

September 2016

Brazil – Economic and Political Overview



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Brazil – General Information

- Area: 8,514,877 km
- Population: 208,000,000
- Life expectancy at birth: 74.4 years
- Ninth largest economy in the world
- G20 and BRICs Member
- Borders: Argentina, Bolivia, Colombia, Guyana, Paraguai, Peru, Suriname, Uruguay and Venezuela





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Brazil Economic Data – 2011-2015

	2011	2012	2013	2014	2015	2016
GDP (USD billion)	2,613	2,459	2,461	2,416	1,769	1,789 (**)
GDP per capita (USD)	13,237	12,342	12,244	11,915	8,651	8,648
Economic Growth (% in BRL)	3.9	1.9	3.0	0.1	-3.8	-3.15 (*)
Unemployment Rate	8.0	7.4	7.1	6.8	8.5	12.5 (**)
Public Debt (% of GDP)	35.1	32.9	31.2	33.7	38.5	47.6 (**)
Policy Interest Rate (%)	11.00	7.25	10.00	11.75	14.25	13.75 (*)
Inflation Rate (CPI %)	6.5	5.8	5.9	6.4	10.7	7.34 (*)
Exchange Rate (BRL/USD)	1.86	2.05	2.36	2.66	3.96	3.30 (*)
Exports (USD billion)	256	243	242	225	191	187 (**)
Imports (USD billion)	226	223	240	229	171	140 (**)

* Source: Brazilian Central Bank Focus Report – September 16, 2016

** Source: Itau BBA Long-Term Macro Projections – September 9, 2016

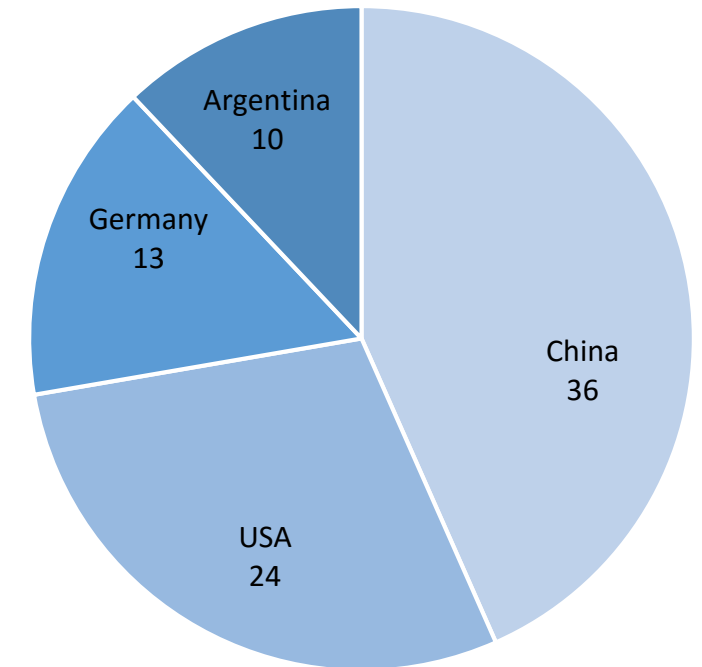


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Brazil Foreign Trade - Exports

- Exports Total 2015 – USD 191 bn
- Exports Jan-Jul 2016 – USD 106.5 bn
- Top destinations: China, USA, Argentina, Netherlands
- Main export products: Soybeans, Iron Ore, Crude Petroleum, Raw Sugar, Poultry Meat, Pulp
- 23rd largest export economy in the world

Main destinations (USD bn)



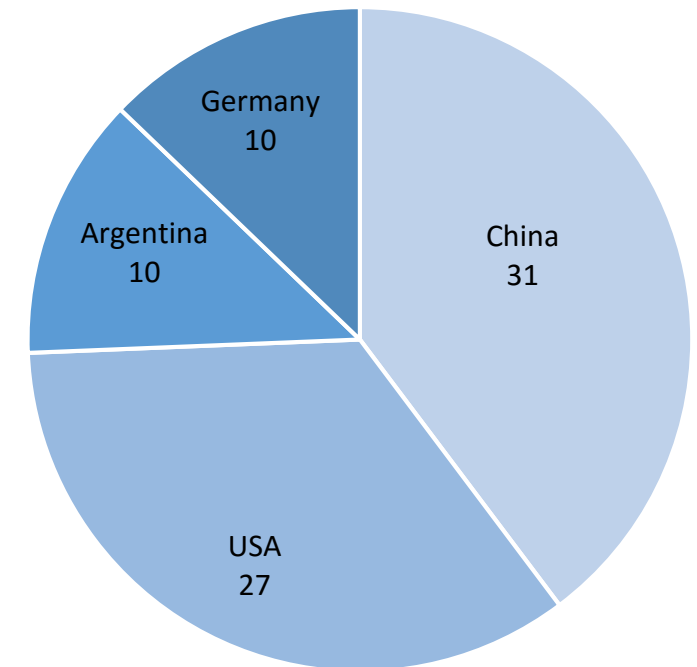


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Brazil Foreign Trade - Imports

- Imports Total 2015 – USD 171 bn
- Imports Jan-Jul 2016 – USD 78.3 bn
- Top Origins: USA, China, Germany, Argentina
- Main Import Products: Packaged Medicaments, Vehicle Parts, Crude Petroleum, Cars, Integrated Circuits

