

Brazil's economic perspectives in crisis times

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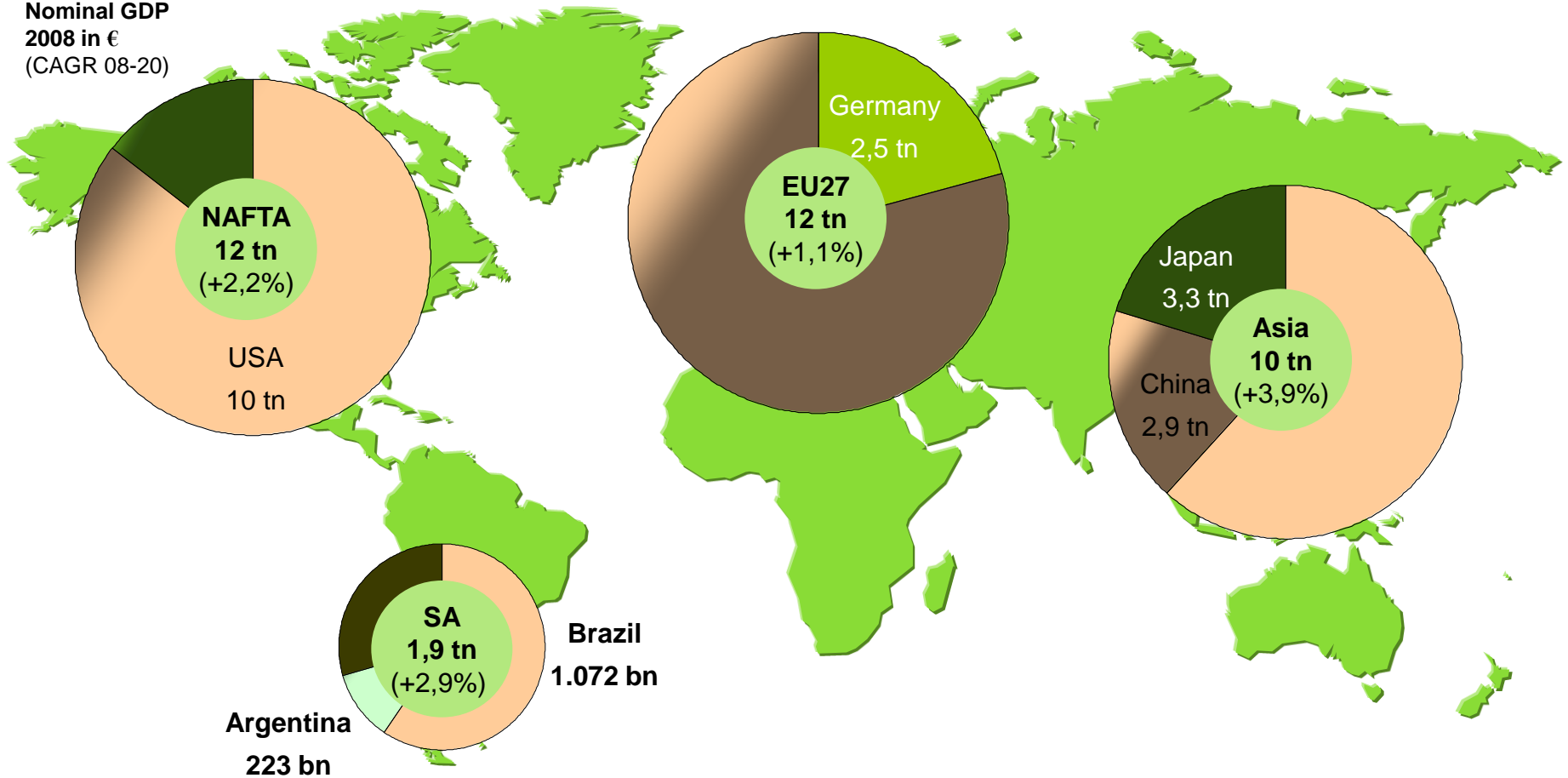
BASF S.A., São Paulo, Brazil

Deutsch-Brasilianische Gesellschaft e.V.

September 25th 2009

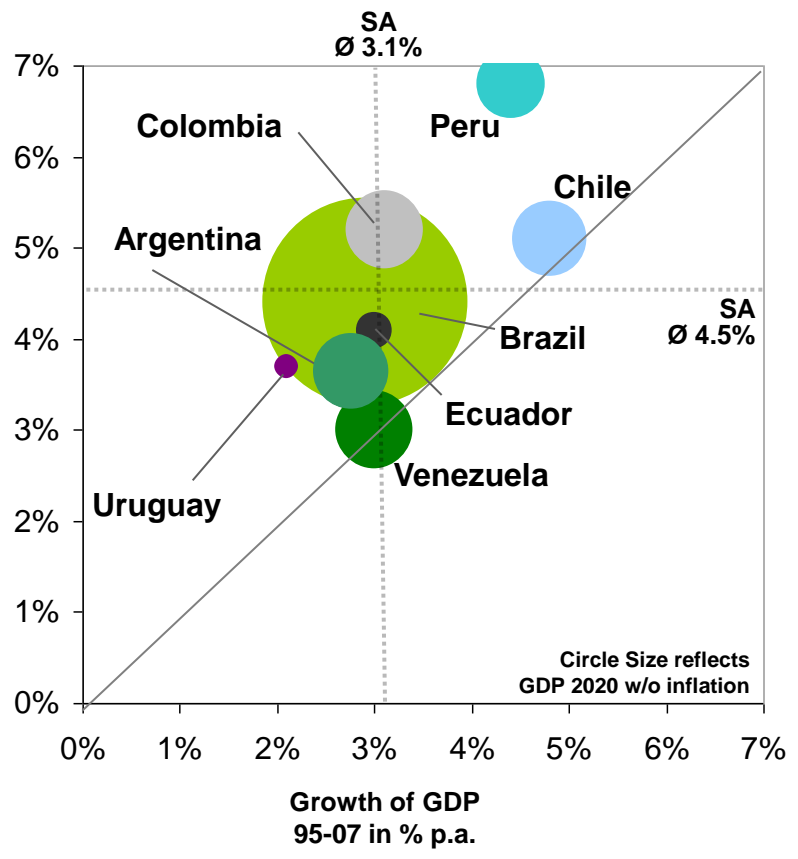
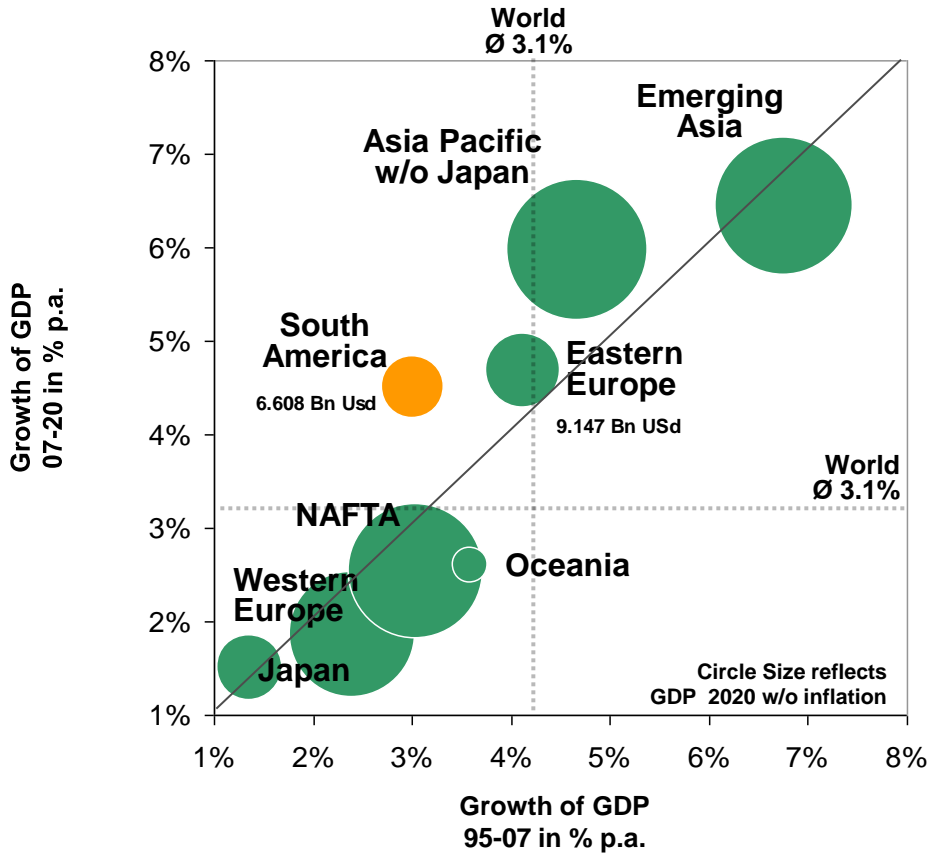
In a global context the South American macroeconomy has a minor position

Nominal GDP
2008 in €
(CAGR 08-20)



