OCTOBER_2019

BRAZIL

EXPORT PLANNING

COUNTRY REPORT

Benchmark: UNITED STATES

Brazil

TABLE OF CONTENTS

Brazil
BASIC INFORMATION

Population (MLN)

208

Urban

(%) 86.3

Rich

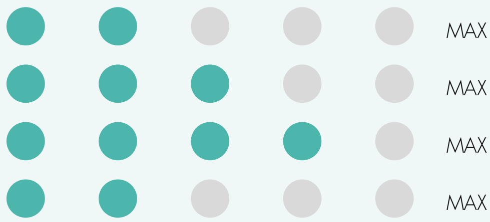
(%) 10.2

Geographic area (sq km)	8 514 877
- arable land (%)	9.7
Capital	Brasilia
Form of Government	Federal Presidential Republic
Language	Portuguese

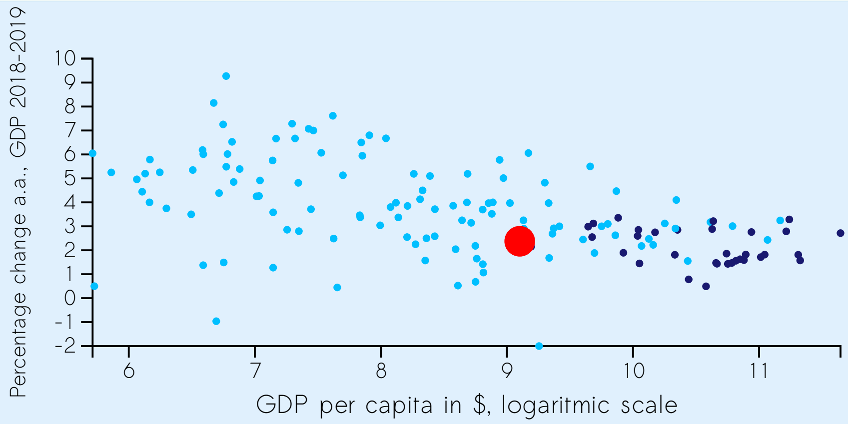
Brazil
EXECUTIVE SUMMARY

Development factors

Institutional quality MIN MAX
Infrastructure MIN MAX
Human resources MIN MAX
Natural resources MIN MAX



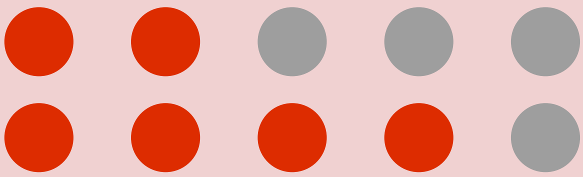
Economic situation



BRAZIL
OECD countries
Non-OECD countries

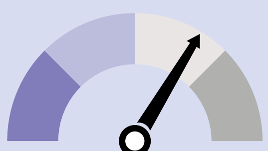
Risk factors

Business risk MIN MAX
Country risk MIN MAX

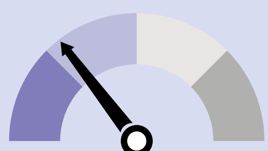


Market Accessibility

Business distance
from: UNITED STATES



Logistic distance
from: UNITED STATES



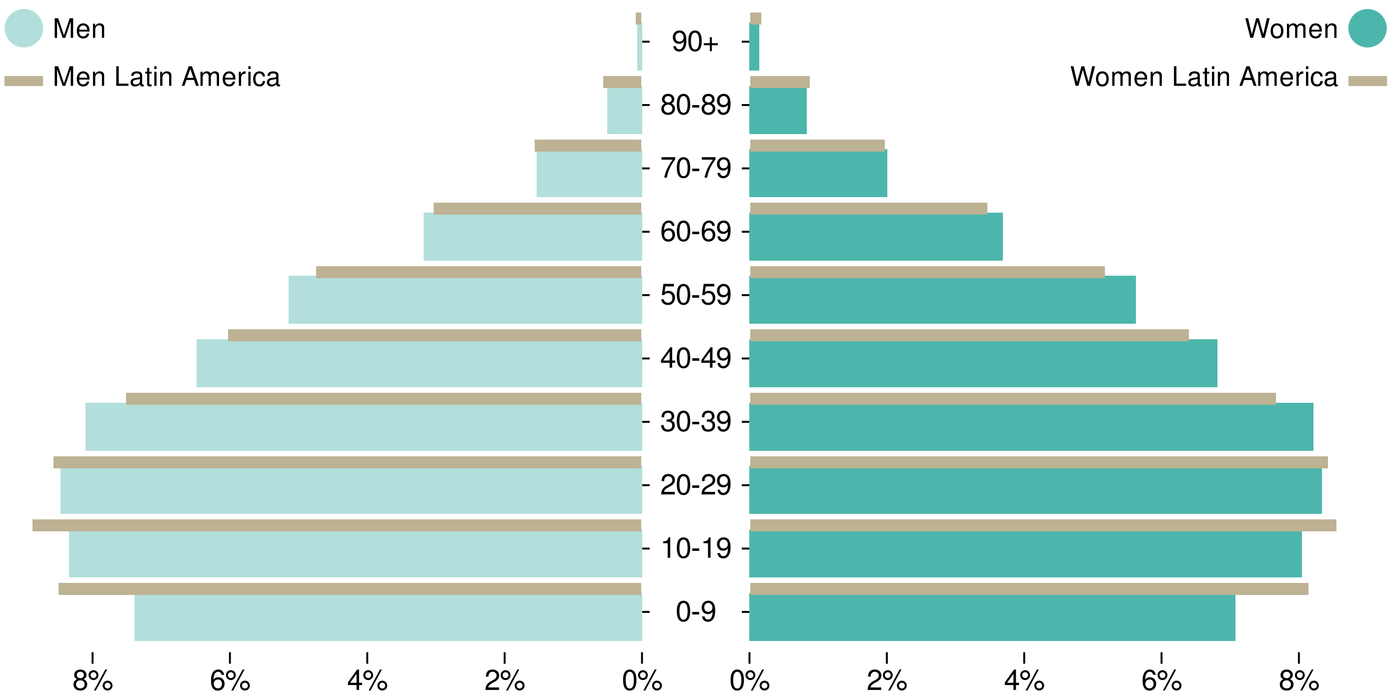
CHAPTER 1

Developing factors

- Human resources
- Institutional quality
- Natural resources
- Infrastructure

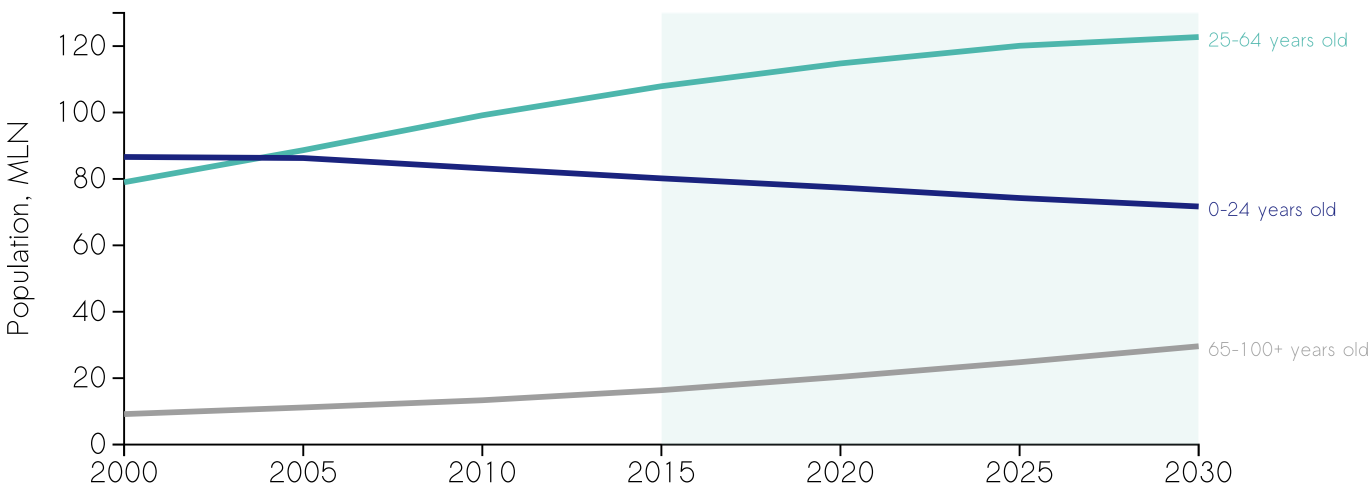
Brazil
HUMAN RESOURCE

Composition of the population, 2015



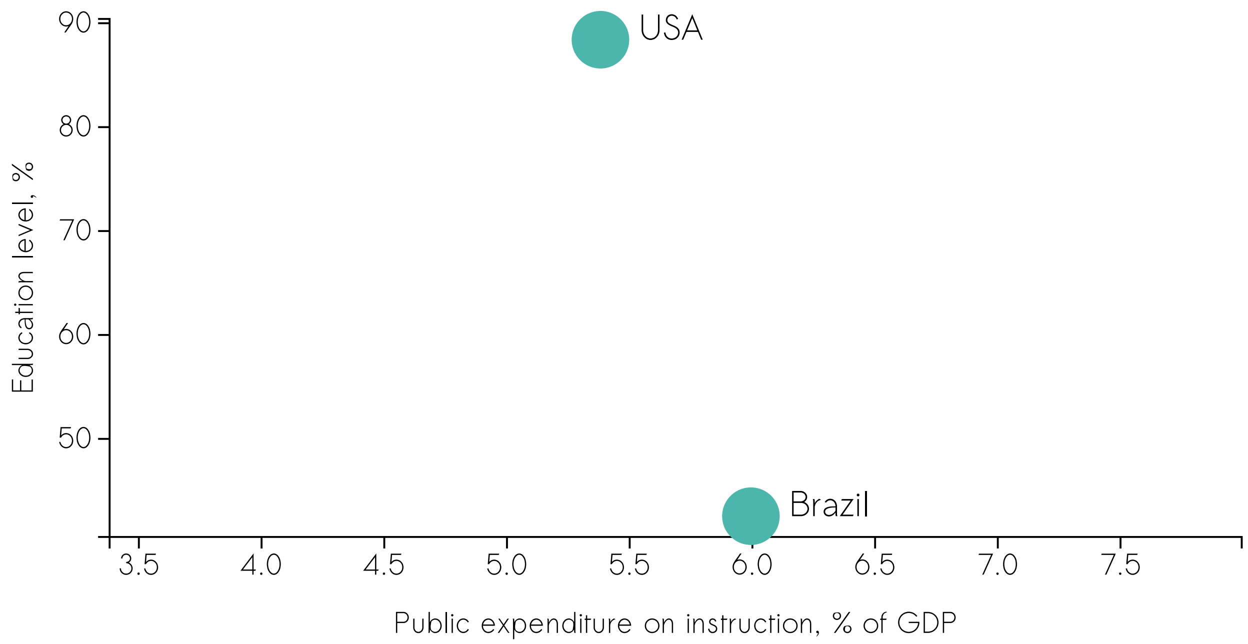
Population	Population growth rate 2010-2030 (a.a.)	Life expectancy at birth
208 MLN	0.68 %	75.7 years old
UNITED STATES 327 MLN	UNITED STATES 0.59 %	UNITED STATES 78.5 years old

Population for age groups and growth forecasts



HUMAN RESOURCES

Instruction



Innovation

Expenditure in R&D, % of GDP	Researchers every 100.000 inhabitants	Patents every 100.000 inhabitants
1.2 %	120	2.3
UNITED STATES 2.8 %	UNITED STATES 402	UNITED STATES 89.3

