BANCO CENTRAL DO BRASIL

Brazil: Recent Economic Developments

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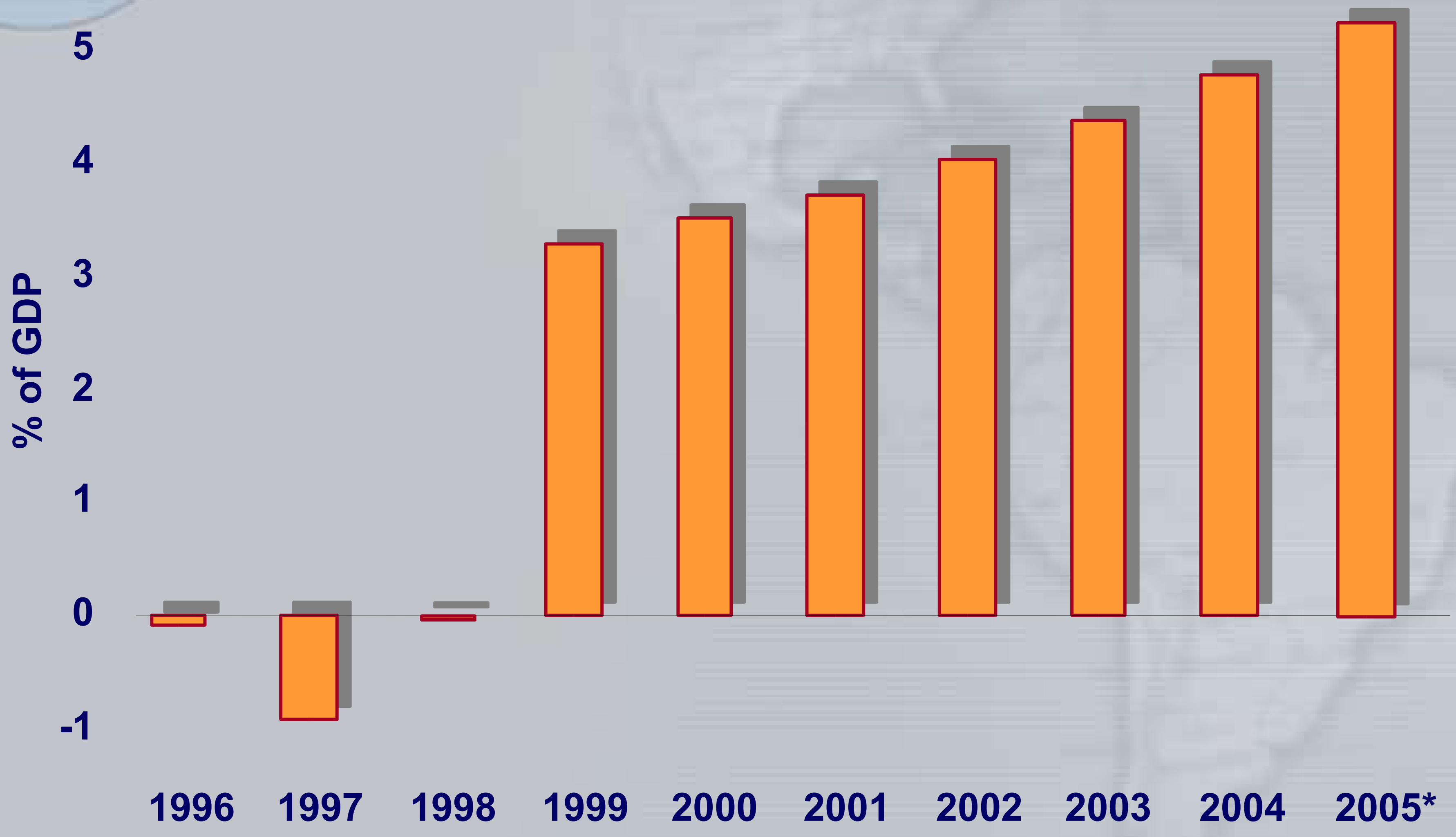
Three Pillars of Economic Policy

- **Fiscal policy aimed at generating consolidated primary surpluses, and ultimately a gradual reduction in debt-to-GDP ratio;**
- **Inflation targeting regime for the conduct of monetary policy; and**
- **Exchange rate flexibility as a means to consolidate external adjustment.**

I. Fiscal Policy

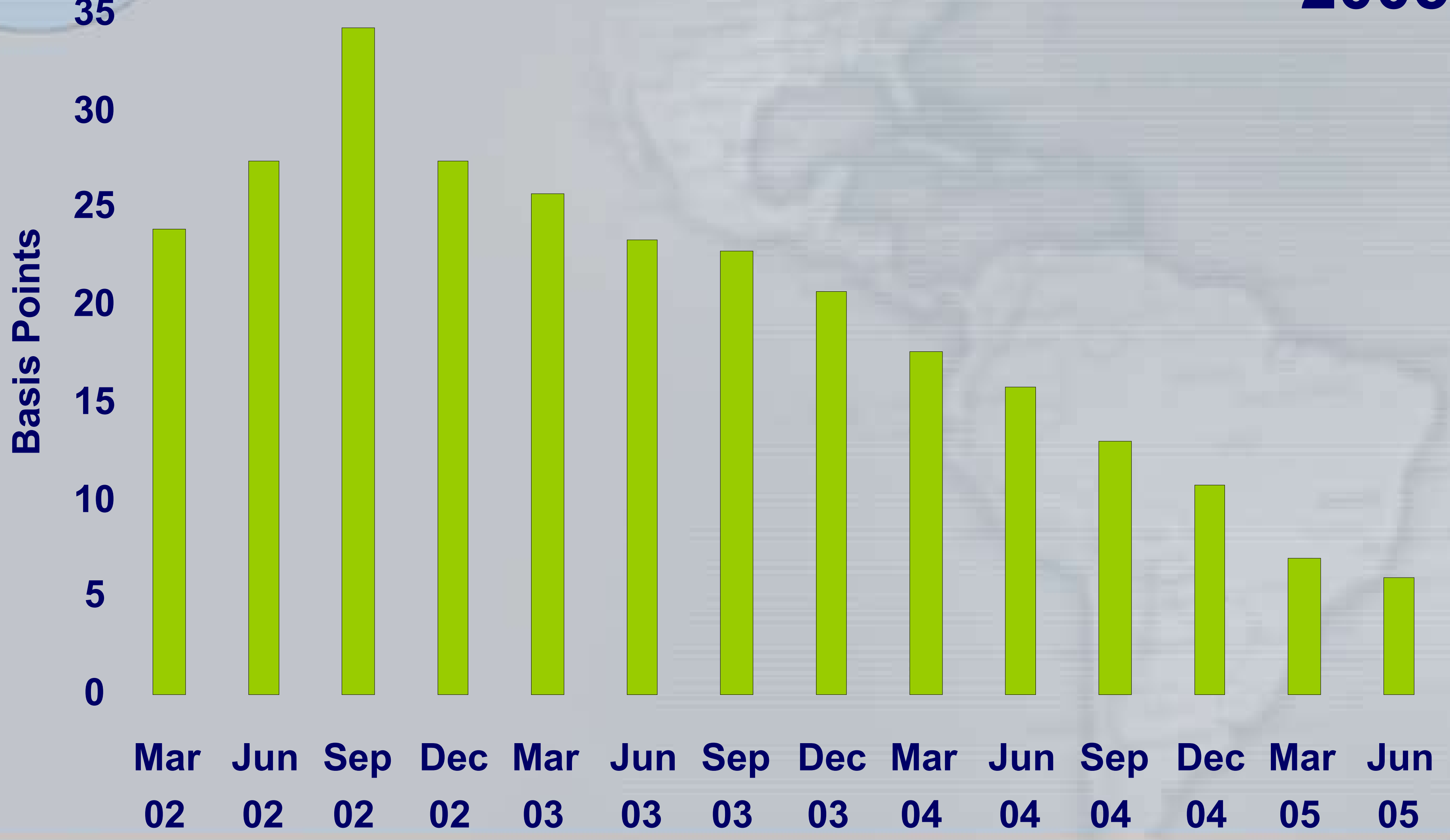
Consolidated Public Sector Primary Surplus (1995-2005)



