

Brazil:

How the Country is Overcoming
the Current Turmoil

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Banco Central do Brasil

New York - March 2009

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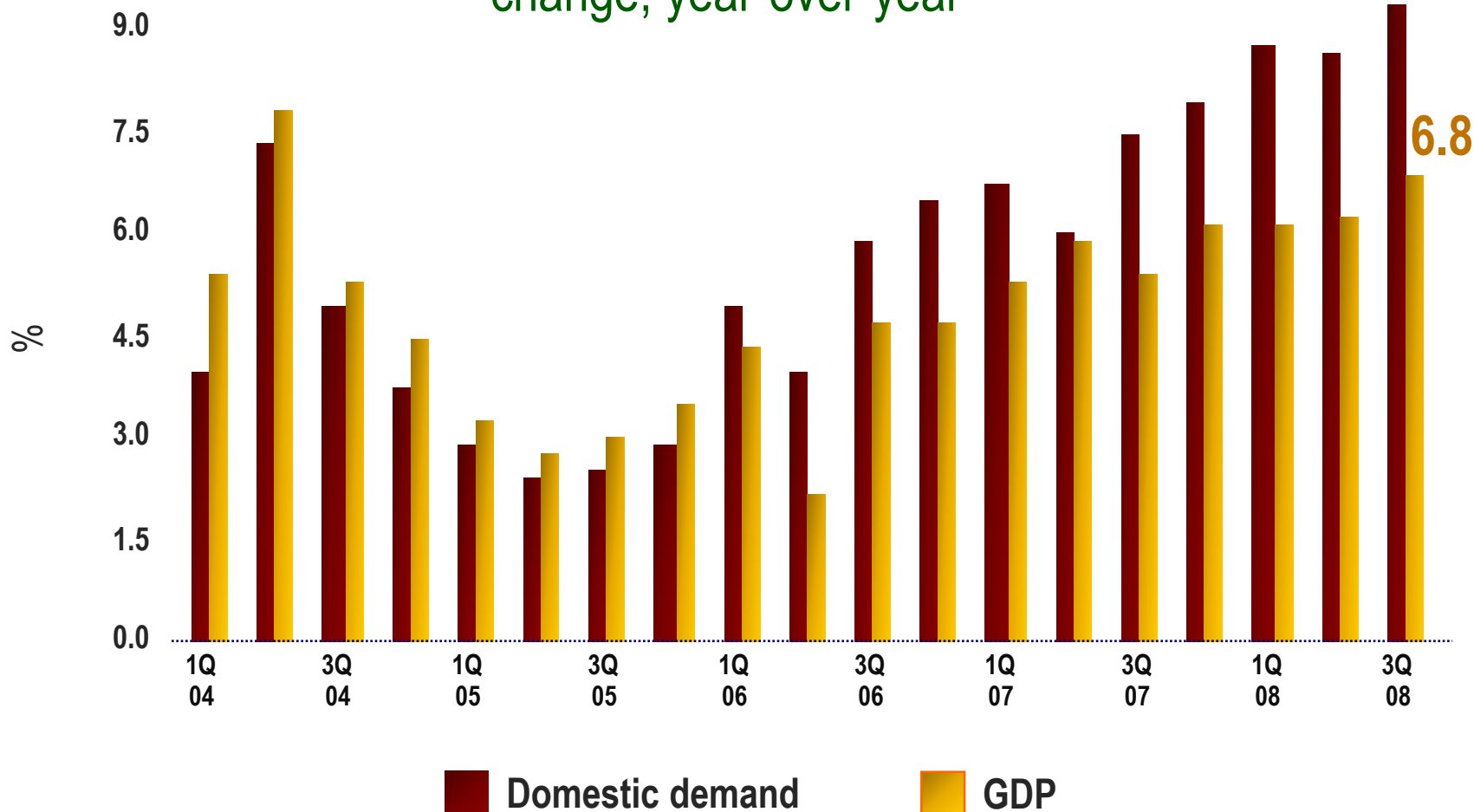
Brazil

at the Outset of the Crisis

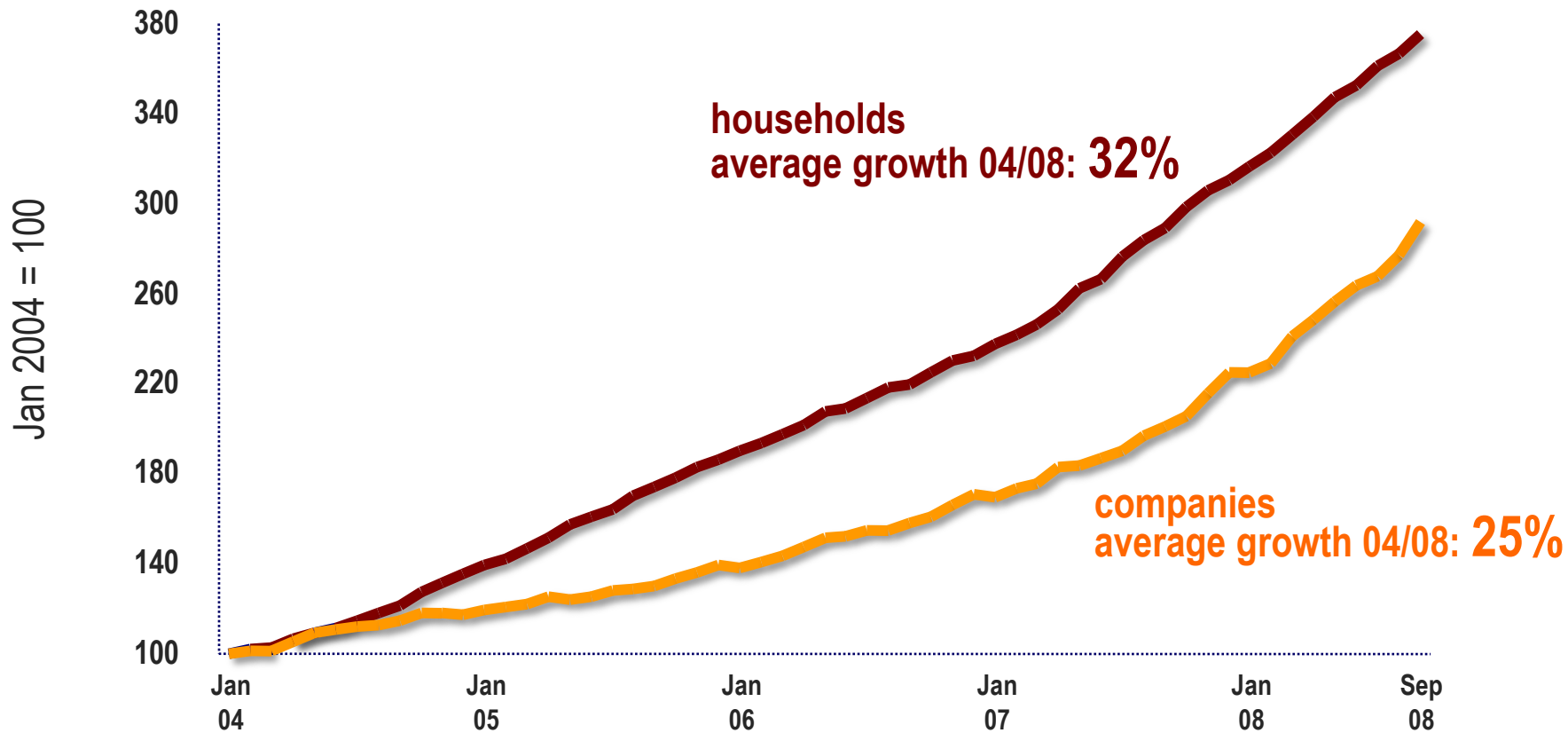
- Fast, domestic demand-led growth;
- Rapid credit expansion, especially for households;
- Low leveraged, fully provisioned banking system;
- Banking reserve requirements at BCB: **R\$ 260 billion** (approximately US\$ 160 billion);
- International reserves: **US\$ 205 billion**;
- BCB's long position in FX futures market: **US\$ 22 billion**.