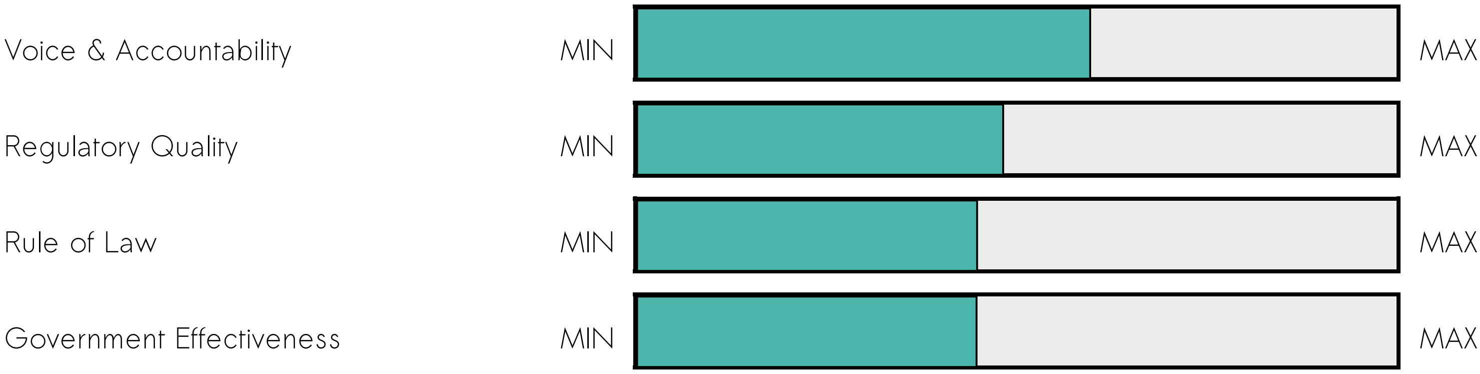
Brazil
INSTITUTIONAL QUALITY

Corruption Perception index (CPI)

2014	2018
69° of 174	105° of 180

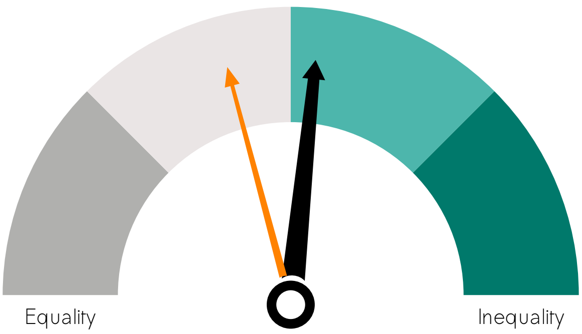
The CPI measures the perceived level of public sector corruption of a country. Ranking reflects the different perception of this phenomenon. Higher positions indicate a lesser level of perceived corruption, at the bottom of the ranking there are countries with higher level of perceived corruption.

Worldwide Governance Indicators (WGI)



The WGI measures the quality of institutions by the effectiveness and the quality of state regulation, by the degree with which it is applied and respected, by the degree of commitment of citizens into public life.

Inequality of wealth distribution



BRAZIL

UNITED STATES

The Gini index measures inequality in income distribution. It is a number between 0 and 1. Low index values indicate a great homogeneous distribution, high index values indicate an inequality distribution.

Brazil

INSTITUTIONAL QUALITY

Index of economic freedom, 2019

BRAZIL USA

The index, published by the Heritage Foundation, identifies ten different types of measurements useful to understand the degree of economic freedom of a country. The score varies between 0 (lack of economic freedom) and 100 (maximum economic freedom). The Heritage Foundation subdivides the countries into 5 category according to the score obtained.

CATEGORY:

100-80 Free countries

79.9-70 Countries almost completely free

69.9-60 Moderately free countries

59.9-50 Countries almost completely not free

49.9-0 Non-free countries

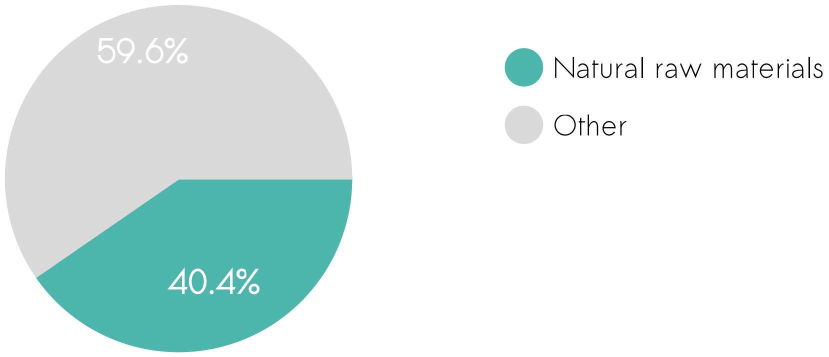
SCORE IEF

BRAZIL 51.9

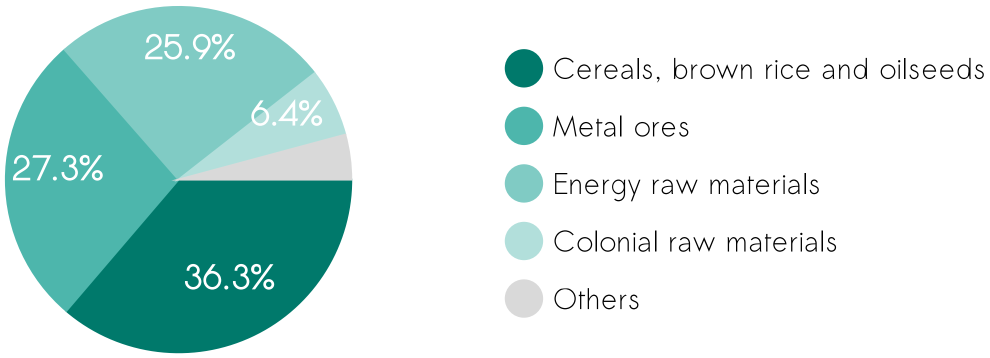
USA 76.8

NATURAL RESOURCES

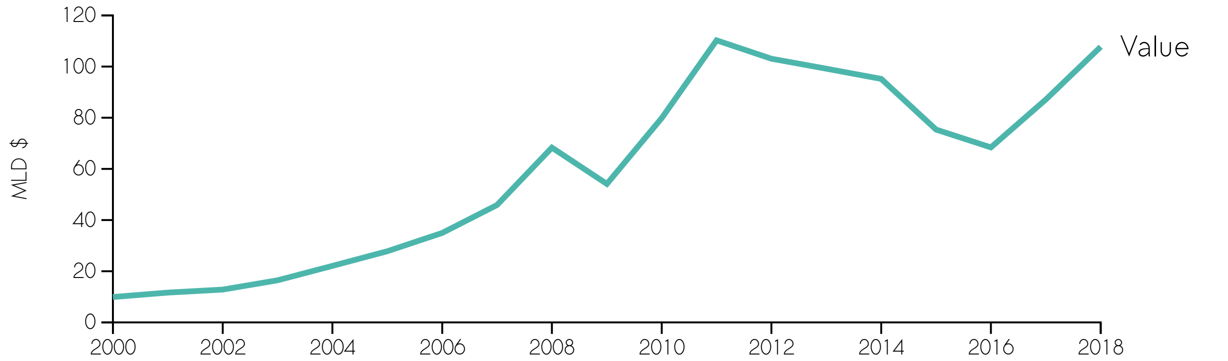
Exports of raw materials over total exports, 2018

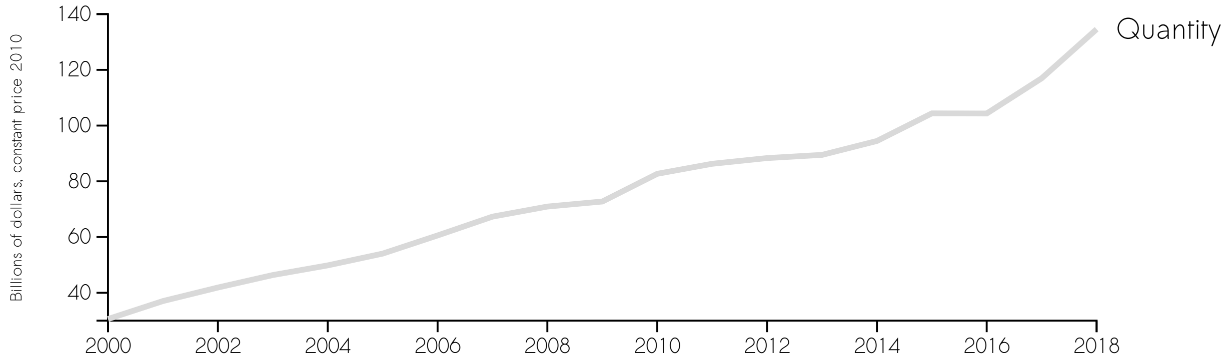


Composition of raw materials exports, 2018



Raw materials exports: value and quantity





Brazil
INFRASTRUCTURE

3.0
min 0, max 5
USA 3.9

58.8
min 0, max 100
USA 64.1

Logistic performance index

The index measures the perception about a country's logistics. Index regards the quality of customs processes, transports trade-related, services logistics-related and the ability to monitor the trend of shipments. Higher values correspond to better performance.

Media diffusion

Index measures the ability to access sources of information and communication resources.

CHAPTER 2

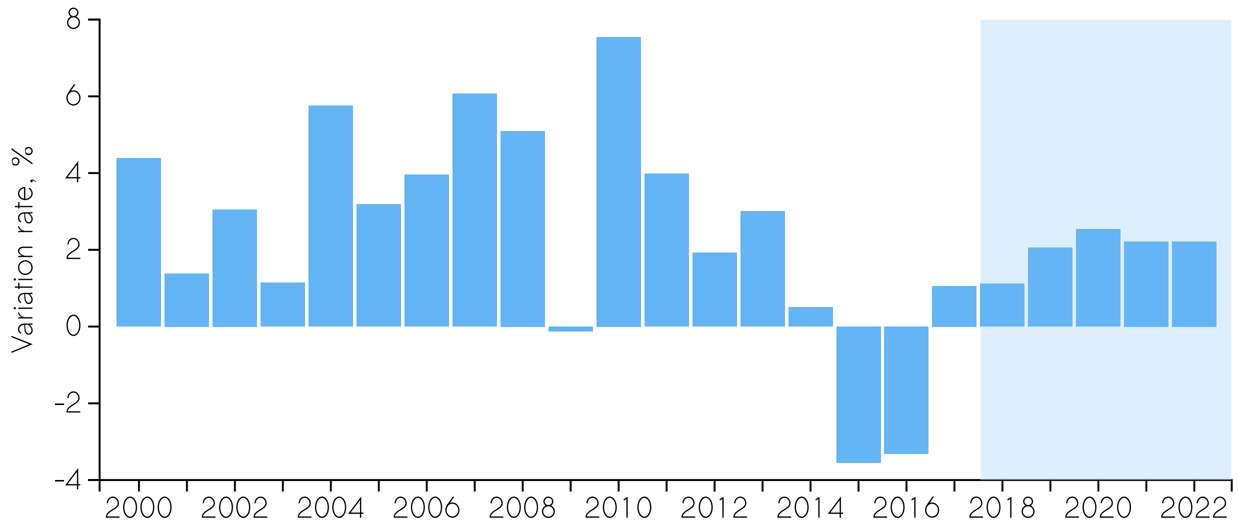
Economic Situation

- Economic outlook
- Foreign trade
  - Exports
  - Imports
  - Bilateral trade flow with: UNITED STATES

