

**Industrial confidence up**

The FGV Industry Confidence Index (ICI) increased 2.7% in September and October 2009 mainly because of industry's very positive outlook for domestic demand. As a result, the utilization of industry capacity has recovered rapidly since February 2009.

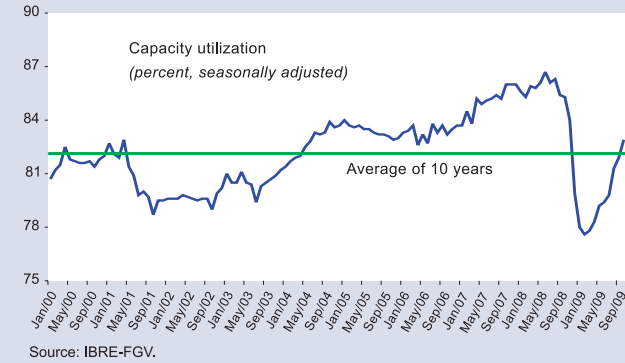
**Widening fiscal deficit**

The fiscal deficit widened more than expected in September. The monthly consolidated public sector deficit reached R\$22.4 billion — the projection was for R\$12 billion. The deterioration was due both to higher government spending — driven by capital, payroll, and social security outlays — and lower tax revenue. The 12-month cumulative deficit increased to 3.5% of GDP, from 1.5% last December. The combined effect of the slowdown and expansionary fiscal policies increased public debt to 66% of GDP from 56% in November 2008.

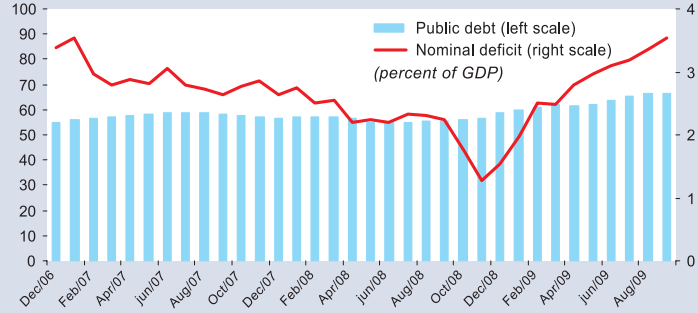
**Low inflation risk**

Official inflation (IPCA) was 4.17% in the 12-months to October 2009 and the central bank inflation target is 4.5% for 2009. So far the end of the recession in Brazil has not brought inflationary pressures.. Although economic activity is recovering fast, industrial prices, especially for intermediate goods, fell slightly in October, partly because of the appreciation of the exchange rate. There are concerns that the increase in public spending and the budget deficit will cause the economy to overheat, but inflation is being contained. The central bank is expected to follow a neutral monetary stance, keeping its policy interest rate at 8.75% a year.

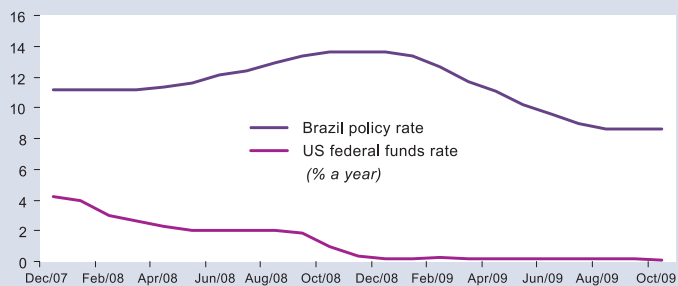
Utilization of industry capacity has recovered rapidly since February 2009, reflecting industry 's positive outlook for domestic demand.



The combined effect of an expansionary fiscal policy and a slowdown on tax revenues has increased both the fiscal deficit and public debt.

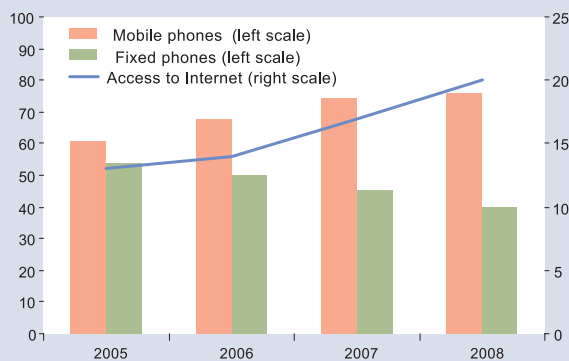


The Central Bank of Brazil has responded to the crisis by drastically cutting its policy rate but is likely to maintain a neutral stance.



**Brazil: Information technology and communication**

Urban areas, % of households



**Information technology and communications is transforming Brazilian society**

ITC is transforming the lives and businesses of millions of people in Brazil. Mobile phone use in particular has increased significantly in the last four years, while fixed phones have declined. The dissemination of mobile phones has been greater among the low-income population, resulting in more social inclusion and better income distribution. Internet access has also increased: while 95% of companies already have access to the Internet, household access has doubled in the last four years to reach 20% of urban households. Source: Centro de Estudos sobre as Tecnologias da Informação e da Comunicação, www.CETIC.br