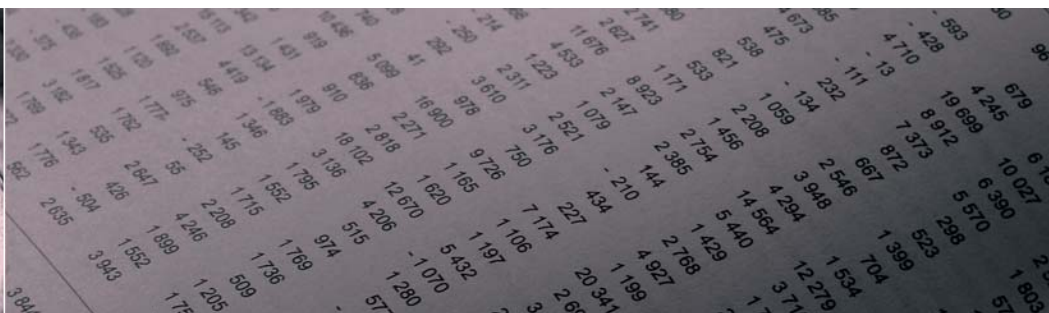


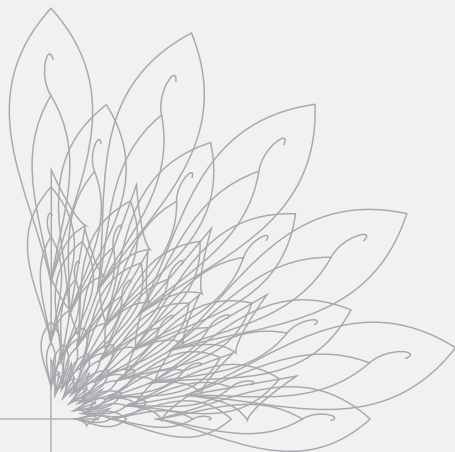


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Introduction

In early 2008, the evolution of the activity level in the world economy followed the outlined trajectory as of the second half of last year, when the positive performance recorded in many emerging and mature economies began to be impacted, more markedly, by the developments of the crisis in the U.S. subprime market.

The setback, recorded throughout 2008, of the cycle of economic expansion initiated in 2002 – considered one of the longest periods of growth and of greater dissemination since the Second World War – has intensified considerably in the last months of that year, reflecting the impact of growing restrictions recorded in the credit market.

Once the evidence of systemic crisis are evidenced and the potential recessive implications that a persistent obstruction of credit channels could exert on the evolution of the real sector are recognized, the central banks and the governments of the United States and of the developed European countries have implemented or increased in a coordinated fashion the scope and intensity of actions targeted at stabilizing their financial systems and mitigating the effects of a deepening crisis on the activity level.

In this scenario, the Monetary Policy Committee (Copom) opted to discontinue the restrictive course adopted in the implementation of the monetary policy since early 2008, when the evolution of the world economic scenario and the upturn in the domestic economic activity justified the reduction of monetary incentives introduced as of the beginning of 2006. So, after keeping the rate of the Special System of Clearance and Custody (Selic) unchanged in the first two meetings of the year and raise it by 225 basis points (b.p.) in the four subsequent meetings, Copom opted to interrupt this sequence of increases and kept it at 13.75% p.a. in the last two meetings of the year. It is worth mentioning that the proper implementation of the monetary policy favored the annual change in the Extended National Consumer Price Index (IPCA), although it was at a level higher than those indicated in the two previous years remained in the range set as a target by the National Monetary Council (CMN) under the regime of inflation targeting.

Reflecting the development of the world economy and the adjustment of the monetary policy to movements represented, at first, by the prospect of mismatch between supply and internal demand and, subsequently, by the deepening crisis in the financial markets, the pace of economic activity recorded two separate periods during 2008. In the former, prevailing in the first three quarters of the year, Brazil's economy grew at high rates, supported by sharp expansions of consumption and private investments, thus indicating the impacts of the worsening of the international financial crisis on both credit channels and expectations of economic agents. It should be noted that in this context of reduced activity, the government and the Central Bank of Brazil (BCB) carried out various counter-cyclical measures, such as foreign currency loans to ensure exports and market liquidity; monetary policy easing; tax incentives with tax cutbacks and increased spending, especially investments in infrastructure; releasing resources to regulate the liquidity of the domestic financial system, encouraging the growth of loans.

In the context of measures related to the fiscal area, the federal government announced in December three measures for tax reductions, with the 2009 projected fiscal impact of R\$8.4 billion. In that sense, two intermediate rates of 7.5% and 22.5% were created in the table of Income Tax of Individuals, representing a fiscal waiver of R\$4.9 billion and a reduction of R\$2.9 billion in transfers to states and municipalities, through revenue sharing funds. Additionally, there was a reduction of the Industrialized Products Tax (IPI) on new cars and trucks, effective as of 12.15.2008 until 1.31.2009, and the rate of Financial Operations Tax (IOF) on loans to individuals from 3% to 1.5%.p.y.

The Gross Domestic Product (GDP), even declining 3.6% in the quarter ended in December, compared to that ended in September, recorded a high of 5.1% in the year, reflecting the upturn in activity experienced by the economy in the first nine months. Considered the perspective of production, the annual performance of GDP reflected positive results in all its components. At the same time, from the demand side and repeating the pattern initiated in 2006, the upturn in the activity of domestic demand provided a more intense impact than that caused by the negative contribution on the external sector.

Domestic demand continued, therefore, sustaining the growth process of economic activity, an evolution consistent with the improvement in credit conditions and the continued recovery of employment and income. The annual contribution of 6.8 p.p. to GDP growth was associated, in particular, to the growth of 13.8% recorded by Gross Fixed Capital Formation (GFCF) – the highest rate since 1995. In the framework of the external sector, exports fell 0.6% in the year and imports grew 18.5%, determining the negative contribution of 2.3 p.p. to GDP growth in the period.

The labor market, which responds with a lag to the pace of activity, continued registering a favorable trajectory until the end of 2008, expressed in the unemployment rate of

6.8% in December, the lowest level since the series was initiated in 2002. The annual average unemployment rate stood at 7.8% against 8.2% in 2007.

Current transactions, after posting surplus results for five consecutive years, returned to record deficit in 2008. The reversal of the positive results, which started 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, together with the increase in net remittances of services and income, especially those relating to profits and dividends. The performance of the financial account of the balance of payments follows reflecting the significant net inflows of Foreign Direct Investments (FDI), which closed at a record volume in 2008, compared with outflows of foreign capital related to portfolio investments, especially shares; of short-term loans; and the reduction in the rollover rate of foreign debt of medium and long terms, in all cases, concentrated in the last quarter of the year.

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

It is noteworthy that even in the scenario of deterioration of international financial markets, international reserves reached at the end of 2008, US\$193.8 billion on a cash basis, rising US\$13.4 billion compared to the previous year. Considering the international liquidity concept, which includes the stock of repurchase lines and the reserves in foreign currency loans totaled US\$206.8 billion, rising US\$26.5 billion in the year. Additionally, external debt indicators, showing the persistent improvement in macroeconomic fundamentals and the continuing soundness in the implementation of the domestic monetary and fiscal policies, recorded in December 2008, a positive development over the same period of 2007. This result was consistent with the trajectories by international reserves, the external debt service and the dollar value of exports and GDP.



The Brazilian Economy

Activity level

The pace of economic activity registered two distinct periods during 2008. In the first period, corresponding to the first three quarters of the year, the Brazilian economy grew at high rates, driven by sharp expansions in private consumption and private investment. In the fourth quarter, economic performance started to reflect the impacts of the worsened international financial scenario on both credit channels and expectations of economic agents.

In this framework, the seasonally adjusted GDP, in spite of a 3.6% drop in the fourth quarter of the year, as compared to the third quarter, ended the year with a 5.1% high, reflecting the economic activity upturn observed in the first nine months of the year. Under the prism of production, the annual performance of GDP in 2008 led to positive results in all of its components, while, under the prism of demand, maintaining the pattern initiated in 2006, the expansion of domestic demand has exceeded output growth, and the foreign sector continued to give a negative contribution.

Consequently, the domestic demand continued to sustain the growth of economic activity, an evolution consistent with the improvement in credit conditions and the persistent recovery of employment and income observed in the first three quarters of 2008. The annual contribution of 6.8 p.p. to the GDP growth was associated, in particular, to the 13.8% growth recorded by the GFCF – the highest rate since 1994. As regard the external sector, the quantum of exported goods and services fell by 0.6% in the year and that of imports rose 18.5%, determining a negative contribution of 2.3 p.p. to GDP growth in the period.

The labor market, which has a lagged performance in relation to the activity level, continued to register a favorable trajectory until the end of 2008, expressed in the unemployment rate of 6.8% observed in December, the lowest level of the series initiated in 2002. The annual average unemployment rate stood at 7.9%, compared to 9.3% in 2007.

Gross Domestic Product

According to the Brazilian Institute of Geography and Statistics (IBGE), GDP grew 5.1% in 2008, the sixteenth consecutive year of positive economic expansion. This result, which reflected the upturn in activity experienced by the economic activity in the first nine months of the year, was consequent upon the positive contribution of domestic demand, with emphasis on the acceleration of investments observed in the period prior to the intensification of the crisis in the international financial markets. In current values, GDP reached R\$2,889.7 billion at market prices.

Table 1.1 – GDP at market price

Year	At 2008 prices (R\$ million)	Real change (%)	Implicit deflator (%)	At current prices ^{1/} (US\$ million)	Population (million)	Per capita GDP		
						At 2008 prices (R\$)	Real change (%)	At current prices ^{1/} (US\$)
1980	1 452 633	9.2	92.1	237 772	118.6	12 252	7.0	2 005
1981	1 390 896	-4.3	100.5	258 553	121.2	11 475	-6.3	2 133
1982	1 402 441	0.8	101.0	271 252	123.9	11 321	-1.3	2 190
1983	1 361 349	-2.9	131.5	189 459	126.6	10 755	-5.0	1 497
1984	1 434 862	5.4	201.7	189 744	129.3	11 099	3.2	1 468
1985	1 547 485	7.8	248.5	211 092	132.0	11 725	5.6	1 599
1986	1 663 391	7.5	149.2	257 812	134.7	12 353	5.4	1 915
1987	1 722 109	3.5	206.2	282 357	137.3	12 546	1.6	2 057
1988	1 721 076	-0.1	628.0	305 707	139.8	12 309	-1.9	2 186
1989	1 775 462	3.2	1 304.4	415 916	142.3	12 476	1.4	2 923
1990	1 698 229	-4.3	2 737.0	469 318	146.6	11 585	-7.1	3 202
1991	1 715 721	1.0	416.7	405 679	149.1	11 508	-0.7	2 721
1992	1 706 394	-0.5	969.0	387 295	151.5	11 260	-2.2	2 556
1993	1 790 430	4.9	1 996.1	429 685	154.0	11 627	3.3	2 790
1994	1 895 222	5.9	2 240.2	543 087	156.4	12 115	4.2	3 472
1995	1 975 272	4.2	93.9	770 350	158.9	12 433	2.6	4 849
1996	2 017 750	2.2	17.1	840 268	161.3	12 508	0.6	5 209
1997	2 085 856	3.4	7.6	871 274	163.8	12 736	1.8	5 320
1998	2 086 593	0.0	4.2	843 985	166.3	12 551	-1.5	5 077
1999	2 091 894	0.3	8.5	586 777	168.8	12 396	-1.2	3 477
2000	2 181 975	4.3	6.2	644 984	171.3	12 739	2.8	3 766
2001	2 210 627	1.3	9.0	553 771	173.8	12 718	-0.2	3 186
2002	2 269 388	2.7	10.6	504 359	176.4	12 866	1.2	2 859
2003	2 295 409	1.1	13.7	553 603	179.0	12 825	-0.3	3 093
2004	2 426 529	5.7	8.0	663 783	181.6	13 363	4.2	3 655
2005	2 503 200	3.2	7.2	882 439	184.2	13 591	1.7	4 791
2006	2 602 602	4.0	6.1	1 088 911	186.8	13 935	2.5	5 830
2007	2 750 100	5.7	3.7	1 333 818	187.6	14 656	5.2	7 108
2008	2 889 719	5.1	5.9	1 573 321	189.6	15 240	4.0	8 298

Source: IBGE

^{1/} Estimates obtained by the Banco Central do Brasil dividing the GDP at current prices by the annual average buying rate of exchange.

The positive performance of GDP resulted from across-the-board expansion in its various components. Crop/livestock output increased 5.8%, driven by the 9.6% growth in the harvest of grains, a result basically explained by the average productivity gains of around 5.3%, consistent with the occurrence of favorable climatic and a positive environment for investments provided by the evolution of marketing prices. The area harvested increased 4.1% in the year.

Table 1.2 – GDP – Quarterly growth/previous quarter – Seasonally adjusted

Itemization	2008			
	I	II	III	IV
GDP at market price	1.6	1.6	1.7	-3.6
Crop and livestock sector	-1.3	3.0	1.3	-0.5
Industrial sector	2.4	-0.2	3.6	-7.4
Service sector	1.4	0.9	0.8	-0.4

Source: IBGE

Industrial activity grew 4.3% in 2008, registering positive rates in all subsectors. Civil construction industry, as a result of the increased income level and of the incentives to the sector, increased by 8%, the fifth consecutive positive annual result. The production and distribution of electricity, gas and water, reflecting the economy's performance in the year, grew 4.5% while the mining sector expanded 4.3%. The expansion of 3.2% in the production of the manufacturing industry reflected, in particular, the favorable

Table 1.3 – GDP real change rates – Under the prism of production

Itemization	2006	2007	2008
GDP	4.0	5.7	5.1
Crop and livestock sector	4.5	5.9	5.8
Industrial sector	2.3	4.7	4.3
Mineral extraction	4.4	2.8	4.3
Manufacturing	1.1	4.7	3.2
Building	4.7	5.0	8.0
Production and distribution of electricity, gas and water supply	3.5	5.9	4.5
Service sector	4.2	5.4	4.8
Commerce	5.9	7.1	6.1
Transportation, storage and postal services	2.1	5.3	3.2
Information services	1.6	7.0	8.9
Financial intermediation, insurance, complementary pension system and related services	8.4	14.5	9.1
Other services	4.0	2.7	4.5
Real estate activities and rent	3.0	4.1	3.0
Public administration, health and education	3.3	2.4	2.3

Source: IBGE

impacts of the environment of economic stability and improved conditions in credit and job markets on the demand for capital goods and consumer durables.

The sector of services grew 4.8% in 2008, registering a general expansion in its subsectors, especially financial intermediation services, insurance, pension funds and related services, 9.1%; information services, 8.9%; commerce, 6.1%; and transportation, storage and postal services, 3.2%, the last two impacted by the performance of primary and secondary sectors. It should also be noted the growth in other services, 4.5%; and real estate activities and rents, 3%; and administration, health and public education, 2.3%.

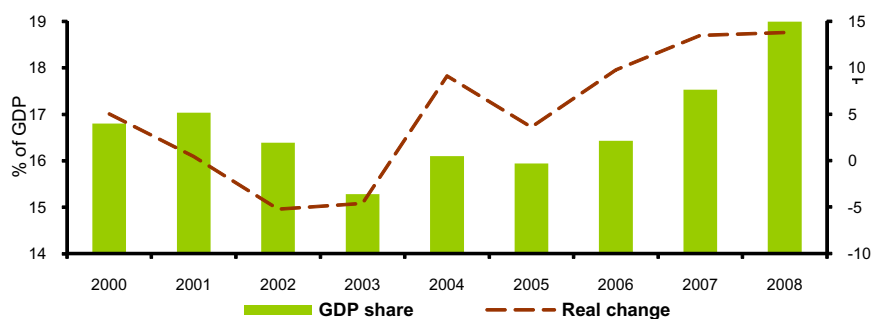
Table 1.4 – GDP real change rates – Under the prism of expenditure

Itemization	2006	2007	2008
GDP	4.0	5.7	5.1
Family consumption	5.2	6.3	5.4
Government consumption	2.6	4.7	5.6
Gross Fixed Capital Formation	9.8	13.5	13.8
Exports of goods and services	5.0	6.7	-0.6
Imports of goods and services	18.4	20.8	18.5

Source: IBGE

The contribution of domestic demand to GDP growth reached 6.8 p.p in 2008. GFCF increased 13.8%, followed by the expansions of government consumption, 5.6%, and household consumption, 5.4%. On the opposite direction, the external sector contributed negatively with 2.3 p.p. to the annual GDP, a result consistent with the impacts of strong domestic demand on foreign flows. Thus, while exports of goods and services fell 0.6% in the year, the total of imports, which are relevant for supplying industrial machinery and for assuring the balance between demand and supply of consumer goods, grew 18.5%.

Graph 1.1
Gross Fixed Capital Formation



Source: IBGE

Table 1.5 – Gross Domestic Product – At current value

In R\$ million				
Itemization	2005	2006	2007	2008
Gross Domestic Product at market prices	2 147 239	2 369 797	2 597 611	2 889 719
Under the prism of product				
Crop and livestock sector	105 163	111 229	133 015	163 536
Industrial sector	539 283	585 602	623 721	682 497
Service sector	1 197 807	1 337 903	1 466 783	1 595 021
Under the prism of expenditure				
Final consumption expenditure	1 721 783	1 903 679	2 096 903	2 337 823
Family consumption	1 294 230	1 428 906	1 579 616	1 753 414
Government consumption	427 553	474 773	517 287	584 408
Gross Capital Formation	347 976	397 340	460 672	547 066
Gross Fixed Capital Formation	342 237	389 328	455 213	548 757
Changes in inventories	5 739	8 012	5 459	-1 690
Exports of goods and services	324 842	340 457	355 399	414 257
Imports of goods and services (-)	247 362	271 679	315 362	409 427

Source: IBGE

The GDP performance in 2008 reflected the favorable evolution of the economy in the first nine months of the year and the trend of slowdown that followed the worsening of the international financial crisis as of October. Thus, basically as a result of the continued growth of real income and employment, seasonally adjusted GDP grew 1.6% in the first quarter of the year, compared to the previous quarter.

This result was due to the 2.4% increase of industry and 1.4% of the sector of services, contrasting with the negative trend of 1.3% in crop/livestock output. Regarding the demand components, it can be emphasized the 2.8% GFCF growth in the period, the seventh quarterly consecutive positive result, and expansions in household consumption, 5%, and government consumption, 4.1%. Exports fell 6.2% and imports, in line with the process of accelerating activity level, increased by 1.3%.

The GDP dynamics continued in the second quarter of the year. Thus, the 1.6% output growth in the period reflected the performance of the crop/livestock sector, stimulated by growth in the crops of soybeans and corn, 3%; and services 0.9%, as opposed to a decrease of 0.2% observed in the industrial sector. Regarding the demand components, it is worth mentioning the persistend GFCF growth in the quarter, which reached 3.4%, while household consumption increased 0.7% and the government consumption decreased 0.2%. Exports rose 3.9% and imports 8.6% in the period.

The GDP continued to expand in the third quarter, 1.7%, representing the twelfth consecutive positive result on that basis of comparison. Crop/livestock increased 1.3%, while industry and services posted respective increases of 3.6% and 0.8%. Under the

prism of demand, seasonally adjusted data revealed an 8.4% expansion on investments, while household consumption increased 2.1% and government consumption, 1.6%. Exports decreased 1.4% and imports rose 6.4%, highlighting the performance of foreign purchases in the period, which expanded for the twelfth consecutive quarter.

In line with the evolution of leading and coincident indicators, GDP fell 3.6% in the last quarter of 2008, interrupting a period of twelve consecutive quarters of growth. Such a performance was particularly consequent upon the 7.4% decrease in the output of the industrial sector, which had to carry out important adjustments in response to the credit shortage caused by the international financial crisis, the deterioration of business expectations, the reduction of foreign demand, and the adequacy of stock levels. In the quarter under analysis, the output of the crop/livestock and service sectors fell, respectively, by 0.5% and 0.4%. From the viewpoint of demand, GFCF and household consumption dropped by 9.8% and 2% in the quarter, as compared to a 0.5% expansion under government consumption. In addition, the negative contribution of the external sector reflected reductions of 2.9% under exports and 8.2% under imports, a result compatible with the new economic environment.

In this context of sluggish economic activity, the Brazilian government and the Central Bank adopted several counter-cyclical measures, such as foreign currency loans to finance exports and guarantee the market liquidity; tax incentives, by reducing taxes and increasing expenditures, particularly on infrastructure investments, and exemption of compulsory deposits with the objective of increasing the liquidity of the domestic financial system, thus encouraging the expansion of credit operations.

Investments

Investments, excluding stock variation, increased 13.8% in 2008, according to the IBGE's National Quarterly Accounts, the highest annual rate since 1994 and the fifth consecutive positive result. This pace of expansion, significantly higher than that registered by the GDP, reveals, in particular, the entrepreneurs' expectations that the cycle of economic expansion that characterized the first nine months of the year should continue.

Building industry inputs expanded at an annual rate of 8.5% in 2008, compared to 5.1% in the previous year, driven by the favorable performance of credit and labor markets as well as by the impacts of the Growth Incentive Program (PAC) on the sector.

The production of capital goods registered an annual growth of 14.3% in 2008 compared to 19.5% in the previous year, as a result of across-the-board increases in its components, with emphasis on the segments related to crop/livestock, particularly farm machines and equipment, 35.1%, and parts for farm machines, 58.8%. Major increases were also observed in the production of capital goods targeted to transportation equipment,

Table 1.6 – Gross capital formation (GCF)

Percentage						
Year	Share in GCF			Changes in inventories	At current prices	
	Gross Fixed Capital Formation (GFCF)				GFCF/GDP	GCF/GDP
	Building	Machines and equipments	Others			
1995	44.5	48.9	8.3	-1.6	18.3	18.0
1996	48.2	43.5	7.3	1.0	16.9	17.0
1997	49.5	43.1	7.0	0.3	17.4	17.4
1998	51.9	40.8	6.9	0.3	17.0	17.0
1999	50.6	37.2	7.8	4.4	15.7	16.4
2000	45.7	39.3	7.1	7.9	16.8	18.3
2001	43.9	43.3	7.3	5.5	17.0	18.0
2002	47.8	44.8	8.5	-1.2	16.4	16.2
2003	42.8	45.3	8.7	3.1	15.3	15.8
2004	41.1	45.0	7.9	6.0	16.1	17.1
2005	41.6	49.0	7.7	1.6	15.9	16.2
2006	39.6	50.6	7.8	2.0	16.4	16.8
2007	...	...	...	...	17.5	17.7
2008						

Source: IBGE

31.3%; and electricity, 12%. The production of capital goods targeted to the sector of construction increased 4.8% in the period. Production of typically industrialized goods expanded 4.6% in the year, reflecting increases in the segments of assembly-line products, 2.7%, and those turned out on an order basis, 17.4%.

Disbursements of the BNDES system – National Bank of Economic and Social Development (BNDES), Special Industrial Financing Agency (Finame) and BNDES Participações SA (BNDESpar) – totaled R\$90.9 billion in 2008, rising 40% over the

Table 1.7 – BNDES disbursement^{1/}

In R\$ million			
Itemization	2006	2007	2008
Total	51 318	64 892	90 878
By sector			
Manufacturing industry	25 734	25 395	35 710
Commerce and service	20 704	33 448	46 263
Crop and livestock	3 423	4 998	5 595
Extraction industry	1 458	1 051	3 311

Source: BNDES

1/ Includes BNDES, Finame and BNDESpar.

previous year. The sectoral analysis reveals that the performance of the infrastructure sector was fundamental for this development, registering an annual rise of 40.6%.

The Long Term Interest Rate (TJLP), used as the indexing factor for loans granted by the BNDES, remained at 6.25% p.y. during 2008, a level maintained since the second quarter of 2007.

Industrial output indicators

Industrial production registered an annual growth rate of 3.1% in 2008, according to the general industry index of physical output released by the Monthly Industrial Survey (PIM) of IBGE, compared to the expansion of 6% in 2007 and 3.4% from 1999 until 2007, the period in which the inflation target system was introduced.



The annual evolution of the industry may be clearly analysed in the pre-crisis and post-crisis periods. Accordingly, the growth rate of the industrial output index, after registering an accumulated growth of 6.4% until the third quarter of 2008, compared to the same period of the previous year, decreased by 6.2% in the fourth quarter, compared to same period in 2007. This performance is ratified by the quarterly changes of the indicator, which reached, in the sequence, 0.4%, 0.8%, 2.5% and -9.4% when compared to the immediately previous quarter.

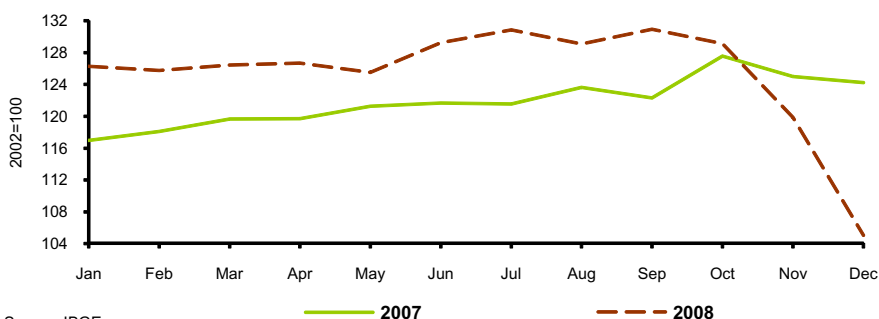
The four use categories surveyed by the IBGE showed distinct behaviors during the year, but all were affected by the slowdown observed in the fourth quarter. Boosted by the lengthening of the planning horizon and the expansion of domestic demand and credit, the interannual growth in the output of capital goods reached 18% in the first three quarters of the year and decreased to 14.4% when the results of the fourth quarter are incorporated. It should be noted that this was the only category to register positive growth rate in the quarter under analysis.

Table 1.8 – Selected capital goods production

Itemization	Percentage change		
	2006	2007	2008
Capital goods	5.7	19.5	14.4
Industrial	5.5	17.0	4.7
Serial	5.2	18.5	2.8
Non-serial	6.9	7.4	17.4
Agricultural	-16.5	48.4	35.1
Agricultural parts	-38.9	170.8	58.8
Building	8.2	18.7	5.6
Electric energy	22.2	26.0	12.0
Transportation	-1.6	18.0	31.4
Mixed	11.6	15.4	2.5

Source: IBGE

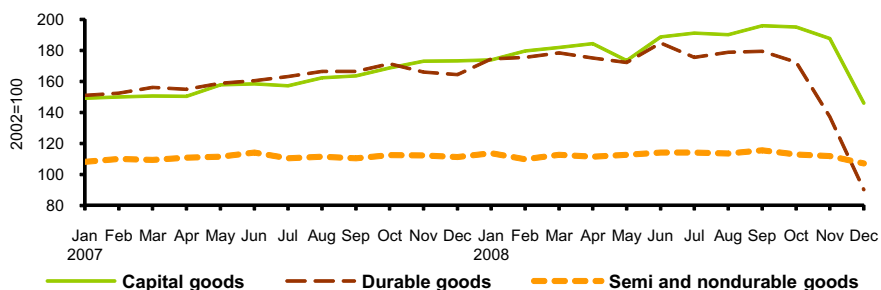
**Graph 1.3
Industrial production**
Seasonally adjusted data



Source: IBGE

Expansion of employment and income and improvement of consumer confidence strengthened the demand for consumer durables, which was particularly met by domestic production. In this scenario, the production of durable consumer goods, which had increased by 12.1% until the third quarter, closed the year with a 3.7% growth rate,

**Graph 1.4
Industrial production – By category of use**
Seasonally adjusted data



Source: IBGE

reflecting the reduction of 19.5% observed in the fourth quarter, as compared the same 2007 period.

In much the same way, the production of intermediate goods rose 1.6% in the year, registering a favorable performance in the first nine months of the year and slowing down in the last 3 months, as expressed in the respective change rates of 5.3% and -9.2% on the same basis of comparison.

The production of semi-durable and nondurable goods, less sensitive to credit conditions, after increasing 2.3% until the third quarter, a rate lower than that of the overall industry, dropped by 1.2% in the subsequent period, accumulating an annual growth of 1.4%.

Table 1.9 – Industrial production

Itemization	Percentage change		
	2006	2007	2008
Total	2.8	6.0	3.1
By category of use			
Capital goods	5.7	19.5	14.4
Intermediate goods	2.1	4.9	1.6
Consumer goods	3.3	4.7	1.9
Durable	5.8	9.1	3.7
Semi and nondurable	2.7	3.4	1.4

Source: IBGE

Among the sectors surveyed by the IBGE, sixteen turned in positive growth rates and nine negative rates in the year, with emphasis on those related to segments of other transportation equipment, 42.2%; medical hospital instrumentation equipment, 15.7%; and pharmaceutical goods, 12.6%. Conversely, emphasis should be given to the negative performance of the wood sector, 10.2%; office machinery and computer equipment, 9%; tobacco, 7%, and footwear and leather articles, 6.8%.

The two sectors with the greatest weight in general industry – food and automotive vehicles – were significantly impacted by the economic crisis, registering falloffs of 1.2% and 17.5% until the third quarter, for annual expansions of 0.5% and 8.2%, respectively.

In 2008, industrial production expansion was widespread in all the thirteen Brazilian states surveyed, with the exception of the negative result observed in Santa Catarina, as a consequence of the unfavorable performance of the wood and machinery/equipment segments. The states that registered the most accentuated industrial expansion were Goiás, 8.1%, with emphasis on food/ beverage and mining segments, and Paraná, 8.6%,

reflecting the significant impulse given by the sector of automotive vehicles, especially trucks, editing and printing, and pulp and paper activities.

The level of industrial employment grew 2.7% in 2008, considering the average annual rate of Waged Working Population (POA) of the Monthly Industrial Survey – Employment and Wages (Pimes) of IBGE. It should be noted that, at the end of the year, the level of employment was 1.1% below the level of December 2007.

According to the Getulio Vargas Foundation (FGV) Manufacturing Industry Survey (SCIT), the industry’s average level of capacity utilization (Nuci) maintained in 2008 the high level observed at the end of 2007, closing at 85.2%, compared to the record level of 86.7% observed in June 2008. At the margin, the Nuci presented a monthly decline of 4.6 p.p. in December, reaching 80.6%.

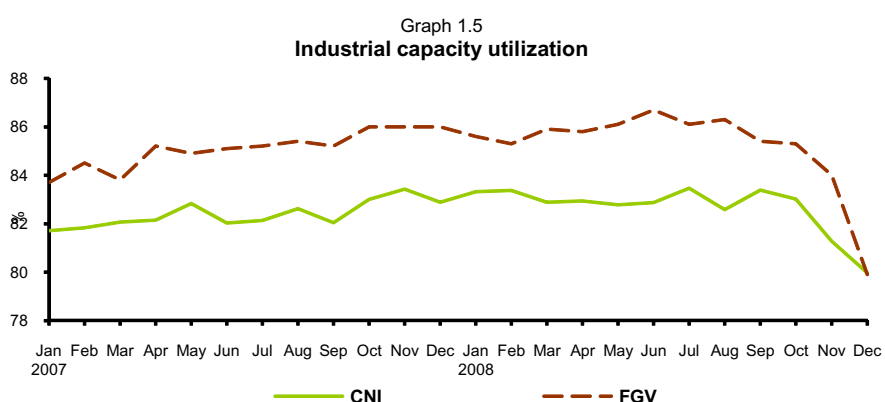


Table 1.10 – Industrial capacity utilization^{1/}

Percentage			
Itemization	2006	2007	2008
Manufacturing industry	83.3	85.1	85.2
Consumer goods	80.1	83.1	84.9
Capital goods	82.0	85.7	87.9
Building material	85.1	84.6	88.4
Intermediate goods	87.3	87.8	86.4

Source: FGV

^{1/} Quarterly survey. Average in the year.

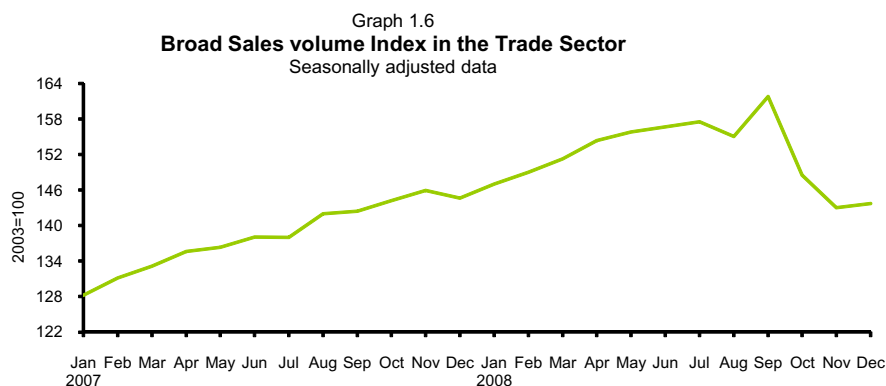
The Industrial Confidence Index (ICI) of the SCIT – FGV fell 46.2 points in the last quarter of 2008, reaching 71.4 points in December, as compared to 120.4 points in August, the second highest value of the series initiated in April 1995.

The Industrial Survey carried out by the National Confederation of Industry (CNI) also demonstrated the deterioration of industrial performance in the last quarter of the year, expressed in the record level of accumulated stocks. Regarding the level of activity in

the quarter, the production index reached 40.8 points, and the employment index, 44 points, the lowest levels since the first quarter of 1999, signaling a quarterly reduction of physical production and employment.

Commerce indicators

According to the Monthly Retail Trade Survey (PMC), released by the IBGE, the Retail Sales Volume Index expanded 9.9% in 2008, the second highest annual rate, surpassed only by the expansion of 13.6% observed in 2007. It is worth mentioning that, from January to September, before the worsening of world economic crisis, the sector accumulated an expansion of 13.8%, as compared to the same period of the previous year. Sales increased in all segments, with emphasis on office machinery and equipments, computer and communications, 33.5%; other articles of personal and domestic use, 15.6%, furniture and appliances, 15.1%; and pharmaceutical, medical, orthopedic and perfumery, 13.3%.



Source: IBGE

Sales in the segment of automobiles, motorcycles, parts and accessories, as well as building materials, which are more dependent on credit operations, registered respective annual growth rates of 11.9% and 7.8%, as compared to expansions of approximately 20.7% and 11.5% observed in the first nine months of the year.

Sales increase in the expanded retail trade sector in 2008 was widespread in the five regions of the country. The highest rate occurred in the Center-West, 11.3%; followed by those relating to the Southeast, 10.8%; South 10%; Northeast, 9.2%; and North, 7.6%. In relation to the federation units, mention should be given to increases in retail sales in Rondonia, 19%; Espírito Santo, 17.2%; Mato Grosso, 15.2%; Goiás, 14%; and Mato Grosso do Sul, 13.7%, as opposed to the more modest performance observed in the Federal District, 0.7%; Pará 3.1%; and Amazonas, 5.7%.

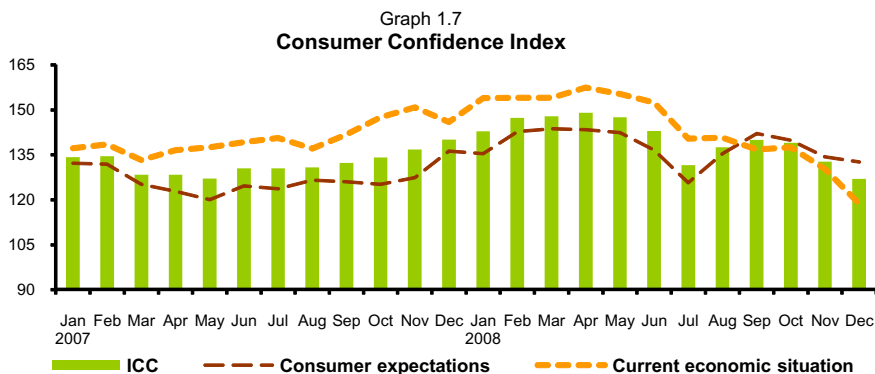
Nominal Sales Revenue of the expanded trade sector expanded 15.1% in 2008, as result of increases of 9.1% in sales volume and 5.5% in prices. All segments registered revenue growth rates above the annual inflation rate of 5.90% measured by the IPCA in the period. Highlights were articles of personal and domestic use, 21.7%; building material, 18.1%; and hypermarkets, supermarkets, food, beverages and tobacco, 17.2%.

Commerce indicators for the state of São Paulo confirm the generalized growth in sales of durable, semi and nondurable goods in 2008. Thus, according to the São Paulo Trade Association (ACSP), the number of consultations to the Credit Protection Service Center (SCPC), an indicator of installment purchases, grew 6.4% in the year, while consultations to the Usecheque, an indicator of cash purchases, rose 4.3% in the period.

Sales of the automotive sector increased 14.6% in 2008, according to the National Federation of Automotive Vehicles Distribution (Fenabrave), after expansion of 27.1% in the first nine months of the year. In the same line, sales of domestic vehicles in the national market, released by the National Association of Automotive Vehicle Manufacturers (Anfavea), registered an annual increase of 11.9% in 2008, after increasing 26.3% through September.

Default indicators have stabilized in recent years. The relationship between the number of checks returned due to insufficient backing and total checks cleared amounted to an average of 6.1% in 2008, compared to 6.2% in 2007. By region, the highest rates continued to occur in the North and Northeast. Delinquency in the São Paulo Metropolitan Region (RMSP), as measured by ACSP, reached on average of 6.5% in 2008, compared to 5.4% the previous year.

National surveys related to consumer expectations revealed a reversal of the growth trend in 2008. After maintaining a high level until the end of the third quarter, consumer confidence was impacted in the fourth quarter by the more severe effects of the international crisis on the Brazilian economy. Accordingly, the FGV Consumer Confidence Index (ICC) fell 1.6% in the year, as a result of reductions of 5.2% in the



Source: Fecomercio SP

Expectations Index (IE) and increase of 5.4% in the Current Situation Index (ISA). It should be highlighted the respective drops of 15% and 9.7% registered by these components in the last quarter of 2008 as compared to the same period in 2007.

Similarly, the quarterly National Consumer Expectations Index (Inec), released by the CNI, reported the deterioration of consumer confidence, falling 1.6% in the last quarter of the year, compared to the same quarter of the previous year. The sharpest declines occurred in consumer expectations related to unemployment, 17.3%, and inflation, 14.4%. Inec registered annual growth of 0.4%.

The ICC, released by the São Paulo Trade Federation (Fecomercio SP) fell 3% in the fourth quarter of 2008 in comparison to the same period in 2007, as a result of 13% reduction in the Index of Current Economic Conditions (Icea) and increase of 4.6% in the Consumer Expectations Index (IEC), which represents 60% of the overall index. The performance of this indicator in the first three quarters of 2008 led to a 6.2% growth in the rate accumulated in the year.

Crop/livestock production indicators

The harvest of grains totaled 145.8 million tons in 2008, according to the Systematic Farm Production Survey (LSPA), released by the IBGE, in collaboration with the

Table 1.11 – Agricultural production – Major crops

Millions of tons		
Products	2007	2008
Grain production	133.1	145.8
Cotton seed	2.5	2.4
Rice (in husk)	11.0	12.1
Beans	3.2	3.4
Corn	51.8	58.7
Soybeans	58.0	59.9
Wheat	4.1	6.0
Others	2.4	3.2
Change in grain production (%)	13.8	9.6
Other crops		
Bananas	7.1	7.2
White potatoes	3.4	3.7
Cocoa (beans)	0.2	0.2
Coffee (manufactured)	2.2	2.8
Sugarcane	548.0	653.2
Tobacco (in leaf)	0.9	0.9
Oranges	18.5	18.7
Cassava	26.9	26.6
Tomatoes	3.4	3.9

Source: IBGE

National Supply Company (Conab). The annual growth of 9.6% reflected expansions of 4.1% in the harvested area and 5.3% in average productivity, with emphasis on the participation of the Center-West, 34.8%, and South, 42%, where annual production increased, respectively, by 15.5% and 1.9%.

Soybean production rose 3.4% in the year, totaling 59.9 million tons, as a result of the expansion of harvested area, given the stability of productivity. Soybeans exports, which had dropped 4.9% in 2007, recovered in the year, expanding by 3.3%.

The corn harvest reached 58.7 million tons, emphasizing that the annual increase of 13.3% reflected growths of 4.1% in the area harvested and 8.9% in productivity. Climatic conditions and high prices were crucial to this performance.

Table 1.12 – Agricultural production, harvested area and average earnings – Major crops

Products	Percentage change					
	Production		Area		Average earnings	
	2007	2008	2007	2008	2007	2008
Grain production	13.8	9.6	-0.4	4.1	14.1	5.3
Cotton (seed)	37.5	-2.5	23.1	-5.2	5.0	3.0
Rice (in husk)	-4.0	9.7	-2.5	-1.3	-1.3	11.1
Beans	-5.6	5.0	-4.7	-1.7	0.4	6.7
Corn	21.6	13.3	9.4	4.1	10.5	8.9
Soybeans	10.7	3.4	-6.2	3.4	18.5	0.0
Wheat	64.8	47.5	18.0	30.7	37.5	12.6

Source: IBGE

Table 1.13 – Grain stock – Major crops

Products	Thousands of tons		
	2005/2006	2006/2007	2007/2008
Grain production			
Rice (in husk)			
Beginning of the year	3 532.1	2 879.3	2 021.7
End of the year	2 879.3	2 021.7	1 101.3
Beans			
Beginning of the year	113.6	176.2	81.4
End of the year	176.2	81.4	160.7
Corn			
Beginning of the year	3 135.4	3 268.3	3 300.2
End of the year	3 268.3	3 300.2	11 871.9
Soybeans			
Beginning of the year	2 734.7	2 469.7	3 675.6
End of the year	2 469.7	3 675.6	4 540.1
Wheat			
Beginning of the year	1 112.5	1 992.9	1 753.7
End of the year	1 992.9	1 753.7	1 566.2

Source: Companhia Nacional de Abastecimento (Conab)

The bean output totaled 3.4 million tons. The annual growth of 5% reflected a 6.7% increase in average productivity and a reduction of 1.7% in the area harvested. Favorable climatic conditions and the price level in the sowing season contributed to the good performance of this crop.

The harvest of rice reached 12.1 million tons, rising 9.7% in the year, as a result of a 11.1% increase in the average productivity and a 1.3% reduction in the harvested area. Favorable climatic conditions, especially in the state of Rio Grande do Sul, the major producing state, where cultivated area increased, explain the increase of productivity and harvested area.

The production of wheat totaled 6 million tons, for a 47.5% increase in comparison to the previous crop. The harvested area grew 30.7%, and the average productivity, 12.6%, reflecting the commodity's high international prices because of the heated external demand.

Harvest of herbaceous cotton decreased 2.5%, totaling 2.4 million tons, a contraction of 5.2% in the area harvested and an increase of 3% in the average productivity.

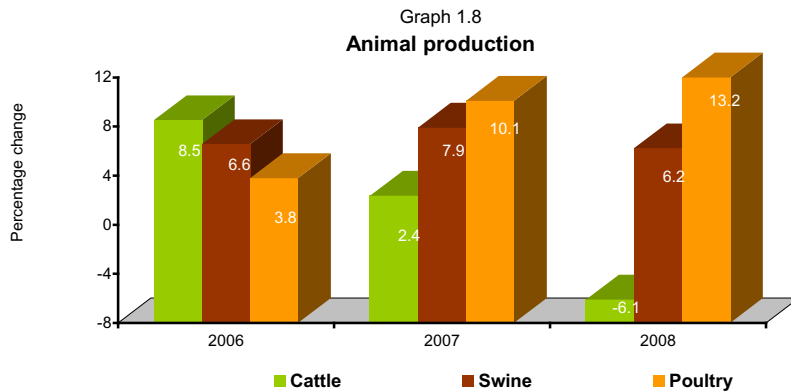
The coffee crop totaled 2.8 million tons, up 25% in the year. This performance is partly explained by the biannual cycle of this crop, expressed in the expansion of 27.2% in average productivity even with the 1.8% reduction in the area harvested.

Sugar cane production totaled 653.2 million tons, for an annual increase of 19.2%, reflecting the expansions observed in the area harvested, 16.5%, and average productivity, 2.3%.

Livestock

According to the Quarterly Survey of Animal Slaughters, released by the IBGE, the production of beef, poultry and pork reached, in the order, 6,619 million, 10,175 million and 2.634,3 million tons, for respective annual rates of -6.1%, 13.2%, and 6.2%.

Exports of beef, poultry and pork totaled, in this order, one million, 3.3 million and 467.6 thousand tons, for annual variations of -20.5%, 8.7%, and -15, 3%



Farm policy

The 2008/2009 crop and livestock plan, released by the Ministry of Agriculture, Livestock and Supply (Mapa) allocated R\$78 billion for rural credit, of which R\$65 billion for commercial agriculture and R\$13 billion for family farming.

In the case of commercial agriculture, R\$55 billion are aimed at funding operational and marketing costs, a volume 12% higher than that available in the previous plan, of which 82.5% granted at regulated interest rates – annual growth of 19.9% – and 17.5% at market interest rates – a contraction of 14.7%. The plan also allocated R\$10 billion for investments, an increase of 12.4% in the year, of which R\$3.5 billion originated in Constitutional Funds.

In the context of the programs financed by the BNDES, R\$6.5 billion is channeled to the segment of loans for investment, with annual increase of 0.8%. Regarding the Program of Modernization of the Farm Tractor Fleet and Like Implements and Harvesters (Moderfrota), the major change consisted in the elimination of the fixed interest rate set at 4% p.y. The Program of Agricultural Modernization and Conservation of Natural Resources (Moderagro) registered an increase in the limit per beneficiary, from R\$50,000 to R\$250,000. With regard to the Rural Employment and Income Generation Program (Proger Rural), R\$500 million is to be provided by the Moderfrota program, at a rate of 7.5% p.y. The program also incorporates an increase in income limits for insertion in the program up to R\$250,000, and in the funding ceiling to R\$150,000.

It should be highlighted the creation of the Program of Incentives for Sustainable Agricultural Production (Produsa), which allocates BNDES funds up to R\$1 billion, aimed not only at encouraging the recovery of degraded areas for the return to the system of production but also the adoption of sustainable systems.

Productivity

The productivity of the industrial labor, defined as the ratio between the index of the sector's physical production and the index of the number of hours paid to personnel employed in manufacturing production, both released by the IBGE, grew 1.1% in 2008, after a 4.1% increase in the previous year. This performance reflected the 2.2% manufacturing productivity increase, as opposed to the 1.9% drop observed in the mining industry. Among the sectors surveyed, the greatest variations occurred in the activities of apparel and clothing, 10.1%, and tobacco, 7.7%. There was a significant reduction in the productivity of the sectors of coke, petroleum refining and alcohol, 10%, and machinery and electrical appliances, precision electronic devices and communication, 8.2%.

The productivity of the industrial labor increased in eight out of ten federal units surveyed by the IBGE, especially in Paraná, 7.2%, Espírito Santo, 6.6%, and Pernambuco, 6.5%, while in Minas Gerais and Bahia the indicator declined by 3% and 1%, respectively.

The average productivity of the crop/livestock sector, defined as the ratio between grain production and the area harvested increased to 5.3% in the year. The production of agricultural fertilizers, according to the National Association for Fertilizers Dissemination (Anda), posted an annual decline of 9.6%, while imports fell 12.1%, resulting in a 8.9% cutback in total demand. Sales of farm machinery expanded 42% in the year, according to Anfavea, registering expanded sales of harvesters, 87.5%; wheeled tractors, 38.7%; and coppers, 18,3%.

Energy

Oil production, including liquified natural gas, grew 3.4% in the year, compared to 1.3% in 2007, considering data from the National Petroleum Agency (ANP). In average terms,

Table 1.14 – Apparent consumption of oil derivatives and fuel alcohol

Daily average (1,000 b/d)

Itemization	2006	2007	2008
Petroleum	1 368	1 423	1 485
Fuel oil	88	95	89
Gasoline	326	318	324
Diesel oil	672	716	769
Liquid gas	203	207	211
Other derivatives	79	86	91
Fuel alcohol	194	262	336
Anhydrous	88	101	108
Hydrated	107	161	228

Source: ANP

the year ended with 1,896 thousand barrels/day, as compared to 1,833 thousand barrels/day in the previous year. The highest level was observed in September, 1,946 thousand barrels/day, and the lowest in March, 1,835 thousand barrels/day. The production of natural gas rose 18.6% in 2008, reaching an average of 371 thousand barrels/day.

