



Brazil

Country Profile

www.datamonitor.com

Datamonitor USA

1 Park Avenue
14th Floor
New York, NY 10016-5802
USA

t: +1 212 686 7400
f: +1 212 686 2626
e: usinfo@datamonitor.com

Datamonitor Europe

Charles House
108-110 Finchley Road
London NW3 5JJ
United Kingdom

t: +44 20 7675 7000
f: +44 20 7675 7500
e: eurinfo@datamonitor.com

Datamonitor Germany

Messe
TurmBox 2360308
Frankfurt
Deutschland

t: +49 69 9754 4517
f: +49 69 9754 4900
e: deinfo@datamonitor.com

Datamonitor Hong Kong

2802-2803 Admiralty Centre
Tower 1
18 Harcourt Road
Hong Kong

t: +852 2520 1177
f: +852 2520 1165
e: hkinfo@datamonitor.com



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INTRODUCTION

In the 1980s, Brazil was dogged by high inflation, economic stagnation and the influence of radical politicians. The country's 170 million people saw their incomes, and their confidence, shrink faster than the Atlantic Forest. However, today the economy, which overshadows those of all other South American countries, is one to be reckoned with. But the country famous for Carnival and tourist-ridden beaches remains burdened by major social problems, the biggest of which is an extreme income disparity. Rich barons and peasants continue to clash over unused land. Also troublesome: alarmingly high infant mortality rates, as well as skyrocketing birthrates among teenage girls.

KEY FACTS

CAPITAL CITY

Brasilia

GOVERNMENT TYPE

Federal Republic

HEAD OF STATE

President Fernando Henrique Cardoso

HEAD OF GOVERNMENT

President Fernando Henrique Cardoso

LANGUAGE

The official language is Portuguese, but English and Spanish also are spoken in business circles.

ETHNIC COMPOSITION

The majority of the population is Portuguese or European. Another large part of the population is mixed African and European. A minority is African.

MAJOR RELIGIONS

Most Brazilians are Catholic, but Protestant churches are growing rapidly.

POLITICS

Wild inflation and radical political parties have plagued Brazil's recent history. Following Cardoso's election in 1993, however, the political scene has stabilized. Protests by the landless peasants and indigenous groups are, however, a feature of life, reflecting the fact that Brazil has some of the most acute social divisions in the world.

Cardoso the unpopular?

President Fernando Henrique Cardoso, an economic whiz kid, has long been the darling of the international community. It's a different story at home, where his popularity has hit rock-bottom. According to a Vox Populi poll published in July 2000, only 26% of Brazilians approve of Cardoso's performance.

The public's disillusionment isn't hard to understand. Brazil's gap between rich and poor is one of the world's biggest and, even as the economy is recovering from last year's slowdown, the many have-nots still find it hard to make ends meet. The 500th anniversary of European settlers' arrival in Brazil earlier this year provided as much opportunity for disaffected groups to protest years of social exclusion or repression as it did lavish celebrations.

Landless and indigenous people have used ever more daring tactics, like invading federal buildings and squatting on a farm owned by Cardoso's family, to press their case. Last year, Cardoso agreed to speed up land reform and provide another \$1.2 billion for the country's poor.

ECONOMY

Brazil's economic history is as turbulent as they get. Hit hard by the oil crisis in the late 1970s, GDP grew only 1.5% a year between 1980 and 1993. Inflation spun out of control. A series of reforms began to put the economy back on track in the 1990s; notably, the 1994 Real Plan stabilized runaway prices. However, growth has still been stop-start.

Big bounce back

Brazil's bounce back from 1999's economic slowdown has been remarkable. The economy grew 4.2% in 2000, after narrowly avoiding an outright recession in 1999 despite bleak predictions in the wake of the January devaluation. Exports are finally growing, while Brazil's notoriously poor public accounts are slowly being put in order.

Fernando Henrique Cardoso deserves much of the credit for setting boom-and-bust Brazil on the path to fiscal health. In late 2000, the president convinced a reticent Congress to pass big budget cuts and a law that slaps fines on politicians who don't meet tough limits on spending. FHC even managed to limit the increase in the minimum wage despite enormous pressure from his opponents in Congress.

Potential problems still lurk

Despite the reforms, investors are still concerned about the longer-term stability of the economy. Brazil's exports are healthy, but import demand remains robust and the services balance is firmly in deficit. The external deficit could again make Brazil vulnerable to events beyond its control. Moreover, the government has yet to touch the indirect taxation system and the public sector employee social security system, both of which need wholesale reform.

A limited power supply may also cause some problems to future growth. The effects of the electricity shortage have been widespread and in May 2001, the government announced that industrial and residential customers would have to cut their consumption by a fifth or risk fines. Measure such as the creation of a new electricity cable from Venezuela have been implemented but problems are likely to continue for some time.

KEY MACROECONOMIC DATA

REAL GDP

The real GDP grew by 4.00% in Brazil in 2000 to reach a value of US\$ Mn 445077.

