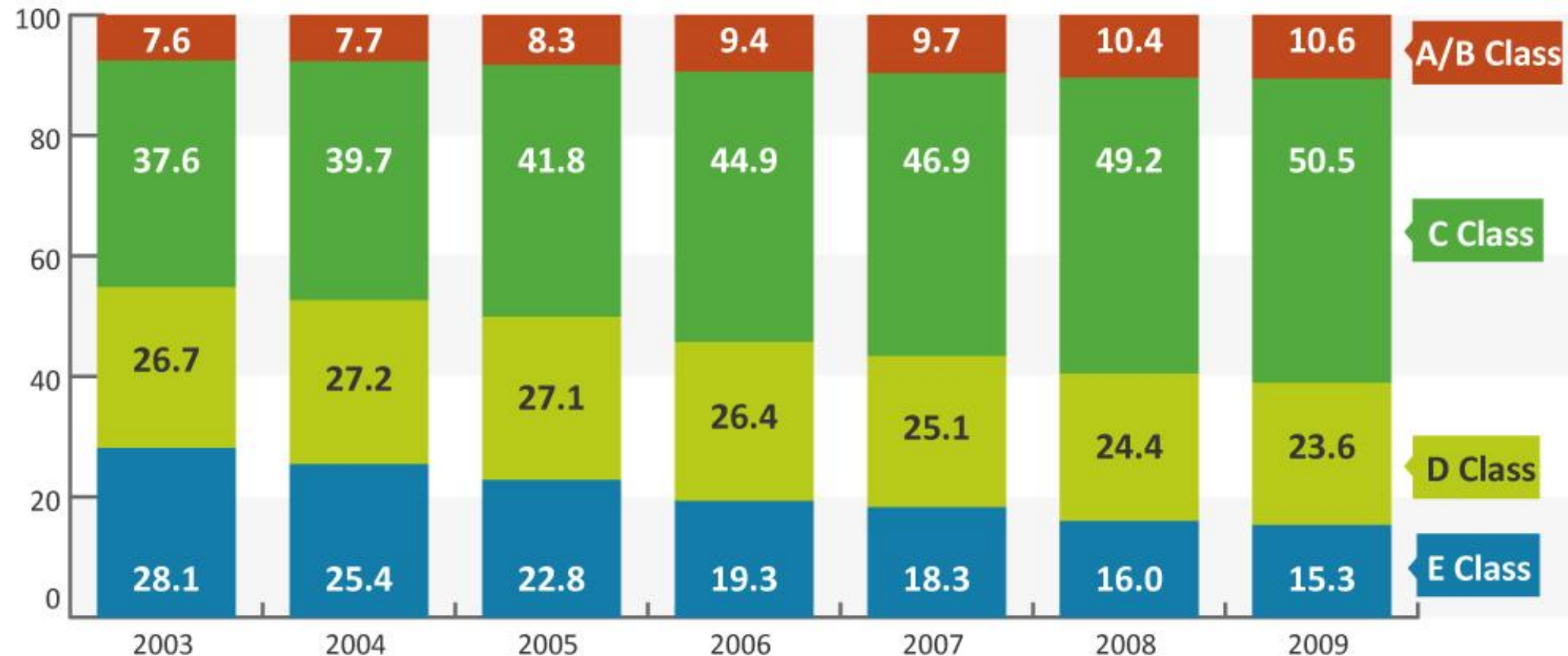
* Accumulated in 12 months, by July 2011.

Source: IBGE

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Great increase of middle class

In % share of population*



* Household monthly per capita income per classes at 2009 prices:

