

Team Sweden Brazil

Swedish Business Climate in Brazil

2019



Team Sweden Brazil



SWEDISH-BRAZILIAN CHAMBER OF COMMERCE

Project Coordinator Brazil
Jonas Lindström - Managing Director

Graphical analysis and layout design

LLYC

LLYC is a global communications and public affairs consultancy that helps its clients make strategic decisions within the disruptive and uncertain context in which we live, while also measuring their reputational impact. It works with its clients proactively, offering the necessary creativity and seniority to help them implement decisions while minimizing risks and harnessing opportunities, allowing them to achieve their short-term business goals while defining a roadmap with a long-term outlook. This, in turn, defends their social license to operate and increases prestige.

With offices in Argentina, Brazil (Sao Paulo and Rio de Janeiro), Chile, Colombia, the Dominican Republic, Ecuador, Mexico, Panama, Peru, Portugal, Spain (Madrid and Barcelona) and the United States (Miami, New York and Washington, DC), LLYC also offers services through partner agencies in Bolivia, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Paraguay, Uruguay and Venezuela.

Both top industry publications rate LLYC among the most important communication firms in the world, ranking the company 42nd in terms of global revenue according to PRWeek's Global Agency Business Report 2019 and 49th in The Holmes Report's Global Ranking 2019.

LLYC has won numerous awards for its clients' reputational and business results, including Communication Consulting Firm of the Year in Latin America and Europe in the 2019 International Business Awards.

Team Sweden in Brazil would like to thank the participating companies:

AAK, ABB, Ahlstrom-Munksjö, Alfa Laval, Assa Abloy, Atlas Copco, Atos Medical, Autoliv, Camfil, Dellner, Diaverum, Electrolux, Epiroc, Ericsson, Essity, Ferring, FinanZero, Getinge, Gunnebo Gateway, Gunnebo Industries, Haldex, Höganäs, Husqvarna, iZettle, Mentor Media, Molnlycke Health Care, Munters, Nefab, Nordea, Norvida AB, Nynas, Piab, PQR MA2 Engenharia e Consultoria, Quant, Roxtec, Saab, Sandvik Group, Scania, SEB, Semcon, SKF, SSAB, Starsprings, Stora Enso, Storytel, Swedish Match, Systemair Traydus, Tetra Pak, Thule, Trelleborg, Volvo Car, Xylem.



Johanna Brismar Skoog
Ambassador of Sweden
to Brazil

Sweden and Brazil doing business together



Sergio Quiroga
Chairman Swedcham

Swedish companies have been present in Brazil for more than a hundred years.

Even with a challenging market and its recently years of economic crisis, new Swedish companies continue to set up operations in the country and many of them, already established, have done major investments. Today approximately 200 Swedish enterprises are present in Brazil employing 60,000 people active in sectors such as telecom, transport, machinery, defense, healthcare and mining.

Every year, Swedcham - the Swedish-Brazilian Chamber of Commerce - carries out a survey among Swedish enterprises and members in Brazil in order to better understand the business climate and its direction in general.

This year, we highlight that 59% of participants believe that they will increase their investments in the next 12 months in Brazil. The positive outlook marks a year of good results for companies, which still waits for more significant advances in Brazilian regulation. The companies participating in the study are responsible for the generation of almost 31 thousand direct jobs in the country and are present in more than 20 sectors of the local economy, which demonstrates an important participation in the country's economic scenario.

Going forward the idea is to form a closer collaboration with Business Sweden and, through a joint global reach and business analytics, conduct the same type of survey in 20+ markets around the world. This in order to create a global comparison and benchmark for Swedish companies with plans to either enter new markets or to do further investments in already existing markets.



Renato Pacheco
Swedish Honorary Consul
General in São Paulo

Swedcham works closely with the Embassy of Sweden, the Swedish Honorary Consulates and Business Sweden as Team Sweden Brazil to promote Sweden, Swedish industry and Swedish economic interests in Brazil. CISB (Centro de Inovação Suecia-Brasil) is another important player in this work. The commitment and close cooperation between the Team Sweden members help position Sweden very well in Brazil.

Sweden and Brazil have signed a strategic partnership with the objective of increased collaboration and knowledge exchange between our countries, this on industry, research and development, cultural, social and political level. Various steering groups have been formed to actively increase the bilateral collaboration and exchange. Areas in focus include bioeconomy, mining, smart cities, aeronautics, health & life science and science parks and incubators. The interest of the industry is covered by the Brazil-Sweden Business Leaders Forum, through representation of some of the largest companies on both sides.



Jonas Lindström
Managing Director
at Swedcham

With the Gripen deal, Sweden and Brazil are embarking on a new era of bilateral cooperation. The Gripen project covers the development and production of 36 fighter aircrafts for the Brazilian Air Force. It will last for 30-40 years and create contacts, partnerships and exchanges far beyond the aeronautics sector.



Andreas Rentner
Trade Commissioner at
Business Sweden in
Brazil

We hope that this issue of the Swedish Business Climate survey will prove to be a useful tool for company leaders, policy makers, stakeholders and partners, serving as an inspiration for newcomers while also assisting those already present in Brazil, by indicating what areas to put extra focus on. It furthermore highlights Sweden's long-term view and clear commitment to Brazil, the Brazilian market and society.

5	More newcomers than old-timers
6	OVERVIEW
7	Relationship based business
8	Strong presence in industrial products and infrastructure
9	Produce in Brazil for Brazil
10	Many global giants with potential to grow in Brazil
10	Creating jobs
11	More hiring than firing
12	Negative trend for female employment
13	Extensive workload required to meet CSR legislation
14	BUSINESS ENVIRONMENT
15	A positive but cautious outlook
16	Access to qualified people and formation of strong partnership seen as positive factors to do business
17	Political situation and corruption create uncertainty and are the main concerns for the companies
18	2020 OUTLOOK
19	Positive, but moderate growth expectation for 2020
20	Continued investments expected by a majority of companies in 2020
21	More hiring than firing also next year
22	Northeast region is highlighted as extra interesting for expansion
23	Expectation of the current government economic agenda divides the group in two – 52% regular or better, 48% below or bad
23	66% believe that increased foreign investment can be expected in 2020
24	Preparing for less protection and growing trade
25	Tax reform as a priority
26	SWEDISH COMPANIES AND TEAM SWEDEN
27	Relationship with Sweden
28	Team Sweden, a well-known partner
29	CONCLUSIONS

