



Sweden
Sverige



BUSINESS CLIMATE SURVEY FOR SWEDISH COMPANIES IN BRAZIL 2024

A REPORT FROM TEAM SWEDEN IN BRAZIL

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FOREWORD



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Swedish companies have been present in Brazil for more than a hundred years. Even though Brazil can be a challenging market, new Swedish companies keep on setting up operations in the country while long-established corporations continue to invest. Employing ~40 000 people, they are active in sectors such as telecom, transport, machinery, defense, healthcare, services, mining and more.

This year's report is the fifth edition within the global collaboration between the Swedish international chambers of commerce and Business Sweden. A collaboration that in 2024 facilitates for a global comparison of 23 markets from all continents, this in addition to the local market results among Swedish enterprises in Brazil.

The objective of these reports is to provide a better understanding and some good insights on how the current business climate and development around the world is perceived by leading Swedish companies. The reports will serve as a comparison tool for Swedish companies with plans to further invest in their current business or expand into new markets.

This year, the Business Climate Survey collected answers from 54 Swedish companies in Brazil, across various sizes and industries, which is comparable to the number of responses collected in previous years. The survey was performed between the seventh of February and the fourth of March.

Team Sweden in Brazil, consisting of the Embassy and Consulates, Business Sweden and Swedcham, works to promote Sweden, the Swedish industry and Swedish economic interests in Brazil. The commitment and close cooperation between the Team Sweden partners help to better position and grow Sweden in Brazil through various activities and programs, out of which the execution of the annual Business Climate Survey is a good example of a joint activity.

+50 respondents Brazil

Current business climate

39% perceive the current business climate as “good/very good”.

Industry turnover

78%

of Swedish companies expect their industry turnover to increase

Future investments

59%

of Swedish companies plan to increase their investments slightly or significantly in the next 12 months

Globally valued success factors

1. Cost efficiency
2. Sales competence
3. Collaboration & feedback from clients

Brand Sweden

98%

of Swedish companies abroad consider Brand Sweden beneficial for business

Local conditions with high satisfaction

1. Service providers
2. Suppliers
3. Market access

Local conditions with least satisfaction

1. Corporate taxation
2. Customs
3. Physical infrastructure

Environmental considerations

72%

of respondents believe the environment is a considerable factor in their customers' purchasing decisions

Corruption

Despite being identified as a common challenge in Brazil, only 6% to 9% of respondents faced some form of corruption in 2023.

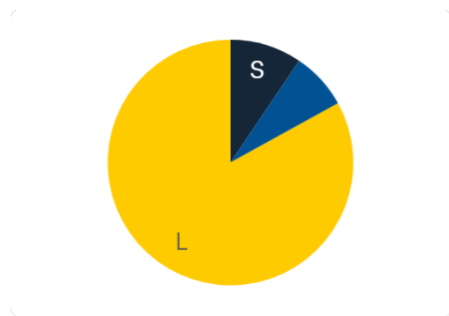
Human rights violation and labour rights abuse

Only 2% of respondents encountered forms of human rights violations or labour rights abuse in 2023.

ABOUT THE SURVEY

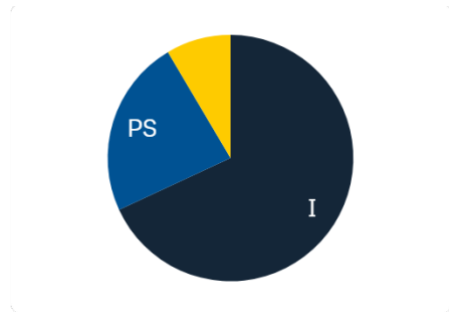
The 2024 survey received 54 answers from the largest Swedish companies in Brazil

SIZE OF COMPANIES



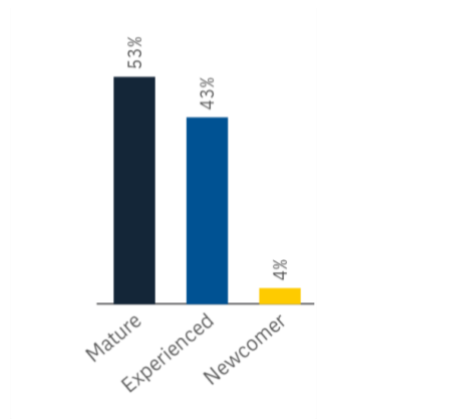
NOTE: Global employees. Large (83%) >1000. Medium (8%) 250-1000. Small (9%) 0-249

MAIN INDUSTRY



NOTE: Industrial (68%). Professional services (23%). Consumer (9%)

