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## Brazil: Country Fact Sheet

### August 2023

Cape Town and the Western Cape – A Leading Regional Economy

# 1) Economic Overview - Brazil

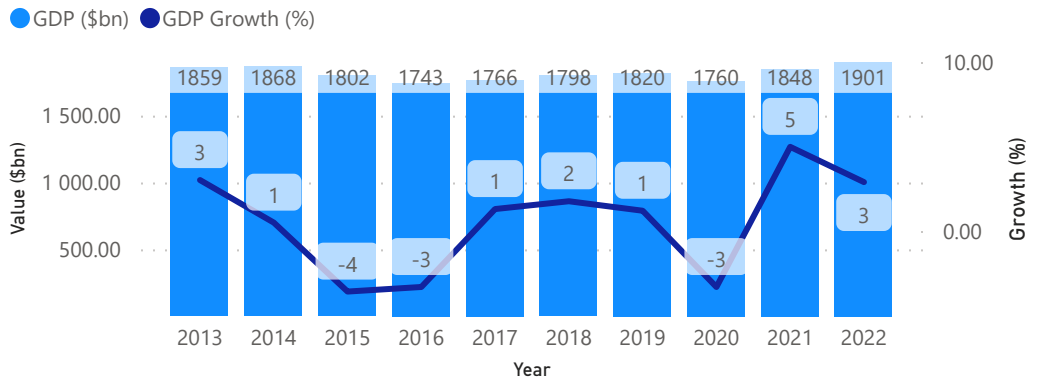
Despite challenges posed by Covid-19, the Brazilian economy has shown resilience, underpinned in part by its rapid policy response. The country's gross domestic product (GDP) declined by 3.28% in 2020 but rebounded strongly in 2021, growing at a rate of 4.99% y-o-y to USD1,847.86bn. Despite a relatively weak domestic demand and global geo-political tensions, the economy grew by 2.90% to USD1,901.46bn in 2022, driven by household consumption, private investments, and strong exports, that of the agricultural sector in particular.

Looking ahead, if the economy is to successfully achieve a higher growth trajectory, this would require a renewed commitment to implementing structural reforms, which could boost and support both investment and productivity.

Brazil recorded a GDP per capita of USD8,255.57 in 2020 - a decline of 3.92% relative to the previous year's value of USD8,592.21 - as the impact of the Covid-19 pandemic was increasingly felt by the national economy. The downturn was short-lived, however, with GDP per capita rebounding to USD8,621.73 in 2021, underpinned by an economic expansion that was fueled in part by increased consumer spending. GDP per capita edged-up to USD8,831 in 2022, marginally higher than 2019's level.

The expansion of federal social transfers remains a crucial factor in offering essential income support to the most vulnerable sections of society and effectively decreasing poverty rates in Brazil.

Figure 1: Brazil's GDP, 2013-2022



Source: World Bank, 2023

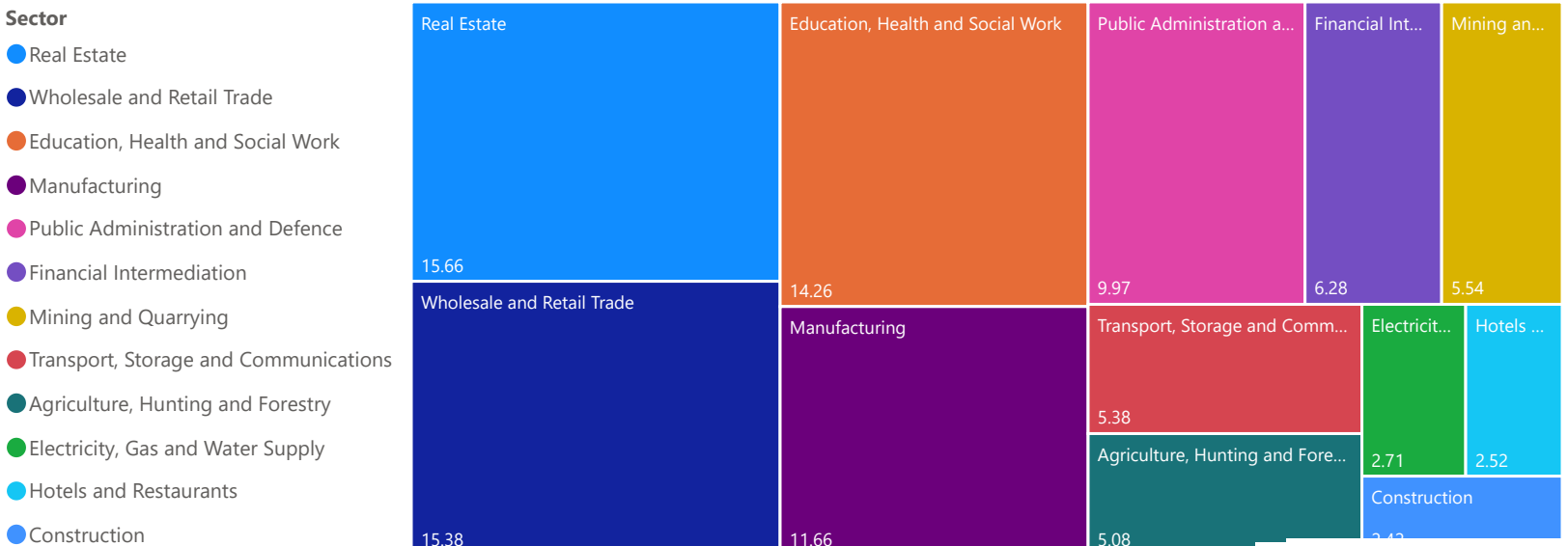
Figure 2: Brazil's GDP per capita, 2013-2022



Source: World Bank, 2023

The Brazilian economy is largely comprised of the services sector, which accounted for 54.07% of the country's gross value added (GVA) in 2022. Much of the future growth projected for Brazil is expected to be driven by this sector. The services sector is also the country's primary employer, accounting for more than half of employment. This sector encompasses both private and government services, with the largest portion of private sector employees found in hospitality industries such as hotels, restaurants, and bars. As demonstrated in Figure 3, the real estate sector accounted for 15.66% of GVA, followed by the wholesale and retail trade sector which contributed 15.38% to the country's GVA in 2022. Beyond the tertiary sector, the manufacturing sector's contribution of 11.66% was the highest, while agriculture's share was 5.08%. This was followed by the electricity, gas and water sector which accounted for 2.71% of GVA in 2022.

Figure 3: Brazil's Sector Contribution to GVA (%), 2022



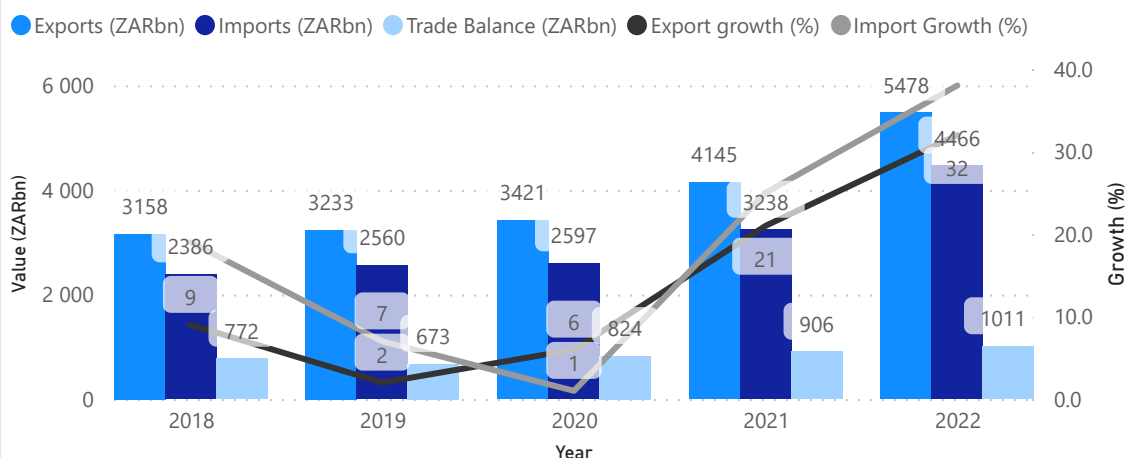
Cape Town and the Western Cape Source: Euromonitor, 2023

## 2) Trade

### 2.1) Brazil Global Merchandise Trade

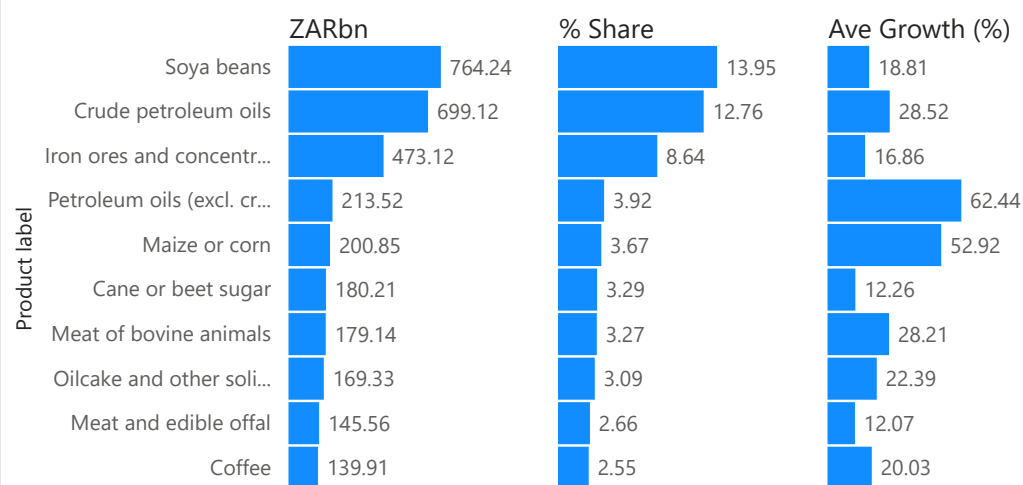
Brazil recorded a substantial increase in export earnings in 2022, which at a value of ZAR5,477.60bn represented a 32.17% y-o-y increase on the ZAR4,144.51bn earned in 2021. The significant growth in the Latin American country's exports has been spurred in part by its expanding ethanol industry, government financing, as well as efforts to negotiate increased access to foreign markets. In turn, imports rose by 37.92% y-o-y to an associated cost of ZAR4,466.12bn in 2022, up from a cost of ZAR3,238.22bn incurred in 2021. Brazil recorded a trade surplus throughout the period analysed, as export earnings consistently outpaced import costs.

