Regardless

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September 2005

BC 40 YEARS

BANCO CENTRAL DO BRASIL

Flight plan

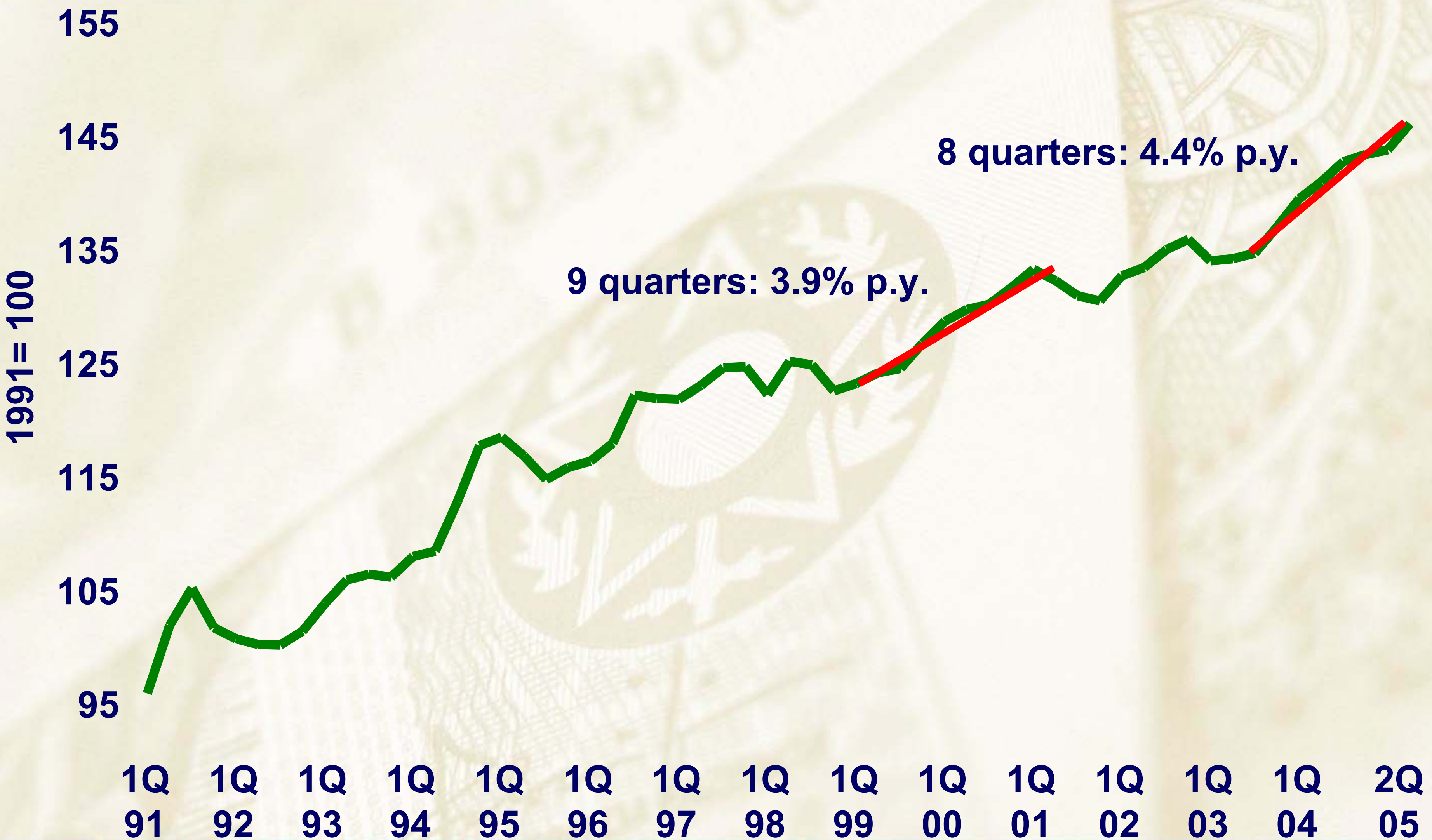
I. Demand and output
II. Inflation
III. Balance of payments
IV. Fiscal developments and the public debt

I. Demand and output

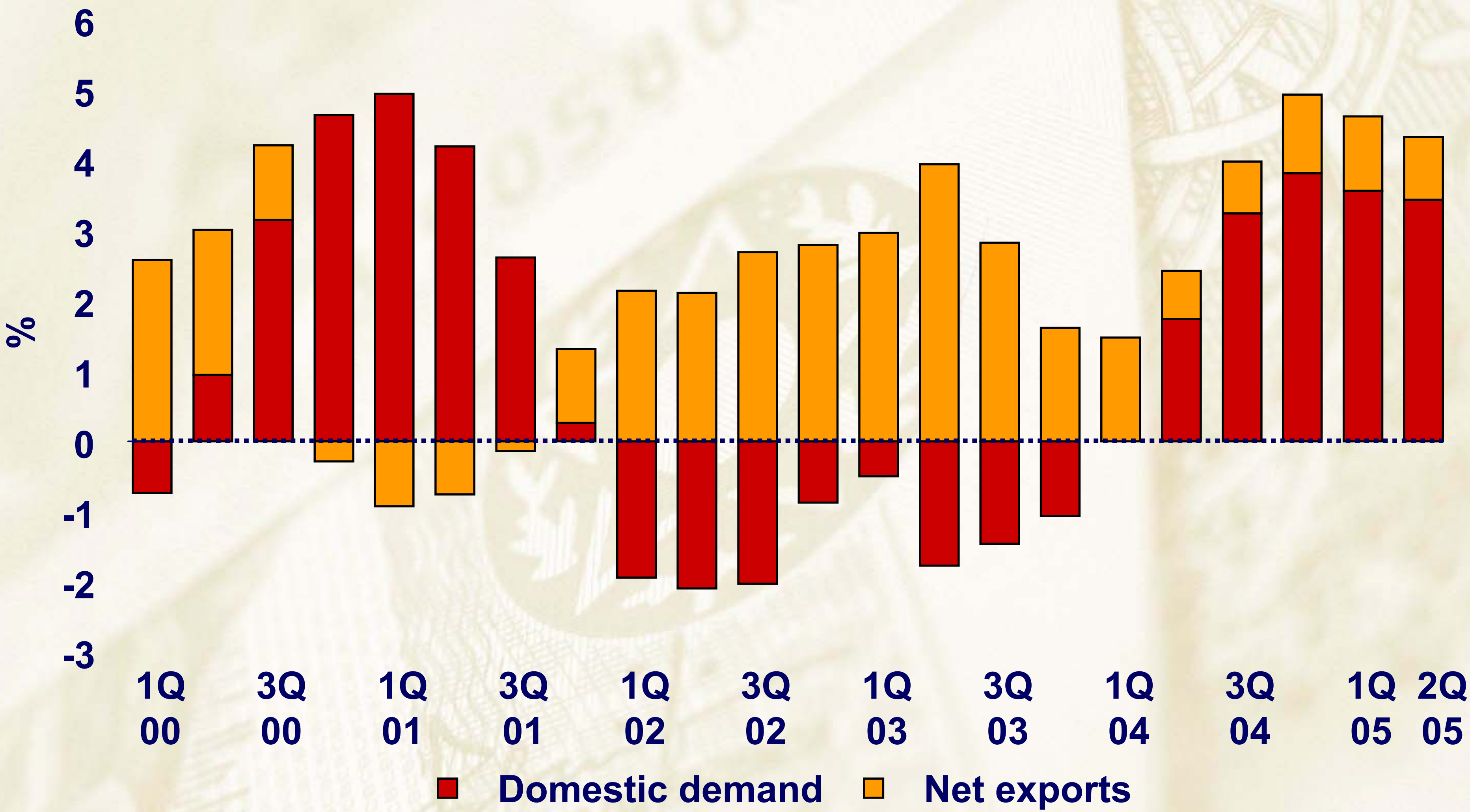
GDP data

	Seasonally adjusted 2Q04	3Q04	4Q04	1Q05	2Q05	2Q05 vs 2Q04	2005	Last 4 quarters	Contribut.	Carry over
GDP MARKET PRICES	**0.8%**	**1.2%**	**0.7%**	**0.4%**	**1.4%**	**3.9%**	**3.4%**	**4.3%**	**4.3%**	**2.8%**
Consumption	1.2%	1.3%	1.1%	-0.2%	0.9%	3.0%	3.1%	4.1%	2.3%	1.5%
Government	-0.9%	1.2%	0.5%	0.3%	1.1%	3.1%	2.1%	1.3%	0.2%	1.1%
Investment	3.2%	6.2%	-2.9%	-3.6%	4.5%	4.0%	3.1%	8.6%	1.7%	-1.1%
Exports	3.1%	2.3%	4.3%	3.3%	2.6%	12.9%	13.3%	15.2%	2.7%	9.1%
(-) Imports	1.5%	4.1%	3.4%	2.2%	2.4%	12.7%	12.5%	13.8%	1.8%	7.9%
Agriculture	0.1%	-2.2%	2.3%	1.7%	1.1%	3.2%	2.9%	3.6%	0.3%	3.2%
Industry	0.7%	2.5%	0.8%	-0.8%	3.0%	5.5%	4.4%	5.4%	1.9%	1.8%
Mineral extraction						17.5%	10.6%	3.4%	0.1%	
Manufacture						4.1%	3.9%	5.7%	1.2%	
Civil construction						3.7%	2.2%	5.3%	0.3%	
Utilities						4.6%	3.9%	4.7%	0.1%	
Services	0.9%	0.9%	0.5%	-0.1%	1.2%	2.5%	2.4%	3.1%	1.5%	1.2%
Commerce						3.8%	4.0%	6.5%	0.5%	
Transport						4.0%	4.0%	3.0%	0.1%	
Communications						-1.7%	-2.3%	-1.5%	0.0%	
Financial institutions						3.4%	3.1%	4.1%	0.2%	
Other services						0.7%	1.5%	4.0%	0.4%	
Rents						2.8%	3.2%	2.7%	0.2%	
Government services						3.4%	2.0%	1.5%	0.2%	
(-) Value imputed to financial intermediation						3.8%	3.3%	4.6%	-0.2%	
Value added at basic prices	**0.8%**	**0.9%**	**0.7%**	**0.5%**	**1.2%**	**3.7%**	**3.2%**	**4.0%**	**3.5%**	**1.7%**
Indirect taxes						5.8%	5.3%	7.6%	0.8%	
Memo:										
Domestic demand						3.5%	2.8%	3.6%	3.4%	1.5%
Net exports						13.7%	15.6%	19.2%	0.9%	1.2%