AGE OF COMPANIES



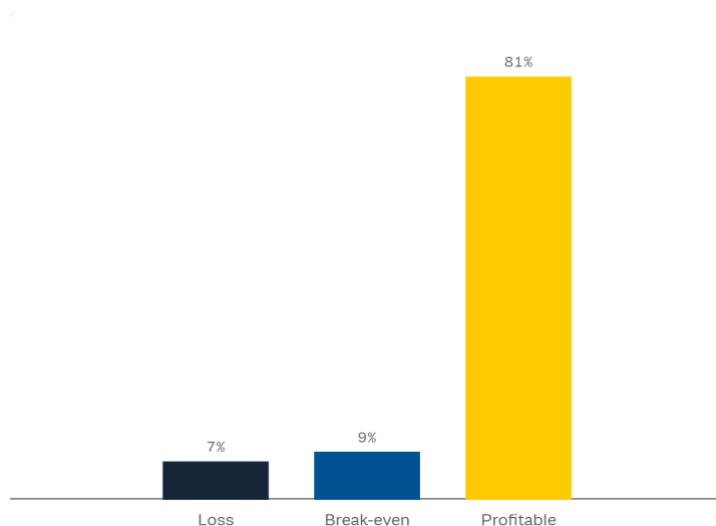
NOTE: Mature (-2000). Experienced (2001-2015). Newcomer (2016-)

ECONOMIC OUTLOOK

Swedish companies were mostly profitable in Brazil throughout 2023, maintaining the high level observed in previous years

In this year's survey, 81 per cent of respondents presented profits in 2023, while only seven per cent reported losses. This is according to results seen over the last three years since the Covid-19 pandemic, with the level of company profitability in Brazil keeping to above 80 per cent, and losses being lower than 10 per cent. This proves that despite local challenges, Swedish companies can succeed in Brazil and turn profit. Once again, larger industrial companies which have been present in the country for a longer time tended to present better results. Smaller and newer companies in the market presented mixed results.

HOW WOULD YOU DESCRIBE YOUR COMPANY'S FINANCIAL PERFORMANCE IN BRAZIL IN 2023?



NOTE: The number of respondents for this question was 54. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Brazil 2024.

With a 2.9% real increase in GDP, Brazil grew above Europe and Latin America

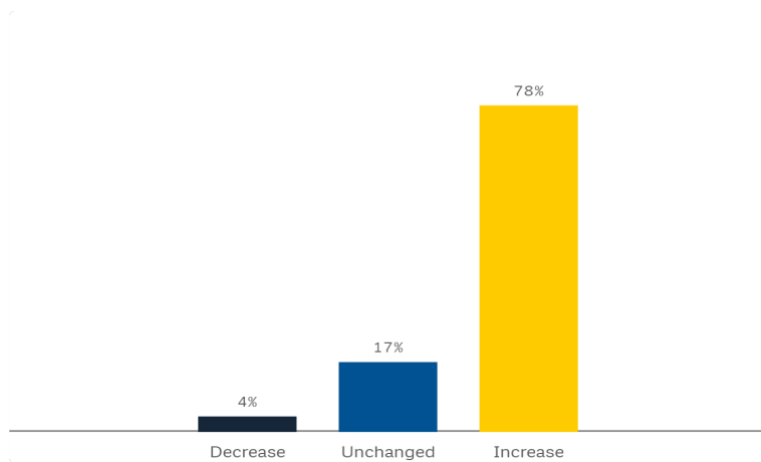
2023 was the first year in at least a decade in which Brazil grew above the European average in terms of GDP. While Brazil grew 2.9 per cent, the European Union grew only 0.4 per cent. With that, Brazil regained a position among the ten largest global economies in current values by claiming the ninth position, ahead of Canada and Russia. It is notable that Brazil is also the eighth largest economy in adjusted purchasing power parity (PPP), discounting currency effects.

A similar situation is expected for 2024, with Brazil's GDP growth forecast set to 2.2 per cent, and the EU's set to 0.8 per cent by the IMF. The lower growth expected for Brazil follows the global economic slowdown and deceleration in China – the main trading partner of Brazil – among other

factors such as a decreased agriculture output, impacted by local weather conditions and the May floods in the state of Rio Grande do Sul.

