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A POLITICAL AND ECONOMICAL VIEW OF BRAZIL

UBS Investment Bank

London, 6th of June of 2006.

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Noronha Advogados**

**São Paulo, Rio de Janeiro, Brasília, Curitiba, Porto Alegre
London, Lisbon, Miami, Los Angeles, Buenos Aires, Shanghai**

Historical, Political, Economic and Geographic considerations



**Historical, Political, Economic
and Geographic considerations**





BRAZIL

GENERAL INFORMATION

AREA	8,511,965 sq km
CURRENCY	Real
LANGUAGE	Portuguese
POPULATION	185, 5 million
GDP (PPP)	US\$ 1,460 billion
PER CAPITA INCOME (PPP)	US\$ 8,1 thousand

POLITICAL CONSIDERATIONS

Legislative Power



National Congress

POLITICAL CONSIDERATIONS

Executive Power



Palácio do Planalto

POLITICAL CONSIDERATIONS

Executive Power



Ministeries' Avenue



POLITICAL CONSIDERATIONS

Judiciary Power



new building



old building

Federal Supreme Court

POLITICAL CONSIDERATIONS

Judiciary Power

NEW JUDICIAL CASES PER YEAR

State Circuit 14 million

Federal Circuit

Labour Circuit



TOTAL 16.5 million



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POLITICAL CONSIDERATIONS

Judiciary Power

NATURE OF CASES

Tax Matters	50%
Civil / Commercial	30%
Criminal Matters	11%
Labour Matters	7%
Others	2%



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POLITICAL CONSIDERATIONS

The Financial Sector



Central Bank

	1991	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006*
GDP (US\$ million)	418.0	534.0	550.0	552.0	531.1	594.2	503.9	456.5	506.8	599.0	796	836
Population (million)	149.1	161.3	163.7	166.2	169.7	171.2	173.8	176.3	178.9	181.5	185.5	188,1
GDP per capita (US\$)	2,803	3,310	3,359	3,321	3,129	3,470	2,899	2,589	2,832	3,300	4,291	4,444



