

BRAZIL ECONOMIC FACT SHEET

FOREIGN TRADE AND INTERNATIONAL AFFAIRS
SECRETARIAT FOR INTERNATIONAL ECONOMIC AFFAIRS
INTERNATIONAL FINANCIAL MARKETS UNIT



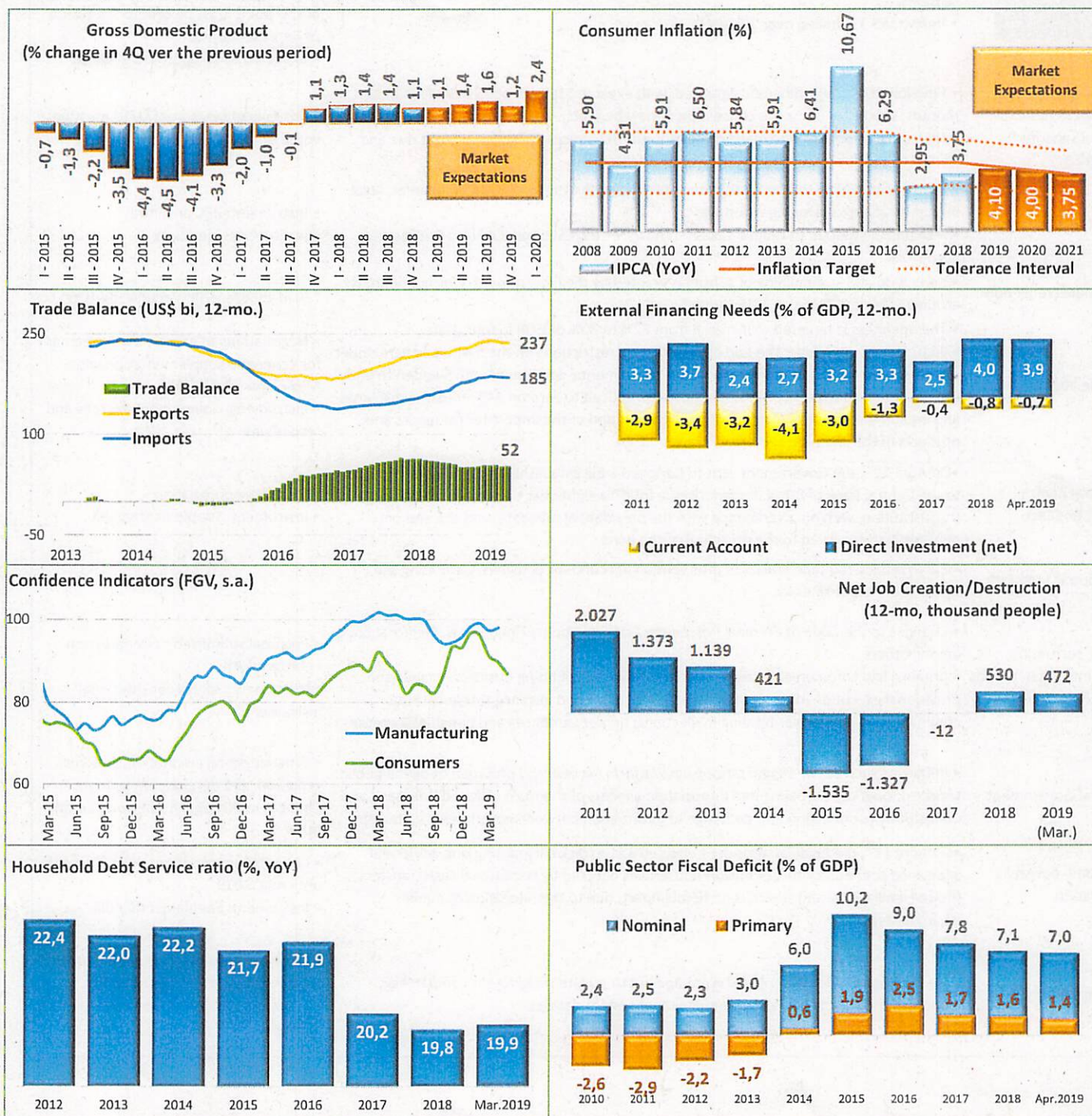
MINISTERIO DA ECONOMIA
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May 31, 2019