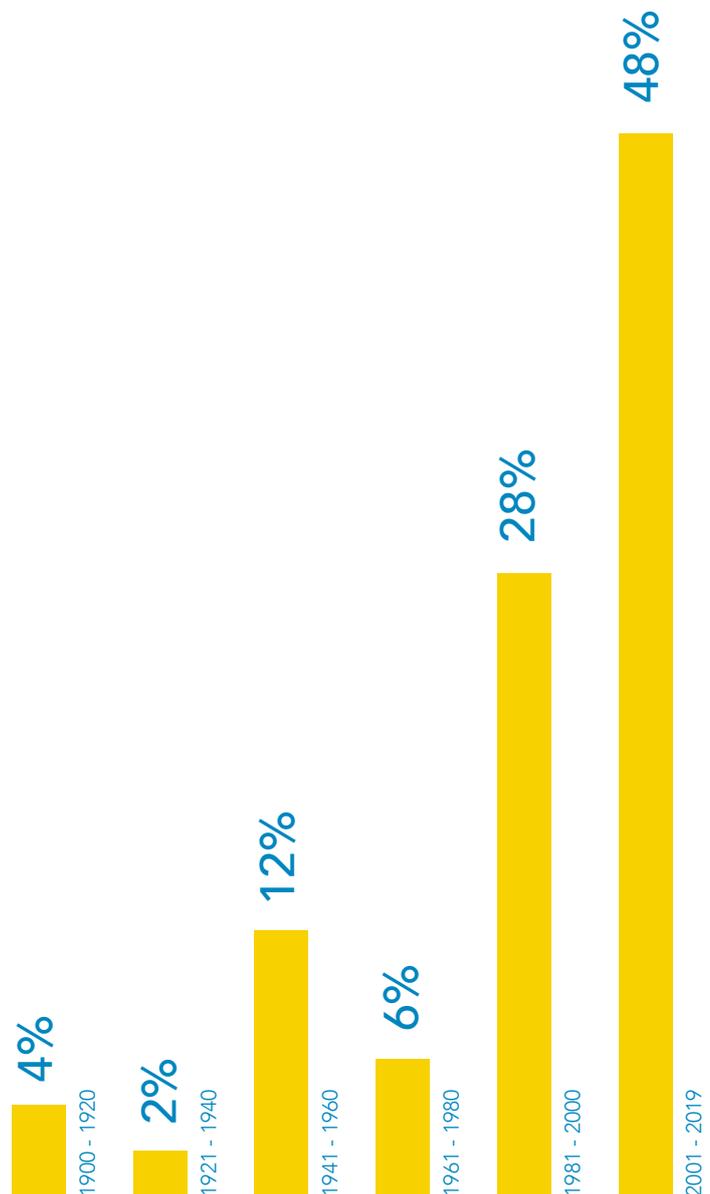
More newcomers than old-timers

53

companies participated in the survey

Together they have over 1000 years of experience and more than 30.000 people employed in Brazil.

In last year's study, there were 72 participating companies, but it included companies of all sizes. The 2019 version focused on larger companies, and even though some have been doing business in Brazil for more than a decade, the majority (76%) arrived after 1981.

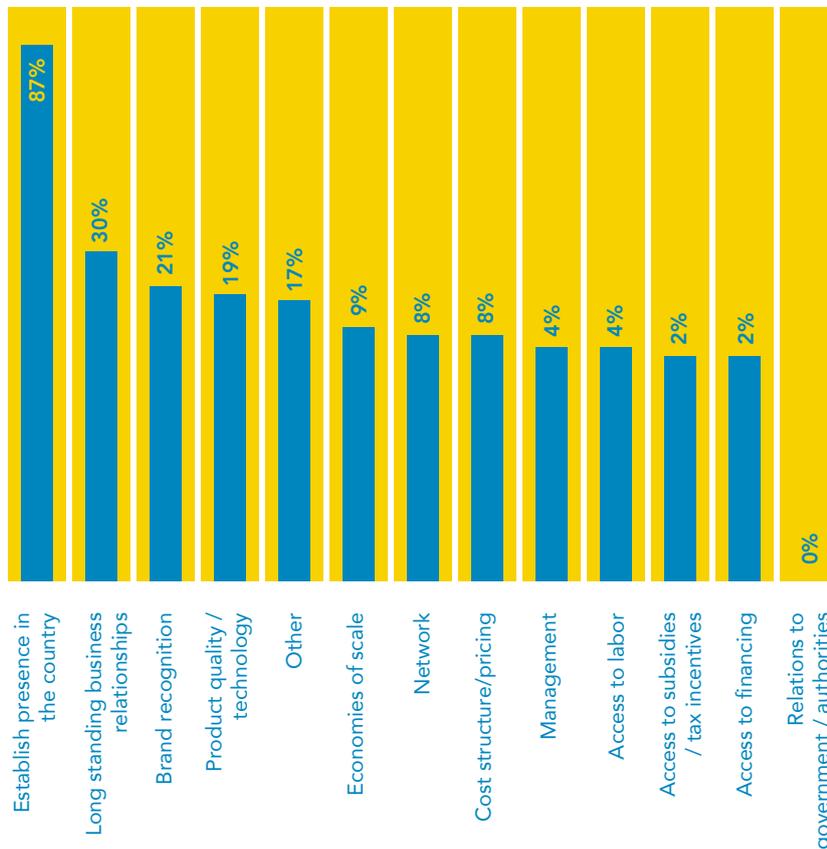


Overview

Relationship based business

The size of the Brazilian market is the main pulling factor for the arrival and establishment of Swedish companies, and having physical presence is considered a key factor to maintain long standing business relationships.

Main reasons to open up business in Brazil



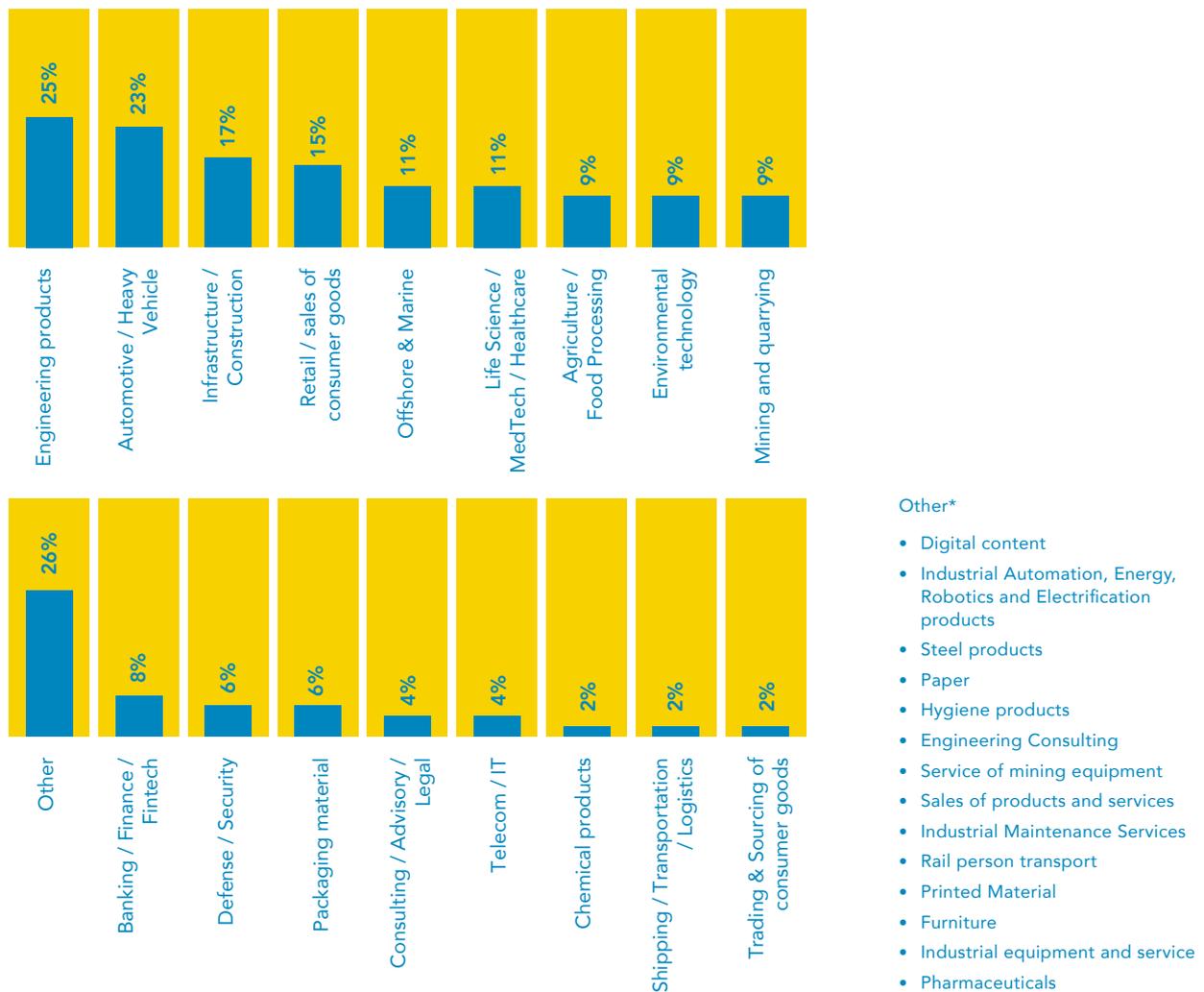
Other:

- Direct business
- Support customers in Brazil
- Access to Latin America
- Spin off from another company
- Perform overhaul in products
- Main customer presence
- Establish direct presence
- Business Opportunities
- Offer improved service level

Strong presence in industrial products and infrastructure

The companies in the survey operate in more than 20 sectors of the local economy, with engineering products and automotive / heavy vehicle being the dominating sector as it accounts for almost 50% of the sample.

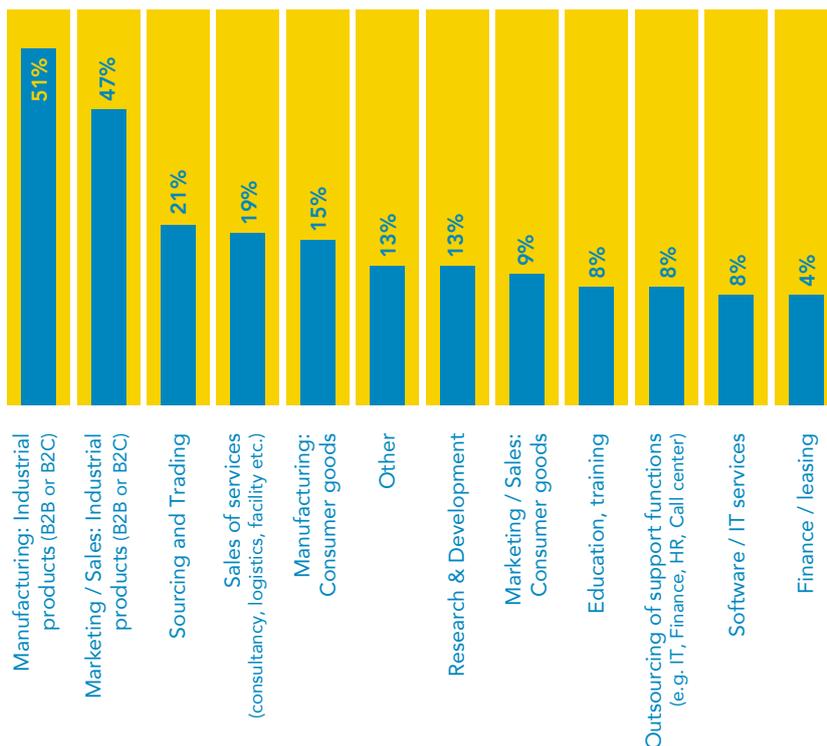
Main nature of business in Brazil



Healthy balance between manufacturing and marketing/sales

The manufacturing industry continues to play an important role, and of the companies that arrived before 1980, 66% are manufacturing companies. In this year's survey, manufacturing companies (41% in 2018) surpassed marketing and sales companies (54% in 2018), both operating in the industrial sector.

What operations do you carry out?



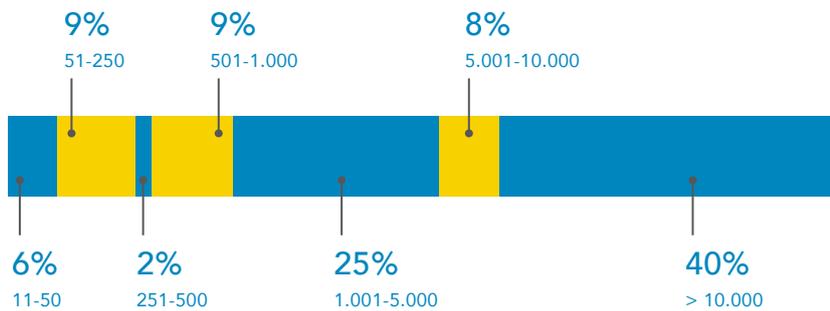
Other*

- Healthcare
- Commercial contacts
- Distribution & sales
- Overhaul/Maintenance of products sold from Sweden
- Engineering Services
- Sales office, selling mainly to hospitals
- Medication

Many global giants with potential to grow in Brazil

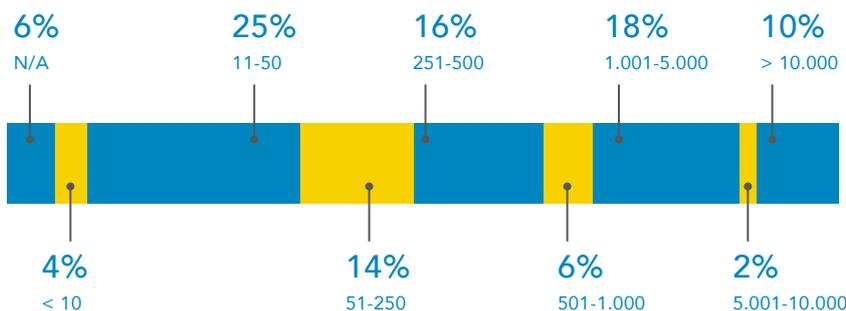
82% of the companies have more than 500 employees globally, indicating that Brazil is an attractive market for companies with great potential for job creation.

Global number of employees of your company in 2019



Creating jobs

How many employment opportunities does your company create directly and indirectly in Brazil?

