Brazil

1. General trends

The international crisis interrupted the growth that the Brazilian economy had enjoyed since 2003. In 2008, the GDP growth rate was 5.18%; and up to the third quarter of the year, it stood at 6.3%. Although the indicators on economic performance in 2009 point to high volatility and the effective results of the economic measures implemented in response to the crisis are not fully known, it is estimated that GDP will decline by 0.8%. This result reflects the negative impact of the crisis on the different sectors and the capacity of the government and of economic agents to counteract it.

The most obvious effect of the crisis was the sharp decline in GDP in the fourth quarter of 2008 (down 3.6% from the immediately preceding quarter, the largest quarterly drop since 1990). The quarterly fall in output was particularly sharp in the case of industry (8.2%), reflecting lower demand, both external (export volume declined by 3.2%) and domestic (with gross fixed capital formation falling by 9.3% and private consumption by 1.8%). Import volume was down by 6.6%.

The sharp decline in output was due to difficulties and uncertainties regarding international financial flows and their domestic impact, especially in terms of the reduction in the credit supply, with higher costs and shorter repayment periods. In the fourth quarter of 2008, the supply of funds for advance-payment operations for exports fell sharply, to less than half of the amount offered in the preceding quarter, and growth in domestic credit operations, which had been above 2% per month, came to a standstill. The average general annual interest rate on loans rose from 40.4% in September 2008 to 43.3% in December. Lastly, widespread uncertainty caused the real to depreciate more than 40% from late August to mid-November and the São Paulo Stock Exchange (BOVESPA) to lose more than 40% between the end of August and December 2008.

The government responded to the worsening situation in international markets and its impact on expectations for the Brazilian economy with a broad variety of economic measures, including direct interventions in the markets and substantial legal changes. This package of measures, together with small improvements in the external situation, slowed the fall of GDP in the early months of 2009: in the first quarter, GDP fell 0.8% from the preceding quarter. One indicator of that improvement is formal employment. In the last quarter of 2008, there was a net loss of more than 634,000 jobs, after a net gain of more than 2 million jobs in the formal sector during the preceding three quarters. In January 2009 there was a net loss of more than 100,000 formal positions, but from February to April, job creations were rising, and there was a total net gain of 48,500 formal positions for the first four months of the year. Nevertheless, this was far below the 849,000 positions created in the same four-month period in 2008 or the average of 531,000 jobs created in the same period from 2003 to 2007.

The domestic market has been the focus of the country's efforts to respond to the international crisis. Growth in recent years had raised levels of employment and income and, consequently, domestic consumption. Although lending increased during that period, higher wages —including the minimum wage, which has risen by nearly 50% since 2003— and the increase in income-transfer instruments (which have reached more than 12 million families) have served to maintain domestic purchasing power. The volume of wholesale sales in the first quarter of 2009 was 3.8% higher than in the same period in 2008.

2. Economic policy

Macroeconomic conditions prior to the crisis —including large international reserves (US$ 200 billion), a sizeable primary surplus in the country's fiscal accounts (4.1% of GDP) and low inflation (a cumulative 5.9% for 2008)— made it possible to use various economic policy instruments in 2008. To improve external and internal liquidity, the central bank introduced lines of credit in dollars for Brazilian debtors and exporters, reduced compulsory deposits and encouraged interbank lending, in addition to reducing the basic interest rate of the Special System of Clearance and Custody (SELIC). The federal government also lowered taxes, although temporarily, on sales of motor vehicles and some consumer durables, and introduced new investment programmes, such as those for housing. These outlays, together with the growth in other current expenditure, increased federal government spending by 19%, year on year, in the first four months of 2009. The effects of the crisis on economic activity reduced tax receipts by 5% from January to April 2009 in comparison with the same period the previous year. The federal government's primary surplus declined from 5.4% of GDP in the first four months of 2008 to 2.4% of GDP in the same period in 2009.

(a) Fiscal policy

Fiscal policy has been the main tool for stimulating the sectors hardest hit by the crisis. In response to the fall in tax receipts owing to the lower level of activity and the need to maintain investment and social policies, the government lowered its fiscal targets for 2009 from a public-sector primary surplus of 3.8%, in GDP terms, to one of 2.5%. The target for the public-sector primary surplus in 2010 was set at 3.3%.

