

DEREX

Department of Trade and Foreign Affairs

BRAZILIAN ECONOMIC
OVERVIEW

FIESP **CIESP**

INDUSTRY SYSTEM



Represents 131 sector business associations which stands for about 130.000 state and national firms



42 regional offices throughout the state which represents about 10.000 associated firms



Think tank specialized in industrial issues

Roberto Simonsen Institute



INDUSTRY SYSTEM



172 basic schools and more than 500.000 children, youth, adults and elderly people

Provides industrial employee's families with social services, mainly education, culture, sports and health



171 technical schools and almost 800.000 students registrations

Promotes professional education through technical schools providing qualified workforce to the industry



Aviônicos – Mobile School

Federation of Industries of the State of São Paulo



SCOPE

- Regional Action
- Human Capital
- Competitiveness and Technology
- Economy
- Entrepreneurship
- Infrastructure and energy
- **Foreign Affairs**
- Legal Division
- Environment
- Small and Medium Companies
- Union and Labor Issues
- Social responsibility

DEREX

- FOREIGN RELATIONS. TRADE AND INVESTMENT PROMOTION;
- INTERNATIONAL NEGOTIATION AND TRADE ECONOMIC RESEARCH;
- TRADE REMEDIES;
- TRADE FACILITATION;
- CERTIFICATE OF ORIGIN;

Brazilian Economic Growth drivers in the first decade of the 2000s

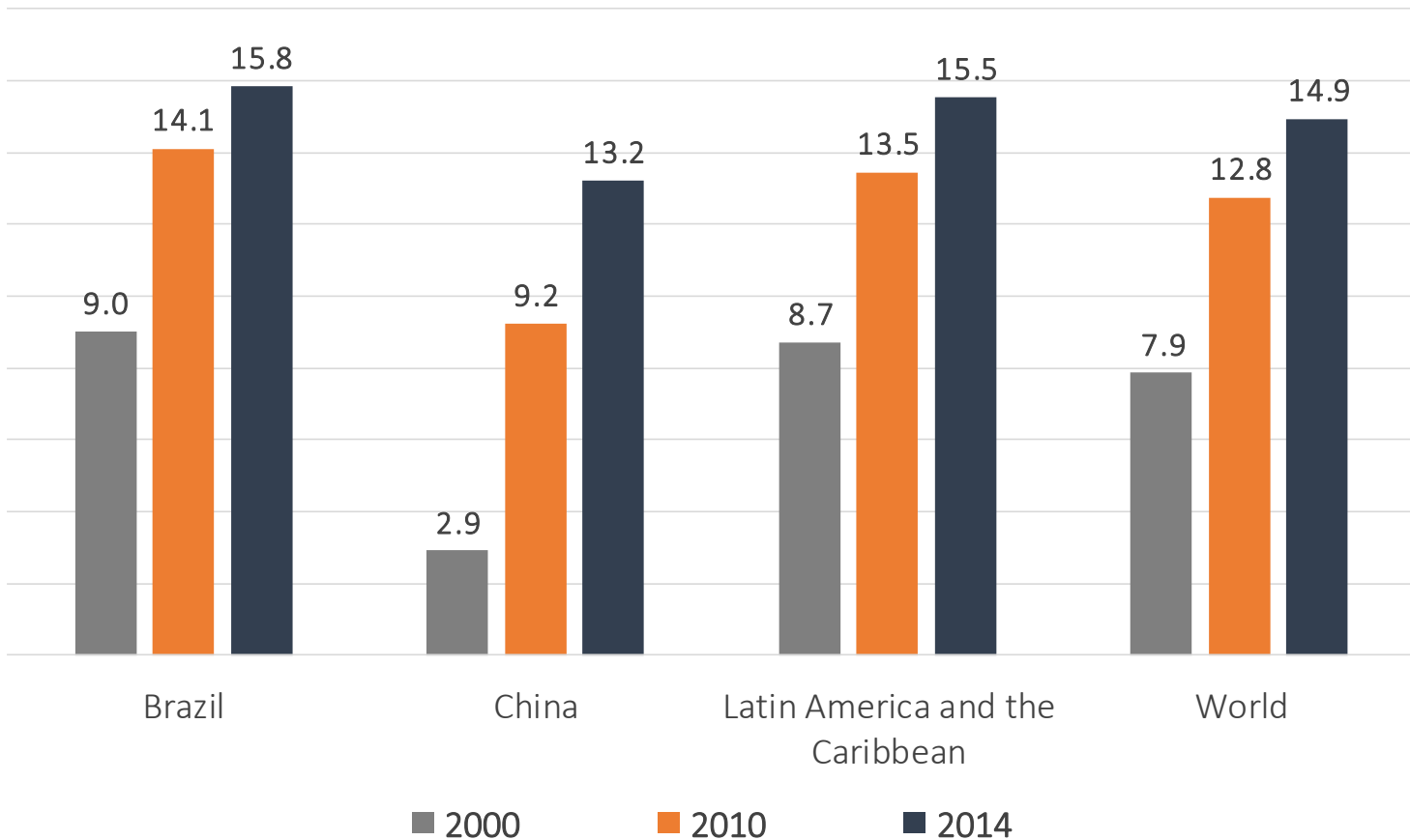
- ✓ **Macroeconomic Balance:** fiscal balance. stable inflation and trade surplus;
- ✓ **Social Inclusion:** credit and wage growth;
- ✓ **Foreign Trade:** agricultural and mineral commodities well performed;
- ✓ **Infrastructure:** renewable resources as base for the energy matrix;



The Economist cover on September the 28th, 2013.

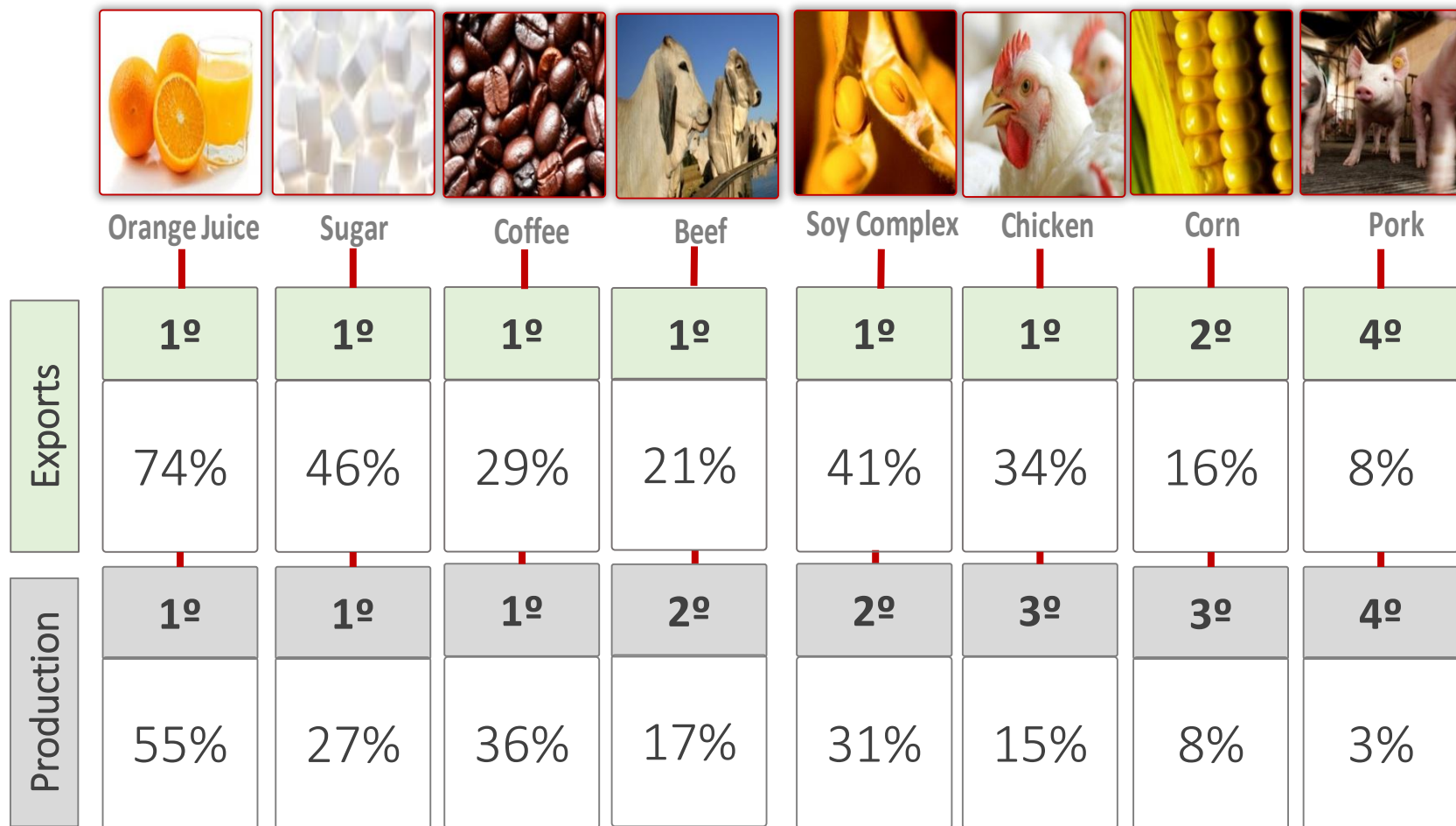
Brazil | GDP per capita

GDP per capita, PPP (current international \$) (1.000 US\$/year)



