



Regardless

Alexandre Schwartzman

December 2005



BANCO CENTRAL DO BRASIL

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

I. Demand and output

GDP data

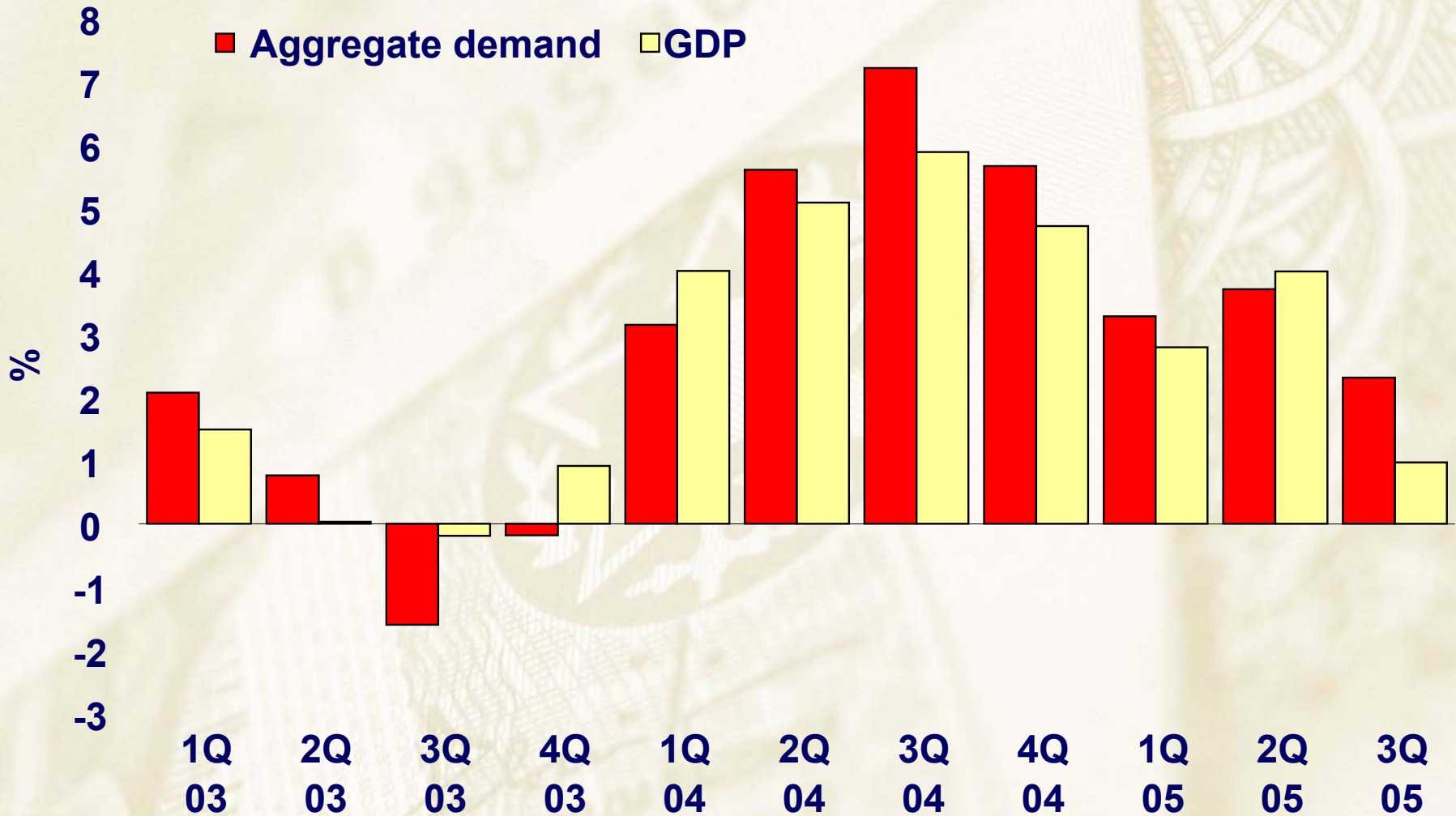


	Seasonally adjusted					3Q05 vs 3Q04	2005	Last 4 quarters	Contribution	Carry over
	3Q04	4Q04	1Q05	2Q05	3Q05					
GDP MARKET PRICES	1.4%	0.8%	0.2%	1.1%	-1.2%	1.0%	2.6%	3.1%	3.1%	2.3%
Consumption	1.3%	1.1%	-0.2%	0.9%	0.8%	2.8%	3.1%	3.5%	2.0%	2.7%
Government	1.3%	0.5%	0.3%	0.9%	-0.4%	1.3%	1.8%	1.6%	0.3%	1.6%
Investment	5.5%	-2.8%	-3.1%	4.7%	-0.9%	-2.1%	1.2%	3.2%	0.6%	1.1%
Exports	2.8%	4.4%	2.8%	2.6%	1.8%	12.3%	12.9%	13.7%	2.5%	11.4%
(-) Imports	3.9%	3.6%	2.5%	1.9%	1.4%	9.4%	11.4%	11.7%	1.6%	9.9%
Agriculture	0.0%	0.8%	0.4%	1.7%	-3.4%	-1.9%	1.5%	1.8%	0.2%	0.6%
Industry	3.1%	0.9%	-0.8%	1.4%	-1.2%	0.4%	2.9%	3.7%	1.3%	2.0%
Mineral extraction						10.3%	10.5%	5.5%	0.2%	
Manufacture						-0.9%	2.2%	3.7%	0.8%	
Civil construction						-1.9%	0.7%	1.8%	0.1%	
Utilities						3.3%	3.7%	4.2%	0.1%	
Services	1.0%	0.6%	-0.2%	1.2%	0.0%	1.5%	2.1%	2.5%	1.2%	1.8%
Commerce						2.3%	3.4%	4.4%	0.3%	
Transport						3.2%	3.7%	3.7%	0.1%	
Communications						0.8%	-0.8%	-0.6%	0.0%	
Financial institutions						1.5%	2.6%	3.2%	0.2%	
Other services						0.8%	1.3%	2.4%	0.2%	
Rents						2.1%	2.9%	2.7%	0.2%	
Government services						1.2%	1.7%	1.5%	0.2%	
(-) Value inputed to financial intermediation						1.0%	2.5%	3.3%	-0.1%	
Value added at basic prices	1.3%	0.9%	-0.4%	1.8%	-1.6%	0.8%	2.4%	2.8%	2.5%	1.7%
Indirect taxes						2.8%	4.4%	5.5%	0.6%	
<i>Memo:</i>										
<i>Domestic demand</i>						0.0%	1.8%	2.3%	2.2%	0.8%
<i>Net exports</i>						20.4%	17.3%	19.4%	0.9%	1.5%

