

# Dialogue on Canada-Latin American Economic Relations

## FDI in Brazil: recent trends and the role of Canadian investment

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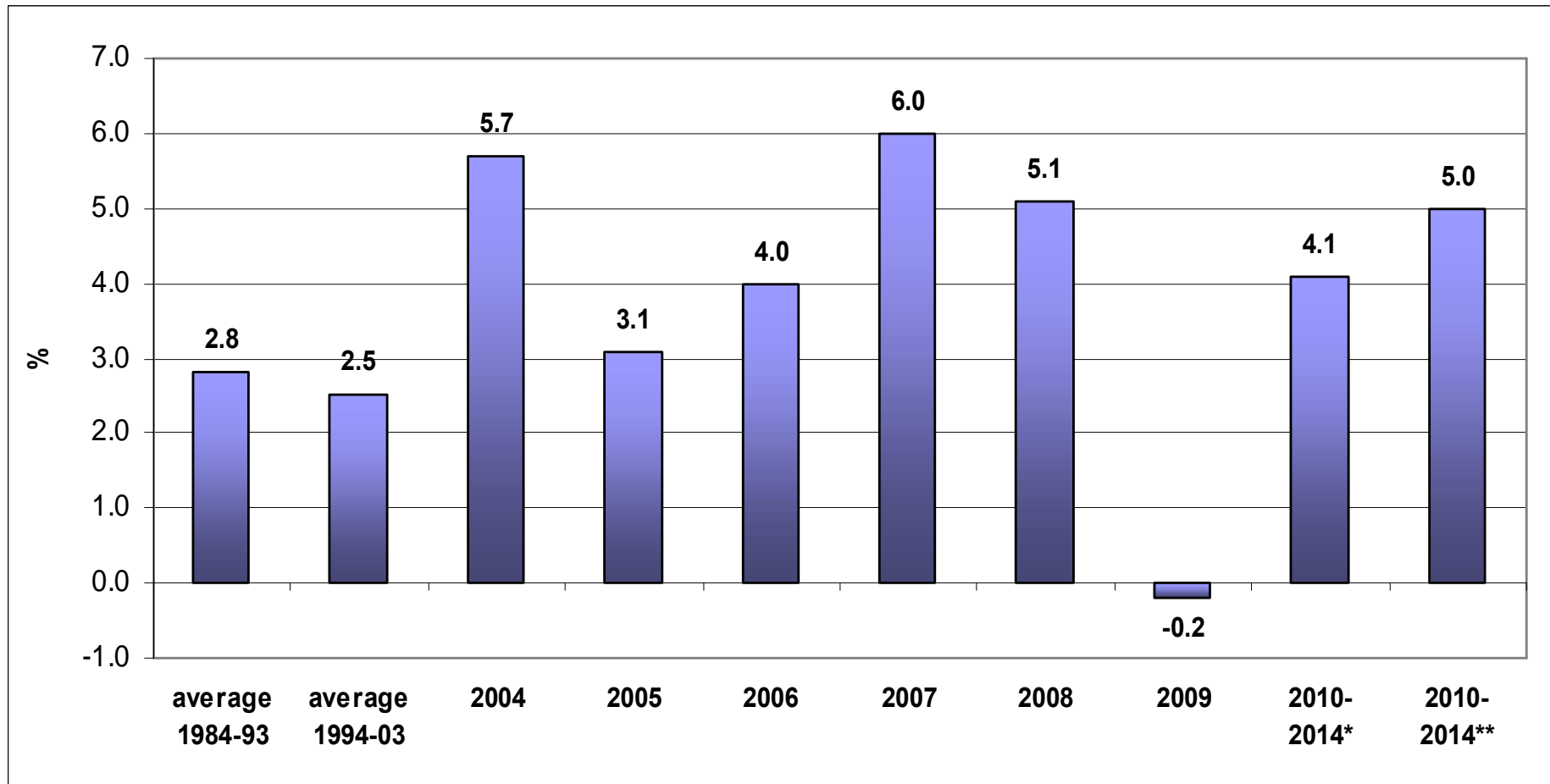
Ottawa, May 27-28, 2010

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## Presentation Outline

1. General Characteristics and determinants of the recent Brazilian Economic Growth.
  2. Trends in the recent *boom* of Brazilian FDI inflows.
  3. Canadian investment in Brazil: trends and perspectives
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## Brazil: GDP Growth Rates (%)



