

**This is ÁBACO's
BRAZIL BUSINESS BULLETIN**

New insights: why your clients, colleagues, competitors - *and hopefully you* - now call Brazil the world's most attractive market.



In this edition:

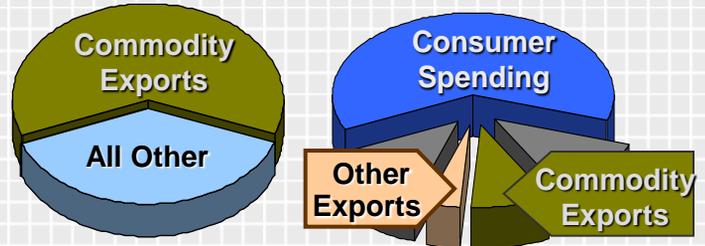
- Brazil's economy: Myth vs. Reality
- Understand the New Brazil: Census of 2010 shows dramatic changes
- 20 Business Opportunities with millions of avid New Consumers

Myth #1: *"Brazil's growth depends mostly on volatile commodity exports."*

- Reality: Consumer Spending=62% of GDP; total exports only 13%, commodities 9%
- Nevertheless, since 2010, Brazil's top trade partner is China: \$56B, vs. USA \$46B.
- Chinese FDI multiplied from only \$0.3B in 2009 to \$17B of Brazil's total \$48B in 2010

BRAZIL'S GDP

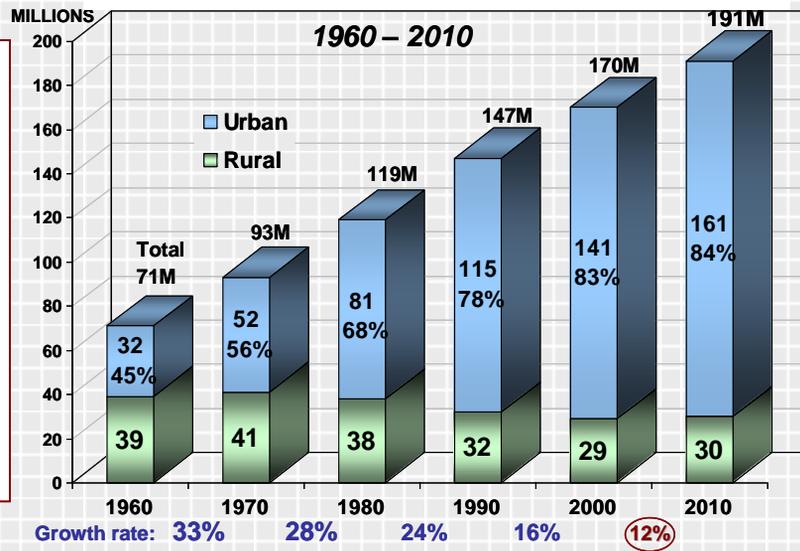
MYTH vs. REALITY



POPULATION AND URBANIZATION

Myth #2: *"Brazil is a typical developing nation with a mushrooming population which leads inevitably to social unrest."*

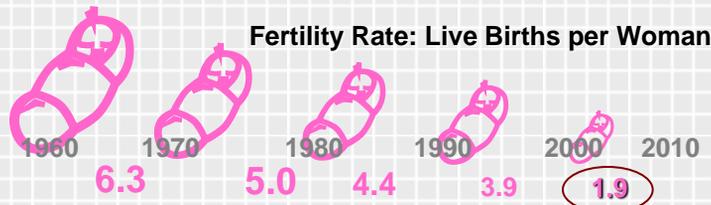
- Reality: Annual population growth slows to a "mature" 1% annually as it nears 200M.
- Typical woman has only 1.9 childbirths, a sign that demographic stabilization is near.
- Fewer than half now give birth before age 25 and a third of new mothers are 30+.
- Average life expectancy at birth, now 72.5, increases 1 year every 3 years.



Myth #3: *"Brazilian homes have many children and multiple generations, diluting household income."*

- Reality: Brazil has 58M households, up 30% since 2000, but population grew only 12%.
- Average household shrank from 3.8 to 3.3, with 12% one-person homes (new market!)
- 39% of households are headed by women; 40% by person aged 50+ (growing segment)

Fertility Rate: Live Births per Woman



Come for a "cafezinho" and enjoy the spectacular view of Avenida Paulista from our new offices.

See the opportunities
in these data?

ÁBACO BBB #3

Myth #4: *“Brazil remains a third-world country: a few wealthy people and the majority of the population still very poor.”*

Reality: A HEALTHY ECONOMY,...AND THEN SOME!

