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INVEST

FOREIGN DIRECT INVESTMENT

Foreign direct investment into Brazil boomed between 2009-2011 but had been slowing down ever since. However, according to the [World Investment Report 2023](#) published by UNCTAD, FDI inflows increased to USD 86 billion in 2022, compared to USD 50.6 one year earlier (+69.9%), the second-highest value ever recorded and the fifth worldwide, due to a doubling of reinvested earnings. Moreover, Brazil attracts 41% of direct investment in Latin America in 2022. In the same year, the total stock of FDI stood at USD 815.6 billion, around 42.4% of the country's GDP. According to the latest figures available from the Brazilian Central Bank, the main investing countries in Brazil are the Netherlands, the United States, France, Spain, and Canada. Investments are mainly oriented towards commerce, non-metallic mineral products, chemical products, financial and auxiliary services, and motor vehicles. In the first eight months of 2023, FDI inflows totalled USD 37.9 billion, down by 36% compared to the same period one year earlier (data Central Bank).

The country is an attractive destination for international investors due to several factors: a domestic market of over 210 million inhabitants, availability of easily exploitable raw materials, a diversified economy that is less vulnerable to international crises, and a strategic geographic position that allows easy access to other South American countries. However, investment in Brazil remains risky because of some negative factors including cumbersome and complex taxation, bureaucratic delays and heavy and rigid labour legislation. As part of the country's ongoing effort to strengthen its business environment, Brazil introduced electronic certificates of origin which reduced the time required for import documentary compliance, facilitating and simplifying the whole process. The country also made several infrastructure concessions which have helped foster investment. The current president has plans for further improving the business environment in the country, implementing reforms such as decreasing the number of days needed to create a company in Brazil from 79.5 days down to the regional average of 30 days. Easing of regulation in some sectors and potential amendments to the tax system should help as well. To date, Brazil does not have a national security-based foreign investment screening process. The country ranks 49th among the 132 economies on the [Global Innovation Index 2023](#) and 127th out of 184 on the [2023 Index of Economic Freedom](#).

Foreign Direct Investment	2020	2021	2022
FDI Inward Flow <i>(million USD)</i>	28,318	50,651	86,050
FDI Stock <i>(million USD)</i>	595,285	729,577	815,627
Number of Greenfield Investments*	223	187	242
Value of Greenfield Investments (million USD)	16,675	23,051	17,888

Source: UNCTAD - Latest available data.

Note: * Greenfield Investments are a form of Foreign Direct Investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.

Country Comparison For the Protection of Investors	Brazil	Latin America & Caribbean	United States	Germany
Index of Transaction Transparency*	5.0	4.1	7.0	5.0
Index of Manager's Responsibility**	8.0	5.2	9.0	5.0
Index of Shareholders' Power***	4.0	6.7	9.0	5.0

Source: Doing Business - Latest available data.

Note: *The Greater the Index, the More Transparent the Conditions of Transactions. **The Greater the Index, the More the Manager is Personally Responsible. *** The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action.

WHAT TO CONSIDER IF YOU INVEST IN BRAZIL

Strong Points

Advantages for FDI in Brazil:

- Extensive natural resources
- A large middle-class and a large domestic market (7th largest population in the world)
- A strategic geographic location
- A diversified economy, well anchored in international exchanges (FDI inflows and foreign exchanges reserves are important, low external debt)
- Export sectors, especially in industry, represent investment opportunities, thanks to the weakness of the real exchange rate

Weak Points

Despite being open to international trade, some of the barriers to FDI in Brazil include :

- Onerous labour laws, resulting in high costs to foreign companies and keeping a good part of local business in the informal sector
- High costs of production (wages, credit, energy and logistics)
- Insufficiently developed infrastructure
- High level of regulatory risk (high taxation and heavy fiscal system)
- High exposure to changes in commodity prices on international markets
- Shortage of qualified labour

Government Measures to Motivate or Restrict FDI

The Brazilian Government encourages and promotes FDI. The National Investment Bank (BNDES), one of the largest development banks in the world, encourages foreign investment. Most of the barriers to foreign investors have been removed, particularly on the stock market. A very large number of public companies have been privatised and many sectors were deregulated over the last fifteen years.

