

- **Global Macro Backdrop Remains Challenging**
- **Normalizing Global Monetary Conditions**

# Global Growth Likely to Slow to 2.8% in 2013 Recovering to 3.6% in 2014

Real GDP Growth						
% yoy	2011	2012	2013	2014	2015	2016
USA	1.8	2.2	1.6	2.9	3.2	3.0
Japan	-0.6	2.0	1.9	1.8	1.4	1.5
Euro Area	1.5	-0.5	-0.4	0.9	1.2	1.5
Germany	3.1	0.9	0.6	2.0	2.1	2.2
France	1.7	0.0	0.0	0.5	1.0	1.3
Italy	0.6	-2.4	-1.8	0.4	0.9	1.0
Spain	0.4	-1.4	-1.4	0.0	1.0	1.8
UK	0.9	0.3	1.4	2.3	2.5	2.7
China	9.3	7.8	7.6	7.7	7.8	7.8
India	7.5	5.1	4.2	5.0	7.2	7.5
Brazil	2.7	0.9	2.6	2.3	3.2	3.4
Russia	4.3	3.4	2.0	3.3	3.7	3.1
Developed Markets	1.7	1.2	1.2	2.2	2.4	2.5
Emerging Markets	6.9	5.4	5.2	5.6	6.1	6.2
World	3.8	3.0	2.8	3.6	4.0	4.1

Source: Goldman Sachs Global Investment Research.

# US Economy on Gradually Firming Path

	2012	2013	2014	2015	2016	2013				2014			
		(f)	(f)	(f)	(f)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>OUTPUT AND SPENDING</b>													
Real GDP	2.8	1.6	2.9	3.2	3.0	1.1	2.5	1.8	2.5	3.0	3.5	3.5	3.5
Consumer Expenditure	2.2	1.8	2.4	2.7	2.5	2.3	1.8	1.4	2.0	2.5	3.0	3.0	3.0
Residential Fixed Investment	12.9	13.9	14.5	13.4	12.5	12.5	14.2	11.0	15.0	15.0	15.0	15.0	15.0
Business Fixed Investment	7.3	3.0	7.7	6.8	5.5	-4.6	4.7	6.1	8.2	8.2	8.2	8.2	8.2
Structures	12.7	0.8	7.8	5.9	5.0	-25.7	17.6	5.0	7.5	7.5	7.5	7.5	7.5
Equipment	7.6	4.1	9.3	8.1	6.1	1.6	3.2	7.9	10.0	10.0	10.0	10.0	10.0
Intellectual Property Products	3.4	3.1	5.3	5.4	5.0	3.8	-1.5	4.5	6.0	6.0	6.0	6.0	6.0
Federal Government	-1.4	-5.7	-5.2	-2.5	-1.2	-8.4	-1.6	-10.0	-5.0	-5.0	-5.0	-4.0	-3.0
State and Local Government	-0.7	-0.3	1.2	1.8	2.0	-1.3	0.4	0.7	1.0	1.5	1.5	1.5	1.5
Net Exports (\$bn, '09)	-431	-418	-429	-452	-465	-422	-424	-410	-414	-419	-425	-433	-441
Inventory Investment (\$bn, '09)	58	55	67	75	75	42	57	61	61	61	65	69	71
Industrial Production, Mfg	3.9	2.1	3.4	3.7	3.5	4.9	-0.3	2.0	4.1	3.5	4.0	4.0	4.0
<b>HOUSING MARKET</b>													
Housing Starts (units, thous)	783	926	1,151	1,420	1,610	957	869	900	979	1,042	1,108	1,192	1,264
New Home Sales (units, thous)	368	434	531	685	809	449	443	410	435	472	508	551	593
Existing Home Sales (units, thous)	4,661	5,162	5,339	5,501	5,685	4,943	5,057	5,400	5,247	5,284	5,321	5,357	5,394
Case-Shiller Home Prices (%yoy)*	3.8	5.4	7.9	3.8	2.5	8.0	8.7	8.6	7.9	6.1	4.7	4.2	3.8
<b>INFLATION (% ch, yr/yr)</b>													
Consumer Price Index (CPI)	2.1	1.5	1.7	1.9	2.1	1.7	1.4	1.6	1.5	1.5	1.9	1.7	1.7
Core CPI	2.1	1.8	1.8	1.9	2.1	1.9	1.7	1.7	1.8	1.7	1.8	1.8	1.8
Core PCE**	1.8	1.3	1.5	1.6	1.8	1.5	1.2	1.2	1.3	1.3	1.5	1.5	1.5
<b>LABOR MARKET</b>													
Unemployment Rate (%)	8.1	7.5	6.9	6.3	5.9	7.7	7.5	7.4	7.3	7.2	7.0	6.8	6.6
<b>GOVERNMENT FINANCE</b>													
Federal Budget (FY, \$ bn)	-1,087	-650	-600	-475	-550	--	--	--	--	--	--	--	--
<b>FINANCIAL INDICATORS</b>													
Federal Funds^ (%)	0.16	0.13	0.13	0.13	1.25	0.14	0.09	0.08	0.13	0.13	0.13	0.13	0.13
10-Year Note^	1.72	2.75	3.25	3.50	4.00	1.96	2.30	2.81	2.75	2.85	3.00	3.15	3.25
Euro (\$/€)^	1.31	1.38	1.40	1.35	1.25	1.30	1.32	1.34	1.38	1.40	1.40	1.40	1.40
Yen (¥/\$)^	84	105	110	115	125	95	97	99	105	105	108	110	110
Brent Crude Oil (\$/bbl)^	110	110	101	100	100	108	103	112	110	108	107	105	101

\* Weighted avg of metro-level HPIs for 366 metro cities where the weights are dollar values of single-family housing stock reported in the 2000 Census.

\*\* PCE = Personal consumption expenditures. ^ Denotes end of period.

NOTE: Published figures are in bold.

# Commodity Price Super-Cycle Likely Ended

## Commodities Outlook

	Unit of Measure	Spot 10/11/13	Historical				Forecasts			Forecast/Spot % chge		
			2009	2010	2011	2012	3m	6m	12m	3m	6m	12m
<b>S&amp;P GSCI</b>	Dec-69=100	638.5	434.2	534.4	675.9	653.7						
<b>Energy</b>												
WTI Crude Oil	\$/bbl	102.0	64.2	80.0	97.0	91.8	103.0	99.0	95.0	1.0%	-3.0%	-6.9%
Brent crude Oil	\$/bbl	111.3	64.4	80.7	112.2	111.1	110.0	108.0	105.0	-1.2%	-2.9%	-5.6%
<b>Industrial Metals</b>												
LME Aluminum	\$/mt	1,837	1,684	2,189	2,429	2,047	1,850	1,900	2,000	0.7%	3.5%	8.9%
LME Copper	\$/mt	7,177	5,320	7,626	8,868	7,913	6,600	6,600	6,200	-8.0%	-8.0%	-13.6%
LME Nickel	\$/mt	13,853	14,960	22,338	22,995	17,008	13,500	14,500	1,500	-2.5%	4.7%	-89.2%
LME Zinc	\$/mt	1,880	1,706	2,144	2,214	2,055	1,900	2,000	2,100	1.1%	6.4%	11.7%
<b>Precious Metals</b>												
London Gold	\$/troy oz.	1,268	986	1,238	1,572	1,676	1,300	1,230	1,110	2.5%	-3.0%	-12.5%
London Silver	\$/troy oz.	21	15	21	36	30	21.7	20.5	18.5	2.1%	-3.6%	-13.0%
<b>Agriculture</b>												
CBOT Wheat	cent/bu	760	562	619	815	831	650	650	650	-14.5%	-14.5%	-14.5%
CBOT Soybeans	cent/bu	1,267	1,024	1,057	1,316	1,419	1,250	1,150	1050	-1.3%	-9.2%	-17.1%
CBOT Corn	cent/bu	433	375	436	681	698	425	425	425	-1.9%	-1.9%	-1.9%
NYBOT Coffee	cent/lb	117	125	168	254	144	130	130	130	11.4%	11.4%	11.4%
NYBOT Sugar	cent/lb	18.9	18.7	22.7	27.4	19.5	16.5	17.5	19.0	-12.8%	-7.6%	0.4%
CME Live Cattle	cent/lb	129	84	96	115	132	128	130	128	-0.6%	0.9%	-0.6%

Source: Goldman Sachs Global Investment Research.

# LATAM - Real Activity to Firm Slightly in 2014

## BRA & MEX Underperforming

### 2013-2016 Growth Outlook

	Real GDP Growth (%)					
	2011	2012	2013F	2014F	2015F	2016F
Argentina	8.9	1.9	5.3	1.9	1.9	3.6
Brazil	2.7	0.9	2.6	2.3	3.2	3.4
Chile	5.9	5.6	4.2	4.1	4.6	4.6
Colombia	6.6	4.2	4.1	4.8	4.7	4.6
Mexico	4.0	3.8	1.1	3.3	3.4	3.6
Peru	6.9	6.3	5.3	6.0	6.1	6.0
Venezuela	4.2	5.6	1.5	2.5	2.6	1.0
<b>Latin America</b>	<b>4.6</b>	<b>2.9</b>	<b>2.7</b>	<b>3.0</b>	<b>3.4</b>	<b>3.6</b>
<b>Ex BRA &amp; MEX</b>	<b>6.9</b>	<b>4.2</b>	<b>4.2</b>	<b>3.5</b>	<b>3.6</b>	<b>3.9</b>
<b>Ex ARG &amp; VEN</b>	<b>3.9</b>	<b>2.8</b>	<b>2.5</b>	<b>3.2</b>	<b>3.7</b>	<b>3.8</b>

Source: Goldman Sachs Global Investment Research.

