BANCO CENTRAL DO BRASIL

Brazil:

Recent Economic Developments

Afonso Bevilaqua

April 2005

I. Economic Activity

II. Credit

III. Inflation

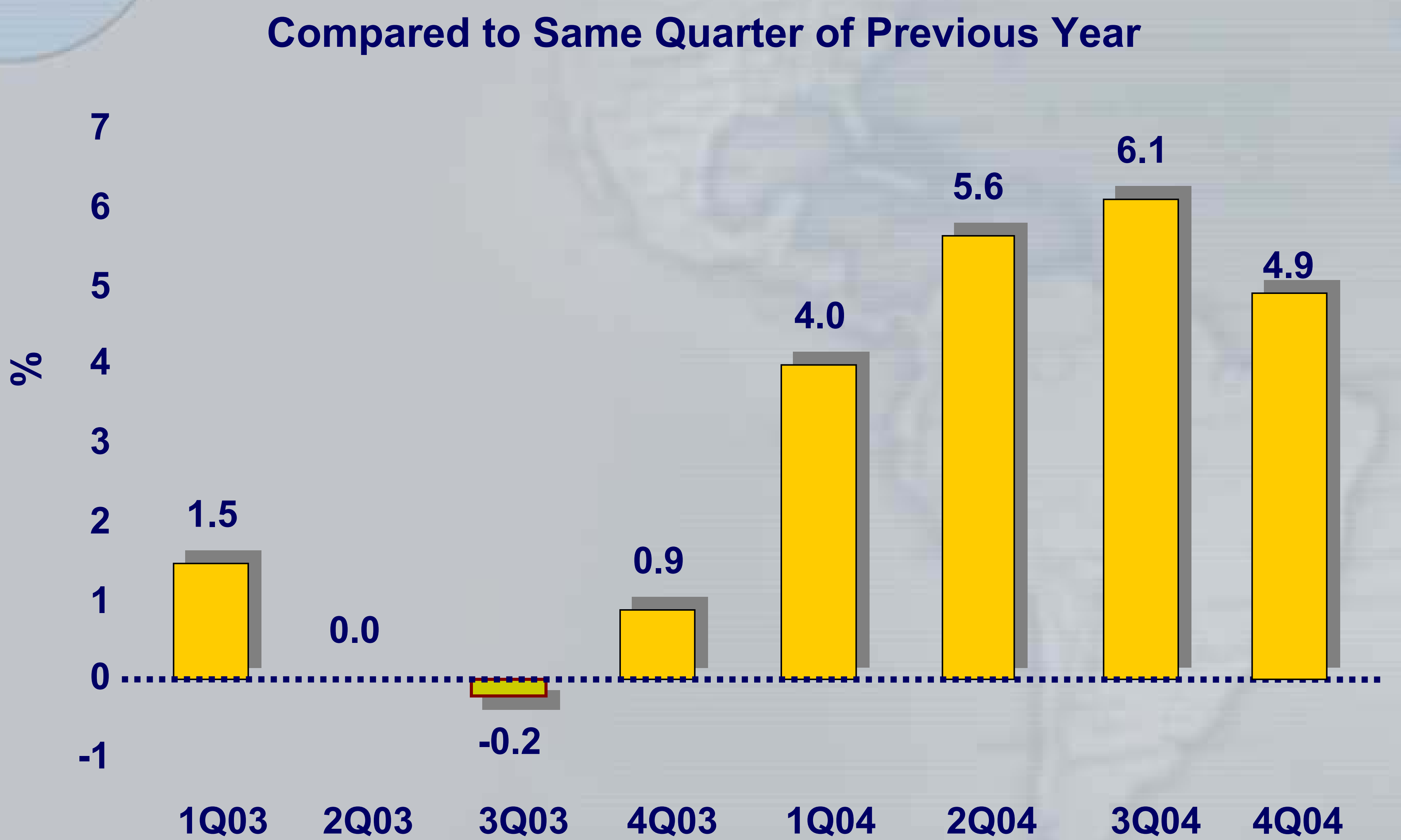
IV. External Sector

V. Fiscal Policy and Debt Management

VI. Strengthening Resistance to Shocks

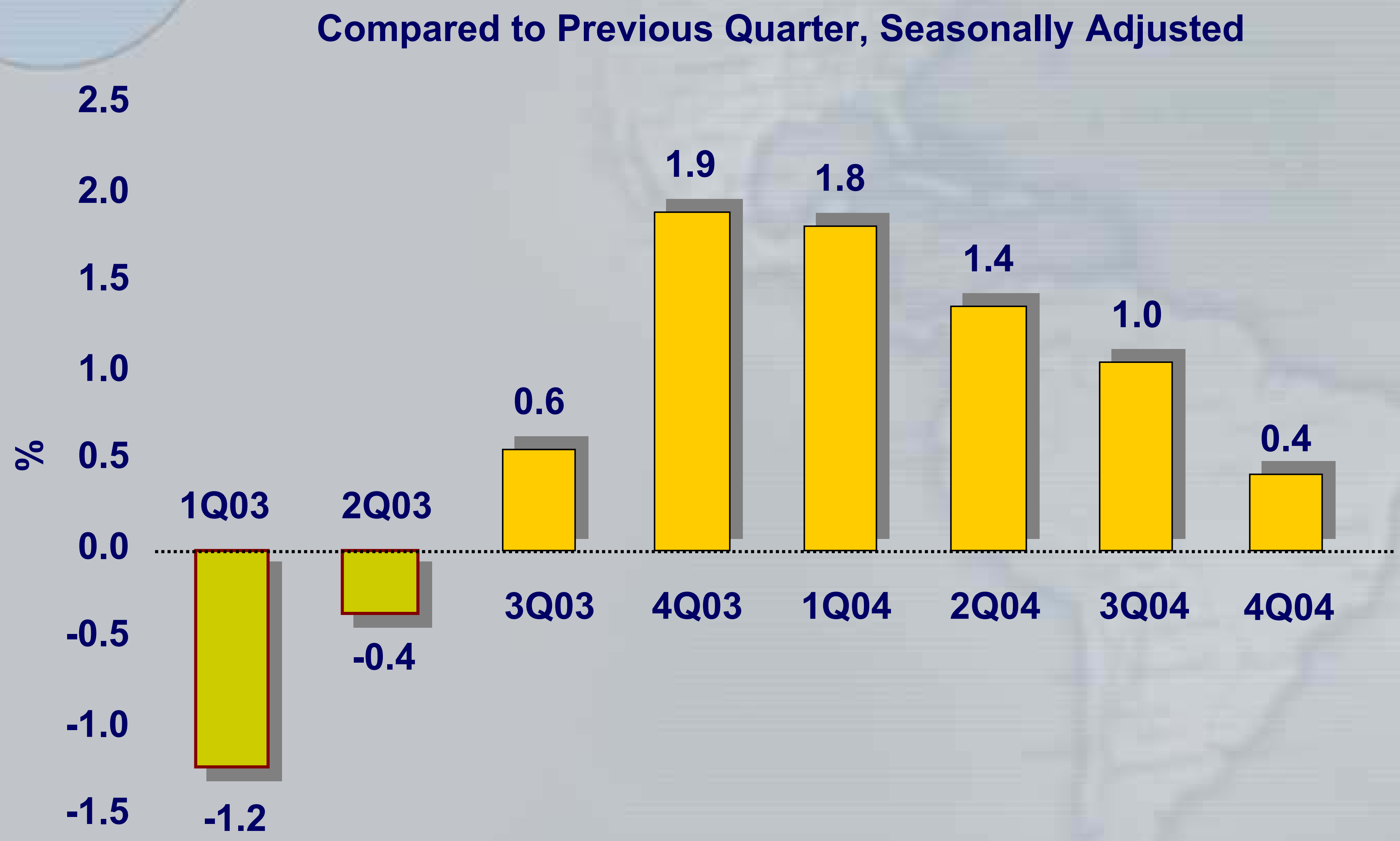
I. Economic Activity

GDP Growth



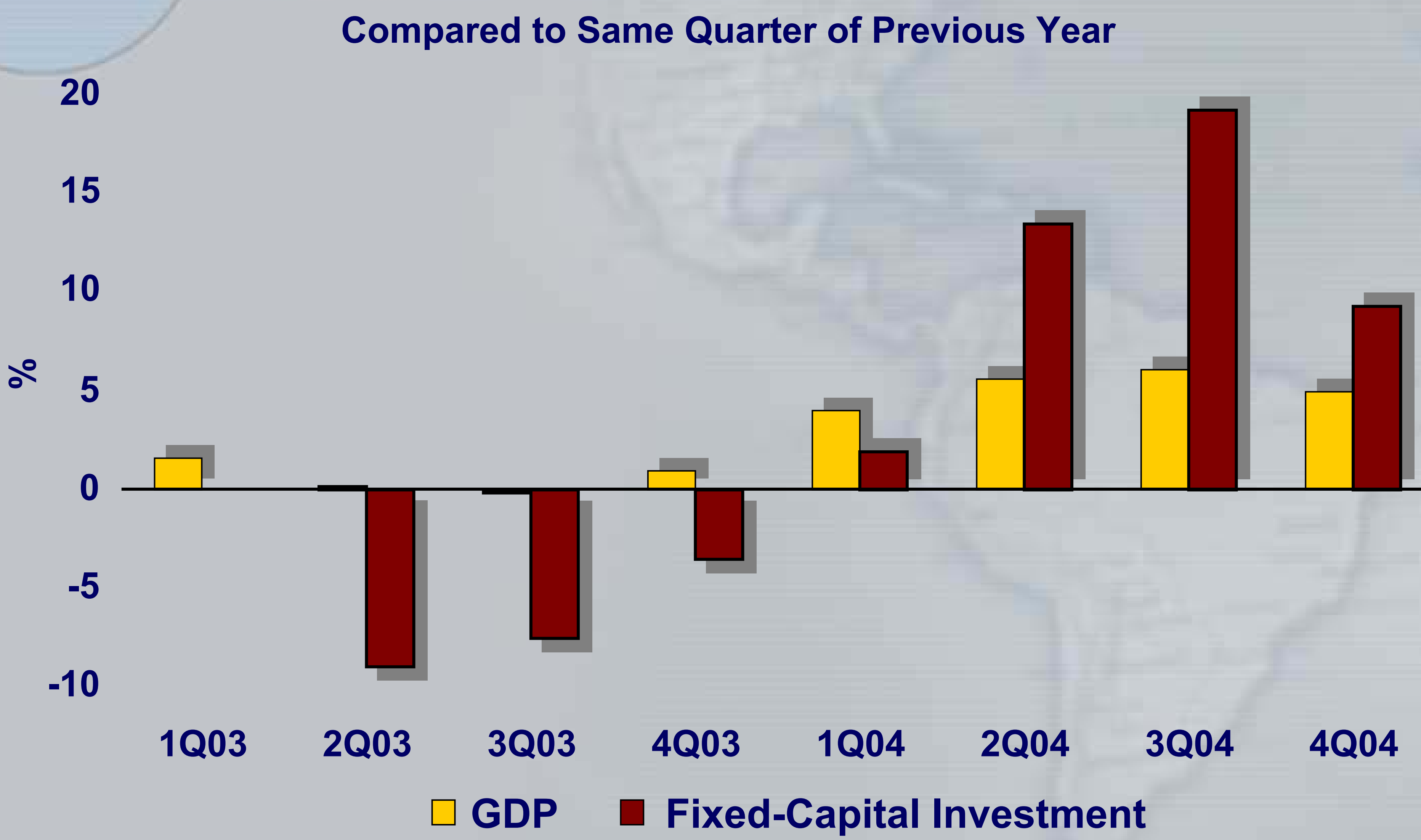
Source: IBGE

GDP Growth

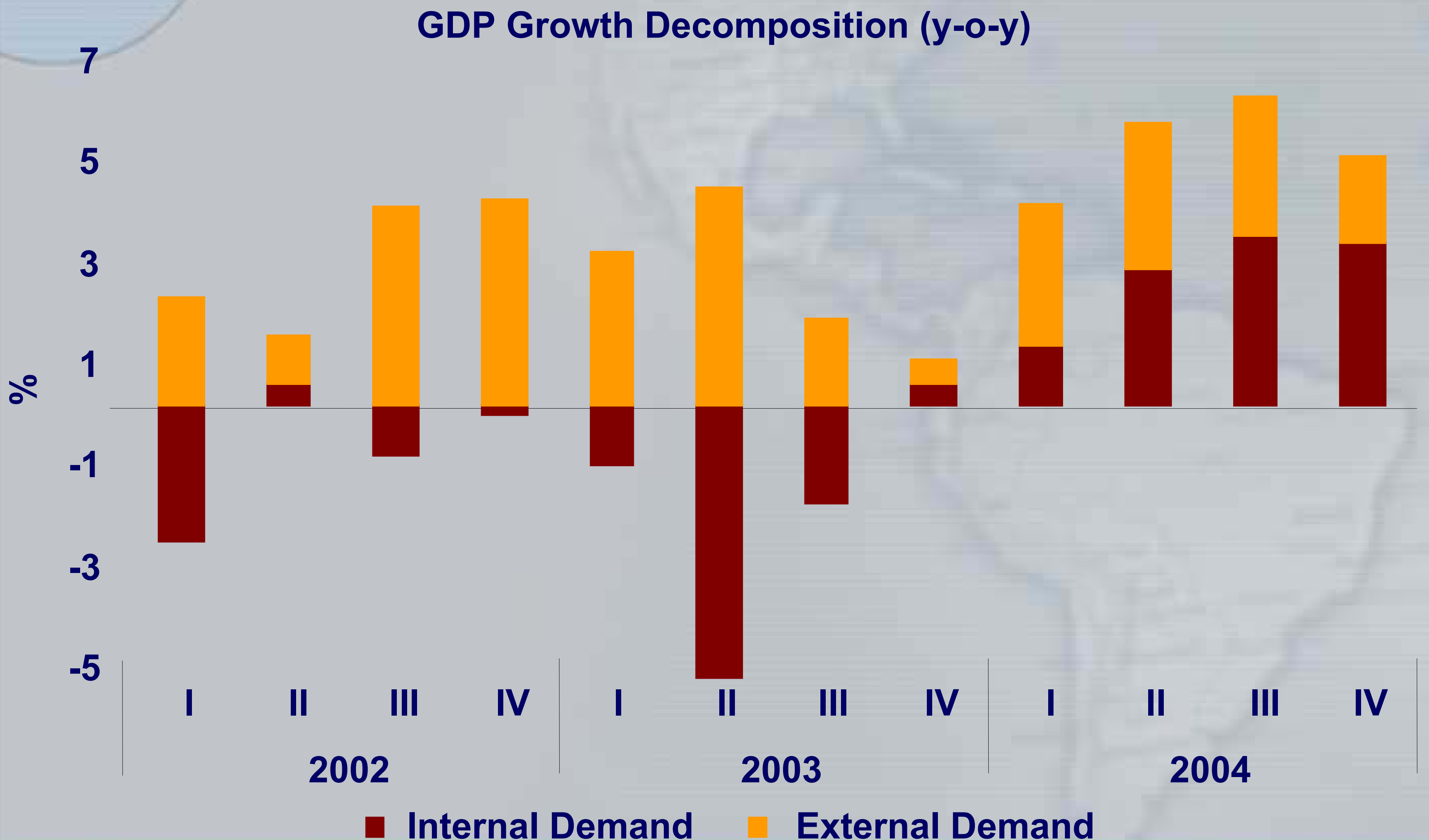


Source: IBGE

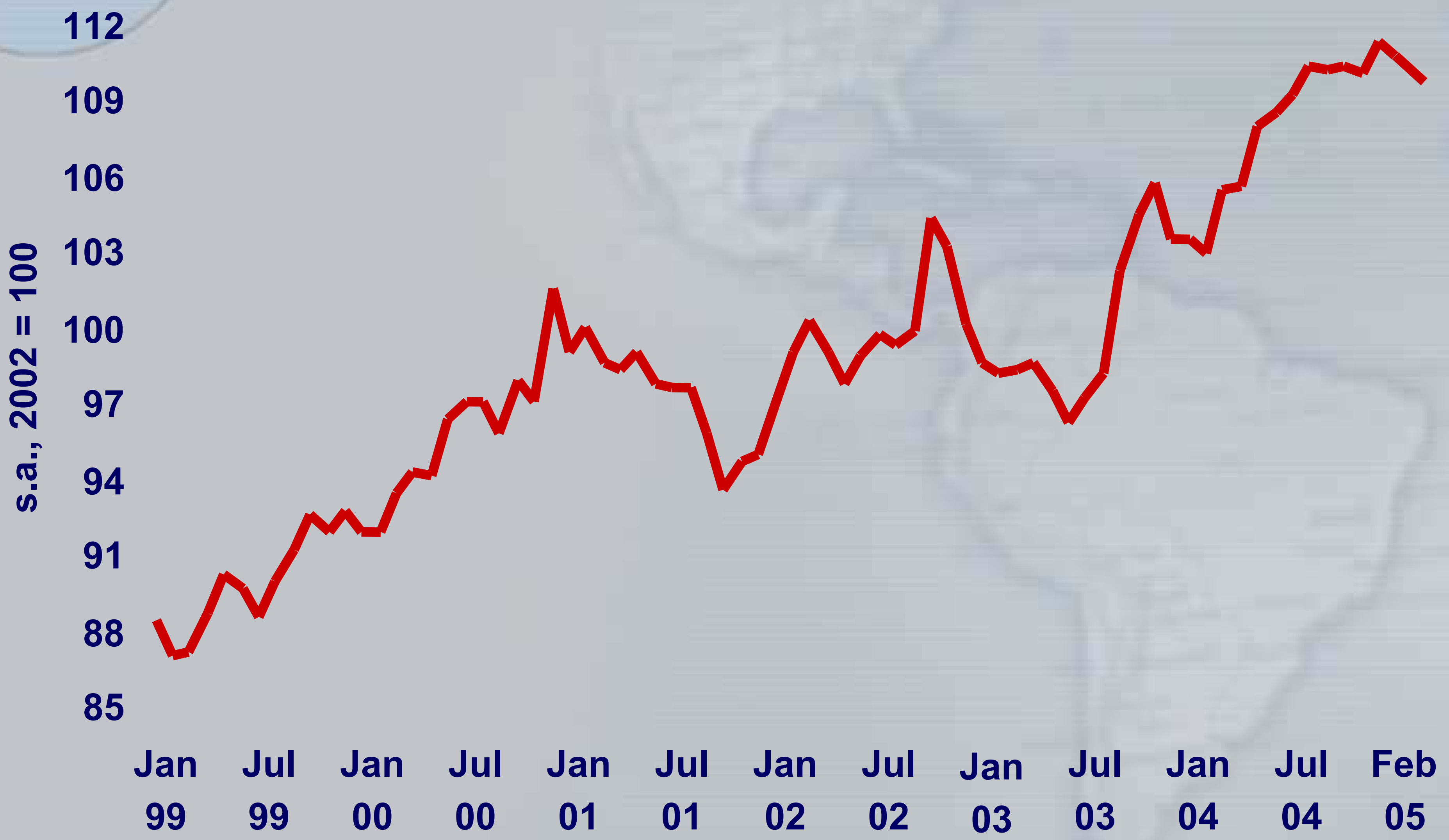
GDP x Fixed Capital Investment



Contribution of Internal and External Demands to GDP Growth



Industrial Output



Source: IBGE

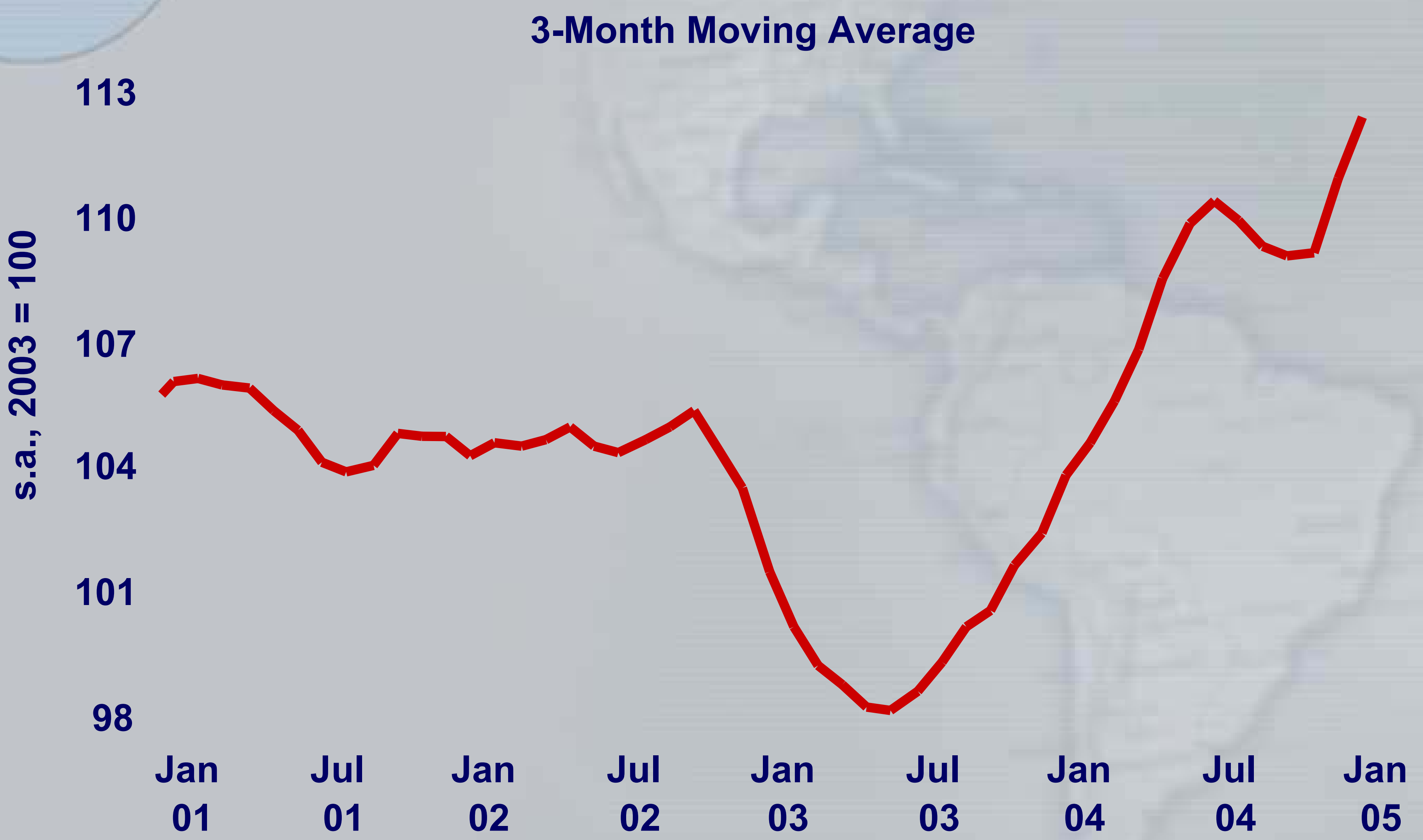
Industrial Output

%

	Dec 04-Feb 05 / Sep 04-Nov 04	2004 / 2003
Total	+0.5	+8.3
Capital Goods	+0.9	+19.7
Intermediate Goods	-0.8	+7.4
Consumer Goods		
Durable	+3.7	+21.8
Semi and Non-Durable	+4.3	+4.0

