



New Cycle of Brazilian Economic Growth

Min. Guido Mantega
December 2009

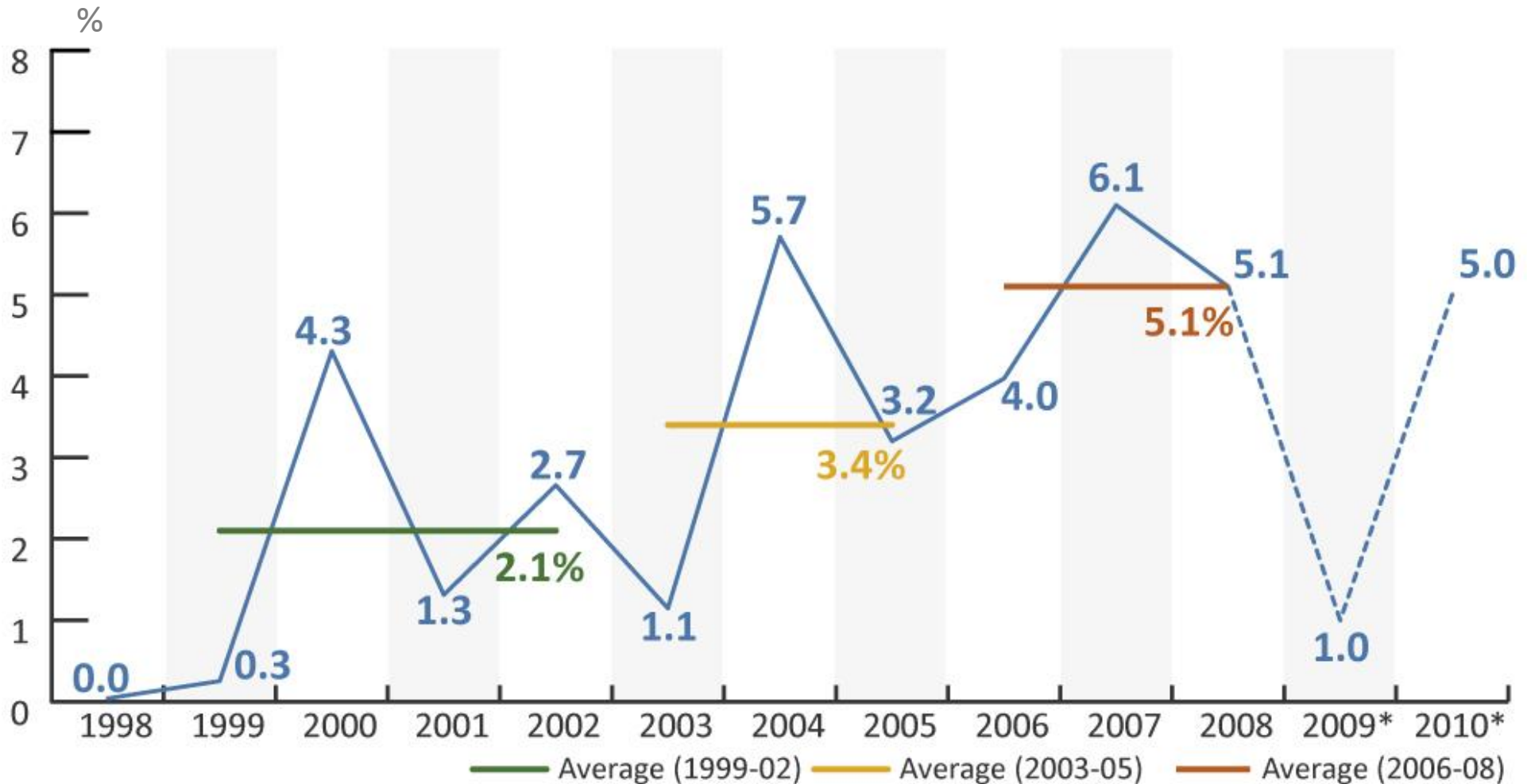
Ministry
of Finance



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
- Brazil emerged with high growth and good fundamentals.

GDP Annual Growth Rate

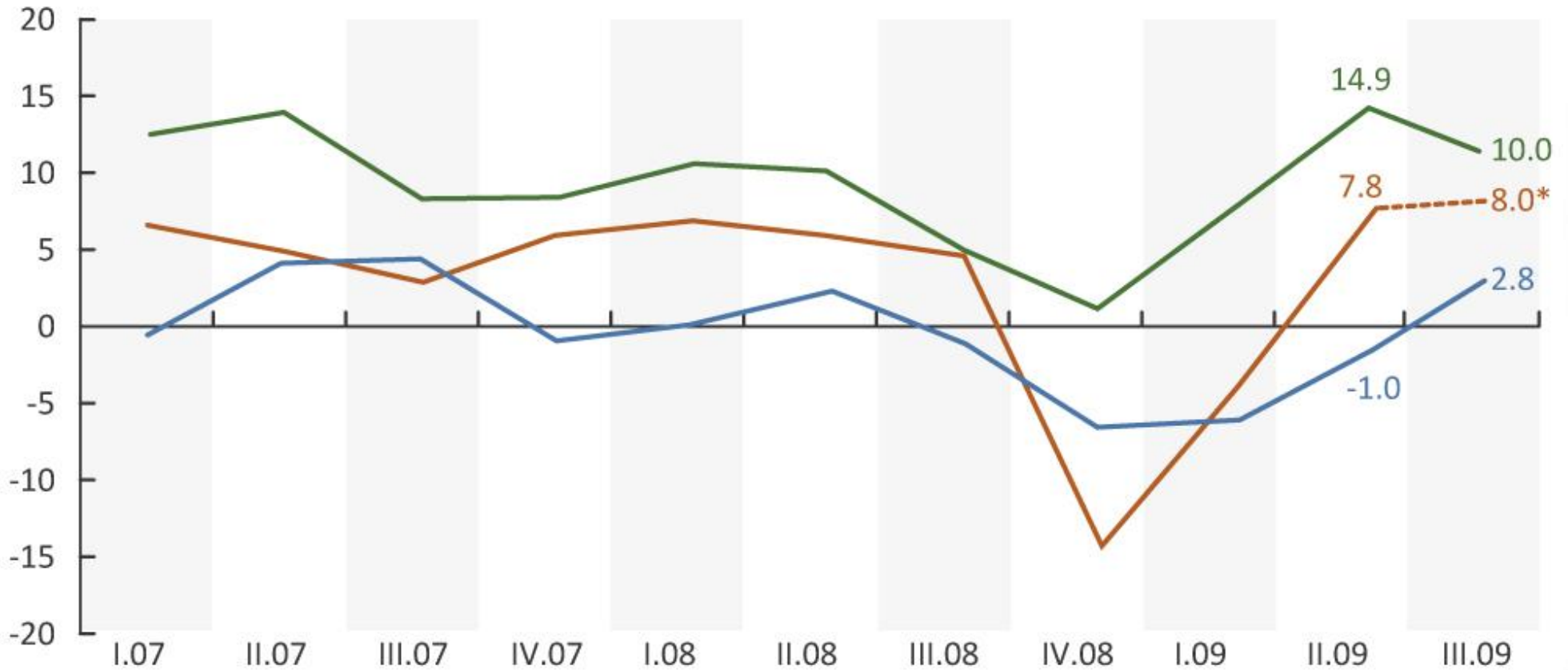


* Government forecasts.

Source: IBGE
Produced by: Ministry of Finance

GDP Growth

% annualized



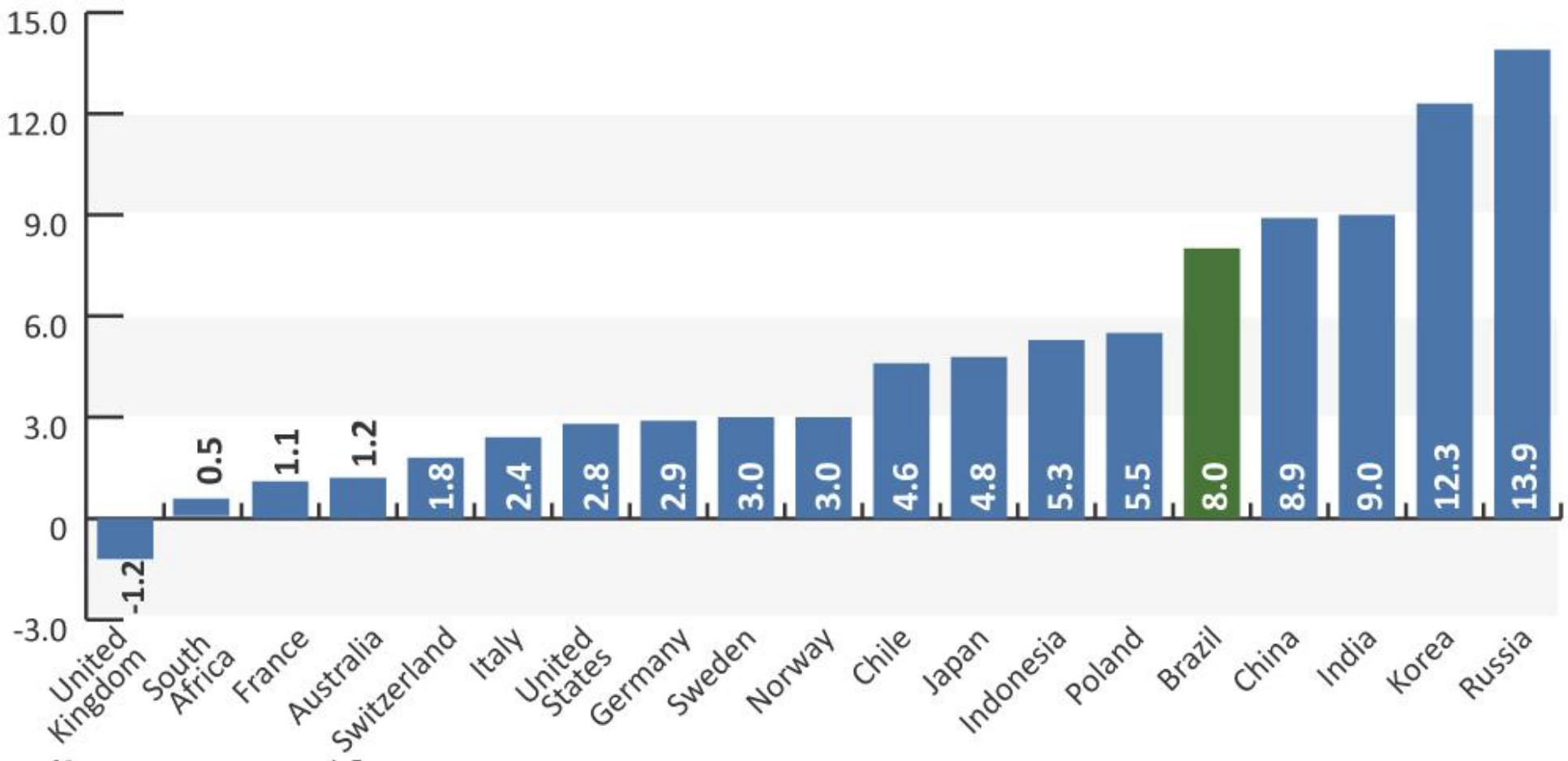
* Ministry of Finance's forecasts.