Total oil processed at refineries remained almost stable when compared to the previous year, decreasing by 0.1% to 1.742 thousand barrels/day. The participation of national petroleum remained stable at 77%, while oil imports fell by 1.6% in the year, reaching 394 thousand barrels/day. Exports posted an increase of 2.8%, closing at 433 thousand barrels/day.

The consumption of petroleum derivatives increased 4.4% in the domestic market in 2008, with emphasis on the segments of aviation kerosene, 11.1%; diesel oil, 7.5%; jet fuel, 6.6%; and other oil products, 6.5%. The demand for automotive gasoline and liquefied petroleum gas rose 1.9% and 1.6%, respectively. Reductions were observed in the consumption of kerosene for lighting purposes, 21%; and fuel oil, 6.6%. Alcohol consumption increased 28.5%, reflecting the growth sales of cars with bifuel technology. Thus, sales of hydrated alcohol expanded 41.6%, and of anhydrous ethanol, 7.5%.

The national consumption of electricity expanded 3.6% in 2008, according to the Energy Research Company (EPE), a federal public company linked to the Ministry of Mines and Energy (MME). Expansions occurred in the commercial sector, 5.5%; residential, 5%; and industrial 2.3%. The consumption of other sectors not listed, including public lighting, services and government and rural sector registered an annual increase of 3.1%.

Table 1.15 – Electric energy consumption^{1/}

GWh			
Itemization	2006	2007	2008
Total	358 095	378 551	392 014
By sectors			
Commercial	55 474	58 739	61 963
Residential	86 071	90 300	94 856
Industrial	164 775	175 423	179 434
Other	51 775	54 089	55 761

Source: EPE

^{1/} Self-producers not included.

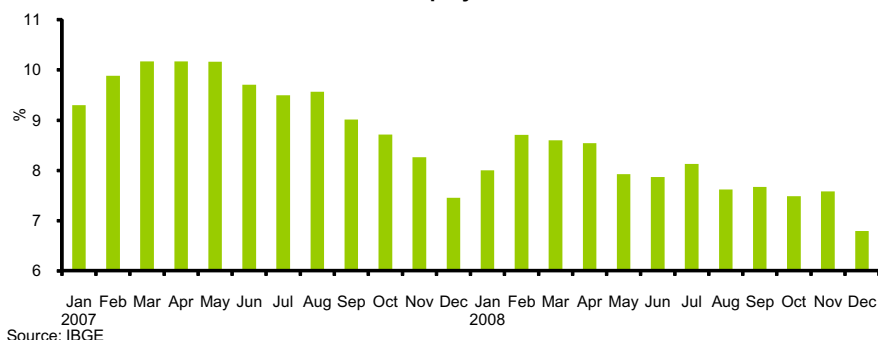
The analysis by region revealed an annual growth of electricity consumption in the Center-West, 5.8%; Southeast, 4.6%; South, 4.4%; North, 4.3%; and Northeast, 3.4%.

Employment indicators

The performance of economic activity in 2008 reflected positively on the labor market both in terms of quantity and quality, despite the negative impacts of the external crisis occurred in the last quarter of the year.

According to the IBGE Monthly Employment Survey (PME), the average unemployment rate in the six major metropolitan areas reached 7.9% in 2008, for a 1.4 p.p. decrease when compared to 2007. This movement was particularly a result of the 3.4% expansion observed in occupation, equivalent to the creation of 625,000 jobs in the area surveyed, 98% of which with formal contracts. In the same period, the number of unregistered employees decreased 0.4%, while the number of self-employed persons increased by 0.4%.

Graph 1.9
Median unemployment rate



According to the General File of Employed and Unemployed Persons (Caged), from the Ministry of Labor and Employment (MTE), 1,452,200 jobs were created with formal contracts in 2008, the third best result since the beginning of the research in January 1985. The number of registered workers increased 6.4% in the year, as a result of a widespread employment expansion in major economic sectors, reaching 6.7% in

Graph 1.10
Level of formal employment
Percentage change in 12 months

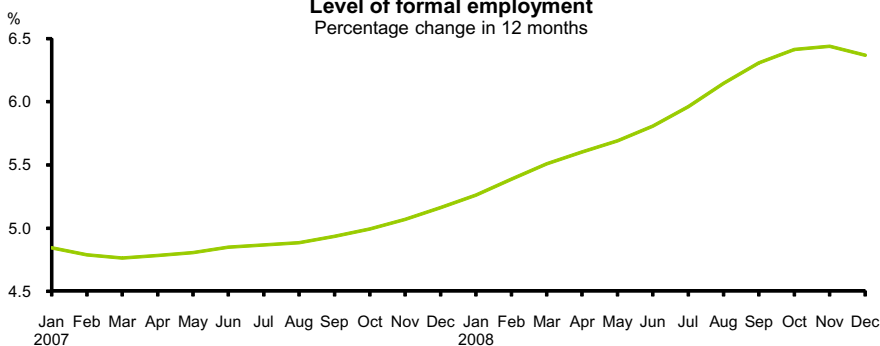


Table 1.16 – Formal employment – New jobs openings

1,000 employees

Itemization	2006	2007	2008
Total	1 228.7	1 617.4	1 452.2
By sectors			
Manufacturing industry	250.2	394.6	178.7
Commerce	336.8	405.1	382.2
Services	521.6	587.1	648.3
Building	85.8	176.8	197.9
Crop and livestock	6.6	21.1	18.2
Public utilities	7.4	7.8	8.0
Others ^{1/}	20.3	25.0	19.0

Source: Ministério do Trabalho e Emprego (MTE)

^{1/} Includes mineral extraction, public administration and others.

commerce, 6% in services, and 5.6% in manufacturing industry. It is worth mentioning the performance of civil construction, which, for the third consecutive year, registered a growth rate above the average, up 17.4% in the year.

Wage and earnings indicators

The average annual real earnings habitually received by the working population in the six major metropolitan regions covered by the PME reached R\$1,260.08, calculated at December 2008 prices, up 3.4% in the year, reaching the highest level since 2003. It should be noted that the pace of expansion accelerated in the second half of the year, when it grew 4.5% when compared to the same period in 2007, following a 2.3% increase in the previous half-year period, on the same basis of comparison. Real wages, the product of the average real income habitually received by the number of employed persons, grew by 6.9% in 2008.

Table 1.17 – Average earnings of occupied people – 2008

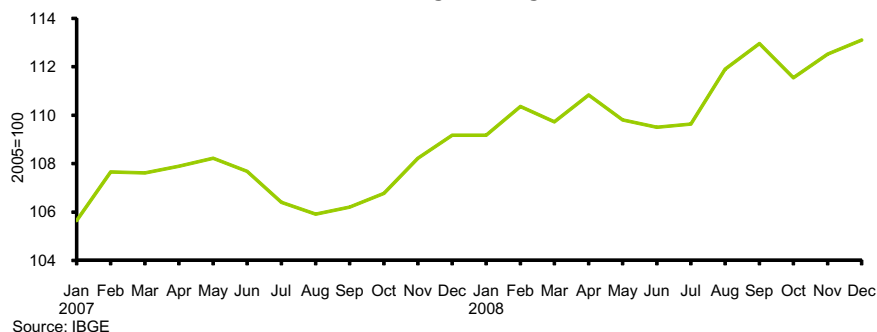
Percentage change

Itemization	Nominal	Real ^{1/}
Total	9.9	3.4
Job position		
Registered	8.5	2.0
Unregistered	7.6	1.3
Self-employed	10.7	4.1
By sector		
Private sector	8.9	2.4
Public sector	10.7	4.1

Source: IBGE

^{1/} Deflated by the INPC. Includes the metropolitan regions of Recife, Salvador, Belo Horizonte, Rio de Janeiro, São Paulo and Porto Alegre.

Graph 1.11
Real average earnings



Price indicators

The acceleration of inflation rates in 2008, as compared to the previous year, was influenced by the behavior of market prices, which reflected the pace of economic activity expansion as well as the upward trend observed for food and regulated prices. The IPCA, calculated by the IBGE, reached 5.90%, within the target set by the CMN in the framework of the inflation targeting system.

General price indices

The General Price Index (IGP-DI), calculated by the FGV, which aggregates the Wholesale Price Index (IPA-DI), the Consumer Price Index – Brazil (IPC-Br) and the National Cost of Construction Index (INCC), with respective weights of 60%, 30% and 10%, registered growth of 9.10% in 2008 compared to 7.89% in the previous year.

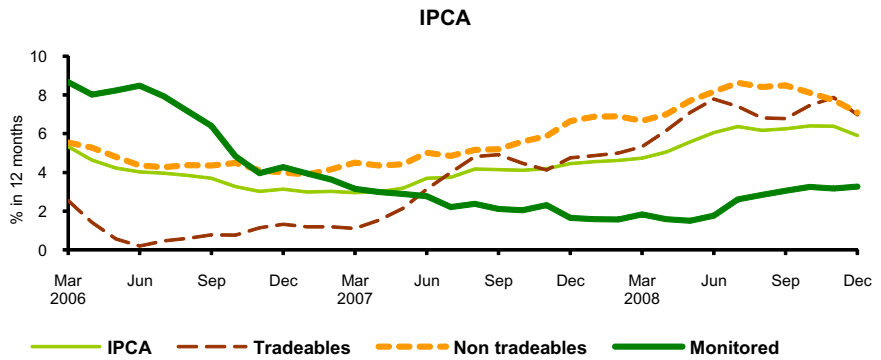
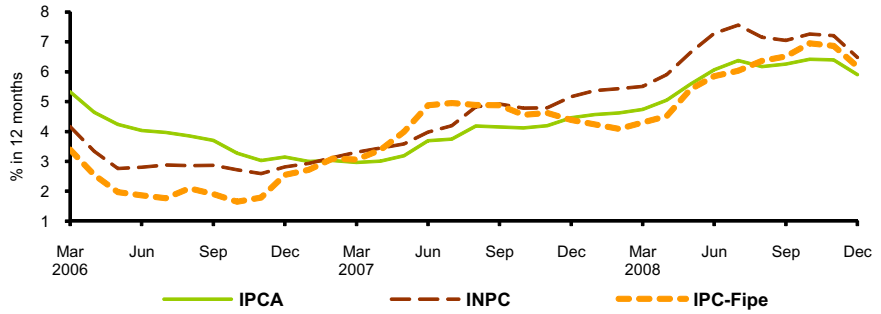
Annual variations of the three components of the IGP-DI accelerated in 2008. IPA-DI, which shows the behavior of prices in the wholesale trade, as a consequence of an upward trend for prices of industrial products, grew 9.80% in the year, compared to 9.44% in 2007. Prices of industrial products rose by 12.96% and prices of agricultural products, 1.64%, as compared to 4.42% and 24.82%, respectively, in 2007. The IPC-Br increased 6.07% and the INCC, 11.87%, compared to 4.60% and 6.15% in 2007, respectively.

Consumer price indices

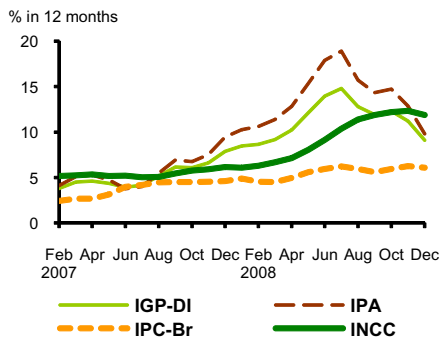
The IPCA, released by the IBGE, increased 5.90% in 2008, registering an increase of 3.27% in regulated prices of goods and services¹ and 7.05% in market prices, compared to 1.65% and 5.73 %, respectively, in the previous year. This was the sixth

^{1/} Regulated prices are those directly or indirectly determined by federal, state or municipal governments. In some cases, the adjustments are determined by contracts between producers / suppliers and the relevant regulatory agencies, as in electricity and fixed telephony.

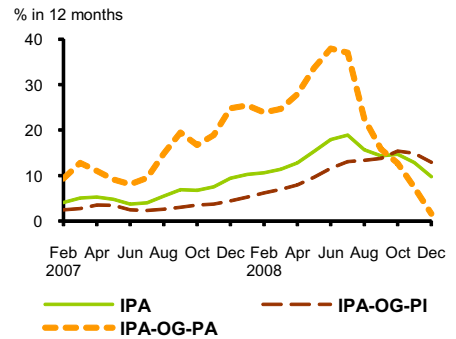
Graph 1.12
Consumer price indices



IGP-DI and components



IPA according to origin



Source: IBGE, Fipe and FGV

lowest IPCA rate since the beginning of its release in 1980. IPCA is an indicator that considers the consumption basket of families with monthly income between 1 and 40 minimum wages.

The performance of the IPCA in the year reflected an upward trend for regulated prices, from 1.65% to 3.27%, reflecting the final impact of the reduction in the prices of electricity and the increase in the water and sewage rates, and market prices, from

5.73% to 7.05%, due to the accelerated pace of economic activity and the behavior of food prices, especially for items such as rice, black beans, meat, tubers, roots and vegetables, sugar, and bread.

The variation of the National Consumer Price Index (INPC), also calculated by IBGE, reached 6.48% in 2008, as compared to 5.16% in 2007. This rate is higher than that registered by the IPCA and evinces the greatest participation of the food and beverage group in the INPC, 30.31%, compared to 22.76% in the IPCA. The reason for this is that the INPC is measured by utilizing the consumption basket of families with an income bracket of 1-6 monthly minimum wages, and the percentage of income committed to outlays on food for these families is relatively greater.

The Consumer Price Index (IPC), calculated by the Institute of Economic Research (Fipe)² also reflected the pace of economic activity and high food prices, growing 6.16% in 2008 from 4.38% in the previous year.

Table 1.18 – IPCA items share in 2008

Groups	Percentage change				
	IPCA				Index share ^{2/}
	Weight ^{1/}	Accumulated change in 2007	Accumulated change in 2008	Accumulated share in 2008	
IPCA	100.00	4.46	5.90	5.90	100.00
Meals	3.97	7.79	14.46	0.57	9.74
Meats	2.15	22.15	24.01	0.52	8.75
Domestic services	3.13	9.50	11.04	0.35	5.86
Bread	1.19	7.92	19.35	0.23	3.89
Rice	0.61	-1.90	33.94	0.21	3.51
Personal hygiene	2.31	2.30	7.34	0.17	2.87
Edible tubers, roots and vegetables	0.62	25.81	20.27	0.13	2.13
Black beans	0.14	39.02	65.52	0.09	1.61
Cleaning products	0.78	3.00	11.44	0.09	1.51
Sugar (refined)	0.19	-22.73	13.10	0.03	0.43
Sugar (crystal)	0.14	-28.69	12.71	0.02	0.29
Electric household equipment	1.81	-4.66	-2.82	-0.05	-0.87
Automobiles	2.85	1.76	-2.25	-0.06	-1.09
Used automobiles	1.59	0.09	-4.32	-0.07	-1.17

Source: IBGE

1/ Average weight in 2008.

2/ It is obtained by dividing the accumulated share in the year by the accumulated change in the year.

2/ For families with an income bracket between one and twenty minimum wages in the city of São Paulo.

Table 1.19 – IPCA items share in 2008

Groups	Percentage change				
	IPCA				
	Weight ^{1/}	Accumulated change in 2007	Accumulated change in 2008	Accumulated share in 2008	Index share ^{2/}
IPCA	100.00	4.46	5.90	5.90	100.00
Foodstuffs and beverages	22.40	10.77	11.11	2.42	41.02
Housing	13.14	1.76	5.08	0.67	11.36
Housing products	4.30	-2.48	1.99	0.09	1.53
Apparel	6.51	3.78	7.31	0.48	8.14
Transportation	20.05	2.08	2.32	0.47	7.97
Health and personal care	10.75	4.47	5.73	0.62	10.51
Personal outlays	9.74	6.54	7.35	0.72	12.20
Education	7.06	4.16	4.56	0.32	5.42
Communication	6.05	0.69	1.78	0.11	1.86

Source: IBGE

1/ Average weight in 2008.

2/ It is obtained by dividing the accumulated share in the year by the accumulated change in the year.

Regulated prices

Regulated prices increased 3.27% in 2008, accounting for 0.98 p.p. of total variation of the IPCA in the year. The largest variations occurred in the items of water and sewage rates, 7.11%; piped gas, 13.96%, interstate bus, 9.38%; airfare, 12.18%; auto gas, 23.44%; and toll, 11.88%, while gasoline and mobile phone rates moved in the opposite direction, dropping by 0.26% and 2.82%, respectively. It should be noted, though, the increases in items bottled gas, 2.42%, electricity rates, 1.11%, and urban bus, 3.08%.

Payments of health plans, which are regulated by the National Supplementary Health Agency (ANS), rose 6.15% in 2008, generating an impact of 0.21 p.p. on the IPCA, with variations of 5.91% in São Paulo and 6.52% in Salvador. Urban bus fares rose 3.08% in 2008, accounting for 0.11 p.p. of the IPCA, with the sharpest increases occurring in Goiânia, 11.11%, Recife, 9.40%, and Rio de Janeiro, 6.37%. The variation of water and sewage rates represented 0.11 p.p. of the IPCA increase, highlighting the upward movement of 12.82% in Rio de Janeiro and 12.07% in Salvador, compared to stability in Curitiba.

Adjustments in fixed telephone rates, which are authorized annually by the National Telecommunications Agency (Anatel) on the basis of changes in the impact of a basket of price indices on the rates charged for services, reached an average of 3.64% in 2008.

The average adjustment of electricity rates, which fell in five of the eleven regions covered by the IPCA index, closed at 1.11%, after decreasing 6.2% in 2007. Regionally, the

Table 1.20 – Major items included in the IPCA during 2008

Itemization	IPCA			
	Weight ^{1/}	Accumulated	Accumulated	Accumulated
		change in 2007	change in 2008	share in 2008
Index (A)	100.00	4.46	5.90	5.90
Non-monitored prices	70.13	5.73	7.05	4.92
Monitored prices	29.87	1.65	3.27	0.98
Selected monitored items				
Natural gas vehicle	0.11	5.44	23.44	0.03
Pipeline gas	0.10	5.75	13.96	0.01
Air ticket	0.28	3.12	12.18	0.03
Tolls	0.13	4.61	11.88	0.02
Interstate bus	0.38	4.63	9.38	0.04
Water and sewage fees	1.61	4.82	7.11	0.11
Health care	3.37	8.13	6.15	0.21
Phone fees	3.49	0.34	3.64	0.13
Urban transportation	3.73	4.69	3.08	0.12
Domestic gas	1.13	0.11	2.42	0.03
Electric energy	3.33	-6.16	1.11	0.04
Gasoline	4.29	-0.68	-0.26	-0.01
Cellular phone fees	1.43	2.92	-2.82	-0.04

Source: IBGE

^{1/} Average weight in 2008.

variation in the price of electricity dropped by 17.22% in Belo Horizonte and expanded by 18.92% in Belém. Gasoline prices fell 0.26% in 2008, as compared to a reduction of 0.68 % the previous year, while those for the bottled kitchen gas rose 2.42%. Medicine prices and tariffs for intermunicipal buses increased 3.98% and 5.66%, against 0.54% and 4.20%, respectively, in 2007.

Cores

Repeating the behavior of the full index, the three IPCA cores calculated by the Central Bank accelerated in 2008, emphasizing that the cores calculated by smoothed trimmed means registered annual variations lower than the full index, while the core by exclusion showed a more pronounced increase.

The core based on the smoothed trimmed means grew 4.82% in 2008, as compared to 4.04% the previous year, while the core based on the nonsmoothed trimmed means registered variations, respectively, of 4.92% and 3.62%. The variation of the core by

Table 1.21 – Consumer prices and core inflation in 2008

Percentage change				
Itemization	2007	2008		
		1 H	2 H	In the year
IPCA	4.46	3.64	2.18	5.90
Exclusion	4.11	3.26	2.74	6.09
Trimmed means				
Smoothed	4.04	2.52	2.24	4.82
Non smoothed	3.62	2.64	2.22	4.92
IPC-Br	4.60	3.84	2.15	6.07
Core IPC-Br	3.31	2.10	1.94	4.07

Source: IBGE and FGV

exclusion, which excludes from the IPCA the subgroups of household food and regulated prices, reached 6.09%, as compared to 4.11% in 2007.

The change in IPC-Br core, calculated by the FGV using the smoothed trimmed means method, increased from 3.31% in 2007 to 4.07% in 2008, standing at a level below the 6, 07% increase posted by the IPC-Br.



Money and Credit

Monetary Policy

The more restrictive stance of Copom regarding the implementation of the monetary policy followed, in early 2008, the pattern observed in the last two meetings of last year, when it was considered that the evolution of the global economic scenario and the upturn in the domestic economy justified the reduction of monetary stimulus, expressed in the cumulative reduction of 850 b.p. in the Selic rate as of September 2005.

In this scenario, the Monetary Policy Committee, after holding the Selic rate unchanged in the first two meetings of the year raised it to 250 b.p. in the four subsequent meetings, reaching 13.75% p.y. and in the new environment marked by stress in the financial markets, chose not to change it in the last two meetings of the year.

At the January and March 2008 meetings, Copom estimated that, given the signs of overheating in the economy and rising inflation expectations, there was an increase in the risks for the achievement of a benign inflation scenario in which inflation would continue consistent with the trajectory of inflation targeting, as reflected in their projections. In this context, even considering that, in those moments, keeping the benchmark interest rate would be the most appropriate decision; the Committee reiterated that it could adopt different approaches, through the adjustment of monetary policy instruments, if a scenario of divergence between inflation and the projected trajectory of the targets would be consolidated. Thus, Copom decided to keep the Selic rate at 11.25% p.y., without bias, and monitor the macroeconomic framework for defining, in its forthcoming meetings, possible changes in the monetary policy implementation.

In April and June, Copom considered that the likelihood that inflationary pressures initially temporary would pose risks to the domestic inflation trajectory had become more concrete, since the heating of the demand and factors market, as well as the possibility of the emergence of supply restrictions in sectors, could give rise to an increase in the transfer of pressure on wholesale prices for consumer prices. This perception was based in part on the acceleration of certain wholesale prices, in the path of core inflation and the rapid rise in inflation expectations. Additionally, it was estimated that, over the following months, credit growth and the expansion of real wages should continue to bolster economic activity and that to these factors supporting the demand should be added the effects of government transfers and other tax impulses. In this context,

evaluating the macroeconomic situation and the inflation outlook, in the two consecutive meetings, Copom opted to increase 50 b.p. on the Selic rate.

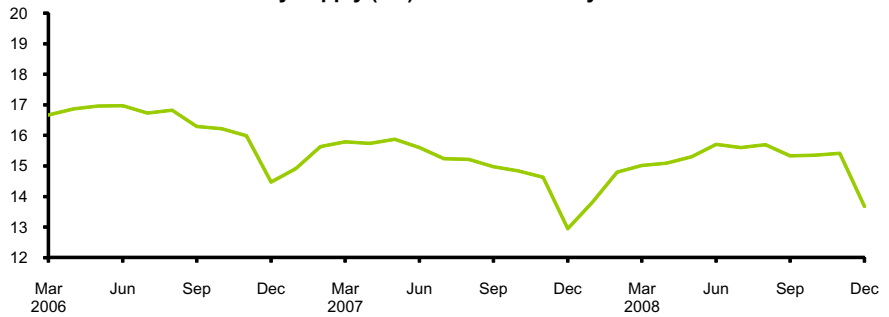
In July, Copom assessed that considering signs of economic overheating, as illustrated in the acceleration in wholesale prices and the trajectory of inflation cores and the rapid increase in inflation expectations, there were considerable evidence for the achievement of a benign inflation scenario in which the IPCA turned to evolve consistently with the inflation targeting. Copom also considered that the persistence of significant mismatch between the paces of expansion of aggregate supply and demand was exacerbating the risk to inflation dynamics. In these circumstances, monetary policy should act vigorously, while the balance of risks to inflation dynamics hence requires it, through the adjustment of the basic interest rate, the Committee decided to raise the Selic rate to 13% per annum without bias. At the September meeting it was considered that, even in the environment of deteriorating prospects for world economic growth, the risks to the materialization of a benign inflation scenario in the country had not yet shown a sufficiently convincing sign of improvement. In this context, Copom decided to raise the Selic rate by 75 b.p., without bias.

In October and December, Copom considered that the perspectives regarding the evolution of economic activity had become more uncertain, particularly as regards the effects of the crisis on the international contribution exerted by the credit to support domestic demand. Additionally, the negative effects of intensified international crisis on consumer and business confidence were assessed. The Committee also pointed out that although the leveling off of commodities prices could help to prevent the inflationary pressures to be further intensified, the pace of domestic demand expansion continued placing significant risks to inflation dynamics, to which were added, particularly in short-term, risks arising from the trajectory of Brazilian asset prices, amid the process of narrowing the sources of external funding. In this context, understanding that the consolidation of more restrictive financial conditions could amplify the effects of monetary policy on demand and, over time, on price inflation, Copom decided unanimously to keep the Selic rate at 13.75% p.y. without bias, at the two meetings.

Monetary aggregates

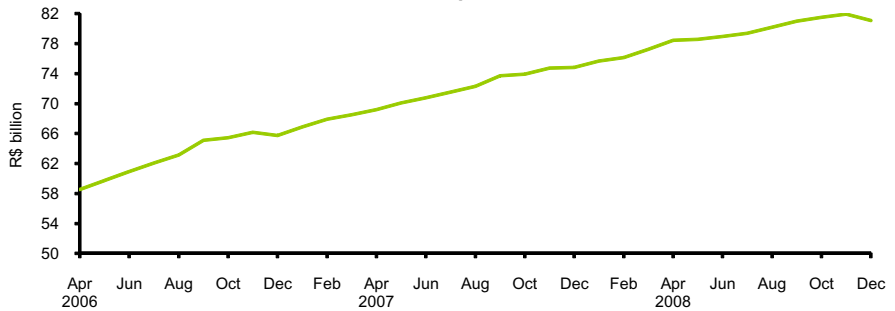
The evolution of monetary aggregates in 2008 reflected the performance of economic activity, conditioned by the slowdown in activity level and the reduction of liquidity in financial markets observed in the last quarter of the year. The average daily balances of the money supply in its narrow sense (M1) reached R\$218.3 billion in December, an increase of 3.7% in the year, reflecting an increase of 14.3% in the average balance of currency held by the public and shrinkage of 2.7% in demand deposits. Considering data purged of seasonal factors and deflated by the IPCA, the aggregate recorded a drop of 2.3% annually in 2008. The income velocity of M1, defined as the ratio of

Graph 2.1
Money supply (M1) – Income velocity^{1/}



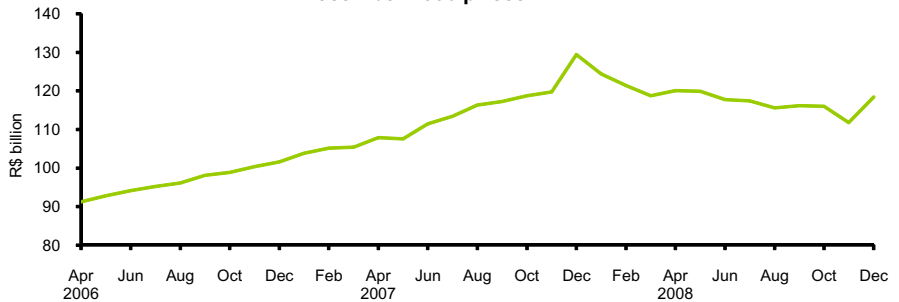
^{1/} Defined as the ratio between twelve-month accumulated GDP (valuated by IGP-DI) and the average balance of the monetary aggregate.

Graph 2.2
Currency outside banks – Seasonally adjusted at December 2008 prices^{1/}



^{1/} Price index: IPCA.

Graph 2.3
Demand deposits – Seasonally adjusted at December 2008 prices^{1/}



^{1/} Price index: IPCA.

GDP valued by IGP-DI and the average balance of the household, remained relatively stable throughout the year.

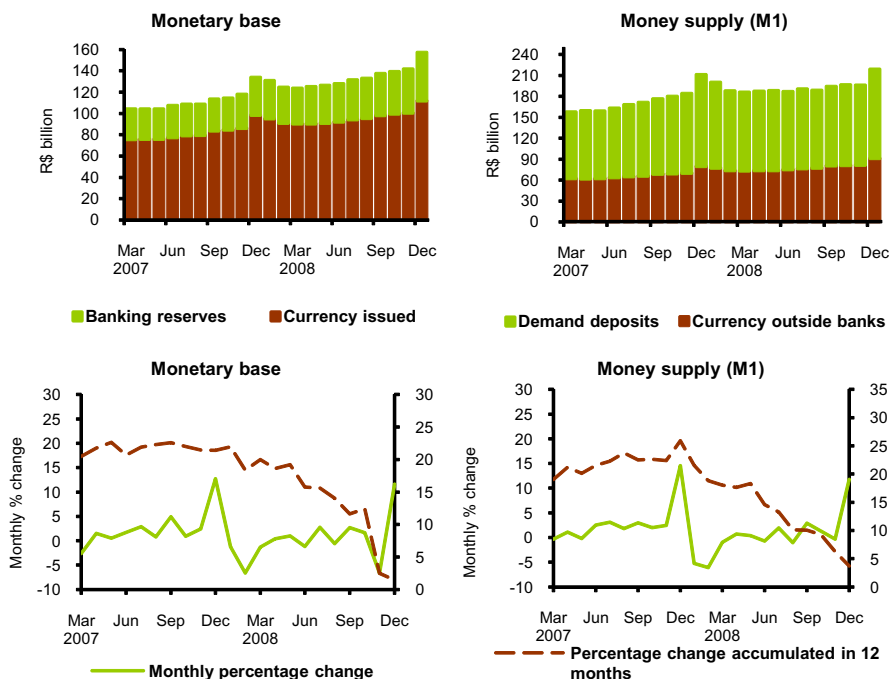
The monetary base, as assessed by the average daily balances, totaled R\$145.7 billion in December, rising 1.5% this year. In relation to its components, the average balance

of currency issued registered an annual growth of 13.7% while that on bank reserves fell 25.4%, reflecting in particular the release of reserve requirements.

Among the sources of primary issue contributed towards the expansion, releases related to the requirement of additional deposits, which totaled R\$59.7 billion in 2008, reflecting the change in their way of accomplishment, which is now through federal government securities, as of December. Adding to these releases, there were net redemptions of R\$34.1 billion in National Treasury bills. Conversely, flows through the National Treasury operating account, excluding securities operations, led to contractionary effect of R\$74.3 billion, followed by the impacts related to net sales of foreign currency by the Central Bank in the interbank market exchange, R\$12.1 billion; to adjustments in derivative transactions in foreign exchange swap operations, R\$4.8 billion; and to variations in reserve requirements on deposits of the Brazilian System of Savings and Loans (SBPE), R\$1.1 billion and on time deposits, R\$535 million. The combination of all these factors resulted in annual growth of R\$933 million in the monetary base, considering end of period balances.

Graph 2.4
Monetary base and money supply (M1)

Average daily balances



Aiming at assuring permanently appropriate conditions of liquidity in the financial system, Central Bank initiated a series of changes in the rules on reserve requirements involving reductions of rates, increases of values to deduct from reserve requirements, changes in the remuneration of the deposits, in addition to rebates in the acquisition of

assets of small- and medium- sized financial institutions. Altogether, from September 24, 2008 to January 19, 2009, these changes provided an effective release of R\$99.8 billion in the reserve requirements balance.

This process began on September 24, through Circular no. 3,405, which postponed the timing of increase in the rate of collection on interbank deposits received from leasing companies. Circular no. 3,412 of October 13, 2008, allowed financial institutions to deduct, from requirements on interbank deposits, foreign currency securities acquired from the Central Bank with a resale commitment.

With respect to reserve requirements on additional liabilities, the deduction limit was increased from R\$100 million to R\$1 billion, through Circulars no. 3,405 and 3,410. Circular no. 3,408 of October 8, 2008, reduced the tax rate on additional demand and time resources from 8% to 5%. As of December 1, due to the Circular no. 3,419 of November 13, the collections related to additional liability began to occur through binding of federal securities in the Selic. The rate of additional requirement over the long-term resources was reduced further, from 5% to 4% by Circular no. 3,426 of December 19, 2008 which went into effect from January 19, 2009.

The acquisition of assets from small and medium financial institutions by large banks was stimulated from the Circular no. 3,407 of October 2, 2008, further amended by Circulars no. 3,411 of October 13; 3,414 of October 15; and 3,417 of October 30, 2008. These normative instruments subsequently consolidated in Circular no. 3,427 of December 19, allowed to reduce to a limit of 70% of collections over time resources, the value of purchases of credit operations and interbank deposits, among other assets. Circular no. 3,417 also determined that 70% of funds time collected as time resources should be kept in cash, without rendering interests. – until then, this payment demand was accomplished exclusively through bonds.

Collections related to time resources were changed, additionally, by Circulars no. 3,408, of October 8, 2008, and no. 3,410 of October 13, 2008, which increased, in two stages, the amount to be deducted from these collections, from R\$300 million to R\$2 billion. Circular no. 3,427 of December 19, 2008, reduced the share in kind of collections on time deposits from 70% to 60% and included the interbank deposits received from leasing companies on the calculation basis of the amounts subject to payment of time deposits. Additionally, it extended the time for acquisitions of assets and interbank deposits among financial institutions, from December 31, 2008 to March 31, 2009.

The rate on collections on demand deposits was reduced from 45% to 42% by way of Circular no. 3,413 of October 14, 2008. Subsequently, Circular no. 3,416 of October 24, 2008, allowed the deduction of contributions voluntarily advanced to Credit Guarantee Fund (FGC). The portion relating to the reserve requirements on savings deposits under

Table 2.1 – Collection rate on mandatory reserves

Percentage									
Period	Demand deposits ^{1/}	Time deposits ^{1/}	Savings deposits ^{1/}		Credit operations	Leasing Companies	FIF Short-term	FIF 30 days	FIF 60 days
			Rural	Other modalities		ID Resources			
Prior to									
Real Plan	50	-	15	15	-	-	-	-	-
1994 Jun ^{2/}	100 ^{2/}	20	20	20	-	-	-	-	-
Aug	" ^{2/}	30	30	30	-	-	-	-	-
Oct	" ^{2/}	"	"	"	15	-	-	-	-
Dec	90 ^{2/}	27	"	"	"	-	-	-	-
1995 Apr	" ^{2/}	30	"	"	"	-	-	-	-
May	" ^{2/}	"	"	"	12	-	-	-	-
Jun	" ^{2/}	"	"	"	10	-	-	-	-
Jul	83	"	"	"	"	-	35	10	5
Aug	"	20	15	15	8	-	40	5	0
Sep	"	"	"	"	5	-	"	"	"
Nov	"	"	"	"	0	-	"	"	"
1996 Aug	82	"	"	"	"	-	42	"	"
Sep	81	"	"	"	"	-	44	"	"
Oct	80	"	"	"	"	-	46	"	"
Nov	79	"	"	"	"	-	48	"	"
Dec	78	"	"	"	"	-	50	"	"
1997 Jan	75	"	"	"	"	-	"	"	"
1999 Mar	"	30	"	"	"	-	"	"	"
May	"	25	"	"	"	-	"	"	"
Jul	"	20	"	"	"	-	"	"	"
Aug	"	"	"	"	"	-	0	0	"
Sep	"	10	"	"	"	-	"	"	"
Oct	65	0	"	"	"	-	"	"	"
2000 Mar	55	"	"	"	"	-	"	"	"
Jun	45	"	"	"	"	-	"	"	"
2001 Sep	"	10	"	"	"	-	"	"	"
2002 Jun	"	15	"	"	"	-	"	"	"
Jul	"	"	20	20	"	-	"	"	"
2003 Feb	60	"	"	"	"	-	"	"	"
Aug	45	"	"	"	"	-	"	"	"
2008 May	"	"	"	"	"	5 ^{3/}	"	"	"
Jul	"	"	"	"	"	10 ^{3/}	"	"	"
Sep	"	"	"	"	"	15 ^{3/}	"	"	"
Oct	42	"	"	"	"	"	"	"	"
Nov	"	"	15	"	"	"	"	"	"

1/ As of August/2002, a new additional requirement on demand resources (3%), time deposits (3%) and savings deposits (5%) became effective. As of October/2002, rates for additional requirements on demand resources, time deposits and savings deposits moved to 8%, 8% and 10%, in that order. As of October/2008, rates for additional requirements on demand resources and time deposits moved to 5%.

2/ From June/1994 to June/1995 the 100% and the 90% rates refer to in additional collection in relation to the base-period which was calculated between June 23 and 30, 1994.

As of July 1995, the levying of compulsory deposits refers only to the arithmetic median of daily balances in each calculation period.

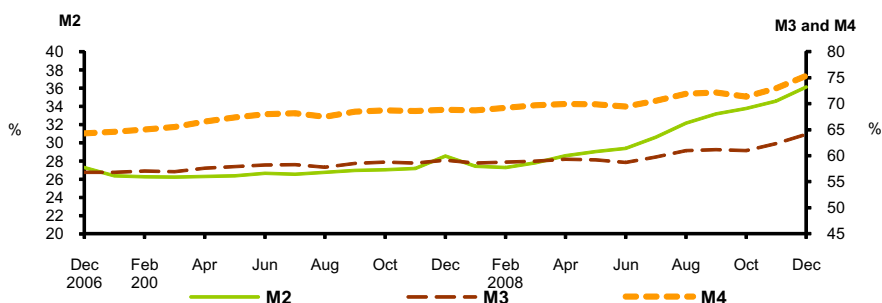
3/ It also includes 100% of the data base growth, if positive, as defined on 1.31.2008.

SBPE remained at 20%, whereas for the rural savings deposits was reduced to 15%, by Resolution no. 3,625 of October 30, 2008.

Besides the changes in the rules on reserve requirements, measures were adopted aiming at channeling the credit to certain sectors of economic activity. Accordingly, the allocations to the agricultural loans of funds held in demand deposits and rural savings were high, in order, from 25% to 30%, by Resolution no. 3,623 of October 14, 2008, and from 65% to 70% through Resolution no. 3,625, of 2008. The two amendments will remain in force from November 2008 to June 2009.

In another move aimed at expanding access to liquidity from the banking system, Resolution no. 3,622 of October 9, 2008, defined the criteria and special conditions for evaluation and acceptance of assets, by the Central Bank in rediscount operations in national currency. These operations may be carried out in the form of asset sales with repurchase commitment by financial institutions.

Graph 2.5
Financial Assets – As percentage of GDP^{1/}



^{1/} Last twelve month GDP at prices of indicated month (deflator: centered IGP-DI) based on the series released by IBGE.

With regard to broader monetary aggregates, the balance of the expanded base – which adds to the restricted basis the compulsory cash deposits and federal securities held by the public – reached R\$1.8 trillion at the end of the year, an annual increase of 9.4%. This behavior reflected mainly the updating of the federal securities debt held by the public and the contractionary effect of the National Treasury operations, excluding the operations with securities.

The broad money supply, in the M2 concept, showed annual growth of 37.4%, with emphasis on growth of 85% recorded in the balance of corporate bonds, reflecting the expansion of time deposits. Savings deposits registered an annual increase of 15.6%, with net inflows of R\$17.8 billion. The M3 aggregate, even with the incorporation of net outflows of R\$88.5 billion related to shares in mutual investment funds grew 17.8% in the year, while the M4 concept, whose balance totaled R\$2.2 trillion at the end of 2008, the annual growth closed at 18.8%.

Table 2.2 – Financial assets

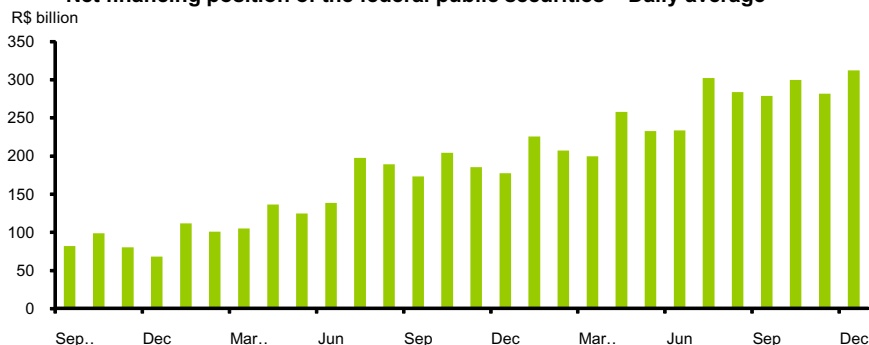
End-of-period balance		R\$ billion			
Period		M1	M2	M3	M4
2007	Jan	155.6	645.8	1 391.5	1 582.0
	Feb	153.7	647.0	1 406.5	1 604.2
	Mar	155.6	650.7	1 413.8	1 627.1
	Apr	156.5	657.1	1 441.0	1 664.6
	May	157.9	663.9	1 459.0	1 697.7
	Jun	164.2	677.2	1 478.8	1 727.8
	Jul	166.9	682.6	1 499.1	1 752.3
	Aug	170.0	698.1	1 509.4	1 762.1
	Sep	174.8	711.7	1 545.2	1 809.0
	Oct	178.1	722.4	1 569.7	1 836.6
	Nov	187.8	735.2	1 585.6	1 856.9
	Dec	231.4	781.3	1 617.6	1 884.8
2008	Jan	190.3	756.0	1 617.3	1 895.8
	Feb	184.1	758.4	1 633.8	1 924.3
	Mar	183.8	778.4	1 649.7	1 951.3
	Apr	186.8	812.3	1 687.2	1 989.4
	May	183.3	840.7	1 714.7	2 024.1
	Jun	186.2	864.5	1 727.6	2 043.1
	Jul	185.9	905.7	1 766.6	2 086.8
	Aug	186.7	949.8	1 801.3	2 125.5
	Sep	194.8	988.6	1 823.3	2 150.5
	Oct	189.7	1 013.5	1 829.4	2 141.9
	Nov	198.0	1 034.4	1 863.9	2 182.0
	Dec	223.4	1 073.0	1 905.6	2 239.6

It should be noted that the projections defined on a quarterly basis by the monetary program for the main monetary aggregates have been strictly complied with during 2008.

Federal public securities and Central Bank open market operations

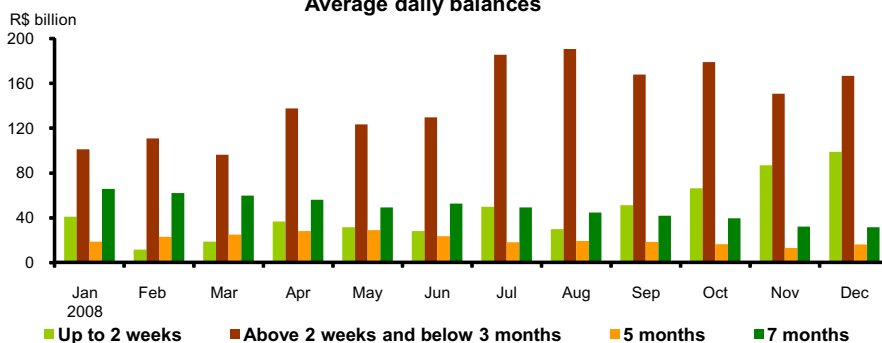
In 2008, the National Treasury's primary operations with federal securities resulted in net redemptions of R\$133.7 billion, registering maturities of R\$335.5 billion, anticipated redemptions of R\$15.8 billion and placements of R\$296.6 billion. The exchanges, carried out in order to lengthen the maturity of the maturing debt, totaled R\$78.9 billion. The aggravation of the international financial turmoil as from September, with developments on the volatility in the domestic market, has affected the placement of securities by the Treasury in the last four months of the year, thus becoming a relevant factor in the expansionary impact of such operations.

Graph 2.6
Net financing position of the federal public securities – Daily average



Financing and go-around operations performed by the Central Bank, aiming at adjusting liquidity conditions, rose from R\$11.4 billion in December 2007 to R\$98.6 billion at the end of 2008. The balance of transactions with a maturity of two weeks to three months increased from R\$82.4 billion to R\$166.6 billion. Conversely, by December, the balances of transactions with maturities of five months and seven months dropped, respectively, from R\$17.2 billion to R\$15.8 billion and R\$65.9 billion to R\$31.2 billion. The net financing position in the open market increased 76.1% in the year, reaching R\$312.3 billion in December, compared to R\$177.3 billion in December 2007.

Graph 2.7
**Central Bank repo operations – Maturity
 Average daily balances**



Financial system credit operations

The financial system credit operations remained in the same growth trajectory as in previous years, despite the slowdown associated with the unfolding of the international financial crisis in the final months of the year. Accordingly, the total stock of loans considered free and earmarked resources, reached R\$1,227 billion in December, registering an annual growth of 31.1% against 27.8% in 2007. This volume represented 41.3% of GDP, compared to 34.2% at the end of the previous year.

In early 2008, the evolution of credit reflected the performance of the transactions referenced in free resources, driven by sharp expansions observed in the modalities vehicle leasing for individuals and working capital for businesses, contrasting with the relative leveling off of the payroll-deducted loans. At the same time, the increase of borrowing costs as a result of growing uncertainty in financial markets, and increased taxation on loans to individuals, resulted in increased interest rates agreed upon in the main types of credit.

Table 2.3 – Credit operations

Itemization	R\$ billion			
	2006	2007	2008	% growth
Total	732.6	936.0	1 227.3	31.1
Non-earmarked	498.3	660.8	871.2	31.8
Earmarked	234.3	275.2	356.1	29.4
% participation:				
Total/ GDP	30.2	34.2	41.3	
Non-earmarked/GDP	20.6	24.1	29.3	
Earmarked/GDP	9.7	10.1	12.0	

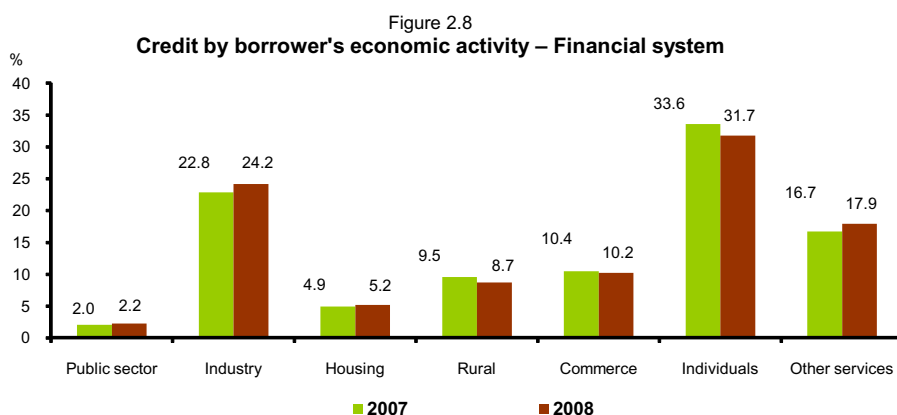
Starting in September, when the contraction of liquidity became stronger, it was found a significant slowing down of transactions by households, while funding for businesses, showing the obstruction of the external channels of credit, remained robust until the year end. In parallel, the pace of growth in targeted operations based on resources and the representation of public banks in the credit market was intensified.

The segmentation of credit from the viewpoint of capital controls revealed that the relative share of public banks in total stock of the financial system rose from 34.1% in 2007 to 36.3% in 2008, reaching R\$444.9 billion. This movement was associated with the participation of these banks in the acquisitions of credit portfolios from other financial institutions. In contrast, the representativeness of the credits granted by private banks decreased from 43.8% to 42.8%, totaling R\$524.7 billion, while the financing portfolio of foreign banks declined 1.1 p.p. for 21%.

