THE RECOVERY OF THE BRAZILIAN ECONOMY

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Deputy Executive Secretary of Planning, Development and Management
THE ECONOMY REFLECTS THE ADJUSTED POLICIES

BOOMING CAPITAL MARKET

- 85,032 pts
- STOCK EXCHANGE AT RECORD HIGHS
- AVERAGE INDEX OF APRIL 2018

LOW INFLATION

- 2.95%
- LOWER ANNUAL INFLATION RATE SINCE 1998
- CONSUMER PRICE INDEX (IPCA) FOR 2017

ECONOMIC RECOVERY

STRONG BALANCE OF PAYMENTS

- US$ 64.4 billion
- TRADE BALANCE RECORD HIGH IN 2017
- US$ 383 billion
- STABLE RESERVES FOR THE PAST 6 YEARS

LOW INTEREST RATE

- 6.50%
- LOWEST INTEREST RATE IN HISTORY
- COPOM BASE RATE IN MAY 2018
THE END OF THE ECONOMIC RECESSION

Gross Domestic Product
(\% change in 4Q ver the previous period)

Source: IBGE and BCB/FOCUS of May 18, 2018
THE LABOR MARKET RECOVERS

Net Job Creation/Destruction (YTD)
Number of People

Source: CAGED/MTE

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Job Creation/Destruction (YTD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2,629,827</td>
</tr>
<tr>
<td>2011</td>
<td>2,026,571</td>
</tr>
<tr>
<td>2012</td>
<td>1,372,594</td>
</tr>
<tr>
<td>2013</td>
<td>1,138,562</td>
</tr>
<tr>
<td>2014</td>
<td>420,690</td>
</tr>
<tr>
<td>2015</td>
<td>-1,534,989</td>
</tr>
<tr>
<td>2016</td>
<td>-1,326,558</td>
</tr>
<tr>
<td>2017</td>
<td>-18,395</td>
</tr>
<tr>
<td>2018 - (JAN - APR)</td>
<td>336,855</td>
</tr>
</tbody>
</table>

Source: CAGED/MTE
BRAZIL ADOPTED A SUCCESSFUL INFLATION TARGET REGIME

Source: IBGE and BCB
2017-2020: BCB/Focus of May. 18, 2018
REAL INTEREST RATES ARE FALLING

Source: Brazilian Central Bank - BCB

* Swap DI-Pre of 360 days over expected IPCA inflation in 12 months
THE STOCK EXCHANGE IS AT RECORD HIGHS

<table>
<thead>
<tr>
<th></th>
<th>May 17, 2018</th>
<th>January 26, 2016</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ibovespa</td>
<td>83,622</td>
<td>37,497</td>
<td>123%</td>
</tr>
<tr>
<td>Petrobras (PETR3)</td>
<td>30.21</td>
<td>5.96</td>
<td>407%</td>
</tr>
<tr>
<td>Vale do Rio Doce (VALE3)</td>
<td>55.38</td>
<td>8.94</td>
<td>519%</td>
</tr>
<tr>
<td>Banco do Brasil (BBAS3)</td>
<td>32.86</td>
<td>12.89</td>
<td>155%</td>
</tr>
<tr>
<td>Eletrobras (ELET3)</td>
<td>18.98</td>
<td>4.88</td>
<td>289%</td>
</tr>
</tbody>
</table>

Closing prices as of Mar. 17, 2018

Source: Bloomberg
TRADE BALANCE AT RECORD HIGH

Trade Balance
Accumulated in 1 year
US$ mm. FOB

Exports and Imports
Daily average accumulated in 1 year
US$ mm. FOB

Source: MDIC

MINISTRY OF
PLANNING, DEVELOPMENT
AND MANAGEMENT

TRADE BALANCE AT RECORD HIGH

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US$ mm. FOB

Source: MDIC

MINISTRY OF
PLANNING, DEVELOPMENT
AND MANAGEMENT
EXTERNAL FINANCIAL NEEDS COVERED BY FOREIGN INVESTMENTS

% of GDP

2009: 2.2% (2.2% of GDP)
2010: 2.8% (2.8% of GDP)
2011: 3.3% (3.3% of GDP)
2012: 3.3% (3.3% of GDP)
2013: 2.2% (2.2% of GDP)
2014: 2.9% (2.9% of GDP)
2015: 3.4% (3.4% of GDP)
2016: 3.6% (3.6% of GDP)
2017: 3.1% (3.1% of GDP)
2018: 2.7% (2.7% of GDP)

Source: BCB
*2018: 12-mo accumulated until March
STABLE INTERNATIONAL RESERVES FOR THE PAST 6 YEARS

383.1
ECONOMIC RECOVERY

- Fiscal Consolidation
- Structural Reforms
- Public-Private Partnership
- Improvement of the regulatory framework and business environment

ECONOMIC GROWTH
New Fiscal Regime: Constitutional Amendment 95/2016 of the Public Expenditure Cap.

