

Brazil shifts to creditor status

From Bloomberg News

February 22, 2008

Brazil, the world's largest emerging-market debtor for decades, became a net foreign creditor for the first time in January.

International reserves, swelled by investment inflows and record exports of agricultural commodities and oil, probably exceeded gross foreign liabilities last month by about \$4 billion, Banco Central do Brasil said Thursday.

"This is the most significant economic event that's happened to Brazil in a long time," said David Cortes, who manages about \$200 million of emerging market debt for BullTick in Miami.

Brazil's shift to net creditor status may bolster investor confidence in Latin America's biggest economy and help the country win an investment-grade debt rating.

Brazil in 2005 repaid its debt to the International Monetary Fund, the Washington-based lender that bailed out the country over four decades.

Brazilian exports have tripled since President Luiz Inacio Lula da Silva took office in 2003 on rising world demand for soybeans, iron ore, beef and other Brazilian products.

An accompanying surge in foreign direct investment, including stock and bond purchases by nonresidents, has driven up the value of Brazil's currency, the real -- in turn boosting the nation's purchasing power abroad.

The real rose to 1.711 per U.S. dollar Thursday, its strongest level since 1999, from 1.725 on Wednesday.

"This achievement is the direct outcome of our implementation in recent years of prudent and consistent macroeconomic policies," said Henrique Meirelles, the country's central bank president.

International reserves, including cash and other financial assets, rose to a record \$171.6 billion in January, more than 10 times the \$17 billion that Brazil had when Lula assumed power.

The country's stock market in recent weeks has recovered nearly all of its losses incurred when most world markets slumped in January, and it is nearing its record high set in December.

The Bovespa stock index inched up 44.74 points to 63,792 on Thursday. It is down less than 0.2% year to date and is 3% below its all-time high of 65,790 reached Dec. 6.

By contrast, the U.S. Standard & Poor's 500 index is down 8.6% year to date and off 14.2% from its peak in October.

But the world economic slowdown may test whether Brazil's efforts to diversify export markets and bulk up reserves are enough to safeguard long-term growth, analysts say.

If you want other stories on this topic, search the Archives at latimes.com/archives.

TMSReprints

Article licensing and reprint options

Copyright 2008 Los Angeles Times | [Privacy Policy](#) | [Terms of Service](#)
[Home Delivery](#) | [Advertise](#) | [Archives](#) | [Contact](#) | [Site Map](#) | [Help](#)

partners:  