Brazil as the dominating country in South America ranks globally on 9th position

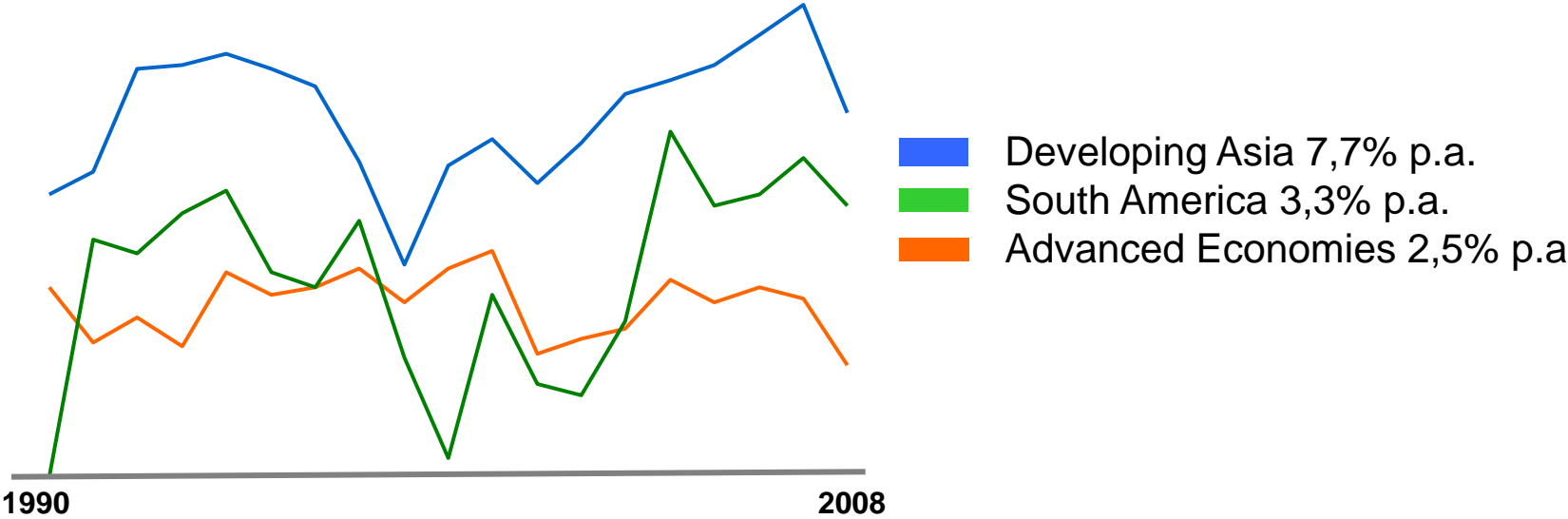
South America will remain growing above World's GDP and faster than in the last years. Brazil will maintain its position as the major economic force



- Brazil represents roughly half of the continent's population and 56% of total GDP
- Within the region, top six countries account for 96% of total GDP
- Despite differences in growth rates, the economic power distribution doesn't change
- Chile exhibits steady growth

The most significant challenge in South America's past was the macroeconomic volatility

GDP Growth between 1990 and 2008



“ Having growth rates like OECD countries and fluctuations like Asia”

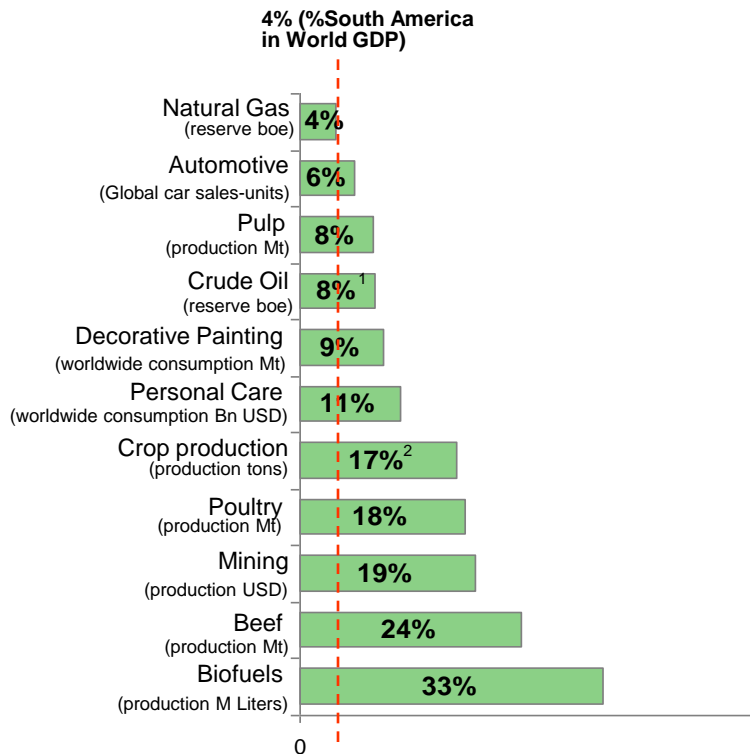
Did you know that....

- Embraer is No 3 in the world in production of commercial airplanes. Pentagon bought 58 patrolling airplanes from Embraer for USD \$7 billions
- The Frankfurt Stock Exchange works with Brazilian software
- Petrobras is world leader in deep water exploration
- Odebrecht (Brazilian company) is world leader in hydroelectric machinery construction
- Germany imports Brazilian ITA VS30 rockets for use in experiments of micro gravity
- South America produces more than 3 million cars and Brazil ranks 6th globally



Important industries in South America are relevant in global markets

Relevance of South America in some global markets (2007)

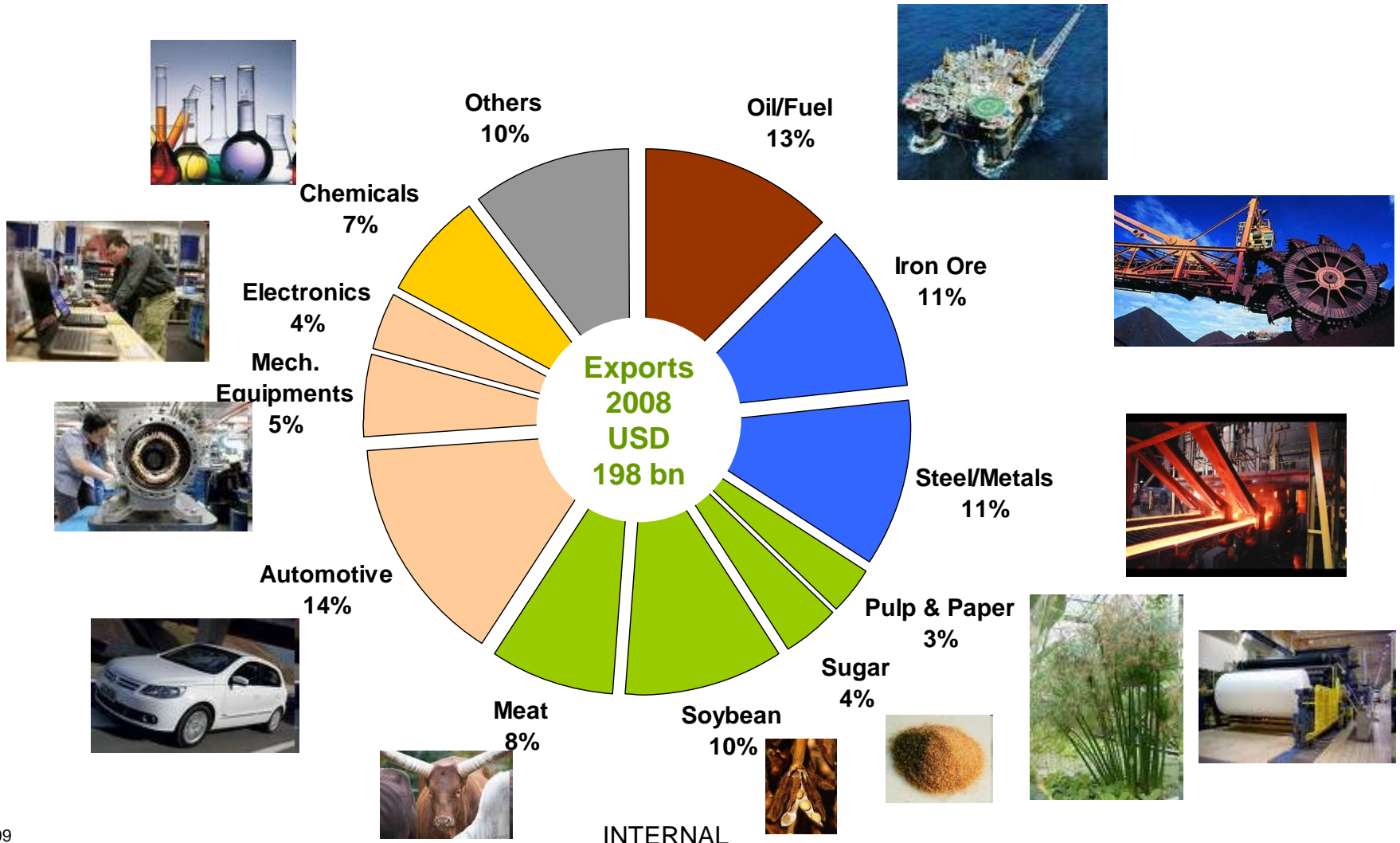


Global Ranking	Soybean	Bioethanol	Beef	Poultry	Pulp	Personal Care	Automotive	Mining
10	USA	USA	USA	USA	USA	USA	Ja-Pan	China
20	Brazil 4,5% p.a*	Brazil 7% p.a*	Brazil 2,5%p.a*	China	Canada	Japan	USA	Chile
30	Arg.	W. Europe	China	Brazil 4,8% p.a*	Brazil 7% p.a*	Brazil 4,1% p.a*	China	AUS
40	China	Rest of Europe	Arg.		Japan	France	Germany	South Africa
50	India	Other S. Am.			Sweden	Germany	S. Korea	Russia
60	Paraguay	Africa			Finland		Brazil 5,5% p.a*	USA
70	* CAGR 2007 - 2020 Canada							Brazil 6,3% p.a*