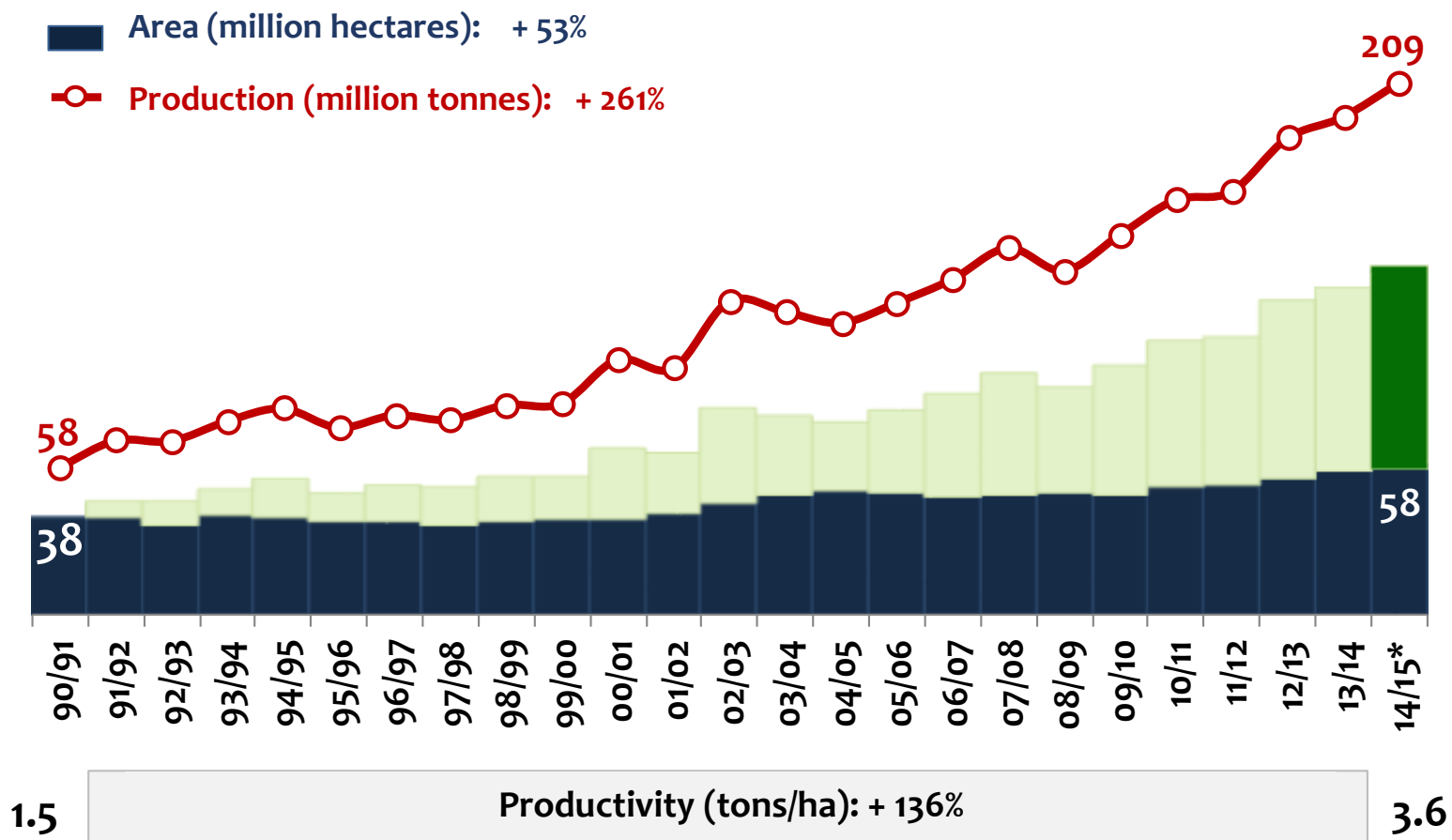
Source: World Bank

Brazil | Agribusiness: position in global ranking



Source: USDA (March 2015); DEAGRO/FIESP

Brazil | Production of grains



Source: Conab (August 2015) and DEAGRO-Fiesp.

(*) Note: estimate of Brazilian production for 2014/15

Brazil | Trade Flow: main partners

2000

| Country | Part. |
|--------------------------|---------------|
| United States | 23.7% |
| Argentina | 11.9% |
| Germany | 6.3% |
| Japan | 4.9% |
| Italy | 3.9% |
| France | 3.3% |
| Netherlands | 3.2% |
| United Kingdom | 2.5% |
| Mexico | 2.2% |
| Belgium | 2.1% |
| Subtotal (top 10) | 64.1% |
| Total | 100.0% |

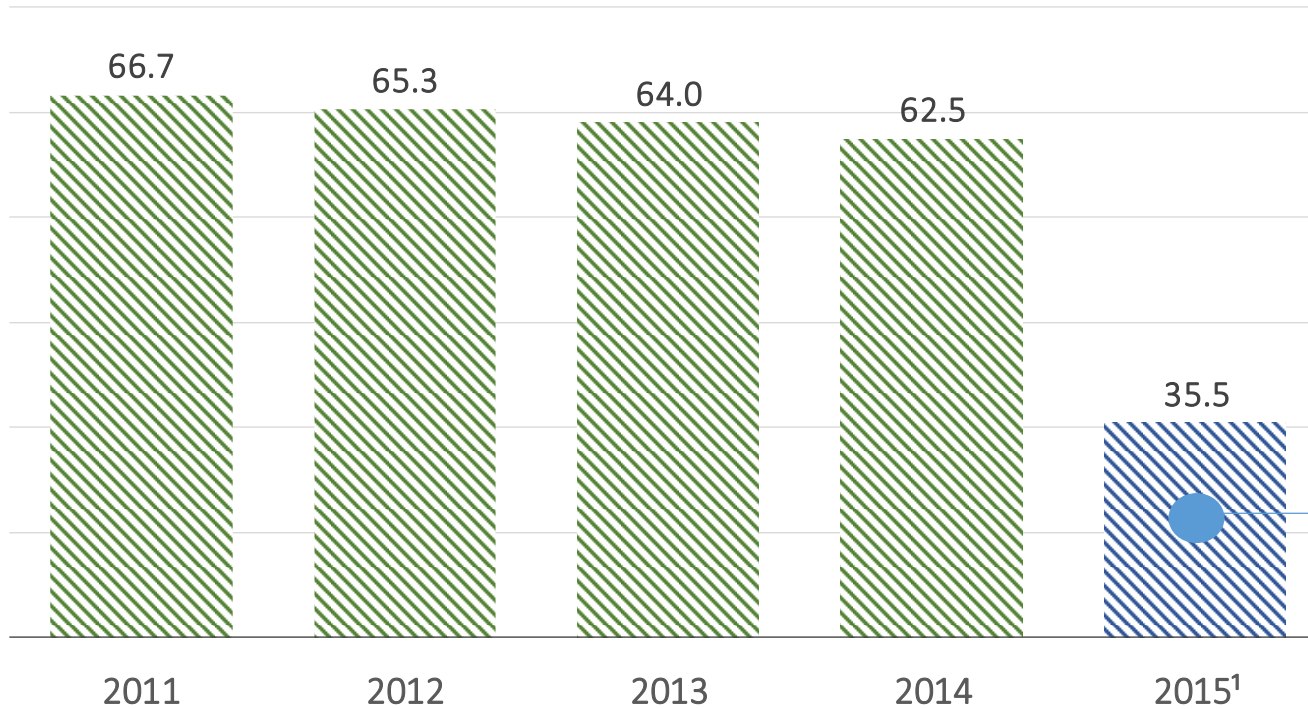
2014

| Country | Part. |
|--------------------------|---------------|
| China | 17.2% |
| United States | 13.7% |
| Argentina | 6.3% |
| Germany | 4.5% |
| The Netherlands | 3.6% |
| Japan | 2.8% |
| South Korea | 2.7% |
| India | 2.5% |
| Nigeria | 2.3% |
| Italy | 2.3% |
| Subtotal (top 10) | 57.7% |
| Total | 100.0% |

Source: Ministry of Development, Industry and Trade
(1) Main logistics hub of Europe

Brazil | Foreign Investment

Annual net inward FDI (US\$ billion)

