

# Navigator

Now, next and how for business

Brazil



Together we thrive

# Overview

## Reform and liberalisation power economic comeback

After a sluggish first quarter, economic momentum has picked up in Brazil as industrial production and consumer confidence strengthens<sup>1</sup>. The government's privatisation programme has surpassed revenue targets<sup>2</sup> and pension reform is on track though public spending is being reined in<sup>3</sup>. Exports have been hit by low demand in neighbouring Argentina. However, lower interest rates, lower inflation and domestic demand are driving economic recovery<sup>4</sup>.

# State of play

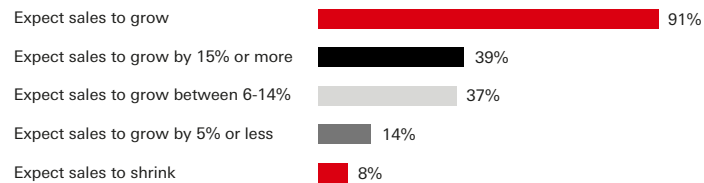
## Carnival mood as Brazil shows its flair for trade growth

Firms in Brazil are extremely bullish about the prospects for business and international trade growth. Almost nine out of 10 companies expect to grow in the next year while 39%, nearly twice the global average, are high-growth firms, expecting to grow by 15% or more.

This optimism carries into the long term with more than half of companies forecasting strong growth, again twice the rate of the world average. Almost three-quarters of businesses have become more positive in the last 12 months.

Nearly half of Brazil's businesses expect this turbo-charged growth to be driven by entering new markets while more than two in five believe that investment in new technologies is vital.

### How businesses are feeling about growth over the next year



## What you need to know

- 1 83% of companies expect to substantially change their business within five years, compared to just half globally.
- 2 91% of companies have become more positive about international trade prospects in the next two years.
- 3 More than nine in 10 see international trade as a positive force for improving efficiency, driving innovation, and creating new opportunities.

## What your business can do



Invest in innovation to protect your company from external threats and market decline. 35% of Brazilian businesses are taking this approach compared to a quarter of global companies.



Make changes to your supply chain to reduce costs and increase speed to market. More than two in five Brazilian businesses are actively pursuing this strategy.

<sup>1</sup><https://www.focus-economics.com/countries/brazil>

<sup>2</sup><https://www.ft.com/brazilian-economy>

<sup>3</sup><https://www.bloomberg.com/news/articles/2019-08-29/brazil-dodges-recession-as-economy-grows-faster-than-expected>

<sup>4</sup>[http://country.eiu.com/Brazil?utm\\_content=buffer3fe2c&utm\\_medium=social&utm\\_source=plus.google.com&utm\\_campaign=buffer](http://country.eiu.com/Brazil?utm_content=buffer3fe2c&utm_medium=social&utm_source=plus.google.com&utm_campaign=buffer)

# Trade outlook

## Small is beautiful as Brazil speed dates new trade partners

Trade with the US and Argentina, historically Brazil's two biggest partners, remains fundamentally important. More than half of Brazilian companies still do business with the US despite a slight easing in the last year while a quarter have ties with Argentina, although this is down from 29% a year ago to 25%.

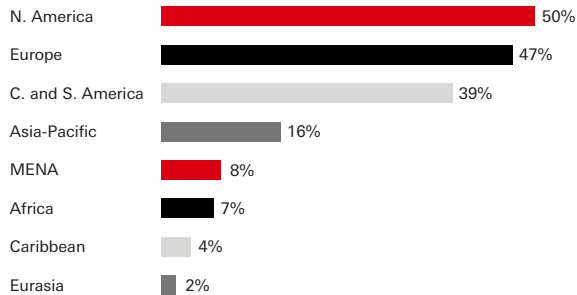
However, Brazilian companies are adept at entering new markets and building new relationships: Canada has quadrupled in importance to 16% while Mexico has nearly trebled to 9%. Europe has grown in importance with over half of companies now trading with brand new partners such as Norway and Croatia, as well as more established destinations such as Germany, Portugal and France.

Favourable partnership opportunities are the main pull for Brazilian businesses entering other markets.

Compared with their already upbeat global colleagues, Brazilian firms feel overwhelmingly positive about international trade. Agreeing that trade will be a force of good over the next five years, Brazilian companies believe it will improve efficiency (95%), drive innovation (93%) and provide new business opportunities (91%).

### Future trading expansion markets in the next three to five years

#### By region



#### Rank by market – top performers

1. United States	36%
2. Chile	19%
3. Canada	16%
4. Argentina	15%
5. Mexico	12%
6. Portugal	11%
7. Germany	10%
8. France	9%
9. Colombia	8%
10. China	7%



## What you need to know



Companies are showing strong interest in international trade expansion, especially with small countries. Half of businesses plan to grow in North America and Europe while two in five are targeting expansion in South America.



