
BRAZIL

Economic stability and development

Antonio Palocci Filho

Tokyo, June 26th

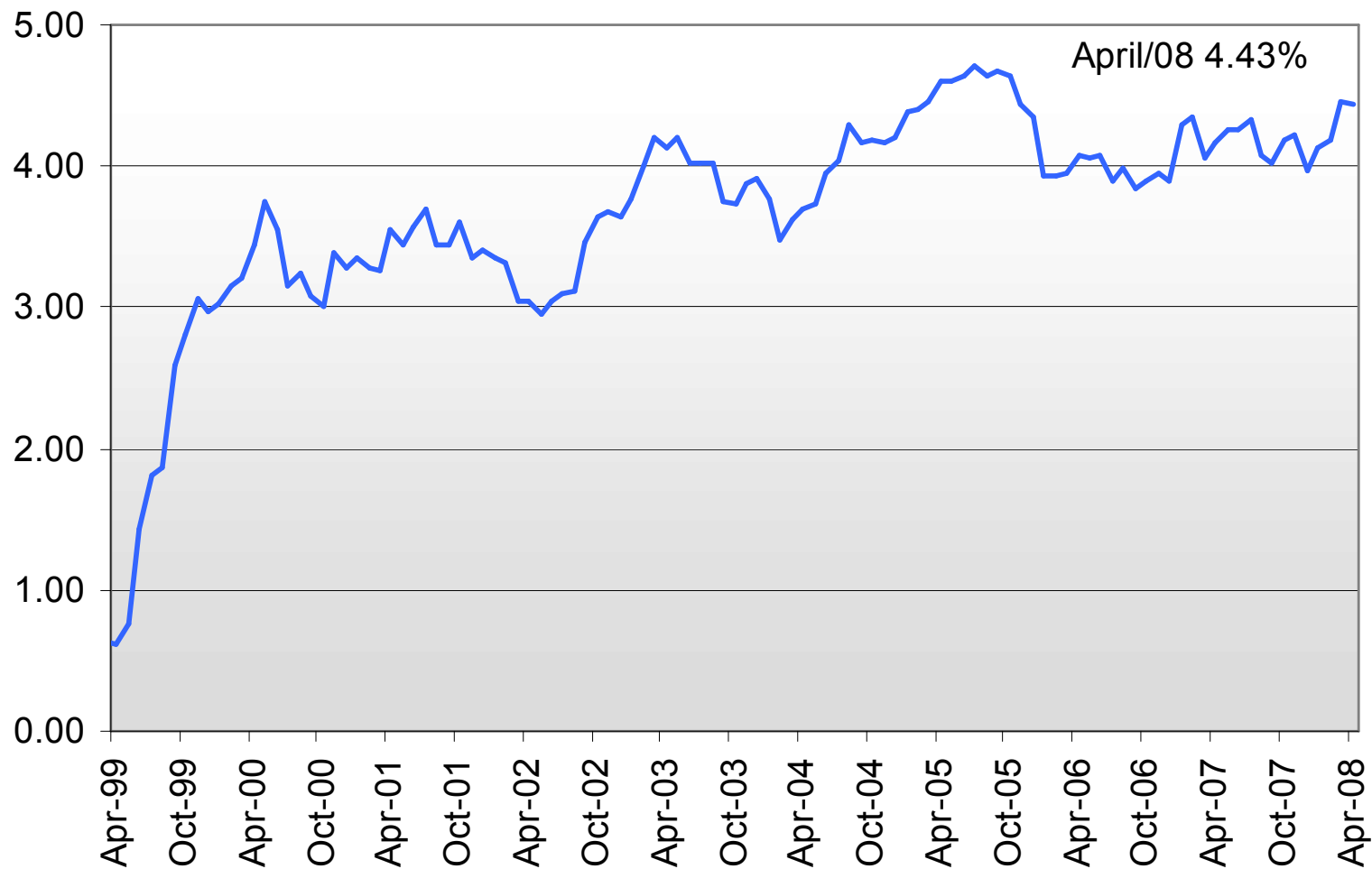
BRAZIL

Economic stability and development

Fiscal and monetary discipline

Primary surplus

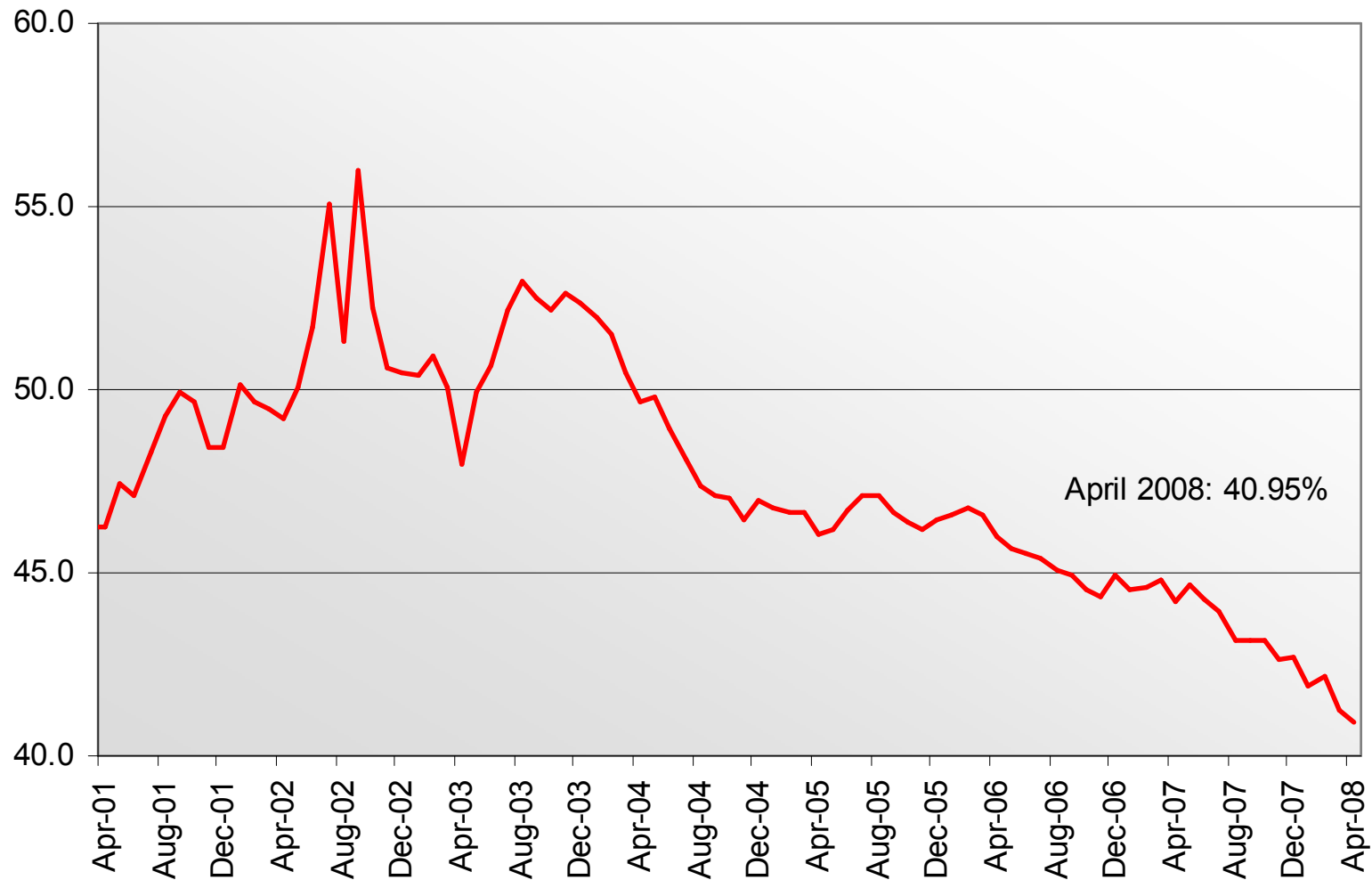
(% GDP, 12-month average)



