



GOING GLOBAL EXPORTING TO BRAZIL

A guide for clients



[#GlobalAmbition](#)



Capital city

Brasilia



Currency

Real



Population

209m¹



GDP per capita in 2017 was

\$9,821²



GDP growth of

1% in 2017³



Predicted Growth Rate

1.8% in 2018⁴



Unemployment rate (April 2018)

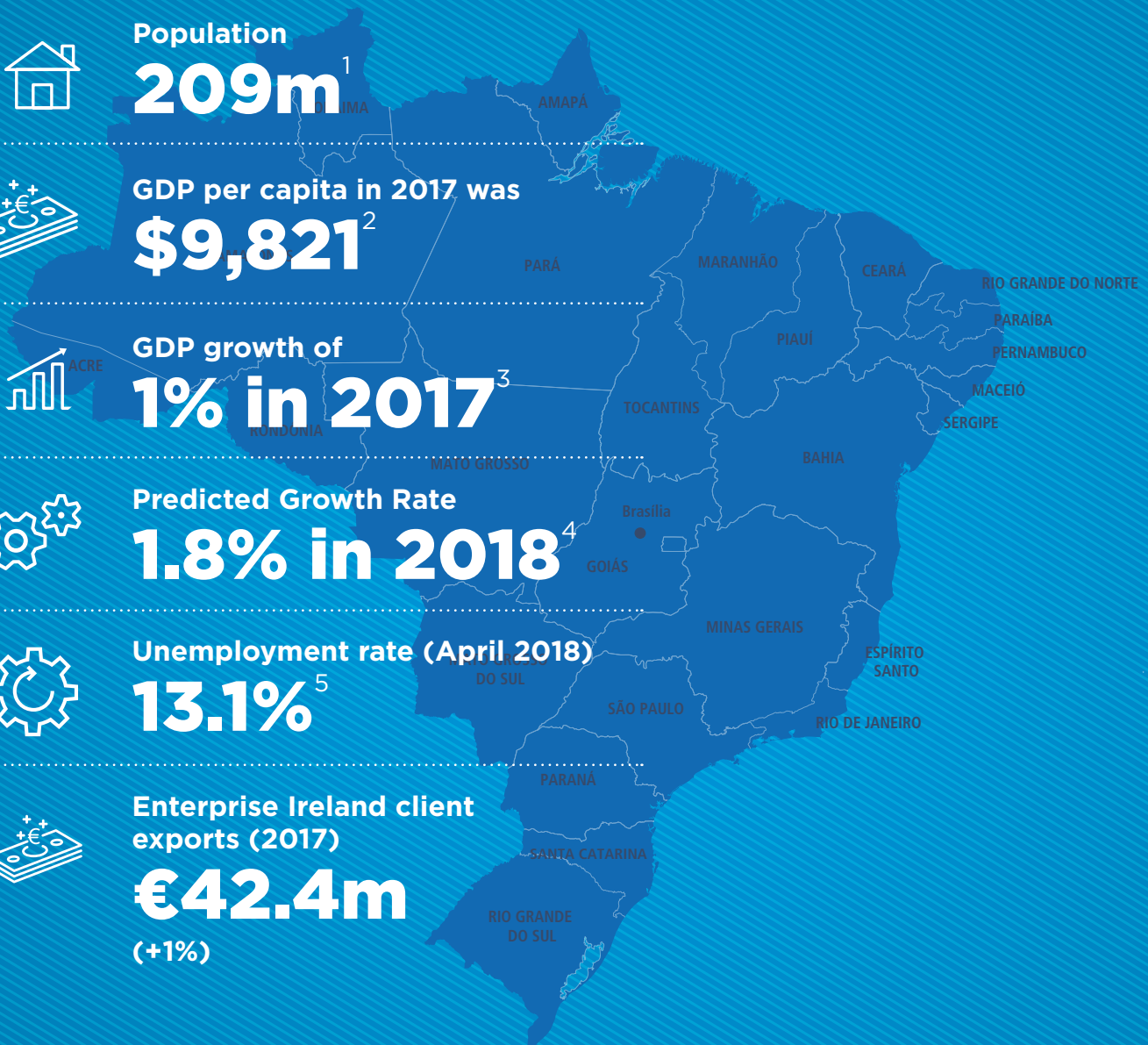
13.1%⁵



Enterprise Ireland client exports (2017)

€42.4m

(+1%)



WHY EXPORT TO BRAZIL?