The trading relationship between Brazil and North America remains rock solid with more than three in five companies doing business there.

## What your business can do



Identify and target new opportunities in smaller countries beyond the major economies. Brazilian companies now trade with Croatia, Norway and Colombia where they did no business a year ago.



Consider consolidating your presence in existing major markets by seeking new suppliers and partners. 48% of companies are doing so in Argentina and 32% in Canada.

# Protectionism and geopolitics

## Turning a negative into a positive

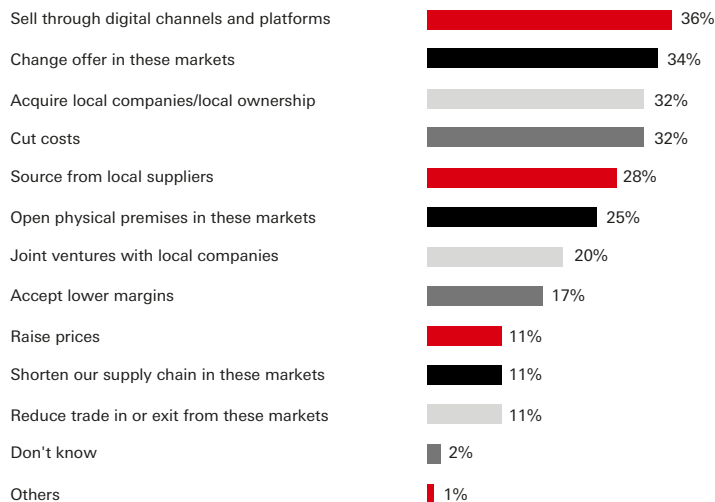
Almost three quarters of Brazilian businesses think that protectionism is on the rise, a marked increase on the previous year. However, the majority, just over half, feel that this has been to their overall advantage while a third feel the impact has been neutral.

Three in 10 companies feel that the surge in protectionist tendencies has encouraged them to become more competitive but there are negative effects as well.

Companies are using a number of strategies to overcome the negative impacts of protectionism with a third focusing on digital sales channels, changing offers, acquiring local companies and reducing costs.

The ripple effects of geopolitical events are also keenly felt by three out of five businesses in Brazil, in line with the global average. The most commonly used responses to these geopolitical headwinds are taking more business online and investing in cyber security.

### Ways in which businesses are coping with geopolitics



## What you need to know



73% of Brazilian businesses think that governments are becoming more protectionist compared to the global average of 65%.



53% of companies feel that they have gained more than they have lost from increasing protectionism.



60% of Brazilian firms are experiencing the impact of geopolitics compared to 64% of firms globally.

## What your business can do



Take steps to mitigate the costs of protectionism. With 41% of businesses identifying tariffs as an added cost, take steps to mitigate this by focusing on digital sales channels and changing your offer in affected markets.



Explore how taking your business online and investing in cyber security can increase your resilience to geopolitical risk. 41% of businesses are moving more business online.

# The sustainable future

## Champions in scoring sustainable development goals

Brazil has the highest commitment of any country surveyed to delivering the UN's Sustainable Development Goals (SDGs). Nine in 10 companies think they have a role to play with almost half believing that their role will be significant. Affordable clean energy and clean water and sanitation rank as the two most important goals.

Meeting regulatory and buyer standards are the key motivations for businesses to become more sustainable. A third of Brazilian companies believe that these are primary drivers, compared to a quarter of companies globally.

Businesses also feel under pressure to adopt sustainable practices from several directions. Nearly half of companies are experiencing pressure from customers while more than a third feel compelled to do so by investors, government, regulators and competitors. The top priority for investment in the next five years is expenditure on technology, innovation and infrastructure to improve sustainable production.

### Motivations for implementing sustainable practices



### What you need to know



90% of Brazilian companies think they have a role in delivering the UN's SDGs, well beyond the global average of 63%.



45% of businesses feel pressure from customers to become more sustainable.



One third of companies believe that the ESG metric on energy usage is relevant for them.

### What your business can do



Invest in technology, innovation and infrastructure to improve sustainable production. 41% of Brazilian businesses plan to do this in the next five years.



Improve international competitiveness by meeting the standards demanded by customers and regulators. A third of companies see this as important.

