

Overview of Brazilian Economy and US-Brazil Commercial Relationship

**Trade & Investment Promotion Section
Embassy of Brazil in Washington, DC**



Role of Trade & Investment Promotion Section (SECOM)

- SECOMs represent Brazil's Ministry of External Relations' (MRE) Department of Trade & Investment Promotion (DPR) in embassies and consulates abroad.
- Promote Brazilian exports, American investment in Brazil, tourism to Brazil
 - Match Brazilian exporters with American importers
 - Organize trade missions to the U.S. for Brazilian public and private sector delegations
 - Advise American companies on investment opportunities in Brazil
 - Assist Brazilian companies investing in the U.S.

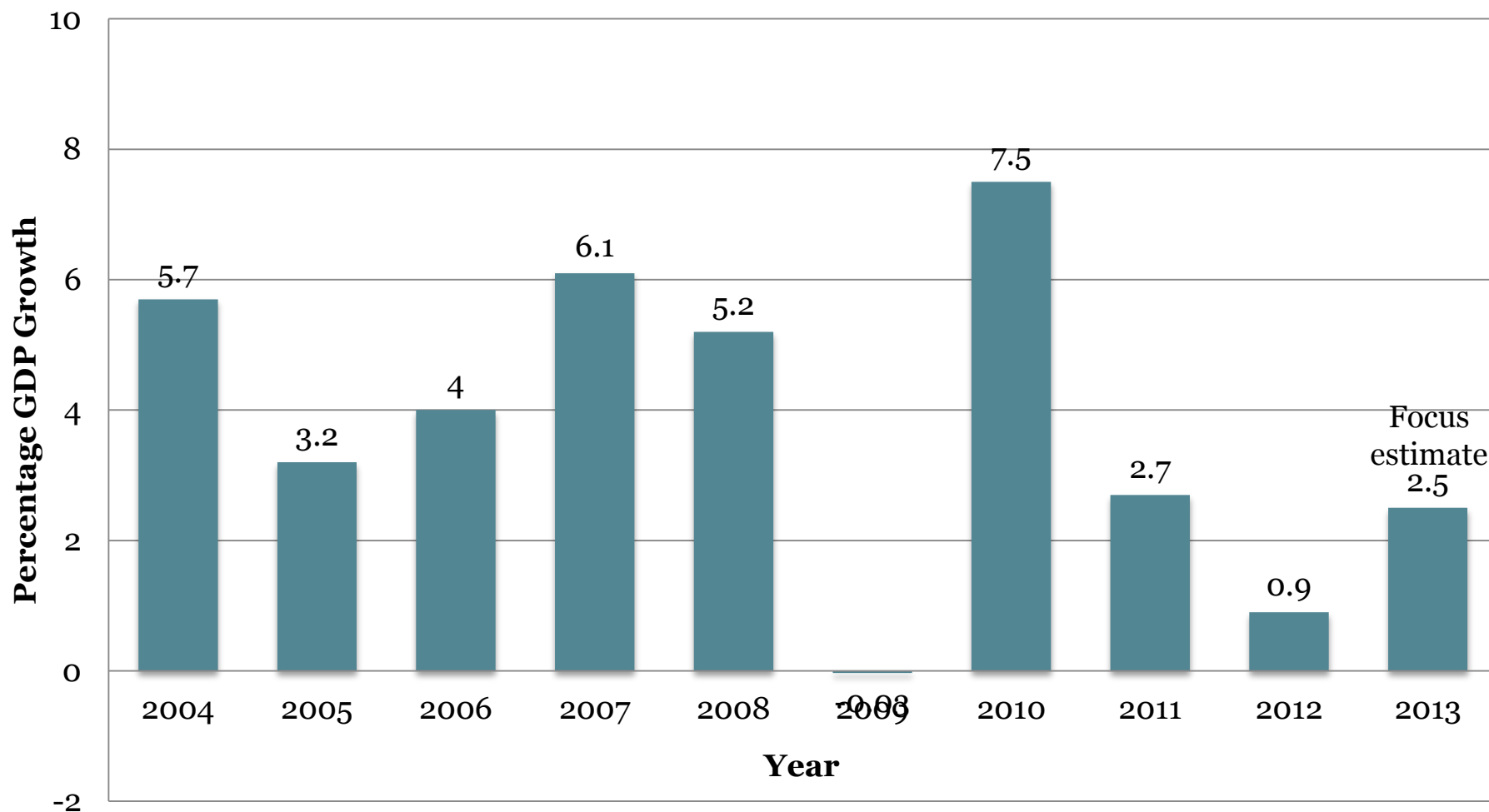
Brazil Basics

- **Population:** almost 200 million
- **Area:** 3.29 million square miles (compare to 3.12 million square miles of contiguous United States)
- **Government:** federative republic modeled after United States with multi-party political system
- **President:** Dilma Rousseff (Worker's Party)
- **Divisions:** 26 states and a federal district (Brasília)
- **Largest metropolitan areas:** São Paulo, Rio de Janeiro, Belo Horizonte, Porto Alegre, Salvador, Recife, Fortaleza, Brasília, Curitiba and Campinas

Overview of Brazilian Economy

- **Currency:** Real (BRL); one dollar is approx. R\$ 2.20
- **GDP (2012):** US\$ 2.50 trillion
- **GDP per capita (2012):** US\$ 11,058
- **Unemployment (August 2013):** 5.3%
- **Inflation (2012):** 5.84%
- **Interest Rate (September 2013):** 9.5%

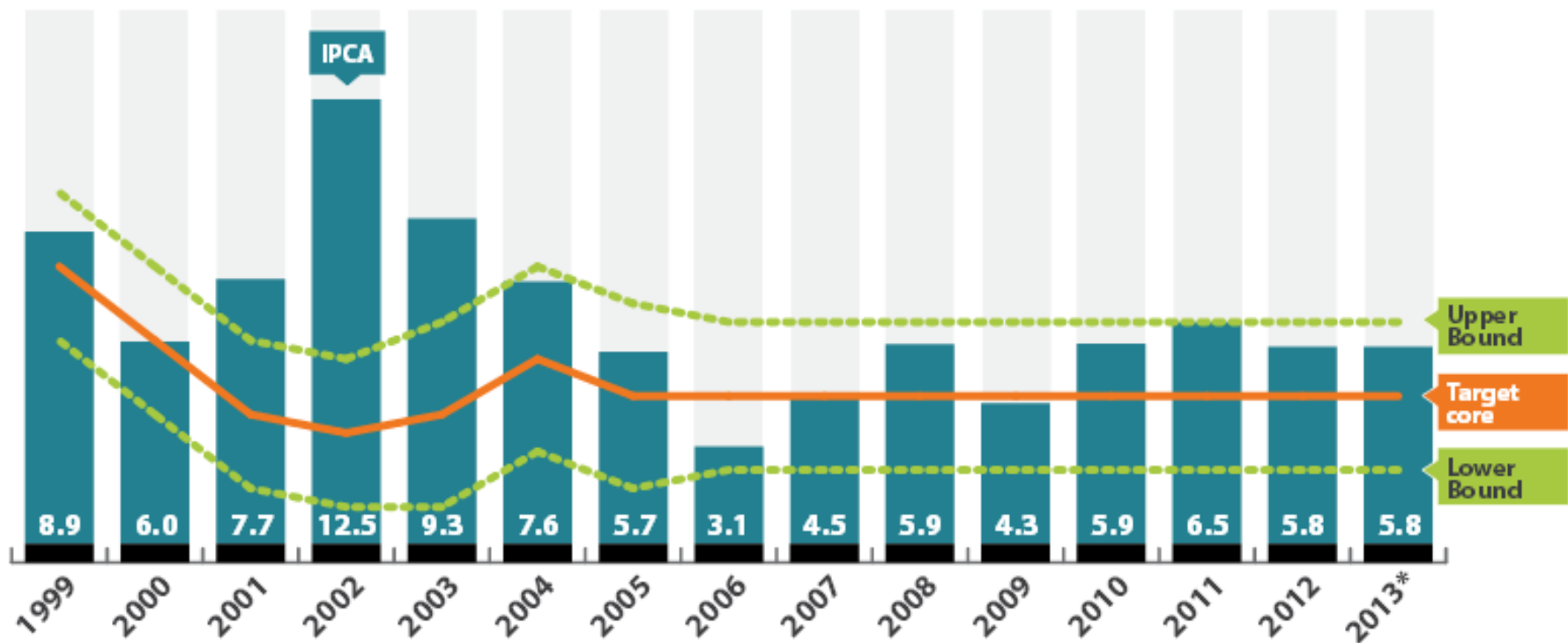
Brazil's Average GDP Growth Strong and Recovering from Crisis



Sources: Brazilian Institute of Geography and Statistics, Central Bank of Brazil

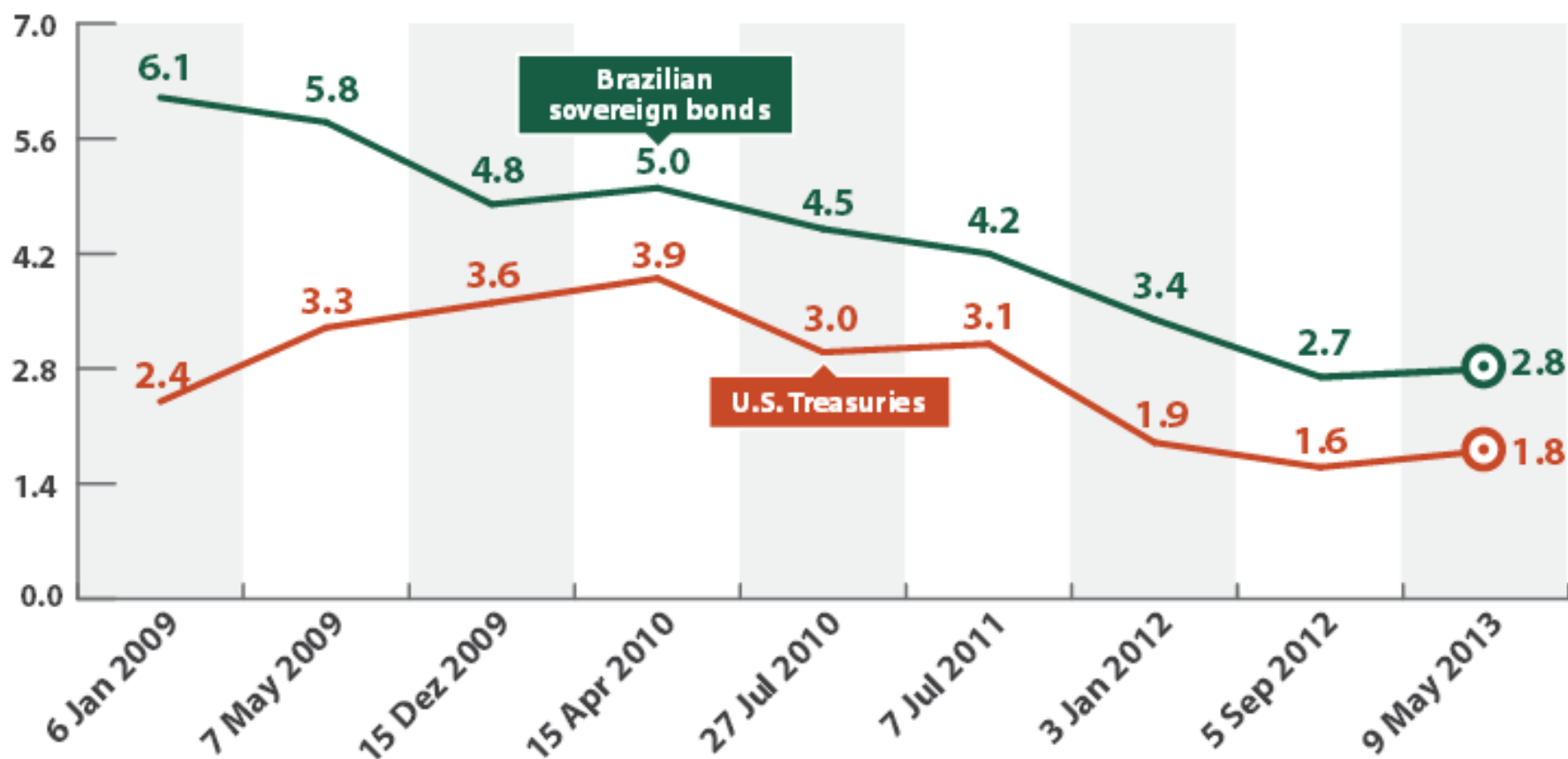
Inflation within Target Range since 2004

