

The Brazilian Economy and Investment Opportunities

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Minister of Finance



Brazilian Infrastructure Concession Program

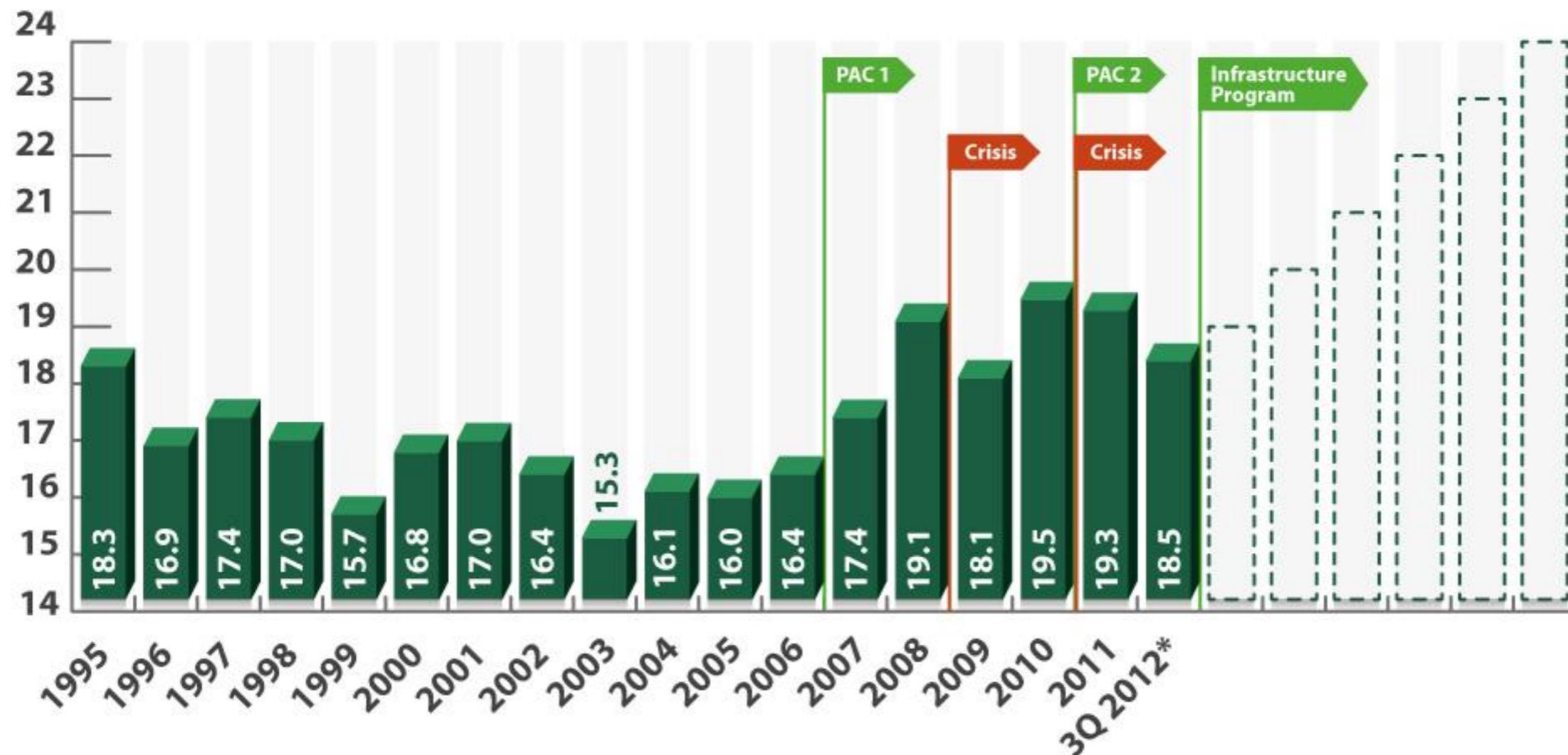
- ✓ US\$ 235 billion in the coming years
- ✓ Largest concession program in recent decades
- ✓ Investment: most effective instrument to stimulate the economy in a period of international crisis

Infrastructure Concession Program

	Highways	7,500 km
	Railways	10,000 km
	Ports	159
	High-Speed Train	511 km
	Airports	2 International
	Oil & Gas	3 Bidding Rounds
	Electricity	32,971 MW and 23,200 km

Increased investment is a government priority

Gross Fixed Capital Formation, in % of GDP

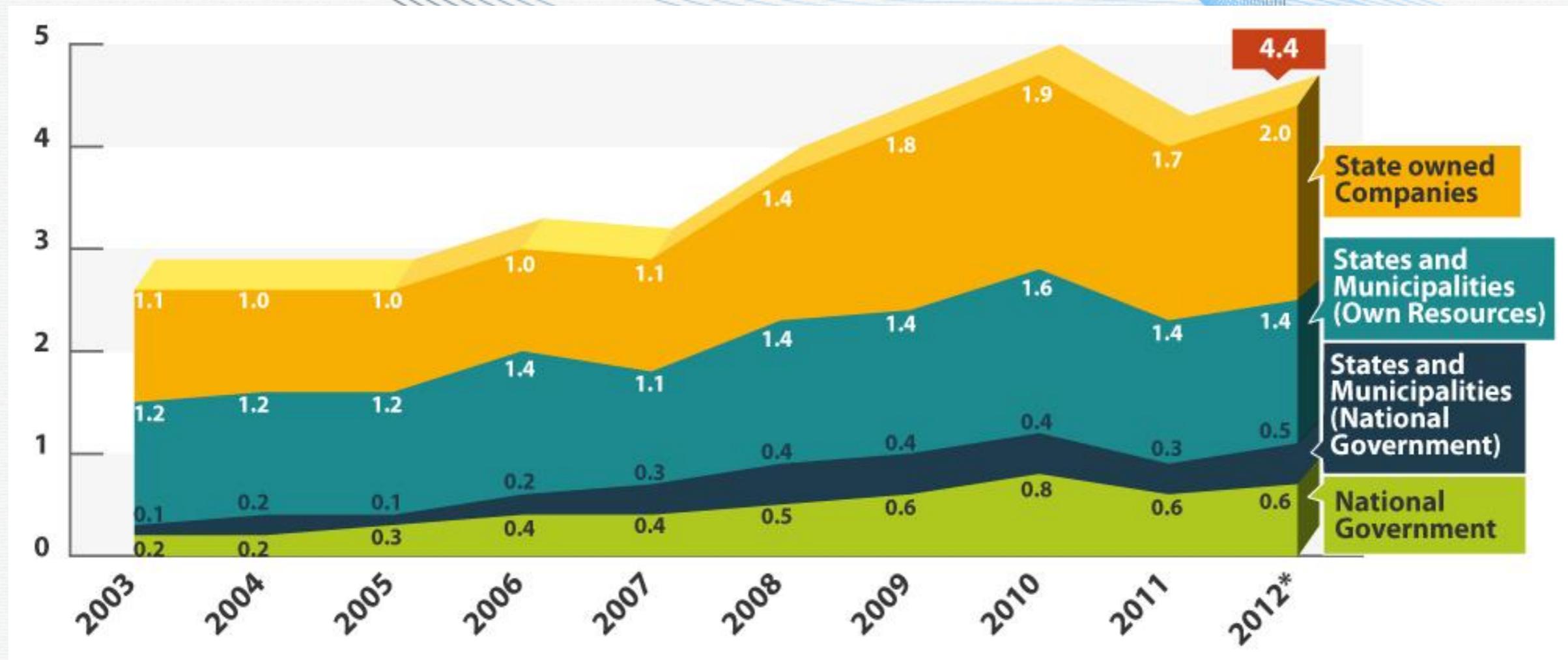


* 4-Quarter accumulated up to 3rd quarter of 2012

Source: Brazilian Institute of Geography and Statistics (IBGE)
Produced by: Ministry of Finance

Public sector investment expands

As % of GDP



* Projections

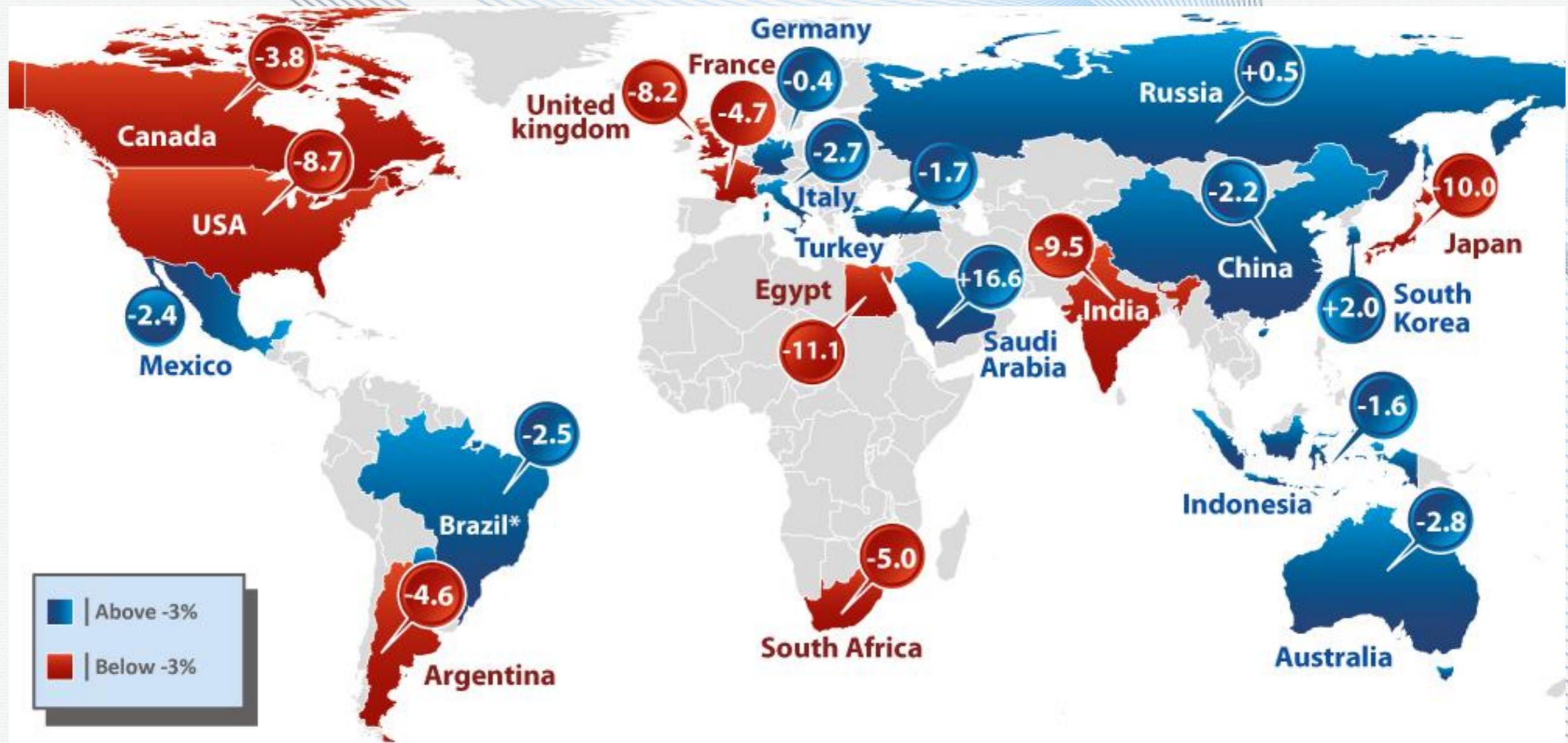
Source: Brazilian National Treasury (STN)/Ministry of Finance
Produced by: Ministry of Finance