Domestic Demand and Supply

change, year-over-year

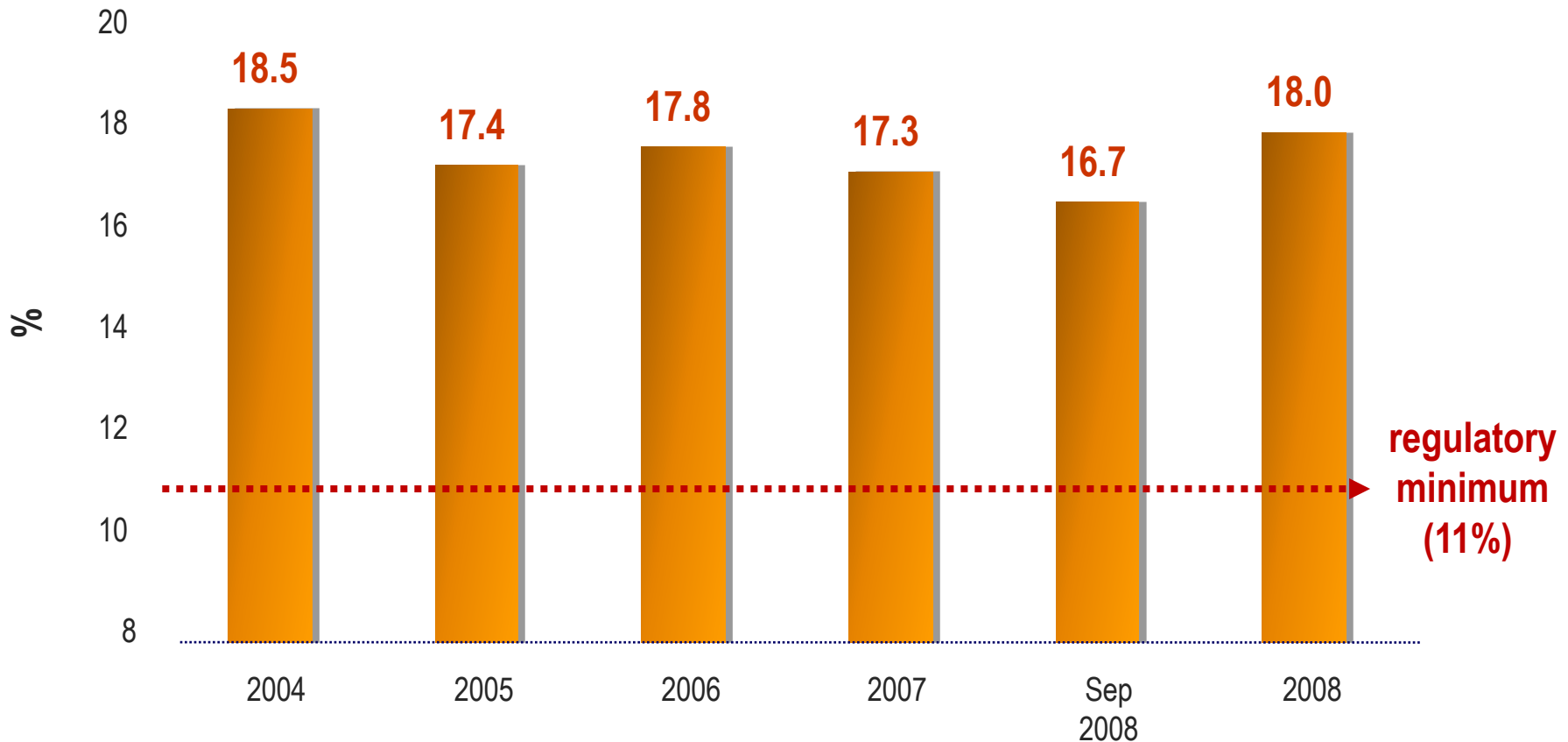


Credit Expansion



Source: BCB

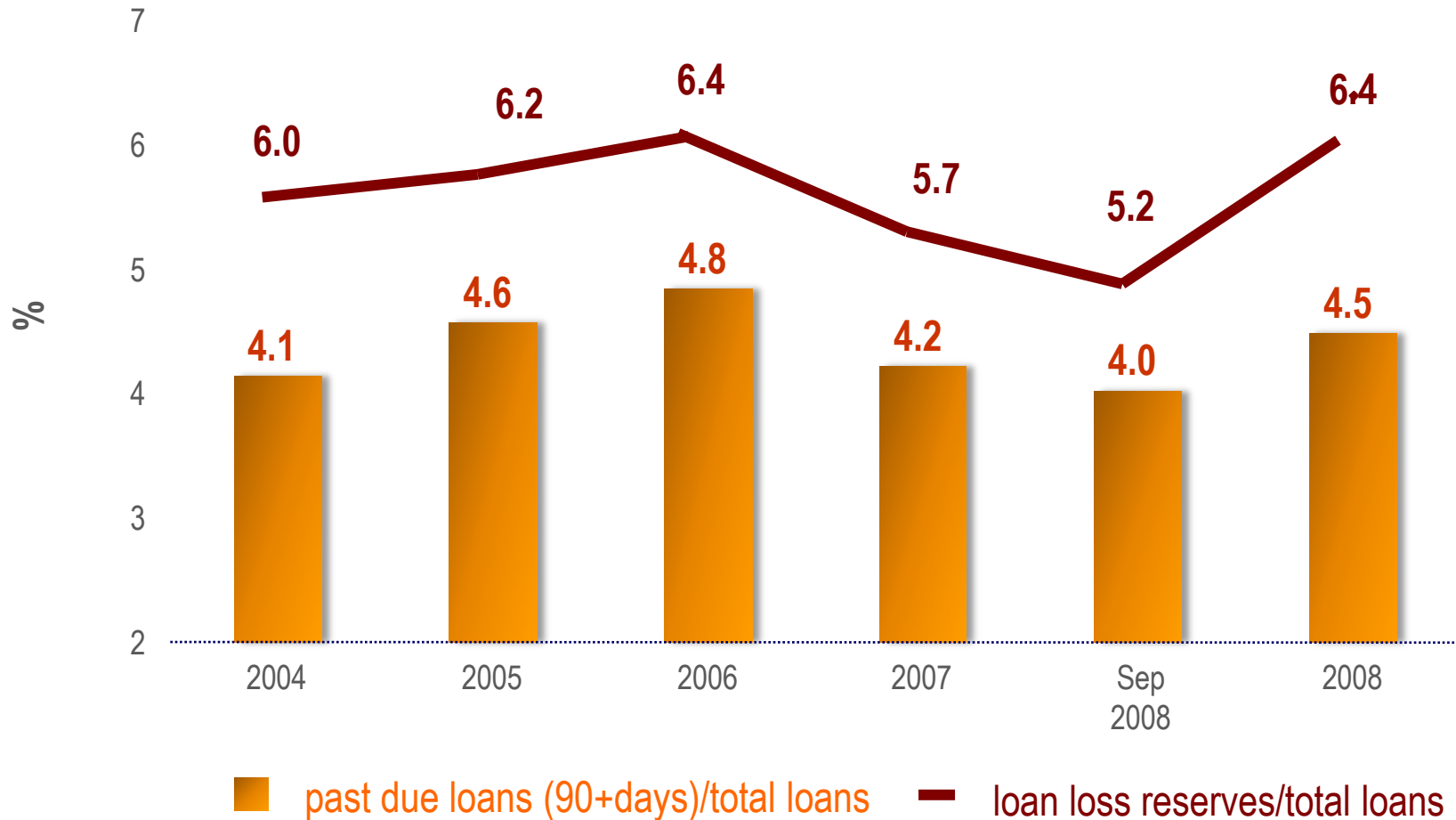
Brazilian Banking System: Risk-Based Capital Adequacy



