

# **NORONHA ADVOGADOS**

## **GLOBAL LAWYERS**

São Paulo | Rio de Janeiro | Brasília | Curitiba | Recife | Belo Horizonte



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## **BRAZIL'S MACROECONOMY AND FOREIGN TRADE - 2011**

DURVAL DE NORONHA GOYOS JR.  
SENIOR PARTNER - NORONHA ADVOGADOS  
KING'S COLLEGE LONDON

APRIL 6, 2011.

# **POINTS OF PRESENTATION**

## **1. Geopolitical fundamentals**

- 1.1 Strategic Advantages
- 1.2 Energy
- 1.3 Water
- 1.4 Population / Social Classes

## **2. The Economy**

- 2.1 GDP
- 2.2 External Debt
- 2.3 International Reserves
- 2.4 Inflation
- 2.5 Exchange rates
- 2.6 Interest rates
- 2.7 Current Account
- 2.8 Some industrial aspects
- 2.9 Unemployment
- 2.10 Problems

## **3. Foreign Trade**

- 3.1 Overview of Brazil's foreign trade
- 3.2 Foreign Trade with Selected Partners
- 3.3 Trade in Agricultural products

## **4. Investment Flows**

- 4. 1 Inbound
- 4. 2 Outbound

## **5. The Brazilian Economy Under Dilma Rousseff's Administration**

# Map of Brazil



# 1.1 Strategic Advantages

**Arable land over  
20 millions  
hectars**



UKR



KZT



TUR



ARG



AUS



USA



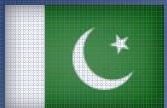
CAN



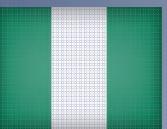
UK



NLD



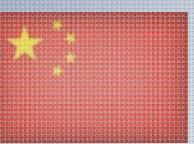
PKT



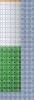
NIG



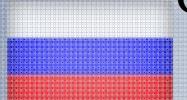
BRA



CHI



IND



RUS



MEX



BGL



JPN

**GDP,  
Population,  
Agriculture**



GER



FRA



SPN

**GDP over  
US\$ 1 Trillion**

KOR

ITA

# Fundamentals of Brazil's Economy

## 1.2 Oil Production

- **2005 – 1.85 million barrels a day**
- **2006 – Brazil achieves self sufficiency in oil**
- **2007 – Discovery of Tupi oilfield with estimated 10 billion of barrels of oil. The discovery could double the Brazilian reserves.**
- **2008 – Discovery of Carioca oilfield with estimated 70 billion barrels of oil. Discovery puts Brazil's oil reserves among the world's largest <sup>1</sup>**
- **2010 – 2.1 million barrels a day**
- **2011 – 2.6 million barrels a day <sup>2</sup>**



Source:

<sup>1</sup>- Financial Times, July 8 2008

<sup>2</sup>- Petrobras, February 2011 estimate

# Fundamentals of Brazil's Economy

## 1.2 Ethanol Production

- 27 billion liters/year (2009)
- 70 billion liters/year (2020)\* Estimate
- Increase in cultivated area by 67,000 hectares
- Creation of 20,000 direct jobs and 60,000 indirect jobs
- Investments in production chain estimated at around USD 1,5 billion for the next years
- CO<sup>2</sup> emission reduction by 3.5 million tons/year

Source: Sugar Cane Industry Union - UNICA

# Fundamentals of Brazil's Economy

## 1.2 World's Oil Reserves

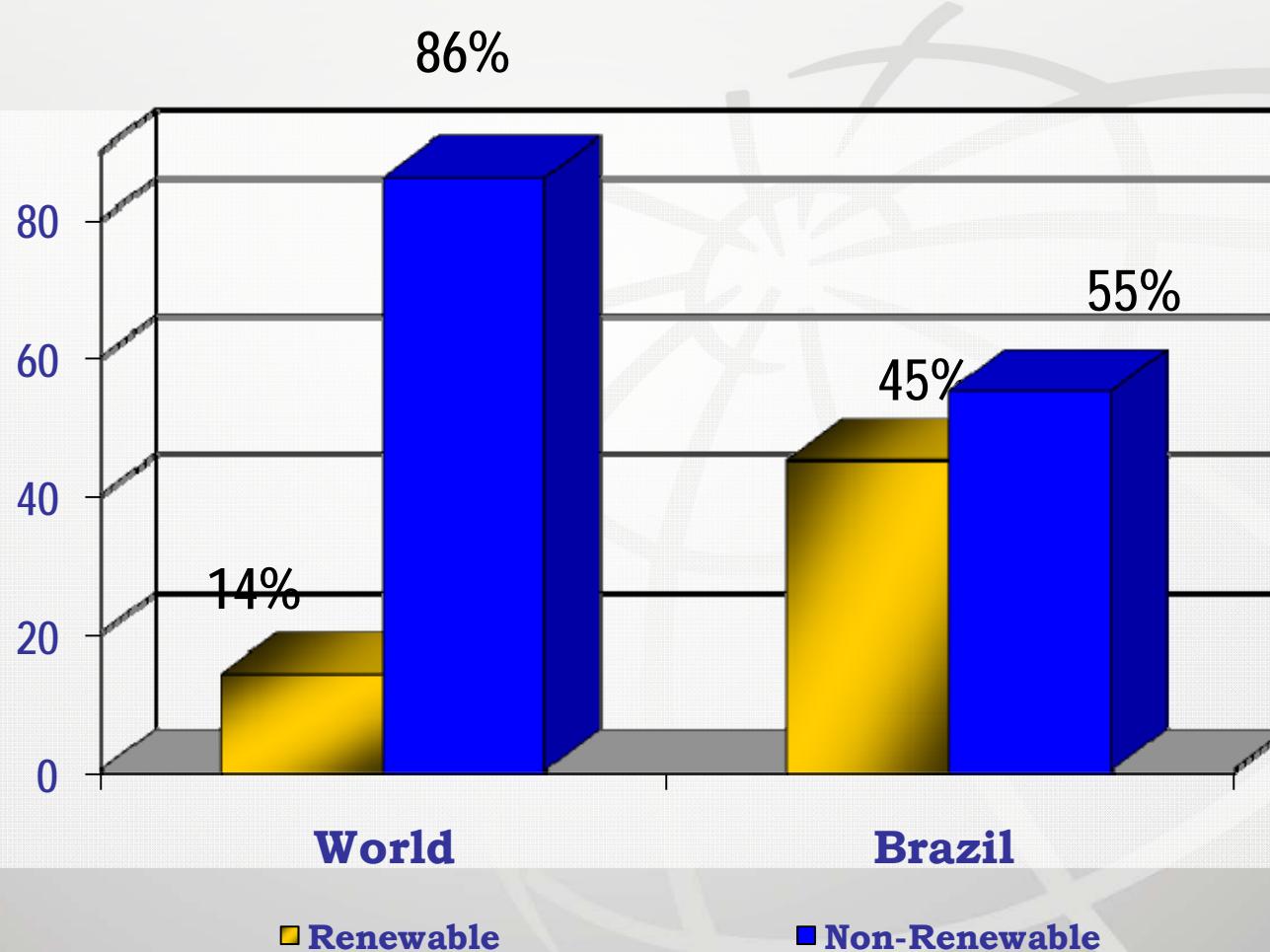
In Billion of  
Barrels

1	Saudi Arabia	264.6
2	Iran	137.6
3	Venezuela	172.3
4	Iraq	115.0
5	Kuwait	101.5
6	UAE	97.8
7	Brazil	82.9*
8	Russia	74.2
9	Libya	44.3
10	Kazakhstan	39.8
11	Nigeria	37.2
12	USA	28.4

Source: BP Statistical Review of World Energy – June, 2010

# Fundamentals of Brazil's Economy

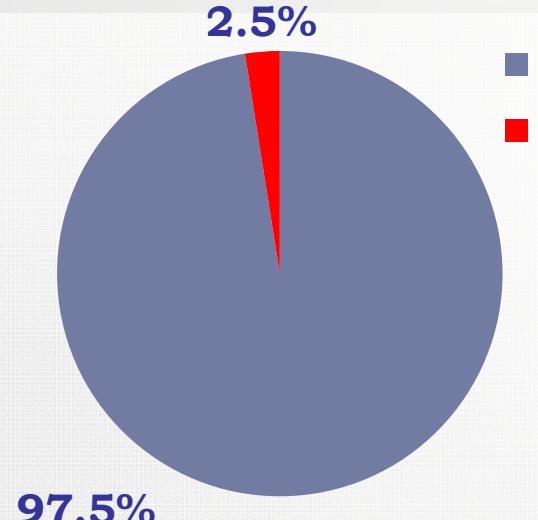
## 1.2 Sources of Energy



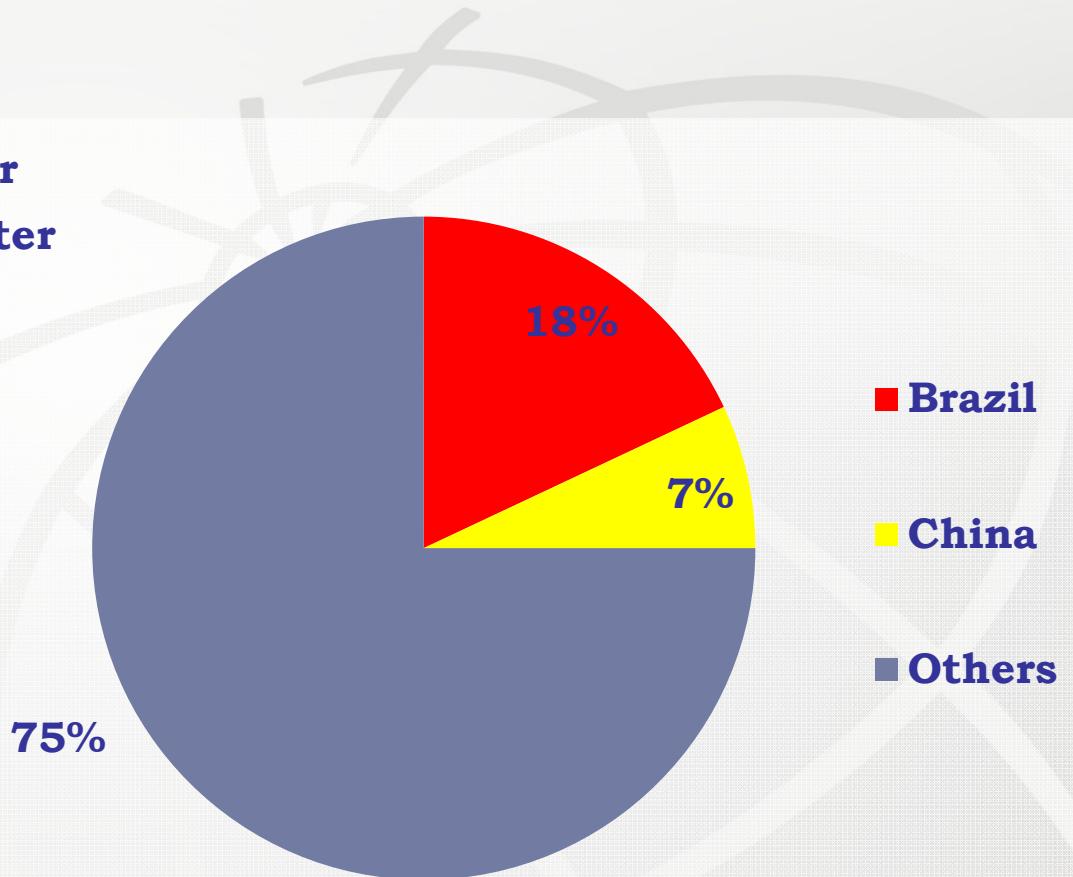
Source: Brazilian Ministry of Mines and Energy

# Fundamentals of Brazil's Economy

## 1.3 World's Availability of Fresh Water



■ Saltwater  
■ Freshwater

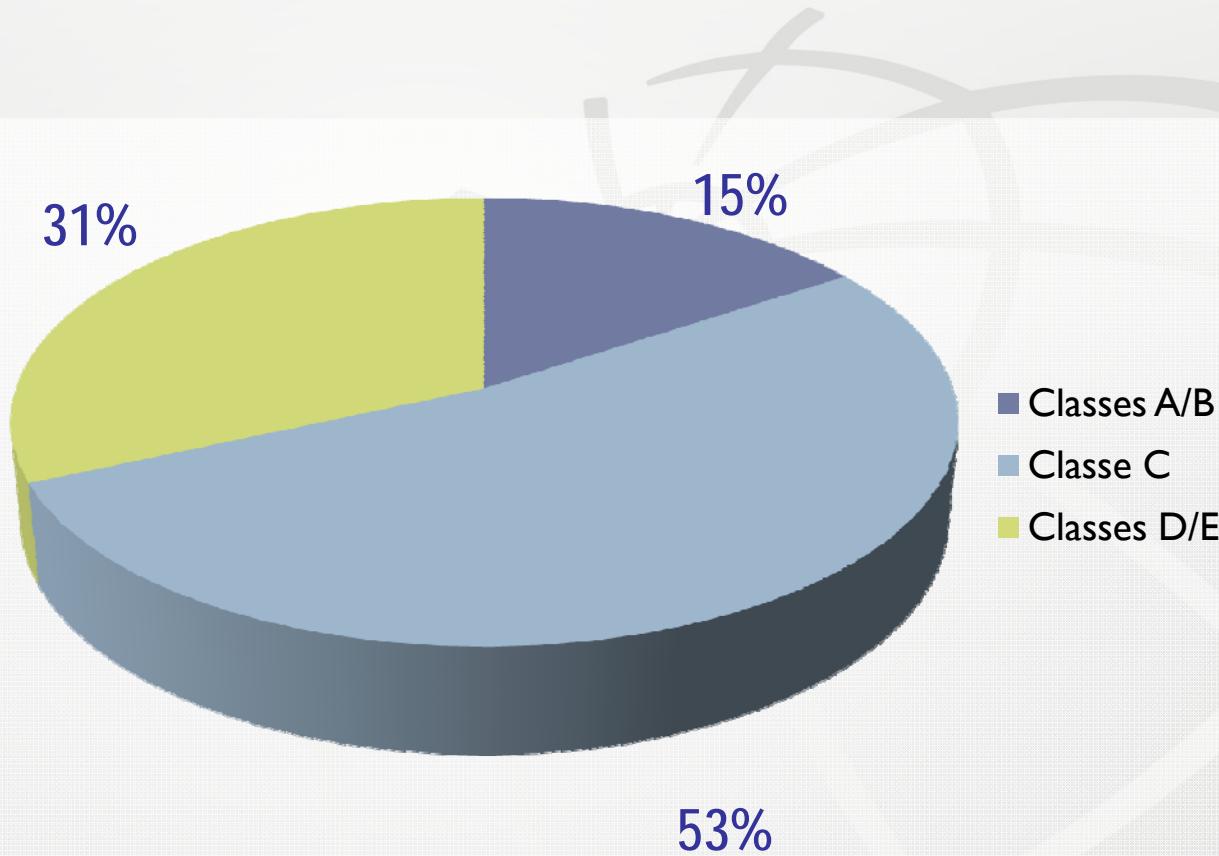


■ Brazil  
■ China  
■ Others

Source: Brazilian National Agency of Water and Embassy of the Popular Republic of China