Source: Central Bank

Net public debt

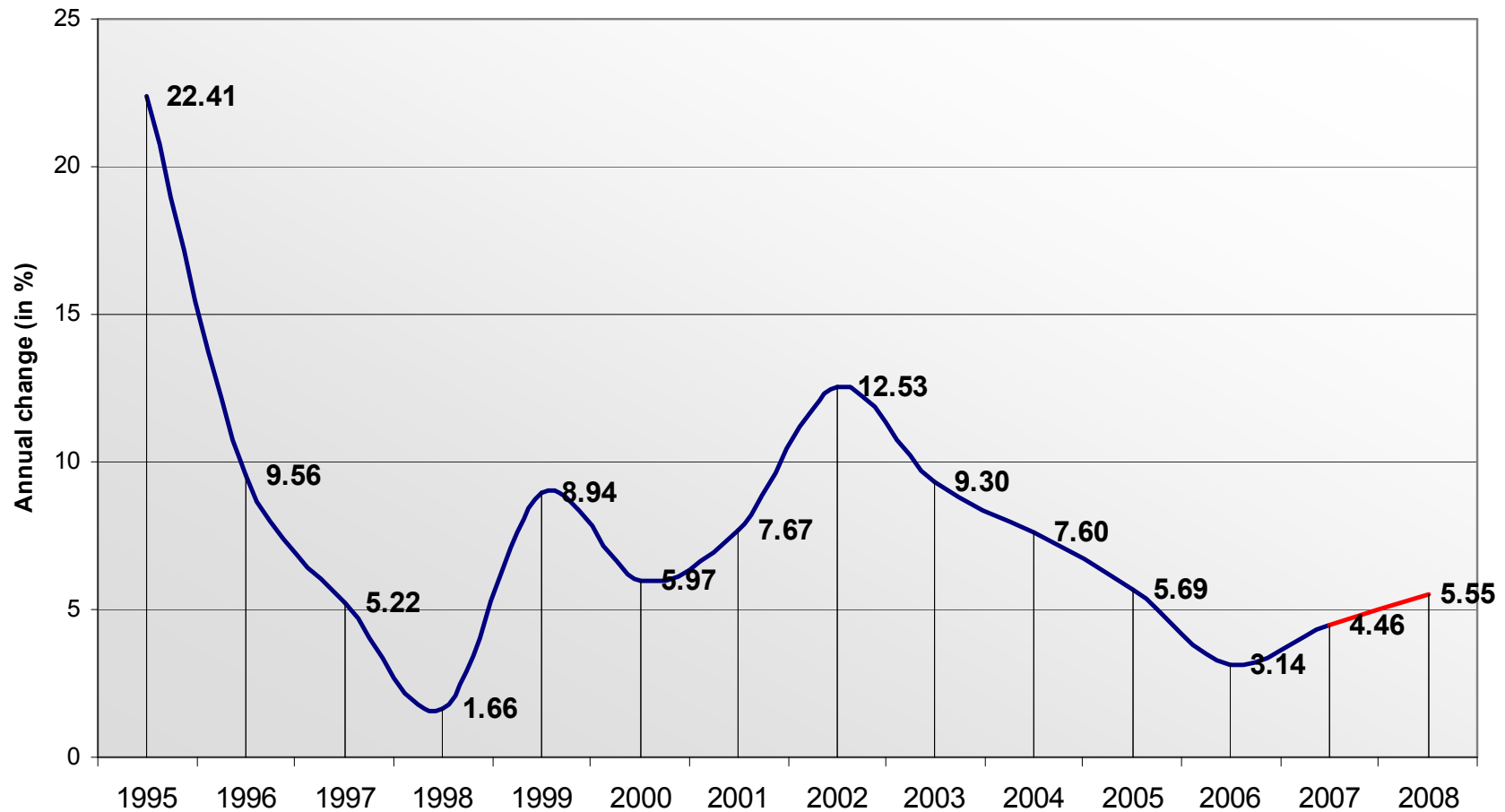
(% GDP) - Total - Consolidated public sector



Source: Central Bank





CPI change

IPCA - Large National Consumer Price Index



Source: IBGE (For 2008: median market expectations)

