



**BANCO CENTRAL  
DO BRASIL**

# **Brazil and the International Crisis**

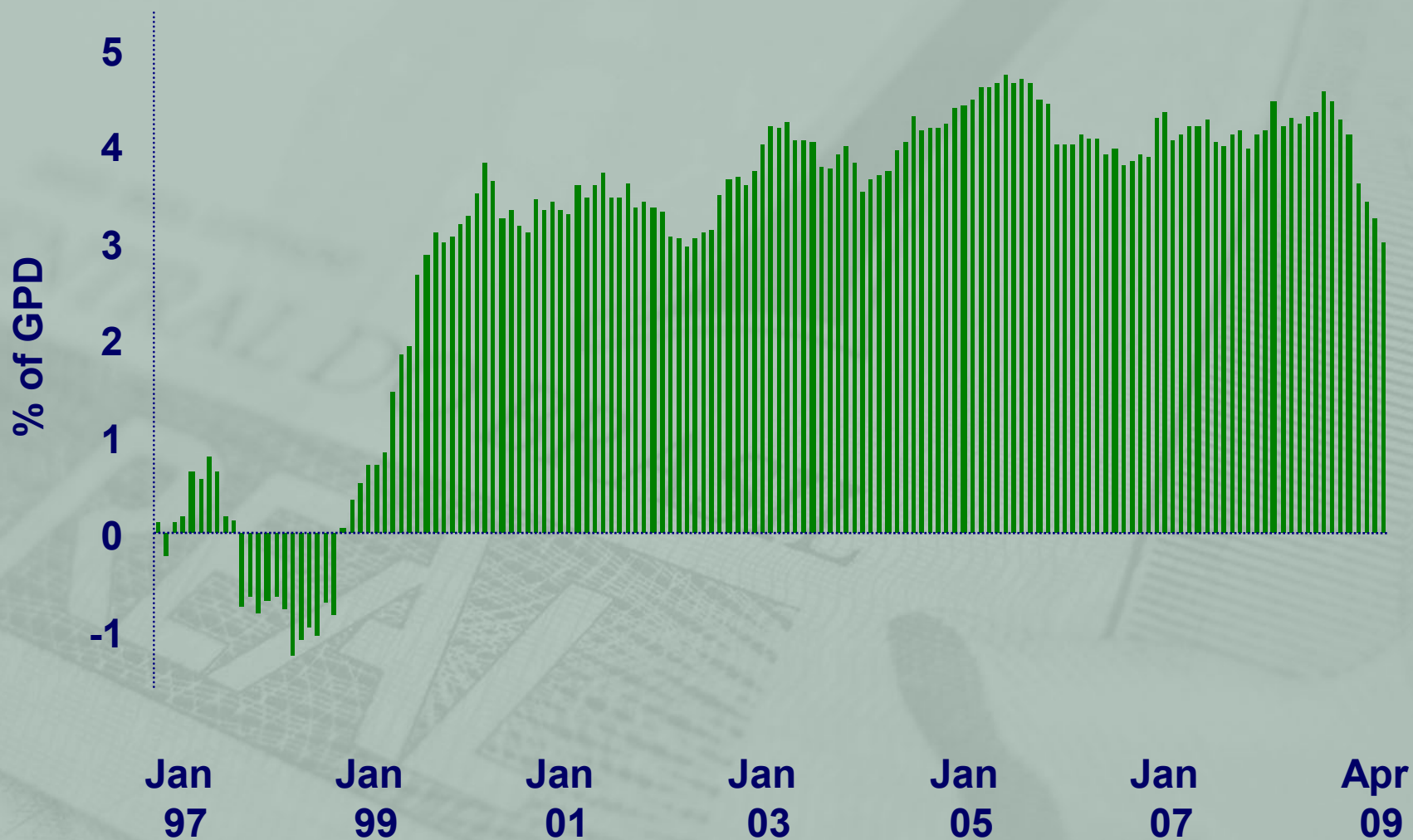
**Henrique de Campos Meirelles**

**June 2009**

# Brazil at the Outset of the Crisis

- Declining public debt-to-GDP ratio;
- Public sector long in foreign currency, so that FX depreciation reduces debt-to-GDP;
- Fast, domestic demand-led growth;
- 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.