Source: BEA (USA), JPMorgan (China) and IBGE (Brazil)

Produced by: Ministry of Finance

GDP Growth – International Comparison

3Q/2Q of 2009 - annualized and seasonally adjusted - %



Source: GDW JP Morgan and IBGE for Brazil

Produced by: Ministry of Finance

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

IMPACT

2.5 to 3.0 pp INCREASE in 2009's GDP

EXAMPLE (GDP 2009)

Without stimulus would be

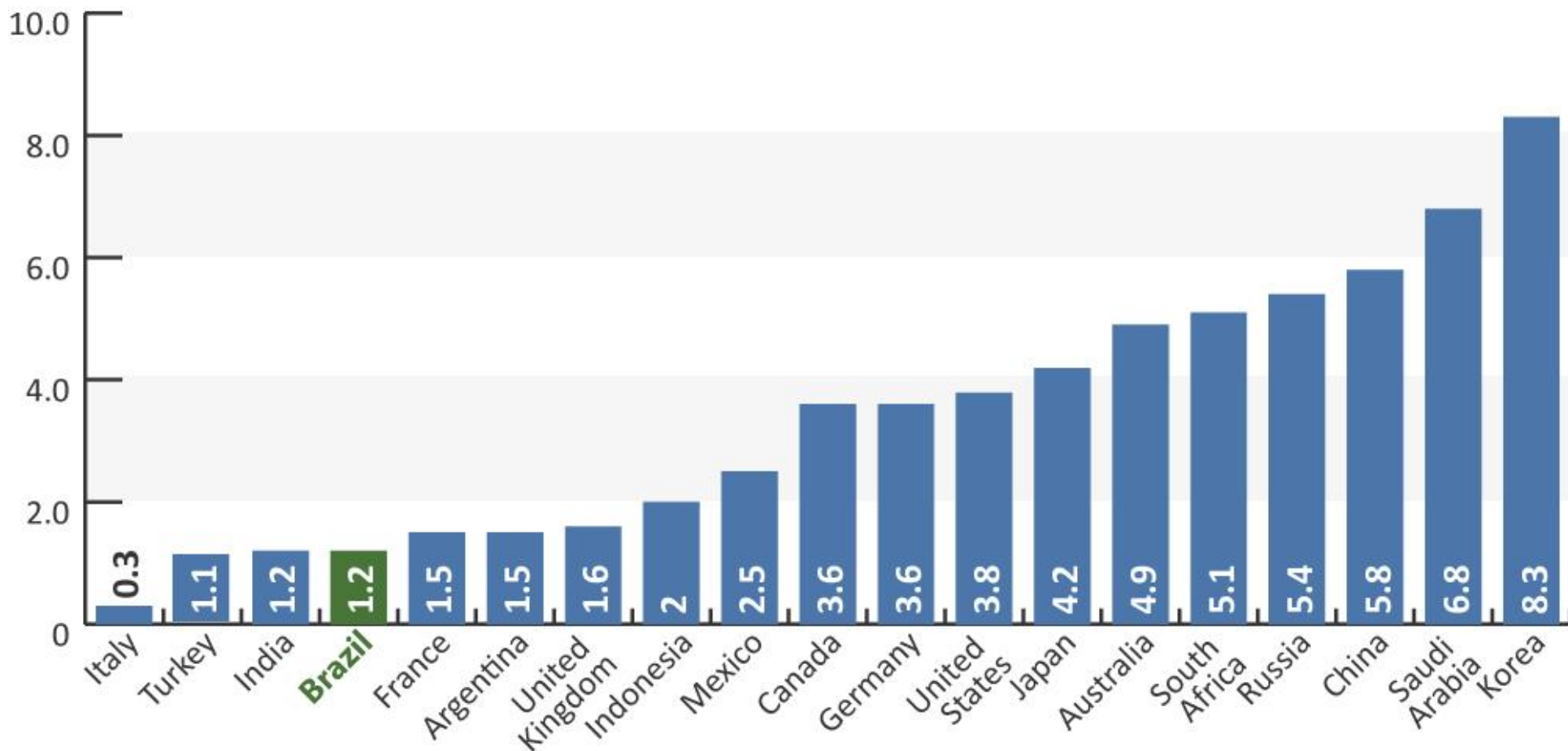
-2.0%

With stimulus will be

+1.0%

Fiscal Stimulus*

% of GDP

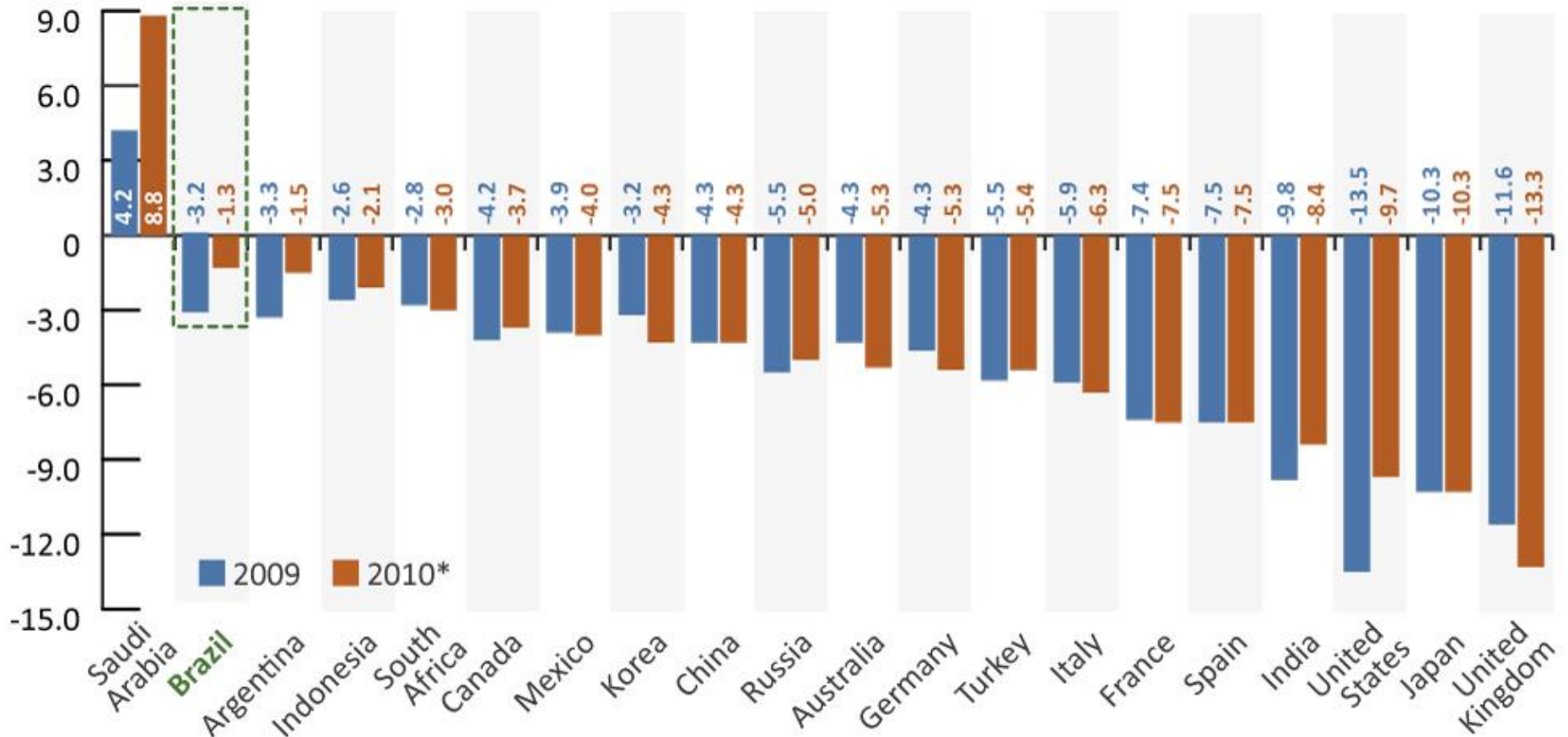


*Discretionary actions related to the crisis with fiscal effects in 2009 and 2010

