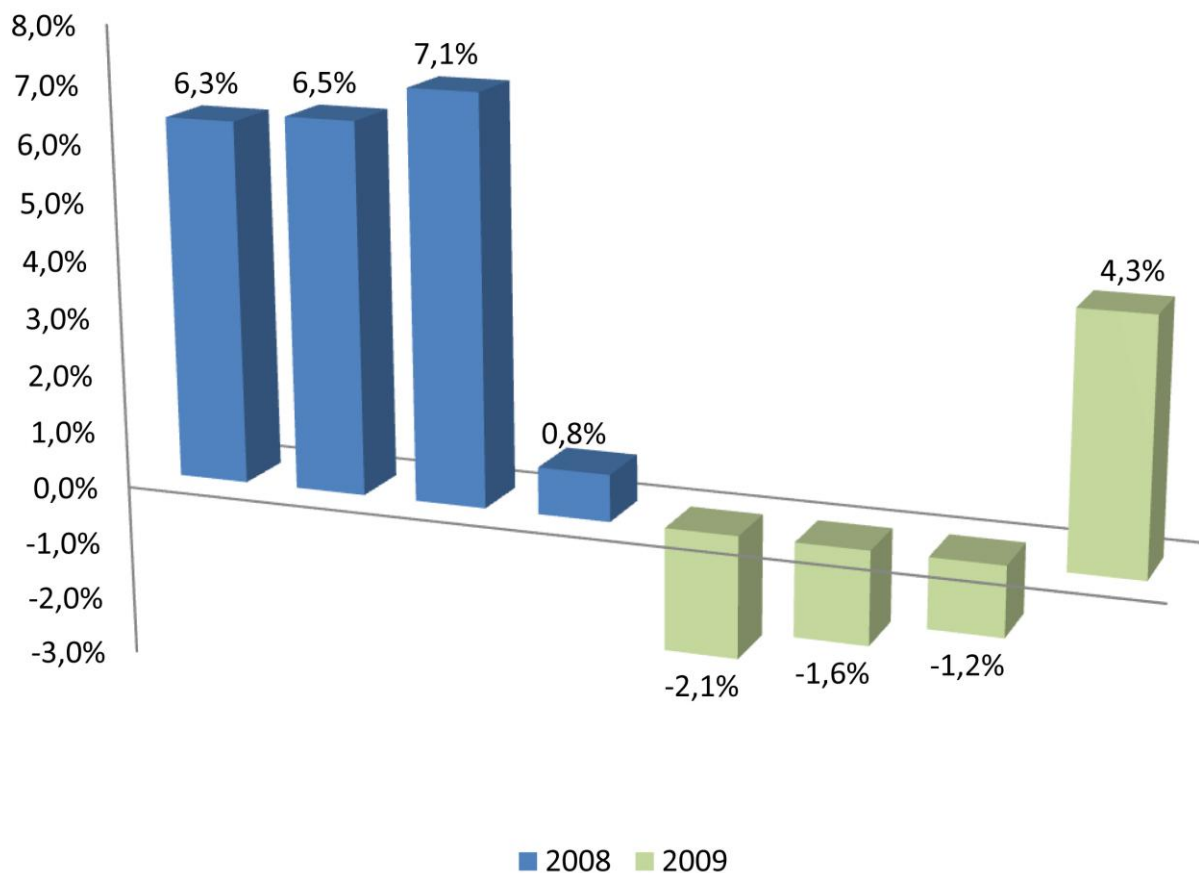


Performance of the Brazilian Economy

The results of the Brazilian economy were heavily influenced by the international financial crisis. In 2009, the Gross Domestic Product (GDP) has reduced its value in real terms by 0.2% compared to the GDP in 2008, reaching a total of R\$ 3.143 trillion. As illustrated in Graph 1, which shows the quarterly rates of actual GDP growth when compared to the same quarter of the previous year, only in the last quarter of 2009 there was a recovery of the GDP, with growth of 4.3%.

Chart 1 – Real growth rates of the GDP when compared to the same quarter of the previous year



Source: IBGE – Quarterly National Accounts (preliminary data – 4th quarter of 2009)

Despite the effects of the crisis, the Brazilian economy's performance remained among the six best in the world, with the downfall of the Brazilian GDP in 2009, one of the lowest among the G20 countries. The United States, The European Union and Japan suffered losses of 2.4%, 4.2% and 5%, respectively. Among the BRIC countries, Russia's GDP fell 7.9%, while China had an increase of 8.7% and India 5.6%.



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Acronym bringing together the largest developed and emerging economies in the world.

A major factor in the Brazilian economy is the trend of increased participation in credit operations against the GDP. At the end of the year it reached the amount of 45%. In January 2007 this percentage amounted to 30.7% of GDP and in the same period of 2008 reached 34.2%.

Credit operations in public and private sectors amounted to R\$ 1.4 trillion, an increase of 14.9% in the period. The share of public banks in credit supply was 41.4% in 2009, surpassing the private and foreign institutions which participated with 40.4% and 18.2% respectively. The credit transactions made by individuals totaled R\$ 319.9 billion, an increase of 17.4% a year.