# Primary Fiscal Result

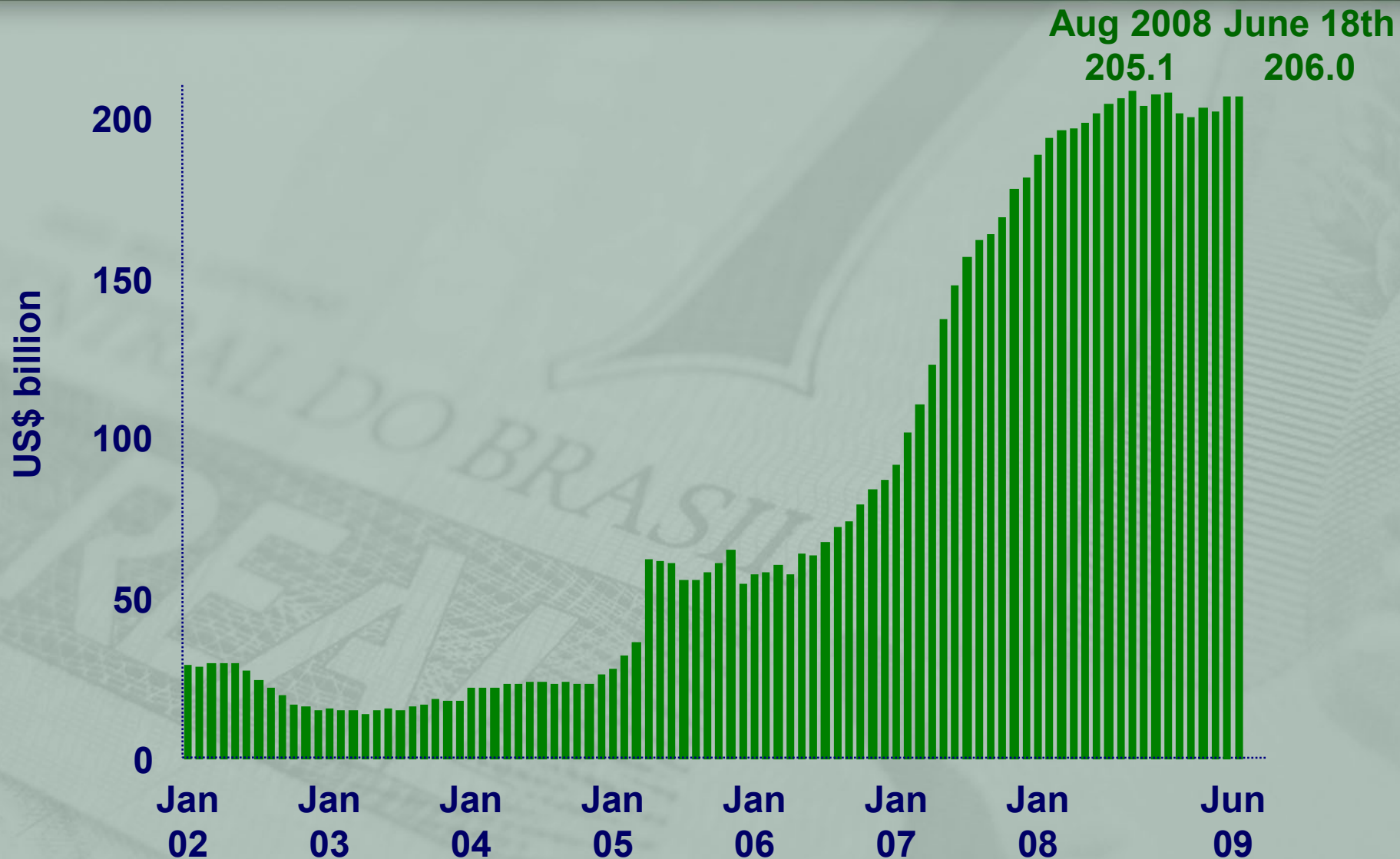


# Public Net Debt

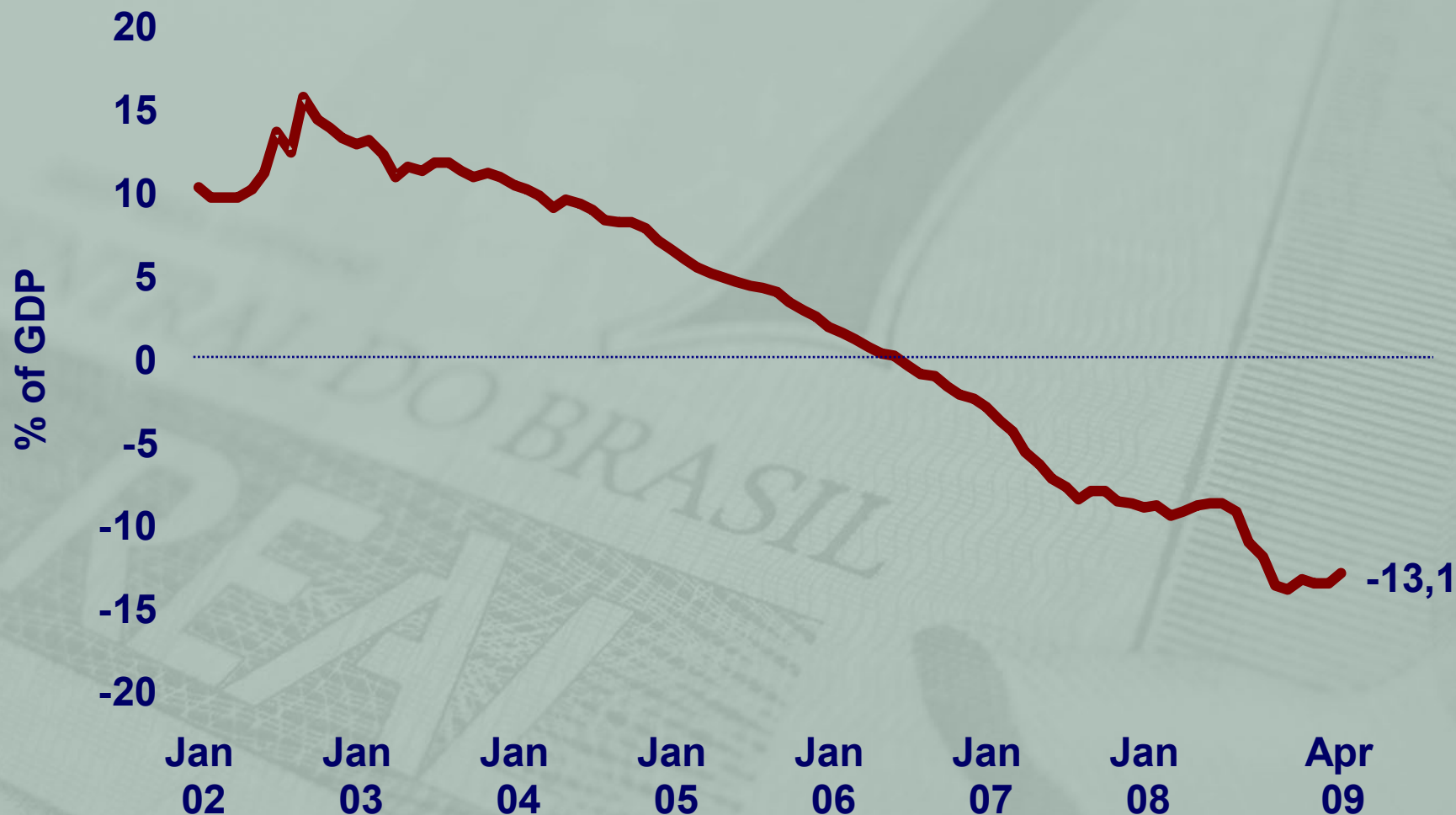


Source: Banco Central do Brasil

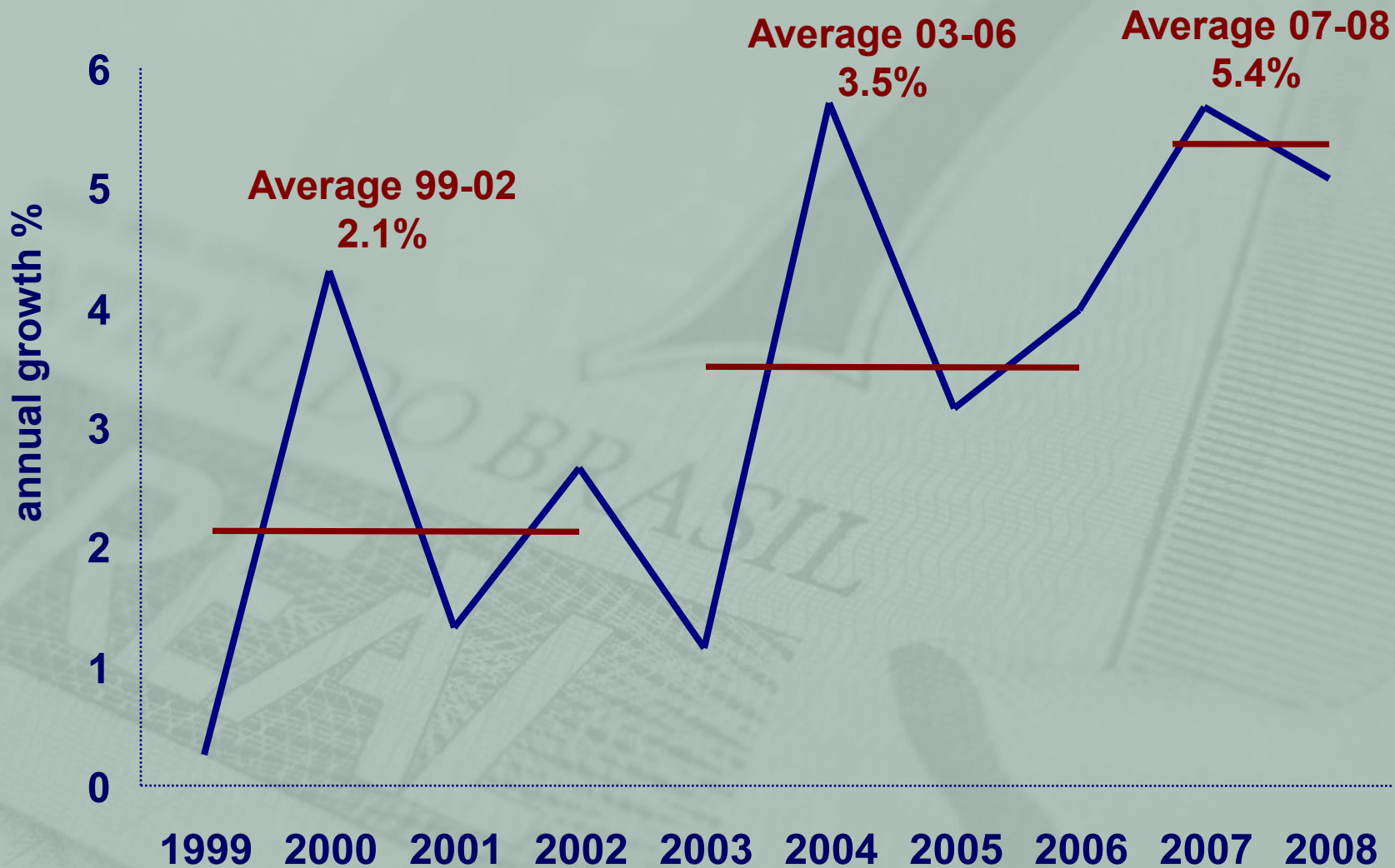
