Brazil's political situation grew somewhat more complicated in May as President Michel Temer was accused of demanding bribes from a major multinational food company, which was caught on tape and released to the press. In light of this unfolding situation, one might expect that business sentiment would be noncommittal or lagging. Nevertheless, business confidence is strong, and appears to be unscathed by the revelations. This is according to a survey by Fundação Getulio Vargas (FGV), a university and a prestigious think tank on issues of business and economics. The FGV business confidence index indicates that business confidence rose roughly 1.2 percent in May over the previous month. This level is the highest that index has climbed since 2014.

This is notable, since this year has seen moments of political uncertainty, while last year saw the impeachment of President Temer's predecessor—a notable political event of presumably major economic consequence. This phenomenon may arise in part from the fact that government may soon pass a much-touted labor reform bill into law in the month of June. The bill is up for a vote in the senate.

**Exchange Rate News**

The Brazilian real (BRL) depreciated in mid-May vis-à-vis the US dollar (see graph at right on inverted scale), and then leveled out for the rest of the month at a level of roughly 3.25 BRL per USD.
Solar energy provides growth opportunities for Brazilian business

Solar energy has been a focal source of alternative renewable energy in Brazil for a number of years, but has lacked the investment to truly break into the mainstream and compete with other, more traditional electricity generation sources.

New accommodations introduced in 2012 allow small-scale producers—often residences—to connect to the electricity grid and trade any electricity they produce back to their local electricity distributor.

However, residential consumers are not the only ones to see gains from the policy change. Businesses have likewise benefited from installing rooftop solar photovoltaic systems, which sometimes help defray business expenses when consumption is high.

According to Brazil’s national electricity regulator, more than 90 percent of photovoltaic projects in the country have been via distributed generation—in other words involving smaller generators than the traditional utility scale producers.

“THERE ARE MORE AVAILABLE RESOURCES FOR SMALL BUSINESSES TO INSTALL SOLAR ENERGY SYSTEMS, AND 2017 WILL BE THE STRONGEST YEAR FOR THE SECTOR.”

- Hewerton Martins, CEO of Solar Energy

BMW introduces motorcycle for Brazilian middle-class consumers

German automaker BMW announced the introduction of a specific line of motorcycles in the Indian and Brazilian markets.

The motorcycle line, which is the company’s BMW G 310 R, is aimed at middle-income consumers, and is expected to cost something similar to comparable models by Kawasaki and Yamaha, which cost roughly 20,000 reais each.

This would put the company’s luxury line of motorcycles well within reach for middle-income Brazilian motorcycle drivers, and might carve out a market for the company in the country.

The company has expanded in Brazil in recent years beside its motorcycle business, including through the construction of an assembly line in the southern Brazilian state of Santa Catarina.

Currently, most of the company’s motorcycles produced in the country are assembled in the northern Amazonian city of Manaus, where there is a hub of similar manufacturing activities.
American fast-food chain Taco Bell announced its intention to expand in Brazil. The company’s stated intention makes up part of its global expansion plan, which aims to increase its revenues by 50 percent by 2022.

The popular Tex-Mex chain, which currently operates about 6,600 restaurants across 23 countries, aims to reach 40 countries.

In all, Taco Bell hopes to open about 100 new locations in Brazil. The company also plans to focus similar efforts on its markets in India, Canada, and China, where projected restaurant openings are similar.

The chain also intends to expand its “Cantina” style of location, which includes beer sales, and began with its first US-based test location in Chicago only two years ago. Brazil could factor in and be the home of some of the projected 300 locations globally over the same time horizon to operate under this model.

Smartphones are now the principal mode of banking in Brazil

Mobile banking is now the principal means through which Brazilians conduct personal banking, according to Febraban, an industry group representing Brazil’s financial institutions. The industry group shows that cellphone banking uses increased 96 percent in the last year. This translated into 22 billion financial transactions last year alone.

In total, 23 percent of banking transactions were via mobile phones, outpacing all other modes.

The figures show that the increase in mobile banking increased the total number of financial transactions in Brazil, which increased by almost 17 percent in 2016, and suggested increased financial inclusion and participation.

BNDES will be main channel of cooperative China-Brazil funding

Brazil’s social and economic development bank, or BNDES by its Portuguese acronym, is set to become one of the principal means of Sino-Brazilian cooperative financing that the two countries will pursue jointly. The Chinese-led investment initiative in Latin America, this one known as Claifund (for China-Latin America Investment Fund) is one of several efforts by the Chinese central government to boost FDI in the region, where it depends on commodities such as copper and oil.

BNDES’ leadership position in the initiative likely signals that the initiative’s investment priorities will align with the bank’s existing efforts, which range from renewable energy projects to transportation and infrastructure finance.
Brazil’s satellite efforts enjoy increased support

Brazilian space exploration efforts received a boost in support from research foundations when FINEP and FAPESP signaled they will continue to back the operations of Brazil’s satellite research program.

The two foundations supported R&D and operations efforts behind the first satellite owned and operated entirely by the Brazilian government.

The satellite, which was launched from French Guyana, counted on the support and participation of many small and midsized business that provided components and support services.

This is where FINEP and FAPESP come in. Many of the smaller entities working on the satellite project count on research backing from the two foundations. As the reach of Brazilian aerospace ambitions expand further into the governmental sphere, it is likely that such foundational support from these and similar groups will play a key role in enabling smaller firms to participate in future Brazilian aerospace endeavors.

