

# Brazil

Sustainable Economy

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Crossing the financial

# turbulence

Public and private investments, strong domestic market,  
strict fiscal control solidify a consistent growth



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editorial

Brazil | Sustainable Economy

October, 2008



Luís Uchôa/ABR

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Germano Lúcio



Wilson Junior/ABR

**Brazil – Sustainable Economy**  
A Ministry of Finance publication, created by the Social Communication Advisory Department, in partnership with the Special Projects Department of EXAME Magazine – Editora Abril S.A.

## A country prepared to face a crisis



Eliza Fiuza/ABR

In the middle of the worst crises of capitalism in the last 80 years Brazil shows that it is prepared and mature enough to face the challenges. The country is in the process of a growth cycle put into practice in 2003, at the beginning of the government of President Lula, and has gained strength since 2006 when it consolidated a more sustainable policy for economic growth.

Today the economy is expanding at a rate of more than 5% per year and its profile take Brazil closer to dynamic emerging countries, more and more responsible for a big chunk of the world growth.

In a short time the domestic consumer market has been a strong factor in stimulating investment and allowing for longer term horizon for corporate business plans. The combination of a daring economic plan, which generates many jobs, with a strong social policy that transfers income towards the base of the social pyramid, generating a virtual cycle of sustainable growth.

We can talk of a development, which turns Brazilians into citizens; and consumers with more access to education, healthcare, electricity, credit and other rights.

The priority given to fighting hunger since the first day of the Lula government has graduated millions of Brazilians from misery.

For the first time in history, half of the population is in the middle class, circa 93 million citizens. The middle class along with the richer classes in the social pyramid add up to an amazing 120 million, one of the largest consumer markets in the world.

The most important thing is that the economic and social policies were made with wise use of public money, without deficits, indebtedness and inflationary surges, which tormented us in the past. Brazil has balanced public budget and our goal as is to have a nominal surplus in 2010.

The inflation target regime works properly. We are one of the few countries that will reach the target (within bounds) in 2008. Our international reserves are more than US\$ 200 billions, conquered by a strong and diversified foreign commerce, and that represent a passport to go through these difficult moments and reduce our exposure to international turbulence.

Brazil is not an island isolated in the middle of one of the largest financial crises in history. It is a sovereign country, with less vulnerability to international crises than it was in the past.

It is important to point out the solidity and stability of the Brazilian financial system at the current time. It is a regulated system with an efficient supervision of the monetary authorities. The Brazilian banks operate with a reduced leverage and have a high level of solvency and profitability compared with international standards.

The model of development is being made by a more enterprising State which fosters social-welfare. The launching of the PAC coordinated and managed large public and private infra-structure projects. We are implementing and nurturing a Developmental State, modern and planned, which, will lead to the reduction of poverty and inequality. We will go back to the era of grand infra-structure projects, which had disappeared from our lives.

At this juncture of the world financial crisis, the Brazilian State will make use of all instruments available to guarantee credit to producers, adequate financing for our exports and for the continuity of long term investments, especially in the infra-structure sector.

It is the decision of President Lula to not stop the cycle of sustained growth that Brazil enjoys at the moment.

Brazil has all of the conditions to play an extremely positive role in the world of today, as do other emerging countries.

We finally have a solid and stable democracy, productive workers and creative capitalists and entrepreneurs. Our government has a strong backing from the public and Brazilians today are confident and optimistic. Brazil is, and will continue to be a safe destination for investments. The solution of the Lula government for the crisis is to consolidate our cycle of sustained development.

**Guido Mantega**  
Minister of Finance



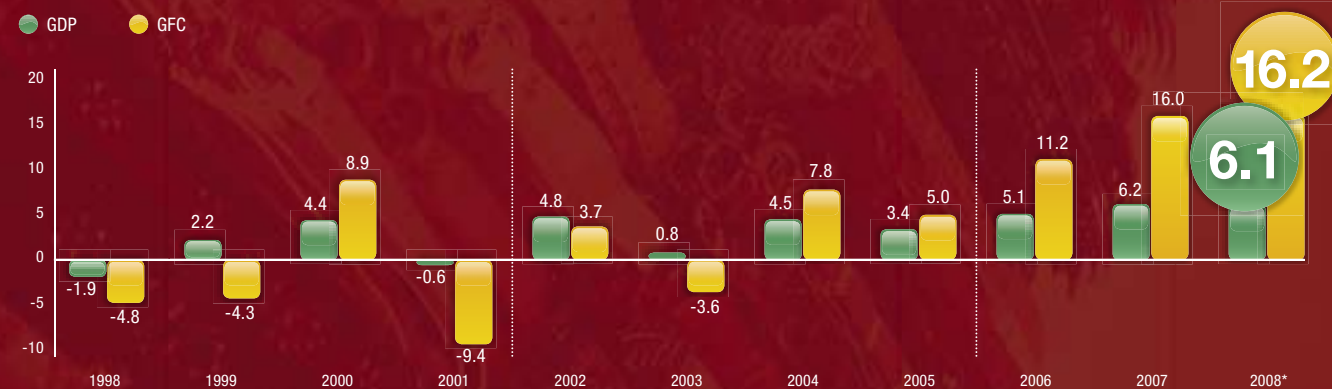
# Robust growth

Production at an all time high, unemployment is on the way down, and inflation under control: reflections of a new Brazil

A little over a year after the first signs of sluggishness appeared in developed countries, created by the mortgage bubble in the US, the Brazilian economy has registered a robust growth. In the second quarter of 2008, the GDP at market prices increased 6.1% in comparison with the same period in 2007, surpassing market expectations. This was the 26th consecutive increase, confirming the longest cycle of quarterly growth measured by IBGE since 1991.

## Greatest cycle of investments

Growth of GDP and Gross Fixed Capital (in %)



Source: Prepared from data of the IBGE > \* Quarterly variation / same quarter 2007



Consumption: better distribution of income expands corporate profits



“If the international scene causes uncertainty, the mid and long term scenarios send a message of optimism, because Brazil has solutions to offer for the three biggest economic problems in the world: food, ore and energy”

Guido Mantega,  
Minister of Finance



Heudes Regis

**Employment:**  
in 2008 more than  
2 million formal  
jobs will be created



Leo Drummond/Agência Nitro

**Steel: production will double, with investments reaching R\$ 82 billion**

The Brazilian economy suffered severely from the global turbulence that hammered the international economy in the 90s, after the crisis in Mexico (1994), the asian tigers (1997) and then Russia (1998). The Brazilian Real faced speculative attacks, a large share of the international reserves were depleted, it was necessary to jack up interest rates, and then go begging to the IMF and finally go through a long period of instability. But with the present crisis – the worst since 1929, according to many economists – the scenario is completely different.

From a demand perspective, the engines of growth in the second quarter of 2008 were Gross

Fixed Capital Formation (GFCF), which measures the rate of investment, and family consumption. In comparison with the same quarter in 2007, GFCF increased 16.2%, more than double the increase in GDP and in family consumption (6.7%). The current investment cycle has been fueled by both the purchase of machinery and equipment, and civil construction.

Family consumption, which represents nearly 61% of the GDP, continues to be benefited by the expansion in formal jobs, increase in salaries, and a real increase in the level of credit. Consumer growth was 6.7% in the second quarter of 2008, compared to 8.7% in the same quar-

ter of 2007, with a more moderate accommodation, indicating a progressive convergence in the rhythm of expansion of supply and demand.