Regarding the distribution of loans to individuals by value bracket, it should be noted the annual increase of 25.5% recorded in contracts between R\$5,000 and R\$50, 000, which totaled R\$264.3 billion, reflecting mainly the contracting of resources for vehicle acquisition. Debts incurred with values over R\$50,000 totaled R\$116.3 billion, rising 39.7% in the year in line with the expansion of housing finance. Regarding corporations,

contracts with values over R\$10 million totaled R\$307.2 billion, noting that the annual increase of 59.5% recorded in these operations was consistent with the increased demand for resources, especially for working capital and foreign trade by large companies, in response to a decline of traditional sources of external financing in the last quarter of the year. Loans classified in the range of R\$100 thousand to R\$10 million amounted to R\$275.4 billion, an annual increase of 22.8%, associated mainly to the performance of the modalities of working capital and acquisition of goods.

Considering the maturity terms, it should be noted in the segment of individuals, respective annual expansions of 21.8% and 20.4% observed in the balances of operations to be due at medium and very short terms, which recorded, in that order, R\$160.5 billion and R\$167.3 billion. In the corporate segment, emphasis is to the annual expansions related to medium-term financing, 53.6%, and very short-term operations, 23.5%, which posted respective balances of R\$172 billion and R\$275.3 billion.



The credit for the private sector totaled R\$1,200 billion in December, registering an annual rise of 30.8%. In sectoral terms, the loans contracted by the industry grew 38.6% to R\$296.4 billion, with emphasis on the operations targeted to the areas of agribusiness, chemical, energy, and also the sector of steel and metallurgy. Financings for other services showed an annual expansion of 40.6%, totaling R\$219.7 billion, with emphasis on disbursements to the telecommunications, credit card, transportation and car rentals.

Loans to individuals totaled R\$389.5 billion, registering an annual increase of 23.9%, driven by the performance of operations related to the acquisition of vehicles, personal loans and cash purchases by credit card. Financing to trade, which reflected the demand of households grew 27.8% in the year, totaling R\$124.8 billion, boosted by the dynamism of cars, supermarkets and department store sectors.

The annual increase of 38% in volume of housing loans, which are resources to individuals and cooperatives of the sector totaled R\$63.3 billion, kept indicating the continuing

recovery of the segment, observed in recent years. Disbursements with funds from savings accounts, which provided funding for 295,000 homes, compared to 194,000 units in 2007 totaled R\$28 billion in 2008, registering an annual rise of 58.7%. Of the total disbursed, 87.7% accounted for contracts regulated by the Housing Financing System (SFH) and the remainder was the interest rates freely negotiated. Flows granted with funds from the Employment Compensation Fund (FGTS), especially devoted to the financing of affordable housing, increased 7.2% in the year to R\$6.3 billion.

Operations contracted with the farm sector, including agribusiness, totaled R\$106.4 billion in December, rising 19.2% in the year. Operations for current expenditures grew 17.9%, those for marketing, 62.7%, and those targeted to investment, 9.8%, the latter translating the downturn in sales of farm machinery and implements. These arrangements came to represent, in the order, 42.3%, 9.4% and 48.3% of rural credit operations, compared to 41.9%, 6.8% and 51.3% respectively in the previous year.

Public sector credit operations totaled R\$27.2 billion at the end of 2008, a volume 44.5% higher than in December 2007. Credits channeled to the federal government totaled R\$9.3 billion, indicating that the annual increase of 160.2% was primarily connected to contracts with the oil and gas sector, a development partly associated to eliminating the lending limit to Petrobras by the domestic financial system, previously set at R\$8 billion. The debt of state and local governments totaled R\$17.9 billion annual increase of 17.3% consistent with the expansion of funding to sanitation, urban transportation and electricity, through the use of official funds and programs.

Table 2.4 – Non earmarked credit operations

Itemization	R\$ billion			
	2006	2007	2008	% growth
Total	498.3	660.8	871.2	31.8
Corporate entities	260.4	343.2	476.9	38.9
Domestic funding	207.8	274.7	386.1	40.5
Reference credit ^{1/}	165.0	214.9	300.7	39.9
Leasing	20.6	34.8	55.3	58.8
Rural	1.4	2.0	3.8	89.8
Others	20.7	23.0	26.3	14.6
External funding	52.6	68.6	90.8	32.5
Individuals	238.0	317.6	394.3	24.2
Reference credit ^{1/}	191.8	240.2	272.5	13.4
Credit cooperative	9.8	12.5	16.9	35.8
Leasing	13.9	30.1	56.7	88.2
Others	22.5	34.7	48.1	38.7

^{1/} Interest rate reference credit, defined according to Circular no. 2,957 dated 12.30.1999.

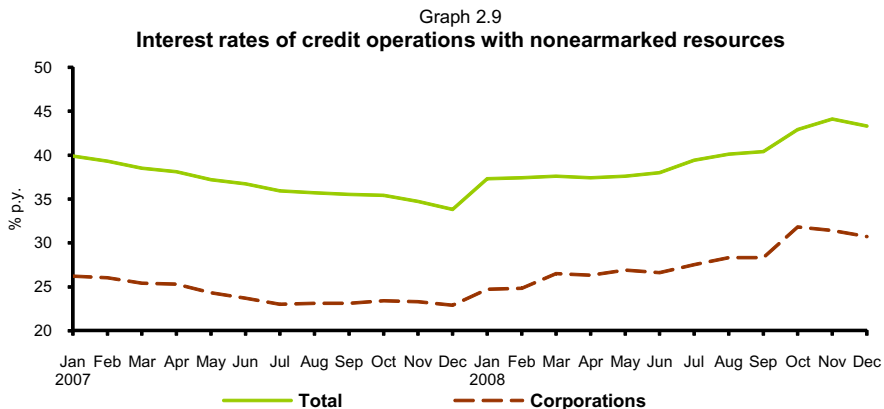
Credit operations referenced to non earmarked resources totaled R\$871.2 billion at the end of 2008, rising 31.8% in the year and corresponding to 71% of the total financial

system portfolio. The balances of the operations in the segments of legal entities and individuals registered respective annual increases of 38.9% and 24.2%, totaling in the order R\$476.9 billion and R\$394.3 billion.

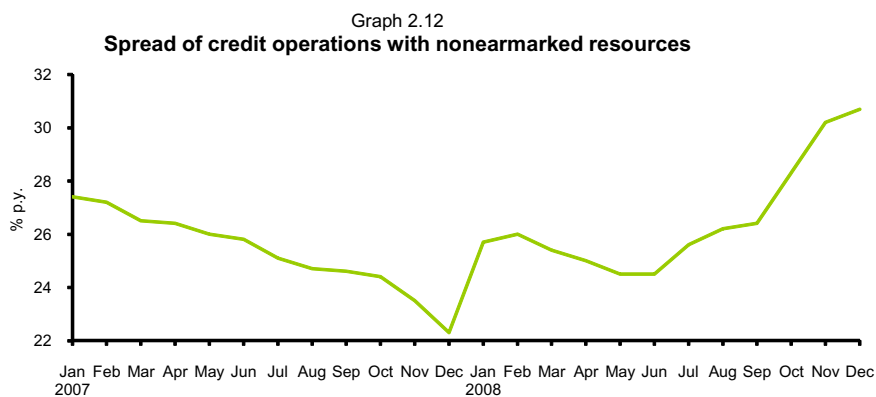
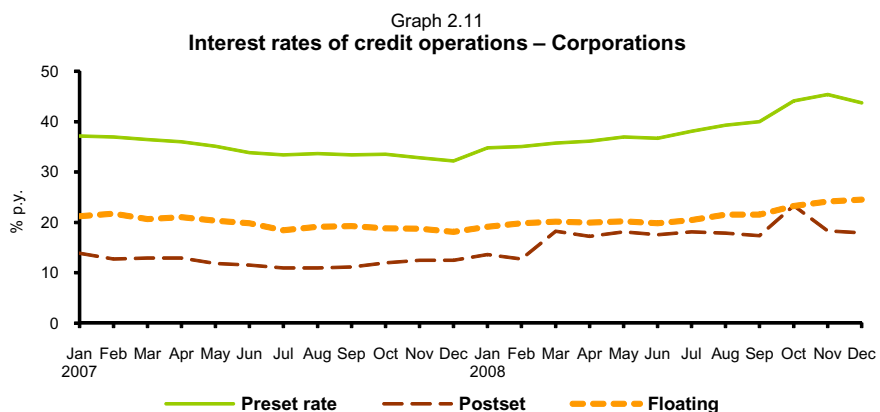
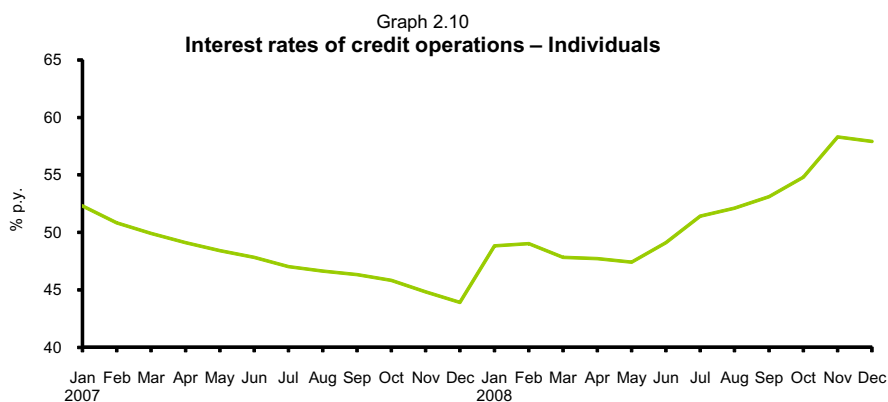
The balance of the leasing operations, which formed the principal modality of financing for vehicle acquisition, reached R\$112 billion. The annual rise of 72.4% reflected respective increases of 88.2% and 58.8% in the portfolios of individuals and corporations.

In relation to the individual segment, it should be noted, though, the annual growth of 26.8% recorded in the personal credit modality. The balance of the payroll-deducted loans, whose relative share has reached 54.9% of total personal loans, totaled R\$78.9 billion in December, rising 22% in the year, while loans granted by cooperatives grew by 35.8%, totaling R\$16.9 billion.

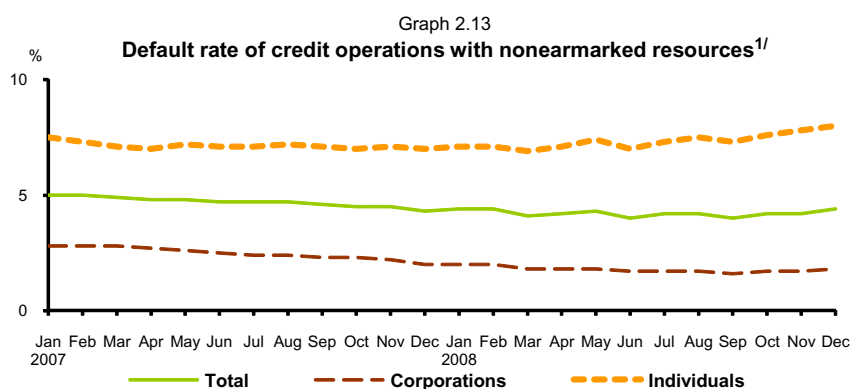
The annual growth of corporate credit explained the expansions in 40.5% of operations based on domestic resources, stimulated by growth of 74.6% recorded in the form of working capital, and 32.5% in those backed by foreign funds, which amounted, in that order, R\$386.1 billion and R\$90.8 billion. It is worth mentioning that the performance of operations based on external resources, in a context of credit crunch in international markets in the last quarter of the year was influenced by the accounting effect of exchange rate depreciation and the inflow of foreign currency provided by the Central Bank aimed at ensuring available of resources for exports.



The average interest rate for reference credit operations reached 43.3% in December 2008, recording an increase of 9.5 p.p. over the same period of last year, a movement consistent with the increased uncertainty and risk aversion in a context of instability in financial markets. The average funding for families closed at 57.9%, rising 14 p.p. in the year, with emphasis on reported increases in overdraft check arrangements, 36.8 p.p., and personal loans, 14.6 p.p., while on the corporate segment increased 7.8 p.p. to 30.7%.



The banking spread reached 30.7 p.p. in December, rising 8.4 p.p. on year, reflecting growth in both the individual segment, 13.1 p.p., and regarding corporations, 6.5 p.p. The average term reference credit portfolio closed at 378 days in December, registering a high of 28 days during 2008, compared to an increase of 54 days in the previous year, with emphasis on the 93 days increase observed in personal credit operations.



The default rate of the reference credit portfolio, considering delays of more than ninety days, reached 4.4% in December, compared to 4.3% at the end of 2007, a result of the increase of 1 p.p. in the segment of individuals and a drop of 0.2 p.p. in the corporate segment, where rates remained at 8% and 1.8% respectively.

Table 2.5 – Earmarked credit operations

Itemization	R\$ billion			
	2006	2007	2008	% growth 2007/2006
Total	234.3	275.2	356.1	29.4
BNDES	139.0	160.0	209.3	30.8
Direct	71.7	77.8	107.8	38.5
On lendings	67.3	82.2	101.5	23.5
Rural	54.4	64.3	78.3	21.8
Banks and agencies	51.9	60.7	73.3	20.8
Credit unions	2.4	3.6	5.0	39.9
Housing	34.5	43.6	59.7	37.0
Others	6.4	7.3	8.8	20.5

Operations with earmarked funds totaled R\$356.1 billion in December, registering a growth of 29.4% in 2008. This result was linked mainly to the 30.8% growth in credits granted by BNDES, which totaled R\$209.3 billion, reflecting respective increases of 38.5% and 23.5% in direct operations and onlendings by other financial institutions. Loans to the housing and rural sectors recorded annual increases of 37% and 21.8% respectively.

Disbursements made by BNDES reached R\$90.9 billion at the end of 2008, registering an annual growth of 40%. Credits targeted to industry increased 47.6%, driven by the performance of food and beverages while granting to trade and services grew 38.3%, boosted by the dynamism of investments in the land transportation and telecommunications sectors. Queries made to BNDES, the indicator that signals the

Table 2.6 – BNDES disbursements

Itemization	2007	2008	R\$ million
			Growth (%)
Total	64 891.7	90 877.8	40.0
Industry	26 445.8	39 020.8	47.6
Food products	4 504.1	9 543.9	111.9
Chemical	1 882.8	2 176.1	15.6
Vehicle, towing truck and wagon	3 065.2	4 603.0	50.2
Other transport equipment ^{1/}	1 699.6	2 942.3	73.1
Petroleum and alcohol refining	1 662.7	3 145.6	89.2
Commerce/Services	33 448.1	46 262.5	38.3
Land transport	11 472.3	17 531.3	52.8
Construccion	3 109.0	4 103.1	32.0
Telecommunications	3 379.2	6 187.8	83.1
Electricity and gas	8 056.3	8 923.3	10.8
Farming	4 997.8	5 594.5	11.9

Source: BNDES

^{1/} It includes aircraft industry.

potential demand for investments totaled R\$175.8 billion in 2008, increasing 38.6% in the year.

Provisions made by the financial system showed a trajectory consistent with the behavior of the credit portfolio, rising 27.5% in the year and R\$65.2 billion in December. The ratio between total provisions and credit portfolio decreased from 5.5% in 2007 to 5.3% at the end of 2008, while delinquencies for the overall financial system credit operations, considered delays of more than ninety days, held steady at 3.2%. Resolution no. 3,674 of December 30, 2008, authorized financial institutions that hold reserves for doubtful accounts in amounts exceeding the minimum required to fully add these values to Level I of the Base Capital (PR). The measure encourages building additional provisions because the verification of compliance with operational limits to which financial institutions are subjected to is based on PR.

National Financial System

The appropriate degree of resistance of the national financial system versus the instability in international markets reflected recent advances of prudential regulation; reduced levels of leverage, through the practice of limits more stringent than those recommended internationally; strict levels of provisioning, and application of procedures for consolidated supervision to economic and financial conglomerates. The capital and financial soundness enabled the adoption of measures by the federal government with the aim of encouraging the provision of liquidity within the financial system itself,

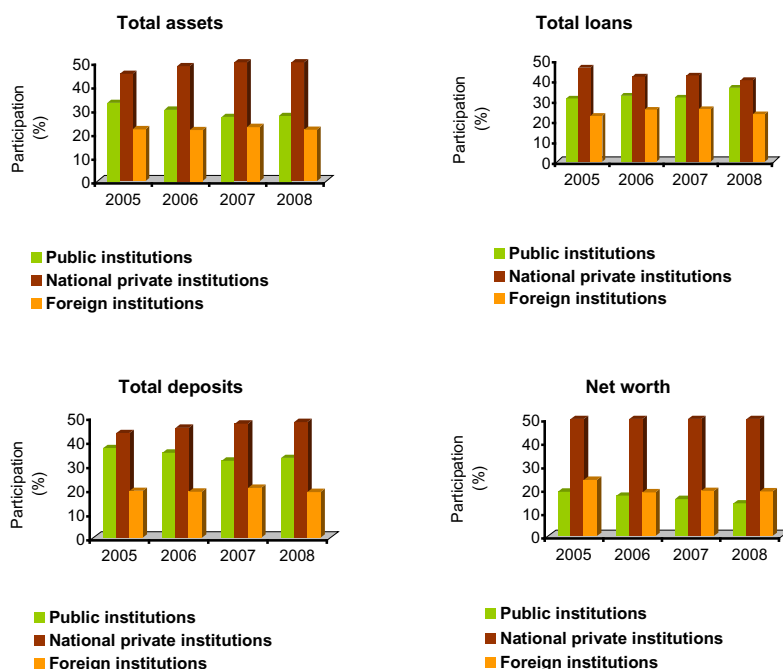
without direct intervention of the monetary authority with the expenditure of resources for the recovery of markets and institutions.

Credit operations accounted for, in December 2008, 32.4% of total banking system assets, excluding brokerage, compared to 32.2% at the end of 2007. Following the trend observed in 2007, the representativeness of the portion of securities decreased 3.3 p.p. in the year to 21.5%, while the one related to interbank liquidity and foreign exchange transactions increased 1.6 p.p. to 22.2%. The participation of government securities in the portfolio of securities fell 5.8 p.p., in the year, to 59.2%.

Regarding the result of the financial intermediation, the year end positions have been conditioned by the financial crisis, noting a growth in the share of revenues with foreign exchange transactions, mainly from variations and differential rates of 1.5% in 2007 to 5.6% in 2008. Conversely, the shares of revenue with credits and bonds were reduced in the same period from 55.1% to 53.7% and from 39.7% to 37.9%, respectively.

Graph 2.14

Banking System – Participation by segment^{1/}



^{1/} Consider only banking institutions, not consolidated by conglomerates.

Unlike the 2007 result, traditional inflows of resources from the public reported a greater dynamism in 2008, expressed at annual rise from 29.6% to 33.3% in the joint representation of demand, time, and savings deposits with emphasis on growth, from 12.6% to 18.8% on time deposits. The joint participation of foreign exchange transactions

and the of interbank liquidity inflows – repo operations and interbank deposits – the liabilities of the banking sector decreased from 41.7% in 2007 to 37% at the end of 2008, a development consistent with the growth in funding costs in the collection from banks, of losses of investment funds and institutions, through Circular no. 3,375, dated January 31, 2008, of the reserve requirements over the inflows of interbank deposits by leasing companies.

At the institutional level, Resolution no. 3,567, dated May 29, 2008, modified the rules for establishing and operating credit companies to the micro entrepreneur, with the objective of permitting the expansion of its activities, provided that these entities also start operating with small-sized companies. In this sense, exposure limits by customer were changed, previously at R\$10,000,00 to 5% of net worth, while the indebtedness limit was increased from five to ten times the value of the net worth. Additionally, the minimum limits of paid-up capital and net worth were raised from R\$100,000 to R\$200,000.

Circular no. 3,393, dated July 3, 2008, determined as of October 31, the remittance of monthly data on financial institutions regarding liquidity risk to the Central Bank. This type of risk arises from the possible lack of consistency between tradable assets and liabilities callable, regarding currency, time and fees involved in the operations that may lead to financial imbalances to the institutions. Among the procedures established for monitoring this type of risk, emphasis is to the prospective evaluation of different scenarios that may impact the cash flows of the institutions and periodic review of control systems in place, which should allow at least the daily analysis of transactions with settlement deadlines less than ninety days.

With the objective of conforming to international rules governing the dissemination of information by the financial system, Resolution no. 3,604 established the preparation and publication of the Statement of Cash Flows from the base date of December 31, 2008, replacing Statement of Sources and Uses of Funds.

In the framework of the credit risk monitoring, Resolution no. 3,658 amended the regulations governing the data supply on transactions to the Central Bank recorded in the Credit Information System of the Central Bank (SCR). Besides serving the requirements of banking supervision, the SCR is intended to promote the exchange of information within the financial system on the amount of debts and liabilities of the customers, provided that they permit the search on their data. The main changes, which will take effect as of March 2009, are: I) expansion of the list of entities that must submit information, with the inclusion of banks operating with foreign exchange, the brokerage companies and securities dealers and securities of companies with credit to micro-entrepreneurs and small-sized business, ii) the obligation to supply data on credits negotiated without substantial risk retention to controlled companies and investment funds managed by the same financial institution or subsidiary and iii) the obligation

to prior notification to the clients to record their data in the SCR, except in case such a permission already exists.

With respect to building provisions, Circular no. 3,425 reduced the capital requirements relating to tax credits arising from temporary differences, with the changing of the corresponding risk weighting factor from 300% to 100%. These credits are generated at the time of provisioning for possible losses with credit operations according to the risk assessment of clients carried out by institutions, which promote the reduction of net worth.

Through Resolution no. 3,656, dated December 17, 2008, the FGC by-laws were changed. Subject to pre-established conditions, the FGC can invest resources up to the overall limit of 50% of its net worth: i) in purchasing receivables from financial institutions and leasing companies, ii) in investment in time deposits, in leasing bills or bills of exchange of acceptance by associated institutions, provided they are backed by: a) receivables from those respective investments; b) other receivables with collateral or personal guarantees, own or from third parties in special situations, in which case the institution may require the issuing or accepting institutions measures that will safeguard their liquidity and equity balance, iii) in transactions involving the link between funds raised and the corresponding lending operation. The FGC shall dispose of such assets acquired. FGC is forbidden to apply resources in the acquisition of property, except when received in settlement of claims owned by it, after which they should be sold.

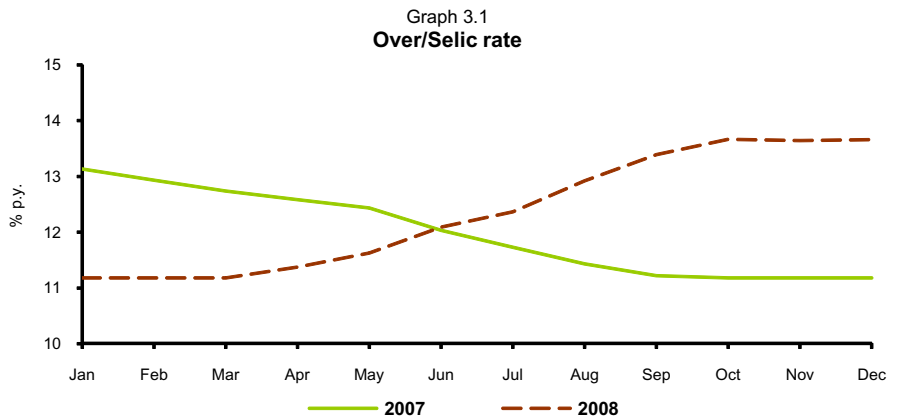
As regards rural credit, there was an increase from 25% to 30% and 65% to 70%, of the requirements for investing in rural credit with resources from the rural savings and the share of demand deposits of financial institutions, both for the accomplishment period from November 1, 2008 to June 30, 2009.



Capital and Financial Markets

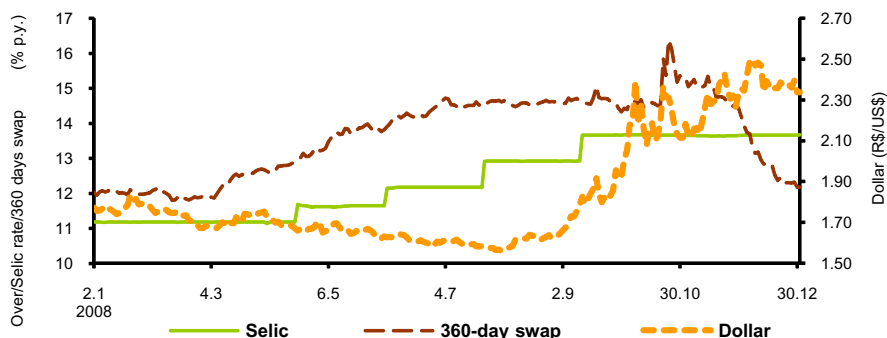
Real interest rates and market expectations

The cycle of monetary flexibilization started in September 2005 was discontinued in April 2008, when the basic interest rate target, which stood at 11.25% since September 2007, was increased by 50 basis points in response to the inflation risks associated with the discrepancy observed between the trajectories of demand and aggregate supply. Throughout the year, the target for the Selic rate was raised in three other occasions, and stood at 13.75% p.y. in December. The real ex ante interest rate, calculated by the Central Bank for the period of one year, based on research with private sector analysts, showed an increase over the first nine months in 2008, a reversed movement from October, in an environment with more marked decrease in expectations for the trajectory of the basic interest rate. At the end of the year, the rate stood at 7.2% p.y., rising 0.7 percentage points when compared to December 2007.

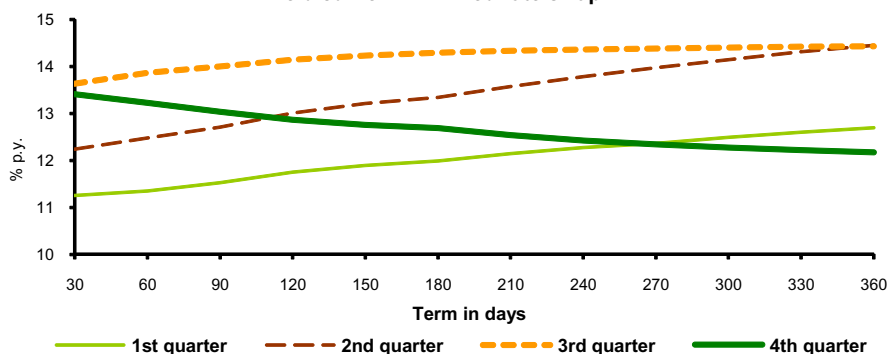


In this scenario, ID x 360-day fixed-rate swap contracts showed increasing rates of interest on the futures market over the first ten months of the year, reaching the maximum rate of the year of 16.38% p.y. at the end of October, after the intensification of the crisis in international financial markets. As of November, impacted by expectations regarding the implementation of the monetary policy and the strengthening of investor confidence about the developments of the Brazilian economy, the rates of swap contracts reversed its upward trend, and were traded at 12.17% p.y. at the end of the year, an increase of 12 basis points over the rate recorded at the end of 2007.

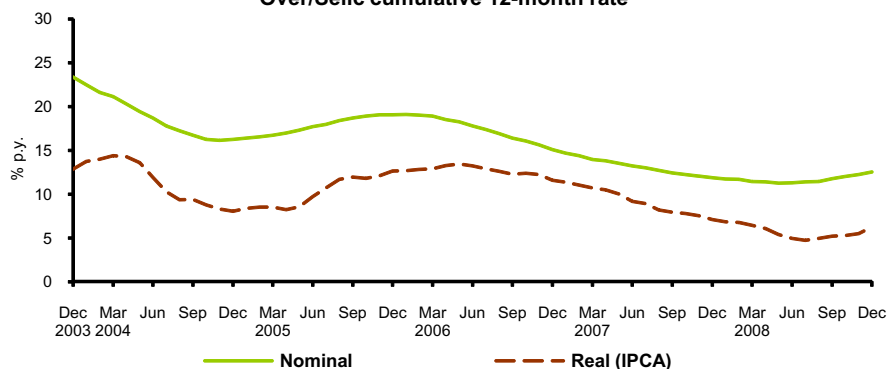
Graph 3.2
Over/Selic rate x dollar x 360-day swap



Graph 3.3
Yield curve – ID x fixed rate swap



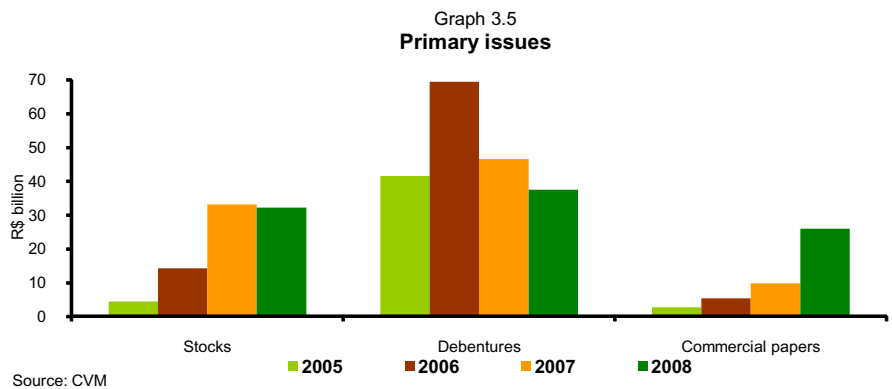
Graph 3.4
Over/Selic cumulative 12-month rate



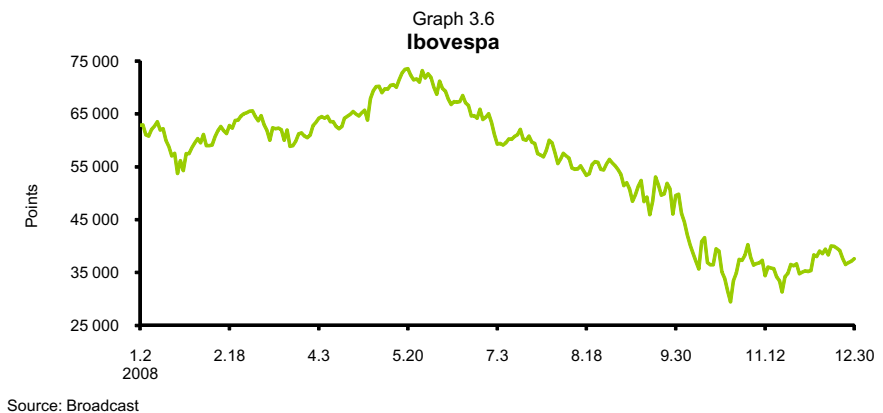
Capital market

The positive performance of capital market observed in previous years was halted in 2008, as a result of a scenario of instability in the international financial system. The volume of primary offerings, covering shares, debentures and promissory notes registered with the Securities and Exchange Commission (CVM), although it reached R\$95.5

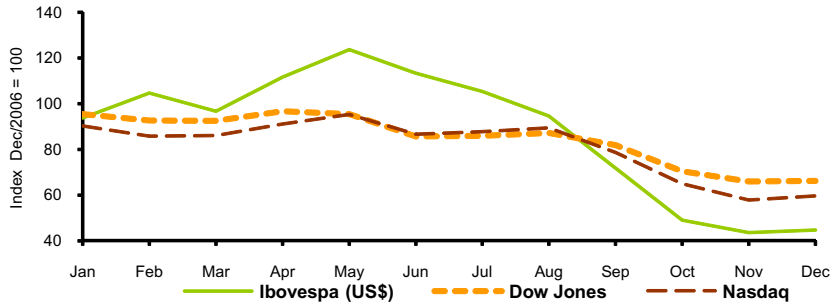
billion in 2008 compared to R\$89.4 billion in the preceding year, it was concentrated in the first eight months of the year. Moreover, this result was partly determined by both the issuance of R\$32.2 billion in debentures in January and February before the incidence of reserve requirements on interbank deposits rose by leasing companies, as the primary issue of R\$19.4 billion in stocks in a stand-alone operation in July. From September on, the new scenario of increased stringency in the credit market and growing aversion to risk, the issuance of shares and debentures virtually ceased. In this context, the primary issues of stocks totaled R\$32.1 billion, and debentures, R\$37.5 billion in 2008, pointing to the annual growth of 166.1% in primary issues of promissory notes, totaling R\$25.9 billion, positioning itself as an important source of resources to companies



The São Paulo Stock Exchange index (Ibovespa) showed different trends during 2008. From January through May, the prevailing trend of sharp gains, expressed in successive records of the indicator, up to a maximum of 73,516 points on May 20, reflecting the positive expectations with the investment degree provided by two international risk rating agencies, including Standard and Poor's and Fitch Ratings. In the remainder of the year, reflecting the scenario of widespread downturn in the pace of global economic activity, expressed as a reduction of commodity prices and external trade



Graph 3.7
Ibovespa x Dow Jones x Nasdaq – 2008

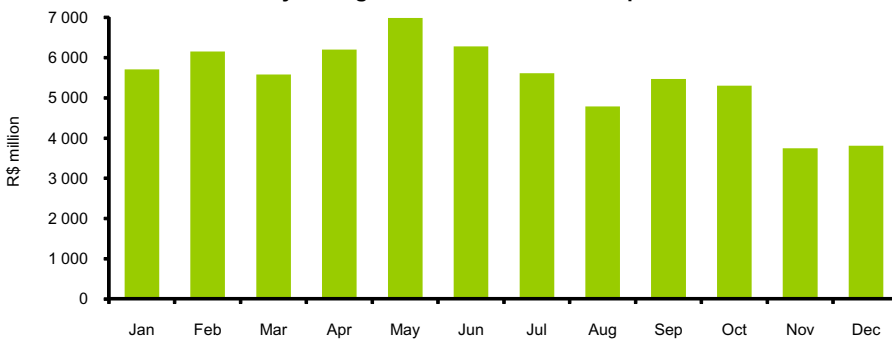


Source: Broadcast

flows, and later, the intensification of the crisis in financial markets, the performance of the Bovespa index has experienced a significant degree of volatility. At the end of the year, the Bovespa index closed at 37,550 points, accumulating a reduction of 42.1% compared to the end of 2007.

The average daily trading volume on the São Paulo Stock Exchange (Bovespa) reached R\$5.5 billion, rising 16.4% in the year. When estimated in dollar terms, the Bovespa index fell 55.5% in 2008, reflecting the shrinkage of the index and the depreciation of the real, while the Dow Jones and Nasdaq indices posted respective losses of 34.2% and 42.2% on the same basis of comparison.

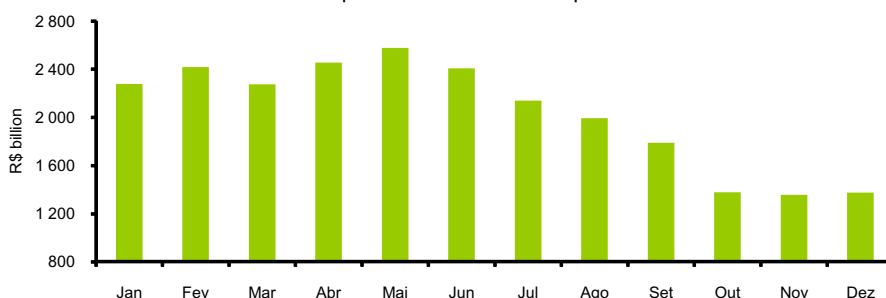
Graph 3.8
Daily average volume traded in Bovespa – 2008



Source: Bovespa

In line with the negative performance of the stock market, the market value of companies listed on the Bovespa fell 44.5% in 2008, stood at R\$1.4 trillion in December 2008, a level similar to that recorded at the end of 2006.

Graph 3.9
Market capitalization – 2008
 Corporations listed in Bovespa



Source: Bovespa

Financial investments

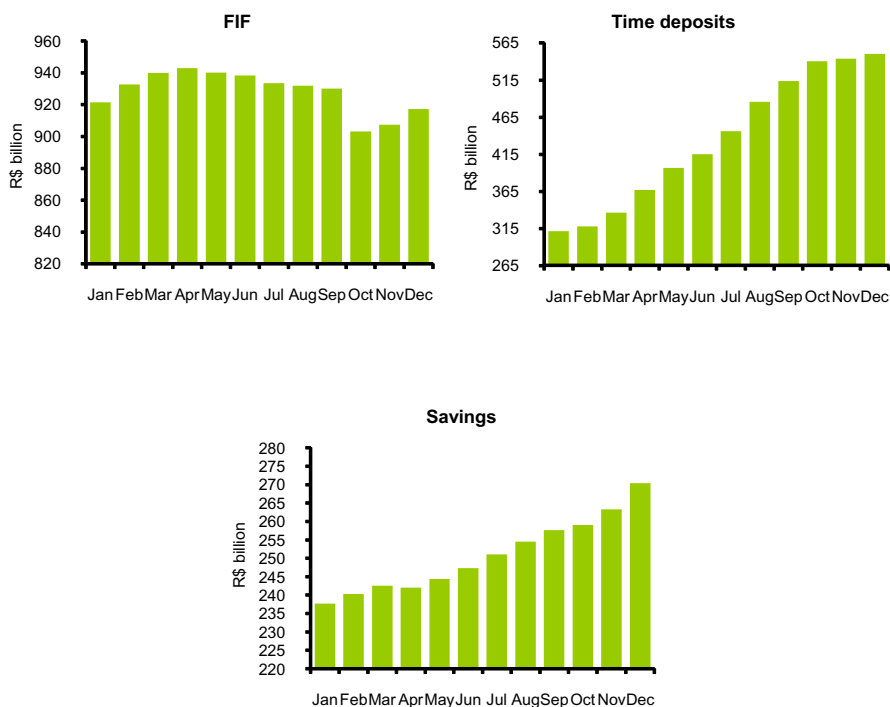
Financial investments, which include investment funds, time deposits and savings accounts, totaled R\$1.7 trillion in December 2008, representing an increase of 13.1% over the same period last year. After accumulating gains in the first half, the consolidated balance of investment funds ended the year with a decrease of 3.7% compared to December 2007, reaching R\$1.1 trillion. The balance of fixed-income funds, multimarket funds, referenced funds, short-term and exchange funds totaled R\$917.3 billion, while extra market funds and variable income funds totaled, in that order, R\$33.7 billion and R\$115.3 billion.

The participation of government securities in the consolidated portfolio of investment in fixed-income, multimarket, referenced, and exchange funds reflected the tightening in monetary policy implementation since April. In this environment, the demand for inflation-indexed securities increased, which represented, in December, 79.6% of government securities in the portfolio, 11.4 p.p. more than in the same period in 2007, while the stock of fixed-rate securities dropped to 20.4%.

The assets of fixed-income funds reached R\$445.6 billion in December. The annual reduction of 3.4% resulted from net redemptions of R\$59.8 billion in response to the lower temporary liquidity in the financial system and uncertainty about developments in interest rates. It is noteworthy that the increased risk aversion of investors is reflected in net redemptions in nearly all classes of funds, especially in multimarket R\$28.7 billion. As an exception, the short-term funds attracted new resources of about R\$4.3 billion, closing at a balance of R\$37.4 billion.

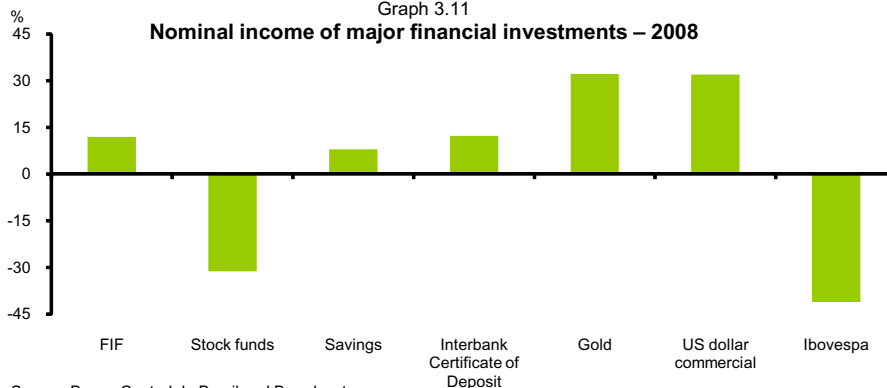
The net worth of investments in extramarket funds responsible for the administration of resources owned by the indirect federal administration, reached R\$33.7 billion, with net inflows of R\$3.2 billion in the year.

Graph 3.10
Financial investments – Balances



Stock funds, following the capital markets, accumulated capital gains of 5.8% by the end of June, with net inflows of R\$6.4 billion. With the deterioration of the financial scenario, these funds began to incorporate significant losses, which resulted in shrinkage of 27.3% in its net worth which reached R\$106.5 billion at the end of the year. The Mutual Privatization Funds – FGTS (PMF-FGTS) and Mutual Privatization Funds – FGTS – Free Portfolio (FMP-FGTS-CL) recorded an equity reduction of 53.1% in the period under analysis.

Graph 3.11
Nominal income of major financial investments – 2008



Source: Banco Central do Brasil and Broadcast

Table 3.1 – Nominal income of financial investment – 2008

Itemization	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2008
FIF	1.15	1.09	0.36	0.84	0.97	0.90	1.04	0.90	1.12	-0.00	1.30	1.58	11.84
Stock funds	-6.49	6.40	-4.33	5.77	8.12	-6.40	-8.43	-4.06	-7.23	-15.85	-1.36	-0.44	-31.37
Savings	0.60	0.52	0.54	0.60	0.57	0.62	0.69	0.66	0.70	0.75	0.66	0.72	7.90
CDB	0.90	0.77	0.82	0.90	0.86	0.94	1.04	0.99	1.08	1.16	0.98	1.09	12.17
Gold	7.02	1.93	-2.46	-9.71	0.22	0.86	-1.06	-5.38	22.50	-5.38	13.33	10.64	32.13
US dollar													
commercial	-0.62	-4.37	3.91	-3.54	-3.43	-2.30	-1.59	4.33	17.13	10.50	10.30	0.17	31.94
Ibovespa	-6.88	6.72	-3.97	11.32	6.96	-10.44	-8.48	-6.43	-11.03	-24.80	-1.77	2.61	-41.22

Source: Banco Central do Brasil, CVM, Bovespa and BM&F

The balance of savings accounts reached R\$270.4 billion, rising 15% compared to the previous year, reflecting net inflows of R\$17.8 billion. Time i deposits were the main funding instrument by financial institutions, despite the increase in rates of pay applied. The stock of Bank Certificate of Deposit (CDB) totaled R\$550.1 billion at the end of the year, with annual growth of 84.5%.



Public Finance

Budget, fiscal and tax policy

The Annual Budget Law (LOA), for the 2008 fiscal year, was approved in March (Law no. 11,647 of 3.24.2008) and Decree no. 6,439, which set the budget and financial programming and the monthly schedule of disbursement to the organs of the Executive Branch, was released in April.

According to the Fiscal Responsibility Law, after the calculation of budget operations of each two-month period, a reassessment must be made of the estimated primary revenue and expenditure of mandatory enforcement, based on updated macroeconomic parameters. Thus, during the year other decrees were issued changing the initial financial programming, and in some opportunities, expenditure contingencies were made, and gradually suspended as revenue estimates were confirmed.

In January, two measures were announced in order to neutralize in part the loss of tax revenue due to the extinction of the Provisional Contribution on Financial Operations (CPMF), estimated at R\$40 billion. Provisional Measure (MP) no. 413, converted into Law no. 11,727, of June 6, 2008, increased the rate of Social Contribution on Net Corporate Profits (CSLL) at the expense of financial institutions, from 9% to 15%, while Decree no. 6,339 led to the rise in IOF rates levied on loans to individuals, and on foreign exchange and insurance transactions. It should be noted that the new IOF rates went into effect on the date of publication of the decree as the new CSLL rate was levied on profits arising from events that occurred as of 5.1.2008. The increase in revenues associated with these measures was estimated at R\$10billion.

MP no. 413, dated 2008, further provided on tax measures to stimulate investment and modernization of the tourism sector. For purposes of assessing the income tax data base, the corporate entity that operates the hotel business may use accelerated depreciation of movable properties of plant and equipment acquired as of January 4, 2008, until December 31, 2010, thus allowing the recognition of the cost of depreciation of such property in a shorter period of time, which is translated into better capitalization of the enterprises.

In response to the impacts on the level of domestic activity resulting from the aggravation of the international financial crisis, the federal government announced in December

three measures aimed at reducing taxes with fiscal impact, projected for 2009 of R\$8.4 billion. Two intermediate rates of 7.5% and 22.5% were created in the table of Income Tax of Individuals, representing a tax waiver of R\$4.9 billion and a reduction of R\$2.9 billion in transfers to states and Municipalities, through equity participation funds. Additionally, there was a reduction in the IPI levied on new cars and trucks, effective as from 12.15.2008 until 3.31.2009, and the IOF rate on loans to individuals, from 3% to 1.5% p.y.

MP no.449 of December 3, 2008, approved the payment in installments of the outstanding debts up to 12.31.2005, whose value does not exceed R\$10,000, for which they were offered discounts as high as 100% of fines and legal charges and 30% in interests. As the deadlines for the payment in installments, they range from 6 to 60 months. Moreover, the measure provides stimulus to the closure of judicial and administrative proceedings arising from unduly use of the IPI credits through special conditions for payment of the debts disputed, and waiver of debts with the National Treasury, including those with suspended demand that, in 12.31.2007, were overdue for five years or more and whose total consolidated value on the same date was equal to or less than R\$10 000.

Other economic policy measures

MP no. 428 of May 12, 2008 (converted into Law no. 11,774, of September 17, 2008), provided for the set of measures of the development policy, aimed at, on a relevant and urgency basis, encouraging private investments, the investments in science and technology research, the productivity of domestic industry, the participation of Brazilian exports in the international market, to expand production capacity and meet growing demand for consumer goods and increase the competitiveness of the national productive sector. The impact of fiscal measures in the period 2008-2011 was estimated at R\$21.4 billion, of which R\$3.6 billion refer to the 2008 fiscal year.

Among the measures adopted, it is worth mentioning:

- a) reduction in the period for the use of credits related to capital goods, the Contribution to Social Security Financing (Cofins) and the Social Integration Program (PIS) / Program of Civil Service Asset Formation (Pasep);
- b) suspension of the requirement from Cofins and PIS/Pasep in case of sale or import of fuel oil for the coastal shipping and port and sea support;
- c) reduction to zero of Cofins and PIS/Pasep rates on imports and on sale in the domestic market, of parts and components targeted to be used in construction, maintenance, modernization and conversion of vessels registered with the Brazilian Special Register;
- d) easing the requirements for accession to the Special Taxation System for the Information Technology Services Export Platform (Repes), and for adherence to the Special Capital Goods Acquisition System for Exporting Companies (Recap)

- e) immediate depreciation for the sector of capital goods used in the development of technological innovation;
- f) extension of the Tax System for Incentives to Port Structure Modernization and Expansion (Reporto) to the railway logistics network;
- g) extending the ten-day period to monthly period the IPI deposit for which the automotive sector is liable;
- h) reducing to zero the rate of income tax levied on expenses for supplying of exports logistics services abroad;
- i) extending from 2008 to 2010, the right to use the credit regarding CSLL at the rate of 25% on accounting depreciation of machinery, apparatuses, instruments and new equipment targeted to the fixed assets and used in the manufacturing process of the buyer;
- j) permission for the software companies to reduce twice, the calculation basis of the Corporate Income Tax (IRPJ) and CSLL, the expenses with training of own personnel, and
- k) reduction from 20% to 10% of employer contribution levied on the payroll, and from 3% to zero, of the contribution of the “System – S” by the companies providing information technology (IT) services and information and communication technology (ICT) services.

MP no. 450 of December 9, 2008 authorized the Union to definitely use two sources of funds from the National Treasury – the excess of revenues and the financial surplus – for the amortization of the federal public debt. According to the law then in force, the Executive Branch could only use these two sources of funds for expenditures that justified their respective legal ties.

The National Congress has also approved a bill originated from the Executive Branch that led to Law no. 11,887 of December 24, 2008, creating the Brazil Sovereign Fund (BSF). The Fund aims to promote investments in assets in Brazil and abroad, to provide public savings, reduce the effects of business cycles and promote projects of strategic interest for the country and which are located abroad. The following assets may provide resources to the Fund:

- a) National Treasury resources, corresponding to the appropriations which are consigned to it in the annual budget, including those arising from the issuance of public debt securities. The permission for the government debt securities to be a source of resources of the BSF was introduced by MP no. 452 of December 24, 2008;
- b) shares of federal joint capital corporations, in excess to maintain their control by the Union or other rights with equity value, and
- c) results from financial investments to their account.