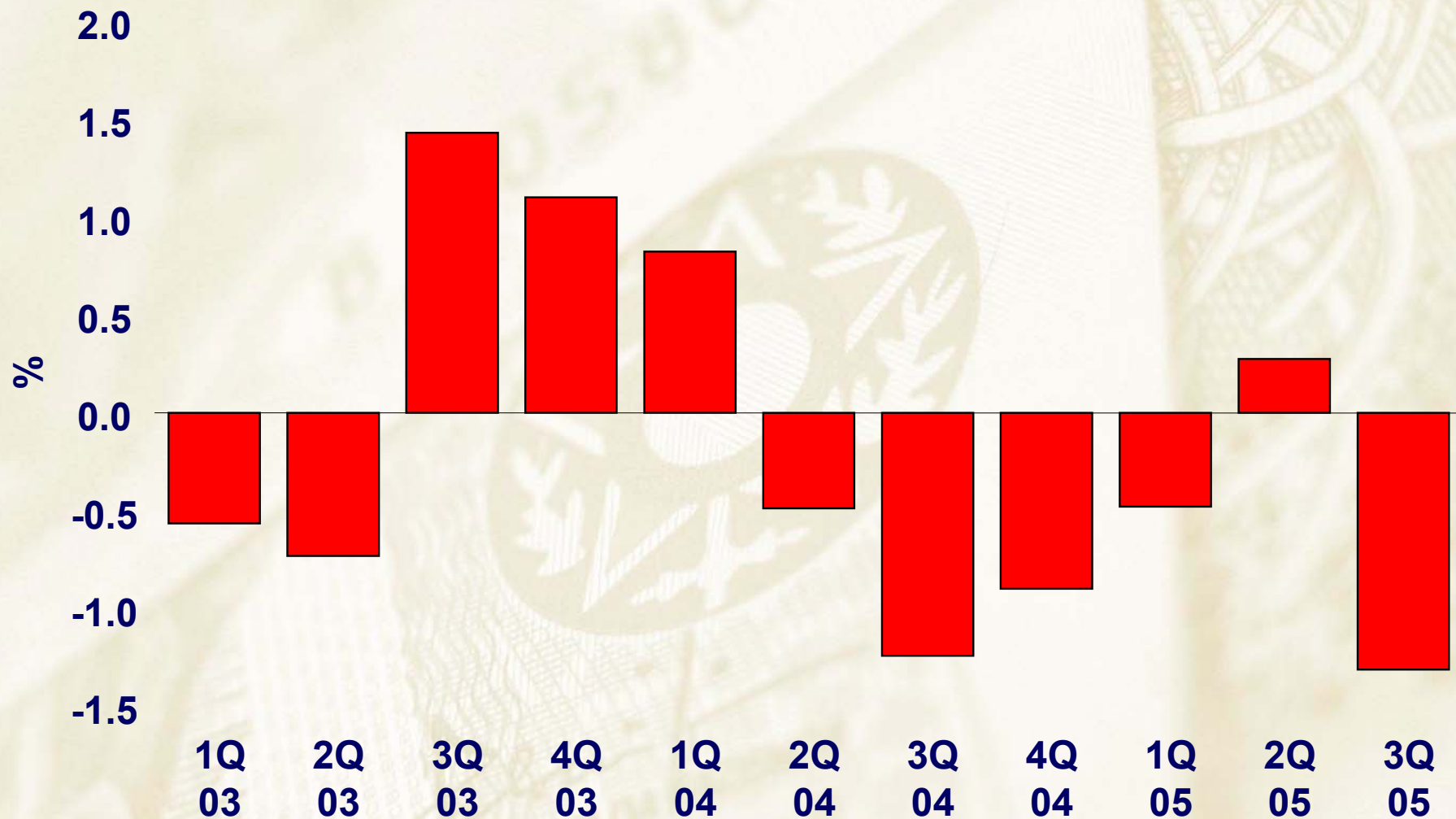
Seasonally adjusted GDP



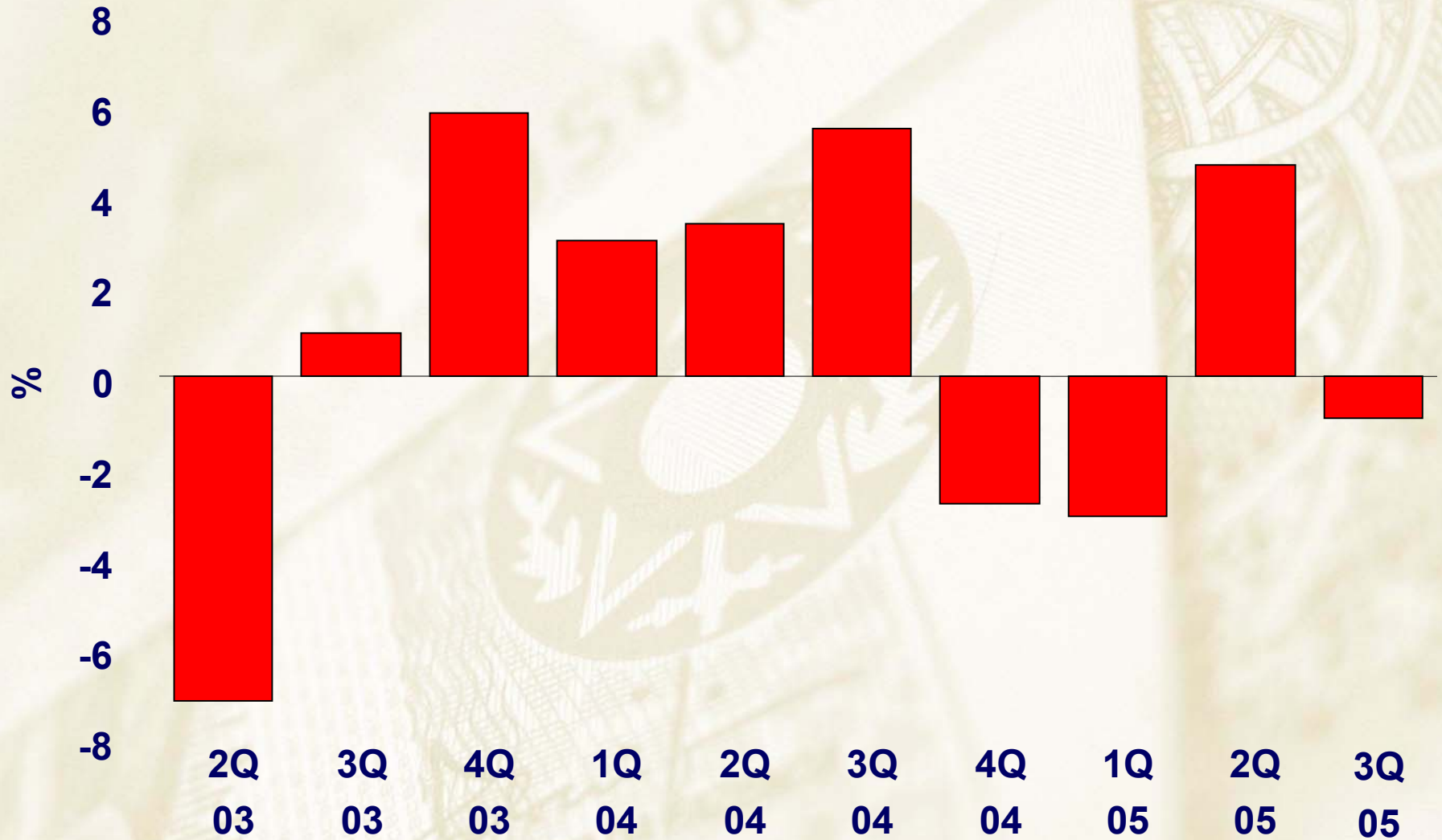
Aggregate demand vs. GDP



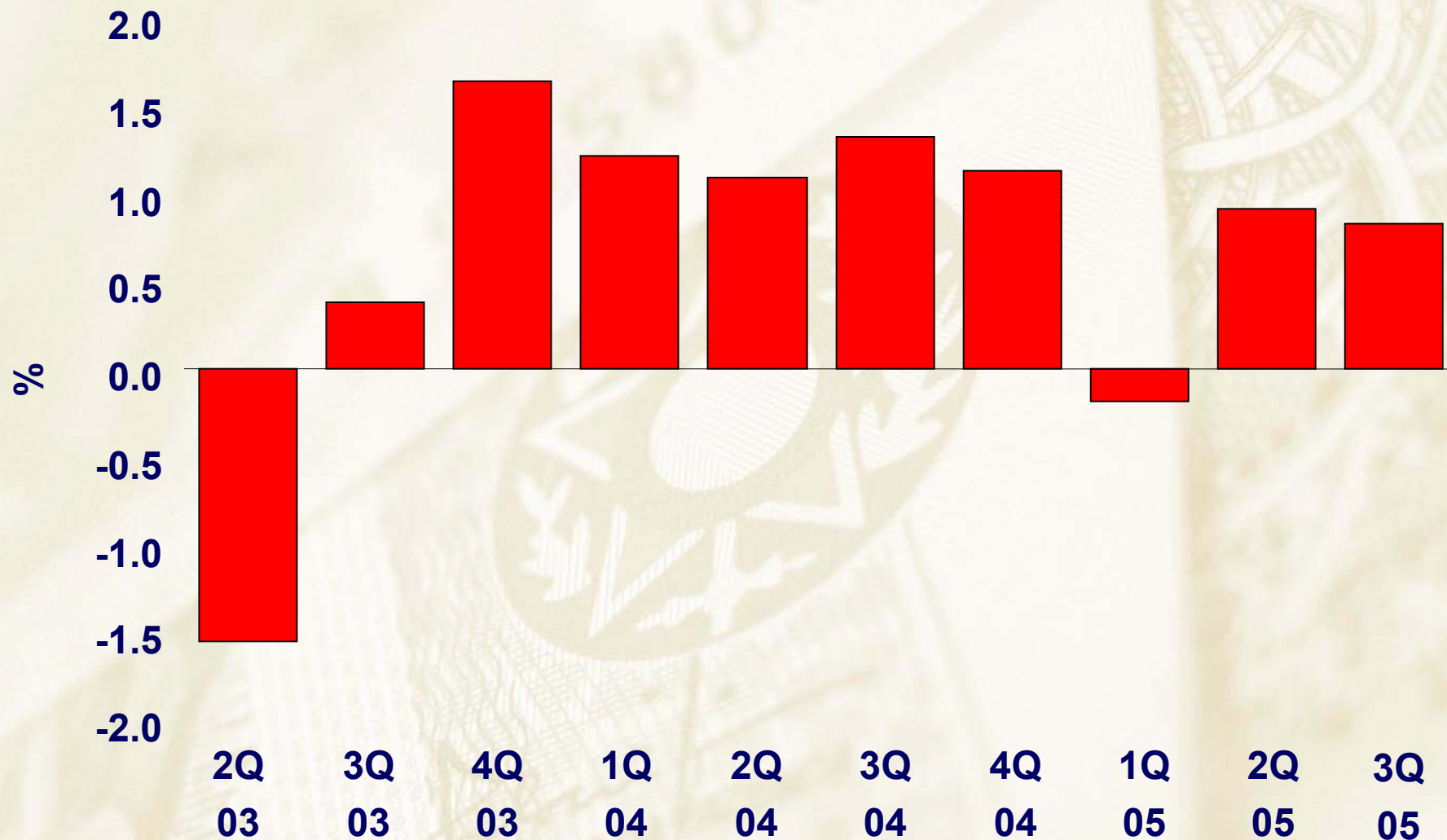
Impact of inventory change on GDP



Investment is still volatile



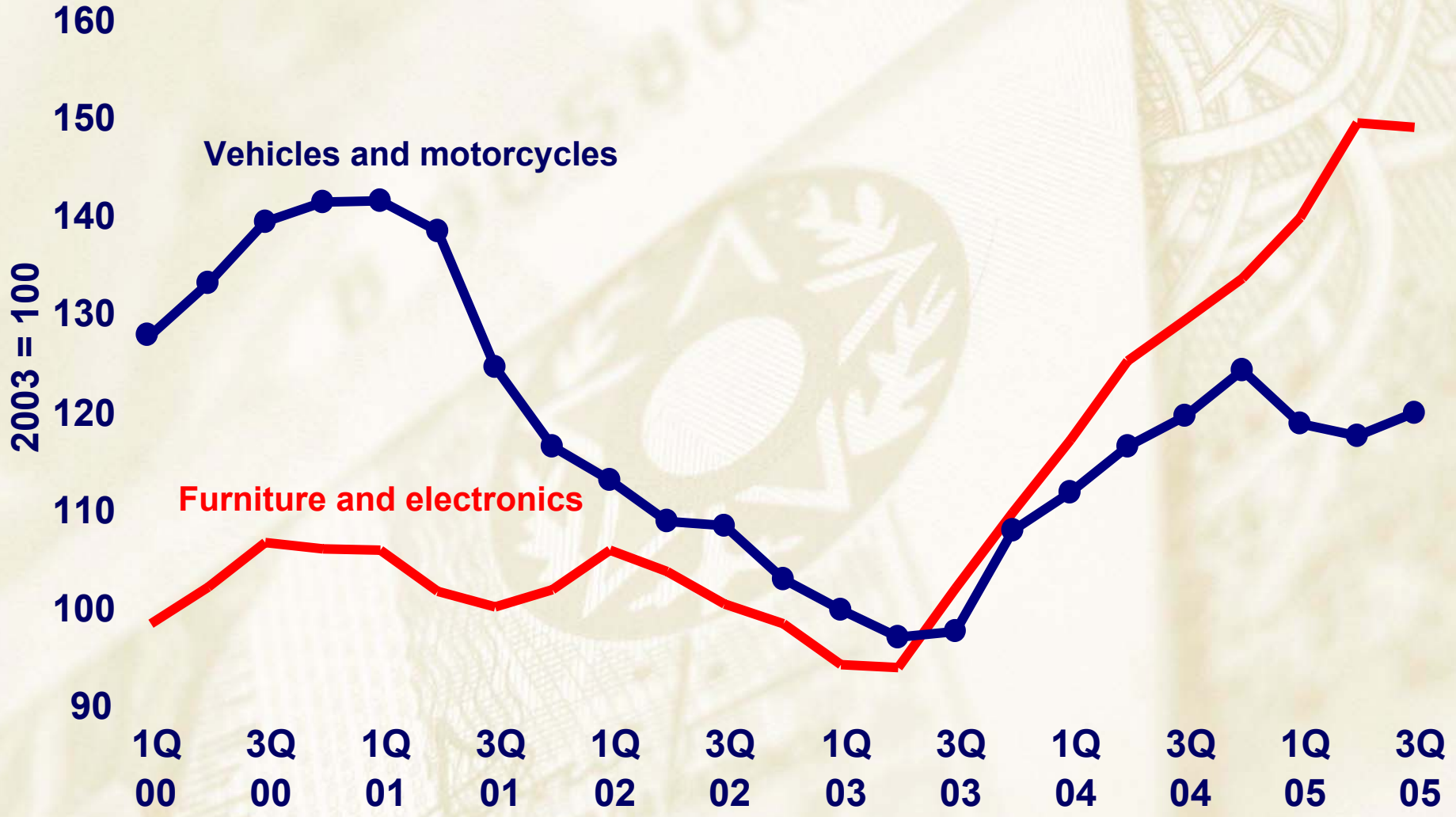
Consumption remains resilient



Retail sales



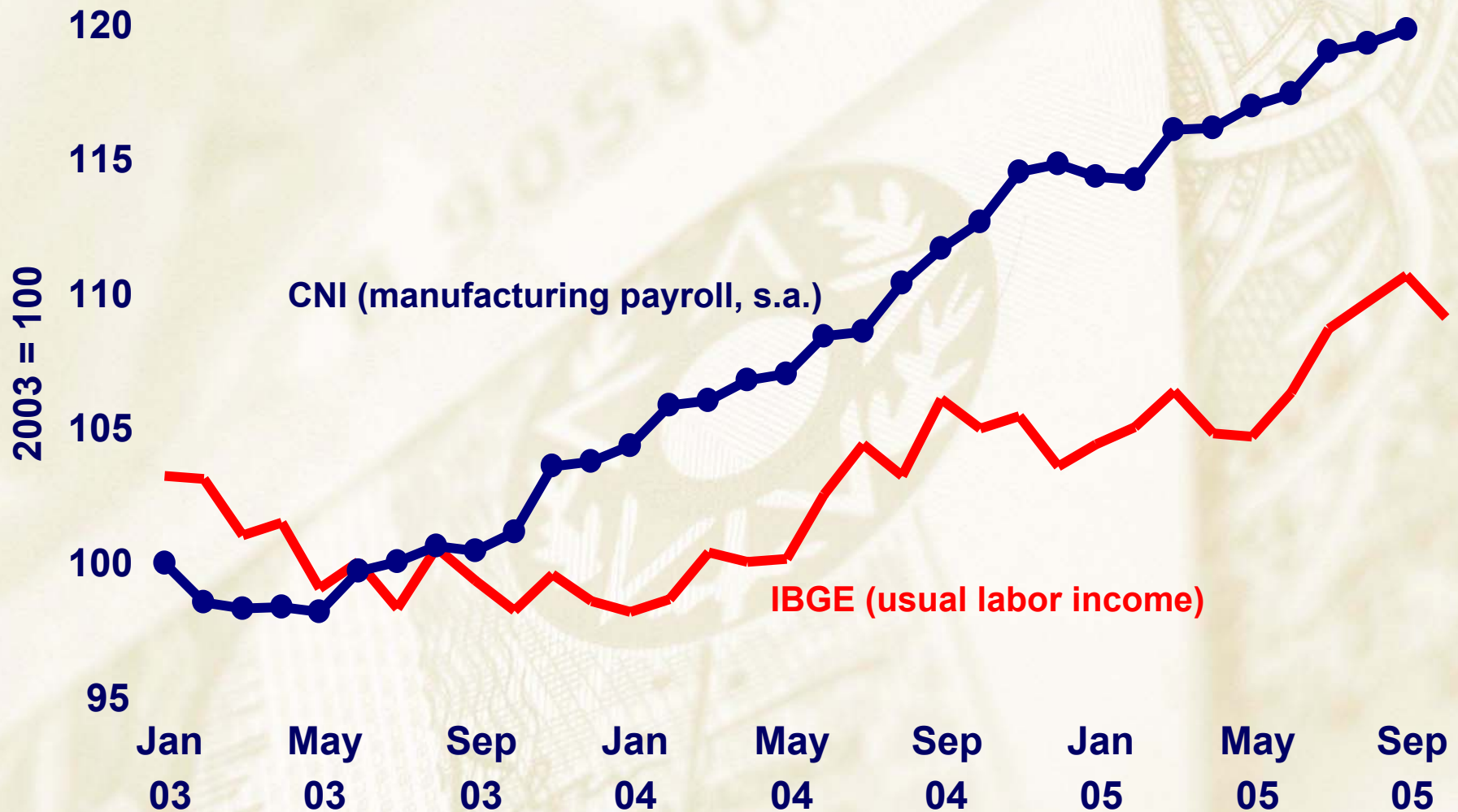
Durables have lost steam



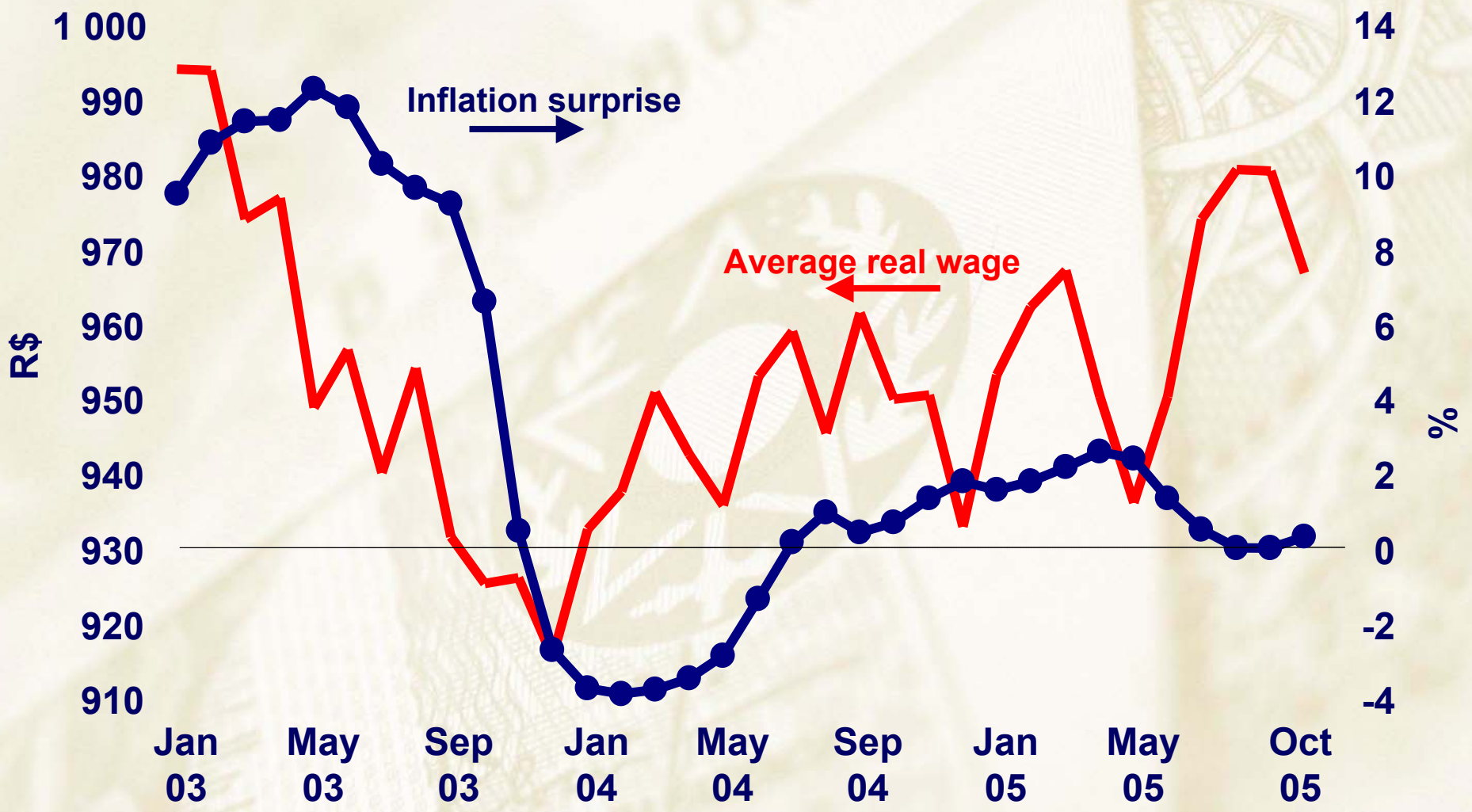
But non-durables have resisted



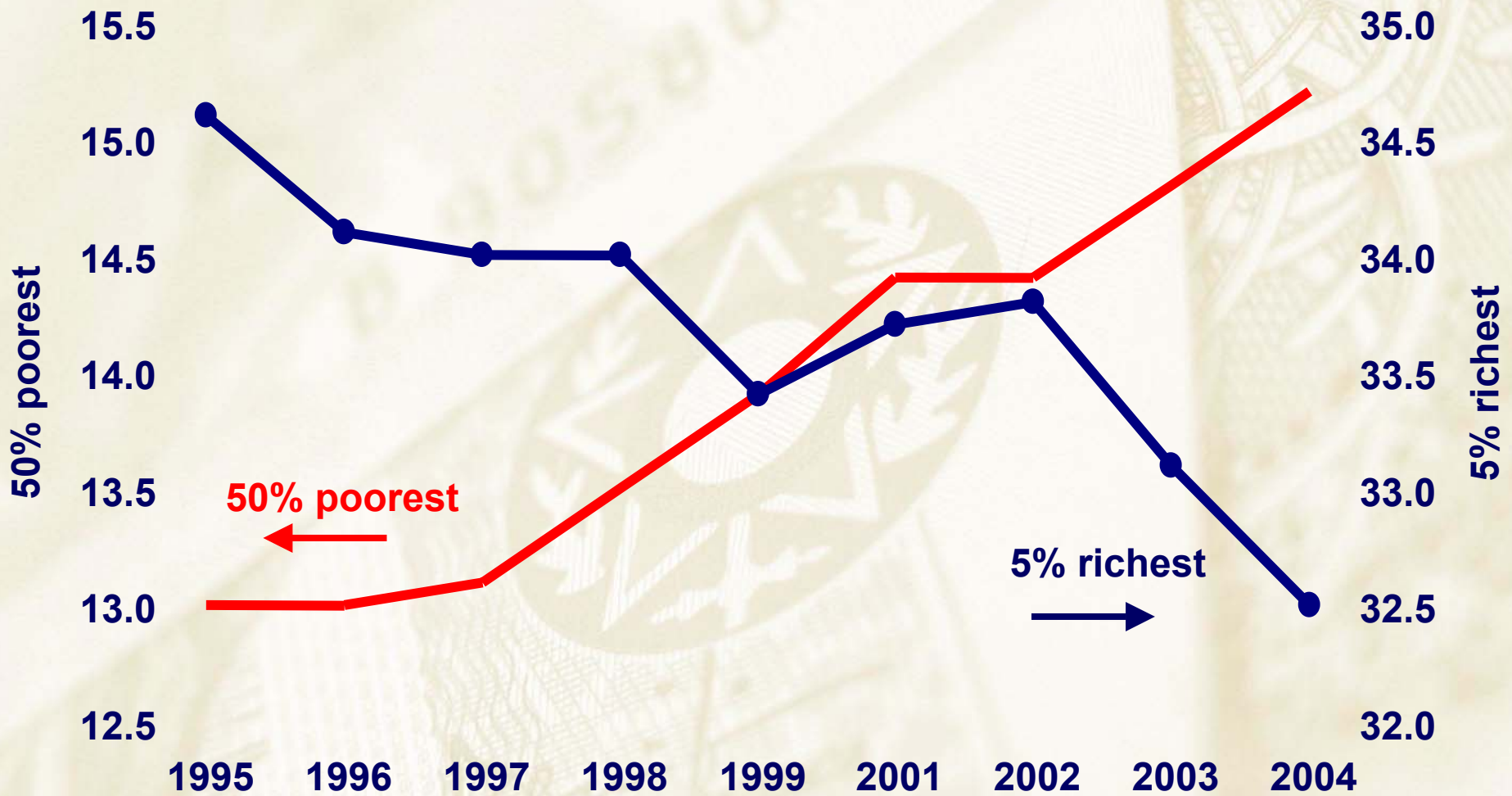
Labor income remains on the rise



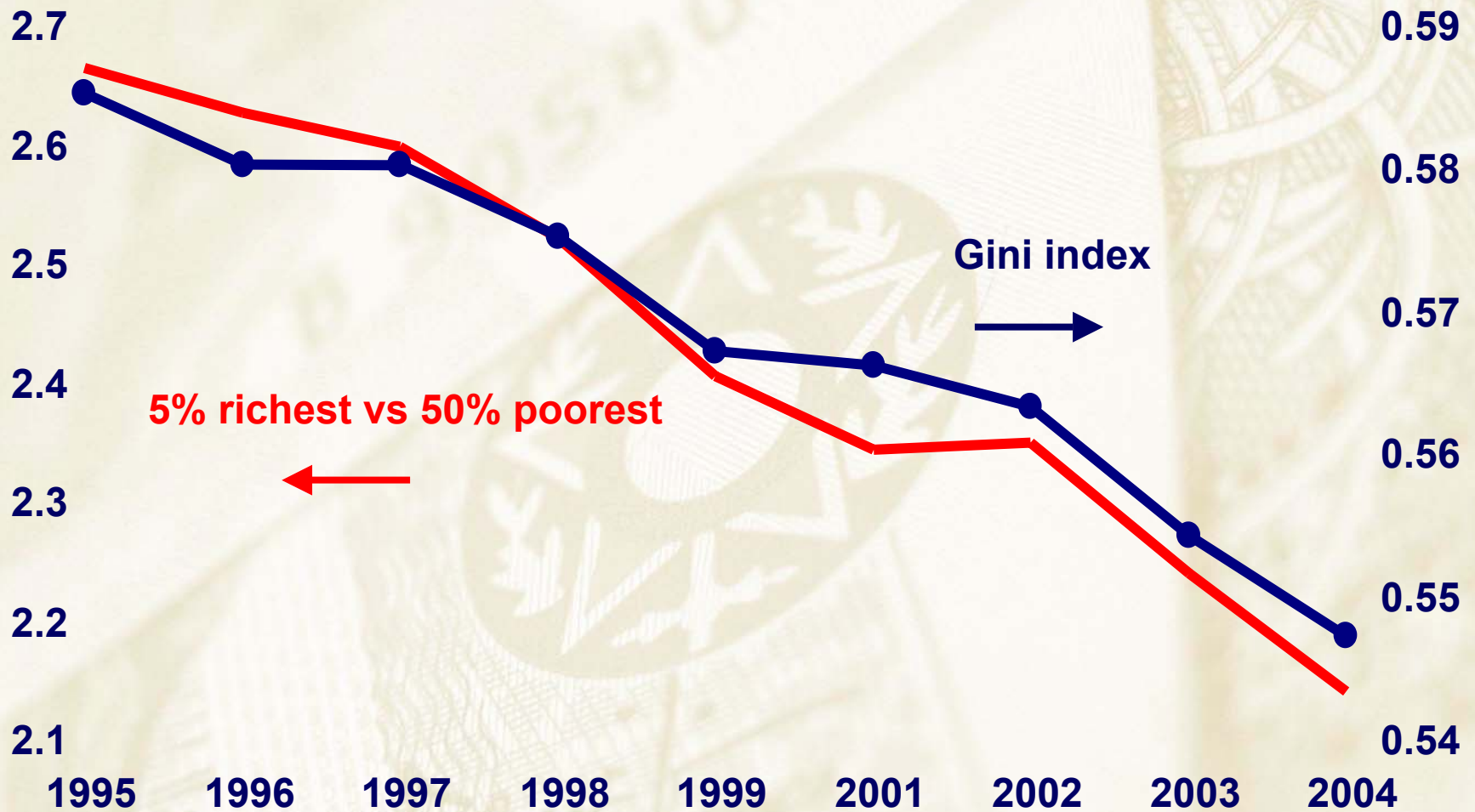
Real wages still recovering



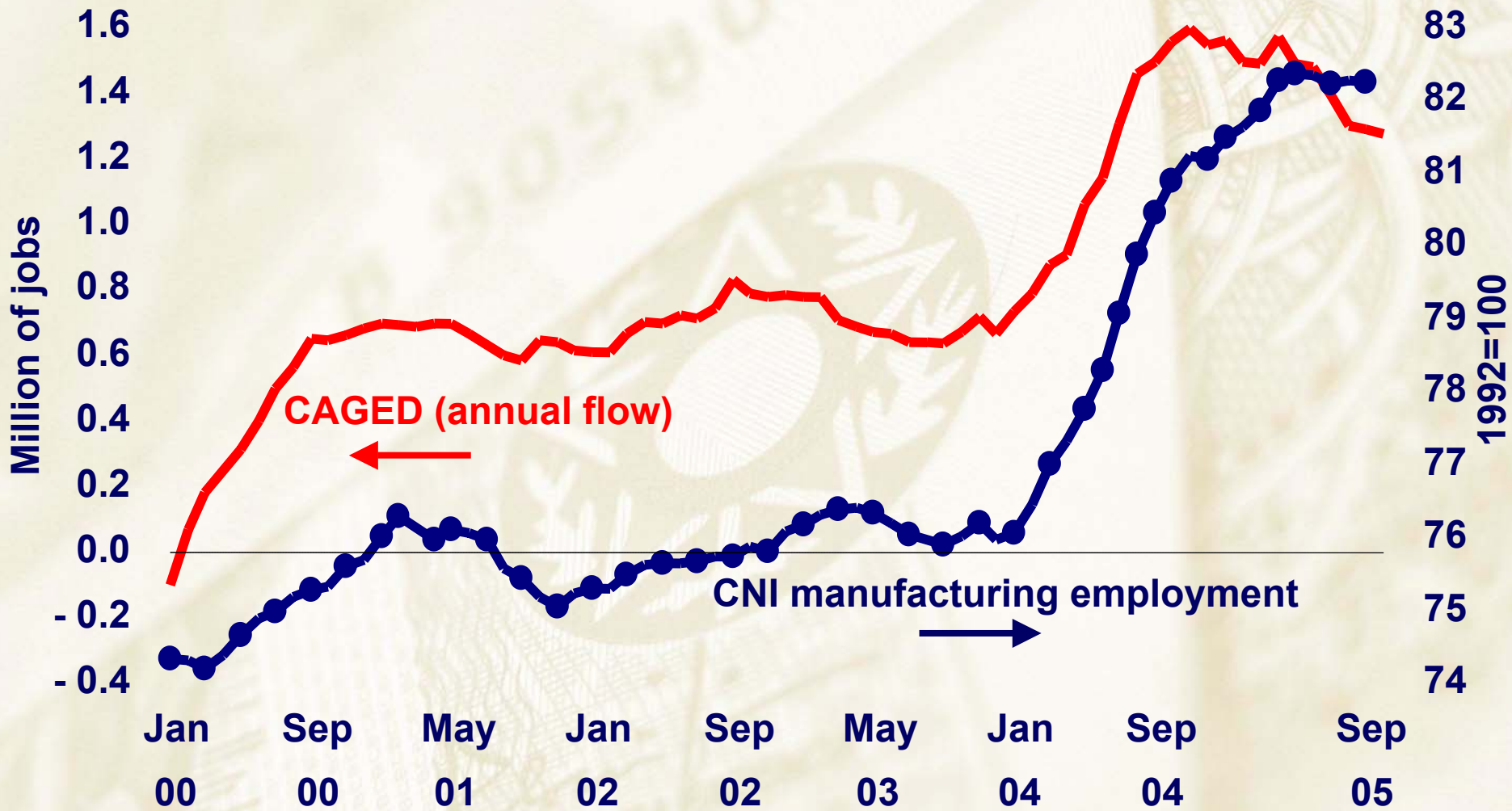
Income shares



Income distribution measures



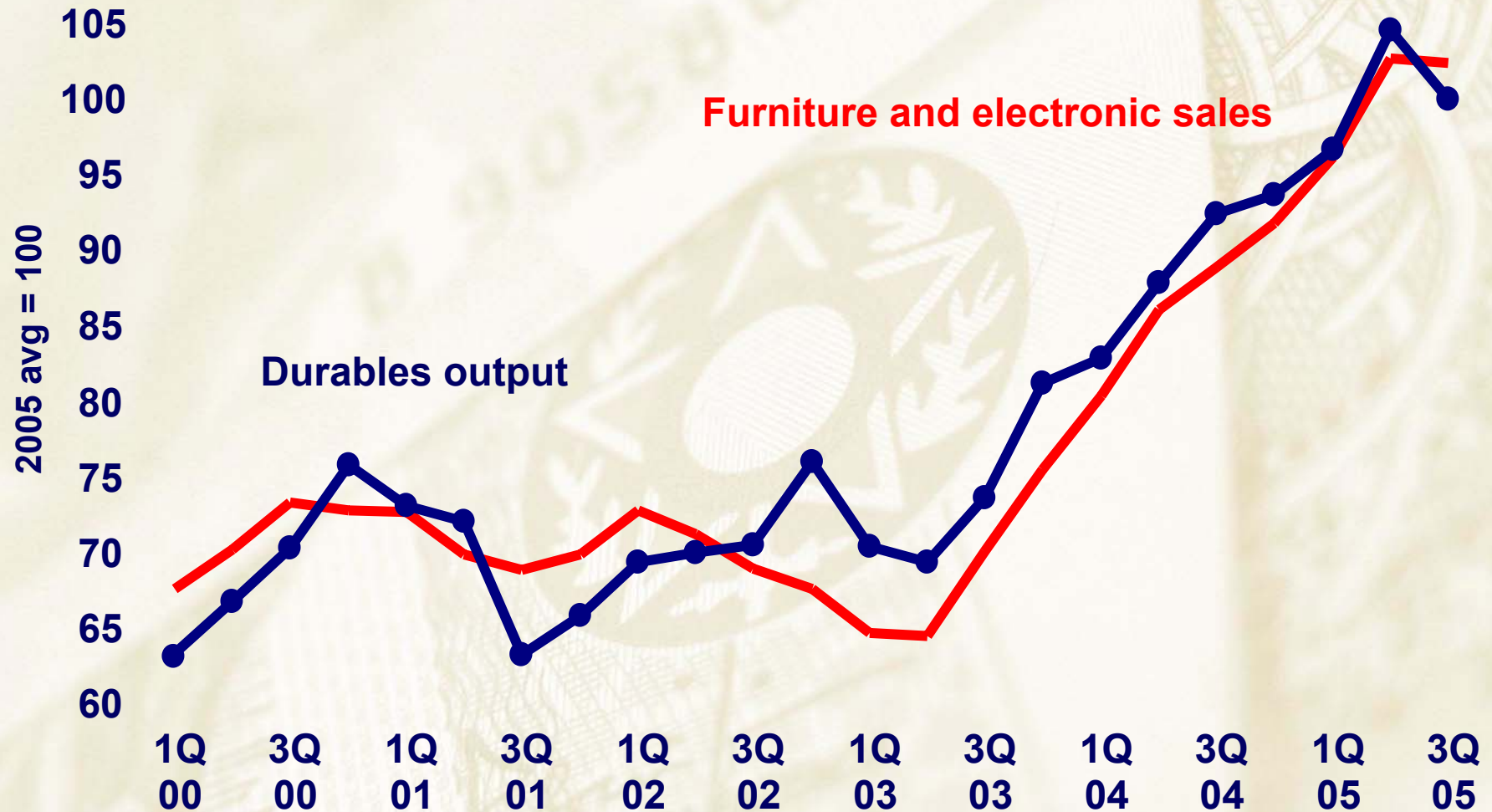
Employment growth



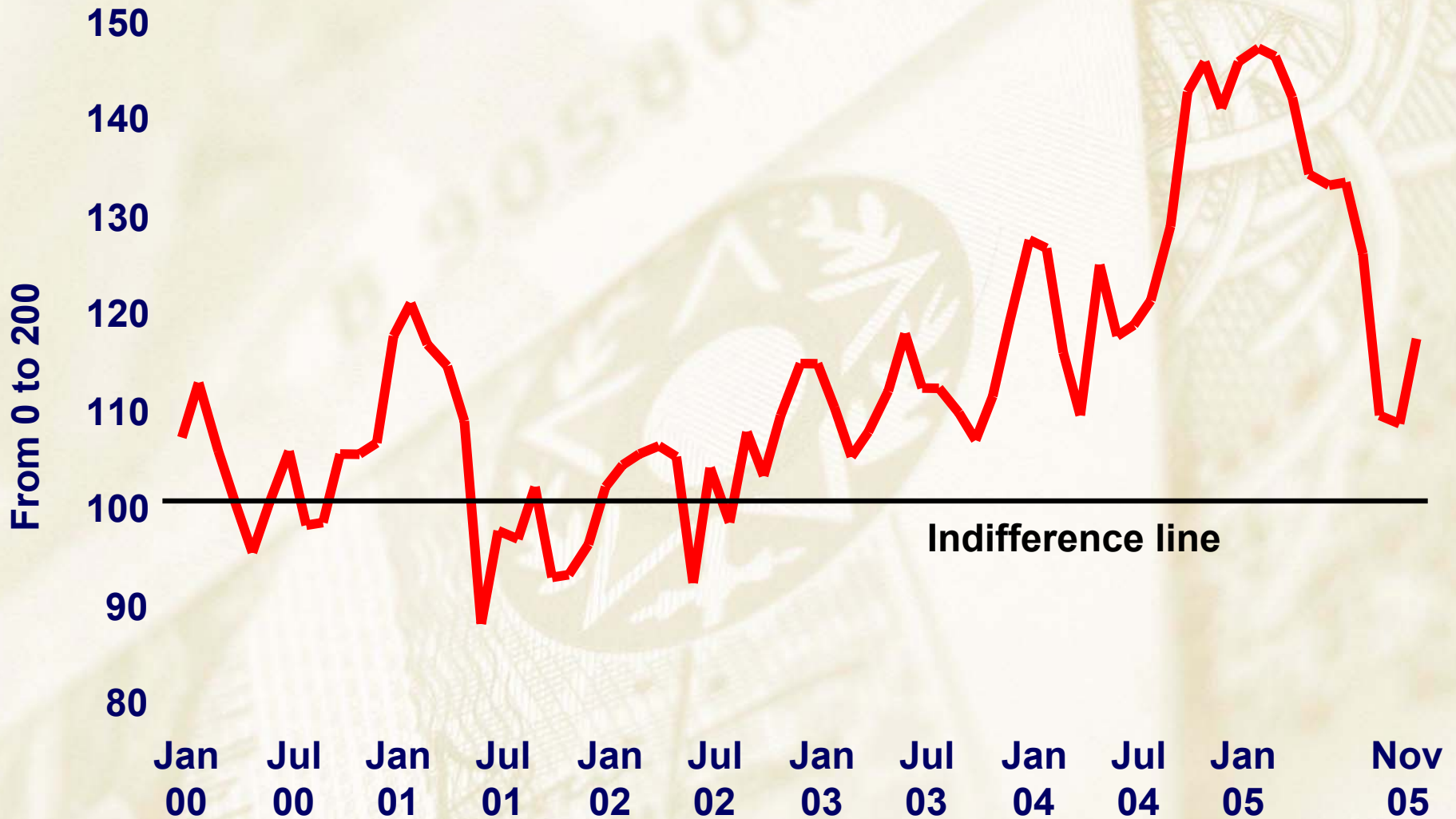
Signs of inventory cycle



More pronounced on durable sectors