Figure 4: Brazil's Global Trade, 2018-2022



Source: Trade Map, 2023

Figure 5: Brazil's Top Export Products, 2022: (Average Growth: 2018-2022)



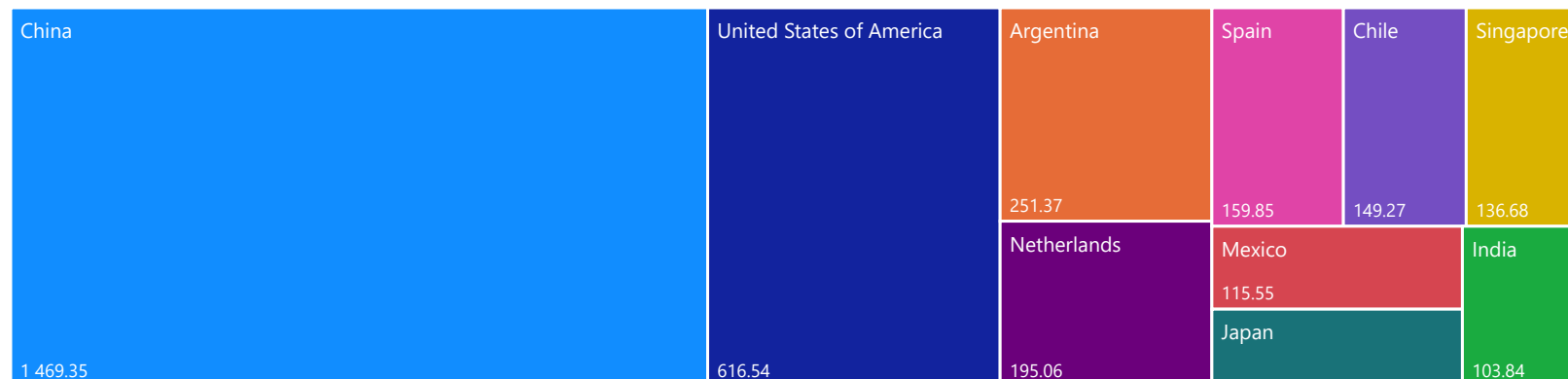
Source: Trade Map, 2023

Soya beans was the country's largest export product in 2022 which, at a value of ZAR764.24bn, accounted for 13.95% of total export earnings. Crude petroleum oils was the second largest export category, generating ZAR699.12bn, equivalent to 12.76% of total exports in 2022. This was followed by iron ores and concentrates exports, which at a value of ZAR473.12bn accounted for 8.64% of export earnings.

Petroleum oils (excl. crude) was the fastest growing export category over the five-year period analysed with an annual average growth rate of 62.44%. Maize or corn followed with an average annual growth rate of 52.92%, with crude petroleum in third place at 28.52%.

China, the United States, and Argentina were Brazil's top three export destination markets in 2022, collectively accounting for 42.67% of total exports. As shown in Figure 6, China was the country's largest export market in 2022, accounting for 26.82% of total exports valued at ZAR1,469.35bn. The United States followed with exports valued at ZAR616.54bn (11.26% of total exports), and Argentina in third position with exports valued at ZAR251.37bn (4.59%). Asia and the Americas remains the country's top destination region with each region accounting for four of the top ten export markets.

Figure 6: Brazil's Top Export Markets (ZARbn), 2022



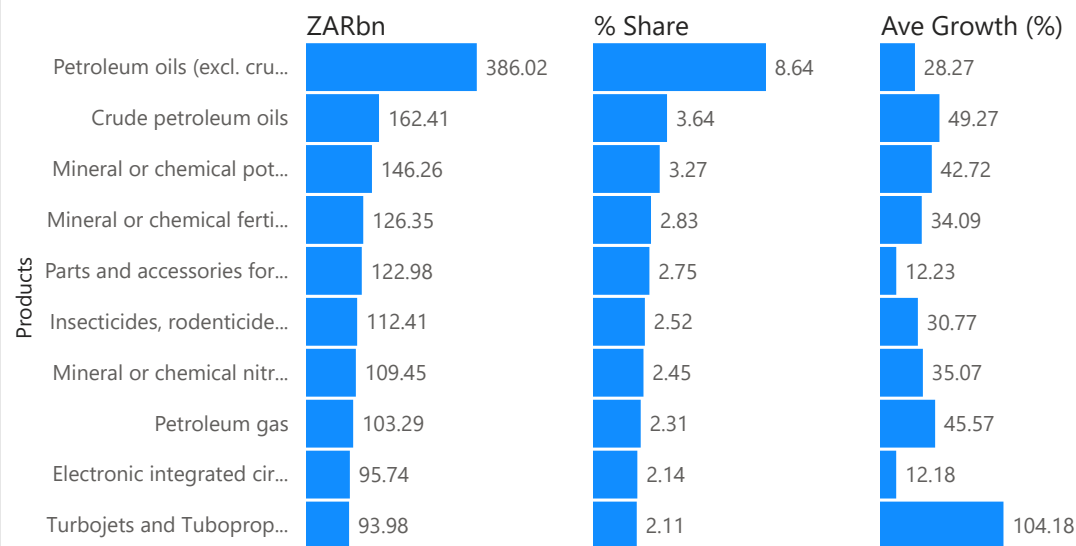
Source: Trade Map, 2023

Petroleum oils (excl. crude) was Brazil's top import product in 2022, which at a cost of ZAR386.02bn was equivalent to 8.64% of total import costs incurred. Brazil sources this product from a number of countries including the United States and Russia, which means that the ongoing Russia-Ukraine conflict could pose a potential threat to supply.

Crude petroleum oils placed second at an associated cost of ZAR162.41bn (3.64%), followed by mineral or chemical potassic fertilisers at ZAR146.26bn (3.27%).

Among the top ten imported products, turbojets and turbopropellers and other gas turbines had the highest growth rate over the five-year period from 2018 to 2022 with an average growth rate of 104.18%. This was followed by crude petroleum oils (49.27%), and petroleum gas (45.57%).

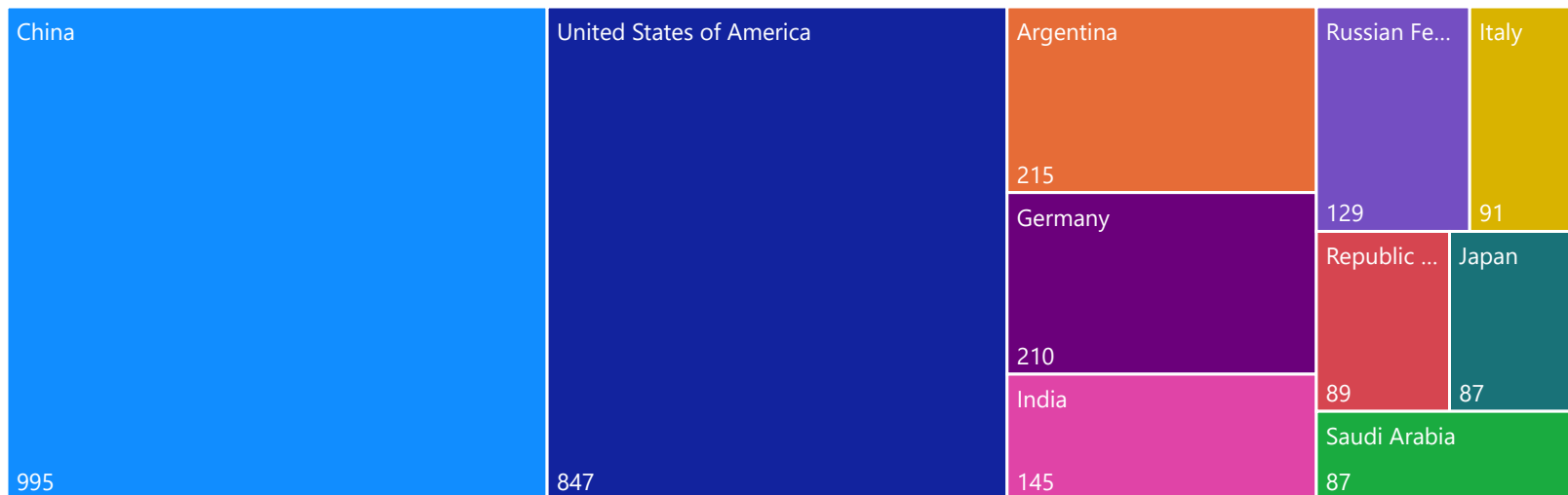
Figure 7: Brazil's Top Import Products, 2022: (Average growth: 2018-2022)



Source: Trade Map, 2023

China, the United States, and Argentina were also Brazil's primary import source markets in 2022, with these three countries collectively accounting for 46.04% of the country's imports in this year. As shown in Figure 8, China was Brazil's largest import source market in 2022, which at a cost of ZAR994.83bn represented a 22.28% share of the country's total import costs incurred. The United States was the second top import source market, accounting for 18.96% of total imports, while Argentina followed in third position with a share of 4.80%. Most of Brazil's top ten import markets were in Asia, highlighting the region's significance as a primary source for imports.