From a supply standpoint, the sectors that contributed the most to the GDP growth, again in comparison with the same quarter in 2007, were agriculture and livestock (7.1%), followed by industry (5.7%) and services (5.5%).

**Housing credit**

The growth in agriculture and livestock may be largely explained by the performance in grains, such as coffee beans, corn, rice, and soybeans. According to the IBGE, in the first six months,

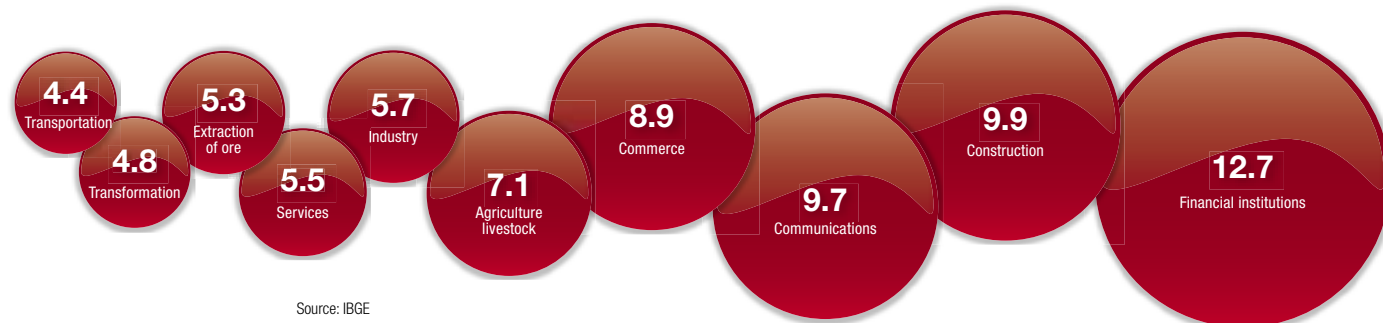
Brazil harvested a record 145.1 tons, a 9% increase in relation to the same period in 2007.

Another highlight was the growth of the civil construction sector (9,9%), which is strategic because of the sector's capacity to generate jobs and income. The sector has benefited from the increase in the number of Brazilians holding formal jobs, and the nominal growth of 26.7% in housing credit operations.

From January to August of 2008, industrial growth reached 6.6%. Almost all industrial sectors expanded, with special highlight for the automobile industry (18.4%). This was the best first semester in the history for car makers, with

**Diversified growth with quality**

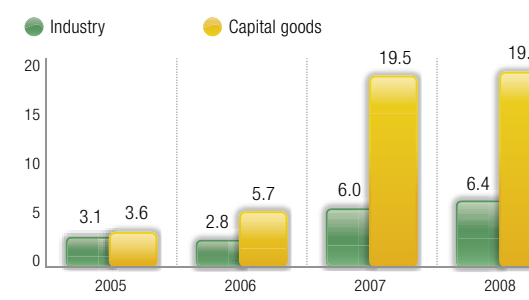
GDP according to offer; second quarter 2008 / second quarter 2007 (%)



Source: IBGE

**Industrial Production**

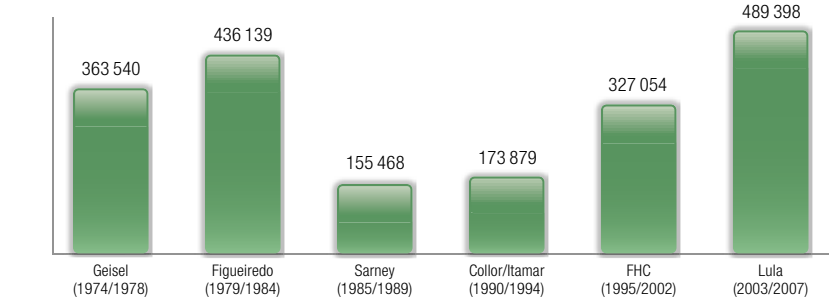
Acumulated growth august 2007 / 2008 (%)



Source: IBGE > Preparation: MF / SPE

**Better access to housing**

Number of houses financed (average per period)



Sources: BACEN, ABEIP, SAI CI-CAIXA



“After 25 years of semi-stagnation, Brazil is growing again, thanks to the domestic market and investment”

Yoshiaki Nakano,  
Getulio Vargas Foundation – SP

a production of 1.3 million units, representing an increase of more than 30% in relation to the first half of 2007.

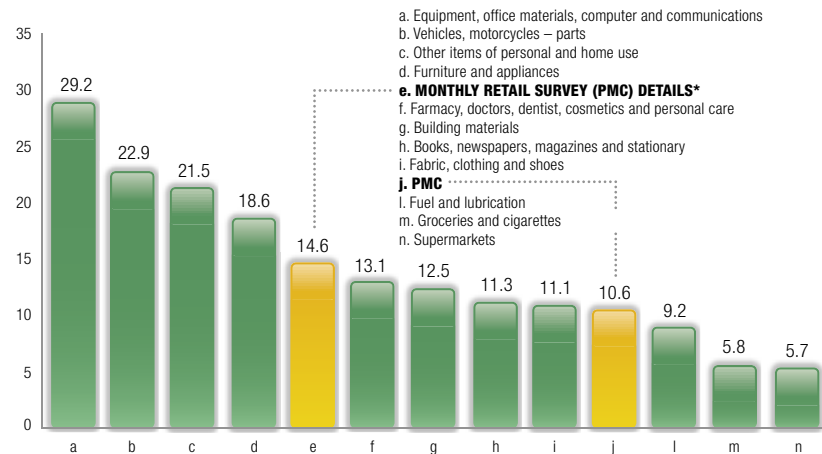
Important roles also come from the machinery and equipment sector (10.0%), other transportation equipment (32.5%) and basic metal works (7.9%). Regarding the types of goods, capital goods (18.1%) and consumer goods (13.3%) lead the expansion. These numbers reflect the dynamism of the domestic investment and consumer cycles, fueled mainly by credit.

**Increase in capacity**

Industry has advanced with the increase in productivity, which has surpassed salary growth, another factor helping offsetting inflationary pressures. An important trend has been investments in the expansion of productive capacity, especially in the capital goods sector. In the first eight months, steel production was 7.5% greater than the same period last year. Iron and steel companies plan to double their size, with investments reaching R\$82 billion. Other large sectors, such as paper and cellulose, petrochemicals, and cement have announced ambitious investment projects aimed at expanding their capacity.