# LATAM – Inflation Broadly Under Control (Hyperinflation in Venezuela)

## 2013-2016 Inflation Outlook

	Real GDP Growth (%)					
	2011	2012	2013F	2014F	2015F	2016F
Argentina	9.5	10.8	10.7	13.0	12.0	12.0
Brazil	6.5	5.8	5.8	5.9	5.0	4.8
Chile	4.4	1.5	2.5	2.9	3.0	3.0
Colombia	3.7	2.4	3.0	3.0	3.0	3.0
Mexico	3.8	3.6	3.6	3.4	3.0	3.0
Peru	4.7	2.6	2.5	2.5	2.5	2.5
Venezuela	29.0	19.5	46.5	34.0	22.0	20.0
<b>Latin America</b>	<b>7.1</b>	<b>6.0</b>	<b>7.7</b>	<b>7.2</b>	<b>5.9</b>	<b>5.7</b>
<b>Ex BRA &amp; MEX</b>	<b>10.2</b>	<b>8.1</b>	<b>12.9</b>	<b>11.5</b>	<b>9.0</b>	<b>8.7</b>
<b>Ex ARG &amp; VEN</b>	<b>5.1</b>	<b>4.3</b>	<b>4.4</b>	<b>4.4</b>	<b>3.9</b>	<b>3.8</b>

Source: Goldman Sachs Global Investment Research.

# LATAM – Widening Current Account Deficits

## Moderate Current Account Deficits

	CA Balance (% GDP)					
	2011	2012	2013F	2014F	2015F	2016F
Argentina	-0.5	0.0	-1.0	-1.8	-2.7	-3.3
Brazil	-2.2	-2.4	-3.8	-3.8	-4.0	-4.1
Chile	-1.3	-3.5	-4.5	-5.4	-5.2	-4.6
Colombia	-2.9	-3.3	-3.6	-3.7	-3.9	-3.8
Mexico	-1.0	-1.2	-1.5	-1.7	-1.9	-2.0
Peru	-1.9	-3.6	-5.0	-5.2	-4.9	-4.6
Venezuela	7.7	2.9	1.1	-1.4	-4.6	-9.3
<b>Latin America</b>	<b>-1.3</b>	<b>-1.7</b>	<b>-2.7</b>	<b>-3.1</b>	<b>-3.4</b>	<b>-3.8</b>
<b>Ex BRA &amp; MEX</b>	<b>0.1</b>	<b>-1.2</b>	<b>-2.3</b>	<b>-3.1</b>	<b>-4.0</b>	<b>-4.8</b>
<b>Ex ARG &amp; VEN</b>	<b>-1.8</b>	<b>-2.2</b>	<b>-3.1</b>	<b>-3.3</b>	<b>-3.4</b>	<b>-3.5</b>

Source: Goldman Sachs Global Investment Research.

# LATAM - Latin America Macroeconomic Outlook

## Consolidated Latin America Aggregate Selected Economic Indicators

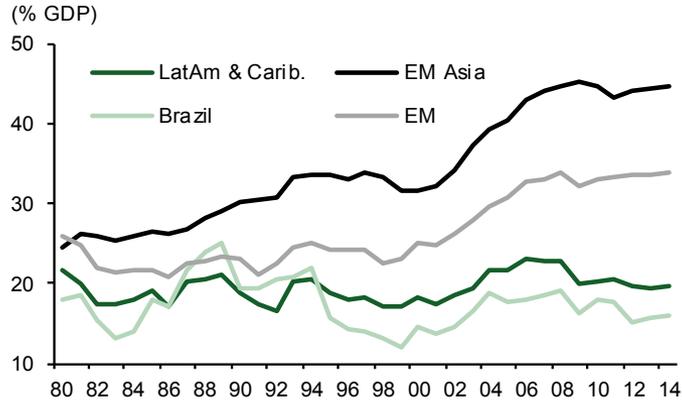
	2008	2009	2010	2011	2012	2013F	2014F	2015F	2016F
<b>I. Economic Activity and Prices</b>									
Nominal GDP (US\$bn)	4,005	3,837	4,598	5,246	5,055	5,090	5,060	5,241	5,434
Real GDP growth (% yoy)	4.4	-1.3	6.2	4.6	2.9	2.7	3.0	3.4	3.6
CPI Inflation (% yoy)	8.1	5.3	6.7	7.1	6.0	7.7	7.2	5.9	5.7
Domestic Demand (% yoy)	5.7	-2.9	8.1	5.7	3.7	3.4	3.2	3.5	3.7
<b>II. External Sector (US\$bn)</b>									
Current Account	-32.6	-23.6	-58.8	-67.5	-86.3	-139.0	-156.5	-180.2	-205.9
Trade Balance	67.1	73.5	71.6	102.1	85.5	45.3	39.7	28.1	12.2
Gross International Reserves	457.2	507.7	593.6	703.7	752.5	767.1	782.0	792.7	807.1
Change in Reserves	44.0	50.5	85.9	110.2	48.8	14.5	15.0	10.6	14.5
Net Capital Inflows	76.5	74.1	144.7	177.6	135.1	153.5	171.5	190.8	220.4
Direct Foreign Investment	123.4	74.6	115.8	153.9	154.3	143.4	151.9	175.8	191.1
<b>III. Public Finance and Indebtness (% GDP)</b>									
Primary Fiscal Balance	2.3	0.5	0.8	1.1	0.5	0.5	0.4	0.3	0.3
Overall Fiscal Balance	-0.8	-2.7	-2.2	-2.1	-2.4	-2.7	-2.8	-2.8	-2.9
Total Public Sector Debt	32.5	35.6	34.6	33.0	32.8	33.9	35.7	37.0	38.1
Total External Debt	21.9	21.9	22.6	22.7	23.8	24.9	27.1	28.4	29.5

Aggregates weighted by nominal GDP in US\$ at PPP exchange rates.

Source: National Authorities and Goldman Sachs Global Investment Research estimates and forecasts.

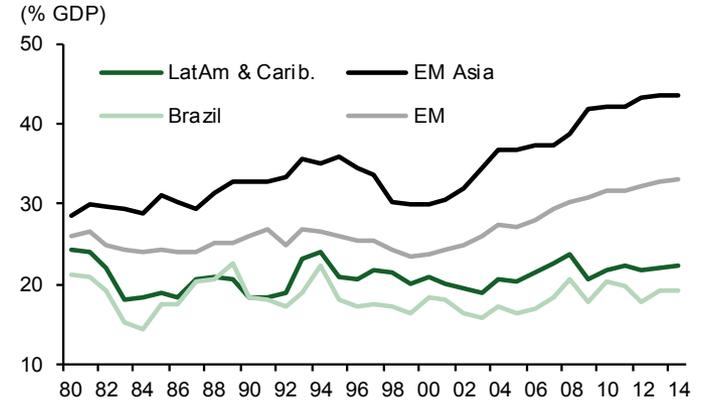
# Very Low Savings and Investment in LatAm

**Savings Ratio in LatAm Below Asia & EM Avg**



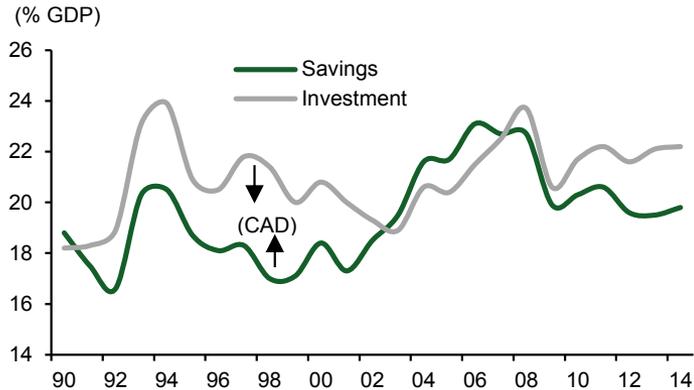
Source: IMF. WEO: Goldman Sachs Global Investment Research.

**Investment in LatAm Below Asia & EM Avg**



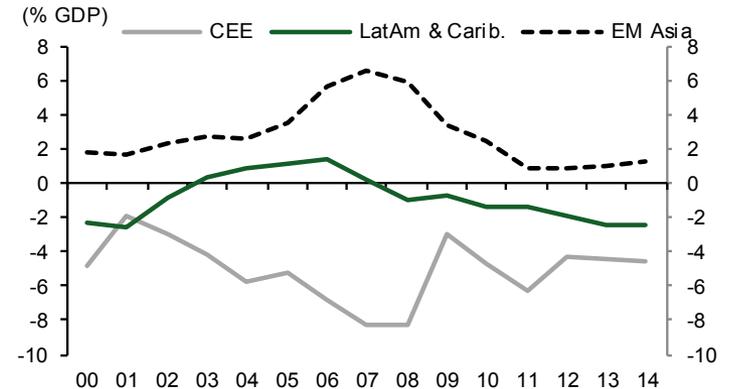
Source: IMF. WEO: Goldman Sachs Global Investment Research.

**LatAm: Low Domestic Sav/Inv Rates**



Source: IMF WEO.

