

BANCO CENTRAL DO BRASIL

Brazil: On the Way to Investment Grade and Sustained Growth

Rodrigo Azevedo

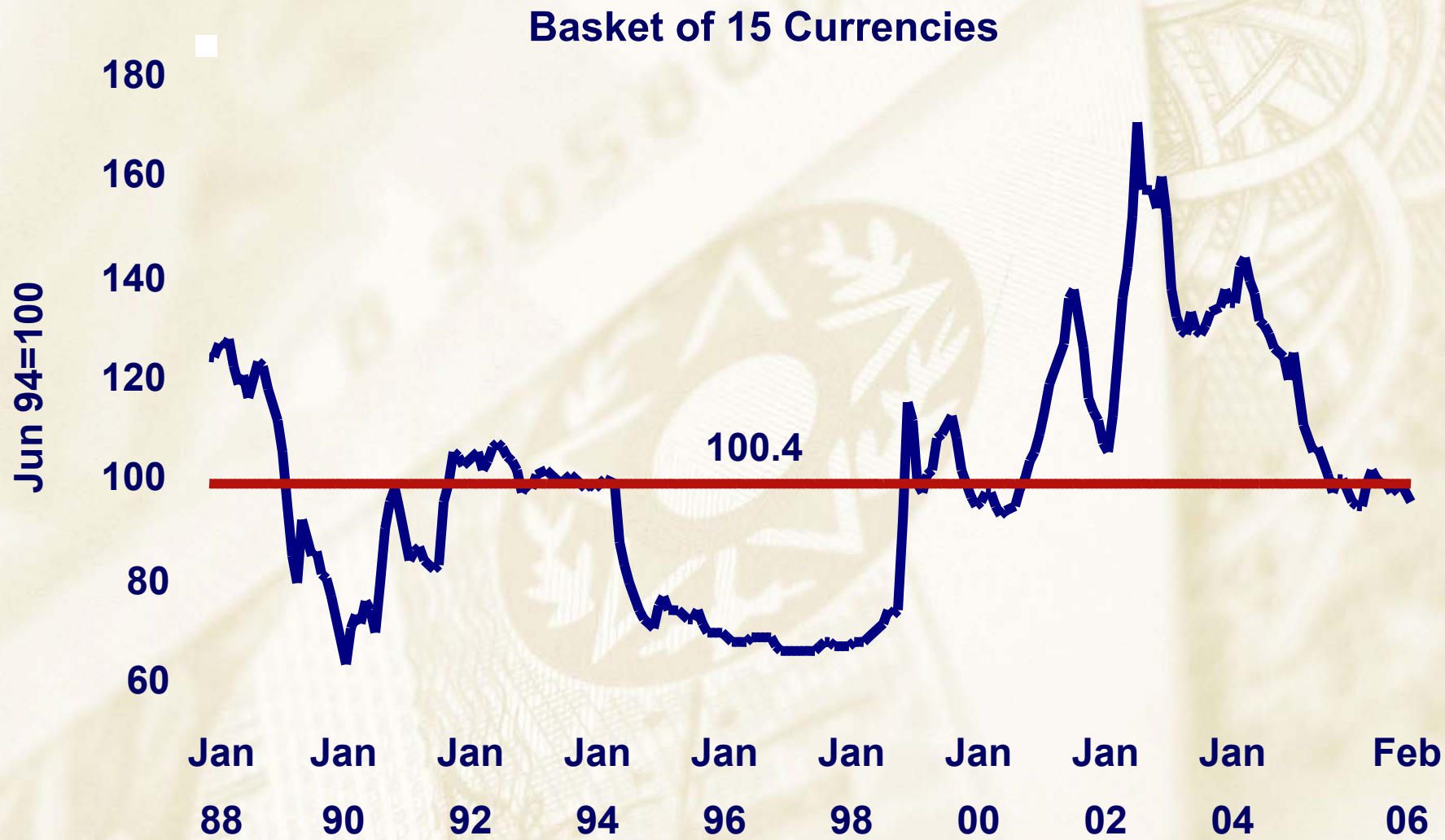
March 2007

I. Building a more resilient economy

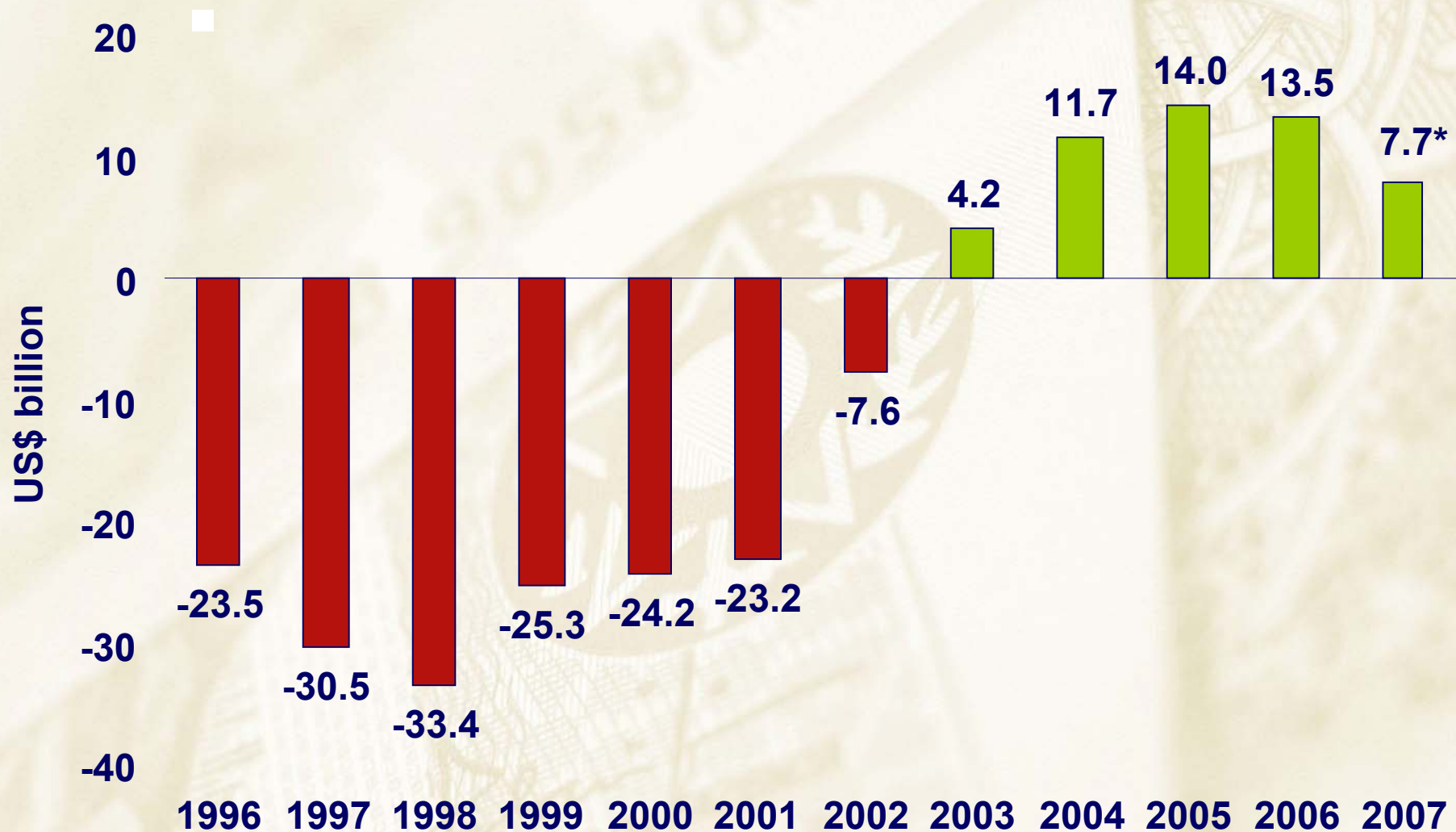
Nominal Exchange Rate



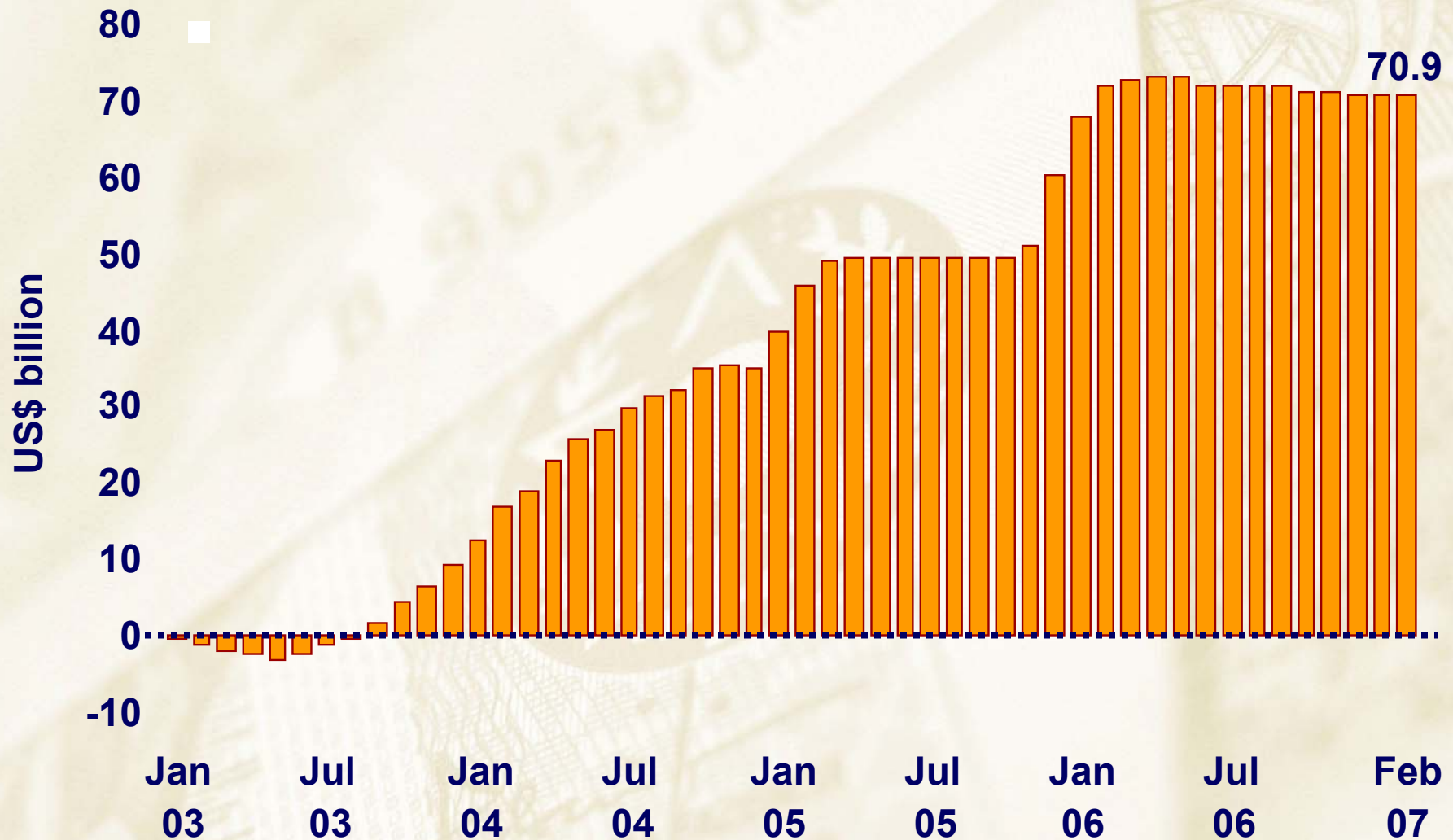
Effective Real Exchange Rate



Current Account



Cumulative Reduction in FX-Linked Domestic Debt since Jan/2003



Impact of a 1% FX Change on Net Debt-to-GDP Ratio



International Reserves



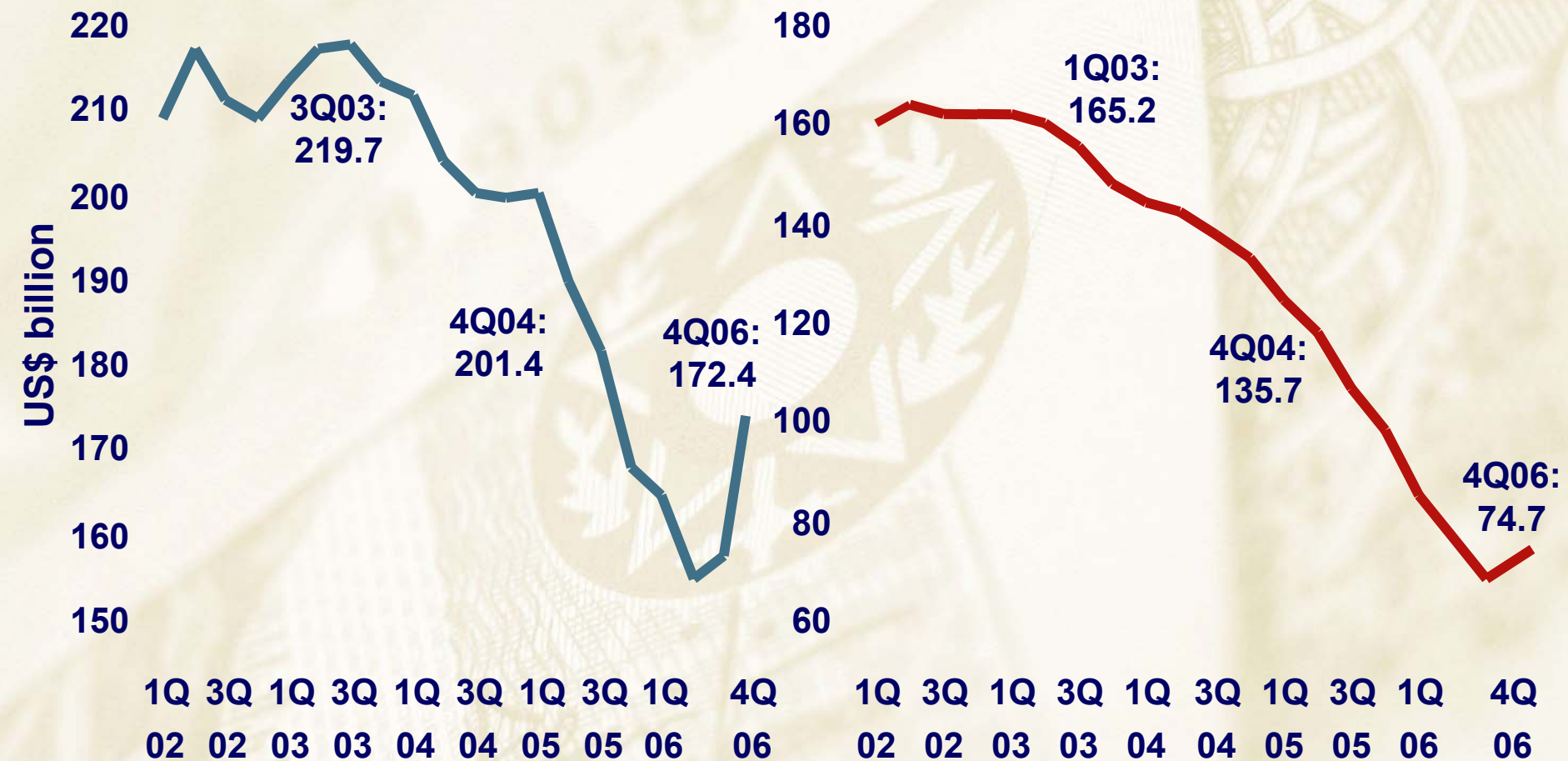
Reduction in Sovereign External Debt

	(US \$ bi)
	Face Value
Securitized External Debt	15.0
C-Bond call (Oct-05)	1.1
Buy-back Program (Jan to Dec 06)	6.1
Brady Bonds Call (Apr 06)	6.5
Tender Offer (Jun 06)	1.3
Non-Securitized Debt	22.1
IMF I Payment (Jul 05)	4.9
IMF II Payment (Dec 05)	15.5
Paris Club Payment (Jan 06)	1.7
Total	37.1