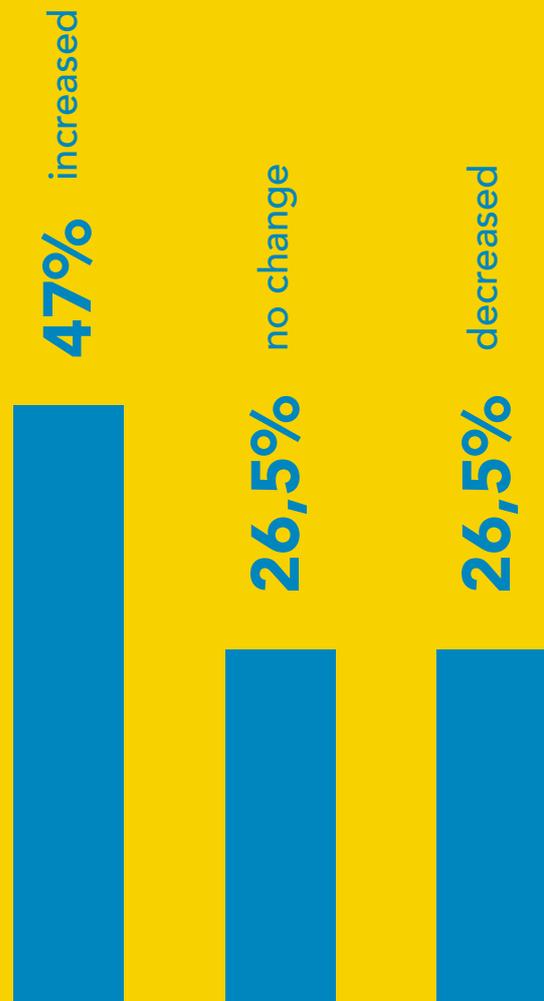


Over **100.000** generated jobs.
For every employee, **3 job opportunities** are created.

More hiring than firing

2019 was tough and challenging with a decrease of employment for 27% of the companies. On a positive note, almost 50% of the companies have started to hire again.

How has the number of employees changed compared to last year?



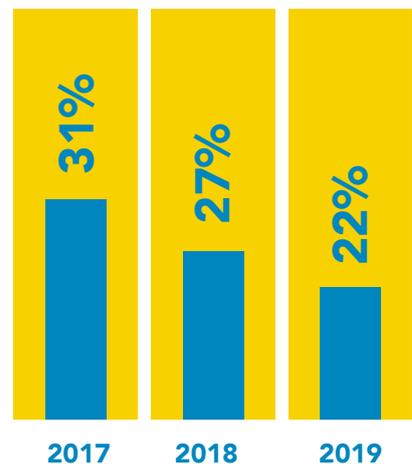
Negative trend for female employment

31.000

People are employed by the companies in the survey

The 53 companies create thousands of job opportunities, but unfortunately female participation is falling and represents only about one fifth of the workforce.

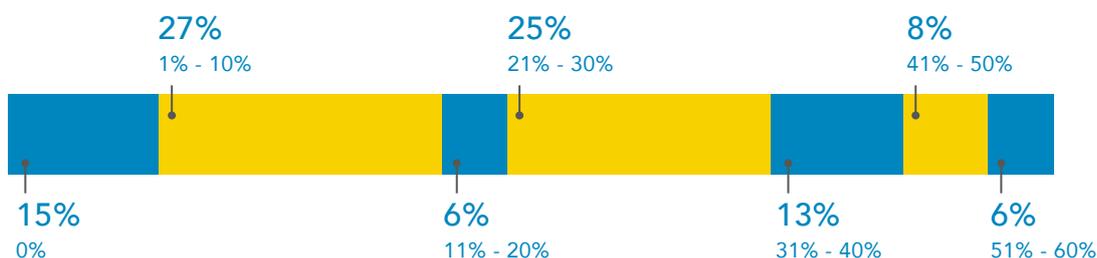
Percentage of female staff



She still seeks a voice

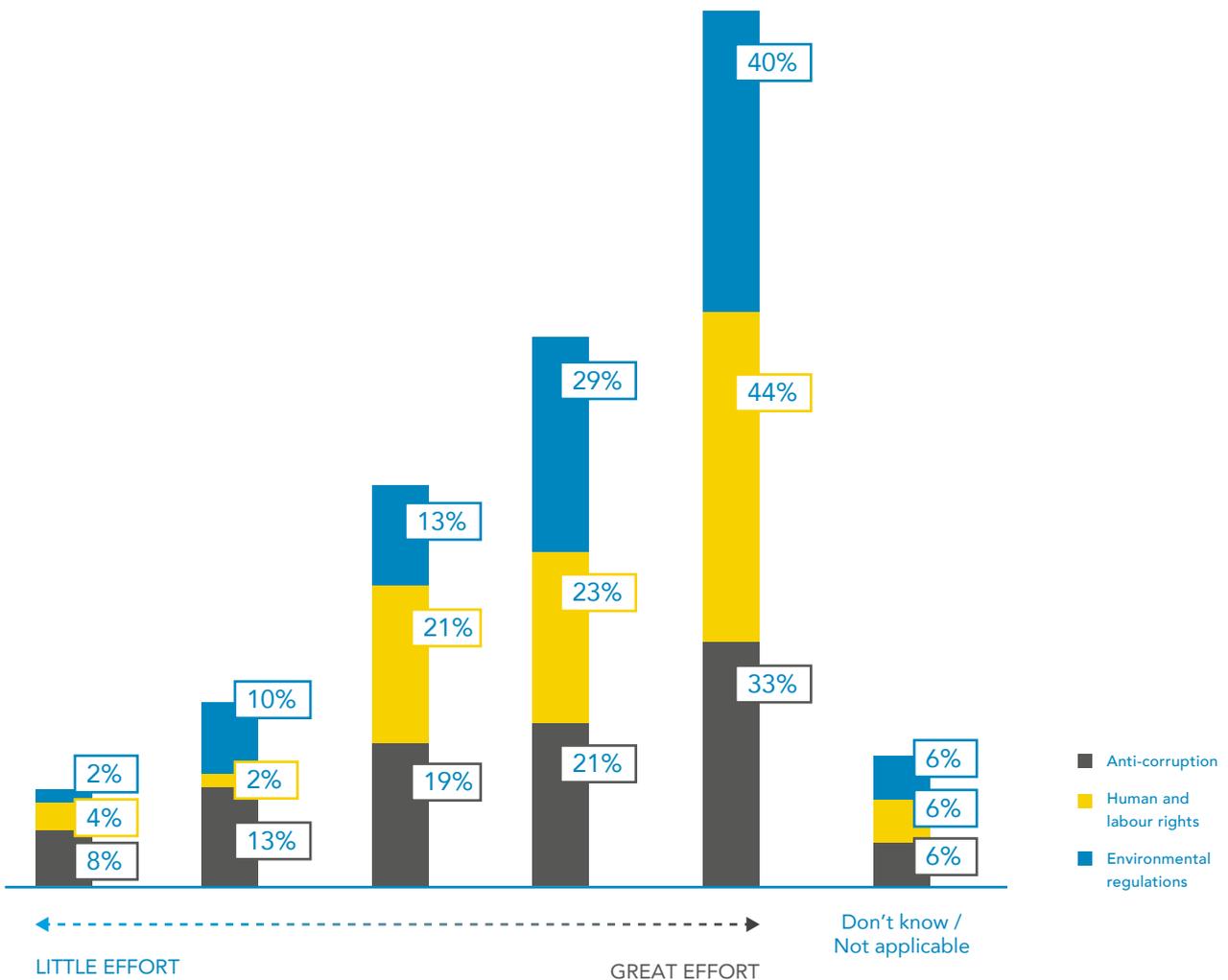
Only 6% of the companies have more women than men in leading positions, while 41% of them have 10% or less.

What is the percentage of female staff in leading positions?



