

Brazil: Business and Investment Opportunities



MINISTRY OF
FOREIGN AFFAIRS



20 / 09 / 2017



**Brazil ranks
among
the world's top**

10th Largest industrial output in the world

4th main aircraft manufacturer

9th largest oil producer in the world

7th Largest producer of biofuels

1st Largest producer and exporter of sugar

1st Largest producer and exporter of coffee

1st Largest producer and exporter of orange juice

1st Exporter of beef and chicken meat



7th largest market for automobiles

7th largest market for pharma products

10th largest market for medical equipment

8th largest IT market in the world

1st Largest online ecommerce market in Latin America

**Strong domestic
market**

Brazil

a giant



9th largest GDP (USD 1 796 bi)

(World Bank, nominal basis, 2016)



GDP per capita **US\$ 10,826** in 2016



Low inflation rate **at 2,46%** in Aug 2017



GDP is expected to recover after **two years of negative growth**



7th largest recipient

of FDI

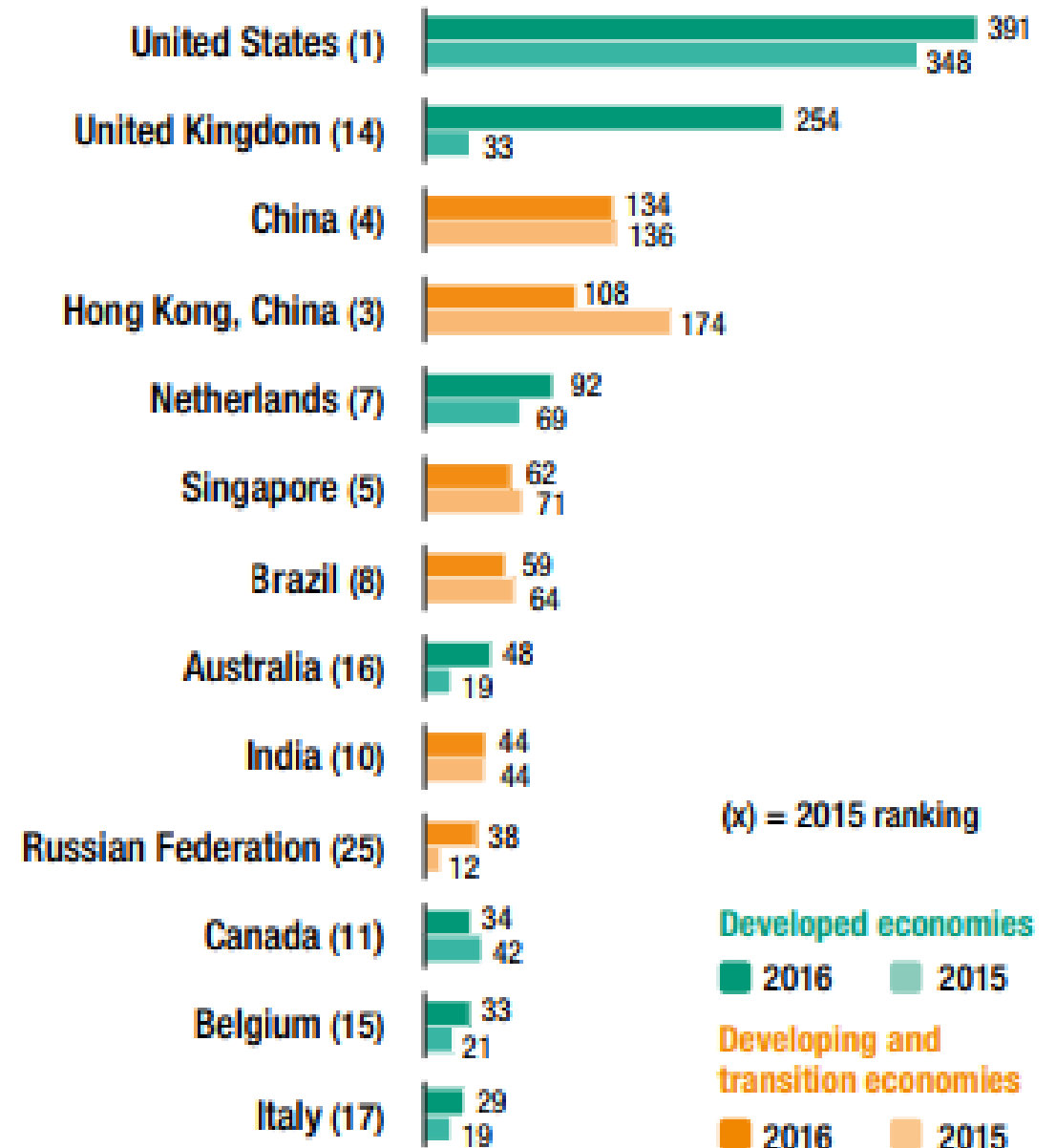
US\$ 58.7 billion (2016)

