



BRAZIL MEANS BUSINESS

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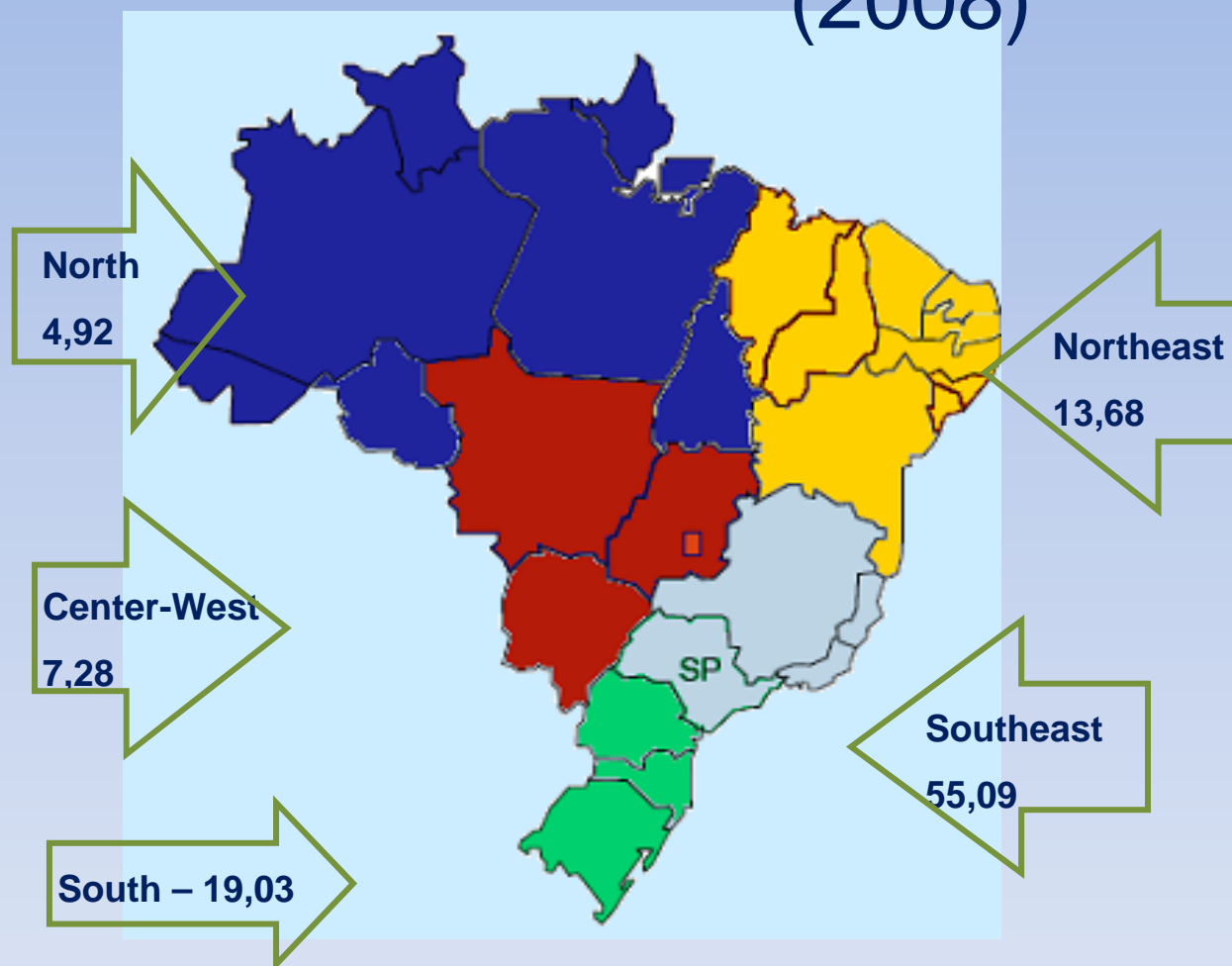
Brazil 's future is today

1. Inflation control
2. Development of policies focused on social assistance.
3. Increase in investments
4. Informal economy reduction / Formal job positions increase
5. Wages increase
6. Credit and consumption expansion
7. Purchasing power
8. Demographics

BRAZIL– USA



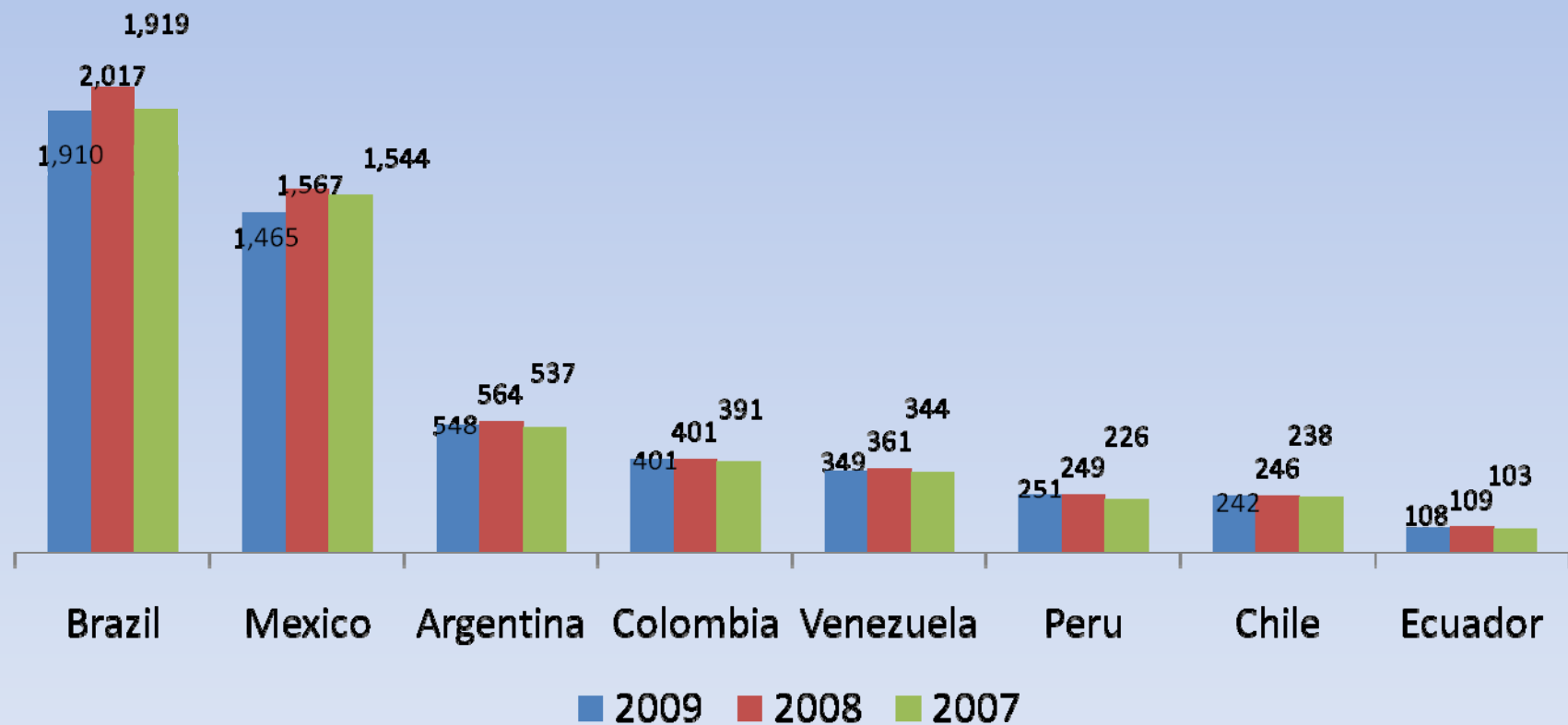
REGIONAL DISPARITIES - % of total GDP (2008)



Note:
5 cities represent
almost 24% of
Brazilian GDP as
follows:

SP	12%
RJ	5,2%
DF	3,8%
BH	1,4%
Curitiba	1,2%

Brazil GDP Compared to rest of Latin America (US\$ trillion)



Source: CIA.gov the World Factbook

Brazil - Record GDP – 8th on World ranking

Country	\$	Ranking
USA	14.799,8	1º
China	5.364,9	2º
Japan	5.272,9	3º
Germany	3.332,8	4º
France	2.668,8	5º
United Kingdom	2.222,6	6º
Italy	2.121,1	7º
Brazil	1.910,5	8º