The main tax-related measures were cuts in income-tax rates for middle-income families and a temporary reduction in the tax on manufactured products and motor vehicle sales (in the first half of 2009), the tax on consumer durables (in the second quarter of 2009) and the tax on various inputs used in civil engineering. On the expenditure side, the government capitalized the National Bank for Economic and Social Development (BNDES) with more than 100 billion reais to ensure resources for investment. It also continued to carry out projects under the Growth Acceleration Programme (PAC), which grew 25% year on year between January and April 2009. The growth in public spending has been due primarily to higher current expenditure, both for payroll (24%) and other items (17.8%).

(b) Monetary policy

Because the first effects of the crisis were felt in the international financial system, and because of the impact of the crisis on credit flows, it was the monetary authorities who had to respond first. The central bank lowered the amount of compulsory deposits by close to 100 billion reais, allowed a portion of deposits to be used for the purchase of portfolios from smaller banks (for a total of 37 billion reais) and implemented other measures to boost banking activities, as well as the use of guarantee funds in the event of difficulties or of a need for banks to be taken over. Although no takeovers were necessary, significant mergers were announced in the banking sector in the fourth quarter of 2008: one between the private banks Itaú and Unibanco, which became the largest bank in Brazil, and another between Banco do Brasil (publicly owned) and Votorantim (privately owned) and Nossa Caixa (State-owned).

State-owned banks have played a significant role. Although total lending increased by 8.3% between October 2008 and April 2009, lending by public banks grew 9.5%, compared with an increase of only 2.5% in lending by private banks, both Brazilian and foreign. The increase in lending was mainly concentrated in transactions with government funds for specific sectors. Between October 2008 and April 2009, this type of lending grew by 14.9% (reaching 30% of all lending), while transactions with individuals and enterprises increased by 7.1% and 6.1%, respectively. The central bank lowered the basic interest rate (that of the SELIC) from 13.75% to 12.75% in January 2009 and to 10.25% in April.

The exchange rate has both risen and fallen since October 2008. Between October 2008 and February 2009, the real was devalued by more than 40%, but since March it has made a strong recovery (10% in May alone). This behaviour of the exchange rate entailed substantial losses initially, although it later made it possible to pay down debts abroad or linked to derivative transactions of large Brazilian firms. In addition, it limited the impact on prices of the initial devaluation.

3. The main variables

(a) Economic activity

In Brazil, as in the rest of the world, the profound uncertainties introduced by the crisis and the break from previous trends made it difficult to predict growth rates. GDP projections for 2009 worsened continually between September 2008 and April 2009.

Beginning in April, however, as economic indicators began to point towards a relative improvement in domestic demand, the estimates of GDP growth for 2009 were revised, especially after the change for the first quarter (down 1.8% year on year) was announced. In early June, the estimates stood at about -0.8%. This projection is based on the hypothesis that the slight recovery will continue for the rest of the year.

Industry led the drop in activity in the first six months of the crisis; between October 2008 and March 2009, industrial output declined 17% from the same period in the previous year. In March and April 2009 output began to increase, owing to sharply rising production of consumer durables (up 20.2% in April from January 2009 —when it had fallen to a five-year low— but still 20% below the April 2008 level). Thanks to the tax stimulus measures and the resumption of consumer lending, the consumer goods sectors —both durable and non-durable— were able to lessen the impact of the crisis on Brazilian industry. The consumer goods sector has declined the least, falling by a cumulative 3.2%, year on year, from January to April 2009.

The performance of agriculture in 2009 remains in doubt. Although the area of crop-growing is estimated to be very similar to that of 2008, weather and possible problems with financing for inputs could cause output to fall by 7.5%. In recent years, credit for the sector has come from three more or less equally important sources: banks, companies that market or supply inputs and self-financing. There have been problems with the latter two forms of credit. The lending capacity of these companies has diminished, as has growers' capacity for self-financing, owing to the lower rate of return. It is estimated that, for most products, the exchange-rate devaluation is insufficient to make up for the loss stemming from the fall in agricultural prices. The lack of financing may have an unfavourable effect on sales of the main harvest in 2009, as well as on the amount sown for the winter harvest in the second half of 2009 and in 2010.

The services sector is expected to withstand the crisis better than others. Both in the last quarter of 2008 and in the first quarter of 2009, services grew with respect to the preceding quarter (by 2.5% and 1.7%, respectively), although at an average rate of growth far below that of the first two quarters of 2008 (5.6%). One reason for this was the significant role played by the State sector, whose consumption accounts for nearly 20% of GDP and has continued to rise. In addition, data for the retail sector point to a slight rise in 2009. As these areas employ large numbers of workers and therefore have an important effect on the income and employment multiplier, their performance may partially offset lower activity in other sectors.

