

# ***UK CASH & TRADE.***

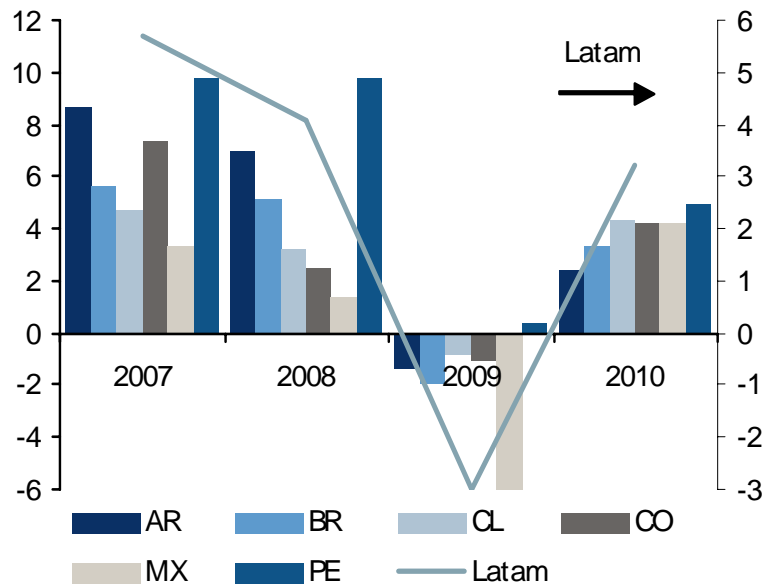
***ECONOMIC AND TRADE CONDITIONS IN  
BRAZIL.***

***DUNCAN RUFFLE – TRADE DIRECTOR***

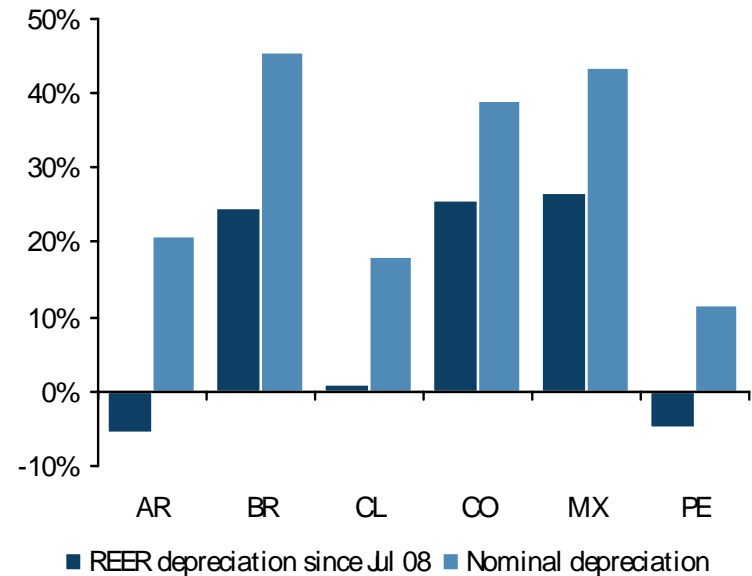
# LatAm: A deep cycle, down and up

- Growth prospects in the region have deteriorated markedly.
- Key difference: home grown amplifiers are largely absent: limited FX rigidities, small balance sheet problems, manageable current account deficits and moderate fiscal imbalances. Change in relative prices, accommodating worsening fundamentals, has been fairly orderly.

## Deep downturn, but rebound already in 2010



## FX adjustment working well



## Currency and investment

- The Real.
- Previously pegged to the dollar, the Real has been free floated since January 1999.
- Foreign direct investment (FDI), related to long-term, less speculative investment in production, was estimated to be \$193.8 billion for 2007.
- Interest rates are set by the Central Bank and is influenced by inflation monitoring and control.

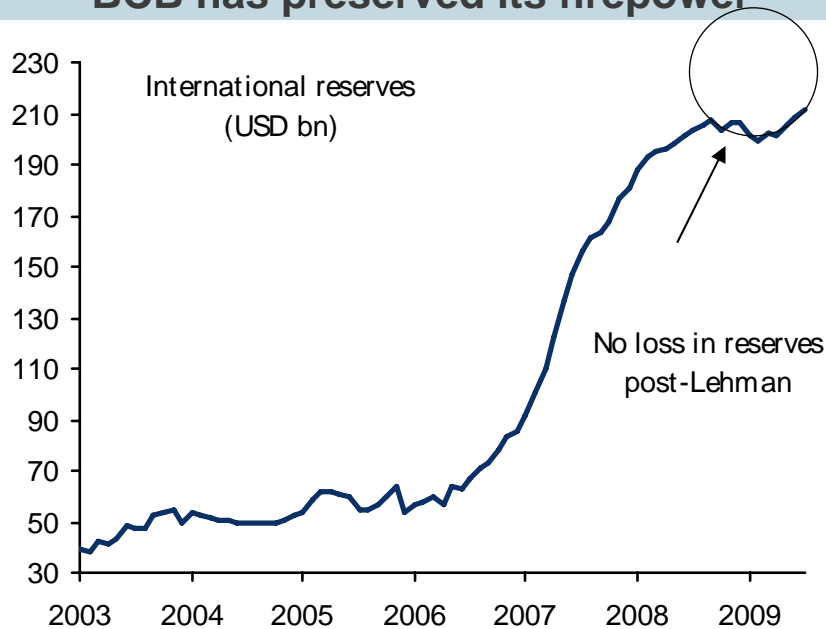
## Not just Corned Beef...