Among the Brazilian initiatives to attract investors there are numerous incentives: Inovar-Auto Programa, that aims at improving technological development and energy efficiency; Consulta Pública Ex-Tarifário, which enables

increased innovation by companies through a temporary reduction in the rate of tax on the import of capital goods; Renai, which provides information to potential investors on business opportunities in Brazil. Moreover, Brazil's federal government offers investment support through funding and agreements limiting double taxation.

The [Brazilian Trade and Investment Promotion Agency \(Apex-Brasil\)](#) is the national investment promotion agency for Brazil. Apex-Brasil webpage offers information about the Brazilian tax system, industrial property protection, labor and environmental legislation, credit support and incentives for foreign investors.

INVESTMENT OPPORTUNITIES

The Key Sectors of the National Economy

Agriculture (sugar cane, coffee, oranges, soya, bananas, walnuts, cashew nuts, corn, pineapples and peppers), beef, poultry, tobacco leaves; mineral ores, iron and aluminium.

The country is increasingly asserting itself in aeronautics, pharmacy, automobile, iron and steel and chemical sectors. Petrogas sector has a large potential and Brazil is the largest market in Latin America for renewable energies.

Moreover, the Brazilian government launched an investment program for infrastructure development. Opportunities exist, notably in the development of airports and more generally in the public-private partnership targeting infrastructure development. Thanks to the growth of the middle-class, the franchising sector is booming in Brazil.

High Potential Sectors

Numerous sectors in Brazil offer excellent short-term opportunities: agricultural biotechnology, agricultural commodities, crop and livestock, digital technologies, aerospace, chemical products, petrochemicals and clean energy, oil and gas extraction, metal extraction, electricity and gas, commerce, transportation, basic metallurgy, motor vehicles, trailers, semi-trailers and real estate activities.

Privatization Programmes

In July 2019 the economically liberal government of Brazil announced a privatisation programme, the largest in the world in terms of the number of companies to be privatised, which promises to reduce the number of state-owned companies from 134 to just 12, and by far the largest in terms of asset value, estimated at R\$ 470 billion (\$117 billion) by the investment bank Bradesco BBI. First, Petrobras' pipeline subsidiary, TAG, was sold to a group led by French company Engie SA and Canadian company Caisse De Depot Et Placement Du Quebec (CDPQ) for \$8.7 billion. This transaction was Brazil's largest M&A operation to date in 2019. Shortly thereafter, Petrobras sold a 30% stake in its fuel distribution business, BR Distribuidora, reducing its position from 71% to 41% for a total of \$2.27 billion.

Tenders, Projects and Public Procurement

[Tenders Info](#), Tenders in Brazil

[Comprasnet](#), Tenders

[TendersOnTime](#), Tenders Worldwide

Sectors Where Investment Opportunities Are Fewer

Monopolistic Sectors

Foreign capital is prohibited in activities relating to nuclear power, mail and telegraph services, and the aerospace industry.

Under the provisions of the Constitution (Art. 21, XXIII), the Federal Government is legally liable for the operation of nuclear services and facilities of any kind and for the exercise of the state monopoly on research, extraction, enrichment and reprocessing, industrialisation and trade in nuclear ores and their derivatives.

Sectors in Decline

The sectors most affected by Asian competition, especially textiles.

Finding Assistance For Further Information

Investment Aid Agency

[Apex-Brasil \(Brazilian Trade and Investment Promotion Agency\)](#)

Other Useful Resources

[BNDES \(Brazilian Development Bank\)](#)

[Central Bank of Brazil](#)

Doing Business Guides

[The Lexmundi Guide on Doing Business in Brazil](#)

[Doing Business in Brazil \(Consulate General of Brazil in Miami\)](#)