# Fundamentals of Brazil's Economy

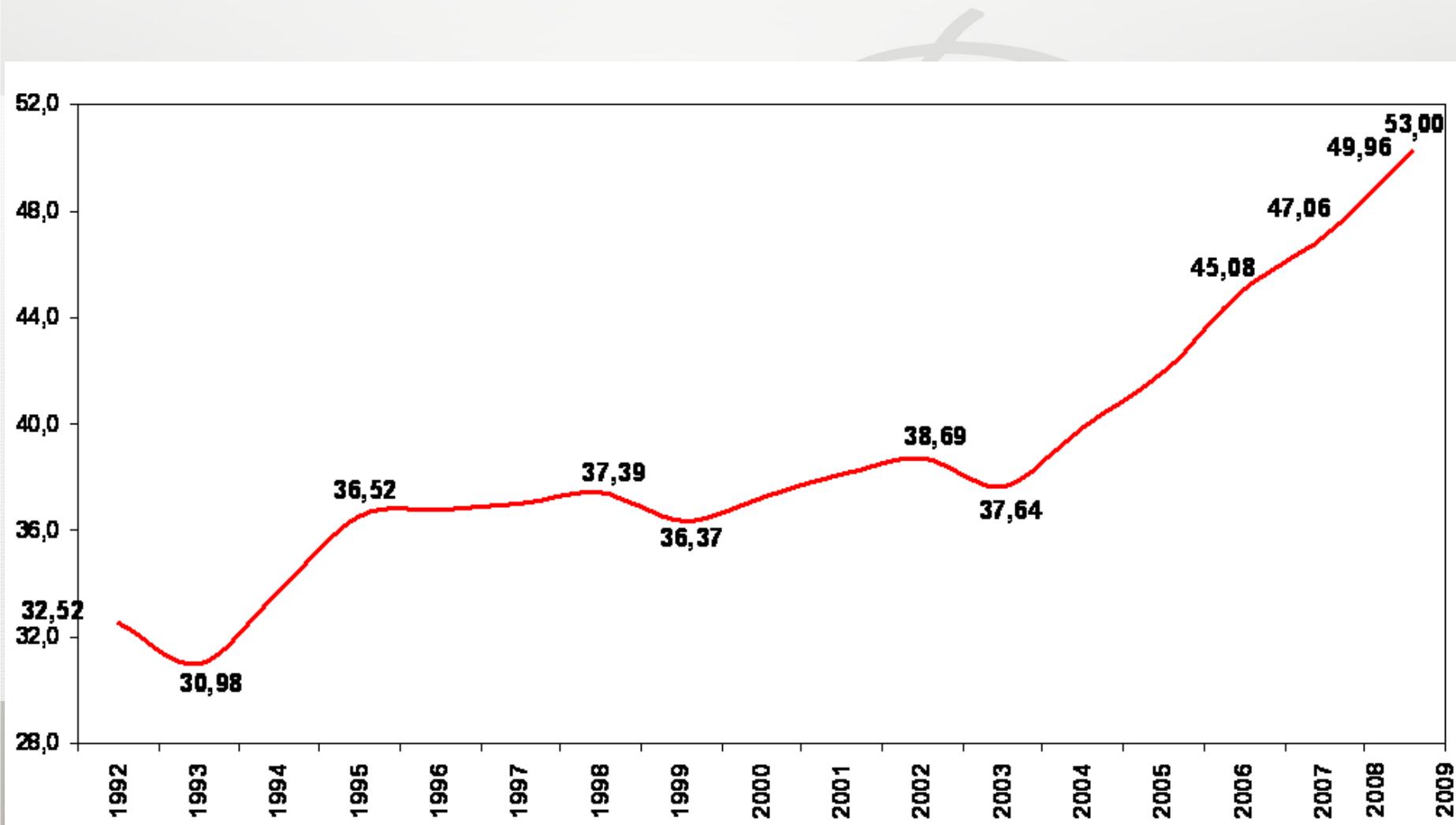
## 1.4 Brazil's Social Development: Division by Classes in 2009