Why Brazil ? – Economic Indicators 2010 Estimates

- GDP: US\$ 1.65 Trillion (2009)
- Growth Rate: 7.4%
- Inflation Rate: 5% year
- Foreign Direct Investment : US\$ 30 Billion
- Interest Rates, SELIC at 11.25 % year
- Foreign Exchange Rate: 1 USD = 1.60 Reais
- Unemployment Rate: 7.3 %
- Credit Expansion: 21.2%

HEALTHY ECONOMY:

Macroeconomic Analysis



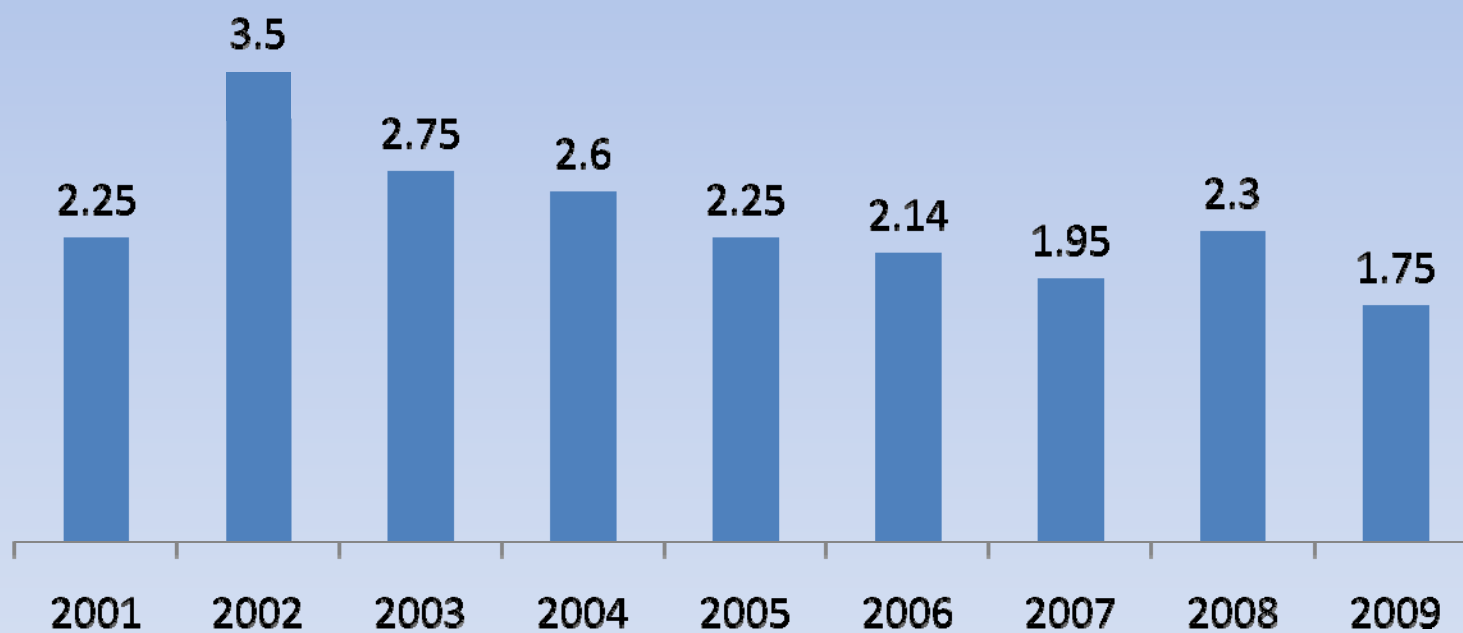
- Achieved investment grade status (S&P Rating Services – April 2008)
- Strong post crisis economy relative to other countries
- Inflation under control
- Appreciating currency
- Interest rates low

PRESIDENT LUIS INÁCIO “LULA” DA SILVA

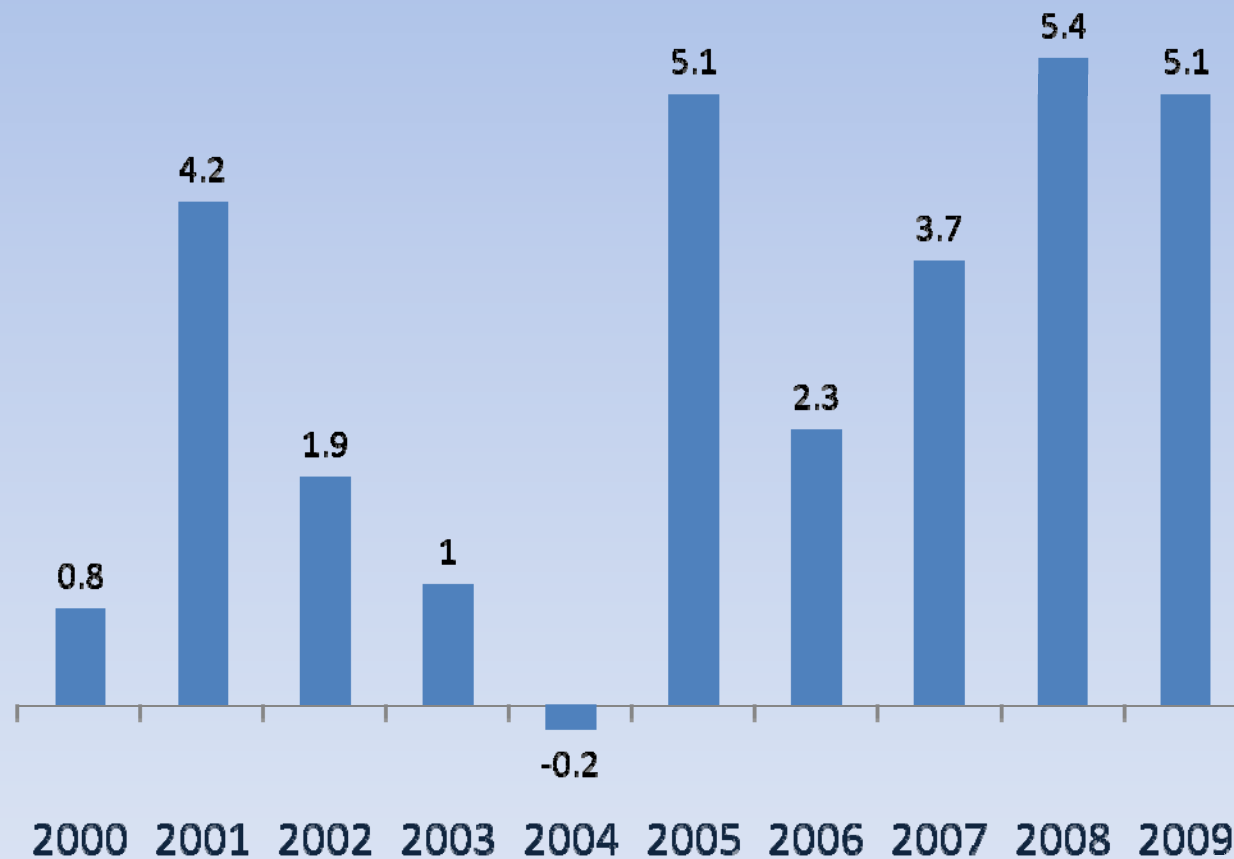
- Took office on January 1st, 2003.
- Labor Party- PT.
- First mandate - with 61.27% in 2002.
- Second mandate - with 60,83% in 2006.
- Elections October 2010.



EXCHANGE RATE



Growth rate Lula Government



Brazil Unemployment Rate (Lula Government)



Source: Trade Economics.com (from IBGE)

Brazil Reaction to Global Financial Crisis

- Government measures:
- Tax cuts such as IPI (federal tax on domestic and imported manufactured products)
- Interest rate reduction – 10.25% per year
- Incentives for civil construction
- Infrastructure development
- **MOST IMPORTANT:** Government Banks Expanded Credit