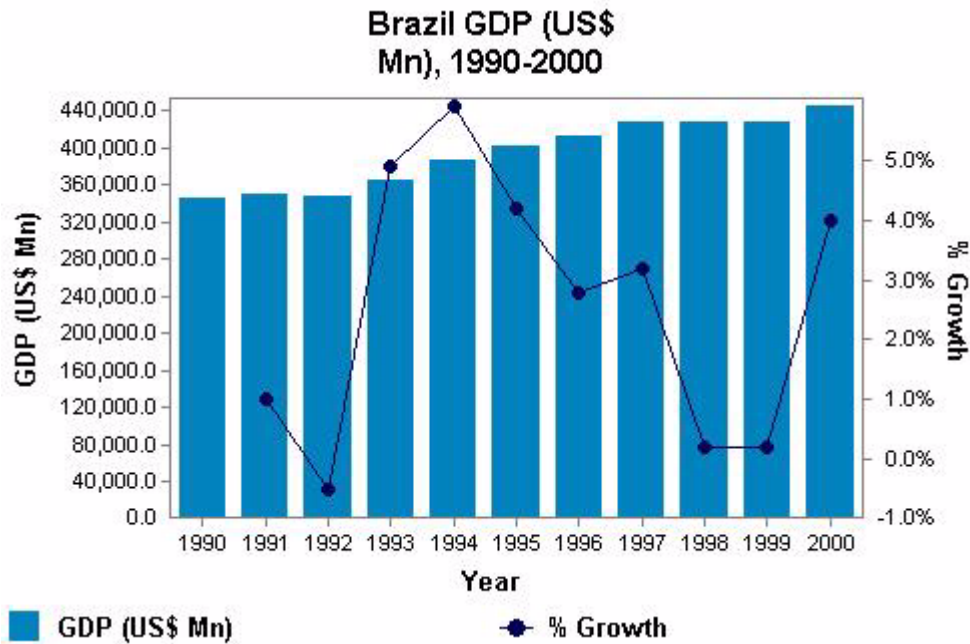
The compound annual growth rate of GDP in the period 1990 to 2000 was 2.57%.

The strongest growth was in year 1994, when GDP grew by 5.90%.

Table 1: Brazil GDP (US\$ Mn), 1990-2000

Year	Real GDP	% Growth
1990	345,390.0	
1991	348,844.0	1.0%
1992	347,100.0	(0.5%)
1993	364,108.0	4.9%
1994	385,590.0	5.9%
1995	401,785.0	4.2%
1996	413,035.0	2.8%
1997	426,252.0	3.2%
1998	427,104.0	0.2%
1999	427,959.0	0.2%
2000	445,077.0	4.0%

CAGR, 1990-2000 2.6%



INTEREST RATES

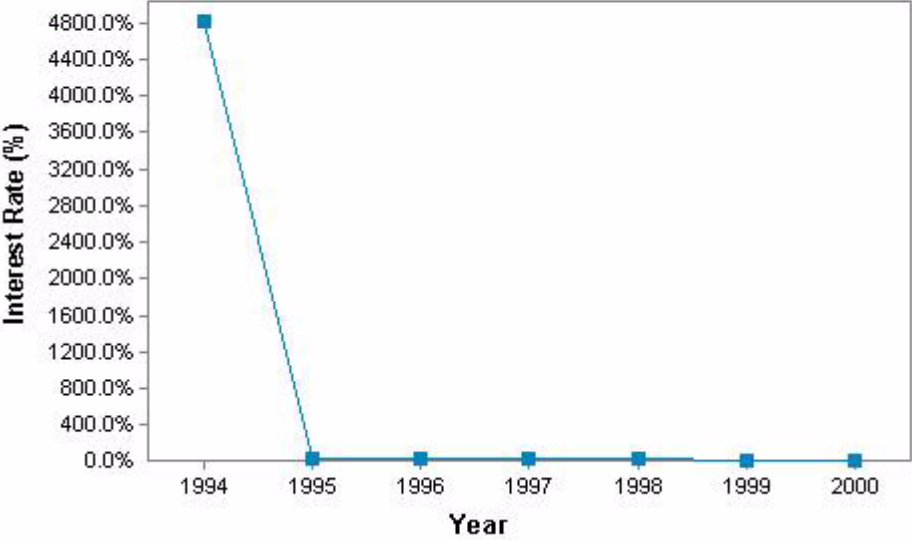
The interest rate in Brazil decreased from 19% in 1999 to 16.19% in 2000.

The average interest rate in Brazil was 28.53% over the 1995 to 2000 period.

Table 2: Brazil Interest Rate (%), 1994-2000

Year	Interest Rate (%)
1994	4,820.6%
1995	38.9%
1996	23.9%
1997	42.0%
1998	31.2%
1999	19.0%
2000	16.2%

Brazil Interest Rate (%) , 1994-2000



POLITICS & GOVERNMENT

ELECTIONS AND GOVERNMENT MAKE-UP

President Fernando Henrique Cardoso was re-elected in October 1998. Congressional elections took place at the same time. One-third of the Senate was elected in addition to the entire 513-seat Chamber of Deputies. A center-left coalition holds most of the seats in the lower house and Senate. The remaining two-thirds of the Senate will be elected in 2002, the same time as the next presidential elections.

POLICY AND BUSINESS

Economic policy is geared toward winning back those investors who, stung by heavy losses in emerging markets, lost confidence in Brazil. Foreign money fled the country steadily since the devaluation of Thailand's currency in 1997. Brazil's mission should not be too difficult; the central bank boosted confidence when it announced that it will repay early a large part of an IMF-led \$41.5 billion bailout loan.

Brazil's privatization program is not moving ahead as quickly as it might. The sale of Banespa, the Sao Paulo state-owned bank, has been on and off several times, as opponents of the sale have blocked it in the courts. Political resistance has also blocked the sale of certain power generators. Foreign interest is there, particularly for Brazil's banks, but investors may well have to wait a while yet.