The federal government allotted in December R\$14.2 billion to the BSF, by issuing bonds.

Public sector borrowing requirements

The primary surplus of the nonfinancial public sector totaled R\$118 billion in 2008, representing 4.08% of GDP, compared to 3.91% of GDP in last year. This improvement reflected the impact of increases in the surpluses of the Central Government, 2.29% of GDP in 2007 to 2.47% of GDP, and state enterprises, 0.47% of GDP to 0.56% GDP, on those dates, offset in part by the decrease of 1.15% of GDP to 1.06% of GDP, reported in the regional governments results.

Table 4.1 – Public sector borrowing requirements

Itemization	2005		2006	
	R\$ million	% of GDP ^{1/}	R\$ million	% of GDP ^{1/}
Nominal	63 641	3.0	69 883	2.9
Central government ^{2/}	73 284	3.4	74 475	3.1
States	4 755	0.2	13 740	0.6
Local governments	661	0.0	2 867	0.1
State enterprises	-15 060	-0.7	-21 199	-0.9
Primary	-93 505	-4.4	-90 144	-3.8
Central government ^{2/}	-55 741	-2.6	-51 352	-2.2
State governments	-17 194	-0.8	-16 370	-0.7
Local governments	-4 129	-0.2	-3 345	-0.1
State enterprises	-16 440	-0.8	-19 077	-0.8
Nominal interest	157 146	7.3	160 027	6.8
Central government ^{2/}	129 025	6.0	125 827	5.3
State governments	21 949	1.0	30 110	1.3
Local governments	4 790	0.2	6 212	0.3
State enterprises	1 381	0.1	-2 121	-0.1

(continues)

Revenues of the Central Government – National Treasury, Social Security and the Central Bank – totaled R\$716.6 billion in 2008, enabling the increase in their share in the GDP from 23.82% in 2007 to 24.80%.

The National Treasury revenues increased 0.47 p.p. of GDP, amounting to R\$551.3 billion, of which R\$133.1 billion were transferred to states and municipalities. These transfers, in line with the performance of shared tax revenues (income tax, IPI and petroleum royalties), recorded an annual increase of R\$27.5 billion, and now represents 4.61% of GDP, compared to 4.07% in 2007.

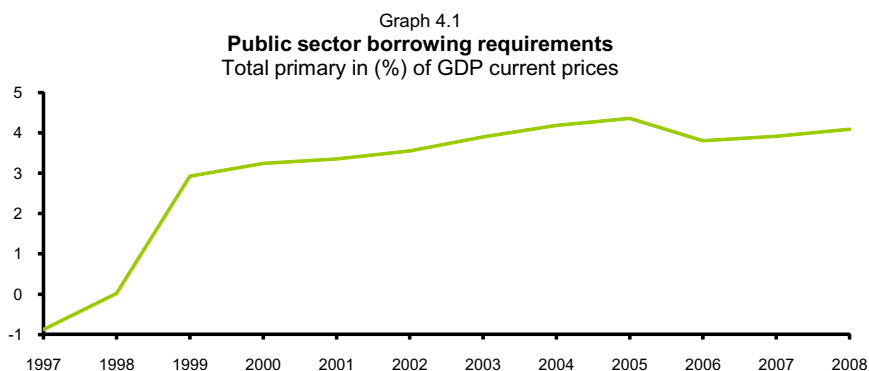
National Treasury expenditures in 2008 grew 10.3%, totaling R\$295.9 billion, representing 10.2% of GDP, compared to 10.3% in 2007. Personnel expenses and social charges increased 12.4% to R\$130.8 billion, a development associated, in part to payments relating to the restructuring of careers within the three branches and the

Table 4.1 – Public sector borrowing requirements (concluded)

Itemization	2007		2008	
	R\$ million	% of GDP ^{1/}	R\$ million	% of GDP ^{1/}
Nominal	57 926	2.2	44 307	1.5
Central government ^{2/}	59 607	2.3	24 891	0.9
States	10 335	0.4	29 715	1.0
Local governments	2 369	0.1	5 494	0.2
State enterprises	-14 385	-0.6	-15 793	-0.5
Primary	-101 606	-3.9	-118 037	-4.1
Central government ^{2/}	-59 439	-2.3	-71 308	-2.5
State governments	-25 998	-1.0	-25 931	-0.9
Local governments	-3 936	-0.2	-4 644	-0.2
State enterprises	-12 234	-0.5	-16 155	-0.6
Nominal interest	159 532	6.1	162 344	5.6
Central government ^{2/}	119 046	4.6	96 199	3.3
State governments	36 333	1.4	55 646	1.9
Local governments	6 305	0.2	10 138	0.4
State enterprises	-2 152	-0.1	361	0.0

1/ Current prices.

2/ Federal Government, Central Bank and National Social Security Institute.



Federal Prosecution Office. Therefore, the spending with the payroll of public servants increased from 4.48% of GDP in 2007 to 4.53% of GDP in 2008.

The expenses with the Worker Support Fund (FAT) reached R\$21 billion, meaning an annual increase of 0.02 percentage points of GDP, a result associated to the impacts of minimum wage increases and the formalization of the labor market on the cost of salary bonuses and unemployment insurance, both under the responsibility of FAT.

Expenditures with economic grants and subsidies and the reordering of liabilities totaled R\$6 billion in 2008, representing 0.21% of GDP, compared to 0.39% in the previous year. This performance reflected both the non-reciprocity in 2008 of the expenditures of

Table 4.2 – Central government primary result

R\$ million					
Itemization	2006	2007	2008	Change %	
				(b)/(a)	(c)/(b)
Total revenues	543 505	618 869	716 648	13.9	15.8
National Treasury	418 412	477 141	551 333	14.0	15.5
Social security	123 522	140 410	163 356	13.7	16.3
Central Bank	1 571	1 318	1 959	-16.1	48.6
Total expenditures	494 586	560 901	631 002	13.4	12.5
National Treasury	327 259	373 645	429 009	14.2	14.8
Transfers to states and municipalities	92 779	105 604	133 075	13.8	26.0
Personnel and social charges	105 497	116 372	130 829	10.3	12.4
Other current and capital expenditures	128 286	151 148	164 062	17.8	8.5
Worker Support Fund	15 298	18 472	21 026	20.7	13.8
Subsidies and economic subventions	9 553	10 020	6 007	4.9	-40.0
Loas/RMV	11 639	14 192	16 036	21.9	13.0
Investments	17 481	22 107	28 269	26.5	27.9
Other current expenditures	74 315	86 357	92 724	16.2	7.4
National Treasury onlendings to the Central Bank	697	521	1 043	-25.3	100.2
Social security	165 586	185 292	199 562	11.9	7.7
Central Bank	1 741	1 964	2 431	12.8	23.8
Brazil Sovereign Fund	-	-	14 244	-	-
Central government result ^{1/}	48 919	57 968	71 402	18.5	23.2
National Treasury	91 153	103 496	108 080	13.5	4.4
Social security	-42 064	-44 882	-36 206	6.7	-19.3
Central Bank	-170	-646	-472	280.0	-26.9
Primary result/GDP – %	2.1	2.2	2.5	-	-

Source: Ministério da Fazenda/STN

^{1/} It refers to National Treasury deficit

^{2/} (+) = surplus; (-) = deficit.

R\$1.4 billion related either to the rural securitization recorded in 2007 and the increase of R\$1.9 billion in net receipts under the National Development Fund (FND).

Expenditures backed by the Social Assistance Law (Loas) increased 13% to R\$16 billion in 2008. This expansion was associated with the impacts of the minimum wage increase and the 9% increase in the amount of benefits paid, of which 1.4 million related to the elderly people and 1.5 million to people with special needs, meaning respective annual increases of 10% and 9%.

Outlays with investments recorded an annual growth of 27.9%, totaling R\$28.3 billion, 0.98% of GDP, compared to 0.85% of GDP in 2007, of which R\$6 billion in stock in the sphere of the Ministry of Transport and R\$4.9 billion of the Ministry of the Cities.

The financial implementation of the Investment Pilot Project, included in the total investment reached R\$7.8 billion, compared to R\$5.1 billion in 2007.

Nominal interest appropriated by the nonfinancial public sector totaled R\$162.3 billion in 2008, representing 5.62% of GDP, compared to 6.14% of GDP last year, the result of the reduction associated with foreign exchange swap operations carried out by the Central Bank in favor of the institution by R\$4.8 billion, contrasting with the negative result of R\$8.8 billion recorded in 2007. The effect of the exchange depreciation observed in 2008 on assets tied to the exchange favored, additionally, the annual reduction of appropriated interest.

Table 4.3 – Uses and sources – Consolidated public sector

Itemization	2007		2008	
	R\$ million	% of GDP	R\$ million	% of GDP
Uses	71 492	2.8	57 240	2.0
Primary	-89 730	-3.5	-106 420	-3.7
Internal interest	160 628	6.2	166 106	5.7
Real interest	69 771	2.7	58 460	2.0
Monetary updating	90 857	3.5	107 647	3.7
External interest	594	0.0	-2 446	-0.1
Sources	71 492	2.8	57 240	2.0
Internal borrowing	263 488	10.1	81 484	2.8
Securities debt	239 424	9.2	171 111	5.9
Banking debt	-4 422	-0.2	-92 922	-3.2
Renegotiation	-	-	-	-
State government	-	-	-	-
Local government	-	-	-	-
State enterprises	-	-	-	-
Others	28 486	1.1	3 294	0.1
Relationship TN/Bacen	-	-	767	-
External borrowing	-191 996	-7.4	-25 011	-0.9
GDP flows in 12 months ^{1/}	2 597 611		2 889 719	

^{1/} GDP at current prices.

The public sector borrowing requirements in nominal terms, incorporating the primary result and the appropriated nominal interests recorded an annual deficit of 1.53% of GDP, compared to 2.23% of GDP in the previous year, constituting the best result since the series began in 1991. The central government deficit fell 1.43 percentage points of GDP, while those relating to regional governments and state enterprises recorded increases of 0.73 p.p. of GDP and 0.01 p.p. of GDP, respectively.

Federal securities debt

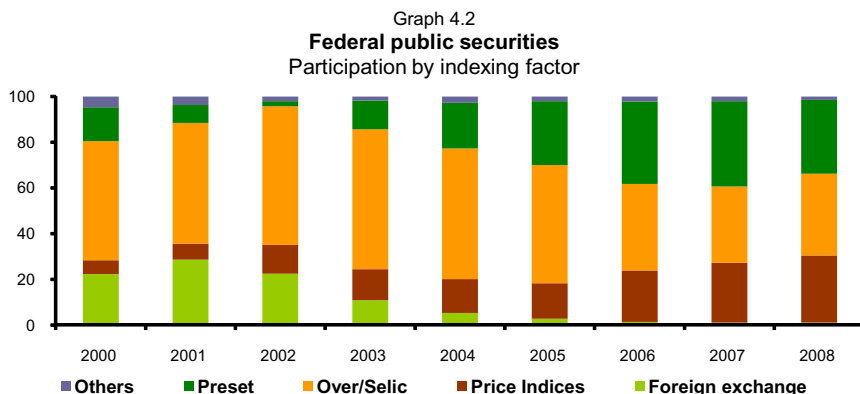
National Treasury securities totaled R\$1,759.1 billion in December 2008, of which R\$494.3 billion held by the Central Bank. The federal debt outside the Central Bank as measured by the portfolio position reached R\$1,264.8 billion, 42.6% of GDP at the end of 2008, compared to R\$1,224.9 billion, 44.8% of GDP at the end the previous year. The reduction of 2.2 p.p. of GDP reflected the occurrence of total net redemptions of R\$118.6 billion, the incorporation of interest of R\$155.5 billion, and the impact of R\$3.1 billion due to depreciation of the real against the dollar.

Table 4.4 – Federal securities – Portfolio position

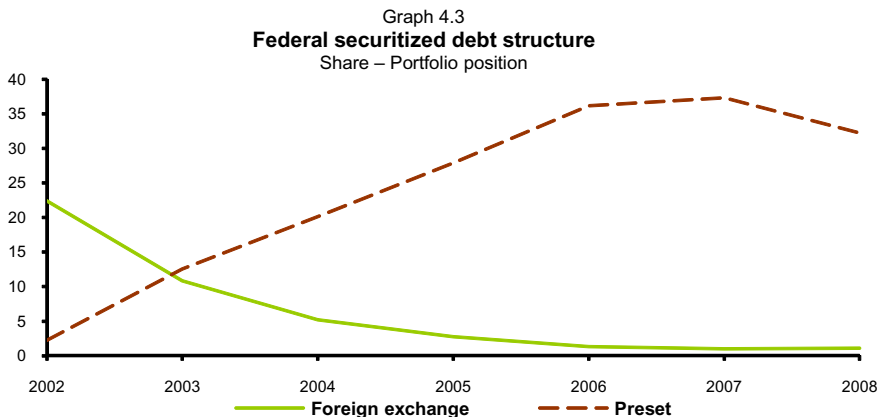
Balances in R\$ million					
Itemization	2004	2005	2006	2007	2008
National Treasury liabilities	1 099 535	1 252 510	1 390 694	1 583 871	1 759 134
Central Bank portfolio	302 855	279 663	297 198	359 001	494 311
LTN	126 184	119 323	164 989	158 748	131 149
LFT	117 405	120 270	72 737	78 955	187 346
NTN	57 275	36 823	59 472	121 298	175 817
Securitized credits	1 990	3 247	0	0	0
Outside the Central Bank	796 680	972 847	1 093 495	1 224 871	1 264 823
LTN	159 960	263 436	346 984	325 149	239 143
LFT	457 757	504 653	412 034	409 024	453 131
BTN	62	48	39	27	30
NTN	133 700	167 379	296 598	451 132	538 380
CTN/CFT-A/CFT-B/CFT-C/CFT-D/CFT-E	17 343	15 799	14 532	13 903	14 306
Securitized credits	21 103	16 555	17 793	20 777	15 089
Agrarian debt	4 345	1 529	1 302	0	0
TDA	2 411	3 448	4 213	4 859	4 743
CDP	0	0	0	0	0
Central Bank liabilities	13 584	6 815	0	0	0
LBC	-	-	-	-	-
BBC/BBCA	-	-	-	-	-
NBCE	13 584	6 815	0	0	0
NBCF	-	-	-	-	-
NBCA	-	-	-	-	-
Outside the Central Bank – Total	810 264	979 662	1 093 495	1 224 871	1 264 823
In % of GDP	39.8	45.4	45.1	44.8	42.6

Regarding the distribution of titles per indexing factor, the share of fixed rate securities in total debt reached 32.2% in December 2008, compared to 37.3% in the same period of last year, a downturn associated, in an environment of greater demand for inflation-indexed securities, with net redemptions of National Treasury Bills (LTN). The share of bonds indexed to the Selic rate, while incorporating net redemptions of Treasury Financing Bills (LFT), rose from 33.4% to 35.8%, reflecting the impact of the incorporation of interest. The share of bonds tied to the exchange rate increased from

0.9% to 1.1% due to the depreciation of the real against the dollar, while those relating to securities indexed to the Reference Rate (TR) and those tied to prices indices – the latter indicating net issues of National Treasury Notes – Series B (NTN-B) – were, in order, from 2.1% to 1.6% and 26.3% to 29.3%.



In December 2008, the share of fixed-rate bonds reached 32.2% of the price-indexed securities, 29.3%, and securities indexed to exchange, 1.1%, compared to 37.3%, 26, 3% and 0.9% respectively in the same period in 2007. This follows reflects the continuity of the strategy to improve the debt structure, with favorable impacts on the level of debt exposure to market risks, especially to foreign exchange risk.



Central Bank swap operations, after registering a reverse balance of R\$39.6 billion in 2007, showed reversal of exposure throughout 2008, reaching the end of the year, R\$27.8 billion. Considering the cash basis, the cumulative result of these operations in 2008, equivalent to the difference between the profitability of the Interbank Deposit (ID) and more exchange rate variation plus coupon was favorable to the Central Bank in R\$4.8 billion.

Table 4.5 – Federal public securities

Percentage share by indexator – Portfolio position

Index numbers	2004	2005	2006	2007	2008
Total – R\$ million	810 264	979 662	1 093 495	1 224 871	1 264 823
Foreign exchange	5.2	2.7	1.3	0.9	1.1
Reference Rate (TR)	2.7	2.1	2.2	2.1	1.6
IGP-M	9.9	7.0	6.4	5.8	5.1
<i>Over/Selic</i>	57.1	51.8	37.8	33.4	35.8
Preset	20.1	27.9	36.1	37.3	32.2
Long-term Interest Rate (TJLP)	0.0	0.0	0.0	0.0	0.0
IGP-DI	1.8	1.1	0.9	0.7	0.6
INPC	0.0	0.0	0.0	0.0	0.0
IPCA	3.1	7.4	15.3	19.8	23.6
Others	0.0	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0

Public Sector Net Debt

The Public Sector Net Debt (PSND) totaled R\$1,069.5 billion at the end of 2008, representing 36% of GDP and keeping in the path of annual decline since 2003, when it meant 52.4% of GDP. The annual downturn, equivalent to 6 p.p. of GDP, reflecting the impacts associated to the primary surplus, 4 p.p.; adjustment arising from exchange rate depreciation of 32% in the year, 3.3 p.p., the effect of valuated GDP growth, 3, 3 p.p.; and the adjustment parity of the currency basket comprising the net external debt,

Table 4.6 – Public Sector Net Debt growth

Itemization	2005		2006	
	R\$ million	% of GDP	R\$ million	% of GDP
Total net debt – Balance	1 002 485	46.5	1 067 363	44.0
Net debt – Growth accumulated in the year	45 488	-0.5	64 879	-2.4
Conditioning factors (flows accumulated in the year): ^{1/}	45 488	2.1	64 879	2.7
Public sector borrowing requirements	63 641	2.9	69 883	2.9
Primary	-93 505	-4.3	-90 144	-3.7
Nominal interest	157 146	7.3	160 027	6.6
Exchange adjustment ^{2/}	-18 202	-0.8	-4 881	-0.2
Domestic securities debt indexed to exchange rate ^{3/}	-4 554	-0.2	-2 222	-0.1
External debt	-13 648	-0.6	-2 659	-0.1
External debt adjustment – Others	-2 258	-0.1	2 302	0.1
Acknowledgement of debt	3 262	0.2	-375	-0.0
Privatizations	-954	-0.0	-2 049	-0.1
GDP Growth effect – Debt ^{4/}		-2.6		-5.1
GDP accumulated in 12 months – Valued ^{5/}	2 157 437		2 424 641	

(continues)

Table 4.6 – Public Sector Net Debt growth (concluded)

Itemization	2007		2008	
	R\$ million	% of GDP	R\$ million	% of GDP
Total net debt – Balance	1 150 357	42.0	1 069 579	36.0
Net debt – Growth accumulated in the year	82 994	-2.0	-80 778	-6.0
Conditioning factors (flows accumulated in the year): ^{1/}	82 994	3.0	-80 778	-2.7
Public sector borrowing requirements	57 926	2.1	44 307	1.5
Primary	-101 606	-3.7	-118 037	-4.0
Nominal interest	159 532	5.8	162 344	5.5
Exchange adjustment ^{2/}	29 268	1.1	-98 217	-3.3
Domestic securities debt indexed to exchange rate ^{3/}	-2 432	-0.1	3 180	0.1
External debt	31 701	1.2	-101 397	-3.4
External debt adjustment – Others	-2 305	-0.1	-26 236	-0.9
Acknowledgement of debt	-630	-0.0	135	0.0
Privatizations	-1 265	-0.0	-767	-0.0
GDP Growth effect – Debt ^{4/}		-5.0		-3.3
GDP in R\$ million ^{5/}	2 736 836		2 970 978	

1/ Net accumulated debt growth as percentage of GDP when considering all factors taken together GDP, divided by the current GDP accumulated in the last 12 month period valued, calculated by the formula:

(ConditioningFactors/GDPAccumulatedIn12Months)*100. Not reflecting debt growth as percentage of GDP.

2/ Indicates the sum of the monthly impacts up to the reference month.

3/ Includes adjustment of rate between the basket of currencies composing international reserves and the external debt as well as other adjustments in the external area.

4/ It takes into account the change in the ratio debt/GDP due to growth observed in GDP, calculated by the formula: Dt-1/(PIB present month/PIB base month)-Dt-1.

5/ Annual GDP at December prices adjusted by the centered IGP-DI deflator (geometric mean of IGP-DI growth in the month and in the following month).

0.9 p.p., neutralized in part by the effect in the interest nominal interest appropriation 5.5 p.p.

The composition of the PSND started incorporating in 2008, a larger creditor participation tied to exchange, and existing balance since mid-2006, when the public sector assets indexed to exchange exceeded liabilities. The expansion of the portion owed in 2008 reflected the increase in international reserves and exchange rate depreciation during the period indicated. It should be noted that the occurrence of net credit balance at times linked to the international financial market turmoil increases the effective administration of the government's net indebtedness. Growth in the composition of the PSND in 2008 also reflected the growing share of bonds tied to price indices and the Selic rate, and reducing the participation of the fixed-rate component.

General government gross debt (Federal Government, National Social Security Institute – INSS, state and municipal governments) amounted to R\$1,740.9 billion in December, 58.6% of GDP, compared with 56.4% of GDP in 2007.

Table 4.7 – Public Sector Net Debt

Itemization	2007		2008	
	R\$ million	% of GDP	R\$ million	% of GDP
Fiscal net debt (G=E-F)	891 155	32.6	935 462	31.5
Internal debt methodological adjustment (F)	116 817	4.3	119 997	4.0
Fiscal net debt with exchange devaluation (E=A-B-C-D)	1 007 972	36.8	1 055 459	35.5
External debt methodological adjustment (D)	109 119	4.0	-18 515	-0.6
Asset adjustment (C)	102 016	3.7	102 152	3.4
Privatization adjustment (B)	-68 750	-2.5	-69 517	-2.3
Total net debt (A)	1 150 357	42.0	1 069 579	36.0
Federal government	808 095	29.5	760 249	25.6
Banco Central do Brasil	8 585	0.3	-31 922	-1.1
State governments	324 107	11.8	359 575	12.1
Local governments	49 216	1.8	55 379	1.9
State enterprises	-39 647	-1.4	-73 701	-2.5
Internal net debt	1 393 139	50.9	1 488 794	50.1
Federal government	703 662	25.7	633 793	21.3
Banco Central do Brasil	327 801	12.0	451 188	15.2
State governments	313 467	11.5	343 521	11.6
Local governments	47 525	1.7	52 879	1.8
State enterprises	684	0.0	7 413	0.2
Foreign net debt	-242 782	-8.9	-419 214	-14.1
Federal government	104 433	3.8	126 456	4.3
Banco Central do Brasil	-319 216	-11.7	-483 110	-16.3
State governments	10 641	0.4	16 054	0.5
Local governments	1 691	0.1	2 500	0.1
State enterprises	-40 330	-1.5	-81 115	-2.7
GDP in R\$ million^{1/}	2 736 836		2 970 978	

^{1/} Annual GDP at December prices adjusted by the centered IGP-DI deflator (geometric mean of IGP-DI growth in the month and in the subsequent month).

Table 4.8 – Gross and net government debt^{1/}

Itemization	2007		2008	
	R\$ million	% of GDP	R\$ million	% of GDP
Public sector net debt (A=B+K+L)	1 150 357	42.0	1 069 579	36.0
General government net debt (B=C+F+I+J)	1 181 418	43.2	1 175 203	39.6
General government gross debt (C=D+E)	1 542 852	56.4	1 740 888	58.6
Internal debt (D)	1 426 087	52.1	1 595 878	53.7
Foreign debt (E)	116 764	4.3	145 010	4.9
Federal government	104 433	3.8	126 456	4.3
State government	10 641	0.4	16 054	0.5
Local government	1 691	0.1	2 500	0.1
General government assets (F=G+H)	- 533 018	-19.5	-563 425	-19.0
Domestic assets (G)	- 533 018	-19.5	-563 425	-19.0
General government available assets	- 305 568	-11.2	-292 507	-9.8
Social security system investments	- 284	-0.0	-1 307	-0.0
Tax collected (not transferred)	- 1 011	-0.0	-1 639	-0.1
Demand deposits	- 7 072	-0.3	-8 351	-0.3
Federal government available assets in Bacen	- 275 843	-10.1	-255 217	-8.6
Investment in the banking system (states)	- 21 358	-0.8	-25 993	-0.9
Credits with official financial institutions	- 14 150	-0.5	-43 087	-1.5
Hybrid capital and debt instruments	- 7 504	-0.3	-7 633	-0.3
Credits with BNDES	- 6 645	-0.2	-35 454	-1.2
Investment in funds	- 54 790	-2.0	-61 700	-2.1
Credits with public enterprises	- 18 805	-0.7	-18 977	-0.6
Other federal government's credits	- 11 289	-0.4	-10 974	-0.4
Worker assistance fund (FAT)	- 128 417	-4.7	-136 181	-4.6
Foreign credits (H)	0	0.0	0	0.0
Federal government	0	0.0	0	0.0
State government	-	-	-	-
Local government	-	-	-	-
Bacen available portfolio (I)	171 585	6.3	169 156	5.7
Exchange Equalization (J)	0	0.0	-171 416	-5.8
Banco Central net debt (K)	8 585	0.3	-31 922	-1.1
Public enterprises net debt (L)	- 39 647	-1.4	-73 701	-2.5
GDP in R\$ million ^{2/}	2 736 836		2 970 978	

1/ Includes federal, state and local government debt, with other economic agents, including the Banco Central.

2/ Annual GDP at December prices adjusted by the centered IGP-DI deflator (geometric mean of IGP-DI growth in the month and in the following month).

Federal tax and contribution inflow

The collection of federal taxes and contributions, except social security contributions payable by the INSS, reached R\$505.2 billion in 2008, registering a real growth of 6.5%

this year, considering the IPCA as a deflator evolution consistent with the dynamism shown by the economy until the intensification of the crisis in international financial markets and administrative actions undertaken by the IRS and the National Treasury General Attorney's Office of the, aimed at recovering debts in arrears and at maintaining a regular cash flow.

Table 4.9 – Gross federal revenues

Itemization	R\$ million				
	2006	2007	2008	Change %	
	(a)	(b)	(c)	(b)/(a)	(c)/(b)
Income Tax (IR)	136 503	160 286	191 755	17.4	19.6
Industrialized Products Tax (IPI)	28 159	33 853	39 466	20.2	16.6
Import Tax (II)	10 035	12 254	17 235	22.1	40.6
Financial Operations Tax (IOF)	6 772	7 834	20 342	15.7	159.7
Contribution to the Financing of the Social Security (Cofins)	91 156	102 838	120 800	12.8	17.5
Social Contrib. on the Profits of Legal Entities (CSLL)	27 968	34 485	43 972	23.3	27.5
Contribution to PIS/Pasep	24 045	26 817	31 598	11.5	17.8
Provisional Contribution on Financial Transactions (CPMF)	32 033	36 483	1 150	13.9	-96.8
Contribution on Intervention in the Economic Domain (Cide)	7 812	7 937	5 985	1.6	-24.6
Other taxes	25 804	26 134	32 895	1.3	25.9
Total	390 287	448 921	505 198	15.0	12.5

Source: Ministério da Fazenda/Receita Federal do Brasil

The performance of the collection in the year reflected in particular the marked expansion in taxes as detailed below:

- a) Import Tax, 32.9%, and IPI-linked to imports, 27.6%, reflecting the annual rise of 43.9% registered in the value of imports in U.S. dollars, and increases of 4.13% and 0.75% observed in their respective average rates;
- b) IOF, 145.7%, consistent with the increase in rates falling on currency exchange and credit, and with the observed increases in the balances of credit operations in the segment of individuals, 31%, and corporations, 42.4%;
- c) Corporate Income Tax, 14.7% and CSLL, 20.7%, reflecting the increased profitability of businesses, especially in the first three quarters, and fiscal actions taken by the SRF;
- d) Cofins, 11.1%, and Pis/Pasep, 11.4%, in line with increases in imports and sales of businesses;
- e) Income Tax Withholdings, 13.7%, consistent with the scenario of growth of wages and ordinary increases in distribution of profits or results, in an environment of increased profitability of companies in the financial sector and redemptions of investments in fixed-income and swap;
- f) royalties for the extraction of oil, 52%.

Table 4.10 – Income Tax and Industrialized Products Tax

R\$ million

Itemization	2006	2007	2008	Change %	
	(a)	(b)	(c)	(b)/(a)	(c)/(b)
Income Tax (IR)	136 491	160 252	191 721	17.4	19.6
Individuals	8 533	13 654	14 987	60.0	9.8
Corporate entities	55 849	69 971	84 692	25.3	21.0
Financial institutions	9 066	13 573	12 635	49.7	-6.9
Other companies	46 782	56 432	72 091	20.6	27.7
Withholdings	72 109	76 627	92 042	6.3	20.1
Labor earnings	39 082	42 349	51 610	8.4	21.9
Capital earnings	20 890	21 421	24 853	2.5	16.0
Remittances abroad	7 393	7 800	9 565	5.5	22.6
Other earnings	4 744	5 057	6 014	6.6	18.9
Industrialized Products Tax (IPI)	28 159	33 851	39 465	20.2	16.6
Tobacco	2 397	2 803	3 210	16.9	14.5
Beverages	2 610	2 583	2 437	-1.0	-5.7
Automotive vehicles	4 288	5 208	6 001	21.5	15.2
Other taxes	12 701	15 555	17 415	22.5	12.0
Linked imports	6 163	7 702	10 402	25.0	35.1

Source: Ministério da Fazenda/Receita Federal do Brasil

Social Security System

The primary deficit of Social Security reached R\$36.2 billion in 2008; falling 19.3% compared to the previous year and now represents 1.25% of GDP, compared to 1.73% in 2007.

Net inflows increased 16.3%, reaching R\$163.4 billion, with an emphasis on increase of 17.5% recorded on social security contributions, which totaled R\$167.8 billion, a move consistent with the more formalized job market and increased overall wages.

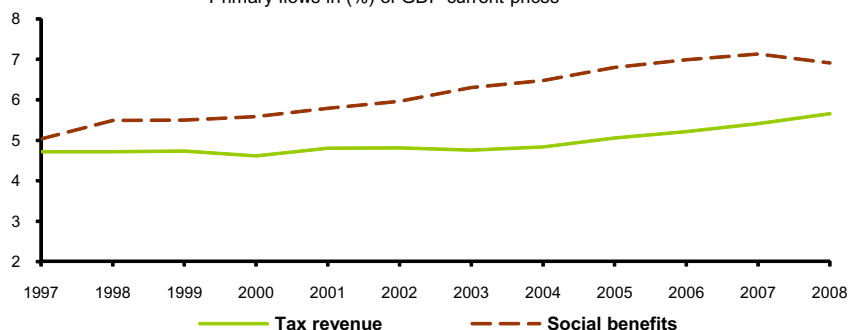
Outlays on social security benefits amounted to 7.7% in the year, reaching R\$199.6 billion, impacted by an increase of 7.1% in the average value of benefits paid, which reflected both the increase of 9.2% in the minimum wage as the benefit increase to values above the minimum wage, and the rise of 2.7% in average monthly amount of benefits paid. Expenditures on social security benefits were reduced, as a percentage of GDP from 7.13% in 2007 to 6.91%.

Table 4.11 – Social Security

Itemization	2006	2007	2008	Change %	
	(a)	(b)	(c)	(b)/(a)	(c)/(b)
Net inflow	123 520	140 412	163 355	13.7	16.3
Gross inflow	133 703	154 589	180 891	15.6	17.0
Social security contribution	122 919	142 774	167 758	16.2	17.5
Other revenues	10 784	11 815	13 133	9.6	11.2
Refund	478	520	545	8.8	4.8
Transfers to third parties	9 705	13 657	16 991	40.7	24.4
Social security benefits	165 585	185 293	199 562	11.9	7.7
Primary result	-42 065	-44 881	-36 207	...	...

Source: Ministério da Previdência e Assistência Social

Graph 4.4
Social Security
Primary flows in (%) of GDP current prices



State and municipal finance

The primary surplus of regional governments (states and municipalities) totaled R\$30.6 billion in 2008, reducing its share in GDP from 1.15% in 2007 to 1.06%.

The inflow of Tax on the Circulation of Merchandise and Services (ICMS) totaled R\$222.2 billion, rising 18.6% over the previous year and now represents 7.68% of GDP, compared to 7.22% in 2007. It is noteworthy that, considering the IGP-DI as the deflator, the real revenue grew 6.6% in 2008, reflecting in particular the marked expansion in Sao Paulo, 8.5%, Minas Gerais, 8.2% and Rio de Janeiro, 2.3% three main tax collector states.

Transfers from the Federal to states and municipalities have increased by 26% in 2008, stood at R\$133.1 billion, consistent with the trajectory marked increases in revenues related to income tax, 19.6%, and the IPI, 16, 6% taxes that are the calculation basis for the States and Municipalities Sharing Funds. Additionally, the transfers for the

Table 4.12 – Payment of the Tax on the Circulation of Merchandise and Services (ICMS)

R\$ million					
Itemization	2006	2007	2008	Change %	
				(b)/(a)	(c)/(b)
São Paulo	57 788	63 192	76 322	9.4	20.8
Rio de Janeiro	14 805	15 671	17 836	5.9	13.8
Minas Gerais	17 018	19 317	23 214	13.5	20.2
Rio Grande do Sul	11 813	12 258	14 872	3.8	21.3
Paraná	9 264	10 086	11 767	8.9	16.7
Bahia	8 604	8 941	10 239	3.9	14.5
Santa Catarina	6 169	6 831	7 944	10.7	16.3
Goiás	4 699	5 244	6 143	11.6	17.1
Pernambuco	4 864	5 413	5 988	11.3	10.6
Espírito Santo	5 092	5 878	7 001	15.5	19.1
Other states	31 600	34 514	40 913	9.2	18.5
Total	171 715	187 345	222 238	9.1	18.6

Source: Ministério da Fazenda/Confaz

Table 4.13 – Federal government onlendings to states and municipalities

R\$ million					
Itemization	2006	2007	2008	Change %	
				(b)/(a)	(c)/(b)
Constitutional onlendings (IPI, IR and others)	70 628	82 239	101 881	16.4	23.9
Export Compensation Fund	4 343	3 888	5 216	-10.5	34.2
Cide transfers	1 781	1 850	1 579	3.9	-14.6
Others ^{1/}	16 028	17 628	24 400	10.0	38.4
Total	92 780	105 605	133 076	13.8	26.0

Source: Ministério da Fazenda/Secretaria do Tesouro Nacional

^{1/} Contribution of education benefit, fund for the maintainance and development of the basic education and enhancement of the teaching career (Fundef), petrol royalties and other onlendings.

payment of royalties and special participation from oil and natural gas exploitation increased by R\$5 billion in the year.



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 Brazil sells 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 Import Tax, 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 Import Tax.

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 to ex-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, it 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 at extending 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 export incentive, 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 kind the 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 external outlook, 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 the 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, permitted 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	Advances on export contracts	Payments in advance	Other	Imports	Balance Purchases	Sales				
					(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.

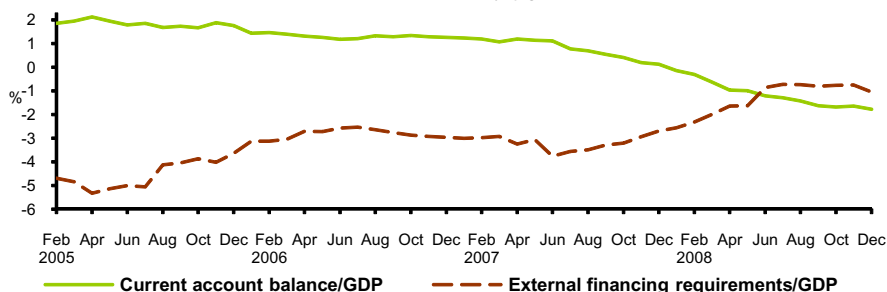
The reversal of the international economic scenario, with developments on the external credit, reflected in the performance of the Central Bank foreign exchange market. In this context, the intervention on purchases of U.S. dollars in the spot market, expressed in acquisitions of US\$78.6 billion in 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

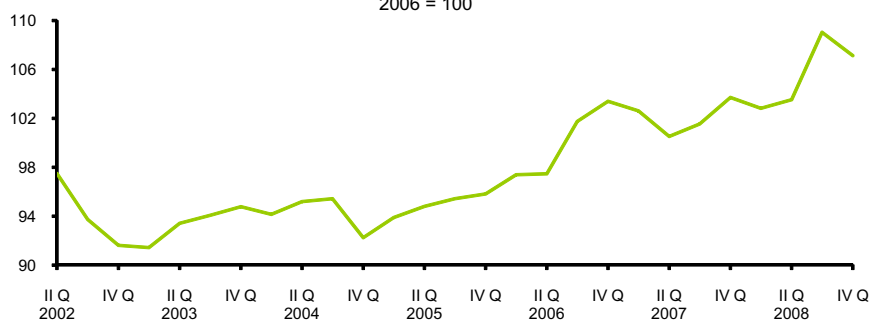
It is noteworthy that the accumulated values over twelve months on both the exports and imports showed a strong growth trajectory in the first three quarters, compared to the corresponding periods of 2007, a performance reversed in the last quarter. This movement also occurred in terms of trade, which 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 (%)

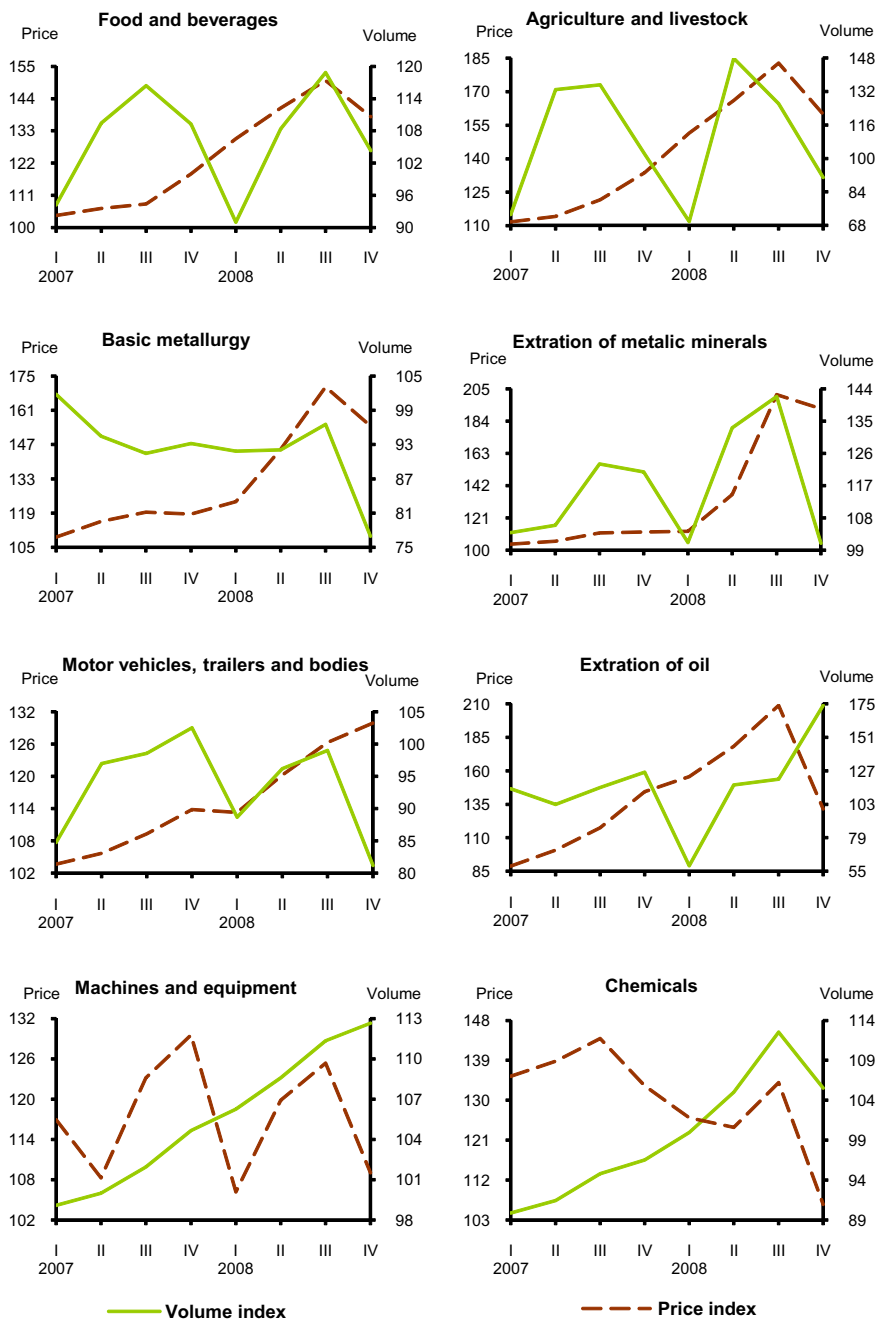
Itemization	2007		2008	
	Price	Volume	Price	Volume
Total	10.5	5.5	26.3	-2.5
Primary products	14.5	11.8	41.2	0.2
Semimanufactured goods	10.9	0.7	25.3	-0.9
Manufactured goods	8.4	3.2	16.2	-5.0

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 the volume, 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%.

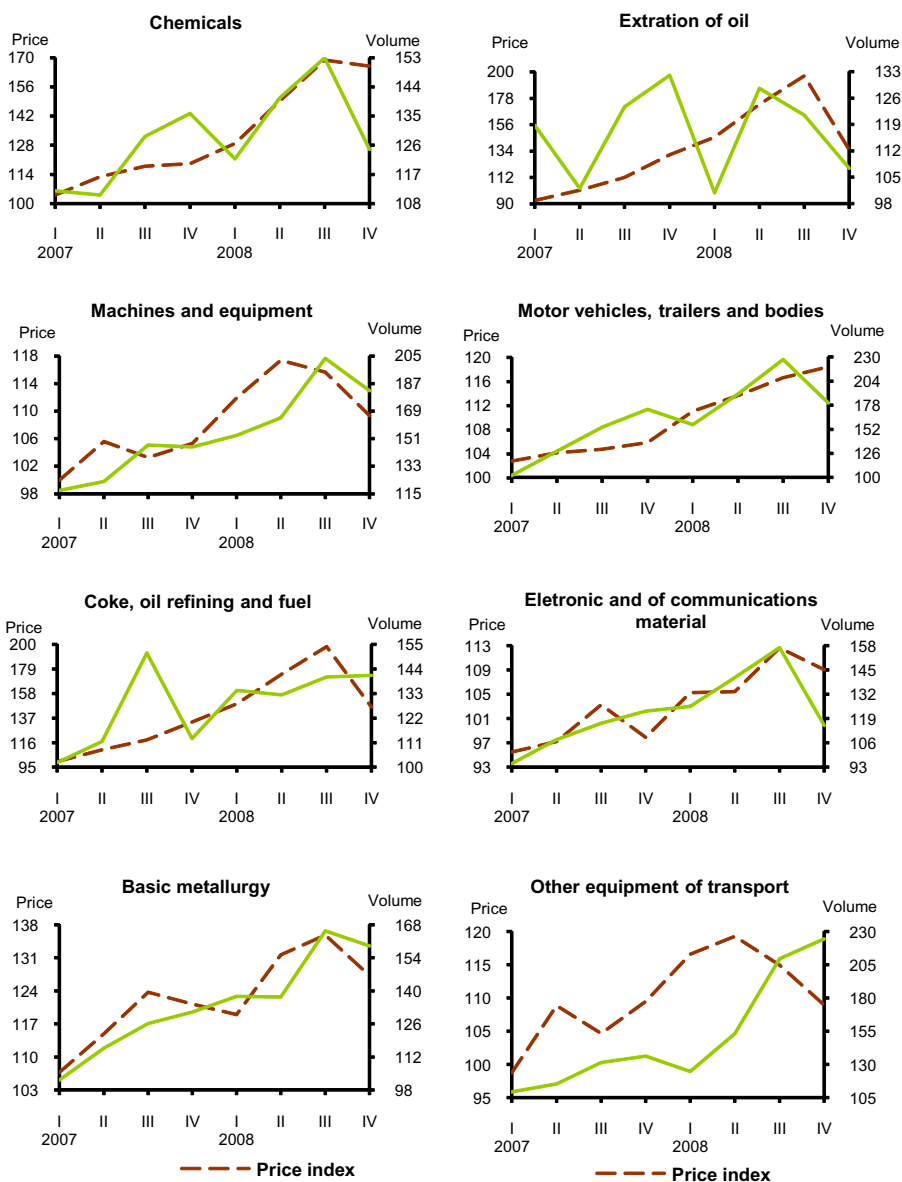
The evolution of acquisitions in the use category of raw materials and intermediate products reflected the occurrence of both price increases, 20.3%, and in the quantity imported 17.9%. Among the major imported items in this category, it should be noted increases in prices for raw materials for agriculture, 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 volume related 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

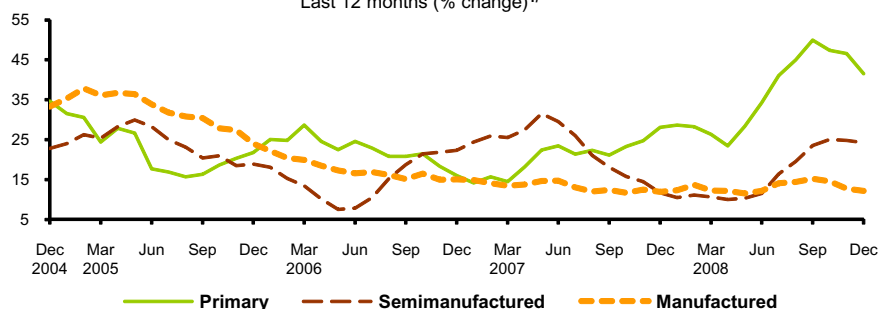
US\$ million

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 of basic 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	Price ^{1/}	Weight ^{2/}	Participation ^{3/}
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
Copper 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	Price ^{1/}	Weight ^{2/}	Participation ^{3/}
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 lengthwise	-27.5	12.4	-35.5	2.5
Copper 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 accessories 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 platforms, 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, propylene and styrene	-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 lower prices, 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 technological 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 technology	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 technology	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 technology	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 technology	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.

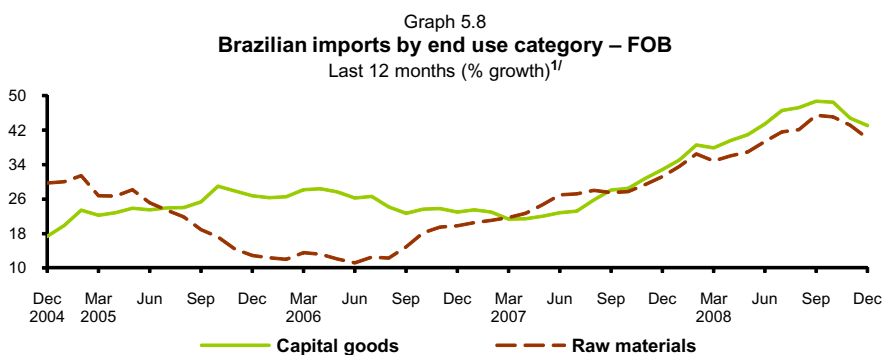
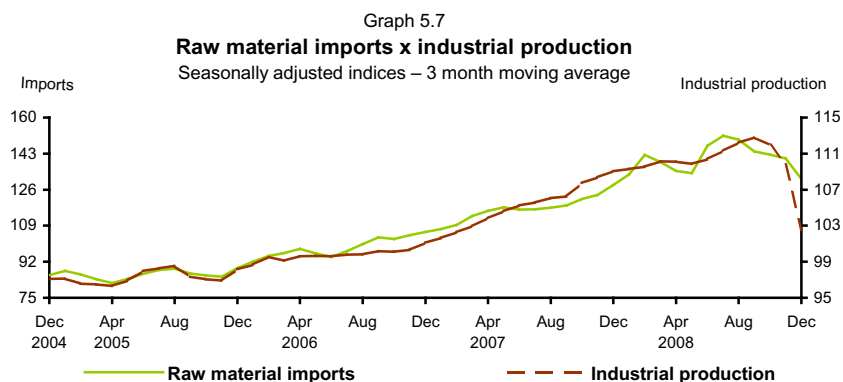
The average daily imports of all use categories recorded a generalized increase in 2008, repeating the pattern observed in the last five years. Average daily purchases of fuels and lubricants rose 54.8%, followed by those of durable consumer goods, 52.2%; capital goods, 41.3%; raw materials and intermediate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



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 steel 4.2%; 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%.

