

BRAZIL - TREADING TURBULENT TIMES

HLB FDI INSIGHTS



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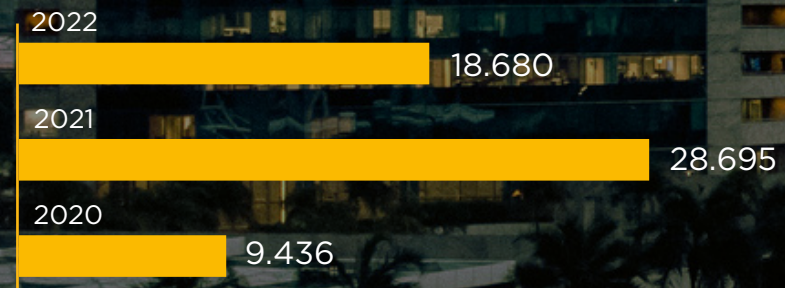
SPOTLIGHT ON BRAZIL

In a similar way to countries around the world, Brazil is going through a process of persistent increase in prices, due to the problems caused by the pandemic, and the government's response through compensatory policies, as well as due to the war in Ukraine. Brazilian authorities took the lead in combating inflation, raising interest rates, reaping expectations of a fall in inflation rates. The government is also helping to combat the rise in fuel prices by reducing taxes. It is expected that with inflation under control, interest rates may fall, increasing investment and consumption. In geopolitical terms, the war between Russia and Ukraine could contribute positively to attracting direct investment, given the sanctions imposed on Russia.

FIG. 1: Number of projects (until August 2022)



FIG. 2: Total capital expenditure US\$m (until August 2022)



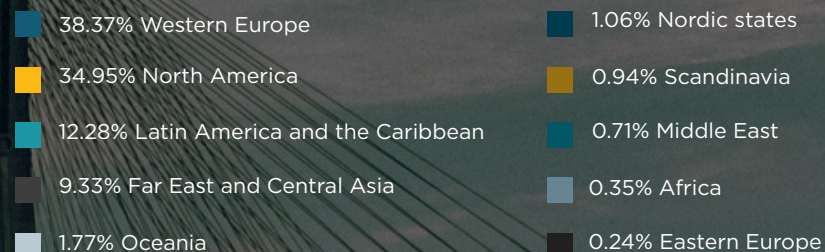
KEY TRENDS FOR THE PERIOD 2020-2022*:

For the purpose of this report, only announced and already executed projects were considered (also were not considered reinvestment of profits earned in operations abroad and intercompany loans).

- Western Europe and North America remained the main sources of foreign direct investment, followed by Latin America and Far East/Central Asia.
- During the hardest years of the pandemic (2020 and 2021) the number of projects increased by 89% (181 in 2020 to 343 projects in 2021).
- Considering the regions that stand out as sources of direct investment, and the industry sectors, the highlights are:
 - Western Europe: business services, software, food & tobacco and retail;
 - North America: machinery, textiles & clothing and software;
 - Latin America: financial services, retail and software.
- Computer software and retail are the sectors with the highest number of projects.

*source of data: Orbis Crossborder Investment

FIG. 3: Source (% projects)



ECONOMY OUTLOOK:

MACROECONOMIC DATA (MARKET EXPECTATIONS)	2022	2023	2024	2025
CPI (%)	6,6	5,27	3,43	3,00
GDP (% GROWTH)	2,26	0,47	1,80	2,00
EXCHANGE RATE (R\$/US\$)	5,20	5,20	5,10	5,18
SELIC* TARGET (% p.a)	13,27	11,25	8,00	7,50
CURRENT ACCOUNT (US\$ BILLION)	-19,10	-30,00	-39,70	-39,53
TRADE BALANCE (US\$ BILLION)	68,03	60,00	53,00	51,30
FOREIGN DIRECT INVESTMENT** (US\$BILLION)	60,00	66,00	70,00	75,00
NET PUBLIC SECTOR DEBT (% of GDP)	59,00	63,30	65,00	66,89

Source: Focus - Market Expectations - Brazilian Central Bank - September 2022

* The Selic rate, or 'over Selic', is the Brazilian federal funds rate.

** Broad concept of foreign direct investment, including also reinvestment of profits earned in operations abroad and intercompany loans.