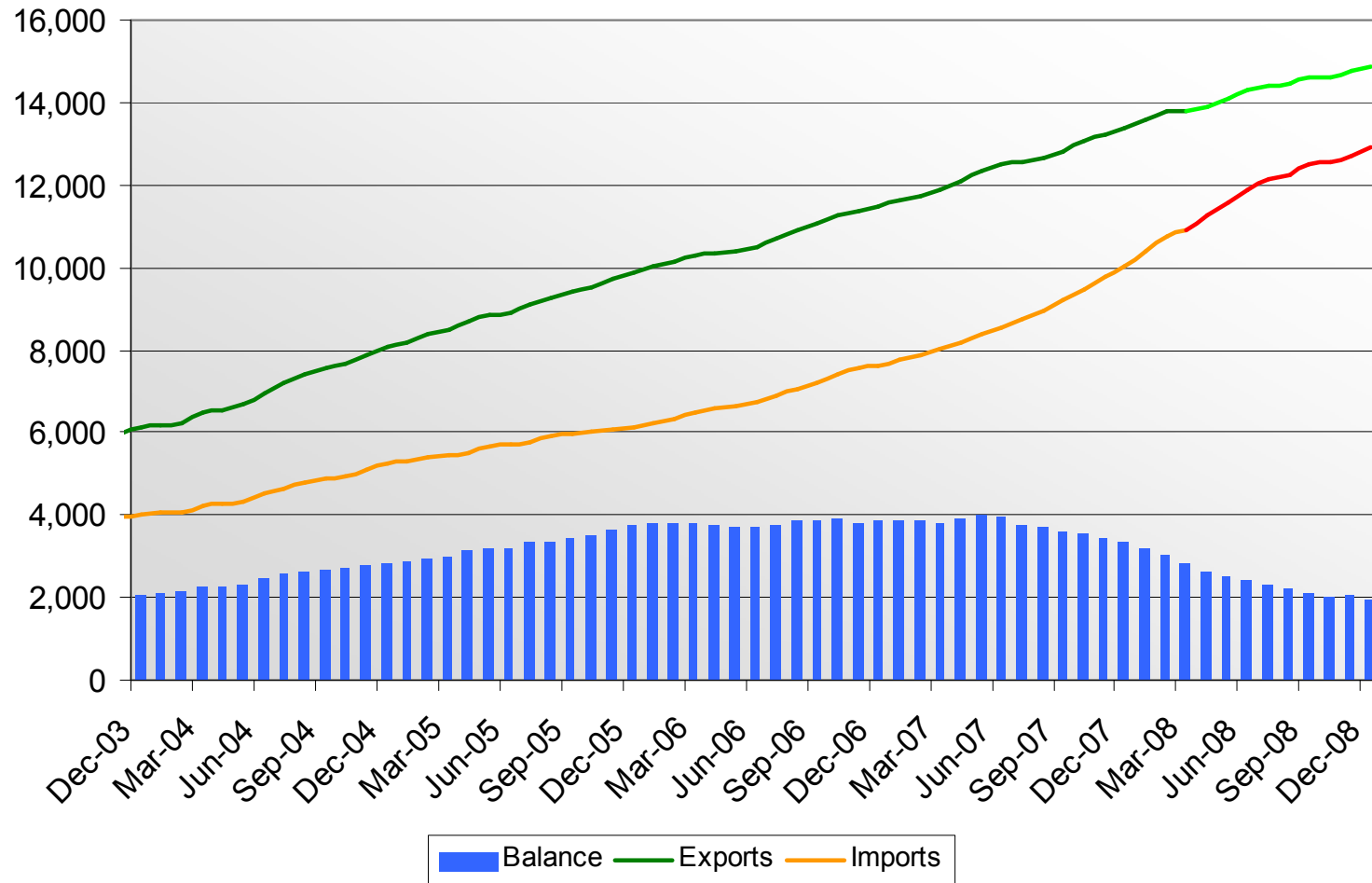
The lowest inflation amongst BRICs

	Country	Consumer prices	
		2007	Last YoY
	Brazil	4.46%	5,0%
	Russia	11.90%	13,3%
	India	6.70%	7,9%
	China	4.80%	8,3%

*IMF; **Economist Intelligence Unit forecast

Commercial balance

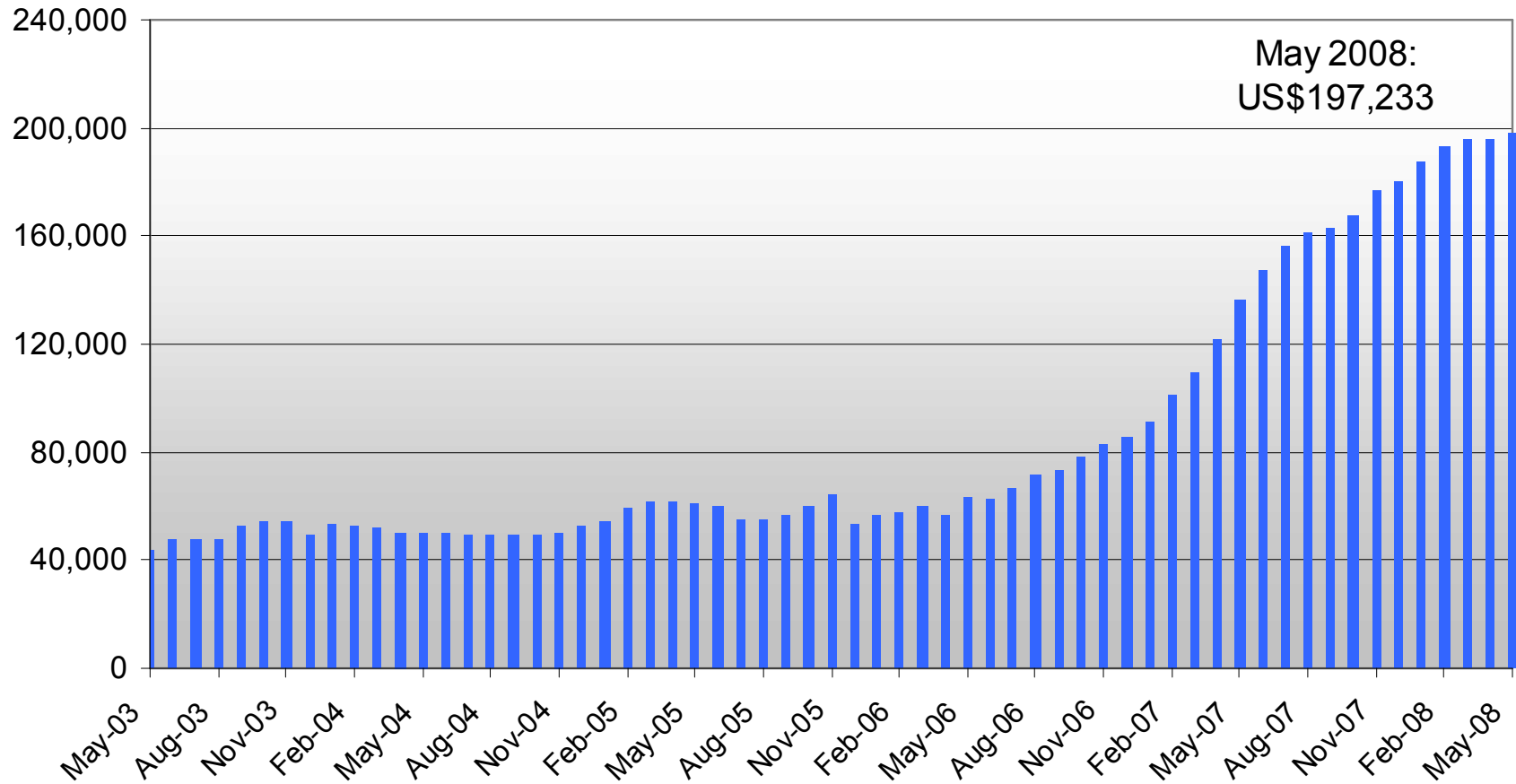
(12-month average, in million US\$)



Source: Central Bank (from May/08 to Dec/08: average market expectations)

International reserves

(in million US\$)