A/B class: more than R\$ 4,800

C class: between R\$ 1,115 and R\$ 4,800

D class: between R\$ 804 and R\$ 1,115

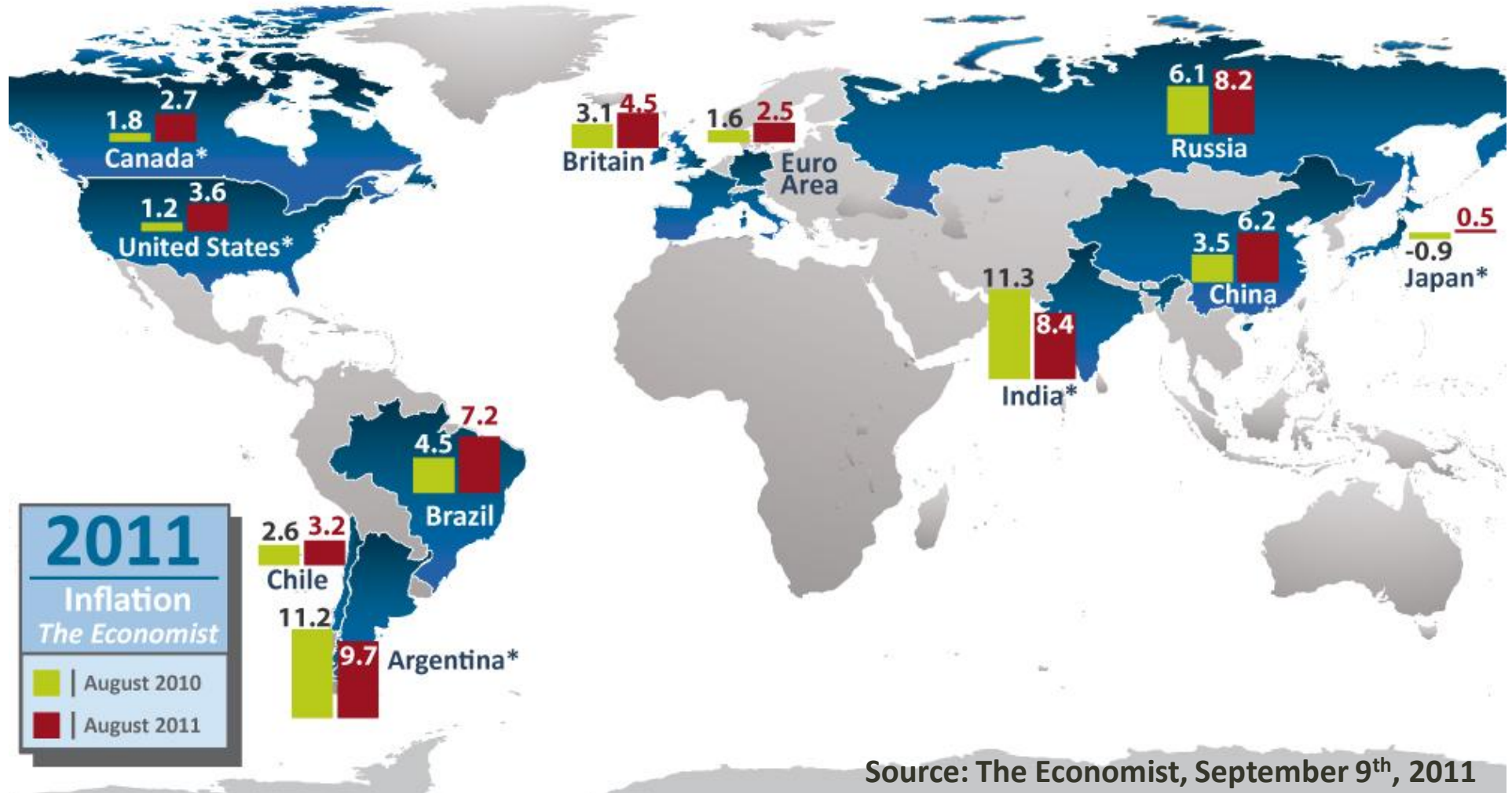
E class: up to R\$ 804

Source: Economatica Financial Consulting

