

## **COMMENTS ON THE BRAZILIAN ECONOMY** **Dilma's government begins**

### **In brief...**

Dilma Rousseff was sworn in as president. The Central Bank raised capital and reserve requirements. Noting higher inflation risk, the CB also signaled that the Selic rate will likely start to go up in January. Demand remains strong. However, local manufacturing has been growing modestly, partly because of imports. Fiscal numbers worsened, requiring tighter spending control in 2011. As a first step, the minimum wage was raised sparingly. Education improves.

### **Continuity is her middle name...**

Cardoso, then Lula, now Dilma. For the first time since the end of the first Republic in 1930, Brazil enjoys an unbroken chain of three elected presidents. Political stability has coincided with a steadier macro background, better growth and improving income distribution. In her inaugural speech, Dilma vowed to keep the economy stable. Her cabinet brought little surprise. Some of Lula's ministers stayed on, among them Guido Mantega at Finance. On his last day as president, Lula signed a provisional measure raising the minimum wage to R\$ 540 (from R\$ 510), a moderate increase.

### **Higher capital and reserve requirements...**

Following the Central Bank's "macroprudential" measures of early December, a total of 61 billion reais will be mopped up as reserves. The CB also raised capital requirements on personal and other loans. Our econometric exercises suggest that, together, the new requirements will have an impact on activity roughly equivalent to a rate hike of 100 bps.

### **Central bank sees inflation risk, and imposes new measures...**

After eight years at the job, Henrique Meirelles departed as the Central Bank's longest-serving president. He was replaced by Alexandre Tombini, a director since 2006. Meirelles' last policy meeting recognized an increase in inflation risk, but left the Selic rate at 10.75%. We expect IPCA inflation at 5.9% in 2010, and only a minor decline to 5.6% in 2011. In its quarterly inflation report, the CB signaled that rates are likely to rise in January. We revised our estimate for rate hikes in 2011 down from 200 bps to 150 bps, as a result of the new prudential rules.

### **GDP grew less in third quarter but activity remains strong...**

Demand conditions remain encouraging. In the week before Christmas, a national index of retail sales from Experian-Serasa rose 15.5% year over year, the best in six years. Up to October, passenger traffic at airports had risen 22% over last year. The unemployment rate fell to 6% in November (seasonally adjusted), a new historical low. GDP, however, grew by a modest non-annualized 0.5% in the third quarter, as expected after two strong quarters. Data so far shows a slightly weaker November and a somewhat better December. We expect quarterly GDP growth of 1.4% in the fourth quarter.

### **Industrial production rises slowly...**

Industrial production rose 0.4% in October, a second uptick after the brief retreat of midyear. However, output continues to trail behind demand, partly as a result of rising imports. That will likely be temporary. Strong demand growth, both in consumption and investment, is expected to push manufacturing in 2011.

### **A new framework for long-term credit...**

Finance Minister Guido Mantega announced a financing framework aimed at making long-term financing more attractive to the private sector, reducing the reliance on funding from BNDES, the official development bank. Among other measures, the package eases taxes on debentures tied up to infrastructure projects, streamlines securities issuance and trading, and allows banks to meet the minimum regulated housing lending with securitized credit lending.

### **Fiscal accounts worsened in November...**

The primary fiscal result came in at R\$4.2 billion in November, a poor result. Spending slowed but remains strong, rising around 9% in real terms this year. Revenues weakened somewhat. We expect a primary surplus of 2.7% of GDP in 2010 (around 1.7% after one-off revenues, chiefly from the sale of underwater oil reserves to Petrobras). Achieving the official target of 3.1% of GDP in 2011 would require immense resolve. We expect a surplus of 2.5% or a bit less.

### **... while the trade surplus was stronger than expected in December...**

A surprisingly strong December pushed the 2010 trade surplus to US\$ 20.3 billion. Exports rose 31.4% this year, while imports soared 41.6%. The current account deficit stood will likely stay at 2.5% of GDP. Capital flows remain strong, with FDI at US\$38 billion in the 12 months to November. It was an eventful year for currency markets, including the ongoing uncertainties over the world's major currencies. The Brazilian real, however, ended the year at 1.66 to the U.S. dollar, a 4.3% appreciation in the year. International reserves now stand at US\$287 billion.

