


[Back To Results](#)
[Next >](#)

Brazil: Country Profile

Country Profile | 02 Oct 2015

KEY POINTS

- Real GDP will contract by 3.0% in 2015 after growth of just 0.1% in 2014. Energy shortages, a steep drop in exports (owing to weaknesses in commodity prices) and an austerity programme are drags. Judicial uncertainty involving the Petrobras scandal complicates matters. The economy shrank by 0.7% in the second quarter of 2015. This was the second consecutive quarter of contraction, meaning that Brazil is officially in recession.
- The government had originally promised a budget surplus equal to 1.1% of GDP in 2015 but authorities have scaled this back to just 0.1% owing to the weakening economy. Budget surpluses planned for 2016 and 2017 were also scaled back.
- The real value of private final consumption rose by 1.4% in 2014 and a decline of 2.0% is forecast for 2015. High interest rates, a rise in unemployment and the effects of fiscal consolidation constrain consumer spending.
- A slow recovery should begin in 2016, driven initially by improving exports as a result of the depreciation of the real. Growth of real GDP will gradually rebound reaching about 3% per year by the end of the decade.

Chart 1 Real GDP Growth and Per Capita GDP: 2009-2015



Source: Euromonitor International from national statistics/Eurostat/OECD/UN/IMF

Note: Data for 2014 and 2015 are forecast. GDP per capita are in constant 2013 prices

FACTS

Area

8,358,100 square kilometres

Currency

Real (BRL = 100 centavos)

Location

Brazil, the largest country in South America, occupies some two-thirds of the continent's entire Atlantic coast. It is bordered by Argentina, Bolivia, Colombia, French Guiana, Guyana, Paraguay, Peru, Suriname, Uruguay and Venezuela. Much of the country's climate is tropical but in the south, it is temperate.

Capital

Brasilia

GOVERNMENT

Head of State

Dilma Vana Rousseff (2010)

Head of Government

Dilma Vana Rousseff (2010)

Ruling Party

The government is formed by the Workers Party (PT) and its allies.

Political Structure

Brazil has an executive president elected by popular mandate for a term of four years. She is answerable to a bicameral National Congress. The Chamber of Deputies has 513 members, elected for a four-year term by proportional representation. The Federal Senate has 81 members, elected by plurality vote for eight-year terms, with elections every four years for alternately one-third and two-thirds of the seats.

Last Elections

A general election was held in October 2014. In the election for the presidency, Rousseff was re-elected, defeating Aécio Neves. Rousseff won in a round run-off with just over 51% of the vote. In congressional elections held at the same time, the governing Coalition With the Strength of the People now holds 304 seats in the Chamber of Deputies and 53 seats in the Senate. The centre-right Coalition Change Brazil has 128 seats in the Chamber and 19 in the Senate and the Coalition United for Brazil has 53 seats in the Chamber and seven seats in the Senate. The remaining seats in both bodies went to smaller parties that were not members of either coalition.

Political Stability and Risks

The country's judicial system is dysfunctional and many of its judges are corrupt. Brazil's largest cities are some of the most dangerous in the world. Brazil is regarded as the second largest national market for cocaine in the world.

The plight of Petrobras, Brazil's national oil company, has worsened. Though acknowledged as a technological leader, the company is regarded as shockingly mismanaged and allegedly corrupted by politicians. Petrobras's estimated losses from corruption stand at US\$2.1 billion. The government's austerity programme faces fierce opposition from labour unions as well as from members of its own Workers' Party.

International Issues

Brazil has a long-standing disagreement with Argentina over the use of waterways for power generation but keeps its objections muted because both countries are members of Mercosur. In late 2013, the EU launched a trade case with WTO against Brazil. The EU claims that Brazilian taxes levied on cars and other imports are protectionist.

Government Finance

According to the central bank, the budget deficit soared to 6.7% of GDP in 2014. To cope with growing financial pressures, Brasilia announced plans to raise taxes on various financial services, reduce unemployment benefits and cut selected pension payments. The government had originally promised a budget surplus equal to 1.1% of GDP in 2015 but authorities have scaled this back to just 0.1% owing to the weakening economy. Budget surpluses planned for 2016 and 2017 were also scaled back. To relieve some of the financial pressure, the government plans to raise an additional US\$8 billion by bringing back an unpopular financial transactions tax that was abolished in the past.