41% of Latin America's FDI



Source: UNCTAD – World Investment Report 2017 and Brazilian Central Bank

FDI inflows, top host economies, 2015 and 2016 (Billions of dollars)

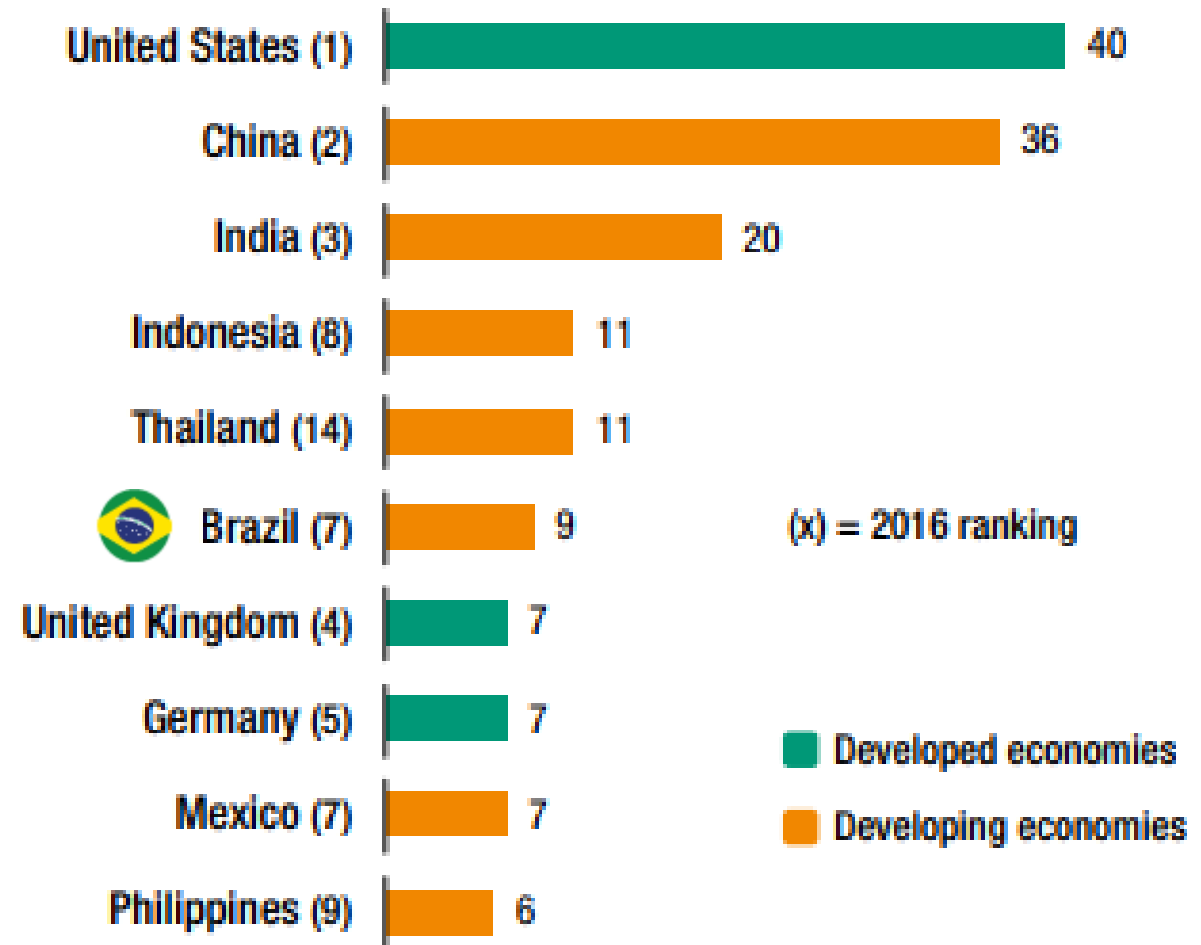


The country remains an important market for multinationals

Brazil ranks sixth among countries that CEOs consider **most important** for expanding their businesses



Multinational Enterprise's top prospective host economies for 2017-2019 (per cent of executives responding)



Financing Brazil's development



A photograph of a man in a brown jacket and glasses leaning over a desk, looking at a computer monitor. The monitor displays a colorful map of Brazil with data overlays. The background is a bright window with a view of a city.