Extensive workload required to meet CSR legislation

How much effort is required to comply with relevant sustainability legislation in the following areas:



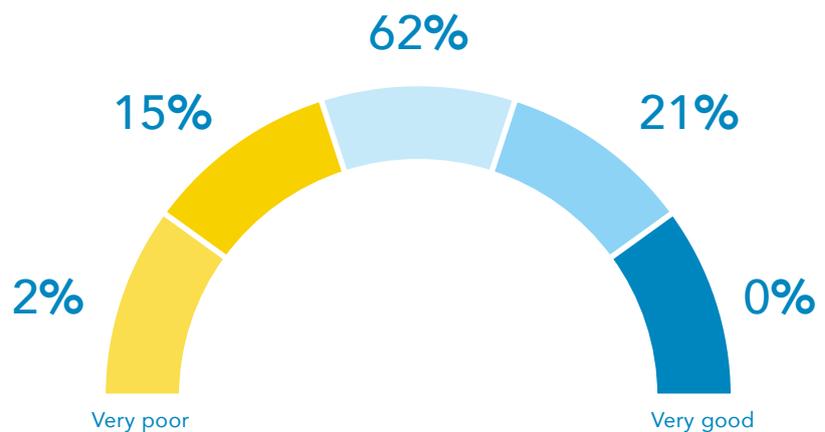
Business environment

A positive but cautious outlook

In 2018, 66% of the respondents said they were satisfied or very satisfied with the country's business environment, but this optimism has fallen to 21% since most companies (62%) answered that the business climate this year has been "average".

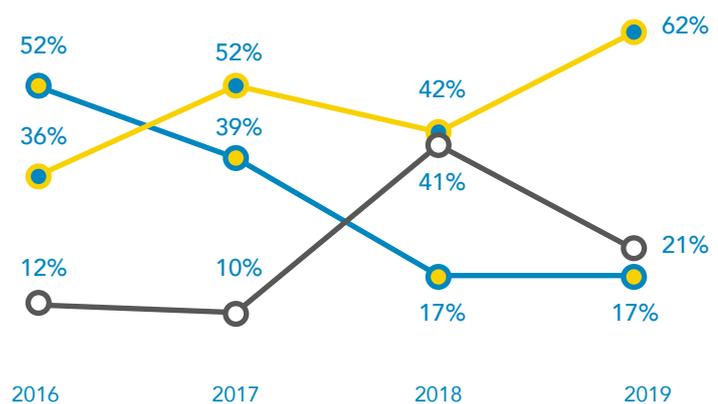
As in 2018, companies with an optimistic view of the environment outnumber those with a negative perception.

How do you perceive the current business climate in Brazil?



Business climate 2016-2019

● Negative
○ Positive
● Regular

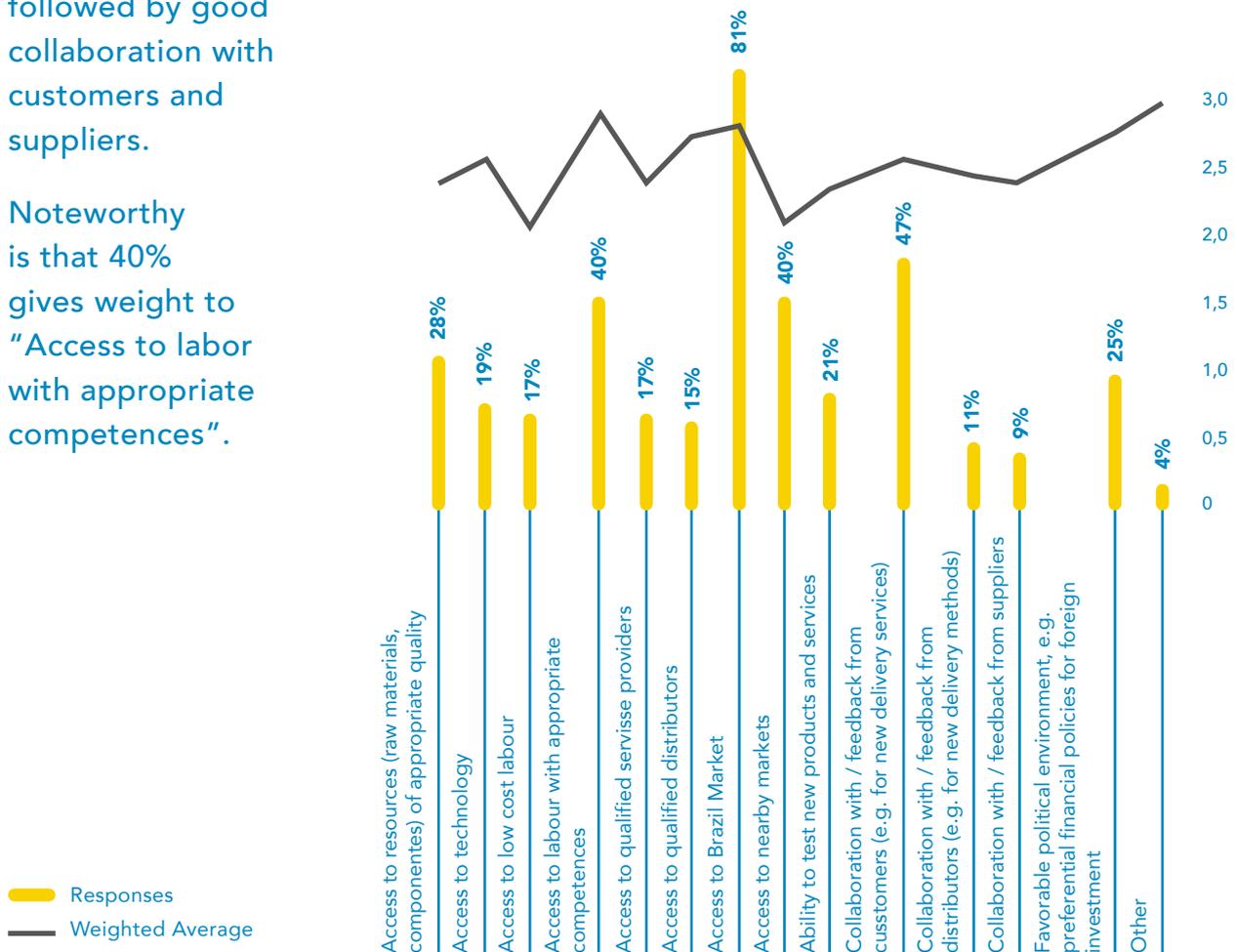


Access to qualified people and formation of strong partnership seen as positive factors to do business

Access to the Brazilian market is seen as the key factor for success, followed by good collaboration with customers and suppliers.

Noteworthy is that 40% gives weight to "Access to labor with appropriate competences".

Do any of the following factors contribute positively to your business in Brazil? Select all relevant options and degree they impact.