MACROECONOMIC FUNDAMENTALS

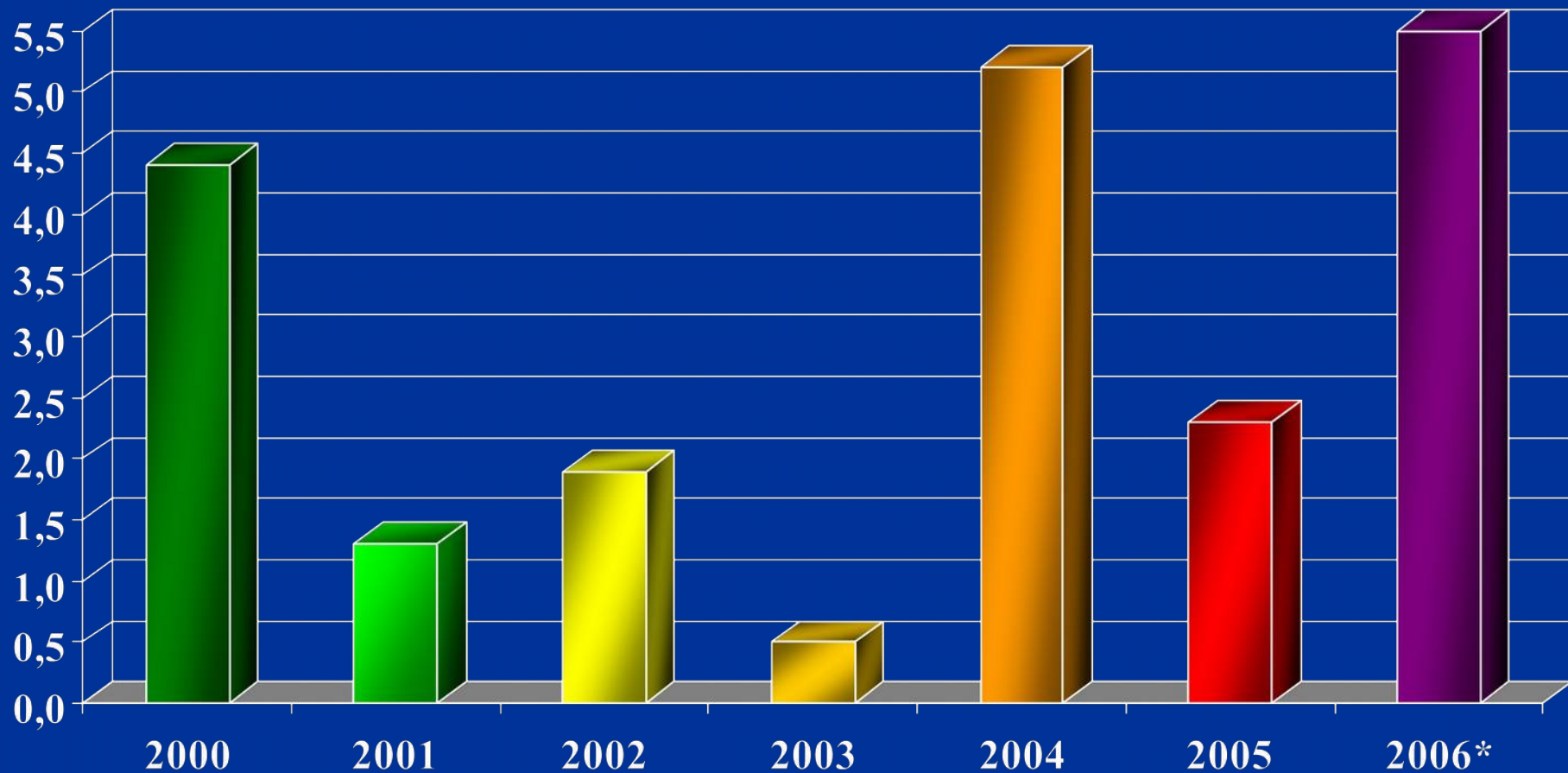
Brazil's GDP in purchase power parity

- Total purchase power parity is US\$ 1,460 billion
- Purchase power parity per capita is US\$ 8,100

