



Brazil in 2014: Economic and Political Prospects

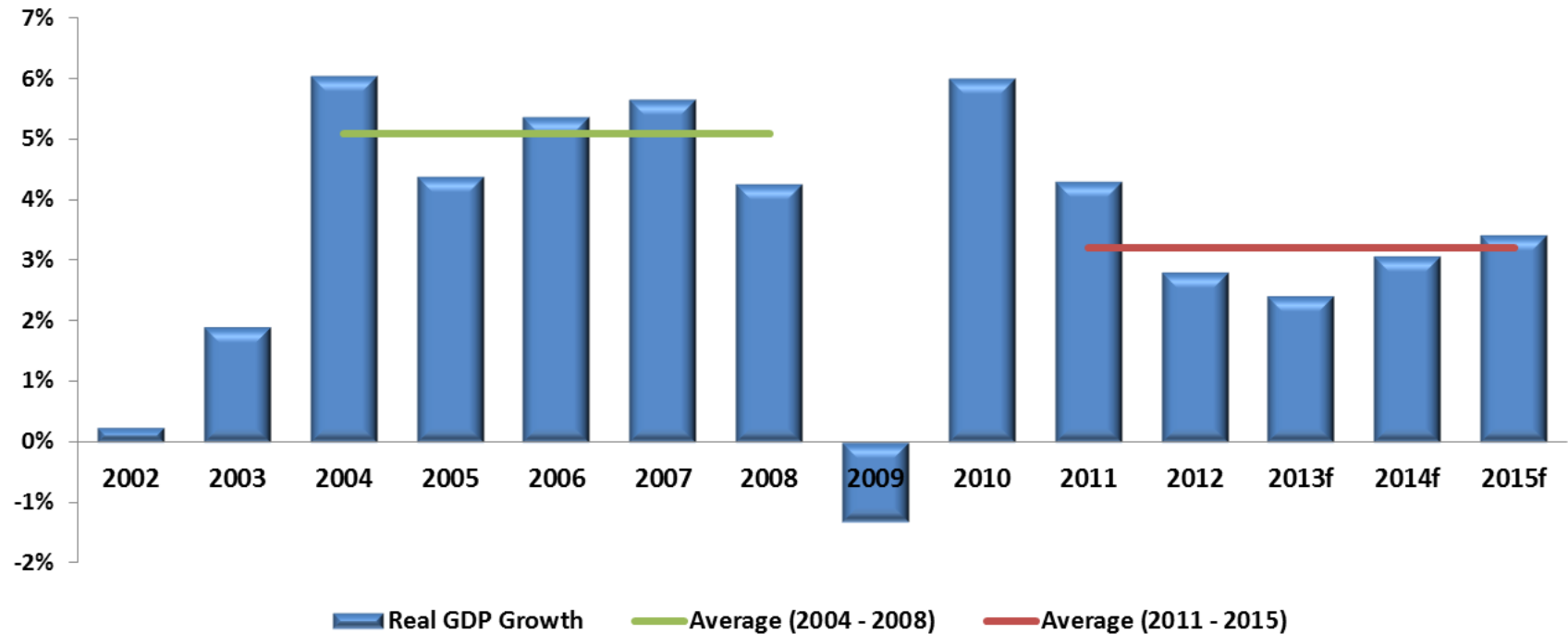
Council of the Americas, New York

Lisa M. Schineller
Managing Director, Sovereign Ratings
Economist, Latin America
Standard & Poor's

November 8, 2013

Growth in Latin America below pre-global recession pace

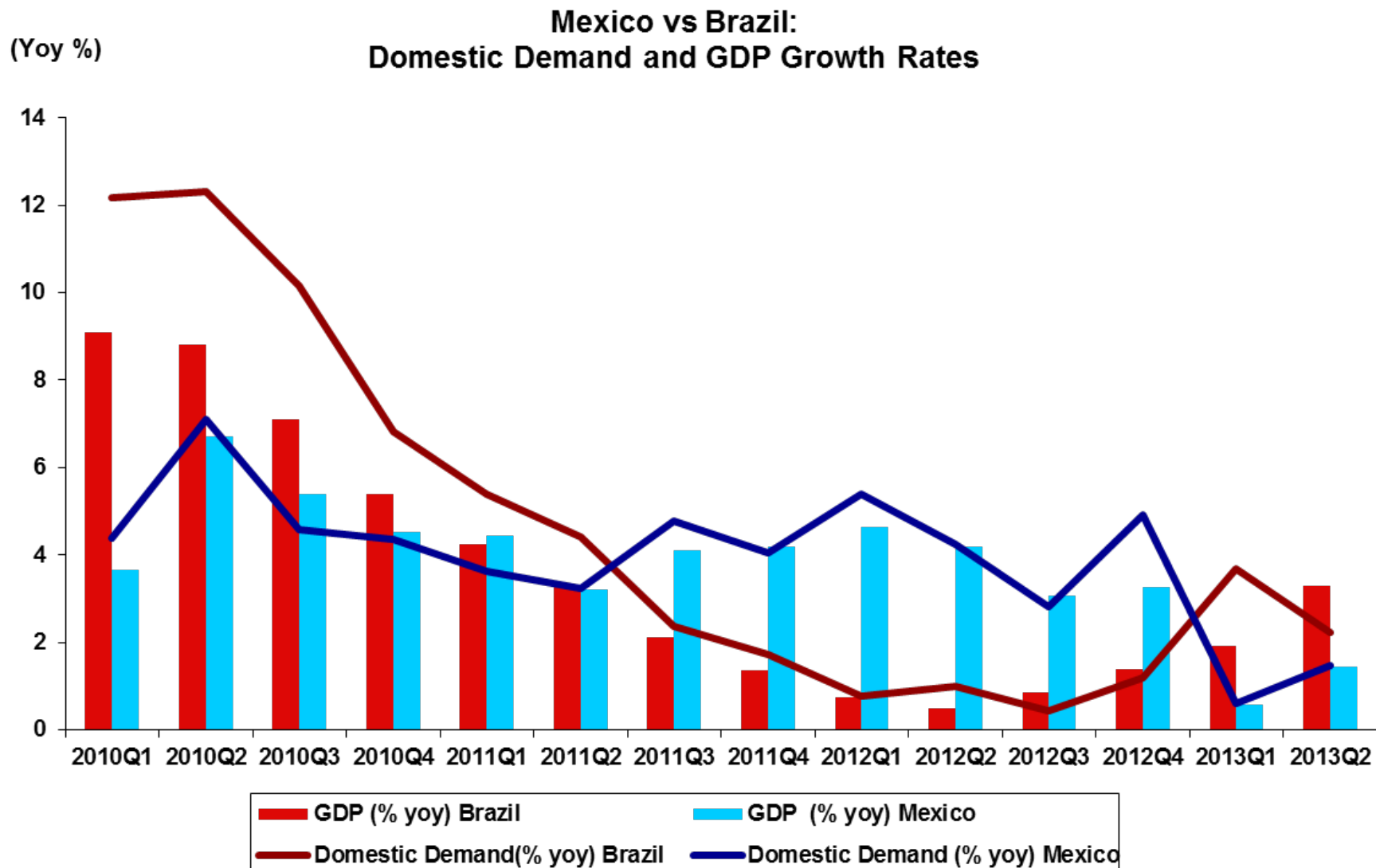
Latin America Real GDP Growth
(% chg, weighted by GDP share)



Source: Standard & Poor's Ratings Services.