Brazil's public debt totalled R\$3,601 billion in 2014, equivalent to 65.2% of GDP. In real terms, public debt rose by 5.5% in 2014. Analysts predict that the share could soon reach 70%. One major credit agency downgraded Brazil's debt to junk status in 2015.

Spending on social security and welfare accounted for 37.5% of all government expenditure in 2013, while spending on general public services made up another 13.7%.

Chart 2 Public Debt: 2009-2014



Source: Euromonitor International

Note: Data are in constant 2014 prices

ECONOMY

Economic Structure and Major Industries

Brazil dominates the sugar, coffee and orange juice markets and competes with the US to be the world's biggest soya bean exporter. However, the rising costs of labour and land have pushed up production costs for many agro-processors. Brazil accounts for about 35% of all coffee output. The agriculture sector employs 15.0% of the workforce. Coffee production is expected to drop sharply in 2014-2015 owing to drought.

Manufacturing accounts for 12.2% of GDP and employs 14.3% of the workforce. Brazil's biggest manufacturers include producers of automobiles, consumer electronics, computers and software and heavy industries. Automobile production (which makes up one-fifth of the industrial base) fell by a dramatic 20% in the first half of 2015. In the past decade, Brazil emerged as the world's fourth largest car producer but car sales fell in 2013 and the downward trend continued in 2014. The real value of gross manufacturing output fell by 6.8% in 2014 and the decline has continued in 2015.

Brazil's service sector makes up 70.2% of GDP. Tourist receipts (in real terms) grew by 0.8% in 2014 and gains of 1.4% are expected in 2015. The Summer Olympics in 2016 are expected to provide a big boost to Brazil's tourism. Retail sales weakened steadily in the first half of 2015.

Brazil has an abundance of mineral deposits (for example, bauxite, iron ore, manganese, chrome, lead, zinc, tungsten and nickel) and is the world's largest exporter of iron. It is also set to become a large exporter of petroleum. In 2014, mining output (in real terms) rose by 5.3%.

Overview of the Economy

Brazil's economy has become much more diverse in the past decade. The country still depends on exports of iron ore, soya, other farm products and raw materials but less so than in the past.

The economy grew briskly in 2010 when Brazil recorded its fastest rate of annual growth in 25 years. The stellar performance was propelled by a big increase in credit and strong domestic demand. However, rates of growth have decelerated in more recent years, falling well below historical trends. In 2012, real GDP grew by a disappointing 1.8%. Gains of 2.7% were reported in 2013 but the economy stagnated in 2014. Investment was sluggish, reflecting eroding competitiveness, a worsening business environment and lower commodity prices. Consumption also moderated as the rate of job creation stalled.

During Brazil's boom period, rapid growth in large Asian countries altered the world economy in ways that directly benefitted commodity exporters. Those advantages are no longer so attractive however, now that commodity prices have softened and growth in emerging economies like India and China has slowed.

Foreign Trade

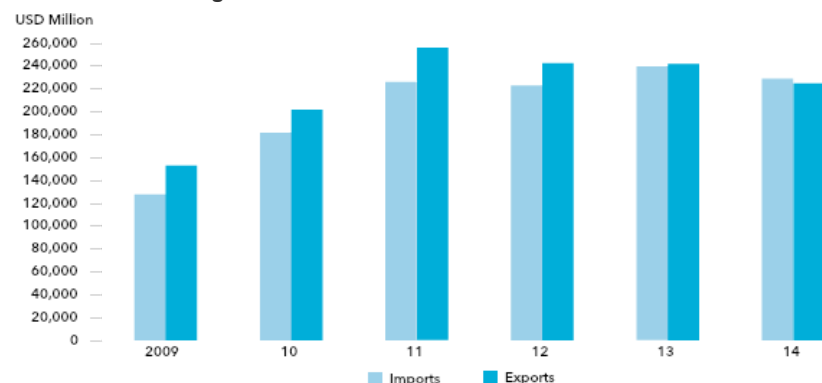
The share of exports in GDP has traditionally been rather low. In 2014, exports represented just 9.6% of GDP, down from 12.0% in 2008. Exports (in dollar terms) dropped by 7.0% in 2014. Another decline of 15.5% is projected in 2015 despite the steadily weakening currency. Government regulations requiring high levels of locally produced content undermines competitiveness.