External Debt

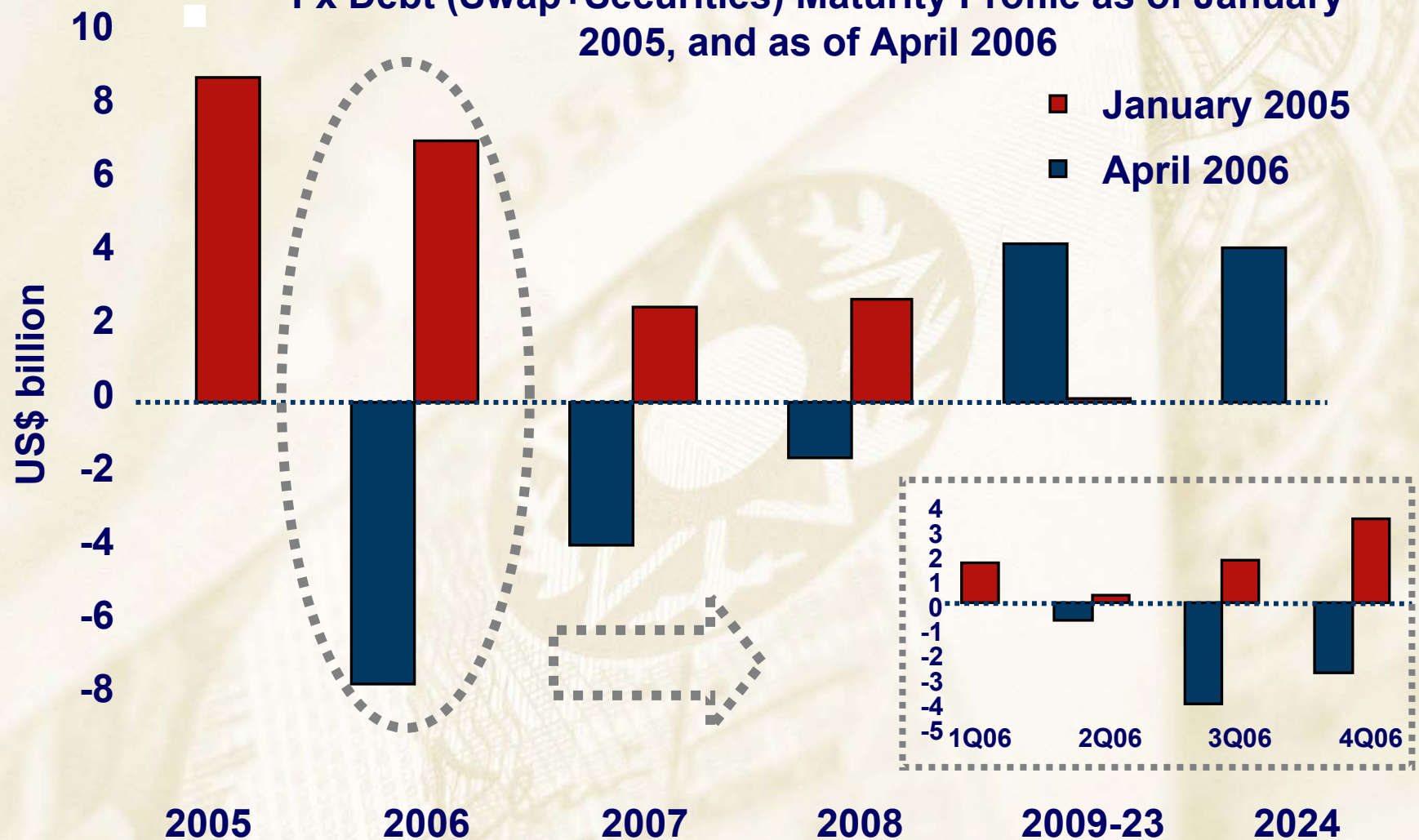
Total External Debt

Net External Debt

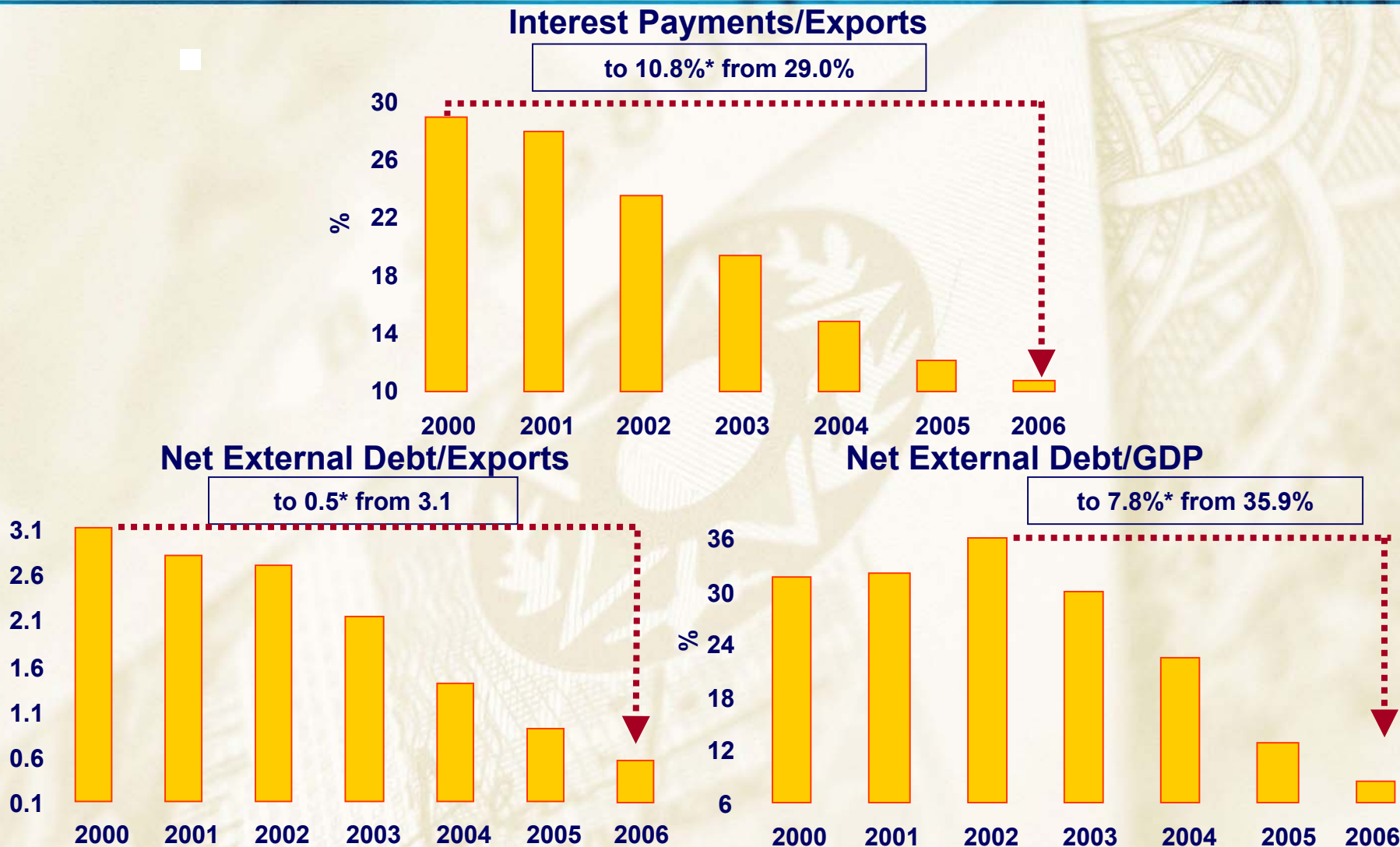


Hedging against volatility around the elections

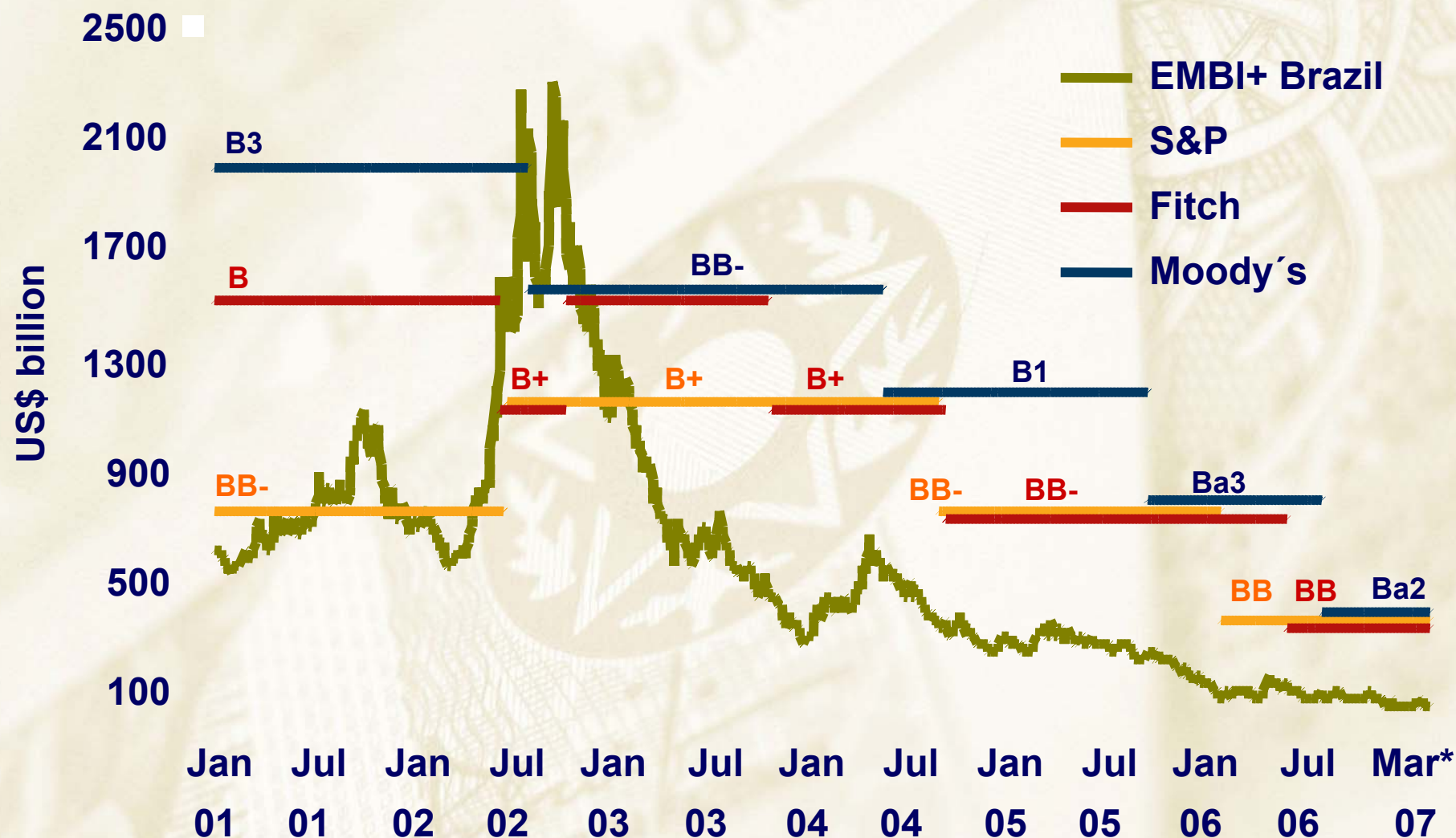
Fx Debt (Swap+Securities) Maturity Profile as of January 2005, and as of April 2006