Source: IMF
Produced by: Ministry of Finance

Impact of Fiscal Policies – Selected Countries*

% of GDP



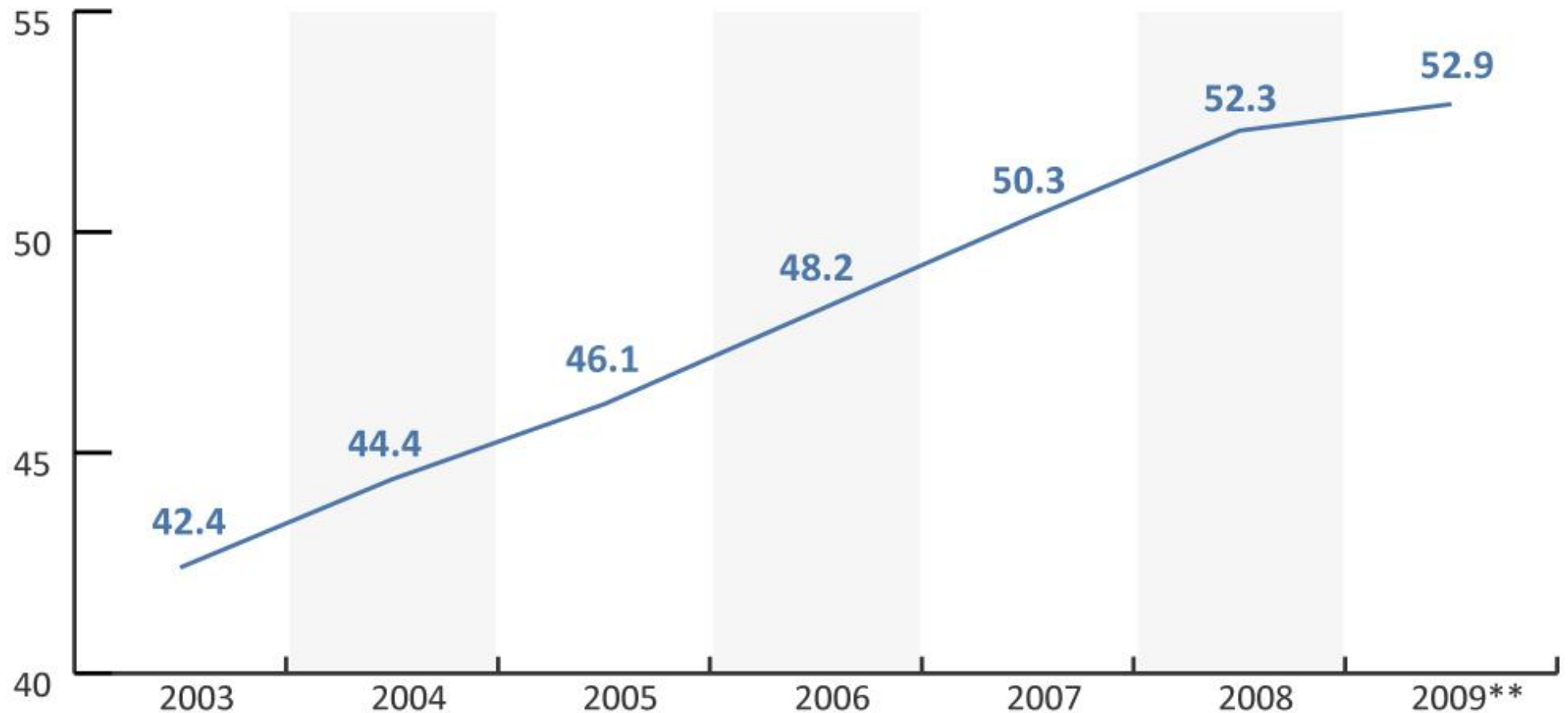
*IMF Forecasts

Source: IMF
Produced by: Ministry of Finance

Expanding the Domestic Market

Middle Class in the Big Cities*

% of the total population – annual



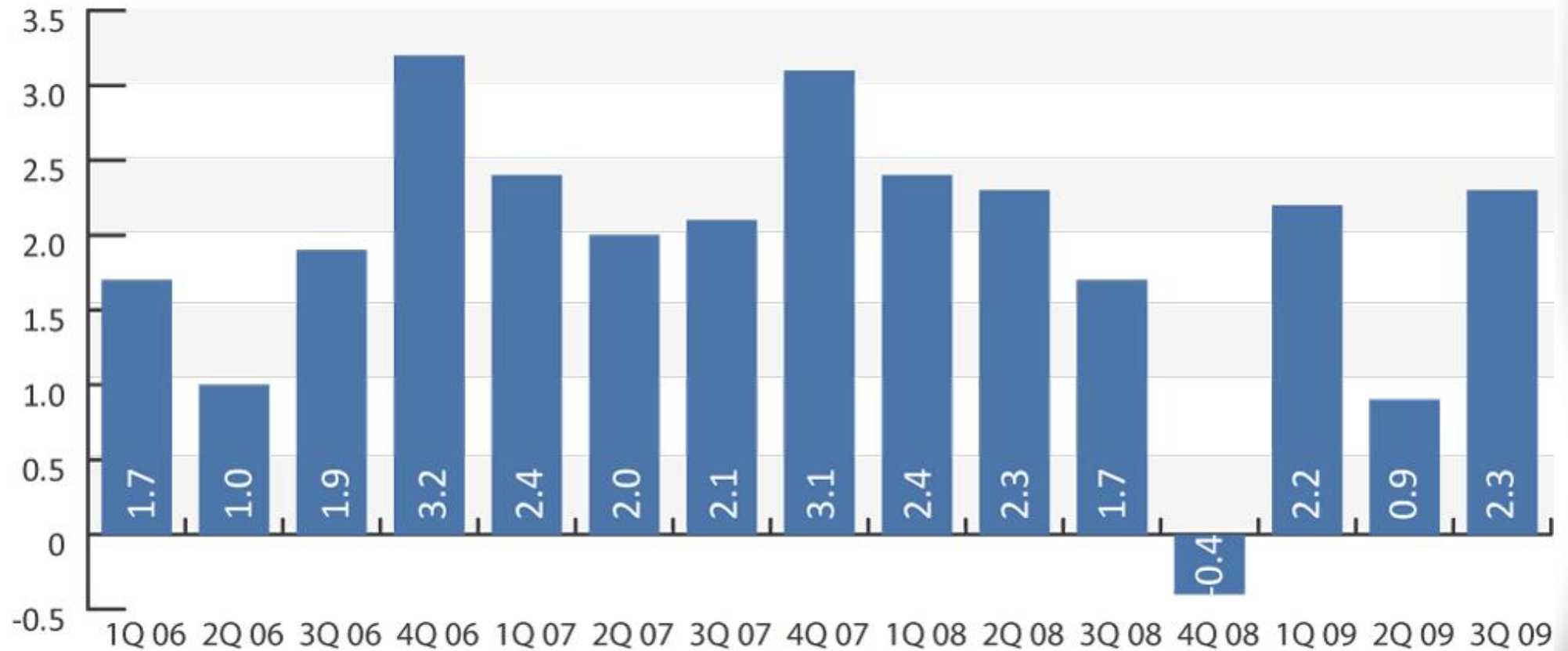
* Cities surveyed: Recife, Salvador, Belo Horizonte, Rio de Janeiro, São Paulo e Porto Alegre

** January to July

Source: FGV and IBGE
Produced by: Ministry of Finance

Volume of Sales in the Domestic Market*

% change compared to the previous quarter



* Excludes vehicles, motorcycles, tools and building construction materials

Source: IBGE

Produced by: Ministry of Finance

Sales Auto Vehicles

Thousand of units and % change jan-out 2008/2009.

Country	2009	2008	%
China	9,345	7,221	+ 29.4%
United States	7,961	10,954	-27.3%
Japan	3,404	4,028	-15.5%
Germany	3,172	2,628	+20.7%
Brazil	2,302	2,209	+4.2%
France	1,919	1,978	-3.0%
Italy	1,758	1,918	-8.3%
United Kingdom	1,692	2,083	-18.8%
Argentina	356	492	-27.7%
Mexico	545	804	-32.2%

Source: ANFAVEA

Produced by: Ministry of Finance

Auto Vehicles – still a lot of room for growing

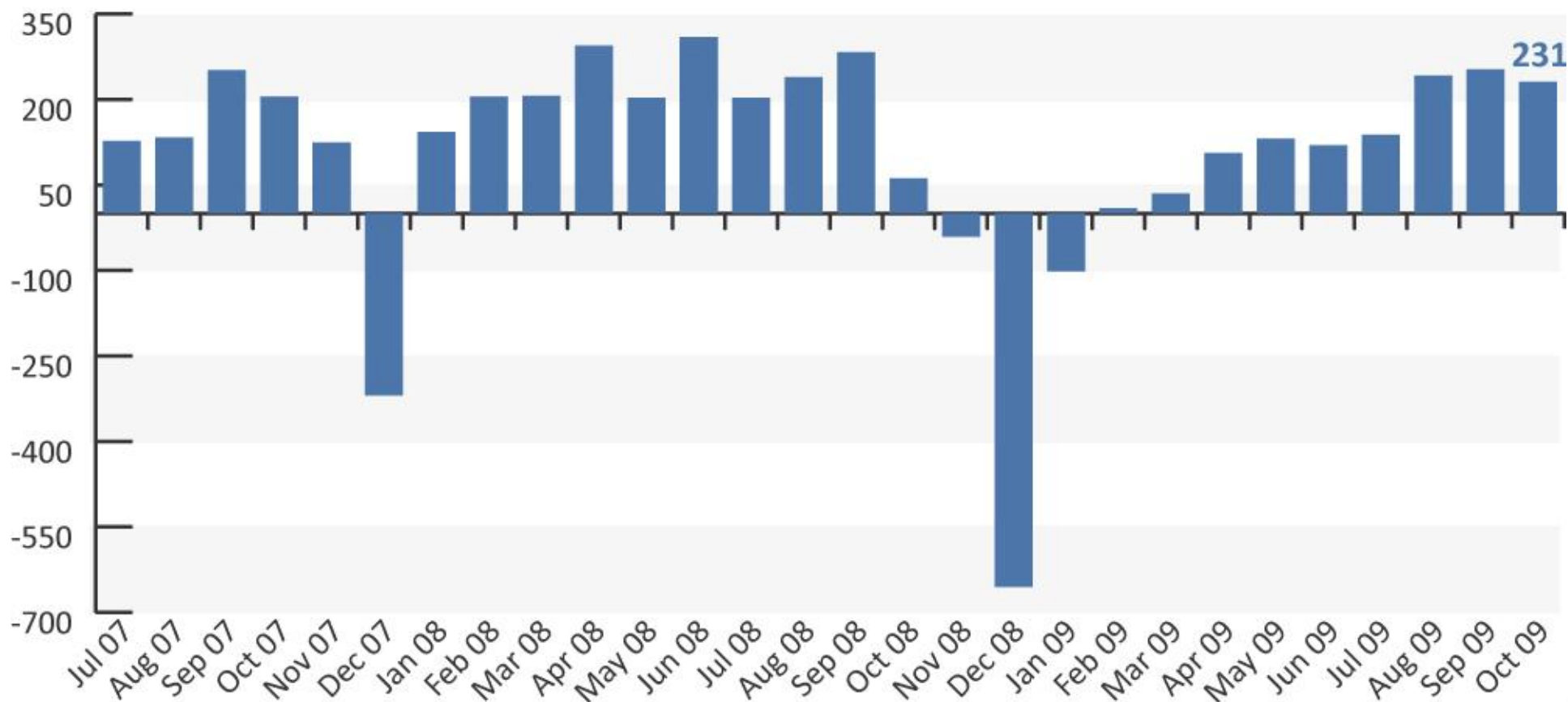
Countries	Quantity of Vehicles (million)	Inhabitants per Vehicle
USA	247.3	1.2
Japan	75.7	1.7
Germany	44.0	1.9
United Kingdom	35.4	1.7
Italy	40.4	1.5
France	37.0	1.7
Spain	27.2	1.6
Canada	20.5	1.6
Argentina	8.3	4.8
Brazil	27.5	6.9