**Retail sales**

Variation January-July 08 / January-July 2007 (%)



Sources: IBGE > Preparation: MF / SPE > \* Includes vehicles, motorcycles, auto parts and building materials



Civil construction: the sector is the country's leading job creator

Sergio Castro/AE

“The skies we’re flying in are not all that clear, but the country has never been so well off”

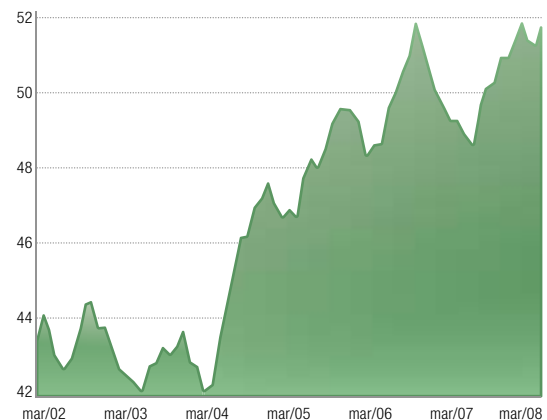
Luiz Gonzaga Beluzzo,  
Economist

But the main reflection of the new development cycle that the country has ushered in is the emergence of the new middle class. Behind this change, which has created a mass market in the country, are various factors: gains in income, increases in minimum wages, more jobs, inflation under control and social programs that have all helped improve the distribution of wealth.

In 2007, the average income of Brazilian

**The new middle class**

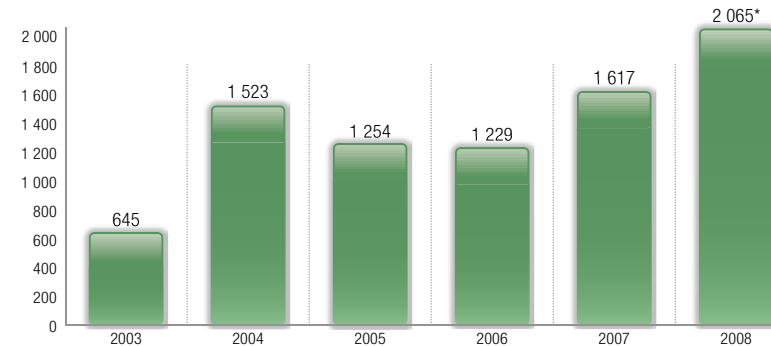
Class C represents 50% of the population



Sources: CPS / IBRE / FGV, based on microdata from PME / IBGE – 15 to 60 years

**Formal jobs**

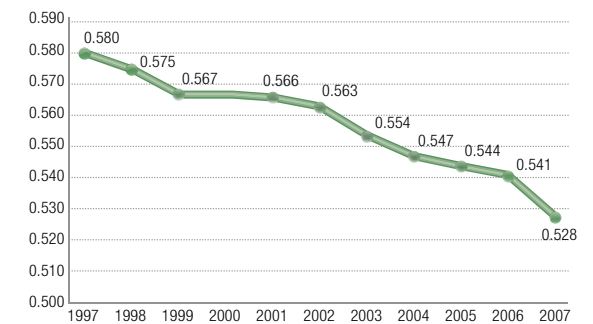
The good performance of the economy reflects the job market (thousands)



Sources: MTE / CAGED > Prepared: MF / SPE > \* Numbers accumulated over the last 12 months, ending August

**The Gini index**

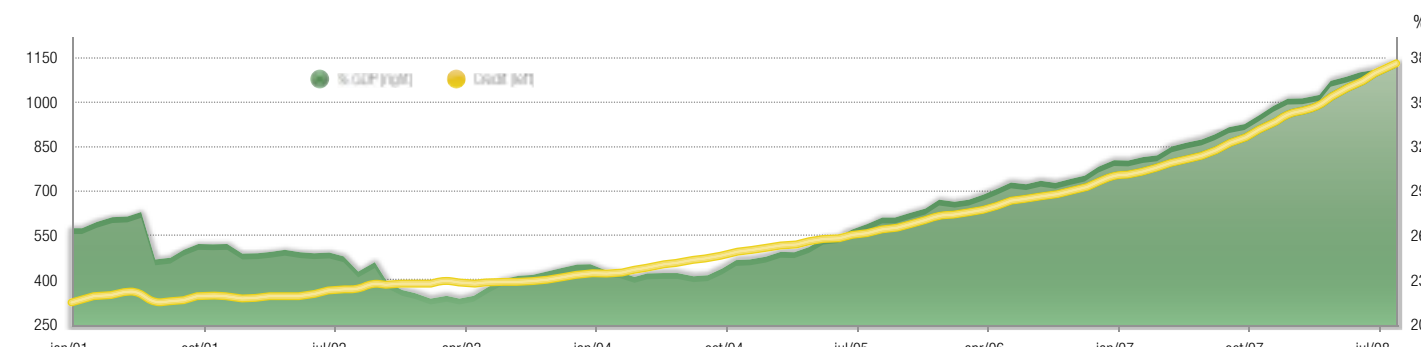
Continued reduction of inequality



Sources: IBGE / PNAD > Prepared: MF / SPE

**Evolution of credit operations**

Credit operations reached R\$ 1 086 billion in July/08, the equivalent of 37% of the GDP (R\$ billions)



Source: BCB > Prepared: MF / SPE



“Poverty reduction and the growth of the middle class reflect the increase in formal employment”

Marcelo Neri,  
Getulio Vargas Foundation – RJ

workers increased for the third consecutive year, reaching R\$ 960, according to the PNAD (National Household Sample Survey), conducted by the IBGE. For the first time, the creation of new jobs is expected to surpass the 2 million mark. In the first half of 2008 alone, the opening of new job in the construction sector was greater than for the entire year 2007.

In August, the rate of unemployment in the six main metropolitan regions was 7.6%, the lowest in several years. The number of workers with formal jobs reached 32 million in 2007, representing an increase of 6.1%. The formal employment rate is the highest since the time series was initiated in 1992, and is mainly due to greater corporate confidence in relation to the economic scenario.

The supply of resources has also been an important instrument. For example, overall credit operations, reached R\$ 1.1 billion in August 2008, representing a 38% share of the GDP, well above the 32.8% of the same month the year before.

**Less inequality**

In this scenario, the C class became the largest segment of the population, bringing out a profound change in consumer profiles. A recent study, published by the Getulio Vargas Foundation Social Studies, estimated that the new middle class is made up of 93 million workers or 50% of the Brazilian population. Added to the A/B classes, Brazil has now 120 million consumers, one of the world’s largest consumer markets.

This is the greatest change in the country’s social structure, which can be observed in everyday life. In 2007, 11.4 million households – which represent 20.4% of the total – have access to personal computers and the internet; now there are 2.1 million more than in the previous year. By the end of the year, Brazil is expected to have more than 140 million cell phones, and 77% of households have some type of telephone – in 1992 this proportion



**Automobiles: Brazil has surpassed France, and is now the 6th largest world manufacturer**

Germano Lúder

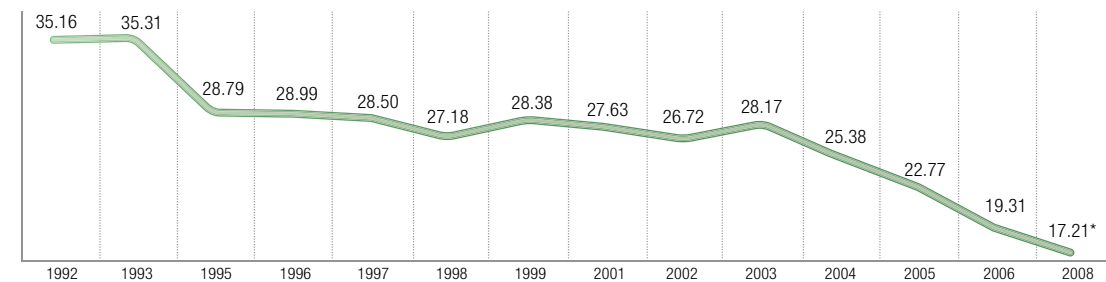
was only 19%. And the number of homes with refrigerators increased from 89.8% in 2006 to 91.4% in 2007.

