

Post-Crisis Development Challenges: perspectives for the Brazilian and Global economies

Lecture Series of the Americas in Sorbonne
Paris, November 3rd, 2009

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Global Economy

Considerations on the international economy



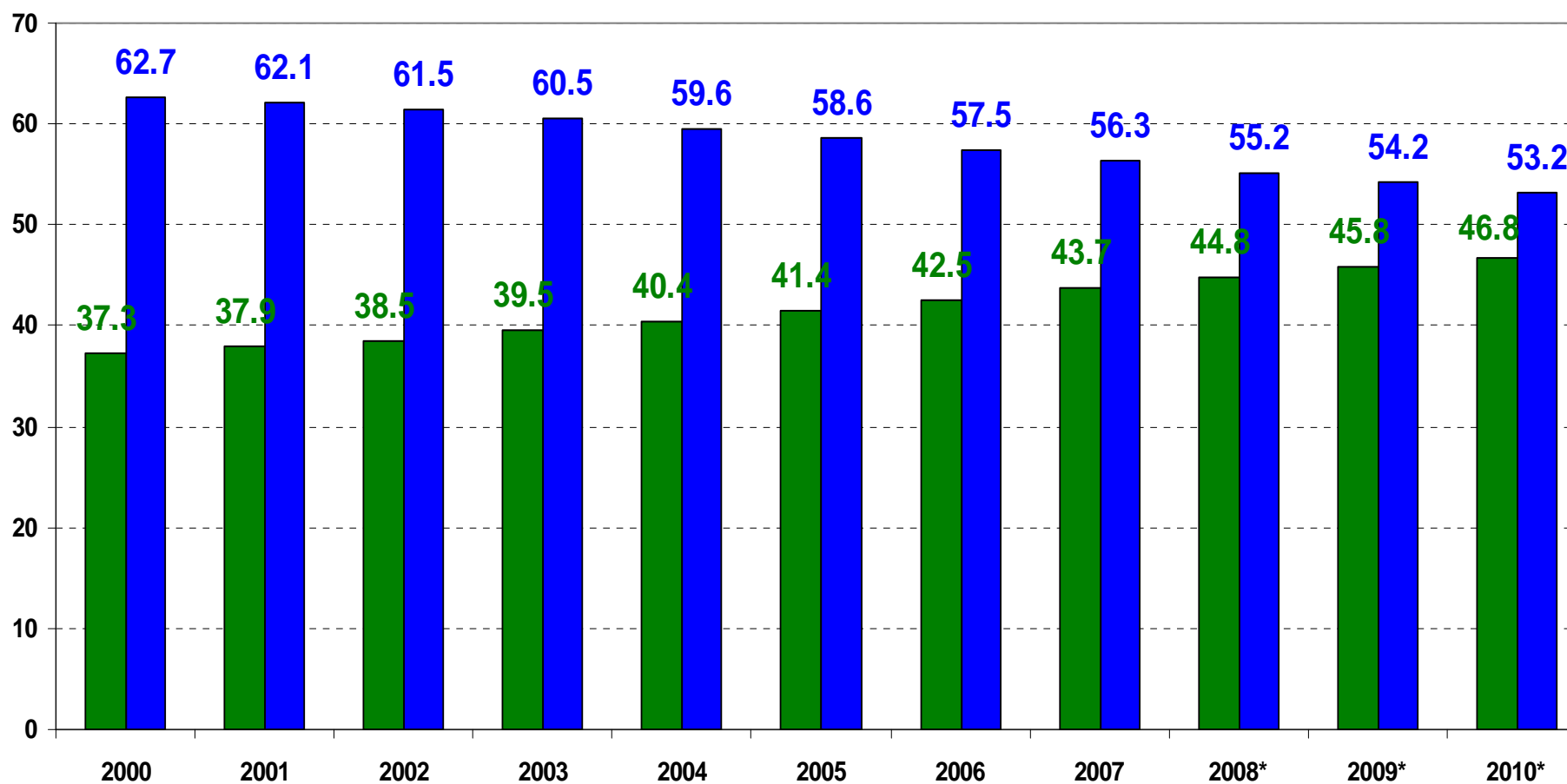
- ✓ After stress tests, American banks were authorized to issue debentures/stocks in the stock market;
- ✓ Credit began to flow in a restricted and selective fashion in developed economies. 2Q09 results reveal slowdown in the GDP decline in developed countries;
- ✓ China's results are improving (8.9% increase in 3Q09 compared to 3Q08) thanks to effective investments in economic and social infrastructure;
- ✓ Latin America is also showing signs of reaction. The recovery of the Brazilian economy is underway, with a 1.9% increase in 2Q09, and such turn around is expected to be stronger in 2H09.

GDP Growth Rate (%)

	FMI Forecasts		IIF Forecasts		
	2009	2010	2009	2010	2011
USA	-2.7	1.5	-2.5	2.8	2.6
Euro Zone	-4.2	0.3	-3.7	1.9	2.0
EU	-4.2	0.5	-	-	-
Germany	-5.3	0.3	-	-	-
France	-2.4	0.9	-	-	-
UK	-5.4	1.7	-	-	-
Japan	-4.4	0.9	-5.6	2.3	2.0
Brazil	-0.7	3.5	-0.2	4.3	-
China	8.5	9.0	8.5	10.0	-
India	5.4	6.4	6.0	8.0	-
South Korea	-1.0	3.6	-	-	-
Russia	-7.5	1.5	-9.0	2.5	-

Source: IMF and IIF.

World GDP



Source: IMF

■ Emerging and Developing

■ Developed

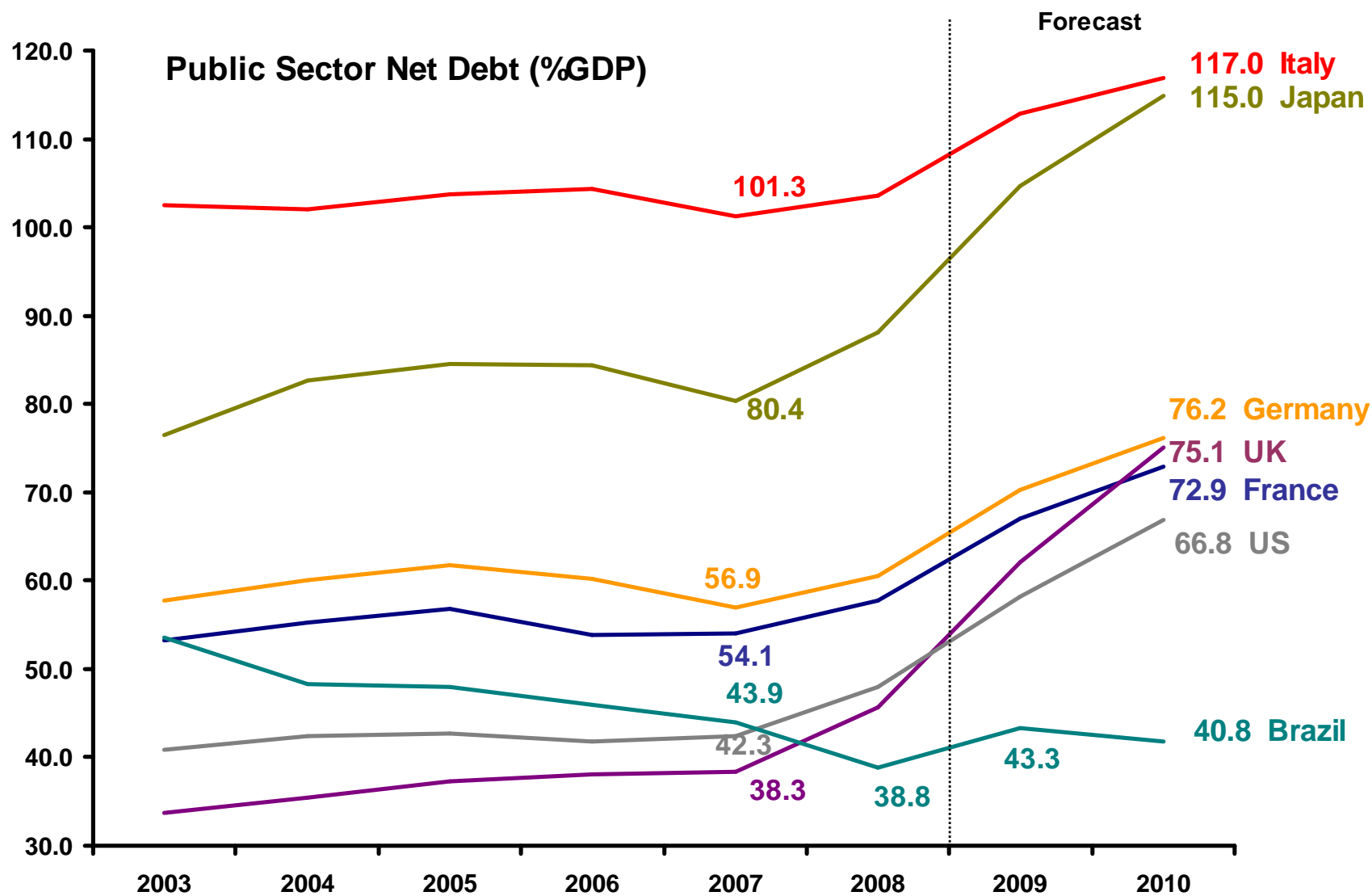
Risk Stemming from abuse of Fiscal Policies