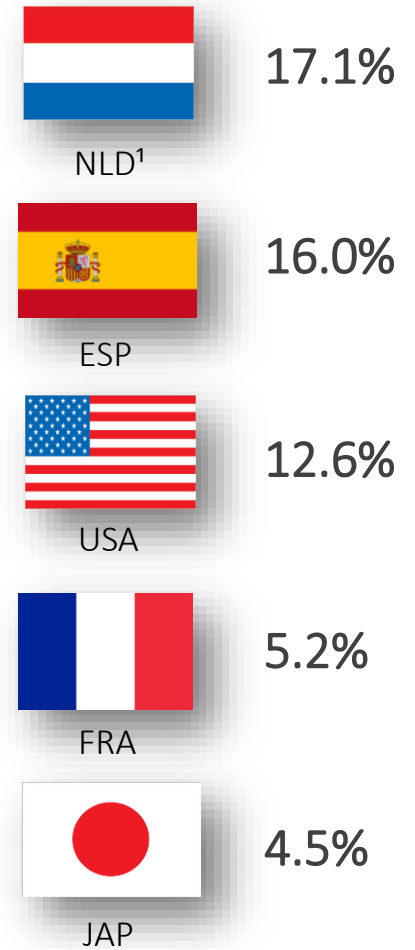


Source: Central Bank of Brazil

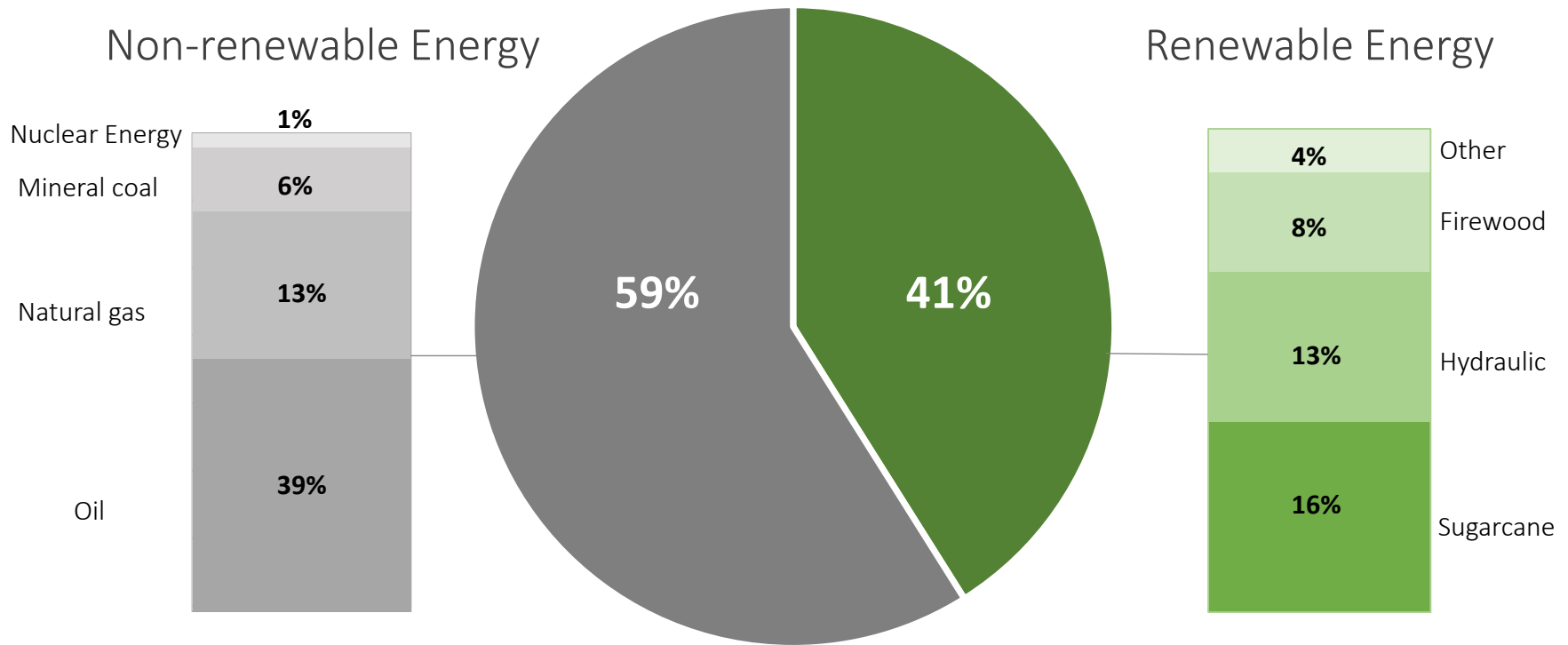
(1) Europe's main logistics hub

(2) January to August 2015

Main Investors 2015
(jan-aug)



Brazil | Energy Matrix



Source: Brazil's Mines and Energy Ministry (2014)

In spite of the improvements in the past years, the obstacles to the productive sector persist.

Tax Burden
costs + bureaucracy

Labor Relations
costs + legislation

Cost of capital

Labor
Skilled Labor

Infrastructure:
logistics + energy

Pension

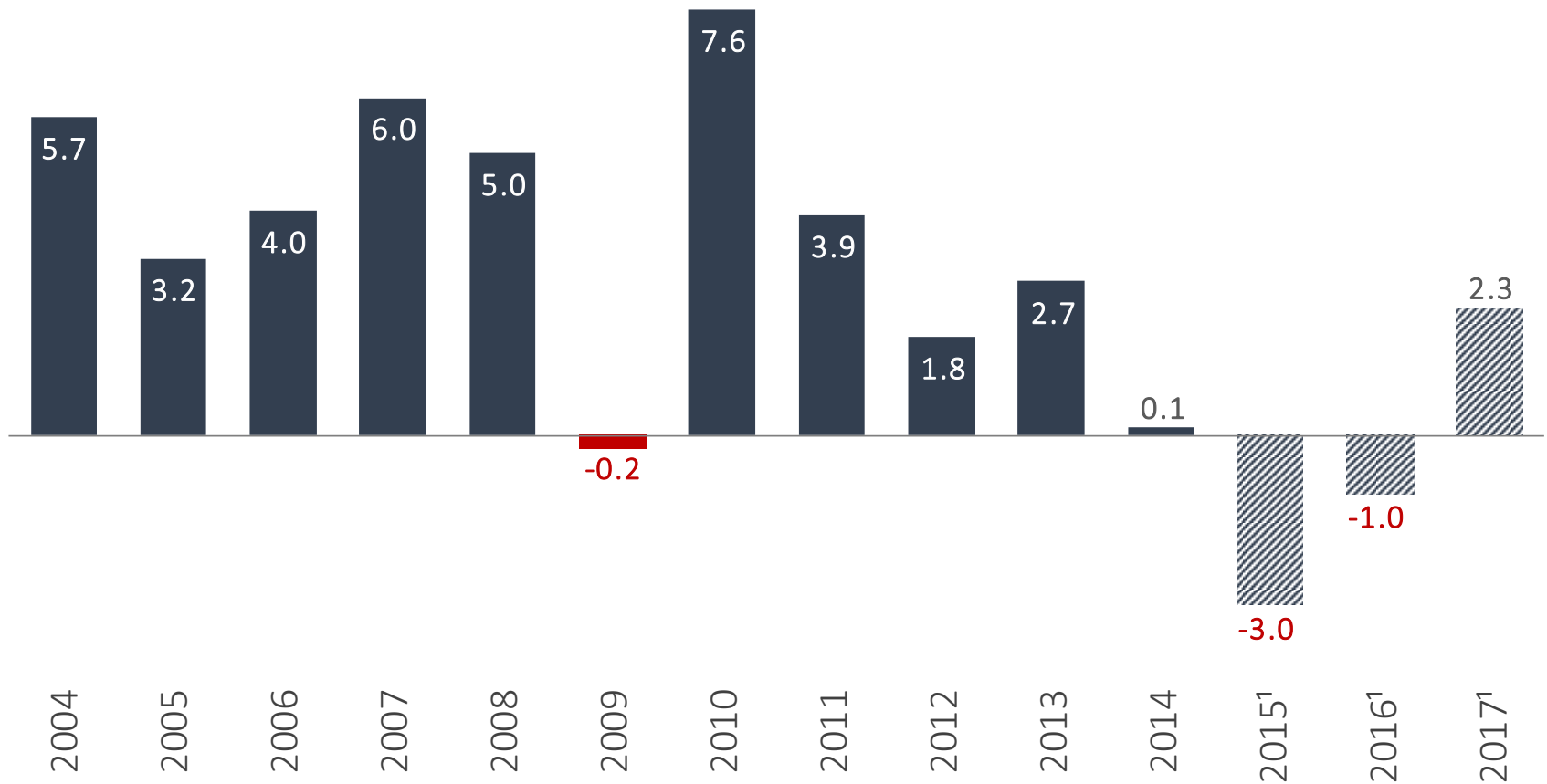
Political System

CUSTO BRASIL



The Economist cover on September the 28th, 2013.

Annual GDP growth rate (%YoY)