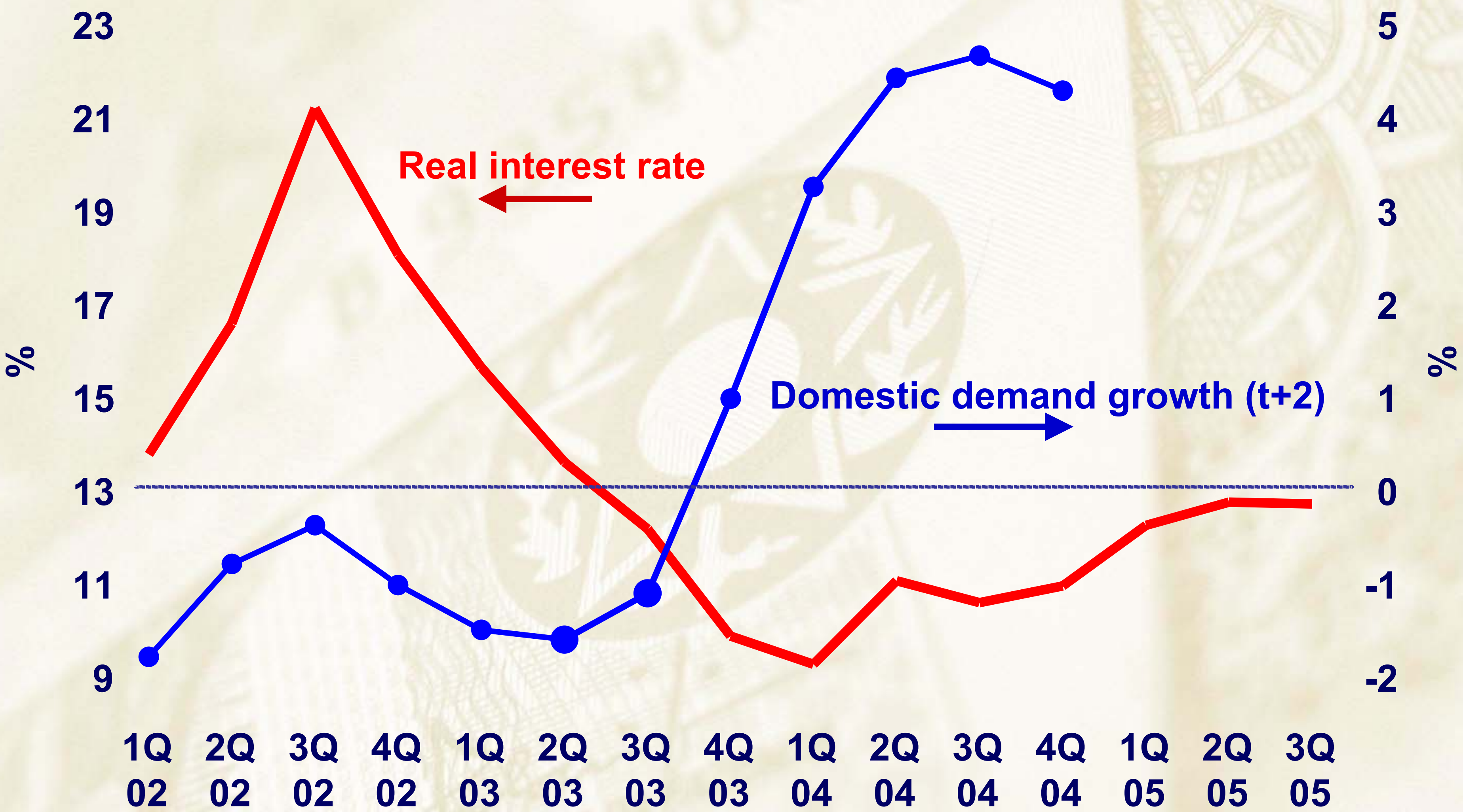
8 quarters and counting



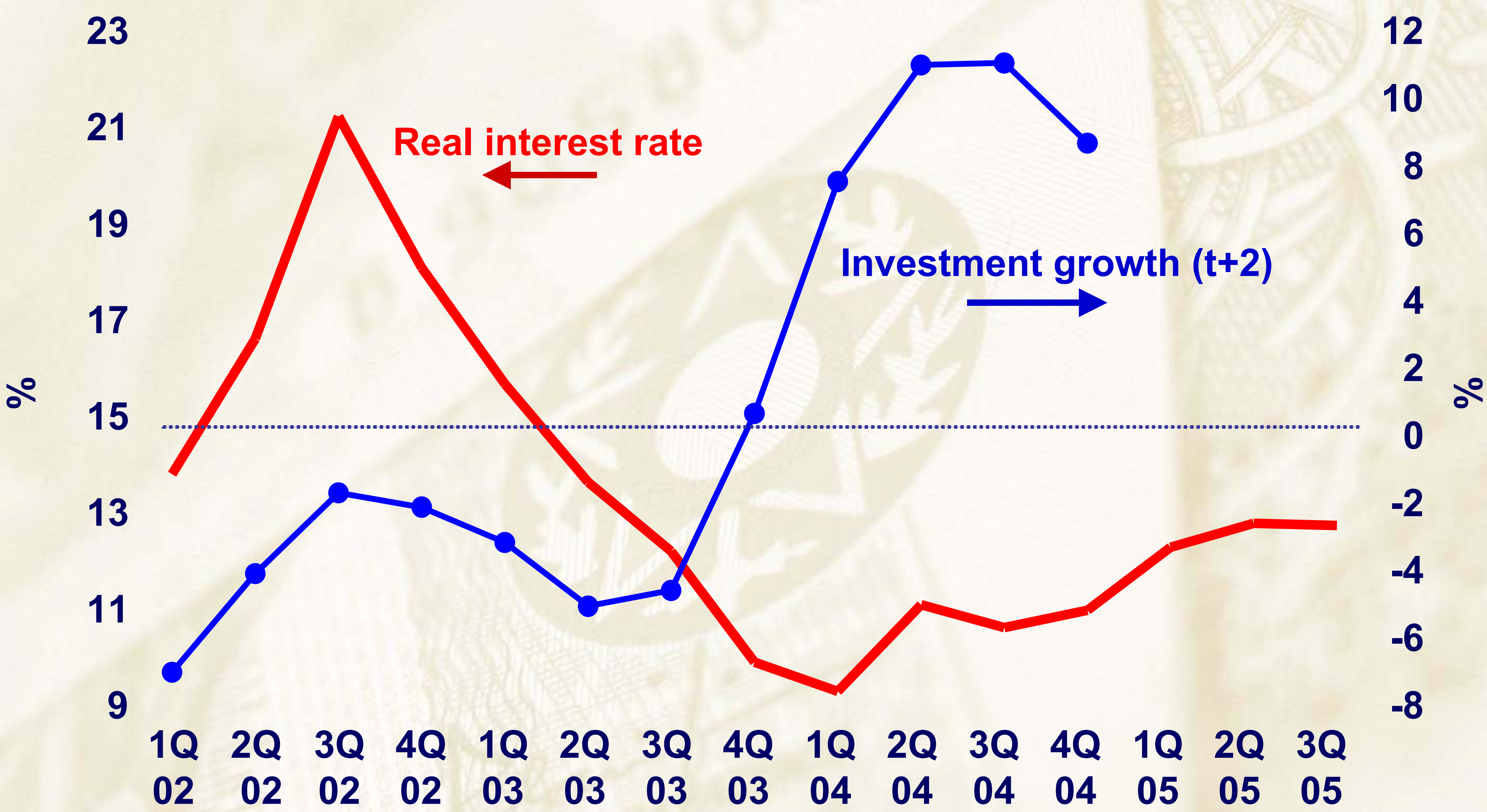
Domestic demand has taken the lead



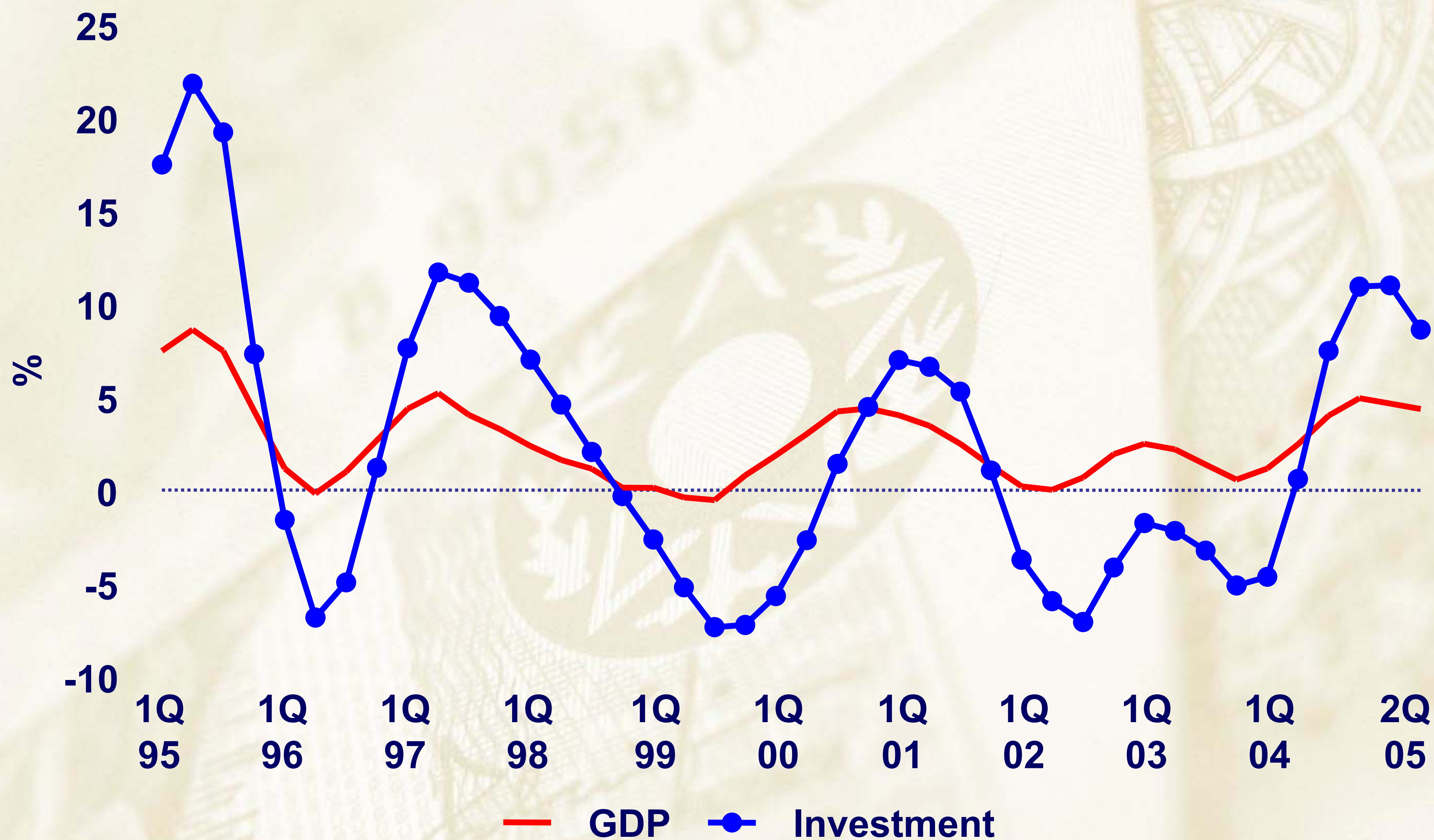
Slower, but firm



Investment growth remains strong

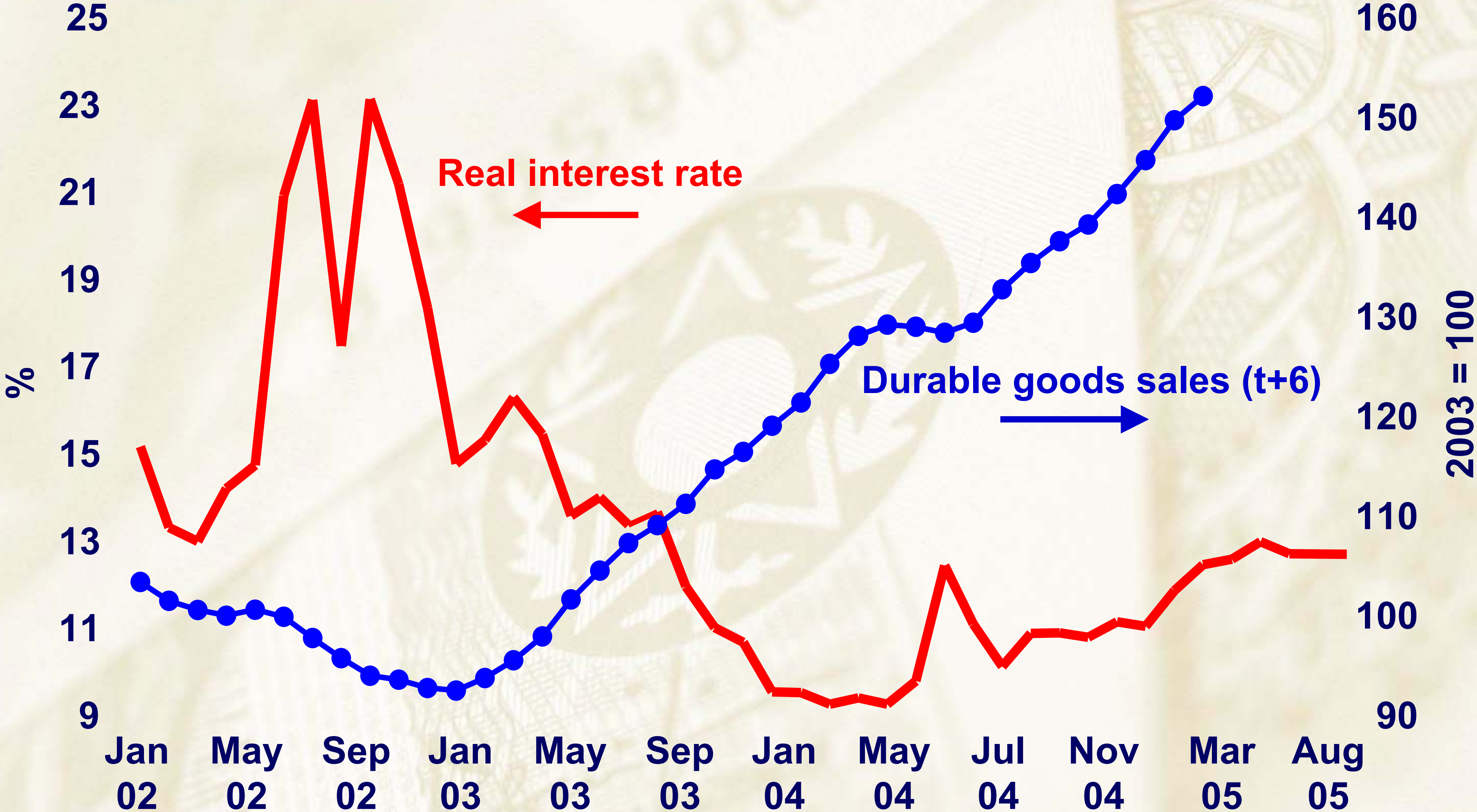


Investment outpaces GDP growth

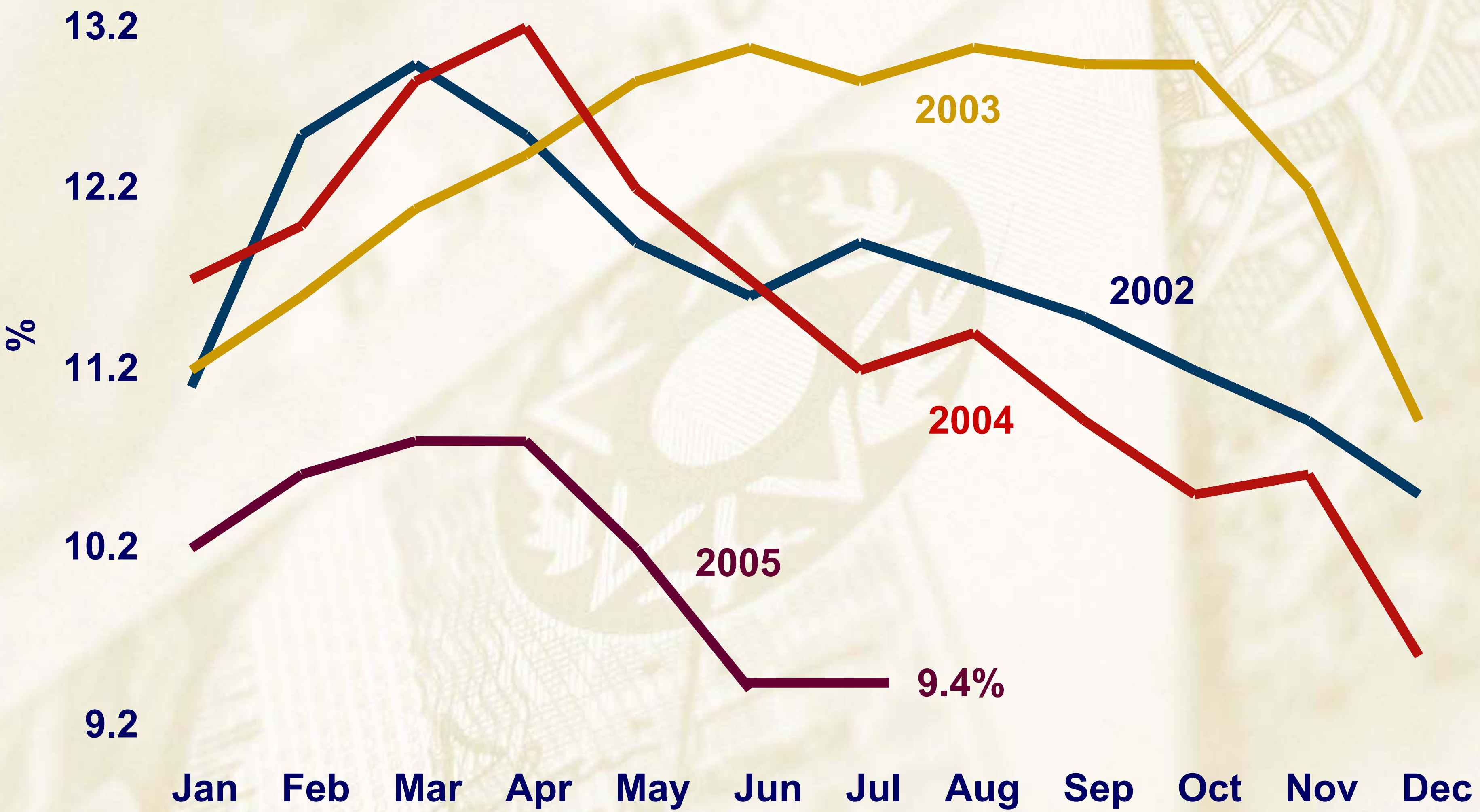


Recent data reinforces the trend

Durable goods sales still on the rise



Unemployment Rate



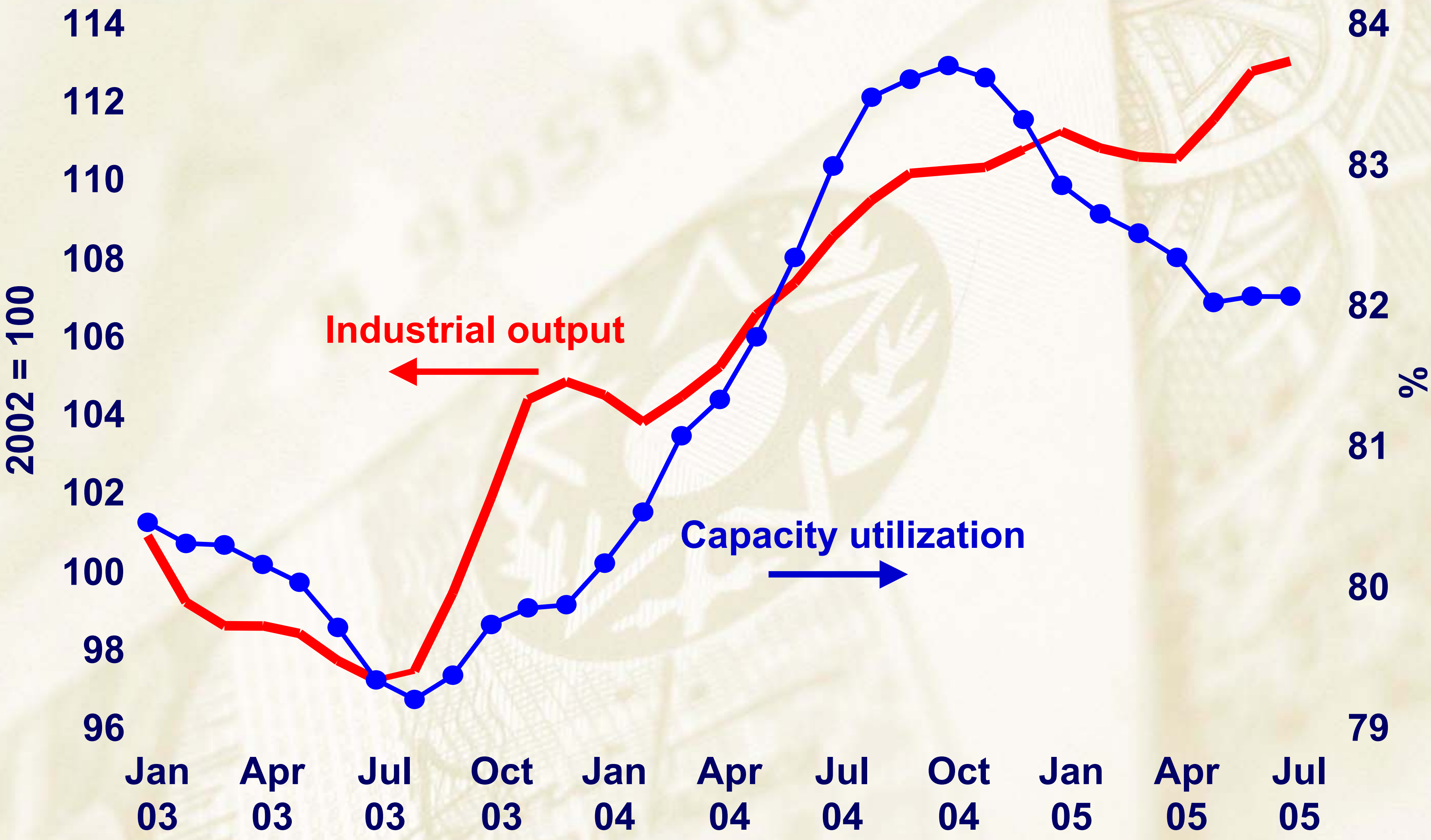
Source: IBGE

Labor income is kicking in

Lower inflation helps wage recovery

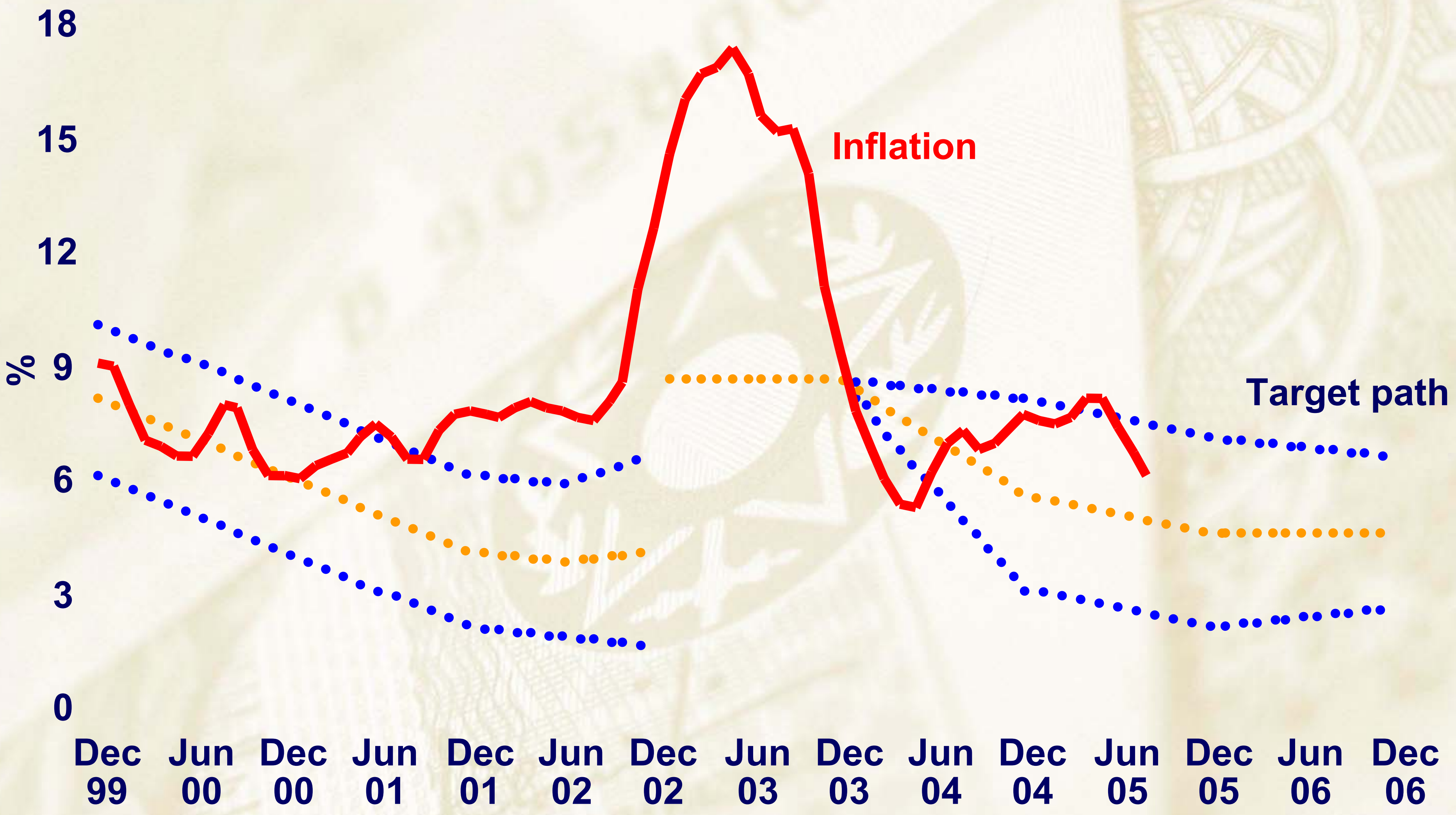
Industrial output still growing

Output vs capacity utilization



II. Inflation

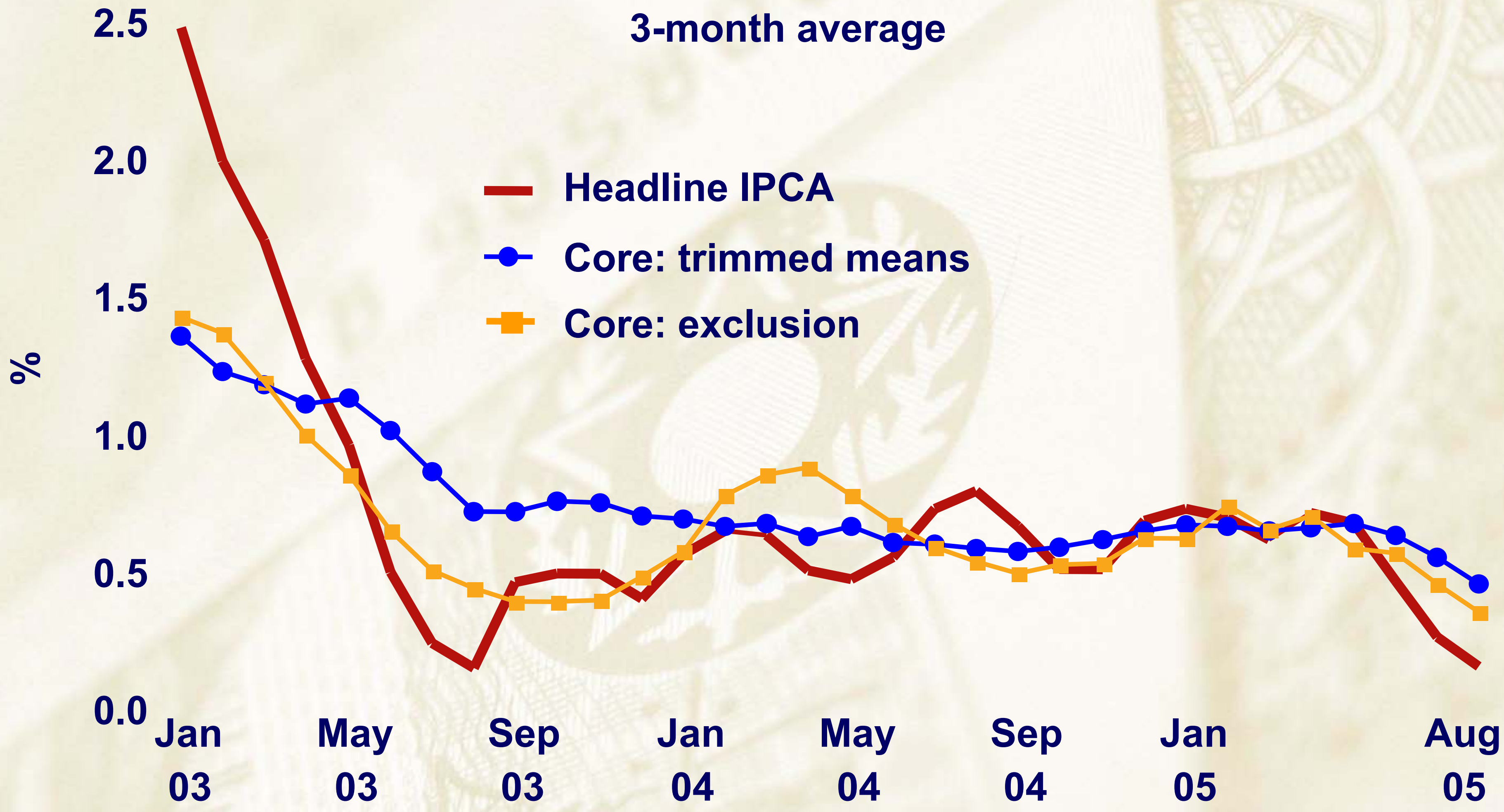
IPCA vs target path



A few figures for reference

	May 05	Jun 05	Jul 05	Aug 05	Quarter average -1	Quarter average	Year-to date	12 month
IPCA - headline	**0.49**	**(0.02)**	**0.25**	**0.17**	**0.66**	**0.13**	**3.59**	**6.02**
Trimmed means - smoothed	0.65	0.49	0.45	0.36	0.66	0.43	4.62	7.21
Trimmed means - non-smoothed	0.46	0.26	0.31	0.28	0.55	0.28	3.57	5.83
Exclusion	0.57	0.36	0.37	0.26	0.56	0.33	4.25	6.56
Core- average	**0.56**	**0.37**	**0.38**	**0.30**	**0.59**	**0.35**	**4.15**	**6.53**
Market prices	0.59	0.04	0.00	(0.05)	0.56	0.00	3.09	4.67
Tradable	0.72	(0.06)	(0.25)	(0.18)	0.62	(0.16)	1.91	3.89
Non-tradable	0.43	0.16	0.33	0.11	0.49	0.20	4.60	5.66
Regulated prices	0.25	(0.16)	0.84	0.69	0.89	0.46	4.81	9.31

