

Brazil's economic outlook and
infrastructure
investment opportunities



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Minister of Finance

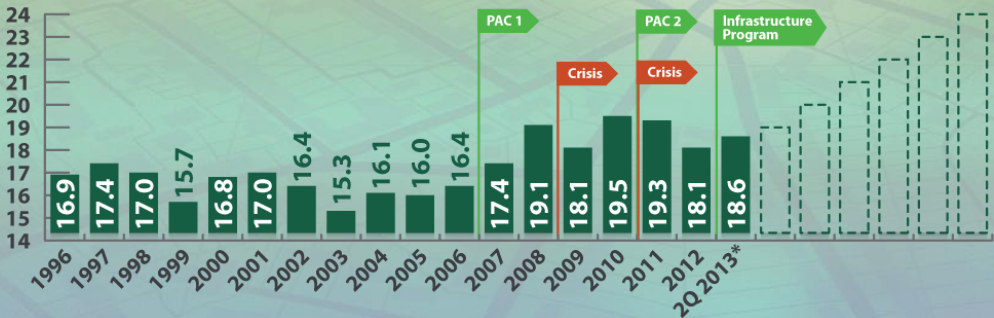
Brazil and investment opportunities

- ✓ The Brazilian economy is at the onset of a new investment cycle
- ✓ Largest concession program in recent decades: US\$ 240 billion
- ✓ Infrastructure investments: great multiplier effect
- ✓ Most effective instrument to stimulate the economy in a period of international crisis



Increased investment is a government priority

Gross Fixed Capital Formation, in % of GDP



* 4-Quarter accumulated up to 2nd quarter of 2013

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

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



Slow recovery in advanced economies

GDP, QoQ seasonally adjusted annual rate, in % change, second quarter 2013



Source: Bloomberg and IMF
Produced by: Ministry of Finance



United States recovery: a double-edged sword

10-Year U.S. Treasury yields, in % per annum



Source: Bloomberg
Produced by: Ministry of Finance

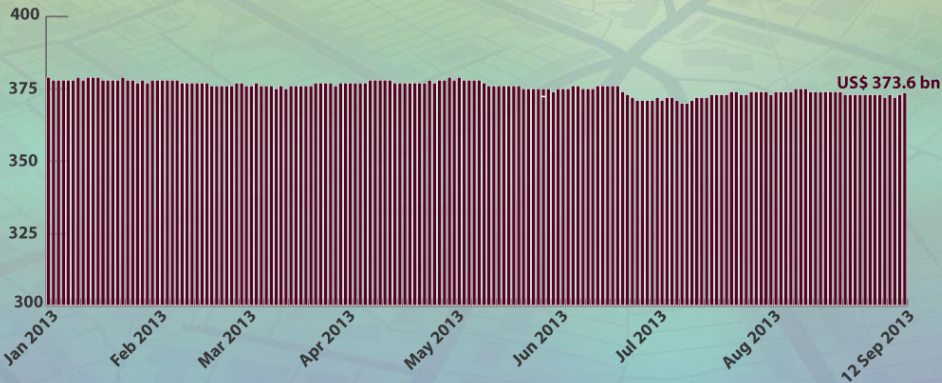
Brazilian economy more resilient to Treasury yield volatility

- ✓ More international reserves
- ✓ Lower public debt
- ✓ Current account deficit under control
- ✓ Positive foreign investment in June, July and August
- ✓ Stock markets and derivatives markets more liquid, safe and open



Brazil's international reserves have not been changed even under international uncertainty

