V

Economic-Financial Relations with the International Community

Foreign Trade Policy

The role of government in implementing foreign trade policy in 2008 reflected the change in economic conditions recorded during the year. In this sense, emphasis is given, in the period prior to the intensification of the crisis in financial markets, to the predominance of actions designed to guarantee the maintenance of the long-term cycle of sustainable development of the Brazilian economy, income and employment embodied in the launch in May of the Productive Development Policy (PDP). From mid-September, in an environment of significant downturns in both global demand and supply lines of international trade financing, the actions of the Brazilian government began to incorporate measures which, ensuring the liquidity of foreign currency, would promote Brazilian exports.

The PDP is an additional element to the long-term policies implemented in recent years, such as the Industrial, Technological and Foreign Trade Policy (PITCE) in 2004; the PAC, in 2007; the Education Development Plan (EDP); and the Plan of Action 2007-2010: Science, Technology and Innovation for National Development (PACTI). The PDP strategy aimed at ensuring the maintenance of a strong Brazilian balance of payments which in recent years decisively contributed to the strengthening of the economy and moving away from patterns seen in the past, when the external sector was formed on constraints to growth, including the expansion of the ability to provide products and services, increased capacity for innovation and strengthening of micro and small enterprises.

On May 12, the following goals were announced for the PDP: i) increase in the rate of investment in the economy to 21% of GDP, ii) expansion of private investments in Research and Development to 0.64% of GDP, iii) expansion of Brazilian foreign sales to 1.25% of world exports, iv) 10% increase in the number of micro and small exporting firms.

PDP actions, with the objective to ensure the goals mentioned, were divided into three levels. The first, called systemic, includes programs that impact the whole productive structure, such as actions to improve the legal environment and simplify foreign trade transactions in goods and services; and relief measures for productive, exports and investments in technology. The initiatives affected by tariff reduction include the extension, until 12.31.2011 of Reporto and its extension to other transport modals such as rail, and the incorporation into the Special System of Incentives for Infrastructure Development (Reidi), part of the proposals for extending the benefits to wagons, locomotives and pipelines linked to construction projects of infrastructure. Another systemic action within the PDP was the extension of the capacity of BNDES financing, with an estimated allocation by 2010 of R$210 billion in projects for capacity expansion, modernization and innovation in industry and services.

The second level of the PDP actions comprises structural measures, targeted to productive sectors and complexes, such as the Program for Modernization and Expansion of the Fleet and Supply Vessels of Petrobras, launched on May 26. In this action, there was a prediction of 146 new orders for units of support to the activities of sea exploration and production of Petrobras, with 70% to 80% of domestic content, at the estimated cost of US$5 billion, plus the expectation of hiring drill ships, semi-submersible drilling rigs and large size vessels. The third level of actions, the highlights of the strategic themes, includes public policies with specific programs due to their importance to build strong foundations for the development, such as exports.

To improve competitiveness of Brazilian products in foreign markets, relief measures were established for export exemptions and the strengthening of export financing instruments such as the Export Financing Program (Proex) and financing lines from BNDES. Accordingly, Resolution no. 27, dated May 6, 2008 the Foreign Trade Council (Camex), set new Proex directives such as the increase from R$60 million to R$150 million of annual gross revenues of companies classifiable in the financing operations modality. In November, due to the context of scarcity of credit in the world market, these rules were relaxed again by Camex Resolution no. 69, dated November 4, 2008 which led to the expansion from R$150 million to R$300 million of that limit. As for the equalization modality it was established that the program will support companies of any size and was additionally raised from US$10 million to US$20 million, the maximum annual expenditure for intercompany transactions with funds within that line of financing.

In 2008, Proex operations reached US$4,937.6 million, of which US$335 million related to the financing mode and US$4,602.6 billion to the equalization of interest rates. Resources for the financing modality, equivalent to 6.8% of total program, fell 10.8% over the previous year, covering 1,366 operations, compared to 1,660 in 2007 in a sample of 359 exporting companies. Considering the company size, the percentage of the value exported by small businesses increased from 28% to 37% in contrast with the decreases reported in the microenterprises from 10% to 8%, and large companies, from 62% to 55%. Proex-Financing resources focused in 2008 on operations involving the agribusiness segment, 62%; machinery and equipment, 15%; textile, leather and footwear, 9%; and services, 6%. Cuba became the main country of destination for Brazilian exports financed by Proex-Financing, 53% of the total, followed by member countries of the European Union and Africa, with participation of also 13%; North American Free Trade Agreement (Nafta), 7%; and other countries of the Latin American Integration Association (Aladi), 6%.

Exports made under the equalization method totaled US$4,602.6 million, compared to US$4,035.6 million in 2007, representing 2,900 operations for 37 exporters, compared to 2,125 operations for 35 companies in the previous year. The sectoral analysis shows that 68% of these exports involved the transportation sector which includes foreign sales of Brazilian Air Force Company (Embraer), followed by machinery and equipment segments, 26%; and services, 6%. The two main export destinations routed by Proex-Equalization were the member countries of Nafta and the European Union, with equal shares of 23%, while other member countries of Aladi and Africa, with individual participation of 14% and the Southern Common Market (Mercosur), 9%. Like in the previous years, the operations were concentrated in large firms, 81% of the total, equivalent to 89.4% of the resources underlying this mode.

The source of funds for the BNDES, in view of its role within the PDP framework, was increased by MP no. 439, dated August 29, 2008, converted into Law no. 11,805 of November 7, 2008, which authorized the Union to grant loans of up to R$15 billion to the institution. Additionally, BNDES was authorized by Decree no. 6,526 of July 31, 2008, to establish subsidiaries abroad. Although related to BNDES role, the CMN, through Resolution no. 3,651 of November 28, 2008, increased from R$1 billion to R$3 billion the resources directed in 2009 to the *Revitaliza* Program, which deals with loans and financing eligible for economic subsidy by the Union to sectors that have lost competitiveness in foreign trade, such as footwear and textiles.

BNDES introduced in October, in the scenario of increased risk aversion and severe restriction of international liquidity, which restricted the access by exporting companies to private lines for foreign trade, a new line of financing to exports. The lines of special pre-shipment, totaling R$5 billion, have a time period of 18 months and a differentiated rate depending on the activity sector. For the sectors of industrial equipment, infrastructure and aeronautical equipment the interest rate of that line will be the Long-Term Interest Rate (TJLP), while for the segments of capital goods for the automotive industry (trucks and tractors) and consumer goods there is a choice between fixed rate of 15% p.y. plus a spread of transfer agents and a rate in foreign currency, at a maximum cost of up to 8% p.y. plus spread. Moreover, it was expanded from US$50 million to US$150 million, the limit set for each company in the sector of consumer goods to have access to these lines.

In 2008, BNDES disbursements directed to exports totaled US$6.6 billion, rising 57.1% when compared to the previous year and now representing 3.3% of total foreign sales, compared to 2.6% in 2007. Additionally, the participation of these programs in total disbursements of BNDES reached 13.2% in 2008 from 12.4% in the previous year.

In relation to actions in the sphere of Camex, it was established in January the Technical Group on Trade Facilitation (GTFAC), according to the determinations of Camex Resolution no. 70, of December 11, 2007. The New Industrial Policy also took actions to reduce bureaucracy related to business operations. Among the simplification actions, emphasis was given to the implementation through Joint Directive of the Federal Revenue Secretariat of Brazil (RFB) and the Foreign Trade Secretariat (Secex) of the Ministry of Development, Industry and Foreign Trade (MDIC) no. 1,460 of September 18, 2008, of the Special Customs Regime of Drawback. The Green and Yellow Drawback allows that inputs purchased domestically and used to produce exportable goods start receiving the same tax treatment now accorded to imported inputs benefit from Drawback Import. The drawback system then in force allowed the suspension, exemption or refund of federal taxes – such as Import Duty, IPI, PIS and Cofins – only for the purchase of imported inputs used in manufacturing of Brazilian products targeted to the international market. It has also created the new electronic drawback system, suspension modality.

In connection with simplification measures, it was implemented the integration of the Siscomex Cargo to the Collection Control System of the Extracharge on Freight (AFRMM), which allowed the insertion of online information, as well as electronic exchange of documents, providing cost reduction, an initiative implemented by Normative Instruction no. 841 of April 29, 2009, of the Brazilian Federal Revenue. Consents and requirements of various federal government agencies were eliminated; the limits for operations that can be performed by the simplified declaration in the import and export were expanded from US$20,000 to US$50,000, including its use by small and micro enterprises, by Normative Instruction of the Federal Revenue Secretariat of Brazil no. 846 of May 12, 2008; and rules and regulations of foreign trade were consolidated by Secex Directive no. 25, of November 27, 2008.

Regarding the Doha Round of the World Trade Organization (WTO), the new attempt of a multilateral agreement in July in Geneva, did not allow any progress in the negotiations. Also related to the WTO, the Congress, by the Legislative Decree no. 262 of September 19, 2008, approved the Protocol of Amendment to the Agreement on Aspects of the Trade-Related Intellectual Property (Trips) of WTO, adopted by the General Council of that Organization, on 12.6.2005.

Within the Mercosur framework, Venezuela joining as a partner remains pending on the approval by the legislative powers of Brazil and Paraguay. Among the major agreements signed between the shareholders, emphasis was to the renovation of the Automotive Agreement with Argentina and Uruguay implemented, respectively, by Decree no. 6,500, of July 2, 2008, and 6,518, of July 30, 2008. The new Automotive Agreement Brazil-Uruguay, which took effect from July 1, will be valid for six years and was expected an annual export quota of 6,500 vehicles from Brazil to Uruguay and 20,000 units from Uruguay to Brazil, without payment of Import Duty. These quotas may be expanded gradually, if Brazilian imports increase. The share of Uruguayan armored vehicles, which can be exported to Brazil without payment of tax, was maintained at 1,200 units. One goal of the Automotive Agreement is reducing the asymmetry in the commercial sector, and gradually in the trade as a whole.

The new Brazil-Argentina automotive agreement, also valid for six years, will be governed in its first five years, by new ratios: 1.95 for access from Brazil to Argentina; and 2.5 for the Argentines to the Brazilian market, i.e. for every US$195 that Brazilsells to Argentina, that country can sell US$250 to Brazil without being charged Import Tax on their automotive products. The free market is expected to be deployed in the last year, from July 1, 2013. The new agreement also provides for the expansion of current functions of the Automotive Committee. In addition to tracking the progress of the agreement, the group may propose corrective measures as may be necessary, with an emphasis on increased investment, trade and production of this segment.

Among the issues related to the Mercosur Common External Tariff (TEC), it stood out the inclusion in its Exception List of the quota of one million tons of wheat for import up to 6.30.2008, with total exemption from the ImportTax, through Camex Resolution no. 8, of January 29, 2008. Additionally, were created by Camex Resolution no. 28, of May 13, 2008, two additional quotas of 500 thousand tons each, and through Camex Resolution no. 33, of June 9, 2008, it was extended until 8.31.2008, the deadline for wheat imports from non member countries of the Mercosur within the quota of 2 million tons free of ImportTax.

Camex also approved through Resolution no. 46, of July 3, 2008, the expansion of quotas on imports of remolded tires originating and established for Paraguay and Uruguay, for 168 thousand and 164 thousand units respectively. Previously, the quotas had been set at 120 thousand and 130 thousand, for each country. Such a decision may still be reviewed by the Group of Mercosur that deals with the matter and also by a report from WTO on the dispute brought by the European Union (EU) against Brazil regarding the prohibition of importing retreaded tires.

Regarding the regime of former tariff of Mercosur, at the Council meeting of the Mercosur Common Market (CMC), held on 12.15.2008 approved the CMC Decision no. 58/2008, which again extended deadlines for the tariff revision of these two sectors and of the common rules. Furthermore, the Ad Hoc Group it was created for the Capital Goods Sectors and of Informatics and Telecommunications goods, which will, among other tasks, assume the duties conferred upon the High Level Group to examine the Consistency and Dispersion of the Common External Tariff (Gantec) in both areas.

This same decision consolidated all authorized exceptions and their respective deadlines, granting greater transparency to the negotiations of the new common system of capital goods not produced in the block, whose duration, from 1.1.2009, was extended. In practice, the Scheme would be worth only to Brazil and Argentina, since Paraguay and Uruguay had exceptions allowed until 2010/2011. Mercosur, however, approved a request for waiver of capital goods by the Argentine Government for a further extension, until 12.31.2010, allowing Argentina to maintain temporarily reduced to 0% around 700 tariff codes. Thus, it was again extended to 1.1.2011 of the validity of the Common Regime of Capital Assets, the shareholders remaining entitled to maintain national systems in force until 12.31.2010. Paraguay and Uruguay were allowed to keep their lists of capital goods with tariffs reduced to 0% or 6%, until 12.31.2010, and others, with reduction to 2% until 12.31.2013. Indeed, Brazil may keep until 12.31.2010, the same methodology currently adopted for the granting of ex-tariffs, based on Camex Resolution no. 35 dated November 22, 2006.

Still referring toex-tariffs, the Camex Resolution no. 82, of December 19, 2008, extended all ex- tariffs for capital goods, including special ex-tariffs and Integrated Systems issued and extended from the Camex Resolution no. 22/2007, granted with terms of less than two years. With respect to codes of Informatics and Telecommunications Goods (BIT), was also extended until 12.31.2010, the permission of CMC Decision no. 61/2007 of different fares in the TEC, and by Camex Resolution no. 81, of December 19, 2008, all the ex-tariff BIT issued and extended from the Camex Resolution no. 21, dated June 27, 2007 were extended, which granted periods of less than two years. Brazil can also keep up to that date, the Exception List of BIT, which currently has 77 codes of the Common Mercosul Nomenclature (NCM), which was adjusted by Camex Resolution no. 81, dated December 12, 2008.

The deepening of the international financial crisis, starting in September 2008, induced the implementation of several official actions aimed at ensuring liquidity in foreign currency. In this sense, the federal government extended the deadlines for the collection of taxes through MP no. 447, of November 14, 2008. Camex Resolution no. 70 dated November 4, 2008, established the guidelines for the use of Export Credit Insurance (SCE) in operations of Micro, Small and Medium Enterprises, with the guarantee of the Union, under the terms of the Export Guarantee Fund (FGE), revoking Resolution no. 29, dated March 31, 2008. Likewise, provisions have been regulated on SCE pursuant to Decree no. 6,643, of November 18, 2008. It was also granted through Decree no. 6,701, of December 18, 2008, the tax benefit of accelerated depreciation, in order to encourage productive investment and its reduction in operating profit of the company. Finally, Article 10 of Law no. 9,493, dated September 10, 1997 was ruled, on the suspension of the IPI in the acquisition of materials and equipment, including parts, parts and components, intended for use in construction, maintenance, modernization, conversion or repair of vessels pre-registered or registered in the Brazilian Special Registry (REB), performed by Brazilian shipyards.

The trade promotion activities have taken on greater importance in 2008. Among the initiatives of the Export and Investment Promotion Agency (Apex-Brazil), the Trading Project is worth mentioning, which aims to catalog service providers for distribution and trading of products from small and medium national enterprises in China, Angola, Singapore, United Arab Emirates and Mexico. In addition, Apex-Brazil prepared a strategic plan to enlarge the insertion of Brazilian companies in the Chinese market, including the participation in fairs and trade events in China and opening a Business Center in Beijing. It was inaugurated in Havana the new Brazilian Business Centre, continuing the strategy of internationalization of Brazilian companies, a support which begins at the stage of market research to the distribution of its products. Besides Cuba, Apex-Brazil already has Business Centers in the United States of America (USA – Miami), Poland (Warsaw) and in the United Arab Emirates (Dubai). In relation to the commercial promotion of biofuels, the agency signed with the Sugar Cane Industry Union (Unica) an agreement for the execution of the Project to Promote Abroad the Image of the Brazilian Ethanol. Brazil, the United States and the European Commission released a report on the specifications of ethanol, with the intent of adopting an international standard for its commercialization.

In the sphere of trade protection measures, is was anticipated for 2009 the beginning of activities of the General Coordination for the Defense of Industry (CGDI), which became part of the structure of the Department of Trade Protection (Decom) of Secex. In 2008, Camex imposed six anti-dumping permanent duties, in which was included the conversion of three temporary to permanent rights, such as those applied to imports of indigo blue from Germany, polycarbonate resins from the United States and the European Union, and Polyethylene terephthalate (PET) films originated from Thailand and India. For enterprises of the latter country, compensatory measures have also been applied in the form of specific rates, which aims to offset the effects of imports benefited by subsidies.

Camex Resolution no. 4 of January 24, 2008, suspended for one year the definitive anti-dumping duty applied on Brazilian imports of PET resin from Argentina, the suspension being extended by Camex Resolution no. 80, of December 18, 2008, for another year. Moreover, Camex changed to 11.7% the definitive antidumping duty levied on imports of glyphosate originating from China, the percentage being subsequently reduced to 2.9%. The antidumping duties applied on imports of phenol from the United States and European Union were also maintained.

At the end of 2008, China accounted for most of the trade protection measures applied by Brazil, followed by India and the USA Still in relation to China, it should be registered the non-renewal of the agreement of voluntary restriction to Chinese exports of textiles to Brazil signed in 2006, which regulated exports of 70 products, grouped into eight categories, representing 60% of the total textile trade between the two countries. Limits have been established for the growth of Chinese exports, with quotas for each product. Other similar agreements with the EU and the USA were not renewed by the Chinese Government.

As for health protection in January, the European Union has indefinitely suspended all imports of Brazilian beef, due to a divergence on the number of farms allowed to export beef to the European market. As a result, the EU decided for sending a veterinary mission to the country, having prohibited the imports of Brazilian beef until the completion of the European report on these surveys. In March, Brazil received a technical mission from the European Union, which found weaknesses in the procedures of the production chain of beef, especially the inadequate system of traceability of cattle to the European demands. After negotiations, the European authorities initially allowed exports of 106 rural settlements in Brazil, a figure later raised to about 10% of the 4,300 farms registered in the Brazilian System of Identification and Certification of Bovine and Bubaline Origin by Ministry of Agriculture, Livestock farming and Supply (Sisbov). In late May, the World Organization for Animal Health (OIE) has granted status as free of foot and mouth disease with vaccination for ten Brazilian states and the Federal District, a condition that had been revoked after the occurrence of foot and mouth disease in Mato Grosso do Sul and Parana at the end of 2005. On June 30, the European block announced the release of imports of beef from Paraná and São Paulo. Russia, another major destination market for Brazilian exports of meat, also announced the end of the embargo on beef coming from the Mato Grosso in movement similar to the European block.

Additionally, it stands out the new regulation of the Export Processing Zones (ZPE), particularly bounded localities, in which industries receive tax and foreign exchange incentives and simplified customs treatment, allocating their production to the international market. MP no. 418, of February 15, 2008, converted into Law no. 11,732, of June 30, 2008, supplemented Law no. 11,508, dated July 20, 2007, and set deadlines for completion of infrastructure works necessary for the effective functioning of ZPEs under the risk of annulment of the act that has set them. The rule governs the suspension of taxes on the purchase of equipment and supplies for companies whose gross revenue from export is at least 80% of its overall gross revenue.

Exchange policy

The implementation of exchange policy can be divided into two phases during 2008. In the first three quarters of the year, the monetary authority maintained a strategy of buying foreign currency at the spot market, aiming at the strengthening of international reserves, a total settlement of US$18.6 billion. In the period, the Central Bank maintained, as in previous years, the holding of auctions of reverse exchange swaps, in which takes an active stance on foreign exchange variation and a passive one concerning domestic interest rate, mainly aiming to roll over maturities. As of 10.6.2008, with the deepening of the financial crisis and its contagion to the domestic foreign exchange market, the Central Bank started to offer traditional foreign exchange swap contracts. At the end of the year, these operations resulted in net exposure of US$11.9 billion.

The National Treasury continued its strategy of acquiring resources at the foreign exchange market for payment of interest and principal of external debt of the Republic, having been settled US$7.6 billion in purchases in the market in the year. Furthermore, it carried out in May, the only issue of sovereign debt of the year, of a qualitative character, aiming atextending deadlines, reducing costs and increasing the points of the interest curve, through the reopening of the Global 17, for the amount of US$525 million.

The federal government, through Decree no. 6,339, of January 3, 2008 established an additional rate of 0.38% of IOF on exports, as well as to support the production or exportincentive, in advances of export exchange contract. On the value entered into the country arising from or destined to currency loans with minimum terms of up to 90 days, the IOF was increased from 5% to 5.38% on foreign exchange transactions tied to the import of services and and export of goods, was defined the rate of 0.38%. Further, through Decree no. 6,345, of January 4, 2008, there was an increase from 2% to 2.38% in the IOF rate applied to transactions aimed at complying to liabilities of credit card managers or commercial banks or multiple as credit card issuers, resulting from the acquisition of goods and services from abroad made by its users. In the case of exchange operations of interbank kindthe rate was set to zero; in the other foreign exchange transactions the rate was of 0.38%.

Decree no. 6,391, of March 12, 2008, amended by Decree no. 6,453, of May 12, 2008, established the rate of 1.5% of IOF on settlements of foreign exchange operations for inflow of resources in the country, carried out by foreign investor, in fixed-income investments, effective as of 3.17.2008. For investments in variable income the rate of IOF was maintained at zero. Furthermore, the additional rate of IOF on foreign exchange transactions referring to inflow in the country of export earnings from goods and services was lowered from 0.38% to zero. The adoption of this measure was regulated by CMN Resolution no. 3,547, of March 12, 2008. On the same date, CMN Resolution no. 3,548 amended Resolution CMN no. 3,389/2006 so that Brazilian exporters of goods and services abroad could maintain abroad the totality of resources relating to the receipt of their exports, previously limited to 70%. Both matters were regulated by Circular no. 3,379, of March 13, 2008 of the Central Bank of Brazil.

Despite the deterioration of externaloutlook, the evolution of the balance of payments flows, expressed by five consecutive years of current account surpluses, from 2003 to 2007, has provided significant changes in the external position of the country as the significant growth of international reserves and the reduction of external liabilities, especially the public sector. This new position outside Brazil contributed to reduce the vulnerability of the Brazilian economy to external shocks. Coupled with the maintenance of responsible macroeconomic policies, this situation provided the recognition of Brazil as a secure and stable environment for investment. In April, the risk assessment agency, Standard & Poor’s, raised the country to investment grade, a move that was later in May also confirmed by Fitch Ratings.

The worsening of international financial crisis, from mid-September, entailed significant net outflows in the Brazilian foreign exchange market and exchange rate depreciation. Given this scenario, the Central Bank started to operate in the exchange market as a provider of liquidity in foreign currency. On September 18 it was announced that the monetary authority would sell dollars in the spot market, at an auction with dealers, with the commitment to repurchase them at a preset date. In this modality of auction with buyback, buying and selling foreign exchange contracts are concluded on the same date and same values, with settlements to D + 2 (sale) and established date (purchase). From Circular no. 3,412, of October 13, 2008, the bank purchasing foreign currency now has the release of reserve requirements on Leasing Interbank Deposits in the amount of the equivalent in reais and the maturity of the operation, making this operation, when performed from that date, neutral in relation to the liquidity in domestic currency. At the end of December, these operations totaled US$8.3 billion in net terms.

Loans in foreign currency established by MP no. 442, of October 6, 2008 constitute additional mode of providing liquidity. This legislation authorized the CMN to establish criteria and special conditions for acceptance and evaluation of assets received by the Central Bank as collateral for foreign currency loans in foreign currency. Also according to said MP, the guaranties shall be denominated or referenced in the same currency in which the loan is granted. In case of default, such guaranties may be sold in public offerings, with appropriate outcome to the balance sheet of the Central Bank.

CMN Resolution no. 3,622, of October 9, 2008, regulating the foreign currency loans, limited to 360 days, including renewed at the Libor cost plus a percentage set by the Central Bank in light of market conditions. Two kinds of guarantees have been defined: i) dollar-denominated sovereign bonds issued by Brazil or countries with a rating higher than A, ii) Advances on Exchange Contracts (ACC), Advances on Exchange Delivered (ACE) and other external funding. Then, CMN Resolution no. 3,624, of October 16, 2008, established that the Central Bank should determine that the loans be targeted wholly or in part, to the foreign trade operations.

The foreign currency loans were implemented as follows. From the result of the auction, a line operation with repurchase is initially made, maturing in about 30 days. During this period, banks acquire funding for of ACC/ACE operations and the actual amount to be received in the form of loans in foreign currency will be equal to foreign trade transactions that the bank held and offered as collateral.