Source: BCB

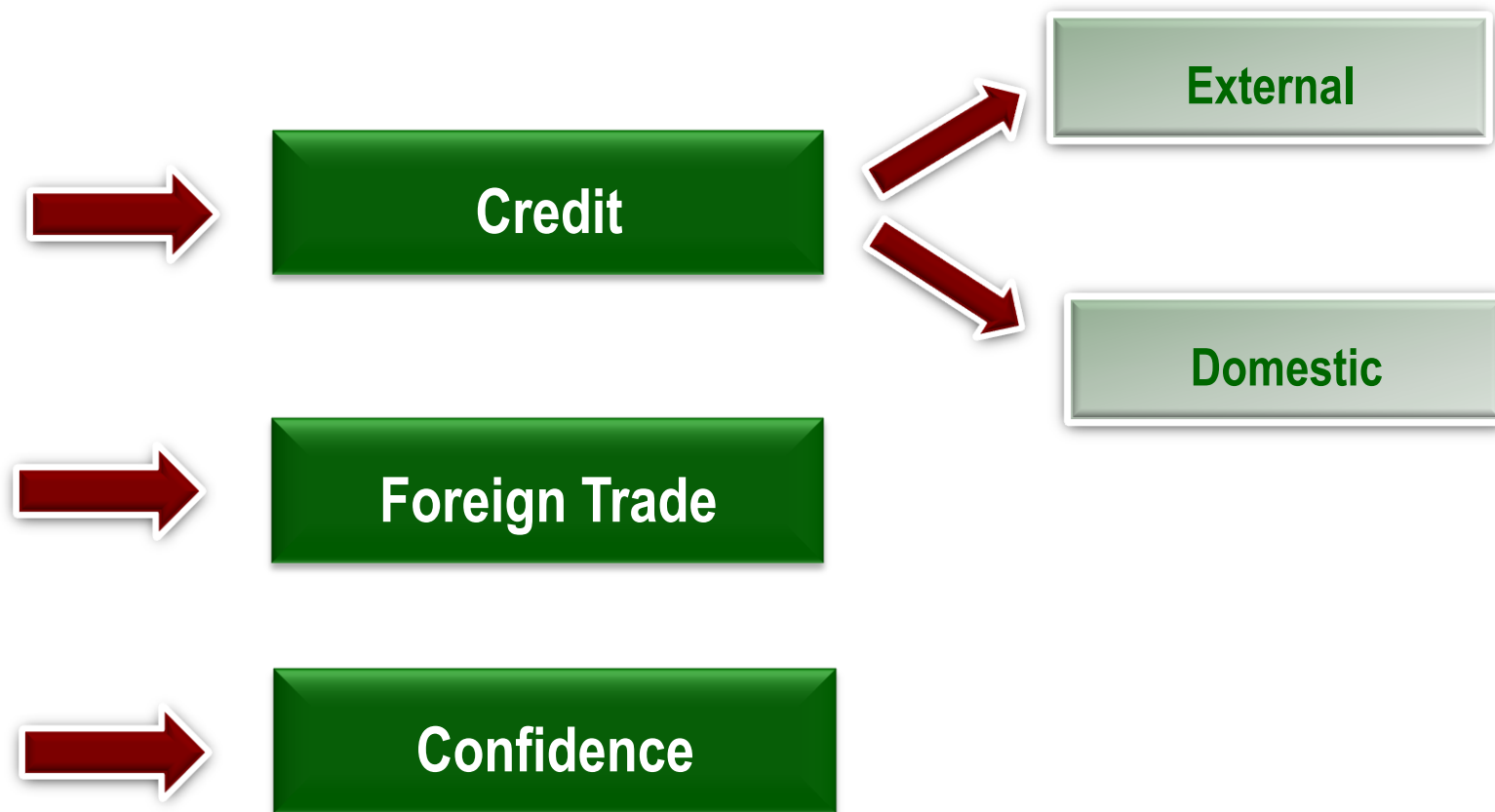
Brazilian Banking System: Past Due Loans and Provisions

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Source: BCB

Channels of Transmission of Global Financial Crisis to Brazil



Total Credit

(estimated, beginning of September/2008)



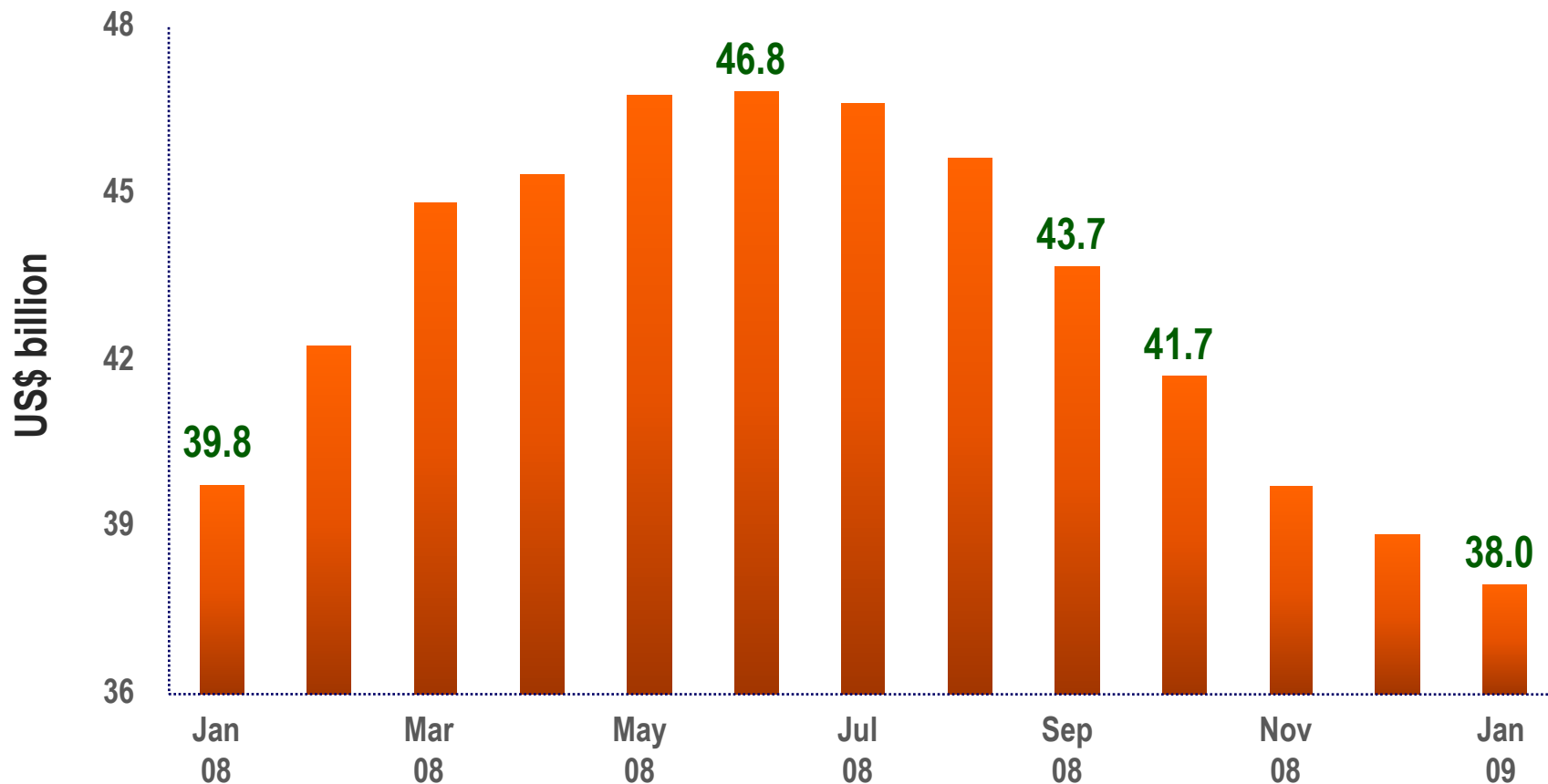
External (US\$ 97 billion)

Domestic with external funding (US\$ 47 billion)

Domestic (US\$ 620 billion)

Source: BCB

Domestic Banking Credit with Foreign Funding



Source: BCB

Initiatives to Inject Liquidity in Foreign Currency Market

- Sales of USD in spot market;
- Sales of USD in repurchase agreement auctions;
- Reduction of reserve requirements for banks acquiring USD with repurchase agreement;
- Sales of USD swap contracts;
- Export financing;
- Authorization for BCB to engage in currency swap transactions with other central banks (US\$ 30 billion swap line with Federal Reserve);
- Loans to rollover external debt of Brazilian companies.

Initiatives to Inject Liquidity in Foreign Currency Market

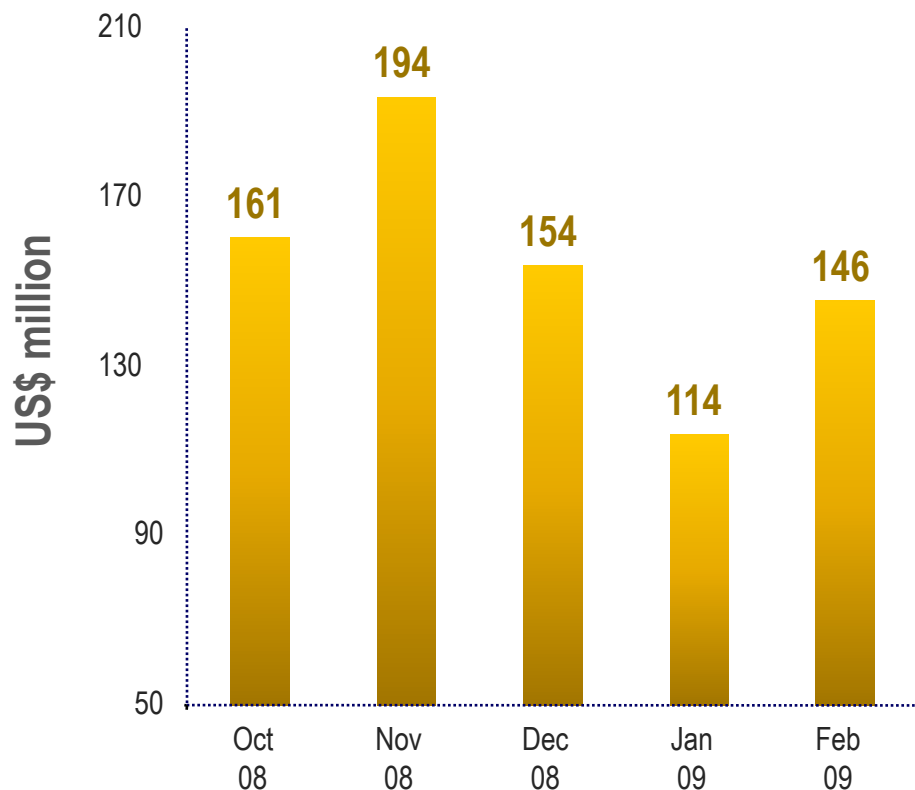
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(through March 12th in US\$ billion)