Broad Consumer Price Index (IPCA), in % YoY



Low Spreads for Sovereign Bonds

10-Year Brazilian Global Bond and U.S. Treasury Yields, in % per annum



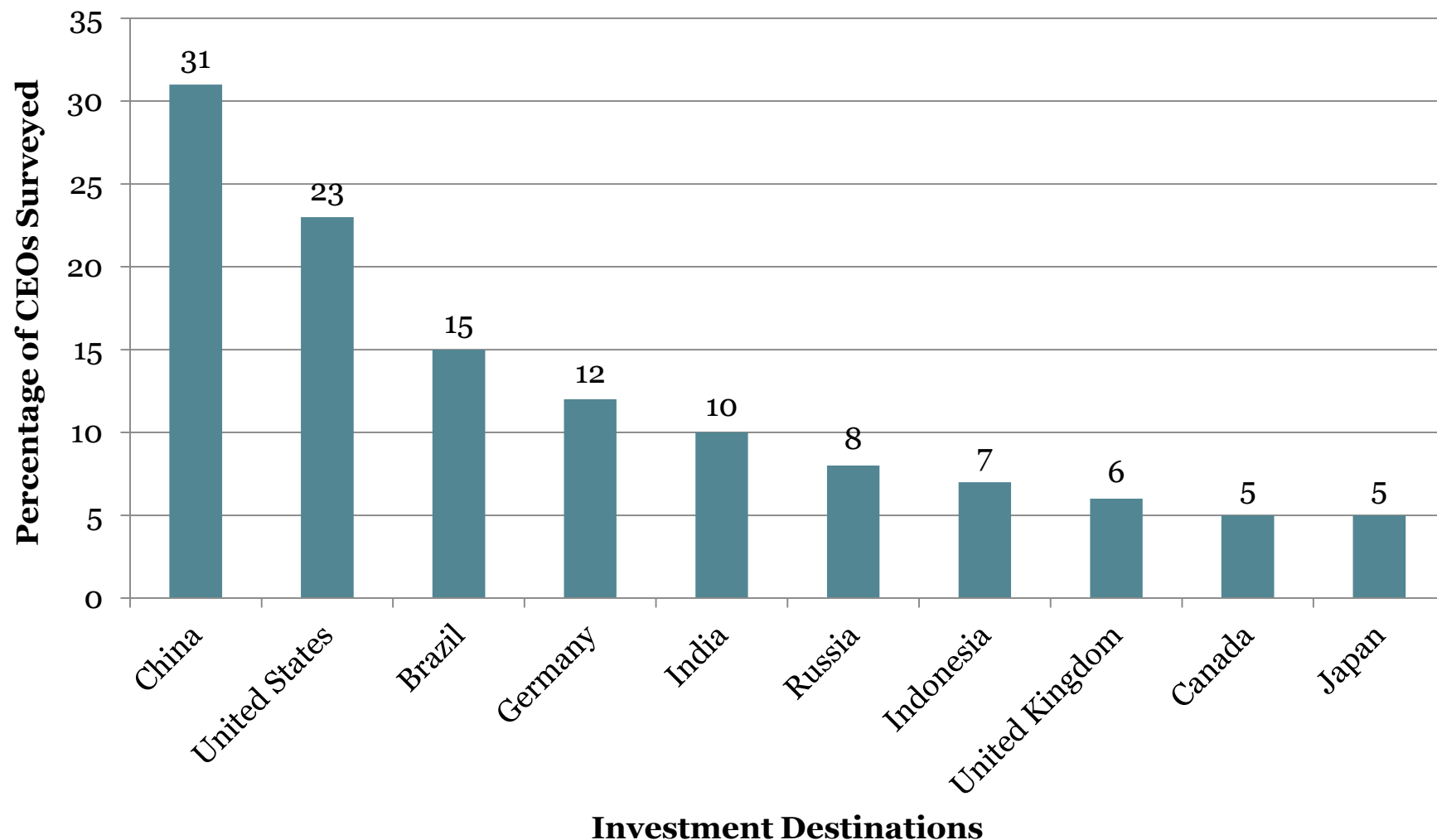
Investor Confidence in Brazil Growing

Foreign Direct Investment, in US\$ billions

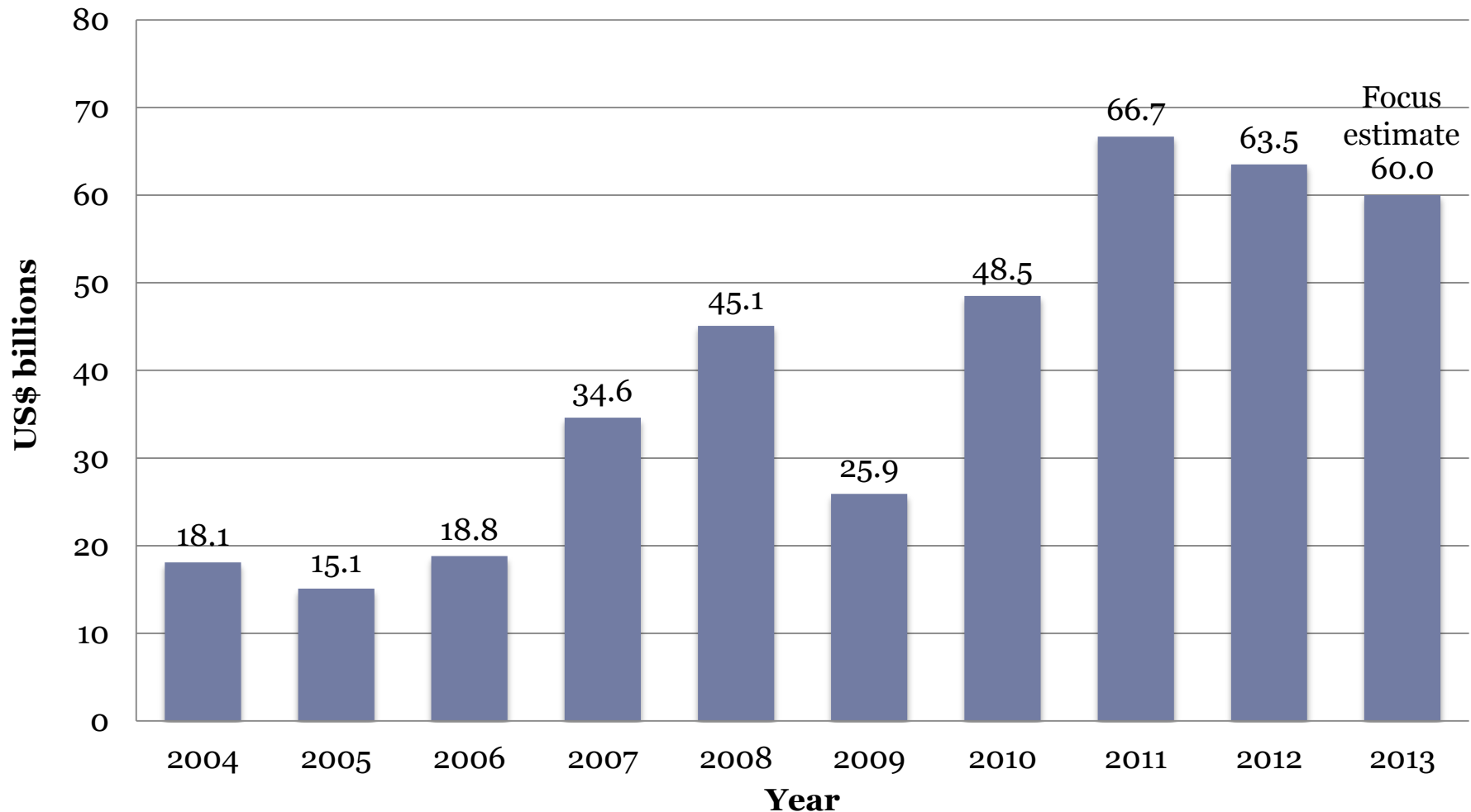


Companies Plan to Grow in Brazil

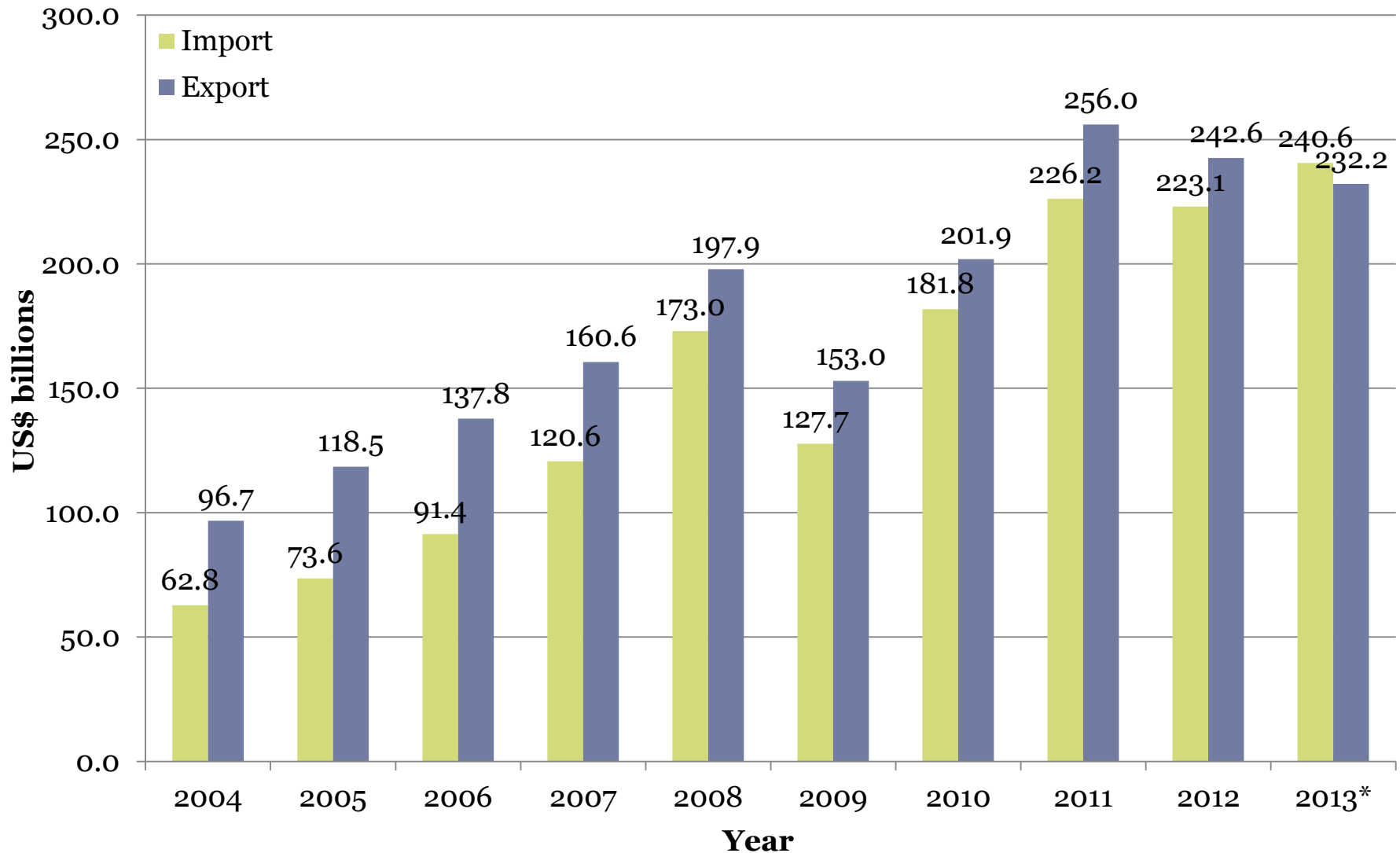
Percentage of CEOs Planning Expansion



Foreign Direct Investment Flows into Brazil Increasing

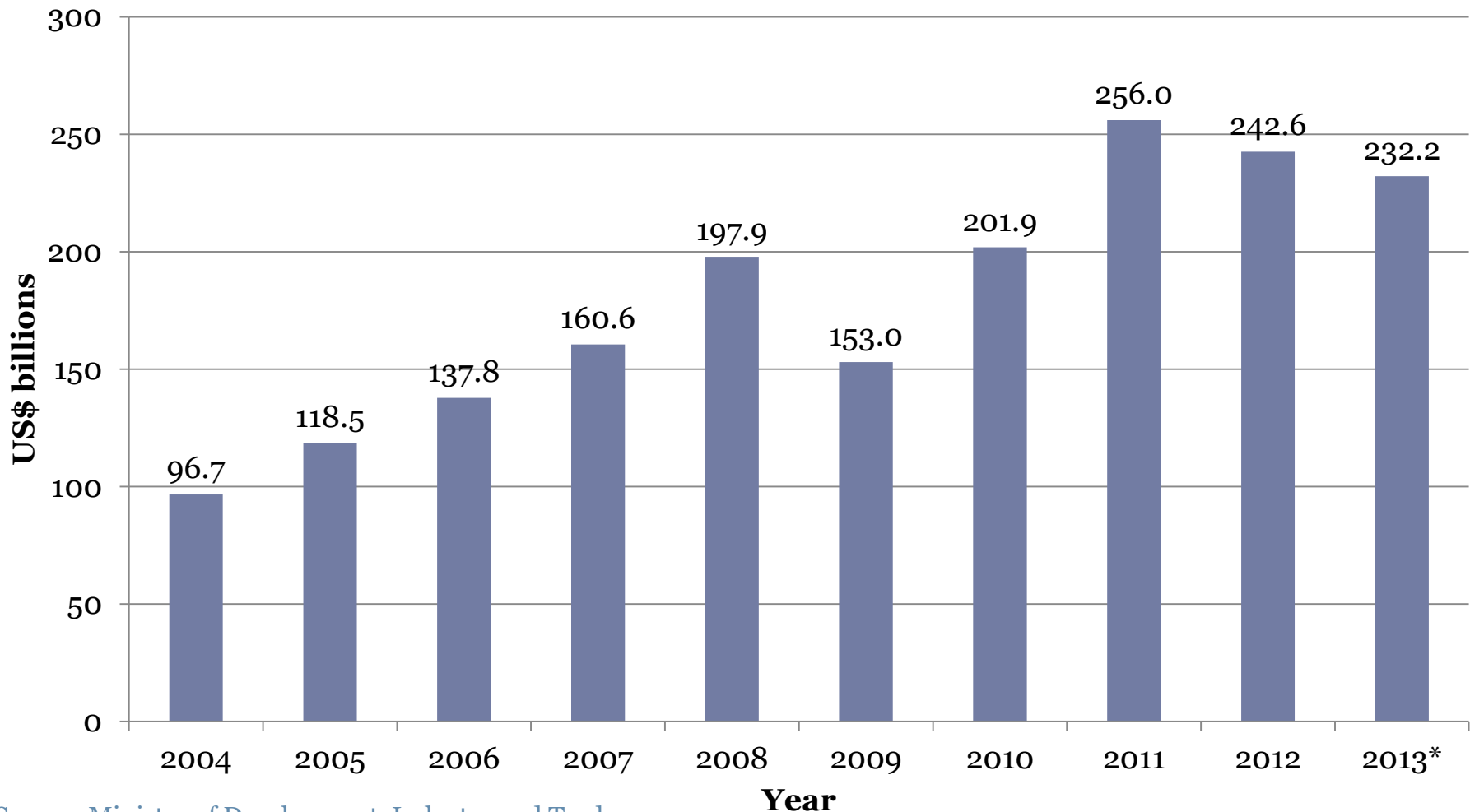


Brazilian Trade Balance (2004-13)



Source: Ministry of Development, Industry and Trade

Value of Total Brazilian Exports (2004-13)



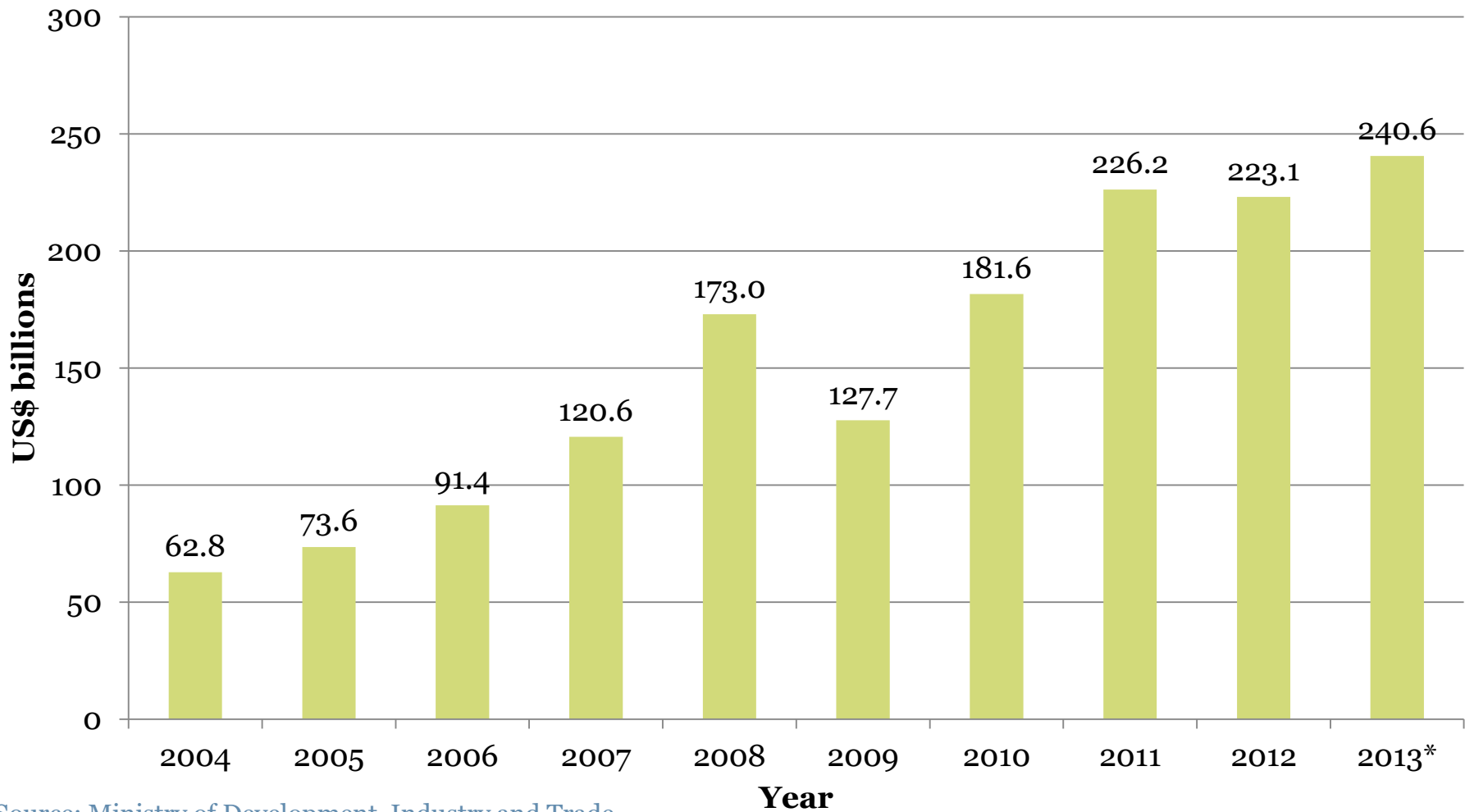
Destination of Brazilian Exports (2012)

Economic Bloc	Value US\$ billions	Δ% 2011/2012	% Share
Asia	75.33	-1.8	31.1
-China	41.23	-7.0	17.0
Latin America and the Caribbean	50.45	-11.7	20.8
-MERCOSUL	27.86	-14.1	11.5
-Argentina	17.99	-20.7	7.4
-Other Latin American Countries	22.59	-8.6	9.3
European Union	48.86	-7.7	20.1
United States	26.85	3.5	11.1
Africa	12.21	-0.1	5.0
Middle East	11.53	-6.1	4.8

Top Brazilian Exports (2012)

Product	Value US\$ billions	Δ % 2011/2012
1-Ores	30.99	-25.9
2-Petroleum	20.31	-6.0
3-Sugar	10.03	-13.2
4-Soybeans and Products	6.60	15.7
5-Coffee	5.72	-28.5
6-Corn	5.36	97.3
7-Oil and Fuel	5.04	33.5
8-Airplanes	4.75	21.0
9-Ethanol	2.19	46.5
10-Cotton	2.10	32.3

Value of Total Brazilian Imports (2004-13)



Origin of Brazilian Imports (2012)