ECONOMIC SITUATION

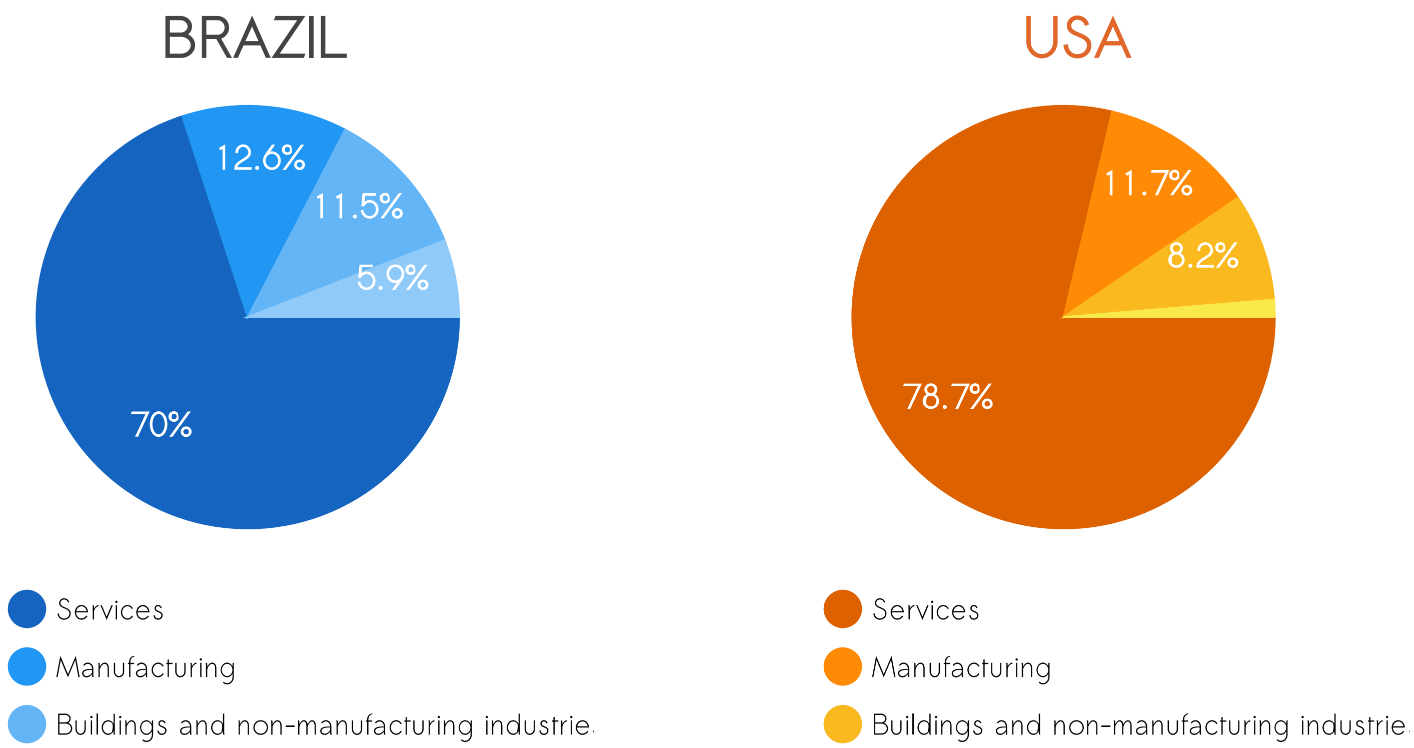
	BRAZIL	USA
GDP 2018 (current prices)	1 868 BLN $	20 494 BLN $
GDP per capita 2018 (current prices)	8 968 $	62 606 $
GDP growth rate 2018-2022 (a. a. constant prices)	2.0 %	2.1 %