Figure 8: Brazil's Top Import Markets (ZARbn), 2022



Source: Trade Map, 2023

## 2.2) Trade Agreements

Brazil is a member of the MERCOSUR trading bloc, which has its own regional standards organisation that issues and harmonises standards. The technical committees write and recommend standards in selected areas and each country must ratify the standards before they are adopted in that country. Several standards have already been adopted as MERCOSUR standards. Adopted and proposed standards are listed on MERCOSUR's website. South Africa and Brazil's membership to BRICS multinational agreements is advantageous to both countries. In addition, both nations are members of Cairns Group (a group of 19 agricultural exporting countries), G20 and the United Nations.

## 2.3) Bilateral Trade: South Africa and Brazil

Brazil was South Africa's 34th largest trading partner in 2022. South Africa's exports to Brazil rose from a value of ZAR6.13bn in 2018 to ZAR8.27bn in 2022, with a notable 17.95% y-o-y growth recorded in export earnings in 2022. The SACU/MERCOSUR preferential trade agreement was ratified in December 2004, creating an opportunity to penetrate the Brazilian market through tariff preferences on certain products. South Africa's imports from Brazil increased by 35.60% y-o-y to a cost of ZAR26.01bn in 2022, up from ZAR19.17bn incurred in 2021.

South Africa recorded a trade deficit with Brazil throughout the period under review, with this shortfall widening from -ZAR13.49bn in 2018 to -ZAR17.73bn by 2022.

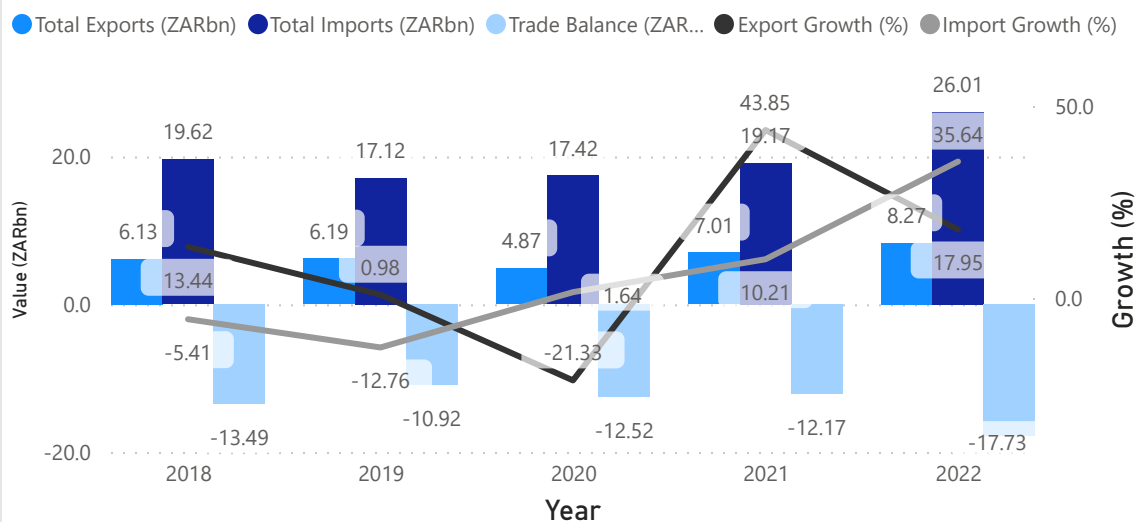
Based on the data presented in Figure 10, South Africa's top three exports to Brazil accounted for 39.13% of the country's total exports (to Brazil) in 2022. Coal and briquettes, valued at ZAR1,300.51m, were South Africa's top export category to the south American country in 2022, accounting for 15.73% of export earnings. Centrifuges followed at a value of ZAR1,292.89m (15.64%), while niobium ores and concentrates were in third position at a value of ZAR640.77m (7.75%). Unwrought aluminium recorded the highest five-year annual average growth of 10,069.74% per annum.

South Africa's top ten exports to Brazil were all commodities or commodity-related products with the exception of other aircrafts, motor cars and centrifuges.

Meat and edible offal was South Africa's top import category from Brazil in 2022, which at a cost of ZAR3,302.88m accounted for 12.72% of total import costs incurred with the country. This was followed by original equipment components, and unwrought zinc valued at ZAR3,122.62m and ZAR2,095.62m respectively.

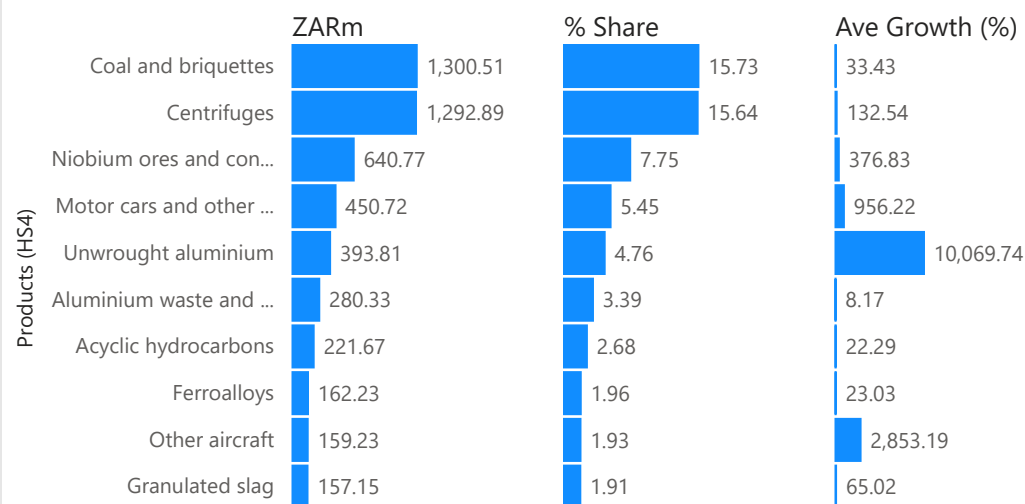
Of interest was the notable increase in ammonia imports from Brazil in 2022, which rose by a significant 13,858,043.56% y-o-y to a cost of ZAR724.37m, up from ZAR5,227.00m in 2021. This import category grew by an annual average growth rate of 2,771,608.71% over the five-year period (2018-2022). South Africa recorded a 5-year average annual growth rate of 19,550,907.25% in relation to the import of wheat and meslin from Brazil.

Figure 9: South Africa's Trade with Brazil, 2018-2022



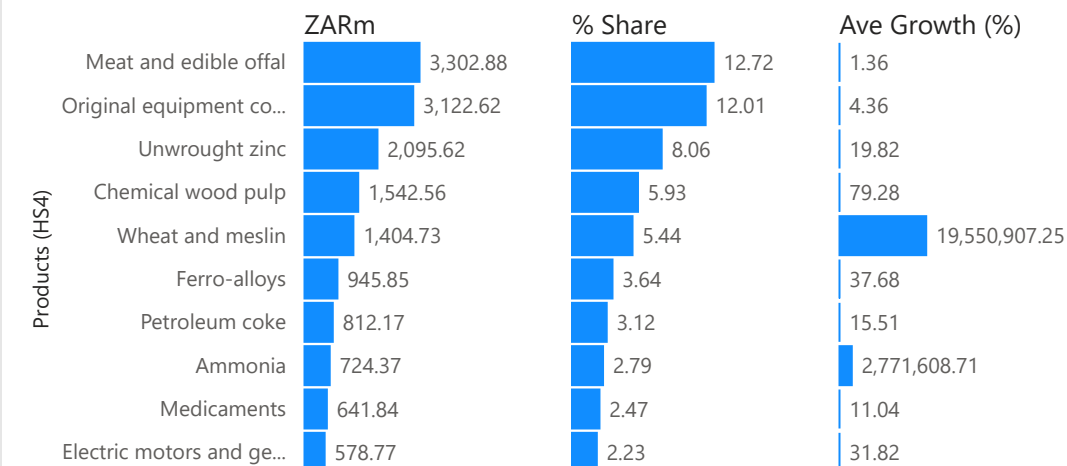
Source: Quantec, 2023

Figure 10: South Africa's Top Exports to Brazil, 2022: (Average Growth: 2018-2022)



Source: Quantec, 2023

Figure 11: South Africa's Top Imports from Brazil, 2022: (Average Growth: 2018-2022)



Source: Quantec, 2023



## 2.4) Bilateral Trade: Western Cape and Brazil

Local export receipts from trade with Brazil totaled ZAR647.14m in 2022, up from ZAR381m earned in 2021, representing an increase of 69.84% y-o-y.

Import costs in turn totaled ZAR3,140.90m in 2022, an increase of 47.68% y-o-y relative to the ZAR2,127m incurred in 2021.