### **A good year for M&A and IPO activity...**

M&A activity held strong throughout the year. In December, Hypermarchas, a consumer goods giant, took over Mantecorp, a local drug maker, for US\$1.5 billion. IPO activity grew some 10% in 2010, a year marked by the multi-billion Petrobras deal. At least ten deals, valued at around US\$3 billion, are scheduled to come to the market during the first quarter of 2011. The Bovespa index rose 2.4% in December, 1.0% in 2010, in real terms. Brazil's CDS ended the year at 111 bps.

### **Education not so disastrous...**

While Brazil has been on the OECD's PISA survey of school achievement since 2000, the 2010 study was the first to show solid, encouraging progress. It seems that the effort that began in the 1990s is paying off. Alas, much more is needed: Brazil remains 53rd in a panel of 65 countries.

### **Furthermore...**

The CB's monetary policy committee will meet under Tombini for the first time on January 18-19. The fiscal outlook looks less daunting after the R\$ 540 minimum wage; the picture will become clearer after the first disbursement decree, to be issued probably in February.

|   |   | Jan    | Feb   | Mar   | Apr   | May    | Jun   | Jul   | Aug   | Sep   | Oct   | Nov   | Dec   | 12-Month Period |           |
|---|---|--------|-------|-------|-------|--------|-------|-------|-------|-------|-------|-------|-------|-----------------|-----------|
|   |   |        |       |       |       |        |       |       |       |       |       |       |       | Last            | Proj. (3) |
| <b>INFLATION (1) (2)</b>  |   |        |       |       |       |        |       |       |       |       |       |       |       |                 |           |
| 2009  | CPI (IPCA)                                    | 0.5    | 0.6   | 0.2   | 0.5   | 0.5    | 0.4   | 0.2   | 0.2   | 0.2   | 0.3   | 0.4   | 0.4   | 4.3             | 4.3       |
|   | WPI   | (1.0)  | 0.2   | (1.2) | (0.4) | (0.3)  | (0.5) | (0.9) | (0.6) | 0.5   | 0.0   | 0.1   | (0.5) | (4.4)           | (1.5)     |
|   | IGPM  | (0.4)  | 0.3   | (0.7) | (0.2) | (0.1)  | (0.1) | (0.4) | (0.4) | 0.4   | 0.1   | 0.1   | (0.3) | (1.7)           | (0.4)     |
| 2010  | CPI (IPCA)                                    | 0.8    | 0.8   | 0.5   | 0.6   | 0.4    | 0.0   | 0.0   | 0.0   | 0.5   | 0.7   | 0.8   | 0.7   | 6.0             | 9.4       |
|   | WPI   | 0.5    | 1.4   | 1.1   | 0.7   | 1.5    | 1.1   | 0.2   | 1.2   | 1.6   | 1.3   | 1.8   | 0.6   | 13.9            | 16.1      |
|   | IGPM  | 0.6    | 1.2   | 0.9   | 0.8   | 1.2    | 0.9   | 0.2   | 0.8   | 1.2   | 1.0   | 1.4   | 0.7   | 11.3            | 13.3      |
| <b>MONEY AND CREDIT (1) (4)</b>   |   |        |       |       |       |        |       |       |       |       |       |       |       |                 |           |
| 2009  | M3  | (0.1)  | 0.8   | 0.7   | 1.3   | 1.6    | 1.0   | 1.4   | 1.7   | 2.1   | 0.7   | 1.4   | 2.0   | 15.5            | 18.2      |
|   | Bank credit                                   | 1.0    | 0.9   | 0.8   | 0.9   | 1.0    | 1.1   | 2.5   | 1.2   | 1.2   | 1.2   | 1.3   | 1.4   | 15.4            | 15.6      |
| 2010  | M3  | (0.5)  | 0.3   | 1.4   | (0.3) | 1.2    | 1.3   | 1.7   | 2.1   | 2.4   | 1.6   | 1.1   |       | 15.2            | 22.3      |
|   | Bank credit                                   | 1.4    | 1.4   | 1.5   | 1.5   | 1.6    | 1.7   | 1.8   | 1.8   | 1.7   | 1.6   | 1.6   |       | 20.8            | 21.5      |