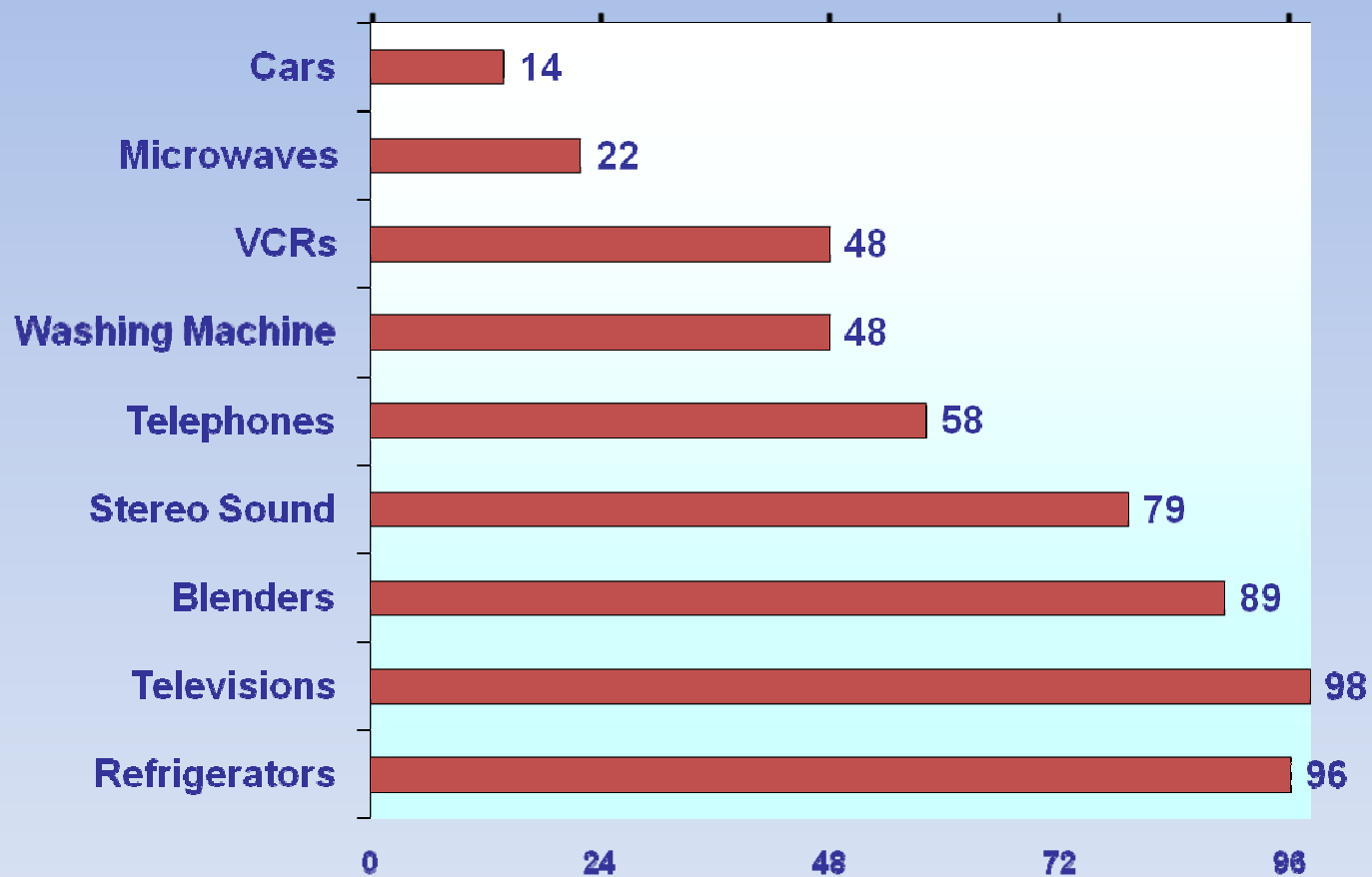
UNDER LULA - ACCESS TO CREDIT

- More than 10 million new jobs created in formal sector.
- The lowest inflation rates in decades 2000-10.
- Expansion of purchasing power and credit and for millions although some contraction in 2008
- Lula Administration's emphasis on lowering public debt and reducing real interest rates expands bank credit to businesses for investment.
- Spreads (the difference between banks' cost of funds and their lending rates) is highest in the world.

INTEREST RATES

- The SELIC rate is currently 10.50% (per year).
- Mortgage loans range from 8% to 12% per year for up to 25 year loans plus inflation.
- Businesses generally pay from 2% to 4.5% (per month), depending on creditworthiness.
- Checking account rates are about 140 % year.
- Credit Card rates are 233 % per year.

The “Favela” Today (in%)