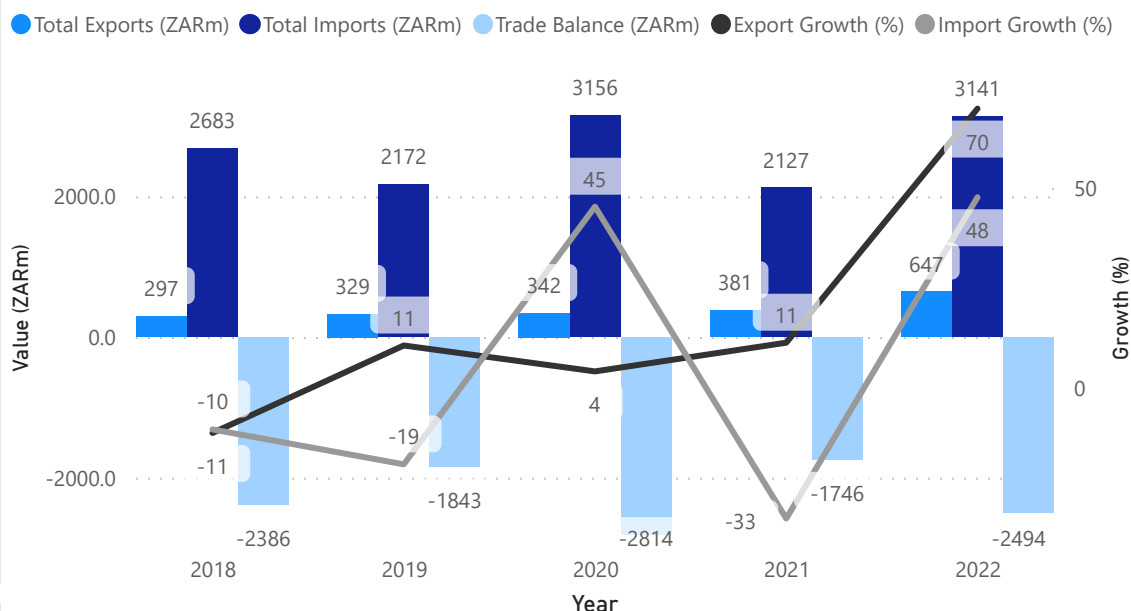
The Western Cape's trade balance with Brazil remained firmly in deficit throughout the period analysed, widening overall from a shortfall of ZAR2,386m in 2018 to ZAR2,494m by 2022.

Figure 13 shows that aluminium waste and scrap; undenatured ethyl alcohol; and boards, panels and desks were the Western Cape's top three export products to Brazil in 2022. These products collectively accounted for 40.14% of the province's total export basket to the Latin American country in the said year. The exports of machinery for working rubber attained the highest average growth rate of 3,189.38% over the five-year period 2018 - 2022. This was followed by the exports of chain and parts thereof (of iron or steel) with a five-year average growth rate of 64.34%. The Western Cape's export basket to Brazil is comprised of both agriculture and commodity-related products, which is in contrast to national exports which are skewed towards commodity-related products.

Meat and edible offal was the Western Cape's largest import product from Brazil in 2022. At a cost of ZAR850.37m, this import product accounted for 27.07% of the province's total imports from Brazil in 2022, as indicated in Figure 14. This was followed by the import of unwrought zinc, at a cost of ZAR401.58m, and wheat and meslin worth ZAR176.97m.

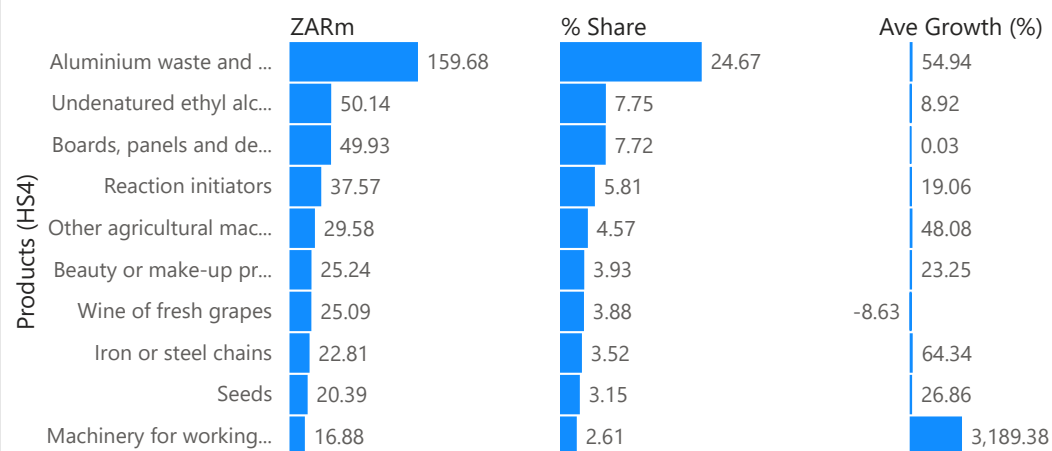
The province's imports of food preparations from Brazil grew at a five-year annual average rate of 554.71%. This was followed by the imports of coffee which recorded a five-year average growth rate of 99.58%, with uncoated kraft paper imports the third fastest growing import at an average growth rate of 92.72%.

Figure 12: Western Cape's Trade with Brazil, 2018-2022



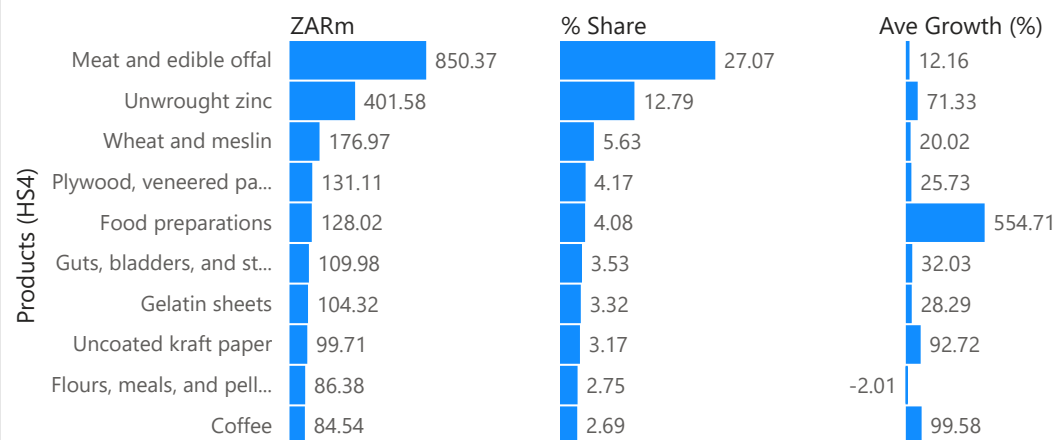
Source: Quantec, 2023

Figure 13: Western Cape's Top Exports to Brazil, 2022: (Average Growth : 2018-2022)



Source: Quantec, 2023

Figure 14: Western Cape's Top Imports from Brazil, 2022: (Average Growth: 2018-2022)



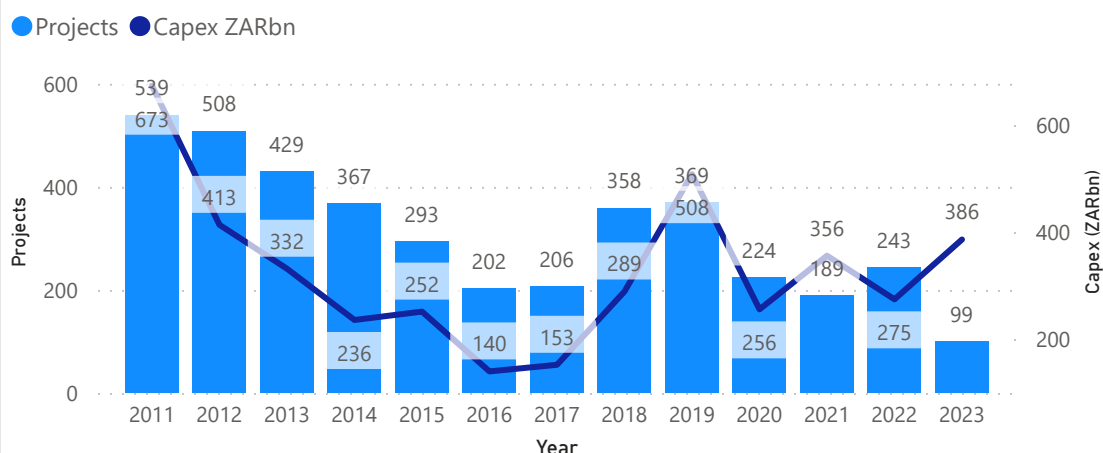
Source: Quantec, 2023

### 3) Foreign Direct Investment (FDI)

#### 3.1) FDI into Brazil

Figure 15 shows that Brazil benefited from a total of 4,026 foreign direct investment (FDI) projects from January 2011 to May 2023. These projects represented a total capital expenditure (capex) value of ZAR4,267.13bn, which equated to an average investment of ZAR1,059.99m per project. From 2011 to May 2023, a total of 591,567 jobs were created. In that period, the number of FDI projects varied from 539 in 2011 to an estimated 99 in the first five months of 2023. Likewise, the value (capex) of these projects fluctuated between ZAR672,632.92m in 2011 and an estimated ZAR386,040.30m during the first five months of 2023.

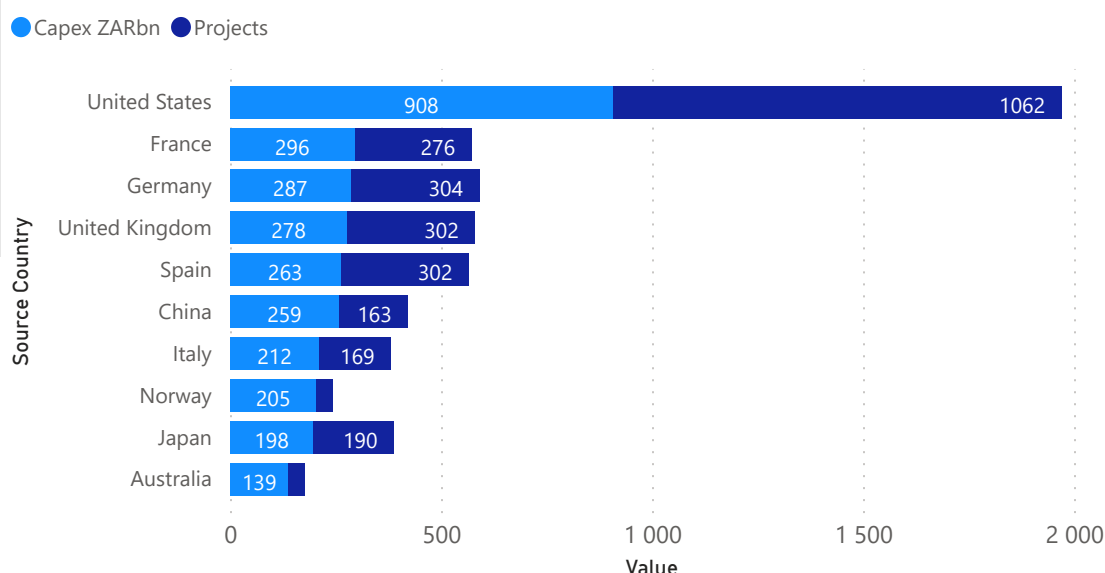
Figure 15: FDI in Brazil, 2011-2023



Source: FDI Intelligence, 2023

The United States was the main source market for inward FDI into Brazil over the period 2011 through 2023, dominating with a capex value of ZAR907,747.57m across 1,062 projects. France ranked second with a total capex of ZAR295,578m from 276 projects, while Germany was third, with a capex of ZAR286,618m across 304 projects.