In 2008, an auction was held of foreign currency loans with collateral in Brazilian sovereign bonds (Globals) and four auctions with guarantees on ACC/ACE, with the liquidation of the last auction of the year scheduled for January 2009. The settlements reached US$4.7 billion, of which US$1.5 billion as guarantees on Globals and US$3.2 billion in ACC/ACE.

Additionally, the Central Bank resumed as of 10.8.2008, interventions of foreign exchange sales in the spot market, which totaled US$11.1 billion until December. These operations are intended to provide liquidity in temporary situations where domestic financial markets are facing significant shortages of foreign currency. The principles of not influencing the trajectory of the exchange rate, of not fixing to floors or ceilings to that rate and of not adding volatility to the market continue to be observed. Accordingly, on October 10, the monetary authority reaffirmed, in a Press Release, that there are no limits established for its performance in foreign exchange markets.

Also in relation to measures adopted by the Brazilian government as a result of the international crisis, MP no. 443, of October 21, 2008, authorized the Central Bank to carry out currency swaps with central banks in other countries, within the limits set by the CMN. On October 30, through CMN Resolution no. 3,631 it was set up to US$30 billion the maximum amount of such transactions between the Central Bank and the Federal Reserve (Fed).

Aiming at facilitating the access to resources available in the international financial market, Decree no. 6,613, of October 22, 2008, reduced from 1.5% to zero the IOF rate on settlement of foreign exchange transactions of transfers to and from abroad, including through simultaneous operations carried out by a foreign investor, for investment in the financial and capital markets. This measure was regulated by CMN Resolution no. 3,641, of November 26, 2008.

Another important measure concerning the external sector was the creation of the *Fundo Soberano do Brasil* (Brazil's Sovereign Fund). Aiming at helping to prevent crises underlying economic cycles, the government sent Bill no. 3,674, of May 23, 2008 to the Congress, proposing the creation of the FSB with the purpose of promoting investment in assets in Brazil and abroad, forming public savings, mitigating the effects of business cycles and promoting projects of strategic interest to the country located abroad. This project was converted into Law no. 11,887, of December 24, 2008. By MP no. 452 of the same date, the Act was amended, including estimates on the obtaining of resources for the FSB through issuance of securitized debt.

The real ended 2008 quoted at R$2.337/US$, representing a nominal depreciation of 31.9% over the closing quotation of the previous year. Similarly, the indices of real effective exchange rate, deflated by the IPA-DI and IPCA, demonstrate their depreciation of 15.3% and 21.9% of the Brazilian currency against the U.S. Dollar in the year. The sovereign spread measured by the Embi + calculated by JP Morgan, reached 428 points at the end of the year, up 221 points seen in December 2007, registering the lowest value, 179 points on June 2, and the highest, 688 points, on October 23 and 24, following the worsening of the international financial crisis.

Among the measures aimed at improving the foreign exchange market, the highlights were the simplification and consolidation of foreign exchange rules and procedures, implemented by Resolution CMN no. 3,568 of May 29, 2008. By this standard, the institutions forming the National Financial System authorized to operate in the exchange market were authorized to hire, under a contract, corporations in general to negotiate the implementation of unilateral transfers, as defined by the Central Bank. Additionally, legal entities listed in the Ministry of Tourism may carry out operations with foreign currency in cash, checks or traveler's checks, i.e., manual exchange. Financial institutions and other institutions not authorized to deal in foreign exchange may make unilateral transfers and the purchase and sale of foreign currency in the exchange manual modality. Negotiations previously mentioned were limited to US$3,000 each operation. The submission of documents in buying and selling foreign currency operations up to the equivalent of US$3,000 was released but ithe requirement for customer identification was maintained.

Central Bank was authorized the establishment of simplified forms of registering transactions up to the equivalent of US$3,000 and raised, in line with recent changes introduced by Instruction no. 846, of May 12, 2008, of the RFB from US$20,000 to US$50,000, the simplified limit of foreign exchange transactions for import and export held by nonbank financial institutions. This rule came into effect from 7.1.2008, after the revoking of Resolution no. 3,265, dated March 4, 2005 and its subsequent amendments, as well as Resolution no. 3,452, dated April 26, 2007.

Additionally, it can be emphasized the implementation of the Payment System on Local Currency (SML) between Brazil and Argentina. By MP no. 435, of June 26, 2008, the Central Bank was authorized to open credit to the Central Bank of Argentina, up to US$120 million in the form of reciprocal contingency margin in the SML. CMN Resolution no. 3,608, of September 11, 2008, provided on the operation of SML, with the objective of enabling the settlement of trading operations between the two countries in their respective currencies.

Following that same orientation, the issue of CMN Resolution no. 3,657, of December 17, 2008, permited the receiving in *Reais* of export earnings, regardless of the currency in the respective export registration of Siscomex. Previously, the rule only allowed to receive in *Reais* exports registered in *Reais*. Moreover, the standard regulated part of Law no. 11,803/2008, allowing the banks to operate in the exchange market to fulfill payment orders in *Reais* received from abroad through using resources in domestic currency held in deposit accounts in the name of banking institutions domiciled or headquartered abroad.

Exchange movement

As of September 2008, in an environment of widespread losses in financial markets, the intensification of risk aversion by investors and the need for the recovery of losses of head offices abroad, there was a significant net outflow of foreign exchange in the domestic foreign exchange market, resulting in the the first global deficit in this market since 2002.

Net remittances totaled US$983 million in 2008, compared with net inflows of US$87.5 billion in the previous year, the highest ever recorded. Net inflows in the commercial

Table 5.1 – Foreign exchange operations

US$ million

Period		Commercial						Financial			Balance
		Exports				Imports	Balance	Purchases	Sales	Balance	
		Total	Advances on export contracts	Payments in advance	Other						
							(A)			(B)	(C) = (A)+(B)
2006		144 376	38 685	33 182	72 510	86 778	57 598	195 382	215 710	-20 328	37 270
2007	Jan	17 335	2 731	7 551	7 053	7 272	10 063	17 193	23 486	-6 293	3 770
	Feb	12 246	2 850	2 630	6 766	7 547	4 699	19 664	17 386	2 278	6 977
	Mar	13 946	3 839	3 053	7 053	8 070	5 876	26 333	25 561	772	6 647
	Apr	17 081	5 089	3 589	8 404	7 254	9 827	24 043	23 143	900	10 728
	May	13 988	3 587	3 773	6 628	7 993	5 995	27 855	26 906	949	6 944
	Jun	17 572	3 660	3 565	10 348	8 116	9 456	36 405	29 299	7 105	16 561
	Jul	15 025	4 376	2 627	8 021	9 531	5 494	33 779	27 684	6 095	11 588
	Aug	17 224	4 319	4 347	8 557	10 343	6 880	28 518	28 557	- 39	6 841
	Sep	12 521	2 964	2 841	6 715	10 540	1 980	23 688	25 671	-1 983	- 3
	Oct	16 569	4 633	3 615	8 321	10 674	5 895	36 909	36 082	828	6 722
	Nov	17 232	4 334	4 393	8 505	9 927	7 304	32 308	34 331	-2 023	5 281
	Dec	14 025	3 787	3 299	6 939	10 749	3 276	41 588	39 467	2 121	5 397
	Year	184 764	46 169	45 284	93 310	108 018	76 746	348 281	337 573	10 708	87 454
2008	Jan	15 307	3 341	4 139	7 827	11 134	4 173	32 608	39 138	-6 530	-2 357
	Feb	12 343	2 908	2 943	6 492	9 678	2 665	28 662	28 081	581	3 246
	Mar	16 532	3 868	3 877	8 787	9 869	6 663	40 899	39 511	1 388	8 051
	Apr	19 683	4 076	7 567	8 041	11 256	8 427	30 529	32 233	-1 704	6 723
	May	14 674	3 527	4 215	6 932	11 752	2 922	33 894	36 668	-2 774	149
	Jun	17 739	4 015	4 487	9 237	13 039	4 700	49 489	55 067	-5 578	- 877
	Jul	17 090	4 343	3 512	9 235	14 453	2 637	44 683	49 813	-5 130	-2 494
	Aug	16 021	4 322	3 303	8 396	11 927	4 094	47 241	49 390	-2 150	1 944
	Sep	19 241	5 254	3 992	9 994	12 251	6 990	30 113	34 299	-4 186	2 803
	Oct	14 458	3 695	2 656	8 107	12 848	1 610	29 046	35 295	-6 249	-4 639
	Nov	13 492	3 683	2 384	7 425	10 353	3 139	18 690	28 988	-10 298	-7 159
	Dec	11 405	3 077	2 230	6 098	11 524	- 119	35 386	41 640	-6 254	-6 373
	Year	187 984	46 110	45 305	96 569	140 084	47 900	421 240	470 123	-48 883	- 983

segment reached US$47.9 billion, compared with US$76.7 billion in 2007, reflecting increases of 1.7% in the hiring of foreign exchange export and 29.7% in respect of import. In the financial segment, there were net outflows of US$48.9 billion, compared with net inflows of US$10.7 billion in 2007, resulting from increases of 21% in purchases of foreign currency and 39.3% in sales.

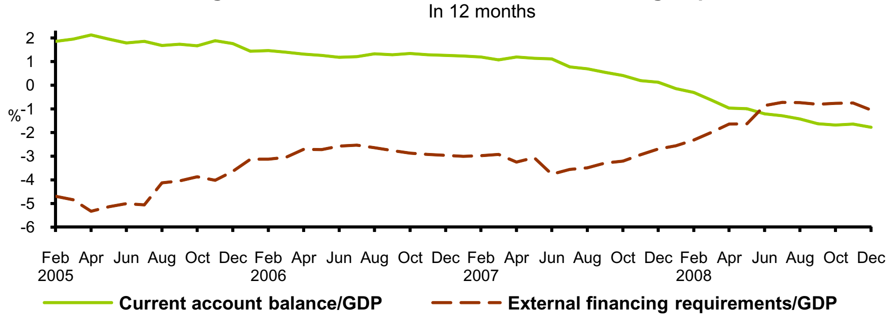
The reversal of the international economic scenario, with developments on theexternal credit, reflected in the performance of the Central Bank foreign exchange market. In this context, the intervention on purchases of U.S. dollars in the spot market, expressed in acquisitions of US$78.6 billion in 2007 and US$18.7 billion in the first nine months of 2008, reverted to cash sales, which totaled US$11.1 billion from October to December. On the other hand, the modalities of lines with repurchase of foreign currency loans resulted in net sales of U.S. currency in the amount of US$13 billion in the last four months of 2008.

In 2008, the demand for foreign exchange market was met by the net supply of commercial banks, with a reduction of US$6.3 billion in long position, supplemented by assistance from the Central Bank, through which US$5.4 billion were sold. This scenario contrasts with that of 2007, in which Central Bank bought US$78.6 billion through interventions.

Balance of payments

Current transactions, after posting surplus results for five consecutive years, returned to record deficit in 2008. The reversal, which began in mid-2007 showed the impact of the trajectory of recent expansion of the Brazilian economy on the growth rates of imports, which remained at a level significantly above that of exports, and the increase in net remittances of services and profits and dividends. The performance of the financial account keeps reflecting the significant net inflows of FDI which reached a record volume in 2008, compared with net outflows of foreign capital related to

Graph 5.1
Foreign direct investments and external financing requirements
In 12 months



External financing requirements = current account deficit - net foreign direct investments portfolio investments, especially shares; the short-term loans; and the reduction in the rate of rollover of loans and securities of medium and long-term, concentrated in the last quarter of the year.

Table 5.2 – Balance of payments

US$ million

Itemization	2007			2008		
	1st half	2nd half	Year	1st half	2nd half	Year
Trade balance - FOB	20 584	19 447	40 032	11 293	13 453	24 746
Exports	73 214	87 435	160 649	90 645	107 298	197 942
Imports	52 630	67 988	120 617	79 351	93 845	173 197
Services	-6 019	-7 200	-13 219	-8 143	-8 529	-16 672
Credit	11 065	12 890	23 954	14 176	16 269	30 445
Debit	17 083	20 090	37 173	22 319	24 798	47 117
Income	-14 088	-15 203	-29 291	-21 917	-18 645	-40 562
Credit	5 002	6 491	11 493	6 329	6 182	12 511
Debit	19 090	21 694	40 784	28 246	24 826	53 072
Current unilateral transfers (net)	1 944	2 085	4 029	1 854	2 334	4 188
Credit	2 358	2 613	4 972	2 531	2 823	5 354
Debit	-415	-528	-943	-677	-489	-1 166
Current account	2 421	-870	1 551	-16 912	-11 387	-28 300
Capital and financial account	60 679	28 407	89 086	40 255	-7 269	32 986
Capital account[1/]	342	414	756	421	670	1 091
Financial account	60 337	27 993	88 330	39 834	-7 939	31 895
Direct investment (net)	24 278	3 240	27 518	8 131	16 472	24 603
Abroad	3 426	-10 493	-7 067	-8 579	-11 878	-20 457
Equity capital	-4 620	-5 471	-10 091	-6 261	-7 599	-13 859
Intercompany loans	8 046	-5 022	3 025	-2 318	-4 280	-6 598
In the reporting country	20 852	13 733	34 585	16 710	28 351	45 060
Equity capital	15 168	10 907	26 074	10 713	19 351	30 064
Intercompany loans	5 684	2 826	8 510	5 997	9 000	14 996
Portfolio investments	24 128	24 263	48 390	13 292	-12 159	1 133
Assets	-52	338	286	10	1 891	1 900
Equity securities	-686	-727	-1 413	-52	309	257
Debt securities	634	1 065	1 699	61	1 582	1 643
Liabilities	24 179	23 925	48 104	13 283	-14 050	-767
Equity securities	7 584	18 634	26 217	4 828	-12 393	-7 565
Debt securities	16 595	5 291	21 887	8 455	-1 656	6 798
Financial derivatives	-248	-462	-710	-380	68	-312
Assets	88	0	88	-15	313	298
Liabilities	-336	-463	-799	-365	-245	-610
Other investments[2/]	12 179	952	13 131	18 791	-12 319	6 471
Assets	-19 260	709	-18 552	-1 577	-2 589	-4 167
Liabilities	31 440	243	31 683	20 368	-9 730	10 638
Errors and omissions	-1 489	-1 663	-3 152	-4 105	2 387	-1 718
Overall balance	61 610	25 874	87 484	19 238	-16 269	2 969
Memo:						
Current account/GDP (%)	0.37	-0.13	0.12	-2.18	-1.40	-1.78
Medium and long term amortizations[3/]	23 257	14 941	38 198	10 471	11 894	22 366

1/ Includes migrants' transfers.

2/ Includes trade credits, loans, currency and deposits, other assets and liabilities and exceptional financing.

3/ Includes medium- and long-term trade credit repayments, medium- and long-term loan repayments, redemptions of medium and long-term debt instruments issued abroad.
Excludes Monetary Authority loan repayments and intercompany loan repayments.

In the first three quarters of 2008, international reserves have gone through a significant increase, reaching a record level of US$208.7 billion. During the year, the public external debt remained downward. The accumulation of international reserves and the improving profile of public debt contributed to the continuing process of strengthening of Brazil's external position, reinforcing the strength of the economy to external shocks.

For the eighth consecutive year, the result of the balance of payments was positive, registering surpluses of external financing, defined as the sum of the result in current account and net flows of FDI, from US$16.8 billion in the year, 1.06% of GDP, compared with US$36.1 billion in 2007, equivalent to 2.71% of GDP.

In 2008, the accumulated a current account deficit of US$28.3 billion, equivalent to -1.78% of GDP, compared to a surplus of US$1.6 billion, 0.12% of GDP in 2007, a reversal associated with the reduction of the trade surplus and an increase in the deficit in services and income accounts, resulting in growth of net remittances of profits and dividends. The capital and financial accounts were positive at US$33 billion in the year. The balance of payments surplus reached US$3 billion.

Trade balance

The trade balance registered a surplus of US$24.7 billion in 2008, the eighth consecutive positive result, but 38.2% lower than that reported in the previous year. Exports rose by 23.2%, reaching US$198 billion, and imports grew 43.6% to US$173 billion, increasing the trade flow by 32%.

Table 5.3 – Trade balance – FOB

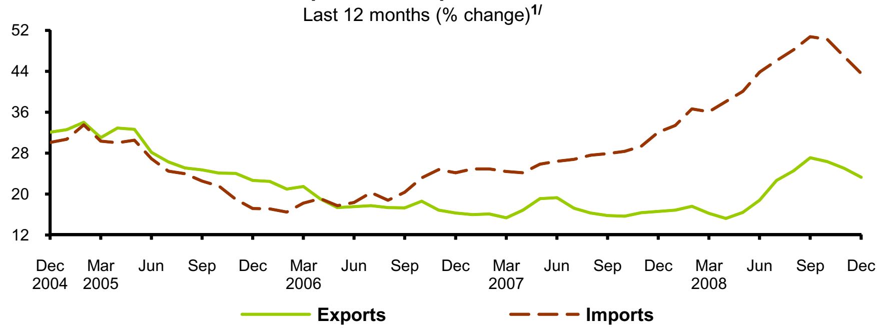
US$ million

Year	Exports	Imports	Balance	Trade flow
2007	160 649	120 617	40 032	281 267
2008	197 942	173 197	24 746	371 139
% change	23.2	43.6	-38.2	32.0

Source: MDIC/Secex

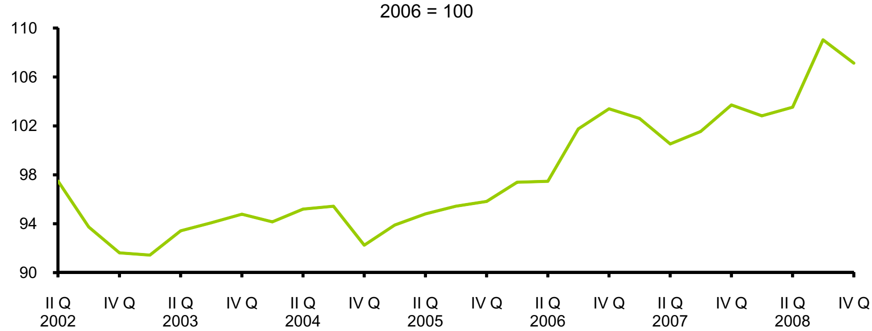
It is noteworthy that the accumulated values over twelve months on both the exports and imports showed a strong growth trajectory in the first three quarters, compared to the corresponding periods of 2007, a performance reversed in the last quarter. This movement also occurred in terms of trade, which reached in October, the highest value since the introduction of the floating exchange rate, becoming an important factor to offset the lower growth in the exported quantity *vis-à-vis* the one imported in recent years.

Graph 5.2
Exports and imports – FOB
Last 12 months (% change)1/



Source: MDIC/Secex
1/ From the same period of the previous year.

Graph 5.3
Terms of trade index
2006 = 100



Source: Funcex

The annual increase in the value of exports in 2008 reflected the average increase of 26.3% on those prices, as opposed to a decrease of 2.5% observed in exports. The behavior of prices reflected the expansion recorded in the categories of basic goods, 41.2%,; semi-manufactured goods, 25.3%; and manufactured goods 16.2%, while exported quantities reported their annual variations of 0.2%, -0, 9% and -5%.

Table 5.4 – Exports price and volume indices

Change from the previous year (%)

Itemization	2007		2008	
	Price	Volume	Price	Volume
Total	10.5	5.5	26.3	-2.5
Primary products	14.5	11.8	41.2	0.2
Semimanufactured goods	10.9	0.7	25.3	-0.9
Manufactured goods	8.4	3.2	16.2	-5.0

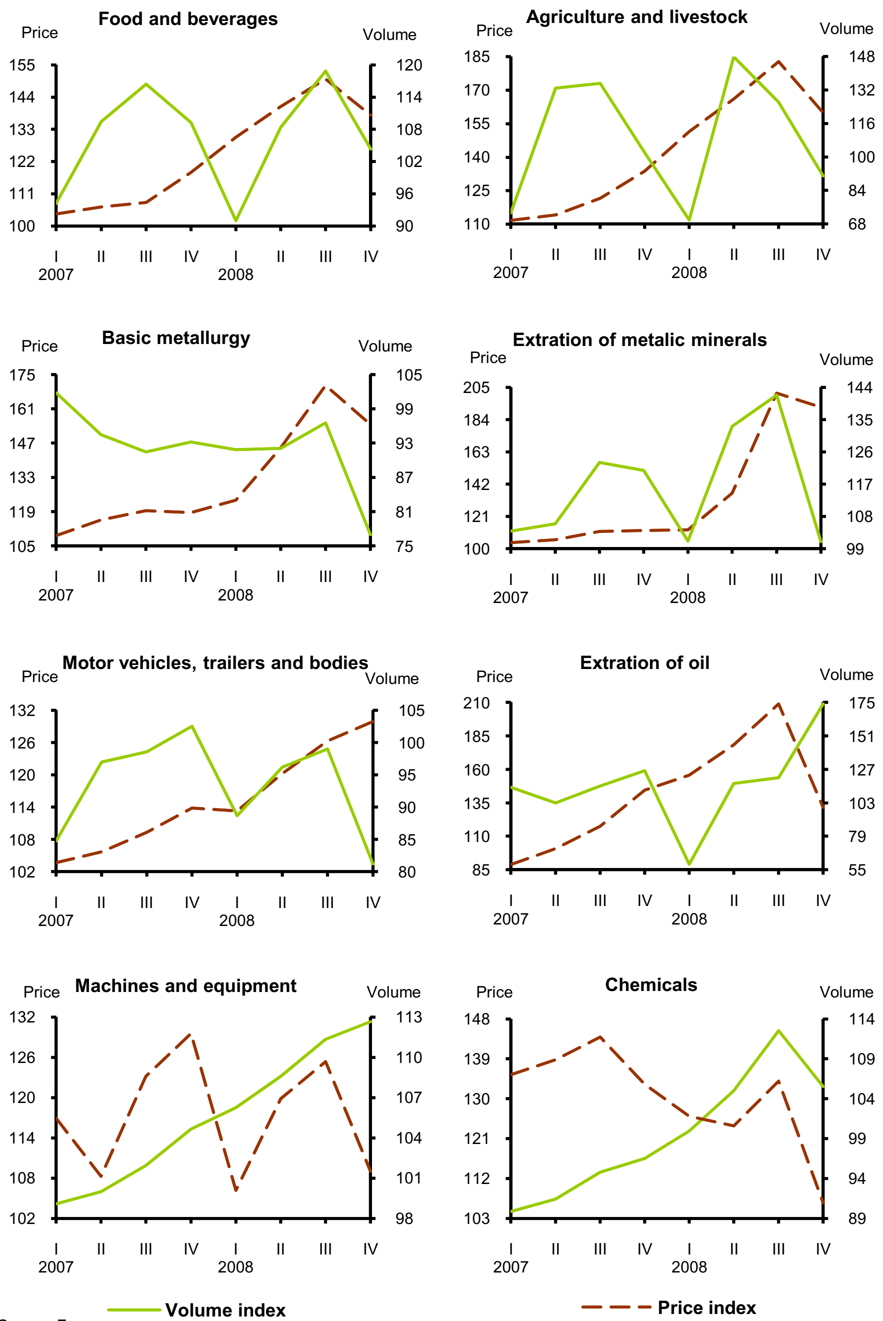
Source: Funcex

The main basic products showed significant price increases in 2008, with emphasis on soybeans, iron ore, soybean meal, petroleum and beef, all above 40%. Regarding the category of semi-manufactured goods, the highest growth rates occurred in the items unrefined pig iron and spiegel iron, soybean oil, raw, semi-manufactured products of iron or steel and iron-alloys, reaching rates of around 50%. Manufactured products,

Graph 5.4

Quarterly price indices and volume of Brazilian exports

2006 = 100



Source: Funcex

which experienced more competition in the world market, turned in, in general, more moderate expansion in prices, except for fuel oil and transmitters or receivers and components, with rates above 40%. This category, while recording the highest number of items with an annual reduction in the quantity exported, incorporated the observed increase of 43.3% in sales of ethanol.

The behavior of prices in eight major exporting sectors shows that the upward trend of those associated with the main basic commodities, even in the backdrop scenario of significant reductions in recent months of the year. The most significant increase occurred in the petroleum extraction sector, 49.5%; followed by metallic minerals, especially iron, 48.3%; agriculture and livestock, with emphasis on soybean and meat, 37.3%; basic metallurgy, influenced by the rise in price of iron ore, 28.3%; and food and beverages, 27.9%. The price rise was accompanied, in most industries, by a shrinkage in thevolume, reaching 7.8% in chemicals; 6.2% in metallurgy; and 4.6% in automotive vehicles, trailers and chassis. Conversely, the exported quantities of metallic minerals and oil posted respective annual increases of 5.1% and 2.8%.