Source: Copo pela Metade; Author Ricardo Neves – Ibope 2003 page 224

Top Exports from Brazil



Sugar cane



Orange
Juice



Beef &
Chicken



Oil



Soy



Corn



Ethanol



Iron ore

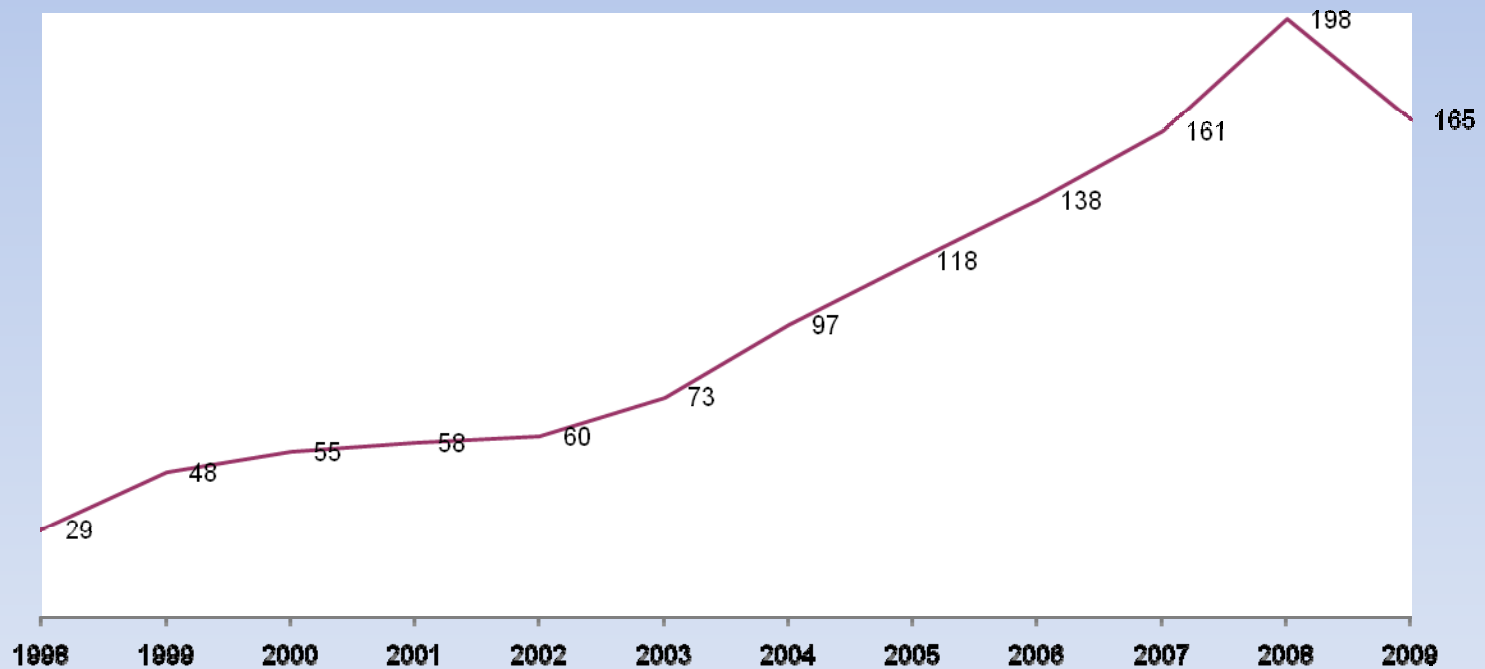


Airplanes

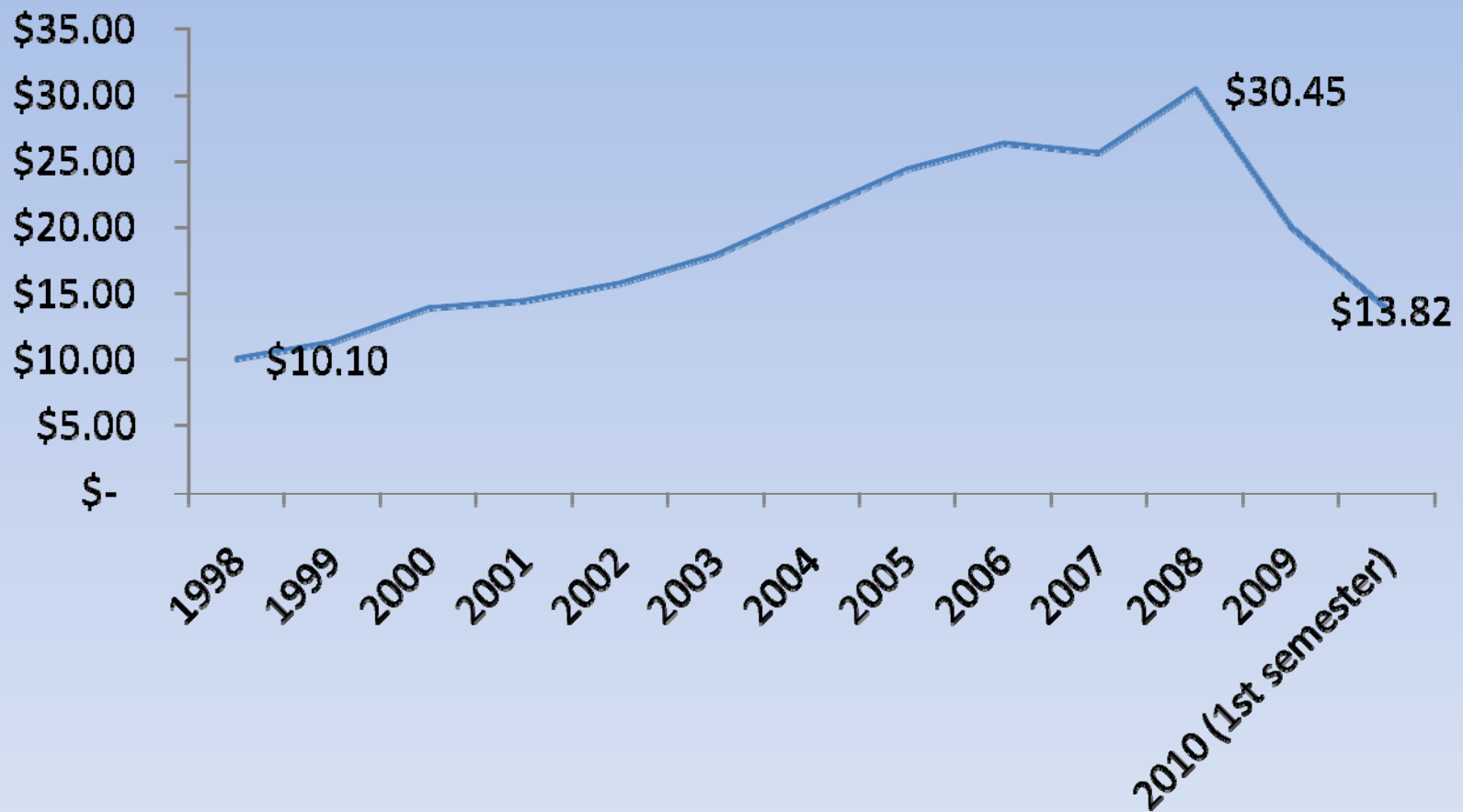


Coffee

Brazil Exports Worldwide (US\$ billion)



Brazil Exports to US – (US\$ million)





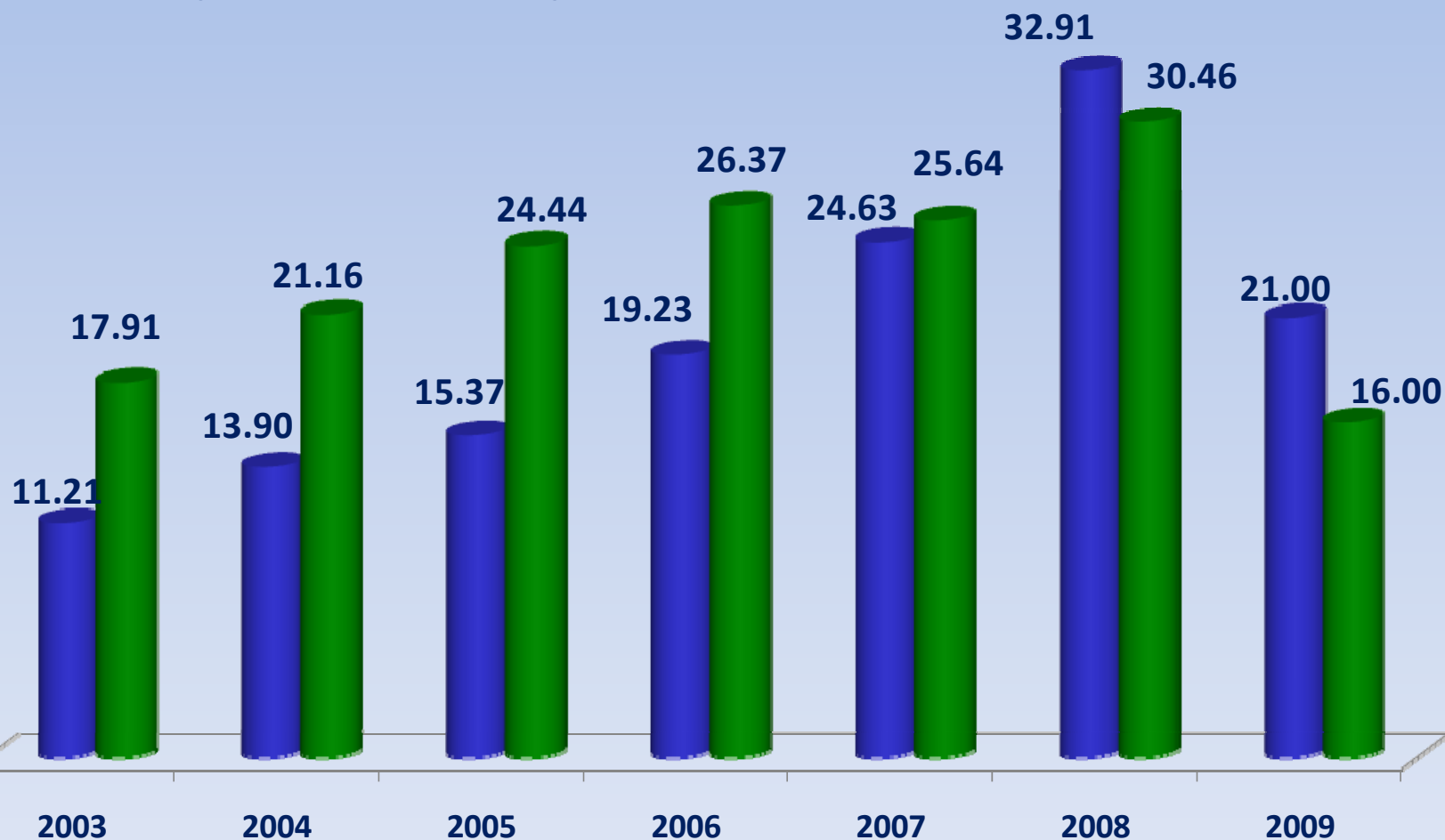
Bilateral Trade

(US\$ Thousands)