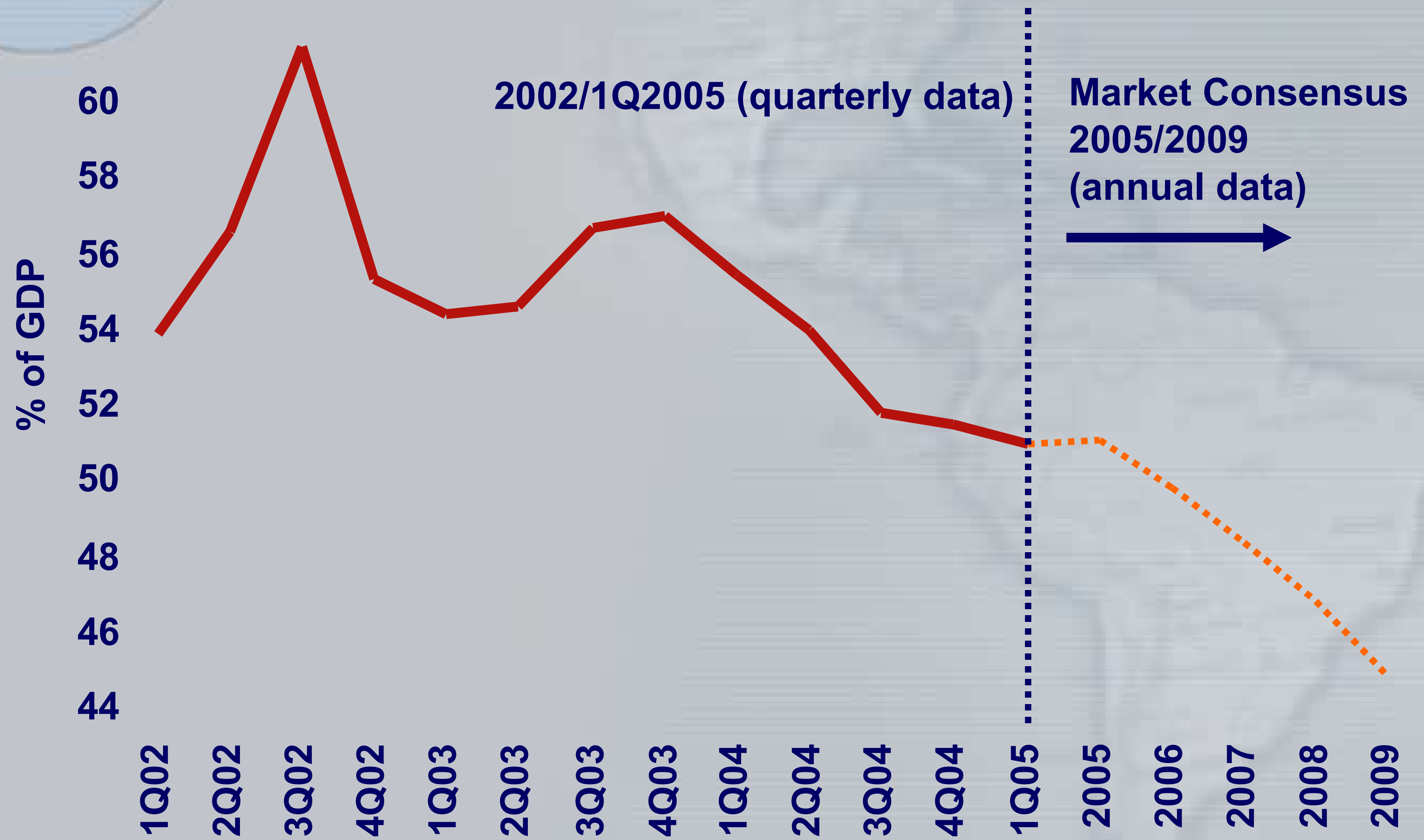
* 12 months through June 2005

Net Public Debt/GDP Ratio (2002-2005)

Sensitivity of Debt/GDP Ratio to a 1% FX Depreciation (2002-2005)