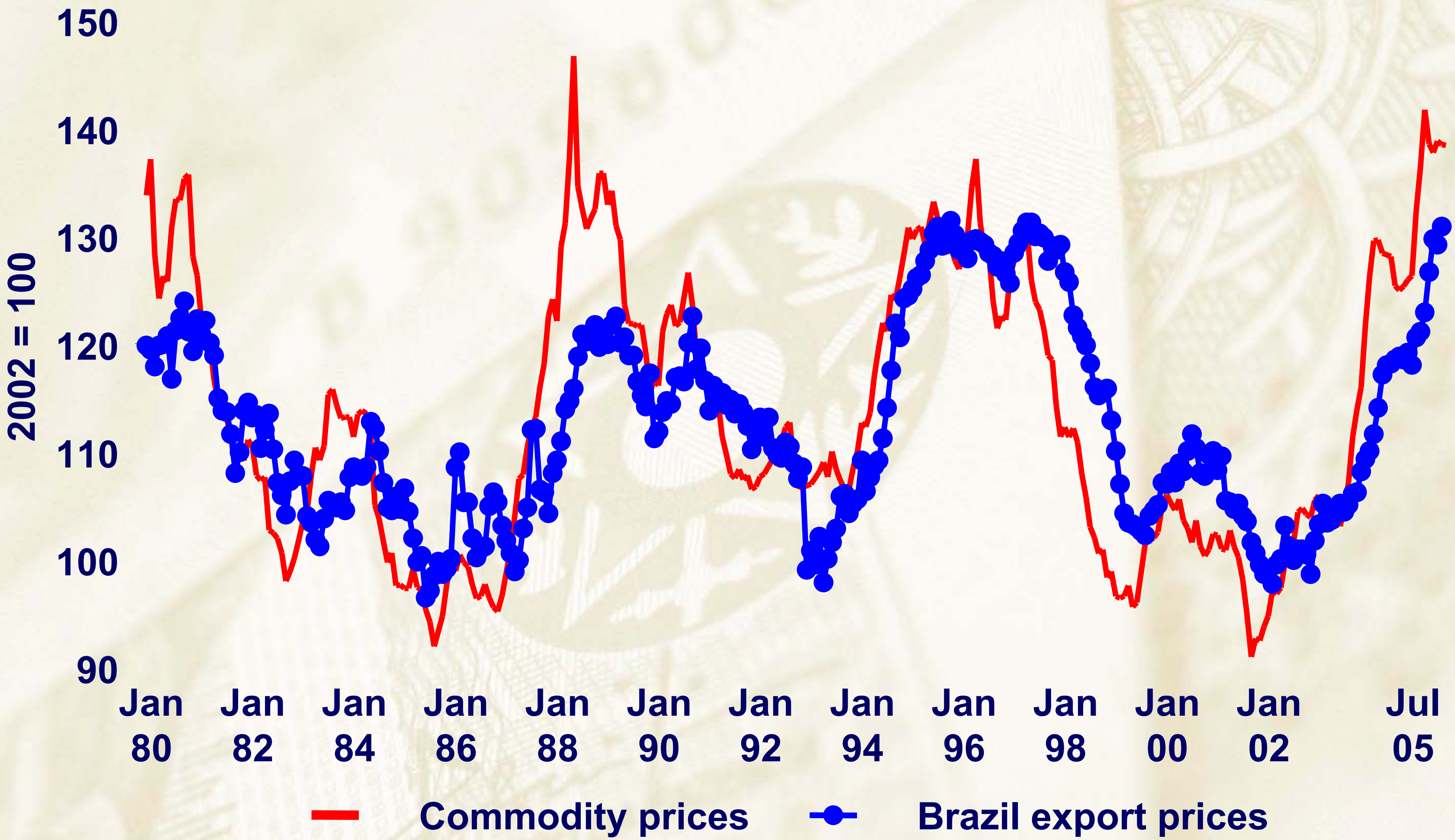
Headline and core inflation



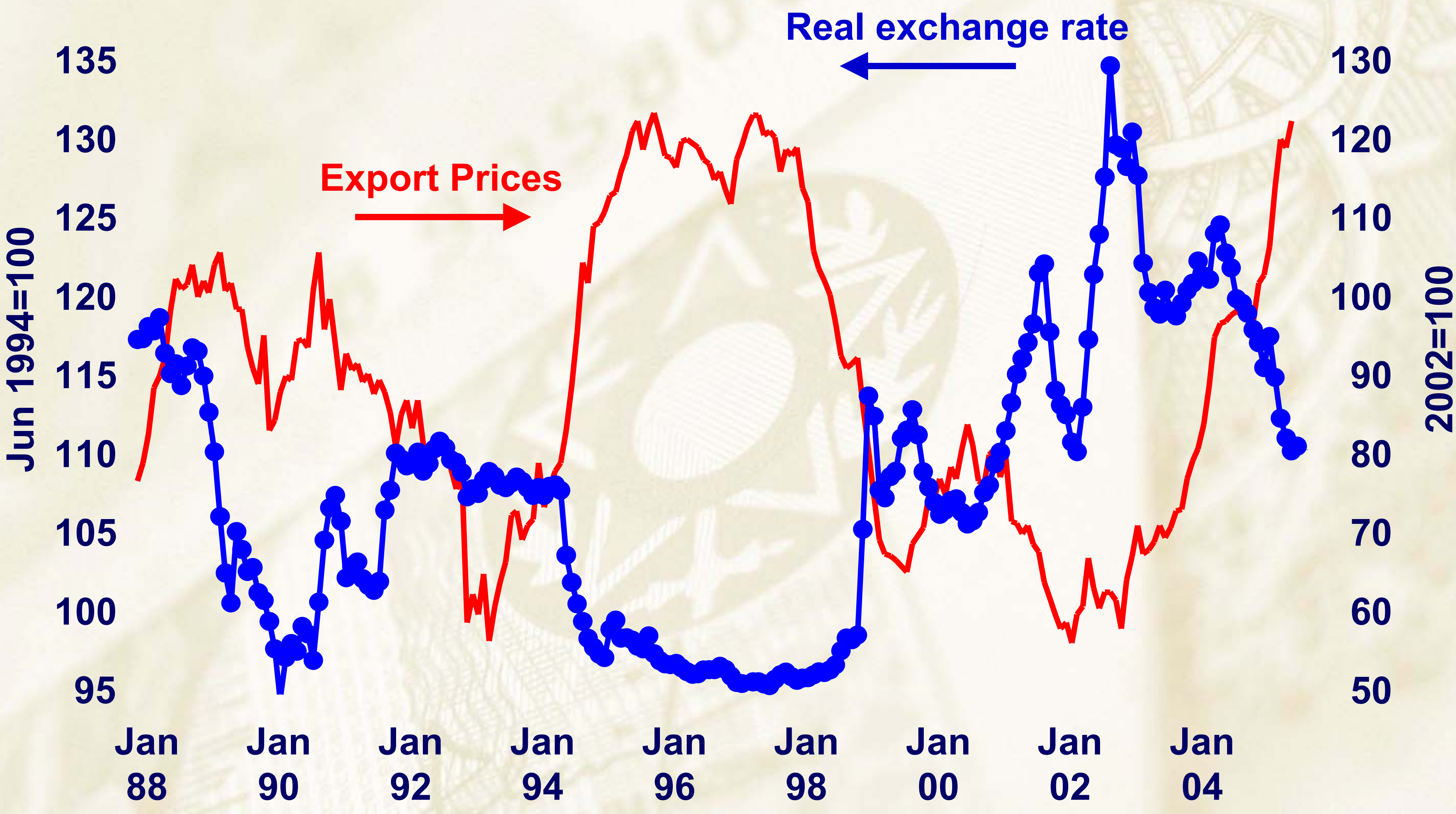
With a little help from my friends…

But not only that

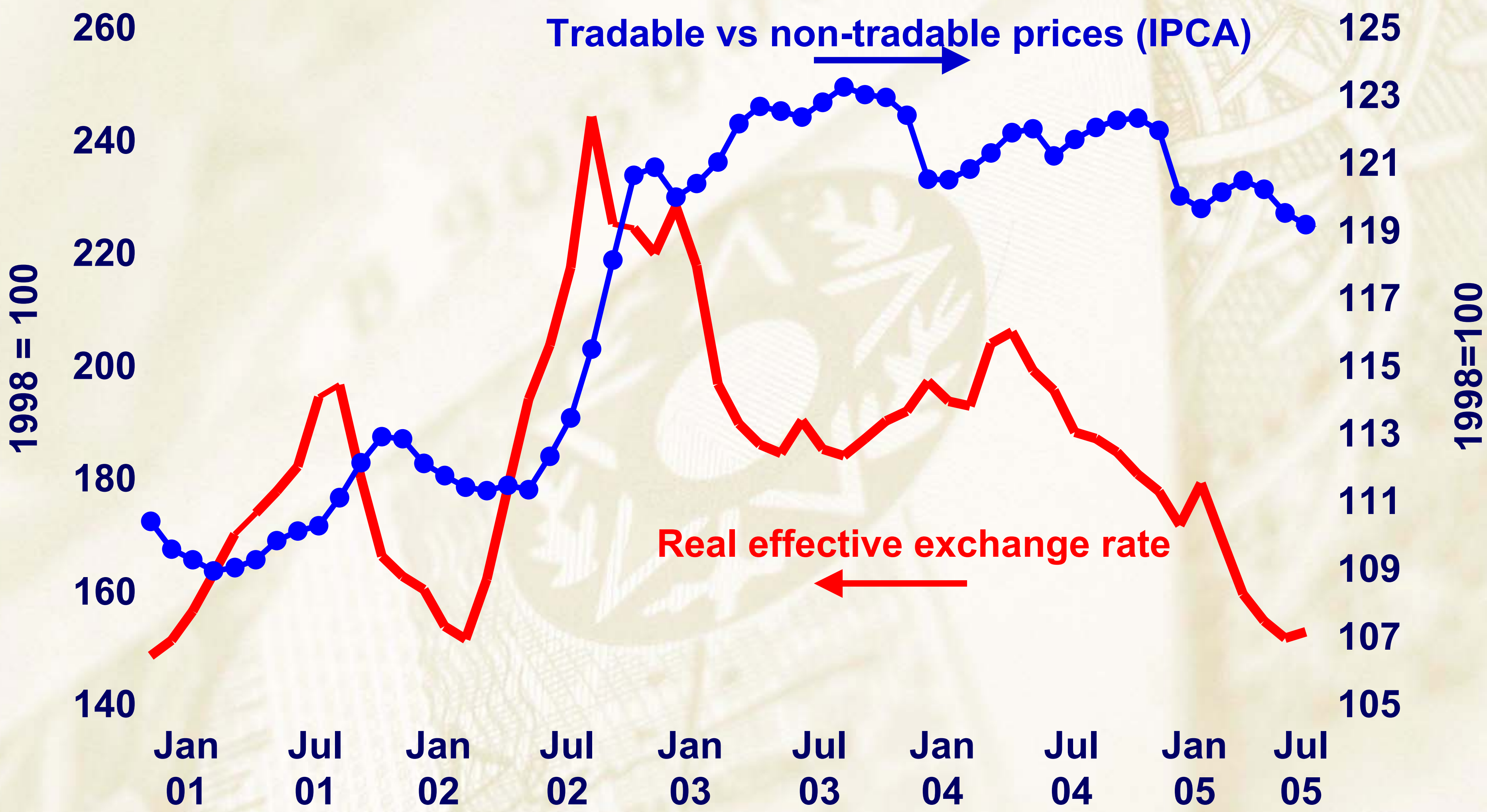
External shocks vs domestic inflation - 1



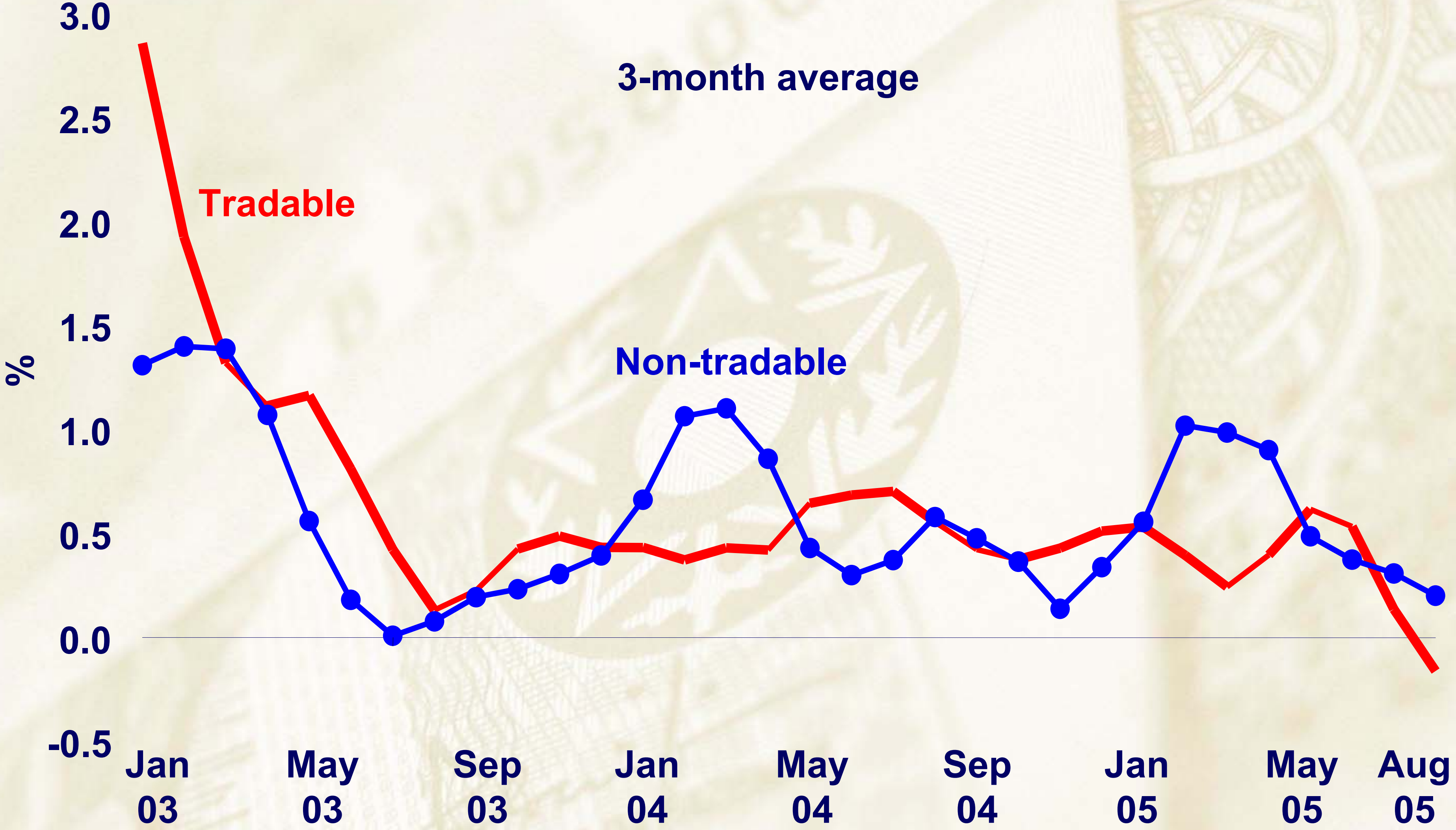
External shocks vs domestic inflation - 2



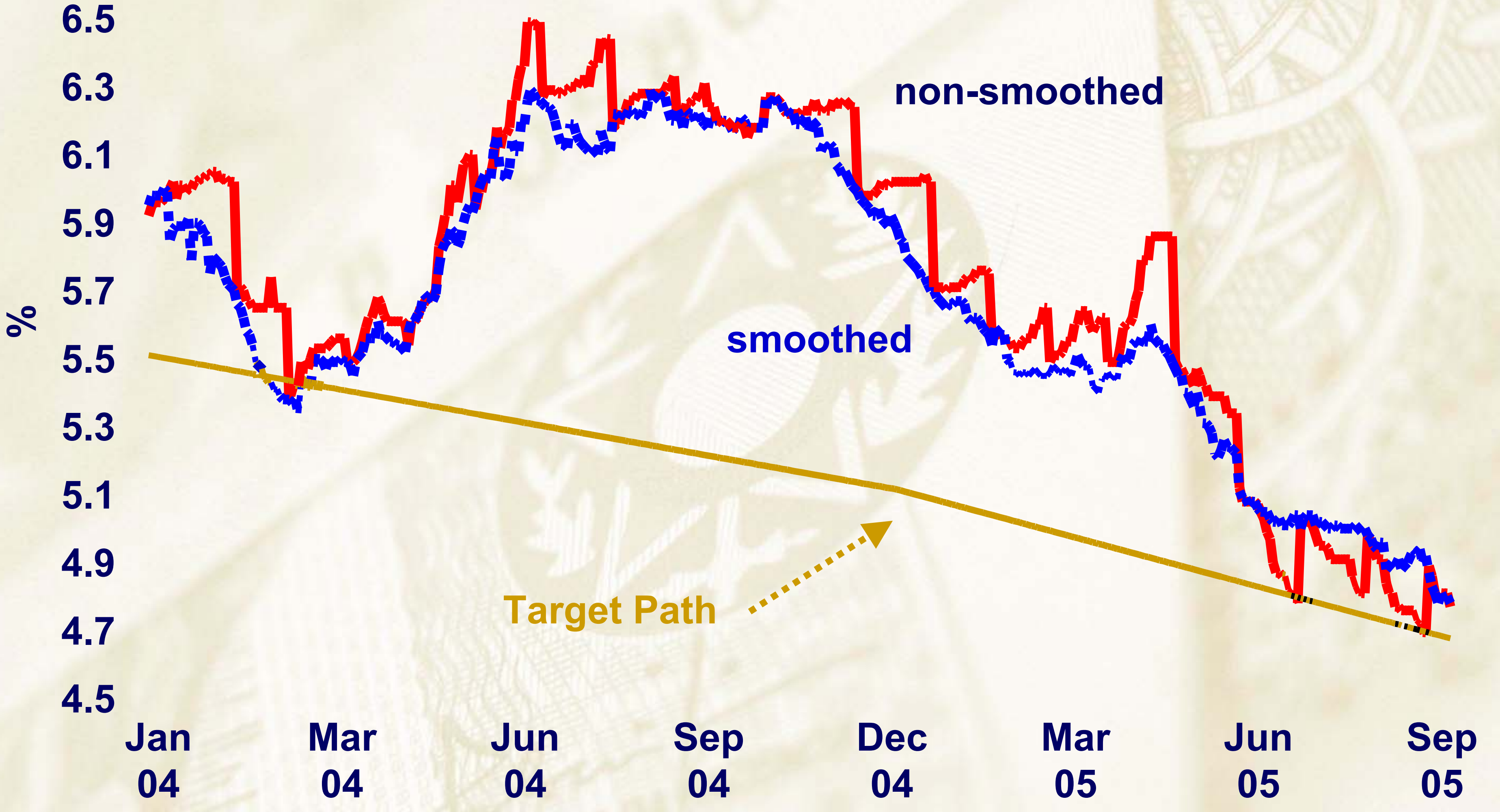
External shocks vs domestic inflation - 3