Source: IBGE

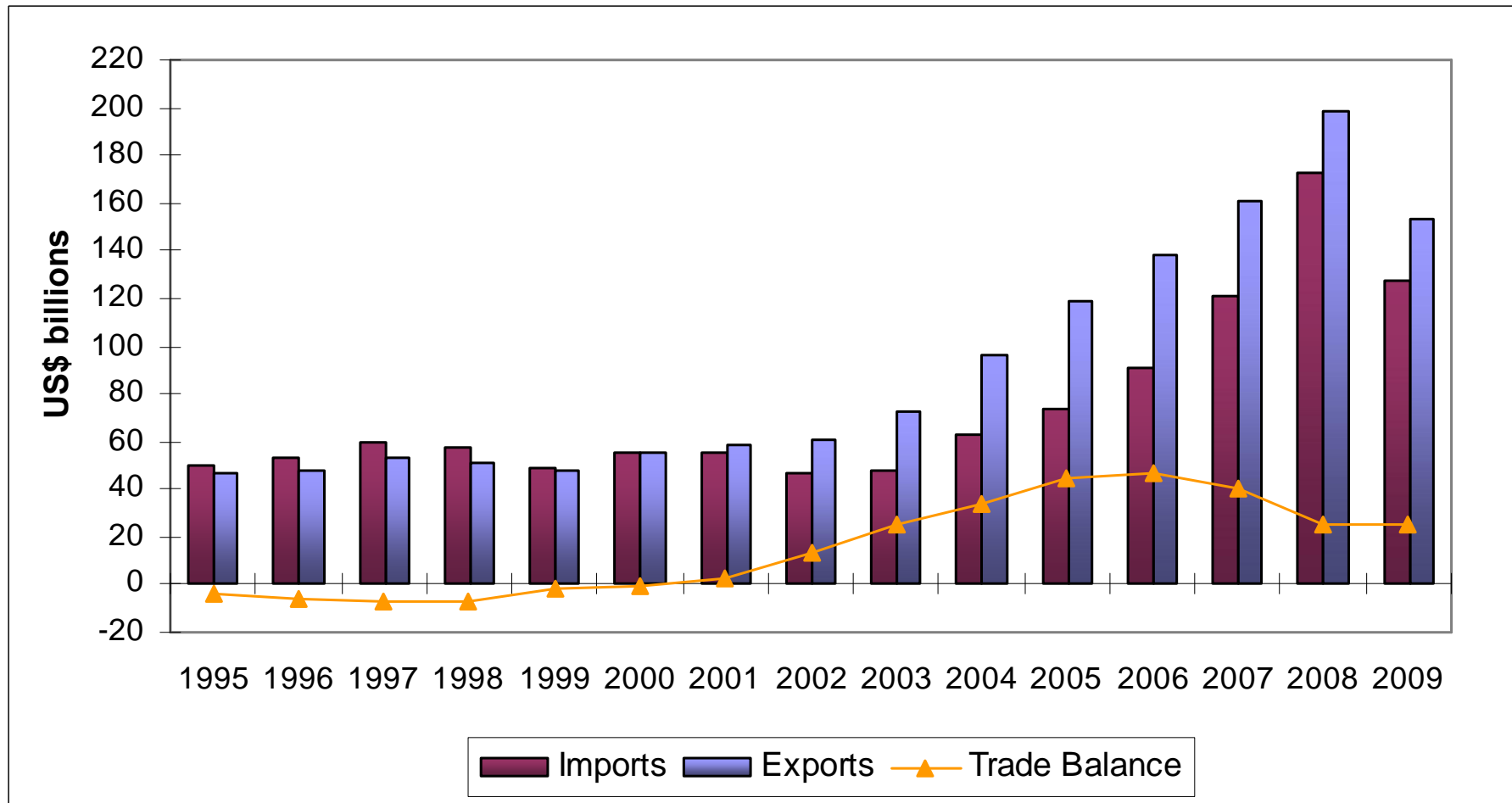
\* IMF Projection

\*\* BNDES projection

# 1 - Recent Brazilian Economic Growth

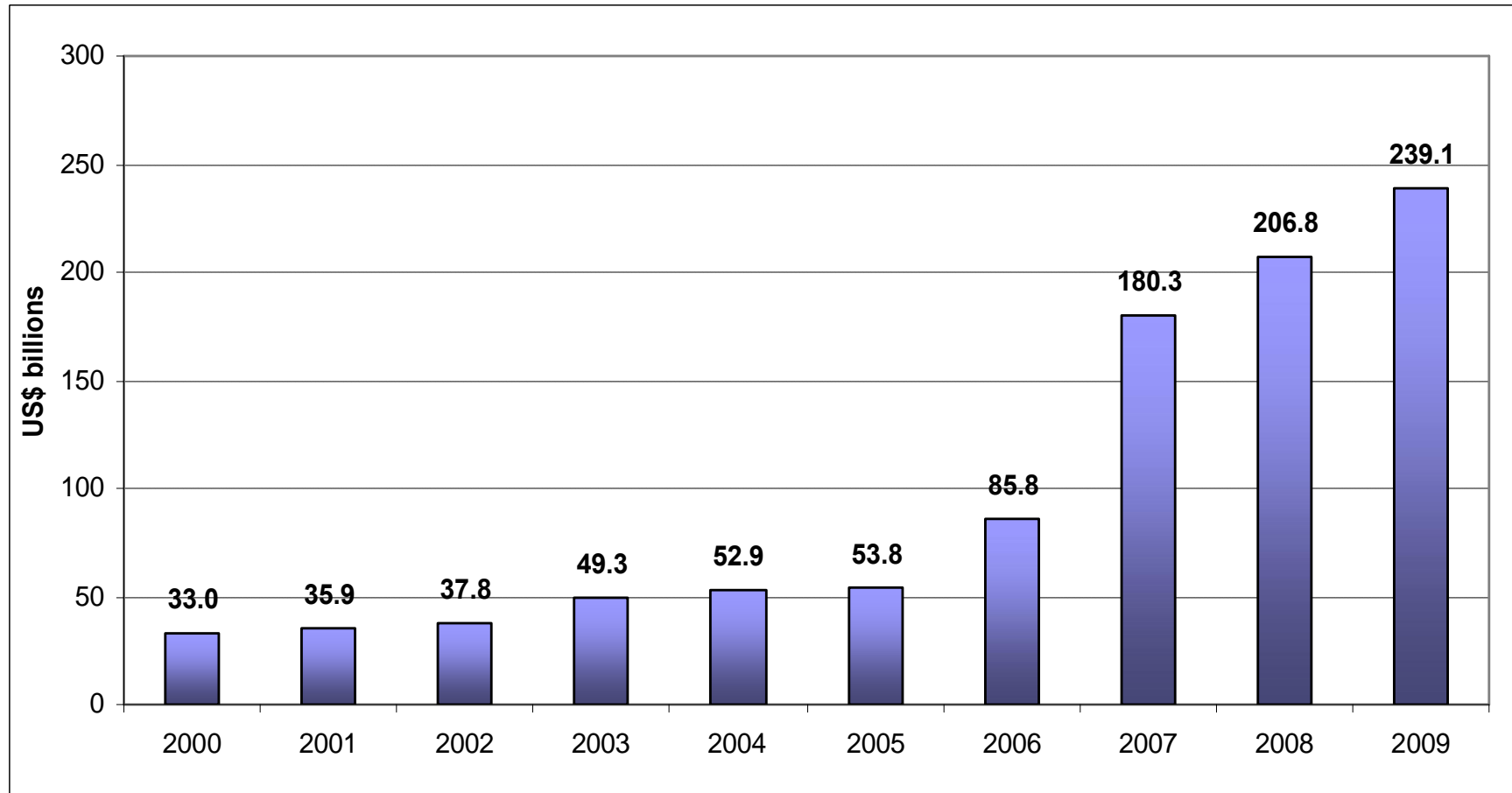
- Factors that contributed to the resumption of Brazilian economic growth:
  - Growth of exports and trade balance played a key role in sustaining the accumulation of reserves and contributed to maintain external vulnerability away
  - But exports had a less important effect on demand side.
  - The main factor was the resumption of growth in domestic demand
  - Initially this demand was driven by household consumption, which in turn ended up having an impact on investments.