The evolution of the value of imports reflected increases of 22% in the prices, 13.8 p.p. higher than that reported in 2007, and 17.7% in the quantity imported, 4.3 p.p. less than in preceding years.

Prices of fuels and lubricants soared with greater intensity, 46.5%, an evolution consistent with the path of petroleum prices, while the quantity imported in that category rose 2%, reflecting increased domestic petroleum production. The highlights were the purchases of petroleum and fuel oil, both registering price increases around 48%, and their variations in the amount imported from -8.5% and 14.1%.

The evolution of acquisitions in the use category of raw materials and intermediate products reflected the occurrence of both price increases, 20.3%, and in the quantity imported 17.9%. Among the major imported items in this category, it should be noted increases in prices for raw materials for agriculture, 116%, mainly potassium chloride and fertilizers, and mineral products, 24.4%, among which naphtha and flat rolled steel. The item that showed the most relevant expansion of acquired amount was accessories of transportation equipment, 18.8%, especially auto parts. It should also be noted the annual reductions related to the volume of imports of integrated circuits and electronic microassemblies, 15.9%; fertilizers, 14.6%; and naphtha, 11.1%.

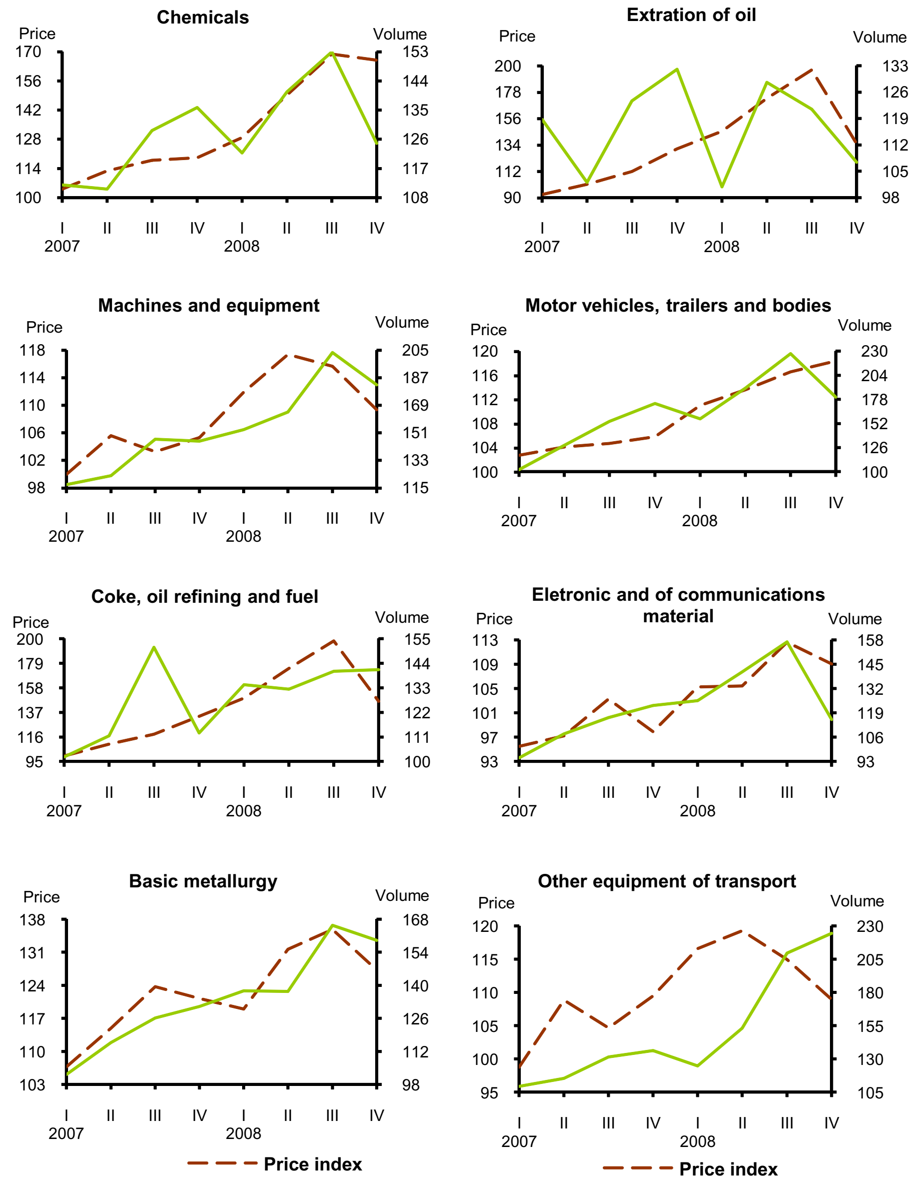
External purchases of capital goods recorded increases of 34.5% in the quantity imported, an important result for the expansion of domestic productive capacity, and 10.1% in prices. Considering the most significant items of that end use category, emphasis should be given to the increases in the volumerelated to mobile transportation equipment, 51.4%, in particular aircraft and cargo vehicles, and industrial machinery, 43.3%, especially earthmoving, cargo lifting, loading, and unloading, machinery and electric motors, generators and transformers. The items which recorded the most representative price increases were mobile transportation equipment, 21%; and office and scientific service equipment, 12.9%.

The performance of purchases of consumer durables was associated mainly to the increase of 42.9% recorded in the quantity purchased abroad, compared with 8.8% rise in prices. Passenger cars, representing 42% of this category imports, experienced

Graph 5.5

Quarterly price indices and volume of Brazilian imports

2006 = 100



Source: Funcex

Table 5.5 – Exports price and volume indices

Change from the previous year (%)

Itemization	2007		2008	
	Price	Volume	Price	Volume
Total	8.2	22.0	22.0	17.7
Capital goods	2.9	32.1	10.1	34.5
Intermediate goods	8.5	19.6	20.3	17.9
Durable consumer goods	0.4	50.6	8.8	42.9
Nondurable consumer goods	14.9	14.1	14.2	11.1
Fuels and lubricants	11.0	19.9	46.5	2.0

Source: Funcex

increases of 57.4% in the volume and 7.5% in prices, followed by respective changes associated with machines and household appliances, 18.9% and 31.1% in prices, and objects of personal adornment, personal use and other objects, 19.2% and 8.7%.

The quantity imported and the prices of nondurable consumer goods increased, in the order, 11.1% and 14.2% in the year. Pharmaceutical products, the main item in this category in 2008, recorded an increase of 36.2% in the quantity imported and 12.9% / decrease in prices. Additionally, it should be noted the respective variations related to the items of clothing and other textile products, -2.8% and 31.9%, and food products, 14.6% and 16.4%.

Average daily exports of basic products grew annually 39.9% in 2008, followed by increases related to the categories of semi-manufactured products, 22.7%, and manufacturing, 9.1%, it recorded the lowest growth in recent four years.

Table 5.6 – Exports by aggregate factor – FOB

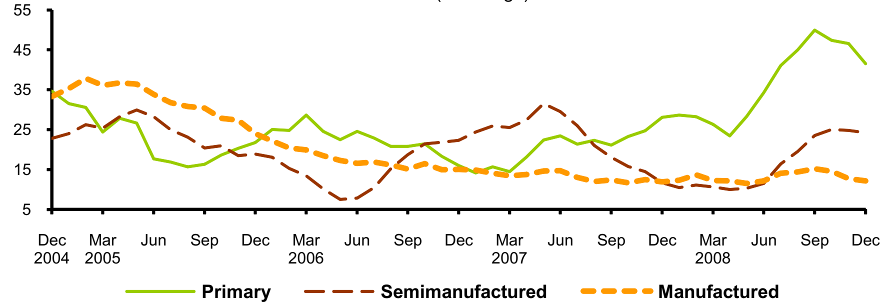
US$ million

Itemization	2004	2005	2006	2007	2008
Total	96 678	118 529	137 807	160 649	197 942
Primary products	28 529	34 732	40 285	51 596	73 028
Industrial products	66 571	81 315	94 541	105 743	119 756
Semimanufactured goods	13 433	15 963	19 523	21 800	27 073
Manufactured goods	53 137	65 353	75 018	83 943	92 683
Special transactions	1 579	2 482	2 981	3 311	5 159

Source: MDIC/Secex

The daily average foreign sales of commodities reached US$289 million in 2008, stressing that the top five products in the list accounted for 70.2% of the total. Average daily exports of soybeans amounted to 61.3% in the year, followed by the expansions on iron ore, 54.8%; petroleum, 50.4%; soybean meal, 45.8%. and meat chicken meat,

Graph 5.6
Exports by aggregate factor – FOB
Last 12 months (% change)1/



Source: MDIC/Secex
1/ From the same period of the previous year.

36.4%, associated increases, particularly the behavior of their prices in order to export quantities of the above items totaled a maximum of 7.4%.

Asian countries were the main destination of exports ofbasic products, US$93.7 million, representing 32.4% of shipments of the category and 63.3% of total average daily exports

Table 5.7 – Exports – FOB – Major primary products

% change 2008/2007 – Daily average

Products	Value	Price1/	Weight2/	Participation3/
Iron ore and concentrates	54.8	49.8	3.3	22.6
Petroleum oils, crude	50.4	49.5	0.6	18.6
Soybean including grinded	61.3	58.1	2.0	15.0
Meat and edible offal of chicken	36.4	27.0	7.4	8.0
Oil-cake and other residues from soybeans	45.8	49.8	-2.7	6.0
Coffee, not roasted	20.9	16.2	4.0	5.7
Meat of bovine animals	13.6	44.5	-21.4	5.5
Tobacco, unmanufactured; tobacco refuse	20.8	25.3	-3.5	3.7
Maize, unmilled	-27.6	24.5	-41.9	1.9
Meat of swine	16.0	38.7	-16.3	1.9
Cupper ore and concentrates	14.5	4.1	10.0	1.6
Cotton, not carded or combed	35.7	8.1	25.6	1.0
Salted meat, including poultry	54.1	-3.5	59.6	0.9
Manganese ores and concentrates	446.3	250.2	56.0	0.8
Bovine animals, live	45.2	50.4	-3.4	0.5
Kaolin and other kaolinic clays	15.0	-0.1	15.1	0.5
Rice, including broken	477.1	127.1	154.1	0.4
Guts, bladders and stomachs of animals	46.2	56.0	-6.2	0.4
Aluminum ores and concentrates	21.5	14.4	6.3	0.4
Edible meat offal	45.1	39.5	4.0	0.3
Other primary products	11.0	-	-	4.3

Source: MDIC/Secex
1/ Percentual change of the unit value in US$/kg terms.
2/ Percentual change of weight in kilograms.
3/ Percentual participation in primary products group total.

for the region, registering an annual growth of 57 %. The main basic products exported to Asia were iron ore, 37% of total sales to the region; soybean, 27.1%, chicken meat, 8.4%; petroleum, 7.2%; and tobacco leaves, 3.1%. China was the destination of 53.6% of the commodities exported to the region, followed by Japan, 16.7%, South Korea, 6.9% and Hong Kong, 5.8%.

Average daily exports of commodities to the EU totalled US$85.8 million, representing 29.7% of shipments of that category and 46.8% of exports to the block, and rising 17.9% when compared to 2007. The main products purchased by the EU were iron ore, 20.8% of the total; soybean, 18%; soybean meal, 15%; raw coffee beans, 11.7%; and petroleum, 8.4%, whose daily average sales fell 2.7% in the year, contrasting with a 42.7% increase recorded for overall sales in all the other items considered. The main countries of destination of commodities within the EU were the Netherlands, 20.2%; Germany 19.8%; Spain 11.3%; France 10.7%; and Italy 9.8%.

The average daily sales of commodities to Latin America and the Caribbean totaled US$36.9 million, meaning 12.8% of shipments of the category and 18.2% of Brazilian exports to the region, and rising 82.7% in the year with emphasis on the expansion of 89.2% marked in petroleum shipments. Island of St. Lucia became the main importer of commodities in the region, acquiring 38.3% of the total, followed by Chile, 16.8%; and Venezuela, 14.9%.

The average daily purchases of Brazil's basic products by the USA totaled US$24.8 million, representing 8.6% of total shipments of the category and 22.6% of exports to that country, and registering an annual increase of 27.1%. The two main products for the USA were petroleum, 69.5% of the total and green coffee beans, 11.3%.

The average daily sales of basic products to other countries totaled US$47.6 million, representing 16.5% of shipments of the category and 34.2% of Brazilian exports to those countries, and registering an annual increase of 38.8%. The main basic products demanded by these countries were beef, 24.6% of the total; chicken, 23.5%; iron ore, 16.8%; and pork, 8.5%. Sales to this group of countries were focused on Russia, 23.6% of the total; Saudi Arabia 13.6%; Egypt 5.3%; and Iran, 5.1%.

Average daily exports of semi-manufactured goods totaled US$107 million in 2008, rising 22.7% in the year. Among the items in the category, emphasis is to shipments of semi-manufactured products of iron or steel, 14.8% of the total; cellulose, 14.4%; raw sugar, 13.5%; unrefined pig iron and spiegel iron, 11.6%; iron-alloys, 8.5%; and crude soybean oil, 7.3%. These products accounted for 70.1% of sales in this category.

Asia was the main region of destination of the Brazilian semi-manufactured products in the year, reaching US$33 million per day, representing 30.9% of shipments of the category and 22.3% of total exports directed to the region. These sales, which rose

38.1% in the year, focused on semi-manufactured products of iron or steel, 24,4% of the total; crude soybean oil, 13.1%; cellulose, 12.3%; iron- leagues, 12.1%; leather and skins, 10.3%; and iron and spiegel, 9.4%; totaling 81.6% of the total, with a daily average annual growth of 64.1%. China was the main destination in the region, 30.9% of the total followed by Japan, 16.1%; South Korea, 14.3%; Taiwan 9.9%; Thailand 6.1%; and Indonesia, 4.9%.

Table 5.8 – Exports by aggregate factor and by region – FOB

Daily average – US$ million

Product	2007	2008			
	Value	Value	Change from 2007 (%)	Share (%)	
				Total	Blocs
Total	643	782	21.8	100.0	-
Basic	206	289	39.9	36.9	-
Semimanufactured	87	107	22.7	13.7	-
Manufactured	336	366	9.1	46.8	-
Special transactions	13	20	54.0	2.6	-
Latin America and Caribe	167	202	21.0	25.9	100.0
Basic	20	37	82.7	4.7	18.2
Semimanufactured	6	7	14.4	0.9	3.6
Manufactured	140	158	12.9	20.2	78.1
Special transactions	1	0	-61.6	0.0	0.2
Mercosur	69	86	23.8	11.0	100.0
Basic	3	4	49.4	0.5	4.9
Semimanufactured	2	3	27.6	0.3	3.0
Manufactured	64	79	22.6	10.1	92.0
Special transactions	0	0	-39.0	0.0	0.1
USA[1/]	101	109	7.9	14.0	100.0
Basic	19	25	27.1	3.2	22.6
Semimanufactured	17	19	14.0	2.5	17.8
Manufactured	64	65	0.5	8.2	59.0
Special transactions	0	1	15.9	0.1	0.5
European Union	162	183	13.4	23.4	100.0
Basic	73	86	17.9	11.0	46.8
Semimanufactured	23	27	15.4	3.5	14.7
Manufactured	65	70	6.8	8.9	38.0
Special transactions	0	1	215.4	0.1	0.5
Asia	100	148	47.5	18.9	100.0
Basic	60	94	57.0	12.0	63.3
Semimanufactured	24	33	38.1	4.2	22.3
Manufactured	17	21	26.9	2.7	14.2
Special transactions	0	0	47.5	0.0	0.2
Others	112	139	24.4	17.8	100.0
Basic	34	48	38.8	6.1	34.2
Semimanufactured	16	20	23.0	2.6	14.5
Manufactured	50	53	6.6	6.8	38.1
Special transactions	12	18	60.2	2.4	13.2

Source: MDIC/Secex

1/ Includes Puerto Rico.

The average daily sales of semi-manufactured products to the EU amounted to US$27 million, representing 25.3% of shipments of the category and 14.7% of Brazilian exports to the block, with an annual rise of 15.4%. The main items directed to block were cellulose, 28.5% of the total; iron-alloys, 11%; leather, 10%; copper cathodes, 8.7%; semi-manufactured products of iron or steel 5.7%; and unrefined soybean oil, 5%. It is noteworthy, considering the daily averages, the growth of 172% in sales of crude soybean oil and decline in respect of semi-manufactures of iron or steel, 18.6%, and leather and skins, 15.8%. The main destinations on the block were the Netherlands, 34% of the total; Italy, 19.9%; Belgium 12.6%; Germany 8%; and the United Kingdom, 7.1%.

Table 5.9 – Exports – FOB – Major semimanufactured goods

% change 2008/2007 – Daily average

Products	Value	Price1/	Weight2/	Participation3/
Iron or nonalloy steel semifinished products	69.0	53.9	9.8	14.8
Chemical wood pulp	28.0	18.2	8.3	14.4
Cane sugar, raw	15.2	6.5	8.2	13.5
Pig iron and spiegeleisen	66.5	59.2	4.6	11.6
Iron alloys	55.6	49.9	3.8	8.5
Soybean oil, crude	60.5	57.8	1.7	7.3
Hides and skins	-15.6	14.7	-26.4	6.9
Aluminum, unwrought, not alloyed	-7.7	-0.7	-7.0	5.2
Gold, nonmonetary in semimanufactured forms	29.0	26.4	2.0	3.8
Wood, sawn or chipped lenghtwise	-27.5	12.4	-35.5	2.5
Cooper cathodes	-1.2	9.5	-9.8	2.5
Aluminum alloys, unwrought	-17.0	1.2	-18.0	2.1
Synthetic rubber and artificial rubber	6.6	39.3	-23.5	1.2
Nickel cathodes	-46.2	-29.9	-23.3	0.8
Cocoa butter, fat or oil	11.7	42.4	-21.5	0.6
Wood in chips or particles	21.1	22.9	-1.5	0.5
Nickel mattes	-38.1	-40.2	3.5	0.4
Tin, unwrought, not alloyed	30.2	24.2	4.8	0.4
Zinc, unwrought, not alloyed	-45.2	-28.7	-23.1	0.3
Vegetable waxes	23.7	27.4	-2.9	0.3
Other semimanufactured products	5.5	-	-	2.3

Source: MDIC/Secex

1/ Percentual change of the unit value in US$/kg terms.

2/ Percentual change of weight in kilograms.

3/ Percentage participation in semimanufactured products group total.

Average daily exports of semi-manufactured products to the USA totaled US$19.5 million in 2008, meaning 18.2% of shipments of the category and 17.8% of Brazilian exports to that country, and an increase of 14% when compared to 2007. Sales of pig iron and spiegel iron represented 38% of the total, followed by those for cellulose, 15.9%; semi-manufactured products of iron or steel, 11.1%; and gold in semi-manufactured forms, 10.9%.

Average daily exports of semi-manufactured products to Latin America and the Caribbean reached US$7.2 million, with a 6.7% share of shipments in the category and 3.6% of Brazilian exports to these countries, and registering an annual increase of 14.4 %. The highlights were sales of semi-manufactured products of iron or steel, 28.5% of the total; iron-alloys, 11%; raw sugar, 7.5%; raw aluminum, 6.7%; pig iron and Spiegel iron, 5.1%; and unwrought aluminum alloys, 5%. The main destinations in the region were Argentina, 31.3% of the total; Mexico, 26.4%, Venezuela 8.9%, and Colombia, 8.3%.

Table 5.10 – Exports – FOB – Major manufactured goods

% change 2008/2007 – Daily average

Products	Value	Price[1/]	Weight[2/]	Participation[3/]
Airplanes	15.1	5.7	8.8	5.9
Passenger motor vehicles	4.4	15.7	-9.7	5.3
Parts and acessories for motor cars and tractors	8.9	19.6	-9.0	3.8
Fuel oils	27.8	42.4	-10.2	3.2
Transmission and reception apparatus, and components	7.1	40.7	-23.9	2.8
Ethyl alcohol, undenatured	59.8	11.6	43.3	2.6
Motor vehicles for the transport of goods	4.7	15.1	-9.1	2.3
Electric motors, generators and transformers; parts thereof	25.4	22.3	2.6	2.3
Tractors	22.8	11.8	9.8	2.1
Iron or nonalloy steel flat-rolled products	-25.0	31.0	-42.8	2.1
Footwear, parts and components	-2.8	10.6	-12.0	2.0
Cane sugar, refined	-8.1	10.0	-16.4	2.0
Civil engineering and contractors' plant and equipment	13.8	17.5	-3.1	1.9
Passenger motor vehicles engines' parts	1.6	12.9	-10.0	1.8
Pumps, compressors, fans and others	4.2	23.9	-15.9	1.8
Gasoline	-11.1	28.3	-30.7	1.8
Aluminum oxide and aluminum hydroxide	18.1	0.3	17.7	1.7
Pneumatic rubber tires	6.7	16.3	-8.2	1.6
Drilling or production plataforms, dredgers etc	115.1	447.0	-60.7	1.6
Chassis fitted with engines and bodies for motor vehicles	18.1	10.3	7.0	1.4
Polymer of ethylene, prophylene and sthyrene	-16.3	17.8	-28.9	1.4
Iron and steel bars and rods	12.9	54.3	-26.9	1.2
Orange juice, frozen	-26.7	-7.0	-21.2	1.2
Passenger motor vehicles engines	7.4	9.1	-1.5	1.1
Paper and paperboard used for writing, printing etc.	14.9	11.6	2.9	1.1
Furniture and parts thereof, except for medical-surgical use	-3.0	11.3	-12.8	1.0
Tubes of cast iron, iron and steel and parts	31.6	30.9	0.6	0.9
Prepared meals of the meat of bovine animals	21.5	28.6	-5.5	0.9
Orange juice, not frozen	18.7	2.7	15.6	0.9
Agricultural machinery (except tractors)	42.9	16.3	22.8	0.9
Other manufactured products	8.9	-	-	39.2

Source: MDIC/Secex

1/ Percentual change of the unit value in US$/kg terms.

2/ Percentual change of weight in kilograms.

3/ Percentage participation in manufactured products group total.

Average daily shipments of semi-manufactured products to other countries totaled US$20.3 million, representing 18.9% of exports of the category and 14.5% of Brazilian sales to these countries, and registering an annual increase of 23%. Among the products targeted to these countries, one should underscore the share on sales of raw sugar, 56.8% of the total; semi-manufactured products of iron or steel, 9.8%; crude soybean oil, 9.2%; and unwrought aluminum, 8.9%. The main countries of destination in this group of countries were Russia, 23% of the total; Switzerland, 13.9%; Egypt 6.9%; Iran 6.4%; Canada 6%; and Nigeria, 5, 4%.

Average daily exports of manufactured goods totaled US$366 million in 2008, reducing – though showing daily average annual increase of 9.1% – their share of the country's total foreign sales from 52.3% in 2007 to 46.8 %. Among the thirty most significant items in the category, twenty-nine registered growth in prices, registering 7% reduction in the heading orange juice. The main items exported in 2008 were aircraft, 5.9% of the total; passenger cars, 5.3%; auto parts, 3.8%; fuel oil, 3.2%; transmitters and receivers, 2.8%; ethanol, 2.6%; cargo vehicles, 2.3%; engines, generators, electric transformers, 2.3%; tractors, 2.1%; and flat-rolled steel, 2.1%. Iron or steel flat-rolled products were the only ones with lowerprices, 25% compared to 2007, contrasting with a 59.8% increase in sales of ethanol, the largest growth among the top ten items listed.

The daily average sales of manufactured goods to Latin America and the Caribbean totaled US$158 million, representing 43.1% of shipments of category and 78.1% of Brazilian exports to the block, and registering an annual expansion of 12.9%. Among the main items exported to the region, are those related to the automobile industry, like passenger cars, auto parts, cargo vehicles, chassis-engine and chassis, and engines for automobiles, these representing 22.5% of the total; transmitters or receivers, 5.3%; fuel oil, 2.9%; flat-rolled products, 2.8%; tractors, 2.8%; and tires, 2.2%. Argentina was the main destination for Brazilian manufactured products in the region, 40.4% of the total, followed by Mexico, 9%; Venezuela 8.9%; Chile 7.8%; Paraguay 5.9%; and Colombia, 5.1%.