# International Reserves



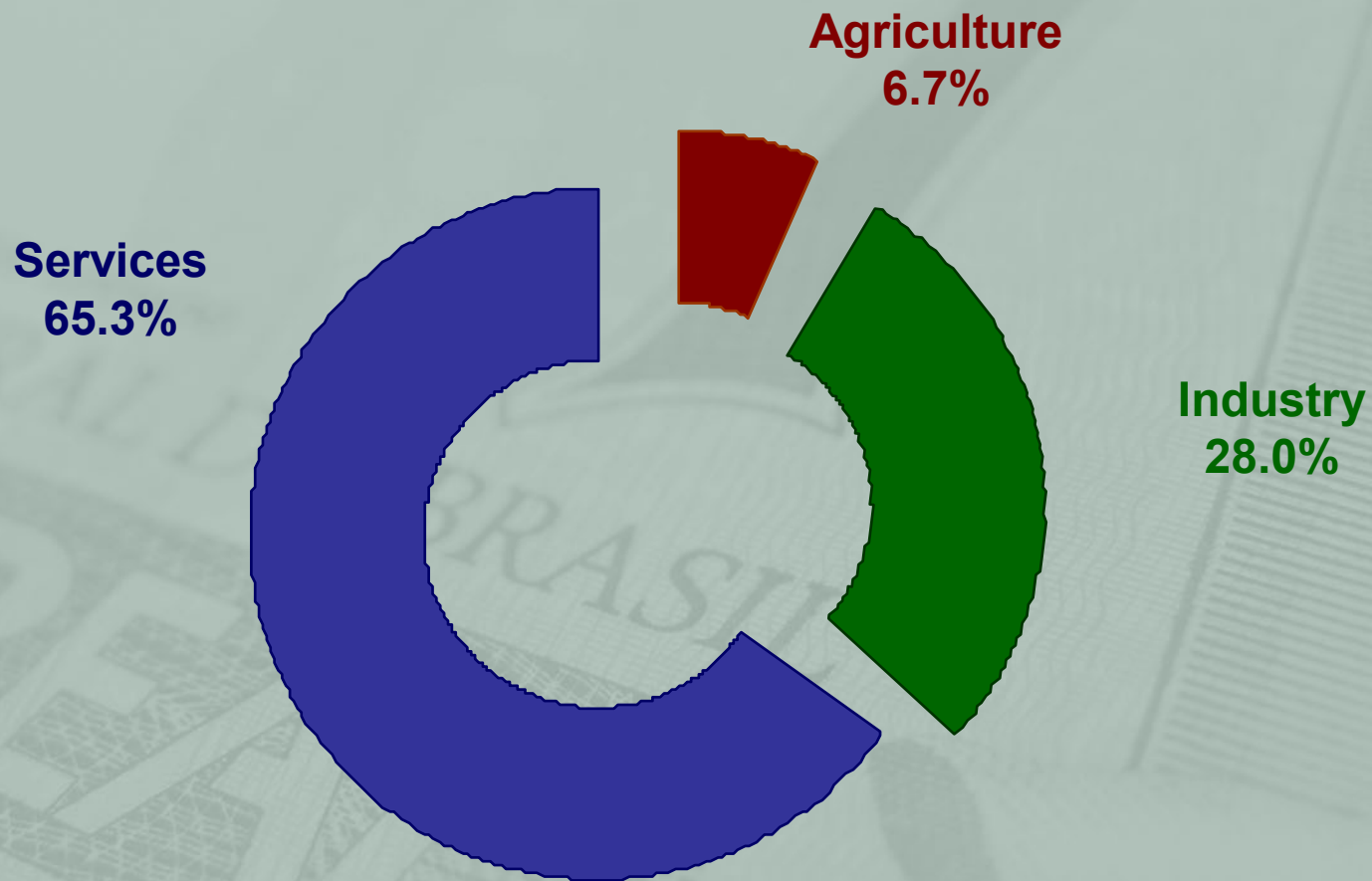
# External Public Net Debt



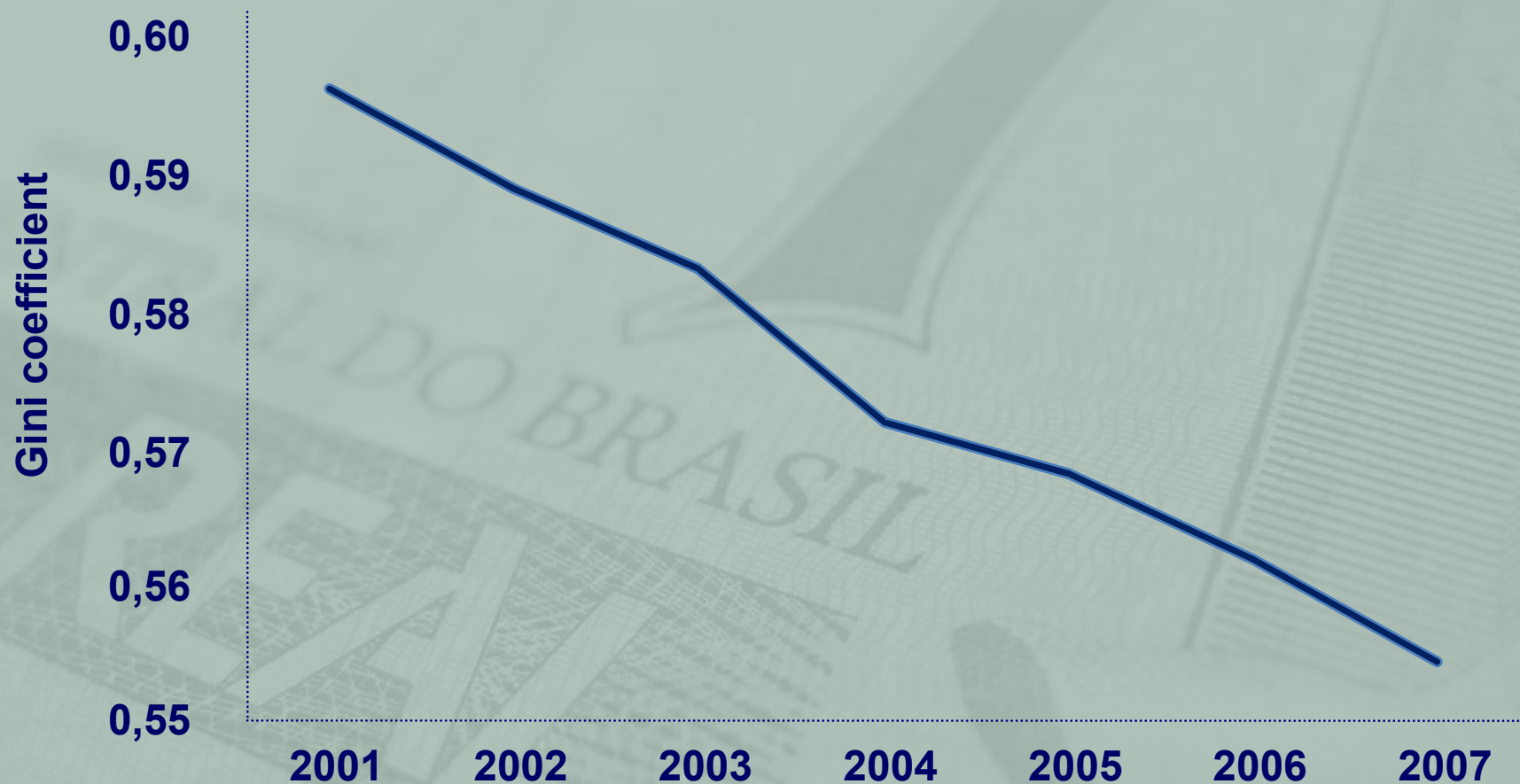
# Gross Domestic Product (GDP)



