



Decide with Confidence

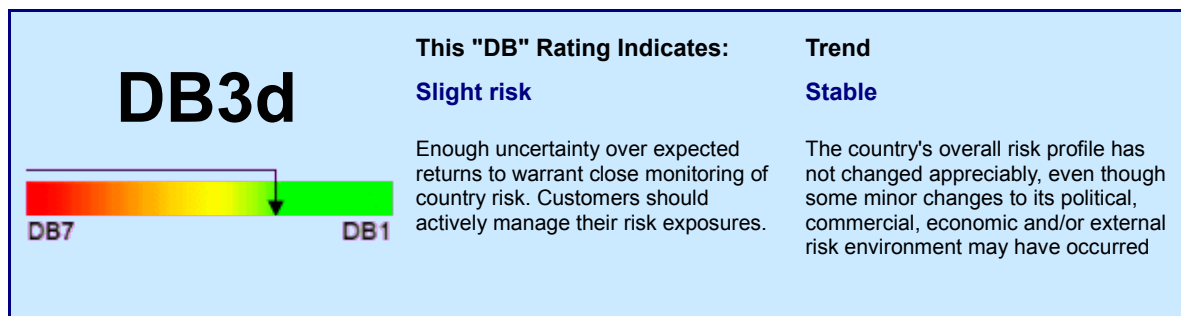
D&B Country RiskLine Report

BRAZIL

Region : The Americas

Edition : August 2010

D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

Political risk - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

Commercial risk - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

External risk - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

Macroeconomic risk - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

Key Facts

Population:	192.0m
Surface area (sq km):	8,514,880
Capital:	Brasilia
Timezone:	GMT -03:00
Official language:	Portuguese
Head of state:	President Luiz Inacio LULA DA SILVA
GDP (USD):	1.6trn
GDP per capita (USD):	8,535
Life expectancy (years):	71
Literacy (% of adult pop.):	88.6

Country Overview:

Brazil is the largest country in South America by both landmass and population, making it a natural candidate for regional leadership. It has a long coastline and shares a land border with all but two of the continent's countries.

Brazil's economy is the largest in Latin America, with vast natural resources (including recently discovered oil) and a large labour pool; major sectors include manufacturing and services. Despite solid economic growth in recent years, a faster rate of expansion is constrained by an onerous and complex tax system that supports a bloated public sector (discouraging greater levels of private investment). In addition, income distribution is highly unequal, contributing to the country's high rate of violent crime (and occasional large-scale social disorder).

The political environment is highly fragmented, with a large number of political parties represented at the national legislature. As a result, governance relies heavily on consensus-building, which encourages corruption and hinders reform.

Trade & Commercial Environment

Trade Terms

Minimum Terms:	SD
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The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms:	LC
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D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms:	60-90 days
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Normal period of credit associated with transactions with companies in the stated country.

Transfer Situation

Local Delays:	0-1 month
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The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays:	0-1 month
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The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

Trade & Commercial Environment

Brazil's business environment has improved substantially in recent years. The current business environment benefits from a relatively stable macroeconomic environment, the increased global importance of Brazilian trans-national companies, a large and relatively affluent domestic market, and a pro-investment government policy. The country's international profile has increased notably in recent years, with Brazil now one of the most attractive developing countries in which to do business. Improvements in infrastructure and a sophisticated financial market have contributed to enhancing the business environment. Brazil's attractiveness as a destination for FDI has been greatly enhanced by its increasing trade integration with both developing and developed countries.

Export Credit Agencies

US Eximbank	Full cover available
Atradius	ST cover available
ECGD	ST cover available, restricted MT cover
Euler Hermes UK	Full ST cover available

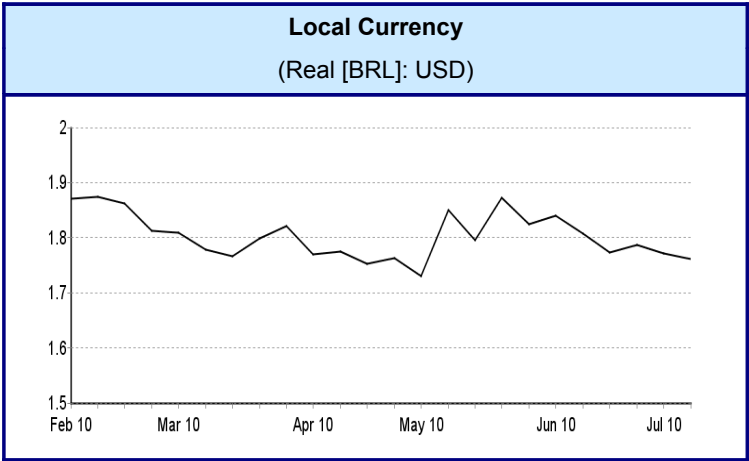
Economic Indicators

	2007	2008	2009	2010f	2011f
Real GDP growth, %	6.1	5.1	-0.2	5.8	5.0
Inflation, annual ave, %	3.8	5.6	4.9	5.0	5.5
Govt balance, % GDP	-2.7	-1.9	-3.0	-4.0	-3.8
Unemployment, %	9.3	7.9	8.1	7.7	7.4
C/A balance, % GDP	0.1	-1.7	-1.5	-2.3	-3.4