Source: IBGE

Real Retail Sales



Source: IBGE, Banco Central

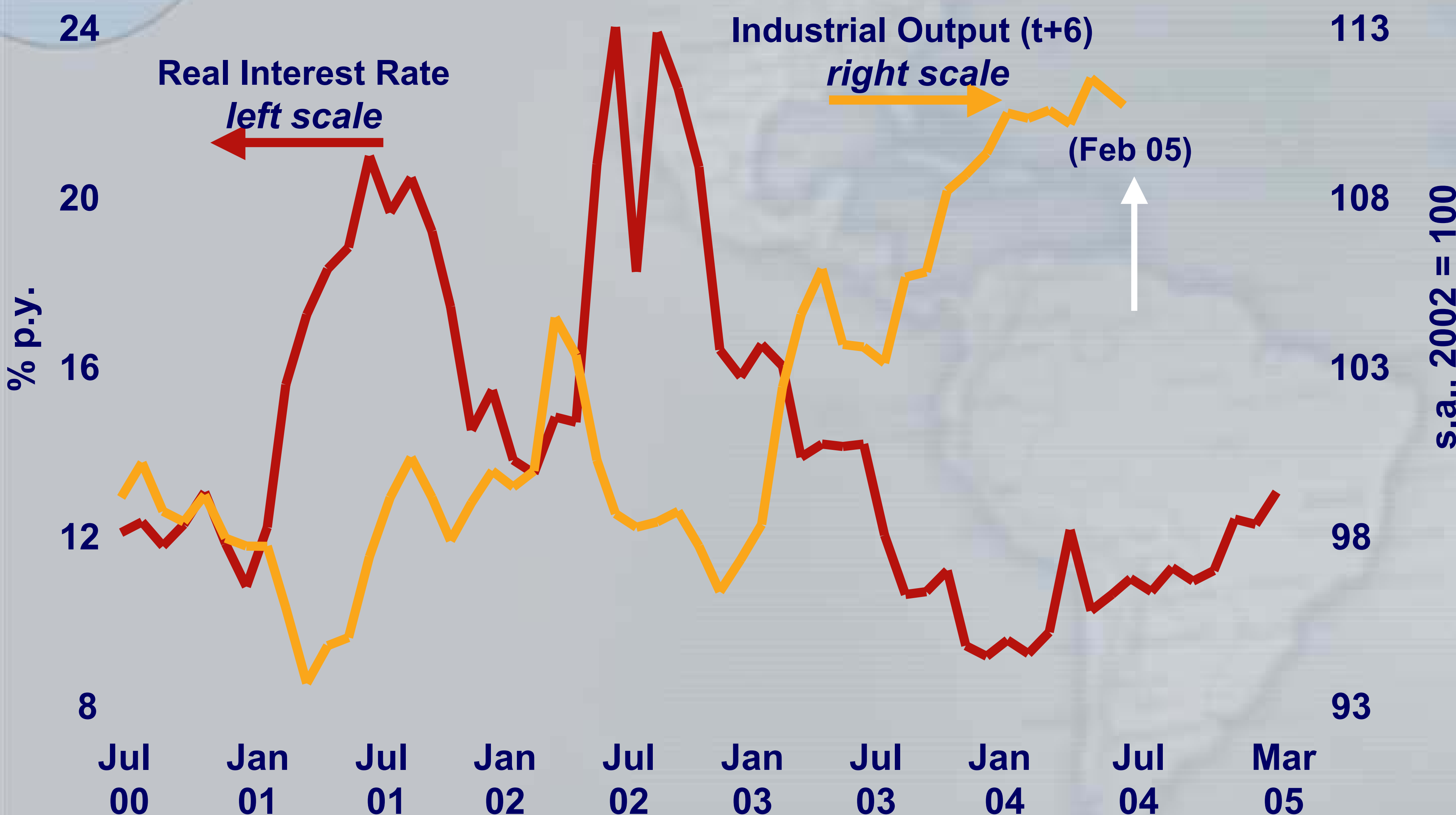
Retail Sales

%

	Nov 04-Jan 05 / Aug 04-Oct 04	2004 / 2003
Total	+3.1	+9.2
Furniture & Electronics	+5.6	+26.4
Fuel and Lubricants	+0.1	+4.7
Supermarket, Food, Beverage and Tobacco	+3.0	+7.2
Vehicles & Autoparts	+0.0	+17.8
Clothing	+3.9	+4.7