EXTERNAL RELATIONS

With the 1994 election of internationally oriented Fernando Henrique Cardoso as president, Brazil's presence on the world stage has grown. Brazil, a key member of Mercosur, has taken on a leadership role in the hemisphere, even acting as a guarantor in the Peru-Ecuador peace process. In August, Brazil will host the first Summit of Presidents of South America. The summit is a sign that Brazil intends to lead the push for more regional integration, rather than wait for the US to finalize long-delayed plans for a Free Trade Area of the Americas. When it comes to Cardoso, the US remains a big cheerleader.

MAJOR TRADING PARTNERS

Brazil's major trading partners include the US and Argentina. Brazil is a member of Mercosur, a regional trade pact that unites it with Argentina, Paraguay and Uruguay. Nearly one-fifth of imports come from the US; the US receives nearly the same proportion of Brazil's exports. Other trading partners include Japan and various European countries.

MACROECONOMIC DATA SUMMARY

Real GDP - The real GDP grew by 4.00% in Brazil in 2000 to reach a value of US\$ Mn 445077.

GDP by Sector - Services is the largest sector of GDP in Brazil, accounting for 60.30% of total GDP in 2000.

Interest Rate - The interest rate in Brazil decreased from 19% in 1999 to 16.19% in 2000.

Stock Exchange - The stock exchange average amount traded per day declined by 39.98% in Brazil in 1999 to reach a value of US\$ Mn 340.54.

Money Supply - Money Supply grew by 3.33% in Brazil in 1998 to reach a value of US\$ Mn 376129.

International Trade - The international trade deficit was reduced by 81.86% in Brazil in 1999 to reach a value of US\$ m -1198.

Unemployment - The rate of unemployment in Brazil decreased from 6.28% in 1999 to 4.83% in 2000.

Inflation - The inflation rate in Brazil decreased from 9% in 1999 to 4.4% in 2000.

Population by Age - The largest age group in Brazil in 2001 was the [0 - 9] age group, with 35.61 Mn people.

Population by Gender - In 2001, females accounted for 50.10% of the population in Brazil.

Literacy - The literacy rate in Brazil remained unchanged at 84% in 2000, but since 1990 it has increased from 82%.

Doctors - In 2001, there were 880 people for every physician in Brazil.

MACROECONOMIC DATA

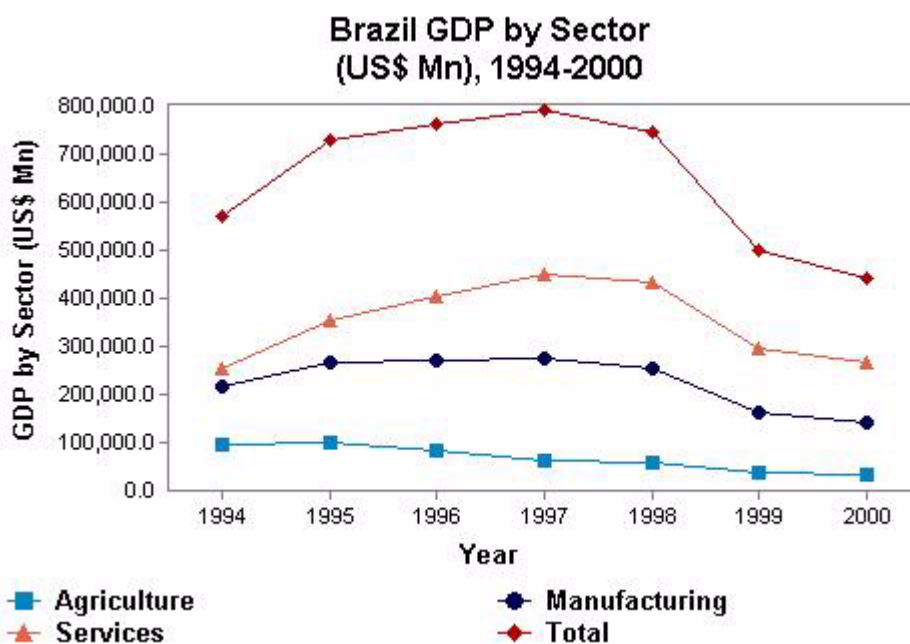
GDP BY SECTOR

Services is the largest sector of GDP in Brazil, accounting for 60.30% of total GDP in 2000.

The largest two sectors, Services and Manufacturing collectively account for 92.30%.

Brazil GDP by Sector (US\$ Mn), 1994-2000

Year	Agriculture	Manufacturing	Services	Total
1994	97,333.0	217,567.0	257,646.0	572,546.0
1995	102,154.0	269,979.0	357,540.0	729,673.0
1996	83,893.0	274,559.0	404,212.0	762,665.0
1997	63,515.0	277,877.0	452,542.0	793,934.0
1998	59,009.0	254,351.0	434,641.0	748,091.0
1999	39,087.0	165,369.0	296,662.0	501,118.0
2000	34,271.0	142,425.0	268,381.0	445,077.0



STOCK EXCHANGE

The stock exchange average amount traded per day declined by 39.98% in Brazil in 1999 to reach a value of US\$ Mn 340.54.

Table 3: Brazil Average Amount Traded per day (US\$ Mn), 1998-1999

Year	Stock Exchange	% Growth
1998	567.4	
1999	340.5	(40.0%)



MONEY SUPPLY

Money Supply grew by 7.97% in Brazil in 2000 to reach a value of US\$ Mn 328515.

The compound annual growth rate of Money Supply in the period 1996 to 2000 was 0.62%.