Regarding demand, two opposing sets of factors came into play in mid-2009. The first set includes the relatively quick turnaround of domestic credit and the decline in interest rates, higher fiscal spending and the relatively favourable performance, given the circumstances, of the wage bill and household consumption. The second set includes lower investment (mitigated by higher public investment) and falling external demand, which, in the first four months of 2009, declined by 6.3% from the same period in 2008. Investment is expected to be the component most affected by the crisis; in the first quarter of 2009, it fell to its lowest level since 2006 (14% below the same quarter in 2008).

Two factors explain this decline. First, lower growth, caused by financing problems in ongoing investment projects that have passed the point of no return. Despite uninterrupted, and even increased, support from BNDES, long-term lending from other sources of credit —both external and internal— fell, and the expected self-financing capacity declined owing to difficulties with cash flow caused by the decline in the profit margins of investing companies. Second, there was a sharp reduction in decisions to begin new projects, reflected in various sources (National Confederation of Industries, BNDES); decisions that until the outbreak of the crisis were considered firm have been put on hold. Nevertheless, the expected execution of public-investment projects in infrastructure and petroleum —included in the PAC— as well as the kick-off of a government programme to subsidize low-income housing construction, could partially offset this negative trends.

Export earnings declined owing to falling volumes and prices (10.6% and 7.9%, respectively, in the first four months of 2009, on a year-on-year basis). Nevertheless,