Source: CIA

MACROECONOMIC FUNDAMENTALS

Economic Growth



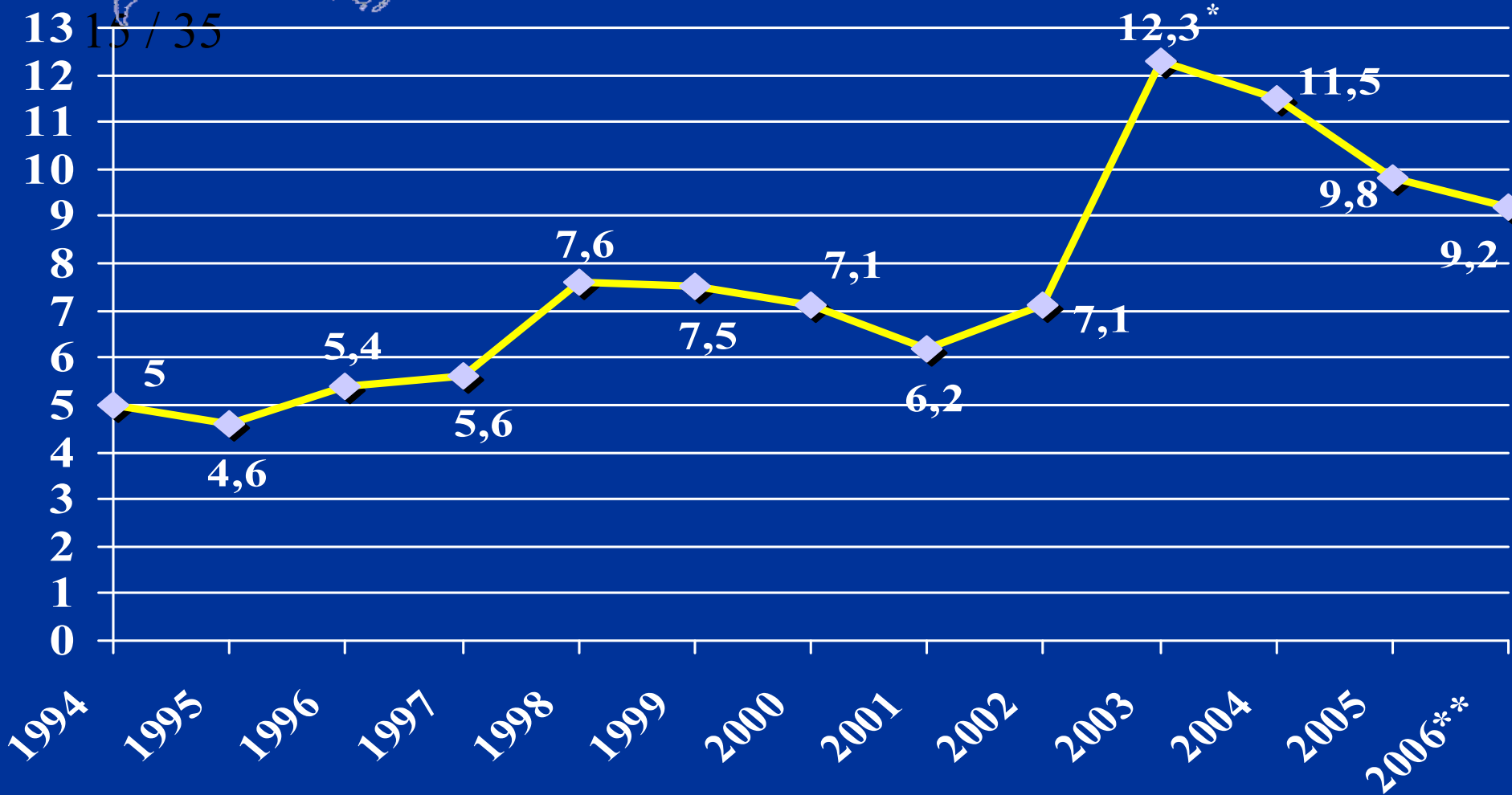
Source – IBGE/IPEA

* estimate



MACROECONOMIC FUNDAMENTALS

Evolution of Unemployment



* In 2003 IBGE has implemented a new methodology to calculate / ** value of January

Source: IBGE



MACROECONOMIC FUNDAMENTALS

Brazil - Evolution of External Debt

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Year	Value (n US\$ Billion)
1997	199,9
1998	233,8
1999	240,0
2000	233,0
2001	209,5
2002	210,7
2003	214,9