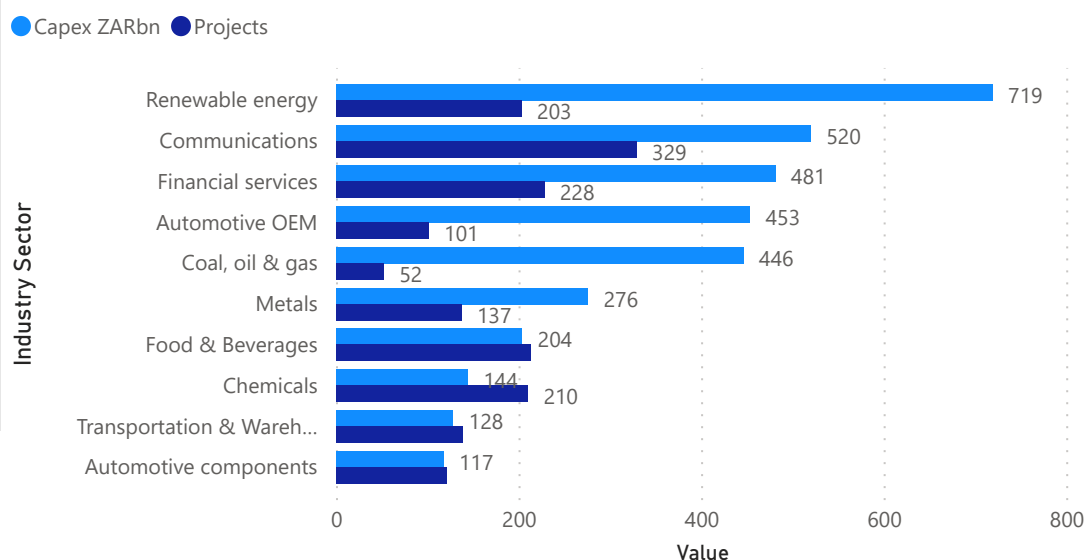
Figure 16: FDI in Brazil by Source Markets, 2011-2023



Source: FDI Intelligence, 2023

From January 2011 to May 2023, Brazil's renewable energy sector was the largest recipient of FDI (in terms of capex). As can be seen in Figure 17, FDI in the sector amounted to ZAR719.05bn from a total of 203 projects. The communications sector was the second largest recipient of FDI, worth ZAR519.86bn in capex spread across 329 projects. The financial services sector followed, with ZAR481.23bn and 228 projects.

Figure 17: FDI in Brazil by Sectors, 2011-2023



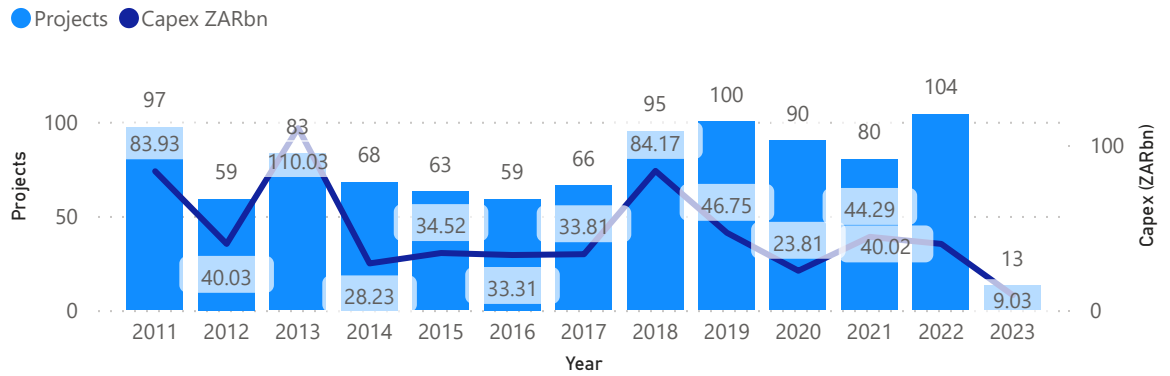
Source: FDI Intelligence, 2023

### 3.2) OFDI From Brazil to the Globe

Brazilian-based companies invested in 977 FDI projects globally between January 2011 and May 2023. These projects amounted to a total capex of ZAR611.86bn, equating to an average investment of ZAR625.87m per project.

During this period, 116,589 jobs were created. A breakdown of these figures can be observed in Figure 18.

Figure 18: Trends in OFDI from Brazil, 2011-2023

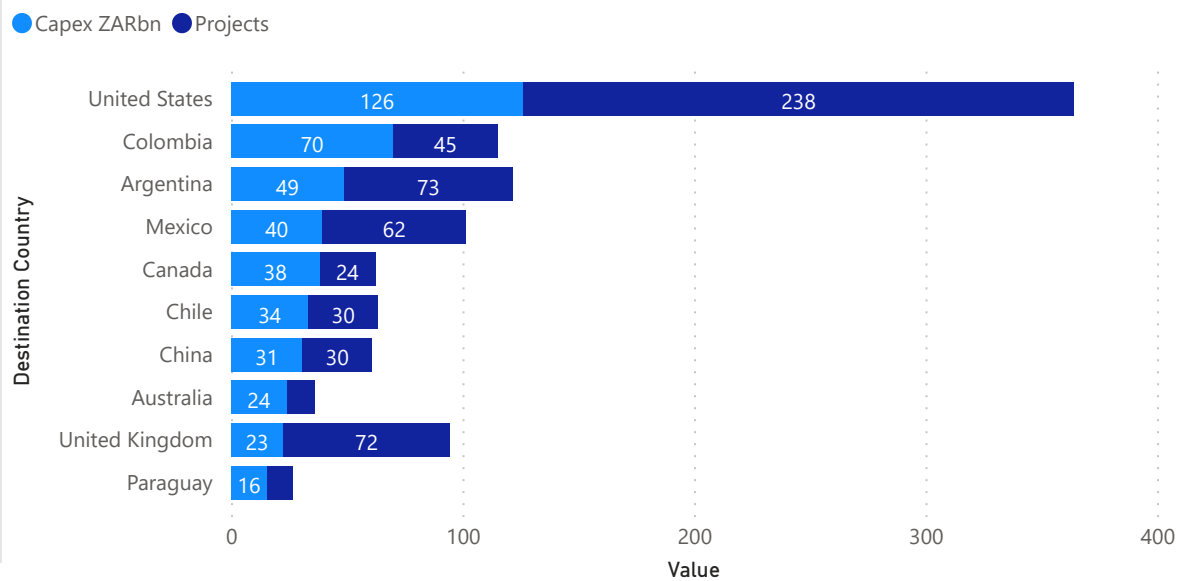


Source: FDI Intelligence, 2023

Strong economic ties exist between the United States and Brazil. The United States was Brazil's top source as well as destination market for FDI from January 2011 to May 2023.

Specifically, the United States was the top destination market for outward FDI (OFDI) from Brazil to the rest of the world between January 2011 and May 2023, with ZAR126.23bn worth of capex invested in 238 projects. This was followed by Colombia, with a capex of ZAR70.22bn (45 projects). Argentina was third, having recorded ZAR48.83bn worth of capex from 73 projects during this period.

Figure 19: Destination Markets for OFDI from Brazil, 2011-2023

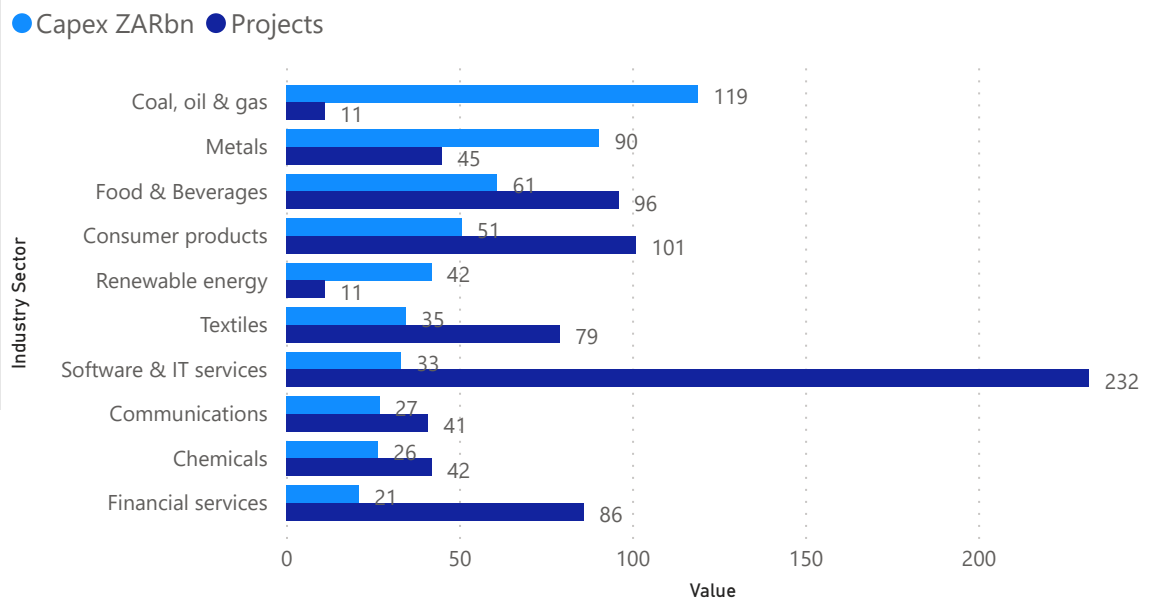


Source: FDI Intelligence, 2023

Coal, oil and gas was the sector that recorded the largest OFDI (ZAR118.95bn) from Brazil during the period under review.