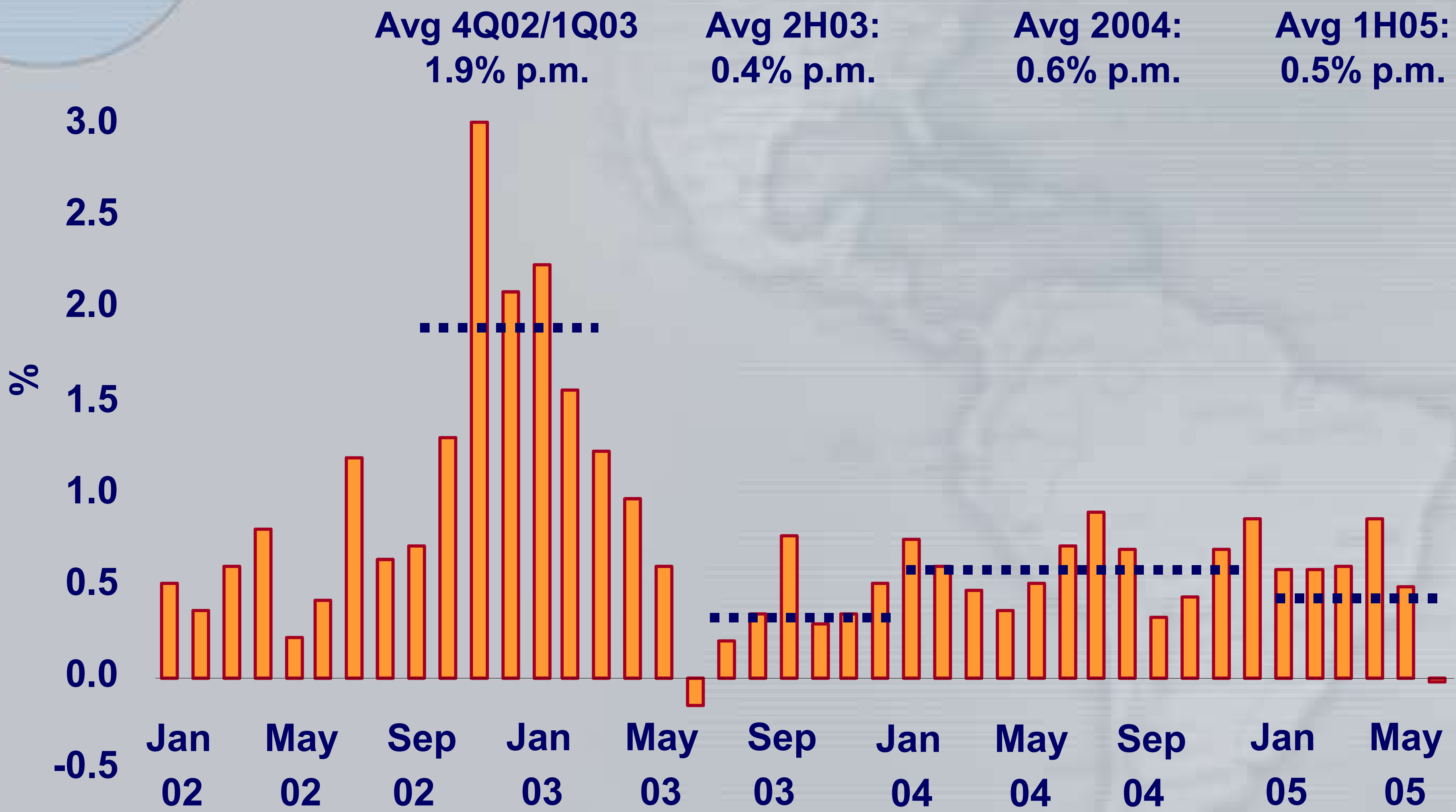


Market Expectations for the Net Public Debt/GDP Ratio

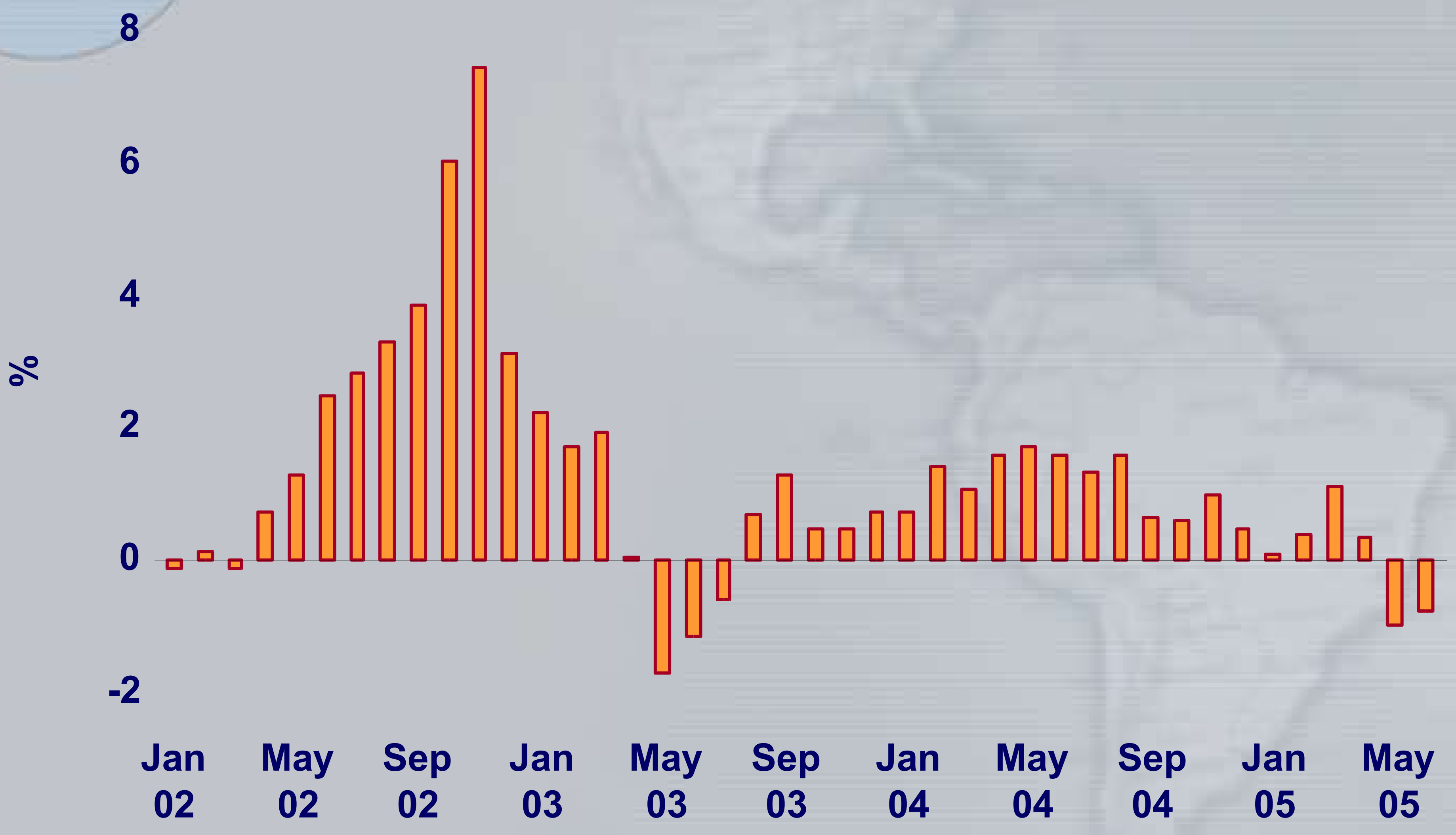


II. Monetary Policy

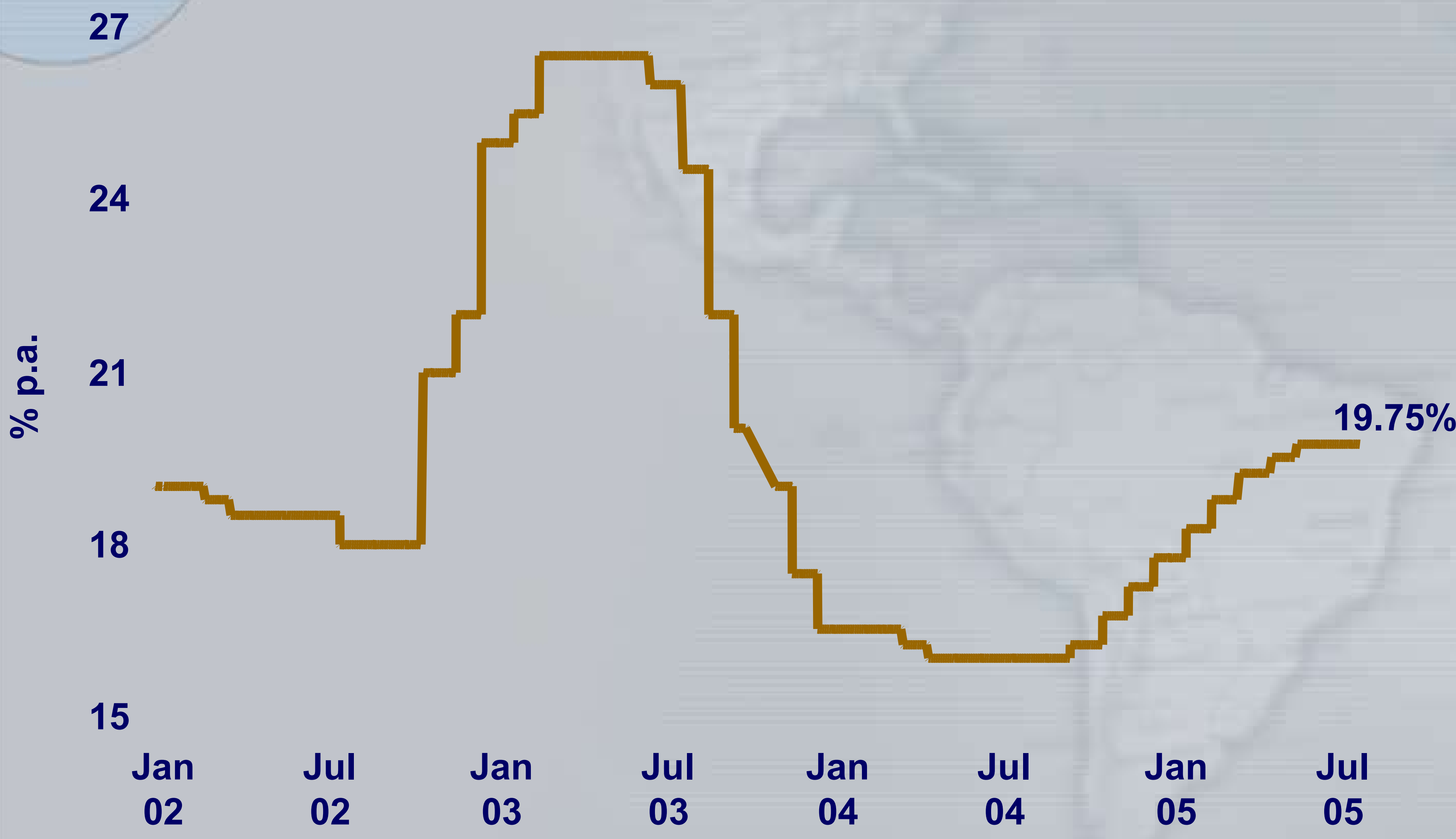
IPCA Inflation Rate (2002-2005)



Wholesale Inflation Rate (2002-2005)

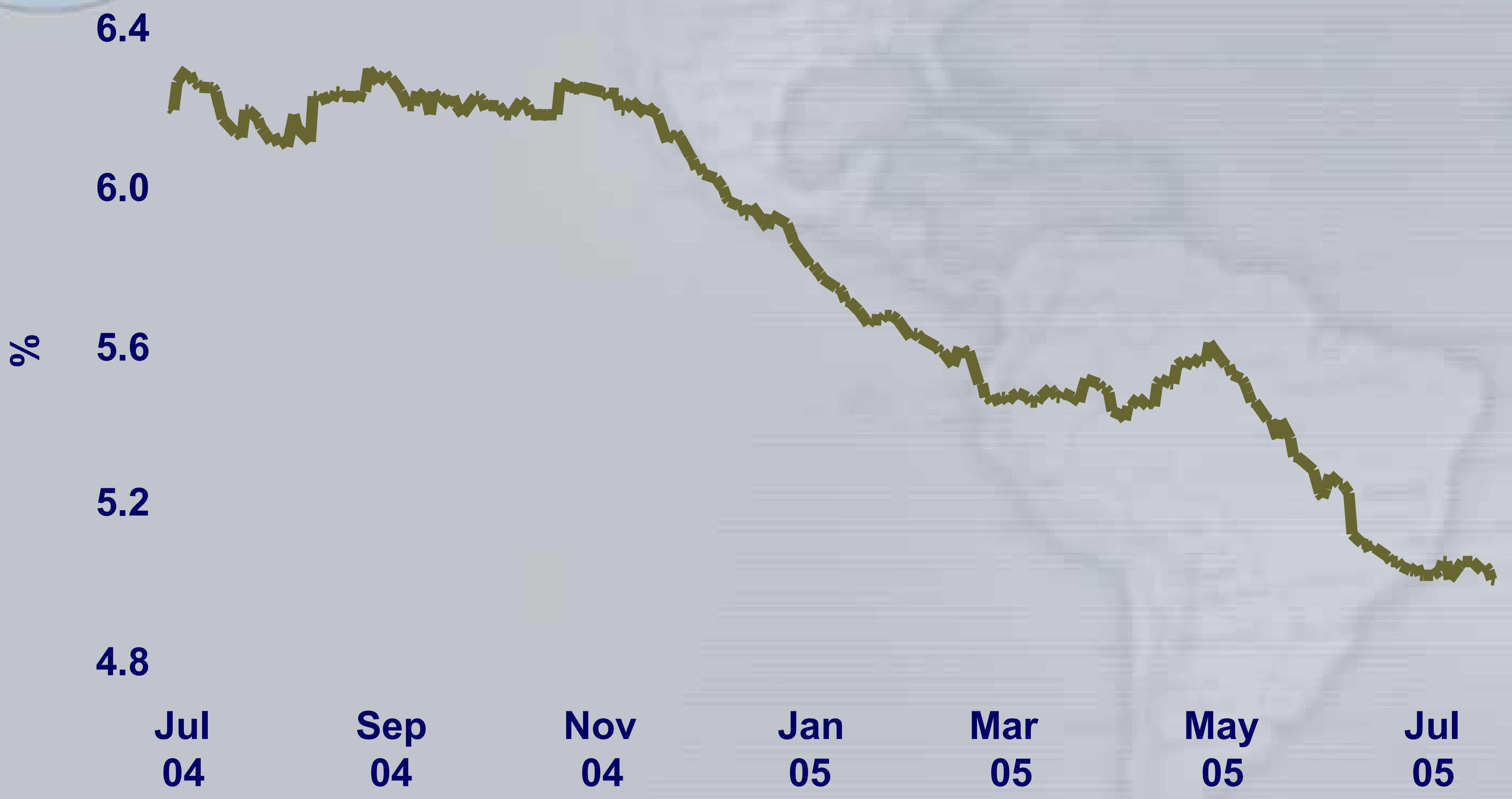


Short-Term “Selic” Rate (2002-2005)

