

# Economic perspectives in Brazil

*Export Development Canada*  
Calgary, March 26, 2011



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*President*

# Brazil begins a new development cycle

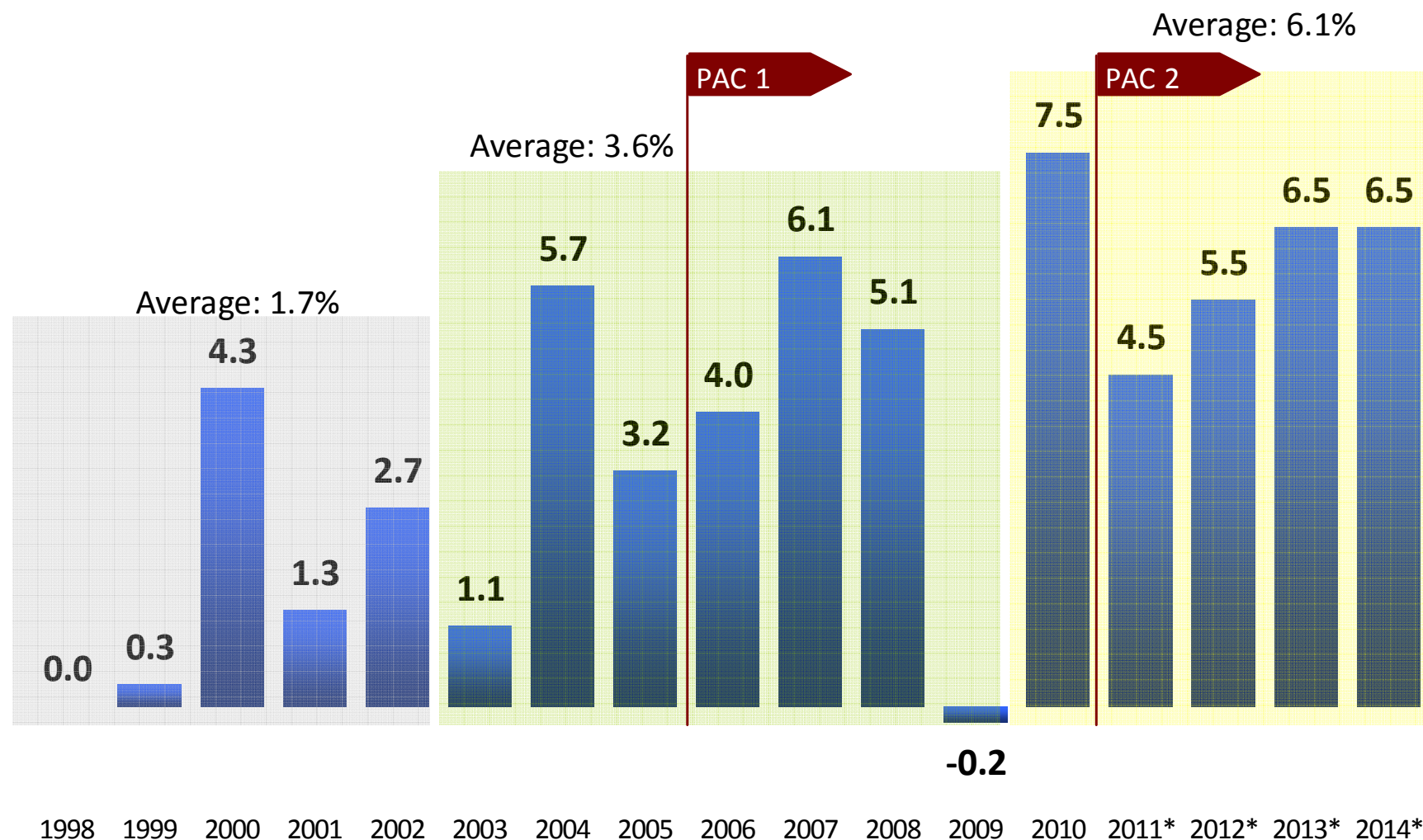


- ✓ The Brazilian economy may grow beyond 5% p.a. over the next five years;
- ✓ The domestic market will make the growth in demand feasible: basic household consumption, housing and durable goods;
- ✓ Investment will be driven by five main sectors: Oil & Gas, Electric Energy, Logistics, Residential Construction and Agribusiness;
- ✓ Main challenges: i) to increase the aggregate GDP/investment rate, and ii) to make the competitive advance of the manufacturing industry feasible.