The metals sector placed second with a capex value of ZAR90.43bn invested in 45 projects, while the food and beverages sector was third with ZAR60.93bn worth of investment in 96 projects.

Figure 20: Top Sectors for OFDI from Brazil, 2011-2023



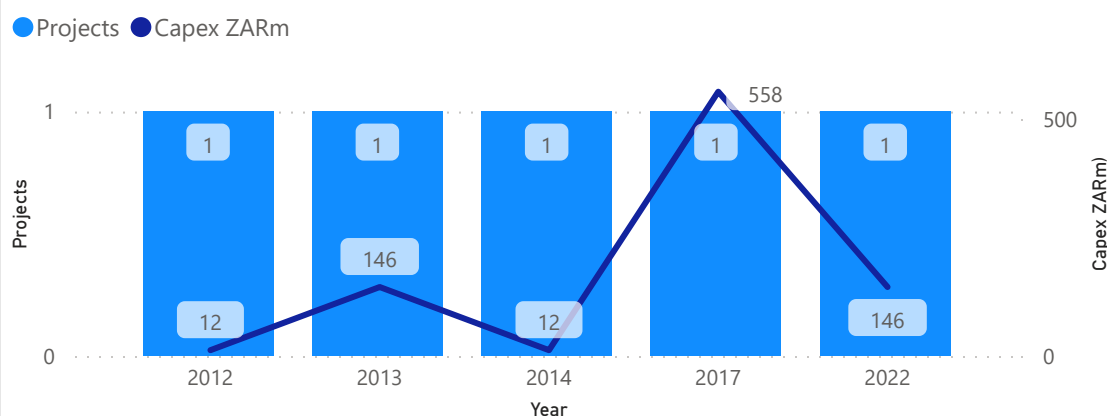
Source: FDI Intelligence, 2023



### 3.3) Bilateral FDI: Brazil FDI in South Africa

Figure 21 shows FDI flows from Brazil to South Africa for the period January 2011 to May 2023. South Africa benefited from 5 FDI projects with a cumulative capex value of ZAR874.38m. These investments resulted in the creation of 137 jobs. The value of investments fluctuated between ZAR12.27m in 2012 and ZAR145.73m in 2022. Investments peaked in 2017 when a single FDI project in the aerospace sector was initiated by a Brazilian company, Embraer (Embraer Empresa Brasileira de Aeronautica) with a capex value of ZAR558.38m.

Figure 21: FDI from Brazil in South Africa, 2011 - 2023

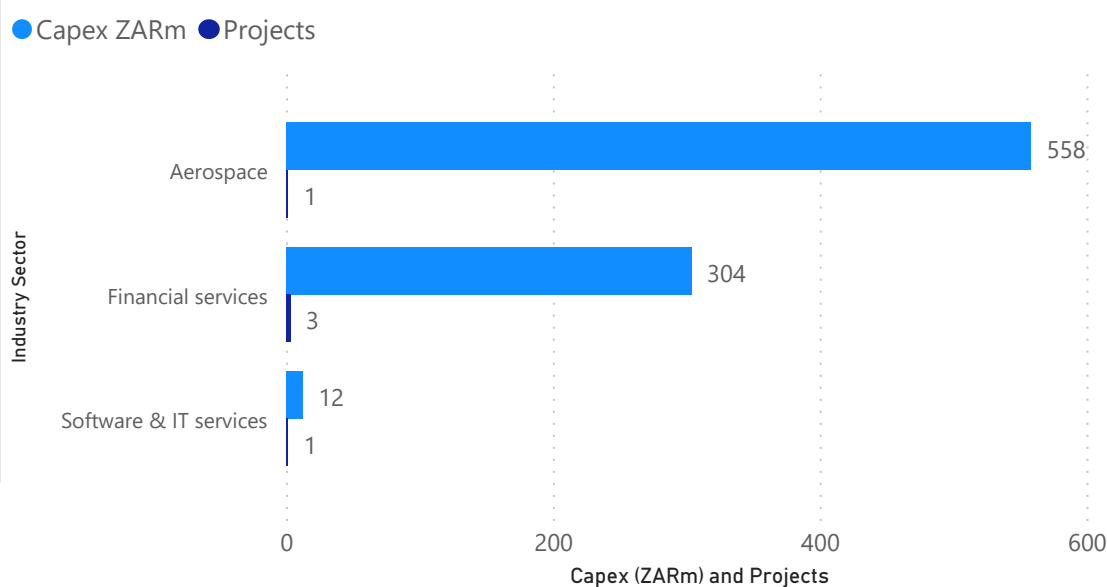


Source: FDI Intelligence, 2023

As noted above, the largest investment from Brazil into South Africa was in the aerospace sector which recorded ZAR558.38m in capex from a single project. This was followed by the financial services sector with ZAR303.73m worth of capex from three projects, as shown in Figure 22.

In terms of the number of projects, financial services was the top sector with 3 projects. This was followed by both the aerospace; and software and IT services sectors with a single project each.

Figure 22: FDI from Brazil in South Africa by Sectors, 2011 - 2023



Source: FDI Intelligence, 2023

Table 1 lists the Brazilian-based companies that invested in South Africa from January 2011 to May 2023.

Embraer (Embraer Empresa Brasileira de Aeronautica) was the top investor with an amount of ZAR558.38m invested in one project, which resulted in the creation of an estimated 80 jobs. This was followed by Banco Nacional De Desenvolvimento Economico E Social (BNDES) and Fox Rubicon Capital Partners with each investing in a single project worth ZAR145.73m, generating 44 jobs in total.

Table 1: Brazilian Companies Investing in South Africa, 2011 - 2023

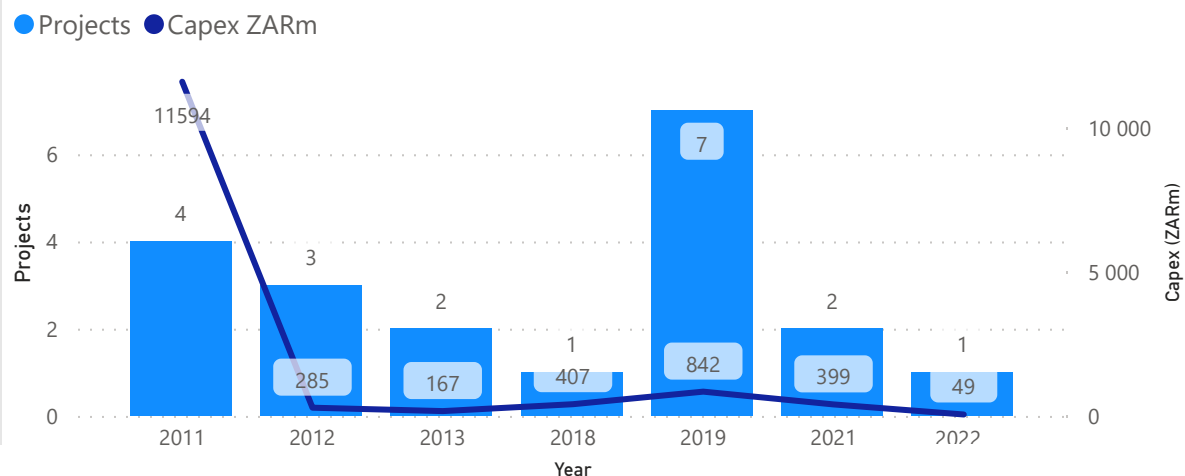
Company name	Capex ZARm	#Projects	Total jobs	Primary sector
Embraer (Embraer-Empresa Brasileira de Aeronautica)	558.38	1	80	Aerospace
Banco Nacional De Desenvolvimento Economico E Social (BNDES)	145.73	1	22	Financial services
Fox Rubicon Capital Partners	145.73	1	22	Financial services
BTG Pactual	12.27	1	3	Financial services
Stefanini IT Solutions	12.27	1	10	Software & IT services

Source: FDI Intelligence, 2023

### 3.4) Bilateral FDI: South Africa's FDI in Brazil

Investments made in Brazil by South African companies between January 2011 and May 2023 are shown in Figure 23. Brazil benefited from 20 South African projects, with a cumulative capex value of ZAR13,743.11m. This equated to an average investment of ZAR687.23m per project. An estimated 2,663 jobs were created as a result of these projects. South African investments (measured by capex) in Brazil peaked in 2011 at a capex value of ZAR11,593.97m

