



KCCI - Country Wrap: **BRAZIL (Nov' 18)**



Brazil – a brief overview

Brazil is considered to be the eighth largest in the world in terms of GDP. Combating poverty and fueling economic growth, Brazil is emerging as a rising economic power, having one of the largest democracies in the world. Exploiting vast natural resources and a large labor pool, the country was the first to begin an economic recovery post the economic crisis of 2008.

Brazil's Economy

The economy of Brazil is facing deep recession due to political turmoil where decline in GDP has further deteriorated the macroeconomic situation due to a massive drop in prices of the state's major commodities i.e. iron ore and crude oil. On account of corruption charges and political uncertainty, business and consumer confidence has badly shaken, led to decline in domestic demand. The shrink in economy has given rise to unemployment which is expected to further rise. Similarly, inflation is also going to enter in the target range on the backdrop of increased administrative prices. Despite facing economic and political turmoil, Brazil is still an attractive market for companies like Amazon, Ford, Monsanto, Nike and IBM. The awarding of the 2014 FIFA World Cup and 2016 Summer Olympic Games, the first ever to be held in South America, was seen as symbolic of the country's rise. However, from about 2013 to 2016, Brazil was plagued by a sagging economy, high unemployment, and high inflation, emerging from recession in 2017. The govt. has facilitated infrastructure projects, such as oil and natural gas auctions, in part to raise revenues and reduce barriers to foreign investment, and improve labor conditions. Brazil is also a member of the Common Market of the South (Mercosur), a trade bloc that includes Argentina, Paraguay and Uruguay.

Key Industries of Brazil

Brazil's main industries include textiles, shoes, chemicals, cement, lumber, iron ore, tin, steel, aircraft, motor vehicles and parts, machinery and equipment. Agricultural products of the country are coffee, soybeans, wheat, rice, corn, sugarcane, cocoa, citrus and beef.

Brazil's major trading commodities and partners

Major export items of Brazil include transport equipment, iron ore, soybeans, footwear, coffee and autos. Major export partners include China (21.8%), US (12.5%), Argentina (8.1%) and Netherlands (4.3%). Major imports are machinery, electrical and transport equipment, chemical products, oil, auto parts and electronics while main import partners are China (18.1%), US (16.7%), Argentina (6.3%), Germany (6.1%).

Economic Relations between Pakistan and Brazil

Brazil is considered to be the first Latin American country to establish diplomatic relations with Pakistan in 1948 and to open an Embassy in Karachi in 1952. Similarly, Pakistan chose Brazil to open its first Embassy in Latin America in Rio de Janeiro, in 1952. In 2013, an agreement was reached on a 5 years multiple entry business visa for Pakistanis going to Brazil; which has definitely helped in increasing the relations between the two countries. Brazil is the largest trade partner of Pakistan in Latin America. So far, both the countries have many bilateral agreements in respect of technical cooperation in agriculture, health and education, sugar cane production, sports cooperation, eradication of poverty, livestock and professional qualification. Brazil and Pakistan are coalition partners in numerous multilateral negotiations, including the liberalization of international trade, negotiations on climate change and talks on international monetary and development issues. In 2017, companies from Pakistan participated in GOTEX where they interacted with other businesses for trade cooperation. In Jun' 18 the Pakistan-Brazil Business Forum (PBBF) was formed to help enhance economic cooperation between the two countries.

Bilateral Trade Relations between Pakistan and Brazil

The bilateral trade relations between Pakistan and Brazil are based on the trade of various commodities. During 2017, Pakistan exports to Brazil stood at \$ 54.7Mn as against \$ 45.1Mn in 2016 showing a growth of 21.3%. Pakistan's import from Brazil significantly increased by 39.6%, totaling \$ 605.2Mn in 2017, against \$ 433.4Mn in 2016.