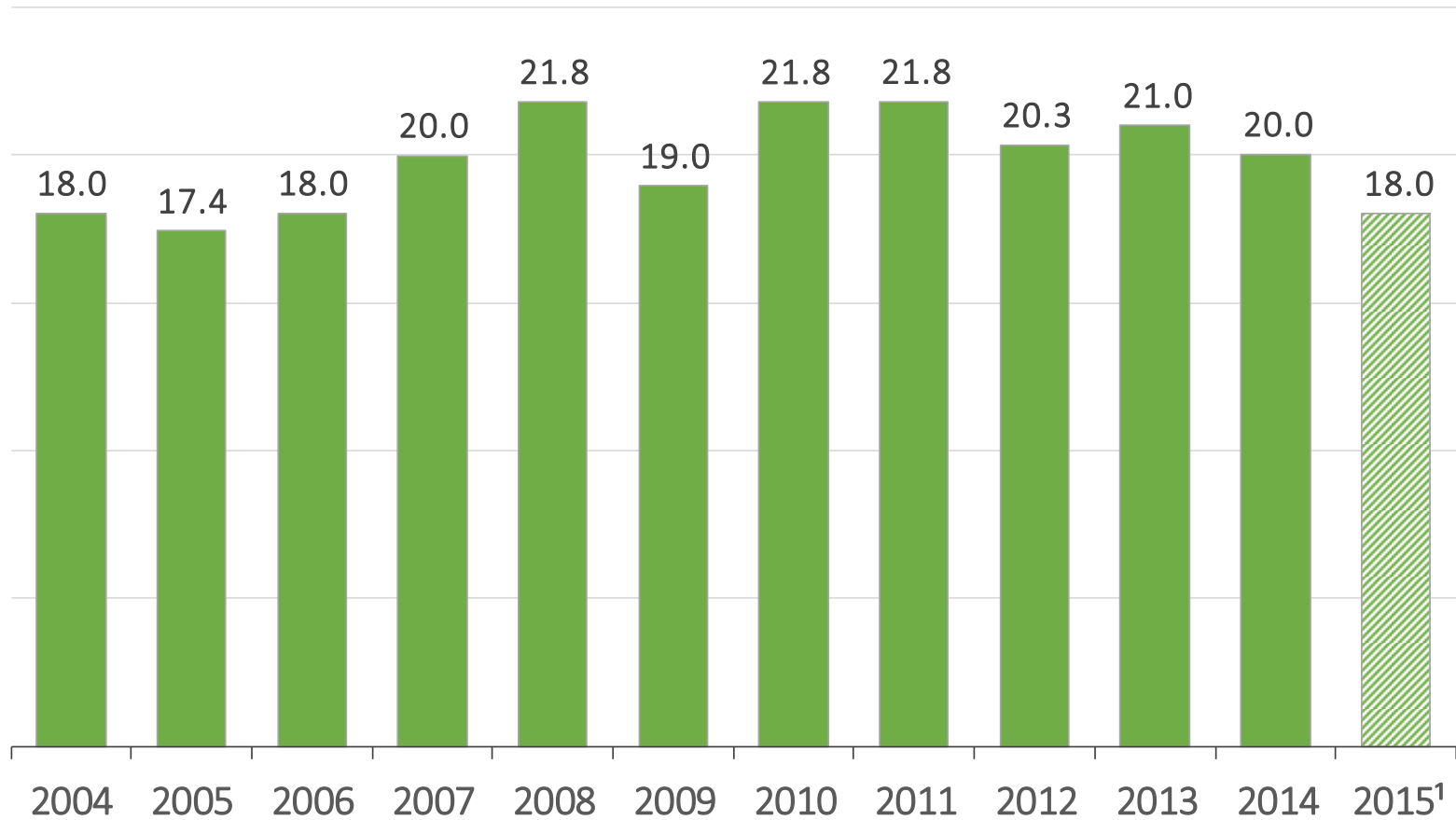


Source: Central Bank of Brazil

(1) Forecast: International Monetary Fund (IMF)

Brazil | Investment (GFCF)

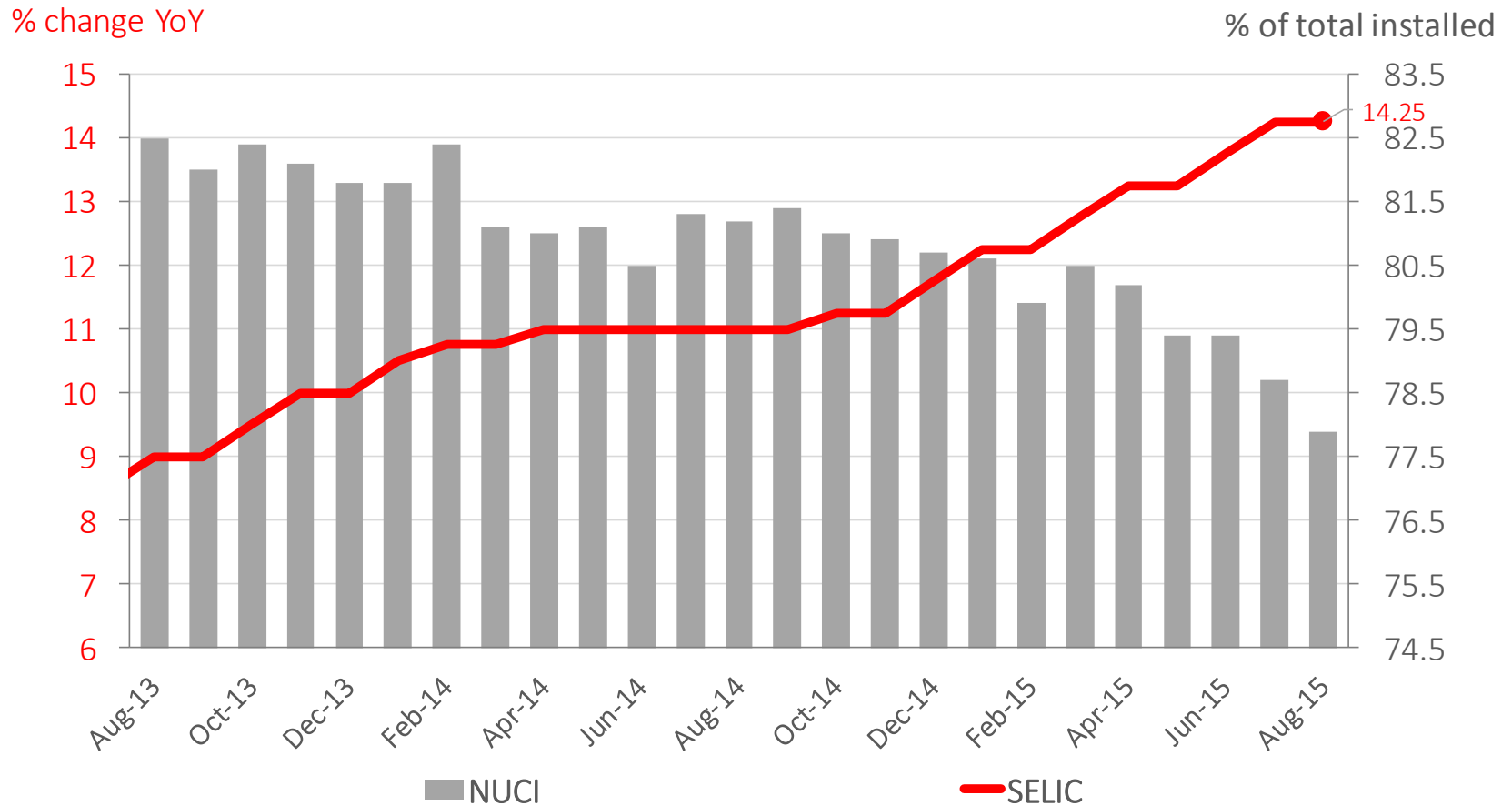
Investment rate (Investment as % of GDP)



Source: International Monetary Fund

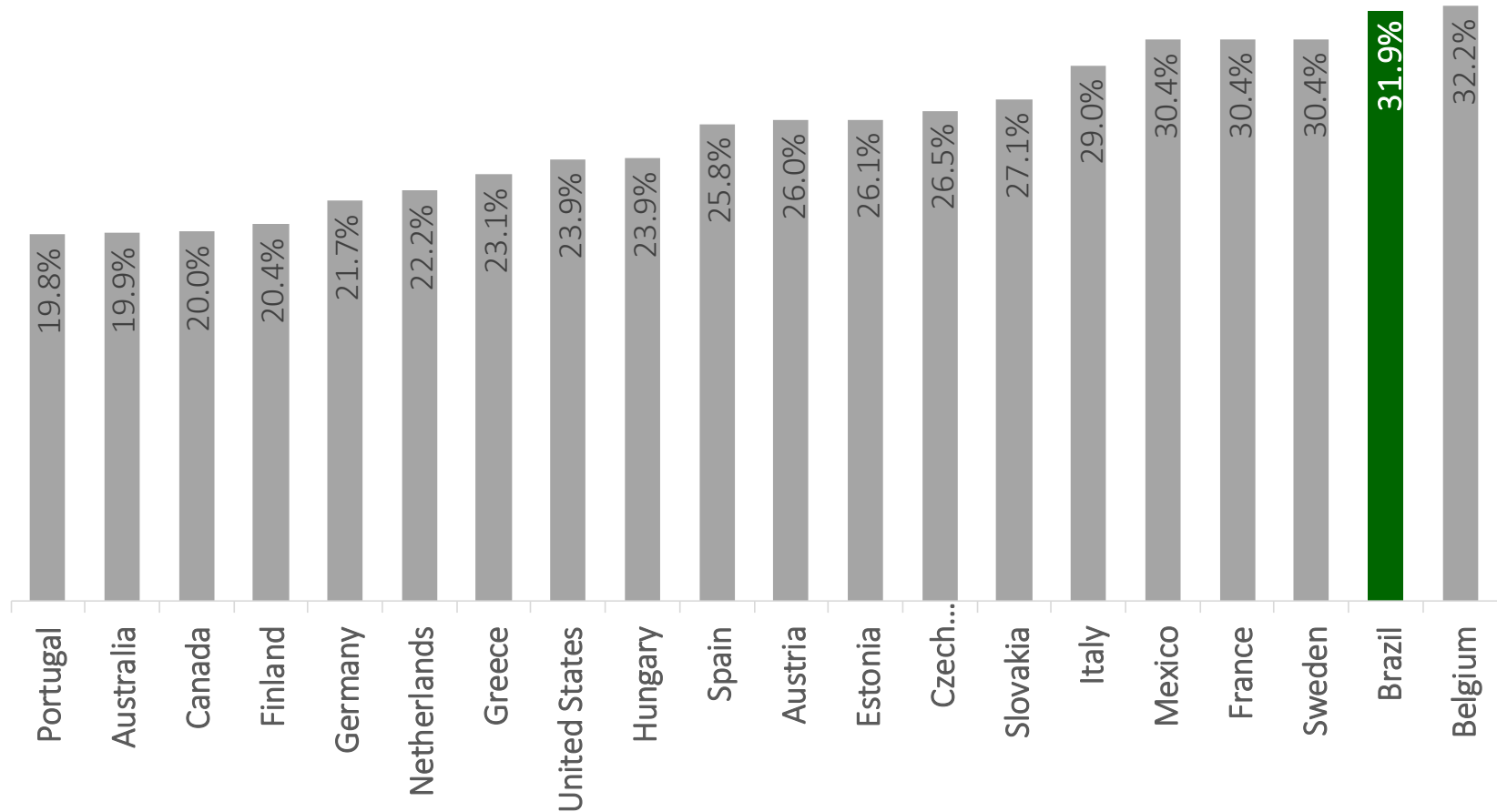
(1) Forecast: IMF

Target interest rate (SELIC) and Industrial capacity utilization (NUCI)