Consumer confidence rebound



Resilient capital goods absorption

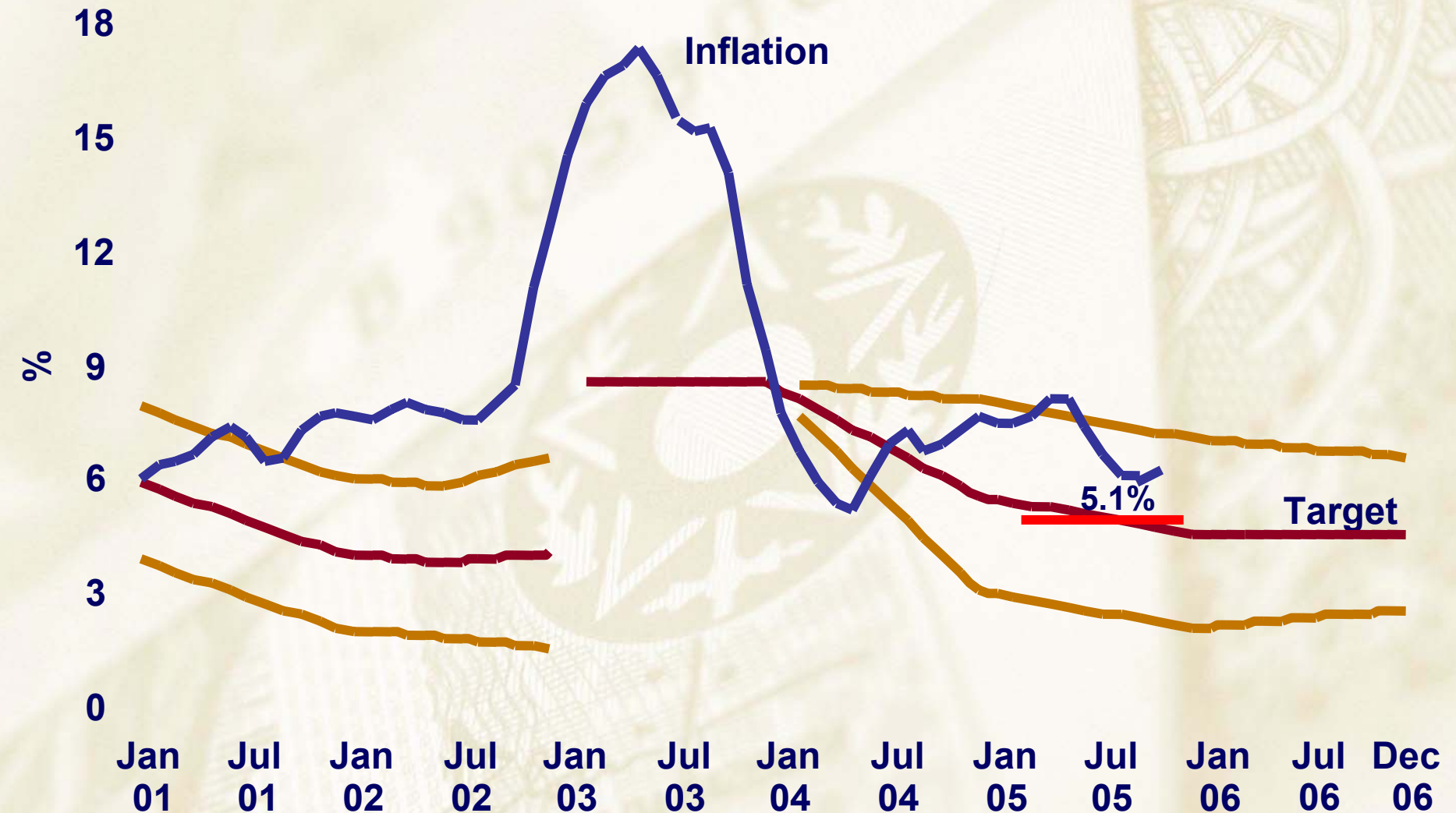


Capacity utilization



II. Inflation

Not quite there, but close



IPCA and core measures



	Aug 05	Sep 05	Oct 05	Nov 05 IPCA-15	Quarter Avg. -1	Quarter Avg.	Year-to date	12 month
IPCA - headline	0.17	0.35	0.75	0.78	0.13	0.63	5.55	6.46
Trimmed means - smoothed	0.36	0.51	0.58	0.55	0.43	0.55	6.35	7.06
Trimmed means - non-smoothed	0.28	0.34	0.50	0.55	0.28	0.46	5.02	5.71
Exclusion	0.26	0.30	0.39	0.32	0.33	0.34	5.30	6.01
Core- average	0.30	0.38	0.49	0.47	0.35	0.45	5.55	6.26
Market prices	(0.05)	0.10	0.38	0.56	(0.00)	0.35	4.16	4.81
Tradable	(0.18)	(0.02)	0.43	0.69	(0.16)	0.37	3.03	3.70
Non-tradable	0.11	0.27	0.31	0.39	0.20	0.32	5.62	6.25
Regulated prices	0.69	0.92	1.62	1.30	0.46	1.28	8.88	10.44

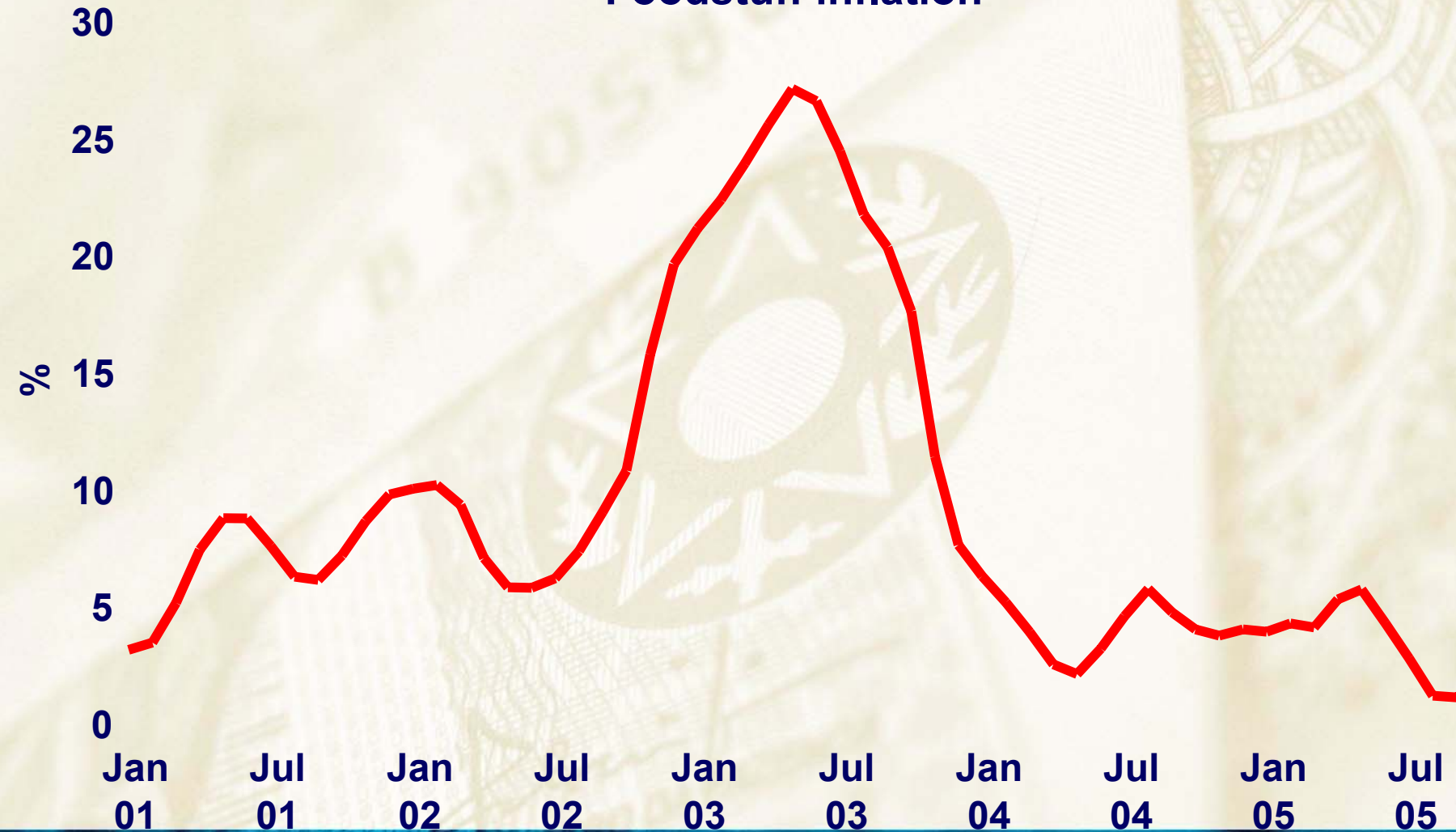
Core inflation (quarterly average)



