

Brazil Government Forecasting Lower 2005 GDP

Contributed by Stênio Ribeiro
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The Focus bulletin, released Monday, November 7, by Brazil's Central Bank (BC), forecasts that industrial production will grow 4.17% this year, down from last week's estimate of 4.26%.

As a result, the prospects for the increase in the Gross Domestic Product (GDP) - the total of all wealth produced in the country - also fell slightly, from 3.31% last week to 3.30%.

Other indicators remained unchanged. The analysts consulted by the BC continue to believe that the Monetary Policy Committee (Copom) will reduce the annualized benchmark interest rate (Selic) in 2005 from its current level of 19% to 18%. For next year they lowered their prediction from 16% to 15.50%.

The Focus bulletin maintained its projection of US\$ 42 billion for this year's trade surplus (exports minus imports) and raised next year's projected surplus to US\$ 35.20 billion.

The forecast of US\$ 13 billion for this year's current account surplus (the total of foreign commercial and financial transactions) was also maintained, while the forecast for next year's surplus was increased to US\$ 6.40 billion.

Prospects for the ratio between net government debt and the GDP remain unchanged at 51.60% for this year and 50.80% for 2006; the expectation for foreign direct investments in the productive sector continues to be around US\$ 16 billion, this year and next; and, as in last week's survey, the US dollar exchange rate is expected to end this year at 2.30 reais (2.50 reais next year).

The Focus bulletin, which is released every Monday by the BC, contains the results of a weekly survey of market analysts on the country's main economic indicators.

2006 Harvest

Next year's agricultural harvest may reach 126.634 million tons. In 2005, production totaled 112.862 million tons. These numbers are part of the first estimate for the 2006 national production of cereals, leguminous, and oleaginous plants, announced Tuesday, November 8, by the Brazilian Institute of Geography and Statistics (IBGE).

According to estimates, next year's planted area will be 4.46% smaller than this year's, decreasing from 49.053 to 46.867 million hectares.

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