Source: Central Bank of Brazil; National Confederation of Industry (CNI)

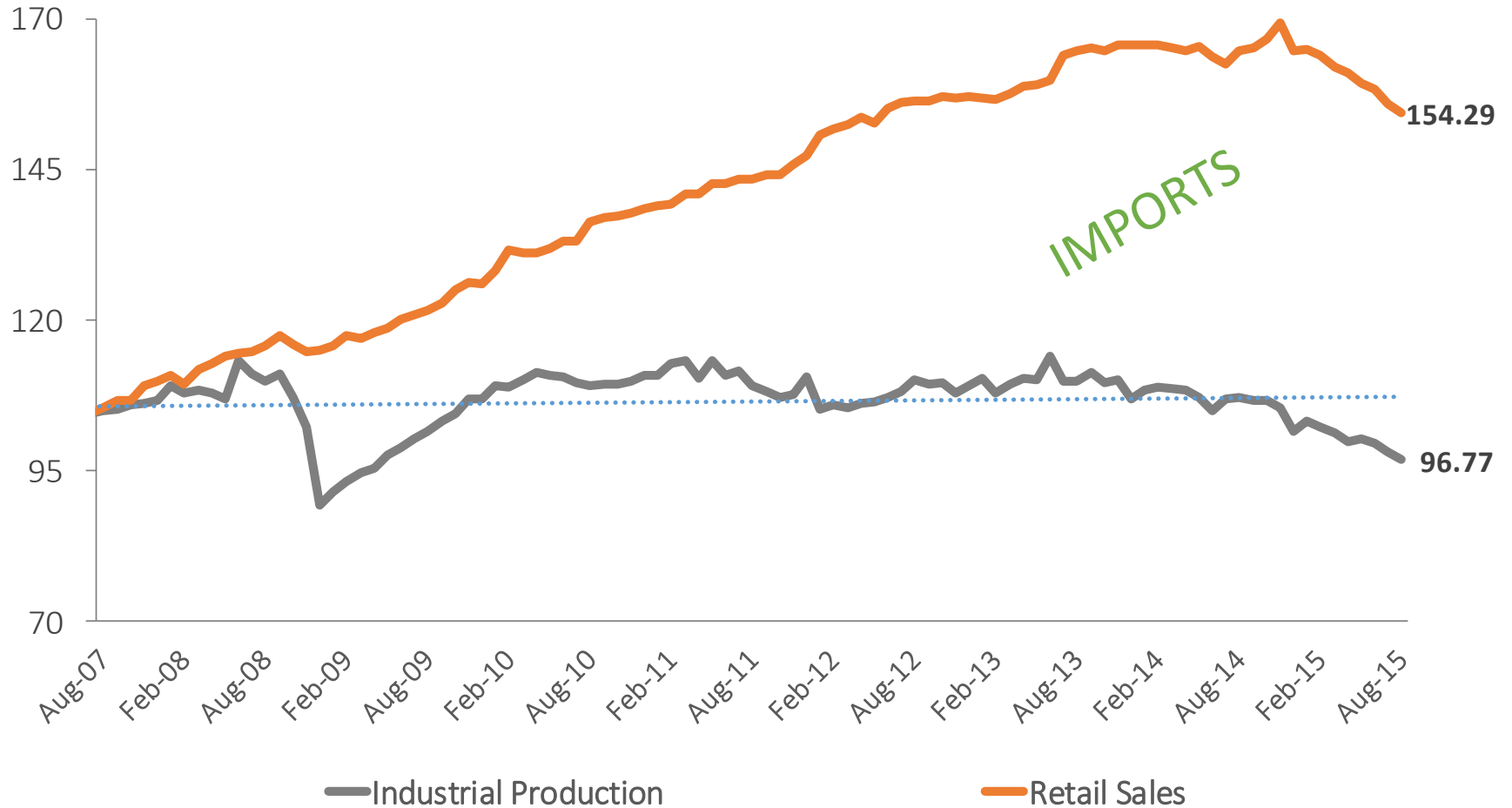
Labor Benefits and taxes (% of total manufacturing labor costs)



Fonte: Bureau of Labor Statistics; Conference Board (2013)

Brazil | Production and Sales

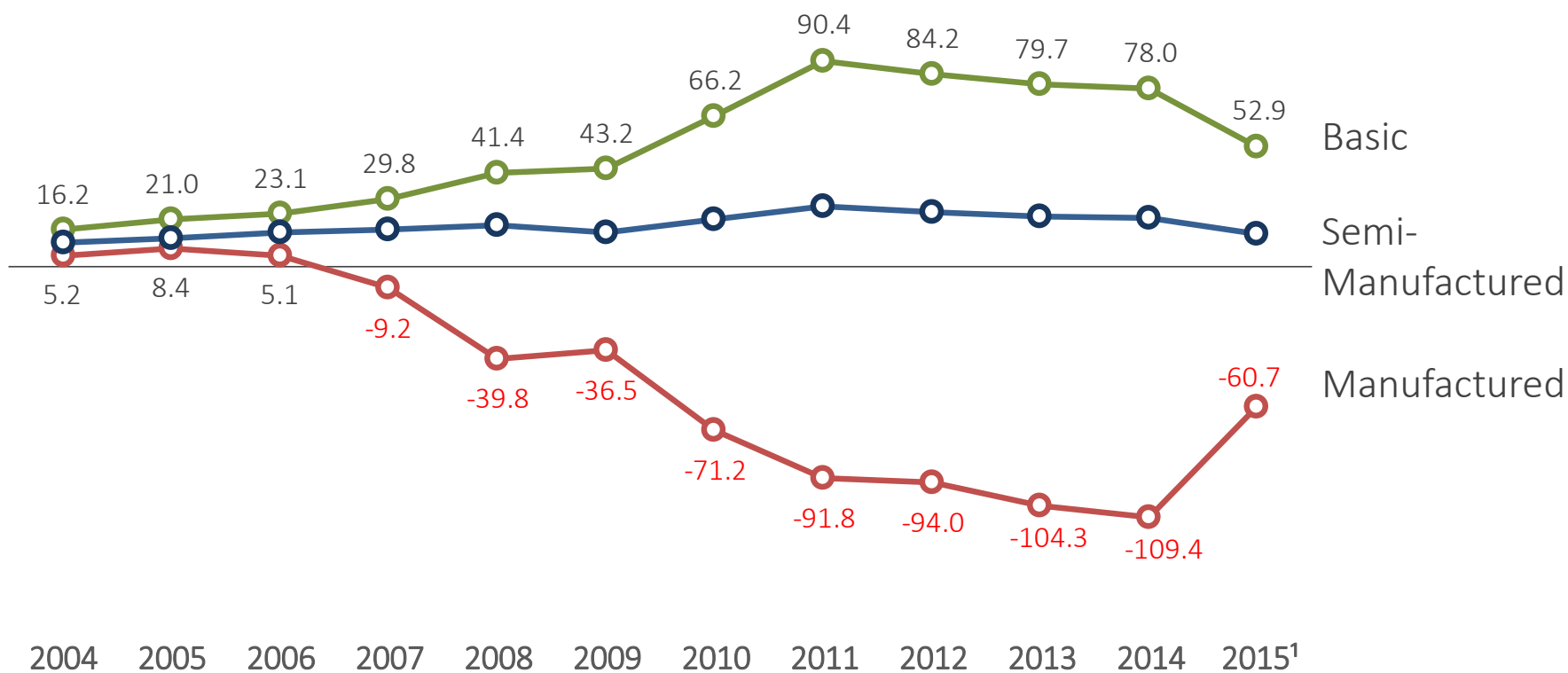
Industrial production and Retail sales (2007=100)



Source: Brazilian Institute of Geography and Statistics (IBGE)

Brazil | Trade Balance

Trade balance by product categories (US\$ billion)



Source: Ministry of Development, Industry and Trade (MDIC)

(1) January to September 2015

Brazil | Exports agenda

2000

| Product | Part.(%) |
|---|---------------|
| Airplanes | 6.2 |
| Iron ores and concentrates | 5.5 |
| Soybeans,whether or not broken | 4.0 |
| Passenger car | 3.2 |
| Transmitter or receiver devices | 3.2 |
| Soybean bran | 3.0 |
| Chemical wood pulp | 2.9 |
| Coffee beans | 2.8 |
| Footwear and its parts | 2.8 |
| Semi-finished products of iron or steel | 2.5 |
| Subtotal (top 10) | 36.1 |
| Total | 100.0% |