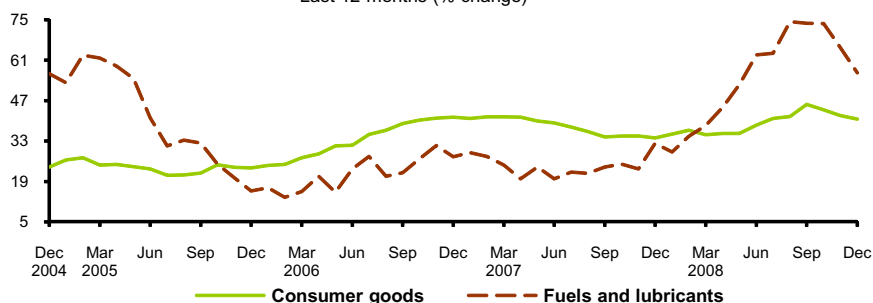
Capital goods from the USA reached a daily average of US\$28 million, increasing 51% over 2007, with 19.8% on purchases of the category and 27.5% on purchases from the country. Imports are concentrated in aircraft, 12.3% of the total; instruments and appliances for measuring and checking, 9.4%; machinery 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 technological 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 technology	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 technology	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 technology	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 technology	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 on medicines, 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
Merchandising 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

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 interest revenues, 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 external liabilities, 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 investment revenue, 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 US\$472 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 of US\$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 assembling 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

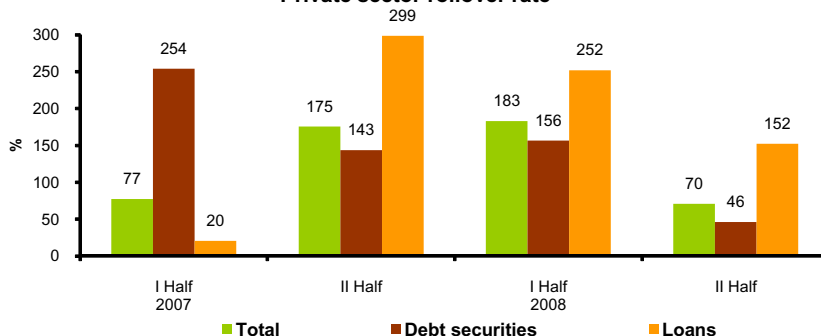
The balance of payments financial account showed a net inflow of US\$31.9 billion in 2008 compared to the record of US\$88.3 billion in the previous year. The high return on investments, coupled with the decline in country risk, boosted net capital inflows of US\$39.8 billion in the first half, compared 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/}

Itemization	US\$ million					
	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 contribution to 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

Itemization	US\$ million					
	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 equipment	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 expenses under 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% and outflows, 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

Itemization	US\$ million					
	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
Other 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\$6.5 billion, 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 Depository 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 net investments, 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

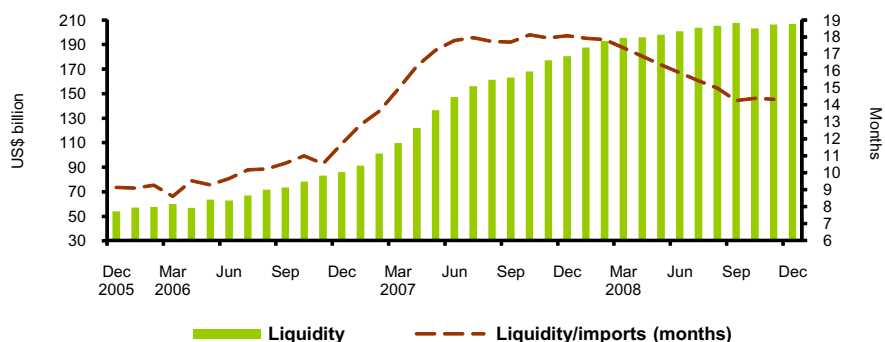


Table 5.34 – Statement of international reserves growth

US\$ million	2006	2007	2008
Itemization			
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 million carried 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 has 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

Debtor	Outstanding: 12.31.2008			
	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)

Debtor	Outstanding: 12.31.2008			
	Creditor			Total
	Government agencies	Suppliers credits	Others	
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 securitized 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	-	-	-	-	-
Direct	43 041	14 953	14 777	14 700	17 147
Guaranteed by the federal government	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 (guaranteed 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 debtorAmortization 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)

US\$ million	Amortization schedule ^{1/}					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

US\$ million	Amortization schedule ^{1/}						
	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)

US\$ million Itemization	Amortization schedule ^{1/}					Outstanding: 12.31.2008
	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.

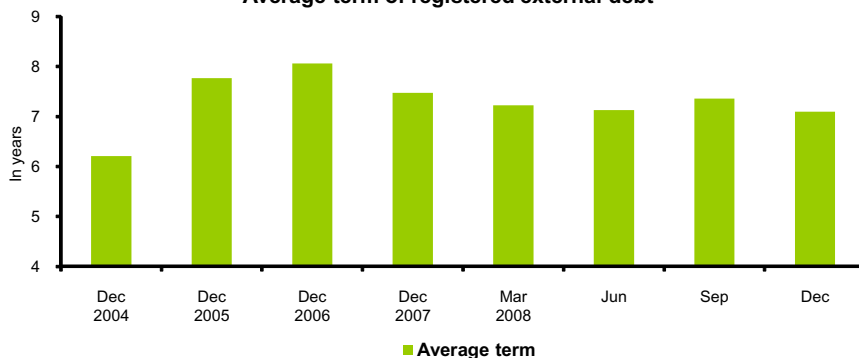
2/ Includes commercial papers and securities.

Table 5.42 – Average maturity term

US\$ million Itemization	Registered external debt ^{1/}	
	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

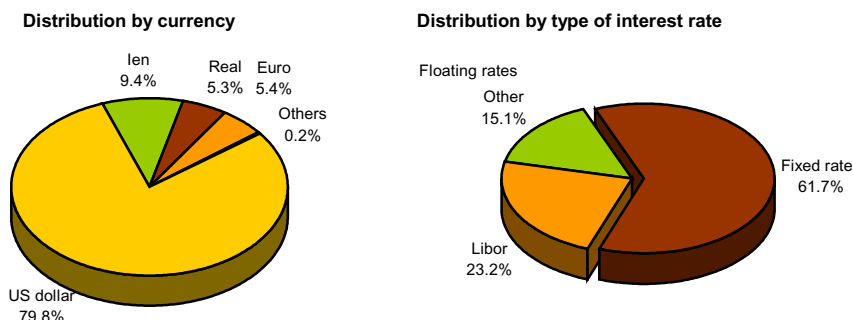
1/ Excludes debt in arrears.

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).

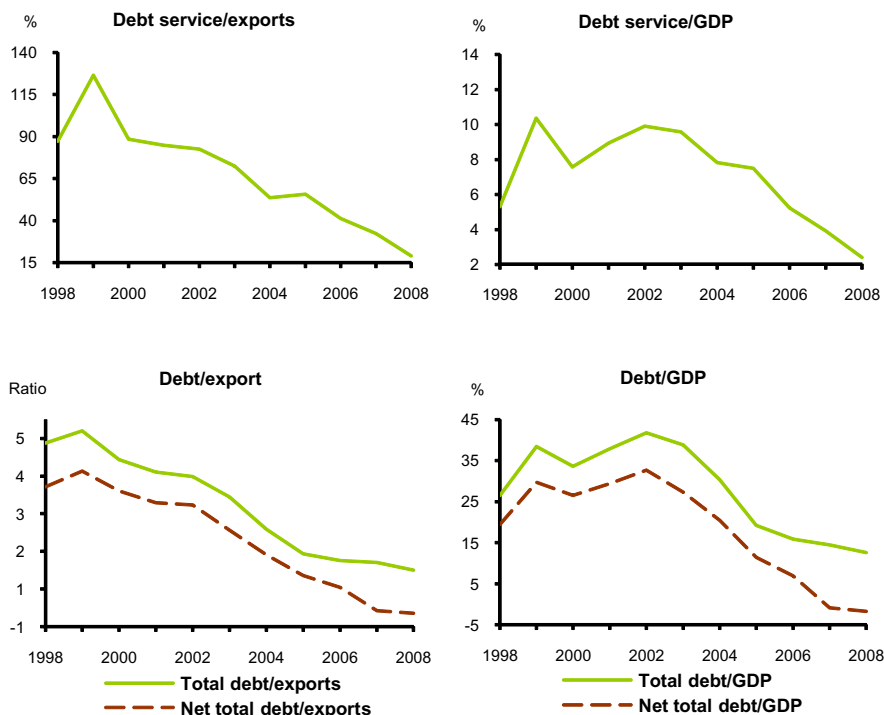
Thus, the ratio between the net external debt and the value of export revenues for the last twelve months rose from -7.4% in December 2007 to 14% in December 2008 while as a percentage of GDP fell -0.9% to -1.8%.

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
Euroaira ^{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 Global 15 (Reopening)	9.26.2005	1.5.2016	10	1 479	12.500	12.75	-
Global 34 (Reopening)	11.17.2005	3.7.2015	9	500	7.875	7.77	312
Global 37 Euro 15 (Reopening)	12.6.2005	1.20.2034	28	500	8.250	8.31	363
Global 37 (Reopening)	1.18.2006	1.20.2037	31	1 000	7.125	7.56	295
Global 37 (Reopening)	2.2.2006	2.3.2015	9	362	7.375	5.45	185
Global 34 (Reopening)	3.23.2006	1.20.2037	31	500	7.125	6.83	204
Global 37 (Reopening)	6.2.2006	1.20.2034	28	198	8.250	8.24	-
Global BRL 22 (Reopening)	8.15.2006	1.20.2037	30	500	7.125	7.15	205
Global BRL 22 (Reopening)	9.13.2006	1.5.2022	15	743	12.500	12.88	-
Global 17 (Reopening)	10.13.2006	1.5.2022	15	301	12.500	12.47	-
Global BRL 22 (Reopening)	11.14.2006	1.17.2017	10	1 500	6.000	6.25	159
Global 37 (Reopening)	12.11.2006	1.5.2022	15	346	12.500	11.66	-
Global BRL 28 (Reopening)	30.1.2007	20.1.2037	30	500	7.125	6.64	173
Global BRL 28 (Reopening)	14.2.2007	10.1.2028	21	715	10.250	10.68	-
Global 17 (Reopening)	27.3.2007	10.1.2028	21	361	10.250	10.28	-
Global BRL 28 (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 17 (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 weighted by the value of each tranche.

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

3/ The inflow occurred on two dates: IRL500 billion, on 6.26.1997; and IRL250 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.

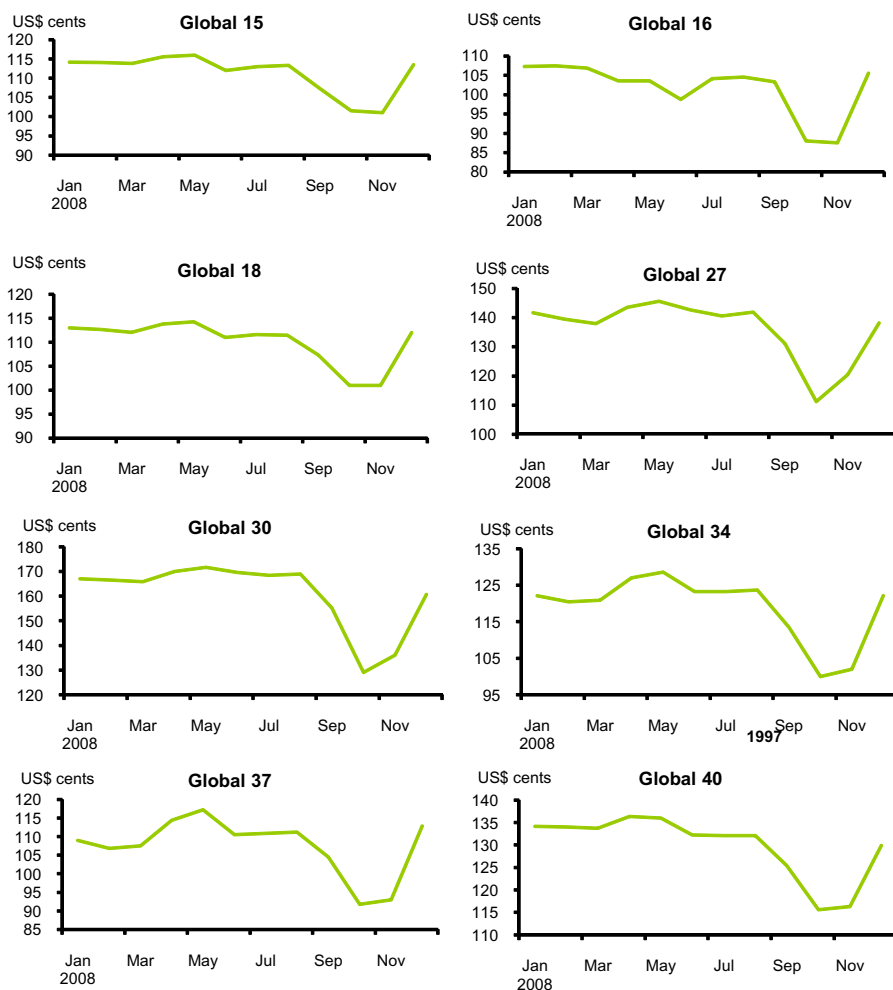
10/ Euro 12 was issued in two tranches: EUR 750 million, with spread of 482 bps, on 9.8.2004; and EUR 250 million, with spread of 448 bps, on 9.22.2004.

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)



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 in reais. 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.



The International Economy

In early 2008, the evolution of the activity level of the world economy followed the trajectory outlined as of the second half of last year, when the performance of key emerging and mature economies began to be more severely impacted by developments of the subprime crisis in the United States.

Throughout 2008, the reversal of the expansionist economic cycle began in 2002 – considered one of the longest periods of growth and greater diffusion since the Second World War – intensified in the final months of the year, highlighting the impact on the credit market consequent upon the bankruptcy of the investment bank Lehman Brothers in the USA.

In view of the signs of a systemic crisis and its potential implications regarding the persistent obstruction of the domestic and international credit channels on the evolution of the real sector of the economy, the U.S. and European governments and central banks expanded, in a coordinated manner, the scope and intensity of actions aimed at combating the instability in their financial systems and mitigating the effects on the level of economic activity.

Even though only Japan, Italy and Sweden registered contractions in GDP in 2008, the cyclical change in world economic activity has led to a significant and widespread slowdown in annual GDP growth in most countries, thus increasing the rates of unemployment, especially in developed economies.

Economic activity

As of the second quarter of 2008, sluggish economic activity that was observed since the second half of the previous year led to the contraction of important GDP components. Thus, the performance of household consumption and private investment contributed to the negative quarterly GDP growth rates observed in the Euro Area and United Kingdom.

In Japan, the deterioration of business expectations in terms of export expansion has contributed to the consolidation of the downward trajectory in the level of private

Table 6.1 – Major developed countries

GDP components and other indicators

% rate anualised

	2007			2008			
	II	III	IV	I	II	III	IV
GDP							
United States	4.8	4.8	-0.2	0.9	2.8	-0.5	-6.2
Euro Area	1.8	2.4	1.7	2.8	-1.0	-1.0	-5.8
United Kingdom	3.5	3.2	2.2	1.6	-0.1	-2.8	-6.0
Japan	-0.5	0.9	4.5	0.6	-3.6	-2.3	-12.7
Household consumption							
United States	2.0	2.0	1.0	0.9	1.2	-3.8	-4.3
Euro Area	2.6	2.0	1.1	0.7	-0.5	0.6	-3.4
United Kingdom	4.3	5.6	0.9	3.8	-1.0	-0.8	-2.8
Japan	1.6	-0.4	1.2	2.8	-2.8	1.2	-1.6
Non-residential investment							
United States	10.3	8.7	3.4	2.4	2.5	-1.7	-21.1
Euro Area ^{1/}	0.7	3.8	4.0	5.0	-4.5	-2.4	-10.4
United Kingdom ^{1/}	-2.1	7.8	5.6	-11.0	-5.0	-13.8	-8.9
Japan	-13.6	5.7	9.1	-2.4	-8.9	-12.9	-19.6
Residential investment							
United States	-11.5	-20.6	-27.0	-25.1	-13.3	-16.0	-22.2
Euro Area ^{2/}	-3.9	-0.4	3.6	10.8	-7.3	-5.4	-6.9
United Kingdom	4.6	1.9	4.1	4.1	-2.5	-1.4	-4.3
Japan	-11.1	-29.3	-36.4	19.7	-7.4	17.0	24.8
Exports							
United States	8.8	23.0	4.4	5.1	12.3	3.0	-23.6
Euro Area	4.3	8.1	3.0	7.6	-0.2	0.1	-26.0
United Kingdom	3.4	9.5	-1.0	2.9	-4.2	2.1	-20.2
Japan	8.7	10.0	12.6	12.6	-8.9	2.4	-45.0
Imports							
United States	-3.7	3.0	-2.3	-0.8	-7.3	-3.5	-16.0
Euro Area	3.2	8.6	0.5	5.7	-1.3	5.6	-20.3
United Kingdom	-1.9	20.9	-0.7	-1.5	-4.4	1.1	-21.6
Japan	4.5	-1.2	1.6	6.1	-11.8	7.0	12.1
Unemployment rate^{3/}							
United States	4.6	4.7	4.9	5.1	5.6	6.2	7.2
Euro Area	7.5	7.4	7.3	7.3	7.5	7.6	8.1
United Kingdom	5.4	5.3	5.2	5.2	5.4	5.8	6.3
Japan	3.7	4.0	3.7	3.8	4.1	4.0	4.3

Sources: BEA, Cabinet Office, Eurostat

1/ Includes residential and public investment expenditures.

2/ Total construction expenditure.

3/ End of the quarter rate.

investments started in the first quarter of 2008. This movement, together with the slowdown registered by exports as of the second quarter of the year, resulted in successive falloffs in quarterly GDP rates.

In the U.S, the worsening of the crisis led, in the first quarter of 2008, to the approval of the Economic Stimulus Act, a tax package aimed at encouraging consumption and private investment equivalent to 1% of GDP, with transitional effects concentrated on the second quarter of 2008. It should be highlighted that, although the National Bureau of Economic Research has recognized that the economy entered into recession in December 2007, only from the third quarter of 2008 the evolution of U.S. GDP turned negative.

It is worth mentioning that the deceleration of activity in major economies favored the deterioration of prices of major commodities, which had increased rapidly over recent years, reaching a historically high level that persisted over time. This movement, observed in particular from the beginning of July, was an important factor that affected negatively the terms of trade and the conditions underpinning the economic expansion of those countries that are net exporters of these products, at the same time that it acted as a relevant vector for the dispersion of inflationary pressures and the recovery of real income in those countries that are net importers of commodities.

In this environment of continuous slowdown of exports to major developed economies, particularly to the U.S. and the Euro Area, emerging economies with greater openness to foreign trade, like China, Taiwan and South Korea, started to present, throughout 2008, a more pronounced slowdown in GDP growth rates.

In China, although the emergence of the effects of tight monetary policies, adopted in the period from 2007 until mid-2008, further contributed to the slowdown in the growth rate of gross fixed capital formation accumulated until the third quarter of 2008, the reversal of the aforementioned restrictive monetary policy and the implementation of a plan to anticipate and increase public investments made it easier to accelerate the expansion of bank credit in the fourth quarter of the year.

The segment of durable goods, more dependent on the credit conditions and the economic cycle, were in general more severely hit by the worsening of the financial crisis in the last quarter of 2008. In this scenario, those countries that had benefited by the significant expansion in the production of those goods, supported either by domestic or foreign demand, were the most affected by the new environment of global economy.

The U.S. economy grew 1.1% in the year, compared to 2% in 2007, while the unemployment rate in the country increased 2.3 p.p., to 7.2%. In the Euro Area and in the UK, GDP growth fell to 0.7%, from, respectively, 2.6% and 3% in 2007. As for unemployment, rates decreased by 0.8 p.p. and 1.1 p.p., closing 2008 at, respectively,

Table 6.2 – Emerging economies

GDP components and other indicators

% rate [(Q)/(Q-4)]

	2007			2008			
	II	III	IV	I	II	III	IV
GDP							
South Korea ^{1/}	7.1	6.0	6.4	3.3	3.4	2.1	-20.8
China	14.0	13.0	12.0	10.6	10.1	9.0	6.8
India	9.1	8.9	9.1	8.8	8.1	7.7	4.5
Taiwan	5.5	7.0	6.4	6.2	4.6	-1.0	-8.4
Household consumption							
South Korea ^{1/}	3.7	5.1	3.2	1.8	-0.6	0.2	-21.3
China ^{2/}	24.3	19.1	16.8	14.7	16.6	22.1	23.8
India	8.4	7.5	8.9	8.3	7.7	6.9	5.4
Taiwan	2.2	3.1	1.6	2.1	0.5	-2.1	-1.7
Gross Fixed Capital Formation							
South Korea ^{1/}	0.2	-1.8	6.5	-3.5	0.2	3.0	-40.0
China	26.6	31.8	25.8	19.5	16.3	16.7	22.5
India	12.9	16.2	13.7	11.2	10.1	15.1	5.3
Taiwan	4.7	3.8	-0.8	3.7	-8.0	-11.8	-23.2
Exports							
South Korea ^{1/}	16.2	5.2	30.9	-2.8	17.6	-4.7	-42.0
China	23.8	24.8	18.3	17.2	17.1	18.3	4.4
India	-4.0	-4.8	6.1	10.1	23.2	10.6	11.4
Taiwan	5.2	11.6	12.9	12.7	9.9	-0.6	-19.8
Imports							
South Korea ^{1/}	19.7	-7.5	40.4	-9.3	18.2	-7.0	-61.9
China	11.8	21.2	22.1	15.6	17.1	10.6	-2.1
India	-0.7	-3.6	6.7	9.6	30.3	26.0	20.6
Taiwan	2.6	7.3	5.8	9.6	0.2	-2.6	-22.6
Unemployment rate^{3/}							
South Korea ^{1/}	3.3	3.2	3.1	3.1	3.2	3.2	3.3
China ^{4/}	4.1	4.0	4.0	4.0	4.0	4.0	n.d.
India	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
Taiwan	3.9	4.0	3.9	3.9	3.9	4.3	5.0

Source: Thomson Financial

1/ QoQ annual rate.

2/ Retail sales growth rate.

3/ End of the quarter rate.

4/ Urban unemployment

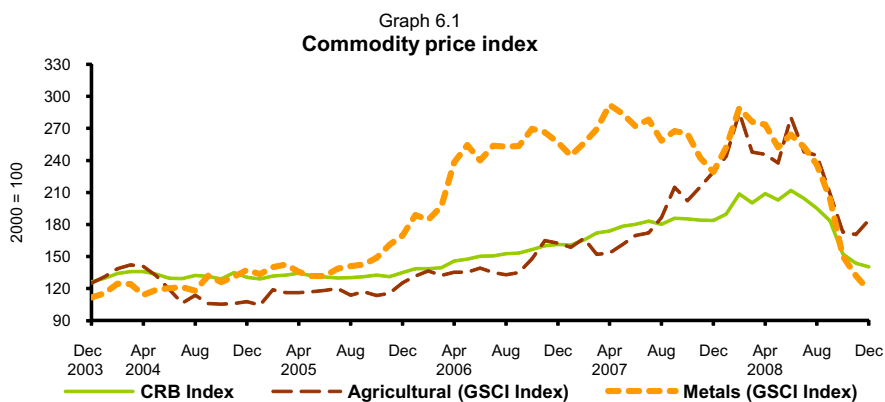
8.1% and 6.3%. In Japan, GDP contracted 0.7% in 2008, as opposed to the 2.4% growth observed in 2007, and the unemployment rate rose by 0.6 p.p., closing the year at 4.3%.

Among the major emerging economies, China's economic growth dropped from 13% in 2007 to 9% in 2008, while Russia and India grew by 5.6% and 7.1% in 2008, respectively, compared to 8.1% and 9% in 2007.

Commodities

In a scenario of continued expansion of world demand and persistent supply constraints, the international prices of major commodities kept, in the first half of 2008, the upward movement started in mid 2004, as evinced by the Commodity Research Bureau Index (CRB), which grew 16.4% in the year up to July 2. In the second half of 2008, due to the slowdown in world demand and, subsequently, to the effects of the international financial turmoil, commodity prices started to follow a downward trajectory, expressed in the 34.5% reduction registered by the CRB at the end of the year.

By analyzing the S&P GSCI commodity index measured by the Standard & Poor's and Goldman Sachs, the average prices of commodities declined by 42.8% during 2008, reflecting respective reductions of 48.5% and 19.7% for the segments of metal and farm commodities.

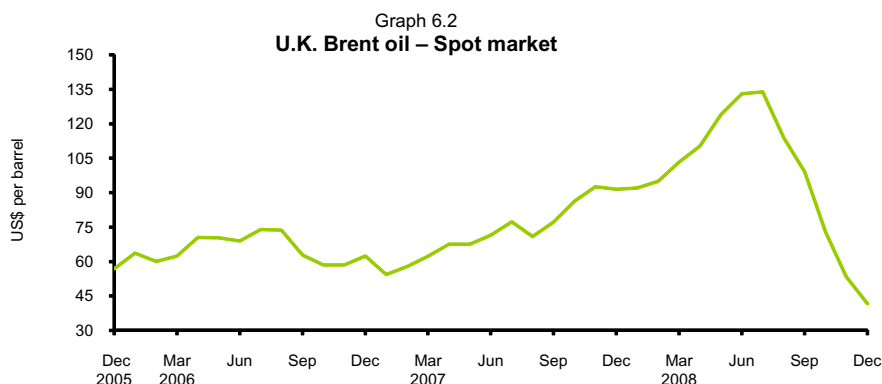


It should be highlighted the influence of large international investors in the recent trajectory of commodity prices. Until the first half of 2008, speculation and search for protection, both against inflation and dollar depreciation, pushed prices upward, thus putting additional pressure on the growth trajectory. As of July, with decreased leverage of financial institutions and contracted credit channels in developed economies, the downward trend of commodity prices was further accentuated, thus pressing large investors to liquidate their positions in the futures markets. The improvement, albeit moderate, of financial markets' liquidity, observed as of the second half of November, favored the reduction of this pressure, contributing to stabilize prices as of December.

Petroleum

Oil prices showed a sharp volatility in 2008, expressed in the trajectory of the average price of the Brent-type oil, which price per barrel fell by 55.5% in the year, to US\$41.76, after hitting a historic peak of US\$145.66 in July 3, representing a 55% growth over the final price registered in 2007.

Throughout the first half of the year, several factors contributed to pressure the commodity prices upward, highlighting the geopolitical conflicts in the Middle East, the limited expansion of production outside the Organization of Petroleum Exporting Countries (Opec), the reluctance of Opec itself to raise the production of its participants, the pressure of speculative investment funds on the futures market of petroleum, the weakening of the U.S. dollar against the major currencies, and the reduction of American stocks, which average level has risen from 321 million barrels per day (mbd) in the second half of 2007 to 310 mbd in the first half of 2008.



Source: Bloomberg

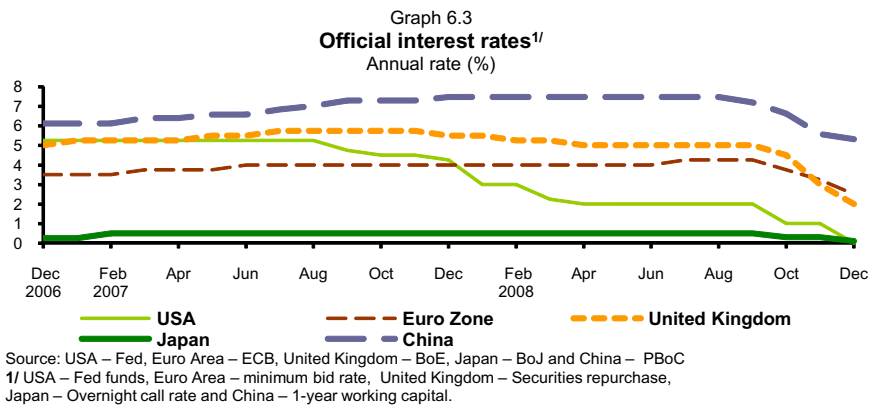
The downward price trajectory observed throughout the second half of the year reflected the impact of the slowdown in world economy on the demand of the product, which was not accompanied by corresponding cuts in production. In addition, speculation that had pushed these prices upward in the first half of the year started to act in the opposite direction, encouraging investors to reverse their long positions in the futures markets.

Monetary policy and inflation

Inflationary risks observed in the first half of 2008, when the evolution of commodity prices, particularly oil, exerted significant pressure on the behavior of prices in the global economy, were replaced, in September, by the financial markets crisis. In response to the crisis, which affected the credit channels, the global economic dynamism, and the

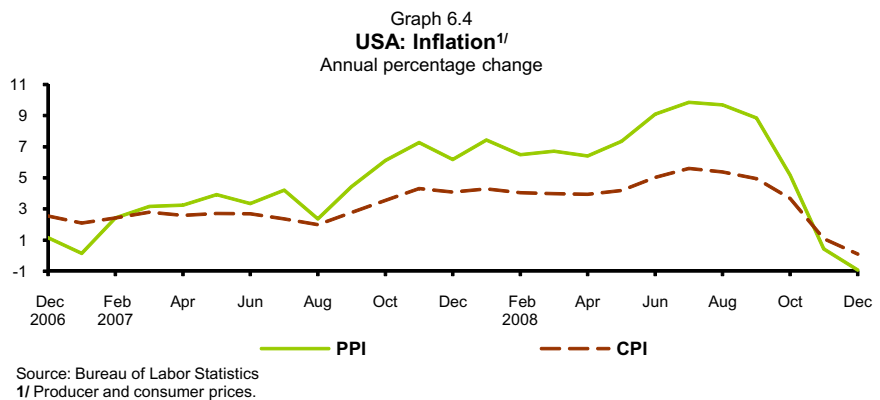
vigour of international trade and investments, the price of commodities began to follow a downward trajectory.

In this new environment, where the risks associated with the recession became more relevant than those related to inflationary pressures, central banks of major economies reversed the monetary tightening cycle that was utilized by combating inflation until the middle of the third quarter of 2008 by means of voluminous injections of liquidity and cutbacks in basic interest rates.



Similarly, reflecting the shortage of external financing, the depreciation of their currencies and the increasing cooling of foreign trade, central banks in emerging economies, primarily in Eastern Europe and Asia and more recently in South American economies, the region in which pressures inflationary persisted longer, began to relax their monetary policies.

In the U.S.A., the 12-month accumulated Consumer Price Index (CPI), after remaining stable at 4% in the first months of the year, reached 5.6% in July, and began to decline, in line with the recessive process experienced by the country, reaching 0.1% in December.



In this scenario of downward inflation rates and transmission of the effects of the financial market crisis to the real sector of the economy, the Fed, in addition to promote cutbacks in the basic interest rate – the Fed funds rate was reduced from 3% in January to a fluctuation band of between 0% and 0.25% per year in December – extended the aggressive character of its monetary policy by adopting the so-called monetary easing actions.

Accordingly, in March, the Fed established two new liquidity assistance programs, the Term Securities Lending Facility (TSLF), through which public securities are lent to primary dealers in exchange of mortgage papers classified as AAA but rendered illiquid by the crisis, and the Primary Dealer Credit Facility (PDCF), an instrument through which the program of money loans to primary dealers was set up, a sort of discount for institutions that do not necessarily hold commercial portfolios and thus are prevented from access to Term Auction Facility (TAF).

Moreover, the Fed expanded, in May, the volume, terms and the list of collaterals accepted (including mortgage-backed securities) in forward repurchase operations. With the aim of increasing the supply of dollars, the Fed extended the terms for each TAF auction and increased its volume to US\$150 billion. In order to reduce pressure on the U.S. dollar, the Fed, in coordination with 14 other central banks, expanded the supply of dollars offshore. Since October, the central banks of Europe (ECB), England (BoE), Switzerland (SNB) and Japan (BoJ) may count on an unlimited supply of dollars. Besides these central banks, Sweden, Norway, Denmark, Canada, Australia, New Zealand, Brazil, Mexico, South Korea and Singapore also benefited from swap lines, albeit at limited values.

In September, in a scenario of growing credit shortage, the Fed announced the repurchase of short-term bonds issued by the agencies Freddie Mac and Fannie Mae to primary dealers; established a mortgage refinancing program; introduced facilities for the purchase of high quality assets backed by commercial papers (ABCP) held by monetary market mutual funds, announced the introduction of a credit line for the purchase of commercial papers (CPFF); and started to offer guarantees for financing monetary market investors through acquisition of deposit certificates and commercial papers issued by institutions with high risk rating (MMIFF).

It is also worth mentioning that the U.S. Congress approved, in October, the Troubled Asset Relief Program (TARP), a program of US\$700 billion allowing the Treasury to purchase rotten assets in order to recapitalize the banking system. At first, the program contemplated institutions such as Goldman Sachs Group, Morgan Stanley, JPMorgan Chase and Bank of America.

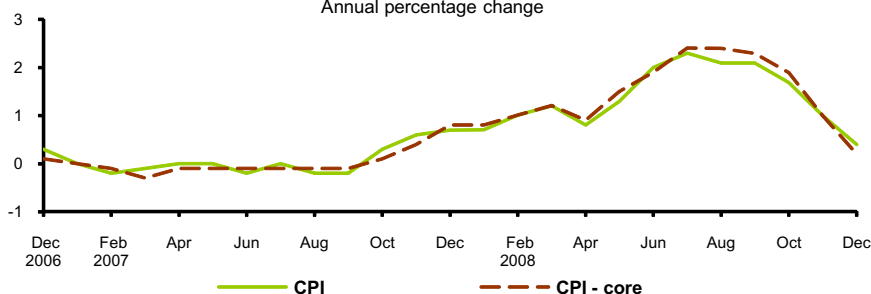
With the aim of stimulating consumption, the Fed introduced, in November, the Term Asset-Backed Securities Loan Facility (TALF), initially worth US\$200 billion. For this

program, the monetary authority is allowed to carry out non-recourse loans (in case of default, the creditor responsibility is limited to the receipt of the guarantee) for banks holding AAA-ABS (Mortgage-Backed Securities) backed by student loans, auto loans, loans channeled for small entrepreneurs, and loans granted by credit cards.

In Japan, despite the yen appreciation, consumer prices kept on an upward trajectory until July, when the 12-month accumulated CPI reached 2.3%, the highest rate since the mid-1990s, reflecting the pressure of food prices and petroleum. The cutback of commodity prices observed since the beginning of the second half of 2008 led to the reversal of inflation in Japan, which accumulated annual growth of 0.4% in December. This cutback, together with the negative prospects related to the evolution of economic activity, in view of reduced exports and domestic absorption, led the BoJ to revert the recently initiated policy of monetary standardization, reducing the overnight call rate to 0.30% p.y. in October and 0.1% p.y. in December, resuming the practice of quantitative easing, observed from 2001 to 2006.

BoJ and the government's fiscal area tried to respond more energetically when they realized that the financial crisis was also affecting the local economy. Still in March, with the aim of reducing the spread between the effective overnight call rate and the target established by the BoJ, the monetary authority injected ¥400 billion into the financial system. This action would be employed again several times in the year, for example, in September, when the total funds injected exceeded ¥6 trillion. Also in September, in coordination with the Fed, the BoJ introduced a currency swap line worth US\$60 billion, value that was doubled still in September and became unlimited in October. In addition, in December, in order to unblock the market for corporate financing and increase the stability of the financial market, the BoJ lowered from A to BBB- the minimum requirement for the acceptance of corporate bonds as collateral, announced the increase in monthly direct purchase of government bonus (JGB) from ¥1.2 trillion to ¥1.4 trillion, including securities 30-year securities, and from the perspective of quantitative easing, announced the direct purchase of commercial papers. It should be also highlighted that, on October 30, the government launched a new package for

Graph 6.5
Japan: Inflation^{1/}
 Annual percentage change



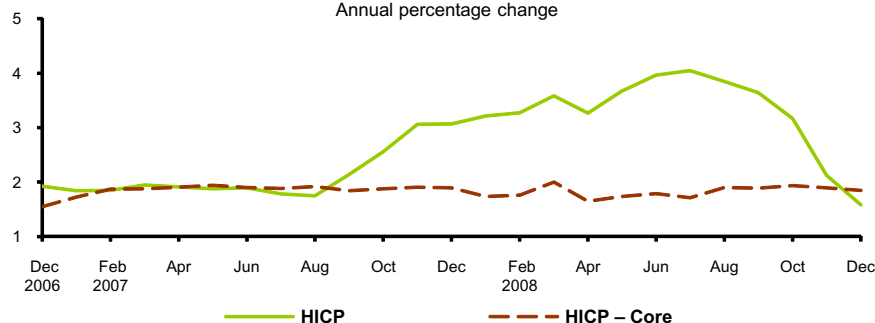
Source: Bloomberg
 1/ Consumer prices.

stimulating the economy, worth about ¥27 trillion, which includes tax cuts, support to small businesses, and recapitalization of the banking system.

In the Euro Area, the annual Harmonized Consumer Price Index (HCPI), influenced by the prices of food and energy, kept above 3% until October, after reaching the threshold of 4% in June and July, the highest rates of the historical series. The ECB, aiming at anchoring inflation expectations over the medium and long-term, maintained the basic interest rate unchanged throughout the first half of the year and increased it from 4% to 4.25% p.y. in July. However, in view of signs of a slowdown in economic activity in the first half of the year, the ECB, besides expanding the value of currency swap line with the Fed in the period, also increased the frequency of repo operations in order to inject more resources into the local financial system.

Throughout the second half of the year, in view of sluggish economic activity and more restrictive conditions in credit markets, the ECB rendered unlimited the aforementioned swap lines with the Fed, expanded the list of guarantees accepted in refinancing operations, and began to carry out forward auctions with terms of 28 and 84 days. In addition, it extended the easy access to fine tuning liquidity operations to small banks and, as of the disinflation process occurred in August, changed the trajectory of interest policy that, after three reductions, was set in 5% p.y. in December. During this period, the 12-month accumulated HCPI decrease to 1.6%. It should be also observed that, in a troublesome environment in the banking system as of September, the EU member countries increased the level of security for deposits of individuals and established basic rules to harmonize the fiscal stimulus packages that began to be announced

Graph 6.6
Euro Area: Inflation^{1/}
Annual percentage change

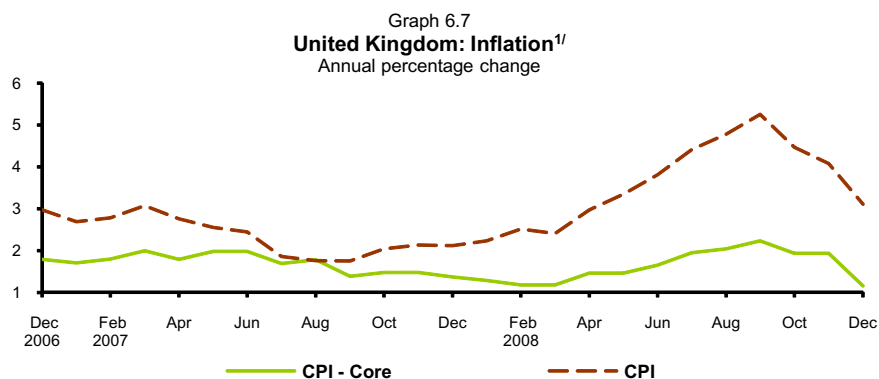


Source: Bloomberg
1/ Consumer prices.

In the UK, the 12-month accumulated CPI registered an upward trend until September, when it reached 5.2%, falling to 3.1% at the end of the year. The BoE, which have reduced the repo rate by 50 b.p. in the first half of the year in view of the slowdown in the country's economic activity, intensified the monetary easing process, cutting by an additional 300 b.p. the interest rate to 2% p.y., the lowest level since the institution's foundation. It should be highlighted that the flexibility introduced by the BoE in the

monetary policy was based on the perspective that the intensity of the economic activity slowdown would contribute to the convergence of inflation to the 2% target in the horizon of two years.

In order to neutralize the persistent credit shortage and the growing instability in the real estate market, the BoE increased, still in the first half of the year, the 3-month credit supply, intensifying the repo transactions. Moreover, the BoE introduced the Special Liquidity Scheme (SLS), a line of credit worth £50 billion to allow the banking system to exchange AAA mortgage assets, then illiquid, for British government bonds issued for this purpose. In order to reduce the effective overnight rate and expand market liquidity, throughout the year, the BoE injected a significant volume of funds into the financial system and expanded the list of acceptable collaterals in repo operations. In October, aiming to increase the supply of dollars, the Fed and the BoE rendered unlimited the dollar/pound swap line.



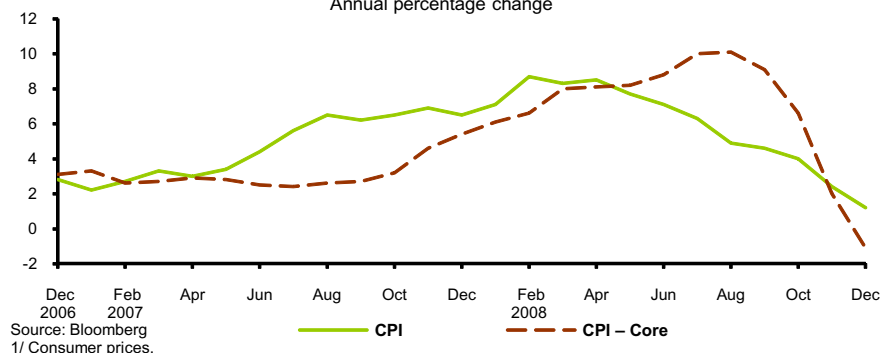
Source: Bloomberg
1/ Consumer prices.

In addition, aiming to enhance the credibility of the banking system, the Financial Services Authority (FSA) increased, also in October, the value of the guarantee on bank deposits from £35,000 to £50,000, and the Treasury launched a system recapitalization program which incorporated £50 billion for the purchase of preferential shares of those institutions that adhered to the program. The program also plans to use £250 billion to guarantee bonds issued by the banking industry to refinance debt, and £200 billion to extend the SLS. At the end of the year, the government announced a new fiscal stimulus package of nearly £30 billion, about 1% of GDP, which, through tax cuts, aimed at boosting consumer spending.

In China, the 12-month accumulated CPI kept on an upward trajectory until April, when the index, in response to pressures exerted by energy and food prices, reached 8.5%, a record for the last twelve years. In line with the downward trajectory of commodity prices, this variation started to fall in the following eight months, reaching 1.2% in December, the lowest value since August 2006.

The People's Bank of China (PBC) had distinct moments of action in 2008. During the first half of the year, still under the scenario of overheated economic activity and seeking to contain the excessive domestic liquidity, the PBC, while maintaining the benchmark interest rate at 7.47% p.y., gradually increased the rate of compulsory reserves to 17.5% and increased the issuance of bonds to promote the monetary sterilization. In parallel to this, the government allowed the acceleration of the process of Renminbi appreciation. From mid-year, in response to reversal of the inflation trend and the world economic scenario, which impacted progressively the local activity, in particular through the foreign trade channel, the PBC focused on the need to contain the pace of regional economic downturn. Thus, the PBC cut by 216 b.p. the benchmark interest rate, setting it at 5.31% p.y. in December, and reduced to 3 p.p. the compulsory rate, setting it at 14.5% in December 2008. In addition, the government introduced tax incentives of nearly US\$586 billion, particularly addressed to the improvement in the airport and railway infrastructure and the general conditions in the agricultural sector.

Graph 6.8
China: Inflation^{1/}
 Annual percentage change



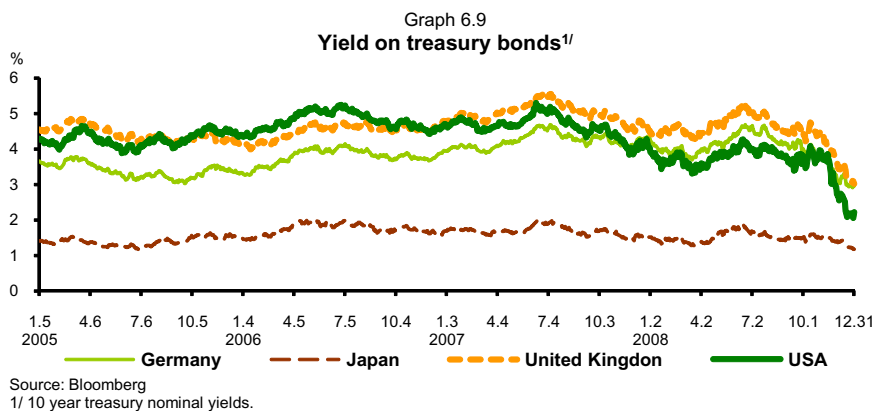
International financial markets

The worsening and spreading of the international financial crisis in the end of 2008 led to the rapid deterioration of global credit and capital markets. The scenario of credit shrinking and liquidity trap in the first half of 2008 turned into, as of September, a scenario of insolvency risk for major financial institutions, in particular in North America and Europe. Throughout the year, banks, stock brokers and insurance companies headquartered in the American, European and Asian continents as well as government-sponsored enterprises in the United States – Fannie Mae and Freddie Mac – announced losses and write downs of US\$974 billion, while US\$824 billion were raised in new capital³.

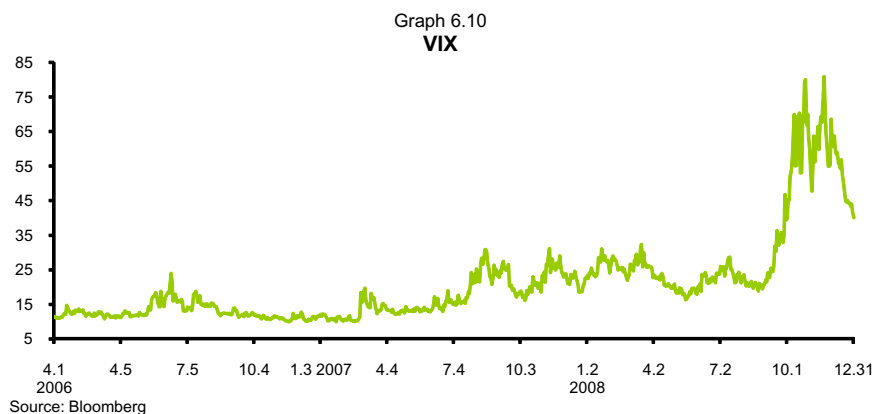
The set of measures adopted by major central banks and government interventions strengthening the capital structure of many institutions in order to face liquidity and

3/ According to a Bloomberg survey carried out on March 18, 2009.