# Brazil resumes growth at expressive rates, above the world average



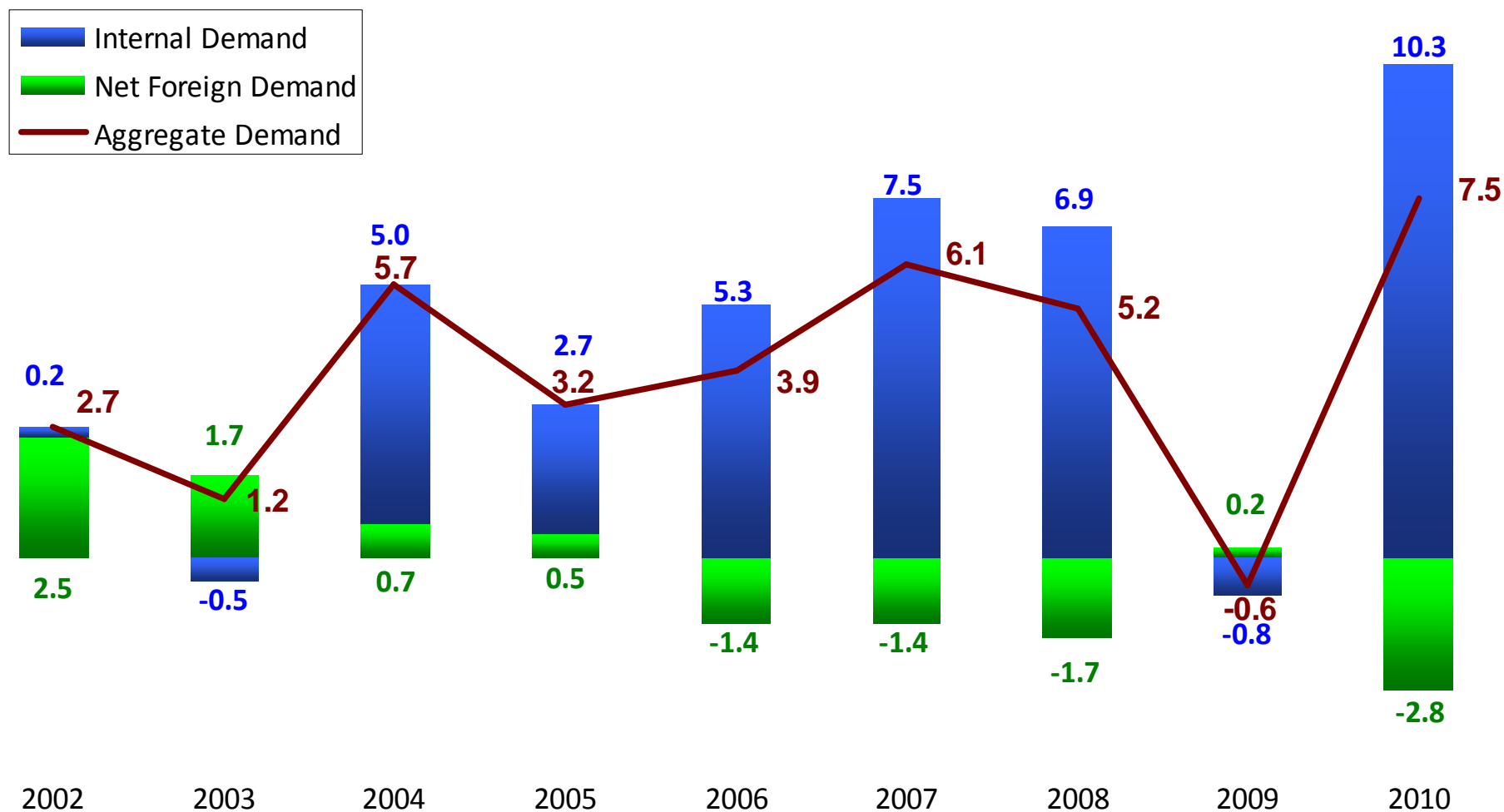
## Brazil: GDP Growth Rates ( % )