# Gross Domestic Product (GDP)



# Income Distribution: Inequality

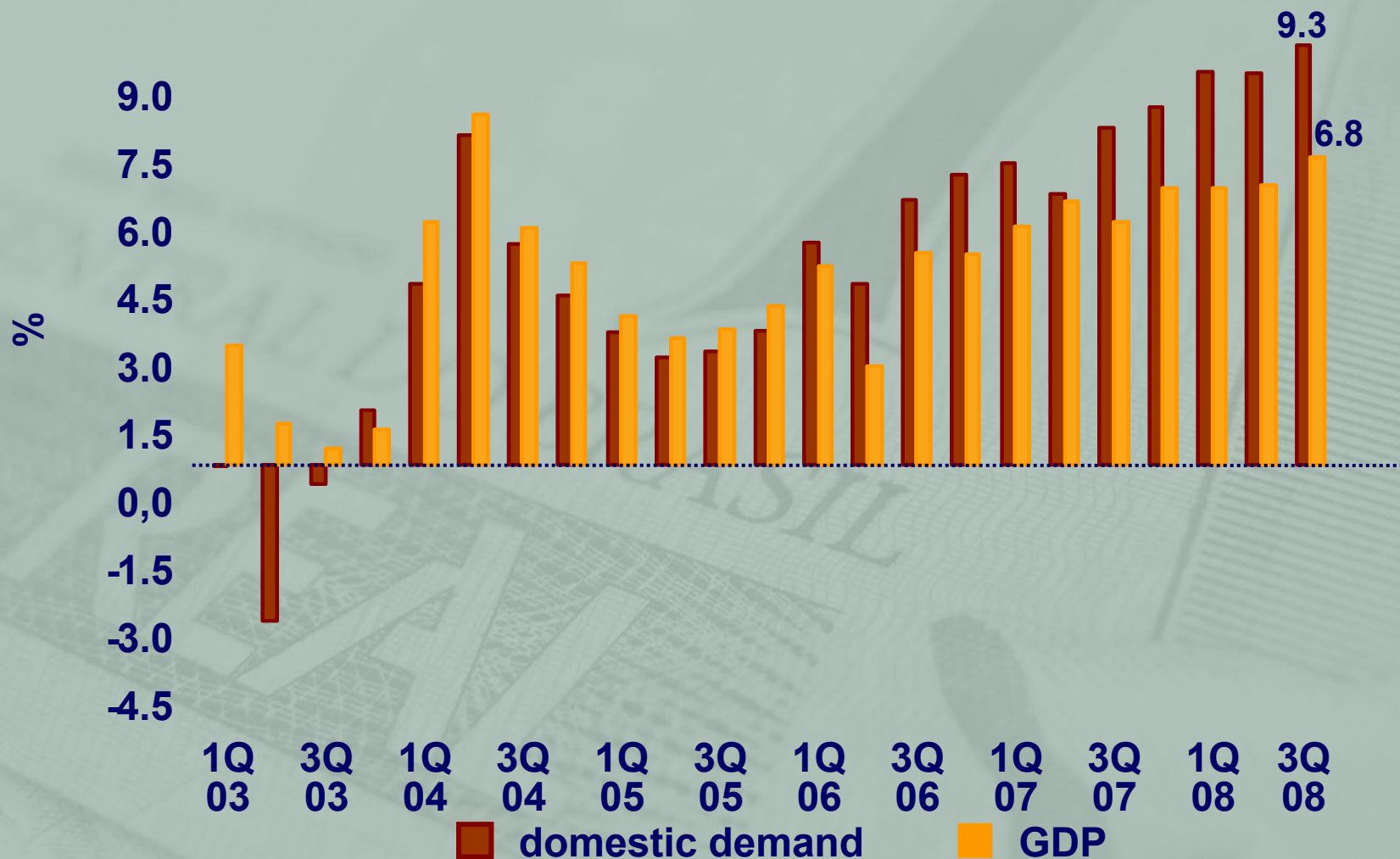


# Income Distribution: Middle-Class



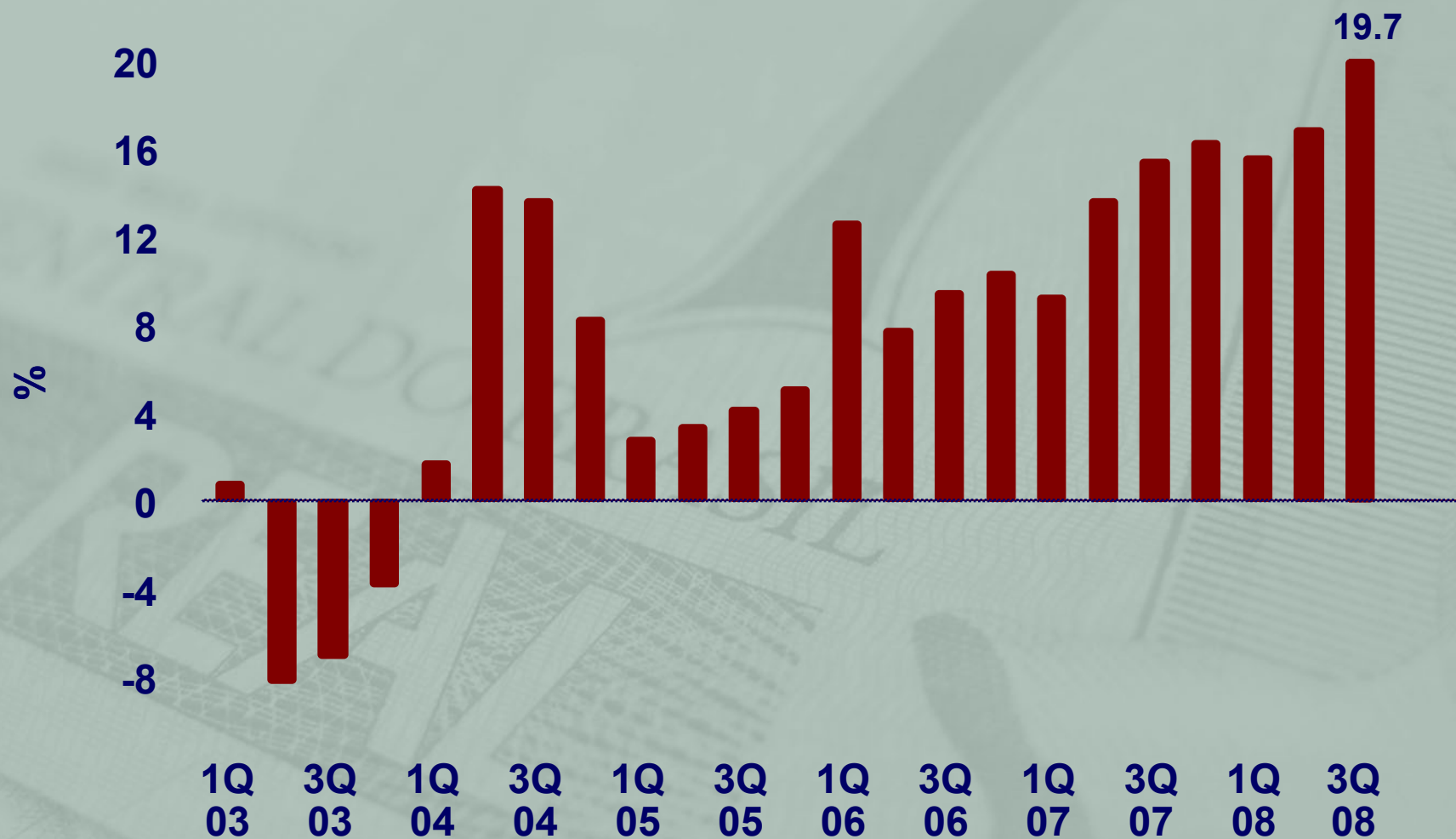
# Domestic Demand and Supply

change, year-over-year



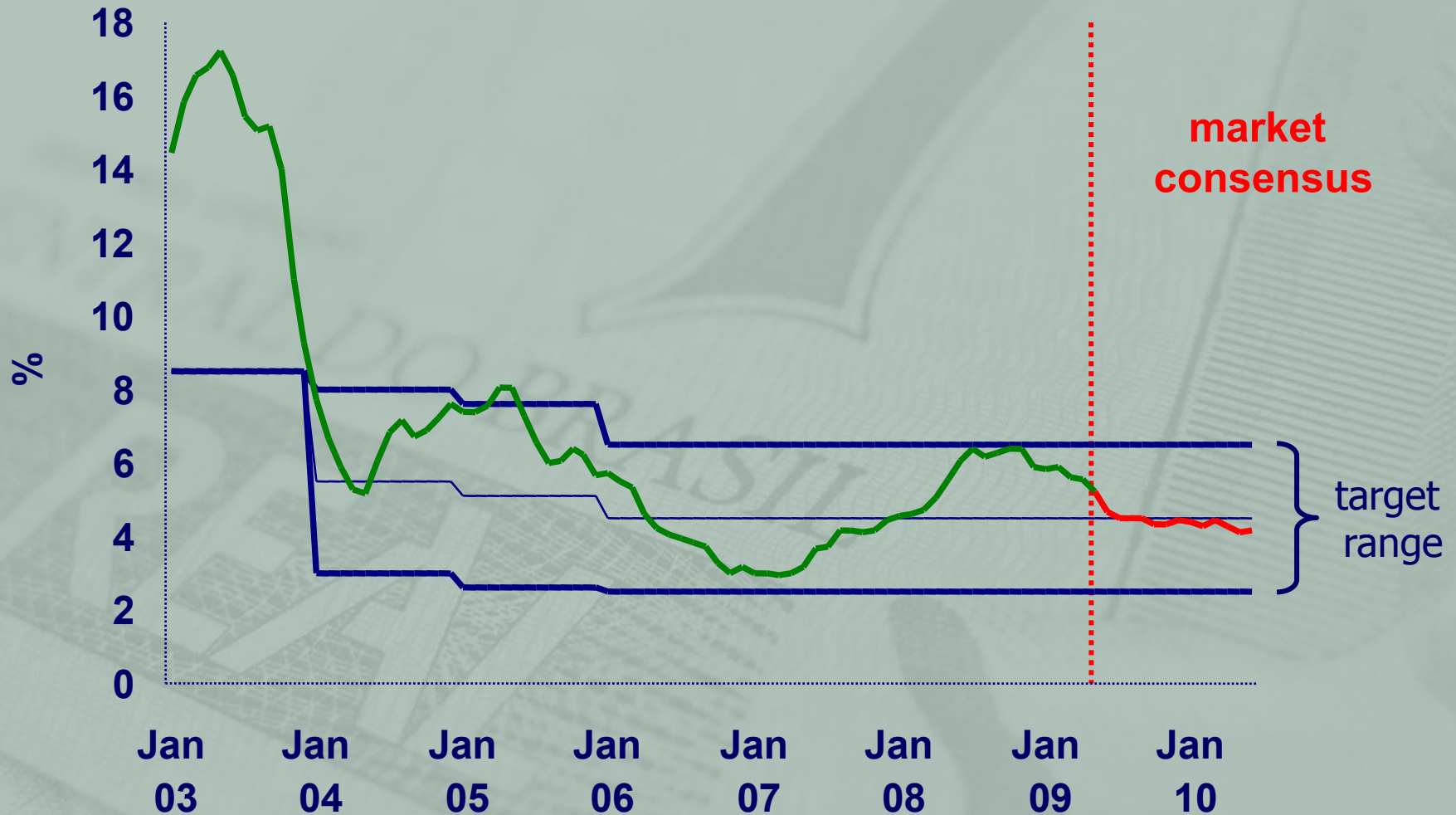
# Fixed-Capital Investment

change, year-over-year



# Inflation

## IPCA (accumulated in 12 months)

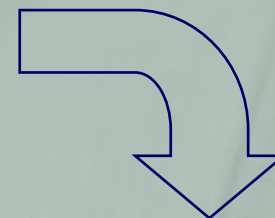


# External Shock Feedback Loop: Before

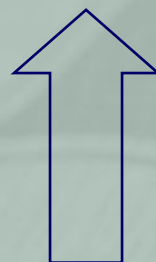
External Shock



Deterioration of Confidence



Currency Depreciation