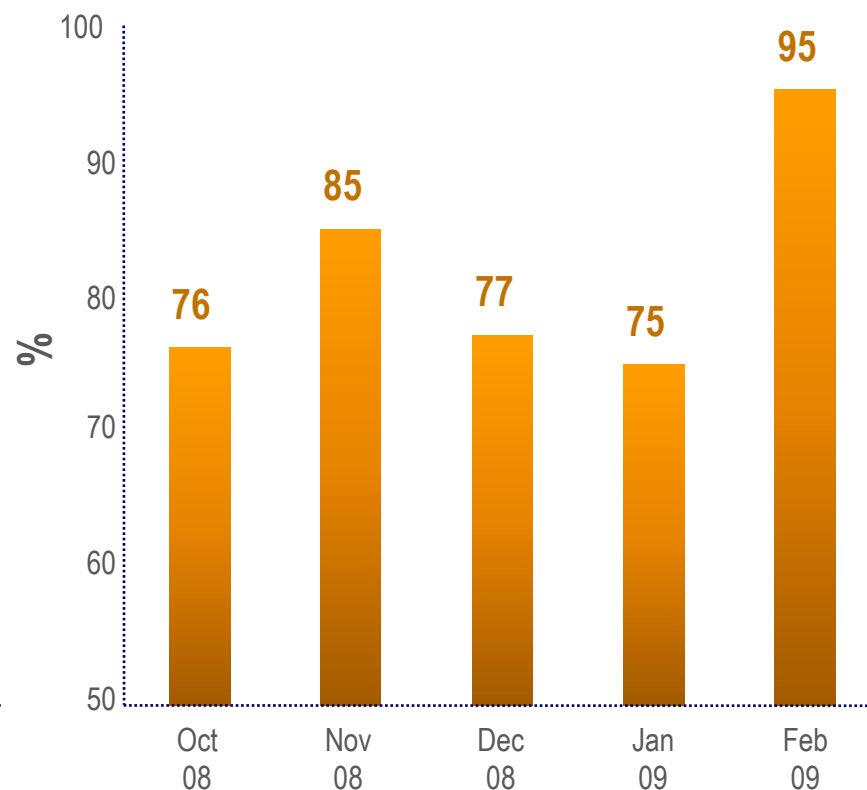
	Sales	Repurchases	NET
Spot market	14.5	-	14.5
Repos	9.7	5.9	3.8
Export financing	10.6	2.1	8.5
TOTAL	34.8	8.0	26.8
Currency swaps (net)			32.4

Liquidity in Foreign Currency: Advances on Export Contracts (ACC)