| <b>INTEREST RATES (5)</b>   |   |        |       |       |       |        |       |       |       |       |       |       |       |                 |           |
| 2009  | Overnight (Interbank rate in R\$)             | 12.7   | 12.7  | 11.2  | 10.2  | 10.2   | 9.2   | 8.7   | 8.7   | 8.7   | 8.7   | 8.7   | 8.6   | 9.8             | 8.6       |
|   | Two-year interest rate (in R\$)               | 11.5   | 11.0  | 10.4  | 10.8  | 10.1   | 10.6  | 10.5  | 10.7  | 11.3  | 11.5  | 11.7  | 11.9  | 11.0            | 11.7      |
|   | Two-year interest rate (in USD)               | 3.8    | 4.1   | 3.3   | 2.6   | 2.9    | 3.3   | 3.0   | 3.0   | 3.0   | 2.8   | 3.2   | 2.9   | 3.1             | 3.0       |
| 2010  | Overnight (Interbank rate in R\$)             | 8.7    | 8.7   | 8.7   | 9.4   | 9.4    | 10.2  | 10.7  | 10.7  | 10.7  | 10.7  | 10.7  | 10.7  | 9.9             | 10.7      |
|   | Two-year interest rate (in R\$)               | 11.7   | 11.7  | 11.8  | 12.4  | 12.2   | 12.1  | 11.8  | 11.5  | 11.9  | 11.7  | 12.3  | 12.3  | 11.9            | 12.1      |
|   | Two-year interest rate (in USD)               | 2.2    | 3.2   | 3.1   | 2.3   | 2.8    | 2.8   | 2.9   | 2.5   | 2.3   | 2.5   | 2.8   | 3.0   | 2.7             | 2.8       |
| <b>STOCK MARKET</b>   |   |        |       |       |       |        |       |       |       |       |       |       |       |                 |           |
| <b>IBOVESPA, São Paulo Stock Exchange Market Index</b>  |   |        |       |       |       |        |       |       |       |       |       |       |       |                 |           |
| 2009  | Traded Volume (daily average in US\$ mm.) (6) | 1581   | 1758  | 1737  | 2209  | 2588   | 2606  | 2566  | 3510  | 2977  | 4121  | 3645  | 3678  | 2748            | 3815      |
|   | Index Variation (end of month in US\$)        | 5.6    | (5.4) | 10.1  | 22.3  | 24.7   | (2.2) | 10.9  | 2.4   | 15.5  | 2.0   | 8.5   | 2.8   | 145.0           | 4.4       |
| 2010  | Traded Volume (daily average in US\$ mm.) (6) | 3784   | 3626  | 3683  | 3875  | 4018   | 3022  | 2998  | 3140  | 3702  | 4519  | 3761  | 3650  | 3648            | 3977      |
|   | Index Variation (end of month in US\$)        | (11.2) | 5.1   | 7.6   | (1.4) | (10.9) | (2.5) | 13.5  | (3.4) | 10.5  | 1.4   | (5.0) | 5.4   | 5.6             | 0.6       |
| <b>EXCHANGE RATE</b>  |   |        |       |       |       |        |       |       |       |       |       |       |       |                 |           |
| <b>(End of month)</b>   |   |        |       |       |       |        |       |       |       |       |       |       |       |                 |           |
| 2009  | (a) BRL/USD (7)                               | 2.32   | 2.38  | 2.32  | 2.18  | 1.97   | 1.95  | 1.87  | 1.89  | 1.78  | 1.74  | 1.75  | 1.74  | ---             | ---       |
|   | (b) % monthly change                          | 0.1    | 2.7   | (2.7) | (5.9) | (9.4)  | (1.1) | (4.1) | 0.8   | (5.7) | (1.9) | 0.3   | (0.5) | (24.8)          | (8.2)     |
|   | (c) BRL/EUR (7)                               | 2.97   | 3.02  | 3.07  | 2.90  | 2.78   | 2.74  | 2.66  | 2.70  | 2.59  | 2.59  | 2.63  | 2.50  | ---             | ---       |
|   | (d) % monthly change                          | (8.1)  | 1.7   | 1.8   | (5.7) | (4.1)  | (1.5) | (2.9) | 1.4   | (4.1) | 0.2   | 1.5   | (5.0) | (22.6)          | (12.8)    |