Pressure on  
Public Debt/GDP ratio



FX Public Debt

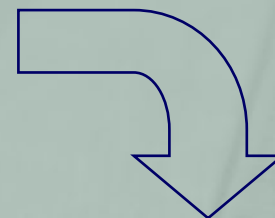
Domestic  
External

# External Shock Feedback Loop: Now

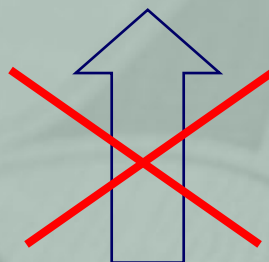
External Shock



Deterioration of Confidence



Currency Depreciation



Reduction of  
Public Debt/GDP ratio



~~Public Debt  
in FX~~

Public Sector is Long in FX



# Public Net Debt



# Channels of Transmission of Global Financial Crisis to Brazil



# Total Credit

(estimated, beginning of September/2008)



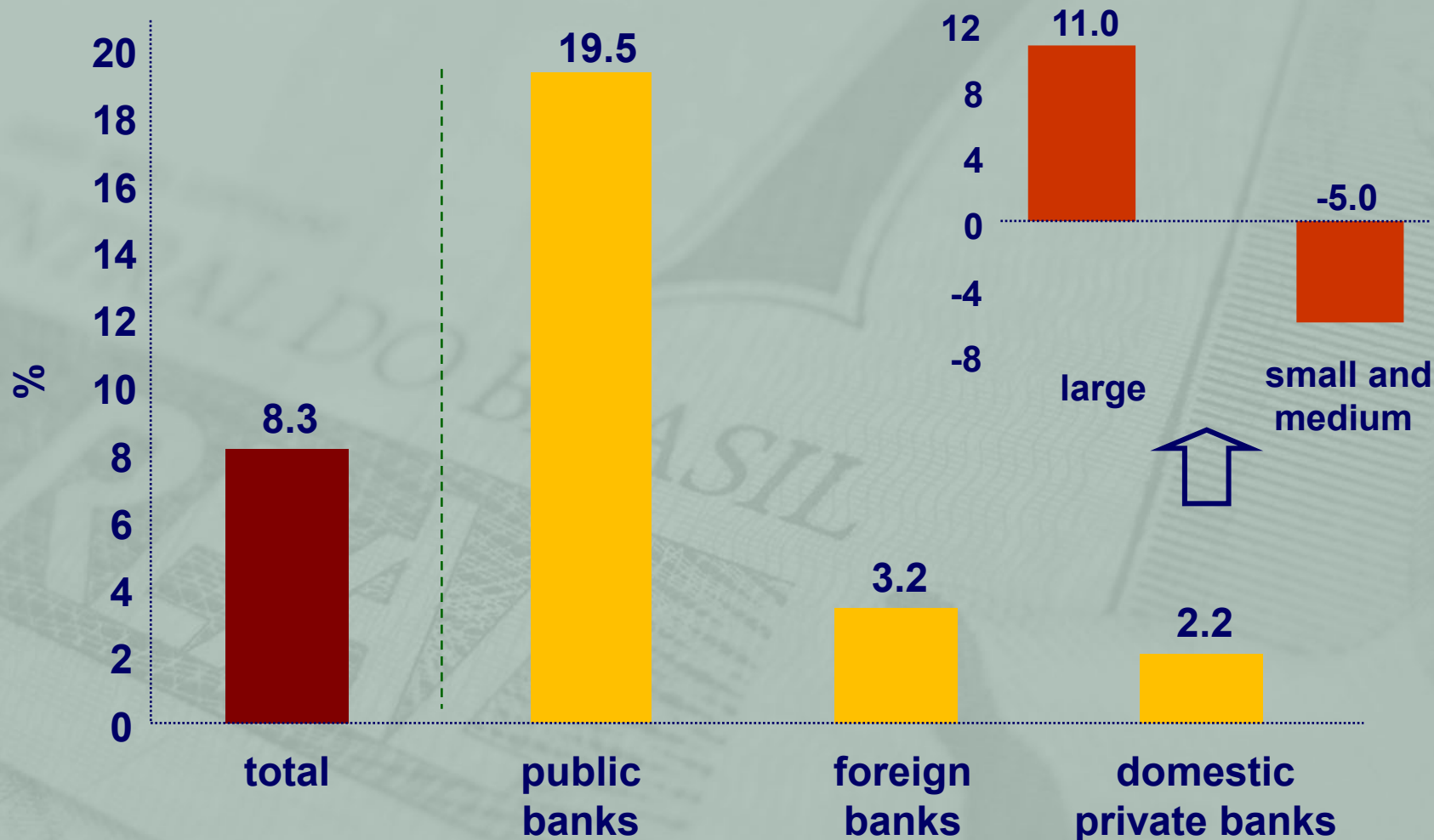
**External** (US\$ 97 billion)