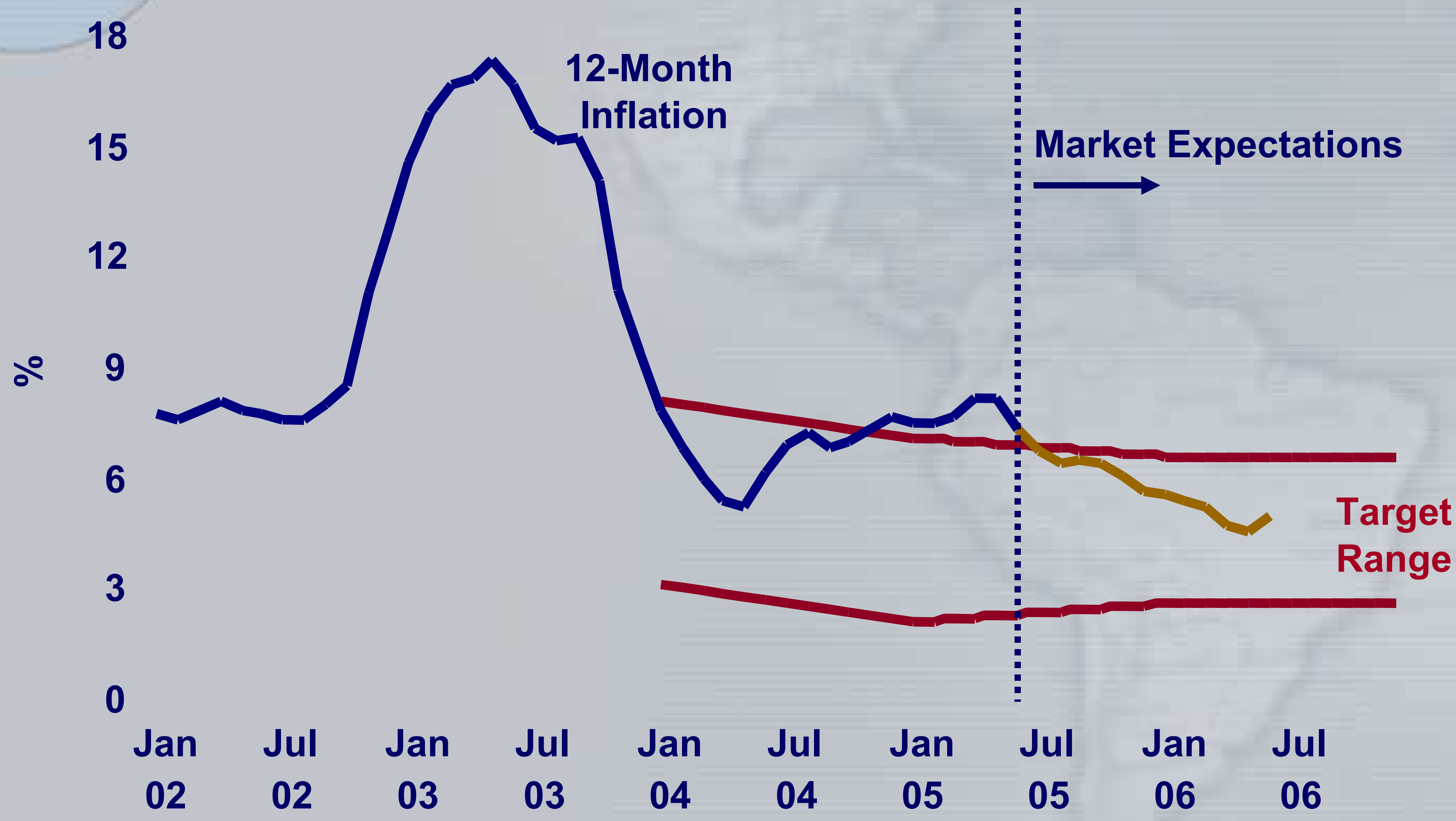


Market Inflation Expectations for 2005

Market Inflation Expectations for the next 12 months



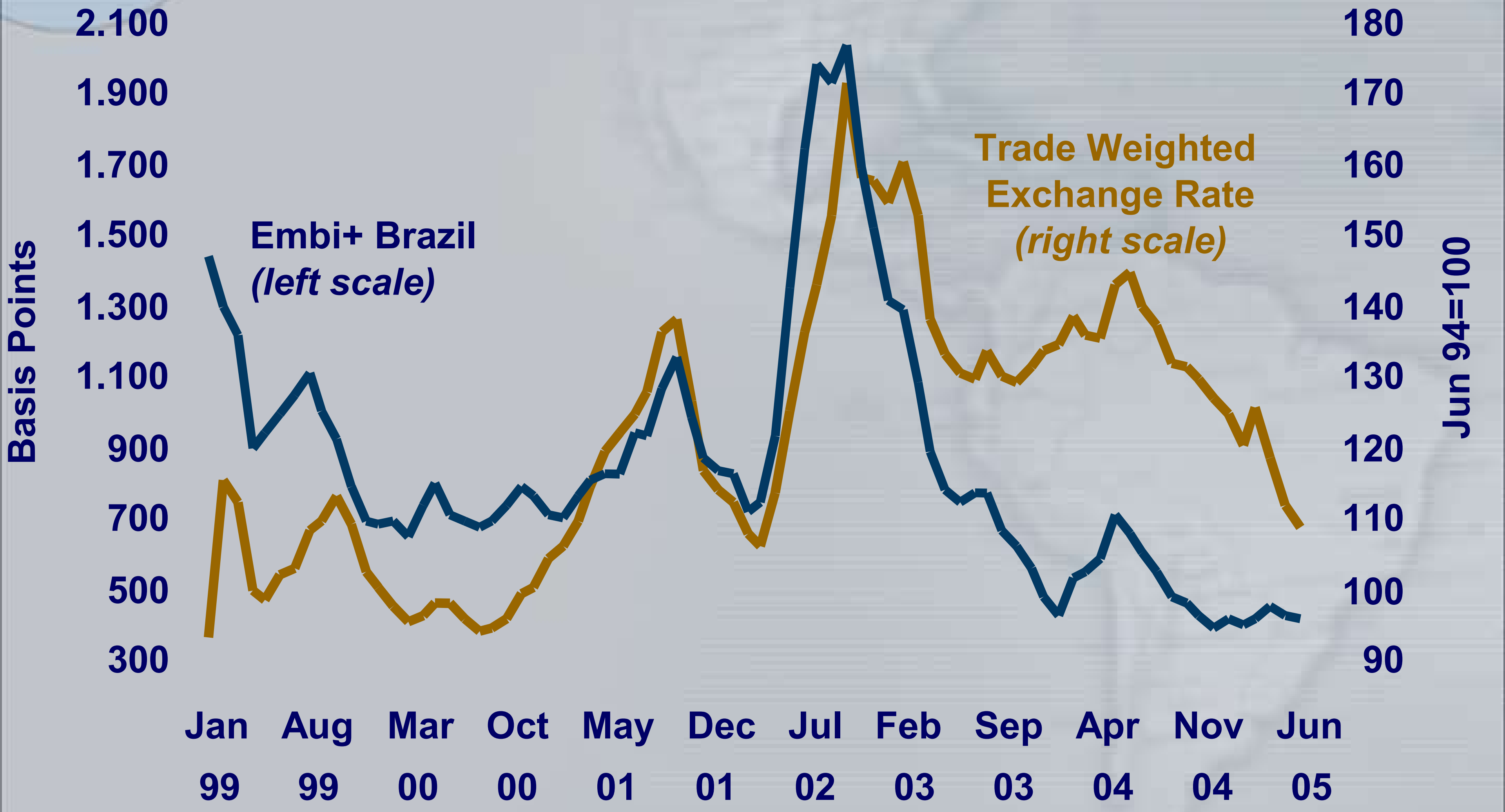
Inflation Rate and Targets



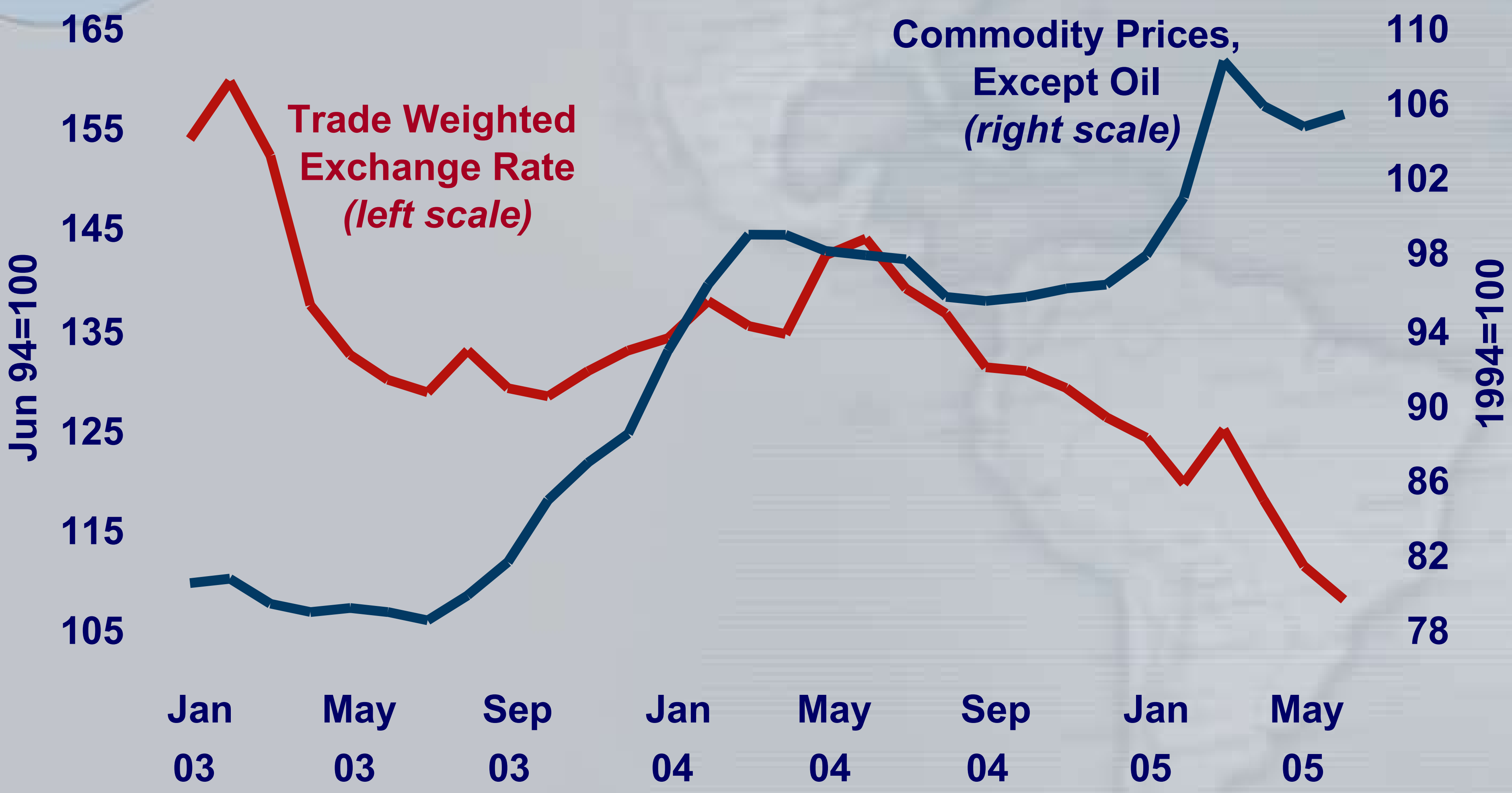
III. Exchange Rate and External Accounts

Exchange Rate R$/US$ (1999-2005)