Positive supply shock - 1



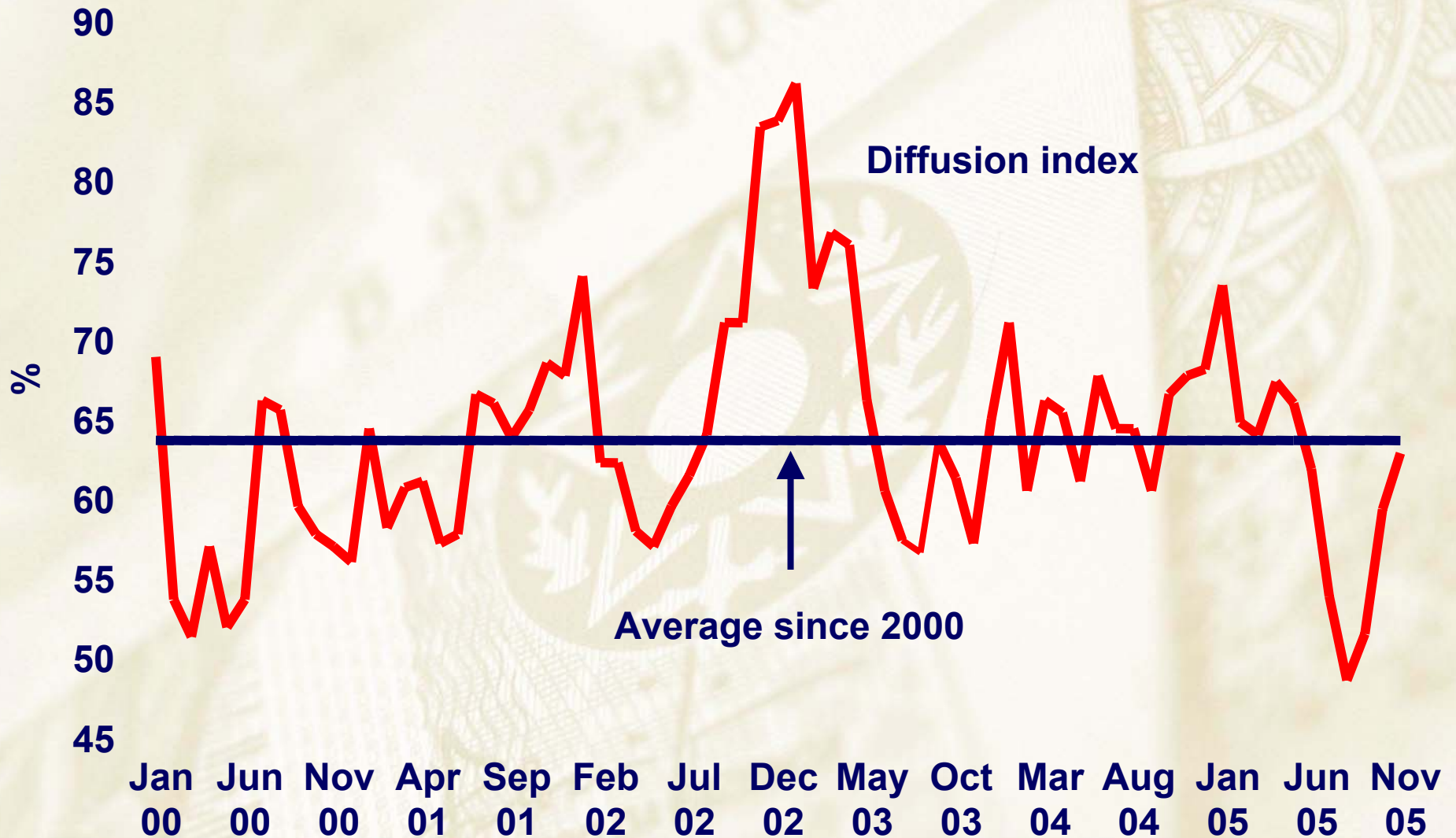
Foodstuff inflation



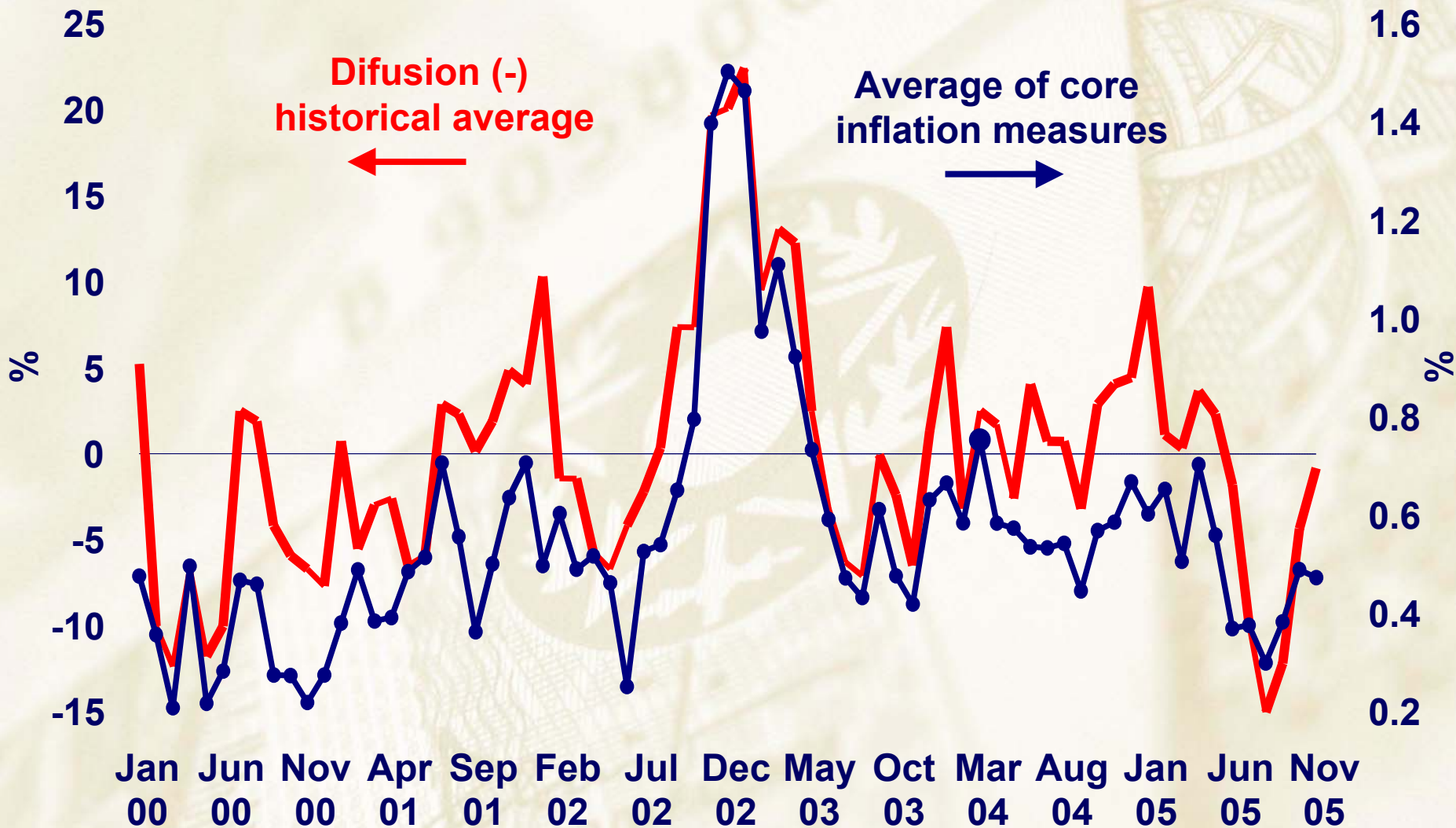
Positive supply shock - 2



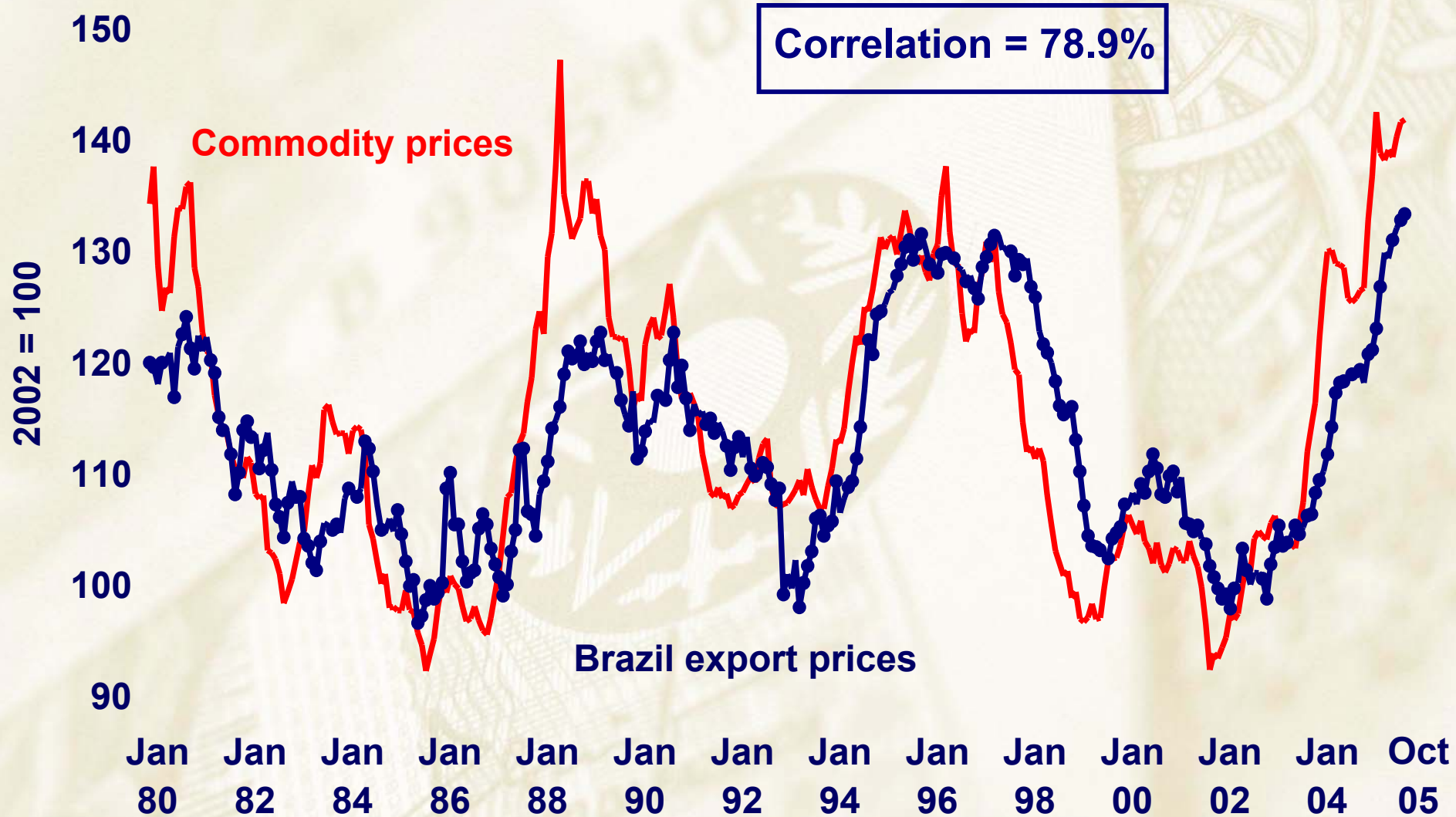
More to life than supply shocks



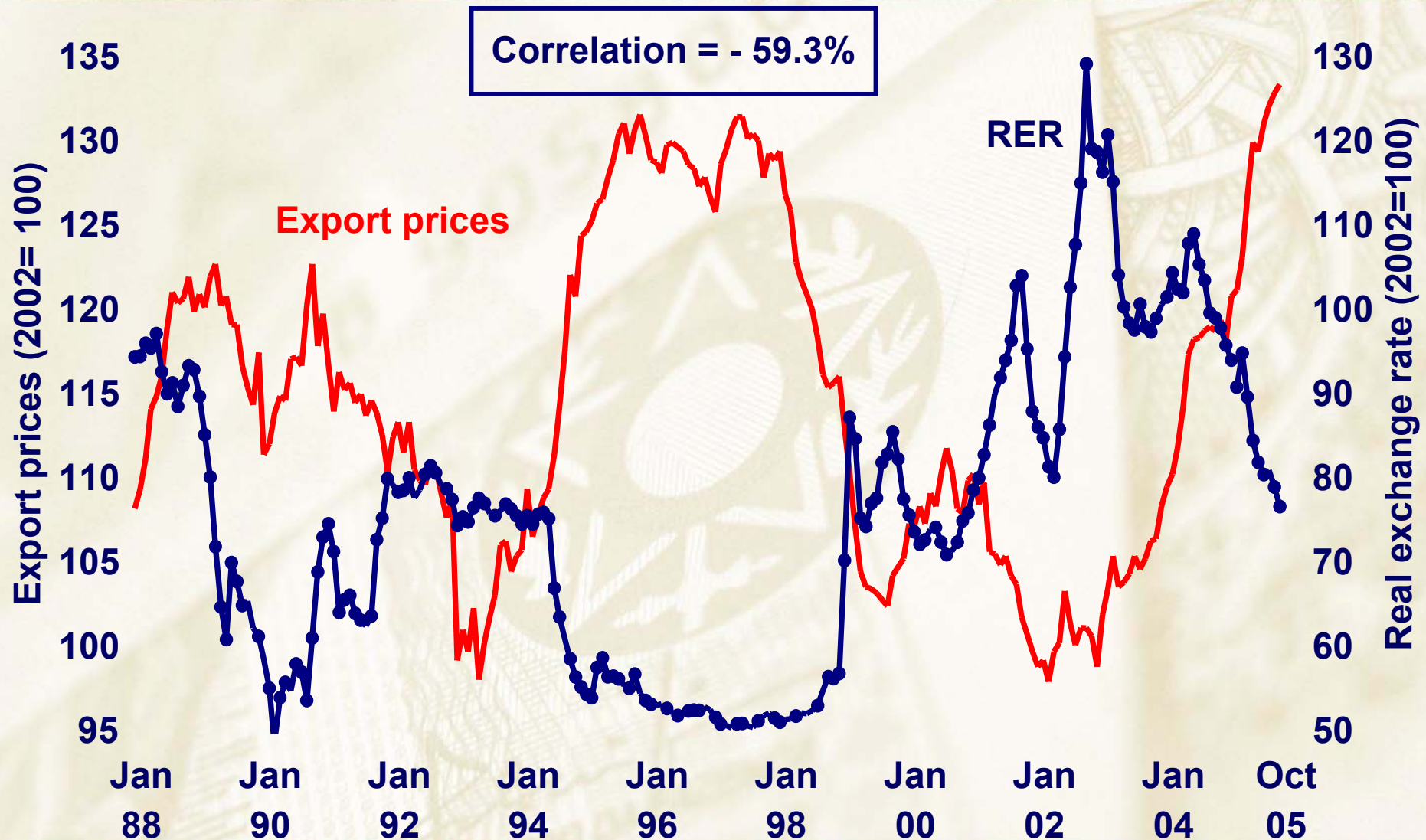
Where the beef is



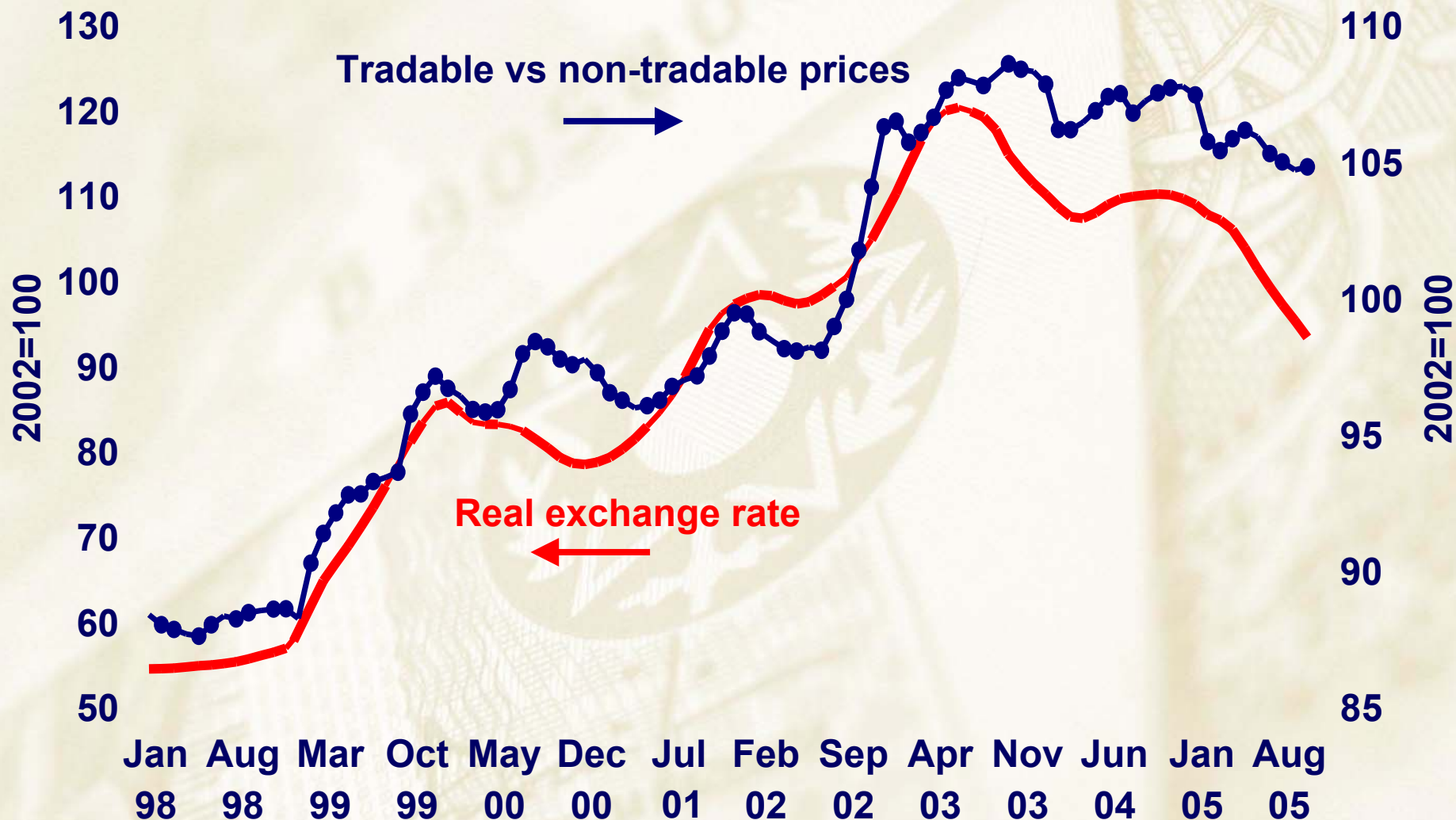
Commodity vs export prices



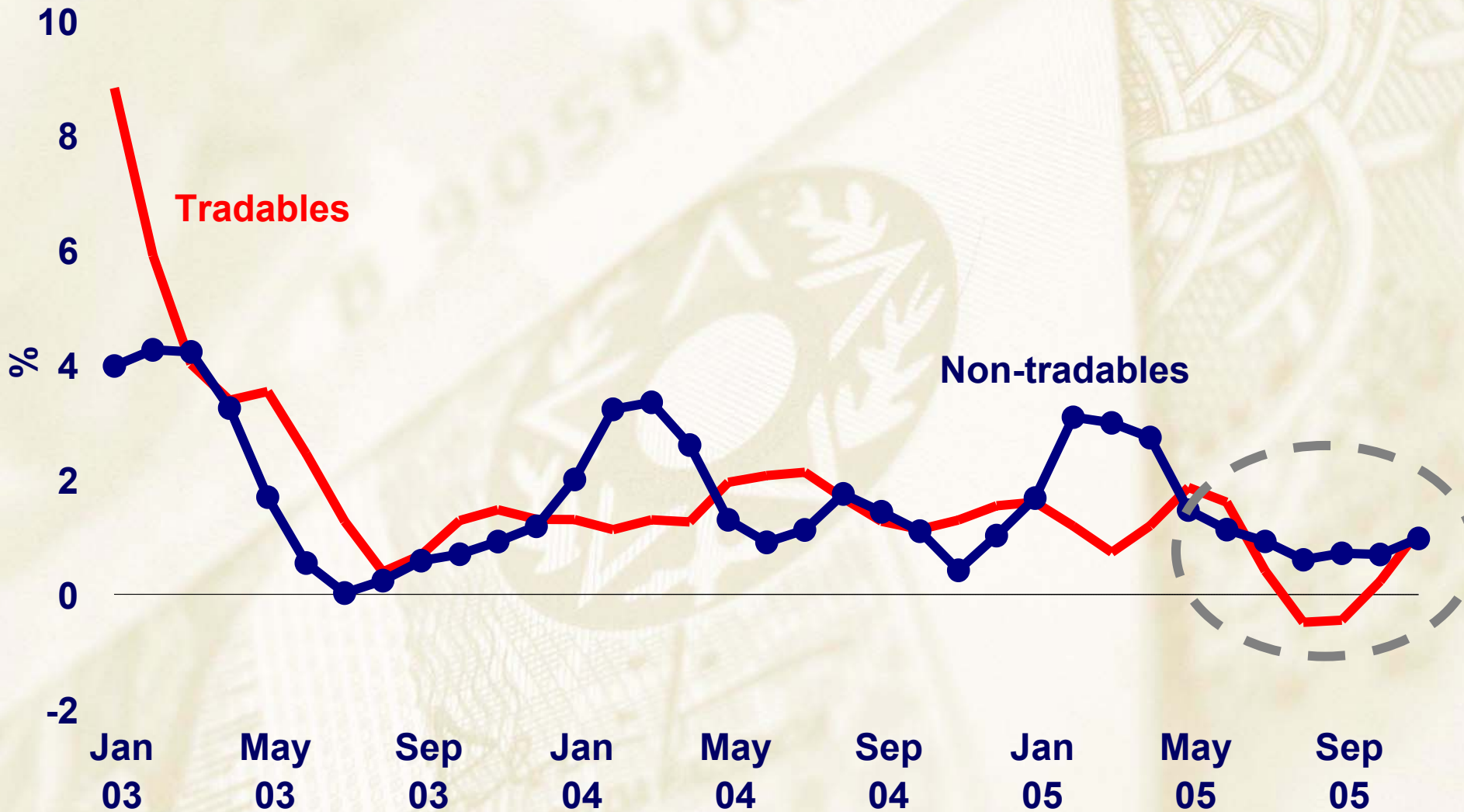
Export prices vs real exchange rate



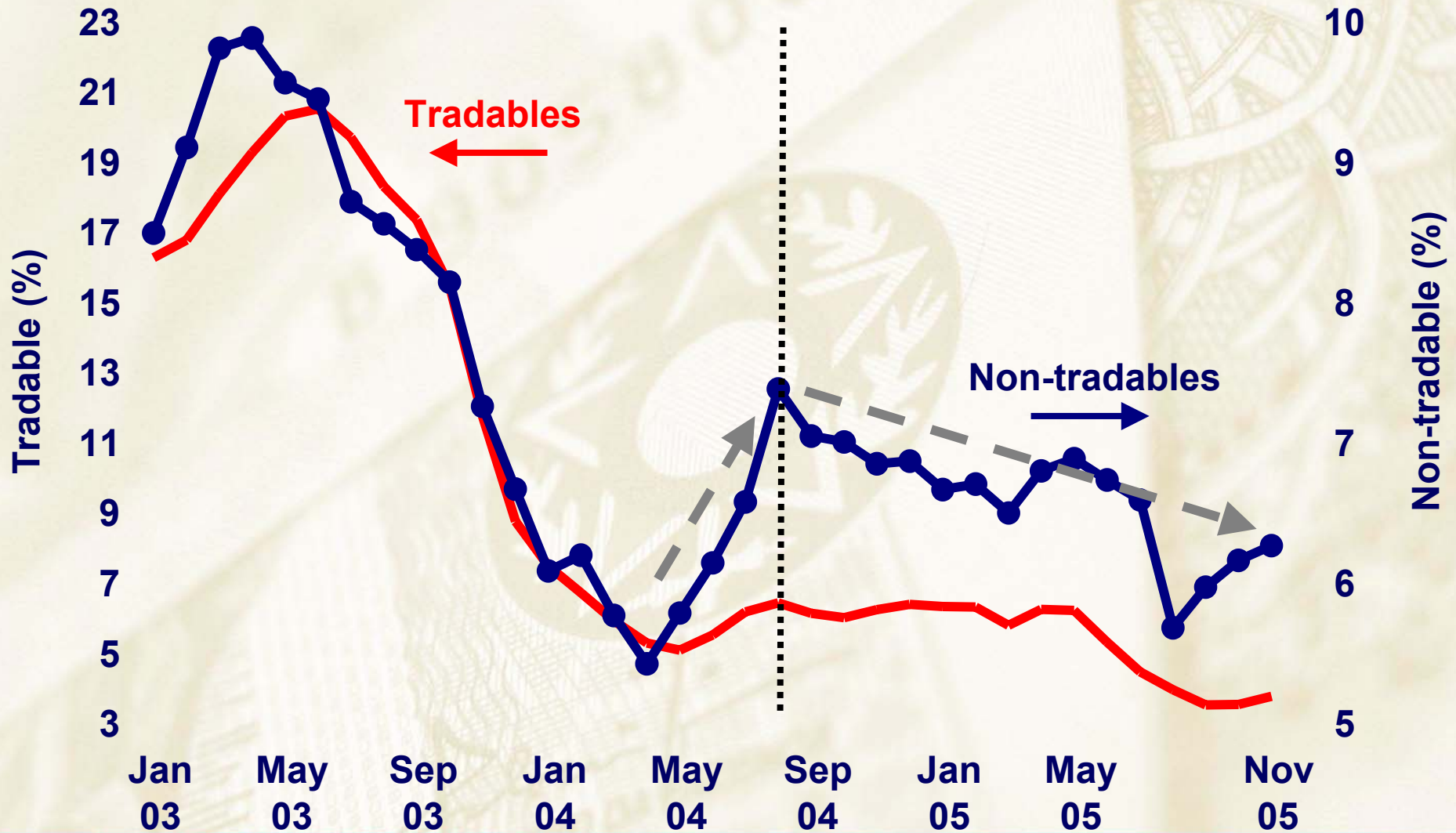
Real exchange rate vs relative prices



Choices



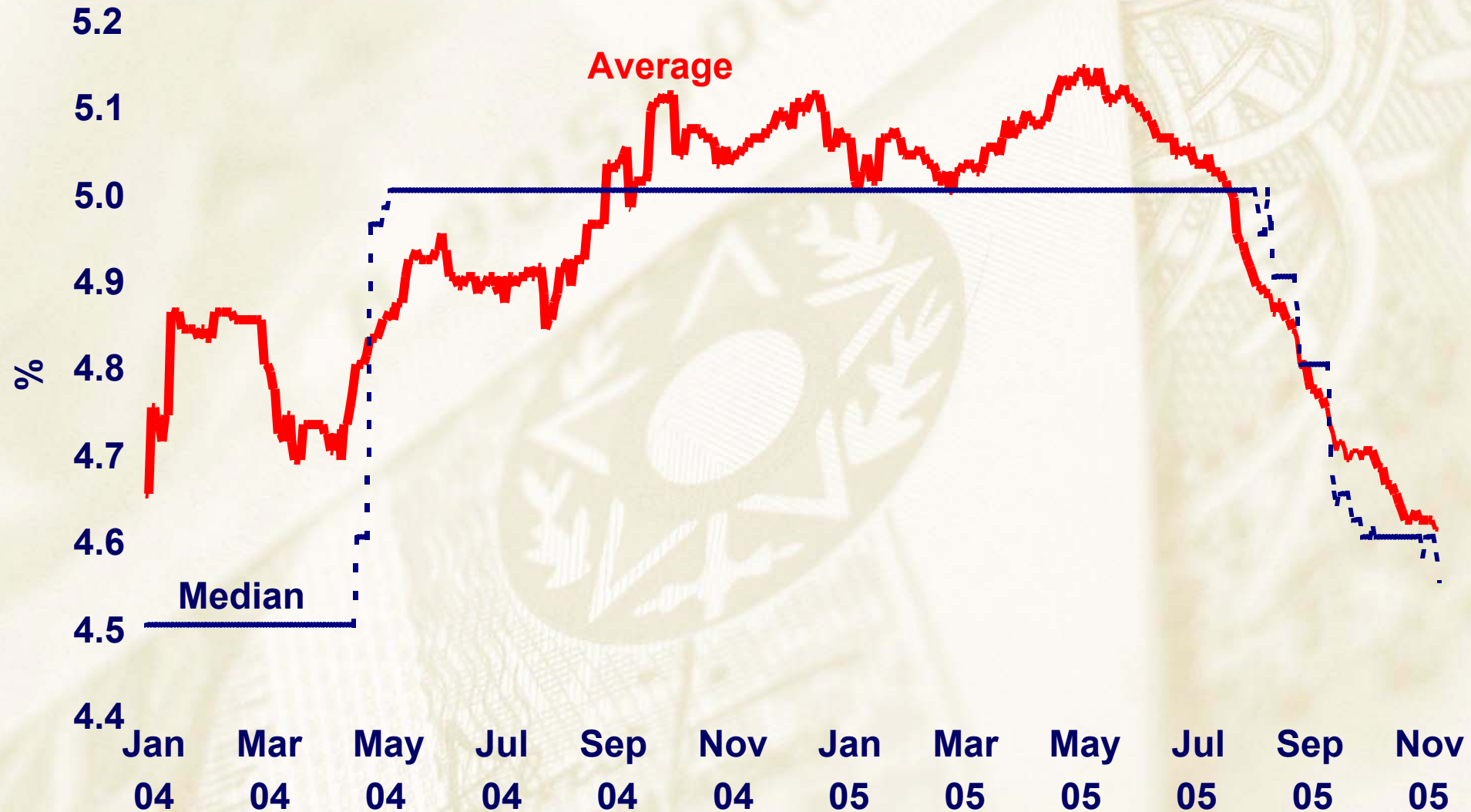
Turning points



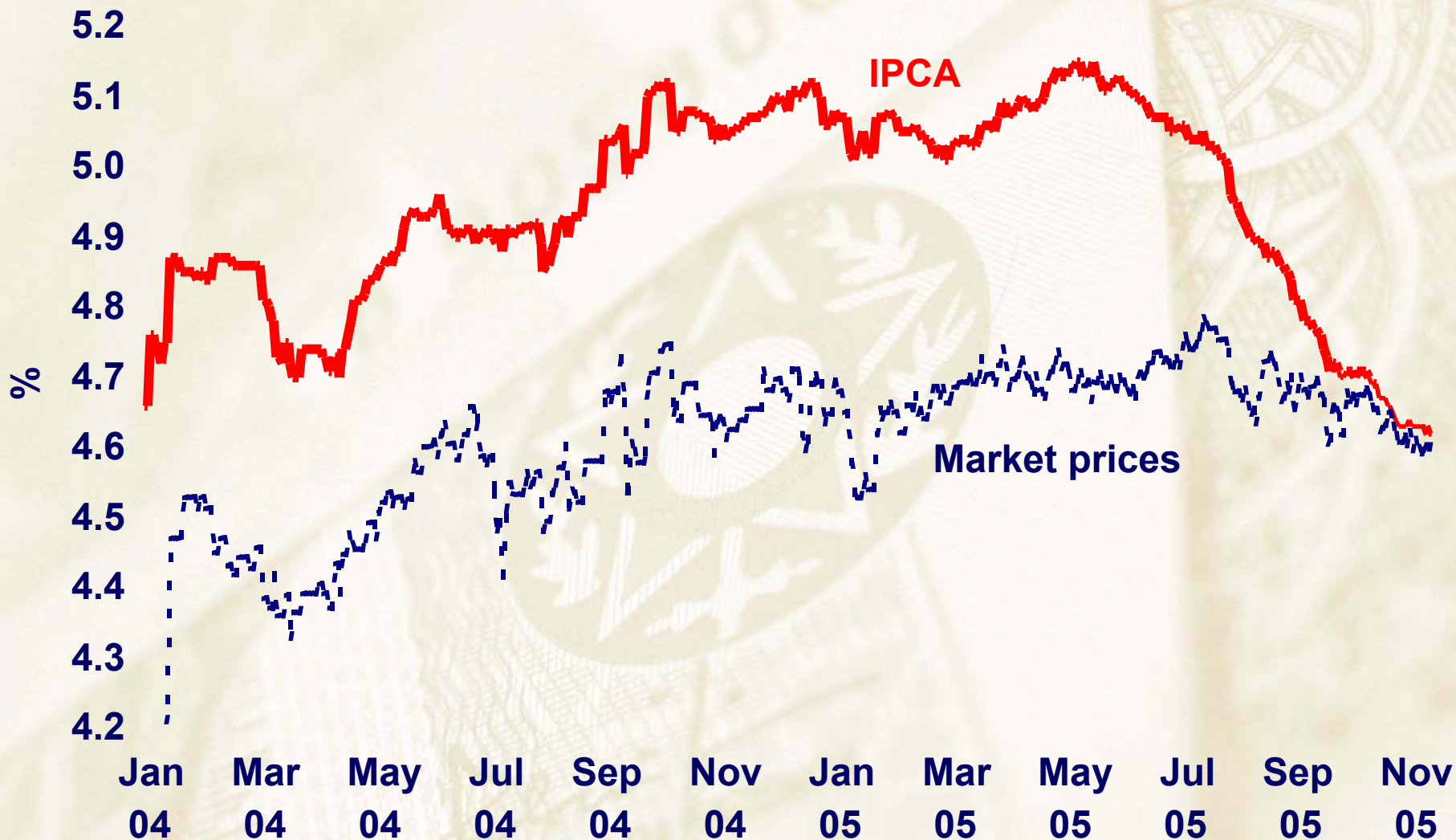
12-month expectations



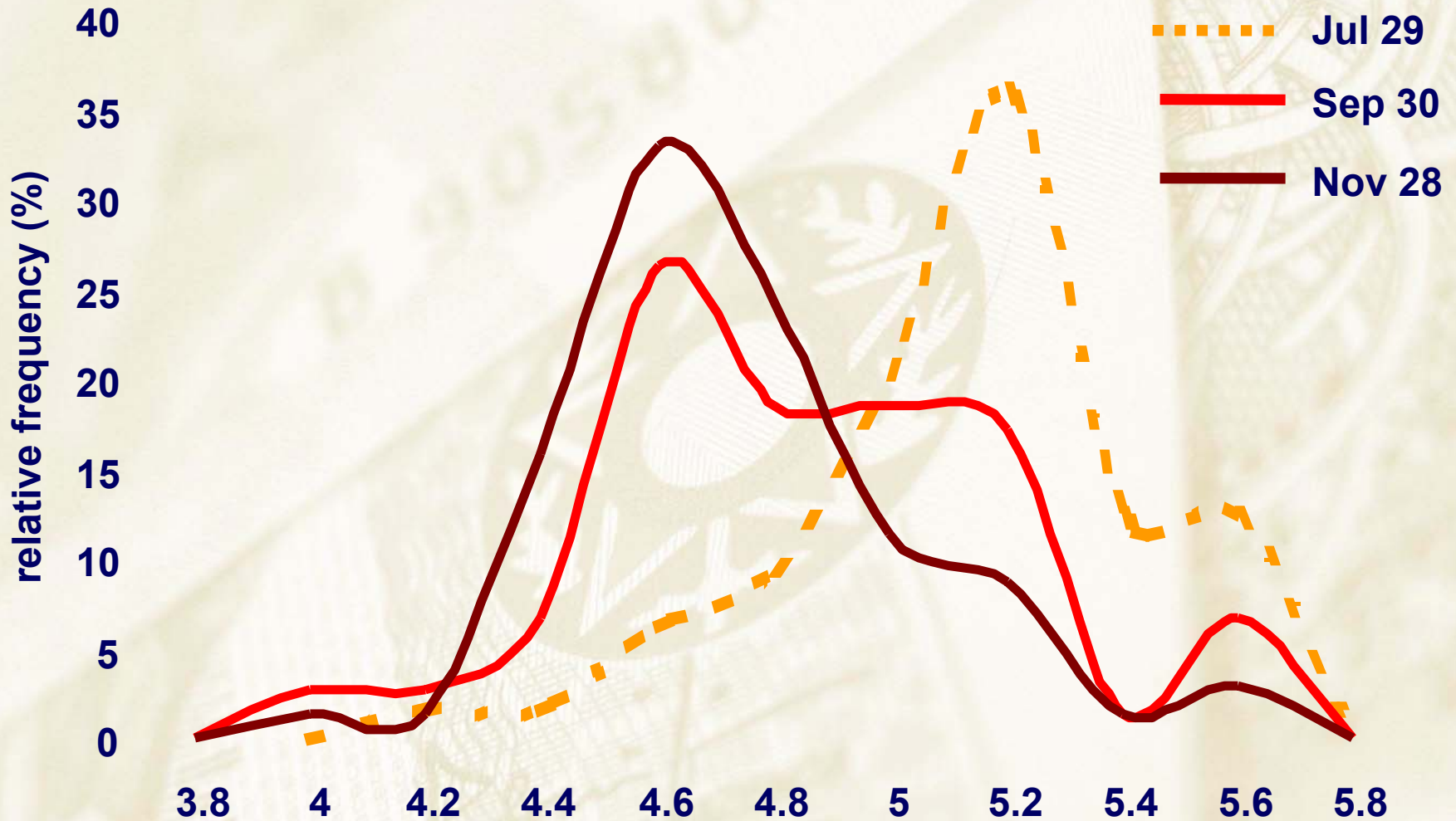
2006 expectations



Headline vs market prices

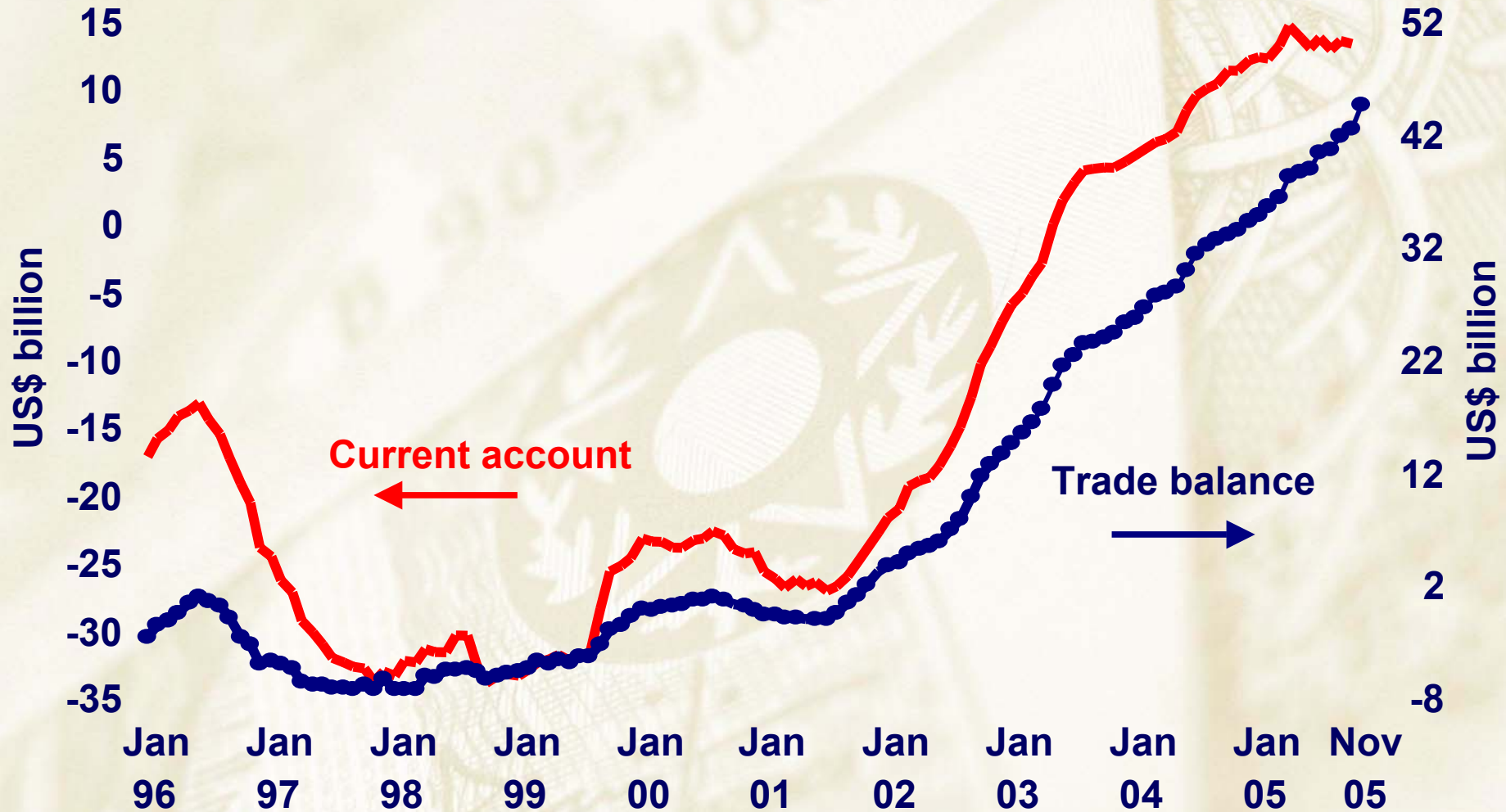


Distribution of market IPCA expectation for 2006