Source: Central Bank

BRAZIL

Economic stability and development

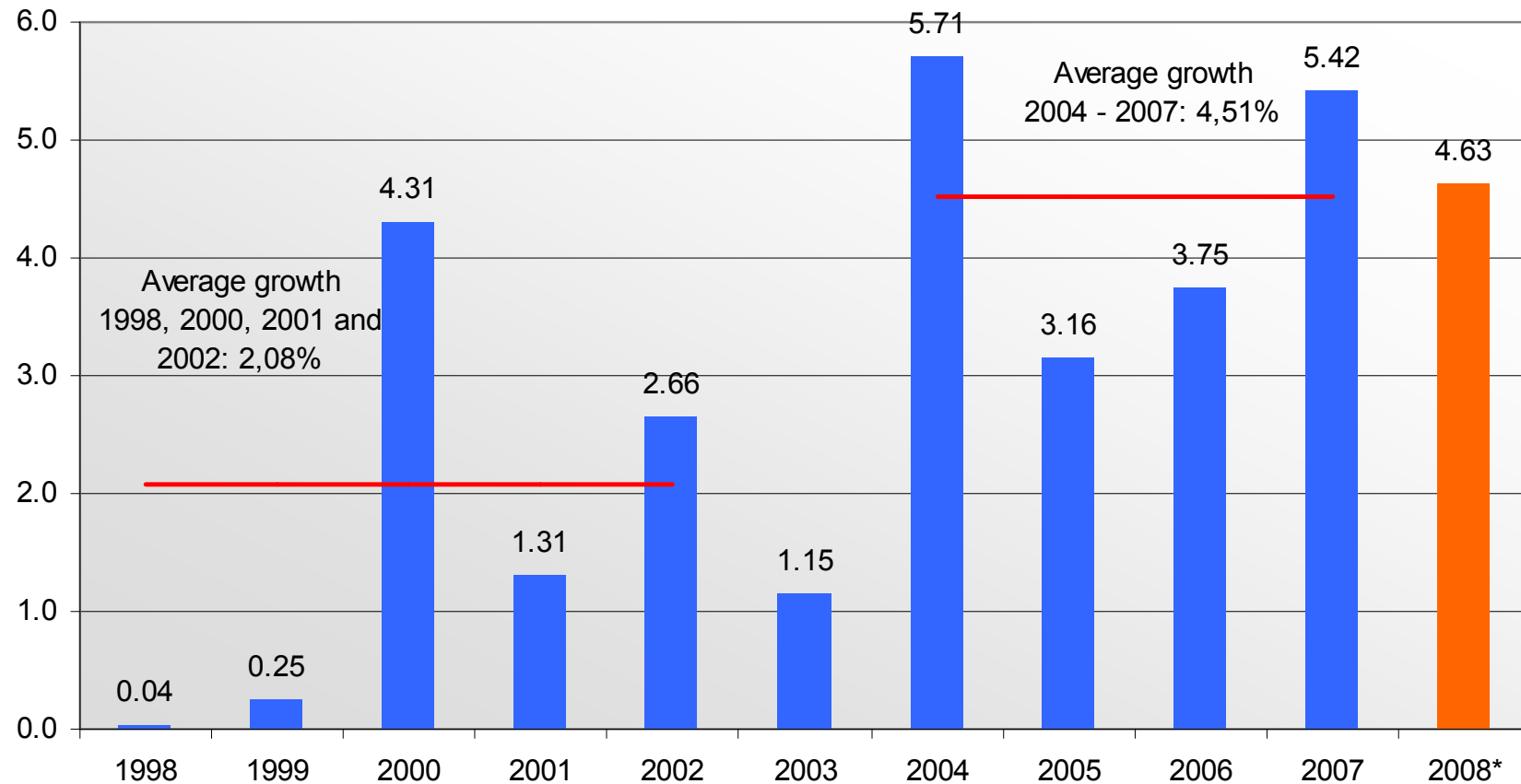
Consequences of sound economic
policies

The gains of economic discipline

- Investment grade granted by two different rating agencies
 - Standard & Poor's
 - Fitch
 - Decoupling from recent credit crisis
 - The longest and highest growth period since the 70's
-

Gross domestic product

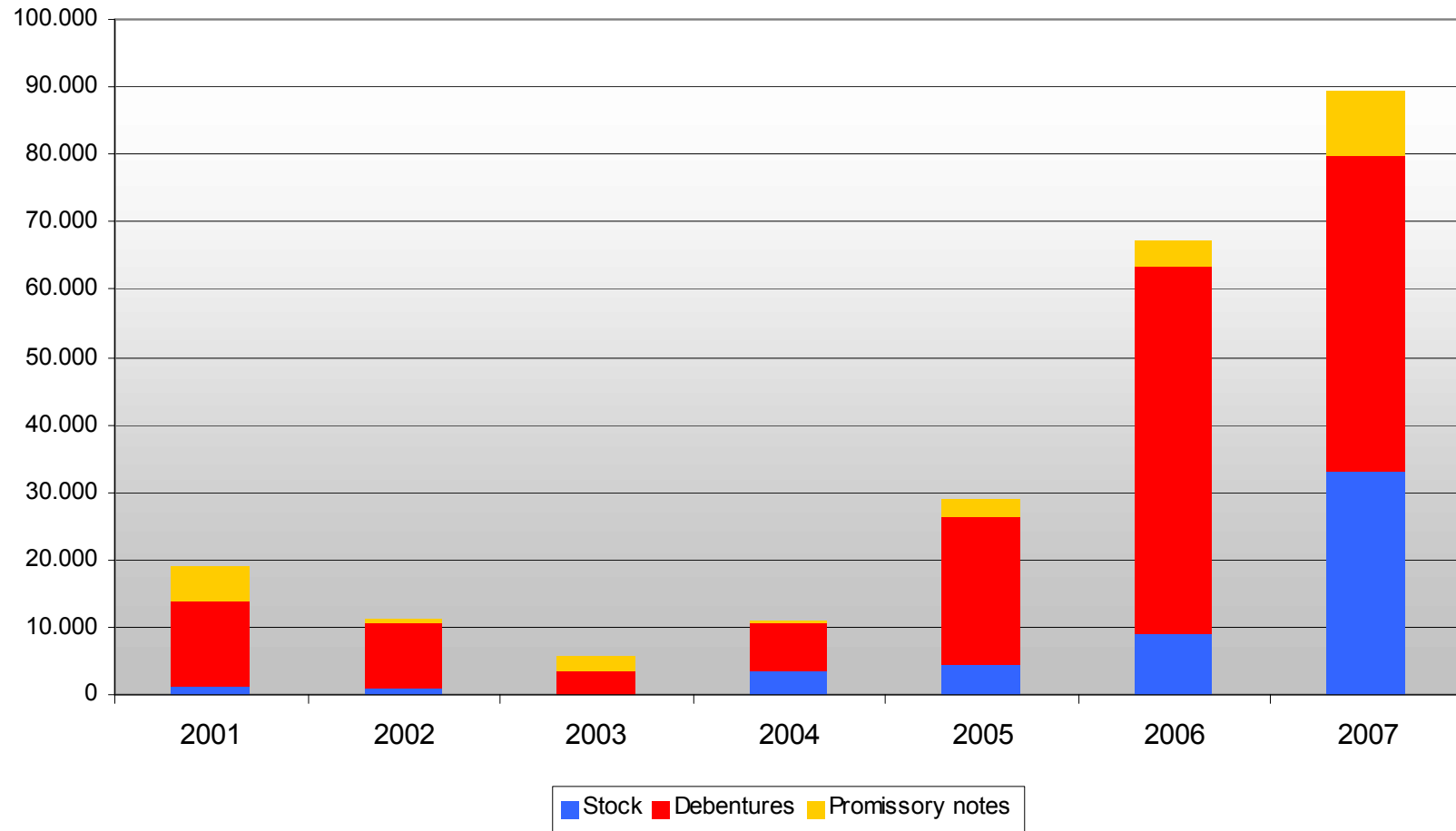
(annual growth, in % - period averages excludes crisis years 1999 and 2003)