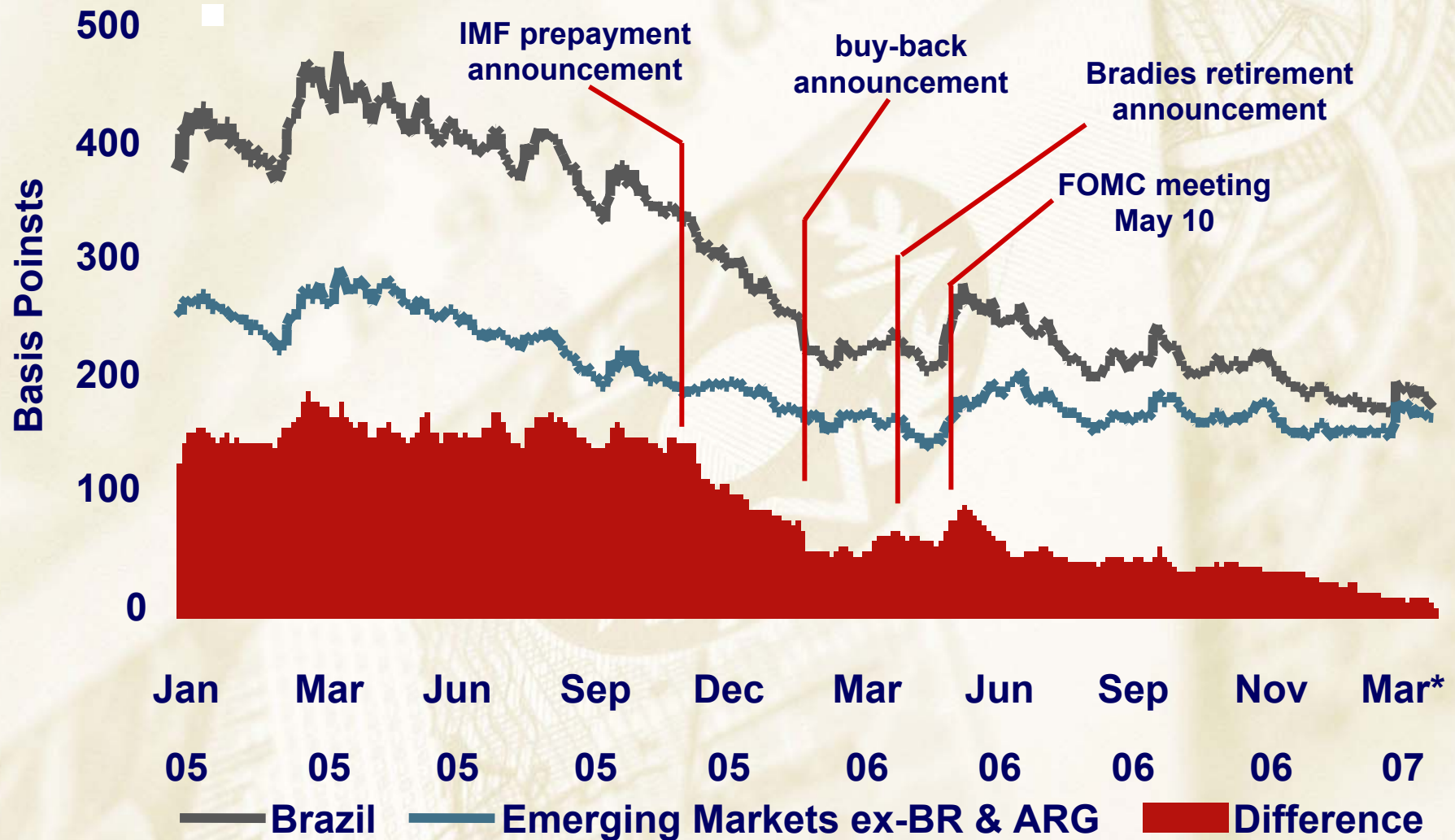
External Sustainability Indicators



Country Risk vs. Brazil Ratings



Brazilian Country Risk x Other Emerging Markets



Brazilian Real Exchange Rate Volatility

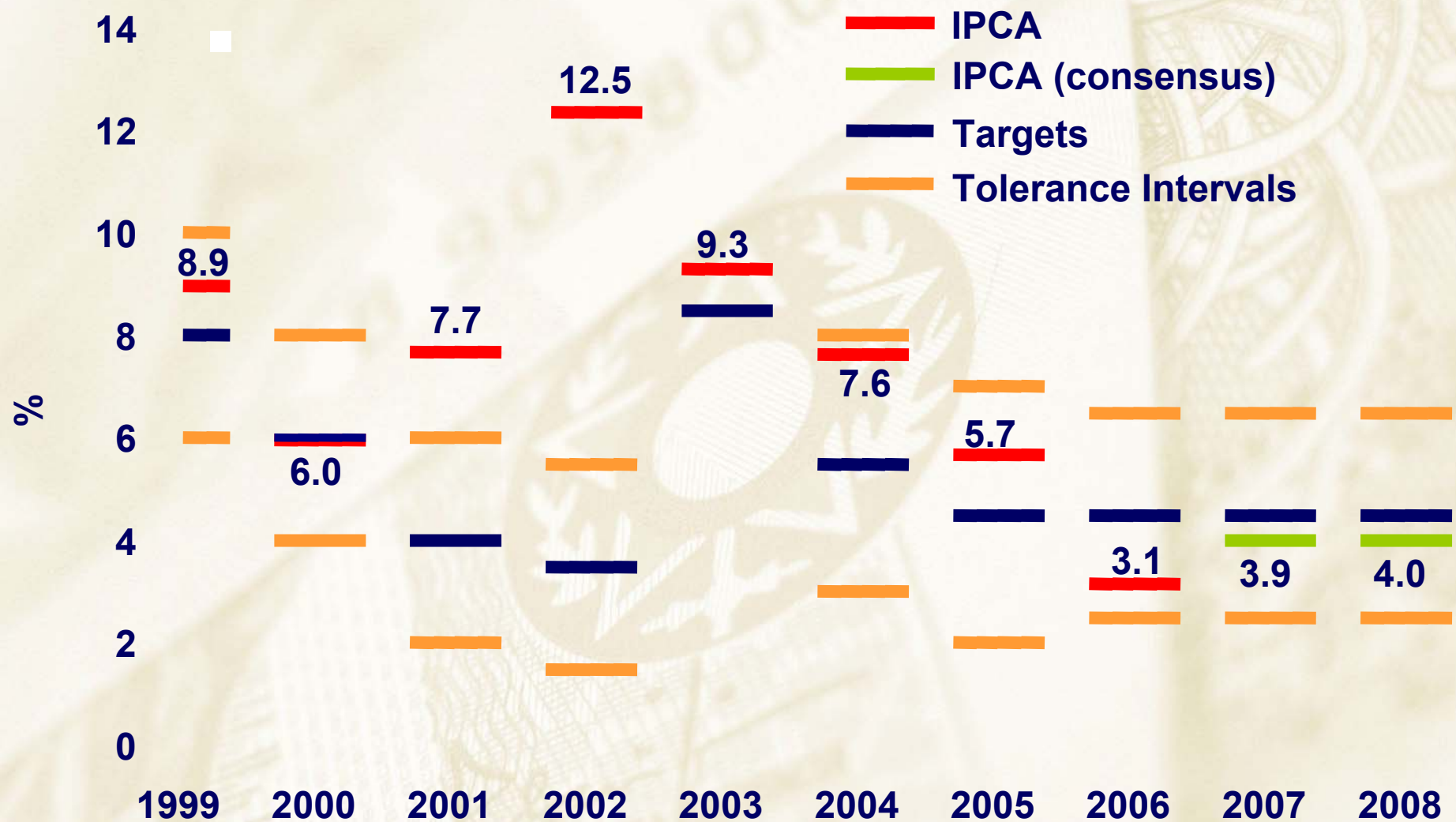




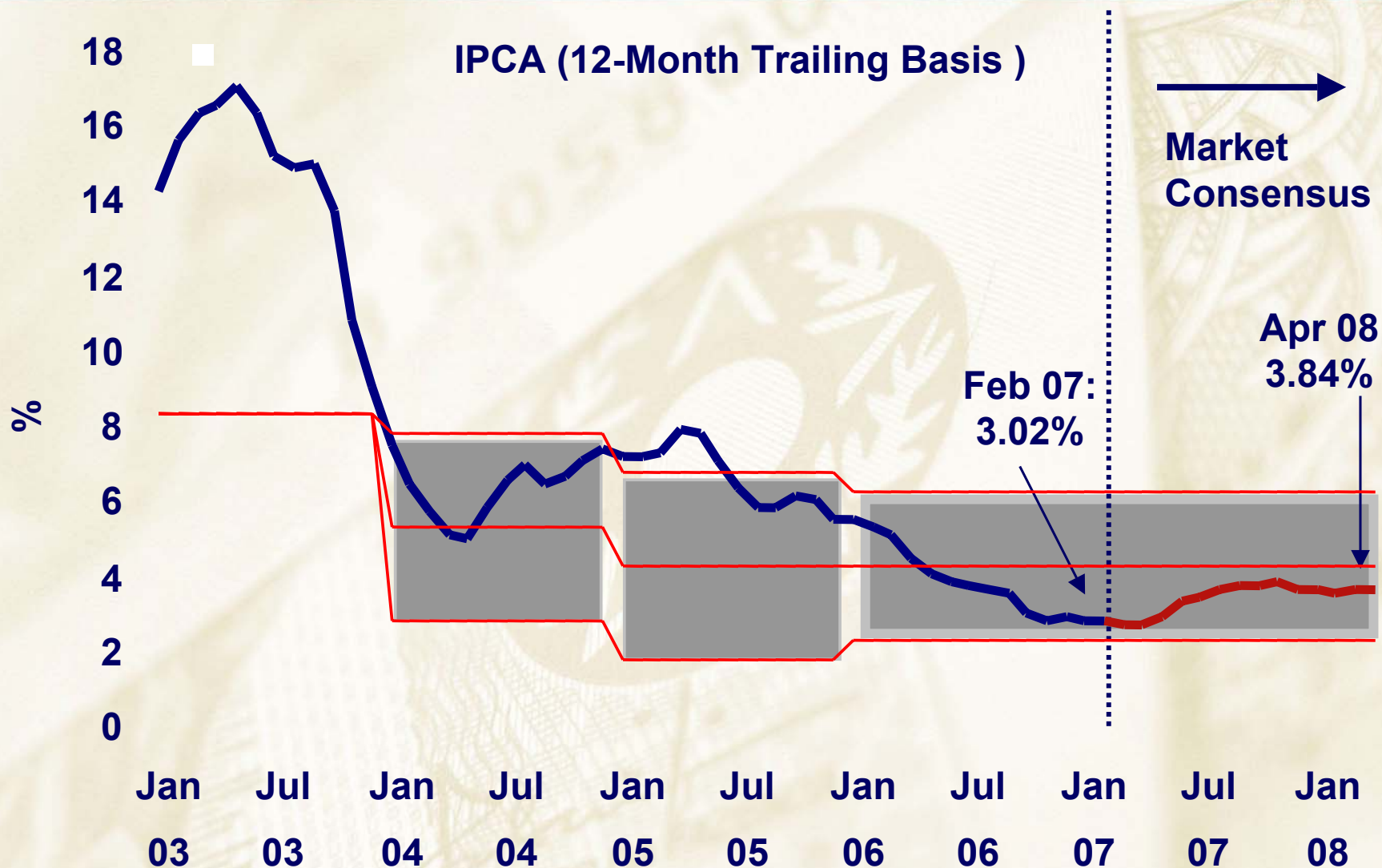
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II. Strengthening stability and longer decision horizons