Brazil has a nominal GDP of over US\$470 billion⁷ (June 2018) which makes it the world's 8th largest economy. Coupled with a growing population of over 209 million and an area of 8.5 million sq.km, it is the largest economy in Latin America.

The past decade has seen huge transformations in Brazil with the growth of the middle class which now represents over 50%⁸ of the population.

One of the major consequences of this is that the consumer market has increased, as many people have access for the first time to a wide range of goods and services, which were previously inaccessible.

With its ample natural resources, Brazil has comparative advantages in the agriculture and primary goods processing sectors. Agriculture accounts for around 6% of GDP⁹, with important agricultural commodities including coffee, soybeans, sugar, oranges, tobacco, cocoa, meat and poultry. Brazil's extensive and diversified industrial base, ranging from heavy engineering to consumer goods accounts for 21% of GDP¹⁰. The services sector, which ranges from unskilled and low value-added personal services to high-earning professional and financial services, accounts for around 73% of GDP.

Despite the slowdown in GDP growth, Brazil's large internal market, expanding middle class and favourable demographics continue to present significant long-term potential for Irish exporters.

Also, the impact of the expanding middle class has had a major impact on the higher education system in Brazil. For example, the share of people between 25-34 years old with at least an undergraduate degree has increased. In 2015, 17% of young adults (24-34 year-olds) had attained tertiary education, up from 10% in 2007, but still around 27% points below the OECD average¹¹.

Along with the Science without Borders scholarship program, major investments in expanding access to higher education has helped to turn Brazil into a priority market for Irish higher education institutions.

The 2017-2018 Global Competitiveness Index positions Brazil at 81 among 138 countries¹². This represents a steadying of what was a downward trend and its strongest area of progress is in innovation, evidenced by more industry-university business collaboration, a higher quality of research, and better trained scientists and engineers.

REASONS TO CONSIDER BRAZIL IN YOUR EXPORT STRATEGY

Brazil has an essentially southern European orientation in terms of **both culture and business environment**.



Although there have been recent political upheavals, Brazil is a **well-established democracy**.



Brazil is a **self-sufficient nation** with extensive offshore oil reserves and new discoveries.



Brazil is the **4th host economy in terms of FDI inflows in 2017, three places better than in 2016**. It is the first country receiving FDI inflows in Latin America, attracting more than **40% of total flows of the region**.⁶



The banks are **well capitalised, profitable and liquid**.



The **fight against corruption** is ongoing, driven by strong and independent law enforcement and judicial authorities.



CHALLENGES

Complex tax and labour regulatory environment.



Personal contact is important, but with **large distances and infrastructure that needs improvement**, this can be difficult.



GET READY TO DO BUSINESS IN BRAZIL

For a country associated by many people with carnival, Brazil has had much to celebrate in the past: a growing economy that peaked at 7.2% GDP in 2010 and solid foundations that have seen it escape the grip of the 2008 financial crisis faster than many other developed markets.

Brazil's middle class has swelled by more than 20 million in the past decade to more than 100 million, boosting consumer demand for a wide range of products and services.

The country engaged in extensive infrastructural development to support the back-to-back hosting of the 2014 World Cup and the 2016 Olympics. This initiated a major improvement in Brazil's infrastructure which is ongoing.

For all the many opportunities Brazil presents, it's best approached by the kind of company that has the resources, focus and resilience to build a sustainable business in the country. Many Irish firms that have succeeded in Brazil did so by using well-established strategies that have worked in other markets. All of which involves a level of careful planning and taking a view that doesn't hinge purely on short-term goals.