# Brazil: Exports, Imports and Trade Balance



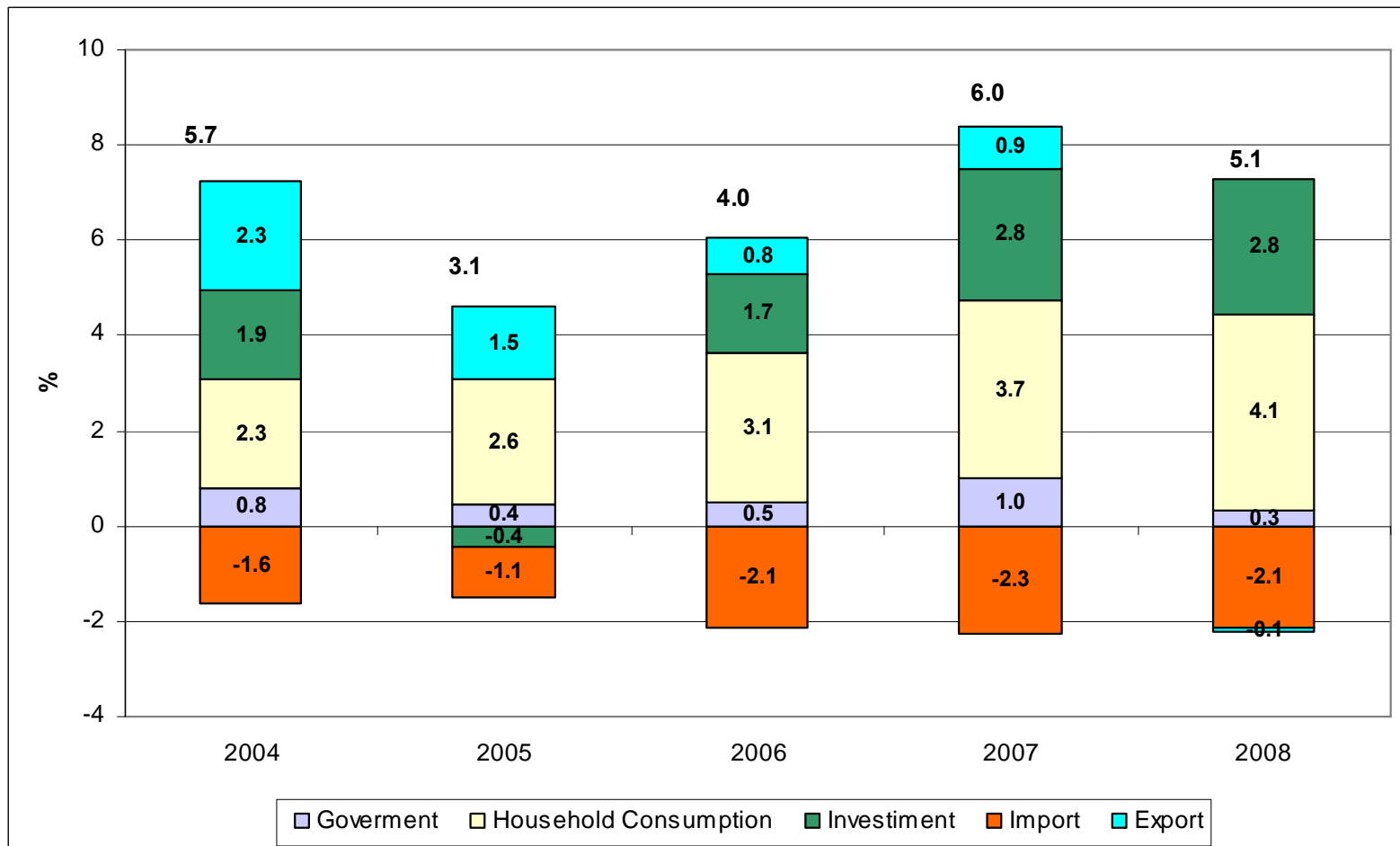
Source: Secex

## Brazil: reserves



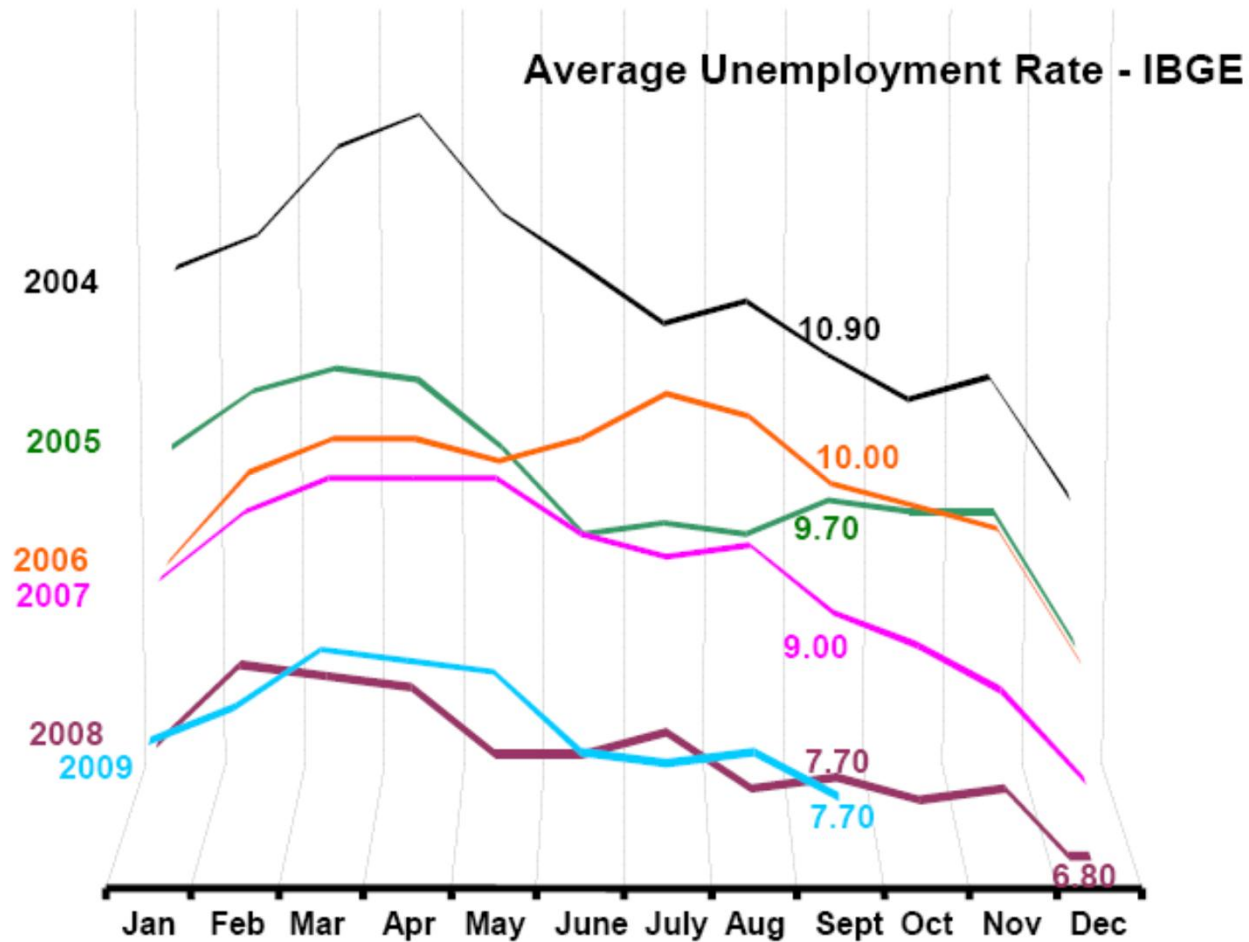
Source: Brazillian Central Bank

## Brazil: Demand Component Contribution