daily averages

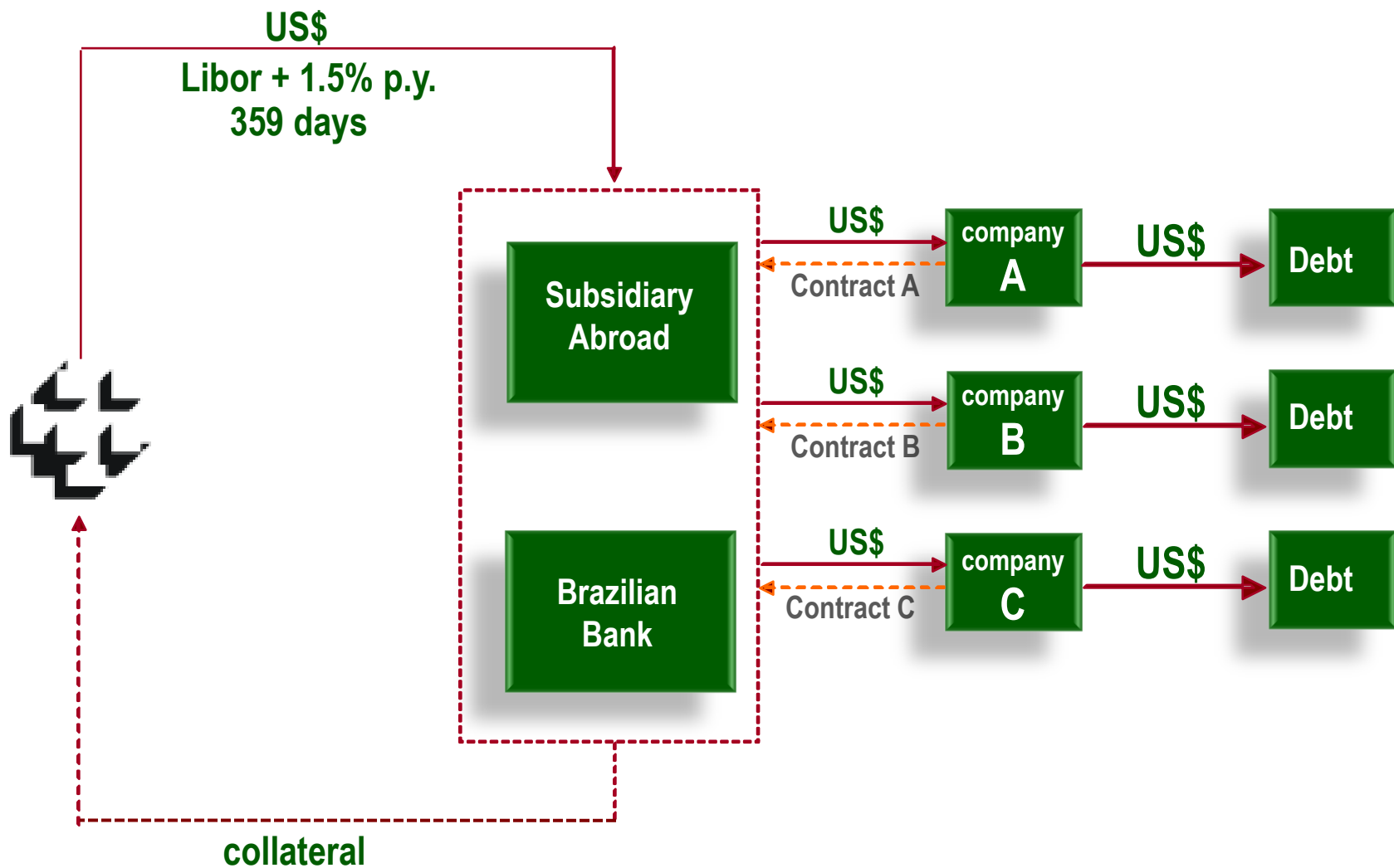


rollover rates

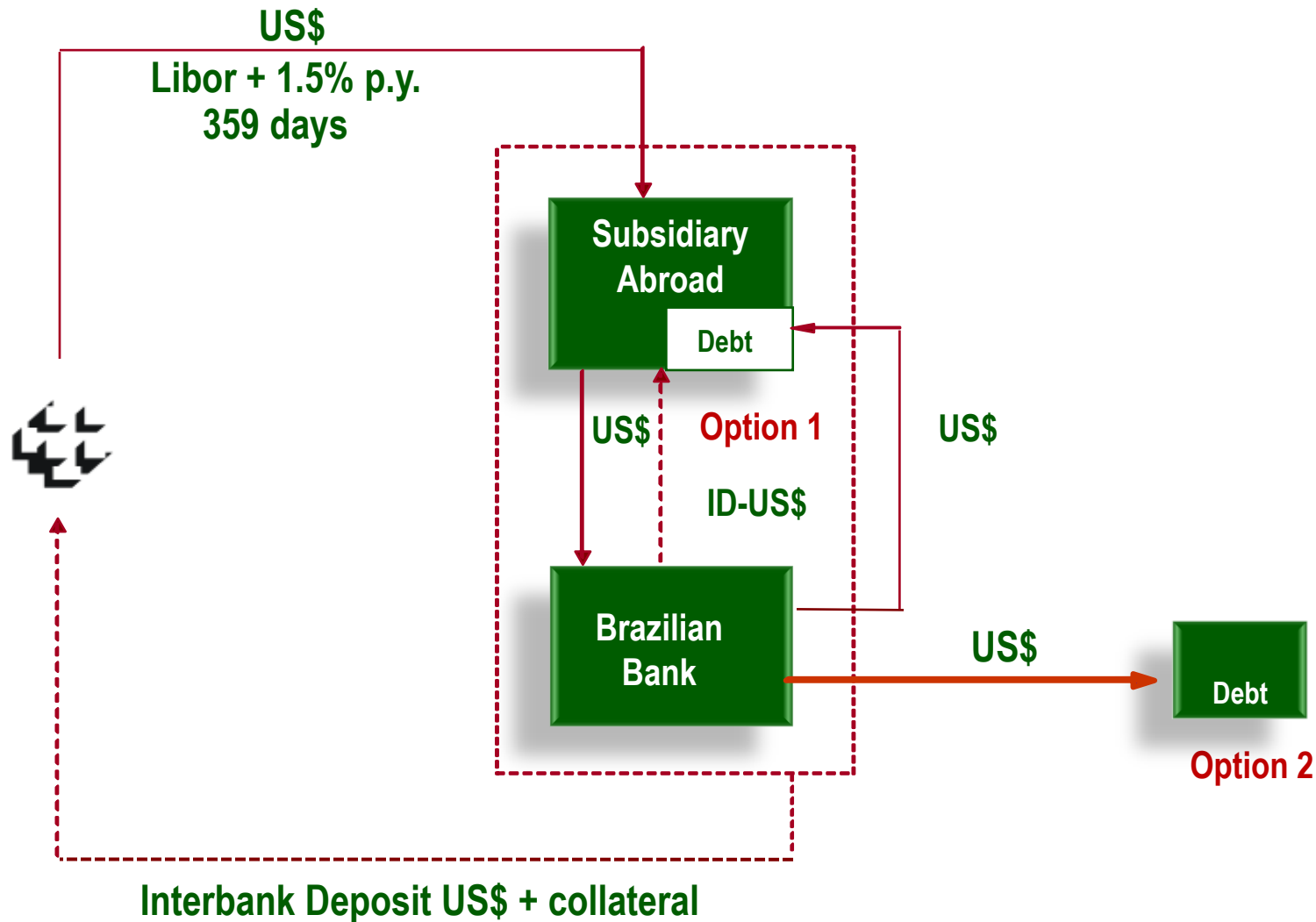


Source: BCB

Loans to Rollover External Debt of Brazilian Companies



Loans to Rollover External Debt of Brazilian Companies



Initiatives to Inject Liquidity in Domestic Credit Market

- Reduction in reserve requirements: **R\$ 99.8 billion**;
- Incentives for banks (including public banks) and the deposit insurance fund (FGC) to acquire portfolios of small and medium size banks (approximately **R\$ 35 billion**);
- Increase of funding to BNDES (Development Bank) and rural credit.

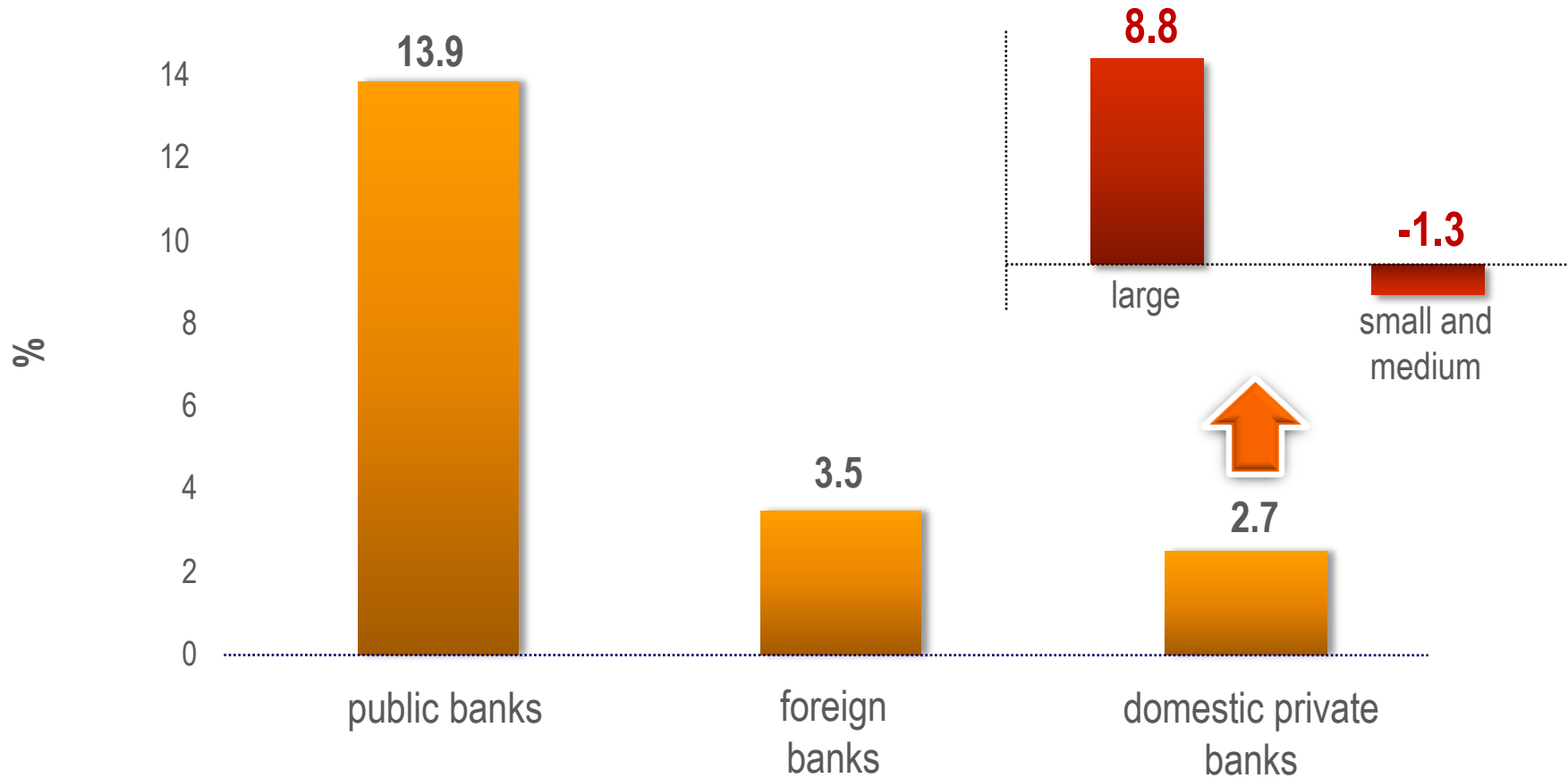
Initiatives to Inject Liquidity in Domestic Credit Market

❖ Results:

- Normalization of liquidity conditions of the banking system, including small and medium size banks.
- After sharp fall in October, credit recovered gradually (although possibly more concentrated).