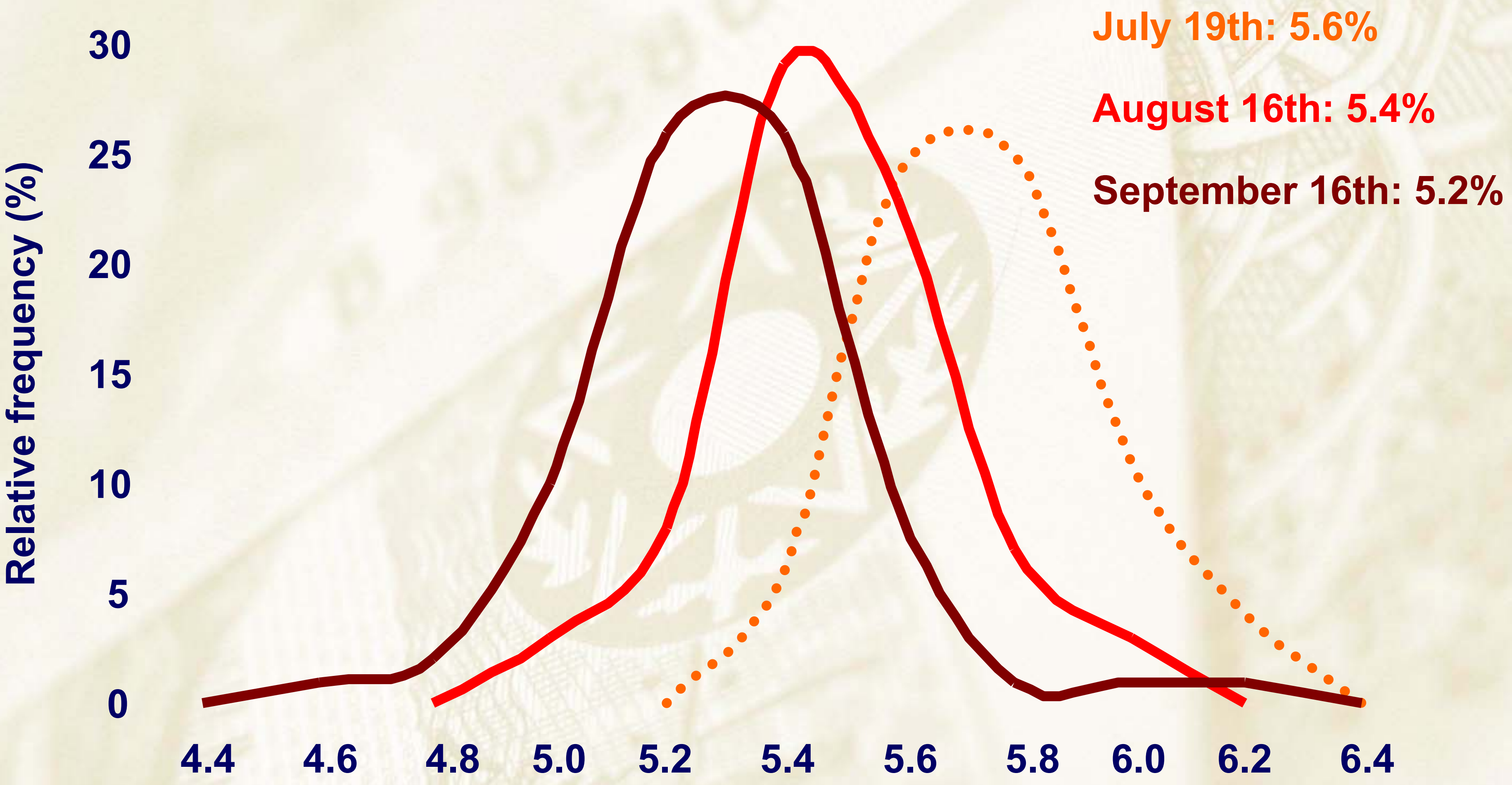
External shocks vs domestic inflation - 4



IPCA 12 months ahead

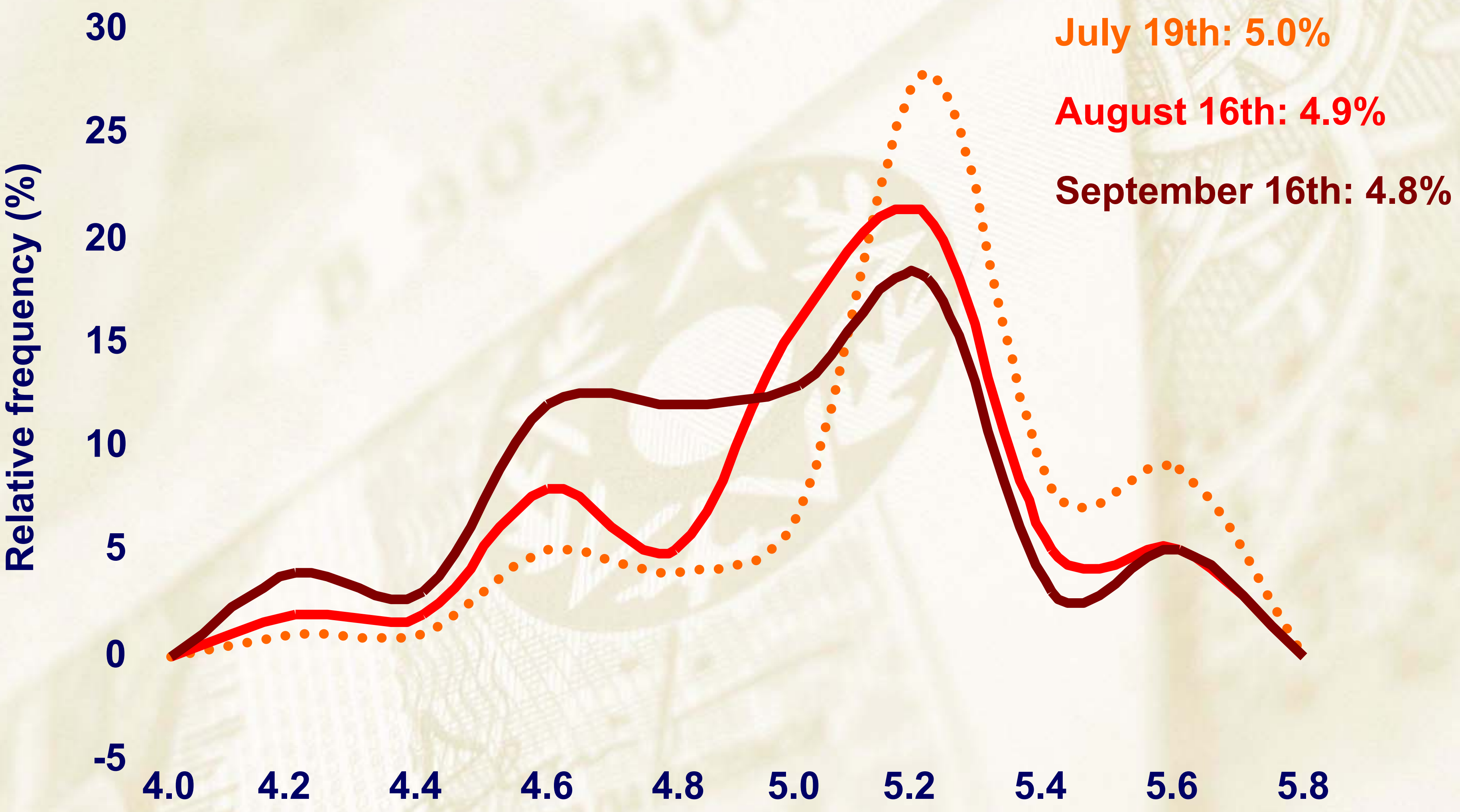


Distribution of Market IPCA Expectations for 2005



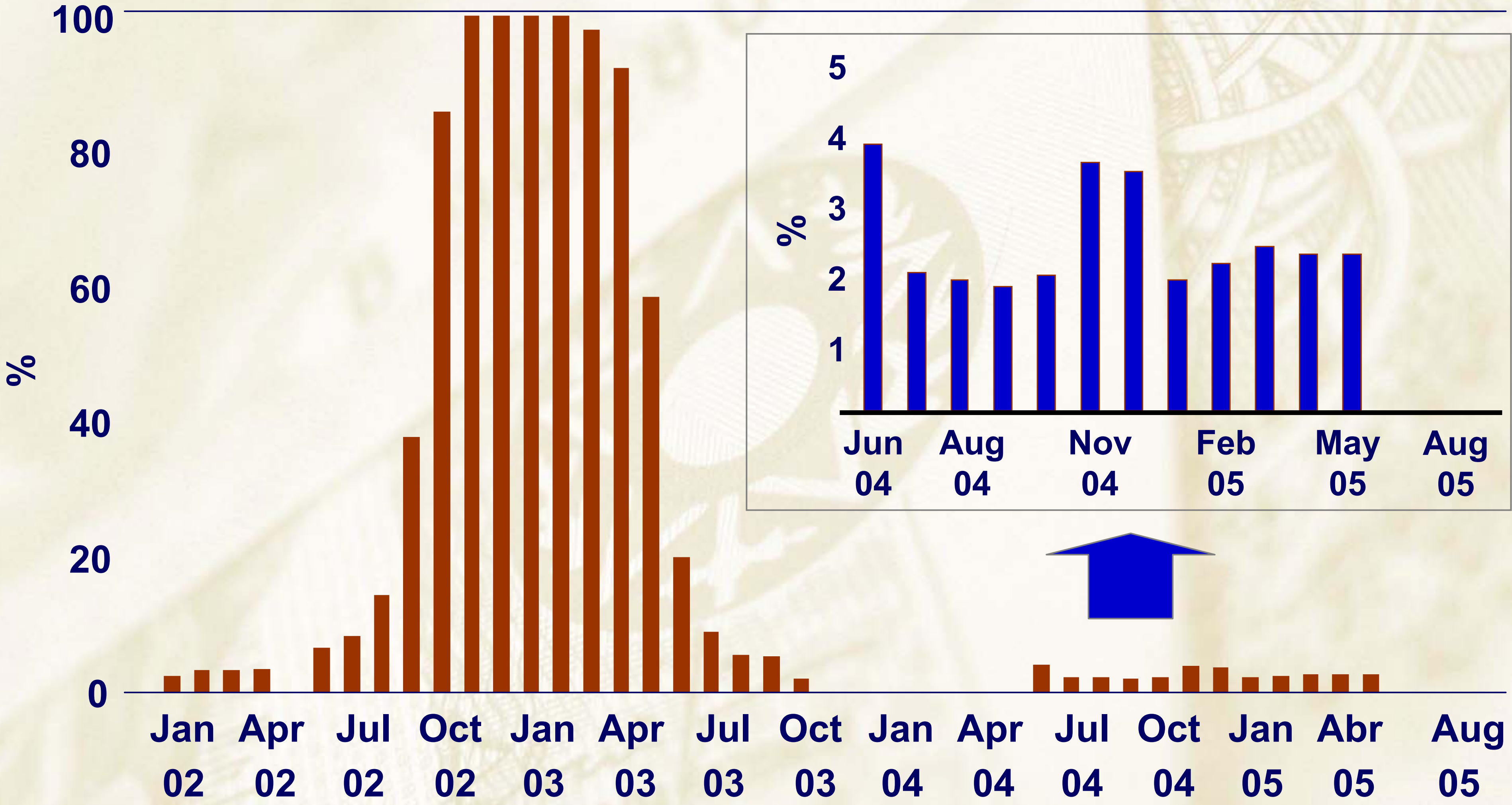
Source: Bacen

Distribution of Market IPCA Expectations for 2006



Source: Bacen

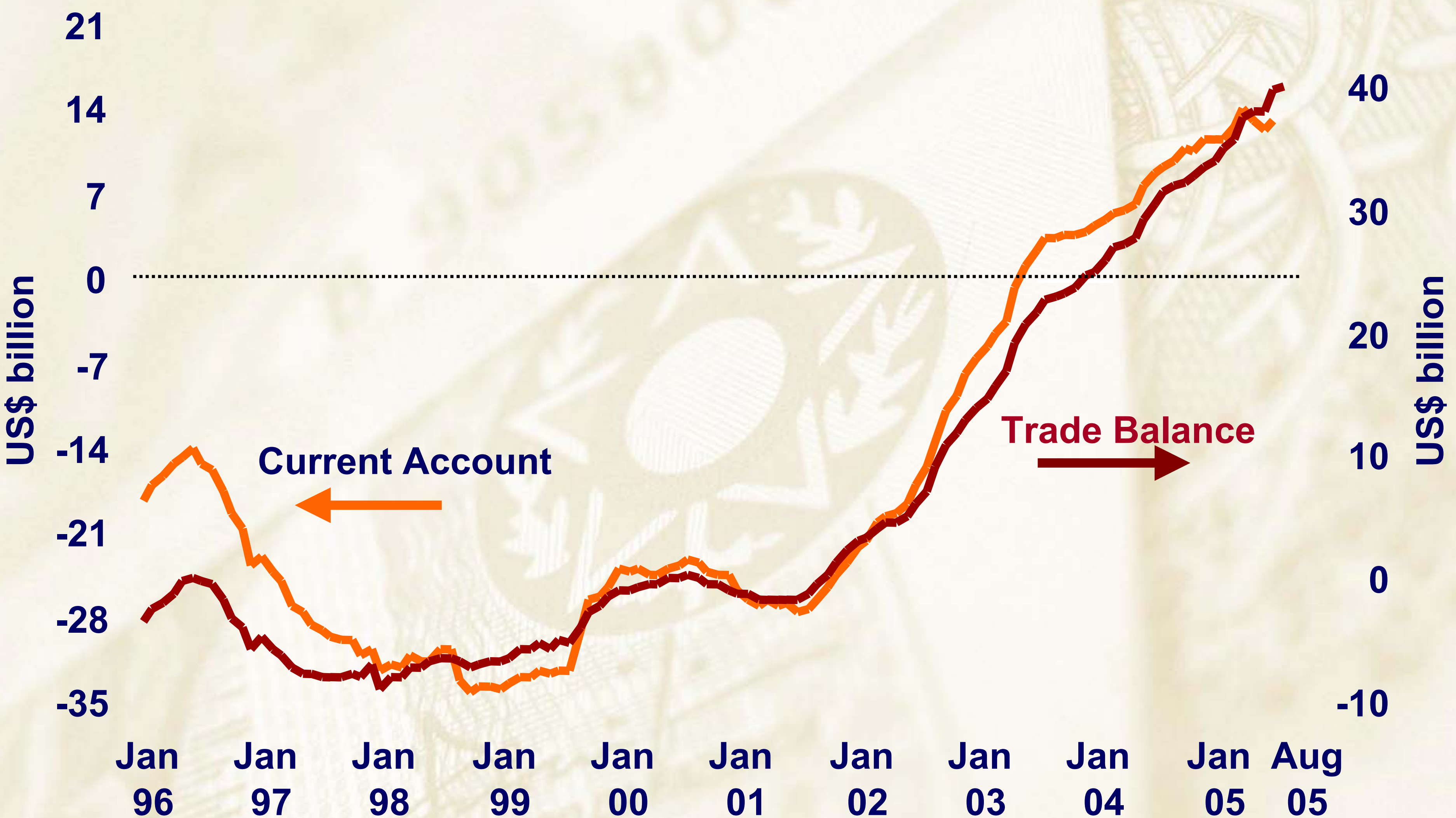
Market Inflation Expectations: % of Surveyed Participants Expecting IPCA Above Target Path