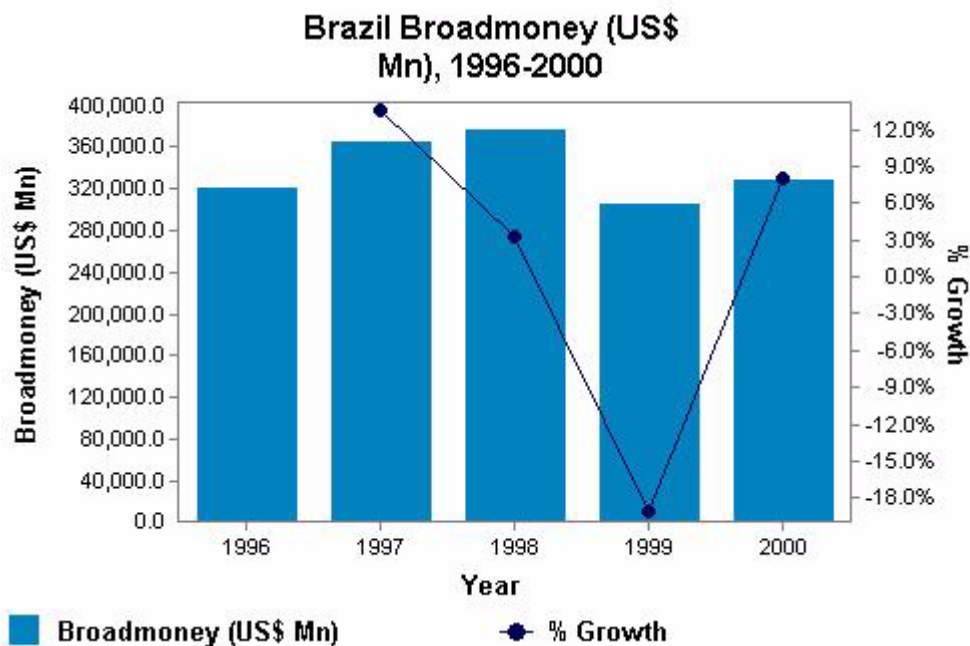
The strongest growth was in year 1997, when Money Supply grew by 13.57%.

Table 4: Brazil Broadmoney (US\$ Mn), 1996-2000

Year	Money Supply	% Growth
1996	320,505.0	

1997	363,997.0	13.6%
1998	376,129.0	3.3%
1999	304,266.0	(19.1%)
2000	328,515.0	8.0%

CAGR, 1996-2000 0.6%



INTERNATIONAL TRADE

The international trade deficit was reduced by 81.86% in Brazil in 1999 to reach a value of US\$ m -1198.

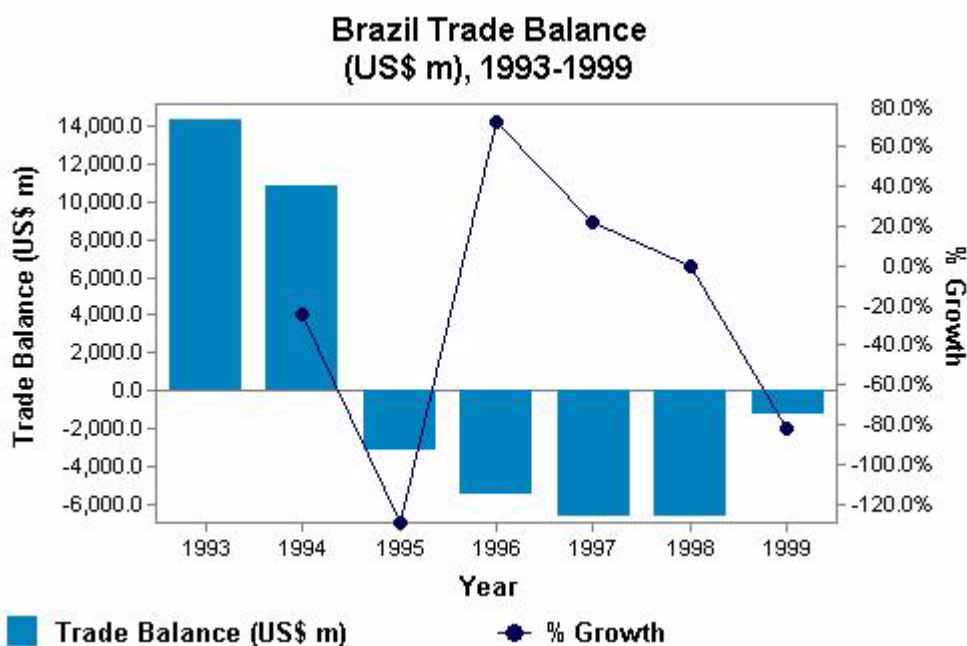
The average decline in the trade surplus in Brazil was 13.25% over the 1993 to 1999 period.