International reserves, in US\$ billion



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

Volatility did not affect the capital account of the balance of payments

In US\$ million

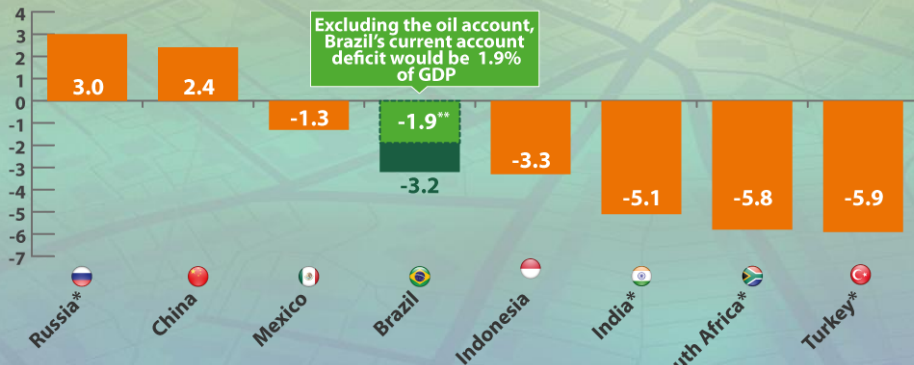
	2012		2013		2013
	Aug	Jan-Aug	Aug	Jan-Aug	Estimate*
Current Account	-2,551	-31,541	-5,505	-57,952	-75,000
Financial Account	2,421	56,002	2,001	61,648	76,500
Direct Investment (net)	3,665	45,905	2,540	43,800	
FDI	5,035	43,204	3,775	39,014	60,000
Portfolio Investment	1,720	5,427	5,838	22,145	
Other Investments	-2,980	4,558	-6,415	-4,432	

* Central Bank of Brazil estimate.

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

G20 emerging markets external sector

Current account, in % of GDP, second quarter of 2013

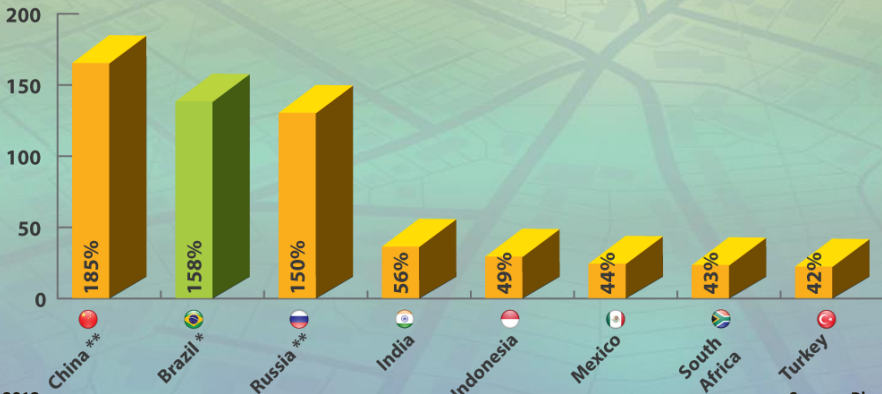


* First quarter 2013

Source: Bloomberg
Produced by: Ministry of Finance

Brazil's international reserves 58% above annual imports

Reserves-to-imports of goods ratio, in %, July 2013



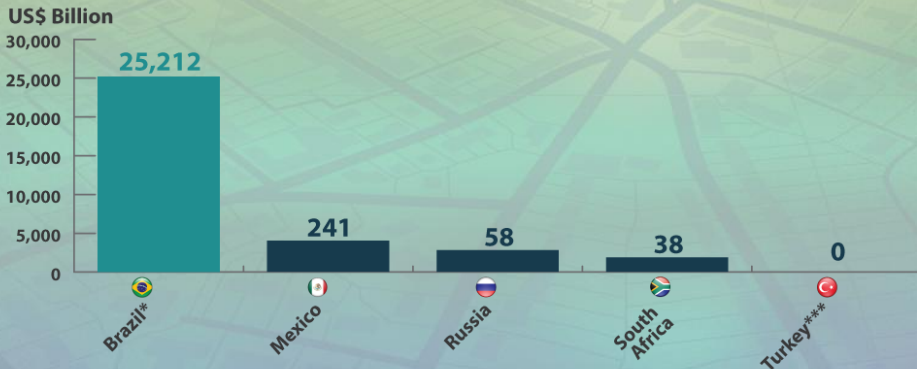
* August 2013

** June 2013

Source: Bloomberg
Produced by: Ministry of Finance

The role of derivatives in Brazil: second largest market for interest-rate options and futures

In billions of U.S. dollars and millions of contracts, traded in 2012



* For Brazil, indicators only include futures and options operations.