**LatAm Current Account Deficits Widened**

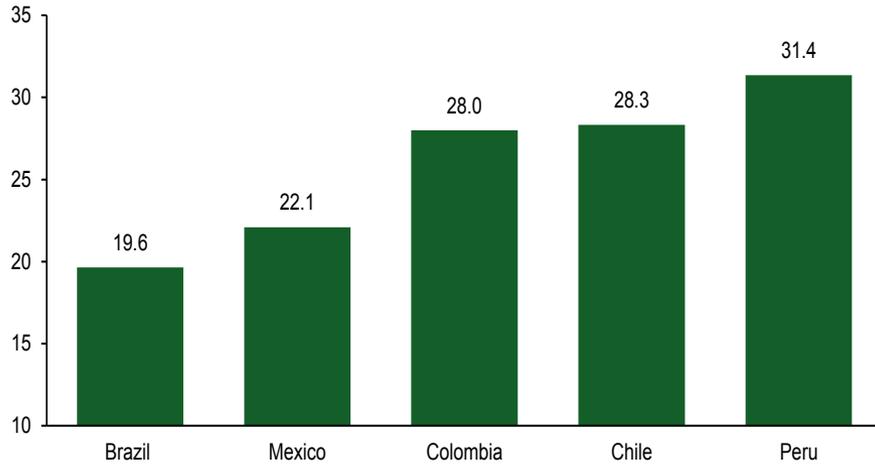


Source: IMF, WEO; Goldman Sachs Global Investment Research.

# Urgent Need of Capital/Investment Deepening Cycle

## Real Gross Fixed Capital Formation

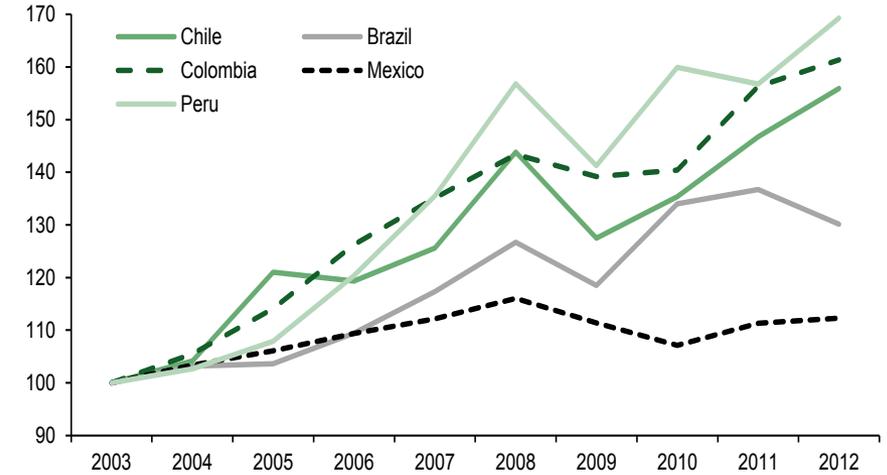
(percent of Real GDP; 4Q2012)



Source: Goldman Sachs Global Investment Research.

## Real Gross Fixed Capital Formation

(Index; 2003 = 100; percent of real GDP)

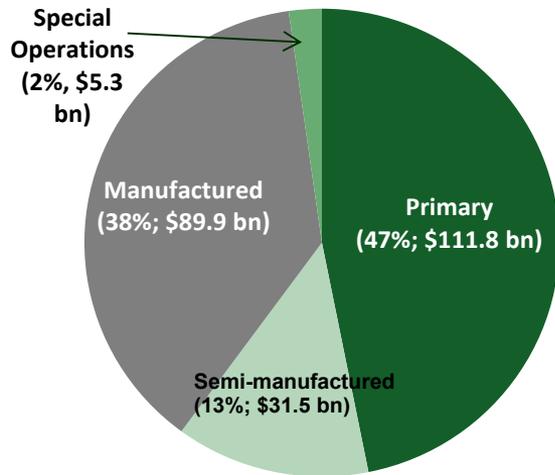


Source: Goldman Sachs Global Investment Research.

# Brazil: Closest Economy to Trade in the Planet: Exports only 11% GDP

## Exports of Goods (Aug 2013)

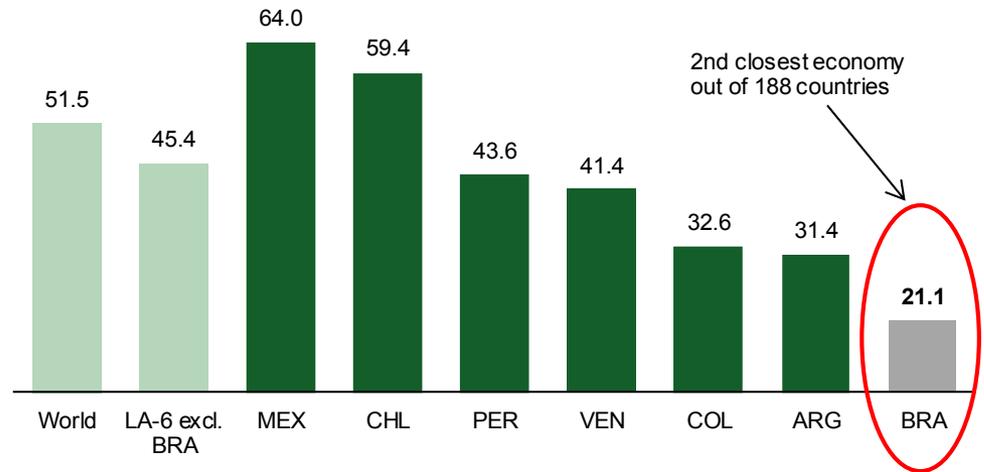
(% of total exports; bns of USD; 12m rolling sum)



Source: Haver Analytics.

## Trade Openness

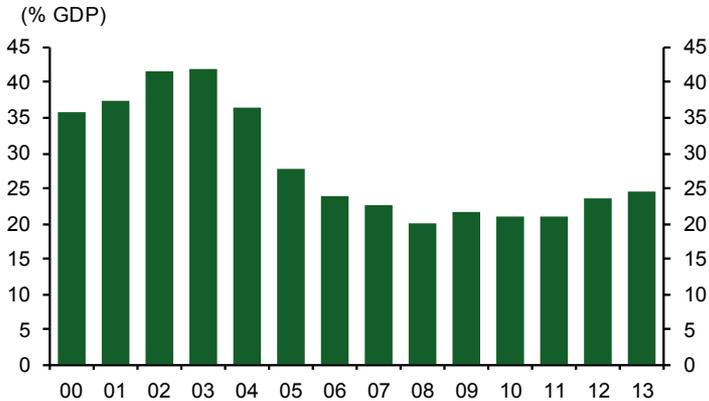
(percent of GDP; 2012)



Source: World Bank; Haver Analytics.

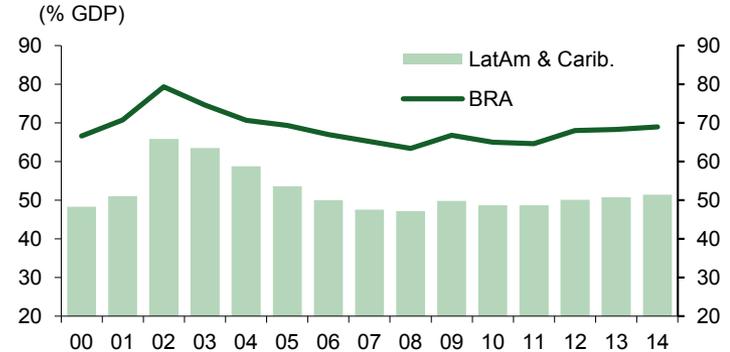
# Moderate Debt Levels (Domestic and External) But no Longer Declining

**LatAm & Carib.: Total External Debt Declining**



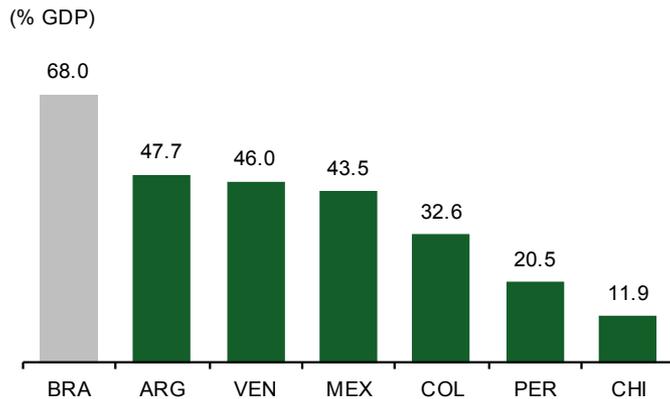
Source: IMF WEO.

**Gross Public Debt Levels Have Come Down**



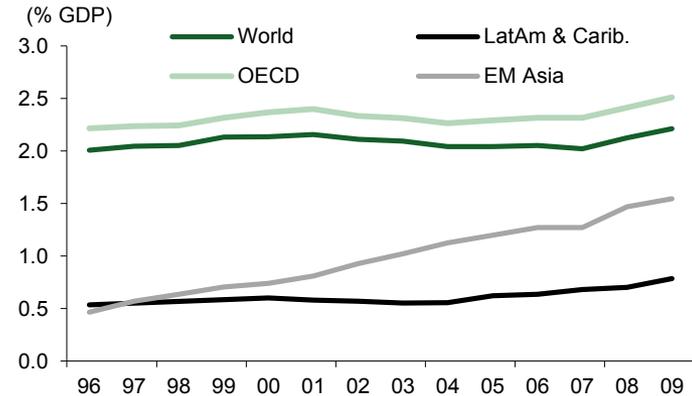
Source: IMF WEO data & forecasts. LA7 includes ARG, BRA, CHI, COL, MEX, PAN, VEN.