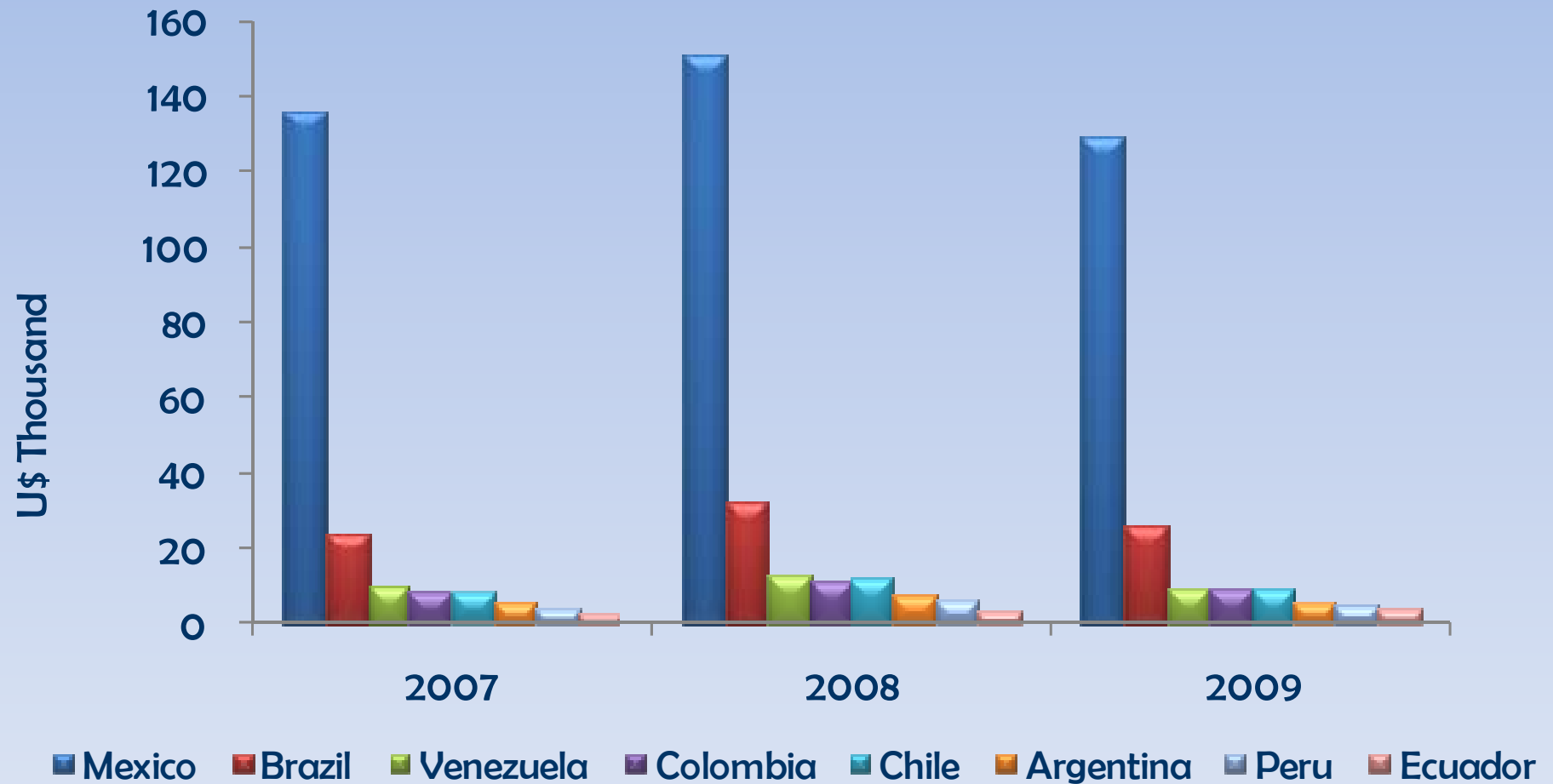
■ USA Exports

■ USA Imports





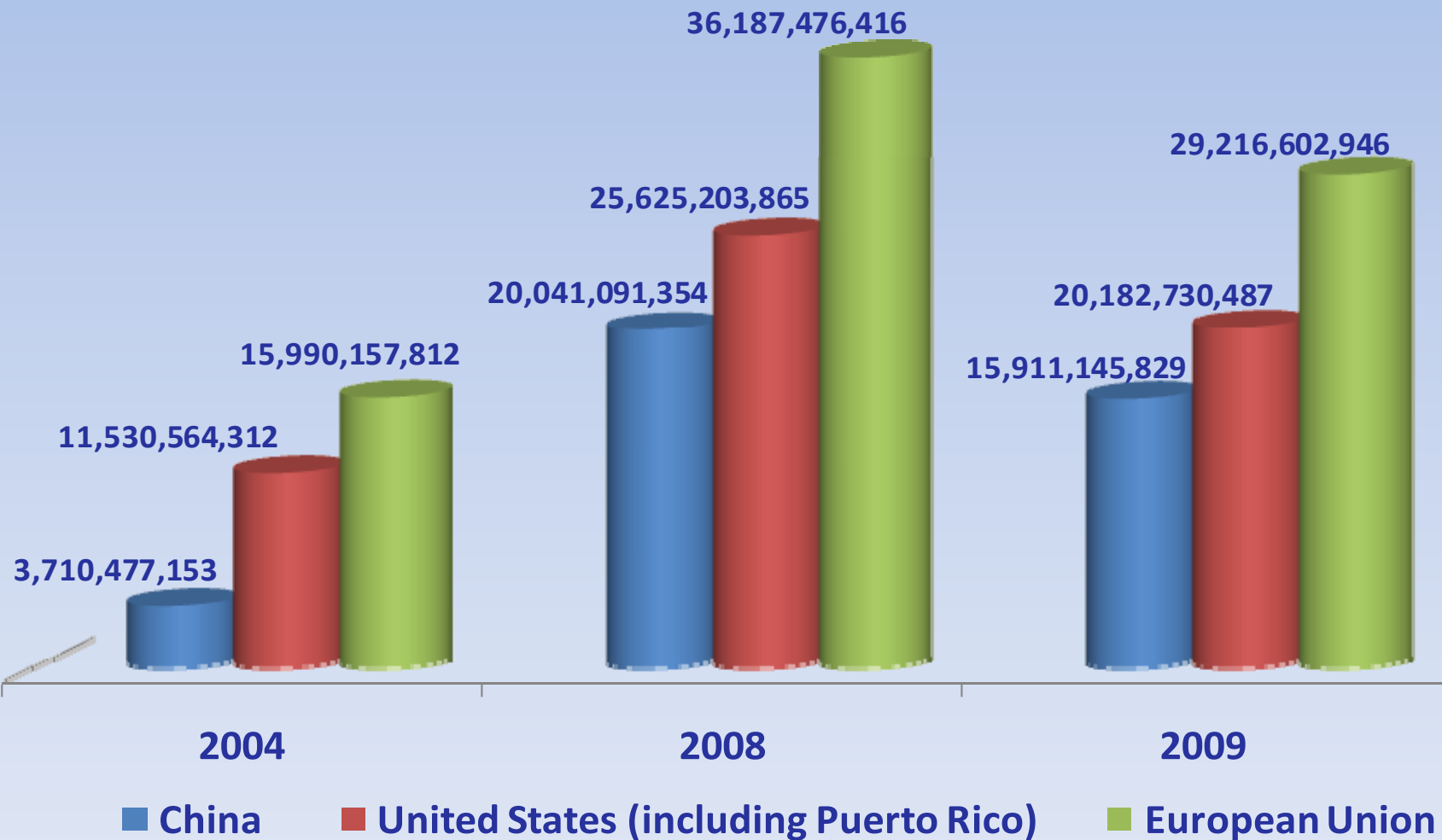
Brazil Compared: U.S. Exports to Latin America



Source: Foreign Trade Division, U.S. Census Bureau



Brazilian Imports by Economic Blocks



Best Prospects for Sales to Brazil

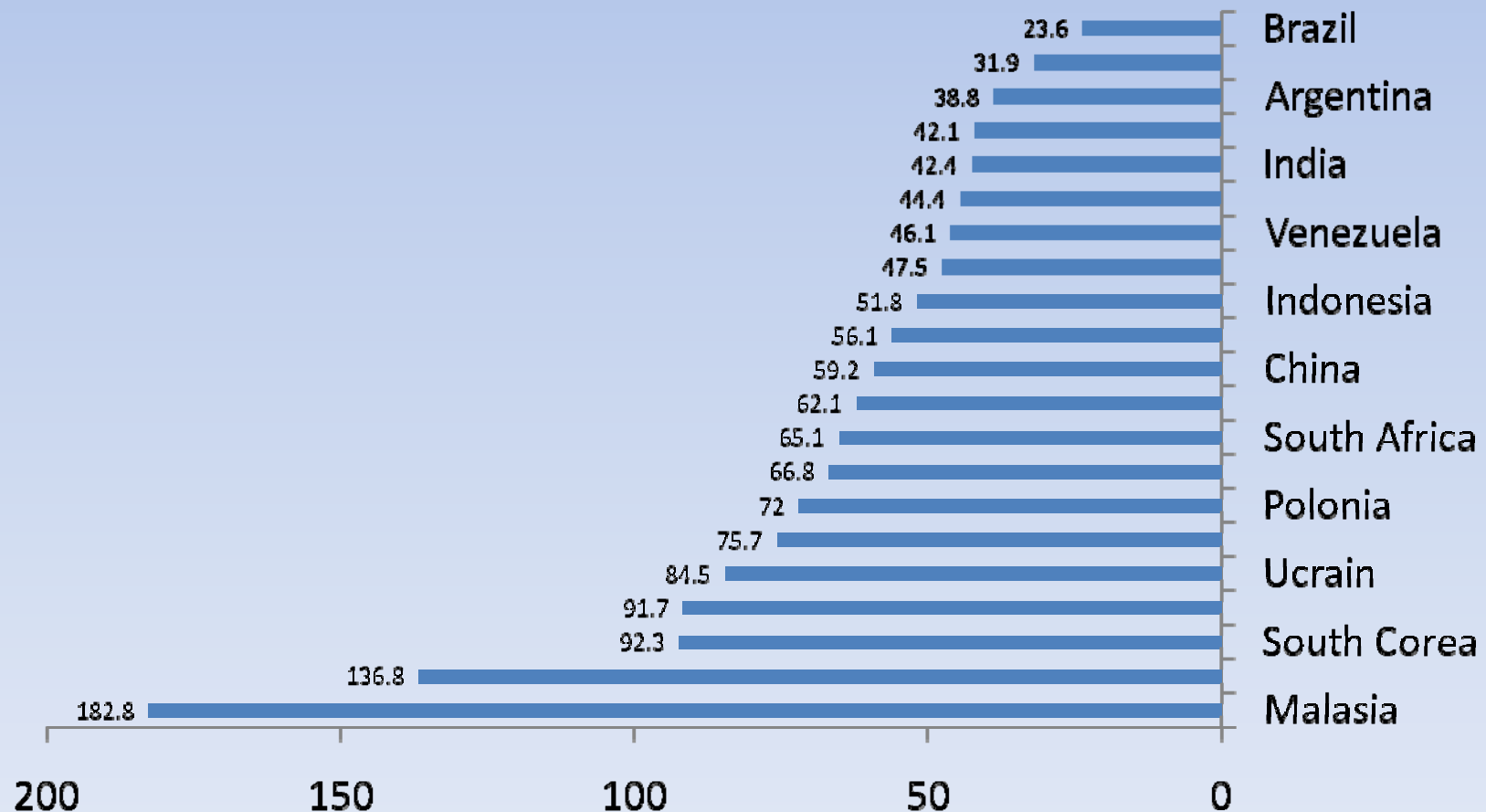
- Agricultural Sector
- Aerospace (Aircraft and Parts / Airports)
- Electrical Power Systems
- Environmental
- Franchising
- ICT - Information & Communication Technologies
- Insurance
- Medical Equipment
- Mining
- Oil and Gas
- Pharmaceuticals
- Safety & Security
- Transportation (Ports / Railways)
- Travel and Tourism