Source: IBGE

The Role of the Monetary Impulse

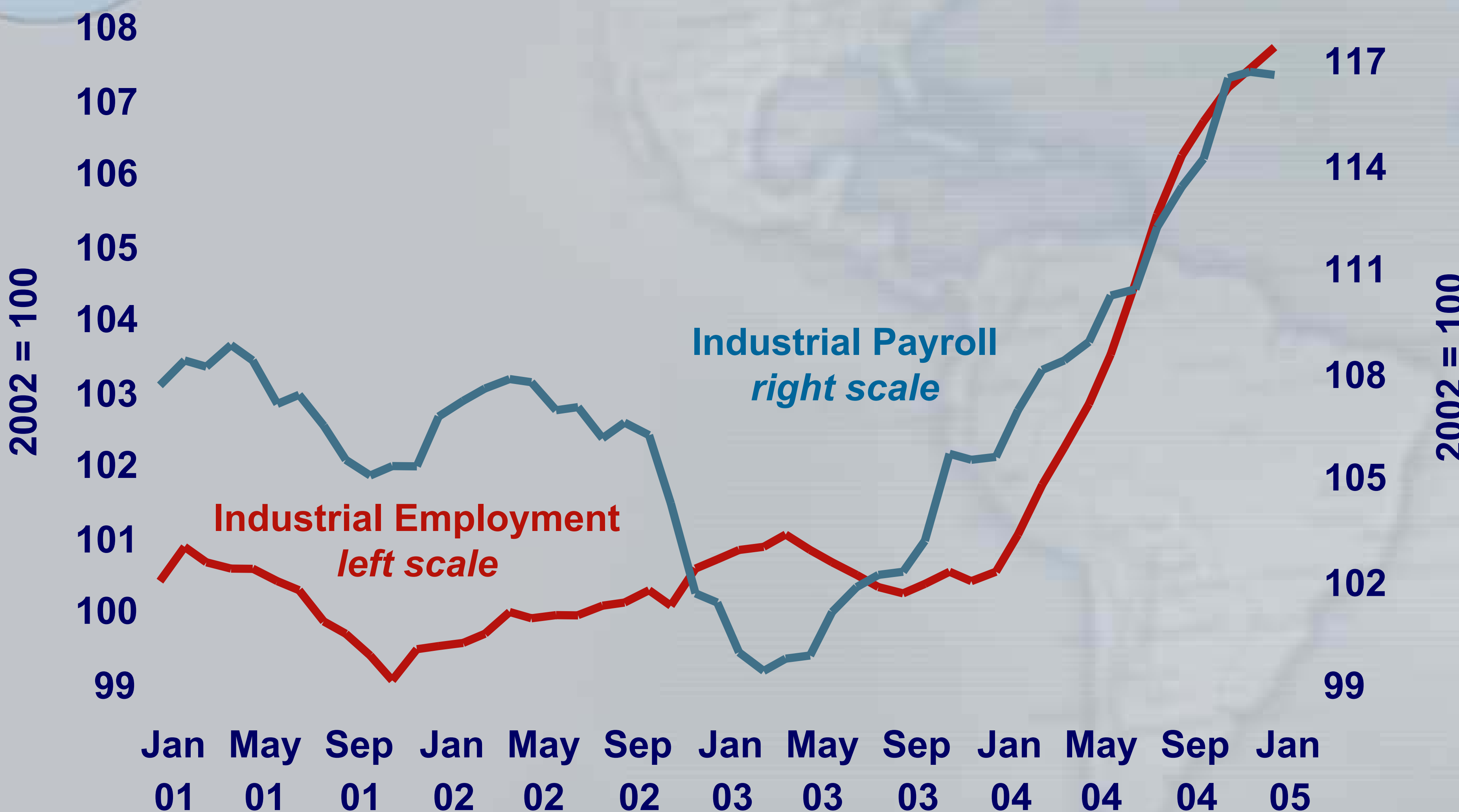


Source: IBGE, Banco Central

Formal Job Creation

Source: Ministry of Labour and Employment

Industrial Employment and Payroll

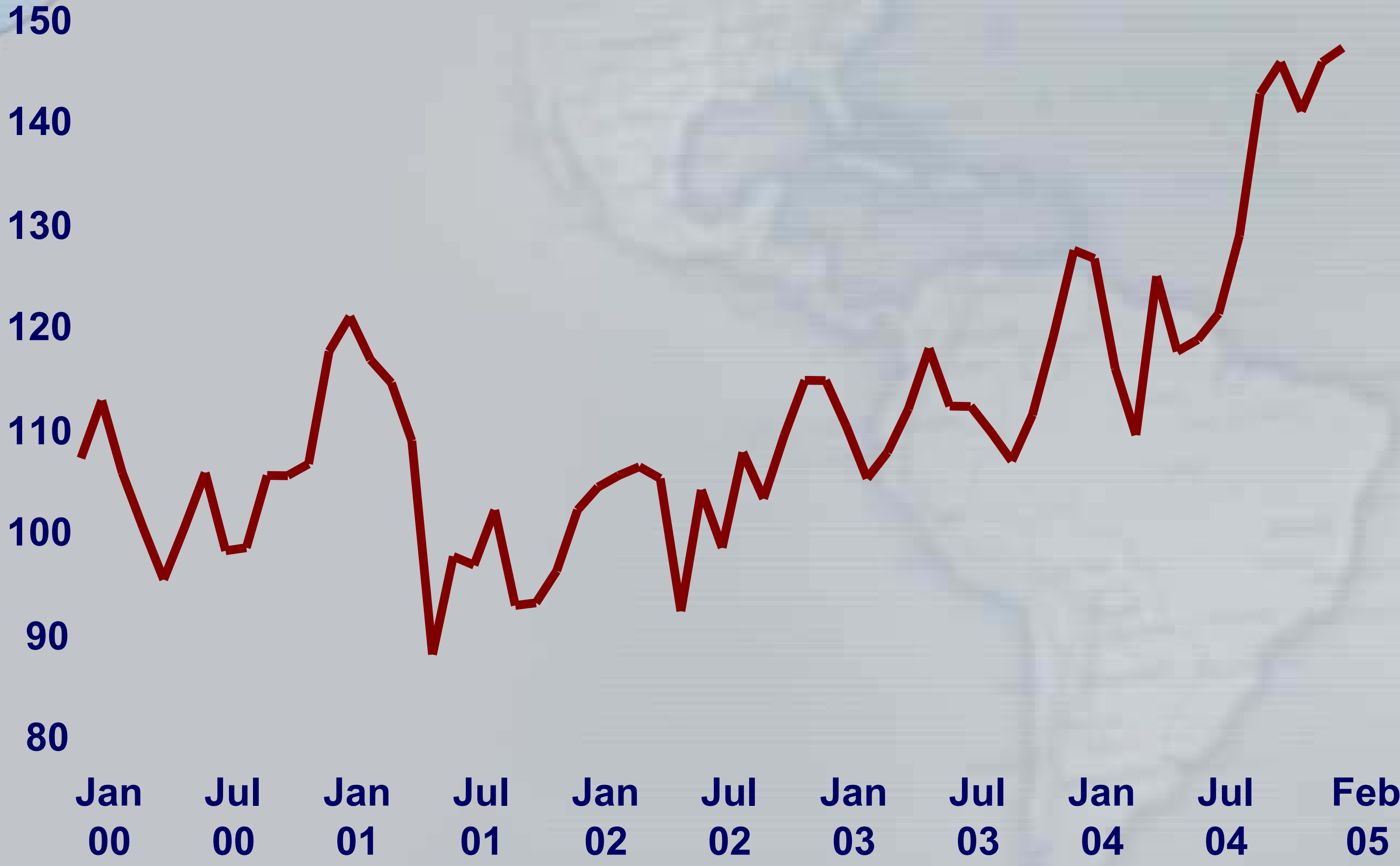


Source: CNI

Self-Propagating Forces

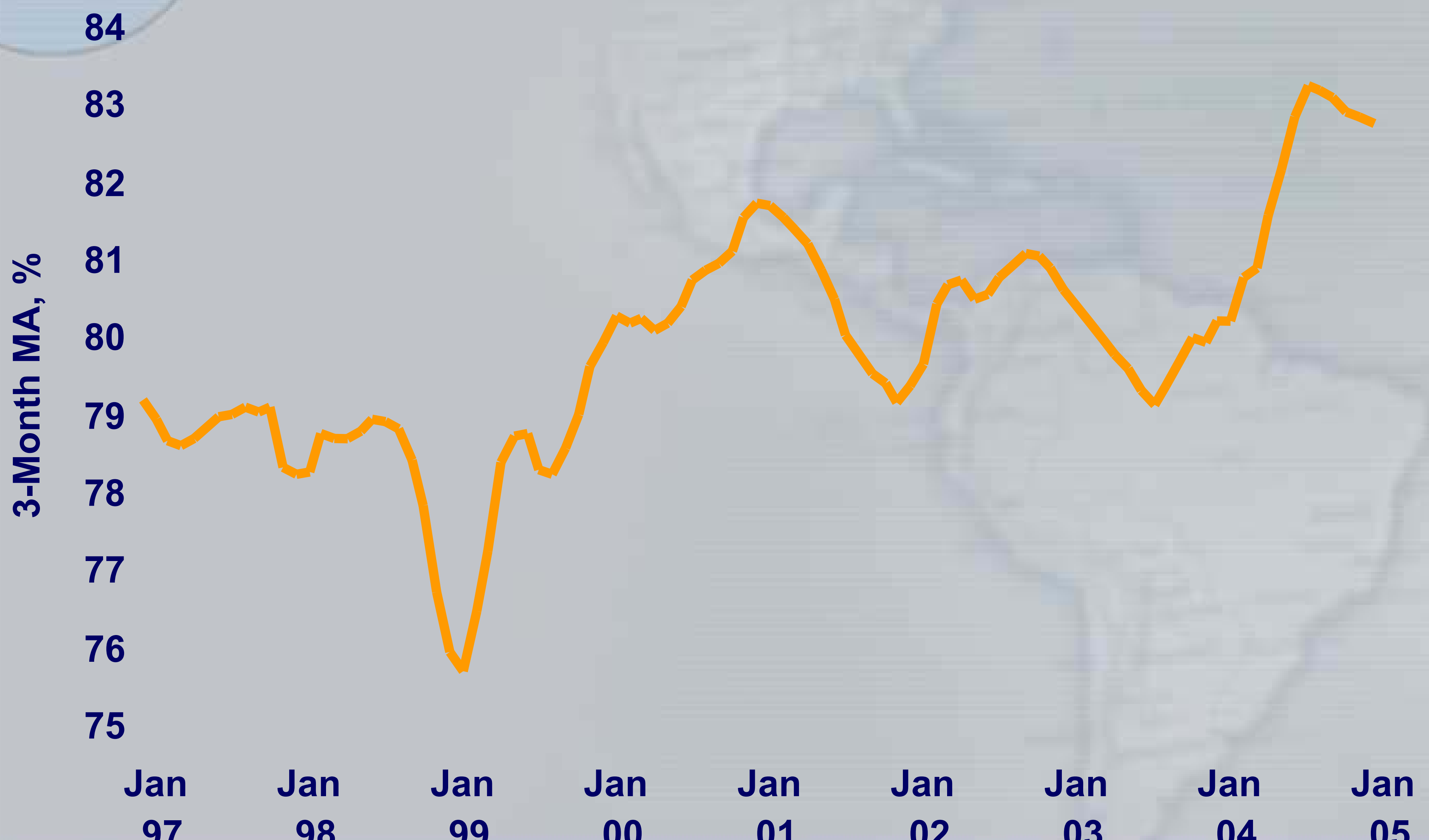
Source: IBGE

Consumers Confidence



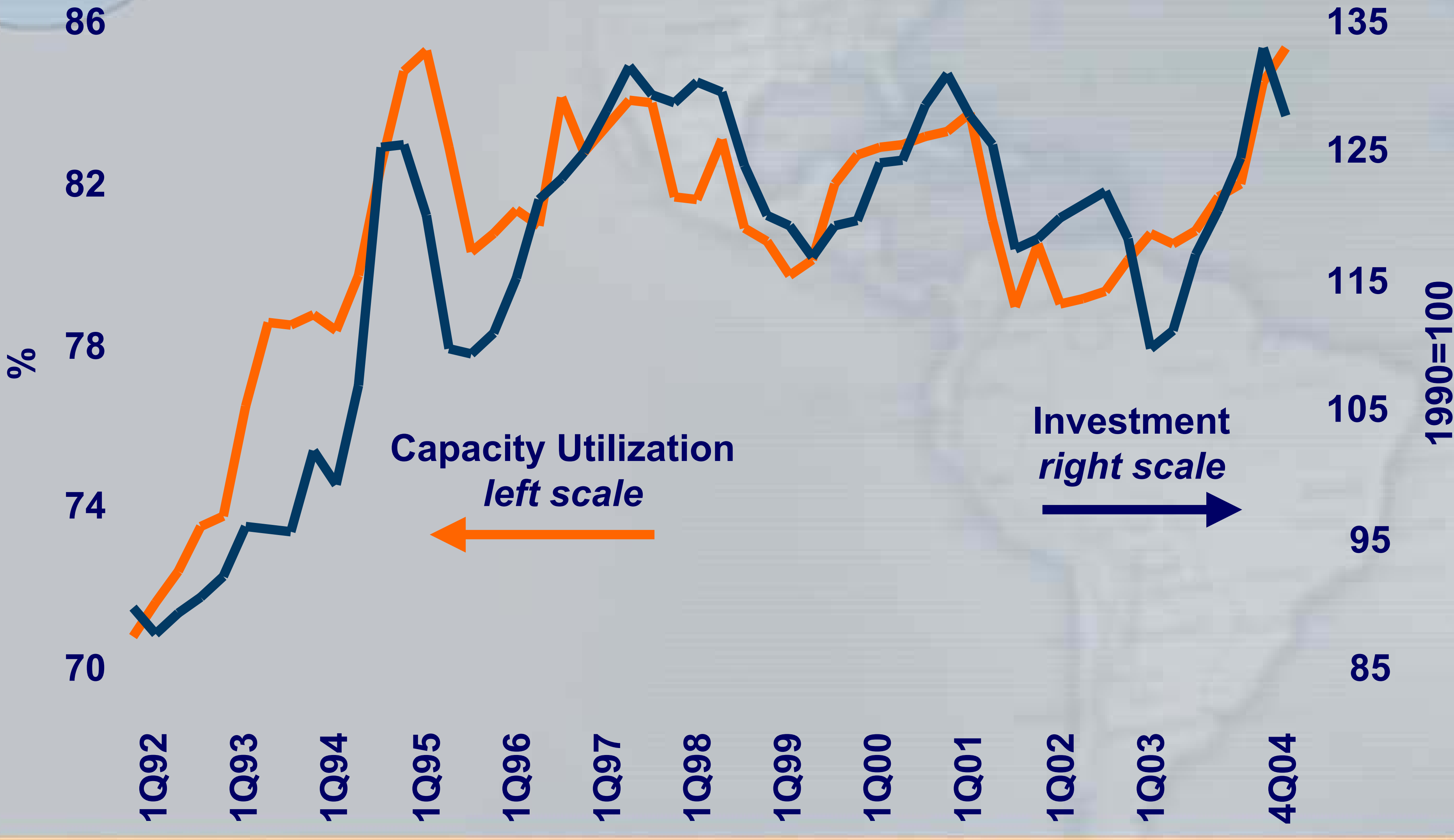
Source: Fecomércio SP

Capacity Utilization



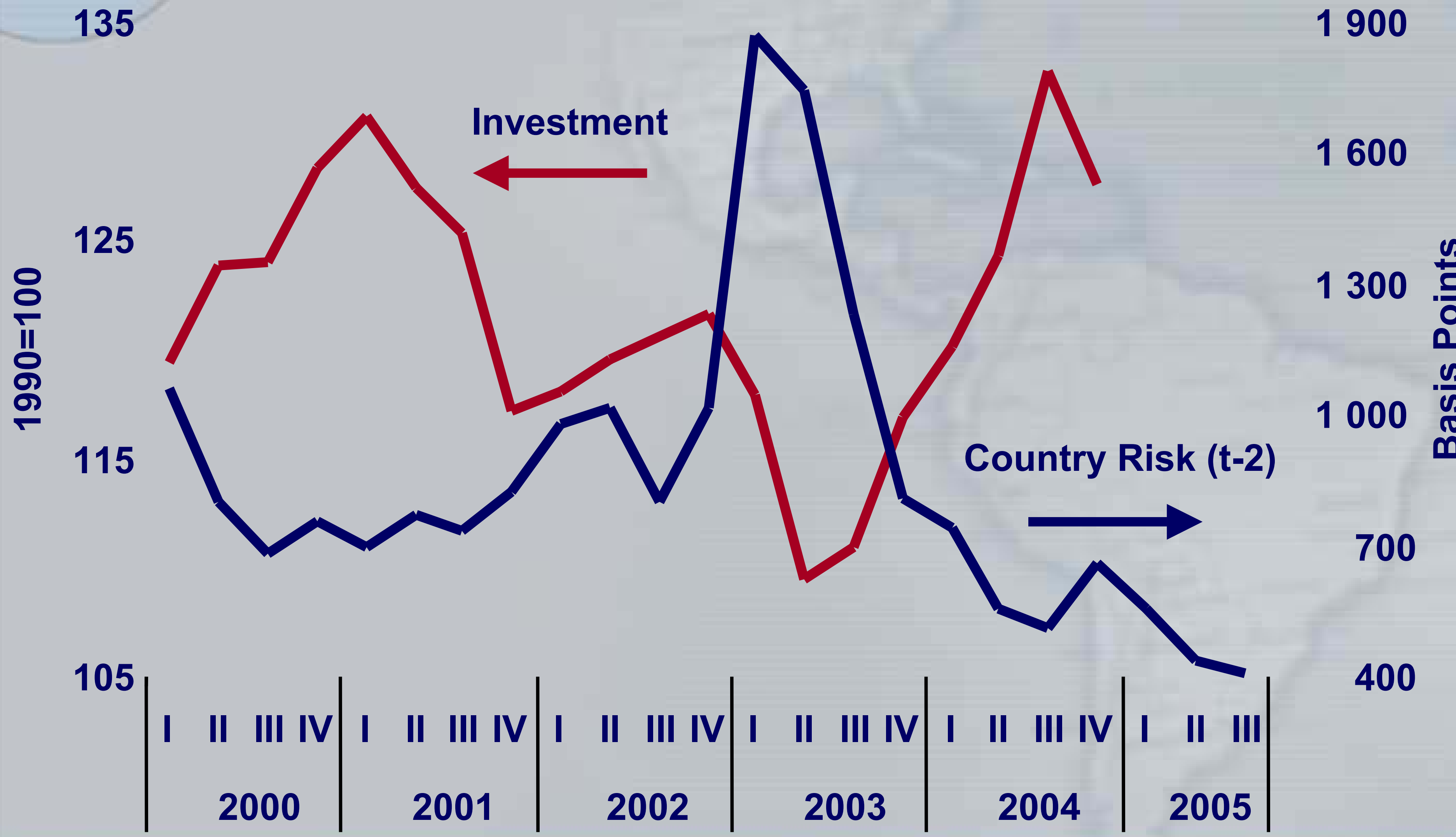
Source: CNI

Investment x Capacity Utilization



Sources: IBGE and CNI

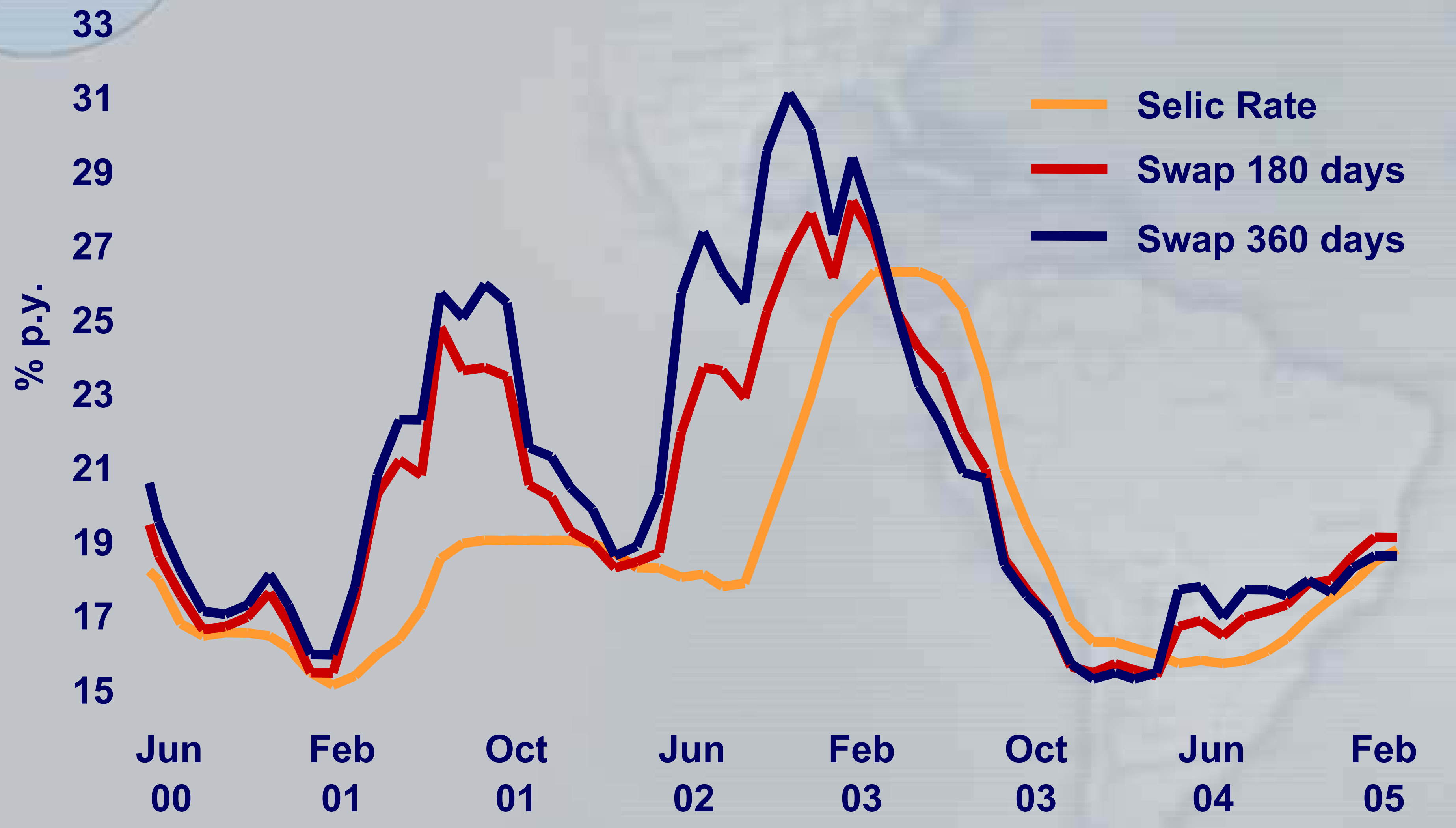