| 2010  | (a) BRL/USD (7)                               | 1.87   | 1.81  | 1.78  | 1.73  | 1.82   | 1.80  | 1.76  | 1.76  | 1.69  | 1.70  | 1.72  | 1.67  | ---             | ---       |
|   | (b) % monthly change                          | 7.4    | (3.2) | (1.7) | (2.7) | 4.8    | (0.9) | (2.4) | (0.1) | (3.5) | 0.4   | 0.9   | (2.9) | (4.3)           | (6.5)     |
|   | (c) BRL/EUR (7)                               | 2.63   | 2.46  | 2.41  | 2.31  | 2.24   | 2.21  | 2.29  | 2.23  | 2.30  | 2.37  | 2.23  | 2.22  | ---             | ---       |
|   | (d) % monthly change                          | 5.1    | (6.3) | (2.2) | (3.9) | (3.1)  | (1.5) | 3.7   | (2.8) | 3.3   | 2.9   | (5.7) | (0.4) | (11.1)          | (12.9)    |
| <b>MAIN BRAZILIAN BONDS (%)</b>   |   |        |       |       |       |        |       |       |       |       |       |       |       |                 |           |
| 2009  | CDS 5-yr (8)                                  | 345.0  | 400.6 | 325.3 | 274.1 | 191.0  | 176.4 | 133.8 | 137.8 | 126.6 | 137.5 | 129.1 | 122.5 |                 |           |
|   | BR 40 Spread over US Treasury (9)             | 394.3  | 407.0 | 367.0 | 302.5 | 197.1  | 212.0 | 194.7 | 193.9 | 177.9 | 168.6 | 153.0 | 133.9 |                 |           |
| 2010  | CDS 5-yr (8)                                  | 144.0  | 131.4 | 130.5 | 123.0 | 135.4  | 137.7 | 116.7 | 131.4 | 114.7 | 100.0 | 123.0 | 110.8 |                 |           |
|   | BR 40 Spread over US Treasury (9)             | 171.4  | 146.5 | 121.8 | 128.3 | 186.2  | 174.7 | 143.3 | 154.8 | 127.8 | 104.4 | 107.7 | 106.8 |                 |           |
| (1) End of month values. Percentage change over the previous period.<br>(2) WPI (Wholesale Price Index) and IGPM (General Price Index, Market) from the Vargas Foundation; CPI (IPCA) (Consumer Price Index) from IBGE. The last figure for the CPI refers to the 30-day period ending on the 15th of this last month; previous figures refer to the full monthly period. Figures for the IGPM [a weighted average of Vargas Foundation's consumer price index (30%), WPI (60%), and national construction price index (10%)], always refer to the 30-day period ending on the 20th of each month.<br>(3) Based on the average of the last three months, accumulated for 12 months.<br>(4) M3 = currency outside banks plus demand deposits plus savings deposits plus CDs plus money market funds plus repurchase operations with federal securities.<br>Bank credit = financial institutions' total credit to public and private sectors seasonally adjusted by Itaú-BBA<br>(5) Annual yields, in percentage terms, gross of withholding tax on nominal income on nonbank operations. End of period values, except for the overnight rate, which is the cumulative value for the month. The USD rate is a swap rate and is deliverable in R\$.<br>(6) Daily average = total monthly volume / business days.<br>(7) Average of the offer rate of the last business day of the month.<br>(8) CDS = premium in basis points, calculated over Libor, paid as a protection against Brazil's default over a 5y period.<br>(9) Spread over US Treasury bond of equivalent duration, in basis points. BR 40 is callable on or anytime after 2015/08/17. |   |        |       |       |       |        |       |       |       |       |       |       |       |                 |           |

