

ÁBACO's BRAZIL BUSINESS BULLETIN, new insights into why your clients, colleagues, competitors - *and hopefully you* - now call Brazil the world's most attractive market.

# ABACO BBB #2

When there's significant news, we'll send a BBB indicating market opportunities, unless you opt out ("Remove" reply).



## What's happening in Brazil?

⇐ President Lula elects his Chief of Staff Dilma Rousseff as Brazil's next president.

Hot economy and strong currency attract big-ticket entertainers such as Paul McCartney ⇨



### NEW ECONOMIC REALITY

#### BRAZILIAN REAL RISING AGAINST DOLLAR, AFFECTS TRADE BALANCE, COMBATS INFLATION

- R\$ 1,00 (one real), worth only US\$ 0.35 in 2004, is now valued at 59¢, up almost 70%.
- Currency validation stimulates foreign travel and countless imports, from olive oil to luxury autos, but inhibits exports.
- Also attracts big-ticket entertainers such as Paul McCartney (*here now!*), Amy Winehouse, Bon Jovi, Norah Jones, Jonas Bros., Metallica,...

R\$ ↑  
US\$ ↓

#### BRIC HAS A CAPITAL "B"

- Brazil's surging financial market attracted excessive foreign speculation, leading Brasilia to charge a 6% *pedágio* (entry tax) on short-term investments. This doesn't affect long-term business investments.

### THE PEOPLE

#### BULGING MIDDLE CLASS

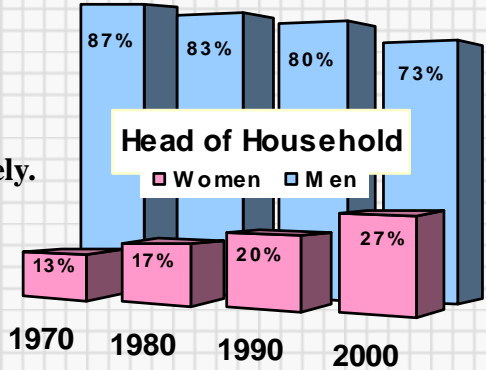
- Lower-middle class, with US\$ 9-36K family income, now numbers 103MM, surpassing 50% of population. Their demand for standard consumer goods is fueling broad market growth, including "status" brands.
- Almost 1/2 of adults (47%) overweight, 14% obese. Heaviest segment? Men 55-64: 60% and 20% respectively.
- Closely related diet vs. health issues: 25% of adults suffer from hypertension and 6%, diabetes.

#### SMALLER HOUSEHOLDS

- The average household now has only 3.37 persons, a significant drop from 3.79 in the 2000 Census.

#### CLEANER AIR

- Since 1990, smoker incidence fell from 33% to 18% of Brazilians over 18.



2010 Census data available soon.

## MARKETS IN BROAD EXPANSION

### TELECOM TRANSFORMED

- Mobile phone lines, up 4X since 2005, surpass the 190MM population. Half of phone households are mobile only, 83% of mobiles pre-paid.

### AUTOMOTIVE: SECTOR ON A ROLL

- Record growth: Production rises 15% over '09, exceeding 3MM vehicles through October. Brazil becomes world's #6 auto-maker in 2010.
- Totally Flex-Fuel vehicles that run on any mix, from 100% gasoline to 100% alcohol, now represent 86% of production. Brazil's auto fleet already consumes more sugar-cane ethanol than gasoline.
- Truck sales rose 50% in 2010, but the fleet remains ancient: average truck age is 20 years. ⇒ Very large potential market.

### PHARMA: MORE LOCAL PRODUCTION

- Seven more key drugs to be produced locally, replacing imports that treat Alzheimer, AIDS, Osteoporosis, Tuberculosis, Hemophilia, Asthma, and an Immunosuppressor for transplants. All will be provided free to patients in the public health system.

### TOURISM: CRUISES DOCK IN BRAZIL THIS SUMMER

- Cruise lines will bring 850,000 passengers, 21% more than 2009-2010 season, to 20 Brazilian ports.

### SÃO PAULO THROBING WITH TRADE FAIRS

- 90,000 events/year crowd available exposition areas such as Anhembi Park's 4,000,000 ft<sup>2</sup>.

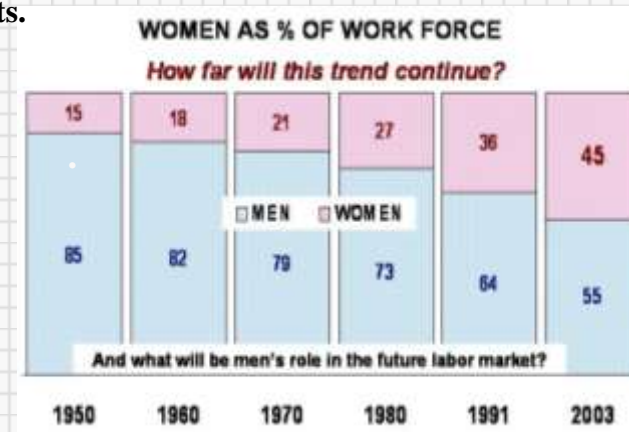
## INFRASTRUCTURE TO SUPPORT GROWTH

### NO ENERGY GAP

- Current and contracted energy sources can sustain 7% annual economic growth through 2014.

### CLEAN ENERGY

- In 2009, 93% of Brazil's electricity was hydroelectric, less than 4% thermal, and 3% nuclear.
- New eolic (wind) turbines surprisingly cost-effective, yielding 2x as much energy as in Europe.



## SUPERLATIVES

Did you know Brazil is **#1** in...Bible production?

- Cattle herd? Use of agri-chemicals? Internet spam?
- Exports of poultry, soccer players, and top models?



Did you know São Paulo...has over 6,000,000 automobiles?

- Consumes 500,000 pizzas per day from 5,000 pizzerias?
- Is the most expensive city in the Americas? (#2 is NY)

Alan Grabowsky  
President / CTO

AG7@AbacoResearch.com

Janice Grabowsky  
VP-Operations

Janice@AbacoResearch.com

Charles Blandy Vermes  
International Director

Blandy@AbacoResearch.com

Jason Herron  
C-Sat / Mystery Shopping Mgr.

JH@ShopnChek.com.br