- ✓ The heavy and longstanding increase in the public sector deficit excessively increases public debt;
- ✓ It undermines confidence in the sustainability of public finance and burdens future generations;
- ✓ It instills the fear of uncontrollable inflation in the future.

The result is the increase in long-term interest rates, which restrains private expenditure.

Impact of anti-cyclical policies on debt

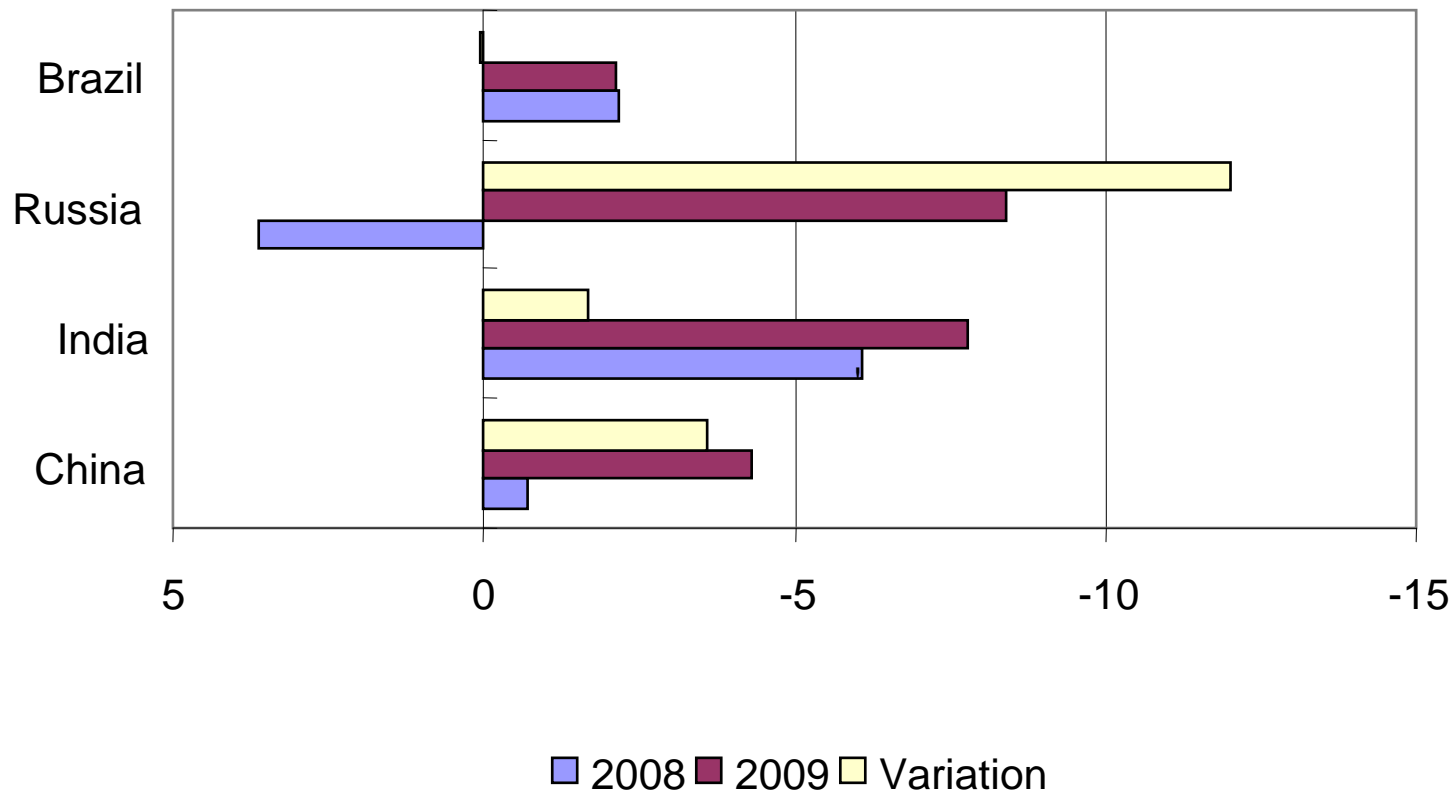


Increase of tax deficit on BRIC members in 2009



- ✓ The expected increase brings to light the impact of anti-cyclical policies

Tax Results in GDP Share



- ✓ Fiscal policy must be efficient (investments with high rates of economic and social return must be priorities);
- ✓ Also, both intertemporal effects on expectations and private investor's trust should be taken into consideration;
- ✓ Improve the relationship between direct expenditure and long-term credit;
- ✓ To increase long term growth potential, investments in innovation should be a priority;
- ✓ Resume growth, with more concern for social and environmental issues, focusing on investments in renewable energies and low-carbon economies, while decreasing inequality in income distribution;
- ✓ Increase regulation of financial systems;
- ✓ Long-term planning;
- ✓ Increasing integration among countries.

The Brazilian Economy

- ✓ The Brazilian economy can grow much faster than the average in developed countries;
- ✓ The domestic market will make the expansion in demand feasible: basic household consumption, housing and durable goods;
- ✓ Investments will be driven by four main sectors: oil & gas, electric power, logistics and residential construction;
- ✓ Opportunities for intensive strategies in innovation and social and environmental sustainability.

