Brazil in 2014: Economic and Political Prospects
Council of the Americas, New York

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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.
Brazil’s more modest growth momentum

Mexico vs Brazil:
Domestic Demand and GDP Growth Rates

(Yoy %)

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Both in domestic demand
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

Policy Rates

(Brazil)  (Chile)  (Colombia)  (Mexico)  (Peru)  (Uruguay)

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

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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)

- **Chile**: Latest spread (Oct. 25), Post-Fed announcement spread (Sept. 19), Pre-Fed announcement spread (Sept. 17)
- **Peru**: Latest spread (Oct. 25), Post-Fed announcement spread (Sept. 19), Pre-Fed announcement spread (Sept. 17)
- **Mexico**: Latest spread (Oct. 25), Post-Fed announcement spread (Sept. 19), Pre-Fed announcement spread (Sept. 17)
- **Colombia**: Latest spread (Oct. 25), Post-Fed announcement spread (Sept. 19), Pre-Fed announcement spread (Sept. 17)
- **Brazil**: Latest spread (Oct. 25), Post-Fed announcement spread (Sept. 19), Pre-Fed announcement spread (Sept. 17)

Depreciation of local currencies

- **Chile**: Strongest versus latest level (Oct. 25), Strongest versus post-Fed announcement level (Sept. 19), Strongest versus pre-Fed announcement level (Sept. 17)
- **Peru**: Strongest versus latest level (Oct. 25), Strongest versus post-Fed announcement level (Sept. 19), Strongest versus pre-Fed announcement level (Sept. 17)
- **Mexico**: Strongest versus latest level (Oct. 25), Strongest versus post-Fed announcement level (Sept. 19), Strongest versus pre-Fed announcement level (Sept. 17)
- **Colombia**: Strongest versus latest level (Oct. 25), Strongest versus post-Fed announcement level (Sept. 19), Strongest versus pre-Fed announcement level (Sept. 17)
- **Brazil**: Strongest versus latest level (Oct. 25), Strongest versus post-Fed announcement level (Sept. 19), Strongest versus pre-Fed announcement level (Sept. 17)
Capital inflows & non-resident holdings in local markets holding on

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

Trade Weighted Exchange Rates
(Real/Inflation-adjusted, 2000=100)

Appreciation
Depreciation

Brazil  Mexico

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High cost of labor weighs on competitiveness

Unit Labor Costs
(Index, 2003 = 100)

Brazil
Mexico (Commerce)
Unemployment at historic lows supports consumption

Unemployment Rates
(%, Non Seasonally Adjusted)

Brazil
Mexico

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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

Ratings as of October 15, 2013.
S&P Sovereign Ratings: Latin America (November 2013)

Chile  AA- /AA+

Trinidad and Tobago  A/A

Curacao  A-/A-

Aruba  BBB+/BBB+
Peru  BBB+/A-

Bahamas  BBB/BBB
Brazil  BBB/A-
Colombia  BBB/BBB+
Mexico  BBB/A-
Panama  BBB/BBB

Montserrat  BBB-/BBB-
Uruguay  BBB-/BBB-

Bolivia  BB-/BB-

Barbados  BB+/BB+
Costa Rica  BB/BB
Guatemala  BB/BB+
El Salvador  BB-/BB-
Paraguay  BB-/BB-
Suriname  BB-/BB-

Dominican Republic  B+/B+

Dominican Republic  B+/B+

Ecuador  B/B
Honduras  B/B
Venezuela  B/B

Belize  B-/B-
Jamaica  B-/B-

Argentina  CCC+/CCC+

Grenada  SD/SD

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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