

BRAZIL: ACHIEVEMENTS AND CHALLENGES

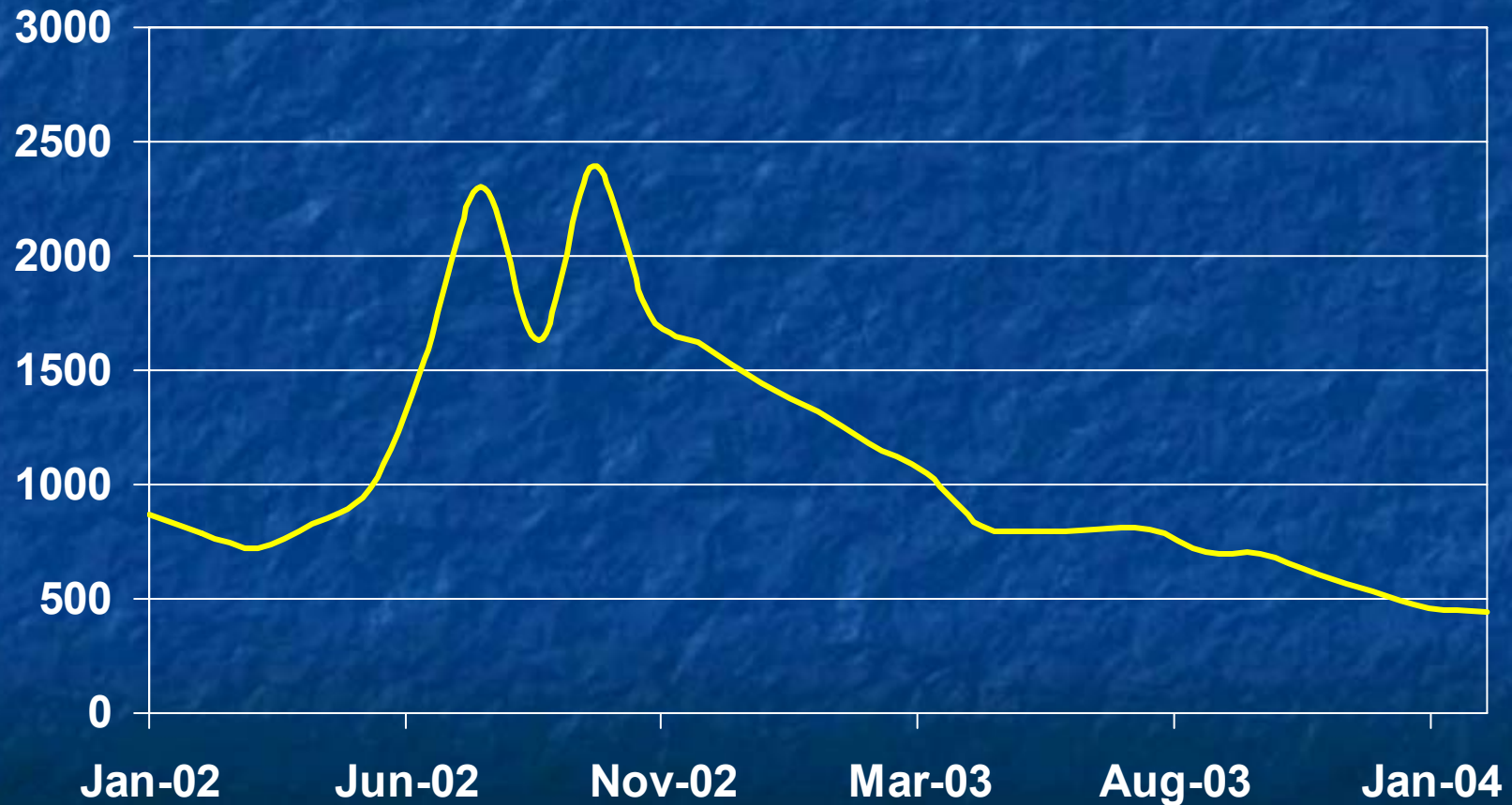
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International Monetary Fund
January 22, 2004

