

# Brazilian Economy

Rio de Janeiro  
March, 2013

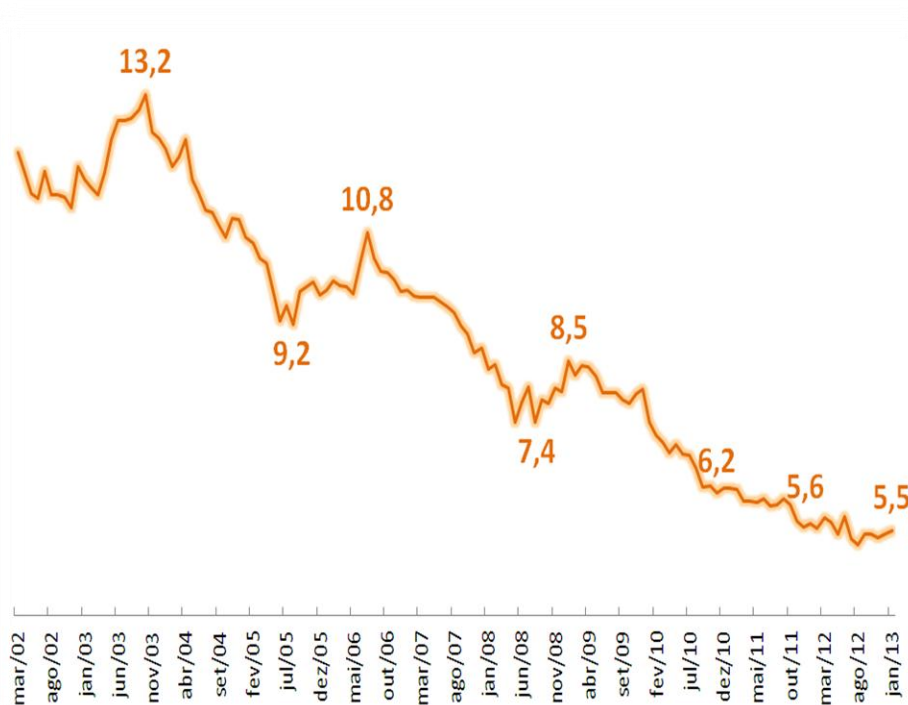


## Sustainable Growth

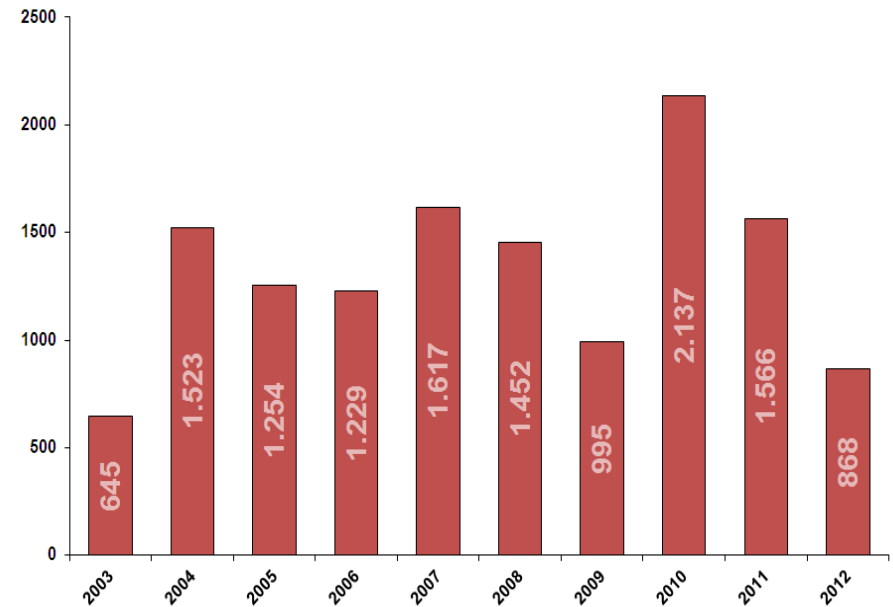
- **Domestic market leading economic growth**
- **Economic Policy**
  - Policies for social inclusion
  - Inflation targeting
  - Sound fiscal policy
  - Floating exchange rate with reduced volatility
  - Use of financial and regulatory instruments
  - Measures to boost competitiveness
- **Good external solvency indicators**
- **A robust banking sector**
- **Many investment opportunities :**
  - Agribusiness, Oil & Gas, Logistics, Energy, Domestic Market Led Investments, World Sport Events ...