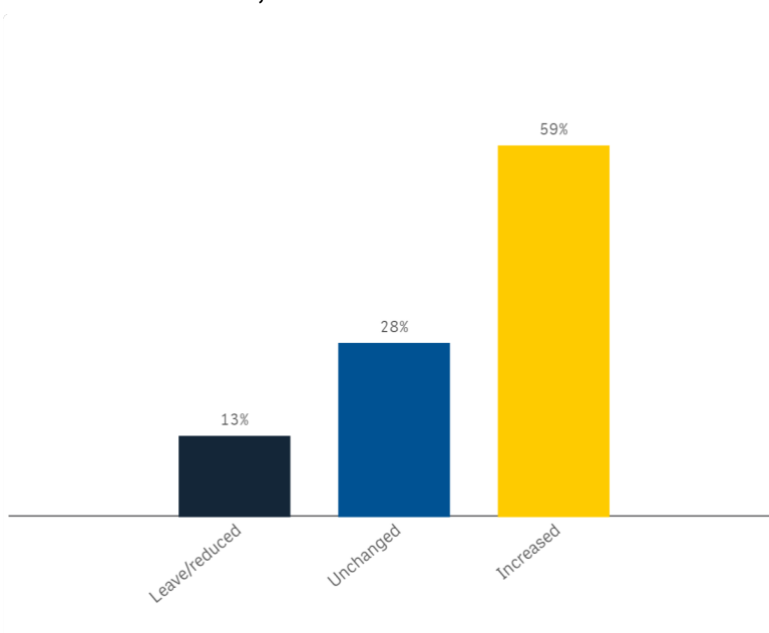
More companies expect to grow, less to invest

COMPARED TO THE DEVELOPMENT IN THE PAST 12 MONTHS, WHAT ARE YOUR EXPECTATIONS FOR THE COMING 12 MONTHS FOR YOUR INDUSTRY IN BRAZIL REGARDING TURNOVER?



NOTE: Decrease and increase represent aggregations of slight/significant development changes. The number of respondents for this question was 54. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Brazil 2024.

WHAT ARE YOUR COMPANY'S INVESTMENT PLANS FOR THE COMING 12 MONTHS IN BRAZIL, COMPARED TO THE PAST 12 MONTHS?



NOTE: Reduced and increased represent aggregations of slight/significant changes. The number of respondents for this question was 54. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Brazil 2024.

Of the respondents, 79 per cent indicated that they expect to grow in Brazil, a relevant increase over the 2023 assessment (63 per cent), while only four per cent expect to see a reduction in revenue. However, only 59 per cent of companies expect to invest in Brazil during the same period,

against 62 per cent in 2023. This may represent the idea that, although companies expect to grow and be profitable in Brazil, their global organisations are facing challenges in other markets, preventing larger local investments.

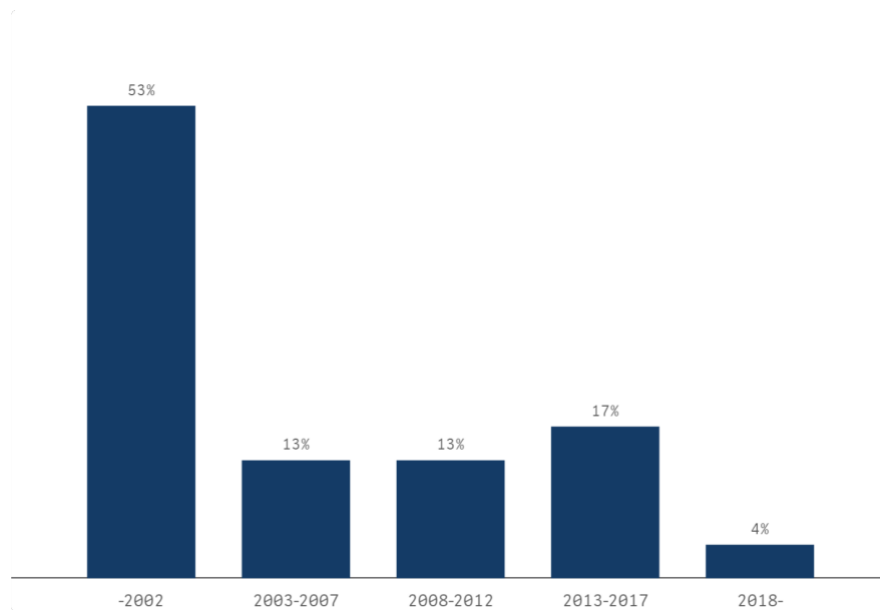
THE MARKET

The majority of companies are industrial and have been in Brazil for more than 20 years

Most of Swedish companies have operated in Brazil for a very long time. More than half were established before 2002, including major companies such as ABB, Ericsson, and SKF, which have already completed a century anniversary of local operations in the country. Other companies like Atlas Copco, Scania, Tetra Pak, and Volvo Group were established between 1950 and 1970, during an important period of local industrial development. Swedish companies represent a key element in Brazil's industrial park, mainly regarding automotive vehicles and machinery.

Less respondents of this survey arrived in Brazil in the last five years, compared to similar periods in the new millennium. Recently, the country has been the focus of new Swedish service providers and digital companies within financial and payment solutions, entertainment, telecommunications, technical software and SaaS.

