

Population : 214 599 613 (2019)
 GDP per capita : US\$1.868 trillion (2019)
 Country risk assessment : B (2019)
 Business Climate : A4

STRENGTHS

- Varied and rich mineral resources and agricultural harvests
- Well diversified industry
- Improving institutional transparency following recent corruption scandals
- Strong internal reserves position (import coverage of roughly 30 months)

WEAKNESSES

- Very sensitive fiscal position
- Bottlenecks in infrastructure
- Low investment level
- High cost of production (wages, energy, logistics, credit)
- Shortages of qualified labour; inadequate education system

RISK ASSESSMENT

In 2018, the bounce back of the Brazilian economy was affirmed and the nation's GDP became 1.4%. This latter's economy is likely to continue developing in 2019, arriving at an expected yearly GDP development pace of 2.4% (IMF)

In 2018, expansion developed marginally, coming to 3.7% (3.4% last year) and is anticipated to extend to 4.2% in 2019. The government's fundamental objective is monetary combination but in spite of the fact that the financial shortage is anticipated to be limited in 2019, the President's guarantee to decrease the lopsidedness to zero this year isn't attainable. In 2018, the budget balance of the government enrolled a shortage of 3.7% which is anticipated to stay the same in 2019 and 2020. The social security change will be the focus center of the government. The precedent administration reported it but it couldn't pass the Congress. If the government fails to tackle the pension reform, it might imperil the more grounded economic momentum. Be that as it may, passing the change plans by the Congress is still distant.

The unemployment rate in Brazil is still high, reaching 11.8% in 2018, however it recorded a 1% decrease from the previous year. The steady decrease in unemployment throughout 2018 contributed to an improvement in household consumption. Although unemployment decreased, the country continues to face social issues and has one of the highest levels of inequality in the world. Even though Brazil has lifted 28 million people

out of poverty in the last 15 years, 10% of the population still live in poverty. The country's richest 5% have the same income as the remaining 95%. There are high disparities between the regions, and there has been a recent rise in the rates of delinquency and criminal violence. The indebtedness of the state of Rio de Janeiro has had severe consequences. Criminality rose during the past two years and a controversial military intervention in Rio de Janeiro was decided in February 2018.

In the index of economic freedom Brazil is ranked in the 150th position with a score of 51.9% making it the 29th in its region.

Brazil ranked 109th out of 190 countries in the World Bank's 2019 Doing Business report, an improvement from the previous year, when it ranked 125th (the largest score improvement in Latin America and the Caribbean). Brazil is an attractive market for international investors due to several factors: a domestic market of nearly 210 million inhabitants, availability of easily exploitable raw materials, a diversified economy that is less vulnerable to international crises, and a strategic geographic position that allows easy access to other South American countries. However, investment in Brazil remains risky because of some negative factors including cumbersome and complex taxation, bureaucratic delays and heavy and rigid labour legislation. As part of the country's ongoing effort to strengthen its business environment, Brazil introduced electronic certificates of origin which reduced the time required for import documentary compliance, facilitating and simplifying the whole process. The country also made several infrastructure concessions which have helped foster investment. In 2017, Brazil awarded the rights to pump oil from its offshore "pre-salt" region to Shell (which got three blocks, out of six that were being auctioned), BP (that got 2 blocks) and ExxonMobil (one block). The Government expects the oil blocks to generate USD 30.2 billion in investment from the winning companies and USD 39.3 billion in royalties and other revenues. Attracting FDI is a core objective of Brazil's international political economy. Since 2016, the Brazilian government has been committed to improve, strengthen, and implement legislation and regulatory procedures designed to provide investors with a favourable business environment in the country.

INTERNATIONAL TRADE

Although foreign trade only represents 24.1% of its GDP, Brazil is among the world's 25 largest exporters and importers. The country has an enormous economic potential. Brazil mainly exports agricultural and food products (soya, coffee, sugar, maize, meat), minerals, oil and air vehicles and imports hydrocarbons, vehicles, chemicals and pharmaceuticals, and electrical and electronic products. Brazil main exports are soya beans (11.8%), iron ores (8.8%), petroleum oils (7.6%), cane or beet sugar and sucrose (5.2%), and motor vehicles (3.1%), while its main imports are petroleum oils (7.9%), parts and accessories for tractors and motor vehicles (3.6%), electronic integrated circuits and microassemblies (2.8%), coal and similar solid fuels (2.3%), and pharmaceuticals (2.1%).

The country's main trade partners are China, the United States, Japan, the countries of Mercosur and the EU. Since Brazil's economic crisis (2013-2017), the economy has been a prominent issue in political conversations, especially regarding globalization and the

ways in which trade liberalization can affect economic growth. Despite being the largest economy in Latin America and the eighth in the world, Brazil is still relatively closed compared to other large economies, with a low trade penetration and a low number of exporters relative to the population (its absolute number of exporters is roughly the same as that of Norway, a country with approximately 5 million people compared to Brazil's 200 million).

Brazil's trade balance is structurally positive, but has declined in recent years due to a drop in the prices of raw materials, an increase in energy imports and a decline in the competitiveness of Brazilian products. Brazil's current account balance represented -0.47% of GDP in 2018 compared to -0.6% in 2017, according to Trading Economics. Even though Brazil experienced trade deficits between 2013 and 2015, the balance has picked up since mid-2016. Exports of basic goods and manufactured products went up in 2017 and 2018. In 2017, trade balance of goods amounted to USD 64 billion (World Bank). In 2018, Brazil's balance of trade closed out 2018 at USD 58.3 billion, which was the second best performance since 1989, according to the state-owned news company EBC. As the world's agricultural super power, Brazil conducts a very particular foreign trade policy, aiming at conquering markets while preserving at all cost its influential position.

ECONOMIC INDICATORS : GROWTH

Main Indicators

Main Indicators	2017	2018	2019 (e)	2020 (e)	2021 (e)
GDP (billions USD)	2,052.81e	1,867.82e	1,847.02	1,893.01	1,987.82
GDP (Constant Prices, Annual % Change)	1.1e	1.1e	0.9	2.0	2.4
GDP per Capita (USD)	9,926e	8,959e	8,797	8,956	9,344
General Government Balance (in % of GDP)	-6.5	-6.1e	-6.3	-6.0	-6.0
General Government Gross Debt (in % of GDP)	84.068	87.894e	91.568	93.898	94.514
Inflation Rate (%)	3.4	3.7e	3.8	3.5	3.8
Current Account (billions USD)	-7.24	-14.51e	-22.32	-19.64	-22.54
Current Account (in % of GDP)	-0.4	-0.8e	-1.2	-1.0	-1.1

Source: IMF – World Economic Outlook Database - October 2018.

Note: (e) Estimated Data

Socio-Demographic Indicators	2019	2020 (e)	2021 (e)
Unemployment Rate (%)	11.8	10.8	10.0

Source: IMF – World Economic Outlook Database - Latest available data.

Monetary Indicators	2014	2015	2016	2017	2018
Brazilian Real (BRL) - Average Annual Exchange Rate For 1 EUR	3.00	3.55	3.71	3.61	4.31

Source: World Bank - Latest available data.

Main Sectors of Industry

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector (in % of Total Employment)	9.3	20.4	70.3
Value Added (in % of GDP)	4.4	18.4	63.1
Value Added (Annual % Change)	0.1	0.6	-2.6

Source: World Bank - Latest available data.

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