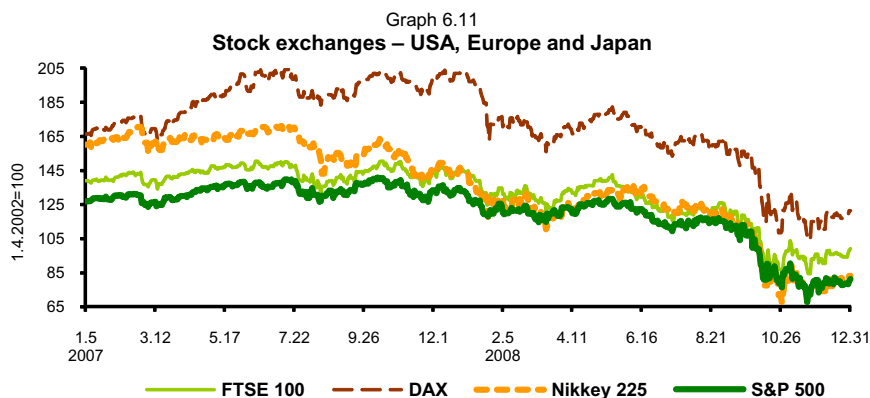
credit constraints was not sufficient to provide the reversal of the scenario of risk aversion. Investors began to reduce positions in the markets of greater risk, increasing the demand for long-term government papers, which, in an environment of less restrictive monetary policies, favored the maintenance of the downward trend of annual yields of government bonds registered in the period for major economies, which started in mid 2007. The annual yield of 10-year papers of the U.S. government dropped from 4.02%, at the end of 2007, to 2.21% in December 2008, a trend that was repeated for similar papers of Germany, from 4.30% to 2.95%; United Kingdom, from 4.50% to 3.02%; and in Japan, from 1.51% to 1.17%, always on the same basis of comparison.



The Chicago Board Options Exchange's Volatility Index (VIX) which measures the implied volatility of short-term Standard and Poor's (S&P 500) and is seen as an important tool for measuring risk aversion, rose from 22.5 to 40 points between late 2007 and 2008, registering intense volatility over the last quarter of 2008. On November 20, the VIX reached 80.9 points, the highest value of the series started in 1990, while the maximum value recorded earlier, in October 1998, following the crisis consequent upon the Russian default and the collapse of Long-Term Capital Management (LTCM), was 45.7 points. The average of the VIX hit 32.6 points in 2008, compared to 17.5 points in the previous year, contrasting with an average of 14.2 points registered between July 2003 and June 2007, a period characterized by high liquidity and low risk aversion.



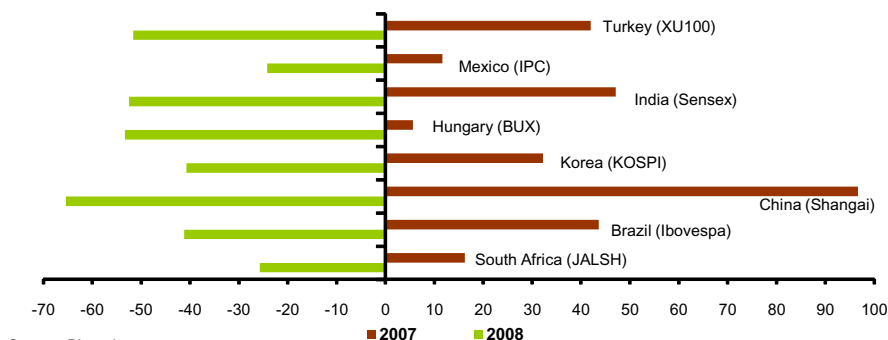
Stock market indicators reflected the increased aversion to risk and recent unfavorable results obtained by major emerging and mature economies financial and real sectors. The Nikkei index of Japan, Deutscher Aktienindex (DAX) of Germany, S&P 500 of the U.S.A. and the Financial Times Securities Exchange Index (FTSE 100) of the United Kingdom registered respective annual losses of 42%, 40%, 38%, 31%, results impacted fundamentally by the negative performances observed in the last quarter of the year, when the indicators declined, respectively, by 21%, 18%, 23%, and 10%.



Source: Bloomberg

Stock markets of emerging economies also faced significant losses in 2008, reflecting both the slowdown of economic activity and the downward trajectory of commodity prices, in addition to the process of liquidation of positions by foreign investors in emerging markets in order to cover losses in financial operations. The performance in the emerging markets was also negatively affected by additional losses attributed to foreign investors with the depreciation of local currencies against the U.S. dollar. It should be noted, in the year, the losses registered by the stock markets of China, 65%; Hungary, 53%; India and Turkey, both 52%; Brazil and South Korea, both 41%; and Mexico, 24%.

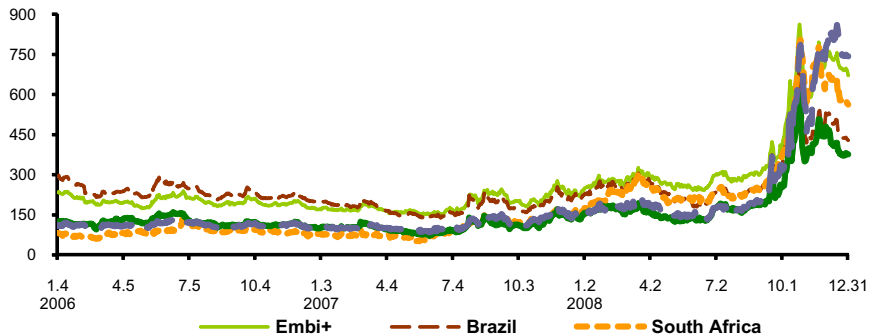
Graph 6.12
Stock exchanges – Emerging markets
Percentual change in 2007 and 2008 in local currency



Source: Bloomberg

Throughout 2008 and especially since the intensification of the crisis in the international financial markets, the Embi+ maintained the upward trend started in mid-2007. As a result of the improvement in macroeconomic fundamentals in most of emerging economies, the Embi+, notwithstanding the significant growth observed as of the worsening of the crisis, increased at relatively slower rates in comparison to those observed in response to the crises that occurred between 1997 and 1999, closing at 671 b.p. at the end of 2008, compared to 240 b.p. at the end of 2007. It should be noted that, since October 24, the spread associated to Brazil kept on a level lower than the average risk level assigned to emerging countries with investment grade. At the end of 2008, the corresponding indicators for Mexico, Brazil, South Africa and Russia reached, in the order, 376, 428, 562, and 743 b.p., compared to 164, 221, 149, and 147 b.p. at the end of the previous year.

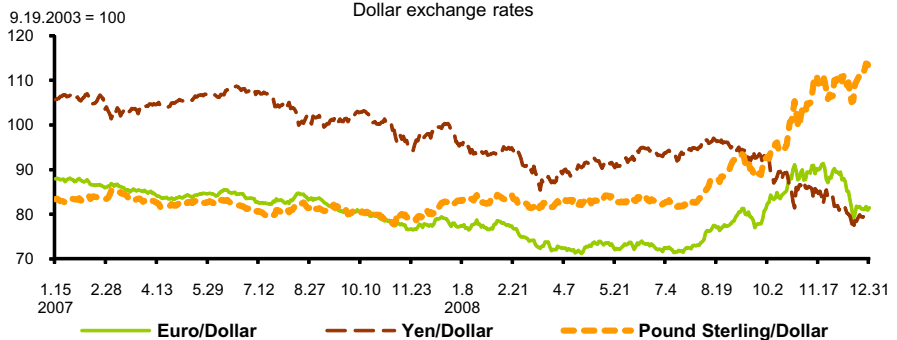
Graph 6.13
Emerging Markets Bond Index Plus (Embi+)



Source: Bloomberg

In 2008, the parity of the dollar *vis-a-vis* the currencies of major developed economies was also affected by the developments of the world financial crisis. In this sense, the increase in the risk aversion observed throughout the year has led to the flight to quality movement, expressed in an increased demand for U.S. government bonds and the consequent dollar appreciation against the euro and the pound sterling. On the opposite direction, the increase in risk aversion led to the dismantling of carry trade operations, financed to a great extent by Japanese currency, thus increasing the demand for the yen

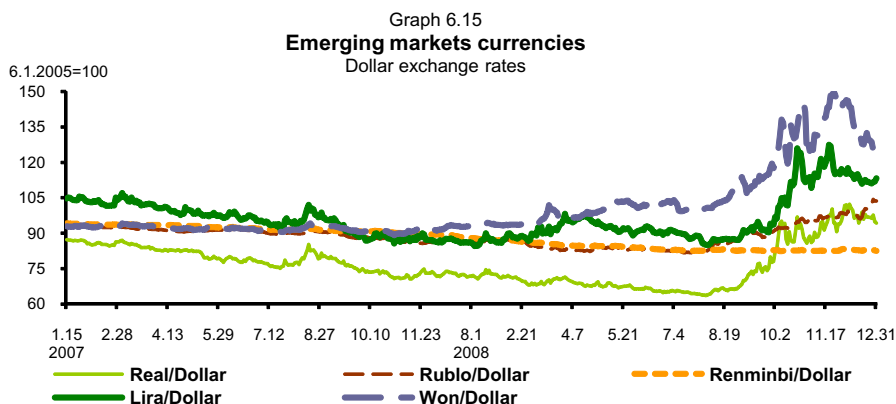
Graph 6.14
Developed countries
Dollar exchange rates



Source: Bloomberg

and reinforcing its appreciation against the U.S. dollar. In the year, the dollar appreciated against the pound sterling, 36%, and the euro, 4.4%, contrasting with the depreciation of 18.9% registered against the yen.

The evolution of the U.S. currency in relation to emerging countries, especially from mid-June, was influenced by the significant reduction of prices and exports of commodities, in a scenario of recession in mature economies and decline in world trade. In addition, financing conditions in those countries with current account deficits increased in the environment of the international credit crunch. In 2008, the dollar appreciated against the South Korean won, 34.7%; the Turkish lira, 31.6%; and the Russian ruble, 19.5%, as opposed to a depreciation of 6.5% against the China renminbi, which, until July, registered a trajectory of gradual appreciation against the dollar.





International Financial Organizations

International Monetary Fund (IMF)

Founded in 1945, the IMF had at the end of 2008 185 member countries. Its main functions are to promote international monetary cooperation; exchange stability; economic growth and high levels of employment besides providing temporary financial assistance to countries involved in processes of balance of payments adjustment and facilitate balanced expansion of international trade.

Furthermore, the organization monitors and analyzes the economies of member countries and also carries out on a regular basis several studies, among which the so-called “World Economic Outlook” (WEO) and the “Global Financial Stability Report” (GFSR), edited on a six-month basis.

The IMF also holds consultations as demanded by Article IV of its Articles of Agreement, concentrated on macroeconomic surveillance of each member country, normally on an annual basis, at the same time in which it carries out what are normally quarterly Program Reviews when a specific country is involved in a Financial Assistance Program sponsored by the Fund. Aside from the reports mentioned above, the IMF works together with the World Bank in the production of Reports on the Observance of Standards and Codes (ROSC), which are assessments of the degree to which countries have adopted internationally recognized codes and standards in 12 areas: data quality; monetary and financial policy transparency; fiscal transparency; bank supervision; equity market regulation; insurance market supervision; payments systems; fighting money laundering and terrorism financing; corporate governance; accounting; auditing; and, finally, insolvency and creditor rights.

Another important activity also performed in tandem with the World Bank is the Financial Sector Assessment Program (FSAP), a volunteer effort performed at the request of member countries. Besides elaborating the ROSC, FSAP applies stress testing in order to verify the degree of a member’s financial stability in the face of economic shocks, expressed in two summarized reports submitted to the IMF and World Bank Boards.

Regarding publication of economic data, 64 countries, including Brazil, had subscribed to the Special Data Dissemination Standard (SDDS) up to the end of 2008. The objective of the SDDS is to improve the availability in terms of coverage and timeliness of

economic and financial statistics thus contributing to the efficiency and robustness of the macroeconomic policies and the improvement of financial markets.

The IMF Agenda for 2008 favored the discussion of the international financial crisis, the revision of the credit instruments and the quotas reform. In the new macroeconomic environment, the IMF began to review its performance and enhance its instruments in order to contribute to the formulation of economic policies adopted by countries hit by the crisis and providing financial resources to facilitate efficiency. The IMF has also actively participated in discussions involving the construction of a new international financial architecture, especially the meetings of G-20.

Regarding lending instruments, the IMF intensified the process of reform of its credit lines in order to better serve the needs of member countries. In this context, in the scenario of the enhancement of restrictions in the credit markets, it was established the Short-Term Liquidity Facility (SLF), for countries well integrated into the global capital market and with a record of sound economic policies.

In April 2008 there was the reform of quotas in the Organization, incorporating three basic lines. The approval of the new quota formula⁴, the tripling of basic votes – with a guarantee of maintaining their participation in the total voting power – and the creation of two additional alternate directors for the African seats, and the 9.6% quota increase, which will raise Brazil's voting power from 1.38% to 1.72%. The reform has not yet been ratified, process that requires legislative approval in several member countries.

The need to empower the IMF as a provider of resources to member countries in the new environment experienced by the global economy was reflected in the discussions related to the quota increase associated with the redistribution in the representativeness of member countries, including the need to anticipate the XIV General Review of Quotas. The short-term solution to increase the loans capacity of IMF includes bilateral agreements with member countries with strong positions in the balance of payments.

Alongside the reform of quotas, it was approved in 2008, the new model of income from the IMF, which, in line with the objective to reduce reliance on revenue of the Office of the loans, based on the capacity to expand accounts Investment⁵ and Special Disbursements⁶, accounts in return for repayment to the account General Resources Account (GRA) of the administrative expenses of the Poverty Reduction and Growth Facility – Exogenous Shocks Facility Trust; and permission to sell 403 tons of gold

4/ The formula now becomes a single, non-linear compression of 0.95 and consisting of four variables: 50% GDP (with 40% measured the rate of PPP), 30% opening, 15% variability and 5% reserve.

5/ Account created in June 2006 by transferring resources from the IMF's precautionary reserves to allow the implementation of the Fund in assets from a country or an international agency that has low risk and provide returns above the expected rate for the SDR same period.

6/ Account that receives and invests the proceeds of the sale of IMF gold market and can make transfers to other accounts when there is consent of the Executive Board.

acquired after the Second Amendment of 1973 – the profit from these sales would be allocated in the Investment Account.

The total capital of the IMF remained at SDR217 billion at the end of 2008⁷, while total outstanding credit rose from SDR9.8 billion to SDR21.5 billion. The share of Brazil in the Fund reached SDR3.036 million, representing 1.4% of the total capital of the Organization⁸.

Group of 20 – G20

The G-20 is an informal forum that promotes debate between industrialized and emerging countries on key issues related to global economic stability. The G-20 supports world growth and development by strengthening the international financial architecture and opportunities for dialogue about national policies, international cooperation and international economic and financial institutions.

Created in response to financial crises that occurred in late 1990, the G-20 is formed by the Finance Ministers and Central Bank Governors from 19 countries⁹ and the rotating presidency of the EU Council and the European Central Bank. Also, to ensure simultaneous work with international institutions, the Managing Director of the IMF and World Bank President participate ex-officio in the meetings.

The presidency of the Group is annual and rotating among the members, and the presiding country in charge of establishing an interim secretariat during his office.

In order to avoid disruption of work, the G-20 is managed by a tripartite board, called Troika. This consists of the preceding country president, the current one and the following incumbent. In 2008, Troika was composed of South Africa, Brazil and the United Kingdom, presidents in 2007, 2008 and projected in 2009, respectively. In 2009, South Korea, who will take on the chairmanship of the G-20 in 2010, he joined the troika, replacing South Africa

Responsible for the Brazilian presidency, the Central Bank of Brazil and the Ministry of Finance developed and carried out the G-20 activities during the year, with an emphasis on defining the work program of the forum, the organization of technical workshops and meetings, developing and managing the annual version of the site on the Internet Group.

7/ If the reform of quotas from April 2008 is ratified, the total capital of the IMF will be SDR238 billion.

8/ If the ratification of the reform of quotas in April 2008, the shares of Brazil will be SDR4,250 billion, with participation of 1.78% of total capital.

9/ South Africa, Germany, Saudi Arabia, Argentina, Australia, Brazil, Canada, China, South Korea, France, India, Indonesia, Italy, Japan, Mexico, Russia, Turkey, United Kingdom and United States.

Two new subjects were included in the agenda in 2008: “Clean Energy” and “Competition in the Financial Sector.” The work program was also complemented with the continuity of themes “Reform of International Financial Institutions” and “Fiscal Space”, started in 2007 under the leadership of South Africa were held also in 2008, two meetings of alternate governors and a meeting of Finance Ministers and Central Bank Governors of the G-20.

The G-20 developed a study group called Global Credit Market Disruptions, which analyzed the causes of the financial turmoil that began in the advanced economies, and the mechanisms for their transfer to developing countries. The report, published by year’s end, focused on the unfolding financial system between August 2007 and October 2008.

Also in response to the international financial crisis, however, one should notice the extraordinary Summit meeting in Washington with the participation of heads of state of the Group when it was established a plan of action that should be used as a guideline to the discussions of the G-20 in 2009, divided into short and medium term goals. In order to allow for the simultaneous combat to the crisis in different areas, the plan consisted of four working groups: regulation and transparency, international cooperation on regulation and surveillance, IMF reform, and reform of multilateral development institutions.

In response to the new format of the world economy, the G-20 began to assume the post of principal forum in which to determine the global economic and financial guidelines, a place previously occupied by the G-7. This aspect highlights the significant role that developing countries have come to play in the international debate.

Bank for International Settlements

The Bank for International Settlements (BIS) is an international organization founded in 1930 with the principal role of fostering international financial and monetary cooperation, acting as a forum for coordinating processes among central banks and the financial community; as a monetary and financial research center; and as fiduciary agent in international operations carried out by central banks.

The Central Bank of Brazil is a shareholder of the BIS since March 25, 1997, with 3,000 subscribed shares in the amount of SDR15 million, representing 0.55% of total capital of the organization

The BIS coordinates committees and organizations charged with the task of fostering financial stability. Among these, one should cite the Basel Banking Supervision Committee, the Committee on Payment and Settlement Systems, the Committee on

the Global Financial system and the Market Committee. These Committees were founded in the course of the 40 years by central banks of the G-10¹⁰ countries and have considerable autonomy in structuring their agendas and activities.

The BIS also plays the role of Secretariat for the Financial Stability Forum (FSF), which was created in 1999 with the objective of the debating questions regarding strengthening of the international financial architecture and fostering cooperation among national authorities and international organizations and regulating agencies.

Among the activities carried out regularly by the BIS, mention should be made of the Global Financial System Committee and the debates held in the framework of the Committee on Payments and Settlement Systems, which operates in a partnership with the International Organization of Securities Commissions (IOSCO), with the aim of fostering security in payments systems, strengthening market infrastructure and reducing systemic risk.

The Basel Banking Supervision Committee continued its efforts to strengthen prudential supervision of banking institutions, adopt more transparent practices in financial records, and provide encouragement so that the banking system will move forward in the area of risk evaluation.

Finally, with respect to its role as the Bank of central banks, BIS offers a variety of banking services, designed specifically to aid in management of reserve positions. Approximately 140 institutions, including several central banks, have made use of this service. On average, approximately 6% of overall international reserves have been invested in BIS by central banks in recent years.

Besides the Annual General Meeting, which usually occurs in June, are held bimonthly, high-level technical meetings, restricted to central bank governors, and at most one more special advisor. These meetings, considered the most important of the institution, allow open discussions, frank and informal on the evolution and prospects of the world economy and financial markets, promoting exchanges of views and experiences on various issues related to the activities of the monetary authority and providing, thus improving the understanding of participants regarding the challenges faced by the global economy.

In June 2008, was held the first meeting of the Consultative Council for the Americas (CCA), which comprises the governors of central banks of Argentina, Brazil, Canada, Chile, Mexico and USA, besides representatives of the BIS. The creation of the CCA was based on similar experience of the Asian Consultative Council (ACC), established

10/ Group of industrialized countries comprising Germany, Belgium, Canada, United States, France, Holland, Italy, Japan, Sweden and Switzerland.

in 2001 and formed by the central banks of Asia and the Pacific, members of the BIS. Brazil was the host for the last bimonthly meeting of 2008 and the second meeting of the CCA, which occurred in November in Sao Paulo, shortly after the G-20.

Latin American Center of Monetary Studies

The Latin American Center of Monetary Studies (Cemla) was created in 1952 as a civil association domiciled in Mexico City. Its specific objectives are the fostering of a better understanding on monetary and banking issues in Latin America and the Caribbean, together with questions of pertinence to the fiscal and exchange policies of the member countries; assistance in the training of central bank' staff and other financial entities in Latin America and the Caribbean; research and systematization of results in the areas mentioned above; and dissemination of information to members on facts of international and regional relevance in the framework of monetary and financial policies.

Cemla is currently composed of 50 institutions, including 30 central banks with voting power and active voice in deliberations. The other institutions are distributed among collaborating members and assistant members, both of which have active voice but no voting power.

Cemla is governed by the Assembly of Governors and the Board of Governors assisted by the Alternates Committee and the Audit Committee.

In 2008, the Central Bank of Brazil took over the chairmanship of the Audit Committee and participated in the definitions of administrative and regulatory changes that favor the improvement of governance in Cemla, structuring a set of technical and administrative norms governing from the management of the institution to the investment of financial resources from its pension fund. Discussions were initiated to define an internal control model to be applied to Cemla and also the formatting of a database of human resources.



Main Economic Policy Measures

Laws

11,647, dated 3.24.2008 – Estimated the revenue of the Union for the financial year 2008 amounting to R\$1,424,391 million and set the spending in the same value. The amount includes:

- a) the Fiscal Budget for Union Branches, its funds, agencies and entities of direct and indirect Federal Public Administration, including foundations instituted and maintained by the Government;
- b) the Social Security Budget covering all agencies and entities linked to it, of direct and indirect Federal Public Administration, as well as funds and foundations created and maintained by the Public Branch; and
- c) the Investment Budget of the companies in which the Union, directly or indirectly holds the majority of shares with voting rights.

11,651, dated 4.7.2008 – Gave new wording to articles 1 and 2 of Law no. 10,841, dated 2.18.2004, which authorized the Union to exchange Treasury's Financial Certificates, and paragraph 1 of Article 15 of Law no. 3,890-A, dated 4.25.1961, which authorized the Union to set up the company Centrais Elétricas Brasileiras S.A. (Eletrobrás).

11,653, dated 4.7.2008 – Dealt with the Pluriannual Plan for the period 2008/2011.

11,665, dated 4.29.2008 – Changed Article 41 of Law no. 8,213, dated 7.24.1991, in order to anticipate part of the payment of welfare and care benefits under the responsibility of the National Social Security Institute (INSS) for the last five days of that month to which they correspond, starting in December 2007 (conversion of Provisional Measure no. 404, dated 12.11.2007).

11,688, dated 6.4.2008 (conversion of Provisional Measure no. 414, dated 1.4.2008) – Authorized the Union to grant credit to the National Bank for Economic and Social Development (BNDES), in the amount of R\$12,500 million under financial and contractual conditions to be defined by the Ministry of Finance.

11,709, dated 6.19.2008 (conversion of Provisional Measure no. 421, dated 2.29.2008) – Set at four hundred and fifteen reais (R\$415.00) the minimum wage, effective from March 1, 2008.

11,726, dated 6.23.2008 – Dealt with the extension of Tax System for Incentives to Port Structure Modernization and Expansion (Reporto), established by Law no. 11,033/2004, and amended Laws no. 1,033/2004 and no. 9,433/1997. Conversion into Law of Provisional Measure no. 412/2008.

11,727, dated 6.23.2008 (conversion of Provisional Measure no. 413, dated 1.3.2008) – Raised from 9% to 15% the rate of Social Contribution on Net Corporate Profits (CSLL) charged of financial institutions and private insurance and capitalization companies. Furthermore, it established the incidence of a concentrated contribution to the Contribution to Social Security Financing (Cofins) and the Social Integration Program (PIS/Pasep) in the production and marketing of alcohol, and provided for tax measures to stimulate investment and modernization of the tourism sector.

11,732, dated 6.30.2008 – Changed Law no. 11,508/2007, which provided for the tax, foreign exchange and management system of the Export Processing Zones, and Law no. 8,256/1991 which set up free trade areas in the municipalities of Boa Vista and Bonfim in the Roraima state, and revoked provisions of Law no. 11,508/2007. Conversion into Law of Provisional Measure no. 418/2008.

11,768, dated 8.14.2008 – Provided for the directives for the elaboration and execution of Budget Law of 2009 and adopted other measures.

11,773, dated 9.17.2008 – Provided for the calculation of income tax at source levied on income from provision of international road transportation of cargo received by autonomous carrier individual residing in the Republic of Paraguay, considered as a sole proprietorship in that country

11,774, dated 9.17.2008 (conversion of Provisional Measure no. 428, dated 5.12.2008) – Changed the federal tax legislation designed to promote private investments, the investments in scientific and technological research, the productivity of domestic industries and the participation of Brazilian exports on the international market.

11,775, dated 9.17.2008 (conversion of Provisional Measure no. 432, dated 5.27.2008) – Established measures to encourage the settlement or regularization of debts originating from rural credit operations and land credit, and adopted other measures.

11,786, dated 9.25.2008 – Authorized the Union to participate in the Guarantee Fund for Shipbuilding (FGCN) for the formation of its assets and changed Laws no. 9,365/1996, 5,662/1971, 9,019/1995, 11,529/2007, 6,704/1979, and 9,818/1999. Conversion into law of Provisional Measure no. 429/2008.

11,787, dated 9.25.2008 – Reduced to zero the rates of the Contribution to Social Integration Program/Program of Civil Service Asset Formation (PIS/Pasep) and

Contribution to Social Security Financing (Cofins) on the import and sale on the domestic market of wheat flour, wheat and common bread and exempted from the Extracharge on Freight (AFRMM) loads of wheat and flour until 12.31.2008, amending Laws no. 10,925/2004, 10,893/2004, 10,560/2002, 10,637/2002, and 10,833/2003. Conversion into law of Provisional Measure no. 433/2008.

11,793, dated 10.6.2008 – Dealt with the provision of financial assistance by the Union, amounting to R\$3.25 billion, to the States, the Federal District and Municipalities, in 2008, with the objective of promoting exports of the country.

11,803, dated 5.11.2008 (conversion of Provisional Measure no. 435/2008) – Changed Law no. 10,179, dated February 6, 2001, which provides for the use of the financial surplus at December 31, 2007.

11,805, dated 11.6.2008 (conversion of Provisional Measure no. 439/2008) – Constitutes a source of additional resources amounting to R\$15 billion to expand the operational limits of the National Bank for Social and Economic Development (BNDES).

11,827, dated 11.20.2008 – Changed Laws no. 10,833/2003 and no. 11,727/2008, in relation to the Industrialized Products Tax (IPI), the Contribution to Social Integration Program/Program of Civil Service Asset Formation (PIS/Pasep) and Contribution for the Financing of Social Security (Cofins) incidents both domestically and in the importation of products of Chapters 21 and 22 of Industrialized Products Tax Table (TIPI), approved by Decree no. 6,006/2006, Law no. 10,451/2002, Provisional Measure no. 2,158-35/2001, and Law no. 11,774/2008, and revoked the provisions mentioned therein. Conversion into law of Provisional Measure no. 436/2008.

11,887, dated 12.24.2008 – Created the Brazil Sovereign Fund (BSF), a special fund of accounting and financial nature, of the Ministry of Finance, with the objective of promoting investments in assets in Brazil and abroad, to form public savings, mitigate the effects of business cycles and promote projects of strategic interest of the country located abroad.

11,897, dated 12.30.2008 – Estimated revenue and set the spending of the Union for the financial year 2009. Total revenue was estimated at R\$1,581.4 billion, distributed as follows: Fiscal Budget, R\$669.7 billion, Social Security Budget, R\$386.2 billion, and refinancing of the federal public debt, R\$525.5 billion.

Provisional Measures

413, dated 1.3.2008 – Defined measures to stimulate investments and modernization of the tourism sector, to strengthen the system of tariff protection in Brazil, to establish the

concentrated incidence of the Contribution to Social Integration Program/Program of Civil Service Asset Formation (PIS/Pasep) and Contribution for the Financing of Social Security (Cofins) in the production and marketing of alcohol, amended Article 3 of Law no. 7,689, dated 12.15.1988, among other measures. It was instituted the incidence of income tax at source, the contribution to PIS/Pasep and Cofins in remittances abroad for payments to charter, lease or rent of sea boats or inland waterway for the transportation of people for tourism purposes.

414, dated 1.4.2008 – Authorized the Union to grant credit to the National Bank for Economic and Social Development (BNDES) of twelve billion five hundred million dollars (R\$12,500,000,000.00) in financial and contractual terms to be defined by the Ministry of Finance. The financial surplus existing in the Treasury at the close of the fiscal years may be targeted to cover this credit.

418, dated 2.14.2008 – Changed Law no. 11,508, dated July 20, 2007, which provides for the tax system, foreign exchange and administration of Export Processing Zones, and Law no. 8,256, dated November 25, 1991, which established free trade areas in the state of Roraima, among other measures.

421, dated 2.29.2008 – Set at four hundred and fifteen reais (R\$415.00) the minimum wage effective as of March 1, 2008.

428, dated 5.12.2008 – This Provisional Measure, which makes part of the Productive Development Policy (PDP) changed the federal tax legislation designed to promote, under a relevance and urgency character, private investments, the investments in research in science and technology, the productivity of domestic industry and the participation of Brazilian exports in the international market to expand production capacity, meet growing demand for consumer goods and increase the competitiveness of the national productive sector. Among the measures adopted, it should be noted the following:

- a) shortening of the period for the recovery of credits relating to capital goods, Contribution to Social Integration Program/Program of Civil Service Asset Formation (PIS/Pasep) and Contribution for the Financing of Social Security (Cofins) ;
- b) suspension of the requirement of Contribution to PIS/Pasep and Cofins in case of sale or importation of fuel oil for the coastal shipping and port and sea support;
- c) reduction to zero of the PIS/Pasep and Cofins on imports and on sale in the domestic market, parts and components for use in the construction, maintenance, modernization and conversion of vessels registered in the Brazilian Special Register;
- d) easing of the requirements for joining the Special Taxation System for the Information Technology Services Export Platform (Repes);
- e) easing of the requirements for joining the Special Capital Goods Acquisition System for Exporting Companies (Recap);
- f) immediate depreciation for the sector of capital goods used in the development of technological innovation;

- g) extension of Tax Regime to the Tax System for Incentives to Port Structure Modernization and Expansion (Reporto) to the railway logistics network;
- h) extension of the deadline for payment of Industrialized Product Tax (IPI) – from ten days to monthly – by the automotive sector;
- i) reduction to zero of the rate of income tax levied on expenditure of installment abroad of exports logistics services;
- j) extension of the accelerated depreciation from 2008 to 2010 (right to use the credit for the Social Contribution on Net Corporate Profits (CSLL) at a rate of 25% over book depreciation of machinery, equipment, tools and equipment for the new plant and equipment and employees in the manufacturing process of the buyer;
- k) permission for the software companies to reduce in double, the basis of calculation of Income Tax – Corporations (IRPJ) and CSLL, expenditure on training of own staff;
- l) reduction in employer contribution levied on the payroll (from 20% to up 10%) and contribution to the “System – S (from 3% to zero), by the companies providing information technology (IT) and information and communications technology (ICT).

429, dated 5.12.2008 – Authorized the Union to participate in the Guarantee Fund for Shipbuilding (FGCN) for the formation of its assets and changed Laws no. 9,019/1995, 11,529/2007, 6,704/1979 and 9,818/1999. This measure integrates the Productive Development Policy (PDP).

432, dated 5.27.2008 – Established measures to encourage the settlement or adjustment of debts originating from loans and credit rural land, and made other provisions.

433, dated 5.27.2008 – Reduced to zero the rates of the Contribution to Social Integration Program/Program of Civil Service Asset Formation (PIS/Pasep) and Cofins on importation and marketing of domestic flour wheat and common bread and exempted from the Extracharge Freight (AFRMM) loads of wheat and flour until 12.31.2008.

435, dated 6.26.2008 – Provided for the securities portfolio held by the Central Bank of Brazil for the purpose of conducting monetary policy on the financial results of operations with stocks and currency derivatives on the systematic payment and securities clearing involving Brazil’s currency in foreign transactions and on the use of financial surplus of renewable resources in the National Treasury on 12.31.2007.

436, dated 6.26.2008, corrected on 7.3.2008 – Changed Laws no. 10,833/2003, 11,727/2008, related to the Tax on Industrialized Products (IPI), the Contribution to Social Integration Program (PIS/Pasep) and Contribution to Social Security Financing (Cofins), which are charged both on domestic market and on the import of products of Chapters 21 (Miscellaneous edible preparations) and 22 (Beverages, spirits and

vinegar) of the Schedule of Industrialized Products Tax Table (TIPI) approved by Decree no. 6,006/2006, and revoked the provisions of Laws no. 10,833/2003 and 11,727/2008.

439, dated 8.29.2008 – Established an additional source of funds for expansion of operational limits of the National Bank for Economic and Social Development (BNDES). Authorized the Union to grant credit to BNDES, amounting to fifteen billion reais (R\$15,000,000,000.00) under financial and contractual terms to be defined by the Ministry of Finance.

440, dated 8.29.2008 – Provided for the restructuring of the remuneration composition of the careers of Audit Internal Revenue Service of Brazil and Labor Fiscal Audit; the careers of the legal and government management area, the careers of the Central Bank of Brazil, the Superintendence of Private Insurance (Susep), the Securities Commission (CVM), Institute of Applied Economic Research (Ipea), among others.

441, dated 8.29.2008 – Provided for the restructuring of the remuneration composition of the careers of Chancellery Officer and Chancellery Assistant; and the plan of careers and positions of the Oswaldo Cruz Foundation (Fiocruz), the National Department of Transportation Infrastructure (DNIT), the Superintendence of the Manaus Free Zone (Suframa), the Brazilian Tourism Company (Embratur), the Brazilian Institute of Environment and Renewable Natural Resources (Ibama), the National Indian Foundation (Funai), the National Institute of Metrology, Standardization and Industrial Quality (Inmetro) and other agencies of the federal public administration.

442, dated 10.6.2008 – Provided for the rediscount operations by the Central Bank of Brazil, authorized the issuance of Leasing Bills (LAM), and adopted other measures.

443, dated 10.21.2008 – Authorized the Bank of Brazil S.A. and the Caixa Econômica Federal to establish subsidiaries and purchase participation in financial institutions headquartered in Brazil and adopted other provisions.

445, dated 11.6.2008 – Authorized the Union to exempt the Caixa Econômica Federal from the payment of part of the dividends and interest on own equity for the years 2008 to 2010, which would be payable in an amount to be determined by the Ministry of Finance.

446, dated 11.7.2008 – Provided for the certification of social welfare charities, regulated the procedures for exemption from social security contributions, and made other provisions.

447, dated 11.14.2008 – Extended for ten days the deadline for payment of Industrialized Products Tax, Income Tax Withholding and social security contribution, and for five

days, the period of collection of the Social Integration Program and Contribution to Social Security Financing (PIS/Cofins).

449, dated 12.3.2008 – Authorized the subdivision of outstanding debts overdue up to 12.31.2005, in the amount up to R\$10,000; offered an incentive to the closure of judicial and administrative proceedings arising from improper use of credits from the Industrialized Products Tax; granted the forgiveness of debts to the National Treasury which on 12.31.2007 were overdue for five or more years and which total consolidated value, as of that date, is equal or less than R\$10 thousand.

450, dated 12.9.2008 – Authorized the Union to collect US\$2 billion from the Bank for International Reconstruction and Development (IBRD), to transfer to the National Bank for Economic and Social Development (BNDES); authorized the Union, in a final form, to use the excess revenues and the financial surplus for repayment of the federal debt; authorized the Union to participate in the Guarantee Fund for Electric Energy Undertakings, whose purpose is to provide guarantees to companies for specific purposes.

451, dated 12.15.2008 – Added two new ranges of values and respective rates (7.5% and 22.5%) to the progressive scale of Income Tax of Individuals, which will be effective from January 1, 2009. In addition, it extended to the areas of free trade the same tax treatment regarding the Contribution to Social Integration Program/Program of Civil Service Asset Formation (PIS/Pasep) and Contribution for the Financing of Social Security (Cofins) awarded to the Manaus Free Trade Zone, and made other provisions.

452, dated 12.24.2008 – Gave new wording to Law no. 1,887, dated 12.24.2008, which created the Brazil Sovereign Fund (BSF), and made other provisions. It was included the raising of funds for the BSF through the issuance of government bonds.

Decreets

6,339, dated 1.3.2008 – Changed the rates of Tax on Credit, Exchange and Insurance, or relating to Bonds or Securities (IOF). Set additional rate of 0.38% on exports, the production of support or encouragement to exports, and advances in foreign exchange contract for export. The IOF on the value entered in the country arising from or destined to currency loans with minimum terms of up to 90 days increased from 5% to 5.38% on currency exchange services related to the import and export of goods and services, the rate was fixed at 0.38%.

6,345, dated 1.4.2008 – Changed Decree no. 6,306, dated 12.14.2007, which regulated the Tax on Credit, Exchange and Insurance, or relating to Bonds or Securities (IOF). For operations for the fulfillment of managing credit card or commercial banks or

multiple, as card issuers of credit cards, resulting from the acquisition of goods and services from abroad made by its users, it was decided increase in the rate of IOF from 2% to 2.38%; for the exchange operations of interbank nature among institutions of the National Financial System authorized to operate in the foreign exchange market between themselves and foreign financial institutions, it was defined a zero rate, and for other foreign exchange transactions, rate of 0.38%.

6,367, dated 1.30.2008 – Set the financial charges of funding granted with resources from the Constitutional Financing Funds of the North, Northeast and Center-West, dealt with in Art. 1 of Law no. 10,177, dated 1.12.001.

6,374, dated 2.18.2008 – Provided for the implementation of the Fifty-ninth Additional Protocol to the Economic Complementation Agreement no. 18 between Argentina, Brazil, Paraguay and Uruguay, on business transactions in local currencies.

6,380, dated 2.20.2008 – Provided for the exclusion of Banco do Estado de Santa Catarina S. A. (Besc) and Besc S.A. Crédito Imobiliário (Bescr) of the National Privatization Program.

Without number, dated 2.25.2008 – Created the Program Territories of Citizenship, to be implemented jointly by various federal government agencies responsible for the implementation of actions aimed at improving living conditions, of access to public goods and services and opportunities for social and economic inclusion for people living in the countryside.

6,386, dated 2.29.2008 – Regulated art. 45 of Law no. 8,112, dated 12.12.1990, and provided for the processing of payroll-deducted loans within the Integrated Human Resource Management (Siape).

6,391, dated 3.12.2008 – Changed Decree no. 6,306/2007, which regulated the Tax on Credit, Exchange and Insurance, or relating to Bonds or Securities (IOF), and revoked, with effect from 3.17.2008, the section XXIII of art. 8 and item VI, § 1, art. 15 of Decree no. 6,306/2007. Established the rate of 1.5% of the IOF in the settlement of exchange operations for inflow of resources in the country, held by foreign investors in fixed income investments, with effect from 3.17.2008. For investments in variable income it was maintained at zero rate of IOF. Furthermore, it reduced from 0.38% to zero the additional rate of IOF on foreign exchange transactions relating to export earnings from goods and services.

6,394, dated 3.12.2008 – Provided for the budget and financial operations of entities, funds and agencies of the Executive Branch until the publication of the Budget Law of 2008, amended the Decree no. 6,025, dated 1.22.2007, which established the Growth Incentive Program (PAC) and its Management Committee, and adopted other measures.

6,416, dated 3.28.2008 – Changed Decree no. 6,144/2007, which regulates the modalities of eligibility and co-eligibility to the Special System of Incentives for Infrastructure Development (Reidi) established by arts. 1 to 5 of Law no. 11,488/2007.

6,418, dated 3.31.2008 – Promulgated the Agreement to Facilitate Corporate Activities in Mercosur, approved by Decision of the Mercosur Common Market Council (CMC) no. 32/2004, issued by the XXVII Meeting of the Mercosur Summit, held in Belo Horizonte, on 12.16.2004.

6,419, dated 4.1.2008 – Added a provision to sub item I of Article 328 of Decree no. 4,543/2002, which regulated the administration of customs activities, and the inspection, control and taxation of foreign trade operations. In the case of temporary admission, payment of taxes on imports and on industrial goods, in proportion to their length of stay in the customs territory does not apply on goods destined for transport activities, handling, transfer, storage and regasification of liquefied natural gas included in the list to be established by the Brazilian Federal Revenue.

6,426, dated 4.7.2009 – Reduced to zero the rates of Contribution to the Social Integration Program (PIS/Pasep) of the Contribution to Social Security Financing (Cofins) Contribution to the PIS/Pasep – Import and Cofins – Import of the products mentioned.

6,429, dated 4.14.2008 – Gave new wording to sub items I and II of Article 1 of Decree no. 5,435, dated 4.26.2005, which defined the limits dealt with in section II and paragraph 5 of Article 3 of Law n. 10,188, dated 2.12.2001.

6,433, dated 4.15.2008 – Instituted the Management Committee of the Tax on Rural Property (CGITR) and provided for the form of option dealt with in sub item III, paragraph 4 of article 153 of the Constitution, by the Municipalities and the Federal District, for purposes of inspection and collection of Rural Land Tax (ITR), and took other measures.

6,439, dated 4.22.2008 – Provided for the budget and financial programming and established a monthly schedule of disbursement of the Executive Branch for the year 2008. The accumulated goals of primary surplus of the Central Government (National Treasury and Social Security) for the first, second and third four-month periods of the year were set, respectively, at R\$33.6 billion, R\$54.4 billion and R\$62.4 billion. The limits of operations and commitment of resources under the responsibility of the units and organs of the executive power were set at R\$110 billion, which represents a contingency of R\$19.2 billion, compared to the amount approved in the budget law.

6,446, dated 5.2.2008 – Reduced the value of the Contribution on Intervention in the Economic Domain (Cide) levied on the sale of gasoline from R\$0.28 to R\$0.18 per liter, and on the sale of diesel, from R\$0,2007 to R\$0.03 per liter.

6,451, dated 5.12.2008 – Established that the micro and small businesses that opt for the Special Unified Tax and Contribution Collection System to be utilized by micro and small businesses (Simples Nacional) may be under the Supplementary Law no. 123, dated December 14, 2006, a simple consortium, indefinitely, with the object of purchasing and selling goods and services for domestic and international markets.

6,452, dated 5.12.2008 – Changed Decree no. 3,937, dated September 25, 2001, regulating Law no. 6,704, dated October 26, 1979, which dealt with the Export Credit Insurance.

6,453, dated 5.12.2008 – Changed Decree no. 6,306/2007, which regulated the Tax on Credit, Exchange and Insurance Operations, or Stock and Bond Operations (IOF). Reduced to zero the tax rate for loans made with funds from the Special Industrial Financing Agency (Finame) and National Bank for Economic and Social Development (BNDES), or even its financial agents, as well as through the public company, Financier of Studies and Projects (FINEP). Moreover, the IOF rate on the operations of exchange inflow of funds in the country, including through simultaneous operations carried out by foreign investors, was set on 1.5% (one point five percent), except for variable income investments.

6,461, dated 5.21.2008 – Gave new wording to articles 1 and 3 of Decree no. 5,630/2005, which provided for the reduction to zero of the rates of contribution to the Social Integration Program/Training Program Heritage Civil Servants (PIS/Pasep) and Contribution for Social Security Financing (Cofins) levied on imports and domestic marketing of fertilizers, pesticides and other agricultural products, as dealt with in Art. 1 of Law no. 10,925/2004, based on changes to Law no. 11,488/2007.

6,468, dated 5.30.2008 – Changed Annexes to Decree no. 6,439, dated 4.22.2008, which provided for the budget and financial planning, and established a monthly schedule of disbursement of the Executive Branch for the year 2008.

6,480, dated 6.11.2008 – Promulgated the Montevideo Protocol on Trade in Services of Mercosur, concluded Montevideo on 12.15.1997, accompanied by its four Sectoral Annexes, adopted by Decision no. 9/1998 of the Common Market Council of Mercosur, on 7.23.1998, and the Initial Schedule of Specific Commitments in Brazil, approved by Decision no. 9/1998 of the Common Market Council on 7.23.1998.

6,486, dated 6.17.2008 – Provided for the implementation of the Act of Correction, dated 3.20.2007, of the Economic Complementation Agreement no. 62 between Brazil, Argentina, Paraguay, and Uruguay, Member Countries of the Mercosur, and Cuba.

6,491, dated 6.26.2008 – Readjusted by around 8%, effective as of July, the benefits paid to families enrolled in the Bolsa Família Program.

6,500, dated 7.2.2008 – Provided for the execution of the Thirtieth-eighth Additional Protocol of the Economic Complementation Agreement no. 14 between Argentina and Brazil, concerning the Agreement on the Common Automotive Policy.

6,518, dated 7.30.2008 – Provided for the implementation of the Sixtieth Eighth Protocol to the Economic Complementation Agreement no. 2, signed between Brazil and Uruguay on 7.17.2008, concerning the Bilateral Automotive Agreement between Brazil and Uruguay.

6,519, dated 7.30.2008 – Changed the spending limits of the Executive Branch, provided for in Decree no. 6,439, dated 4.22.2008 (budgeting and financial planning), and authorized the Secretaries of State for Planning, Budget and Management, and Finance, to constitute a reserve of R\$14.2 billion to be allocated to Sovereign Fund in Brazil, after its creation, according the bill sent to the National Congress.

6,525, dated 7.31.2008 – Provided for the anticipation to the month of August, of the annual bonus due to the insured and dependent on Social Security in 2008.

6,526, dated 8.1.2008 – Changed the Bylaws of the National Bank for Economic and Social Development (BNDES) approved by Decree no. 4,418/2002. BNDES was authorized to establish subsidiaries abroad under the authorization in the sole paragraph of art. 5 of Law no. 5,662, dated 6.21.1971.

6,565, dated 9.15.2008 – Provided for the tax measures applicable to donations in kind received by public financial institutions controlled by the Union and for the prevention, monitoring and combating of deforestation and promoting conservation and sustainable use of Brazilian forests.

6,566, dated 9.15.2008 – Reduced from 0.38% to zero the rate of Tax on Credit, Exchange and Insurance Operations, or Stock and Bond Operations (IOF) incident on foreign exchange transactions stemming from donations in kind received by public financial institutions controlled by the Union and to conservation actions of Brazilian forests.

6,573, dated 9.19.2008 – Set a coefficient for reduction of specific rates of Social Integration Program/Program of Civil Service Asset Formation (PIS/Pasep) and Contribution for the Financing of Social Security (Cofins) levied on the gross revenue earned on the sale of alcohol and determined the levels of claims that these contributions can be deducted on the acquisition of ethanol additives to gasoline.

6,579, dated 9.25.2008 – Provided the execution of the Sixtieth Additional Protocol to the Economic Complementation Agreement no. 18 between Argentina, Brazil, Paraguay and Uruguay, Member States of Mercosur, dated 5.12.2008. Extended the deadline for incorporation of special import regimes, as defined in Article 2 of Decision no. 14/2007 of the Council of the Common Market.

6,581, dated 9.26.2008 – Gave new wording to provisions of Decree no. 5,789/2006, which relates the capital goods supported by the Special Capital Goods Acquisition System for Exporting Companies (Recap), and revoked Decree no. 5,908/2006.

6,582, dated 9.26.2008 – Established the relationships of machinery, equipment and goods dealt with in § 7 and 8 of article 14 of Law no. 11,033/2004, which apply to the Tax System for Incentives to Port Structure Modernization and Expansion (Reporto), and revoked Decree no. 5,281/2004.

6,589, dated 1.10.2008 – Altered the Budget and Financial Programming and set a new monthly schedule for disbursement of the Executive Branch for the year 2008. The changes were related to the revaluation of current revenues, which showed growth of R\$8 billion compared to the July estimate.

6,597, dated 10.6.2008 – Provided for the granting of bonuses and rebates on the financing costs and investment, contracted under the National Program for Strengthening Family Agriculture (Pronaf) in the municipalities of Mato Grosso do Sul, where contractors were affected by containment measures of foot and mouth disease.

6,613, dated 10.22.2008 – Changed Decree no. 6,306/2007, which regulates the Tax on Credit, Exchange and Insurance Operations, or Stock and Bond Operations (IOF). Reduced to zero the IOF rate on settlement of foreign exchange transactions relating to transfers to and from abroad, including by means of simultaneous operations carried out by foreign investor, for application in financial markets and capital, as regulated by the National Monetary Council (CMN).