Brazilian Barriers to Business

Custo Brazil

Despite Economy growing, Brazil is still considered a closed market among the emerging countries

Imp+Exp in % GDP - 2008



4 main problems affecting the Brazilian competitiveness

WEF (World Economy Forum – Dom Cabral Foundation)

- Qualified labor force / education
- Infrastructure
- Bureaucracy
 - ❖ Labor laws
 - ❖ Customs
 - ❖ Regulations
- Taxes, Fees and Duties

CUSTO BRAZIL: THE TAX SYSTEM

FEDERAL

Import – II
Export – IE
Industrialized Products – IPI
Credit Operations – IOF
Rural Property – ITR
Fortune

STATE

Heritage and Donation – ITCMS
Circulation of Goods and Services – ICMS
Property of Vehicles – IPVA

MUNICIPAL

Urban Property – IPTU
Transmission of Property – ITBI
Services of any Nature – ISS

(*) Pending of regulation

Hypothetical Cost Buildup for an Imported Machine in US Dollars

FOB price of Product	100,000
Freight	2,400
Insurance (1%)	1,000
CIF Price of Product	103,400
Import Duty Rate: 19% -- applied to CIF	19,646
IPI: 5% -- applied to CIF + import duty	6,152
ICMS: 18% -- applied to CIF + import duty + IPI	23,256
Merchant Marine Tax: 25% of ocean freight cost	600
Warehouse: 0.65% of CIF; or min. US\$ 170, max US\$ 235	235
Terminal Handling Charges: average US\$ 100 per container	100
Contribution to Custom Broker's union 2.2% CIF; or min of US\$ 71, max US\$ 160	160
Custom Brokerage Fee: average 0.65% of CIF or min US\$ 170, max US\$ 450	450
SISCOMEX Fee	30
Typical Cargo Transportation charge	35
Typical Bank Costs: 2% of FOB	2,000
FINAL COST	156,064

IPOD INDEX

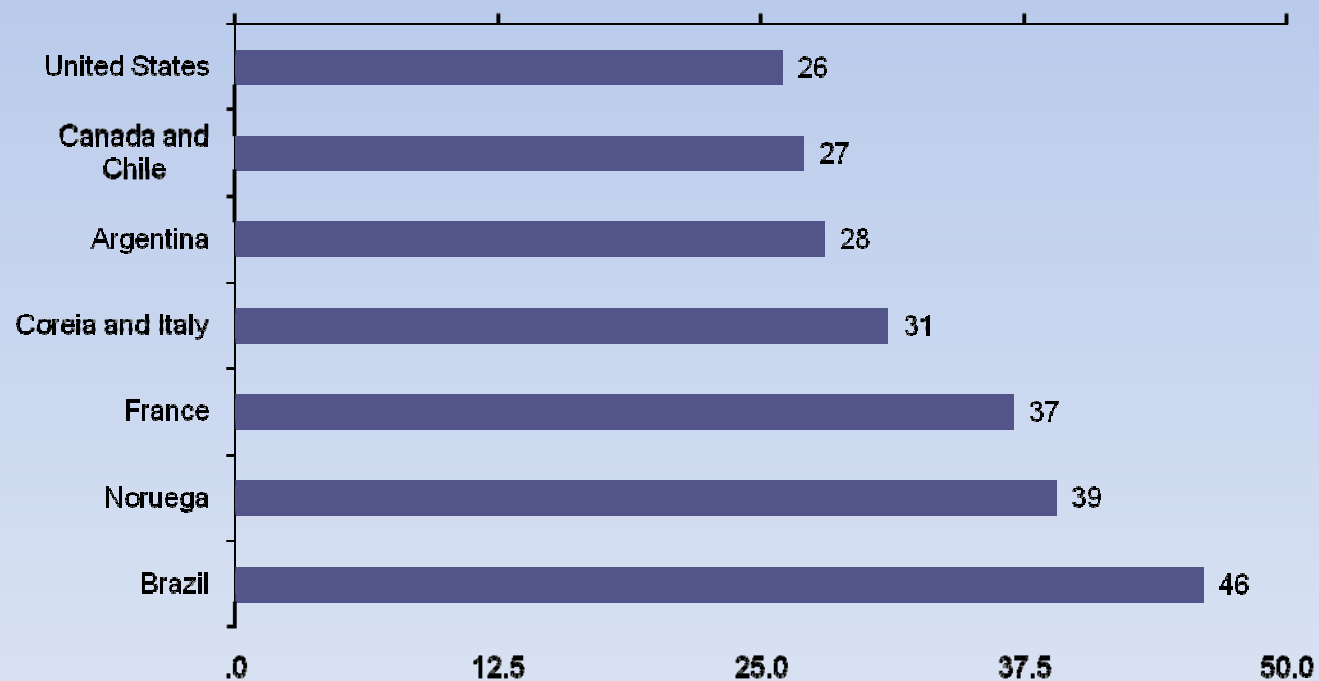
iPod prices around the world

Here is the CommSec iPod Index, based on January 2007 prices for 2GB iPod Nanos

1	Brazil	\$327.71
2	India	\$222.27
3	Sweden	\$213.03
4	Denmark	\$208.25
9	United Kingdom	\$195.04
23	United States	\$149.00
24	Japan	\$147.63

Energy

Duties and Taxes – Average of all consumer classes(%)





Infrastructure Matters in Brazil

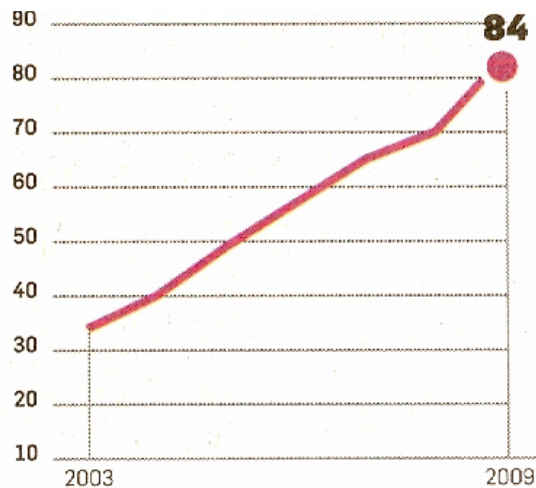
	BR	US	Difference
• Soy production costs	187	238	51 dollars cheaper in Brazil
• Transportation costs	97	26	71 dollars cheaper in U.S.
• Port costs	7	3	4 dollars cheaper in U.S.
• Total USA	291	267	24 dollars in favor of

- Conclusion:

To produce soy in Brazil is 51 dollars cheaper than in the US. But the logistics costs not only eliminate this advantage but inverts the equation. At the end, it is 24 dollars cheaper export from the US than Brazil.