**The Brazilian economy
presents favorable
conditions for sustainable
growth and investment
expansion.**

Sound Fundamentals

Fiscal soundness

Budget balance estimates for 2012, as % of GDP



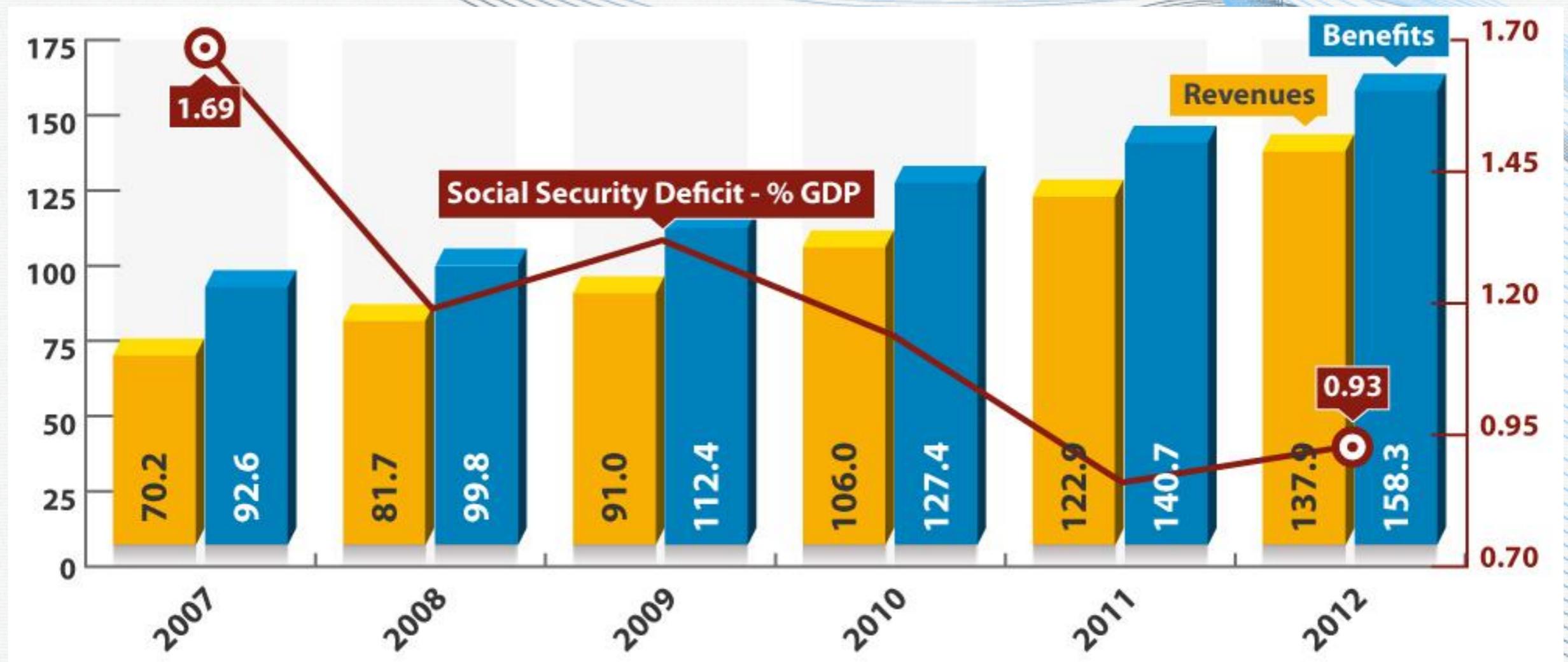
* Brazil: actual budget balance for the year of 2012.

Source: IMF and Central Bank of Brazil
Produced by: Ministry of Finance

Federal Government three largest expenditures under control

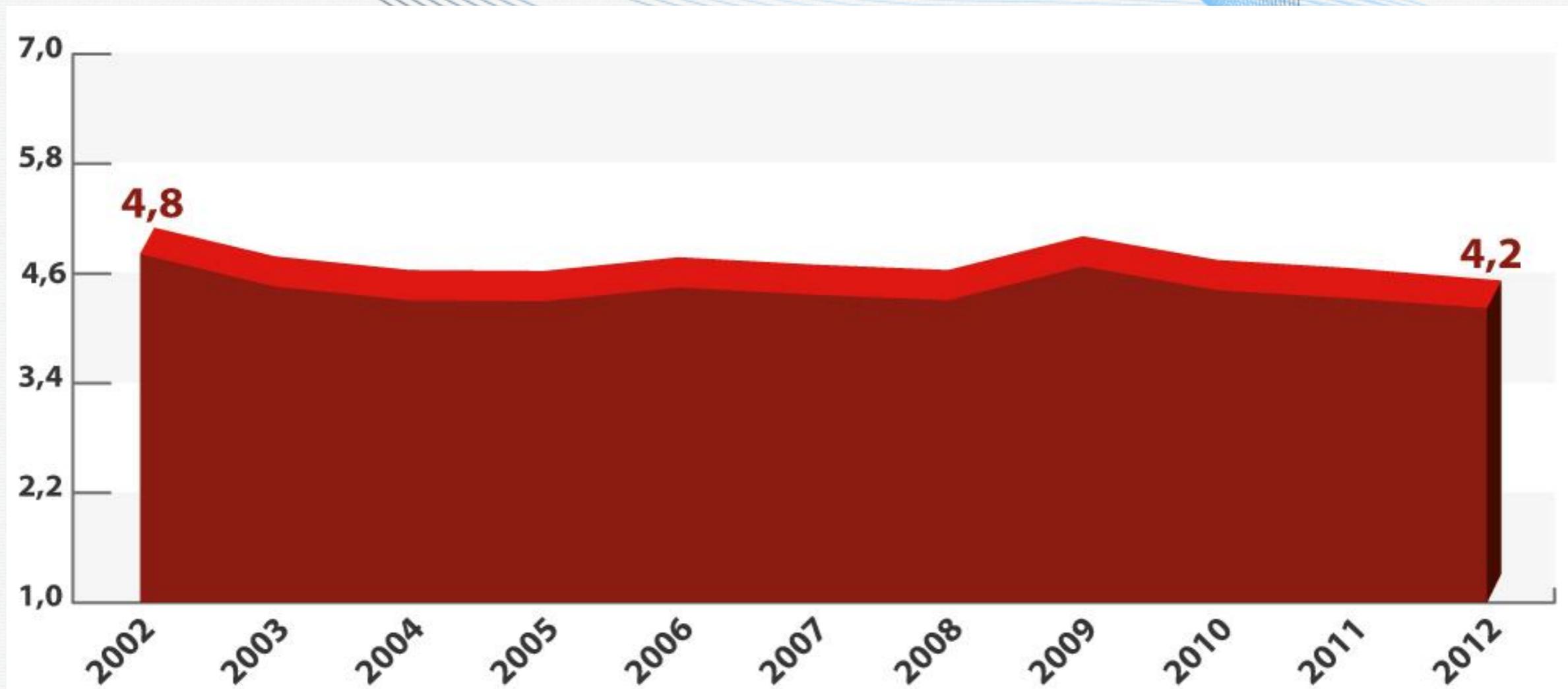
- ✓ **Social Security**
- ✓ **Payroll expenses**
- ✓ **Debt interest payments**