Multi-sectoral financing programs in Brazil

BNDES - Brazilian National Bank for Economic and Social Development

- the largest development bank in the Americas
- a key financial organization, bigger than the World Bank
- top source of loans for companies in Brazil
- **BNDES** supports investments in agriculture, trade and services.
- **BNDES's** borrowing costs are substantially below market rates.
- **BNDES's** basic lending rate is currently at 7 percent a year;

A man in a brown jacket and glasses is leaning over a desk, looking at a laptop screen. The screen displays a financial chart with a blue and green area plot. The background is a bright window with a view of a city.

Multi-sectoral financing programs in Brazil



BNDES Finame – Machinery and Equipment Financing

Financing for the **production and acquisition of new machinery, equipment and computer/ automation goods**, as long as they are manufactured in Brazil and accredited by BNDES



BNDES Innovation

Supporting investments in innovation applied to the **company's business strategy**, contemplating continuous or structured actions for innovation in products, **processes and/or marketing**



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**Supporting the
internationalization
of Brazilian Business**

The best of **Brazil to the world**



To promote
exports of
Brazilian products
and services



To support the
internationalization
of Brazilian
enterprises



To strengthen
Brazil's **image**
abroad



To attract :
**Foreign Direct
Investment (FDI)**



Promotion of productive FDI

focused on priority sectors



Aimed at **developing** Brazilian economy



Focus on **technology-intensive** sectors



Fostering creation of high-quality jobs



Strengthening local **productive chains**



expansion of **Brazilian exports**

Priority Sectors

(in line with the **National Development Policy**)

- Oil & Gas
- Renewable **Energies**
- Automotive
- Agribusiness
- Pharmaceuticals & **Medical Equipments**
- Infrastructure
- Research & Development

PRIORITY
SECTOR



Oil & Gas



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Sector **Highlights**

Increasing **investments from Global players** in Brazilian oil industry

- Oil & Gas represents **12%** of the Brazilian GDP;
- Brazilian **oil & gas production** is above 3,2 million of BOE per day, tranking 9th in the world.
- Brazil has **15th largest** petroleum reserves in the world (15 billion barrels)
- Brazil is home to **one of the biggest oil discoveries** made in the world in the last decade: the ultra-deepwater oil finds off Brazil's southeast coast (known as “pre-salt” oil)
- The new reservoirs (“pre-salt”) already accounts for more than half of petroleum produced nationwide.

Regulatory improvements to foster investments



The Brazilian Government is improving the local content policy, simplifying the rules and **reducing an average of 50%** on the requirements of buying local products and services



The Brazilian Government intends to adopt a multiannual calendar with planned **oil fields bidding rounds**, in order to create a more predictable **environment for investors**



The Ministry of Mines and Energy aims to maintain the **tax incentives** under **REPETRO (Special Customs Regime)** and approve guidelines for the production-sharing regime



The Brazilian Government launched the **REATE** program, in order to triple the onshore **production by 2030, to 500,000** barrels of oil a day, by creating synergies between producers, suppliers and financing institutions



Brazilian Law nº 13.365/2016 extinguished Petrobras' mandatory **30% minimum** interest equity in consortia organized for exploration of blocks in production-sharing regime in the pre-salt area



In 2016 The Brazilian Government launched the **“Gás para Crescer”** initiative, which aims to improve the regulatory framework of the gas sector in Brazil in order to make it more **attractive to investments**



An aerial photograph of a large offshore oil rig in the ocean. The rig is a complex structure with multiple levels, including a helipad on the top deck. It is surrounded by dark water, and a smaller boat is visible in the distance. The rig has a green and white color scheme.

Partnerships Project

Brazilian companies

looking for international partnerships

Apex-Brasil and the National Organization of the Petroleum Industry (**ONIP**) work together in order to foster **technological partnerships** between Brazilian and foreign companies from Oil & Gas industry (equipment and services for Oil & Gas exploration).