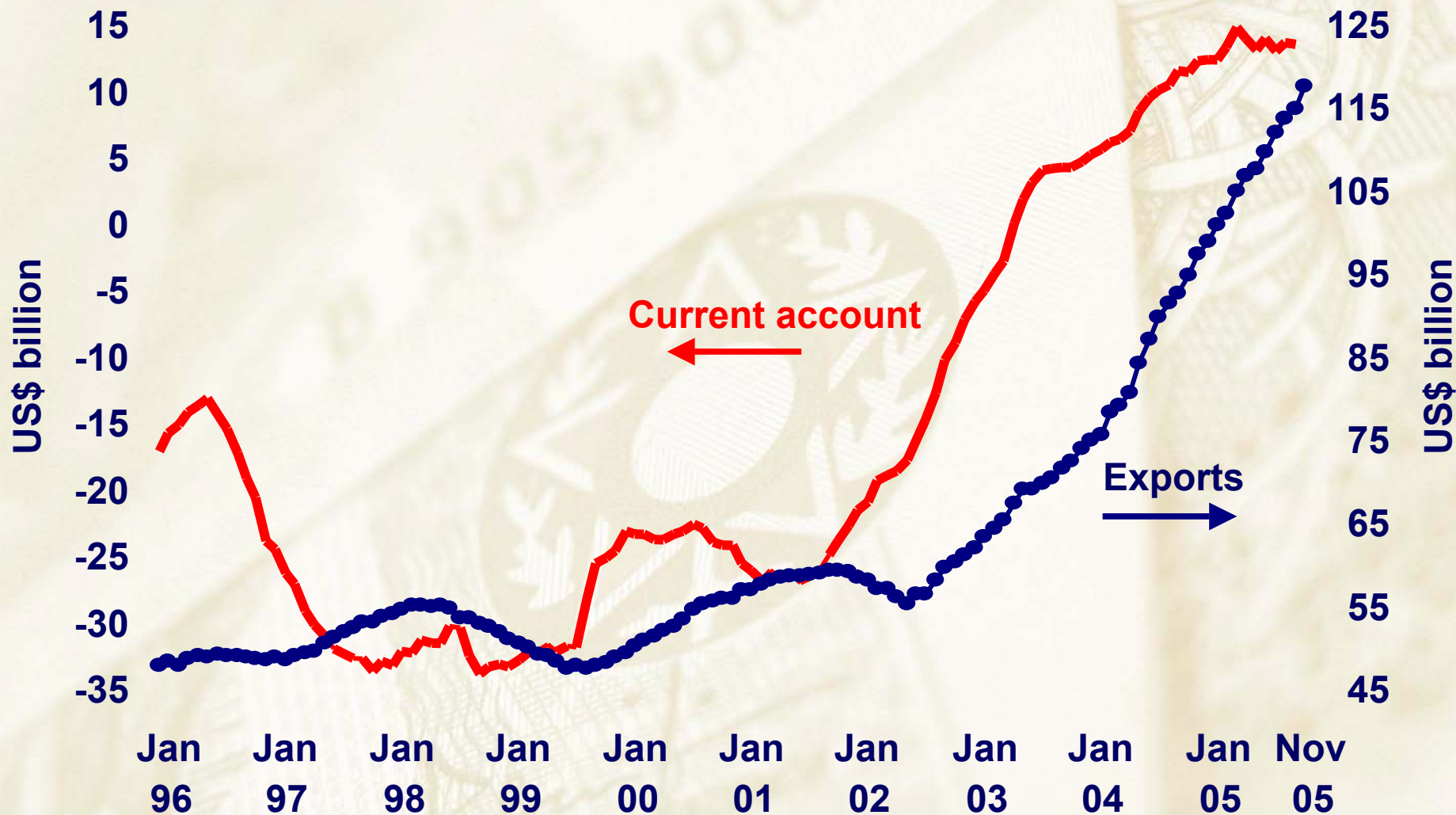


III. Balance of Payments

Breaking into new territory



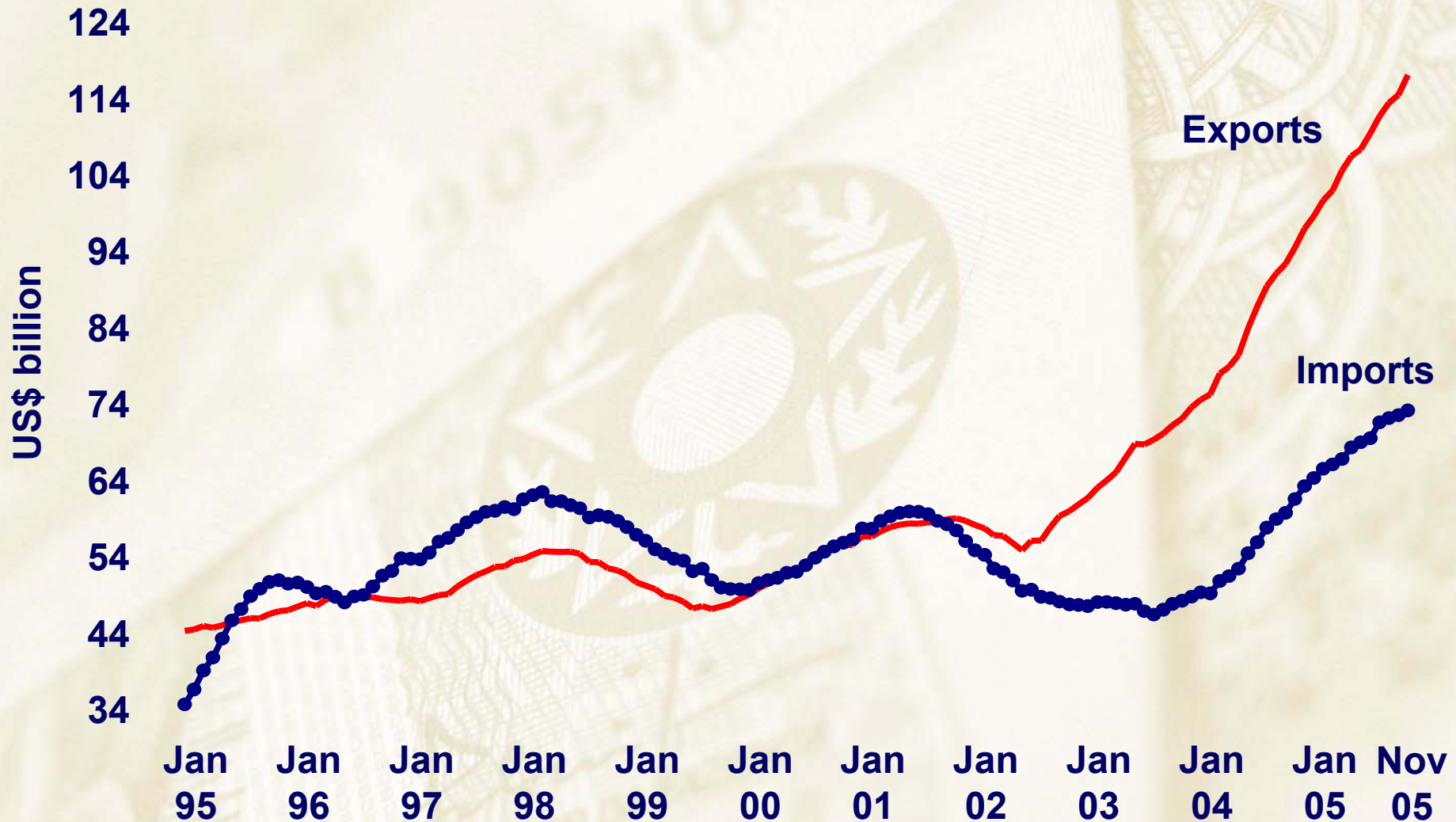
Nonetheless, it moves



Opening up, at last



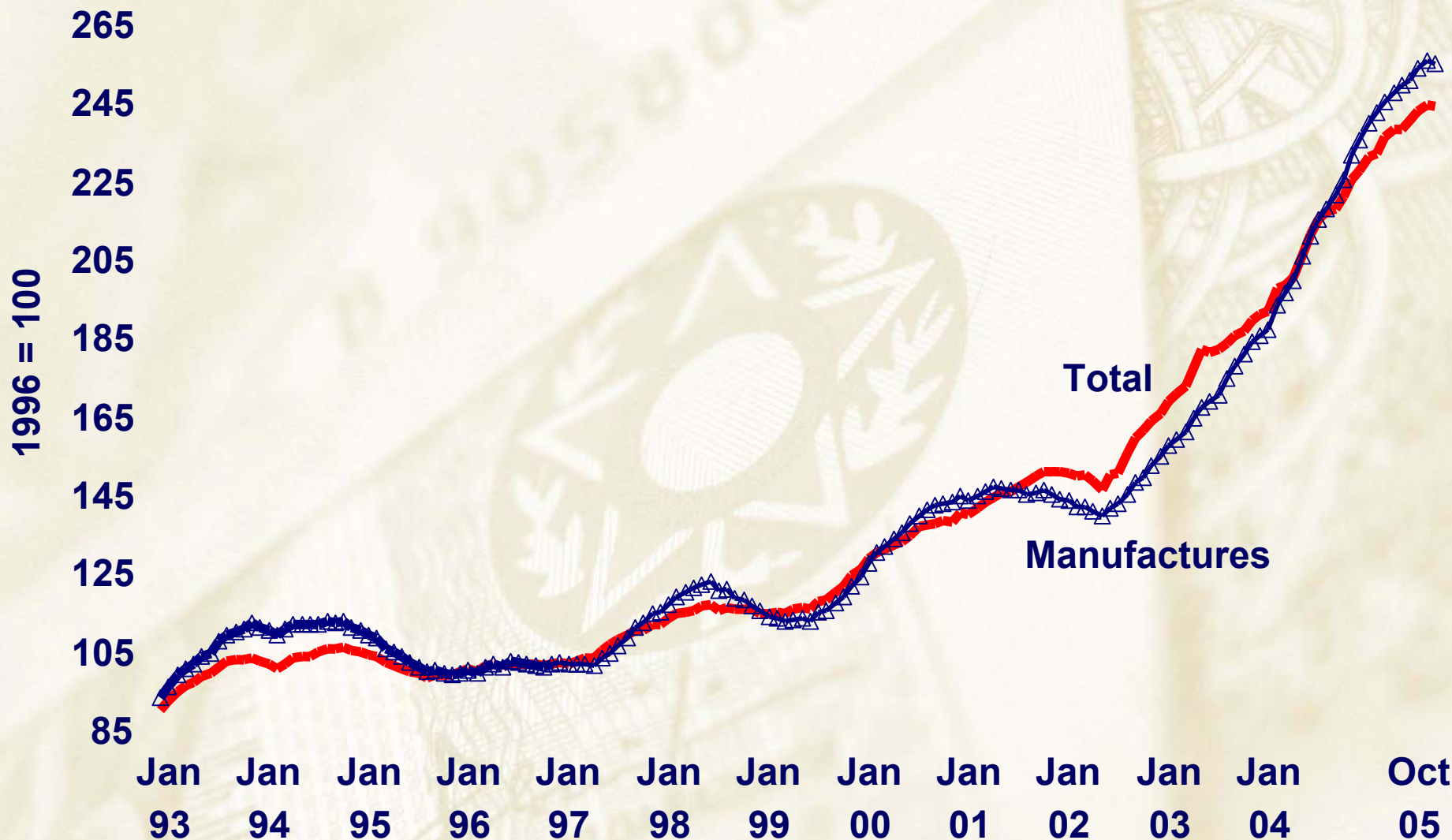
Up, up, and away



Export and import quanta (1996=100)

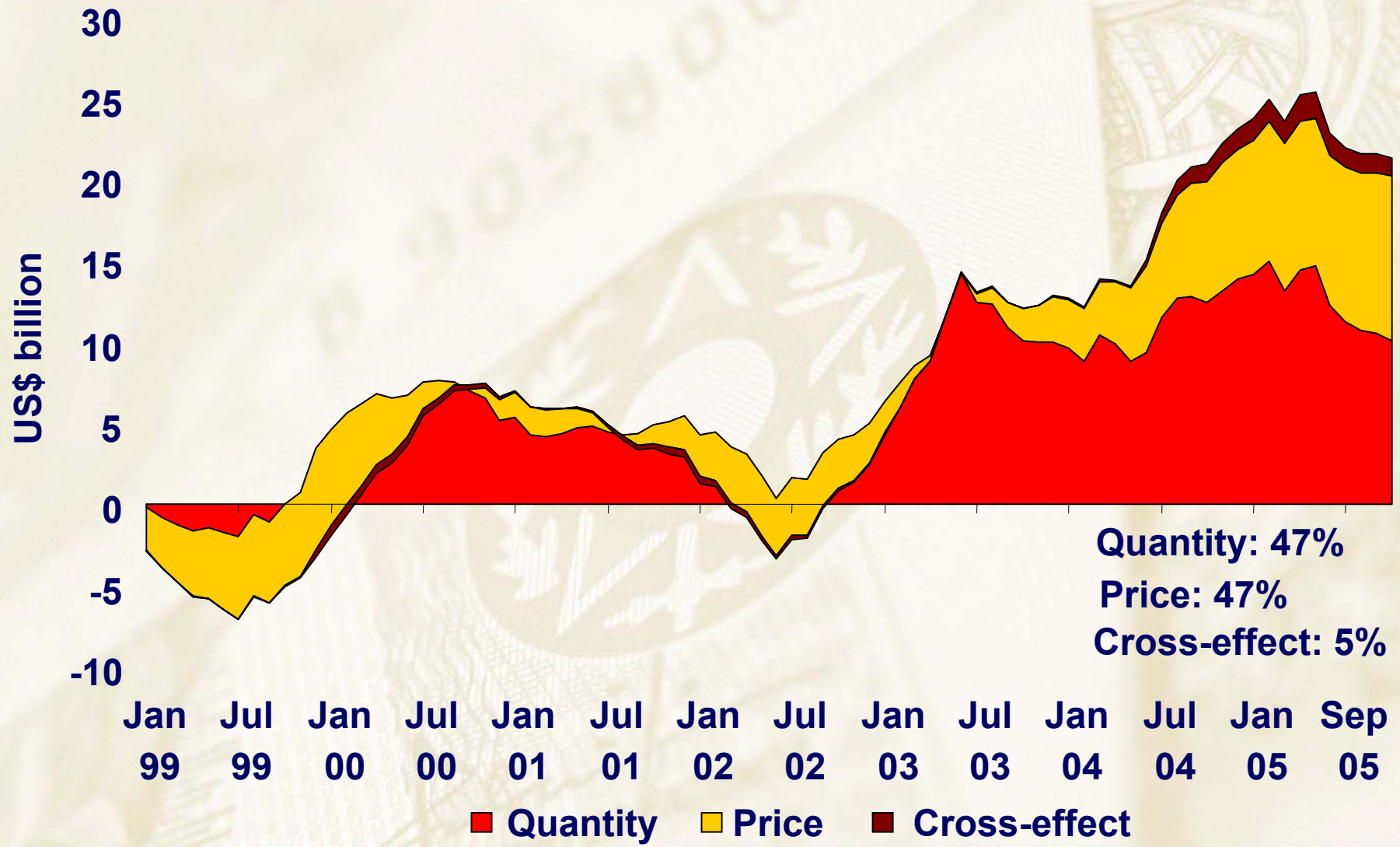
	Jan-Oct			12-month		
	2005	2004	%	Last	Previous	%
Exports	243.7	221.2	10%	242.6	216.3	12%
Primary	300.2	285.8	5%	292.1	273.0	7%
Semi-manufactures	170.0	161.9	5%	170.1	160.9	6%
Manufactures	251.2	223.3	13%	253.1	219.9	15%
Imports	125.3	116.9	7%	125.8	114.4	10%
Capital goods	115.5	88.9	30%	115.3	89.4	29%
Intermediate goods	164.9	154.0	7%	164.8	150.1	10%
Durable consumer goods	69.6	51.8	34%	68.8	49.7	38%
Non-durable consumer goods	89.6	82.5	9%	90.7	82.7	10%
Fuel	68.7	78.5	-12%	70.4	75.1	-6%