Source: IBGE (2008: average market expectations)

Capital market

(in R\$ million)



Source: CVM

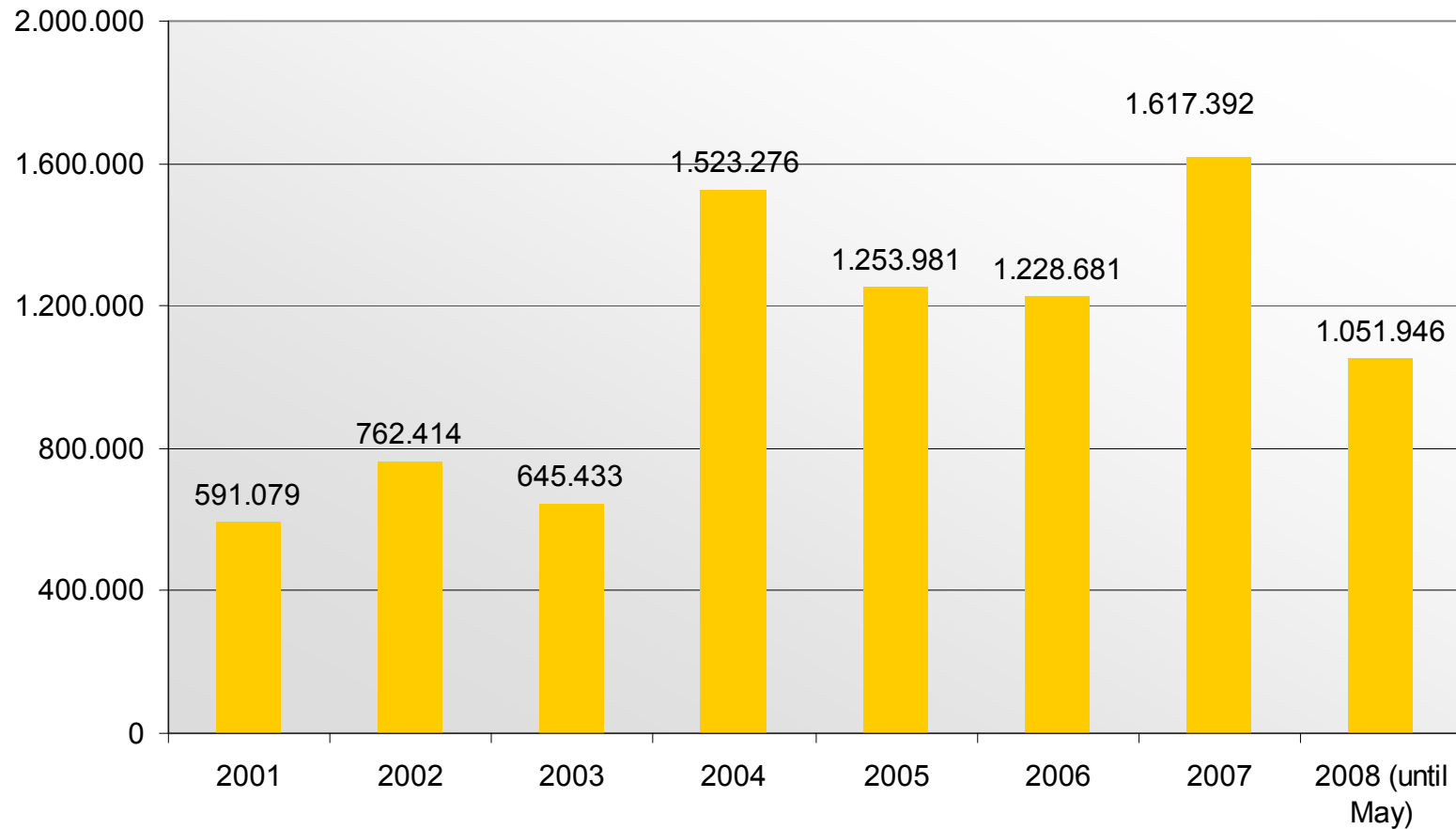
BRAZIL

Economic stability and development

Robust social achievements

Formal job creation

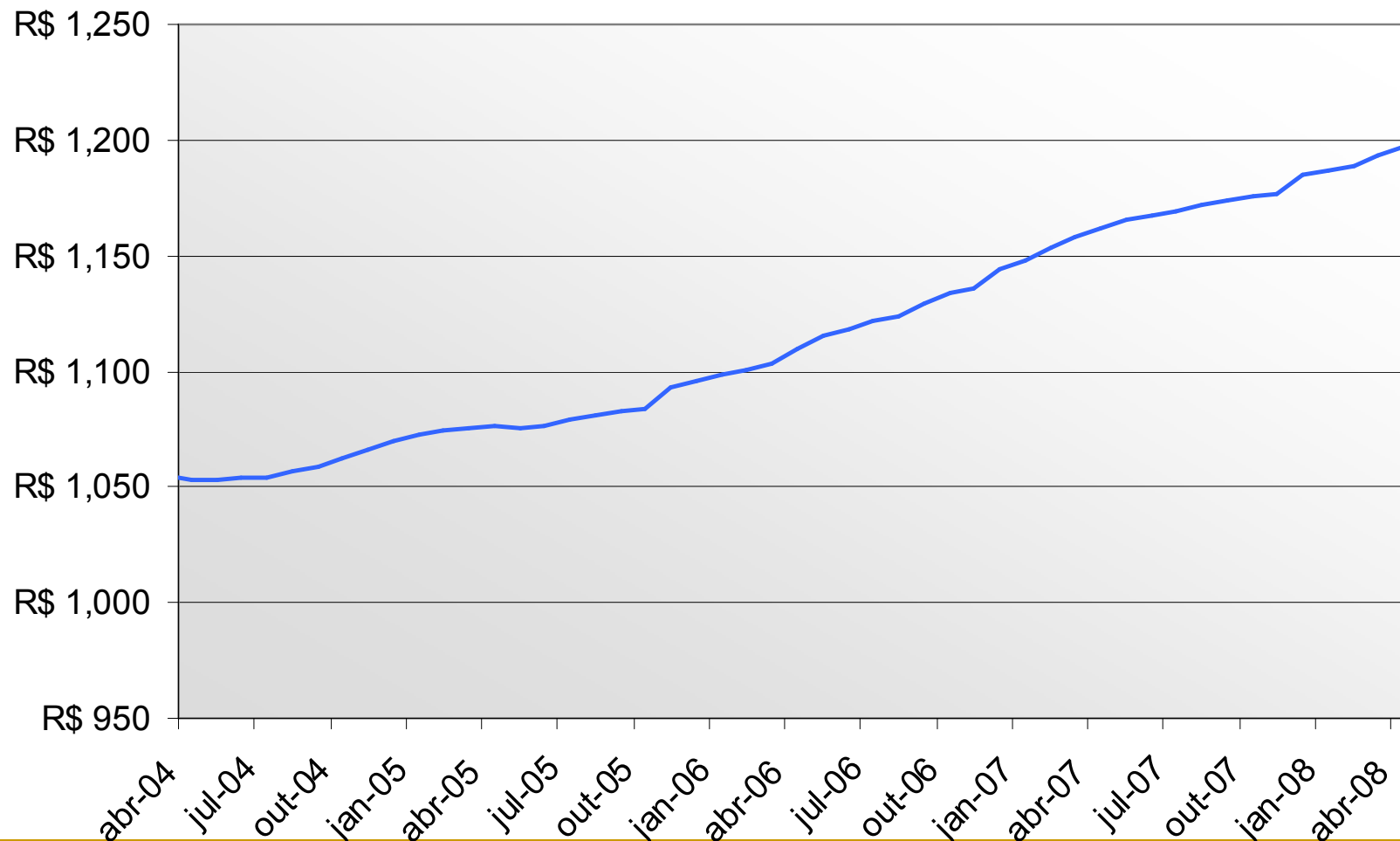
(Annual job growth, in number of new placements)