Source: ANFAVEA

Produced by: Ministry of Finance

Job Positions – Net of Dismissals

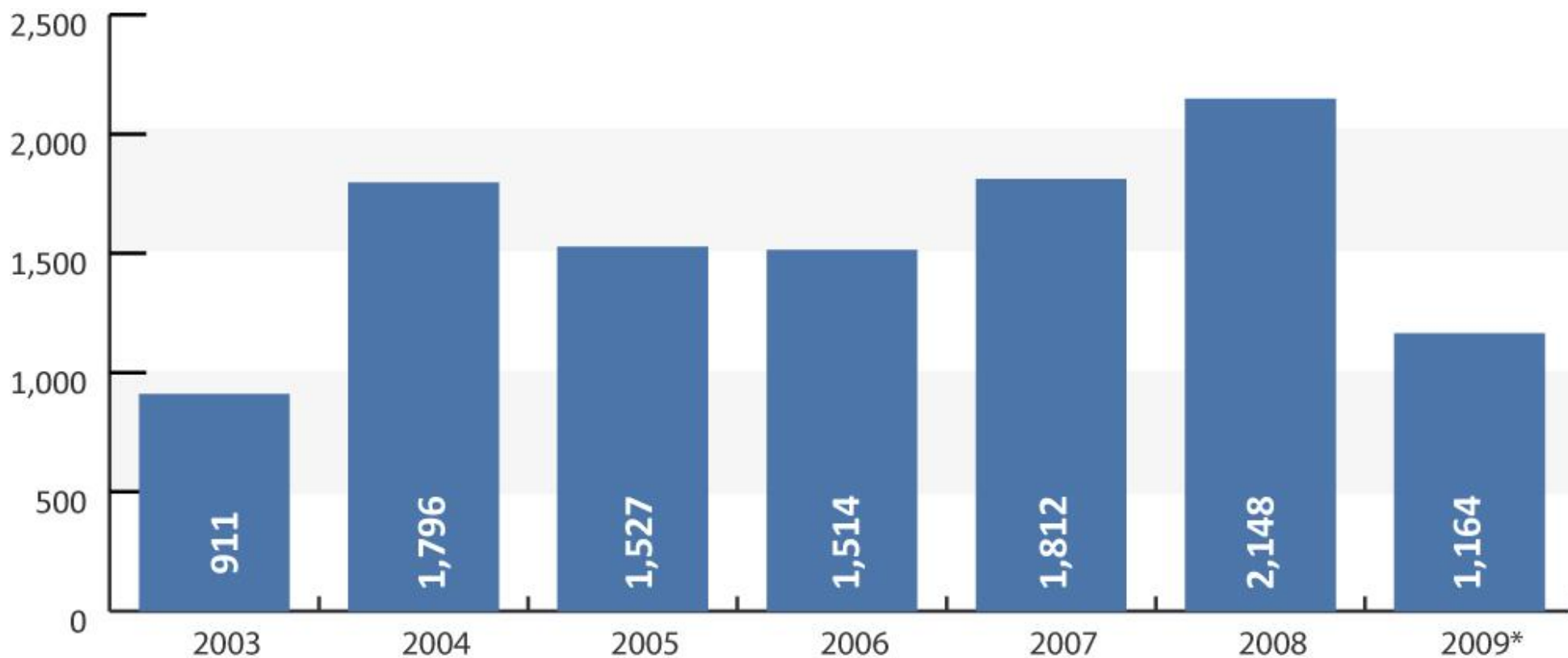
Absolute change in thousands of workers



Source: Ministry of Labour
Produced by: Ministry of Finance

Job Creation

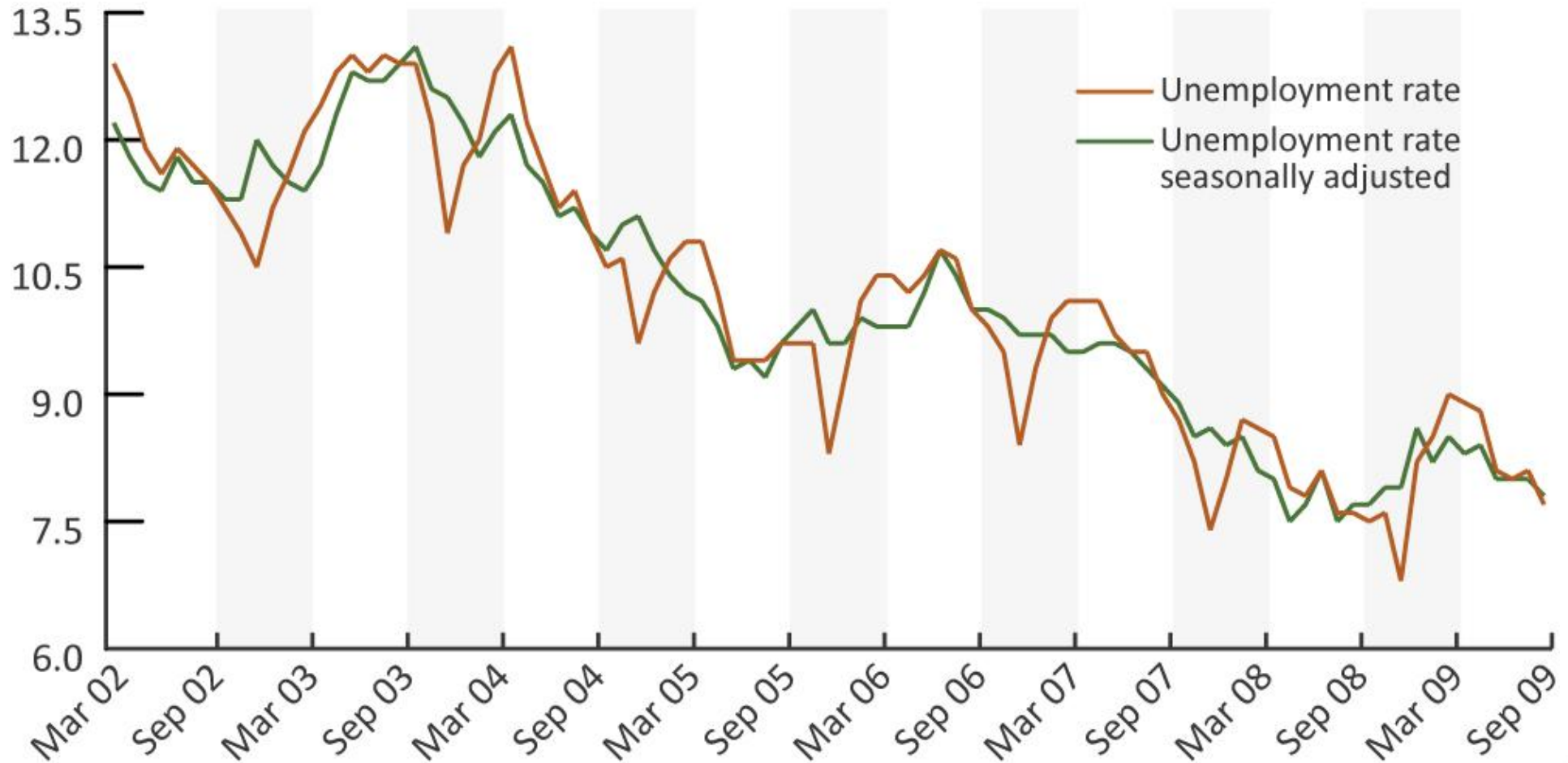
thousands of workers



* Up to October

Source: Ministry of Labour