Average daily shipments of Brazilian manufactured products to the EU totaled US$69.7 million, representing 19% of exports of this category and 38% of sales to the block, and registering an annual increase of 6.8%. The main products shipped were passenger cars, 6.2% of total; planes, 4.4%; not frozen orange juice, 4.2%; ethanol, 3.9%; auto parts, 3.9%; and fuel oil, 3.8%. The main destination countries for manufactured products within this block were Germany, 22.6%; Netherlands 21.4%; Belgium 11.1%; United Kingdom 10.9%; France 8.4%; and Italy, 7.2%.

Average daily exports of manufactured goods to the USA totaled US$64.5 million, representing 17.6% of shipments of this category and 59% of the sales to the country, and registering an annual rise of 0.5%. Stood out in the year, sales of aircrafts, 14.2% of the total; a drilling / exploration platform valued at US$862 million, 5.3%, followed by those relating to engines, generators and transformers, 5.2%; ethanol, 4.7%; representing twice the amount exported in 2007, parts of automobile engines, 3.5%; and auto parts, 3.2%.

Manufactured products for Asia totaled a daily average of US$21.1 million, with a 5.8% share in shipments of category and 14.2% of Brazilian exports to the block, and registering an annual growth of 26.9%. The main products exported to the region were fuel oil, 12.7% of the total; a drilling / exploration platform to Singapore, valued at US$623 million, 11.7% of the total; aircraft, 9.1%;ethanol, 4.4%; frozen orange juice, 3.3%; and pumps, compressors, fans etc., 2.6%. The main destinations in the region were Singapore, 29.3% of the total; China, 20.5%; Japan 14.5%; India 7.9%; and South Korea, 5.3%.

The average exports of manufactured goods to other countries totaled US$53.1 million, representing 14.5% of sales of the category and 38.1% of shipments to the block, and recording a 6.6% growth. The main exports were refined sugar, 11.8% of the total;aircraft, 8.3%; aluminum oxides and hydroxides, 8.3%; gasoline, 6.6%; and tractors, 4.9%. The main destinations were Angola, 13% of the total; South Africa 10.8%; Canada 9.7%; Nigeria 9.1%; Australia 6.5%; and Saudi Arabia, 4.8 %.

Special Operations – special transactions, on-board consumption and re-exports – totaled a daily average of US$20.4 million in 2008, rising 54% in the year. Of this total, 89.8% were related to provisions of vessels and aircrafts and 6.5% to re-exports, in the order, annual increases of 60.9% and 4.8%.

Average daily exports of industrial products reached US$561 million in 2008, registering an annual increase of 15%. These sales, representing 71.7% of Brazilian exports, were distributed in the low-tech industries, 26%; medium-high technology, 20.3%; medium-low technology, 19.6%; and high-tech, 5.8 %.

Sales of low-tech segment totaled a daily average of US$203 million, registering an annual increase of 16.6%, driven by the performance of exports of food, beverages and tobacco, soybean meal and soybean oil, sugar, ethanol and orange juice, which accounted for 68.8% of shipments. The main destinations were the EU, 37.7% of the total; Asia, 20.9%; Aladi, 16.4%; USA 13.5%; and Eastern Europe, 11.5%.

Average daily exports of medium-high technology industrial products totaled US$159 million, representing an annual increase of 8.6%, with an emphasis on automobiles, machinery and mechanical equipment, chemicals and non-pharmaceutical products. The main destinations of this group of products were the Mercosur countries, 34.8% of the total; other countries within Aladi, 24.4%; EU 19.3%; and USA, 15.3%.

Table 5.11 – Exports by tecnological intensity – FOB

US$ million – Daily average

Itemization	2007	2008		
		Valor	Var.%	Part.%
Total	643	782	21.8	100.0
Industrial products	488	561	15.0	71.7
High tecnology	41	45	11.0	5.8
Aircraft	21	24	15.2	3.1
Telecom, audio and video equipment	11	11	-0.9	1.5
Other	9	10	16.9	1.3
Middle-high tecnology	146	159	8.6	20.3
Road motor vehicles	60	64	7.3	8.2
Non-electrical machinery Nesoy	38	43	11.6	5.4
Chemicals products, excluded pharmaceutical	33	35	5.9	4.4
Other	15	17	11.7	2.2
Middle-low tecnology	126	154	21.6	19.6
Fabricated metal products	76	90	19.8	11.6
Petroleum products and other fuels	29	38	31.4	4.8
Other	22	26	14.9	3.3
Low tecnology	174	203	16.6	26.0
Food, beverages and tobacco	111	140	26.3	17.9
Wood, paper and pulp	33	34	5.2	4.4
Textiles, hides and skins and footwear	24	22	-8.3	2.8
Manufactured products Nesoy and recycled products	7	7	1.2	0.9

Source: MDIC/Secex,

Note: 2007, 250 working days; 2008, 253 working days.

Shipments of medium-low technology products amounted to a daily average of US$154 million, registering an annual growth of 21.6%. It should be noted in the segment, sales of refined petroleum products and metal products, the latter targeted especially to Asia, EU, USA and Aladi.

Exports of high-tech products amounted to a daily average of US$45.5 million, rising 11% this year and focusing on products from the aircraft industry, 52.7% of the total, and from industrial equipment of radio, TV and communications, 25%, of which 73.2% related to mobile phones.

The average daily imports of all use categories recorded a generalized increase in 2008, repeating the pattern observed in the last five years. Average daily purchases of fuels and lubricants rose 54.8%, followed by those of durable consumer goods, 52.2%; capital goods, 41.3%; raw materials and intermediate goods, 38.6%; and consumer goods and non-durables, 24.7%.

Daily imports of raw materials and intermediate goods accounted for 48.1% of total purchases in 2008 and reached US$328 million daily, with emphasis on the acquisitions of chemical and pharmaceutical products, mineral products, transport equipment accessories and intermediate goods – parts and spare parts, which totaled 71.6% of total imports in the category. The increases in prices contributed most heavily to the growth in the value of purchases of major products in the category, except for those related to transportation equipment accessories particularly impacted by the variation in the imported quantity.

Table 5.12 – Imports – FOB

US$ million

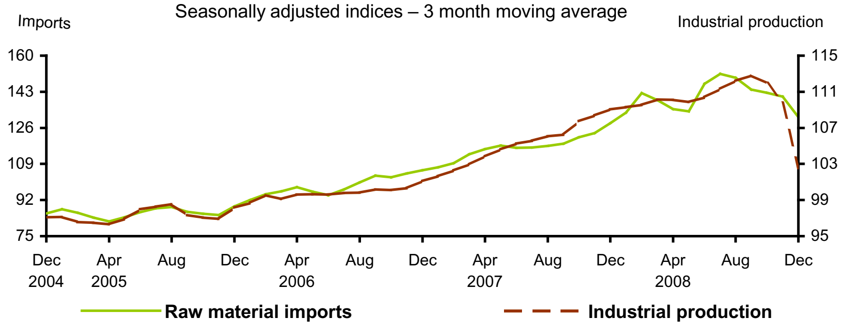
Itemization	2004	2005	2006	2007	2008
Total	62 836	73 600	91 351	120 617	173 107
Capital goods	12 149	15 392	18 924	25 125	35 929
Raw materials and intermediate product	33 520	37 817	45 274	59 381	83 189
Consumer goods	6 852	8 466	11 955	16 027	22 525
Durable	3 189	3 926	6 076	8 251	12 709
Nondurable	3 663	4 540	5 879	7 776	9 816
Fuels and lubricants	10 315	11 925	15 197	20 085	31 463

Source: MDIC/Secex

Graph 5.7

Raw material imports x industrial production

Seasonally adjusted indices – 3 month moving average

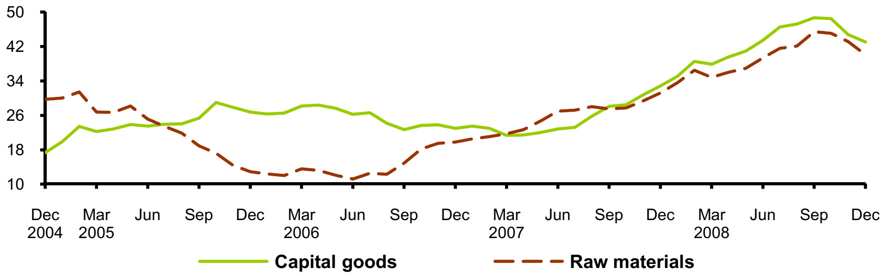


Source: IBGE and Funcex

Graph 5.8

Brazilian imports by end use category – FOB

Last 12 months (% growth)1/



Source: MDIC/Secex

1/ From the same period of the previous year.

The average daily purchases of raw materials and intermediate products from Asia reached US$81 million, representing annual growth of 43.9%, with shares of 24.7% on purchases of the category and 43.5% in total imports of the region. The main items purchased in Asia were integrated circuits and micro electronics, 14.1% of total; parts and accessories for computers, 7.8%; auto parts, 5.2%; flat-rolled steel4.2%; and man-made textile fibers, 4%. The main suppliers were China, 39.6% of the total, Japan, 16.4%, South Korea, 9.2% and Taiwan 7.7%.

Purchases of raw materials and intermediate products from the EU amounted to a daily average of US$78 million, rising to 36% in the year and accounting for 23.7% of imports from the category and 54.4% of total imports of the block. Products that are most representative in this basket were auto parts, 13.3% of the total; heterocyclic compounds, 5.3%; parts for aircrafts, 4.3%; and bearings and gears, 4.3%; while countries with greater participation were Germany, 33.6%; France 13.9%; Italy 10.5%; Spain 7.7%; and the United Kingdom, 7.5%. Purchases from Spain and Germany showed a greater dynamism and recorded daily average annual growth of 45.2% and 41%.

Imports of raw materials and intermediate products from Latin America and the Caribbean totaled US$63 million daily, with an annual increase of 22.2% and representing 19.2% of purchases of the category and 55.5% of total imports from the region. The main products purchased from the block were copper cathodes, 12.1% of the total; naphthas, 9.6%; wheat 9.1%; copper ores, 6.2%; and auto parts, 5.4%. Imports came mostly from from Argentina, 46.1%; Chile 23.5%; Mexico 8.2%; Peru 5.7%; and Uruguay, 4.1%.

The average foreign purchases of raw materials and intermediate products from the USA totaled US$57 million, rising 28.9% in the year, with shares of 55.4% on purchases in the country and of 17.3% related to the category. The main imported items were aviation engines and turbines, 13.2% of the total; parts for aircraft, 4.4%; fertilizers and 3.4%; hydrocarbons, 3.4%; and bearings and gears, 3.1%.

The average daily imports of raw materials and intermediate goods from other countries increased 72.9% in the year to US$50 million, meaning 15.1% of purchases of the category and 36.2% of total imports of this group of countries. The main imported products are potassium chloride, 25.1% of the total; fertilizers and 9.9%; urea, 8.5%; naphtha, 6%; and sulfur 5.9%. Raw materials and intermediate goods of that group of countries came especially from Canada, 19%; Russia 18.6%; Belarus 9.5%; and Morocco, 8.7%.

Imports of capital goods reached US$141 million per day in 2008, representing 20.7% of Brazilian foreign purchases and focusing on industrial machinery, 35.7% of the total; office machinery and scientific services, 23%; parts and spares for capital goods of industry, 17.6%; and transport equipment, 11.3%. The main products showed increases both in prices and especially in the imported quantities.

Table 5.13 – Imports – FOB – Major products

% change 2008/2007 – Daily average

Products	Value	Price[1/]	Weight[2/]	Participation[3/]
Capital goods	40.9			100.0
Industrial machinery	47.6	3.0	43.3	35.7
Machines and apparat. for office and scientific destination	27.3	12.9	12.7	23.0
Capital goods parts and components	27.9	6.1	20.5	17.6
Transportation movable equipment	83.1	21.0	51.4	11.3
Industrial machinery accessories	30.9	11.6	17.3	7.9
Other capital goods	62.1	2.9	57.5	4.5
Raw materials and intermediate goods	38.6			100.0
Chemical and pharmaceutical products	33.6	18.3	12.9	25.4
Mineral products	33.1	24.4	7.0	18.8
Accessories for transport equipment	36.2	14.7	18.8	14.0
Intermediate products – Parts	24.4	12.2	10.9	13.4
Other raw materials for farming	95.8	115.8	-9.3	13.2
Other raw materials and intermediate goods	35.4	38.4	-2.2	15.2
Nondurable consumer goods	24.7			100.0
Pharmaceutical products	18.7	-12.9	36.2	35.6
Foodstuffs	33.5	16.4	14.6	28.6
Apparel and other textiles clothing	28.2	31.9	-2.8	9.0
Perfumery, cosmetics, or toilet preparations	23.3	9.8	12.3	5.5
Tobacco and beverage	6.6	-5.3	12.5	3.9
Other nondurable consumer goods	27.8	23.9	3.1	17.3
Durable consumer goods	52.2			100.0
Passenger motor vehicles	69.8	11.6	52.1	47.6
Machines and appliances for household use	55.8	31.1	18.9	19.6
Articles for personal use or adornment	29.6	8.7	19.2	19.0
Durable consumer goods parts	24.7	11.7	11.7	6.4
Furniture and other household equipment	41.4	18.6	19.2	4.5
Other durable consumer goods	36.8	23.6	10.7	3.0
Fuels and lubricants	54.8			100.0
Fuels	54.4	47.7	4.6	97.6
Lubricants and electricity	74.0	37.1	26.9	2.3

Source: MDIC/Secex

1/ Percentage change of the unit value in US$/kg terms.
2/ Percentage change of weight in kilograms.
3/ Percentage participation in each end-use category total.

Purchases of capital goods from Asia amounted to a daily average of US$57 million, an annual growth of 46.3%, with shares of 30.6% on purchases in the region and 40.3% of the category list. Products with imports most representative were printed circuit boards, 12.5% of the total; liquid crystal devices, 10.5%; computers and parts, 9%; motors, generators and electrical transformers, 5.8%; and transmitters and receptors, 4.7%. The main suppliers were China, 50.2% of the total; Japan, 16.1%; South Korea, 13.2%; and Taiwan 7.2%.

Table 5.14 – Imports by category of use and by region – FOB

Daily average – US$ million

Product	2007	2008			
	Value	Value	Change from 2007 (%)	Share (%)	
				Total	Blocs
Total	482	682	41.3	100.0	-
Capital goods	101	141	40.7	20.7	-
Durable consumer goods	33	50	51.6	7.3	-
Nondurable consumer goods	31	39	24.2	5.7	-
Fuels and lubricants	80	124	54.2	18.2	-
Raw material and intermediate goods	238	328	38.0	48.1	-
Latin America and Caribe	85	113	32.5	16.6	100.0
Capital goods	6	9	55.4	1.3	8.0
Durable consumer goods	10	15	52.0	2.2	13.4
Nondurable consumer goods	7	9	28.4	1.3	7.9
Fuels and lubricants	11	17	53.0	2.5	15.1
Raw material and intermediate goods	51	63	22.2	9.2	55.5
Mercosul	46	59	26.9	8.7	100.0
Capital goods	4	6	49.1	0.9	10.7
Durable consumer goods	8	11	39.9	1.5	17.8
Nondurable consumer goods	5	7	27.4	1.0	11.2
Fuels and lubricants	2	2	-5.1	0.3	3.0
Raw material and intermediate goods	28	34	22.1	5.0	57.2
USA[1/]	76	102	35.0	15.0	100.0
Capital goods	19	28	51.0	4.1	27.5
Durable consumer goods	3	3	28.6	0.5	3.4
Nondurable consumer goods	4	5	9.4	0.7	4.7
Fuels and lubricants	6	9	51.9	1.3	8.9
Raw material and intermediate goods	44	57	28.9	8.3	55.4
European Union	107	143	33.8	21.0	100.0
Capital goods	32	41	27.3	6.0	28.8
Durable consumer goods	6	8	45.1	1.2	5.8
Nondurable consumer goods	9	11	29.7	1.6	7.8
Fuels and lubricants	3	5	51.4	0.7	3.2
Raw material and intermediate goods	57	78	36.0	11.4	54.4
Asia	123	186	51.6	27.3	100.0
Capital goods	39	57	46.3	8.4	30.6
Durable consumer goods	14	22	60.4	3.3	12.0
Nondurable consumer goods	7	10	37.2	1.4	5.2
Fuels and lubricants	7	16	143.2	2.4	8.8
Raw material and intermediate goods	56	81	43.9	11.9	43.5
Others	92	137	49.9	20.1	100.0
Capital goods	5	6	28.5	0.9	4.3
Durable consumer goods	1	1	15.1	0.1	0.6
Nondurable consumer goods	4	4	0.1	0.6	3.0
Fuels and lubricants	53	77	43.7	11.2	55.8
Raw material and intermediate goods	29	50	72.9	7.3	36.2

Source: MDIC/Secex

1/ Includes Puerto Rico.

The average daily imports of capital goods from the EU grew 27.3% in 2008 to US$41 million, equivalent to 29.2% of purchases of the category and 28.8% of total imports of the block. The highlights were the acquisition of instruments and appliances for measuring and checking, 8.9% of the total; pumps, compressors and blowers, 6.7%; motors, generators and electrical transformers, 4.2%; and apparatus for switching and protection energy, 3.9%. The shop originated in particular from Germany, 38% of the total; Italy, 17.8%; France 11%; Sweden 5.7% and Spain 4.9%.

Capital goods from the USA reached a daily average of US$28 million, increasing 51% over 2007, with 19.8% on purchases of the category and 27.5% on purchases from the country. Imports are concentrated inaircraft, 12.3% of the total; instruments and appliances for measuring and checking, 9.4%; machinery earthmoving and drilling, 6.3%; vehicles and materials for railway tracks, 5.5 %; and pumps, compressors and blowers, 4.9%. It should be noted that purchases of aircraft and vehicles and materials for railway tracks were, in the order, three and six times higher than those recorded in 2007.

The average daily imports of capital goods from Latin America and the Caribbean increased by 55.4% on year to US$9 million per day, accounting for 10.7% of total imports from the region and 6.4% of purchases of the category of which 39.7% in cargo trucks, followed by tractors, 6.5%; buses and other vehicles for more than ten persons, 4.3%; instruments and appliances for measuring, 4.1%; and transmitters and cellular receptors, 3.8%. The main source countries were Argentina, 67.2% of the total; Mexico, 25.4%; Chile, 3%; and Paraguay, 1.9%. The value of imports from Paraguay increased tenfold in 2008.

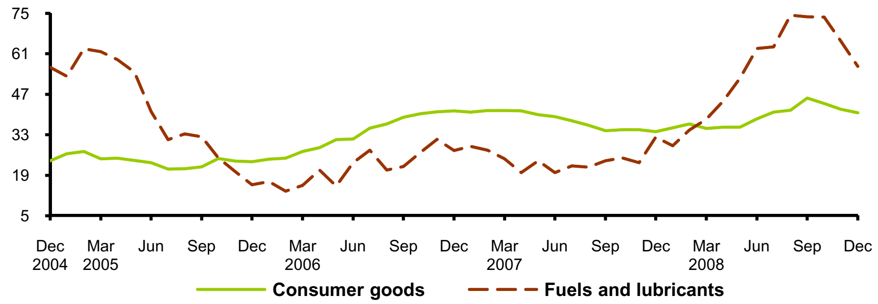
Foreign purchases of capital goods originating in other countries of the group totaled daily average of US$6 million, 28.5% higher than in 2007, with participation of 4.2% on purchases of the category and 4.3% in the total imported from the group. Imports, focusing on instruments and appliances for measuring and checking, 8.9% of the total; machinery and earthmoving and drilling equipment, 6.1%; pumps, compressors and blowers, 4.3%; machinery and laser instruments 4%; and electric motors, generators and transformers, 3.9% originated in particular from Switzerland, 31.8% of the total; Canada, 24.2%; Israel 8.5%; Norway 7, 7%; and Australia 4.4%.

The average daily purchases of fuel and lubricants amounted to US$124 million in 2008, representing 18.2% of total imports, of which 21% originated from Nigeria, followed by Bolivia, 8.8%; Saudi Arabia, 8.5 %; USA, 7.3%; and Angola, 7.1%. The main products purchased were crude oil, 52.1% of the total of this category; fuel oil, 16.6%; coal, 8.8%; natural gas, 8.6%; and jet fuel, 4%. The acquisitions coming from Nigeria, Saudi Arabia, Angola and Algeria accounted for 78.9% of imports of crude oil, while Bolivia has provided 98,6% of total imported natural gas.

Graph 5.9

Brazilian imports by end use category – FOB

Last 12 months (% change)1/



Source: MDIC/Secex

1/ From the same period of the previous year.

Daily imports of durable consumer goods grew 51.6% in 2008, reaching US$50 million and representing 7.3% of purchases outside the country. The major imported products were passenger cars, 42% of the total; parts of transmitters and receivers, 13.6%; and parts and accessories for motorcycles and bicycles, 4.3%. The acquisitions were derived, mostly from Asia, 44.6% of the total; Latin America and the Caribbean, 30.3%; and the EU, 16.5%, with the main suppliers being China, 20, 7% of the total; Argentina, 20%; South Korea; 11%, Mexico 8.9%; Japan 6.9%; and U.S.A 6.8%.

Table 5.15 – Imports by tecnological intensity – FOB

US$ million – Daily average

Itemization	2007	2008		
		Valor	Var.%	Part.%
Total	482	685	41.9	100.0
Industrial products	400	566	41.5	82.7
High tecnology	101	132	30.7	19.3
Radio, television and communication equipment	38	50	31.8	7.3
Medical, precision and optical instruments	19	25	30.6	3.7
Other	44	57	29.9	8.3
Middle-high tecnology	187	274	46.8	40.0
Chemicals products, excluded pharmaceutical	76	114	49.9	16.7
Machinery and equipment n.e.c.	53	75	41.5	10.9
Motor vehicles, trailers and semi-trailers	37	56	50.2	8.1
Other	20	29	42.6	4.3
Middle-low tecnology	79	115	46.9	16.9
Refined petroleum products and other fuels	29	48	66.1	7.0
Fabricated metal products	34	46	35.2	6.8
Other	15	21	37.1	3.1
Low tecnology	33	44	32.5	6.5
Food, beverages and tobacco products	12	16	33.5	2.4
Textiles, leather and footwear	11	15	34.6	2.2
Other	10	13	29.1	1.9

Source: MDIC/Secex,

Note: 2007, 250 working days; 2008, 253 working days.

The average daily purchases of consumer non-durable goods totaled US$39 million in 2008, representing 5.7% of total foreign purchases in the year. Imports originated especially from the EU, 28.8% of the total; Asia, 24.8%; Latin America and the Caribbean, 23.1%; while the major supplying countries were China and Argentina, both with the same market share, 14.3%, followed by the USA, 11.5%; Germany 6.4%; and Switzerland 6.1%. Purchases of the products in this category focused onmedicines, including veterinary, 35.4%; toys and games, 3.3%; perfumery and toilet articles, 3.2%; and footwear and parts, 3.1%.

The average daily purchases of industrial products grew 41.5% in 2008 to US$143.2 billion, representing 82.7% of total Brazilian imports. The segmentation of industrial purchases according to the technological complexity shows that the purchases of items of medium-high technology were the most representative, accounting for 40% of total imports, followed by high-tech products, 19.3%; lower middle technology, 16.9%; and low-tech, 6.5%.

Average daily imports of products of medium-high technology rose 46.8% on year, reaching US$274 million, with an emphasis on purchases of non-pharmaceutical chemicals, machinery and mechanical equipment such as bearings and gears, pumps, compressors, blowers etc., and earth moving machinery, and automobiles, which together accounted for 89.4% of the total industry. The main suppliers of these products were the EU, 28.9% of the total; Asia, 25%; and USA 17.4%.

The average daily purchases of high tech segment amounted to 30.7% in the year, totaling US$132 million in 2008, particularly for purchases of equipment for radio, TV and communications, 7.3% of the total; and instruments Medical optics and precision 3.7%. The origins of these products were concentrated largely in Asia, 47.5% of total; EU, 22.3%; and USA 21.8%.

Imports of products of medium-low technology showed increased daily average of 46.9% to US$115 million in the year. Purchases were concentrated in products of refined oil and other fuels, especially fuel oil, naphtha and jet fuel, and metal products, which altogether accounted for 81.9% of these purchases. Imports of the segment proceeded, especially in Asia, 29.3% of the total; LAIA, 21.7%; and the EU, 19.9%.

