

Economic-Financial Relations with the International Community

Foreign trade policy

Within the appreciation context of the real and relatively modest global economy recovery, on May 5 the Brazilian government introduced important foreign trade policy measures to create favorable conditions for increased Brazilian exports competitiveness, emphasizing:

- i) greater agility in federal tax credits return: it states that companies that have exported at least 30% of sales results in the past two years, within 30 days of request will receive 50% of the accumulated PIS/Pasep, Contribution to Social Security Financing (Cofins) and IPI in such operations. Exporter must be in business at least for 4 years, be taxed on actual profits, use electronic invoice, and hold a record of refused reimbursement requests not exceeding 15% of total requested in the past two years. In the Directive no. 348, of June 16, Ministry of Finance established reimbursement procedure on credits as of debts verified as of April 1, 2010, and in Normative Instruction no.1.060, of 3 August, Brazilian Federal Revenue regulated the matter;
- ii) export revenues exclusion from total revenues for classification under Integrated System of Tax and Contribution Payments for Micro and Small Businesses (SIMPLES): exemption being equal to R\$2.4 million per year limit set for domestic revenue. It is noteworthy that micro and small enterprises account for 1.2% of export value and 48.3% of the number of exporting companies;
- iii) drawback exemption in the internal market created by Provisional Measure no. 497, of July 27, 2010, converted into Law no. 12.350, of December 20, provides that national inputs used in exports in the period t-1 can be purchased at period t, at zero ICMS rate;
- iv) within six months abolishes the 40% tax reduction on imported auto parts;
- v) creation of the Foreign Trade Guarantee Fund (FGCE), managed by BNDES, allowing greater flexibility in guarantees, covering commercial risk, and payments based on risks taken;
- vi) setting up of Brazil Export Credit Agency (EXIM Brazil), an integral BNDES subsidiary, a foreign trade agency to provide greater speed and effective support to exports post-shipment operations, by transferring external trade operations to the EXIM Brazil; and

- vii) reducing consumer goods export financing cost by extending to such products National Treasury interest rates equalization on pre-shipment export financing, previously restricted to capital goods. This measure was regulated by Resolution no. 3,851, of April 29, and subsequently amended by Resolution no. 3,910, of September 30, extending the contract deadline from December 31, 2010 to March 31, 2011. Resources for such financing, amounting to R\$7 billion, were provided by the BNDES.

In July, BNDES created a line of credit called Automatic EXIM, a post-shipment buyer's credit for South American countries, with three to five years maturities. Post-shipment cash disbursements in reais are made to exporters in Brazil, the relevance of such credit line being the concentration of Brazilian capital goods exports to countries of the region.

In the year, BNDES disbursements tied to foreign trade operations, including services, totaled US\$11.2 billion, against US\$8.3 billion in 2009, accounting for 5.6% of Brazilian exports. For industry it disbursed US\$9.9 billion, encompassing 1,081 operations, mostly in transportation equipments (manufacturing and assembling of motor vehicles, boats, aircraft and railway equipments), responding for 310 operations and US\$3.7 billion, followed by the mechanical sector, with 279 operations and US\$1.8 billion. The trade and services sector absorbed disbursements of US\$1.3 billion, in 183 transactions, and agriculture US\$30 million in five transactions. BNDES foreign trade disbursements increased 34.9% in the year, given a 32% annual exports growth.

In 2010, the Export Financing Program (Proex) operations totaled US\$4,043.6 million, US\$504.9 million related to the financing and US\$3,538.7 million to interest rate equalization.

In financings there was a reduction from 1,509 to 1,478 transactions and from 400 to 371 in relation to exporters. In 2010, the main economic sectors using Proex-Financing were agribusiness, 57%, followed by textile, leather and footwear, 26%; and machinery and equipment, 11%. The main economic destination blocs or regions under this Proex facility were Cuba, 37%; EU, 25%; Apec, 18%.

Securities issued backed by interest rate equalization totaled US\$118.3 million, compared with US\$157.8 million in 2009. In the year, 2,657 operations were performed by 31 exporters, compared to 2,513 in 2008, involving 35 companies. A sectoral analysis shows that transportation responds for 46% of export value, including Brazilian Aviation Company (Embraer) sales abroad, followed by machinery and equipment, 36%, and services 18%. Main export Proex-Equalization destinations were the European Union, 37%; African countries, 20%; North American Free Trade Agreement (Nafta) and Latin American Integration Association (Aladi) countries, 13% each; Southern Common Market (Mercosur), 8%. Larger companies accounted for 57% of exports value, compared to 86% in 2009.

As far as trade defense measures are concerned, noteworthy is the Foreign Trade Chamber Resolution no. 63, of August 17, approval and Ministry of Development, Industry and Foreign Trade (MDIC) Directive no. 18 and 21, of August 18 and October 25 respectively, regulating anti-dumping or countervailing measures against omission practices also called bypass or triangulation.

Still on trade defense measures, Resolution no. 43, June 17, Foreign Trade Chamber, regulated the Brazil – United States agreement, suspending until 2012 assets and intellectual property retaliation. As part of negotiated compensations, a US\$147.3 million annual fund was created to support domestic cotton growers, handled by a management council comprised by three private sector and three Brazilian government representatives. The World Trade Organization (WTO) authorized retaliation resulted from US failure to comply with its cotton panels determination and its appealing body.

Also in the context of trade defense, by year end, 68 anti-dumping measures were in force. Out of which one on price and other safeguards respecting 44 products of 20 countries or bloc of countries, with emphasis on China, US and India. This year, four anti-dumping measures were applied against China on footwear, synthetic fiber blankets and ballpoint pens, and one against the United States and Mexico on polyvinyl chloride resin.

On December 28, the Foreign Trade Council (Camex) Resolution no. 92; of December 27, 2010, increased import duty rate from 20% to 35% on 14 types of finished toys, up to December 31, 2011, which mostly affected Chinese manufactured toys, which responded for approximately 80% of such imports.

In December, at the close of the Brazilian *pro tempore* presidency at Foz de Iguazu, Mercosur Common Market Council Decision no. 56/10 set the ten-year schedule to eliminate exceptions to the common external tariffs so as to consolidate the block as a customs union. Another step in this direction, set forth by Decision no. 57/10 was the revision of Capital Goods and Information System and Telecommunication Goods Common Regime on Imports, to come into force as of January 1, 2013, for Argentina and Brazil, and as of January 1, 2015; for Paraguay and Uruguay. The ex-tariff regime allows import duty reduction for capital goods, information system and telecommunications goods not produced in Mercosur countries.

In May 2010, free trade agreement negotiations between Mercosur and the EU were resumed. Mercosur partners require definitions on European agricultural subsidies, while the EU is concerned with Mercosur industrial opening. Noteworthy is the fact that this negotiating process in a sense reproduces the difficulties that blocked the completion of the WTO Doha Round since the end of 2008.

In the Brazilian legislative level, Decree no. 7,159, of April 27, 2010, enacted Free Trade Agreement between Mercosur and Israel, signed in Montevideo on December 18, 2007. By Decree no. 217, of April 7, the Framework Agreement between Mercosur and the Arab Republic of Egypt was approved, and signed in Puerto Iguazu, Argentina, on July 7, 2004.

Among foreign trade operations facilitating measures, Foreign Trade Bureau Directive no. 10, of May 25, 2010, consolidated foreign trade operations standards and procedures. Siscomex Export Web (Novoex) was designed to replace Siscomex Export module, with direct Internet access without any additional software required on users computers. The system allows user to save Exports Registrations (ERs) and Credit Registration (CRs). CRs register both private and public export financings. With new features, Novoex enables the use of previously recorded information for future and ERs allotting. It also provides a more interactive interface, greater visibility of the process both by the exporter and the consenting party, and allows previous ER simulation. Novoex is running as of November 17 combined with the old system, which will cease to operate in January 2011, as set forth by Foreign Trade Secretariat Directive no. 29, of December 8, 2010.

Another regulatory change pertaining to preference facility resulting from a trade agreement was introduced by MDIC Foreign Trade Secretariat Directive no. 33, published on December 28, 2010. Such measure provided for more stringent criteria on certificate of origin, a document certifying the origin of the goods and ensuring it was produced based on previously established criteria. Such measure further provides institutions to adopt an on line system to process such document with digital signatures, to be implemented as of July 1, 2011.

On June 29, 2010, National Board on Export Processing Zones (CZPE) Resolution no. 8 established procedures to declare forfeiture of the act creating Export Processing Zone (ZPE). Up to October 1994, there were ten approved ZPEs with July 1, 2010; deadline to evidence the setting up of managing companies and infrastructure works. In 2010 a decree was published creating the following ZPEs: Aracruz (ES), Suape (PE), Macaíba (RN), Assu (RN), Pecém (CE), Fernandópolis (SP), Bataguassu (MS), Boa Vista (RR), Aracruz (ES), Parnaíba (PI), Senador Guimard (AC), Barra dos Coqueiros (SE).

Exchange policy

Through the year, foreign exchange policy aimed at preventing foreign currency liquidity to produce excessive volatility and imbalances in the exchange market. Within this background the Central Bank maintained a policy of strengthening international reserves, buying US\$42 billion net total in the year.

Fixed income foreign capital operations IOF rate was increased from 2% to 4% on October 4, 2010, by Decree no. 7,323, and 4% to 6% on October 18, by Decree no. 7,330. Additionally, IOF rate on the margin requirements for foreign investment on stock exchanges, commodities and futures was increased from 0.38% to 6%, thus requiring the implementation of such measure to all futures market operations.

Furthermore, National Monetary Council Resolution no. 3,914, of October 19, precluded securities rental, trade and lending, equity and gold as a financial asset held by financial institutions and others authorized to operate by the Banco Central do Brasil to non-resident investor.

CMN Resolution no. 3,912 and 3,915, of October 7 and 28, 2010; respectively, required foreign exchange contract to be drawn on all internal migration of funds in reais, coming from equity investments by non-resident investor carried out on a stock or futures and commodities exchange, including those earmarked for initial or additional margin requirements. Thus the possibility of non-resident investor to make foreign investment in the equities market was eliminated by a 2% IOF rate charge, subsequently redirected to the fixed income market, charging a 6% rate.

So as to match foreign exchange market supply and demand, CMN Resolution no. 3,911, of October 6, 2010, was issued increasing National Treasury deadline from 750 days to 1,500 days to buy dollars in the market to service the Federal Public External Debt (DPFe). National Treasury continued on its strategy of acquiring foreign currency for external debt interest and principal payment, amounting to US\$9.3 billion settlements. Additionally, in order to extend maturities, reduce costs, and increase sovereign debt yield curve points, Global 41 and BRL 28 were respectively reopened in September and October, totaling US\$550 million and US\$655 million each and amounting to US\$655 million.

Currency swap agreement with the Federal Reserve (Fed), established by CMN Resolution no. 3,631, of October 30, 2008, twice extended, and closed on February 1, 2010.

CMN Resolution no. 3,833, of January 28, introduced the mandatory registration of hedge operations carried out with financial institutions or on foreign exchanges abroad. Such registration by financial institutions and others authorized to operate by the Banco Central do Brasil is carried through a system administered by registration and financial assets settlement institutions authorized by the Central Bank or the Securities and Exchange Commission. Such institution must hold documents on hedge operations records. Due to operating system adequacy need of all parties involved in registering such operations, the ruling became effective as of March 15, 2010.

Banco Central do Brasil Circular no. 3,506, of September 23, 2010, introduced a new methodology for calculating the System of Exchange Rate Control and Information (Ptax) and its implementation schedule. Ptax calculation will be carried through four daily visits to accredited foreign exchange dealers and each query results will be defined by their respective average price, excluding the two highest and two lowest values reported. PTAX rate resulting from the simple arithmetic average of such visits will be released around 13:00 hours. Ratification of the new methodology will be January 21, 2011, and previous methodology will be replaced on July 1, 2011.

National Monetary Council Resolution no. 3,854, of May 27, 2010, set forth a mandatory quarterly tax return affidavit for individual and legal persons holding over US\$100 million total overseas assets. Such statement reference dates are: March 31, June 30, and September 30 of each year. Individual and legal persons holding over US\$100 million total overseas assets on December 31 of each year are also required to submit an annual declaration of Brazilian capital abroad.

Resolution no. 3,844, of March 24, 2010, consolidated general provisions on foreign capital in the country concerning registration of direct investment flows, foreign credits, royalties, technology transfers and leases abroad.

Banco Central do Brasil Circular no. 3,491, of March 24, 2010, regulated the above referred matter. Provisions therein were included in the International Exchange and Capital Market Regulations (RMCCI), under specific title and chapters, to organize and systematize the existing regulatory framework.

Main innovations were:

- i) financial transfers to and from abroad, in national or foreign currency, under CMN Resolution no. 3,844 on foreign capital flows, became subject to Brazilian foreign exchange market general rules. Therefore, in compliance with the principles of legality, economic fundamentals, and documents support;
- ii) Central Bank specific authorization or previous manifestation was abolished; and
- iii) agents involved were exempted from providing information to the Central Bank obtainable through other sources and/or internal mechanisms.

In addition, CMN changed rules on Depositary Receipts (DR) transfers abroad, and provided by CMN Resolution no. 3,845, of March 24, 2010, companies resident in the Country issuing and/or offering DR to maintain its results abroad. However, this rule does not apply to financial institutions DR, which are subject to specific rules. For the purpose of foreign investment record updating at the Central Bank, such transfers amount not entered the country within five days automatically is considered by the national custodian as held abroad. Should the foreign investor chose redemption and registration of DR under a new type of investment, for example, foreign direct investment or fixed

income, change is conditional upon simultaneous foreign exchange operation, pursuant to Banco Central do Brasil Circular no. 3,492, of March 24, 2010.

Continuing the Brazilian foreign exchange market enhancing process, Banco Central do Brasil Circular no. 3,493, of March 24, 2010, updated RMCCI, and following changes are noteworthy:

- i) elimination of simultaneous exchange contracts requirement in premiums and indemnities linked to international reinsurance payment, when carried through foreign currency account held by the insurer;
- ii) authorization to Brazilian non-bank financial institutions authorized to deal in foreign exchange to maintain more than one foreign currency account in the same Brazilian city, thus increasing competition in international transfer negotiation carried by such agents, benefiting both senders and recipients of foreign currency funds;
- iii) dispensing specific registration form for foreign exchange transactions, given that general rules to prevent and combat money laundering already require it;
- iv) permission to foreign exchange facilities of institution authorized to operate in the foreign exchange market to perform the same operations allowed to its agencies, thus expanding the supply of banking services;
- v) creating a specific section to process payment orders from abroad made in reais; and
- vi) extending settlement term on National Treasury Secretariat contracts from 360 days to up to 750 days as from such contracting date, so as to match the terms of Treasury operations with those of foreign exchange transactions carried out in the interbank market.

Brazilian Federal Revenue Normative Instruction no. 1,092, of December 2, 2010; set forth provision on Information Statement of Financial Operations (Dimof), following Normative Instruction no. 811, of January 28, 2008, on foreign exchange transactions data required regarding foreign currency purchase, exchange into domestic currency, and foreign exchange transfers abroad.

Exchange movement

In a high international liquidity scenario, where emerging economies kept absorbing significant foreign capital inflows, the Brazilian foreign exchange market recorded net inflows of US \$24.4 billion in 2010, against US\$28.7 billion in the previous year.

Trade segment registered a US\$1.7 billion deficit against a US\$9.9 billion surplus a year earlier, due to 22.1% and 32.3% respective increases in exports and imports contracts, which respectively totaled US\$176.6 billion and US\$178.2 billion respectively. Financial sector, in contrast, yielded a US\$26 billion net inflow against US\$18.8 billion in 2009, resulting from 12.5% and 11% respective increases in foreign currency purchase and sales contracts.

Table 5.1 – Foreign exchange operations

US\$ million

Period	Commercial						Financial			Balance	
	Exports			Imports			Balance	Purchases	Sales		
	Total	Advances on export contracts	Payment in advance	Other	Balance	(A)				(B)	(C)
									= (A)+(B)		
2008	187 984	46 110	45 305	96 569	140 084	47 900	421 240	470 123	-48 883	-983	
2009	Jan	10 261	2 392	1 515	6 354	9 729	532	18 397	21 947	-3 550	-3 018
	Feb	10 482	2 625	1 902	5 954	7 611	2 871	16 382	18 412	-2 030	841
	Mar	12 202	3 232	2 863	6 107	9 098	3 104	22 022	25 923	-3 901	-797
	Apr	13 801	2 400	4 115	7 285	8 884	4 917	21 267	24 754	-3 487	1 430
	May	12 390	2 746	4 532	5 112	10 838	1 551	27 538	25 955	1 583	3 134
	Jun	11 975	2 960	2 939	6 076	12 123	-148	34 999	33 776	1 223	1 076
	Jul	9 886	2 107	2 320	5 459	12 719	-2 833	33 881	29 778	4 103	1 270
	Aug	12 867	2 459	3 238	7 170	11 529	1 339	25 830	24 212	1 618	2 957
	Sep	9 819	2 477	2 112	5 231	13 044	-3 225	32 186	27 597	4 590	1 365
	Oct	14 304	2 596	2 444	9 265	12 812	1 492	39 705	26 599	13 106	14 598
	Nov	13 148	2 485	3 677	6 986	11 689	1 458	24 863	22 432	2 432	3 890
	Dec	13 532	2 895	4 195	6 442	14 666	-1 135	39 186	36 065	3 120	1 986
	Year	144 666	31 374	35 851	77 441	134 742	9 924	336 257	317 450	18 808	28 732
2010	Jan	10 723	3 332	1 481	5 910	10 863	-140	23 083	21 868	1 215	1 075
	Feb	10 085	2 684	2 541	4 860	12 371	-2 285	23 765	21 879	1 886	-399
	Mar	16 221	3 202	3 658	9 361	13 826	2 394	27 829	28 109	-280	2 114
	Apr	12 750	3 035	2 684	7 031	13 389	-639	27 897	25 010	2 887	2 248
	May	16 301	3 355	4 070	8 876	13 631	2 671	30 494	30 560	-66	2 605
	Jun	13 961	3 025	3 892	7 043	14 749	-788	24 959	28 450	-3 491	-4 279
	Jul	13 984	2 774	4 335	6 875	14 762	-777	28 655	27 166	1 490	712
	Aug	14 984	3 250	3 162	8 572	16 868	-1 884	27 502	26 299	1 203	-680
	Sep	14 741	2 622	3 984	8 136	17 730	-2 989	49 171	32 456	16 716	13 726
	Oct	17 195	3 408	3 500	10 288	15 418	1 777	34 550	29 409	5 141	6 917
	Nov	17 338	3 603	3 424	10 311	16 836	502	27 332	25 609	1 722	2 225
	Dec	18 306	3 328	4 438	10 540	17 797	509	53 118	55 536	-2 418	-1 910
	Year	176 590	37 618	41 169	97 802	178 240	-1 650	378 355	352 351	26 004	24 354

Central Bank performance in the foreign exchange market resulted in net purchases of US\$42 billion, from US\$36.5 billion in 2009, of which US\$41.4 billion in the spot market and US\$535 million returns on foreign currencies loans.

Banks' foreign exchange position went from US\$3.4 billion purchased at the end of 2009, to US\$16.8 billion sold at the end of 2010.

The real recorded a 4.31% nominal appreciation against the US dollar in 2010, with a Ptax sale price of R\$1.6662/US\$. Real effective exchange rate index, deflated by the Broad Producer Price Index – Domestic Supply (IPA-DI) and by the IPCA, recorded 11% and 7.7% respective appreciation in the year.

Balance of payments

The consolidation of the Brazilian economic recovery process in 2010 resulted in increased demand for imported goods and services, and increased net remittances of income abroad, with an impact on current account deficit, which totaled a record US\$47.4 billion in the year. Conversely, the country's macroeconomic stability

Table 5.2 – Balance of payments

Itemization	US\$ million					
	2009			2010		
	1st half	2nd half	Year	1st half	2nd half	Year
Trade balance (FOB)	13 909	11 381	25 290	7 884	12 337	20 221
Exports	69 952	83 043	152 995	89 187	112 728	201 915
Imports	56 043	71 662	127 705	81 303	100 391	181 694
Services	-8 115	-11 130	-19 245	-13 512	-17 295	-30 807
Credit	12 731	14 997	27 728	14 864	16 957	31 821
Debit	20 846	26 128	46 974	28 376	34 252	62 628
Income	-14 635	-19 050	-33 684	-19 731	-19 835	-39 567
Credit	4 689	4 137	8 826	3 124	4 229	7 353
Debit	19 324	23 186	42 510	22 855	24 064	46 919
Current unilateral transfers (net)	1 664	1 673	3 338	1 512	1 276	2 788
Credit	2 303	2 432	4 736	2 344	2 316	4 661
Debit	-639	-759	-1 398	-833	-1 040	-1 873
Current account	-7 177	-17 125	-24 302	-23 847	-23 518	-47 365
Capital and financial account	18 691	52 610	71 301	42 950	56 712	99 662
Capital account ^{1/}	581	548	1 129	494	625	1 119
Financial account	18 110	52 062	70 172	42 456	56 087	98 543
Direct investment (net)	14 464	21 569	36 033	3 215	33 704	36 919
Abroad	1 798	8 286	10 084	-8 881	-2 638	-11 519
Equity capital	-1 190	-3 355	-4 545	-12 110	-14 673	-26 782
Intercompany loans	2 988	11 641	14 629	3 229	12 035	15 263
In the reporting country	12 665	13 283	25 949	12 096	36 342	48 438
Equity capital	7 718	12 188	19 906	12 256	27 860	40 117
Intercompany loans	4 948	1 095	6 042	-160	8 481	8 321
Portfolio investments	1 397	48 886	50 283	22 790	40 221	63 011
Assets	-866	4 990	4 125	-375	-4 408	-4 784
Equity securities	-524	3 106	2 582	896	5 315	6 211
Debt securities	-342	1 884	1 542	-1 271	-9 724	-10 995
Liabilities	2 263	43 896	46 159	23 166	44 629	67 795
Equity securities	3 030	34 041	37 071	9 737	27 948	37 684
Debt securities	-768	9 855	9 087	13 429	16 682	30 111
Financial derivatives	212	-56	156	-17	-95	-112
Assets	294	29	322	74	59	133
Liabilities	-81	-85	-166	-91	-154	-245
Other investments ^{2/}	2 037	-18 337	-16 300	16 468	-17 743	-1 274
Assets	-12 361	-18 015	-30 376	-12 079	-30 496	-42 575
Liabilities	14 399	-323	14 076	28 547	12 753	41 301
Errors and omissions	-96	-251	-347	-2 437	-760	-3 197
Overall balance	11 417	35 234	46 651	16 666	32 434	49 101
Memo:						
Current account/GDP (%)	-1.15	-1.76	-1.52	-2.32	-2.21	-2.27
Medium and long term amortizations ^{3/}	12 310	17 811	30 121	15 964	17 880	33 844

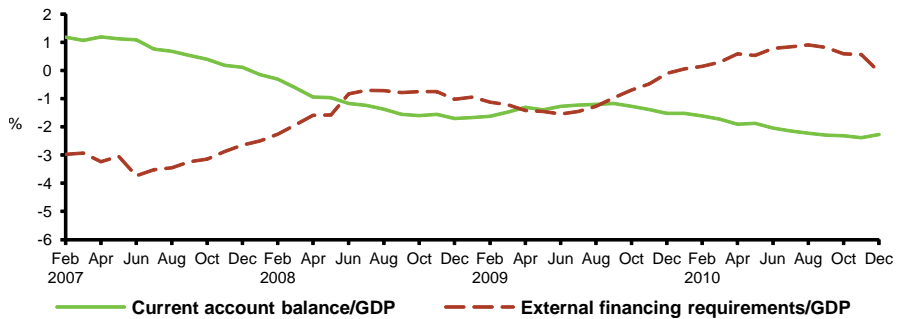
1/ Includes migrants' transfers.