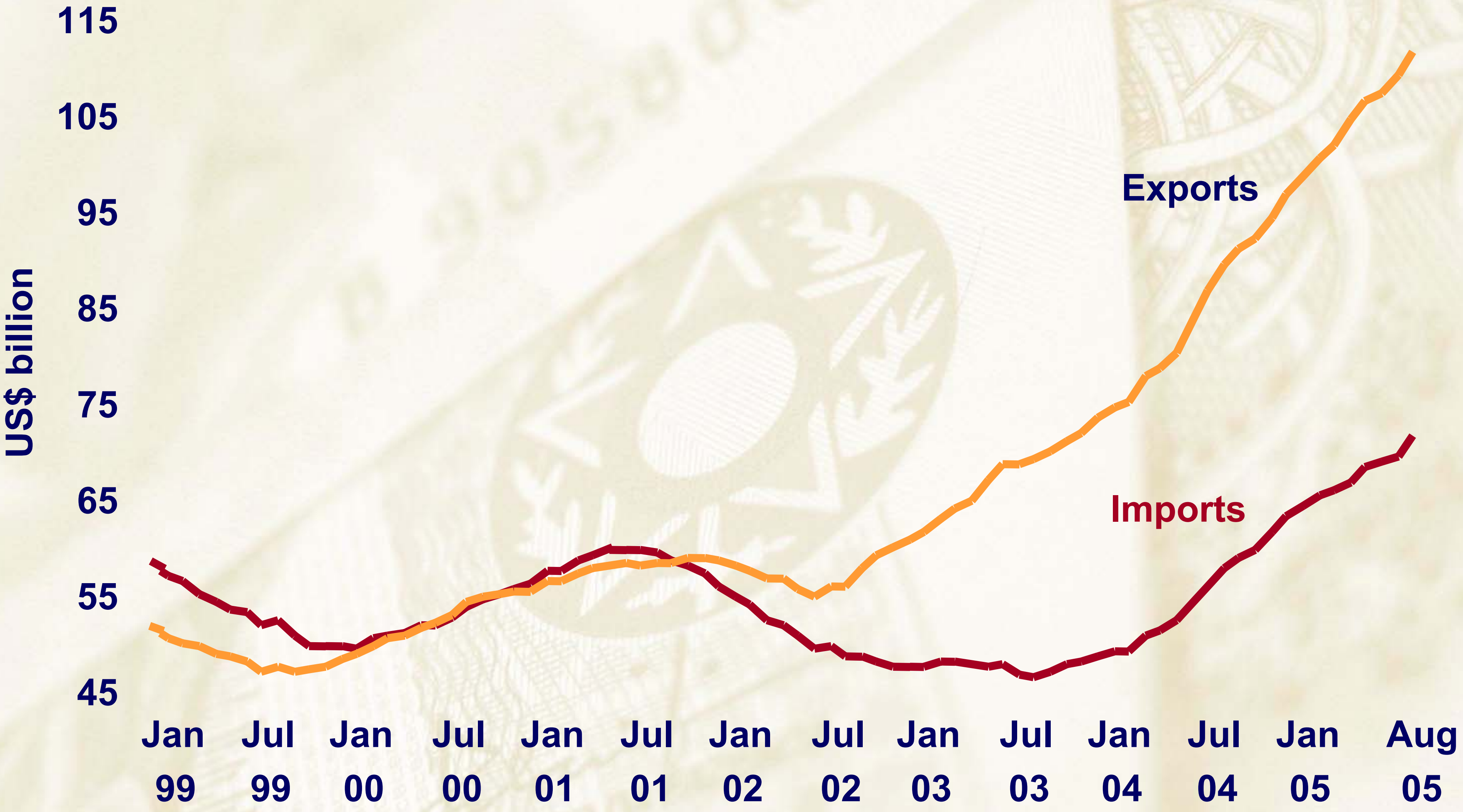
Source: Bacen

III. Balance of Payments

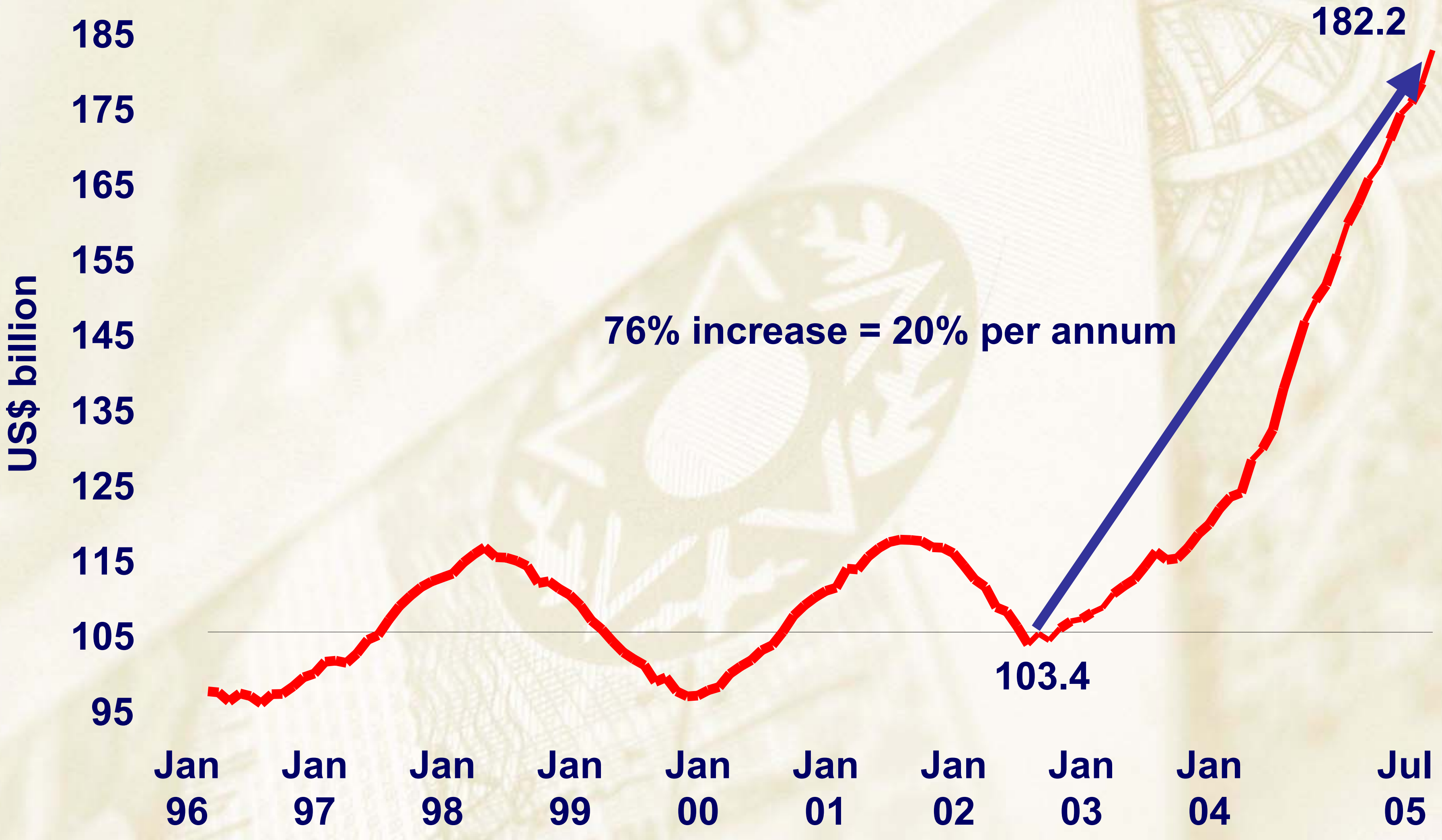
Eppur si muove - 1



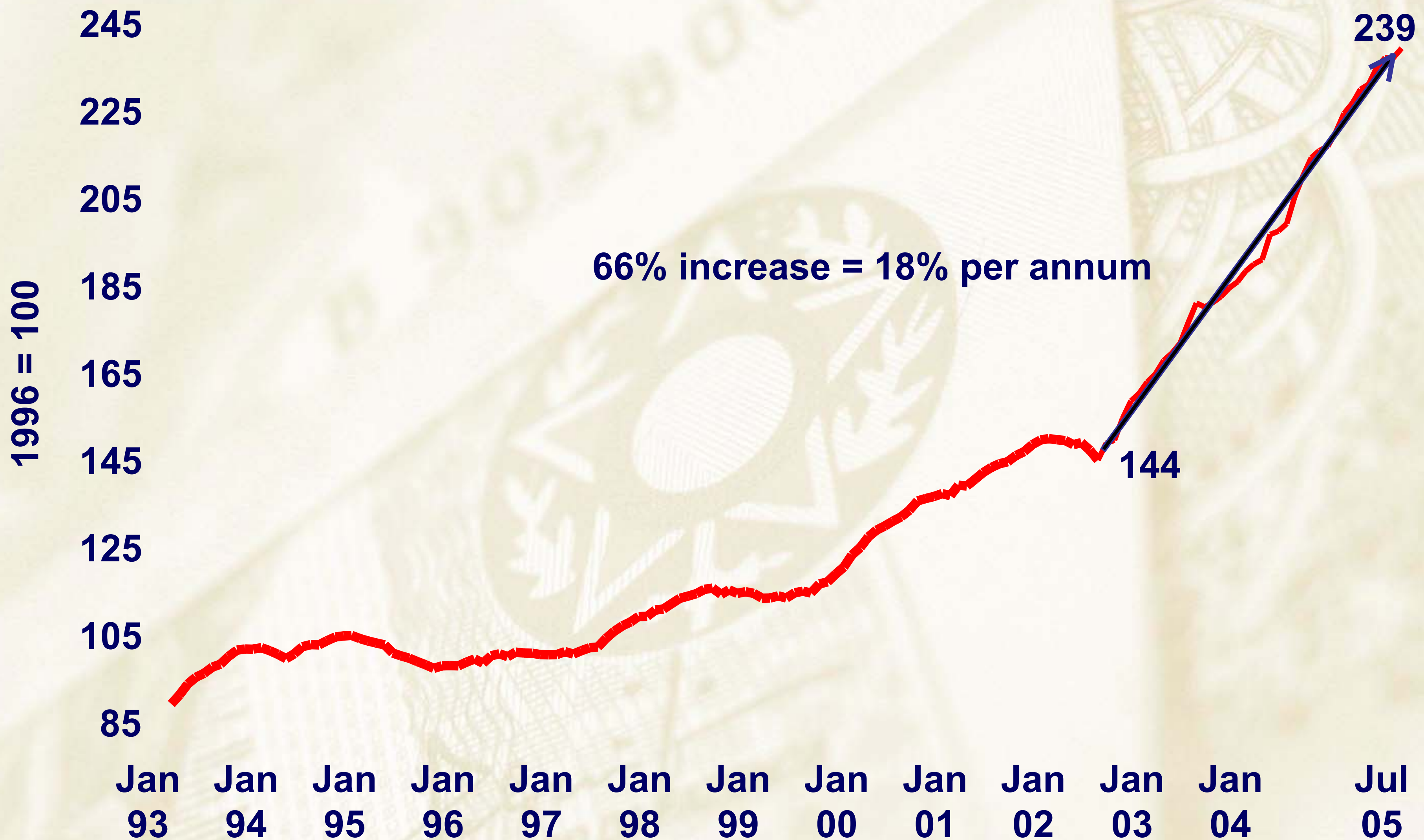
Eppur si muove - 2



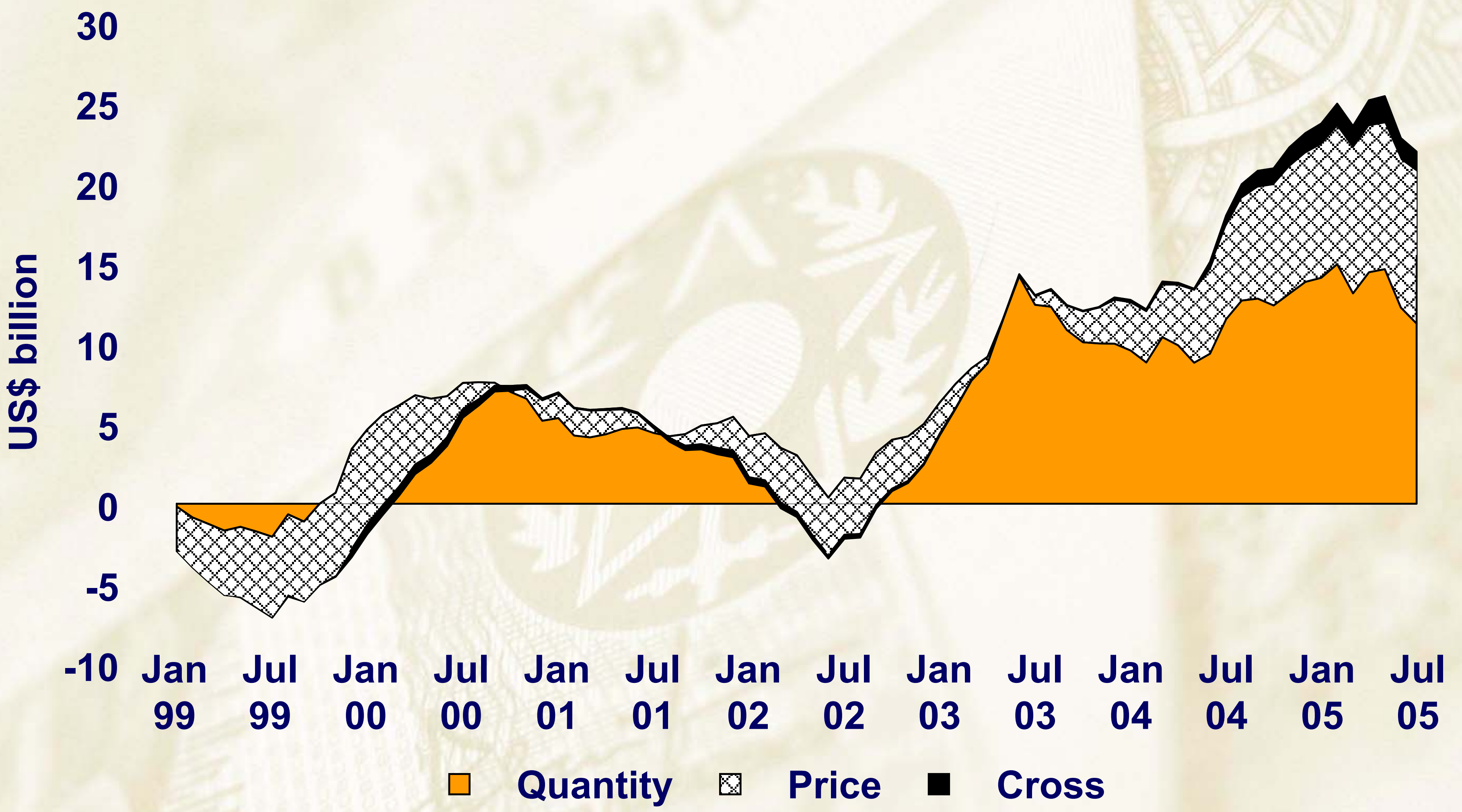
Higher trade integration



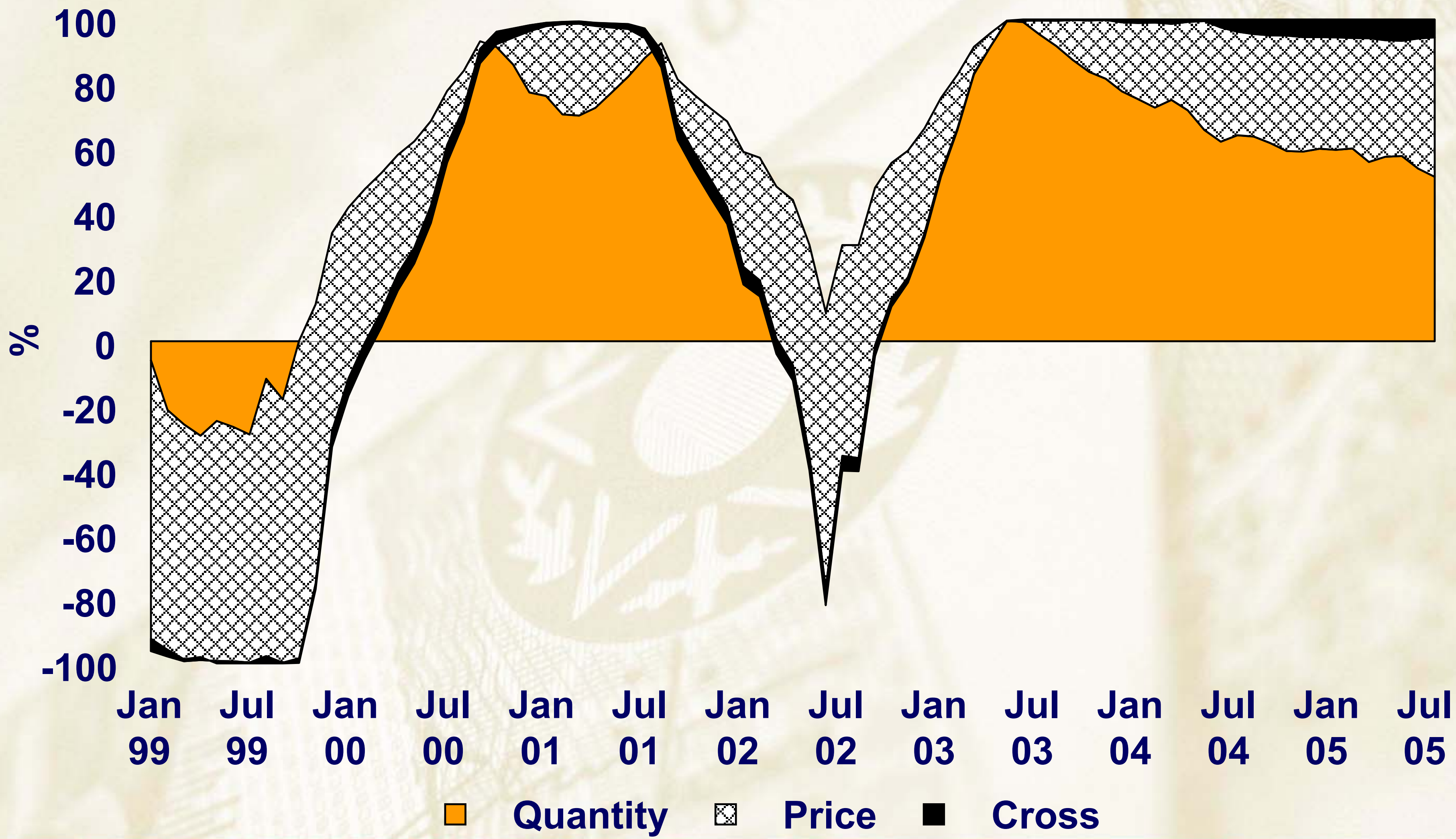
Export quantum (12-month)