to the GDP Growth



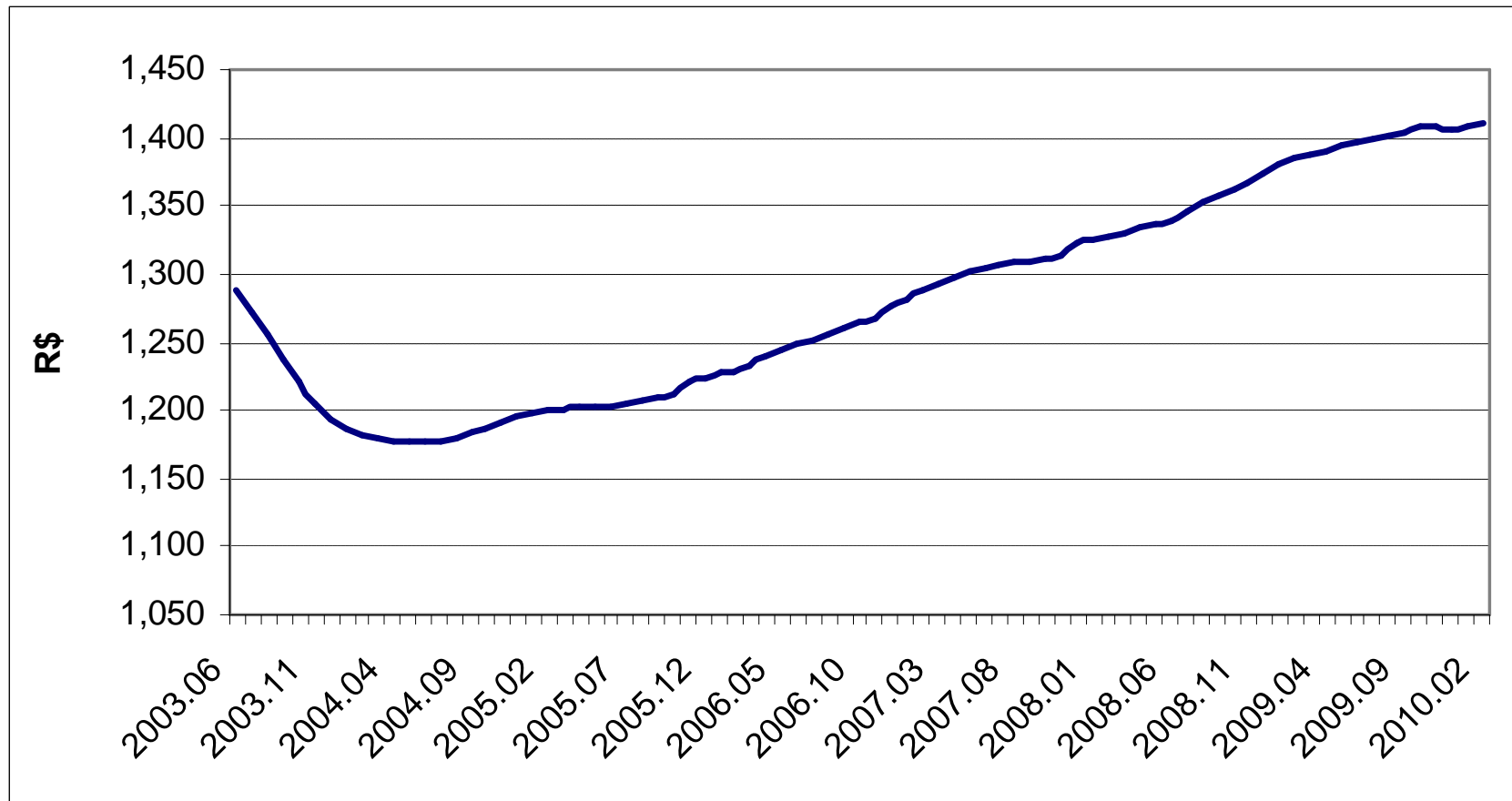
Source: IBGE

# Brazil: Unemployment Rate – Metropolitan Áreas



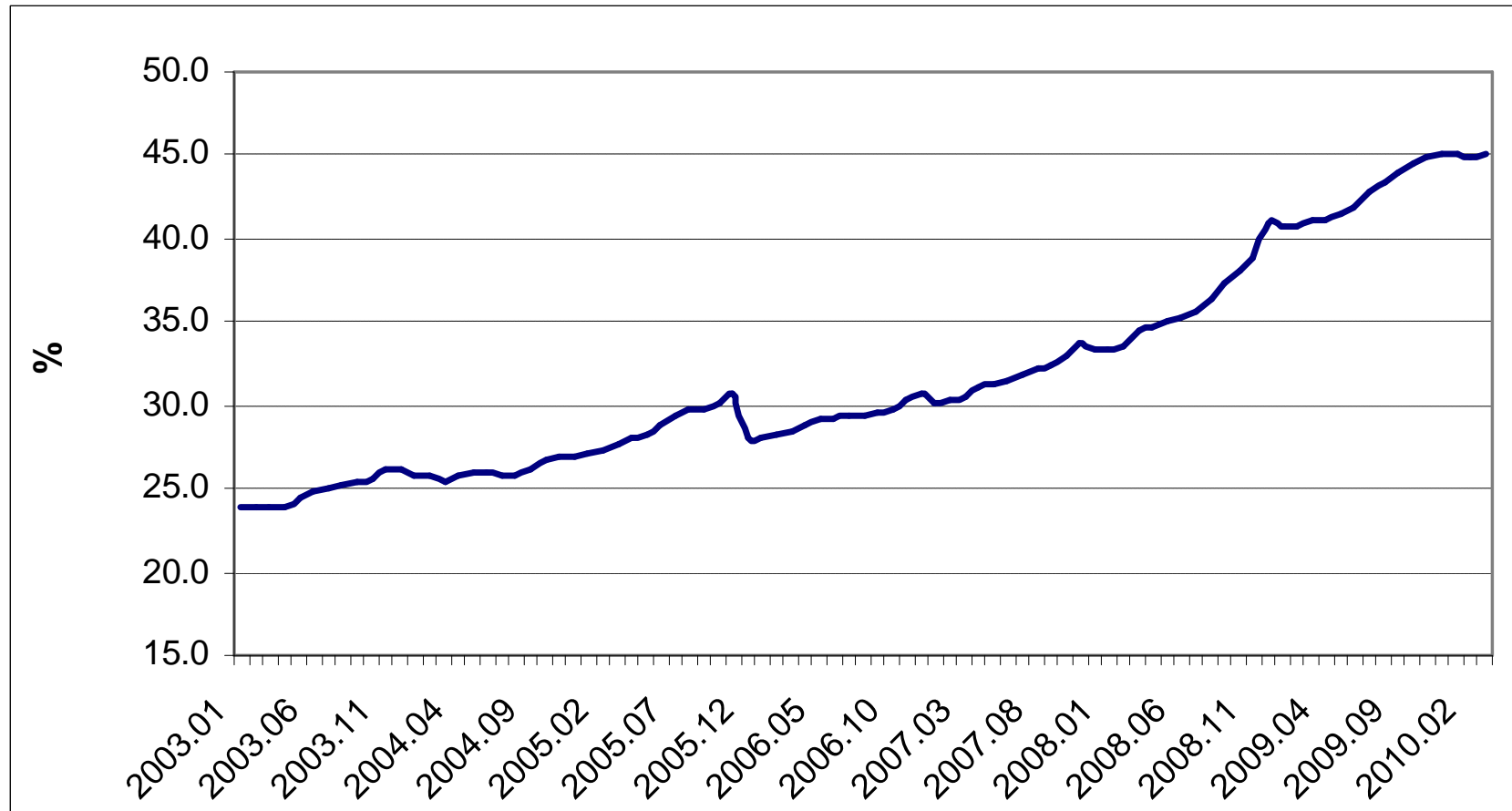


## Brazil: Average Real Wage of Employed People Metropolitan Areas – R\$



Source: IBGE