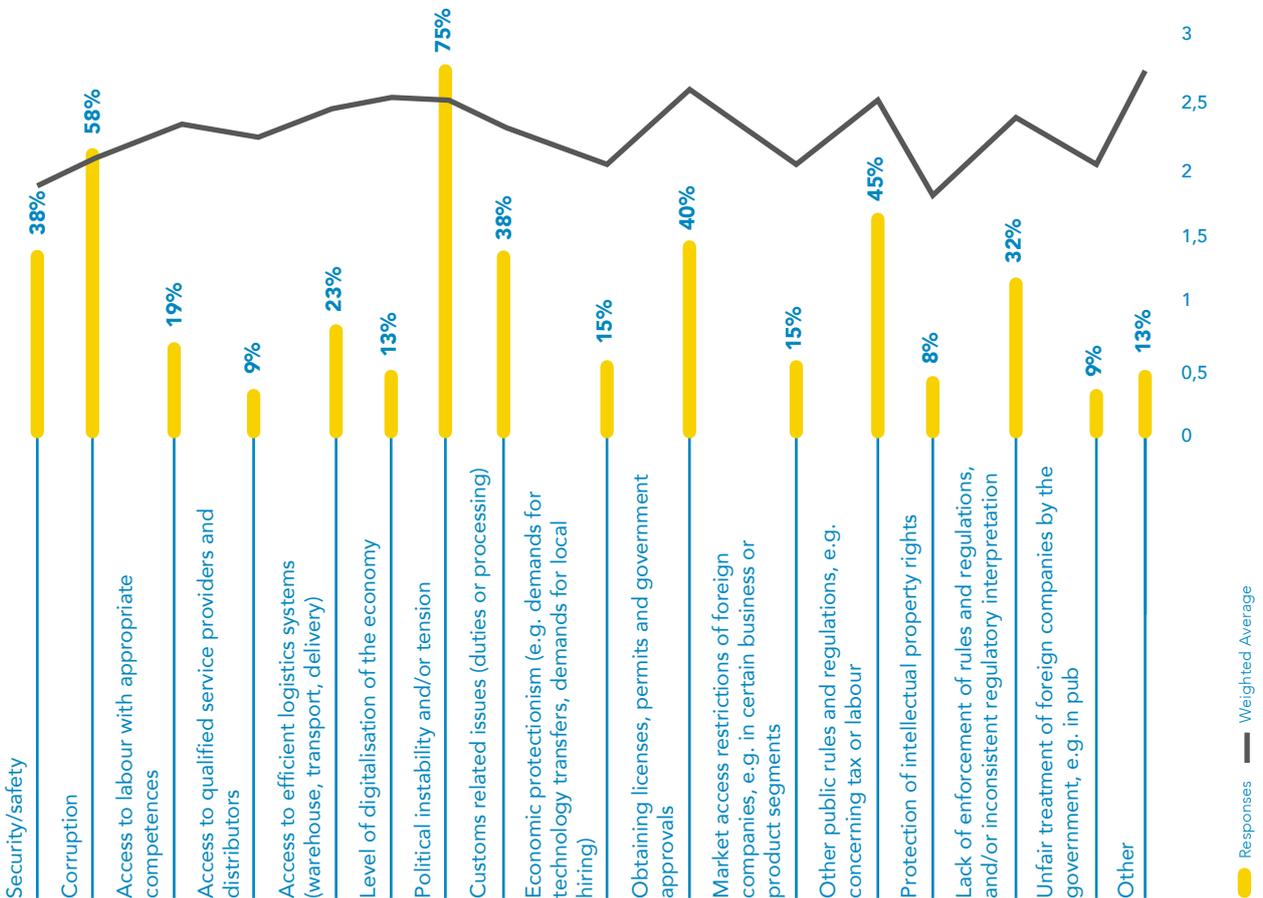


■ Responses
— Weighted Average

Political situation and corruption create uncertainty and are the main concerns for the companies

For the progress and development of any country, the public and private sectors must go hand in hand, and the political instability in Brazil continues as a major obstacle for growth.

Which of the following factors have a negative impact on your business in Brazil? Select all relevant options and degree they impact.



2020 outlook

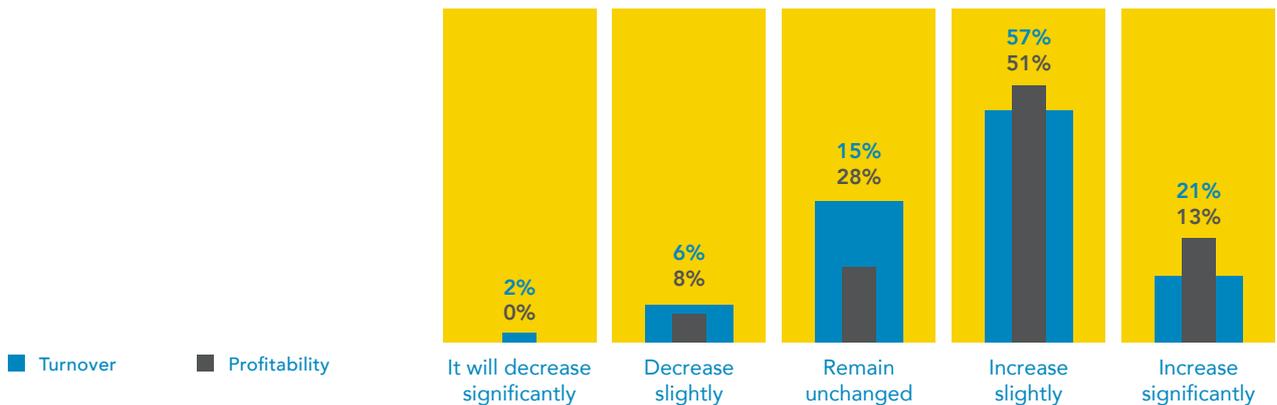
Positive, but moderate growth expectation for 2020

Despite the moderate performance of the national economy, 68% of the participating companies reported a positive financial performance in the period. 1 out of 5 see strong growth opportunities in 2020.

How do you consider your company's financial performance in Brazil in 2019?



Compared to the development in the past 12 months, what are your expectations for the coming 12 months for your industry/business sector?



■ Turnover ■ Profitability

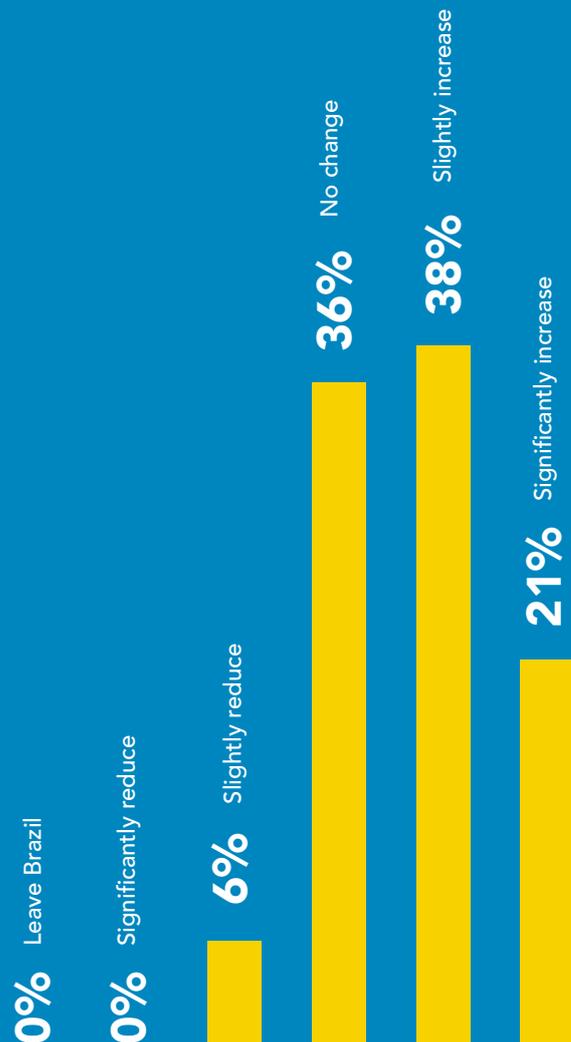
Continued investments expected by a majority of companies in 2020

In 2017, 67% of companies stated that their expectations in 3 years was to increase their investments in Brazil - this number rose to 73% in 2018.