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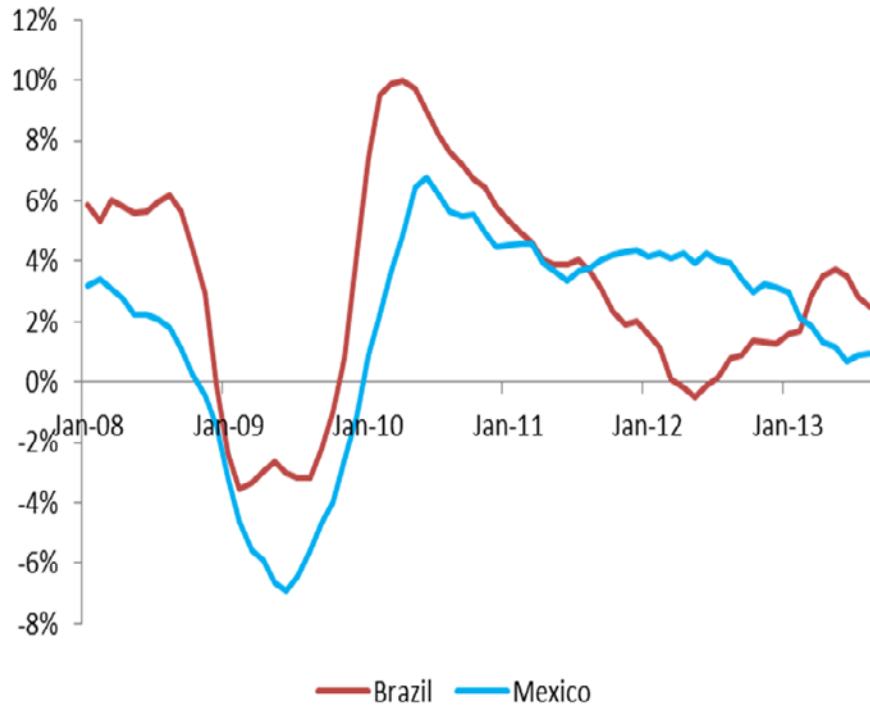
Brazil's more modest growth momentum



Both in domestic demand

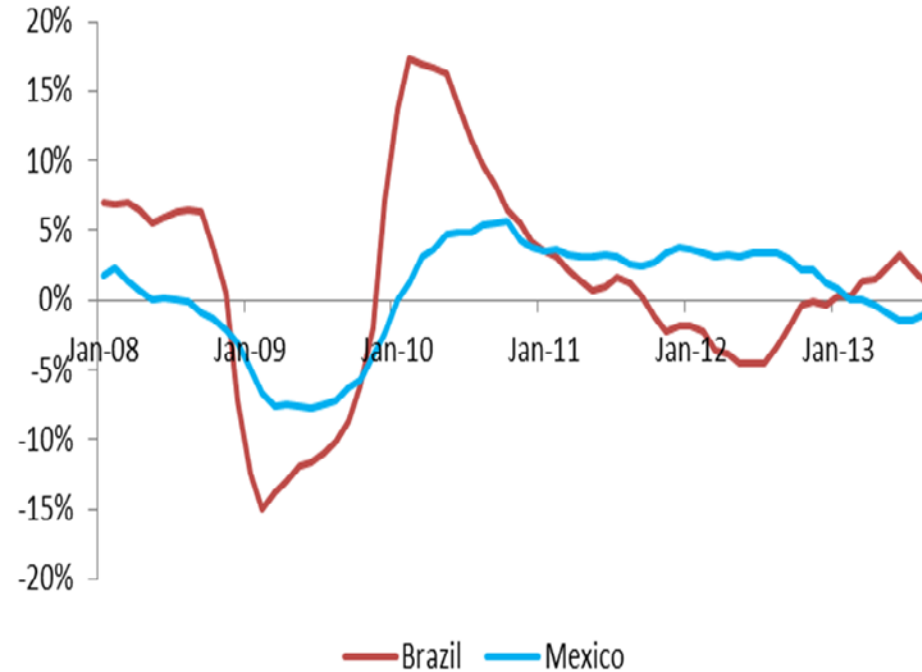
Economic Activity

(YoY, 3-month moving average)



Industrial Production

(YoY, 3-month moving average)



And from the external sector

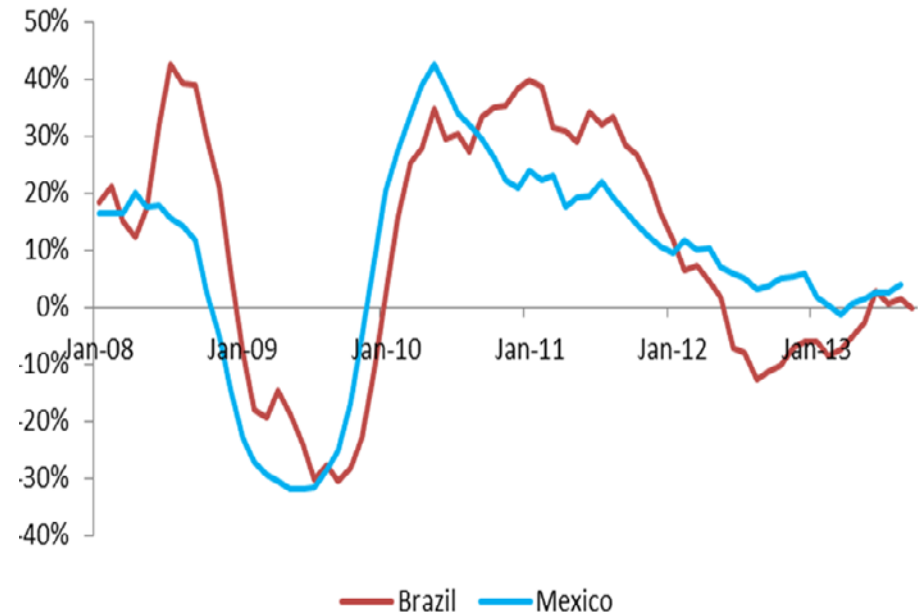
Retail Sales

(YoY, 3-month moving average)