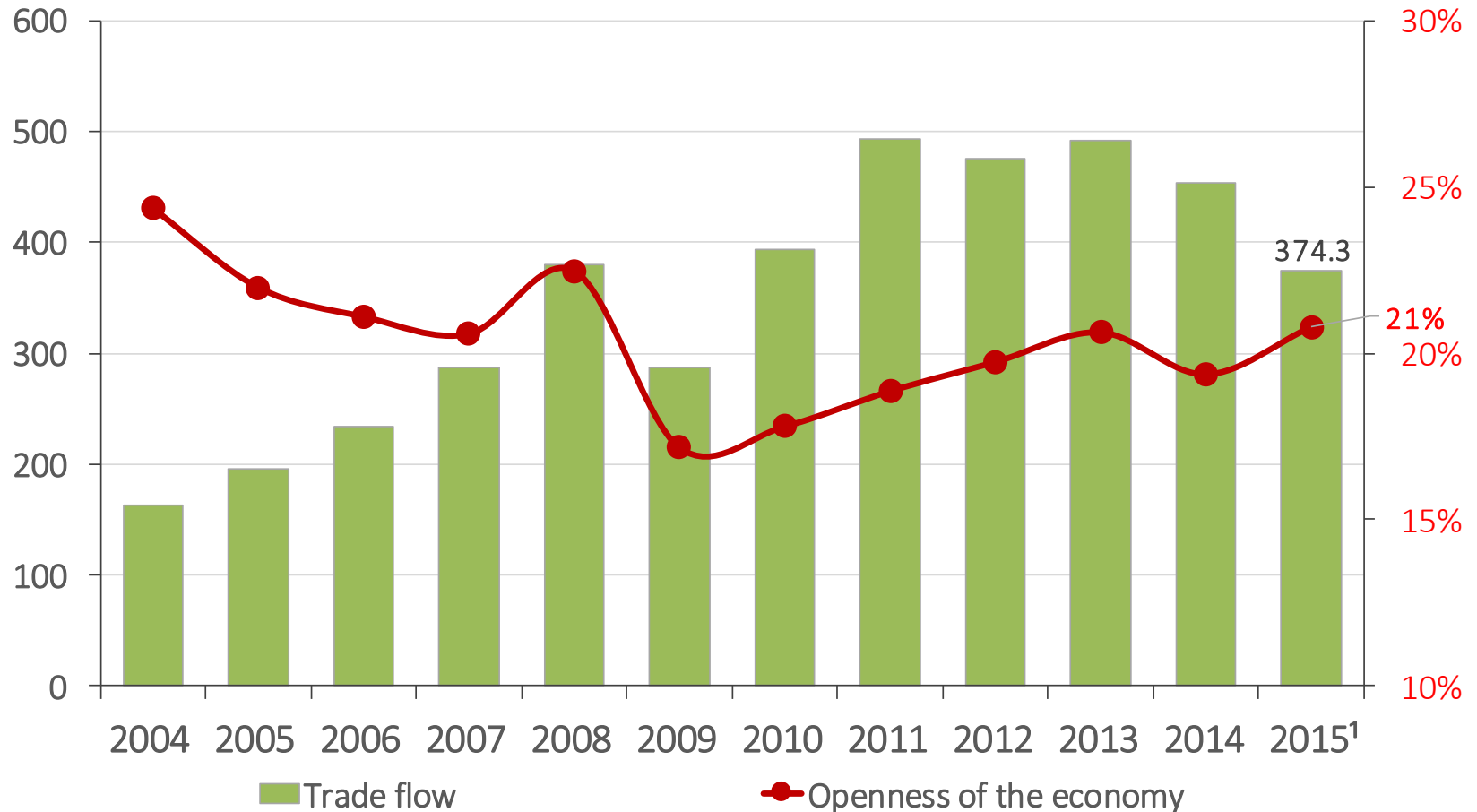
2014

| Product | Part.(%) |
|--------------------------------|---------------|
| Iron ores and concentrates | 11.5 |
| Soybeans,whether or not broken | 10.3 |
| Petroleum oils | 7.3 |
| Raw sugar | 3.3 |
| Soybean bran | 3.1 |
| Frozen chicken meat | 3.1 |
| Coffee beans | 2.7 |
| Frozen beef | 2.6 |
| Chemical wood pulp | 2.4 |
| Corn | 1.7 |
| Subtotal (top 10) | 47.9 |
| Total | 100.0% |

Source: MDIC

Brazil | Openness of the economy

Economic openness of Brazil (US\$ billion and % of GDP)



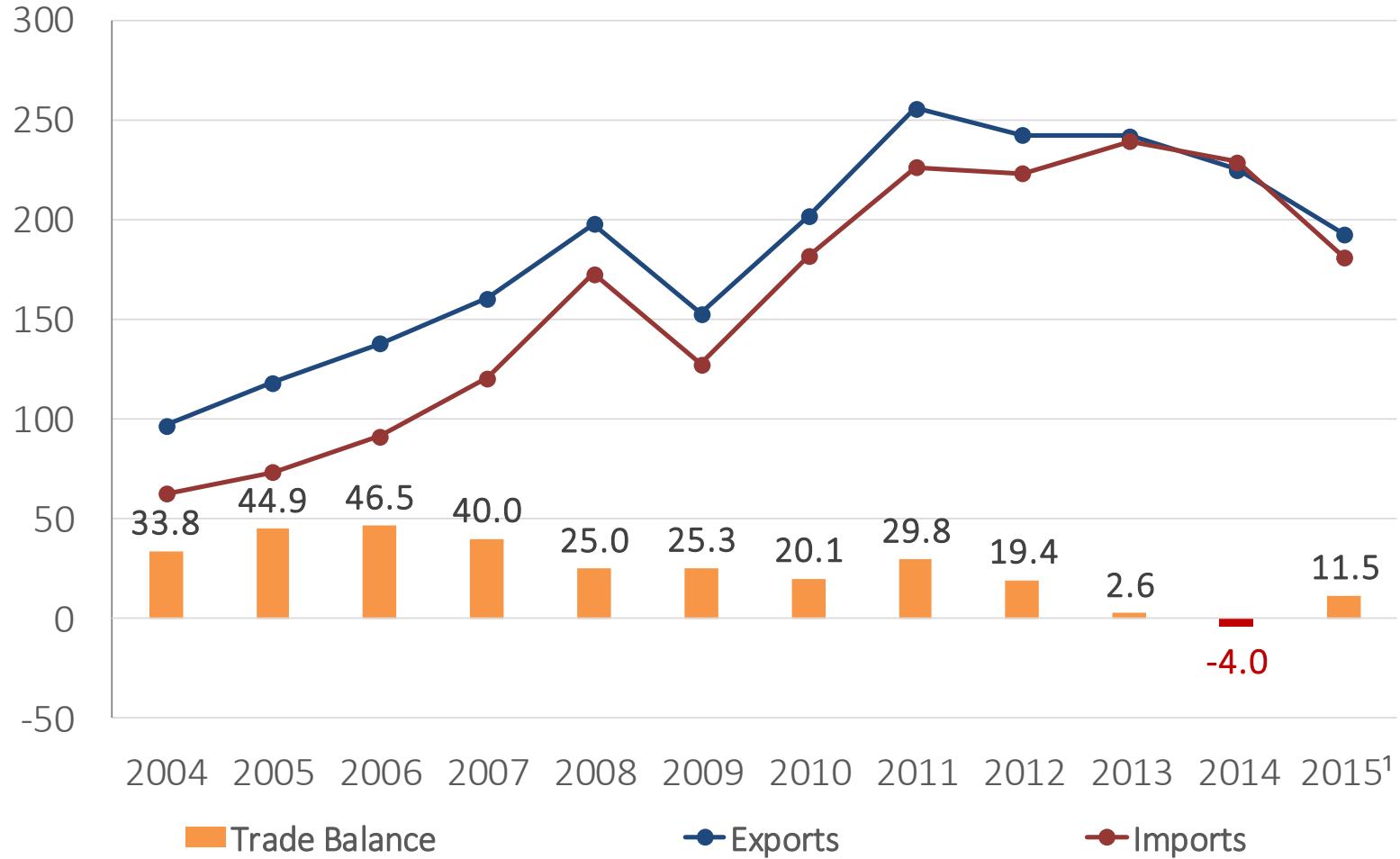
Source: MDIC

(1) Forecast: FIESP and IMF

Note: **Openness of the economy** is the ratio of country's total trade to the country's gross domestic product.

Brazil | Trade Balance

Brazilian trade balance (US\$ billion)