Social Security revenues and benefits In US\$ billions and as % of GDP



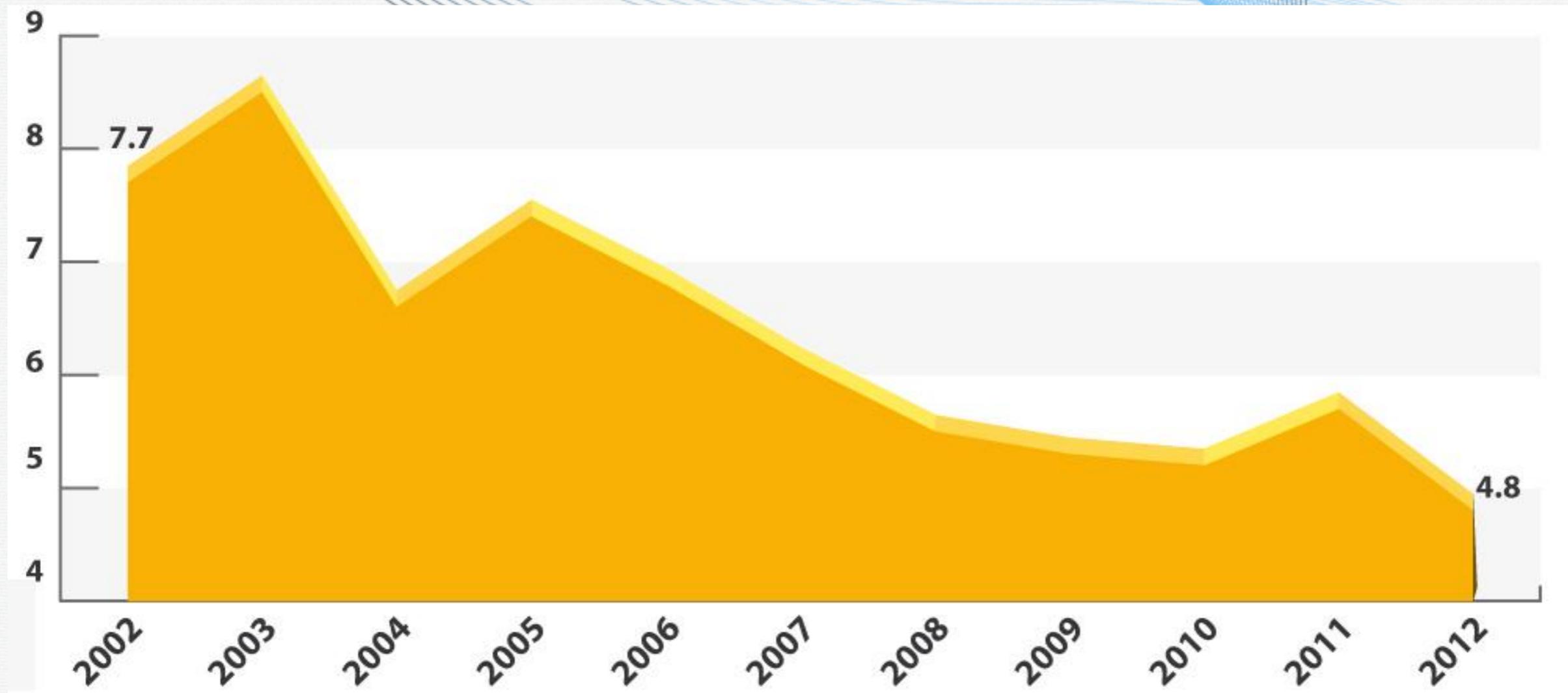
Source: Brazilian National Treasury
(STN)/Ministry of Finance
Produced by: Ministry of Finance

Federal Government payroll expenses, as % of GDP



Source: Brazilian National Treasury (STN)/Ministry of Finance
Produced by: Ministry of Finance

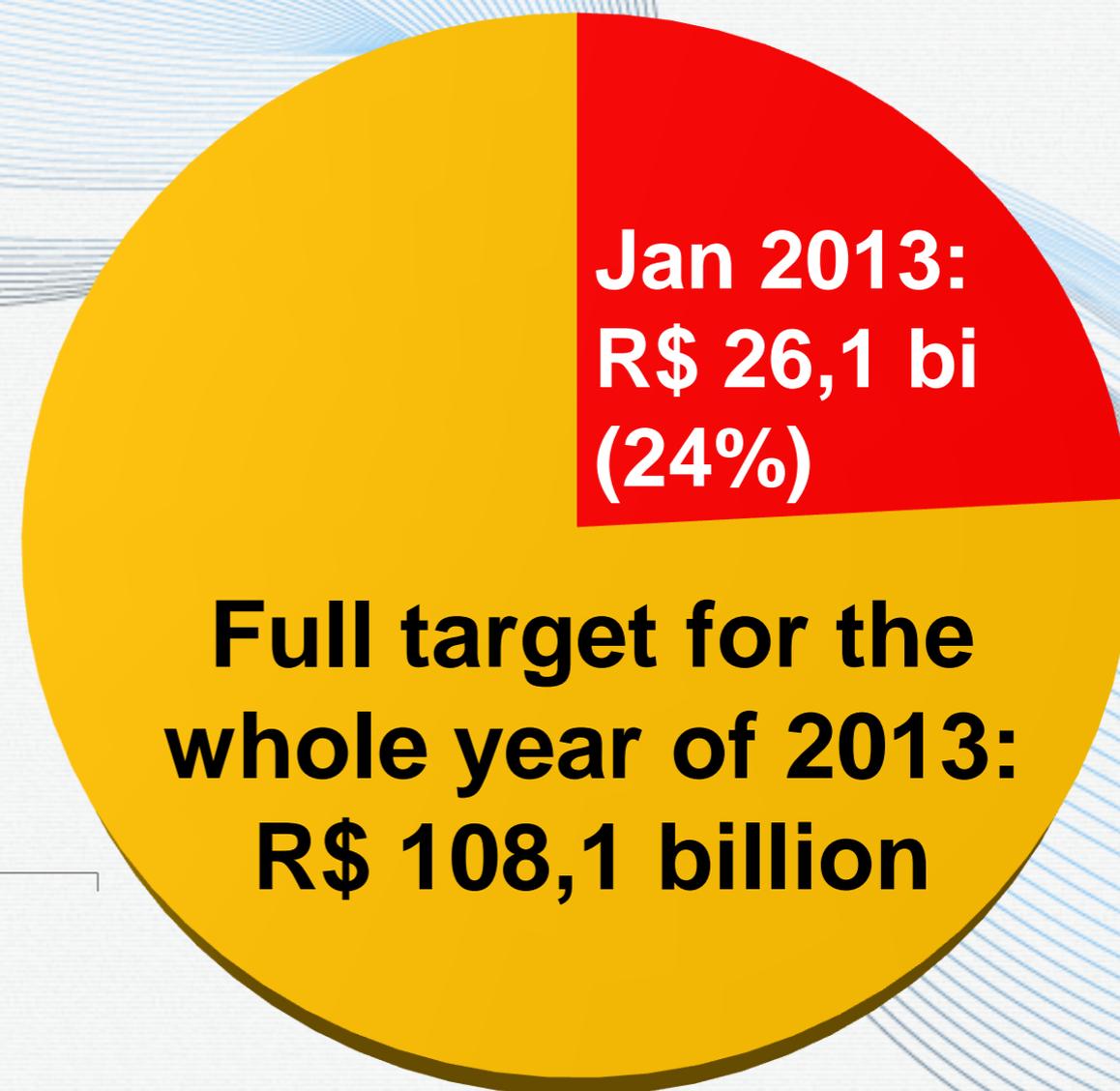
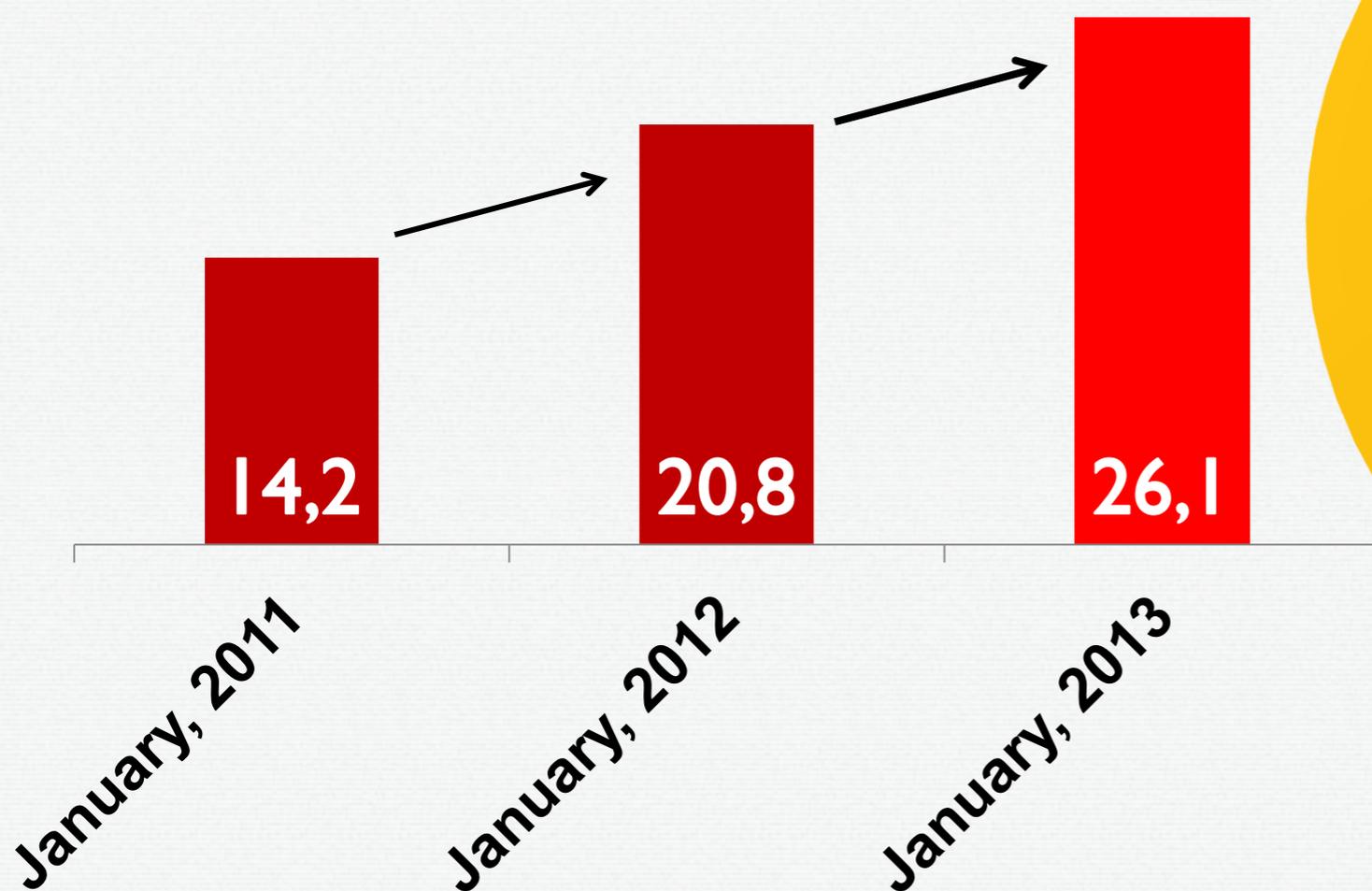
Debt interest payments, as % of GDP



Source: Brazilian National Treasury
(STN)/Ministry of Finance
Produced by: Ministry of Finance