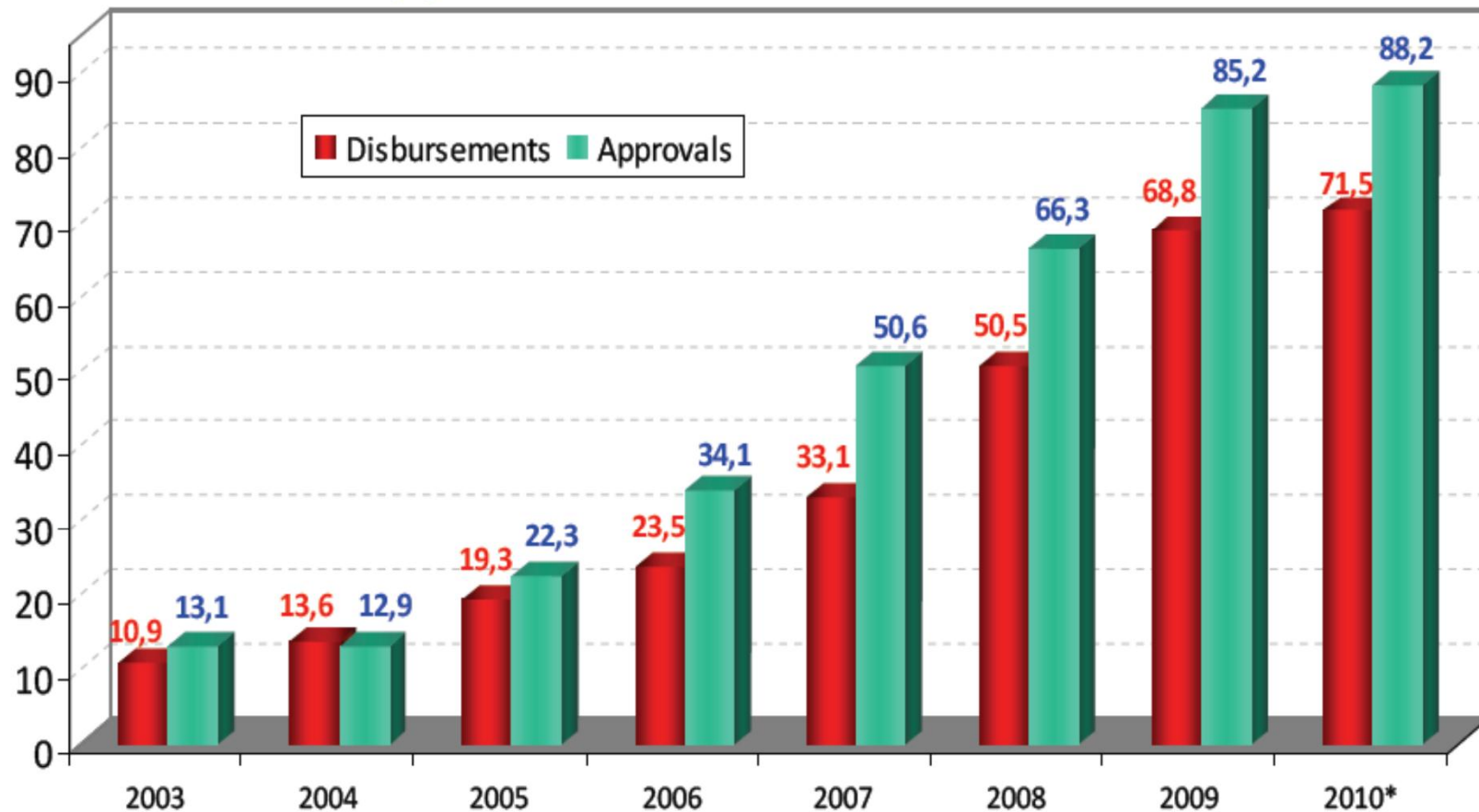
## Evolution of Credit/GDP Ratio



Source: Brazillian Central Bank

# BNDES operations

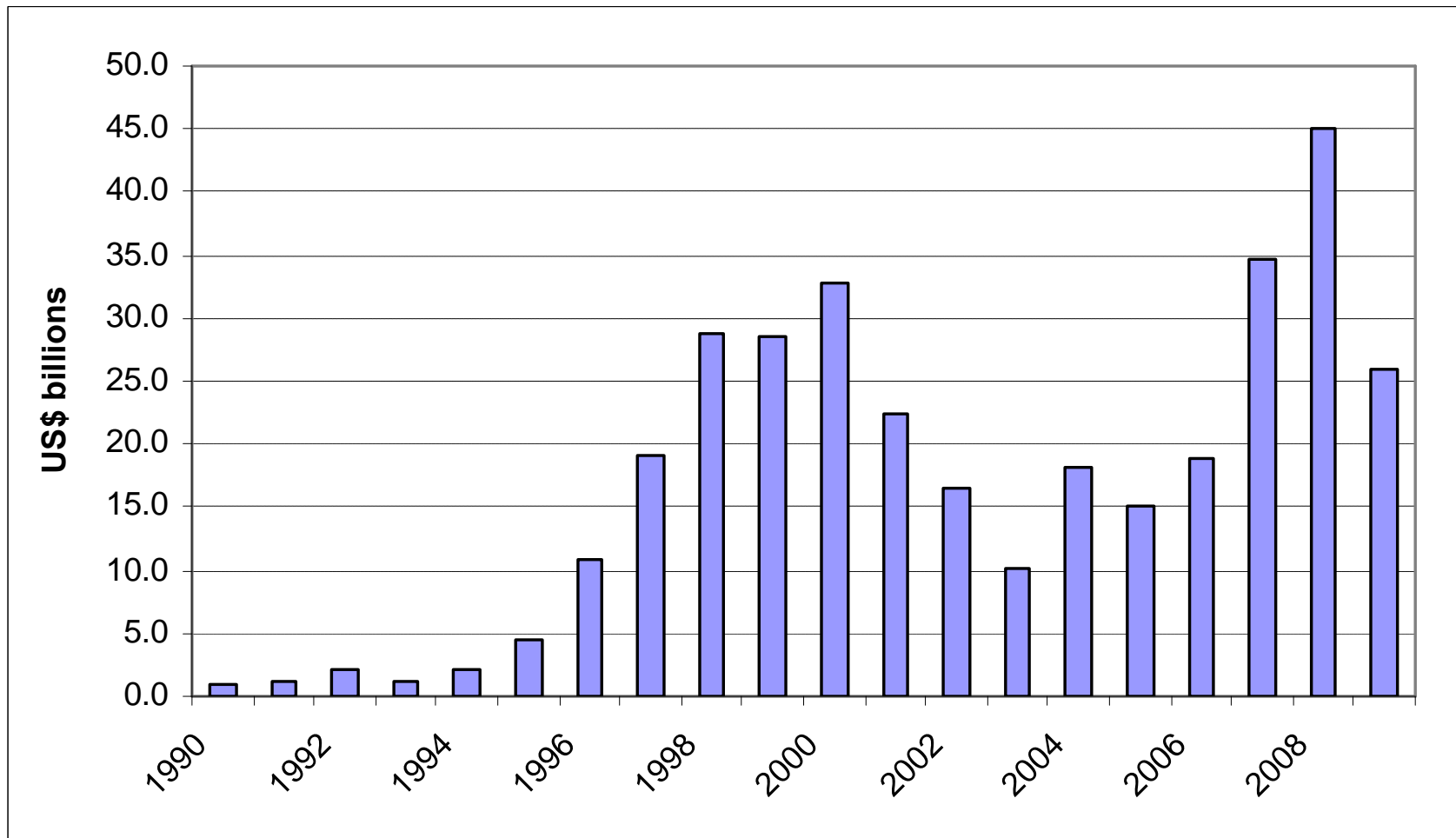
## Approvals and disbursements U\$ billion