Vigorous export growth persists





12-month export growth breakdown



Export growth breakdown - products



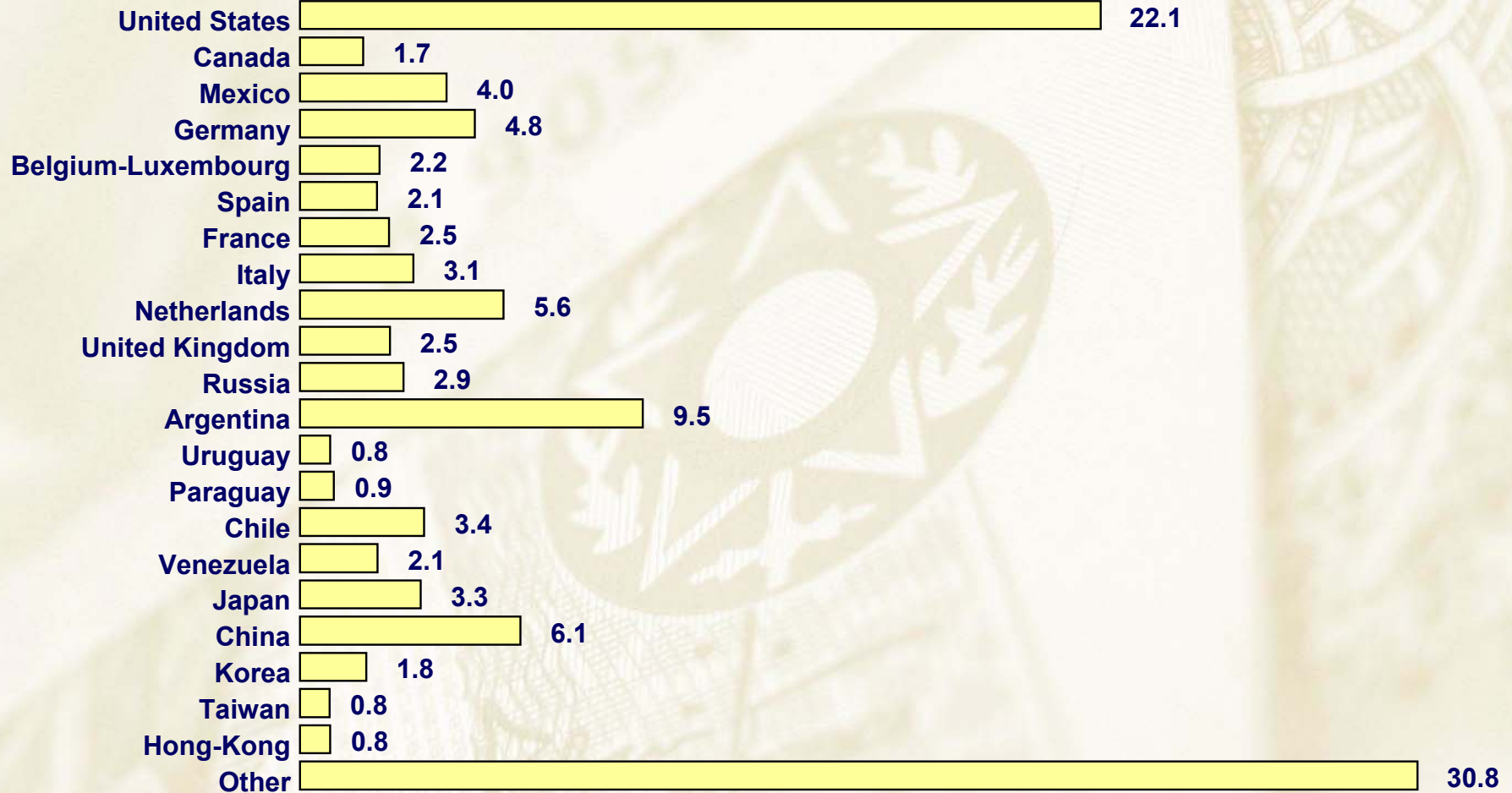
	2005					12-month			
	Total	Marginal	%	% change		Total	Marginal	%	% change
Oil & derivatives	8 366	3 282	16%	65%	Transport equipment	19 063	3 944	17%	26%
Transport equipment	17 010	2 973	15%	21%	Oil & derivatives	9 035	3 506	16%	63%
Ore	7 142	2 371	12%	50%	Ore	7 625	2 652	12%	53%
Metal	11 564	2 240	11%	24%	Metal	12 575	2 612	12%	26%
Meats	7 301	1 693	8%	30%	Meats	7 869	1 911	8%	32%
Electronics	4 515	1 689	8%	60%	Electronics	4 822	1 772	8%	58%
Chemicals	6 762	1 325	7%	24%	Chemicals	7 357	1 505	7%	26%
Sugar	3 610	1 231	6%	52%	Mechanical	6 828	1 344	6%	25%
Mechanical	6 263	1 201	6%	24%	Sugar	3 880	1 256	6%	48%
Coffee	2 639	825	4%	45%	Coffee	2 858	910	4%	47%
Paper & pulp	3 052	351	2%	13%	Paper & pulp	3 270	331	1%	11%
Orange juice	1 010	298	1%	42%	Tobacco	1 614	250	1%	18%
Tobacco	1 485	186	1%	14%	Orange juice	1 089	240	1%	28%
Shoes & leather	3 210	170	1%	6%	Shoes & leather	3 522	224	1%	7%
Textiles	1 972	97	0%	5%	Textiles	2 184	140	1%	7%
Wood	2 748	- 23	0%	-1%	Wood	3 031	45	0%	2%
Soy	8 801	- 928	-5%	-10%	Soy	9 143	-1 067	-5%	-10%
Other	9 961	1 152	6%	13%	Other	10 845	1 002	4%	10%
Total	107 412	20 132	100%	23%	Total	116 606	22 578	100%	24%

Main export markets

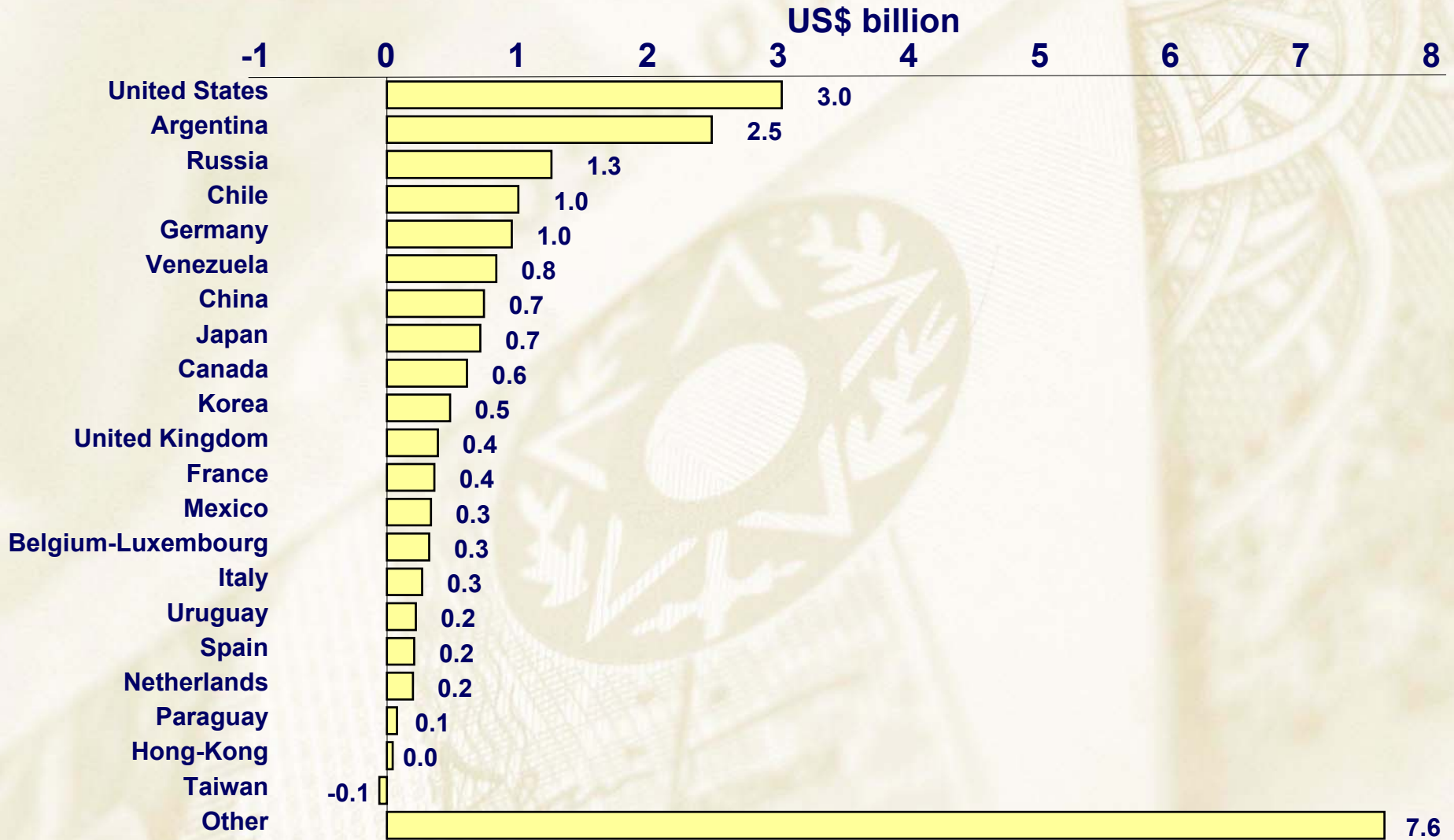


US\$ billion

0 5 10 15 20 25 30 35



Marginal export growth



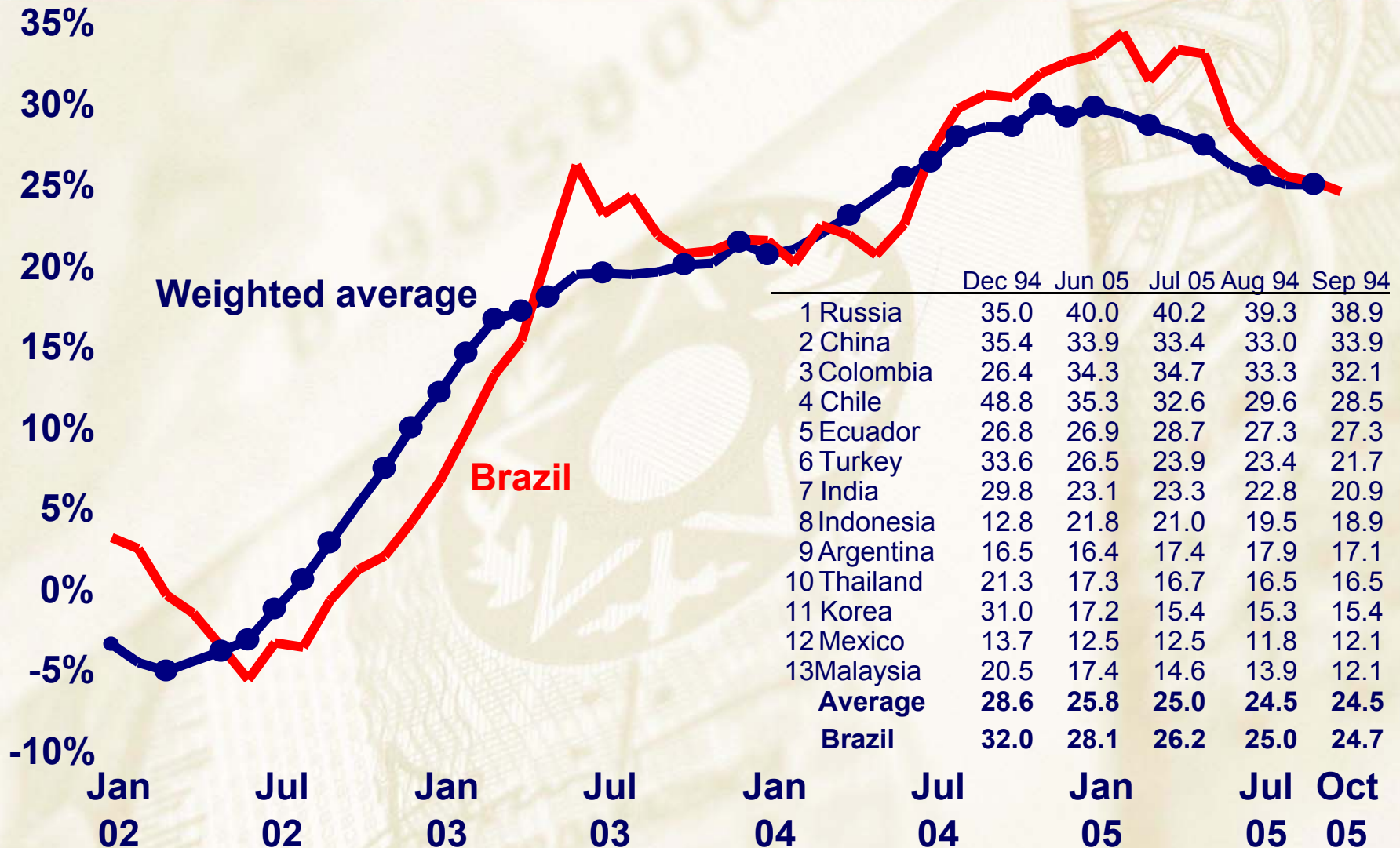
Gaining ground



Share on world exports



Compared annual export growth



Market share USA

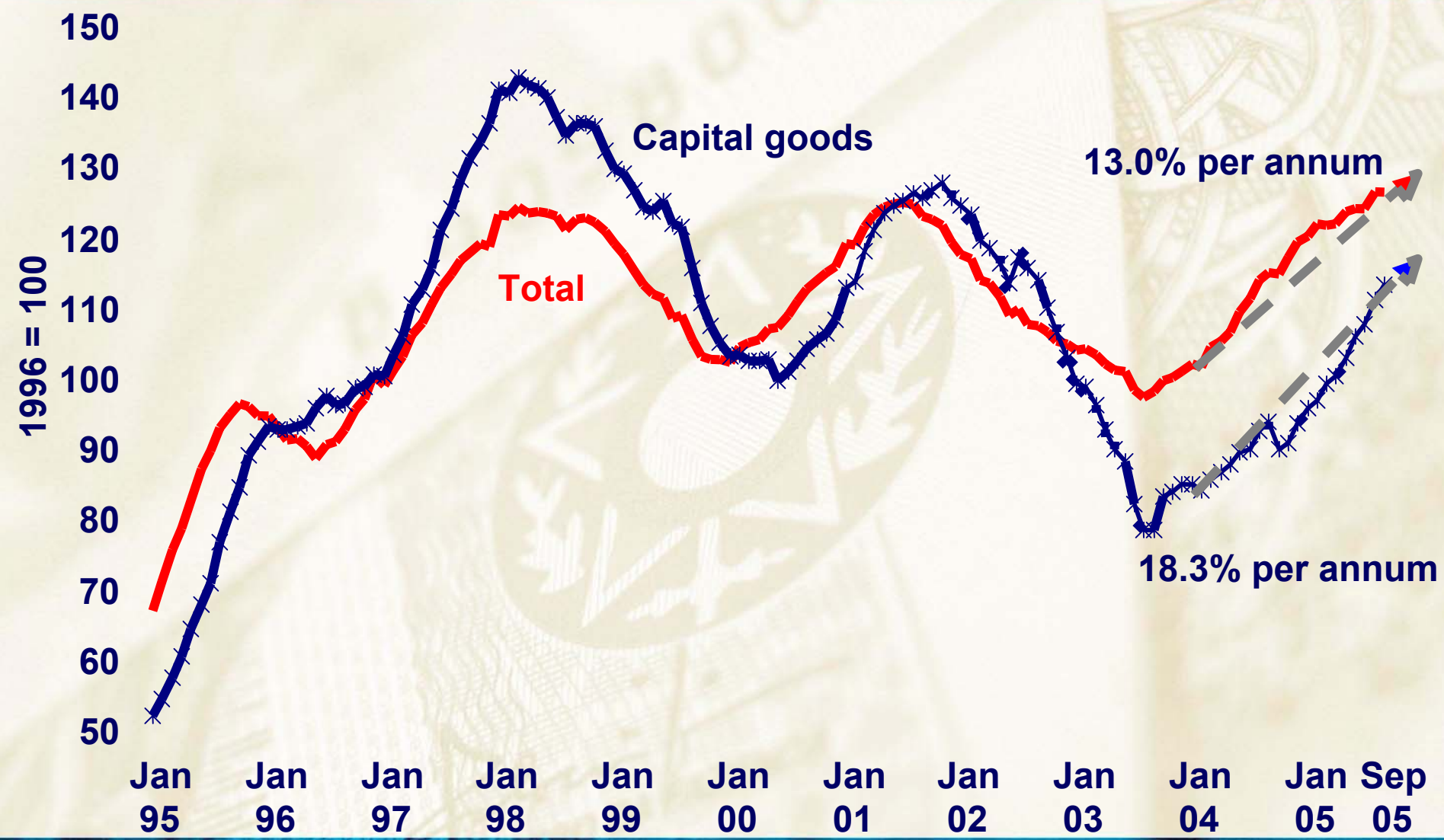


Import growth breakdown - products

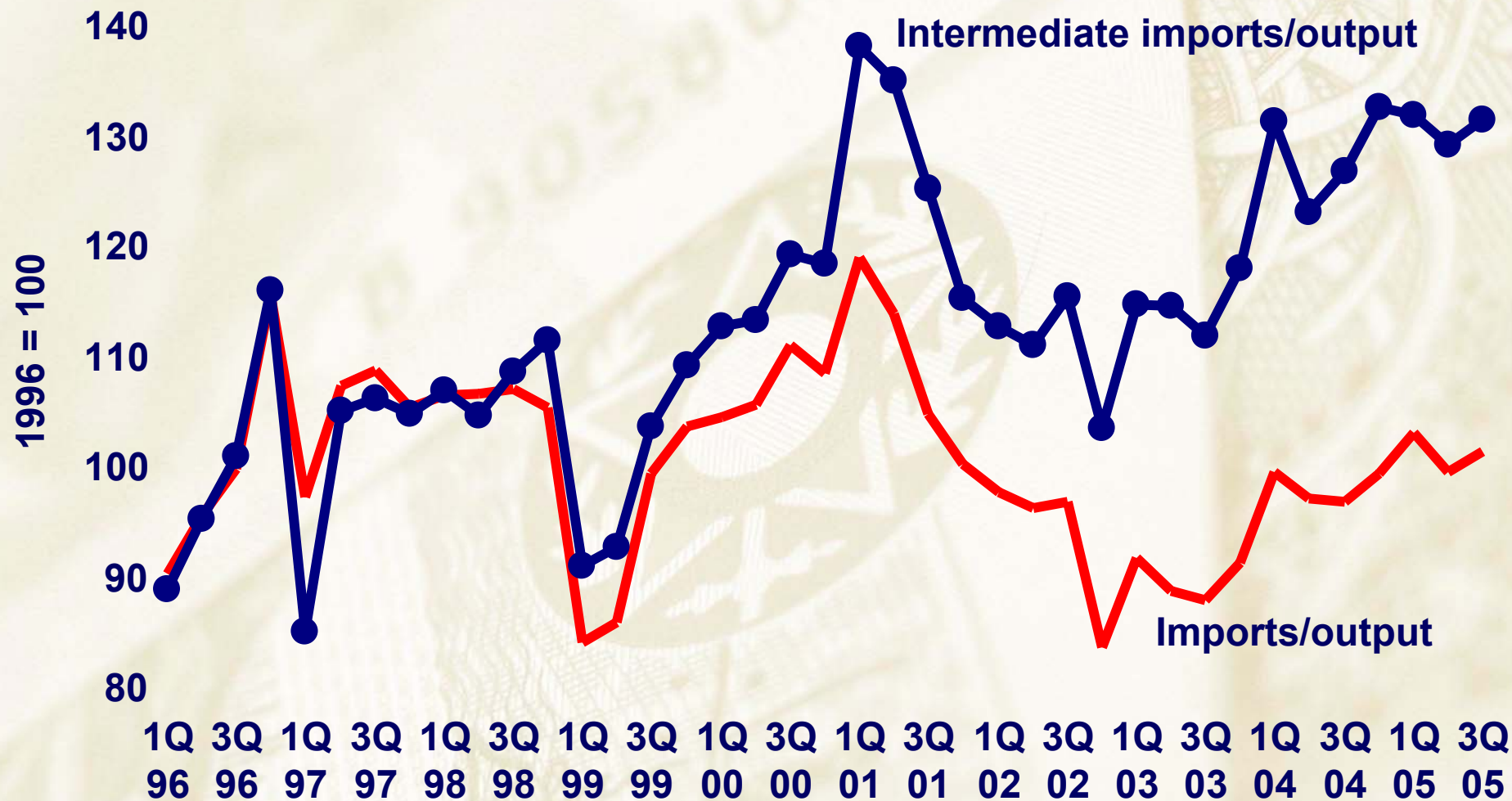


	2005				12-month				
	Total	Marginal	%	% change	Total	Marginal	%	% change	
Mechanical equipment	10 504	2 065	21%	24%	Fuel & lubricants	13 298	2 531	22%	24%
Fuel & lubricants	12 188	1 842	19%	18%	Mechanical equipment	11 421	2 314	20%	25%
Electronics	9 581	1 607	16%	20%	Electronics	10 340	1 871	16%	22%
Vehicles & parts	3 934	1 019	10%	35%	Vehicles & parts	4 185	1 107	10%	36%
Steel	1 710	512	5%	43%	Steel	1 856	586	5%	46%
Precision instruments	2 636	505	5%	24%	Precision instruments	2 842	556	5%	24%
Plastics	2 654	470	5%	22%	Plastics	2 861	537	5%	23%
Chemicals	4 895	399	4%	9%	Chemicals	5 306	490	4%	10%
Rubber	1 415	330	3%	30%	Rubber	1 530	355	3%	30%
Pharmaceuticals	1 845	216	2%	13%	Pharmaceuticals	2 007	263	2%	15%
Copper	751	189	2%	34%	Copper	808	217	2%	37%
Paper	591	74	1%	14%	Paper	639	85	1%	15%
Aircraft & parts	893	68	1%	8%	Aluminium	470	77	1%	20%
Aluminium	431	65	1%	18%	Aircraft & parts	958	76	1%	9%
Colorants	526	28	0%	6%	Fibers	819	58	1%	8%
Fibers	744	27	0%	4%	Colorants	574	40	0%	8%
Milk & derivatives	115	27	0%	31%	Fish	268	28	0%	12%
Fish	247	25	0%	11%	Milk & derivatives	123	28	0%	29%
Beverages	143	6	0%	4%	Beverages	161	8	0%	5%
Other chemicals	1 274	- 55	-1%	-4%	Other chemicals	1 435	- 17	0%	-1%
Cotton	99	- 87	-1%	-47%	Cotton	107	- 87	-1%	-45%
Cereals	985	- 201	-2%	-17%	Cereals	1 075	- 261	-2%	-20%
Fertilizers	2 068	- 330	-3%	-14%	Fertilizers	2 264	- 356	-3%	-14%
Other	6 662	830	8%	14%	Other	7 230	1 002	9%	16%
Total	66 979	9 895	100%	17%	Total	72 663	11 582	100%	19%