Figure 23: FDI from South Africa in Brazil, 2011 - 2023

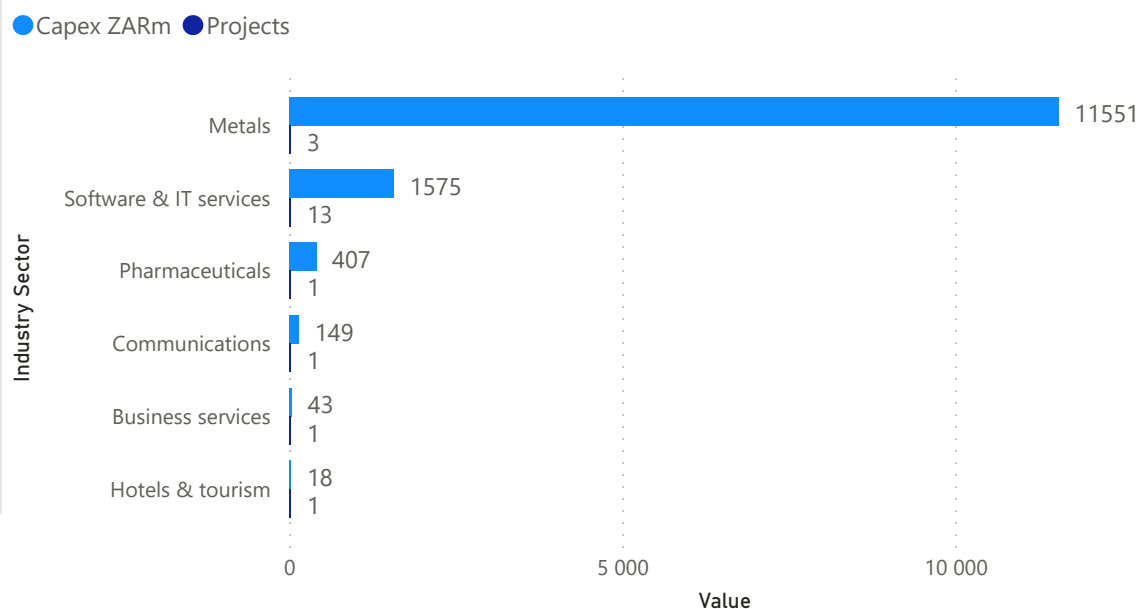


Source: FDI Intelligence, 2023

Investments in the metals sector dominated South African FDI into Brazil during the period January 2011 and May 2023. This sector benefited from ZAR11,551.02m in capex, which was invested in three projects. The software and IT services sector followed with investments in thirteen projects worth ZAR1,575.42m.

In terms of the number of projects, Brazil's software and IT services sector recorded the highest number (13).

Figure 24: FDI from South Africa in Brazil by Sectors, 2011 - 2023



Source: FDI Intelligence, 2023

The top 10 South African companies that invested in Brazil (as measured by capex) from January 2011 to May 2023 are shown in Table 2.

AngloGold Ashanti invested the largest amount of capex valued at ZAR11,551.02m. iFood was the second largest investor, having invested in three projects with an accumulative value of ZAR575.25m. OLX, the third largest investor, invested in three projects valued at ZAR444.86m.

Table 2: South African Companies Investing in Brazil, 2011 - 2023

Company name	#Projects	Capex ZARm	Total jobs	Primary sector
AngloGold Ashanti	3	11 551.02	70	Metals
iFood	3	575.25	70	Software & IT services
OLX	3	444.86	70	Software & IT services
Aspen Pharmicare Holdings	1	406.51	70	Pharmaceuticals
PromonLogicalis	3	285.32	70	Software & IT services
ZAP+	1	167.21	70	Software & IT services
MiX Telematics	1	148.81	70	Communications
Mobile	2	53.69	70	Software & IT services
GoodHabitZ	1	49.09	70	Software & IT services
Ad Dynamo	1	42.95	70	Business services

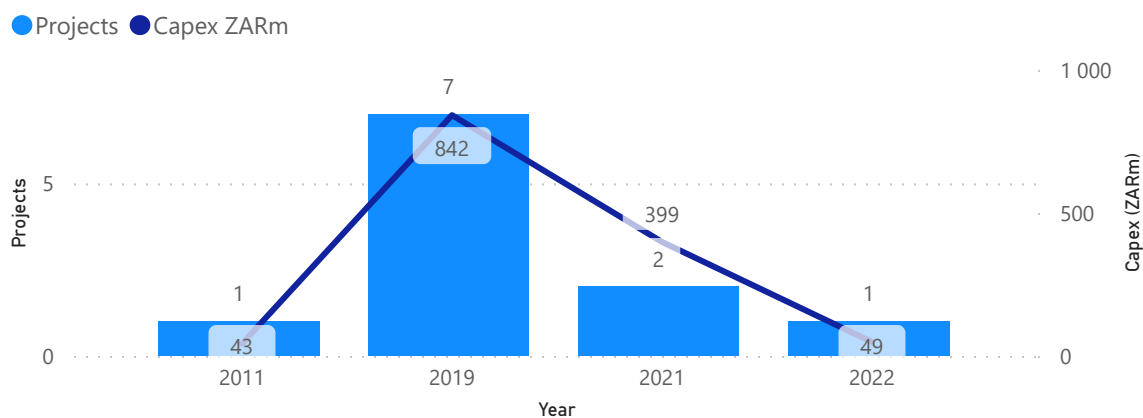
Source: FDI Intelligence, 2023

### 3.6) Bilateral FDI: Western Cape's FDI in Brazil

The Western Cape invested in 11 FDI projects in Brazil, valued at of ZAR1,333.05m, between 2011 and May 2023. A total of 6 Western Cape companies invested in these projects which generated 692 jobs. Capex from the Western Cape to Brazil peaked in 2019 when the province invested in seven projects worth ZAR842.17m.

There were no FDI flows from Brazil to the Western Cape over the same period.

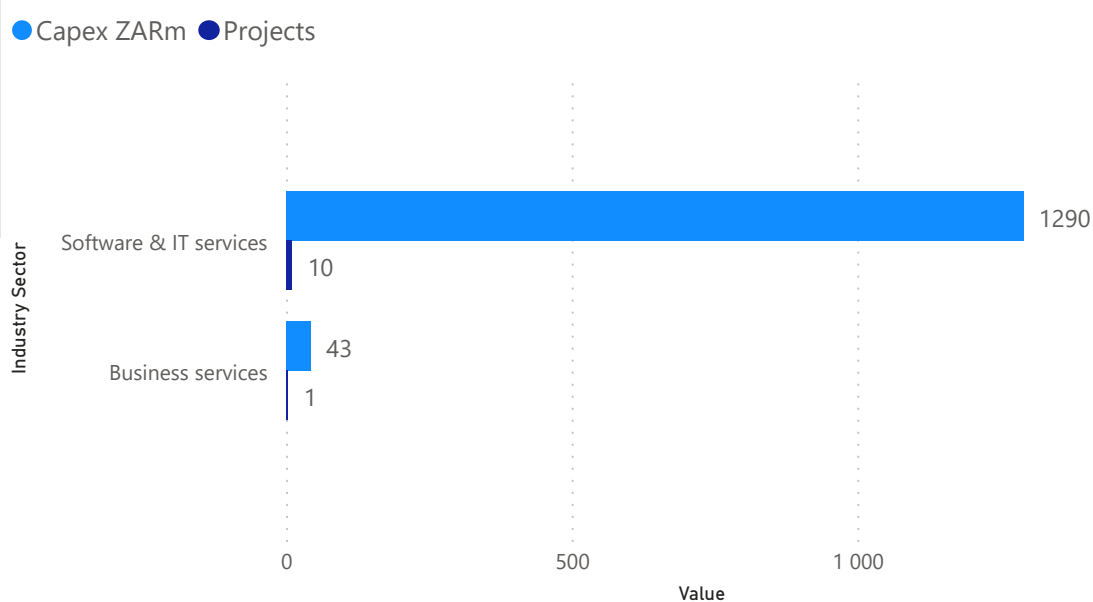
Figure 25: FDI from the Western Cape in Brazil, 2011-2023



Source: FDI Intelligence, 2023

Most of the capex from the Western Cape (ZAR1,290.10m) was invested in ten projects in the software and IT services sector in Brazil, as shown in Figure 26. The business services sector followed, attracting a single project worth ZAR43.00m.

Figure 26: FDI from the Western Cape in Brazil by Sectors, 2011-2023



Source: FDI Intelligence, 2023

iFood was the top Western Cape investor (as measured by capex ) into Brazil from January 2011 to May 2023. The company invested in three projects in Brazil's software and IT sector, valued at ZAR575.32m.

OLX also invested in three projects worth ZAR444.93m in the software and IT sector.

Table 3: Western Cape Companies Investing in Brazil, 2011-2023

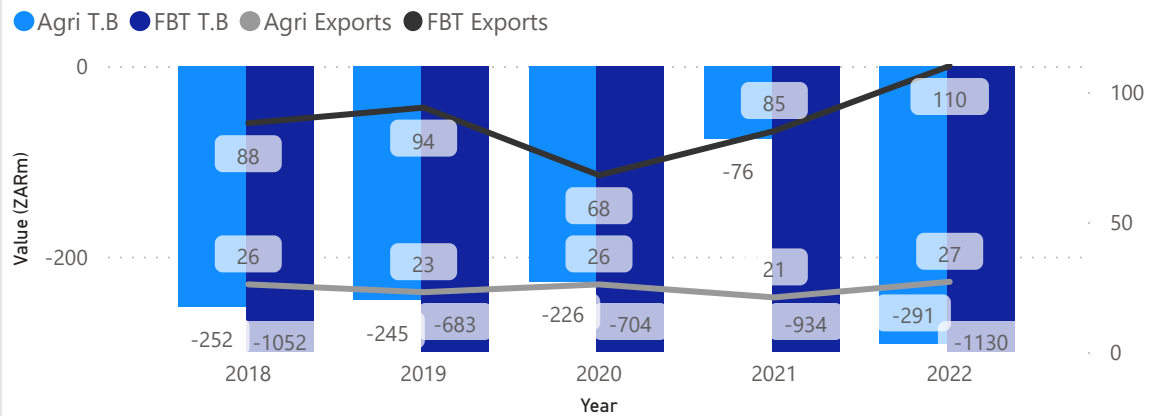
Company name	#Projects	Capex ZARm	Total jobs	Primary sector
iFood	3	575.32	279	Software & IT services
OLX	3	444.93	272	Software & IT services
ZAP+	1	167.24	69	Software & IT services
Mobile	2	53.73	38	Software & IT services
GoodHabitZ	1	49.12	27	Software & IT services
Ad Dynamo	1	43.01	7	Business services

Source: FDI Intelligence, 2023

## 4) Western Cape Agribusiness Trade with Brazil

As the agricultural hub of South Africa, the Western Cape exported more food, beverages and tobacco (FBT) products than primary agricultural products to Brazil between 2018 and 2022. (When primary agricultural products and FBT products are combined, they form the agribusiness sector.) As can be seen from Figure 27, exports of FBT products fluctuated from ZAR88.35m in 2018 to ZAR109.87m in 2022. Primary agricultural products recorded lower export values from ZAR25.73m in 2018 to ZAR27.33m in 2022.