Travelling and geography

To put Brazil's scale into perspective, at more than 8.5 million sq.km it is the fifth largest country in the world. It occupies a larger landmass than the continental United States and it is estimated that more than 87% of the population live in urban areas.

There are frequent flights between Dublin and São Paulo and Rio, available on an almost daily basis from a variety of carriers. However, these require a stopover in a European hub, which can bring the total travel time to upwards of 11 hours.

Language

Since the colonization of Brazil by Portugal, Portuguese has been Brazil's language and Roman Catholicism the dominant religion. It is the only Portuguese-speaking country in South America. If you want to do business in Brazil, you will need to hire an interpreter or translator, and appoint a local representative as early as possible, because many Brazilians don't speak English, especially outside of the major cities.

Routes to market

Direct Export

This is the lowest risk and least capital-intensive approach, but the nature of business culture in Brazil means that serving the market remotely is best suited for the initial stages only. For services-based companies, a direct presence will quickly become a necessity, as it's very difficult to sell services from outside the country. While English is spoken in some business circles, Portuguese is the language of choice. This, along with the cultural preference for trusted personal relationships, makes it essential to work with a partner or to hire a locally-based business development executive.

Working with Partners:

With so much of Brazilian culture based on personal relationships, it's not surprising that partners play an important role in doing business in the country, from facilitating meetings and securing access to key customers to guiding you through the bureaucratic maze in areas like importing goods.

Sales Representative:

There are many advantages to working with a local entity: you immediately remove the language barrier and tap into an established network of contacts that could help to drive sales faster. Representatives can be either companies or individual freelancers, usually working on commission. This arrangement does not involve importing goods and usually creates a sales pipeline.

THINGS TO CONSIDER

Market landscape

After a deep and prolonged recession, Brazil is beginning to show signs of recovery. According to the OECD, the recovery is strengthening and growth will reach 2.8% in 2019. Solid investment growth reflects improving confidence thanks to recent reform efforts, including in financial markets. Surprisingly low inflation has enhanced the room for monetary easing, which has improved financial conditions. Growth is expected to gain momentum on the basis of further improvements in investment and a recovery of private consumption on the back of lower inflation¹³.

As private consumption recovers, growth is expected to accelerate. Assuming favourable prospects for the continuation of reforms, confidence and easier credit conditions will continue to support investment. Unemployment is projected to decline further, including through the creation of more formal-sector jobs. Inflation is projected to rise to the target only gradually. In the run-up to the general elections in October 2018, uncertainty regarding the continuation of the reform agenda remains substantial. Bouts of volatility on financial markets could re-emerge as a result of political developments or interest rate increases in advanced economies, but such episodes have been well managed by the Central Bank in the past. Reserves and the strong FDI component of inflows would cushion related exchange rate risks¹⁴.

Market segmentation

Brazil has abundant natural resources and a relatively diversified economy. Brazil is the world's largest producer of coffee, sugar cane and oranges, and is one of the world's largest producers of soy. It attracts many multinational groups in the food and bio-fuels industries. The country is home to the world's largest commercial livestock herd. At the same time, agriculture contributes relatively little to the GDP (5%), but represents 40% of exports. With forests covering half of the country and the world's largest rainforest, Brazil is the world's fourth largest exporter of timber.

It is also a large industrial power. Brazil has benefited greatly from its mineral ore wealth. The country is the world's second largest exporter of iron and one of the world's main producers of aluminum and coal. As an oil producer, Brazil is aiming to become energy independent in the near future, with

reserves that could make Brazil one of the top five oil producers. Furthermore, the country is increasingly asserting itself in the textile, aeronautics, pharmacy, automobile, steel and chemical industry sectors. Many of the world's large automobile manufacturers have set up production plants in Brazil. The industry sector contributes nearly a quarter of the GDP, but it has experienced a strong slowdown in recent years.

Since 2011 and the launch of the "Brasil maior" plan (Greater Brazil), the Government has made significant efforts to increase the competitiveness of the Brazilian industrial sector.