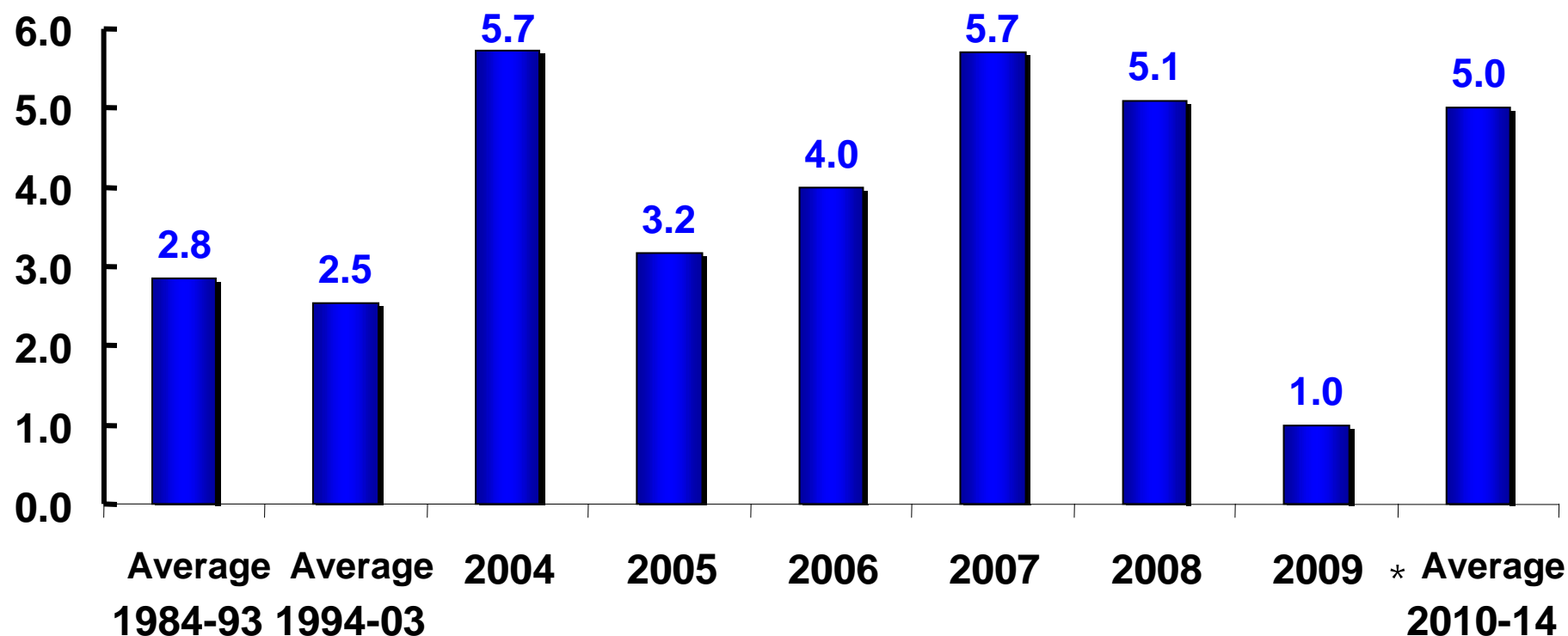
Main challenges: increase aggregate investment/GDP rate and boost competitive progress in the manufacturing industry.

- ✓ Promote reliable monetary policy: consolidate lower real interest rates;
- ✓ Fiscal policy must resume gradual drop in Debt/GDP ratio;
- ✓ Stronger banking system, operating under effective regulation and ready to expand credit with falling spreads;
- ✓ Low leverage in the private sector, with many companies prime to expand and become global;
- ✓ Considerable number of investment projects with high yields and low risk, mainly in infrastructure;
- ✓ Pro-active investment policies, with the support of public banks.

GDP may grow 5% p.a. in the 2010-2014 period



GPD: Annual Real Variation (%)



* 2009 and Avg 2010-14: BNDES' Forecasts.

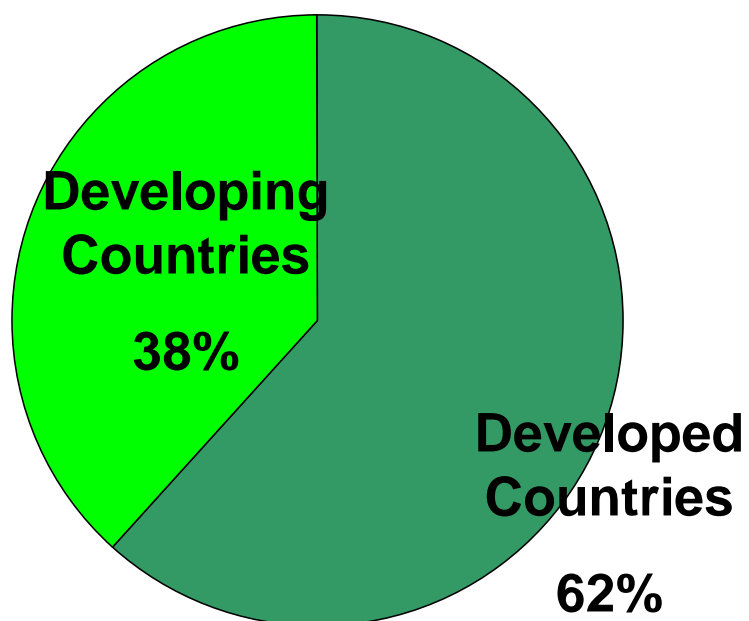
Sources: IBGE and BNDES.

Countries' share of Brazilian exports

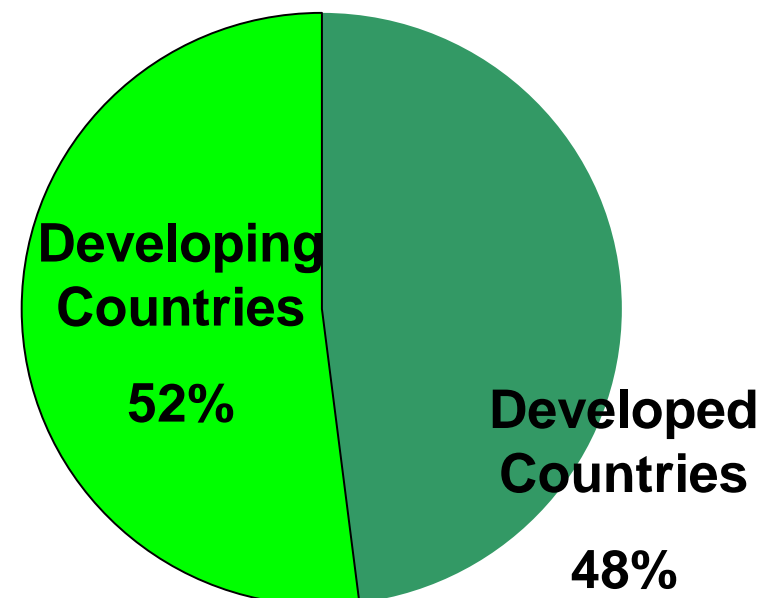


✓ Brazil has taken an important role in the agenda of developing countries that were less affected by the crisis and are expected to show higher growth levels in the years to come.