# Low unemployment rate with a consistent job creation

## Unemployment Rate (%)

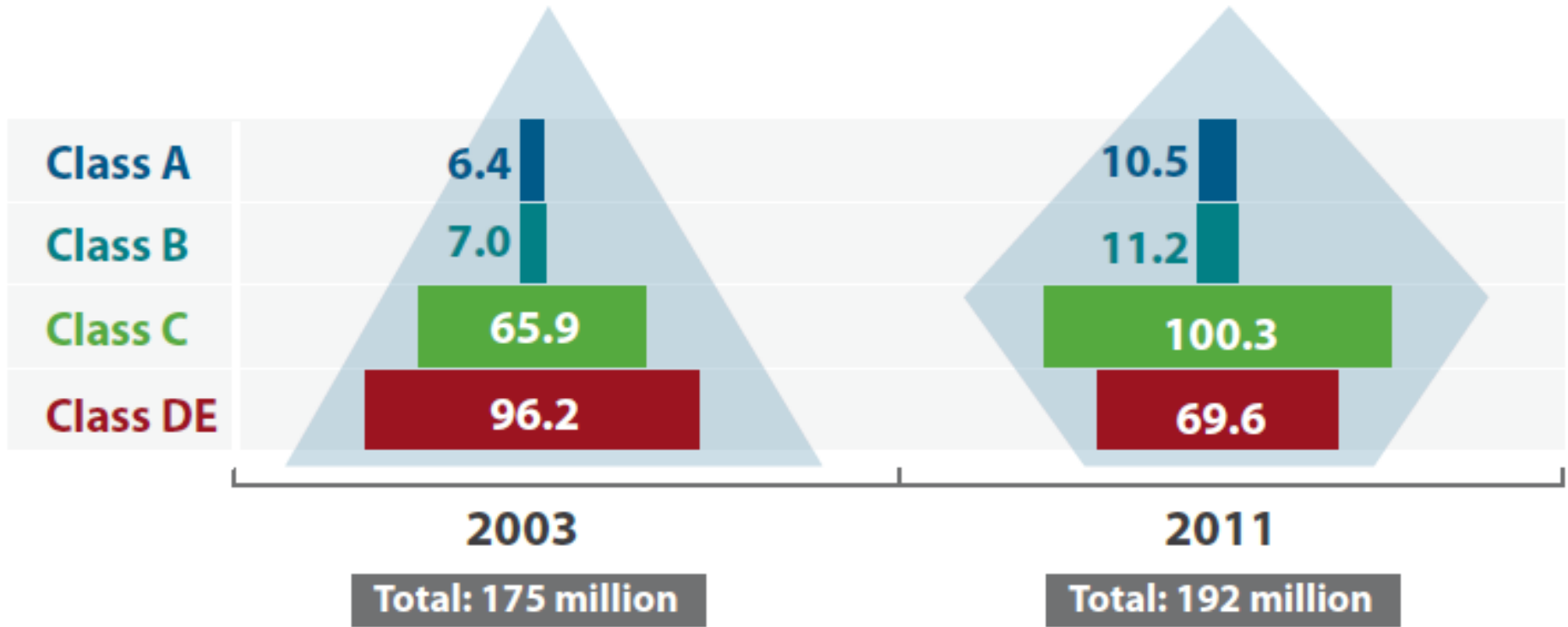


## Net Jobs Creation (thous. of jobs)



(\* ) On 12 month basis up to Sept. '12

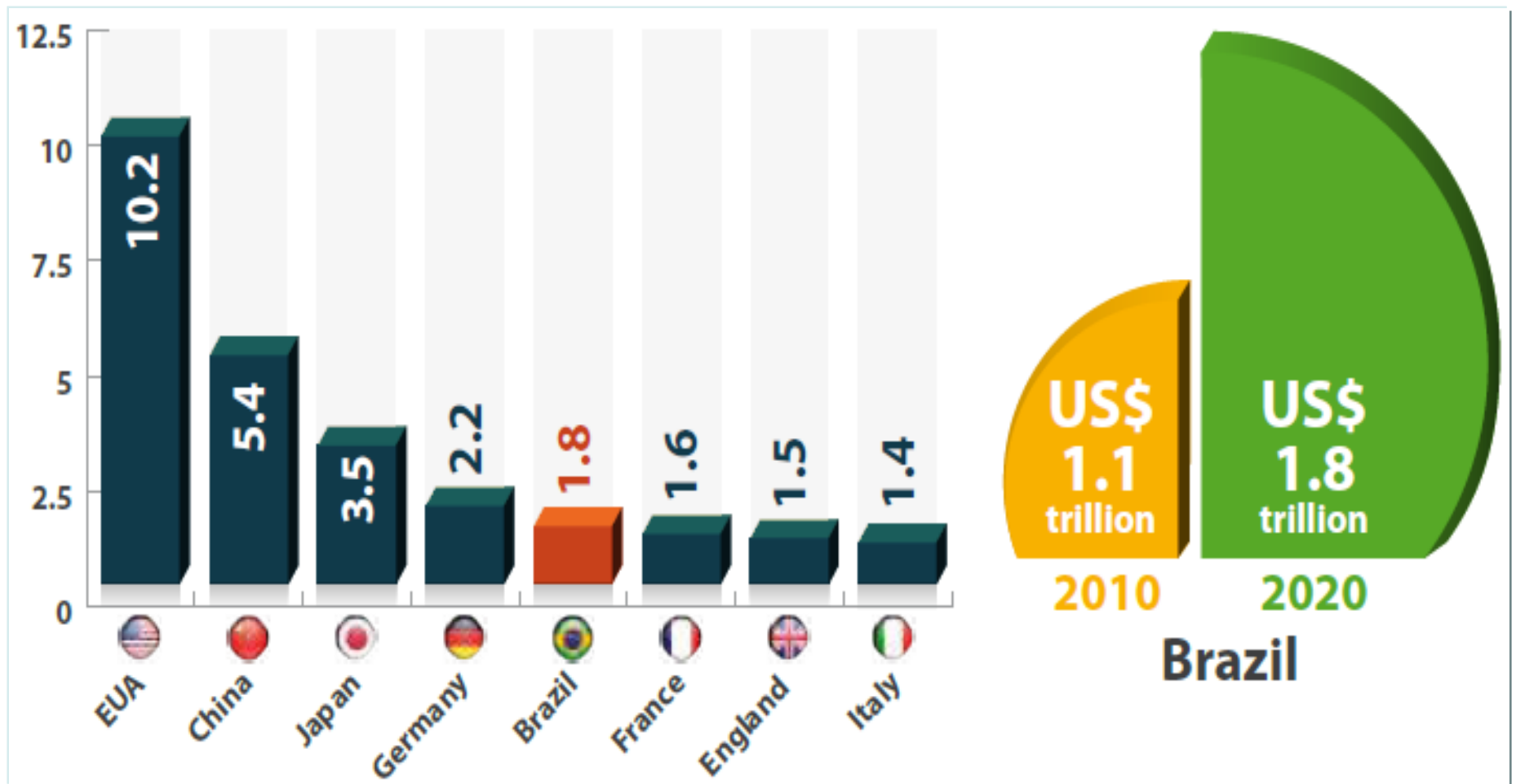
## Population by income class strata (# of people)\*



\* Source: IPEA, based on PNAD/IBGE data. Prepared by Ministry of Finance

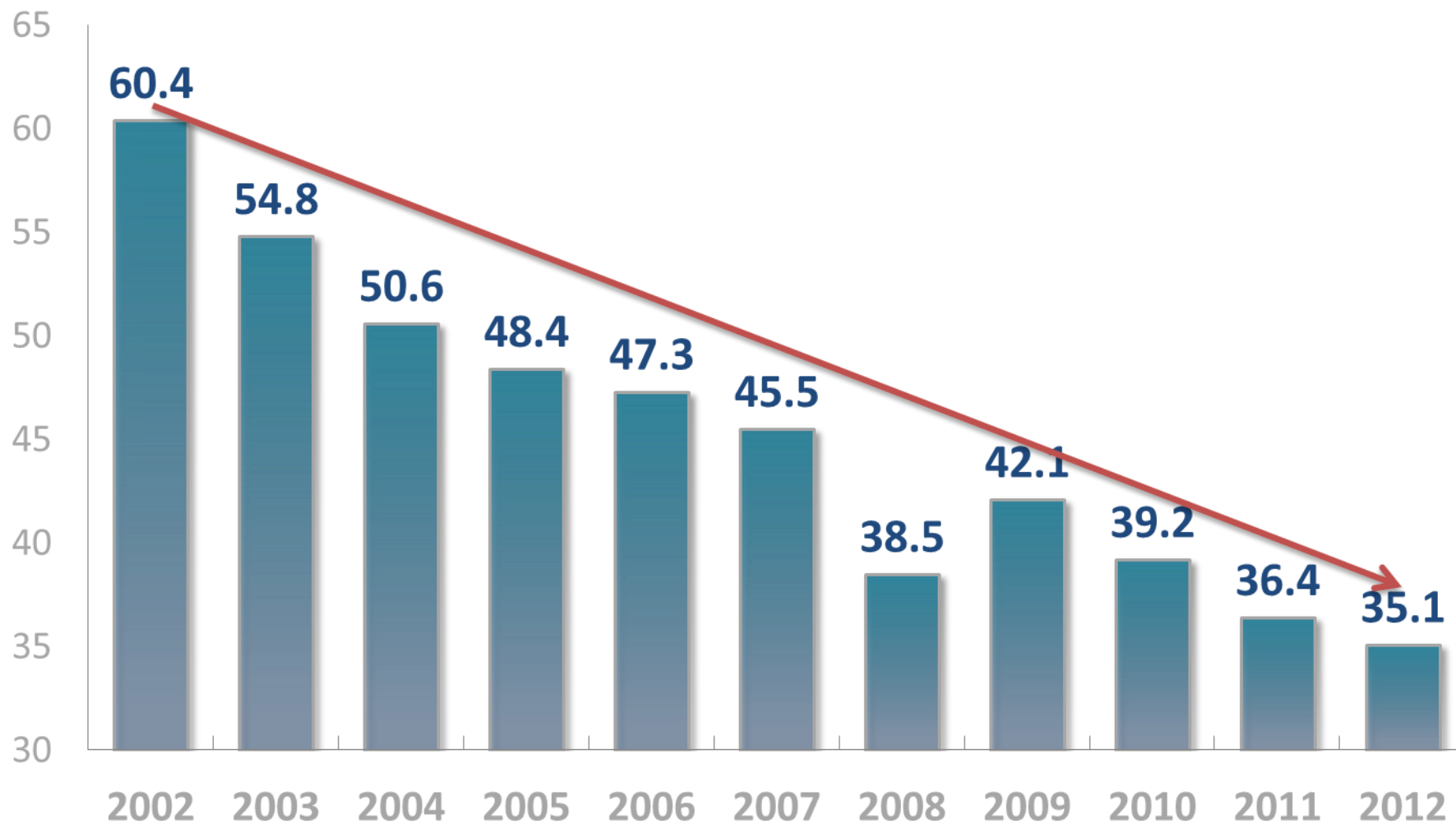
# Brazil will be the fifth largest global market in 2020