# Domestic market is an engine for Brazilian growth



## Breakdown of GDP Growth (% p.a.)

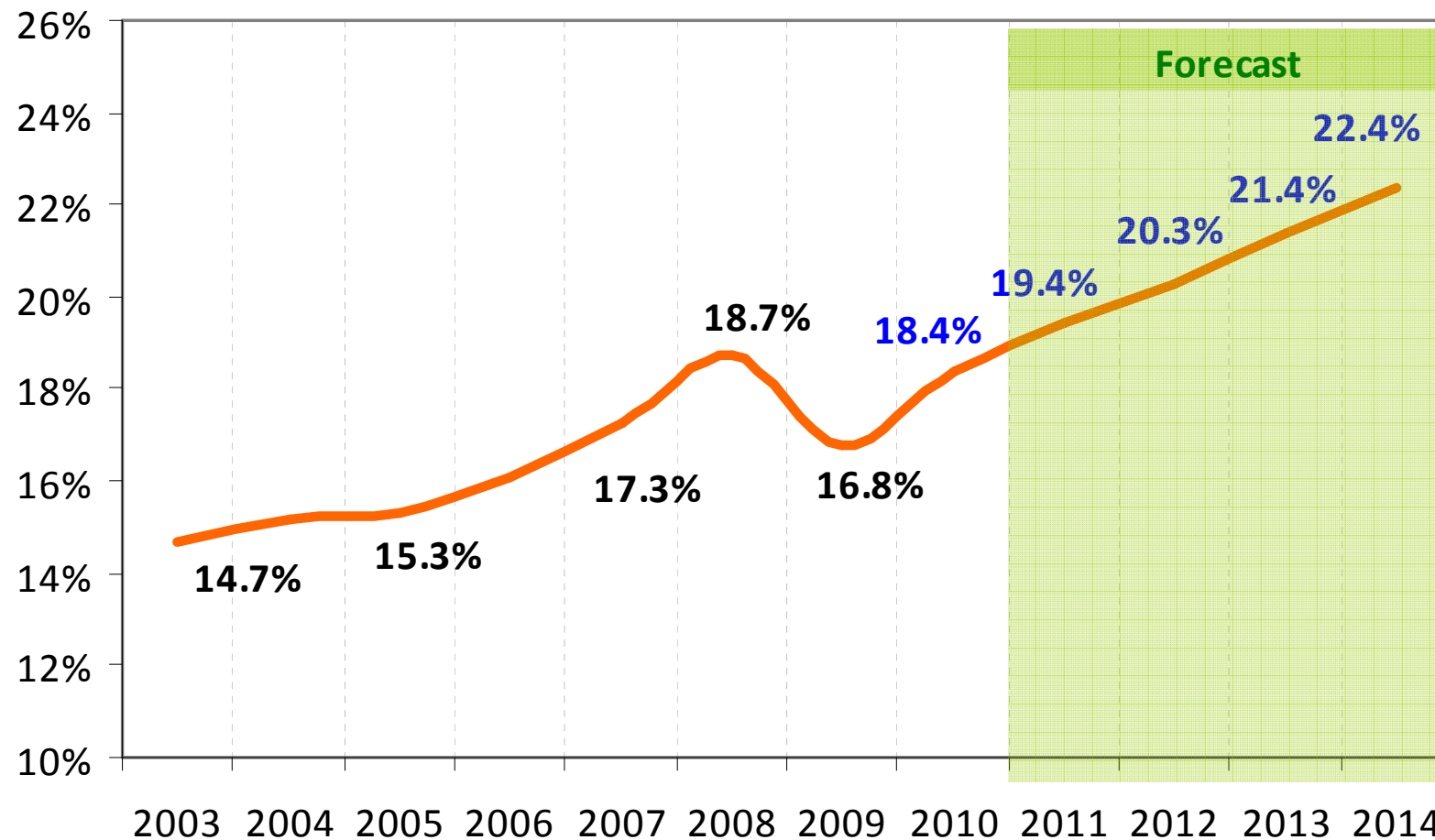


Source: IBGE Elaborated by: Ministry of Finance

\*Estimates: Ministry of Finance.

# Investment maintains a strong upward path of growth

## Forecast for Rate of Investment 2010-2014 (% of GDP)



Source: IBGE and APE/BNDES.

# Investment perspectives: positive expectations



- ✓ Infrastructure projects are important stimulus instruments and guarantee public as well as private investment so as to reduce regional inequalities.