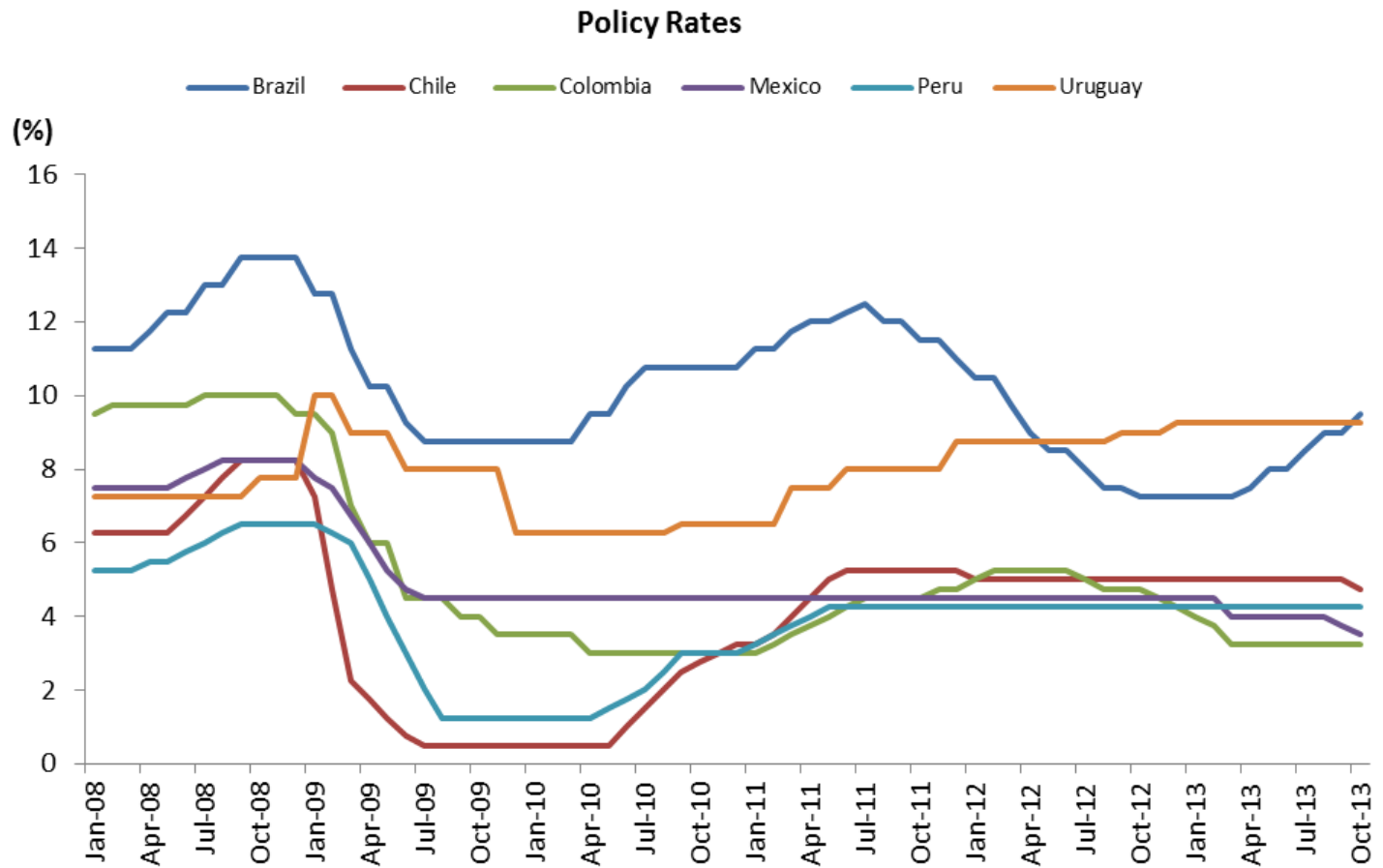


Export Growth

(YoY, 3-month moving average)



Monetary policy in a tightening mode

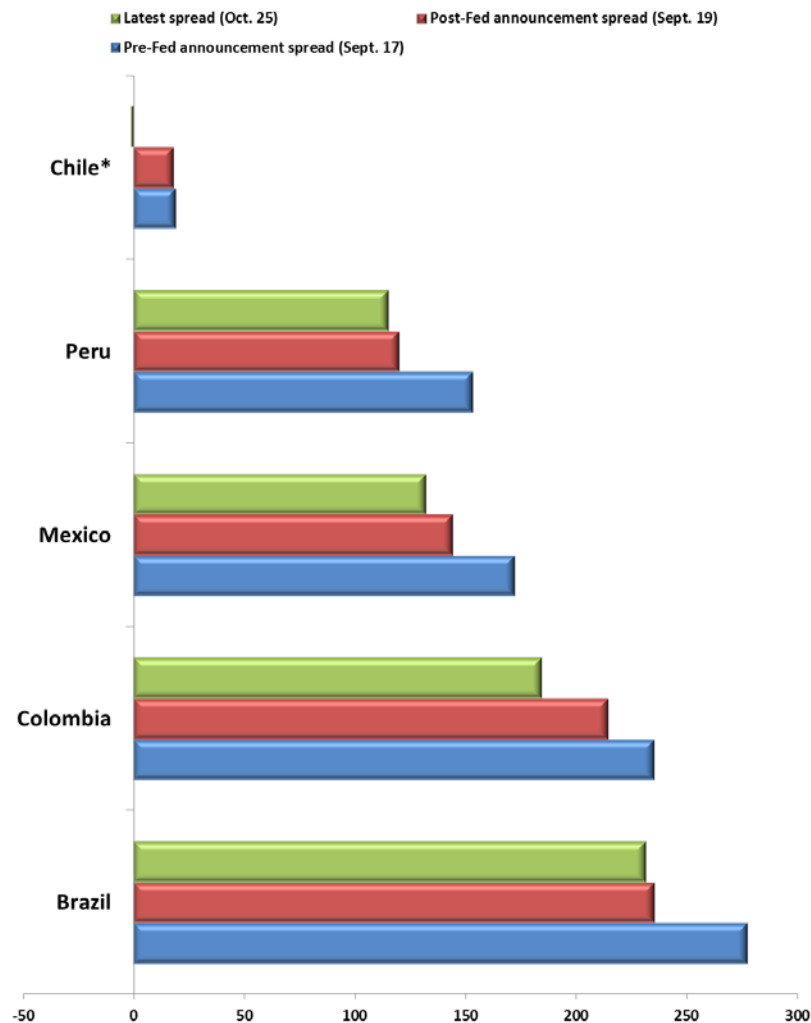


Sources: Central Banks of Brazil, Chile, Colombia, Mexico, and Peru, respectively, and INDEC (Argentina).

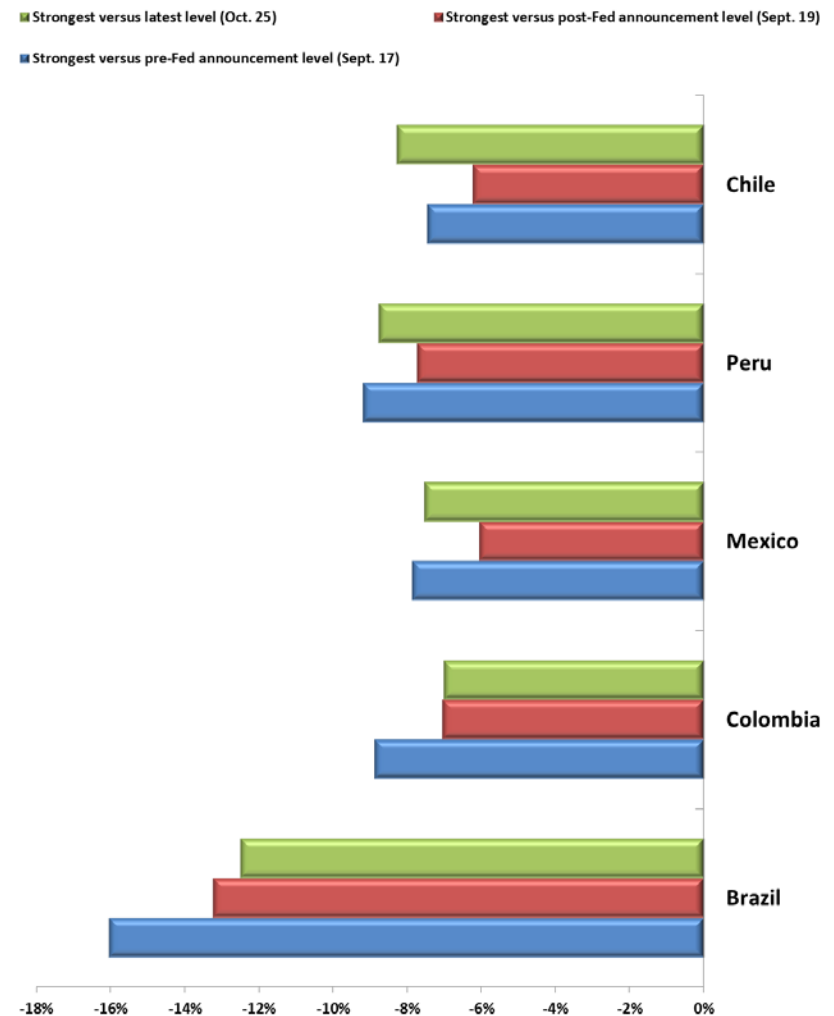
Global market volatility to persist in 2014