Investment x Country Risk



Sources: IBGE and JP Morgan

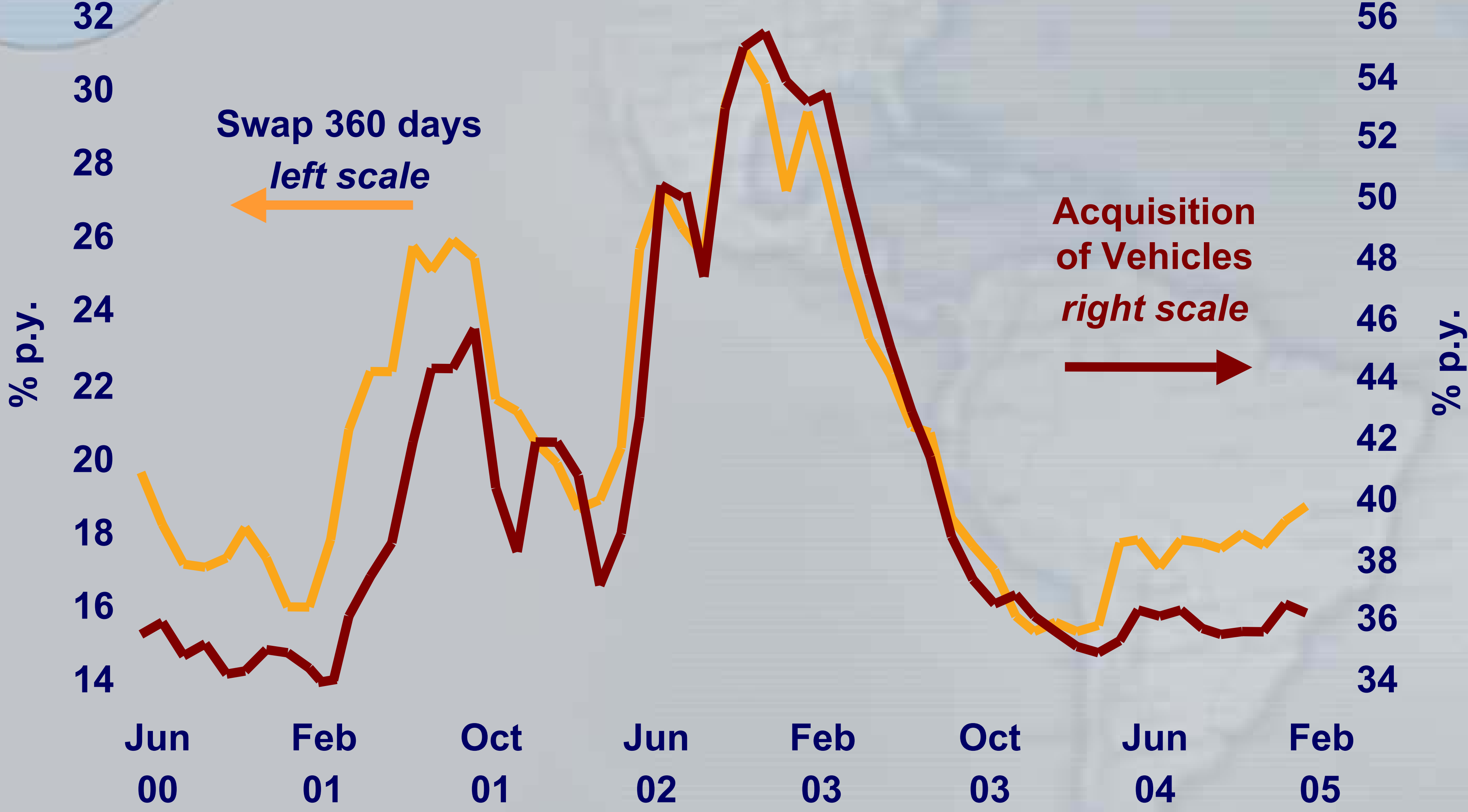
II. Credit

Selic vs. Market Interest Rates



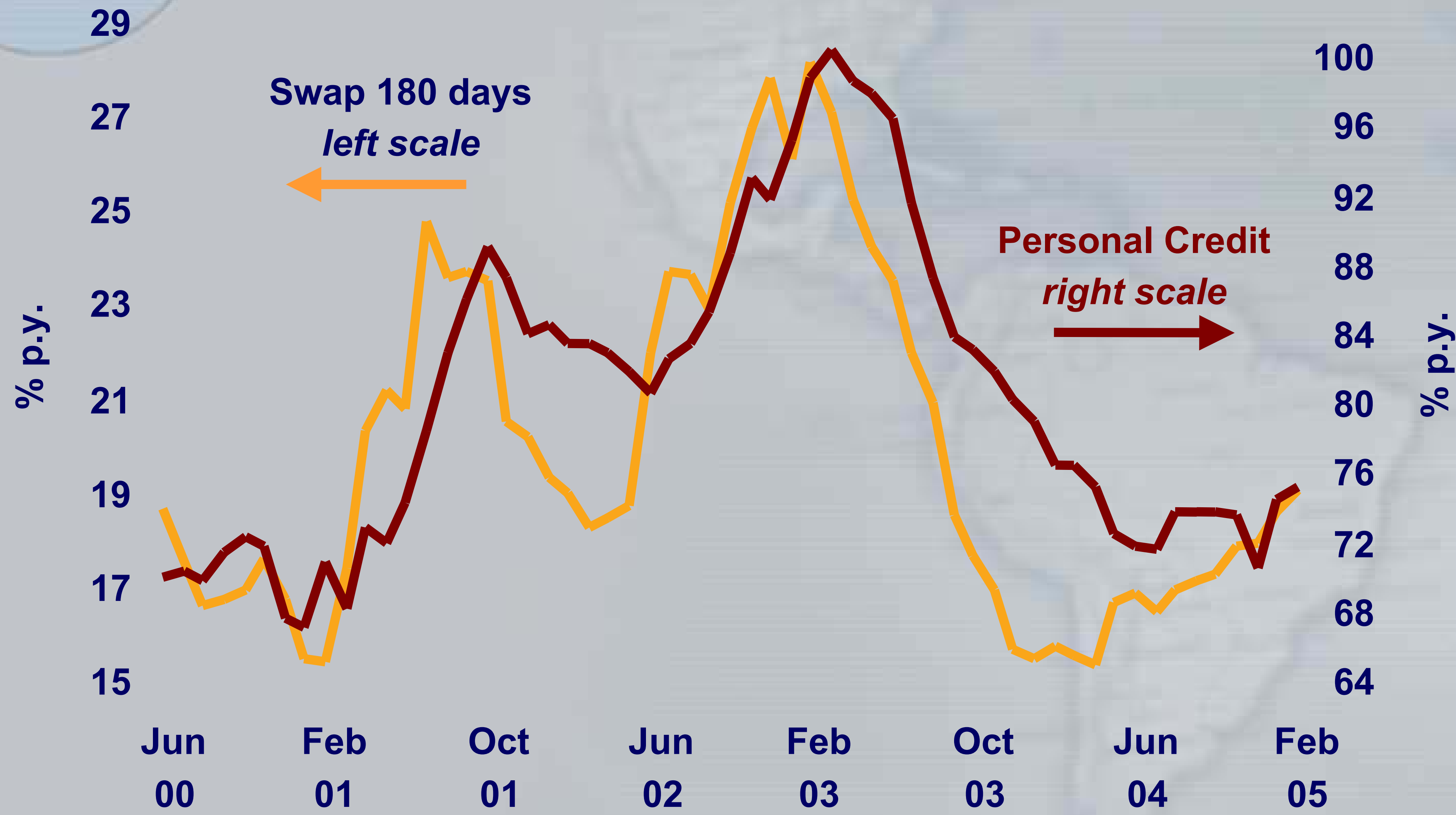
Source: Bacen

Swap Rates vs. Credit Rates



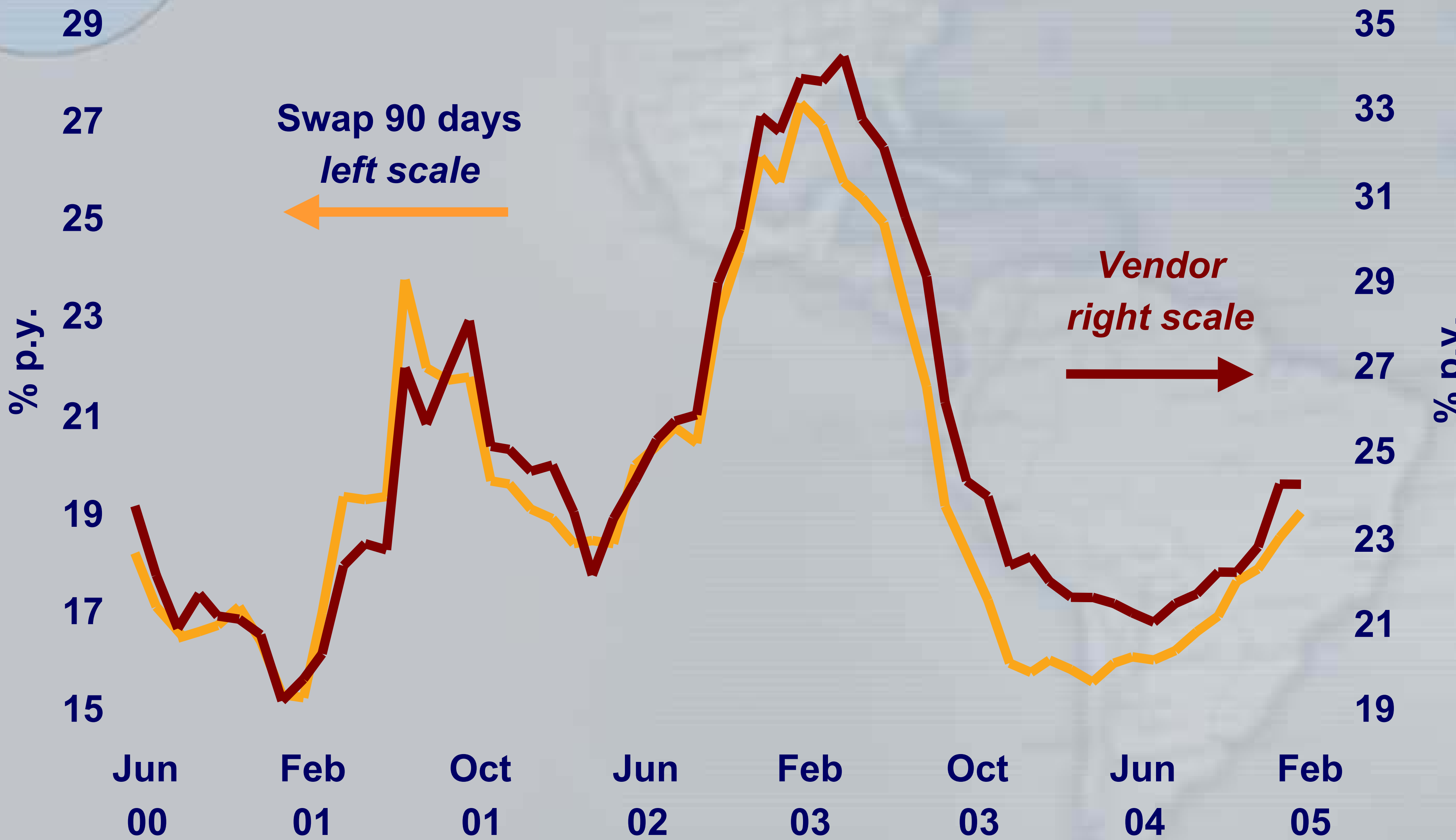
Source: Bacen

Swap Rates vs. Credit Rates



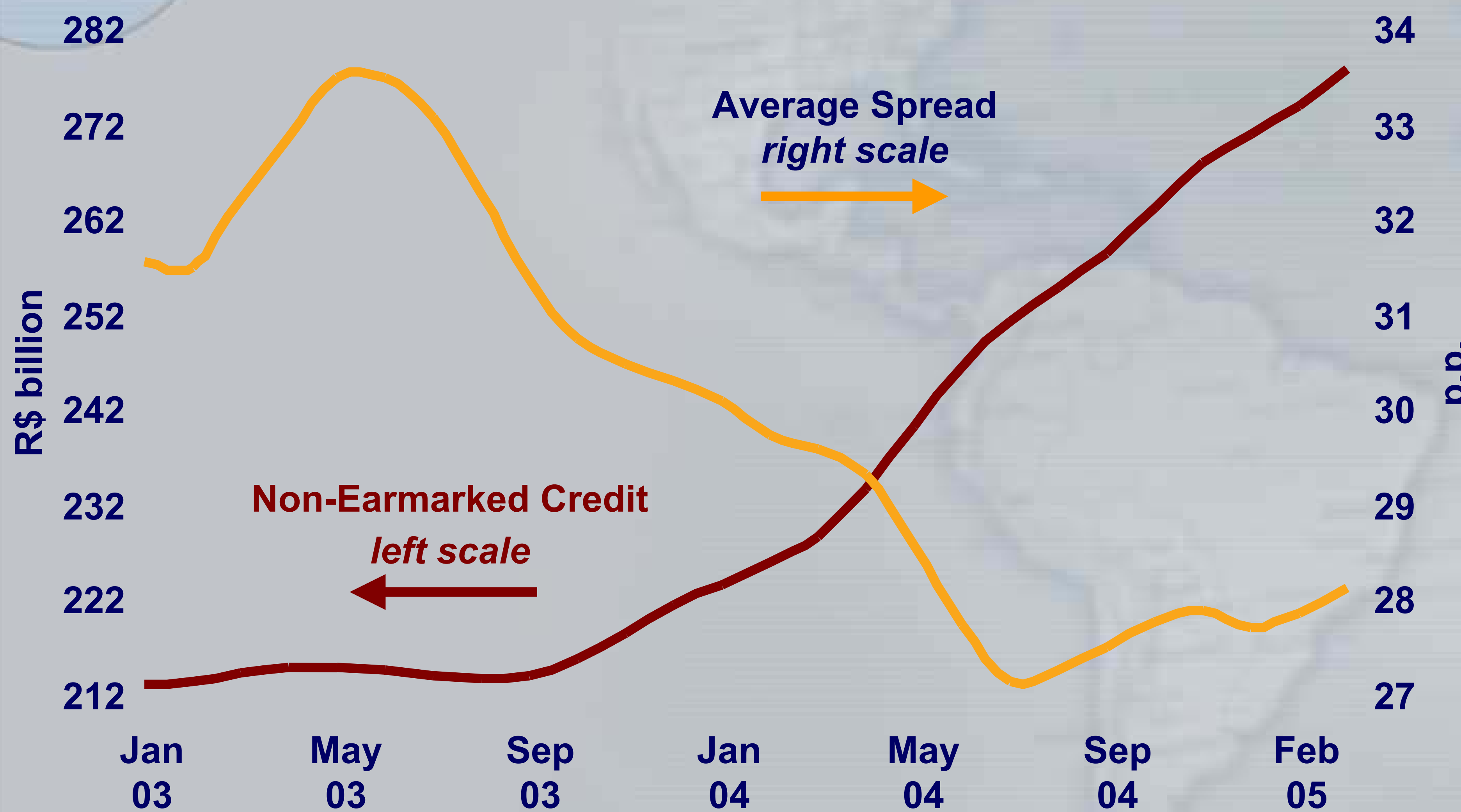
Source: Bacen

Swap Rates vs. Credit Rates



Source: Bacen

Intermediation Spread vs. Credit Supply

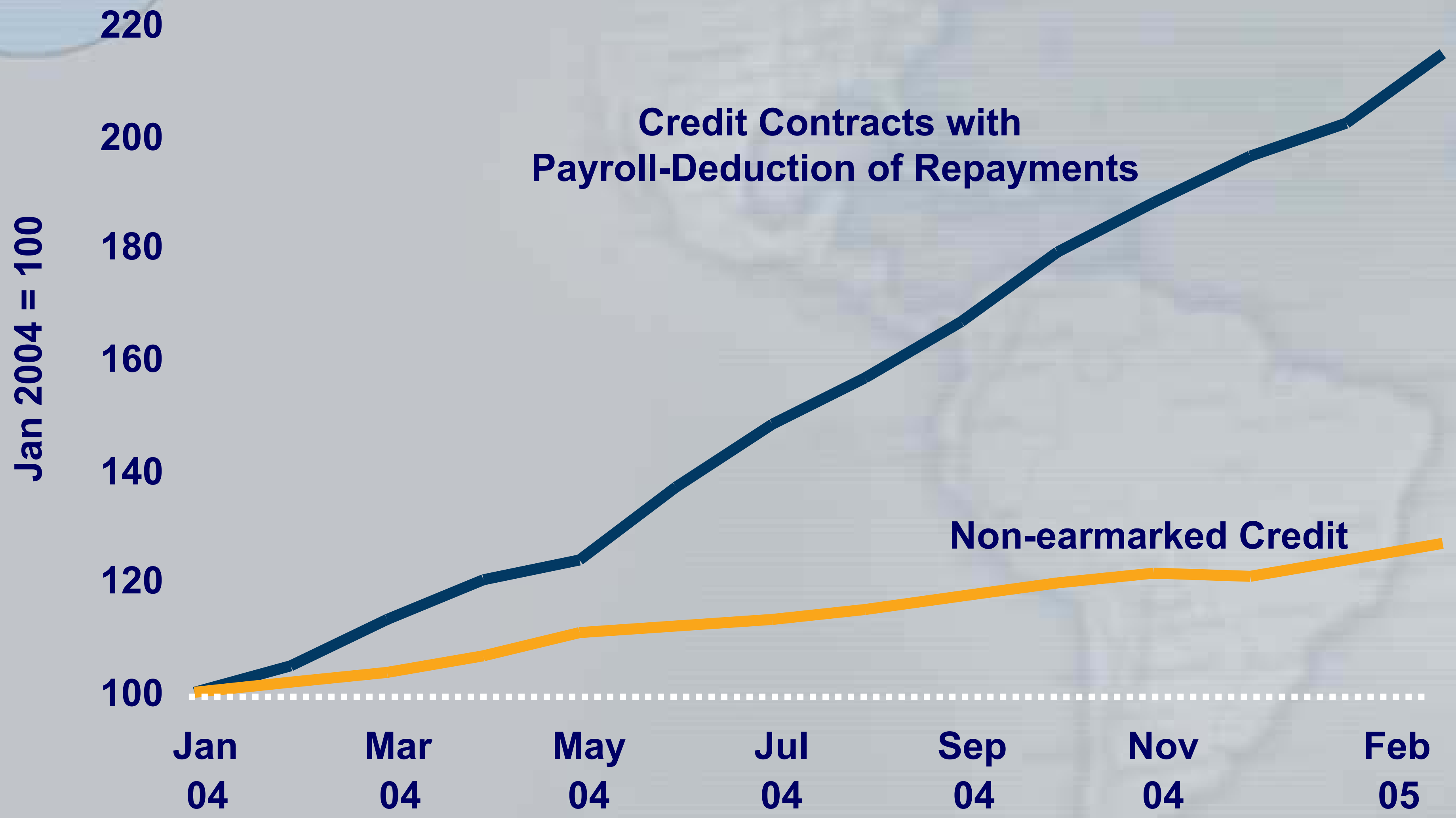


Source: Bacen

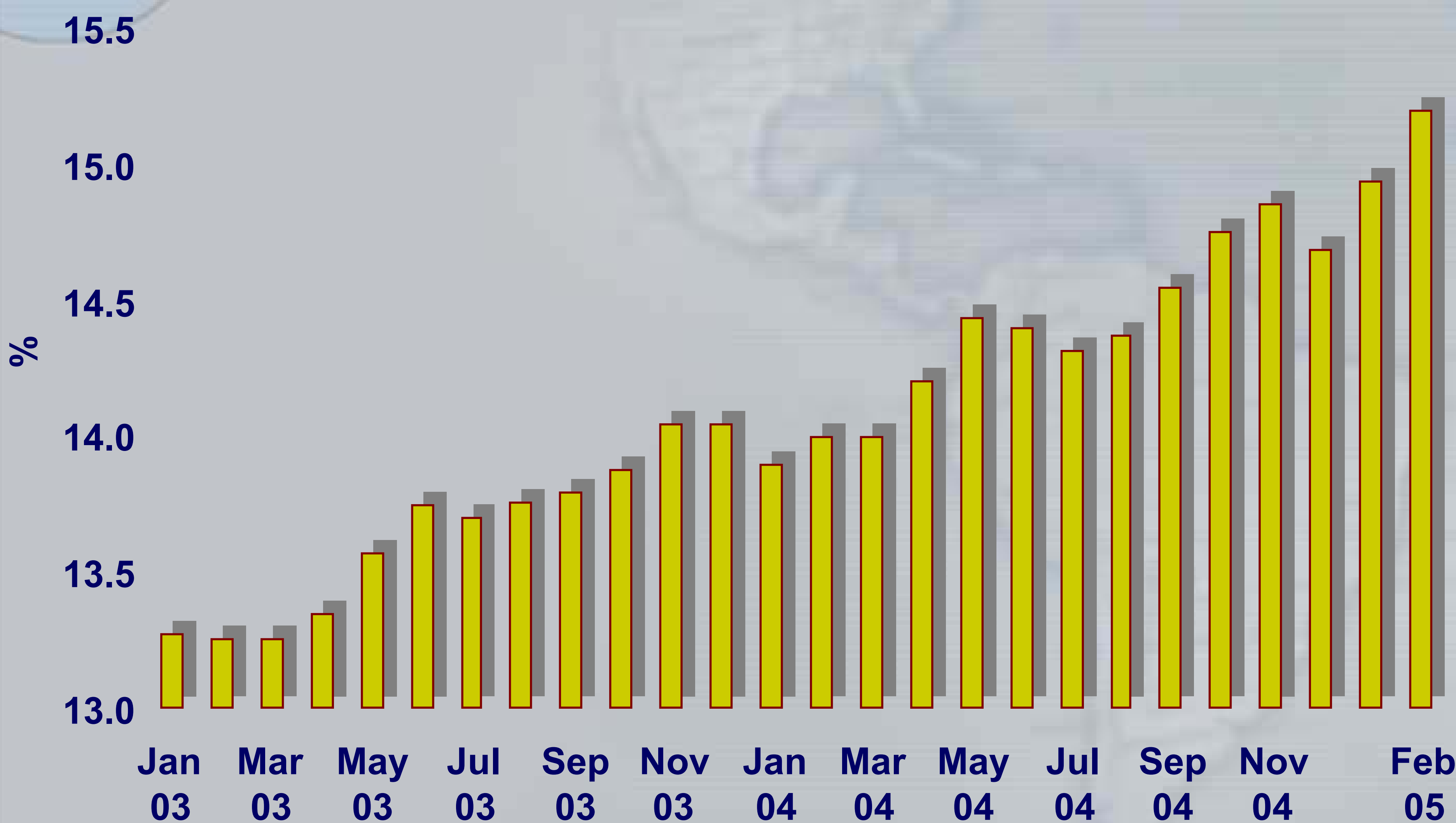
Average Spread: Individuals and Companies