2002



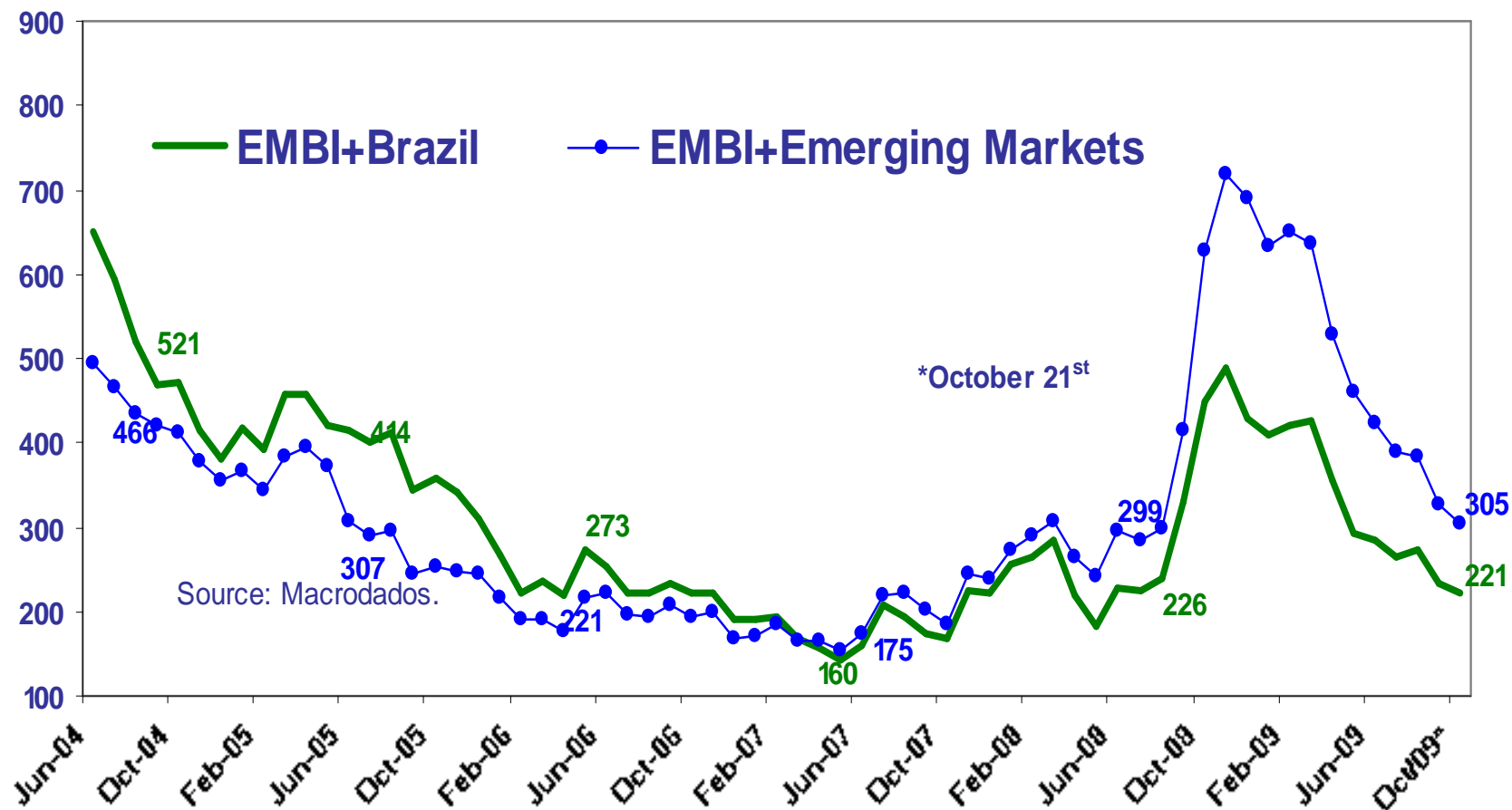
2008



Brazil sovereign risk considerably lower than the other emerging countries average



Sovereign Risk (EMBI+) End of period - base points



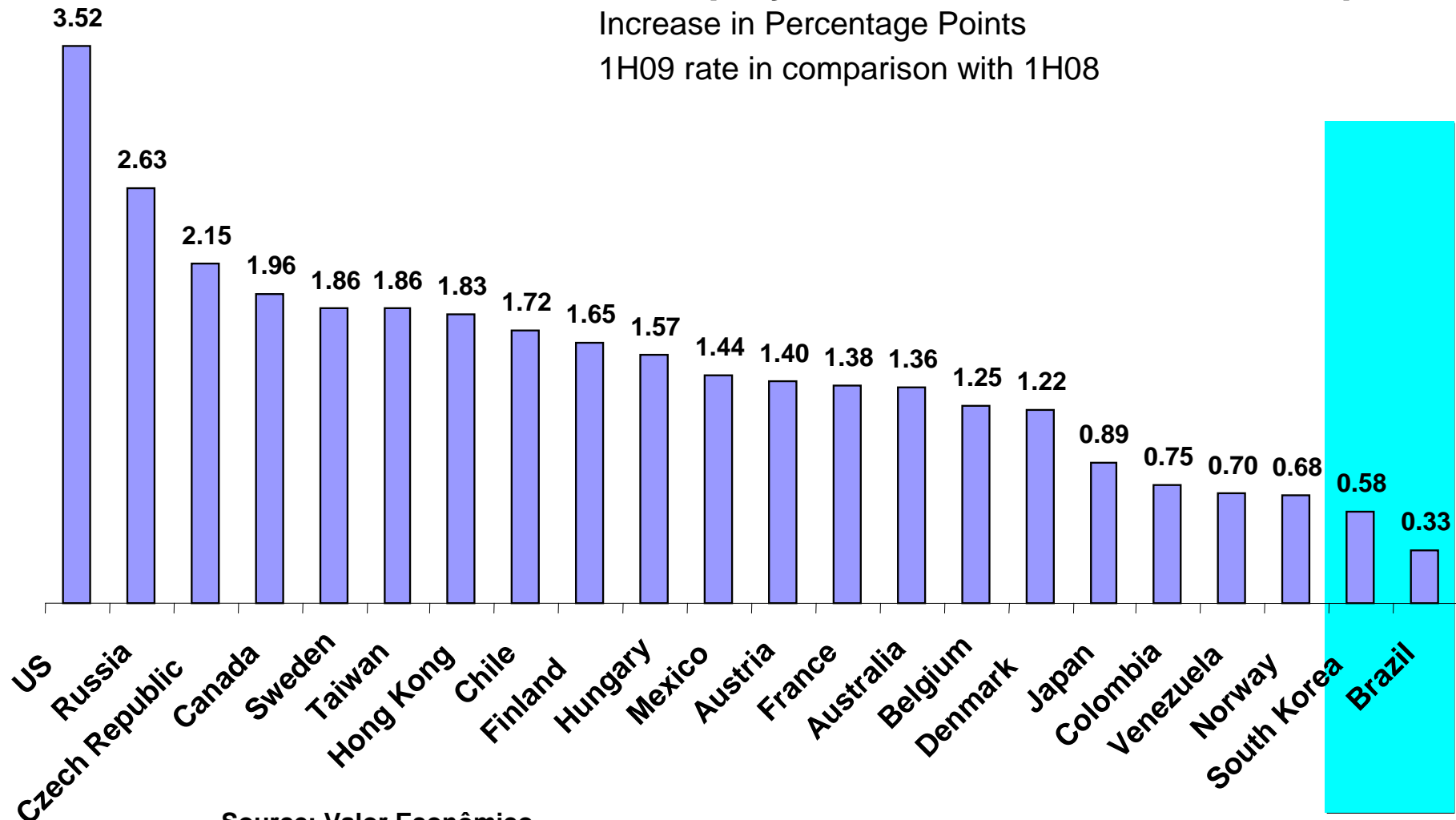
Labor market hardly affected after the crisis worsened