Source: BNDES

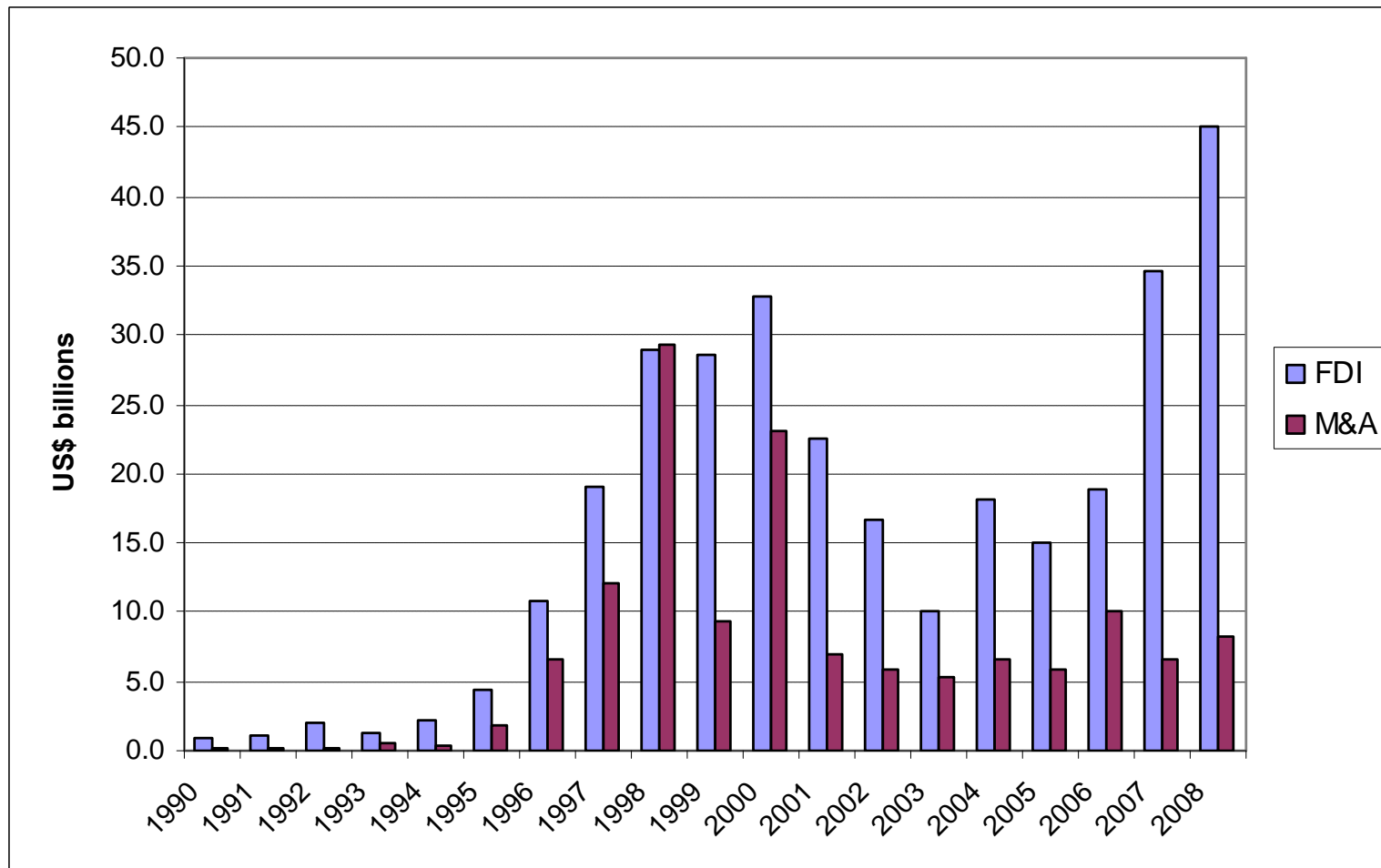
\* BNDES projection

## Brazil: FDI inflows



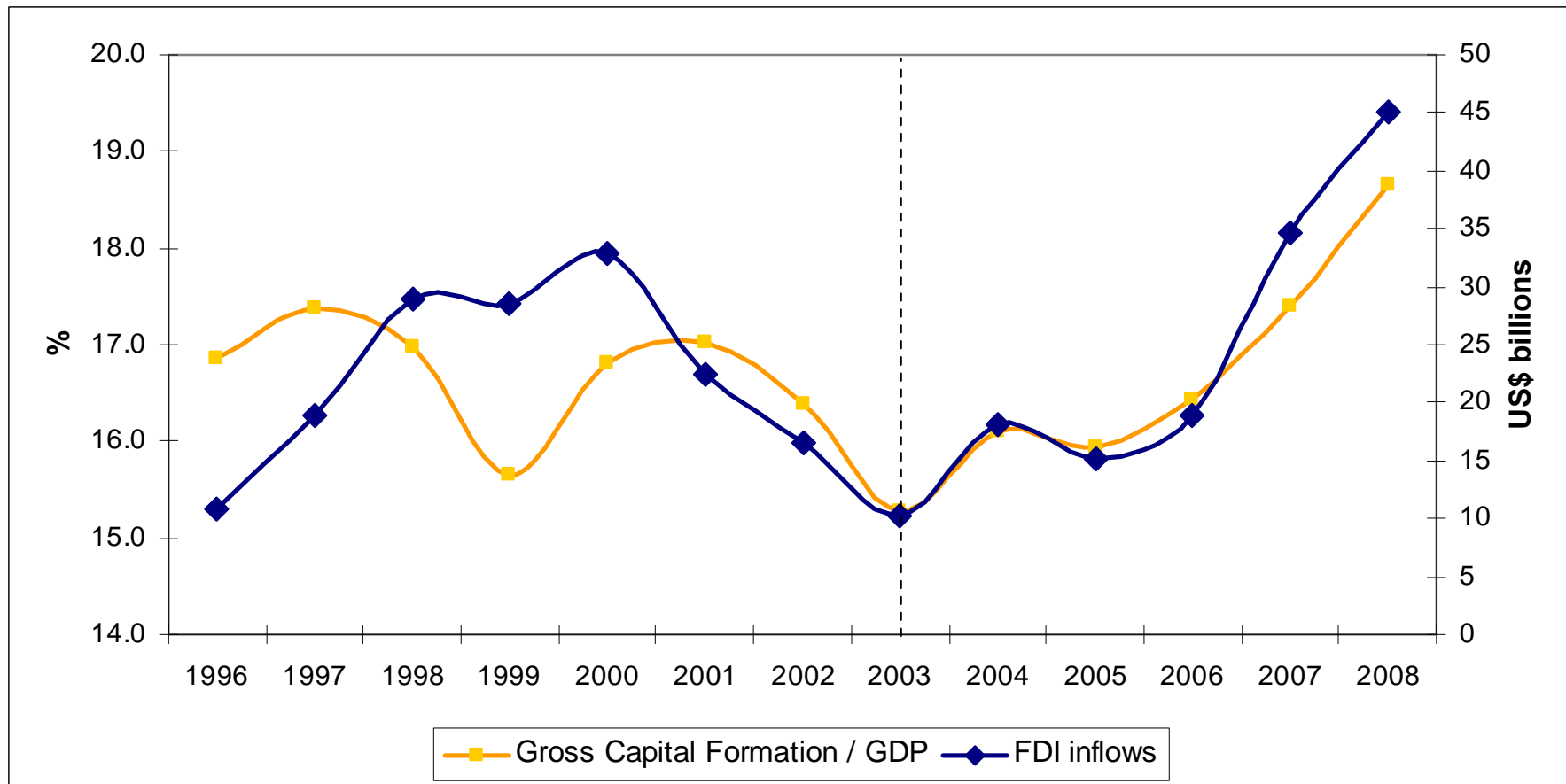
Source: Brazilian Central Bank

## Brazil: FDI and M&A



Source: Unctad

# Brazil: Investment Rate and FDI Inflows



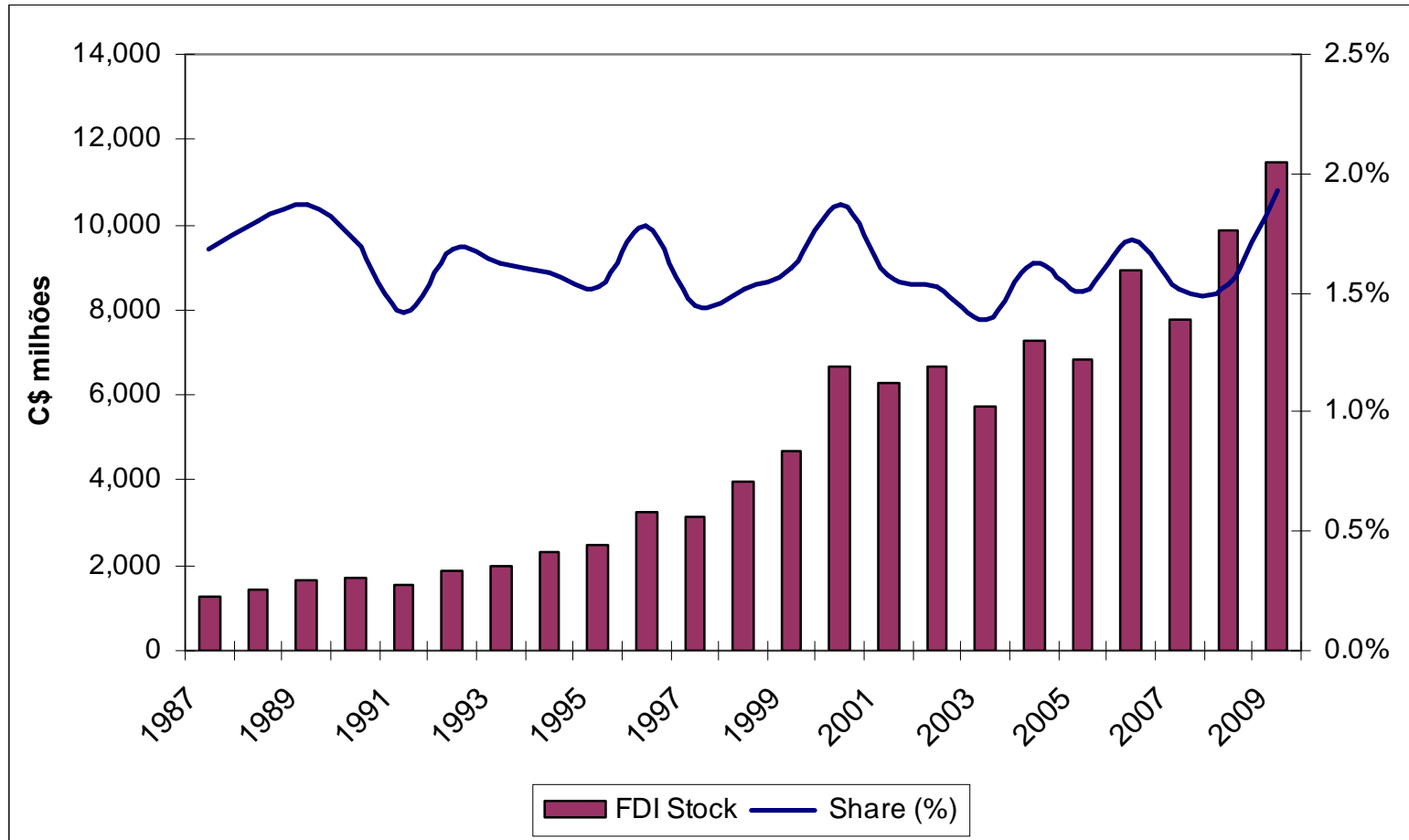
Source: Brazilian Central Bank

## FDI in Brazil

Economic Activity	Stock				Flow			2006-2008	
	1995	%	2005	%	2006	2007	2008	(Aggregate)	%
<b>Agriculture and Mining</b>	925	2.2	5,891	3.6	1,363	4,982	12,996	19,341	19.4
<b>Industry</b>	27,907	66.9	53,763	33.0	8,744	12,166	14,013	34,923	35.0
<b>Services</b>	12,864	30.9	102,82	63.2	12,124	16,556	16,878	45,559	45.6
<b>Total</b>	<b>41,696</b>	<b>100.0</b>	<b>162,807</b>	<b>100.0</b>	<b>22,231</b>	<b>33,704</b>	<b>43,886</b>	<b>99,822</b>	<b>100.0</b>

Source: Brazilian Central Bank

## Stock of Canadian FDI in Brazil



Source: Statistics Canada



## Stock of FDI in Brazil – Main Countries

Country of Origin	1995	2000	2005	Share 2005	Growth 1995-2005	Growth 2000-2005 (%)
United States	10,852	24,5	27,097	16.6	9.6	2.0
Holland	1,546	11,055	27,012	16.6	3.1	19.6
Spain	251	12,253	17,589	10.8	53.0	7.5
Mexico	45	132	15,051	9.2	78.9	158.1
France	2,031	6,931	12,238	7.5	19.7	12.0
Germany	5,828	5,11	7,251	4.5	2.2	7.2
The Cayman Islands	892	6,225	6,149	3.8	21.3	-0.2
The Virgin Islands (GB)	901	3,197	4,811	3.0	18.2	8.5
Italy	1,259	2,507	4,181	2.6	12.8	10.8