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.

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



External financing requirements = current account deficit - net foreign direct investments

expressed in downward risk expectations and increasing investment returns, favored a US\$99.7 billion net inflow in the capital and financial account. The balance of payments surplus totaled US\$49.1 billion in 2010.

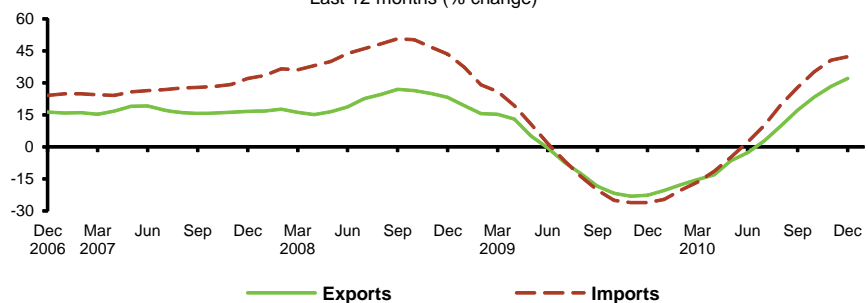
Table 5.3 – Trade balance – FOB

US\$ million

Year	Exports	Imports	Balance	Trade flow
2009	152 995	127 722	25 272	280 717
2010	201 915	181 649	20 267	383 564
% change	32.0	42.2	-19.8	36.6

Source: MDIC/Secex

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



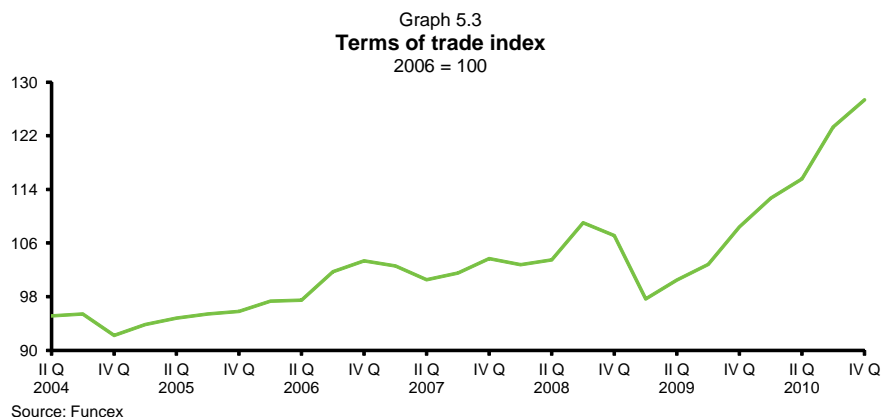
Source: MDIC/Secex

^{1/} From the same period of the previous year.

Trade balance

Trade balance registered a US\$20.3 billion surplus in 2010, the tenth consecutive positive result. The 19.8% drop over the previous year reflected respective 42.2% and 32% imports and exports annual increases, which respectively totaled US\$181.6 billion

and US\$201.9 billion. In the final months of the year, this dynamics showed signs of change, when the pace of growth in imports decelerated. After 2009 retraction, trade flow went up 36.6% in 2010.



Trade terms maintained the 2009 expansion trend, reaching through the year, consecutive records. This performance and increased volume of traded goods drove up foreign trade flow acceleration in 2010.

Table 5.4 – Exports price and volume indices

Itemization	2009		2010	
	Price	Volume	Price	Volume
Total	-13.4	-10.7	20.5	9.5
Primary products	-17.5	2.9	30.4	11.4
Semimanufactured goods	-20.3	-5.0	29.0	6.6
Manufactured goods	-5.8	-22.8	8.5	8.9

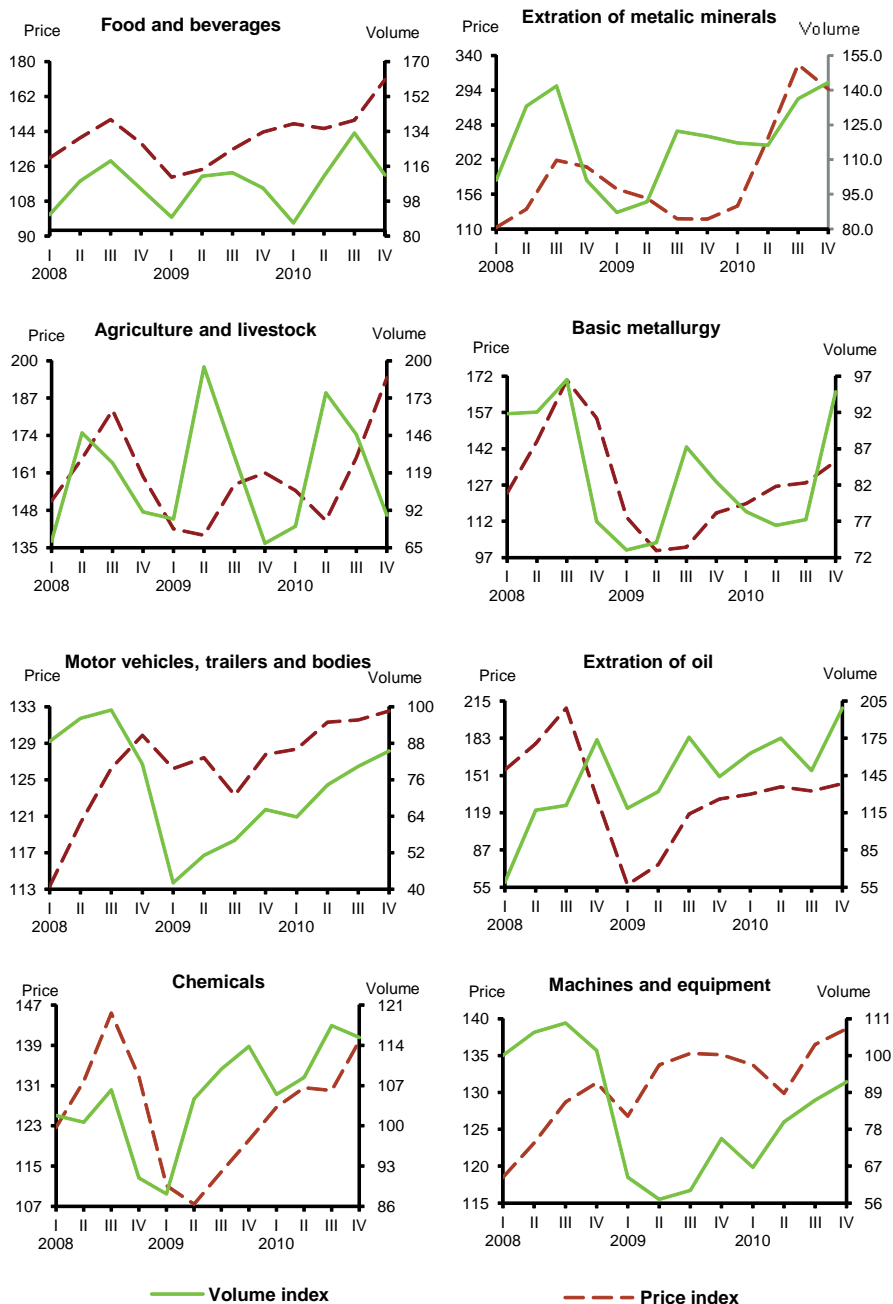
Source: Funcex

Exports annual growth, reflecting 20.5% price rises and 9.5% volume increase, led to generalized expansion in sales in all aggregate factor categories, reaching 44.7%, 37.1% and 17.7% in commodities, semi-manufactured, and manufactured goods, respectively.

Commodities shipment increase reflected in 30.4% and 11.4% rises in price and volume. Regarding prices, highlights were annual increases in iron ore, 86.7%; oil, 44.8%; copper ore, 45.9%; raw coffee, 26.1%; and pork meat, 25.9%. Exported quantity evolution was particularly associated to the expansion in corn grain, 38.5%; oil, 21.4%; iron ore, 16.4%; and soybean meal, 11.1%; contrasting with decreases in the tobacco leaves and pork meat.

Semi-manufactured products showed 29% price growth, 6.6% volume growth, and significant price increases stemmed from 479.8% raw sugar cane, consistent with supply

Graph 5.4
Quarterly price indices and volume of Brazilian exports
 2006 = 100



constraints in India, the leading world producer of such commodity; cellulose, 40.2%; hides and skins, 34.7%; and semi-finished iron or steel products, 32.3%. As for volume exported, highlights were the expansion in annual sales of raw sugar cane, 16.3%; semi-finished iron or steel products, 12.5%; and ferroalloys, 28.8%; and decreases in soybean oil, 19.5%; unwrought aluminum, 27.2%; and wood sawn or chipped, 48.9%.

Manufactured products sales abroad reflected 8.5% price increase and 8.9% volume increase. There were significant increases in the prices of refined sugar, 29.9%; fuel oil, 24.8%; ethylene polymers, propylene and styrene, 36.3%; and hydrocarbons and their derivatives, 50.9%. As for quantities the most important were passenger cars, 33.8%; auto parts, 30.2%; freight vehicles, 59%; motor vehicles engine parts, 78.5%. These are opposed to decreases recorded quantities exported of ethylene polymers, propylene and styrene, 15.1%; ethyl alcohol, 42.6%; wire rod, 19.7%; and orange juice, 19.1%.

Exports in eight major sectors, According to the Foreign Trade Studies Center Foundation (Funcex), exports in eight major sectors responded for 78.3% of total exports in 2010. During the year, price expansions were seen on all such segments, especially those relating to metallic minerals, 77.4%; oil, 46.7%; and basic metallurgy, 18.6%. Among quantity increases, the noteworthy are those relating to motor vehicles, trailers and body works, 41%; machinery and equipment, 27.3%; and metallic minerals, 21.7%.

Table 5.5 – Imports price and volume indices

Change from the previous year (%)

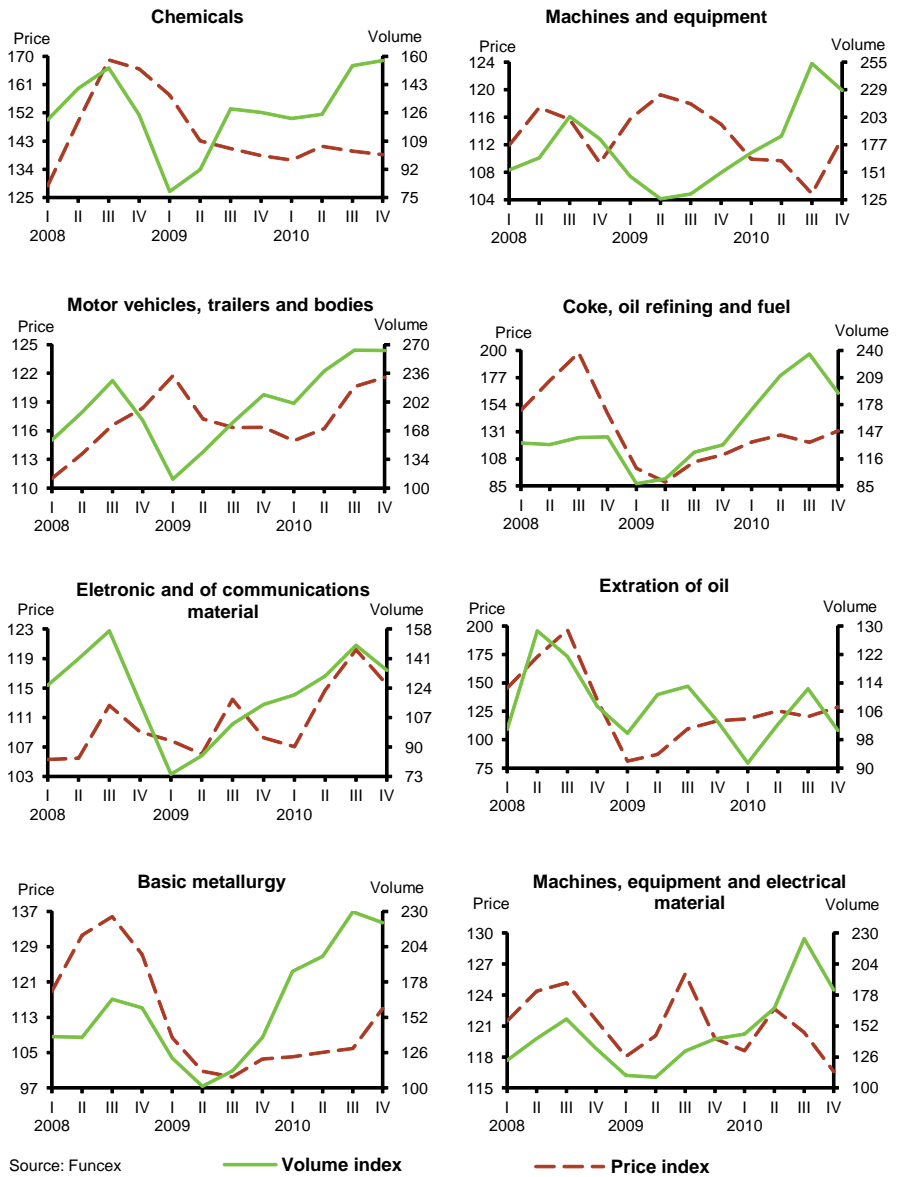
Itemization	2009		2010	
	Price	Volume	Price	Volume
Total	-11.3	-16.9	3.9	37.0
Capital goods	-1.8	-15.7	-3.7	43.3
Intermediate goods	-8.6	-20.9	2.6	36.6
Durable consumer goods	-1.2	-6.7	3.6	52.9
Nondurable consumer goods	-1.1	2.0	10.4	18.0
Fuels and lubricants	-36.0	-14.2	22.3	21.6

Source: MDIC (elaboration by Central Bank)

Annual import growth was due to increases of 37% in quantities purchased and 3.9% in prices. Purchase increases occurred in all use categories, with emphasis on 59.3% expansion in durable goods, followed by fuels and lubricants, 50.7%; raw materials and intermediate products, 39.8%; capital goods, 37.5%; and non-durable consumer goods, 29.1%.

Evolution of annual shipments of raw materials and intermediate goods reflected 2.6% price increase and 36.6% volume increase. Recorded volume growth was boosted mainly by increases on flat-rolled iron or steel 166.2%; potassium chloride, 76.9%; and naphtha, 59%. As for prices, highlights were associated with increases in copper cathodes, 51.6%; integrated circuits and micro-assemblies, 31.7%; and naphtha, 29.9%, in contrast to decreases observed in annual rates of chloride potassium 39.5%; and flat rolled iron or steel 14.6%.

Graph 5.5
Quarterly price indices and volume of Brazilian imports
 2006 = 100

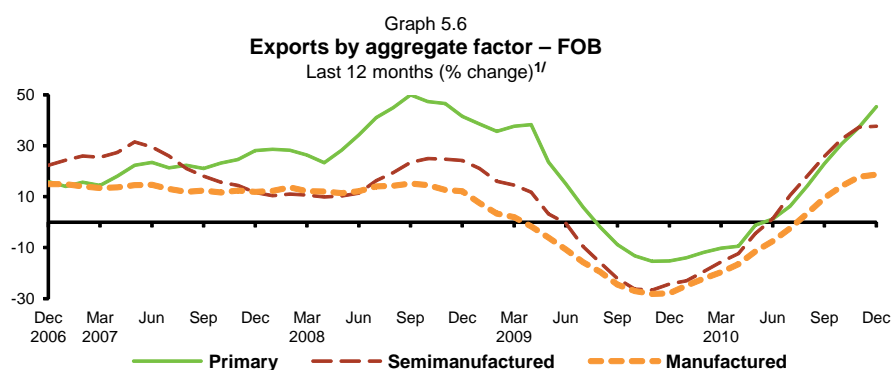


Capital goods foreign purchases reflected a -3.7% price variation and 43.3% volume variation, which resulted from the expansion in earthmoving machinery, 91.9%; pumps, compressors and fans, 61.9%; and motors, generators and electrical transformers, 43.3%. Capital goods price decline particularly reflected reductions in printed circuit boards, 20.5%; earthmoving machinery, 16.7%; and measuring instruments and appliances, 5.6%.

Table 5.6 – Exports by aggregate factor – FOB

US\$ million					
Itemization	2006	2007	2008	2009	2010
Total	137 807	160 649	197 942	152 995	201 915
Primary products	40 285	51 596	73 028	61 957	90 005
Industrial products	94 541	105 743	119 756	87 848	107 770
Semimanufactured goods	19 523	21 800	27 073	20 499	28 207
Manufactured goods	75 018	83 943	92 683	67 349	79 563
Special transactions	2 981	3 311	5 159	3 189	4 140

Source: MDIC/Secex



Source: MDIC/Secex

^{1/} From the same period of the previous year.

Within consumer durables imports, which recorded increases of 3.6% in prices and 52.9% in volume, highlights were volume increases in transmission apparatus parts, 136.2%; bulbs, electric tubes and head lights, 129.2%; and furniture and parts, 76.2%; and prices' highlights were on transmission apparatus parts, 8.8%; and passenger cars, 5.5%. Non-durable consumer goods, which reflected 10.4% price growth and 18% volume growth, one should note the imported quantity increases in perfumery and toilet articles, 43.2%; processed vegetable products, 53.6%; and toys and games, 38.7%; and prices of, footwear and parts, 17.2%; and perfumery and toiletry articles, 9.4%.

Acquisitions abroad for eight major importing sectors accounted for 71.9% of 2010 total imports. All segments showed imported volume increases, mostly those related to coke, petroleum refining and fuels, 86%; basic metallurgy, 76.4%; machinery and equipment, 50.9%; and motor vehicles, trailers and body works, 50.2%. Price changes were not uniform in such sectors, noting the relative annual growth in oil extraction 24.9%; and coke, petroleum refining and fuels, 24.5%; and decreases in machinery and equipment, 6.5%; and chemicals, 4%.

Total daily average exports reported annual growth of 31.4% in 2010, reflecting sales expansion in commodities, 44.7%; semi-manufactured, 37.1%; and manufactured, 17.7%.

Table 5.7 – Exports – FOB – Major primary products

% change 2010/2009 – Daily average

Products	Value	Price ^{1/}	Weight ^{2/}	Share ^{3/}
Iron ore and concentrates	117.4	86.7	16.4	32.1
Petroleum oils, crude	75.8	44.8	21.4	17.9
Soybean including grinded	-3.7	-5.0	1.4	12.3
Meat and edible offal of chicken	19.7	13.4	5.5	6.4
Coffee, not roasted	37.2	26.1	8.8	5.8
Oil-cake and other residues from soybeans	2.3	-7.9	11.1	5.2
Meat of bovine animals	27.2	24.4	2.3	4.3
Tobacco, unmanufactured; tobacco refuse	-9.9	21.4	-25.8	3.0
Maize, unmilled	69.5	22.4	38.5	2.5
Copper ore and concentrates	53.5	45.9	5.2	1.4
Meat of swine	9.8	25.9	-12.7	1.4
Cotton, not carded or combed	19.5	18.2	1.1	0.9
Bovine animals, live	47.9	18.7	24.6	0.7
Salted meat, including poultry	5.8	10.7	-4.4	0.6
Manganese ore and concentrates	90.9	32.5	44.1	0.4
Guts, bladders and stomachs of animals	5.5	-16.1	25.7	0.4
Kaolin and other kaolinic clays	8.4	-3.1	11.8	0.3
Aluminum ore and concentrates	70.7	-23.3	122.6	0.3
Edible meat offal	1.4	3.0	-1.5	0.3
Cashew nuts	-1.4	13.2	-12.9	0.3
Other primary products	18.9	-	-	3.5

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.

Primary products shipment daily average reached US\$359 million, rising 44.7% in the year. Exports of the three main products under this category – iron ore, oil and soybean – accounted for 62.3% of such segment sales and registered an annual variation of 117.4%, 75.8% and -3.7%.

Exports of the three main products in this category – iron ore, oil and soybean – accounted for 62.3% of sales and registered annual variations of 117.4%, 75.8% and -3.7%.

