

August / September 2010 Newsletter

Brazil Real Estate Investment August News Summary

Whilst viewed by several commentators as a politically promotional statement, President Lula proudly claimed that he firmly expects Brazil's long term interest rates to come in line with the developed world. The majority of a Central Bank survey of 100 economists predicted for the SELIC interest rate to be held at 10.75 percent for the remainder of 2010 (as well as an average prediction of 7.1 percent GDP growth) – yet at the same time, Brazilian Central Bank President Henrique Meirelles warned analysts not to be too quick about jumping to conclusions about future interest rate movements due to the ongoing fragile state of the world economy stating: "it's normal that the Central Bank is better informed than the rest of society, including the best analysts, and offers an opinion that isn't necessarily the consensus." Whilst still following a generally growing trajectory, housing credit levels saw a marginal drop and CRECI (the Brazilian real estate brokerage association) agencies across the country reported drops in the sale of new homes (in the state of São Paulo, for example, there were 23.06 percent less sales when comparing May and June). Such cooling down was largely mirrored in several Brazilian industries and viewed as a natural progression as a result of monetary policy changes in response to an overheating economy. Despite this, the government has been actively encouraging the growth of the housing market with Finance Ministry announcing further research into new forms of viable mortgage credit; initial finance of \$R 6 billion from the '**Guaranteed Employment Fund**' (FGTS) being allocated to improve housing, sanitation and infrastructure in poorer neighbourhoods as well as a decree authorising capital increases for the Caixa Econômica Federal and the BNDES (Banco Nacional do Desenvolvimento, Brazilian Development Bank) – both funded by Petrobras share sales which have continued to grow despite global oil market difficulties as a result of the Mexican Gulf oil spill. According to Ceres Lisboa, a bank analyst at Moody's Investors Service in São Paulo: "the use of these shares is an alternative strategy to raise the capital of public banks without increasing debt whilst also enabling the government to take part in a healthy wave of credit increase in Brazil."

Some News and External Links from July 2010 (click on link below to head straight to the article)

- [The Miracle of the Cerrado](#)
- [Brazil's Economy Cooling But Still Plenty Warm](#)
- [Brazil's Meirelles: Economy To Accelerate In Third Quarter](#)
- [IMF Sees Brazil Economy Growing 7.1% This Year, Urges Less BNDES Lending](#)
- [Brazil Must Reform Tax System To Secure Economy's Growth](#)
- [Can Brazil Live up to its Promise as a 'Natural Knowledge Economy'?](#)
- [Brazil Rate Futures Jump Most in a Month on Budget Concern](#)
- [Curing Brazilians' Credit Habit](#)

Brazil Real Estate Investment Guide Blog Posts (click below to head straight to blog post)

- [Interview with Odebrecht Real Estate](#)
- [Are Brazil's House Prices on a Hyper Inflationary Trajectory?](#)
- [Searching for Investment Property in Brazil as a Foreigner](#)
- [The Importance of Brazil's Biofuels Industry](#)
- [Brazil's Construction Industry's Sustainable Development](#)

Our Latest Guides (membership required)

- [Maranhão State Guide](#)
- [Brazilian Landlord and Tenant Law \(Video & Presentation\)](#)
- [Using Brazil's 'Zap' Portal to Search for Real Estate and Land](#)

August 2010 Real Estate and Land Investor Factfile (membership required)

Brazil's general inflation level dropped to 4.84 percent, largely due to decreased consumer spending, which still remains above the target of 4.5 but nevertheless viewed as a successful outcome of monetary tightening. Whilst credit levels increased (albeit at their slower pace in 2010), construction cost averages were continued to be seen dropping. Both consumer and business confidence decreased marginally (but remained higher than at any period in 2009); real average earnings remained broadly level and unemployment fell. **Please click here for full access to the August 2010 Factfile.**