<b>Total</b>	<b>41,696</b>	<b>103,015</b>	<b>162,807</b>	<b>100.0</b>	<b>14.6</b>	<b>9.6</b>

Source: Brazilian Central Bank

## FDI inflows – Accumulated 2006-2009

Country	US\$ millions	%
Holland	22,617	17.2
United States	21,844	16.6
Spain	10,87	8.3
Luxemburg	10,128	7.7
France	7,23	5.5
Japan	7,122	5.4
The Cayman Islands	6,147	4.7
Germany	6,109	4.7
Switzerland	3,639	2.8
<b>Total</b>	<b>131,297</b>	<b>100.0</b>

Source: Brazilian Central Bank

## Stock of Canadian FDI in Brazil by activity - 2005

Sector	US\$ million	Total Share (%)	Sector Share (%)
<b>Agriculture and Mining</b>	<b>482,175</b>	<b>7.2</b>	<b>100.0</b>
Metal mineral extraction	345,472	5.2	71.6
Oil extraction	79,196	1.2	16.4
Non-metal mineral extraction	51,517	0.8	10.7
Agriculture and Stockbreeding	5,989	0.1	1.2
<b>Industry</b>	<b>2,855,897</b>	<b>42.7</b>	<b>100.0</b>
Food and Drink	778,14	11.6	27.2
Automotive	768,656	11.5	26.9
Electronics and Telecom. Equipment Telecom.	619,12	9.3	21.7
Chemical Products	299,178	4.5	10.5
Paper and Cellulose	228,018	3.4	8.0
Basic Metallurgy	57,068	0.9	2.0
Rubber and Plastic	36,274	0.5	1.3
Other Industry	63,673	1	2.3
<b>Services</b>	<b>3,351,958</b>	<b>50.1</b>	<b>100.0</b>
Retail Commerce	1,572,627	23.5	46.9
Business Services	1,572,591	23.5	46.9
Mail and Telecommunications	58,904	0.9	1.8
Wholesale Commerce	33,986	0.5	1.0
Other Service	113,679	1.7	3.3
<b>TOTAL</b>	<b>6,690,029</b>	<b>100.0</b>	

Source: Brazilian Central Bank