The service sector represents over 73% of Brazilian GDP and employs over three-quarters of the active workforce. In recent years, the country has embarked on the production of high added-value services, especially in the fields of aeronautics and telecommunications.¹⁵

Competitors

When evaluating the competitive landscape for your product or service in Brazil, be mindful that 'desk research' carried out in English may not turn out all the players in the market, as there is a vast number of indigenous companies that have websites in Portuguese only, or do not even have a website. Many Irish companies are surprised to find sophisticated local companies providing competing products and services, at competitive costs, with the advantage of a local presence. A thorough market research is advisable at market validation stage.

Customer services

Brazilian clients will expect and demand that customer service is provided locally, and in Portuguese. Depending on the sector, suppliers are expected to keep a local stock of goods and parts. Suppliers are expected to invoice and accept payment locally and in the local currency. Remote customer support might be considered as an early stage implementation, but as solutions are rolled out, there will be an expectation or demand for the provision of local support. For this reason, many Irish companies find it essential to appoint a local representative as soon as possible and set up a local presence as their business develops in Brazil.

KEY GROWTH OPPORTUNITIES IN BRAZIL

Information and Communications Technology (ICT)

The opportunities for Irish indigenous companies in the Brazil technology sector include: aviation software, dynamic currency conversion systems, IT asset management, systems integration, access network services to the mobile telecom industry, telecoms management software, online travel booking, mobile security systems, digital content service provision, financial compliance software, television content delivery and equity management software.

The leading sectors for IT investment are (i) financial services - with Brazilian banks being amongst the most technically advanced in the world and demanding state-of-the-art systems and equipment, (ii) the rest of the services sector, (iii) telecommunications, (iv) industry and commerce and (v) Government.

Technology for financial services

Brazil's largest banks are sophisticated financial institutions, having developed in-house hardware and software solutions since the 1950s. The top four national players (Itau, Bradesco, Caixa Economica Federal and Banco do Brasil) have in-house technology divisions developing solutions adapted to their own requirements¹⁶.

The Brazilian payments systems market is complex with market players including the acquirers, sub-acquirers (much-used by smaller sellers), payment intermediators, payment gateways, the credit card and financial institutions, and specialist software companies providing specific functions such as anti-fraud, authentication, and platforms or components for e-commerce, mobile commerce and big data analysis.

The Brazilian financial system is extremely complicated from a regulatory and legal perspective, so it usually requires clients to have a presence in Brazil to approach buyers and to customise software to take local regulations into account. Nonetheless,

there are opportunities for clients who are willing to invest in entering the Brazil market.

Telecoms software

Brazil has 235 million mobile lines (May 2018) for a population of 202 million, smartphone ownership is well established and 3G and 4G has reached all major towns. Mobile broadband VAS (value added services) are now accessed by a vast number of Brazilian consumers - 4G grew 53% year on year in April 2018 to reach 112 million, overtaking 3G¹⁷.

Brazilian operators are moving customers from pre-paid phones to contracts to improve their low level of revenue per user. The operators are making progress in this strategy as pre-paid accounted for 143 million lines (60.7%) in May 2018, down from 75% in early 2015, with contracts representing 92 million (39.3%)¹⁸.

The structure and low level of maturity of the mobile communications sector represent opportunities. As the subscriber base reaches saturation, and operators look to raise the revenue per user and transfer customers to contract lines, they will need to provide a wider and more exciting range of value-added services that are also attractive to advertisers.

Key areas of opportunity include mobile security, Wi-Fi roaming, anti-fraud and authentication software, business process management, big data analysis and the Internet of Things (IoT).

Although it is very challenging to approach the large mobile operators in Brazil, it does present a major opportunity for a small number of Enterprise Ireland clients with innovative products or business models and a willingness to invest significant resources in building a presence in-market.

e-commerce and digital content

Brazil is ranked 10th worldwide for retail e-commerce markets, according to eMarketer's latest estimates of retail sales, online and offline, around the globe¹⁹. The Brazilian e-commerce specialist Ebit's WebShoppers report from January 2018 estimated continued, strong growth of 12% for 2018.