**Domestic with external funding** (US\$ 47 billion)

**Domestic** (US\$ 620 billion)

# Domestic Credit Outstanding

Growth Apr 09/Sep 08



# Initiatives to Inject Liquidity in Domestic Credit Market

## Recent measures:

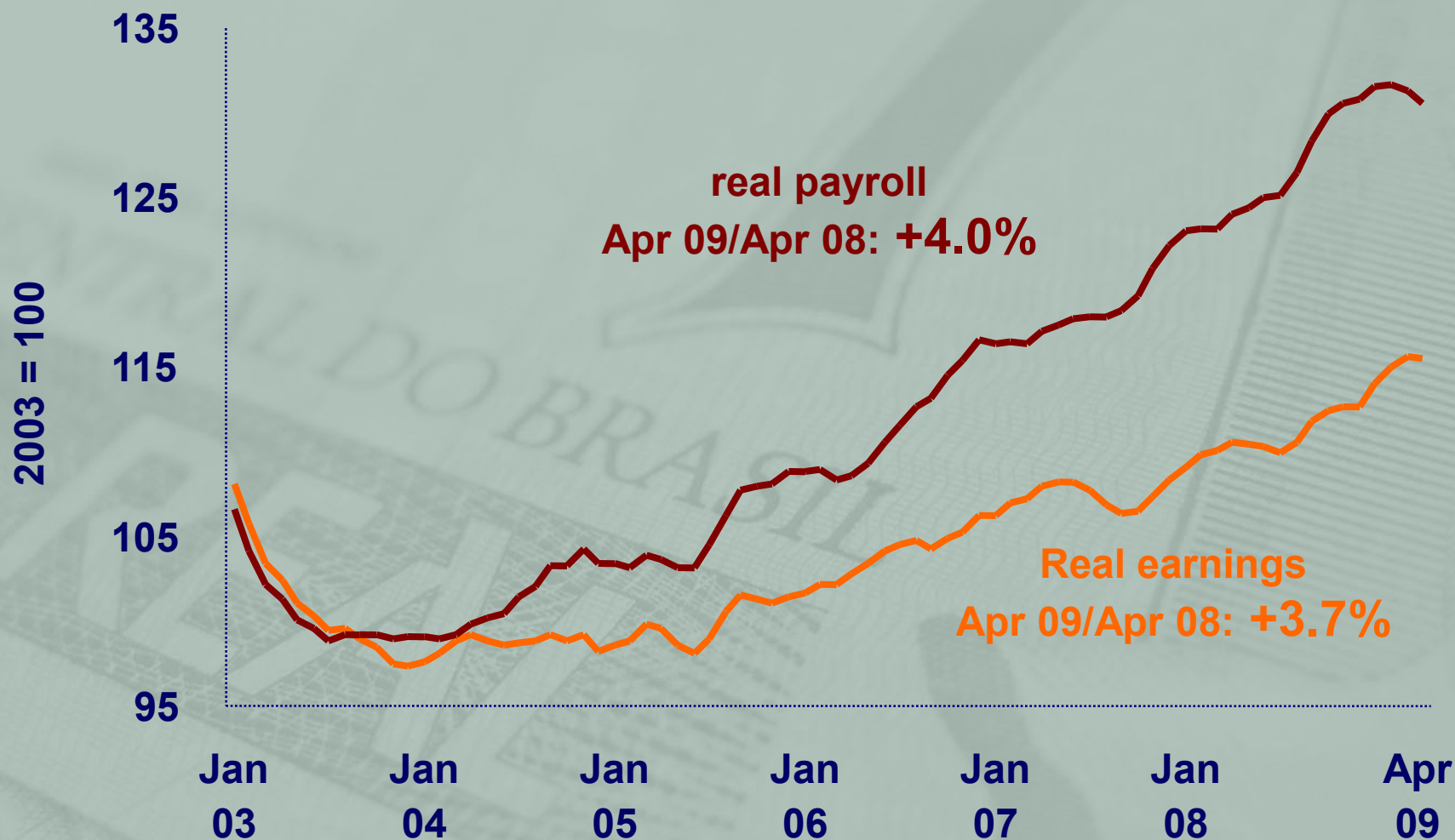
- Non-earmarked FX auctions;
- Extension of deposit insurance on time deposits from R\$ 60,000 to R\$ 20 million;



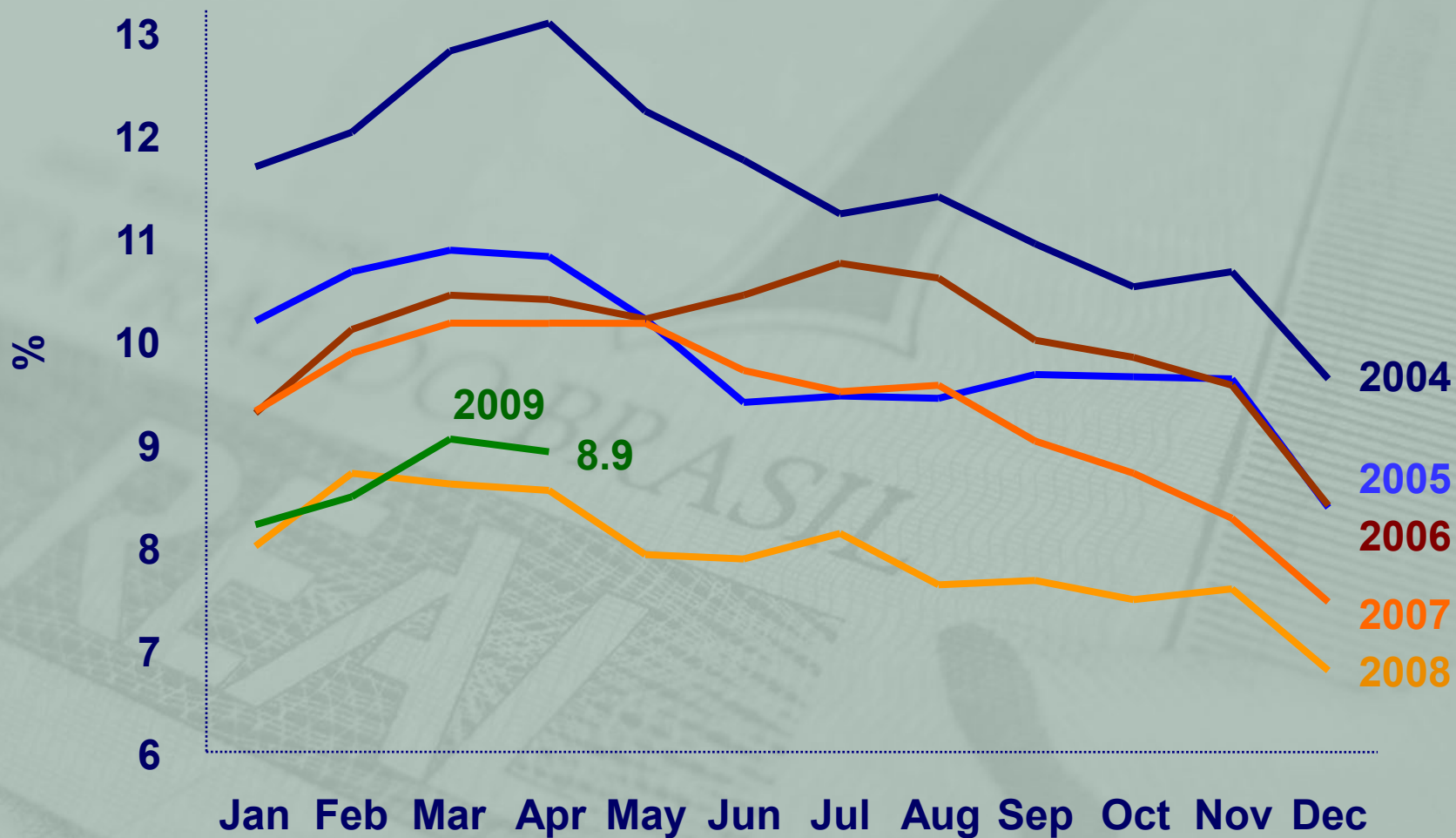
→ Increase in credit supply, especially to small and medium-sized banks.