- Since 2002, **40M new Class C consumers** and continued credit restriction shield the economy partly from foreign volatility.
- Today 56% of homes have income considered class C: “lower-middle”.
- According to Forbes, Brazil created **19 new millionaires per day** since 2007. Now has 137,000 Millionaires and 30 Billionaires, most in São Paulo and Rio de Janeiro states ...paradise for vendors of luxury goods.



Myth #5: *“Millions flee from Brazil to seek a better life elsewhere.”*

Reality: Brazilians do live abroad in 193 countries, ¼ in the USA, but...

- **Immigration to** Brazil grows 50% per annum, attracted by the stronger economy and salaries higher than in New York or London.
- Brazilians still travel in record numbers, notably to **shop**...and buy real estate. Southern Florida realtors claim half their buyers are Brazilian.
- **Tourism to** Brazil also sets new records. Mega **sports** events of the next 5 years trigger huge investments in tourist **infrastructure**.



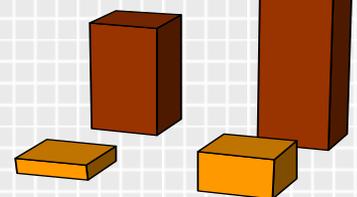
International departures area at one SP airport. New terminal building underway.

Myth #6: *“Only wealthy youth are admitted to universities; public high school students lack adequate preparation.”*

Reality: Brazilian **Education** is becoming quite democratic.

- University enrollment more than doubled since 2001, surpassing 6M, and income **class C** students are now **63%** of total enrollment.
- **55%** of class C youth 18-25 are now in colleges and universities.
- Official **illiteracy** was reduced from 14% to 10% since 2000.
- Education gap will persist for decades, because half the population aged 10+ did not finish primary school and only 8% are college graduates,

University	2001	2010
...Students	3,000,000	6,380,000
Graduates	400,000	1,000,000



Myth #7: *“The international financial crisis affects Brazil even more than the other major world economies.”*

Reality: Brazil is suffering much **less** impact than most of the world.

- Brazil had an autonomous state-dominated economy for decades, with a large population, little foreign trade, and almost no consumer **credit**.
- This **handicap** isolated it from the bank debacle and economic paralysis.
- Now the government uses **slack** to loosen credit, boosting the economy.



DID GROWTH
CREATE NEW
MARKETS?

ÁBACO BBB #3

WHAT ARE SOME
MAJOR
OPPORTUNITIES?

- **AUTOS**: Only 40% of families have cars, but Brazil passed every Euro nation to become #4 market. High import duties drew over 25 car makers to build plants, including big “unknowns” from China.
- **FUEL** from renewable sources: 90% of new cars are flex-fuel (use any mix, from 100% gasoline to 100% alcohol). This fleet demands more and more **alcohol**. 
- **TOURISM**...Outbound: Brazilian tourists spent 40% more in 2010. US consulates in Brazil multiply their visa staff to service **67% higher demand**. USA's top 2 visa “markets” are now Brazil and China.
- **NEW CONSUMER LIFESTYLES** (*not all healthy ones*) **CREATE OPPORTUNITIES SUCH AS...**
- **PERSONAL CARE / ESTHETICS**: Brazil surpassed USA. now #1 perfume and deodorant market. #1 for Avon, #2 for Unilever. Overtaking Japan to be #2 in cosmetics. Nail polish sales soared 90% in 2 years; producers rushed to offer as many as 160 colors. 
- **HEALTH CARE** Solutions for Unhealthy Diets: Average daily sodium intake is 12g, vs. 5g safe maximum. In some large cities almost 50% of inhabitants are overweight.. A surge in bariatric surgeries (stomach reduction), 60,000 vs. 16,000 in 2003. Type 2 Diabetes is a *growth* market.
- **BANKING**: Vast potential: 28% of adults have no account; 56% of classes D/E remain bank-less.
- **INVESTMENTS**: Two USA stock exchanges plan to open in Rio de Janeiro in 2012.
- **LUXURY GOODS**: Did you see Myth #4 above? Tiffany now has 3 stores in SP. 
- **I.T.** 5M PCs/year (world #3) despite cost. iPad price was \$1050 for last Christmas.
- **MOBILE PHONES**: Brazil has 215M lines and adds 2M+ each month.
- 88% of the population now have telephones, but 47% have mobile only.
- **LANGUAGE STUDY**: Few Brazilians are bilingual, vital for business success and work in tourism.
- **CONSTRUCTION**: Infrastructure projects proliferate anticipating **2014 World Cup** play in 12 cities.

● **ABACO**'s multicultural research team has expertise in myriad business areas (some that surprise you). Our toolbox starts with market investigation and spans due diligence, product tests, brand image and strategy development, using every quali- and quantitative research method.

● **ABACO** will help start and grow your business with sound research + keen market understanding.

● Contact **ABACO** at our new São Paulo office at Avenida Paulista 1499, 14th floor.



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