**Gross Public Debt in LatAm (2012)**



Source: Haver Analytics; IMF WEO.

**Very Low R&D Expenditure in LatAm**



Source: World Bank Development Indicators.



## Significant Short-Term Macro Challenges Large Long-Term Potential

- **Economy remains trapped in a poor equilibrium of sluggish below-trend growth, high and disseminated inflation, a still misaligned currency, eroded external competitiveness, and weak policy credibility.**
- **Business and market confidence has been shaken by the heterodox and shifting policy mix, and the ongoing deterioration of the fiscal and current account fundamentals.**
- **The authorities may be moving towards a more conventional, balanced, and less interventionist policy mix, at least on the monetary front, but the underlying inconsistency between fiscal and monetary policy remains and may be widening at the margin.**

# BRAZIL - Macroeconomic Performance

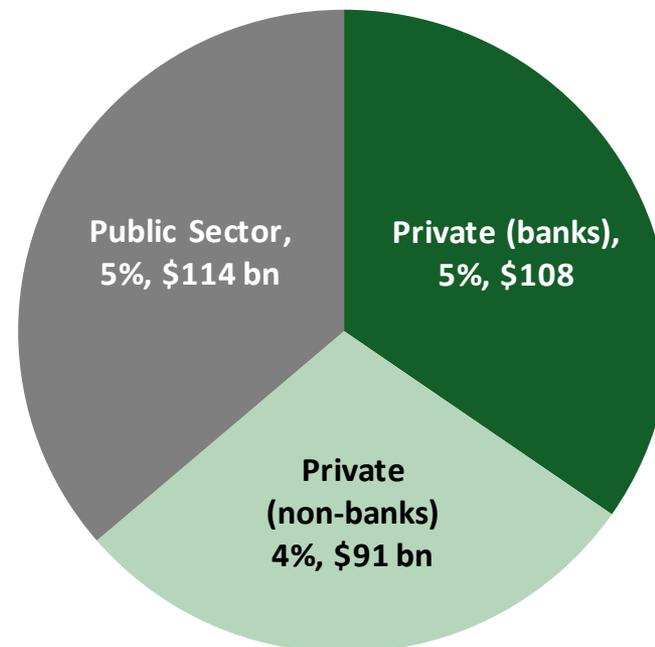
	2011	2012F	2013F	2014F	2012				2013F			
					Q1	Q2	Q3	Q4	Q1F	Q2F	Q3F	Q4F
<b>Activity and Prices</b>												
Real GDP Growth (% yoy)	2.7	0.9	2.6	2.3	0.8	0.5	0.9	1.4	1.9	3.3	2.6	2.4
Nominal GDP (US\$bn)	2,426	2,215	2,194	2,154	576	538	542	563	560	550	523	563
IPCA Inflation (yoy e.o.p)	6.5	5.8	5.7	5.9	5.2	4.9	5.3	5.8	6.6	6.7	5.9	5.7
<b>External Sector</b>												
Current account (% GDP)	-2.2	-2.4	-3.7	-3.8	-2.1	-2.5	-1.6	-3.6	-4.4	-3.4	-3.5	-3.7
Trade balance (% GDP)	1.2	0.9	0.1	0.5	0.4	0.9	1.6	0.7	-0.9	0.4	0.3	0.5
Exports of goods (% yoy)	26.8	-5.3	0.0	7.3	7.5	-7.4	-11.6	-6.1	-7.7	2.3	-0.3	4.9
Imports of goods (% yoy)	24.5	-1.4	8.1	3.8	9.5	0.4	-11.1	-1.7	6.3	7.0	12.9	6.4
Nominal Exchange Rate (\$/BRL e.o.p.)	1.88	2.04	2.25	2.45	1.82	2.02	2.03	2.04	2.01	2.22	2.23	2.25
Net International Reserves (US\$bn)	352	373	371	375	365	374	379	373	377	369	369	371
<b>Monetary Sector</b>												
Monetary base (% yoy)	3.6	8.9	8.0	12.0	12.2	4.4	7.3	8.9	2.9	7.9	7.0	8.0
Credit to the Private Sector (%GDP)	47.1	51.1	54.4	58.2	47.3	48.8	49.5	51.1	51.5	52.4	52.8	54.4
SELIC rate (e.o.p)	11.00	7.25	9.75	9.75	9.75	8.50	7.50	7.25	7.25	8.00	9.00	9.75
<b>Fiscal Sector</b>												
Public Sector Primary Balance (% GDP)	3.1	2.4	1.6	1.2	3.2	2.7	2.3	2.4	2.0	-	-	-
Public Sector Nominal Balance (% GDP)	-2.6	-2.5	-3.7	-4.0	-2.4	-2.6	-2.8	-2.5	-2.9	-	-	-
<b>Debt Indicators</b>												
Net public debt (% GDP)	36.4	35.2	36.0	37.0	36.5	35.2	35.5	35.2	-	-	-	-
Domestic public debt (%GDP)	49.4	49.3	49.8	50.0	49.5	49.7	50.1	49.3	-	-	-	-
External public debt (%GDP)	-13.0	-14.1	-13.8	-13.0	-13.0	-14.5	-14.6	-14.1	-	-	-	-
Total external debt (% GDP)	12.6	14.2	15.3	17.2	12.4	13.6	14.2	14.2	-	-	-	-

Source: Goldman Sachs Global Investment Research.

# Moderate External Debt Load Roll-Over Has Not Been a Problem

Total External Debt (US\$bn)		
Dec-12	US\$bn	%GDP
<b>[A] Total External Debt</b>	<b>313</b>	<b>14%</b>
ST	33	1%
LT	280	12%
Public Sector	109	5%
Private: Banks	81	4%
Private: Non-Banks	91	4%
<b>[B] Intercompany Loans</b>	<b>128</b>	<b>6%</b>
<b>TOTAL EXT DEBT (= [A]+[B])</b>	<b>441</b>	<b>20%</b>
Memo Items:		
<b>[A] Total External Debt</b>	<b>313</b>	<b>14%</b>
<b>Private Sector</b>	<b>199</b>	<b>9%</b>
<i>Banks</i>	<i>108</i>	<i>5%</i>
ST	27	1%
LT	81	4%
<i>Non-Banks</i>	<i>91</i>	<i>4%</i>
ST	0	0%
LT	91	4%
<b>Public Sector</b>	<b>114</b>	<b>5%</b>
<i>Banks</i>	<i>31</i>	<i>1%</i>
ST	5	0%
LT	26	1%
<i>Non-Banks</i>	<i>82</i>	<i>4%</i>
ST		
LT	82	4%
<b>GDP (US\$)</b>		<b>2,253</b>

Total External Debt (% of GDP; bns of USD)



Source: Haver Analytics.

