

Brazil Today – Sharing Ideas

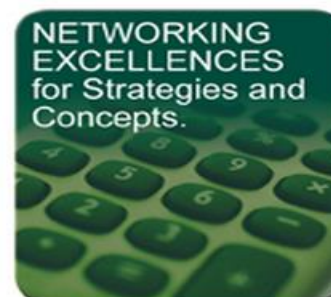
2018

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IP Desenvolvimento Empresarial e Institucional – IPDES

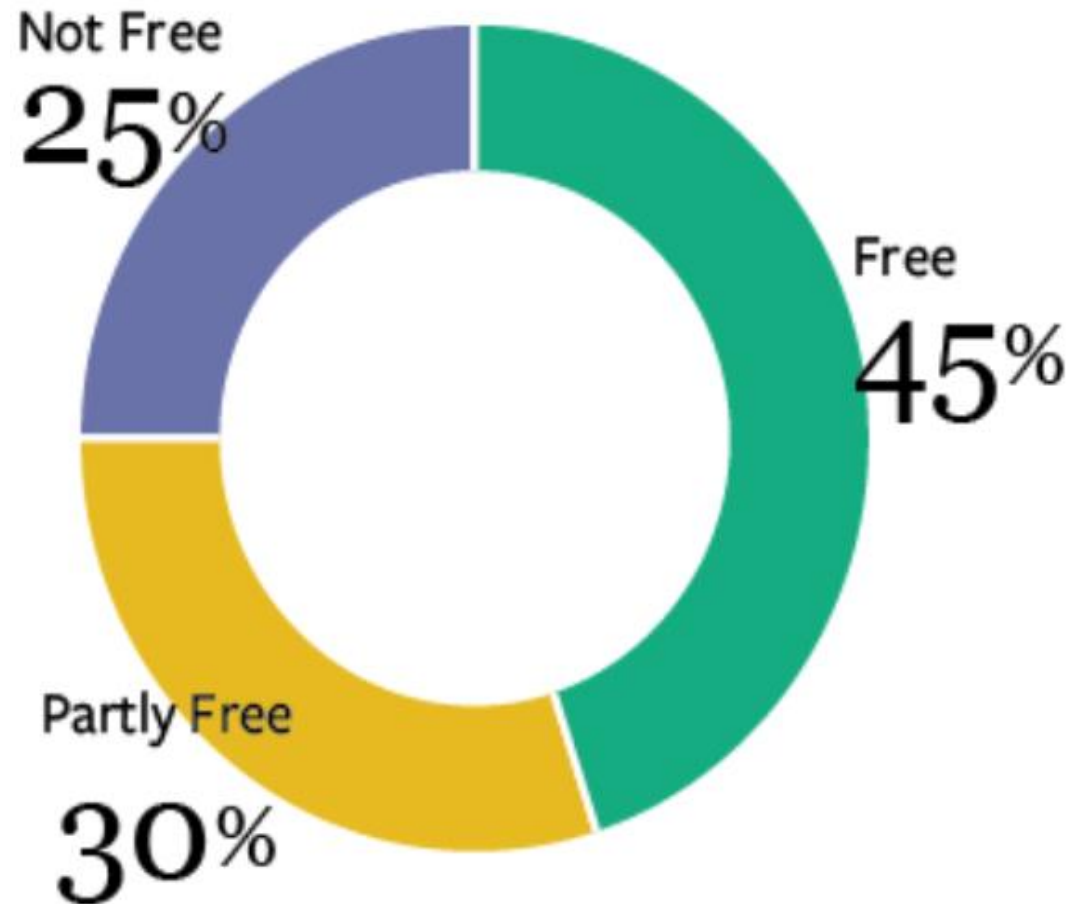
- **Is a consulting company, a think tank of conceptions, focused on the development of businesses and strategies for companies and institutions. As a global advisor follows the internationalization of companies in Brazil, Mercosur and Pacific Alliance countries, reaching Latin America, the European Union and the United States, among others.**
- **In the business field, it develops and coaches partnership projects seeking opportunities in new markets, joint ventures, investments and location studies.**
- **As an strategic advisor develops scenarios, verifies strategies and build up options based on the different future visions.**
- **In the institutional area it develops strategies for global organizations and conceptualizes and organizes forums, developing themes related to sustainability and innovation, economic and regional topics, as well as the elaboration of specific studies for different sectors.**
- **IP Desenvolvimento has the purpose of coordinating and supporting efforts in business and institutional areas focusing on changes that began in Brazil, with the prominent internationalization of its economy.**