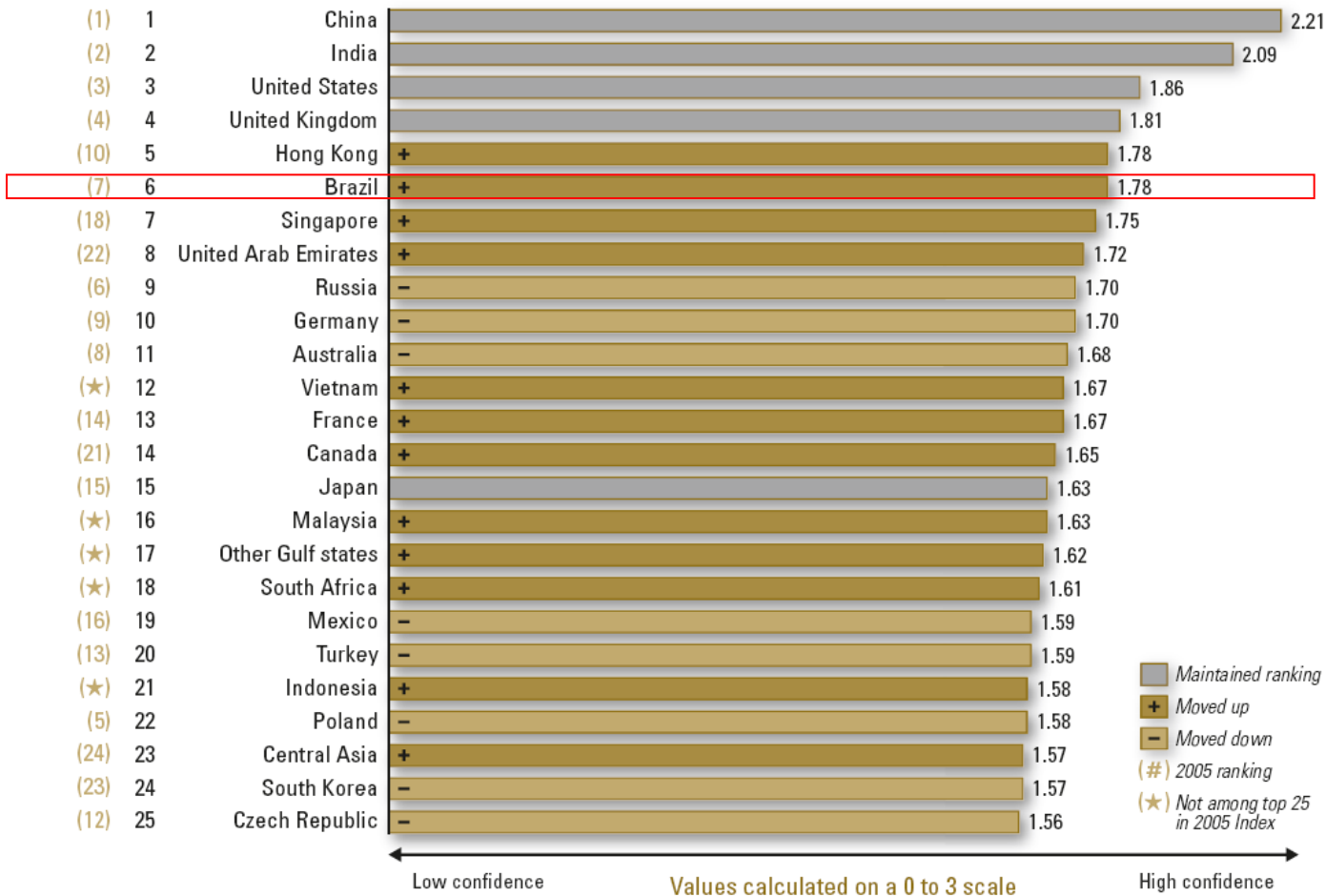
¹ With recent discoveries in Venezuela and in Brazil (pre-salt), South America could represent 30% of crude oil reserves in the world. (Source: BCG)

² South America has currently only 11% of total potential arable land farmed

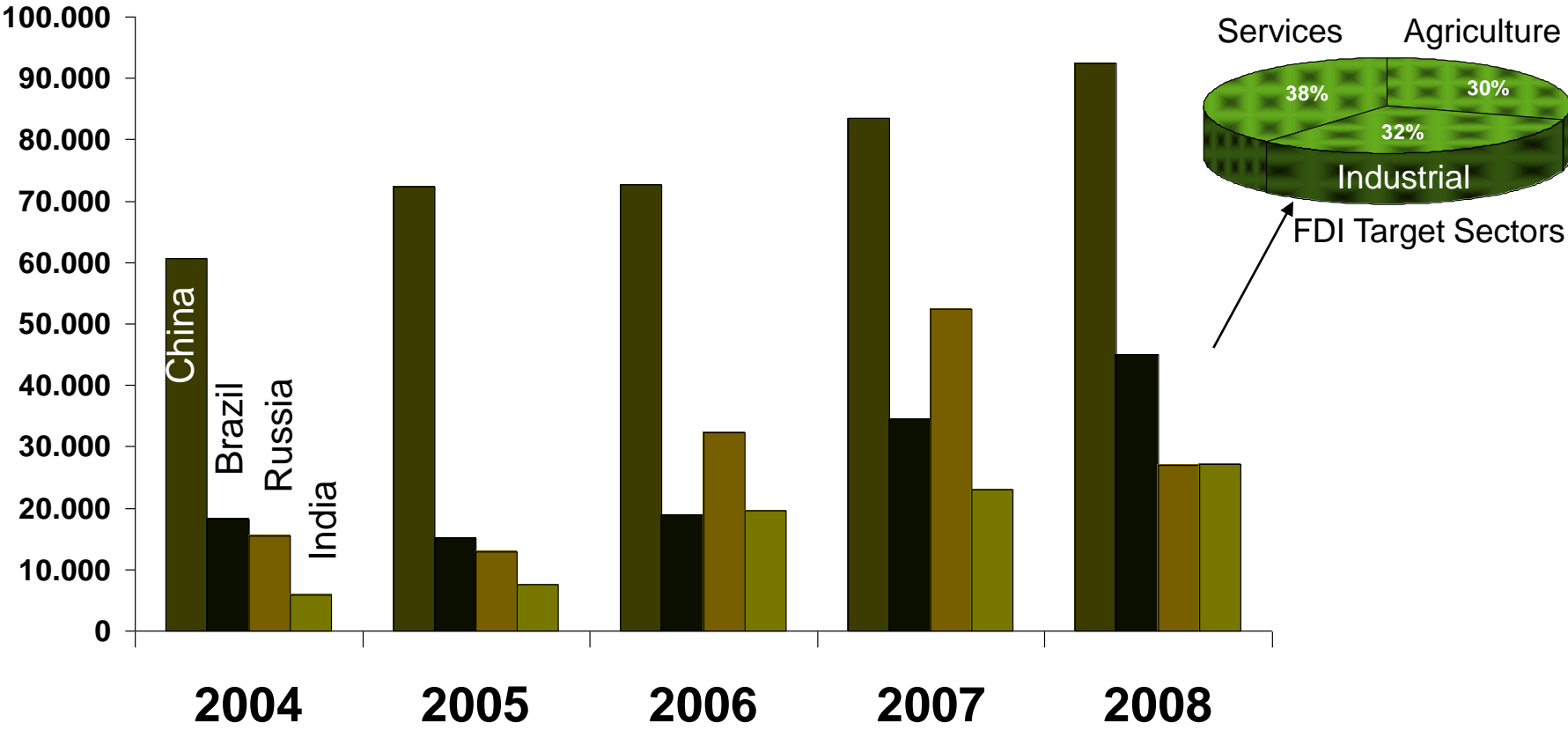
Industrywise Brazilian exports are highly diversified, but mainly based on natural resources



Regarding FDI confidence Brazil outpaces many established economies

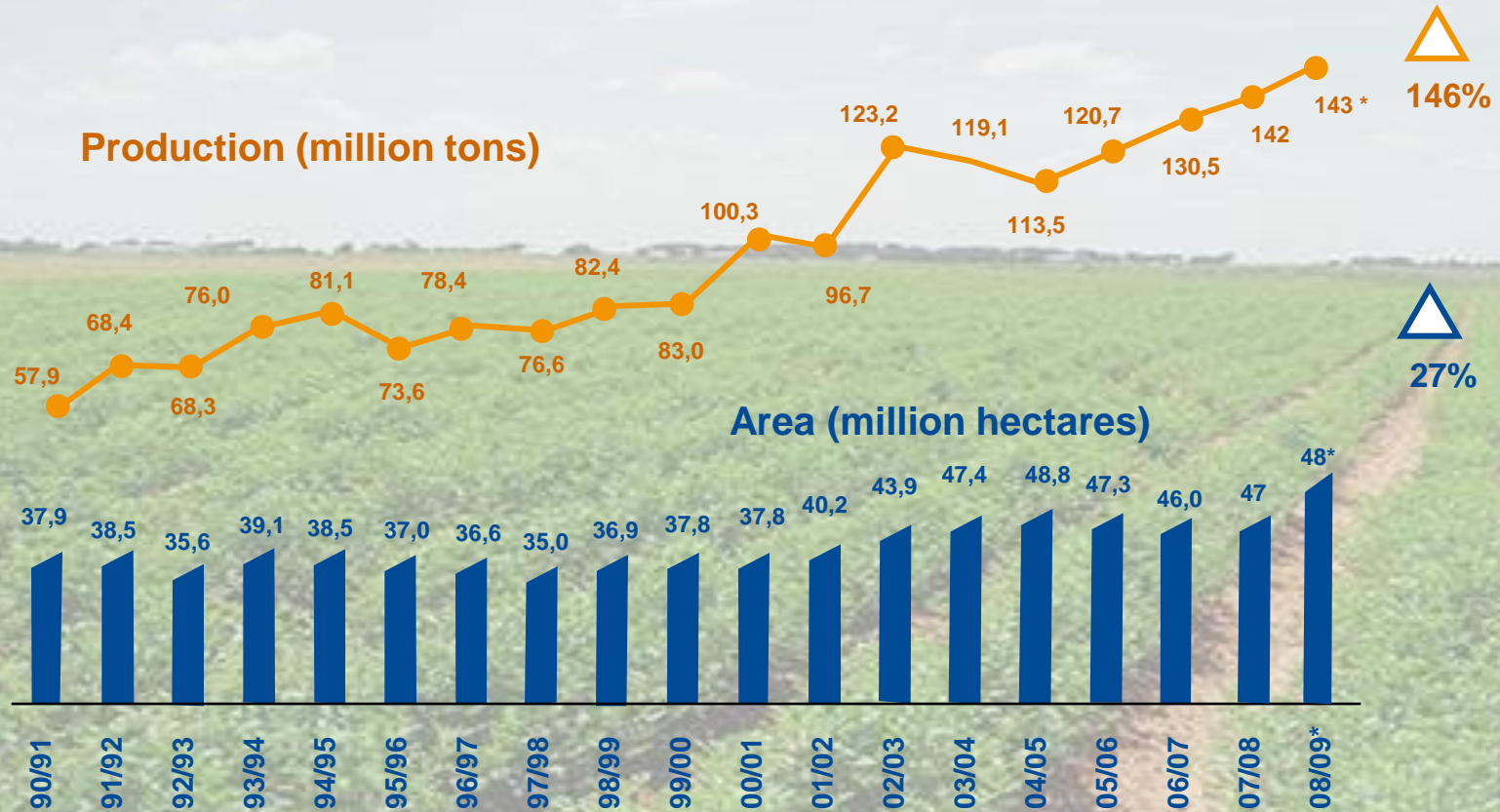


Amongst BRIC countries Brazil shows a stable upwards trend regarding FDI



Recent FDIs are targeting strong sectors like agriculture and sectors to be improved like industrial