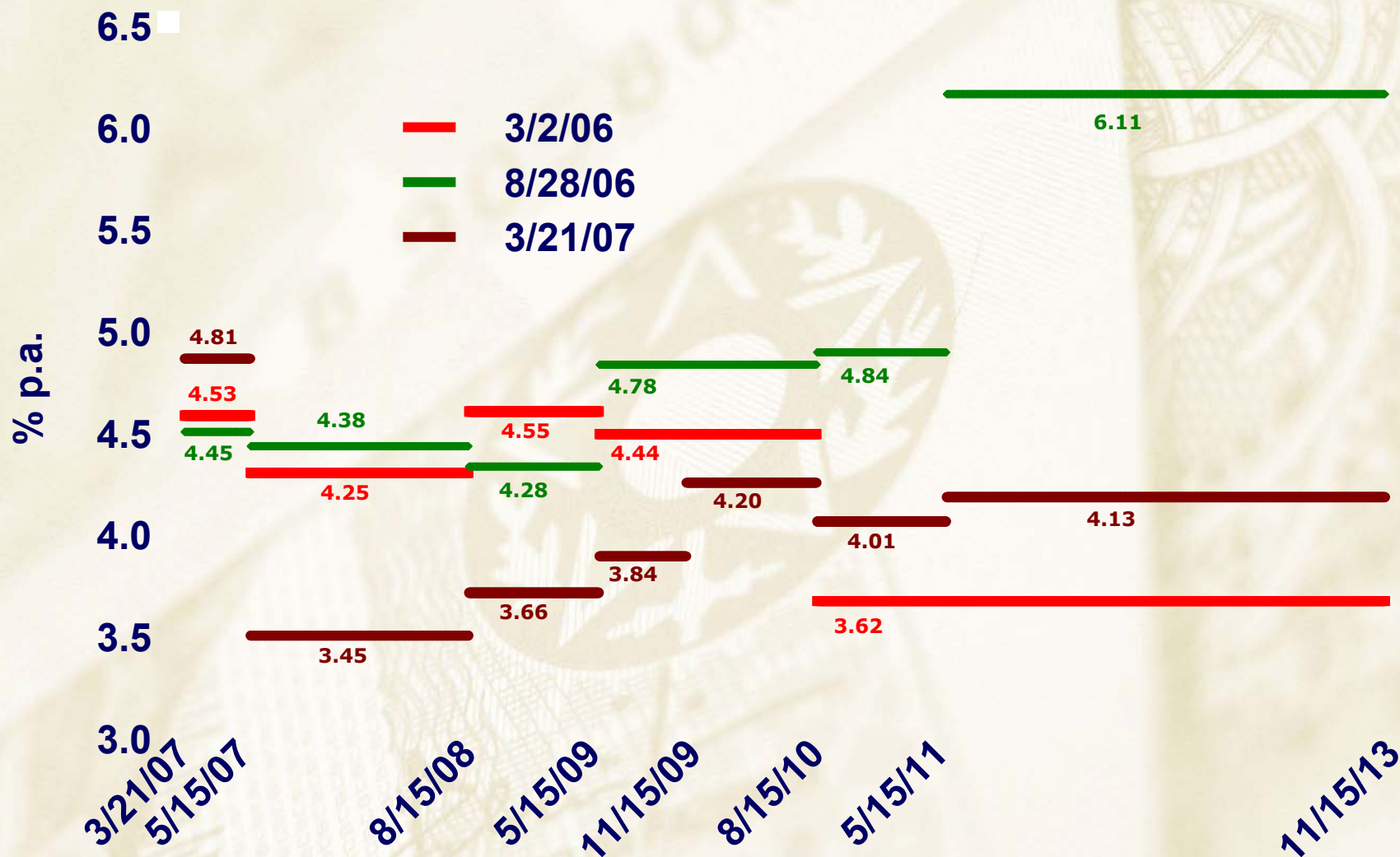
Inflation Targets



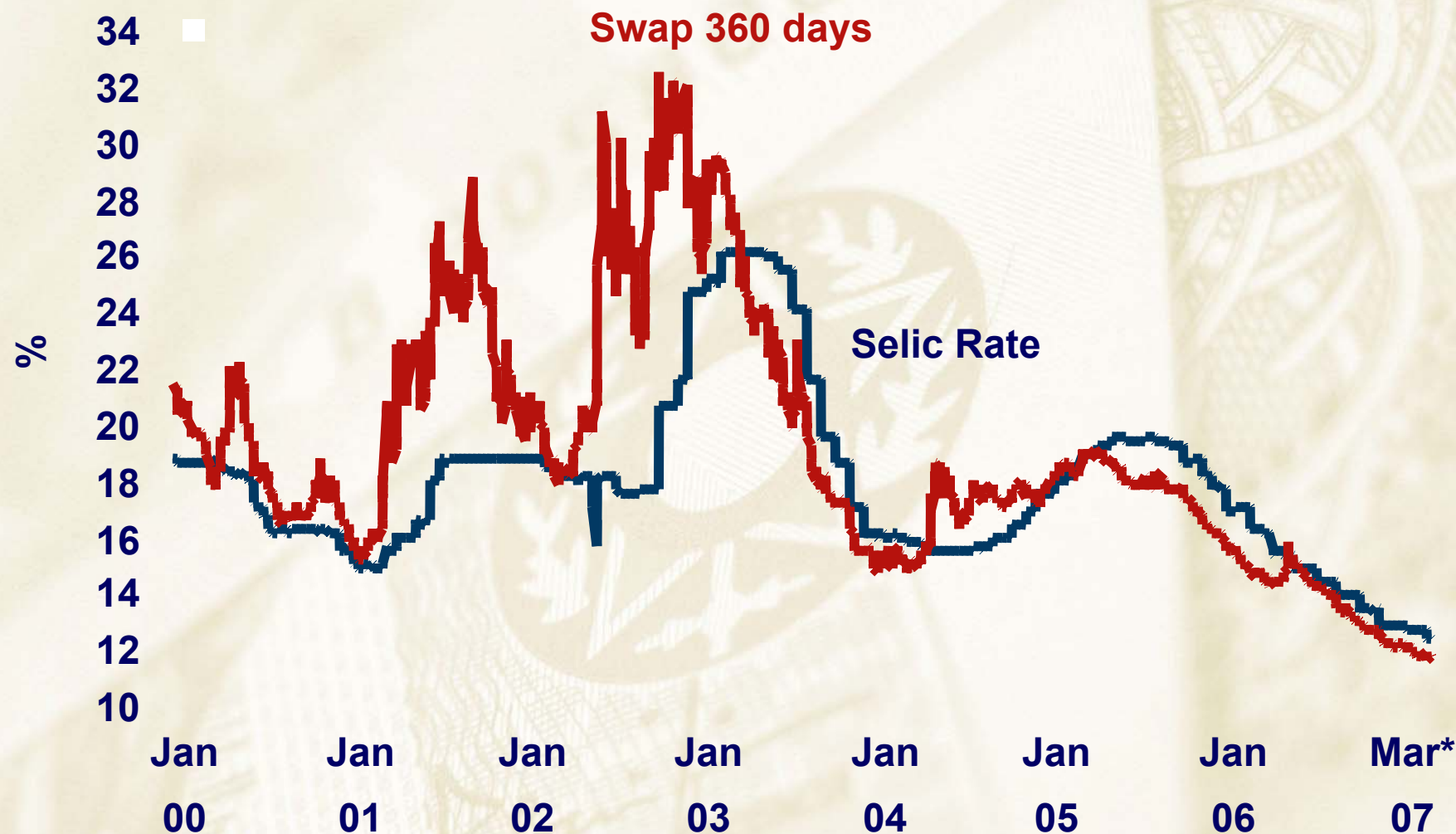
Inflation Convergence to Targets



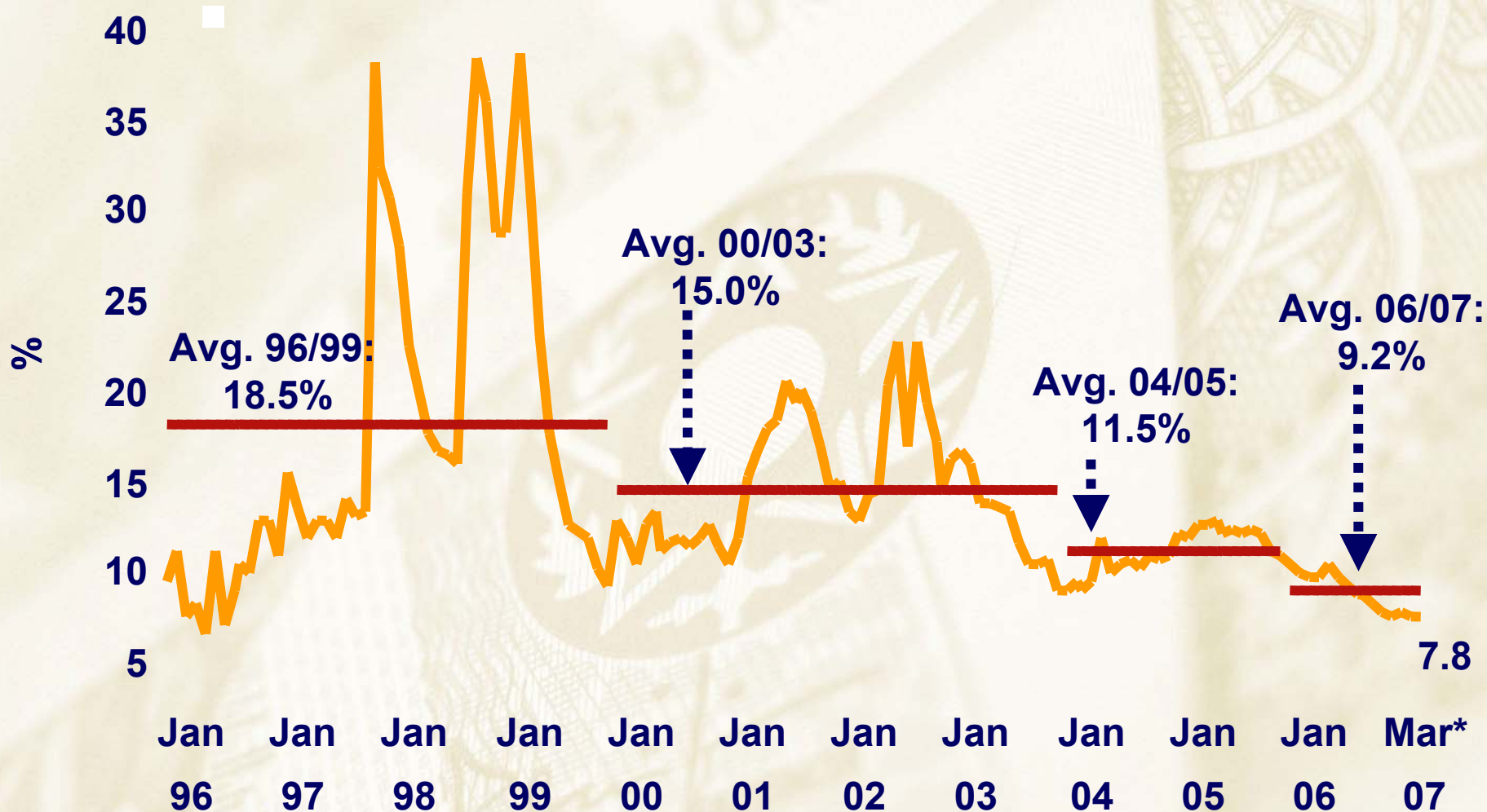
Implicit Inflation Rate - NTN-B



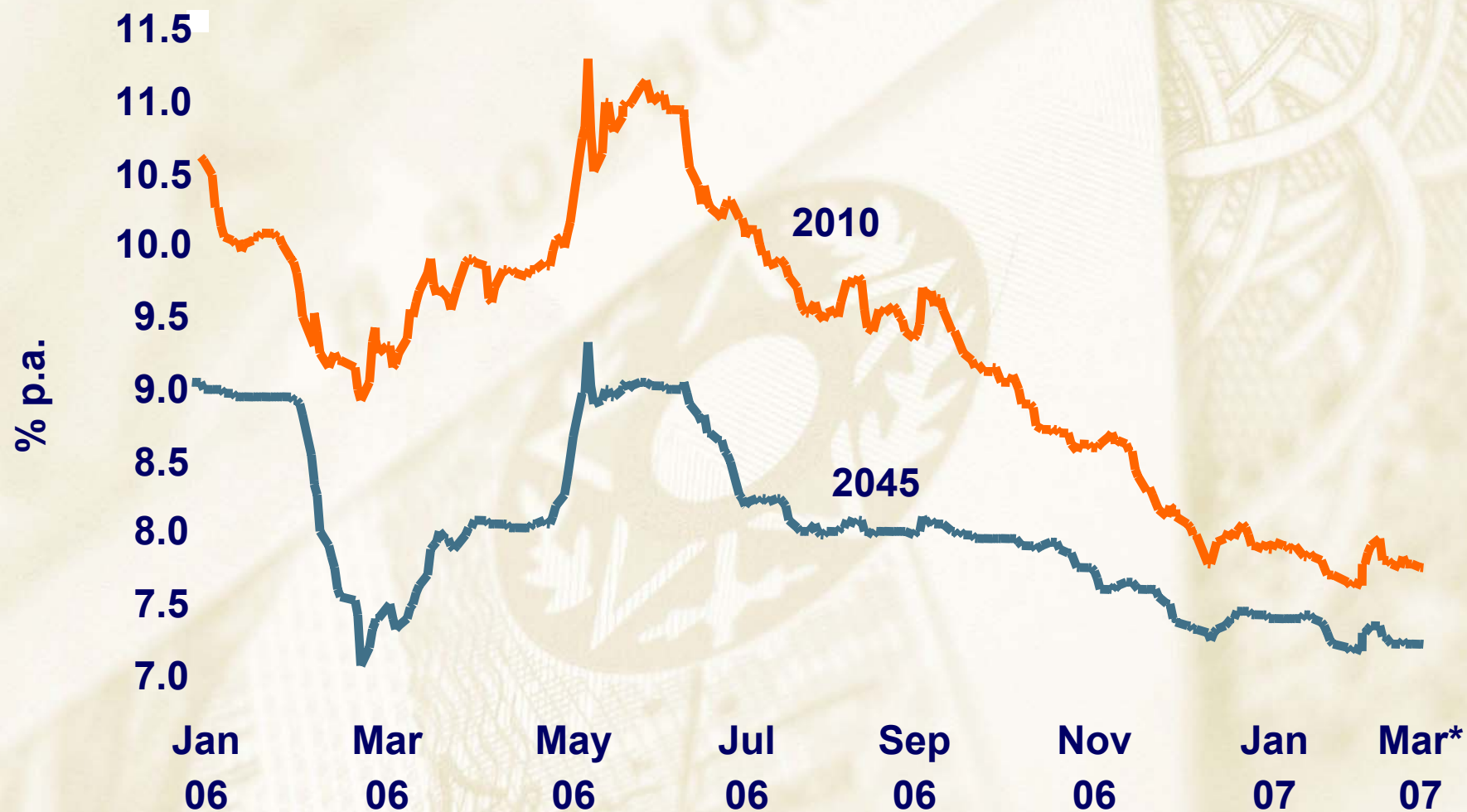
Interest Rate (Selic and 360-day Swap)



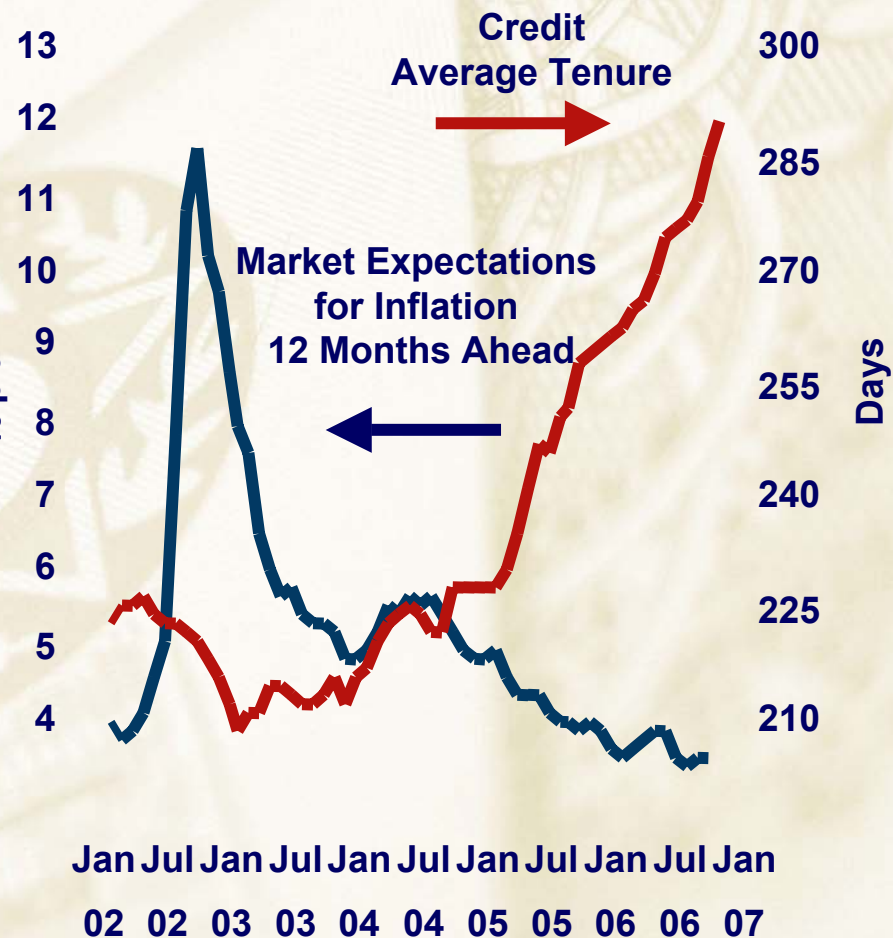
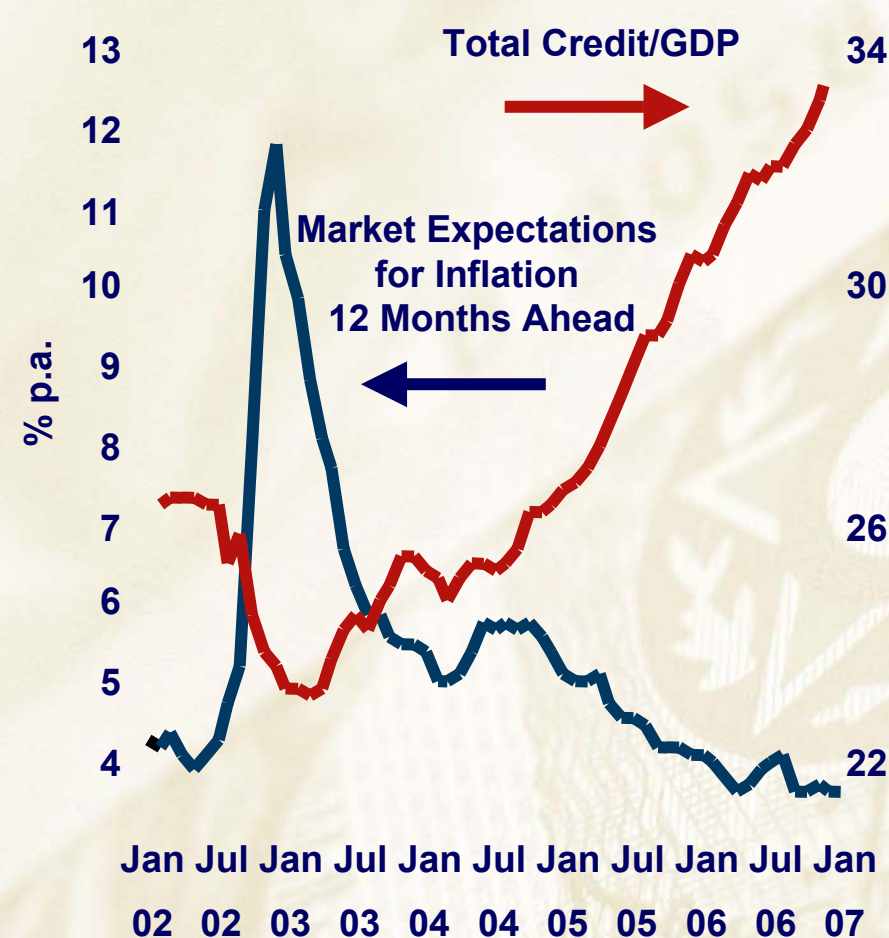
Real Interest Rate (360-day Swap)