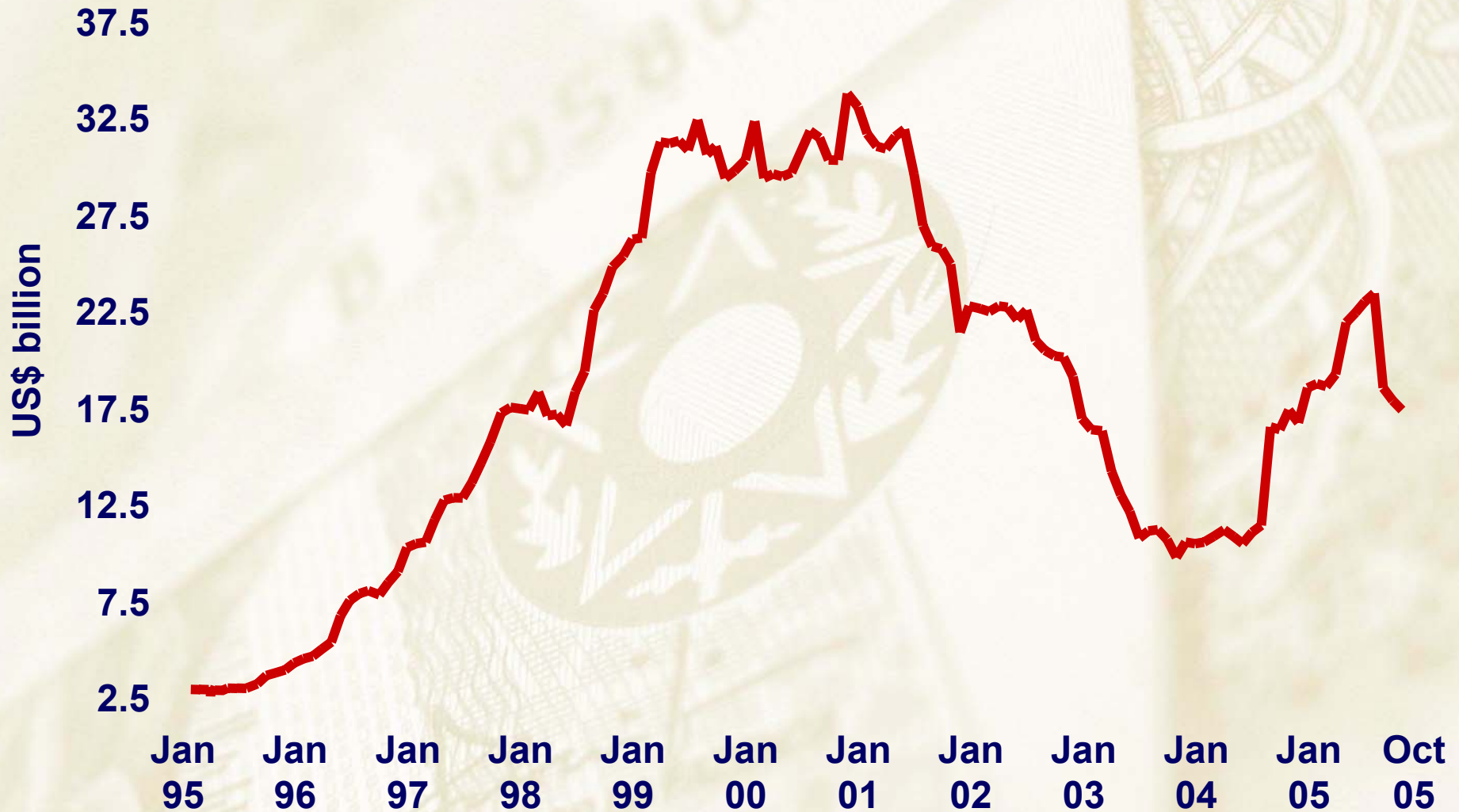
Capital goods imports



Import-output ratios seem stable



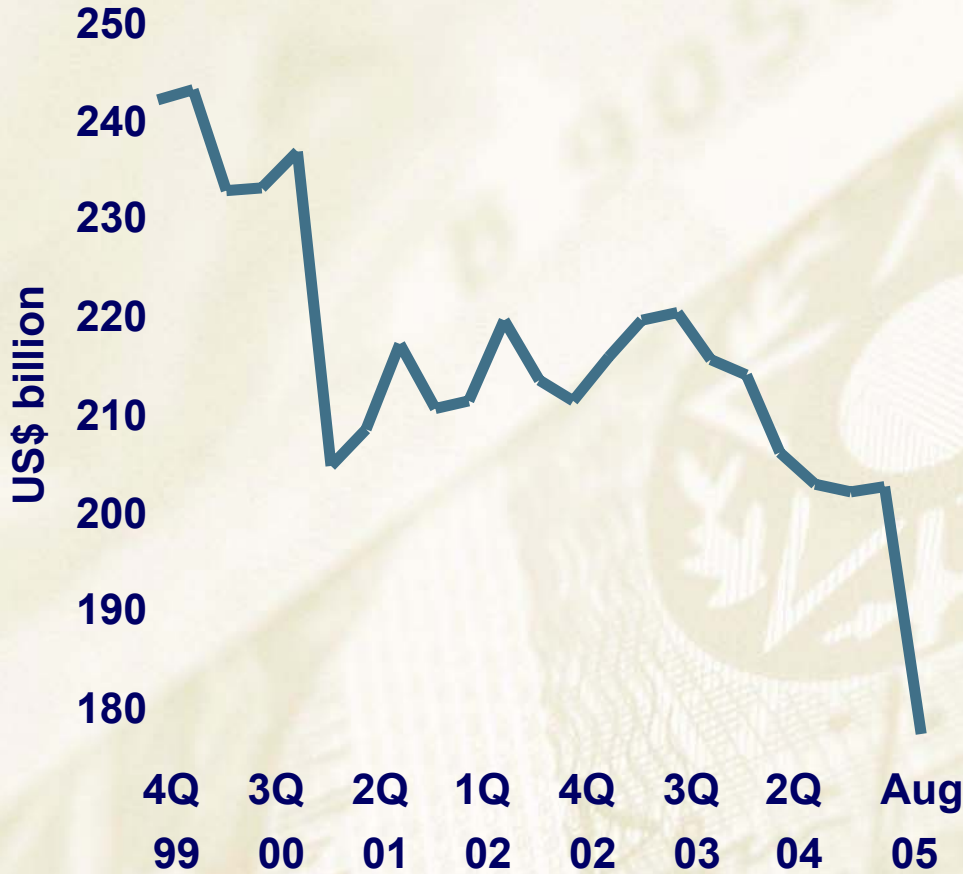
Foreign direct investment



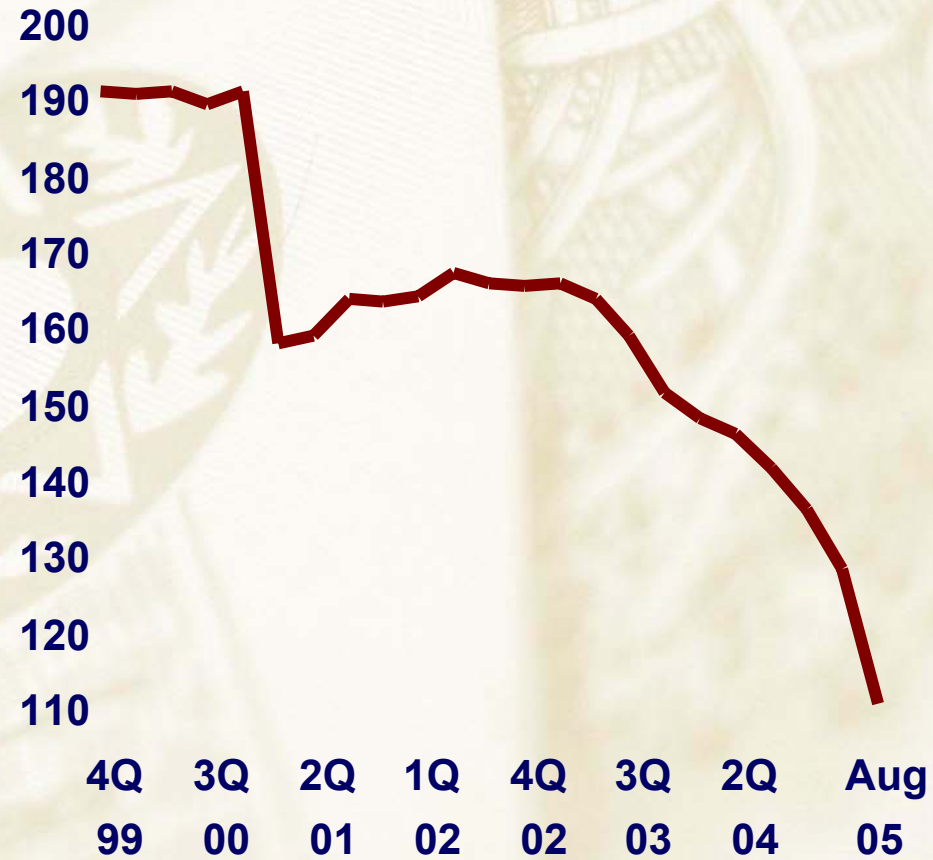
External Debt



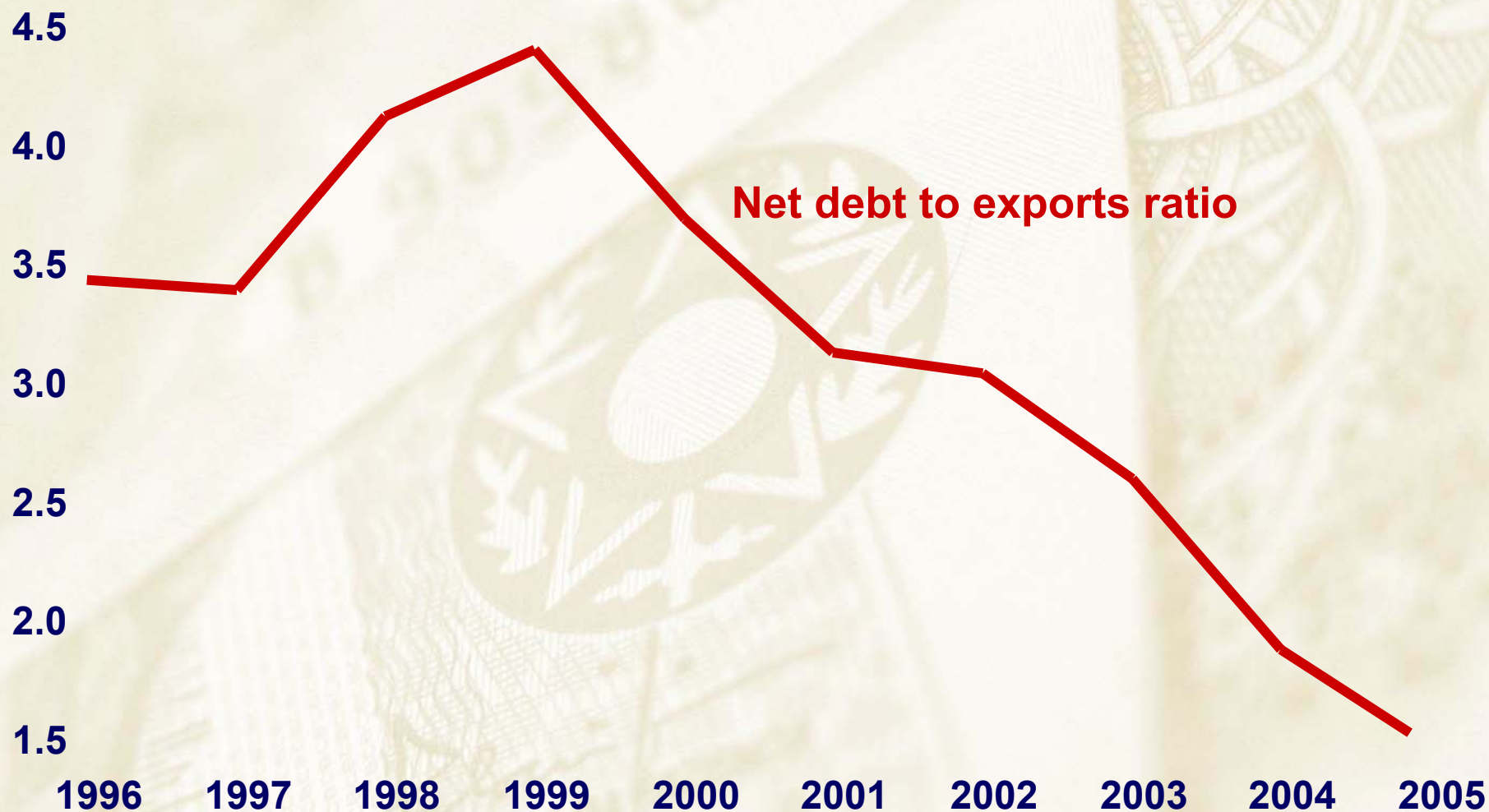
Total External Debt



Net External Debt



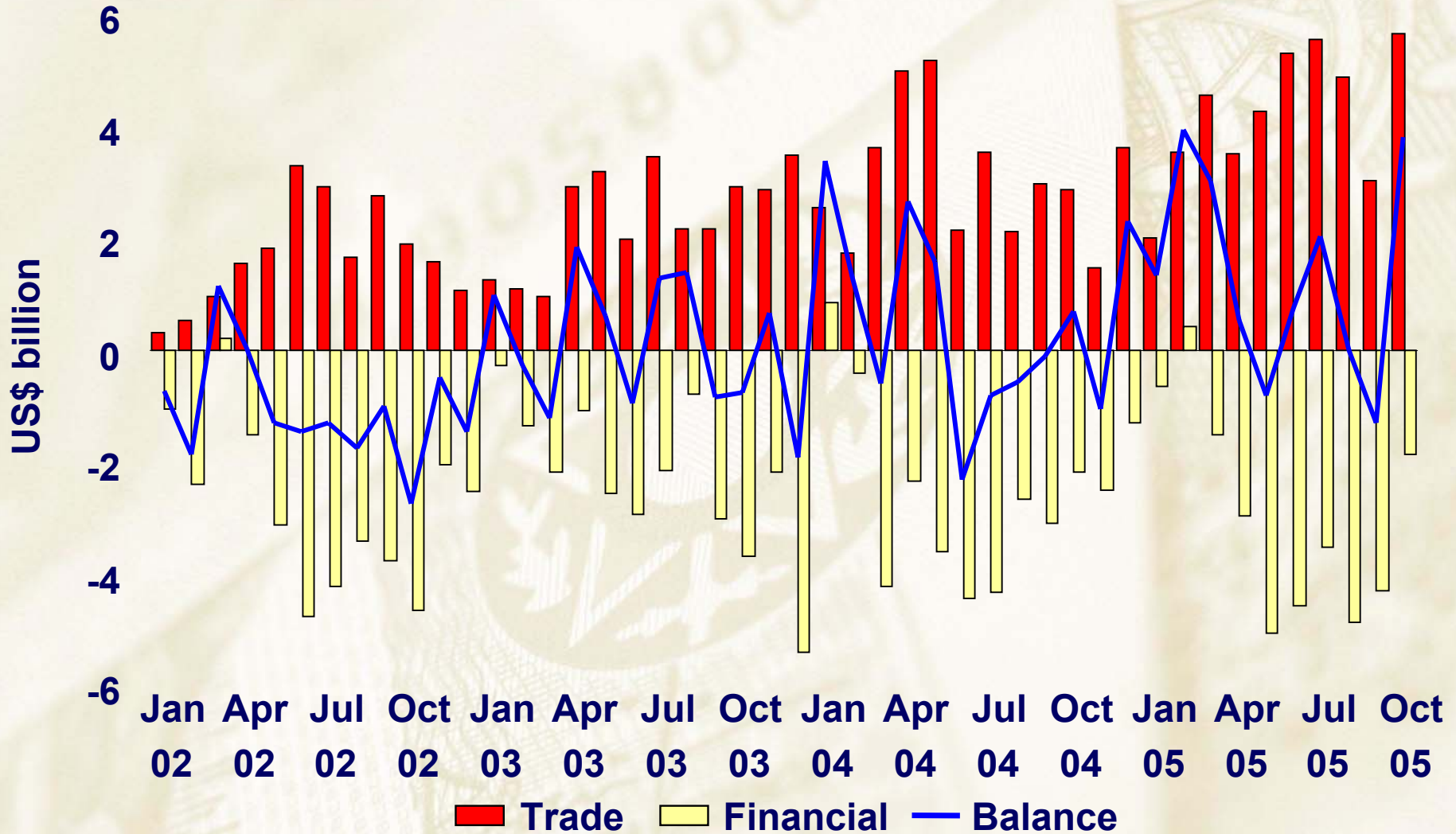
Solvency ratios still improving



Record high reserves for floating period



Trade flows provide hard currency



Good conditions for BP financing

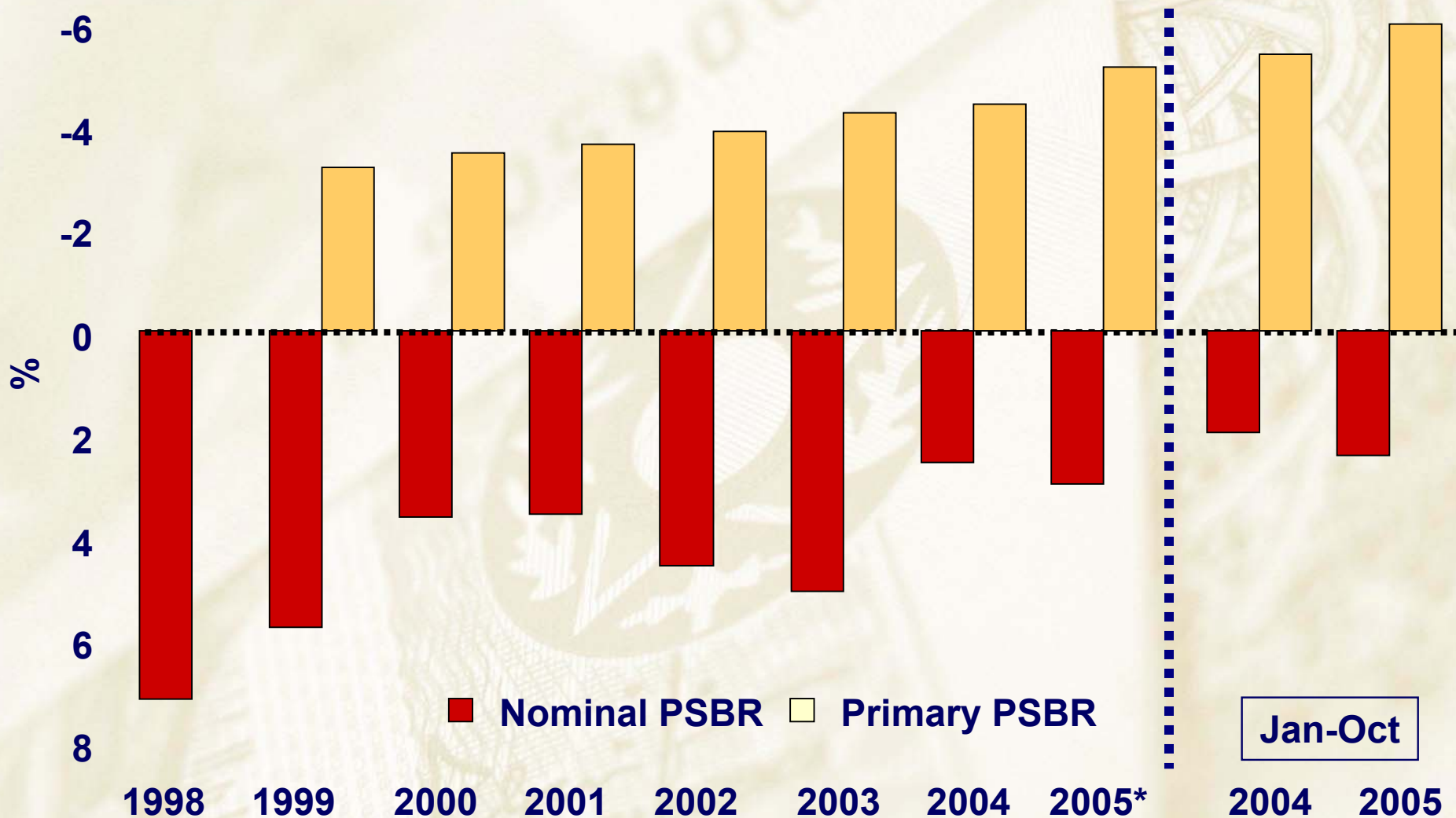


	2004	2005		2006 forecast
		Jan-Oct	Total	
A - Private sector current account	14.5	14.3	16.0	3.1
B - Financial account (net)	(10.7)	(1.0)	(0.3)	5.4
Foreign direct investment	18.2	12.6	16.0	16.0
Foreign portfolio investment	2.2	4.9	5.2	4.0
Medium and long term loans	(13.5)	(11.3)	(13.2)	(11.0)
Trade lines (short, medium and long term)	(2.3)	(1.3)	(1.9)	(0.2)
Banks	(3.4)	(4.1)	(4.1)	0.4
Other	1.2	2.8	2.2	(0.7)
Brazilian investment abroad	(13.4)	(6.5)	(6.3)	(4.0)
Other	(1.9)	0.6	(0.1)	0.7
C - Financial gap (A+B)	3.9	13.2	15.7	8.5
Central Bank intervention	(5.3)	(13.6)	(13.6)	0.0
Banks: assets change *	1.4	0.4	(2.1)	(8.5)