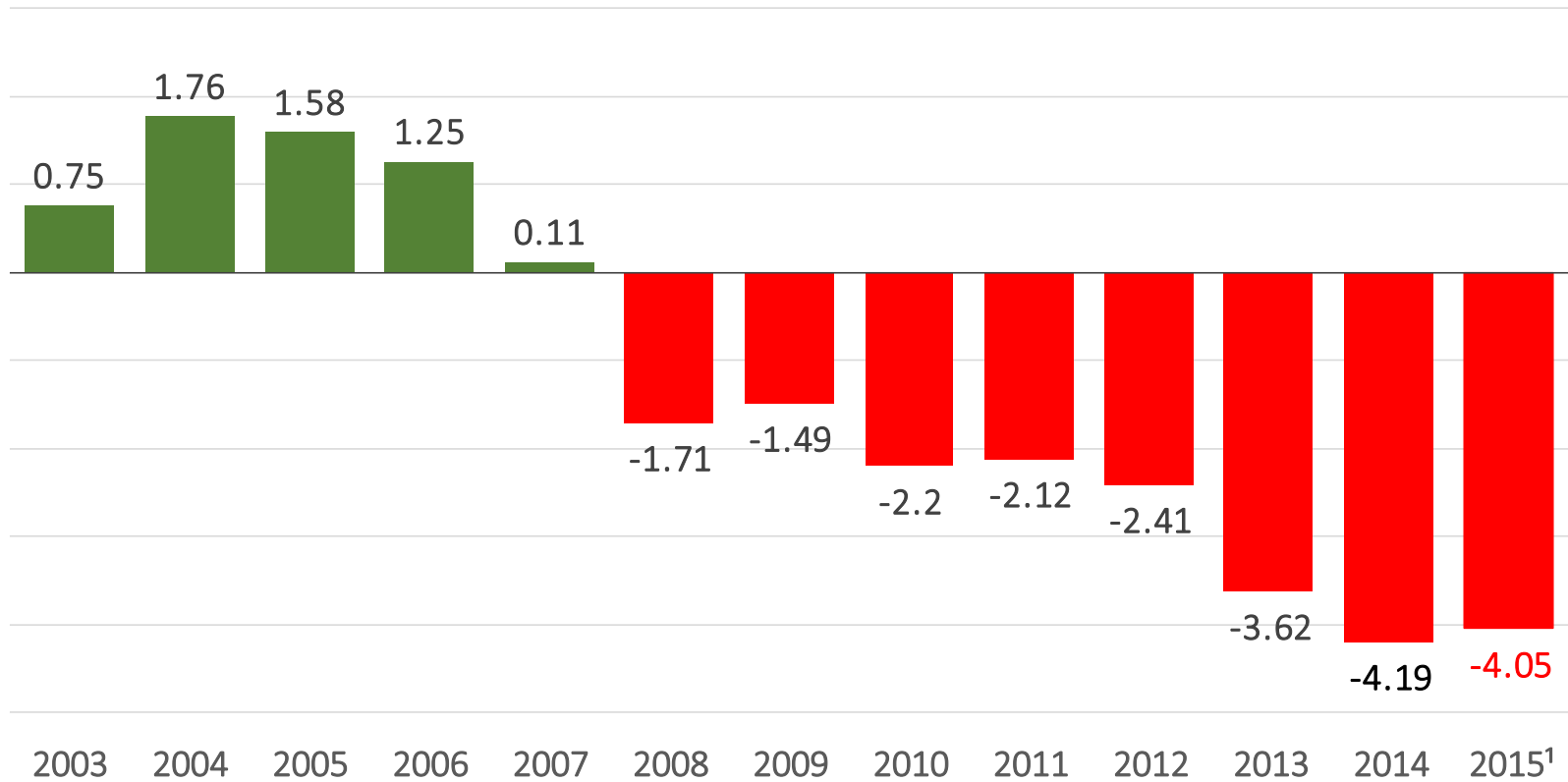


Source: MDIC

(1) Forecast: Fiesp – September 2015

Brazil | Current Account

Current account evolution (as % of GDP)



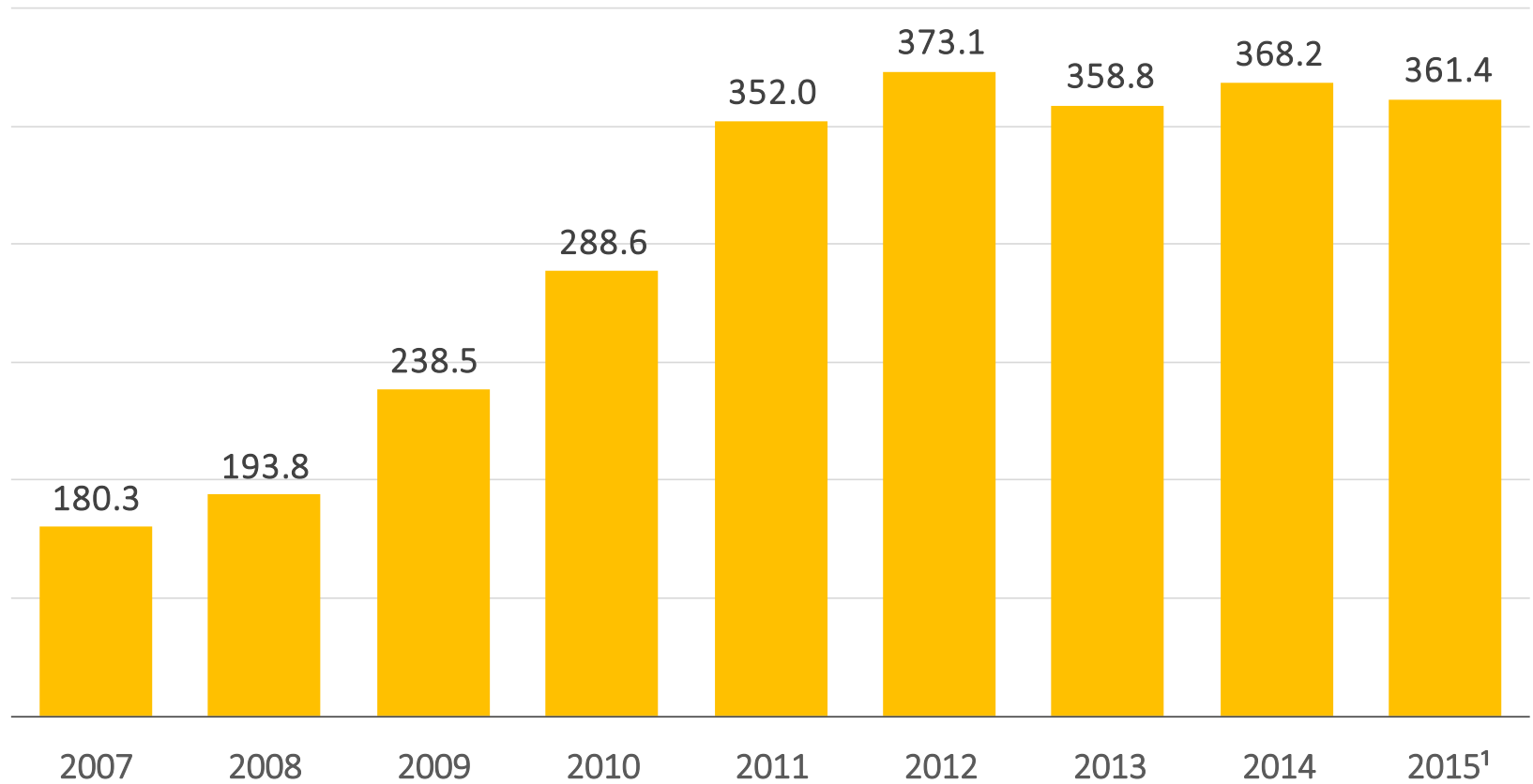
Source: Central Bank of Brazil

(1) Forecast: IMF

Nota: **Current account** consists of regular transactions with the rest of the world

Brazil | International Reserves

International reserves (US\$ billion)



Source: Central Bank of Brazil

(1) January to September 2015

CHALLENGES FOR THE INTERNATIONAL INDUSTRY AGENDA

- ✓ **Regional Integration:** MERCOSUR's development and bilateral agreements with other Latin American countries (Peru, Colombia);
- ✓ **Extra-regional Integration:** to reach agreements with countries with high technological development (United States, European Union e Japan);
- ✓ **Multilateralism;**
- ✓ **Economic Partnerships:** to develop policies of trade and investments with other countries;
- ✓ **Institutional Structure:** to strengthen CAMEX's role



Proposals for the External Integration of Industry 2014

BRAZILIAN TRADE OPPORTUNITIES

- 1** Market Access
- 2** Trade Promotion
- 3** Trade Facilitation
- 4** Trade Finance and Guarantees
- 5** Tax environment improvement

Source: MDIC



National Export Plan | Scope

1

Consumer Markets widening: removal of trade barriers and deeper connection to the world network of trade agreements

2

Build, consolidate, sustain Market share for exports

3

Simplification of Aduana laws and bureaucracy

4

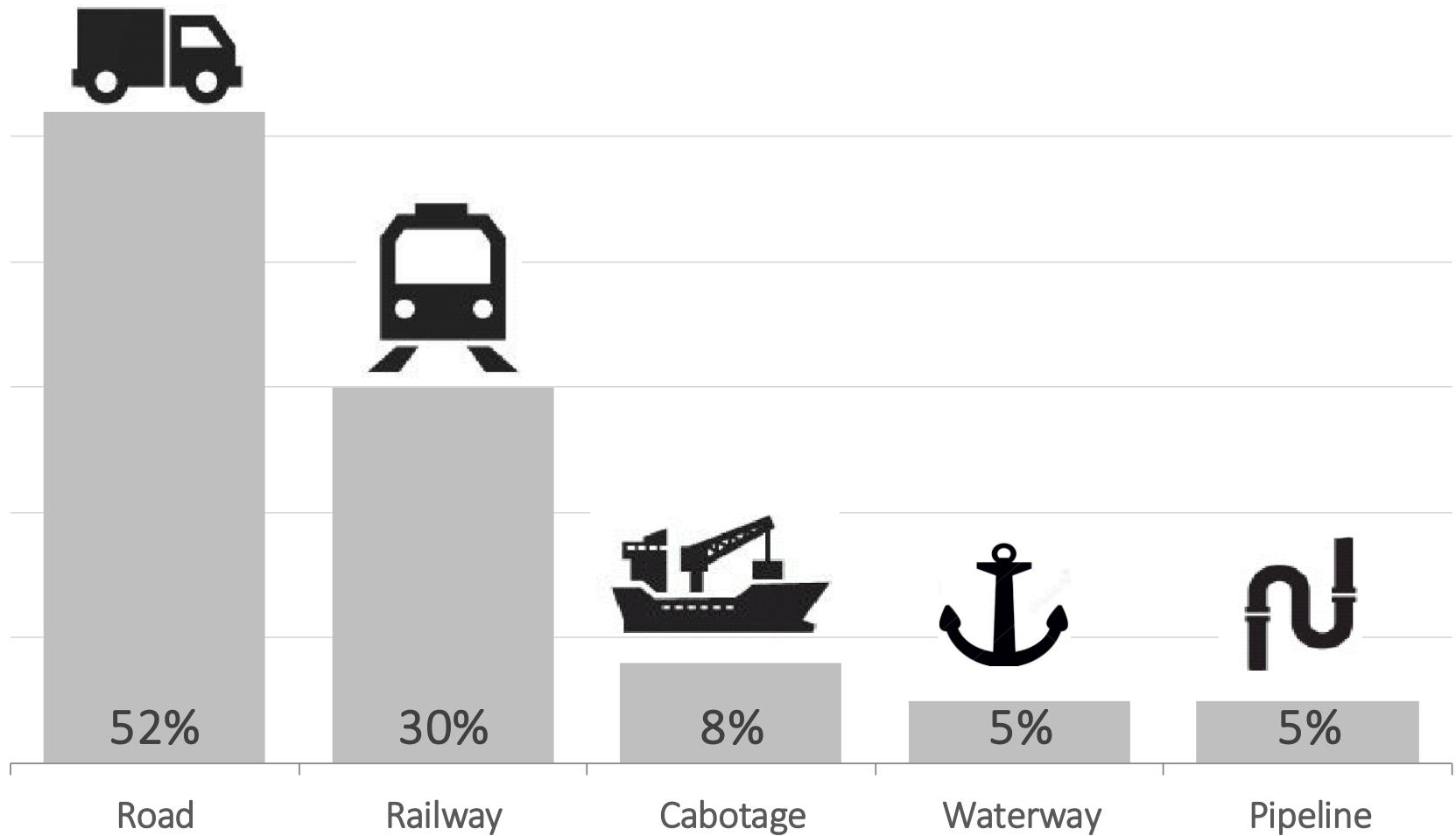
Improvement of trade finance and guarantees mechanisms, according to the exporters needs