Table 5: Brazil Trade Balance (US\$ m), 1993-1999

Year	International Trade	% Growth
1993	14,329.0	
1994	10,861.0	(24.2%)
1995	(3,157.0)	(129.1%)
1996	(5,453.0)	72.7%
1997	(6,652.0)	22.0%

1998	(6,603.0)	(0.7%)
1999	(1,198.0)	(81.9%)

CAGR, 1993-1999



UNEMPLOYMENT

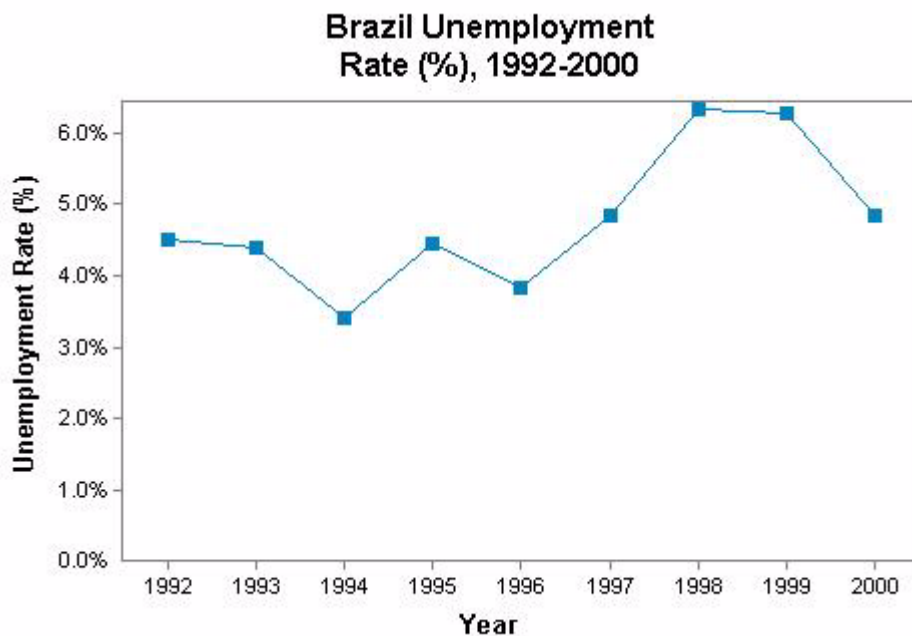
The rate of unemployment in Brazil decreased from 6.28% in 1999 to 4.83% in 2000.

The average rate of unemployment in Brazil was 4.76% over the 1992 to 2000 period.

Table 6: Brazil Unemployment Rate (%), 1992-2000

Year	Unemployment Rate (%)
1992	4.5%
1993	4.4%
1994	3.4%
1995	4.4%
1996	3.8%
1997	4.8%
1998	6.3%
1999	6.3%

2000	4.8%
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INFLATION

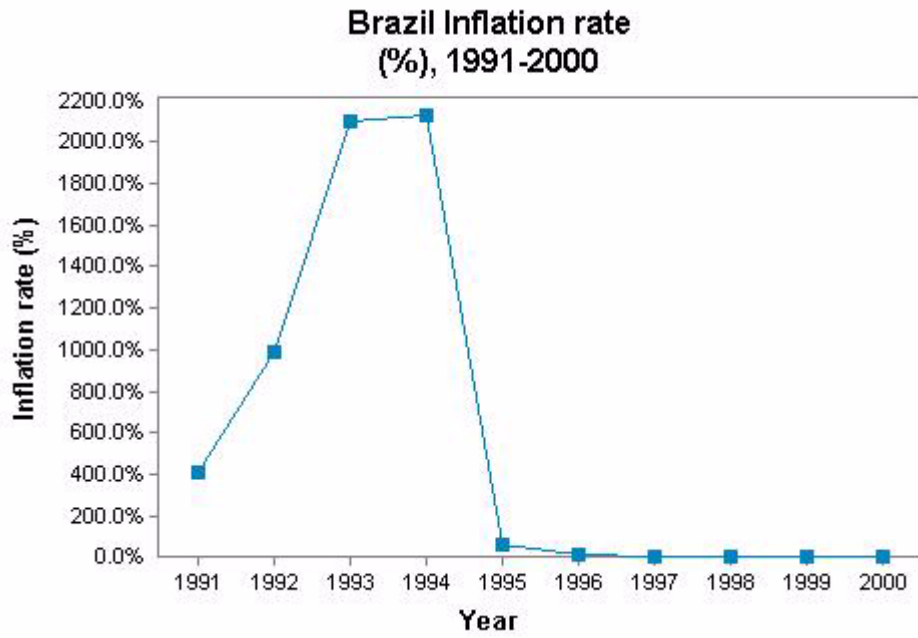
The inflation rate in Brazil decreased from 9% in 1999 to 4.4% in 2000.

Between 1991 and 2000 the highest inflation rate was 2123.7% in 1994. The lowest rate was 3.5% in 1998.

Table 7: Brazil Inflation rate (%), 1991-2000

Year	Inflation Rate (%)
1991	413.3%
1992	991.4%
1993	2,103.3%
1994	2,123.7%
1995	59.6%
1996	11.1%
1997	7.9%
1998	3.5%
1999	9.0%

2000	4.4%
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POPULATION DATA

POPULATION

The population grew by 1.56% in Brazil in 2001 to reach a value of 177.56 Mn.

