

# ***Brazilian Economy Reasons for Optimism***



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# Brazil: A Gateway to Latin America

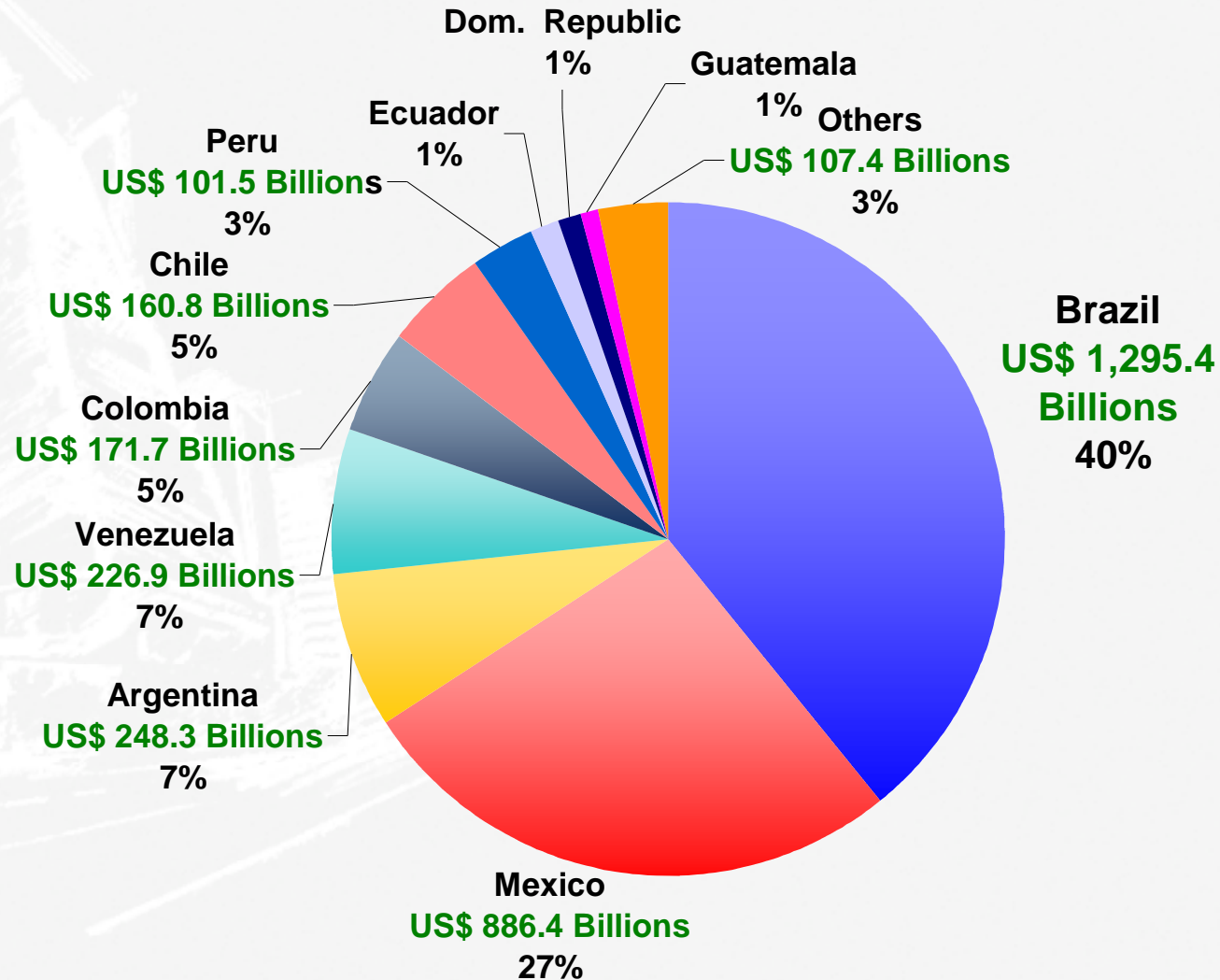


- Brazil is 40.5% of Latin American's area
- Mercosur is 60.9% of Latin American's area