Priority Subsectors

- Oil rig components
- Subsea equipments

Partnerships Project



Why your company should find **a Brazilian partner**

Soft-landing
at the Brazilian
market



Opportunity to
add value
locally



FastTrack access
to **Petrobras**
suppliers'
network



Opportunity to
access R&D
from the main
operators



PRIORITY
SECTOR



Renewable
Energy

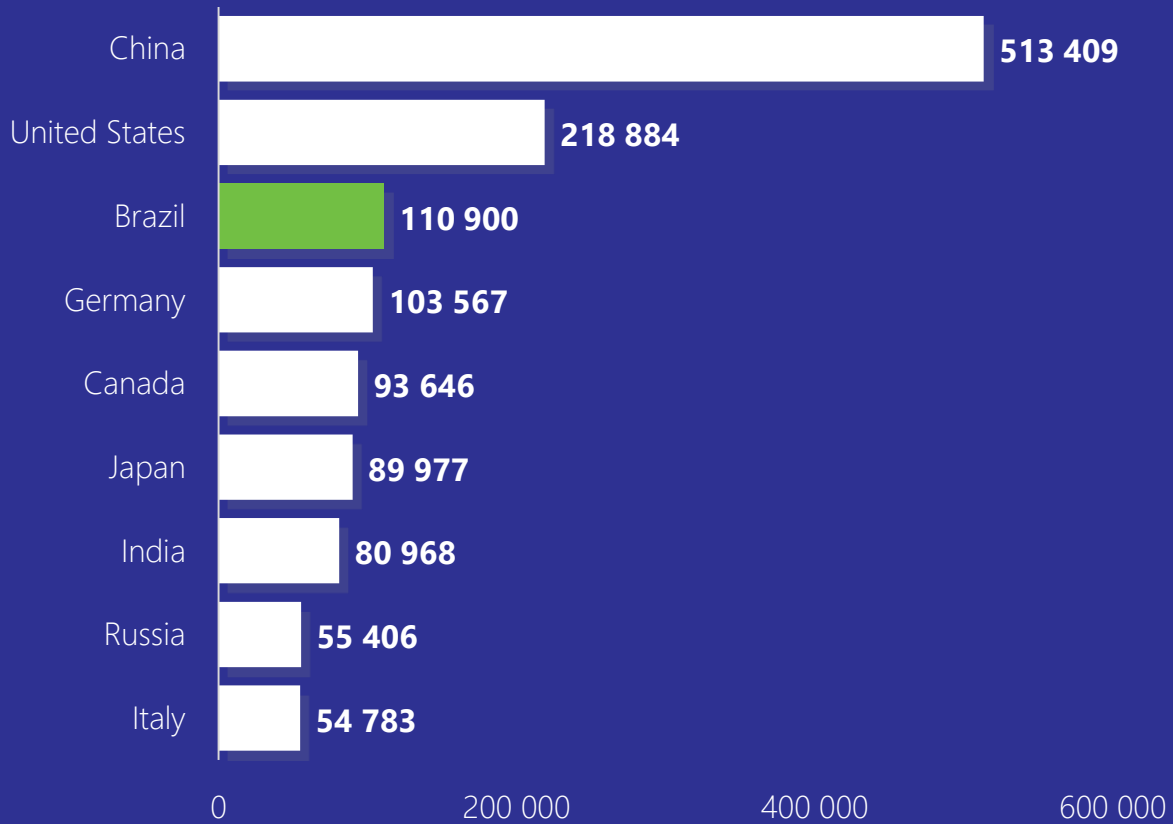


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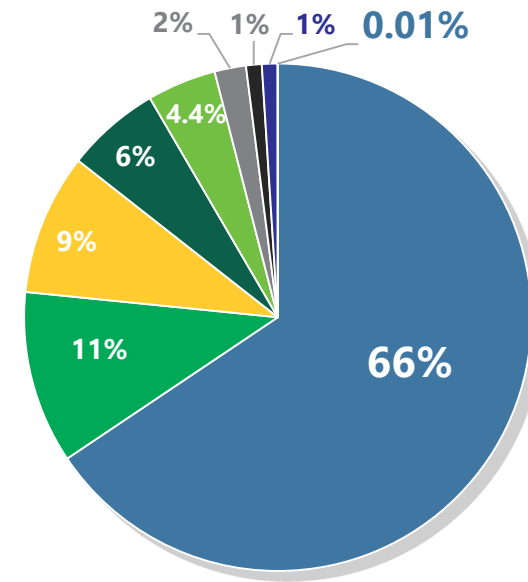
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Sector Highlights

