



## **BRAZIL NEWS EXTRACTS Jan 2009**

### **Natal strong candidate for World Cup 2014 (extract from Globoesporte.com 27<sup>th</sup> Jan)**

The city of Natal is placing its bets on its candidacy on becoming one of the 2014 World Cup locations. Additionally due to its high tourist flow, good hotel infra-structure, the capital of the Rio Grande do Norte is betting on a stadium design put together by the HOK SVE offices in England - the worlds' largest sports architecture firm. HOK is responsible for works such as Wembley and the Emirates Stadium (Arsenal), as well as the Sydney Olympic Park.

The "Dunes Stadium" has been designed to look as if it were 'twisted' (bent) and will be erected in an area of 45 hectares: and will also feature woods, hotels, a theatre, underground parking, mall/ commercial shops and offices.



### **"Brazil's hotel real estate represents a counter-cyclical opportunity compared to the US and Western Europe" (Jones Lang La Salle Hotel Intelligence Brazil 2008)**

Brazil has been insulated from the economic slowdown felt elsewhere in the World; the hotel market is not impacted by the credit crunch. Brazils economy, and investing in Brazil's hotel real estate, presents a counter-cyclical opportunity compared to the US and Western Europe. New hotel development presents the main opportunity as there is little product to



buy, and now is the time to enter the market. The Brazilian governments \$235bn infrastructure investment program on roads and airports is expected to increase further due to the improved sovereign credit rating. The Ministry is seeking to further develop and promote tourism activity in Natal and Manaus, which would both benefit from greater airlift. Currently Spain, France and Italy combined account for more international arrivals than the US.

**"Nearly 50% RevPAR growth since 2004" (Jones Lang La Salle Hotel Intelligence Brazil 2008)**

Due to strong fundamentals, Brazilian hotel operating performance has achieved record results over the past several years; ADRs in Brazil have grown 35% since 2004. In year-to-date 2008 alone, ADR is up 8.4% and occupancy levels increased by 4.4%. RevPAR has increased 13.1%.

**"If you look at all of the facts, I don't think there's another environment in the world that's better than Brazil." Sam Zell, Equity International (extract from Latin Business Chronicle)**

Zell's Equity International is focusing heavily on Brazil, which he singled out as a particularly strong opportunity for investment. Like Mexico, Brazil subsidizes low-income mortgages, so consumer access to financing has been largely unaffected by the markets. The country also has "unlimited [natural] resources," and, unlike Mexico, a strong executive talent pool to help outside investors achieve scale in operations. On the retail side, Zell noted that store sales are up 12 percent from last year in the malls owned by his group -- a stark contrast to the recent U.S. figures. "If you look at all of the facts, I don't think there's another environment in the world that's better than Brazil."

<http://www.latinbusinesschronicle.com/app/article.aspx?id=3106>

**Brazil is the ONLY leading economy in the World to NOT enter a "strong economic slowdown" following the economic crisis (report issued by OECD Jan 20th)**

This report issued by the OECD in January 2009 following the beginning of the current global financial crises, highlights Brazil's almost unique advantage in economical maintenance. Download the full pdf from:

<http://www.oecd.org/dataoecd/33/21/41968144.pdf>



### **Mortgages account for only 2% of the GDP in Brazil (extract from Latin Business Chronicle)**

According to Tom Shapiro, president and founder of GoldenTree InSite Partners, a New York-based real estate investment firm, Brazil is not seeing the distress found in other markets. Mortgages account for only 2 percent of GDP in Brazil, he noted, versus 65 percent in the United States and 74 percent in the UK, so consumers aren't feeling the effects of credit contraction. Demand is high, and unlike other markets which have seen rampant speculation, there hasn't been any overdevelopment. Shapiro said that his firm typically sees 40 percent to 50 percent of condominium units in a given complex sold within two weeks. Recently, GoldenTree sold 70 percent of the units in an office project in Sao Paulo in only 10 days.

### **Brazil's Popular President (extract from FT)**

In his second-term as leader, President Lula da Silva still enjoys an 80% popularity rating, unheard of with any American president since the Second World War. The pragmatic former trade-union leader has taken Brazil from strength to strength, overseeing falling inflation and interest rates, increasing national output and savings, pushing over 50% of Brazilian population in to middle class status. Brazil is currently rated the World's 9<sup>th</sup> largest economy by GDP and growing at such a rate predicted to be 5<sup>th</sup> by 2030 according to Goldman Sachs. Strong external demand and a more active export policy have contributed to booming export earnings since 2003, leading the trade surplus to swell and transforming the current account from a deficit of 4.6% of GDP in 2001 to a surplus for several years.

### **Brazil's Foreign Direct Investment Surged in December 08 (Bloomberg Jan 26):**

Brazil registered its second-biggest monthly flow of foreign direct investment in December, pushing the annual total in 2008 to a record, the central bank said. Foreign direct investment surged to \$8.12 billion last month from a revised \$2.18 billion in November, helping Brazil post an annual record for FDI of \$45.1 billion, the bank said today in Brasilia. Investment from abroad more than compensated for the \$2.92 billion current account deficit posted last month. Brazil's \$1.3 trillion economy is relying on foreign direct investment to finance its balance of payments as investors pull money out from the



country's capital markets and exports drop because of the global credit crunch. "Foreign investors have a long-term perspective," Altamir Lopes, head of central bank's economic research department, told reporters in Brasilia. "They are looking at the fundamentals of Brazil's economy and are seeing positive perspectives."

Brazil's highest monthly FDI occurred in June 2007, when the country received \$10.3 billion in foreign direct investment. The total for 2008 was the highest since Brazil began keeping records in 1947, the bank said.