Economic Bloc	Value US\$ billions	Δ % 2011/2012	% Share
Asia	68.87	-1.7	30.9
-China	34.25	4.4	15.3
European Union	18.47	7.7	8.3
Latin America and the Caribbean	47.66	2.7	21.4
-MERCOSUL	38.72	2.5	17.4
-Argentina	20.25	-1.9	9.1
-Other Latin American Countries	16.44	-2.7	7.4
United States	32.6	-4.8	14.6
Africa	14.27	-7.6	6.4
Middle East	7.39	20.4	3.3

Top Brazilian Imports (2012)

Product	Value US\$ billions	Δ % 2011/2012
1-Oil and Fuel	40.18	-4.2
2-Mechanical Equipment	34.67	2.8
3-Electrical and Electronic Equipment	25.49	-3.5
4-Motor Vehicles and Parts	21.31	-5.8
5-Organic and Inorganic Chemicals	12.44	5.7
6-Fertilizers	8.58	-6.1
7-Plastics and Derivatives	7.97	-1.7
8-Iron, Steel and Derivatives	7.57	-0.1
9-Pharmaceuticals	6.84	5.3
10-Optical and Precision Equipment	6.47	2.6

US-Brazil Commercial Dialogue

- **Public Sector**

- Ministry of Development, Industry and Commerce - Department of Commerce (MDIC-DoC)
- Science Mobility student exchange program
- Strategic Dialogue on Energy

- **Private Sector**

- Brazil-US CEO Forum
- American Chambers of Commerce in Brazil
- Brazilian Chambers of Commerce in US
- Brazil-US Business Council (US Chamber of Commerce)
- Brazil Industries Coalition (BIC)

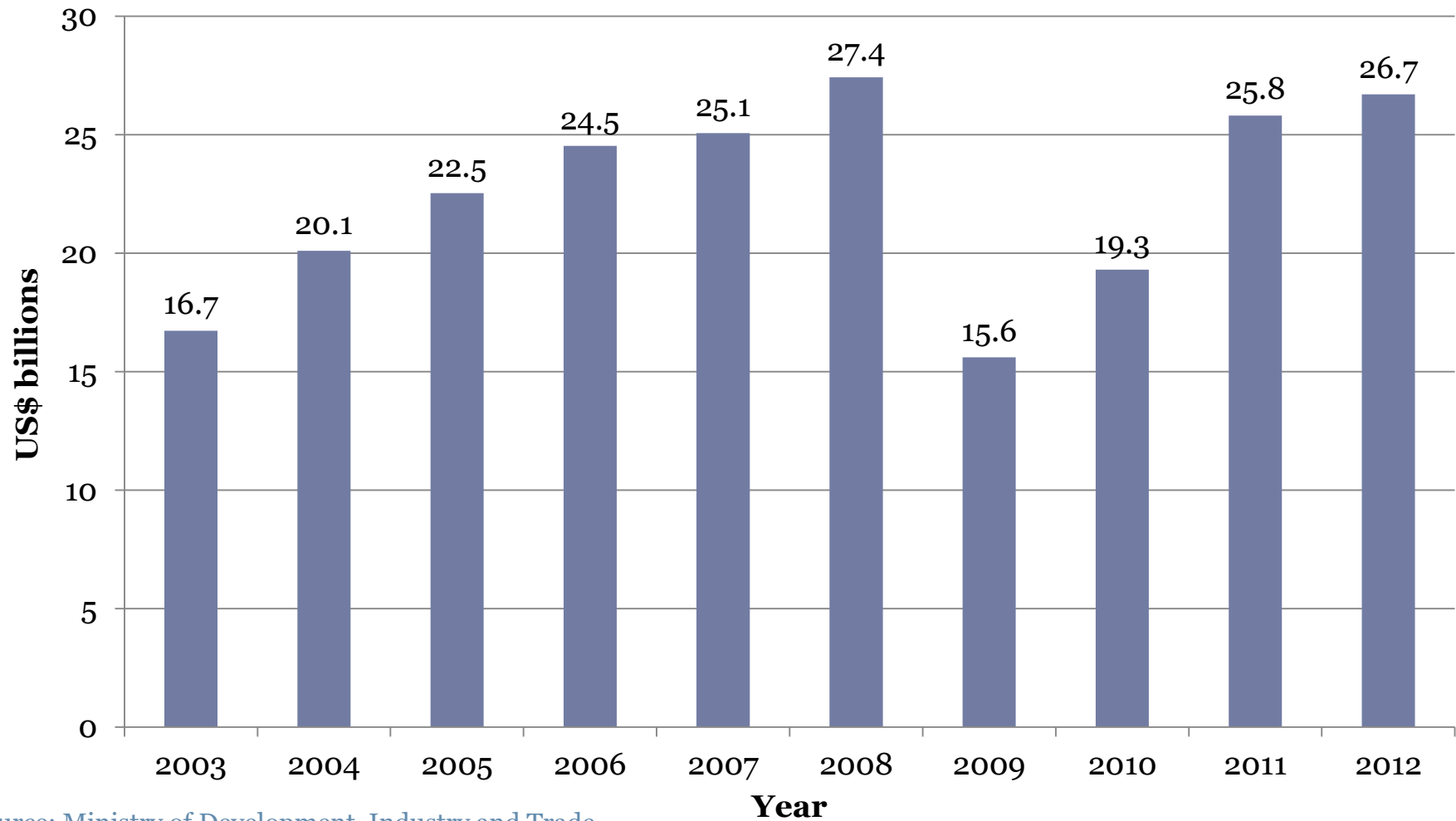
US-Brazil Bilateral Trade

- **In 2012 Brazil was the United States'...**
 - 8th largest trading partner (2.0%)
 - 7th largest export market (2.8%)
 - 15th largest import market (1.4%)
 - 6th largest trade surplus
- **In 2012 the United States was Brazil's...**
 - 2nd largest trading partner (after China since 2010)
 - 2nd largest export market
(11.1% compared to China's 17.0% in 2012)
 - 2nd largest import market
(14.6% compared to China's 15.3% in 2012)

Brazil's Trade Surplus with the US Became Trade Deficit in 2009



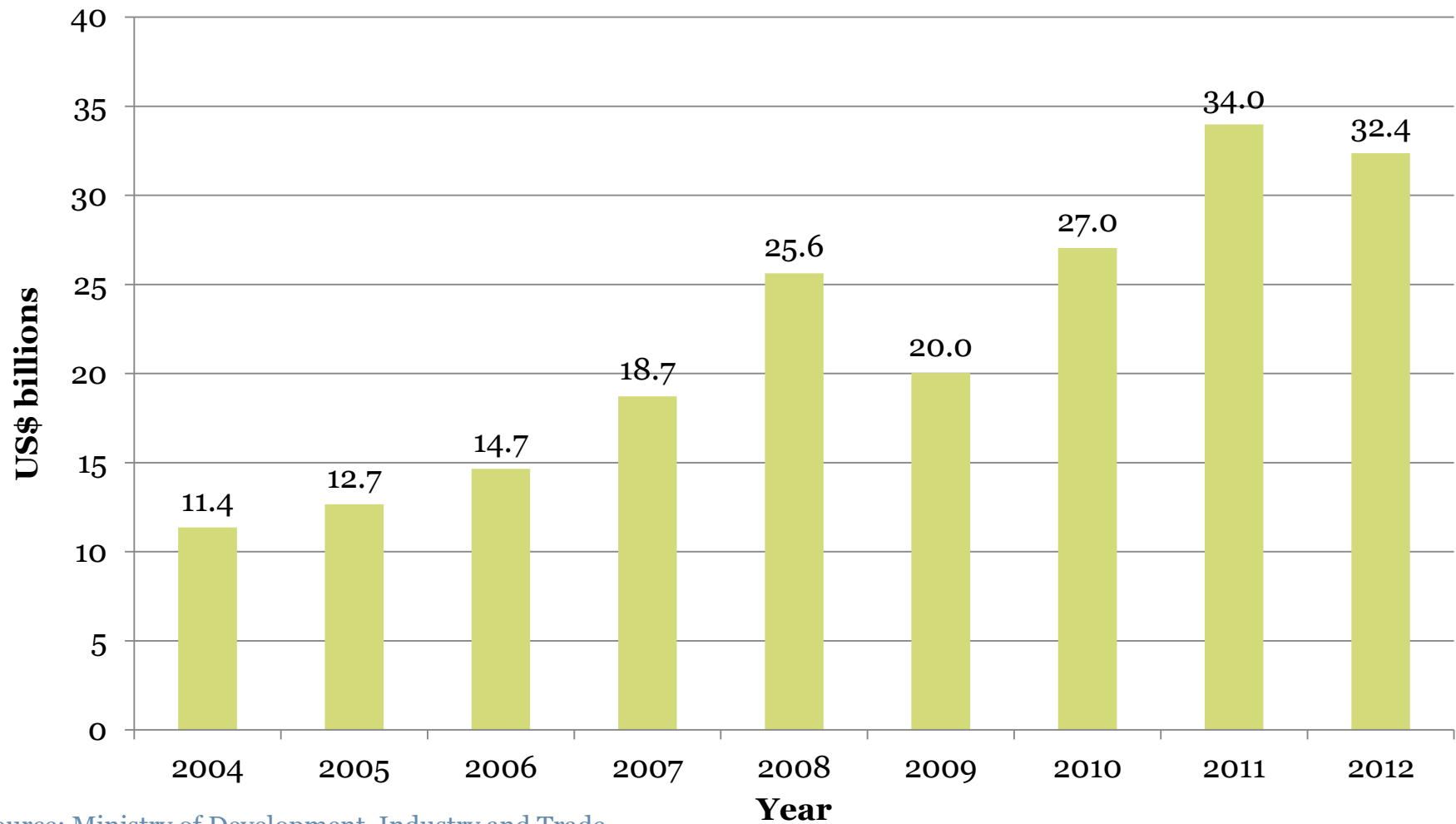
Value of Brazilian Exports to US (2003-12)



Top Brazilian Exports to US (2012)

Product	Value US\$ millions	% of Total Exports to US
1-Crude oil	5,577.7	20.89
2-Semimanufactured goods of iron or steel	1,470.3	5.51
3-Ethyl alcohol	1,397.4	5.23
4-Green coffee beans	1,054.5	3.95
5-Cast iron	905.6	3.39
6-Wood pulp	828.2	3.10
7-Other airplanes or similar vehicles	553.5	2.07
8-Processed granite	517.4	1.94
9-Parts of other motors or generators	490.1	1.84
10-Semimanufactured products of iron alloy	437.3	1.64