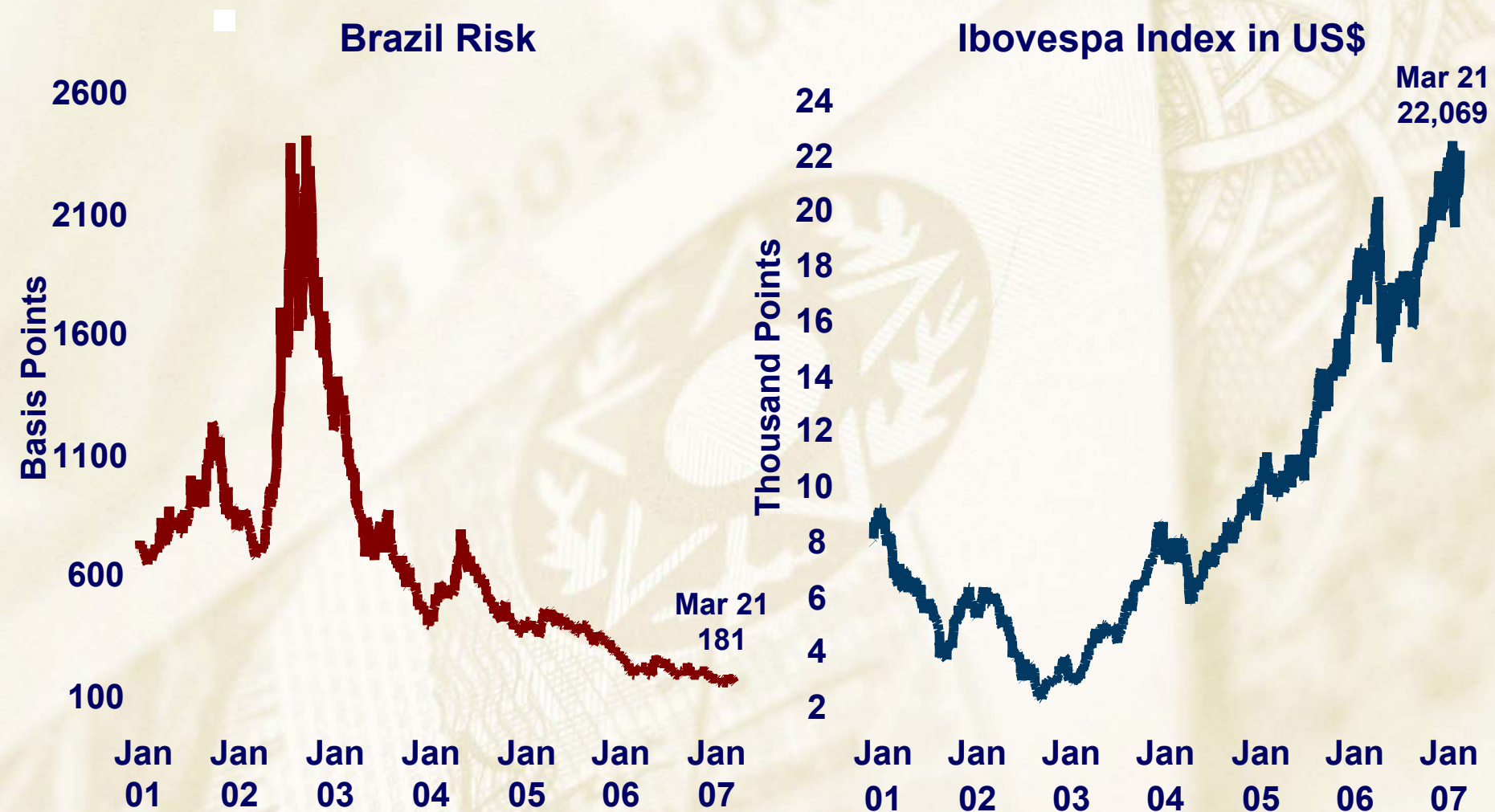
Brazil inflation linked yields (NTN-Bs)

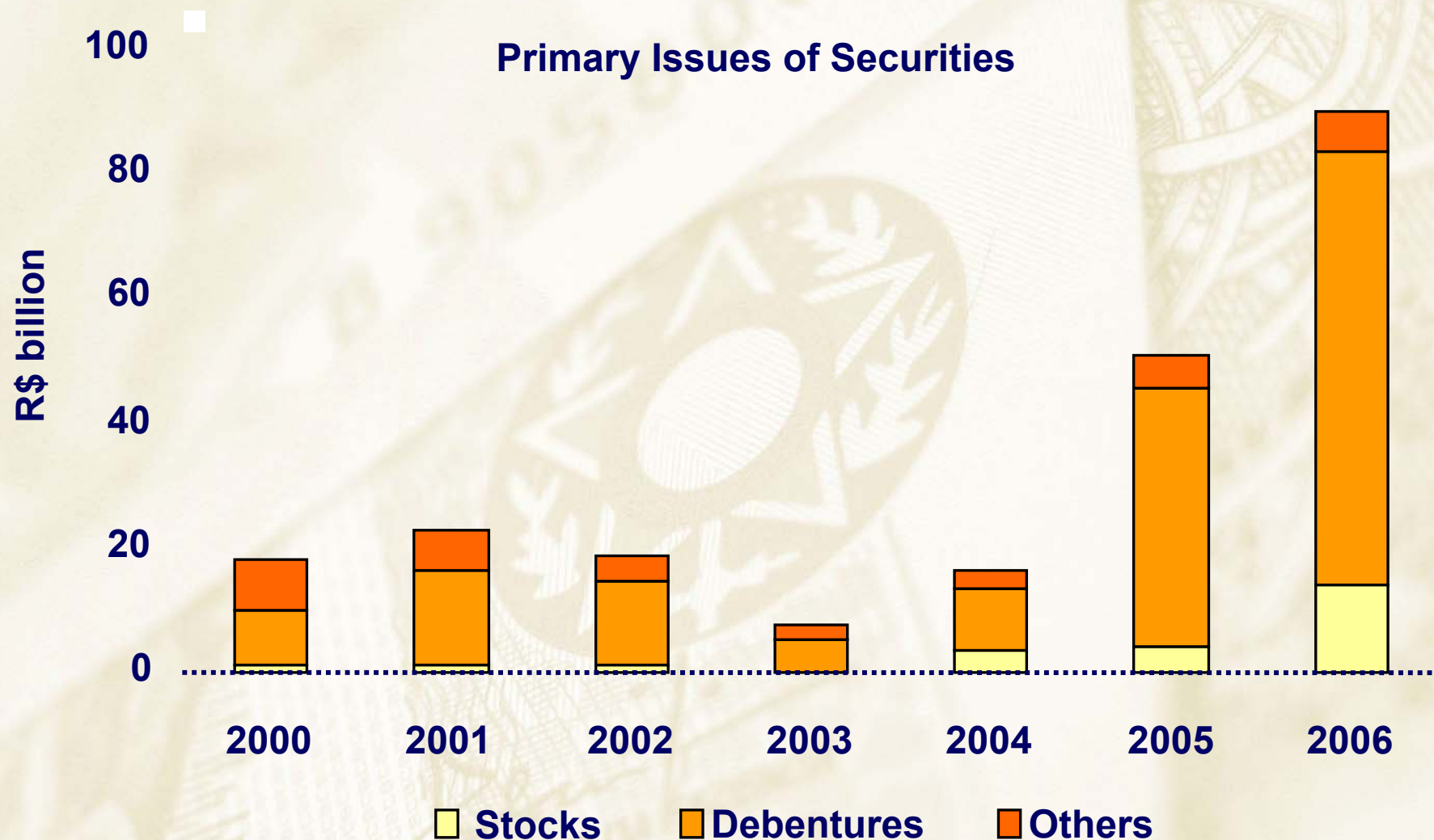


Credit x Inflation



Market Indicators



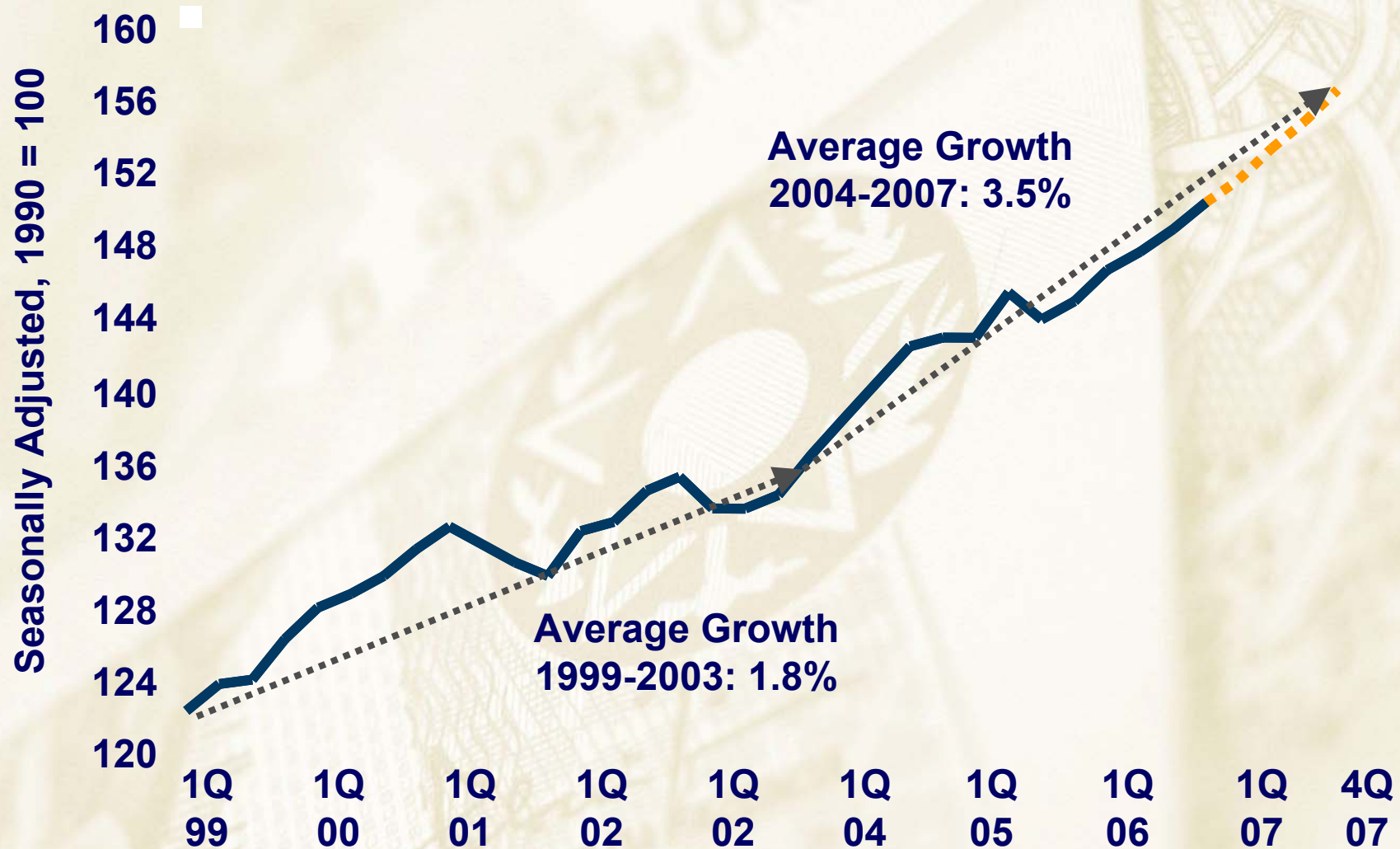




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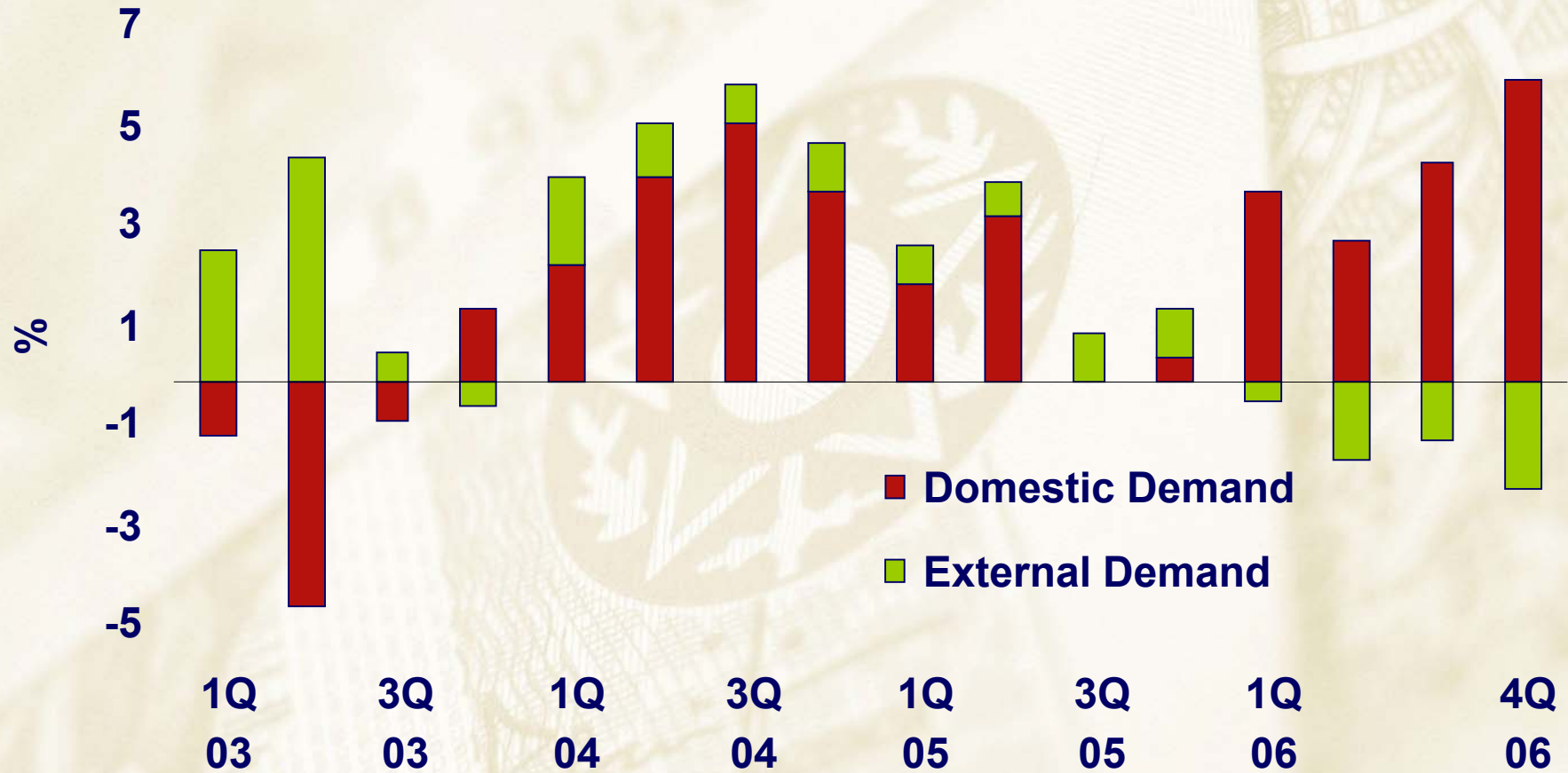
III. Economic activity