IN WHAT YEAR DID YOUR COMPANY ESTABLISH OPERATIONS IN BRAZIL?

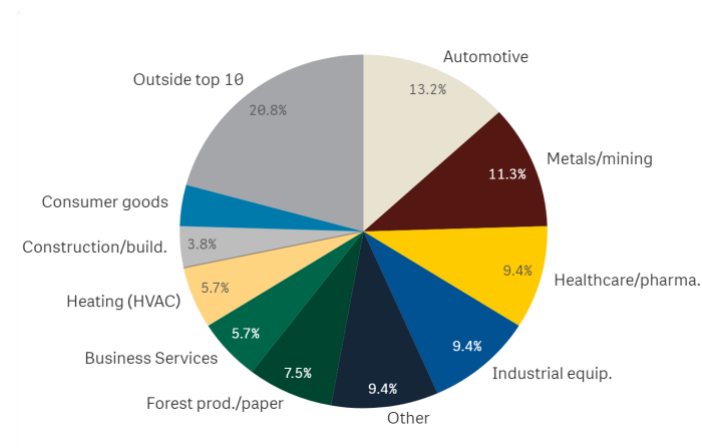


NOTE: The number of respondents for this question was 53. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Brazil 2024.

In the Business Climate Survey 2024, 61 per cent of the respondents belong to pure industrial segments, composing the core of Swedish business in Brazil. These segments include automotive, metals & mining, industrial equipment, and forest products & paper. Other sectors have also gained relevance in the Brazilian business landscape in the new millennium, such as service providers and companies in the healthcare sector. Overall, the Swedish business footprint in Brazil is very diverse, with companies operating within various industrial, service and consumer segments, with more than 50 companies operating local manufacturing sites or assembly units, employing around 40,000 people in Brazil.

WHAT IS YOUR COMPANY'S MAIN INDUSTRY IN BRAZIL?

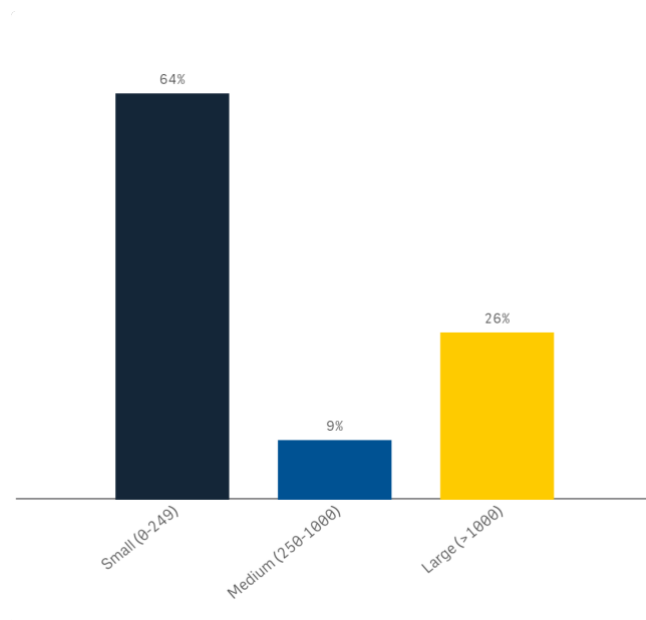


NOTE: The number of respondents for this question was 53. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Brazil 2024

Regarding size, large global companies with more than 1,000 employees globally were the main respondents in 2024, representing 83 per cent of all surveyed companies in Brazil. When it comes to employees in Brazil, 26 per cent of respondents have 1,000 or more employees in Brazil, including industrial companies and providers of specialised services, while another nine per cent have between 250 and 1,000 local employees. A few companies with some focus on the Brazilian market have less than 250 employees globally, but maintain a team in Brazil.

SWEDISH FIRMS' LOCAL NUMBER OF EMPLOYEES IN BRAZIL IN 2024



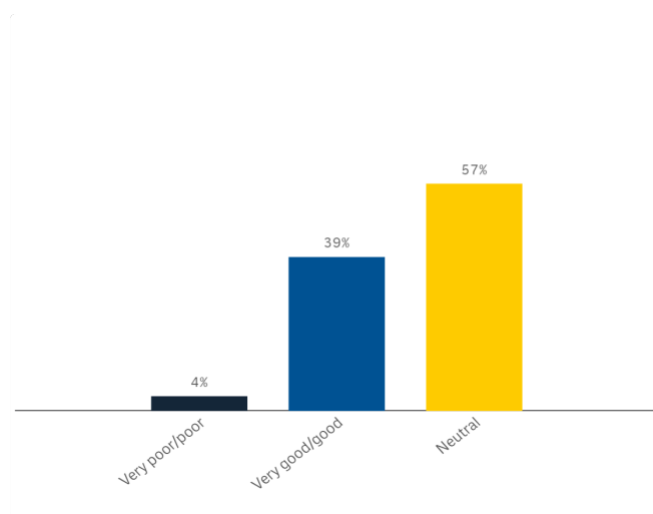
NOTE: The number of respondents for this question was 53. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in [Country] [year].