6,628, dated 11.4.2008 – Approved the Statute of the Financing Guaranty Fund, dealt with Law no. 11,524, dated September 24, 2007.

6,634, dated 11.5.2008 – Provided for the National Council of Export Processing Zones (CZPE), dealt with Article 3 of Law no. 11,508, dated July 20, 2007, and took other measures.

6,643, dated 11.18.2008 – Changed Decree no. 60,459, dated 3.13.1967, which provides for the Export Credit Insurance.

6,644, dated 11.18.2008 – Provided for the reduction to zero of the rates of contribution to the Social Integration Program and the Program of Civil Service Asset Formation (PIS/Pasep) and Contribution for the Financing of Social Security (Cofins), levied on the gross receipts from the sale of vehicles and vessels for the transport to schools for basic education in the state, municipal and district, when acquired by the Union, States, Municipalities and Federal District.

6,662, dated 11.25.2008 – Regulated art. 5 of Law no. 11,727, dated June 23, 2008, which allows for the restitution or compensation for amounts withheld at source under the Contribution to Social Integration Program and the Program of Civil Service Asset Formation (PIS/Pasep) and Contribution to Social Security Financing (Cofins).

6,687, dated 12.11.2008 – Reduced the Industrialized Product Tax (IPI) levied on the sale of cars and trucks, to run from December 15, 2008 until March 31, 2009.

6,691, dated 12.11.2008 – Reduced the rates of the Tax on Credit, Exchange and Insurance Operations, or Stock and Bond Operations (IOF) levied on credit operations with individuals.

6,701, dated 12.18.2008 – Regulated Articles 11 and 12 of Law no. 11,774, dated 9.17.2008, which provided for the accelerated depreciation.

6,704, dated 12.19.2008 – Regulated Article 10 of Law no. 9,493/1997, which imposed the suspension of the Industrialized Product Tax (IPI) in the acquisition, performed by Brazilian shipyards, materials and equipment, including parts, components and, for employment in construction, maintenance, modernization, conversion or repair of vessels pre-registered or registered in the Brazilian Special Registry (REB).

6,707, dated 12.23.2008 – Regulated Articles from 58-A to 58-T of Law no. 10,833, dated 12.29.2003, included in Article 32 of Law no. 11,727, dated 6.23.2008, dealing with the Industrialized Product Tax (IPI), the Contribution to Social Integration Program and the Program of Civil Service Asset Formation (PIS/Pasep) and Contribution for the Financing of Social Security (Cofins), domestic and import products from Chapters 21 and 22 of Table of Incidence of IPI (TIPI), and made other provisions.

6,713, dated 12.29.2008 – Authorized the payment of quotas from the Fund for Fiscal Investment and Stabilization in the amount of R\$14.2 billion.

Legislative Decree of the Federal Senate

262, dated 09.19.2008 – Approved the text of the Protocol of Amendment to the Agreement on Aspects of Intellectual Property Rights Related to Trade (Trips) of the World Trade Organization, adopted by the General Council of that Organization, on 12.6.2005.

National Monetary Council Resolutions

3,528, dated 1.14.2008 – Established an additional period, until April 30, 2008, for the procurement of loans under the terms of the special credit line called the Financing of Agribusiness Receivables (FRA).

3,529, dated 1.18.2008 – Changed Art. 9-I of Resolution no. 2,827, dated March 30, 2001, which provides for the extension of the deadline for the contracting of loans in the Federal Government Housing Program (Pró-Moradia) and the Financing Line of the National Bank Economic and Social Development for Integrated Multi-Sectoral Projects (PMI).

3,530, dated 1.31.2008 – Changed the formula for calculating the Reference Rate (TR).

3,531, dated 1.31.2008 – Changed Resolution no. 3,188/2004, authorizing cooperative banks to receive deposits of rural savings. This change allows the hiring of any company, including credit union, for the provision of services to raising funds on behalf of rural cooperative banks, under the terms of the rules on the establishment and operation of credit unions and on recruitment of correspondents in the country.

3,532, dated 1.31.2008 – Changed provisions of Resolution no. 3,444/2007, which defines the Base Capital (PR), which is the concept of equity used for the verification of compliance with operational limits to be complied with by financial institutions. The main amendment regards the possibility of inclusion in the PR of hybrid instruments with debt and equity option clause for repurchase by the issuer, whether or not combined with changes in their financial burden if not exercised the option, provided they meet certain requirements. Among those requirements is a minimum of ten years from the date of authorization for the instrument to integrate the PR and the first date of exercise of the repurchase option.

3,533, dated 1.31.2008 – Established procedures for classification, registration, accounting and disclosure of transactions of sale or transfer of financial assets, depending on definitions set forth in Resolution no. 3,534. The accounting treatment will follow the criteria of risk transfer and, in an incidental manner, transfer of control. Thus, they should be classified for accounting and record sales or transfers of financial assets according to the following categories: operations with substantial transfer of risks and benefits; operations with substantial retention of risks and benefits, and retention or transfer operations without substantial risks and benefits. The assessment on the sale or transfer of risks and benefits of ownership of financial assets is the responsibility of the institution and must be made on the basis of consistent and verifiable criteria.

3,534, dated 1.31.2008 – Defined the following terms for purposes of recording accounting: financial instrument, financial asset, financial liability, equity instrument, fair value and transfer of control of financial assets.

3,535, dated 1.31.2008 – Dealt with the procedures for the recognition, measurement and disclosure of provisions, contingent liabilities and contingent assets.

3,536, dated 1.2.2008 – Contingency of credit to the public sector: changed art. 9-J of Resolution no. 2,827, dated March 30, 2001, added by Resolution no. 3,453, dated April 26, 2007; expanded the limit for the hiring of loans under the Caminho da Escola Program.

3,537, dated 1.2.2008 – Authorized the granting of additional time until March 31, 2008, for borrowers to make the payment, kept benefits agreed upon for timely payments of the installments maturing in the period from January 1 to March 30, 2008, relating to the operations that make up rural indebtedness specified in this resolution, and made other provisions.

3,538, dated 1.2.2008 – Authorized the granting of additional time for the payment debts related to funding of operating expenses, collection and storage of coffee crop of years 2005/2006 and 2006/2007, under the terms of the Coffee Economy Defense Fund (Funcafé).

3,539, dated 2.28.2008 – Redefined rules on securities lending by chambers and providers of clearing and settlement services. Established the indispensable conditions for these operations the existence of prior authorization in writing of the holders of securities object of the lending and brokering by a brokerage firm or distributor of securities. As collateral for the loan, the borrower must offer as collateral, assets accepted by the Board or service provider of clearing and settlement. This resolution also established jurisdiction for the Securities Commission adopt the regulatory measures necessary for the operationalization of this loan service.

3,540, dated 2.29.2008 – Provided for the declaration of goods and assets held abroad by individuals or legal entities resident, domiciled or headquartered in Brazil

3,541, dated 2.28.2008 – Added the state of Rondonia as a coverage area of the Price Guarantee Program for Family Agriculture (PGPAF) for milk.

3,542, dated 2.28.2008 – Changed arts. 9-B and 9-I of Resolution no. 2,827, dated March 30, 2001. Extended the limits for the loan of credit operations for the implementation of environmental sanitation activities and operations under the Federal Government Housing Program (Pró-Moradia) and the Integrated Multi-Sectoral Projects (PMI).

3,543, dated 2.28.2008 – Provided for the applications of resources guaranteeing the technical provisions of an insurance company and local reinsurer in foreign currency on the applications of technical reserves of insurance of export credit and about the applications of the resources required in the Country for the warranty of the obligations of the admitted reinsurer.

3,544, dated 2.28.2008 – Provided for the revocation of the provisions applicable to the environment and compensation of enterprises conducted by utilizations of the technique of “tillage” under the Farm Activity Guarantee Program (Proagro).

3,545, dated 2.29.2008 – Changed MCR 2-1 to establish the requirement of documentation proving environmental regularity and other constraints, for financing agriculture in the Amazon Biome.

3,546, dated 29.2.2008 – Redistributed resources from the Program for Modernization of Agriculture and Natural Resources Conservation (Moderagro) to the Cooperative Development Program for Adding Value to Farming Production (Prodecoop).

3,547, dated 3.12.2008 – Provided for foreign exchange simultaneous hiring, in the situations specified therein, at the time of the internal transfers between non-resident investors. Became subject to the hiring of foreign exchange transactions the transfers of investments made by non-resident investor with resources entering from 3.17.2008, held in equities on a stock exchange or commodities and futures exchange, as regulated by the National Monetary Council (CMN) and the acquisition of shares in a public offering registered with the Securities and Exchange Commission (CVM) or in the subscription of shares, for applications in other assets available in the financial and capital markets.

3,548, dated 3.12.2008 – Changed Resolution no. 3,389/2006, which provided for the receipt of the value of Brazilian exports. Established that Brazilian exporters of goods and services can keep abroad a full collection of resources related to their exports.

3,549, dated 3.27.2008 – Provided for the raising of savings deposits. The institutions authorized to receive deposits from rural savings can raise savings deposits in the framework of the Brazilian System of Savings and Loans (SBPE) authorized by the Central Bank of Brazil to constitute real estate loan portfolio and reporting to the monetary authority the start of collection of savings deposit under the SBPE. In turn, the SBPE member institutions are allowed to raise savings deposits from rural areas provided that they are authorized by the Central Bank to operate in rural credit and report the beginning of the raise of these deposits to the monetary authority. The above institutions are required to observe the mandatory direction set for the funds raised in savings deposits under SBPE and rural savings deposits, according to the regulations in force.

3,550, dated 3.27.2008 – Fixed at 6.25% p.y. (six point twenty-five per cent per year) the Long-Term Interest Rate (TJLP) in effect during the period April 1 to June 30, 2008, inclusive.

3,551, dated 3.28.2008 – Changed item VII of paragraph 1 of Article 9 of Resolution no. 2,827, dated 3.30.2001.

3,552, dated 3.27.2008 – Changed the provisions of MCR 4-3 for the financing of the fishing activity.

3,553, dated 3.27.2008 – Reallocated resources from the Program of Modernization of the Farm Tractor Fleet and Like Implements and Harvesters (Moderfrota) for the Program of Cooperative Development for Aggregating Value to Crop/Livestock Production (Prodecoop).

3,554, dated 3.27.2008 – Provided for the definition of the operational agent in the sale of government stocks of coffee.

3,555, dated 3.27.2008 – Changed Article 1 of Resolution no. 3,537, dated 31.1.2008, to extend the period of coverage referenced therein.

3,556, dated 3.27.2008 – Due to the consolidation promoted, it consolidated the rules of the resources allocated to rural credit in Chapter 6 of the Rural Credit Manual (MCR) and set standards for Farm Activity Guarantee Program (Proagro).

3,557, dated 3.27.2008 – Provided for the application of resources of technical provisions of funds for local reinsurers.

3,558, dated 3.27.2008 – Changed the wording of § 1 of Article 3 of Resolution no. 3,456, dated June 1, 2007.

3,559, dated 3.27.2008 – Changed the provisions of the Rural Credit Manual, Chapter 10 (MCR-10) for financing under the terms of the National Program for Strengthening Family Agriculture (Pronaf).

3,560, dated 4.15.2008 – Included art. 9-K of Resolution no. 2,827, dated March 30, 2001, establishing funding line of National Bank for Economic and Social Development (BNDES) for procurement of credit transactions under the Highway Intervention Program (Provias).

3,561, dated 4.15.2008 – Changed the provisions of the Rural Credit Manual, Chapters 3 and 4.

3,562, dated 4.24.2008 – Provided for the weighting factor on the balance of loans for agricultural funding with funds raised through rural savings deposits, dealt with in Section 6-4 of the Rural Credit Manual (MCR 6-4), for purposes of compliance with the due date.

3,563, dated 4.24.2008 – Authorized the granting of additional time for payment of benefits for investment operations and parcel of operations costing.

3,564, dated 5.29.2008 – Provided for adjustments in the norms of Chapter 6 of the Rural Credit Manual (MCR) and made other provisions.

3,565, dated 5.29.2008 – Established procedures for accounting of revaluation of properties for own use by financial institutions and other institutions authorized to operate by the Central Bank of Brazil.

3,566, dated 5.29.2008 – Provided for procedures for the recognition of measurement and disclosure of losses on the recoverable value of assets.

3,567, dated 5.29.2008 – Provided for the formation and operation of companies with credit to micro-entrepreneurs and small business.

3,568, dated 5.29.2008 – Improved, simplified and consolidated the foreign exchange rules and procedures. Enabled the institutions of the National Financial System authorized to operate in the exchange market to hire, under a contract:

- i) legal entities in general to negotiate the implementation of unilateral transfers, as defined by the Central Bank;
- ii) legal entities listed in the Ministry of Tourism, to carry out foreign currency operations in cash, checks or traveler's checks, or manual transmission;
- iii) financial institutions and other institutions not authorized to deal in foreign exchange for the performance of unilateral transfers, purchase and sale of foreign currency in cash, checks or travelers checks, manual currency exchange. Negotiations previously mentioned were limited to US\$3 thousand per transaction.

Moreover, banks authorized to operate in the exchange market, except development banks, were authorized to make foreign exchange transactions with banks overseas, receiving and giving, in contrast, real kind. It dismissed the submission of documentation in the purchase and sale of foreign currency up to the equivalent of US\$3 thousand but maintained the need for customer identification. The Central Bank was authorized to establish simplified forms for recording transactions up to the equivalent of US\$3 thousand and raised in line with recent changes introduced by Instruction no. 846, dated 5.12.2008, of the Brazilian Federal Revenue, of US\$20 thousand to US\$50 thousand the limit for the exchange transaction simplified import and export held by nonbank financial institutions. This resolution will be effective as of 7.1.2008, when Resolution

no. 3,265/2005 and its subsequent amendments, as well as Resolution no. 3,452/2007, will be revoked.

3,569, dated 5.29.2008 – Provided for credit limits for operating expenses and harvesting of coffee in the financing under the terms of the Coffee Economy Defense Fund (Funcafé).

3,570, dated 5.29.2008 – Changed provisions in the Annex to Resolution no. 3,559, dated 3.27.2008, to promote adjustments in the operational standards of the National Program for Strengthening Family Agriculture (Pronaf).

3,571, dated 5.29.2008 – Established s deadline for hiring until September 30, 2008 and established weighting factors on the balance of the contracted operations under the Financing of Agribusiness Receivables (FRA).

3,572, dated 5.29.2008 – Established deadlines and additional provisions for effecting the provisions contained in Articles 1, 2, 5, 6 and 7 of the Provisional Measure no. 432, dated May 27, 2008.

3,573, dated 5.29.2008 – Established deadlines and additional provisions for effecting the provisions contained in Articles 29 and 30 of Provisional Measure no. 432, dated May 27, 2008.

3,574, dated 5.29.2008 – Established deadlines and additional provisions for effecting the provisions contained in Articles 3 and 4 of the Provisional Measure no. 432, dated May 27, 2008.

3,575, dated 5.29.2008 – Established deadlines and additional provisions for effecting the provisions contained in Articles 10 and 11 of Provisional Measure no. 432, dated May 27, 2008.

3,576, dated 5.29.2008 – Established deadlines and additional provisions for effecting the provisions contained in Articles 12 and 13 of Provisional Measure no. 432, dated May 27, 2008.

3,577, dated 5.29.2008 – Established deadlines and additional provisions for effecting the provisions contained in Articles 14 and 22 of Provisional Measure no. 432, dated May 27, 2008.

3,578, dated 5.29.2008 – Established deadlines and additional provisions for effecting the provisions contained in Articles 15, 16, 17 and 18 of Provisional Measure no. 432, dated May 27, 2008.

3,579, dated 5.29.2008 – Provided for the individualization of rural credit operations backed by the National Program for Strengthening Family Agriculture (Pronaf), liquidation and renegotiation of operations to support the Special Program of Credits to Agrarian Reform (Propera) and changed Resolution no. 3,407, dated September 27, 2006.

3,580, dated 5.29.2008 – Provided for the terms and conditions for effecting the provisions contained in Articles 24, 25 and 26 of Provisional Measure no. 432, dated May 27, 2008.

3,581, dated 6.16.2008 – Provided for the establishment of the additional rate of the Farm Activity Guarantee Program (Proagro) for insertion in the operations program for costing of canola under the terms of the Agricultural Zoning of Climate Risk.

3,582, dated 6.30.2008 – Set at 6.25% p.y. (six point twenty-five per cent per year) the Long Term Interest Rate (TJLP) in effect during the period July 1 to September 30, 2008, inclusive.

3,583, dated 7.1.2008 – Provided for adjustments in the norms of rural credit.

3,584, dated 7.1.2008 – Set the target for inflation and its tolerance range for the year 2010.

3,585, dated 7.2.2008 – Provided for credit limits for operating expenses and harvesting of coffee in the financings under the terms of the Fund for the Coffee Economy Defense Fund (Funcafé).

3,586, dated 7.2.2009 – Defined weighting factors for compliance with the requirements of the Rural Credit Manual (MCR) 6-2 in relation to transactions entered into in terms of the National Program for Strengthening Family Agriculture (Pronaf) and Rural Employment and Income Generation Program (Proger Rural).

3,587, dated 7.2.2008 – Changed the terms of the Farm Activity Guarantee Program (Proagro) – 2008/2009 harvest.

3,588, dated 7.2.2008 – Instituted under the National Bank for Economic and Social Development (BNDES), the Program for Incentive to Sustainable Agricultural Production (Produsa), and promoted adjustments in the rules of investment programs of the Program of Incentives to Irrigation and Storage (Moderinfra), the Program of Agricultural Modernization and Conservation of Natural Resources (Moderagro) of the Program of Modernization of the Farm Tractor Fleet and Like Implements and Harvesters (Moderfrota), the Program of Commercial Planting of Forests (Propflora) and Program of Cooperative Development for Aggregating Value to Crop/Livestock Production (Prodecoop).

3,589, dated 7.2.2008 – Changed provisions contained in the Annex to Resolution no. 3,559, dated 3.27.2008, to promote adjustments in the operational norms of the National Program for Strengthening Family Agriculture (Pronaf).

3,590, dated 7.2.2008 – Provided for adjustments in the norms of rural credit.

3,591, dated 7.3.2008 – Provided for the Price Guarantee Program for Family Agriculture (PGPAF) for the 2008/2009 crop.

3,592, dated 3.7.2008 – Instituted, in the framework of the National Program for Strengthening Family Agriculture (Pronaf), a special line of credit investment for food production (Pronaf Mais Alimentos).

3,593, dated 7.31.2008 – Changed the provision related to the development banks.

3,594, dated 7.31.2008 – Promoted adjustments to the norms of Current Expenditures Credits and the National Program for Strengthening Family Agriculture (Pronaf).

3,595, dated 7.31.2008 – Promoted adjustments in the norms of investment programs under the terms of the resources of the National Bank for Economic and Social Development (BNDES).

3,596, dated 7.31.2008 – Established conditions for special credit line with economic support by the Union, for funding and loans to companies in the sectors of ornamental stones; wood processing; financing to leather; footwear and leather goods; textiles among other products.

3,597, dated 8.29.2008 – Changed provisions of Resolutions no. 3,575, 3,576, 3,577 and 3,578, all dated May 29, 2008.

3,598, dated 8.29.2008 – Changed the terms of the Farm Activity Guarantee Program (Proagro) – 2008/2009 harvest.

3,599, dated 8.29.2008 – Promoted adjustments in the basic conditions of rural credit.

3,600, dated 8.29.2008 – Changed norms of the National Program for Strengthening Family Agriculture (Pronaf).

3,601, dated 8.29.2008 – Provided for credit limits for operating expenses and the coffee harvest in funding to support the Fund for the Coffee Economy Defense Fund (Funcafé).

3,602, dated 8.29.2008 – Provided for the weighting factors within the reach of renegotiations based on MCR 2-6-9, deadlines of current expenditures operations of agriculture business and revoked provision of Resolution no. 3,537, dated 1.31.2008.

3,603, dated 8.29.2008 – Changed norms of the mandatory resources and the investment programs under the National Bank for Economic and Social Development (BNDES).

3,604, dated 8.29.2008 – Provided for the procedures for the preparation and publication of the Statement of Cash Flows (DFC).

3,605, dated 8.29.2008 – Established procedures for accounting records of capital reserves and profit reserves, as well as profits or losses by financial institutions and other institutions authorized to operate by the Central Bank of Brazil.

3,606, dated 9.11.2008 – Changed regulation annexed to Resolution no. 3,198/2004, which provides for the rendering of independent audit services for financial institutions and other institutions authorized to operate by the Central Bank of Brazil and for the chambers of providers of clearing and settlement services.

3,607, dated 9.11.2008 – Provided for the liabilities of rural credit application in support of mandatory resources (MCR 6-2) and rural savings (MCR 6-4) – collection and transfer of resources from deficiencies ascertained during the period 2007/2008.

3,608, dated 9.11.2008 – Provided for the Local Currency Payments System (SML), under the bilateral agreement signed between the Central Bank of Brazil and the Central Bank of Argentina. The SML is a computerized system through which transfers of funds relating to the receipt of income from Brazilian exports to Argentina and the payment of Brazilian imports from Argentina can be made, in reais and Argentine pesos, respectively, and recorded the corresponding orders and made the compensation due.

3,609, dated 9.29.2008 – Defined the Long Term Interest Rate (TJLP) for the last quarter of 2008.

3,610, dated 9.29.2008 – Provided for weighting factors for compliance with the due and sub-claims of 6-2 MCR in respect of transactions entered into in terms of the National Program for Strengthening Family Agriculture (Pronaf), and set new percentage for sub-claims of applications in Pronaf from the 2009/2010 harvest.

3,611, dated 9.29.2008 – Authorized the granting of additional time for payment of investment operations.

3,612, dated 9.30.2008 – Changed provisions of Resolutions no. 3,572, 3,573, 3,574, 3,575, 3,577, 3,578, 3,579 and 3,580, all dated May 29, 2008.

3,613, dated 9.30.2008 – Changed Article 3 of Resolution no. 3,524, dated December 20, 2007, to extend the period for the maintenance of state of normality of operations under the terms of the Recovery Program for the Bahia Cocoa Crop.

3,614, dated 9.30.2008 – Changed the terms of the Farm Activity Guarantee Program (Proagro) – 2008/2009 crop.

3,615, dated 10.2.2008 – Provided for the calculation of the exposure limit per customer, dealt with in Resolution no. 2,844, dated 6.29.2001, by the National Bank for Economic and Social Development (BNDES).

3,616, dated 10.1.2008 – Changed section VII of paragraph 1 of Article 9 of Resolution no. 2,827, dated 3.30.2001.

3,617, dated 10.1.2008 – Provided for the criteria for the accounting of fixed and deferred assets by financial institutions and other institutions authorized to operate by the Central Bank of Brazil.

3,618, dated 10.1.2008 – Promoted adjustments in the basic conditions of rural credit.

3,619, dated 10.1.2008 – Provided for the criteria applicable in the evaluation of investments in subsidiaries and affiliates.

3,620, dated 10.1.2008 – Established criteria for the accounting of merger, fusion and demerger operations of corporations made between independent parties and linked to the transfer of control to which financial institutions are parties and other institutions authorized to operate by the Central Bank.

3,621, dated 10.1.2008 – Regulated the emission of Agribusiness Receivables Certificate (CRA) for the purposes provided for in item III, paragraph 8 of Article 3 of Law no. 9,718, dated 11.27.1998.

3,622, dated 10.9.2008 – Established conditions and criteria for evaluation and acceptance of assets received by the Central Bank of Brazil in rediscount operations in national currency and in security of lending transactions in foreign currency. Rediscount operations in national currency dealt with in this resolution shall be conducted as asset purchase with a resale commitment of the Central Bank of Brazil, along with its commitment to repurchase from the financial institution.

3,623, dated 10.14.2008 – Raised from 25% to 30% the portion of demand deposits of financial institutions to be mandatorily allocated to the application in rural credit for the commitment period of November 1, 2008 to June 30, 2009.

3,624, dated 10.16.2008 – Changed Resolution no. 3,622, dated 10.9.2008, which provides for rediscount operations and lending in foreign currency. In lending transactions in foreign currency the Central Bank of Brazil may determine that resources be targeted, in whole or in part, to foreign trade operations. The Central Bank of Brazil may receive in rediscount operations debentures issued by nonfinancial firms, identified in the Risk Central System (SCR) and recorded within Cetip S.A., in compliance with the criteria established by this resolution.

3,625, dated 10.31.2008 – Raised, for the period from 11.1.2008 to 6.30.2009, the requirement of rural credit application dealt with in the MCR 6-4, expanded the possibility of funding of Rural Product Certificate (CPR) with funds from that source and reduced the reserve requirement.

3,626, dated 10.31.2008 – Changed paragraph 3 of art. 7 of Resolution no. 2,827, dated 3.30.2001.

3,627, dated 10.31.2008 – Permitted the early implementation of procedures for classification, registration, accounting and disclosure of transactions of sale or transfer of financial assets dealt with by Resolution no. 3,533/2008.

3,628, dated 10.31.2008 – Included art. 9-L in Resolution no. 2,827, dated 3.30.2001.

3,629, dated 10.31.2008 – Provided for the channeling of the funds raised through savings deposits by entities that are members of the Brazilian System of Savings and Loans (SBPE).

3,630, dated 10.31.2008 – Changed Resolution no. 3,596, dated July 31, 2008, which deals with economic subsidies to specified sectors. The total of financing and loans to be subsidized by the Union in 2008, without prejudice to the provisions of Resolution no. 3,504, dated October 26, 2007, shall comply with the limit of four billion reais (R\$4,000,000,000.00) with funds from National Bank for Economic and Social Development (BNDES), should be hired until 12.31.2009.

3,631, dated 10.30.2008 – Provided for the currency swap agreement between the Central Bank of Brazil and the Federal Reserve Bank of New York, assuming the completion of operations until April 30, 2009, whose value does not exceed the aggregate amount of US\$30 billion.

3,632, dated 10.31.2008 – Provided for the Price Guarantee Program for Family Agriculture (PGPAF) for the 2008/2009 crop.

3,633, dated 11.4.2008 – Changed Resolution no. 3,622, dated October 9, 2008.

3,634, dated 11.13.2008 – Provided for the compliance with the additional requirement of mandatory reserves on rural savings deposits in the Brazilian System of Savings and Loan (SBPE).

3,635, dated 11.13.2008 – Provided the coverage of credit risk to the operations of working capital loan for the construction companies, dealt with in Provisional Measure no. 445, dated November 6, 2008.

3,636, dated 11.13.2008 – Changed provisions of Resolutions no. 3,572, 3,573, 3,574, 3,575, 3,577, 3,578, 3,579 and 3,580, all dated May 29, 2008.

3,637, dated 11.18.2008 – Created a special line of credit to pay up to 40% of benefits falling due in 2008 of the agricultural investment programs in the framework of the National Bank for Economic and Social Development (BNDES).

3,638, dated 11.26.2008 – Provided for Loans from the Federal Government (EGF), for mechanisms for price protection, and increases the limit of Marketing of Credit (MCR 3-4-3 “a”) when dealing with Special Credit Line (LEC) for milk.

3,639, dated 11.26.2008 – Created a special line of credit to pay up to 40% of installments due 2008 of agricultural investment programs in the framework of the BNDES.

3,640, dated 11.26.2008 – Instituted a line of credit under the terms of the Coffee Economy Defense Fund (Funcafé) targeted to the financing for the rehabilitation of coffee plantations affected by hailstorm.

3,641, dated 11.26.2008 – Revoked Resolution no. 3,547, dated March 12, 2008, which provides for simultaneous currency exchange contracts in the situations specified therein.

3,642, dated 11.26.2008 – Defined intangible assets and excluded from the calculation of the limit of investment of funds in permanent Assets the values resulting from the acquisition of rights on payrolls specified therein.

3,643, dated 11.26.2008 – Instituted a special credit line to finance the acquisition of Rural Product Certificate (CPR) with funds from the Coffee Economy Defense Fund (Funcafé).

3,644, dated 11.26.2008 – Changed the credit limit and items funded in the Program of Cooperative Development for Aggregating Value to Crop/Livestock Production (Prodecoop).

3,645, dated 11.26.2008 – Provided for the credit lines for the storage of coffee of the Coffee Acquisition Financing (FAC), under the terms of the Coffee Economy Defense Fund (Funcafé).

3,646, dated 11.26.2008 – Altered Resolution no. 3,575, dated 5.29.2008, which deals with rural debt renegotiation.

3,647, dated 11.26.2008 – Excluded from the application of Resolution no. 2,827, dated March 30, 2001, companies specified therein among other provisions.

3,648, dated 11.26.2008 – Changed conditions of Pronaf: Credit of Collective Investment and Credit Line Cost of Processing, Industrialization of Family Agroindustries and Commercialization of Family Farming.

3,649, dated 11.26.2008 – Added the forest pledge between conventional guarantees of rural credit operations and promoted adjustments in the rules relating to basic conditions of rural credit (MCR 2-3).

3,650, dated 11.26.2008 – Created credit line to refinance the debts of members, employed through credit cooperatives under the Pronaf, dealt with in Art. 5 of Law no. 11,775, dated September 17, 2008.

3,651, dated 11.27.2008 – Established new conditions for granting loans and financing subject to economic subsidy by the Union under the Program for Supporting the Revitalization of the Footwear, Furniture and Apparel Sectors (Revitaliza) and revoked Resolution no. 3,630, dated 10.30.2008.

3,652, dated 12.17.2008 – Extends the deadline for compliance by the plans for enclosing the closed private pension entities approved in accordance with art. 3 of Resolution no. 3,456, dated June 1, 2007, as amended, and made other provisions.

3,653, dated 12.17.2008 – Included art. 9-M to Resolution no. 2,827, dated March 30, 2001, establishing funding line of National Bank for Economic and Social Development (BNDES) for the modernization of General and Equity Administration of the States and the Federal District.

3,654, dated 12.17.2008 – Changed Art. 1 of Resolution no. 3,110/2003.

3,655, dated 12.18.2008 – Changed Resolution no. 3,059/2002, which provides for the accounting of tax credits for financial institutions and other institutions authorized to operate by the Central Bank of Brazil.

3,656, dated 12.17.2008 – Changed the by-laws of the Credit Guarantee Fund.

3,657, dated 12.17.2008 – Changed Resolution no. 3,389, dated August 2006, which provides for the receipt of the value of Brazilian exports, and Resolution no. 3,568, dated May 29, 2008, which provides for the exchange market.

3,658, dated 12.17.2008 – Changed and consolidated the legislation relating to the provision, to the Central Bank of Brazil, of information on credit operations.

3,659, dated 12.17.2008 – Changed the terms of the Farm Activity Guarantee Program (Proagro).

3,660, dated 12.17.2008 – Defined criteria for application of penalties for the failure to provide to the Central Bank of Brazil, subject to the conditions and under regulatory deadlines, information on rural credit operations without adherence to the Farm Activity Guarantee Program (Proagro) through registration in the Common Registry of Rural Operations (Recor).

3,661, dated 12.17.2008 – Changed Resolution no. 3,568/2008, which provides for the exchange market, and the Regulation annexed to Resolution no. 3,040/2002, which provides for the requirements and procedures for the establishment and authorization for operation, transfer of corporate control and corporate reorganization, as well as the cancellation of authorization for the operation of institutions listed therein.

3,662, dated 12.17.2008 – Changed the norms of the National Program for Strengthening Family Agriculture (Pronaf).

3,663, dated 12.17.2008 – Established emergency measures for farmers affected by excessive rains in Santa Catarina.

3,664, dated 12.17.2008 – Authorized the extension of installments of new operation funding for farmers affected by excessive rains in Santa Catarina.

3,665, dated 12.17.2008 – Provided for the credit line for the storage of coffee, under the terms of the Coffee Economy Defense Fund (Funcafé).

3,666, dated 12.17.2008 – Changed provisions of Resolution no. 3,575, dated May 29, 2008, and 3,639, dated November 26, 2008.

3,667, dated 12.17.2008 – Added a paragraph to article 13 of Resolution no. 2,238, dated January 31, 1996, which provides for conditions and procedures to be followed in the formalization of operations of debt lengthening of rural credit, which is dealt with by Law no. 9,138, dated November 29, 1995.

3,668, dated 12.17.2008 – Changed item X of § 1 of Article 9 of Resolution no. 2,827, dated March 30, 2001, and revoked Resolution no. 3,511, dated November 30, 2007.

3,669, dated 12.17.2008 – Changed the conditions of Highway Intervention Program (Provias) for those municipalities that have declared a state of public calamity and emergency situation in accordance with the State of Santa Catarina Decree no. 1,897, dated November 22, 2008, 1,910, dated November 20, 2008, and its subsequent amendments.

3,670, dated 12.17.2008 – Changed Art. 1 of Resolution no. 3,596, dated July 31, 2008, and revoked Resolution no. 3,651, dated 27.11.2008.

3,671, dated 12.17.2008 – Defined the Long Term Interest Rate (TJLP) for the first quarter of 2009.

3,672, dated 12.17.2008 – Established criteria and special conditions for the carrying out of business loans in foreign currency dealt with in Provisional Measure no. 442/2008, and made other provisions.

3,673, dated 12.26.2008 – Provided for the adoption of procedures for classifying, recording and disclosure of accounting transactions for the sale or transfer of financial assets dealt with by Resolution no. 3,533/2008.

3,674, dated 12.30.2008 – Provided for the treatment of additional provision for credit operations, leasing and other transactions with characteristics of credit.

Foreign Trade Chamber Resolutions

1, dated 1.23.2008 – Changed to zero percent (0%), until 12.31.2008, the *ad valorem* rate of import tax on capital goods and telecommunications that mentions in the ex-tariff condition. These items relate to investments towards the implementation of Digital TV.

2, dated 1.24.2008 – Changed to 2%, until 12.31.2008, the *ad valorem* rate of import tax on capital goods, as ex-tariff, as well as on the components of the integrated system that specifies, modifying the Resolutions no. 1/2005, 57/2007 and 73/2007 and cancelling the ex-tariff mentioned therein.

8, dated 2.6.2008 – Changed the List of Exceptions to the Common External Tariff, dealt with in Annex II of Resolution no. 43/2006.

11, dated 3.20.2008 – Changed to 0%, until 12.31.2008, the *ad valorem* rate of import tax on capital goods and goods of Informatics and Telecommunications, related therein, as special ex-tariff.

12, dated 3.20.2008 – Changed to 2%, until 12.31.2008, the *ad valorem* rates of import tax on goods of Informatics and Telecommunications, related therein, as ex-tariff, and changed Resolution no. 8/2006.

13, dated 3.20.2008 – Changed to 2%, until 12.31.2008, the *ad valorem* rates of Import Duties on capital goods, as ex-tariff, as well as on the components of Integrated Systems related therein and modified Resolutions no. 3/2004, 2/2006, 32/2006, 10/2007, 28/2007, 57/2007, 73/2007 and 2/2008.

14, dated 3.20.2008 – Included the terephthalic acid product and its salts to the zero rate of Import Duty on the List of Exceptions to the Common External Tariff, dealt with in Annex II of Resolution no. 43/2006, and changed to 2%, to an overall quota of 150,000 tons, for a period of 12 months, the rate of *ad valorem* tax on the import of oil palm kernel.

18, dated 4.15.2008 – Supported by the Resolution of the Common Market Group (GMC) no. 69/2000, changed to 2%, for an overall quota of 375 tons for a period of 12 months, the rate of *ad valorem* tax on the import of nickel steel plates, placed in the Mercosur Common Nomenclature (NCM) 7225.40.90.

19, dated 4.15.2008 – Supported by Resolution of the Common Market Group (GMC) no. 69/2000, changed to 2%, for an overall quota of 80,000 tons for a period of 12 months, the *ad valorem* tax rate of Import Duty sardines.

20, dated 4.16.008 – Supported by Resolution of the Common Market Group (GMC) no. 69/2000, changed to 2% for the overall quota of 1,500 and 2,500 tons for a period of 12 months, the *ad valorem* rate of Import Duty on steel plates and chrome–molybdenum steel laminate, classified respectively in the Mercosur Common Nomenclature (NCM) 7225.40.90 Ex 002 and 7225.99.90 Ex 001.

23, dated 5.6.2008 – Changed the List of Exceptions to the Common External Tariff (TEC) dealt with in the Annex II of Resolution no. 43/2006.

24, dated 5.6.2008 – Changed Resolution no. 38/2007, which established that imports of remolded tires, falling within the Mercosur Common Nomenclature (NCM) 4012.11.00, 4012.12.00 and 4012.19.00, originating in and coming from Member State of Mercosur under the terms of the Mercosur Economic Complementation Agreement no. 18, authorized by Art. 41 of Ordinance of the Foreign Trade Secretariat (Secex) no. 35/2006, shall be limited annually to specified quotas.

25, dated 5.6.2008 – Changed to 2%, until 12.31.2008, the *ad valorem* rate of import tax on capital goods, as ex-tariff, as well as on the components of integrated systems related therein and changed Resolutions no. 9/2006, 15/2007, 57/2007, 73/2007 and 13/2008.

26, dated 5.6.2008 – Changed to 2%, until 12.31.2008, the *ad valorem* rate of import tax on Informatics and Telecommunications goods, as ex-tariff, as well as on the components of the Integrated System specified therein

27, dated 5.6.2008 – Established guidelines for use of the Export Financing Program (Proex) and revoked Resolution no. 35/2007

28, dated 5.13.2008 – Extended the quota for imports of wheat, Mercosur Common Nomenclature (NCM) 1001.90.90, to 2,000,000 tons with a tariff reduction, dealt with in Art. 1 of the Resolution of the Foreign Trade Chamber (Camex) no. 8/2008.

29, dated 5.13.2008 – Set guidelines for the use of Export Credit Insurance (SCE) on the operations of Micro, Small and Medium Enterprises (MPMEs), guaranteed by the Union, under the terms of the Export Guarantee Fund (FGE).

31, dated 5.27.2008 – Changed to 2%, until 12.31.2008, the *ad valorem* rate of the Import Duty levied on Informatics and Telecommunications goods specified therein, in the condition of ex-tariff.

32, dated 5.27.2008, ratified on 5.30.2008 – Changed to 2%, until 12.31.2008, the *ad valorem* rate of Import Duty on Capital Goods, as ex-tariff, as well as on the components the Integrated Systems related therein and changed Resolutions no. 9/2006, 10/2007, 22/2007, 57/2007, 13/2008 and 25/2008.

33, dated 6.9.2008 – Changed paragraph 2 of art. 1 of Resolution no. 28/2008, which increased to 2,000,000 tons of wheat tariff reduction, the Mercosur Common Nomenclature (NCM) 1001.90.90, as mentioned in Article 1 of Resolution no. 8/2008.

38, dated 7.3.2008 – Changed the Mercosur Common Nomenclature (NCM) and the rates of Import Duty comprising the Common External Tariff (TEC), dealt with in Annex I of Resolution no. 43/2006.

44, dated 7.3.2008 – Changed to 2%, until 12.31.2008, the *ad valorem* rates of the Import Duty on Informatics and Telecommunications goods, as ex-tariff.

45, dated 7.3.2008 – Changed to 2%, until 12.31.2008, the *ad valorem* rate of the Import Duty on Capital Goods, as ex-tariffs, as well as on the components of the Integrated Systems related therein and modified the ex-tariff no. 005 of the Mercosur Common Nomenclature (NCM) 8465.93.10 contained in Resolution no. 40/2001, 029 of the NCM 8458.11.99 contained in Resolution no. 15/2007, 013 NCM 8456.30.19 contained in Resolution no. 57/2007; 048 NCM 8479.89.99 contained in Resolution no. 73/2007, 015 NCM 8424.89.90 contained in Resolution no. 73/2007, 053 NCM 8424.89.90 contained in Resolution no. 13/2008, 017 of the NCM 8477.10.99 in

Resolution no. 25/2008, 013 NCM 8408.10.90 contained in Resolution no. 32/2008, 021 NCM 8438.80.90 contained in Resolution no. 32/2008, and the Integrated System no. SI-333 in Resolution no. 13/2008.

46, dated 7.3.2008 – Changed Resolution no. 38/2007, which states that imports of remolded tires, falling within the Mercosur Common Nomenclature (NCM) 4012.11.00, 4012.12.00 and 4012.19.00, originating in and coming from States Parties of Mercosur under the terms of the Mercosur Economic Complementation Agreement no. 18 authorized by Article 41 of the Ministry of Commerce Directive (Secex) no. 35/2006, shall be limited to the annual specified quotas.

47, dated 7.24.2008 – Changed to 2%, until 12.31.2008, the *ad valorem* rate of Import Duty on Capital Goods, as ex-tariffs, as well as on the components of integrated systems related therein and modified Resolutions no. 2/2006, 15/2007, 73/2007, 2/2008, 13/2008 and 45/2008.

48, dated 7.24.2008 – Provided for the extension of the simple ex-tariff of Capital Goods which were approved from the Resolution of the Foreign Trade Chamber (Camex) no. 22, dated 6.27.2007, in force until 12.31.2008, and made other provisions.

49, dated 7.24.2008 – Provided for the possibility of extending the special simple ex-tariff, and Integrated Systems of Informatics and Telecommunications (BIT) goods granted from the Resolution no. 21, dated 6.27.1997 of the Foreign Trade Chamber (Camex) inclusive, as well as those granted prior to that Resolution (which are subject to the submission of new applications) and the BIT exception list dealt with in Annex III of the Camex Resolution no. 43, dated 12.22.2006, and made other provisions.

52, dated 8.28.2008 – Changed to 2%, until 12.31.2008, the *ad valorem* rates of Import Duties on Capital Goods, as ex-tariffs, as well as on the components of Integrated Systems related therein, and modified Resolutions no. 15/2007, 36/2007, 73/2007, 13/2008, 25/2008, 32/2008, 45/2008 and 47/2008.

54 and 57, dated 8.28.008 and 9.16.2008 – Changed to 2%, until 12.31.2008, the *ad valorem* rate of Import Duty on Informatics and Telecommunications goods specified therein, as ex-tariffs.

55, dated 9.11.2008 – Changed the List of Exceptions to the Common External Tariff dealt with by Resolution no. 43/2006.

56, dated 9.11.2008 – Changed to 2%, for a period of 12 months and for the quotes listed, the *ad valorem* tax rate of Import Duty of the goods identified as ex-tariff related therein and revoked Resolution no. 20/2008.

58, dated 9.16.2008 – Changed to 2%, until 12.31.2008, the rates of *ad valorem* tax Import Duties on Capital Goods, as ex-tariffs, as well as on the components of integrated systems and related and modified Resolutions no. 1/2007, 22/2007, 36/2007, 57/2007, 73/2007, 13/2008, 25/2008, 45/2008, 47/2008, and 52/2008.

64, dated 10.22.2008 – Changed to 2%, until 12.31.2008, the *ad valorem* rate of Import Duty on Capital Goods, as ex-tariff, as well as on the components of integrated systems related therein and modified Resolutions no. 10/2007, 15/2007, 28/2007, 57/2007, 73/2007, 25/2008, 45/2008, 47/2008, 52/2008 and 58/2008.

69, dated 11.4.2008 – Changed item I of Article 1 of Resolution no. 27/2008, which set guidelines for the use of the Export Financing Program (Proex). It was increased from R\$150 million to R\$300 million the maximum annual gross revenue for Brazilian companies to qualify their export operations in Proex-Financing.

70, dated 11.4.2008 – Set guidelines for the use of Export Credit Insurance in the operations of Micro, Small and Medium Enterprises, with the guarantee of the Union, under the terms of the Export Guarantee Fund (FGE) and revoked Resolution no. 29/2008.

73, dated 11.20.2008 – Changed to 2% depending on the established term and quotas, the *ad valorem* rate of Import Duty of the following products: steel wire, gate boat and cathode blocks.

74, dated 12.10.2008 – Changed to 2%, until 12.31.2008, the *ad valorem* rate of Import Duty on Informatics and Telecommunications goods related therein as ex- tariff.

75, dated 12.10.2008 – Changed to 0%, until 31.12.2008, subject to the special ex-tariff, the *ad valorem* rate of Import Duty on steam generators of the shell-type tube for use in thermal-nuclear power plants, Mercosur Common Nomenclature (NCM) 8402.19.00.

76, dated 12.10.2008 – Changed the Mercosur Common Nomenclature (NCM) and the rates of Import Duty comprising the Common External Tariff (TEC) dealt with in Annex I of Resolution no. 43/2006.

77, dated 12.10.2008 – Changed to 2%, until 12.31.2008, the *ad valorem* rates of Import Duties on Capital Goods, as ex-tariff, and on the components of the specified Integrated Systems, and modified Resolutions no. 6/2006, 40/2006, 10/2007, 15/2007, 22/2007, 28/2007, 36/2007, 41/2007, 56/2007, 25/2008, 32/2008, 45/2008, 47/2008, 52/2008 and 58/2008.

81, dated 12.18.2008 – Extended, with the *ad valorem* rates of Import Duty reduced as specified, the simple ex-tariff and Integrated Systems of Informatics and

Telecommunications goods (BIT) granted and those who had their effective terms extended in the resolutions mentioned therein.

82, dated of 12.18.2008 – Extended, with reduced rates as specified in the simple ex-tariff and Integrated Systems of Capital Goods (BK) granted and those who had their effective terms extended in the resolutions mentioned therein.

Central Bank of Brazil Circulars

3,374, dated 1.17.2008 – Announced the sample dealt with in Art. 1 of Resolution no. 3,354, dated March 31, 2006, for purposes of calculating the Basic Financing Rate (TBF) and the Reference Rate (TR).

3,375, dated 1.31.2008 – Instituted the compulsory payment and reserve requirements on funds received from interbank deposits from leasing companies by commercial banks, universal banks, development banks, investment banks, exchange banks, savings and credit, financing and investment societies. The ceiling of this reserve requirement is 25% of the calculation basis, which corresponds to the arithmetic average of the balance of interbank deposits calculated on business days of the calculation period, reduced by three million reais (R\$3,000,000). This requirement shall be fulfilled by the binding federal securities in the Special System for Settlement and Custody (Selic).

3,376, dated 2.12.2008 – Changed International Exchange and Capital Market Regulations (RMCCI). Regulated the resolution of the National Monetary Council (CMN) no. 3,525, dated 12.20.2007, which provided for the opening and operation of accounts in foreign currencies owned by an insurance company, local reinsurer, admitted reinsurer or reinsurance broker.

3,377, dated 2.21.2008 – Provided for the referral information on services billed and their values by financial institutions and other institutions authorized to operate by the Central Bank of Brazil.

3,378, dated 2.27.2008 – Revoked.

3,379, dated 3.13.2008 – Changed International Exchange and Capital Market Regulations (RMCCI). Regulated the National Monetary Council (CMN) Resolutions no. 3,547 and 3,548, both dated 3.12.2008.

3,380, dated 3.20.2008 – Provided for the application of rights and obligations of foreign exchange, investment and multiple banks without a commercial portfolio. With regard to the mandatory reserve requirements, exchange banks, established by Resolution no. 3,426, became subject to the same conditions imposed on commercial banks and

multiple banks with commercial portfolios. It was permitted to the exchange banks to own banking reserve account. As the account holder of Bank Reserves account, the exchange, investment and banks with no commercial portfolio may issue cashier's check and order of interbank transfer of funds, in its own behalf, operating as a remitter financial institution as well as to participate directly in any settlement system operated or authorized by the Central Bank of Brazil.

3,381, dated 4.25.2008 – Established procedures for the delivery of information on exposure to market risk and the determination of their respective portions of Reference Net Worth (PRE), dealt with in Resolutions no. 3,464 and 3,490, both of 2007.

3,382, dated 4.25.2008 – Waived the sending by credit cooperatives, of proof of publication of a filing certificate issued by the Board of Trade and determined its maintenance available to the Central Bank of Brazil.

3,383, dated 4.30.2008 – Established the procedures for calculating the portion of the Reference Net Worth (PRE) regarding the operational risk (P_{OPR}), dealt with in Resolution no. 3,940 of 2007.

3,384, dated 5.7.2008 – Established the period for delivery of the declaration of assets, rights and assets owned abroad by individuals or legal entities resident, domiciled or headquartered in the country.