Source: Ministry of Labor (CAGED)

Real wages

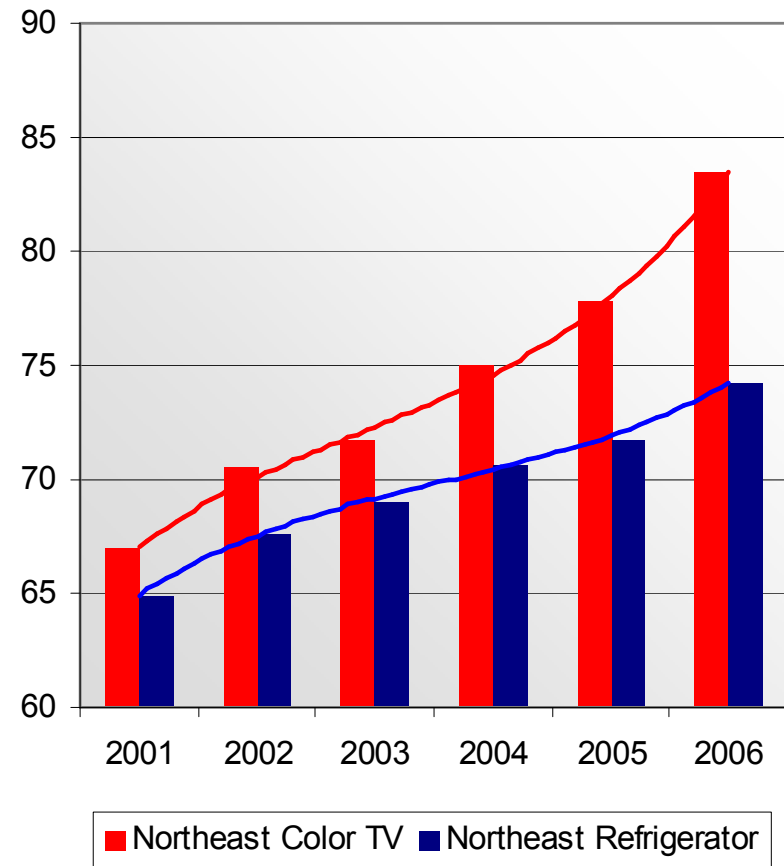
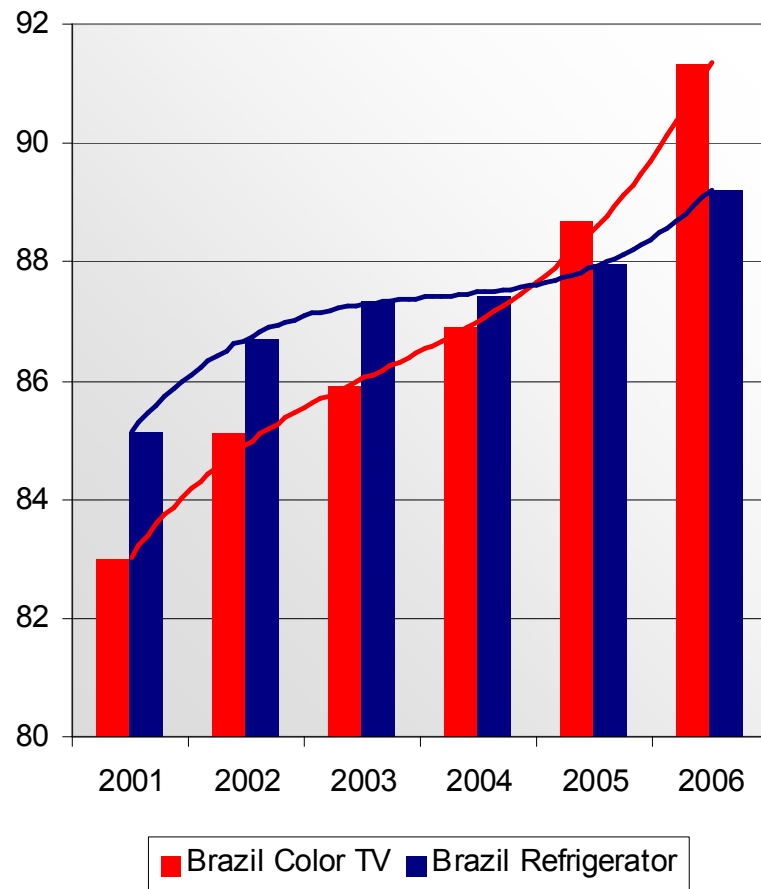
(Average earnings of the employed in metropolitan areas, in R\$ - 12 month average)