# Real Payroll and Earnings

3 month moving average

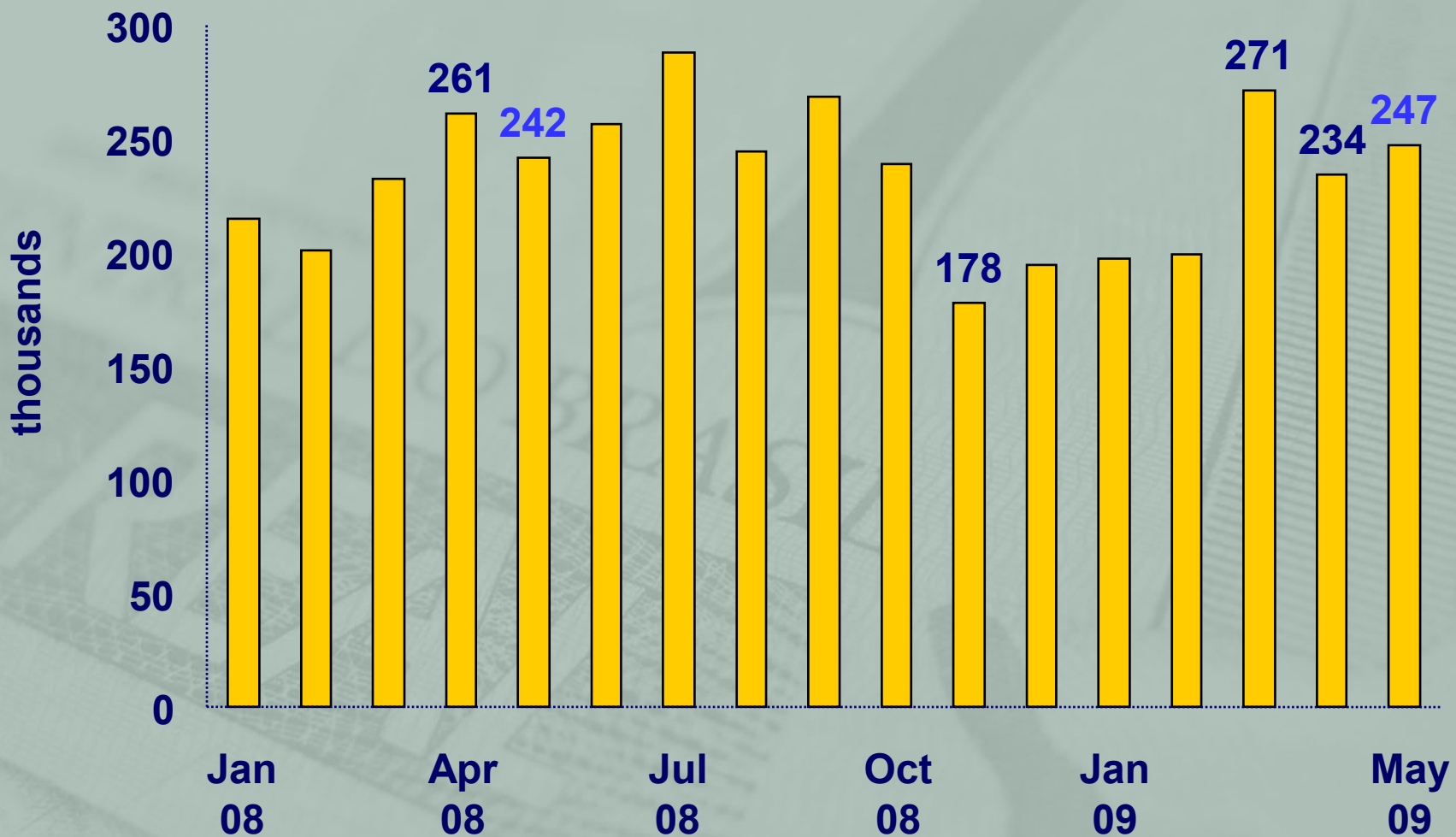


# Unemployment Rate



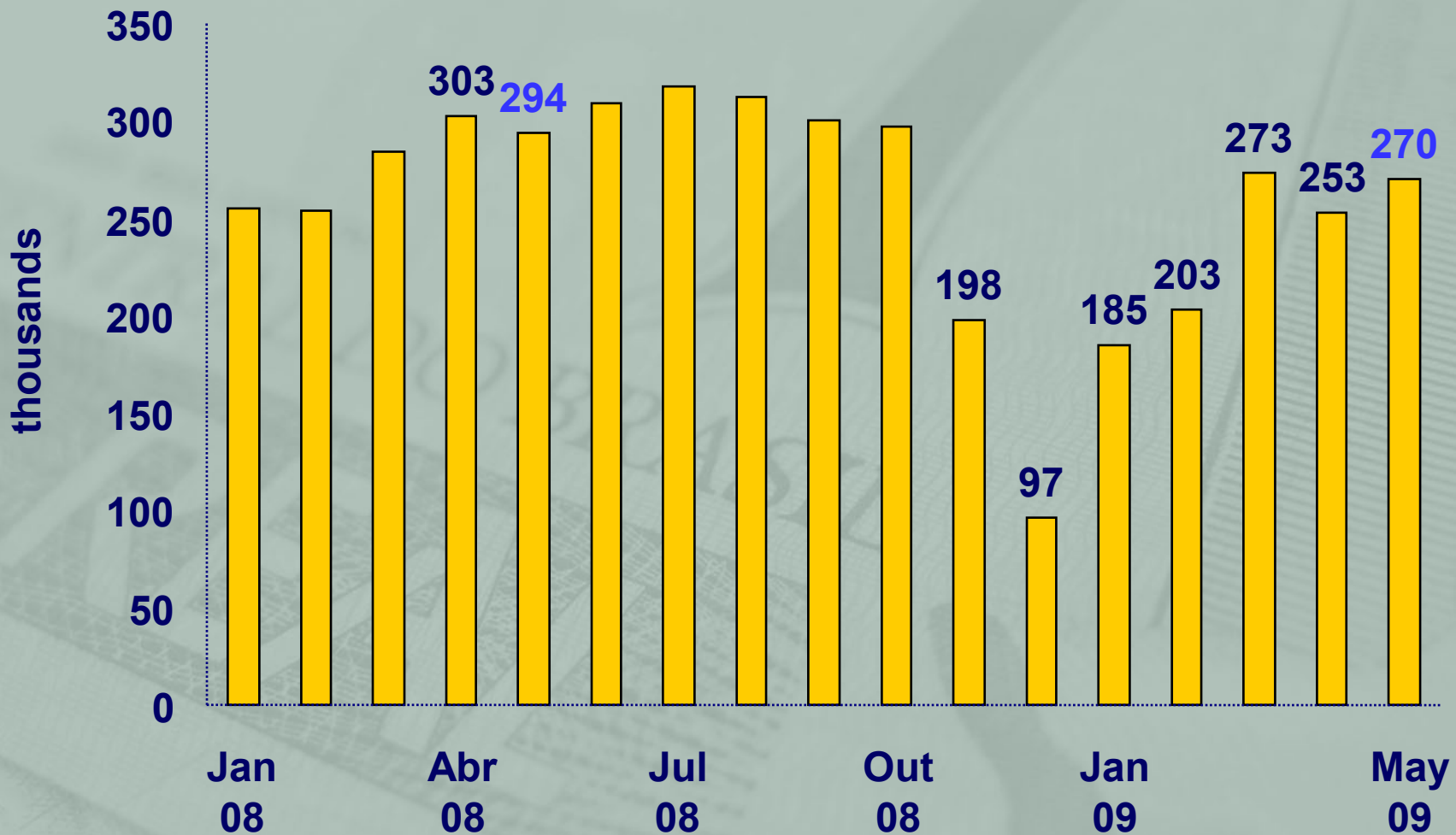
# Auto Sales

seasonally adjusted

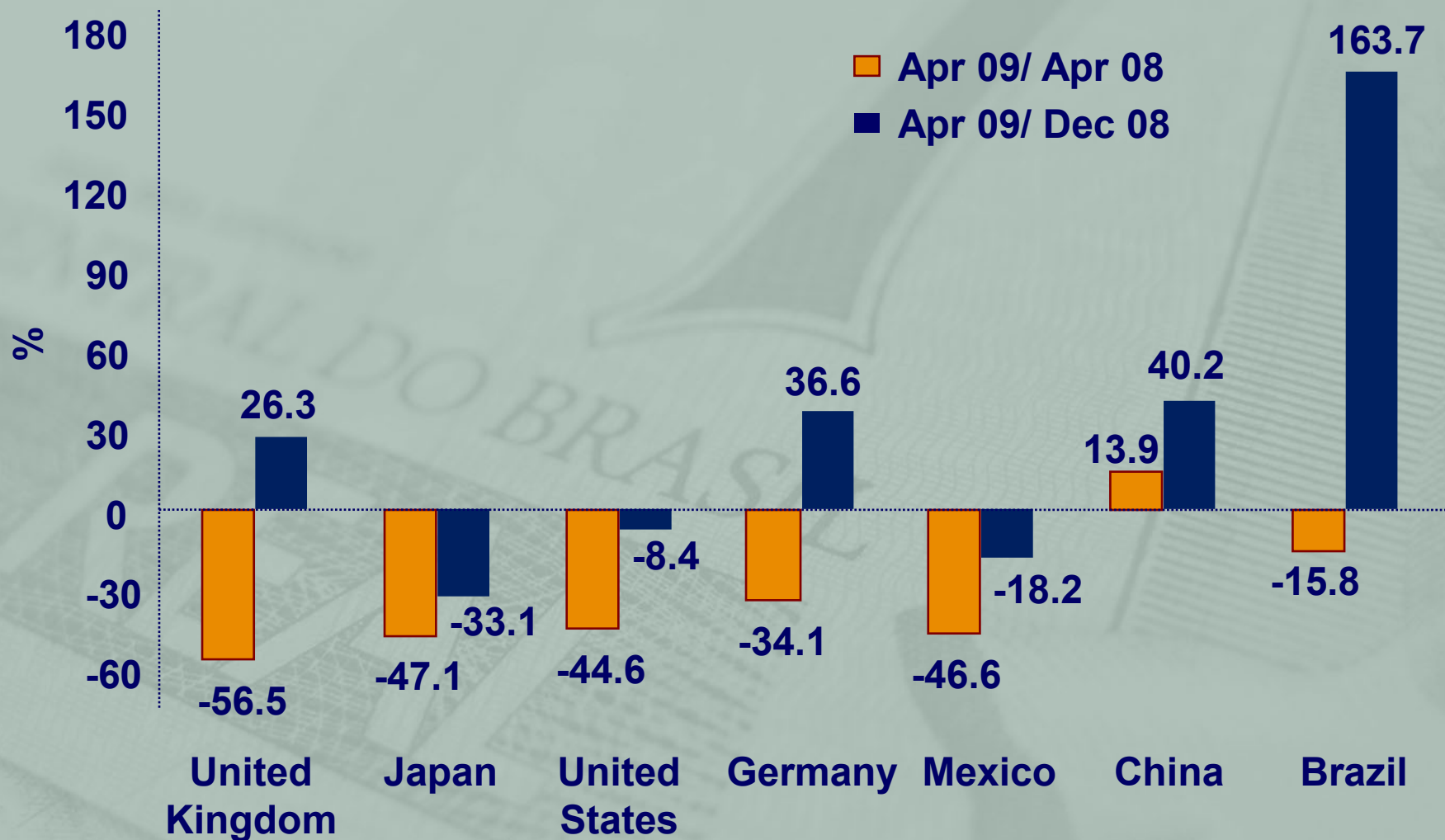