One of the highlights of the PNAD, however, was the drop in social inequality. The number of people below the poverty line has continued to drop, well below the rates registered between 1995 and 2003. The reduction in the difference between rich and poor was confirmed by the Gini Index, which decreased from 0.541 to 0.5228.

Brazil has initiated a new development cycle, which began in 2004 with the resumption of growth, along with the implementation of policies promoting social inclusion. This new stage in the economy is sharply different in comparison to previous ones. Between the 1950s and the beginning of the 80s Brazil underwent a stage of accelerated development, which did not change the income concentration. The two lost decades, between 1981 and 2002, were characterized by low (average of 2.1% a year) and irregular growth, high rates of unemployment and social policies that achieved limited results. The new cycle is prolonged, consistent, uniform and with good quality profile and, as opposed to previous cycles, aims at equality and social inclusion

**Reduction of misery**

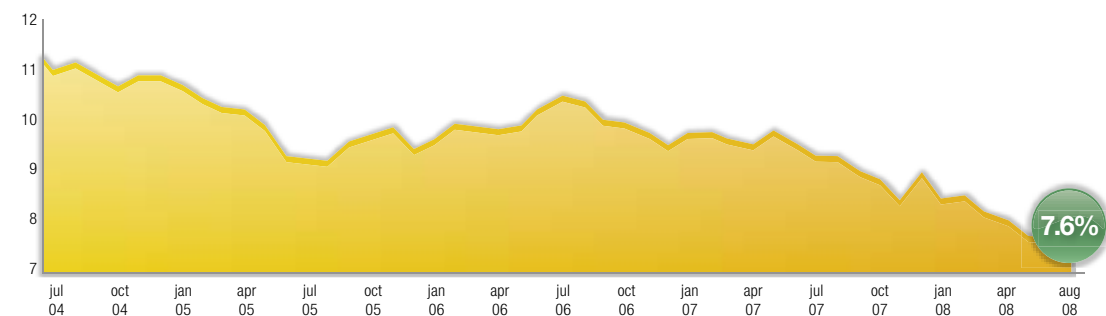
Decrease in the number of people who earn up to R\$ 135 per month (%)



Sources: CPS / FGV processing PNAD / IBGE microdata > \*Forecast based on Monthly Employment Survey until April 2008 accelerates in last 12 months

**Unemployment Rate\***

Rate is lowest for month of August since 1998, when it reached 18.9%



Source: IBGE > Prepared: MF / SPE > \* In the 6 main metropolitan regions, random times



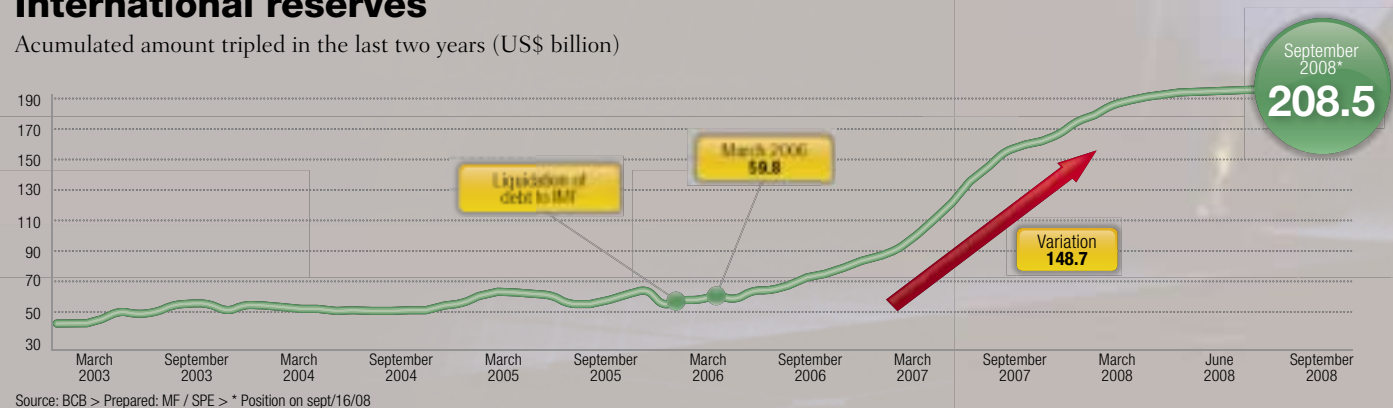
# Solid macroeconomic fundamentals

Strong financial control means low vulnerability and reduces the impact of the crisis on Brazil

Considered the greatest crisis since the great depression, the present financial turbulence is having a global impact, causing a reduction in international credit lines and a drop in financial assets in all countries of the world, including Brazil. It is hard to predict its duration or extension, but it seems certain that it will strongly affect the economies of developed countries. Brazil, however, is in a more favorable situation to face the effects of this turbulence. The solid macroeconomics underpinnings of the Brazilian economy – which are based on fiscal responsibility, inflation targeting and floating exchange rate regimes – imply reduction of external vulnerability, stabilization of the domestic currency and public indebtedness. All these aspects sums up to reducing the impact of the crisis on the country.

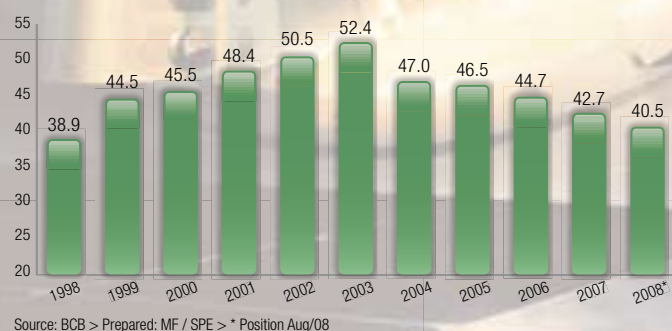
## International reserves

Accumulated amount tripled in the last two years (US\$ billion)

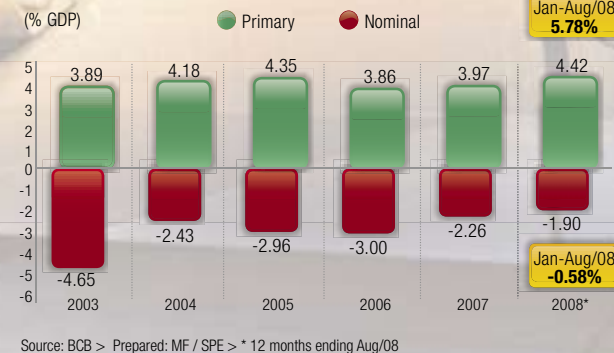


## Drop in indebtedness

Net debt of public sector / GDP (%)



## Fiscal results for public sector





“The difference is that we are growing, the animal spirit of businesses is loose, we watch technology innovate and we finance two thirds of our private investments with the income”

Antonio Delfim Netto, Ex-minister of Finances

Even though Brazil is not immune to the international crisis – which affects the country via the purchase of foreign currency-denominated credit and the reduction of foreign aggregate demand – has a stronger resilience. Four pillars guarantee the good fundamentals of the Brazilian economy: low external vulnerability; commitment to inflation control; responsible management of public finances and a solid financial system.