Bond yields and currencies relative to each country's strongest position in 2013

Widening of 10-year local bond yields (basis points)

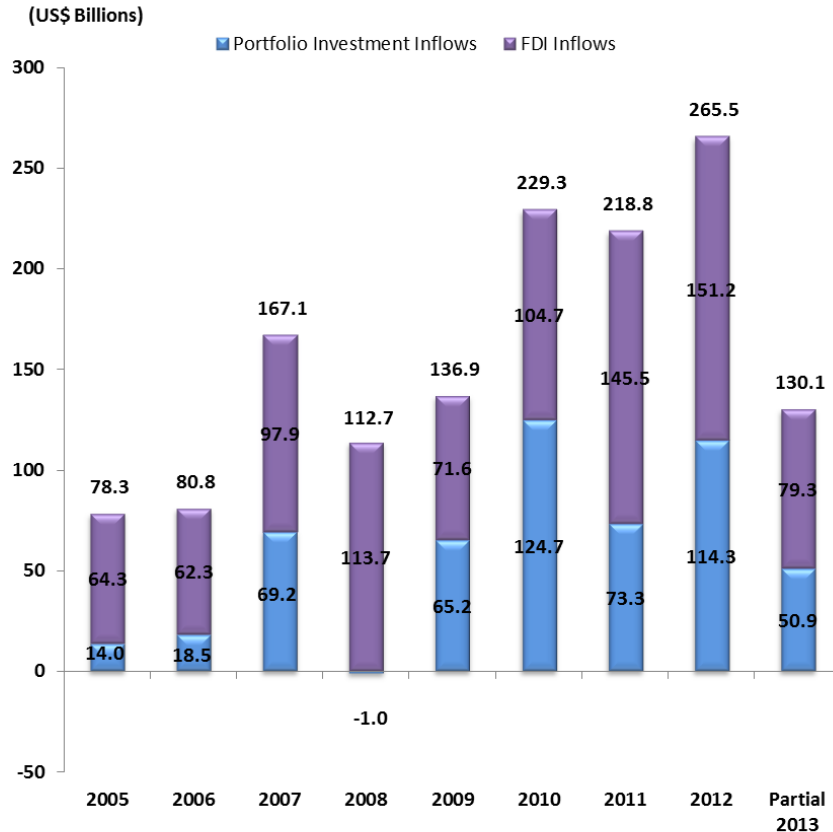


Depreciation of local currencies

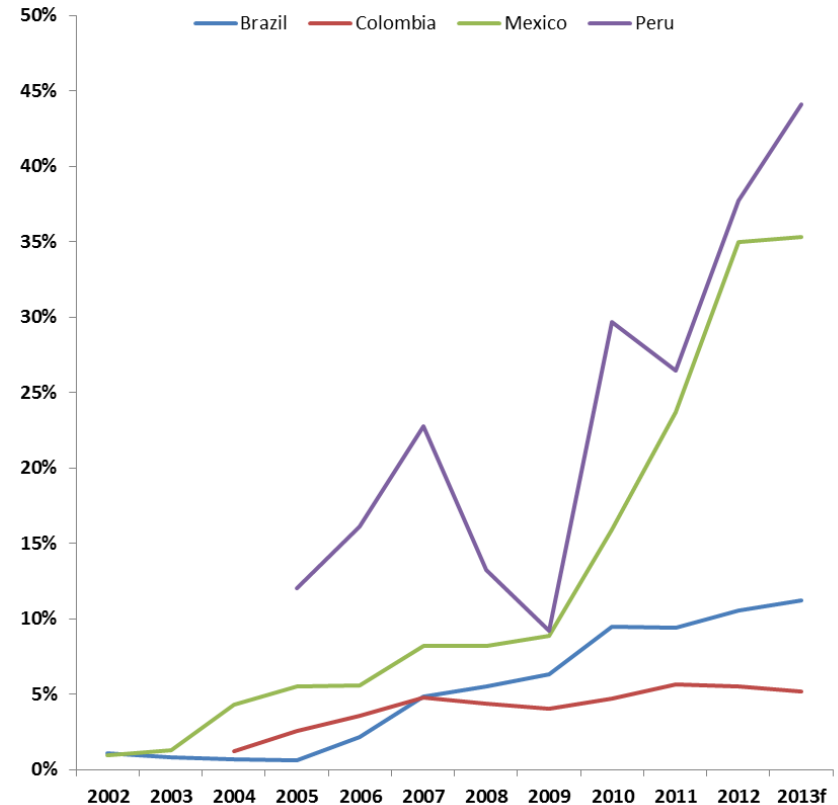


Capital inflows & non-resident holdings in local markets holding on

Capital Inflows to Selected Latin American Countries



LATAM: Non-resident holdings of domestically issued central government debt (%)

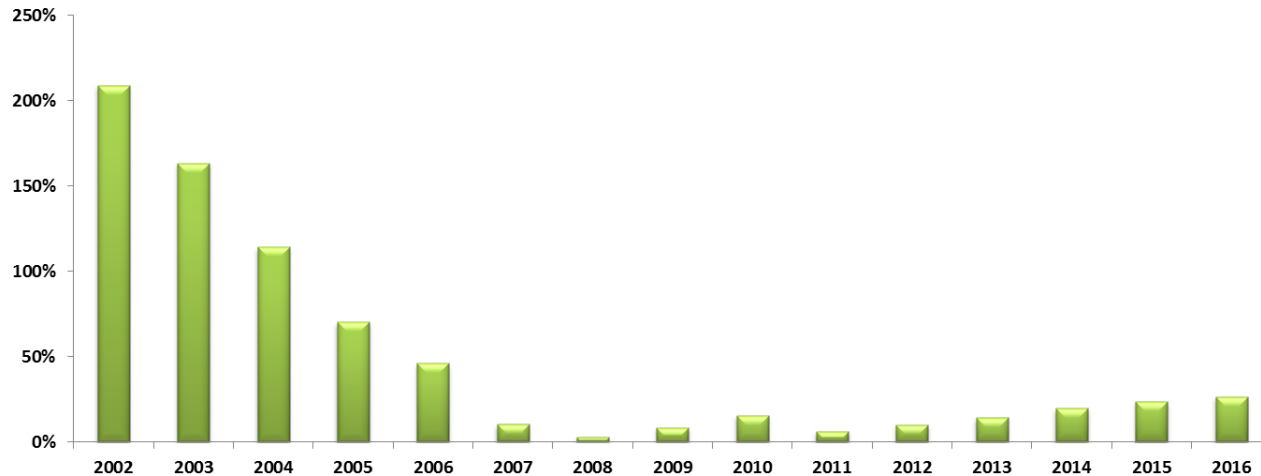


Sources: INDEC (Argentina); Central Banks of Brazil, Chile, Mexico, Peru; Mexico Ministry of the Economy Office of Foreign Investment; and IMF International Financial Statistics.