Source: FGV

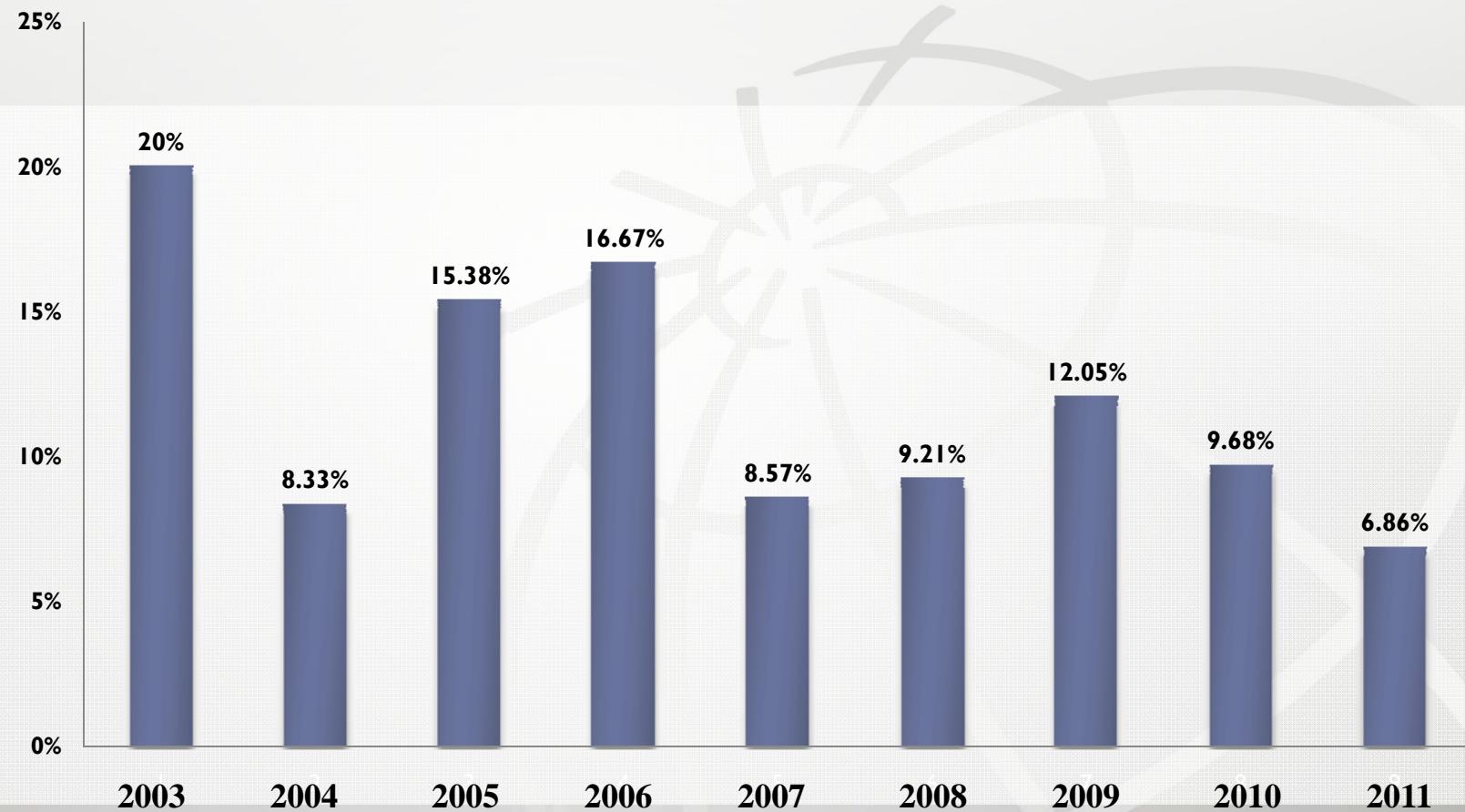
# Fundamentals of Brazil's Economy

## 1.4 Middle Class in % of the Brazilian Population – 1992/2009



# Fundamentals of Brazil's Economy

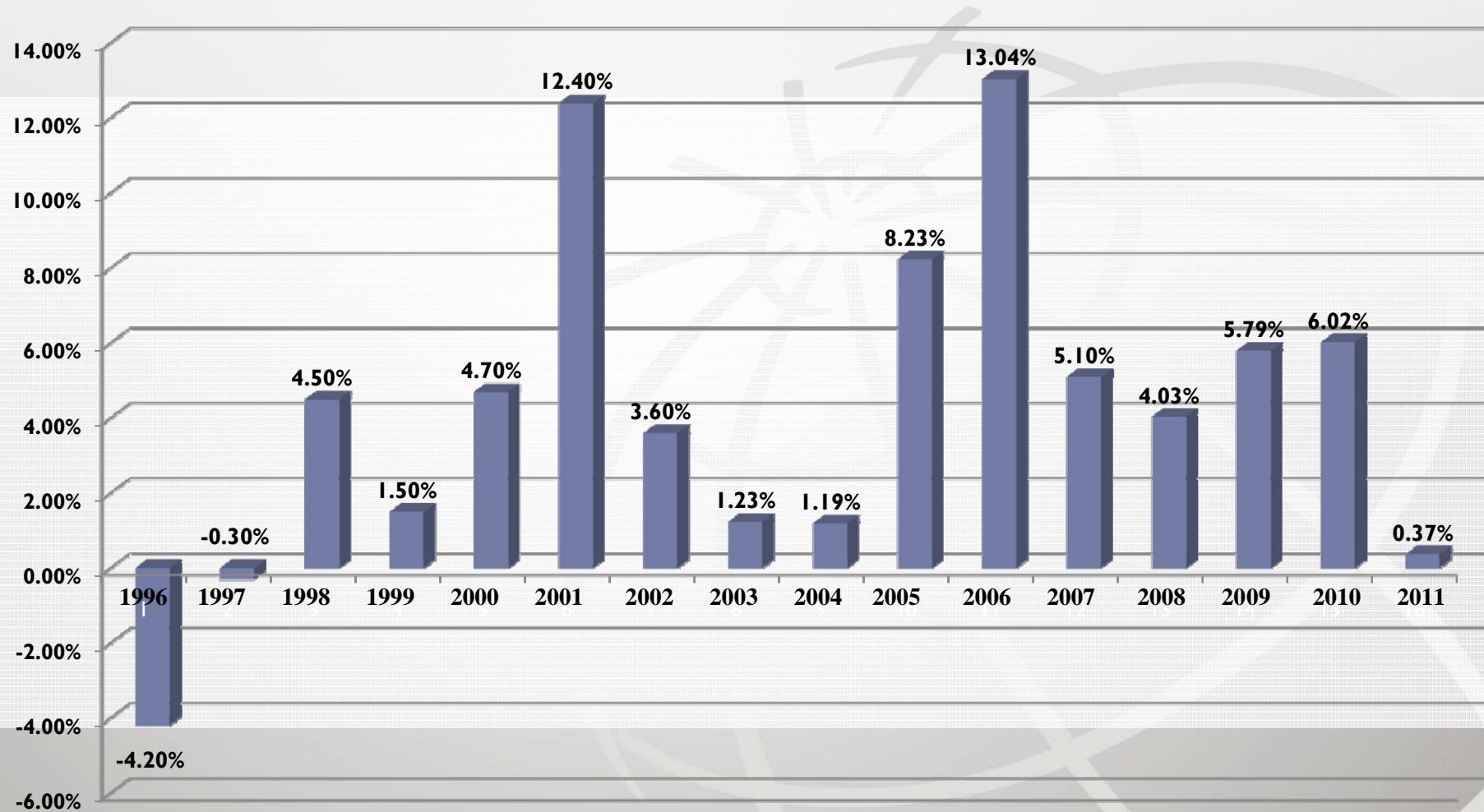
## 1.4 Salaries' Growth



Source: DIEESE

# Fundamentals of Brazil's Economy

## 1.4 Real Growth of the Minimum Wage – 1996/2011

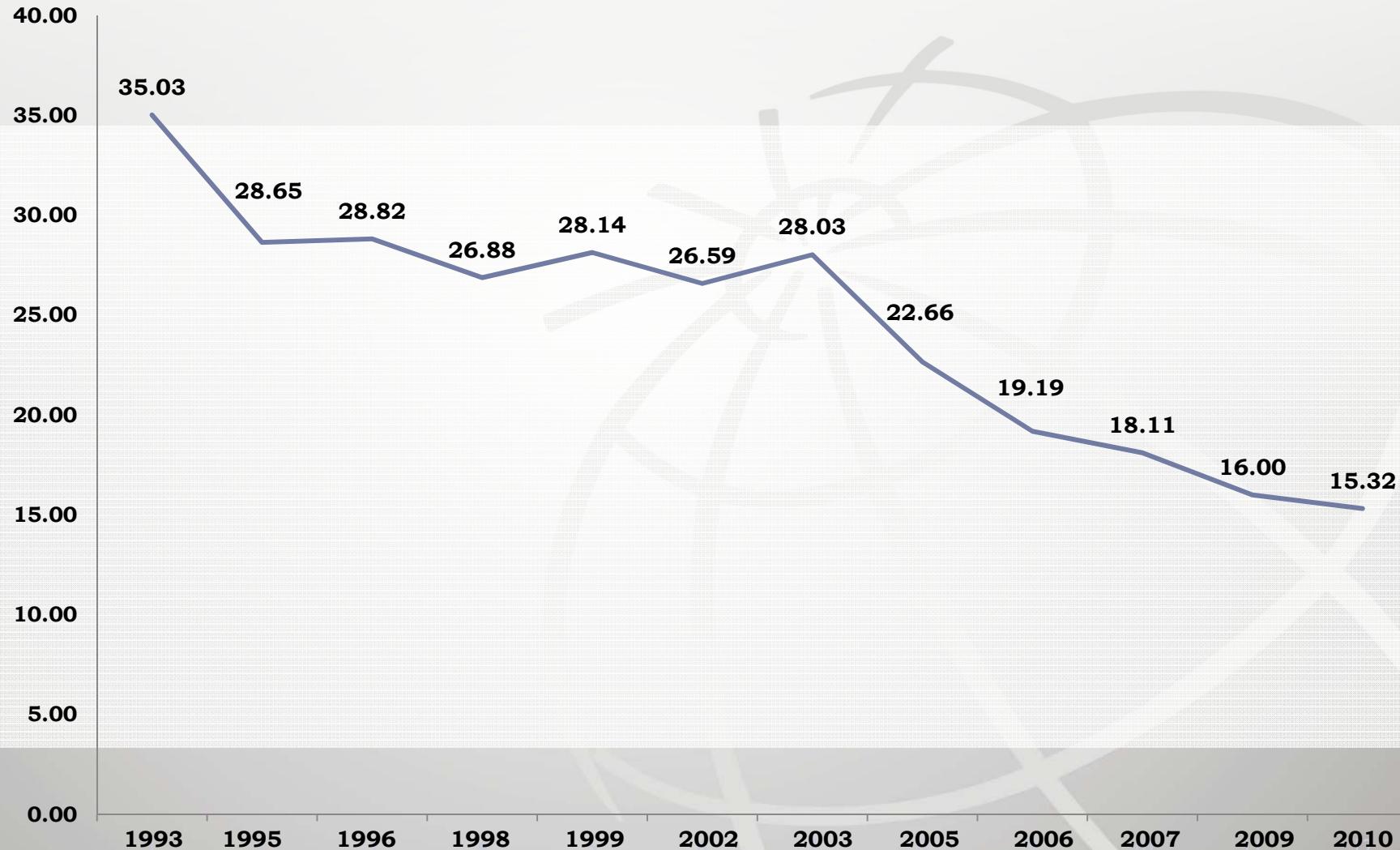


Minimum Wage today in SP: R\$ 545,00

Source: DIEESE

# Fundamentals of Brazil's Economy

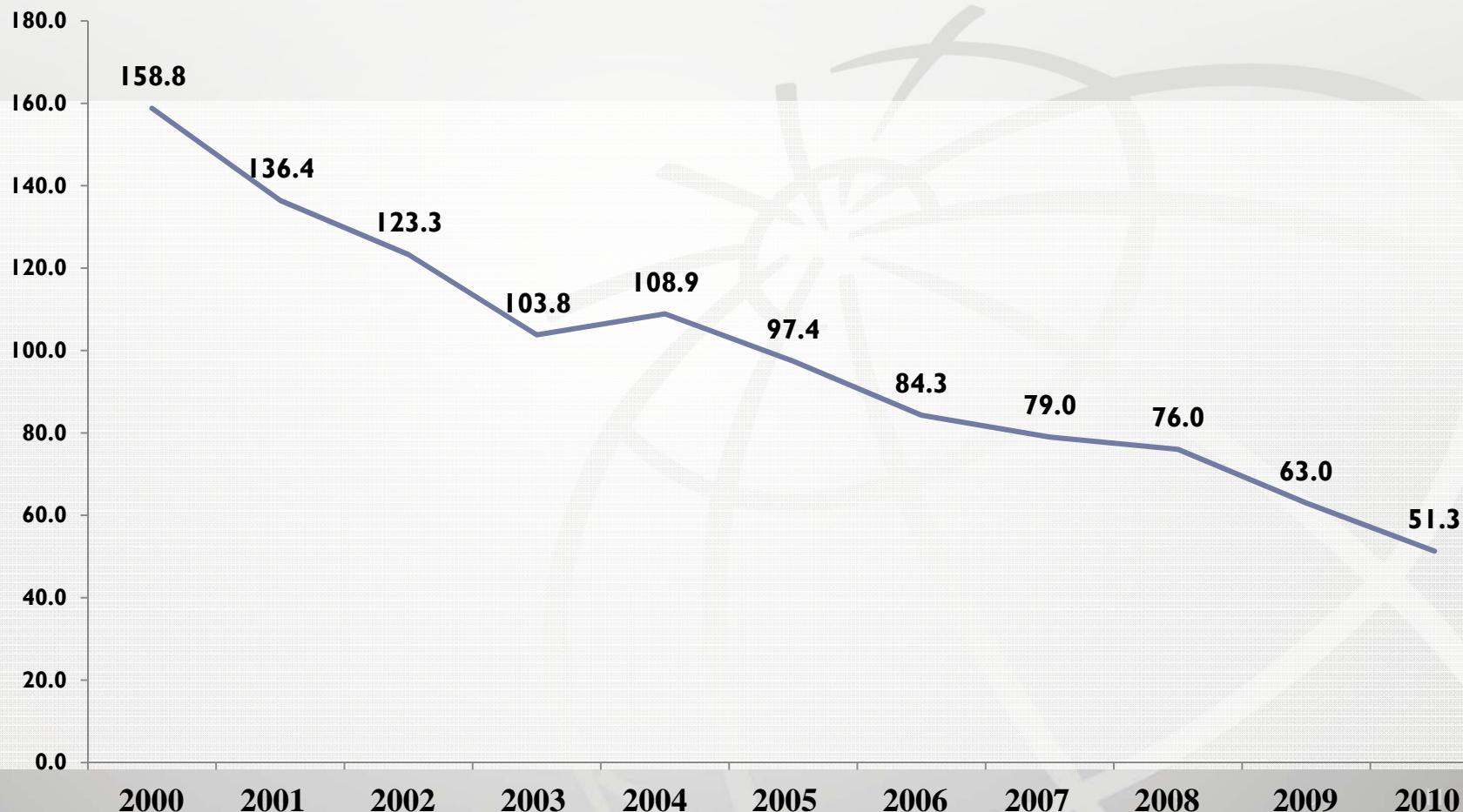
## 1.4 Poverty in % of the Brazilian Population – 1992/2010



Source: CPS/FGV

# Fundamentals of Brazil's Economy

## 1.4 Number of Minimum Wages Required to Acquire a Basic Car



Source: FIPE

# Fundamentals of Brazil's Economy

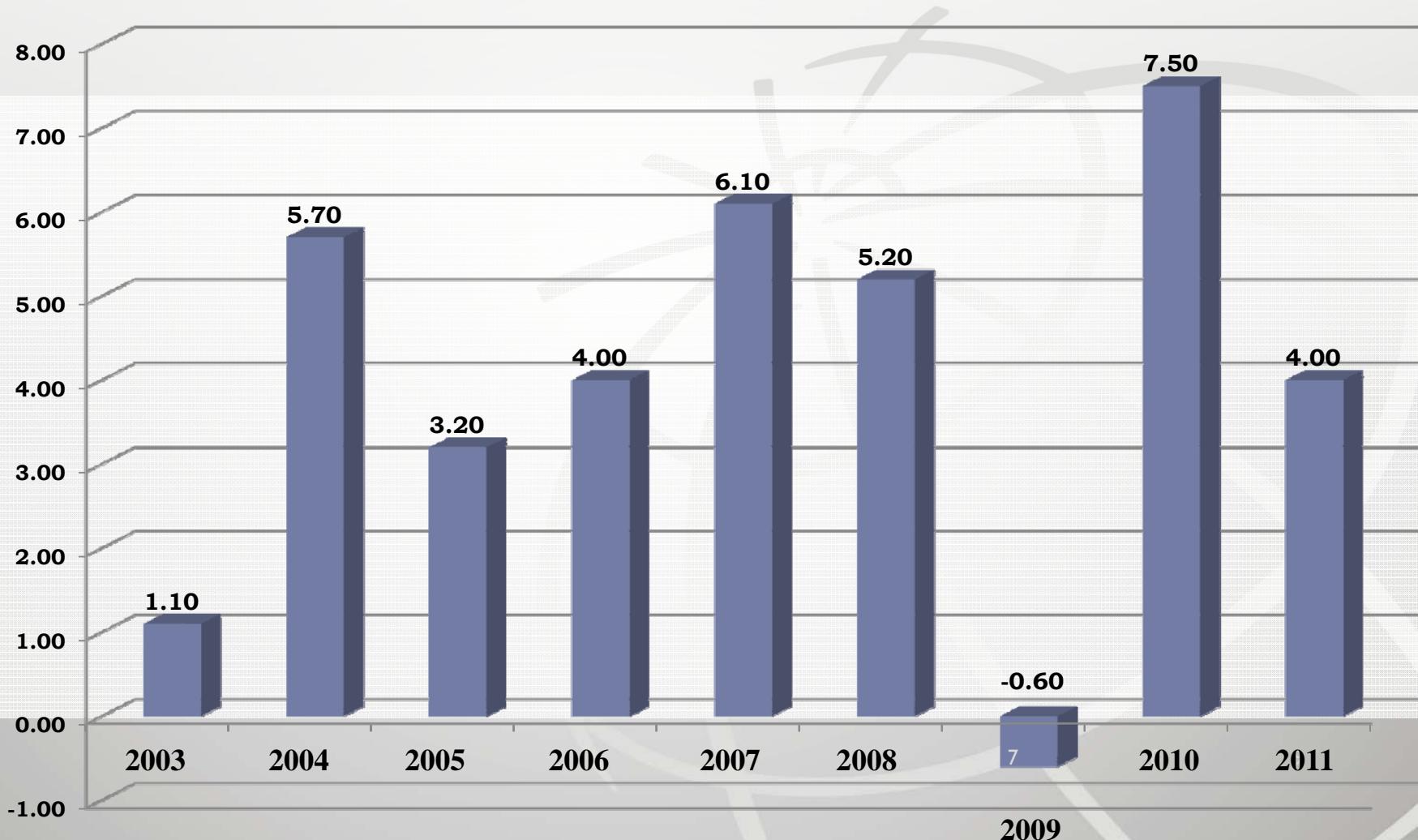
## 2.1 Brazil's GDP in US\$

	2003	2004	2005	2006	2007	2008	2009	2010
GDP (Billion)	552	663.4	882	1,006	1,300	1,378	1,922	2,090
Population (Million)	178.9	181.5	185.5	186.7	188.9	196.0	199	203
GDP per capita (Thousand)	3,10	3,66	4,77	5,41	6,91	7,030	9,658	10,295

Source: Brazilian Institute of Geography and Statistics - IBGE

# Fundamentals of Brazil's Economy

## 2.1 Economic Growth % (GDP)

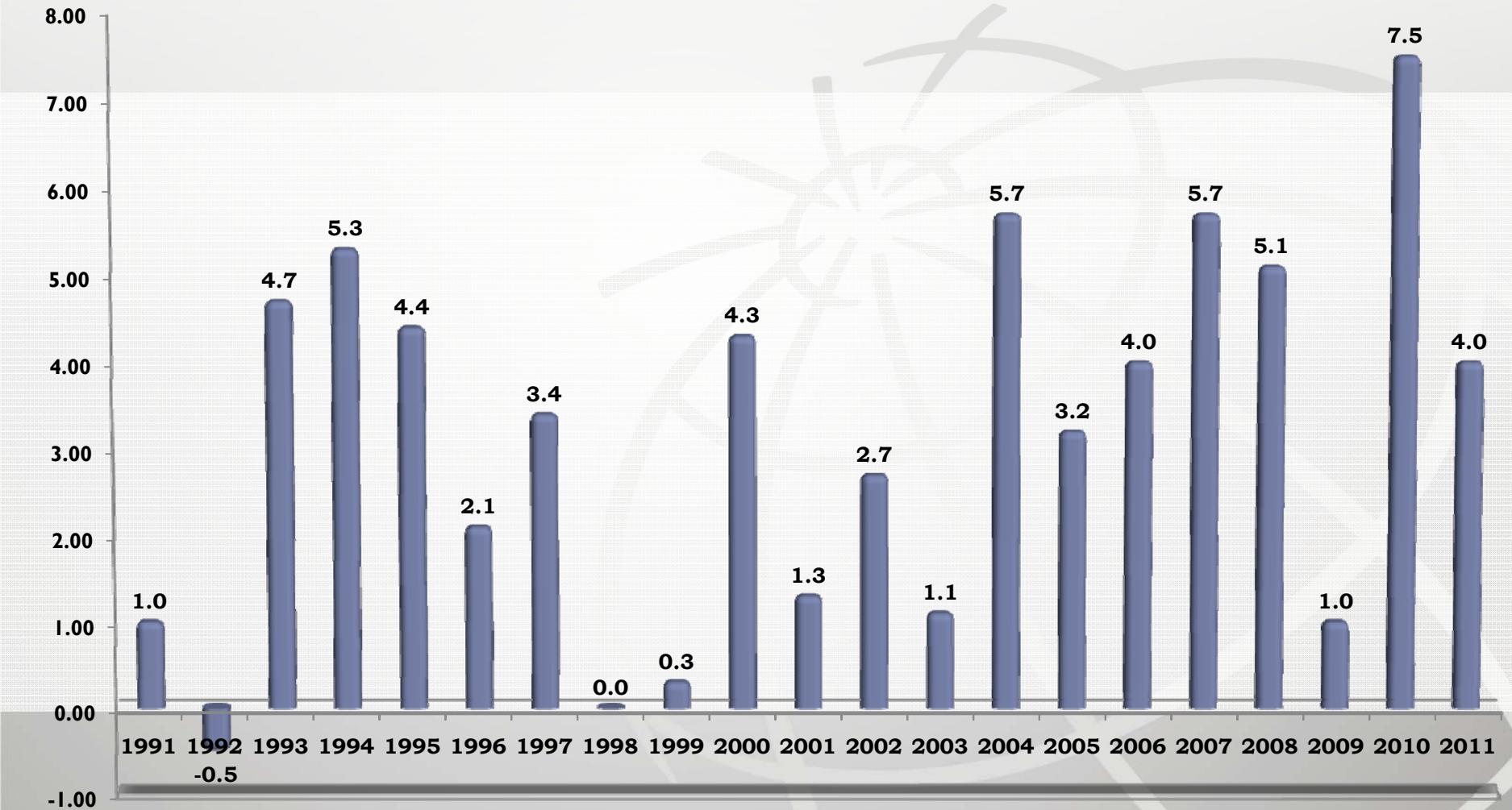


Source: Brazilian Institute of Geography and Statistics – IBGE/IEDI

\* Estimate – March, 2011

# Fundamentals of Brazil's Economy

## 2.1 Brazil's GDP – 1991 – 2011



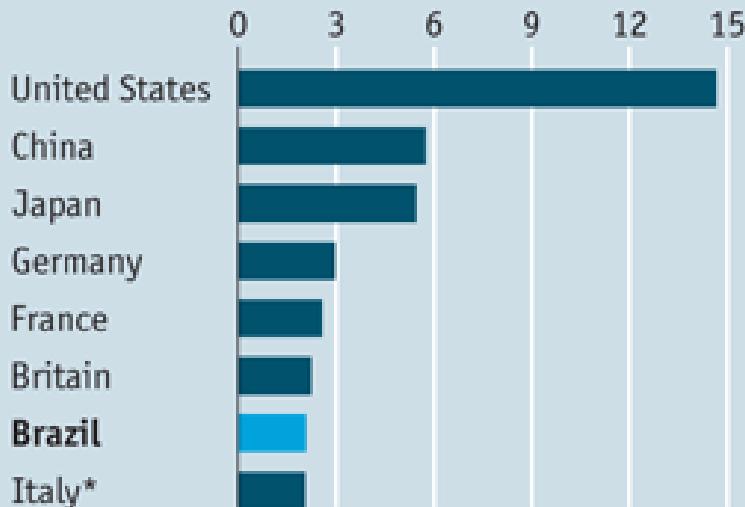
Source: MTE - CAGED

# Biggest Economies Projected 2011 GDP US\$ Trillion

## Brazil rising

Biggest economies, 2010 GDP

\$trn at average exchange rates



Sources: National accounts;  
Thomson Reuters

\*The Economist estimate

Source: The Economist

# Fundamentals of Brazil's Economy

## 2.2 Development of External Debt

Year	Gross Amount (US\$ Billion)	Net Amount (US\$ Billion)
2000	216,9	
2001	209,9	
2002	210,7	
2003	214,9	165,6
2004	201,4	148,4
2005	169,4	115,6
2006	172,6	86,76
2007	193,2	12,86
2008	200,2	(-6,6)
2009	201,4	(-7,8)
2010	256,8	(-27,46)
2011*	271,0	(-36,00)

Source: Central Bank

\* February, 2011

# Fundamentals of Brazil's Economy

## 2.3 Brazilian International Reserves

Year	US\$ Billion
2003	49,3
2004	52,9
2005	53,8
2006	85,8
2007	180,3
2008	193,8
2009	238,5
2010	288,6
*2011	307,5