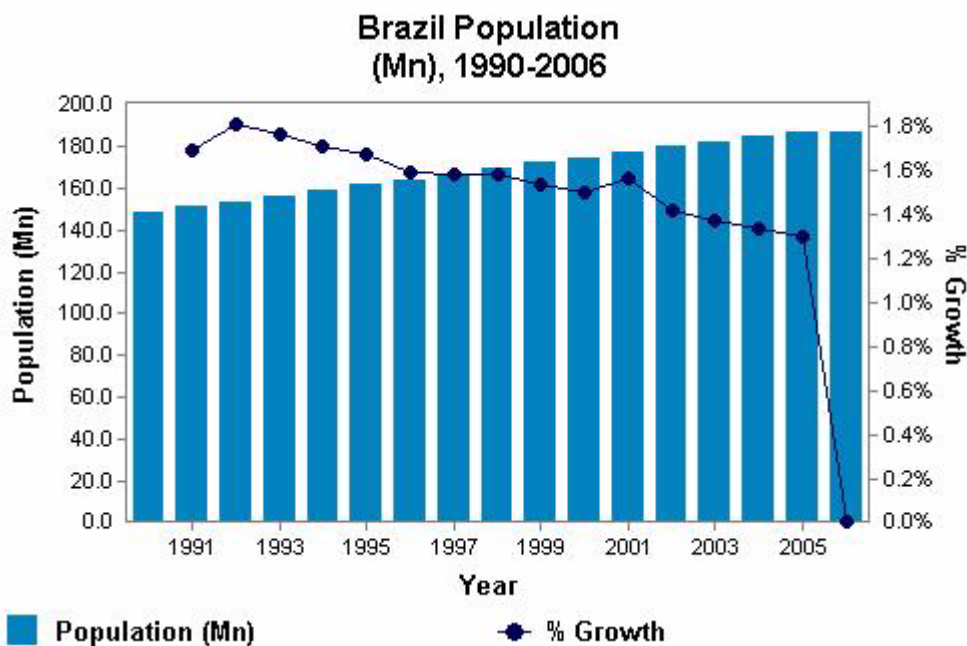
The compound annual growth rate of the population in the period 1990 to 2001 was 1.64%.

The strongest growth was in year 1992, when the population grew by 1.81%.

Table 8: Brazil Population (Mn), 1990-2006

Year	Population	% Growth
1990	148.5	
1991	151.0	1.7%
1992	153.7	1.8%
1993	156.4	1.8%
1994	159.1	1.7%
1995	161.8	1.7%
1996	164.4	1.6%
1997	167.0	1.6%
1998	169.6	1.6%
1999	172.2	1.5%
2000	174.8	1.5%
2001	177.6	1.6%
2002	180.1	1.4%
2003	182.6	1.4%
2004	185.0	1.3%
2005	187.4	1.3%
2006	187.4	0.0%

CAGR, 1990-2006 1.5%



POPULATION BY AGE

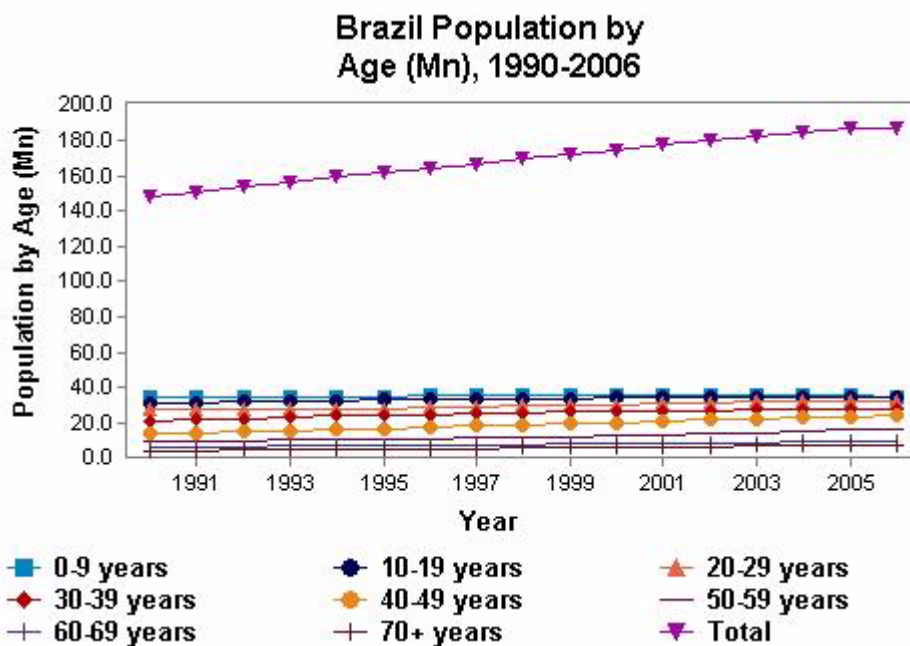
The largest age group in Brazil in 2001 was the [0 - 9] age group, with 35.61 Mn people.

The smallest age group in Brazil in 2001 was the [70+] age group, with 6.58 Mn people.

Brazil Population by Age (Mn), 1990-2006

Year	0-9 years	10-19 years	20-29 years	30-39 years	40-49 years	50-59 years	60-69 years	70+ years	Total
1990	34.8	31.1	27.3	21.2	13.9	9.5	6.4	4.3	148.5
1991	34.9	31.5	27.5	21.8	14.5	9.8	6.6	4.5	151.0
1992	35.0	32.0	27.7	22.5	15.1	10.0	6.7	4.6	153.7

1993	35.1	32.4	28.0	23.2	15.7	10.3	6.9	4.8	156.4
1994	35.1	32.9	28.2	23.9	16.4	10.6	7.1	5.0	159.1
1995	35.1	33.3	28.4	24.6	17.0	10.9	7.3	5.2	161.8
1996	35.3	33.5	28.9	25.0	17.7	11.2	7.5	5.4	164.4
1997	35.4	33.7	29.3	25.4	18.3	11.6	7.7	5.7	167.0
1998	35.5	33.9	29.8	25.8	18.9	12.0	7.9	5.9	169.6
1999	35.5	34.1	30.2	26.2	19.6	12.5	8.1	6.1	172.2
2000	35.5	34.3	30.7	26.6	20.3	12.9	8.3	6.4	174.8
2001	35.6	34.4	31.2	26.9	21.0	13.5	8.5	6.6	177.6
2002	35.7	34.5	31.6	27.1	21.6	14.1	8.8	6.8	180.1
2003	35.7	34.5	32.0	27.3	22.3	14.7	9.0	7.0	182.6
2004	35.7	34.6	32.5	27.5	23.0	15.3	9.3	7.3	185.0
2005	35.6	34.6	32.9	27.7	23.7	15.9	9.5	7.5	187.4
2006	35.0	34.2	32.9	27.6	24.1	16.4	9.7	7.7	187.4



POPULATION BY GENDER

In 2001, females accounted for 50.10% of the population in Brazil.