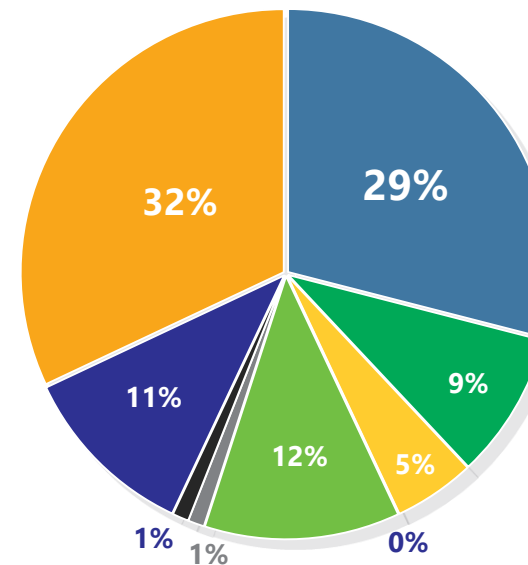
Electricity capacity: Renewables (MW)












ELECTRICAL ENERGY
MATRIX
2015



ELECTRICAL ENERGY
MATRIX
2040



-  Hydro
-  Biomass
-  Gas
-  Oil
-  Wind
-  Coal
-  Nuclear
-  Flexible Capacity
-  Solar

Sector highlights



Brazil is the 3rd largest global market and the largest Latin American market for renewable energies



Brazil's share of non-hydro renewables in its electricity matrix was **16.5%** in 2015



The **2030 Brazilian National Energy Plan** places **renewables** as key sources to a more sustainable energy matrix

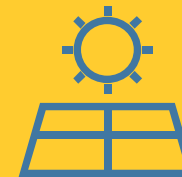


Brazil was one of the leading countries at COP 21 and contributed significantly to the Conference's outcomes



WIND ENERGY

- **11,03 GW** of installed capacity
- **9th largest** global market in 2016
- **5th fastest growing market** in 2016 only behind China, USA, Germany and India
- **2.75 GW** installed in 2015 and **2.01 GW** installed in 2016
- **947 wind turbines** across **81 new wind farms** in 2016
- **US\$ 5.4 billion invested in 2016** accounting for 78% of the total investment in clean energy



SOLAR PHOTOVOLTAIC ENERGY

- 7 GW of utility-scale solar PV by 2024, **an \$11 billion market**
- 5 GW of PV distributed generation (DG) by 2024, **a \$10 billion market**
- Solar PV installed capacity's share in the Brazilian electricity matrix will increase from 0.01% in 2015 to **more than 32% (125 GW) by 2040**
- **Regulatory improvements:** revision of net-metering policy to boost mini and micro-generation
- **9th largest** market in solar additions 2016-2020

Priority subsectors

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Automotive



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Most relevant sector for industrial GDP

GLOBAL VEHICLES PRODUCTION IN 2016			
Country	Cars	Commercial vehicles	Total
China	24 420 744	3 698 050	28 118 794
USA	3 934 357	8 263 780	12 198 137
Japan	7 873 886	1 330 704	9 204 590
Germany	5 746 808	315 754	6 062 562
India	3 677 605	81 136	4 488 965
South Korea	3 859 991	368 518	4 228 509
Mexico	1 993 168	1 604 294	3 597 462
Spain	2 354 117	531 805	2 885 922
Canada	802 057	1 568 214	2 370 271
Brazil	1 778 464	377 892	2 156 356
France	1 626 000	456	2 082 000
Thailand	805 033	1 139 384	1 944 417
UK	1 722 698	93 924	1 816 622
Others	11 510 507	3 497 223	13 821 962
Total	72 105 435	22 871 134	94 976 569

2,16 mi

Vehicles produced in 2016



2,05 mi

Licensed vehicles in 2016



11°

Global vehicle producer



10°

Global vehicle market



- Investments over R\$ 41 billion (**USD 13.2 bi**) in progress until 2024
- **31 automakers**, with 62 production units
- **Increase in exports:** 520,286 units in 2016 (25% increase compared to 2015)

Plans and incentives

Inovar Auto

(Valid until December 2017 - is currently under review)



Rota 2030:

Mobility and Logistics

(Discussions launched in April 2017)



Discount on IPI (tax on industrialized products) for vehicle manufacturers that meet the program requirements

Requirements: local industrial stages, investment in R & D and engineering, energy efficiency

Benefits proportional to R & D expenditures, engineering and acquisition of strategic inputs

Aims at establishing a long-term vision for investments in the automotive sector, with **clear and predictable rules**, in order to encourage the competitiveness.