Asian countries were the main destination of commodities exported, totaling US\$161 million per day, equivalent to 45% of such sales and 72% of average daily exports to that region, and recording an annual increase of 54.9%. Chinese market responded for 63.5% of such Asian exports, followed by Japan, 12.5%; and South Korea, 5.6%. Main products shipped were iron ores and their concentrates 47.1% of the total under this category; soybeans, 20.2%; and petroleum, 13.3% of the total.

Commodities average daily exports to the European Union (EU) amounted to US\$85 million, expanding 31.2% in the year and now representing 23.7% of such

shipments and 49.5% of Brazilian exports to the EU. Germany became the main destination country within the EU, 22% of the total, followed by the Netherlands, 21.2%; Spain, 10.4%; France, 9.7%; and Italy, 9.1%. Highlights were on sales of iron ores and concentrates 26.9% of the total; soybean meal, 15.5%; raw coffee beans, 13.5%; soybeans 10.8%; and oil, 10.5%, pointing out that iron ores and concentrates sales expanded 214.9% and soybean fell 33.9% in the year.

Commodities shipments to Latin America and the Caribbean recorded a US\$34 million daily average, of which 16.9% were channeled to Mercosur countries. It is noteworthy that such exports rose 48.9% in the year and amounted to 9.5% of such category and 17.7% of sales to the region. Main destination countries were St. Lucia, 32.2%; Venezuela, 16.1%; Chile, 15%; and Argentina, 13.8%. Shipments to the region focused on oil, 51%, of which 63.1% for St. Lucia; iron ores and their concentrates, 15.4%, and live cattle 7.3%.

Commodities average daily sales to the US reached US\$24 million, rising 46.8% in the year, representing 6.7% of such shipments and 30.8% of total shipments targeted to that country, and were concentrated in oil, 64.2%; raw coffee beans, 17.7%, and tobacco leaves, 4% of the total.

Commodities average daily exports to other countries totaled US\$54 million, rising 36.7% in the year, accounting for 15.1% of such category sales and 38.9% of total exports to those countries. Commodities purchased by this group of countries focused on chicken meat, 23.7%; beef, 21.5%; iron ore and concentrates, 19.7%; and pork meat, 6.3%, highlighting the participation of Russia, 17.2%; Saudi Arabia, 15.9%; Iran, 9.4%; and Egypt, 8.6% of the total.

Shipments of semi-manufactured goods recorded a daily average of US\$112 million in 2010, expanding 37.1% in the year. The main products under this category were raw sugar, 33% of the total; cellulose, 16.8%; semi-finished iron or steel products, 9.2%; iron alloys, 7.2%; semi-manufactured gold, 6.3%; and hides and skins, 6.1%, accounting for about 80% such exports.

Asia was the main destination of semi-manufactured products, at US\$40 million per day, accounting for 35.3% of such sales and 17.7% of total exports to the region, with annual growth of 13%. Exports to Asia were focused on raw cane sugar, 27.9% of the total; cellulose, 16.4%, of which 40.1% for China; semi-finished iron or steel products, 15.2%; iron alloys, 9.5%; and crude soybean oil, 8.9%. Main destination countries were China, 36.4% of the total; Japan, 11.7%; South Korea, 10.5%; and India, 10.2%, a decline of 33.6% explained especially by the downturn in raw cane sugar and crude soybean oil exports.

Semi-manufactured products exports directed to the EU registered a daily average of US\$24 million, with annual growth of 58.6%, representing 21.7% of such sales and

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

Daily average – US\$ million

Product	2009		2010		
	Value	Value	Change from 2009 (%)	Share (%)	
				Total	Blocs
Total	612	804	31.4	100.0	-
Basic	248	359	44.7	44.6	-
Semimanufactured	82	112	37.1	14.0	-
Manufactured	269	317	17.7	39.4	-
Special transactions	13	16	29.3	2.1	-
Latin America and Caribe	143	191	34.1	23.8	100.0
Basic	23	34	48.9	4.2	17.7
Semimanufactured	4	7	62.8	0.9	3.7
Manufactured	115	150	30.1	18.6	78.4
Special transactions	0	0	21.7	0.0	0.1
Mercosur	63	90	42.2	11.2	100.0
Basic	2	6	132.5	0.7	6.4
Semimanufactured	1	2	87.4	0.3	2.5
Manufactured	60	82	37.6	10.2	91.0
Special transactions	0	0	35.3	0.0	0.2
USA ^{1/}	63	78	23.2	9.6	100.0
Basic	16	24	46.8	3.0	30.8
Semimanufactured	8	13	52.3	1.6	16.4
Manufactured	38	40	6.6	5.0	52.0
Special transactions	0	1	23.4	0.1	0.8
European Union	136	172	26.2	21.4	100.0
Basic	65	85	31.2	10.6	49.5
Semimanufactured	15	24	58.6	3.0	14.2
Manufactured	55	61	12.2	7.6	35.7
Special transactions	1	1	-17.1	0.1	0.6
Asia	161	224	39.3	27.9	100.0
Basic	104	161	54.9	20.1	72.0
Semimanufactured	35	40	13.0	4.9	17.7
Manufactured	21	23	6.8	2.8	10.2
Special transactions	0	0	7.7	0.0	0.1
Others	109	140	27.7	17.4	100.0
Basic	40	54	36.7	6.7	38.9
Semimanufactured	19	29	51.6	3.6	20.5
Manufactured	40	42	5.5	5.3	30.3
Special transactions	11	14	35.8	1.8	10.3

Source: MDIC/Secex

^{1/} Includes Puerto Rico.

14.2% of total exports to the bloc. The Netherlands was the main destination, 29.2% of the total; followed by Italy, 20.6%; UK, 18.7%; and Belgium, 7%. Cellulose exports accounted for 36.7% of the total; followed by those relating to gold in semi-manufactured forms, 14.4%; iron alloys, 11.6%; and hides and skins, 9.3%.

Average daily sales of semi-finished products to the US increased 52.3% in the year, amounting to US\$13 million, equivalent to 11.3% of such exports and 16.4% of total

Table 5.9 – Exports – FOB – Major semimanufactured goods

% change 2010/2009 – Daily average

Products	Value	Price ^{1/}	Weight ^{2/}	Share ^{3/}
Cane sugar, raw	55.0	479.8	16.3	33.0
Chemical wood pulp	43.0	40.2	2.0	16.8
Iron or nonalloy steel semifinished products	48.9	32.3	12.5	9.2
Iron alloys	42.3	10.5	28.8	7.2
Gold, nonmonetary in semimanufactured forms	27.0	26.6	0.3	6.3
Hides and skins	49.7	34.7	11.1	6.1
Soybean oil, crude	13.9	11.9	1.7	4.2
Aluminum, unwrought, not alloyed	9.0	35.4	-19.5	3.9
Pig iron and spiegeleisen	-11.2	21.9	-27.2	3.4
Wood, sawn or chipped lengthwise	4.4	6.8	-2.2	1.5
Cooper cathodes	-21.2	54.3	-48.9	1.2
Synthetic rubber and artificial rubber	35.5	66.3	-18.5	1.1
Nickel cathodes	40.7	59.3	-11.7	0.7
Nickel mattes	201.7	84.1	63.9	0.7
Aluminum alloys, unwrought	-13.0	12.0	-22.3	0.6
Cocoa butter, fat or oil	4.3	-13.3	20.3	0.5
Zinc, unwrought, not alloyed	43.6	36.5	5.2	0.5
Wood in chips or particles	21.0	5.0	15.2	0.4
Vegetable waxes	65.3	15.0	43.7	0.4
Cocoa butter, fat or oil	95.0	87.8	3.8	0.3
Other semimanufactured products	9.2	-	-	1.8

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.

shipments to that country. Main items being cellulose 26.5% of the total shipped to the country; pig iron and iron spiegeleisen, 19.4%; semi-finished iron or steel products, 12.4%; and iron-alloys, 7.3%.

Average daily exports of semi-manufactured goods to Latin America and the Caribbean totaled US\$7 million, with annual growth of 62.8%, equivalent to 6.3% of the total under this category and 3.7% of Brazilian exports to these countries. The list focused on iron or steel semi-finished products, 25.8% of the total; unrefined cane sugar, 25.7%; synthetic and artificial rubber, 7.2%; and iron alloys, 5.9%. Main destinations were Argentina, 27.1% of the total; Venezuela, 25.9%; Mexico, 19%; and Peru, 5.9%.

Semi-finished products average daily shipments to other countries totaled US\$29 million, registering an annual increase of 51.6% and now representing 25.5% of such sales, and 20.5% of the total to such group. Among items exported to these countries, noteworthy are unrefined cane sugar, accounting for 75% of the total; gold in semi-manufactured forms, 9.9%; unwrought aluminum, 6%; and crude soybean oil, 3%. The main countries of destination were Russia, 22% of the total; Switzerland, 13.2%; Iran, 10.6%; and Algeria, 8%.

Table 5.10 – Exports – FOB – Major manufactured goods

% change 2010/2009 – Daily average

Products	Value	Price ^{1/}	Weight ^{2/}	Participation ^{3/}
Passenger motor vehicles	35.6	1.3	33.8	9.5
Airplanes	2.5	8.2	-5.3	8.5
Cane sugar, refined	43.4	29.9	10.4	7.4
Parts and accessories for motor cars and tractors	41.0	8.3	30.2	7.3
Fuel oils	27.9	24.8	2.5	5.5
Iron or nonalloy steel flat-rolled products	10.8	13.8	-2.6	3.9
Aluminum oxide and aluminum hydroxide	33.1	12.7	18.1	3.7
Motor vehicles for the transport of goods	74.7	9.9	59.0	3.6
Polymer of ethylene, propylene and styrene	15.7	36.3	-15.1	3.5
Electric motors, generators and transformers; parts thereof	-9.3	-9.4	0.1	3.5
Passenger motor vehicles engines' parts	64.4	-7.9	78.5	3.2
Transmission and reception apparatus, and components	-17.5	-26.7	12.6	3.2
Footwear, parts and components	8.9	0.7	8.1	3.2
Pumps, compressors, fans and others	31.3	2.6	28.0	3.2
Civil engineering and contractors' plant and equipment	124.2	-3.0	131.0	2.9
Pneumatic rubber tires	20.5	8.6	11.0	2.9
Paper and paperboard used for writing, printing etc.	24.7	8.3	15.1	2.6
Orange juice, not frozen	18.8	18.0	0.7	2.3
Tractors	63.3	10.0	48.4	2.2
Hydrocarbons and halogenated derivatives	44.1	50.9	-4.5	2.2
Ethyl alcohol, undenatured	-24.5	31.6	-42.6	2.2
Passenger motor vehicles engines	82.8	11.3	64.2	2.1
Medicaments for human medicine and for veterinary medicine	16.1	11.6	4.1	2.1
Chassis fitted with engines and bodies for motor vehicles	33.4	3.2	29.2	2.0
Gears and gearing; ball screws; gear boxes, etc; parts thereof	47.5	-9.4	62.8	1.7
Furniture and parts thereof, except for medical-surgical use	10.7	9.6	1.0	1.6
Iron and steel bars and rods	10.1	37.1	-19.7	1.6
Nitrogenated functions compounds	28.7	28.0	0.5	1.6
Agricultural machinery (except tractors)	73.0	10.8	56.1	1.5
Orange juice, frozen	-3.3	19.5	-19.1	1.5
Other manufactured products	8.5	-	-	68.0

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 sales of manufactured goods totaled US\$317 million in 2010, a 17.7% annual growth. Main exported products were passenger cars, 9.5% of the total; aircraft, 8.5%; refined sugar, 7.4%; auto parts, 7.3%; and fuel oil, 5.5%.

The main export destination of such manufactured goods was Latin America and the Caribbean, a US\$150 million daily average, with 30.1% annual increase, accounting for 47.3% of such category sales and 78.4% of products shipped to that region. Sales were concentrated on cars 10% of the total; auto parts, 6.8%; cargo vehicles, 4%;

fuel oil, 3.8%; and transmitters or receivers, 3.2%. Such exports were directed especially to Argentina, 44.7% of the total; Mexico, 8.6%; Chile, 7.8%; Paraguay, 6.3%; and Venezuela, 5.4%.

Average daily sales of manufactured products channeled to the EU totaled US\$61 million, increasing 12.2% in the year, representing 19.4% of exports under this category, and 35.7% of shipments to such block. The export list focused on aircraft, 9% of the total; orange juice, 6%; iron and steel hoses, 4.1%; car engine parts, 3.5% each; and footwear, 3.2%. Countries with highest participation were the Netherlands, 25.4% of the total; Germany, 20%; UK, 11.8%; Belgium, 10.6; Spain, 8.3%; and France; 7.5%.

The daily average of manufactured exports to the US registered a 6.6% annual increase, totaling US\$40 million, accounting for 12.7% of total sales, and 52% of sales to that country. Main shipped items were automobile engine parts; and marble and granite works, with individual shares of 4.8% in total; hydrocarbons and their products, 4.7%; aircraft, 4.3%; tires, 4%; motors, generators and electrical transformers, 3.7%; and footwear, 3.4%.

Average daily exports of manufactured goods to Asia reached US\$23 million in 2010, rising 6.8% in the year, with respective shares of 7.2% in this category and 10.2% in Brazilian sales to the region. Sales focused on aircraft, 9.4% of the total; fuel oil, 9.2%; sugar, 9.1%; ethyl alcohol, 6.4%; and flat-rolled iron or steel products, 5.5%. China was the main market for these products in the region, 24.3% of the total; followed by Japan, 15.3%; Singapore, 13.8%; India, 12.8%; and South Korea, 8.1 %.

The daily average of Brazilian manufactured products purchased by other countries recorded an annual growth of 5.5% in 2010 reaching US\$42 million, representing 13.4% of sales under this category and 30.3% of shipments to these countries. Such exports were concentrated in sugar, 25.5% of the total; aluminum oxides and hydroxides, 14.2%; aircraft, 6.2%; earth-moving equipment and drilling machinery, 2.8%; and electric motors, generators and transformers, 2.6%. The main destinations were Canada, 11.4% of the total; South Africa, 8.5%; UAE; 7.9%; Angola, 6.7%; and Nigeria, 4.9%.

Special operations – special transactions, on board consumption and re-exports – reached a daily average of US\$16 million in 2010, rising 29.3% in the year, and focusing on fuel oil used in ships and aircraft refueling, 86.2 % of total, and re-exports, 8.9%.

Average daily exports of industrial products totaled US\$511 million in 2010, registering a 22.2% annual increase. Such products accounted for 63.6% of Brazilian exports, distributing low-tech industries, 26.4% of the total; medium-low technology, 14.6%; medium-high technology, 18%; and high-tech, 4.6%.

Table 5.11 – Exports by technological intensity – FOB

US\$ million – Daily average

Itemization	2009	2010		
		Valor	Var.%	Part.%
Total	612	804	31.4	100.0
Industrial products	418	511	22.2	63.6
High technology	36	37	2.5	4.6
Aircraft	18	19	2.9	2.3
Telecom, audio and video equipment	6	7	17.5	0.9
Other	12	11	-5.8	1.4
Middle-high technology	109	145	32.9	18.0
Road motor vehicles	37	56	48.8	6.9
Non-electrical machinery Nesoy	30	38	24.8	4.7
Chemicals products, excluded pharmaceutical	28	36	28.9	4.5
Other	13	15	15.1	1.9
Middle-low technology	99	117	18.6	14.6
Fabricated metal products	60	71	18.8	8.8
Petroleum products and other fuels	23	27	15.8	3.3
Other	16	19	21.5	2.4
Low technology	175	212	21.7	26.4
Food, beverages and tobacco	127	153	20.3	19.0
Wood, paper and pulp	27	35	29.5	4.3
Textiles, hides and skins and footwear	15	19	23.3	2.4
Manufactured products Nesoy and recycled products	5	6	11.6	0.7

Source: MDIC/Secex,

Note: 2010, 251 working days; 2009, 250 working days.

Daily exports of low-technology manufactured products totaled US\$212 million, registering a 21.7% annual growth. Sales were concentrated in the food, beverages and tobacco sectors, especially those relating to unrefined cane sugar, 17.5% of the total; chicken meat, 10.9%; soybean meal, 8.9%; beef, 7.2%; and refined sugar, 6.5%. Besides these products, highlights were sales of cellulose, 8.9% of the total; hides and skins, 3.2%; and footwear, 2.8%. The Netherlands became the main destination of these products, 7.7% of the total; followed by the US, 7.4%; Russia, 6.9%; China, 6.3%; and Iran and Saudi Arabia, 3.3% each.

Average daily shipments of manufactured products for medium-high technology grew 32.9% in the year totaling US\$145 million. Highlights were sales of the automotive sector, with emphasis on cars, 12.2% of the total; auto parts, 9.4%; load vehicles, 4.7%; car engine parts, 4.2%; and car motors, 2.8%; and those relating to ethylene polymers, propylene and styrene, 4.6%; electric motors, generators and transformers, 4.5%; pumps, compressors, fans, 4.1%; earth moving machinery and equipment, 3.8%; and hydrocarbons and their products, 2.9%. Main destinations of this segment were Argentina, 30.4% of the total; US, 11.5%; Mexico, 6.4%; Germany, 4.9%; Chile, 4.8%; Paraguay, 3.3%; and the Netherlands, 2.9%.

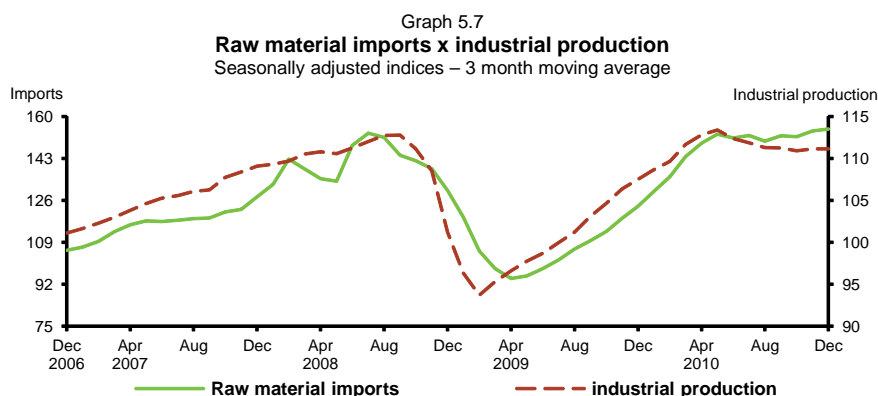
Average daily sales of medium-low technology manufactured products reached US\$117 million, a 18.6% increase over 2009. Product list concentrated on oil and fuel for supplying ships and aircraft (onboard consumption), 12.2% of the total; semi-finished iron or steel products, 8.9%; fuel oil, 8.8%; iron-alloys, 7%; iron or steel-rolled products, 6.2%; gold in semi-manufactured forms 6.1%; aluminum oxides and hydroxides, 5.9%; and tires, 4.7%. Main destination countries were the US, 13.6% of the total; Argentina, 10%; Netherlands, 7.2%; Switzerland, 3.7%; and UK, 3.3%

Exports of high technology products registered a daily average of US\$37 million, rising 2.5% in the year and focusing on aircraft, 42.8% of the total; transmitters or receivers, 15.9%; and drugs, 10.4%. Argentina became the main destination for these products 15.7% of the total; followed by the US, 13.4%; Germany, 5.4%; China, 5.2%; Spain, 4.5%; and UK, 3.6%.

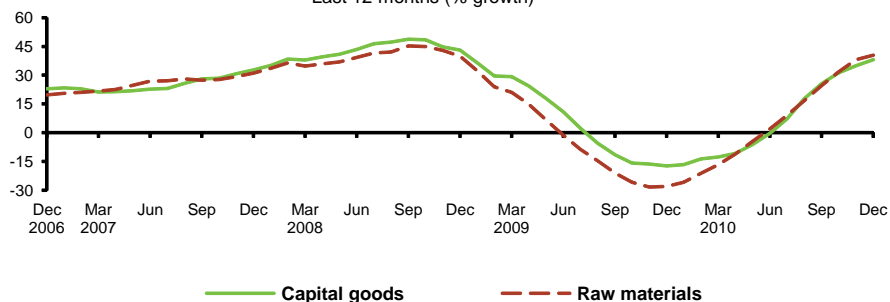
Table 5.12 – Imports – FOB

Itemization	2006	2007	2008	2009	2010
Total	91 351	120 617	172 985	127 722	181 649
Capital goods	18 924	25 125	35 933	29 698	40 995
Raw materials and intermediate product	45 274	59 381	83 056	59 754	83 884
Consumer goods	11 955	16 027	22 527	21 524	31 426
Durable	6 076	8 251	12 710	11 614	18 579
Nondurable	5 879	7 776	9 817	9 910	12 847
Fuels and lubricants	15 197	20 085	31 469	16 746	25 344

Source: MDIC/Secex



Graph 5.8
Brazilian imports by end use category – FOB
 Last 12 months (% growth)^{1/}



Source: MDIC/Secex

^{1/} From the same period of the previous year.

In 2010, average daily imports recorded an annual growth in all general use categories, with emphasis on 59.3% increase in purchases of durable consumer goods; followed by those for fuels and lubricants, 50.7%; raw materials and intermediate goods, 39.8%; capital goods, 37.5%; and non-durable consumer goods, 29.1%.

Imports of raw materials and intermediate goods registered a daily average of US\$334 million in 2010, accounting for 46.2% of Brazilian purchases in the period. Imports of chemicals and pharmaceuticals, mineral products, transport equipment accessories and intermediate products – parts and accessories accounted for 76.1% of such purchases. Growth in imported value of the main products of this list resulted in particular from volume increases, especially in relation to prices, which only those relating to transportation equipment accessories and other agricultural raw materials declined in the period.