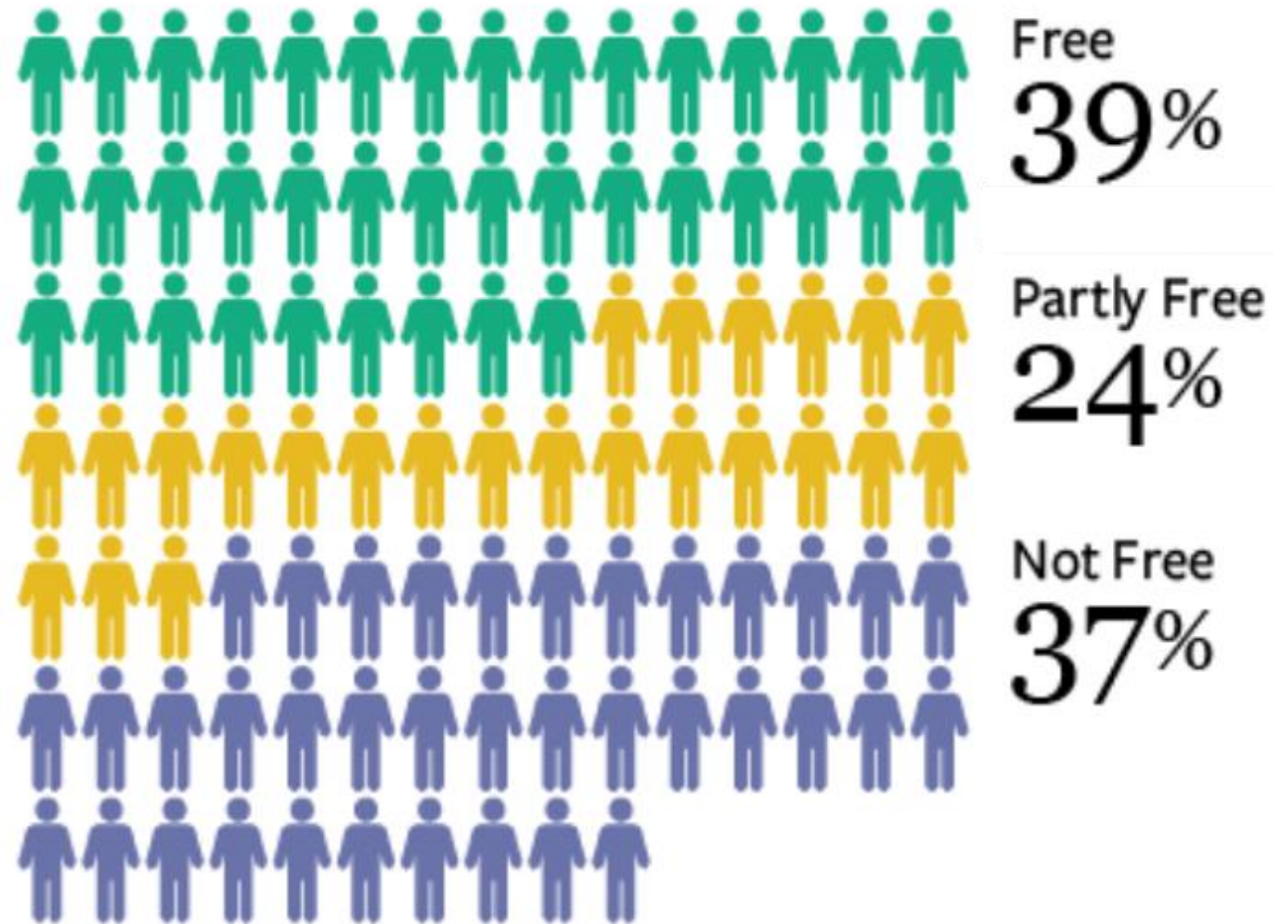
1. Latin America

Freedom in the World 2018 Stats by Population and Country

Global: By Country



Global: By Population



Latin America

Democracies in Transition

➤ The Transition Process

➤ Civil Society X Corporative Interest Groups

➤ Digital World Steering Process

➤ Parties in Crises

➤ Disruptive Developments



Argentina



Bolivia



Brazil



Chile



Colombia



Costa Rica



Cuba



Dominican Republic



El Salvador



Ecuador



Guatemala



Haiti



Honduras



Mexico



Nicaragua



Panama



Paraguay



Peru

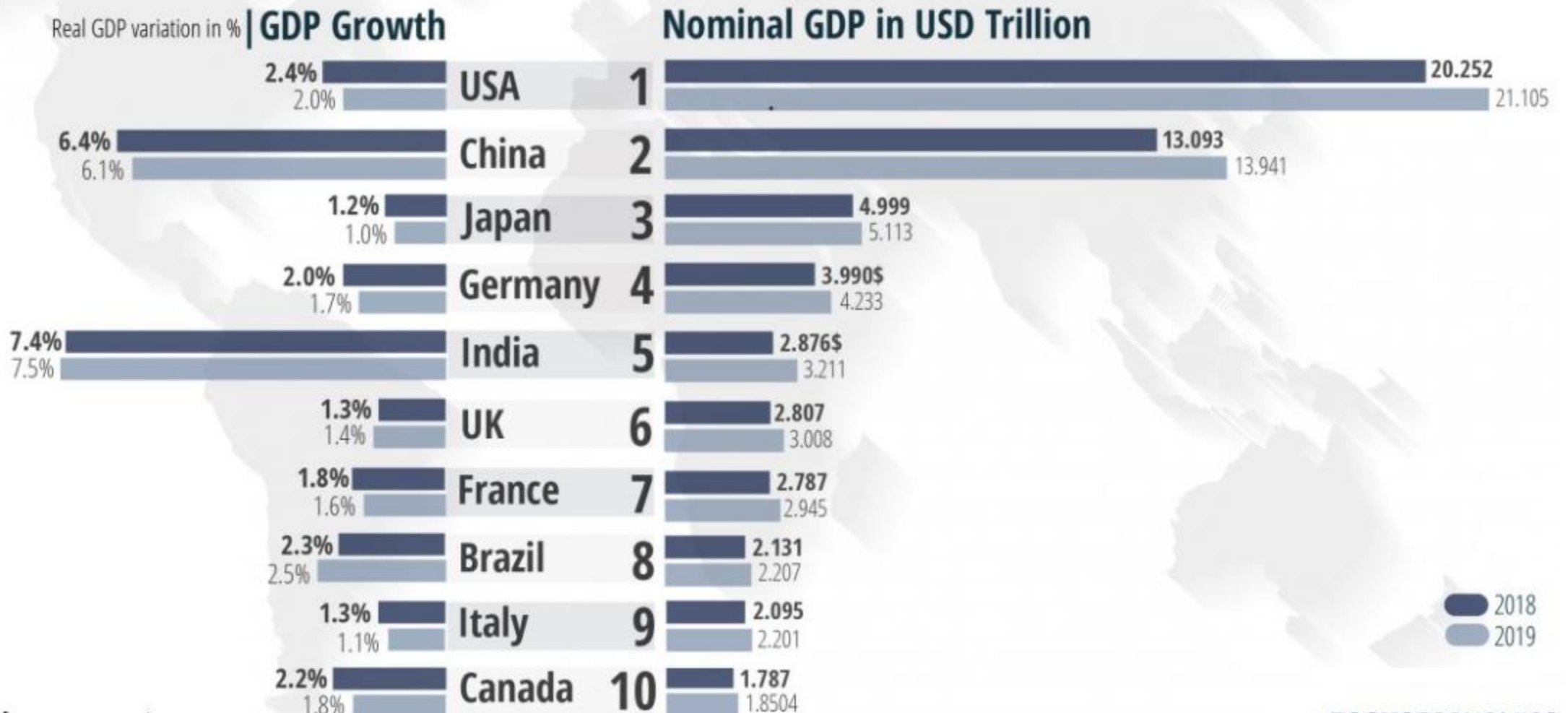


Uruguay



Venezuela

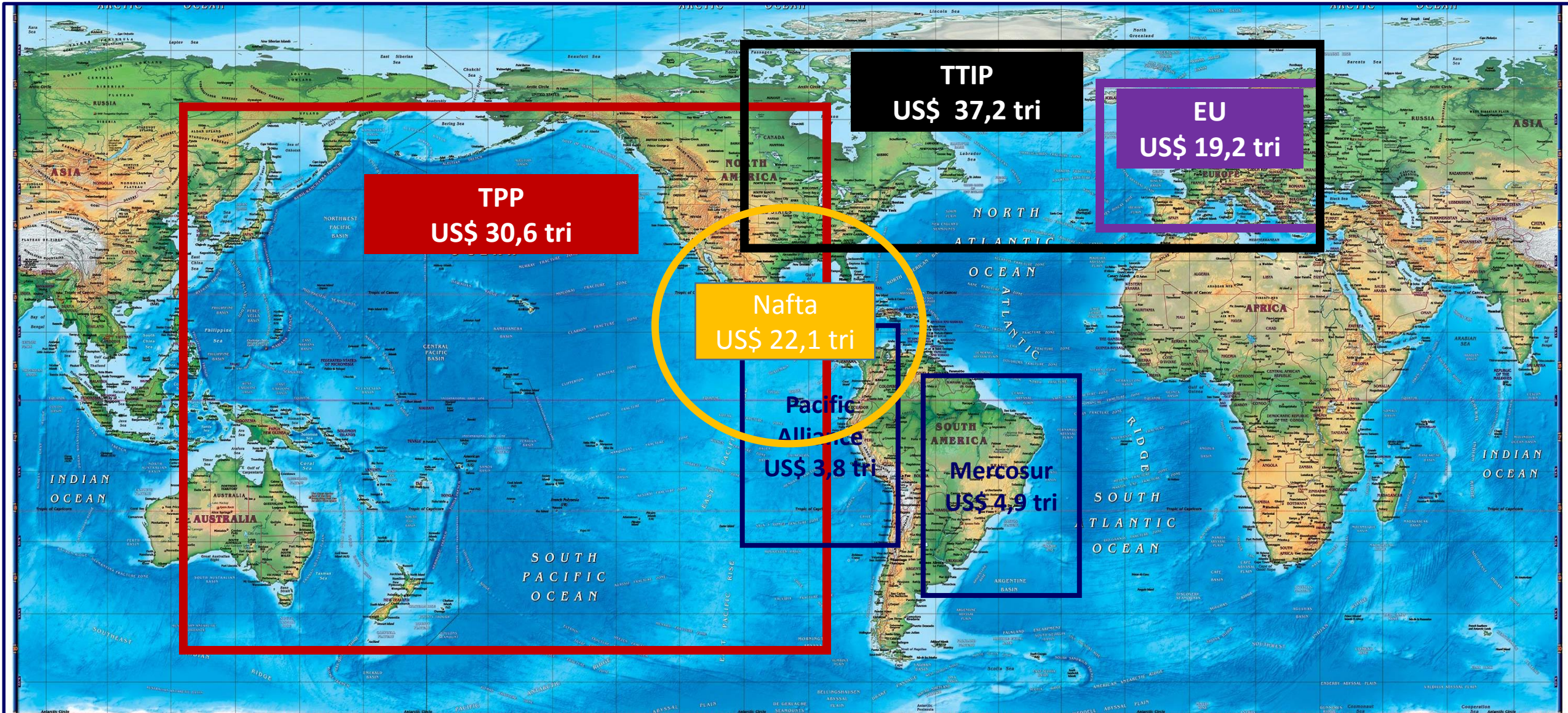
The World's Biggest Economies for 2018 and 2019



