

## PRESS RELEASE

### Why is the Brazilian economy still not taking off?

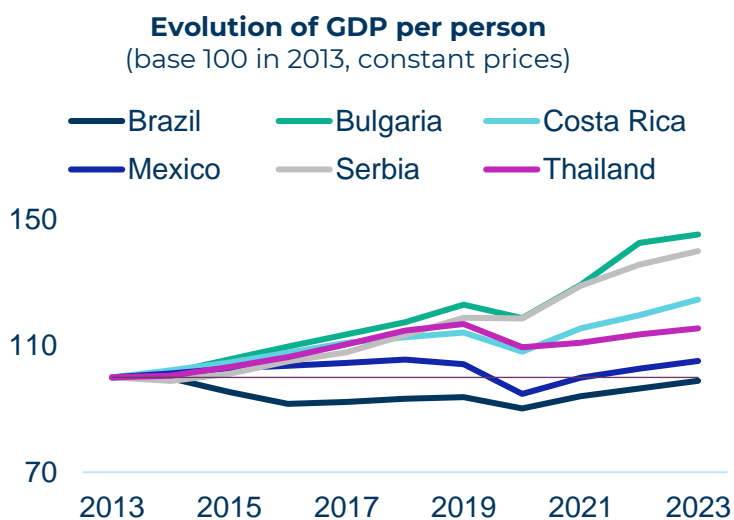
**Paris, April 2<sup>nd</sup>, 2025:** Fifteen years after hopes of economic development, the ‘Brazilian paradox’ shows that the country is still struggling to take off and realize its potential as an emerging power. Over the last ten years, its growth has remained weak and the share of manufactured goods in its exports has decreased.

*‘One of the main challenges for Brazil, in order to stimulate its economic growth, lies in its ability to carry out ambitious structural reforms despite a highly fragmented political landscape’ - Patricia Krause, Coface economist.*

#### High potential but weak growth: the paradox of the Brazilian economy

The Brazilian paradox is that of an economy with great potential, particularly thanks to abundant natural resources (agriculture, energy, minerals), but which consistently falls short of expectations. In 2001, however, the outlook was enthusiastic: the emergence of the BRIC concept - Brazil, Russia, India and China - augured a new geopolitical and economic balance in the world. But the symptomatic figure of **1% average annual growth between 2013 and 2024** reflects Brazil's underperformance within the BRICs. Since then, the country

seems to be suffering from a kind of ‘Brazil disease’: the abundance of natural resources and raw material exports are accompanied by early de-industrialization and mediocre performance in essential sectors such as education. Comparison with five other countries with a similar GDP per capita ten years ago confirms Brazil's poor performance.



Source : FMI, Coface

#### Constraining tax framework, falling investment and failed reforms

How can Brazil's weak growth be explained? This phenomenon can be explained by several factors. First of all, the economy, with prohibitive interest rates on investments and significant tax pressure on companies. Then there is the geopolitical factor, given the lack of dynamism in South America and the small number of trade agreements signed by Mercosur. Finally, Brazilian domestic policy is a hindrance: fragmentation, i.e. the large number of political parties, is holding back the necessary structural reforms, particularly in the clearly underperforming education sector.

Brazil's fiscal framework has also limited the government's capacity to invest. In 2023, public investment represented only **2.6% of GDP**, compared with 4.2% in 2013. Over the same period, private investment also decreased, from 17% to 14% of GDP.

### **Geopolitical vulnerability**

The country remains particularly exposed to geopolitical tensions, especially the recent customs measures imposed by the US administration. Since 12 March 2025, Brazilian exports of steel (60% of which are destined for the United States) and aluminum (15%) are subject to customs duties of 25%. This level contrasts with the rate of **2.2%** previously applied by the US administration on average Brazilian exports. This situation is a source of concern insofar as **the United States is still the primary market** for Brazilian products.

### **Structural reforms and commercial strategies: 2 levers for growth**

Despite structural challenges, the Brazilian economy is showing encouraging prospects on several strategic fronts. This is particularly the case with the **recent tax reform**, which is both simplifying and ambitious, merging five existing taxes into a single consumption tax. Furthermore, the recent signing of a trade **agreement with the European Union** also opens substantial export prospects for Brazil, particularly in sectors such as the agro-industry (including meat production) and the footwear industry. However, the ratification of the agreement remains uncertain.

Finally, Brazil has remarkable geographical and technological assets that could enable it to establish itself as a world leader in **renewable energy**, particularly in the fields of bioenergy and wind power, thus offering a path to economic and environmental transformation.

Click [here](#) to read the full report.

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