Produced by: Ministry of Finance

Unemployment Rate



Source: IBGE

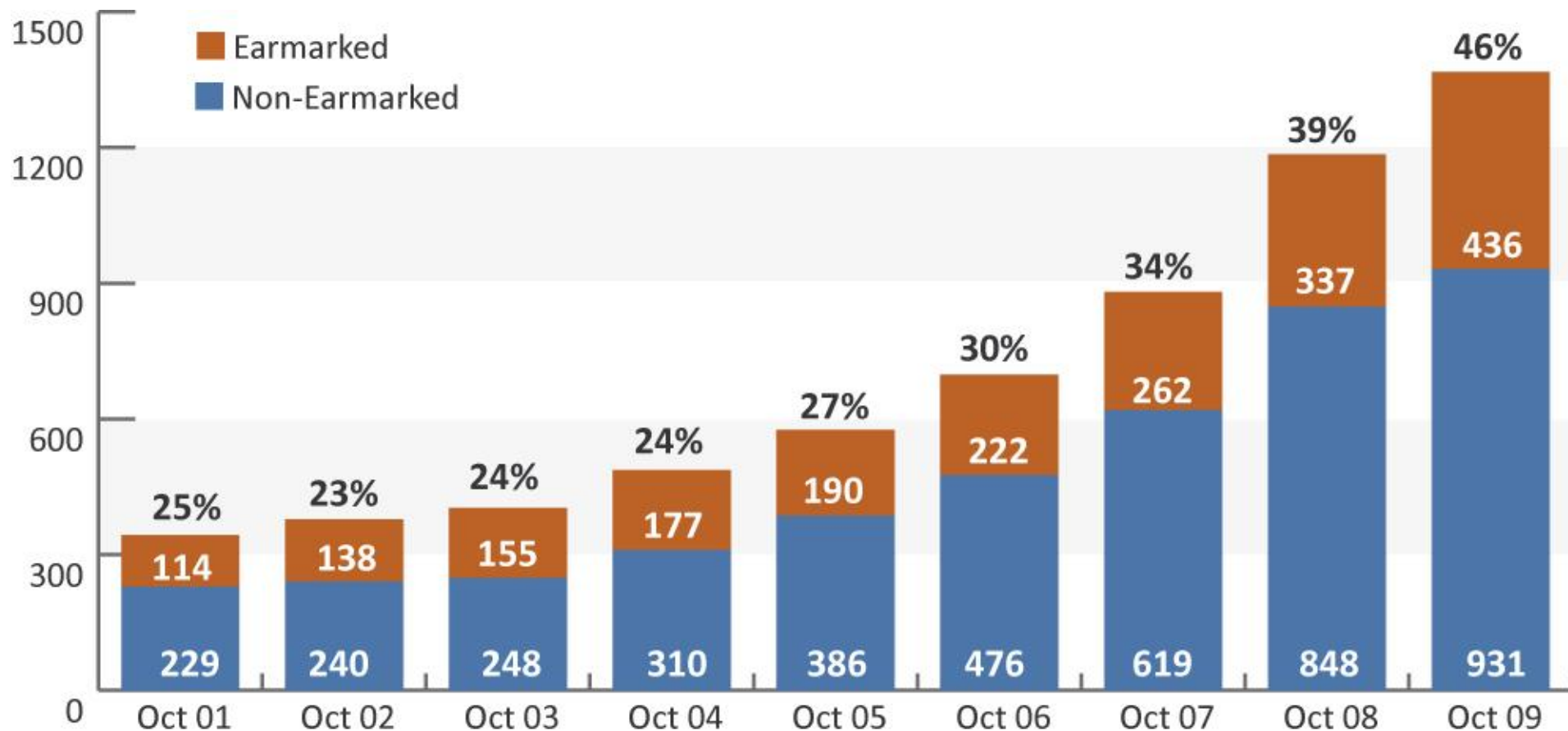
Produced by: Ministry of Finance

Solid Financial System

Evolution of Credit Composition

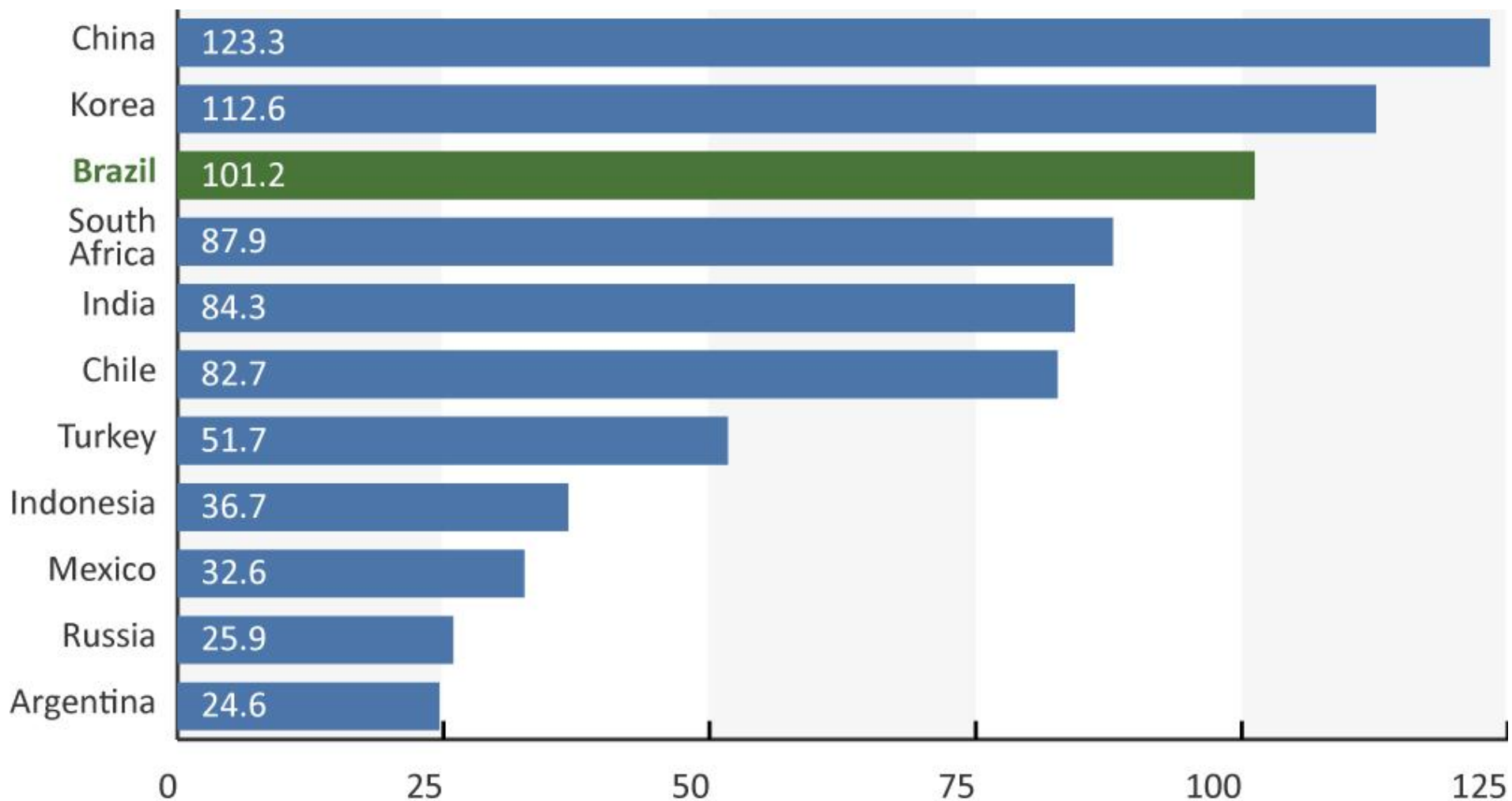
(net nominal values)

Total % of GDP



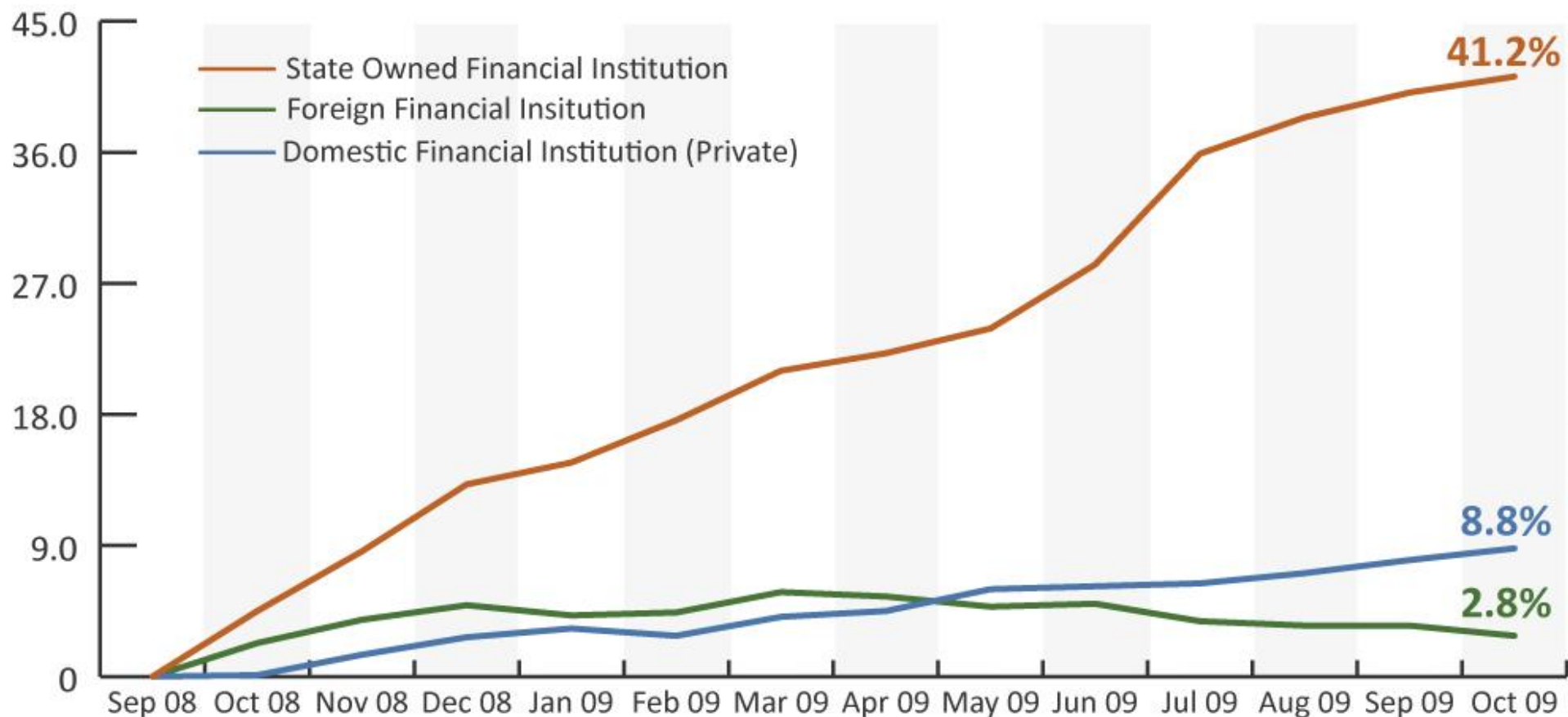
Source: Central Bank of Brazil
Produced by: Ministry of Finance