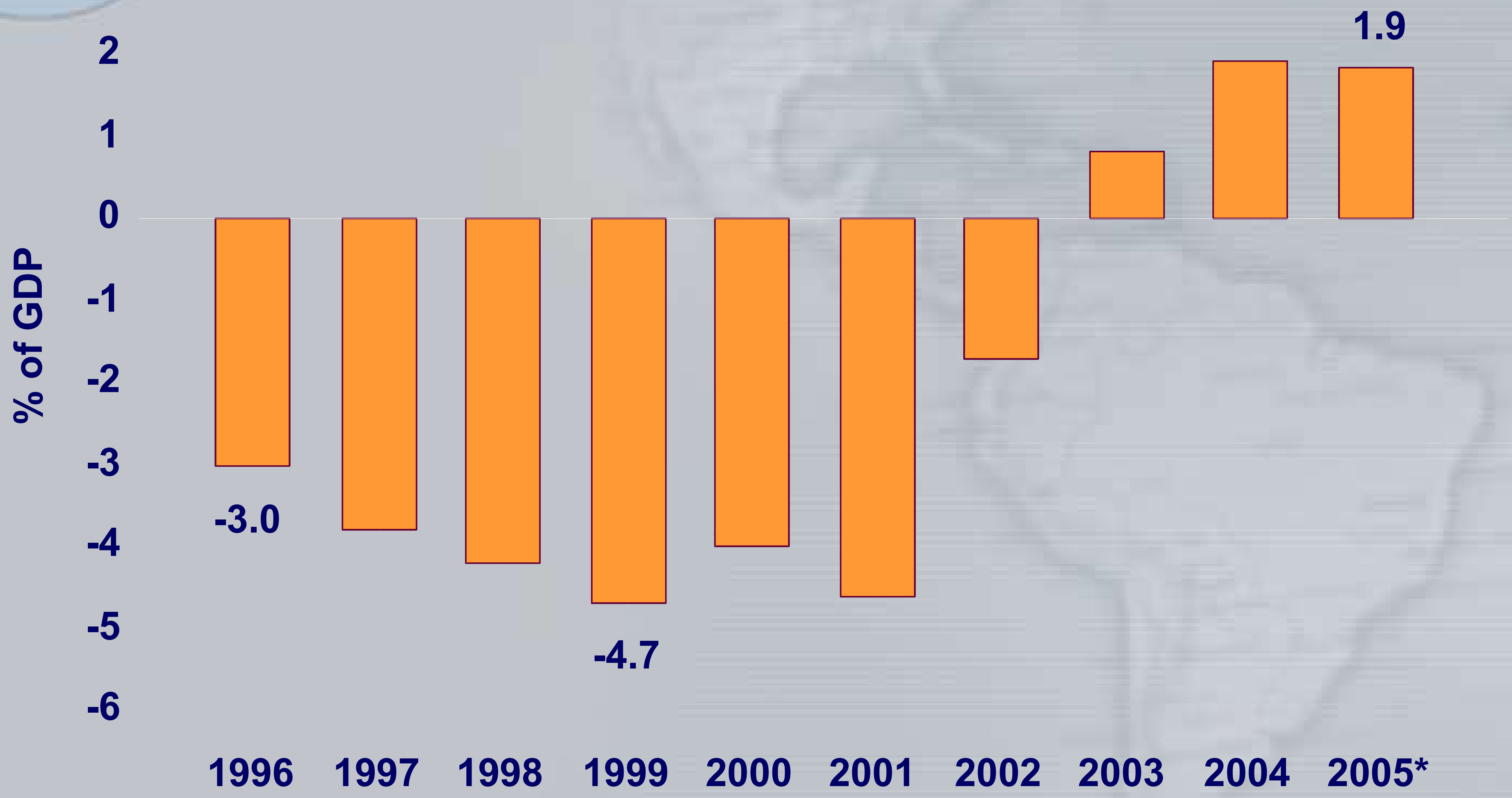
Exchange Rate x Brazil Risk (1999-2005)



Exchange Rate vs. Commodity Prices (2003-2005)

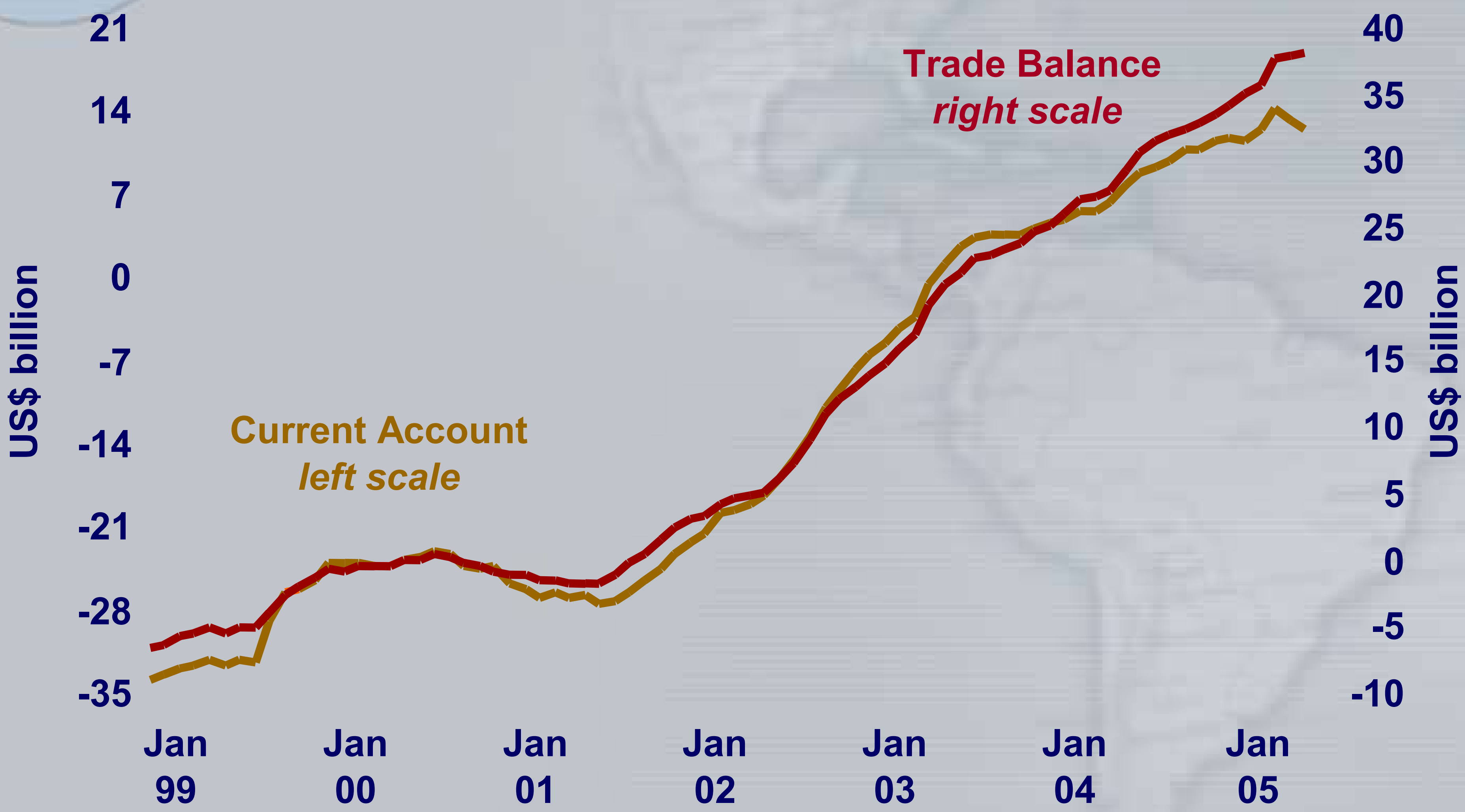


Current Account (1996-2005)



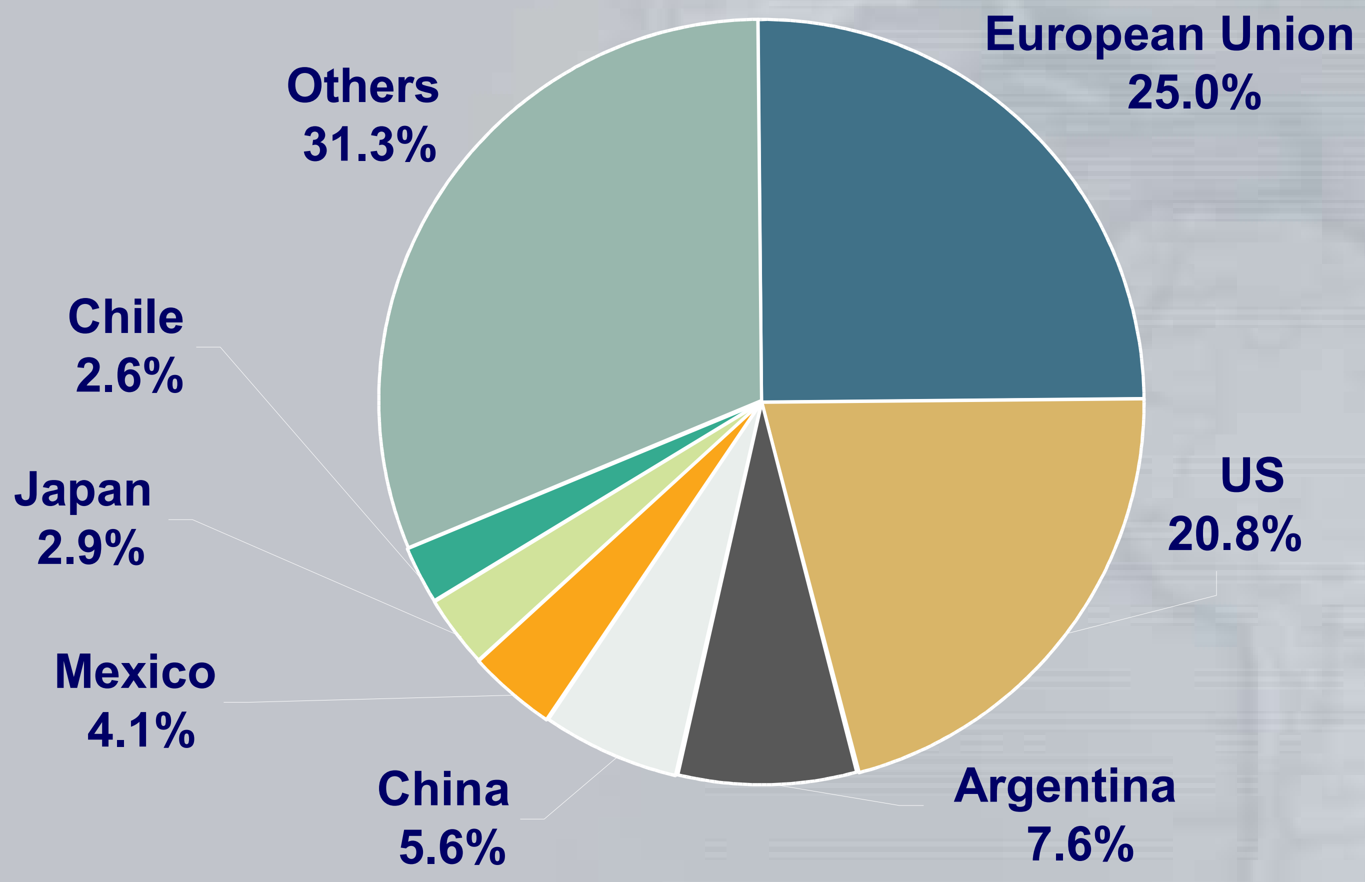
* 12 months through June 2005

Current Account and Trade Balance (1999-2005)