ECONOMIC POLICIES: WHAT HAS BEEN DONE

- COMMITMENT TO DEBT SUSTAINABILITY
- INFLATION CONTROLLED
- PENSION, TAX AND BANKRUPTCY REFORM
- SOCIAL PROGRAMS

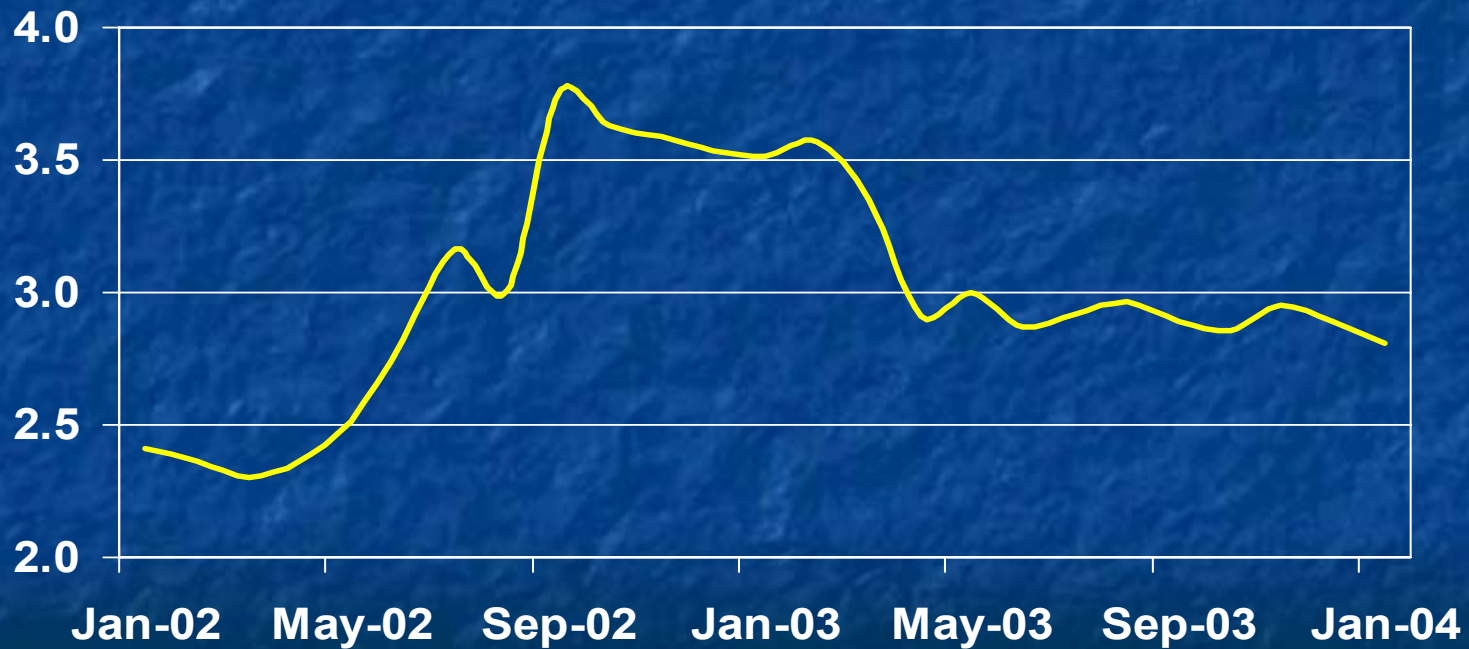
HOW HAVE MARKETS RESPONDED?

EMBI+



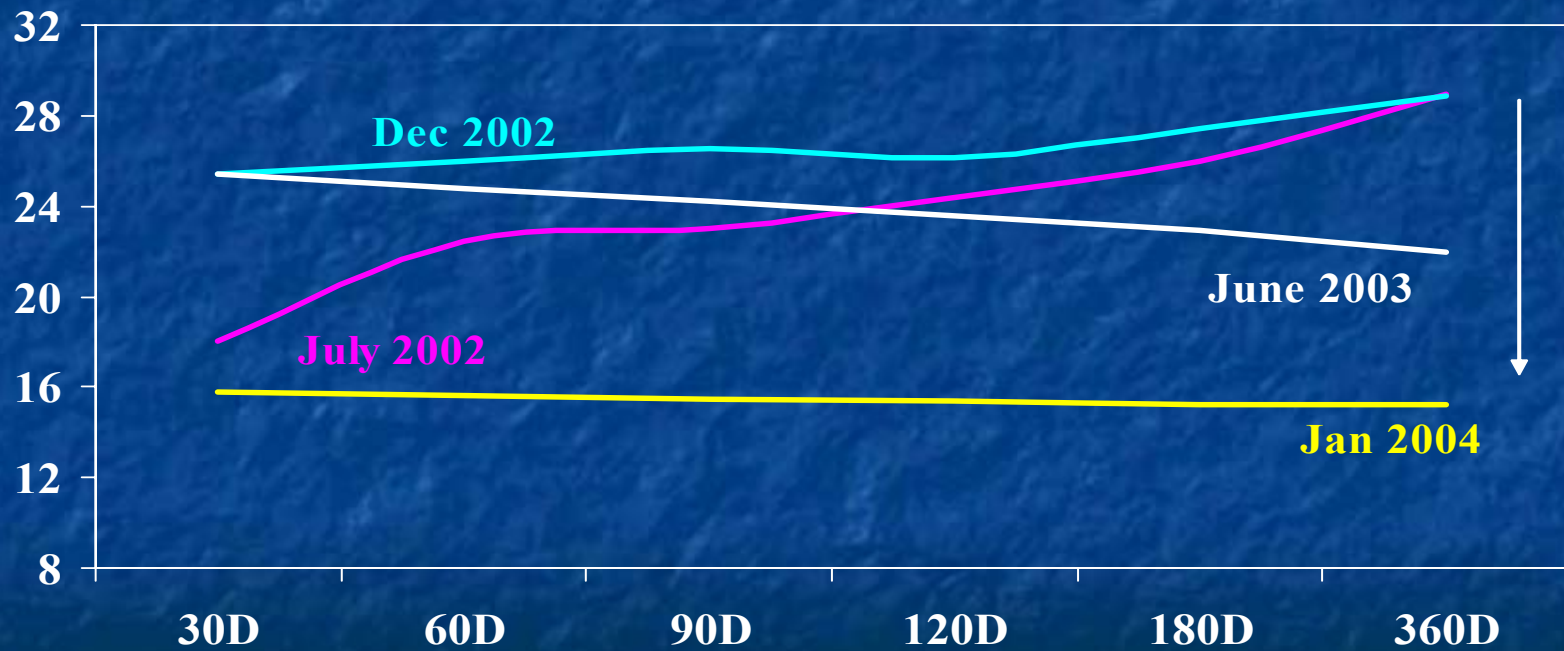
HOW HAVE MARKETS RESPONDED?