Domestic Credit as % of GDP



State Owned Banks Sustained Credit Growth After the Crisis

Index number: sep 08 = 0%

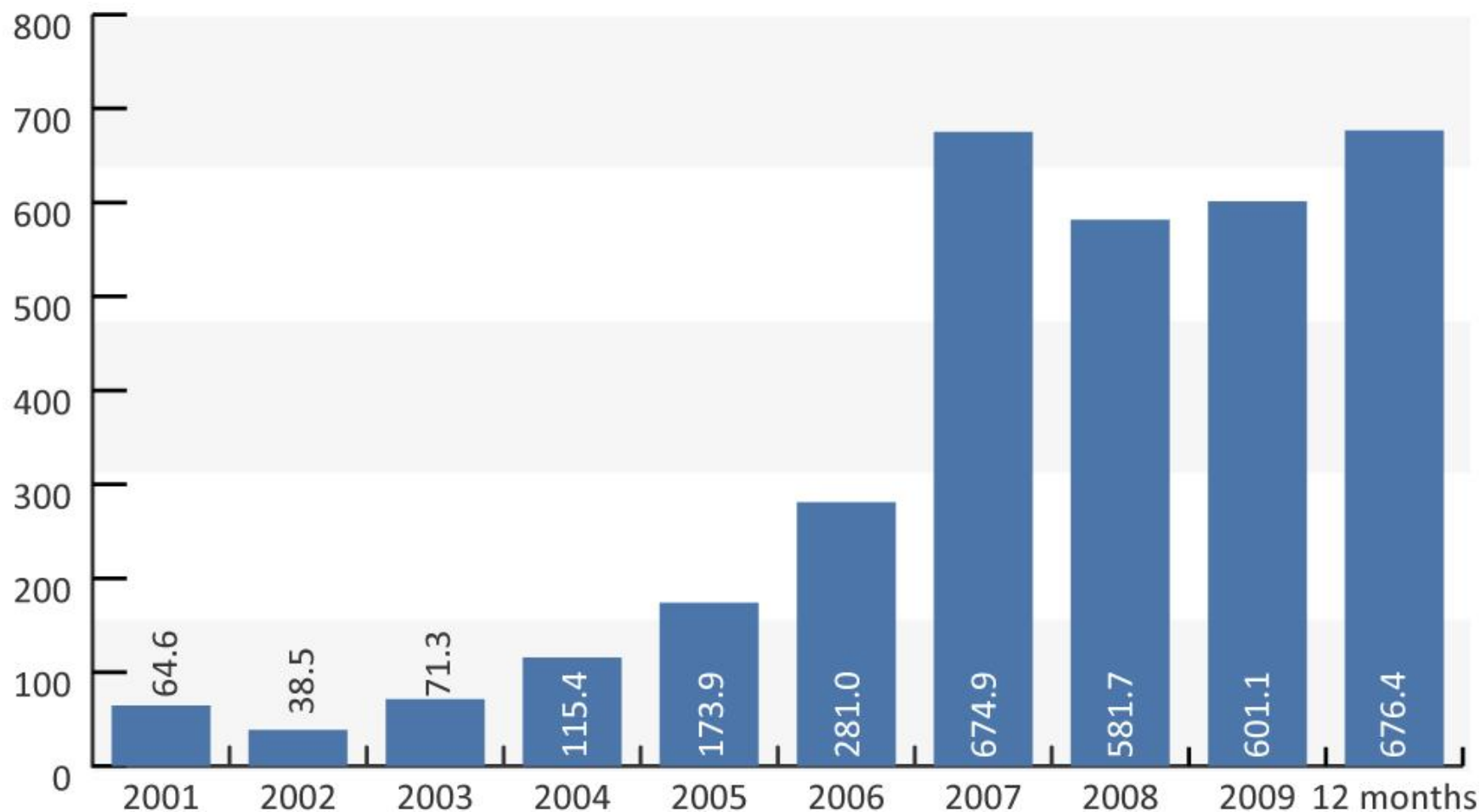


Source: Central Bank of Brazil
Produced by: Ministry of Finance

Capital Markets

BOVESPA Trade Volume - nov 09

US\$ billion

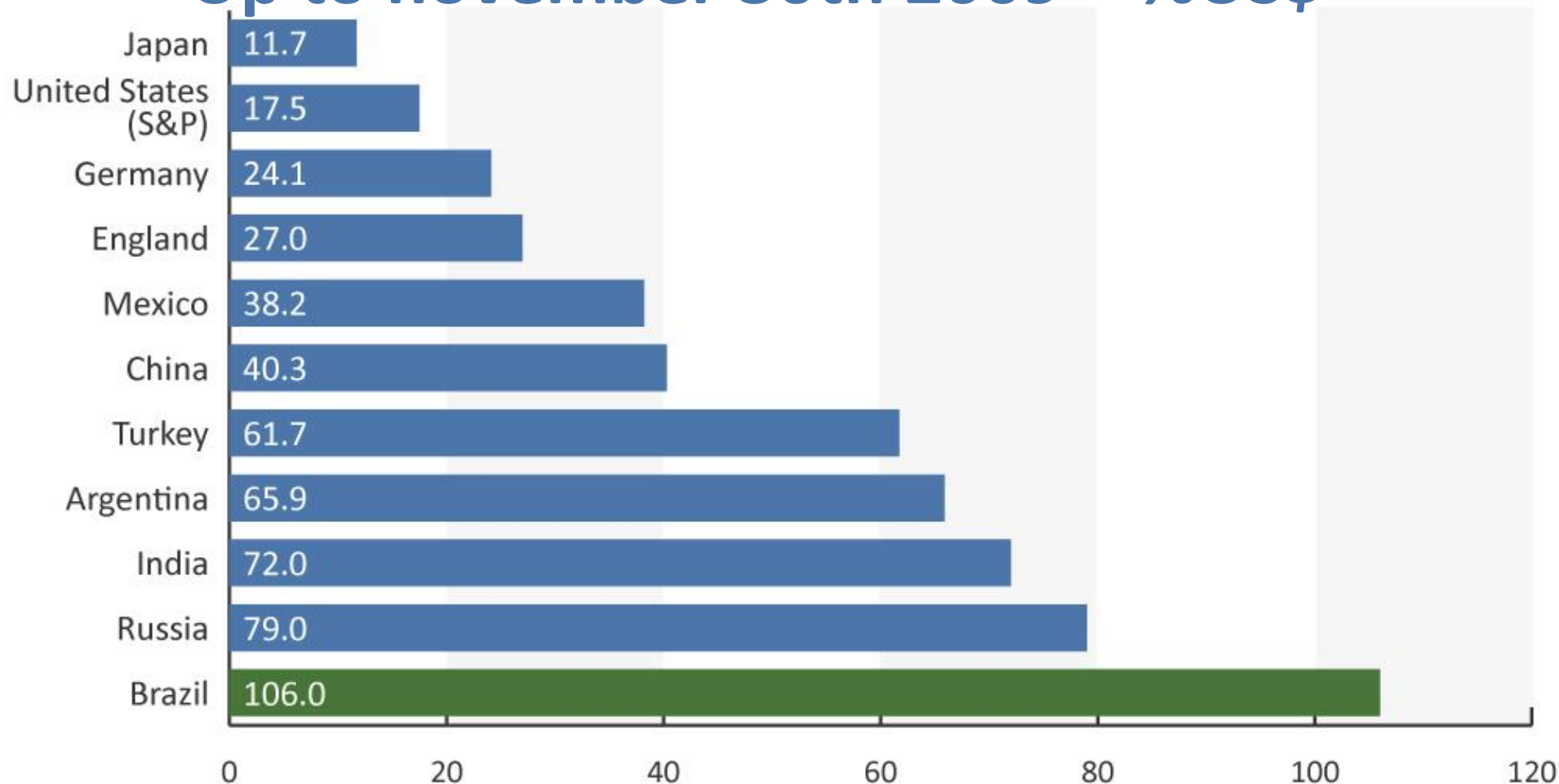


Source: BOVESPA

Produced by: Ministry of Finance

BOVESPA the year's greatest capitalization

Up to november 30th 2009 - %US\$

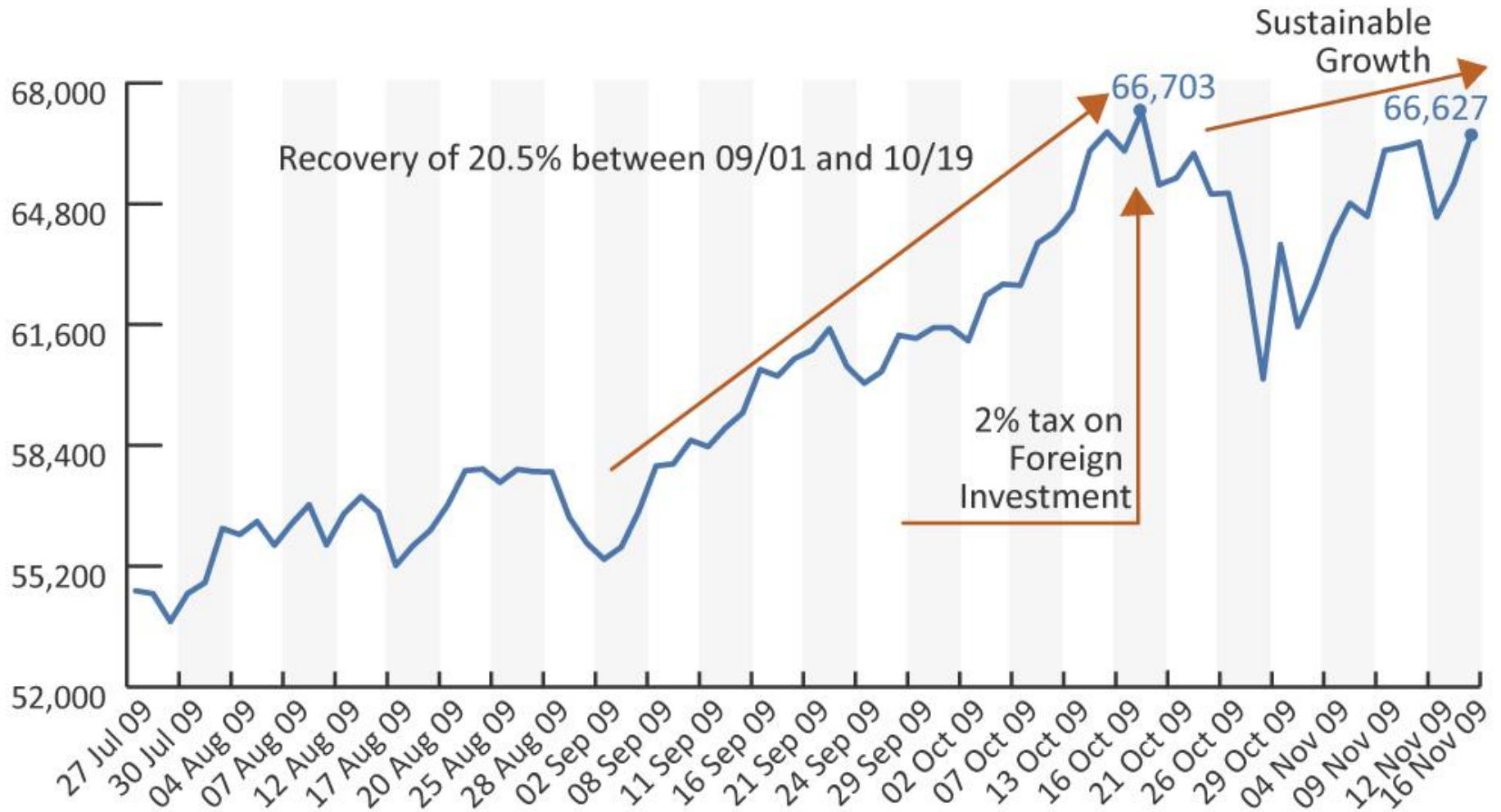


Source: Bloomberg

Produced by: Ministry of Finance

Brazilian Stock Market

points



Source: Bovespa

Produced by: Ministry of Finance

Great Attractiveness of the Brazilian Economy

- Strong perspectives for a new growth cycle;
- Expanding investments, domestic markets and the production of commodities;
- There are few similar high-return opportunities in the world;
- Brazil is a free market for international investors (no external capital controls like China and India).

Avoiding the “Fatal Attraction”