2004	202,0
2005	169,4
2006*	162,0



* Value of April

Source: Central Bank of Brazil



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MACROECONOMIC FUNDAMENTALS

Evolution of International Capital Reserves

Evolution of the Reserves of International Capital (in US\$ Million)

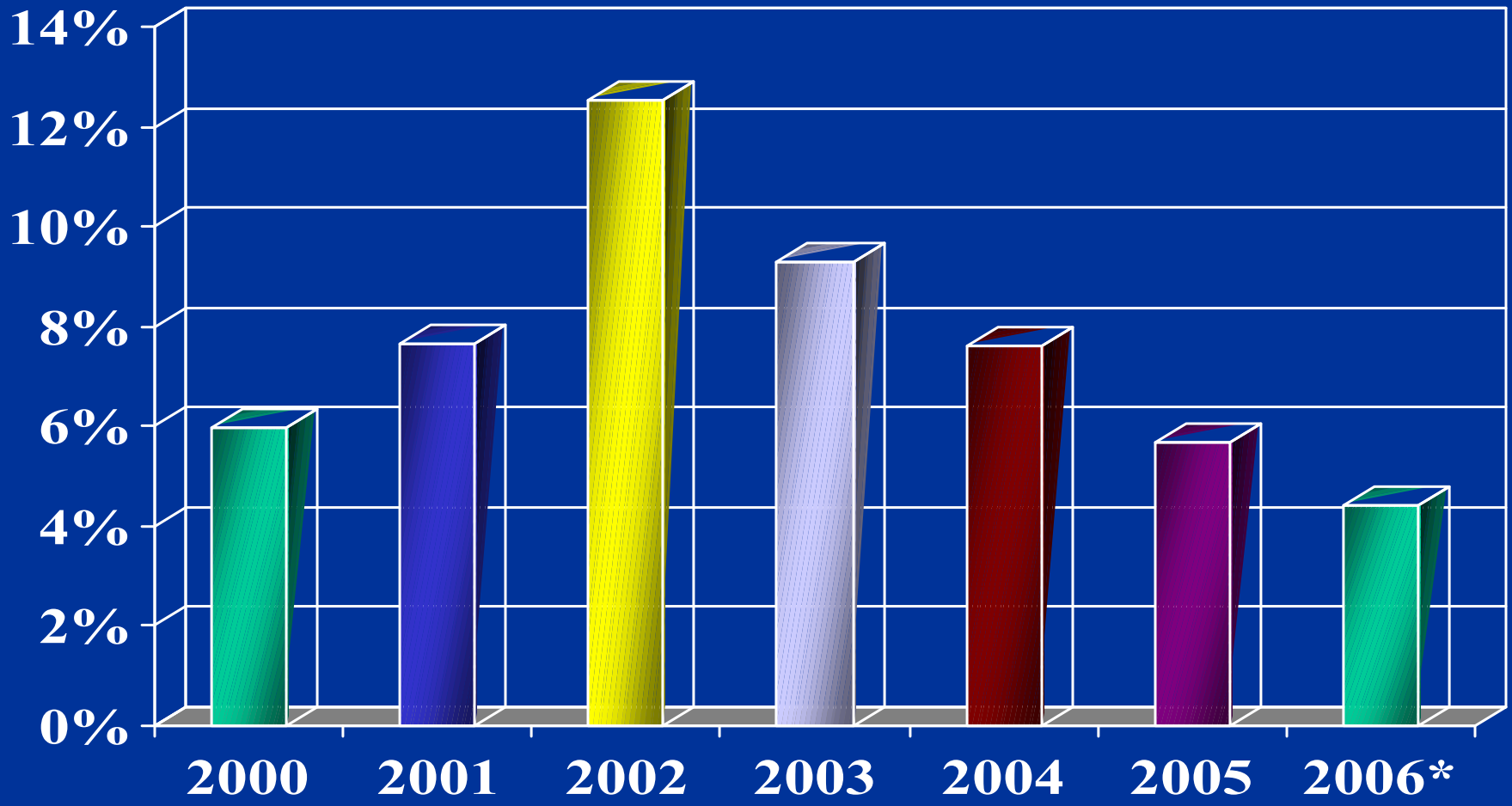
	2002	2003	2004	2005			2006*
				Jan-Sep	Oct-Dec	Year*	
Gross Reserves	37,823	49,296	52,935	57,008	58,094	58,094	70,000
Net Reserves**	16,339	20,525	27,541	42,950	44,036	44,036	70,040