** In China, currency derivatives are not traded (FX restriction).

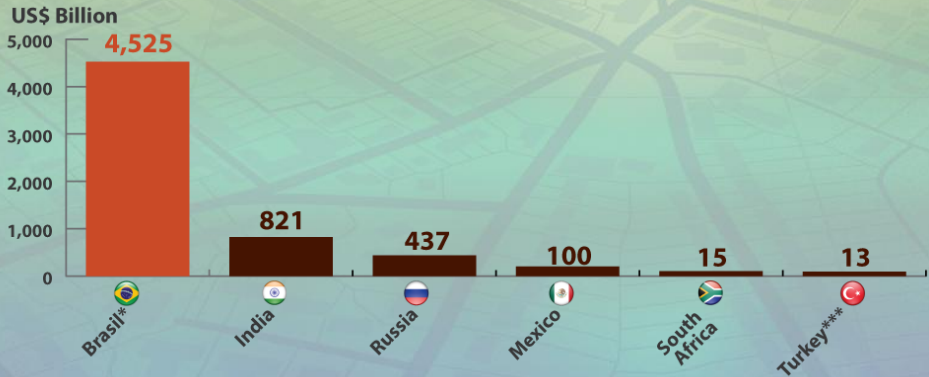
*** Turkdex Annual Market Statistics (Annual Fact Book 2012).

Source: World Federation of Exchanges

Produced by: Ministry of Finance

Sixth largest market for currency options and futures

In billions of U.S. dollars and millions of contracts, traded in 2012



* For Brazil, indicators only include futures and options operations.

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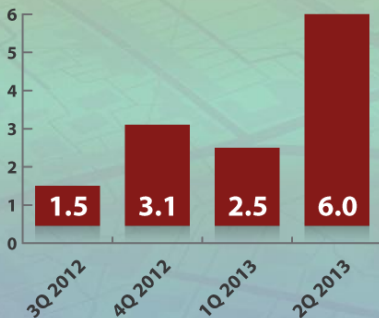
*** Turkdex Annual Market Statistics (Annual Fact Book 2012).

Source: World Federation of Exchanges / Futures Industry Association Magazine March 2013

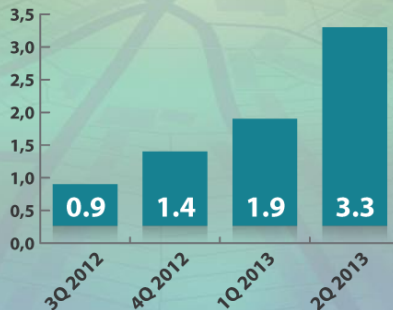
Produced by: Ministry of Finance

Economic recovery, despite difficulties

Quarterly GDP, in % QoQ
annualized, seasonally adjusted



Quarterly GDP, in % YoY



Source: Brazilian Institute of Geography and
Statistics (IBGE)

Produced by: Ministry of Finance

Investments: good performance in 2013

Gross fixed capital formation, seasonally adjusted, in % QoQ



Source: Brazilian Institute of Geography and
Statistics (IBGE)

Produced by: Ministry of Finance

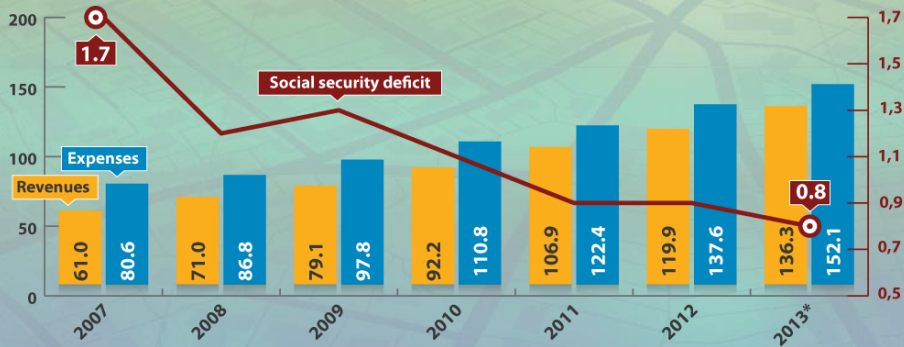
Fiscal soundness

- ✓ Federal current expenditures under control
- ✓ Expenditures cut: additional R\$ 10 billion
- ✓ Decrease of public sector net debt
- ✓ Increasing transparency
- ✓ More rigour with Federal States fiscal accounts (Fiscal Responsibility Law)