Table 1
BRAZIL: MAIN ECONOMIC INDICATORS

	2000	2001	2002	2003	2004	2005	2006	2007	2008 [a]
					Annual growth rates [b]				
Gross domestic product	4.3	1.3	2.7	1.1	5.7	3.2	4.0	5.7	5.1
Per capita gross domestic product	2.8	-0.2	1.2	-0.3	4.2	1.8	2.6	4.3	3.8
Gross domestic product, by sector									
Agriculture, hunting, forestry and fishing	2.7	6.1	6.6	5.8	2.3	0.3	4.5	5.9	5.8
Mining and quarrying	9.1	2.2	11.6	4.7	4.3	9.3	4.4	2.8	4.3
Manufacturing	5.7	0.7	2.4	1.9	8.5	1.2	1.1	4.7	4.3
Electricity, gas and water	4.2	-6.2	2.9	4.0	8.4	3.0	3.5	5.9	8.0
Construction	2.0	-2.1	-2.2	-3.3	6.6	1.8	4.7	5.0	3.2
Wholesale and retail commerce, restaurants and hotels	4.5	-0.5	-0.2	-0.3	7.2	3.4	5.9	7.1	4.8
Transport, storage and communications	10.1	3.5	3.7	-0.1	5.7	3.7	1.9	6.0	4.9
Financial institutions, insurance, real estate and business services	3.4	3.4	3.6	0.5	3.8	4.9	4.9	7.7	6.0
Community, social and personal services	2.2	2.0	4.1	2.1	4.4	2.6	3.6	2.5	5.1
Gross domestic product, by type of expenditure									
Final consumption expenditure	3.0	1.2	2.6	-0.3	3.9	4.0	4.1	5.7	5.4
Government consumption	-0.2	2.7	4.7	1.2	4.1	1.9	3.6	3.1	5.6
Private consumption	4.0	0.7	1.9	-0.8	3.8	4.7	4.3	6.5	5.3
Gross fixed capital formation	5.0	0.4	-5.2	-4.6	9.1	3.6	8.7	13.4	13.8
Exports (goods and services)	12.9	10.0	7.4	10.4	15.3	10.1	4.6	6.6	-0.7
Imports (goods and services)	10.8	1.5	-11.9	-1.6	14.4	9.3	18.1	20.7	18.3
					Percentages of GDP				
Investment and saving [c]									
Gross domestic investment	18.3	18.0	16.2	15.8	17.1	16.2	16.8	17.7	18.9
National saving	14.5	13.8	14.7	16.5	18.9	17.8	18.0	17.9	17.1
External saving	3.8	4.2	1.5	-0.8	-1.8	-1.6	-1.3	-0.1	1.8
					Millions of dollars				
Balance of payments									
Current account balance	-24 225	-23 215	-7 637	4 177	11 679	13 985	13 643	1 551	-28 227
Goods balance	-698	2 650	13 121	24 794	33 641	44 703	46 457	40 032	24 835
Exports, f.o.b.	55 086	58 223	60 362	73 084	96 475	118 308	137 807	160 649	197 942
Imports, f.o.b.	55 783	55 572	47 240	48 290	62 835	73 606	91 351	120 617	173 107
Services trade balance	-7 162	-7 759	-4 957	-4 931	-4 678	-8 309	-9 640	-13 219	-16 689
Income balance	-17 886	-19 743	-18 191	-18 552	-20 520	-25 967	-27 480	-29 291	-40 561
Net current transfers	1 521	1 638	2 390	2 867	3 236	3 558	4 306	4 029	4 188
Capital and financial balance [d]	32 286	19 764	-3 542	-451	-5 073	13 606	16 927	85 933	31 196
Net foreign direct investment	30 498	24 715	14 108	9 894	8 339	12 550	-9 380	27 518	24 601
Other capital movements	1 788	-4 951	-17 650	-10 345	-13 412	1 056	26 307	58 415	6 595
Overall balance	8 061	-3 450	-11 178	3 726	6 607	27 590	30 569	87 484	2 969
Variation in reserve assets [e]	2 262	-3 307	-302	-8 496	-2 244	-4 319	-30 569	-87 484	-2 969
Other financing	-10 323	6 757	11 480	4 769	-4 363	-23 271	0	0	0
Other external-sector indicators									
Real effective exchange rate (index: 2000=100) [f]	100.0	120.4	132.6	131.2	123.8	100.4	88.9	82.5	79.2
Terms of trade for goods (index: 2000=100)	100.0	99.6	98.4	97.0	97.9	99.2	104.4	106.6	110.4
Net resource transfer (millions of dollars)	4 077	6 778	-10 252	-14 234	-29 955	-35 633	-10 553	56 642	-9 366
Total gross external debt (millions of dollars)	216 921	209 935	210 711	214 929	201 373	169 451	172 589	193 219	198 361
					Average annual rates				
Employment									
Labour force participation rate [g]	58.0	56.4	55.1	57.1	57.2	56.6	56.9	56.9	57.0
Open unemployment rate [h]	7.1	6.2	11.7	12.3	11.5	9.8	10.0	9.3	7.9
Visible underemployment rate [h]	…	…	4.1	5.0	4.6	3.7	4.1	3.6	3.1
Prices					**Annual percentages**				
Variation in consumer prices (December-December)	6.0	7.7	12.5	9.3	7.6	5.7	3.1	4.5	5.9
Variation in wholesale prices (IPA-DI) (December-December) [i]	12.1	11.9	35.4	6.3	14.7	-1.0	4.3	9.4	9.8
Variation in nominal exchange rate (annual average)	0.8	28.8	23.9	5.3	-4.9	-16.8	-10.7	-10.4	-5.8
Variation in average real wage	-1.1	-4.9	-2.1	-8.8	0.7	-0.3	3.5	1.5	2.1
Nominal deposit rate [j]	8.4	8.6	9.2	11.1	8.1	9.2	8.3	7.7	7.9
Nominal lending rate [k]	41.9	41.1	44.4	49.8	41.1	43.7	40.0	34.5	38.8

Table 1 (concluded)

	2000	2001	2002	2003	2004	2005	2006	2007	2008 [a]
					Percentages of GDP				
Federal government									
Total income	19.9	20.7	21.6	20.9	21.5	22.7	22.9	23.8	24.7
Total expenditure	21.7	22.8	22.8	25.2	23.4	26.3	25.7	25.7	25.6
Interest [l]	3.7	3.8	3.4	6.6	4.4	6.1	4.9	4.2	3.3
Primary balance [l]	1.8	1.7	2.2	2.3	2.6	2.5	2.1	2.3	2.5
Overall balance	-1.8	-2.1	-1.2	-4.3	-1.9	-3.6	-2.9	-1.9	-0.8
Federal-government public-debt	29.9	31.6	37.9	34.0	31.0	30.9	31.0	31.4	25.2
Domestic	22.7	23.7	24.6	24.6	24.5	28.8	33.0	39.7	37.5
External [m]	7.2	7.9	13.4	9.4	6.4	2.2	-2.0	-8.3	-12.3
Money and credit [n]									
Domestic credit	69.3	72.5	74.6	75.5	73.7	78.3	86.2	93.2	103.9
To the public sector	35.3	39.6	41.8	43.6	41.7	41.3	42.4	40.9	41.5
To the private sector	33.8	32.5	32.5	31.8	32.0	37.0	43.8	52.2	62.2
Others	0.3	0.4	0.2	0.1	0.0	0.0	0.0	0.1	0.1
Liquidity (M3)									
Currency outside banks and local-currency deposits (M2)	24.1	24.7	26.9	24.3	25.4	27.1	27.9	30.1	37.2