Unemployment Rate Increase After Sept./08

Increase in Percentage Points

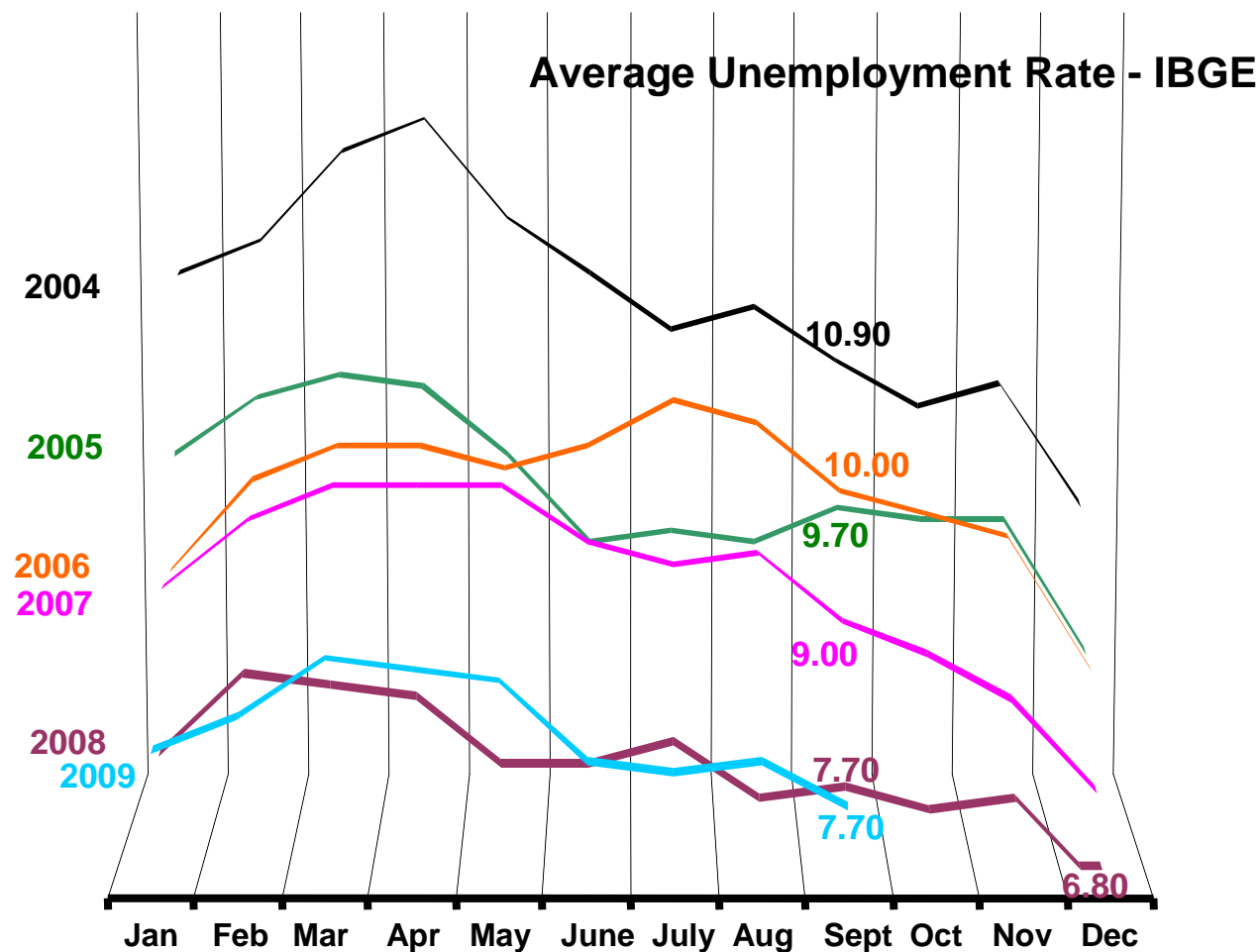
1H09 rate in comparison with 1H08



Source: Valor Econômico

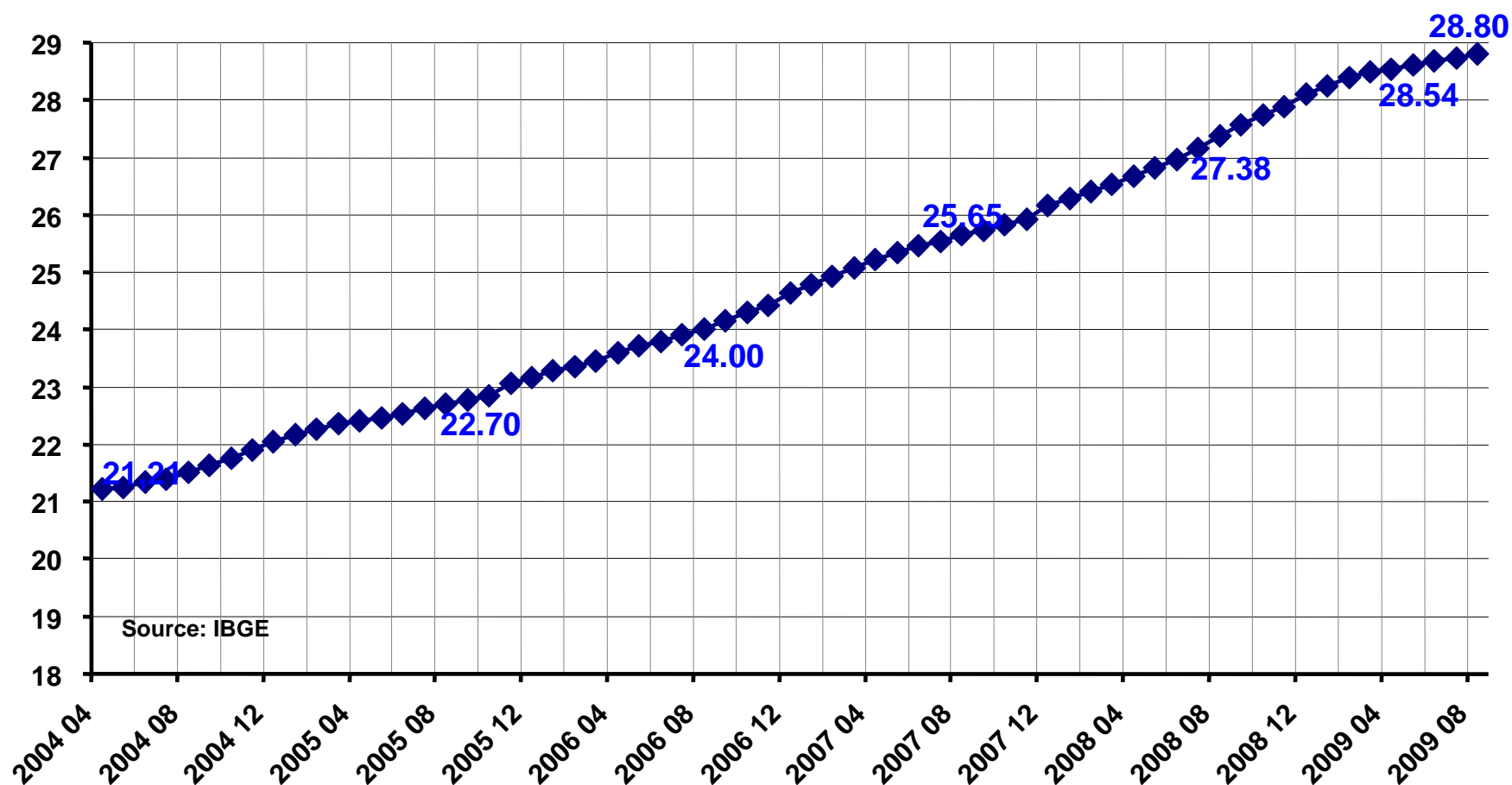
Unemployment rate fell...