Federal Government primary surplus

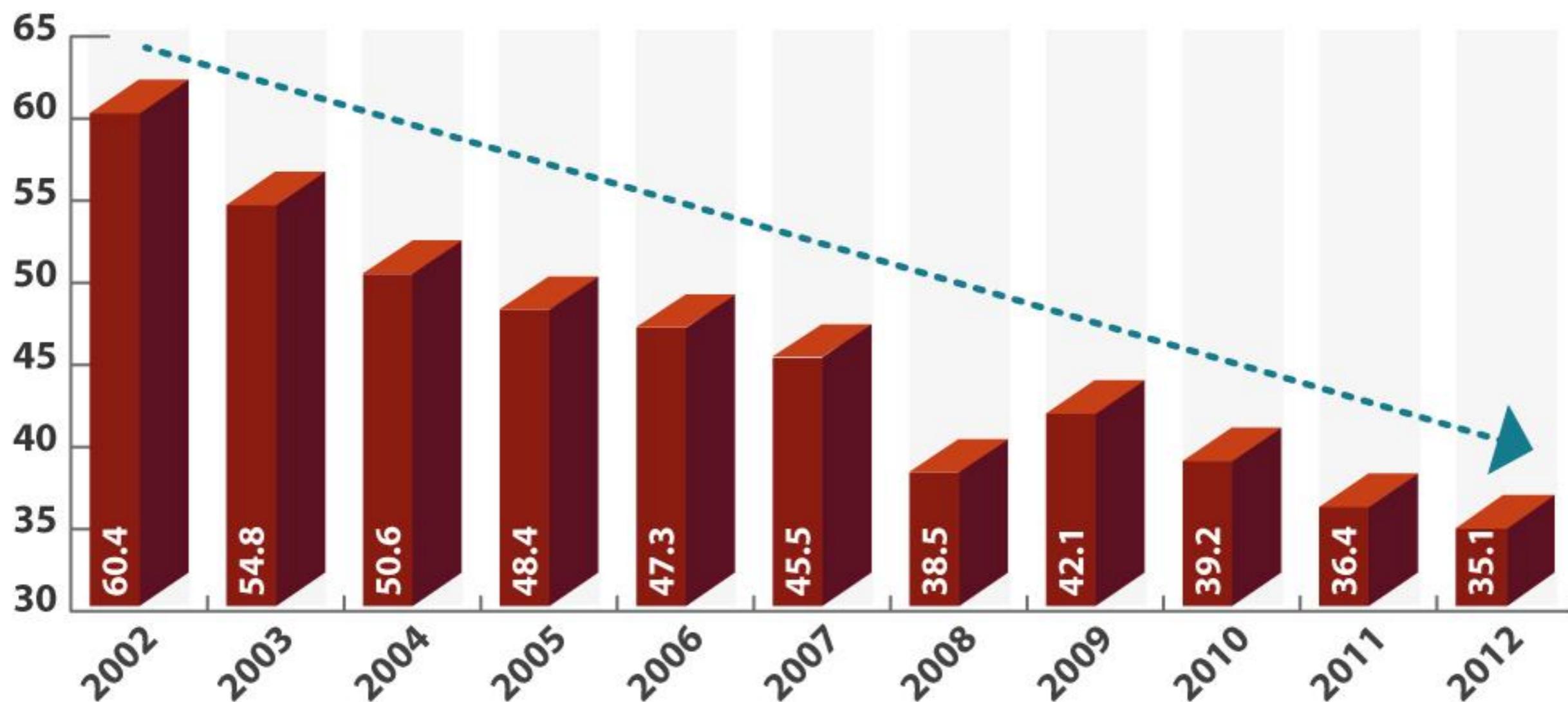
In R\$ billion



Source: Ministry of Finance
Produced by: Ministry of Finance

Reduced public debt

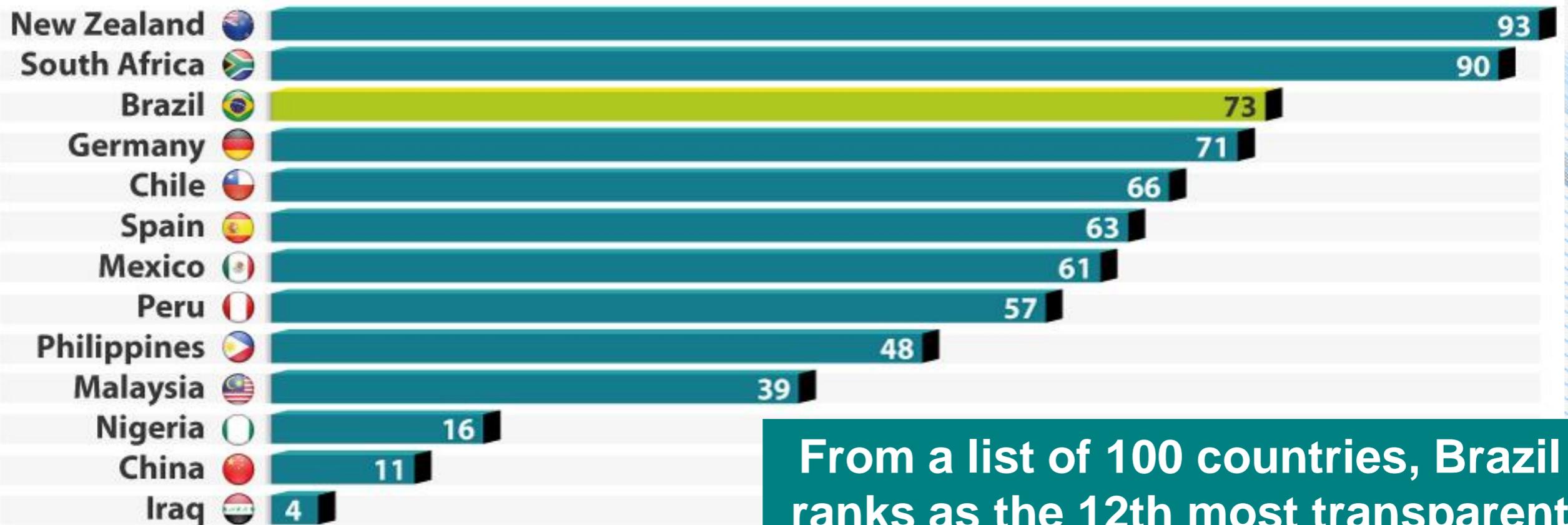
Consolidated Public Sector Net Debt, as % of GDP



Source: Central Bank of Brazil (BCB)
Produced by: Ministry of Finance

Fiscal Transparency

2012 Index of the *Open Budget* (International Budget Partnership)



From a list of 100 countries, Brazil ranks as the 12th most transparent country with its public accounts.

Source: International Budget Partnership
Produced by: Ministry of Finance

Inflation under control

CPI inflation, Broad Consumer Price Index (IPCA)

In % YoY

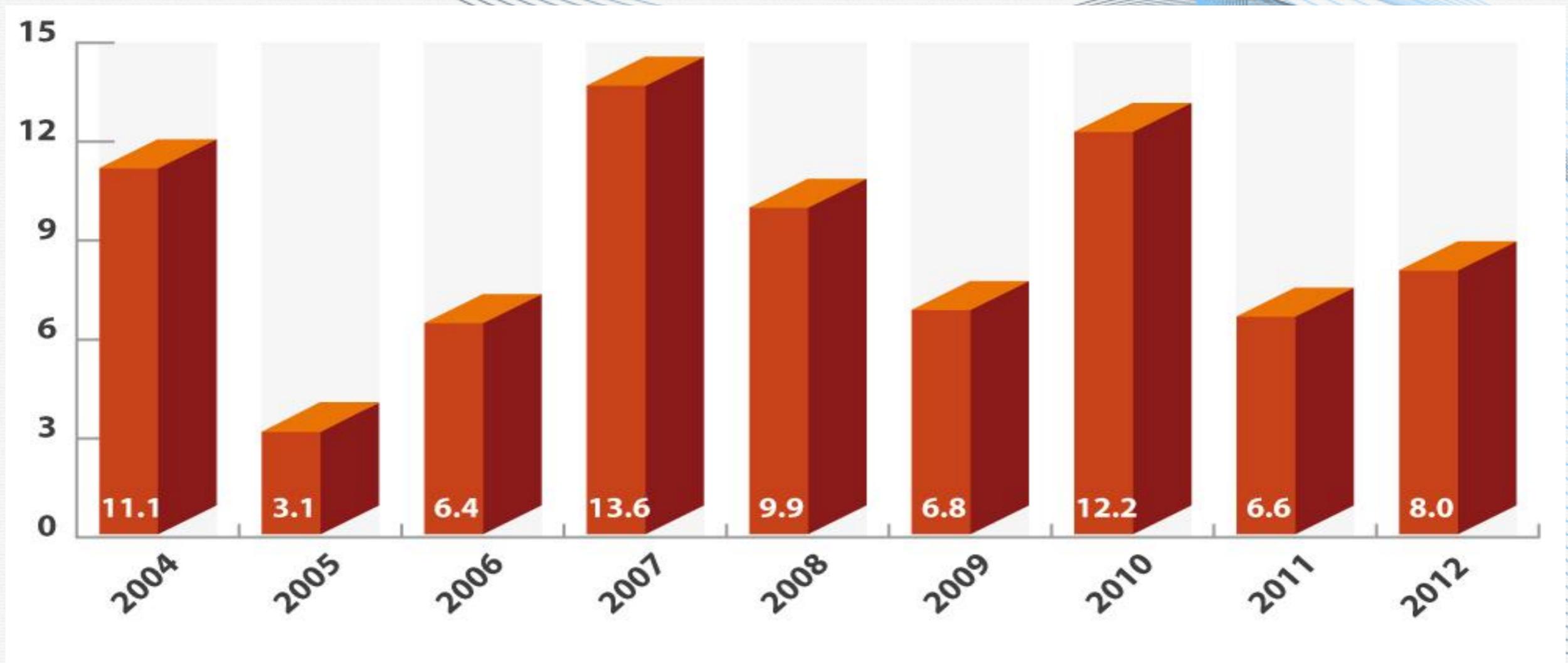


Source: Brazilian Institute of Geography and Statistics (IBGE)