Main Origins (USD bn)



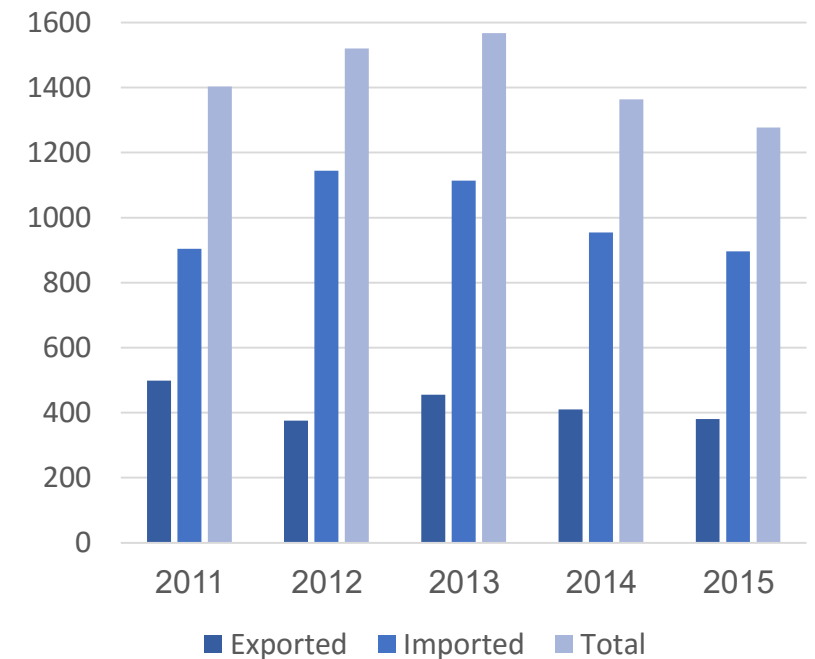


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Brazil and Israel Trade Relations

- Brazil is Israel biggest trading partner in Latin America
- In 2015, Brazil exported to Israel USD 381 mm and imported from Israel USD 896 mm
- Until July 2016, comparing to the same period in 2015, Brazil exports to Israel increased 28% (totaling USD 281 mm) and imports from Israel decreased 42% (totaling USD 321 mm)
- Brazilian trade deficit caused by massive import of chemicals, used as agricultural inputs
- Brazil is the destination of 90% of Israeli exports to MERCOSUL. About 40% of Israeli imports from MERCOSUL are originated in Brazil

Brazil x Israel Trade Relations
(USD millions per year)





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Brazil Economy – Current Outlook

- Worst recession since 1930: unemployment rate keeps rising
- New President Michel Temer economic team restored credibility to agents: BRL close to one-year high; Bovespa one of top-performing stock indexes in 2016
- Perspective of economic stability in the short-term: signs of halt in the drop in investments and industrial production, and improvement in consumer and business confidence index
- Monetary Policy x Fiscal Policy



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Brazil Economy – Main Leaders

- Henrique Meirelles (Finance Minister): Chairman of BCB (2003-2010); President and COO of BankBoston/FleetBoston (1996-2002)
- Ilan Goldfajn (Chairman of BCB): Director of Economic Politics Department of BCB (2000-2003); Chief Economist of Banco Itau Unibanco (2009-2016)





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Brazil Economic Data – Market Forecast

	2016*	2017*	2018**
Economic Growth (% in BRL)	-3.15	1.36	4.00
Policy Interest Rate (%)	13.75	11.00	8.50
Inflation Rate (CPI %)	7.34	5.12	4.2
Exchange Rate (BRL/USD)	3.30	3.45	3.60

* Source: Brazilian Central Bank Focus Report – September 16, 2016

** Source: Itau BBA Long-Term Macro Projections – September 9, 2016



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Brazil Politics – New President

- On August 31st, Michel Temer (PMDB) had become officially the new Brazilian president after Ms. Dilma Rousseff (PT) impeachment
- His first address to the nation: “New Era for the Brazilian Economy”
- Good relations with Congressmen and politicians in general





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Brazil Politics – Old Problems

- Mr. Temer and many other politicians from his party are implicated in “Operation Car Wash” investigations
- Old infrastructure projects frozen due to corruption scandals
- Opinion polls already show low public approval rate
- Unpopular bills to be proposed to Congress on elections year



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Brazil Politics – Controversial Bills

- Spending Cap: limit to current government expenditures in inflation-adjust terms to shrink near-record budget deficit
- Labour reform: more flexibility, part-time Jobs, outsourcing
- Pension reform: increase minimum retirement age
- Two-thirds majority in both chambers of Congress needed to approve



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Brazil – Competitive Advantages*

* Source: MDIC, Brazilian Official Guide on Investment Opportunities. 2016.

- Leading regional economy
- Solid investment framework
- Huge domestic market
- Global player
- Innovative hotbed
- Major infrastructure projects
- Energy and Agricultural powerhouse



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Brazil – Competitive Advantages*

* Source: MDIC, Brazilian Official Guide on Investment Opportunities. 2016.

- Gateway to Latin America
- Biggest and most diversified science, technology and innovation system of Latin America
- One of the largest producers and exporters of agricultural products
- Competitive differential in the sector of aircraft building
- Competitive differential in the sector of oil exploration in depth water and large offshore oil fields



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Thank You Obrigado



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