GDP: variation rate at constant prices

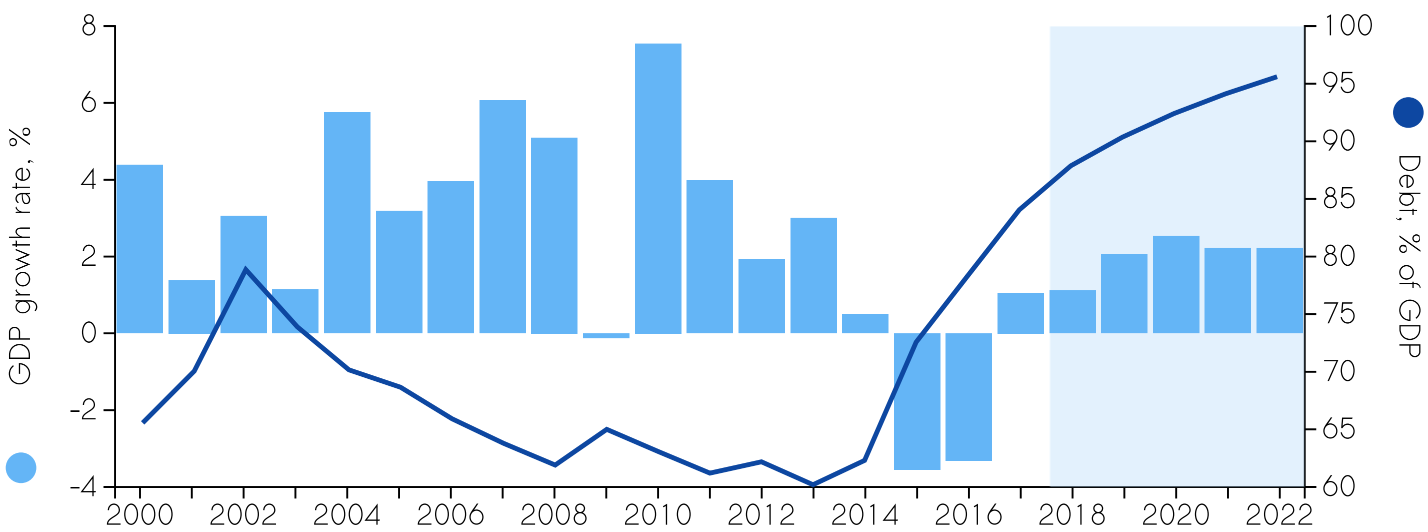


ECONOMIC SITUATION

Composition of value added

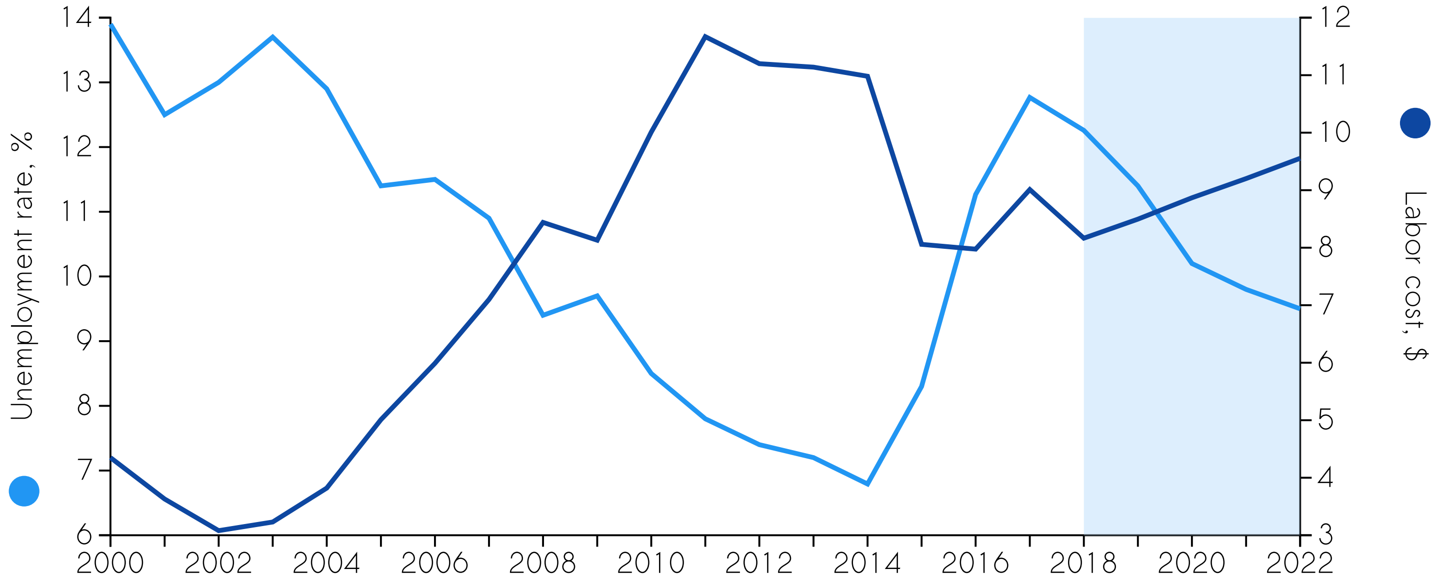


Public debt and GDP variation at constant prices

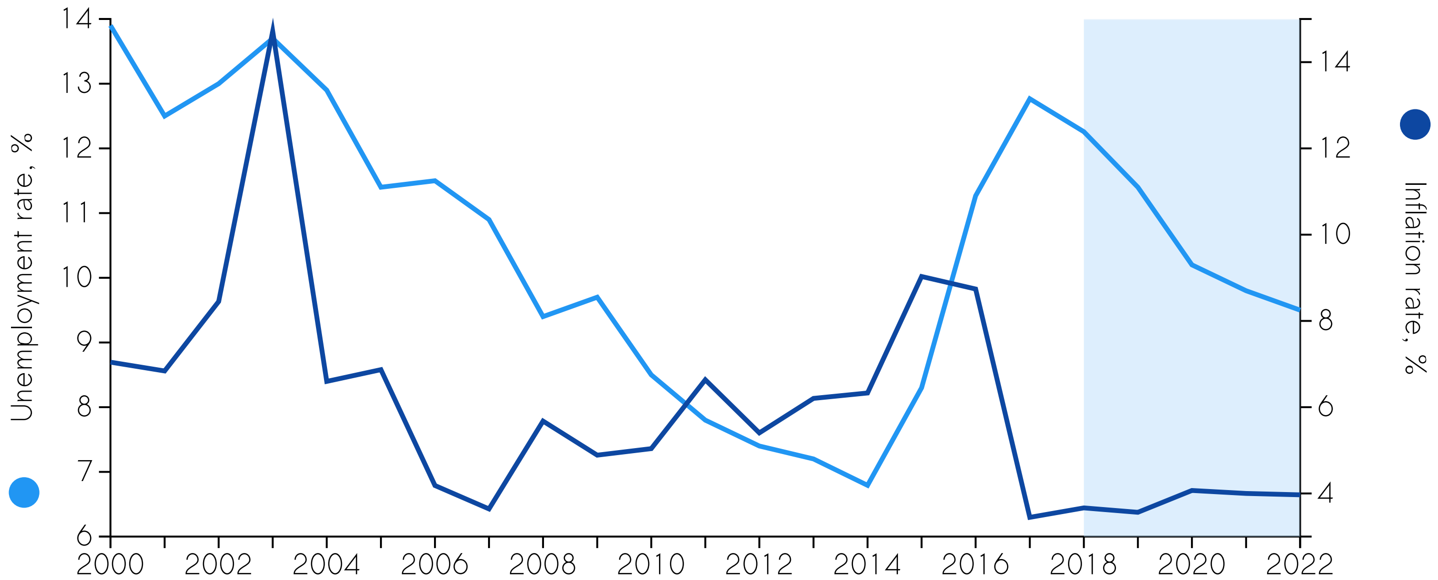


ECONOMIC SITUATION

Labor cost and unemployment rate

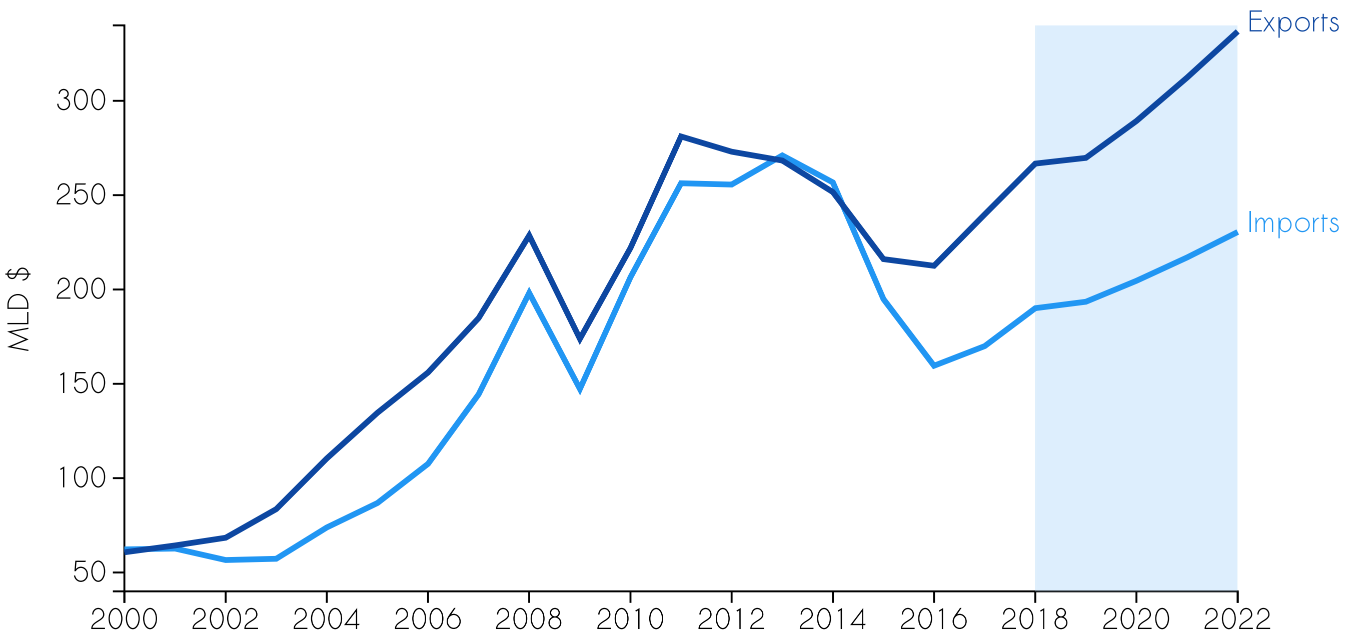


Inflation rate and unemployment rate

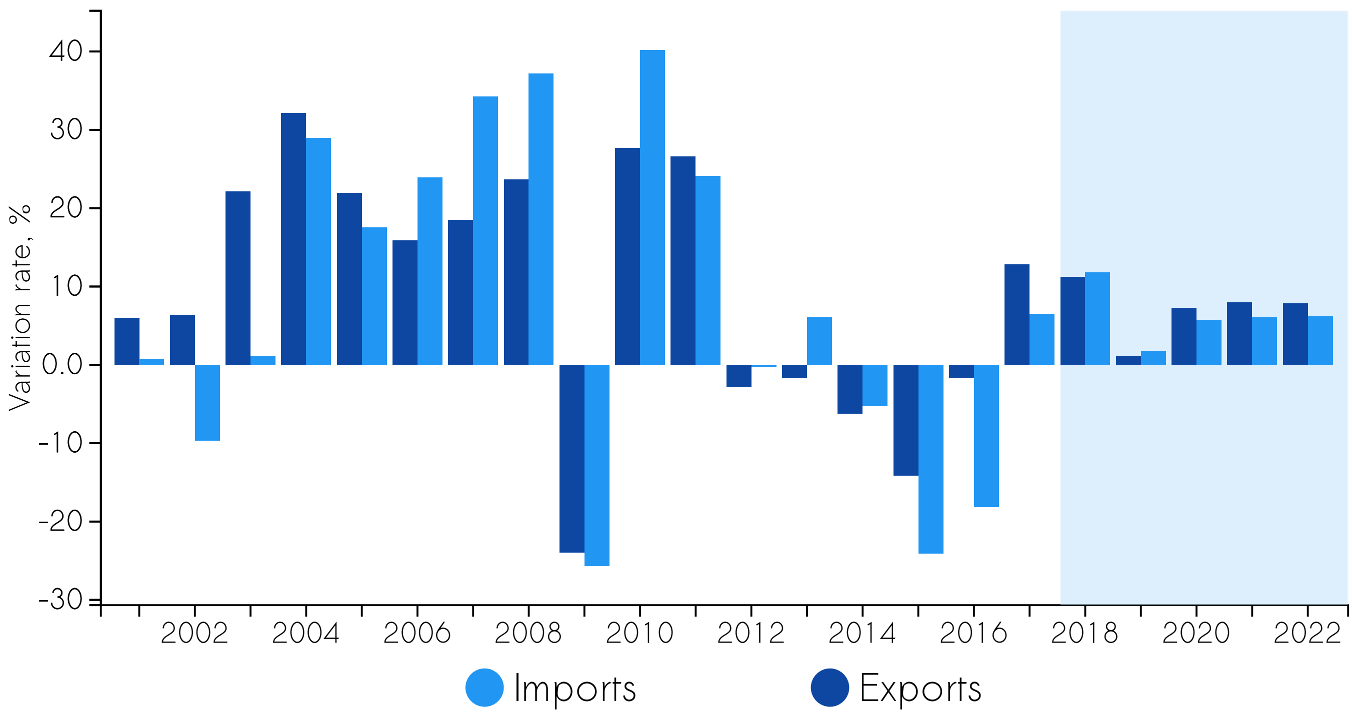


Brazil
FOREIGN TRADE

Imports and exports



Import and export variation rate in $

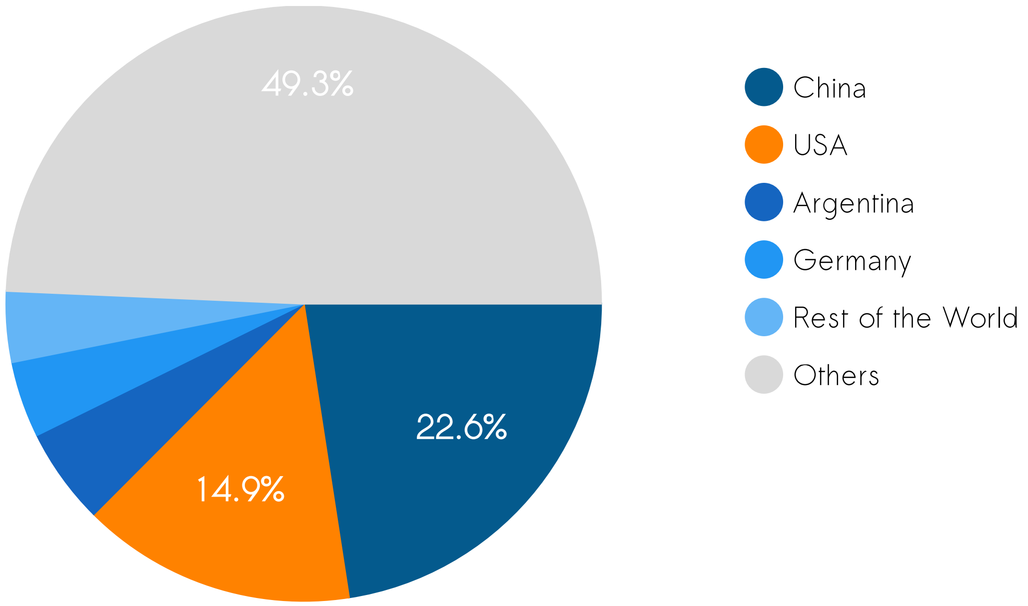


Brazil
FOREIGN TRADE

Import: + 11.8 %
Change in 2018, $

Export: + 11.2 %
Change in 2018, $

Main trading partners, 2018



10.2 %
Import propensity

It's the total import value as share of national GDP.

14.3 %
Export propensity

It's the total export value as share of national GDP.