Unemployment rate down from 10.9% in Sept./04 to 7.7% in Sept./09



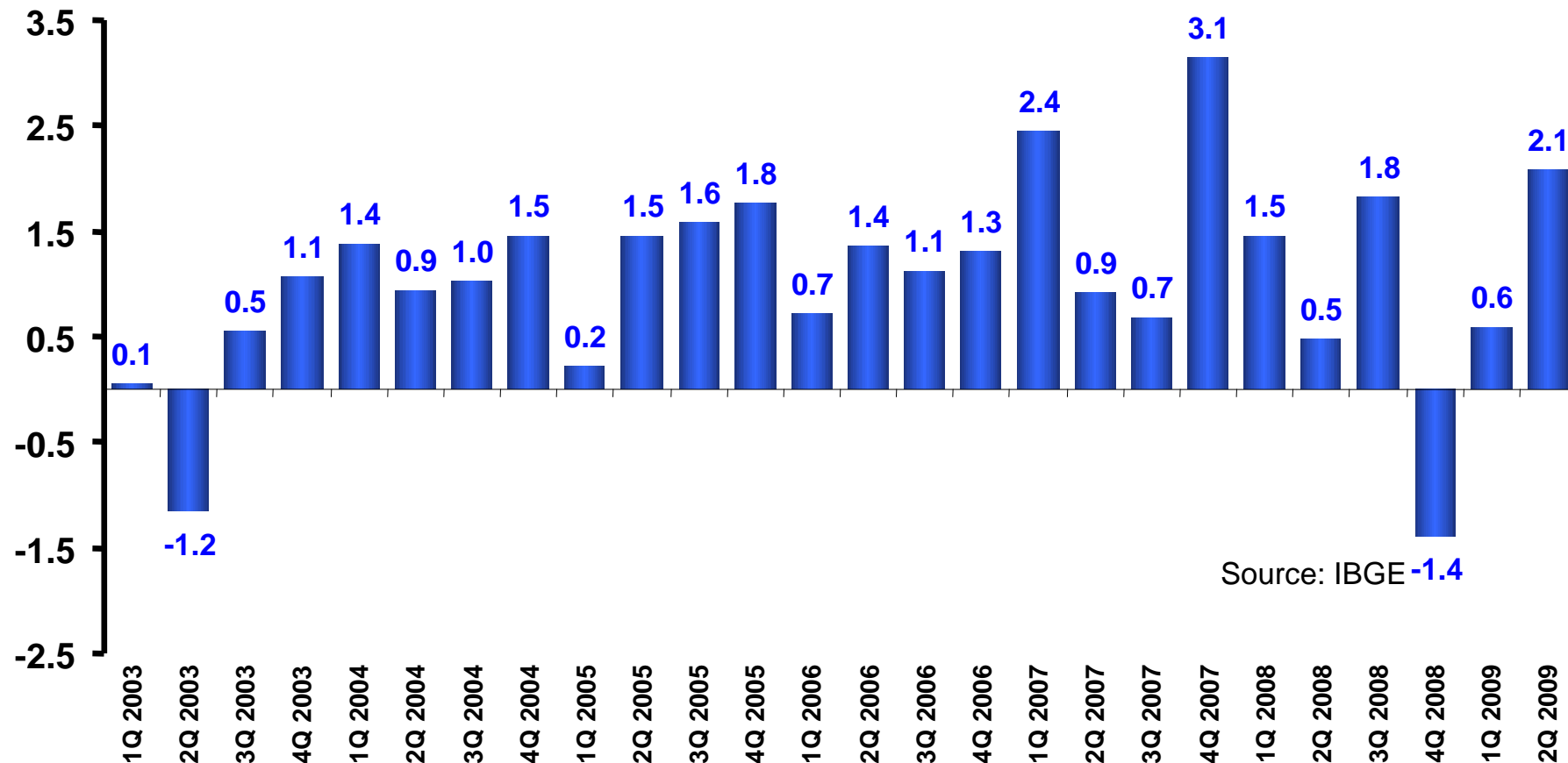
...and wages increased

REAL WAGES – Average for the last 12 months
R\$ billion



Household consumption resumed growth **BNDES**

Growth Rate
Quarter by Quarter (%)



Source: IBGE

Brazil has a wide financial regulation



More Control over the Financial Market

Obama's main proposals

- Create a regulamentory and supervisory council.
- Increase the Fed's control.
- Strengthen demand for capital and intelligent regulation.
- Demand registration of hedge, private equity and venture capital funds at the SEC.
- Strengthen supervision and regulation of securitization.
- Regulate over-the-counter derivatives market, including credit default swaps (CDS).
- Strengthen supervision of payment systems.

...while in Brasil

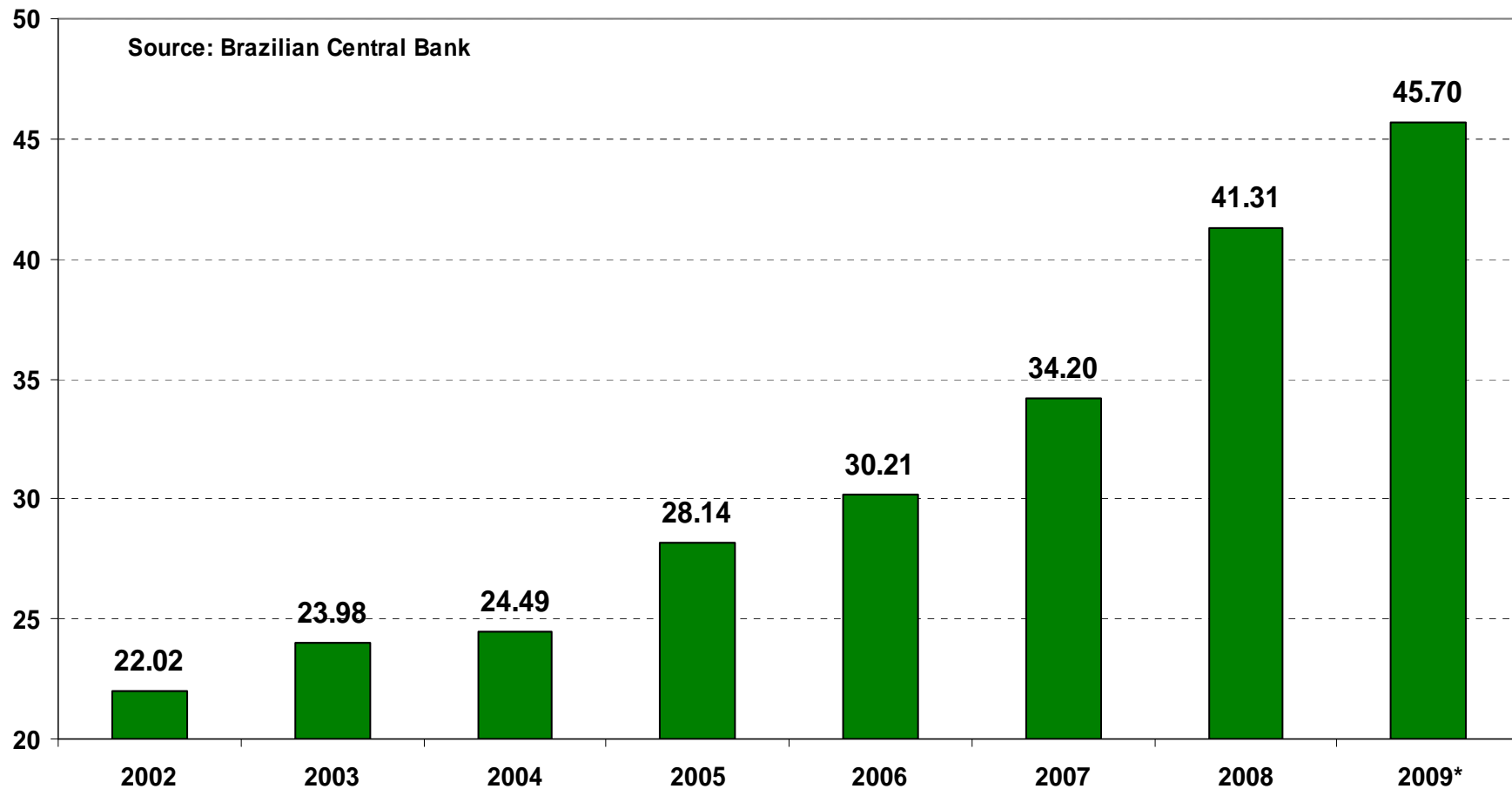
- This is the role of the National Monetary Council (CMN).
- Brazil's CB already inspects & regulates.
- The minimum capital of Brazilian banks is 11%, above the 8% required by the BIS.
- All funds must be registered at the CVM (similar to the US' SEC).
- Little securitization and the system of subordinate quotas requires the originator of the operation to participate.
- Over-the-counter derivatives are registered on the Stock Exchange in Brazil.
- The Brazilian Payment System has already strengthened supervision.