In 2017 e-commerce sales totalled R\$47.7 billion (€11.9 billion). Still a relatively immature sector in Brazil, e-commerce is increasing its overall share of the retail market, and it is expected to represent nearly 5% of retail sales in 2018.

The potential for further growth is high, especially on mobile devices, given the rapid rise in the use of smartphones²⁰.

Traveltech

The travel sector has been transformed globally by the move towards e-commerce, which has become a critical sales tool by the main Brazilian airlines. However, the Brazilian airlines remain a long way behind their global competitors in this area. The travel industry remains largely off-line and is dominated by the highly fragmented but still strong high-street travel agencies.

Traditional tour operators and travel agencies (with branch networks) are still very important in Brazil and the car rental space in Brazil is still relatively immature and mainly focused on business travel.

Within the region, Brazil and Chile lead in terms of maturity and online travel penetration rates while Mexico and Colombia are attractive due to the high growth rates in the overall travel sector and rapid shift to online bookings.

Education

Supporting the work of Education in Ireland will continue to be a key priority for Enterprise Ireland's São Paulo office.

The Brazil scholarship scheme Science without Borders - which started in April 2011 and through which Irish institutions received 3,300 students between 2013 and 2016 - was suspended in 2015 due to budget cuts. However, following a review of the first phase, a new programme has been developed called the Coordination of Improvement of Higher Education Personnel (CAPES). The new programme aims to foster the internationalisation of Brazilian higher educational institutions (HEIs) to improve the

impact of their postgraduate courses. The projected budget for this first wave of up to 40 selected universities is R\$1,050 million (€250 million).

Education in Ireland has been working with Irish HEIs to intensify the existing partnerships and collaborations with researchers and institutions in Brazil and was a sponsor of FAUBAI 2018 - Brazilian Association for International Education in April.

However, there is a lot of uncertainty about the process and the number of projects/institutions who will receive funds. Ireland is in the shortlist of 25 countries pre-qualified for the programme.

Life sciences

Brazil is the largest healthcare and medical devices market in Latin America. This is due to factors such as the rising population, a growing middle class, higher life expectancy, growth in the home care market and its aging population.

Private hospitals are looking to distinguish themselves from their competitors through delivering high standards of patient satisfaction and outcomes. Irish companies have strong capabilities in the design of patient pathways, collecting patient outcome data and analysing data to deliver superior patient outcomes these hospitals require.

Healthcare institutions (and diagnostic laboratory groups) are pursuing process efficiency and improvements in workflows to deal with the increasing demand for healthcare services, while also improving service quality and showing better financial results.

The increase in competition among tier-one private healthcare groups is leading to performance pressures on healthcare providers. This scenario is expected to drive the adoption of advanced and emerging technologies.

Brazil has a well-developed medical device industry with local and multinational producers who target predominantly the local market. However, more than 60% of medical devices are imported, mainly from

the USA and the EU, and such imports tend to be high-tech as local producers only have the capability to produce standard products.

ANVISA, the Brazilian Government's National Health Surveillance Agency, is responsible for establishing and implementing specific regulations for the registration, licensing and/or exemption of life sciences products in Brazil. To export and distribute products in Brazil, foreign companies must either establish a local manufacturing unit, a local office or appoint a Brazilian partner to be registered with ANVISA.

Agribusiness

Brazil is an agribusiness powerhouse. It is the largest producer of sugar cane and ethanol fuel, coffee and fruit juices, the second largest producer of soya, and the largest exporter of meat, chicken and leather.

The GDP of the Brazilian agriculture sector grew 7.6% in 2017, according to the Centre for Advanced Studies in Applied Economics (CEPEA)²¹.

According to the latest Ministry of Agriculture study of the sector, the prospects for 2015/16 to 2025/26 are for strong growth and increased productivity. The biggest increases are expected to be in cotton, maize, milk, pork, chicken, soya grain, sugar, mangoes, papaya, grapes and melons.

Chicken will be the star performer of the meat sector with 34.6% growth, followed by pork at 31.3% and beef 21%. The major customers for primary agricultural products from Brazil are China, USA, Germany, the Netherlands and Japan²².