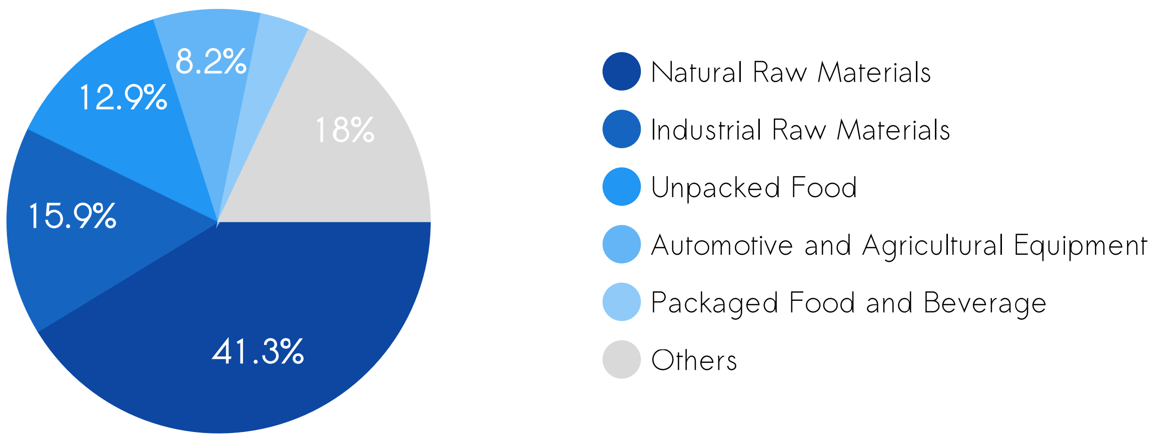
Brazil
FOREIGN TRADE

EXPORTS

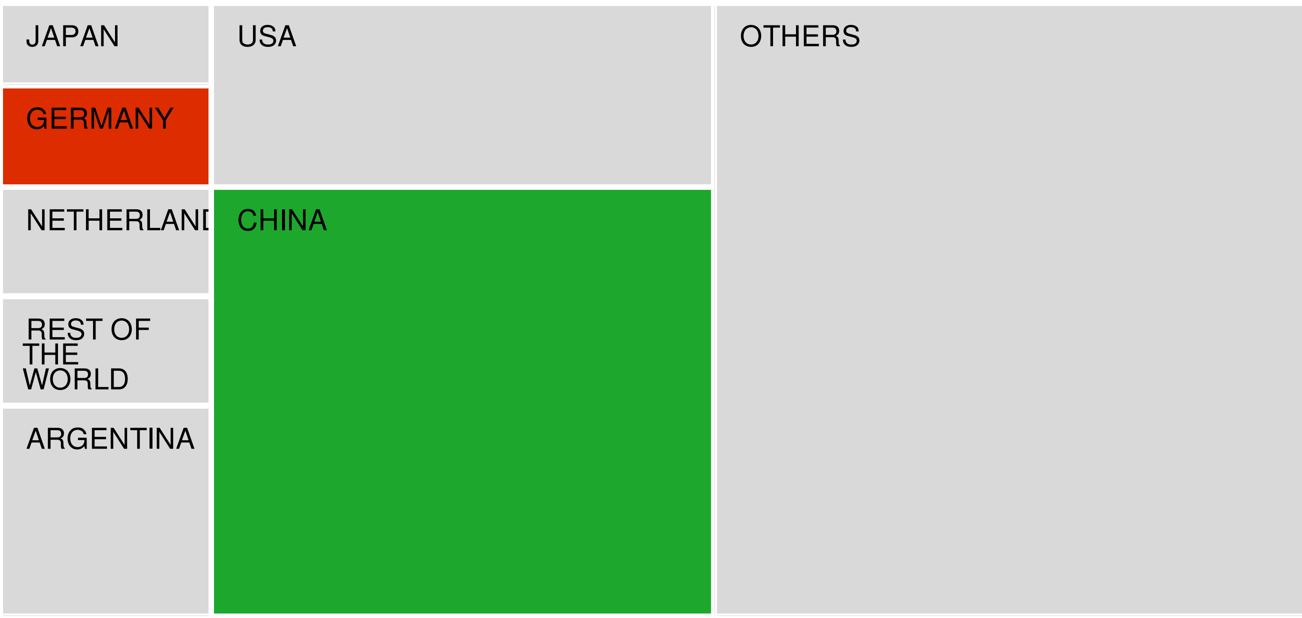
267 BLN $

Export 2018

Main exported goods 2018



Main business partners 2018



The size of the rectangles is proportional to the USD value of the trade flow (larger rectangles are equivalent to higher trade flows value). Green color indicates an annual average increase of the trade flow compared with 2008 greater than +3%, red color indicates an annual average decrease compared with 2008 larger than -3% in $ or stationarity, gray color indicates an annual average increase between -3% and +3% compared with 2008.

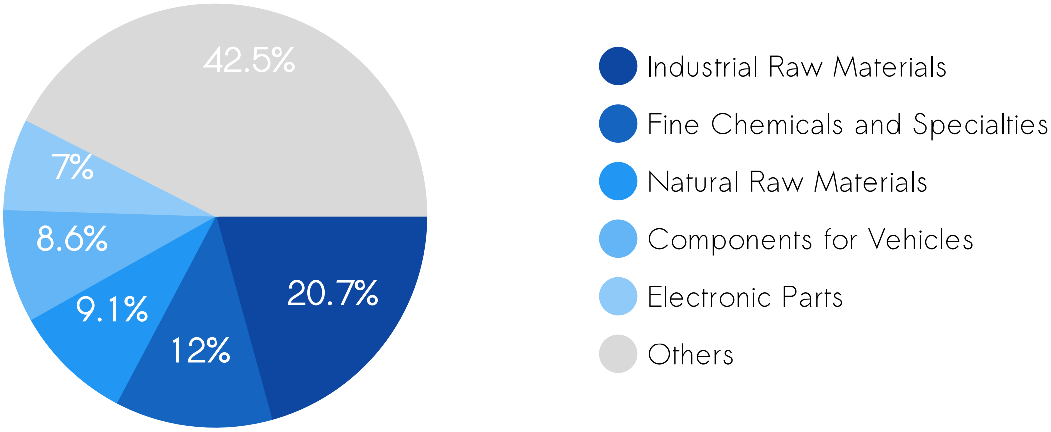
Brazil
FOREIGN TRADE

IMPORTS

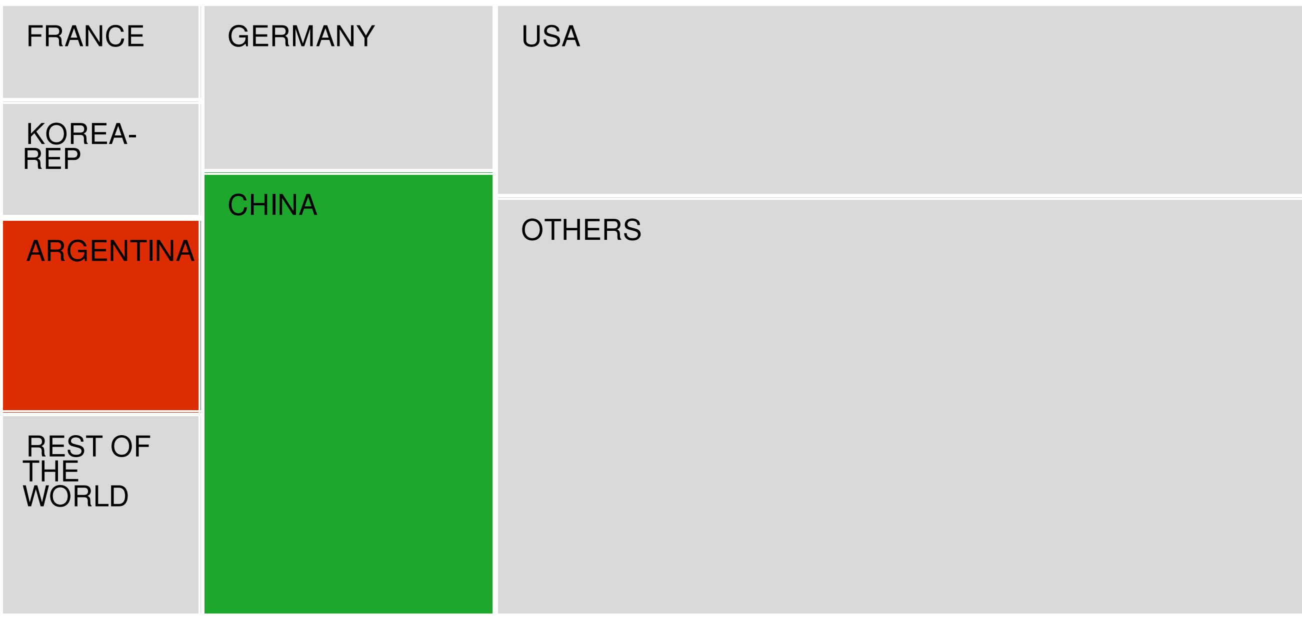
190 BLN $

Import 2018

Main imported goods, 2018



Main business partners, 2018



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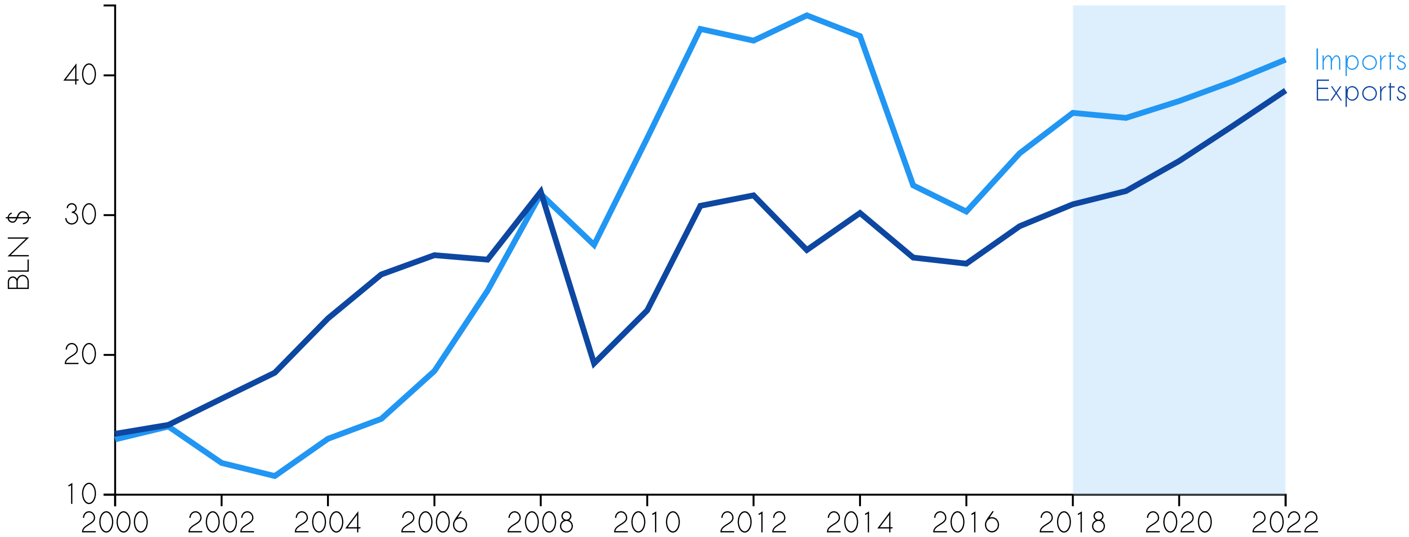
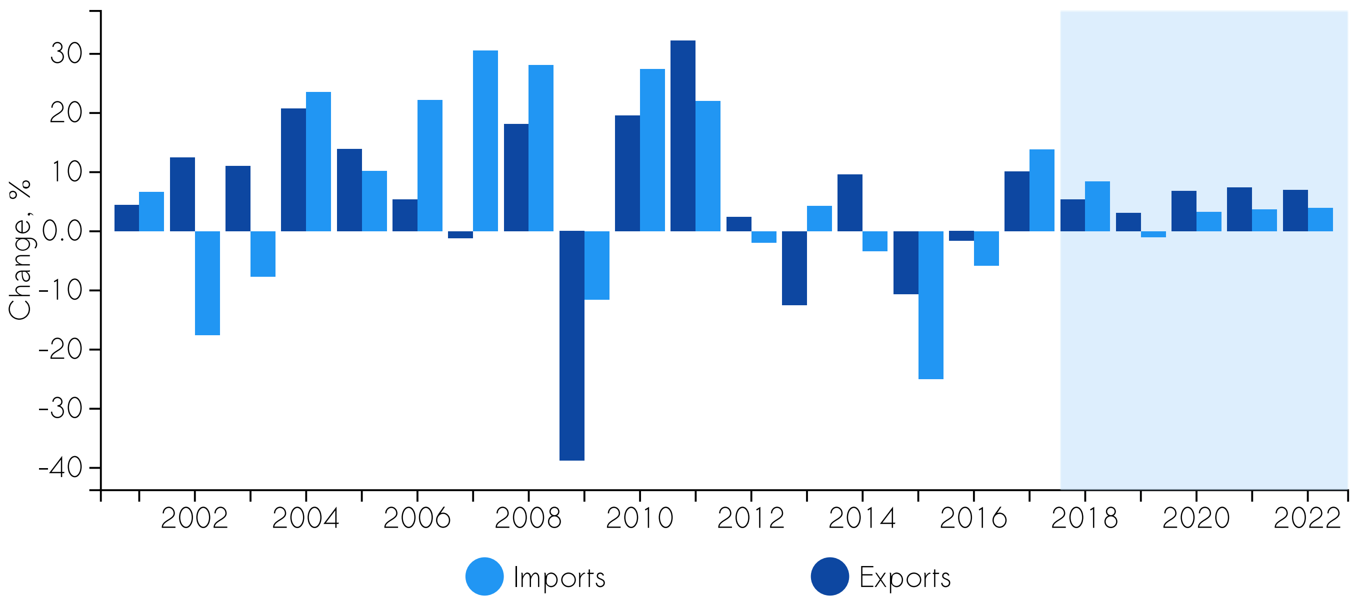
Brazil
FOREIGN TRADE