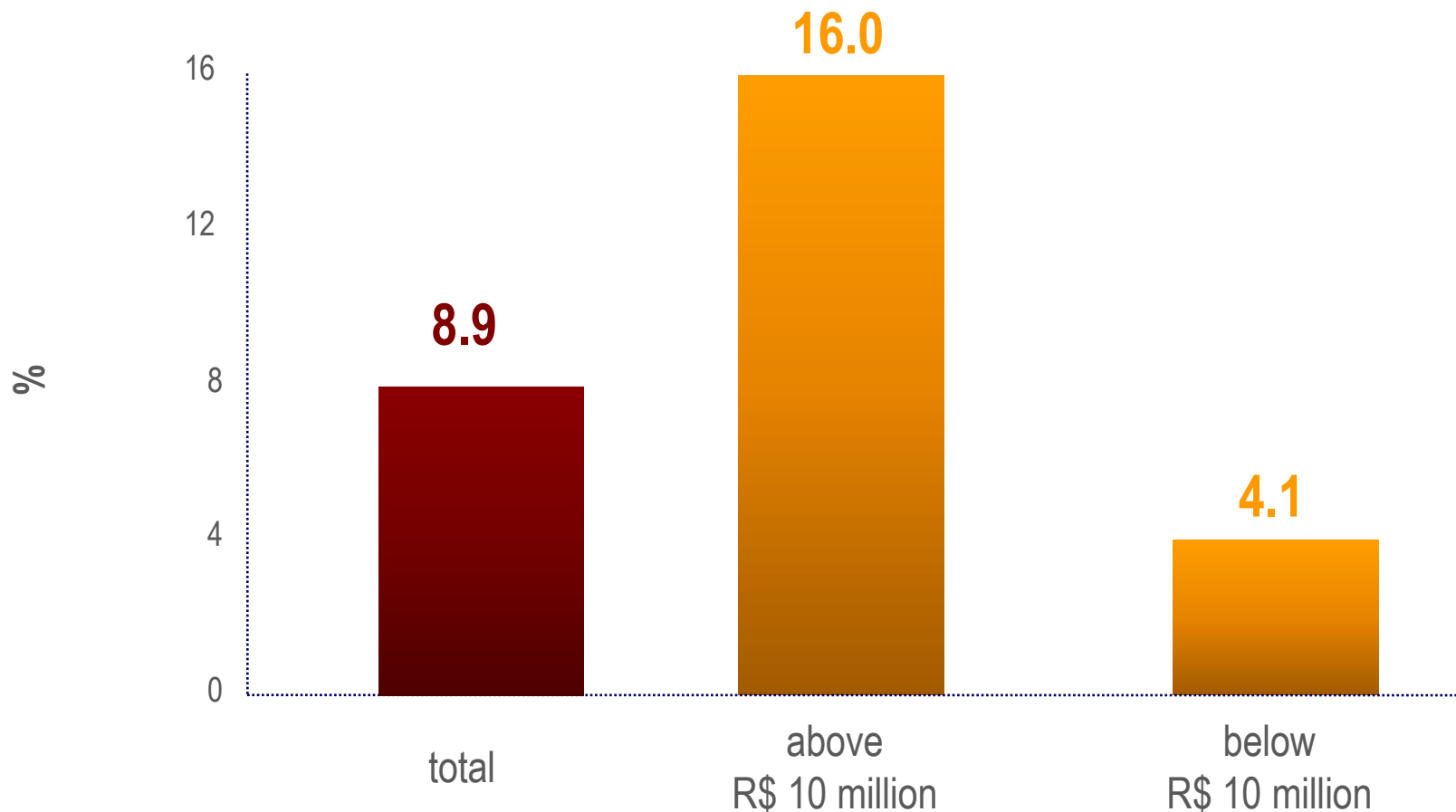
Domestic Credit

Growth Jan 09/Sep 08



Domestic Credit: Companies

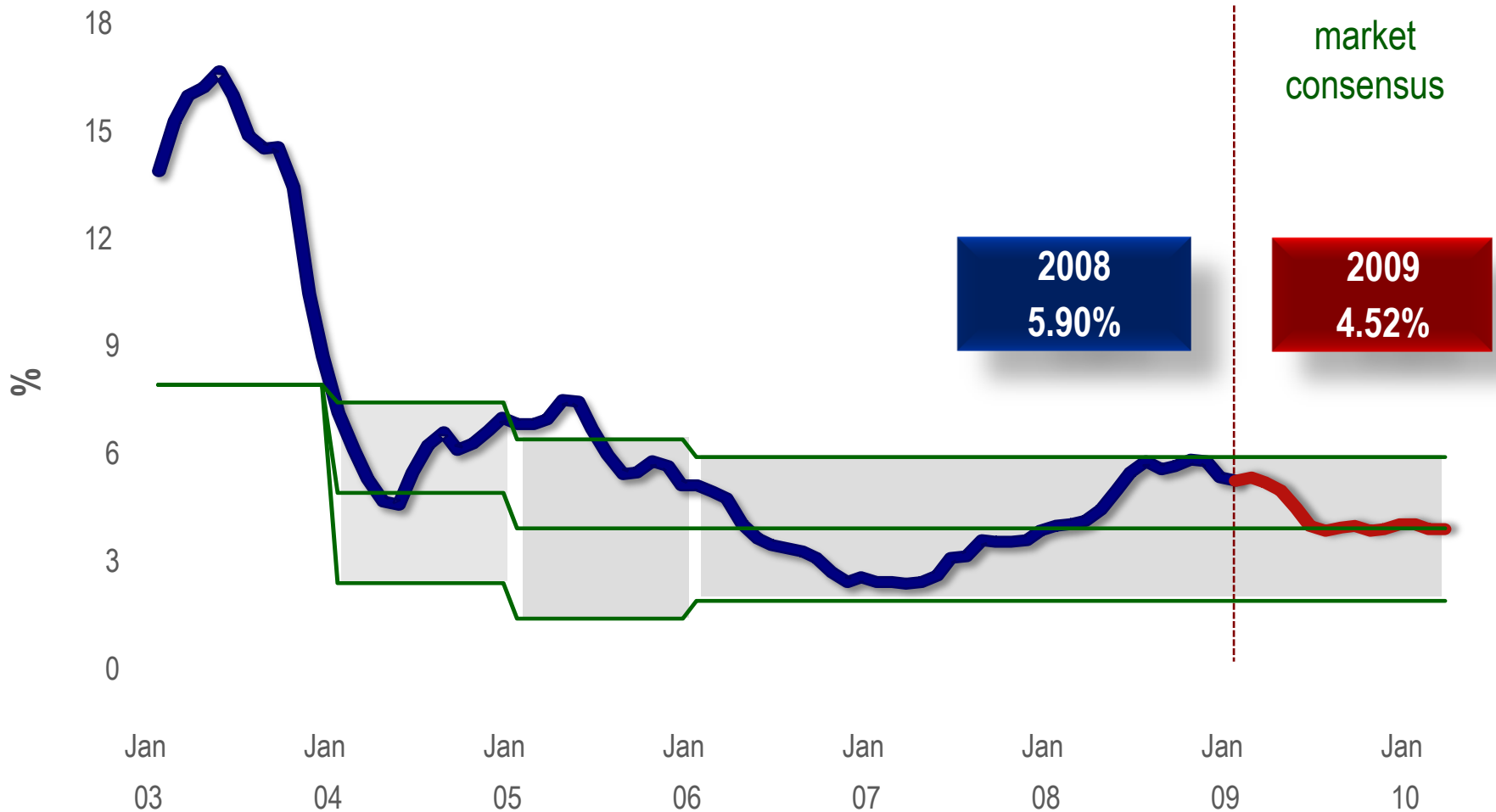
Growth Dec/Sep 08



Source: Sistema de Informações de Crédito/BCB

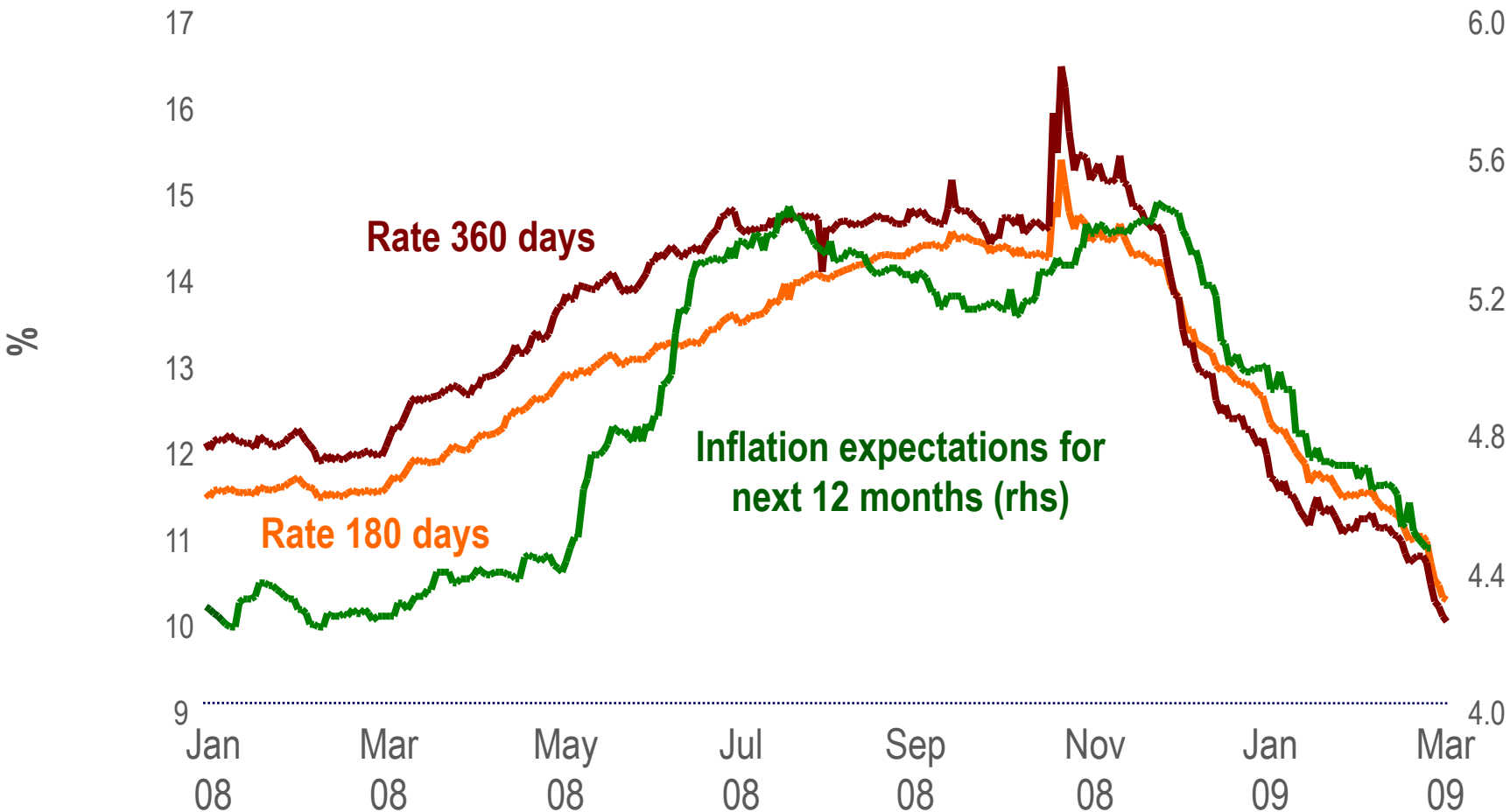
Inflation and Targets