Produced by: Ministry of Finance

Internal Market: Dynamism in retail sales

Broad retail sales (PMC), seasonally adjusted
In % YoY

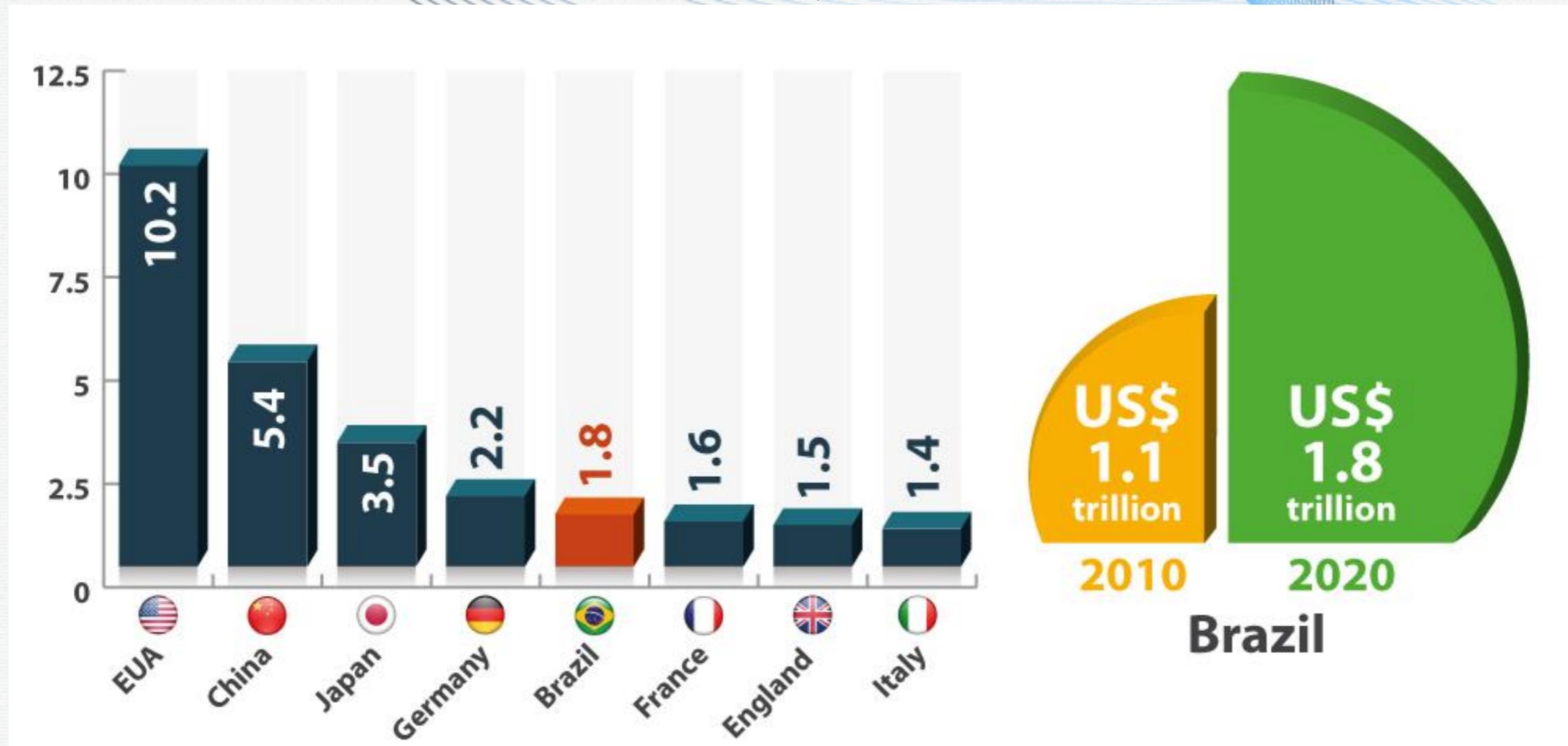


Source: Brazilian Institute of Geography and Statistics (IBGE)
Produced by: Ministry of Finance

Internal Market:

Brazilian consumer market will be the fifth largest in the world in 2020

Global consumer market, in US\$ trillion



Source: Exame Magazine and McKinsey
Produced by: Ministry of Finance

New macroeconomic framework to stimulate investment

MONETARY POLICY

✓ **Low interest rate: 7.25%**

EXCHANGE RATE POLICY

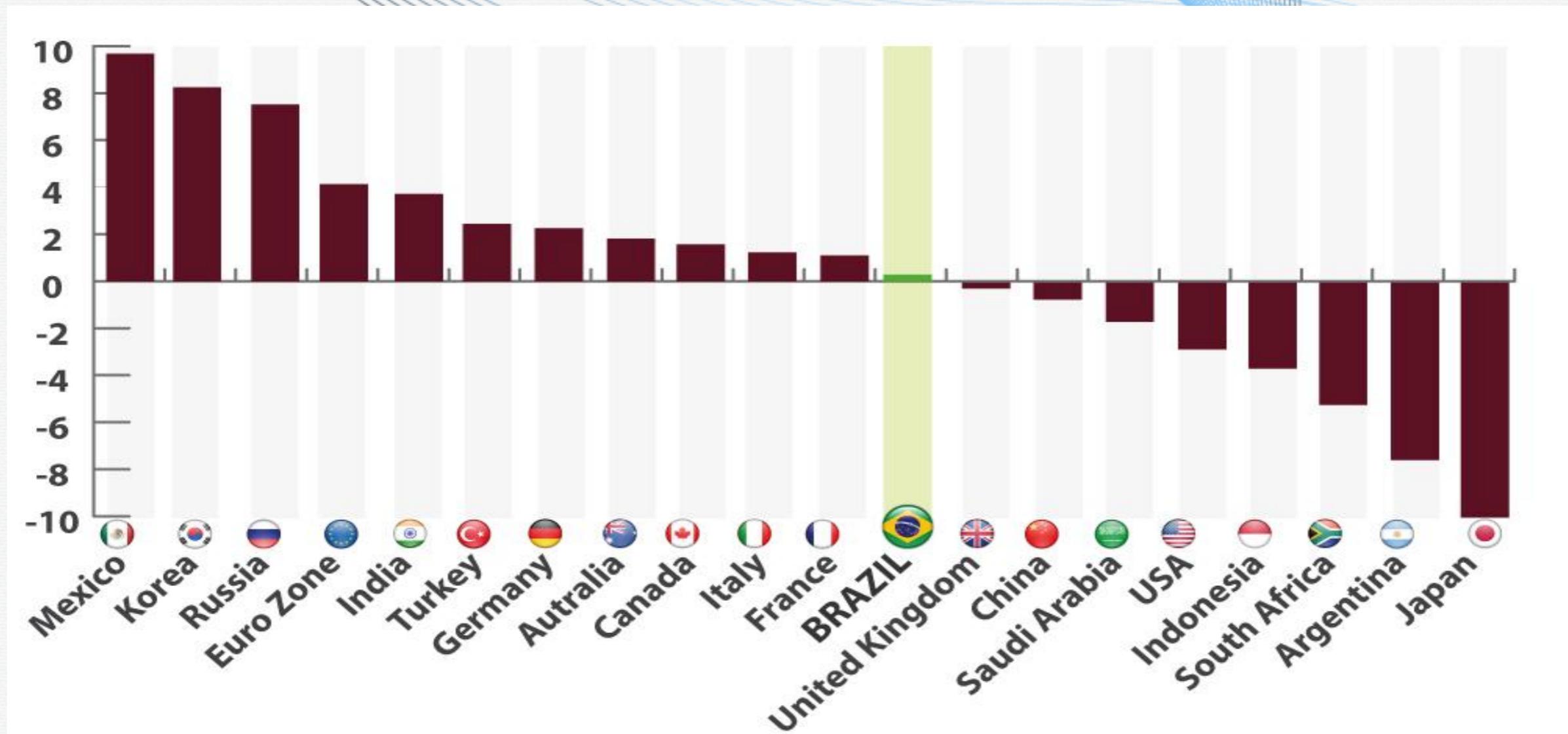
✓ **Floating exchange rates, with lower volatility**

FISCAL POLICY **(US\$ 23 bn. in 2012)**

- **Tax cuts**
- **Payroll tax reduction (40 sectors)**
- **Reform of the Merchandise Circulation and Services Tax (ICMS) and other taxes**