TRADE
WITH: USA



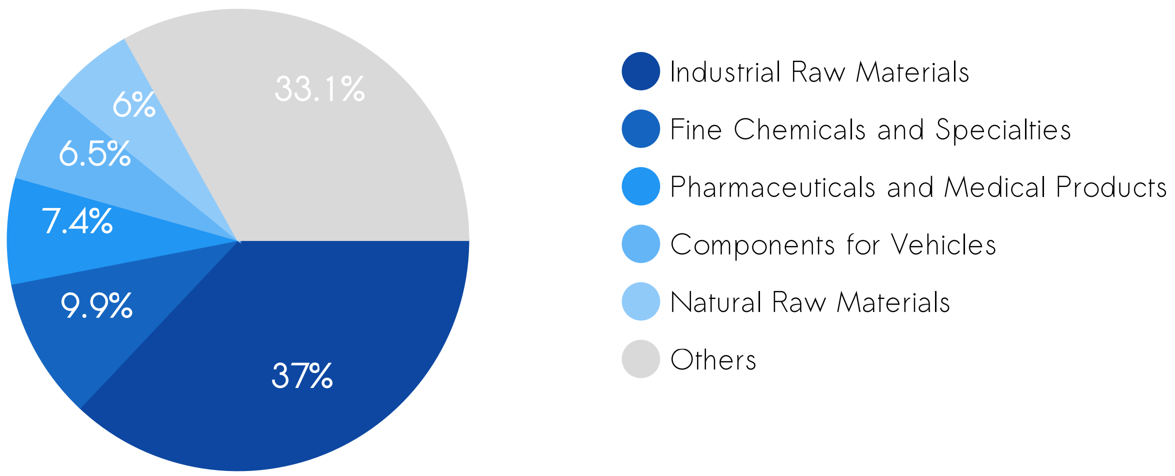
Import: + 8.4 %	Export: + 5.4 %
Change in 2018, $	Change in 2018, $

Variation rate of trade with: USA

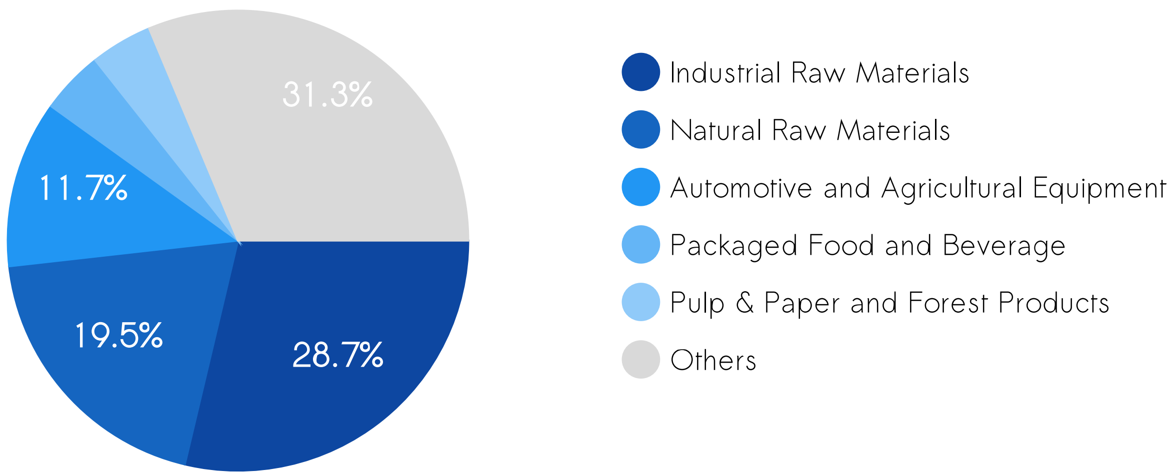


TRADE WITH: USA

Main imported goods from USA,2018



Main exported goods to USA,2018



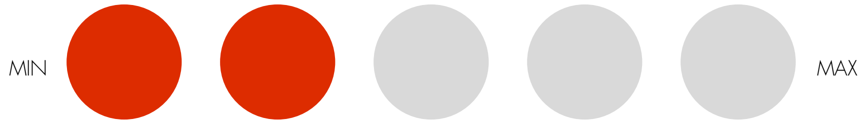
CHAPTER 3

Risk

- Main indicators of risk
- Economic risk
- Risk measures

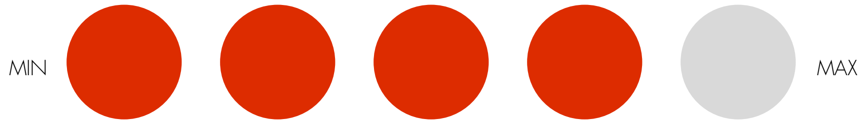
MAIN INDICATORS OF RISK

Business risk



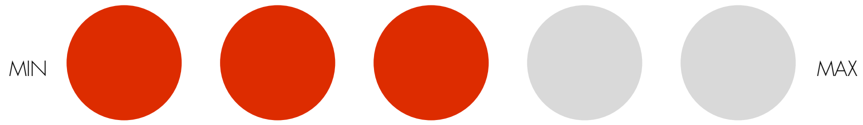
Business risk: it's measured by COFACE's Business Climate Assessment and it measures the quality of a country's global business environment. It evaluates the degree to which business and financial information is available and reliable, to what extent country's legal system guarantees protection of creditors and to what extent country's institutional structure is in favour of operations between companies.

Country risk



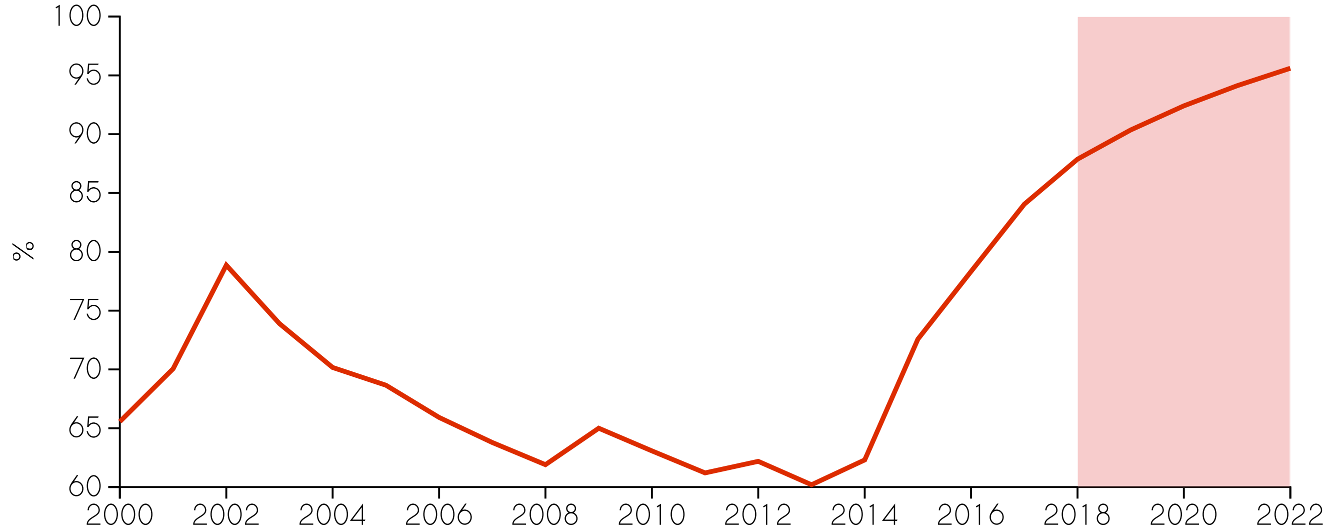
Country risk: it's measured by COFACE's Country Risk Assessment, it reflects the average risk, in the short-term, associated to non-payment of companies in the country.

Political risk

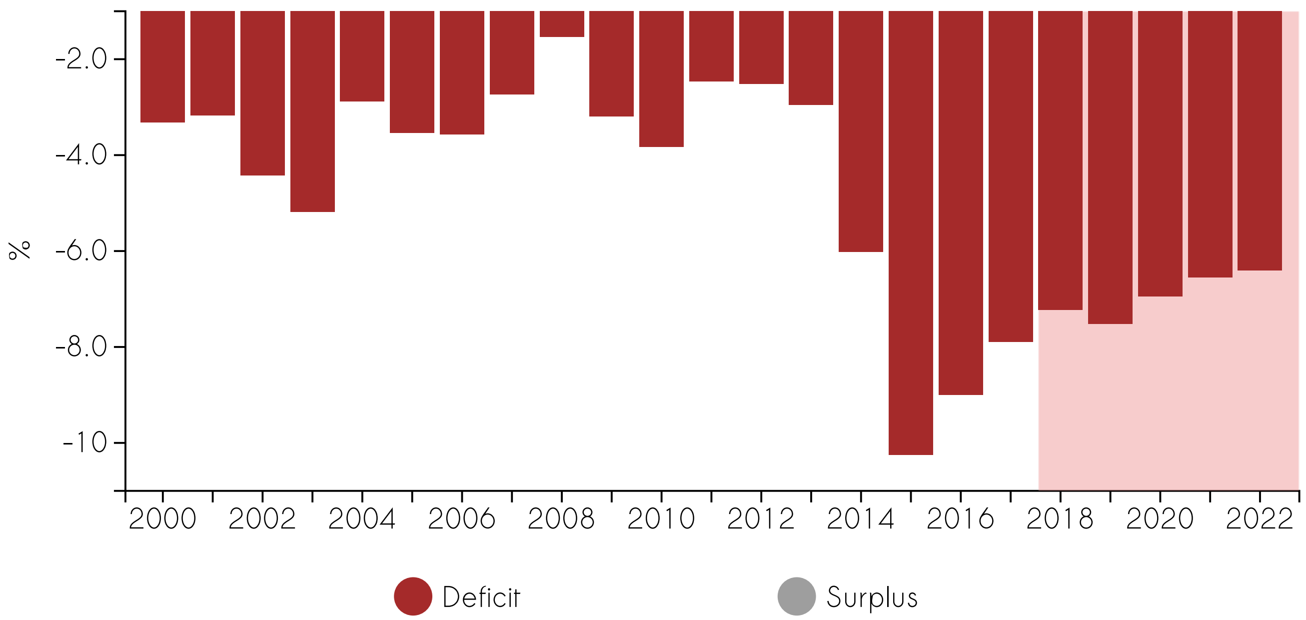


Index of political risk (Political Stability and absence of violence/terrorism of the World Bank) measures the political instability and eventual presence of violence derived by country's political motivations, including terrorism.