39 % of companies perceive a rather positive outlook for Brazil, but the majority still see a lukewarm business climate

Thirty-nine per cent of Swedish companies feel positive about the business scenario in Brazil, which represents an additional 13 p.p. compared to 2023. The positively surprising macroeconomic results of last year may help to explain this sentiment. The result for the question below is somewhat comparable to 2018 and 2022, the best years for Brazil's business climate in the series. Still, for 57 per cent of the respondents, the business climate was neutral in both the 2023 and 2024 assessments. In fact, no company has attributed the best score available (five), nor the worst score available (one) to Brazil. Small and newer companies in the market were the most positive about the business climate; mid-sized companies were more pessimistic.

HOW DO YOU PERCEIVE THE CURRENT BUSINESS CLIMATE IN BRAZIL?



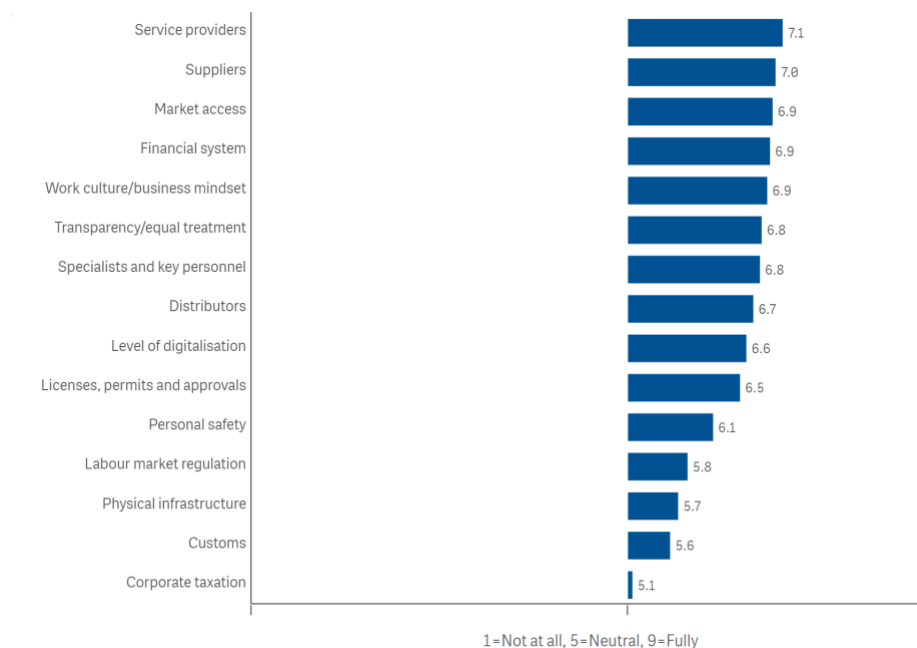
NOTE: The number of respondents for this question was 54. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Brazil 2024.

Access to clients and local partners continue to be strengths of the Brazilian business environment; taxes, regulation and infrastructure represent weaknesses

When asked to rate conditions regarding the Brazilian business scene, the results were rather similar to the ones observed in 2023, corroborating what was previously observed about the business climate and indicating a regular business climate for Brazil without major improvements or deteriorations. Infrastructure and work culture had the most significant drop in their scores, while market access, licenses and the financial system had an increase.

HOW WELL DO THE FOLLOWING CONDITIONS MEET THE NEEDS OF YOUR COMPANY IN BRAZIL?



NOTE: The number of respondents for this question was 54.

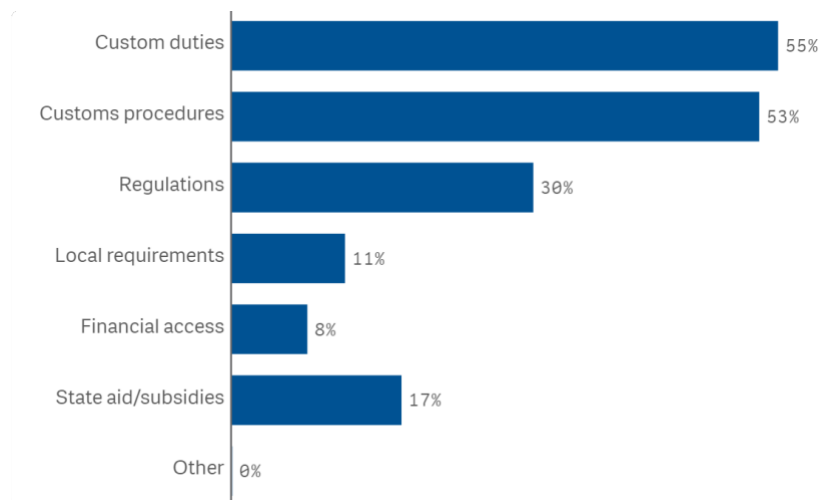
SOURCE: Business Climate Survey for Swedish Companies in Brazil 2024.