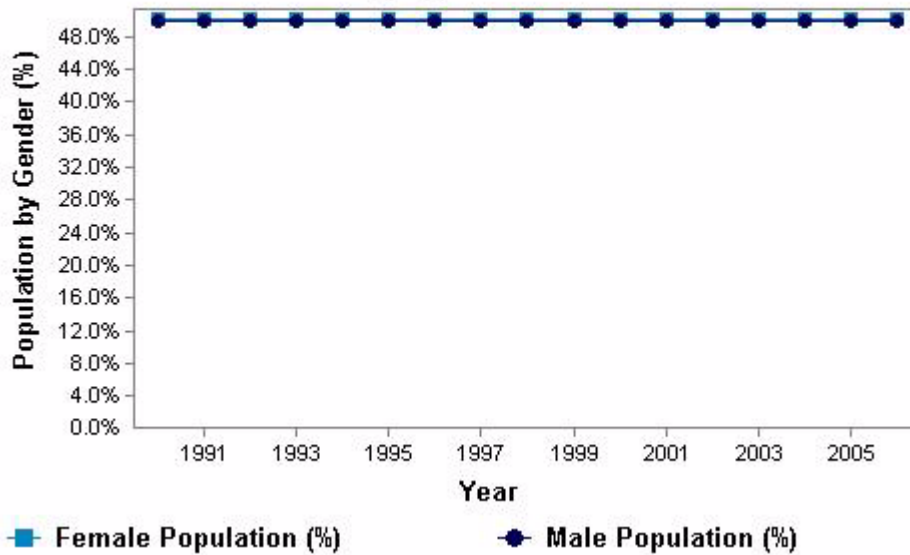
The male population represented 49.90% of the population in Brazil.

Brazil Population by Gender (%), 1990-2006

Year	Female Population (%)	Male Population (%)
1990	50.1%	49.9%
1991	50.1%	49.9%
1992	50.1%	49.9%
1993	50.1%	49.9%
1994	50.1%	49.9%
1995	50.1%	49.9%
1996	50.1%	49.9%
1997	50.1%	49.9%
1998	50.1%	49.9%
1999	50.1%	49.9%
2000	50.1%	49.9%

2001	50.1%	49.9%
2002	50.1%	49.9%
2003	50.1%	49.9%
2004	50.2%	49.8%
2005	50.2%	49.8%
2006	50.2%	49.8%

Brazil Population by Gender (%) , 1990-2006



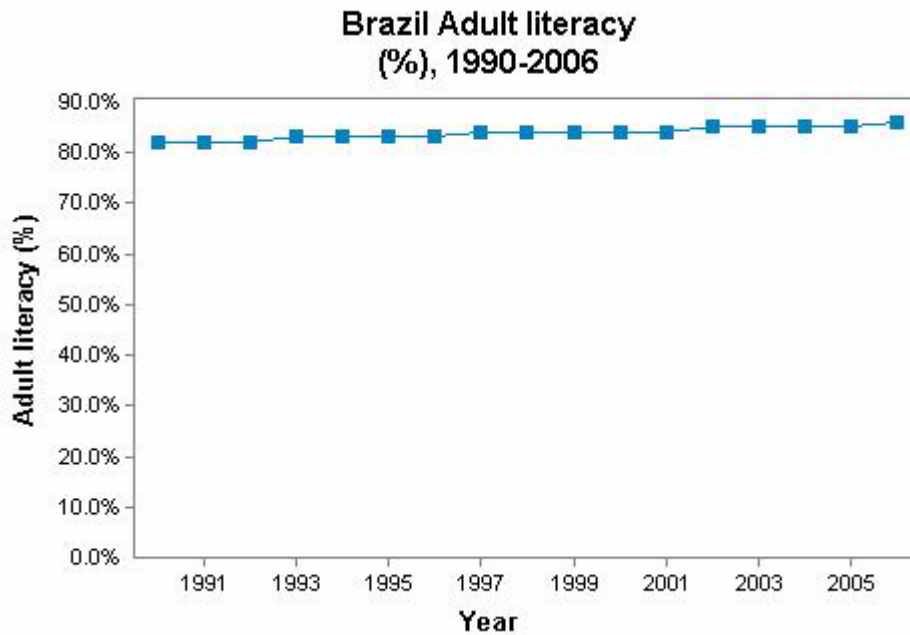
OTHER INDICATORS

LITERACY

The literacy rate in Brazil remained unchanged at 84% in 2000, but since 1990 it has increased from 82%.

Table 9: Brazil Adult literacy (%), 1990-2006

Year	Literacy Rate (%)
1990	82.0%
1991	82.0%
1992	82.0%
1993	83.0%
1994	83.0%
1995	83.0%
1996	83.0%
1997	84.0%
1998	84.0%
1999	84.0%
2000	84.0%
2001	84.0%
2002	85.0%
2003	85.0%
2004	85.0%
2005	85.0%
2006	86.0%



DOCTORS

In 2001, there were 880 people for every physician in Brazil.

