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ECONOMIC AND POLITICAL OVERVIEW

ECONOMIC OVERVIEW

Brazil is the world's ninth-largest economy. The country is still working on rebuilding itself after the recession that happened nine years ago when the economy contracted by almost 7%. Since then, Brazil hasn't been able to grow at the same pace it was used to during the decade before the recession hit. Nevertheless, the Brazilian economy has been experiencing a slow but steady recovery in recent years. After growing by 2.9% in 2022, the first half of 2023 saw a robust recovery in economic activity, driven by an exceptional agricultural harvest and resilient household spending. Consumer spending continued to remain strong in the second half, bolstered by a robust labour market, while investment has declined, indicating a heightened sensitivity to the high-interest rate environment. For the year as a whole, the IMF estimated growth at 3.1%. As agricultural exports will have a lower impact in the years to come, GDP growth is expected to decelerate to 1.5% this year and 1.9% in 2025.

In 2023, Brazil experienced a significant decline in its fiscal position due to slow revenue growth, substantial expenditure hikes primarily linked to the expansion of Bolsa Familia social benefits, and the resolution of outstanding court-ordered "precatório" payments. Fitch projected that the central government's primary balance deteriorated to a 2.2% GDP deficit from a 0.5% surplus in 2022. The broader general government primary balance also worsened to a 2% deficit in 2023 from a 1.2% surplus in 2022 due to a shrinking primary surplus among subnational governments. This, combined with a somewhat larger interest bill, elevated the overall deficit to around 8%. The 2024 budget aims for a federal primary balance of 0% of GDP. However, achieving this goal seems increasingly difficult given the uncertainties surrounding revenues and spending. The government debt-to-GDP ratio has resumed an upward path in 2023, reaching 88.1% from 85.3% one year earlier (IMF), which should continue over the forecast horizon, with debt standing at around 92.4% of GDP by 2025. Inflation declined markedly over 2023, averaging 4.5%, allowing the central bank to ease monetary policy, reducing the policy rate from 13.75% in July to 12.25% by November 2023.

The labour market has shown signs of improvement, with the unemployment rate dropping to 7.7% in September 2023, the lowest level recorded since June 2015. Job growth was primarily driven by the services sector, particularly domestic services. However, the government believes that the real figures are significantly higher, as it is estimated that almost two-fifths of the country's employed workforce, have informal jobs. The IMF expects the unemployment rate to remain stable this year and the next. Overall, the country continues to face social issues and has one of the highest levels of inequality in the world, with high disparities between the country's regions. Even though Brazil has lifted 28 million people out of poverty in the last 15 years, 10% of the population still lives in poverty, while the country's richest 5% have the same income as the remaining 95% of the population.

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
GDP <i>(billions USD)</i>	1,920.02	2,126.81	2,265.12	2,362.16	2,476.63
GDP <i>(Constant Prices, Annual % Change)</i>	2.9	3.1	1.5	1.9	1.9
GDP per Capita <i>(USD)</i>	9,455	10,413	11,029	11,442	11,934

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
General Government Balance <i>(in % of GDP)</i>	-6.3	-8.2	-6.2	-5.4	-4.9
General Government Gross Debt <i>(in % of GDP)</i>	85.3	88.1	90.3	92.4	93.9
Inflation Rate <i>(%)</i>	n/a	4.7	4.5	3.0	3.0
Unemployment Rate <i>(% of the Labour Force)</i>	9.3	8.3	8.2	8.1	8.1
Current Account <i>(billions USD)</i>	-53.62	-40.60	-40.77	-45.35	-50.28
Current Account <i>(in % of GDP)</i>	-2.8	-1.9	-1.8	-1.9	-2.0

Source: IMF – World Economic Outlook Database , October 2021

Country Risk

See the country [risk analysis](#) provided by [La Coface](#).

MAIN SECTORS OF INDUSTRY

Brazil has abundant natural resources and a relatively diversified economy. The country is the world's largest producer of coffee, sugar cane and oranges, and is one of the world's largest producers of soya. With forests covering half of the country and the world's largest rainforest, Brazil is the world's fourth-largest exporter of timber. Additionally, Brazil is home to the world's largest commercial livestock herd. The country also attracts many multi-national groups in the food and bio-fuels industries. Still, even though agriculture represents around 40% of exports, it contributes relatively little to the GDP (6.8%) and only employs 10% of the population. According to FAO, the 2023 maize crop production was officially estimated at a record high of 102 million tonnes, more than 40% above the previous five-year average, while for wheat it was forecast at 10.8 million tonnes, near the 2022 record level.