Average daily purchases of raw materials and intermediate goods from Asia totaled US\$96 million in 2010, rising 48.7% in the year, and focusing on electronic integrated circuits and electronic micro-assemblies, 13.2% of the total; flat-rolled iron or steel, 8%; computers parts and accessories, 6.3%; and auto parts, 5.9%. These purchases were derived in particular from China, 42.2% of the total; Japan, 13.7%; South Korea, 11.4%; India, 6.8%; and Taiwan, 6.7%.

Average daily imports of raw materials and intermediate products from the EU totaled US\$77 million in 2010, a 29.4% increase in the year, now representing 49.4% of purchases and 23% of such category from that block. Highlights were auto purchases, 11.9% of the total; heterocyclic compounds, 6.4%; bearings and gears, 4.6%; medicines, 3.5%; insecticides, ant killers and pesticides, 3.4%. Main supplying countries were Germany, 31.8% of the total; France, 14.6%; Italy, 10.3%; Spain, 8.4%; and UK, 7.8%.

Raw materials and intermediate products imports from Latin America and the Caribbean registered a US\$63 million daily average, an increase of 34.6% in the year and

accounting for 18.7% imports of such category and 51% of total acquired from that block. Import list focused on copper cathodes, 12% of the total; naphtha, 9%; grain wheat, 8.4%; auto parts, 6.3%; and copper ores and concentrates, 5.9%. Main suppliers were Argentina, 40.2% of the total; Chile, 21.9%; Mexico, 10.3%; and Uruguay, 6.6%. It is worth mentioning a drop in Argentina's participation and an expansion those relating to Chile and Mexico.

Such category imports from the USA amounted to a daily average of US\$55 million, increasing 27.9% in the year, accounting for 16.3% of the category purchases and 50.3% of total imports from the US. Highlights during this period were the share of purchases of jet engines, turbines, and parts, 10.8% of the total; ethylene polymers, 3.6%; aircraft and helicopters parts and spares, 3.4%; and bearings and gears, 3.1%.

Average daily imports of raw materials and intermediate products from other countries grew 70.9% in the year, greater expansion among countries' blocks and regions, totaling US\$44 million, now representing 13.2% of such category's imports and 39% of total imports of this group of countries. Import list focused on naphtha, 18.9% of the total; potassium chloride, 14.8%; flat-rolled iron or steel products, 6.1%; urea, 5.8%; fertilizers, 5.3%; and superphosphates, 2.7%. Main suppliers were Algeria, 17.3% of the total; Canada, 15.4%; Russia, 14.2%; Switzerland, 8.5%; and Israel, 6.5%. It was relevant the participation of this group of countries in supplying agricultural inputs, especially fertilizers.

Capital goods average daily purchases totaled US\$163 million in 2010, now representing 22.6% of Brazil's total imports in the year, with emphasis on the impact of the increase in quantities imported, as opposed to the marked price decline in the largest number of items in this category. Industrial machinery imports accounted for 32.9% of the total; followed by those related to office equipment, and scientific services, 18%; spares parts and for capital goods for industry, 12.9%; and mobile transportation equipment, 11.9%.

Capital goods imports from Asia increased 44.4%, reaching US\$64 million per day, with respective shares of 39.2% and 28.6% purchases under such category and from this block. Acquisitions were focused on data processing machines and their units, 10% of the total; electric motors, generators and transformers, 8.1%; printed circuits, 7.4%; liquid crystal displays (LCD), 5.9%; pumps, compressors and fans, 4%. Main supplying countries were China, 55.5% of the total; Japan, 15.6%; South Korea, 12.3%; and Taiwan, 5.1%.

Capital goods imports from the EU reached a daily average of US\$48 million, a 30.1% annual growth, accounting for 30.8% of total, and 29.4% of such category purchases. The most significant participation corresponded to measuring and checking instruments and appliances, 7.4% of the total; pumps, compressors and fans, 6.8%; electric motors, generators and transformers, 6.6%; earthmoving and drilling machinery

and equipment, 3.8%; and energy stoppage and protection apparatuses, 3.8%. Major suppliers were Germany, 35.2% of the total; Italy, 17.2%; France, 9%; Austria, 5.9%; Spain, 5.5%; and the UK, 4.9%. It should be noted the annual 95.9% imports growth from Austria, mainly due to increased purchases of machinery for casting, for metallurgy steel making or metal foundries, and motors, generators and transformers.

Table 5.13 – Imports – FOB – Major products

% change 2010/2009 - daily average

Products	Value	Price ^{1/}	Weight ^{2/}	Share ^{3/}
Capital goods	37.5			100.0
Industrial machinery	36.9	-16.2	63.3	32.9
Machines and apparat. for office and scientific destination	28.2	6.4	20.4	18.0
Capital goods parts and components	34.1	-21.7	71.3	12.9
Transportation movable equipment	51.3	3.7	45.9	11.9
Industrial machinery accessories	52.7	-2.7	56.8	7.6
Other capital goods	36.9	-38.1	121.2	16.7
Raw materials and intermediate goods	39.8			100.0
Chemical and pharmaceutical products	32.4	4.0	27.3	27.4
Mineral products	82.2	13.7	60.3	21.3
Accessories for transport equipment	37.0	-13.8	59.0	13.8
Intermediate products - parts	34.3	0.9	33.1	13.6
Other raw materials for farming	24.4	-12.4	42.0	8.0
Other raw materials and intermediate goods	27.2	4.4	21.9	15.9
Nondurable consumer goods	29.1			100.0
Pharmaceutical products	19.2	5.0	13.5	34.3
Foodstuffs	40.8	10.6	27.3	30.3
Apparel and other textiles clothing	36.1	2.8	32.4	10.0
Perfumery, cosmetics, or toilet preparations	46.3	11.4	31.3	6.1
Tobacco and beverage	23.5	-4.4	29.2	4.0
Other nondurable consumer goods	23.3	5.2	17.3	15.2
Durable consumer goods	59.3			100.0
Passenger motor vehicles	54.3	5.5	46.3	49.1
Machines and appliances for household use	109.9	20.1	74.9	21.5
Articles for personal use or adornment	31.6	-0.8	32.7	16.2
Durable consumer goods parts	38.1	-7.6	49.6	5.1
Furniture and other household equipment	87.3	-8.7	105.2	4.9
Other durable consumer goods	53.6	-4.6	61.0	3.1
Fuels and lubricants	50.7			100.0
Fuels	50.0	20.7	24.2	96.9
Lubricants and electricity	79.8	-1.5	82.6	3.1

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.

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

Daily average – US\$ million

Product	2009		2010		
	Value	Value	Change from 2009 (%)	Share (%)	
				Total	Blocs
Total	511	724	41.7	100.0	-
Capital goods	119	163	37.5	22.6	-
Durable consumer goods	46	74	59.3	10.2	-
Nondurable consumer goods	40	51	29.1	7.1	-
Fuels and lubricants	67	101	50.7	14.0	-
Raw material and intermediate goods	239	334	39.8	46.2	-
Latin America and Caribe	91	123	35.0	17.0	100.0
Capital goods	9	12	34.9	1.6	9.6
Durable consumer goods	16	22	42.6	3.1	18.1
Nondurable consumer goods	9	12	34.1	1.7	9.9
Fuels and lubricants	11	14	26.5	1.9	11.4
Raw material and intermediate goods	47	63	34.6	8.6	51.0
Mercosul	52	66	26.2	9.1	100.0
Capital goods	6	9	37.1	1.2	12.9
Durable consumer goods	11	16	43.5	2.3	24.8
Nondurable consumer goods	7	9	32.5	1.2	13.1
Fuels and lubricants	2	1	-36.2	0.2	2.1
Raw material and intermediate goods	26	31	19.6	4.3	47.2
USA ^{1/}	81	109	34.4	15.0	100.0
Capital goods	23	28	23.0	3.8	25.6
Durable consumer goods	3	4	26.0	0.5	3.5
Nondurable consumer goods	5	6	16.5	0.8	5.5
Fuels and lubricants	7	16	123.4	2.3	15.2
Raw material and intermediate goods	43	55	27.9	7.5	50.3
European Union	117	156	33.3	21.5	100.0
Capital goods	37	48	30.1	6.6	30.8
Durable consumer goods	7	10	44.1	1.4	6.5
Nondurable consumer goods	11	15	28.3	2.0	9.5
Fuels and lubricants	2	6	204.3	0.8	3.8
Raw material and intermediate goods	59	77	29.4	10.6	49.4
Asia	145	224	54.7	30.9	100.0
Capital goods	44	64	44.4	8.8	28.6
Durable consumer goods	20	37	83.8	5.1	16.4
Nondurable consumer goods	10	13	36.5	1.8	5.9
Fuels and lubricants	6	14	129.8	1.9	6.1
Raw material and intermediate goods	65	96	48.7	13.3	43.0
Others	78	113	45.2	15.6	100.0
Capital goods	6	12	89.1	1.6	10.4
Durable consumer goods	1	1	40.4	0.2	1.1
Nondurable consumer goods	4	5	18.8	0.7	4.5
Fuels and lubricants	41	51	25.1	7.0	45.0
Raw material and intermediate goods	26	44	70.9	6.1	39.0

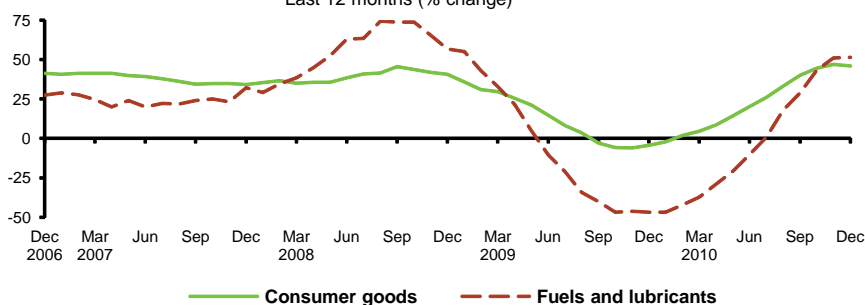
Source: MDIC/Secex

^{1/} Includes Puerto Rico.

Capital goods average daily imports from the US increased 23% to US\$28 million, representing 17% of such category purchases and 25.6% of the total country's imports. Highlights were the purchase of measuring and checking instruments and appliances, 9.3% of the total; pumps, compressors and fans, 7.6%; aircraft, 7%; earthmoving and drilling machinery and equipment, 7%; medical instruments and devices, 6.7%; and data processing machines and their units, 5%.

Capital goods imports from Latin America and the Caribbean totaled US\$12 million per day in 2010, rising 34.9% in the year and accounting for 7.2% of such category purchases and 9.6% of total imports from that block. Cargo vehicles purchases accounted for 53.1% of the total, a performance consistent with automotive industry preferential trade agreements subscribed between Brazil and countries in the region, especially Argentina and Mexico. Other relevant products were pumps, compressors and fans, 3.4%; busses and other vehicles, 3.4%; measuring and checking instruments and apparatus, 3.3%; and mobile phones transmitters and receivers, 2.4%. Main countries of origin were Argentina, 71.4% of the total, and Mexico, 23.5%. In the period it should be noted a 98.7% increase in imports of capital goods originating in Uruguay.

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.

Capital goods purchases from other countries reached a US\$12 million daily average, 89.1% over that of 2009, recording 7.2% and 10.4% respective participation by category and purchases from such group of countries. Highlights were acquisition of railways vehicles and equipment, 19.8% of the total; motors, generators and transformers, 7%; pumps, compressors and fans, 5.6%; measuring and checking instruments and apparatuses, 5.1%; printing machinery, either typographical printing or offset, 3.9%. The major countries of origin were Switzerland, 35.2% of the total; Canada, 16.4%; Israel, 6.7%; Norway, 5.9%; Turkey, 3.3%; and Russia, 2.9%.

Fuels and lubricants average daily imports showed respective increases of 22.3% and 21.6% in prices and imported volume, totaling US\$101 million in 2010, a 50.7% increase in the year, now representing 14% imports of the country. Even recording a 13.5% volume decrease, crude oil accounted for 39.8% of purchases under this use category;

followed by fuel oil, 20.5%; coal, 11.5%; natural gas, 8.4%; and jet fuel, 4.2%. Major suppliers were Nigeria, 23.1% of the total; US, 16.3%; Bolivia, 8.4%; Saudi Arabia, 7.8%; and India, 7.4%. As observed in previous years, Nigeria was the main supplier of oil, accounting for 55.5% of Brazilian purchases of such product, and Bolivia was the sole supplier of natural gas.

In 2010, consumer durables imports registered a 59.3% annual growth, the highest among use categories, reaching a US\$74 million daily average, corresponding to 10.2% of the country's external acquisitions. Note that the trajectory of such imports particularly reflected the 52.9% increase in imported volume, the most significant in all use categories. Main regions of origin of imports were Asia 49.4% of the total; Latin America and the Caribbean, 30%; and the EU, 13.7%. And main supplier countries were China, 23.9%; Argentina, 21%; South Korea, 15.1%; Mexico, 7.6%; and Germany, 6.3%. Purchases of consumer durables focused on passenger cars 46% of the total; transmitter and receiver components, 16.5%; and prosthetic articles and devices, orthopedics and its components, 3.1%.

Table 5.15 – Imports by technological intensity – FOB

US\$ million – daily average

Itemization	2009	2010		
		Valor	Var.%	Part.%
Total	511	724	41.7	100.0
Industrial products	440	634	44.1	87.6
High technology	110	143	29.8	19.7
Radio, television and communication equipment	36	52	43.9	7.2
Pharmaceutical products	24	33	33.6	4.5
Other	49	58	17.5	8.0
Middle-high technology	215	300	39.6	41.4
Chemicals products, excluded pharmaceutical	80	102	27.1	14.1
Machinery and equipment n.e.c.	61	87	41.2	12.0
Motor vehicles, trailers and semi-trailers	49	74	50.2	10.2
Other	24	38	55.6	5.2
Middle-low technology	74	136	83.0	18.8
Fabricated metal products	33	55	67.7	7.6
Refined petroleum products and other fuels	23	54	133.1	7.5
Other	18	27	46.2	3.7
Low technology	41	55	35.3	7.6
Food, beverages and tobacco products	16	20	26.4	2.8
Textiles, leather and footwear	14	20	42.0	2.7
Other	11	15	39.7	2.1

Source: MDIC/Secex

Note: 2009, 250 working days; 2010, 251 working days.

Average daily imports of non-durable consumer goods totaled US\$51 million in 2010, a 29.1% increase in the year – resulting from increases of 18% in volume and 10.4% in prices – and equivalent to 7.1 % of Brazilian acquisitions abroad. Main purchased items were medicine, including veterinarian, 34.1% of the total; perfumery and toiletries, 4.1%; preserved vegetables, 3.1%; toys and games, 2.8%; footwear and parts, 2.4%. Main regions of origin were the EU, 28.8% of the total under this category; Asia, 25.8%; and Latin America and the Caribbean, 23.8%. Major supplying countries were China, 14.4% of total; Argentina, 13.8%; the US, 10.5%; Germany, 7.3%; and Switzerland, 4.2%.

Import analysis according to technological intensity shows an annual growth of 44.1% in purchases of industrial products, which reached a daily average of US\$634 million and accounted for 87.6% of total imports. Purchases were distributed in the medium-high technology, 41.4% of the total; high technology, 19.7%; medium-low technology, 18.8%; and low-technology, 7.6%.

Average daily imports of medium-high technology grew 39.6% in the year, amounting to US\$300 million, with non-pharmaceutical chemicals, machinery and mechanical equipment, and automobiles altogether accounting for 87.4% of these acquisitions. Purchases of medium-high technology products largely originated in Asia and the EU, 28.6% of the total; and from the US and Latin America and the Caribbean, 16.3% of the total.

Average daily purchases of high-technology products totaled US\$143 million in 2010, a 29.8% increase in the year. It should be noted that these imports were focused on radio, television and communication equipment, 36.7%; and pharmaceuticals, 22.9%, particularly coming from Asia, 47.2%; EU, 23.1%; and the US, 19.2% of the total.

Purchases of medium-low technology products reached a daily average of US\$136 million and recorded an annual increase of 83% in 2010, with emphasis on the impact of oil and oil-products on international price recovery. These imports were concentrated in metal products, 40.4% of the total; and refined petroleum products and other fuels, 40.1%, largely originated in Asia, 30.4% of the total; Latin America and the Caribbean, 20.3%; and the EU, 18.3%.

Average daily imports of low-technology products totaled US\$55 million, increasing 35.3% in the year, with emphasis on the share of food, beverages and tobacco 36.4% participation, as well as textiles, leather and footwear 35.9%. Purchases under this segment particularly came from Asia, 43.7% of the total; Latin America and the Caribbean, 25.2%; and the EU, 18%.

Trade exchanges

Trade flows, showing greater dynamism in bilateral transactions with key partners, resumed its growth trajectory in 2010, with an average daily flow of US\$1.5 billion at record level, compared with US\$1.4 billion in 2008.

Table 5.16 – Brazilian trade by region – FOB

Daily average – US\$ million

Itemization	2009			2010		
	Exports	Imports	Balance	Exports	Imports	Balance
Total	612	511	101	804	724	81
EFTA ^{1/}	7	10	-3	10	14	-4
Latin America and Caribe	143	91	52	191	123	68
Mercosur	63	52	11	90	66	24
Argentina	51	45	6	74	57	16
Paraguay	7	2	4	10	2	8
Uruguay	5	5	0	6	6	-0
Chile	11	11	-0	17	16	1
Mexico	11	11	-0	15	15	-1
Others	58	17	41	69	25	45
Canada	7	6	0	9	11	-2
European Union	136	117	19	172	156	16
Germany	25	39	-15	32	50	-18
Belgium/Luxembourg	13	5	8	14	7	7
Spain	11	8	3	15	11	4
France	12	14	-3	14	19	-5
Italy	12	15	-3	17	19	-2
Netherlands	33	4	29	41	7	34
United Kingdom	15	10	5	18	13	6
Others	17	22	-5	19	30	-10
Eastern Europe	14	8	5	19	12	7
Asia ^{2/}	161	145	16	224	224	1
Japan	17	21	-4	28	28	1
China	84	64	20	123	102	21
Korea, Republic of	10	19	-9	15	34	-19
Others	49	40	9	58	60	-2
USA ^{3/}	63	81	-18	78	109	-31
Others	82	53	29	101	76	26
Memo:						
Nafta	81	98	-18	102	135	-33
Opec	53	41	12	63	53	10

Source: MDIC/Secex

1/ Iceland, Liechtenstein, Norway and Switzerland.

2/ Excludes the Middle East.

3/ Includes Puerto Rico.

Daily exchanges with Asian countries registered a US\$448 million daily average. The 46.6% annual increase reflected growth of 39.3% in exports and 54.7% in imports, which totaled US\$224.2 million and US\$223.7 million, respectively. Bilateral trade with China accounted for 50.2% of regional flows, followed by Japan's 12.6% participation, and South Korea's, 10.8%.

Trade flow with the EU reached a daily average of US\$328 million, rising 29.5% in the year. Exports totaled US\$172 million and imports, US\$156 million, for respective annual increases of 26.2% and 33.3%. The three main partners in the region were Germany, 25.2% of the daily flow to the block; the Netherlands, 14.6%; and Italy, 11%.

Average daily trade with Latin America and the Caribbean countries reached US\$314 million. A 34.4% increase compared to 2009 resulted from respective expansions of 34.1% and 35% in exports and imports, which amounted to, in the same order, a daily average of US\$191 million and US\$123 million. Main partners in the region were Argentina, 41.8% of the total; Chile, 10.6%; and Mexico, 9.6%.

Average daily trade flow with the US totaled US\$186 million, registering a 29.5% annual growth. Average daily exports totaled US\$78 million and imports US\$109 million, corresponding to 23.2% and 34.4% annual increases, respectively.

Services

The service account showed net expenditures of US\$30.8 billion in 2010, 60.1% annual increase explained mostly by deficits in international travel, transportation, equipment rental, computer and information services, and royalties and license fees.

Net equipment rental spending totaled US\$13.8 billion in 2010, over US\$9.4 billion in the previous year, expansion determined by increased utilization of capital goods owned by non-residents in the country, with positive repercussions on the level of productive capacity of the economy.

International travel account deficit, which posted record highs for revenues and expenditures, totaled US\$10.5 billion in 2010, a result 87.8% higher than a year earlier and more pronounced in the second half of the year, in response to the acceleration of domestic economic activity and exchange rate appreciation. Foreigners spending in the country and Brazilians spending abroad reached, in that order, US\$5.9 billion and US\$16.4 billion, registering respective increases of 11.6% and 50.7% in the year. Net credit card spending totaled US\$5.9 billion, rising 71.5% on the same basis of comparison.