“Access” categories – access to service providers, market access, access to distributors, access to suppliers – are once more the best conditions of Brazilian business, obtaining similar scores in 2023. “Market” conditions, including the financial system, transparency and digitalisation, got intermediary scores, just as in the previous surveys. Yet, the financial system got its score improved, figuring as the best “Market” condition this year. As usual, “Operations” conditions represent weaknesses in Brazil, which include taxes and regulations, besides personal safety. Corporate taxation is again the worst condition in the market, as in Brazil, the corporate income tax can altogether reach 34 per cent – against 20.6 per cent in Sweden. Physical infrastructure dropped positions and surpassed customs as a main challenge for companies in Brazil. The government announced infrastructure investments under the “Novo PAC” program adding up to around USD 340 billion between public-private partnerships, federal and local public investments in different areas.

The majority of Swedish companies in Brazil faced trade barriers related to customs duties and customs procedures during 2023

The number of companies facing customs challenges grew this year, and now reach more than half of respondents; 54 per cent faced negative impact from the level of custom duties and 52 per cent from customs procedures. These barriers affect all kinds of Swedish companies in Brazil, from sales branches to industrial manufacturers. As observed in previous surveys, most of the companies defend the implementation of the free trade agreement between the European Union and Mercosur – the bloc currently composed of Argentina, Brazil, Paraguay and Uruguay – which would lift tariff barriers for most products on both sides, benefiting sales of finished products as well as industrial supply chains. Yet, this is not expected to be in place in the short term.

HAS YOUR COMPANY IN THE PAST YEAR ENCOUNTERED TRADE BARRIERS IN BRAZIL WITH A NOTICEABLY NEGATIVE IMPACT ON OPERATIONS, IN ANY OF THE FOLLOWING AREAS?



NOTE: The number of respondents for this question was 54.
SOURCE: Business Climate Survey for Swedish Companies in Brazil 2024.

The level of companies claiming challenges regarding local technical standards and content requirements (30 per cent) were similar to the level found in 2023, representing the third most relevant barrier. Additionally, 17 per cent of companies see that subsidies to domestic competitors also represent a trade barrier. However, at the same time, many Swedish companies are producing in Brazil and defending robust government subsidies to the industry.

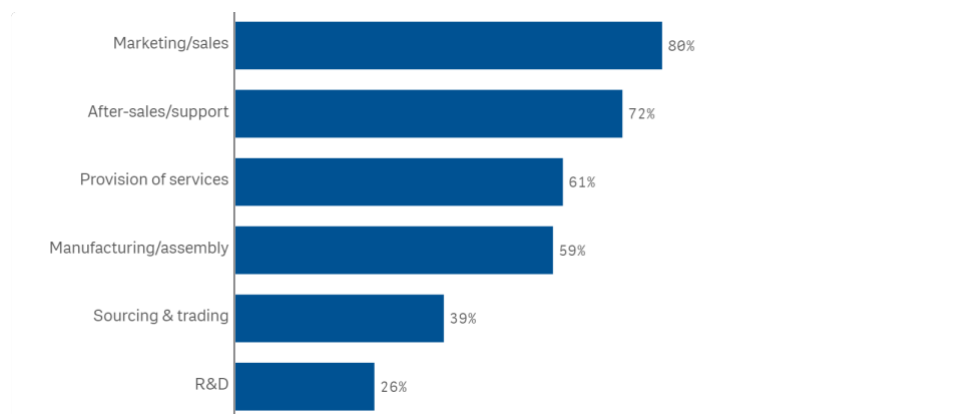
Companies identifying restrictions on access to financial services have decreased, which is in accordance with the improved score for the financial system seen in the previous question. As it appears, the credit market may be evolving in Brazil in a positive way. The country is at the forefront of the fintech market development, housing some of the largest digital banks in the world and offering advanced payment solutions. In addition, companies have access to private credit as well as public financing – investment and customer credit – under government agencies, the most prominent being BNDES, the National Socioeconomic Development Bank.