Export growth decomposition – US$ mn



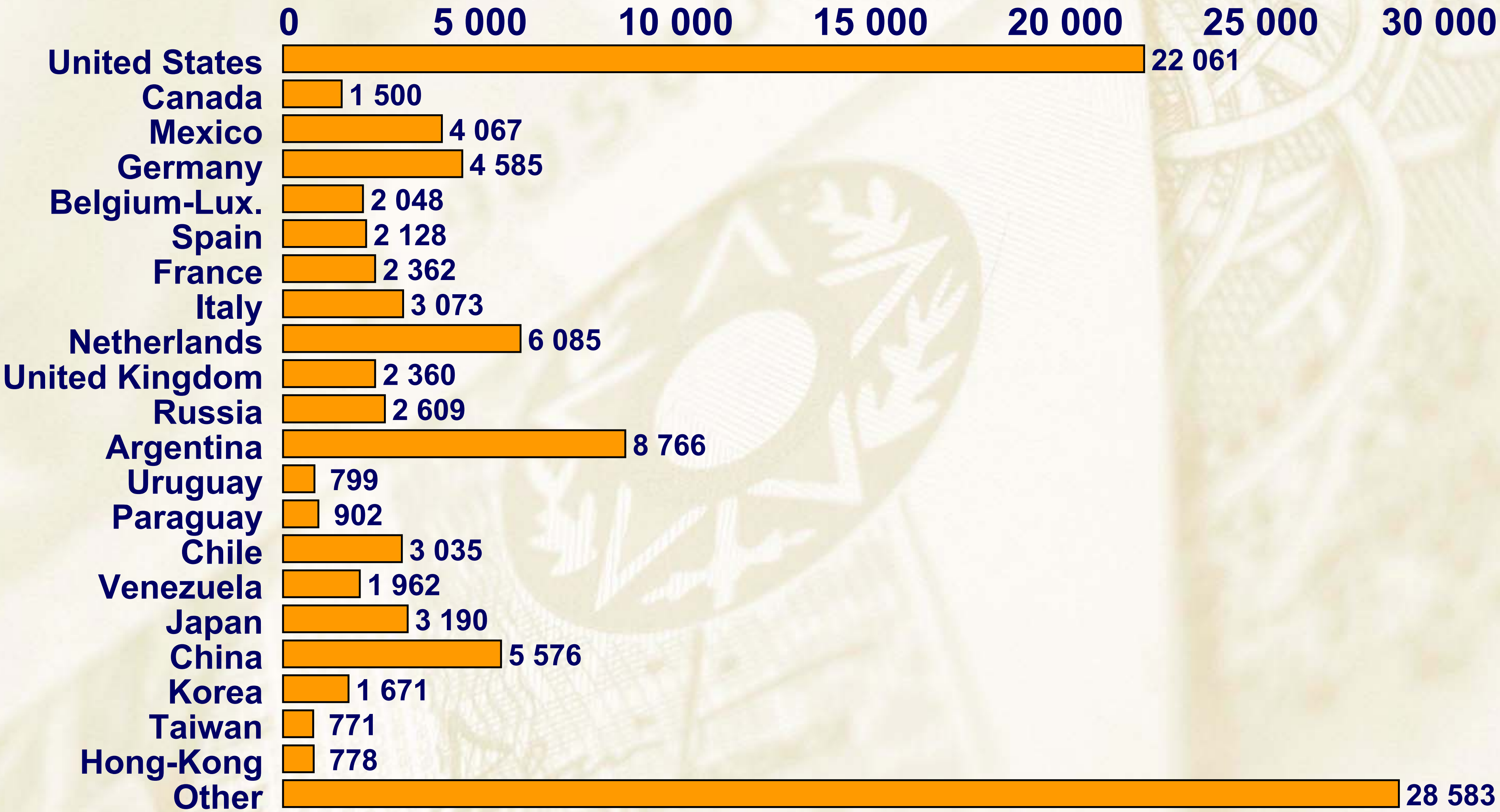
Export growth decomposition – % total



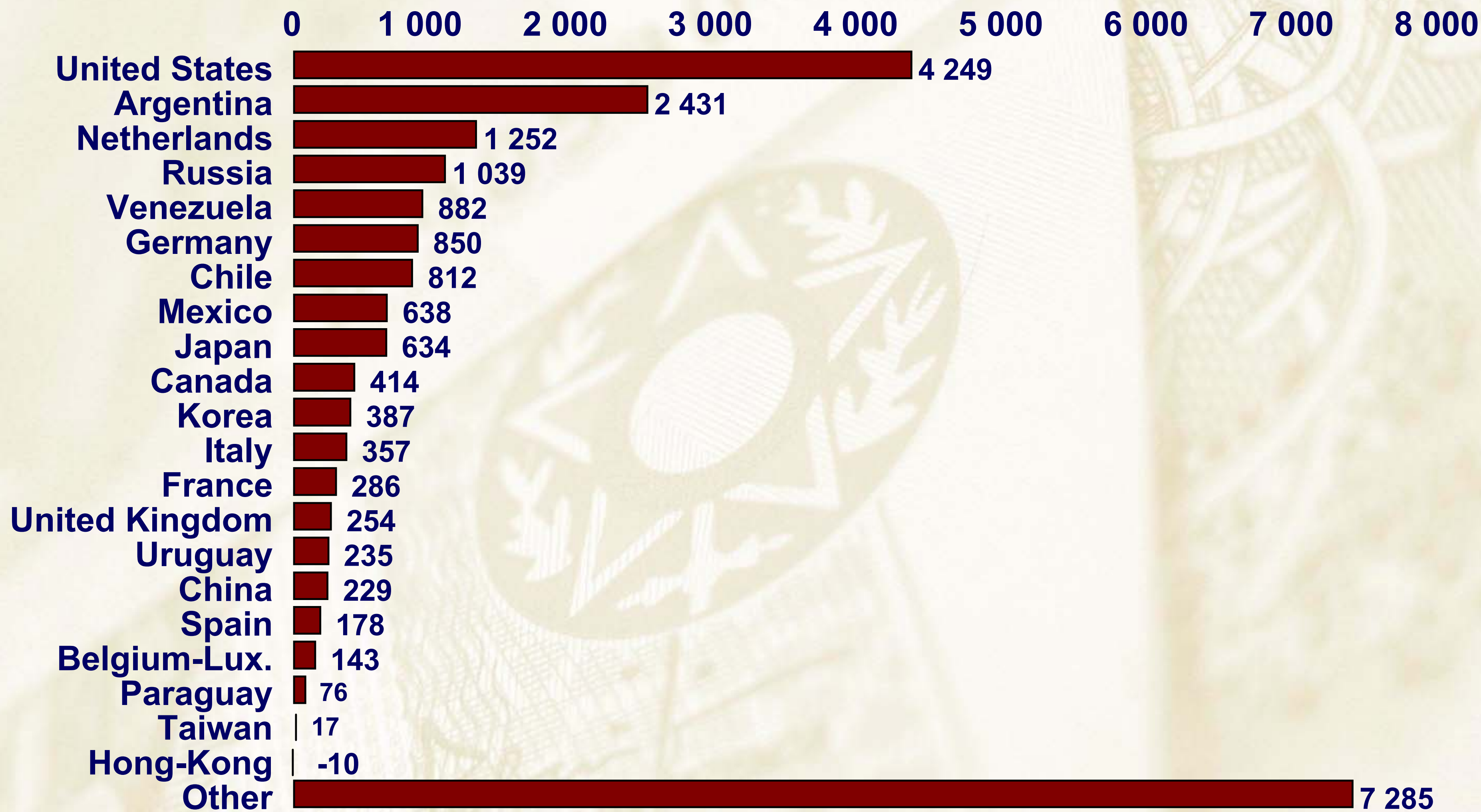
Export growth decomposition – product

Jan-Aug 2005				12-month			
	US$ mn	%	% change		US$ mn	%	% change
Transport equipment	2 561	17%	27%	Transport equipment	5 209	23%	39%
Metal	2 046	14%	32%	Metal	3 225	14%	35%
Oil & derivatives	1 603	11%	42%	Ore	2 083	9%	44%
Ore	1 578	11%	47%	Meats	1 879	8%	34%
Meats	1 291	9%	33%	Oil & derivatives	1 701	8%	30%
Electronics	1 217	8%	63%	Chemicals	1 608	7%	29%
Chemicals	1 126	8%	30%	Mechanical	1 605	7%	32%
Sugar	1 008	7%	65%	Electronics	1 344	6%	45%
Mechanical	984	7%	28%	Sugar	1 221	5%	50%
Coffee	691	5%	57%	Coffee	900	4%	49%
Orange juice	280	2%	56%	Tobacco	472	2%	40%
Paper & pulp	262	2%	14%	Shoes & leather	328	1%	10%
Tobacco	216	1%	24%	Wood	317	1%	11%
Shoes & leather	157	1%	7%	Paper & pulp	295	1%	10%
Textiles	65	0%	5%	Textiles	239	1%	12%
Wood	56	0%	3%	Orange juice	207	1%	24%
Soy	-1 170	-8%	-15%	Soy	-1 387	-6%	-13%
Other	759	5%	12%	Other	1 032	5%	11%
Total	**14 731**	**100%**	**24%**	**Total**	**22 276**	**100%**	**25%**

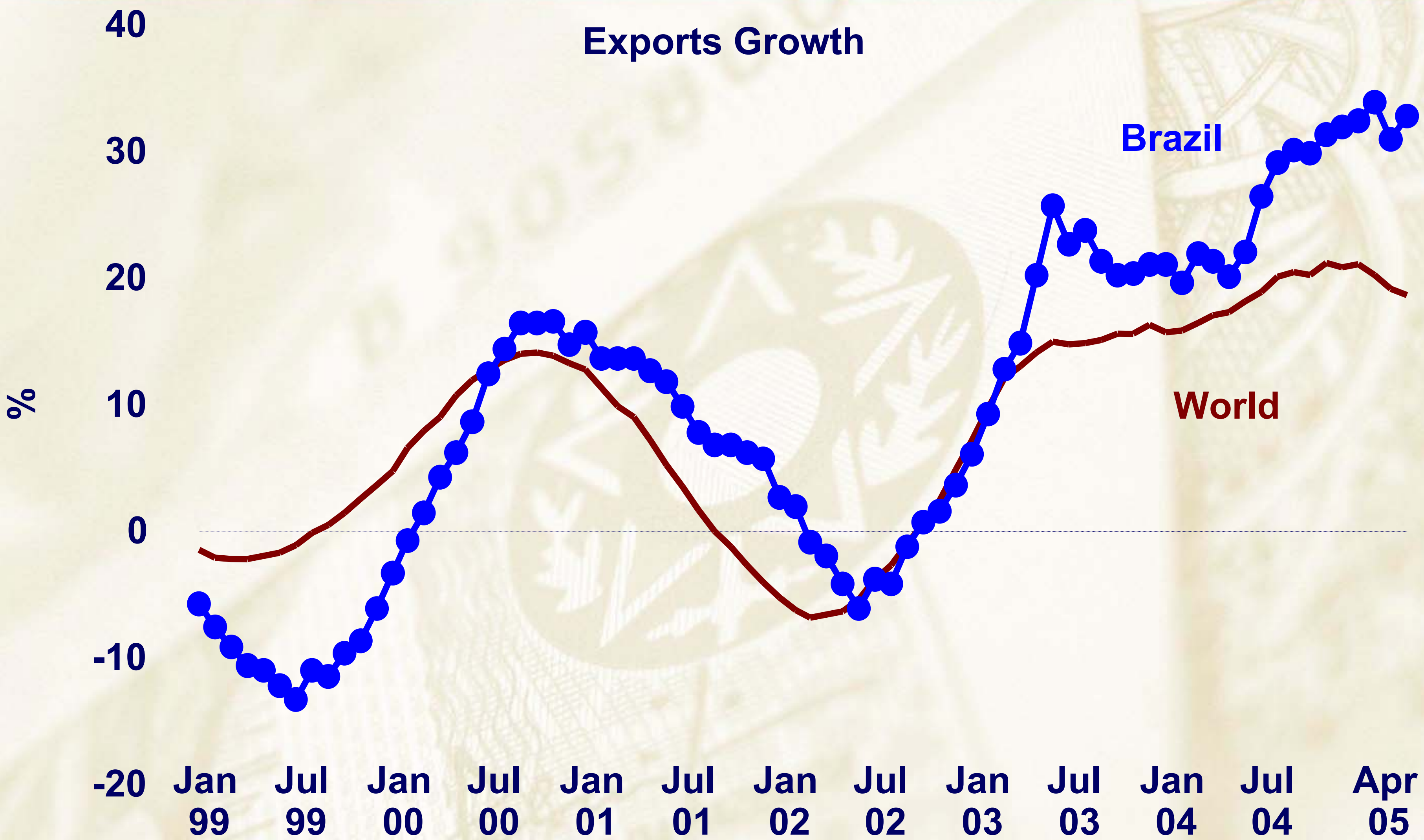
Export decomposition – markets



Export growth decomposition – markets

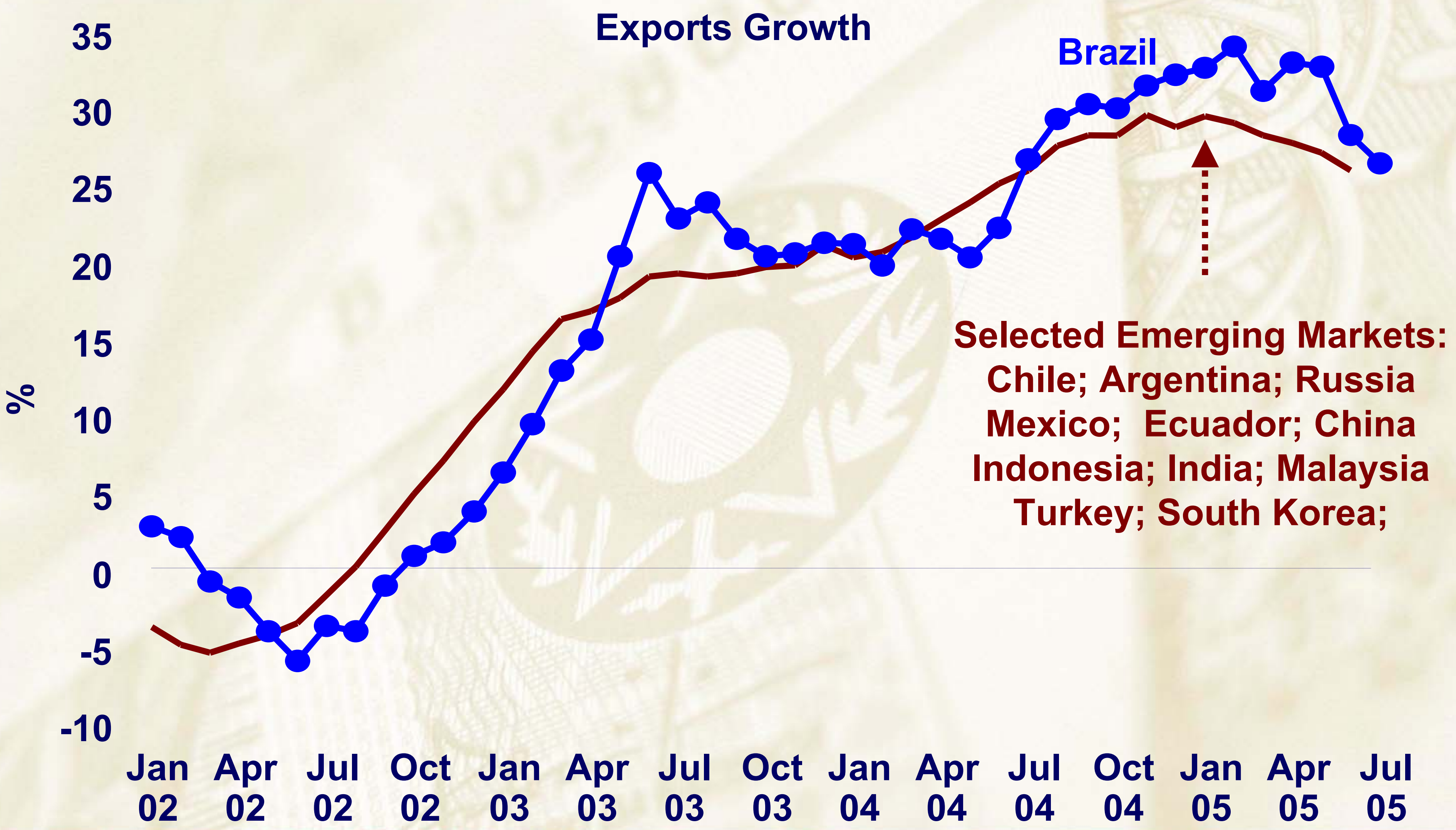


Outpacing



Exports Growth
%
40
30
20
10
0
-10
-20
Brazil
World
Jan 99
Jul 99
Jan 00
Jul 00
Jan 01
Jul 01
Jan 02
Jul 02
Jan 03
Jul 03
Jan 04
Jul 04
Apr 05

Outpacing

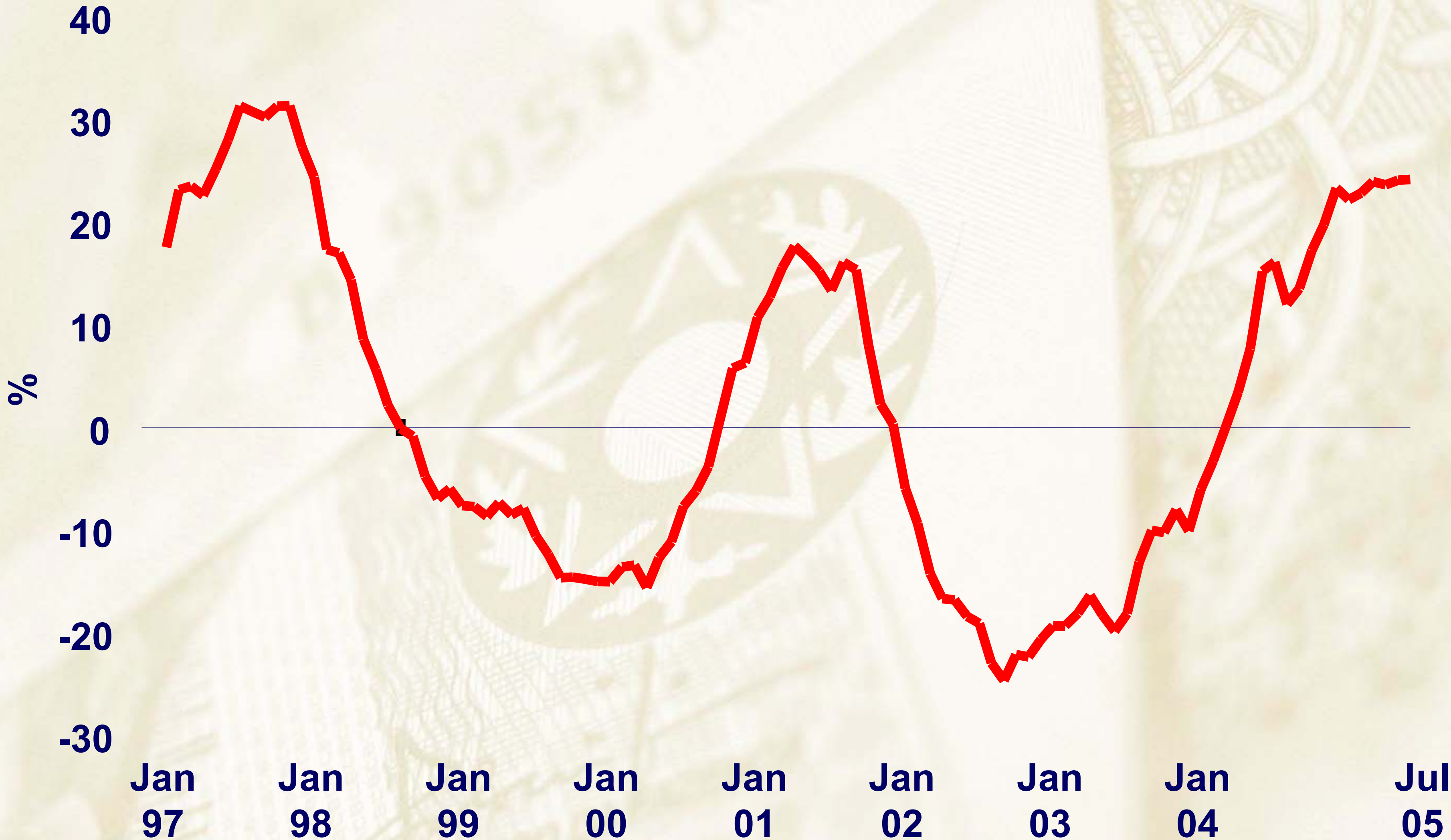


Exports Growth
Brazil
Selected Emerging Markets:
Chile; Argentina; Russia
Mexico; Ecuador; China
Indonesia; India; Malaysia
Turkey; South Korea;
%
35
30
25
20
15
10
5
0
-5
-10
Jan 02
Apr 02
Jul 02
Oct 02
Jan 03
Apr 03
Jul 03
Oct 03
Jan 04
Apr 04
Jul 04
Oct 04
Jan 05
Apr 05
Jul 05