Regarding the foreign account something that stands out is the continuing growth of exports – which should pass the US\$ 200 billion mark in 2008 – and, mainly the comfortable level of international reserves, which reached the record mark of US\$ 208 billion. Also the slowing down of world growth, and the recent drop in the price of commodities tend to reduce the rhythm of expansion of exports of basic products, this tendency should be compensated by the appreciation of the dollar, which benefits exportations in other sectors, especially the Brazilian industry.

The commitment to price stability is one of the tenets of both the policy makers, and the Brazilian society. A clear example of this commitment was the fast reaction to the increase in inflation that came with the crash of prices of commodities at the end of 2007 and the beginning of 2008

Besides the increase in basic interest rates, the reduction of import tariffs for certain products (fertilizers, steel, wheat, among others) and measures of tariff reductions were implemented



Banking system: one of the most computerized in the world

(such as wheat and petroleum derivatives), controlling the rhythm of increase in consumer credit and the stimulus for future investment – behind these actions is the Brazilian Government’s belief that future inflation will be kept under control given the expansion of productive capacity resulting from current investment.

The results of the management of anti inflationary policies is straightforward: while practically every country that adopts inflation targeting regime have crossed upper bound of the tolerance interval targets in the middle of the year, in Brazil the inflation rose, but stayed within the bounds .

Another Pillar that guarantees commitment to the new economic development model and helps fight inflation is the responsible management of public finances, recently reinforced by the increase of 0.5 pp of GDP in the primary surplus target for 2008. Contrary to what some analysts have said, the growth in Federal Government expenditures is totally under control, remaining below the GDP growth accumulated up to August this year. “You can’t argue with the numbers”, says Minister Guido Mantega.

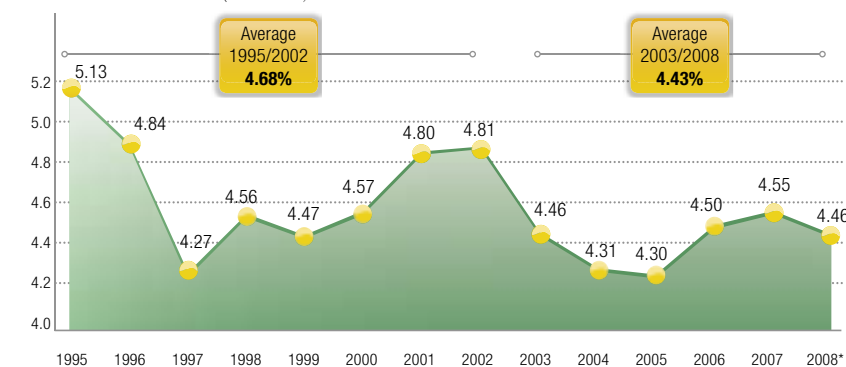
And the numbers are clear. From January to August 2008, the public sector performed a pri-

mary surplus of 5.78% of the GDP, out of which the Central Government was responsible for 4.04%. In same the period, the nominal deficit of the public sector was 0.58% of the GDP, with the Central Government responsible for a nominal surplus of 0.34% of the GDP (against a deficit of 1.90% of the GDP in the same period of 2007). Strikingly in all cases they were the best results since the beginning of the series in 1991.

Finally another element that reduced the exposure of Brazil to the international turbulence is the solidity of the national financial system. The Brazilian financial system is prudently regulated and the supervision of the monetary authorities over financial institutions is very efficient. The banks operate with a lower leveraging than those practiced in many developed countries, and have higher levels of solvency and profitability. The provision of loans follows risk patterns that are stricter than those required by the Basel II accord Given the aforementioned reasons it is no wonder that the risk of generalized losses in the Brazilian financial system is out of question and the ou economy will not suffer the systemic risk problems currently happening in many of the developed countries.

### Expenses with personnel\*

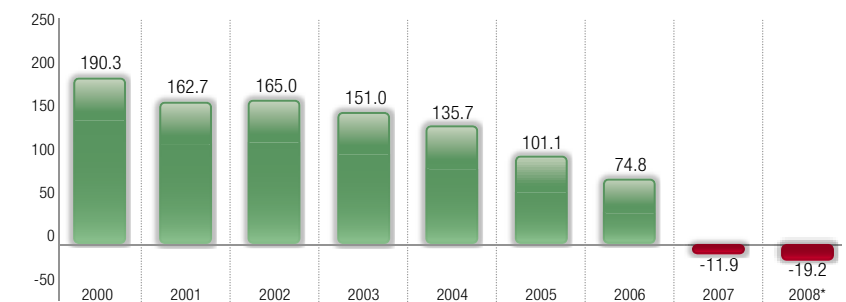
Evolution and relation to GDP is below average from 1995 to 2002 (% GDP)



Sources: MF / STN > Prepared: MF / SPE > \* Amounts accumulated in 12 months up to July 2008

### Drop in vulnerability

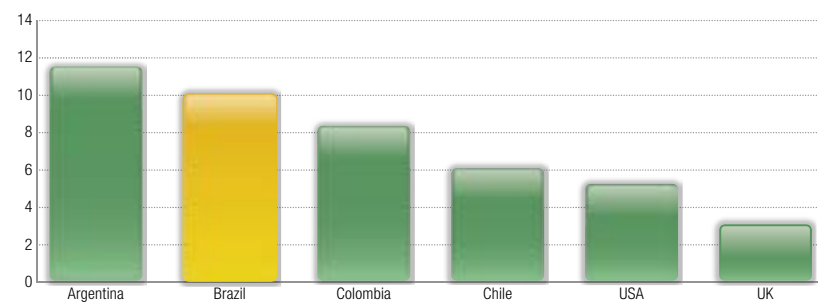
Net external debt (US\$ billion)



Source: Banco Central > \* Estimated data > Up to July 2008

### Low leverage

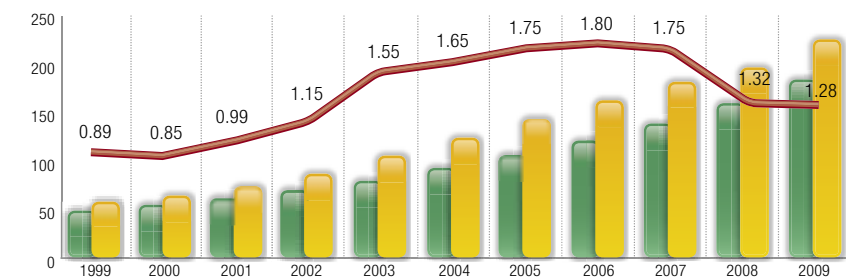
Capital / assets - Average pondered by the 10 largest private banks (%)



Source: Magazine The Bankers – Ranking of the 1 000 largest banks 2008

### Results from Social Security

● Net income (R\$ billion)  
● Benefits General Regime of Social Security (R\$ billion)  
● Deficit (% GDP)



Source: SIAFI > Prepared: Ministry of Planning



# Secured investments

Projects scheduled for the coming years will ensure sustainable development

The public and private sectors plan to invest in 2008 nearly R\$ 1.5 billion in infrastructure and projects aimed at the expansion of productive capacity. The rate of investment, measured by Gross Fixed Capital Formation (GFCF), which was 15.3% of GDP in 2003, has been consistently increasing since 2006. It is expected to reach nearly 19% by the end of 2008, and 21% by 2010. It is the largest investment cycle the country has ever experienced.