Brazil is also a large industrial power and has benefited greatly from its mineral ore wealth. The country is the world's second-largest exporter of iron and one of the world's main producers of aluminium and coal. As an oil producer, Brazil is aiming to become energy independent in the near future, with reserves that could make it one of the top five oil producers in the world. Furthermore, the country is increasingly asserting itself in the textile, aeronautics, pharmaceutical, automobile, steel and chemical industry sectors. Many of the world's large automobile manufacturers have set up production plants in Brazil. Overall, the industry sector contributes 20.7% to the GDP and employs 21% of the population. According to the Brazilian Institute of Geography and Statistics, industrial production increased by only 0.3% in 2023, with the sectors affected by credit availability – namely automotive, IT, electronics, and machinery – recording worse performances.

The service sector represents 58.9% of Brazilian GDP and employs 70% of the active workforce. In recent years, the country has embarked on the production of high added-value services, especially in the fields of aeronautics and telecommunications. Tourism has also been on the rise in recent years, making it an important segment of the sector. Even though the services sector was hit the hardest during the pandemic, it showed a significant recovery in 2022, with growth reaching pre-pandemic levels. The sector's recovery was mainly driven by services to families, information and communication, and transport, as well as a gentle bounce of the tourism industry.

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector <i>(in % of Total Employment)</i>	9.7	20.6	69.7
Value Added <i>(in % of GDP)</i>	6.8	20.7	58.9

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Value Added <i>(Annual % Change)</i>	-1.7	1.6	4.2

Source: World Bank - Latest available data.

Monetary Indicators	2016	2017	2018	2019	2020
Brazilian Real (BRL) - Average Annual Exchange Rate For 1 USD	3.49	3.19	3.65	3.90	5.16

Source: World Bank - Latest available data.

FOREIGN TRADE

Although foreign trade only represents around 39% of its GDP (World Bank, latest data available), Brazil is the world's 26th-largest exporter and importer and the country has an enormous economic potential (WTO). Brazil mainly exports petroleum oils (16.7%), soya beans (14%), iron ores (8.6%), maize and corn (3.7%), and cane or beet sugar (3.3%); while its main imports are petroleum oils (11.9%), fertilizers (8.6%), parts and accessories for tractors and motor vehicles (2.8%), insecticides (2.4%), and petroleum gas and other gaseous hydrocarbons (2.3% - data Comtrade).

In 2022, Brazil's main export partners were China (26.8%), the United States (11.4%), Argentina (4.6%), the Netherlands (3.6%), Spain (2.9%); whereas imports came chiefly from China (23.2%), the United States (18.6%), Argentina (4.7%), Germany (4.6%), India (3.3% - data Comtrade). Despite being the largest economy in Latin America and the ninth in the world, Brazil is still relatively closed compared to other large economies, with a low trade penetration and a low number of exporters relative to the population (its absolute number of exporters is roughly the same as that of Norway, a country with approximately 5 million people, compared to Brazil's 213 million). However, the country has been implementing changes to improve trade, such as reducing the time for documentary compliance for both exporting and importing by enhancing its electronic data interchange system. Additionally, given that the EU is Brazil's second-biggest trading partner, they are working on a free trade agreement - as a part of the EU's Association Agreement negotiations with the Mercosur countries. Not only that, but the bloc has also been looking into signing a bilateral agreement with China in a plan to modernise and open it to other regions. Furthermore, since the inauguration of the newly-elected Brazilian president, Lula, in January 2023, Brazil and Argentina have been working to foster stronger trade ties and introduce a common currency.

Brazil's trade balance is structurally positive but has declined in recent years due to a drop in the prices of raw materials, an increase in energy imports and a decline in the competitiveness of Brazilian products. According to the latest available data from WTO, in 2022, Brazil imported USD 292.2 billion and exported USD 334.1 billion in goods, while in services the country imported USD 79.4 billion and exported USD 39.4 billion. For the year as a whole, the World Bank estimated Brazil's trade balance to be positive by 0.8% of GDP (from 0.9% one year earlier). According to the Ministry of Development, Industry, Trade and Services, as of November 2023, Brazilian exports totalled USD 300 billion, while imports stood at USD 213.5 billion.