5

Tax environment improvement to the exporter activity (e.g.: REINTEGRA)

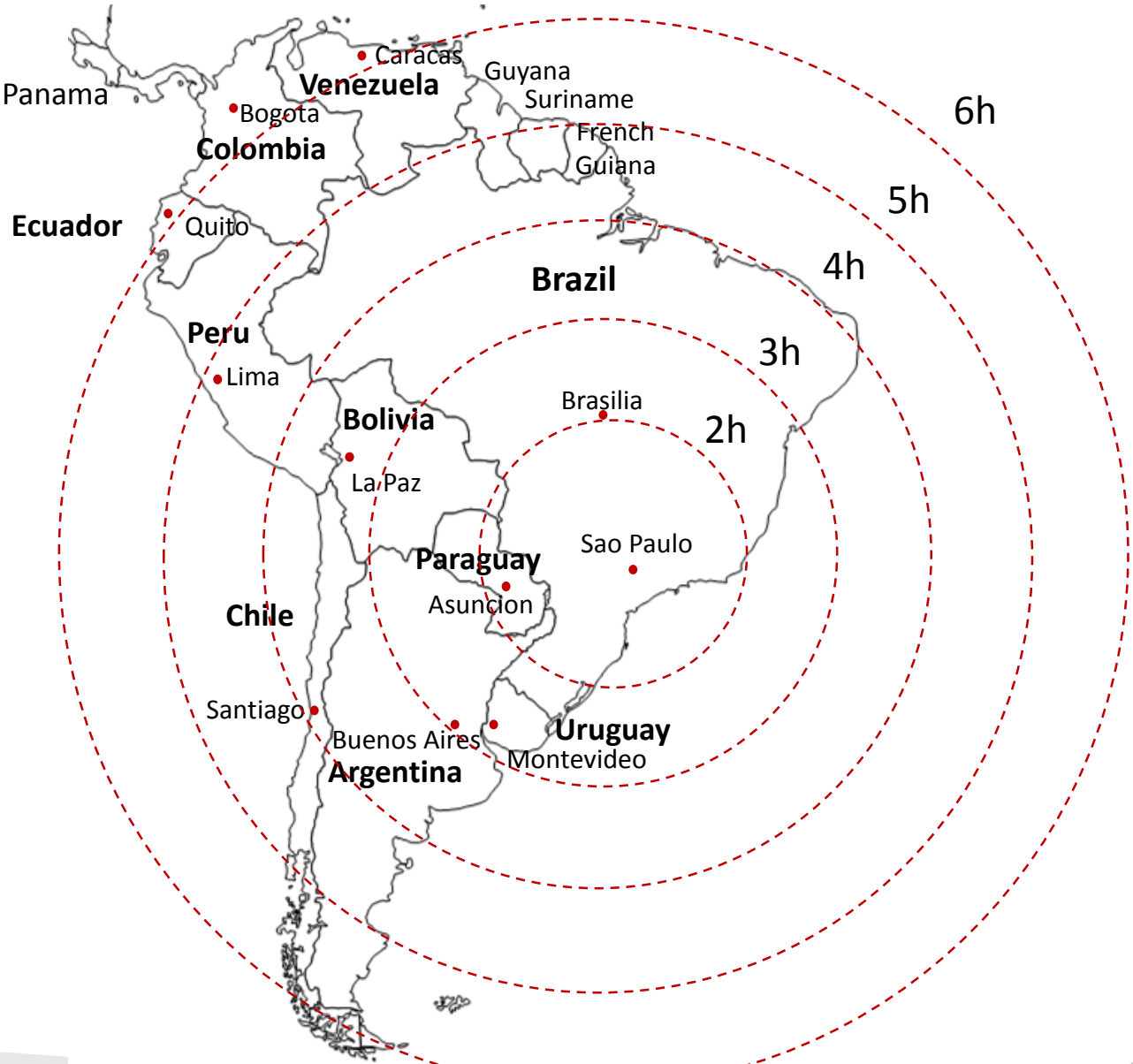
Source: MDIC

Brazil | Transport logistics



Source: Brazil's Transport Ministry (2011)

Sao Paulo | Airline hub in South America



INVESTMENTS INDUSTRY

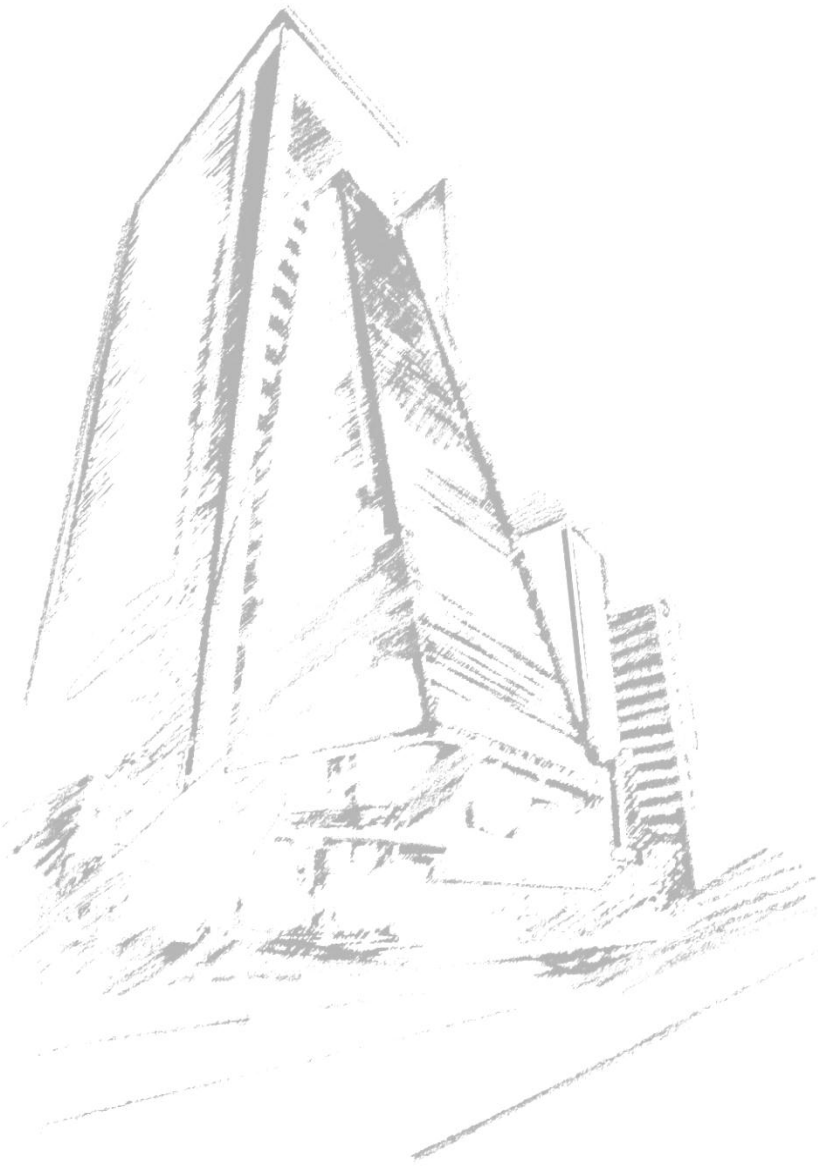
| SECTORS | R\$ billion - 2014 | | Percentage change |
|--------------------|--------------------|------------|-------------------|
| | 2010-2013 | 2015-2018 | |
| Oil and Gas | 358 | 509 | 42.1% |
| Automotive | 58 | 59 | 0.4% |
| Food | 58 | 49 | -15.8% |
| Mineral Extraction | 44 | 40 | -8.0% |
| Electronics | 22 | 28 | 25.9% |
| Sugar and Ethanol | 41 | 25 | -40.5% |
| Chemical Industry | 22 | 22 | 2.6% |
| Pulp and Paper | 20 | 21 | 2.5% |
| Health Industry | 12 | 13 | 11.9% |
| Steel | 25 | 12 | -50.3% |
| Aerospace Industry | 4 | 12 | 187% |
| Others | 112 | 121 | 8.0% |
| Total | 775 | 909 | 17.3% |

Source: Brazilian Development Bank (BNDES)

INVESTMENT IN INFRASTRUCTURE

| SECTORS | R\$ billion - 2014 | | Percentage change |
|-----------------------|--------------------|------------|-------------------|
| | 2010-2013 | 2015-2018 | |
| Telecommunications | 102 | 141 | 37.8% |
| Social Infrastructure | 53 | 87 | 64.6% |
| Roads | 62 | 80 | 29.1% |
| Railroads | 23 | 45 | 98.9% |
| Ports | 15 | 36 | 141% |
| Airports | 11 | 16 | 49.5% |
| Total | 457 | 598 | 30.8% |

Source: BNDES



Thank you!

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