Transportation net spending totaled US\$6.4 billion in 2010, a 63.2% annual growth, a trend consistent with increases in imports and Brazilians travel abroad, impacting

Table 5.17 – Services

US\$ million

Itemization	2009			2010		
	1st half	2nd half	Year	1st half	2nd half	Year
Total	-8 115	-11 130	-19 245	-13 512	-17 295	-30 807
Credit	12 731	14 997	27 728	14 864	16 957	31 821
Debit	20 846	26 128	46 974	28 376	34 252	62 628
Transportation	-1 708	-2 218	-3 926	-2 980	-3 425	-6 406
Credit	2 001	2 039	4 040	2 306	2 626	4 931
Debit	3 709	4 258	7 966	5 286	6 051	11 337
Travel	-1 887	-3 706	-5 594	-4 118	-6 385	-10 503
Credit	2 567	2 738	5 305	2 933	2 986	5 919
Debit	4 454	6 444	10 898	7 051	9 371	16 422
Insurance	-648	-794	-1 442	-565	-547	-1 113
Credit	190	183	373	213	203	416
Debit	838	977	1 815	778	751	1 529
Financial services	-112	70	-42	135	259	394
Credit	590	980	1 570	976	1 096	2 073
Debit	702	910	1 612	841	837	1 679
Computer and information services	-1 259	-1 327	-2 586	-1 628	-1 667	-3 296
Credit	92	117	209	126	84	210
Debit	1 351	1 444	2 795	1 754	1 752	3 505
Royalties and licence fees	-866	-1 212	-2 078	-1 196	-1 257	-2 453
Credit	193	241	434	192	205	397
Debit	1 059	1 453	2 512	1 388	1 462	2 850
Operational leasing	-4 371	-5 022	-9 393	-6 188	-7 563	-13 752
Credit	25	25	50	27	27	54
Debit	4 396	5 047	9 442	6 216	7 590	13 806
Government services	-591	-825	-1 416	-789	-567	-1 356
Credit	614	869	1 483	618	909	1 527
Debit	1 205	1 695	2 899	1 407	1 476	2 883
Communication services	89	97	186	96	68	164
Credit	170	183	353	214	221	435
Debit	80	86	166	118	153	271
Construction services	4	6	11	12	10	22
Credit	6	9	14	15	13	29
Debit	1	3	4	3	4	6
Merchanting and other trade-related services	414	201	615	138	138	276
Credit	772	671	1 443	464	663	1 128
Debit	358	470	828	326	525	851
Personal, cultural and recreational services	-357	-520	-878	-589	-575	-1 163
Credit	37	44	80	44	64	108
Debit	394	564	958	633	639	1 271
Business, professional and technical services	3 178	4 119	7 297	4 160	4 218	8 378
Credit	5 476	6 899	12 374	6 735	7 859	14 594
Debit	2 298	2 779	5 077	2 575	3 641	6 216

spending on freight and air fares. Freight net spending grew 50.7% in the year, while air fares net spending totaled US\$2.7 billion and increased 59.3%. Other transportation items totaled net expenses of US\$1.1 billion, an increase of 117.3% over 2009.

Table 5.18 – International travel

US\$ million						
Itemization	2009			2010		
	1st half	2nd half	Year	1st half	2nd half	Year
Total	-1 887	-3 706	-5 594	-4 118	-6 385	-10 503
Credit	2 567	2 738	5 305	2 933	2 986	5 919
Debit	-4 454	-6 444	-10 898	-7 051	-9 371	-16 422
Credit card	-1 491	-1 922	-3 412	-2 280	-3 570	-5 850
Credit	1 265	1 910	3 175	2 162	2 154	4 316
Debit	-2 755	-3 832	-6 587	-4 442	-5 724	-10 166
Tourism services	-227	-360	-587	-384	-589	-972
Credit	181	152	333	194	202	396
Debit	-408	-512	-920	-578	-791	-1 369
Other	-169	-1 425	-1 594	-1 454	-2 227	-3 680
Credit	1 121	676	1 797	577	630	1 207
Debit	-1 290	-2 101	-3 391	-2 031	-2 857	-4 887

Financial services net revenues, including banking services, commissions, brokerage and securities, totaled US\$394 million in 2010, compared to a US\$42 million net expenditure a year earlier. This reversal was due to 32% increase in revenues, which totaled US\$2.1 billion, and 4.2% in expenses, which, reflecting fees paid on loans, this account most significant item, totaled US\$1.7 billion.

Insurance services reported net outlays of US\$1.1 billion, compared with US\$1.4 billion in 2009. Expenditures fell 15.8% in the year, closing at US\$1.5 billion, and revenues expanded by 11.6% to US\$416 million, reflecting the rise in direct insurance credits and freight insurance revenues.

Computer and information services net expenditures totaled US\$3.3 billion in the year, compared with US\$2.6 billion in 2009. Expenditures turned in an annual rise of 25.4%, and reached US\$3.5 billion, highlights were on the increase in expenses related to computing services. Revenues remained stable at the level of US\$210 million.

Net payments abroad of royalties and license fees, which include technology services supply, copyrights, licenses and registrations for trademark, patent and franchise use, reached US\$2.5 billion in 2010. The annual 18% increase reflected a 13.5% upturn in expenditures.

Government services net expenditures totaled US\$1.4 billion in 2010. The annual 4.2% reduction reflected, in part, the 0.6% decrease in Brazilian government spending abroad, which totaled US\$2.9 billion.

Table 5.19 – Transportation

US\$ million

Itemization	2009			2010		
	1st half	2nd half	Year	1st half	2nd half	Year
Total	-1 708	-2 218	-3 926	-2 980	-3 425	-6 406
Credit	2 001	2 039	4 040	2 306	2 626	4 931
Debit	3 709	4 258	7 966	5 286	6 051	11 337
Sea transportation	-994	-1 103	-2 097	-1 761	-1 790	-3 551
Credit	1 620	1 663	3 283	1 851	2 210	4 061
Debit	2 614	2 766	5 380	3 612	4 000	7 612
Passenger	-1	-0	-1	-1	-1	-1
Credit	0	0	1	0	0	0
Debit	1	1	1	1	1	1
Freight	-726	-1 020	-1 746	-1 165	-1 428	-2 593
Credit	538	623	1 161	686	831	1 517
Debit	1 264	1 643	2 906	1 850	2 259	4 109
Others	-268	-83	-351	-596	-362	-957
Credit	1 082	1 040	2 122	1 165	1 379	2 544
Debit	1 350	1 123	2 473	1 761	1 741	3 501
Air transportation	-703	-1 099	-1 802	-1 203	-1 598	-2 801
Credit	320	291	612	332	314	646
Debit	1 023	1 391	2 414	1 535	1 912	3 447
Passenger	-648	-1 021	-1 668	-1 159	-1 498	-2 657
Credit	188	141	329	149	111	260
Debit	835	1 162	1 997	1 307	1 610	2 917
Freight	37	24	60	33	27	60
Credit	108	114	222	136	154	291
Debit	71	90	161	103	128	231
Others	-92	-102	-194	-77	-126	-203
Credit	25	36	61	47	48	95
Debit	117	138	256	124	174	299
Other transportation ^{1/}	-10	-16	-26	-16	-36	-53
Credit	61	85	145	123	102	225
Debit	71	101	172	139	138	277
Passenger	1	0	1	1	0	1
Credit	1	0	1	1	0	1
Debit	0	0	0	0	0	0
Freight	-22	-33	-55	-39	-50	-89
Credit	47	65	112	97	79	176
Debit	69	98	167	136	129	265
Others	11	17	27	22	13	35
Credit	13	20	33	25	23	48
Debit	2	3	5	3	9	12

^{1/} Includes road transportation.

Business, professional and technical services recorded net revenues of US\$8.4 billion in 2010, expanding by 14.8% over the previous year. Personal, cultural and recreational services net expense totaled US\$1.2 billion, rising 32.5% in the year, and communications account registered US\$164 million net revenues, a 12.1% annual drop largely associated to an increase from US\$166 million to US\$271 million in expenses, primarily owed to the telecommunications services segment.

Table 5.20 – Business, technical and professional services

US\$ million

Itemization	2009			2010		
	1st half	2nd half	Year	1st half	2nd half	Year
Total	3 178	4 119	7 297	4 160	4 218	8 378
Credit	5 476	6 899	12 374	6 735	7 859	14 594
Mail orders	0	1	1	4	1	5
Self-employed remuneration	1 137	1 150	2 286	1 436	1 424	2 860
Administrative services and real-state rental	1 679	2 073	3 752	2 375	2 855	5 230
Participation in fairs and exhibits	24	19	43	22	25	47
Professional athletes transfer fees	57	120	177	108	124	232
Publicity	167	138	305	176	158	334
Architectural, engineering and other	2 372	3 285	5 658	2 547	3 192	5 738
Technical and economic project implementation services	39	113	152	68	81	149
Debit	2 298	2 779	5 077	2 575	3 641	6 216
Mail orders	10	12	22	27	40	67
Self-employed remuneration	301	342	644	260	406	666
Administrative services and real-state rental	427	457	884	398	668	1 066
Participation in fairs and exhibits	31	34	66	55	45	100
Professional athletes transfer fees	8	12	20	6	27	33
Publicity	91	128	219	182	239	420
Architectural, engineering and other	1 427	1 793	3 220	1 647	2 213	3 860
Technical and economic project implementation services	2	1	3	0	3	3

Income

Revenues account showed a US\$39.6 billion deficit in 2010, a result 17.5% higher than the previous year. As recorded in four previous years, profits and dividends net remittances exceeded net interest expense, growth, consistent with growing participation of direct and portfolio foreign investments in the Brazilian external debt composition. However, in 2010 the main prevailing reason for such remittances was the resumption of the country's economic activity, and subsequent increase in profit distribution to foreign investors.

Salaries and wages account provided net receipts of US\$498 million in 2010, 17.3% lower than results reported in the previous year. Earnings of employees resident in

the country reached US\$565 million, a 15.1% annual reduction, and payments to non-residents amounted to US\$565million, an annual drop of 15.1%, and payments to non-residents, US\$66 million, 6.5% higher.

Table 5.21 – Income

US\$ million						
Itemization	2009			2010		
	1st half	2nd half	Year	1st half	2nd half	Year
Total	-14 635	-19 050	-33 684	-19 731	-19 835	-39 567
Credit	4 689	4 137	8 826	3 124	4 229	7 353
Debit	19 324	23 186	42 510	22 855	24 064	46 919
Compensation of employees	333	270	603	266	232	498
Credit	369	296	665	295	270	565
Debit	36	26	62	29	38	66
Investment income	-14 968	-19 319	-34 287	-19 997	-20 068	-40 065
Credit	4 320	3 840	8 160	2 829	3 959	6 788
Debit	19 288	23 160	42 448	22 826	24 027	46 853
Direct investment income	-7 958	-11 784	-19 742	-12 011	-13 493	-25 504
Credit	585	701	1 287	385	695	1 080
Debit	8 544	12 485	21 029	12 397	14 188	26 584
Profits and dividends	-7 213	-10 552	-17 765	-11 206	-12 385	-23 591
Credit	535	652	1 186	296	592	888
Debit	7 748	11 203	18 951	11 502	12 977	24 479
Interests on intercompany loans	-745	-1 232	-1 977	-805	-1 108	-1 913
Credit	51	49	100	90	103	193
Debit	796	1 281	2 077	895	1 211	2 106
Portfolio investment income	-4 140	-5 073	-9 213	-5 723	-4 321	-10 044
Credit	3 192	2 636	5 827	2 045	2 830	4 875
Debit	7 332	7 709	15 041	7 767	7 152	14 919
Income on equity (dividends)	-3 646	-3 807	-7 453	-3 761	-3 023	-6 784
Credit	20	24	44	0	0	1
Debit	3 666	3 831	7 497	3 762	3 023	6 785
Income on debt securities (interests)	-494	-1 267	-1 760	-1 961	-1 299	-3 260
Credit	3 172	2 611	5 783	2 044	2 830	4 874
Debit	3 665	3 878	7 543	4 006	4 129	8 135
Other investments income ^{1/}	-2 870	-2 462	-5 332	-2 264	-2 253	-4 517
Credit	543	504	1 046	399	434	833
Debit	3 413	2 966	6 378	2 662	2 687	5 350
Memo:						
Interest	-4 109	-4 961	-9 069	-5 030	-4 660	-9 690
Credit	3 765	3 164	6 930	2 533	3 367	5 899
Debit	7 874	8 125	15 999	7 563	8 027	15 590
Profits and dividends	-10 859	-14 358	-25 218	-14 967	-15 408	-30 375
Credit	555	676	1 231	296	593	889
Debit	11 414	15 035	26 449	15 263	16 000	31 263

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

Profits and dividends net remittances abroad totaled US\$30.4 billion US\$5.2 billion more than the 2009 result. This 20.4% rise in this account balance was related to growth in foreign investment stock in Brazil and increased corporate profitability.

Net interest expenses totaled US\$9.7 billion, reflecting decreases of 14.9% and 2.6% in revenues and expenditures, reaching, in order, US\$5.9 billion and US\$15.6 billion. It should be noted that decrease seen in revenues is in line with the trend in international interest rates levied on asset investment that constitute the international reserves, the main component of such heading.

Net remittances of direct investment income totaled US\$25.5 billion, expanding 29.2% in the year. Net expenditures on profits and dividends, the main component of the income account, totaled US\$23.6 billion, a 32.8% increase connected to stock growth in foreign direct investment in the country. Net remittances of interest on intercompany loans fell 3.2% totaling US\$1.9 billion.

Table 5.22 – Current transfers

Itemization	US\$ million					
	2009			2010		
	1st half	2nd half	Year	1st half	2nd half	Year
Total	1 664	1 673	3 338	1 512	1 276	2 788
Credit	2 303	2 432	4 736	2 344	2 316	4 661
Debit	639	759	1 398	833	1 040	1 873
General government transfers	- 73	- 136	- 209	- 123	- 62	- 185
Credit	41	20	61	19	112	132
Debit	114	156	270	142	175	317
Other sectors transfers	1 737	1 810	3 547	1 635	1 338	2 973
Credit	2 262	2 412	4 675	2 325	2 204	4 529
Debit	525	602	1 128	691	866	1 557
Workers' remittances	867	688	1 555	645	575	1 220
Credit	1 136	1 088	2 224	1 037	1 039	2 076
United States	536	359	894	320	314	634
Japan	239	185	425	174	167	342
Remaining countries	361	544	905	543	558	1 100
Debit	269	400	669	391	464	855
Other transfers	870	1 122	1 992	989	763	1 752
Credit	1 126	1 324	2 451	1 289	1 165	2 454
Debit	257	203	459	299	402	701

Net remittances on portfolio investment income totaled US\$10 billion, a 9% rise in the year. This result mainly reflected the increase from US\$1.8 billion to US\$3.3 billion in net amortizations on fixed-rate securities interest account.

Profits and dividends net remittances of related to portfolios investment funds totaled US\$6.8 billion, with annual reduction of 9% in the year, showing a drop in volume of investments in such modality, especially after the final 3 months of the second half-year.

Table 5.23 – Balance of current transactions and external financing requirements^{1/}

US\$ million

Period	Balance of current transactions			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
2005 Dec	530	13 985	1.58	1 406	15 066	1.71	-1 936	-29 051	-3.29
2006 Dec	438	13 643	1.25	2 457	18 822	1.73	-2 896	-32 465	-2.98
2007 Dec	-498	1 551	0.11	886	34 585	2.53	-388	-36 136	-2.64
2008 Dec	-3 119	-28 192	-1.71	8 115	45 058	2.73	-4 997	-16 866	-1.02
2009 Jan	-2 766	-26 929	-1.67	1 930	42 162	2.62	835	-15 233	-0.94
Feb	-613	-25 653	-1.63	1 968	43 240	2.75	-1 355	-17 587	-1.12
Mar	-1 559	-22 869	-1.48	1 444	41 601	2.70	115	-18 732	-1.22
Apr	105	-19 720	-1.31	3 409	41 138	2.74	-3 514	-21 418	-1.42
May	-1 770	-20 705	-1.40	2 483	42 308	2.86	-713	-21 603	-1.46
Jun	-575	-18 498	-1.27	1 431	41 014	2.81	-857	-22 516	-1.54
Jul	-1 623	-17 953	-1.23	1 287	39 035	2.68	336	-21 081	-1.45
Aug	-809	-17 679	-1.21	1 903	36 300	2.48	-1 094	-18 621	-1.27
Sep	-2 452	-17 369	-1.17	1 816	31 875	2.14	635	-14 506	-0.97
Oct	-3 018	-19 148	-1.27	1 563	29 525	1.95	1 455	-10 376	-0.69
Nov	-3 273	-21 471	-1.39	1 604	28 955	1.87	1 669	-7 484	-0.48
Dec	-5 950	-24 302	-1.52	5 109	25 949	1.62	841	-1 646	-0.10
2010 Jan	-3 840	-25 377	-1.52	585	24 604	1.48	3 255	773	0.05
Feb	-3 092	-27 856	-1.61	2 843	25 479	1.47	248	2 377	0.14
Mar	-5 017	-31 314	-1.73	2 083	26 118	1.44	2 934	5 196	0.29
Apr	-4 616	-36 035	-1.91	2 228	24 937	1.32	2 388	11 098	0.59
May	-2 008	-36 273	-1.87	3 590	26 045	1.34	-1 581	10 229	0.53
Jun	-5 273	-40 972	-2.05	766	25 379	1.27	4 507	15 593	0.78
Jul	-4 589	-43 938	-2.15	2 635	26 727	1.31	1 954	17 211	0.84
Aug	-2 975	-46 103	-2.23	2 422	27 246	1.32	553	18 858	0.91
Sep	-3 950	-47 602	-2.29	5 404	30 833	1.49	-1 454	16 768	0.81
Oct	-3 770	-48 354	-2.32	6 788	36 058	1.73	-3 018	12 295	0.59
Nov	-4 735	-49 815	-2.38	3 732	38 186	1.83	1 003	11 629	0.56
Dec	-3 500	-47 365	-2.27	15 361	48 438	2.32	-11 861	-1 073	-0.05

^{1/} External financing requirements = current account deficit – net foreign direct investments (includes intercompany loans).

Other investment income, including interest on suppliers credits, loans, deposits, and other assets and liabilities totaled net remittances of US\$4.5 billion in 2010. The 15.3%

drop reflected respective reductions of 20.4% and 16.1% in revenues and expenditures, which respectively totaled US\$833 million and US\$5.4 billion in 2010.

Profits and dividends gross remittances totaled US\$31.3 billion in 2010, highlighting the 29.2% increase in gross expenditures with foreign direct investment and the 9.5% reduction in gross remittances of portfolio investment. Foreign Direct Investment (FDI) gross outflow amounted to US\$24.5 billion, against US\$19 billion a year earlier.

Industrial and service sector companies were respectively responsible for sending 60.6% and 37.2% profits and dividends gross remittances, with emphasis on remittances relating to sectors of automotive vehicles manufacturing and assembling, 17.3%; financial intermediation, 9.2%; beverages, 7.8%; and chemicals, 7.7%. Remittances related to such segments totaled US\$9.8 billion, corresponding to 42% of FDI profits and dividends gross expenditure in 2010.

Current transfers

Net unilateral transfers declined 16.5% during 2010. Net inflows totaled US\$2.8 billion, compared with US\$3.3 billion in the previous year, of which US\$1.2 billion for residents' maintenance. Main countries of origin of inflows for resident maintenance were the US, 30.5%, and Japan, 16.5%. It should be noted that in the two-year period ending in 2007, these two countries accounted for 71% of residents' maintenance gross inflow.

Financial account

Balance of payments financial account result reflected the impact of international liquidity accentuated in an incipient recovery outlook for the developed economies, and the stimulus provided by the consolidation of the Brazilian economy growth process. In this scenario, the financial account recorded net inflows of US\$98.5 billion in 2010, against US\$70.2 billion in the previous year. Direct investment and portfolio investment recorded net inflows of US\$36.9 billion and US\$63 billion respectively, and other investments registered net amortizations of US\$1.3 billion in 2010.

External accounts favorable financing conditions are also expressed in the rollover rate (ratio of new disbursements and past amortizations) of medium and long-term external debt, which closed at 244% in the year, the highest value of the series, compared to 88% in 2009. Rollover rates of bonds and medium and long-term direct loans reached 248% and 237% respectively.

Table 5.24 – Private sector medium and long-term rollover rates^{1/}

US\$ million

Itemization	2009			2010		
	1st half	2nd half	Year	1st half	2nd half	Year
Total	77%	97%	88%	222%	269%	244%
Credit	4 827	6 758	11 585	16 210	17 517	33 726
Debit	6 306	6 947	13 253	7 366	6 530	13 896
Paid	6 283	6 945	13 228	7 299	6 510	13 809
FDI conversions	23	2	25	67	21	88
Private sector	63%	85%	74%	204%	234%	219%
Credit	3 754	5 644	9 398	14 131	15 051	29 181
Debit	6 029	6 624	12 653	6 998	6 445	13 443
Paid	6 006	6 622	12 628	6 931	6 424	13 355
FDI conversions	23	2	25	67	21	88
Private sector – bonds, notes and commercial papers	62%	86%	74%	194%	265%	225%
Credit	2 682	3 823	6 506	9 995	10 408	20 403
Debit	4 322	4 431	8 754	5 230	3 921	9 151
Paid	4 303	4 429	8 732	5 163	3 921	9 084
FDI conversions	19	2	21	67	0	67
Private sector – direct loans	63%	83%	74%	234%	185%	206%
Credit	1 071	1 821	2 892	4 136	4 643	8 779
Debit	1 707	2 193	3 900	1 768	2 524	4 292
Paid	1 702	2 193	3 895	1 768	2 503	4 271
FDI conversions	4	0	4	0	21	21
Public sector ^{2/}	387%	345%	364%	565%	2887%	1002%
Credit	1 073	1 114	2 187	2 079	2 466	4 545
Debit	277	323	600	368	85	453
Public sector – bonds, notes and commercial papers	-	472%	945%	487%	-	1280%
Credit	1 000	1 000	2 000	1 000	1 627	2 627
Debit	0	212	212	205	0	205
Public sector – direct loans	26%	103%	48%	663%	983%	773%
Credit	73	114	187	1 079	839	1 918
Debit	277	111	388	163	85	248
Memo:						
Bonds, notes and commercial papers	86%	104%	95%	205%	307%	248%
Credit	3 682	4 823	8 506	10 995	12 034	23 029
Debit	4 322	4 643	8 965	5 435	3 921	9 356
Paid	4 303	4 641	8 944	5 368	3 921	9 289
FDI conversions	19	2	21	67	0	67
Direct loans	58%	84%	72%	270%	212%	237%
Credit	1 144	1 935	3 079	5 215	5 482	10 697
Debit	1 984	2 304	4 288	1 931	2 610	4 541
Paid	1 980	2 304	4 284	1 931	2 589	4 520
FDI conversions	4	0	4	0	21	21

1/ Rollover rate refers to the ratio between disbursements and paid amortizations.

Does not comprise trade financing.

2/ Excludes sovereign bonds. Includes financial public sector and others from public sector.