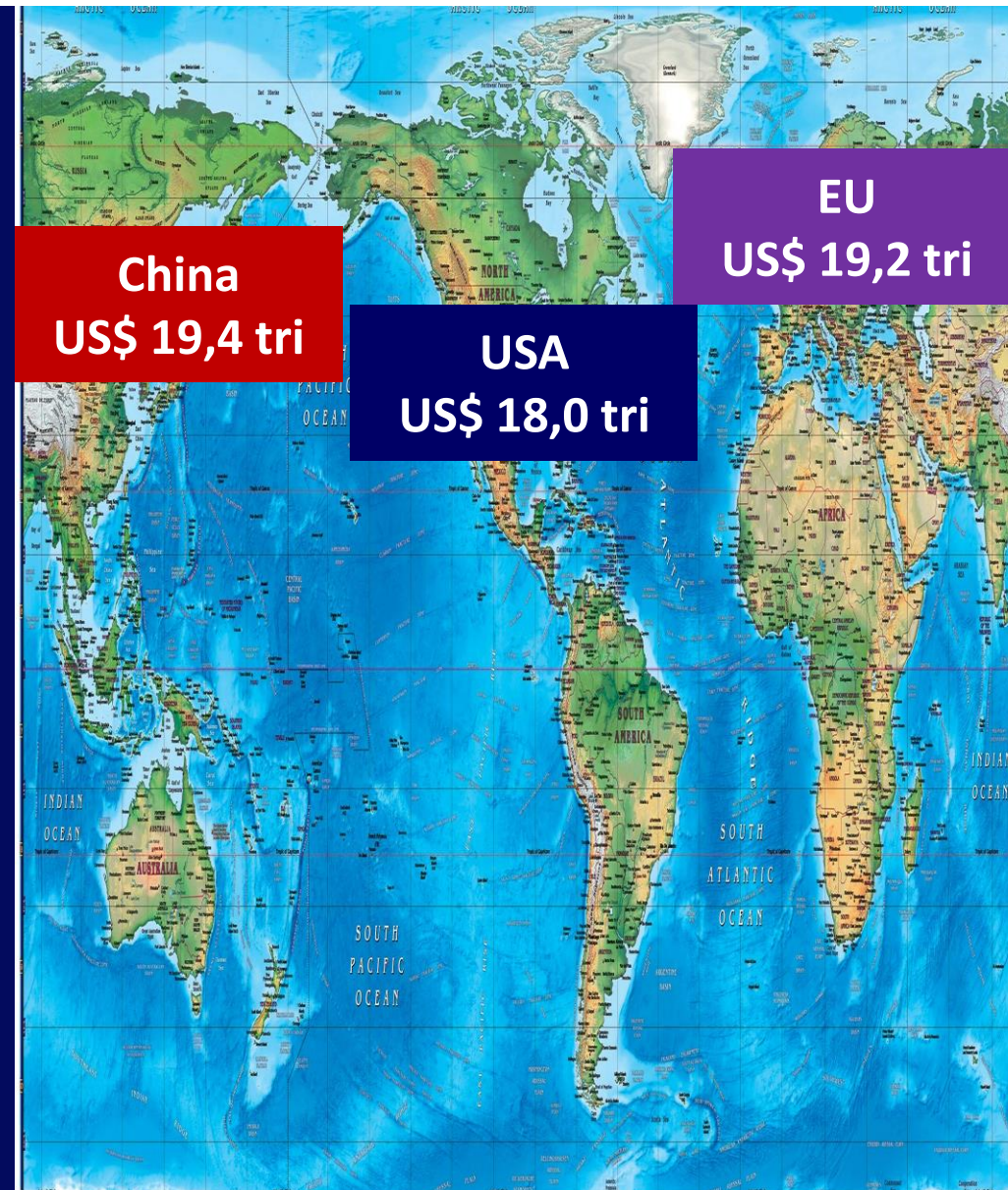
Megatrends - Impacts on América Latina



Trade agreements 2014

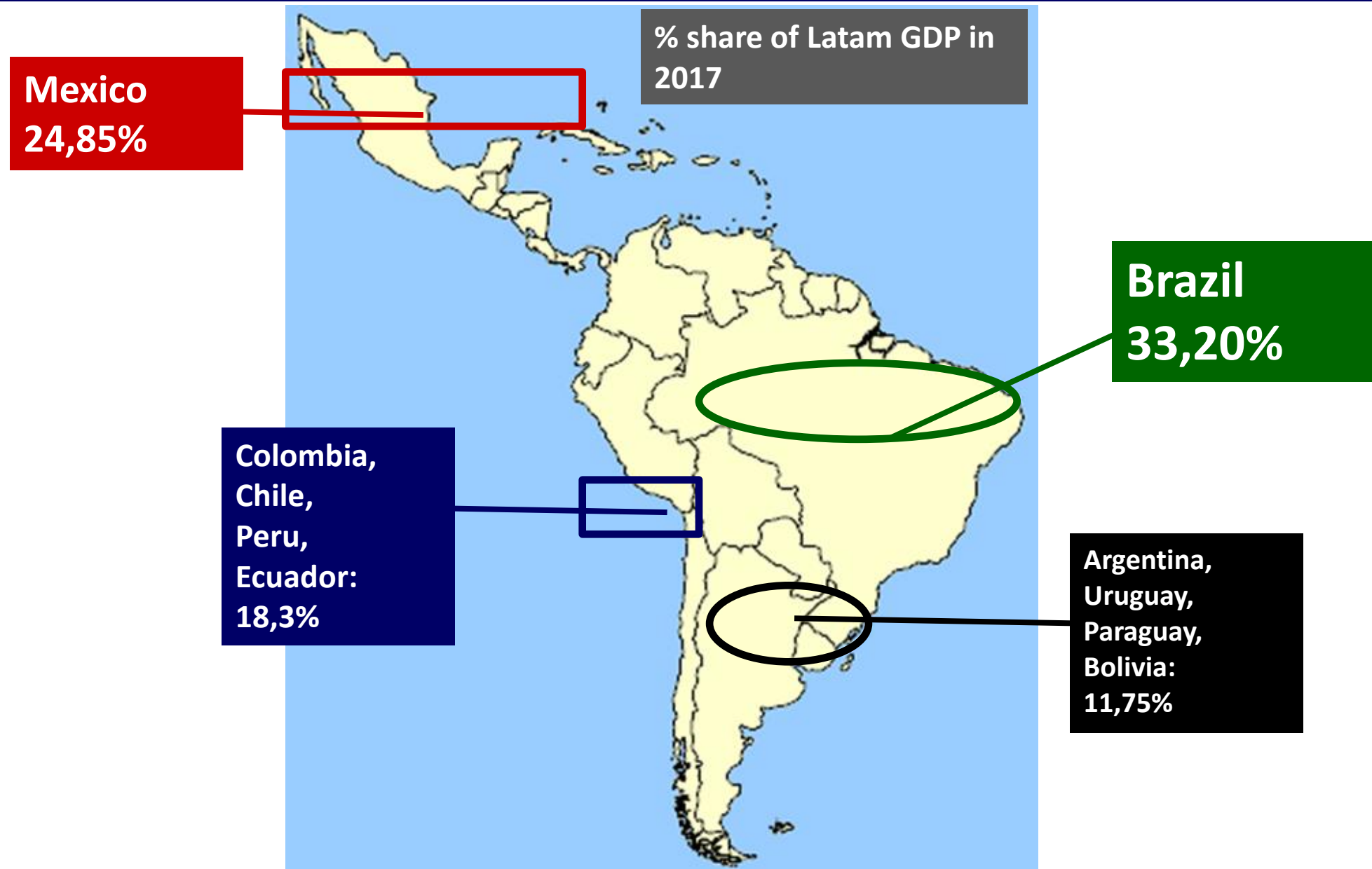


Latin America in search of new growth model 2014



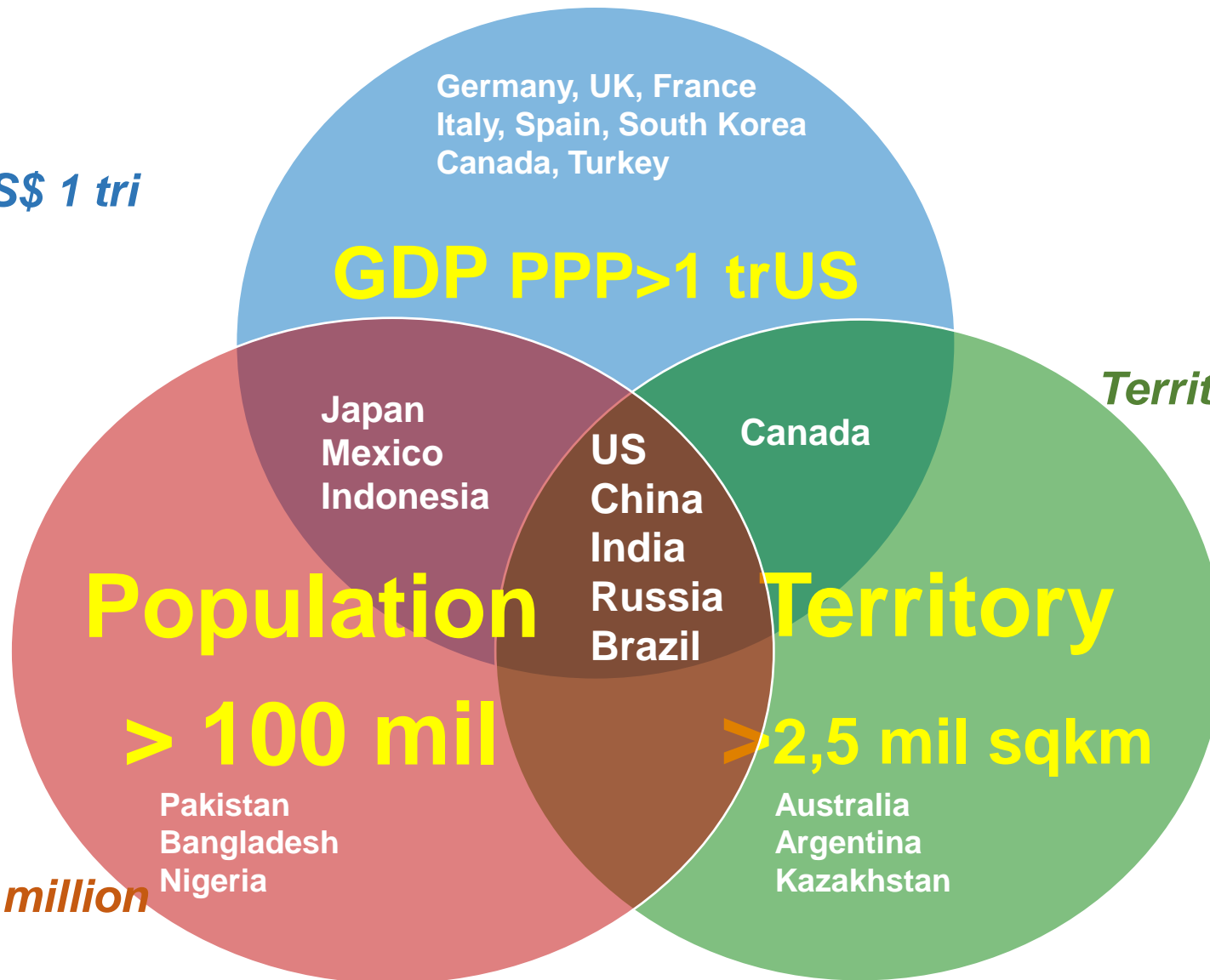
Growth expectations 2017	
Latam	1,5%
USA	2,5%
China	6,2%
EU	2,0%

Areas of Influence in Latin America



Countries with:




GDP PPP > US\$ 1 tri



Territory > 2.5 million sq km

Population > 100 million people

Latin America Comparison in 2017

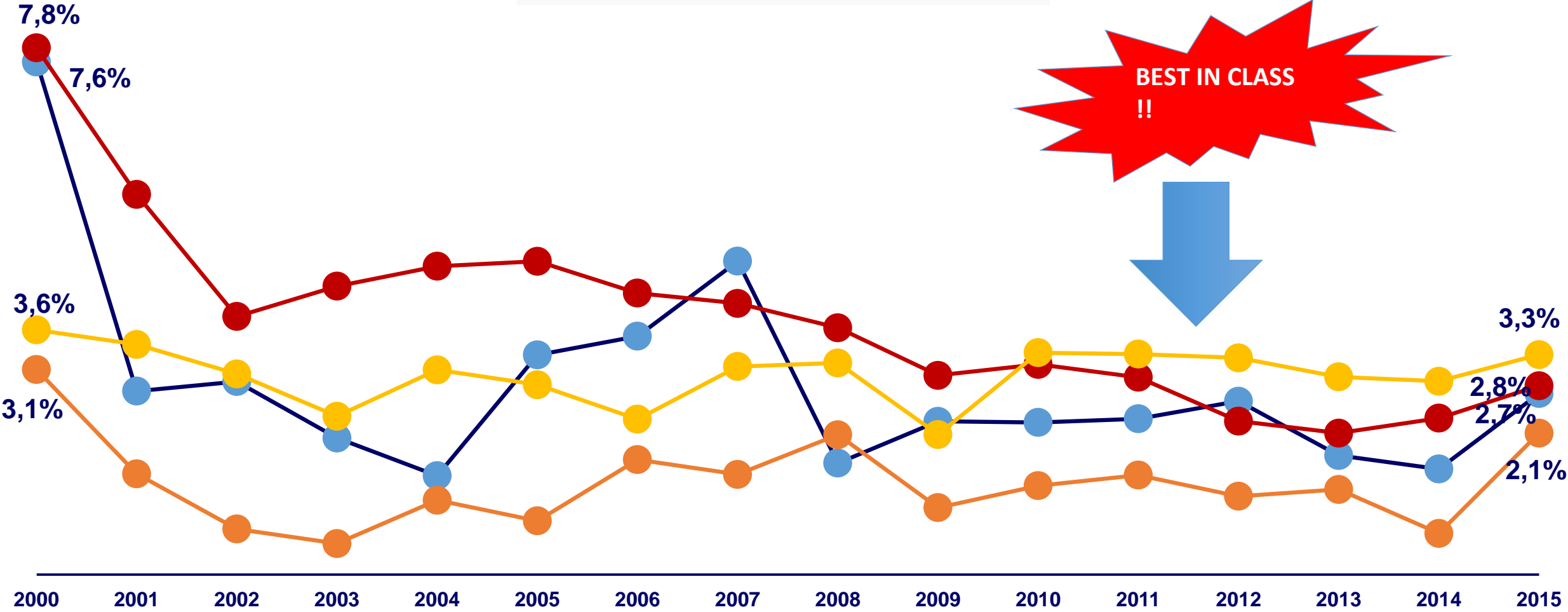
	Latin America			
GDP PPP (US\$ tr)	9,7	18,0	19,3	19,7
GDP PPP per capita (US\$)	15.65	56,0	38,1	14,3
Exports (US\$ tr)**	1,0	2,2	7,1	2,4
Imports (US\$ tr)**	1,1	2,8	6,6	2,0
Real GDP growth (%)	-0,03	2,6	2,3	6,9

Latam: Regional trade blocks agreements

	Long supply chain	Short supply chain
Year 2016	Mercosur (Argentina, Bolivia, Brazil, Paraguay, Uruguay & Venezuela)	Pacific Alliance (Chile, Colombia, Costa Rica, Mexico & Peru)
GDP PPP (US\$ tr)	4.7	3,9
GDP PPP per capita (US\$)	15,5	17,3
Exports (US\$ bi)	0,3	0,5
Imports (US\$ bi)	0,4	0,6
FDI (US\$ bi)	80	72