* (-) increase in long-position; (+) increase in short-position

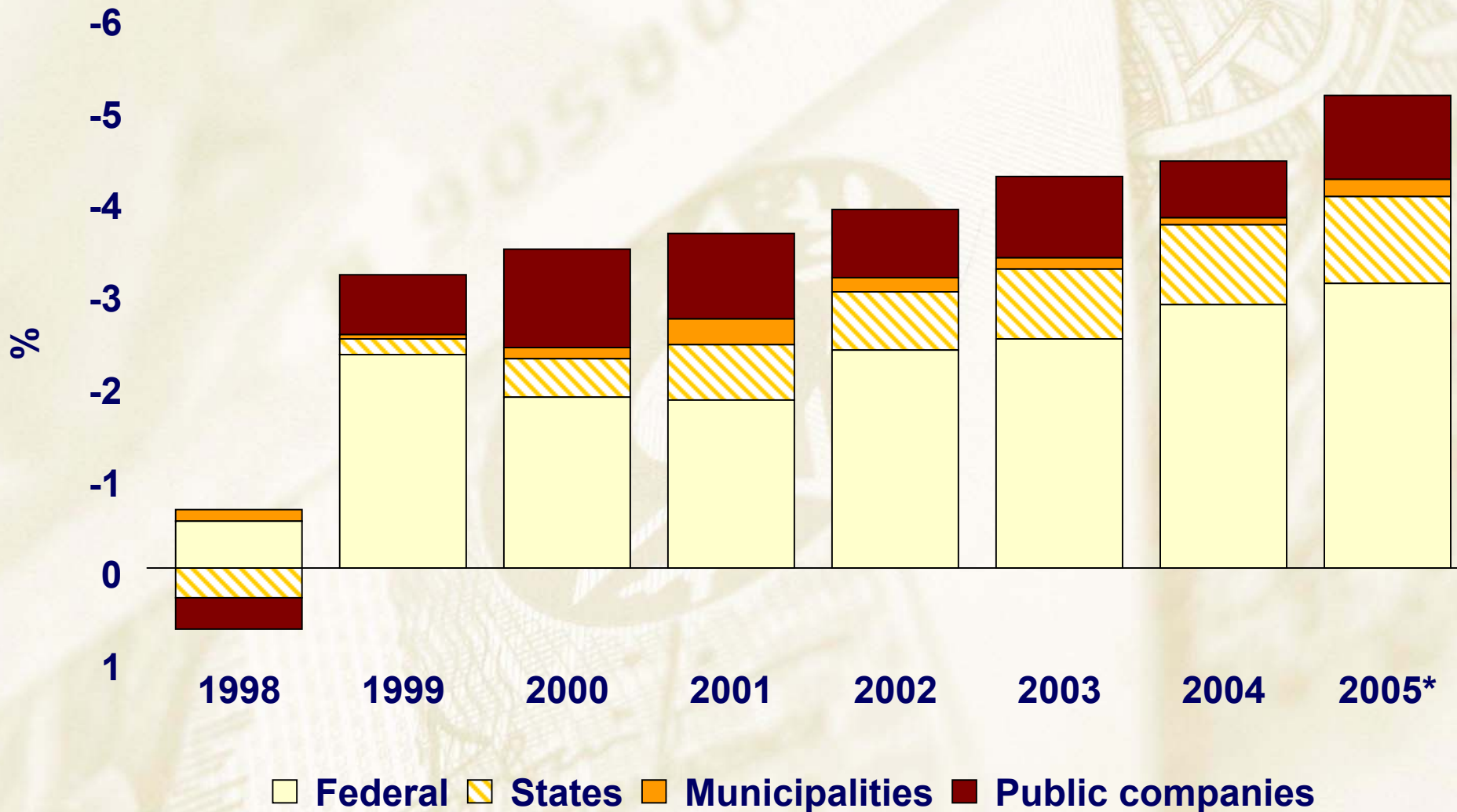
IV. Fiscal developments and the public debt

Public Sector Borrowing Requirements



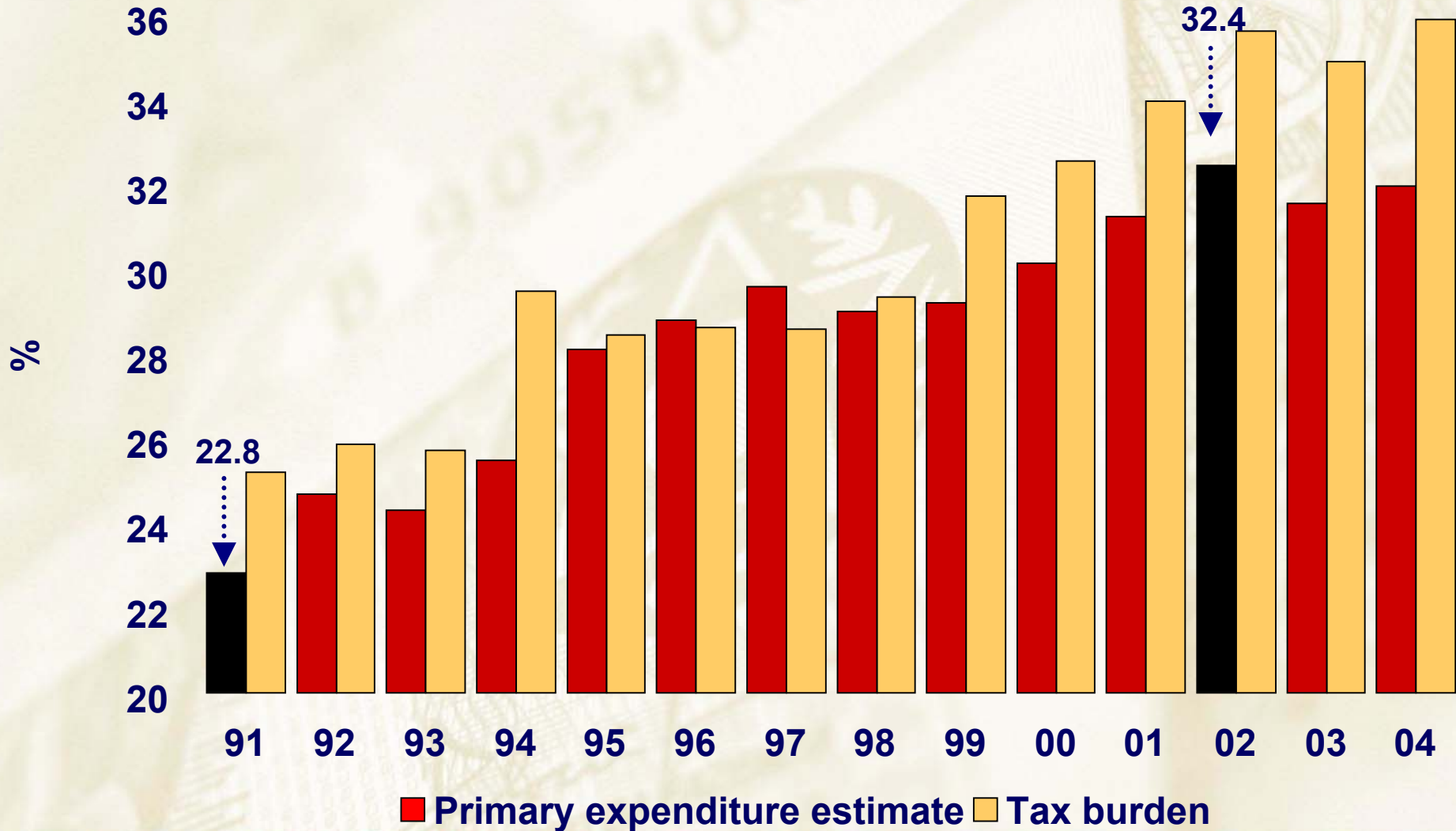
*12-month to October 2005

Public Sector Borrowing Requirements

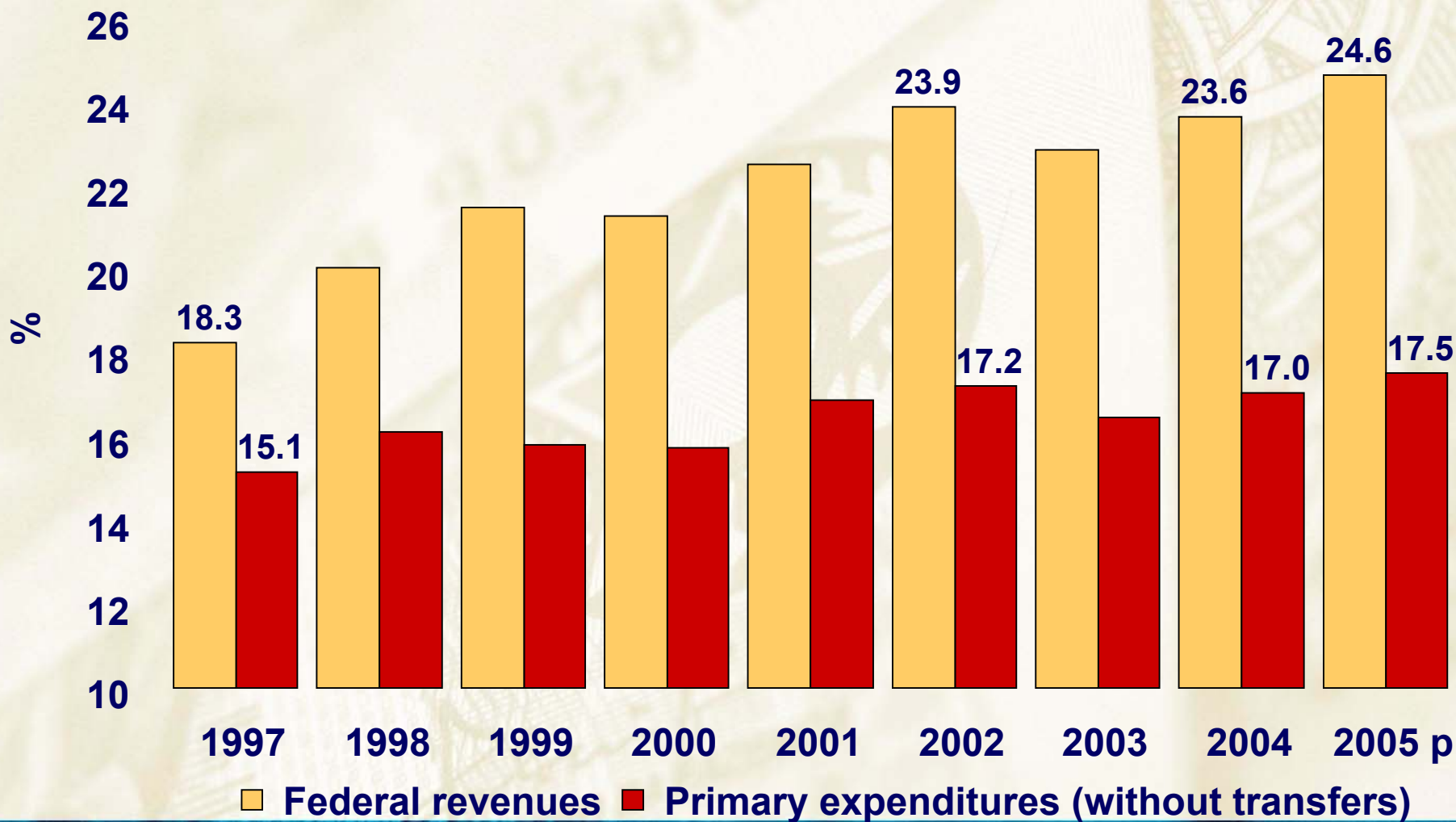


*12-month to October 2005

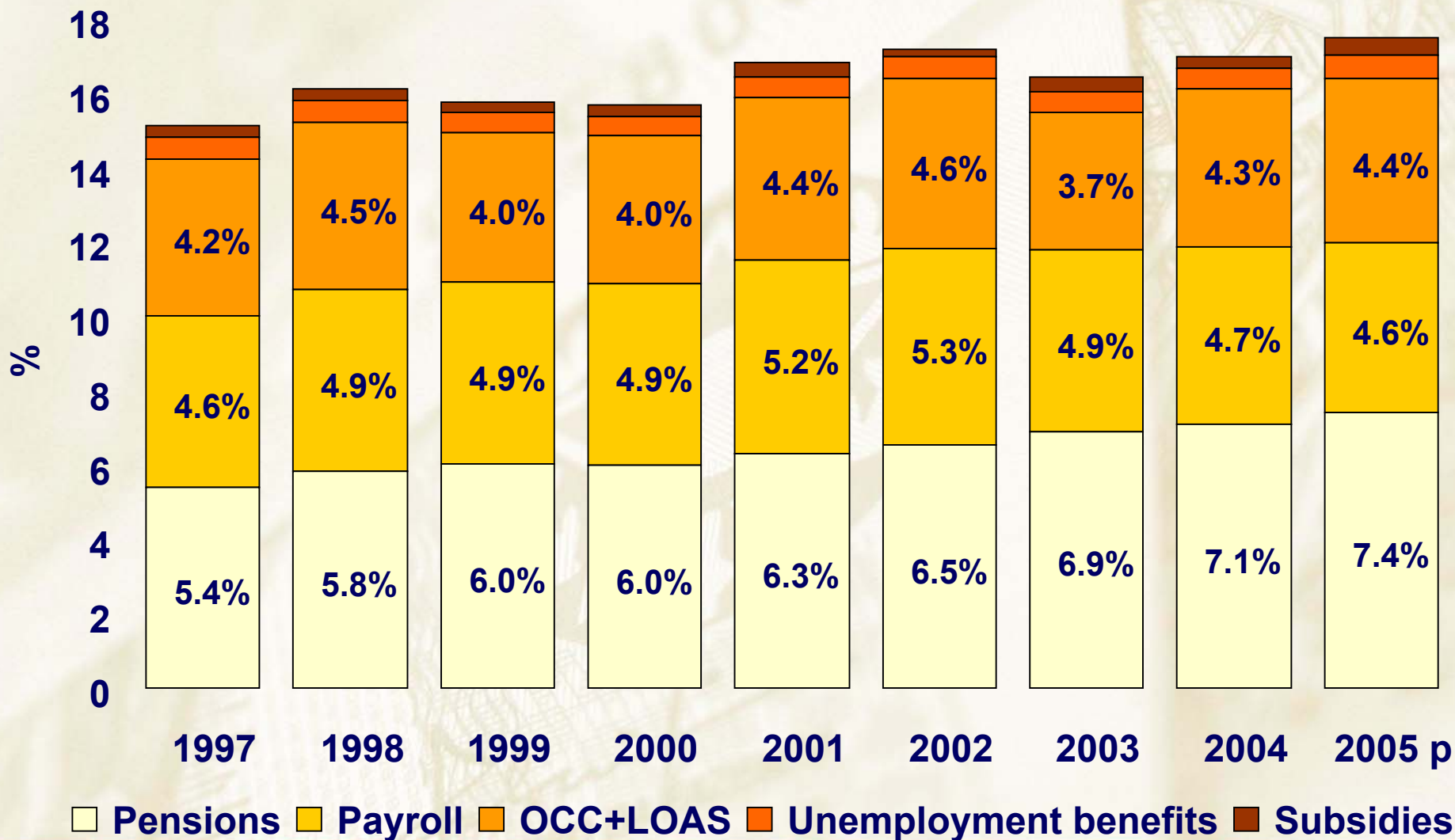
Primary expenditures estimate



Federal revenues and expenditures



Breakdown primary expenditures -%GDP





Debt to GDP evolution - % GDP

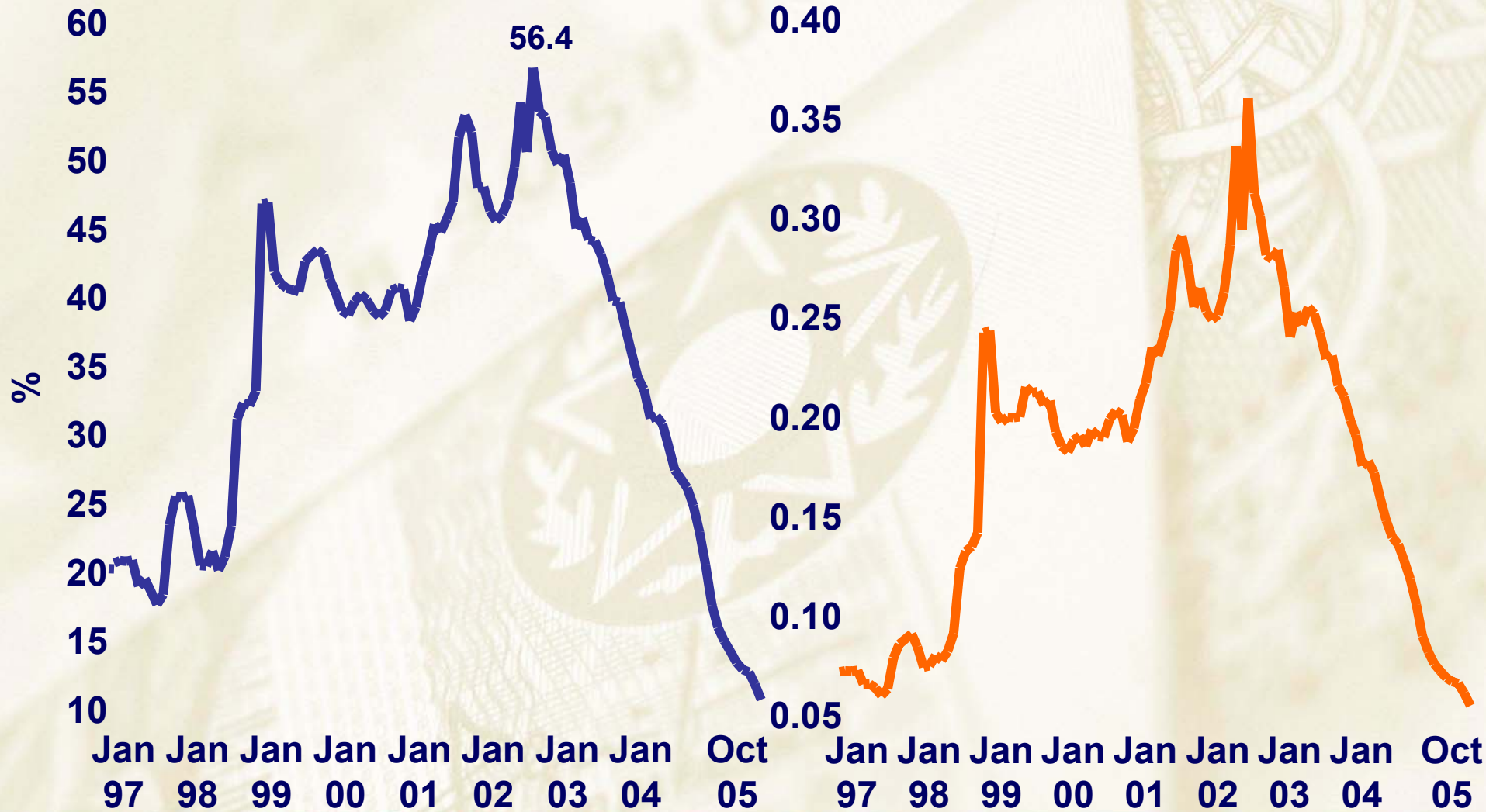
	1999	2000	2001	2002	2003	2004	2005*
NET DEBT	49.7	49.8	53.6	56.5	58.2	52.7	52.1
Net debt increase	7.0	0.1	3.9	2.9	1.7	(5.5)	(0.6)
1. Primary surplus	(2.9)	(3.3)	(3.5)	(3.3)	(4.1)	(4.4)	(5.0)
2. Pure interest on the debt	8.2	6.8	6.9	7.2	9.1	6.9	7.0
3. Depreciation on domestic debt	3.8	0.8	1.5	4.8	(1.4)	(0.2)	(0.3)
4. Depreciation on foreign debt	2.8	0.8	1.5	4.5	(1.6)	(0.3)	(0.8)
5. Skeletons	1.3	0.8	1.5	0.9	0.0	0.4	0.3
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)	(7.9)	(1.7)
Memo:							
Debt dynamics (1+2+7)	0.2	(0.8)	(1.2)	(7.1)	4.6	(5.3)	0.3
Currency (3+4)	8.0	1.6	3.0	9.3	(3.0)	(0.5)	(1.1)
Net "skeletons" (5-6)	(0.9)	(1.0)	1.4	0.7	0.0	0.3	0.3

* Until October

Debt to GDP



USD component and sensitivity



THANK YOU



Regardless

Alexandre Schwartzman

December 2005



BANCO CENTRAL DO BRASIL