FDI global flows totaled US\$1.12 trillion in 2010, according to United Nations Conference on Trade and Development (UNCTAD) preliminary estimates, remaining on the previous year's level. Impacted by uncertainties surrounding global financial markets, especially those related to European countries sovereign debt, flows to developed countries shrank by 6.9% in the year. Mergers and acquisitions reported an increase of 23.9%, while new projects, greenfield investments, declined both in value and in number of operations. In contrast, FDI flows directed to developing economies grew 9.7% in the period. Developed countries remain as the main FDI recipients, but have reduced their shares in overall flows: 56.7% in 2008, 50.8% in 2009, and 46.9% in 2010, while the amount allocated to developing countries has increased 11.2 p.p. in the period to 46.8%. FDI flows to Latin America and the Caribbean reached US\$141.1 billion, rising 21.1% in the year.

Table 5.25 – Foreign direct investments

Itemization	US\$ million					
	2009			2010		
	1st half	2nd half	Year	1st half	2nd half	Year
Total	12 665	13 283	25 949	12 096	36 342	48 438
Credit	23 274	30 233	53 507	26 063	52 580	78 644
Debit	10 609	16 950	27 558	13 967	16 239	30 206
Equity capital	7 718	12 188	19 906	12 256	27 860	40 117
Credit	12 609	19 071	31 679	18 151	34 432	52 583
Currency	11 417	15 423	26 840	16 325	31 786	48 111
Autonomous	11 417	15 423	26 840	16 325	31 786	48 111
Conversions	1 190	3 645	4 835	1 816	2 631	4 447
Merchandise	2	3	4	11	14	25
Debit	4 891	6 882	11 773	5 895	6 572	12 467
Intercompany loans	4 948	1 095	6 042	-160	8 481	8 321
Credit	10 665	11 162	21 827	7 912	18 148	26 060
Debit	5 718	10 067	15 785	8 072	9 667	17 739
Of which conversions	1 006	2 683	3 689	1 320	1 099	2 419
Memo:						
Net conversions contribuion fo FDI	185	962	1 147	496	1 532	2 028
Total disbursements through conversions	1 190	3 645	4 835	1 816	2 631	4 447
Amortization of intercompany loans conversions	1 006	2 683	3 689	1 320	1 099	2 419

FDI net inflows to Brazil amounted to 86.7% in the year, reaching US\$48.4 billion, the highest level on record, noting that FDI total estimated stock for December 2010 totaled US\$472.6 billion. Within such net inflows, US\$40.1 billion were allocated to equity ownership of companies in the country, of which US\$4.4 billion pertaining to debt/equity swap conversion. It should be noted that out of these conversions US\$2.4 billion stemmed from intercompany loans repayments, with zero FDI net impact. Intercompany loans net inflows totaled US\$8.3 billion, compared with US\$6 billion in 2009.

Table 5.26 – Foreign direct investments inflows – Equity capital

Distribution by country

Itemization	US\$ million					
	2009			2010		
	1st half	2nd half	Year	1st half	2nd half	Year
Total	12 609	19 071	31 679	18 151	34 432	52 583
Luxembourg	236	301	537	845	7 793	8 638
Netherlands	3 094	3 421	6 515	1 822	4 873	6 695
Switzerland	131	249	380	4 916	1 521	6 437
United States	1 760	3 142	4 902	2 536	3 668	6 204
France	755	1 386	2 141	1 953	1 468	3 421
Austria	15	33	48	23	3 302	3 325
Japan	565	1 107	1 673	441	2 056	2 497
Norway	138	533	671	802	733	1 535
Spain	1 127	2 297	3 424	384	1 107	1 491
Portugal	132	251	384	236	956	1 193
South Korea	106	26	132	171	870	1 041
United Kingdom	193	839	1 032	344	668	1 012
Chile	133	894	1 027	278	661	939
Bermudas	120	261	380	767	128	894
British Virgin Islands	101	302	403	131	745	875
Canada	143	1 228	1 372	135	606	742
Australia	391	315	707	214	345	559
Germany	2 174	299	2 473	180	373	552
Cayman Islands	274	818	1 092	161	245	406
China	71	12	83	366	26	392
Sweden	101	113	214	211	176	386
Mauritius	3	6	9	70	260	330
Denmark	15	32	47	232	61	293
Italy	86	146	232	120	165	285
Uruguay	56	142	198	179	96	275
Hong Kong	6	28	34	6	241	248
Colombia	68	83	152	65	122	187
Hungary	10	51	61	24	163	186
Mexico	32	135	167	93	46	138
Panama	80	52	132	98	28	127
Bahamas	37	16	52	53	56	108
Peru	0	44	45	24	64	88
Argentina	25	55	80	29	56	85
Belgium	82	11	93	41	31	72
Finland	2	54	56	0	41	42
Cyprus	2	68	70	3	37	40
Singapore	79	12	91	19	15	34
Ireland	5	4	8	3	11	13
Netherlands Antilles	1	6	6	6	5	11
Other countries	260	298	558	175	612	788

Table 5.27 – Foreign direct investments inflows – Equity capital

Distribution by sector

US\$ million Itemization	2009			2010		
	1st half	2nd half	Year	1st half	2nd half	Year
	Total	12 609	19 071	31 679	18 151	34 432
Crop, livestock and mineral extraction	1 389	3 206	4 595	2 784	15 374	18 158
Metallic mineral extraction	439	865	1 303	1 310	5 362	6 672
Oil and gas extraction	761	1 895	2 656	1 092	8 830	9 922
Crop, livestock and related services	96	158	254	83	232	315
Nonmetallic mineral extraction	2	5	7	2	40	42
Forestry production	66	99	165	210	127	337
Mineral extraction related services	24	184	208	86	783	870
Others	1	0	1	0	0	0
Industry	6 627	6 853	13 479	9 628	9 717	19 345
Manufacturing and assembly of automotive engines	1 960	203	2 163	93	363	456
Chemical products	834	722	1 556	5 126	2 286	7 411
Basic metallurgy	2 052	1 702	3 754	530	2 997	3 527
Foodstuff	255	195	451	640	460	1 101
Beverages	26	89	115	466	3	469
Pulp, paper and paper products	62	709	770	93	65	157
Machinery and equipments	152	239	391	112	198	310
Electrical machines, devices and apparatuses	192	166	358	9	52	61
Plastic and rubber products	203	234	437	52	232	284
Metal products	22	105	127	51	329	381
Nonmetallic mineral products	1	224	225	51	1 155	1 206
Publishing and printing	5	200	205	8	24	32
Textile products	1	69	71	43	16	59
Sundry	40	38	79	36	50	86
Computer equipment, electronic and optical products	71	253	325	313	374	687
Other transportation equipments	3	69	73	76	55	131
Coke, oil derivatives and biofuels	300	1 045	1 344	1 700	578	2 278
Tobacco products	3	5	8	5	43	49
Maintenance and repair of computer equipment	1	0	1	9	15	24
Pharmaceuticals	379	309	688	117	292	409
Wood products	15	197	212	75	27	102
Other industries	48	80	128	23	101	124
Services	4 588	9 008	13 596	5 760	9 344	15 103
Telecommunication	121	189	310	632	61	693
Commerce, except vehicles	833	1 494	2 327	763	1 752	2 515
Office services and other services rendered to corporatic	66	189	255	93	463	556
Financial and auxiliary services	308	2 581	2 889	910	908	1 818
Electricity and gas	185	785	970	164	970	1 135
Lodging	54	207	261	78	123	202
Buildings	356	361	717	391	318	709
Information technology services	50	808	858	127	462	589
Real estate	296	298	594	556	561	1 117
Insurance and pension funds	971	348	1 319	158	69	227
Transportation	376	134	510	644	210	854
Food industry service	6	14	20	96	23	119
Non real estate lease and intangible assets	42	148	190	52	188	240
Advertsing and market research	22	33	55	30	132	162
Storage and transportation auxiliary activities	75	242	317	56	442	499
Headquarter consulting and management activities	49	134	183	54	102	156
Travel agencies and tourist operators	0	0	0	0	410	410
Architectural and engineering services	24	67	92	139	168	307
Nonfinancial holdings	237	151	388	147	718	865
Infrastructure works	29	397	426	113	106	219
Commerce and maintenance of vehicles	36	36	73	58	65	123
Water services	49	6	55	100	377	477
Other services	401	387	788	396	716	1 112

It is noteworthy that in the first half of the year, when uncertainties returned to international financial markets, net capital inflows in the form foreign direct investment totaled US\$12.1 billion, against US\$12.7 billion in the same period of 2009. In the second half, net FDI reached US\$36.3 billion, against US\$13.3 billion in the same period of the previous year.

FDI related to equity participation, especially originated in Luxembourg, 16.4% of 2010 total gross inflow; followed by the participation of the Netherlands, 12.7%; Switzerland, 12.2%; the US, 11.8%; France, 6.5%; Austria, 6.3%; and Japan, 4.7%.

FDI gross inflows channeled towards an increase in equity participation showed distinct developments when segmented by sectors of activity, on agribusiness products and mining industry growing 295.2%, against respective rises of 43.5% and 11.1% in the industry and service sectors.

Industrial sector, the largest recipient of FDI-equity participation flows, accounted for 36.8% of US\$19.3 billion annual revenues, with emphasis on the following sectors: chemicals, 14.1% of the total; metallurgy, 6.7%; coke, petroleum products and biofuels, 4.3%; non-metallic mineral products, 2.3%; and food products, 2.1%. Segments bearing most significant yearly expansions were: non-metallic minerals, 435.5%; chemical products, 376.2%; beverages, 306.6%; metal products, 199.5%; and food products, 144.3%. The largest declines occurred in flows channeled to the publishing industry, 84.3%; machinery and electrical appliances, 83%; pulp and paper, 79.6%; and motor vehicles, 78.9%.

The FDI-equity participation flows targeted towards the primary sector, mineral extraction industry and agriculture moved from US\$4.6 billion in 2009 to US\$18.2 billion in 2010 and represented 34.5% of the total. Inflows channeled to oil and natural gas extraction, the largest single FDI recipient, totaled US\$9.9 billion, representing 18.9% of FDI-equity participation flows in 2010. Inflows targeted to metallic minerals extraction totaled US\$6.7 billion, rising 411.9% in the year, holding 12.7% of overall participation, and that of mineral extraction supporting activities, in which research related to the oil segment are included, expanded 317.4% reaching US\$870 million.

The share of the service sector in total FDI-equity participation flows reached 28.7% in 2010, against 42.9% in the previous year, with emphasis on: trade, 4.8% of the total; financial services 3.5%; electricity, gas and other utilities, 2.2%; and real estate activities 2.1%. Service sector activities whose inflows registered a more significant annual growth were water collection, treatment and distribution, 766.4%; food, 496.3%; architectural and engineering services, 235.1%; telecommunications, 123.4%; and office services 117.7%. Conversely, there were marked decreases on flows directed to insurance, 82.8%; infrastructure works, 48.5%; and financial services, 37.1%.

Table 5.28 – Portfolio investments – Liabilities

US\$ million

Itemization	2009			2010		
	1st half	2nd half	Year	1st half	2nd half	Year
Total	2 263	43 896	46 159	23 166	44 629	67 795
Credit	74 266	120 185	194 451	76 502	104 733	181 235
Debit	72 004	76 289	148 292	53 336	60 104	113 440
Equities	3 030	34 041	37 071	9 737	27 948	37 684
Credit	55 400	94 343	149 743	47 880	72 104	119 983
Debit	52 370	60 302	112 671	38 143	44 156	82 299
Issued in the country	3 086	29 012	32 097	7 147	23 435	30 582
Credit	55 232	89 194	144 426	44 232	62 026	106 258
Debit	52 146	60 182	112 328	37 085	38 591	75 676
Issued abroad (Annex V – ADR)	-56	5 030	4 974	2 590	4 513	7 103
Credit	168	5 149	5 317	3 648	10 078	13 725
Debit	223	119	343	1 058	5 565	6 623
Debt securities	-768	9 855	9 087	13 429	16 682	30 111
Credit	18 866	25 842	44 708	28 622	32 629	61 251
Debit	19 634	15 987	35 621	15 193	15 947	31 141
Issued in the country	1 086	8 990	10 077	9 306	5 282	14 588
Medium and long term	1 404	8 274	9 678	8 292	5 088	13 380
Credit	10 487	14 881	25 368	12 870	11 483	24 353
Debit	9 083	6 607	15 690	4 578	6 394	10 972
Short term	-318	717	399	1 013	194	1 207
Credit	1 892	1 284	3 176	1 499	572	2 071
Debit	2 210	568	2 777	485	379	864
Issued abroad	-1 854	865	-989	4 123	11 399	15 523
Bonds	692	-599	94	-2 168	-1 396	-3 564
Private	0	56	56	-1	-1	-2
Disbursements	0	56	56	0	0	0
Amortizations	0	0	0	1	1	2
Public	692	-655	38	-2 167	-1 395	-3 561
Disbursements	1 775	2 325	4 100	788	2 030	2 818
Amortizations	1 083	2 980	4 062	2 954	3 425	6 379
Face value	994	2 586	3 580	2 601	2 798	5 399
Discounts	-88	-394	-482	-353	-627	-981
Notes and commercial papers	-640	124	-516	5 561	8 115	13 676
Disbursements	3 682	4 767	8 450	10 995	12 034	23 029
Amortizations	4 322	4 643	8 965	5 434	3 920	9 354
Money market instruments	-1 906	1 339	-567	730	4 681	5 411
Disbursements	1 030	2 529	3 559	2 471	6 509	8 980
Amortizations	2 937	1 189	4 126	1 741	1 828	3 569

Foreign portfolio investment inflows totaled US\$67.8 billion in 2010, against US\$46.2 billion in the previous year, resulting from decreases of 6.8% in revenues and 23.5% in remittances. Foreign investments in shares of Brazilian companies, which remained stable when compared to 2009, recorded net inflows of US\$37.7 billion,

Table 5.29 – Other foreign investments

US\$ million

Itemization	2009			2010		
	1st half	2nd half	Year	1st half	2nd half	Year
Total	14 399	- 323	14 076	28 547	12 753	41 301
Trade credit	8 010	-3 909	4 100	1 482	-2 306	- 823
Long term	- 340	- 705	-1 045	- 436	- 97	- 532
Credit	1 218	1 524	2 742	670	1 397	2 066
Debit	1 557	2 229	3 787	1 105	1 494	2 599
Short term (net)	8 350	-3 205	5 145	1 918	-2 209	- 291
Loans	6 286	-1 360	4 926	26 716	14 442	41 158
Monetary authority	0	0	0	- 4	0	- 4
Exceptional financing	0	0	0	0	0	0
Other long term	0	0	0	- 4	0	- 4
Credit	0	0	0	0	0	0
Debit	0	0	0	4	0	4
Remaining sectors	6 286	-1 360	4 926	26 719	14 442	41 161
Long term	1 579	5 597	7 175	10 556	8 494	19 049
Credit	6 926	13 556	20 482	17 022	17 534	34 556
Multilateral ^{1/}	1 823	2 637	4 461	2 519	5 666	8 186
Agencies	806	3 770	4 577	4 631	889	5 520
Buyers credit	3 152	5 214	8 366	4 657	5 497	10 153
Direct loans	1 144	1 935	3 079	5 215	5 482	10 697
Debit	5 347	7 960	13 307	6 466	9 041	15 507
Multilateral ^{1/}	1 281	2 368	3 649	1 432	2 422	3 854
Agencies	411	551	962	1 007	699	1 707
Buyers credit	1 671	2 737	4 407	2 096	3 310	5 406
Direct loans	1 984	2 304	4 288	1 931	2 610	4 541
Short term	4 708	-6 957	-2 249	16 164	5 948	22 112
Currency and deposits	103	989	1 092	347	617	964
Other liabilities	0	3 958	3 958	2	0	2
Long term (net)	0	3 962	3 962	0	0	0
Short term (net)	0	- 4	- 4	2	0	2

^{1/} Includes IFC.

the highest result for the historical series, and due to decreases of 19.9% in annual revenue and 27% in expenses, which totaled US\$120 billion and US\$82.3 billion, respectively. Foreign investments in equities traded in the country registered net inflows of US\$30.6 billion, against US\$32.1 billion in 2009, and Depositary Receipts (DR) placements, reflecting foreign investment in shares of Brazilian companies traded in the exchange market abroad, net inflows totaled US\$7.1 billion, against US\$5 billion the year before.

Fixed income foreign investments recorded net disbursements of US\$30.1 billion in 2010, the highest result for the series started in 1995, and 231.3% higher than reported in 2009. It is noteworthy that evidencing the impact of October rate increase of the IOF levied on fixed- income foreign capital traded in the country there were net amortizations of US\$214 million in the two-month period ended December. In the year,

foreign investments net disbursement in fixed income securities traded in the country recorded an increase of 44.8% reaching US\$14.6 billion.

Capital flow relating to sovereign bonds resulted in net repayments of US\$3.6 billion in 2010, including the original schedule of debt maturities and early redemptions. Among such inflows US\$2.8 billion net disbursements stood out, resulting from the issuance and subsequent reopening of the Global 21, respectively of US\$788 million and US\$825 million; and reopening of Global 41, US\$550 million; and Global BRL 28, US\$655 million (US\$1.1 billion). Notes and commercial papers operations had net inflows of US\$13.7 billion, compared to net repayments of US\$516 million in 2009, resulting from increases of 172.5% in disbursements and 4.3% in amortizations. Short-term securities registered net inflows of US\$5.4 billion in 2010, compared with net repayments of US\$567 million the previous year, highlighting the expansion of 152.3% in gross disbursements.

Table 5.30 – Brazilian direct investments abroad

Itemization	US\$ million					
	2009			2010		
	1st half	2nd half	Year	1st half	2nd half	Year
Total	1 798	8 286	10 084	-8 881	-2 638	-11 519
Credit	9 899	15 355	25 254	8 913	14 467	23 379
Debit	8 101	7 069	15 170	17 794	17 104	34 898
Equity capital	-1 190	-3 355	-4 545	-12 110	-14 673	-26 782
Credit	2 411	1 506	3 917	2 179	1 267	3 446
Debit	3 601	4 861	8 462	14 288	15 940	30 228
Intercompany loans	2 988	11 641	14 629	3 229	12 035	15 263
Credit	7 488	13 849	21 337	6 734	13 199	19 933
Debit	4 500	2 208	6 708	3 505	1 164	4 670

Other foreign investments in the country showed US\$41.3 billion net inflows in 2010, a 193.4% annual increase. Suppliers trade credit totaled US\$823 million net amortizations, compared to US\$4.1 billion net disbursements in 2009, with US\$532 million long-term loans net repayments and US\$291 million short-term credits. The other sectors long-term loans net inflows amounted to US\$19 billion, consisting of direct loans net disbursements, US\$6.2 billion; buyers, US\$4.7 billion; organizations, US\$4.3 billion, and agencies, US\$3.8 billion. Short-term loans net disbursements amounted to US\$22.1 billion, compared to US\$2.2 billion net repayments in 2009. Non-residents funds net inflows held in the country as deposits and currency totaled US\$964 million, a 11.7% annual decrease, and other long-term liabilities recorded US\$2 million inflows from US\$4 billion in 2009, when the International Monetary Fund (IMF) allocated Special Drawing Rights (SDR) to Brazil, which were simultaneously external assets, components of international reserves and foreign liabilities.

Flows of Brazilian direct investments abroad amounted to US\$11.5 billion net investments, compared with US\$10.1 billion net returns in 2009, resulting from US\$26.8 billion increased participation from previous US\$4.5 billion in 2009, and US\$15.3 billion net repayments of loans to affiliates of Brazilian companies abroad, compared with US\$14.6 billion in 2009. The stock of Brazilian direct investments abroad totaled US\$175.2 billion, as estimated in December 2010, compared with US\$158.8 billion in the same period last year.

Table 5.31 – Brazilian portfolio investments abroad

US\$ million						
Itemization	2009			2010		
	1st half	2nd half	Year	1st half	2nd half	Year
Total	-866	4 990	4 125	-375	-4 408	-4 784
Credit	2 629	7 845	10 473	3 278	7 705	10 983
Debit	3 495	2 854	6 349	3 654	12 113	15 767
Equity investment	-524	3 106	2 582	896	5 315	6 211
Credit	205	3 345	3 550	1 379	6 152	7 531
Debit	728	239	968	483	837	1 320
Brazilian Depository Receipts (BDR)	11	-0	11	-13	68	55
Credit	15	2	17	159	106	264
Debit	3	2	6	172	38	210
Other equities	-535	3 106	2 571	909	5 248	6 157
Credit	190	3 343	3 533	1 220	6 046	7 266
Debit	725	237	962	311	799	1 110
Debt securities	-342	1 884	1 542	-1 271	-9 724	-10 995
Credit	2 424	4 499	6 923	1 900	1 552	3 452
Debit	2 766	2 615	5 381	3 171	11 276	14 447

Brazilian portfolio investments abroad totaled US\$4.8 billion net investments, compared with US\$4.1 billion net returns in 2009. Other Brazilian investments in foreign companies shares recorded US\$6.2 billion net returns compared with US\$2.6 billion in 2009, while investments in fixed-income securities turned in net investments of US\$11 billion, compared with net returns of US\$1.5 billion in the previous year.

Table 5.32 – Other brazilian investments abroad

Itemization	US\$ million					
	2009			2010		
	1st half	2nd half	Year	1st half	2nd half	Year
Total	-12 361	-18 015	-30 376	-12 079	-30 496	-42 575
Loans	-13 234	-12 065	-25 299	-11 769	-24 799	-36 568
Long term	-59	-72	-131	-23	-8	-30
Credit	37	33	70	42	102	145
Debit	96	105	201	65	110	175
Short term (net)	-13 175	-11 993	-25 168	-11 746	-24 792	-36 538
Currency and deposits	854	-5 820	-4 966	-435	-4 420	-4 855
Banks	-394	-2 543	-2 936	3 413	-1 297	2 117
Remaining domestic sectors	1 248	-3 277	-2 029	-3 848	-3 123	-6 971
Other assets	18	-130	-112	125	-1 277	-1 152
Long term	17	-3	14	-134	-73	-207
Credit	82	84	166	71	26	96
Debit	65	87	152	205	98	303
Short term (net)	1	-126	-125	259	-1 204	-945

Other Brazilian investments abroad registered US\$42.6 billion net investments in 2010, up from US\$30.4 billion in 2009, reflecting in particular US\$36.5 billion investments in short-term loans. Long-term loans balance abroad totaled US\$30 million net resources, compared with US\$131 million in 2009. Net outflows of US\$4.9 billion as currency and deposits abroad reflected other sectors assets incorporation of US\$7 billion, and US\$2.1 billion return of deposits of Brazilian banks abroad. Other assets totaled net investments of US\$1.2 billion, of which US\$945 million in short-term investments.