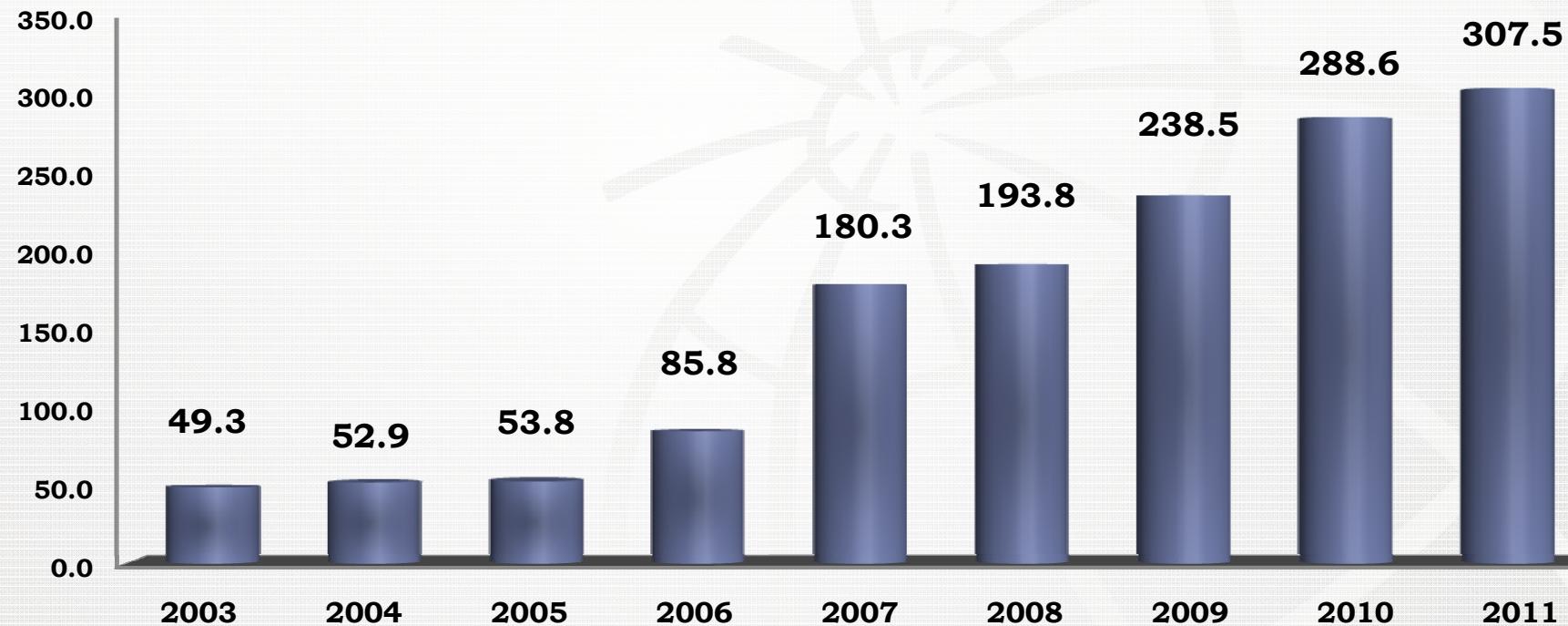
Source: Central Bank

\*March/2011

# Fundamentals of Brazil's Economy

## 2.3 Brazilian International Reserves

US\$ Billion

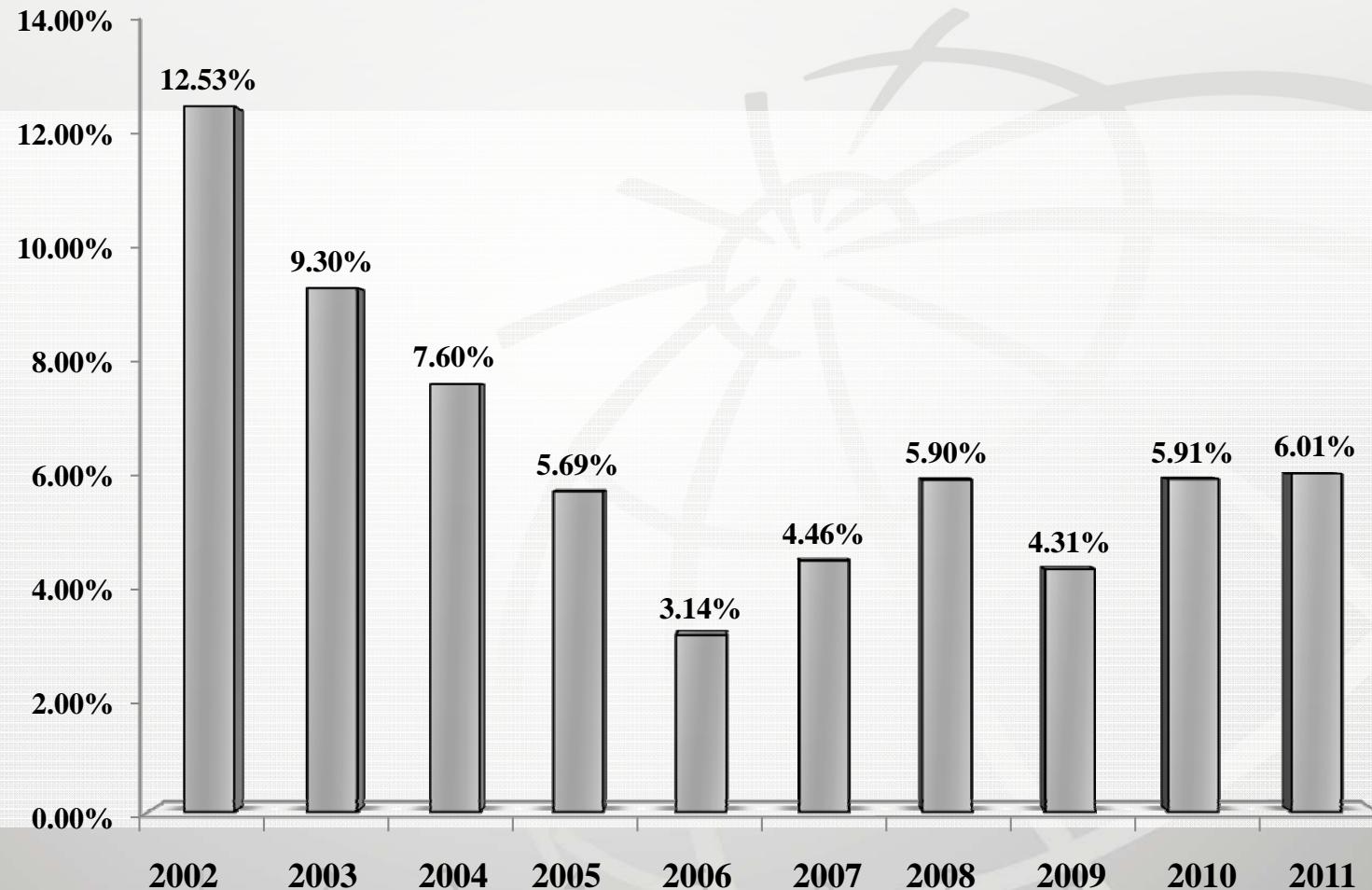


Source: Central Bank

\*February/2011

# Fundamentals of Brazil's Economy

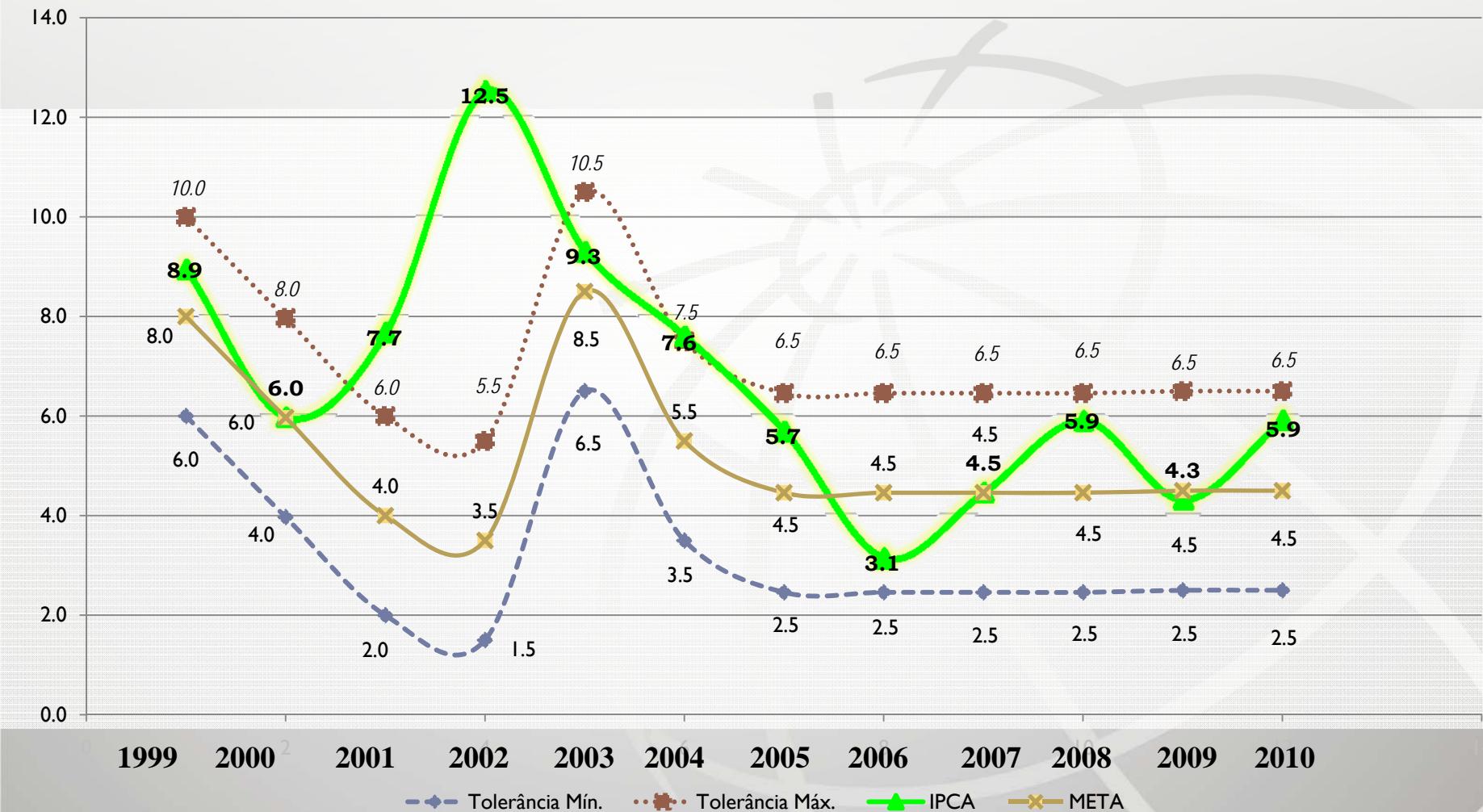
## 2.4 Brazilian Inflation Rates



Source: Brazilian Institute of Geography and Statistics - IBGE

# Fundamentals of Brazil's Economy

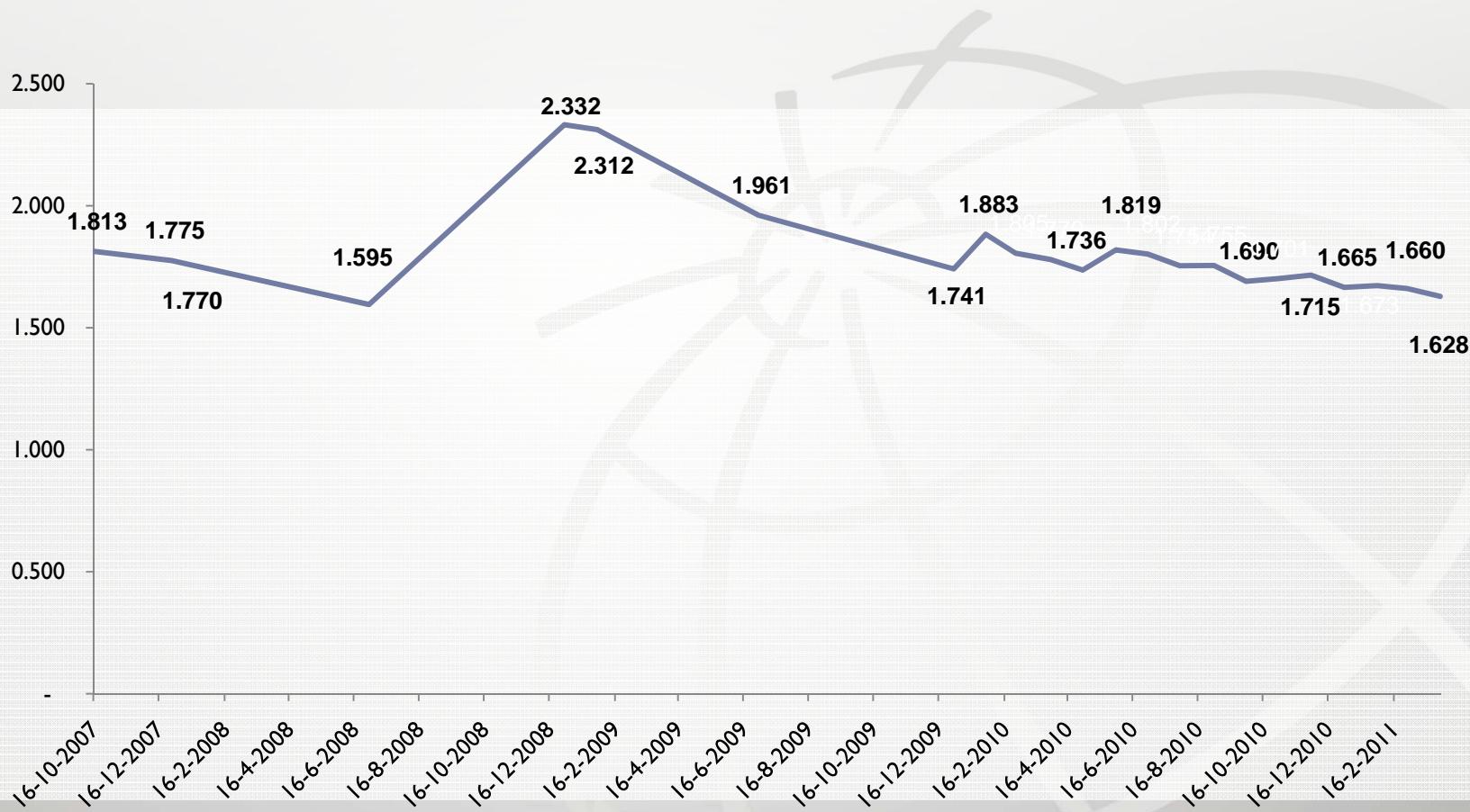
## 2.4 Brazil's Inflation Rate Targeting



Source: Central Bank / IBGE

# Fundamentals of Brazil's Economy

## 2.5 Exchange Rates of the Real Against the US Dollar



# Fundamentals of Brazil's Economy

## 2.6 World's Interest Rates

Country	Nominal Rate	Inflation	Real Rate
Turkey	6,25%	4,16%	2,09%
Russia	8,00%	9,50%	-1,50%
Brazil	11,75%	6,01%	5,74%
South Africa	5,50%	3,70%	1,80%
Mexico	4,50%	3,57%	0,93%
India	5,75%	9,30%	-3,55%
Euro Area	1,00%	2,40%	-1,40%
China	6,06,%	6,01%	0,05%
Japan	0,00%	0,00%	0,00%
USA	0,25%	2,10%	-1,85%