GDP: 1999-2007*



Contribution of Domestic and External Demand to GDP Growth

Compared to Same Quarter of Previous Year



Household Consumption

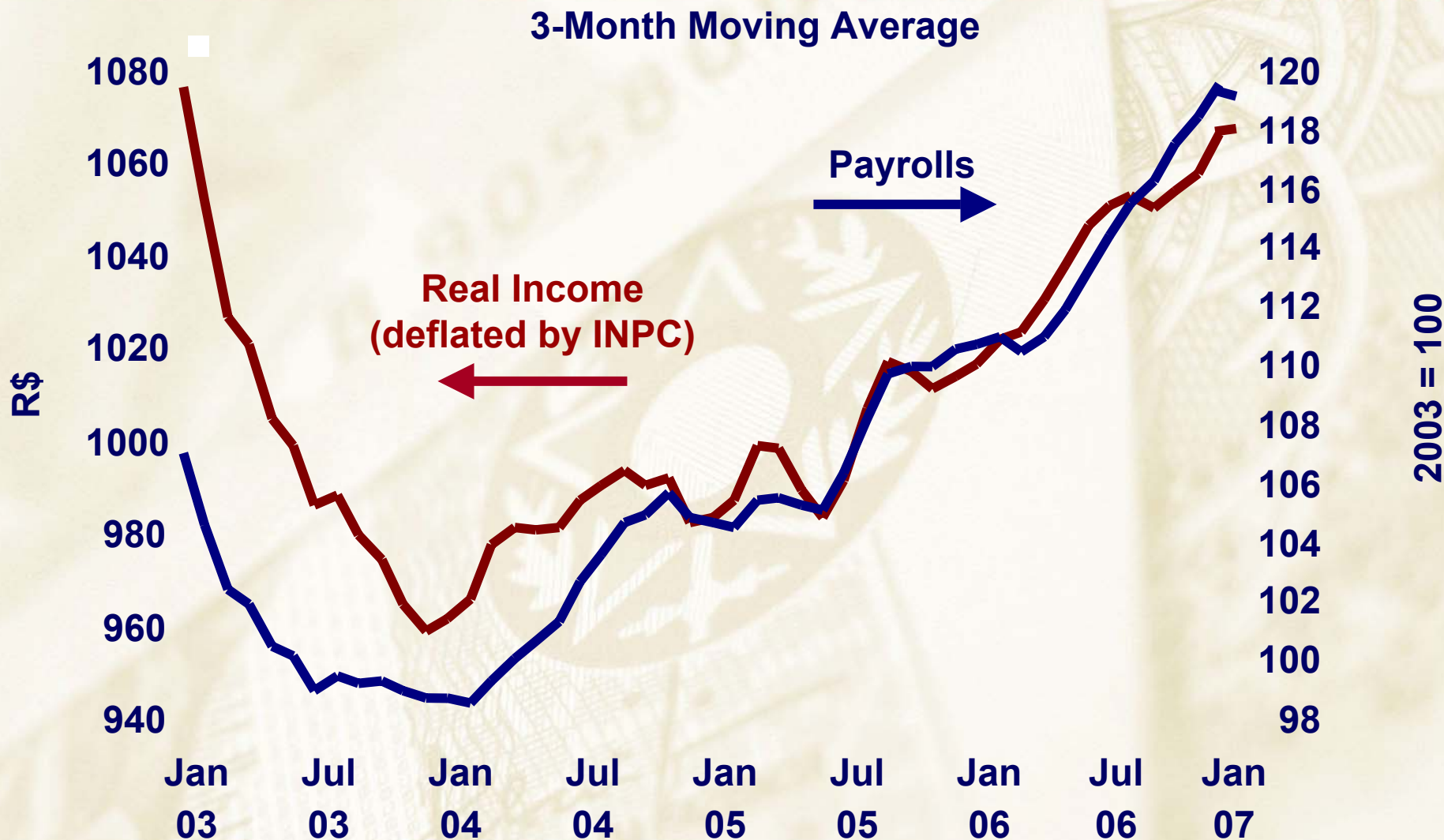
Compared to Same Quarter of Previous Year