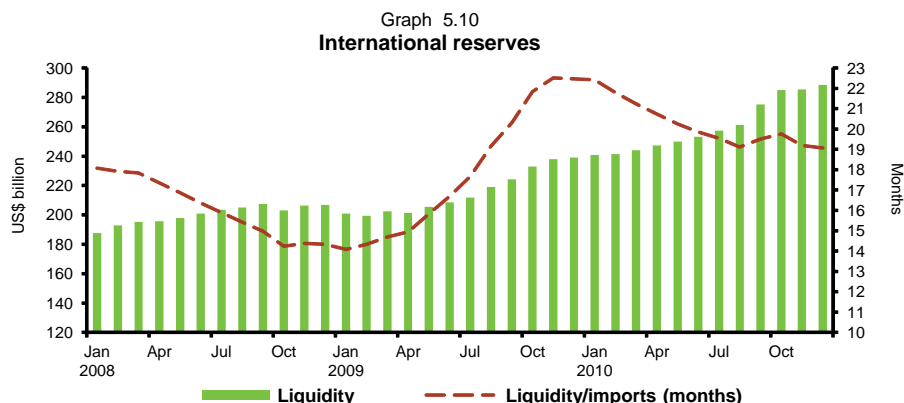


Table 5.33 – Statement of international reserves growth

US\$ million			
Itemization	2008	2009	2010
I - Reserve position (end of previous month)	180 334	193 783	238 520
1. Net purchases (+)/ sales (-) of Central Bank (interventions)	- 5 438	36 526	41 952
Spot	7 585	24 038	41 417
Lines with repurchase	- 8 338	8 338	-
Foreign currency loans	- 4 685	4 151	535
2. Central Bank's foreign operations	18 887	8 211	8 103
Disbursements	1 291	1 800	1 205
Bonds	525	1 800	1 205
Organizations	766	-	-
Amortizations	-	-	-
Bonds and MYDFA	-	-	-
Organizations	-	-	-
Paris Club	-	-	-
Interest	7 176	4 755	4 070
Bonds and MYDFA	-	-	-
Organizations	-18	-2	-
Paris Club	-	-	-
Reserve interest earnings	7 193	4 757	4 070
Other ^{1/}	10 421	1 656	2 828
II - Total Central Bank operations (1+2)	13 450	44 736	50 055
III - Reserves position – cash concept	193 783	238 520	288 575
IV - Outstanding repo lines of credit	8 338	-	-
V - Outstanding foreign exchange loan operations	4 685	535	-
VI - Reserves position – liquidity concept ^{2/}	206 806	239 054	288 575
Memorandum:			
Exchange market:	2 900	28 188	41 952
Transactions with residents (net)	- 3 419	30 566	21 776
Interbank transactions with non-residents (net)	-	-	-
Change in bank holdings (net) ^{3/}	6 319	- 2 378	20 175

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 Central Bank's interventions through the "Spot" and "Export lines" modalities.

International reserves

The Central Bank purchased US\$41.4 billion in the spot foreign exchange domestic market, in 2010, which was determinant for the US\$50 billion international reserves increase in the year, reaching a record US\$289 billion in December.

Foreign currencies lending transactions guaranteed by export transactions or sovereign securities that accumulated US\$535 million in 2009 were fully repaid in May 2010. Thus, the concepts of international reserves, both cash and international liquidity, converged into the same stock.

Central Bank's foreign operations net revenues totaled US\$8.1 billion in 2010, with emphasis on bond disbursements of US\$1.2 billion, which included US\$550 million reopening of the Global 41 and US\$655 million reopening of the Global BRL 28, and interest revenues of US\$4.1 billion in earnings on reserves. Among other operations, which increased the stock of reserves at US\$2.8 billion, we highlight the gains of US\$649 million in bond prices and US\$324 million in parities.

Table 5.34 – National Treasury – External debt service^{1/}

US\$ million

Period	Maturity profile			Maturity settlement		
	Principal	Interest	Total	Market	Reserves	Total
2010						
Jan	428	1 070	1 498	1 498	-	1 498
Feb	972	440	1 412	1 412	-	1 412
Mar	305	118	423	423	-	423
Apr	552	223	775	775	-	775
May	130	133	263	263	-	263
Jun	215	101	316	316	-	316
Jul	305	915	1 220	1 220	-	1 220
Aug	111	274	385	385	-	385
Sep	208	209	417	417	-	417
Oct	1 194	199	1 393	1 393	-	1 393
Nov	640	146	786	786	-	786
Dec	340	52	392	392	-	392
Year	5 399	3 880	9 279	9 279	-	9 279

^{1/} Includes principal and interest maturities related to bonds.

National Treasury External Debt Service

The Treasury maintained its policy initiated in 2003 of purchasing currency in the foreign exchange market to pay the debt service relative to bonds. In 2010, these operations totaled US\$9.3 billion, of which US\$5.4 billion related to principal and US\$3.9 billion to interest. Among such bonus amortizations, Global 10, US\$413 million; Global 10-N, US\$807 million; Global 18/A-Bond, US\$335 million; and Euro 10, US\$589 million stood out.

The bond repurchase program of Brazil's external debt, aiming at improving Brazilian public debt term profile, especially building up a more complete yield curve, traded

US\$4.3 billion in 2010, of which US\$3.2 billion related to principal payment; US\$76 million in accrued interest; and US\$981 million in premium expenses.

Table 5.35 – National Treasury – External debt sovereign bonds buyback operations
By settlement date

US\$ million				
Itemization	Principal	Interest	Premium/Discount	Total
2010				
Jan	257	4	41	302
Feb	382	7	138	527
Mar	289	6	49	345
Apr	139	3	36	178
May	130	4	19	153
Jun	215	11	70	295
Jul	141	1	39	181
Aug	111	2	21	134
Sep	193	3	49	245
Oct	388	7	168	562
Nov	640	18	239	896
Dec	340	11	111	463
Year	3 224	76	981	4 281

Foreign debt

Total external debt reached US\$257 billion at the end of 2010, against US\$58.6 billion in December previous year. Medium and long-term debt increased US\$32.3 billion reaching US\$199 billion, and short-term debt increased US\$26.3 billion reaching US\$57.3 billion. Stock of intercompany loans increased US\$15.8 billion reaching US\$95.1 billion, of which US\$87 billion relating to medium and long-term.

In December 2010, the long-term external debt was composed of: trade financing, 39.2% of the total; credits for currency loans, 37.4%; and bonds, 21.2%. The stock of currency loans amounted to US\$14.4 billion in the year, reflecting an increase of US\$11.4 billion in notes and US\$2.9 billion in direct loans. The stock of external financing for foreign trade increased US\$20.7 billion and on foreign debt bonds decreased by US\$2.7 billion, to US\$42.2 billion, highlighting that of this total, 97.2% referred to the public sector bonds.

Table 5.36 – Gross foreign indebtedness^{1/}

US\$ million					
Itemization	2006	2007	2008	2009	2010
A. Total debt (B+C)	172 589	193 219	198 340	198 192	256 804
B. Medium and long-term debt ^{2/}	152 266	154 318	161 896	167 220	199 497
Exceptional financing	-	-	-	-	-
IMF	-	-	-	-	-
BIS	-	-	-	-	-
BoJ	-	-	-	-	-
IMF loans	-	-	-	4 510	4 446
Renegotiated debt bonds	-	-	-	-	-
Other bonds ^{3/}	51 968	47 195	42 687	44 953	42 223
Import financing	39 983	46 758	58 977	57 468	78 150
Multilateral	25 148	26 981	30 023	28 202	35 166
Bilateral	6 259	6 482	6 854	6 826	15 528
Other financing sources	8 575	13 295	22 100	22 440	27 457
Currency loans	60 315	60 365	60 232	60 289	74 677
Notes ^{4/}	40 151	45 884	42 420	41 259	52 703
Direct loans	20 164	14 481	17 812	19 030	21 975
Other loans	-	-	-	-	-
C. Short-term debt	20 323	38 901	36 444	30 972	57 307
Credit line for petroleum imports	-	-	-	-	-
Commercial banks (liabilities)	16 527	27 613	28 220	21 957	32 328
Resolution no. 2,483 – Rural financing	-	-	-	-	-
Special operations	3 796	11 288	8 224	9 015	24 979
Financing	530	305	802	593	837
Currency loans	3 266	10 983	7 421	8 422	24 141
D. Intercompany loans	26 783	47 276	64 570	79 372	95 137
E. Total debt + intercompany loans (A+D)	199 372	240 495	262 910	277 563	351 941

^{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 Brazilian Investment Bonds (BIB).

^{4/} Includes commercial papers and securities.

The increase in short-term debt was mainly due to respective increases of US\$15.7 billion and US\$10.4 billion in loan operations and the stock held by the commercial banks.

The registered external debt, with participation of 55% of the private sector, represented 87.4% of the total external debt, being US\$99.3 billion in long-term debt and US\$24.1 billion in short-term liabilities. The indebtedness of medium and long-term focused on the following modalities: notes, 45.8% of the total, and banks, and 36.6%.

The registered external debt for which the public sector is liable, comprising 45% of the total, was composed, at the end of 2010, of US\$100.2 billion of medium and long-term debt and US\$844 million of short term debt. The outstanding medium and long-term debt of the non-financial public sector was concentrated in the National Treasury, 62.6% of the total, of which US\$41 billion in the bond modality. The Central Bank debt, 5.4% of the total, referred to the full allocations of SDRs with the IMF, and it is classified as debt with international organizations. The external debt of state and municipal governments represented 16% of the total, concentrated in loans from international organizations, while the state-owned companies referred mostly to credits from government agencies.

Table 5.37 – Registered external debt

US\$ million

Debtor	Creditor			
	Bonds	Multilateral institutions ^{1/}	Bank loans ^{2/}	Notes ^{3/}
A. Total	42 223	39 633	58 767	61 096
B. Medium and long-term	42 223	39 612	43 139	52 703
Public sector	41 042	34 097	6 770	7 246
Nonfinancial public sector	41 042	28 346	1 548	2 643
National Treasury	41 042	9 908	400	0
Banco Central do Brasil	0	4 446	0	0
Public enterprises	0	2 070	292	2 643
States and municipalities	0	11 921	856	0
Financial sector	0	5 751	5 222	4 603
Private sector	1 181	5 515	36 369	45 457
Nonfinancial sector	1 055	2 770	31 281	20 822
Financial sector	126	2 745	5 088	24 635
C. Short-term	0	21	15 628	8393
Loans	0	1	14 948	0
Nonfinancial sector	0	1	4 495	0
Financial sector	0	0	10 453	0
Import financing	0	21	680	8 393
Nonfinancial sector	0	0	569	868
Financial sector	0	21	111	7 525
D. Intercompany loans	247	0	0	3 773
E. Total debt + intercompany loans (A+D)	42 469	39 633	58 767	64 869

(continues)

The debt contracted with the endorsement of the public sector increased US\$5.2 billion in 2010, reaching US\$27.1 billion, of which US\$25.7 billion are granted by the Federal Government. Regarding the origin of the total indebtedness, from the total amount endorsed, US\$1.6 billion, consisted of private-sector debt.

Table 5.37 – Registered external debt (concluded)

Debtor	Outstanding: 12.31.2010			
	US\$ million			
	Creditor			Total
Government agencies	Suppliers credits	Others		
A. Total	15 534	3 133	4 090	224 476
B. Medium and long-term	15 528	2 996	3 296	199 497
Public sector	10 889	111	0	100 154
Nonfinancial public sector	9 158	111	0	82 847
National Treasury	464	74	0	51 888
Banco Central do Brasil	0	0	0	4 446
Public enterprises	8 232	36	0	13 274
States and municipalities	461	0	0	13 239
Financial sector	1 731	0	0	17 307
Private sector	4 639	2 885	3 296	99 342
Nonfinancial sector	4 509	2 874	1 276	64 586
Financial sector	130	11	2 020	34 756
C. Short-term	6	138	794	24 979
Loans	6	0	794	15 748
Nonfinancial sector	6	0	152	4 653
Financial sector	0	0	642	11 095
Import financing	0	138	0	9 231
Nonfinancial sector	0	138	0	1 575
Financial sector	0	0	0	7 656
D. Intercompany loans	0	0	91 117	95 137
E. Total debt + intercompany loans (A+D)	15 534	3 133	95 207	319 613

1/ Includes IMF.

2/ Includes buyers credit.

3/ Includes commercial papers and securitized loans.

Table 5.38 – Public registered external debt

Breakdown of principal by debtor and by guarantor

Itemization	US\$ million				
	2006	2007	2008	2009	2010
Federal government (direct)	63 942	58 991	54 373	54 779	51 888
States and municipalities	6 815	7 055	8 199	9 593	13 239
Direct	-	41	27	5	3
Guaranteed by the federal government	6 815	7 013	8 172	9 588	13 235
Semi-autonomous entities, public companies and mixed companies	-	-	-	-	-
Direct	14 777	14 700	17 147	26 850	35 872
Guaranteed by the federal government	9 041	8 619	10 946	15 474	23 587
Guaranteed by the federal government	5 735	6 081	6 201	11 376	12 285
Private sector (guaranteed by the public sector)	89	436	450	891	1 578
Total	85 622	81 182	80 169	92 113	102 577
Direct	72 983	67 652	65 346	70 258	75 478
Guaranteed by	12 640	13 530	14 823	21 855	27 099
Federal government	12 597	13 454	14 688	21 234	25 684
States and municipalities	3	8	7	5	0
Semi-autonomous entities, public companies and mixed companies	40	67	127	616	1 414

Table 5.39 – Registered external debt – By debtorAmortization schedule^{1/}

US\$ million						
Itemization	Outstanding debt	2011	2012	2013	2014	2015
A. Total debt (B+C)	224 476	46 878	20 394	19 827	10 609	20 043
B. Medium and long-term debt	199 497	21 899	20 394	19 827	10 609	20 043
Nonfinancial public sector	82 847	4 765	5 323	3 654	2 992	7 238
Central government	56 334	3 404	4 029	2 212	1 686	3 692
Others	26 513	1 361	1 294	1 442	1 307	3 546
Financial public sector	17 307	2 896	680	1 545	658	974
Private sector	99 342	14 237	14 392	14 627	6 958	11 831
C. Short-term debt	24 979	24 979	-	-	-	-
Nonfinancial public sector	-	-	-	-	-	-
Financial public sector	844	844	-	-	-	-
Private sector	24 135	24 135	-	-	-	-
D. Intercompany loans	95 137	17 116	11 441	9 402	10 989	9 248
E. Total debt + intercompany loans (A+D)	319 613	63 993	31 835	29 229	21 598	29 291

(continues)

Table 5.39 – Registered external debt – By debtor (concluded)Amortization schedule^{1/}

US\$ million						
Itemization	2016	2017	2018	2019	2020	Beyond and arrears
A. Total debt (B+C)	12 859	13 443	7 780	11 991	13 126	47 527
B. Medium and long-term debt	12 859	13 443	7 780	11 991	13 126	47 527
Nonfinancial public sector	5 758	6 342	2 935	7 095	1 903	34 842
Central government	2 996	3 825	634	3 884	821	29 153
Others	2 762	2 517	2 301	3 211	1 081	5 690
Financial public sector	618	1 573	1 560	1 515	2 362	2 926
Private sector	6 483	5 527	3 285	3 381	8 862	9 758
C. Short-term debt	-	-	-	-	-	-
Nonfinancial public sector	-	-	-	-	-	-
Financial public sector	-	-	-	-	-	-
Private sector	-	-	-	-	-	-
D. Intercompany loans	4 063	5 175	5 150	4 442	5 801	12 311
E. Total debt + intercompany loans (A+D)	16 922	18 617	12 929	16 433	18 927	59 838

^{1/} Includes exceptional financing.

Table 5.40 – Registered external debt – By creditorAmortization schedule^{1/}

US\$ million						
Itemization	Outstanding debt	2011	2012	2013	2014	2015
A. Total debt (B+C)	224 476	46 878	20 394	19 827	10 609	20 043
B. Medium and long-term debt	199 497	21 899	20 394	19 827	10 609	20 043
International organizations	39 612	3 196	3 909	3 126	2 677	3 037
Government agencies	15 528	1 041	1 108	1 112	1 039	2 373
Buyers	24 461	5 333	5 709	4 234	2 655	2 476
Suppliers	2 996	754	548	569	209	208
Currency loans	74 677	9 208	6 974	9 154	3 149	9 081
Notes ^{2/}	52 703	2 962	2 797	5 343	1 652	7 499
Direct loans	21 975	6 246	4 176	3 811	1 497	1 582
Bonds	42 223	2 367	2 147	1 632	880	2 867
C. Short-term debt	24 979	24 979	-	-	-	-
D. Intercompany loans	95 137	17 116	11 441	9 402	10 989	9 248
E. Total debt + intercompany loans (A+D)	319 613	63 993	31 835	29 229	21 598	29 291

(continues)

Table 5.40 – Registered external debt – By creditor (concluded)Amortization schedule^{1/}

US\$ million						
Itemization	2016	2017	2018	2019	2020	Beyond and arrears
A. Total debt (B+C)	12 859	13 443	7 780	11 991	13 126	47 527
B. Medium and long-term debt	12 859	13 443	7 780	11 991	13 126	47 527
International entities	2 440	2 067	1 790	1 647	1 501	14 222
Government agencies	2 181	2 040	1 943	1 781	298	614
Buyers	1 511	867	330	576	284	487
Suppliers	123	114	99	92	106	174
Currency loans	4 179	5 112	3 493	4 494	10 554	9 280
Notes ^{2/}	3 141	4 519	3 065	3 939	9 477	8 309
Direct loans	1 038	593	428	555	1 077	971
Bonds	2 425	3 244	126	3 401	383	22 751
C. Short-term debt	-	-	-	-	-	-
D. Intercompany loans	4 063	5 175	5 150	4 442	5 801	12 311
E. Total debt + intercompany loans (A+D)	16 922	18 617	12 929	16 433	18 927	59 838

^{1/} Includes exceptional financing.^{2/} Includes commercial papers and securities.

The amortization schedule of the medium and long-term gross external debt, according to the position in December 2010, showed that 52.5% of debts will mature within the next five years. Considering the long-term debt maturing until 2015, the participation of private and public financial sectors amounted to 74.2%. With regard to the amortization schedule of the registered external debt by creditor, those relating to currency loans, operations of buyers and international organizations accounted, respectively, for 40.5%, 22% and 17.2% of medium and long-term maturities, in December 2010.

The average maturity of external debt reached 7.2 years, in December of 2010, compared to 7.5 years in the same month of the previous year, with the shortest period occurring among buyers, 3.3 years, and the longest, 13.2 years, occurring with bonds.

The participation of the US dollar in the external debt registered by currency grew 2.9 p.p. in the year, reaching 82.8%, while the euro and the yen indicated retreats of 0.1 p.p. and 1.7 p.p., reaching 5% and 4.5%, respectively. The participation of real denominated debt decreased by 0.6 p.p., to 5.5%.

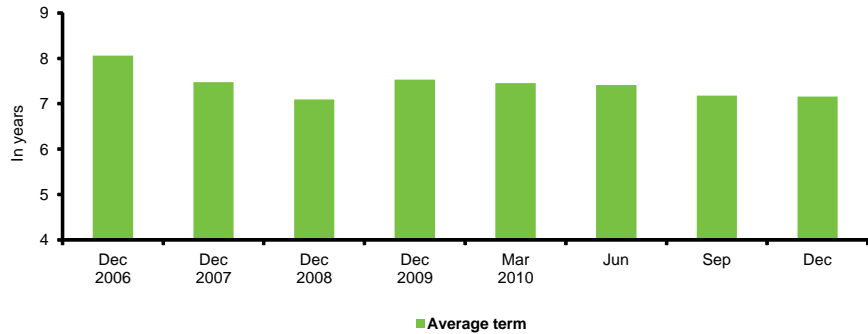
The stock of debt with floating rates widened from 39.3% of the total in December of 2009 to 40.8% in December of 2010, stressing that the participation of LIBOR as the index rose from 56.5% to 58.7% in this segment.

Table 5.41 – Average maturity term
Registered external debt^{1/}

US\$ million		
Itemization	2010	Average maturity (years)
A. Total	221 371	7.2
International organizations	39 605	8.9
Government agencies	15 501	5.9
Buyers	24 075	3.3
Suppliers	2 899	3.7
Currency loans + others	21 820	3.6
Notes and commercial papers	52 047	7.5
Bonds	42 223	13.2
Bradies	93	2.0
Global/Euro	40 949	13.5
Others	1 181	2.5
Short-term	23 201	1.0
B. Intercompany loans	91 296	5.5
C. Total + intercompany loans	312 666	6.7

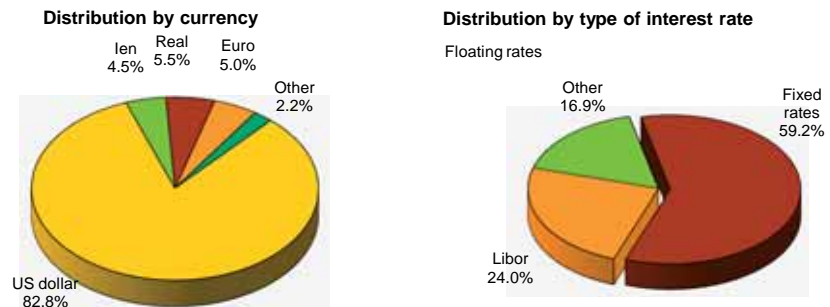
^{1/} Excludes debt in arrears.