# Real GDP Growth Remains Weak

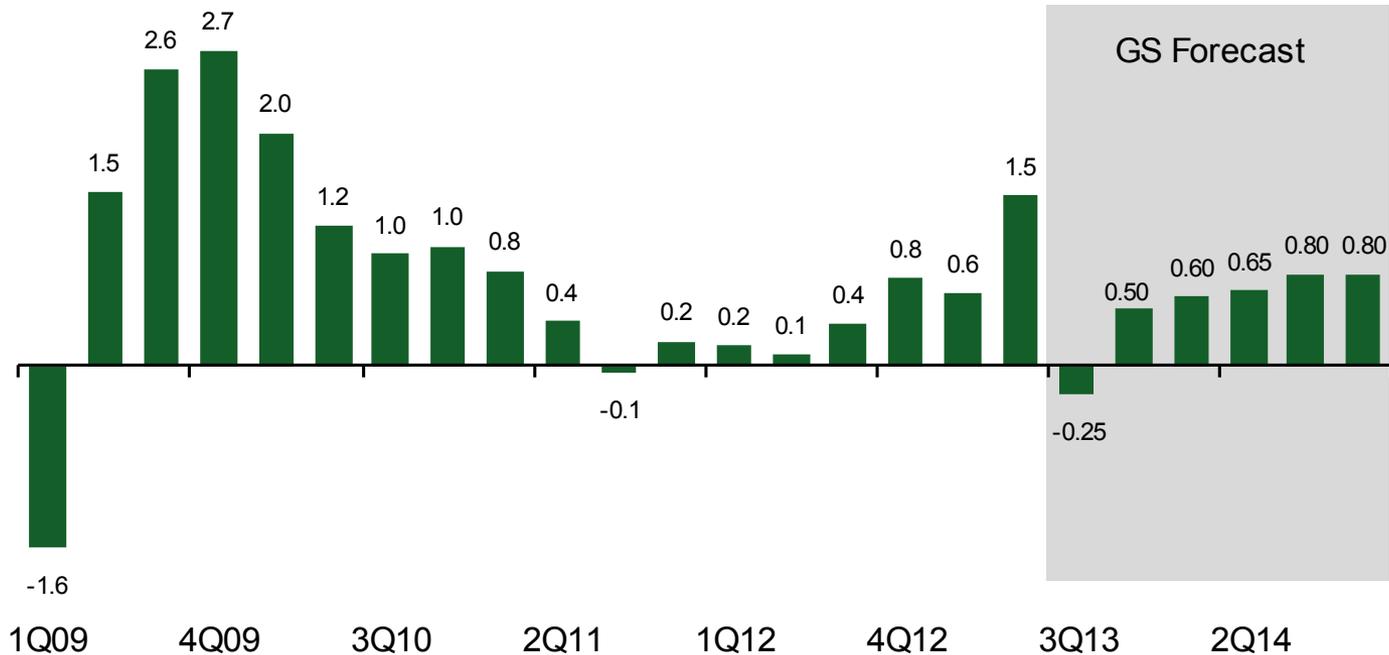
	2011				2012				2013	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>% YoY, nsa</b>										
<i>Supply-side</i>	<b>4.2</b>	<b>3.3</b>	<b>2.1</b>	<b>1.4</b>	<b>0.8</b>	<b>0.5</b>	<b>0.9</b>	<b>1.4</b>	<b>1.9</b>	<b>3.3</b>
Agr. & Livestock	3.3	-0.6	6.9	8.4	-8.5	1.7	3.6	-7.5	17.0	13.0
Industry	3.8	2.1	1.0	-0.4	0.1	-2.4	-1.0	0.1	-1.4	2.8
Services	4.0	3.7	2.0	1.4	1.6	1.5	1.4	2.2	1.9	2.3
<i>Demand-side</i>										
<i>Final Domestic Demand</i>	5.7	5.1	2.7	1.9	1.7	1.2	1.7	2.1	2.4	3.0
Priv. Consumption	6.0	5.6	2.8	2.1	2.5	2.4	3.4	3.9	2.1	2.3
Govt Consumption	1.8	3.5	1.2	1.3	3.4	3.1	3.2	3.1	1.6	1.0
Investment (ex-inventories)	8.8	6.2	2.5	2.0	-2.1	-3.7	-5.6	-4.5	3.0	9.0
Exports	4.0	6.2	4.1	3.7	6.6	-2.5	-3.2	2.1	-5.7	6.3
Imports	13.4	14.8	5.8	6.4	6.3	1.6	-6.4	0.4	7.4	7.9
<b>% QoQ, sa</b>										
<i>Supply-side</i>	<b>0.83</b>	<b>0.39</b>	<b>-0.06</b>	<b>0.22</b>	<b>0.18</b>	<b>0.10</b>	<b>0.37</b>	<b>0.77</b>	<b>0.63</b>	<b>1.47</b>
Agr. & Livestock	3.8	-2.3	4.8	2.4	-12.7	8.0	7.5	-8.1	9.4	3.9
Industry	0.8	0.8	-0.9	-1.0	1.2	-1.9	0.7	0.2	-0.2	2.0
Services	0.9	0.3	-0.2	0.8	0.0	0.8	0.3	0.7	0.5	0.8
<i>Demand-side</i>										
<i>Final Domestic Demand</i>	0.8	0.8	-0.3	0.6	0.6	0.3	0.2	1.0	0.9	0.9
Priv. Consumption	0.6	0.7	-0.1	0.7	1.2	0.8	0.9	0.9	0.0	0.3
Govt Consumption	0.0	1.7	-0.7	0.4	1.8	1.1	-0.2	0.6	0.0	0.5
Investment (ex-inventories)	2.1	0.1	-0.3	0.3	-2.4	-1.9	-1.4	1.5	4.7	3.6
Exports	-2.6	3.4	1.6	1.1	-0.1	-4.8	0.5	6.4	-6.9	6.9
Imports	-0.2	5.1	0.1	1.6	-0.7	0.2	-6.9	8.7	5.7	0.6

Source: IBGE; Goldman Sachs Global Investment Research.

# Growth Expected to Moderate in the Quarters Ahead

## Real GDP Growth Expected to Slowdown During 2H2013

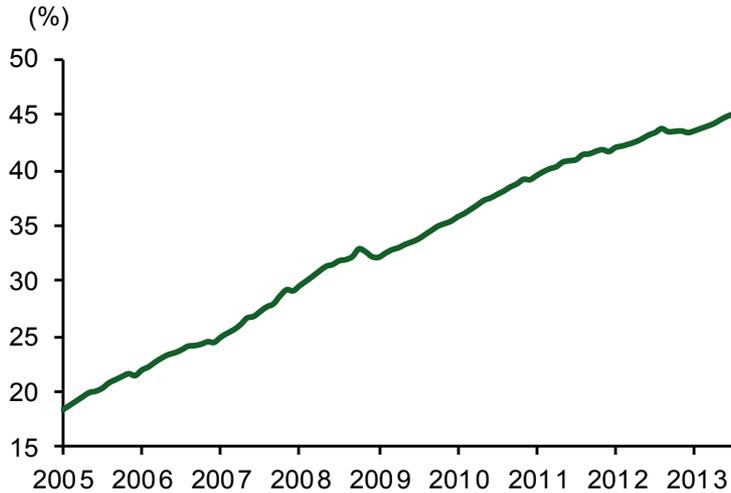
(% qoq; s.a.)



Source: Haver Analytics; IB GE; Goldman Sachs Global Investment Research.

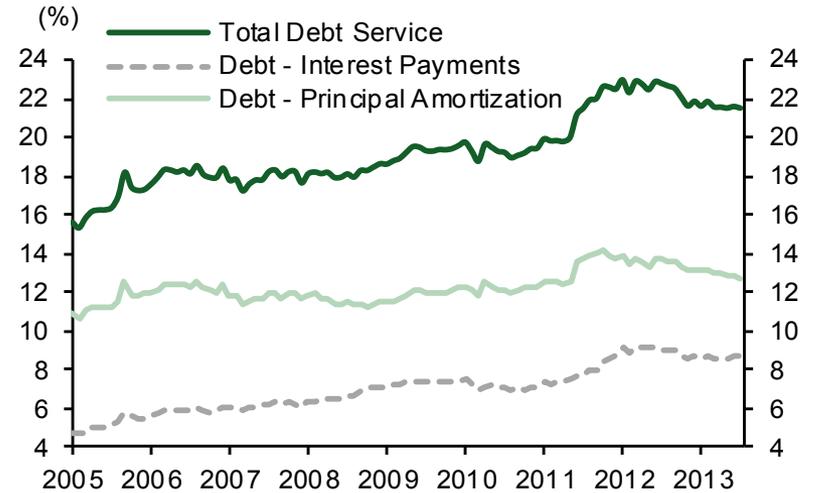
# 2003-10 Growth Driven by: (3) Credit Boom. Households Balance-Sheet Are Now Stretched

**Household Debt (Share of Income)**



Source: BACEN.

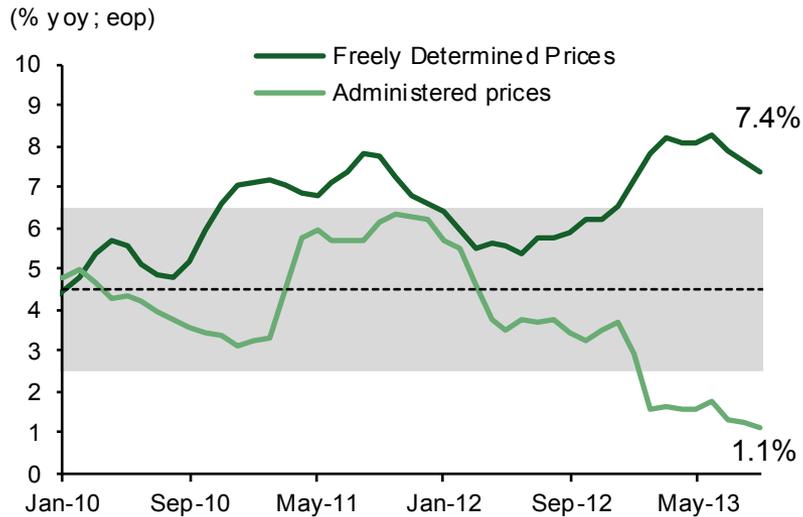
**Household Debt Service**



Source: BACEN.

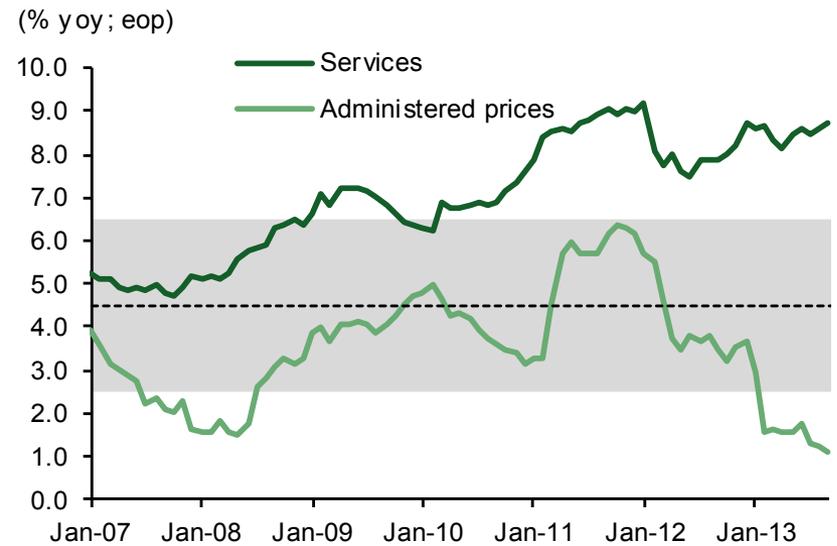
# High and Disseminated/Generalized Inflation

## Very High Inflation Among Freely Determined Prices



Source: Haver Analytics; IBGE.