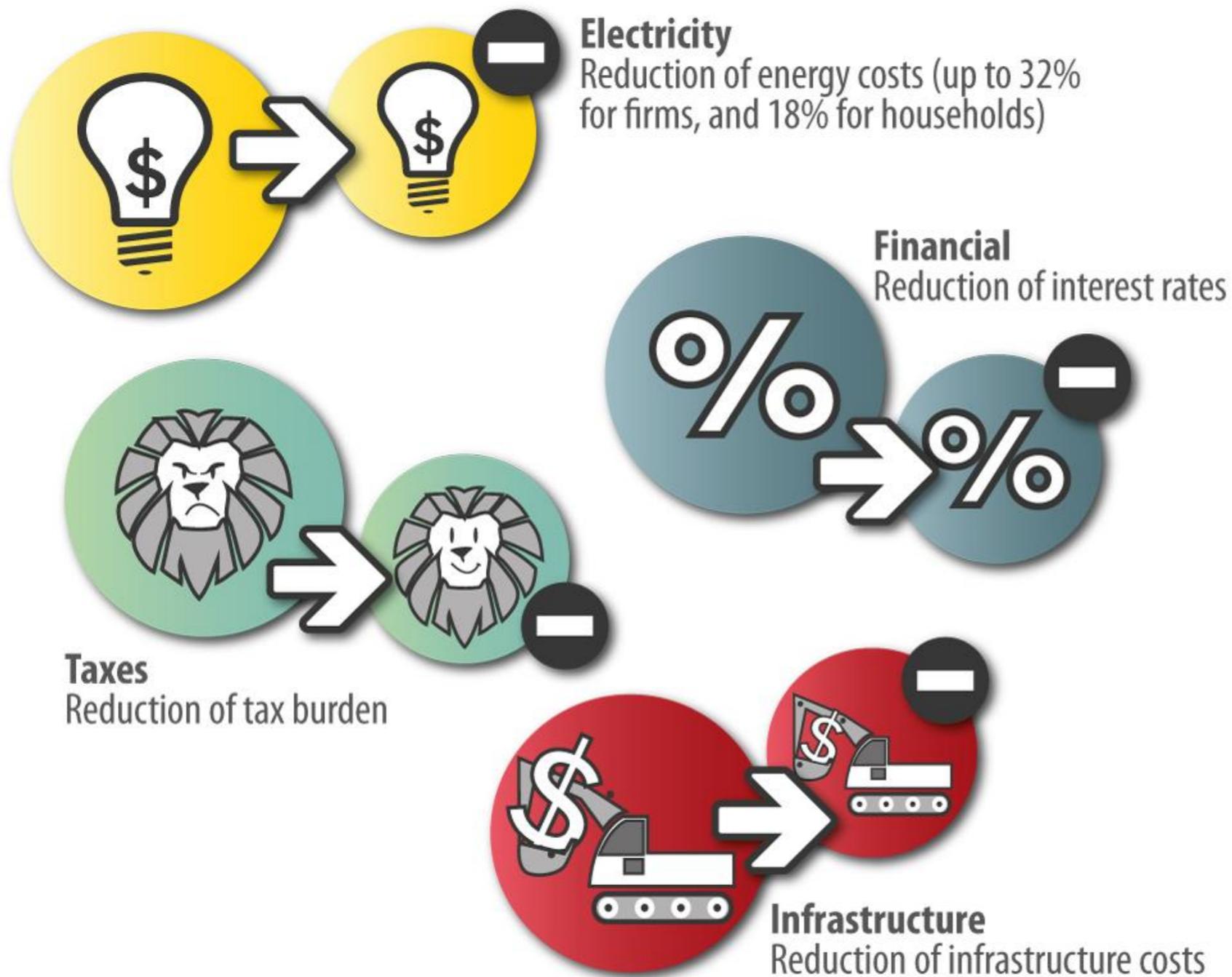
Less exchange rate volatility

Real effective exchange rate, percentage change from Jun/12 to Feb/13



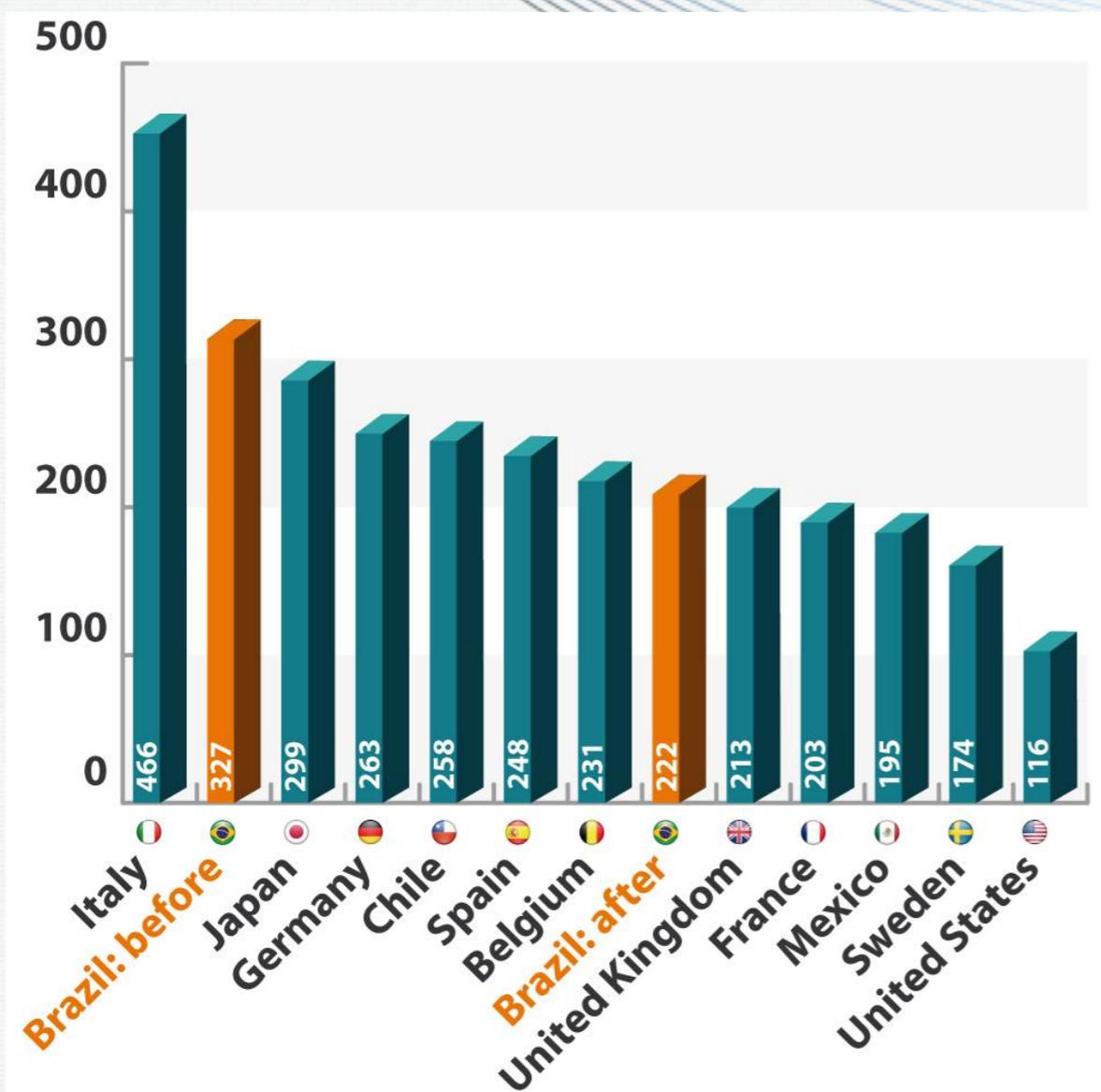
Source: International Monetary Fund (IMF)
Produced by: Ministry of Finance