Foreign Trade Values	2018	2019	2020	2021	2022
Imports of Goods <i>(million USD)</i>	192,840	193,162	166,336	234,690	292,245
Exports of Goods <i>(million USD)</i>	231,890	221,127	209,180	280,815	334,136
Imports of Services <i>(million USD)</i>	73,372	71,514	52,171	58,439	79,473
Exports of Services <i>(million USD)</i>	34,044	33,033	27,514	31,482	39,455

Source: World Trade Organisation (WTO) ; Latest available data

Foreign Trade Indicators	2018	2019	2020	2021	2022
Foreign Trade <i>(in % of GDP)</i>	28.9	28.9	32.3	38.2	39.3

Foreign Trade Indicators	2018	2019	2020	2021	2022
Trade Balance <i>(million USD)</i>	43,373	26,547	32,370	36,363	44,153
Trade Balance (Including Service) <i>(million USD)</i>	4,045	-11,934	7,713	9,406	4,536
Imports of Goods and Services <i>(Annual % Change)</i>	7.7	1.3	-9.5	12.0	0.8
Exports of Goods and Services <i>(Annual % Change)</i>	4.1	-2.6	-2.3	5.9	5.5
Imports of Goods and Services <i>(in % of GDP)</i>	14.2	14.8	15.8	18.6	19.3
Exports of Goods and Services <i>(in % of GDP)</i>	14.6	14.1	16.5	19.6	20.0

Source: World Bank ; Latest available data

Foreign Trade Forecasts	2023	2024 (e)	2025 (e)	2026 (e)	2027 (e)
Volume of exports of goods and services (Annual % change)	7.9	6.0	4.0	3.4	3.0
Volume of imports of goods and services (Annual % change)	-2.8	-0.3	1.6	2.4	2.6

Source: IMF, World Economic Outlook ; Latest available data

Note: (e) Estimated Data

International Economic Cooperation

Brazil is a member of the following international economic organisations: IMF, Mercosur, ICC, G-15, G-20, G-24, G-77, Latin American Integration Association (LAIA), WTO, among others. For the full list of economic and other international organisations in which participates Brazil click [here](#). International organisation membership of Brazil is also outlined [here](#).

Free Trade Agreements

The complete and up-to-date list of Free Trade Agreements signed by Brazil can be consulted [here](#).

Main Partner Countries

Main Customers <i>(% of Exports)</i>	2022
China	26.8%
United States	11.4%
Argentina	4.6%
Netherlands	3.6%
Spain	2.9%
See More Countries	50.7%

Main Suppliers <i>(% of Imports)</i>	2022
China	23.2%
United States	18.6%
Argentina	4.7%
Germany	4.6%
India	3.3%
See More Countries	45.7%

Source: Comtrade, Latest Available Data

POLITICAL OUTLINE

Current Political Leaders

President: Luiz Inácio LULA da Silva (since 1 January 2023) - the president is both Chief of State and Head of Government

Next Election Dates

Presidential: October 2026

Federal Senate (for one-third of Senate seats) and Chamber of Deputies: October 2026

Current Political Context

In October 2022, Brazilian voters went to the polls to choose between two polarising candidates in the country's presidential elections. The president at the time, Jair Bolsonaro, was running for reelection against former president Luiz Inácio Lula da Silva, one of the most popular leaders in Brazilian history. The far-right candidate, Jair Bolsonaro, had been facing a significant decrease in popularity and shrinking approval ratings, mainly due to his government's management of the pandemic and controversial decisions made throughout his mandate, such as cutting funding for federal education and relaxing gun ownership laws. His opponent in the polls, Lula, had served two terms as president between 2003 and 2010 and was later imprisoned on corruption charges, although his conviction was subsequently annulled. Finally, Lula retook office in January 2023, narrowly defeating Bolsonaro in the presidential runoff. Shortly after Lula's inauguration on January 8, supporters of Bolsonaro invaded and damaged the presidential palace, Congress, and Supreme Court in Brasília, demanding intervention by the Armed Forces. The prompt and unified response from the executive, judicial, and legislative branches contained the movement without major disruption. Though the political climate remains somewhat polarized, tensions have considerably eased since January.

Lula advocates for increased state involvement in the economy, which includes boosting the role of state banks, pausing new privatizations while emphasizing public-private partnerships instead, and reversing Petrobras' divestment strategy to focus on increasing domestic energy self-sufficiency. Tax reform also ranks high on the agenda, especially the unification of the five consumption taxes currently in force.

Main Political Parties

About two dozen political parties are represented in the Brazilian National Congress. Parties typically group to form coalition governments. However, politicians often change parties, which has led to weak party discipline.