Source: Bacen

Credit Contracts with Payroll-Deduction of Repayments



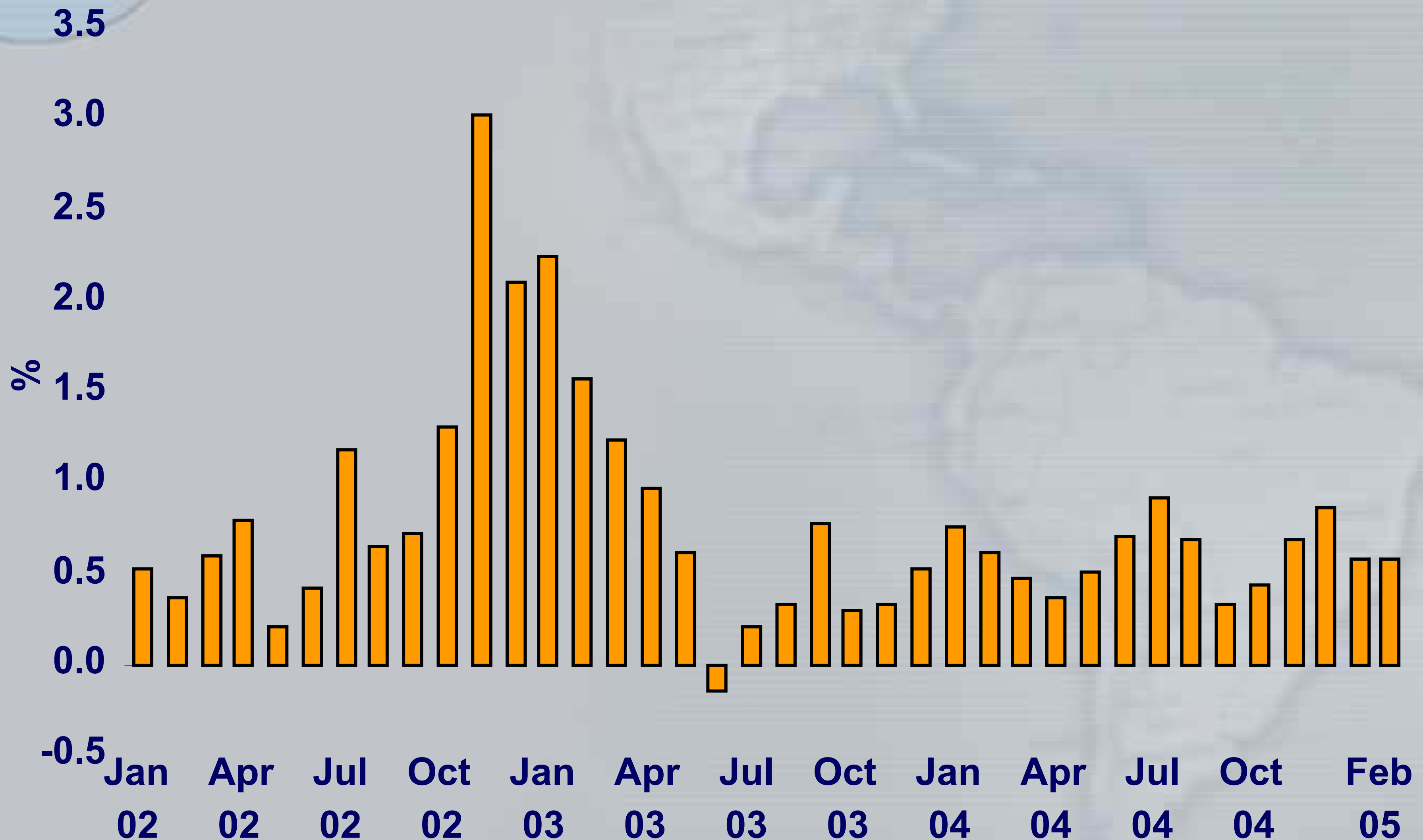
Non-Earmarked Credit/GDP



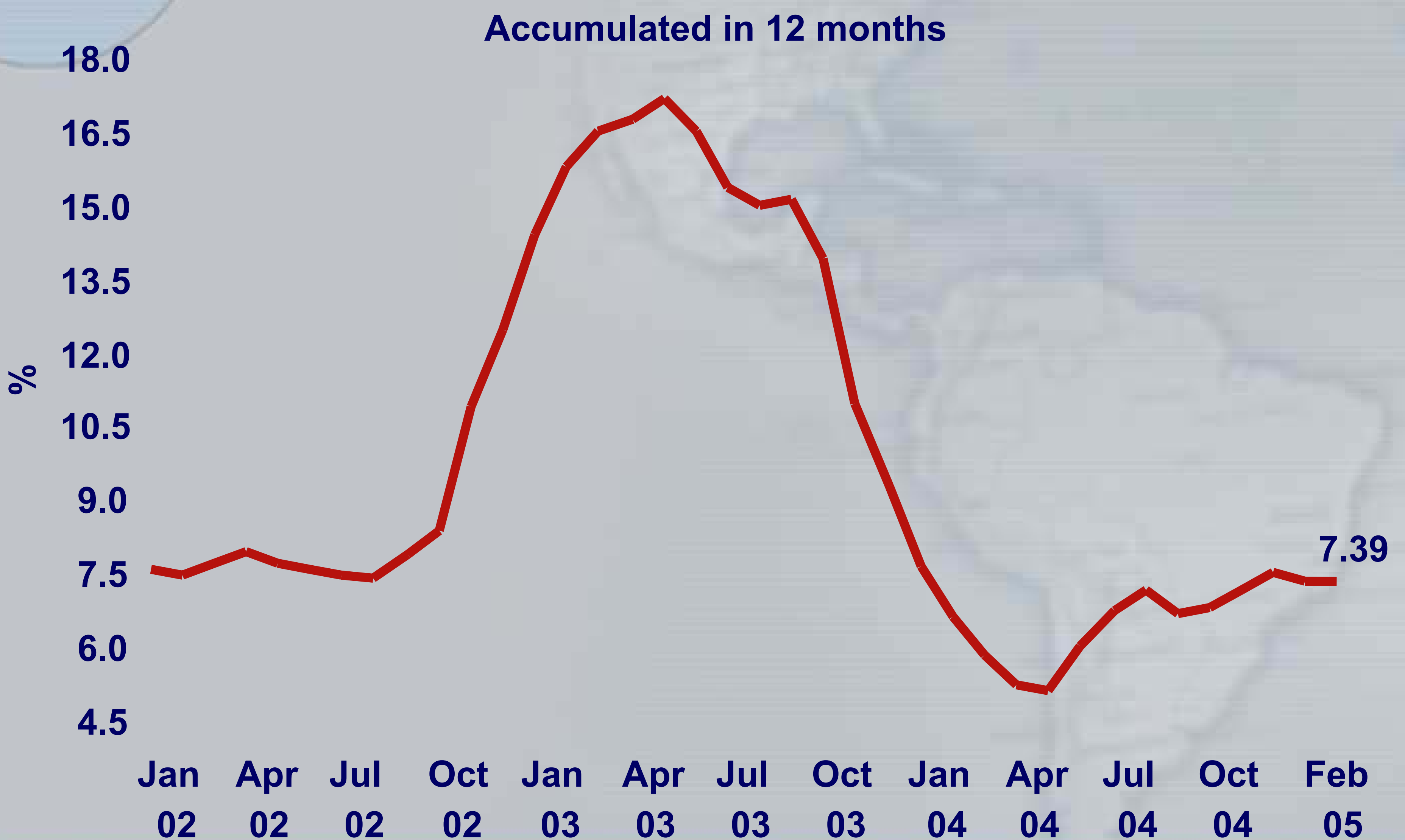
Source: Bacen

III. Inflation

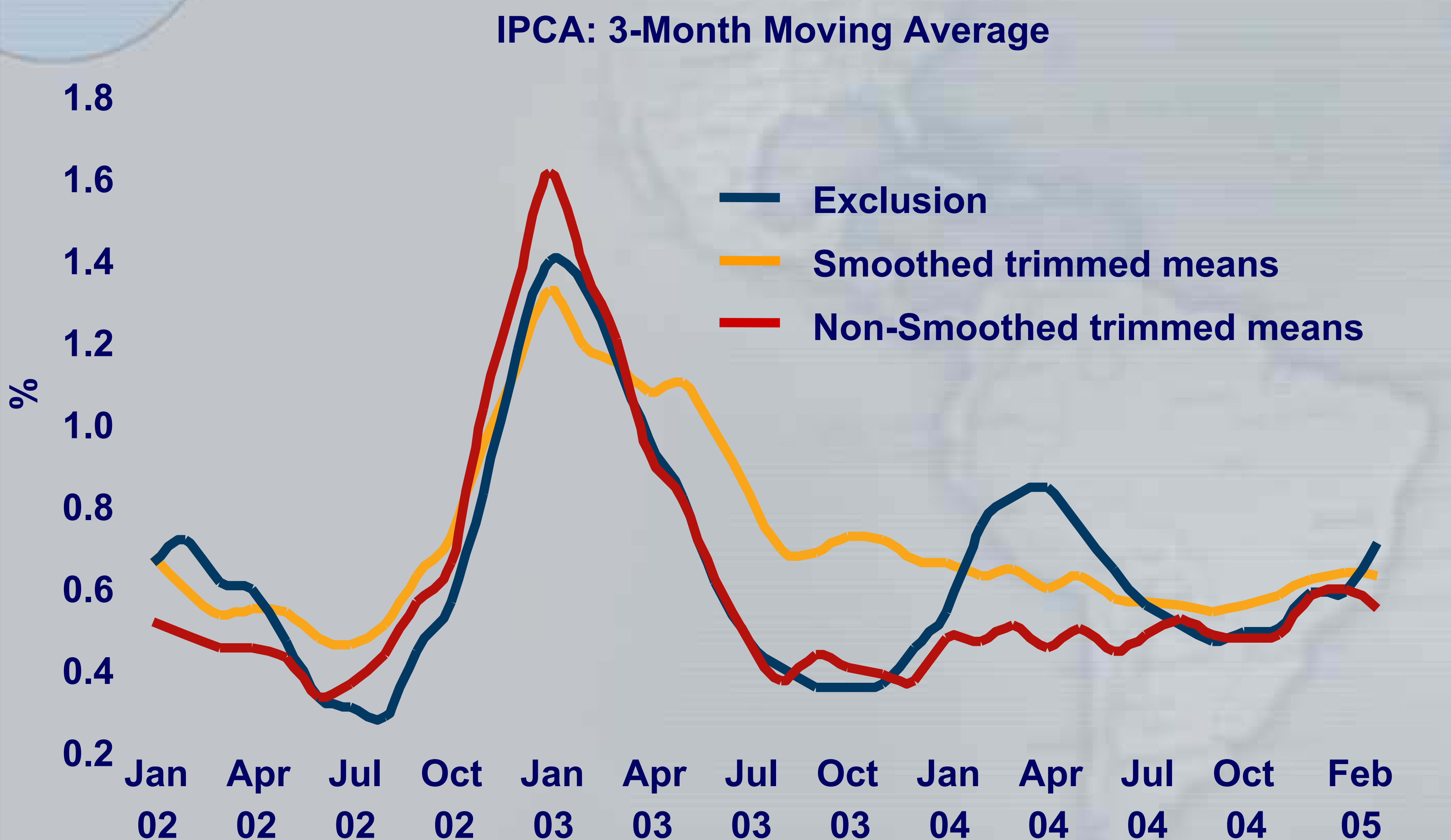
IPCA Inflation Rate



IPCA Inflation Rate

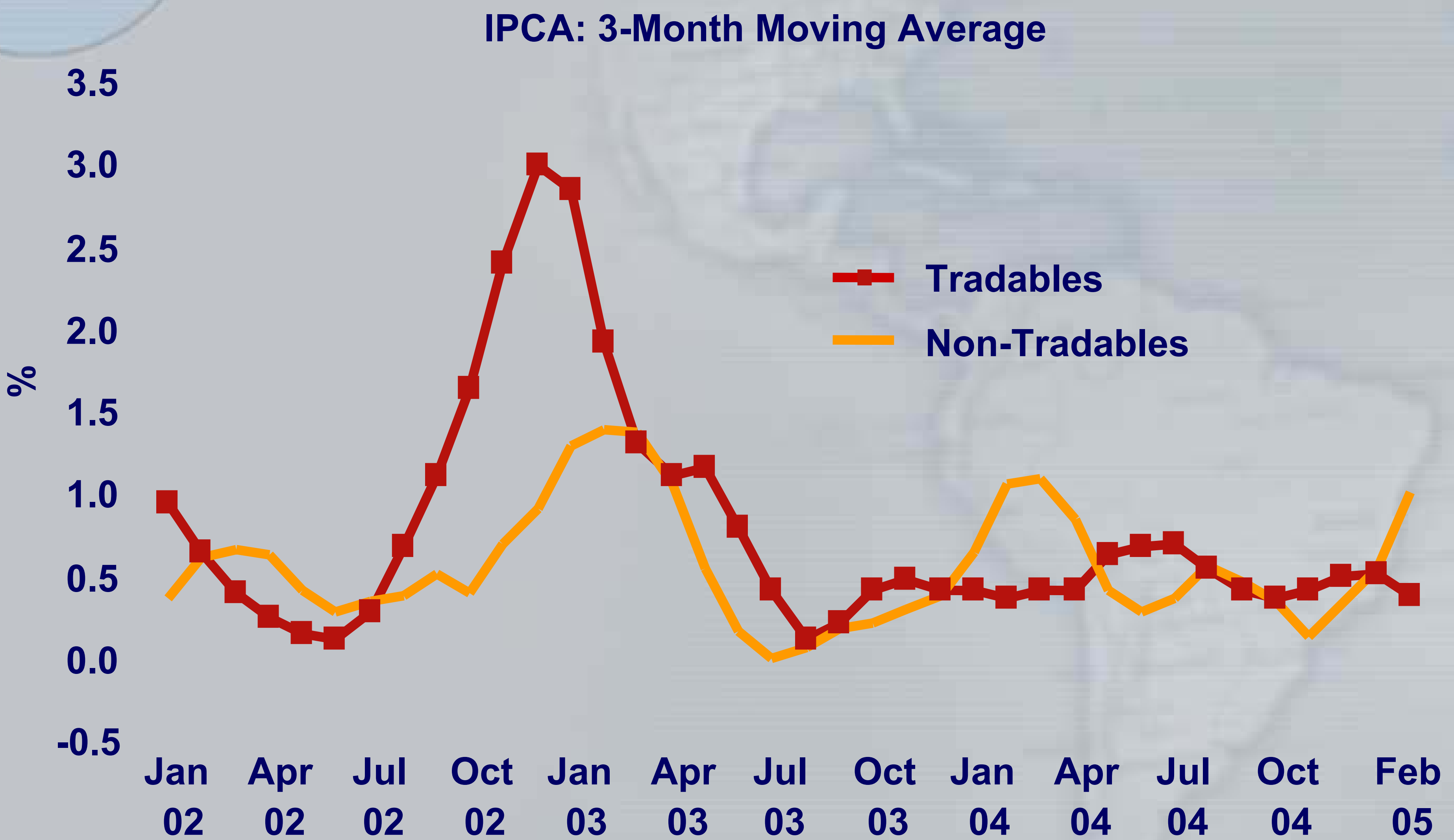


Core Inflation



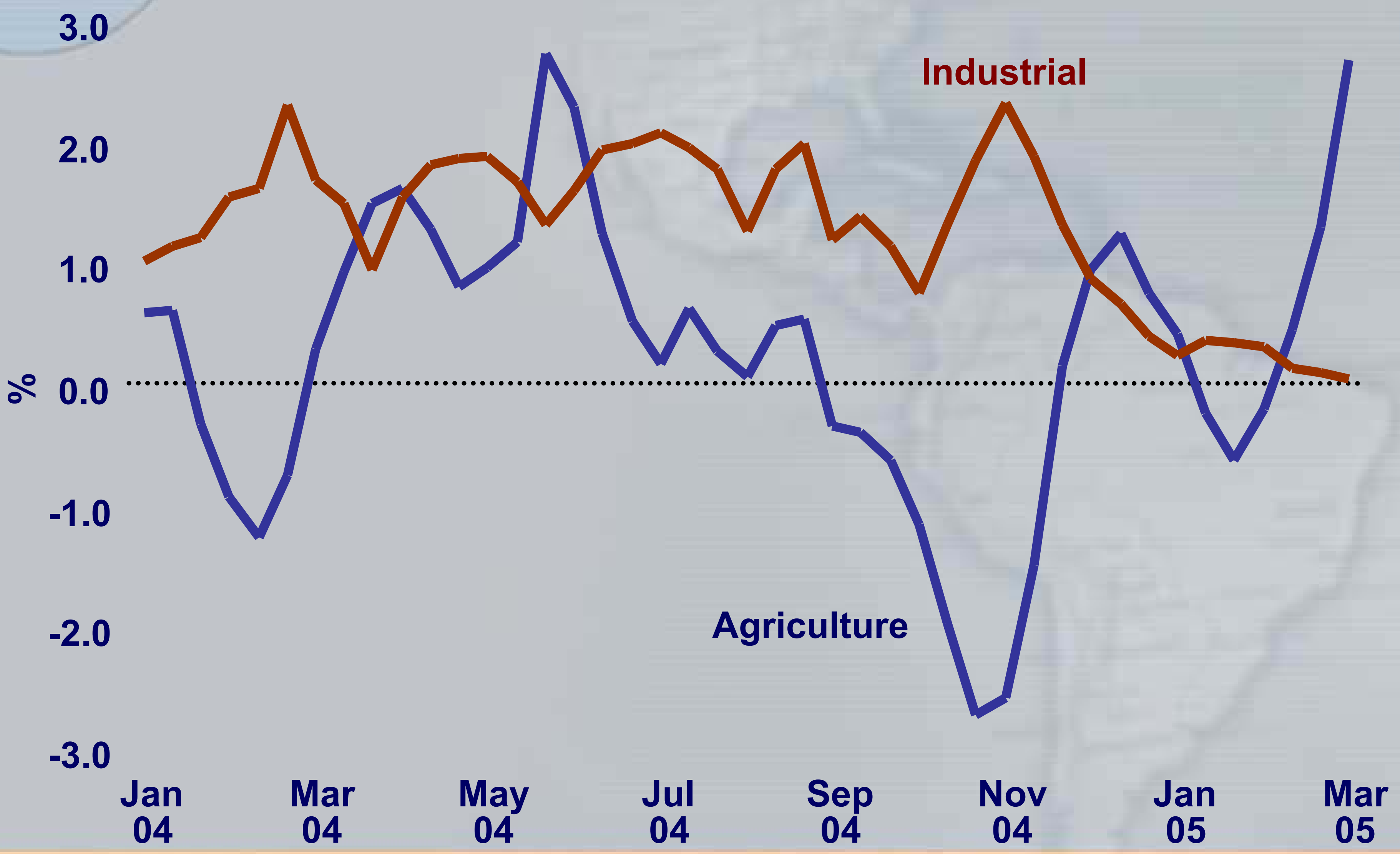
Source: Bacen

Tradables x Non-tradables Inflation

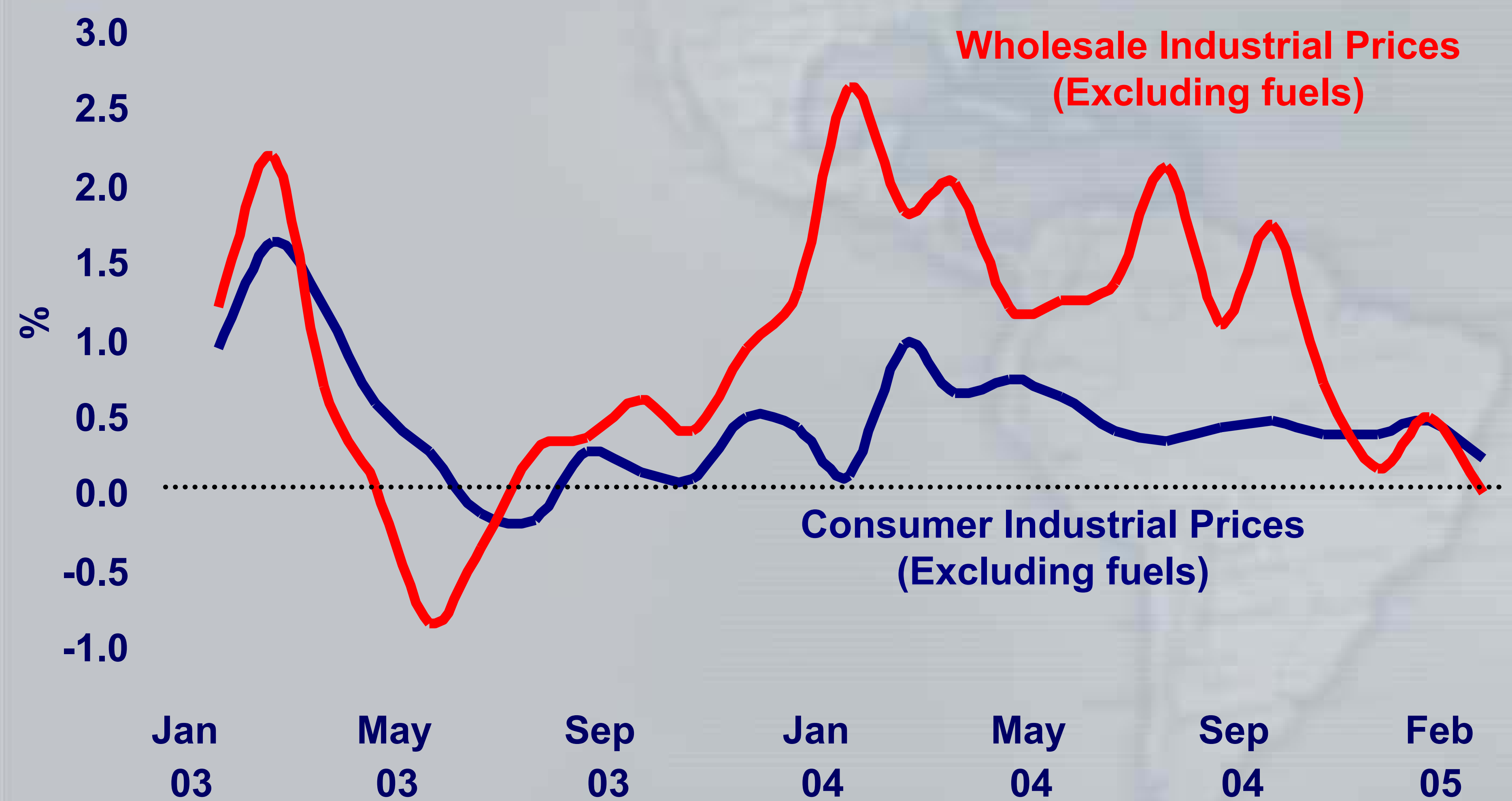


Source: Bacen

Wholesale inflation: Industrial x Agriculture Prices