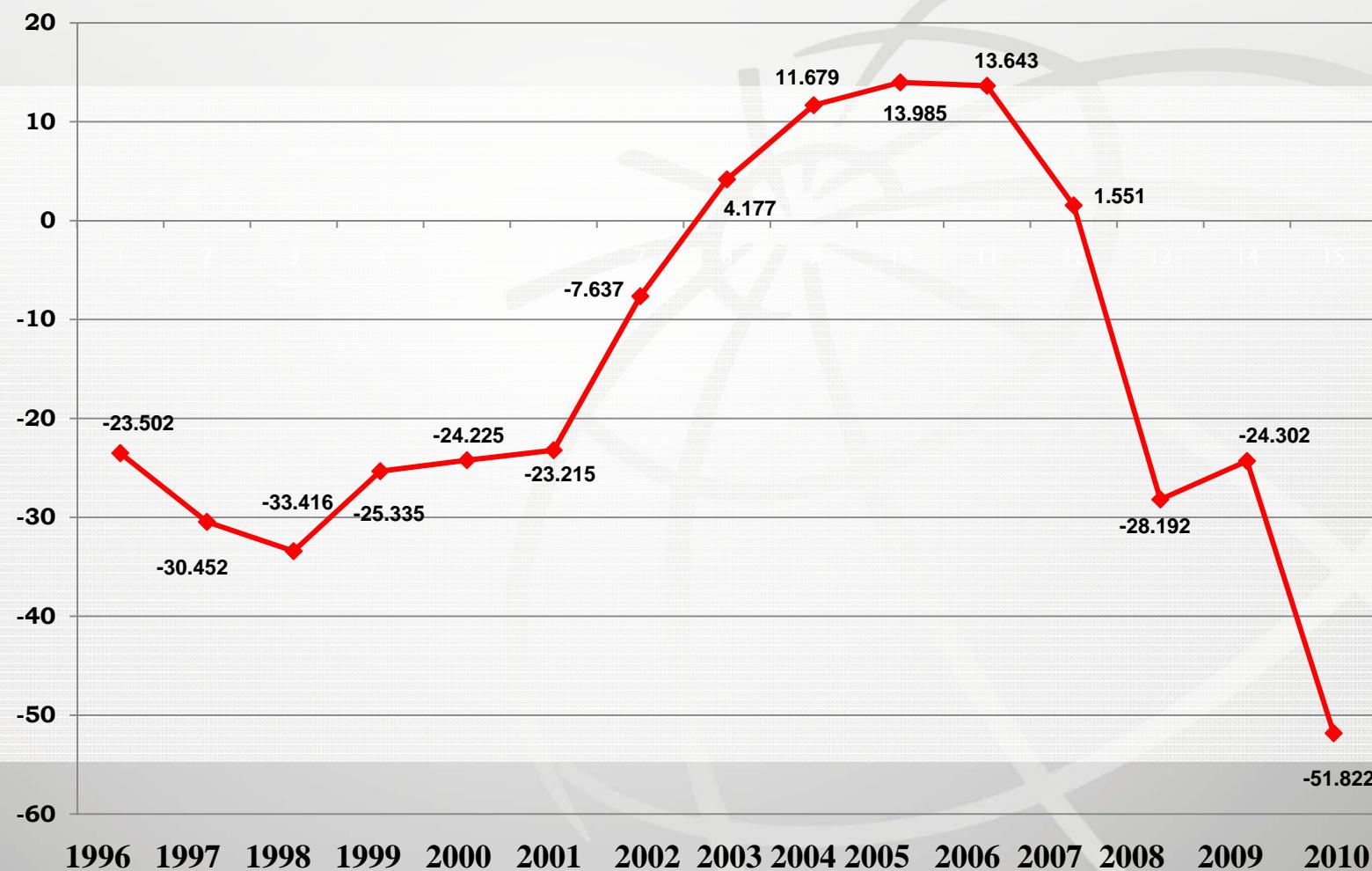
Source: Trading Economics

\* Estimate 2011

# Fundamentals of Brazil's Economy

## 2.7 Brazil's Current Account

US\$ Billion



# Fundamentals of Brazil's Economy

## 2.8 Some Industrial Aspects: Aeroplane Trade

US\$ million	2003	2004	2005	2006	2007	2008	2009	2010
Exports	2,050	3,371	3,302	3,442	4,367	6,064	3,860	3,971
Imports	591	888	967	1,234	1,593	4,950	2,213	2,293
Balance	1,458	2,482	2,335	2,208	2,774	1,114	1,647	1,678
Flow of Commerce	2,641	4,260	4,270	4,676	5,960	11,014	6,073	6,264

Source: Development, Industry and Trade Ministry - MDIC

# Fundamentals of Brazil's Economy

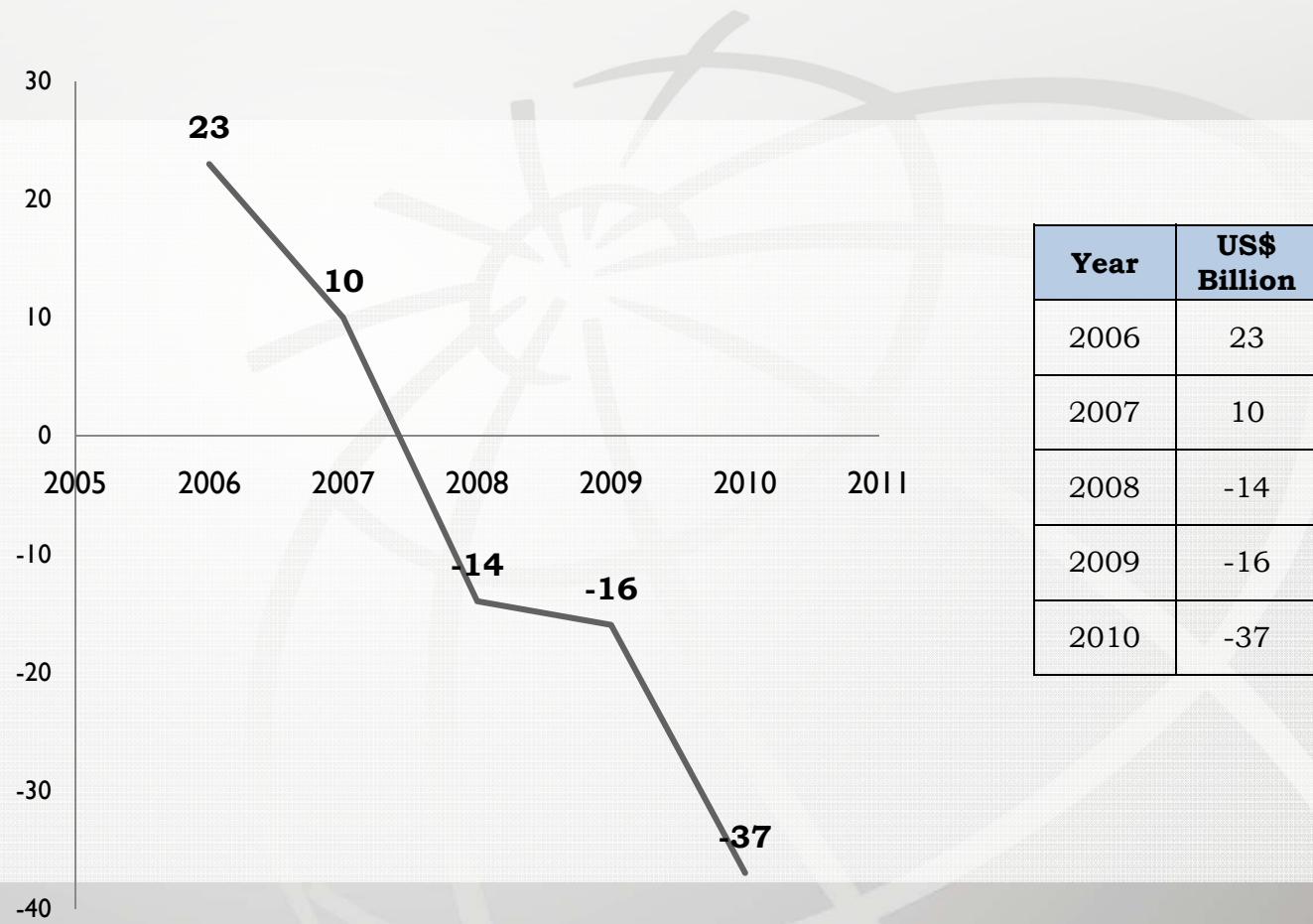
## 2.8 Some Industrial Aspects: Automotive Production

Year	Cars and light commercial vehicles	Trucks	Buses	Total
2005	2,375.142	117,892	35,266	2,528.300
2006	2,471.224	106,001	33,809	2,611.034
2007	2,653.275	133,904	35,084	2,822.263
2008	2,848.706	163,681	38,223	3,050.610
2009	2,924.426	120,994	30,021	3,075.441
2010	3,149.143	189,966	40,520	3,379.629

Source: National Automotive Industry Association – ANFAVEA

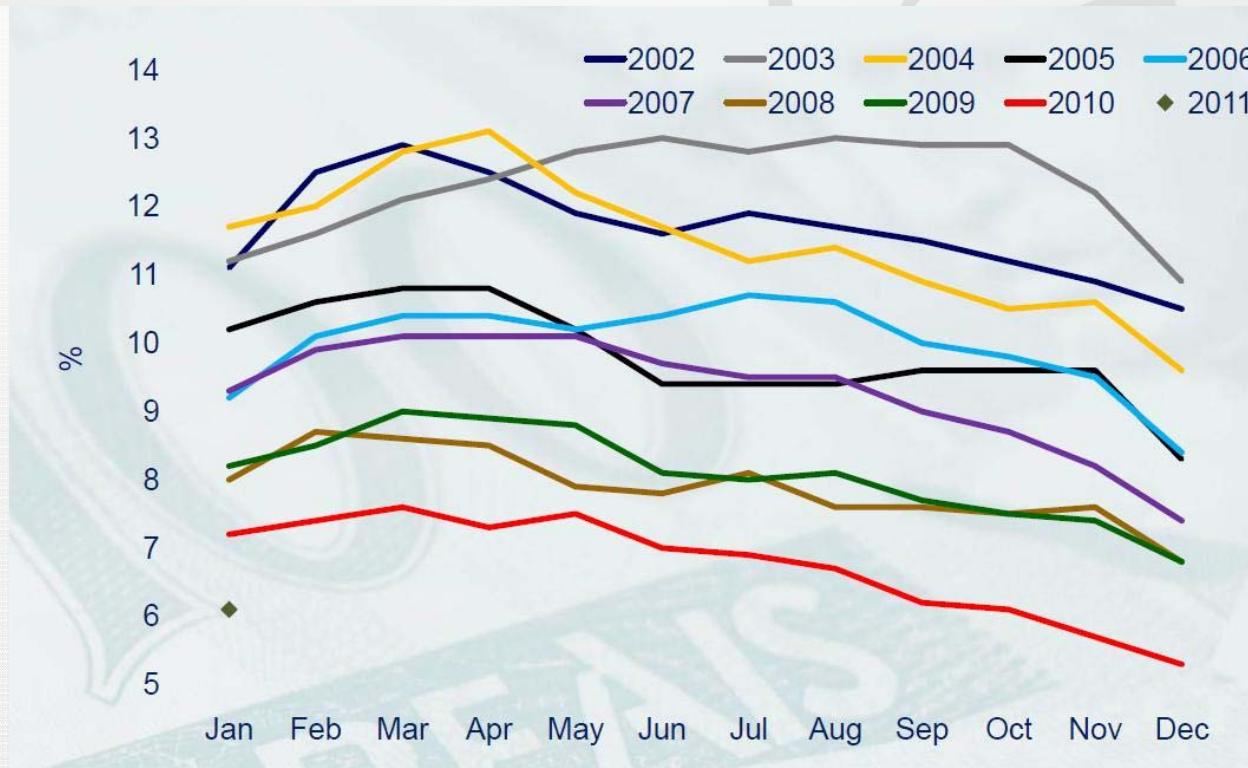
# Fundamentals of Brazil's Economy

## 2.8 Brazilian Trade in Industrialized Products in US\$ Billion



# Fundamentals of Brazil's Economy

## 2.9 Unemployment rate in Brazil



Source: Central Bank/Brazilian Institute of Geography and Statistics - IBGE

# Fundamentals of Brazil's Economy

## 2.10 Main problems yet to be solved

- Taxes are not competitive;
- Interest rates are very high;
- Brazilian currency overvalued;
- Labour costs;
- Infrastructure.



# Foreign Trade

## 3.1 Overview of Brazilian Foreign Trade

US\$ Billion

### Brazilian Trade Overall

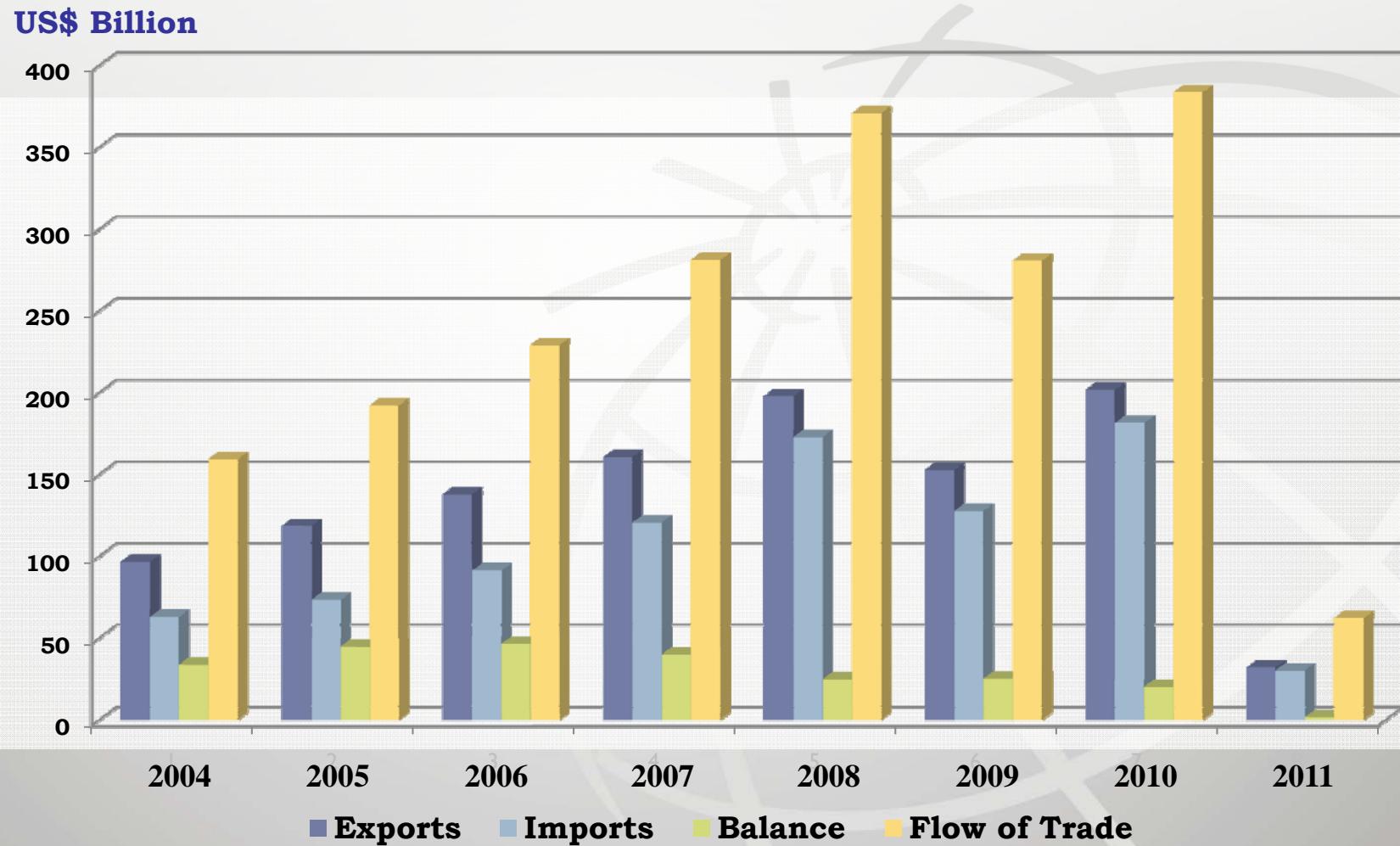
Year	Exports US\$ FOB	Imports US\$ FOB	Balance US\$ FOB	Flow of Trade US\$ FOB
2007	160,64	120,61	40,03	281,26
2008	197,94	172,98	24,95	370,92
2009	152,99	127,72	25,27	280,71
2010	201,91	181,67	20,23	383,59
* 2011	31,94	30,32	1,62	62,27