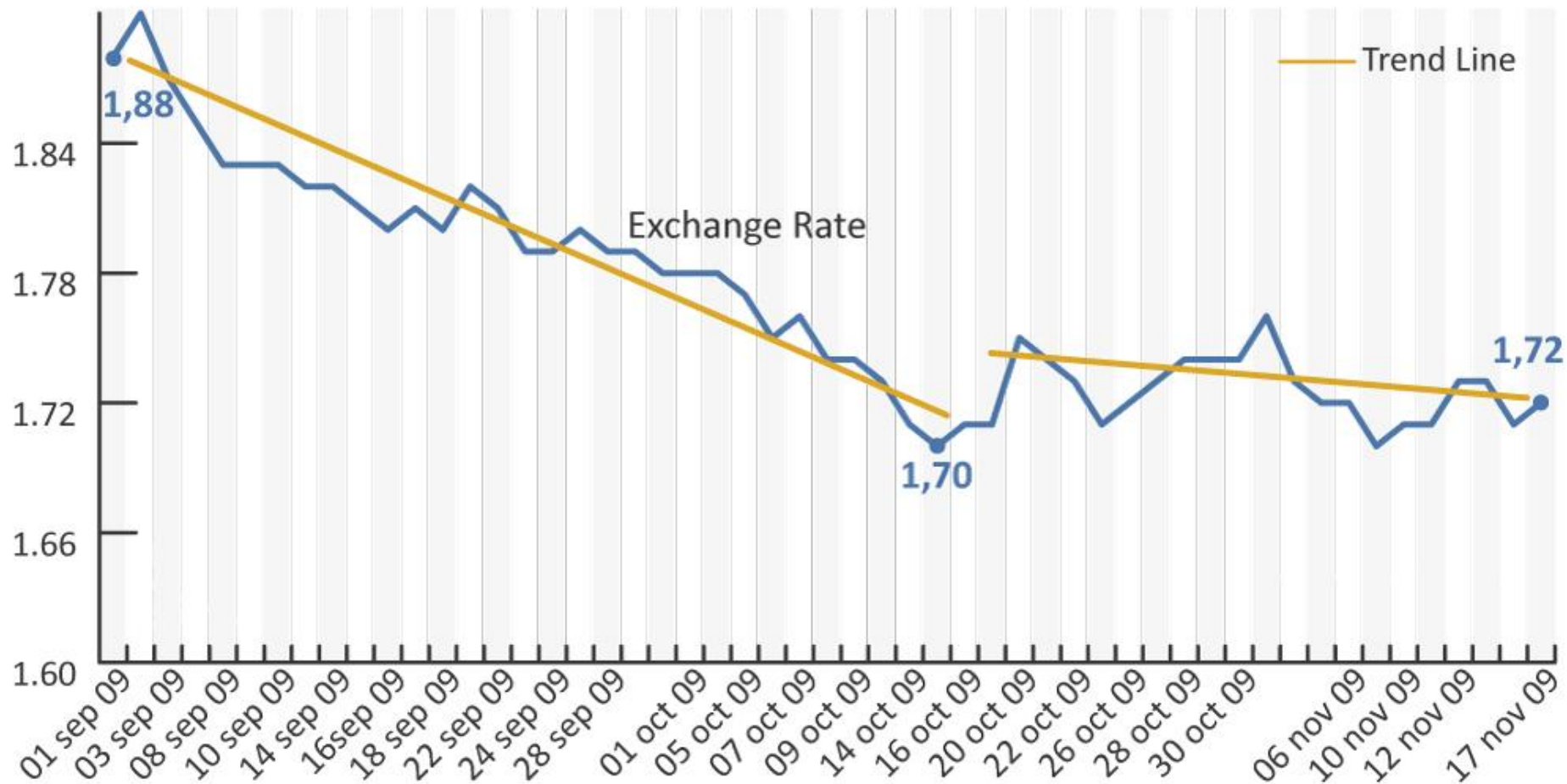
- Purchase of foreign exchange reserves
- The adoption of a 2% Tax on capital inflows directed to the purchase of equity and fixed-income securities,
- Taxation intended to reduce incentives only for short-term transactions and to prevent currency overvaluation and undershooting
- There were no taxes imposed on Foreign Direct Investment (FDI)
- Strong currency imbalance

Avoiding an “Inevitable Bubble” in the Stock Market

- Taxation intended to reduce the possibility of Stock Market bubble
- Carry Trade in the Stock Market
- Brazil still offers the best carry trade in the market, with an official interest rate (SELIC) of 8.75%;

US\$/Brazilian Real Exchange Rate

BRL



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

Real Overvaluation – currency equilibrium by Goldman Sachs

- The Brazilian Real is the most overvalued currency –
Currency equilibrium

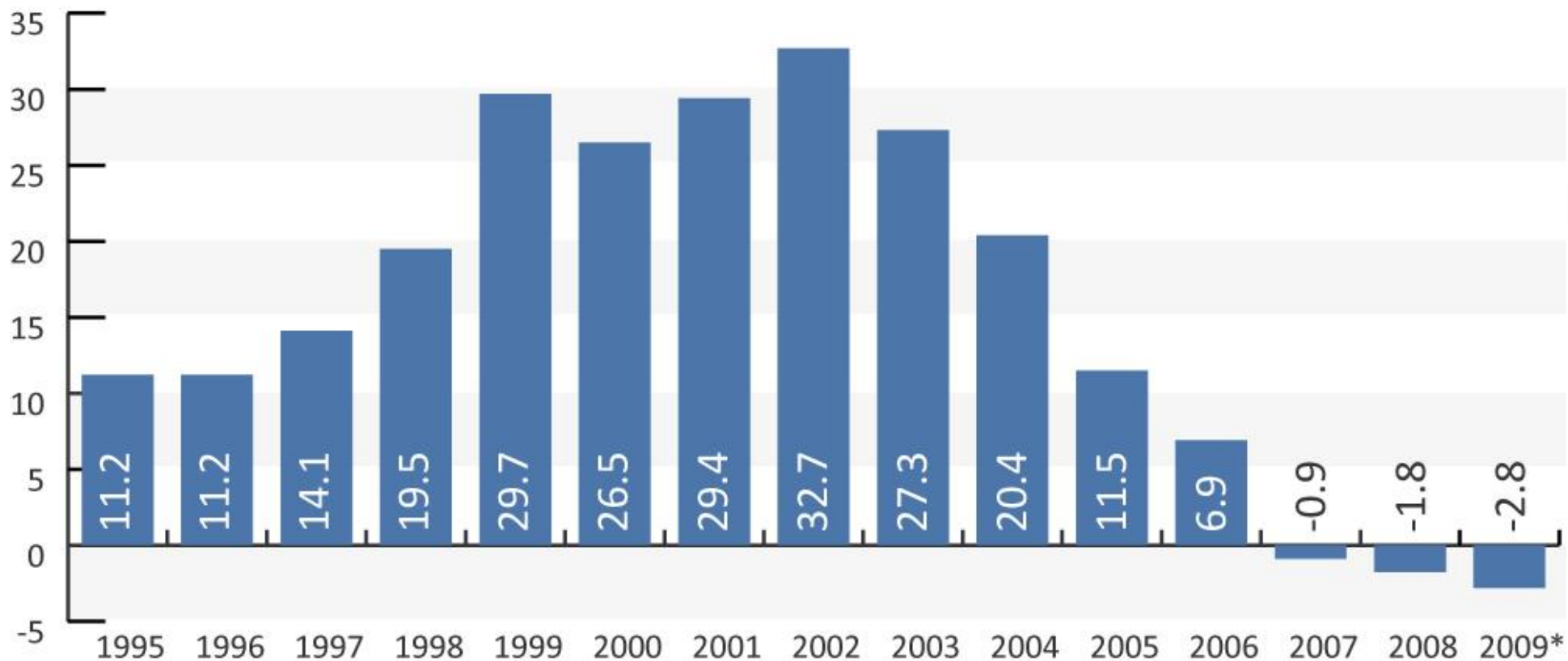
USD	R\$ 2,63	+51%
Euro		+23%
Chinese		+50%
Corea		+45%
Argentina		+80%

Large and Diversified Investment Programs

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

Net External Debt

% of GDP



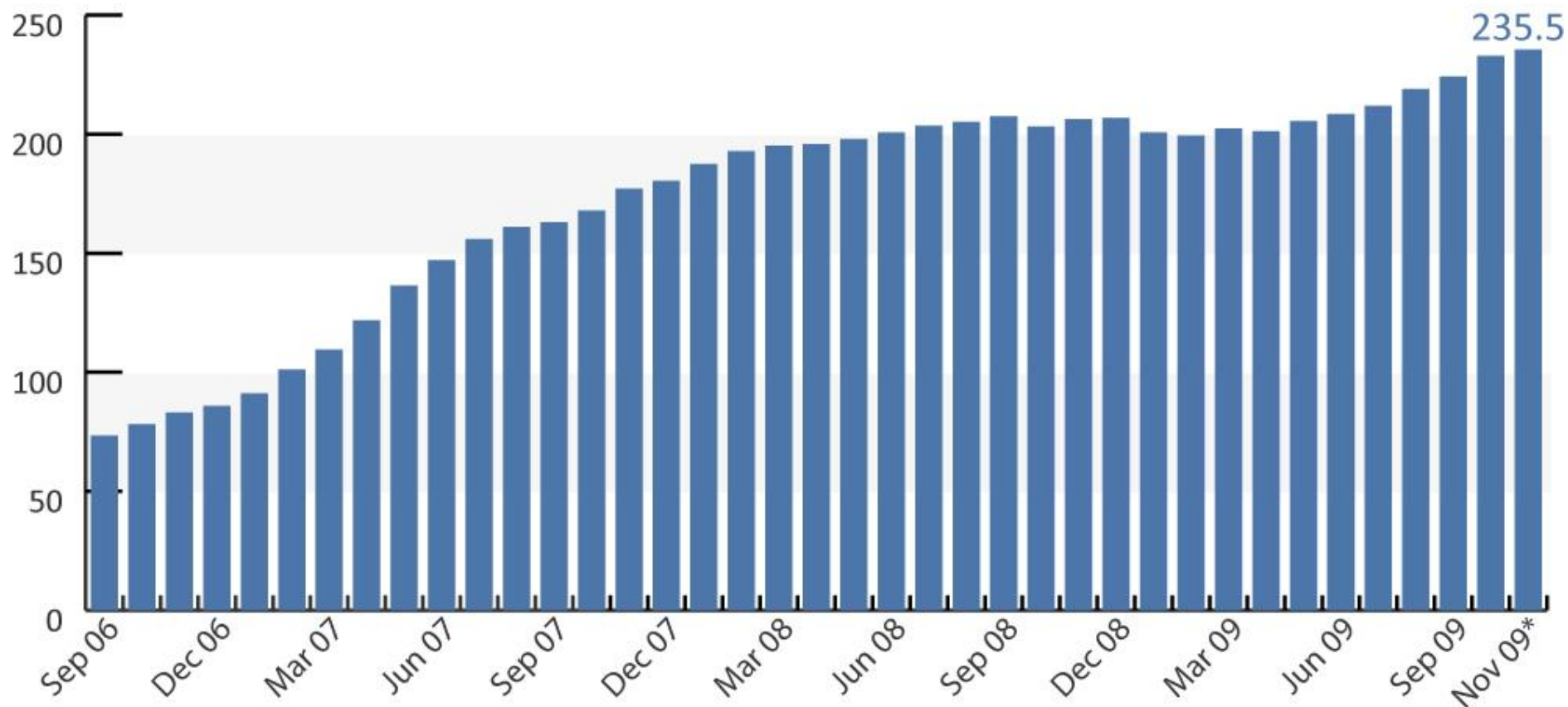
*Forecast

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

Foreign Exchange Reserves

(International Liquidity)