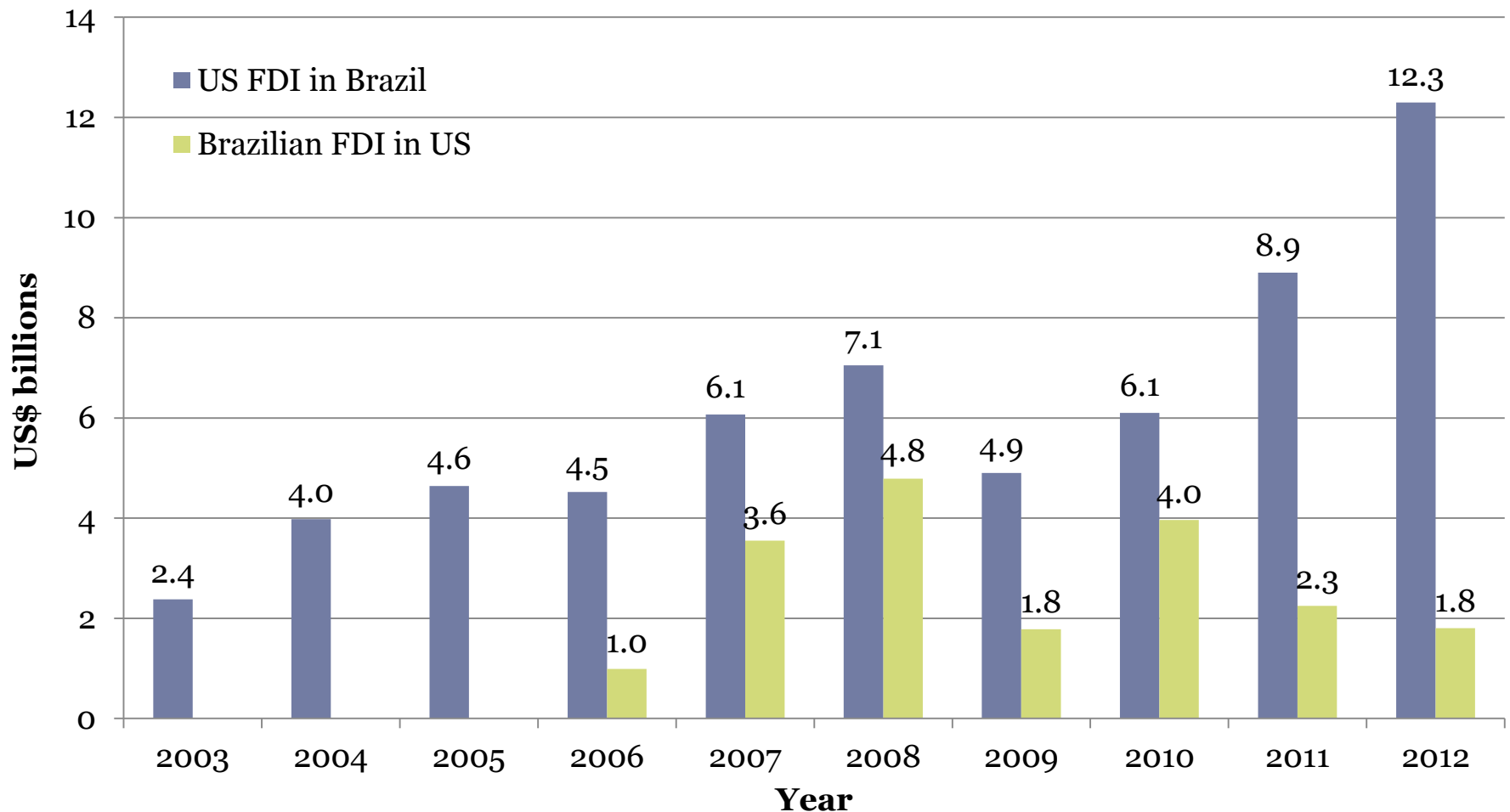
Value of Brazilian Imports from US (2003-12)



Top Brazilian Imports from US (2012)

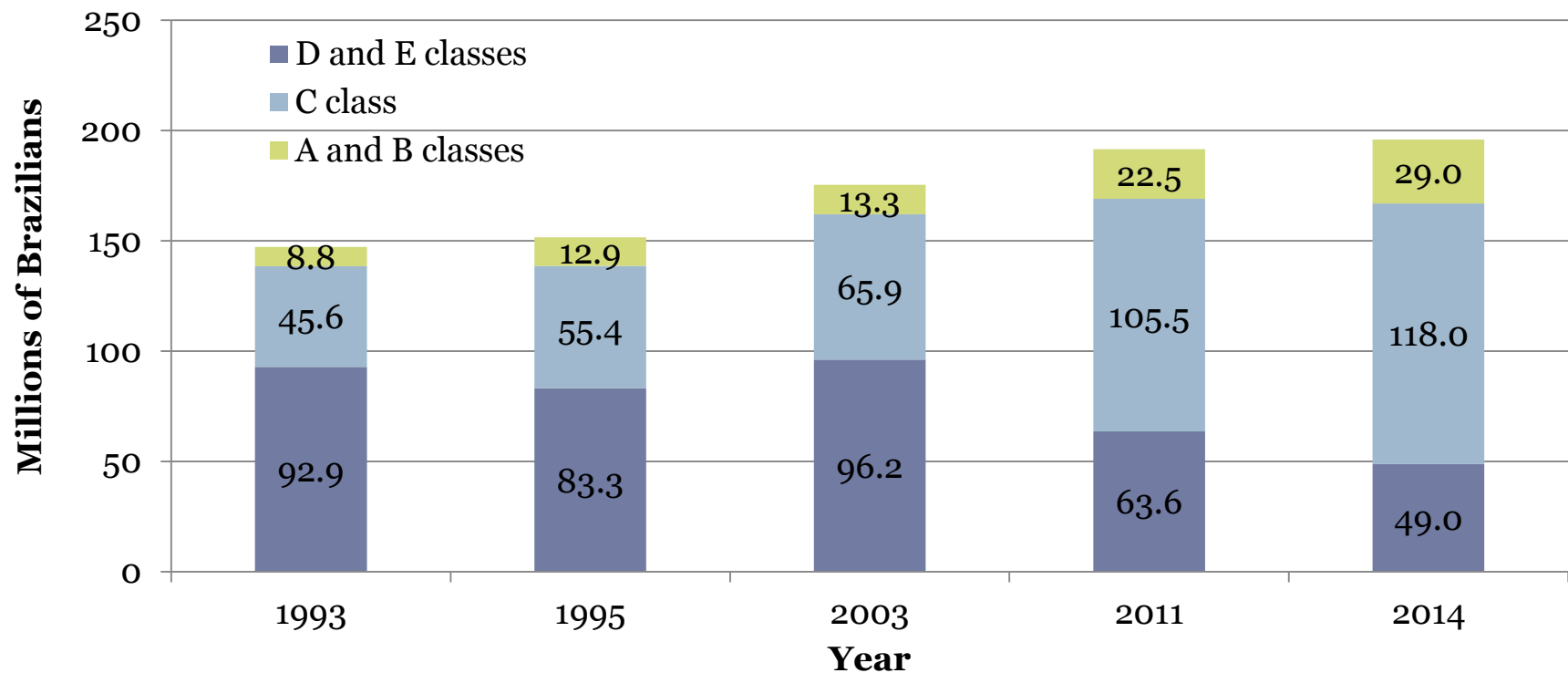
Product	Value US\$ millions	% of Total Imports from US
1-Gasoline	2,763.1	8.54
2-Bituminous coal	1,138.2	3.52
3-Parts of turboreactors or turbopropellers	940.4	2.91
4-Thrust turboreactors	647.5	2.00
5-Other gasolines, except for aviation	565.2	1.75
6-Other parts for airplanes or helicopters	445.9	1.38
7-Sodium hydroxide in aqueous solution	396.7	1.23
8-Ethyl alcohol with water content	354.3	1.09
9-Other insecticides	339.7	1.05
10-Lubricants without additives	335.4	1.04

US-Brazilian Bilateral FDI Flows Becoming More Equal



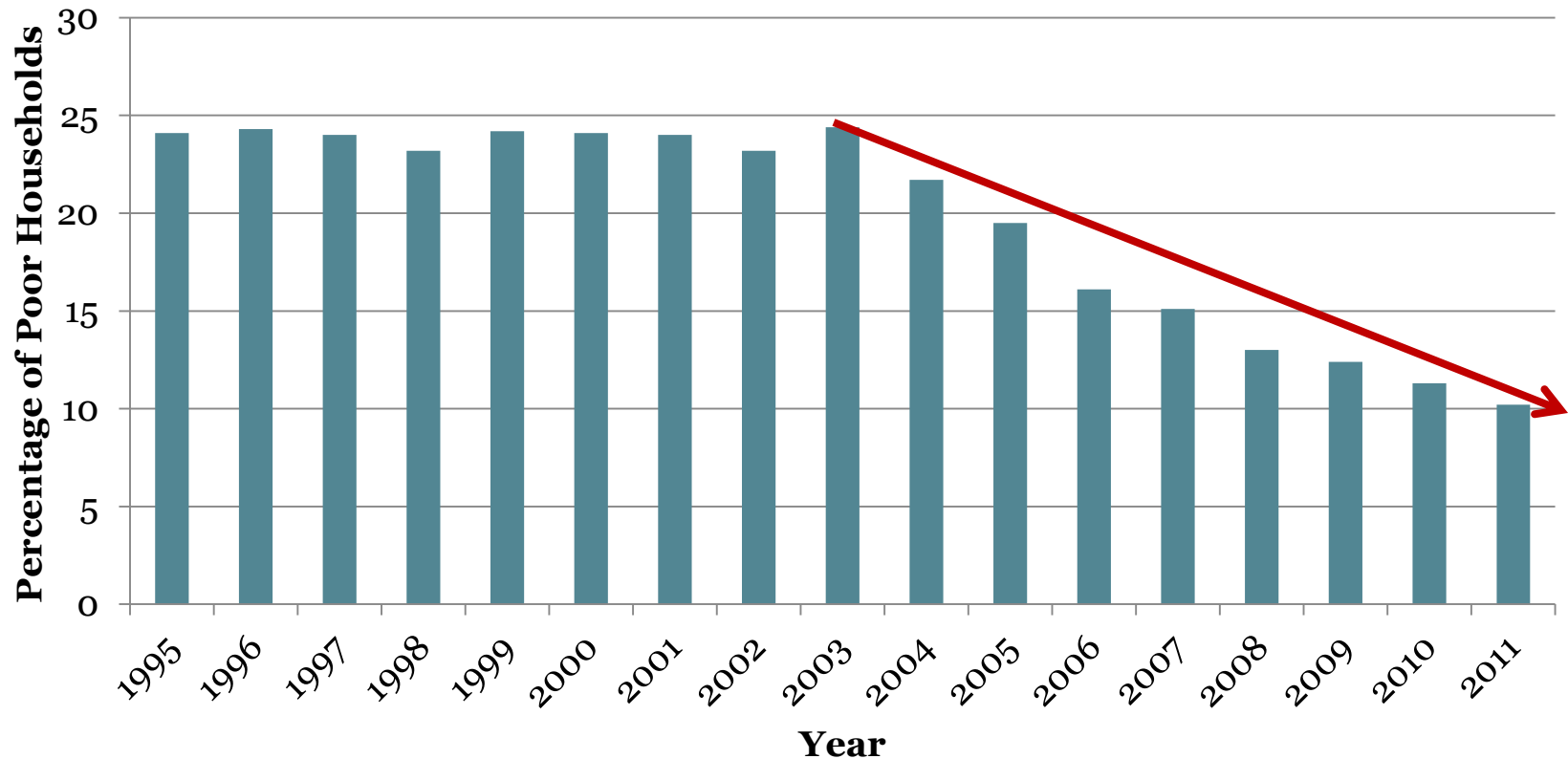
Social Inclusion Programs Increased Middle Class and Reduced Poverty