Crude materials other than fuels made up 29.2% of total exports in 2014, followed by food and live animals (22.4%) and machinery and transport equipment (18.0%). In 2014, the country's major export markets were the EU (18.7%), China (18.0%) and the USA (12.1%).

A decision to restart trade negotiations with the EU and the start of a wide-ranging free-trade agreement with Mexico are encouraging moves which could boost trade in the medium term.

Brazil's current account deficit was 4.5% of GDP in 2014 and it will narrow to 4.6% in 2015.

Chart 3 Total Foreign Trade: 2009-2014



Source: Euromonitor International from national statistics/OECD/IMF

Economic Prospects

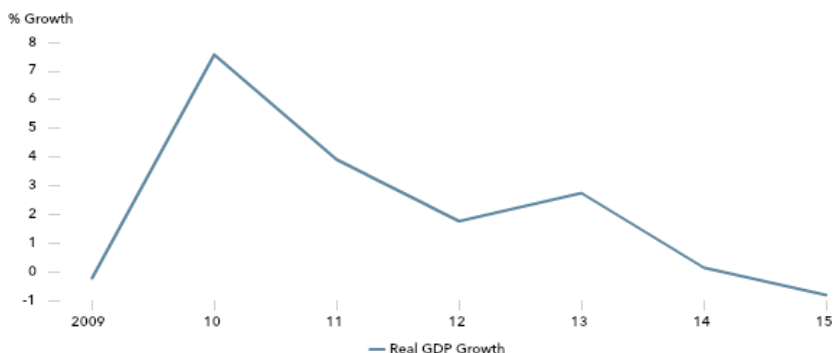
Real GDP will contract by 3.0% in 2015 after growth of just 0.1% in 2014. Energy shortages, a steep drop in exports (owing to weaknesses in commodity prices) and an austerity programme are drags. Judicial uncertainty involving the Petrobras scandal complicates matters. The economy shrank by 0.7% in the second quarter of 2015. This was the second consecutive quarter of contraction, meaning that Brazil is officially in recession.

Prices will rise by 8.6% in 2015, after inflation of 6.3% in 2014. By September 2015, the value of the real has fallen to its lowest level since 2002, adding to inflationary pressure. The central bank's target rate of 4.5% has apparently been abandoned. In 2015, the central bank raised interest rates to the highest level in nine years.

The real value of private final consumption rose by 1.4% in 2014 and a decline of 2.0% is forecast for 2015. High interest rates, a rise in unemployment and the effects of fiscal consolidation constrain consumer spending.

Unemployment was 4.8% in 2014 and it will rise to 6.2% in 2015. A decline in the rate of labour force participation has prevented a further deterioration in the jobless rate. Growth of real wages continues to exceed growth of productivity.

Chart 4 Real GDP Growth: 2009-2015



Source: Euromonitor International from national statistics/Eurostat/OECD/UN/IMF

Note: Data for 2015 are forecast

Evaluation of Market Potential

Brazil's long reliance on a consumption-led growth model – at the expense of investment – has run its course. Capital outflows are more than US\$12 billion per year and the trend must be reversed. Brazil invests less than 20% of GDP compared to the regional average of about 23%. Infrastructure, alone, will require investment of up to US\$150 billion in 2014-2019 according to the IMF. A particular challenge is to expand railways and other logistics networks connecting ports to the interior of the country. Part of the problem is poor execution but the current economic slowdown and growing uncertainty are also deterrents to investors.

A slow recovery should begin in 2016, driven initially by improving exports as a result of the depreciation of the real. Growth of real GDP will gradually rebound reaching about 3% per year by the end of the decade. Future performance will be tempered by a weak labour market, a slowdown in growth of credit and China's softer demand for commodity imports. All these impediments will require policy makers to address structural constraints before sustainable rates of growth can be realised.