Graph 5.11
Average term of registered external debt



Graph 5.12
Registered external debt composition

December 2010



Indebtedness indicators

Indicators of external indebtedness relative to external debt service and total external debt registered a favorable annual performance in 2010, while those related to net foreign debt had opposite movement.

The debt service and exports increased by 6.4% and 32% in the year, respectively, resulting in a drop from 28.5% to 23%, in the ratio between the two variables. The respective increases of 30.7% and 29.6% observed in the GDP in US dollars and the total external debt resulted in a reduction, from 12.4% to 12.3%, of the ratio total external debt to GDP. Additionally, the relationship of debt service/GDP and total external debt/exports decreased, respectively, from 2.7% to 2.2% and from 129.5% to 127.2% in the year.

The total assets net external debt remained negative in December 2010. Thus, the ratio between the net external debt and exports in the last twelve months went from -40.4%

in December of 2009, to -25.1%, in December of 2010, while the ratio net external debt to GDP ranged from -3.9% to -2.4%.

Table 5.42 – Indebtedness indicators^{1/}

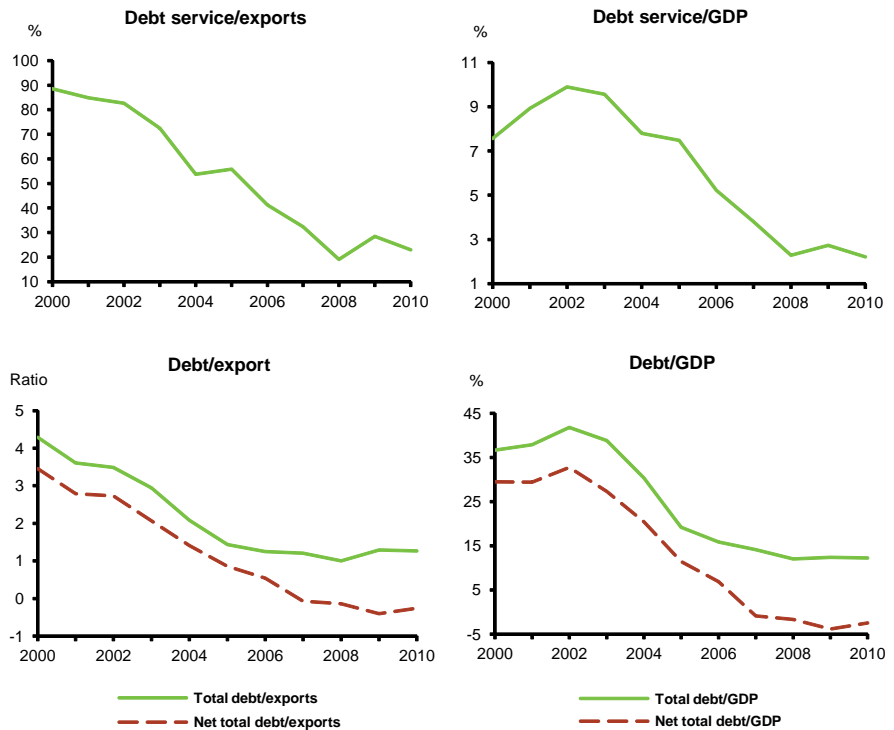
US\$ million					
Itemization	2006	2007	2008	2009	2010
Debt service	56 902	52 028	37 638	43 561	46 348
Amortizations ^{2/}	42 024	36 687	22 065	29 639	32 864
Gross interest	14 878	15 342	15 573	13 922	13 484
Medium and long-term external debt (A)	152 266	154 318	161 896	167 220	199 497
Short-term external debt (B)	20 323	38 901	36 444	30 972	57 307
Total debt (C)=(A+B)	172 589	193 219	198 340	198 192	256 804
International reserves (D)	85 839	180 334	206 806	239 054	288 575
Brazilian credit abroad (E) ^{3/}	2 939	2 894	2 657	2 435	2 227
Commercial bank assets (F)	8 990	21 938	16 560	18 474	16 630
Net debt (G)=(C-D-E-F)	74 821	-11 948	-27 683	-61 771	-50 628
Exports	137 807	160 649	197 942	152 995	201 915
GDP	1 088 767	1 366 543	1 650 713	1 598 397	2 089 829
Indicators (in percentage)					
Debt service/exports	41.3	32.4	19.0	28.5	23.0
Debt service/GDP	5.2	3.8	2.3	2.7	2.2
Total debt/exports	125.2	120.3	100.2	129.5	127.2
Total debt/GDP	15.9	14.1	12.0	12.4	12.3
Net total debt/exports	54.3	-7.4	-14.0	-40.4	-25.1
Net total debt/GDP	6.9	-0.9	-1.7	-3.9	-2.4

^{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).

Graph 5.13
External sustainability indicators



External funding operations

The face value of securities issued by the Federative Republic of Brazil in 2010 totalled US\$2.8 billion. Funding in the international market mainly occurred in the second half of the year and it was denominated in US dollars, with the launch, and subsequent reopening, of the Global 21 and reopening of the Global 41, and in real, with the reopening of the Global BRL 28. The maturity schedules of the bonds ranged from ten to thirty years and the risk premiums – the difference between the rate of return offered by Brazilian bonds and US Treasury bonds – amounted to 115 basis points at launch and 150 basis points in the reopening of the Global 21; and 142 basis points at the reopening of the Global 41.

The restructured external debt totalled US\$93 million in December 2010, a reduction of US\$31 million over the same month in the previous year, referring exclusively to Exit Bond (BIB), for which there is no provision for advance payments and with the maturity in 2013.

Table 5.43 – 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
Global BRL 16	9.26.2005	1.5.2016	10	1 479	12.500	12.75	-
Global 15 (Reopening)	11.17.2005	3.7.2015	9	500	7.875	7.77	312
Global 34 (Reopening)	12.6.2005	1.20.2034	28	500	8.250	8.31	363
Global 37	1.18.2006	1.20.2037	31	1 000	7.125	7.56	295
Euro 15 (Reopening)	2.3.2006	2.3.2015	9	362	7.375	5.45	185

(continues)

Table 5.43 – 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 37 (Reopening)	3.23.2006	1.20.2037	31	500	7.125	6.83	204
Global 34 (Reopening)	6.2.2006	1.20.2034	28	198	8.250	8.24	-
Global 37 (Reopening)	8.15.2006	1.20.2037	30	500	7.125	7.15	205
Global BRL 22 (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)	1.30.2007	1.20.2037	30	500	7.125	6.64	173
Global BRL 28 (Reopening)	2.14.2007	1.10.2028	21	715	10.250	10.68	-
Global 17 (Reopening)	3.27.2007	1.10.2028	21	361	10.250	10.28	-
Global BRL 28 (Reopening)	4.11.2007	1.17.2017	10	525	6.000	5.89	122
Global BRL 28 (Reopening)	5.17.2007	1.10.2028	21	389	10.250	8.94	-
Global BRL 28 (Reopening)	6.26.2007	1.10.2028	21	393	10.250	8.63	-
Global 17 (Reopening)	5.14.2008	1.17.2017	10	525	6.000	5.30	140
Global 19N (Reopening)	1.13.2009	1.15.2019	10	1 025	5.875	6.13	370
Global 19N (Reopening)	5.14.2009	1.15.2019	10	750	5.875	5.80	252
Global 37 (Reopening)	8.5.2009	1.20.2037	30	525	7.125	6.45	195
Global 41 (Reopening)	10.7.2009	1.7.2041	30	1 275	5.625	5.80	175
Global 19N (Reopening)	12.22.2009	1.15.2019	10	525	5.875	4.75	114
Global 21 (Reopening)	4.22.2010	1.22.2021	10	788	4.875	5.00	115
Global 21 (Reopening)	8.3.2010	1.22.2021	10	825	4.875	4.55	150
Global 41 (Reopening)	9.21.2010	1.7.2041	30	550	5.625	5.20	142
Global BRL 28 (Reopening)	10.27.2010	1.10.2028	21	655	10.250	8.85	-

^{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: ITL500 billion, on 6.26.1997; and ITL250 billion, on 7.10.1997.

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

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

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

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

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

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

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

Table 5.44 – Restructured external debt – Bradies, Pre-Bradies and MYDFA

Itemization	Outstanding 12.31.2010 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)	93	9.15.2013
Multiyear Deposit Facility Agreement (MYDFA)	-	-
Total	93	

Brazilian external debt securities

The main securities of the Brazilian external debt recorded volatility in 2010, having risen prices in the first three quarters of the year, and decrease in the subsequent period.

The basket containing the Brazilian foreign debt, weighted on a liquidity base and with daily observations, presented, in 2010, an average spread of 203 b.p. in relation to the remuneration of US Treasuries, compared to 306 b.p. in 2009. The index fell 3 basis points to 189 basis points, between the positions of end of year 2009 and 2010.

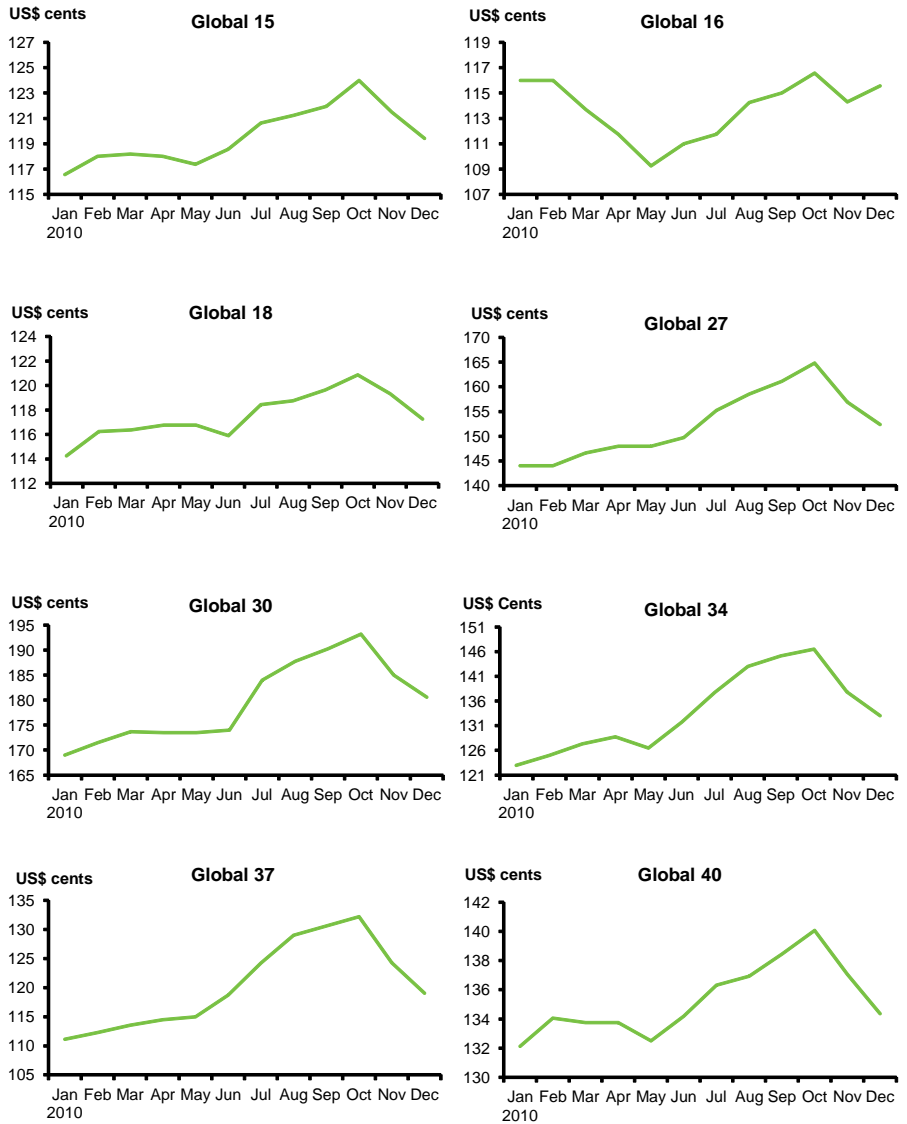
International Investment Position (IIP)

Net external liabilities reached US\$706 billion in 2010. The annual increase of US\$100 billion reflected the increases observed in gross external liabilities, US\$214 billion, and gross external assets, US\$114 billion.

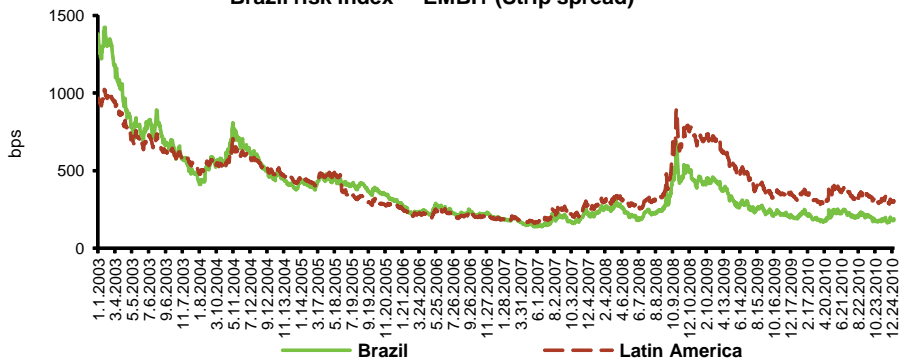
Regarding external assets, the increases of US\$50 billion in international reserves, of US\$37.1 billion in trade credit, and of US\$16.4 billion in direct Brazilian investments abroad stood out.

The evolution of external liabilities was due to increases in stocks of foreign portfolio investments, US\$94.4 billion, of which US\$53.8 billion in stock, and US\$40.7 billion in fixed-income securities; US\$71.8 billion of FDI; and US\$47.2 million of other investments, emphasizing their increases of US\$21.4 billion and US\$23.8 billion in short-term and long term loans, respectively.

Graph 5.14
Prices of Brazilian securities abroad
 Secondary market – Bid price, end-of-period – 2010



Graph 5.15
Brazil risk index – EMBI+ (Strip spread)



Source: JPMorgan

The IMF financing and its relationship with Brazil in 2009-2010

Among the IMF sources of financing, the participation quotas formed by the paid-in capital by each member country are significant. The quotas are calculated on the basis of the relative size of the economy of each country, among other factors, and they determine their individual limits of financial commitment with the IMF, and their voting power in the organization. Its original formation had the following proportions: one fourth in reserve assets, such as convertible foreign currencies or SDR, and three fourths in the currency of the given country.

Table 5.45 – International investment position

US\$ million			
Itemization	2008	2009	2010 ^{1/}
International investment position (A-B)	-283 800	-605 664	-705 663
Assets (A)	407 788	474 218	587 997
Direct investment abroad	163 329	158 777	175 202
Equity capital ^{2/}	121 415	125 960	152 743
Intercompany loans	41 914	32 816	22 460
Portfolio investment ^{3/}	17 321	13 257	18 041
Equity securities	4 828	2 245	234
Debt securities	12 493	11 012	17 807
Bonds and notes	7 534	6 054	12 849
Money-market instruments	4 959	4 958	4 958
Financial derivatives	609	287	153
Other investment	32 746	63 377	106 025
Trade credits (of suppliers)	123	25 226	62 304
Loans	658	853	343
Currency and deposits	24 107	29 105	33 953
Other assets	7 859	8 193	9 425
Of which collateral (interests) and memberships in international financial organizations	1 326	1 560	1 644
Reserve assets	193 783	238 520	288 575

(continues)

In order to fund its financial assistance programs, the IMF can use the SDR or currencies of member countries, especially the most developed ones, which were transferred to the Fund upon payment of quotas. These are the primary sources of the Fund's resources, known as own sources.

In addition to the quotas, the IMF can increase its funding "buying" convertible currencies from its reserve assets of the countries with solid macroeconomic background, passing them to the requesting countries and receiving national currencies in exchange. Once replenished, the countries "buy back" their currencies by paying them in the same

convertible currencies they took the loans. The IMF thus acts as an operator and paying/receiving agent in this mechanism of purchasing and repurchasing currencies.

Table 5.45 – International investment position (concluded)

US\$ million			
Itemization	2008	2009	2010 ^{1/}
Liabilities (B)	691 588	1 079 881	1 293 660
Direct investment in reporting economy	287 697	400 808	472 579
Equity capital ^{2/}	223 127	321 436	377 441
Intercompany loans	64 570	79 372	95 137
Portfolio investment	287 533	561 848	656 284
Equity securities	149 608	376 463	430 234
In the reporting country	71 350	205 159	254 194
Abroad	78 258	171 304	176 040
Debt securities	137 925	185 385	226 051
In the reporting country	49 289	95 802	122 732
Abroad	88 636	89 583	103 319
Medium and long-term	85 107	86 212	94 925
Medium and short-term	3 529	3 372	8 393
Financial derivatives	2 450	3 413	3 781
Other investment	113 908	113 813	161 016
Trade credits	6 241	3 306	3 133
Medium and long-term	5 906	3 138	2 996
Medium and short-term	335	167	138
Loans	103 463	100 793	145 905
Monetary authority	10	3	-
Other sectors	103 454	100 790	145 905
Long-term	70 873	73 357	97 129
International entities	30 023	28 202	35 166
Government agencies	6 854	6 826	15 528
Buyers	16 194	19 302	24 461
Direct loans	17 802	19 027	21 975
Short-term	32 580	27 433	48 776
Currency and deposits	4 204	5 205	7 531
Monetary authority	104	69	57
Banks	4 101	5 135	7 474
Other liabilities	-	4 510	4 446

1/ Preliminary data.

2/ Includes reinvested earnings.

3/ Includes securities issued by residents.

In practice, two of the Fund's programs have been implemented throughout history: the General Arrangements to Borrow (GAB) and the New Arrangements to Borrow (NAB). In 2009, the GAB, established in 1962, encompassed 12 countries and totalled SDR17 billion (US\$26 billion). The NAB, founded in 1997, brought together 26 countries and amounted to SDR 34 billion (US\$52 billion) on the same date.

The magnitude of the global financial crisis that started in mid-2008, reinforced the role of the IMF as the grantor of credit to countries with imbalances in the balance of payments, and led the G-20 countries to announce, in April of 2009, a three-fold increase, from US\$250 billion to US\$750 billion, of the sources of IMF funding. This total refers to the new and expanded NAB, which now has US\$600 billion, encompassing 39 countries, compared to 26 previously. The need for special legal and political procedures for the legal approval of this new agreement within the various countries involved contributed to the fact that by the end of 2010, there were only 16 bilateral loan agreements and three purchase agreements of the current IMF Notes in force, totaling US\$191 billion.

In January 2010, four years after settling in advance the program of financial assistance that was obtained from the IMF, Brazil has become one of the three countries that subscribed the purchase agreement of the IMF Notes, under the new and expanded NAB framework, becoming one of the 39 potential suppliers of funds to the organization. Brazil has offered to purchase up to US\$10 billion in Type A Notes, within two-year period. These above mentioned Type A Notes, unlike the B-type counterparts, may be redeemed immediately if there are imbalances in the balance of payments of the country holding them, the reason why only these former ones are considered as reserve assets and are classified under the heading “Reserve Position in the IMF”. In December 2010, Brazil held, in its international reserves, SDR640 million (US\$986 million) in Type A Notes of the Fund under this same heading.

At the same time, Brazil replenished the share in convertible currencies of its Fund’s quota, which had been fully utilized in previous years. In 2010, the “Reserve Position in the IMF” increased US\$1.1 billion, as a result of the replenishment of US\$105 million of Reserve Tranche (quota in convertible currencies), plus the purchase of US\$986 million in Type A IMF Notes.

Still with the objective to increase its funding capacity, the Fund announced on August 7, 2009, the distribution of the equivalent of US\$250 billion in general allocation of SDRs, distributed in proportion to the participation share of each member country. Brazil’s share amounted to US\$3.5 billion, and was incorporated into the international reserves on August 28, 2009. Subsequently, on September 9, 2009, the country received a new SDR allocation, the calculation result of the review of the country’s share, which resulted in the expansion of the voting power in the IMF from 1.4% to 1.7%, corresponding to US\$436 million.

Finally, since August 2009, following the recommendations of the new IMF’s balance of payments manual (BPM6), liabilities arising from all SDR allocations became incorporated into Brazilian foreign debt. At the end of 2010, such liabilities totaled US\$4.4 billion.

Table 5.46 – Brazilian financial position in the IMF

SDR million

Date	Quota	Reserve position in the IMF			SDR holdings	SDR allocations
		Reserve tranche	Series A Notes	Total		
2009 Jan	3 036	0	-	0	1	359
Feb	3 036	0	-	0	0	359
Mar	3 036	0	-	0	0	359
Apr	3 036	0	-	0	1	359
May	3 036	0	-	0	0	359
Jun	3 036	0	-	0	359	359
Jul	3 036	400	-	400	359	359
Aug	3 036	400	-	400	2 610	2 609
Sep	3 036	406	-	406	2 887	2 887
Oct	3 036	406	-	406	2 887	2 887
Nov	3 036	406	-	406	2 887	2 887
Dec	3 036	606	-	606	2 887	2 887
2010 Jan	3 036	606	-	606	2 887	2 887
Feb	3 036	606	-	606	2 888	2 887
Mar	3 036	606	150	756	2 888	2 887
Apr	3 036	606	170	776	2 888	2 887
May	3 036	606	350	956	2 888	2 887
Jun	3 036	606	390	996	2 888	2 887
Jul	3 036	606	410	1 016	2 888	2 887
Aug	3 036	606	410	1 016	2 889	2 887
Sep	3 036	606	410	1 016	2 889	2 887
Oct	3 036	606	490	1 096	2 889	2 887
Nov	3 036	606	490	1 096	2 889	2 887
Dec	3 036	682	640	1 322	2 889	2 887