FDI /GDP – 2000-2015 – US\$ bi

● EU ● USA ● China ● Latam

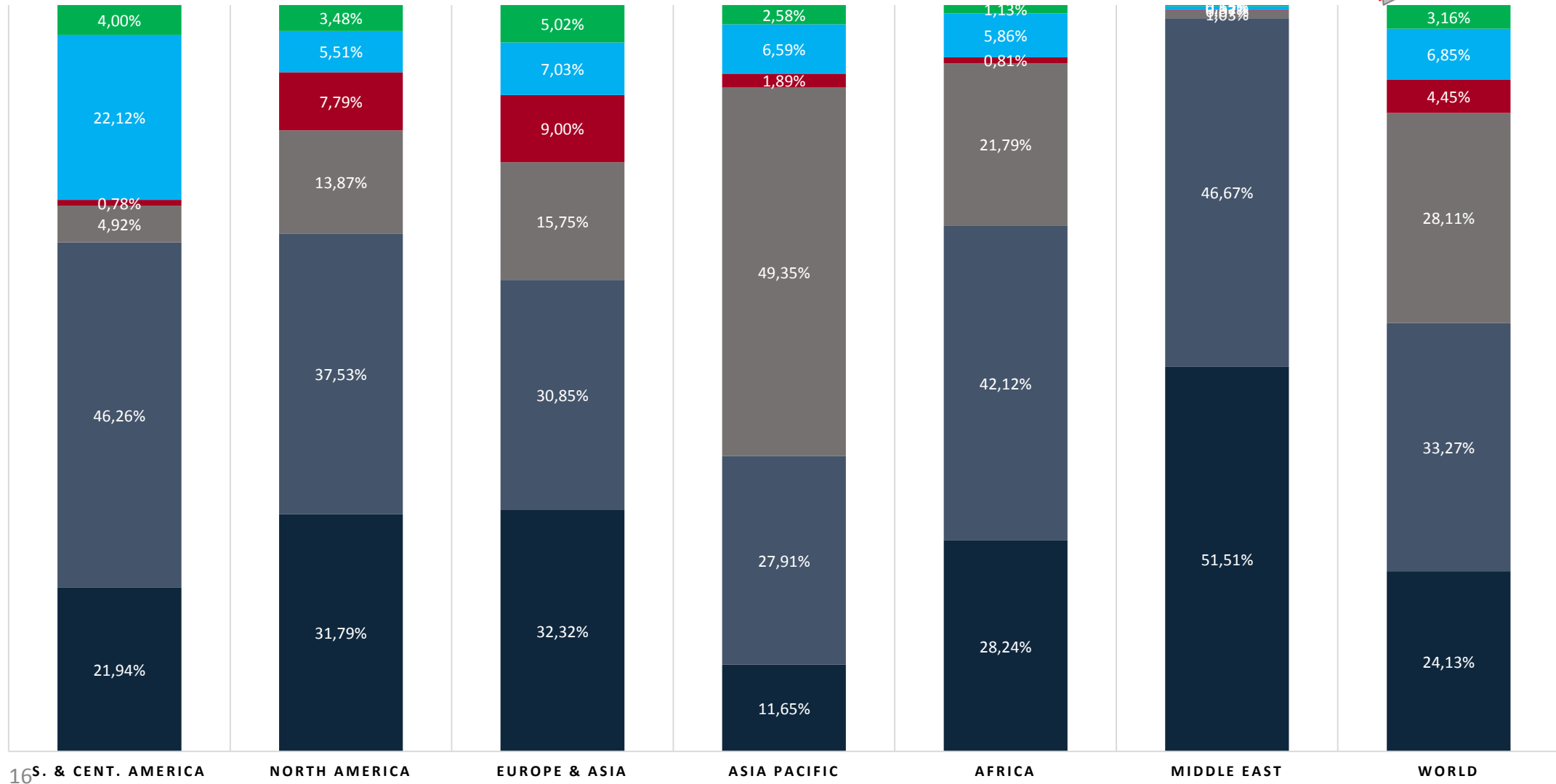


Latin America: Energy Consumption by Fuel In % - 2016

**Best in class
26%**

**Renewable
10%**

■ Natural Gas ■ Oil ■ Coal ■ Nuclear Energy ■ Hidro Electricity ■ Renewables



16 S. & CENT. AMERICA

NORTH AMERICA

EUROPE & ASIA

ASIA PACIFIC

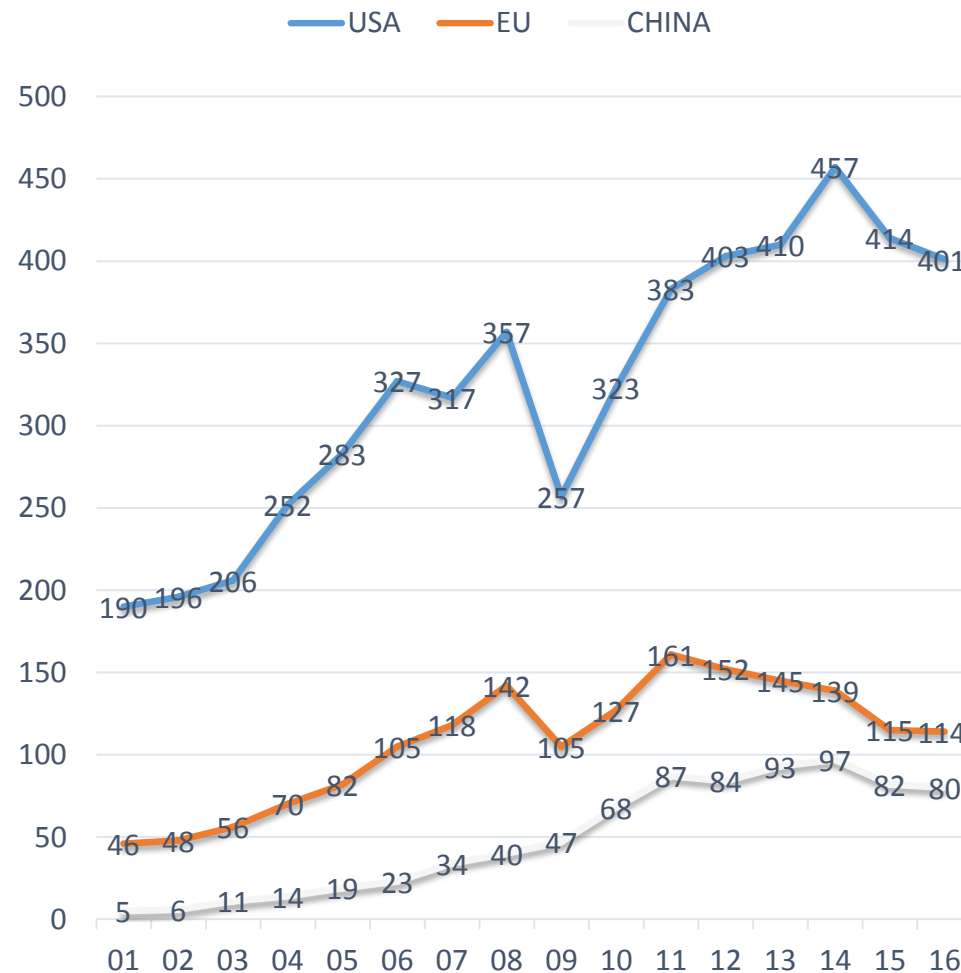
AFRICA

MIDDLE EAST

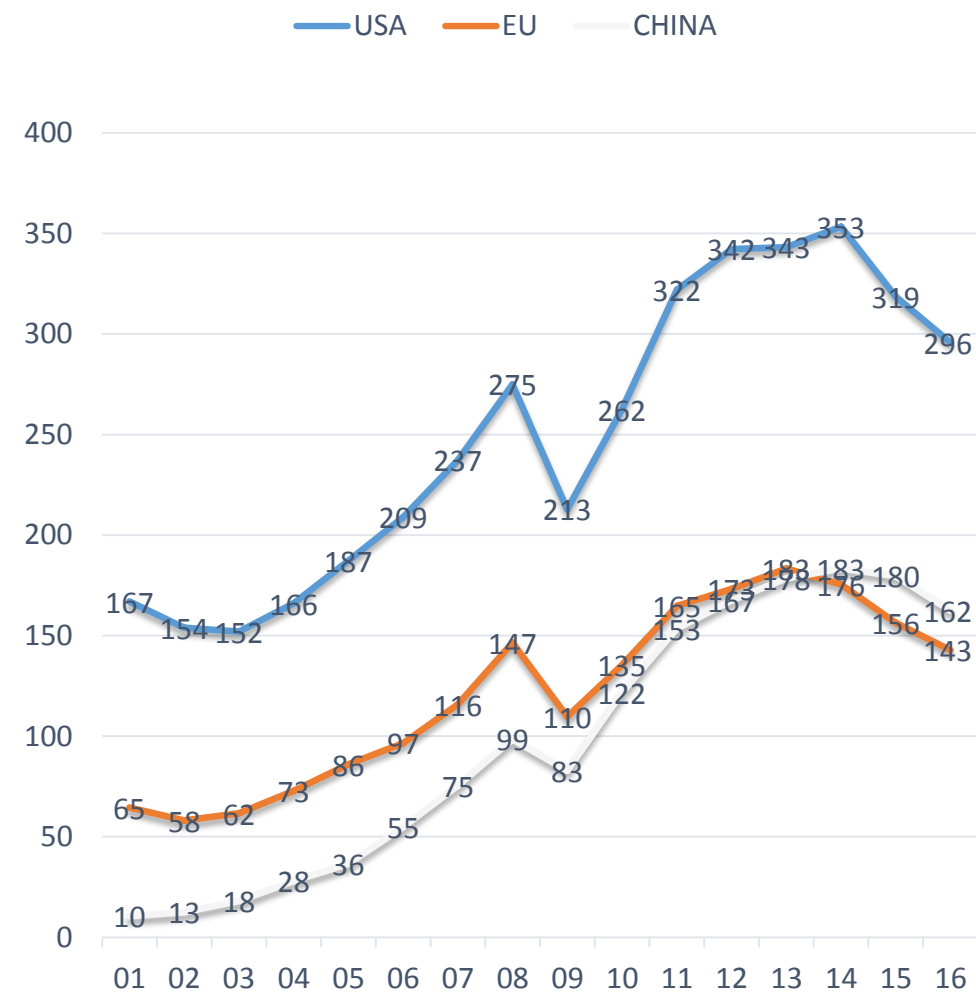
WORLD

Latin America trade with major Markets 2001-2016 – US\$ billions

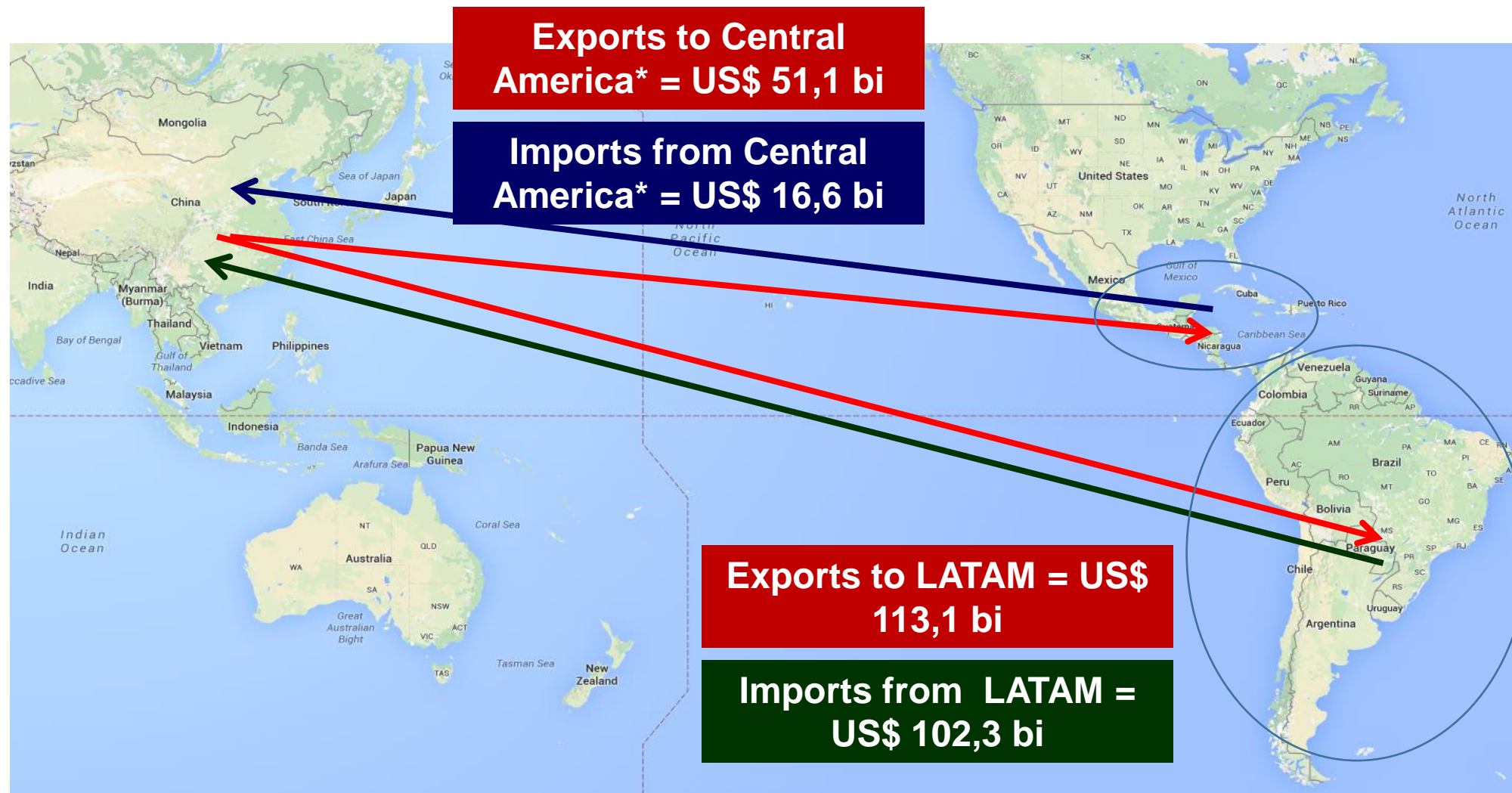
Exports



Imports



Trade with China by regions of Latam in 2016:



Key Facts on Countries - 2017

Country	GDP growth	Inflation	Exports	Imports	FDI	Overall
Argentina – Macri	2,5	22,3	57,7	55,6	4,2	GOOD
Bolivia – Juan Evo Morales	4,2	4,3	7,0	8,4	0,4	GOOD
Chile – Piñera	1,4	2,4	59,88	58,8	12,2	GOOD
Colombia – Santos	1,7	4,0	30,98	44,8	13,5	GOOD
Mexico – Peña Neto	2,1	6,1	374,7	406,9	32,1	GOOD
Peru – Martin Vizcara	2,7	2,7	34,4	N.A	6,8	GOOD
Uruguay – Vázquez	3,5	6,2	7,17	7,91	0,9	GOOD
Venezuela – Maduro	-12	1130,0	N.A	N.A	N.A	Very Bad

Growing globalization of Latin America

Trade Agreements

Multilatinas



- Celac
- Andean Community
- IIRSA (Infrastructure Initiative for South American Integration)
- ALCA – 34 American countries with exception of Cuba
- ALADI
- NAFTA – North American Countries
- FTA – Free Trade Agreement between USA and Colombia, Peru and Panama
- Central America Integration System
- UNASUL

Mexichem.