3,385, dated 5.30.2008 – Changed International Exchange and Capital Market Regulations (RMCCI) regarding procedures for the registration of electronic interbank foreign exchange transactions.

3,386, dated 6.3.2008 – Established procedures for accounting of revaluation of properties for own use by consortium managers.

3,387, dated 6.3.2008 – Provided for procedures applicable to consortium administrators in the recognition, measurement and disclosure of losses on the recoverable value of assets.

3,388, dated 6.4.2008 – Provided for the values of parameters to be used by financial institutions to calculate the $P_{jur[1]}$, $P_{jur[2]}$, $P_{jur[3]}$ and $P_{jur[4]}$ portions of the Reference Net worth (PRE), dealt with in Circulars no. 3,361, 3,362, 3,363 and 3,364, all of 2007.

3,389, dated 6.25.2008 – Established procedures for calculating the daily portion of the Reference Net worth (PRE) regarding the risk of exposures in gold, foreign currency and assets and liabilities subject to exchange variations (P_{CAM}), dealt with in Resolution no. 3,490/2007.

- 3,390, dated 6.27.2008** – Changed International Exchange and Capital Market Regulations (RMCCI).
- 3,391, dated 6.30.2008** – Added a subitem to the art. 2 of Circular no. 3,101, dated 3.28.2002.
- 3,392, dated 6.30.2008** – Changed Art. 13 of Regulation attached to Circular no. 3,037, dated 8.31.2001.
- 3,393, dated 7.3.2008** – Provided for the control of liquidity risk dealt with in Resolution no. 2,804/2000, and established procedures for the submission of information.
- 3,394, dated 7.9.2008** – Provided for the referral to the Central Bank of Brazil of information regarding consortium operations.
- 3,395, dated 7.16.2008** – Announced the sample dealt with in Art. 1 of Resolution no. 3,354/2006, for purposes of calculating the Basic Financing Rate (TBF) and the Reference Rate (TR).
- 3,396, dated 7.16.2008** – Provided for the Document 24 of the Rural Credit Manual (MCR) and set deadlines for collection and payment regarding the deficiency of application of mandatory resources (MCR) 6-4.
- 3,397, dated 7.23.2008** – Provided for the certification of professionals to carry out proof of loss under the Farm Activity Guarantee Program (Proagro) – Rural Credit Manual (MCR) 16-4.
- 3,398, dated 7.23.2008** – Established procedures for the remittance of information concerning the calculation of the limits and regulations that specify minimum standards.
- 3,399, dated 7.23.2008** – Provided for the remittance of daily information regarding the total exposure in gold and foreign currency transactions subject to exchange variations and the parcels on the market risk of the Reference Net worth (PRE) dealt with in Resolutions no. 3,488 and 3,490, both of 2007.
- 3,400, dated 8.1.2008** – Established procedures for the central credit cooperatives in relation to the duties of special provisions of Chapter IV of Resolution no. 3,442/2007, and made other provisions.
- 3,401, dated 8.15.2008** – Changed International Exchange and Capital Market Regulations (RMCCI).

- 3,402, dated 8.28.2008** – Provided for the remittance of the financial statements to the Central Bank of Brazil.
- 3,403, dated 8.28.2008** – Changed Annex to Circular no. 3,327/2006, which lists the accounting titles and subtitles used as a basis for calculating contributions to the Credit Guarantee Fund (FGC).
- 3,404, dated 9.18.2008** – Changed regulation attached to Circular no. 3,192, dated June 5, 2003, which provides for the provision of independent audit services for consortium managers and their groups.
- 3,405, dated 9.24.2008** – Raised from R\$100 million to R\$300 million the amount to be deducted by the financial institutions of calculating the additional liability on demand deposits, time deposits and savings deposits. Changed the implementation schedule of reserve requirements in federal securities on the interbank deposits leasing companies. The adjustments based on the rates of 20% and 25% go into effect from January 16, 2009 and March 13, 2009, respectively.
- 3,406, dated 9.26.2008** – Provided for the Payment System on Local Currency between the Central Bank of Brazil and the Central Bank of Argentina.
- 3,407, dated 10.3.2008** – Provided for the accomplishment of compulsory deposit and of the credit mandatory reserves dealt with in Circular no. 3,091, dated 3.1.2002.
- 3,408, dated 10.8.2008** – Changed Circulars no. 3,091, dated 3.1.2002, and 3,144/2002, dealing with reserve requirements and reserve requirements on time and resources on claiming additional deposits.
- 3,409, dated 10.13.2008** – Provided for the rediscount operations in national currency dealt with in Resolution no. 3,622, dated October 9, 2008.
- 3,410, dated 10.13.2008** – Changed Circulars 3,091 and 3,144, both of 2002, dealing with compulsory payment and reserve requirements on time and resources on claiming additional deposits.
- 3,411, dated 10.13.2008** – Changed Circular no. 3,091/2002 and Circular no. 3,407/2008, dealing with mandatory deposits and reserve requirements on term resources.
- 3,412, dated 10.13.2008** – Provided for the deduction of the value of acquisition in foreign currency in the fulfillment of liability reserve requirement on interbank deposits.
- 3,413, dated 10.14.2008** – Reduced from 45% to 42%, the rate of mandatory deposits and reserve requirements levied on demand resources. This circular had an impact from the commitment period started on 10.29.2008.

- 3,414, dated 10.16.2008** – Changed Article 3 of Circular no. 3,411, dated October 13, 2008, dealing with mandatory deposits and reserve requirements on term resources.
- 3,415, dated 10.17.2008** – Provided for loan transactions in foreign currency dealt with in Resolution no. 3,622, dated October 9, 2008.
- 3,416, dated 10.27.2008** – Provided for the compliance with the requirement of mandatory deposits and reserve requirements on demand deposits dealt with in Circular no. 3,274, dated February 10, 2005.
- 3,417, dated 10.30.008** – Provided for the compliance with the requirement of mandatory deposits and reserve requirements on the resources dealt with in Circular no. 3,091, dated March 1, 2002.
- 3,418, dated 11.4.2008** – Provided for loan transactions in foreign currency dealt with in Resolution no. 3,622, dated October 9, 2008.
- 3,419, dated 11.14.2008** – Provided for the implementation of additional requirement on deposits dealt with in Circular no. 3,144, dated August 14, 2002.
- 3,420, dated 11.13.2008** – International Exchange and Capital Market Regulations (RMCCI) – created group code of nature of the exchange transaction.
- 3,421, dated 11.25.2008** – Provided for the mandatory deposits and reserve requirements on the term resources dealt with in Circular no. 3,091, dated March 1, 2002.
- 3,422, dated 11.25.2008** – Provided for the disclosure of information regarding the issue and recharge of values in prepaid cards issued by a financial institution.
- 3,423, dated 12.12.2008** – Changed Document 24 of the Rural Credit Manual (MCR), instituted the “Document 24 Specific of MCR” and defined percentage of the requirement of mandatory resources (MCR 6-2) and rural savings (MCR 6-4) in accordance with Resolutions no. 3,607, 3,623 and 3,625, all of 2008.
- 3,424, dated 12.12.2008** – Regulated the electronic exchange of information through the National Financial System Network (RSFN).
- 3,425, dated 12.17.2008** – Changed the Risk Weighting Factor applicable to tax credits arising from temporary differences.
- 3,426, dated 12.19.2008** – Provided for the accomplishment of additional requirement on deposits dealt with in Circular no. 3,144, dated 8.14.2008

3,427, dated 12.19.2008 – Provided for the mandatory deposits and reserve requirements on the resources dealt with in Circular no. 3,091, dated March 1, 2002.

3,428, dated 12.24.2008 – Changed International Exchange and Capital Market Regulations (RMCCI).

Foreign Trade Secretariat Circulars

3, dated 1.17.2008 – Reported on the availability on the website of the Ministry of Development, Industry and Foreign Trade (MDIC), of the updated versions of the tariff concessions of Brazil in the World Trade Organization (WTO).

13, dated 3.7.2008 – Released that the United States Trade Representative (USTR) announced through the Federal Register, vol. 73, no. 40 on 2.28.2008, a communication entitled “Generalized System of Preferences (GSP): Import Statistics Relating to Competitive Need Limitations; Invitation for Public Comment on Potential CNL waivers Subject to Revocation Based on New Statutory Thresholds, Possible De minimis waivers, and Product Redesignations”, through which it released the statistics of U.S. imports for 2007, related to Competitive Need Limitations (CNL) of the U.S. GSP, and invited interested parties to submit public comments to regarding the possibility of: (i) revocation of CNL waiver granted 5 years or more, (ii) provision of de minimis waivers, and (iii) reinsertion of products under the program.

16, dated 3.11.2008 – Disclosed the form of redistribution among the companies mentioned therein of the share, resulting from the application of the Sixty-Seventh Additional Protocol, of 6,500 units of cars and light commercial vehicles up to 1,500 kg load capacity, included in the codes of the Mercosur Common Nomenclature (NCM) listed in Appendix I of the thirty-first Additional Protocol to the Economic Complementation Agreement no. 18 and complying with the provisions contained in the Sixtieth Seventh Additional Protocol to the Complementation Agreement no. 2, dealt with the benefit 100% tariff preference, on exports from Brazil to Uruguay.

21, dated 4.10.2008 – Disclosed the form of redistribution among the companies mentioned therein, of the quota of 6,500 units of cars and light commercial vehicles up to 1,500 kg load capacity, contained within the codes of the Mercosur Common Nomenclature (NCM), resulting from the Sixty-seventh additional protocol, listed in Appendix I of the thirty-first Additional Protocol to the Economic Complementation Agreement no. 18 and complying with the provisions contained in the Sixty-Seventh Protocol to the Economic Complementation Agreement no. 2, dealt with benefit of 100% tariff preference, on exports from Brazil to Uruguay.

31, dated 5.23.2008 – Disclosed the beginning of the process of the 2008 Annual Review of the U.S. Generalized System of Preferences (GSP) through a notice published in the Federal Register on 15.5.2008 (pp. 28,174-28,175, Vol 73, no. 95/Notices) under the “Generalized System of Preferences (GSP): Notice Regarding the Initiation of the 2008 Annual GSP Product and Country Eligibility Practices Review and Deadlines for Filing Petitions.”

43, dated 7.2.2008 – Disclosed that the 2007 GSP Annual Review of the U.S. GSP was terminated by Presidential Proclamation dated June, 30, 2008 (Proclamation by the President of the United States of America, To Modify Duty-ree Treatment Under the Generalized System of Preferences, Take Certain Actions Under the African Growth and Opportunity Act, and for Other Purposes), accessible on the official website of the United States Trade Representative (USTR), at website:

http://www.ustr.gov/Trade_Development/Preference_Programs/GSP/GSP_2007_Annual_Review/GSP_Results_of_the_2007_Annual_Review/Section_Index.html.

57, dated 8.12.2008 – Disclosed the form of distribution among companies mentioned therein, of the share, resulting from Sixty-Eighth Additional Protocol of 6,500 units of cars and light commercial vehicles (up to 1,500 kg load capacity) and utility vehicle (with payload above 1,500 kg and total gross weight of up to 3,500 kg) included in the codes of the Mercosur Common Nomenclature (NCM) listed in Appendix I of the “Agreement on the Common Automotive Policy between the Republic Federative of Brazil and the Oriental Republic of Uruguay “and fulfilling the provisions of the Agreement included with the benefit of 100% of tariff preferences on exports from Brazil to Uruguay.

59, dated 8.21.2008 – Disclosed the availability on the website of the Ministry of Development, Industry and Foreign Trade, on the website:

<http://www.desenvolvimento.gov.br/sitio/interna/interna.php?area=5&menu=523&refr=407>, selected and consolidated information, targeted to Brazil, on the scheme of the Generalized System of Preferences (GSP) of the Russian Federation and revoked Circular no. 37/2001.

64, dated 9.17.2008 – Disclosed, through notices published in the Federal Register (Official Gazette of the United States), Volume 73, no. 178, on 9.12.2008, under the title Generalized System of Preferences (GSP): Notice Regarding the 2008 Annual Review for Acceptance of Product and Country Practices Petitions, the U.S. authorities announced the schedule of activities related to the process of Annual Review 2008 Generalized System of Preferences (GSP) U.S., defined as the table which states, according to the edict in question.

70, dated 10.28.2008 – Disclosed that the General System of Preferences (GSP) of the United States, of which Brazil is a beneficiary, was renewed until 12.31.2009, by

presidential approval to the project of the U.S. Congress HR7222.RDS-110th Congress (2008): To extend the Andean Trade Preference Act, and for other purposes.

92, dated 12.22.2008 – Disclosed the availability on the website of the Ministry of Development, Industry and Foreign Trade (MDIC), selected and consolidated information, targeted to Brazil, on the General Scheme of Generalized System of Preferences (GSP) of the European Community, in accordance with Regulation (EC) no. 732/2008, prepared the way you specify, while maintaining the validity of the Circular no. 13/1999, and repealing the Circular no. 2/2006, dated January 1, 2009.

Normative Instruction of the Federal Revenue Secretariat

810, dated 1.21.2008 – Explained that the raising of the rate of Social Contribution on Net Income (CSLL) from 9% to 15% over the financial institutions will be applicable on the events that occurred from May 2008.

Ministry of Finance Directive

184, dated 8.25.2008 – Provided for the guidelines to be accomplished in the public sector (by public entities) about the procedures, practices, development and dissemination of financial statements in order to make them convergent with International Accounting Standards Applied to the Public Sector.

Joint Directive of the Ministry of Finance and Central Bank of Brazil

125, dated 6.27.2008 – Provided for the daily financial outcome of operations with foreign currency reserves deposited at the Central Bank of Brazil.

Ministry of Development, Industry and Foreign Trade (MDIC) Directives

112, dated 5.12.2008 – Changed the deadlines for financing with resources from the Export Financing Program (Proex). Products classified according to the Mercosur Common Nomenclature (NCM) 41, 42, 44 and 50-64 in post-shipment stage will have 12 months as a maximum period of payment.

160, dated 7.22.2008 – Regulated the procedures for implementing the Additional Protocol to the thirty-eighth Economic Complementation Agreement no. 14 between Argentina and Brazil, dated 6.23.2008, internalized by Decree no. 6,500/2008, and revoked Directive no. 7/2007.

168, dated 7.29.2008 – Changed the deadlines for funding through the Export Financing Program (Proex) for the products of Chapter 68 of the Mercosur Common Nomenclature/ Harmonized System (NCM/SH), with 12 months as maximum deadline for payment, and included item 8525.50.29 of the NCM/SH in the list of eligible products, with maximum payment of 24 months.

National Treasury Secretariat Directives

77, dated 2.26.2008 – Authorized the issuance of Treasury Notes – Series I (NTN-I), totaling ten million eight hundred and thirty-nine thousand, one hundred eighty-seven real and forty cents (R\$10,839,187.40), denominated to 2.15.2008, to be used in the payment of equalization of interest rates on financing the export of Brazilian goods and services supported by the Export Financing Program (Proex).

158, dated 3.26.2008 – Authorized the issuance of Treasury Notes – Series I (NTN-I), totaling eighty-two million, twenty-six thousand two hundred and thirty-four Reais and thirty three cents (R\$82,026,234.44), denominated to 3.15.2008, to be used in the payment of equalization of interest rates on financing the export of Brazilian goods and services supported by the Export Financing Program (Proex).

214, dated 4.25.2008 – Authorized the issuance of Treasury Notes – Series I (NTN-I), totaling thirty-one million eight hundred and fifty-one thousand, eight hundred and twelve real and eighty-seven cents (R\$31,851,812.87), denominated to 4.15.2008, to be used in the payment of equalization of interest rates on financing the export of Brazilian goods and services supported by the Export Financing Program (Proex).

273, dated 5.23.2008 – Authorized the issuance of Treasury Notes – Series I (NTN-I), totaling thirteen million four hundred and twenty-eight thousand nine hundred and thirty-eight reais and twenty-seven cents (R\$13,428,938.27), denominated to 5.15.2008, to be used in the payment of equalization of interest rates on financing the export of Brazilian goods and services supported by the Export Financing Program (Proex).

390, dated 7.29.2008 – Authorized the issuance of Treasury Notes – Series I (NTN-I) in the amount of thirty million, one hundred ninety-four thousand, eight hundred seventy-seven real and seventy-three cents (R\$30,194,877.73), denominated to 7.15.2008, to be used in the payment of equalization of interest rates on financing the export of Brazilian goods and services supported by the Export Financing Program (Proex).

477, dated 8.8.2008 – Authorized the issuance of Treasury Notes – Series I (NTN-I), in the amount of twenty five million, seven hundred thousand, sixty-nine reais and seventy two cents (R\$5,700,069.72), denominated to 8.15.2008, to be used in the equalization payment of interest rates on financing for the export of Brazilian goods and services supported by the Export Financing Program (Proex).

533, dated 9.24.2008 – Authorized the issuance of Treasury Notes – Series I (NTN-I), totaling twenty-four million, eight hundred and seventy-nine thousand, six hundred and twenty reais and forty-three cents R\$24,879,620.43), denominated to 9.15.2008, to be used in the payment of equalization of interest rates on financing the export of Brazilian goods and services supported by the Export Financing Program (Proex).

592, dated 10.24.2008 – Authorized the issuance of National Treasury Notes – Series I (NTN-I), totaling forty one million, eight hundred and two thousand four hundred and twenty-five dollars and nineteen cents (R\$41,802,425.19), denominated to 10.15.2008, to be used in the payment of equalization of interest rates on financing the export of Brazilian goods and services under the terms of the Export Financing Program (Proex).

650, dated 11.24.2008 – Authorized the issuance of Treasury Notes – Series I (NTN-I), totaling R\$24,378,957.76 (twenty-four million, three hundred seventy-eight thousand, nine hundred and fifty seven reais and seventy-six cents), denominated to 11.15.2008, to be used in payment of equalization of interest rates on financing the export of Brazilian goods and services supported by the Export Financing Program (Proex).

Interministerial Directive

77, dated 3.11.2008 – Reset in 5%, from March 1, 2008, the benefits held by Social Security. As a result, the roof of the benefits paid by Social Security raised from R\$2,894.28 to R\$3,038.99.

Circular Letters of the Central Bank of Brazil

3,309, dated 4.15.2008 – Evidenced methodology used in calculating the amount of volatility and standard multiplier for the day “t” to be published daily by the Central Bank of Brazil, for purposes of calculating the portion of the Required Reference Equity (PRE) on exposures subject to fluctuations in the fixed interest rate denominated in real ($P_{jur[1]}$), as set forth in Circular no. 3,361/2007.

3,310, dated 4.15.2008 – Evidenced the methodology used to calculate the portions of the Reference Net worth (PRE) regarding the exposures subject to the variation of rates of foreign currencies coupons ($P_{jur[2]}$), the coupon rate of price indices ($P_{jur[3]}$) and

rates of coupon interest rate ($P_{\text{jur}[4]}$), as provided for in Circular no. 3,362, no. 3,363 and no. 3,364, all of 2007.

3,315, dated 4.30.2008 – Clarified the procedures for calculating the portion of the Reference Net worth (PRE) for the operational risk (P_{OPR}), dealt with in Circular no. 3,383/2008, highlighting examples of calculating the Exposure to Operational Risk indicator (IE) and Indicator Alternative Operational Risk Exposure (IAE).

3,316, dated 4.30.2008 – Detailed the composition of the Exposure to Operational Risk Indicator (IE), dealt with in Circular no. 3,383/2008.

Normative Instruction of the Federal Revenue Secretariat

841, dated 4.29.2008 – Provided for the use of the Integrated Foreign Trade (Siscomex) load.

844, dated 5.9.2008 – Provided for the application of special customs regime of export and import of goods intended for research activities and exploitation of deposits of petroleum and natural gas (Repetro) and revoked Normative Instructions no. 4/2001, 336/2003 and 561/2005.

845, dated 5.12.2008 – Disciplined purchases of raw materials, intermediates and packing materials, in the domestic market, per beneficiary of the special customs drawback with suspension of payment of taxes thereon. This measure is part of the Productive Development Policy.

846, dated 5.12.2008 – Altered items 4 and 30 of Normative Instruction no. 611/2006, which was given on the use of simplified declaration in the import and export. This measure is part of the Productive Development Policy.

852, dated 6.13.2008 – Established procedures for qualification to the Program of Support to Technological Development in the Semiconductor Industry (Padis).

853, dated 6.13.2008 – Established procedures for qualification to the Program of Support to the Technological Development of the Digital TV Equipment Industry (PATVD).

Joint Ordinance of the Federal Revenue Secretariat and the Foreign Trade Secretariat

1,460, dated 9.18.2008 – Disciplined the acquisitions of goods in the domestic market, by a beneficiary of the special customs drawback (drawback green and yellow), with the suspension of payment of taxes.

Directive of the Secretariat of Foreign Trade of the Ministry of Development, Industry and Foreign Trade

25, dated 11.27.2008 – Consolidated the norms and procedures concerning foreign trade operations and revoked the Foreign Trade Secretariat Directives (Secex) no. 36/2007, 39/2007, 1/2008 4/2008 5/2008, 6/2008 7/2008 8/2008, 10/2008, 13/2008, 14/2008, 16/2008, 17/2008, 18/2008, 19/2008, 20/2008, 21/2008, 22/2008, 23/2008 and 24/2008.



Appendix

Members of the Conselho Monetário Nacional

Banco Central do Brasil Management

Central units (departments) of the Banco Central do Brasil

Regional offices of the Banco Central do Brasil

Acronyms

Members of the Conselho Monetário Nacional (December 31, 2008)

Guido Mantega

Minister of Finance – President

Paulo Bernardo

Minister of Planning and Budget

Henrique de Campos Meirelles

Governor of the Banco Central do Brasil

Banco Central do Brasil Management (December 31, 2008)

Board of Directors

Henrique de Campos Meirelles

Governor

Afonso Sant’Anna Bevilaqua

Deputy Governor

Alexandre Antonio Tombini

Deputy Governor

Alvir Alberto Hoffmann

Deputy Governor

Anthero de Moraes Meirelles

Deputy Governor

Antonio Gustavo Matos do Vale

Deputy Governor

Mario Gomes Torós

Deputy Governor

Mário Magalhães Carvalho Mesquita

Deputy Governor

Paulo Vieira da Cunha

Deputy Governor

Board of Governors Executive Secretariat

Executive Secretary:

Sérgio Almeida de Souza Lima

*Secretary for the Board of Governors and
for the Conselho Monetário Nacional:*

Sérgio Albuquerque de Abreu e Lima

Secretary for Institutional Relations:

José Linaldo Gomes de Aguiar

Consultants for the Board of Governors

Carolina de Assis Barros

Clarence Joseph Hillerman Junior

Dalmir Sérgio Louzada

Flávio Pinheiro de Melo

Katherine Hennings

Marco Antonio Belém da Silva

Sidinei Corrêa Marques

Central units of the Banco Central do Brasil (December 31, 2008)

Congressional Affairs Office (Aspar)

Edifício-Sede – 19º andar
SBS Quadra 3 Zona Central
70074-900 Brasília (DF)
Head: *Luiz do Couto Neto*

Currency Management Department (Mecir)

Av. Rio Branco, 30 – Centro
20090-001 Rio de Janeiro (RJ)
Head: *João Sidney de Figueiredo Filho*

Department of Analysis and Control of Disciplinary Actions (Decap)

Edifício-Sede – 14º andar
SBS Quadra 3 Zona Central
70074-900 Brasília (DF)
Head: *Claudio Jaloretto*

Department of Bank Liquidation (Deliq)

Edifício-Sede – 2º subsolo
SBS Quadra 3 Zona Central
700074-900 Brasília (DF)
Head: *José Irenaldo Leite de Ataíde*

Banking Operations Department (Deban)

Edifício-Sede – 18º andar
SBS Quadra 3 Zona Central
70074-900 Brasília (DF)
Head: *José Antônio Marciano*

Department of Economics (Depec)

Edifício-Sede – 10º andar
SBS Quadra 3 Zona Central
70074-900 Brasília (DF)
Head: *Altamir Lopes*

Department of External Debt and International Relations (Derin)

Edifício-Sede – 4º andar
SBS Quadra 3 Zona Central
70074-900 Brasília (DF)
Head: *Ronaldo Malagoni de Almeida Cavalcante*

Department of Human Resources Administration (Depes)

Edifício-Sede – 17º andar
SBS Quadra 3 Zona Central
70074-900 Brasília (DF)
Head: *Miriam de Oliveira*

Department of Material Resources Administration (Demap)

Edifício-Sede – 1º subsolo
SBS Quadra 3 Zona Central
70074-900 Brasília (DF)
Head: *Dimas Luís Rodrigues da Costa*

Department of Off-site Supervision and Information Management (Desig)

Edifício-Sede – 6º andar
SBS Quadra 3 Zona Central
70074-900 Brasília (DF)
Head: *Cornélio Farias Pimentel*

Department of Planning and Management Overview of Supervisory Activities (Decop)

Edifício-Sede – 14º andar
SBS Quadra 3 Zona Central
70074-900 Brasília (DF)
Head: *Arnaldo de Castro Costa*

Department of Supervision of Credit Unions and Non-banking Financial Institutions and Financial System Consumer Complaints (Desuc)

Edifício-Sede – 16º andar
SBS Quadra 3 Zona Central
70074-900 Brasília (DF)
Head: *Gilson Marcos Balliana*

Department of Surveillance of Illegal Activities and Supervision of Foreign Exchange and International Capital Flows (Decic)

Edifício-Sede – 7º andar
SBS Quadra 3 Zona Central
70074-900 Brasília (DF)
Head: *Ricardo Lião*

Department of Financial System Organization (Deorf)

Edifício-Sede – 19º andar
SBS Quadra 3 Zona Central
70074-900 Brasília (DF)
Head: *Luiz Edson Feltrim*

Department of Financial System Regulation (Denor)

Edifício-Sede – 15º andar
SBS Quadra 3 Zona Central
70074-900 Brasília (DF)
Head: *Amaro Luiz de Oliveira Gomes*

Department of International Reserves Operations (Depin)

Edifício-Sede – 5º andar
SBS Quadra 3 Zona Central
70074-900 Brasília (DF)
Head: *Márcio Barreira de Ayrosa Moreira*

Department of Open Market Operations (Demab)

Av. Pres. Vargas, 730 – 6º andar
20071-900 Rio de Janeiro (RJ)
Head: *João Henrique de Paula Freitas Simão*

Financial Administration and Budget Department (Deafi)

Edifício-Sede – 16º andar
SBS Quadra 3 Zona Central
70074-900 Brasília (DF)
Head: *Jefferson Moreira*

Department of Information Systems Management (Deinf)

Edifício-Sede – 2º andar
SBS Quadra 3 Zona Central
70074-900 Brasília (DF)
Head: *Fernando de Abreu Faria*

Internal Auditing Department (Audit)

Edifício-Sede – 15º andar
SBS Quadra 3 Zona Central
70074-900 Brasília (DF)
Head: *José Aísio Catunda Aragão*

Legal Department (PGBC)

Edifício-Sede – 11º andar
SBS Quadra 3 Zona Central
700074-900 Brasília (DF)
General Attorney: *Francisco José de Siqueira*

On site Supervision Department (Desup)

Av. Paulista, 1.804 – 14º andar
Bela Vista
01310-922 São Paulo (SP)
Head: *Oswaldo Watanabe*

Office of the Corregidor (CGBCB)

Edifício-Sede – 12º andar
SBS Quadra 3 Zona Central
700074-900 Brasília (DF)
Corregidor: *Jaime Alves de Freitas*

Office of the Ombudsman (Ouvid)

Edifício-Sede – 13º andar
SBS Quadra 3 Zona Central
700074-900 Brasília (DF)
Ombudsman: *Hélio José Ferreira*

Planning and Budget Department (Depla)

Edifício-Sede – 9º andar
SBS Quadra 3 Zona Central
70074-900 Brasília (DF)
Head: *José Clóvis Batista Dattoli*

Research Department (Depep)

Edifício-Sede – 9º andar
SBS Quadra 3 Zona Central
70074-900 Brasília (DF)
Head: *Carlos Hamilton Vasconcelos Araújo*

Security Department (Deseg)

Edifício-Sede – 1º subsolo
SBS Quadra 3 Zona Central
70074-900 Brasília (DF)
Head: *Sidney Furtado Bezerra*

Executive Office

Exchange and Foreign Capital Regulation Executive Office (Gence)

Edifício-Sede – 3º andar
SBS Quadra 3 Zona Central
70074-900 Brasília (DF)
Head: *Geraldo Magela Siqueira*

Executive Office for Monetary Policy Integrated Risk Management (Gepom)

Edifício-Sede – 5º andar
SBS Quadra 3 Zona Central
70074-900 Brasília (DF)
Head: *Isabela Ribeiro Damaso Maia*

Executive Office for Projects (Gepro)

Edifício-Sede – 17º andar
SBS Quadra 3 Zona Central
70074-900 Brasília (DF)
Head: *Nivaldo Peçanha de Oliveira*

Executive Office for Special Studies (Geesp)

Edifício-Sede – 20º andar
SBS Quadra 3 Zona Central
70074-900 Brasília (DF)
Head: *Eduardo Fernandes*

Executive Office for Supervisory Affairs (Gefis)

Edifício-Sede – 6º andar
SBS Quadra 3 Zona Central
70074-900 Brasília (DF)
Head: *Andreia Lais de Melo Silva Vargas*

Executive Office on Bank Privatization (Gedes)

Edifício-Sede – 12º andar
SBS Quadra 3 Zona Central
70074-900 Brasília (DF)
Head: *Geraldo Pereira Junior*

Investor Relations Group (Gerin)

Edifício-Sede – 1º subsolo
SBS Quadra 3 Zona Central
70074-900 Brasília (DF)
Head: *Renato Jansson Rosek*

Proagro Executive Office (Gerop)

Edifício-Sede – 19º andar
SBS Quadra 3 Zona Central
70074-900 Brasília (DF)
Head: *Deoclécio Pereira de Souza*

Regional Offices of the Banco Central do Brasil (December 31, 2008)

1st Region – Regional Office in Belém (ABEL)

Regional Delegate: *Maria de Fátima Moraes de Lima*
Jurisdiction: Acre, Amapá, Amazonas, Pará,
Rondônia and Roraima
Boulevard Castilhos França, 708 – Centro
Caixa Postal 651
66010-020 Belém (PA)

2nd Region – Regional Office in Fortaleza (ADFOR)

Regional Delegate: *Luiz Edivam Carvalho*
Jurisdiction: Ceará, Maranhão and Piauí
Av. Heráclito Graça, 273 – Centro
Caixa Postal 891
60140-061 Fortaleza (CE)

3rd Region – Regional Office in Recife (ADREC)

Regional Delegate: *Cleber Pinto dos Santos*
Jurisdiction: Alagoas, Paraíba,
Pernambuco and Rio Grande do Norte
Rua da Aurora, 1.259 – Santo Amaro
Caixa Postal 1.445
50040-090 Recife (PE)

4th Region – Regional Office in Salvador (ADSAL)

Regional Delegate: *Antônio Carlos Mendes Oliveira*
Jurisdiction: Bahia and Sergipe
Av. Anita Garibaldi, 1.211 – Ondina
Caixa Postal 44
40210-901 Salvador (BA)

5th Region – Regional Office in Belo Horizonte (ADBHO)

Regional Delegate: *Everaldo José da Silva Júnior*
Jurisdiction: Minas Gerais, Goiás and Tocantins
Av. Álvares Cabral, 1.605 – Santo Agostinho
Caixa Postal 887
30170-001 Belo Horizonte (MG)

6th Region – Regional Office in Rio de Janeiro (ADRJA)

Regional Delegate: *Paulo dos Santos*
Jurisdiction: Espírito Santo and Rio de Janeiro
Av. Presidente Vargas, 730 – Centro
Caixa Postal 495
20071-900 Rio de Janeiro (RJ)

7th Region – Regional Office in São Paulo (ADSPA)

Regional Delegate: *Fernando Roberto Medeiros*
Jurisdiction: São Paulo
Av. Paulista, 1.804 – Bela Vista
Caixa Postal 894
01310-922 São Paulo (SP)

8th Region – Regional Office in Curitiba (ADCUR)

Regional Delegate: *Salim Cafruni Sobrinho*
Jurisdiction: Paraná, Mato Grosso and Mato Grosso do Sul
Av. Cândido de Abreu, 344 – Centro Cívico
Caixa Postal 1.408
80530-914 Curitiba (PR)

9th Region – Regional Office in Porto Alegre (ADPAL)

Regional Delegate: *José Afonso Nedel*

Jurisdiction: Rio Grande do Sul and Santa Catarina

Rua 7 de Setembro, 586 – Centro

Caixa Postal 919

90010-190 Porto Alegre (RS)

Acronyms

ABCP	Asset-backed commercial papers
Abitrigo	Brazilian Association of the Wheat Industry
ACC	Advance on Exchange Contracts
ACC	Asian Consultative Council
ACE	Advance on Exchange Delivered
ACSP	São Paulo Trade Association
ADCT	Transitory Constitutional Provisions
Adene	Northeast Development Agency
AFRMM	Extracharge on Freight
Aladi	Latin American Integration Association
Anatel	National Telecommunications Agency
Anda	National Association for Fertilizer Dissemination
Anfavea	National Association of Automotive Vehicle Manufacturers
ANP	National Petroleum Agency
ANS	National Supplementary Health Agency
Apex	Export Promotion Agency
Apex-Brasil	Export and Investment Promotion Agency
b.p.	Basis point
BBC	Central Bank of Brazil Bonds
BBCA	Central Bank of Brazil Bonds – Series A
BCB	Central Bank of Brazil
BDR	Brazilian Depositary Receipt
Besc	Banco do Estado de Santa Catarina S.A.
Bescri	Besc S.A. Crédito Imobiliário
BIB	Brazil Investment Bond
BIS	Bank for International Settlements
BIT	Informatics and Telecommunications Goods
BK	Capital Goods
BNDES	National Bank of Economic and Social Development
BNDESpar	BNDES Participações S.A.
BoE	Bank of England
BoJ	Bank of Japan
Bovespa	São Paulo Stock Exchange
BSF	Brazil Sovereign Fund
BTN	National Treasury Bond
CAF	Andean Development Corporation
Caged	General File of Employed and Unemployed Persons
Camex	Foreign Trade Council
CCA	Consultative Council for the Americas
CCR	Reciprocal Credit and Payment Agreement
CCS	National Financial System Client Reference File
CDB	Bank Deposit Certificate
CDP	Public Debt Certificates
CEF	Federal Savings Bank
Cemla	Centre for Latin American Monetary Studies

CET	Total effective cost
CETIP	
CFT-A	Treasury Financial Certificate – Series A
CFT-B	Treasury Financial Certificate – Series B
CFT-C	Treasury Financial Certificate – Series C
CFT-D	Treasury Financial Certificate – Series D
CFT-E	Treasury Financial Certificate – Series E
CGDI	General Coordination for the Defense of Industry
CGITR	Management Committee of the Tax on Rural Property
CGPAR	Interministerial Comm. on Corporate Governance and Adm. of Federal Stockholdings
CGSN	“Simples” National Management Committee
Cide	Contribution on Intervention in the Economic Domain
CMC	Mercosul Common Market Council
CMN	National Monetary Council
CNI	National Confederation of Industry
CNL	Competitive Need Limitations
CNSP	National Private Insurance Council
Cofins	Contribution to Social Security Financing
Conab	National Supply Company
Copom	Monetary Policy Committee
Cosif	Accounting Plan of National Financial System Institutions
CPFF	Commercial Paper Funding Facility
CPI	Consumer Price Index
CPMF	Provisional Contribution on Financial Operations
CPR	Rural Product Note
CRA	Agribusiness Receivables Certificate
CRB	Commodity Research Bureau
CSI	Current Situation Index
CSLL	Social Contribution on Net Corporate Profits
CTN	National Treasury Certificate
CVM	Securities and Exchange Commission
CZPE	National Council of Export Processing Zones
DAX	<i>Deutscher Aktienindex</i>
Decom	Department of Trade Protection
Derex	Declaration On Utilization of Foreign Currency upon Reception of Exports
DFC	Statement of Cash Flows
DNIT	National Department of Transportation Infrastructure
DOU	Official Daily Government Newspaper
DPF	Federal Public Debt
DPMFi	Internal Federal Public Securities Debt
DRU	Release of Federal Government Resources Entitlements
EC	Commission of the European Communities
ECB	European Central Bank
EDP	Education Development Plan
EGF	Federal Government Loans
EI	Expectations Index

Eletrobrás	Brazilian Power Stations
Embi+	Emerging Markets Bond Index Plus
Embraer	Brazilian Air Force Company
Embratur	Brazilian Tourism Company
EPE	Energy Research Company
ESF	Exogenous Shocks Facility
EU	European Union
FAC	Coffee Acquisition Financing
FAT	Worker Support Fund
FDA	Amazon Region Development Fund
FDI	Foreign Direct Investments
FDNE	Northeast Development Fund
Fecomercio SP	Trade Federation of the State of São Paulo
Fed	Federal Reserve
Fenabrave	National Federation of Automotive Vehicle Distribution
FGC	Credit Guaranty Fund
FGCN	Guarantee Fund for Shipbuilding
FGE	Export Guarantee Fund
FGTS	Employment Compensation Fund
FGV	Getulio Vargas Foundation
FI-FGTS	Employment Compensation Fund Investment Fund
Finame	Special Industrial Financing Agency
Finep	Financier of Studies and Projects
Fiocruz	Oswaldo Cruz Foundation
FIP	Stock Investment Fund
Fipe	Institute of Economic Research Foundation
FIP-IE	Infrastructure Participation investment Fund
FMP-FGTS	Mutual Privatization Funds – FGTS
FMP-FGTS-CL	Mutual Privatization Funds – FGTS – Free Portfolio
FND	National Development Fund
FNDCT	National Scientific and Technological Development Fund
FNPS	National Social Security Forum
FPM	Revenue Sharing Fund of Municipalities
FRA	Financing of Agribusiness Receivables
Franave	São Francisco Navigation Company
FSA	Financial Sector Analysis
FSAP	Financial Sector Assessment Program
FSF	Financial Stability Forum
FSSA	Financial System Stability Assessment
FTSE 100	Financial Times Securities Exchange Index
Funai	National Indian Foundation
Funcafé	Coffee Economy Defense Fund
Funcex	Foreign Trade Studies Center Foundation
Fundeb	Fund for Maintenance and Development of Basic Education and Enhancement of Education Professionals
Gantec	High Level Group to examine the Consistency and Dispersion of the TEC
GCF	Gross Capital Formation

GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GFSR	Global Financial Stability Report
GMC	Common Market Group
GRA	General Resources Account
GSCI	Goldman Sachs Commodity Index
GSP	Generalized System of Preferences
GTFAC	Technical Group on Trade Facilitation
HCPI	Harmonized Consumer Price Index
IA	Investment Account
IAE	Indicator Alternative Operational Risk Exposure
Ibama	Brazilian Institute of Environment and Renewable Natural Resources
IBGE	Brazilian Institute of Geography and Statistics
Ibovespa	São Paulo Stock Exchange Index
IBRD	International Bank for Reconstruction and Development
ICC	Consumer Confidence Index
Icea	Current Economic Conditions Index
ICI	Industrial Confidence Index
ICMS	Tax on the Circulation of Merchandise and Services
ICT	Information and communication technology
ICT	Scientific and Technological Institution
ID	Interbank Deposit
IDB	Inter-American Development Bank
IE	Expectations Index
IE	Exposure to Operational Risk indicator
IEC	Consumer Expectations Index
IFC	International Finance Corporation
IGP-DI	General Price Index – Domestic Supply
IGP-M	General Price Index – Market
I	Import Tax
IIP	International Investment Position
IMF	International Monetary Fund
INC	National Confidence Index
INCC	National Cost of Construction Index
Inec	National Consumer Expectations Index
Inmetro	National Institute of Metrology, Standardization and Industrial Quality
INPC	National Consumer Price Index
INSS	National Social Security Institute
IOF	Financial Operations Tax
IOF	Tax on Credit, Exchange and Insurance Operations, or Stock and Bond Operations
IOSCO	International Organization of Securities Commissions
IPA-DI	Wholesale Price Index
IPA-OG-PA	Wholesale Price Index – Overall Supply – Agricultural Products
IPA-OG-PI	Wholesale Price Index – Overall Supply – Industrial Products
IPC	Consumer Price Index

IPC	<i>Índice de Precios y Cotizaciones</i>
IPCA	Extended National Consumer Price Index
IPC-Br	Consumer Price Index – Brazil
Ipea	Institute of Applied Economic Research
IPI	Industrialized Products Tax
IR	Income Tax
IRPF	Individual Income Tax
IRPJ	Corporate Income Tax
ISA	Current Situation Index
ITR	Rural Land Tax
Jalsh	JSE All Share Index
JGB	Japanese Government Bonds
LAM	Leasing Bills
LBC	Banco Central Bill
LC	Complementary Law
LEC	Special Trade Credit Line
LFT	Treasury Financing Bills
LNG	Liquefied Natural Gas
LOA	Annual Budget Law
Loas	Social Assistance Law
LPG	Liquefied Petroleum Gas / Liquid Petroleum Gas
LSPA	Systematic Farm Production Survey
LTCM	Long-Term Capital Management
LTN	National Treasury Bills
Mapa	Ministry of Agriculture, Livestock and Supply
mbd	Million barrels/day
MCR	Rural Credit Manual
MCT	Ministry of Science and Technology
MDIC	Ministry of Development, Industry and Foreign Trade
Mercosur	Southern Common Market
Merval	Buenos Aires Stockmarket Index
MME	Ministry of Mines and Energy
MMIFF	Money Market Investor Funding Facility
Moderagro	Program of Agricultural Modernization and Conservation of Natural Resources
Moderfrota	Program of Modernization of the Farm Tractor Fleet and Like Implements and Harvesters
Moderinfra	Program of Incentives to Irrigation and Storage
MP	Provisional Measure
MPME	Micro, small and medium enterprises
MTE	Ministry of Labor and Employment
MYDFA	Multi-Year Deposit Facility Agreement
Nafta	North American Free Trade Agreement
Naladi/SH	Nomenclature of the Latin American Association of Integration/ Harmonized System of Merchandise Designation and Codification
NBC-A	Brazil Central Bank Note – Series A
NBC-E	Brazil Central Bank Note – Special Series
NBC-F	Brazil Central Bank Note – Floating Rate Series

NCM	Common Mercosul Nomenclature
NTN	National Treasury Note
NTN-B	National Treasury Note – Series B
NTN-C	National Treasury Note – Series C
NTN-D	National Treasury Note – Series D
NTN-F	National Treasury Note – Series F
NTN-I	National Treasury Note – Series I
Nuci	Installed Capacity Utilization Level
OECD	Organisation for Economic Co-operation and Development
OIE	World Organisation for Animal Health
Opec	Organization of Petroleum Exporting Countries
p.p.	Percentage points
p.y.	Per year
PAC	Growth Incentive Program
PACTI	Plan of Action 2007-2010: Science, Technology and Innovation for National
Padis	Program of Support to Technological Development in the Semiconductor Industry
PAF	Annual Financing Plan
PAM	Mercosul Automotive Policy
PAP	Agriculture and Livestock Plan
Pasep	Civil Service Asset Formation Program
PATVD	Program of Support to Technological Develop. of the Digital TV Equipment Industry
PBC	People’s Bank of China
P_{CAM}	
PDCF	Primary Dealer Credit Facility
PDP	Productive Development Policy
PET	Polyethylene terephthalate
PGPAF	Price Guarantee Program for Family Agriculture
PIM	Monthly Industrial Survey
Pimes	Monthly Industrial Survey – Employment and Wages
PIS	Social Integration Program
PITCE	Industrial, Technological and Foreign Trade Policy
P_{JUR}	
PLE	Required Net Worth
PMC	Monthly Retail Trade Survey
PME	Monthly Employment Survey
PMI	Integrated Multi-Sectoral Projects
PND	National Development Program
PNDR	National Regional Development Policy
POA	Salaried Working Population
P_{OPR}	
PPI	Pilot Investment Project
PR	Base Capital
PRE	Required Base Capital
PRGF	Poverty Reduction and Growth Facilities Loan
Proagro	Farm Activity Guarantee Program

Procera	Special Program of Credits to Agrarian Reform
Prodeagro	Agribusiness Development Program
Prodecoop	Program of Cooperative Development for Aggregating Value to Crop/ Livestock Production
Prodefruta	Program of Development of Fruit Farming
Produsa	Program of Incentives for Sustainable Agricultural Production
Proex	Export Financing Program
Proger Rural	Rural Employment and Income Generation Program
Pró-Moradia	Federal Government Housing Program
Pronaf	National Program for Strengthening Family Agriculture
Pronaf Agroindústria	National Program for Strengthening Family Agriculture - Agribusiness
Pronaf mais Alimentos	Special line of credit investment for food production
Pronasci	National Program of Public Security with Citizenship
Propflora	Program of Commercial Planting of Forests
Provias	Highway Intervention Program
PSH	Program of Subsidies to Housing of Social Interest
PSND	Public Sector Net Debt
Ptax	System of Exchange Rate Control and Information
RDB	Bank Deposit Receipt
REB	Brazilian Special Registry
Recap	Special Capital Goods Acquisition System for Exporting Companies
Recor	Common Registry of Rural Operations
Reidi	Special System of Incentives for Infrastructure Development
Repes	Special Taxation System for the Information Technology Services Export Platform
Repetro	Petroleum and Natural Gas Research and Production Activities
Reporto	Tax System for the Incentive to Port Structure Modernization and Expansion
Revitaliza	Program for Supporting the Revitalization of the Footwear, Furniture and Apparel Sectors
RFB	Federal Revenue Secretariat of Brazil
RFFSA	Federal Railway Network
RGPS	General Social Security System
RMCCI	International Exchange and Capital Market Regulations
RMSP	São Paulo Metropolitan Region
RMV	Lifetime Monthly Income
ROSC	Reports on the Observance of Standards and Codes
RSFN	National Financial System Network
RTU	Unified Taxation System
S&P 500	Standard and Poor's 500
SBPE	Brazilian System of Savings and Loans
SBR	Risk-Based Supervision System
SCE	Export Credit Insurance
SCIT	Manufacturing Industry Survey
SCPC	Credit Protection Service Center
SCR	Credit Information System
SDA	Special Disbursement Account

SDDS	Special Data Dissemination Standard
SDR	Special Drawing Rights
Secex	Foreign Trade Secretariat
Selic	Special System of Clearance and Custody
SFH	Housing Financing System
SFN	National Financial System
SH	Harmonized System
Siape	Integrated Human Resource Management
Sibratec	Brazilian System of Technology
Simples Nacional	Special Unified Tax and Contribution Collection System to be utilized by micro and small businesses
Sisbov	Brazilian System of Identification and Certification of the Cattle and Buffalo Productive Chain
Siscomex	Integrated Foreign Trade System
Sisprom	Export Promotion Remittance Authorization System
SLF	Short-Term Liquidity Facility
SLS	Special Liquidity Scheme
SML	Local Currency Payments System
SNB	Swiss National Bank
Sped	Public Digital Accounting System
STN	National Treasury Secretariat
Sudam	Amazon Region Development Authority
Sudene	Northeast Region Development Authority
Suframa	Manaus Free Port Authority
Susep	Private Security Authority
TAF	Term Auction Facility
TALF	Term Asset-Backed Securities Loan Facility
TARP	Trouble Asset Relief Program
TBF	Basic Financing Rate
TDA	Agrarian Debt Security
TEC	Common External Tariff
TI	Information technology
TIPI	Industrialized Products Tax Table
TJLP	Long-Term Interest Rate
TN	National Treasury
TR	Reference Rate
Trips	Trade-Related Intellectual Property
TSLF	Term Securities Lending Facility
UNCTAD	United Nations Conference on Trade and Development
Unica	Sugar Cane Industry Union
UNSC	United Nations Security Council
USA	United States of America
USTR	United States Trade Representative
VIX	Chicago Board Options Exchange Volatility Index
WEO	World Economic Outlook
WIPO	World Intellectual Property Organization
WTO	World Trade Organization
XU100	Istanbul Stock Exchange National 100 Index
ZPE	Export Processing Zone