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Sound fundamentals

Inflation rate, 12-month up to August



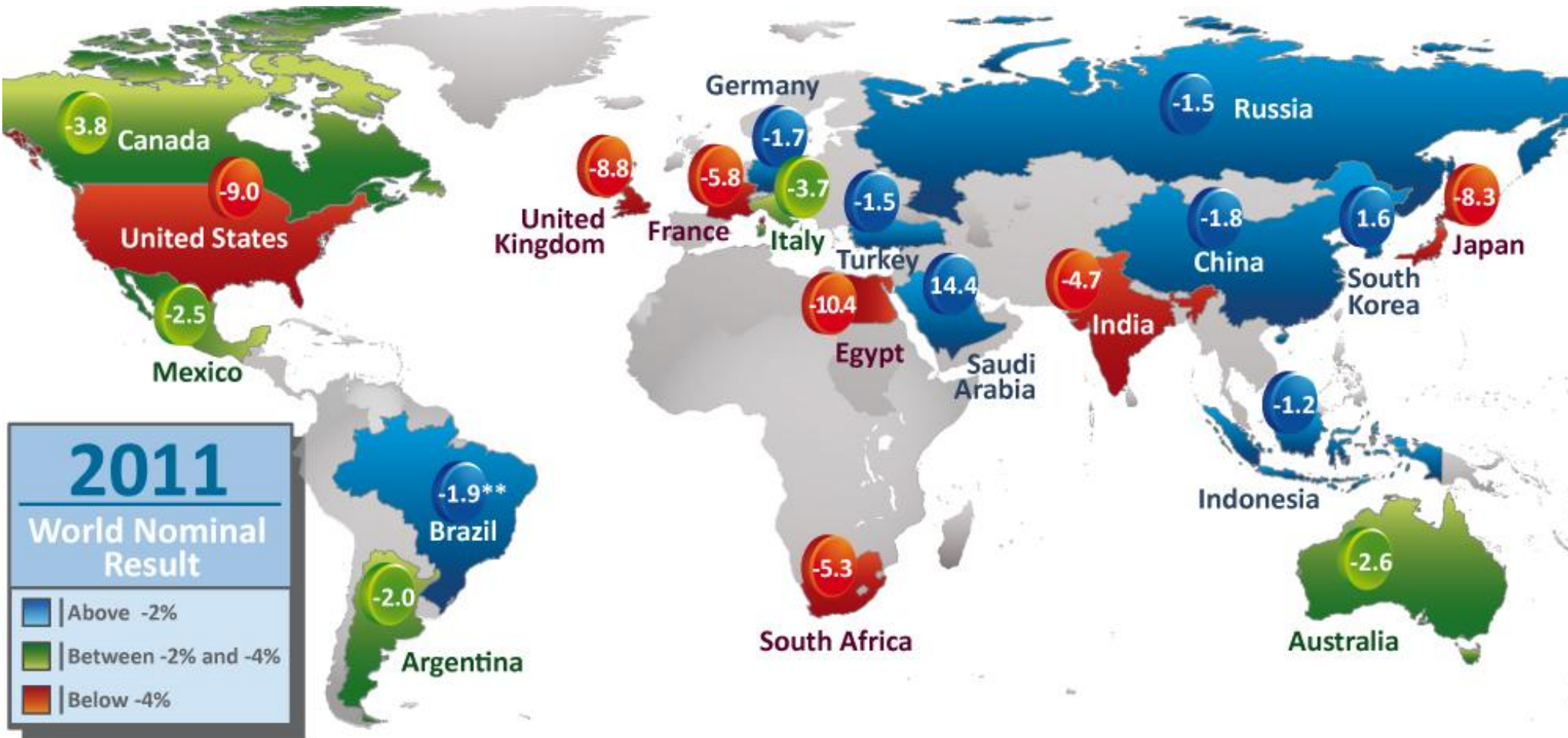
Source: The Economist, September 9th, 2011

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* On a 12-month basis up to July, 2011.