MACROECONOMIC FUNDAMENTALS

Inflation

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Source: IBGE and BNDES

* estimate



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MACROECONOMIC FUNDAMENTALS

Oil Production

- ⇒ 2005 – 1.85 million barrels a day
- ⇒ 2006 - Brazil achieves self sufficiency in oil
- ⇒ 2010 – 3.4 million barrels a day*

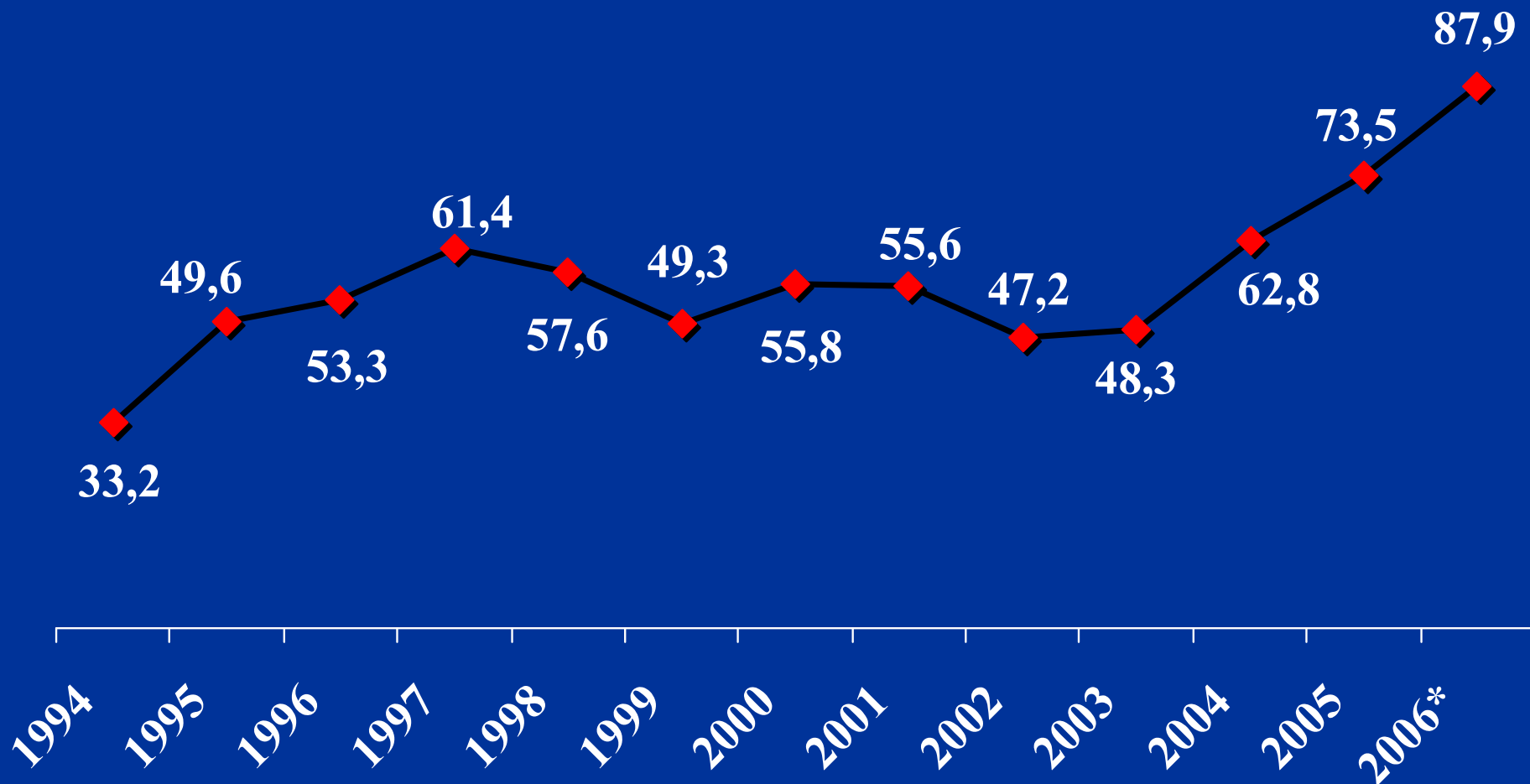