- *Brasil sem Miséria* expanded *Bolsa Familia* income transfer program



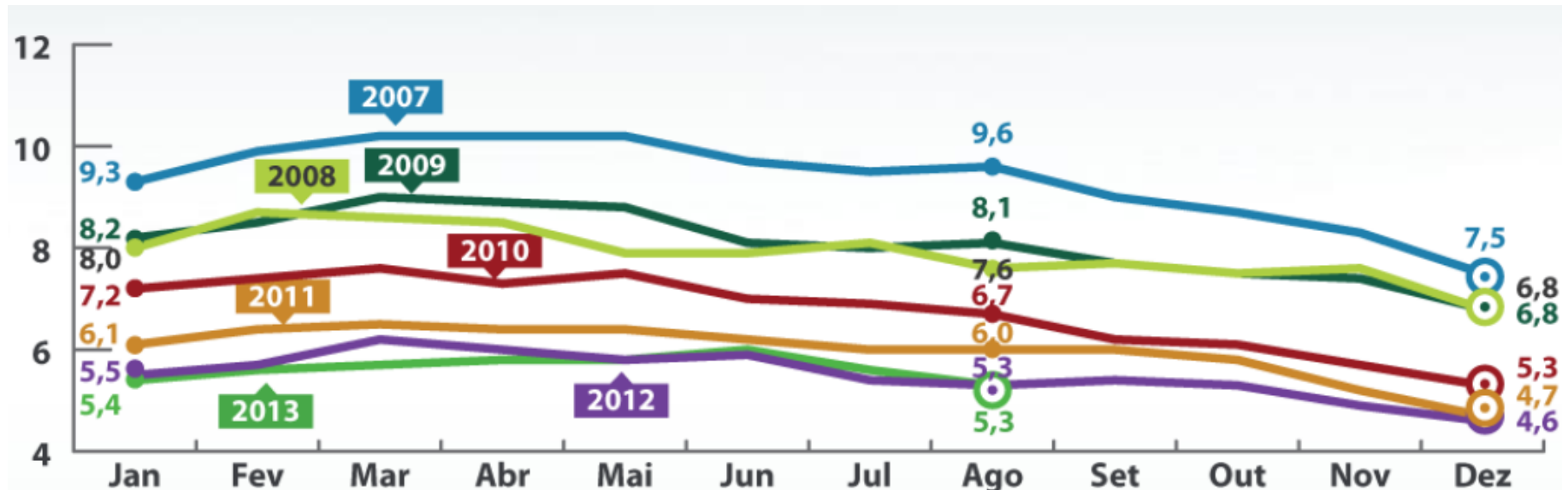
Social and Employment Policies Reduced Poverty by 58%