- Brazil is the largest national economy in Latin America.
- Brazil has large and developed agricultural, mining, manufacturing and service sectors, as well as a large labour pool.
- Brazilian exports are booming, creating a new generation of tycoons.
- The country has been expanding its presence in international financial and commodities markets, and is regarded as one of the group of four emerging economies called BRIC.

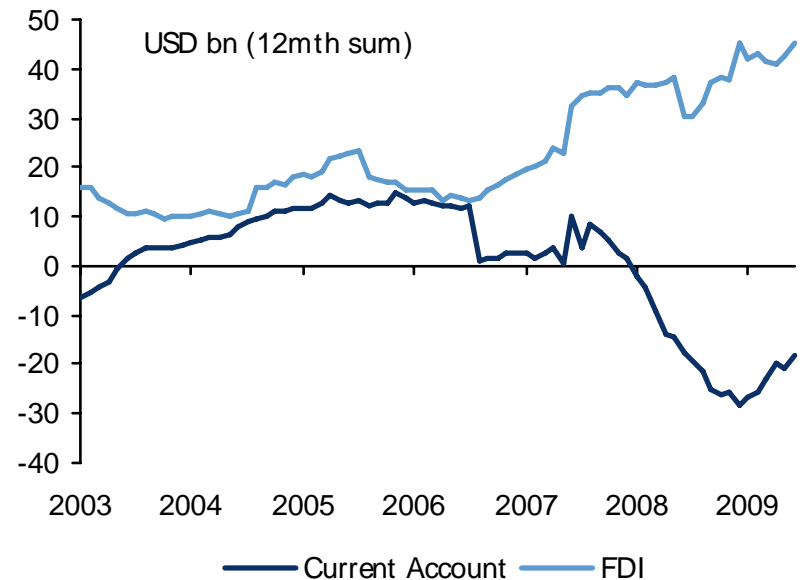
## External accounts looking good

- Despite the massive BRL depreciation from 1.56 in early August to 2.50 in December, the BCB managed to use little reserves. Now, USD reserves have reached their historical peak, given daily USD purchases since May.
- Current account deficit has tightened, and should keep this trend going forward. Foreign direct investments have remained strong.

### BCB has preserved its firepower



### External flows still healthy



## Oil reserves

- Brazil has massive oil reserves.
- Not, however, part of OPEC.
- Oil income will become a key driver of Brazil's economy as oil companies seek to exploit these reserves.
- WSJ states that "The U.S. Export-Import Bank tells us it has issued a 'preliminary commitment' letter to Petrobras in the amount of \$2 billion and has discussed with Brazil the possibility of increasing that amount." (August 26<sup>th</sup> 2009).
- On the 30<sup>th</sup> of August President Da Silva pledged to spend billions of petrodollars bringing the poorer Brazilians out of poverty.

## A broad population

- 2005 – circa 184 million inhabitants.
- Culturally diverse – Polish populations, Italian populations, Lebanese populations, the list goes on...
- 68.4% of the population is of working age.
- 70% of migrants who entered in 2000 had previously been Brazilian citizens.
- An indicator of a more wealthy populace?

## Banking Sector

- Many banks are owned by the Brazilian Central Bank.
- Several large Western banks also operate in Brazil.
- 10 IFC Issuing banks in Brazil.
- Cheapening credit default swaps suggests a lowering of sovereign risk in Brazil.

## Market Exploitation

- Brazil's biggest trade partner is.....The USA. The UK is 10<sup>th</sup> for imports and 14<sup>th</sup> for exports. Argentina is second placed for both imports and exports.
- Largest market for imports are Computer accessories parts and peripherals, along with civilian aircraft parts.
- Fastest growing market is fully built civilian aircraft and raw cotton.
- Largest markets for imports from the UK include Whisky, Pharmaceuticals, and aircraft parts.

## Summary

- Increasing wealth and a young labour force.
- Clothing, transport, pharmaceuticals – expendable income?
- Staging post?
- Bright future from oil.

## ***THANK YOU LISTENING.***

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