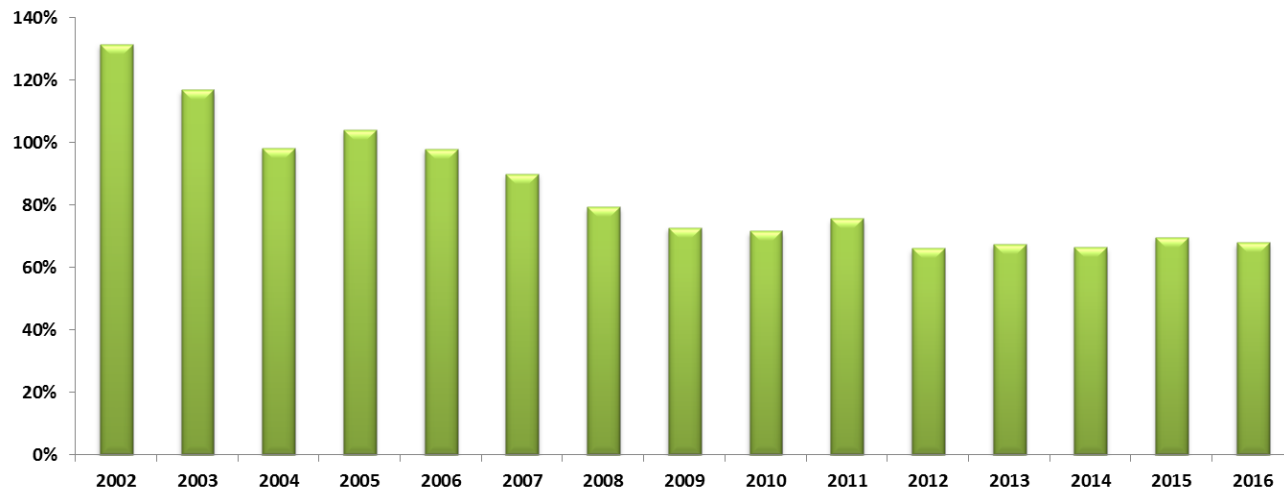
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Brazil's marked external improvement has leveled off

Narrow Net External Debt / CAR

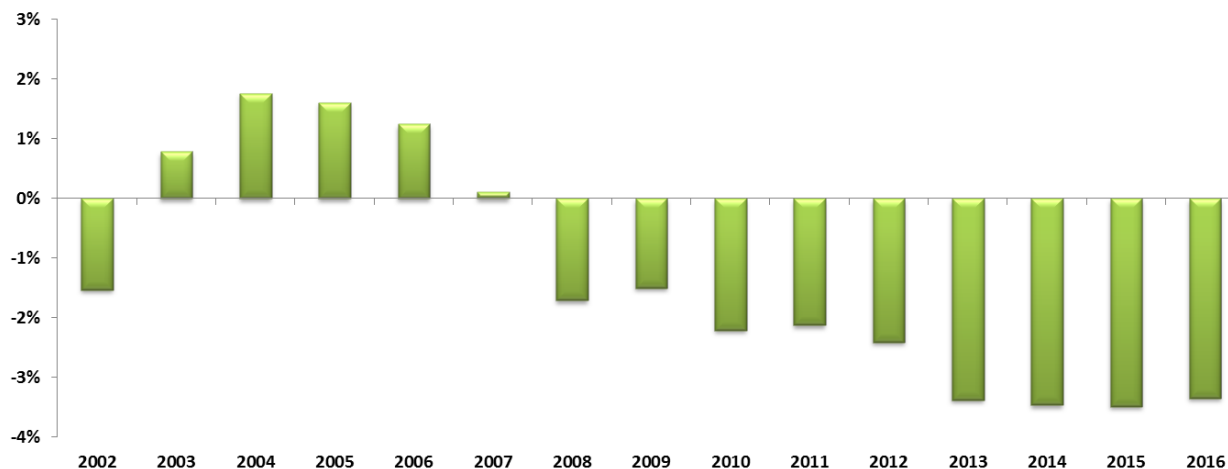


Gross Financing Needs / CAR + Usable Reserves

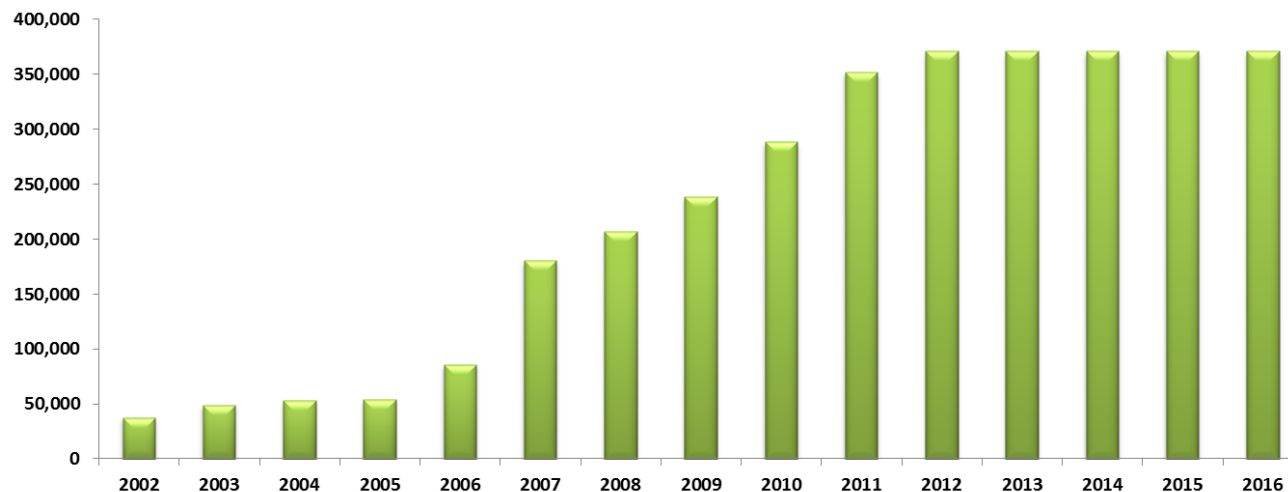


Wider current account deficits and slower reserve accumulation

Current Account Balance / GDP

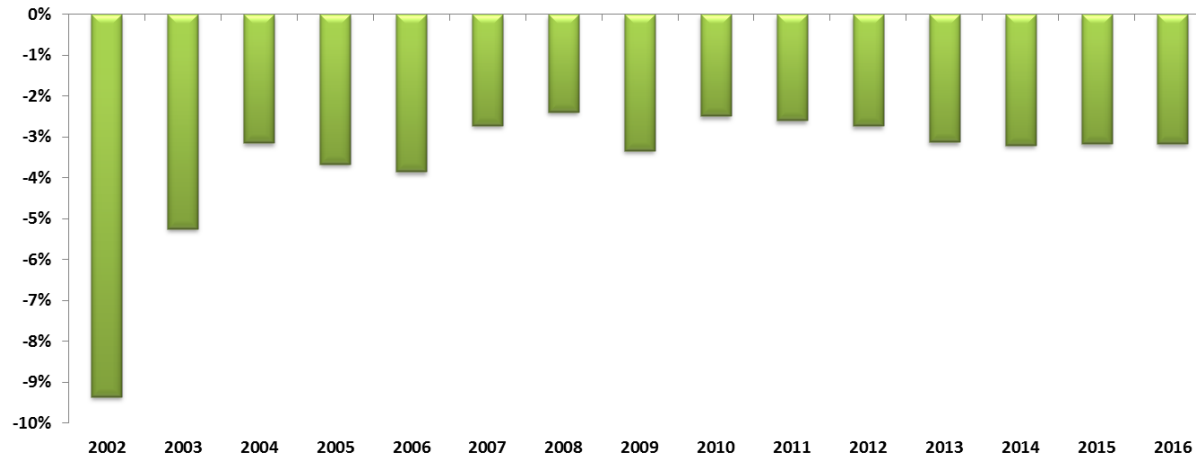


International Reserves (US\$)