Source: Development, Industry and Trade Ministry - MDIC

\* Up to February 2011

# Foreign Trade

## 3.1 Brazil's Balance of Trade



Source: Development, Industry and Trade Ministry - MDIC

\* February, 2011

# Foreign Trade

## 3.2 Brazilian Trade with Selected Partners: European Union

US\$ Billion

Year	Exports US\$ FOB	Imports US\$ FOB	Balance US\$ FOB	Flow of Trade US\$ FOB
2007	40,42	26,73	13,69	67,16
2008	46,39	36,17	10,21	82,57
2009	34,03	29,22	4,81	63,26
2010	43,13	39,12	4,01	82,25
* 2011	7,02	6,15	0,87	13,17

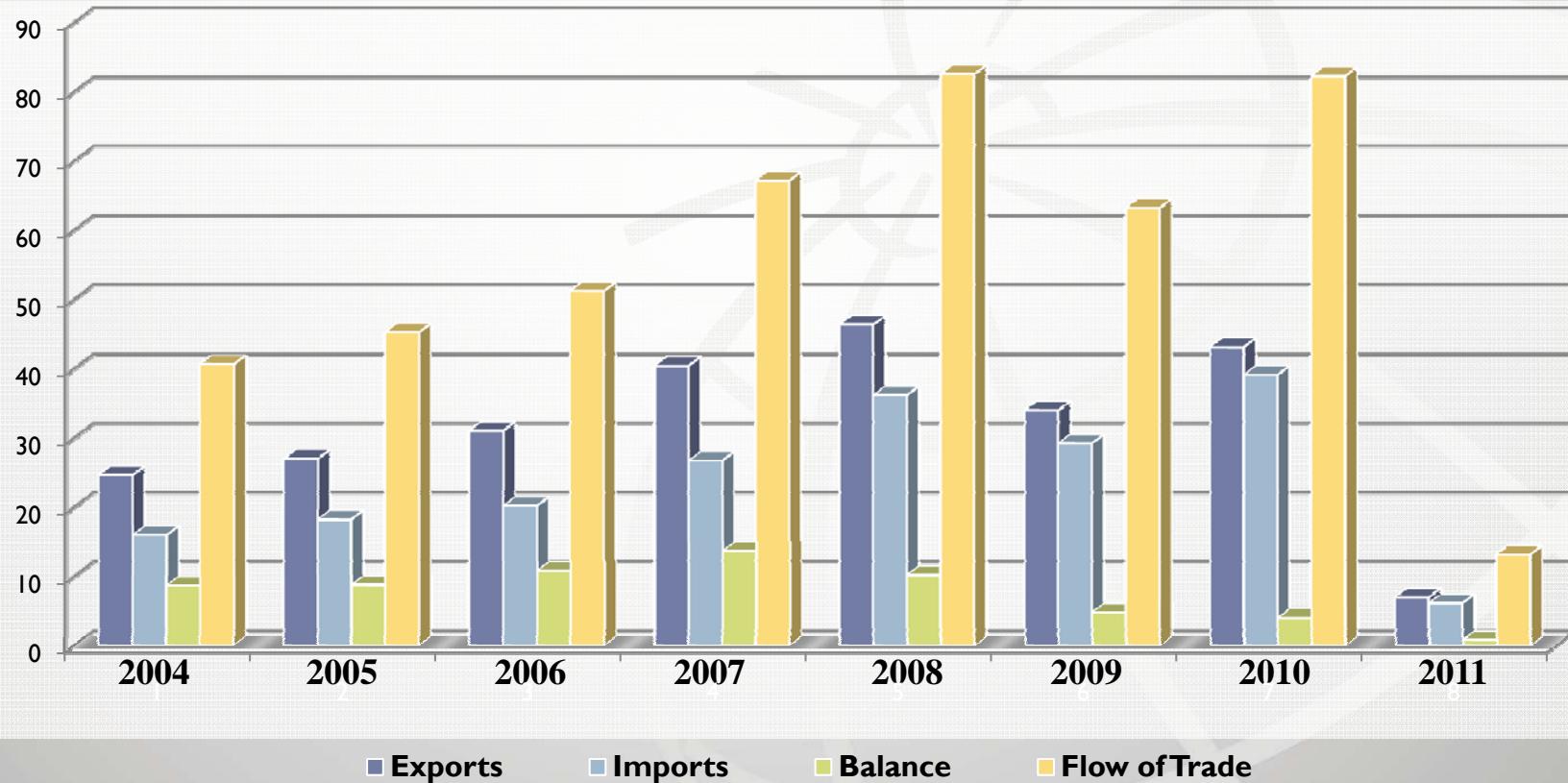
Source: Development, Industry and Trade Ministry - MDIC

\* February 2011

# Foreign Trade

## 3.2 Brazilian Trade with Selected Partners: European Union

US\$ Billion



Source: Development, Industry and Trade Ministry - MDIC

\* February 2011

# Foreign Trade

## 3.2 Brazilian Trade with Selected Partners: USA

US\$ Billion

Year	Exports US\$ FOB	Imports US\$ FOB	Balance US\$ FOB	Flow of Trade US\$ FOB
2007	25,06	18,72	6,34	43,78
2008	27,42	25,62	1,79	53,05
2009	15,60	20,03	-4,43	35,63
2010	19,30	27,04	-7,73	46,34
2011	3,34	4,56	-1,22	7,91

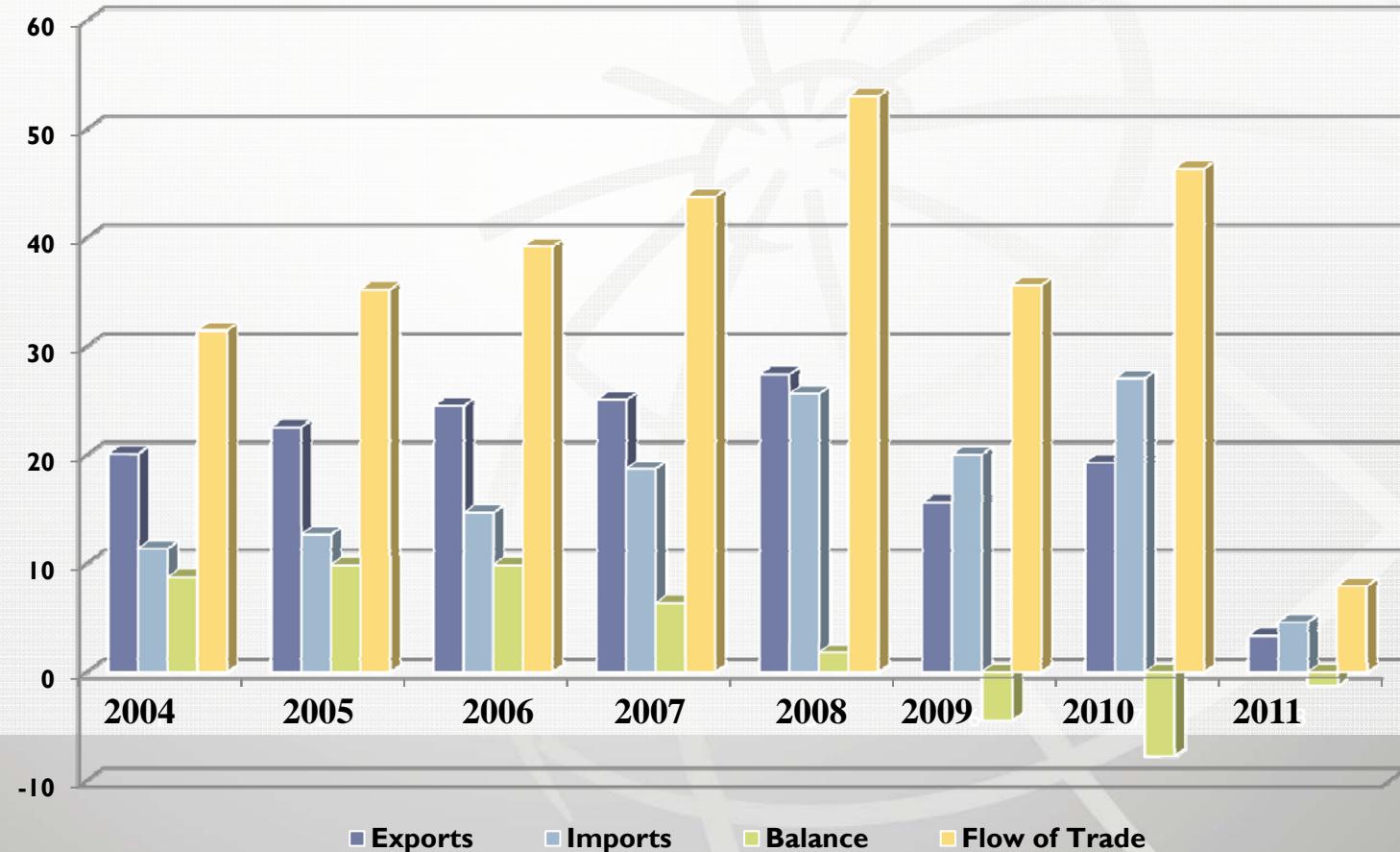
Source: Development, Industry and Trade Ministry – MDIC

\* March 2011

# Foreign Trade

## 3.2 Brazilian Trade with Selected Partners: USA

US\$ Billion



Source: Development, Industry and Trade Ministry - MDIC

\* February 2011

# Foreign Trade

## 3.2 Brazil's Imports from the US – 1995/2010

Year	US\$ FOB	VAR%
1995	10.519.498.419	57,61
1996	11.818.422.203	12,35
1997	13.706.094.568	15,97
1998	13.514.742.008	-1,4
1999	11.741.047.942	-13,12
2000	12.899.226.083	9,86
2001	12.905.492.013	0,05
2002	10.287.452.316	-20,29
2003	9.569.454.702	-6,98
2004	11.357.061.637	18,68
2005	12.666.508.176	11,53
2006	14.657.479.678	15,72
2007	18.723.280.625	27,74
2008	25.627.961.850	36,88
2009	20.032.145.355	-21,83
2010	27.041.753.321	34,99

Source: Development, Industry and Trade Ministry - MDIC

# Foreign Trade

## 3.2 Brazilian Trade with Selected Partners: China

US\$ Billion

Year	Exports FOB	Imports FOB	Balance FOB	Flow of Trade FOB
2007	10,74	12,62	-1,86	23,36
2008	16,52	20,04	- 3,52	36,56
2009	21	15,9	5,09	36,91
2010	30,78	25,59	5,19	56,37
* 2011	3,97	4,71	- 0,74	8,69

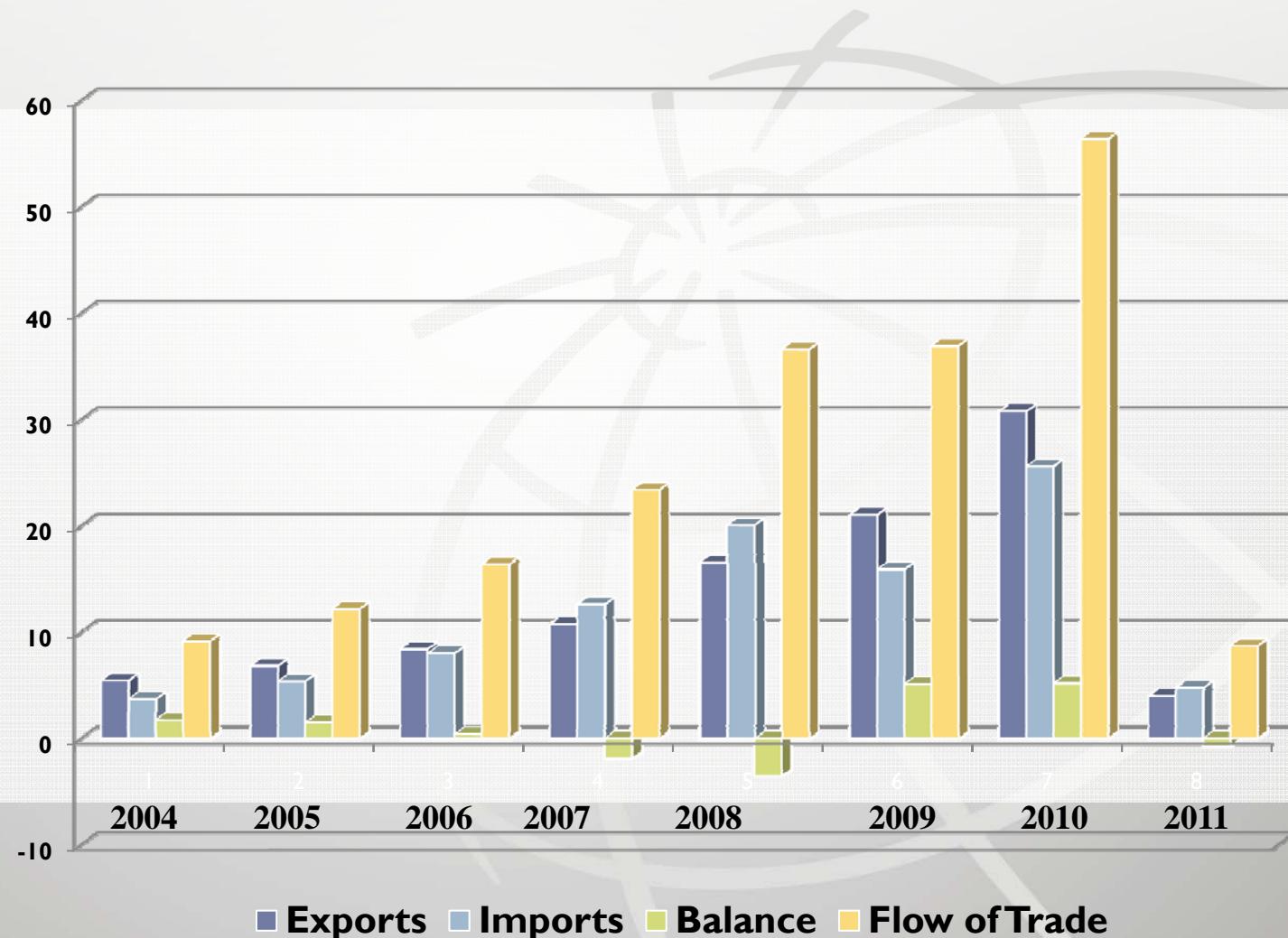
Source: Development, Industry and Trade Ministry - MDIC