	2014	2015	2016	2017	2018	2019	2020
GDP (% YoY)	0,50	-3,55	-3,31	1,06	1,12	1,23 (*)	2,50 (*)
Consumer Inflation IPCA (% YoY)	6,41	10,67	6,29	2,95	3,75	4,10 (*)	4,00 (*)
Current Account (USD bi)	-101,4	-54,5	-24,0	-7,2	-14,5	-25,00 (*)	-35,30 (*)
Foreign Investment in the Country (USD bi)	87,7	60,3	73,4	70,3	88,3	83,3 (*)	84,4 (*)
International Reserves (USD bi)	364	356	365	374	375	385 (29 mai)	-
Unemployment rate (%)	6,5	8,9	12,0	11,8	11,6	-	-
General Government Gross Debt (% GDP)	56,3	65,5	69,9	74,1	77,2	79,7 (**)	80,9 (**)
Ibovespa Index (BRL, % chg.)	-2,9	-13,3	38,9	26,9	15,0	11,0 (ytd)	-
CDS 5 years (year average)	186	470	285	164	205	171 (May/19)	-
Interest rate (Selic Target) (% eop)	11,75	14,25	13,75	7,00	6,50	6,50 (*)	7,25 (*)

Estimates: (*) Focus Survey, Central Bank of Brazil, May. 31, 2019; (**) Prisma Fiscal, May. 2019



Sources: BCB, Reuters

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Fiscal consolidation and productivity increase are crucial inputs for Brazil to grow strongly and sustainably. The new government is going forward to put in place a set of reforms for speeding up growth and increasing potential output.