The average daily imports of products from low-tech industry totaled US$44.4 million in 2008, rising 32.5% compared to the previous year. The purchase of food, beverages and tobacco, and textiles, leather and footwear accounted jointly for 70% of foreign purchases in the industry. The main blocks of origin for this group of products were Asia, 38.4% of the total; Aladi, 26.2%; and the EU, 20.8%.

Trade exchanges

The flow of Brazilian foreign trade has registered significant growth rates since 2004. The daily average of these flows reached US$1.5 billion in 2008, rising 30.4% over the previous one, the result of widespread expansion in trade flows for the main partners

Table 5.16 – Brazilian trade by region – FOB

Daily average – US$ million

Itemization	2007			2008		
	Exports	Imports	Balance	Exports	Imports	Balance
Total	643	482	160	782	684	98
EFTA[1/]	7	11	-4	9	11	-2
Latin America and Caribe	167	85	82	202	113	89
Mercosur	69	46	23	86	59	27
Argentina	58	42	16	70	52	17
Paraguay	7	2	5	10	3	7
Uruguay	5	3	2	6	4	2
Chile	17	14	3	19	16	3
Mexico	17	8	9	17	12	5
Others	64	17	46	81	25	55
Canada	9	7	3	7	13	-5
European Union	162	107	55	183	143	40
Germany	29	35	-6	35	48	-13
Belgium/Luxembourg	16	5	11	18	7	11
Spain	14	7	6	16	10	6
France	14	14	-0	16	18	-2
Italy	18	13	4	19	18	1
Netherlands	35	4	31	41	6	36
United Kingdom	13	8	5	15	10	5
Others	23	20	3	23	26	-3
Eastern Europe	17	11	6	22	21	1
Asia[2/]	100	123	-23	148	186	-38
Japan	17	18	-1	24	27	-3
China	43	50	-7	65	79	-14
Korea, Republic of	8	14	-5	12	21	-9
Others	32	40	-9	47	59	-12
USA[3/]	101	76	26	109	102	7
Others	78	63	15	101	95	6
Memo:						
Nafta	128	90	37	134	127	7
Opec	58	53	5	70	77	-7

Source: MDIC/Secex

1/ Iceland, Liechtenstein, Norway and Switzerland.

2/ Excludes the Middle East.

3/ Includes Puerto Rico.

of the country, with emphasis on growth of 49.7% in Asia. It is noteworthy that the increase in the country's trade exchanges led the country in particular, the performance of imports, a move consistent with the expansionary cycle experienced by the Brazilian economy until the international financial crisis worsened.

The average daily exchange with Asian countries reached US$334 million, rising 49.7% this year. Exports totaled US$148 million and imports US$186 million, with respective annual increases of 47.5% and 51.6%, deepening the trade deficit with the region. The main trading partners in the region, given the bilateral exchange in relation to the regional total, were China, 43.1%; Japan 15.3%; and South Korea 10.1%.

The average daily exchange with the EU reached US$326 million, 21.5% higher than in 2007, a result of expansion in exports of 13.4% and 33.8% in imports, which totaled US$183 million and US$143 million, respectively. The more intense trade within the EU occurred in Germany, 25.3% of the total; the Netherlands, 14.5%; Italy 11.4%; France 10.7%; and Spain 7.9%.

The average flow of trade with the countries of Latin America and the Caribbean reached US$316 million, rising 24.9% in the year, posting increases of 21% and 32.5% in exports, which totaled, in the order, US$202 million and US$113 million. Argentina accounted for 38.6% of the flow in the region, followed by Chile, 11.2%, and Mexico, 9.3%.

The average daily trade with the USA totaled US$211 million in 2008, rising 19.5% over the previous year and keeping this country as the main trading partner of Brazil. Exports reached US$109 million and imports US$102 million, marking its annual increases of 7.9% and 35%. The average daily surplus with the USA dropped from US$26 million in 2007 to US$7 million in 2008.

Services

The services account showed net expenditures of US$16.7 billion in 2008. The increase of US$3.5 billion recorded in the previous year was associated, in particular, to the performance of the accounts from equipment rentals, international travel, transportation, computing and information and royalties and licenses.

The heading equipment rental reported net remittances of US$7.8 billion in 2008, up from US$5.8 billion the previous year. The expansion of these shipments reflected the process of greater use in the country of capital goods owned by nonresidents, with favorable developments on the level of productive capacity. Revenues were of negligible value in the result of the bill, and represented a growth of 74.8% reaching US$54.6 million in 2008.

Table 5.17 – Services

US$ million

Itemization	2007			2008		
	1st half	2nd half	Year	1st half	2nd half	Year
Total	-6 019	-7 200	-13 219	-8 143	-8 529	-16 672
Credit	11 065	12 890	23 954	14 176	16 269	30 445
Debit	17 083	20 090	37 173	22 319	24 798	47 117
Transportation	-2 191	-2 194	-4 384	-2 680	-2 263	-4 944
Credit	1 912	2 207	4 119	2 287	3 118	5 405
Debit	4 103	4 400	8 503	4 968	5 381	10 349
Travel	-1 060	-2 198	-3 258	-2 635	-2 542	-5 177
Credit	2 436	2 517	4 953	2 899	2 886	5 785
Debit	3 496	4 716	8 211	5 534	5 428	10 962
Insurance	- 368	- 397	- 766	- 516	- 321	- 837
Credit	193	349	543	284	544	828
Debit	562	747	1 308	801	864	1 665
Financial services	108	175	283	181	- 88	93
Credit	496	594	1 090	682	556	1 238
Debit	388	419	807	500	644	1 145
Computer and information services	-1 066	-1 045	-2 112	-1 414	-1 184	-2 598
Credit	86	75	161	87	102	189
Debit	1 153	1 120	2 273	1 501	1 286	2 787
Royalties and licence fees	- 830	-1 110	-1 940	-1 145	-1 087	-2 232
Credit	176	143	319	204	262	465
Debit	1 006	1 253	2 259	1 349	1 348	2 697
Operational leasing	-2 741	-3 030	-5 771	-3 052	-4 756	-7 808
Credit	13	18	31	20	35	55
Debit	2 754	3 048	5 802	3 072	4 790	7 863
Government services	- 390	- 744	-1 134	- 528	- 588	-1 116
Credit	617	722	1 340	810	818	1 628
Debit	1 007	1 466	2 473	1 338	1 406	2 744
Communication services	40	139	180	112	55	167
Credit	87	188	276	304	162	466
Debit	47	49	96	192	107	299
Construction services	5	7	12	7	7	14
Credit	6	11	17	10	13	23
Debit	1	4	4	3	6	9
Merchanting and other trade-related services	26	- 7	18	151	288	440
Credit	471	485	956	532	829	1 361
Debit	445	493	938	381	541	921
Personal, cultural and recreational services	- 272	- 306	- 578	- 358	- 425	- 783
Credit	34	39	73	42	45	86
Debit	306	345	651	400	469	869
Business, professional and technical services	2 720	3 510	6 230	3 736	4 374	8 110
Credit	4 536	5 540	10 076	6 015	6 900	12 915
Debit	1 816	2 030	3 846	2 279	2 526	4 805

Table 5.18 – International travel

US$ million

Itemization	2007			2008		
	1st half	2nd half	Year	1st half	2nd half	Year
Total	-1 060	-2 198	-3 258	-2 635	-2 542	-5 177
Credit	2 436	2 517	4 953	2 899	2 886	5 785
Debit	3 496	4 716	8 211	5 534	5 428	10 962
Credit card	-797	-1 415	-2 213	-1 762	-1 933	-3 695
Credit	1 234	1 261	2 495	1 486	1 313	2 799
Debit	2 031	2 676	4 707	3 247	3 246	6 493
Tourism services	-140	-255	-395	-343	-342	-685
Credit	178	166	343	203	191	395
Debit	318	420	738	546	534	1 080
Other	-122	-528	-651	-531	-267	-798
Credit	1 024	1 091	2 115	1 210	1 382	2 592
Debit	1 146	1 619	2 766	1 741	1 648	3 390

The international travel account showed net outflows of US$5.2 billion in 2008, a result 58.9% higher than the previous year. This movement resulted primarily from the 33.5% growth in expenditures made by Brazilians traveling abroad, which, kept rising since 2004, and reached US$11 billion, consistent with trends experienced by the increasing disposable income and the trend of depreciation exchange rate until the worsening international crisis in the last quarter of the year. Expenditures of foreigners in the country, growing since 2002, rose 16.8% to US$5.8 billion. All the flows mentioned represented a record of the series started in 1947.

The transportation account recorded net outflows of US$4.9 billion, a result 12.8% higher than that reported in 2007, consistent with the behavior of the trade balance and of the international travel account. The performance of the the trade flows were reflected in an increase of 68% in net expenditures on freight in 2008. The revenues and expenses recorded maritime freight, respectively, increases of 13.6% and 41.5%.

Net spending on air tickets totaled US$2 billion, up 4.8% in the year. The expenditures amounted to 3.8%, to US$2.3 billion, while revenues fell 1.9% to US$323 million, demonstrating the continuity of more intensive use of foreign airlines by tourists residing in the country with international destinations. Other items of transportation, including freight and airport services, net expenses totaled US$354 million, shrinking 62.3% in the year.

Net spending on computer and information services were US$2.6 billion compared to US$2.1 billion in 2007. Revenues reached US$189 million and expenditures, US$2.8 billion.

Net payments abroad for royalties and licenses, including the transfer of technology, copyrights, licenses and registrations for trademark use and exploitation of patents, personal, cultural and recreational services totaled US$783 million, an increase of 35 4%. Communications services generated net revenues of US$167 million, 7.1% lower than those indicated in 2007, reflecting in particular the rise from US$96 million to

Table 5.19 – Transportation

US$ million

Itemization	2007			2008		
	1st half	2nd half	Year	1st half	2nd half	Year
Total	-2 191	-2 194	-4 384	-2 680	-2 263	-4 943
Credit	1 912	2 207	4 119	2 287	3 118	5 405
Debit	4 103	4 400	8 503	4 967	5 381	10 349
Sea transportation	-1 201	- 981	-2 182	-1 580	-1 178	-2 758
Credit	1 523	1 825	3 347	1 887	2 684	4 571
Debit	2 724	2 805	5 529	3 467	3 862	7 329
Passenger	...	...	...	...	...	...
Credit	...	...	...	...	...	...
Debit	...	...	...	...	...	...
Freight	- 639	- 955	-1 594	-1 165	-1 416	-2 581
Credit	546	616	1 161	619	700	1 319
Debit	1 184	1 571	2 755	1 785	2 115	3 900
Others	- 562	- 25	- 587	- 415	239	- 176
Credit	977	1 209	2 186	1 267	1 984	3 251
Debit	1 539	1 234	2 772	1 682	1 745	3 427
Air transportation	- 979	-1 197	-2 177	-1 072	-1 060	-2 131
Credit	334	315	648	331	344	675
Debit	1 313	1 512	2 825	1 403	1 404	2 807
Passenger	- 875	-1 017	-1 892	-1 016	- 965	-1 982
Credit	174	156	330	155	169	323
Debit	1 048	1 173	2 222	1 171	1 134	2 305
Freight	55	26	81	22	26	47
Credit	122	125	247	137	145	282
Debit	67	99	166	116	119	234
Others	- 160	- 206	- 366	- 77	- 120	- 197
Credit	38	34	72	39	31	70
Debit	198	239	437	116	151	267
Other transportation[1/]	- 10	- 16	- 25	- 28	- 26	- 54
Credit	56	67	123	69	91	160
Debit	66	83	149	97	116	213
Passenger	...	...	...	...	...	...
Credit	...	...	...	...	...	...
Debit	...	...	...	...	...	...
Freight	- 15	- 23	- 38	- 36	- 37	- 74
Credit	49	59	108	60	78	137
Debit	64	82	146	96	115	211
Others	5	7	12	8	11	19
Credit	7	8	15	9	13	21
Debit	2	1	3	1	1	2

1/ Includes road transportation.

Table 5.20 – Business, technical and professional services

US$ million

Itemization	2007			2008		
	1st half	2nd half	Year	1st half	2nd half	Year
Total	2 720	3 510	6 230	3 736	4 374	8 110
Credit	4 536	5 540	10 076	6 015	6 900	12 915
Mail orders	2	1	3	0	0	1
Self-employed remuneration	877	1 013	1 890	1 266	1 418	2 684
Administrative services and real-state rental	1 339	1 547	2 887	1 798	2 100	3 898
Participation in fairs and exhibits	10	10	20	13	15	27
Professional athletes transfer fees	50	170	219	104	131	235
Publicity	107	94	202	143	163	307
Architectural, engineering and other	2 120	2 660	4 780	2 638	3 012	5 650
Technical and economic project implementation services	30	44	74	53	62	114
Debit	1 816	2 030	3 846	2 279	2 526	4 805
Mail orders	19	17	36	7	7	15
Self-employed remuneration	241	227	468	276	241	517
Administrative services and real-state rental	296	336	632	443	534	977
Participation in fairs and exhibits	24	34	57	36	34	70
Professional athletes transfer fees	7	9	16	24	19	43
Publicity	58	61	119	120	101	221
Architectural, engineering and other	1 171	1 342	2 513	1 372	1 587	2 959
Technical and economic project implementation services	0	5	5	1	2	3

franchises, among others, reached US$2.2 billion in 2008, increasing 15% in the previous year, reflecting expansion in shipments, 19.4%, and revenue, 45.7%.

Net revenue for financial services, including banking, commissions, brokerage and securities, totaled US$93 million, compared to net expenses of US$283 million in 2007. This result reflected increases of 13.5% in revenues, which reached US$1.2 billion and 41.9% in expenses, totaling US$1.1 billion.

Government services recorded net expenses of US$1.1 billion in 2008. The annual reduction of 1.6% reflected the 11% increases in spending of the Brazilian government abroad, which reached US$2.7 billion, and 21.6% in revenues, which closed at US$1.6 billion.

Insurance services recorded net outflows of US$837 million, compared with US$766 million in 2007. Revenues, showing expansion of direct insurance operations and freight insurance, amounted to 52.6% in the year, reaching US$828 million, while expenditures increased 27.3% to US$1.7 billion.

The other services totalled net revenues of US$7.9 billion, representing an annual growth of 35.6%. In this group, business, professional and technical services recorded net revenues of US$8.1 billion compared to US$6.2 billion in the previous year, while

US$299 million in costs, influenced by the performance of the service segment of telecommunications.

Income

The income account deficit, highlighting the evolution of net remittances of profits and dividends and net interest payments, registered a yearly increase of 38.5% in 2008, reaching US$40.6 billion. For the third consecutive year, in aggregate terms,

Table 5.21 – Income

US$ million

Itemization	2007			2008		
	1st half	2nd half	Year	1st half	2nd half	Year
Total	-14 088	-15 203	-29 291	-21 917	-18 645	-40 562
Credit	5 002	6 491	11 493	6 329	6 182	12 511
Debit	19 090	21 694	40 784	28 246	24 826	53 072
Compensation of employees	233	215	448	258	287	545
Credit	257	240	497	313	417	730
Debit	24	25	49	55	130	185
Investment income	-14 321	-15 418	-29 740	-22 175	-18 931	-41 107
Credit	4 745	6 251	10 996	6 016	5 765	11 781
Debit	19 066	21 669	40 735	28 191	24 696	52 887
Direct investment income	-7 123	-10 367	-17 489	-13 810	-12 965	-26 775
Credit	1 210	993	2 202	897	1 101	1 997
Debit	8 332	11 359	19 692	14 706	14 066	28 772
Profits and dividends	-6 540	-10 206	-16 745	-13 446	-11 902	-25 348
Credit	995	157	1 152	570	956	1 526
Debit	7 535	10 363	17 898	14 016	12 858	26 874
Interests on intercompany loans	- 583	- 161	- 744	- 364	-1 063	-1 427
Credit	215	836	1 050	326	145	472
Debit	798	996	1 794	690	1 208	1 898
Portfolio investment income	-4 709	-2 356	-7 065	-5 307	-3 130	-8 436
Credit	2 563	4 392	6 955	4 267	4 023	8 290
Debit	7 272	6 748	14 020	9 573	7 153	16 726
Income on equity (dividends)	-3 268	-2 422	-5 689	-5 546	-2 980	-8 527
Credit	5	8	13	13	2	15
Debit	3 272	2 430	5 702	5 559	2 982	8 542
Income on debt securities (interests)	-1 441	65	-1 376	240	- 150	90
Credit	2 558	4 384	6 942	4 254	4 021	8 275
Debit	3 999	4 319	8 318	4 014	4 170	8 185
Other investments income 1/	-2 490	-2 695	-5 185	-3 059	-2 837	-5 895
Credit	973	866	1 839	853	641	1 493
Debit	3 462	3 561	7 024	3 911	3 477	7 389
Memo:						
Interest	-4 514	-2 790	-7 305	-3 183	-4 049	-7 232
Credit	3 745	6 086	9 831	5 433	4 807	10 240
Debit	8 259	8 876	17 136	8 616	8 856	17 472
Profits and dividends	-9 807	-12 628	-22 435	-18 993	-14 882	-33 875
Credit	1 000	165	1 165	583	958	1 541
Debit	10 807	12 793	23 600	19 576	15 840	35 416

1/ Includes interests on loans, trade credits, deposits and other assets and liabilities.

net remittances of profits and dividends exceeded net interest expenses, reflecting the prevalence in the composition of external liabilities, stocks of foreign direct investments and shares on the stock of external indebtedness.

Net remittances of profits and dividends totaled US$33.9 billion in 2008, rising 51% over the previous year, with emphasis on annual expansion of 50.1% in gross expenditure, which reached US$35.4 billion. The interest bill, conversely, showed a decrease in net expenses for the third consecutive year. The net interest expenses, consistent with the path of external indebtedness and the increasing level of international reserves and its fees, totaled US$7.2 billion, falling 1% in the year and recorded the lowest value since 1994. The significant growth of interestrevenues, which reached US$10.2 billion, reflected the increase in foreign assets in Brazil, especially international reserves, whose interest revenues totaled US$7.2 billion in 2008.

The wages and salaries account provided the net receipts of US$545 million, a result 21.6% higher than that reported in 2007. The rent paid to workers domiciled in the country totaled US$730 million and payments to non-residents US$185 million, representing respective annual increases of 46.9% and 281%.

From 1995 to 2005, the largest contribution to the net expenditures of the income account originated in the performance of flows of portfolio investment. In 2008, following the example of the pattern observed in 2006, net income remittances abroad were strongly influenced by the net expenses of direct investment income, particularly impacted by growth in FDI stock in Brazil, by the higher profitability of firms and the process of exchange appreciation recorded until mid-September. This flow reflects also the new composition of the Brazilian externalliabilities, which incorporates smaller relative share of external debt in comparison to those referring to foreign direct investment and portfolio investment.

When considering broken down data, net remittances of direct investmentrevenue, which totaled US$26.8 billion, rising 53.1% when compared to 2007, reflected a net expenditure of profits and dividends of US$25.3 billion, representing an annual growth of 51.4%. Net remittances of interests on intercompany loans increased 91.8% to US$1.4 billion, affected by the reduction in revenues of US$1.1 billion to US472 million in 2008.

Net remittances on income from portfolio investment totaled US$8.4 billion, rising 19.4% when compared to 2007. This result mainly reflected a rise of 49.9% in net remittances of profits and dividends relating to funds invested in investments portfolios, which are most relevant to the outcome of the item, which totaled US$8.5 billion. The distribution of profits and dividends for the shares of Brazilian companies is significant, especially with regard to companies whose export earnings have greater relative weight in total revenue. Emphasis is given to the behavior of interests on account of fixed income securities, which recorded net inflows of US$90 million, compared to net expenses of US$1.4 billion in the previous year.

Income from other investments, including interest on supplier credits, loans, deposits and other assets and liabilities, totaled net remittances os U$5.9 billion, a rise of 13.7% in 2008, reflecting a reduction of 18.9% in revenues compared to 2007, totaling US$1.5 billion, and a rise of 5.2% in expenses, which totaled US$7.4 billion in 2008.

Gross profit remittances and dividends totaled US$35.4 billion, with emphasis on the respective growth of 51.4% and 49.9% in gross expenditure relating to foreign direct investment and portfolio investment. The gross output for the FDI reached US$26.9 billion, driven by remittances of segments whose headquarters were directly affected by periods of low profitability abroad or by the turmoil seen in international finance. The industrial and service sectors accounted for, in order, by the remittance of 66.2% and 31.5% of gross profit and dividends remittances. Considerable dispersion between remittances relating to the various sectors, especially those associated with the manufacturing and assemblying of automotive vehicles segment, 21.6%; followed by those of metallurgical industries, 14.7%; and financial intermediation 11.8%. Remittances related to the three mentioned segments totaled US$12.5 billion, representing 48.2% of gross expenditure of profits and dividends from FDI in 2008.

Current unilateral transfers

Net unilateral transfers increased 4% in 2008, restoring the upward trend initiated in 2000 and discontinued in 2007. Net inflows reached US$4.2 billion against US$4 billion in the previous year. A relevant portion of this flow refers to remittances for the maintenance of residents, whose annual income recorded an increase of 3.7%, totaling US$2.9 billion. The main countries of origin of those resources were the USA, 44.3%, and Japan, 24.6%.

Table 5.22 – Current unilateral transfers

US$ million

Itemization	2007			2008		
	1st half	2nd half	Year	1st half	2nd half	Year
Total	1 944	2 085	4 029	1 854	2 334	4 188
Credit	2 358	2 613	4 972	2 531	2 823	5 354
Debit	415	528	943	677	489	1 166
General government transfers	12	- 3	10	10	27	37
Credit	66	73	139	66	80	146
Debit	54	75	129	56	54	109
Other sectors transfers	1 931	2 088	4 019	1 844	2 307	4 152
Credit	2 292	2 541	4 833	2 465	2 742	5 208
Debit	361	452	813	621	435	1 056
Workers' remittances	1 197	1 097	2 295	1 027	1 257	2 284
Credit	1 404	1 405	2 809	1 376	1 537	2 913
United States	676	679	1 355	626	663	1 289
Japan	324	323	647	335	382	717
Remaining countries	404	402	806	414	492	906
Debit	207	307	514	348	280	628
Other transfers	734	991	1 725	817	1 050	1 867
Credit	888	1 136	2 024	1 090	1 205	2 295
Debit	154	145	299	273	155	428

Table 5.23 – Current account balance and external financing requirements[1/]

US$ million

Period		Current account balance			Foreign direct investments			External financing requirements		
		Value		% GDP	Value		% GDP	Value		% GDP
		Monthly	Last 12 months	Last 12 months	Monthly	Last 12 months	Last 12 months	Monthly	Last 12 months	Last 12 months
2003	Dec	343	4 177	0.75	1 409	10 144	1.83	-1 752	-14 321	-2.59
2004	Dec	1 202	11 679	1.76	3 150	18 146	2.73	-4 352	-29 825	-4.49
2005	Dec	530	13 985	1.58	1 406	15 066	1.71	-1 936	-29 051	-3.29
2006	Dec	438	13 643	1.27	2 457	18 822	1.76	-2 896	-32 465	-3.03
2007	Jan	- 370	13 587	1.23	2 422	19 770	1.78	-2 052	-33 357	-3.01
	Feb	378	13 337	1.19	1 378	20 293	1.80	-1 755	-33 631	-2.99
	Mar	233	12 259	1.07	2 766	21 401	1.87	-2 998	-33 660	-2.94
	Apr	1 799	13 924	1.19	3 471	24 087	2.07	-5 270	-38 012	-3.26
	May	- 160	13 381	1.13	497	23 007	1.94	- 337	-36 388	-3.07
	Jun	542	13 291	1.10	10 318	32 293	2.68	-10 861	-45 584	-3.78
	Jul	- 746	9 476	0.77	3 613	34 321	2.80	-2 868	-43 797	-3.57
	Aug	1 323	8 615	0.69	1 979	35 044	2.81	-3 302	-43 659	-3.50
	Sep	548	6 914	0.55	1 537	34 828	2.75	-2 085	-41 743	-3.30
	Ovt	- 148	5 230	0.40	3 188	36 294	2.81	-3 040	-41 524	-3.22
	Nov	-1 350	2 487	0.19	2 530	36 156	2.75	-1 180	-38 643	-2.94
	Dec	- 498	1 551	0.12	886	34 585	2.59	- 388	-36 136	-2.71
2008	Jan	-4 028	-2 108	-0.16	4 826	36 989	2.73	- 798	-34 881	-2.57
	Feb	-1 882	-4 367	-0.32	890	36 501	2.65	992	-32 134	-2.33
	Mar	-4 345	-8 945	-0.64	3 083	36 819	2.64	1 262	-27 874	-2.00
	Apr	-3 083	-13 826	-0.97	3 872	37 219	2.62	- 789	-23 393	-1.65
	May	- 789	-14 455	-1.01	1 313	38 035	2.64	- 524	-23 580	-1.64
	Jun	-2 786	-17 783	-1.22	2 726	30 442	2.08	60	-12 660	-0.87
	Jul	-2 168	-19 205	-1.29	3 266	30 095	2.03	-1 098	-10 890	-0.73
	Aug	-1 099	-21 627	-1.44	4 638	32 754	2.18	-3 539	-11 127	-0.74
	Sep	-2 767	-24 942	-1.63	6 241	37 458	2.45	-3 474	-12 516	-0.82
	Ovt	-1 455	-26 249	-1.69	3 913	38 184	2.46	-2 459	-11 935	-0.77
	Nov	- 976	-25 876	-1.65	2 175	37 829	2.41	-1 198	-11 953	-0.76
	Dec	-2 922	-28 300	-1.78	8 117	45 060	2.84	-5 195	-16 761	-1.06

Financial account

The balance of payments financial account showed a net inflow of US$31.9 billion in 2008 compared to the record of US$88.3 billion in the previous year. The high return on investments, coupled with the decline in country risk, boosted net capital inflows of US$39.8 billion in the first half, compared with net outflows of US$7.9 billion seen in the second half of the year, in an environmental stress of financial markets.