Brazil's potential rate of growth is probably about 4% but limited competitiveness owing to poor infrastructure, high taxes and a shortage of labour skills mean that whenever the economy picks up, inflation is quick to follow.

BUSINESS ENVIRONMENT

High taxes and a burdensome bureaucracy are the major reason for the country's large informal economy, which comprises more than two-fifths of GDP. Government spending represents about two-fifths of GDP. In 2014, the government approved a new and more stringent law aimed at deterring corruption.

To strengthen competition, Brasilia will scrap its current antitrust regime. The new antitrust regime will be streamlined and modelled on the US system, though it will be allowed much more time to issue a ruling (330 days). The government also plans to sell to the private sector concessions to build and operate thousands of kilometres of roads, as well as several airports, ports and railways.

To help restore the country's fiscal health, the government will reintroduce a financial transactions tax that had been phased out in 2007. The tax should raise an additional US\$8 billion. Additional steps include cutbacks in welfare programmes and benefits to public sector workers. Some public sector investment has also been frozen.

Table 1 Indicators of Business Environment: 2015

Ease of Doing Business Rank (out of 189)	120
Starting a Business	
Time (days)	84
Procedures (number)	11.4
Cost (% of income per capita)	4.3
Dealing with Construction Permits	
Time (days)	426
Procedures (number)	18
Cost (% of warehouse value)	0.4
Getting Electricity	
Time (days)	53
Procedures (number)	4
Cost (% of income per capita)	36.1
Registering Property	
Time (days)	32
Procedures (number)	13.6
Cost (% of property value)	0.5
Employing Workers	
Paid annual leave for a worker with 1 year of tenure (in working days)	26
Tax Rate	
Total tax rate (% profit)	69
Labour tax and contributions (% of commercial profits)	40.3
Profit tax (% profit)	24.7
Other taxes (% profit)	4
Time (hours per year)	2,600
Payments (number per year)	9
VAT (%)	20

Exporting	
Documents to export (number)	6
Time to export (days)	13
Cost to export (US\$ per container)	2,323
Importing	
Documents to import (number)	8
Time to import (days)	17
Cost to import (US\$ per container)	2,323
Protecting Minority Investors	
Strength of minority investor protection index (0-10)	6.3
Extent of disclosure index (0-10)	5
Resolving Insolvency	
Time (years)	4
Cost (% of estate)	12
Getting Credit	
Strength of legal rights index (0-12)	2
Enforcing Contracts	
Time (days)	731
Cost (% of claim)	16.5
Procedures (number)	44

Source: Euromonitor International based on the World Bank

Note: Data is sourced from the World Bank's Doing Business 2015. Doing Business presents quantitative indicators on business regulations and the protection of property rights - and their effect on businesses, especially small and medium-size domestic firms. The data for all sets of indicators in Doing Business 2015 are from June 2013 until June 2014 (except for paying taxes data which refers to January–December 2013). Rankings are based on data sets across 189 countries. Note: Extent of disclosure index is a measure of liability for self-dealing by directors.

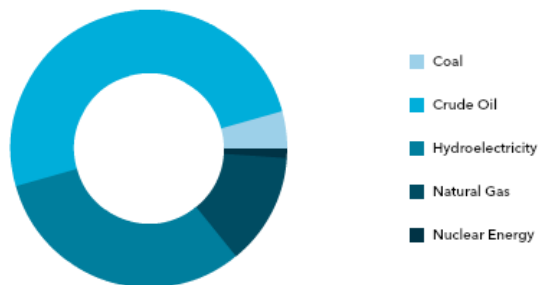
ENERGY

Brazil has proven oil reserves of 16.2 billion barrels, the second largest amount in South America (after Venezuela). Oil production will total 124 million tonnes of oil equivalent in 2015. A giant offshore oil field was discovered several years ago and sold to a consortium in 2013. The field, known as Libra, is estimated to hold 8-12 billion barrels of recoverable oil.

