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# DOING BUSINESS IN BRAZIL

## ECONOMIC DEVELOPMENT - LEGAL ADVICE



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## BRAZIL HAD POSITIVE CHANGES IN THE LAST 25 YEARS



Socio-demographic

**Population**

Circa 1989

~140 million

Circa 2014

~203 million

**Household in class: A, B or C**

~50%

~87%



Economic

**GDP**

US\$ 1.2 trillion

US\$ 2.2 trillion

**Exports** (including oil)

US\$ 27 billion

US\$ 213 billion

Source: The Brazilian business environment; Reflections on the Transformation of the last 25 years (McKinsey white paper); Target; Ipeadata.

## BRAZIL HAD POSITIVE CHANGES IN THE LAST 25 YEARS



### Financial

#### Inflation

##### Circa 1989

~6% per week

##### Circa 2014

~6% per year

#### Credit Status

Default position

Investment Grade



### Politics

#### Political System

Dictatorship  
Closed Market

Democracy  
Opened Market

Source: The Brazilian business environment; Reflections on the Transformation of the last 25 years (McKinsey white paper); Target; Ipeadata.

## HOWEVER THERE HAS BEEN A DECLINE ON THE RECENT ECONOMIC SCENARIO. WHAT ARE THE PROBABLE REASONS?

### International context



- Deceleration in China
- Argentina and Venezuela crisis
- U.S. Recovery

### Microeconomic management



- Many interventions in various industries:
  - Energy
  - Oil and gas
  - Financial

### Macroeconomic fundamentals



- From BRIC to "Five Fragile"
- Return of distrust in the macroeconomic fundamentals

### Lack of progress in the structural issues



- High public sector spending
- High infra-structure costs

### Political deterioration

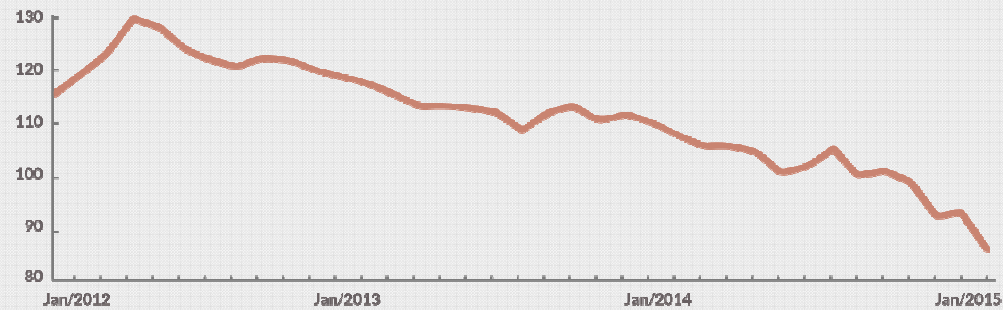


- Since 2013 – Protests on the streets against:
  - Corruption
  - High threat of job loss
  - Inflation higher than last years

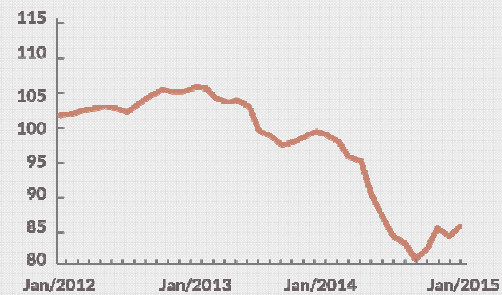
## THEREFORE THE CONFIDENCE OF CONSUMERS AND COMPANIES WENT DOWN