**Percentage of households earning less than US\$2.50/day PPP
(UN Millennium Development Goals criteria)**



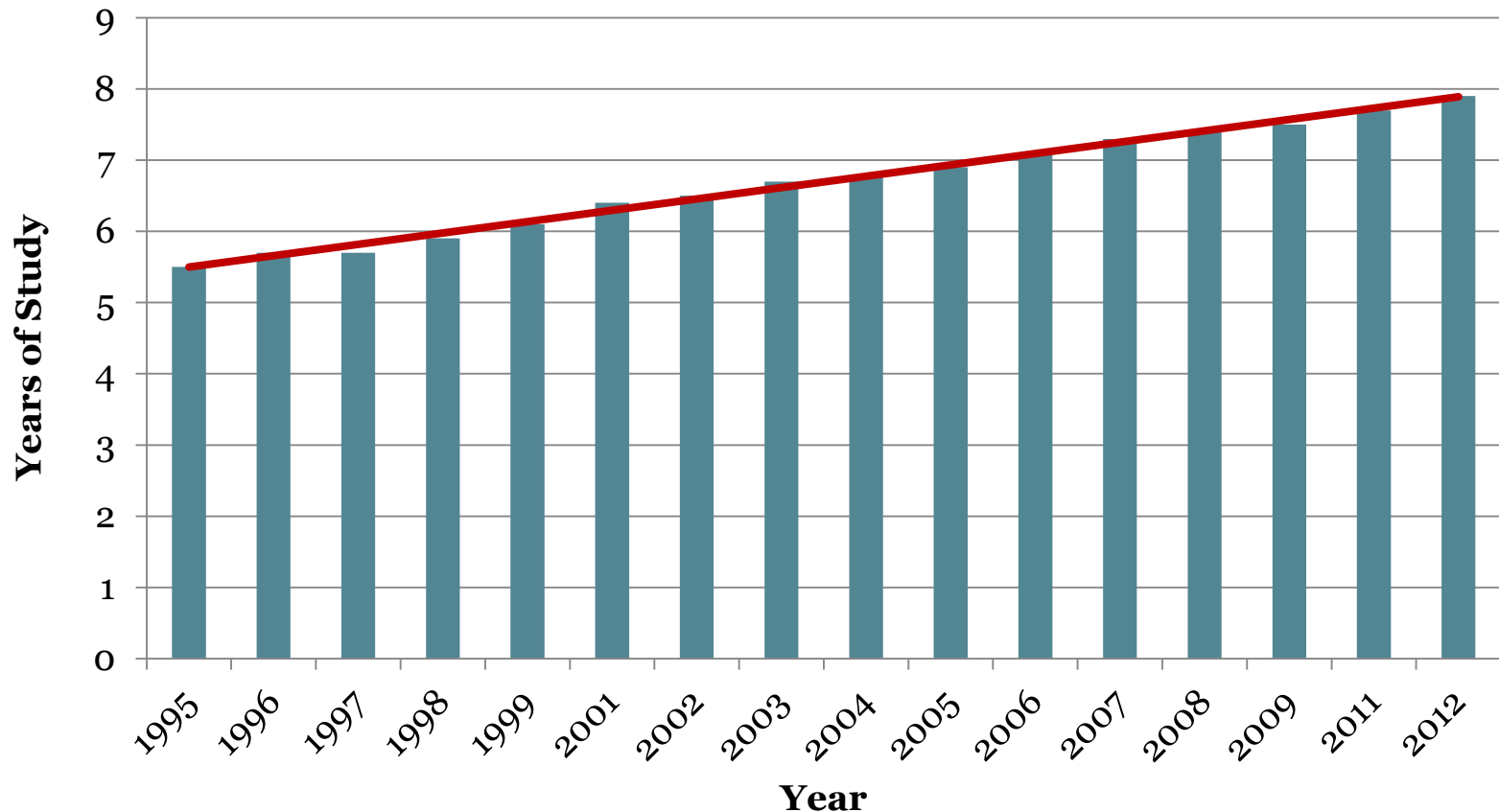
Unemployment Rate at Historic Low

Unemployment Rate, as % of Total Workforce



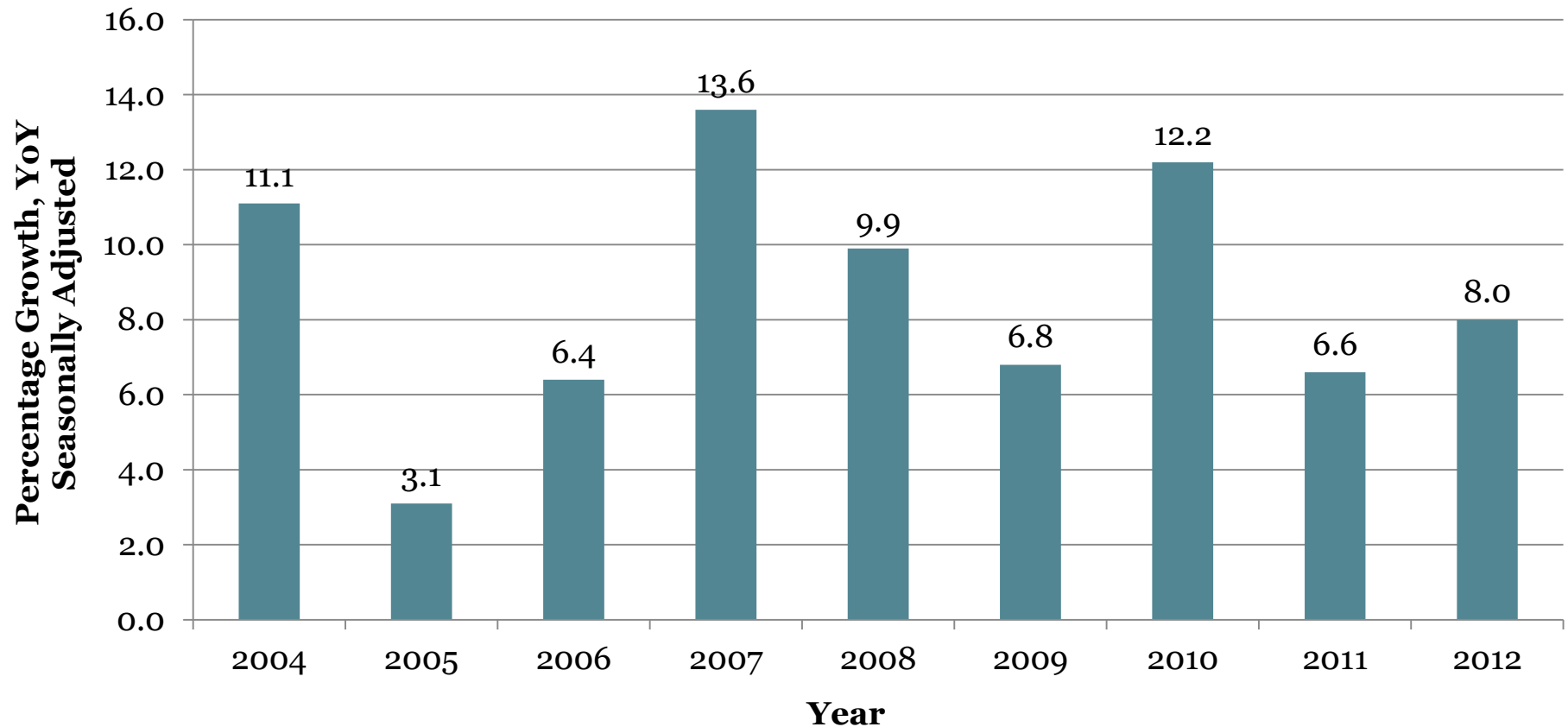
Levels of Education Steadily Increasing

Average years of education, of population 15 years or older



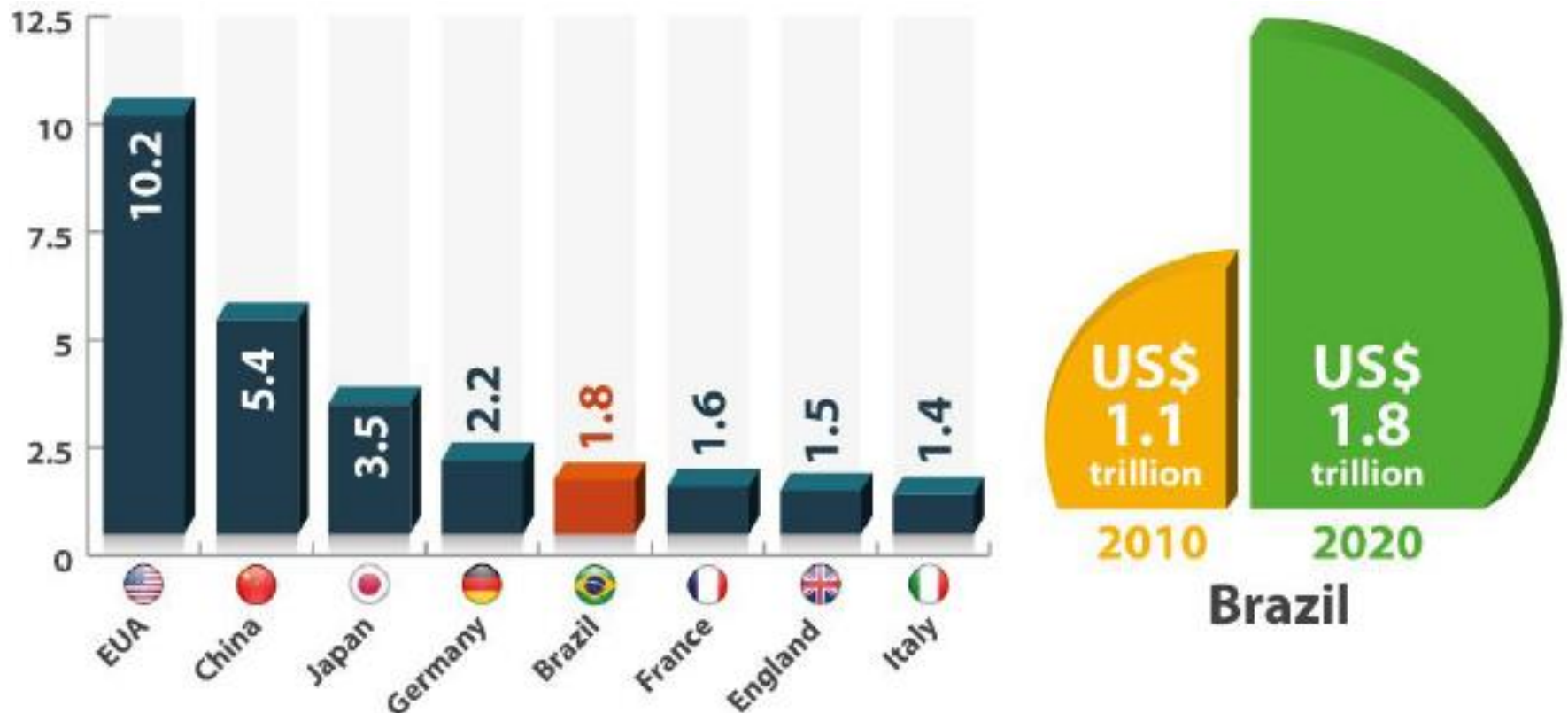
Consistent Growth in Retail Sales Shows Health of Domestic Market

Broad Retail Sales



Brazilian Consumer Market will be 5th Largest in World by 2020

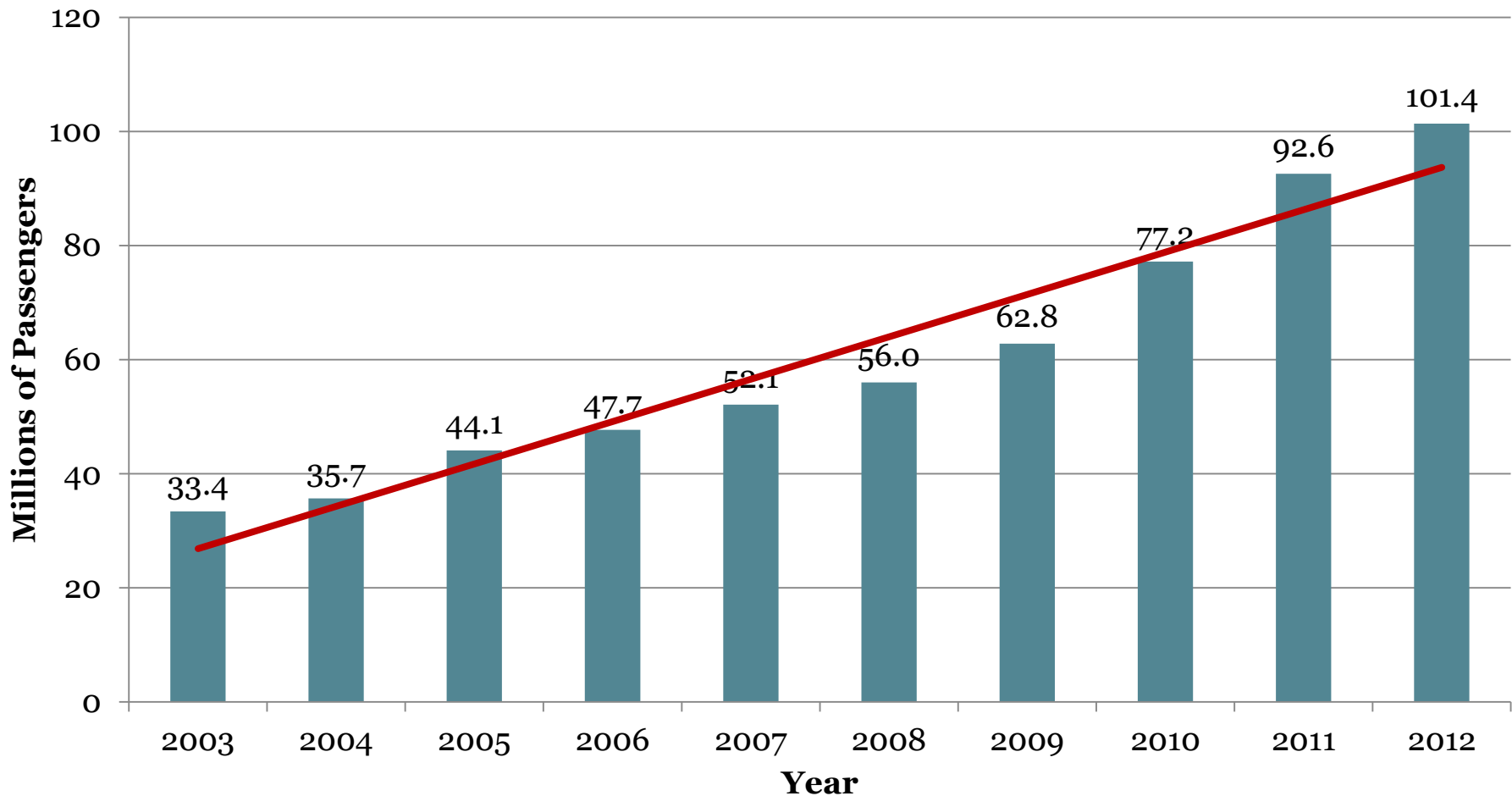
Global Consumer Market, in US\$ trillions



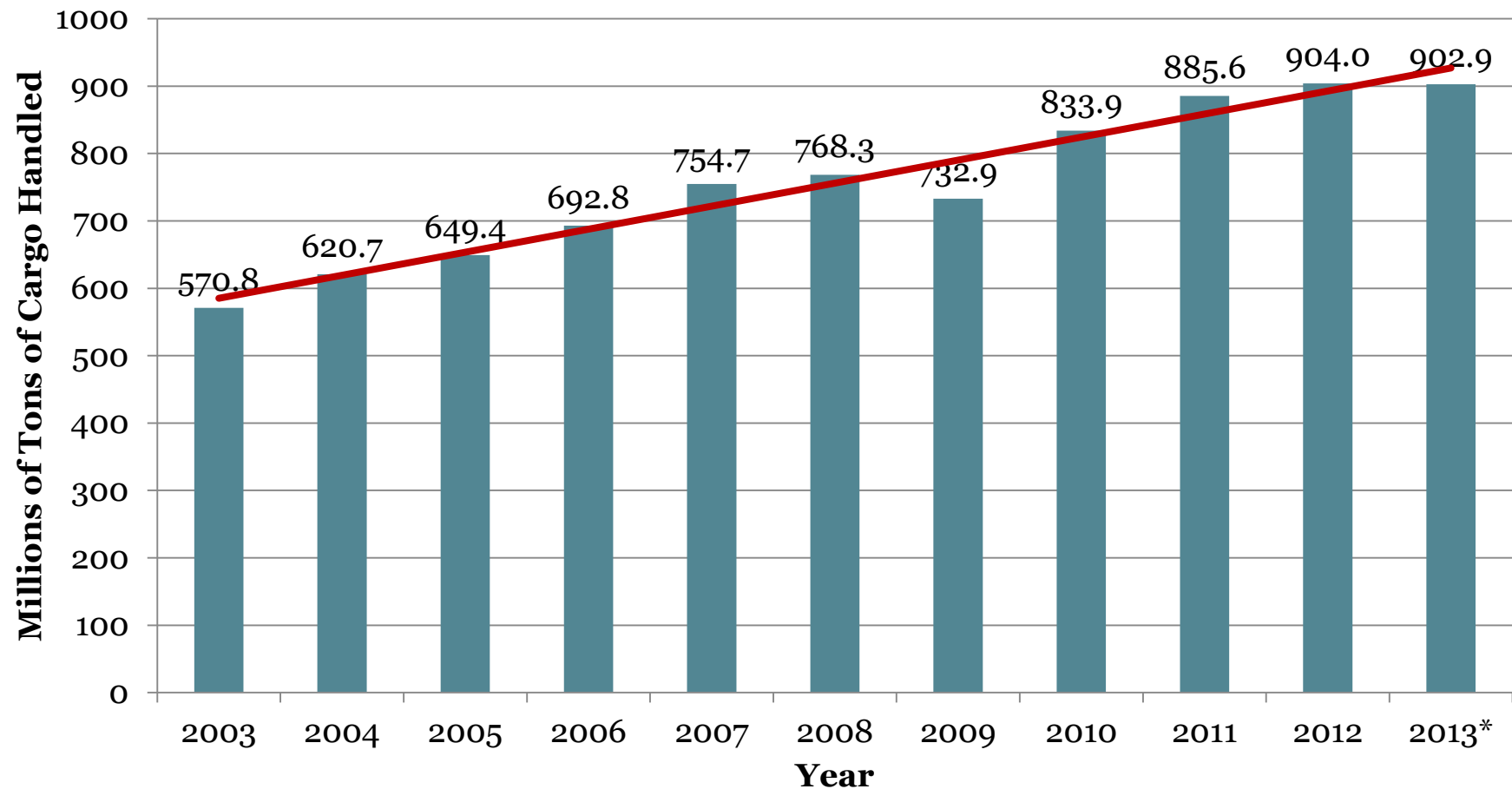
Demand for All Types of Infrastructure Increasing