## Share of Canadian FDI in Total Brazilian Stock by activity - 2005

<b>Sector</b>	<b>%</b>
<b>Agriculture and Mining</b>	<b>8.2</b>
Extraction of metallic minerals	23
Extraction of non-metallic minerals	14.2
Oil Extraction	2.5
<b>Industry</b>	<b>5.3</b>
Electronics and Telecom. Equipment	13.7
Food and Drink	11.3
Paper and Cellulose	10
Automotive	6.8
Basic Metallurgy	3.5
Editing and Printing	3.5
Chemical Products	2.5
Metal Products	2.1
Manufacturing of Non-metallic mineral products	1.7
Rubber and Plastics	1.5
Medical and Automation Equipment	1.5
Clothing	1.1
Textile	1.1
<b>Services</b>	<b>3.3</b>
Retail Commerce	27
Education	24.1
Business Services	10
Vehicle and Fuel Commerce	5.6
Insurance and private pensions	1.8
Auxiliary activities of Financial Intermediaries	1.8
Health and Social Services	1.1
<b>TOTAL</b>	<b>4.1</b>

Source: Brazilian Central Bank

## Brazil: Investment Projects Mapped by BNDES

	2005-2008 R\$ billions	2010-2013 R\$ billions	2010-2013 US\$ billions*
<b>Infrastrutture</b>	<b>200</b>	<b>274</b>	<b>153</b>
Electrical Energy	68	92	51
Telecommunications	66	67	37
Sanitation	22	39	22
Road Transport	23	33	18
Railways	16	29	16
Ports	5	14	8
<b>Industry</b>	<b>311</b>	<b>499</b>	<b>279</b>
Oil and Gas	156	295	165
Mining	53	52	29
Ironworks	28	44	25
Petrochemistry	19	36	20
Automotive	23	32	18
Electronics	15	21	12
Paper and Cellulose	17	19	11
<b>Total</b>	<b>511</b>	<b>773</b>	<b>432</b>

\*Converted using average exchange rate in 2010 - 01/2010 to 04/2010