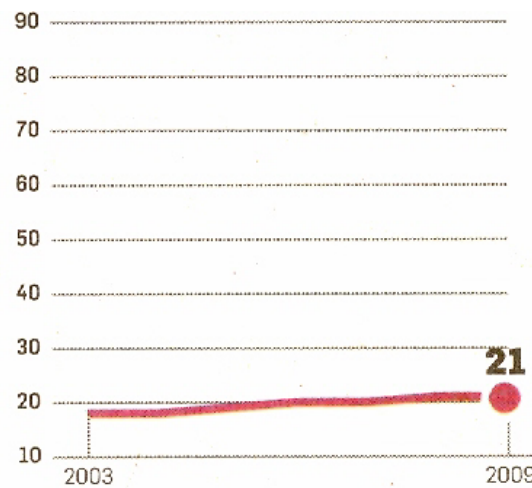
Transportation – Logistics costs

Transportation costs
In dollars per ton
BRAZIL

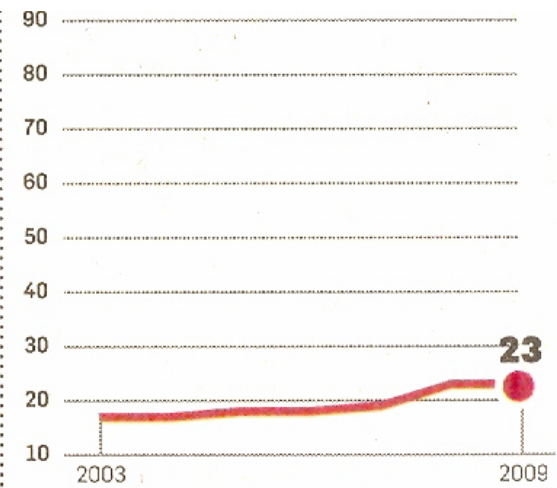


FONTE: ANEC

USA



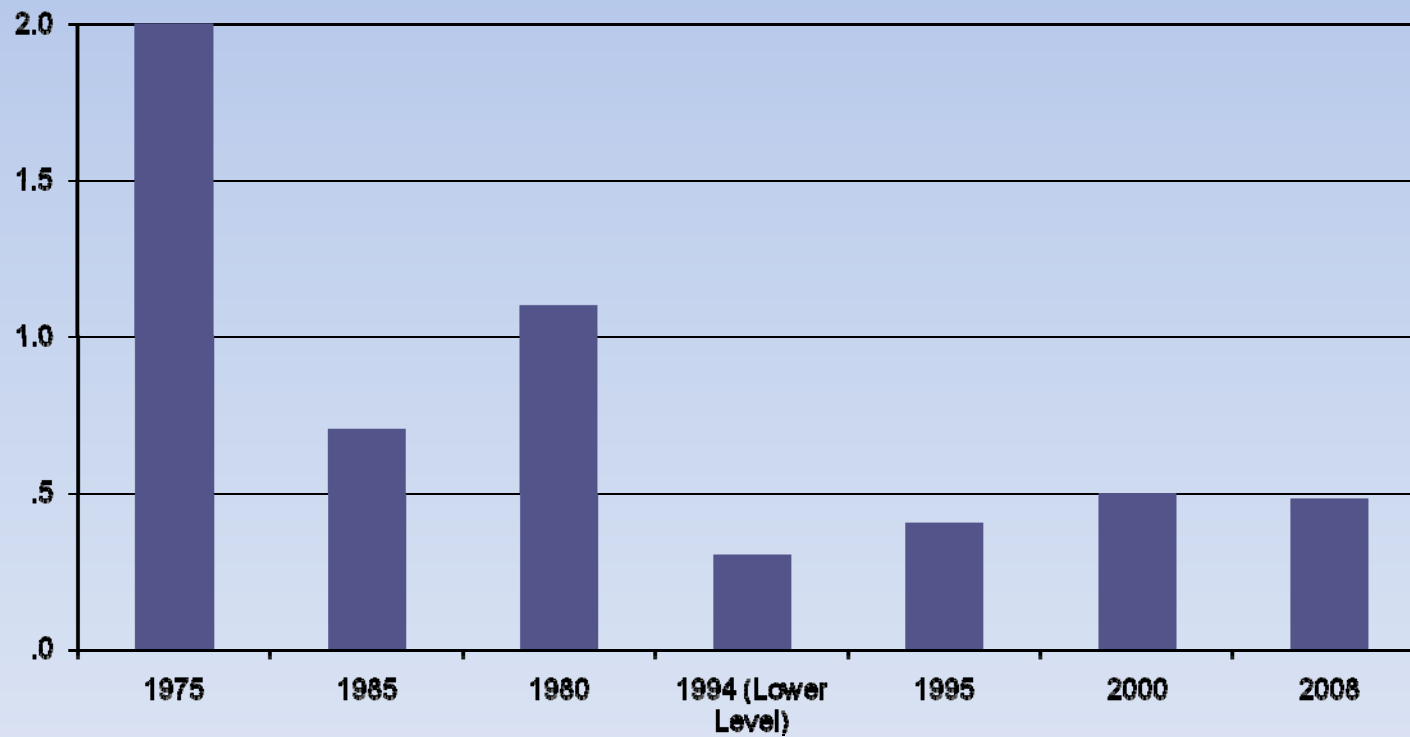
ARGENTINA



INFOGRÁFICO/AE

Infrastructure problems

Investment in Transportation/PIB/%



Expansion to 2013

- US\$ 735 billion will be invested:
 - ✓ 477 infrastructure
 - ✓ 258 civil construction
 - ✓ 100 Worldcup and Olympics

Expansion to 2020

- US\$ 400 billion in:
 - ✓ goods and services
 - ✓ oil

Great opportunities to attract investments



Pre Salt



PAC*



World Cup 2014
Olympic Games
2016

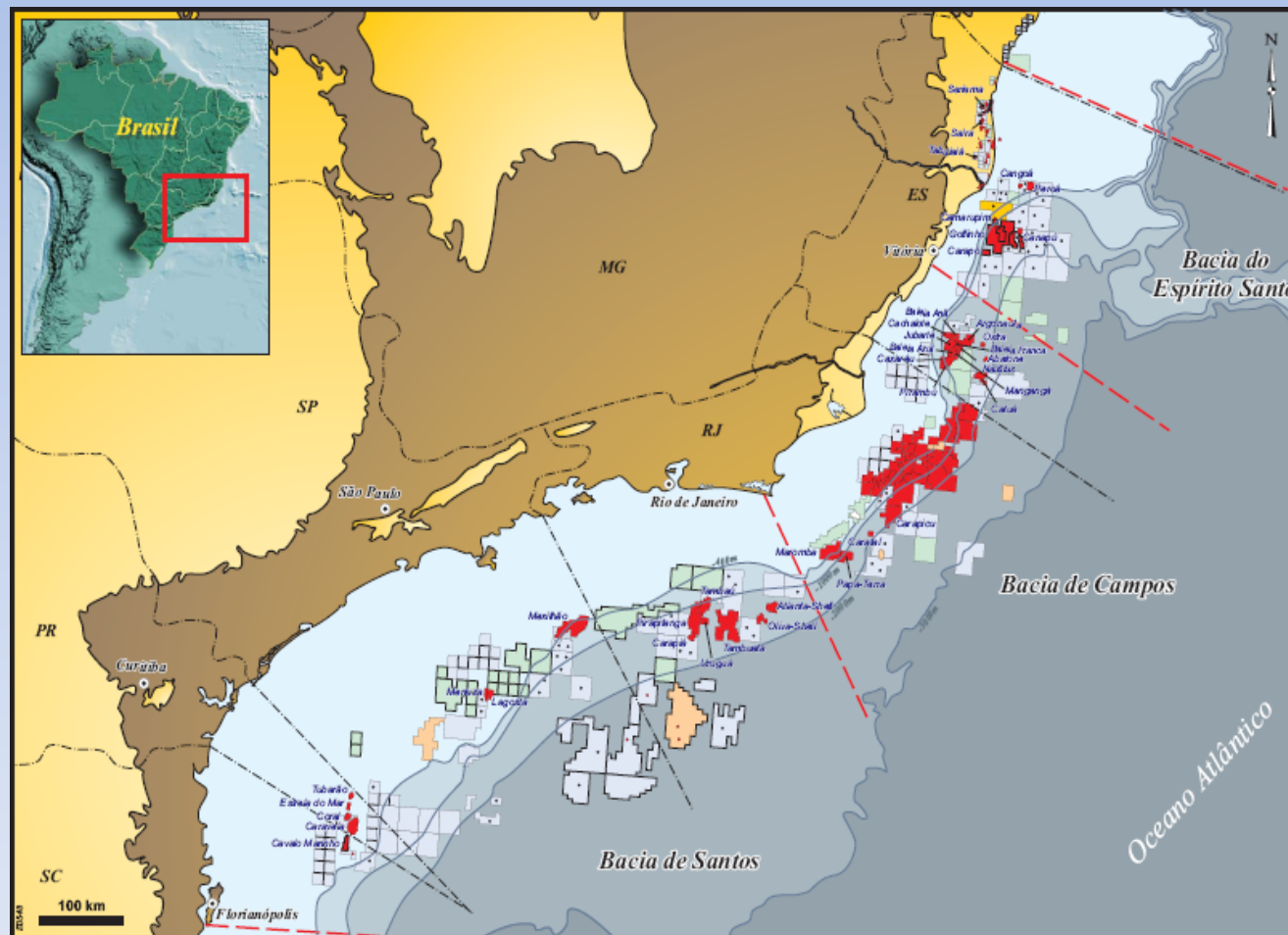
***PAC** – Plan to Accelerate Growth in Portuguese

KEY PAC PROJECTS (in USD)

SECTOR	MINISTRY	FUNDING	
Infrastructure	Civil Cabinet, Ministry of Transportation and Ministry of Finance	USD 240 billion	
Sanitation	Ministry of Cities	USD 19 billion	
Science and Technology	Ministry of Science and Technology	USD 16 billion	
Education	Ministry of Education	USD 3.8 billion	
Security	Ministry of Justice	USD 3 billion	
Youth Programs	Ministry of Labor	USD 2.5 billion	
Heath Care	National Health Foundation	USD 1.9 billion	
Transportation	Ministry of Cities	USD 214 million	
<i>TOTAL PLANNED PAC EXPENDITURES</i>	<i>USD 287 billion</i>		

Pre-Salt Reserves

The New Frontier: 100 Billion Barrels?