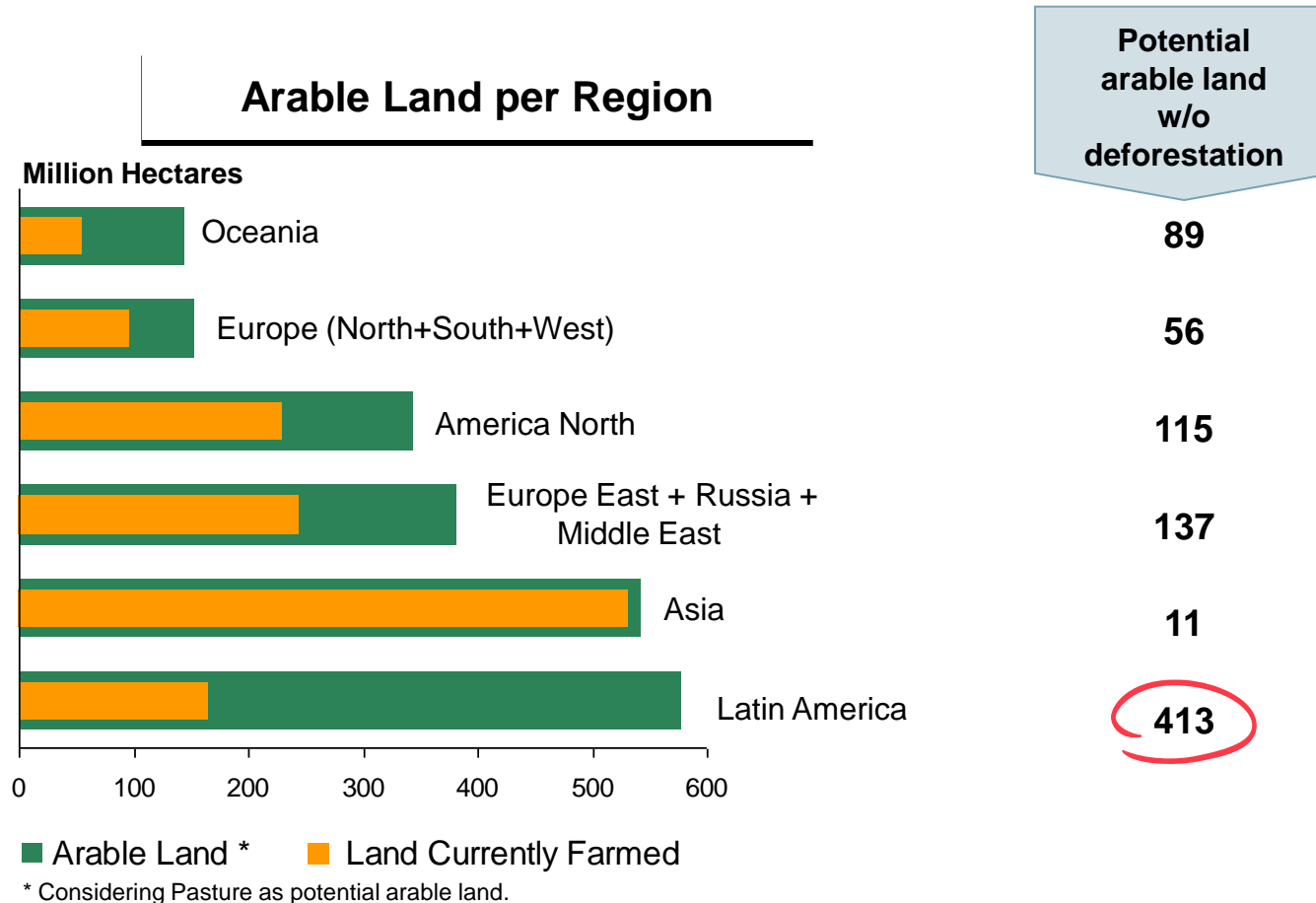
Efficiency gains in agricultural industry boosted business throughout South America, especially in Brazil and Argentina



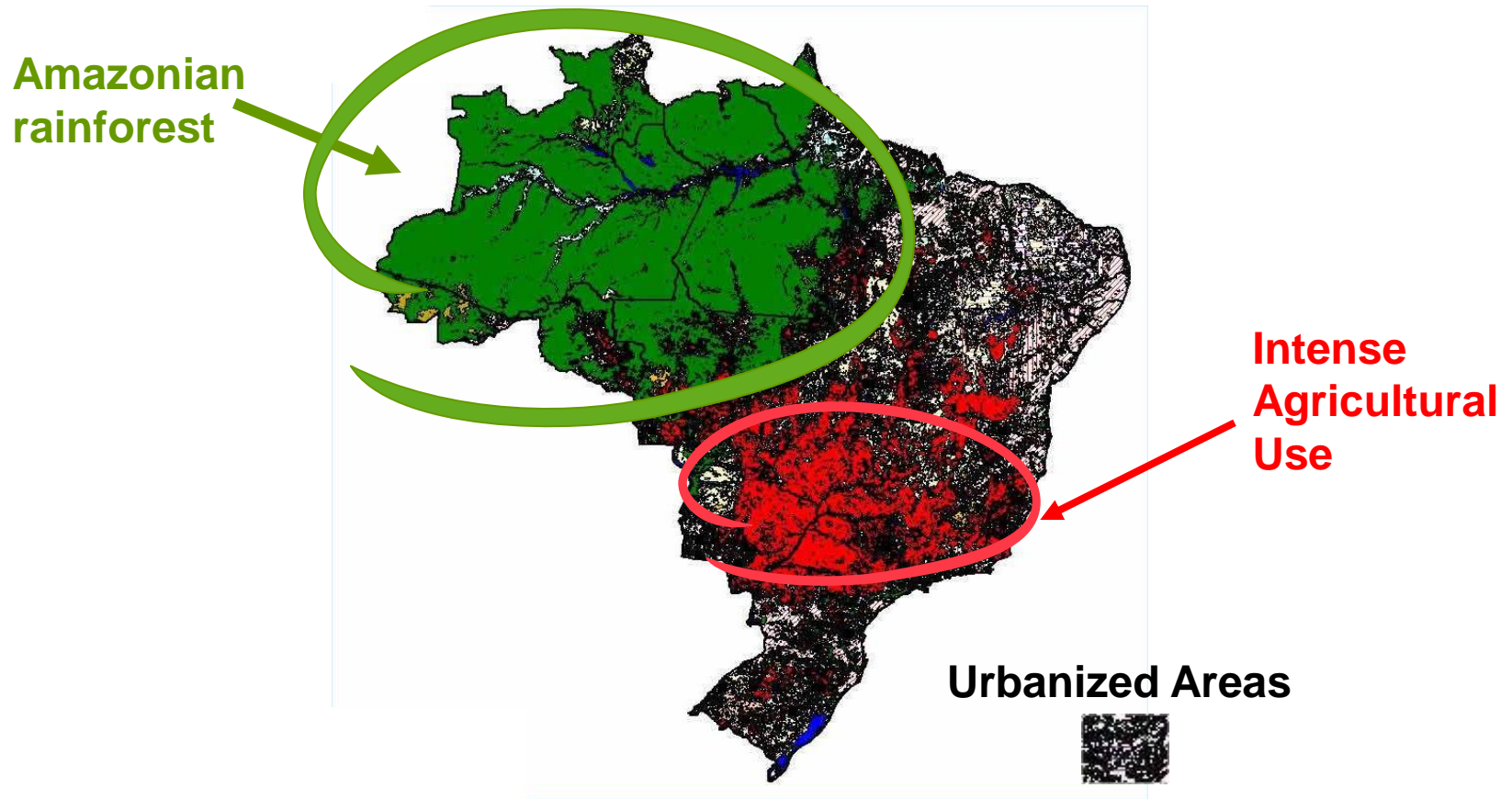
Related crops: (soybean, corn, wheat, peanuts, rice, barley, cotton, oat, bean, sunflower, castor seed, sorghum)

