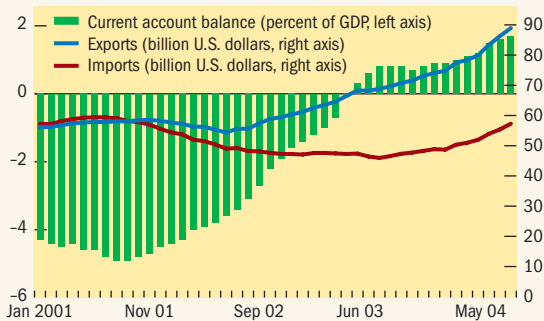


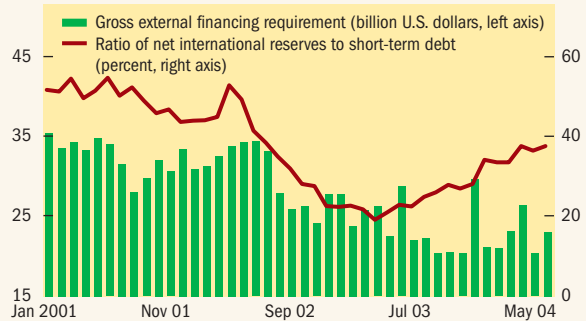
Brazil

Disciplined macroeconomic policies, greater international competitiveness, and progress with structural reforms have reduced vulnerabilities in recent years, but major challenges remain.

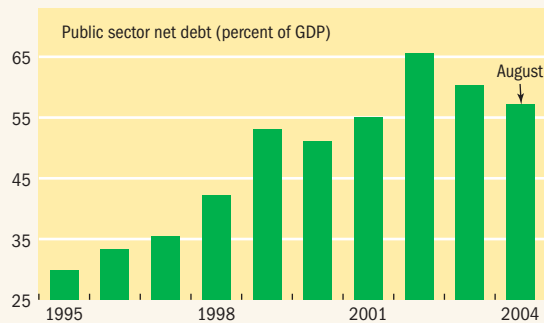
Export performance has been remarkable, leading to an impressive turnaround in the current account.



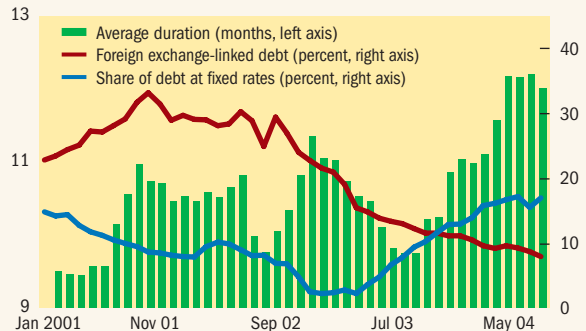
As a result, the gross external financing requirement has fallen and reserve indicators have steadily improved.



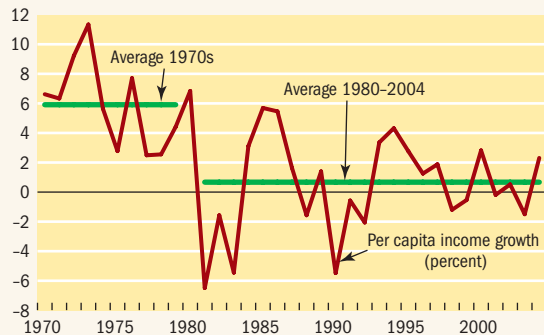
Government debt has been reduced since 2002 thanks to fiscal discipline, although it remains high.



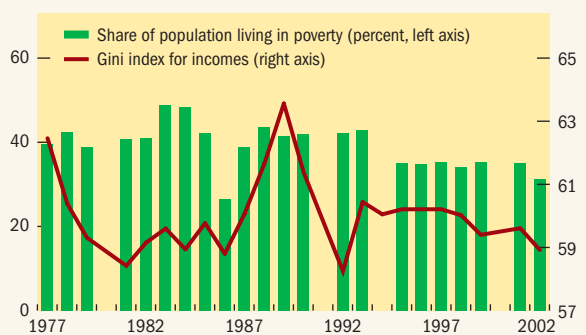
The federal government has also improved the structure of its domestic debt.



Despite progress, per capita income growth has continued to disappoint, indicating the need for further structural reforms, including strengthening domestic credit markets to boost investment.



Both poverty and social inequalities persist, highlighting the need for a more equitably distributed tax burden and further improvements in the way public resources are used.



Sources: Central Bank of Brazil and Instituto de Pesquisa Econômica Aplicada.