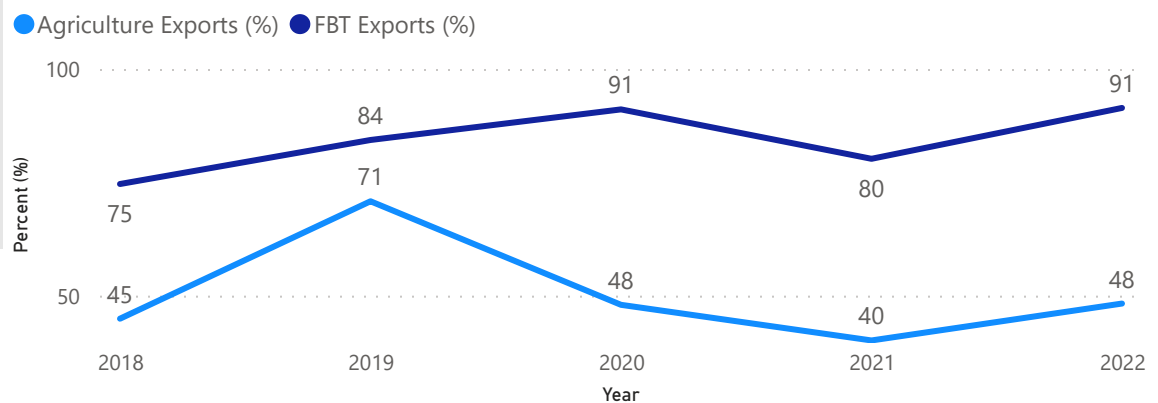
Figure 27: Western Cape Agriculture and FBT Trade with Brazil, 2018-2022



Source: Quantec, 2023

The Western Cape was responsible for most of South Africa's agribusiness exports to Brazil. In 2022, the province accounted for 91.41% of FBT exports and 48.26% of agricultural exports to Brazil, as shown in Figure 28.

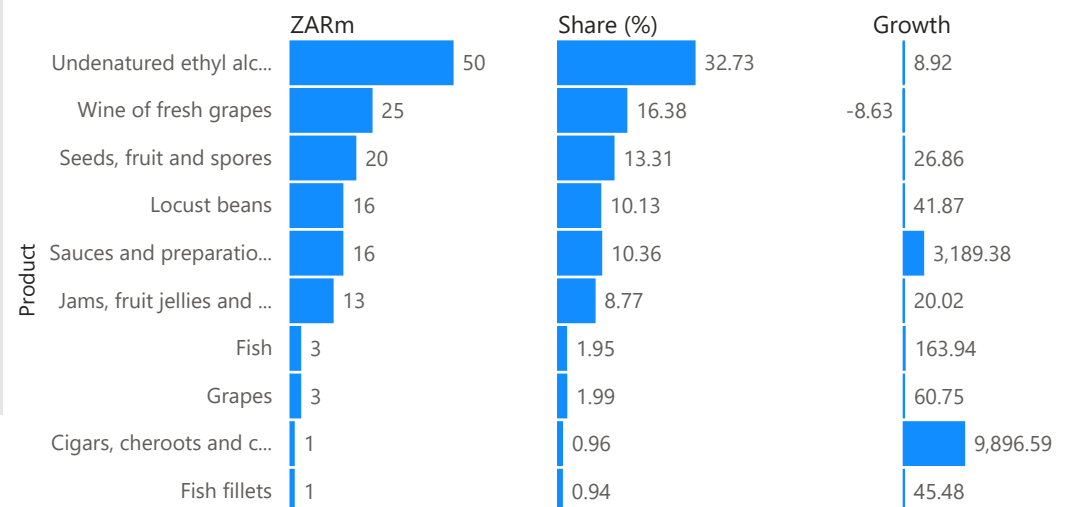
Figure 28: Western Cape Share of National Agri and FBT exports to Brazil, 2018-2022



Source: Quantec, 2023

Undenatured ethyl alcohol at (ZAR50.14m), wine of fresh grapes (ZAR25.09m), and seeds, fruit and spores (ZAR20.39m) were the top three agricultural exports from the Western Cape to Brazil over the period analysed, as shown in Figure 29. These products accounted for 62.41% of the province's agricultural exports to Brazil in 2022, with undenatured ethyl alcohol alone contributing 32.73%. The exports of fish grew by a five-year average growth rate of 9,896.59% from 2018 to 2022.

Figure 29: Top Agri Exports from the Western Cape to Brazil, 2022: (Average Growth: 2018-2022)

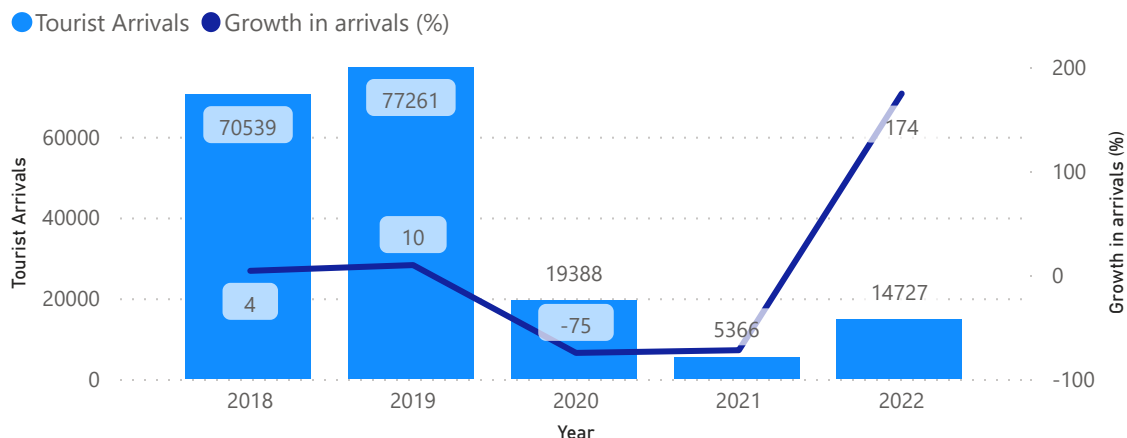


Source: Quantec, 2023

## 5) Tourism from Brazil to South Africa and the Western Cape

South Africa welcomed 14,727 tourists from Brazil in 2022, an increase of 174.50% y-o-y growth when compared to 2021 and a recovery rate of 19.10% in relation to 2019. This is reflected in Figure 30.

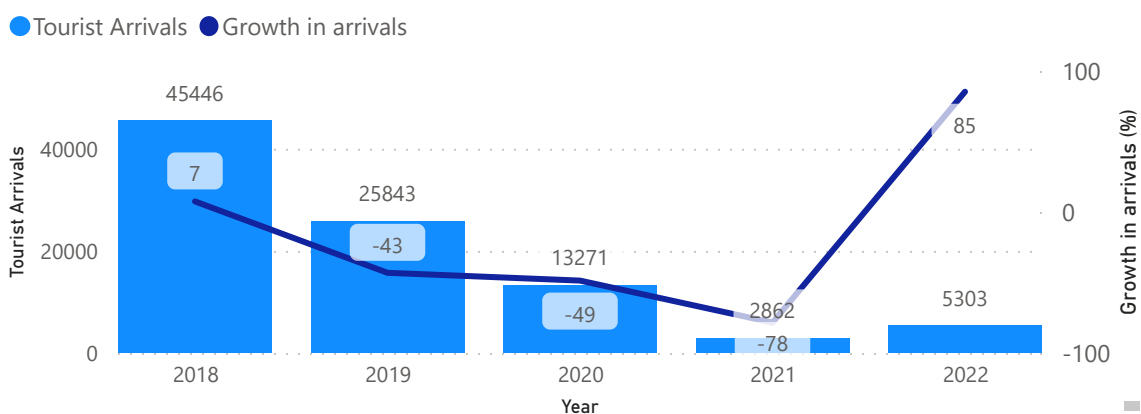
Figure 30: Brazilian Tourist Arrivals in South Africa, 2018-2022



Source: South African Tourism, 2023

In 2022, over 5,303 tourists from Brazil visited the Western Cape, as seen in Figure 31. This reflects a recovery of 20.50% when compared to 2019 and a y-o-y growth of 85.30% in relation to 2021.

Figure 31: Brazilian Tourist Arrivals in the Western Cape, 2018-2022



Source: South African Tourism, 2023

Brazilian passenger movement to Cape Town (via air) picked up in 2022, with a year-on-year growth of 206.90% when compared to 2021 and a recovery of 76.40% in comparison to 2019.

Figure 32: Brazilian Passenger Movement through CTIA, 2018-2022



Source: South African Tourism, 2023

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