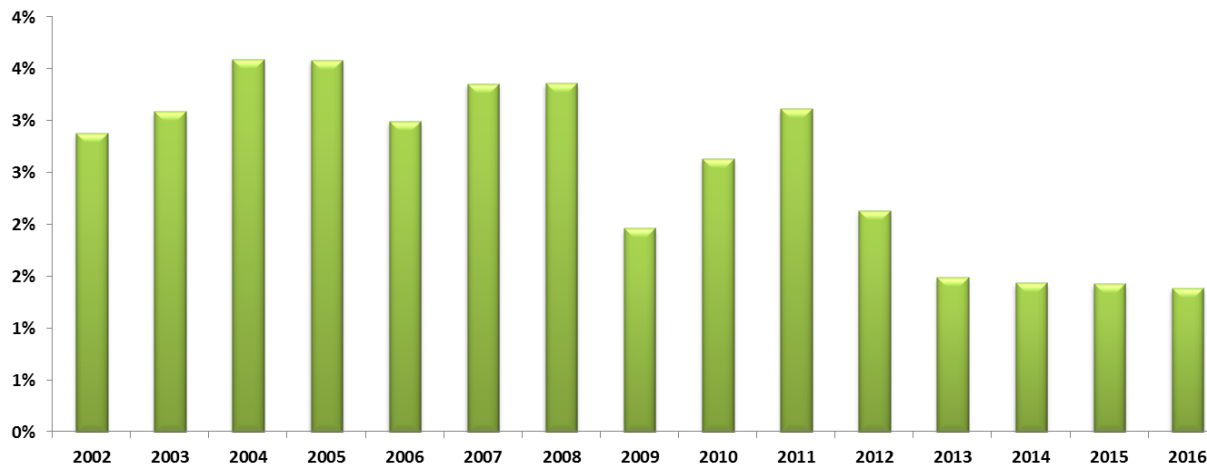


Deterioration in fiscal balances

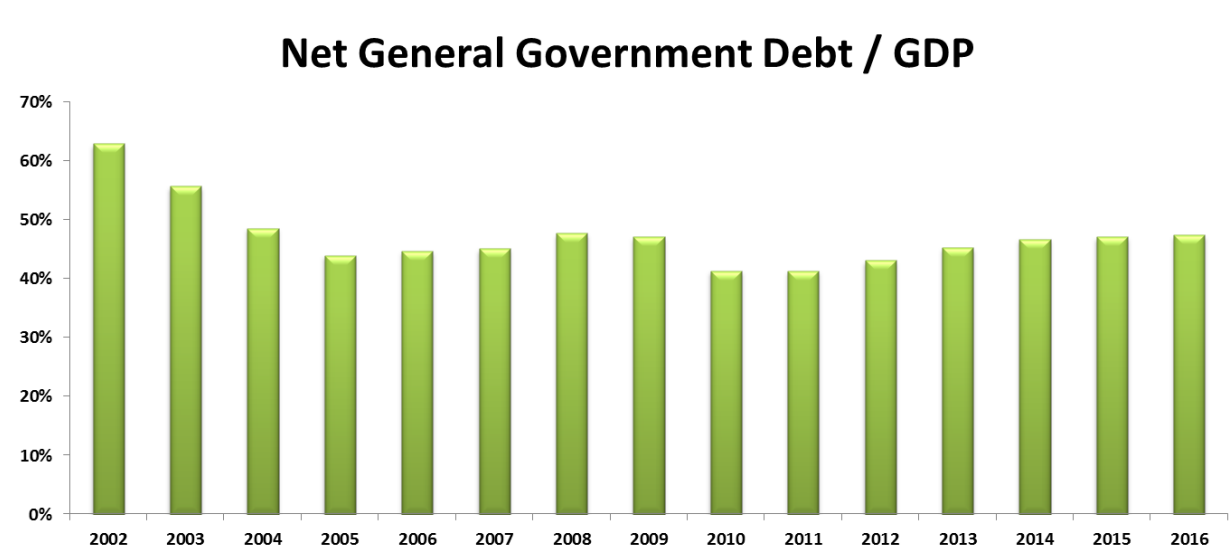
General Government Deficit / GDP



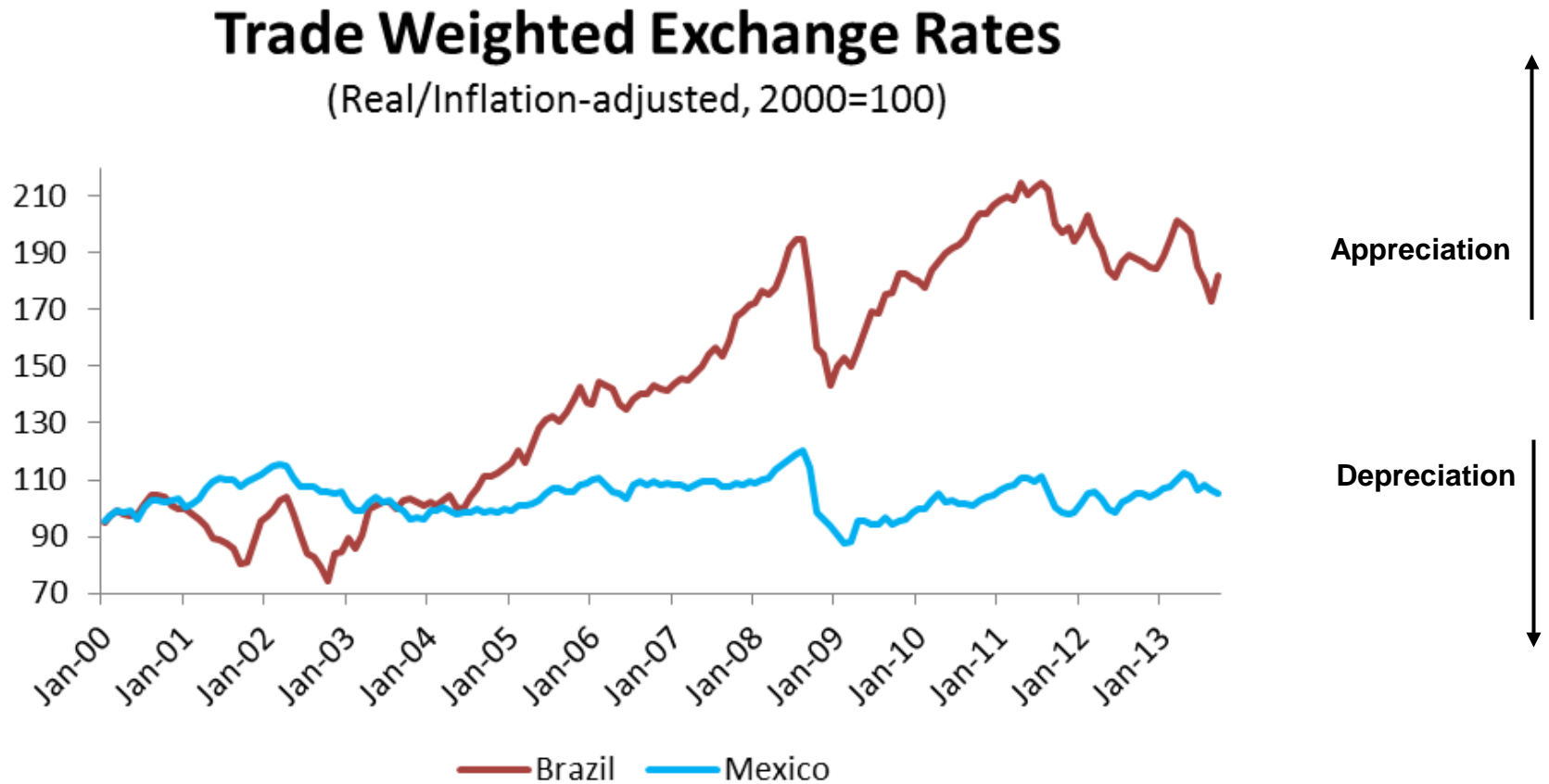
General Government Primary Balance / GDP