- Brazil
- Other Latin American Countries
- Other Mercosur Members

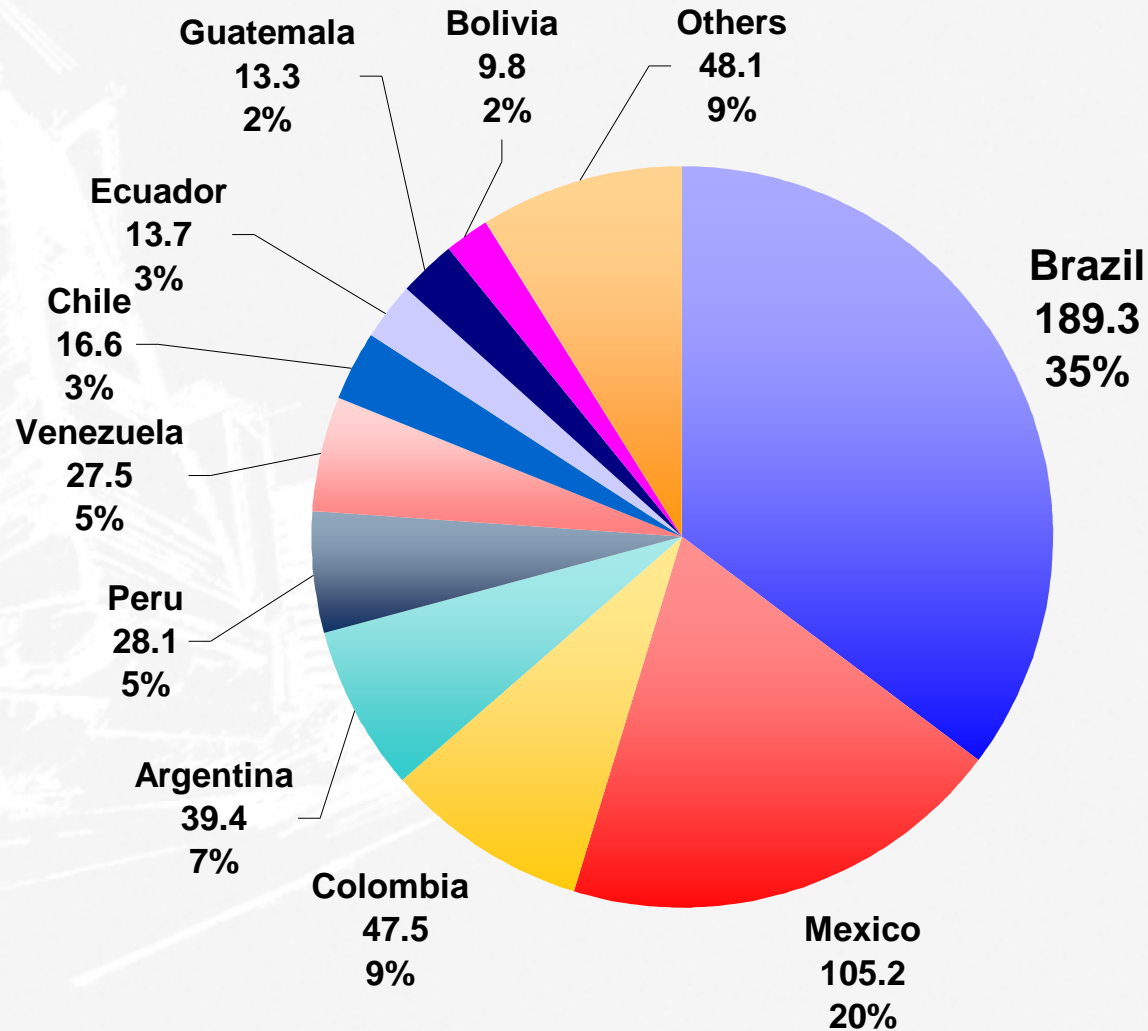
# Brazil: 40% of Latin America's GDP

## Latin American GDP per Country - 2007



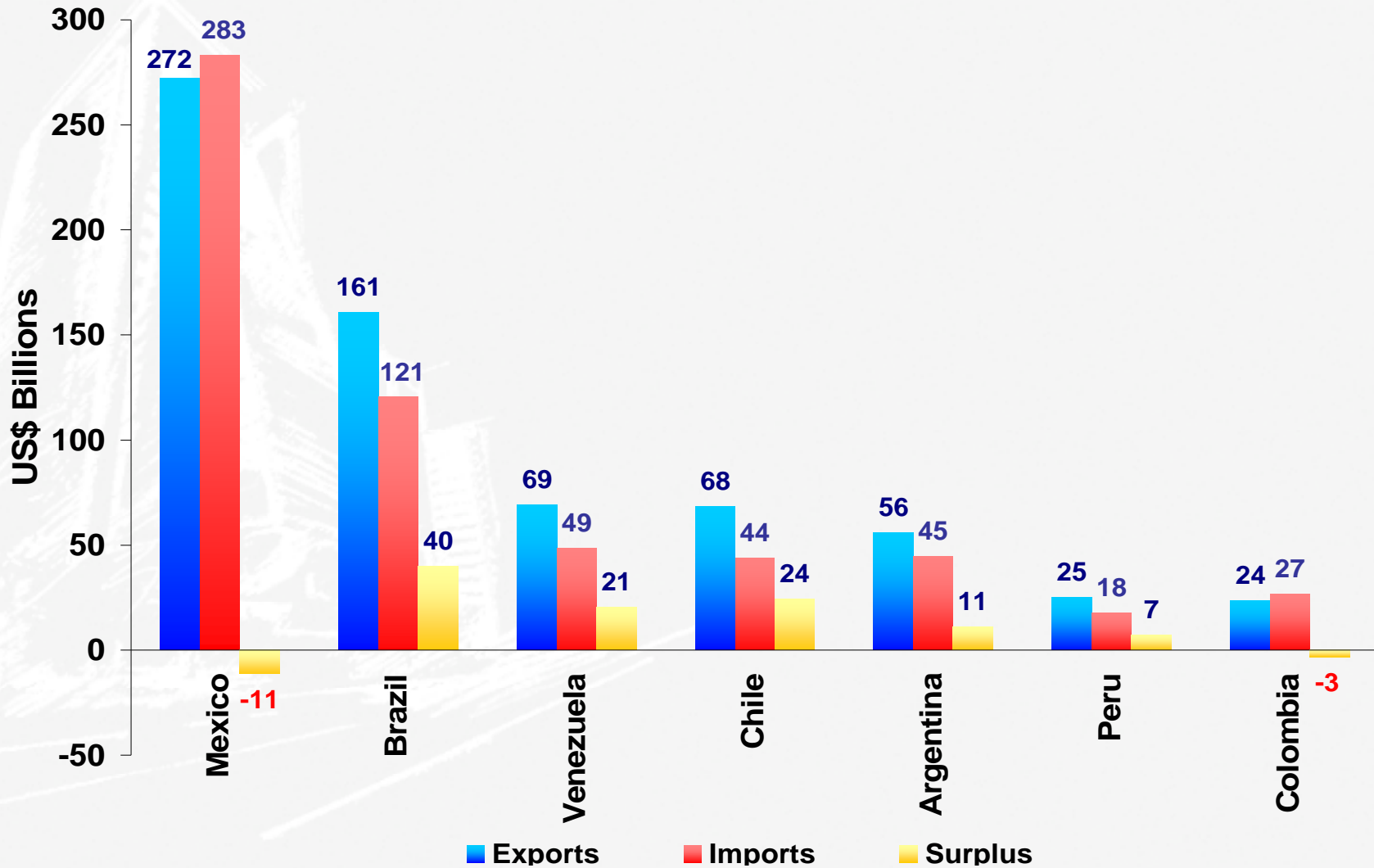
# Brazil: 1/3 of Latin America's Population

## Latin American Population – Countries' Share (Millions Inhabitants)



# Brazil: 2<sup>nd</sup> Latin American Trade Flow

## Trade Balance of Main Latin American Countries in 2007



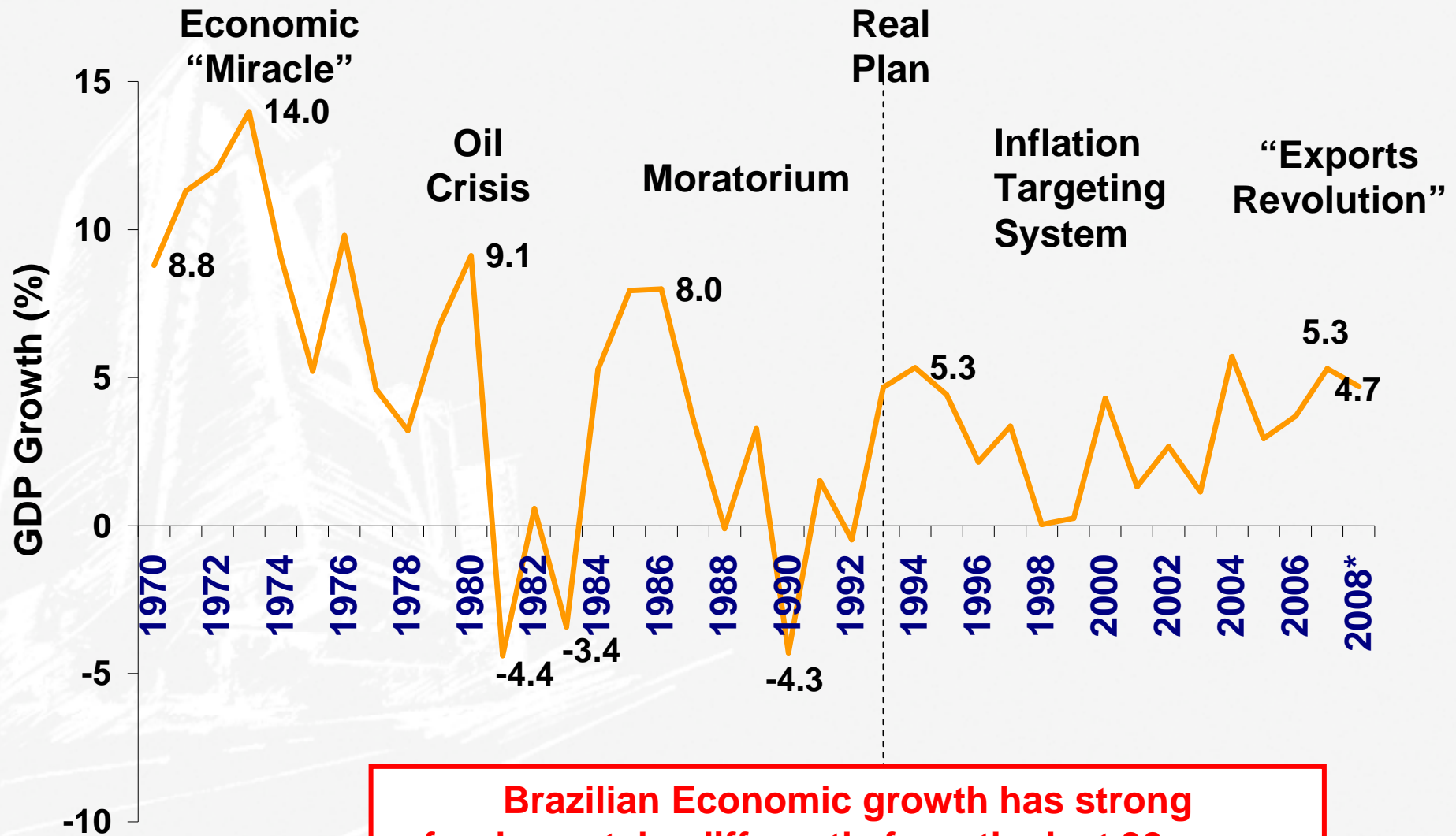
# 10 Reasons Why We Should be Optimist about Brazil

1. The country has become an international creditor
2. Inflation is under control: 4.4%
3. Internal debt is decreasing as a percentage of GDP: 42.8% in 2007 x 50.4% in 2002
4. Exports are still growing fast: 16% in 2007
5. Consumption has grown 5.9% in 2007
6. Unemployment is decreasing and wages are growing
7. Income concentration is improving: 20 million people left classes E and D to class C in the last 5 years
8. There is a "credit revolution" going on: credit has reached 36% of GDP
9. Capital goods production is growing at 14.8% a.a
10. Economic Acceleration Program: R\$ 294 billion in 5 years (R\$ 500 bilhões)