Main Measures	Description	Next Steps
Social security reform	<ul style="list-style-type: none"> • Brazil spends more than half of the Federal budget on social security and benefits. Without the reform, the Gen. Govt. Gross Debt is expected to climb 25 percentage points in the next 5 years. • The Constitutional Amendment (PEC) is under Congress appreciation. It was already approved in the House of Representatives regarding its constitutionality. • The Proposal is now being discussed at a Special Commission, in a period of up to 40 sessions. • Impact: R\$ 1.2 trillion over 10 years. 	<ul style="list-style-type: none"> • Two voting rounds in the House of Representatives. Needs 308 of the 513 votes. • Analysis of its constitutionality by a Senate commission. • Two voting rounds in the Senate. Needs 49 of the 81 votes. Changes made at this point must be sent to the House of Representatives. • Expected to be approved in 2019.
Combat embezzlement of social security benefits	<ul style="list-style-type: none"> • Revision of 6.4 million benefits granted, with expected savings of R\$ 9.8 billion in 12 months; stricter rules for the concession of new benefits. • New rules to simplify and make more efficient the judicial collection of debt due and unpaid to the Social Security, focused on big debtors. 	<ul style="list-style-type: none"> • Provisional Measure 871/19 must be voted until May-19
Tax reform	<ul style="list-style-type: none"> • Aims at simplifying the tax system and at reducing the tax burden on companies, legal insecurity and excessive legal dispute • Includes the merger of federal taxes (PIS/COFINS, IPI, CSLL and IOF) into the Federal Single Tax. 	<ul style="list-style-type: none"> • Instrument: PEC and infra constitutional measures
Subsidies reduction	<ul style="list-style-type: none"> • Reduction and streamlining of subsidies granted by the Government, which amount to around 4.7% of GDP in the 2019 budget. • The openness is targeted to increase from 22% to 30% of GDP in four years 	<ul style="list-style-type: none"> • Instrument: Congressional approval
Trade liberalization	<ul style="list-style-type: none"> • 2019 initiatives include: the end of quantitative restrictions on the free trade agreement of autos with Mexico; modernization of tax agreements; agreement with Sweden to end the double taxation of income tax; import tax reduced to zero on 449 industrial machines and equipment not produced domestically; reduction of the import tax for inputs and products of the chemical sector. 	<ul style="list-style-type: none"> • Negotiations to expand the Agreement for Economic Supplementation with Mexico are underway. • Instrument: Government decrees and resolutions
Central Bank Independence	<ul style="list-style-type: none"> • On April 11th, the Government sent to Congress a bill establishing formal independence to the Central Bank of Brazil. It comprises a four- to eight-year term for the directorate of the institution, with no overlapping with the presidential mandate; and the end of ministerial status given to the president of the Bank. 	<ul style="list-style-type: none"> • Congress appreciation • Instrument: Supplementary Bill
Economic Freedom	<ul style="list-style-type: none"> • Bill to reduce red tape and state intervention in economic activities, facilitating the opening of new businesses. 	
Fight corruption, criminal organizations and violent crimes	<ul style="list-style-type: none"> • Changes to the Code of Criminal Procedure, Criminal Code, Criminal Law, Electoral Code, among others; • Criminal law enforcement measures will reduce costs of doing business. Include the provisional execution of a criminal conviction after second instance sentences; the criminalization of irregular funding in elections; tighter sentences and penalties increase. 	<ul style="list-style-type: none"> • Proposal submitted to Congress on February 19th • Instrument: 3 Infra constitutional instruments
Digital Government	<ul style="list-style-type: none"> • Initiatives such as <i>The Digital Citizenship Platform</i> (access and provision of digital public services); <i>GovData</i> (crossing and information analysis of the main official databases); and <i>ConectaGov</i> (connection and exchange of information between government systems). 	<ul style="list-style-type: none"> • Broader digital integration, services provision, and database unification; Changes in the legal framework; among others.
Extreme poverty reduction	<ul style="list-style-type: none"> • On April 11th, the Brazilian president enacted a fast track bill granting one additional allowance per year for the 14 million households covered by conditional cash transfers (Bolsa Família Program). There is no fiscal impact, due to the relocation of public expenditures. 	<ul style="list-style-type: none"> • Congress appreciation. Must be voted until Aug. 2019 • Instrument: Supplementary Bill
Employment	<ul style="list-style-type: none"> • The registers of the unemployed were opened to private recruitment companies, extending the use of the national employment system dataset. 	<ul style="list-style-type: none"> • New Work Booklet (<i>Verde e Amarela</i>) to ease access to the labor market. • <i>Emprega Mais</i>: new workforce training strategy.



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Brazil aims at figuring among the 50 best positioned countries in the Doing Business report