Source: IBGE

Durable goods consumption

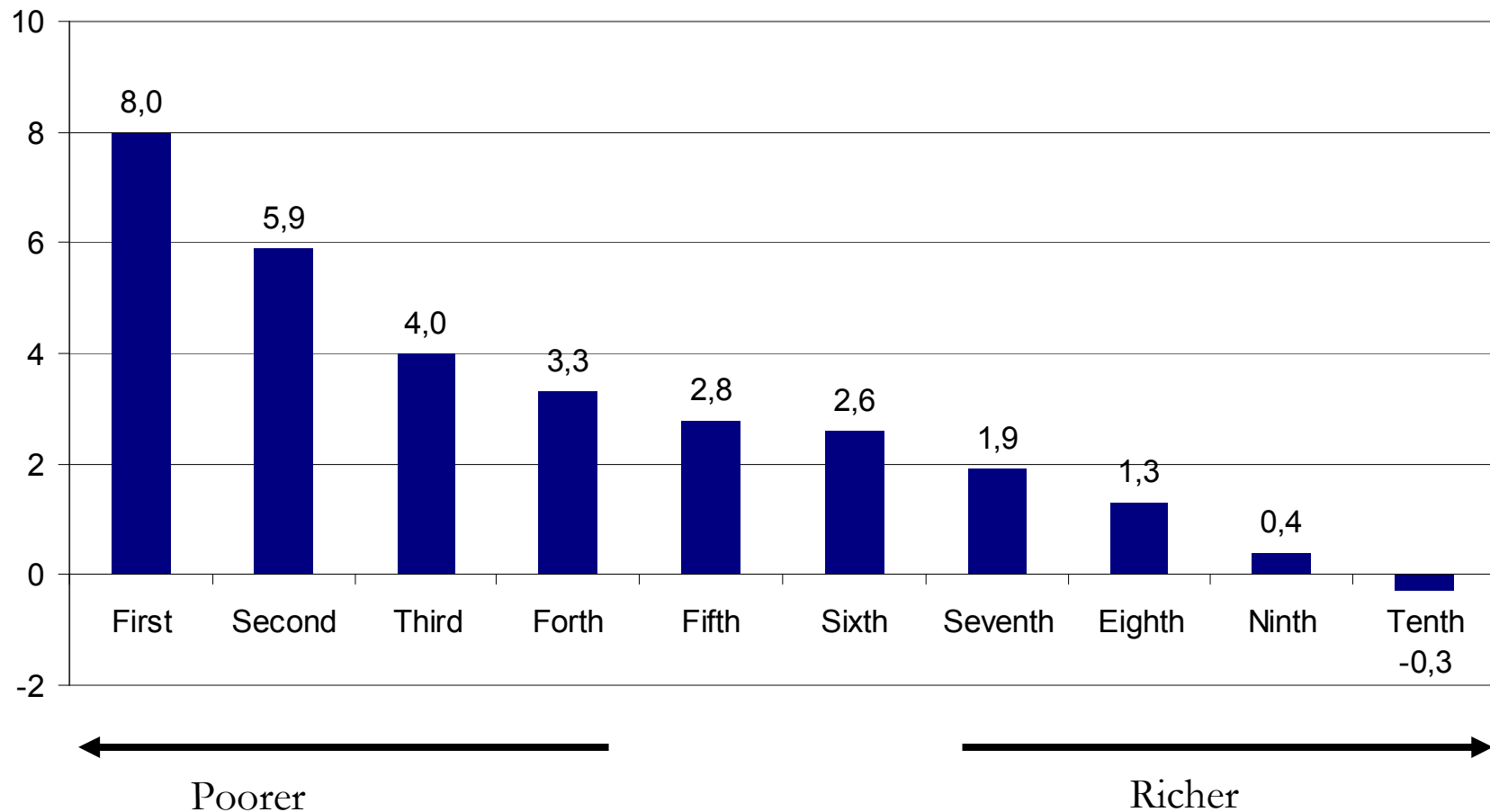
(in % of households – Total Brazil and Brazilian Northeast)



Source: IBGE

Income growth is larger among the poor

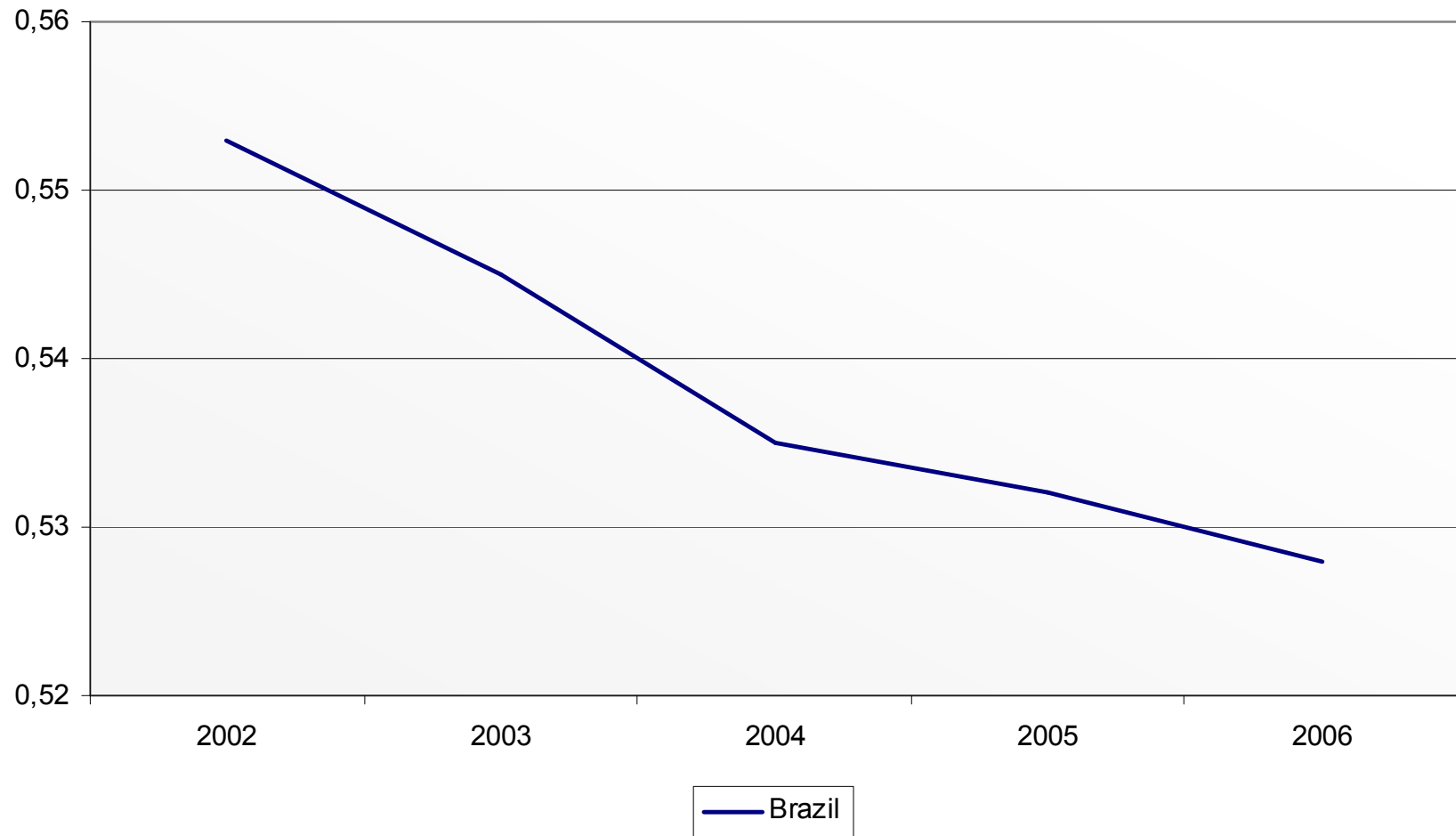
Annual income variation in %, by deciles (2000 – 2005 period)



Source: IBGE, *apud* Barros *et al.* (2007)

Declining income inequality

Gini coefficient



Source: IBGE

BRAZIL

Economic stability and development

Microeconomic reforms

Macro stability combined to micro progresses

- Tax reform
 - In progress
 - Competition law
 - Better regulation in energy and real estate markets
 - Bills for micro and small enterprises
 - Privatization of reinsurance market
 - Reforms to expand credit
 - Capital Markets
 - Better corporate governance and practices
 - Increased transparency
-

