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## Increasingly cheerful about the future

By Richard Lapper

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School fees, health insurance, bills for two mobile phones, regular monthly payments for a new Fiat Palio bought last year and an occasional evening sipping a caipirinha cocktail or two at the local dance hall: the demands on the R\$3,000 that Edilma Silva and her partner, Neno, bring home each month keep growing.

Even so, Ms Silva, a 25-year-old self-employed manicurist, is delighted with her lot, which she says has changed beyond all recognition since she left her home in the rural north-east 12 years ago. "There are many more options, many more opportunities," says Ms Silva, who owns a modest two-bedroomed house in the eastern São Paulo suburb of Jardim Angela. "Now I am much more independent and have so much more self-esteem."

Ms Silva is a typical beneficiary of Brazil's economic advance. Since she arrived in the more economically advanced south-east, Brazil has seen more than a decade of financial stability, steady if unspectacular growth and a sharp fall in unemployment. Social assistance programmes, originally introduced by former President Fernando Henrique Cardoso, have been expanded radically, with 13m families benefiting from the Bolsa Família, a plan that makes welfare payments dependent on children attending schools and clinics. President Luiz Inácio Lula da Silva has steered through a 50 per cent plus increase in the minimum wage since 2004. And credit has become much more widely available, with loans rising from the equivalent of 22 per cent of economic output in 2004 to 36 per cent this year.

The result has been a dramatic expansion in spending power among lower-income groups, with no fewer than 6m Brazilians moving out of poverty in 2006 alone. At the same time, the perspectives of many low-income groups have been transformed.

A survey last year by Ipsos, a opinion polling group, showed that the "C" social class - a category defined by income, assets and educational attainment - has grown quickly in the past two years, while the numbers of less well-off Ds and Es have shrunk. Families in the C group represented only about 34 per cent of the total in 2005 but that number had increased to 46 per cent by the end of last year.

By contrast, Ds and Es, who made up 51 per cent of Brazil in 2005, dropped to 39 per cent in 2007.

Although the average income of Cs is only R\$1,200, the widespread availability of credit has transformed living standards. "It is a very significant phenomenon," says Franck Vignard-Rosez, executive director of Cetelem, a marketing organisation which worked with Ipsos on the survey. "It is as if we had seen a population twice the size of Portugal entering the consumer economy."

Poorer Brazilians - like Ms Silva, who opened a bank account only two years ago - have suddenly been presented with a range of offers to borrow money. Televisions, DVDs, refrigerators and other white goods, computers and cars are available on credit and although rates are relatively high, repayment periods are long.

While there is some concern that the credit expansion could prove to be temporary, another recent trend that has helped improve living standards could prove to be more durable: the remarkable growth in the formal economy. Even though Brazil is still an expensive and bureaucratic place to do business, the country has witnessed a stunning expansion in formal employment over the past couple of years.

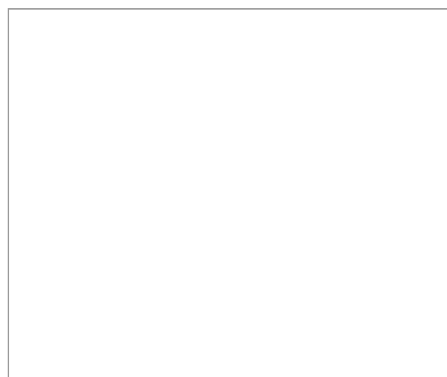
Improved tax collection and an expansion in public-sector employment are partly responsible. But hundreds of Brazilian companies are choosing to regularise their affairs with the tax authorities in order to access capital more easily.

Some 1.6m new jobs were created last year - the highest ever level - and an additional 850,000 new positions in the first four months of 2008, an increase of 27 per cent compared with 2007. "Brazil is creating jobs at unprecedented speed," says Marcelo Neri, director of the Centre of Social Policy at the Getulio Vargas Foundation in Rio de Janeiro.

Already, the momentum is leading many businesses to adapt their commercial strategies in order to meet the needs of newly empowered consumers. Retailers such as Casas Bahia or Insinuante in the north-east have expanded quickly by offering credit to poorer customers. Consumer goods companies are tailoring their sales offers to the less well off, mirroring the tactics of Indian companies that have pioneered sales to the bottom of the pyramid.

Nestlé, for example, sells powdered milk in affordable sachets rather than more expensive cans and employs working-class women to sell yoghurt and dairy products door-to-door, reaching consumers for whom a journey to the supermarket is prohibitively expensive.

All this seems to be producing growing optimism among Brazilians. A recent survey by Gallup,

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sponsored by the Inter-American Development Bank, found that Brazilians were increasingly confident about the future, with a greater proportion expecting their levels of happiness to increase over the next five years than among the citizens of any other nation in the world.

In São Paulo, Ms Silva is emblematic of that trend too.

She plans to study to be a nurse or a pedologist as soon as she finishes a course that will allow her to complete an interrupted basic schooling. "I think it will improve even more," she says.

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