\* February 2011

# Foreign Trade

## 3.2 Brazilian Trade with Selected Partners: China

US\$ Billion



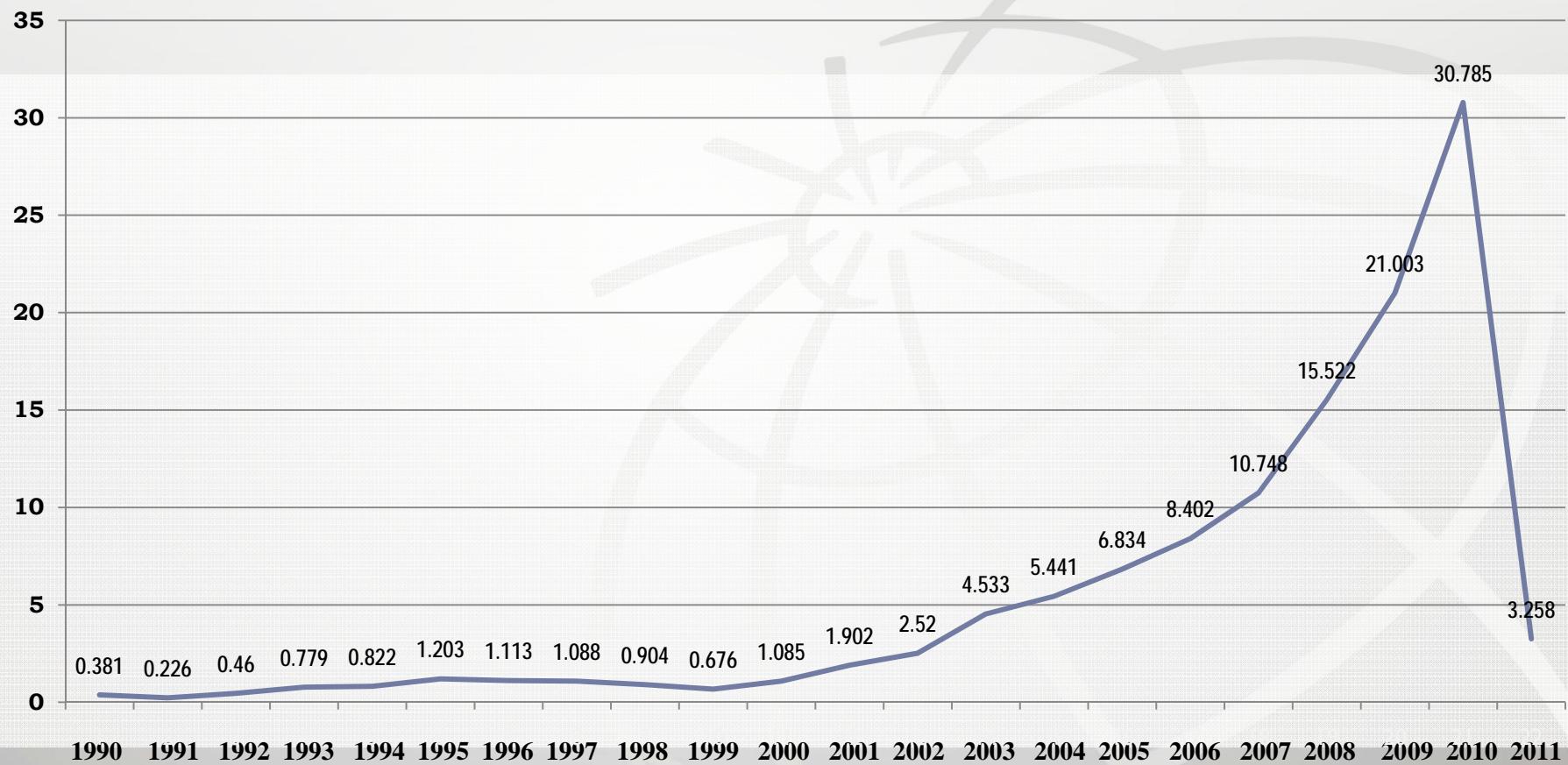
Source: Development, Industry and Trade Ministry - MDIC

\* February 2011

# Foreign Trade

## 3.2 Brazilian Trade with Selected Partners: China

US\$ Billion



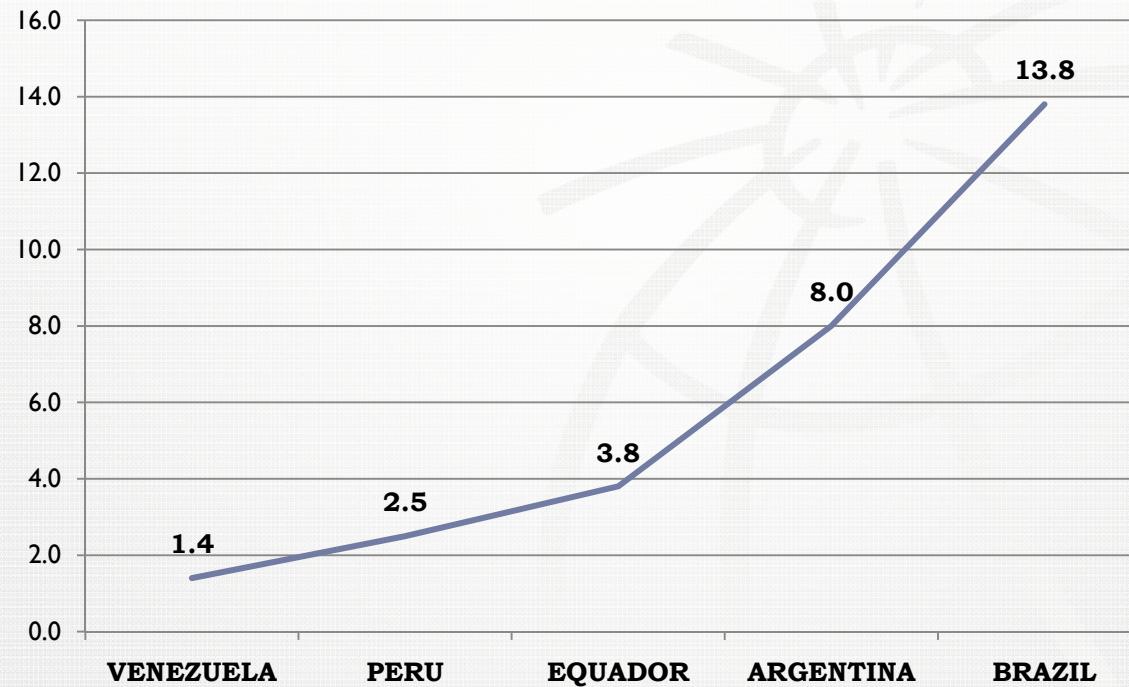
Source: Development, Industry and Trade Ministry - MDIC

\* February 2011

# Foreign Trade

## 3.2 Chinese Direct Investments in South America in 2010

US\$ Billion



Country	US\$ Billion
VENEZUELA	1,4
PERU	2,5
EQUADOR	3,8
ARGENTINA	8,0
BRAZIL	13,8

# Foreign Trade

## 3.3 Brazilian Trade in Agricultural products

Products	Position between main exporters	% of Total Global Exports
Orange juice	1º	81%
Poultry	1º	35%
Sugar	1º	33%
Coffee	1º	30%
Tobacco	1º	27%
Bovine Meat	1º	24%
Ethanol	1º	13%
Soy	2º	32%
Soy Oil	2º	28%
Pork	4º	11%
Cotton	5º	5%

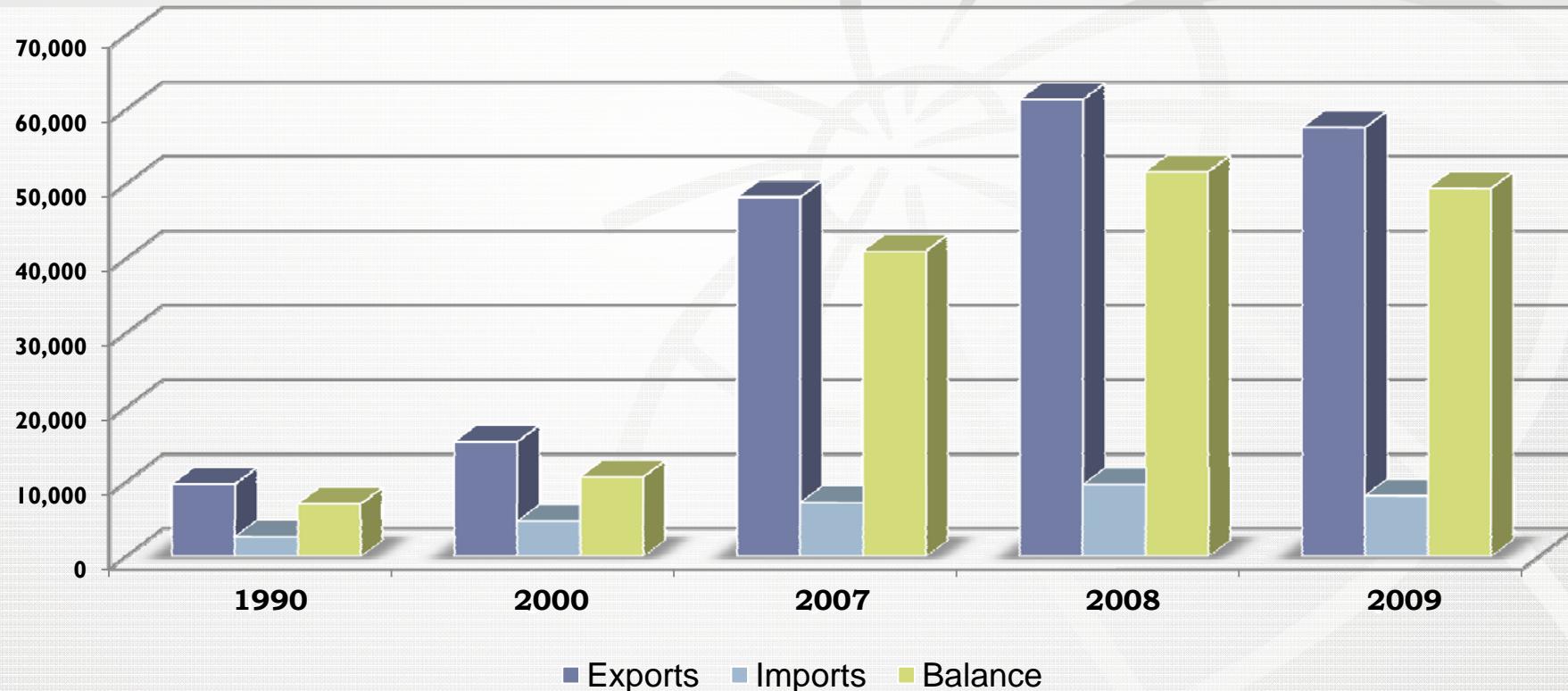
Source: MDIC

\* December 2010

# Foreign Trade

## 3.3 Brazilian Trade in Agricultural products

US\$ Million



Source: World Trade Organization

\* 2010

# Foreign Trade

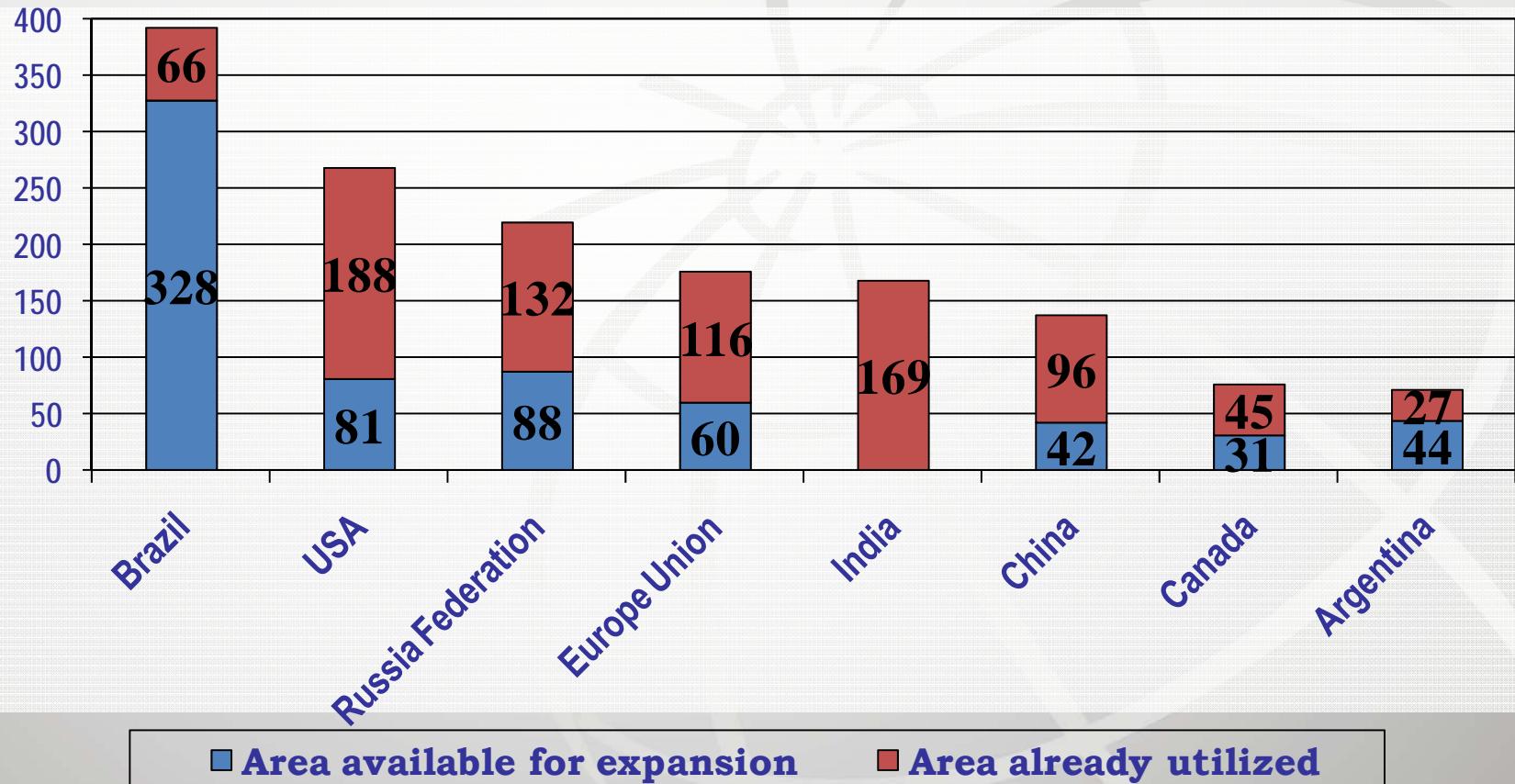
## 3.3 Brazilian Trade in Agricultural products

Destinations	Agribusiness Exports (US\$ million)		Var. % 07/06 (b/a)	Total Exp. (c)	Increased Value %		
	2006 (a)	2007 (b)			Basic	Semi	Manufactured
1.EU	16.153	21.232	31,44	40.357	57,43	14,53	28,04
2. USA	7.370	6.840	-7,19	25.065	19,55	19,70	60,75
3. China	3.802	4.691	23,38	10.749	67,69	29,23	3,09
4. Russia	3.156	3.402	7,80	3.741	64,37	30,72	4,92
5. Argentina	1.571	1.917	21,97	14.417	11,19	6,31	82,50
6. Japan	1.491	1.768	18,57	4.321	58,42	14,65	26,93