Brazil has 0.5 trillion cubic metres of proven natural gas reserves. Production equal to 18.9 million tonnes of oil equivalent is expected in 2015. The government intends to increase natural gas production further through an expansion of the domestic natural gas transport network, ending flaring at oil-producing facilities, and increasing development of existing reserves.

Brazil is a large producer and exporter of ethanol. Over half of all cars in the country are of the flex-fuel variety, meaning that they can run on 100% ethanol or an ethanol-gasoline mixture.

Chart 5 Primary Consumption of Energy (% of total): 2014



Source: Euromonitor International from BP Amoco, BP Statistical Review of World Energy

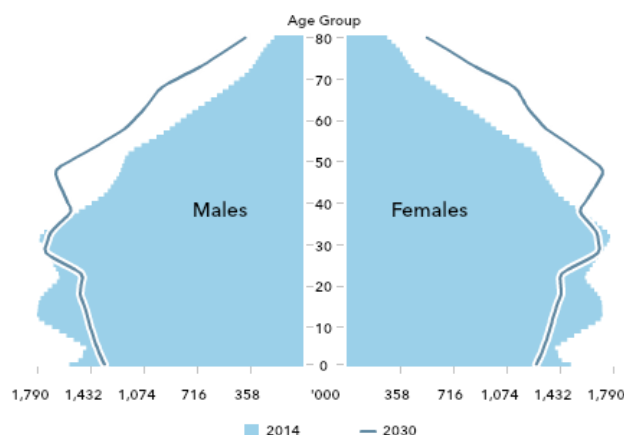
SOCIETY

Population

In 2014, population reached 202 million, an increase of 80.3 million (a 66% increase) since 1980. The median age was 30.7 years in 2014, 10.4 years greater than in 1980. Fertility has fallen steadily for more than two decades but it is still 1.8 births per female – not far below replacement level. Sterilisation, abortion and programmes for family planning are driving the decline.

The number of those over 65 years tripled in 1980-2014, reaching 15.7 million by the end of that period. Presently, this group represents 7.8% of total population – up from 4.2% in 1980. Demographers expect the ageing process to accelerate over the next two decades, putting pressure on the country's pension system.

Chart 6 Age Pyramid in 2014 and 2030



Source: Euromonitor International from national statistics/UN

Income and Expenditure

In 2014, Brazil's savings amounted to 7.6% of disposable income and the ratio will fall to 7.3% in 2015. Relative to Brazil's capital needs, savings are paltry. The low savings rate makes Brazil especially dependent on international capital inflows.

Household spending in Brazil exhibits a sharp north-south divide. The Norte and the Nordeste regions are the poorest, with average household expenditure around half that registered in Sudeste and Sul. Brazil also has one of the most inequitable distributions of income in the region.

Consumer expenditure per capita amounted to R\$16,599 (US\$7,054) in 2014. In 2015, the indicator will decline by 2.9% in real terms. Consumer expenditure on communications should post the most dynamic growth, during this decade, followed by education.

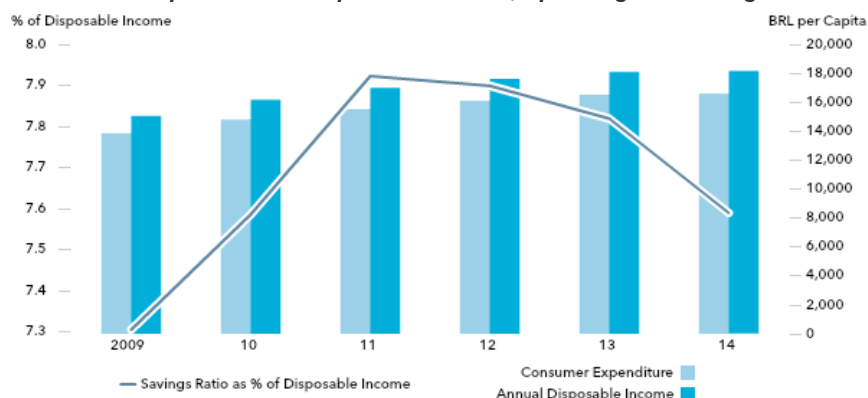
Brazil accounts for more than a third of the region's entire consumer market. Total consumer expenditure (in real terms) will fall by 2.1% in 2015. In the period 2013-2030, total consumer expenditure will grow at an average annual rate of 2.4%. It will increase by a cumulative value of 49.9% during that period. Total consumer expenditure will represent 61.1% of GDP in 2015.

