Consumers' outlook remains favorable

Although the FGV consumer confidence index (ICC) fell in November and December, interrupting an upward trend since March 2009, consumers' outlook for the economy and the job market remains favorable. The decrease seems to be associated with relatively stagnant salaries and higher household indebtedness after taking advantage of temporary tax exemptions on durable goods. Despite the recent drop, the ICC continues to reflect optimism, standing at 112 points above its historical average of 107 points.

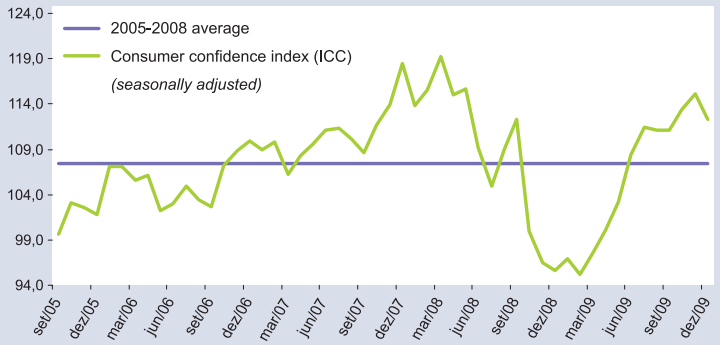
External demand remains weak

Brazilian economy has recovered on the strength of domestic demand — external demand has been sluggish. In the second quarter of 2009, exports increased as China and other countries anticipated their purchases of commodities to take advantage of low prices in the international market. Since then exports have been recovering slowly.

Fiscal policy may be at risk

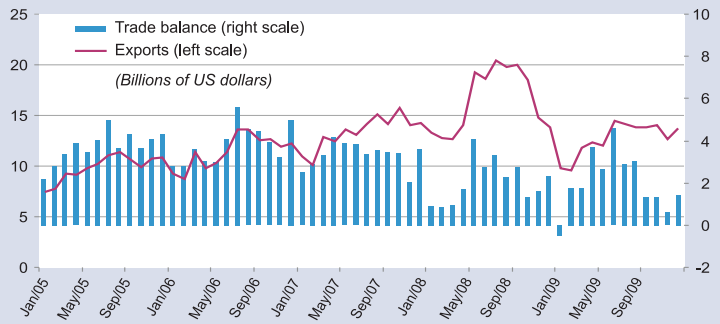
One of the anchors of Brazilian macroeconomic stability over the past decade has been fiscal policy. Between 2000 and 2008 the primary surplus of the public sector (nominal deficit excluding interest payments) of 3% of GDP became a floor, and on more than one occasion, it exceeded 4%. In 2009 the primary surplus plummeted to 1% of GDP, partly due to a decline in tax revenues, which can be reversed as the economy recovers, and partly due to an increase in current government expenditure, which is unlikely to be rolled back. The government's credibility has so far not been affected, but if the primary surplus continues at its current low for too long, the credibility arduously earned after long years of fiscal austerity could dissipate.

Consumer outlook on the economy and the job market remains favorable.



Source: IBRE-FGV.

Sluggish external demand slows recovery of exports.



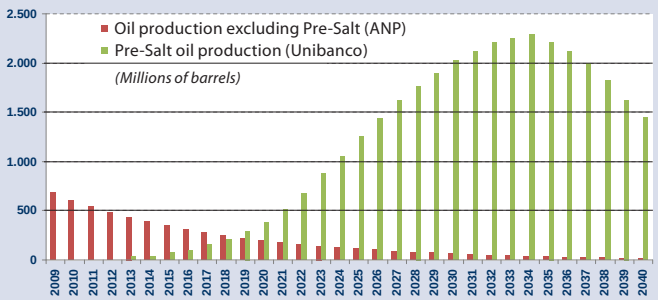
Source: Central Bank of Brazil.

The government primary surplus has fallen sharply since the global crisis hit.



Source: Central Bank of Brazil.

Brazil: Crude oil production projections, 2009-49



Sources: National Oil Agency (ANP) and Unibanco.

Brazil could become a major oil exporter

With a series of oil discoveries in 2007, Brazil now could become a major oil producer. Some estimate the oil discoveries at the equivalent of 40 billion barrels of oil, and oil production could peak at 2.3 billion barrels in 2034. Development of these resources is far from certain, however. There are many challenging technical and cost aspects of bringing new areas into production. The most pressing near-term question is about the legal and regulatory framework governing oil exploration and production. The long-term questions are about governance issues related to investment and use of large government oil revenues.

For additional series and information on methodology contact: Industry and consumer surveys: (55-21) 3799-6764 or sondagem@fgv.br; Price indexes and data bank services: (55-21) 3799-6729 or fgvdados@fgv.br.