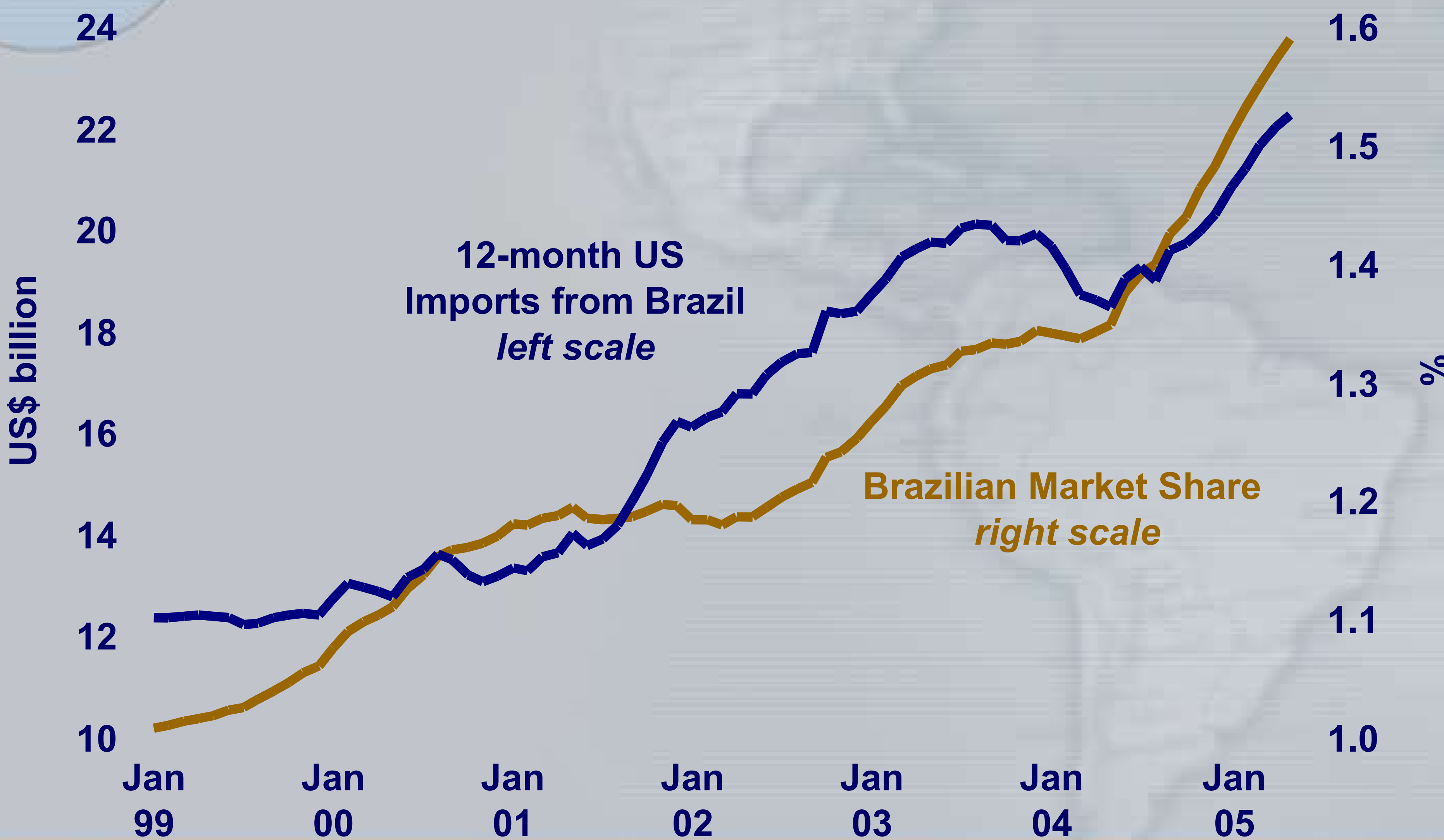


Exports and Imports (1999-2005)

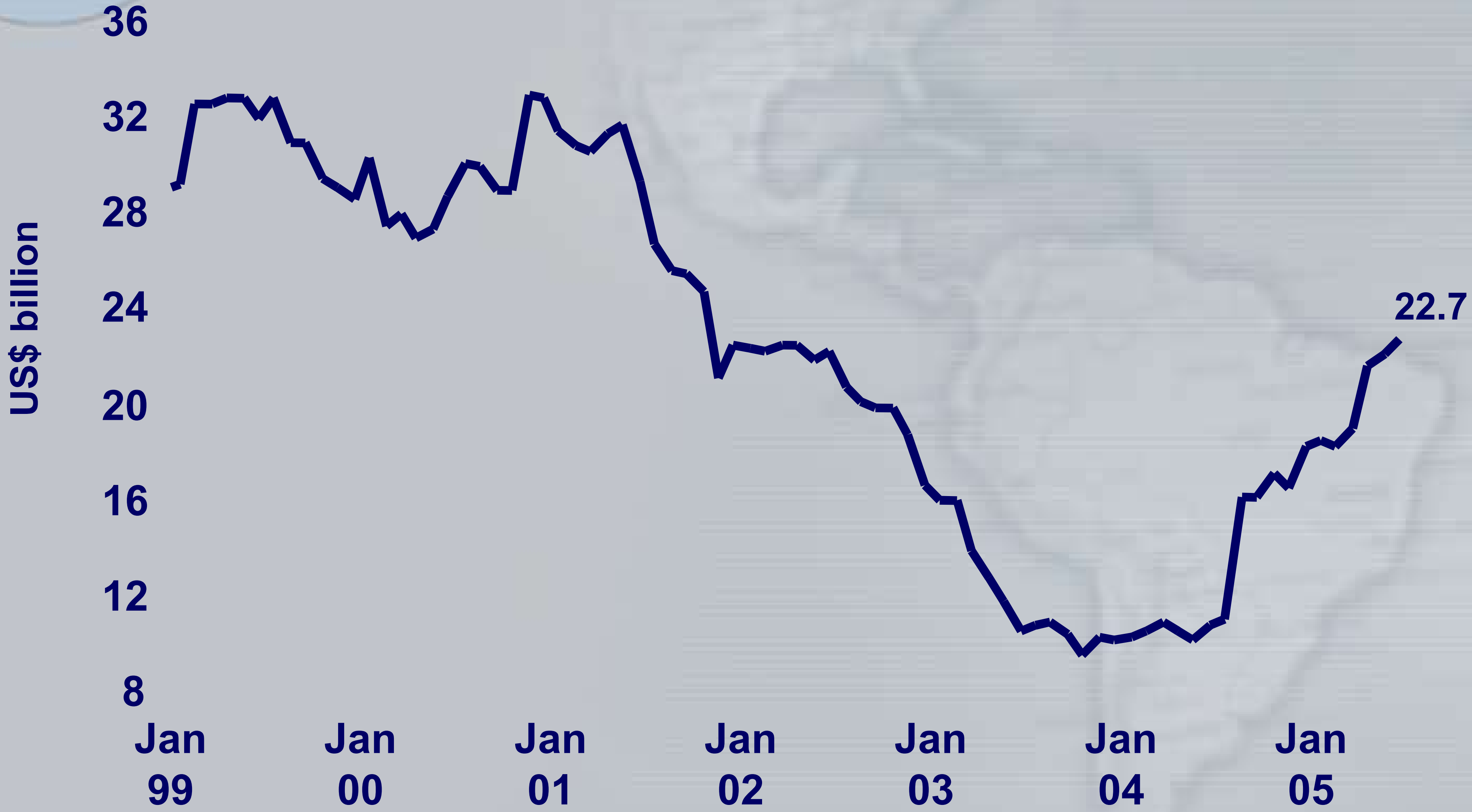
Brazilian Exports by Market (2004)



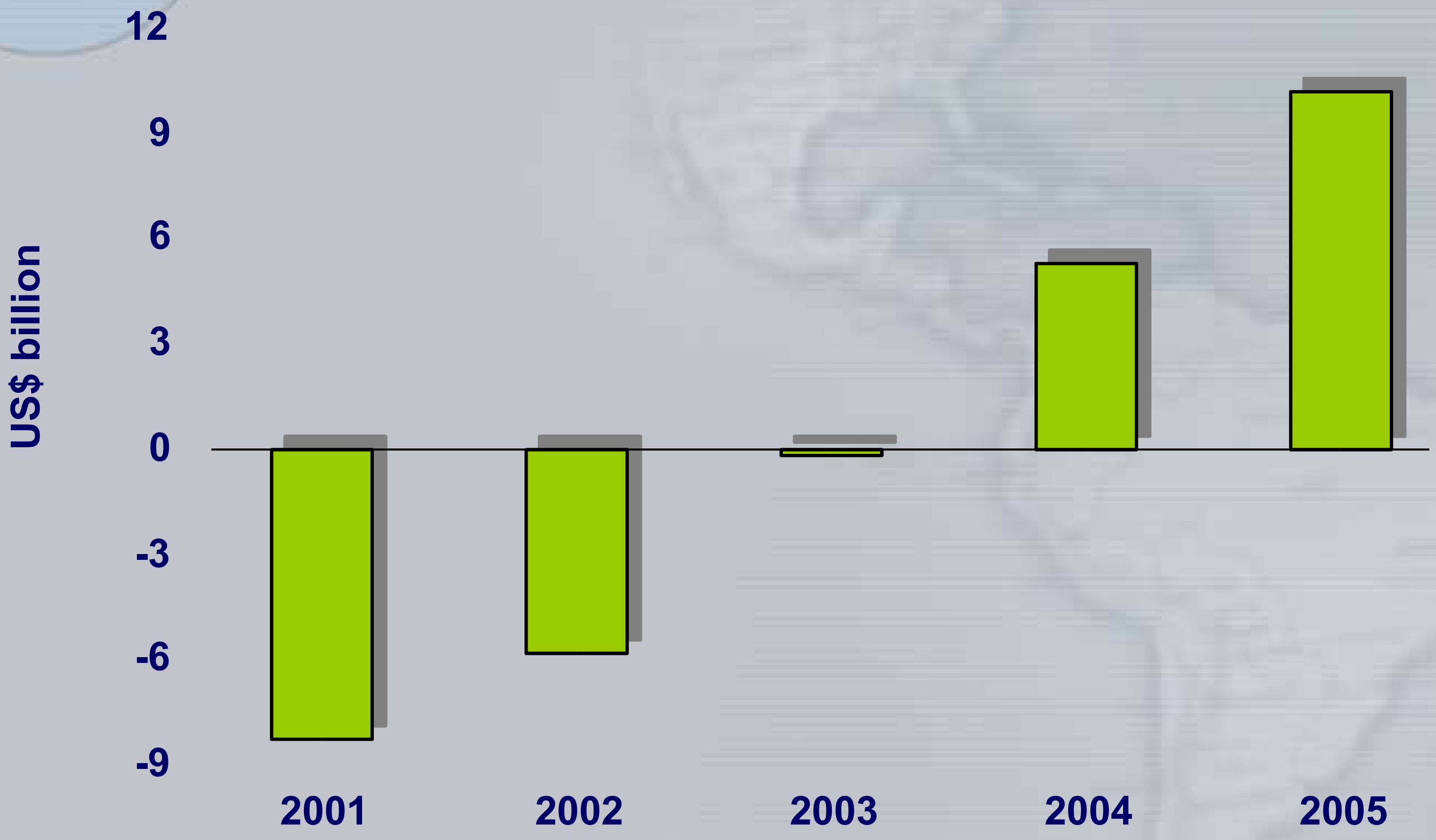
Brazilian Exports to the US (1999-2005)