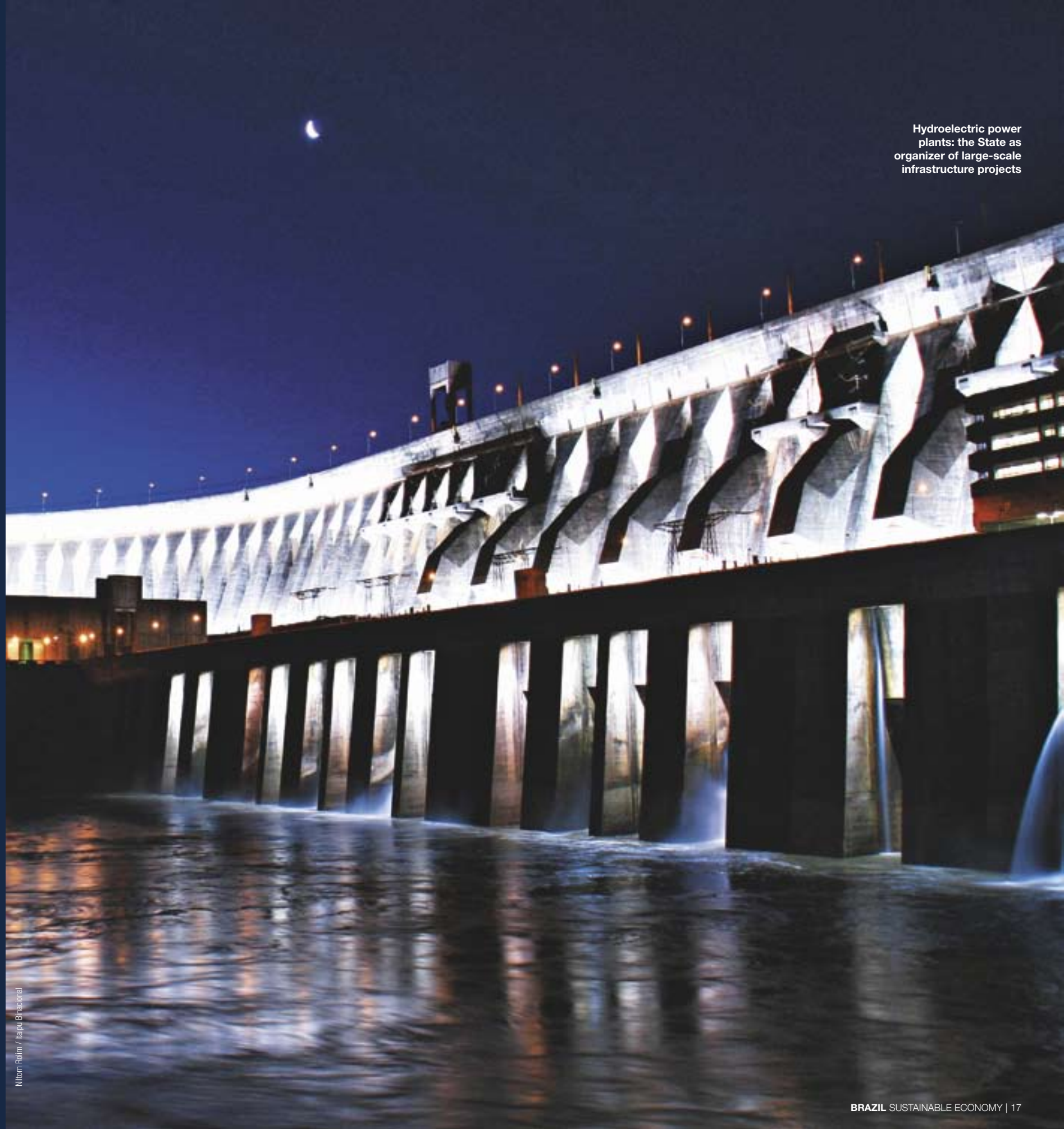
## 500 largest companies have record income

Since the 80's, profit was never above 10%



Sources: Ibr / FGV > \* Profitability over Net Holdings

Hydroelectric power plants: the State as organizer of large-scale infrastructure projects



Nilton Rolim / Itaipu Binacional



# The riches of pre-salt oil reserves

## Priority shall be given to education and to the poverty alleviation

The country's greatest investments – and greatest possibilities of wealth – in coming years shall be directed towards the exploitation of the pre-salt oil deposits: gigantic oil and gas reserves, located between 5 and 7 thousand meters below sea level. This is an enormous challenge for Petrobras, albeit its technological expertise in deep water prospection, and is a great opportunity for Brazil. The pre-salt field is a layer of deposits underneath a layer of salt that runs down the Brazilian coastline, approximately 800 kilometers long, between the states of Espírito Santo and Santa Catarina. Its oil reserves are one of the world's largest known.

"The pre-salt shall place Brazil among the world's largest producers of oil and gas. But the Brazilian experience will set an important difference: education and poverty alleviation shall be

the main priorities of the resources of the pre-salt deposits", stated President Luiz Inácio Lula da Silva, in a statement to the nation delivered on September 7, National Independence day. "We shall take advantage of this large volume of resources to pay back the enormous debt our country has with education."

Thus, says Lula, the nation will be taking one of the most vigorous steps in its history to alleviate poverty and to transform a non renewable resource, such as oil and gas, into a permanent and endless source of wealth for the Brazilian people.

"We are living, at the same time, in the greatest era of social mobility and a period of the largest investments in the nation's history. This is why, with every day, more and more Brazilians are confident in the nation we are building: a bigger Brazil for more Brazilians."



Lula: "We are going to pay back the immense debt the country has with Brazilians"

Tasso Marcelo / AÉ

"Hydroelectric energy is our priority. We only take advantage of 24% of our rivers' potential"

Dilma Rousseff, Civil Cabinet Chief

These investments shall allow the economy to stay on the course of sustainable development, with annual growth between 5% and 6%, generating competitive gains for businesses, creating more jobs, and ensuring that the country take a new and important step towards the construction of a better and more equitable future for all Brazilians.

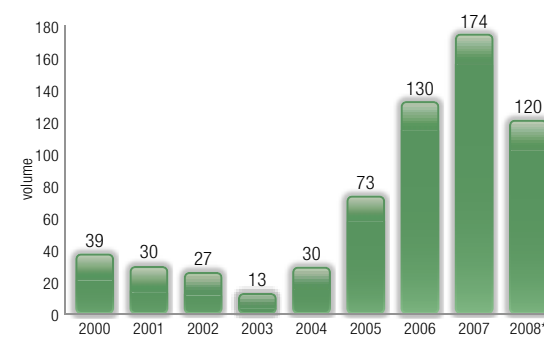
The virtuous circle that is opening up is introducing a new conception of the role of the State – modernizer, promoter of welfare and economic development, committed to reducing poverty and the income inequality. The latter is based on public investment in infrastructure, increases in public and external savings, and policies aimed at accelerating productivity growth.