Disposable income per capita totalled R\$18,145 (US\$7,710) in 2014. In real terms, the indicator will fall by 3.1% in 2015.

During the period 2013-2030, total disposable income will increase by a cumulative 48.4% in real terms – growing at an average annual rate of 2.4%.

More than 80% of those living in rural areas are poverty-ridden. The Nordeste region of Brazil contains the single largest concentration of rural poverty in Latin America. However, the "Bolsa Familia" (or Family Allowance) conditional cash transfer programme is credited with elevating more than 30 million Brazilians out of poverty.

Chart 7 Per Capita Annual Disposable Income, Spending and Savings Ratio: 2009-2014



Source: Euromonitor International from national statistics/trade sources/OECD

Statistical Summary

	2009	2010	2011	2012	2013	2014
Inflation (% change)	4,9	5,0	6,6	5,4	6,2	6,3
Exchange rate (per US\$)	2,00	1,76	1,67	1,95	2,16	2,35
Lending rate	44,7	40,0	43,9	36,6	27,4	32,0
GDP (% real growth)	-0,2	7,6	3,9	1,8	2,7	0,1
GDP (national currency millions)	3.328.174,0	3.886.835,0	4.374.765,0	4.713.095,0	5.157.569,0	5.521.256,0
GDP (US\$ millions)	1.665.220,0	2.209.416,3	2.615.841,4	2.413.144,9	2.391.641,1	2.346.214,3
Birth rate (per '000)	15,9	15,6	15,3	15,1	14,9	14,7
Death rate (per '000)	6,4	6,4	6,4	6,4	6,5	6,5
No. of households ('000)	56.119,9	57.324,2	58.369,1	59.343,9	60.251,5	61.092,7
Total exports (US\$ millions)	152.994,7	201.915,3	256.039,6	242.578,0	242.033,6	225.100,9
Total imports (US\$ millions)	127.722,3	181.768,4	226.246,8	223.183,5	239.644,9	229.030,6
Tourism receipts (US\$ millions)	5.305,0	5.919,0	6.555,0	6.942,1	7.541,3	-
Tourism spending (US\$ millions)	10.898,0	16.422,0	21.264,0	22.320,5	22.812,3	-
Urban population ('000)	162.766,1	164.659,8	166.557,0	168.446,3	170.320,4	172.162,5
Urban population (%)	84,1	84,4	84,6	84,8	85,0	85,2
Population aged 0-14 (%)	25,9	25,4	25,0	24,5	24,0	23,6
Population aged 15-64 (%)	67,4	67,7	67,9	68,2	68,4	68,6
Population aged 65+ (%)	6,7	6,9	7,1	7,3	7,5	7,8
Male population (%)	49,2	49,2	49,2	49,2	49,2	49,2
Female population (%)	50,8	50,8	50,8	50,8	50,8	50,8
Life expectancy male (years)	69,3	69,6	69,8	70,1	70,4	70,7
Life expectancy female (years)	76,9	77,2	77,4	77,7	78,0	78,3
Infant mortality (deaths per '000 live births)	18,1	17,2	16,4	15,7	15,0	14,4
Adult literacy (%)	90,3	90,4	91,4	91,3	91,8	92,2

Imports and Exports

Major export destinations	2014 Share (%)	Major import sources	2014 Share (%)
Exports (fob) to Asia Pacific	32,0	Imports (cif) from Asia Pacific	29,9
Exports (fob) to Europe	22,8	Imports (cif) from Europe	24,2
Exports (fob) to Latin America	20,5	Imports (cif) from North America	16,6
Exports (fob) to North America	13,1	Imports (cif) from Latin America	16,4
Exports (fob) to Africa and the Middle East	8,9	Imports (cif) from Africa and the Middle East	10,9
Exports (fob) to Other Countries	2,5	Imports (cif) from Other Countries	1,5

Next ›