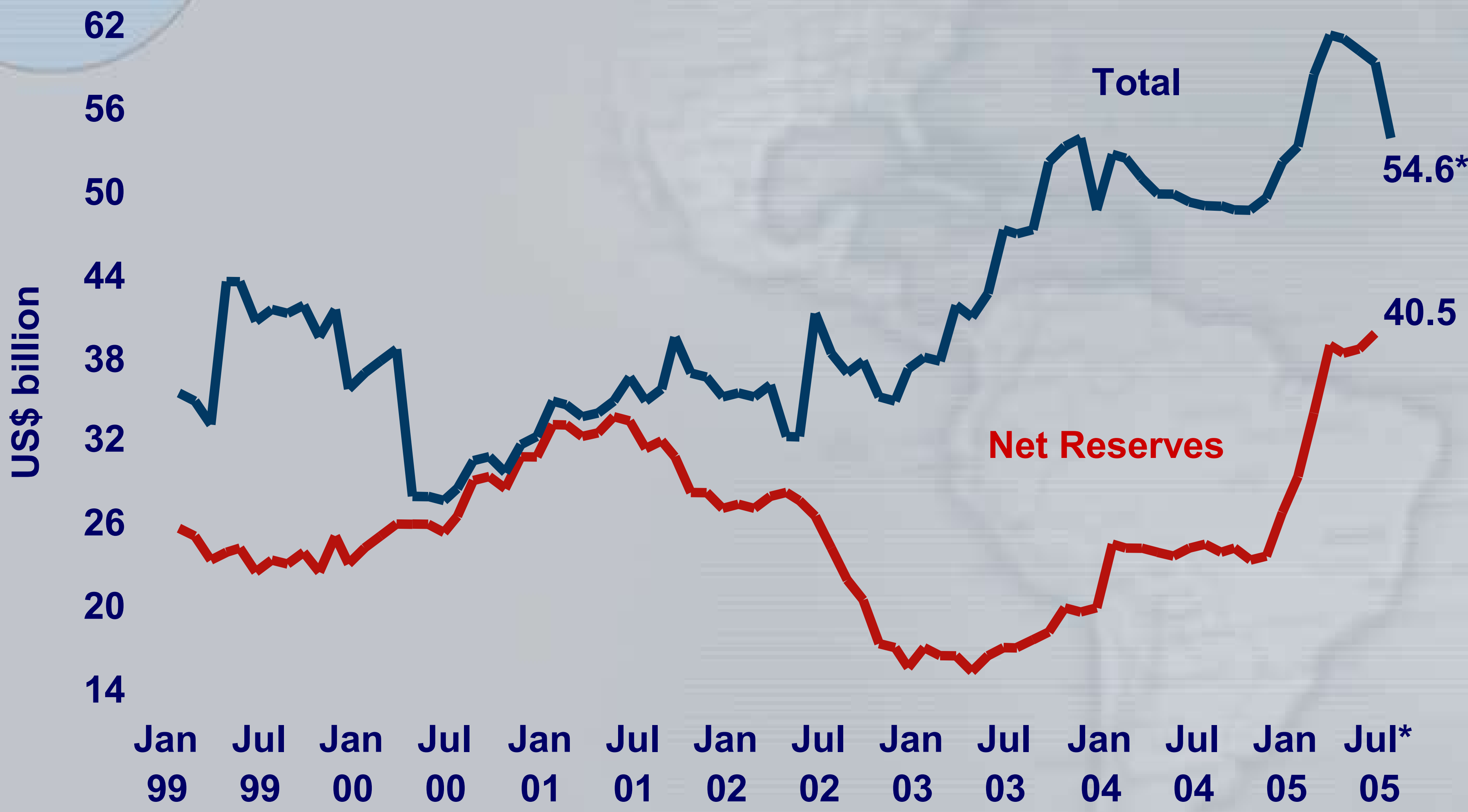
Foreign Direct Investment (1999-2005)



BCB Net Acquisitions in the FX Market



International Reserves (1999-2005)

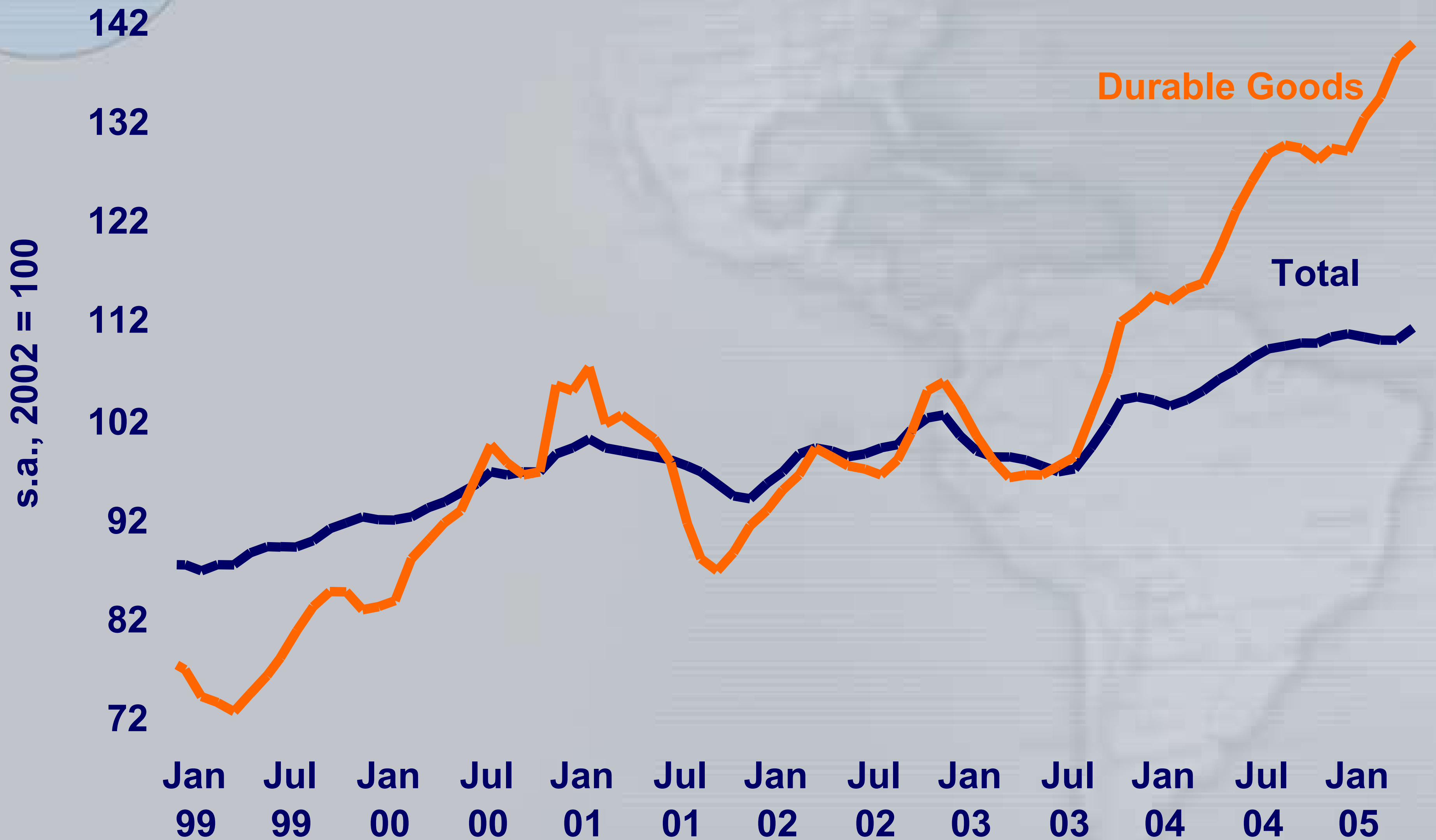


*Jul 26th, after amortization of IMF Supplemental Reserve Facility (US$ 5.1 billion)