Inflation is measured by the IPCA Index

Currency Information

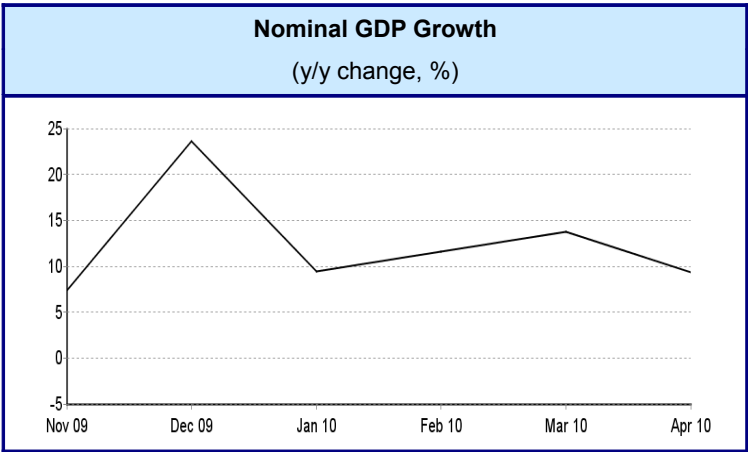
Exchange Rates	
(London, 12 Jul 10)	
EUR	2.2245
GBP	2.6604
JPY*	1.9899
USD	1.7608
*(x 100)	



Local Currency
(Real [BRL]: USD)

	Feb 10	Mar 10	Apr 10	May 10	Jun 10	Jul 10
Week 1	1.871	1.809	1.769	1.731	1.840	1.772
Week 2	1.875	1.778	1.774	1.850	1.808	1.761
Week 3	1.863	1.766	1.752	1.795	1.773	
Week 4	1.813	1.798	1.762	1.873	1.787	
Week 5		1.821		1.824		

Nominal GDP Growth



Data Table

Nov 09	Dec 09	Jan 10	Feb 10	Mar 10	Apr 10
7.4	23.6	9.4	11.6	13.7	9.3

Risk Factor

The Brazilian economy continues to show vigorous growth and we expect this trend to continue during the forecast period. The economy expanded by 8.1% in Q1, the fastest rate since Q1 1995. In the first two months of Q2 the economic expansion (in nominal terms) averaged a still-high 10.9% year on year (y/y). Although unemployment increased slightly in May to 7.2%, this level is substantially below the 8.4% recorded a year earlier. The consumer confidence index is close to its historical record level. Exports increased by almost 30% (y/y) in the first half of the year, driven by high commodity prices and the recovery in main trade partners (particularly China). The expansionary fiscal stance followed by the government ahead of the presidential election scheduled for early October will continue to support the rapid expansion. Moreover, the government will maintain record lending by the state development bank (BNDES) ahead of the presidential election. Lending from BNDES expanded by 41% to BRL46bn in the first five months of the year, helping to create jobs, stimulate investment and increase tax collection.

Although we believe that economic risks are low at present, the rapid expansion of the economy has underlined a key challenge. D&B is concerned about inflation, as a rapid increase in prices during the forecast period may affect the momentum of the economy in the medium term. We do not expect inflation to become a serious risk to macroeconomic stability, but faster-than-expected CPI inflation may affect investment decisions and lead investors towards riskier projects). Brazil already has a very low investment-to-GDP ratio and needs to increase it rapidly to maintain GDP expansion at high rates in the medium term. Furthermore, with a high proportion of the population still living below the poverty line, rapid CPI inflation could reduce households' purchasing power. With inflation above its target and GDP expanding above its potential, the central bank has started a tightening policy; increasing the benchmark SELIC rate by 150 basis points to 10.25% since April. In each of the first six months of 2010 CPI inflation was above the central bank's target (4.5% \pm 2 percentage points), averaging 4.9% in the 12 months to June; however, we expect CPI inflation to stabilise in the coming months.

Meanwhile, the political sphere continues to be dominated by the presidential election. The still-weak institutional environment was evident when both main parties (the government coalition Workers' Party, PT) and Social Brazilian Democracy (PSDB) failed to submit their election platforms to the supreme electoral court as legally demanded. Although we expect the programmes of both parties to be similar, we cannot rule out a more radical policy agenda from PT's candidate Dilma Rousseff.

Glossary & Definitions

DEFINITIONS

Minimum Terms:

The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms:

D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms:

Normal period of credit associated with transactions with companies in the stated country.

Local Delays:

The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

F/X Bank Delays:

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

Customer Service & Support

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