US\$ billion



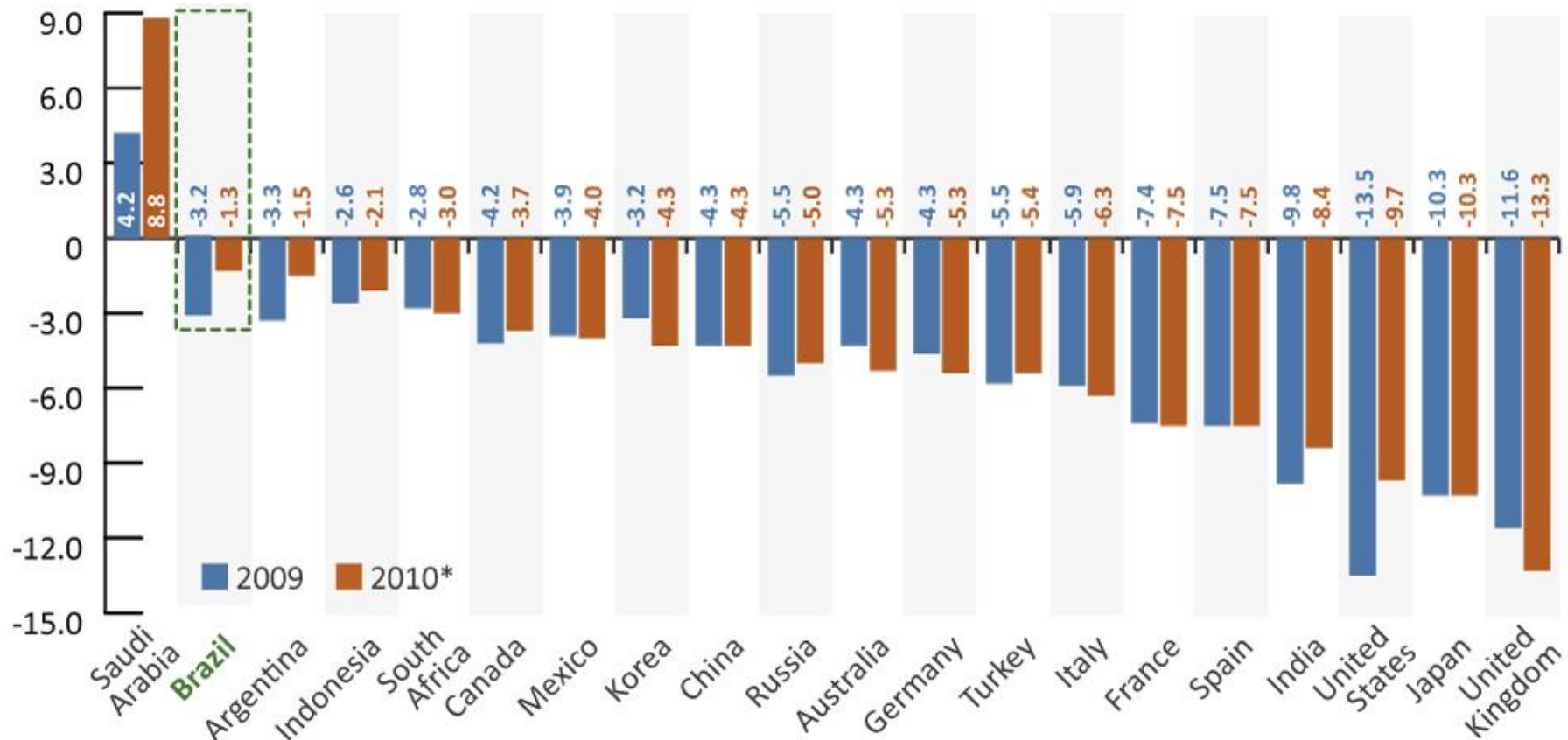
*Position November 12th, 2009

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

Fiscal Responsability

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

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

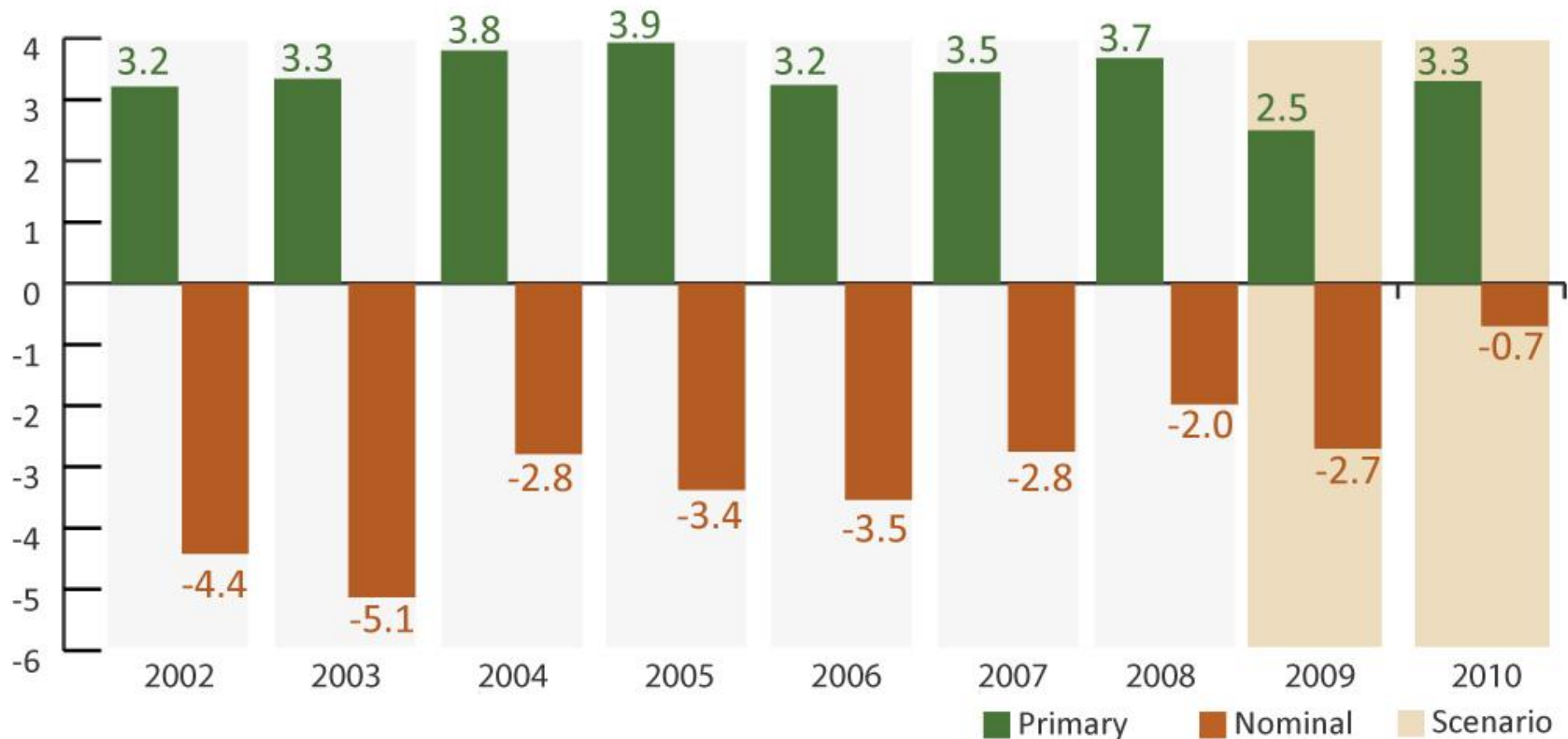


Source: IMF

Produced by: Ministry of Finance

Public Sector Fiscal Balance

Excluding Petrobras - % GDP

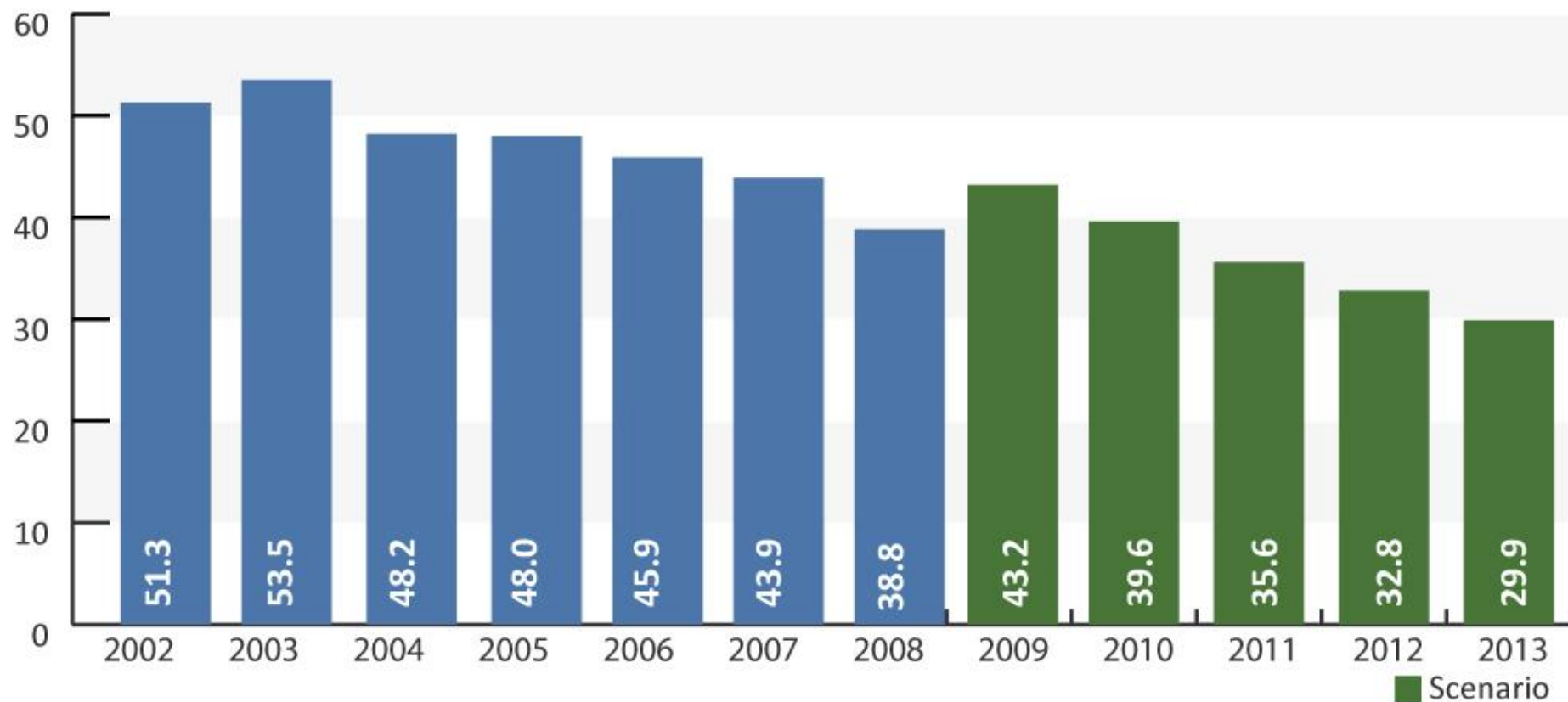


Scenario : Primary Surplus 2009 = 2.5% and 2010 = 3.3%

Source: Ministry of Finance
Produced by: Ministry of Finance

Public Sector Net Debt

Excluding Petrobras - % GDP



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

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

Brazil: 5th World Economy by 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

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