HOW SWEDISH COMPANIES SUCCEED IN BRAZIL

The majority of the companies surveyed have production capacity in Brazil

From all respondents, 59 per cent have manufacturing or assembly operations in Brazil, proving that local production is still a key strategy for accessing the Brazilian market. All categories presented an increase in responses by companies, potentially indicating a diversification of activities in Brazil by Swedish companies. The only exception was R&D, which dropped from 32 per cent to 26 per cent since last year. This year, the number of companies confirming their operations within sourcing and trading doubled, from 20 per cent to 39 per cent.

OPERATIONS OF SWEDISH FIRMS IN THE MARKET



NOTE: The number of respondents for this question was 54. "Don't know/Not applicable" responses are included but not shown in figure.

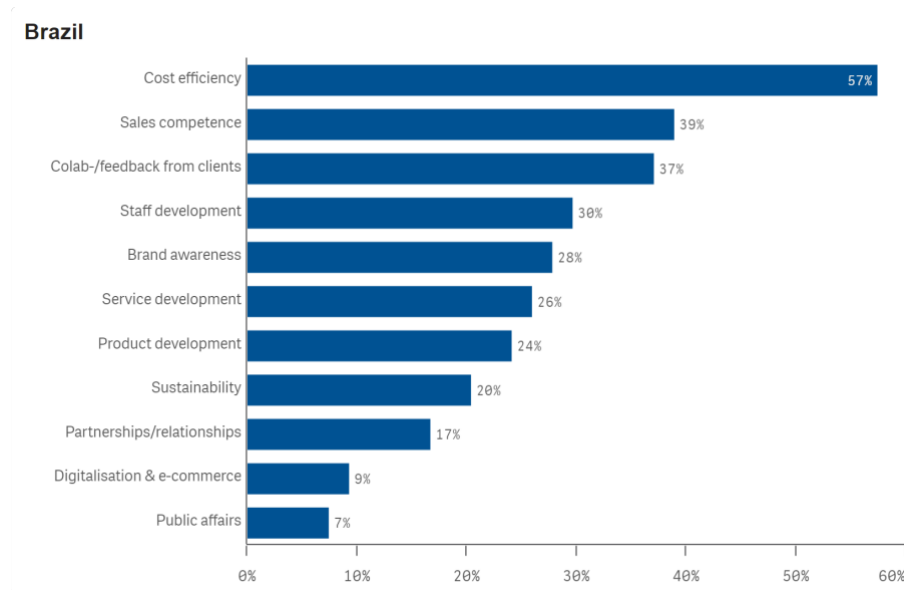
SOURCE: Business Climate Survey for Swedish Companies in Brazil 2024.

Cost efficiency is important for maintaining competitiveness for 57% of respondents; government relations are only relevant for 7%

Cost efficiency and sales competence remain as the key competitive advantages for Swedish companies in Brazil. Yet, sales competence dropped almost 10 p.p. in this year's assessment compared to 2023. Similarly, staff development dropped its results in the same amount. It seems that being cost efficient was more important for remaining competitive in 2023 than investing in key personnel.

On the other hand, brand awareness and service development were more relevant compared to last year, increasing in 8 and 10 p.p. respectively. Local partnerships and government relations figure once again as the least relevant advantages as many Swedish companies choose not to engage with public officials in Brazil. Sustainability and digitalisation still appear to offer little advantage in the Brazilian market, with digitalization losing 7 p.p. in this year's survey.

TO DATE, WHICH OF THE FOLLOWING AREAS HAVE BEEN IMPORTANT IN MAINTAINING COMPETITIVENESS IN BRAZIL?



NOTE: The number of respondents for this question was 54. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Brazil 2024.

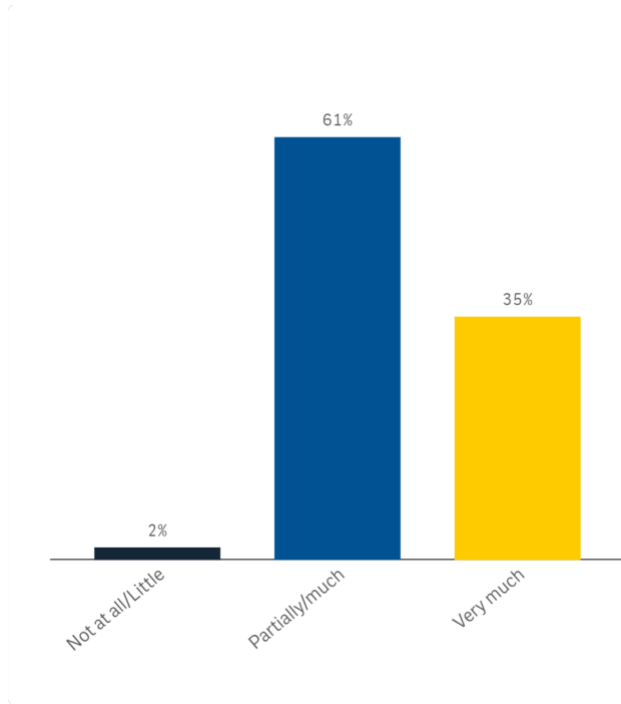
In a separate question, when asked about the factors which will drive change in the local business climate in the upcoming years, companies granted emphasis on technological change and customer behavior, with 81 per cent and 71 per cent answering that those will have a greater impact in the longer term, respectively.