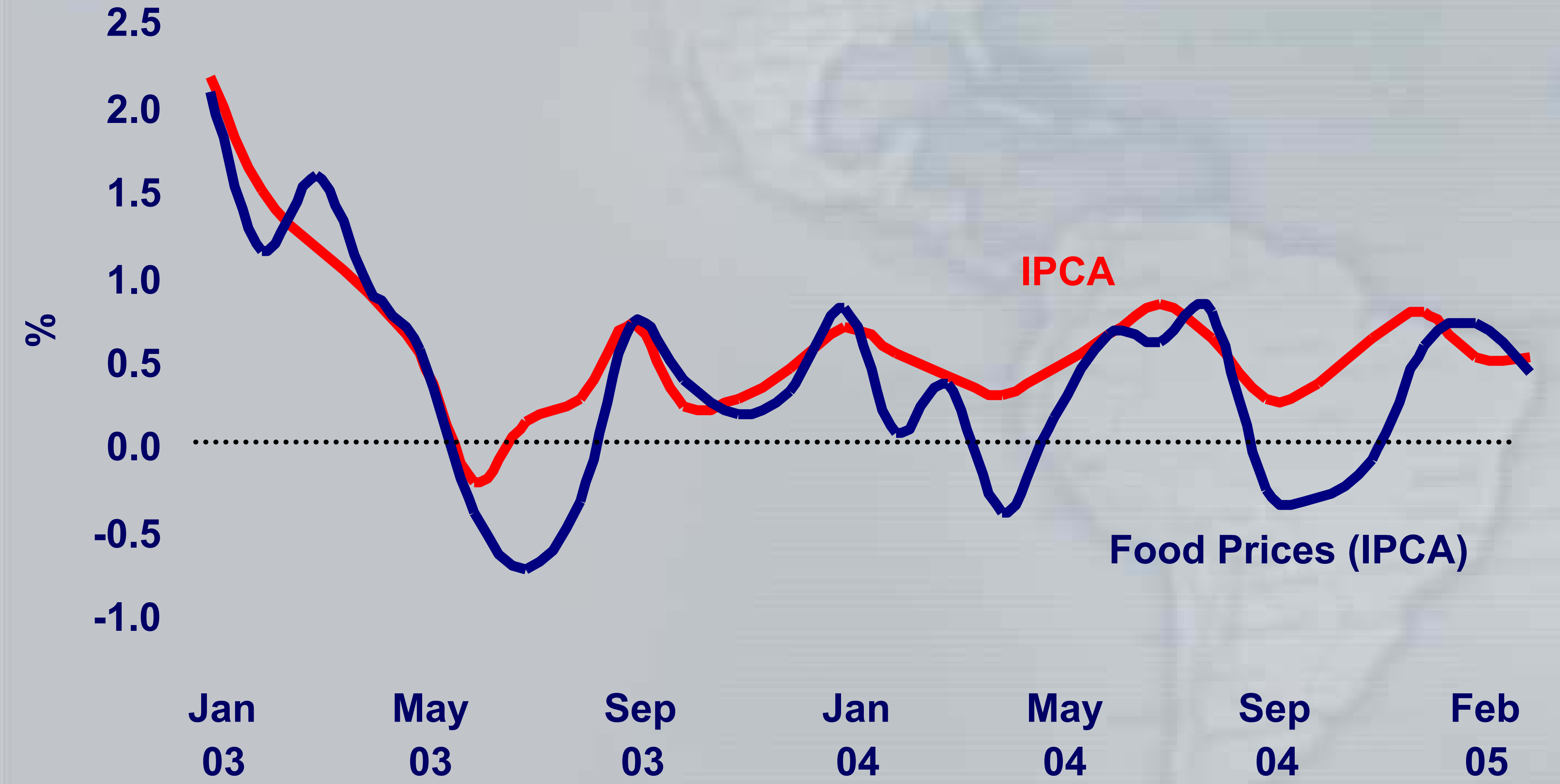


Industrial Prices: Wholesale x IPCA



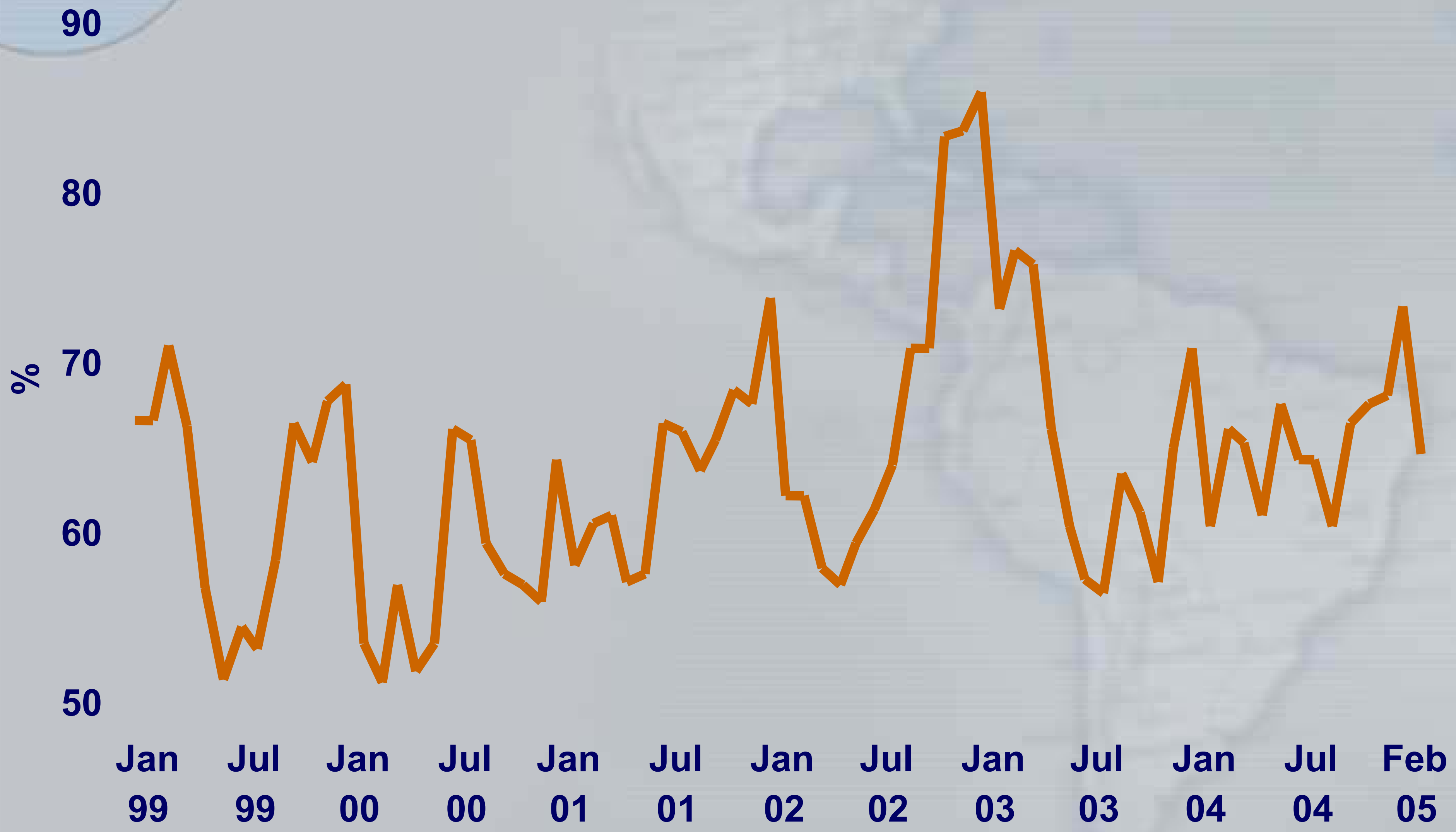
Sources: IBGE, FGV

Food Prices x IPCA

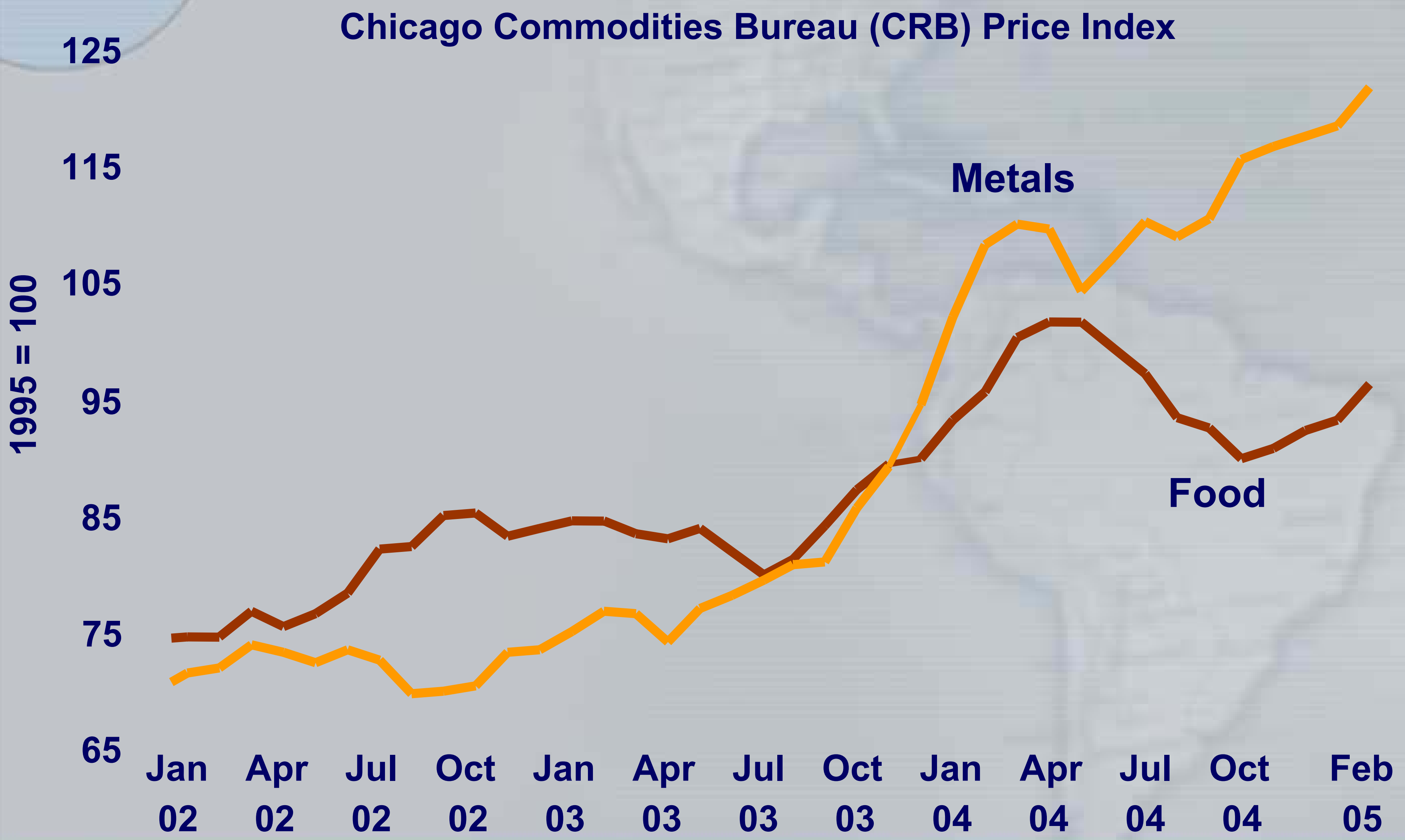


Source: IBGE

Inflation: (% of Items with Price Increases)

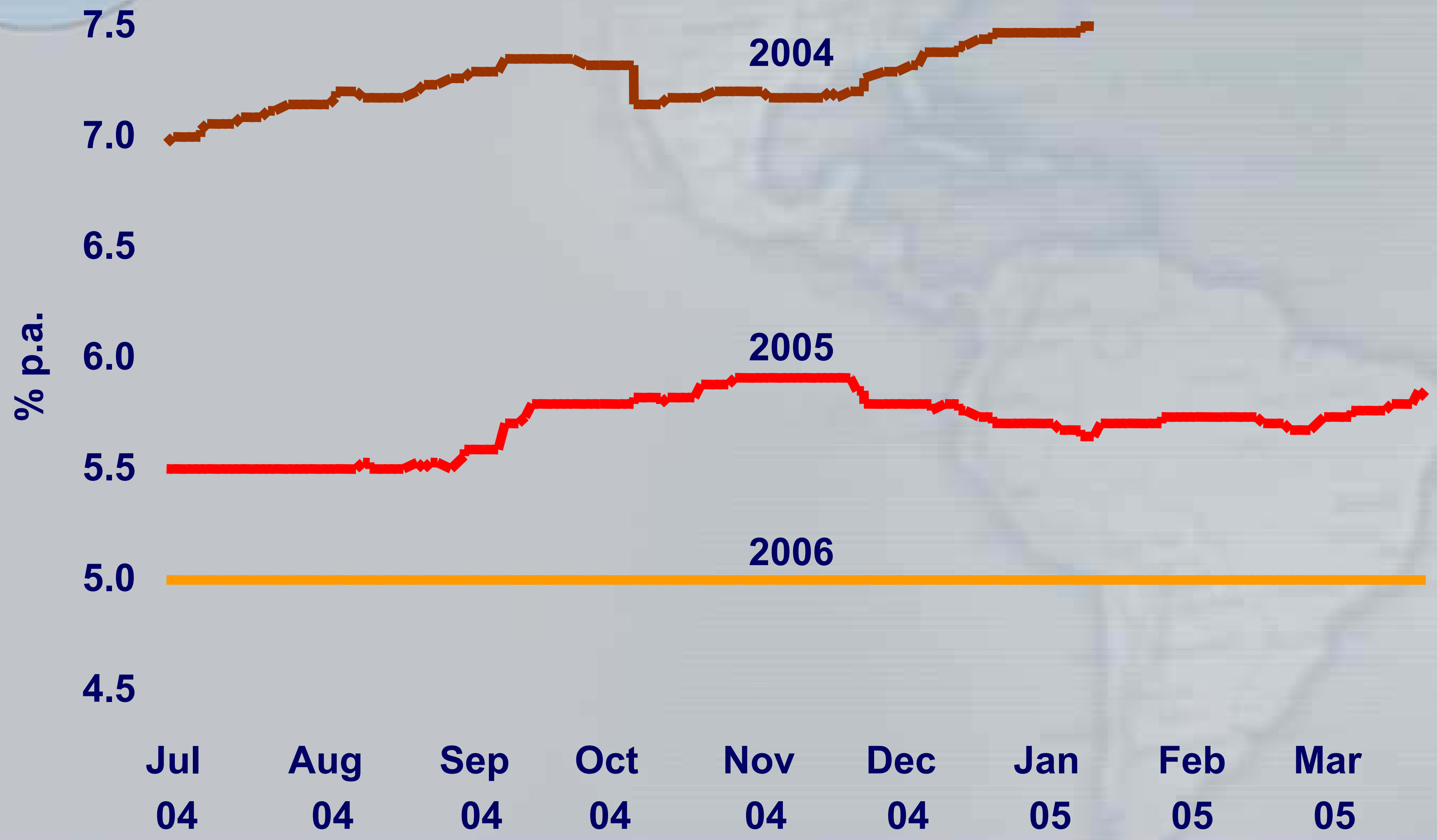


Commodities Prices



Source: CRB

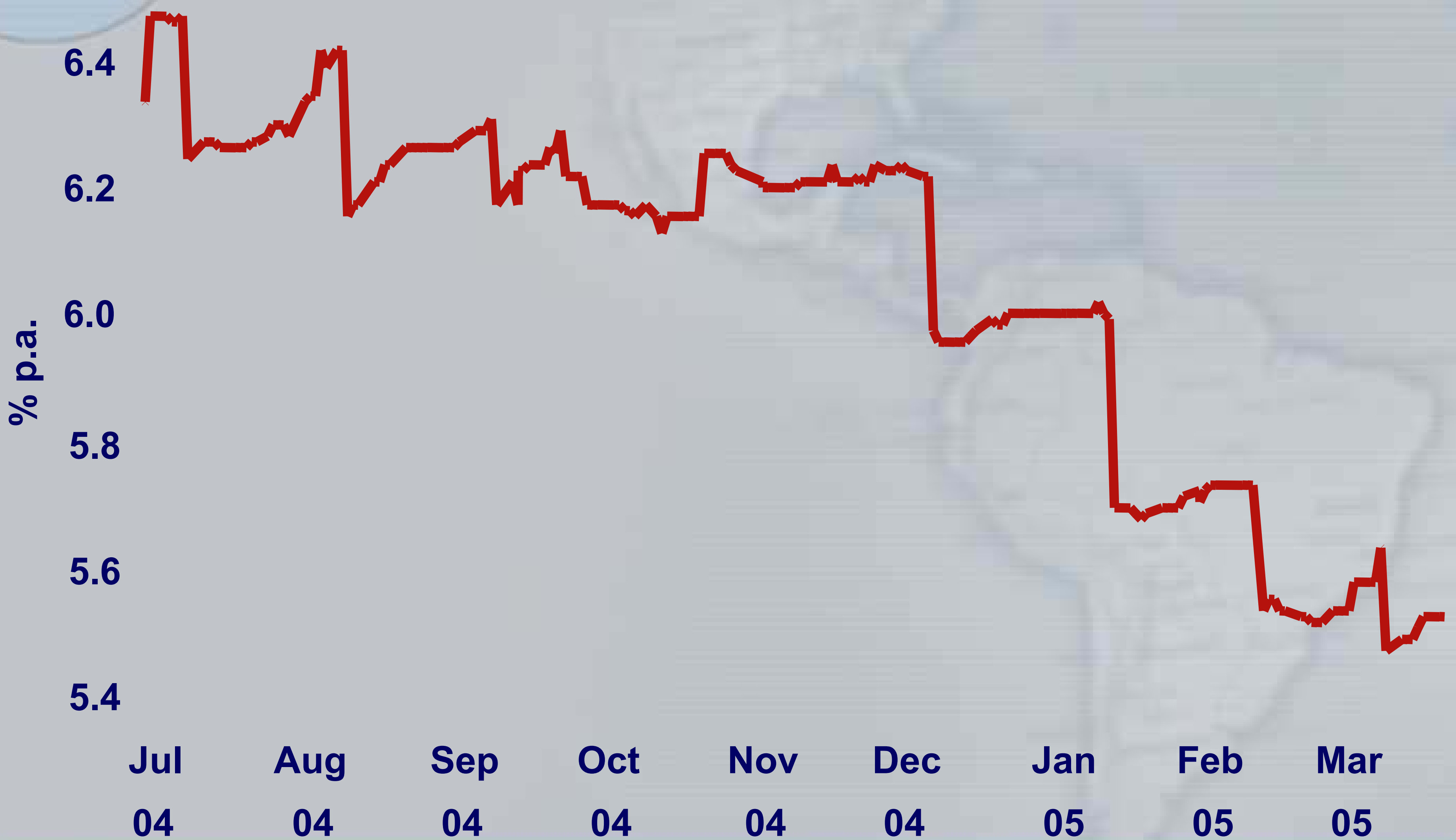
Market Inflation Expectations: 2004-06



Source: Bacen

Market Inflation Expectations for 2005

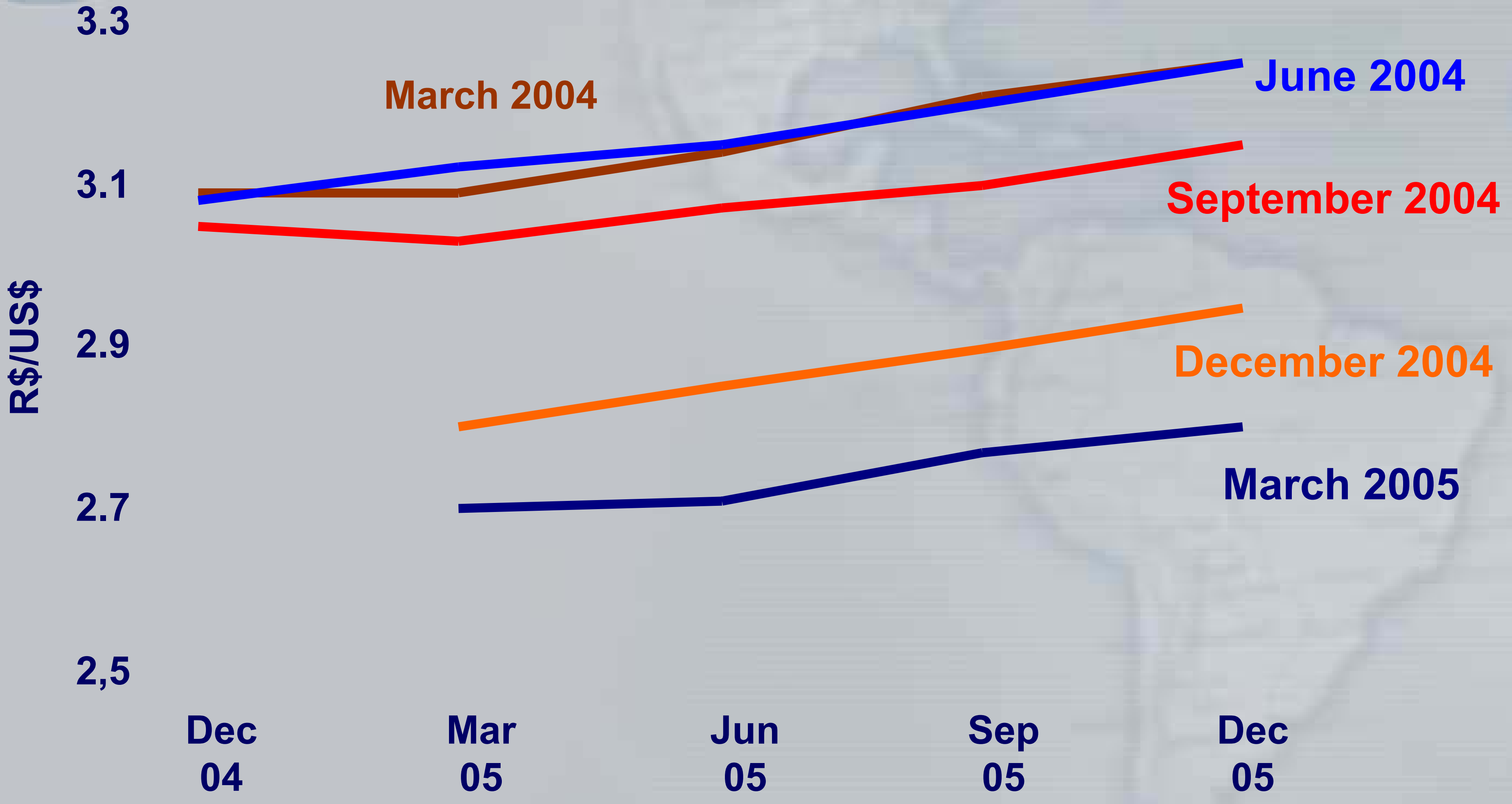
Market Inflation Expectations 12-Months Ahead