Three largest Central Government expenditures under control: social security

Social security revenues and expenditures, in US\$ billion and Social security deficit in % GDP



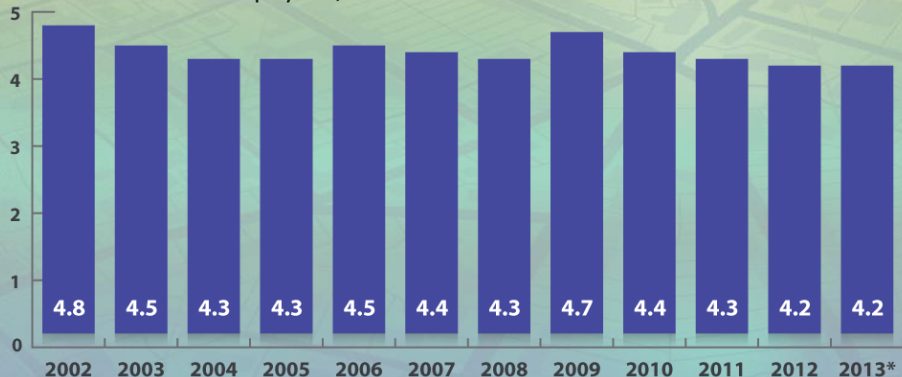
* Projections

** Exchange rate: US\$ 1 = R\$ 2,30

Source: Ministry of Finance
Produced by: Ministry of Finance

Three largest Central Government expenditures under control: payroll

Federal Government payroll, in % GDP



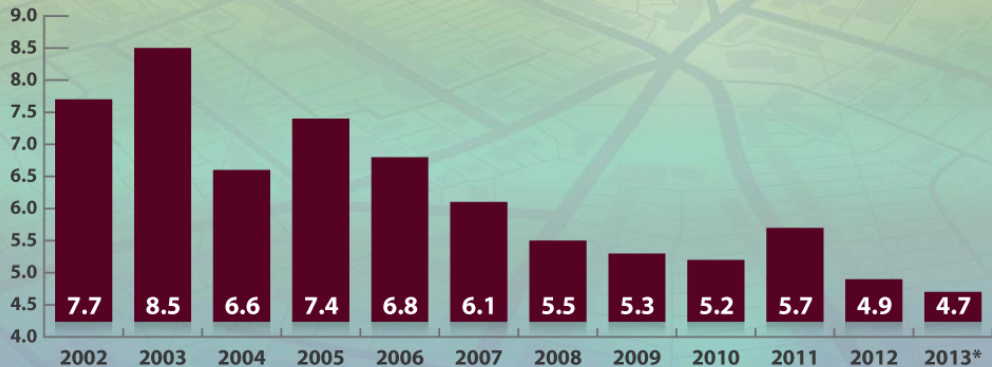
* Projections

Source: Ministry of Finance
Produced by: Ministry of Finance



Three largest Central Government expenditures under control: public debt interest payments

Public debt interest payments, in % GDP



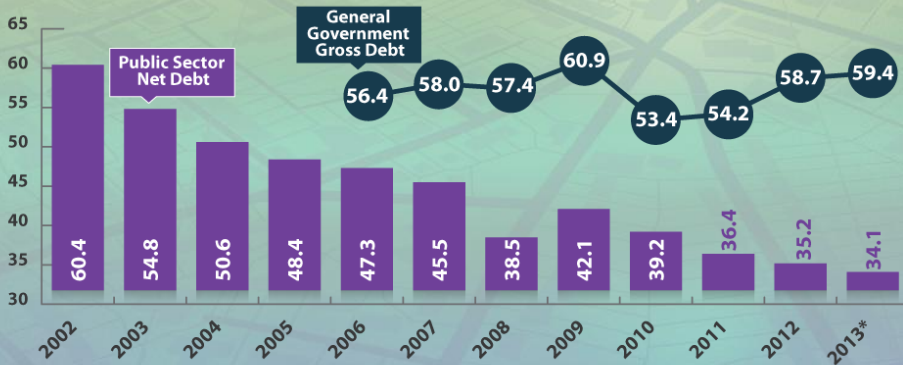
* Projections

Source: Ministry of Finance
Produced by: Ministry of Finance



Public debt under control

Public sector net debt and General government gross debt, in % of GDP



* July 2013.