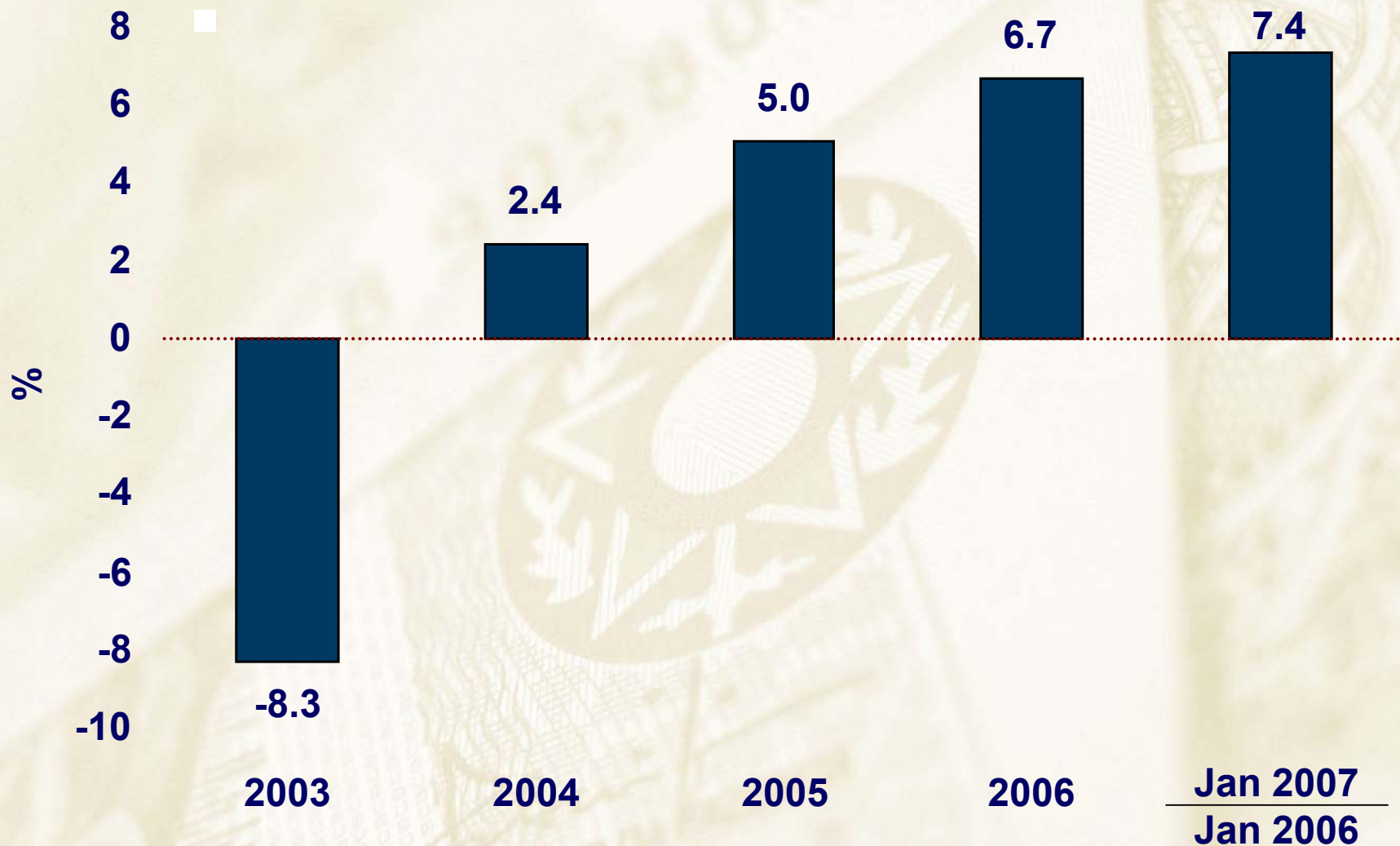
Retail Sales



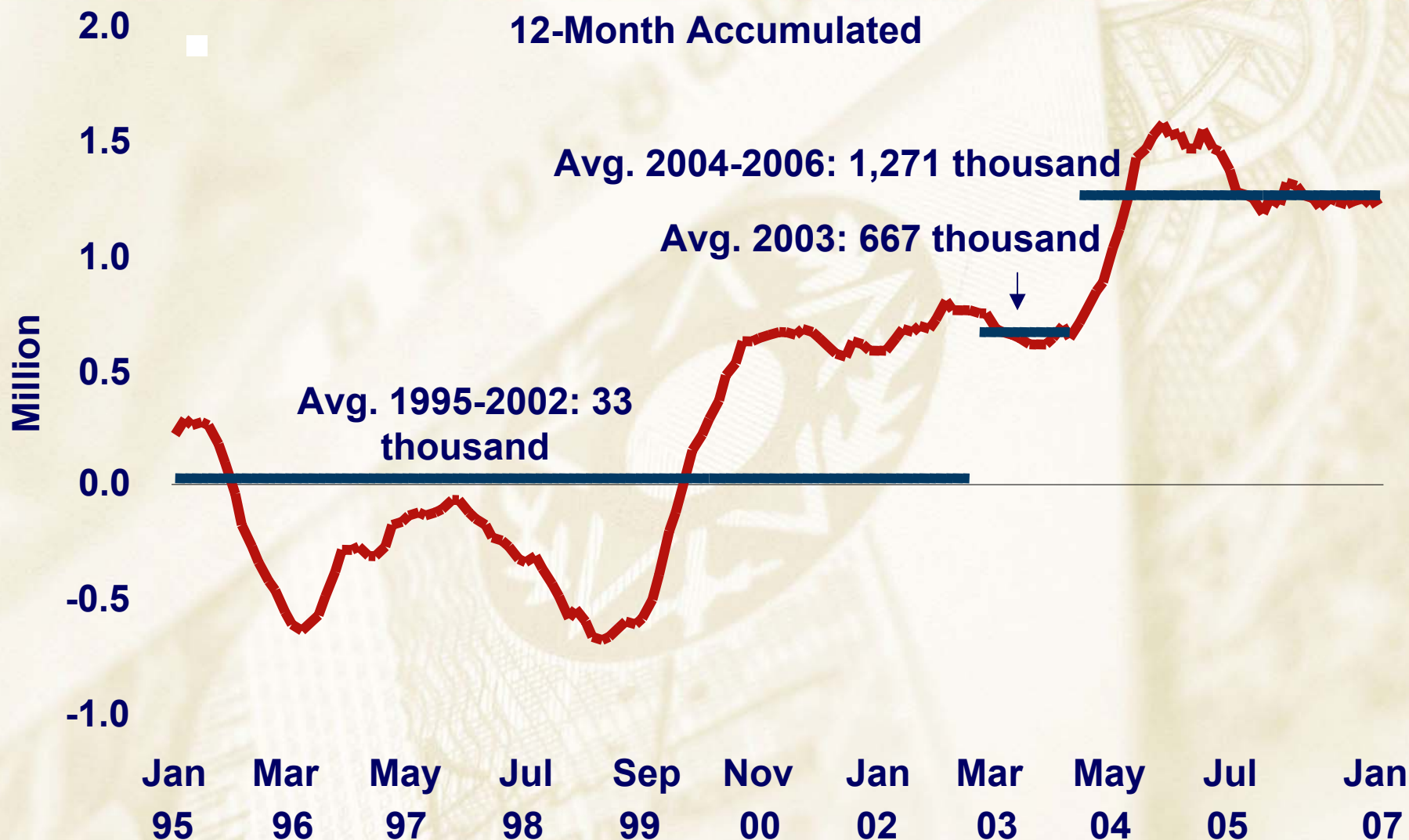
Average Real Income and Payroll



Real Payroll Growth

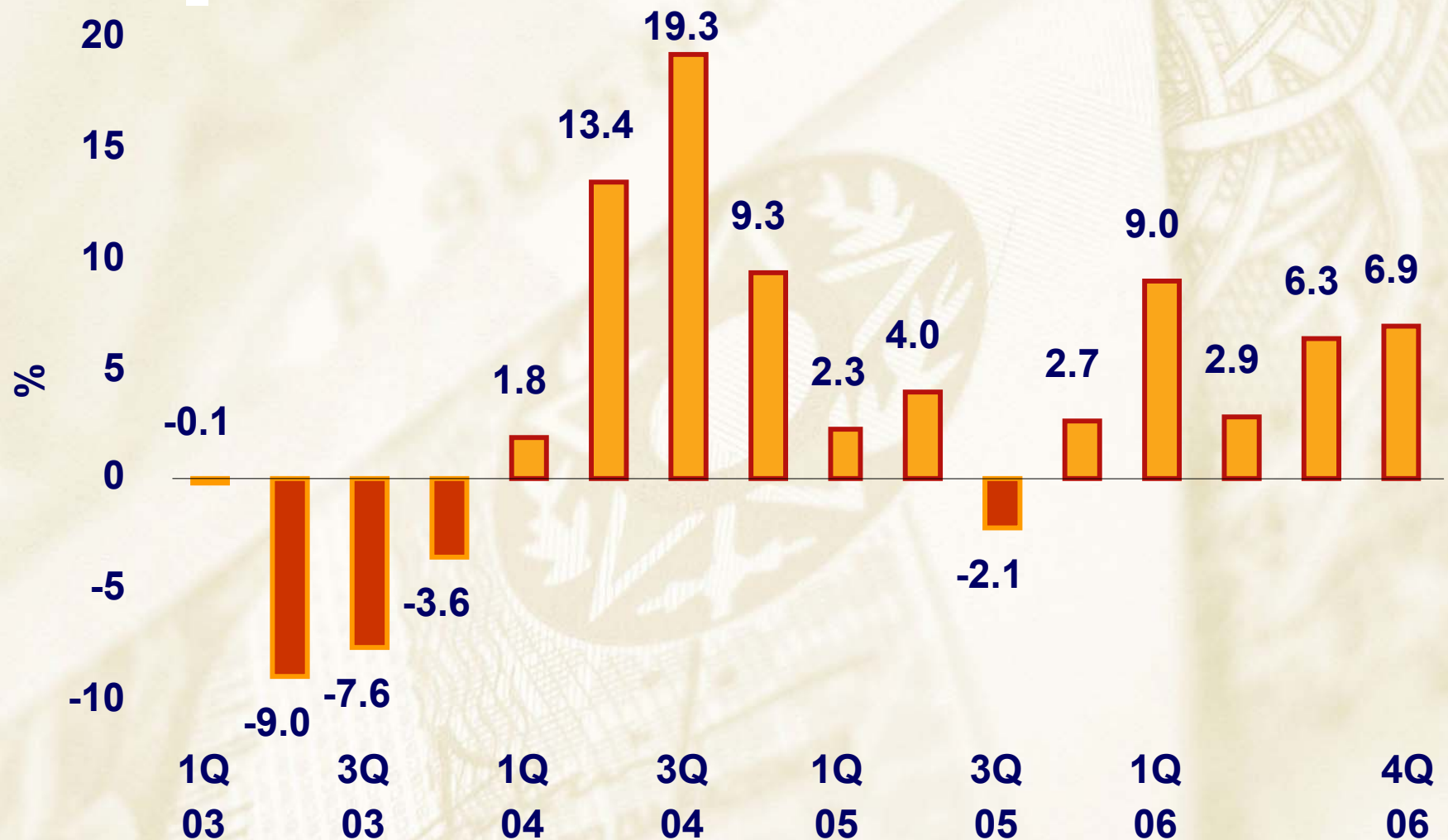


Job Creation in the Formal Sector

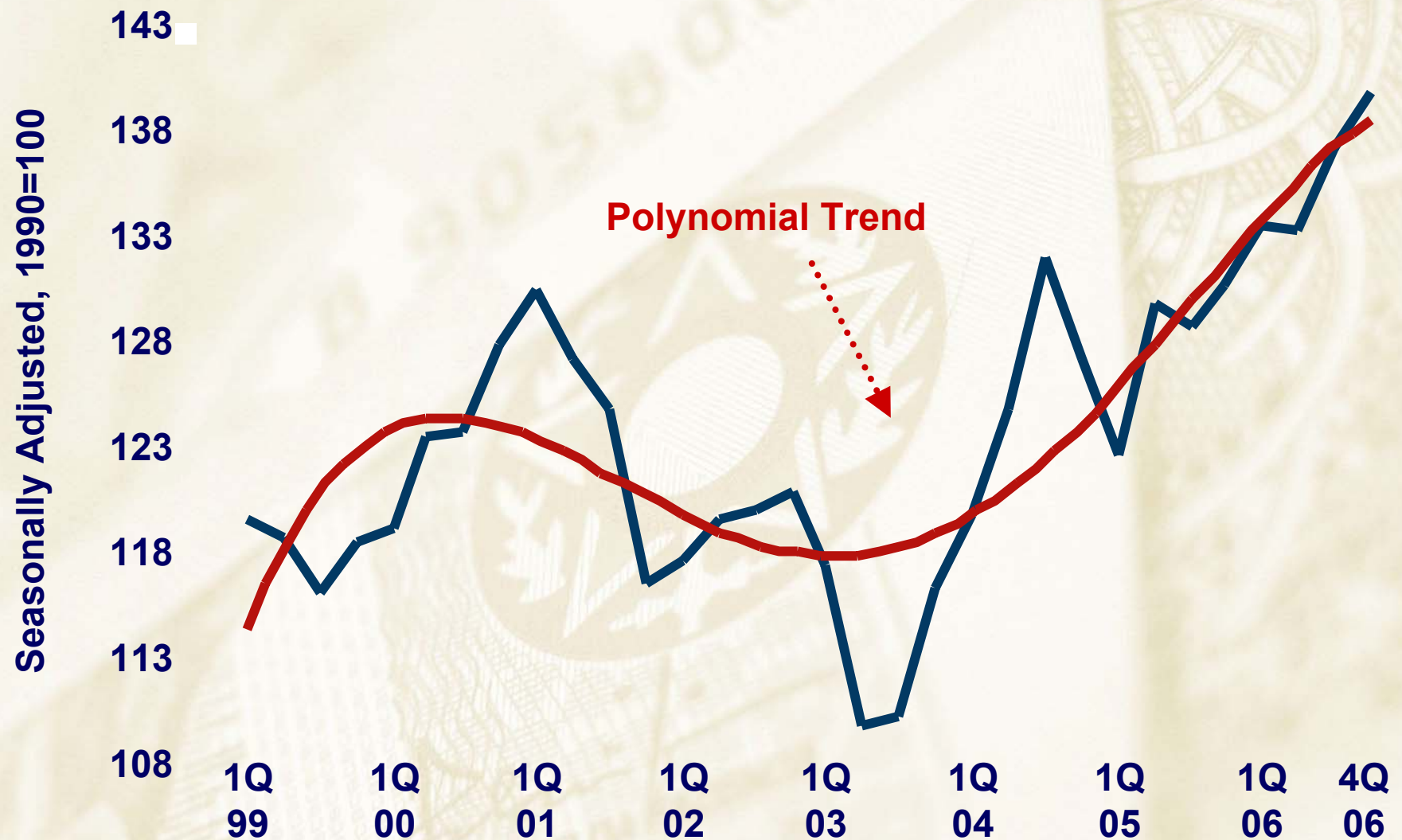


Gross Fixed Capital Formation

Compared to Same Quarter of Previous Year



Gross Fixed Capital Formation: 1999-2006

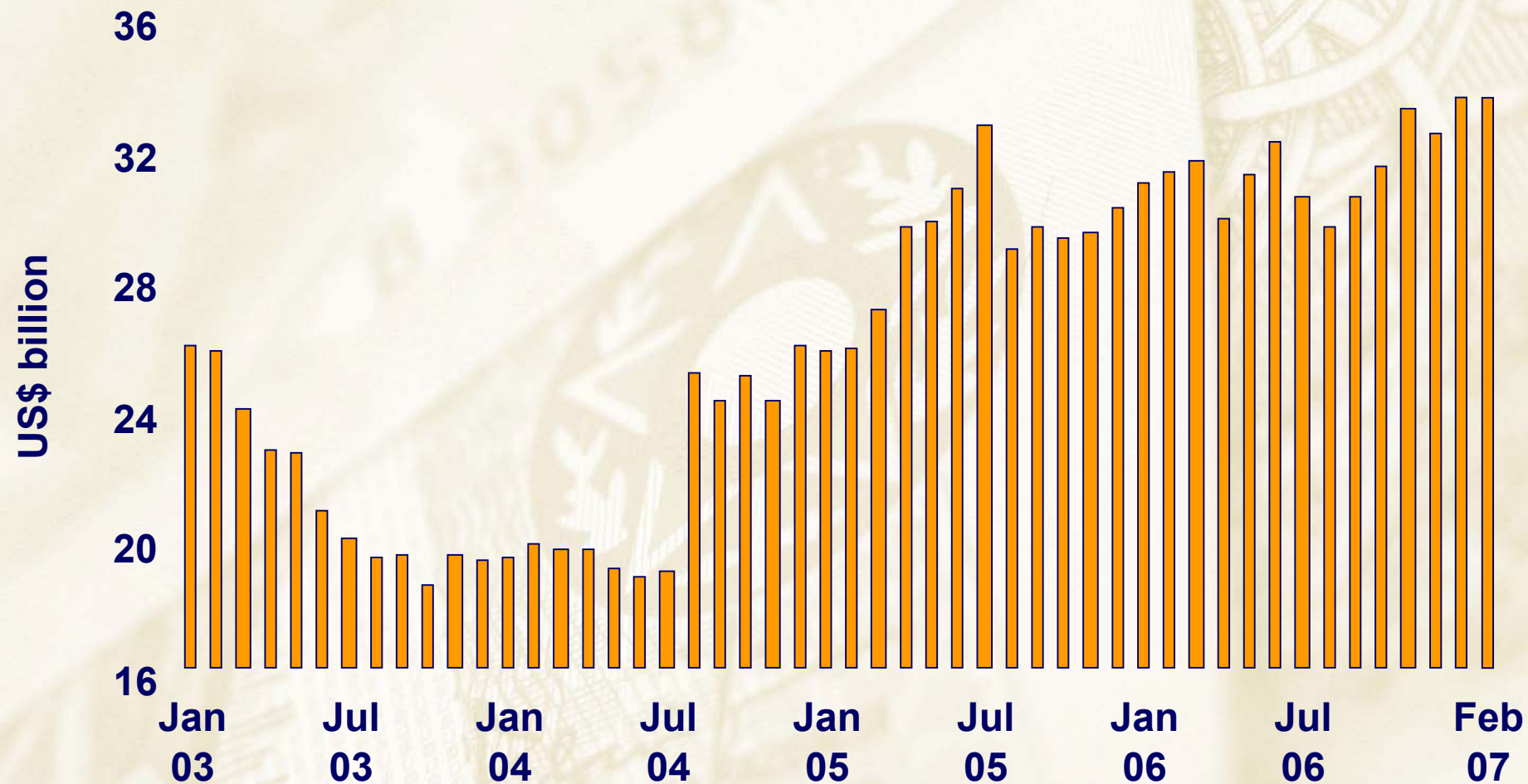


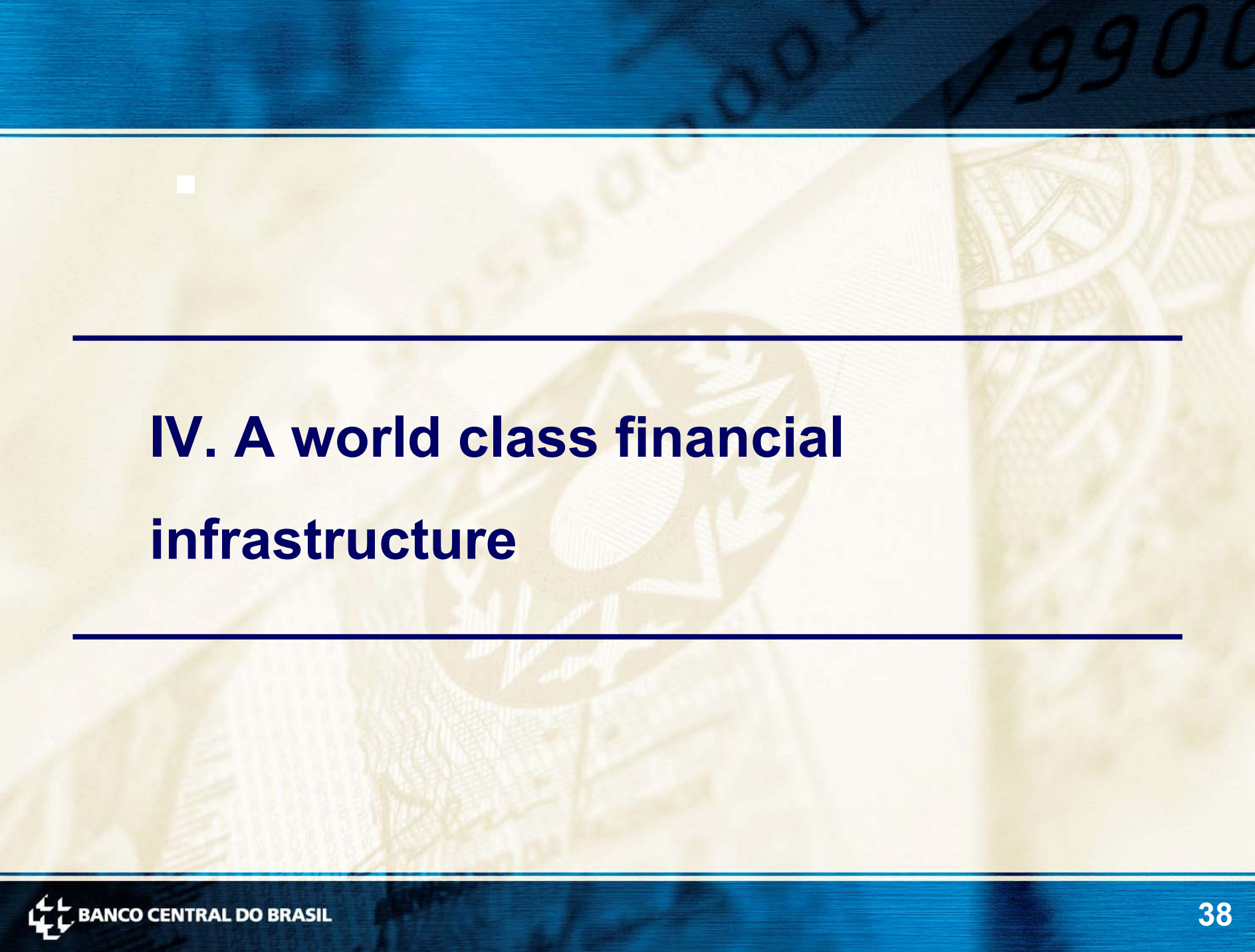
Production of Inputs to Construction Industry



Gross Foreign Direct Investment

12-Month Accumulated





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IV. A world class financial infrastructure

Banco Central do Brasil (BCB) – Mission

-
- To ensure stability of Brazil's currency purchasing power
- To ensure the soundness and the efficiency of the country's financial system
 - Regulation and supervision of the financial system
 - Intervention in financial institutions and even decreeing their extrajudicial liquidation, if necessary.
 - Overseeing payments, securities and derivatives settlement systems

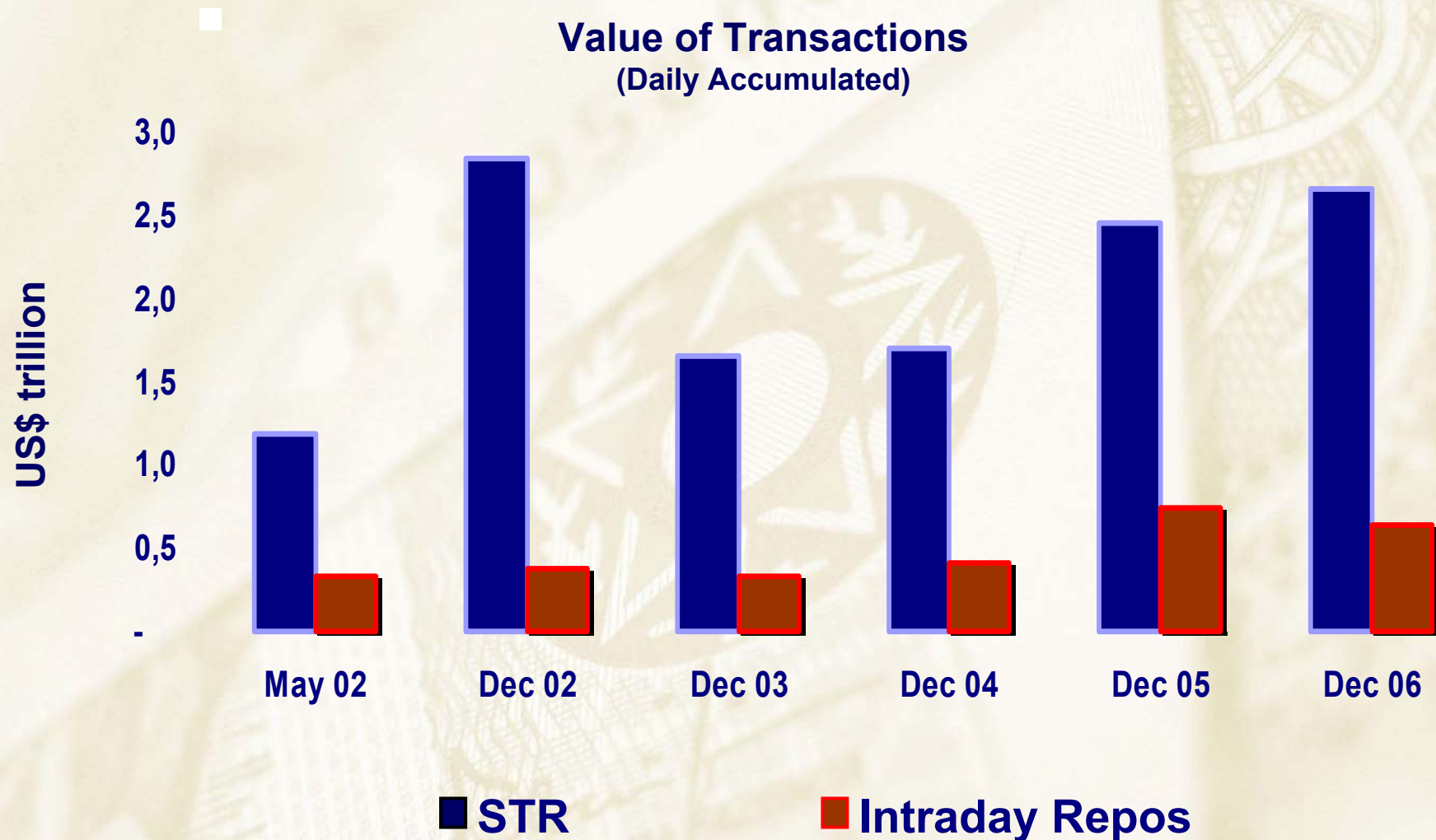
The Brazilian Payment System – features – I