# Breakthrough tech

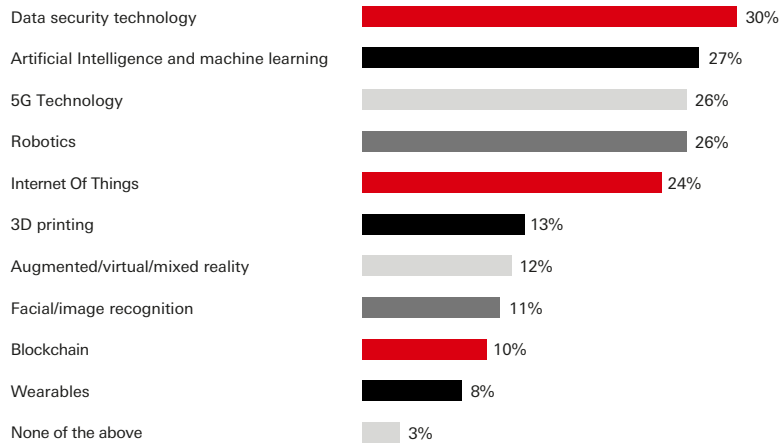
Digital delivers higher productivity and happier customers

Brazilian businesses are excited about the potential of disruptive digital technologies to stimulate business growth. More than a quarter of companies believe that data security technology, artificial intelligence (AI), robotics and 5G technology are the key innovations that will have the biggest impact on their businesses in the next years.

Together, these technologies are seen as conferring many advantages. AI and robotics are expected primarily to deliver increased productivity and improved product or service quality while data security and 5G technologies will mainly support improved customer experience.

The US is perceived as the most advanced market in these technologies by Brazilian businesses. Two thirds think the US is the leader in AI while more than half consider the US to be frontrunner in data security, robotics and 5G.

## Technologies businesses think will be important over the next five years



## What you need to know

- 1 55% of Brazilian businesses believe that AI technology will boost their productivity while 54% believe that robotics can reduce costs.
- 2 38% of companies believe data security will boost business transparency and 36% believe it will improve the customer experience.
- 3 Similarly, 44% think 5G will improve the customer experience and 39% say it will improve productivity.

## What your business can do



Explore how harnessing the power of AI and robotics can improve product and service quality. 51% of companies believe AI will enable this while 41% have similar expectations for robotics.

## About HSBC Navigator Brazil

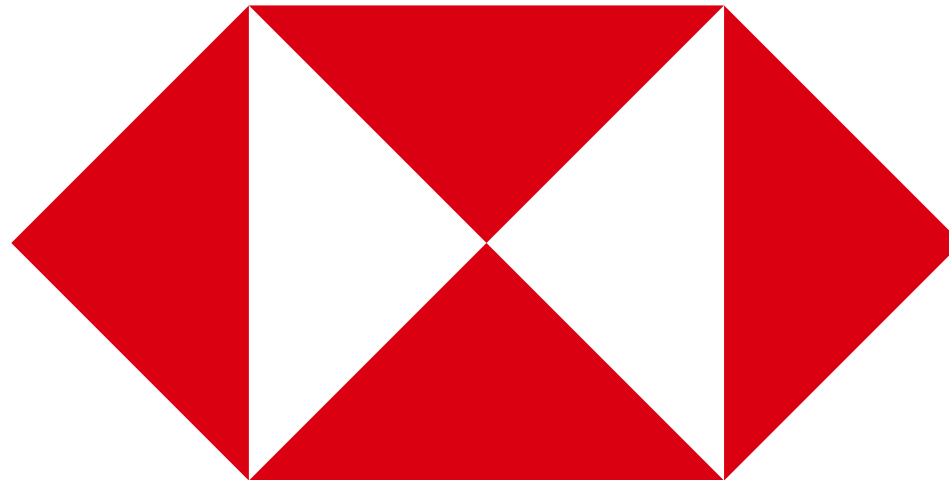
The HSBC Navigator survey, which is the largest of its kind, is conducted on behalf of HSBC by Kantar. The study gauges sentiment and expectations of businesses in the near to mid-term future on topics including: business outlook, international trade, geopolitics, sustainability, technology and wellness. It is compiled from responses by decision-makers at 9,131 businesses – from small and mid-market to large corporations – across a broad range of industry sectors in 35 markets. Sample sizes for each market were chosen to ensure the statistical accuracy of results, with 200 businesses surveyed in Brazil. Global results are based on an average of the 35 markets (using weights based on each market's share of world trade). The survey was conducted between August and September 2019. Interviewees were polled on a range of questions including expectations around future growth in trade, attitudes toward trade policy developments and strategic business plans. The survey represents a timely source of information on the fast-evolving international business environment.

Data visualisations based on the following:

Page 2: companies who expect sales to grow. n=139

Page 3, 5 & 6: all companies. n=200

Page 4: companies who think governments are becoming more protective. n=143



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