## Global Consumer Market (US\$ trillion)



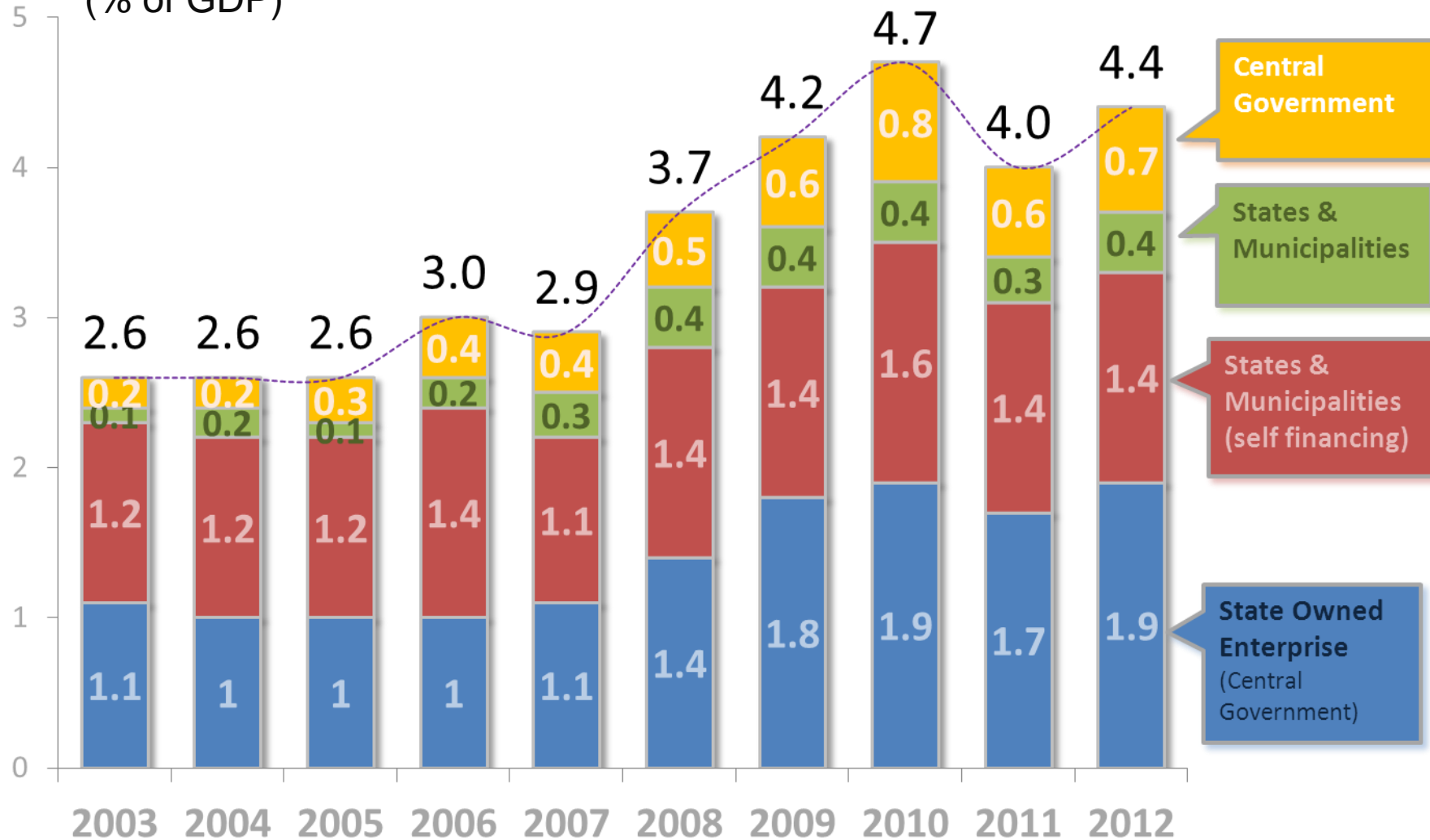
# Sound macroeconomic fundamentals: Declining Net Public Debt/GDP

## Consolidated Public Sector Net Debt (% of GDP)



## Public Sector Investments

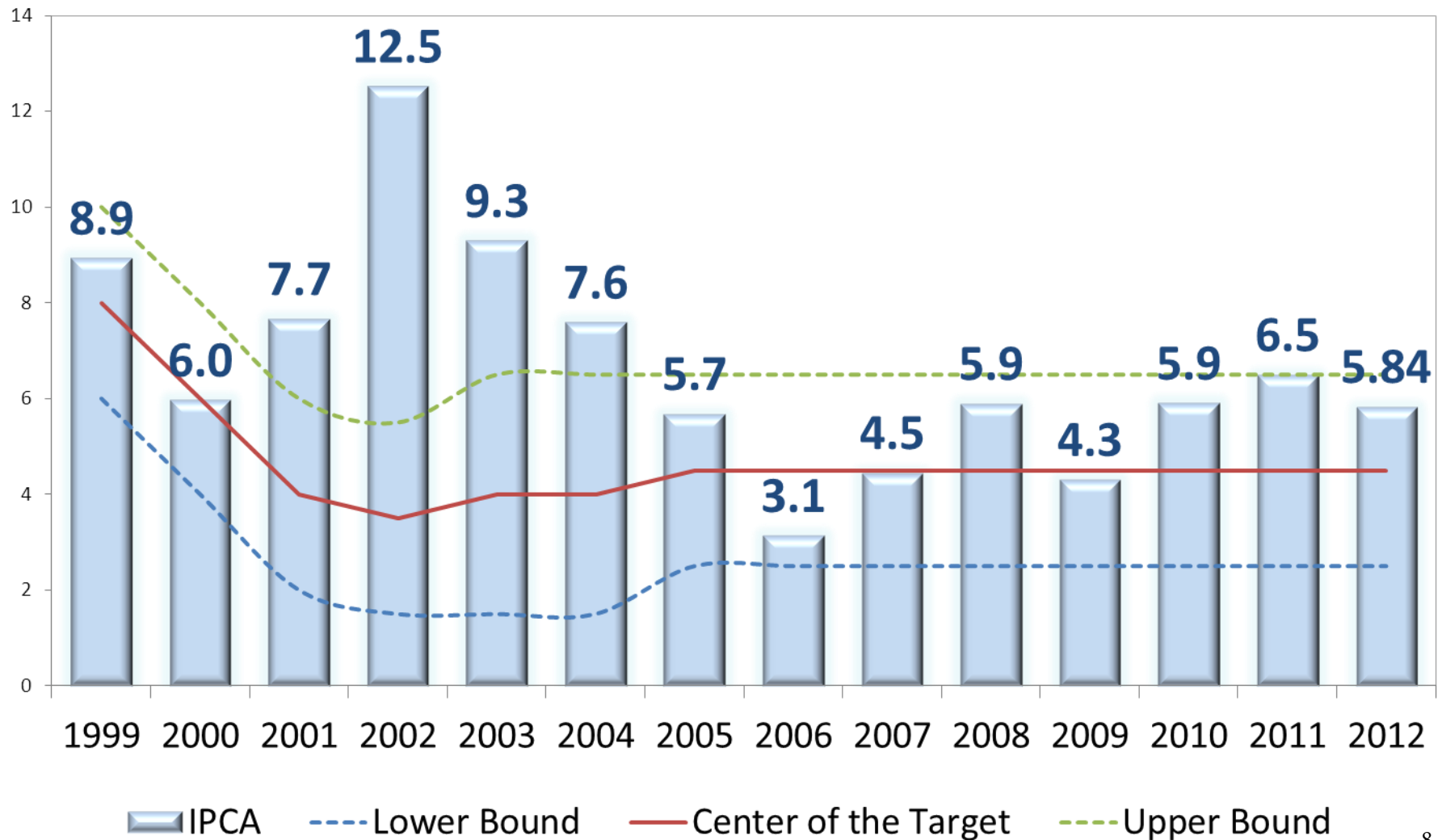
(% of GDP)



Source: IPEA.

# Sound macroeconomic fundamentals: Inflation under control

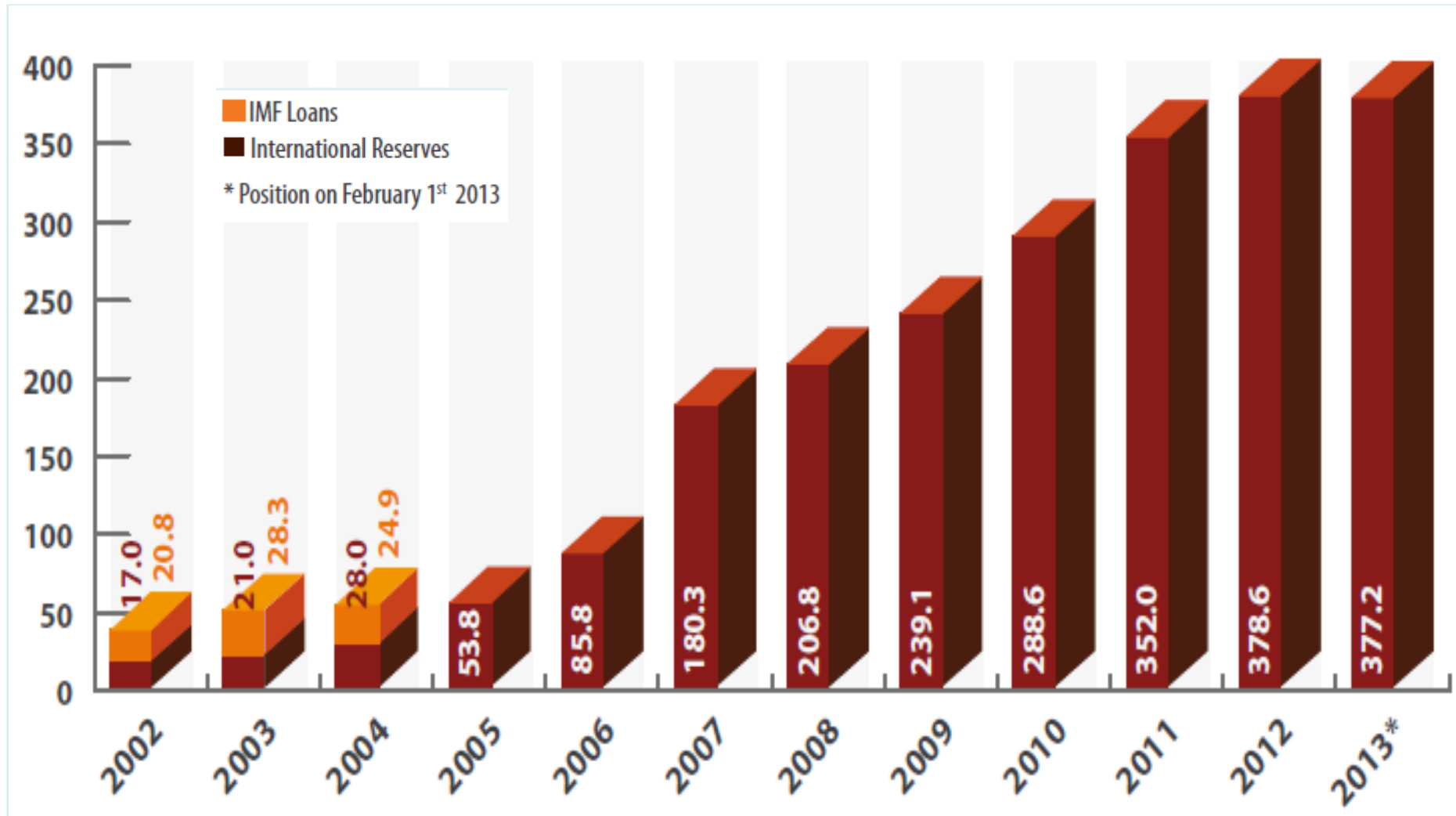
## CPI Inflation (IPCA index, % YoY)