Weaker debt dynamics, but debt profile still more favorable

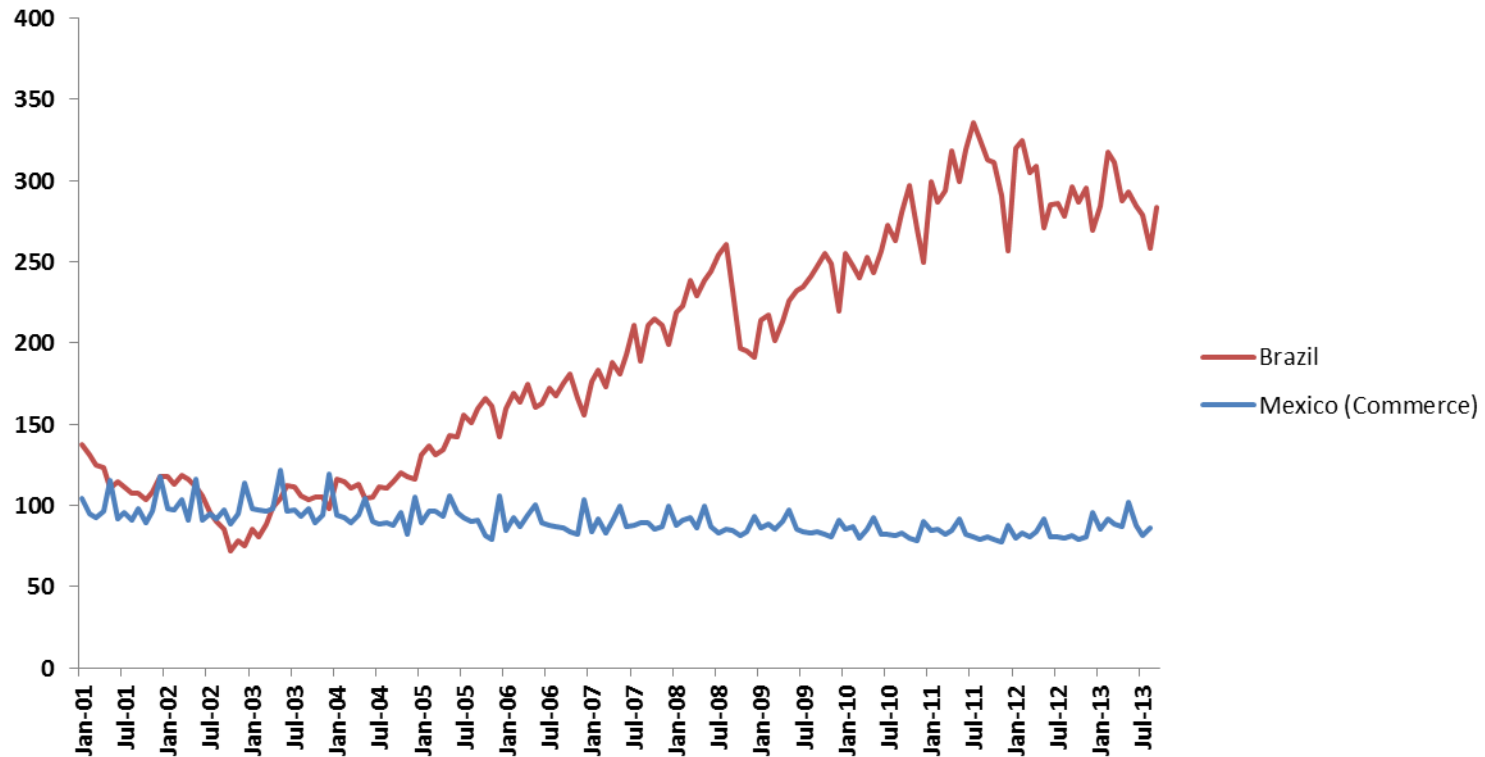


Some moderation in appreciation of the Real



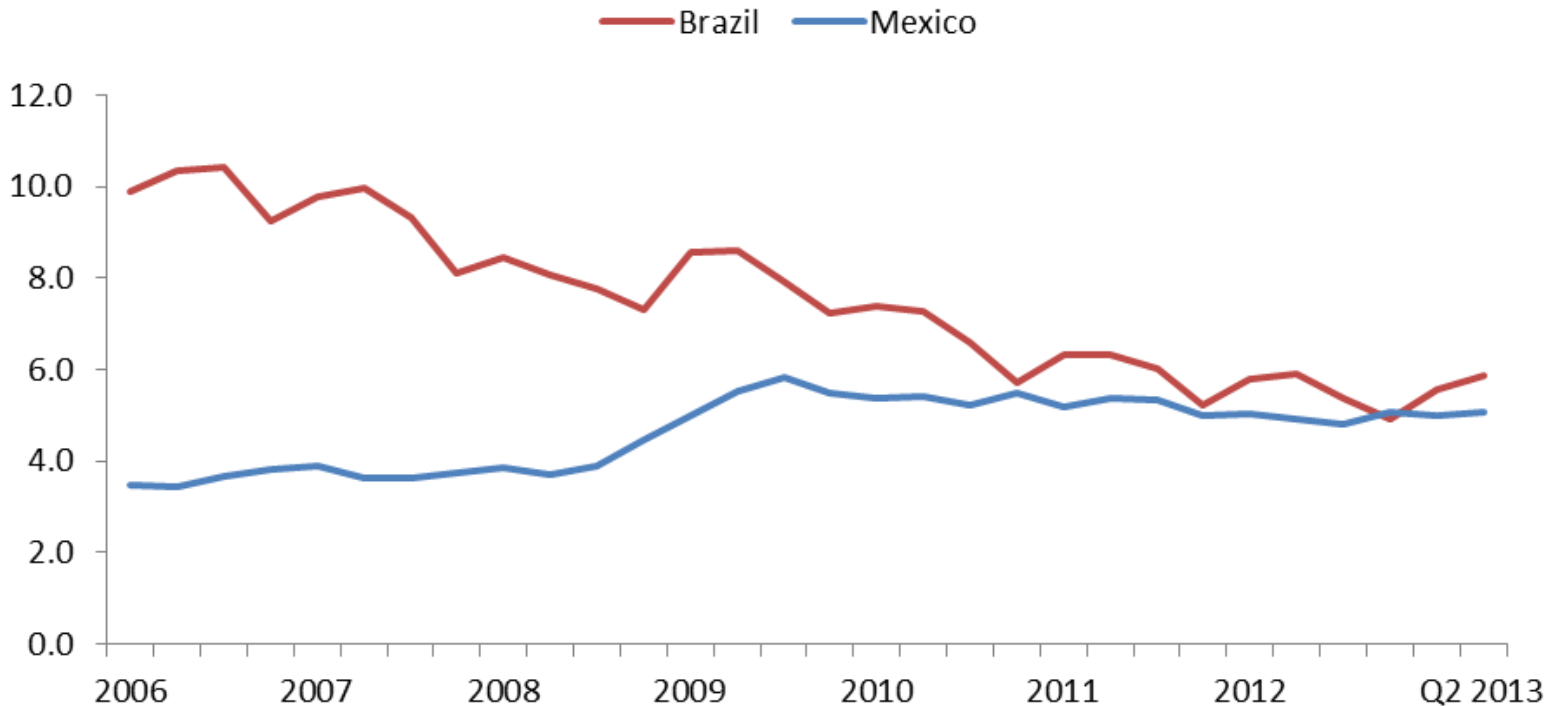
High cost of labor weighs on competitiveness