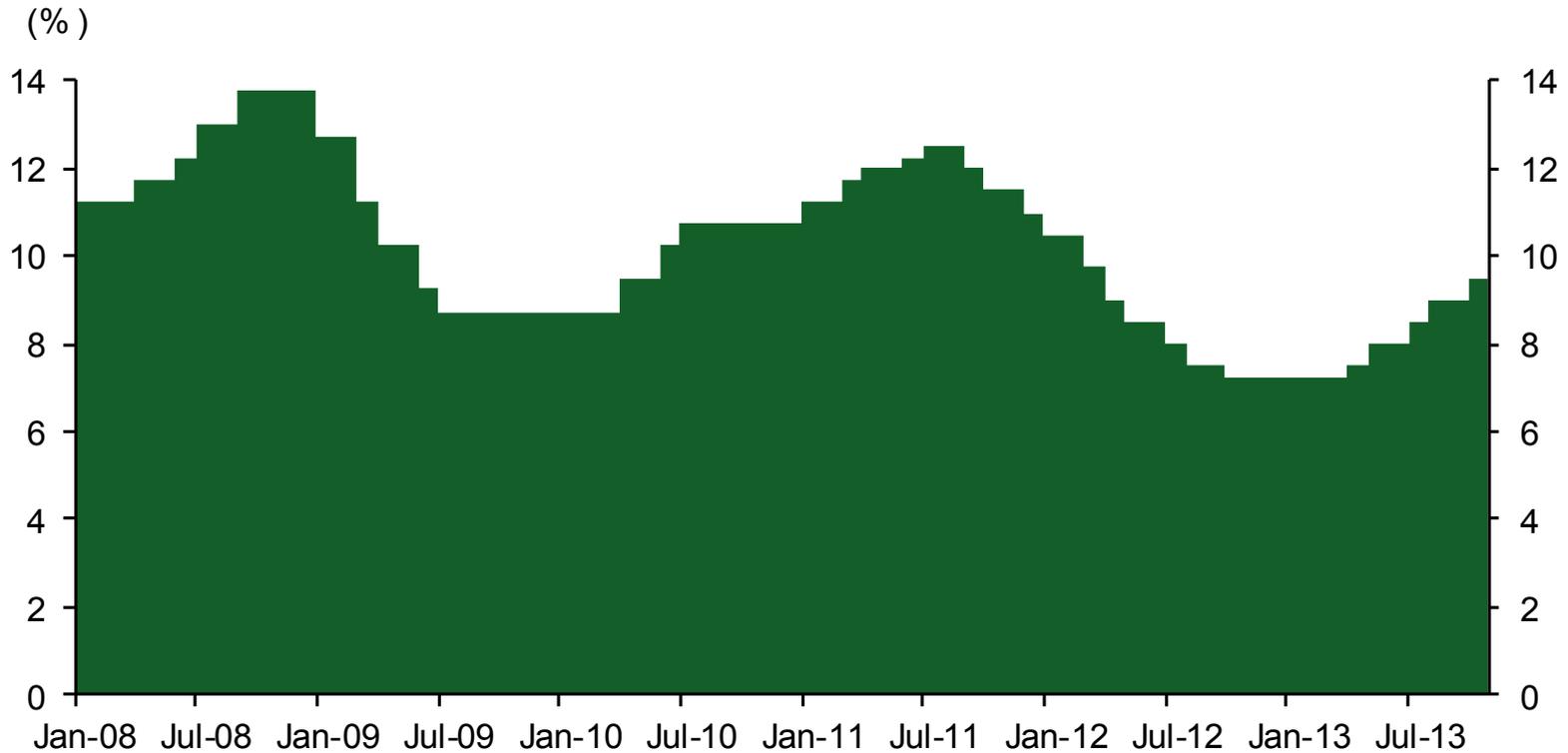
## Very High Services Inflation



Source: Haver Analytics; IBGE.

# COPOM Has Been Hiking to Re-anchor Current and Expected Inflation

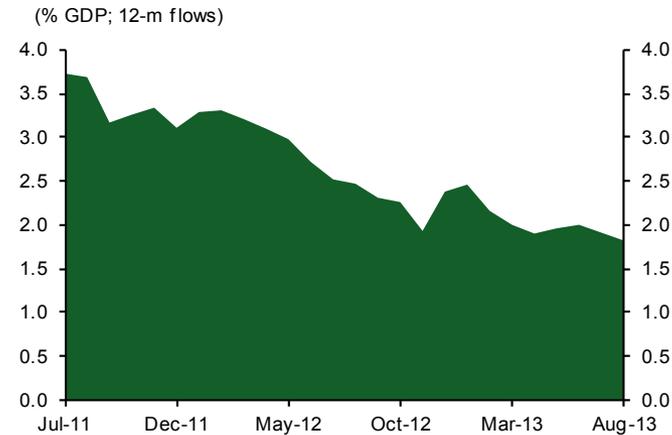
## COPOM Expected to Hike Another 50bp in October and 25bp in November



Sources : B loomberg; Goldman Sachs Global Investment R esearch.

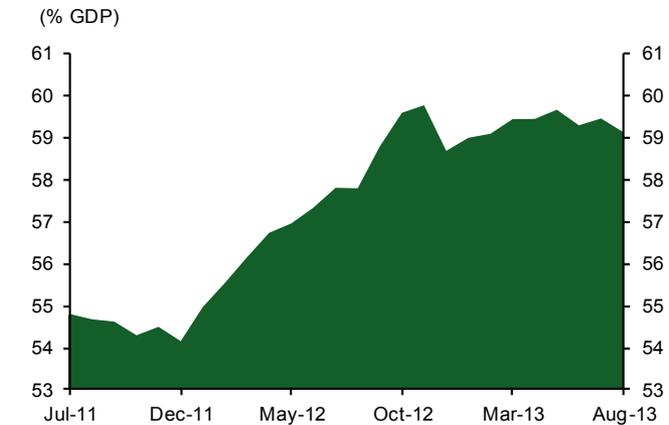
# Deteriorating Fiscal and Current Account Fundamentals

## Eroding Primary Fiscal Surplus



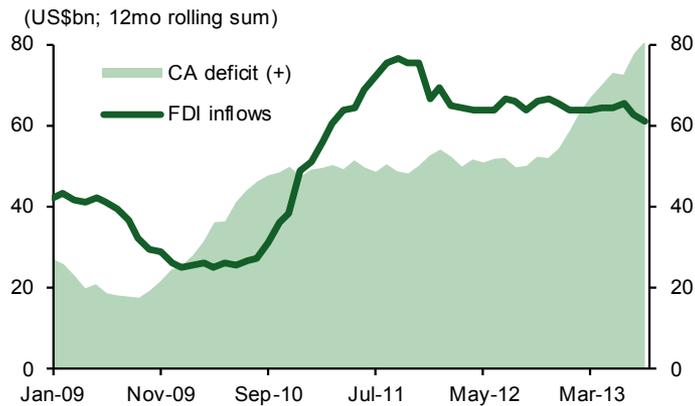
Source: Haver Analytics.

## Rising Gross General Government Debt



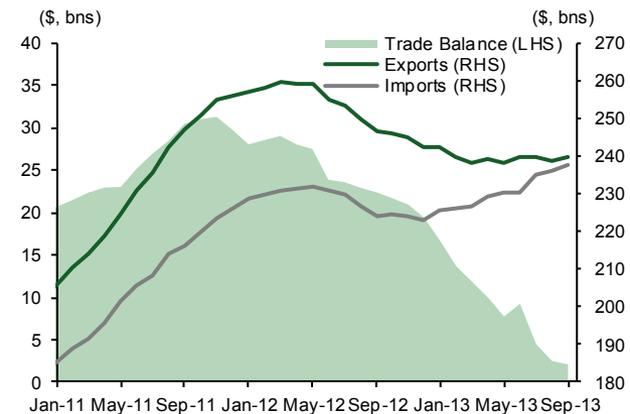
Source: Haver Analytics.

## Deteriorating Current Account



Source: Haver Analytics; BCB.