**"Brazil has positive perspective and might receive investment grade in 2008"**

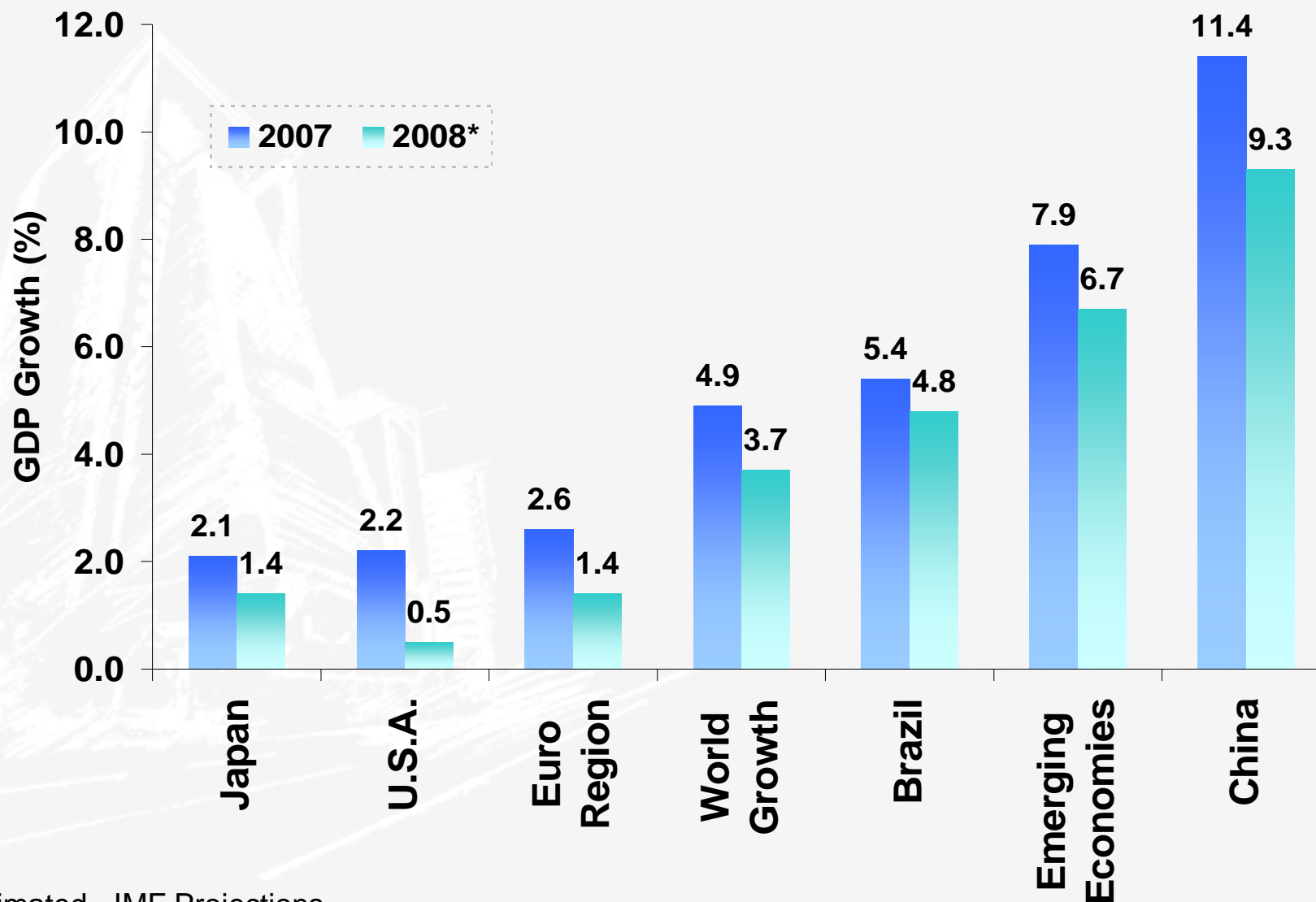
Lisa Schineller, Sovereign Rating Head Director of Standard and Poors

# Brazilian Economic Growth: Reasons for Optimism



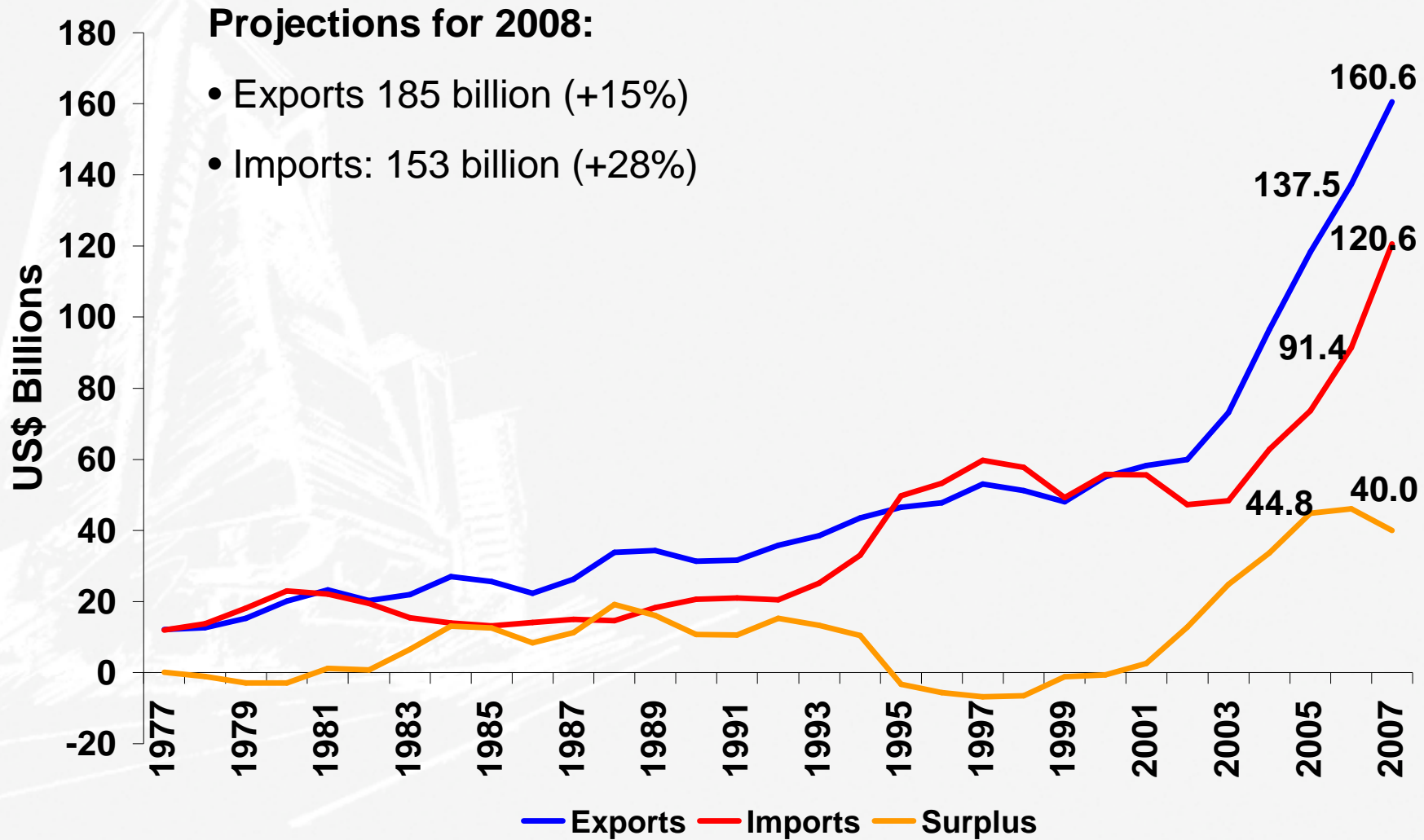
**Brazilian Economic growth has strong fundamentals, differently from the last 30 years**