ECONOMIC DATA (Cont'd)

January 3, 2011

| GDP (1)   | 2007  |       | 2008  |       |       |       |       | 2009  |       |        |       |       | 2010                  |         |                |       |  |  |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|-------|-------|-----------------------|---------|----------------|-------|--|--|
|   | Q4    | Year  | Q1    | Q2    | Q3    | Q4    | Year  | Q1    | Q2    | Q3     | Q4    | Year  | Q1                    | Q2      | Q3             |       |  |  |
| Index (1995 = 100)  | 142.9 | 139.7 | 145.4 | 148.1 | 150.4 | 143.9 | 146.9 | 141.2 | 144.0 | 147.8  | 150.9 | 146.0 | 154.4                 | 157.1   | 157.9          |       |  |  |
| % quarterly change  | 1.7   | 6.1   | 1.8   | 1.9   | 1.6   | -4.4  | 5.2   | -1.9  | 2.0   | 2.6    | 2.1   | -0.6  | 2.3                   | 1.8     | 0.5            |       |  |  |
| <b>ECONOMIC ACTIVITY</b>  |       |       |       |       |       |       |       |       |       |        |       |       | <b>Year Average</b>   |         |                |       |  |  |
|   | Jan   | Feb   | Mar   | Apr   | May   | Jun   | Jul   | Aug   | Sep   | Oct    | Nov   | Dec   |                       |         |                |       |  |  |
| 2009 Industrial Production (2)  | 106.9 | 109.6 | 110.5 | 111.9 | 113.5 | 114.3 | 117.2 | 118.6 | 120.6 | 124.4  | 123.6 | 123.6 | 116.2                 |         |                |       |  |  |
| Capacity Utilization (3)  | 78.4  | 77.9  | 77.9  | 78.2  | 79.0  | 79.4  | 79.9  | 81.1  | 81.9  | 82.5   | 82.9  | 83.8  | 80.2                  |         |                |       |  |  |
| 2010 Industrial Production (2)  | 125.1 | 126.7 | 131.0 | 129.8 | 129.6 | 128.1 | 128.8 | 128.6 | 128.7 | 129.2  |       |       |                       | 128.6   |                |       |  |  |
| Capacity Utilization (3)  | 83.8  | 84.0  | 84.3  | 85.1  | 84.9  | 85.5  | 85.1  | 84.9  | 85.0  | 85.2   | 84.5  | 84.9  |                       |         |                | 84.8  |  |  |
| 2009 Retail Sales (4)   | 147.3 | 148.5 | 148.9 | 150.0 | 150.7 | 153.2 | 154.6 | 154.6 | 156.0 | 158.9  | 160.0 | 159.2 |                       |         |                | 153.5 |  |  |
| Consumer Confidence Index (5)   | 97.0  | 96.1  | 98.6  | 100.3 | 103.3 | 108.2 | 111.1 | 110.8 | 110.8 | 113.3  | 114.4 | 112.4 |                       |         |                | 106.4 |  |  |
| Business Confidence Index (6)   | 75.1  | 76.2  | 78.0  | 82.6  | 87.0  | 90.6  | 95.7  | 100.2 | 103.6 | 107.0  | 109.6 | 113.4 |                       |         |                | 93.3  |  |  |
| 2010 Retail Sales (4)   | 164.2 | 167.0 | 170.3 | 165.2 | 167.5 | 169.5 | 170.9 | 173.9 | 174.4 | 175.0  |       |       |                       | 169.8   |                |       |  |  |
| Consumer Confidence Index (5)   | 113.1 | 110.8 | 111.7 | 115.7 | 116.5 | 118.8 | 120.1 | 120.9 | 121.8 | 121.9  | 125.1 | 122.5 |                       |         |                | 118.2 |  |  |
| Business Confidence Index (6)   | 113.6 | 115.8 | 116.5 | 115.3 | 116.1 | 115.3 | 113.6 | 112.9 | 113.4 | 114.0  | 112.7 | 114.5 |                       |         |                | 114.5 |  |  |