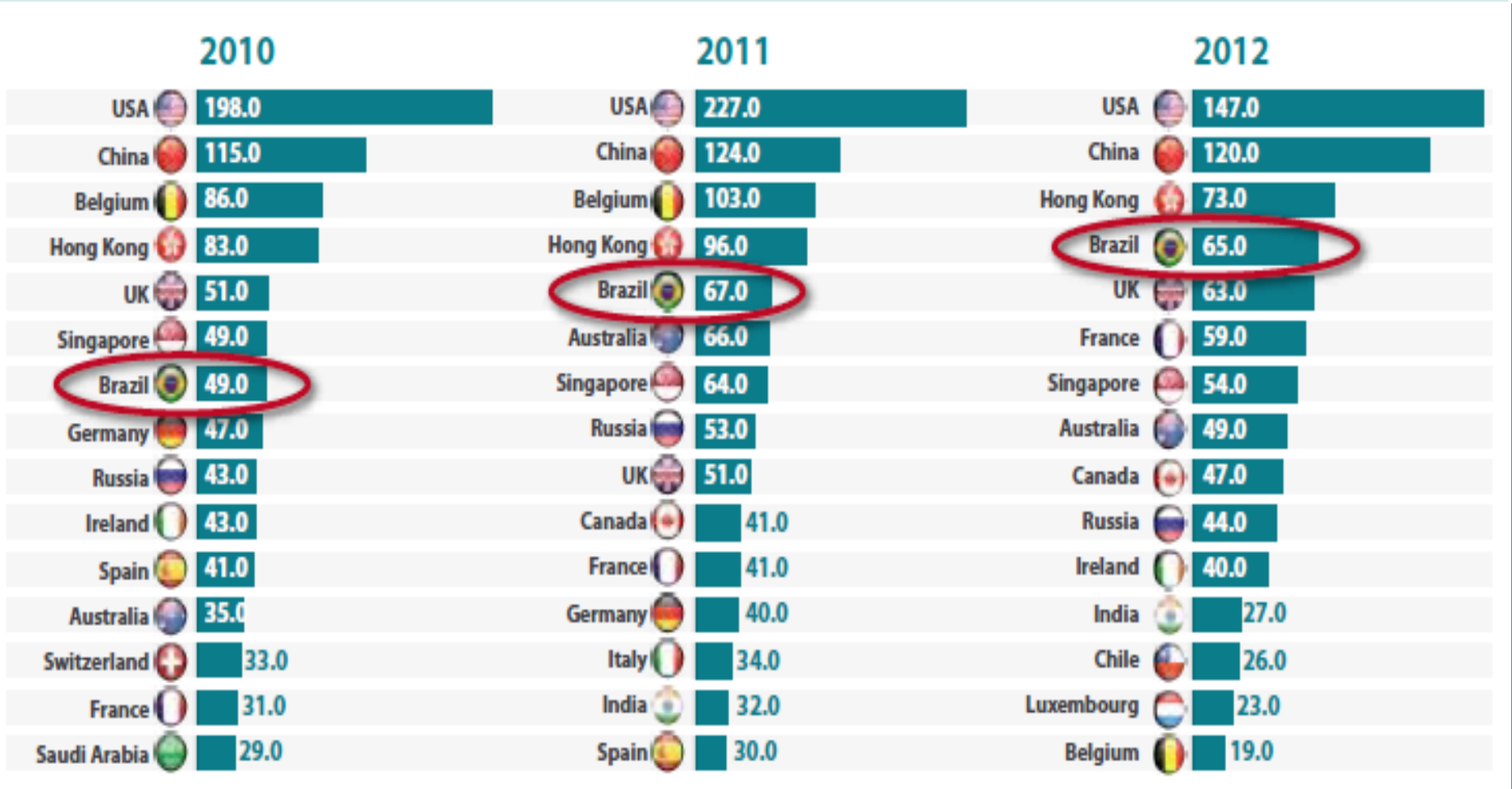


# Sound macroeconomic fundamentals: Strength of the external sector

## International Reserves (US\$ billion)

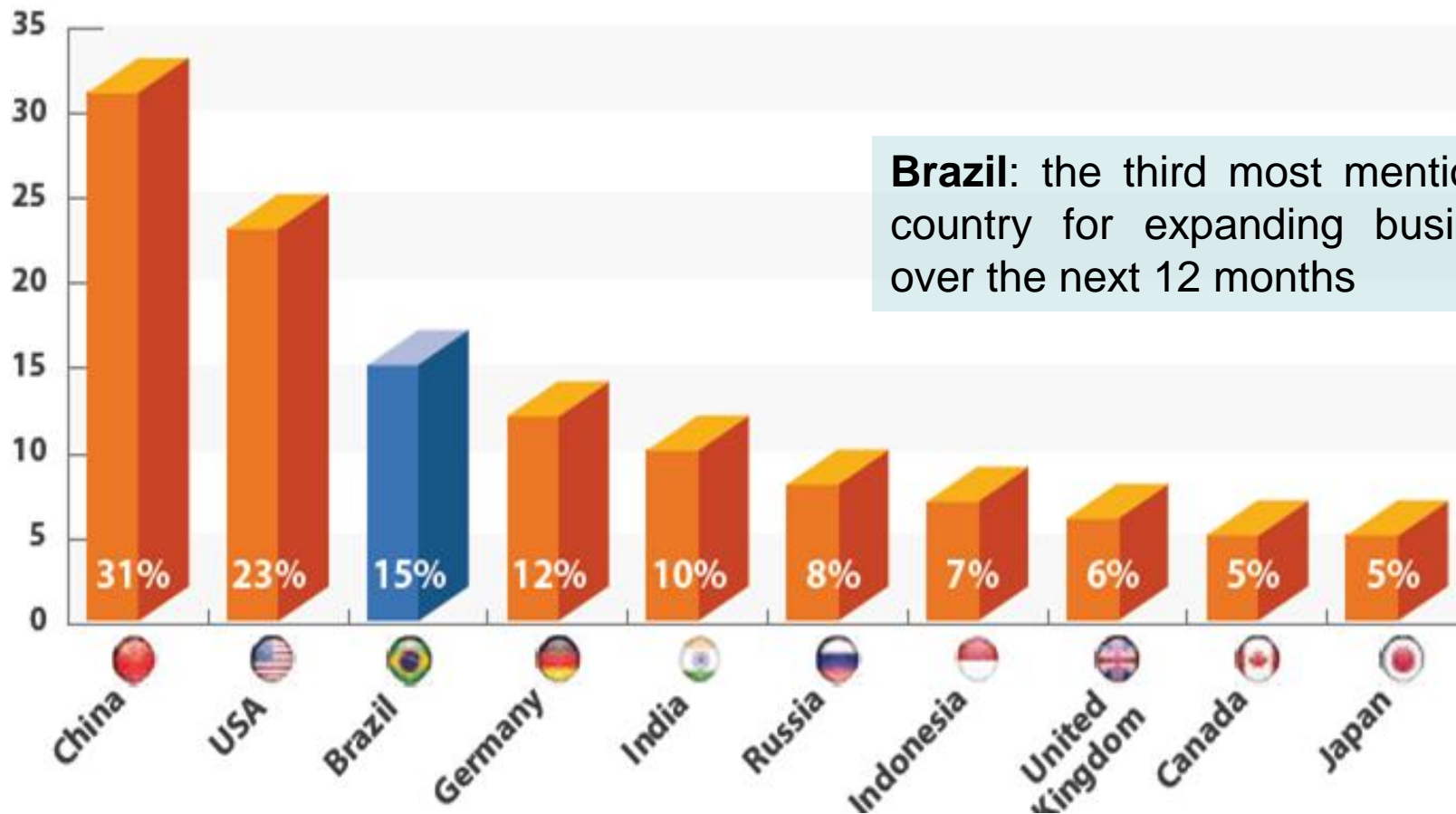


## Foreign Direct Investment - FDI (US\$ billion)



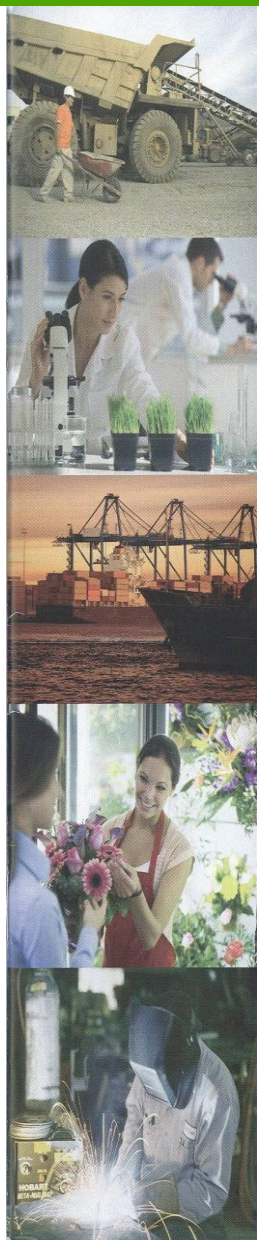
Source: UNCTAD

## Countries where companies expect to expand their business (% of total answers)



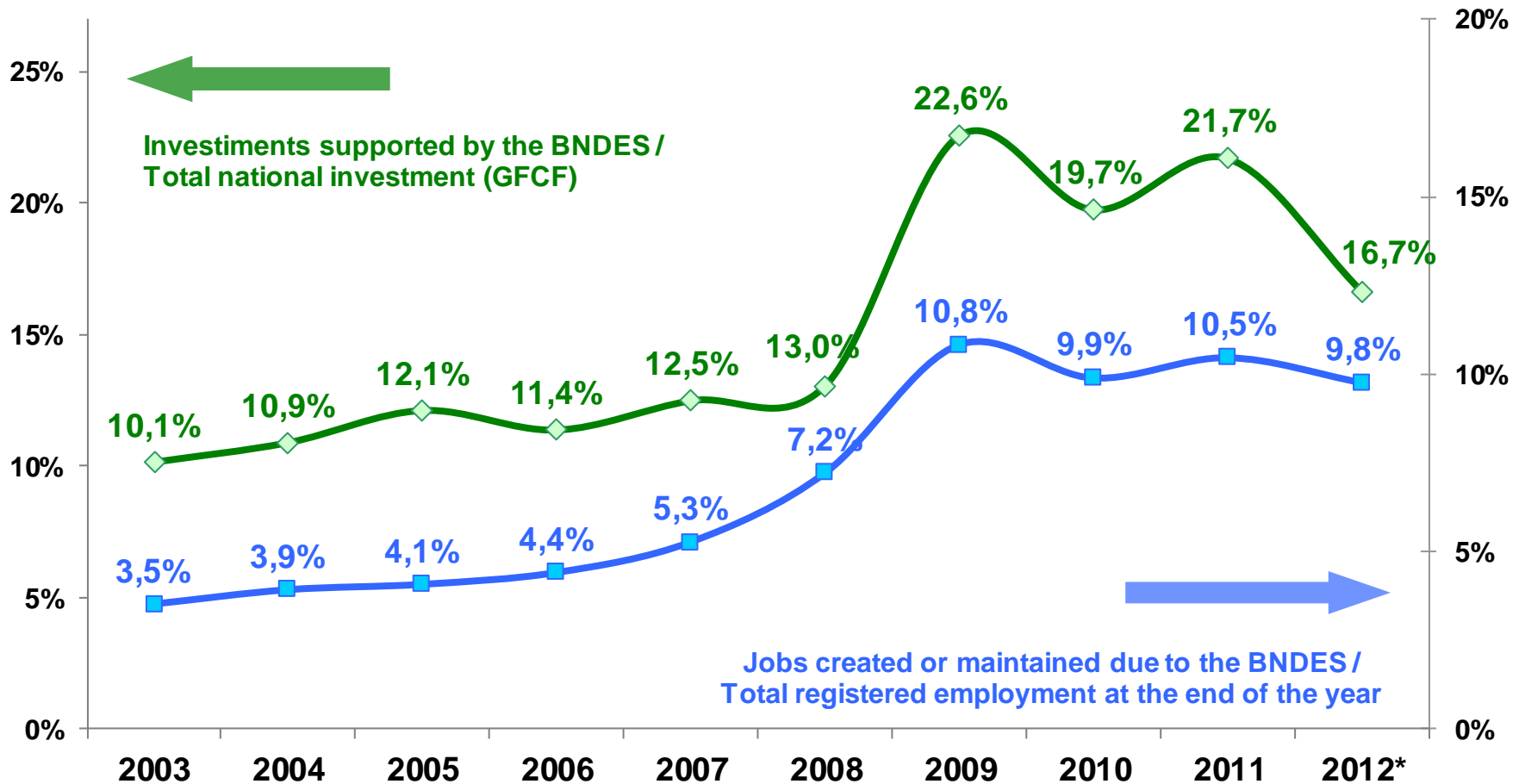
**Brazil:** the third most mentioned country for expanding business over the next 12 months

# BNDES

- 
- **Founded on June 20th, 1952**
  - **100% state-owned company under private law**
  - **Key instrument for implementation of Federal Government's industrial and infrastructure policies**
  - **Main provider of long-term financing in Brazil**
  - **Emphasis on financing investment projects**
  - **Support to micro, small and medium-sized companies**
  - **Brazilian Export Bank**

<b>Country challenges</b>	<b>The Role of the BNDES</b>
Investment growing ahead of GDP	Support for new capacity, especially in high technology sectors and innovation
Continuity and expansion of investment in infrastructure	Credit, project finance and guarantees
Expansion of exports	Financing –supplier's credit
Labor force skills strengthening	Financing
Development of a private, long-term financing industry	Support for bond markets; introduction of new financing instruments, technical support
Improvement of the governance in public and private organizations	Technical support
Modernization of public institutions	Financing
Promotion of long-term planning and project preparation	Technical support and financing