# Brazilian Economic Growth is Higher than the World



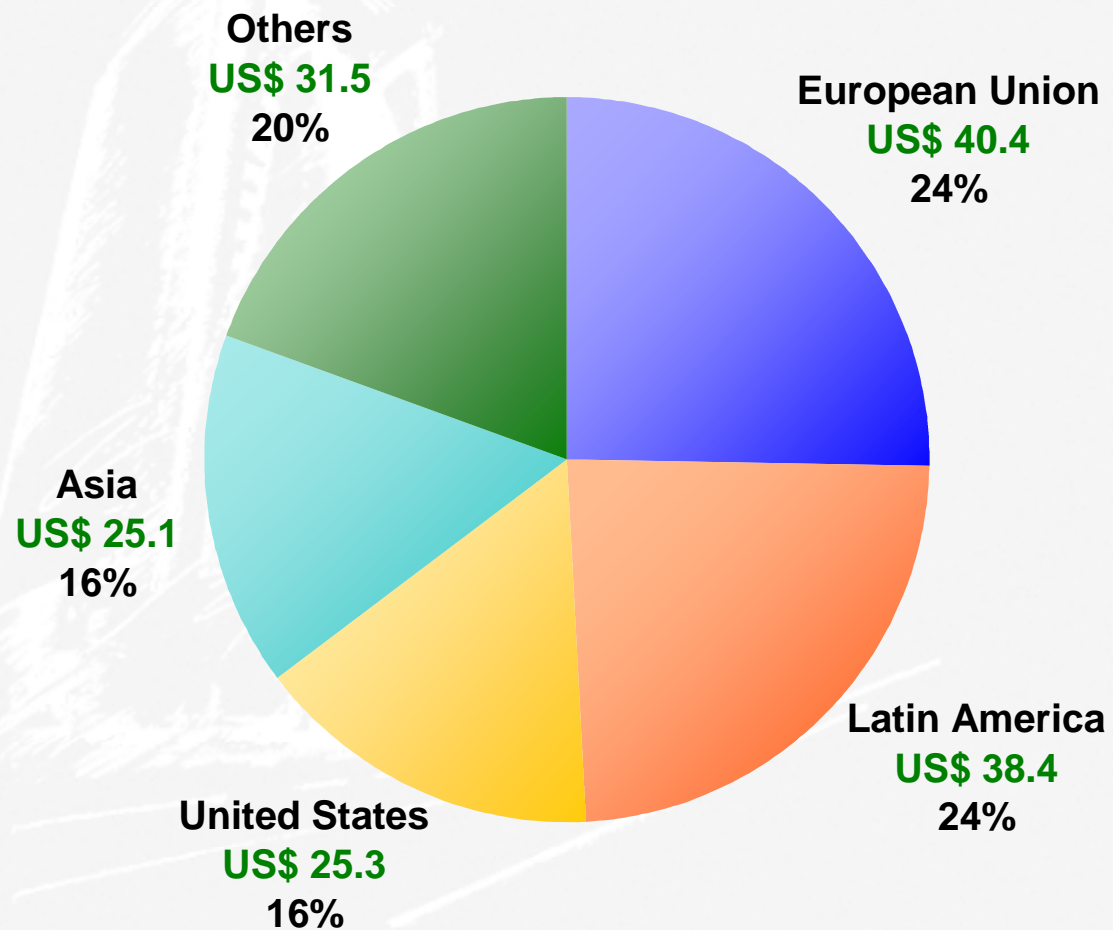
\* Estimated - IMF Projections

# The Revolution of Foreign Trade



# Diversification of Trade Partners

## Total Exports by Partners US\$ Billions



- Brazil's exports are very diversified by partner

- Exports to Asia Grew 20.5% last year

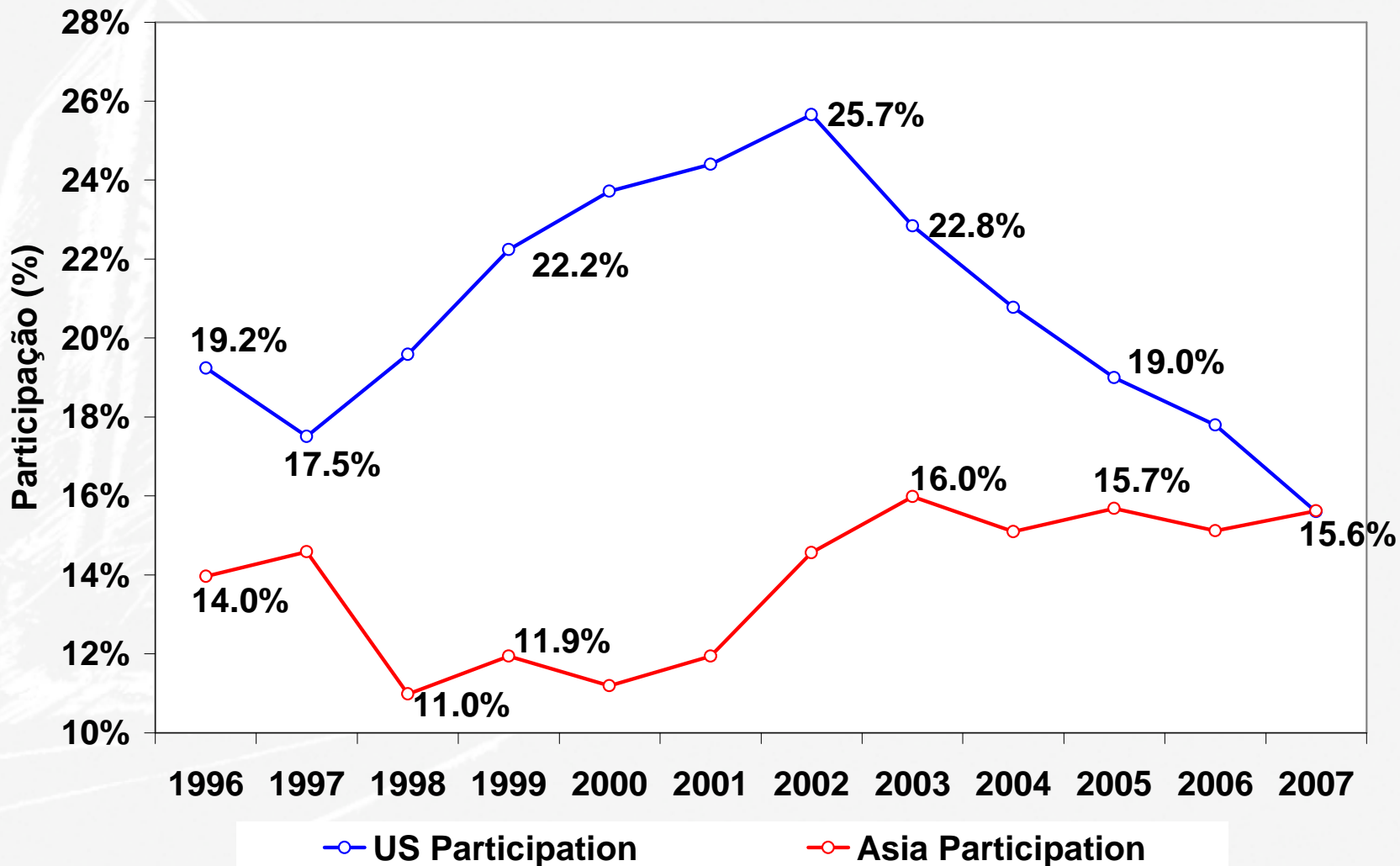
# Export Products: from Coffee and Sugar to Airplanes and Vehicles

	Product Description	US\$ Billions	Partic. %
1	Crude Oil	8.9	5.5%
2	Iron Ore non agglomerated	7.1	4.4%
3	Soybean	6.7	4.2%
4	Airplanes	3.8	2.3%
5	Iron Ore agglomerated	3.4	2.1%
6	Coffee grains	3.4	2.1%
7	Vehicles	3.1	2.0%
8	Sugar	3.1	1.9%
9	Soy waste	3.0	1.8%
10	Woodpulp	2.9	1.8%

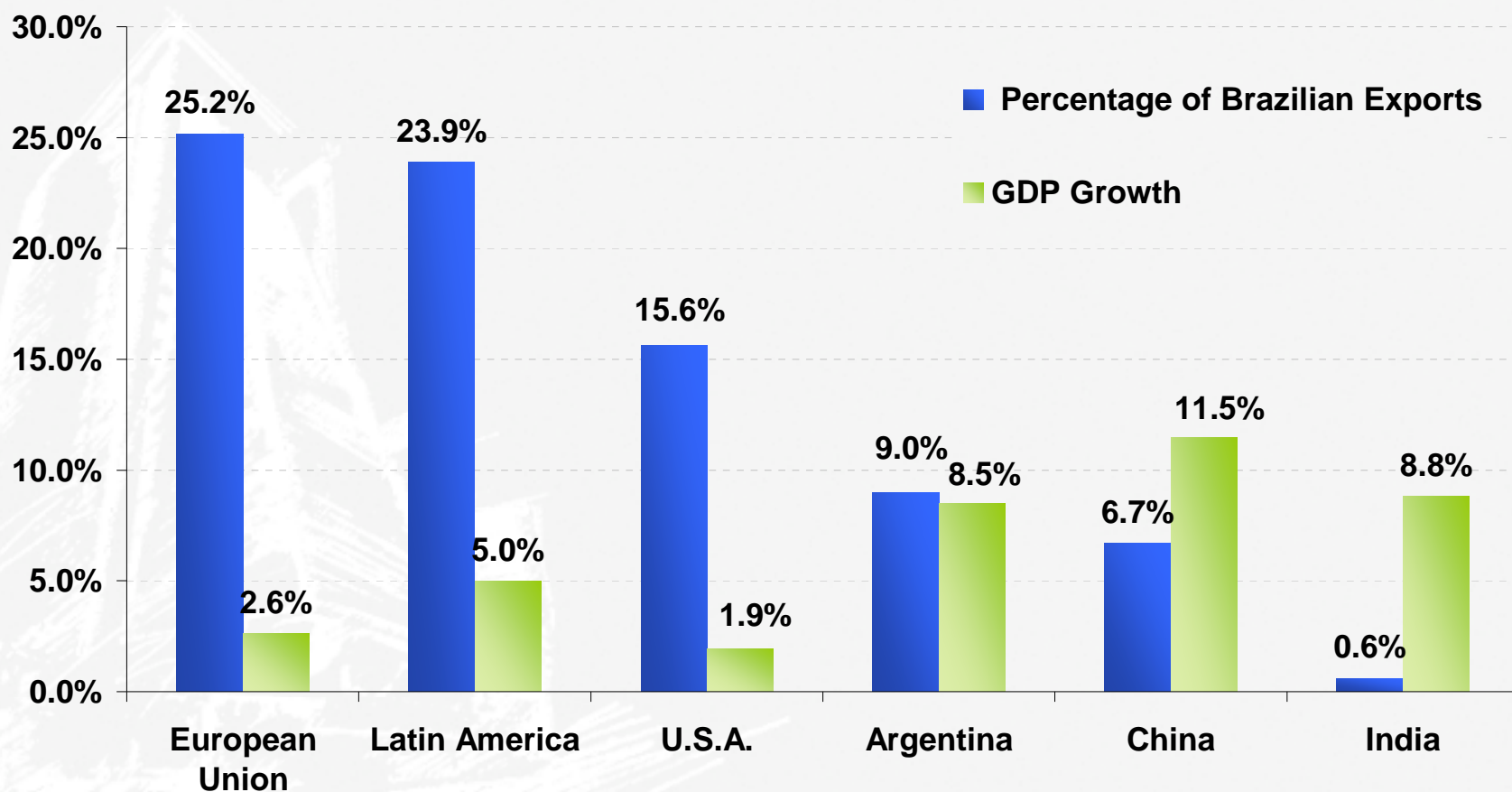
\*Harmonized System - HS (6 digits)