As for foreign trade, China became the largest buyer of Brazilian exported products, the only country in 2009 which increased its purchases from Brazil, with US\$ 19.9 billion. Despite reducing its purchases, the United States rank second with US\$ 15.7 billion, followed by Argentina, the Netherlands and Germany.

Since 2006 the net external debt of the federal government and the Central Bank has become in fact a credit. At the end of 2008, the credit in the amount of R\$365.6 billion, accounted for 12.2% of the GDP, and in 2009 the value reached R\$313.2 billion, equivalent to 10% of the GDP.

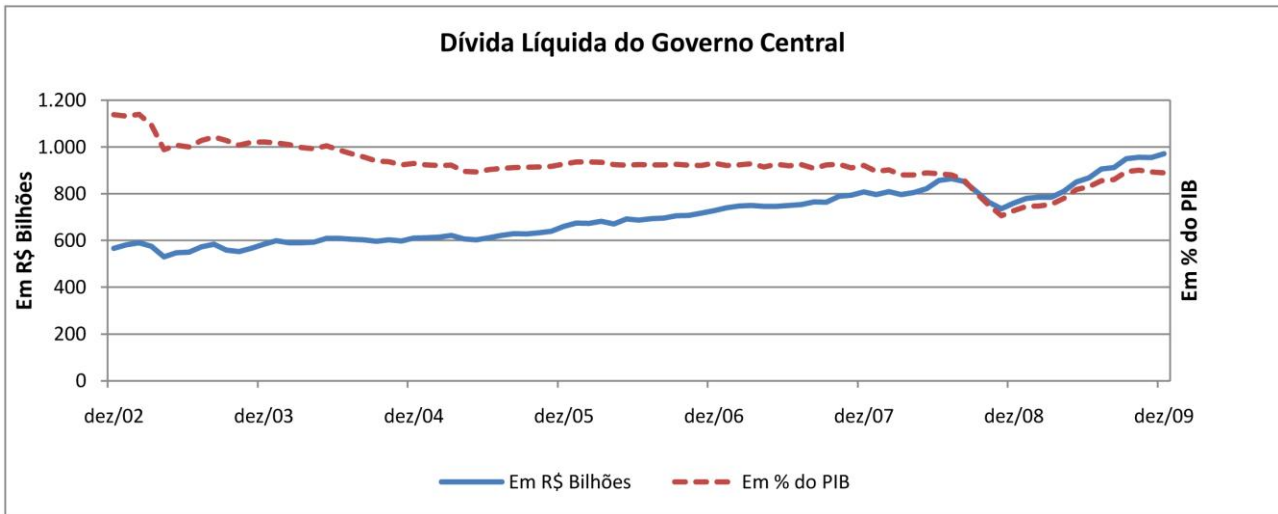
With regard to fiscal performance, the initial goal of **primary surplus** of the Union, set at 2.85% of GDP, was reduced to 1.60% of the GDP due to the economic crisis. The State, in presenting the primary surplus of only 1.29% of the GDP (or R\$40.6 billion), although it has not achieved the goal of full primary outcome of 1.60% of the GDP (or R\$49.5 billion), still exceeded the primary surplus target reduced to R\$30.9 billion, after deducting R\$17.9 billion for the PAC.



The primary surplus is the positive result of public accounts, excluding interests.

Reflecting the countercyclical action implemented by the government to overcome economic crisis, the Public Sector Net Debt (DLSP) increased 5.62 percentage points of the GDP from 2008 to 2009, rising from 37.34% to 42.96% of the GDP in the period. This increase corresponds to R\$191.7 billion, and the amount of net public sector debt at the end of 2009 to R\$1.345 trillion. Of this total, R\$907.6 billion are federal property, whose charge interest and fees paid R\$169.1 billion in the year, which is equivalent to 5.4% of the GDP, an amount close to 5.3% of the GDP in 2008. Chart 2 illustrates the reversal of the declining trend in net debt in 2009 in the scope of the central government (except states).

Chart 2 – Trajectory of the Central Government Net Debt¹



Source: Central Bank of Brazil. Elaborated by: TCU

Regarding the unemployment rate, the proportion of unemployed among the economically active in 2009 was 6.8%, same as recorded in 2008. Throughout 2009, 995,110 jobs were created, an increase of 3.11%. The actual average income in December 2009 was R\$1,344.40.

Regarding price adjustments, the inflation rate calculated by the Brazilian Institute of Geography and Statistics (IBGE) in 2009, based on the National Index of Consumer Prices (IPCA) was 4.31%. Index lower than the rate in 2008, at 5.90%, and also lower than the inflation target for 2009 of 4.5% established by the National Monetary Council.

Finally, it stands out that, although the rate of Brazil's **country risk** has risen significantly due to the crisis, reaching 677 points on October 22, 2008, throughout 2009 the indicator went back, ending the year listed to 196 points. Thus, Brazil has regained its ability to attract foreign investment, with risk level close to the level that preceded the crisis.



Indicates to the investor that the risk of investing in a particular country is more or less high. The lower the number, the lower the risk.

¹ Net Debt of the Central Government

In R\$ Billions

In % of the GDP

dez = Dec

Access the full chapter on the Performance of the Brazilian Economy in 2009 in the full version of the Report and Prior Opinion on the General Government Accounts of the Republic: www.tcu.gov.br/contasdegoverno