Source: Brazilian Confederation of Agriculture and Livestock – CAN \*Estimate

# Foreign Trade

## 3.3 Brazilian Trade in Agricultural products

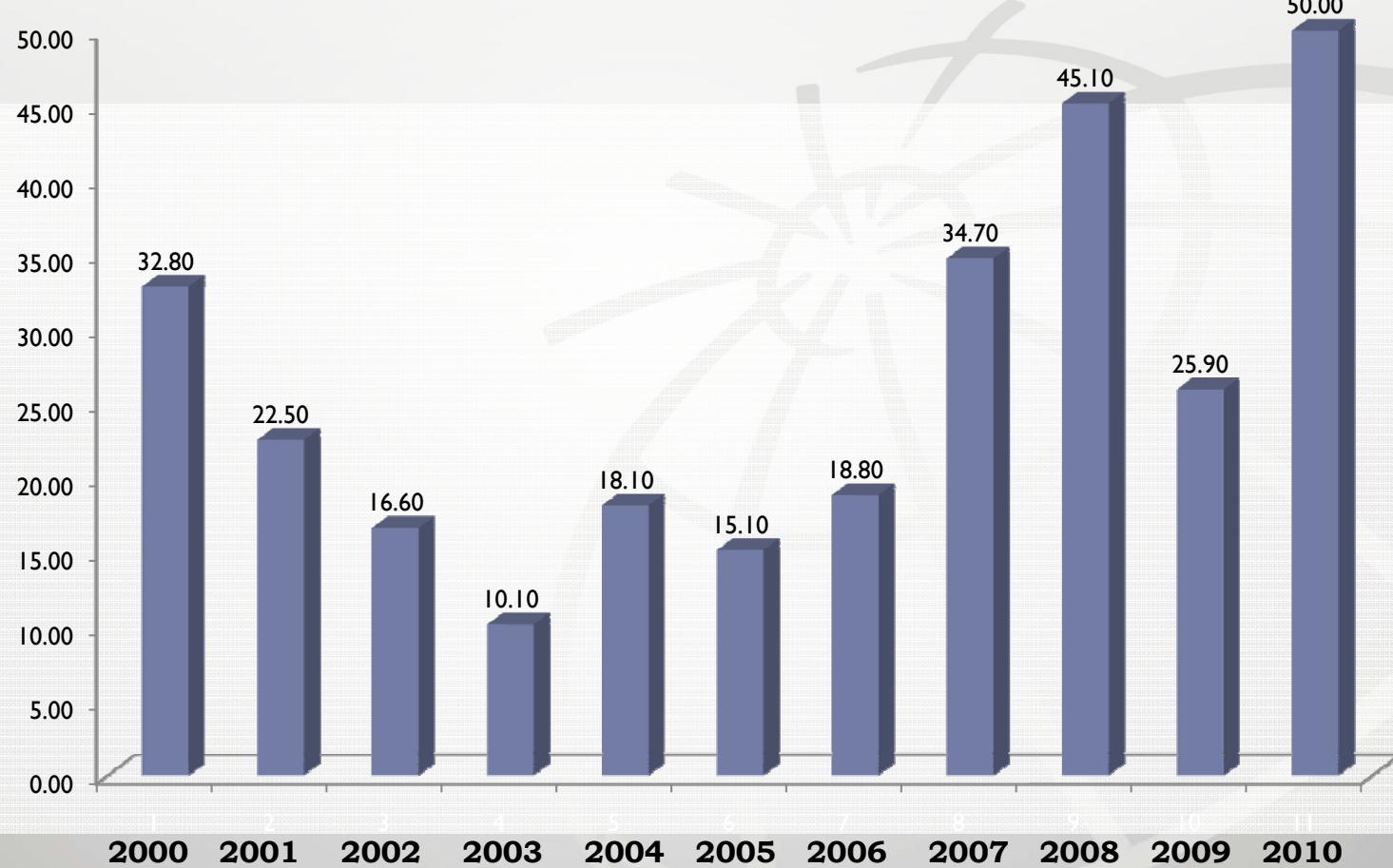


Source: FAO/IBGE

# Investment Flows

## 4.1 Foreign Direct Investment: Inflows

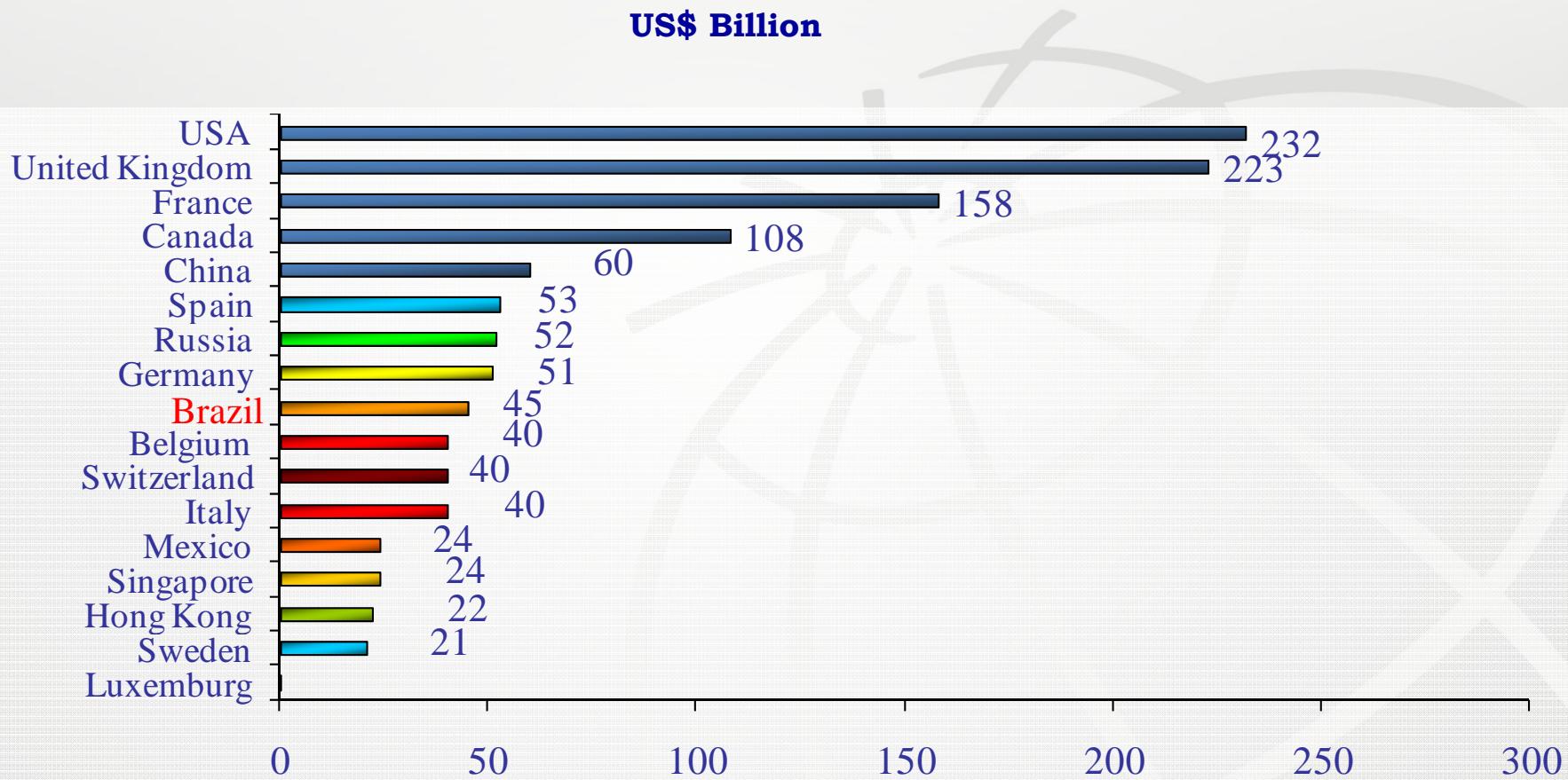
US\$ Billion



Source: Central Bank

# Investment Flows

## 4.1 Foreign Direct Investments: Inflows by Country - 2008

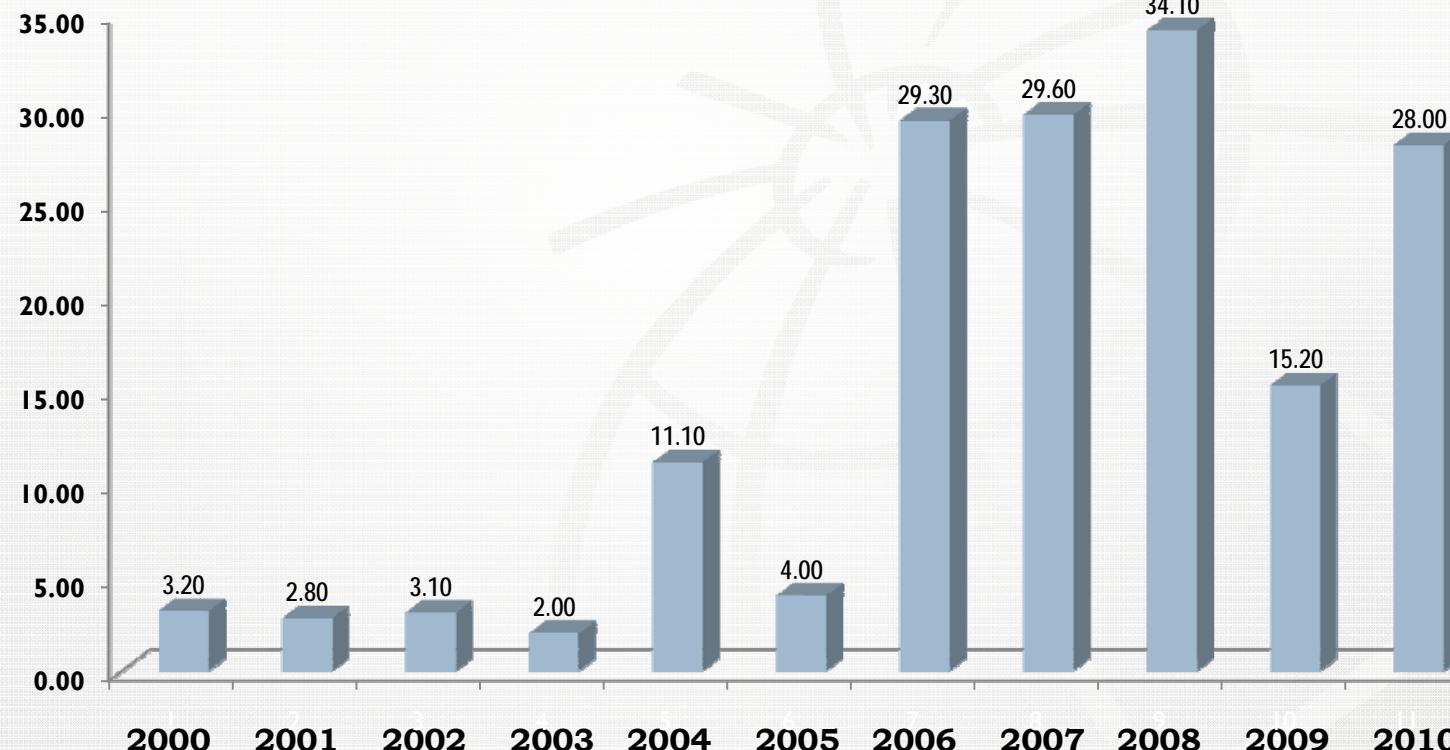


Source: Unctad, World Investment Report 2008

# Investment Flows

## 4.2 Foreign Direct Investment: Outbound

US\$ Billion

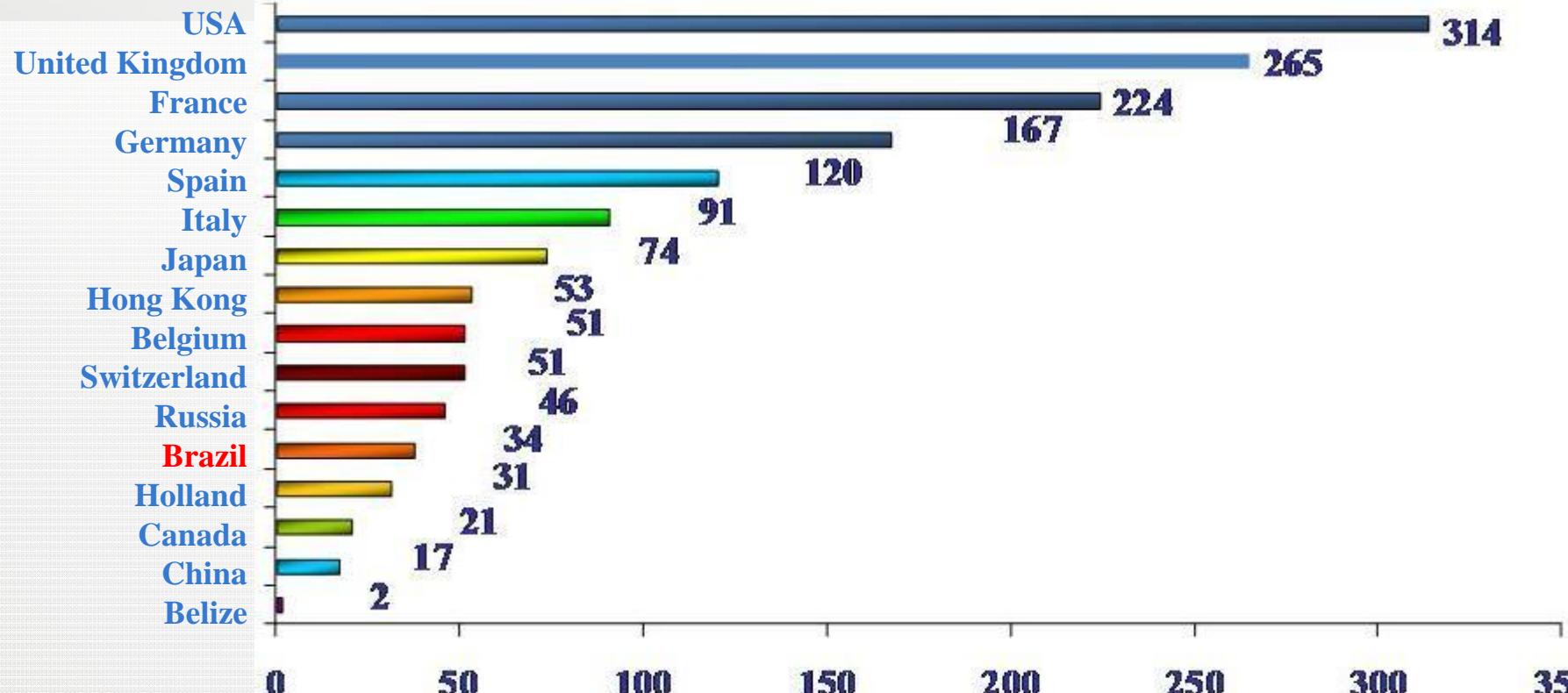


Source: Central Bank

# Investment Flows

## 4.2 Foreign Direct Investment: Outflows by Country - 2008

US\$ Billion



Source: Unctad, World Investment Report 2008

# Foreign Trade

## 5. Dilma Rousseff's Administration: The Brazilian Economy and Foreign Trade

- Sound policies of Lula's government are to be sustained;
- Inflation targeting maintained;
- Interest rates policies are to be maintained;
- Over appreciation of Real is to be maintained;
- Some tax reforms will take place;
- Some reforms in Labour Law to take place;
- Public management to be improved;
- Foreign Trade balance to decrease;
- Current account deficit to grow;
- Economy to continue to grow at about 5% per year; and
- Brazil's economy is poised to overtake France's, Britain's and Germany's by the end of Rousseff's administration.



Source: Brazilian Ministry of Foreign Affairs

# NORONHA ADVOGADOS

Located in one of the main financial centers of the city, the São Paulo office is the head office of Noronha Advogados and the oldest, having been opened in June 1978.

The London office, opened in 1987, has partners admitted in England and Wales, is regulated by the SRA and supports investments and business with Brazil.

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