<http://www.bloomberg.com/apps/news?pid=20601086&sid=aq5VZCR2S2MY&refer=news>

### **Petrobras sets Oil Export Record in Dec 08 (Rigzone 13<sup>th</sup> Jan)**

In December, Petrobras set an exports record of 620,000 barrels per day of national oils, topping out at 19,234,000 barrels in the month. Most to the exports (63%) were shipped to the United States, while, 21.4% went to Europe, 5.4% to South America, 5% to Asia, and 5% to the Caribbean. This record surpassed the previous 574,000-barrel-per-day mark, set in October 2008, by 46,000 barrels.

[http://www.rigzone.com/NEWS/article.asp?a\\_id=71631](http://www.rigzone.com/NEWS/article.asp?a_id=71631)

### **Brazils registers lowest Unemployment Rate in 6-years (China Daily News Jan 22nd):**

Brazil registered an unemployment rate of 7.9% in 2008, down from 9.3% in 2007, according to the Monthly Employment Study of the Brazilian Institute of Geography and Statistics (IBGE), released Thursday. The rate was the lowest since the study started in 2002. It measures the unemployment rate in Brazil's six largest metropolitan regions.

In December, Brazil's unemployment rate was 6.8%, the lowest rate for the month since March 2002, down from 7.6% in November and 7.4% in December 2007.

The largest variations in the December unemployment rate were registered in the northeastern city of Recife, where the rate fell 1.9% from November, and in the country's largest city of Sao Paulo, with a 1.1% reduction.

[http://news.xinhuanet.com/english/2009-01/23/content\\_10706197.htm](http://news.xinhuanet.com/english/2009-01/23/content_10706197.htm)



### **Petrobras to complete planned Abreu e Lima Oil Refinery (Economist Intelligence Unit 27<sup>th</sup> Jan 09)**

Petróleo Brasileiro (Petrobras), Brazil's state-owned oil company, has announced that it will go ahead and complete the planned 200,000-barrel-per-day Abreu e Lima oil refinery near Recife in northeast Brazil, even if it fails to agree on a fuel-supply contract with its partner, Petróleos de Venezuela (PDVSA). The refinery, planned for completion in 2010 at a cost of US\$4bn, would receive half of its oil supply in the form of extra heavy crude from Venezuela's Orinoco belt.

### **Petrobras to increase oil investments in Brazil despite crisis (BNamericas Dec 22)**

Brazil's federal energy company [Petrobras](#) (NYSE: PBR) plans to increase investments next year beyond 2008 levels, company CEO José Sérgio Gabrielli told reporters on Monday. "The volatility of oil wasn't expected, but I believe our investments next year will top 2008," Gabrielli said at a press conference at the company's headquarters in Rio de Janeiro. "We expected oil prices to fall, but we didn't foresee the vertiginous drop to US\$40/b from US\$140/b," he said. Petrobras will have invested 50bn-55bn reais (up to US\$23.1bn) in all of 2008. In August, before the escalation of the financial crisis, the company submitted for congressional approval a 72bn-real investment plan for 2009. The company will not necessarily have to cut projects given the crisis, although it may have to shift deadlines. "New projects will have to be reevaluated taking into account the perspective of falling prices in the productive chain," Gabrielli said, adding that pre-salt investments are feasible at current oil prices. Petrobras' decision to delay to January the publication of its 2009-2013 investment plan is not likely to impact production, the CEO said. Petrobras' output in Brazil grew 3-5% in 2008 compared to the previous year, reaching a daily average of 1.88Mb/d, Petrobras E&P director Guilherme Estrella said at the same event. "Production in 2009 depends on decisions we took five-years ago. Our decision right now on investments will only impact projects in 2014-15," Gabrielli said.

[http://www.bnamericas.com/news/oilandgas/Petrobras\\_to\\_increase\\_investments\\_next\\_year\\_despite\\_crisis](http://www.bnamericas.com/news/oilandgas/Petrobras_to_increase_investments_next_year_despite_crisis)

### **Affordable and Sustainable Energy Sector Growth (extract from Economist Intelligence Unit)**

Brazilian oil and derivatives still account for the major share of Brazil's energy matrix at 36.7%, but sugarcane ethanol now makes up 16%, with hydroelectric power coming in third at 14.7%. Renewable energy sources

including ethanol, hydroelectric power, wood and vegetable carbon now make up nearly half (46%) of Brazil's energy supply. Brazil is now the second-largest ethanol producer, with 32.6% of the world market, second only to the US, which has a 45% share. Together, they make up more than 75% of the world's production. The US relies on ethanol derived from corn while Brazil produces it from sugarcane. Brazil has a major advantage over the US, as ethanol produced from sugarcane is more economically, energetically and environmentally efficient. According to 2007 figures, one litre of ethanol costs US\$0.28 to produce from sugarcane as opposed to US\$0.45 from corn, and one hectare of sugarcane produces 7,080 litres of ethanol compared with 3,750 litres from one hectare of corn. As a result, ethanol production areas have become highly developed and are now hotbeds for foreign investment. Brazil's official unemployment rate, which currently stands at about 7%, has been steadily falling over the years thanks to robust economic growth (4.5% in 2007) fuelled at least in part by rising investment in the sugarcane-ethanol sector.

### Brazilian Exports (International Trade Suite 101)

With a population of almost 200 million, Brazil is the world's leading exporter of **sugar, coffee, beef** and **orange juice**. **Soybeans** are Brazil's fastest-growing shipments, powered by the appetites of China's 1.3 billion consumers. Other major exports include **aircraft, vehicles, iron ore, steel, textiles** and **footwear**.