| <b>EMPLOYMENT (%)</b>   |       |       |       |       |       |       |       |       |       |        |       |       | <b>Year Average</b>   |         |                |       |  |  |
|   | Jan   | Feb   | Mar   | Apr   | May   | Jun   | Jul   | Aug   | Sep   | Oct    | Nov   | Dec   |                       |         |                |       |  |  |
| 2009 Unemployment Rate (7)  | 8.6   | 8.2   | 8.4   | 8.3   | 8.3   | 8.0   | 8.0   | 7.9   | 7.8   | 7.8    | 7.8   | 7.8   |                       |         |                | 8.1   |  |  |
| Employment/Household Survey (8)   | 114.6 | 114.2 | 114.1 | 114.0 | 114.2 | 114.4 | 115.4 | 115.3 | 115.2 | 115.2  | 115.6 | 115.6 |                       |         |                | 114.9 |  |  |
| Employment/Business Registry(9)   | 133.0 | 132.9 | 132.9 | 132.9 | 133.0 | 133.2 | 133.6 | 134.3 | 134.9 | 135.7  | 136.9 | 137.7 |                       |         |                | 134.2 |  |  |
| 2010 Unemployment Rate (7)  | 7.5   | 7.2   | 7.1   | 6.8   | 7.0   | 6.9   | 6.8   | 6.6   | 6.3   | 6.3    | 6.0   |       |                       |         | 6.8            |       |  |  |
| Employment/Household Survey (8)   | 117.0 | 118.0 | 118.3 | 118.8 | 118.9 | 118.3 | 119.1 | 119.1 | 119.4 | 119.8  | 119.9 |       |                       |         | 118.8          |       |  |  |
| Employment/Business Registry(9)   | 138.7 | 139.5 | 140.5 | 141.4 | 142.2 | 142.9 | 143.6 | 144.3 | 144.9 | 145.5  | 146.2 |       |                       |         | 142.7          |       |  |  |
| <b>PUBLIC SECTOR BUDGET (10)</b>  |       |       |       |       |       |       |       |       |       |        |       |       | <b>Year Average</b>   |         |                |       |  |  |
| (% of GDP)  | Jan   | Feb   | Mar   | Apr   | May   | Jun   | Jul   | Aug   | Sep   | Oct    | Nov   | Dec   | <b>Last 12 months</b> |         |                |       |  |  |
| 2009 Overall Balance (11)   | (3.1) | (3.1) | (2.9) | (2.3) | (2.7) | (2.9) | (3.2) | (3.2) | (3.8) | (3.4)  | (3.2) | (3.3) |                       |         |                | (2.7) |  |  |
| Ex-interest Balance   | 3.1   | 2.3   | 2.6   | 3.2   | 2.6   | 2.4   | 2.2   | 2.1   | 1.6   | 2.0    | 2.3   | 2.1   |                       |         |                | 2.5   |  |  |
| Gross Public Debt (12)  | 58.9  | 59.4  | 59.8  | 59.2  | 59.6  | 60.9  | 62.5  | 63.7  | 63.9  | 64.7   | 64.2  | 62.8  |                       |         |                |       |  |  |
| Net Public Debt (13)  | 38.9  | 39.0  | 39.1  | 39.8  | 40.9  | 41.2  | 42.0  | 42.1  | 43.2  | 43.4   | 43.1  | 42.8  |                       |         |                |       |  |  |
| 2010 Overall Balance (11)   | 0.7   | (1.7) | (3.1) | (1.8) | (2.5) | (2.9) | (3.2) | (3.2) | (2.4) | (2.4)  | (2.6) |       |                       |         | (2.7)          |       |  |  |
| Ex-interest Balance   | 5.8   | 3.5   | 2.3   | 3.5   | 2.8   | 2.4   | 2.1   | 2.1   | 2.9   | 2.9    | 2.7   |       |                       |         | 2.5            |       |  |  |