Measures to stimulate investment: Reduced costs

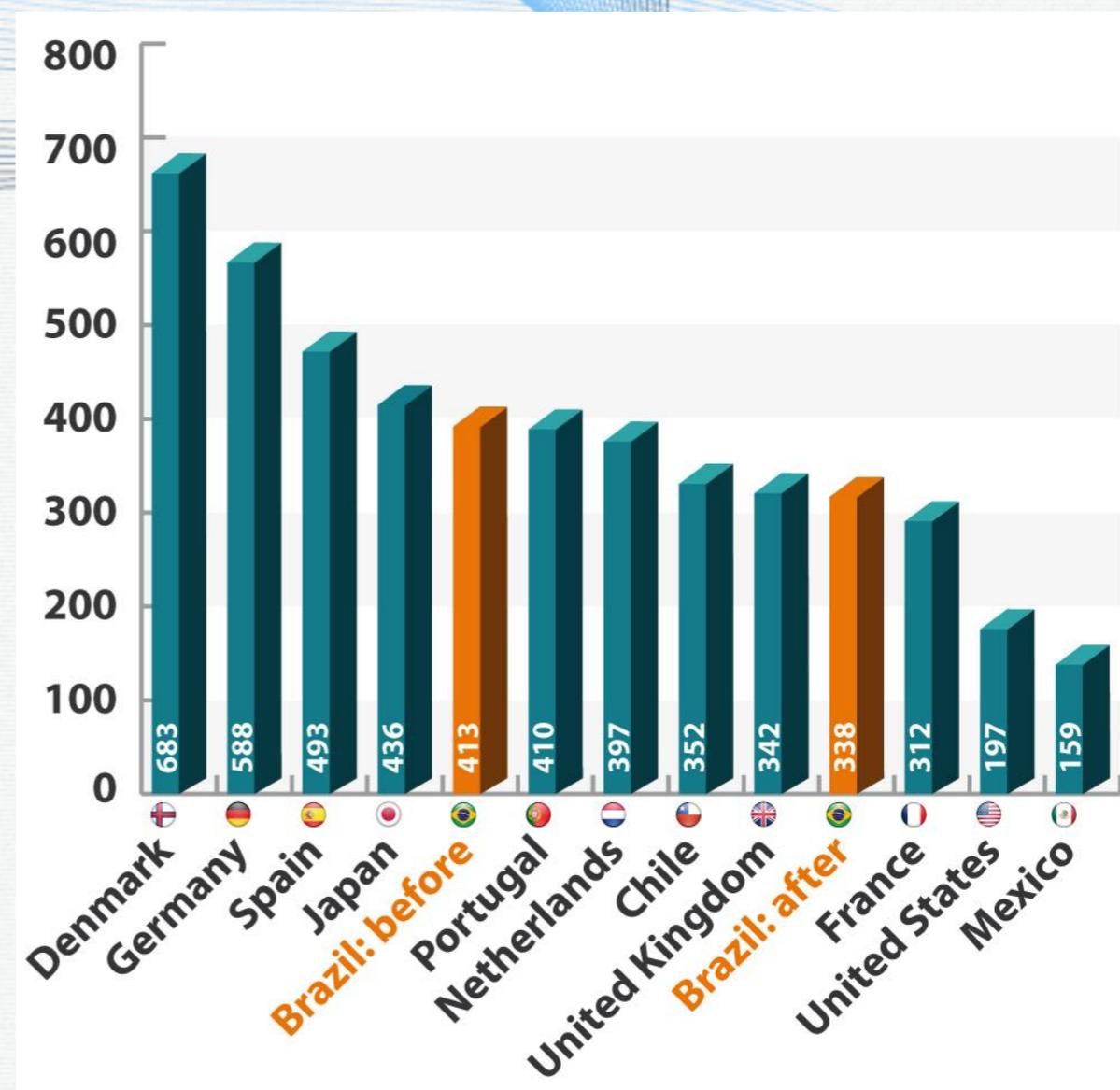


Decrease in Brazilian electricity prices

INDUSTRIAL electricity prices in selected countries, in R\$/MWh



HOUSEHOLD electricity prices in selected countries, in R\$/MWh



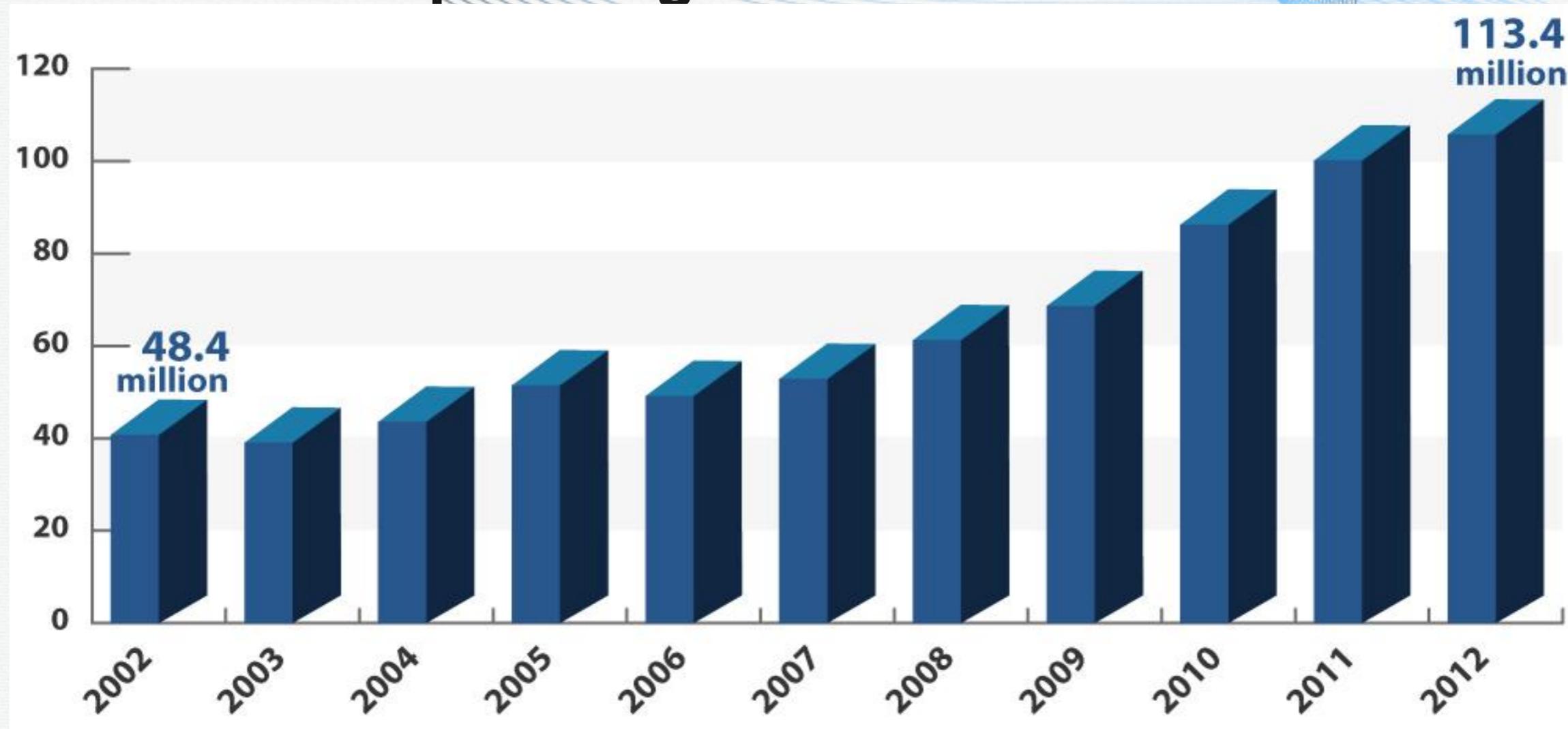
* Average exchange rate in 2011 equal to R\$ 1.67 per US\$

Source: National Electricity Agency and International Energy Agency
Produced by: Ministry of Finance

Increasing demand for infrastructure services

Demand in the airline industry

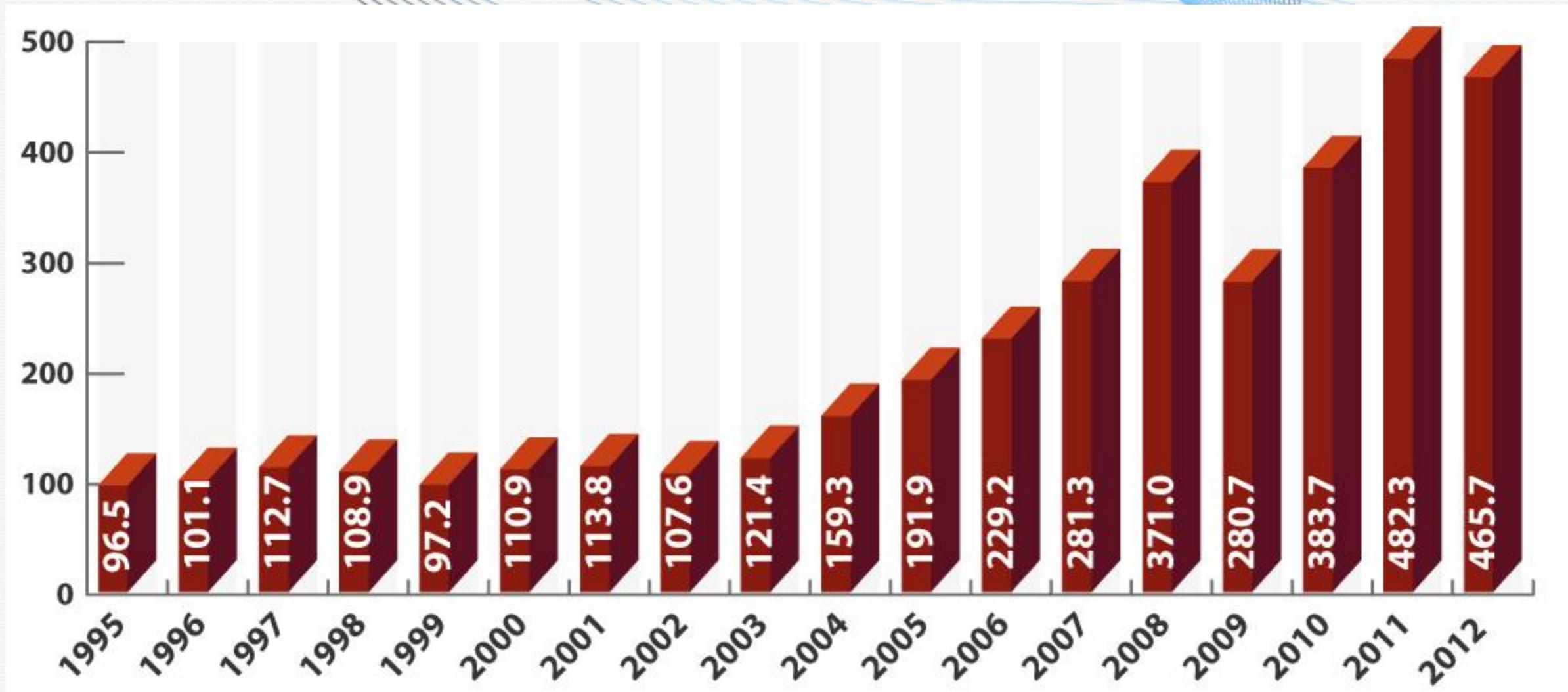
In number of passengers



Source: National Agency for Civil Aviation (ANAC)
Produced by: Ministry of Finance

Increasing external trade

Brazilian trade flow, in US\$ billion

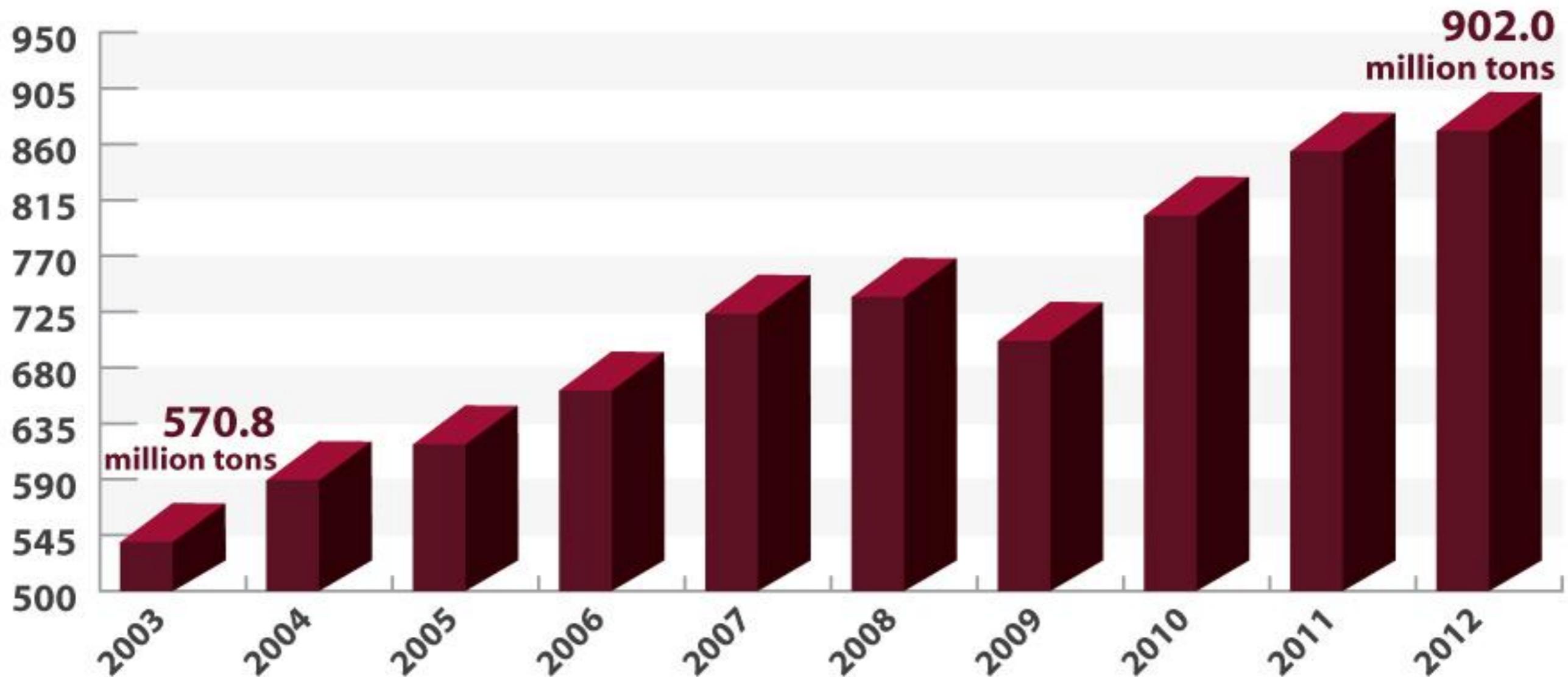


Source: Ministry of Development, Industry and Foreign Trade (MDIC)
Produced by: Ministry of Finance