BRAZIL

Economic stability and development

Safe road to investments

Energetic and agricultural potential

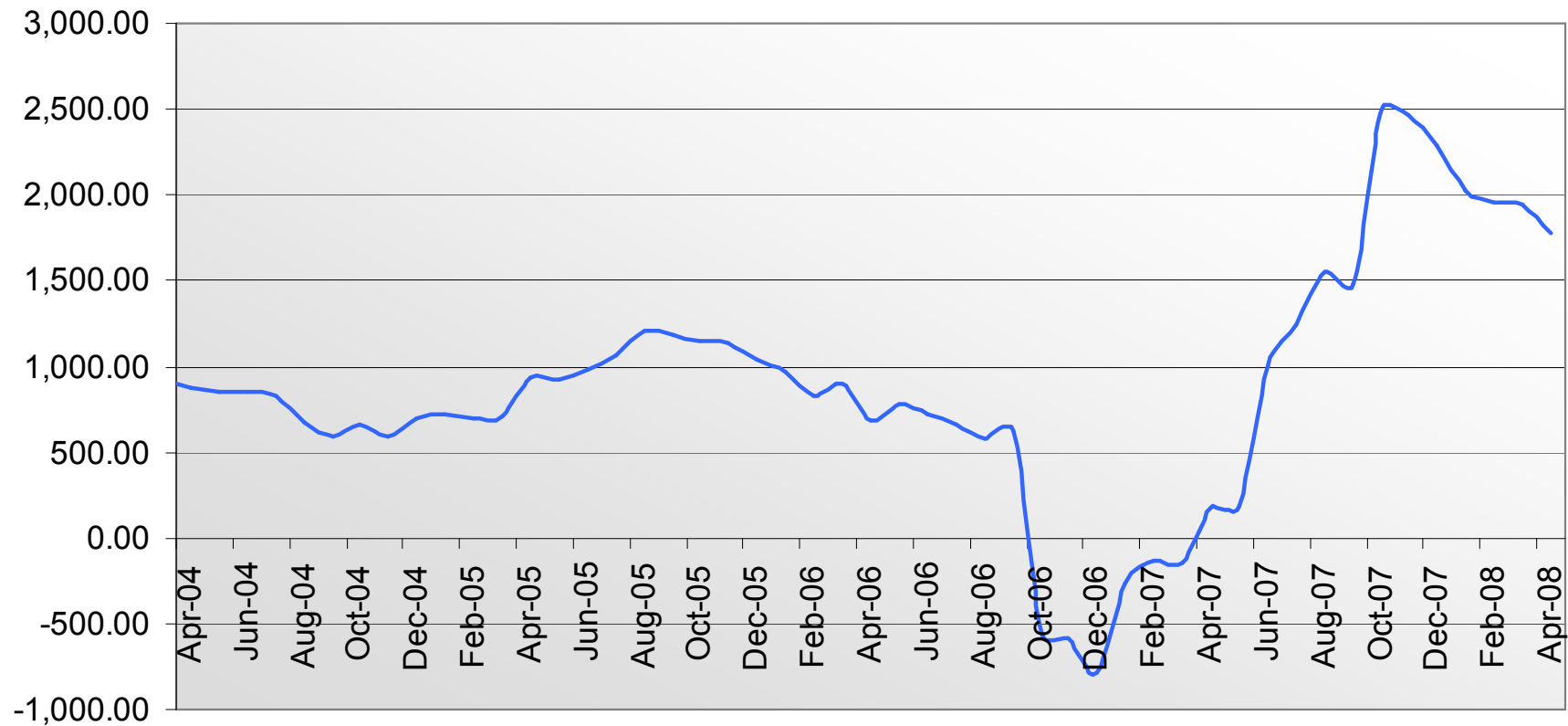
- Brazil is the top exporter of soil beans, orange juice, meat, sugar, ethanol, and other products
 - Unused pastures permits expansion without damaging rain forests
 - New oil fields discoveries will put Brazil as a petroleum giant
 - Massive prospecting investments are needed
-

Sugar cane ethanol is the most efficient biofuel today

- Energy efficiency: provides 8 units of energy for each fossil fuel energy unit used in production process
 - Corn ethanol provides only 1.3
 - Competitive even if oil price recedes to US\$40/b
 - Due to large supply of land, sugar cane does not compete with food production
-

Foreign direct investment

(Net values - in US\$ million)

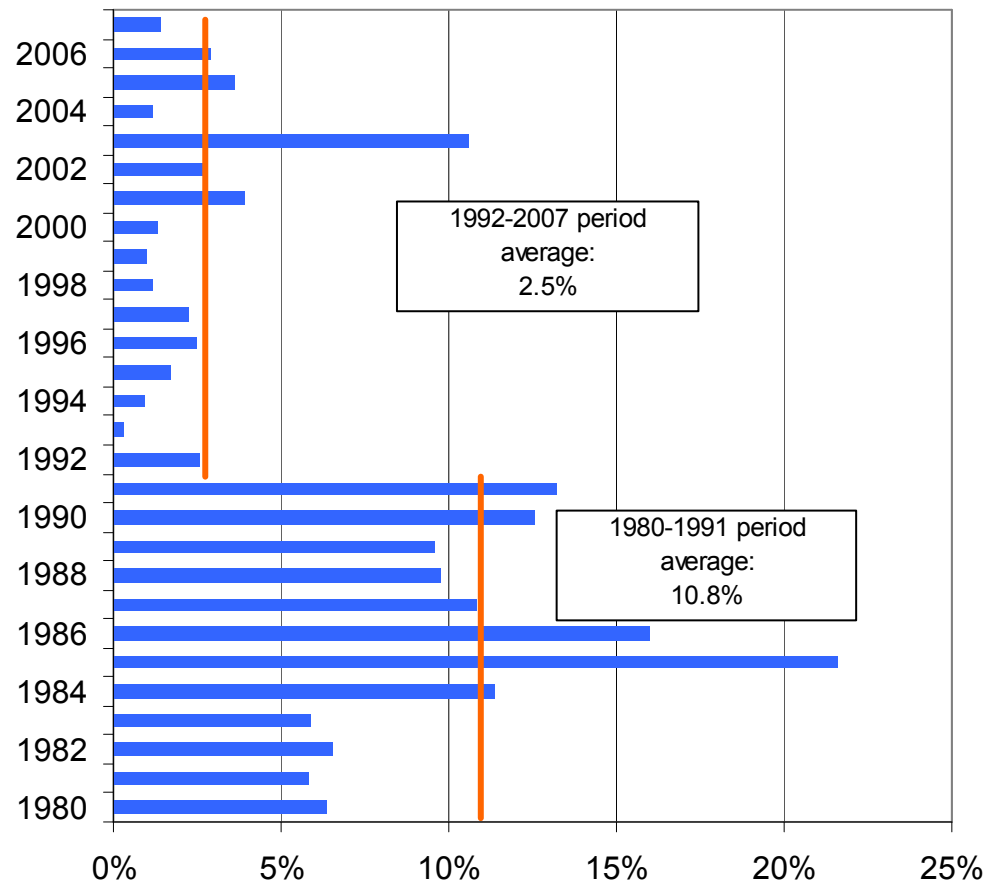


Source: Central Bank

Japan FDI has decreased over the years

Ratio of japanese FDI over total

- Total FDI in 2007: US\$33.7 billion
- Japan responded for little more than 1% (US\$ 430 million) of 2007's Brazilian FDI



Source: Central Bank

Thank you very much!