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2. BRAZIL

BRAZIL

The Brazil Transformation Process

CIVIL SOCIETY X CORPORATIVE GOVERN (2013 UNTIL NOW)

- **Against Corruption**
- **Against Public Miss Management**
- **For a Better Education**
- **For a Better Health**
- **For a Better Infrastructure**
- **For a Better Governement**
- **Street Pressure Politics**



BRAZIL

Brazil Transformation Process

- Lavajato
- Transparency
- Punishment
- Equality Treatment



Brazilian Reforms

	Labor Reform	Outsourcing	Fiscal Responsibility Law	Public-Private Partnerships	Changes for oil exploration	Positive Credit Register
contributes to increasing economic growth	Establishes collective labor agreements and conventions overlap in the specific case of the Consolidation of Labor Laws. It extinguishes the compulsory union tax and allows the election of representatives of workers in companies	Allows outsourcing to end-of-company activities and increased maximum term of temporary work for 9 months	Establishes rigid rules for purchases, bidding and appointment of directors, members of the board of directors, and presidents of private and mixed companies	Allows extension and the elaboration of new bidding of partnership contracts of the Program of Investment Partnerships in the Road, railroad and airport sectors	Reduction of the index of local content in phases of exploration of the ground and development of the production of oil and natural gas	The positive credit register will be automatically accepted in order to improve the information about good payers
	Government Spending	Decoupling Union Revenues	Repatriation Program	Social Security	Special Tax Regulation	National Bank of Social development-BNDES
contributes to raising tax revenues and reducing public expenditures	Establishes primary expenditure gets maximum 7.2% in 2017, in 2018 readjusted based on accumulated inflation in 12 months	Extends Decoupling Union Revenues to 2023, and up to 30% the percentage of revenues with social contributions that can be disassociated	Regulates not declared assets held abroad. First Call Income Tax 15% plus 15% penalty Second Call Income Tax 20% plus 20,25% penalty	Changes social security rules to reduce fraud It amends rules for the granting of sickness and disability benefits and defines the creation of a multidiscipline of skills to identify fraudulent benefits	Special Tax regularization program, allows regularization of the payment of debts of persons and companies.	Change of the New Long Term Rate from TJLP to TLP, based on Variation Consumers Prices and prefixed interest rate in the credit loans granted by National Bank Social Development

BRAZIL

Brazil Transformation Process

Reform that not HAPPENED (now)

- Previdencie
- Tax Reform
- Public Server Reform
- Reform of the political system (Mixed Districts)



ELECTORAL Dashboard – 2018 - April

Far Left	LEFT				CENTER				Far Right
?	(LULA) PT	Ciro Gomes	Claudio Haddad	Marina Silva	Joaquim Barbosa	Geraldo Alckmin	Alvaro Dias	Meirelles	Bolsonaro
TV CAMPAIGN									
PARTY STRUCTURE									
FINANCIAL RESOURCES									
LAVA JATO									
SOCIAL MIDIA									
CHARISMA									

New government privatization plan

Sales of assets / privatization of state enterprises



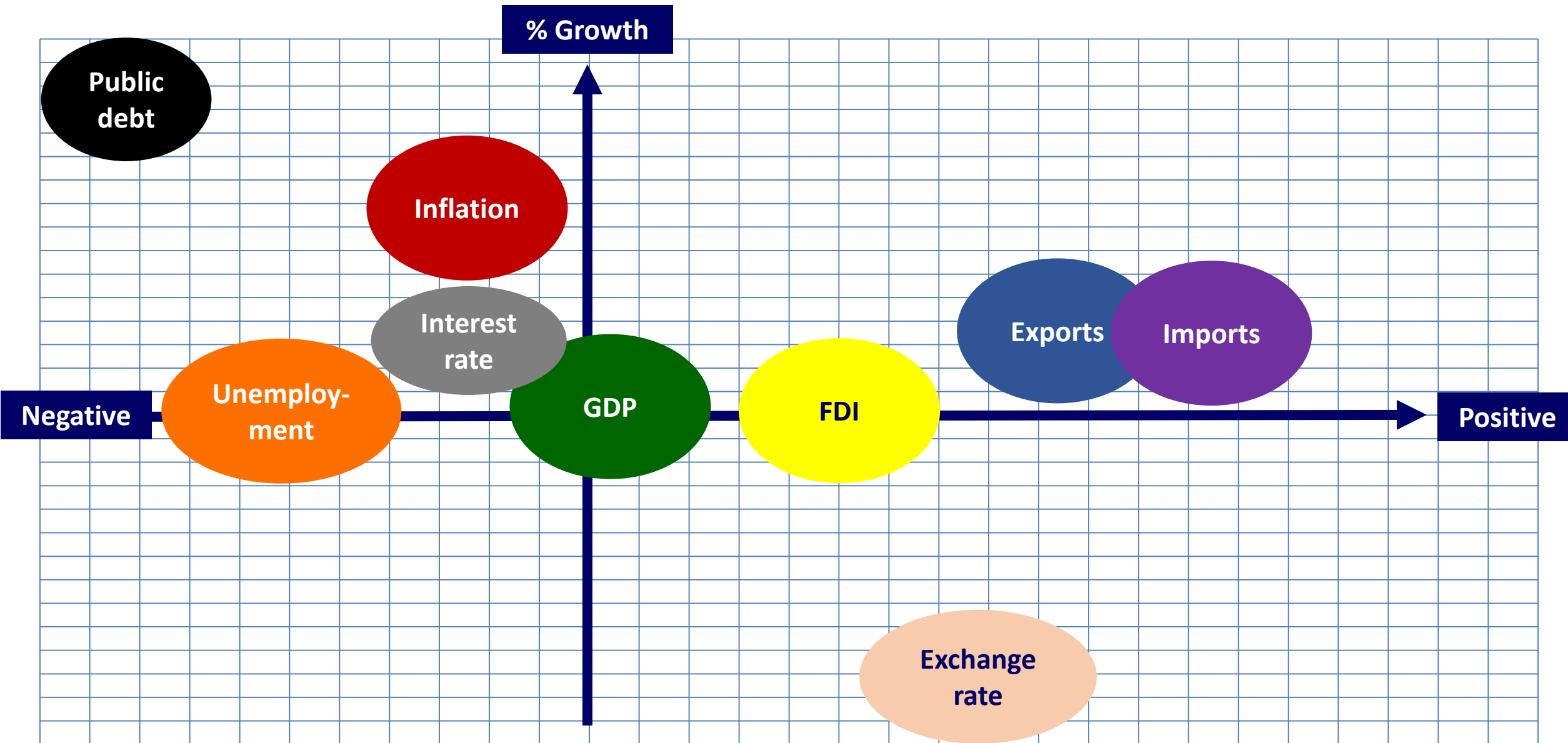
Auction of Infrastructure projects & of existing infrastructure



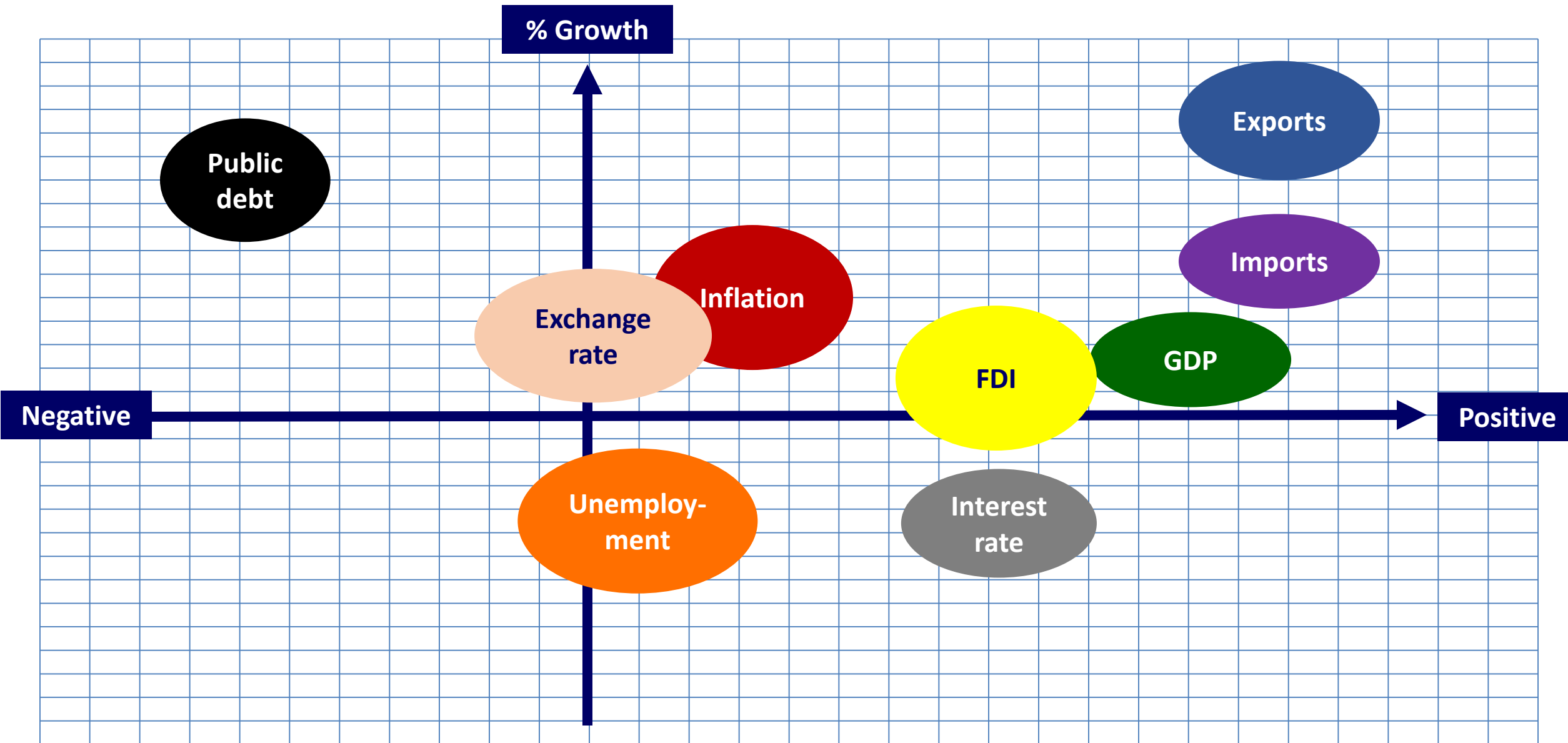
- More investor friendly.
- Higher returns.
- Increased foreign participation.



Brazil economic developments today:

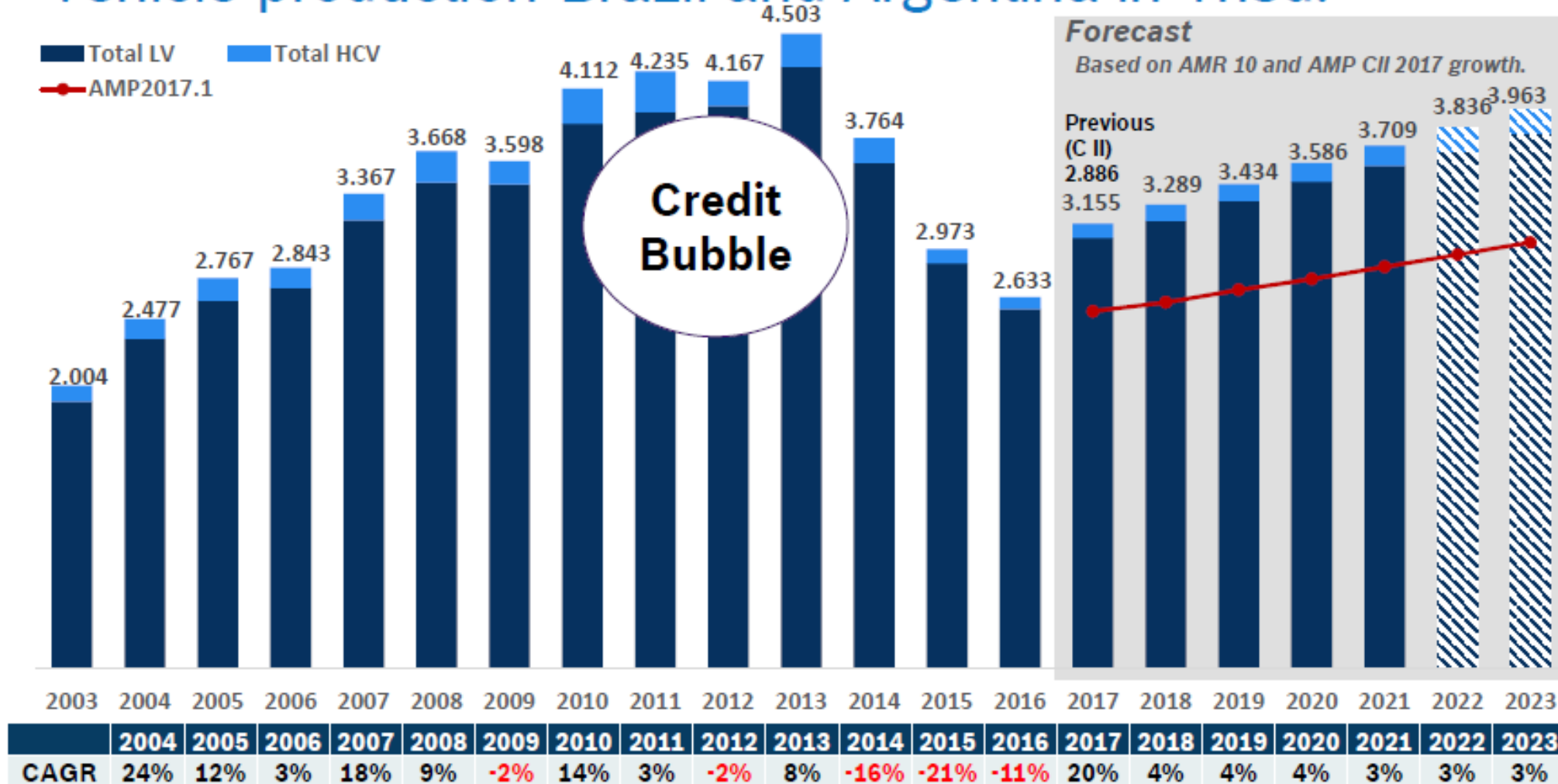


What to expect tomorrow:





Automotive Market Development Mercosul Vehicle production Brazil and Argentina in Thsd.