* expected for 08/09 season
Source: Conab

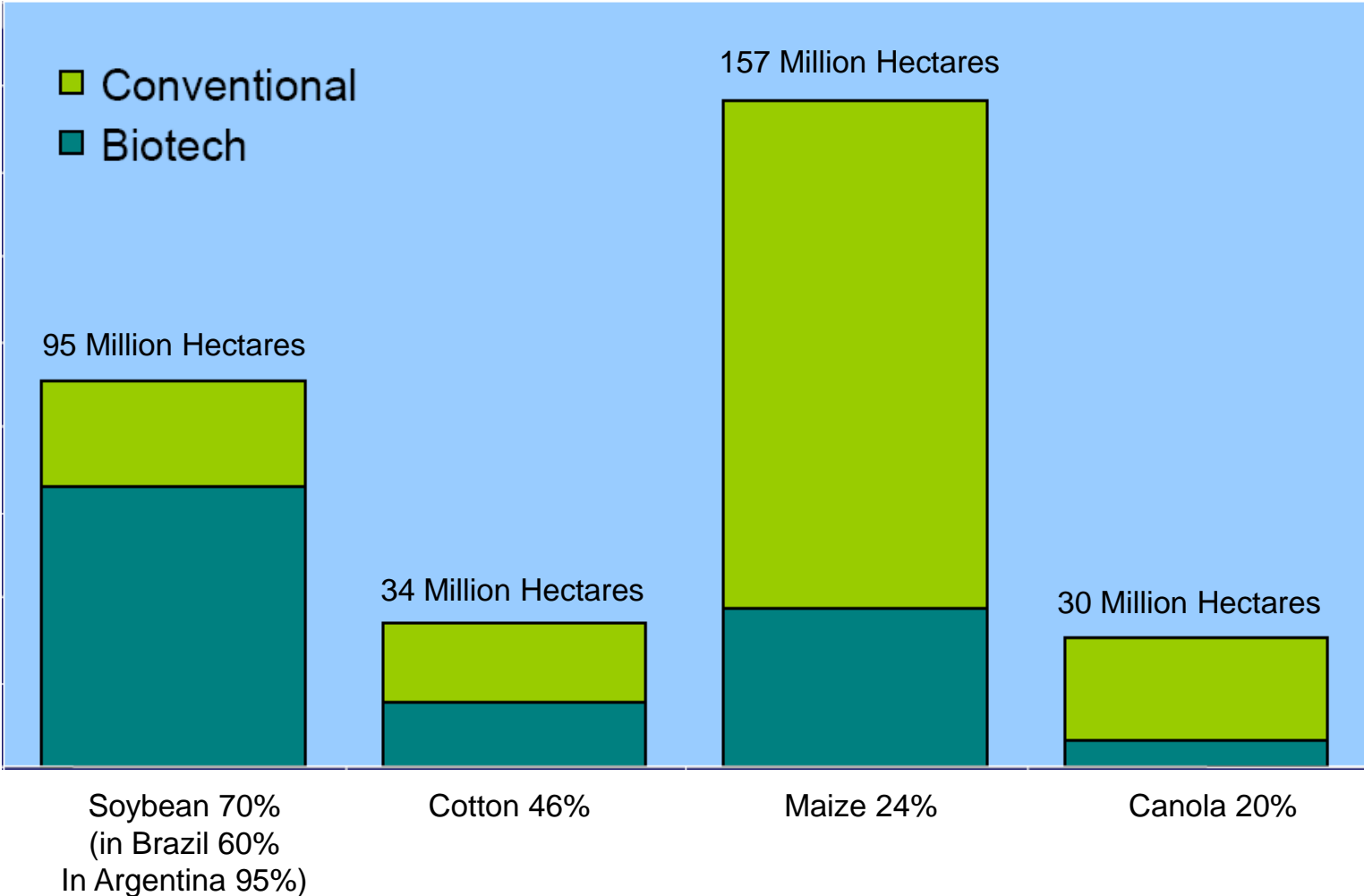
Sustaining the agriculture importance, South America has the highest potential of arable land



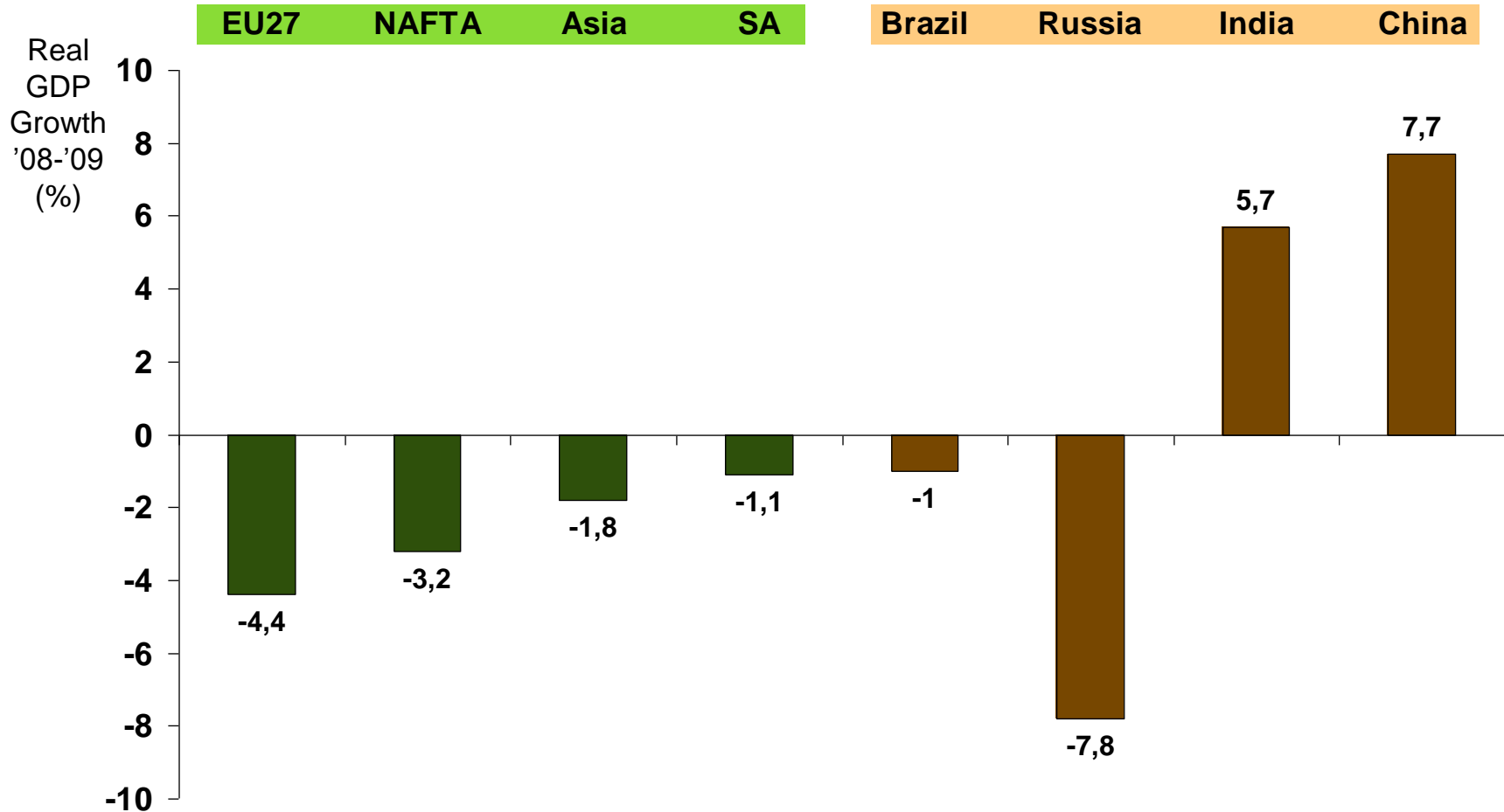
Most important crop areas in South America are far away from amazonian rainforest



Biotech penetration in agricultural industry



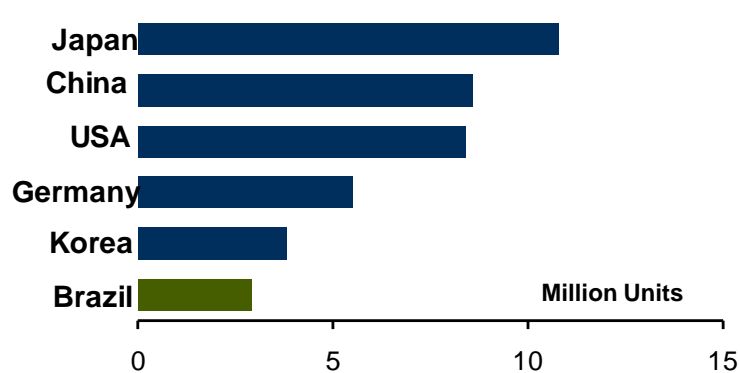
In 2009 the economic dip in South America will be less harsh compared to other regions



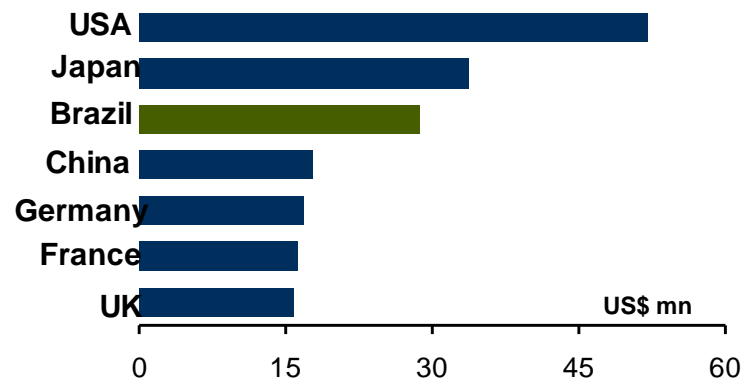
Brazilian GDP depends only by 15% on exports, private consumption will grow by 1,5% in 2009