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

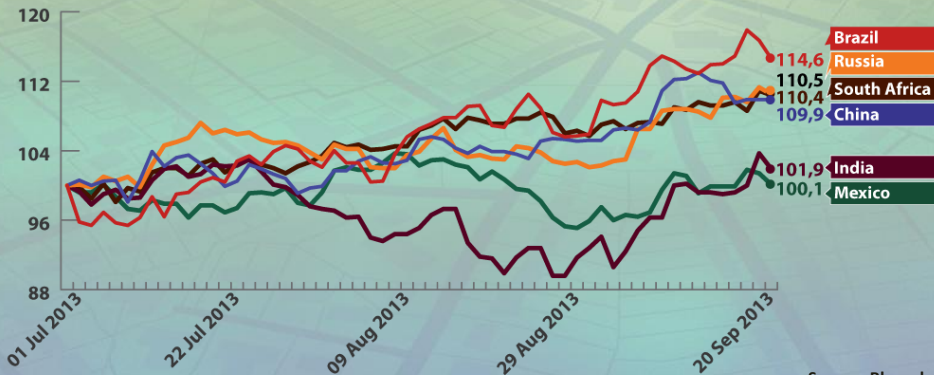
Perspectives: Growth acceleration

- ✓ Effects of reforms taken in 2011-2012:
financial, tax and energy costs' reduction
- ✓ More competitive exchange rate
- ✓ Inflation deceleration: consumers' purchasing power recovery
- ✓ Confidence recovery
- ✓ Improvement in stock exchange market
- ✓ Better scenario for the world economy
- ✓ Infrastructure program






Brazil stock market picks up

Stock markets index (July 1st 2013 = 100)



Source: Bloomberg
Produced by: Ministry of Finance

Increasing demand for infrastructure services

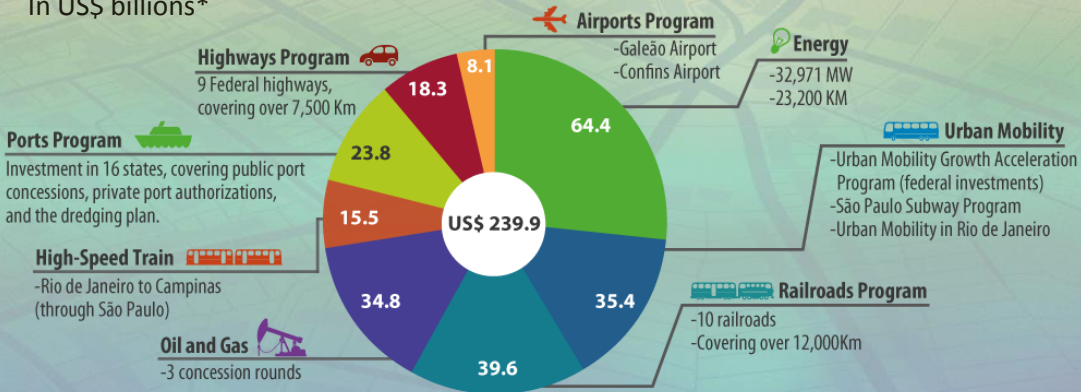
	Infrastructure Demand Drivers	Demand in 2002	Demand in 2012	Growth in Past Ten Years (%, 2002-2012)
	Airline Traffic (mn passenger/year)	35.9	101.4	182.5
	Veicular Traffic (Thousand vehicles per km/year)	56.5	105.5	86.6
	Vehicle Sales (mn units/year)	1.5	3.8	153.5
	Railroad Volumes (Revenue in US\$ bn/year)	168.0	298.0	77.4
	Port Trade Volume (mn Tons/year)	570.8	904.0	58.4
	Grain Harvest (mn Tons/year)	119.1	166.2	39.5
	Trade Flow (US\$ bn)	107.7	465.7	332.4