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.
[a] Preliminary figures.
[b] Index based on the previous year's prices in local currency.
[c] Based on figures in local currency expressed in dollars at current prices.
[d] Includes errors and omissions.
[e] A minus sign (-) denotes an increase in reserves.
[f] Annual average, weighted by the value of goods exports and imports.
[g] Economically active population as a percentage of the working-age population; six metropoplitan areas.
[h] Percentage of the economically active population; six metropolitan areas.
[i] IPA-DI: wholesale price index (acronym in Portuguese).
[j] Interest rate on savings.
[k] Pre-set corporate rate.
[l] Based on the "below-the-line" criterion. Central Bank of Brazil.
[m] Refers to net public external debt.
[n] The monetary figures are end-of-year stocks.

given that the crisis and the exchange-rate devaluation caused imports to fall in the same period (4.9% in unit value and 20.2% in volume), the net effect on the trade balance has been positive, although small.

(b) Prices, wages and employment

In 2008, there were two significant movements in prices. In the first half of the year, as in other countries, wholesale farming prices in Brazil soared; by June, they were 39% higher than 12 months before. Starting in September, this process quickly reversed itself, and by December the annual increase was 2.4%. In addition, the rise in industrial prices, in response to strong growth and higher costs for inputs, lagged somewhat behind other prices. In 2007, wholesale industrial prices rose 4.4%; in 2008, they accelerated rapidly, rising 15.4% in the 12 months ending in October; and at year-end they were 13% higher than a year earlier. Between January and April 2009, wholesale industrial prices fell by 3.15%, while agricultural prices rose by 0.63%. The decrease in pressure has caused consumer prices to decelerate: in April the nationwide consumer price index had accumulated a 1.72% gain since December 2008, posting a 5.5% increase with respect to April 2008. These results point to a convergence towards the target 4.5%, paving the way towards greater interest-rate cuts.

The positive results in terms of inflation made it possible to maintain the purchasing power of wages. The wage bill in the main metropolitan areas continued to rise, and in March 2009, it showed a 7.4% increase over the same month in 2008. This increase made it possible for social security contributions to continue rising (11.2% up to April 2009, compared with the same period in 2008); hence, the deficit in the social insurance system remained near 1.6% of GDP, even considering the increase in the minimum wage (12% starting in February 2009).

(c) The external sector

The main change in the Brazilian economy in the first four months of 2009 was in the performance of the country's external accounts as a result of the global crisis. Lower economic activity along with the limited liquidity available to finance exports and a customs inspectors' strike at the beginning of the year led to a 49% increase in the trade balance, with a 17.5% reduction in exports and a 24% fall in imports.

Table 2

BRAZIL: MAIN QUARTERLY INDICATORS

	2007				2008 [a]				2009 [a]	
	I	II	III	IV	I	II	III	IV	I	II
Gross domestic product (variation from same quarter of preceding year) [b]	5.3	5.8	5.4	6.1	6.1	6.2	6.8	1.3	-1.8	...
Goods exports, f.o.b. (millions of dollars)	34 002	39 212	43 385	44 050	38 690	51 955	60 215	47 082	31 178	...
Goods imports, c.i.f. (millions of dollars)	25 275	27 355	33 025	34 962	35 929	43 414	51 860	41 904	28 167	...
Gross international reserves (millions of dollars)	109 531	147 101	162 962	180 334	195 232	200 827	206 494	193 783	190 388	195 264 [c]
Real effective exchange rate (index: 2000=100) [d]	87.3	83.7	81.4	77.6	76.6	74.2	73.5	92.6	91.1	84.6 [c]
Urban unemployment rate	9.8	10.0	9.3	8.1	8.4	8.1	7.8	7.3	8.6	...
Consumer prices (12-month percentage variation)	3.0	3.7	4.1	4.5	4.7	6.1	6.3	5.9	5.6	4.8
Average nominal exchange rate (reais per dollar)	2.11	1.98	1.92	1.78	1.74	1.65	1.67	2.28	2.32	2.08
Average real wage (variation from same quarter of preceding year)	3.4	-0.3	-0.6	2.9	-0.8	0.0	4.6	4.4	4.5	...
Nominal interest rates (annualized percentages)										
Deposit rate [e]	8.2	7.9	7.6	7.1	6.8	7.4	8.5	8.9	7.7	6.8 [c]
Lending rate [f]	36.8	35.0	33.5	32.8	35.2	36.6	39.1	44.4	43.0	42.2 [g]
Interbank interest rate [h]	12.9	12.3	11.4	11.1	11.1	11.6	12.8	13.5	12.5	10.6 [c]
Sovereign bond spread (basis points) [i]	170	160	173	221	284	228	331	428	425	294
Stock price index (national index to end of period, 31 December 2000=100)	300	356	396	419	400	426	325	246	268	337
Domestic credit (variation from same quarter of preceding year)	19.8	19.7	20.2	18.6	17.9	20.2	19.6	23.9	15.3	...
Non-performing loans as a percentage of total credit	4.9	4.7	4.6	4.3	4.1	4.0	4.0	4.4	5.0	5.5 [c]