12-month trailing basis



Source: IBGE and BCB

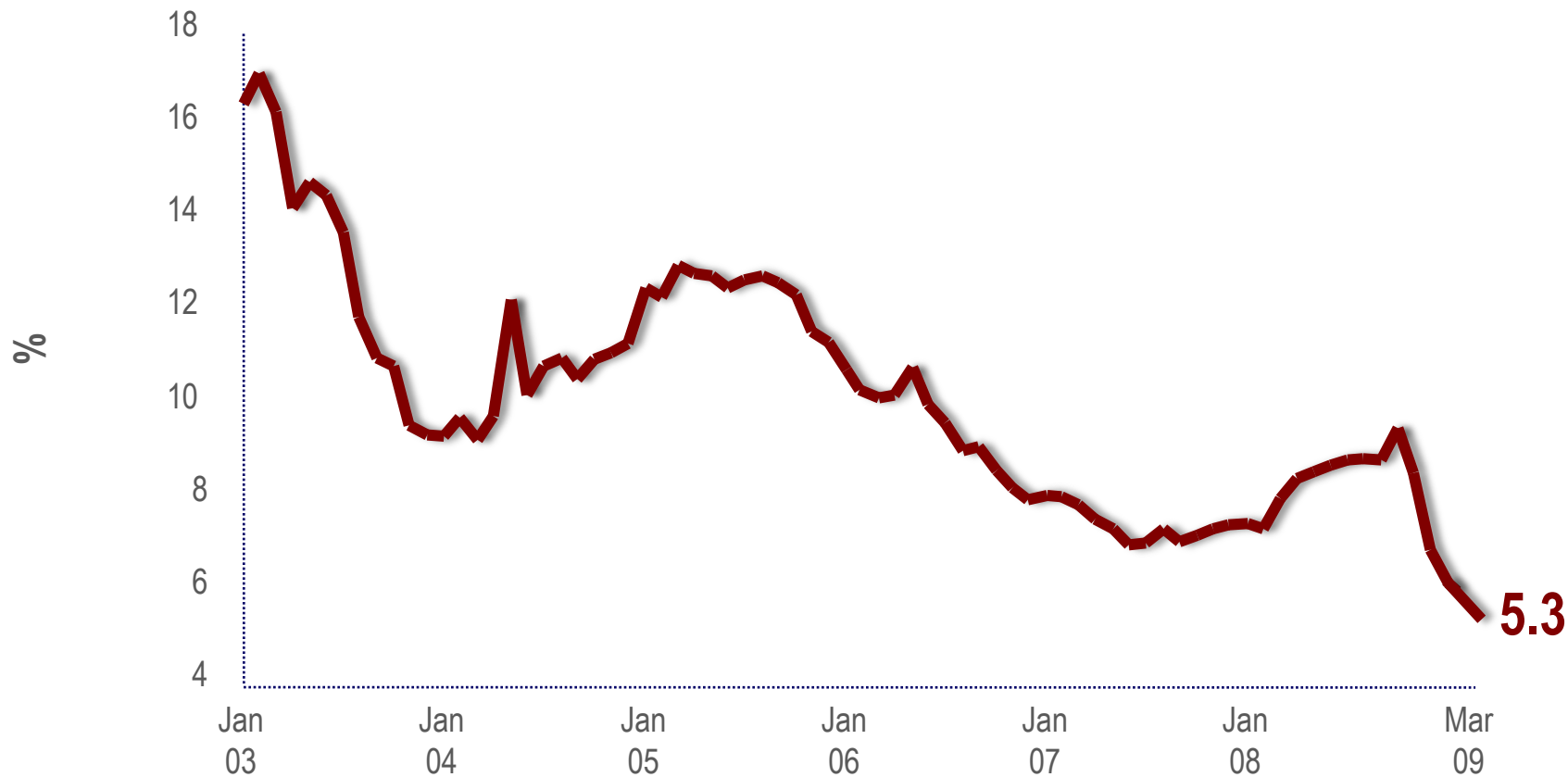
Interest Rates and Inflation Expectations (Jan 08 – Mar 09)



Source: BM&F Bovespa and Focus

Real Interest Rate

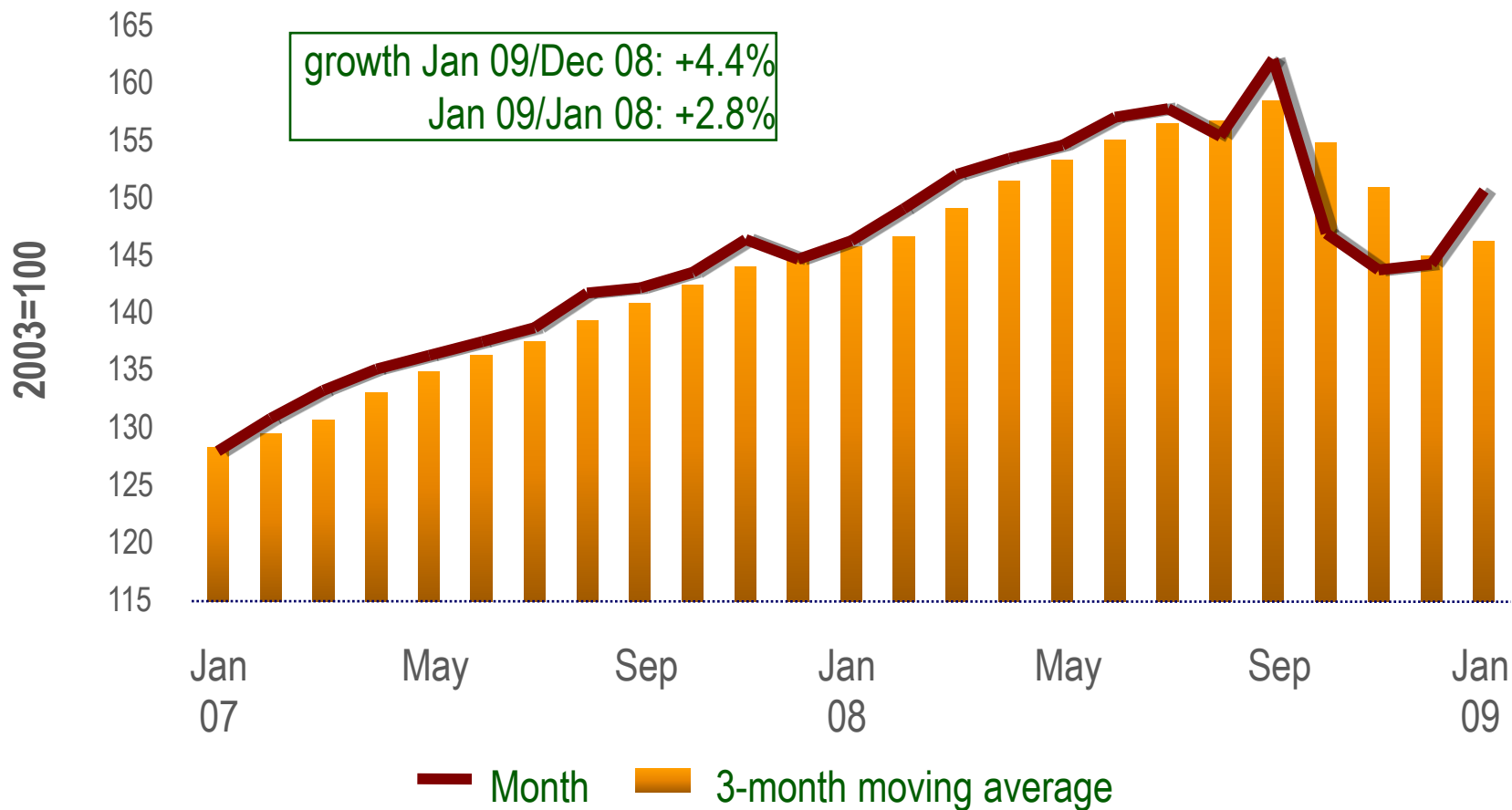
360-day rate deflated by expected inflation