Public debt as % of GDP

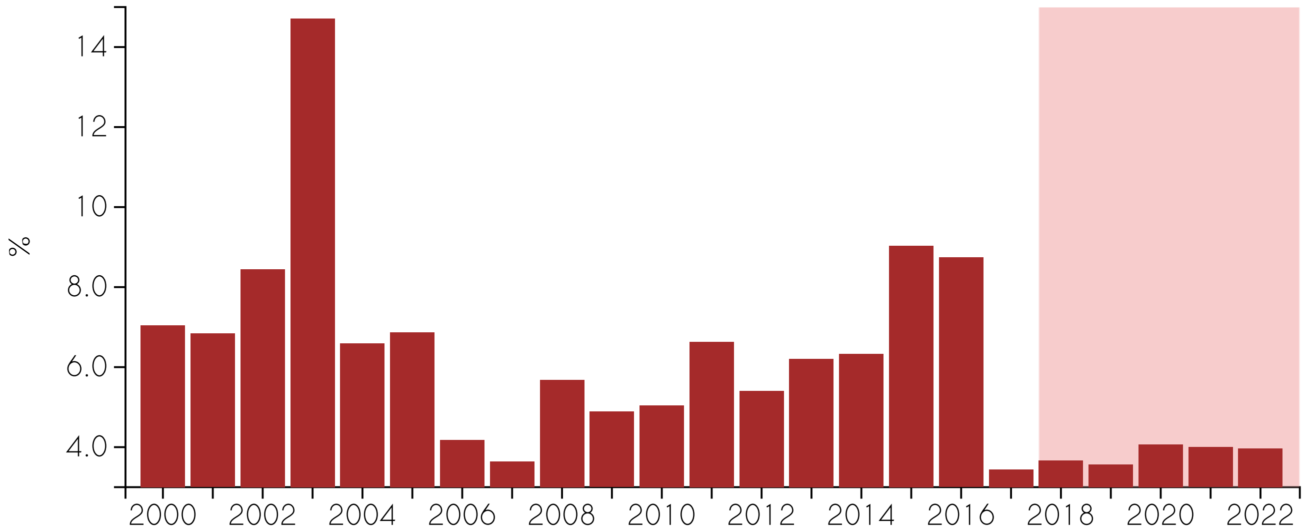


Government deficit or surplus as share of GDP(%)

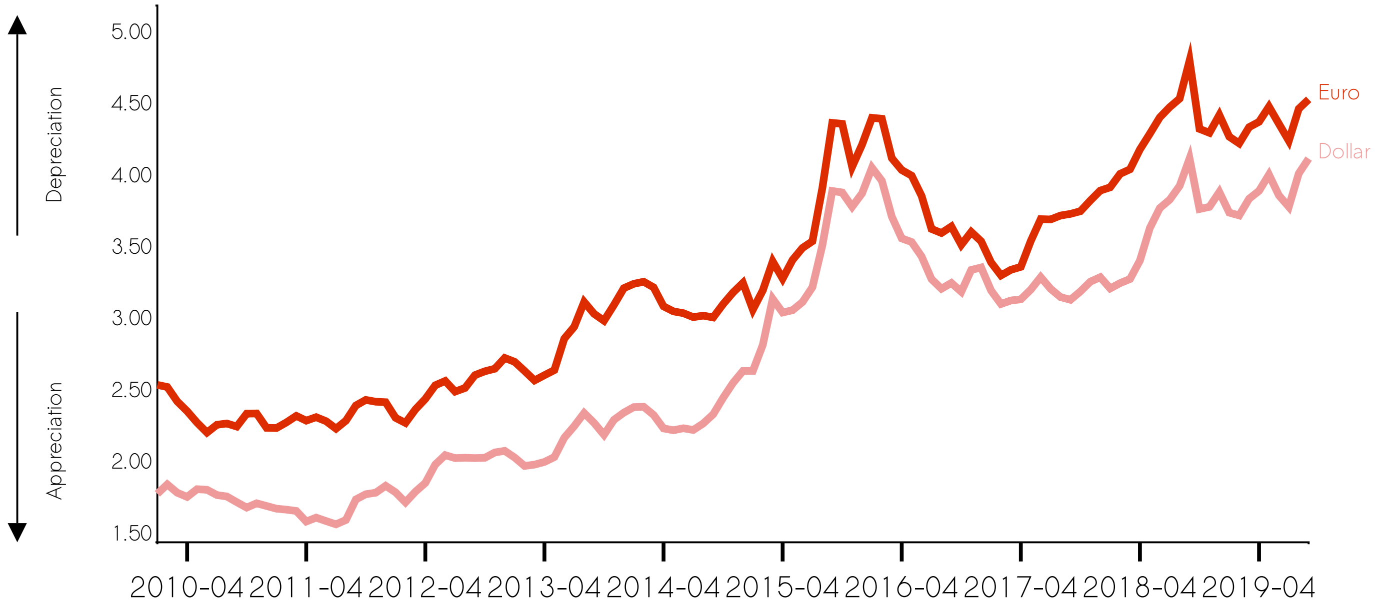


Government deficit is the negative balance of the annual state budget when the expenditure are greater than revenue. Government deficit may be caused by unexpected events, economic policies of support for demand, political choice aimed at political agreement and by the incapacity or lack of will to reduce expenditure in excess.

Inflation rate



Exchange rate Brazilian Real toward Euro and Dollar



RISK NUMBERS

Risk categories, OECD

5

min 0, max 7

The country risk classifications of OECD encompasses transfer and convertibility risk (i.e. the risk a government imposes capital or exchange controls that prevent an entity from converting local currency into foreign currency and/or transferring funds to creditors located outside the country) and cases of force majeure (e.g. war, expropriation, revolution, civil disturbance, floods, earthquakes).Higher index values correspond to higher risk levels.

Rating S&P's	Rating Moody's	Rating Fitch
BB-	Ba2	BB

Legend S&P:
AAA: higher capacity to repay the debt;
AA: high capacity to repay the debt;
A: solid capacity to repay the debt;
BBB: adeguate capacity for repayment, may get worse;
BB:less vulnerable in short term but possible scenarios of uncertainty may interfere the ability of satisfy commitments assumed;
B: debt mainly speculative;
CCC: vulnerable, solvency the obligations taken debend by favourable economic and finance conditions;
CC: very vulnerable, solvency the obligations taken debend by favourable economic and finance conditions;
C: extremely vulnerable;
SD: selective default;
NR: not rated.

Legend Moody's:
Aaa: rated as highest quality and lowest credit risk;
Aa: rated as high quality and very low credit risk;
A: Rated as upper-medium grade and low credit risk;
Baa: Rated as medium grade, with some speculative elements and moderate credit risk;
Ba: Judged to have speculative elements and a significant credit risk;
B: Judged as being speculative and a high credit risk;
Caa: Rated as poor quality and very high credit risk;
Ca: Judged to be highly speculative and with likelihood of being near or in default, but some possibility of recovering principal and interest;
C: Rated as the lowest quality, usually in default and low likelihood of recovering principal or interest.

Legend Fitch:
AA: high capacity to pay debt;
A: solid capacity to pay debt, that may be affected by adverse circumstances;
BBB: adequate capacity for repayment, that may get worse;
BB, B: debt mainly speculative;
CCC, CC: debt highly speculative;
DDD, DD: insolvent;
SD: default selective.

CHAPTER 4

DEMAND SIDE CHARACTERISTICS

- Business opportunities
- Household demand
- Imports activated by household demand

BUSINESS OPPORTUNITIES

Rich population

It's the number of people with a presumed capacity of average expenditure greater than 15 thousands euros per year, calculated on the basis of the distribution of wealth and of GDP per capita.

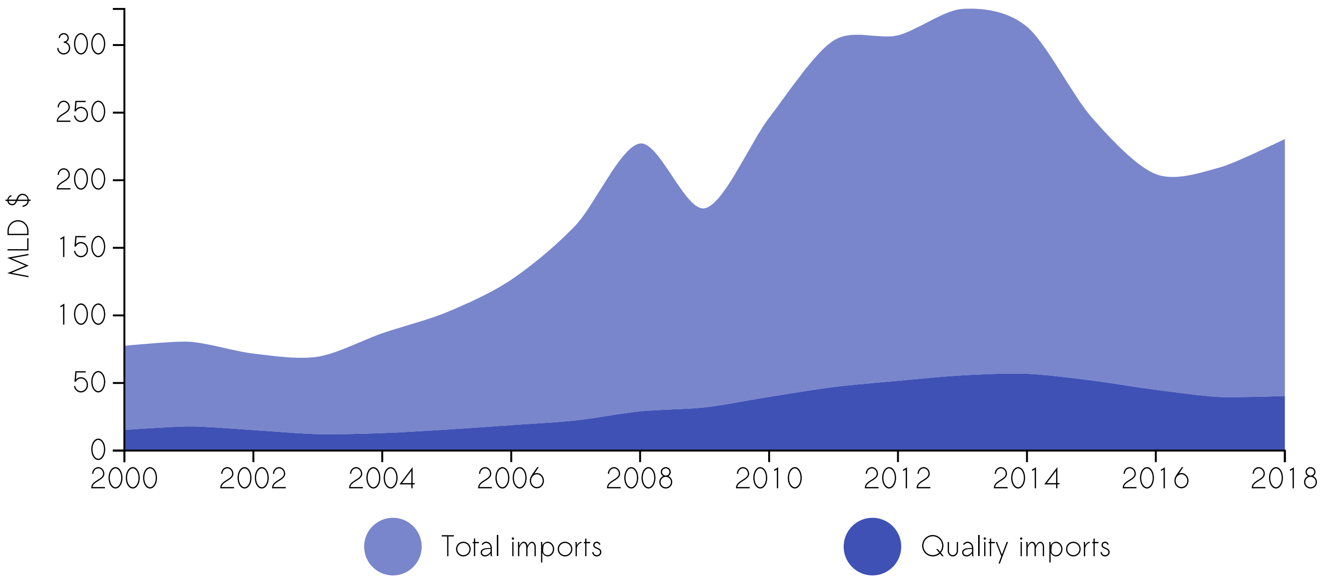
21.3

MLN

10.2 %

of the population

Total imports and quality imports



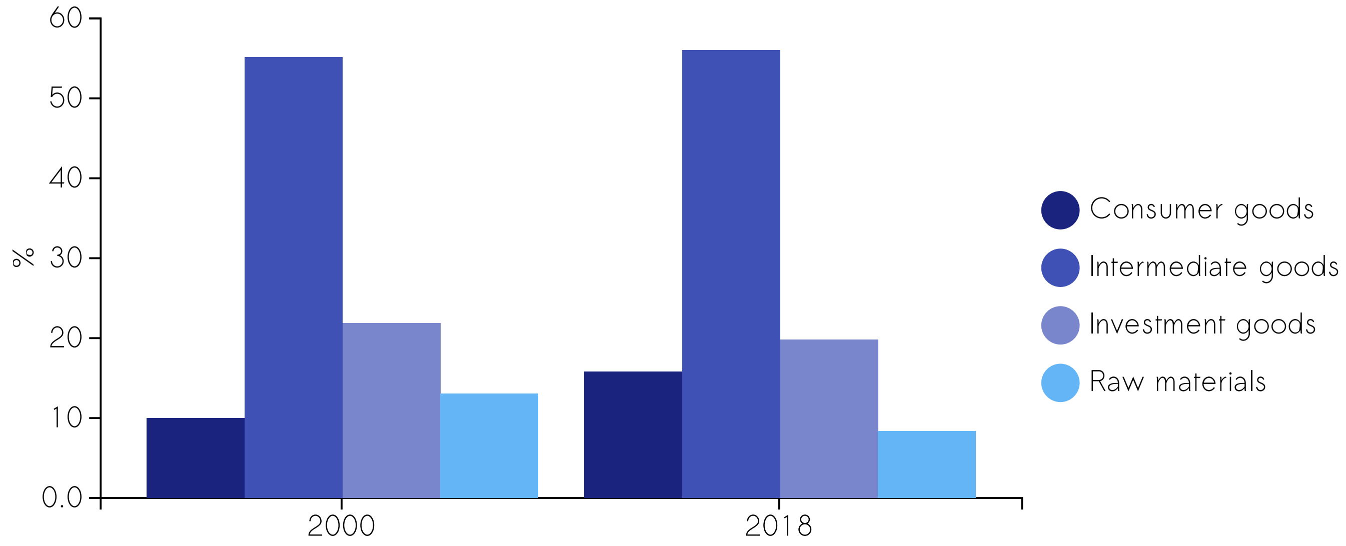
It's the incidence of consumer goods imports belonging to the high and medium-high price bands.