## Deteriorating Trade Balance (Goods)

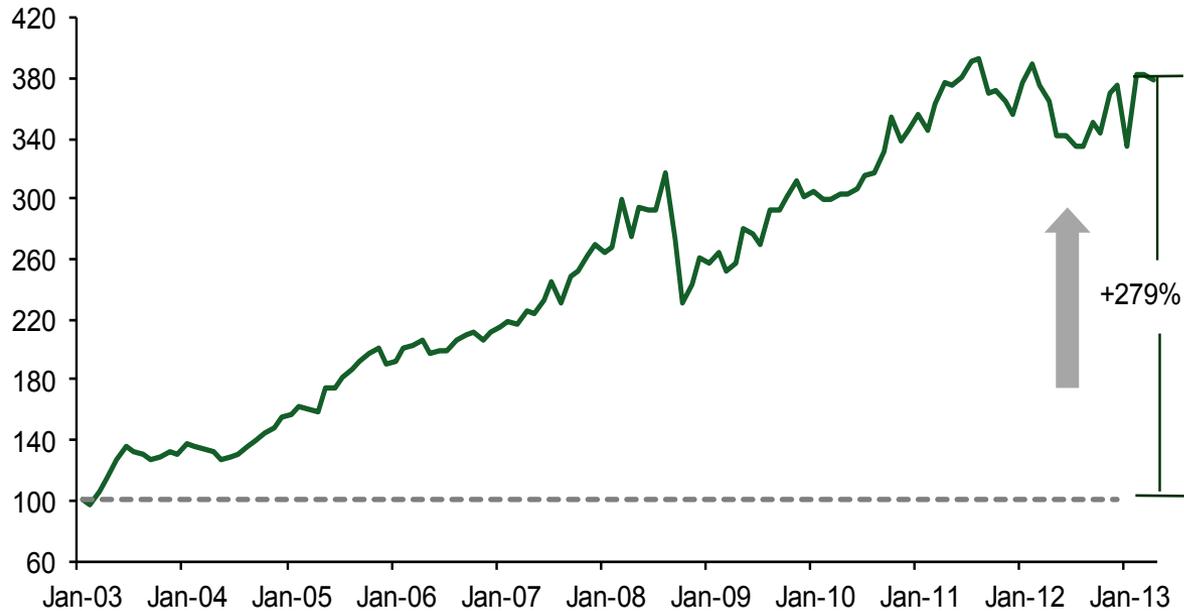


Source: Haver Analytics.

# Significant Erosion of External Competitiveness During the Last Decade

## Brazil: Unit Labor Cost

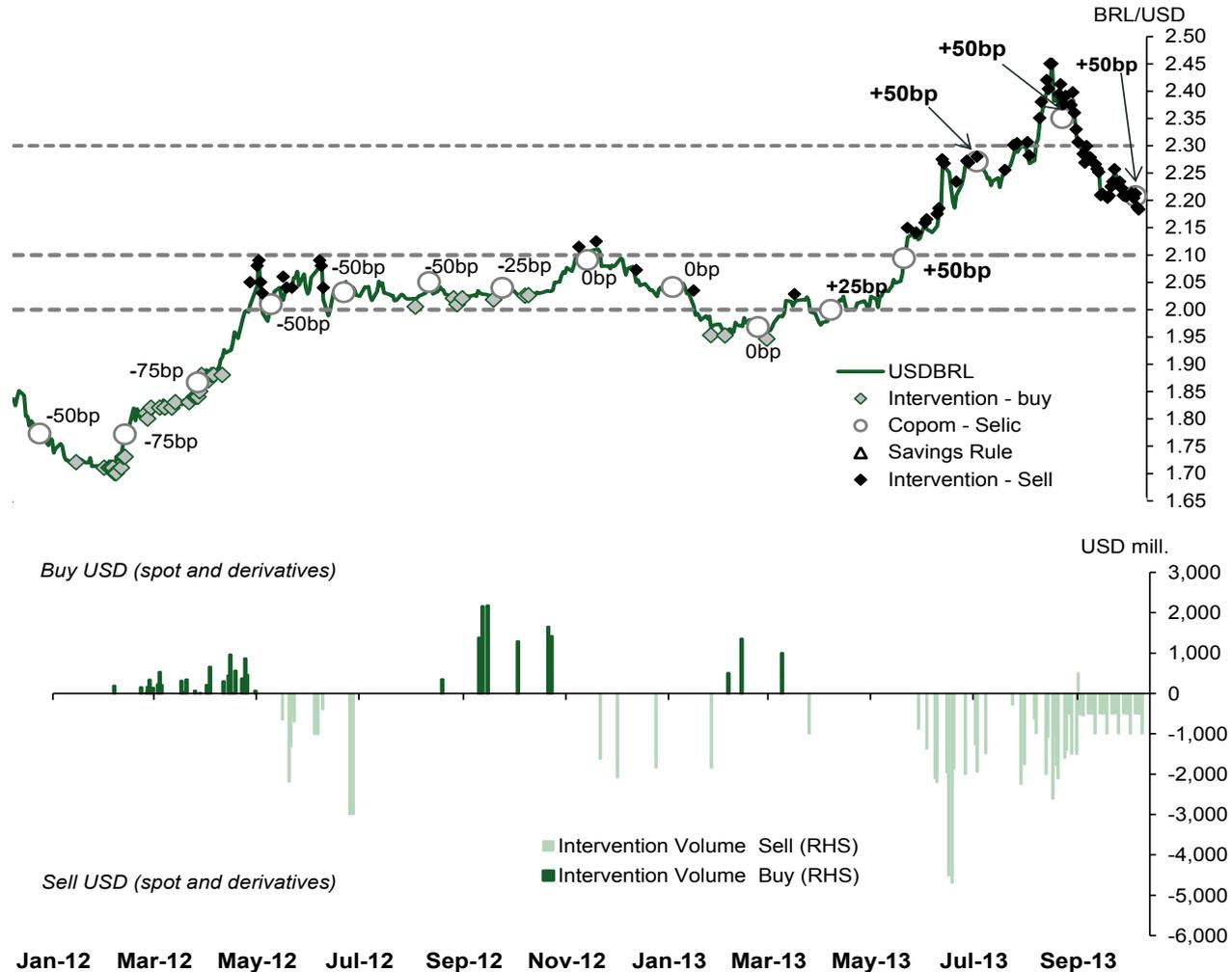
(Index, Jan 2003 = 100; \$USD; seasonally adjusted)



Source: Haver Analytics.

# Central Bank Stepped Up FX Market Intervention to Prevent Further BRL Depreciation

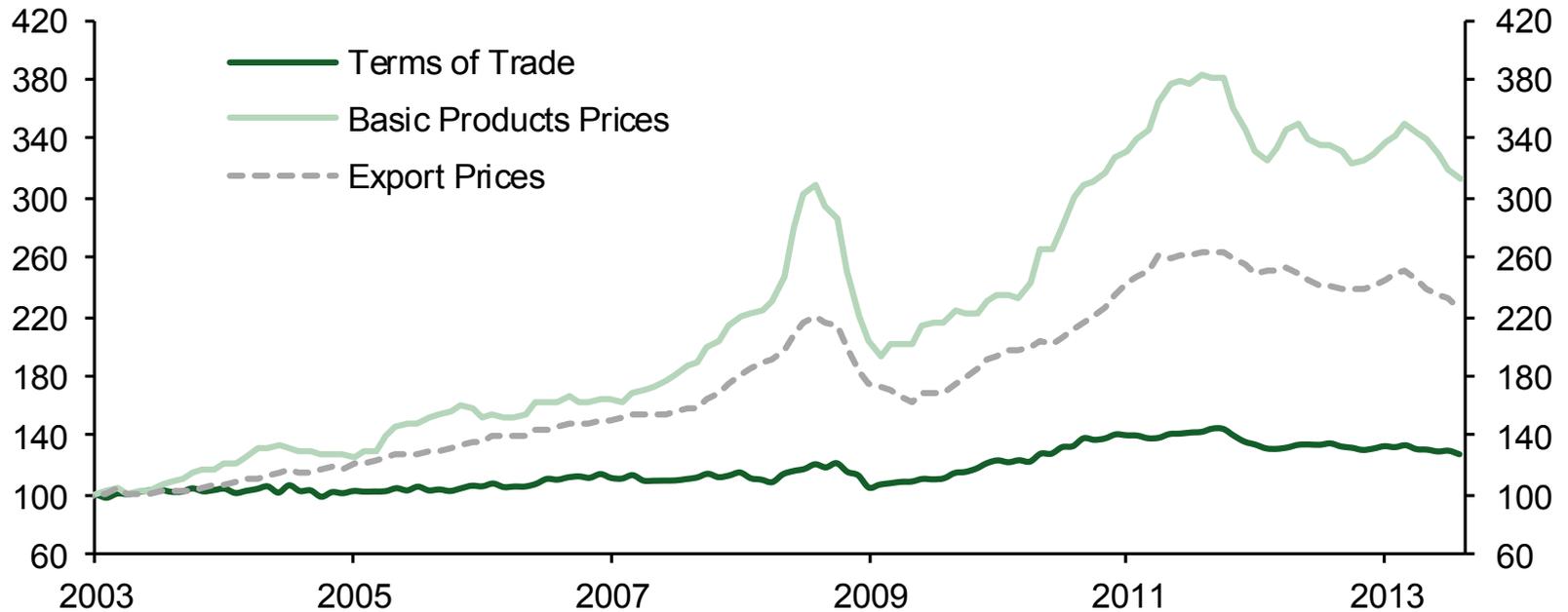
FX Intervention in Brazil



# 2003-10 Growth Driven by: (1) Surging Commodity Prices

## Brazil: International Prices

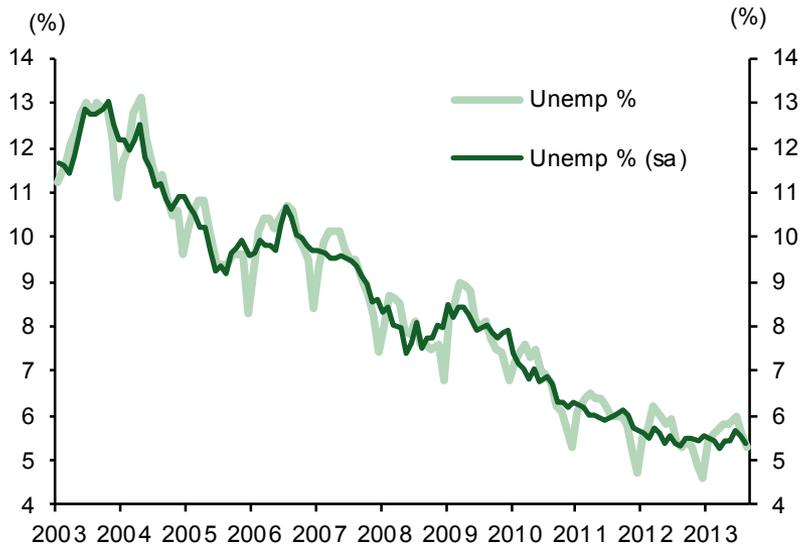
(Index; Jan 2003 = 100)



Source: FUNCEX.