Source: Bacen

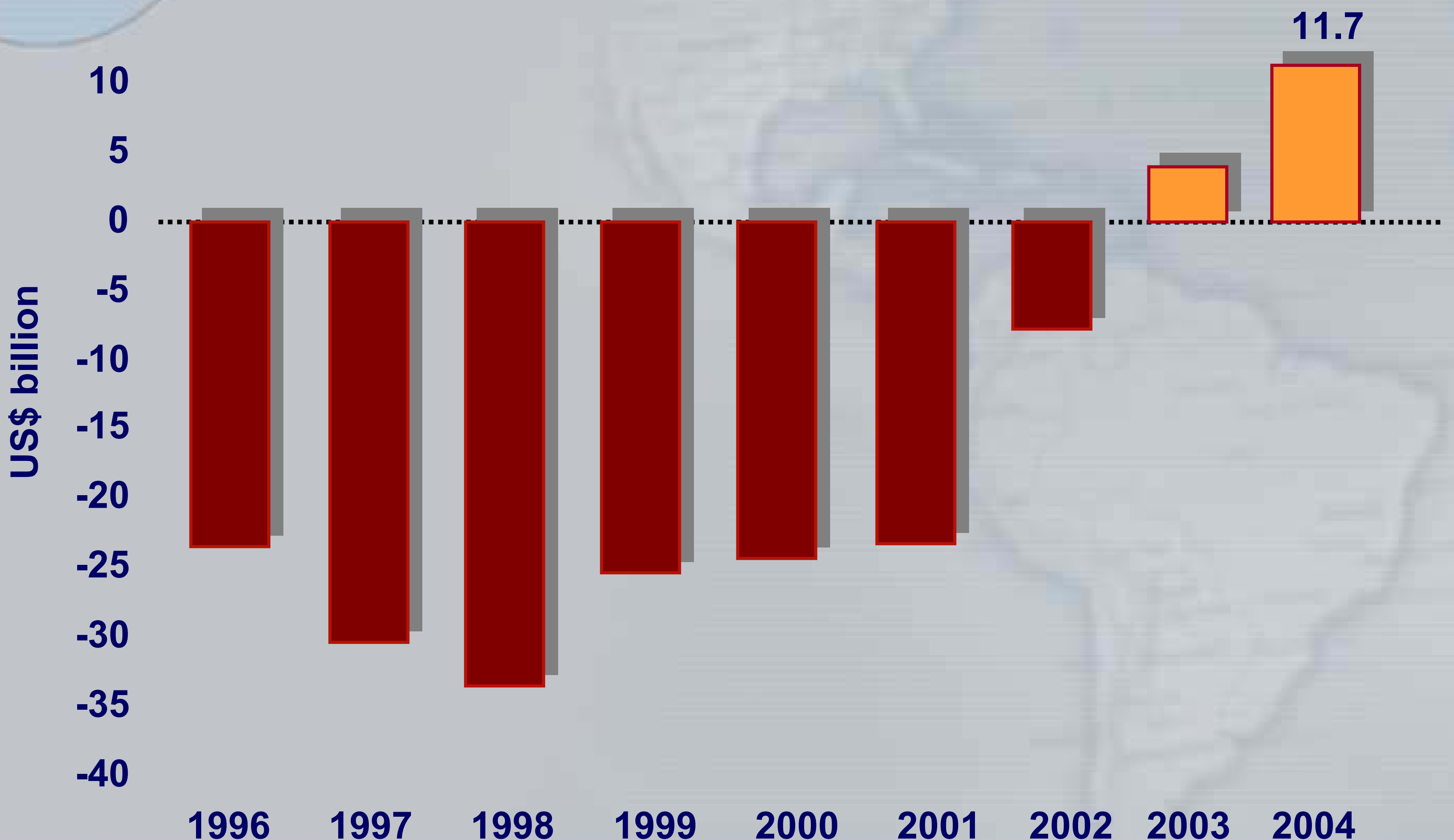
IV. External Sector

Market Expected FX Path in 2005



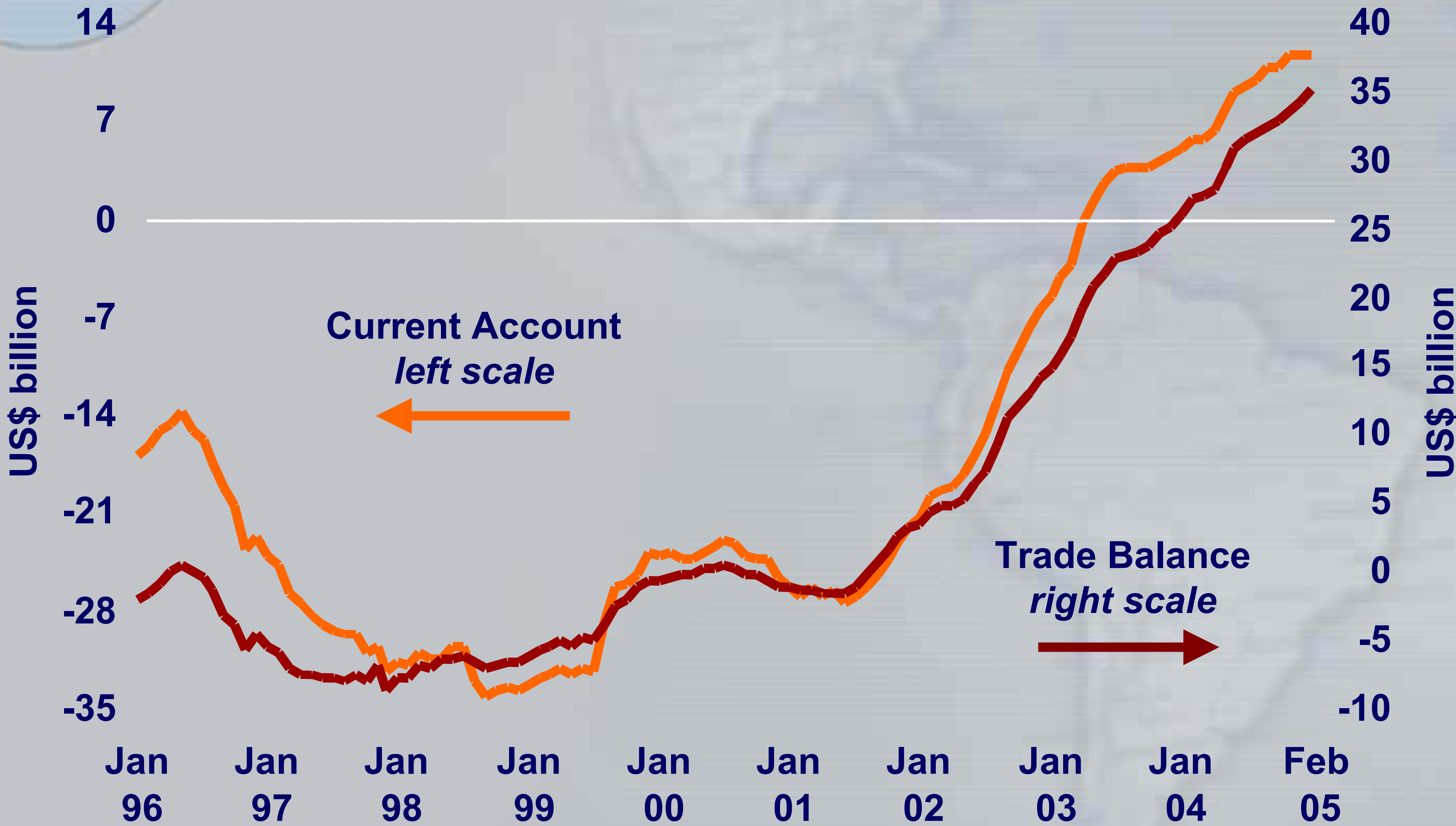
Source: Bacen

Current Account: 1996/2004



Source: Bacen

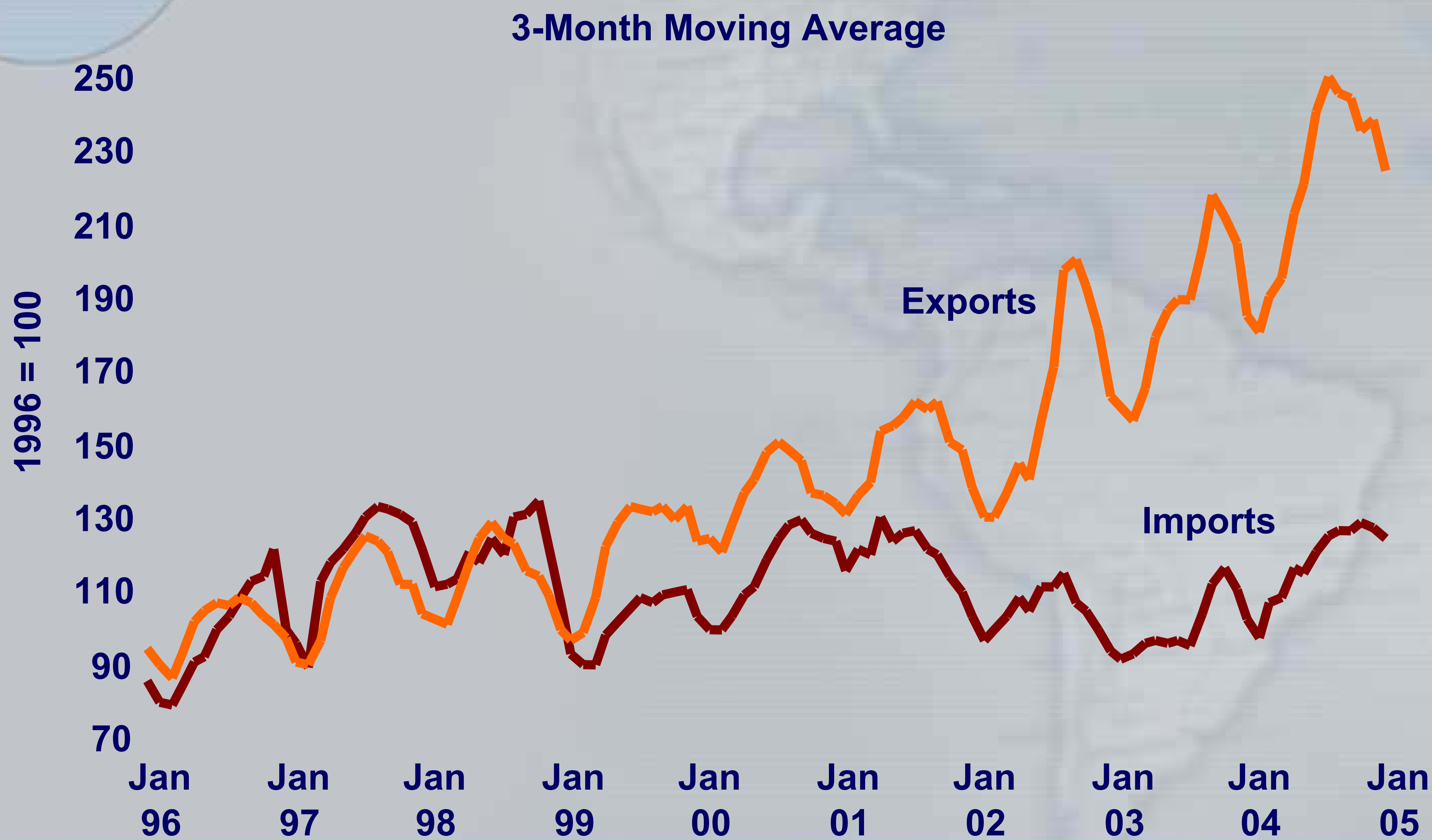
Current Account vs. Trade Balance



Source: Bacen

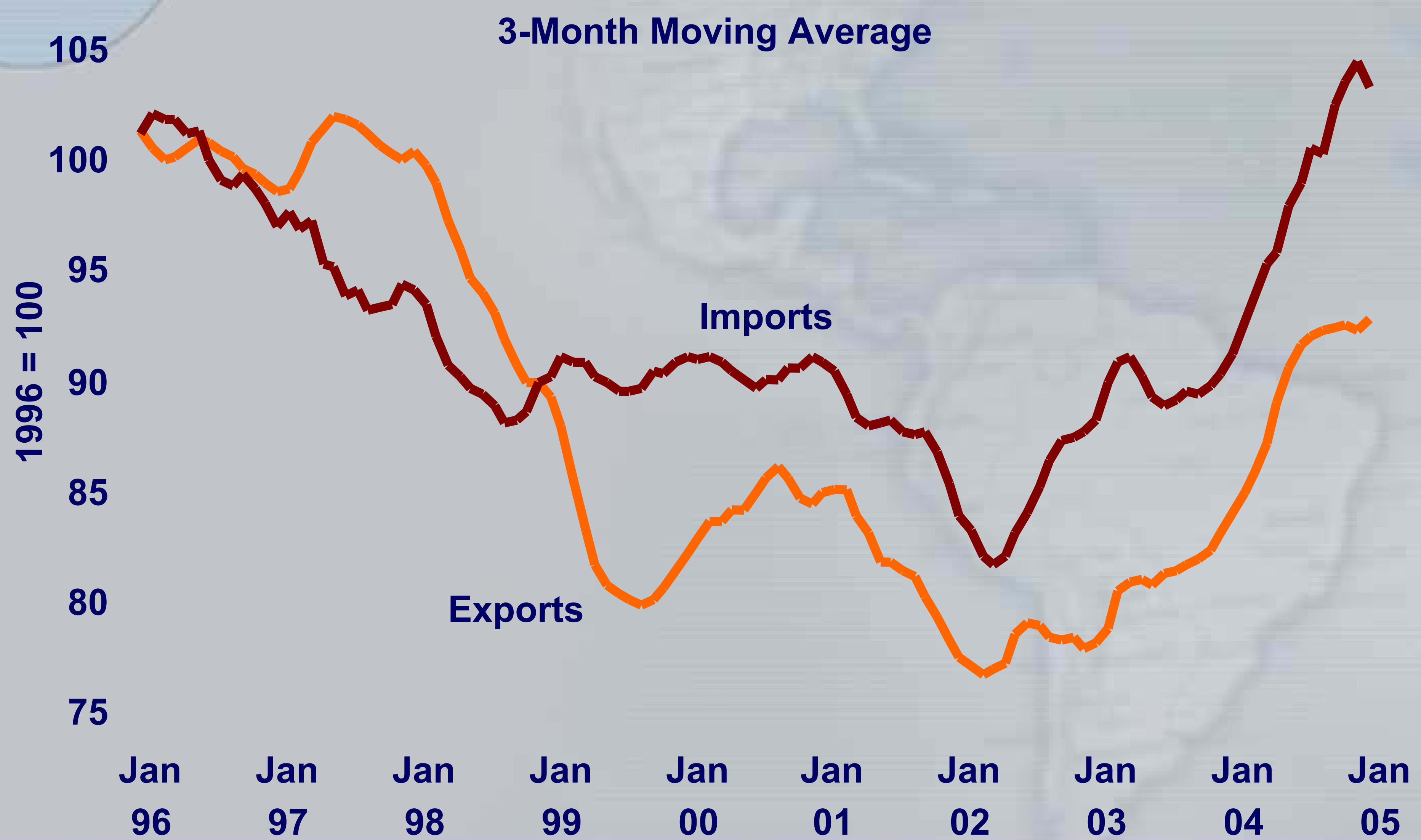
Trade Balance

Exports and Imports Volume



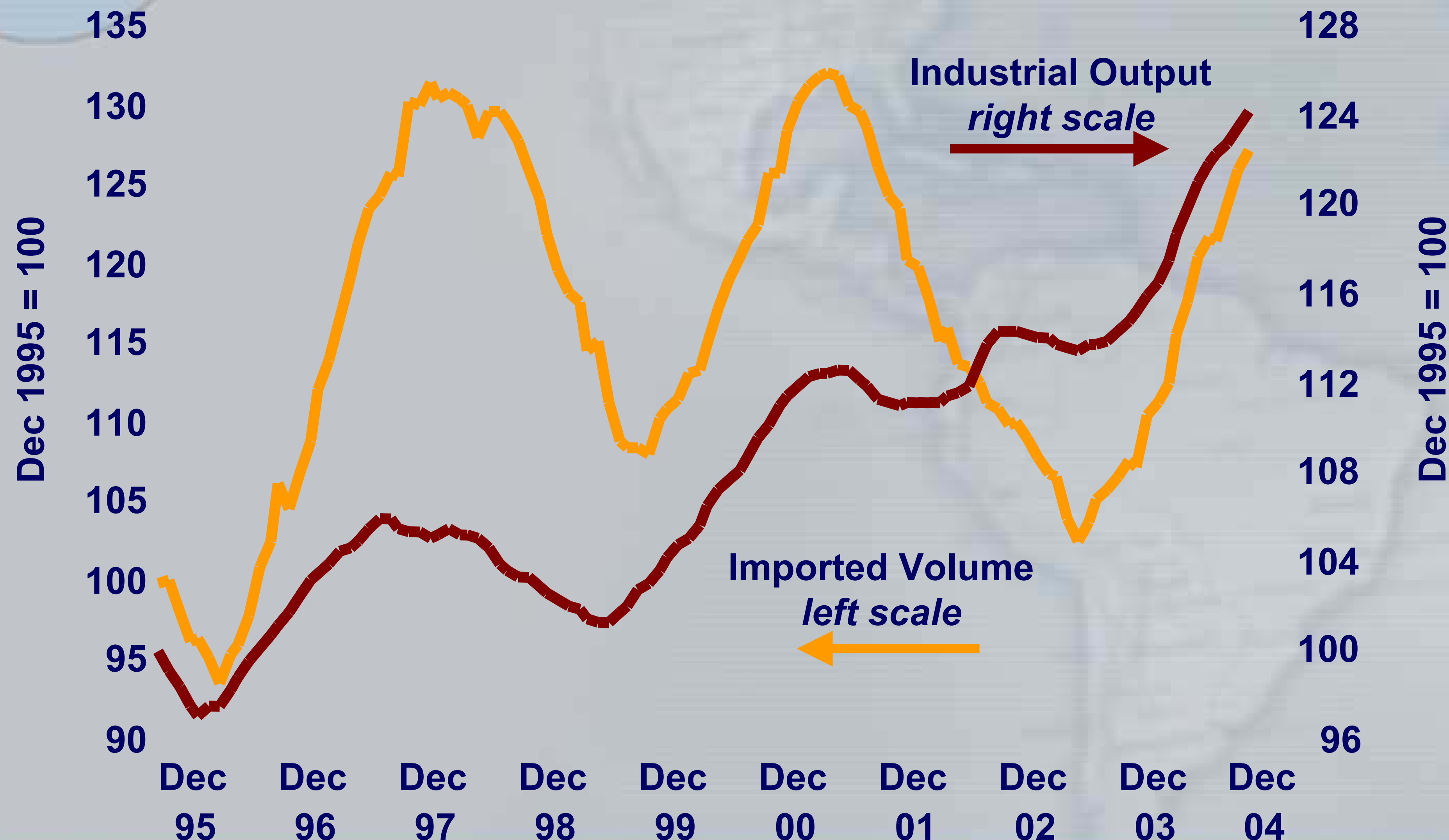
Source: Funcex

Export and Import Prices

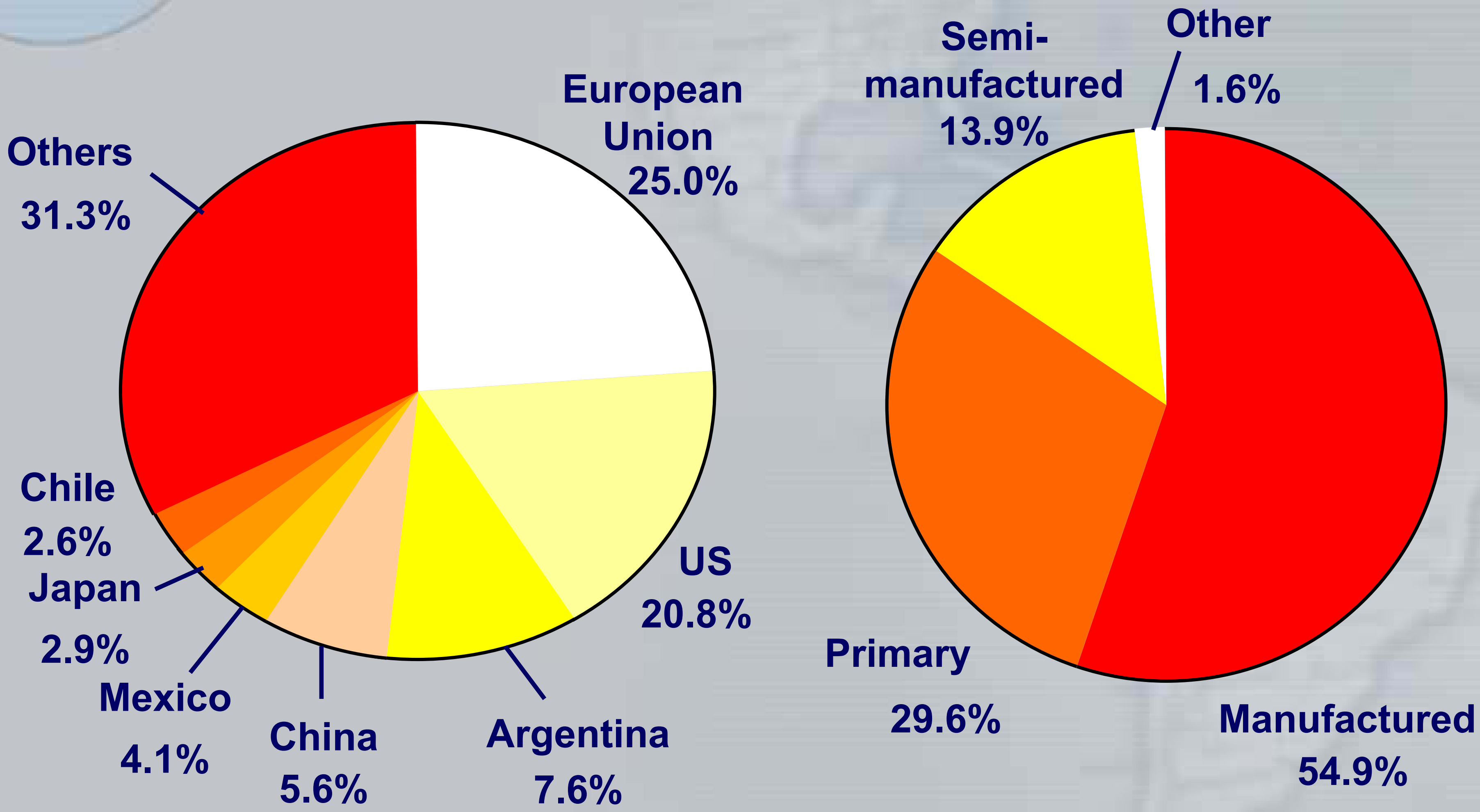


Source: Funcex

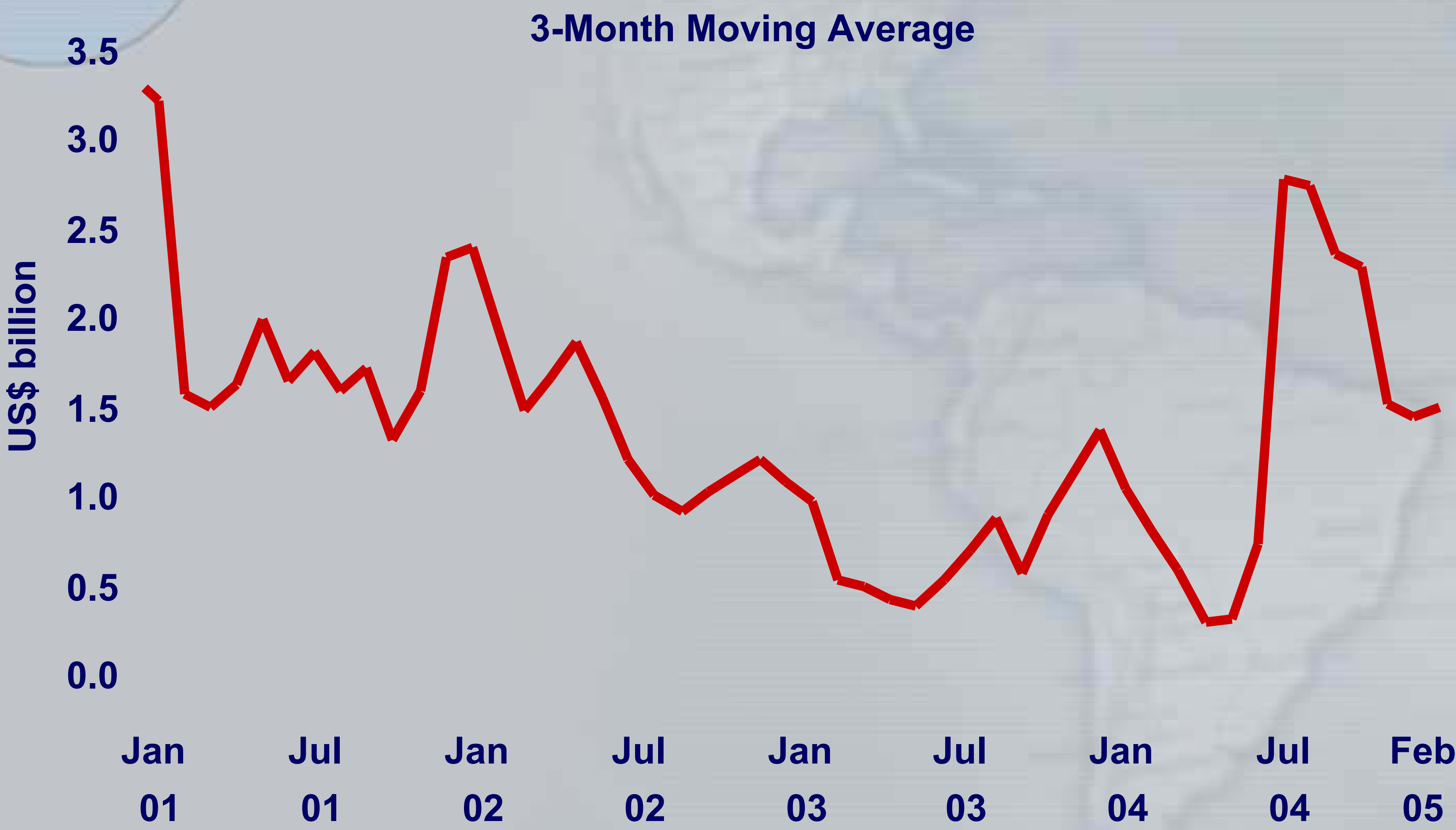
Imports Substitution



Brazilian Exports by Market and by Product 2004

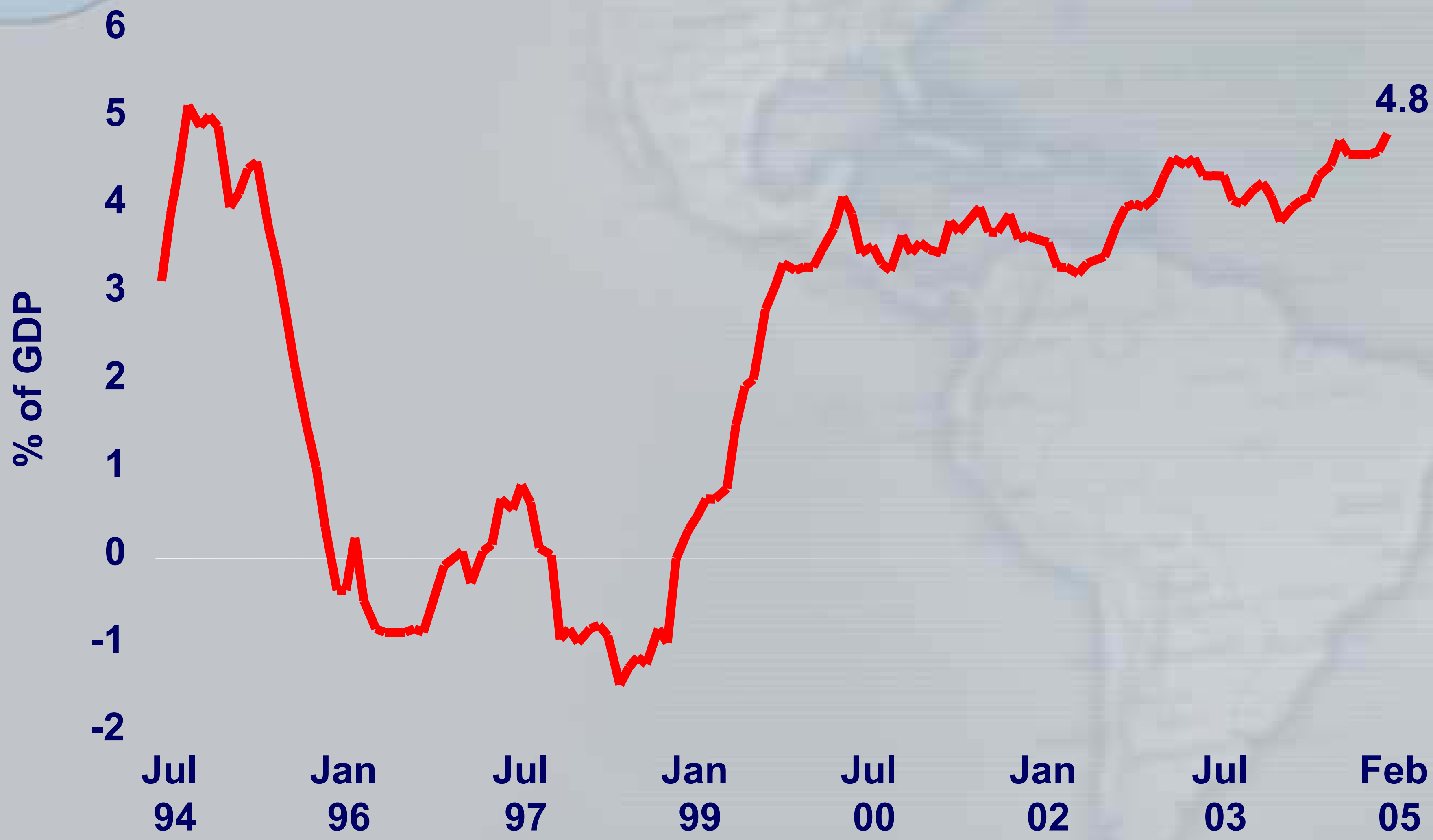


Foreign Direct Investment



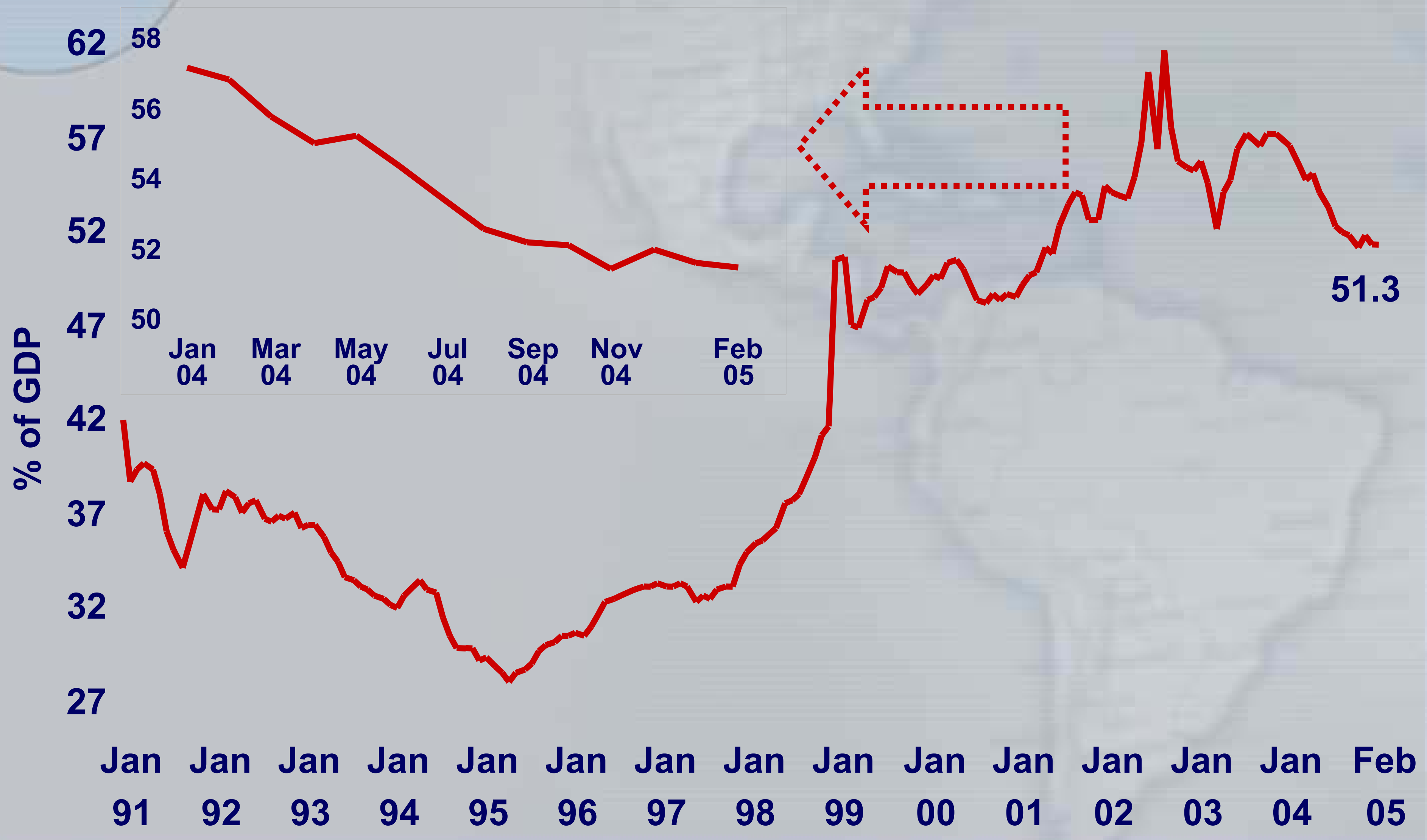
V. Fiscal Policy and Debt Management

Consolidated Public Sector Primary Surplus



Source: Bacen

Debt-to-GDP Ratio



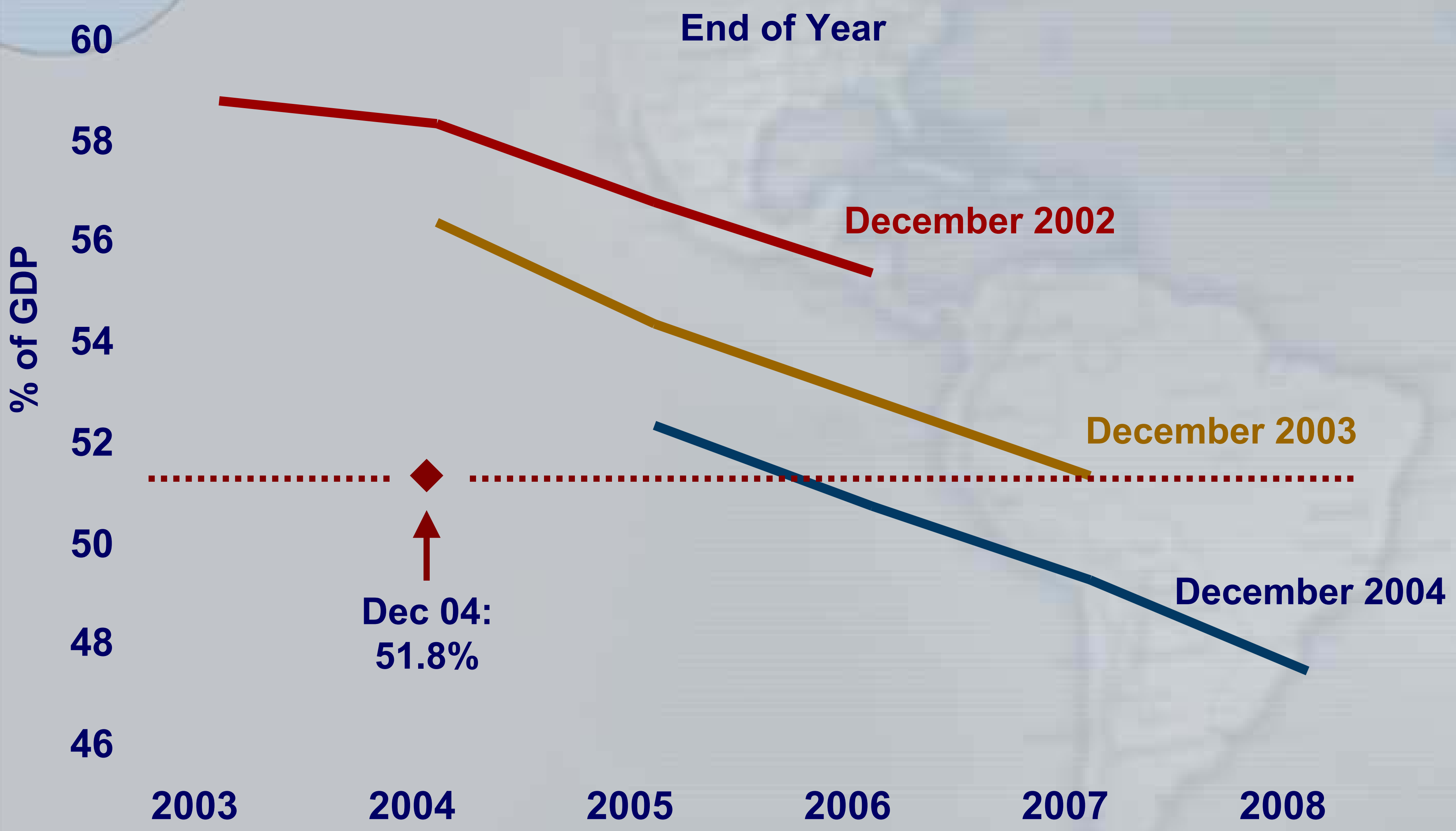
Source: Bacen

Debt Dynamics

	1999	2000	2001	2002	2003	2004	2005*
Net debt increase	7.0%	0.1%	3.9%	2.9%	1.7%	-5.4%	-0.5%
1. Primary surplus	-2.9%	-3.3%	-3.5%	-3.3%	-4.1%	-4.4%	-0.8%
2. Pure interest on the debt	8.2%	6.8%	6.9%	7.2%	9.1%	7.0%	1.3%
3. Depreciation on domestic debt	3.8%	0.8%	1.5%	4.8%	-1.4%	-0.2%	0.0%
4. Depreciation on foreign debt	2.8%	0.8%	1.5%	4.4%	-1.6%	-0.3%	-0.1%
5. Skeletons	1.3%	0.8%	1.5%	0.9%	0.0%	0.4%	0.0%
6. Privatization proceeds	-0.8%	-1.8%	-0.1%	-0.2%	0.0%	0.0%	0.0%
7. Effect of GDP growth	-5.3%	-3.9%	-3.9%	-11.0%	-0.3%	-7.7%	-0.7%
Memo:							
Debt dynamics (1+2+7)	0.0%	-0.4%	-0.5%	-7.1%	4.7%	-5.1%	-0.2%
Currency (3+4)	6.6%	1.6%	3.0%	9.2%	-3.0%	-0.5%	-0.1%
Net "skeletons" (5+6)	0.5%	-1.0%	1.4%	0.7%	0.0%	0.4%	0.0%