This expansion will require major investment in infrastructure, research and financing. Productivity will be a key focus, a factor borne out by the fact that the area farmed is expected to increase by only 12.7% compared to the 30% increase in production²³.

However, the dairy sector is highly correlated to real income and saw a decline in production in 2015 and 2016 due to a recession. Marginal growth is expected as the economy has slowly emerged from recession during 2017 and 2018.

LEGAL & TAXATION INFORMATION

Although the Brazilian tax burden (between 31.5% and 33.8% of GDP in the past decade) is not particularly high when compared to OECD countries, it is deemed to be more complex and a source of legal (hence financial) insecurity, particularly with respect to access to tax breaks.

All legal entities in Brazil are treated equally for tax purposes, and basic income tax rates are the same whether a company is domestically owned or foreign owned. Brazil operates an extremely complex tax system that is divided into three layers: federal, state and local. Each of the 26 states and the Federal District can apply their own tax rates.

Import tax

Import tax is levied on the cost, insurance and freight (CIF) price. The rate depends on the degree of necessity and is defined by the product's tax code according to the harmonized system. Other applicable taxes are:

ICMS

This is a tax on sales and services and applies to the movement of goods, transportation, communication services and other general supplying of goods. It is paid by private individuals and legal entities who commercialise any goods; by those who import products; those who acquire goods seized by customs and those who acquire petroleum products from abroad.

IPI

This is a federal tax that is applied to all national and foreign products that have been modified in some industrialized way for consumption or use. Overall, IPI is paid by all of those who own industries and by those who import industrialized goods to Brazil. The basis for the IPI tax calculation is the retail sales price for national products and the sales price plus the addition of the import duty and other import fees for all imports.

PIS

This is a tax based on gross revenue earned by all types of legal entities including non-profit and organisations held by the Government. It is a federal tax charged directly and paid by the legal entities mentioned above.

COFINS

This is a federal social contribution levied on the gross revenue of businesses in general. All private legal entities or equivalent are qualified as Cofins taxpayers.

HELPING YOU WIN IN BRAZIL

Enterprise Ireland is committed to assisting clients in entering new markets and expanding business in current markets. A team of experienced marketing professionals in Enterprise Ireland's overseas network is ready to help.

Pre-Visit Support

We can provide:

- A sector overview
- A validation of the opportunity for your product/service
- An evaluation of your market entry strategy
- Suggested channels to market
- Competitor analysis
- Relevant contacts/suggested itinerary
- Summary of relevant market information resources
- In-Market support

Services available include:

- Scheduled appointments with market contacts including Government
- Office facilities/sales incubator units
- Facilitation of buyer visits to Ireland
- Product launches/workshops at Enterprise Ireland offices/Irish embassy/consulates
- Networking opportunities at events held at Enterprise Ireland offices, or the Irish Embassy in Brazil
- Public relations support and press release service
- Trade fairs/trade missions
- Market development support to access new regions
- Introductions to local development agencies for setting up in Brazil and third-party professional service providers including legal, marketing/PR and recruitment services.

Access to External Expertise and Advice

Enterprise Ireland has built up an excellent network of international experts in Brazil who are available to work on a one-to-one basis with Irish client companies to develop their business. They can listen and advise, suggest options, and help you to prioritise opportunities, giving you a fresh and objective perspective that is backed by significant in-market experience.

Depending on your individual requirements, these contacts can advise you on all key areas of company development, including:

- Targeted sales and marketing
- Staff development and team building
- Expansion into new export markets
- Better management and financial systems
- Improved production and logistics
- Attracting outside investment
- Strategic business planning
- Management succession

Financial Assistance

Enterprise Ireland client companies may be eligible to receive financial assistance with the cost of researching or travelling to the target market. For more information, speak with your Development Adviser.

Market research resources

Enterprise Ireland's Market Research Centre offers client companies access to market intelligence in the form of company, sector, market, and country information to explore opportunities and compete in international markets.

For in-depth and specific market research, Enterprise Ireland can connect you with local pathfinders with expertise in your market segment in Brazil.

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