Quality imports, 2018

21.2 %

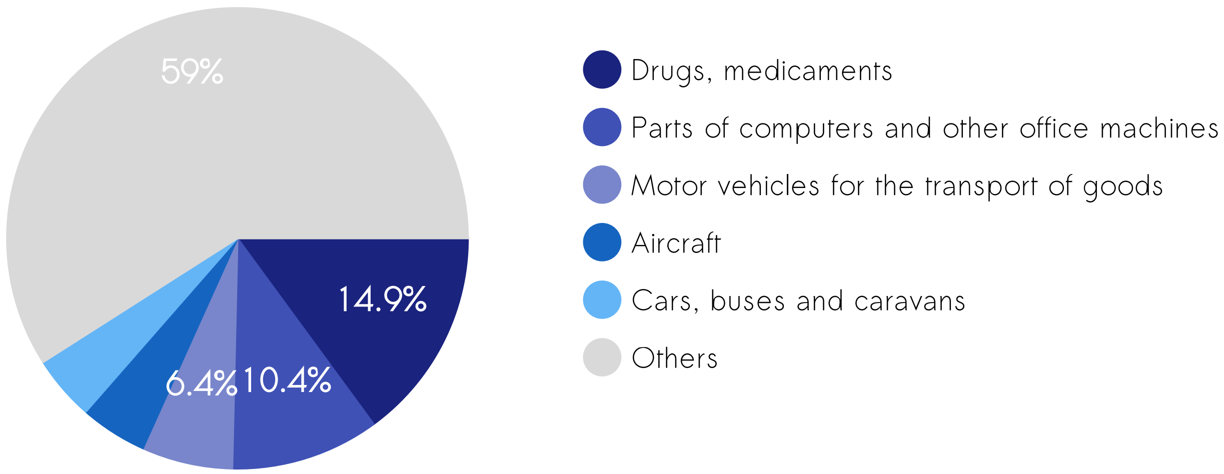
BUSINESS OPPORTUNITIES

Percentage share of imports by type of good, 2018



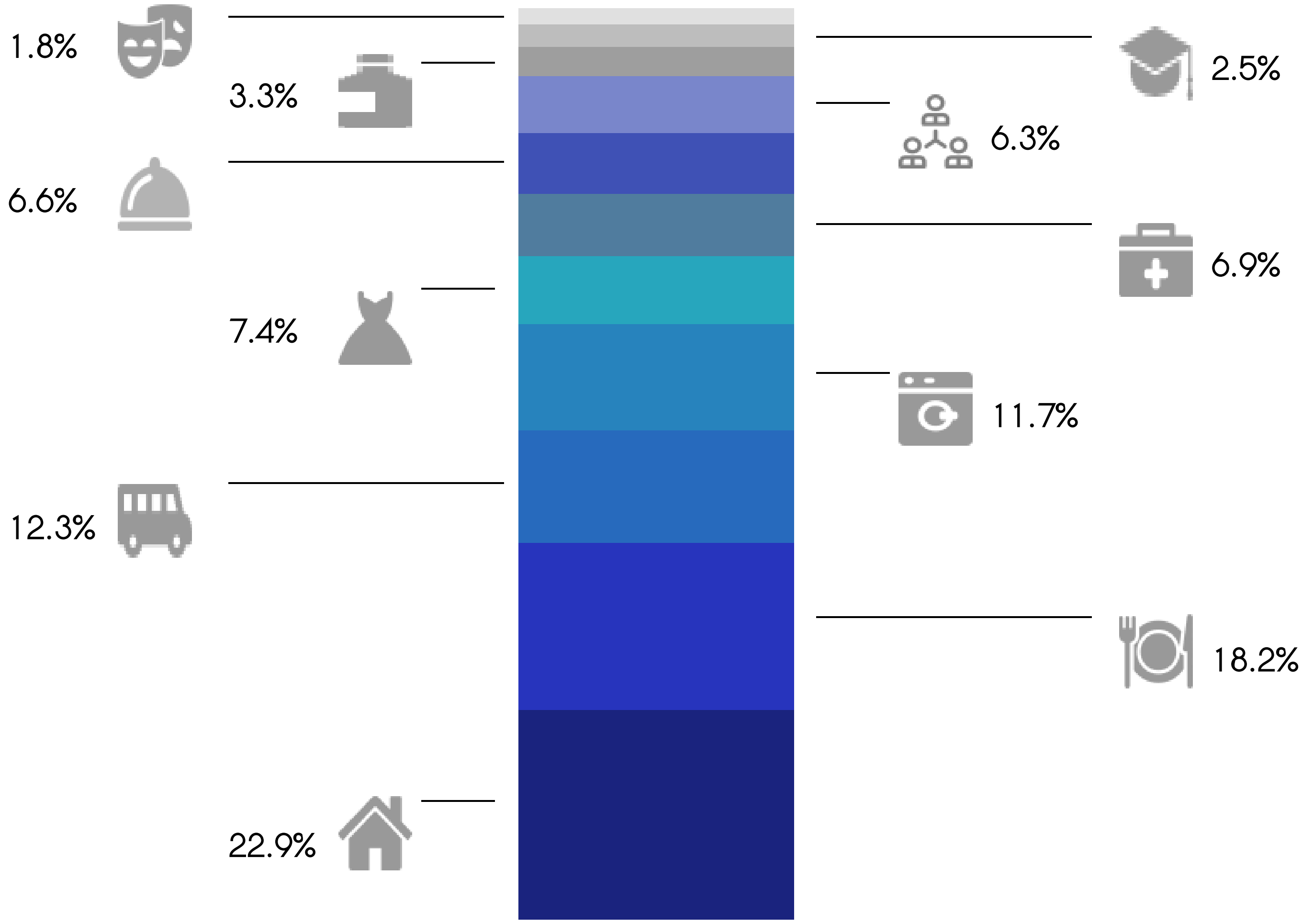
Main quality product imported, 2018

(in percentage of total quality goods imports)



Brazil
HOUSEHOLD DEMAND

Annual expenditure per capita: 7 785 $



Legend:

- *Expenditure for clothing and footwear*
- *Expenditure for food and non-alcoholic beverages*
- *Expenditure for home, water, electricity and gas*
- *Expenditure for health*
- *Expenditure for transports*
- *Expenditure for furniture and household appliances*
- *Expenditure for alcoholic beverages and tobacco*
- *Expenditure for communication*
- *Expenditure for restaurants and hotel*
- *Expenditure for education*
- *Expenditure for culture and leisure*

IMPORTS ACTIVATED BY HOUSEHOLD DEMAND

Imports 2018:

23.7 *BLN $*

CAGR 2018-2020 $:

+ 5.1 % *a.a.*

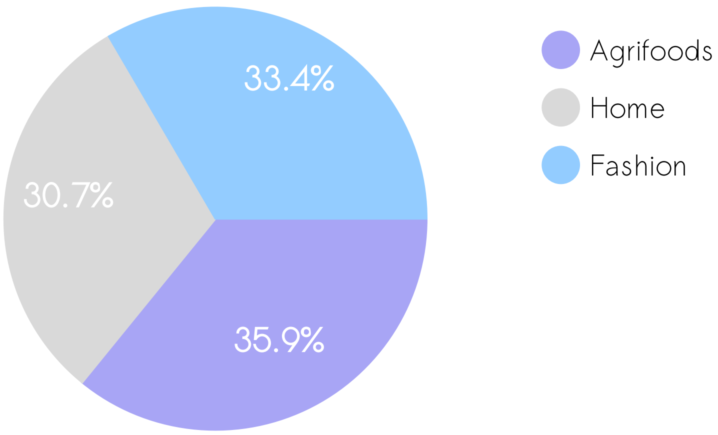
FASHION goods

Main imported products 2018:

1. Outerwear
2. Woven fabrics
3. Personal items

CAGR 2018-2020 $:

+ 5.6 % *a.a.*



HOUSE HOLD goods

Main imported products 2018:

1. Consumer electronics
2. Home appliances
3. General items for the home

CAGR 2018-2020 $:

+ 4.8 % *a.a.*

AGRIFOOD goods

Main imported products 2018:

1. Fish (fresh, frozen, dried and smoked)
2. Milk, yoghurt, butter and cheese
3. Vegetables (fresh and preserved)

CAGR 2018-2020 $:

+ 4.8 % *a.a.*

DATA SOURCES

DEVELOPING FACTORS

Composition of the population, 2015 *Source: UN, World Population Prospects*

Population for age groups and growth forecast *Source: UN,World Population Prospects*

Instruction *Source: UNESCO, Year: last historic year available*

Corruption Perception index (CPI) *Source: Transparency International*

Worldwide Governance Indicators (WGI) *Source: World Bank, Worldwide Governance Indicators (WGI) project*

Inequality of wealth distribution *Source: World Bank, World Development Indicators, Year: last historic year available*

Index of economic freedom, 2018 *Source: Heritage Foundation*

Exports of raw materials over total exports, 2018 *Source: Ulisse Informative System*

Composition of raw materials exports, 2018 *Source: Ulisse Informative System*

Raw materials exports: value and quantity *Source: Ulisse Informative System*

Logistic performance index *Source: World Bank, Year: last historic year available*

Media diffusion *Source: calculation based on World Bank data, Year: last historic year available*

ECONOMIC SITUATION

GDP and growth rate *Source: International Monetary Found, World Economic Outlook, October 2019*

Composition of value added *Source: World Bank, World Bank national accounts data, Year: last historic year available*

Public debt and GDP growth rate *Source: International Monetary Found, World Economic Outlook, October 2019*

Labor cost and unemployment rate *Source: data processing of International Monetary Fund and Bureau of Labor Statistics, October 2019*

Inflation rate and unemployment rate *Source: International Monetary Found, World Economic Outlook, October 2019*

Imports and exports *Source: Ulisse Informative System*

Imports and exports variation rate *Source: Ulisse Informative System*

Main trading partenrs, 2018 *Source: Ulisse Informative System*

Main exported goods, 2018 *Source: Ulisse Informative System*

Main imported goods, 2018 *Source: Ulisse Informative System*

DATA SOURCES

Trade with USA *Source: Ulisse Informative System*

Variation rate of the trade with USA *Source: Ulisse Informative System*

Main imported goods from USA, 2018 *Source: Ulisse Informative System*

Main exported goods to USA, 2018 *Source: Ulisse Informative System*

RISK

Main indicators of risk *Source: Coface, Country Risk Assessment*

Political Risk *Source: World Bank, Worldwide Governance Indicators (WGI) project*

Public debt as % of GDP *Source: International Monetary Fund, World Economic Outlook, October 2019*

Government deficit or surplus ad % of GDP *Source: International Monetary Fund, World Economic Outlook, October 2019*

Inflation rate *Source: International Monetary Fund, World Economic Outlook, October 2019*

Exchange rate toward Euro and Dollar *Source: Bank of Italy*

Risk categories *Source: OECD, Country Risk Classification*

DEMAND SIDE CHARACTERISTICS

Rich population *Source: data processing of International Monetary Fund, World Economic Outlook (October 2019) and World Bank*

Total imports and quality imports *Source: Ulisse Informative System*

Percentage share of imports by type of good, 2018 *Source: Ulisse Informative System*

Main quality product imported, 2018 *Source: Ulisse Informative System*

Annual expenditure per capita by family consumption *Source: National Accounts Official Country Data United Nations Statistics Division (UNSD) Information*

Imports actived by household demand, 2018 *Source: Ulisse Informative System*