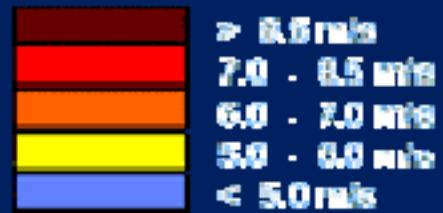


The Brazilian Oil and Gas Sector (November 2009)

- Over 60 oil companies with oil exploration and appraisal areas in Brazil
- Petrobras 2009-2013 investment: US\$174 B (US\$ 92 in Brazil's E&P). Other oil co's: Est. US\$34.5 B
- Opportunity: 819 oil blocks auctioned; Petrobras plans to contract about 300 new vessels (e.g. oil drilling and production platforms, ships, platform support boats, and very large crude oil carriers.)
- Pre-salt oil fields: Petrobras plans to invest USD\$ 111.4 billion from 2009 to 2020 to produce 5.7 million bpd plus 1,815 million bpd from pre-salt fields. This figure includes Petrobras and its partners' pre-salt production.
- Challenge: Heavy emphasis on local equipment content.
- Complex suppliers' registration process with Petrobras

POWER GENERATION - renewables

Prospects for
Wind Power
Generation



CENTRO BRASILEIRO DE ENERGIA EÓLICA
(resultados preliminares- 1998)

RIO DE JANEIRO

HOSTS

World Military Games 2012

World Cup 2014

Olympic Games 2016

Estimated investments

- Construction - US \$50billion from 2010-2016
- Transportation
 - Public security
 - Education and training

Investments in Sport Facilities

- Half of Rio 2016 venues are ready
- 20 new facilities are to be built:
 - Aquatic sports stadium with 18,000 seats (US\$40 million)
 - Olympic Park: gymnastics, cycling, etc. (US\$200 mil.)
 - Olympic Village of 32 buildings 12 floors each with 17,000 beds (US\$450 million).
 - Tennis Center with 16 courts (US\$45 million).
 - Renovated rowing stadium \$2 million.
 - Beach volley arena (US\$7 million).
 - Renovation of Maracanã Stadium (Opening and closing Olympic ceremonies as well as soccer games) US\$400 million (completion for 2014 Soccer World Cup).

Investments in Hotel/Hospital Facilities

- In 2010, the number of visitors to the city is expected to grow in 10% in comparison to 2008, when 1.68 million tourists came to Rio. By the time of the 2014 Soccer World Cup and the 2016 Olympic Games this number will increase even more.
- Several hotels are being refurbished.
- The municipality of Rio may reduce taxes to attract new investment in hotels; thereby creating opportunities for U.S. hotel chains in refurbishment, architectural projects and building or acquiring existing hotels.
- As for hospitals, a clinic will be built within the Olympic Village.

Investments in City Infrastructure

Upgrades at seaports and airports (\$5 Billion)

- Modernization and enlargement of two International Airport terminals (increase capacity from 15 million to 25 million passengers),
- Highway widening,
- Construction of “Olympic lanes”,
- Port of Rio revitalization to include new 300,000 sq. ft. area featuring bars, restaurants, an amphitheater, multi-use space and parking,
- Port dredging,
- Construction of two new subway lines,
- Creation of a Bus Rapid Transit (BRT) system,
- Housing projects (including low income housing) and
- Water sanitation.

Challenges for new President:

Taxes, fees and duties

Collection tax system in Brazil is voracious, tricky and unfair

US\$ 663 billion

US\$ 2 .2 of each US\$ 5.88 collected became taxes in Brazil in 2009

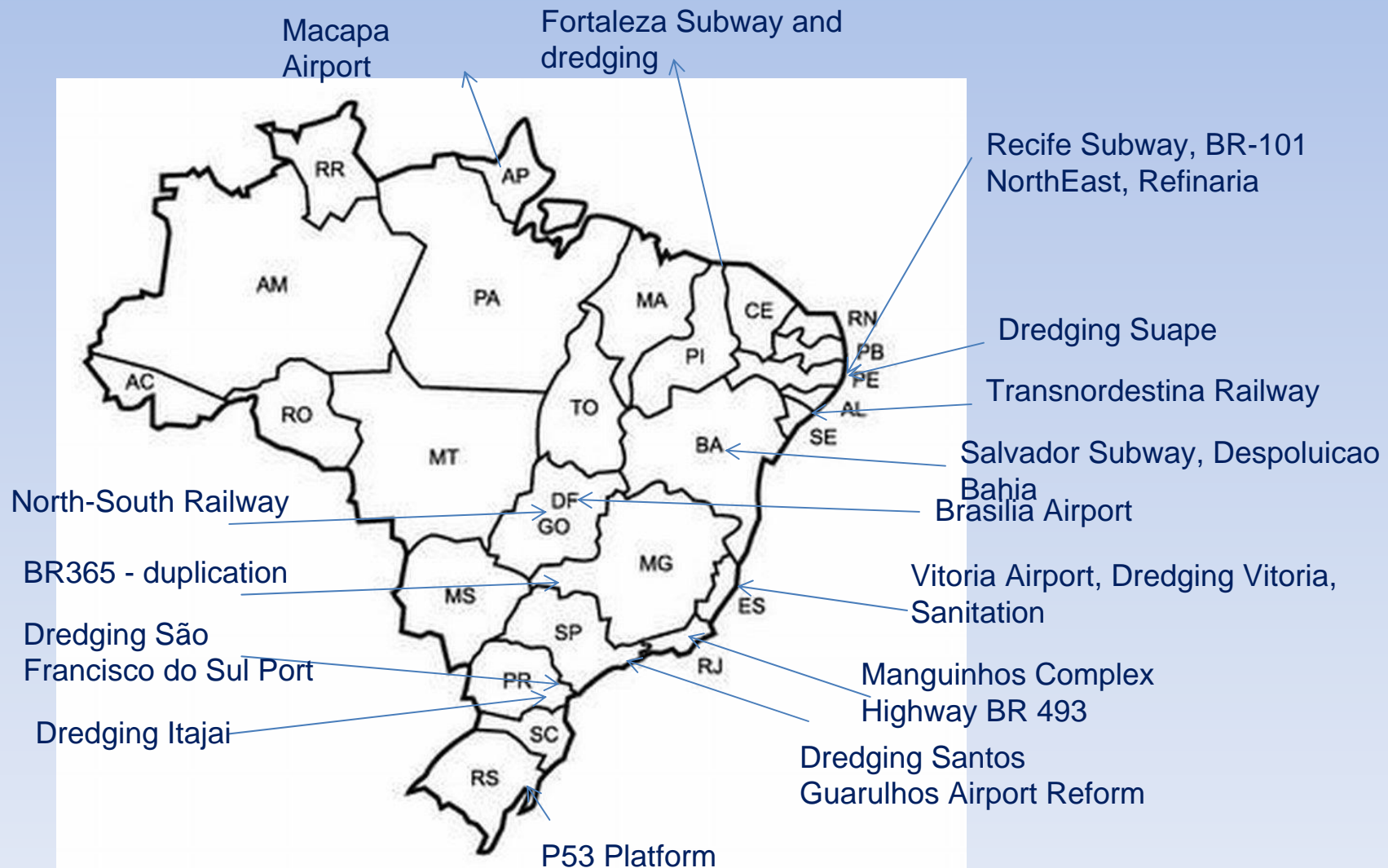
92 duties

Are now in progress

26.5% - effective taxes on consumption of income of \$600/month

7.5 % - effective tax rate on consumption of \$9000 monthly income

Challenges for new President: PAC behind schedule





Thank you!

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