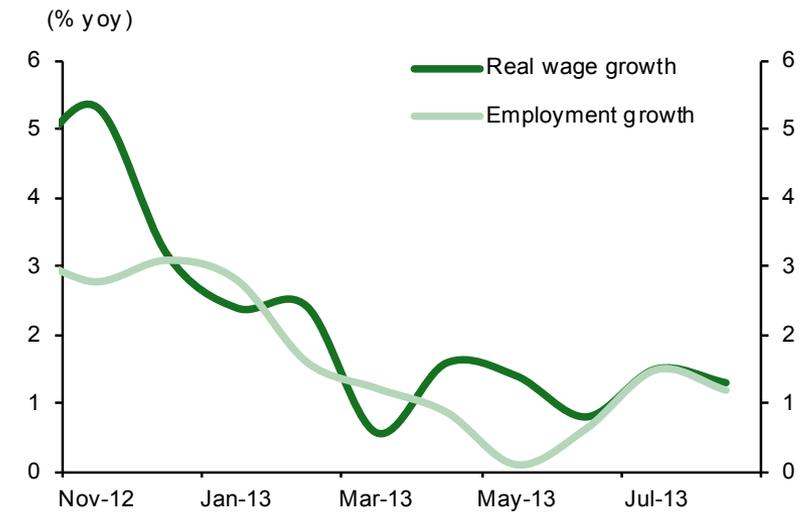
# 2003-10 Growth Driven by: (2) Slack in Labor Market

Unemployment Rate at Historical Lows



Source: IBGE.

Moderating Real Wage and Employment Growth

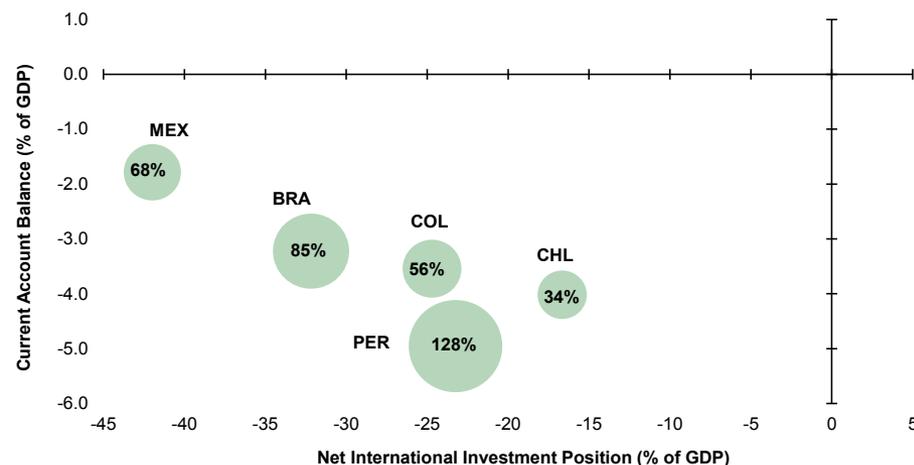


Source: IBGE; MCM Consultores.

# Brazil Compares Favorably in Terms of External Leverage

## Gross External Debt (% of GDP)

	Brazil	Chile	Colombia	Mexico	Peru
<b>Total</b>	20%	44%	21%	30%	26%
<b>By Maturity</b>					
Short-term	1%	7%	3%	6%	4%
Long-term	18%	37%	18%	24%	22%
<b>By Sector</b>					
Government	3%	2%	9%	16%	10%
Central Bank	0%	1%	0%	0%	0%
Banks (Pub & Prv)	6%	9%	3%	2%	8%
Other	5%	24%	9%	12%	9%
Intercompany	6%	8%	0%	-	0%
<b>GDP (US\$bn)</b>	<b>2,253</b>	<b>268</b>	<b>370</b>	<b>1,178</b>	<b>200</b>



Source: Haver Analytics; GS Global ECS Research.

Note: Bubble size based on International Reserves share of Total External Debt, which is also shown inside each bubble.

# Shock to Capital Account (1): Roll-Over Rate Drops to 50%

Moderate Debt Service Load ( $\approx 2.5\%$  GDP/Year)

Long-term External Debt Amortization Profile																
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017+	
<b>TOTAL (Priv+Pub)</b>	<b>280</b>	44	32	43	23	22	11	15	16	10	12	7	5	5	1	34
<b>TOTAL PRIV SECTOR</b>	<b>299</b>	<b>54</b>	46	51	26	<b>26</b>	<b>16</b>	<b>13</b>	<b>17</b>	<b>7</b>	<b>24</b>	<b>4</b>	<b>1</b>	<b>2</b>	<b>0</b>	<b>12</b>
Priv Sector: Banks	81	20	13	23	7	4	0	2	6	0	3	0		2		0
Priv Sector: Non-Banks	91	19	15	12	9	9	5	4	4	2	4	1	0	0	0	7
Intercompany Loans	128	16	19	15	10	14	11	8	7	4	17	2	1	0	0	5

**Private Sector Debt Service 2014-16 (LT + ICL) = US\$123bn (o/w 44bn intercompany loans);  $\approx 5\%$  GDP**

**Capital Account Shock: 50% roll-over during 2014-16 => Net Amortization of US\$62bn (or 15% of reserves)**

**Reserves = US\$375bn**

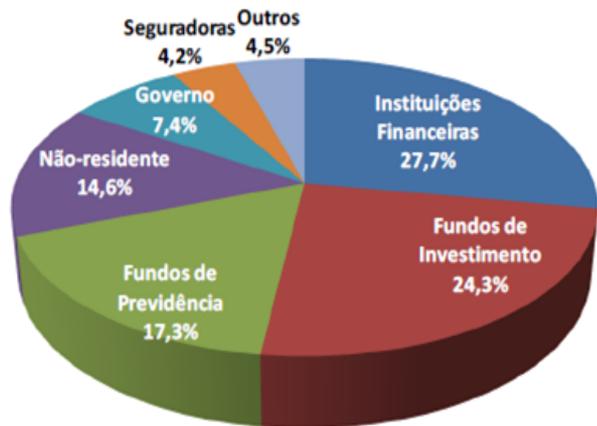
**Reserves/Total Priv Sector debt = 184%**

**Reserves/Total debt = 120%**

# Shock to Capital Account (2): Outflows of Foreign Holding of FI

Non-resident hold approx. 15% of domestic public debt = BRL270bn (US \$123bn; at BRL/USD 2.20; 1/3 of stock of reserves)

Detentores (Abril - 2013)

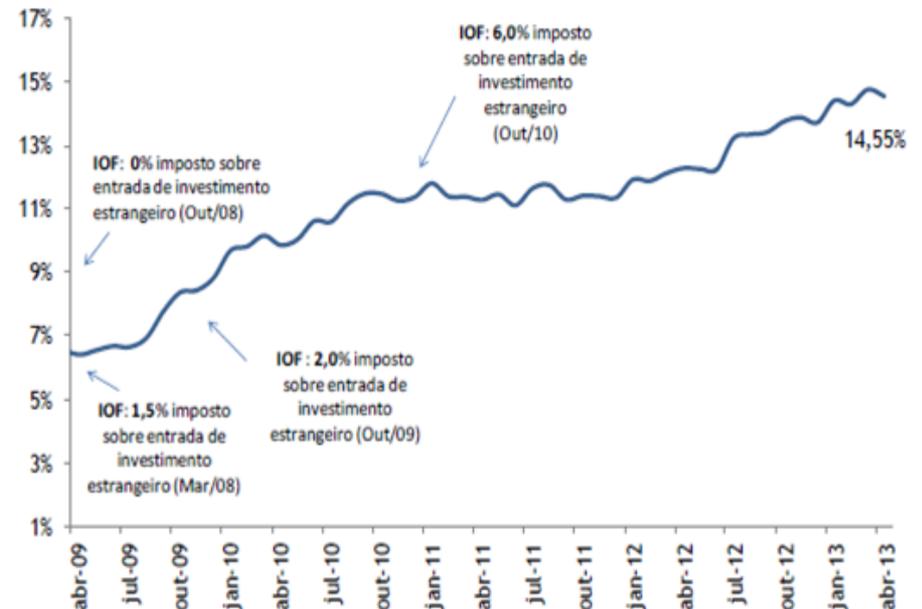


Fonte: Tesouro Nacional

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A categoria "Governo" abrange todos os fundos cuja gestão é de responsabilidade do setor público, inclusive aqueles que envolvem recursos privados,

Participação dos não-residentes



# Thank You!

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