Sound fiscal situation when compared to other countries

Budget balance forecast, in % GDP



* The Economist (September 17th, 2011 edition)

** For Brazil: Ministry of Finance forecast

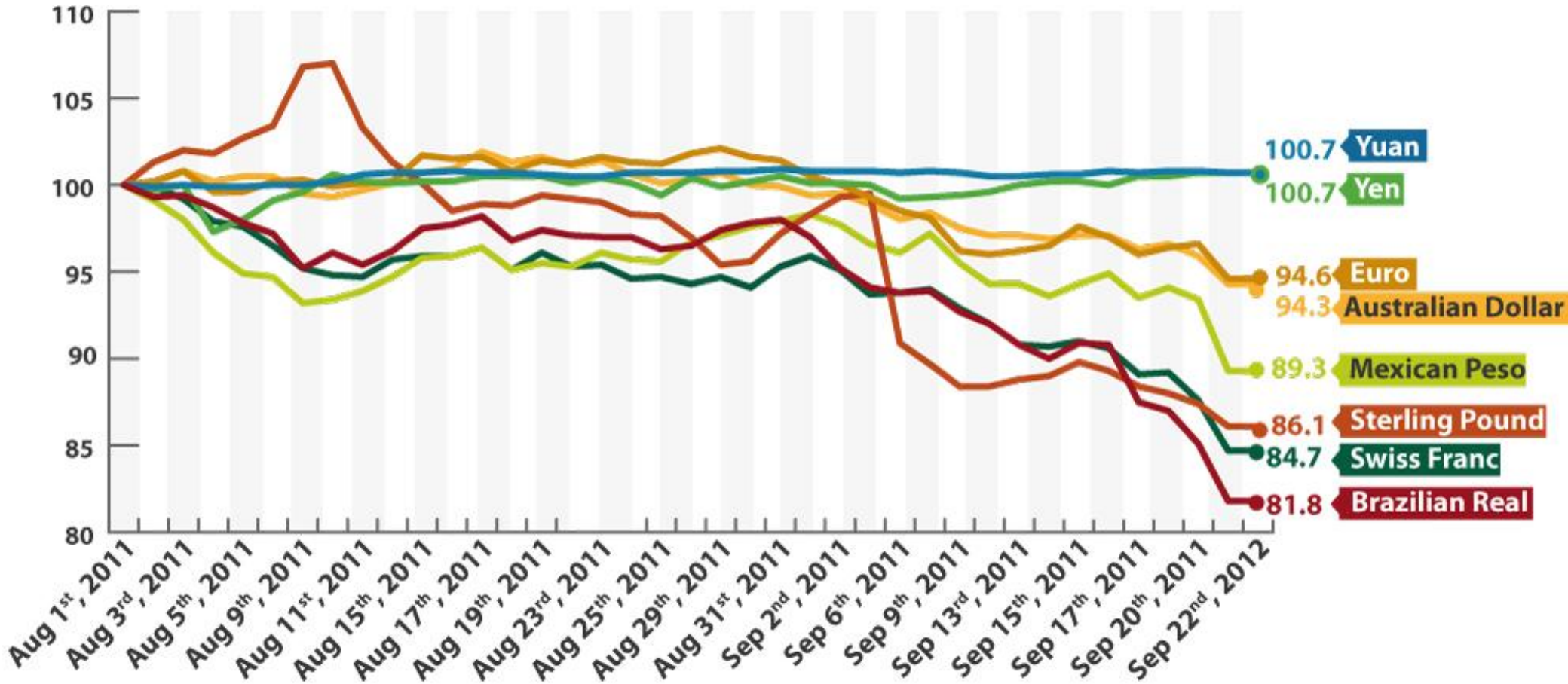
Source: The Economist
Produced by: Ministry of Finance

International crisis challenges for Brazil

- ✓ **FISCAL CONSOLIDATION**
 - Achieve high **PRIMARY RESULTS** in 2011, 2012 and afterwards
 - Control new **CURRENT EXPENDITURES**
 - Create fiscal space to continue expanding **INVESTMENTS** and **TAX EXEMPTIONS**
 - Create conditions to reduce **INTEREST RATES**
 - **NEW MIX OF FISCAL-MONETARY POLICIES**
- ✓ **TRADE DEFENSE:** Federal Revenue and MDIC measures
- ✓ **CURRENCY WAR:**
 - Reserves
 - Taxation
 - Derivatives
 - Incentives to innovation and local content

Exchange rate comparison

In index (basis Aug 1st, 2011 = 100)