Significant growth in port traffic

Total cargo handling in ports

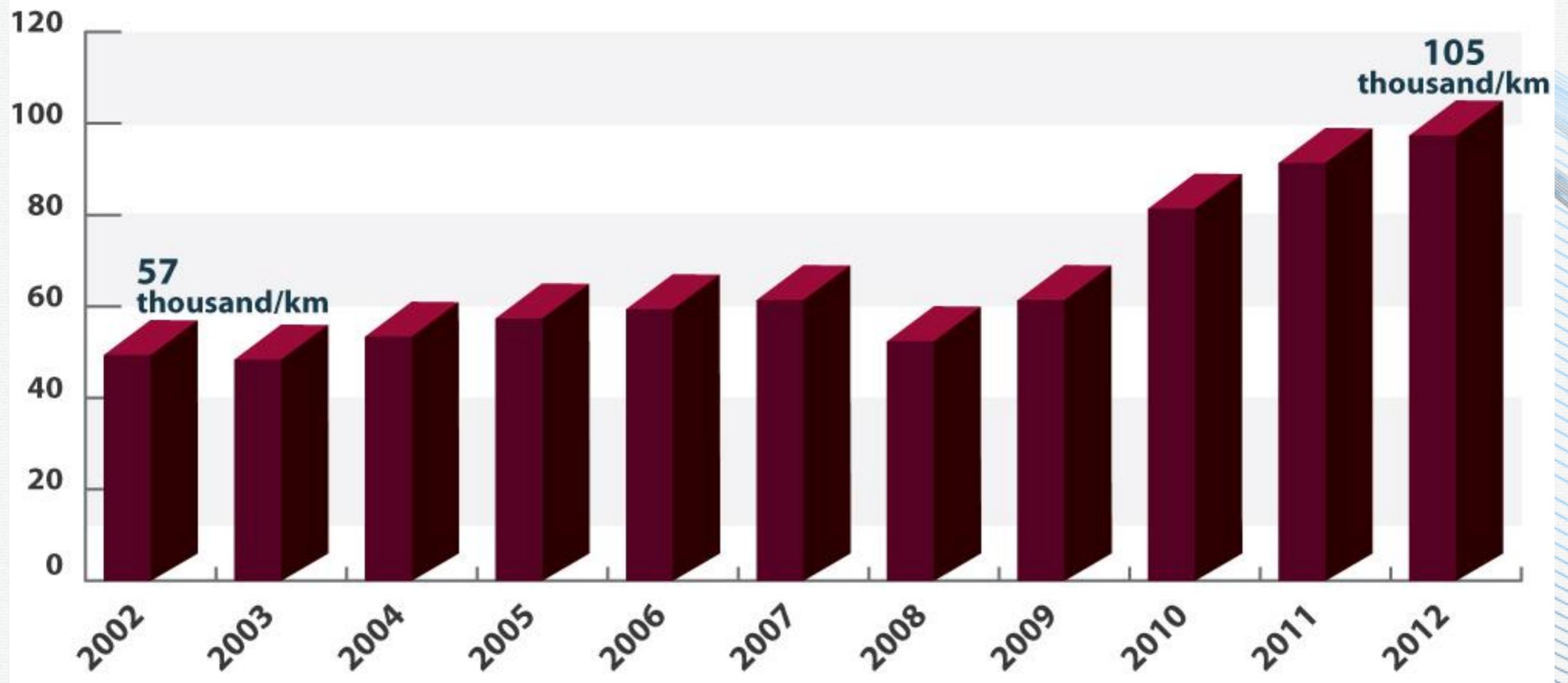
In millions of tons



Source: National Agency of Waterway Transportation (ANTAQ)
Produced by: Ministry of Finance

Vehicular traffic

Thousand vehicles per km on highways under concession



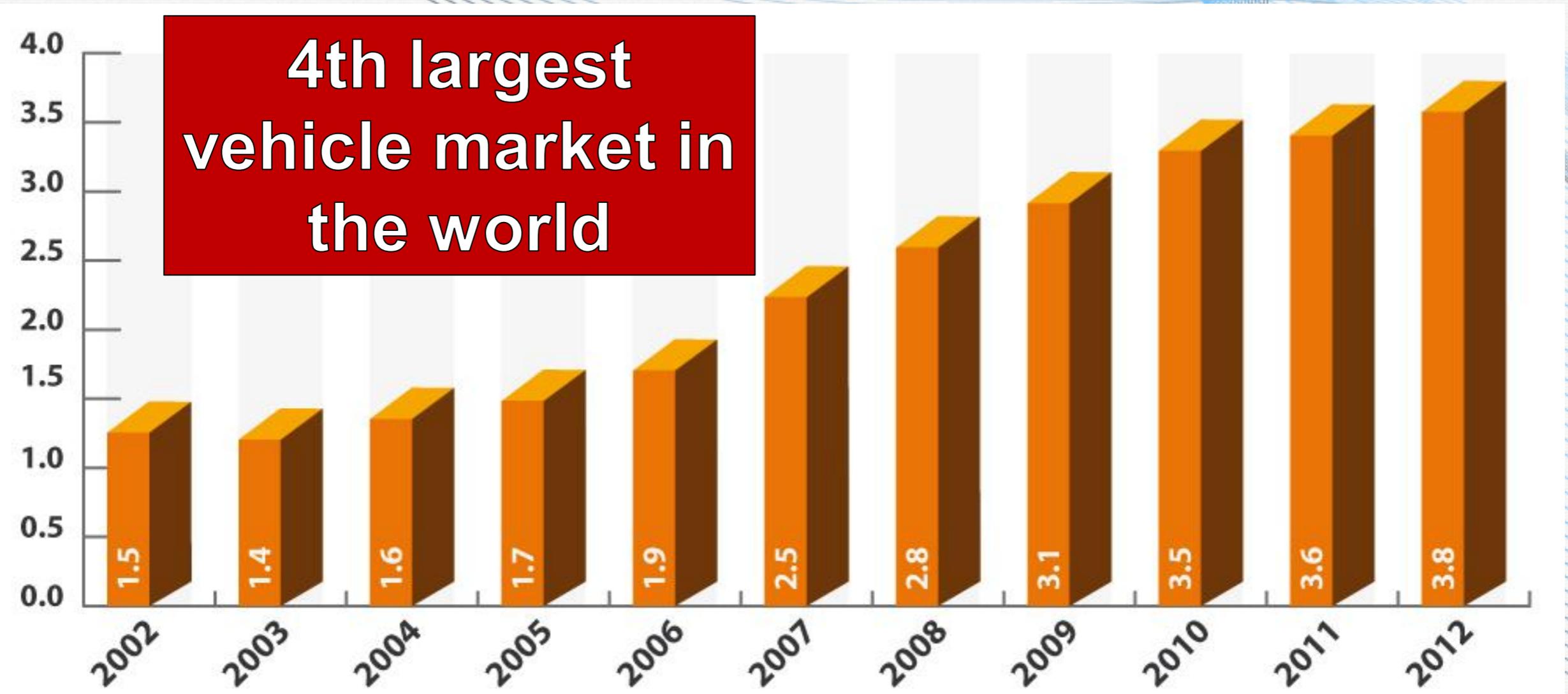
Source: Brazilian Association of Highway Concessionaires (ABCR)
Produced by: Ministry of Finance

Vehicle licensing

New vehicles

(buses, trucks, light commercial vehicles and cars)

In million of vehicles



Source: Brazilian Association of Automotive Vehicle Manufactures (ANFAVEA)
Produced by: Ministry of Finance

Concessions: favorable financing conditions

Private Banks /
Banking syndicate

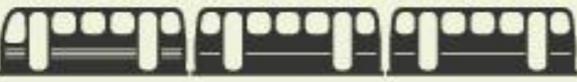
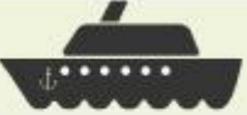
Capital market instruments:

- Infrastructure Private Sector Bonds
- Real-Estate Receivables Certificate
- Credit Rights Investment Funds
- Brazilian Infrastructure Bonds Investment Funds

Infrastructure Project

BNDES
Banco do Brasil
Caixa Econômica

IPO
Equity

Investment in scheduled concessions	US\$ billion
Logistics	121.0
Roads 	21.0
Railways 	45.5
Ports 	27.3
High Speed Train (TAV) 	17.8
Airports 	9.4*
Energy	74.0
Oil & Gas	40.0
Total	235.0

* Includes expected investments in regional airports

Source: National Logistics & Planning Company (EPL), Energy Research Company (EPE), Ministry of Mining and Energy (MME) and Ministry of Finance
Produced by: Ministry of Finance

Confidence: Foreign direct investment at high levels

Foreign direct investment, in US\$ billions



Source: United Nations Conference on Trade and Development (UNCTAD)
Produced by: Ministry of Finance

High demand for Brazilian bonds

Brazilian sovereign bond issuance yield and US Treasury* yield, 10 yrs, in % YoY



* Secondary market on the same date

Source: Ministry of Finance and Bloomberg
Produced by: Ministry of Finance

Confidence and profitability

- ✓ Security for investment: clear rules, contract binding, reliable legal and institutional framework.
- ✓ Profitability: one of the few countries that do not tax dividends and profit remittance.
- ✓ Infrastructure program: return of at least 10% in real terms for the investor.



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G O V E R N O F E D E R A L
BRASIL
PAÍS RICO É PAÍS SEM POBREZA