

## Foreign Investors in Brazil's Stock Market Triple

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The Brazilian Institute of Geography and Statistics (IBGE) reports that this year there has been a sharp rise in stock market investments by foreigners in Brazil.

From US\$ 852.5 million (2 billion reais) in the first quarter of 2004, the total has risen to US\$ 2.515 billion (5.9 billion reais) during the same period in 2005.

According to Adriana Beringuy, who coordinates National Accounts at the IBGE, that is a positive sign as it means the foreign investor sees the Brazilian economy in a favorable light.

The IBGE also reports an increase in corporate financial inflow to branches in Brazil. It went from US\$ 895 million (2.1 billion reais), in the first quarter of 2004, to US\$ 2.983 billion (7 billion reais), in the same period of 2005 - an increase of 233% in what is a type of foreign investment.

According to Adriana, instead of the Brazilian branch collecting funds on the foreign market, paying high interest, the head offices decided on this method of financing, which is operationally easier and costs less.

"The quantity of funds had been growing since the third quarter of 2004, but now, specifically in this quarter of 2005, this expressive figure was identified. The component that weighed more heavily for the growth was the category of inter company loans," she said.

Beringuy pointed out that when the head office sends funds to its branch in Brazil, it believes that there is a chance of expansion in that branch.

"Families are consuming more. And companies need to answer to this with greater production. So, in reality, part of these loans may be used to financially strengthen the companies so as to make it possible for them to increase their production for the domestic market", she explained.

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