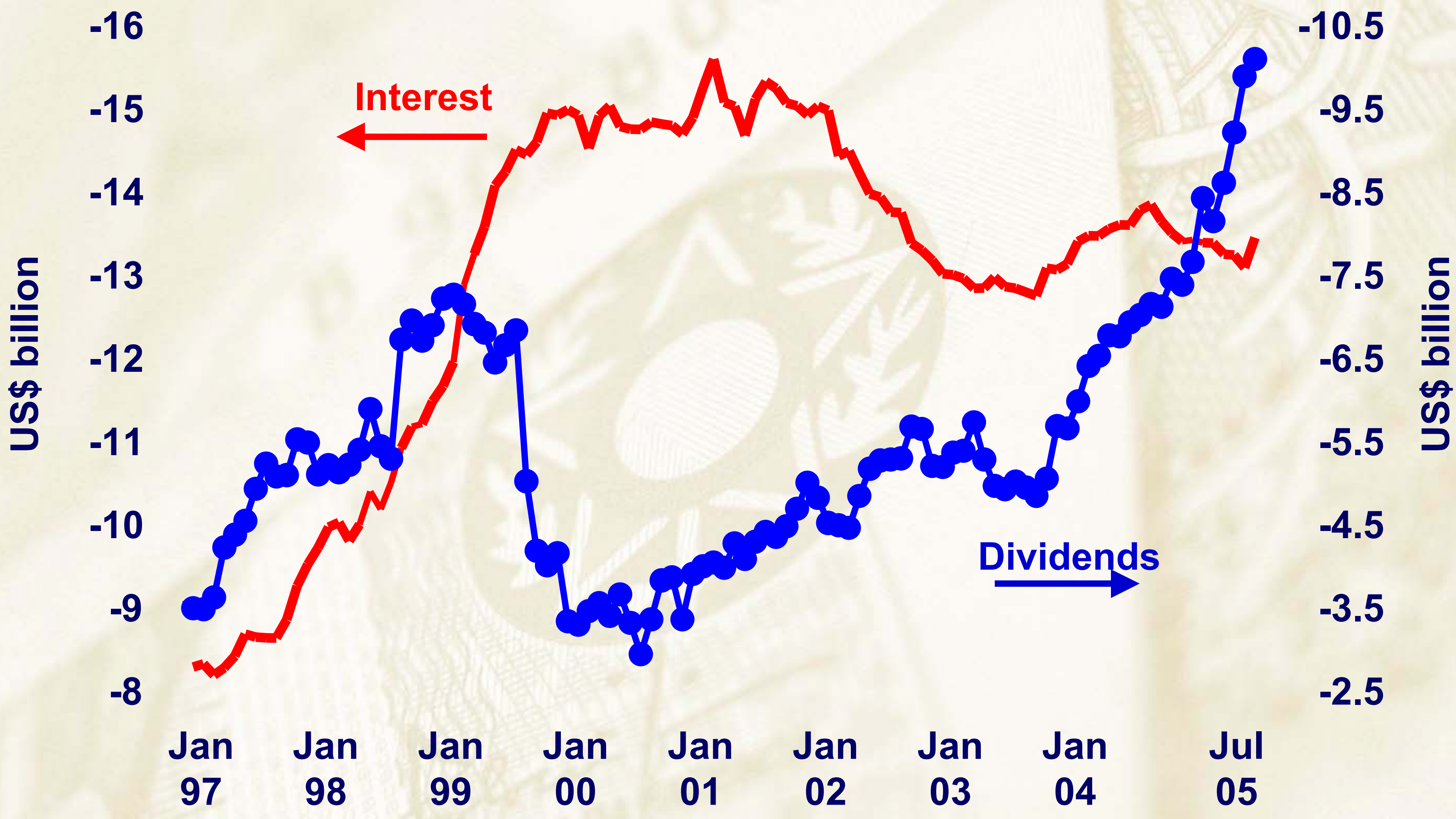
Import growth decomposition – products

Jan-Aug 2005				12-month			
	US$ mn	%	% change		US$ mn	%	% change
Fuel & lubricants	1 832	22%	26%	Fuel & lubricants	3 677	27%	38%
Mechanical equipment	1 564	19%	26%	Mechanical equipment	2 130	15%	24%
Electronics	1 121	13%	20%	Electronics	1 780	13%	22%
Vehicles & parts	777	9%	38%	Vehicles & parts	1 059	8%	37%
Chemicals	455	5%	15%	Chemicals	886	6%	20%
Plastics	422	5%	28%	Plastics	662	5%	31%
Steel	360	4%	43%	Steel	534	4%	46%
Precision instruments	338	4%	22%	Precision instruments	495	4%	23%
Rubber	277	3%	37%	Rubber	397	3%	37%
Copper	148	2%	39%	Other chemicals	278	2%	22%
Pharmaceuticals	139	2%	12%	Copper	261	2%	51%
Aircraft & parts	88	1%	15%	Pharmaceuticals	242	2%	14%
Aluminium	56	1%	22%	Aircraft & parts	190	1%	24%
Paper	56	1%	16%	Fibers	135	1%	20%
Other chemicals	49	1%	6%	Paper	107	1%	21%
Fibers	33	0%	7%	Aluminium	91	1%	25%
Colorants	31	0%	9%	Colorants	78	1%	16%
Milk & derivatives	24	0%	38%	Fish	35	0%	15%
Fish	16	0%	10%	Fertilizers	31	0%	1%
Beverages	13	0%	15%	Beverages	23	0%	16%
Cotton	- 96	-1%	-57%	Milk & derivatives	17	0%	17%
Fertilizers	- 133	-2%	-9%	Cotton	- 102	-1%	-51%
Cereals	- 159	-2%	-18%	Cereals	- 362	-3%	-24%
Other	663	8%	16%	Other	1 098	8%	18%
Total	**8 324**	**100%**	**21%**	**Total**	**13 776**	**100%**	**24%**

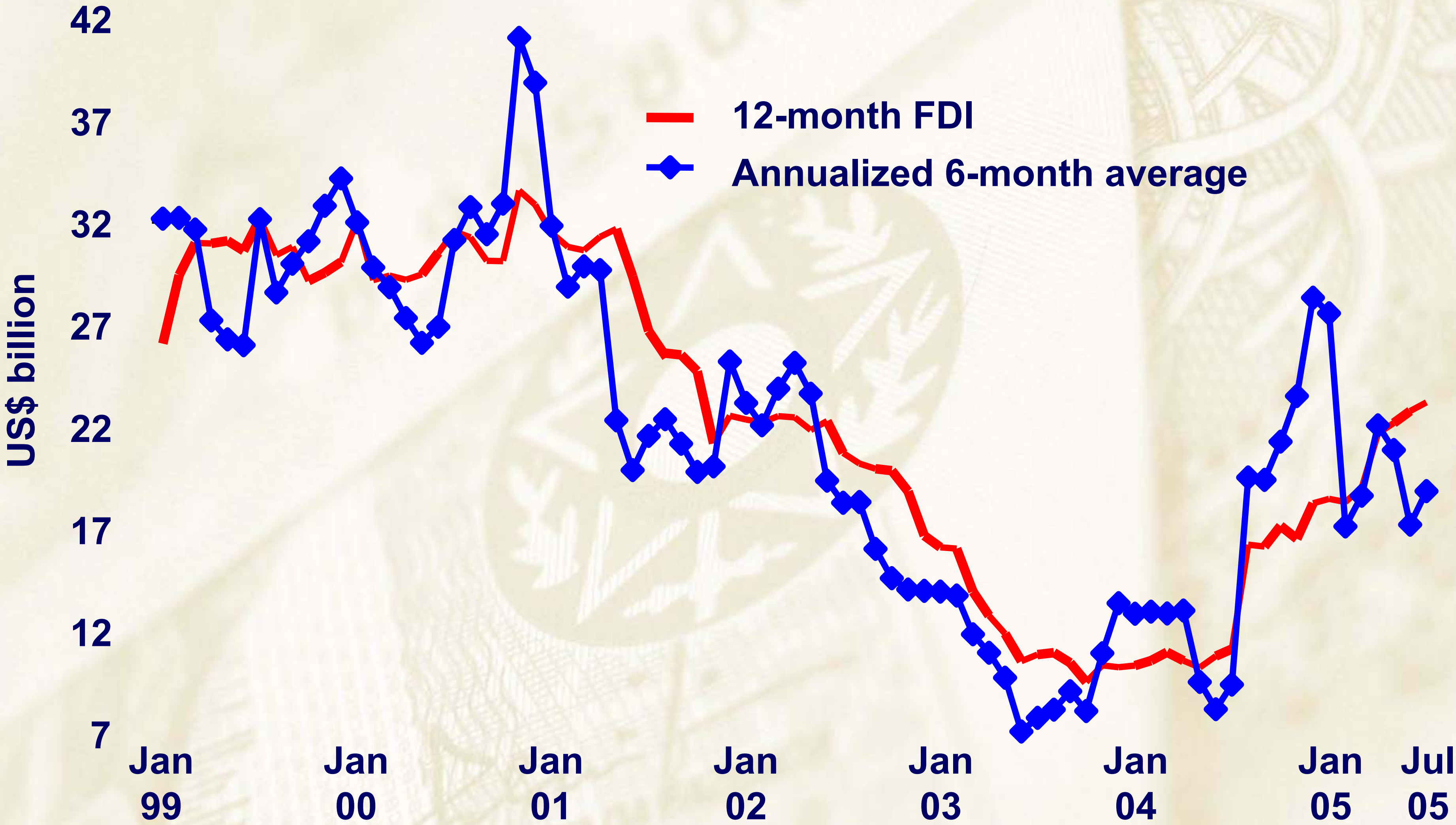
Capital goods import growth



Factor payments (net)

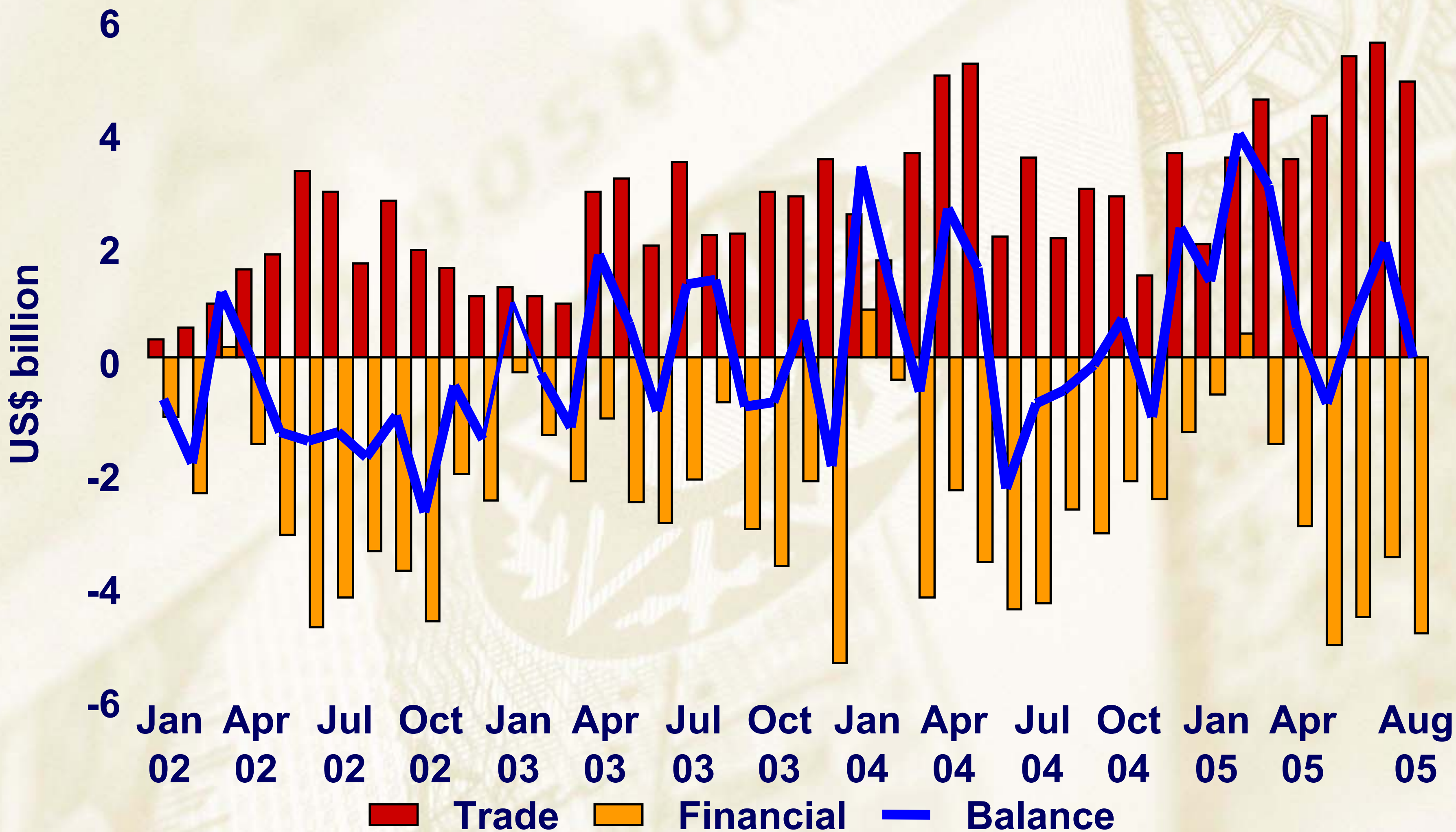


FDI

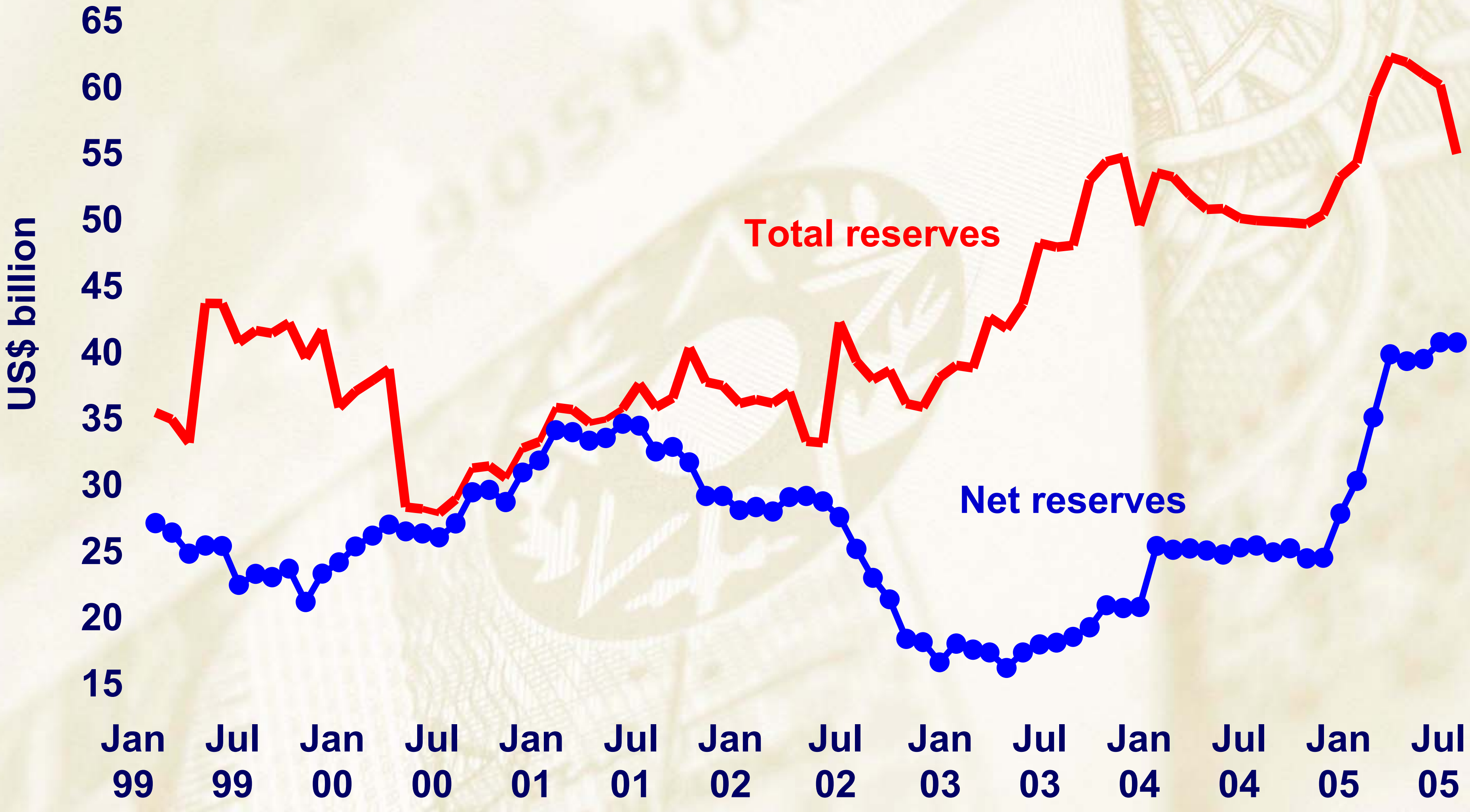


12-month FDI
Annualized 6-month average
US$ billion
42
37
32
27
22
17
12
7
Jan 99
Jan 00
Jan 01
Jan 02
Jan 03
Jan 04
Jan 05
Jul 05

Monthly foreign exchange flows



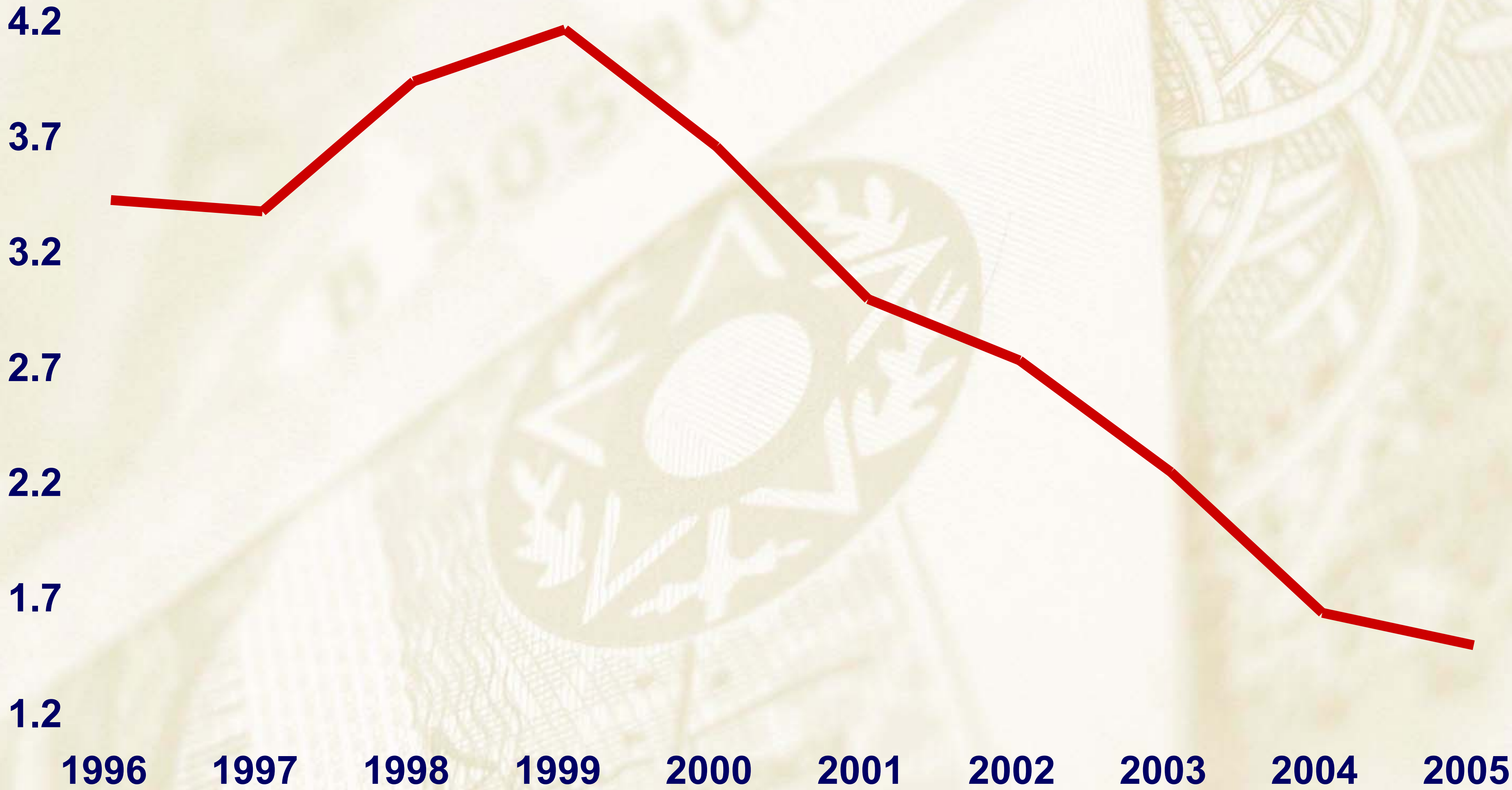
International reserves: record high



International reserves

	2002	2003	2004	2005		
				Jan-Jul	Aug-Dec (f)	Jan-Dec
Initial reserves (gross)	**35 866**	**37 823**	**49 296**	**52 935**	**54 688**	**52 935**
Central Bank intervention	(9 113)	1 591	5 274	10 219	0	10 219
Debt service (net)	(7 727)	(9 673)	(12 582)	(7 852)	(8 112)	(15 964)
Interest	(4 121)	(4 803)	(5 497)	(3 352)	(2 165)	(5 517)
Amortization	(3 606)	(4 870)	(7 085)	(4 499)	(5 948)	(10 447)
Inflows	5 287	5 402	6 741	4 502	6 009	10 511
Multilateral	1 347	902	1 013	0	1 500	1 500
Issuance	3 940	4 500	5 728	4 502	4 509	9 011
IMF	11 480	4 769	(4 363)	(7 819)	0	(7 819)
Inflow	16 045	17 596	0	0	0	0
Amortization	(4 565)	(12 826)	(4 363)	(7 819)	0	(7 819)
Other	1 462	3 876	1 235	(2 766)	0	(2 766)
National Treasury purchases (settlement)	568	5 507	7 335	5 469	3 527	8 996
Change in reserves	1 957	11 473	3 639	1 753	1 424	3 177
Final reserves (gross)	**37 823**	**49 296**	**52 935**	**54 688**	**56 112**	**56 112**
Net reserves	**16 339**	**20 525**	**27 541**	**40 450**	**42 355**	**42 355**
Memo:						
Central Bank (+) National Treasury	*(8 545)*	*7 098*	*12 608*	*15 688*	*3 527*	*19 215*