# Asia Has Become More Important than USA for Brazilian Exports

Participation of USA and Asia in Brazil Exports



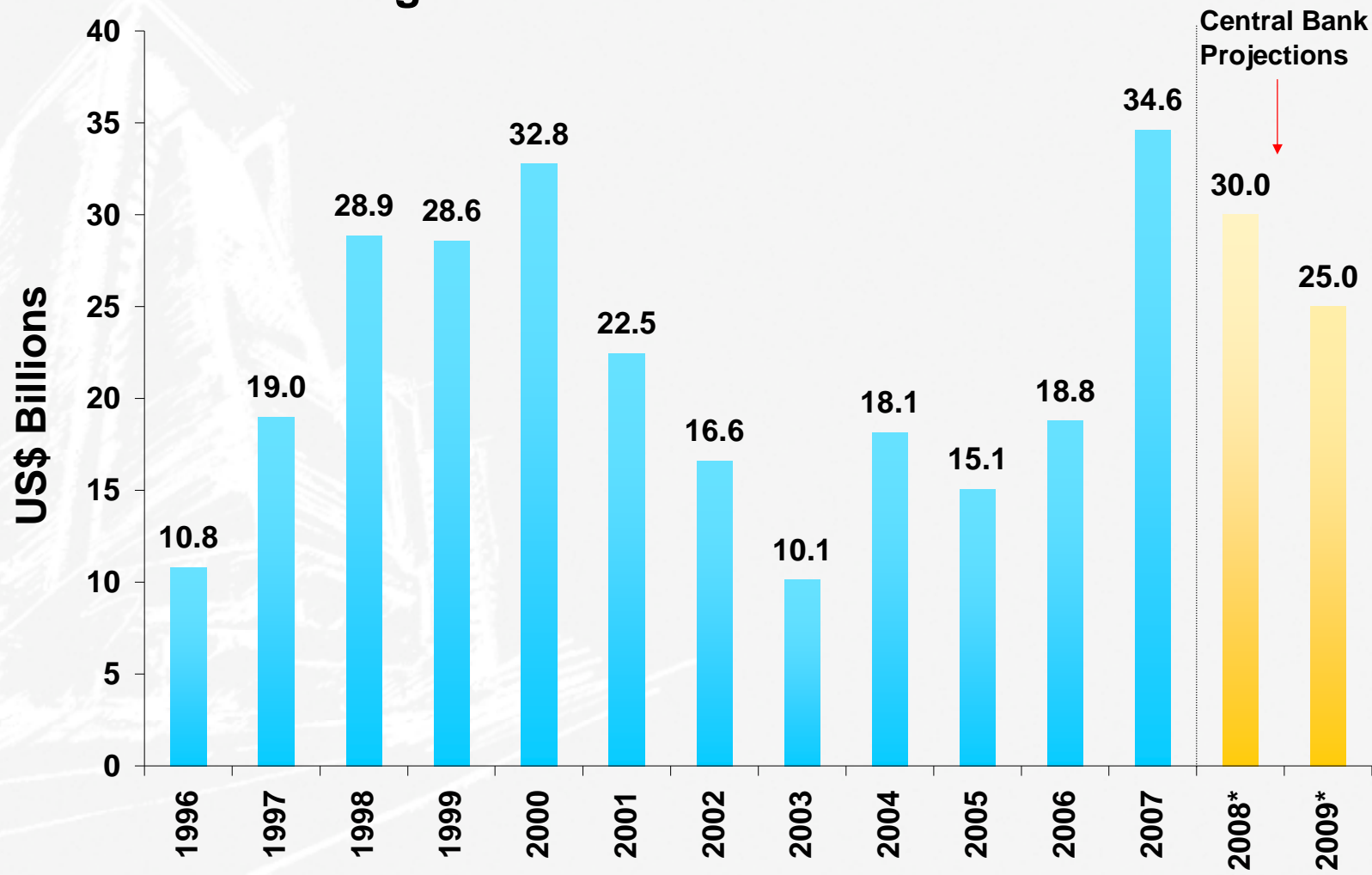
# Exports are Driven to Fast-Growing Emergent Economies



- High Economic growth in emergent economies counterweights pessimism about USA and Europe

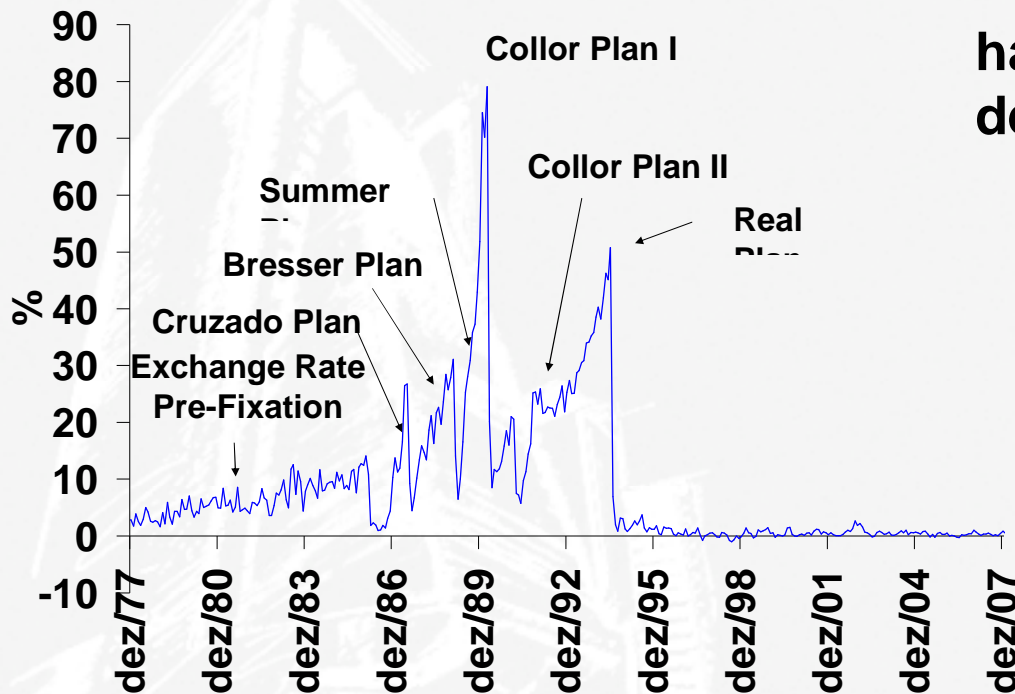
# Foreign Direct Investments: US\$ 226 billions in a Decade

## Foreign Direct Investments Flow in Brazil



# Brazil has a Strong Commitment with Low Inflation Levels

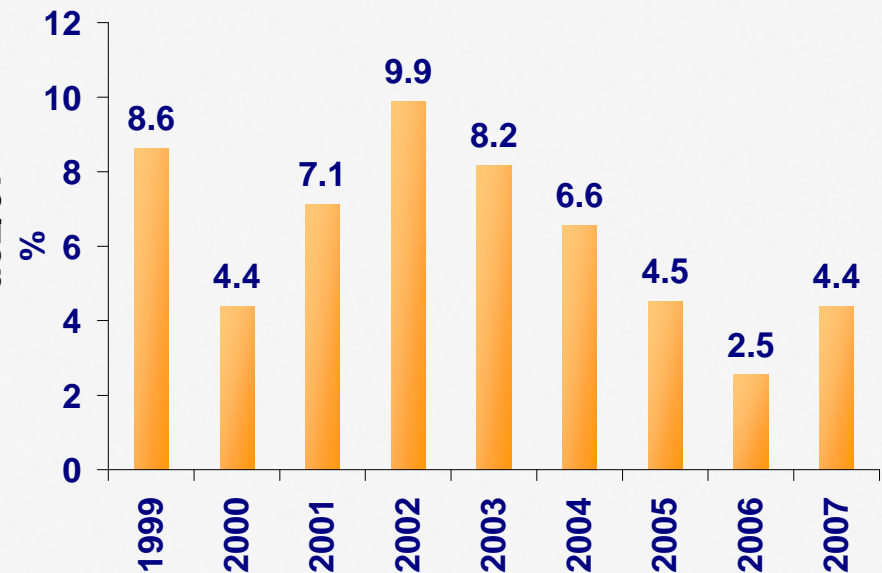
## Inflation Rate 1977 - 2007



- After Real Plan (July 1994) Brazil has stabilized its prices to developed countries level