Sectors	US\$ billion		Growth	
	2006-2009	2011-2014	%	% year
<b>Industry</b>	<b>221</b>	<b>351</b>	<b>58.7</b>	<b>9.7</b>
Oil & Gas	117	216	84.3	13.0
Mining	34	35	3.3	0.7
Steel	16	19	16.8	3.2
Petrochemical	13	23	81.2	12.6
Vehicles	14	19	31.4	5.6
Electronics	11	17	46.0	7.9
Pulp & Paper	10	16	51.6	8.7
Textile and Apparel	5	7	39.1	6.8
<b>Infrastructure</b>	<b>141</b>	<b>217</b>	<b>53.8</b>	<b>9.0</b>
Electric Power	59	79	34.0	6.0
Telecoms	35	41	15.0	2.8
Sanitation	15	23	56.9	9.4
Railroads	11	34	202.1	24.7
Roads	17	29	71.4	11.4
Ports	3	10	225.1	26.6
<b>Buildings</b>	<b>202</b>	<b>347</b>	<b>72.0</b>	<b>11.5</b>
<b>TOTAL</b>	<b>564</b>	<b>915</b>	<b>62.2</b>	<b>10.2</b>

✓ Oil & Gas and the Domestic Market lead investments in Industry

✓ Electric Power leads investments in Infrastructure

✓ Investments in sanitation and logistics will grow at expressive rates

## Pre-salt and impact from Petrobras investments on the production sector (2011-2014)



- ✓ **Pre-salt - Great opportunity for Brazil:** growing long-term demand for the complex goods and services supply industry;
- ✓ **Oil & Gas sector will represent 14.7% of GFCF in 2014.**

	Direct Effect	Indirect Effect	Total
<b>Machinery and Equipment</b>	108.5	24.8	133.3
<b>Metals</b>	1.1	16.7	17.7
<b>Other production sectors</b>	1.6	34.7	36.3
<b>Trade</b>	0.1	9.6	9.7
<b>Services</b>	5.7	29.6	35.3
<b>Total</b>	<b>117.0</b>	<b>115.4</b>	<b>232.4</b>

- ✓ Total investments represent 15% of the pre-salt. Therefore, such impacts are still underestimated and have room for growth.

**The BNDES will foster investments throughout the entire oil and gas production chain, aiming at building a competitive global supplier of goods and services in the Oil & Gas sector.**

- ✓ PAC 2 (estimate: US\$ 906 billion in investments);
  - ✓ Hydroelectric plants in Belo Monte and Teles Pires, later, the Tapajós Complex;
  - ✓ Railways, highways, ports and airports;
    - ✓ TAV - High-speed Train;
- ✓ 2014 World Cup (estimate: US\$ 13.4 bn in investments);
- ✓ 2016 Olympic Games (estimate: US\$ 7.2 bn in investments);
- ✓ Environmentally-sustainable projects and concerns for surrounding areas.