The rollover rate of the medium and long-term private sector external debt that reflects the ratio between new disbursements and repayments made, closed at 111% in 2008. The

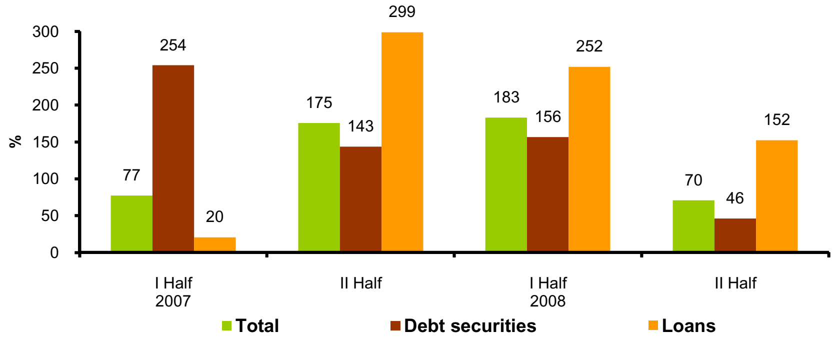
Table 5.24 – Private sector medium and long-term rollover rates[1/]

US$ million

Itemization	2007			2008		
	1st half	2nd half	Year	1st half	2nd half	Year
Total	76%	147%	101%	174%	70%	109%
Credit	10 381	11 072	21 452	7 789	5 195	12 984
Debit	14 282	7 702	21 984	4 489	7 453	11 942
Paid	13 741	7 538	21 279	4 488	7 433	11 922
FDI conversions	541	164	704	1	19	20
Private sector	77%	175%	109%	183%	70%	111%
Credit	9 970	10 921	20 891	7 638	5 160	12 798
Debit	13 473	6 396	19 869	4 182	7 368	11 550
Paid	12 933	6 232	19 165	4 181	7 349	11 530
FDI conversions	541	164	704	1	19	20
Private sector – bonds, notes and commercial papers	254%	143%	186%	156%	46%	85%
Credit	7 979	7 104	15 083	4 731	2 563	7 294
Debit	3 680	5 117	8 798	3 027	5 596	8 624
Paid	3 145	4 954	8 099	3 027	5 580	8 607
FDI conversions	536	164	699	1	16	17
Private sector - direct loans	20%	299%	52%	252%	147%	188%
Credit	1 991	3 817	5 809	2 907	2 597	5 504
Debit	9 793	1 279	11 071	1 155	1 771	2 926
Paid	9 788	1 279	11 066	1 155	1 769	2 923
FDI conversions	5	0	5	0	3	3
Public sector[2/]	51%	12%	27%	49%	41%	47%
Credit	411	150	561	151	35	186
Debit	808	1 306	2 114	307	85	392
Public sector – bonds, notes and commercial papers	95%	0%	32%	0%	0%	0%
Credit	352	0	352	0	0	0
Debit	370	736	1 106	211	0	211
Public sector - direct loans	13%	26%	21%	157%	41%	103%
Credit	59	150	209	151	35	186
Debit	438	570	1 009	96	85	181
Memo:						
Bonds, notes and commercial papers	237%	125%	168%	146%	46%	83%
Credit	8 330	7 104	15 434	4 731	2 563	7 294
Debit	4 050	5 853	9 904	3 239	5 596	8 835
Paid	3 515	5 689	9 204	3 238	5 580	8 818
FDI conversions	536	164	699	1	16	17
Direct loans	20%	215%	50%	245%	142%	183%
Credit	2 050	3 968	6 018	3 058	2 632	5 690
Debit	10 231	1 849	12 080	1 251	1 856	3 107
Paid	10 226	1 849	12 075	1 251	1 853	3 104
FDI conversions	5	0	5	0	3	3

Graph 5.10

Private sector rollover rate



Note: excludes debt-equity swap.

fees for rollovers of bonds and direct loans to medium and long-term reached respectively 85% and 188% in the year afterclosing at, in the order, by 136% and 228% in the first three quarters of the year when conditions in financial markets were more favorable. In the last quarter of the year, these rates reached 28% and 113% respectively.

Direct investment recorded net inflows of US$24.6 billion and portfolio investments and other investments registered net disbursements of US$1.1 billion and US$6.5 billion respectively.

Table 5.25 – Foreign direct investments

US$ million

Itemization	2007			2008		
	1st half	2nd half	Year	1st half	2nd half	Year
Total	20 852	13 733	34 585	16 710	28 351	45 060
Credit	27 124	23 108	50 233	27 639	44 197	71 836
Debit	6 272	9 376	15 648	10 929	15 846	26 775
Equity capital	15 168	10 907	26 074	10 713	19 351	30 064
Credit	18 615	15 719	34 335	16 765	27 692	44 457
Currency	17 340	14 367	31 707	15 188	23 679	38 867
Autonomous	17 340	14 367	31 707	15 188	23 679	38 867
Conversions	1 263	1 339	2 602	1 553	4 008	5 561
Merchandise	12	14	26	23	6	29
Debit	3 448	4 813	8 260	6 052	8 341	14 393
Intercompany loans	5 684	2 826	8 510	5 997	9 000	14 996
Credit	8 509	7 389	15 898	10 874	16 504	27 379
Debit	2 824	4 563	7 387	4 877	7 505	12 382
Of which conversions	529	890	1 419	1 239	2 553	3 792
Memo:						
Net conversions contribuion fo FDI	733	450	1 183	315	1 455	1 769
Total disbursements through conversions	1 263	1 339	2 602	1 553	4 008	5 561
Amortization of intercompany loans conversions	529	890	1 419	1 239	2 553	3 792

According to preliminary estimates by the United Nations Conference on Trade and Development (UNCTAD), after registering four consecutive annual increases, global

Table 5.26 – Foreign direct investments inflows – Equity capital

Distribution by country

US$ million

Itemization	2007			2008		
	1st half	2nd half	Year	1st half	2nd half	Year
Total	18 615	15 719	34 335	16 765	27 692	44 457
Bermudas	299	1 199	1 497	263	775	1 038
United States	3 262	2 811	6 073	3 734	3 314	7 047
Netherlands	6 576	1 553	8 129	1 949	2 690	4 639
France	271	962	1 233	1 266	1 614	2 880
Cayman Islands	1 228	376	1 604	348	1 208	1 556
Spain	1 406	796	2 202	2 016	1 834	3 851
Germany	1 226	575	1 801	720	366	1 086
Japan	191	310	501	357	3 742	4 099
Italy	193	119	313	153	232	385
Switzerland	287	618	905	443	359	803
British Virgin Islands	143	228	371	214	834	1 048
Luxembourg	650	2 207	2 857	483	5 454	5 937
Portugal	201	316	517	843	208	1 051
Uruguay	77	135	212	92	332	424
United Kingdom	371	682	1 053	560	134	693
Canada	380	439	819	856	586	1 442
Panama	54	88	141	53	44	96
Norway	200	84	284	89	118	207
Denmark	72	50	122	81	90	171
Bahamas	211	391	603	560	541	1 101
Belgium	72	19	91	49	29	78
Austria	18	98	116	84	9	93
Sweden	56	8	64	10	45	55
Mexico	340	69	409	158	63	220
Singapore	5	19	24	72	19	91
Netherlands Antilles	21	9	29	1	476	477
Chile	8	709	717	97	167	264
Ireland	6	58	64	22	53	75
Argentina	31	39	70	55	72	127
South Korea	145	120	265	64	564	628
Australia	227	267	494	614	540	1 154
Hong Kong	8	6	13	14	21	35
Colombia	162	6	167	34	20	54
Costa Rica	0	0	0	3	0	3
Finland	6	82	88	64	121	185
Peru	0	0	1	1	429	429
Hungary	0	0	0	0	106	106
Other countries	214	273	487	344	484	828

1/ Does not include investments in goods, real-estate and national currency.

Table 5.27 – Foreign direct investments inflows – Equity capital

Distribution by sector

US$ million

Itemization	2007			2008		
	1st half	2nd half	Year	1st half	2nd half	Year
Total	18 617	15 720	34 337	16 765	27 691	44 456
Crop, livestock and mineral extraction	1 107	3 644	4 751	2 073	10 920	12 993
Metallic mineral extraction	592	2 481	3 073	925	9 719	10 644
Oil and gas extraction	336	461	797	709	630	1 339
Crop, livestock and related services	117	185	302	229	269	498
Nonmetallic mineral extraction	9	32	41	4	158	162
Forestry production	7	254	261	44	74	118
Mineral extraction related services	46	226	272	163	68	231
Others	1	5	6	1	1	2
Industry	7 517	5 963	13 480	6 526	7 490	14 016
Manufacturing and assembly of automotive engines	436	425	861	870	94	964
Chemical products	1 242	136	1 378	498	361	859
Basic metallurgy	3 479	1 220	4 699	2 717	2 267	4 984
Foodstuff	341	1 411	1 752	782	1 444	2 226
Beverages	67	2	69	1	11	12
Pulp, paper and paper products	337	140	477	103	97	200
Machinery and equipments	136	293	429	110	396	506
Electrical machines, devices and apparatuses	237	148	385	28	307	335
Plastic and rubber products	225	269	494	429	242	671
Metal products	13	38	51	55	89	144
Nonmetallic mineral products	161	294	455	68	583	651
Publishing and printing	36	22	58	1	3	4
Textile products	64	26	90	18	33	51
Sundry	35	88	123	31	77	108
Computer equipment, electronic and optical products	80	79	159	27	117	144
Other transportation equipments	6	11	17	24	33	57
Coke, oil derivatives and biofuels	494	1 149	1 643	455	1 113	1 568
Tobacco products	3	3	6	5	2	7
Maintenance and repair of computer equiment	0	5	5	2	1	3
Pharmaceuticals	48	112	160	84	206	290
Wood products	14	25	39	103	0	103
Other industries	65	67	132	115	12	127
Services	9 993	6 113	16 106	8 166	9 281	17 447
Telecommunication	444	108	552	109	338	447
Commerce, except vehicles	1 669	1 091	2 760	968	1 596	2 564
Office services and other services rendered to corpora	57	107	164	249	124	373
Financial and auxiliary services	3 073	1 451	4 524	2 821	2 288	5 109
Electricity and gas	574	482	1 056	343	566	909
Lodging	53	55	108	40	73	113
Buildings	621	619	1 240	667	719	1 386
Information technology services	106	85	191	159	230	389
Real estate	361	461	822	526	1 195	1 721
Insurance and pension funds	180	336	516	224	250	474
Transportation	270	117	387	255	397	652
Food industry service	5	71	76	8	46	54
Non real estate lease and intangible assets	28	50	78	63	16	79
Advertsing and market research	73	21	94	46	50	96
Storage and transportation auxiliary activities	86	35	121	225	188	413
Headquarter consulting and management activities	1 471	136	1 607	98	77	175
Travel agencies and tourist operators	20	7	27	4	3	7
Architectural and engineering services	85	46	131	66	120	186
Nonfinancial holdings	250	126	376	316	324	640
Infrastructure works	32	89	121	189	148	337
Commerce and maintenance of vehicles	23	57	80	56	40	96
Water services	3	0	3	100	23	123
Other services	509	563	1 072	632	470	1 102

flows of FDI fell 21% in 2008 to US$1.4 trillion, a movement consistent with the new world economic environment.

Flows to developed countries shrank 32.7%, impacted by a reduction in the profits of transnational corporations in these countries, the decline in bank lending and the insolvency of major financial institutions. In this scenario, operations of mergers and acquisitions fell 32.5%.FDI flows targeted to developing economies and countries in transition increased 3.6% in 2008.

Developed countries continue to be the major recipients of FDI, but reducing their share of these flows from 68.1% in 2007 to 58% while the share targeted to developing countries increased 8.4 p.p. to 35.7%.

FDI flows to Latin America and the Caribbean reached a record of US$142.3 billion. The major responsible for this movement, net FDI flows to Brazil totaled US$45.1 billion in 2008, representing an annual increase of 30.3% and accumulating stock of US$301.9 billion, according to the position in December 2008. Concerning 2008 inflows, the participation in business capital in the country totaled US$30.1 billion, of which US$5.6 billion related to debt/equity conversion. It is noteworthy that these conversions, US$3.8 billion originated from intercompany loan repayments, with zero impact in terms of net FDI. Intercompany loans recorded net inflows of US$15 billion compared to US$8.5 billion in 2007.

In the capital participation modality, FDI flows from the USA, the leading foreign investor in the country totaled US$7 billion in 2008, representing 15.9% of the total, followed by those originating from Luxembourg, 13.4%; Netherlands, 10.4%; Japan 9.2%; Spain 8.7%; and France 6.5%.

The services sector remained the largest recipient of FDI-equity participation, 39.2% of the total in 2008, representing an annual growth of 8.4%, with emphasis on the inflows targeted to the segments of financial services, commerce, real estate and construction. It is noteworthy that the activities in the service sector whose inflows recorded the most intense expansion were storage, 240.1%; infrastructure works, 179.2%; business services, 127.4%; real estate, 109.4%; and information technology, 103.7%, in contrast to the decreases in the flows to trade, 7.1%; electricity and gas, 13.8%; insurance, 8.1% and telecommunications, 19%.

Flows of FDI-equity participation channeled to the industrial sector accounted for 31.5% of the total flow, amounting to US$14 billion and recording an annual increase of 3.9%. Among the most representative segments, emphasis is to the equity flows targeted to metallurgy, 11.2%; food products, 5%; coke, oil and biofuels, 3.5%. The most pronounced expansion occurred in the resources allocated to the segments of pharmaceutical chemicals and pharmaceutical products, 80.8%; of non-metallic mineral products, 43.2%; and rubber and plastics, 35.7%, in contrast to marked decreases in the pulp and paper, 58% and chemical products 37.7%.

Table 5.28 – Portfolio investments – Liabilities

US$ million

Itemization	2007			2008		
	1st half	2nd half	Year	1st half	2nd half	Year
Total	24 179	23 925	48 104	13 283	-14 050	- 767
Credit	87 058	122 869	209 927	150 209	116 251	266 460
Debit	62 879	98 944	161 823	136 926	130 301	267 227
Equities	7 584	18 634	26 217	4 828	-12 393	-7 565
Credit	46 348	73 075	119 424	118 602	99 000	217 602
Debit	38 765	54 442	93 206	113 774	111 393	225 167
Issued in the country	6 239	18 374	24 613	5 167	-16 017	-10 850
Credit	44 545	72 036	116 581	117 996	94 764	212 759
Debit	38 307	53 662	91 968	112 829	110 780	223 609
Issued abroad (Annex V - ADR)	1 345	259	1 604	- 339	3 623	3 285
Credit	1 803	1 040	2 842	606	4 236	4 842
Debit	458	780	1 238	945	613	1 558
Debt securities	16 595	5 291	21 887	8 455	-1 656	6 798
Credit	40 710	49 793	90 503	31 607	17 251	48 859
Debit	24 114	44 502	68 616	23 152	18 908	42 060
Issued in the country	12 512	7 970	20 482	10 171	5 118	15 289
Medium and long term	8 232	5 317	13 548	8 289	5 529	13 818
Credit	15 961	25 026	40 987	19 916	10 608	30 524
Debit	7 729	19 709	27 439	11 627	5 080	16 707
Short term	4 280	2 653	6 933	1 882	- 410	1 471
Credit	8 299	12 038	20 337	5 231	1 726	6 958
Debit	4 018	9 385	13 403	3 350	2 137	5 486
Issued abroad	4 083	-2 678	1 405	-1 716	-6 775	-8 491
Bonds	-3 435	-4 445	-7 880	-2 431	- 572	-3 003
Private	- 100	- 3	- 103	0	11	11
Disbursements	0	0	0	0	11	11
Amortizations	100	3	103	0	0	0
Public	-3 335	-4 442	-7 777	-2 431	- 584	-3 015
Disbursements	2 883	0	2 883	525	0	525
Amortizations	6 218	4 442	10 660	2 956	584	3 540
Face value	5 179	3 970	9 149	2 754	486	3 241
Discounts	-1 039	- 472	-1 512	- 202	- 97	- 299
Notes and commercial papers	4 380	1 254	5 633	1 493	-3 045	-1 552
Disbursements	8 330	7 104	15 434	4 731	2 552	7 283
Amortizations	3 950	5 850	9 801	3 239	5 596	8 835
Money market instruments	3 138	513	3 651	- 777	-3 158	-3 935
Disbursements	5 237	5 625	10 862	1 204	2 354	3 558
Amortizations	2 099	5 112	7 211	1 981	5 511	7 493

Flows of FDI-participation in the capital targeted to farm and mining industry showed an annual increase of 173.5%, totaling US$13 billion and now represents 29.2% of the total. This expansion has focused on the activities of metallic mineral extraction, the main recipient of FDI in the modality equity participation, accounting for 23.9% of total flows for the year.

The foreign portfolio investments recorded net outflows of US$767 million, compared with net inflows of US$48.1 billion in 2007, resulting from increases in inflows of 26.9% and 65.1% in shipments. The behavior of financial flows by instrument was distributed differently over the last twelve months.

In recovery since mid-2003, inflows of foreign investment in stock of Brazilian companies recorded negative flows. Impacted by the liquidity squeeze in financial markets, these flows recorded net outflows of US$7.6 billion in 2008, compared with net inflows of US$26.2 billion the previous year. Revenues and expensesunder this heading, both registering record levels, totaling in that order of US$217.6 billion and US$225.2 billion, representing respective increases of 82.2% per year and 141.6%.

Among its components, foreign investment in shares traded in the country registered net outflows of US$10.9 billion, compared with net inflows of US$24.6 billion in 2007. ADR placements, which reflect foreign investments in stock of Brazilian companies traded abroad, totaled net inflows of US$3.3 billion, compared to US$1.6 billion in 2007.

Foreign investments in fixed-income securities, with more significant flows in the first half of the year, reported net disbursements of US$6.8 billion, decreasing 68.9% in the year. The net disbursement of foreign investments in fixed income securities traded in the country recorded an annual fall of 25.4% to US$15.3 billion. In this mode, the foreign investments in medium and long-term fixed income securities, negotiated in the country, posted net inflows of US$13.8 billion.

The flow of capital relating to sovereign bonds resulted in net repayments of US$3 billion in 2008 as a result of the original schedule of maturities and early redemptions of debt. Among the new issues, to highlight the total disbursements, $525 billion associated with the reopening of Global 17 bonds.

Operations of notes and commercial papers had net repayments of US$1.6 billion, compared to net inflows of US$5.6 billion in 2007. It should be noted that disbursements fell 52.8% andoutflows, 9.9%. The short-term securities recorded net repayments of US$3.9 billion, compared with net inflows of US$3.7 billion in 2007. In this mode, the disbursements dropped 67.3%.

Other foreign investments in the country showed net inflows of US$10.6 billion, 66.4% below the result for 2007, with emphasis on from trade credits, loans and short-term

Table 5.29 – Other foreign investments

US$ million

Itemization	2007			2008		
	1º sem	2º sem	Ano	1º sem	2º sem	Ano
Total	31 440	243	31 683	20 368	-9 730	10 638
Trade credit	17 204	167	17 371	9 654	-5 130	4 525
Long term	-323	456	133	532	-36	496
Credit	434	1 184	1 618	1 345	888	2 233
Debit	756	728	1 484	813	924	1 737
Short term (net)	17 527	-289	17 238	9 122	-5 094	4 029
Loans	13 594	100	13 694	11 005	-3 671	7 334
Monetary authority	-69	-69	-138	-	-	-
Exceptional financing	-	-	-	-	-	-
Other long term	-69	-69	-138	-	-	-
Credit	-	-	-	-	-	-
Debit	69	69	138	-	-	-
Remaining sectors	13 663	169	13 832	11 005	-3 671	7 334
Long term	-8 115	8 180	64	7 394	5 925	13 319
Credit	4 048	12 028	16 076	10 858	10 716	21 573
Multilateral1/	957	1 998	2 955	1 816	3 045	4 861
Agencies	266	553	819	980	902	1 882
Buyers credit	774	5 510	6 284	5 003	4 137	9 140
Direct loans	2 050	3 968	6 018	3 058	2 632	5 690
Debit	12 163	3 849	16 012	3 464	4 791	8 254
Multilateral1/	998	955	1 953	896	910	1 806
Agencies	276	252	527	316	388	704
Buyers credit	659	793	1 452	1 001	1 637	2 638
Direct loans	10 231	1 849	12 080	1 251	1 856	3 107
Short term	21 778	-8 011	13 768	3 611	-9 596	-5 985
Currency and deposits	629	-22	607	-294	-931	-1 225
Outher liabilities	13	-1	11	3	2	5
Long term (net)	-	-	-	-	-	-
Short term (net)	13	-1	11	3	2	5

1/ Includes IFC.

operations. Commercial supplier's credit disbursements totaled US$4.5 billion, compared to US$17.4 billion in 2007. In this regard, the long-term loans recorded net inflows of US$496 million and net short-term credits added up to US$4 billion, 76.6% below the previous year's outcome.

The other medium and long-term loans totaled net inflows of US$13.3 billion, consisting of commercial (buyers) credit, US$6.5billion, organizations funding, US$3.1 billion; direct loans, US$2,6 billion; and agencies, US$1.2 billion. Short-term loans recorded net repayments of US$6 billion, compared to net disbursements of US$13.8 billion in the previous year. Net outflows of resources from non-residents held in the country in the form of currency and deposits totaled US$1.2 billion, compared to net inflows of US$607 million in 2007.

Table 5.30 – Brazilian direct investments abroad

US$ million

Itemization	2007			2008		
	1st half	2nd half	Year	1st half	2nd half	Year
Total	3 425	-10 492	-7 067	-8 577	-11 879	-20 456
Credit	10 442	12 056	22 498	5 696	7 939	13 635
Debit	7 017	22 548	29 565	14 273	19 818	34 091
Equity capital	-4 621	-5 471	-10 092	-6 260	-7 599	-13 859
Credit	658	1 386	2 044	1 097	3 071	4 168
Debit	5 279	6 857	12 136	7 357	10 670	18 027
Intercompany loans	8 046	-5 021	3 025	-2 317	-4 280	-6 597
Credit	9 784	10 670	20 454	4 599	4 868	9 467
Debit	1 738	15 691	17 429	6 916	9 148	16 064

Favorable conditions for the external accounts financing pre-existing to the crisis can be understood as requirements for the internationalization of Brazilian companies, which expanded the scale and started having a relevant participation in the world market, with significant change in the amounts of Brazilian investments account abroad. This evolution can be shown by the increase in the stock of Brazilian direct investments abroad, which totaled US$162.2 billion in December 2008.