Brazil's private consumption pattern gets closer to developed countries

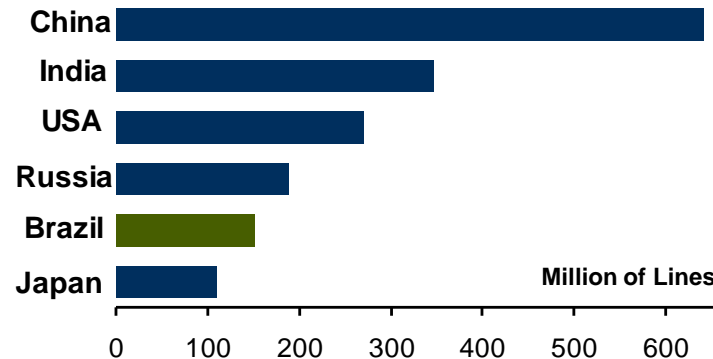
Car Production



Personal Care & Toiletries Sales

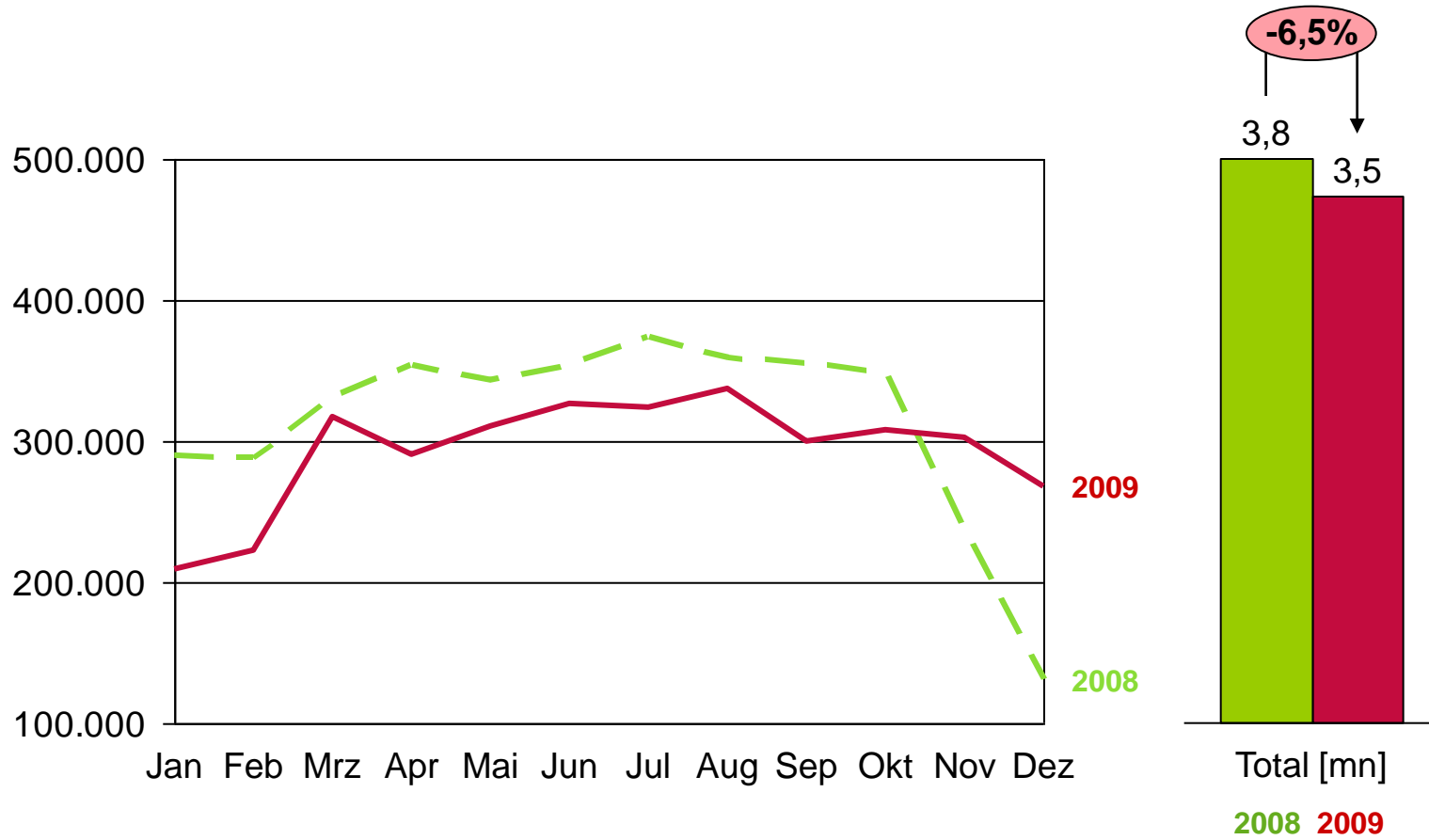


Cell Phones Lines



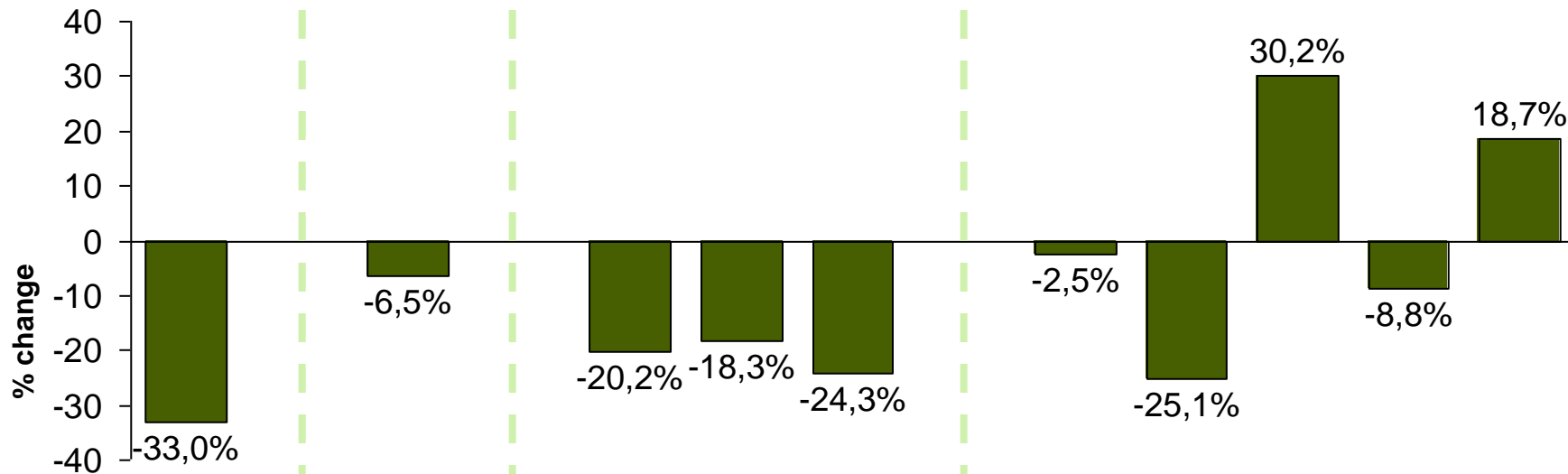
All figures 2008

South America LV production – monthly outlook



LV production per region

change 2009 vs. 2008



NA

SA

EU

W-EU

CEE

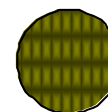
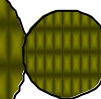
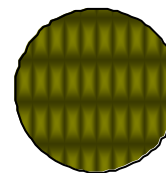
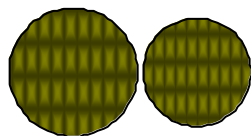
Asia