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MACROECONOMIC FUNDAMENTALS

Brazilian Imports in billion of US dollars



Source: SECEX

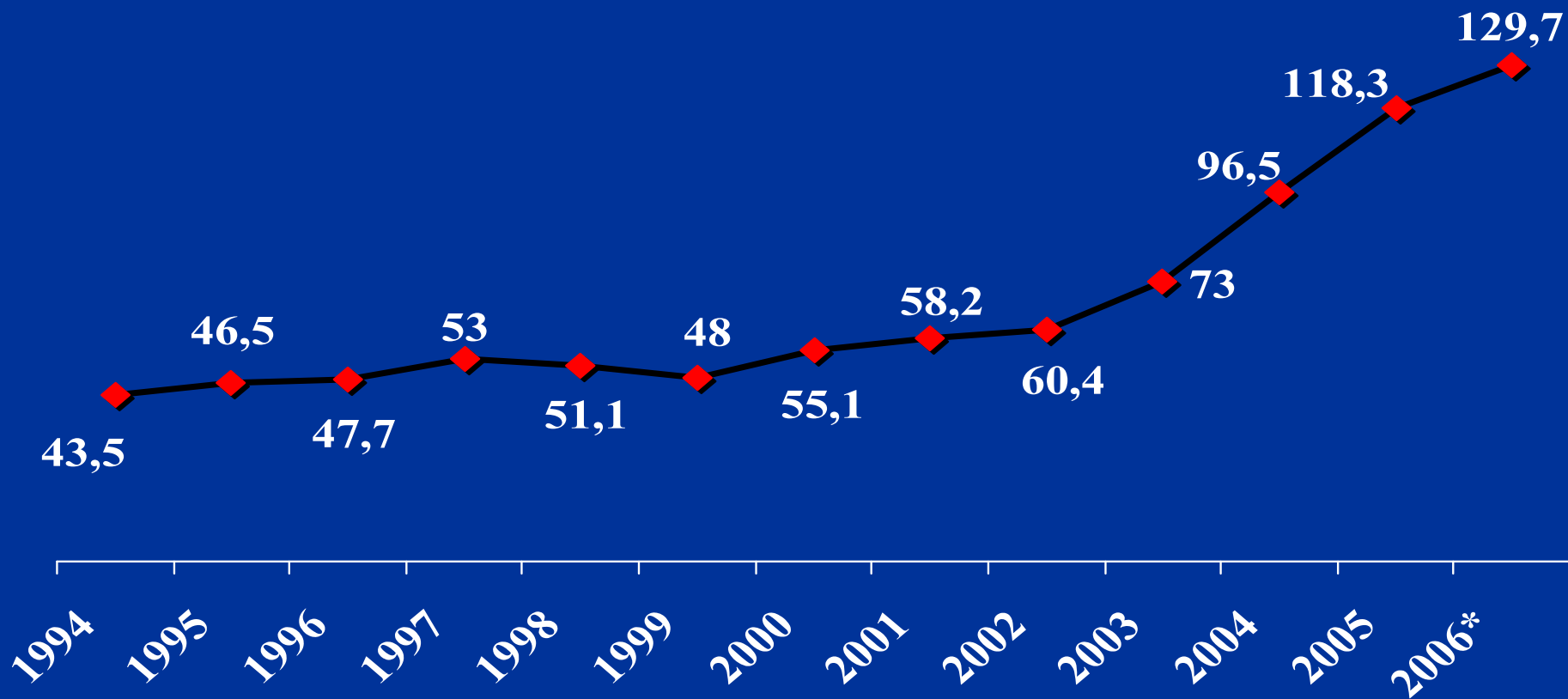
* estimate



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MACROECONOMIC FUNDAMENTALS

Brazilian Exports in billion of US dollars



Source: SECEX

* estimate

➔ Estimates for 2006

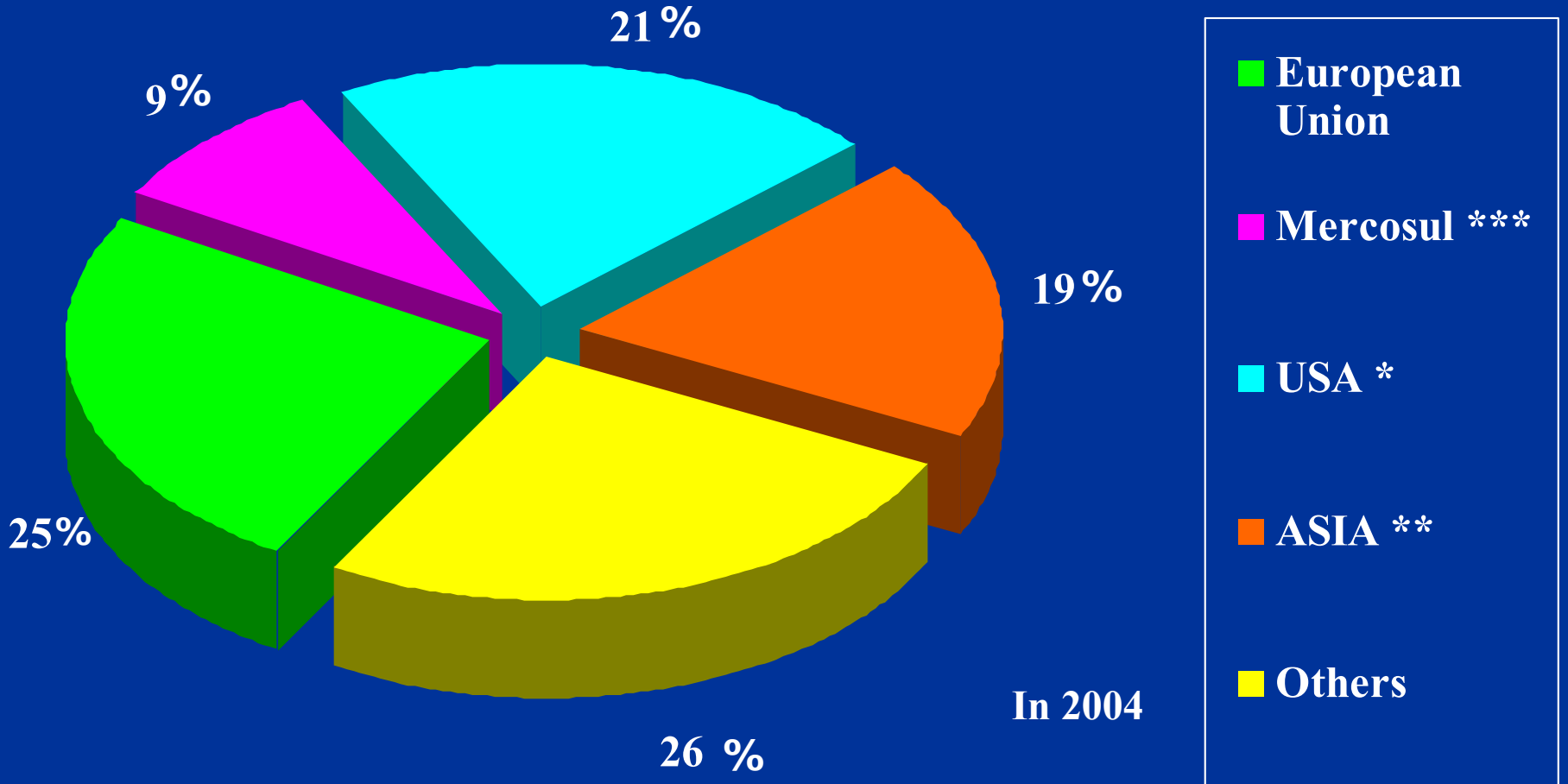
US\$ Billion	Estimate
Imports	87.9
Exports	129.7
Balance	41.8