National industry is expected to reach 2030 with technology equivalent to that of advanced markets, active integration into the global supply chain, competitiveness in the production of major automotive systems and global project development capability.

15-year period, with 3 development cycles.



OTHER INCENTIVES

Ex tarifário

Import tax reduction to **2% for auto parts with no equivalent** locally produced

Reduction of import tax to **0 or 2% for acquisition of machinery and equipment**

State Incentives

Tax incentive concession (especially ICMS - the tax on commerce and services)

Specific funding from **regional development banks**

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Agrobusiness



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Among the top agro countries, Brazil has the **biggest potential** to increase its production and lead solutions for improving the **world food security**



Considering its agro-technology, weather, land and water resources, **Brazil ranks as a top destination** for investments in agribusiness



The 2016/2017 Agricultural and Livestock Plan will provide **R\$ 185 billion** in financing for Brazilian farmers (interest rates range from **9.5 to 12.75% a year**)

By 2050, the world population will reach **9 billion people** and specialists predict threats to **global food security**



A diversified **agribusiness industry**

The ecosystem encompassing national and foreign companies makes room for a **competitive and diversified market and a hub for agribusiness products**



COOPERATIVES



AGRICULTURAL EQUIPMENT



AGRO FARMING



PROCESSED FOODS



AGROCHEMICALS AND BIOTECH



SUGAR AND ETHANOL



**PRIORITY
SECTOR**



**Pharma Industry &
Medical Devices**



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BRAZIL IS AN EMERGING PHARMACEUTICAL MARKET

that has been growing and will keep growing in the **next years**

PHARMACEUTICAL MARKET Top 20 Countries

comparison to the US Market
spending in Constant US\$

	Ranking 2016	Index
1	U.S.	100
2	China	26
3	Japan	19
4	Germany	10
5	France	7
6	Italy	6
7	U.K.	6
8	Brazil	6
9	Spain	5
10	Canada	4
11	India	4
12	Australia	3
13	S. Korea	3
14	Russia	3
15	Mexico	2
16	Turkey	2
17	Poland	1
18	Saudi Arabia	1
19	Argentina	1
20	Switzerland	1

Source: IMS Market, Oct 2016

SECTOR HIGHLIGHTS

Regulatory
improvements



Law 8080 was amended and now enables the participation of foreign capital in Brazilian companies that operate **hospitals, clinics** and **laboratories**