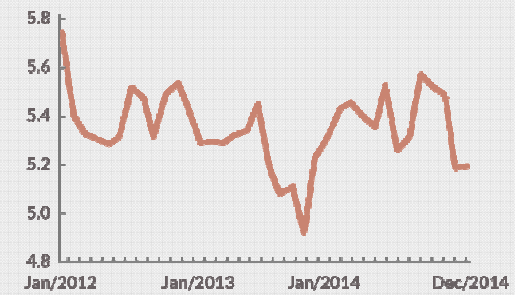
Consumer Confidence Index



Industry Confidence Index



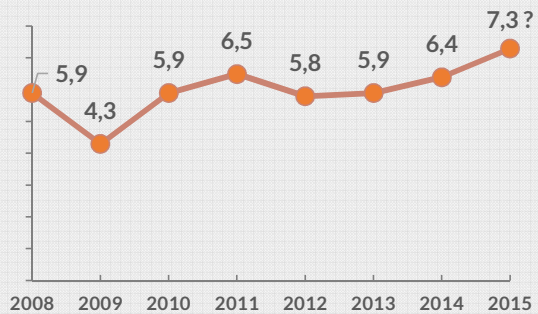
Net Foreign Direct Investment



Source: IBGE-FGV/ BLOOMBERG

## IN 2015 THE INFLATION AND FX EXPECTED TO REACH NEW LEVELS... AN ADJUSTMENT YEAR.

Brazilian inflation rate (IPCA) - %, YOY



### Challenging economic outlook

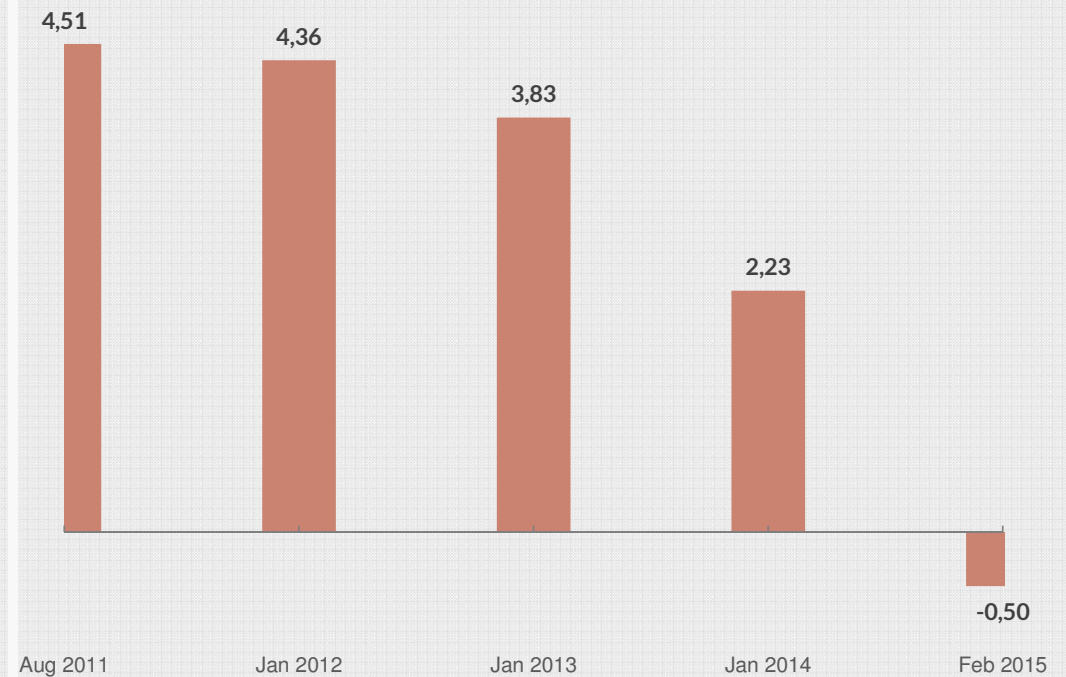
- 2015 expected to be the year of economic adjustments in the Brazilian economy.
- Fiscal adjustment and inflation control key priorities for the public administration

USD Fx rate| R\$



SOURCE: BCB, Tendencias, Itau BBA reports

GDP growth forecast for 2015 - Percentage, YOY



SOURCE: Brazilian Central Bank

ANYWAY, WE HAVE GOOD REASONS TO BELIEVE! THERE ARE POSITIVE PROSPECTS FOR THE FUTURE!

## POSITIVE TRENDS



- Demographic tendencies are still positive
- Potential growth of middle class
- Increase in labor force qualification
- Comparative advantages in Agribusiness
- Pre-salt development

## HISTORICAL FACTS



- In spite of the many crisis in the last 30 years, macroeconomic fundamentals have substantially improved
- Brazil faced previous crisis and always overcame it

## "CHINAS" INSIDE BRAZIL



- Northeast vs. Southeast
- Medium sized cities vs. Megacities
- Countryside vs. Capitals (different regions with different opportunities)

THEREFORE, THERE WILL BE PLENTY OF OPPORTUNITIES. BUT DON'T IGNORE SOME RELEVANT ASPECTS...!

- 1 High tariff and tax barriers
- 2 Difficult customs system
- 3 A legal system expensive and very slow
- 4 Burocracy
- 5 Expensive labor costs

## AND HOW TO MINIMIZE RISKS IN SELLING TO BRAZIL?

**Check  
buyers and  
partners**

financial situation /  
certificates

**Visit the  
Buyer**

check facilities

**Ask for  
guarantees**

assets, promissory  
note, confession of  
debt – easier for  
lawsuits

**Try to sell**

by letter of credit  
or some advanced  
payment

**Involve a  
lawyer in  
new business**

**BE PREPARED! THERE ARE MANY OPPORTUNITIES IN BRAZIL!**



**EXPORT TO  
BRAZIL**



**ESTABLISH A  
NEW COMPANY**

Joint stock company (5%)  
Limited liability company (95%)



**FIND A  
PARTNER /  
DISTRIBUTOR**



**ALWAYS CONSULT  
A LOCAL  
LEGAL ADVISOR**

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## THANK YOU!

**Questions?** Please, e-mail us.



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