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MACROECONOMIC FUNDAMENTALS

Brazil's Export Markets



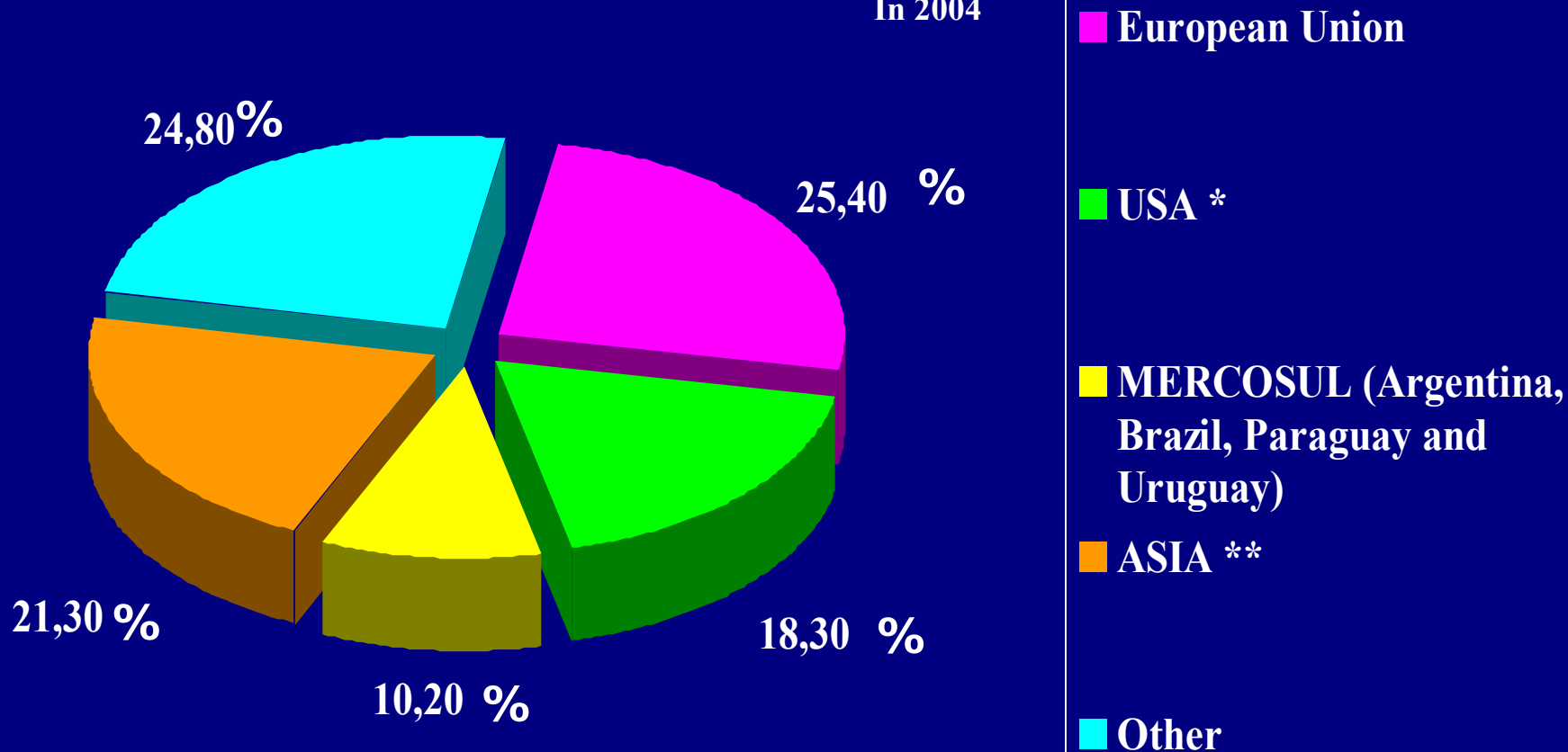
* USA including Puerto Rico
** ASIA excluding Middle East
*** Argentina, Brazil, Paraguay and Uruguay