Potential for enhancing bilateral trade relations between Brazil and Pakistan

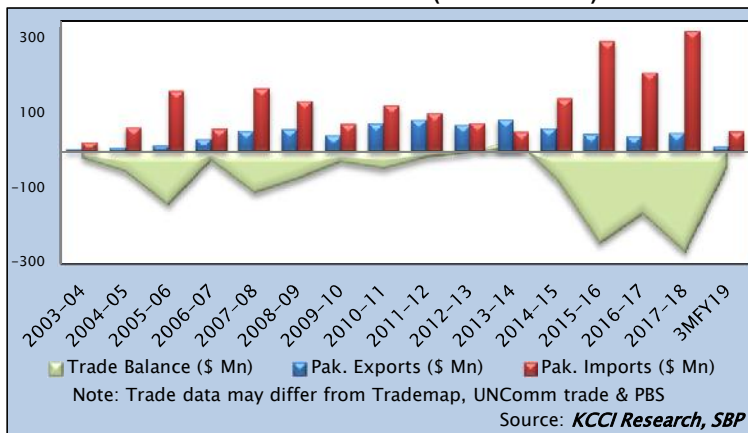
- Possibilities of joint ventures in various feasible sectors including halal food, information technology and poultry exist in abundance for both the countries.
- Pakistan and Brazil should rationalize trade rules and tariff to promote bilateral trade.

Economic Indicators

Indicators	Unit	2016	2017	Change
GDP (PPP)	\$ Bn	3,357	3,240	-3.49%
GDP per Capita	\$	16,300	15,600	-4.29%
GDP growth	%	-3.50	1.00	4.50%
Forex Reserves	\$ Bn	367.50	376.80	2.53%
External Debt	\$ Bn	548.60	545.70	-0.53%
Exports of Goods	\$ Bn	184.50	217.20	17.72%
Imports of Goods	\$ Bn	139.40	153.20	9.90%
Trade Balance	\$ Bn	45.10	64.00	41.91%
Current Account	\$ Bn	-23.53	-9.76	58.51%
FDI - at Home	\$ Bn	703.30	778.50	10.69%
FDI - at Abroad	\$ Bn	341.5	358.9	5.10%
CPI	%	8.70	3.40	-5.30%
Prime Lending Rate	%	74.30	63.30	-11.00%
Population	Mn	N/A	207.4	N/A
Unemployment	%	12.00	11.80	-0.20%
Litarcy Rate	%	N/A	92.60	N/A

Sources: KCCI Research, CIA Factbook

Pakistan & Brazil Trade (FY04-3MFY19)



Brazil's Trade With World - Commodity Wise (2017)

Export Items	(\$ Bn)	Import Items	(\$ Bn)
Oil seeds & fruits	26.01	Mineral fuels & Oils	21.55
Ores, slag & ash	22.40	Electrical mach & equip.	20.73
Mineral fuels & oils	21.22	Machinery & app.	17.40
Vehicles, other than railway	14.72	Vehicles, not railway	11.24
Meat	13.95	Organic chemicals	8.44
Machinery & app.	13.85	Fertilisers	7.33
Sugars & confectionery	11.57	Pharma products	6.56
Iron & steel	10.76	Plastics & articles	6.53
Pulp of wood	6.36	Optical, photo or surgical	4.86
Residues & waste	5.39	Misc. chemical products	4.11

Sources: KCCI Research, CIA Factbook

Pakistan Trade with Brazil-Commodity Wise (2017)

Export Items	(\$ Mn)	Import Items	(\$ Mn)
Optical, photo or surgical	9.00	Oil seeds & fruits	358.25
Apparel, not knitted	8.88	Cotton	78.15
Apparel, knitted	8.59	Animal or vegetable fats	43.54
Cotton	7.75	Iron & steel	26.18
Toys, games & sports	3.99	Machinery & app.	20.98
Tools, implements, cutlery	3.57	Paper & paperboard	16.39
Salt, sulphur & stone	3.39	Pulp of wood	14.28
Articles of leather	1.93	Electrical mach & equip.	8.02
Other made-up textile articles	1.93	Footwear, gaiters	6.51
Plastics & articles	1.09	Edible vegetables & roots	6.41

Sources: KCCI Research, CIA Factbook