Brazilian Policy for the Automotive Industry Status of working groups ROTA 2030



1: Reindustrialization of Supplier Chain

- ▶ Three dimensions: Financial & Technological Recovery and Supplier Development. Suggestions to be evaluated by Government representatives and transformed in legal instruments for further approval in policy – expected deadline 12.17. Bosch supplier program as reference and inclusion of I4.0 as relevant pillar for reindustrialization. I4.0 and Supplier development are eligible for subsidies and clear considered in suggestion for new policy “Texto da Portaria para Subvenção de P&D - Rota 2030 (GT2)”.

2: Manufacture 4.0 and Connectivity

- ▶ Provisory measure to be developed by E2017. Yearly amount of subsidies probably to be stable to PY (2,5 bn BRL per year), but accessible to automotive supply chain, not only OEMs. Next steps: Bosch implementation (efficient Tax system, Auditing).

3: Energy Efficiency, Emissions, Biofuels and new powertrain solutions.

- ▶ Brazilian government not willing to accept energy consumption target reduction less than 12% compared with 2017 (1,82MJ/Km), separate SUV target probable. Off-Cycle Credits probable to be approved. Brazilian government not willing to accept multiplier for EV and PHEV proposed by ANFAVEA as Ethanol shall remain in focus for CO2 reduction.

4: Vehicle safety, Inspections and Maintenance, fleet renewal

- ▶ List of technologies defined. Next steps (1) Regulation to be defined within 6 months for Lateral impact and Backover avoidance for PC and within 18 months for AEB* and LDW** for PC and HCV after European PC regulation is published. (2) Definition for fiscal incentives for early introduction (OEM). (3) Consumer information labelling system.

(without direct Bosch participation)

*AEB = Automatic Emergency Braking

**LDW = Lane Departure Warning

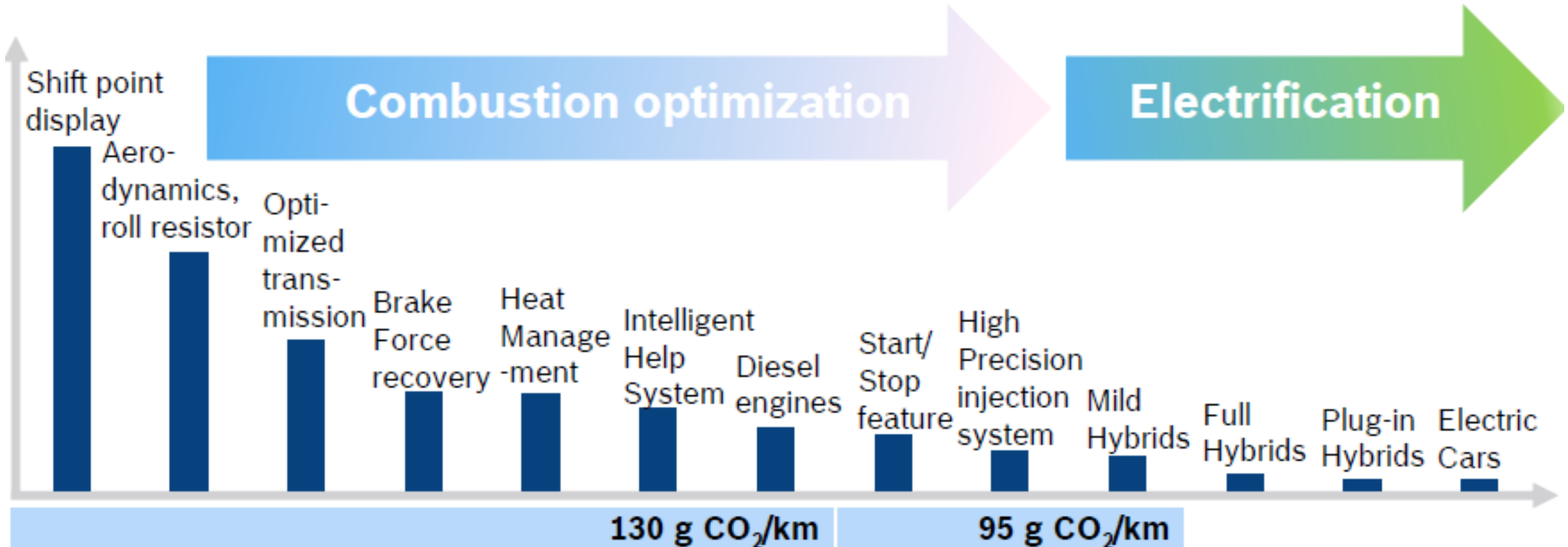
5: *Small volume manufacturers, local production of main systems / embedded electronics*

6: *Cost structure enabling competitive integration in global value chain (simplify tax system)*

New Strategies for Mobile Solutions

Electric Drive: Manufacturing costs for emission reduction

CO₂ reduction per euro of manufacturing costs

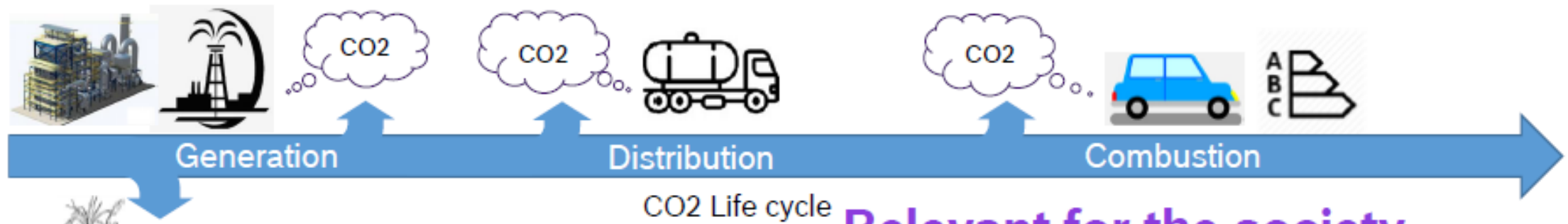


Powertrain optimization and mild hybrids reaching 95 g CO₂/km W-2-W.




For markets based on conventional fuel, a substantial emission reduction is only possible with PHEV or BEV.

New Strategies for Mobile Solutions

Well-to-wheel emissions and efficiency



Relevant for the society

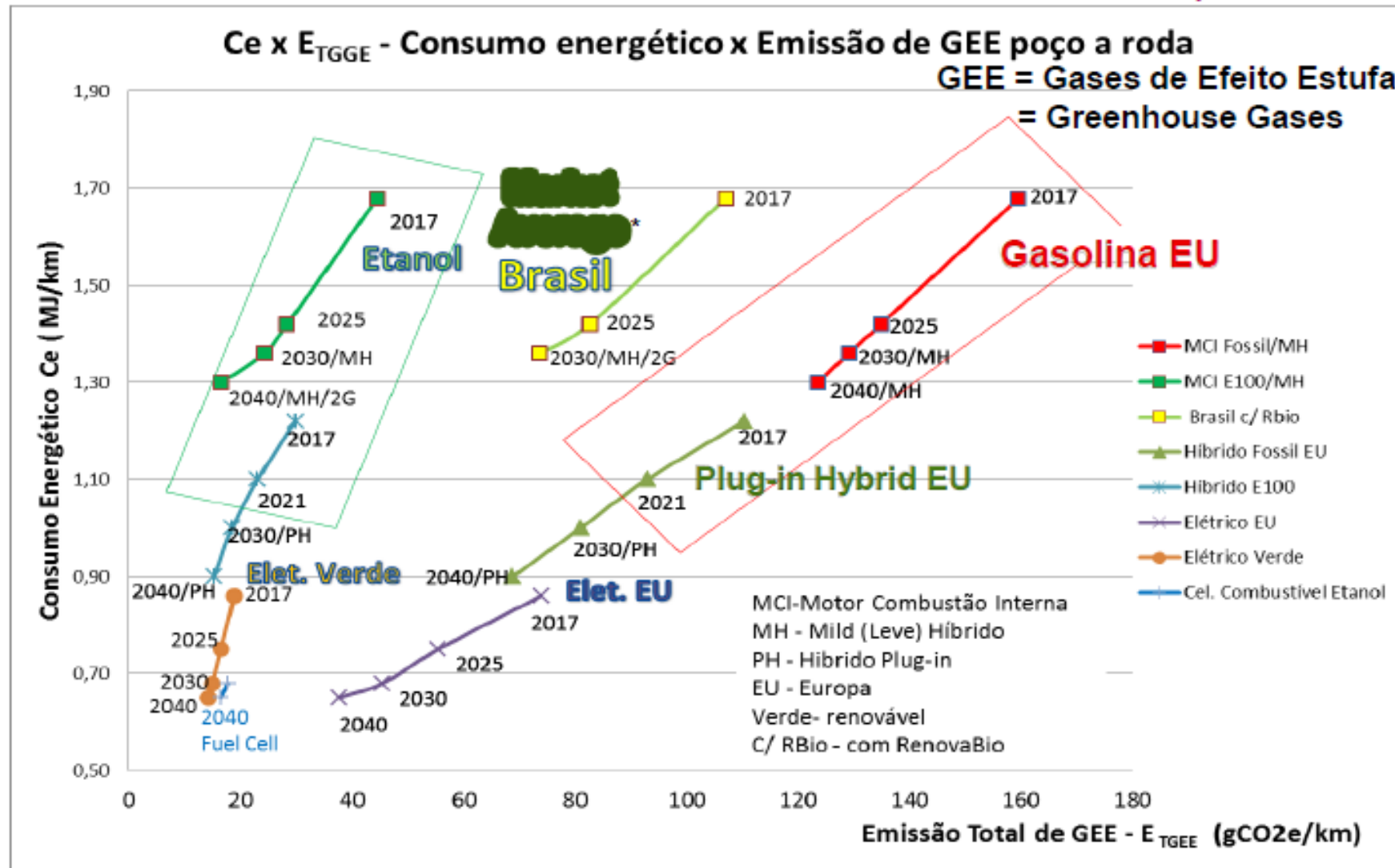
	Fuel type	Emissions gCO ₂ /Km Tank to Wheel (Standards)	Emission gCO ₂ /Km Well to Wheel	Energy consumption (MJ/Km) Tank to Wheel
	Gasoline	120	141	1,65
	Diesel	120	138	1,62
	Gasoline	140	161	1,86
	Gasoline E22	135	151	1,82
	Ethanol	131	38	1,82
	Flex-Fuel*	134	116	1,82

* Considers 70% consumption of E22 and 30% E100

New Strategies for Mobile Solutions

Brazilian Policy for the Automotive Industry

CO2 Emission of Different Powertrains and fuels (Well-to-Wheel)



Brazil: Healthcare outlook

	2015	2016	2017	2018	2019
Pharmaceuticals sales (US\$ bi)	19,8	18,4	21,8	23,9	26,6
Pharmaceuticals sales (% GDP)	1,1	1,2	1,1	1,1	1,1
Pharmaceuticals sales (% of health expenditure)	11,9	11,6	11,4	11,2	11,0
Health spending (US\$ bi)	167,7	159,2	192,8	214,7	243,1

- Brazil's pharma market is one of the biggest in Latam.
- Local biotechnology industry is developing rapidly.
- Aging population will demand various products & services.