Exchange Rate



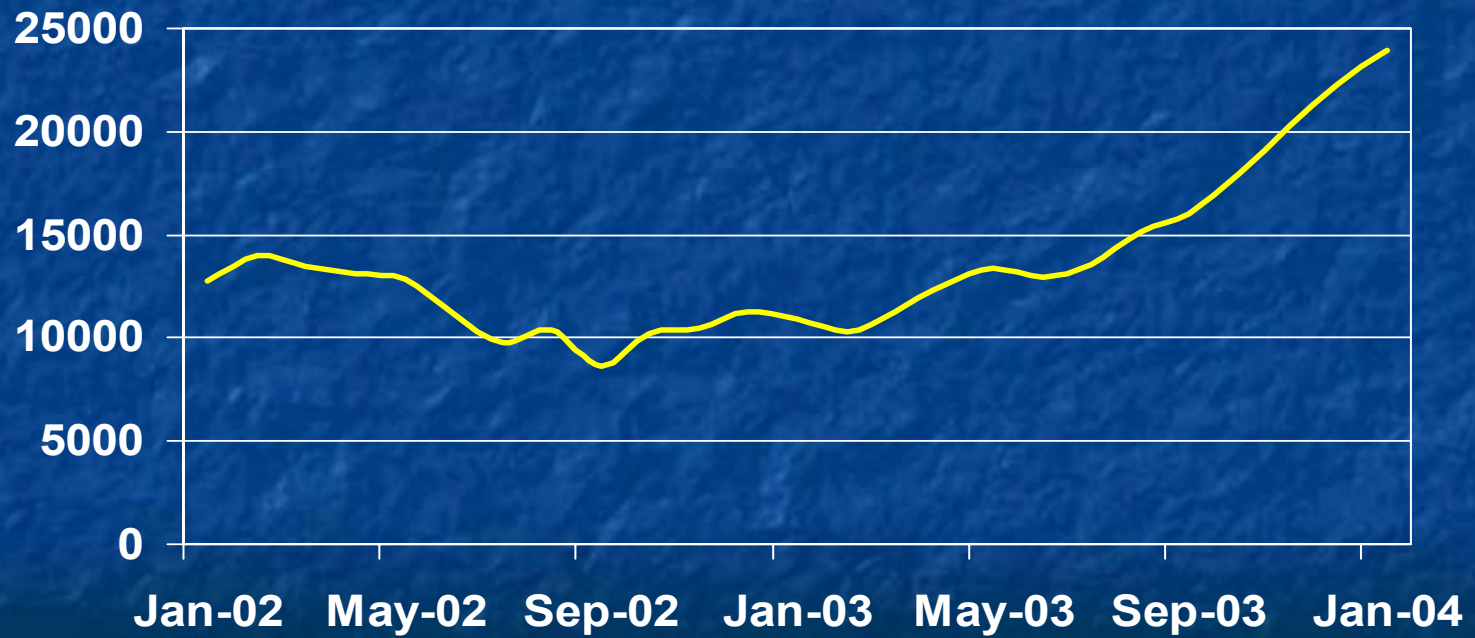
HOW HAVE MARKETS RESPONDED?

Yield Curve



HOW HAVE MARKETS RESPONDED?

BOVESPA



CHALLENGES

- CRISIS-PROOFING
- GROWTH
- INEQUALITY

CHALLENGES

FURTHER CRISIS-PROOFING

- FISCAL DISCIPLINE
- DEBT COMPOSITION
- FUND PROGRAM

CHALLENGES

STIMULATING GROWTH

- LOWER INTEREST RATES
- MEASURES TO LOWER BANKING SPREADS
- OPENNESS TO TRADE
- IMPROVEMENTS TO THE BUSINESS CLIMATE

CHALLENGES

INEQUALITY AND POVERTY

- GROWTH WILL HELP, BUT NOT ENOUGH
- BETTER TARGETING
- ELIMINATING SPENDING RIGIDITIES

CONCLUSION

- PROGRESS HAS BEEN REMARKABLE
- INSTITUTIONS HAVE PASSED THE TEST
- AUTHORITIES FOCUSED ON FUTURE