| Gross Public Debt (12)  | 62.6  | 61.8  | 59.0  | 58.9  | 58.8  | 58.6  | 58.4  | 57.9  | 57.9  | 58.2   | 58.0  |       |                       |         |                |       |  |  |
| Net Public Debt (13)  | 42.1  | 42.4  | 42.4  | 42.1  | 41.6  | 41.5  | 41.7  | 41.5  | 40.7  | 40.5   | 40.6  |       |                       |         |                |       |  |  |
| <b>BALANCE OF PAYMENTS</b>  |       |       |       |       |       |       |       |       |       |        |       |       | <b>Year Average</b>   |         |                |       |  |  |
| (US\$ billion)  | Jan   | Feb   | Mar   | Apr   | May   | Jun   | Jul   | Aug   | Sep   | Oct    | Nov   | Dec   | Acc Dec               | Acc Nov | last 12 months |       |  |  |
| 2009 Trade Balance  | (1.7) | 1.8   | 1.8   | 3.7   | 2.6   | 4.6   | 2.9   | 3.1   | 1.3   | 1.3    | 0.6   | 2.2   | 24.3                  | 22.1    | 24.3           |       |  |  |
| Exports   | 9.8   | 9.6   | 11.8  | 12.3  | 12.0  | 14.5  | 14.1  | 13.8  | 13.9  | 14.1   | 12.7  | 14.5  | 153.0                 | 138.5   | 153.0          |       |  |  |
| Imports   | 11.5  | 7.8   | 10.1  | 8.6   | 9.3   | 9.8   | 11.2  | 10.8  | 12.5  | 12.8   | 12.0  | 12.3  | 128.7                 | 116.5   | 128.7          |       |  |  |
| Current Account   | (2.8) | (0.6) | (1.6) | 0.1   | (1.8) | (0.6) | (1.6) | (0.8) | (2.5) | (3.0)  | (3.3) | (6.0) | (24.3)                | (18.4)  | (24.3)         |       |  |  |
| Foreign Direct Investment (14)  | 1.9   | 2.0   | 1.4   | 3.4   | 2.5   | 1.5   | 1.3   | 1.9   | 1.8   | 1.6    | 1.6   | 5.1   | 26.0                  | 20.9    | 26.0           |       |  |  |
| Other Capital Inflows (15)  | (3.2) | (2.2) | 3.1   | 4.1   | 7.2   | 7.8   | 4.6   | 8.7   | 10.4  | 15.5   | 2.7   | 1.7   | 60.2                  | 58.6    | 60.2           |       |  |  |
| Brazilian Capital Outflows (16)   | 1.4   | 0.3   | (1.6) | (4.7) | (5.9) | (0.9) | (0.1) | (2.2) | (6.0) | (4.7)  | 1.7   | 6.5   | (16.2)                | (22.7)  | (16.2)         |       |  |  |
| Intl Reserves / Liquidity (17)  | 200.8 | 199.4 | 202.5 | 201.3 | 205.6 | 208.4 | 211.9 | 219.1 | 224.2 | 232.9  | 238.0 | 239.1 |                       |         |                |       |  |  |
| Total External Debt (15)  | 199.6 | 195.8 | 192.6 | 193.1 | 194.0 | 199.0 | 195.9 | 204.0 | 201.7 | 204.7  | 205.5 | 198.2 |                       |         |                |       |  |  |
| 2010 Trade Balance  | (0.2) | 0.4   | 0.7   | 1.3   | 3.4   | 2.3   | 1.4   | 2.4   | 1.1   | 1.9    | 0.3   | 5.4   |                       | 15.0    | 20.3           |       |  |  |
| Exports   | 11.3  | 12.2  | 15.7  | 15.2  | 17.7  | 17.1  | 17.7  | 19.2  | 18.8  | 18.4   | 17.7  | 20.9  |                       | 201.9   | 201.9          |       |  |  |
| Imports   | 11.5  | 11.8  | 15.1  | 13.9  | 14.3  | 14.8  | 16.3  | 16.8  | 17.7  | 16.5   | 17.4  | 15.6  |                       | 181.6   | 181.6          |       |  |  |
| Current Account   | (3.8) | (3.2) | (5.0) | (4.5) | (2.0) | (5.2) | (4.5) | (2.9) | (3.9) | (3.7)  | (4.7) |       | (43.5)                | (49.4)  |                |       |  |  |