Infrastructure Demand	Measurement	Demand in 2002	Demand in 2012	% Growth (2002-12)
Air Traffic	millions of passengers per year	35.9	101.4	182.5
Road Traffic	millions of vehicles per km per year	56.5	105.5	86.6
Vehicle Sales	millions of units per year	1.5	3.8	153.5
Railways	annual revenue in US\$ billions	168.0	298.0	77.4
Port Trade Volume	millions of tons per year	570.8	904.0	58.4
Grain Harvest	millions of tons per year	119.1	166.2	39.5
Trade Flow	US\$ billions	107.7	465.7	332.4

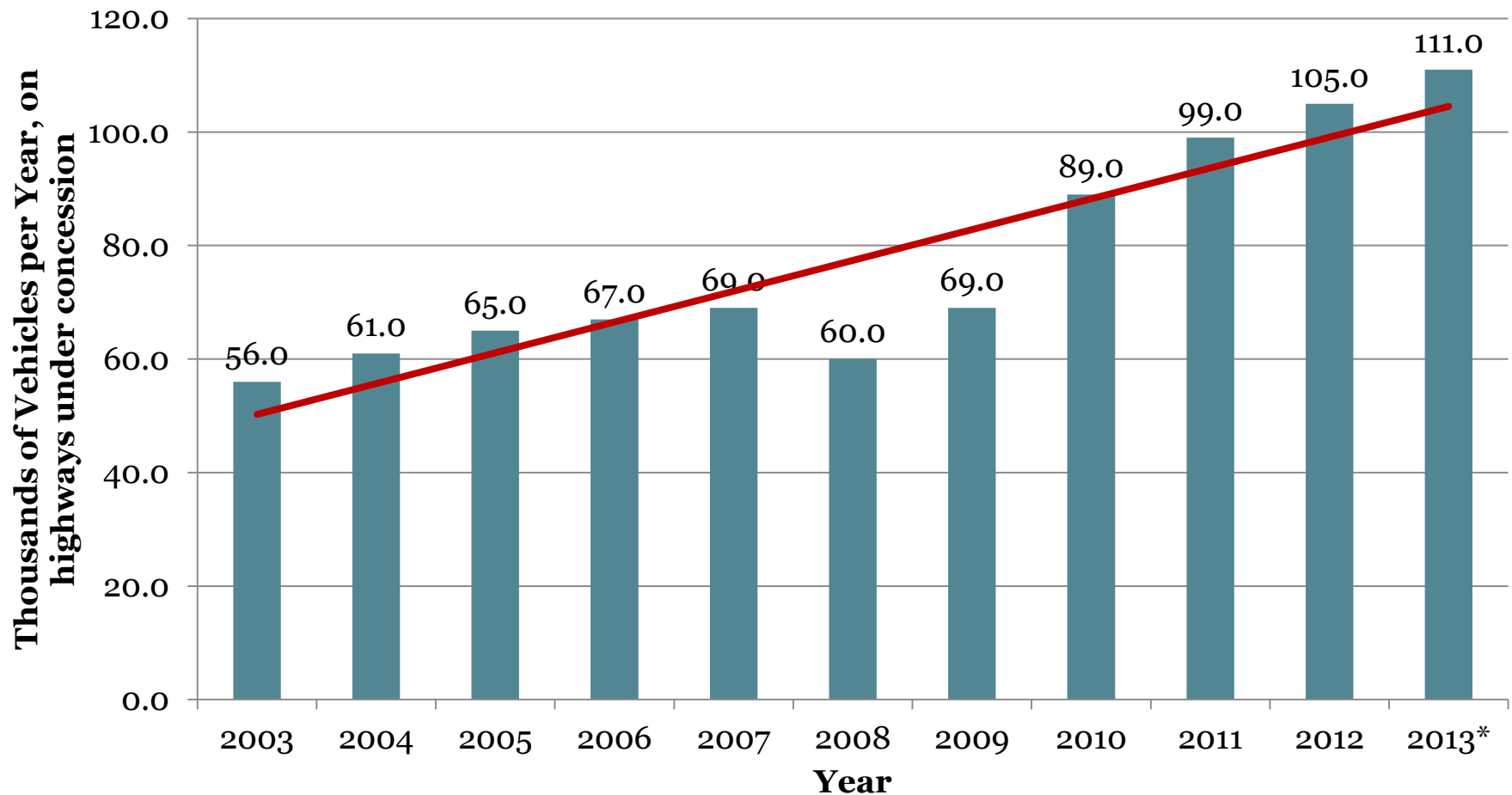
Air Travel Increased 182% over Last Decade



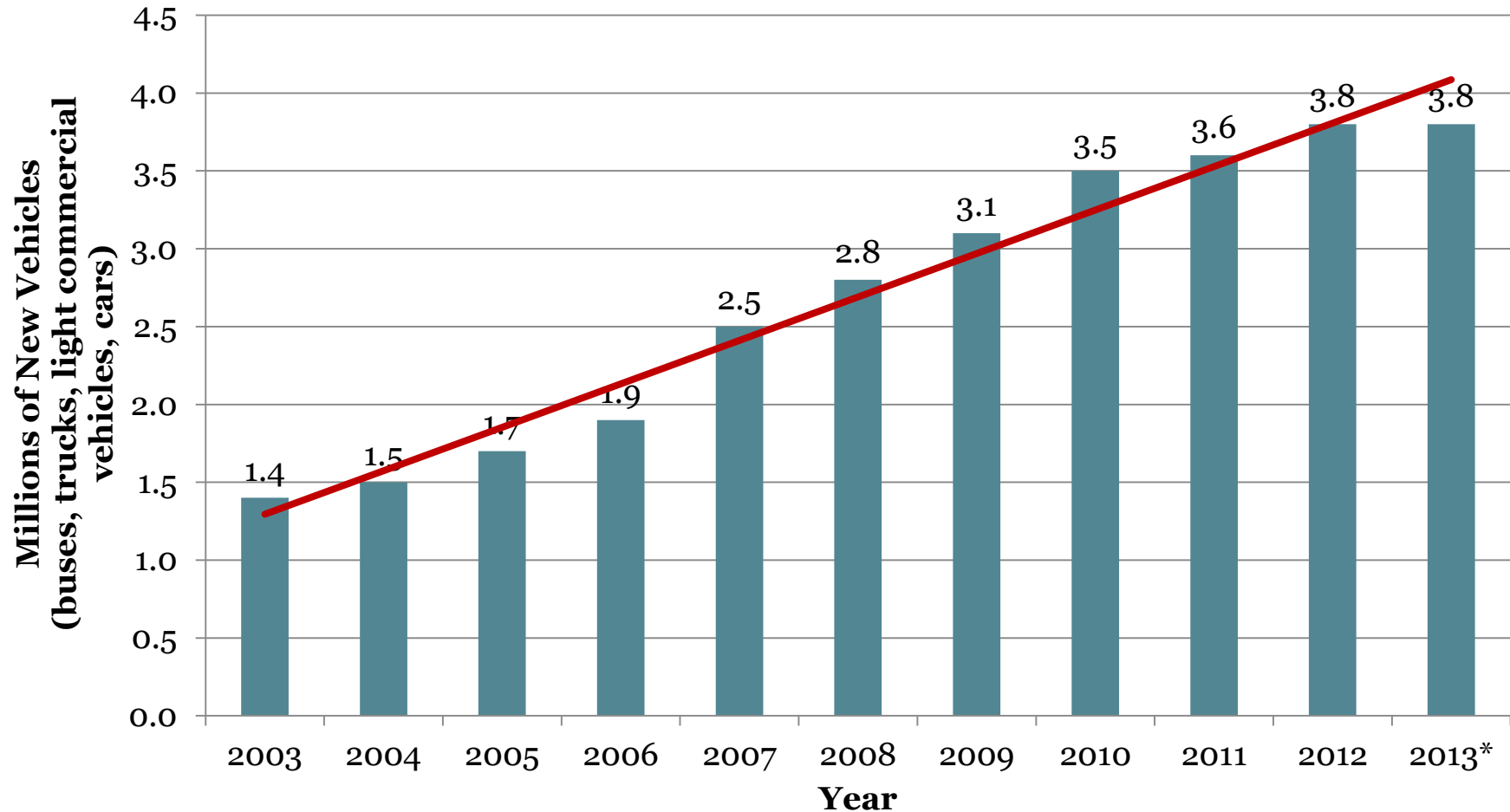
Port Trade Volume Increased 58% over Last Decade



Vehicular Traffic Increased 87% over Last Decade



Vehicle Sales More than Doubled in Last Decade



Reducing the “Brazil Cost”

- **Electricity Prices**
 - Reduce bills by 18% for households, 32% for companies
- **Financial Policy**
 - *Monetary policy aims*
 - control inflation
 - maintain low interest rate
 - *Exchange rate policy aims*
 - export competitiveness
 - floating exchange rate
- **Tax Reductions and Simplifications**
 - Valued at R\$ 45 billion in 2012
- **Investments in Infrastructure (US\$ 235 billion)**

Infrastructure Concession Program is Largest in Decades

- **Investment most effective instrument to stimulate economy in period of international crisis**
 - **High GDP multiplier:** each \$R 1 of public investment in infrastructure can increase GDP by \$R 3 in the long run
 - **Increase in productivity of economy:** an increase of 1% in capital invested in infrastructure increases productivity of economy by 0.48-0.53%
 - **Improvement in population's quality of life:** higher quality services with lower prices, greater urban mobility, less pollution, etc.
 - **Projects attractive and profitable:** long run and high return

Investments in Infrastructure will Lead Economy in Coming Years



* US\$ 1.00 = R\$ 2.30

Port Investment Program

- Expand, restore and modernize structures
- Reduce logistics costs
- Improve operational efficiency
- Increase competitiveness of exports
- Encourage private investment

National Dredging Plan

- Approximately 90% of exports depend on ports
- Some projects are included in Plan for Accelerated Growth (PAC)
- Contracting in blocks (multiple ports in one contract)
- Duration of contracts up to 10 years
- Open to international bidders
- Differentiated Procurement Regime

Port Law 12815

Port Modernization Act

- Governs hiring, maintenance, dredging, signage, management services
- Allows subcontracts for auxiliary services
- Participants in bidding process required to register with Brazilian Navy
- No local content requirements for equipment, but the Brazilian Navy does have standards for operation of foreign vessels, mainly manning national
- No requirement for vessel to have Brazilian flag

Brazilian Secretary of Ports Contacts

- **Daniel Franca, General Coordinator,
Waterway Construction & Maintenance**
 - Daniel.franca@portosdobrasil.gov.br
 - Tel: +55 (61) 3411-3735
- **Jose Newtown Barbosa Range, Special
International Advisor**
 - Josenewton.gama@portosdobrasil.gov.br
 - Tel: +55 (61) 3411-3720
- **Andrezza Barros, Public Information Officer**
 - Andrezza.barros@portosdobrasil.gov.br
 - Tel: +55 (61) 3411-3708

Upcoming Mega-Events Catalysts for Investment





Embassy of Brazil
Trade & Investment Promotion Section
3006 Massachusetts Avenue, NW
Washington, DC 20008
Tel: (202) 238-2757 / 2770
trade@brasilemb.org