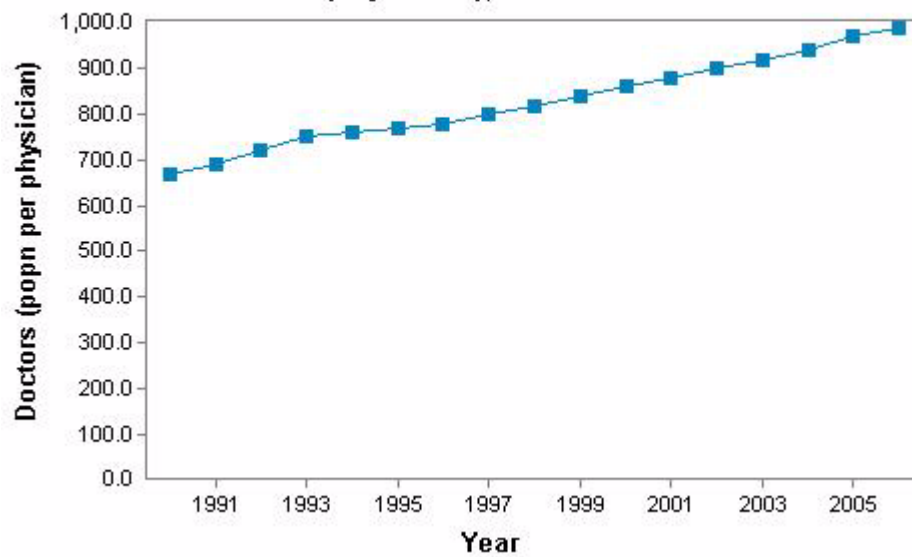
The average population per physician in Brazil was 778.33 over the 1990 to 2001 period.

Table 10: Brazil Doctors (popn per physician), 1990-2006

Year	Population per Physician
1990	670.0
1991	690.0
1992	720.0
1993	750.0
1994	760.0
1995	770.0
1996	780.0
1997	800.0
1998	820.0
1999	840.0
2000	860.0

2001	880.0
2002	900.0
2003	920.0
2004	940.0
2005	970.0
2006	990.0

Brazil Doctors (popn per physician), 1990-2006



KEY INDUSTRIES

Agriculture

Brazil exports a variety of products, including cocoa, coffee, soybeans, tobacco, orange juice, and various tropical fruits and nuts. Indeed, the state of Sao Paulo produces more oranges than the United States. Agriculture, which accounts for 13% of the GDP and employs one-fourth of the work force, is a sector poised for expansion. With US backing, Brazil is pushing Europe and Japan to ease restrictions on the entry of agricultural goods. If successful, Brazil's share of the foreign market for various basics is likely to grow. Brazil is already the world's second-largest producer of soybeans.

Coffee

In 1727, the Brazilian government ferried Lt. Colonel Francisco de Melo Palheta off to Guiana to arbitrate a border dispute between the French and the Dutch colonies. While there, he struck up a secret liaison with the wife of French Guiana's governor. Although France guarded its New World coffee plantations to stop cultivation from spreading, the wife said farewell to Palheta by giving him a bouquet in which she hid cuttings and fertile seeds of coffee. And thus, Brazil's coffee industry was born.

Brazil today is the world's largest producer of coffee. The crop has been a pillar of the economy for more than a century. The sector's endured tough times due to the 1989 collapse of the export quota system operated by the International Coffee Organization, as well as the 1990 abolition of the national coffee marketing institute, Centro do Comercio de Cafe. Yet coffee exports have rebounded and have since reached record levels.

Oil and gas

As the third-largest oil producer in Latin America, Brazil has become a major player in this sector. Due to intensified oil exploration and development, particularly in the offshore Campos basin, and falling domestic consumption, Brazil imports a lot less oil than it did in the 1970s. However, Brazil still imports enough oil for its fiscal accounts to be affected by changes in the international oil price.

With a whopping 40,000 employees, Petrobras is the largest company. It lost its monopoly rights in oil exploration, refining, extraction and distribution in July 1998 when the National Petroleum Agency, responsible for liberalizing the energy sector, announced that over 92% of Brazil's oil basins were to be sold. Even the Campos

Basin, Brazil's largest oil region, was opened up to foreign investment last year under a joint venture signed by Petrobras and several foreign oil companies. Petrobras will be making investments worth \$32.9 billion during the 2000-05 period. It aims to increase production to 2 million barrels a day by 2005 and to increase proven reserves to 13 billion barrels by 2005.

Brazil is one of the world's leading producers of hydroelectric power, with a potential of 106,500 megawatts. Brazil's first commercial nuclear reactor, Angra I, located near Rio de Janeiro, has been in operation for more than a decade. Angra II is under construction and plans for Angra III are in the works. The three reactors would have combined capacity of 3,000 megawatts when completed.

Vehicles

Auto manufacturing is a leading sector, and is a good indicator of the economy's general state. It was only in 1997 that Brazil boasted the world's eighth-largest automotive industry, dominated by General Motors, with unit sales and output of 1.94 million and 2.07 million vehicles respectively. But in the wake of 1999's economic turmoil, the industry has been a poor performer, with total production and domestic sales both slipping dramatically. A drop in output has dragged Brazil's global standing down to twelfth. But production is expected to pick up this year, although it will be some time before the industry recovers completely. Vehicle and auto part sales constitute anywhere from 20-30% of trade within Mercosur, particularly between Brazil and Argentina.