In 2019, **59%** believe that they will increase investments during the next 12 months, which is still a very good number.

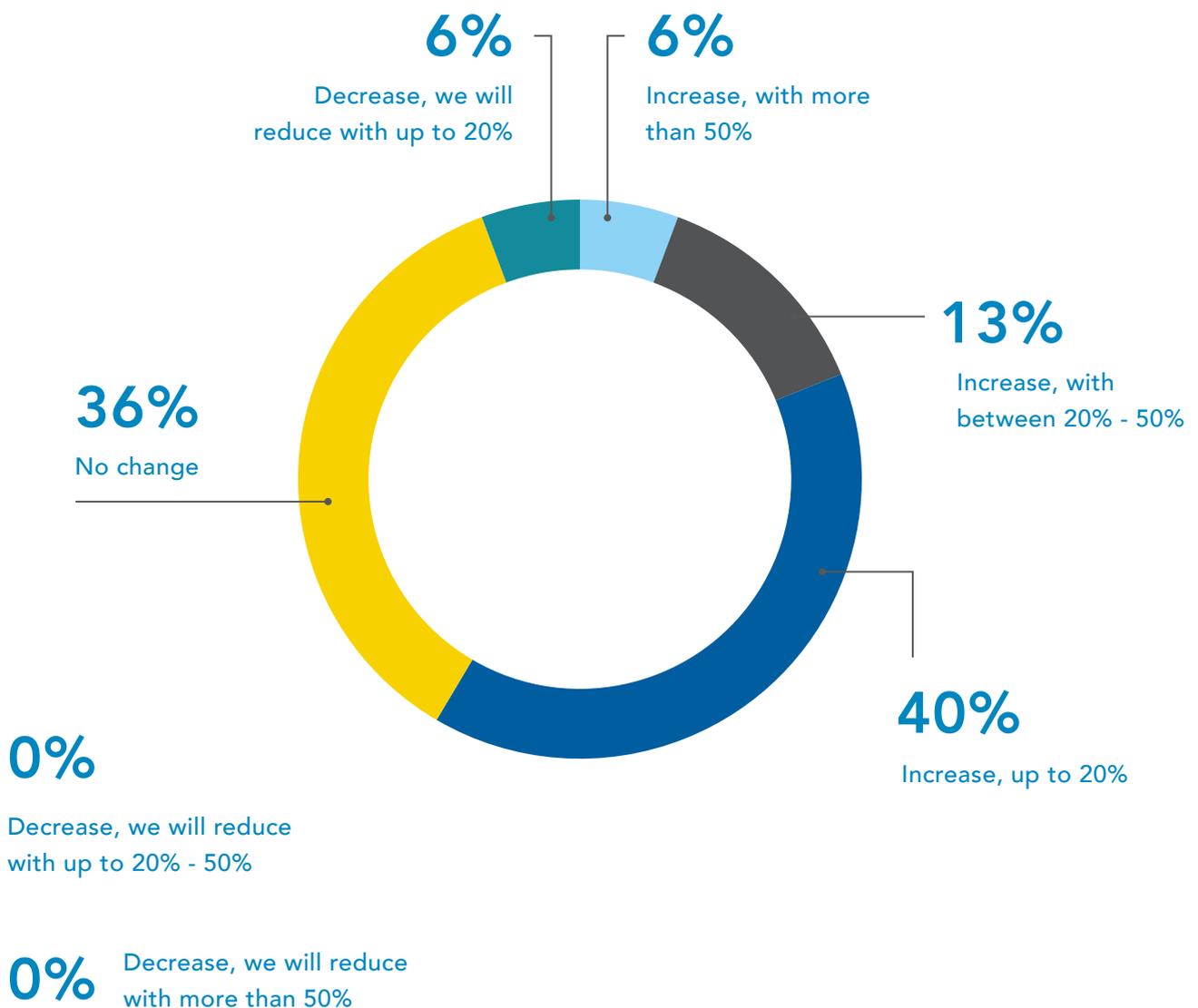
Only 6% declared that they will reduce investments, though none of the companies said they had an intention to leave the Brazilian market.

What are your company's investment plans in Brazil for the next 12 months?



More hiring than firing also next year

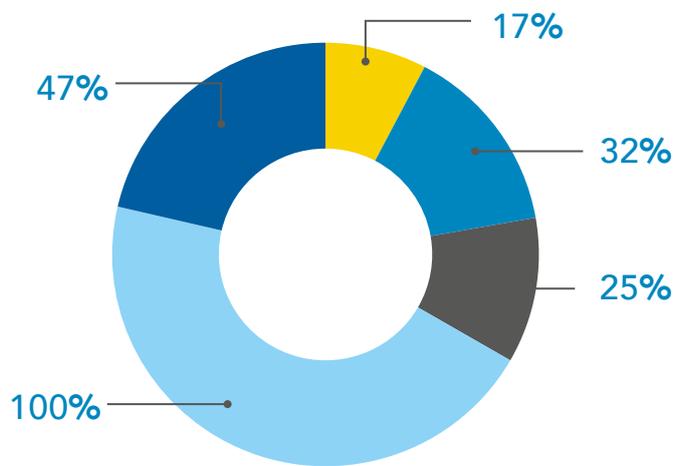
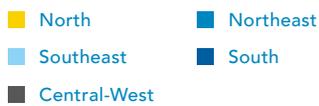
59% plan to **increase** their number of employees (62% in 2018) and only 6% plan to decrease, indicating that most expect the worst period to be behind us, entering 2020, with growth expectations in terms of staff.



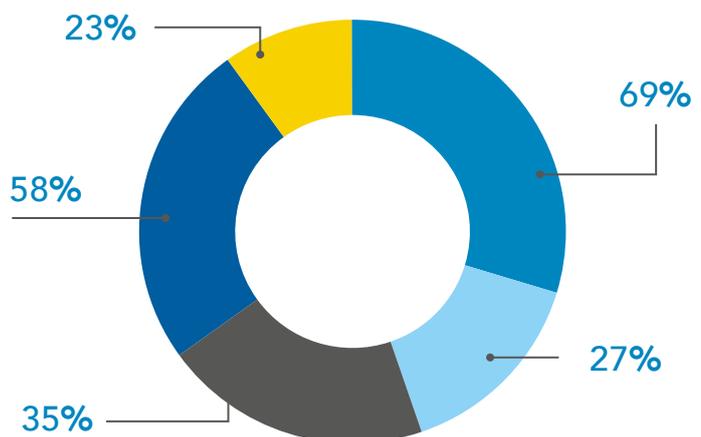
Northeast region is highlighted as extra interesting for expansion

49% consider expanding their business to other regions in the next 3 years (in 2018, they were 45%), mostly to the Northeast and South of Brazil (last year the focus was Northeast and Midwest).

In which regions is your company mainly present? Are you considering expanding your business in other regions within the next 3 years?