Source: National Logistics & Planning Company (EPL), Energy Research Company (EPE) and Ministry of Mining and Energy (MME) and Credit Suisse

Produced by: Ministry of Finance

In the coming decades, investments in infrastructure will lead the Brazilian economy

In US\$ billions*



* Exchange rate: US\$ 1 = R\$ 2,30

Source: Credit Suisse Research, National Logistics & Planning Company (EPL), Energy Research Company (EPE) and Ministry of Mining and Energy (MME)

Produced by: Ministry of Finance

Infrastructure projects will integrate main Brazilian ports, main production areas and consumer markets



Highways

- 1 BR-116/MG
- 2 BR-040/MG-GO-DF
- 3 BR-101/BA
- 4 BR-262/MG-ES
- 5 BR-050/GO-MG
- 6 BR-153/GO-TO
- 7 BR-163/MT
- 8 BR-163/267/262/MT
- 9 BR-060/153/262/DF-GO-MG

Railways

- 10 Ferroanel Norte (SP)
- 11 Ferroanel Sul (SP)
- 12 Acesso Santos (SP)
- 13 Lucas do Rio Verde (MT) - Uruaçu (GO)
- 14 Maracaju (MS) - Estrela D'Oeste (SP)
- 15 Açailândia (MA) - Belém (PA)
- 16 Rio de Janeiro - Vitória
- 17 Belo Horizonte - Salvador
- 18 Salvador - Recife
- 19 Maracaju (MS) - Mafra (SC)
- 20 São Paulo - Rio Grande (RS)
- 21 Uruaçu (GO) - Campos (RJ)
- 22 Feira de Santana (BA) - Parnamirim (PE)

Airports

- 23 Galeão (RJ)
- 24 Confinis (MG)

Ports

- 25 Santos e São Sebastião (SP)
- 26 Belém e região (PA)
- 27 Salvador e Aratu (BA)
- 28 Paranaçuá (PR)
- 29 Suape (PE)
- 30 Itaqui (MA)
- 31 Rio Grande e Porto Alegre (RS)
- 32 Outros Norte e Nordeste
- 33 Vitória (ES)
- 34 Rio de Janeiro, Itaguaí e Niterói (RJ)
- 35 Itajaí, Imbituba e São Francisco do Sul (SC)

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

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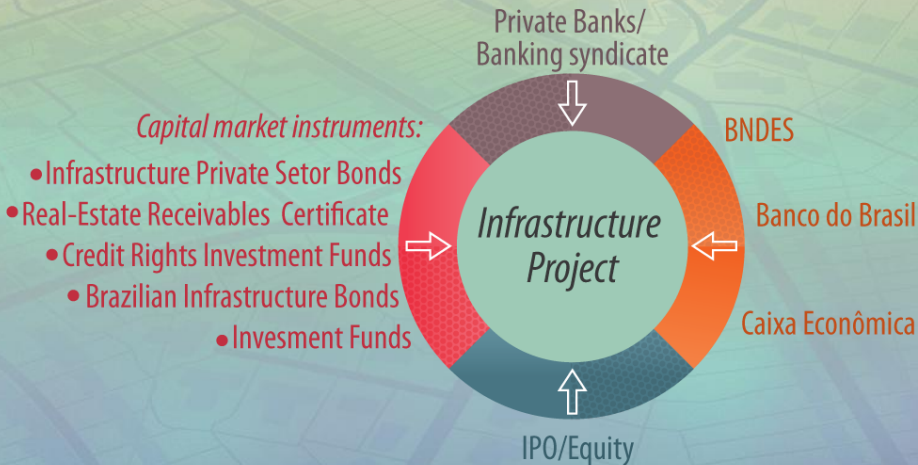


Infrastructure investment: clarity of the model for concessions

- ✓ Model progressively structured with the participation of private sector
- ✓ High attractiveness:
 - To stimulate competition
 - To guarantee the supply of services
- ✓ The Infrastructure Program requires a considerable amount of financing
- ✓ Increasing role of private banks and funds
- ✓ Foreign capital: both in equities and financing



Concessions: favorable financing conditions





Ministry of
Finance

BRAZILIAN GOVERNMENT

BRASIL