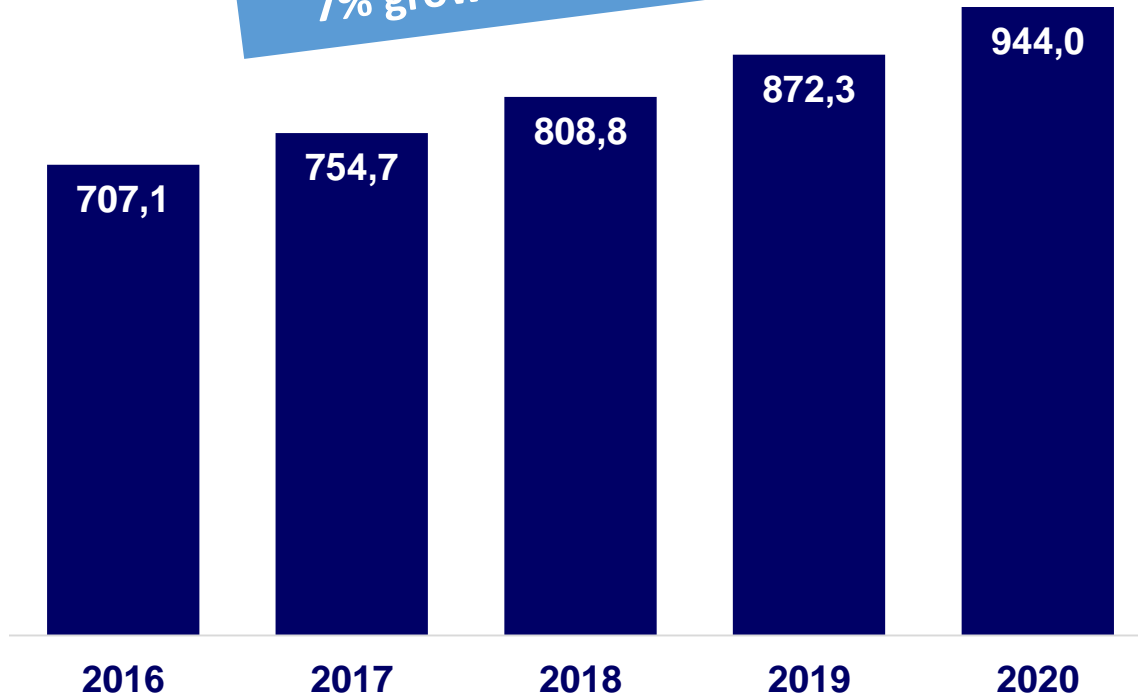
- Higher public spending on public provision.
- Greater role of low cost generics and bio-similar.
- Growing influx of investments in public healthcare.
- Exports should continue to grow as both local and foreign companies look to expand, concentrating activity in Brazil as a regional hub.

Food & Beverages sector

Food sales – in billion R\$

Includes: bread, rice, cereals, pasta, meats, dairy products, fruits, oils, vegetables, sugar.

7% growth average



Source: BMI



Brazil's food industry will see robust growth.

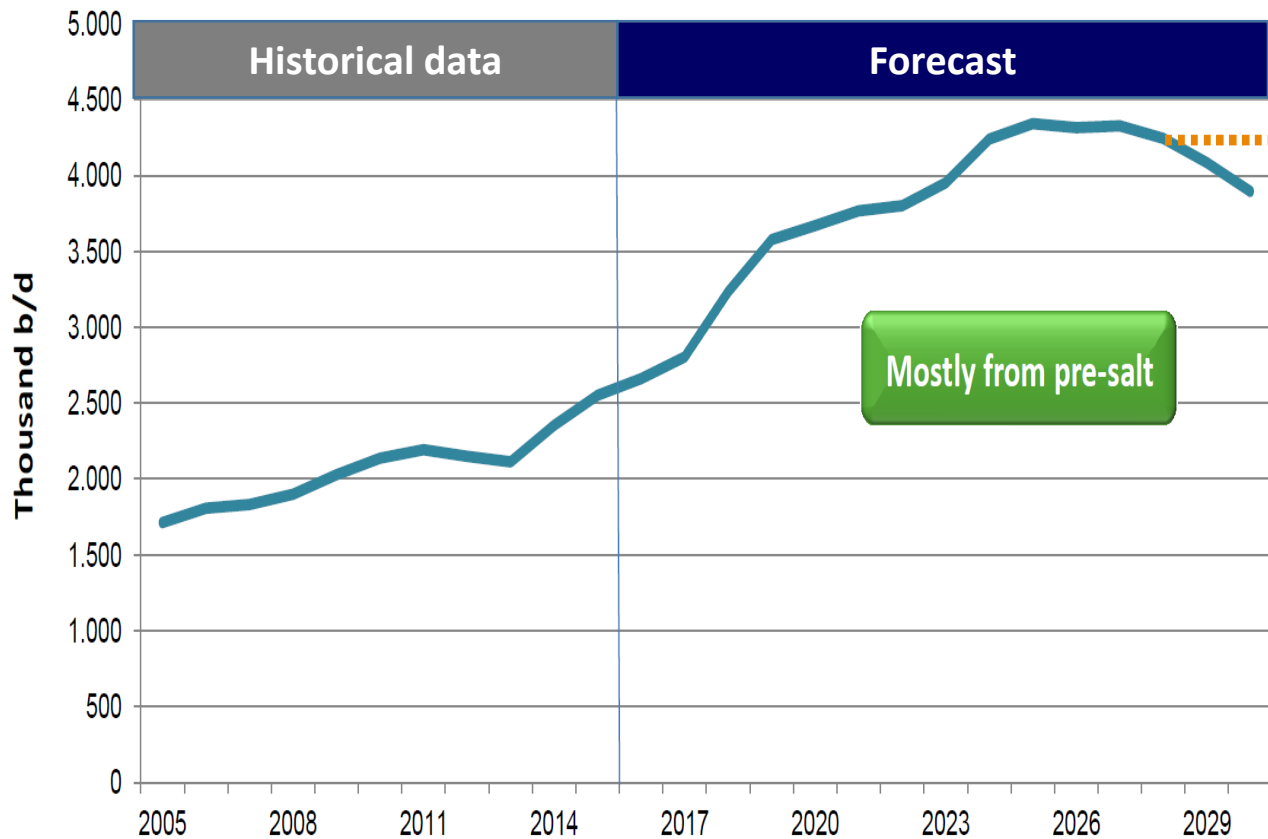
Consumers more price sensitive: staples, particularly pasta products, to perform well, while non-essential food items see contraction.

Premium product categories will be the hardest hit as consumers reduce discretionary spending.

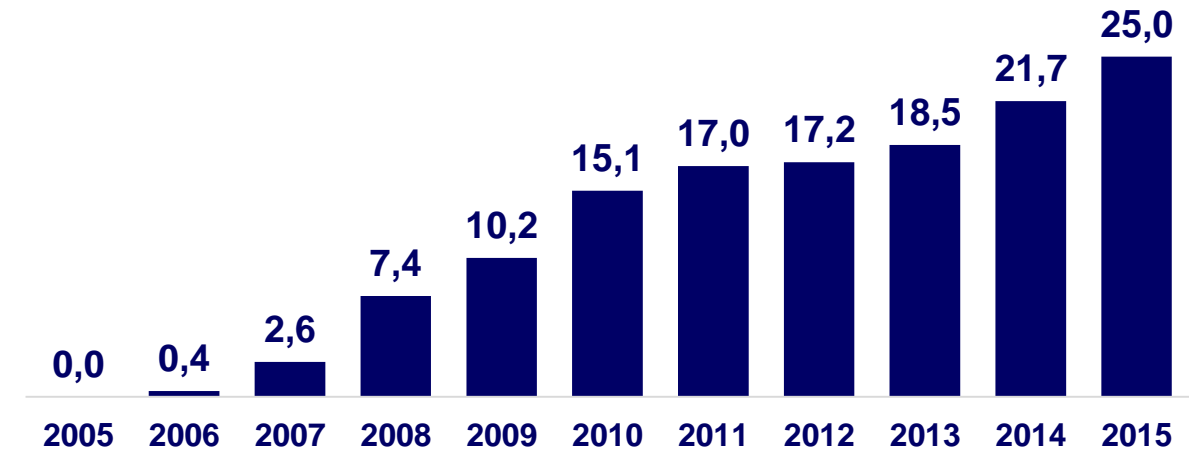


Energy in Brazil

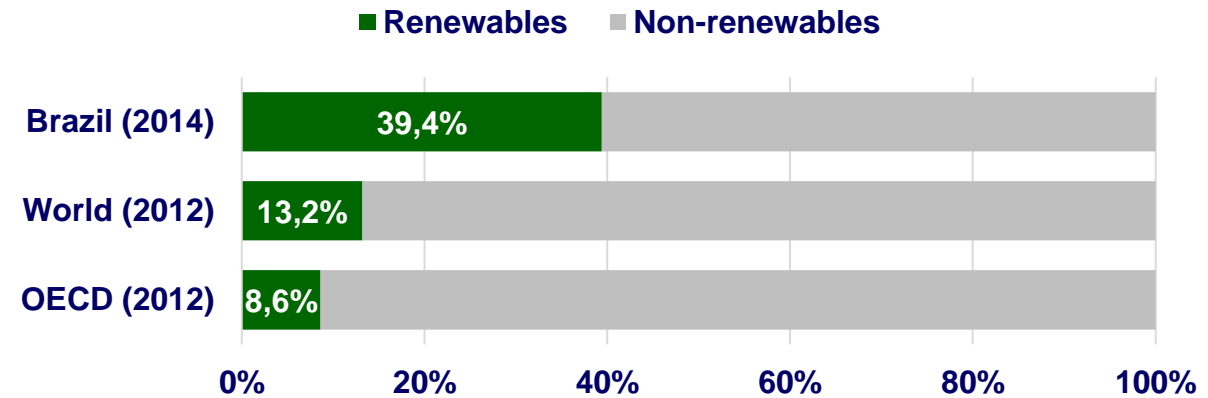
Oil & LNG production forecast in thousand barrels per day



