

MARKET SPOTLIGHT



BRAZIL

Factum Scale → Developing **1** ... **2** ... **3** ... **4** ... **5** Best

Here's our assessment on how Brazil ranks as a market for global expansion.



Ease of doing business

3

- Brazil is ranked 124th (of 190) on the [World Bank's Ease of Doing Business Assessment](#), which is a **low score for such a large economy**.
- The Brazilian government works hard to protect local businesses. Foreign investors may find it challenging (but not impossible) to navigate **FDI hurdles and local regulations**.
- Exporting to Brazil is often costly for foreigners due to the high tariffs. **Brazil has a 60% flat import tax** on most manufactured goods from abroad.
- Foreign investors should protect intellectual property before entering Brazil; **lack of broad protections exist for companies from abroad**.
- Companies expanding to Brazil should identify local partners to help navigate Brazil's complex legal and tax system. **Don't go at it alone; work with a trusted partner.**



Fluency of English

2

- With Portuguese as the native language, the Brazilian population is only "moderately" fluent in English, less so than its neighbors Chile and Uruguay, with a [EF English Proficiency Index](#) ranking of 60 out of 112 countries in the Index.
- 5% of the population has some English speaking skills. The largest concentration of fluent English speakers may be found in the major business and tourism hubs (Sao Paulo, Rio de Janeiro, and [Belo Horizonte, an emerging hub for startups](#)).
- When doing business in Brazil, **hire an interpreter or bring Portuguese-speaking business associates.**



Safety

3

- Brazil earned a rating of 45 (out of 100) according to [Trading Economics Political Stability And Absence Of Violence/Terrorism Estimate](#). This rating raises **questions about the stability and safety of the country**.
- Foreign investors should be **mindful of choosing well-developed regions and neighborhoods** to set up new operations.



Culture & business etiquette

5

- When greeting a Brazilian delegation, shake hands with all of the attendees. **Developing personal relationships with your Brazilian business partner** is important, so don't be surprised if it takes several meetings to finalize a deal.
- **Punctuality is more fluid in Brazil**, so your business counterpart may arrive a few minutes late. However, always be punctual.
- Dress code may vary but when there's doubt, **dress formally**.
- **Exchanging gifts are uncommon** in most settings, however sending a gift following a business meal (e.g., flowers) is appropriate. (**Refrain from giving black or purple gifts, as these colors are often associated with funerals**).



Political stability

3

- Brazil's government is a **democratic federative republic** with a presidential system.
- With an upcoming presidential election in October, Brazil's political future is uncertain. **Brazil's multi-party system has proved it lacks consistency**. Candidates from the workers party, Brazilian democratic movement, and Brazilian social democracy party, just to name a few, have all been elected in the past two decades.
- With a number of controversial policies and issues on the line, foreign investors should be aware of the potential for **fewer investment opportunities**.



Economic stability

4

- One of the world's five BRICS emerging economies, Brazil is currently the 12th largest economy in the world, with a GDP of about 1.6 trillion USD according to the [World Bank](#).
- Despite a significant drop in GDP growth in 2020 as a result of COVID-19, Brazil realized a **4.6% increase in GDP in 2021**, a rate unseen since 2011.
- Unemployment reached 10.5% in February, the lowest it's been **since 2015 (8.5%)**.
- **Some of Brazil's most stable and successful industries include petroleum processing, automotive, cement, iron and steel production.**



Labor costs

5

- Brazil offers very **low labor costs**. In the past few decades, Brazil has kept pace and even sometimes outperformed, other manufacturing powerhouses like China and Mexico in regards to maintaining low labor costs, according to [Trading Economics](#).
- **Labor force participation in the broader economy reached an all-time high** in December of 2021, reaching over 62%, as a result of a steadily increasing minimum wage (nearly doubled between 2010-2021).
- However, inflation rates are on the rise, with inflation at **the highest rate in 26 years**, according to statistics agency IBGE. **Consumer spending will likely continue to decline.**