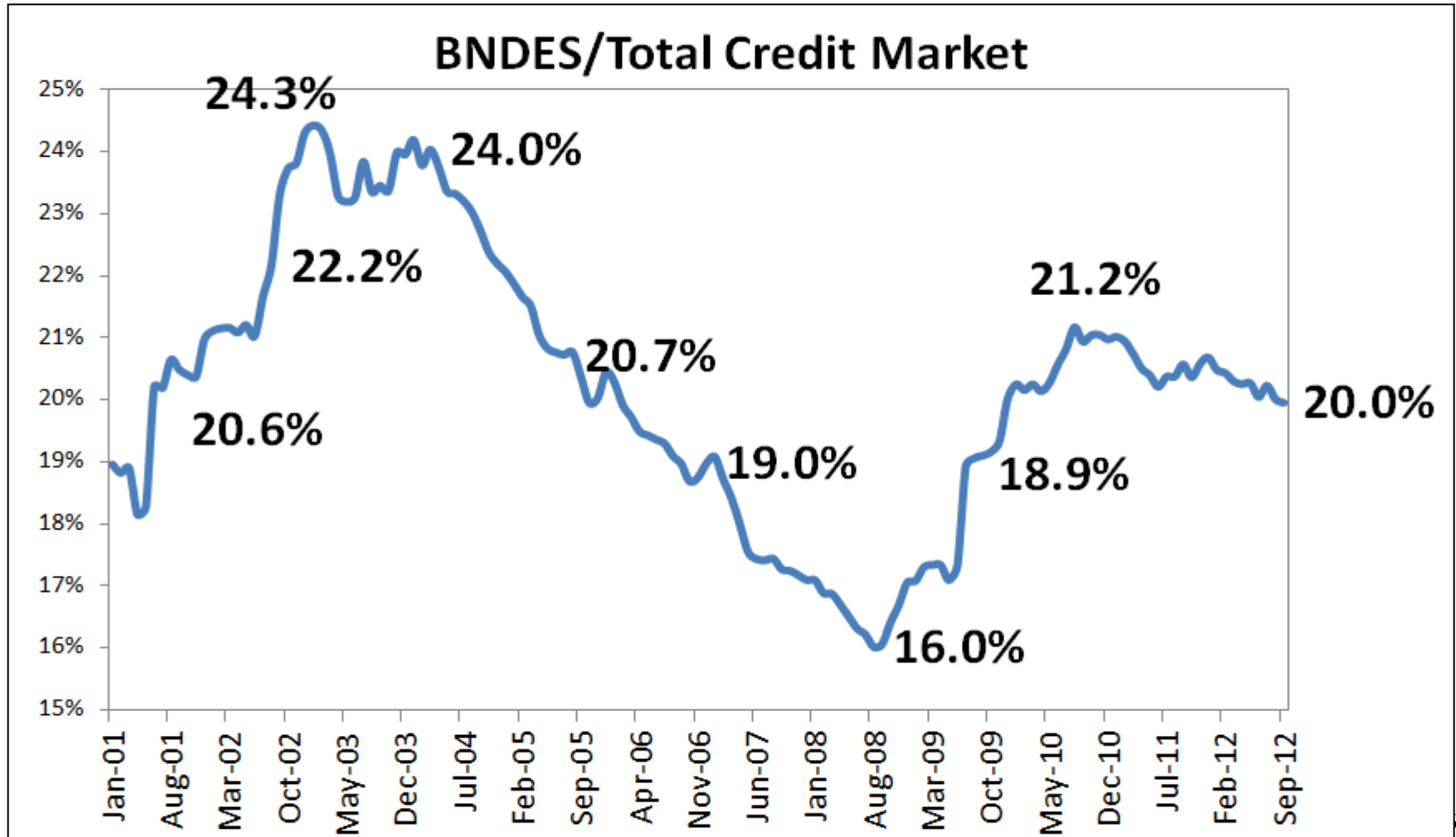
## Investments supported and jobs created due to the BNDES



Source: BNDES  
 \* BNDES Forecast

# An important counter-cyclical role in the Brazilian economy

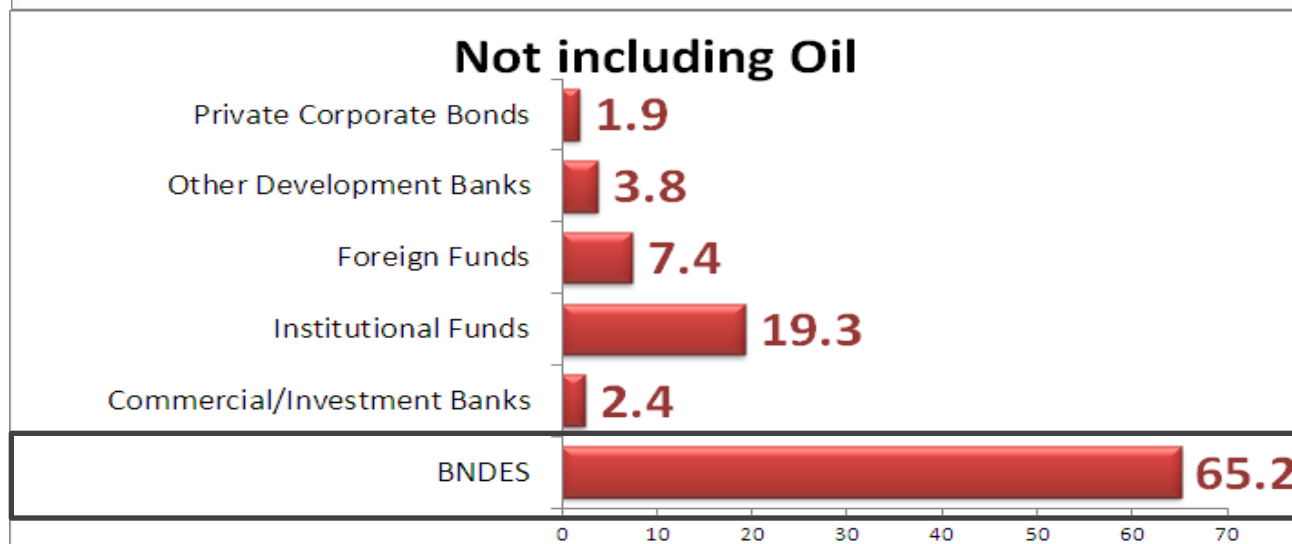
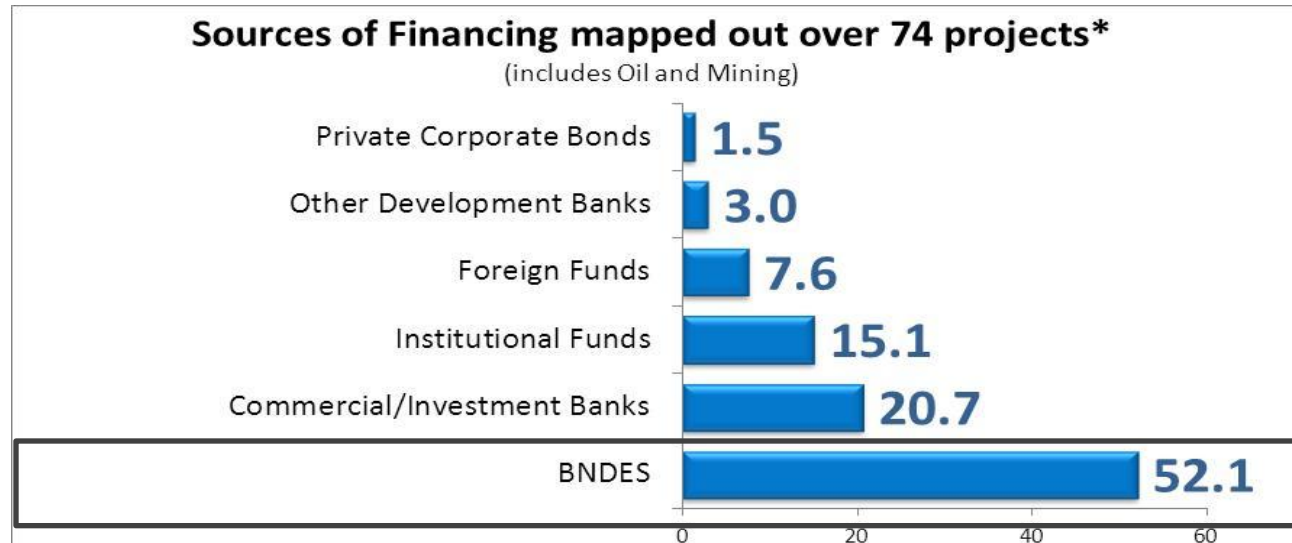
- BNDES' share in the Brazilian credit market was 20% in 2012.
- The private sector's was 54.6% and other State-owned banks, 25.4%