# Growth Acceleration Program 2 (PAC 2)



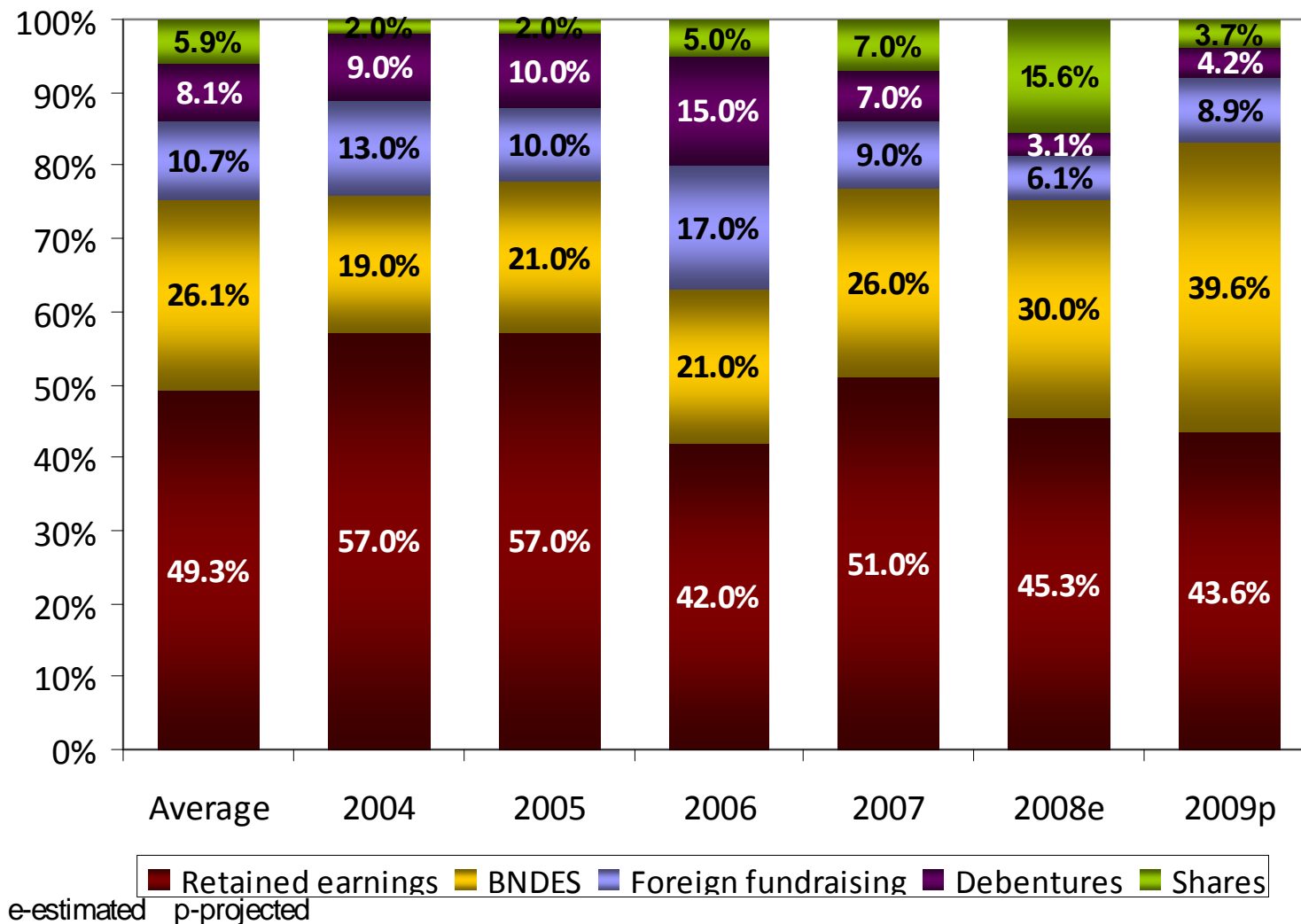
PAC 2 Projects (US\$ bn)		2011 - 2014	After 2014	Total
PAC Better City	Take on the main challenges in large urban centers, fostering a better standard of living.	32.6	-	32.6
PAC Citizen Community	Governmental presence in low-income suburbs, increasing the coverage of services.	13.1	-	13.1
PAC My House, My Life	Reduction in the lack of housing, stimulating the civil construction sector as well as generating jobs and income.	159.0	-	159.0
PAC Water and Electricity for All	Universal access to water and electric energy.	17.5	-	17.5
PAC Transport	Consolidate and expand the logistics network, connecting several modalities, guaranteeing quality and safety.	59.7	2.6	62.3
PAC Energy	Guarantee supply from a new energy grid based on renewable and clean sources. Develop the pre-salt layer.	263.8	358.2	622.0
<b>Total</b>		<b>545.7</b>	<b>360.8</b>	<b>906.5</b>

Source: Finance Ministry

# Capital markets and banking systems must share long-term financing



## Financing Pattern for Investments in Industry and Infrastructure (2004-2009)



# New measures to encourage long-term credit for infrastructure



- ✓ Tax incentives for primary issuance of and transactions with long-term private securities;
- ✓ The BNDES is coordinating several measures:
  - ✓ Acquisition of debentures in primary issuance offers;
  - ✓ Complementary participation in the Liquidity Fund for Private Securities;
  - ✓ Issuance of Financial Bills;
  - ✓ The BNDES will lend the securities in its portfolio to private institutional wishing to play the role of market-makers, aiming to create a secondary market;
  - ✓ Elaborating and disseminating appropriate indexes for long-term financing;
  - ✓ Technical cooperation accord with BM&F Bovespa.

# Brazil's long-term challenges

- ✓ To resume and qualify long-term planning (energy, logistics, environment, IT infrastructure, ...);
- ✓ To promote and stimulate domestic savings in order to provide long-term funds for investment (banks and capitals market);
- ✓ To increase opportunities for social mobility (job expansion, development/improvement in education) and reduction of inequalities in income distribution, both personal and regional;
- ✓ To develop capacity for innovation and competitiveness in the manufacturing industry, and promote global presence of Brazilian companies (vs. significant challenges stemming from exchange rate appreciation);
- ✓ To promote innovation and development, aiming at social and environmental sustainability.





**BNDES**

*Brazilian  
development bank*