If yes to the question above, in which of the following regions are you considering expanding your business?

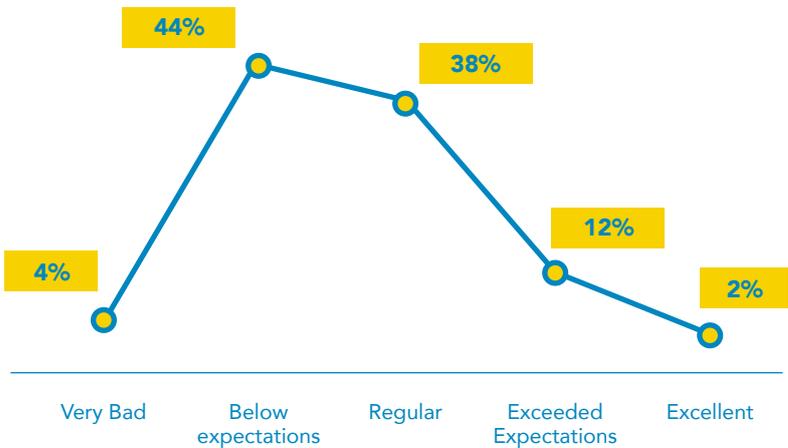


Expectation of the current government’s economic agenda divides the group in two – 52% regular or better, 48% below or bad

62% considered that the actions of president Jair Bolsonaro favored foreign investment in Brazil.

However, in assessing the government’s first 10 months regarding economic policy, a majority judged it as regular or below expectations.

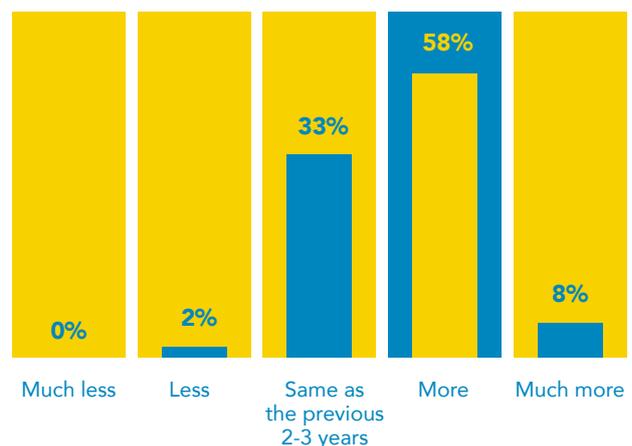
How do you rate the current government’s first 10 months at the power in the economic aspect?



> 66% believe that increased foreign investment can be expected in 2020

The outlook for next year is however optimistic, though not as much as in 2018. 66% of the companies responded that they expect more foreign investments in Brazil by 2020 while 84% of them were expecting the same for 2019.

We are entering the second year of the current government. In your opinion, what are your expectations about foreign investments in Brazil over the next year?



Preparing for less protection and growing trade

The trade agreement with the EU (EU-Mercosul) would create more stable and predictable business environment and include Brazil as a more active player in the global value chains.

Is your company in favor of the Free Trade Agreement between European Union and Mercosur?

YES

90%

NO
10%

Tax reform as a priority

Reform-related terms generally came up frequently, such as political, tax and social security reform. Companies also cited administrative reform and the need to reduce the size of government presence by privatizing.

Among the general areas that needed attention and investment were Infrastructure, Education, Safety and Health.

In your opinion what should be the government's priority the coming 5 years?

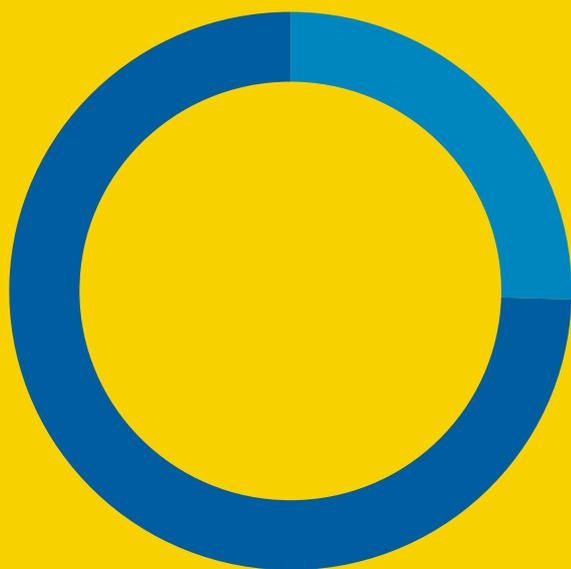


**Swedish
companies
and Team Sweden**

Relationship with Sweden

Almost **75%** of the companies stated that being seen as Swedish is important because it relates to concepts of **credibility, quality, integrity, respect, Nordic values and reputation.**

Is it important for your company to brand itself as "Swedish" or "Sweden related" to the local market?



25%
NO

75%
YES

Team Sweden, a well-known partner

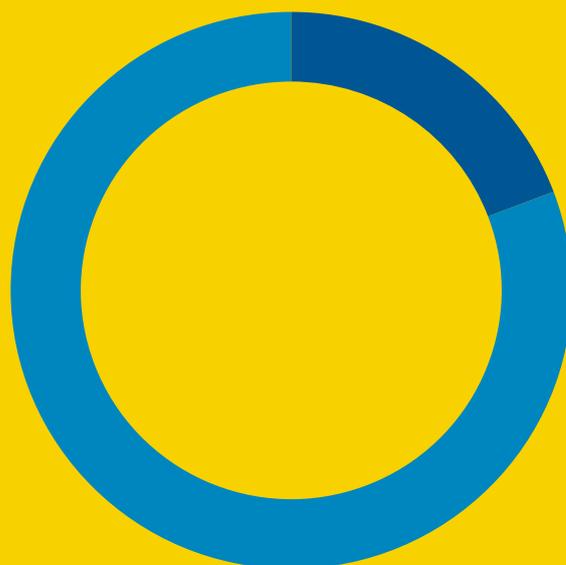
Is it clear to you who the Team Sweden actors in Brazil (Embassy, Swedcham, Consulate, Business Sweden and CISB) are, and how they can support you?

81%

Yes, we are in frequent contact with several of them

19%

No, we would like to know more about them and how they can support us



Conclusions

Expanding in 2020

Companies do not think about investing less or decreasing the number of employees in the coming years. On the contrary, most intend to expand to other regions and increase headcount.

Political context

Companies consider the investment climate in Brazil as regular. This can also be attributed to the political instability, marked by 75% of the companies as a negative point. In the companies' assessment, the first year of government was regular or below expectations, however they expect the second year to be more positive and for them reforms are crucial for development, especially the tax reform.

Global study

Regarding the current investment climate in Brazil, there was a change in the assessment. In the previous years the company could rate from 1 to 10, which drove the answers towards the positive (≥ 6) or negative (≤ 5) side. In 2018, 17% ranked 5 and 25% ranked 6. With a rating of 1 to 5 this year, 62% of the companies felt comfortable doing a regular assessment by choosing the middle ground for the business climate, which can be considered as a more cautious attitude.

Swedcham Brasil

Rua Oscar Freire, 379
Jardim Paulista, São Paulo - SP
01426-001
+55 11 3066 2555

www.swedcham.com.br