English Language news sources for Brazilian news:

http://thebrazilianeconomy.com/

Fabio Yamada
Tradebrz—Trade and Investment Promotion
WTC Business Tower
Av. das Nações Unidas, 12551
4th Floor
Sao Paulo-SP—04578-903
Ph: +5511-3044-4848
Mobile: +5511-97207-2065
fabio@tradebrz.com
BRAZIL TRADE SHOWS AND EXPOS, JUNE 2017

June 1-4: REATECH (physical rehabilitation and accessibility)
June 23-26: BRAZIL OFFSHORE (oil & gas)
June 23-26: ESCOLAR OFFICE BRASIL (office and school supplies)
June 27-30: FISPAL TECNOLOGIA (food & beverage industry packaging, processes & logistics)

BRAZIL TRADE SHOWS AND EXPOS, JULY 2017

June 30-July 9: 21ª Expotchê (art collections)
July 2-5: FEIRA FRANCAL (fashion, shoes, and accessories)
July 11-16: Mega Artesanal (arts & crafts)
July 18-20: MEC SHOW (automation, machinery, and metalworking)

BRAZIL TRADE SHOWS AND EXPOS, AUGUST 2017

August 2-5: CONSTRUSUL (construction equipment and machinery)
August 15-17: LABACE (business aviation)
August 22-24: EXPOLAZER (pools, spas, and wellness)
August 22-24: ENERGY DECENTRAL SOUTH AMERICA (biofuels, distributed electricity degeneration)
August 22-24: INTERSOLAR (solar energy equipment, installation, and project management)
August 22-24: FiSA (food ingredients, organic food & nutraceuticals)

For information on how to participate in these or other trade shows in Brazil, contact fabio@tradebrz.com
Electric cars may make up 2.5 percent of light vehicle fleet by 2026

The Brazilian government’s energy research arm expects that electric vehicles, which have only recently made their debut in the country, will make up 2.5 percent of Brazil’s light vehicle fleet by 2026. The advances will count on the expansion of charging station availability for drivers.

Electricity companies invest in distributed generation

Brazil’s large electricity distribution companies are investing in distributed generation capacity, which is on the rise among small-scale residential and commercial electricity consumers. This is seen as a hedge against this segment’s increasing market share over traditional utility generation.

BNDES approves 529 million reais in funding for solar project

Brazil’s national development bank approved a large financing package to fund a utility-scale solar park in the state of Minas Gerais, which will have a generating capacity of 150 megawatts.

Food giant invests 40 million reais in factory improvements

BRF, a large Brazilian food company, will invest 40 million reais in modernizing and improving its Santa Catarina state factory in southern Brazil, which will expand its ham production capacity.

Brazilian company wins Latin American startup competition

Brazilian company Kickante won a Latin American fintech entrepreneurship competition. The company is Brazil’s largest crowsource platform, and was founded by a Brazilian woman who was also recently won the Cartier Women’s Initiative Award.

Anac formalizes drone regulations

Anac, the Brazilian civil aviation authority, finalized and formalized regulations for drone use in Brazil. Having the airspace regulator’s rules in place may remove regulatory uncertainty and prompt drone producers to begin expanding their business operations in the country.

Demand for domestic flights continues to increase

Demand for domestic flights in Brazil grew 3.2 percent in April over the same period in 2016, according to the industry’s figures released in May. The increase is in line with a longer-term trend of growth in demand for both domestic and international routes in and out of Brazil.

Carmakers push for support to stimulate lagging auto market

Carmakers are pushing for greater support from the federal government in order to stimulate demand. Past policies in this vein have included tax cuts for auto producers.

Kraft Heinz to invest 380 million reais in Goiás factory

Multinational food conglomerate Kraft Heinz will invest 380 million reais in a factory in the midwestern state of Goiás, which will produce condiments such as ketchup, mayonnaise, and mustard.

Nespresso prepares new wave of Brazil investments

High-end coffee maker Nespresso is focusing new attention on the Brazilian retail market for its espresso machines and products, including a new wave investments around the corner.

Volkswagen: Brazilian labor reform would attract investment

Brazil’s pending labor reform plans, which are up for a vote in the senate this month, would have positive effects for foreign firms investing in the country, according to Volkswagen.

Japanese bank invests US$100 million in ride sharing app

Japanese investment group Softbank committed US$100 million in investments in 99, a Brazil-based ride sharing app. The service, which is comparable to the US-based Uber or Lyft, got off the ground with initial funding from the Chinese ride-sharing company Didi Chuxing.

**Culture Corner**

“Bife Acebolado” Recipe (Onion Beef)

- 500g of clean cut beef (likely in four small filets)
- 2 tablespoons of oil or butter
- 1/2 cup of water
- 1 tablespoon vinegar
- 2 onions cut in rings
- Salt to taste

On medium heat, simmer beef filets on both sides in oil or butter while gradually seasoning with salt until browned. After removing from the pan, boil the vinegar in the same pan without removing excess beef broth. Then add the water and onions and let boil, again salting to taste. Once the onions are golden brown, return the beef to the pan for a final simmer before serving hot.

*Source: Socorronacozinha.com.br*