Japan

China

Korea

India



mn units
2009

8,4

3,5

16,7

11,9

4,8

27,6

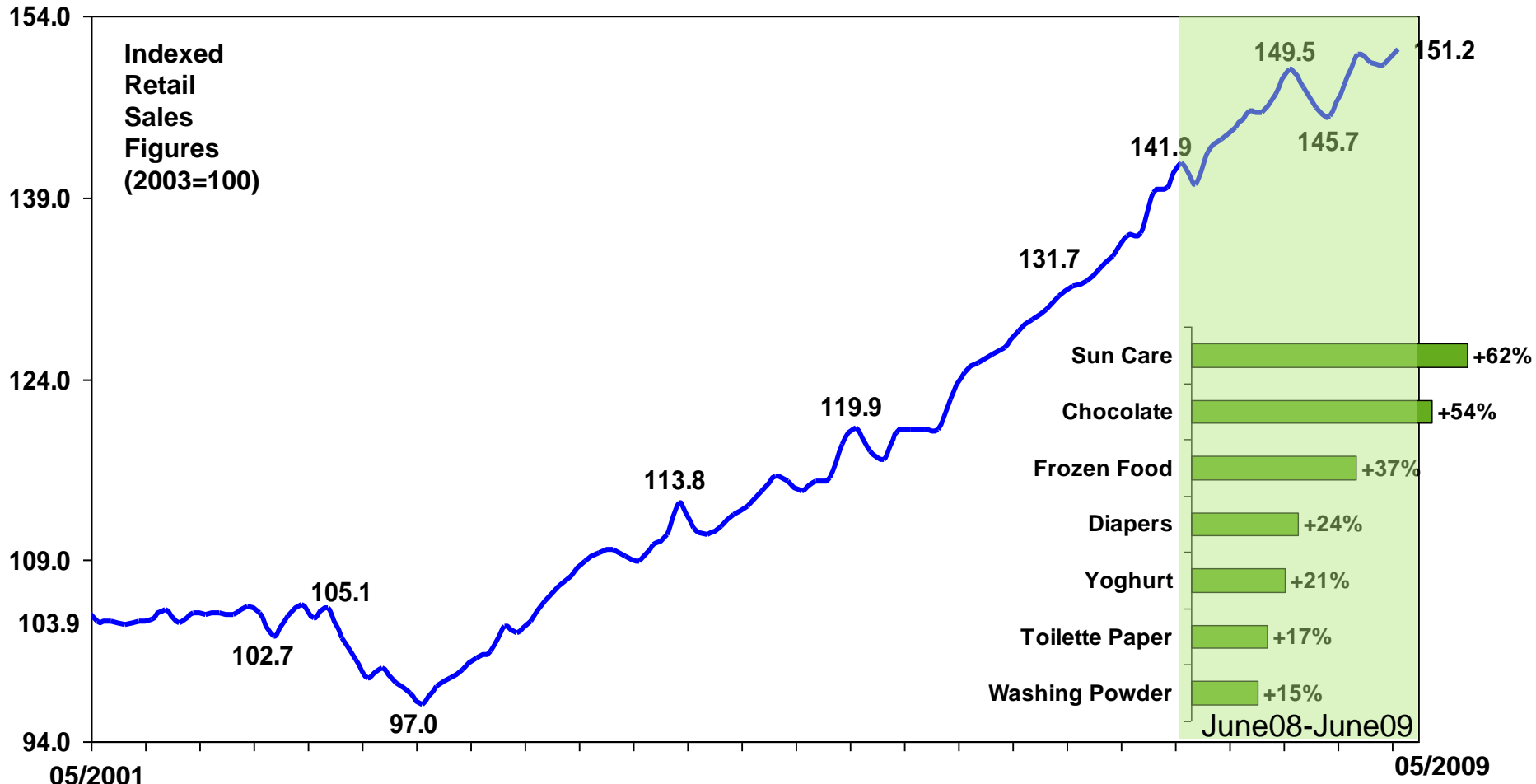
8,2

11,0

3,4

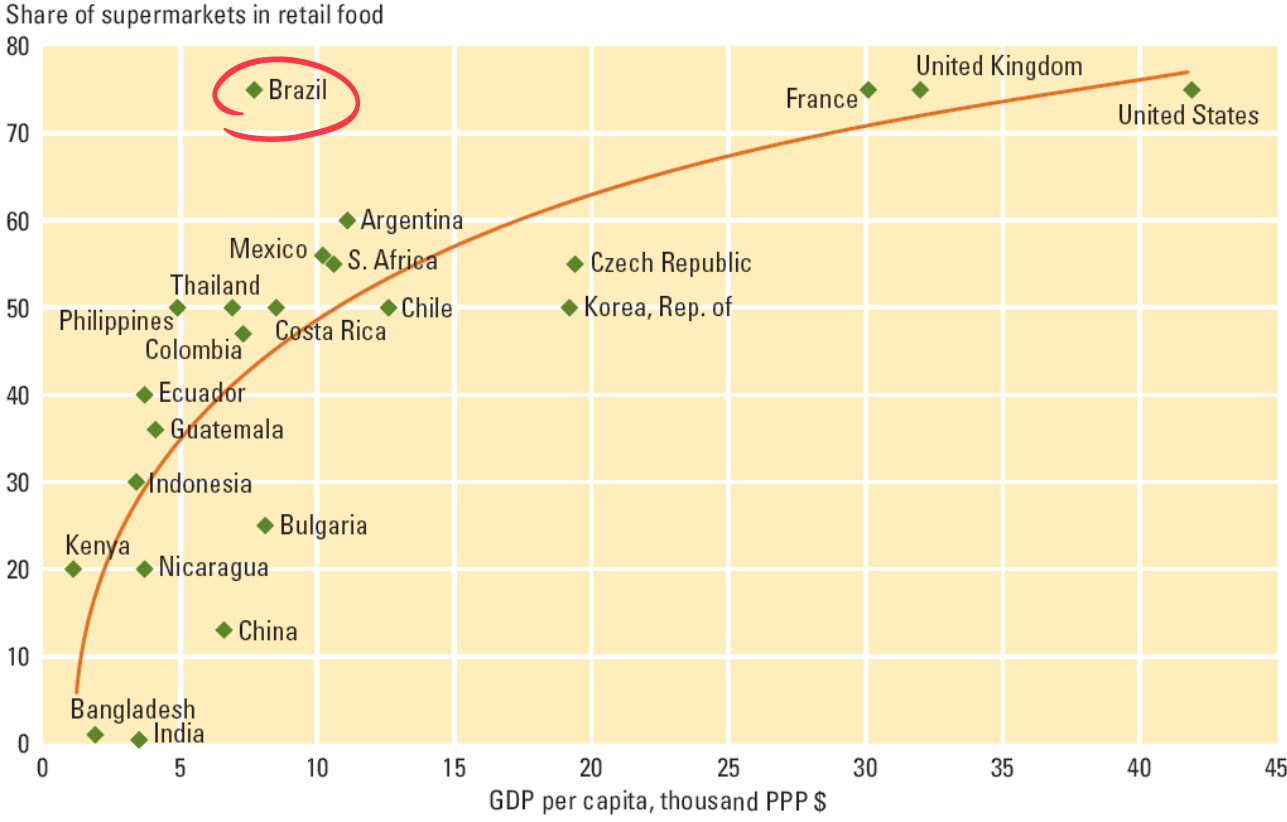
2,4

For many years Brazilian retail figures showed a steady growth



Even the crisis at the end of 2008 was not impacting the private consumption significantly

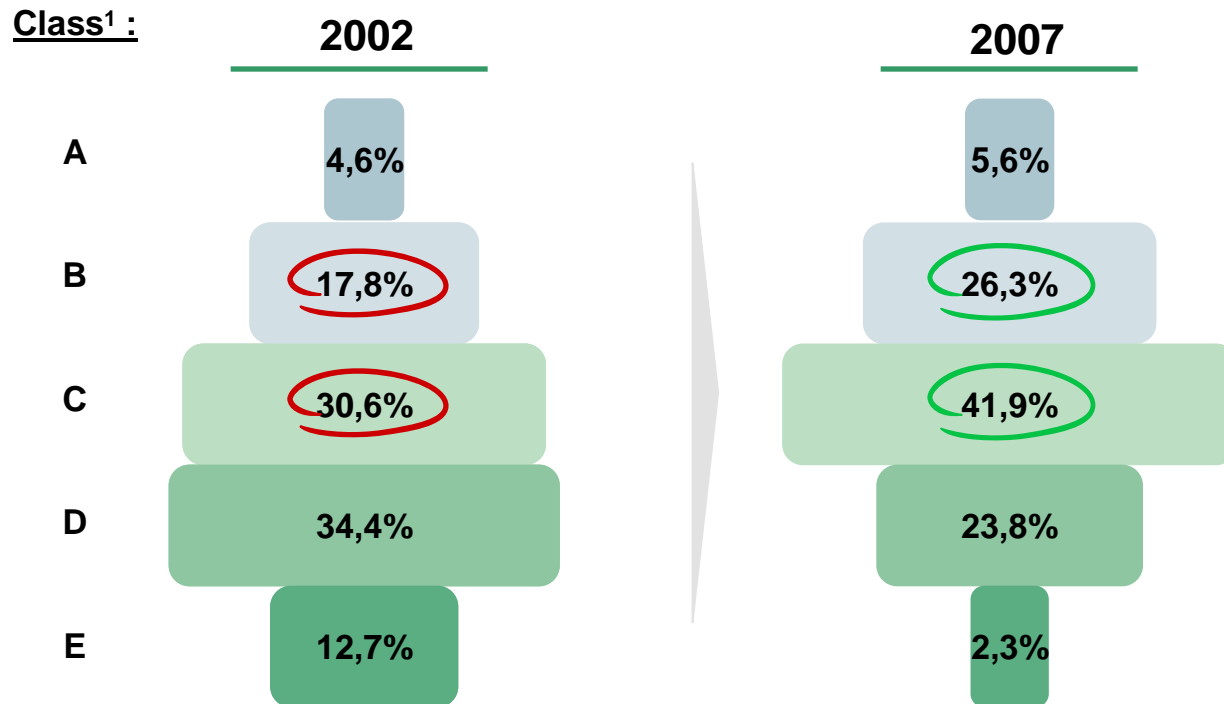
Brazilian consumers are increasingly shopping in supermarkets



Sources: Reardon and Berdegué 2006; World Bank 2006y.

Successful social programs increased private consumption impacting the consumer behavior

Example: Shift of wealth in Brazil (% of urban households)










Roughly one fifth of Brazilian households have moved from classes D & E to B & C in the past five years