Big
governmental
purchase



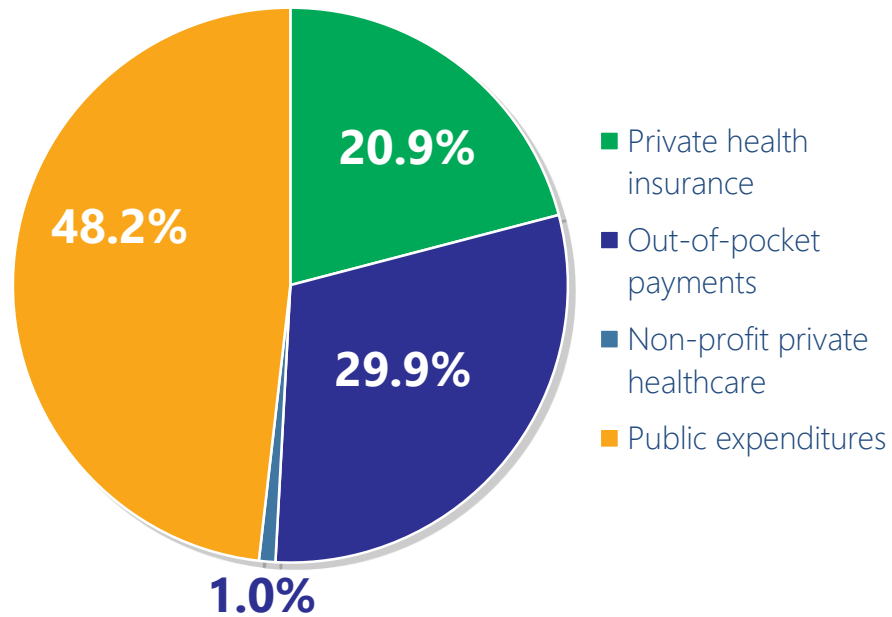
HEALTHCARE IN BRAZIL

Total Expenditure: 8.3% of GDP

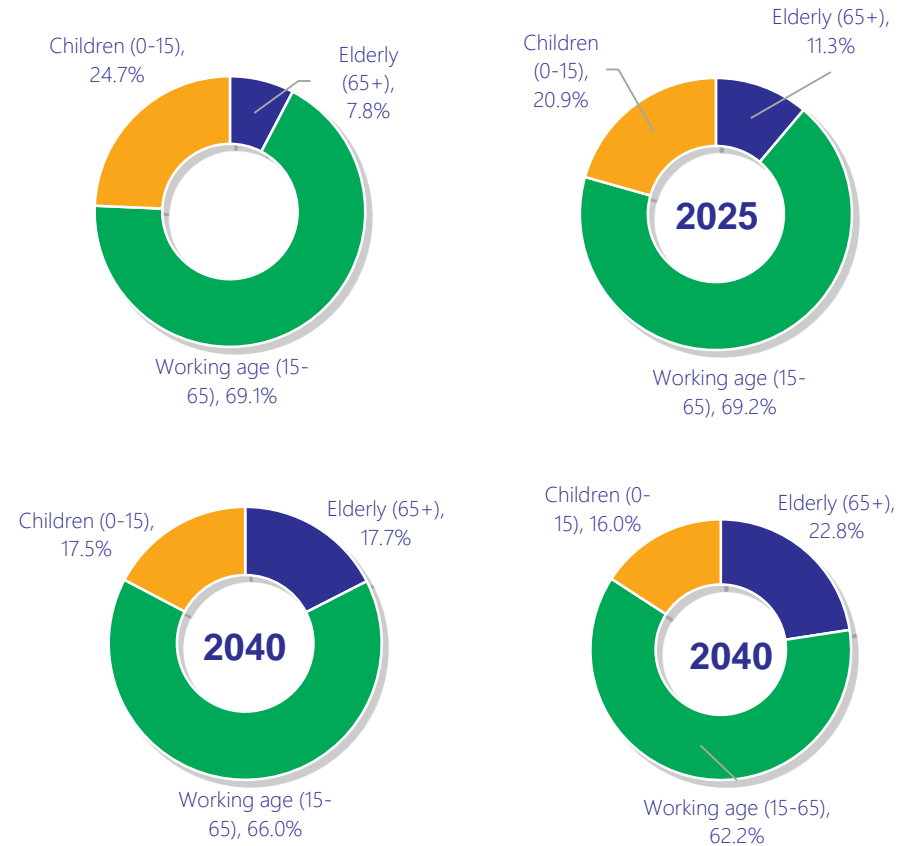
Source: World Bank, 2014



Composition of health expenditures (2015)