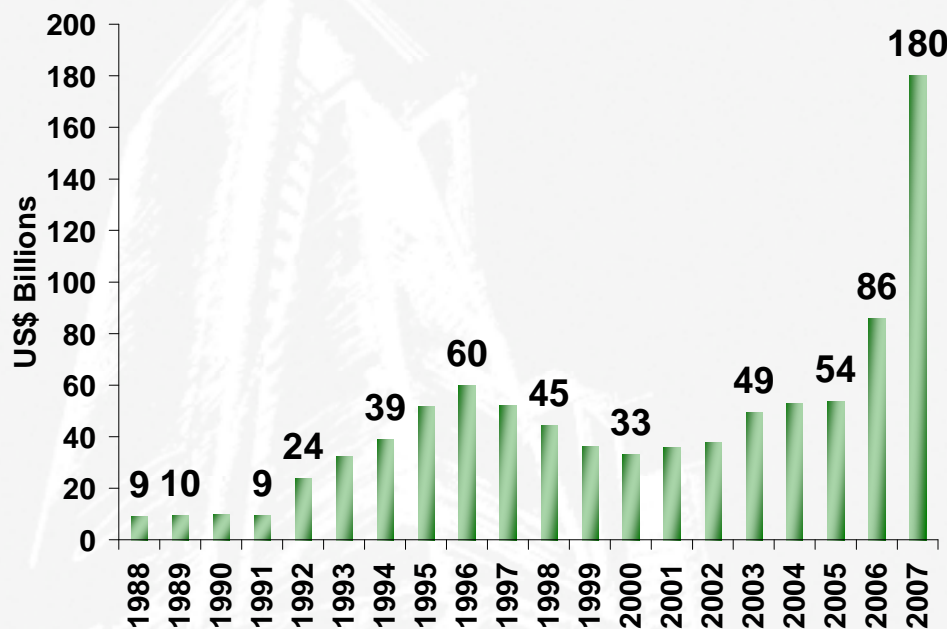
- In 1999 Brazil has introduced the target inflation system, which helped to reduce and create good expectations about inflation level

## Inflation Rate 1999 - 2007



# Brazil has Become an International Creditor

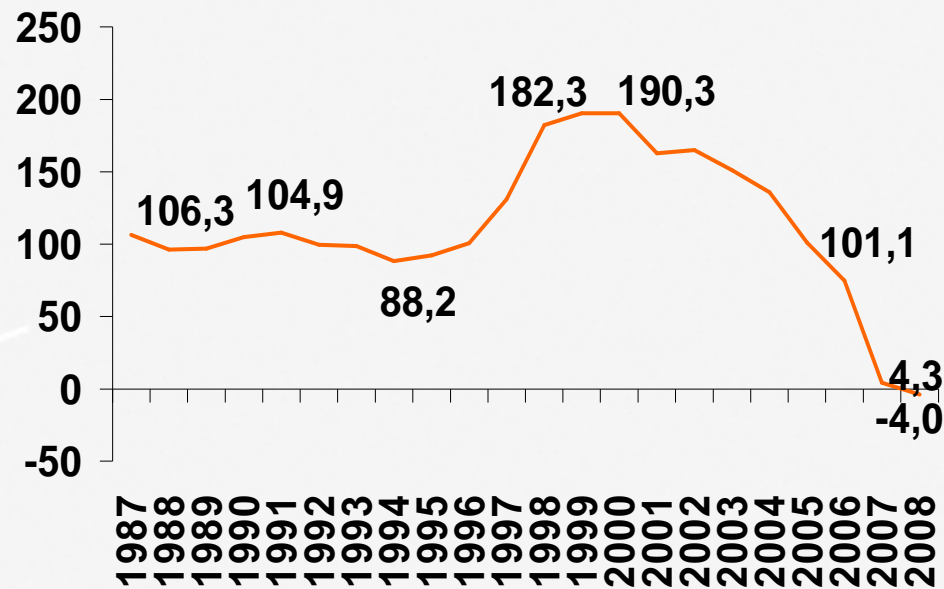
## Foreign Exchange Reserves



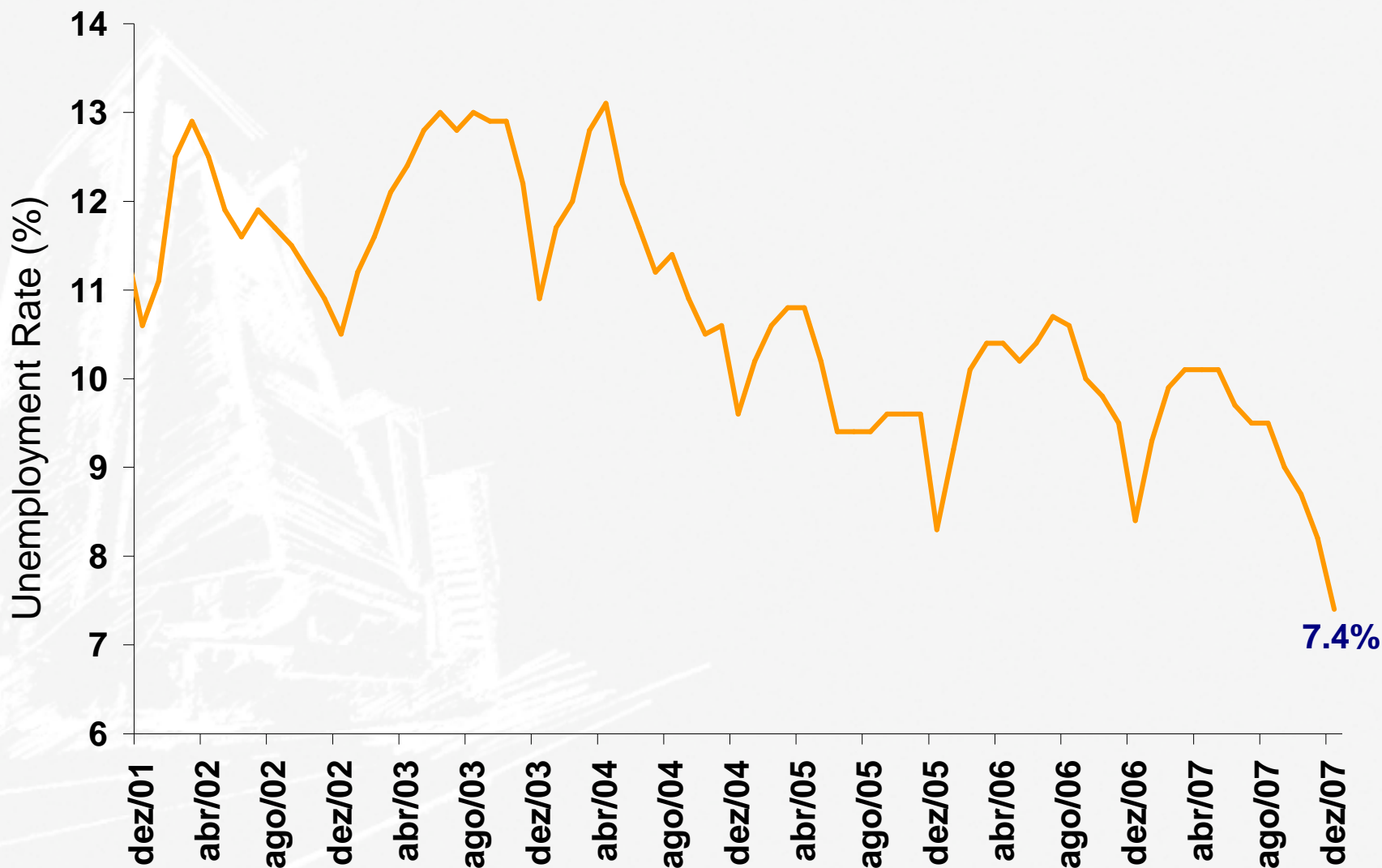
■ Brazil has no longer debts with International Monetary Fund (IMF) neither with Paris Club

■ Brazil has become stronger to international shocks. It's reserves has grown 235.2% in the last 3 years!