Foreign debt (ex-IMF) vs exports



IV.Fiscal developments and the public debt

Public Sector Borrowing Requirements

	1998	1999	2000	2001	2002	2003	2004	2005 (July)	Jan-Jul 2004	Jan-Jul 2005	Jan-Jul change
Nominal deficit	**7.2**	**5.8**	**3.6**	**3.6**	**4.6**	**5.1**	**2.6**	**2.7**	**2.0**	**2.1**	**0.1**
Primary deficit	**0.0**	**-3.2**	**-3.5**	**-3.6**	**-3.9**	**-4.3**	**-4.4**	**-5.2**	**-5.4**	**-6.2**	**-0.8**
Central Government	-0.5	-2.3	-1.9	-1.8	-2.4	-2.5	-2.9	-3.1	-4.0	-4.1	-0.1
Subnational governments	0.2	-0.2	-0.5	-0.9	-0.8	-0.9	-1.0	-1.1	-1.2	-1.3	-0.2
States	*0.3*	*-0.2*	*-0.4*	*-0.6*	*-0.6*	*-0.8*	*-0.9*	*-0.9*	*-1.1*	*-1.1*	*0.0*
Municipalities	*-0.1*	*-0.1*	*-0.1*	*-0.3*	*-0.2*	*-0.1*	*-0.1*	*-0.2*	*-0.1*	*-0.3*	*-0.2*
Public companies	0.3	-0.6	-1.1	-0.9	-0.7	-0.9	-0.6	-0.9	-0.2	-0.7	-0.5
Federal	*0.2*	*-0.7*	*-0.9*	*-0.6*	*-0.5*	*-0.6*	*-0.5*	*-0.8*	*0.0*	*-0.5*	*-0.5*
Local	*0.1*	*0.0*	*-0.1*	*-0.3*	*-0.3*	*-0.3*	*-0.1*	*-0.2*	*-0.2*	*-0.2*	*-0.1*
Nominal Interest on Debt	**7.2**	**9.0**	**7.1**	**7.2**	**8.5**	**9.3**	**7.0**	**7.9**	**7.3**	**8.3**	**1.0**

Central Government performance

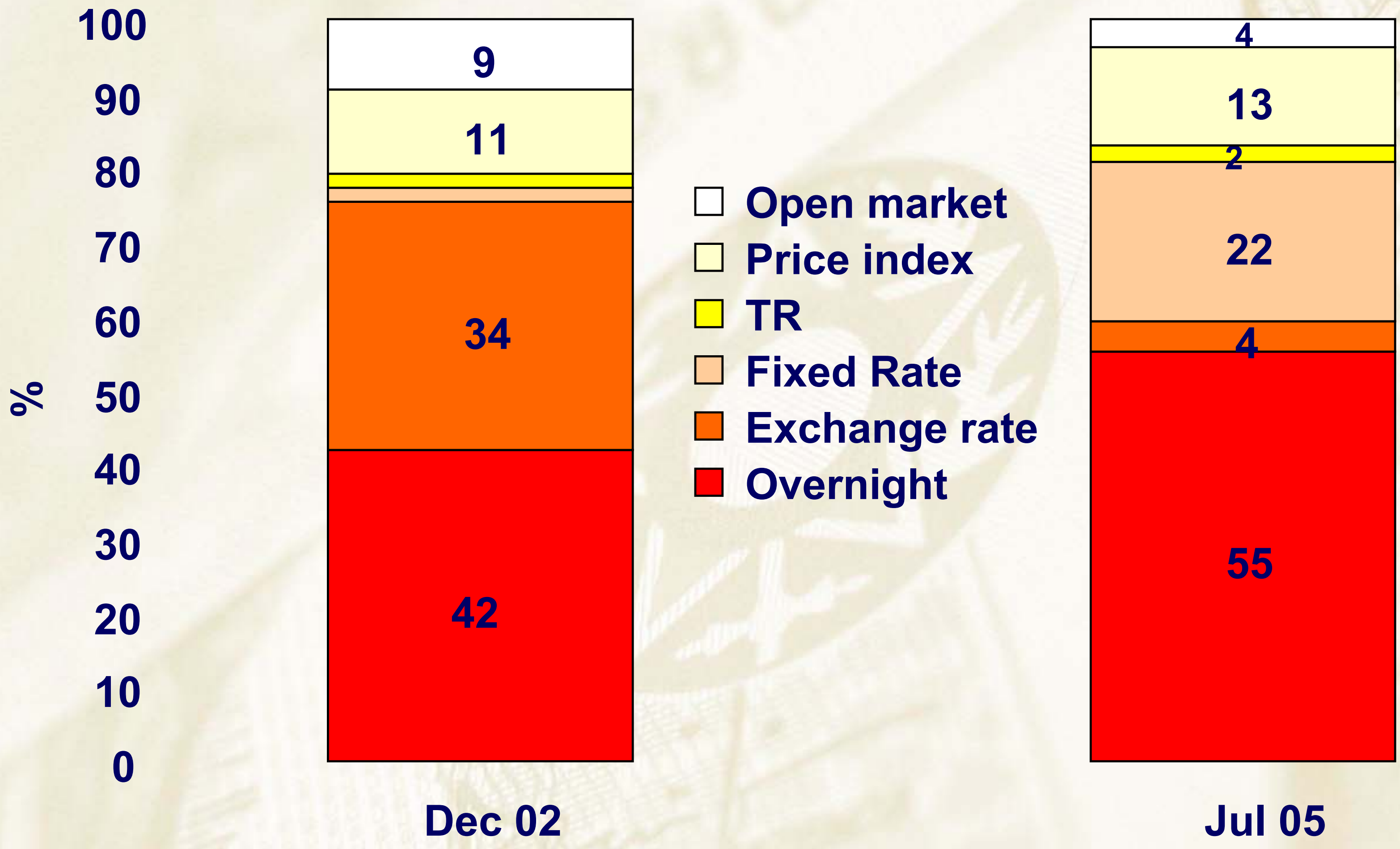
	1998	1999	2000	2001	2002	2003	2004	2005 (July)	Jan-Jul 2004	Jan-Jul 2005	Jan-Jul change
I - NATIONAL TREASURY	**1.5**	**3.2**	**2.9**	**3.0**	**3.7**	**4.3**	**4.7**	**5.0**	**5.4**	**5.9**	**0.5**
Revenues	15.1	16.6	16.4	17.5	18.6	17.8	18.6	19.2	18.8	19.8	1.0
Transfers	3.0	3.5	3.7	3.8	4.2	3.9	3.8	4.1	3.9	4.4	0.5
Net revenues	12.1	13.2	12.8	13.7	14.5	13.9	14.8	15.0	15.0	15.4	0.5
Expenditures	10.3	9.7	9.6	10.3	10.6	9.3	9.8	9.7	9.4	9.2	-0.2
Payroll	5.0	5.1	5.1	5.4	5.4	5.0	5.0	4.8	4.8	4.6	-0.3
Unemployment benefits	0.5	0.6	0.5	0.6	0.6	0.5	0.6	0.6	0.5	0.5	0.0
LOAS/RMV						0.3	0.4	0.4	0.4	0.5	0.0
OCC	4.8	4.0	4.0	4.4	4.6	3.4	3.8	3.9	3.6	3.6	0.0
Subsidies	0.3	0.3	0.3	0.4	0.2	0.4	0.3	0.4	0.2	0.3	0.1
II - INSS	-0.8	-1.0	-0.9	-1.1	-1.3	-1.7	-1.8	-1.9	-1.5	-1.7	-0.2
Revenues	5.1	5.0	5.1	5.2	5.3	5.2	5.3	5.4	5.1	5.2	0.2
Benefits	5.9	6.0	6.0	6.3	6.5	6.9	7.1	7.3	6.6	7.0	0.4
III - CENTRAL BANK	0.0	-0.1	0.0	-0.1	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0
Central Government Primary Result	**0.7**	**2.2**	**1.9**	**1.8**	**2.4**	**2.5**	**2.8**	**3.0**	**3.8**	**4.1**	**0.3**
Memo:											
Total Revenues	20.2	21.7	21.5	22.7	23.9	23.0	23.9	24.6	23.9	25.0	1.2
Transfers	3.0	3.5	3.7	3.8	4.2	3.9	3.8	4.1	3.9	4.4	0.5
Primary expenditures	16.5	16.0	15.9	17.0	17.4	16.6	17.3	17.4	16.2	16.6	0.4

Public Sector Net Debt - % of GDP

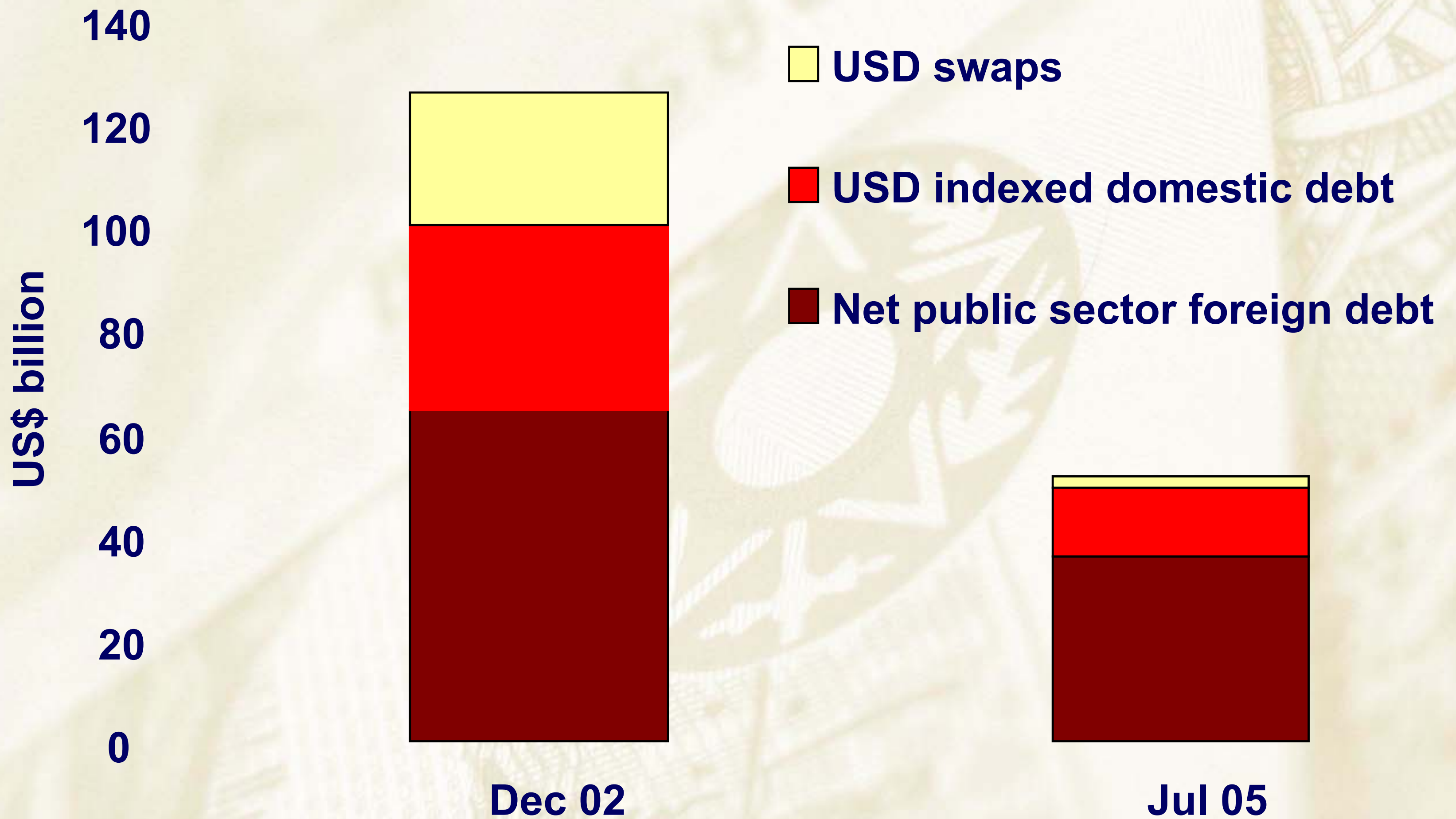
Net Debt evolution - % GDP

	1999	2000	2001	2002	2003	2004	2005
NET DEBT	49.7	49.4	52.6	55.5	57.2	51.7	51.3
Net debt increase	7.4	-0.2	3.2	2.8	1.7	-5.5	-0.3
Primary surplus	-3.0	-3.3	-3.5	-3.3	-4.1	-4.4	-3.6
Pure interest on the debt	8.4	6.8	6.9	7.2	9.1	6.9	4.9
Depreciation on domestic debt	3.8	0.8	1.5	4.8	-1.4	-0.2	-0.2
Depreciation on foreign debt	4.2	0.8	1.5	4.4	-1.6	-0.3	-0.6
Skeletons	0.0	0.8	1.5	0.9	0.0	0.4	0.4
Privatization proceeds	-0.9	-1.8	-0.1	-0.2	0.0	0.0	0.0
Effect of GDP growth	-5.2	-4.3	-4.6	-11.0	-0.3	-7.9	-1.1
Memo:							
Debt dynamics (1+2+7)	0.2	-0.8	-1.2	-7.1	4.6	-5.3	0.1
Currency (3+4)	8.0	1.6	3.0	9.3	-3.0	-0.5	-0.8
Net "skeletons" (5-6)	-0.9	-1.0	1.4	0.7	0.0	0.3	0.4

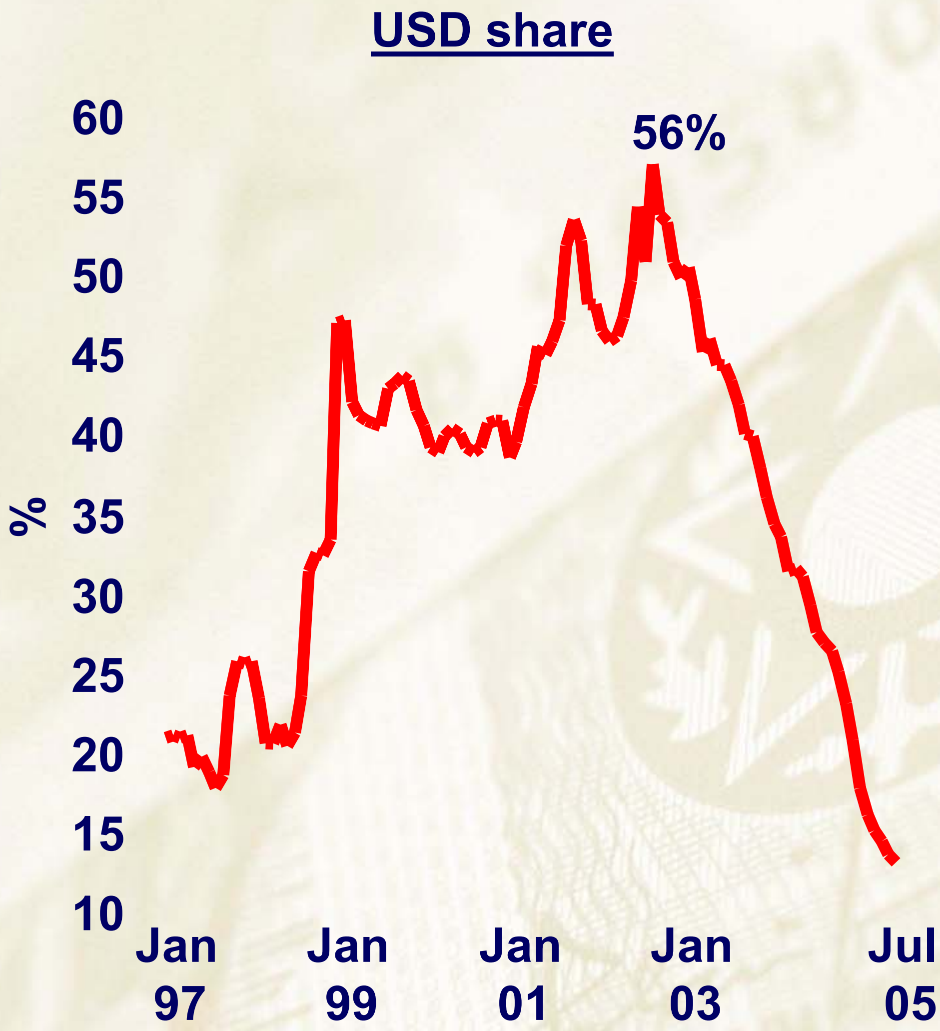
Domestic debt breakdown

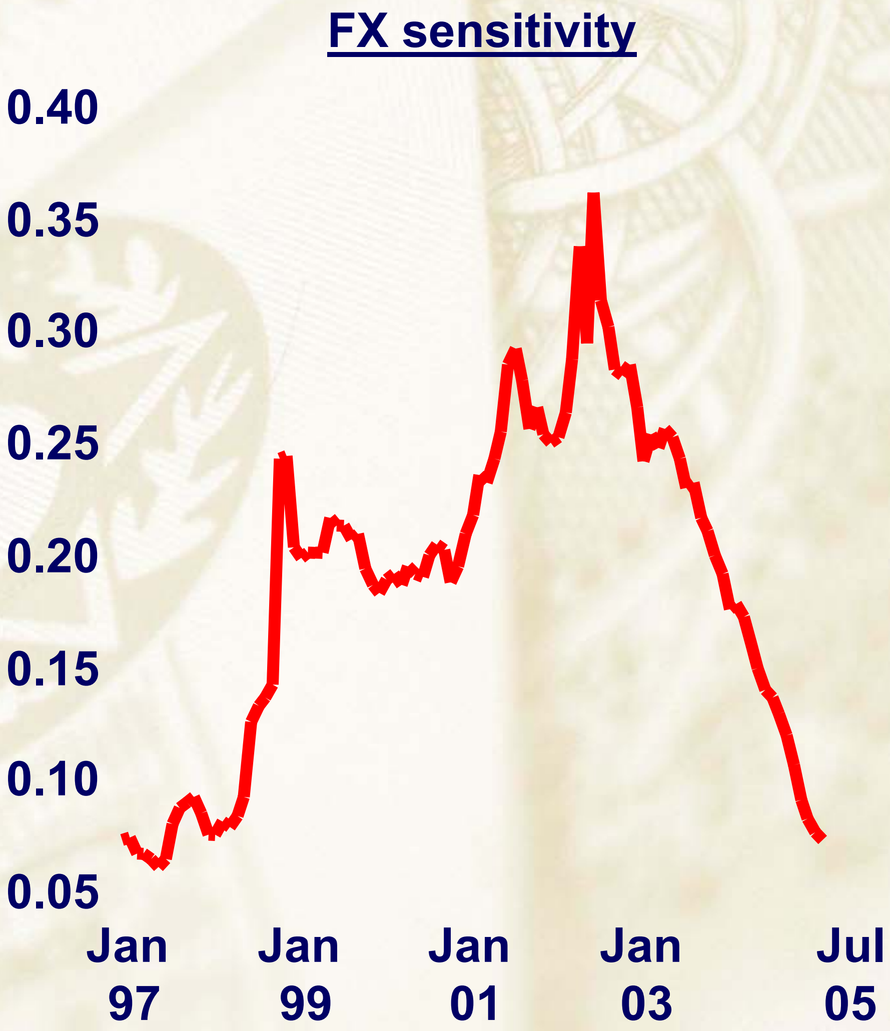


Public sector USD debt



USD debt – % debt & sensitivity





THANK YOU

Regardless

Alexandre Schwartsman

September 2005

BANCO CENTRAL DO BRASIL