Unit Labor Costs (Index, 2003 = 100)



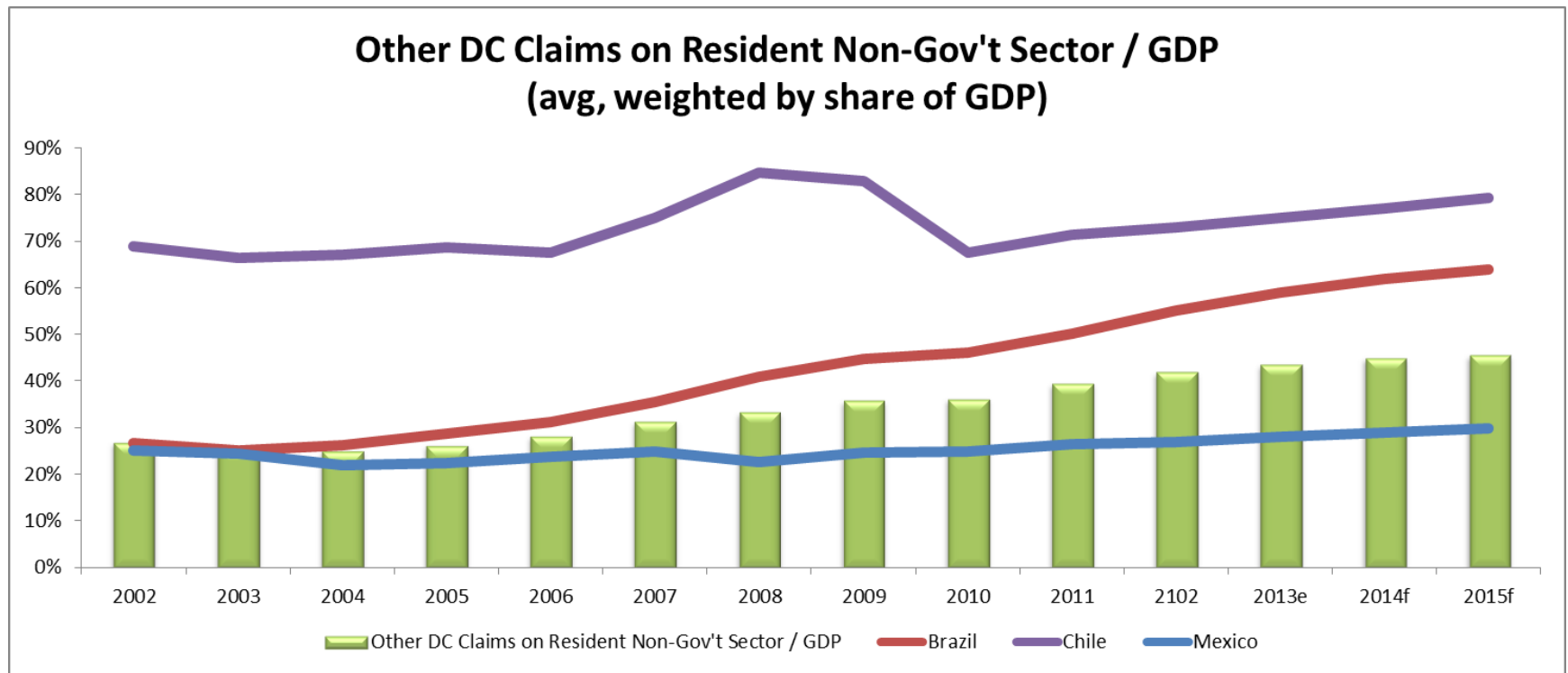
Unemployment at historic lows supports consumption

Unemployment Rates (%, Non Seasonally Adjusted)



Penetration of domestic credit in the economy to moderate

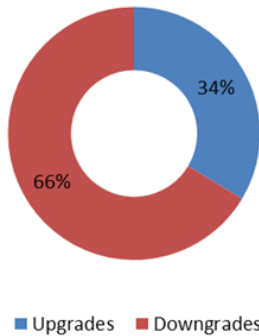
- Domestic credit over 100% of GDP for Advanced Economies
- while Emerging Asia averages 80%, Latin America only near 40% of GDP



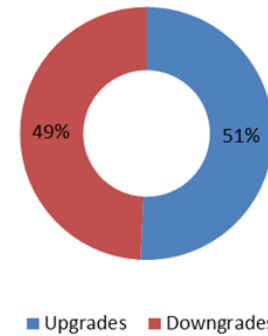
Sources: S&P Ratings Services

Rating Actions from 2008 to October 2013

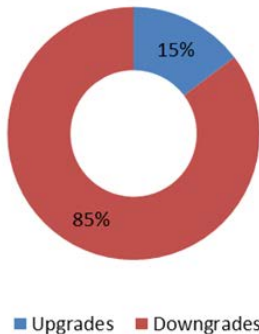
All Sovereigns



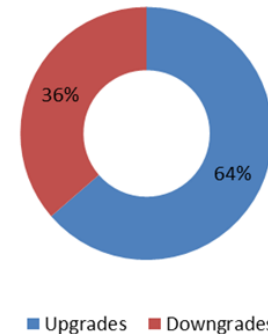
Latin America and Caribbean



Europe



Asia-Pacific



Ratings as of October 15, 2013.

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S&P Sovereign Ratings: Latin America (November 2013)

Chile AA- /AA+

Bolivia BB-/BB-

Trinidad and Tobago A/A

Barbados BB+/BB+

Curacao A-/A-

Dominican Republic B+/B+

Costa Rica BB/BB

Guatemala BB/BB+

Ecuador B/B

Aruba BBB+/BBB+

Honduras B/B

Peru BBB+/A-

El Salvador BB-/BB-

Venezuela B/B

Bahamas BBB/BBB

Paraguay BB-/BB-

Brazil BBB/A-

Suriname BB-/BB-

Belize B-/B-

Colombia BBB/BBB+

Jamaica B-/B-

Mexico BBB/A-

Argentina CCC+/CCC+

Panama BBB/BBB

Grenada SD/SD

Montserrat BBB-/BBB-

Uruguay BBB-/BBB-

Outlook: **Positive**, Stable, **Negative**

Rating: Foreign Currency / Local Currency

Ratings as of November 6, 2013.

Source: Standard & Poor's Ratings Services.

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