# Auto Production

seasonally adjusted

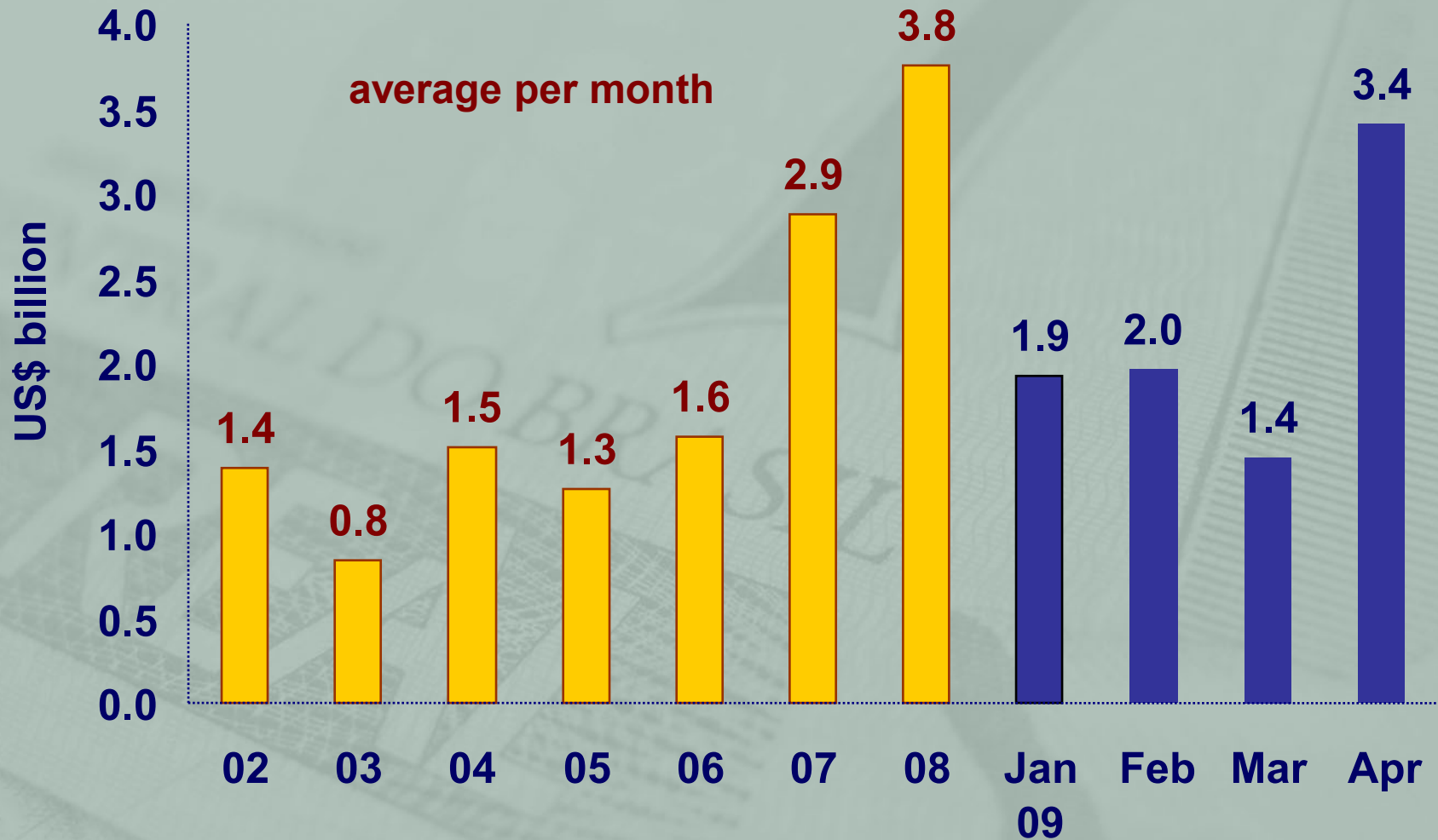


# Auto Production



Source: Anfavea and national associations

# Foreign Direct Investment



# Public Net Debt





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