The Government has played an important role in fostering development, not only in the

granting of credit, but also in organizing large-scale infrastructure projects. Some examples are Santo Antonio and Jirau hydroelectric plants, on the Madeira river in the country's northern region whose construction shall be-

### Capital Markets

IPO's (R\$ billion)



\* Includes all IPO's even those aborted

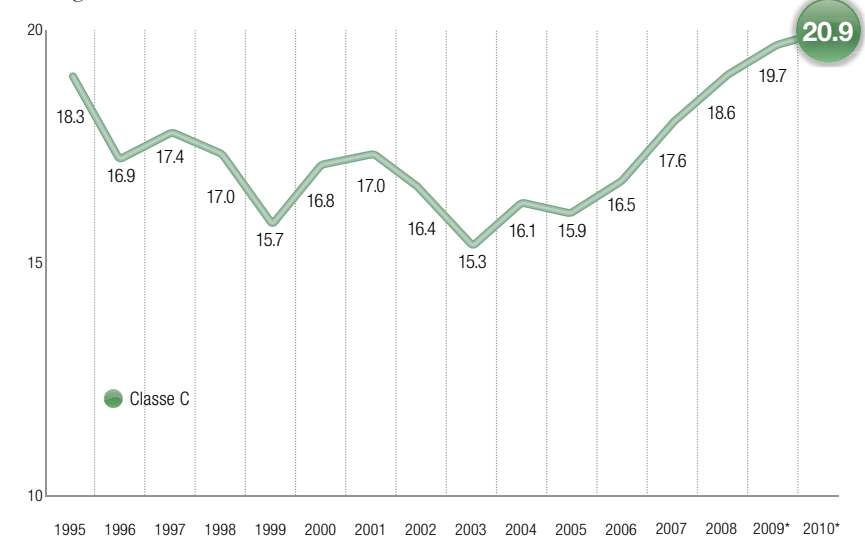
gin shortly. Both plants shall generate 6,600 megawatts of energy, equivalent to the output of Itaipu, the world's largest. The State has also been involved in developing new relations with private capital, which has produced, a highway concession program, among other results.

One of the instruments used has been a set of tax relief initiatives, introduced as of 2006, aimed at stimulating investment, increasing the economy's degree of formality, reducing the tax burden, and taming inflation. In the case of the Growth Acceleration Program (PAC) alone, the largest investment program ever launched in the country, with infrastructure projects totaling R\$ 503 billion by 2010, the volume of tax breaks reached R\$ 18.1 billion in 2007/2008.

By its turn the Productive Development Policy (PDP has Scheduled investments of R\$ 6

### Investment Rate

The goal for 2010 is to reach 21% (% GDP)



Sources: BNDES – GP / APE > \* Projection

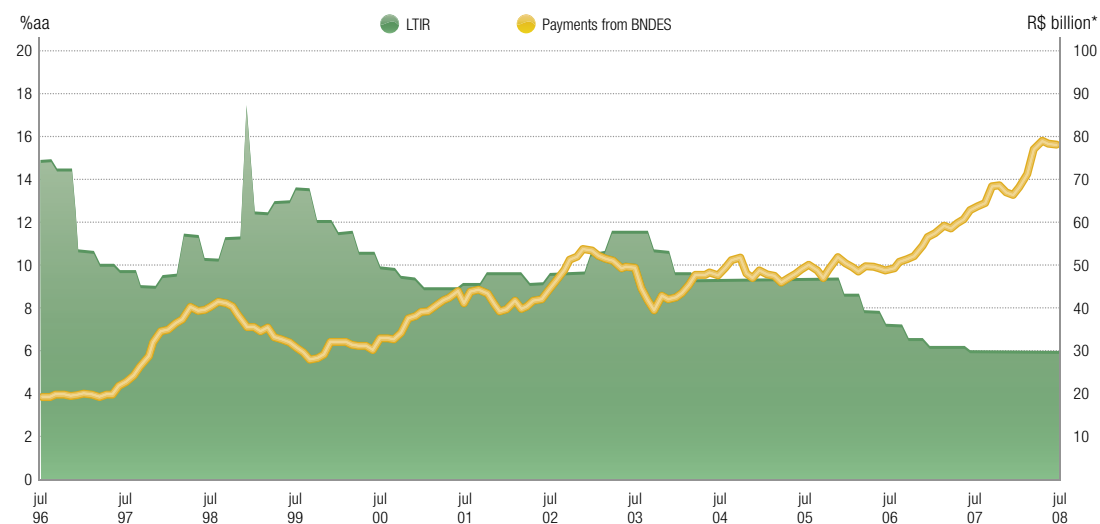


“It is never too much to point out that the execution of the PAC is a fundamental condition for growth”

Luciano Coutinho,  
President of BNDES

### Long term interest rates and payments from BNDES

Long term interest rates are lowest in recent years



Sources: BNDES, BCB e IBGE > Prepared: MF / SPE > \* Prices Jul/08 (accumulated amounts for 12 months deflated by IPCA)

billion by the BNDES over the next two years to promote innovation in corporate business, and to support research projects in public institutions. Under the umbrella of PDP the tax relief amount is expected to reach R\$ 21 billion by 2011.

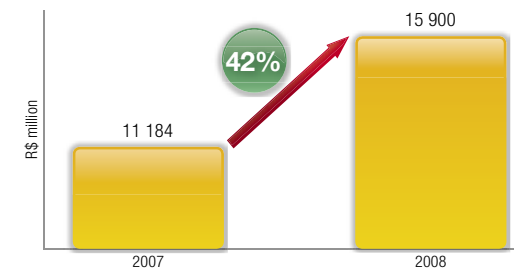
### More money in the economy

The PAC and the PDP are the government’s main investment projects, along with the 2008/2009 Harvest Plan, which has earmarked R\$ 13 billion to strengthen family agriculture. The amount is more than 5 times greater than the amount earmarked for the 2002/2003 harvest.

The private sector have plans, some announced, others currently being implemented, to invest nearly R\$ 1.5 trillion in dynamic sectors of the economy by 2011. Oil and natural gas is one of the sectors that shall receive most of these investments. Petrobrás alone plans to invest US\$ 87 billion, which is nearly US\$ 18 billion a year. This sum does not include investments related to the pre-salt program that aims at the modernization of 11 oil refineries with a budget of nearly R\$ 34 million.

### Central Government

Government increases participation in investment



Source: SIAFI > Prepared: Coapi / STN  
Total investment: cash concept / cash payments

Renewable sources of energy have gained importance in these investment plans. Investments in ethanol projects have reached R\$ 58 billion, and are expected to increase sector’ production capacity by 80% over the next six years.

Private investment has been fueled mainly by increases in exports, the strength of the domestic market, and greater production capacity, especially in the capital goods industry. Steel industry is spearheading this trend, with scheduled investments reaching R\$ 82.2 billion towards the expansion of their industrial parks. Petrochemical product

Bioenergy: in six years, production capacity of ethanol is expected to increase by 80%



André Luiz Mello



Valeria Gonzalez/AE

Highways: the concession program is one of the government’s priorities



manufacturers also plan to double production by 2012, with projects totaling R\$ 22.8 billion.