## Net Foreign Debt



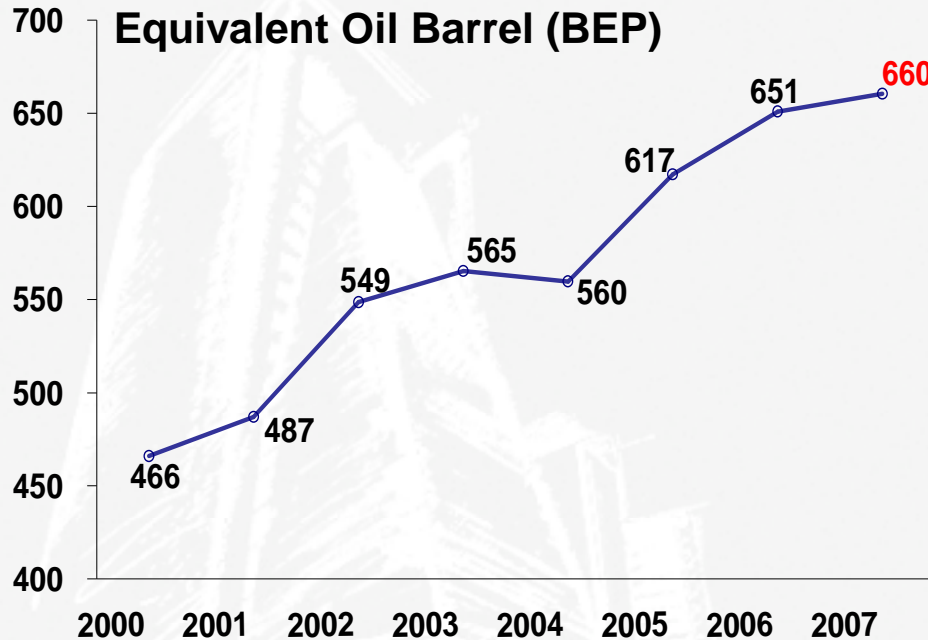
# Unemployment Rate is Decreasing



Source: IPEADATA

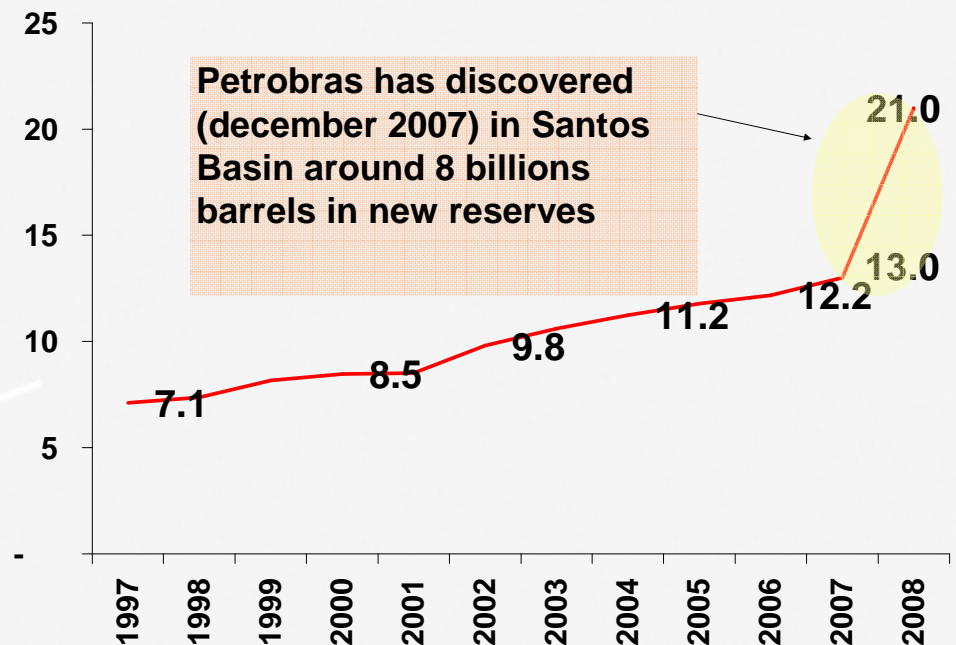
# Energy Self-Sufficiency

Evolution of Oil Production – Millions of Barrels



- Brazil is self-sufficient in oil since 2006
- Petrobras is world leader in deep water production

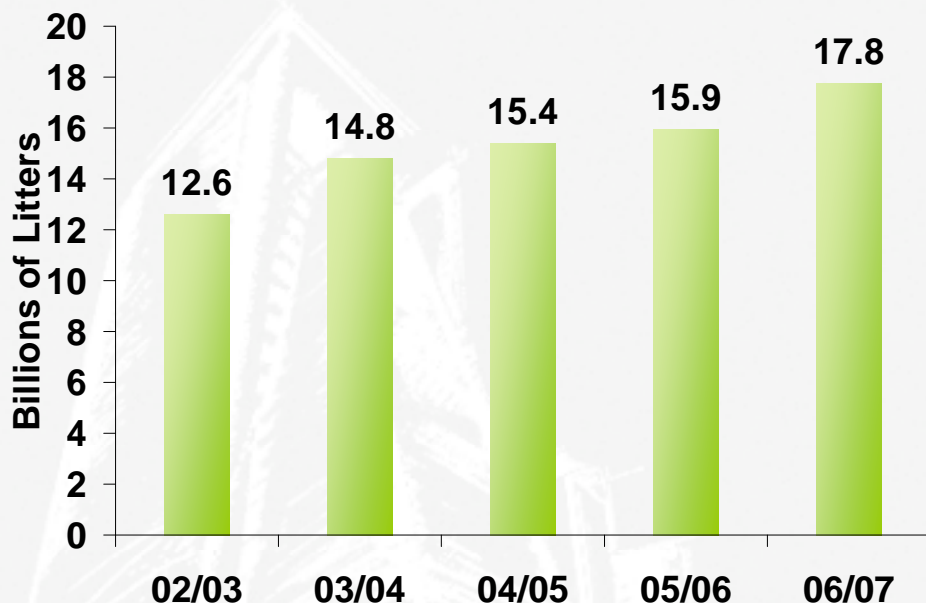
Evolution of Oil Reserves – Billions of Barrels



- With this new discovery Brazil might become the 9th largest oil reserve in the world (21 Billion of Barrels)

# Ethanol: the Largest Renewable Energy Program in the World

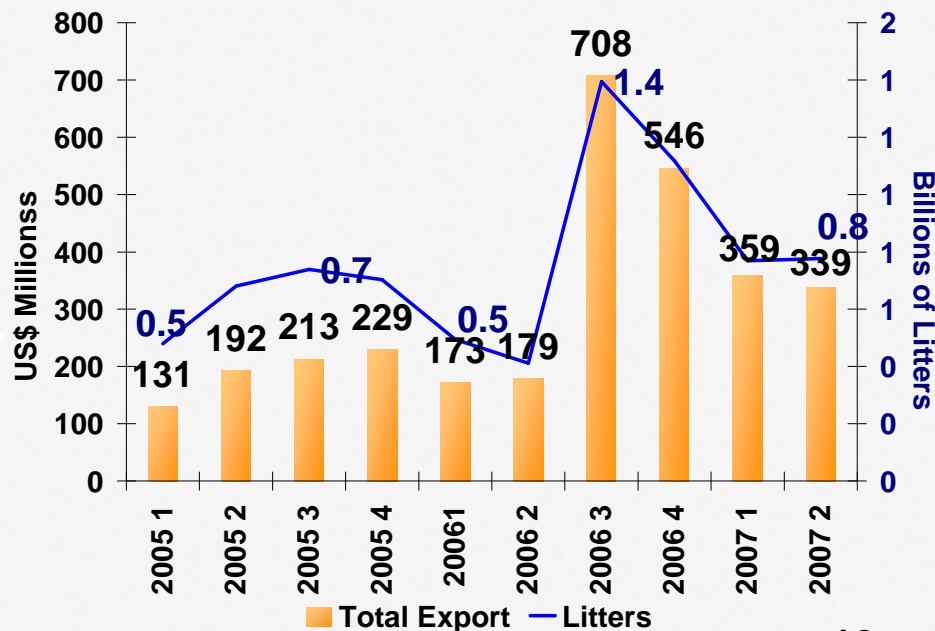
Ethanol Production



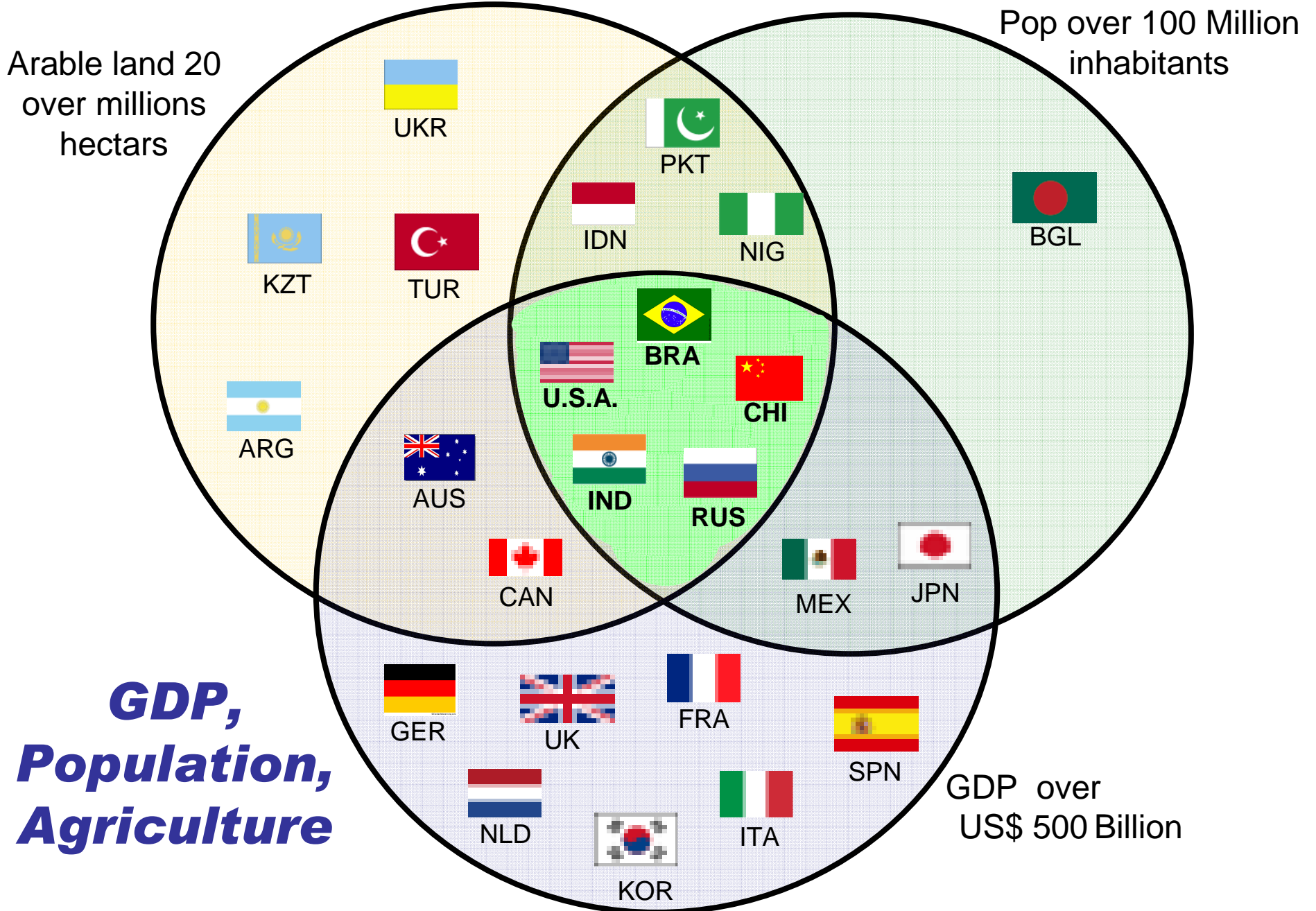
- Brazil is:
- The largest Ethanol Exporter
- The second largest ethanol producer

