

Market in Brazil not Bullish for 2005

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Monday, 25 October 2004

Brazilian financial consultants and market analysts interviewed last week by the Brazil's Central Bank (BC) believe that the Gross Domestic Product (GDP) will increase 4.56% this year.

This projection is better than last month's 4.47% and the previous week's 4.53%.

On the other hand, according to the Focus Bulletin survey released today by the BC, the outlook for the GDP in 2005 is less optimistic: Last Monday's forecast of 3.60% was lowered to 3.50%.

According to the consultants and analysts, the projected decline is an offshoot of this year's vigorous growth in industrial production, estimated at 7.20%, which should not be repeated in 2005, since the productive capacity of the industrial park is strained to the limit.

The analysts point out, however, that the market's outlook is favorable when it comes to its unaltered estimates that the exchange rate will end the year with the dollar quoted at 2.95 reais and that the government's benchmark interest rate (Selic) will not exceed 17% this year.

As a result, the ratio between net government debt and the GDP is expected to amount to 55% - the same percentage forecast by economists at the BC - at the end of 2004 and 54% in 2005.

The Focus Bulletin raises slightly the prediction for this year's trade surplus, from US\$ 32.50 billion to US\$ 32.63 billion, with the prospect of US\$ 27 billion next year.

This expectation had a strong upward influence on estimates for the external current account surplus this year (raised from US\$ 9.50 billion to US\$ 10 billion) and next (raised from US\$ 3.52 billion to US\$ 3.60 billion).

The market maintained its projections for foreign direct investments at US\$ 15 billion this year and US\$ 13 billion in 2005.

Thus, the market does not accompany the BC's estimate that inflows will total US\$ 17 billion this year, as revealed last week by the head of the Bank's Economic Department, Altamir Lopes.

Agência Brasil
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