Population by age group



Source: Business Monitor International

Source: <http://brazilianhealthdevices.com.br/market>

Brazil is the top medical device market

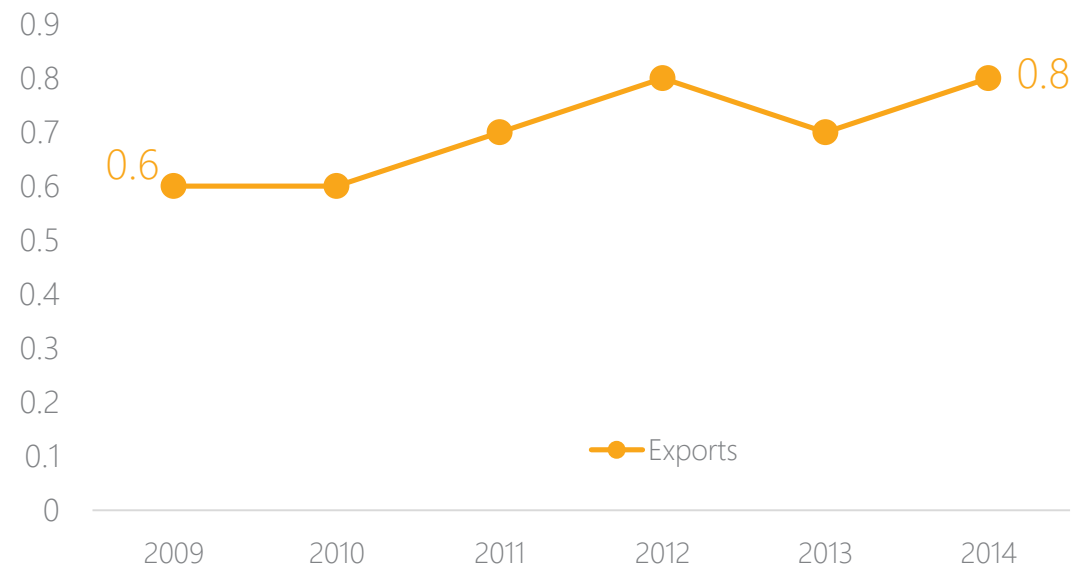
in Latin America

with huge opportunities for investments

The **Brazilian medical device market** reached **USD 7.6 billion in 2016**

Source: ABIMO Association

BRAZILIAN MEDICAL EQUIPMENTS EXPORTS: 2009-14 – US\$ BILLION



Source: <http://brazilianhealthdevices.com.br/market>

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Infrastructure



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Infrastructure

Airports



Largest air transportation system in **Latin America**

10 out of the **20 busiest airports** in the region

117 million passengers in 2014; 95.9 million domestic passengers

By 2030 the flow of **300 million** passengers per year is expected

126 destinations served in 942,003 domestic flights and 149,000 international

Relatively **small number** compared to other continental countries

Airfreight within Brazil **grew 37%** between 2005 and 2014, to **410,593 tons** (2014)

International air freight to and from Brazil expanded by **40.2% to 792,000 tons (2014);**

There is huge **potential for expansion** in this mode of transport, air freight is responsible for less than **1% of goods transport** on Brazil's domestic market

Highways are responsible for over **60%** of the **transported goods** in Brazil

Brazil's road network stretches for **1.7 million kilometers**

Only **15%** of the Brazilian's highways network **is paved;**

Source: CNT, Aug 2014

59 highways are currently under concession to the private sector (**20 mil kilometers**)

Since the beginning of the Concession Program (in 1995), more than USD 31 billion was invested in Brazilian's highways

Up to **25% of freight transport costs** in Brazil are generated by poorly maintained roads

Infrastructure Highways





Infrastructure

Ports

Brazil's port infrastructure is set to receive an **unprecedented flow of new investments** over the next years, creating a **unique window** of opportunity for **international investors**

The main drivers for that expansion are **agriculture** and mining commodities such as **soy beans** and **iron** ore which are exported by Brazilian ports

Brazil has an economically **navigated waterway network** of approximately **22,037 km**;

Brazil has **8,500 kilometers** of navigable coastline

Approximately **95% of Brazil's total trade** in goods passes through the **nation's ports**

Amount of cargo handled by Brazil's ports has **increased by 63.1%** from **570.8m** tons in 2003 to **1008.3m** tons in 2015

Brazil's containerized trade has **grown at an average** annual rate of **10%**

Shipped Cargo is expected to reach **over 2 billion tons** by 2030 – **5.7% growth per year**

Based on the analysis of the demand prospects of the national ports, demand projections for Brazilian port **clusters exceed 1.8 billion tons in 2042**; While current capacity totals **1.4 billion tons**

The Brazilian railway network is **30,402 km**,
96% of which are freight only

Brazil's rail sector underwent a regulatory **overhaul in the 1990s**, with the extinction of the monopoly held by the National Railway Company (**RFFSA**) and the concession of rail networks to **private operators**

Nowadays Brazil has **12 rail networks** for cargo transportation, **11** of which are operated by the **private sector**

Rail accounts for approximately **25%** of Brazil's goods freight transport, a relatively low share compared to other continental countries such as Canada, China or Russia

Brazilian rails **primarily** transports commodities, especially **iron ore** (over **70%** of total rail freight), **soybeans, corn, steel** and **other minerals**.

Less than **1%** of rail freight consists of containers;

Density of rail transport

(km of infrastructure per 1,000 km² of land area):

EUA: **32** India: **23** China: **20,5** Argentina: **13,5** Brazil: **3,6**



Infrastructure Railways



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Apex-Brasil's services for

foreign companies

Information about Brazil



- **Business** environment
- Economic **data and projections**
- General information on **rules and regulations**
- Information about **regulatory agencies**

Support on site location for the investment project



- Guidance on the **best potential** regions
- Support on **local business** agendas
- **Right connections** with public agencies and private sector organizations

Sector and **market** **information**



- **Strategic overview** on investment opportunities
- Attractiveness of different **industry sectors**
- Market size and characteristics
- Overview of supply chains
- Identification of potential **partners and suppliers**

Apex-Brasil

10 Business Offices around the World



Havana



San Francisco



Miami



Luanda



Brussels



Bogota



Beijing



Shanghai



Moscow



Dubai

Thank you !



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Visit us at

www.apexbrasil.com.br

+55 61 3426.0704

investinbrasil@apexbrasil.com.br



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