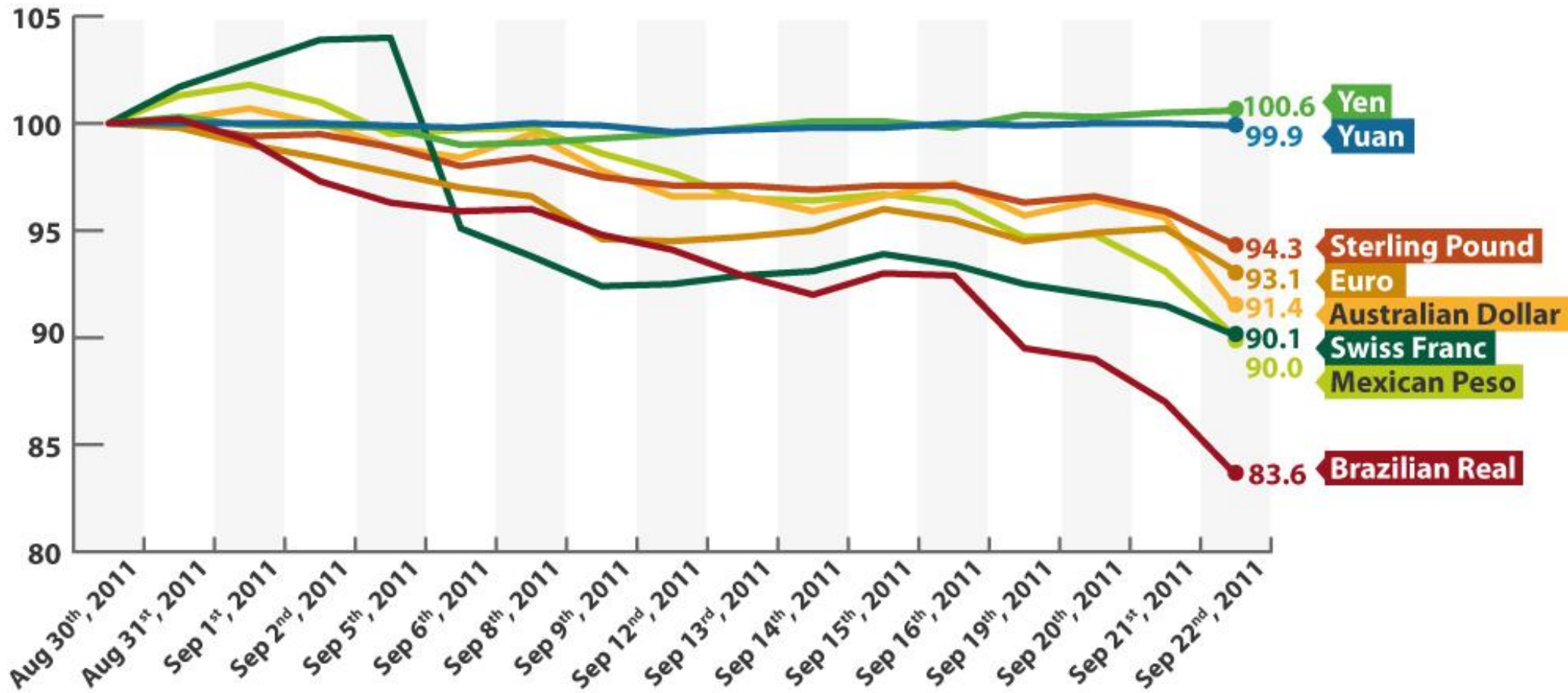


Source: CMA

Produced by: Ministry of Finance

Exchange rate comparison

In index (basis Aug 30th, 2011 = 100)



Source: CMA

Produced by: Ministry of Finance

- ✓ To conclude: The emerging countries performance depends on the evolution of the current crisis.
- ✓ The 2011 challenge is no greater than 2008.
- ✓ In 2008, governments were fast in their decisions, audacious in their measures and managed to coordinate joint actions...
- ✓ ... which restored confidence.
- ✓ Now, in 2011, we have to repeat behavior:
 - Courage
 - Fast decisions
 - International coordination



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