- Brazil has developed the FLEX FUEL technology
- Brazil is an international reference on Research and Development of Bio Diesel alternatives. It has already developed fuel out of Palm and Soy

Ethanol Exports



# Strategic Advantages





# Trade Pattern Brazil - Japan

# Japan Relevance to Brazilian Trade

## Brazilian Exports (US\$ Billions)

Ranking	Country	2007
1º	USA	25.1
2º	Argentina	14.4
3º	China	10.7
4º	Holland	8.8
5º	Germany	7.2
6º	Venezuela	4.7
7º	Italy	4.5
8º	<b>Japan</b>	4.3
9º	Chile	4.3
10º	México	4.3

## Brazilian Imports (US\$ Billions)

Ranking	Country	2007
1º	USA	18.7
2º	China	12.6
3º	Argentina	10.4
4º	Germany	8.7
5º	Nigeria	5.3
6º	<b>Japan</b>	4.6
7º	France	3.5
8º	Chile	3.5
9º	Corea	3.4
10º	Italy	3.3

# Brazil-Japan Trade Balance

(US\$ Billions)

Year	Brazilian Exports to Japan	Brazilian Imports from Japan	Balance	Trade Flow
1997	3.1	3.5	-0.5	6.6
1998	2.3	3.3	-1.0	5.5
1999	2.2	2.6	-0.4	4.8
2000	2.3	3.0	-0.7	5.3
2001	2.0	3.1	-1.1	5.0
2002	2.1	2.3	-0.2	4.4
2003	2.3	2.5	-0.2	4.8
2004	2.8	2.9	-0.1	5.6
2005	3.5	3.4	0.1	6.9
2006	3.9	3.8	0.1	7.7
2007	4.3	4.6	-0.3	8.9

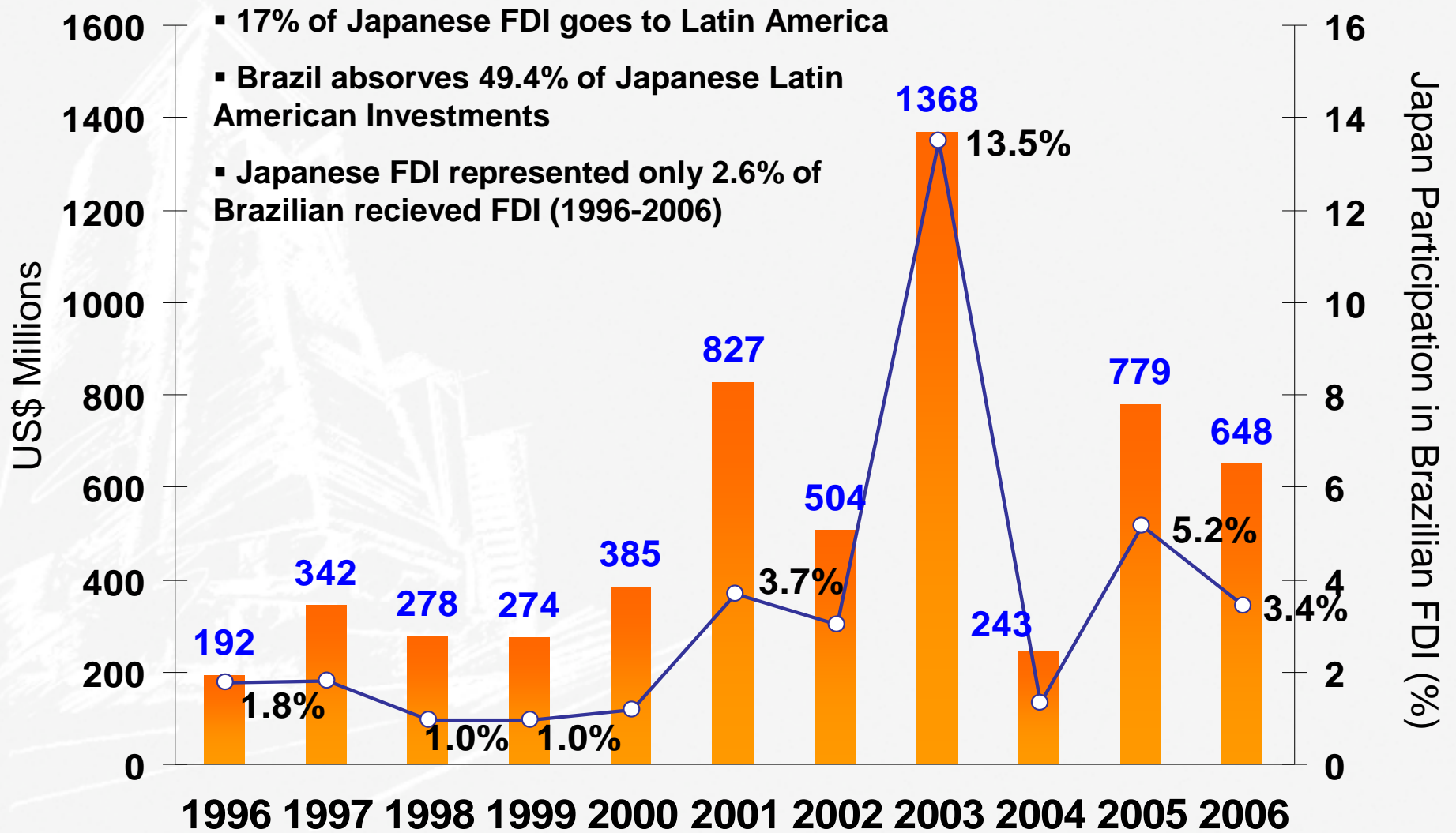
# Brazilian Imports From Japan (US\$ Millions)

HS	Description	2007	Sharing
84	Machinery	1576.0	34%
87	Vehicles, Not Railway	850.0	18%
85	Electrical Machinery	662.3	14%
90	Optic,Nt 8544;Med Instr	263.4	6%
29	Organic Chemicals	230.2	5%
73	Iron/Steel Products	168.9	4%
40	Rubber	135.6	3%
88	Aircraft,Spacecraft	133.8	3%
39	Plastic	129.7	3%
27	Mineral Fuel, Oil Etc	60.7	1%
	Others	398.9	9%
	<b>Total</b>	<b>4609.4</b>	

# Brazilian Exports to Japan (US\$ Millions)

HS	Description	2007	Sharing
26	Ores,Slag,Ash	1274.0	29%
76	Aluminum	587.6	14%
2	Meat	583.0	13%
9	Spices,Coffee And Tea	274.4	6%
72	Iron And Steel	212.1	5%
20	Preserved Food	167.9	4%
22	Beverages	154.7	4%
75	Nickel+Articles Thereof	146.8	3%
47	Woodpulp, Etc.	116.4	3%
12	Misc Grain,Seed,Fruit	110.3	3%
	Others	694.2	16%
	<b>Total</b>	<b>4321.3</b>	

# Japanese Foreign Direct Investment in Brazil (1996-2006)



## Telecom

- Digital convergence: Brazil has adopted the Japanese digital standard

## Energy

- Biofuels: Brazil is the world's largest ethanol exporter
- Exporting Flex-fuel technology: 92% of new cars already has it
- Japan could increase the ethanol-gasoline blending

## Infrastructure

- Energy Generation & Distribution
- Habitation Deficit: 6 million houses
- Public Private Partnership: business opportunities

## Environment

- Potential for a huge carbon market between Brazil and Japan

## Agribusiness

- Food Security: Japan is a food net importer and Brazil can be the supplier
- Agricultural Protectionism has to be tackled