Modernization of Public Management: improvement of electronic systems and processes, strengthening and expanding Digital Government practices.

Modernization of State Enterprises Management: Strict rules for purchases, bids and for the appointment of managerial positions and reduction in the effective staff of non-dependent state companies.
EXPENDITURES ARE EXPECTED TO DECLINE

Average 2002-2018: 17.4%.
Fiscal recovery of States

Federal Government posts primary deficits since 2014:

- Fiscal challenges involve both expenditures and revenues.
- The fiscal crisis promotes the search for efficiency of public expenditures.
- At the same time, the Federal Government implements an agenda of modernization of public management.
- Better public services are related to the revision of public expenditures and to the improvement in revenues.
PRIMARY EXPENDITURES IN 2017

- Old Age and Survivor Benefits: 53.2%
- Personnel expenses and social costs (working servants): 12.6%
- Social Assistance: 11.2%
- Health care (exc. personnel): 7.5%
- Other Expenditures: 11.9%
- Education (exc. personnel): 3.6%

Source: National Treasury
A REFORM OF THE SOCIAL SECURITY SYSTEM IS NEEDED

THE AGE PATTERN IS CHANGING

People over 60 y.o. were 6.3% of the population in 1990.

In 2010, they reached 10.0% of the population.

In 2030, they will be 18.6% of the population.

In 2050, the share of elderly people Brazil is expected to reach 29.4% of the population (or 66.5 mm people).

Source: IBGE.
GENERAL GOVERNMENT GROSS DEBT

### PPI - INVESTMENTS, CONCESSIONS AND PRIVATIZATIONS

#### Electric Power
- **Projects Auctioned or Renewed**: 74
- **US$ 10.6 billion* in signature bonuses**
- **US$ 42.1 billion* in expected investments**

#### Oil and gas
- **4th Marginal Fields Round**: May 2017
- **14th and 15th Exploratory Blocks Bidding Round**: Sept. 2017 and Mar. 2018
- **2nd and 3rd Pre-Salt Production Sharing Bidding Rounds**: Oct. 2017

#### Port Terminals
- **Salvador-Tecon and Paranaguá-Fospar**: Nov. 2016
- **STM 04 e 05 – Santarém**: Mar. 2017
- **Santa Catarina–Tesc**: Jul. 2017
- **Wheat Terminal – RJ and Itaqui/MA - Tequimar**: Aug. 2017
- **Vila do Conde/PA – Convicon, Nitport and Nitshore – RJ**: Nov. 2017
- **3 LPG+ Terminals - Miramar/PA**: Apr. 2018

#### Airports
- **Florianópolis, Fortaleza, Porto Alegre e Salvador**: Jul. 2017

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* R$ 36 billion and ** R$ 143.6 billion (Exchange rate of 3.4092 BRL per USD, Apr. 2018 monthly average) + Liquefied Petroleum Gas
**ongoing projects**

- **101 PPI Projects**
- **US$ 39.4 billion** in expected investments

<table>
<thead>
<tr>
<th>Sector</th>
<th>Projects</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highways</td>
<td>8</td>
<td>4 Biddings, 4 Studies</td>
</tr>
<tr>
<td>Railways</td>
<td>8</td>
<td>5 Renewals, 3 Biddings</td>
</tr>
<tr>
<td>Electric Power</td>
<td>32</td>
<td>1 Extension, 6 Distributors and Eletrobras Concession</td>
</tr>
<tr>
<td>Oil and gas</td>
<td>2</td>
<td>1 Pre-salt sharing, 1 Marginal accumulation</td>
</tr>
<tr>
<td>Mining</td>
<td>4</td>
<td>Concession to exploitation of Mining areas</td>
</tr>
<tr>
<td>Airports</td>
<td>17</td>
<td>13 Concessions, 4 Shareholding selling</td>
</tr>
<tr>
<td>Port Terminals</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>COMAER</td>
<td>1</td>
<td>Public-Private Partnership (PPP)</td>
</tr>
<tr>
<td>Lottery</td>
<td>1</td>
<td>Concession of the right to exploit</td>
</tr>
<tr>
<td>Currency House</td>
<td>1</td>
<td>Privatization</td>
</tr>
<tr>
<td>Supply</td>
<td>2</td>
<td>CEASAMINAS CASEMG Privatization</td>
</tr>
</tbody>
</table>

*R$ 134.3 billion (Exchange rate of 3.4092 BRL per USD, Apr. 2018 monthly average)
PRIORITY AGENDA

- Tax simplification: Social Contribution Reform
- Central Bank autonomy
- New legal framework for tenders and public procurements
- New public finance law
- Regulation on civil servants’ salaries

- Business improvement and recovery program of state-owned companies
- New real estate purchase contracts law
- Update of the General Telecommunications Law
- Privatization of Eletrobras
- Strengthening of Regulatory Agencies
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  - Regulatory Framework
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THANK YOU!

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