Source: SECEX

MACROECONOMIC FUNDAMENTALS

Sources of Brazil's Imports

In 2004



Source: SECEX

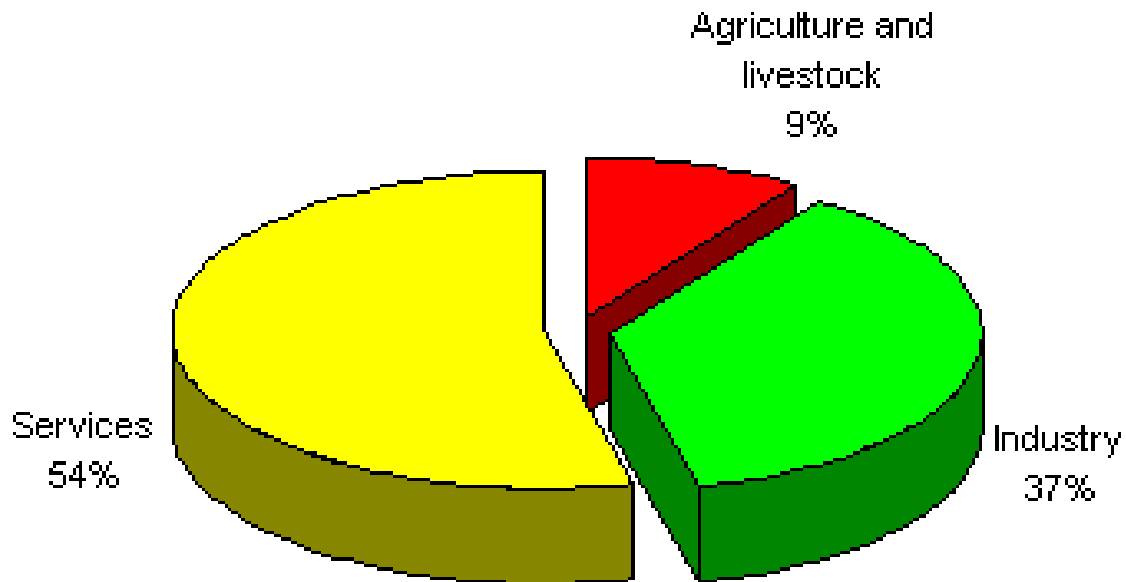
* USA including Puerto Rico

** ASIA excluding Middle East

MACROECONOMIC FUNDAMENTALS

Composition of Brazil's GDP

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MACROECONOMIC FUNDAMENTALS

The Brazilian Economy in the 21st Century

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- ⇒ consolidation of democracy
- ⇒ stabilisation of the economy
- ⇒ trade liberalisation
- ⇒ resumption in foreign direct investment
- ⇒ massive privatization program
- ⇒ pre-emptive strengthening of financial sector
- ⇒ end of distinction between foreign and domestic companies
- ⇒ resumption of economic growth
- ⇒ end of monopoly in telecommunications, oil and gas
- ⇒ great development of services sector
- ⇒ leadership in agribusiness
- ⇒ massive trade surplus
- ⇒ Self- sufficiency in oil



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MACROECONOMIC FUNDAMENTALS

Some Achievements of Lula's Administration

⇒ Brazilian Risk Rating dropped almost 1,000 points reaching the lowest level in January 2006 (220 points)

⇒ Brazilian inflation dropped from 30% (2002) to 5% (2005)

⇒ Family Scholarship: 8.700.000 families or 40.000.000 individuals

⇒ Deforestation of Amazon region reduced in 35% in 2005

⇒ School Books Programme: 120 million school books distributed freely per year

⇒ Minimum wage in dollars: From US\$ 88.00 in 2002 to US\$ 154.00 in 2006

⇒ 20 times more investments in sanitation between 2003 and 2005 than between 1999 and 2002



SÃO PAULO

**THE BRAZILIAN CAPITAL OF
BUSINESS**

SÃO PAULO STATE

General Information



Area

248.000 sq km

Population

40.442.795 inhabitants

GDP (PPP)

US\$ 540,200,000,000

Per Capita Income (PPP)

US\$ 13,505



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SÃO PAULO

General Information



Paulista Avenue



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SÃO PAULO BOVESPA



Front View

→ The São Paulo Stock Exchange, founded on the 23rd of August, 1890, is the only Brazilian centre for the trading of shares.

→ It is the biggest Latin American Stock Exchange, responsible for more than 70% of the transactions in the region.



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SÃO PAULO

The Commodities and Futures Exchange



Front View

The Commodities and Futures Exchange



Internal View



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