| Foreign Direct Investment (14)  | 0.7   | 2.8   | 2.1   | 2.2   | 3.6   | 0.7   | 2.6   | 2.4   | 5.4   | 6.8    | 3.7   |       | 33.1                  | 38.2    |                |       |  |  |
| Other Capital Inflows (15)  | 2.7   | 9.8   | 11.4  | 9.9   | 9.9   | 11.8  | 7.7   | 8.0   | 11.4  | 20.8   | 4.6   |       | 108.1                 | 109.8   |                |       |  |  |
| Brazilian Capital Outflows (16)   | 2.6   | (8.1) | (4.7) | (4.1) | (7.2) | (3.8) | (4.5) | (3.9) | (1.7) | (15.6) | (0.6) |       | (51.5)                | (45.0)  |                |       |  |  |
| Intl Reserves / Liquidity (17)  | 238.5 | 240.5 | 241.1 | 243.8 | 247.3 | 249.8 | 253.1 | 257.3 | 261.3 | 275.2  | 284.9 | 287.9 |                       |         |                |       |  |  |
| Total External Debt (15)  | 200.9 | 203.0 | 211.5 | 211.6 | 218.3 | 228.6 | 235.3 | 235.4 | 247.8 | 254.1  | 247.1 |       |                       |         |                |       |  |  |
| <p>(1) Seasonally adjusted IBGE data.</p> <p>(2) Seasonally adjusted IBGE index for Brazil, average 2002=100.</p> <p>(3) Seasonally adjusted FGV data for Brazil.</p> <p>(4) Seasonally adjusted IBGE nationwide index for inflation-adjusted retail sales, 2003=100.</p> <p>(5) FGV survey data on nationwide consumer expectations for their current and future economic conditions. Seasonally adjusted, September 2005 = 100.</p> <p>(6) FGV survey data on nationwide manufacturing industry expectations for their current and future conditions. Seasonally adjusted.</p> <p>(7) IBGE original household data for the six major Brazilian metropolitan regions, labor force with ten years of age or more, 30-day search period, seasonally adjusted by Itaú BBA.</p> <p>(8) IBGE household data (PME) on employed population for the six major Brazilian metropolitan regions, average 2003=100, seasonally adjusted by Itaú BBA.</p> <p>(9) Business registry data (CAGED) from the Labor Ministry, average 2003=100, including all employees with labor cards in the country, seasonally adjusted by Itaú BBA.</p> <p>(10) Accumulated flows in the year to date, except for net public debt which is an end-of-period stock.</p> <p>Includes federal, state and municipal governments, with respective non-financial enterprises (plus the Central Bank) and excludes Petrobras.</p> <p>(11) Net public sector borrowing requirements.</p> <p>(12) General Government gross debt. Does not include Central Bank, public enterprises and Social Security administration.</p> <p>(13) Gross debts less credits of the general government, plus net debts of Central Bank and public enterprises.</p> <p>(14) Includes intercompany loans.</p> <p>(15) Includes stocks, bonds, loans, suppliers' credits, asset transfers, and others</p> <p>(16) Includes direct investment and others</p> <p>(17) Includes, in addition to cash, stocks of repurchase lines and loans abroad.</p> |       |       |       |       |       |       |       |       |       |        |       |       |                       |         |                |       |  |  |