- A real-time gross settlement (RTGS) system for transfer of funds with queuing and intraday credit facilities
- Settlement in central bank money (inter-bank settlement)
- Full automation with *straight through processing* (STP)
- All settlement systems are supported by a high-performance and open architecture network, which uses XML language
- Three central securities depositories (CSD) and two central counterparties for securities and derivatives markets
- Best practices in risk management

The Brazilian Payment System – features II

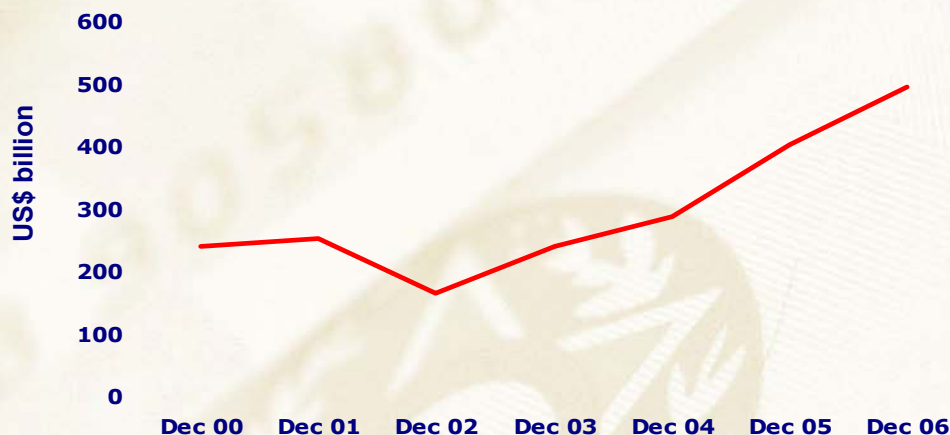
- **Settlement certainty: central counterparties enforced by law**
- **DvP or PvP is observed in all systems**
- **Short settlement cycles:**
 - **Funds transfers: STR → real-time**
 - **Government securities: SELIC → real-time or BM&F → end of day (T+0 or T+n)**
 - **Corporate bonds: (T+0 or T+1)**
 - **Stocks: T+3 (spot market)**
 - **Derivatives: T+1**
- **All securities are dematerialized**
- **Adherence to international best practices (CPSS/IOSCO)**

The Brazilian RTGS System – STR

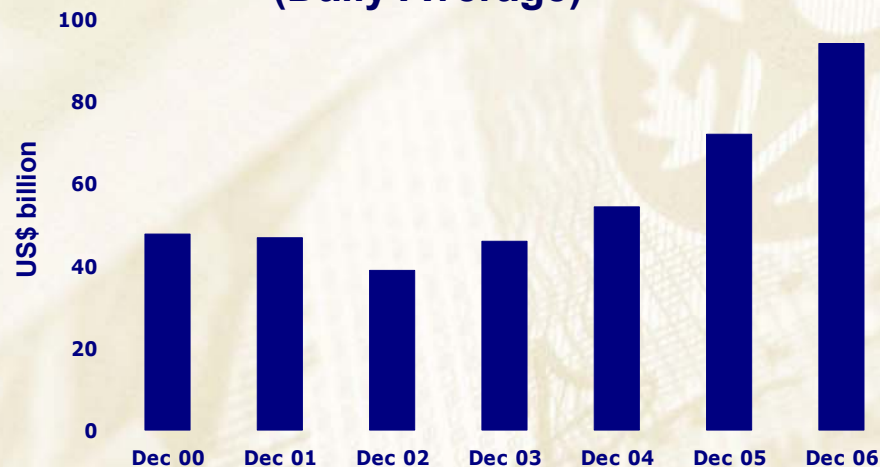


Brazilian Government Securities CSD – The SELIC System

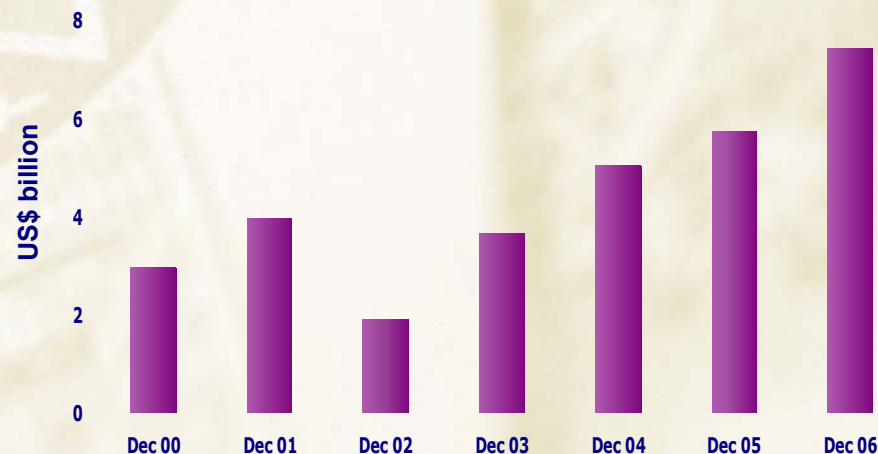
Portfolio Value



**Total Value of Repos per Day
(Daily Average)**



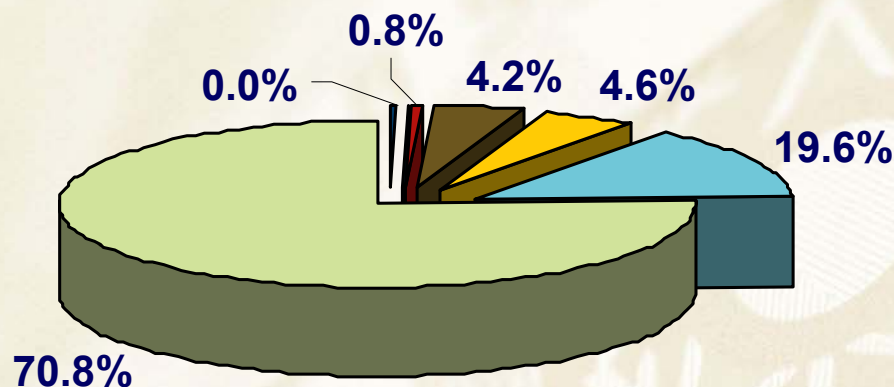
**Total Value of Outrights per Day
(Daily Average)**



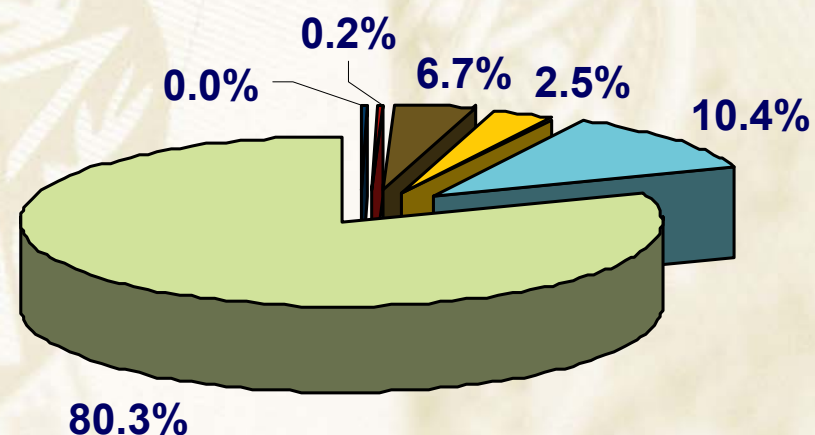
Securities and Derivatives Settlements Systems

Volume of Transactions (Daily Average)

May 2002



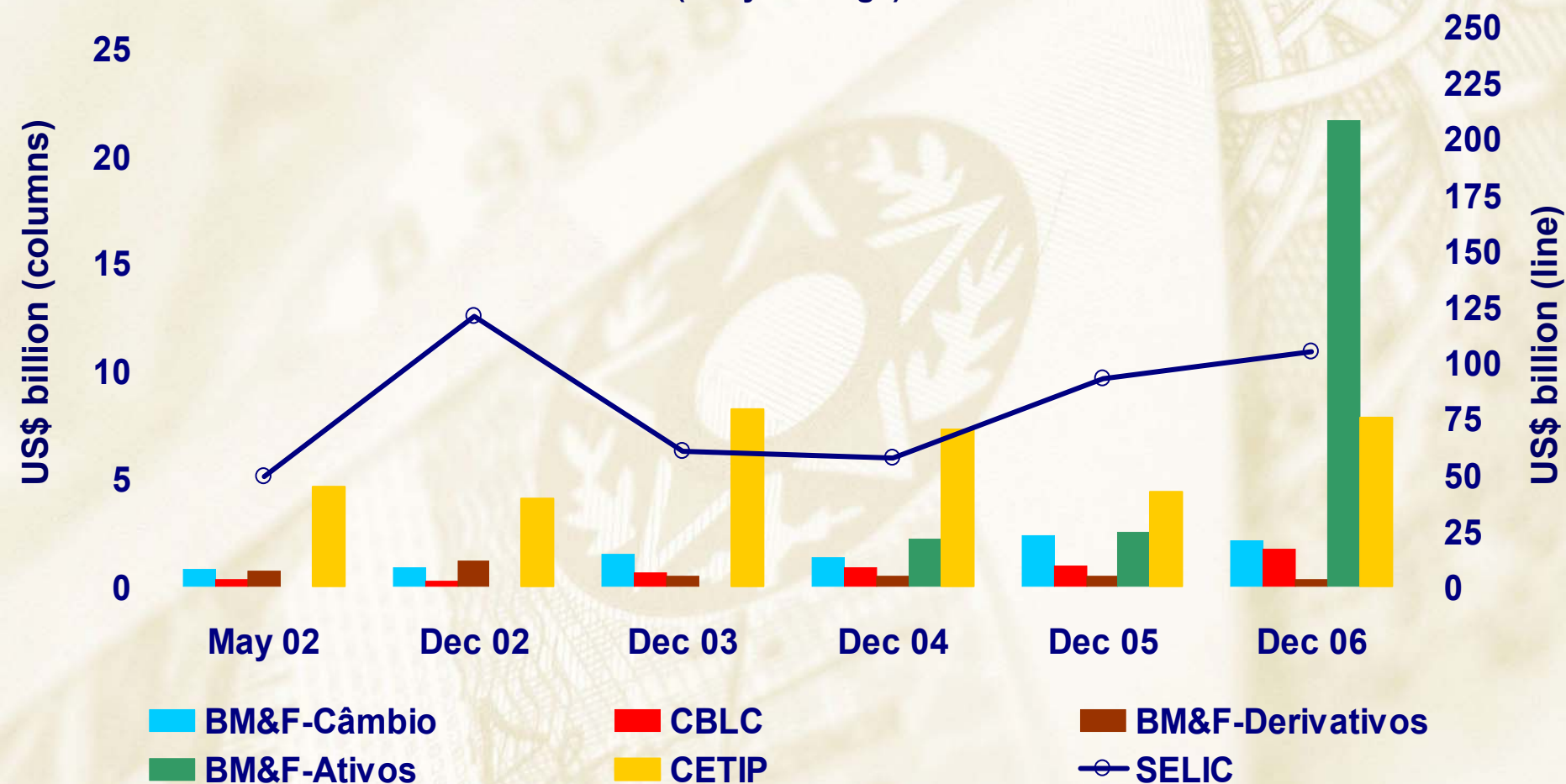
Dec 2006



- SELIC
- Securities Clearinghouse – BM&F-Ativos
- Derivatives Clearinghouse – BM&F-Derivativos
- Foreign Exchange Clearinghouse – BM&F-Câmbio
- Brazilian Clearing and Depository Corporation – CBLC
- Custody and Settlement – CETIP

Securities and Derivatives Settlements Systems

Gross Value of Transactions
(Daily Average)



The Banco Central do Brasil Website


BANCO CENTRAL DO BRASIL

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BC ACCESSIBILITY

News

- 2/28/2007 [Fiscal policy data released - January 2007](#)
- 2/26/2007 [Monetary Policy and Financial System Credit Operations data released - January 2007](#)
- 2/23/2007 [Foreign sector data released - January 2007](#)
- 2/22/2007 [Domestic Federal Public Debt and Open Market operations data released - January 2007](#)

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Highlights



Inflation Report
Check out the Inflation Report, dating December 2005.

Economic Indicators
Outlook indicators, dating February 28, 2007.

Presentation
Consolidating Stability in Brazil, dating September 2006.

BCB Bulletin - Monthly Report
Macroeconomic data - Statistical tables, dating February 2007.

Updates

- 3/5/2007 [International Reserves - March 02](#)
- 3/2/2007 [International Reserves - March 01](#)
- 3/1/2007 [International Reserves - February 28](#)
- 2/28/2007 [International Reserves - February 27](#)
- 2/28/2007 [Economic indicators](#)
- 2/27/2007 [International Reserves - February 26](#)

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Rates

Exchange - US dollar (in R\$)		
	Ask	Bid
3/5 (PTAX)	2.1380	2.1388
3/5-17:34	2.1380	2.1388

[more rates](#)

Interest

Selic Rate Target	13.00%
Copom meeting: 1/24	Neutral bias

[Copom minutes](#)

Daily Selic Rate 12.93%
3/2

Investor relations

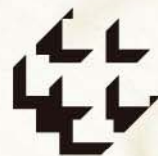
- [Market Readout](#)
March 2, 2007
- [Top 5 Forecasting Institutions](#)
January 2007

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Museum of Money

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