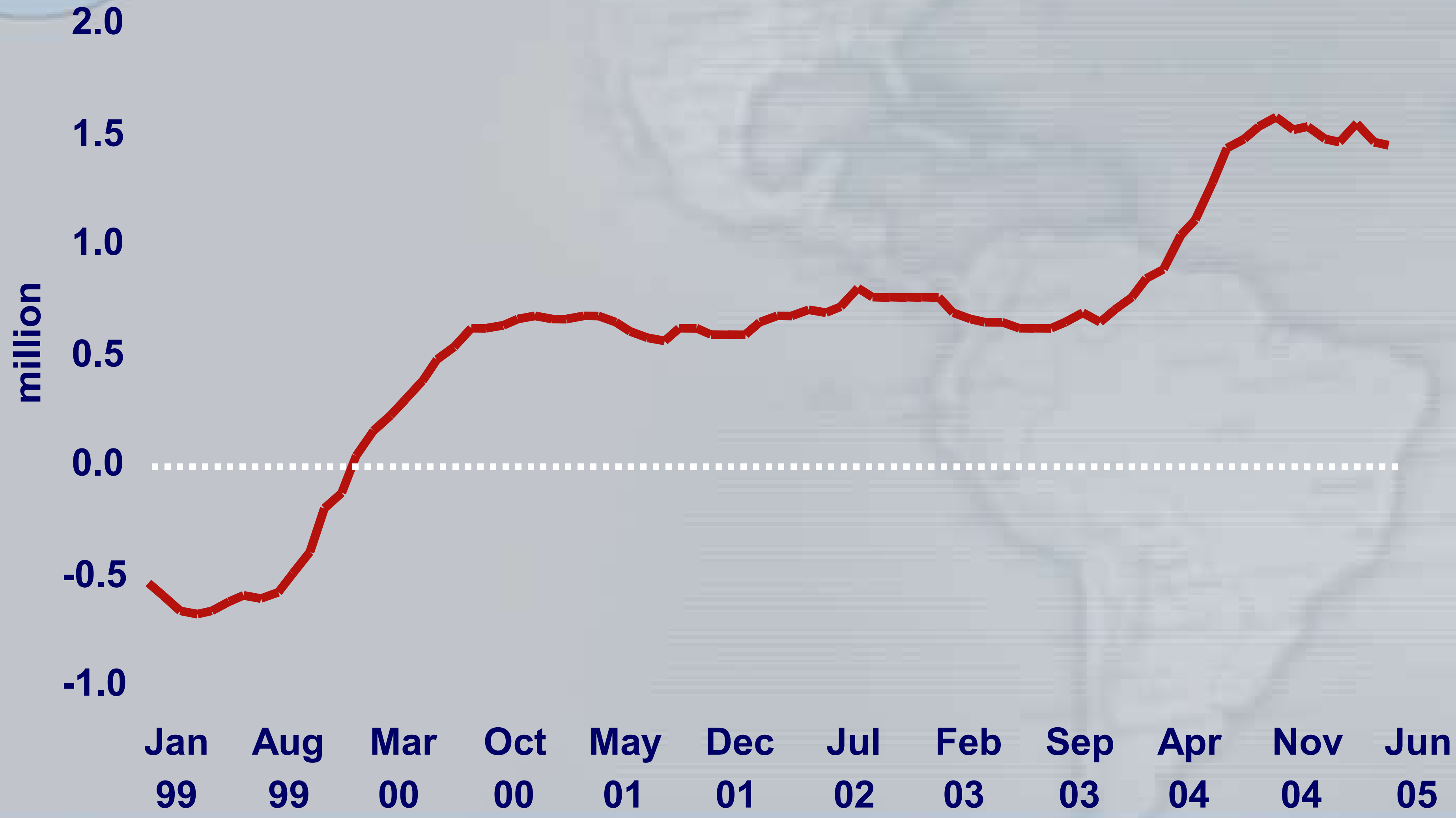
IV. Economic Growth

GDP (1999-2005)

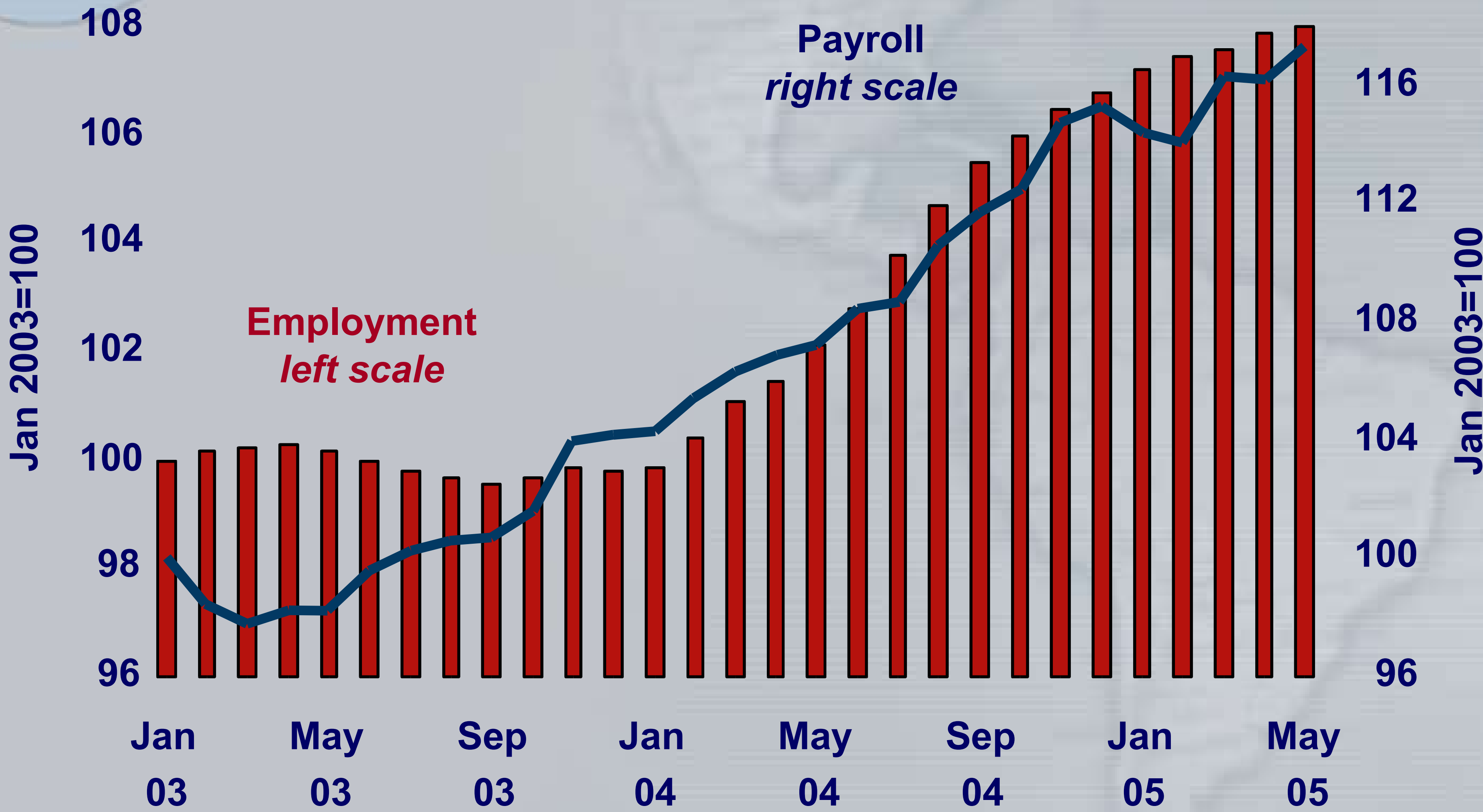
Industrial Output (1999-2005)



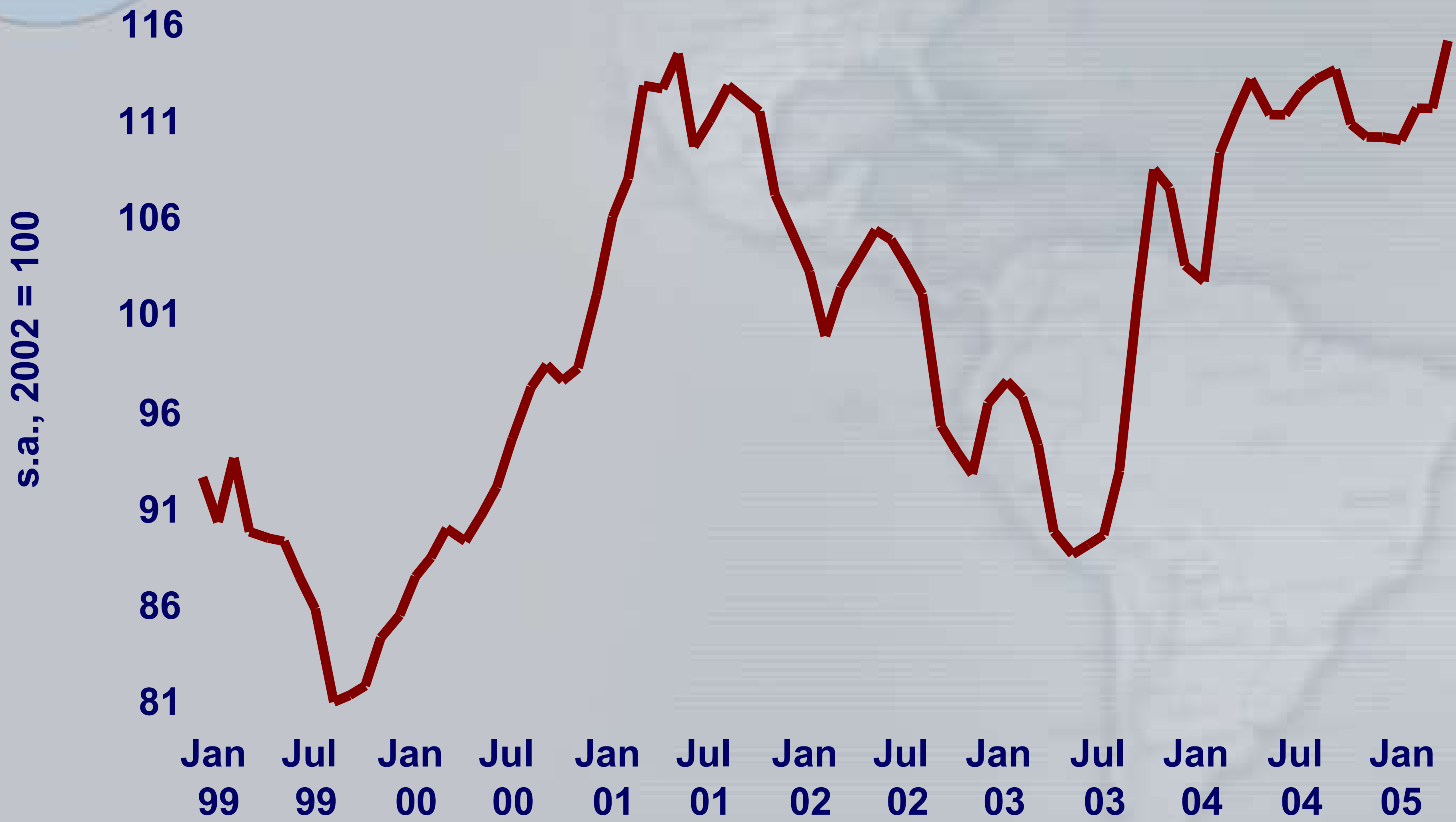
Formal Job Creation (1999-2005)



Industrial Wages and Payroll (2003-2005)



Absorption of Capital Goods (1999-2005)



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