Source: Newspaper Valor Econômico.

Credit/GDP ratio grew continuously even after the crisis worsened in Sept./08



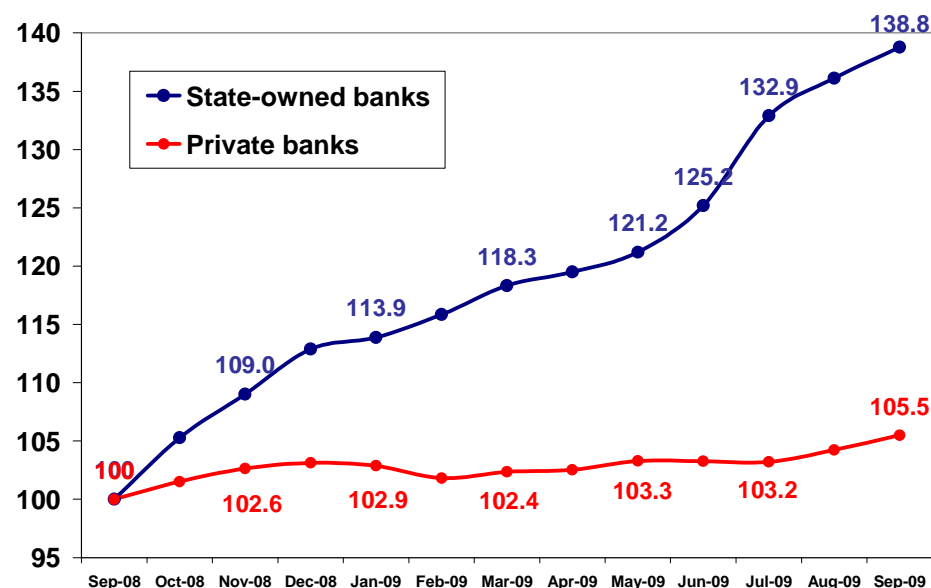
Evolution of Credit/GPD ratio (%) (up to Sep/09)



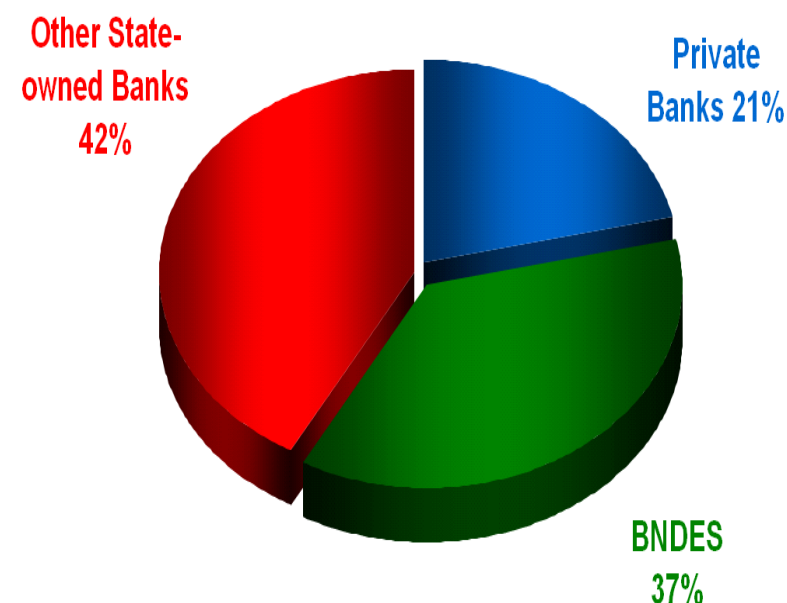
Public banks sustained credit after the crisis



Credit Growth (Index September 2008 = 100)



Contribution to Credit Growth (Sep/08-Sep/09)



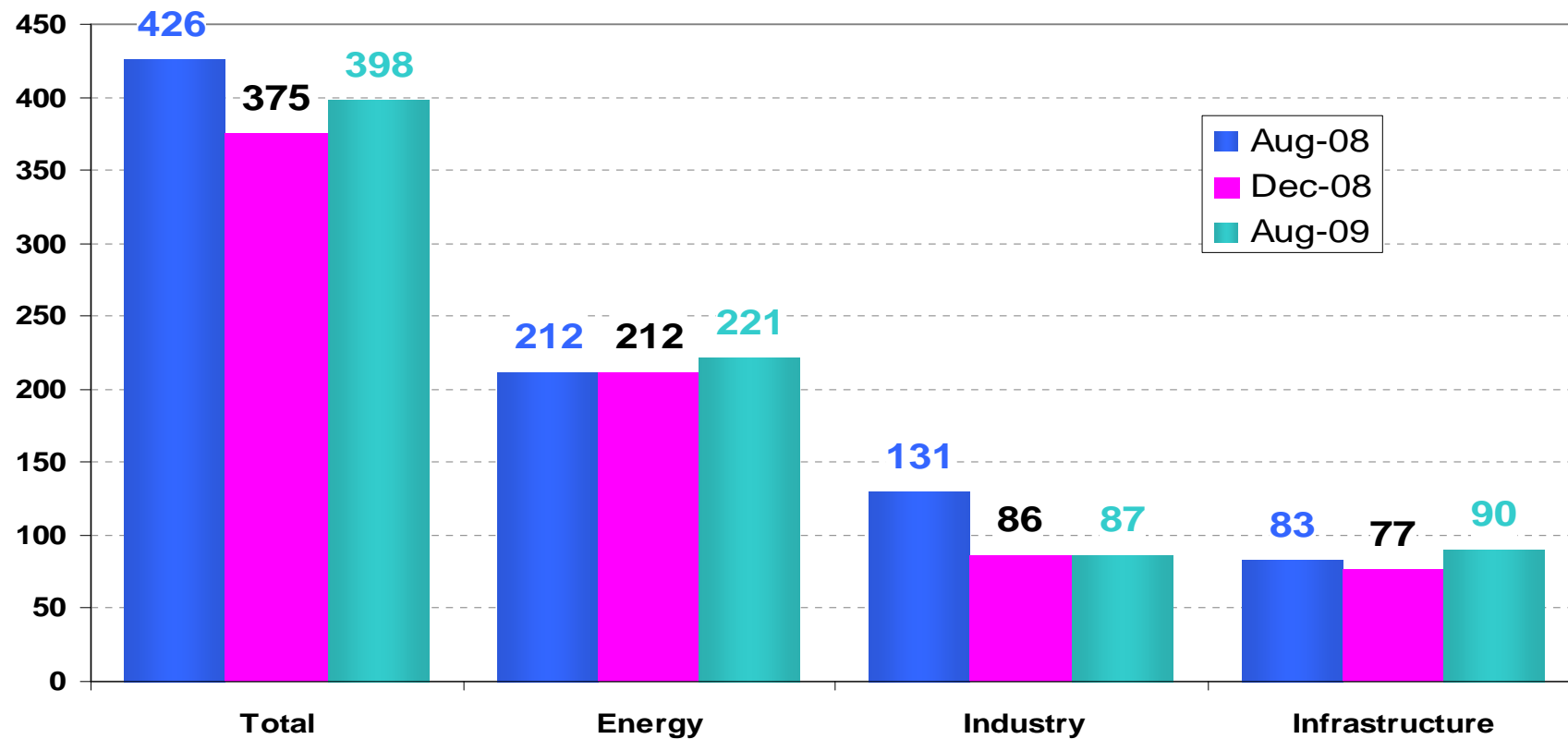
The BNDES alone was responsible for 37% of the increase in credit from Sep/08 to Sep/09