Main Measures	Description	Next Steps
Business Facilitation	<ul style="list-style-type: none"> Economic Freedom Bill: reduces red tape and Government intervention, facilitating the opening of new businesses. It eliminates the need for low-risk activities to obtain any type of license, regardless of the company size; limits the restrictions on trading hours, service and industry; prevents laws to define prices; establishes a binding and isonomic treatment for similar situations; overrules outdated legislation; eliminates license requirements for testing, developing or implementing a product/service that does not pose high risks; impedes business contracts to be changed judicially; establishes that license requests unanswered are automatically granted; simplifies the access of small and medium-sized companies to the capital market; extends higher court decisions to all cases, without the need to appeal; creates the "regulatory abuse" situation; makes the analysis of regulatory impact mandatory for any new legislation; among others issues. 	<ul style="list-style-type: none"> <i>Simplifica</i>: Set of 50 measures to reduce red tape to production. Brazil 4.0: Encourage companies' digitization and modernization. <i>Pró-mercado</i>: regulatory changes to end barriers to market operation and competition.
Positive Credit Registry	<ul style="list-style-type: none"> Law that includes individuals and companies in a database with information on their credit track record, aiming at broadening and easing credit opportunities for those with a good payment record. 	
Ombudsman for Direct Investments	<ul style="list-style-type: none"> Provide consultation for foreign investors about legislation or administrative procedures related to investments in Brazil. 	
National Tourism Policy	<ul style="list-style-type: none"> Bill to develop and promote the tourism segments related to the World Cultural and Natural Heritage of Brazil, within the scope of the National Tourism Policy. 	<ul style="list-style-type: none"> Congress appreciation
Public administration overhaul	<ul style="list-style-type: none"> 21,000 commissioned positions eliminated. Limitations for creating collegiates. Elimination of unnecessary collegiates. Restrictions for hiring civil servants and rules for hiring senior officials. 	<ul style="list-style-type: none"> Instrument: Ministerial ordinance and Government Decrees.
Restrictions to public banks	<ul style="list-style-type: none"> Bill provides that the Central Bank must approve the appointment of directors and administrators of public financial institutions, in accordance to the technical criteria established by the National Monetary Council. 	<ul style="list-style-type: none"> Congress appreciation
Fiscal sustainability of subnational entities	<ul style="list-style-type: none"> Federal support to states with some counterparts, such as fiscal adjustment measures and opening of regional markets for gas distribution. Sharing resources from the pre-salt with states and municipalities. 	<ul style="list-style-type: none"> Launch of the Financial Equilibrium Plan and elimination of the Federal exclusivity to the Social Fund.
Auction of Assignment agreement	<ul style="list-style-type: none"> The auctioning of the surplus of around 5 to 6 billion barrels will result in a compensation for Petrobras of US\$ 9.0 billion. The signature bonus is estimated at around US\$ 26.5 billion. 	<ul style="list-style-type: none"> Auction scheduled for Oct. 28th, 2019
Infrastructure Development	<ul style="list-style-type: none"> 59 projects are being added to the PPI portfolio, attracting an estimated R\$ 1.6 trillion in investments during the entire concession period. Among the projects, four port terminals and important highway sections. 	<ul style="list-style-type: none"> Auctions expected from 2019 to 2021
Privatization	<ul style="list-style-type: none"> The sale of state-owned companies and Voluntary Dismissal Programs are under study. There are 135 companies owned by the Fed. Govt., with more than 450,000 employees. 	

INVESTMENTS, CONCESSIONS AND PRIVATIZATIONS

47 PPI Projects Auctioned or Renewed

<ul style="list-style-type: none"> Privatization of CELG Concessions of 2 Hydroelectric Plants (Jaguara, UHE) and one small plant Extension for 1 small plant Transmission Lots 	<ul style="list-style-type: none"> 4th Marginal Fields Round 14th and 15th Exploratory Blocks Bidding Round 2nd to 5th Pre-Salt Production Sharing Bidding Rounds 	<ul style="list-style-type: none"> 4 Extensions and 1 Concession (Norte-Sul)
<ul style="list-style-type: none"> 16 Concessions 	<ul style="list-style-type: none"> 21 Projects (leasing, extension or assignment agreement) 	<ul style="list-style-type: none"> Concession of Rodovia da Integração do Sul
		<ul style="list-style-type: none"> Privatization of CASEMG

29 ongoing PPI Projects

<ul style="list-style-type: none"> 6 Power Distribution Companies 	<ul style="list-style-type: none"> Concession of CPRM Mining Rights 	<ul style="list-style-type: none"> Concession of 14 Marginal Fields Areas 	<ul style="list-style-type: none"> 4 Concessions
<ul style="list-style-type: none"> 16 Concessions 	<ul style="list-style-type: none"> 8 Leasing Projects 	<ul style="list-style-type: none"> 8 Concessions 	<ul style="list-style-type: none"> Other
			<ul style="list-style-type: none"> Privatization - Casa da Moeda, CEASAMINAS, Infraero shareholdings and Eletrobras Concession of LOTEX PPP for COMAER