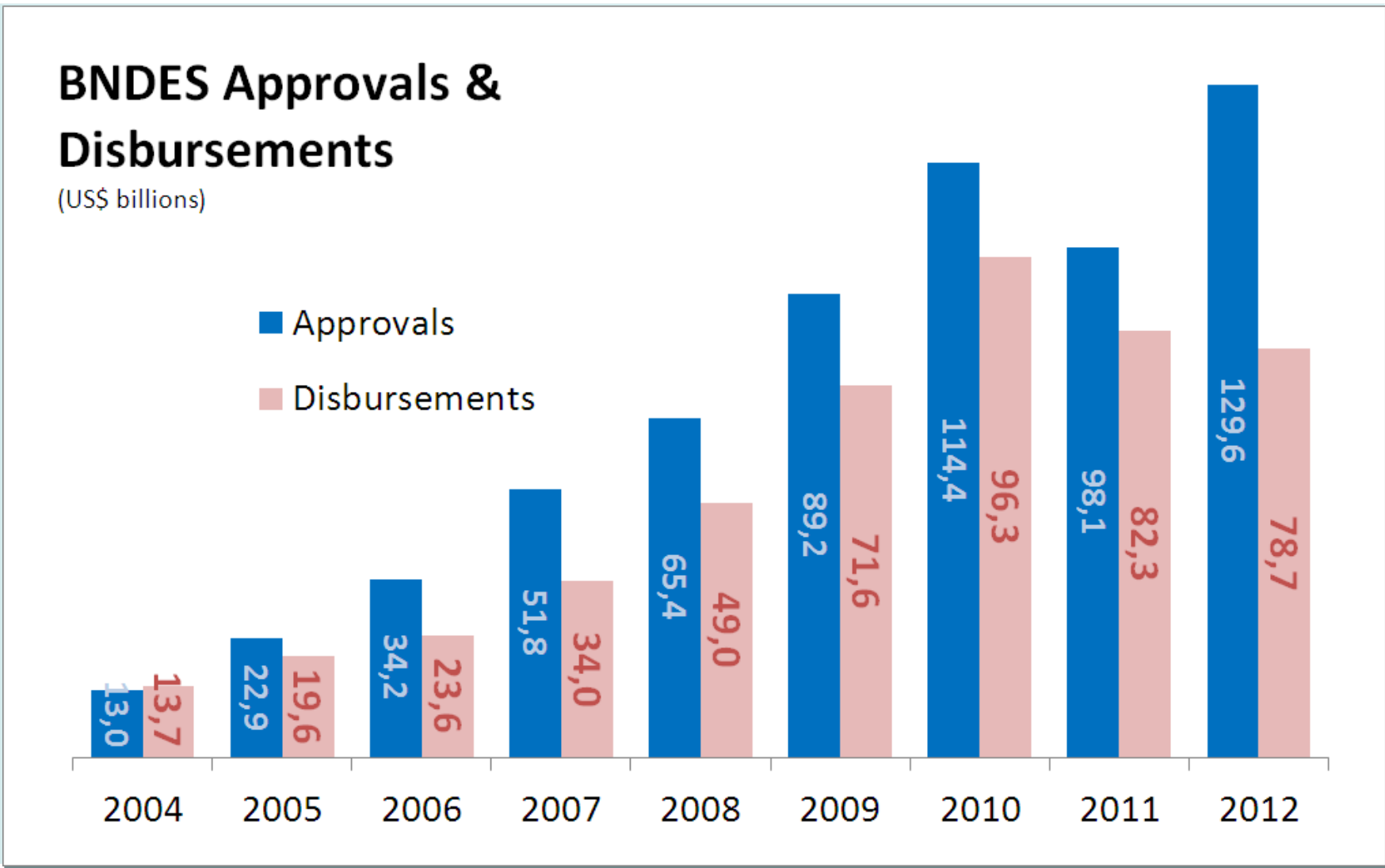




# BNDES has been the main source of financing for infrastructure projects

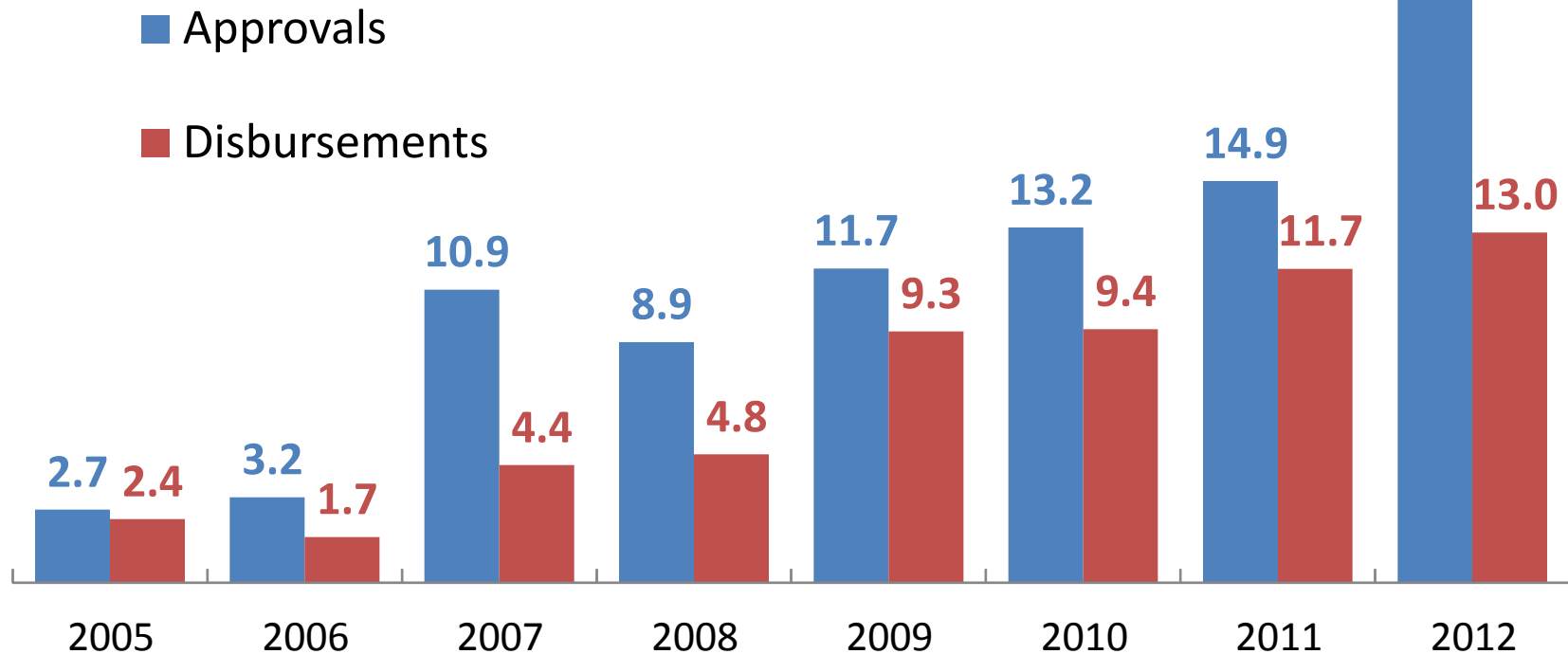
## Sources of Resources in infrastructure and oil projects (2011)





## BNDES Approvals & Disbursement for Infrastructure

(US\$ billions)



For 2013 is expected a total disbursement of US\$ 15 bi – an increase of 16%

# Investment Outlook

# Investments will reach at least US\$ 1.9 trillion in the coming 4 years

## Brazil's Investment Outlook (2013-16)

(US\$ billion - Constant prices)

Sectors	2008-2011	2013-2016	Δ (%)	CAGR %
Industry	434,4	529,7	21,9	4,0
Infrastructure	184,1	257,1	39,7	6,9
Housing	305,6	394,9	29,2	5,2
Agriculture and Services	589,2	776,1	31,7	5,7
<b>Total</b>	<b>1.513,3</b>	<b>1.957,8</b>	<b>29,4</b>	<b>5,3</b>

Source: BNDES

(\*) Note : The BNDES research on the investment outlook for 2013-2016 covers 66% of the total industrial investments, and 100% of investments in infrastructure, totaling about 58% of the investments in the economy (excluding residential construction). Agriculture and Services investments are based on queries to Sectorial entities and/or econometric forecast.