Table 5.31 – Brazilian portfolio investments abroad

US$ million

Itemization	2007			2008		
	1st half	2nd half	Year	1st half	2nd half	Year
Total	- 52	338	286	10	1 891	1 900
Credit	2 328	3 408	5 736	2 220	3 189	5 408
Debit	2 380	3 070	5 449	2 210	1 298	3 508
Equity investment	- 686	- 727	-1 413	- 52	309	257
Credit	163	399	562	1 090	446	1 536
Debit	849	1 127	1 976	1 142	137	1 279
Brazilian Depositary Receipts (BDR)	- 452	- 784	-1 235	- 291	- 7	- 297
Credit	10	1	12	16	5	21
Debit	462	785	1 247	307	12	318
Other equities	- 234	56	- 178	239	316	554
Credit	152	398	550	1 074	441	1 515
Debit	387	342	728	835	126	961
Debt securities	634	1 065	1 699	61	1 582	1 643
Credit	2 165	3 008	5 173	1 129	2 743	3 872
Debit	1 531	1 943	3 474	1 068	1 161	2 229

The Brazilian direct investments abroad, reflecting the continuing process of internationalization of Brazilian companies, had net claims of US$20.5 billion in 2008, compared to US$7.1 billion in the previous year. From the total netinvestments, US$13.9 billion referred to increased participation, compared to US$10.1 billion in

Table 5.32 – Other brazilian investments abroad

US$ million

Itemization	2007			2008		
	1st half	2nd half	Year	1st half	2nd half	Year
Total	-19 260	709	-18 552	-1 577	-2 589	-4 167
Loans	-15	-1 759	-1 773	-2 149	-2 662	-4 811
Long term	74	-1 665	-1 590	-2 043	-2 994	-5 037
Credit	2 109	789	2 898	647	506	1 153
Debit	2 035	2 453	4 489	2 689	3 500	6 190
Short term (net)	-89	-94	-183	-106	332	226
Currency and deposits	-18 821	2 709	-16 112	330	-1 467	-1 137
Banks	-9 974	-717	-10 691	1 161	4 124	5 285
Remaining domestic sectors	-8 847	3 426	-5 421	-831	-5 591	-6 422
Other	-8 847	3 426	-5 421	-831	-5 591	-6 422
Other assets	-425	-241	-666	241	1 540	1 781
Long term	-205	-54	-260	14	20	34
Credit	236	86	322	140	107	247
Debit	441	140	581	126	87	213
Short term (net)	-219	-187	-406	227	1 520	1 747

2007. Loans to affiliates of Brazilian companies abroad accounted for net investments from US$6.6 billion, compared to net returns of US$3 billion in 2007.

Brazilian portfolio investments abroad totaled net returns of US$1.9 billion, compared to US$286 million in 2007, registering net inflows of US$257 million in stock investments of foreign companies, compared to net investments of US$1.4 billion in 2007. Investments in fixed income securities had net returns of US$1.6 billion, 3.3% below the previous year.

Other Brazilian investments abroad amounted to net disbursements of US$4.2 billion, compared to US$18.6 billion in 2007. Net outflows of US$1.1 billion in the form of currency and deposits reflected the net return of banking operations, US$5.3 billion and net investments from the other sectors, US$6.4 billion. Long-term loans abroad totaled net disbursements of US$5 billion, compared to US$1.6 billion in 2007. Other assets totaled net returns of US$1.8 billion, of which US$1.7 billion were short term.

Table 5.33 – Brazil: Financial flow by foreign creditor – Selected items[1/]

US$ million

Itemization	2005	2006	2007	2008
IBRD[2/3/]	-120	1 230	-533	1 874
Disbursements	1 645	2 712	938	3 281
Amortizations	1 424	1 066	947	930
Interest	341	416	524	477
IBD[3/]	-576	710	352	25
Disbursements	1 073	2 388	2 017	1 580
Amortizations	1 106	1 084	1 006	876
Interest	543	594	659	679
FMI	-24 370	-125	-23	-18
Disbursements	-	-	-	-
Amortizations	23 271	-	-	-
Interest	1 099	125	23	18
Government agencies				
Agencies	-1 765	-2 278	37	1 178
Disbursements	1 219	1 469	819	1 882
Amortizations	2 624	3 470	527	704
Interest	360	277	255	
memo:				
Paris Club	-1 090	-2 667	-	-
Amortizations	985	2 584	-	-
Interest	105	83	-	-
Bonds	-3 437	-18 726	-12 718	-7 369
Disbursements	12 490	5 575	2 883	536
New inflows	7 981	4 877	2 883	536
Refinancing	4 509	698	-	-
Amortizations	10 282	18 797	10 763	3 540
Paid	5 773	16 694	9 251	3 241
Refinanced	4 509	2 103	1 512	299
Interest	5 645	5 504	4 838	4 365
Notes & commercial papers	-6 391	-74	2 290	-5 148
Disbursements	7 337	10 244	15 434	7 283
Amortizations	10 463	6 794	9 801	8 835
Interest	3 265	3 524	3 343	3 596
Intercompany – FDI	-1 232	1 925	6 717	13 099
Disbursements	8 018	9 631	15 898	27 379
Amortizations	7 997	6 181	7 387	12 382
Interest	1 253	1 525	1 794	1 898
Banks[4/]	-2 404	7 732	-3 271	6 811
Disbursements	4 039	20 681	12 302	14 830
Amortizations	5 114	11 125	13 532	5 745
Interest	1 329	1 824	2 041	2 274
Loans	992	1 481	1 701	1 637
Financing	337	343	340	637

1/ Does not include suppliers.

2/ Includes IFC.

3/ Includes loans and trade financing.

4/ Includes bank loans and buyers' credits.

International reserves

At the end of 2008, international reserves reached US$193.8 billion in the cash criterion, rising US$13.5 billion compared to the previous year. Considering the the international liquidity concept, which includes the stock of repurchase lines and foreign currency loans, reserves totaled US$206.8 billion, rising to about US$26.5 billion in the year.

Graph 5.11
International reserves

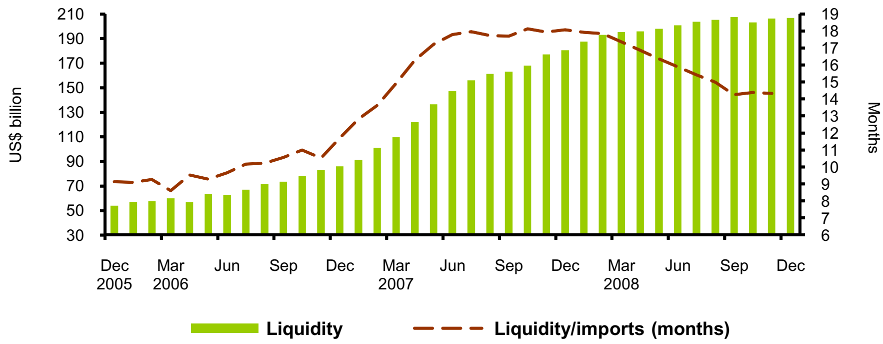


Table 5.34 – Statement of international reserves growth

US$ million

Itemization	2006	2007	2008
I – Reserve position (end of previous month)	53 799	85 839	180 334
1. Net purchases (+)/ sales (-) of Banco Central (interventions)	34 336	78 589	-5 438
Spot	34 336	78 589	7 585
Lines with repurchase	-	-	-8 338
Foreign currency loans	-	-	-4 685
2. Banco Central's foreign operations	-2 297	15 905	18 887
Disbursements	6 605	2 883	1 291
Bonds	5 450	2 883	525
Organizations	1 155	-	766
Amortizations	-12 856	-140	-
Bonds and MYDFA	-12 854	-138	-
Organizations	-2	-2	-
Paris Club	-	-	-
Interest	2 417	6 300	7 176
Bonds and MYDFA	-273	-7	-
Organizations	-125	-24	-18
Paris Club	-	-	-
Reserve interest earnings	2 815	6 330	7 193
Other[1/]	1 537	6 863	10 421
II – Total Banco Central operations (1+2)	32 040	94 495	13 450
III – Reserves position – cash concept	85 839	180 334	193 783
IV – Outstanding repo lines of credit	-	-	8 338
V – Outstanding foreign exchange loan operations	-	-	4 685
VI – Reserves position – liquidity concept[2/]	-	-	206 806
Memorandum:			
Exchange market:	34 336	78 589	2 900
Transactions with residents (net)	36 428	87 940	-3 419
Interbank transactions with non-residents (net)	-	-	-
Change in bank holdings (net)[3/]	-2 092	-9 351	6 319

1/ Includes receipt/payment under reciprocal credits agreement (CCR), price fluctuations of bonds, change in currency and gold prices, acceptance/payment of premium/discount of fees, releases of collateral/guarantees and fluctuations of financial derivatives assets (forwards).

2/ Includes outstanding repo lines of credit and foreign currency loans.

3/ Interventions undertaken through "lines with repurchase" does not change this item. Therefore, the result of the consolidated foreign exchange market only matches with the Banco Central's interventions through the "Spot" and "Export lines" modalities.

Operations with repurchase lines, which are characterized by cash domestic sales, with a future repurchase commitment, totaled US$8.3 billion in 2008, while foreign currency loans with guarantees on export transactions or country's sovereign bonds totaled US$4.7 billion for credit to exports.

The Central Bank's external operations totaled net US$18.9 billion net revenue. Highlighted were the disbursement of US$1.3 billion, which included US$525 million reopening of the Global 17 and US$766 millioncarried out with organizations, of which US$616 for the disbursement at the state level, in addition to interest revenues of US$7.2 billion with reserve earnings. The other operations increased inventory by US$10.4 billion, registering a reduction of US$852 million in parity and gain of US$11.3 billion in securities prices.

National Treasury external debt service

In 2008, the National Treasury's policy maintained the policy, initiated in 2003, of contracting foreign currency in the exchange market for the payment of debt service regarding bonds. Throughout the year, such market settlements totaled US$7.6 billion, of which US$3.2 billion related to principal and US$4.4 billion to interests. Among the principal payments, it should be noted those on bonuses Global 08-N, US$582 million, Global 08, US$974 million; and Euromarco 08, US$502 million.

In 2008, the repurchase program of Brazilian external debt securities, whose prime guideline is to promote the improvement of the Brazilian interest curve profile abroad,

Table 5.35 – National Treasury – External debt service[1/]

US$ million

Period	Maturity profile			Maturity settlement		
	Principal	Interest	Total	Market	Reserves	Total
2008						
Jan	192	1 000	1 193	1 193	-	1 193
Feb	167	485	652	652	-	652
Mar	712	169	881	881	-	881
Apr	1 526	434	1 960	1 960	-	1 960
May	136	143	279	279	-	279
Jun	21	127	148	148	-	148
Jul	179	914	1 093	1 093	-	1 093
Aug	10	325	335	335	-	335
Sep	132	263	395	395	-	395
Oct	108	309	417	417	-	417
Nov	10	136	146	146	-	146
Dec	48	59	107	107	-	107
Year	3 241	4 365	7 606	7 606	-	7 606

1/ Includes principal and interest maturities related to bonds.

Table 5.36 – National Treasury – External debt sovereign bonds buyback operations

By settlement date

US$ million

Itemization	Principal	Interest	Premium/Discount	Total
2008				
Jan	192	6	60	258
Feb	167	4	49	220
Mar	114	2	31	147
Apr	50	2	12	64
May	136	3	42	182
Jun	21	1	7	29
Jul	179	6	50	235
Aug	10	0	2	12
Sep	116	3	28	147
Oct	108	3	6	117
Nov	10	0	1	11
Dec	48	1	9	58
Year	1 151	31	297	1 479

maintained the policy of including all securities, regardless of their maturity date. In its implementation, about US$1.5 billion at the domestic market were hired, of which US$1.2 billion spent on payment of principal, US$31 million in accrued interests and US$297 million in premium costs.

External debt

The total external debt reached US$198.4 billion at the end of 2008, rising to US$5.1 billion compared to the stock in December last year. The medium and long-term debt increased US$7.6 billion, to US$161.9 billion, while short-term debt amounted to US$36.5 billion, falling US$2.4 billion. The stock of intercompany loans increased US$17.3 billion, to US$64.6 billion, of which US$59.1 billion were medium and long-term loans.

The composition of the medium and long term external debt, in December 2008, revealed that 37.2% of the total was related to claims on financial loans; 26.4% to bonds; and 36.4% of the funding trade. The stock of currency loans recorded relative stability in the year, reflecting a reduction of US$3.5 billion in notes and rising US$3.3 billion in direct loans. The stock of external credit for foreign trade increased by US$12.2 billion.

The stock of external debt bonds fell by US$4.5 billion, noting that from this total, 97.4% referred to public sector bonds.

Table 5.37 – Gross foreign indebtedness[1/]

US$ million

Itemization	2004	2005	2006	2007	2008
A. Total debt (B+C)	201 374	169 450	172 589	193 219	198 365
B. Medium and long-term debt[2/]	182 630	150 674	152 266	154 318	161 896
Exceptional financing	24 946	-	-	-	-
IMF	24 946	-	-	-	-
BIS	-	-	-	-	-
BoJ	-	-	-	-	-
IMF loans	-	-	-	-	-
Renegotiated debt bonds	14 174	6 948	-	-	-
Other bonds[3/]	48 059	55 842	51 968	47 195	42 687
Import financing	42 609	38 877	39 983	46 758	58 977
Multilateral	22 241	21 779	25 148	26 981	30 023
Bilateral	10 970	8 614	6 259	6 482	6 854
Other financing sources	9 398	8 483	8 575	13 295	22 100
Currency loans	52 842	49 007	60 315	60 365	60 232
Notes[4/]	42 037	38 257	40 151	45 884	42 420
Direct loans	10 805	10 750	20 164	14 481	17 812
Other loans	-	-	-	-	-
C. Short-term debt	18 744	18 776	20 323	38 901	36 469
Credit line for petroleum imports	-	-	-	-	-
Commercial banks (liabilities)	15 991	15 701	16 527	27 613	28 245
Resolution 2,483 – Rural financing	-	-	-	-	-
Special operations	2 753	3 075	3 796	11 288	8 224
Financing	782	602	530	305	802
Currency loans	1 971	2 473	3 266	10 983	7 421
D. Intercompany loans	18 808	18 537	26 783	47 276	64 570
E. Total debt + intercompany loans (A+D)	220 182	187 987	199 372	240 495	262 934

1/ In 2001, includes revision of debt position, which separates all debt that bas been matured for more than 120 days, and excludes the stock of principal related to intercompany loans. In the years before 2001, the stock of intercompany loans are also displayed separately.

2/ Debt positions refer to capital registration before the Banco Central do Brasil. Position changes might not be compatible with the balance of payments figures, which represents inflows and outflows effectively occurred in the period.

3/ Includes pré-bradies (BIB).

4/ Includes commercial papers and securities.

The short-term debt declined US$2.4 billion, a move associated especially with the drop of US$3.6 billion seen in lending operations.

In December 2008, 85.8% of total external debt was related to external debt. In this instalment, 53.1% were under the responsibility of the private sector, of which US$83.2 billion in medium and long-term debt and US$7.2 billion in short-term liabilities. The indebtedness of medium and long-term indebtedness was mostly in the modalities of notes, 47.8% of the total, and banks, 30.6%.

Table 5.38 – Registered external debt

US$ million				Outstanding: 12.31.2008
Debtor	Creditor			
	Bonds	Multilateral institutions 1/	Bank loans 2/	*Notes* 3/
A. Total	42 687	30 113	35 786	45 949
B. Medium and long-term	42 687	30 023	32 299	42 420
Public sector	41 562	24 116	6 828	2 679
Nonfinancial public sector	41 562	20 000	1 984	1 164
National Treasury	41 562	11 000	964	-
Banco Central do Brasil	-	-	-	-
Public enterprises	-	1 706	625	1 164
States and municipalities	-	7 294	395	-
Financial sector	-	4 116	4 844	1 515
Private sector	1 125	5 906	25 471	39 741
Nonfinancial sector	1 000	3 397	19 403	21 664
Financial sector	125	2 510	6 068	18 077
C. Short-term	-	91	3 487	3 529
Loans	-	78	3 032	-
Nonfinancial sector	-	3	484	-
Financial sector	-	75	2 548	-
Import financing	-	13	455	3 529
Nonfinancial sector	-	-	205	381
Financial sector	-	13	250	3 148
D. Intercompany loans	254	-	-	3 047
E. Total debt + intercompany loans (A+D)	42 941	30 113	35 786	48 996

(continues)

The registered external debt for which the public sector is responsible, representing 46.9% of the total, consisted of US$78.7 billion in medium and long-term debt and US$994 million in short-term debt. The medium and long term debt of this sector was bunched in the National Treasury, 80.8% of the total, of which US$41.6 billion in the bond modality. The debt of state and local governments accounted for 12.1% of the total, concentrated in credits from international organizations and state-owned enterprises, 7.1%, distributing, in particular between credits from international organizations, notes and agencies.

The debt contracted with public sector guaranties reached US$14.8 billion at the end of 2008, of which US$450 million consisting of private sector debt.

The amortization schedule of the medium and long-term gross external debt recorded, according to the position in December 2008 revealed bunching of 53.1% of total salaries over the next five years. Considering the medium to long-term debt with maturities until 2013, the private and public financial sector reached 71.3%. In relation to the amortization schedule of the registered external debt by creditor, the currency loans

Table 5.38 – Registered external debt (concluded)

US$ million				Outstanding: 12.31.2008
Debtor	Creditor			
	Government agencies	Suppliers credits	Others	Total
A. Total	6 863	6 241	2 480	170 120
B. Medium and long-term	6 854	5 906	1 708	161 896
Public sector	3 280	260	0	78 726
Nonfinancial public sector	2 364	260	0	67 335
National Treasury	672	175	-	54 373
Banco Central do Brasil	10	-	-	10
Public enterprises	1 213	78	0	4 786
States and municipalities	469	7	-	8 165
Financial sector	916	-	-	11 391
Private sector	3 574	5 646	1 707	83 170
Nonfinancial sector	3 425	5 640	739	55 268
Financial sector	148	6	968	27 903
C. Short-term	10	335	773	8 224
Loans	10	-	773	3 892
Nonfinancial sector	10	-	84	581
Financial sector	-	-	689	3 311
Import financing	-	335	-	4 331
Nonfinancial sector	-	334	-	920
Financial sector	-	1	-	3 412
D. Intercompany loans	-	-	61 268	64 570
E. Total debt + intercompany loans (A+D)	6 863	6 241	63 749	234 690

1/ Includes IMF.
2/ Includes buyers credit.
3/ Includes commercial papers and securitizated loans.

and bonds accounted for 42.6% and 13.6% of the medium and long-term in that same period, respectively, while other international organizations accounted for 18.8%.

The average maturity of the registered external debt was reduced from 7.5 years in the position of December 2007 to 7.1 years at the end of 2008. The modality referring to suppliers/buyers had the lowest averageterm, 3.3 years, and that referring to bonuses, the highest, 13.3 years.

The composition of the registered external debt by currency shows that the participation of the dollar rose from 74.7% of the total at the end of 2007 to 79.8% in December 2008, while on the euro and the yen recorded their respective declines from 6.3% to 5.4% and from 10.9% to 9.4%. The share of debt denominated in real retreated 7.9% to 5.3%.

Table 5.39 – Public registered external debt

Breakdown of principal by debtor and by guarantor

US$ million

Itemization	2004	2005	2006	2007	2008
Federal government (direct)	75 345	75 161	63 942	58 991	54 373
States and municipalities	6 904	6 474	6 815	7 055	8 199
Direct	-	0	-	41	27
Guaranteed by the federal government	6 904	6 474	6 815	7 013	8 172
Semi-autonomous entities, public	-	-	-	-	-
companies and mixed companies	43 041	14 953	14 777	14 700	17 147
Direct	12 280	9 447	9 041	8 619	10 946
Guaranteed by the federal government	30 761	5 505	5 735	6 081	6 201
Private sector (garanteed by the public sector)	128	98	89	436	450
Total	125 418	96 686	85 622	81 182	80 169
Direct	87 625	84 608	72 983	67 652	65 346
Guaranteed by	37 793	12 078	12 640	13 530	14 823
Federal government	37 604	12 034	12 597	13 454	14 688
States and municipalities	-	4	3	8	7
Semi-autonomous entities, public					
companies and mixed companies	188	40	40	67	127

The stock of debt remunerated by floating rates grew from 35.8% of the total at the end of 2007 to 38.3% in December 2008. Of the total debt contracted under floating rates, the semiannual Libor remained the main indexator, increasing its share in this segment from 56.9% to 60.5%.

Table 5.40 – Registered external debt – By debtor

Amortization schedule[1/]

US$ million

Itemization	Outstanding debt	2009	2010	2011	2012	2013
A. Total debt (B+C)	170 120	30 902	19 958	16 812	13 949	12 560
B. Medium and long-term debt	161 896	22 678	19 958	16 812	13 949	12 560
Nonfinancial public sector	67 335	4 484	4 675	5 286	6 293	3 929
Central government	54 383	3 241	3 603	4 046	5 120	2 686
Others	12 952	1 243	1 072	1 240	1 173	1 243
Financial public sector	11 391	1 000	951	2 710	597	1 317
Private sector	83 170	17 193	14 333	8 816	7 059	7 314
C. Short-term debt	8 224	8 224	-	-	-	-
Nonfinancial public sector	17	17	-	-	-	-
Financial public sector	977	977	-	-	-	-
Private sector	7 230	7 230	-	-	-	-
D. Intercompany loans	64 570	14 882	7 040	6 708	5 496	5 014
E. Total debt + intercompany loans (A+D)	234 690	45 783	26 998	23 519	19 445	17 574

(continues)

Table 5.40 – Registered external debt – By debtor (concluded)

Amortization schedule[1/]

US$ million — Outstanding: 12.31.2008

Itemization	2014	2015	2016	2017	2018	Beyond and arrears
A. Total debt (B+C)	7 177	11 773	8 212	8 121	3 874	36 783
B. Medium and long-term debt	7 177	11 773	8 212	8 121	3 874	36 783
Nonfinancial public sector	2 933	5 506	3 322	4 607	1 113	25 186
Central government	1 970	3 960	2 453	3 968	610	22 726
Others	963	1 545	869	639	504	2 461
Financial public sector	522	481	433	389	1379	1 611
Private sector	3 722	5 787	4 456	3 124	1 381	9 986
C. Short-term debt	-	-	-	-	-	-
Nonfinancial public sector	-	-	-	-	-	-
Financial public sector	-	-	-	-	-	-
Private sector	-	-	-	-	-	-
D. Intercompany loans	3 182	3 445	2 522	3 635	2 548	10 098
E. Total debt + intercompany loans (A+D)	10 359	15 219	10 734	11 756	6 422	46 881

1/ Includes exceptional financing.

Table 5.41 – Registered external debt – By creditor

Amortization schedule[1/]

US$ million

Itemization	Outstanding debt	2009	2010	2011	2012	2013
A. Total debt (B+C)	170 120	30 902	19 958	16 812	13 949	12 560
B. Medium and long-term debt	161 896	22 678	19 958	16 812	13 949	12 560
International organizations	30 023	2 699	3 378	3 313	4 047	2 682
Government agencies	6854	1046	1038	884	818	682
Buyers	16194	3109	3419	2942	2876	2146
Suppliers	5906	975	526	395	250	406
Currency loans	60 232	12 972	9 365	6 301	3 261	4 707
Notes[2/]	42 420	7 759	6 736	2 444	2 009	3 356
Direct loans	17812	5 214	2629	3858	1252	1350
Bonds	42 687	1 842	2 221	2 966	2689	1 929
C. Short-term debt	8224	8224	-	-	-	-
D. Intercompany loans	64 570	14 882	7 040	6 708	5 496	5 014
E. Total debt + intercompany loans (A+D)	234 690	45 783	26 998	23 519	19 445	17 574

(continues)

Table 5.41 – Registered external debt – By creditor (concluded)

Amortization schedule[1/]

US$ million						Outstanding: 12.31.2008
Itemization	2014	2015	2016	2017	2018	Beyond and arrears
A. Total debt (B+C)	7 177	11 773	8 212	8 121	3 874	36 783
B. Medium and long-term debt	7 177	11 773	8 212	8 121	3 874	36 783
International entities	2 116	2 087	1 711	1 435	1 187	5 369
Government agencies	554	492	413	306	221	401
Buyers	858	407	70	47	12	307
Suppliers	106	132	99	101	81	2 835
Currency loans	2 393	5 417	3 949	2 801	2 177	6 888
Notes[2/]	1 813	4 323	3 466	2 528	1 979	6 008
Direct loans	580	1 094	483	273	198	881
Bonds	1 143	3 232	1 963	3 425	192	21 085
C. Short-term debt	-	-	-	-	-	-
D. Intercompany loans	3 182	3 445	2 522	3 635	2 548	10 098
E. Total debt + intercompany loans (A+D)	10 359	15 219	10 734	11 756	6 422	46 881

1/ Includes exceptional financing.
2/ Includes commercial papers and securities.