INDUSTRY SECTOR (TOP 10)	# OF PROJECTS	TOTAL CAPITAL EXPENDITURE US\$m
COMPUTER SOFTWARE/WEB HOSTING & INTERNET	147	7.348
RETAIL	113	2.785
TRANSPORT MANUFACTURING/AUTOMOTIVE MANUFACTURING	47	11.336
BUSINESS SERVICES	37	503
TEXTILES & CLOTHING MANUFACTURING/ TAILORING	35	48
FOOD & TOBACCO MANUFACTURING/ CONFECTIONERY	28	170
TRAVEL, PERSONAL LEISURE/TRAVEL	27	618
TEXTILES & CLOTHING MANUFACTURING	19	26
COMPUTER SOFTWARE/SOFTWARE SERVICES	16	215
COMPUTER SOFTWARE/APPLICATION SOFTWARE	14	460



RECENT PROJECTS HIGHLIGHTS:

- Latin Resources to open lithium exploration site in Salinas, state of Minas Gerais, (project announced). Investing company: Latin Resources Ltd. (Australia), capital expenditure: US\$m 1.054.
- FFI to open green hydrogen manufacturing plant in Fortaleza, state of Ceará, (project announced). Investing company: Fortescue Future Industries PTY Ltd. (Australia), capital expenditure: US\$m 5.800.
- Mercadolibre to invest in Brazil, (project announced). Investing company: Mercado Libre SRL. (United States of America), capital expenditure: US\$m 1.926.

SOURCE REGION: WESTERN EUROPE

ACQUIROR INDUSTRY (TOP 10)	# OF PROJECTS AND DEALS
METALS & METAL PRODUCTS	19
BANKING, INSURANCE & FINANCIAL SERVICES	21
INDUSTRIAL, ELECTRIC & ELECTRIC MACHINERY	22
TRANSPORT MANUFACTURING	26
TEXTILES & CLOTHIN MANUFACTURING	30
CHEMICALS, PETROLEUM, RUBBER & PLASTIC	33
BUSINESS SERVICES	39
COMPUTER SOFTWARE	41
FOOD & TOBACCO MANUFACTURING	45
RETAIL	45

SOURCE REGION: LATIN AMERICA AND CARIBBEAN

ACQUIROR INDUSTRY (TOP 10)	# OF PROJECTS AND DEALS
MINING & EXTRACTION	4
BUSINESS SERVICES	4
COMMUNICATIONS	5
UTILITIES	5
MEDIA & BROADCASTING	9
TRAVEL, PERSONAL & LEISURE	9
PUBLIC ADMINISTRATION, EDUCATION, HEALTH SOCIAL SERVICES	15
BANKING, INSURANCE & FINANCIAL SERVICE	15
RETAIL	40
COMPUTER SOFTWARE	40

SOURCE REGION: NORTH AMERICA

ACQUIROR INDUSTRY (TOP 10)	# OF PROJECTS AND DEALS
FOOD & TOBACCO MANUFACTURING	9
MINING & EXTRACTION	11
BUSINESS SERVICES	14
CHEMICALS, PETROLEUM, RUBBER & PLASTIC	17
TRAVEL, PERSONAL & LEISURE	18
BANKING, INSURANCE & FINANCIAL SERVICES	23
RETAIL	23
INDUSTRIAL, ELECTRIC & ELECTRIC MACHINERY	29
TEXTILES & CLOTHING MANUFACTURING	33
COMPUTER SOFTWARE	132

According to Orbis website:

“Orbis Crossborder Investment looks at globalization via projects and deals and delivers information on the companies behind these investments – both listed and private. It tracks information daily, and monitors announced, completed and cancelled/withdrawn projects and deals, as well as rumours and intentions. These include:

- Greenfield FDI projects – such as a company setting up (or expanding) a physical presence in a foreign market.
- Crossborder M&A deals – defined as having more than 10% foreign ownership and including acquisitions, mergers, demergers, joint ventures and minority stakes”





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Our advisors across 157 countries are ready to support your business.



Marcello Fonseca
Global Foreign Direct
Investment Leader

m.fonseca@hlb.global
+44 (0)20 7881 1100
www.hlb.global

www.hlb.global

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