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

[a] Preliminary figures.
[b] Index based on the previous year's prices in local currency.
[c] Data to May.
[d] Quarterly average, weighted by the value of goods exports and imports.
[e] Interest rate on savings.
[f] Pre-set corporate rate.
[g] Data to April.
[h] Certificates of interbank deposit rate, overnight.
[i] Measured by JP Morgan's EMBI+ index.

The fall in exports was mainly due to lower prices (7.9% compared with the same period in 2008), while the export volume decreased 10.6% year on year. Commodities exports grew 7.4% (declining 9.7% in price and rising 17.9% in volume). Exports of semi-manufactured products decreased by 22.5% (with prices falling by 13.2% and volumes by 11.2%). The worst performance was turned in by manufactured goods, exports of which declined by 29.7% (2% in prices and 28.2% in volume). Imports fell by 23.8% (4.9% in price and 20.2% in volume) from the same period in 2008. Nevertheless, the volume of capital goods imports rose by 2.7% and that of non-durable goods by 5.6%. The import volume for intermediate goods and of durable goods fell sharply, by 29.8% and 14.5%, respectively.

The trade balance also reflected the devaluation of the real at the beginning of 2009. In the light of the accumulated variation in the wholesale price index between April 2008 and April 2009, in real terms, the currency depreciated 11.5% against the dollar, 11% against the currencies of member countries of the Latin American Integration Association (LAIA) and 8.4% against a basket of 13 currencies.

The current transactions deficit to April was US$ 4.874 billion (1.44% of GDP), compared with US$ 13.304 billion (2.62% of GDP) in the first four months of 2008.

The income balance deficit fell to US$ 8.291 billion from US$ 14.675 billion in the same period in 2008. Net interest payments reached a deficit of US$ 3.241 billion (compared with US$ 2.474 billion in the same period in

2008) and net payments of dividends and profits declined to US$ 5.273 billion from US$ 12.358 billion in the same period in 2008.

In the first four months of 2009, the capital and financial account surplus declined to US$ 5.567 billion from US$ 30.648 billion in the same period in 2008, owing to the reduction in portfolio investment from US$ 10.342 billion in the first four months of 2008 to a US$ 3.719 billion deficit in 2009. Net FDI was comparable with the 2008 level, both in absolute terms (approximately US$ 6 billion in 2009) and as a percentage of GDP (2.5% between January and April 2008 and 2.6% in the same period in 2009). Brazilian direct investment abroad fell from US$ 6.098 billion between January and April 2008 to US$ 2.401 billion in the same period one year later.

The surplus in the overall balance of payments declined sharply, from US$ 12.59 billion between January and April 2008 to only US$ 624 million one year later.

Total international reserves stood at US$ 201.317 billion at the end of April 2009, equivalent to 15 months' imports.

The total external debt fell from US$ 198.362 billion in December 2008 to US$ 193.138 in April 2009, as a result of the reduction in short-term debt from US$ 36.5 billion in December 2008 to US$ 31.8 billion in April 2009. Nevertheless, the country's external indicators are mixed. Between December 2008 and April 2009, the ratio of debt service to exports rose from 19% to 19.6%; the ratio of interest on the debt to exports rose from 7.9% to 8% of GDP; the ratio of total debt to GDP climbed from 12.6% to 13.8%, and the ratio of international reserves to short-term debt increased from 349.7% to 354.6%.