“The worst is over” as per investment perspectives



Investment Perspectives 2009/12 – in US\$ billion

Mapped investments in Aug./08, Dec./08 and Aug./09 (“the worst is over”)



2009-2012 investments:

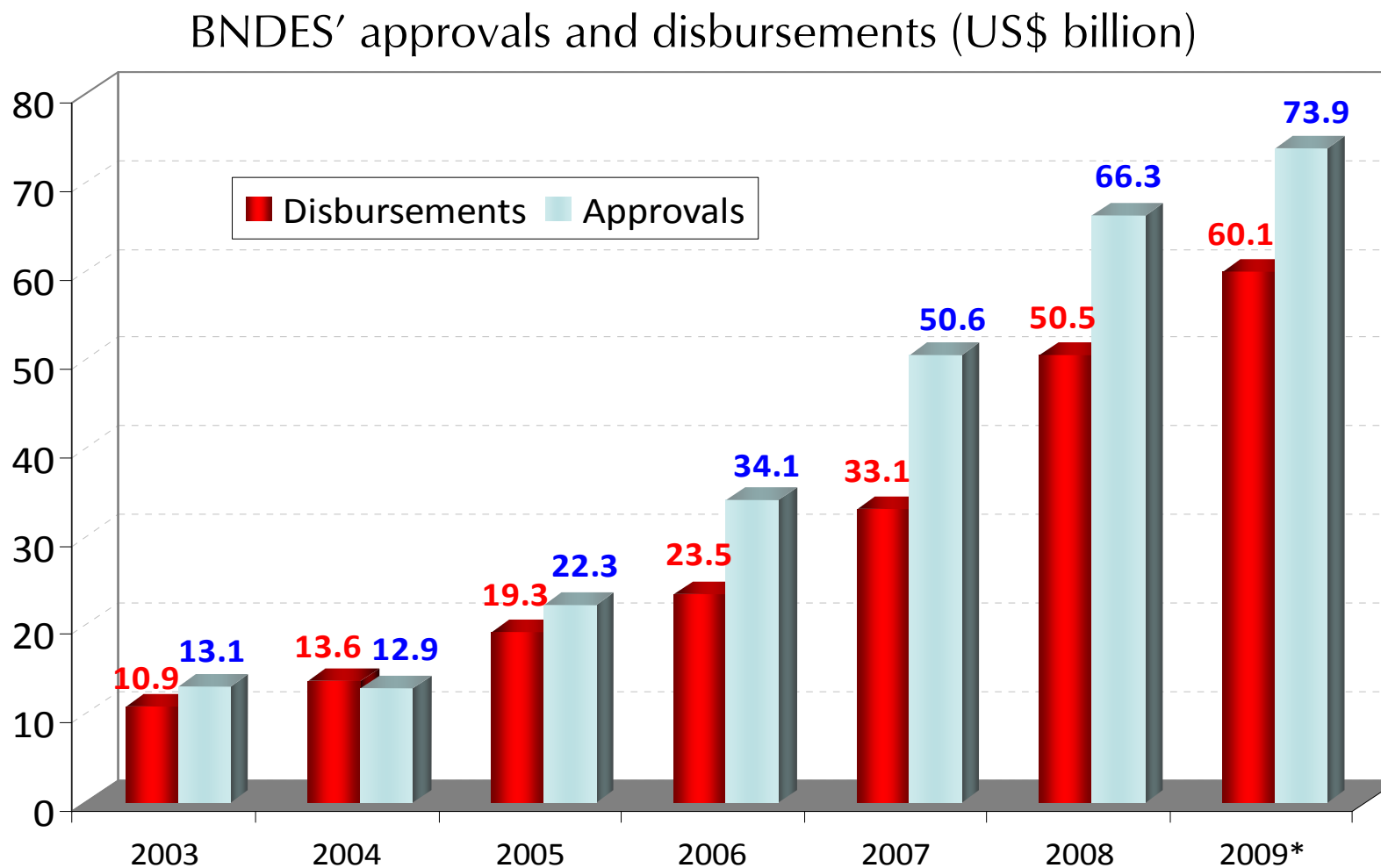
Oil & gas, Energy, and Transport stand out



Sectors	2005-2008	2009-2012 Projects			Growth (US\$ bi.)
		Position Aug/08	Position Nov/08	Position Jun/08	Jun/09 - Nov/08
Oil and gas	107.1	147.0	147.1	156.5	9.5
Electric power	36.0	64.9	64.9	64.9	0.0
Energy	143.2	211.9	211.9	221.4	9.5
Mining	32.0	39.4	28.3	25.2	(3.1)
Steel	15.3	33.0	13.4	15.9	2.6
Petrochemical	4.5	17.3	17.3	18.2	0.9
Vehicle industry	11.3	19.2	11.1	11.3	0.2
Electronics	8.5	14.7	13.1	13.1	(0.0)
Pul & paper	9.3	6.8	3.3	3.2	(0.1)
Industry	80.9	130.5	86.4	86.9	0.5
Telecommunications	35.2	30.2	28.7	28.7	0.0
Sanitation	11.8	20.1	20.1	21.7	1.6
Railroads	8.6	12.8	8.9	20.2	11.4
Roads	12.0	15.2	14.5	15.0	0.5
Ports	2.5	4.8	4.4	4.4	0.0
Infrastruture	70.0	83.1	76.6	90.0	13.5
Total	294.0	425.6	374.9	398.4	23.5

*AVG exchange rate 2008.

BNDES' Disbursements



* 12 months up to September 2009.

Conclusions: Brazil's Challenges



- ✓ The need to resume and qualify long-term planning (energy, logistics, environment, IT infrastructure, ...);
- ✓ Promoting and stimulating domestic savings; providing long-term financing sources; developing the capital market;
- ✓ Developing the capacity for innovation and competitiveness in the manufacturing industry and promoting global presence of Brazilian companies (vs. significant challenge due to exchange rate appreciation);
- ✓ Consistent increase in opportunities for social mobility (job expansion, development/improvement in education) and reduction of the inequality of income distribution;
- ✓ Promote innovation and development of renewable energy sources.



BNDES

*O banco nacional
do desenvolvimento*