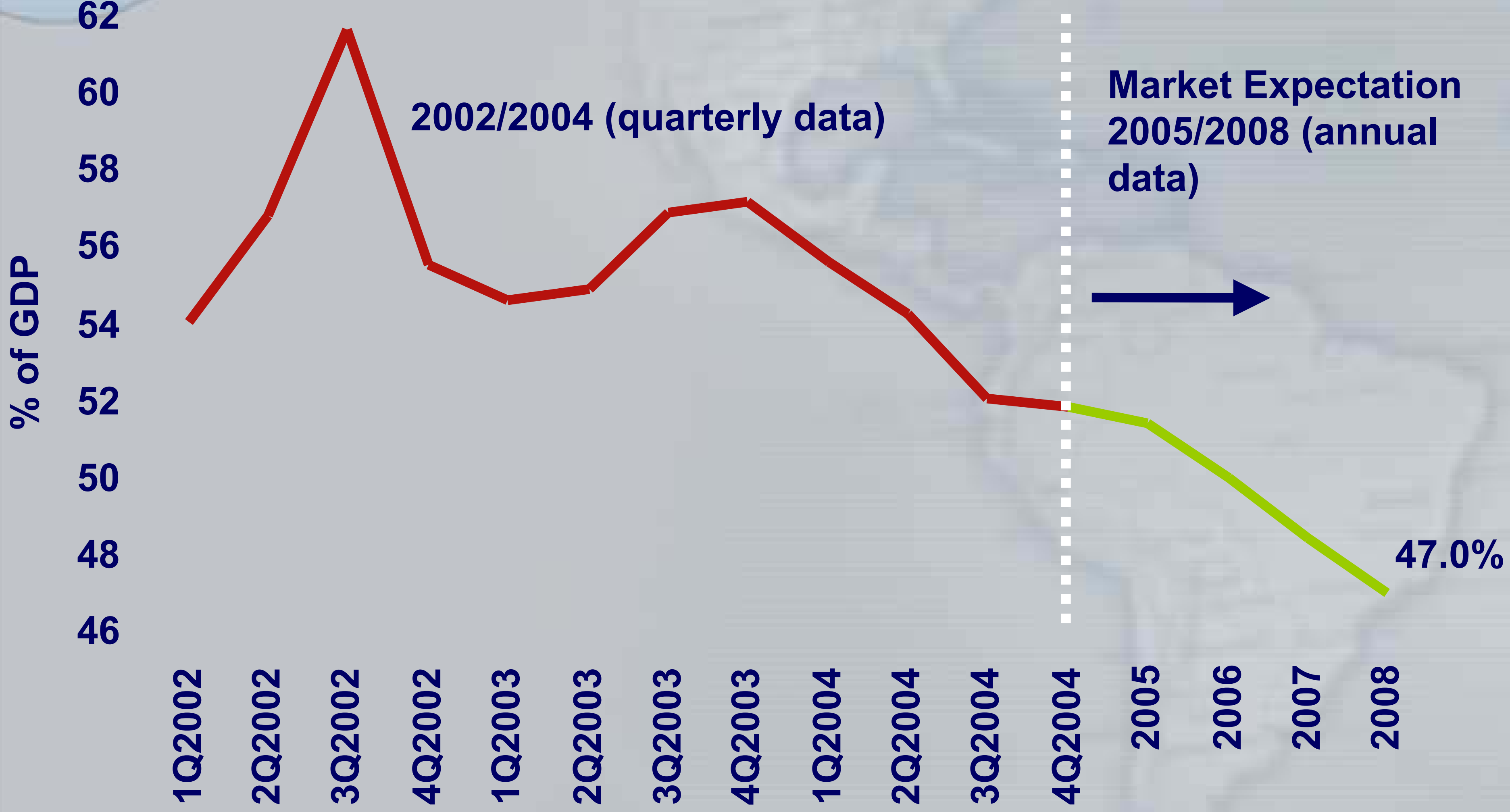
*2005: data of February

Market Consensus of the Expected Public Debt/GDP Trajectory

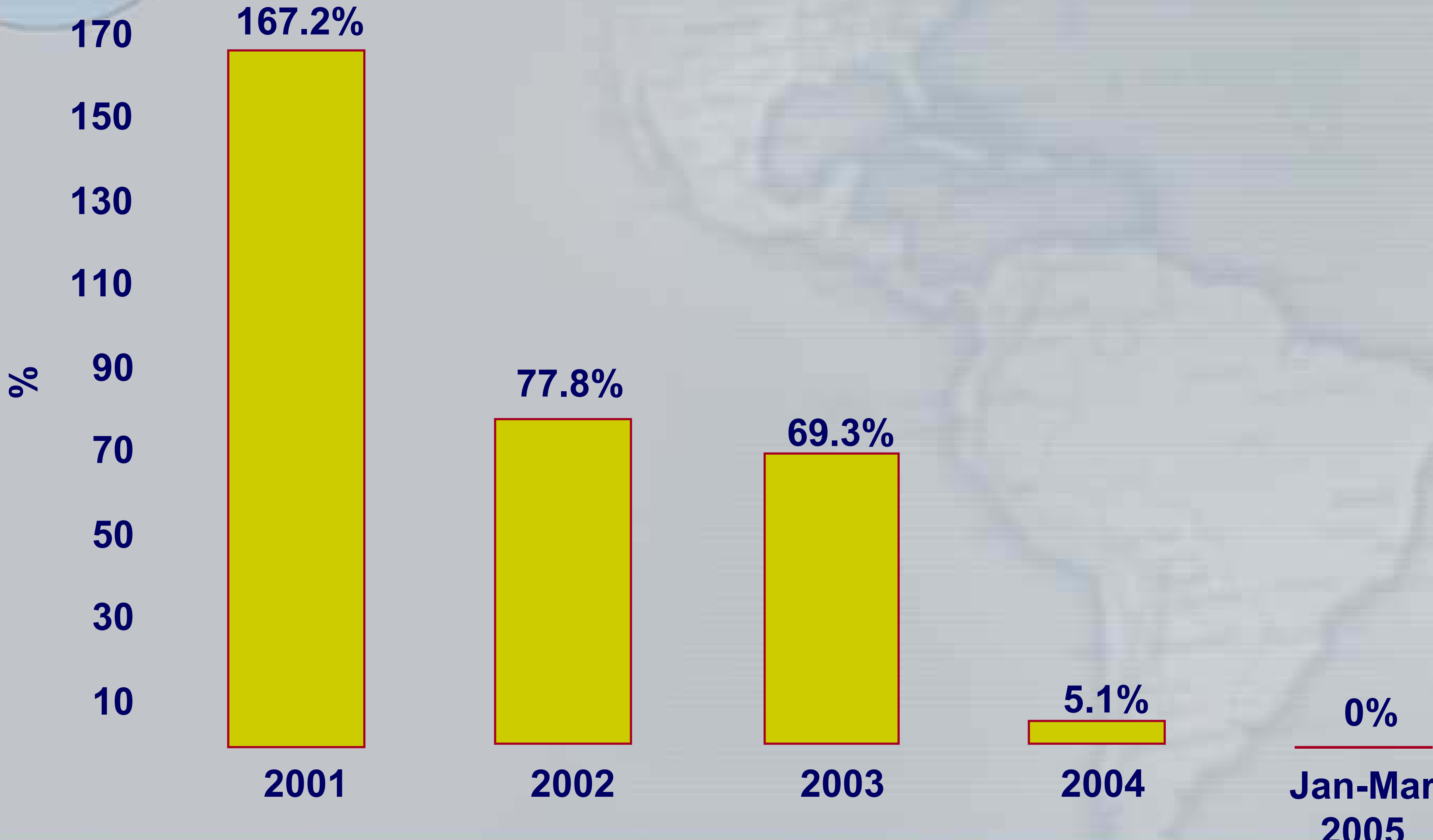


Source: Bacen

Debt-to-GDP Ratio Trend

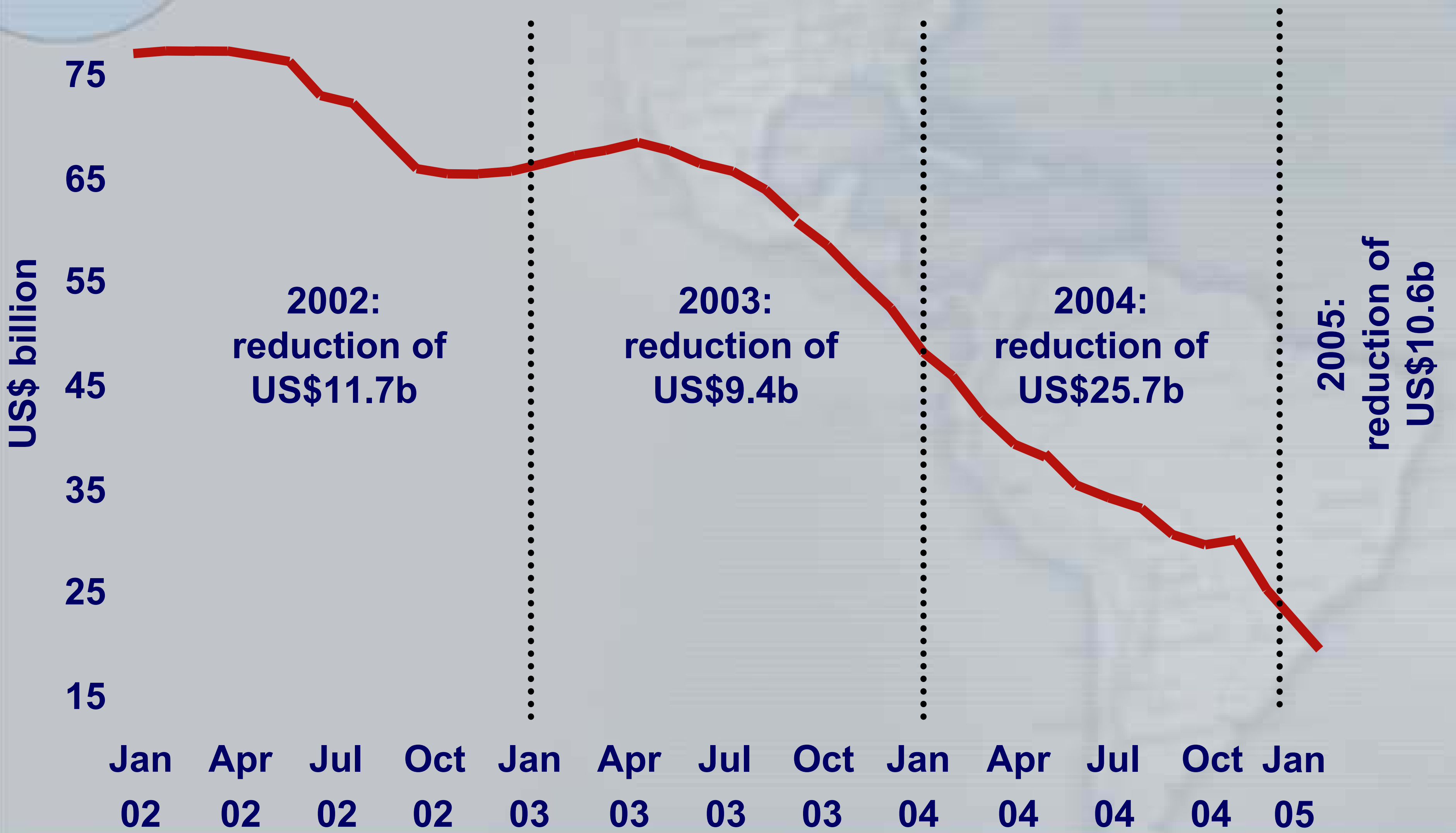


Rollover of FX-Linked Debt



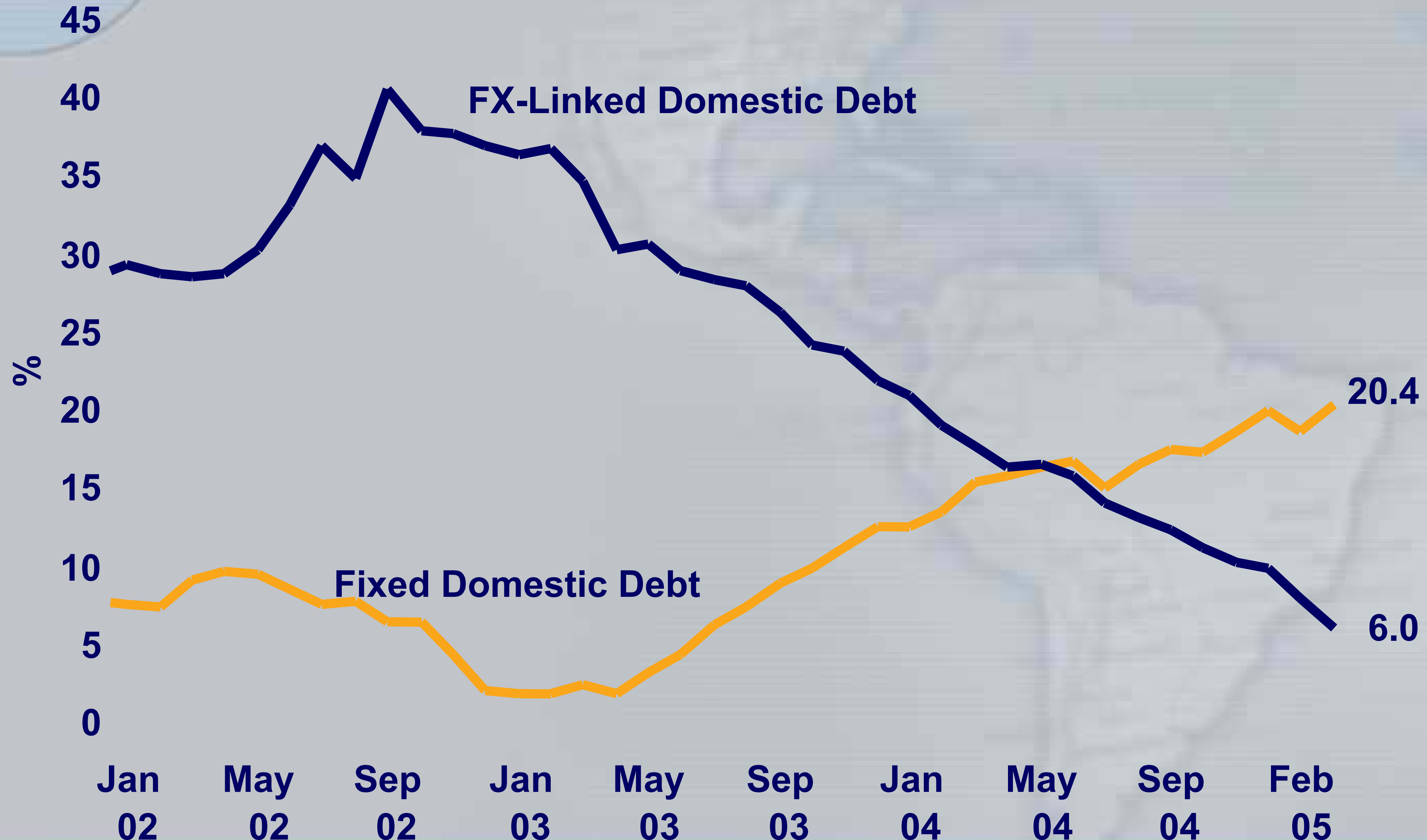
Source: Bacen

FX-Linked Debt Outstanding



Source: Bacen

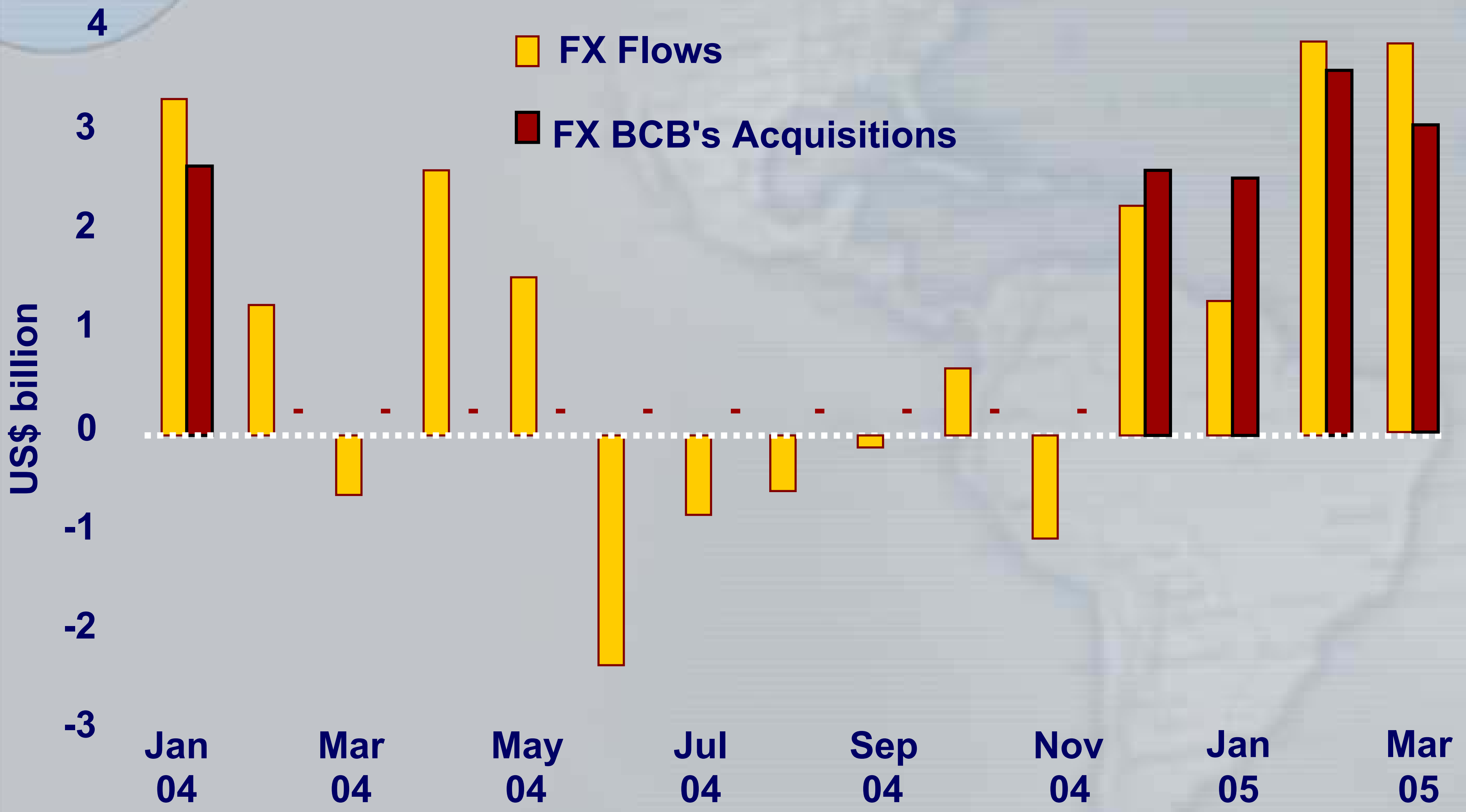
FX-Linked and Fixed Domestic Debt as a Share of the Total Debt



Source: Bacen

VI. Strengthening Resistance to Shocks

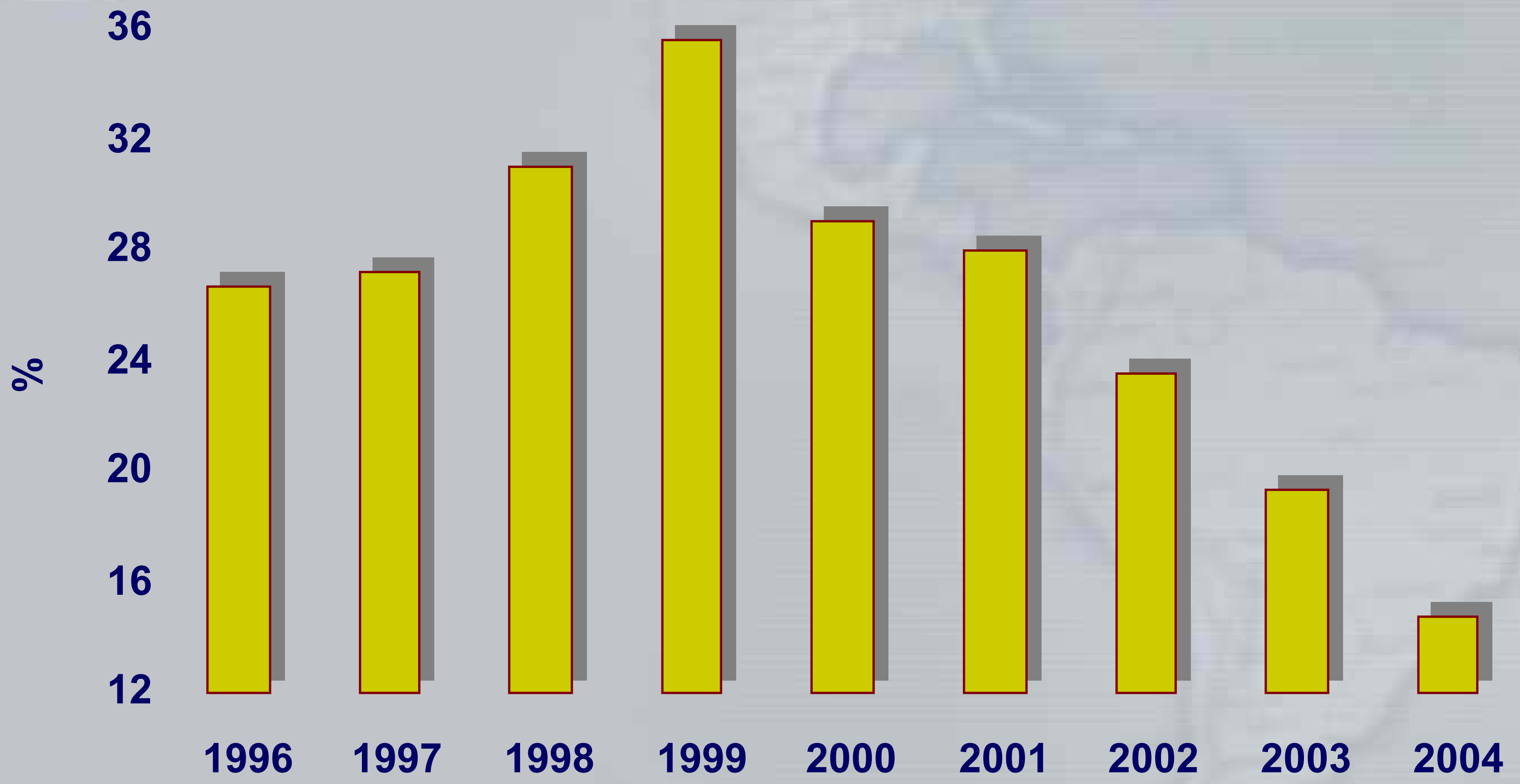
FX Flows and BCB´s FX Acquisitions



Source: Bacen

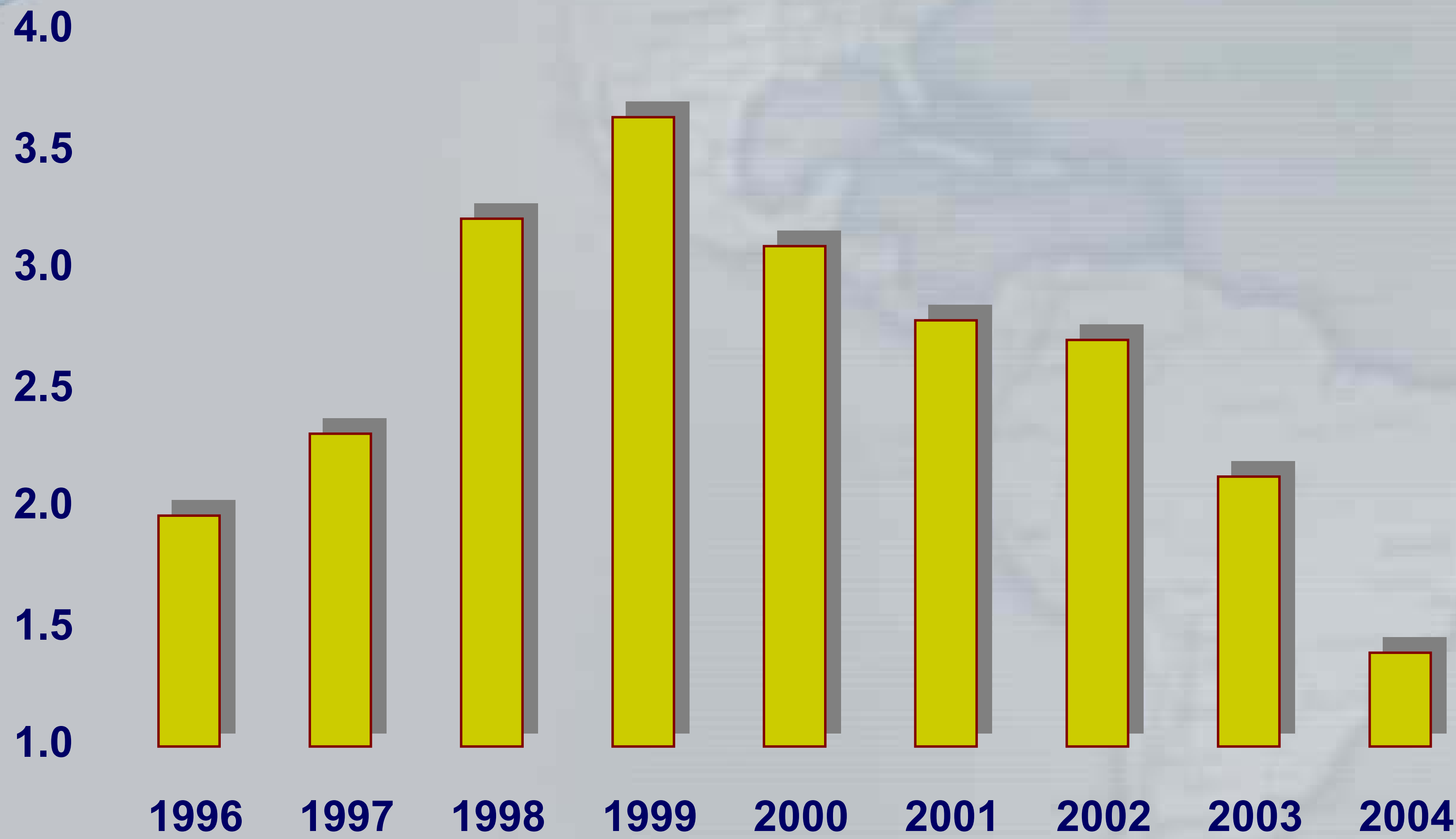
Net International Reserves

Interest Payments/Exports Ratio

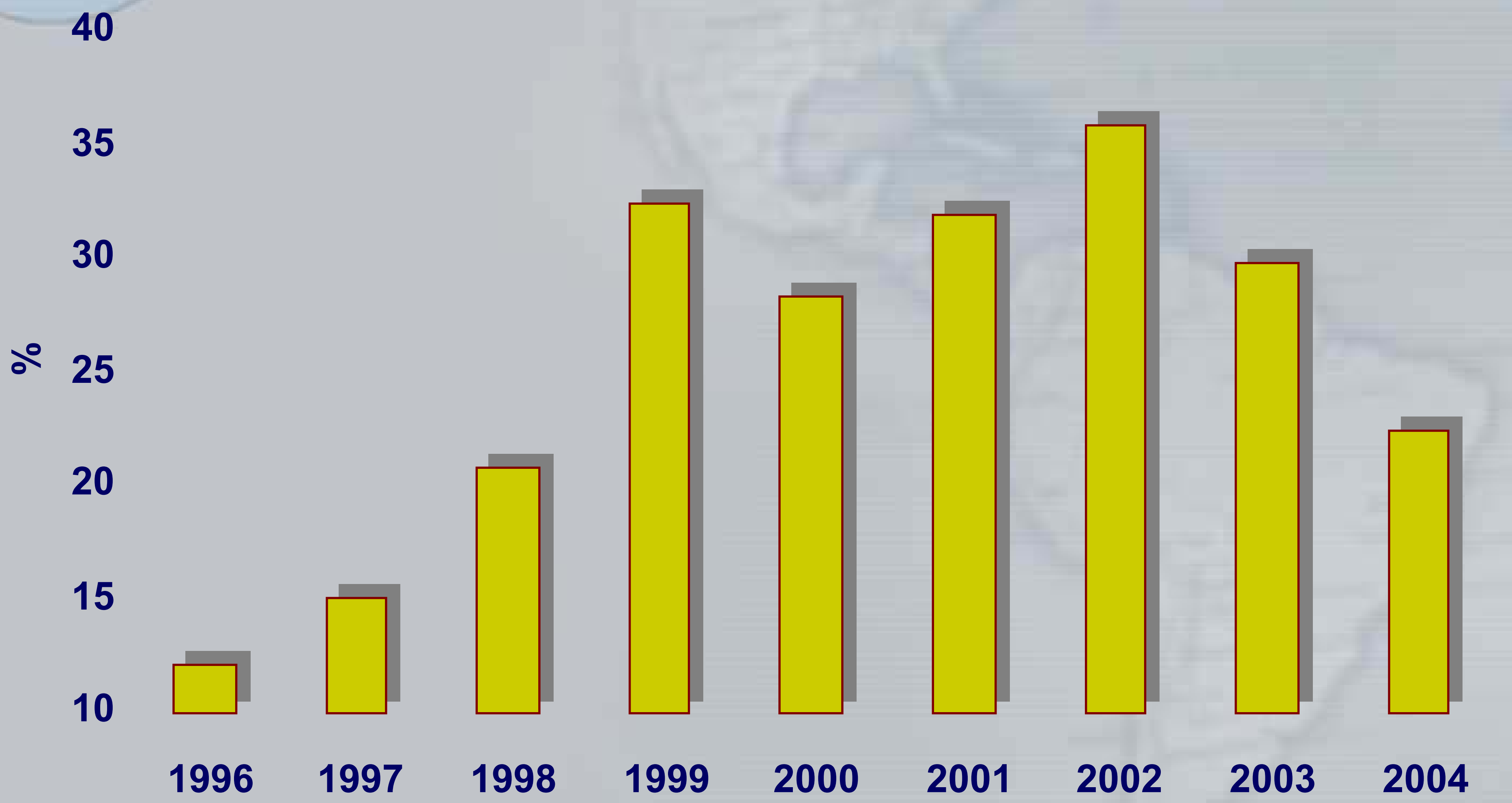


Source: Bacen

Net External Debt/Exports Ratio

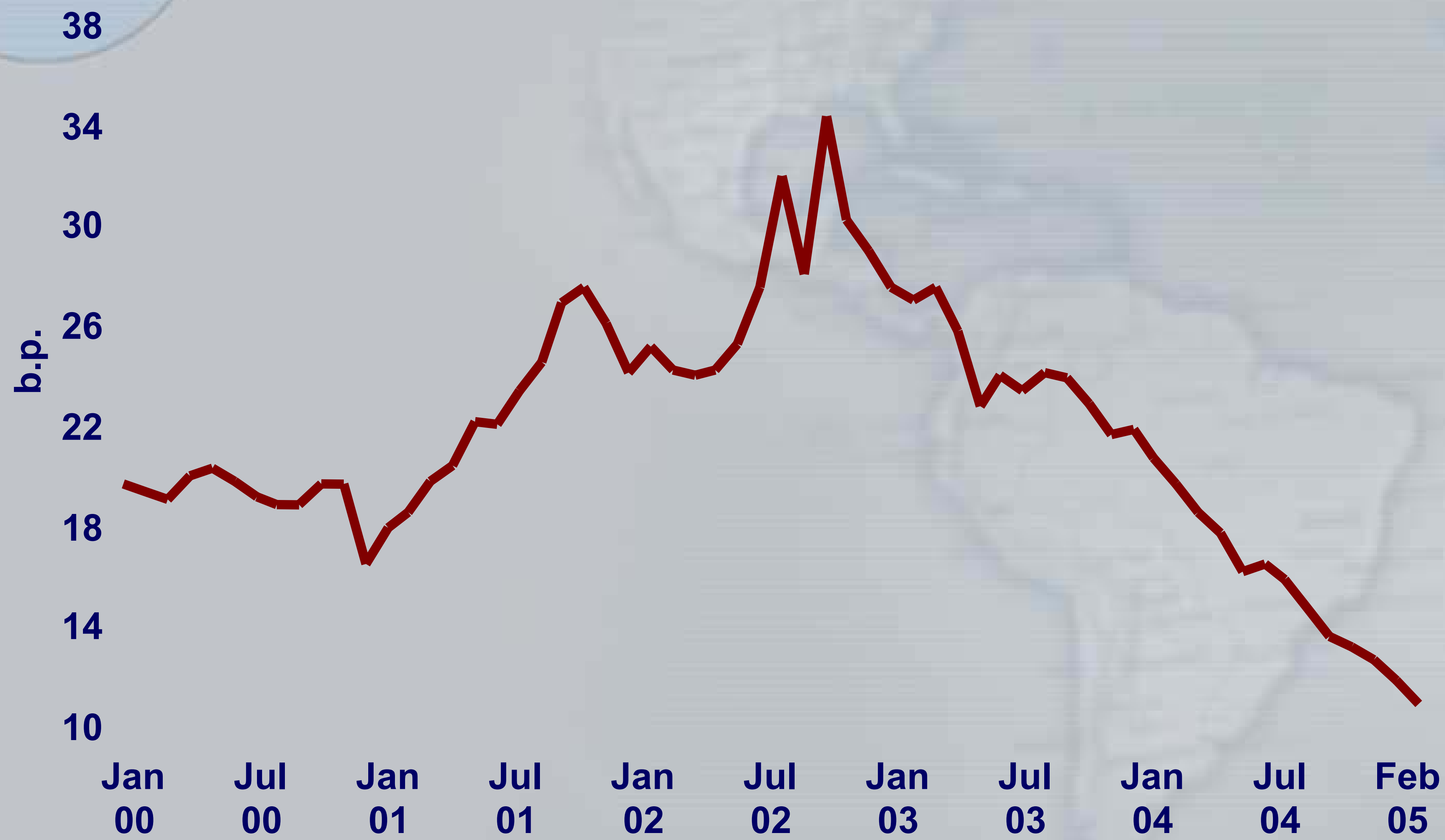


Net External Debt/GDP Ratio



Source: Bacen

Impact of a 1% FX change on Debt/GDP ratio



Source: Bacen

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Afonso Bevilaqua

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