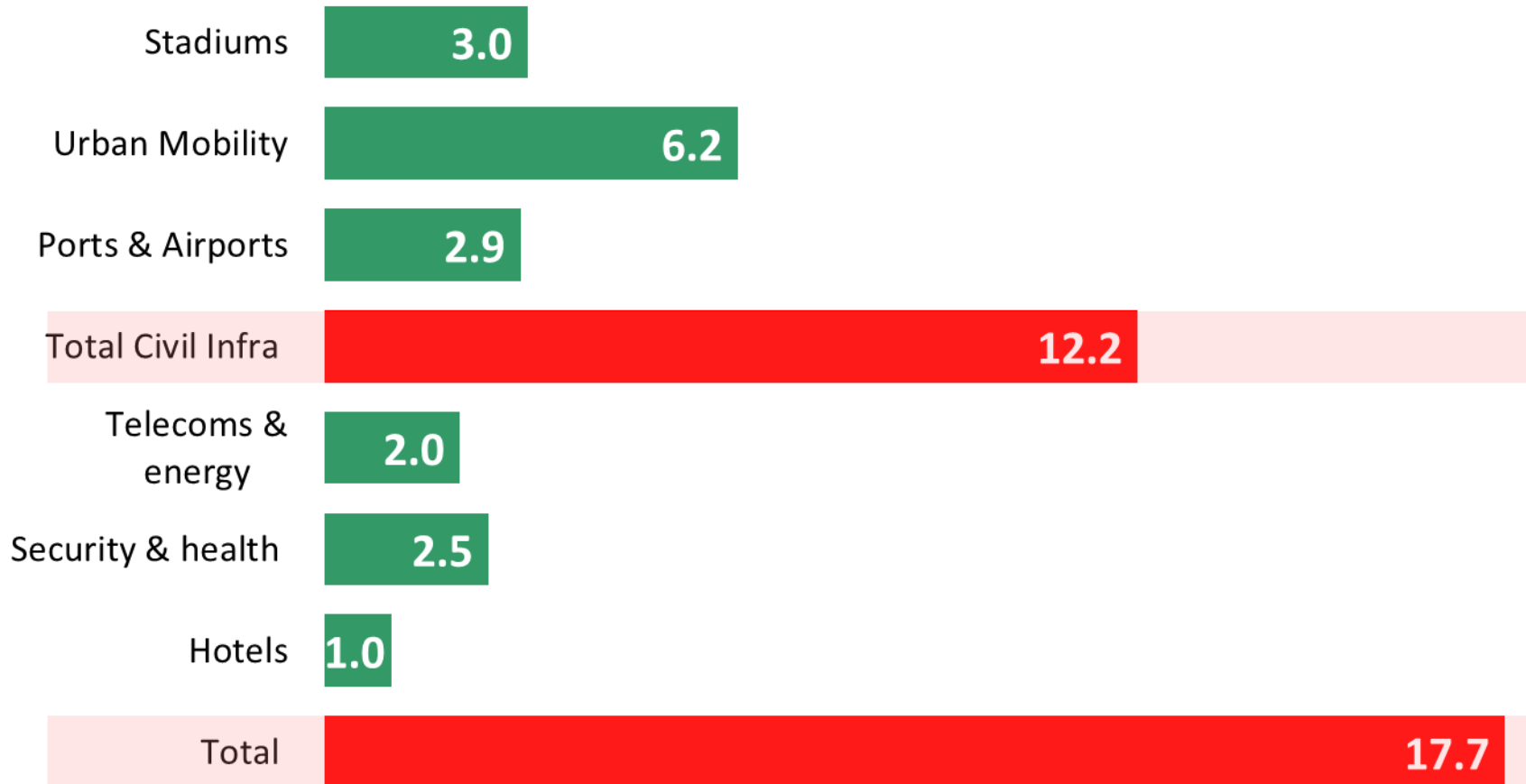
# Investments in logistics will increase 123% in the coming 4 years

(US\$ Billion)

Sectors	2008-2011	2013-2016	Δ(%)
<b>Infrastructure</b>	<b>184.1</b>	<b>257.1</b>	<b>39.7</b>
<b>Electricity*</b>	<b>82.2</b>	<b>91.3</b>	<b>11.0</b>
Power Generation	52.5	57.2	9.0
Transmission	6.9	13.6	97.1
Distribution	22.8	20.5	-10.0
<b>Telecommunications</b>	<b>43.5</b>	<b>52.2</b>	<b>20.1</b>
<b>Sanitation</b>	<b>17.4</b>	<b>21.7</b>	<b>24.9</b>
<b>Highways</b>	<b>20.5</b>	<b>35.2</b>	<b>71.8</b>
<b>Railways</b>	<b>14.0</b>	<b>39.4</b>	<b>182.6</b>
<b>Ports</b>	<b>5.0</b>	<b>12.5</b>	<b>150.1</b>
<b>Airports</b>	<b>1.7</b>	<b>4.7</b>	<b>170.9</b>
<b>Logistics</b>	<b>41.2</b>	<b>91.9</b>	<b>123.0</b>

\* It represents an expansion of 44.5 GW of power capacity and 23,600 Km Transmission Lines

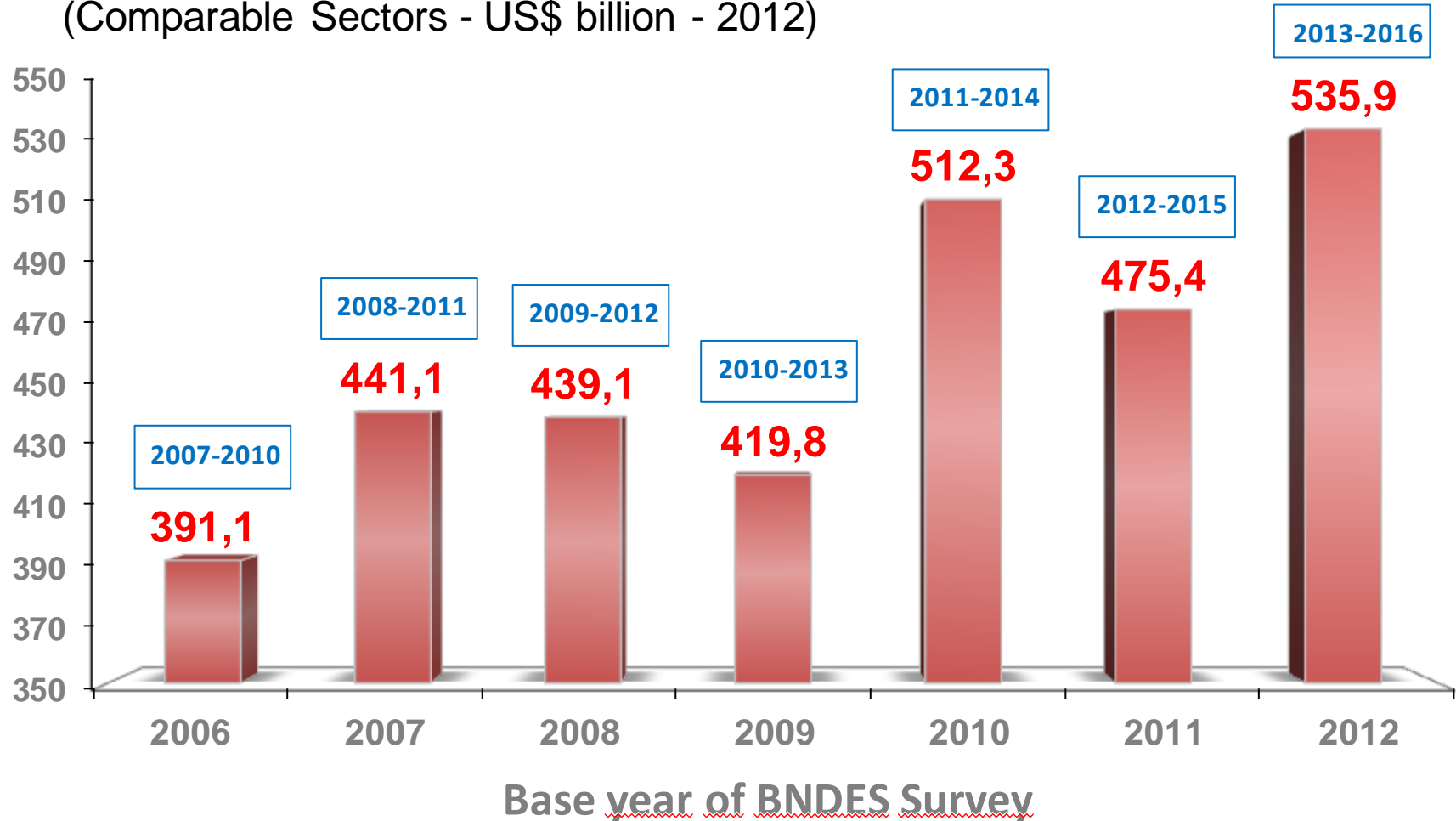
## Investments: 2014 World Cup (US\$ billion)



# 2013-2016: BNDES' Investment Survey at its highest level

## Investment Outlook 4 years ahead

(Comparable Sectors - US\$ billion - 2012)





➤ **Monetary easing** (SELIC rate down 525 bsp since Aug. '11)

➤ **Reduction in the long-term interest rate (TJLP)**

➤ **Falling energy costs**

➤ **Tax cuts** (relief for employers' payroll contributions, reform of VAT, IPI reduction)

➤ **Public investment acceleration** (PAC and My House, My Life)

➤ **New concessions to private sector in logistics**

➤ highways, railways, ports, airports

- **Eradicate poverty and create opportunities for social mobility**
- **Raise domestic saving rates**
- **Diversify long-term financing sources**
- **Improve Brazilian industry competitiveness**
- **Foster innovation and sustainability**
- **Increase labor productivity and income**
- **More investments on infrastructure**

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Mar, 2013