The main parties by number of seats in Congress are:

- **Social Liberal Party (PSL)**: far-right, conservative, nationalist, militarist, liberal, anti-communism, anti-feminism, anti-LGBTQI+, populist.
- **The Worker's Party (PT)**: centre-left, social democratic. Party with the highest number of elected representatives throughout the country since 2003.
- **The Liberal Party (PL)**: formerly known as the Party of the Republic (PR). Centre-right to right, liberal, conservative, Christian democracy.
- **The Progressive Party (PP)**: right-wing, nationalist, conservative.
- **Social Democratic Party (PSD)**: big-tent party, centrist, liberal, Christian democracy.
- **The Democratic Movement Party (MDB)**: big-tent party, centrist, liberal, conservative.
- **The Brazilian Social Democracy Party (PSDB)**: centre, social-democratic, liberal, conservative.
- **The Brazilian Socialist Party (PSB)**: centre-left to left-wing, social-democratic, economic nationalism, state interventionism.
- **Republicans**: right-wing, conservative, Christian democracy.
- **Democratic Labour Party (PDT)**: centre-left, social-democratic, labourism.
- **Solidarity (SDD)**: left-wing, social-democratic, labourism.
- **Podemos (PODE)**: centre-right to right, nationalist, populist.
- **Socialism and Liberty Party (PSOL)**: left-wing to far-left, social-democratic, anti-capitalist, environmentalist.
- **Forward (Avante)**: centre, Third Way, populism.
- **New Party (NOVO)**: centre-right to right-wing, liberalism.
- **Communist Party of Brazil (PCdoB)**: left-wing, Communism, Marxism-Leninism.
- **Citizenship (PSDB-Cidadania)**: centre to centre-left, social liberalism, Third Way.
- **Patriot (Patriota)**: right-wing to far-right, social conservatism, economic liberalism, militarism.
- **Green Party (PV)**: centre to centre-left, social-democratic, environmentalist, green politics.
- **Sustainability Network (REDE)**: centre to centre-left, green politics, progressivism, environmentalism.
- **The Brazil Union (União Brasil)**: liberal-conservative, formed through the merger of the Democrats (DEM) and the Social Liberal Party (PSL).
- **The Democratic Renewal Party (PRD)**: a fusion of Patriota and the Brazilian Labour Party (PTB)

In the latest election, the Brazil of Hope Federation (FE Brasil), an electoral and parliamentary group formed by the Workers' Party (PT), Communist Party of Brazil (PCdoB) and Green Party (PV), obtained the majority of the seats.

Executive Power

The **President** is both Head of State and Government. He or she holds executive power and appoints the Council of Ministers. The President and Vice-president are elected by universal suffrage for a four year term, with the possibility of re-election for a second successive term.

Legislative Power

The legislative power is bicameral. The National Congress is made up of two houses: the **Senate** (upper house) and the **Chamber of Deputies** (lower house). The Senate is comprised of 81 members (three members for each of the 26 states and the Federal District of Brasília), each elected on a majority basis for eight-year terms, with one-third and two-thirds of the membership elected alternatively every four years. The Chamber of Deputies is comprised of 513 members, with seats allocated according to proportional representation, elected every four years for a four-year term. There are also legislatures and administrations at the state level in each of Brazil's 26 states and in the Federal District.

COVID-19 COUNTRY RESPONSE

Travel restrictions

Regularly updated travel information for all countries with regards to Covid-19 related entry regulations, flight

bans, test and vaccines requirements is available on [TravelDoc Infopage](#).

To find information about the current travel regulations, including health requirements, it is also advised to consult Travel Regulations Map provided and updated on a daily basis by [IATA](#).

Import & export restrictions

A general overview of trade restrictions which were adopted by different countries during the COVID-19 pandemic is available on the [International Trade Centre's COVID-19 Temporary Trade Measures](#) webpage.

Economic recovery plan

The information on the economic recovery scheme put in place by the Brazilian government to address the impact of the COVID-19 pandemic is available on the [website of KPMG](#).

For the general overview of the key economic policy responses to the COVID-19 outbreak (fiscal, monetary and macroeconomic) undertaken by the Brazilian government, please consult the section dedicated to Brazil in the [IMF's Policy Tracker platform](#).

Support plan for businesses

For an evaluation of impact of the Covid pandemic on SMEs and an inventory of country responses to foster SME resilience, refer to the OECD's [SME Covid-19 Policy Responses](#) document.

You can also consult the World Bank's [Map of SME-Support Measures in Response to COVID-19](#).