Source: BM&F Bovespa and BCB

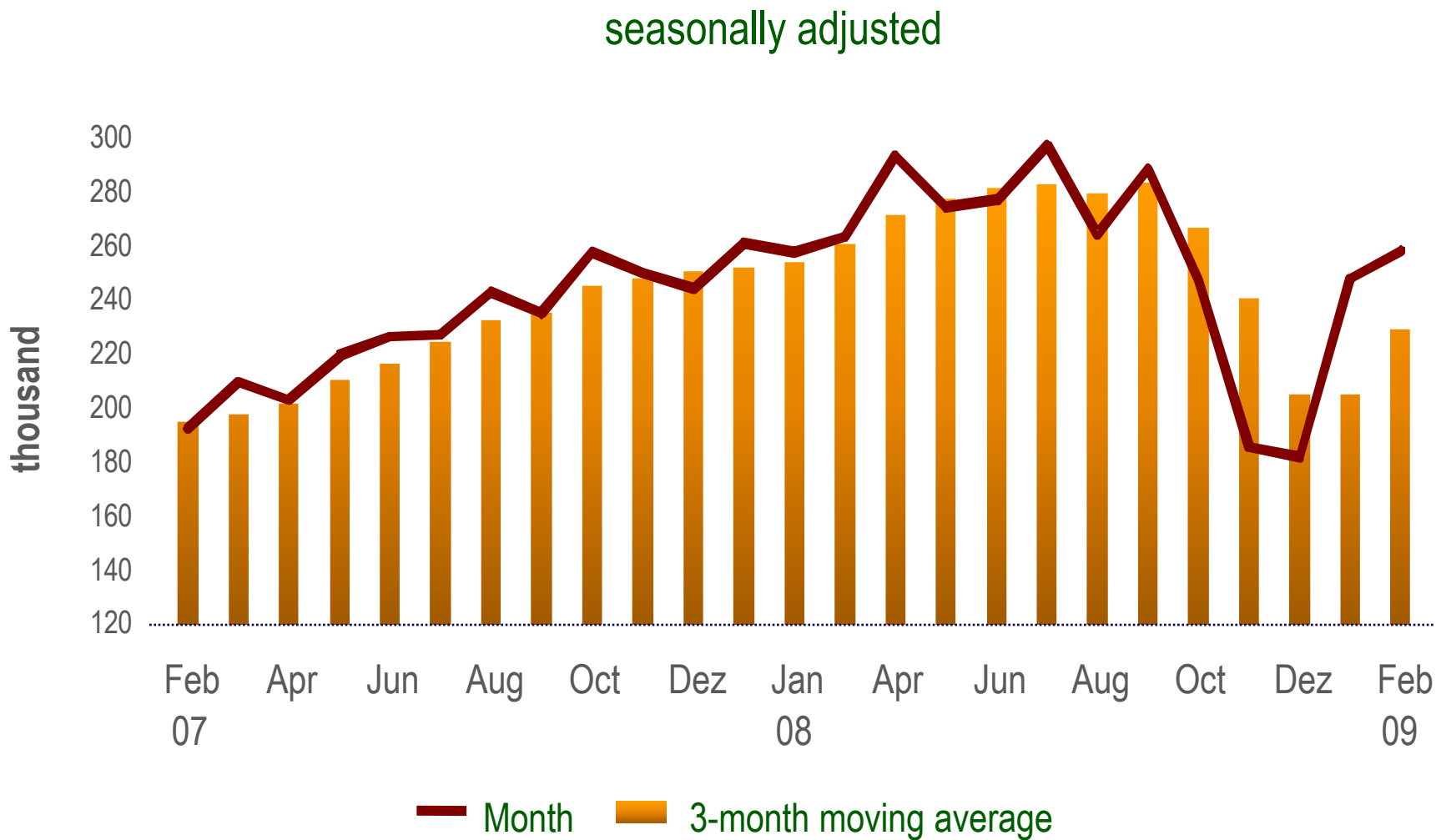
Retail Sales

Extended retail sales, seasonally adjusted



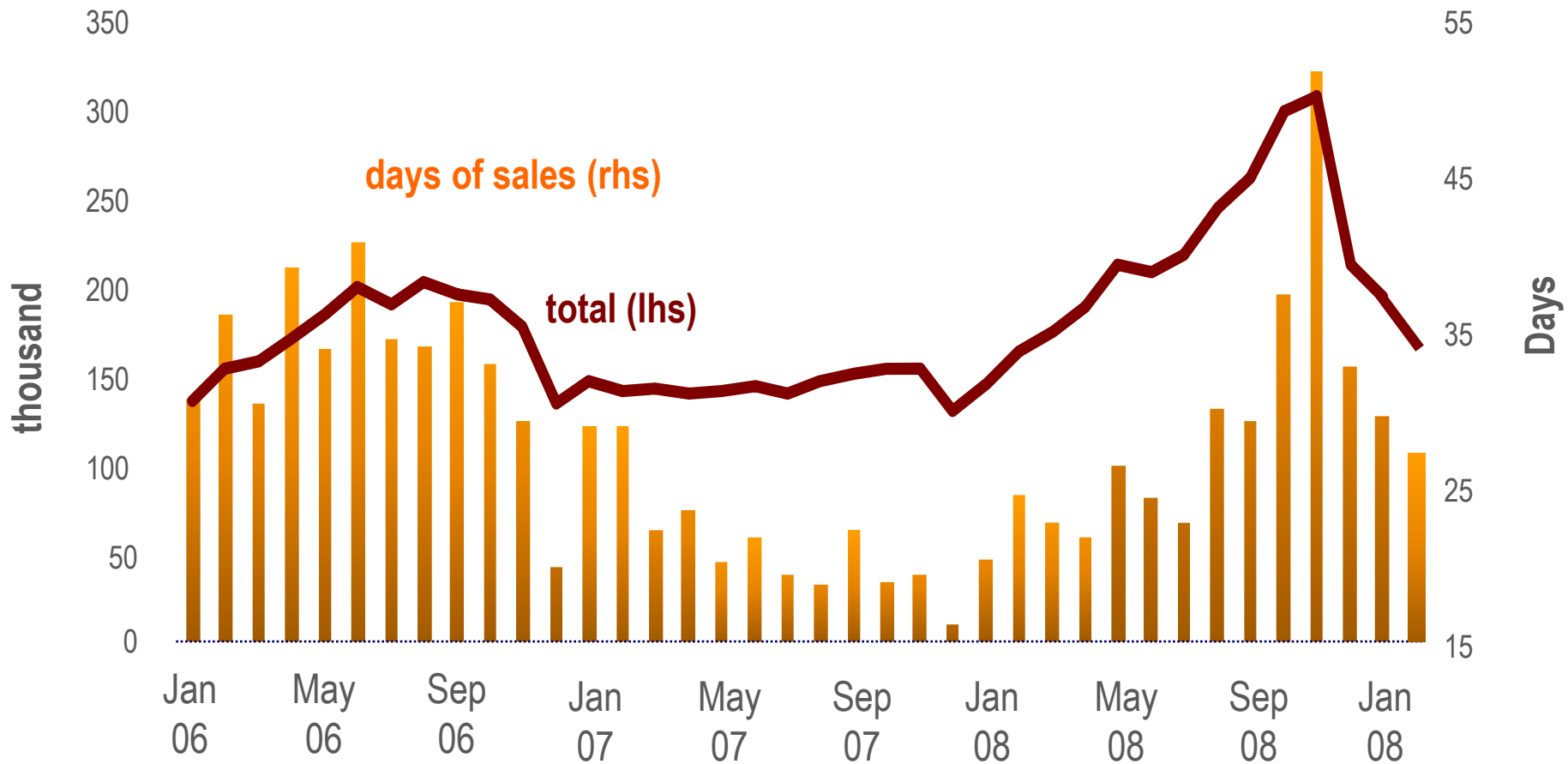
Source: IBGE

Auto Sales



Source: Fenabrave

Auto Inventories



Source: Fenabrave

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