Table 5.42 – Average maturity term

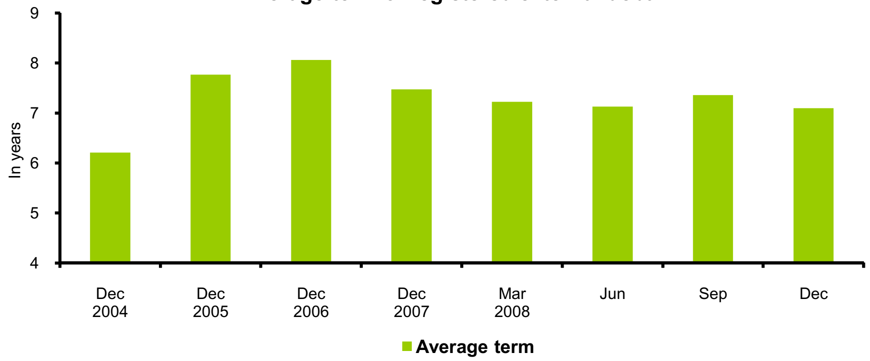
Registered external debt[1/]

US$ million

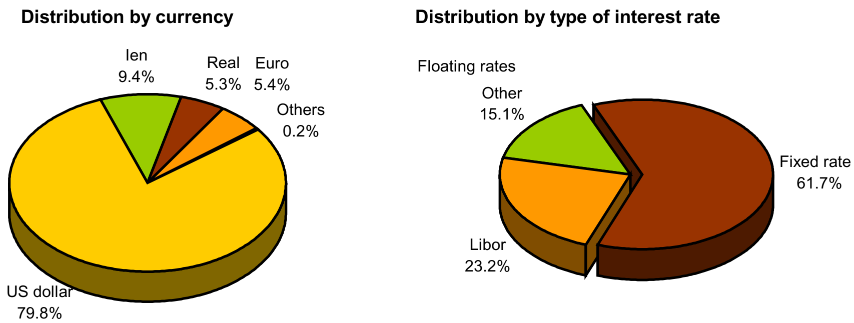
Itemization	2008	Average maturity (years)
A. Total	165 733	7.10
International organizations	30 006	6.31
Government agencies	6 846	4.76
Buyers/suppliers	19 210	3.31
Currency loans + short-term	66 984	4.85
Bonds	42 687	13.25
Bradies	155	3.00
Global/Euro	41 408	13.53
Others	1 125	4.44
B. Intercompany loans	60 573	5.46
C. Total + intercompany loans	226 306	6.66

1/ Excludes debt in arrears.

Graph 5.12
Average term of registered external debt



Graph 5.13
Registered external debt composition
December 2008



Indebtedness indicators

Foreign external indebtedness indicators recorded in December 2008, a positive development over the same period of 2007, a move consistent with the trajectories experienced by international reserves, by the external debt service and the dollar value of exports and the GDP.

Over this period, the debt service decreased 27.7% and exports rose 23.2%, resulting in a reduction from 32.4% to 19% in the relationship between two variables. The 18% growth in the U.S. GDP measured in dollars, compared to an increase of 2.7% of total external debt, resulted in decrease of 14.5% to 12.6%, in the external debt participation in the GDP. Additionally, the ratio of debt service to GDP rose from 3.9% to 2.4%, while the indicator total external debt / exports declined from 120.3% to 100.2%.

Total debt net of assets remained negative in December 2008 since the total Brazilian financial assets against non-residents exceeded the value of the total external debt.

Table 5.43 – Indebtedness indicators[1/]

US$ million

Itemization	2004	2005	2006	2007	2008
Debt service	51 800	66 048	56 902	52 028	37 638
Amortizations[2/]	37 561	51 587	42 024	36 687	22 065
Gross interest	14 239	14 460	14 878	15 342	15 573
Medium and long-term external debt (A)	182 630	150 674	152 266	154 318	161 896
Short-term external debt (B)	18 744	18 776	20 323	38 901	36 465
Total debt (C)=(A+B)	201 374	169 450	172 589	193 219	198 362
International reserves (D)	52 935	53 799	85 839	180 334	193 783
Brazilian credit abroad (E)[3/]	2 597	2 778	2 939	2 894	2 657
Commercial bank assets (F)	10 140	11 790	8 990	21 938	16 521
Net debt (G)=(C-D-E-F)	135 702	101 082	74 821	-11 948	-27 623
Exports	96 475	118 308	137 807	160 649	197 942
GDP	663 783	882 439	1 088 911	1 333 818	1 573 321
Indicators (in percentage)					
Debt service/exports	53.7	55.8	41.3	32.4	19.0
Debt service/GDP	7.8	7.5	5.2	3.9	2.4
Total debt/exports	208.7	143.2	125.2	120.3	100.2
Total debt/GDP	30.3	19.2	15.8	14.5	12.6
Net total debt/exports	140.7	85.4	54.3	-7.4	-14.0
Net total debt/GDP	20.4	11.5	6.9	-0.9	-1.8

1/ Excludes stock of principal, amortizations and interests concerning intercompany loans. Considers a review in the medium and long-term indebtedness position of the private sector.
2/ Includes the payments referring to the financial assistance program. Refinanced amortizations are not considered.
3/ Export Financing Program (Proex).

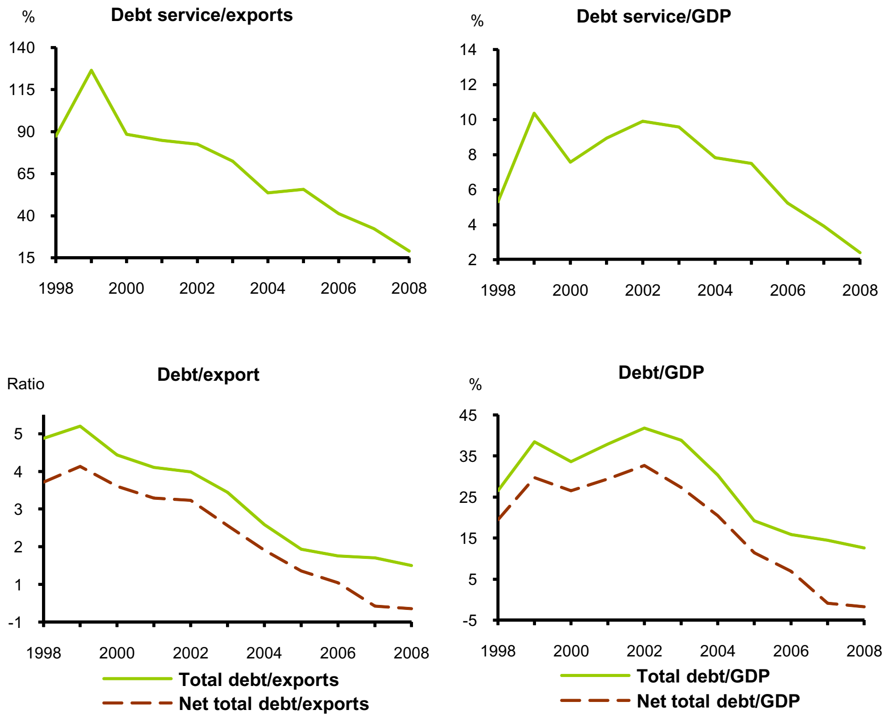
Thus, the ratio between the net external debt and the value of export revenues for the last twelve months rose from -7.4% in December 2007 to 14% in December 2008 while as a percentage of GDP fell -0 9% to -1.8%.

External funding operations

Brazil attracted resources in foreign markets in 2008. The reopening of the Global 17 occurred in May and the issued face value reached US$525 million. The risk premium, defined as the difference between the rate of return offered by the Brazilian bonds and U.S. Treasuries (spread), reached 140 b.p. in this operation.

The external restructured debt totaled about US$155 million in December 2008, a reduction of US$31 million over the balance of December 2007. The remaining balance of the restructured external debt refers only to Exit Bond (BIB).

Graph 5.14
Indebtedness indicators



Brazilian external debt securities

In 2008, the performance of the main Brazilian external debt securities was relatively stable in the first half and, highlighting the impact of the worsening international financial crisis, but unstable in the second half year.In general, there were price reductions as of September and recovery by the end of the year.

The basket of Brazilian external debt securities, weighted by liquidity, was implemented throughout 2008, average pay differential of 302 b.p. over U.S. Treasuries, against 181 in 2007 b.p. and 235 b.p. in 2006.

International investment position

The evolution of International Investment Position (IIP) in 2008 reflected a decrease of US$275 billion in net external liabilities, or 48.3%, a result of a decrease of US$233 billion in gross external liabilities and a US$41.8 billion in assets abroad.

Table 5.44 – Issues of the Republic

Itemization	Date of inflow	Date of maturity	Maturity years	Value US$ million	Coupon % p.y.	Rate of return at issuance % p.y.	Spread over U.S. Treasury[1/] basis points
Euromarco 07	2.26.1997	2.26.2007	10	592	8.000		242
Global 27[2/]	6.9.1997	6.9.2027	30	3 500	10.125	10.90	395
Eurolira[3/]	6.26.1997	6.26.2017	20	443	11.000		348
Eurolibra	7.30.1997	7.30.2007	10	244	10.000	8.73	268
Global 08	4.7.1998	4.7.2008	10	1 250	9.375	10.29	375
Euromarco 08[4/]	4.23.1998	4.23.2008	10	410	10 a 7	8.97	328
Global 09	10.25.1999	10.15.2009	10	2 000	14.500	14.01	850
Euro 06	11.17.1999	11.17.2006	7	723	12.000	12.02	743
Global 20	1.26.2000	1.15.2020	20	1 000	12.750	13.27	650
Euro 10	2.4.2000	2.4.2010	10	737	11.000	12.52	652
Global 30[5/]	3.6.2000	3.6.2030	30	1 600	12.250	12.90	663
Global 07[6/]	7.26.2000	7.26.2007	7	1 500	11.250	12.00	612
Global 40	8.17.2000	8.17.2040	40	5 157	11.000	13.73	788
Euro 07[7/]	10.5.2000	10.5.2007	7	656	9.500	11.01	508
Samurai 06	12.22.2000	3.22.2006	5	531	4.750	10.92	531
Global 06	1.11.2001	1.11.2006	5	1 500	10.250	10.54	570
Euro 11	1.24.2001	1.24.2011	10	938	9.500	10.60	560
Global 24	3.22.2001	4.15.2024	23	2 150	8.875	12.91	773
Samurai 07	4.10.2001	4.10.2007	6	638	4.750	10.24	572
Global 12	1.11.2002	1.11.2012	10	1 250	11.000	12.60	754
Global 08N	3.12.2002	3.12.2008	6	1 250	11.500	11.74	738
Euro 09	4.2.2002	4.2.2009	7	440	11.500	12.12	646
Global 10	4.16.2002	4.15.2010	8	1 000	12.000	12.38	719
Global 07N	5.6.2003	1.16.2007	4	1 000	10.000	10.70	783
Global 13	6.17.2003	6.17.2013	10	1 250	10.250	10.58	738
Global 11[8/]	8.7.2003	8.7.2011	8	1 250	10.000	11.15	701
Global 24B	8.7.2003	4.15.2024	21	825	8.875	12.59	764
Global 10N	10.22.2003	10.22.2010	7	1 500	9.250	9.45	561
Global 34	1.20.2004	1.20.2034	30	1 500	8.250	8.75	377
Global 09 N	6.28.2004	6.29.2009	5	750	Libor 3m +5,76	Libor 3m + 5,94	359
Global 14[9/]	7.14.2004	7.14.2014	10	1 250	10.500	10.80	538
Euro 12[10/]	9.24.2004	9.24.2012	8	1 228	8.500	8.57	474
Global 19	10.14.2004	10.14.2019	15	1 000	8.875	9.15	492
Euro 15	2.3.2005	2.3.2015	10	652	7.375	7.55	399
Global 25	2.4.2005	2.4.2025	20	1 250	8.750	8.90	431
Global 15	3.7.2005	3.7.2015	10	1 000	7.875	7.90	353
Global 19 (Reopening)	5.17.2005	10.14.2019	14	500	8.875	8.83	458
Global 34 (Reopening)	6.2.2005	1.20.2034	29	500	8.250	8.81	440
Global 15 (Reopening)	6.27.2005	3.7.2015	10	600	7.875	7.73	363
A-Bond 18 (Swap C Bond)	8.1.2005	1.15.2018	13	4 509	8.000	7.58	336
Global 25 (Reopening)	9.13.2005	2.4.2025	20	1 000	8.750	8.52	417

(continues)

Table 5.44 – Issues of the Republic (concluded)

Itemization	Date of inflow	Date of maturity	Maturity years	Value US$ million	Coupon % p.y.	Rate of return at issuance % p.y.	Spread over U.S. Treasury[1/] basis points
Global BRL 16	9.26.2005	1.5.2016	10	1 479	12.500	12.75	-
Global 15 (Reopening)	11.17.2005	3.7.2015	9	500	7.875	7.77	312
Global 34 (Reopening)	12.6.2005	1.20.2034	28	500	8.250	8.31	363
Global 37	1.18.2006	1.20.2037	31	1 000	7.125	7.56	295
Euro 15 (Reopening)	2.2.2006	2.3.2015	9	362	7.375	5.45	185
Global 37 (Reopening)	3.23.2006	1.20.2037	31	500	7.125	6.83	204
Global 34 (Reopening)	6.2.2006	1.20.2034	28	198	8.250	8.24	-
Global 37 (Reopening)	8.15.2006	1.20.2037	30	500	7.125	7.15	205
Global BRL 22	9.13.2006	1.5.2022	15	743	12.500	12.88	-
Global BRL 22 (Reopening)	10.13.2006	1.5.2022	15	301	12.500	12.47	-
Global 17	11.14.2006	1.17.2017	10	1 500	6.000	6.25	159
Global BRL 22 (Reopening)	12.11.2006	1.5.2022	15	346	12.500	11.66	-
Global 37 (Reopening)	30.1.2007	20.1.2037	30	500	7.125	6.64	173
Global BRL 28	14.2.2007	10.1.2028	21	715	10.250	10.68	-
Global BRL 28 (Reopening)	27.3.2007	10.1.2028	21	361	10.250	10.28	-
Global 17 (Reopening)	11.4.2007	17.1.2017	10	525	6.000	5.89	122
Global BRL 28 (Reopening)	17.5.2007	10.1.2028	21	389	10.250	8.94	-
Global BRL 28 (Reopening)	26.6.2007	10.1.2028	21	393	10.250	8.63	-
Global 17 (Reopening)	14.5.2008	17.1.2017	10	525	6.000	5.30	140

1/ Over US Treasury, in the closing date. For bonds issued in more than one tranche, spread weightened by the value of each tranche.

2/ The inflow occured on two dates: US$3 billion, on 6.9.1997; and US$500 million, on 3.27.1998.

3/ The inflow occured on two dates: ITL500 billion, on 6.26.1997; and ITL250 billion, on 7.10.1997.

4/ Step-down - 10% in the first two years and 7% in the following years.

5/ The inflow occurred in two dates: US$1 billion, with spread of 679 bps, on 3.6.2000; and US$600 million, with spread of 635 bps, on 3.29.2000.

6/ Global 07 was issued in two tranches: US$1 billion, with spread of 610 bps, on 7.26.2000; and US$500 million, with spread of 615 bps, on 4.17.2001.

7/ Euro 07 was issued in two tranches: EUR500 million, with spread of 512 bps, on 9.19.2000; and EUR250 million, with spread of 499 bps, on 10.2.2000.

8/ Global 11 was issued in two tranches: US$500 million, with spread of 757 bps, on 8.7.2003; and US$750 million, with spread of 633 bps, on 9.18.2003.

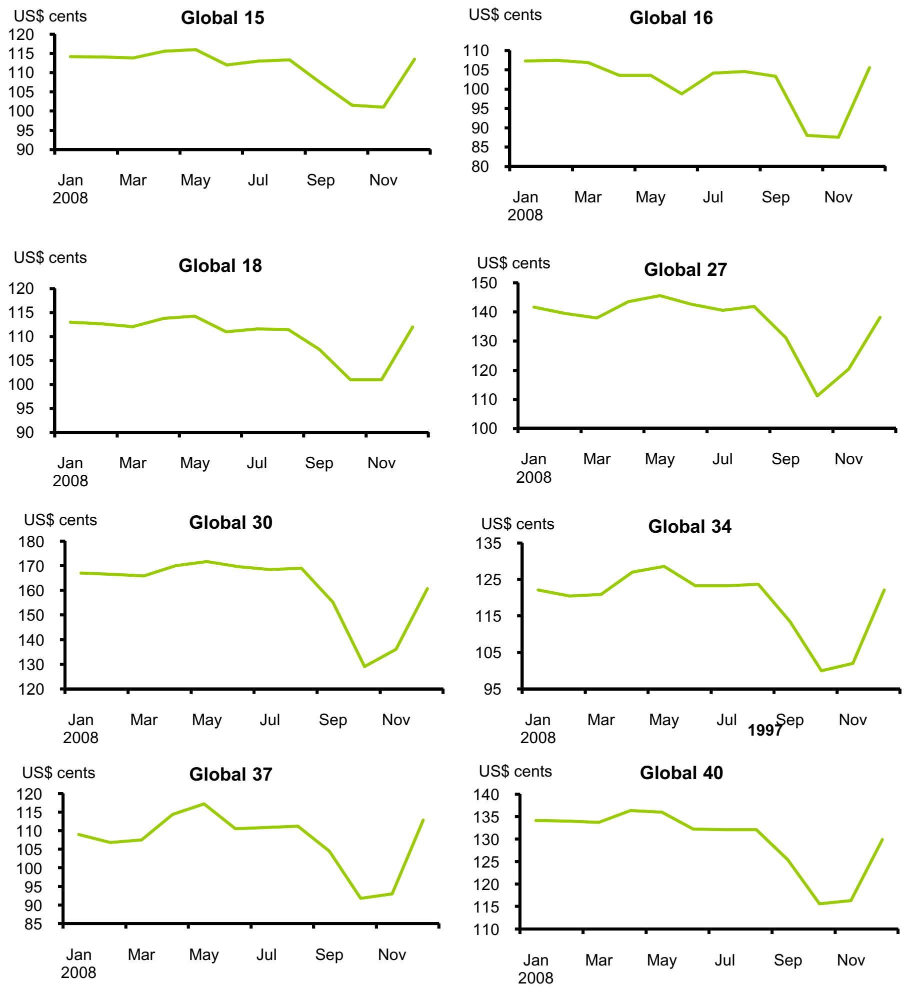
9/ Global 14 was issued in two tranches: US$750 million, with spread of 632 bps, on 7.7.2004; and US$500 million, with spread of 398 bps, on 12.06.2004.

10/ Euro 12 was issued in two tranches: EUR 750 million, with spread of 482 bps, on 9.8.2004; and EUR 250 million, with spread of 448 bps, on 9.22.2004.

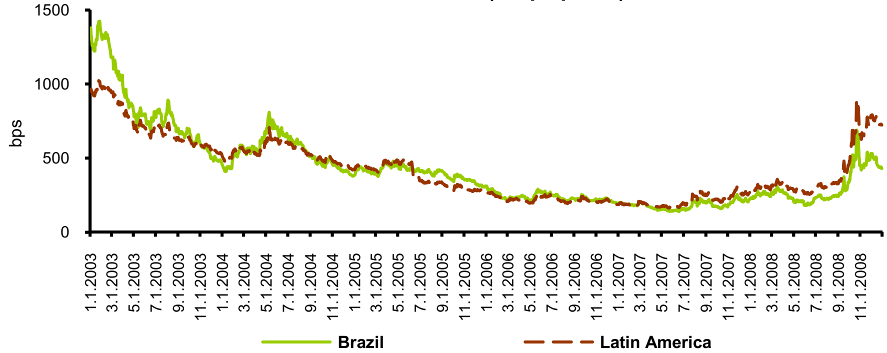
Table 5.45 – Restructured external debt – Bradies, Pre-Bradies and MYDFA

Itemization	Outstanding 12.31.2008 US$ million	Maturity
Capitalization Bonds (C Bonds)	-	-
Debt Conversion Bonds (DCB)	-	-
Discount Bonds	-	-
Eligible Interest Bonds (EI)	-	-
Front Loaded Interest Reduction Bond (FLIRB)	-	-
New Money Bond 1994 (NMB)	-	-
Par Bonds	-	-
Exit Bond (BIB) – (pre-Bradies)	155	9.15.2013
Multiyear Deposit Facility Agreement (MYDFA)	-	-
Total	155	-

Graph 5.15
Prices of Brazilian securities abroad
Secondary market – Bid price, end-of-period – 2008



Graph 5.16
Brazil risk index – EMBI+ (Strip spread)



Source: JPMorgan

Table 5.46 – International investment position

US$ million

Itemization	2006	2007	2008[1/]
International investment position (A-B)	-384 377	-569 195	-294 151
Assets (A)	238 924	369 876	411 687
Direct investment abroad	113 925	136 103	162 218
Equity capital[1/]	97 465	107 556	121 415
Intercompany loans	16 460	28 547	40 803
Portfolio investment[2/]	14 429	23 178	21 307
Equity securities	3 754	6 644	6 387
Debt securities	10 675	16 534	14 920
Bonds and notes	6 185	7 846	6 352
Of which collateral (principal)	0	0	0
Money-market instruments	4 490	8 688	8 568
Financial derivatives	113	142	- 156
Other investment	24 617	30 119	34 534
Trade credits (of suppliers)	70	99	99
Loans	562	785	5 595
Currency and deposits	17 200	22 543	23 680
Other assets	6 785	6 692	5 160
Of which collateral (interests) and memberships in international financial organizations	1 121	1 076	1 326
Reserve assets	85 839	180 334	193 783

(continues)

With regard to external assets, the most important were increases of US$13.4 billion in international reserves and US$26.1 billion in Brazilian direct investments abroad, besides growth in US$4.8 billion under the heading loans. Conversely, the position on fixed income securities purchased abroad by Brazilians recorded an annual decline of US$1.6 billion.

Table 5.46 – International investment position (concluded)

US$ million

Itemization	2006	2007	2008[1/]
Liabilities (B)	623 300	939 071	705 838
Direct investment in reporting economy	236 186	328 455	301 937
Equity capital[1/]	209 403	281 179	237 367
Intercompany loans	26 783	47 276	64 570
Portfolio investment[2/]	303 583	509 648	287 533
Equity securities	191 513	363 999	149 608
In the reporting country	82 994	165 708	71 350
Abroad	108 520	198 291	78 258
Debt securities	112 070	145 650	137 925
Bonds and notes	112 070	145 650	137 925
In the reporting country	18 163	46 631	49 289
Abroad	93 907	99 018	88 636
Medium and long-term	92 119	93 079	85 107
Medium and short-term	1 788	5 939	3 529
Financial derivatives	445	1 771	2 450
Other investment	83 087	99 197	113 919
Trade credits	5 216	5 197	6 241
Medium and long-term	4 869	5 063	5 906
Medium and short-term	347	134	335
Loans	73 466	89 003	103 485
Monetary authority	157	14	10
Use of Fund credit & loans from the Fund	-	-	-
Other long-term	157	14	10
Short-term	-	-	-
Other sectors	73 309	88 989	103 475
Long-term	55 121	56 162	70 873
International entities	25 148	26 981	30 023
Government agencies	6 259	6 482	6 854
Buyers	3 707	8 232	16 194
Direct loans	20 007	14 467	17 802
Short-term	18 188	32 827	32 602
Currency and deposits	4 405	4 996	4 193
Monetary authority	83	73	104
Banks	4 321	4 923	4 090
Other liabilities	-	-	-

1/ Preliminary data.
2/ Includes reinvested earnings.
3/ Includes securities issued by residents.

The evolution of external debt has incorporated a reduction of US$222 billion in stock of foreign investment in the portfolio, of which US$214 billion in equity and US$7.7 billion in fixed income securities as well as decrease of US$26.5 billion in FDI's stock, reflecting a decrease of US$43.8 billion in equity participation, higher than the increase of US$17.3 billion occurred in intercompany loans. The stock of other investments increased US$14.7 billion, mostly in loans, which increased to US$14.5 billion.

It should be noted that stocks of FDI-equity participation and investment in stock and fixed income securities, although published in U.S. dollars, are calculated inreais. In effect, these items were directly influenced by exchange rate depreciation of 31.9% recorded in the year. Additionally, investments in stocks showed reductions in the prices of these assets, which, taken as a benchmark Bovespa index, fell by an average of 41.2% in the year. In this scenario, a reduction of 58.9% observed in the stock of foreign investment in stocks reflects in large part, changes in price and exchange that took place during the year.