Another sector that has increased its investments is the naval industry, which nearly disappeared in Brazil after having been one of the world's largest. It has now started to gain strength with increases in vessel and platform purchase orders. In the machinery and equipment sector, investments in expansion of production

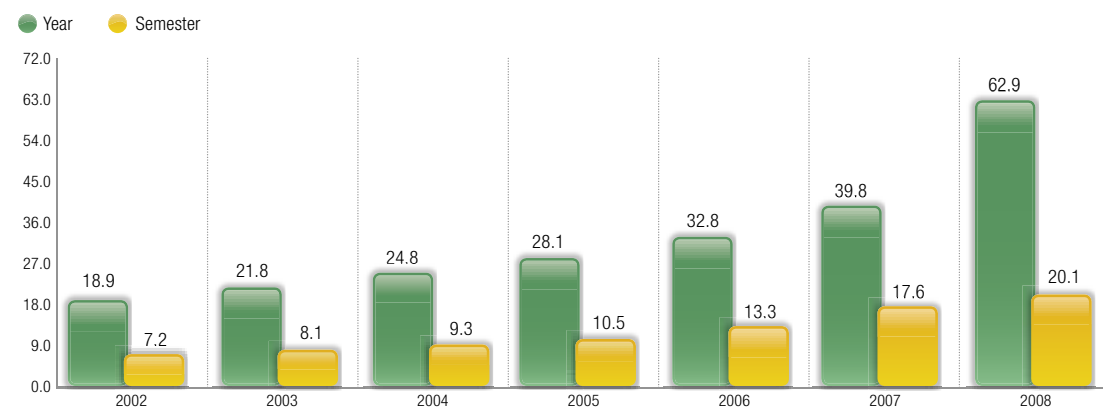
capacity are expected to increase by 46% over the next four years.

In the consumer goods sector, the best performer has been the automobile industry. Car manufacturers have announced investments of R\$ 33.6 billion to increase their annual production to 5 million vehicles – double the number of cars rolling off production lines in 2007.

Housing residential investment are expected

### Investments of Federal Companies

In 2009, total resources will be R\$ 80 billion



Source: Sfiati > Prepared: MF / STN > For the year 2008, amounts foreseen by law + credit approved by budget for federal company investments



Agriculture: The 2008/2009 Harvest Plan has strengthened family properties

Leonardo Colosso/Folha Imagem

to increase by 10.6% a year between 2008 and 2011, boosted by the increase in workers' income, by the expansion of financing programs targeted to low-income families, and by the greater availability of credit.

Among exporters, mining companies have been the largest investors, with expansion projects reaching R\$ 95.1 billion. Vale alone is investing US\$ 11 billion in 2008.

A large part of business investments are being funded by own resources, but Foreign Direct Investment (FDI) is still expected to play an important role. In September, FDI surpassed US\$ 5.5 billion, and Central Bank's forecasting for 2008 amounts to US\$ 35 billion. Brazil is the fifth most preferred destination for investments, according to a recent study published by the United Nations Conference on Trade and Development (Unctad). These are good confidence gauges, demonstrating that the country remains sound in spite of the financial turbulence.

The social area has also gained relevance in investment plans. One of the priorities is education, for which long-term projects have been developed, such as the Education Development Plan (PDE), a wide-ranging set of projects aimed at providing quality education.

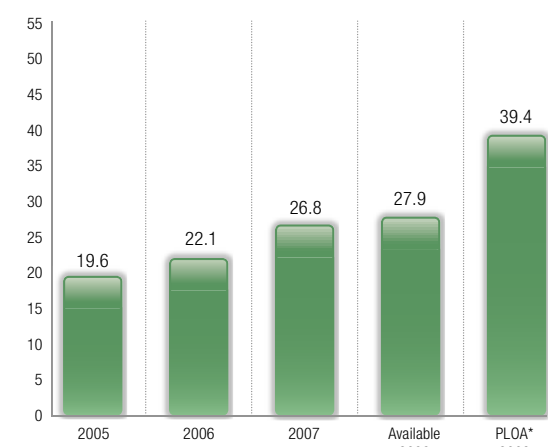


Company photo

Education: The PDE, the PAC for Education, aims to improve basic education

### Education

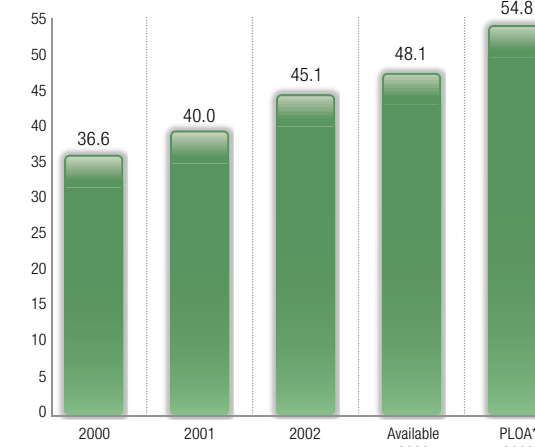
Payment of budget expenses (R\$ billion)



Source: Ministry of Planning > \* Annual Budget Law (PLOA)

### Health

Payment of budget expenses (R\$ billion)



Source: Ministry of Planning



# Um novo País em construção

*A new Country under construction*

Recursos já garantidos são da ordem de R\$ 1,5 trilhão

**A**té 2011, mais de R\$ 2,3 trilhões serão investidos em novos projetos pelo setor público e pelas empresas brasileiras. Desse total, cerca de R\$ 1,5 trilhão já está confirmado em empreendimentos em execução ou em fase de desenvolvimento. Os setores que receberão o maior volume de recursos são indústria e serviços, seguidos pela construção civil residencial e por obras de ampliação e modernização da infra-estrutura. É o mais forte ciclo de investimentos em curso no País em mais de três décadas.

*Earmarked resources reach R\$ 1.5 trillion*

**B**y 2011, more than R\$ 2.3 trillion will be invested in new projects by the government and Brazilian businesses. Of this total, nearly R\$ 1.5 trillion is being applied in ventures that are currently being executed or that are in the final stages of development. The sectors that will receive the greatest volume of resources are industry and services, followed by housing construction, and modernization and expansion of infrastructure projects. This is the greatest investment cycle in over three decades.

## Novos projetos New projects

Em R\$ bilhões / in US\$ billion\*

Realizado / Finished  
2004-2007

Previsão / Projected  
2008-2011

INDÚSTRIA  
E SERVIÇOS  
INDUSTRY  
AND SERVICES

314,3  
174.6

627,1  
348.4

INFRA-  
ESTRUTURA  
INFRA  
STRUCTURE

185,3  
102.9

304,6  
169.2

CONSTRUÇÃO  
RESIDENCIAL  
RESIDENTIAL  
CONSTRUCTIONS

357,0  
198.3

534,9  
297.2

AGROPECUÁRIA  
AGRICULTURE  
AND LIVESTOCK

39,4  
21.9

45,1  
25.1

TOTAL  
MAPEADO  
TOTAL  
MAPPING

896,0  
497.8

1 511,7  
839.8

TOTAL BRASIL  
TOTAL BRAZIL

1 554,1  
863.4

2 367,3  
1,315.2

\* Conversão pelo dólar médio de set/08 (US\$ 1,80) / Exchange rate Sept 08 (US\$ 1.80)