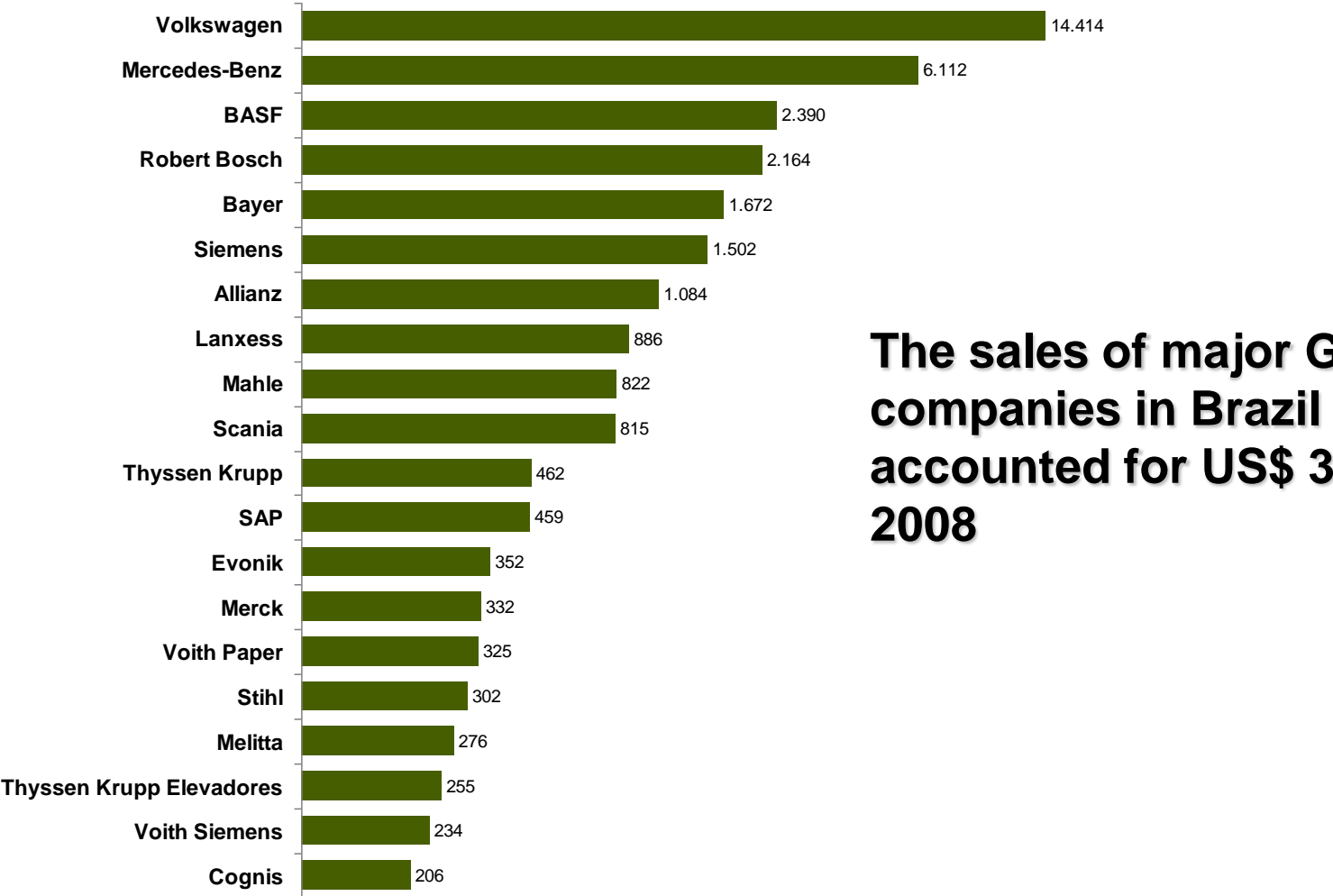
1. Socioeconomic classes are defined according to consumption levels (number of televisions, car ownership, etc), rather than the "multiple of a minimum monthly salary" method used by the Brazilian statistics agency, in order to eliminate the effect of adjustments to minimum wages, inflation and regional cost-of-living differences.

Source: Target Brasil; BCG analysis

Seven good reasons to be optimistic about Brazil in crisis times

-  Significant increase in purchasing power supports domestic markets
-  Large food exports stabilize Brazil's international trade
-  Regionally diversified and growth oriented exports dampen volatility
-  More than 220 billion USD of financial reserves to bridge gaps
-  Sophisticated financial system and no credit or real estate bubbles
-  No dependence on imported crude oil due to green energy matrix
-  Stable democratic political system

In general, German companies do have considerable business in Brazil



The sales of major German companies in Brazil accounted for US\$ 35bn in 2008

BASF IN SOUTH AMERICA 2008

5.000 employees, **3.500** in Brazil

Sales in **10** countries

22 production sites

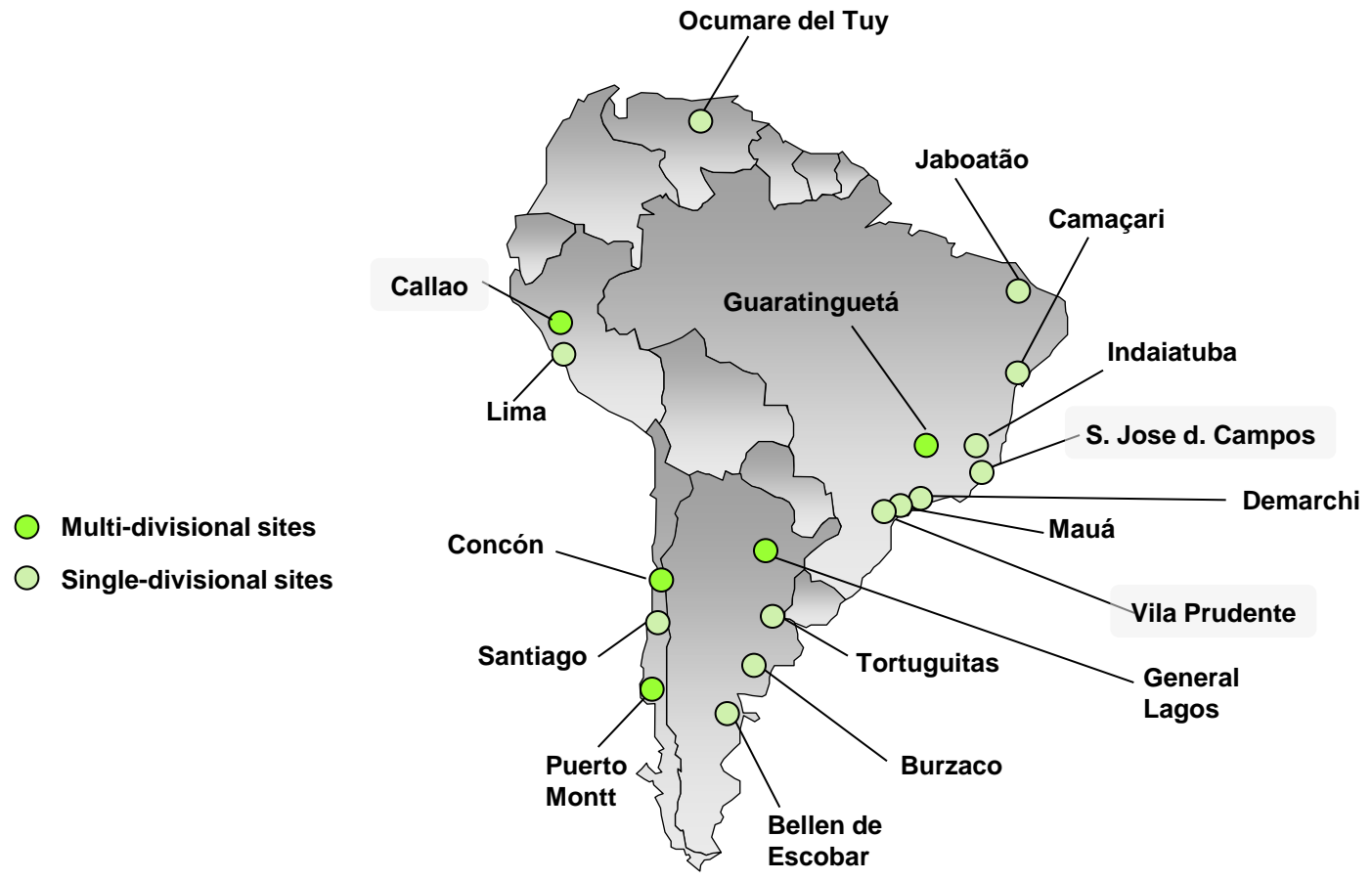
There of 8 sites in Brazil

Total Sales:

- **2,99 billion euros**
(including Wintershall)
- **1,87 billion euros** in Brazil



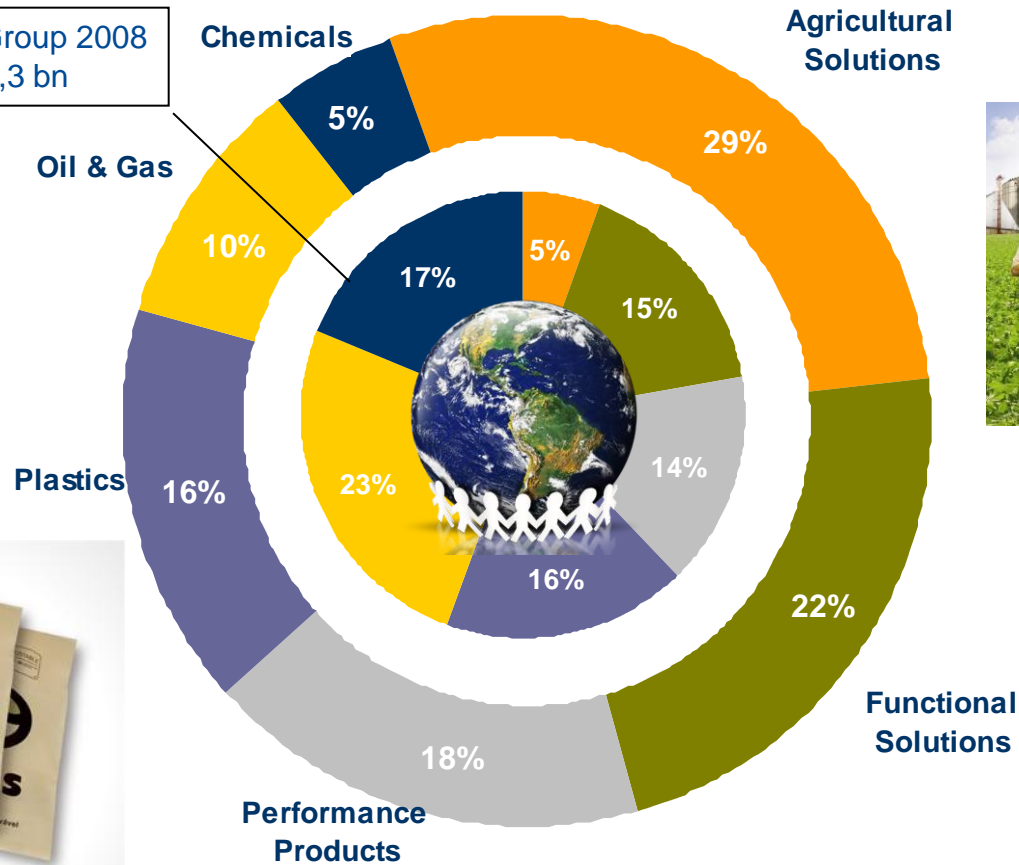
BASF has a veritable site footprint in South America



BASF's sales portfolio in South America is quite different from the global one

BASF Group 2008
EUR 62,3 bn

South America 2008
EUR 2,9 bn







The Chemical Company