Biodiesel production in million barrels oil equivalent

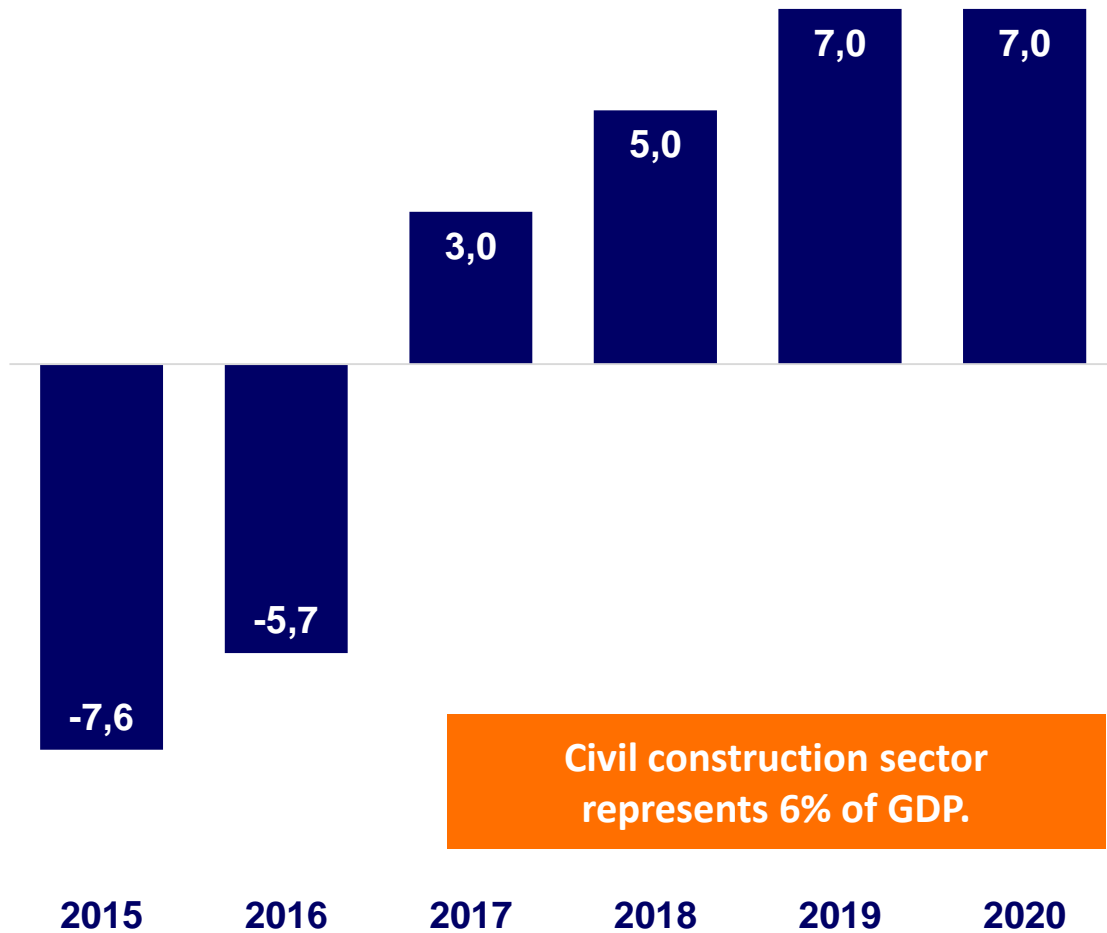


Cleaner Energy Matrix



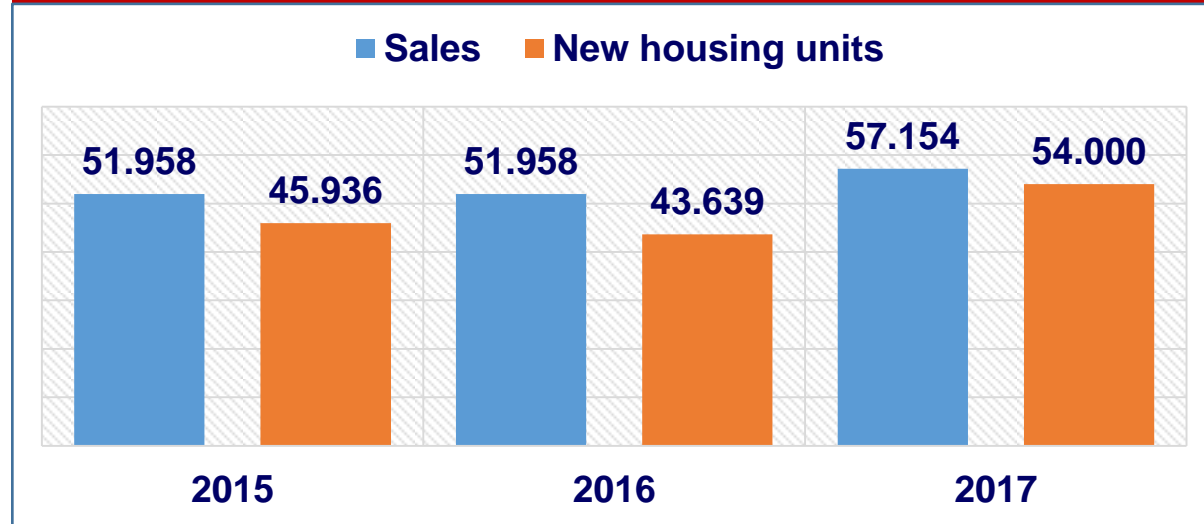
Civil Construction sector

% Growth projection for civil construction sector

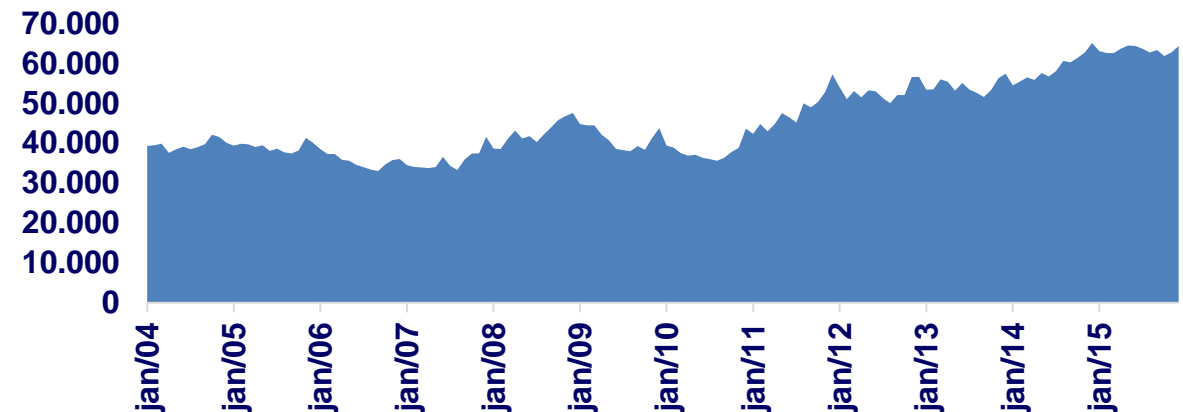


Civil construction sector represents 6% of GDP.

Sales of homes – in units

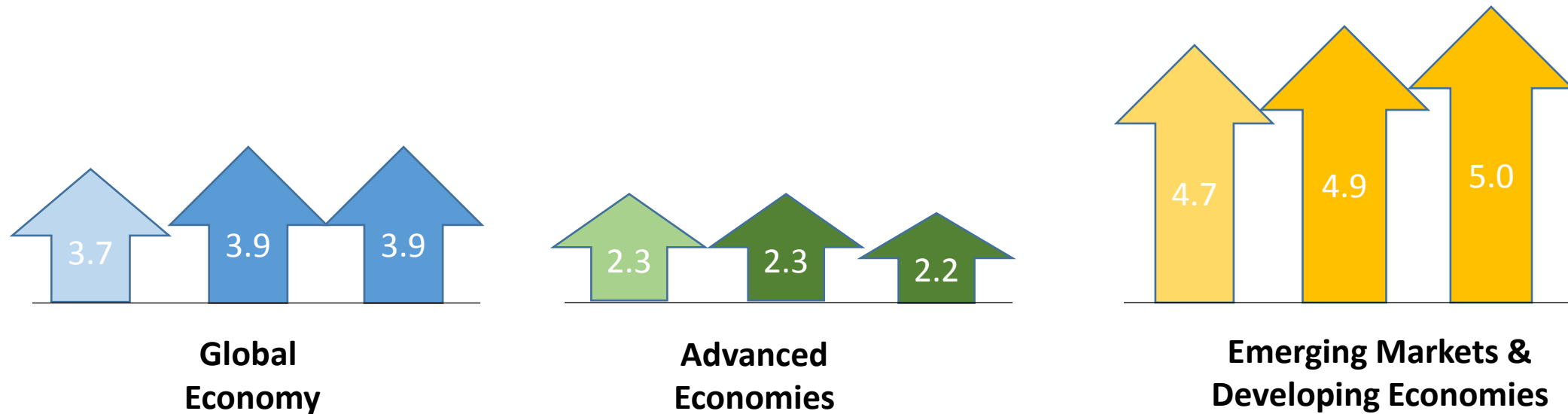


Stock (inventory) of homes – in units



Risks

The Global economy is expected to maintain near-term momentum, but challenges loom.



Noneconomic Factors

- Geopolitical Tensions
- Political uncertainty
- Reform Implementation risks
- Extreme weather and climate events

Inward-Looking Policies

- Increased regulatory/
Trade barriers

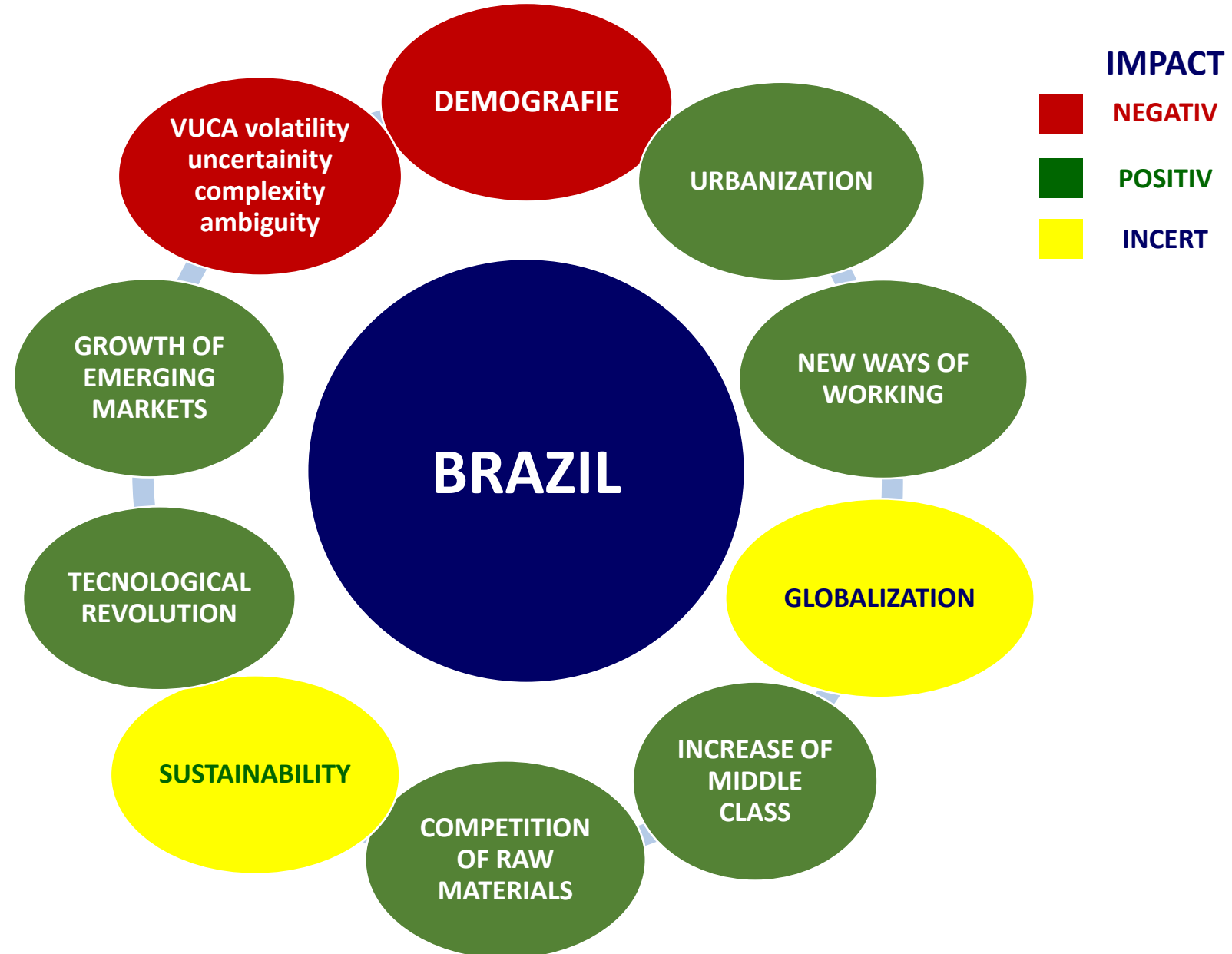
Investment Growth

- Lower-Than-expected
Impact from U.S. tax
policy changes
- Policy uncertainties

Financial Market Correction

- Triggered by tighter
U.S. monetary policy in
Response to inflation
- Buildup of financial
vulnerabilities

Megatrends - Impacts on BRAZIL



Precautions

✓ **RULE 1**

Doing Business in Latin America is not for Amateurs – It is for Professionals !

✓ **RULE 2**

It is not as easy as it seems to be! There is a huge Market, but not homogenous!

✓ **RULE 3**

You can make good business in Latin America, but you ought to know:

How, When and With Whom

✓ **RULE 4**

Do not underestimate the Latin American entrepreneurs!

They are fast, flexible and very innovative !

✓ **RULE 5**

Find out your partners to help you. They know the fast tracks better than you and they know how to interpret the diferente cultures.

✓ **RULE 6**

Look at the process of changes and not the Newspapers headlines !



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