



# DOING BUSINESS IN BRAZIL

Updated 31.3.2023



## Market profile

Brazil is part of Mercosur Trade Bloc, which does not have yet have a Free Trade Agreement with the European Union in force.

## Economy and business structure

Brazil is one the largest economies in the world and the largest in the southern Hemisphere. According to International Monetary Fund (IMF), Brazilian nominal GDP of 2022 was US\$ 1.894 trillion , that is the twelfth largest in the world by nominal gross domestic product (GDP) and eighth largest by purchasing power parity in 2022.

### FACTS (2022)

- Merchandise exports 722 MEUR
- Service exports 244 MEUR
- Capital: Brasilia
- Official language: Portuguese
- Area: 8,5 Million sq km
- Population: 211 million

## Key industries and their trends

Brazil has very diversified industrial base and most leading international companies are present in Brazil often with local production. Brazil has advanced industries in the fields of oil&gas, food, automotive, cement, mining, iron and steel production, chemical production, and aerospace.

For the Finnish businesses the most important customer industries are mining, pulp & paper, communication and energy. All these sectors are receiving large investments in new capacity and modernization. Other important end customer sectors are Agriculture, Health and Education.

## Important things to consider when doing business in Brazil

Brazil is very large and attractive market for experienced Exporters. Yet there are some characteristics one should pay attention when planning to start doing business with Brazil

The World Bank's Doing Business 2020 report ranks Brazil 124 out of 190 countries in terms of ease of doing business. Companies seeking to enter the Brazilian market should identify local partners to help navigate Brazil's complex legal and regulatory system.

Currency fluctuations makes it difficult to estimate the volume of demand and margins of imported goods in Brazilian market. Some of the least affected sectors have been the export industries, which have natural competitive advantage of low-cost raw materials such as Agribusiness, Mining and Forest industries.

**Complicated Tax System:** Brazil imposes high taxes and tariffs on imported goods and services coming from international markets, including the European Union. Brazil applies federal and state taxes and charges

to imports that can effectively double the cost of imported products in Brazil. Yet it is important to consider that the locally made goods also have similar high taxes and the cost difference to imported goods is only the import duty, freight, and some additional effect of import duty due to cascade in taxation. In addition to high aliquots, the system is incredibly complex, and in 2020, it ranked 184 out of 190 countries in terms of ease of paying taxes according to the World Bank's Doing Business report.

Companies seeking to enter the Brazilian market should identify local representative or distributors who are used with dealing with the complex tax system and have either in-house or subcontracted accounting support. For products not produced in Brazil it is possible to apply for *ex-tarifário*, which grants a temporary exemption of import duties and a reduction to some taxes collected.

Finnish companies should be prepared to make a long-term commitment to the market, as it will take time to establish and build relationships locally. Due to the large market and presence of competition the Brazilian customers are used to get service on their own language. Finnish companies with their partners must guarantee the maintenance and support services at the level required by customers and offered by competition. Given that imported products from Finnish companies will be more expensive than local products, your company will need to be prepared to make the case for your product's overall quality and value.

## Market data sources and other useful links

- Brazilian National Confederation of Industry: [Statistics - Portal da Indústria \(portaldaindustria.com.br\)](https://portaldaindustria.com.br)
- Ministry of Economy [Ministério da Economia — Português \(Brasil\) \(www.gov.br\)](http://www.gov.br)
- Apex Brasil [Invest in Brasil](https://investinbrasil.com.br)
- Brazil Finland Chamber of Commerce [Home - Finncham Brazil](https://fincham.com.br)
- IBRAM Brazilian Mining Association [IBRAM - Brazil Mining - Mineração do Brasil](https://ibram.org.br)
- Brazilian Forest Industries [Ibá \(iba.org\)](https://iba.org)
- Energy Research Office [Energy Research Office - EPE](https://energyresearchoffice.com.br)