The BCS also asked about the companies' perception over the development of generative Artificial Intelligence (AI), exploring the technological change topic. Although only 11 per cent of respondents think that AI has already transformed business in Brazil, it became clear that such tools will have a large impact in the future according to Swedish companies. More than half of respondents agreed that AI will grant the power to increase efficiency and improve the quality of products and services, while supporting the search for new revenue streams. However, AI will not only have a positive impact over business; 76 per cent of Swedish companies believe that AI will also intensify challenges regarding cybersecurity and disinformation.

77% of the subsidiaries in Brazil claim that they benefit from a Swedish branding to an extent or great extent

This year, almost a quarter of respondents answered that the Swedish brand contributes to business in Brazil only partially, comparatively to 2023, when these were only 10 per cent. Still, 36 per cent of respondents benefit to a great extent from being marketed as a Swedish company, while 41 per cent benefit to an extent and only two per cent benefit a little. As result, 98 per cent benefit at least partially from the official Swedish umbrella. Among those who benefit more, companies with a longer experience in the Brazilian figure.

TO WHAT EXTENT WOULD YOU ESTIMATE THAT THE “SWEDISH BRAND” CONTRIBUTES TO YOUR BUSINESS IN BRAZIL?



NOTE: The number of respondents for this question was 54. “Don't know/Not applicable” responses are included but not shown in figure.

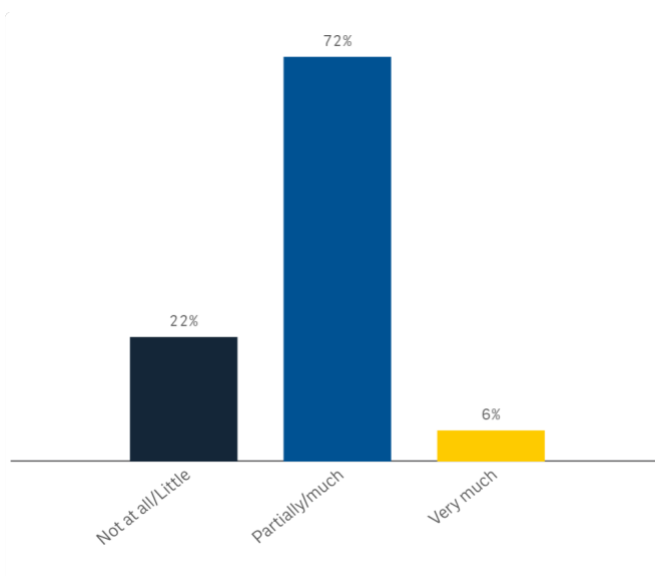
SOURCE: Business Climate Survey for Swedish Companies in Brazil 2024.

ACTING SUSTAINABLY

Companies are already identifying opportunities related to a “green transition” in Brazil

When it comes to sustainability, 58 per cent of respondents said that the environmental impact will be driving change in Brazilian business in the next years. Moreover, the companies’ assessment over their customers’ environmental concerns has changed since 2020. Now, 78 per cent indicate that their customers consider environmental aspects during their purchases, while only 22 per cent said that customer concerns over the environment are little or none at all, a new low record figure for the Brazilian BCS – in 2020, the result was 43 per cent.

TO WHAT EXTENT DO CUSTOMERS IN BRAZIL CONSIDER ENVIRONMENTAL ASPECTS OF A PRODUCT OR SERVICE IN THEIR PURCHASING DECISION?



NOTE: The number of respondents for this question was 54. “Don’t know/Not applicable” responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Brazil 2024.

In a follow-up question, 46 per cent of companies indicated that they see that opportunities related to a green transition will be created depending on stronger government action on the Brazilian side, while 43 per cent already identify great business related to segments such renewables, energy efficiency, and mobility. Despite the cost sensitivity challenges in the Brazilian market, preventing local customers from acquiring cleaner but more expensive solutions, the green transition is already a hot topic for Swedish companies and their positioning in Brazil. As large Brazilian companies start to set and implement carbon neutrality plans, preparations for COP 30 in Belém in 2025 will also call for new environmentally friendly solutions.

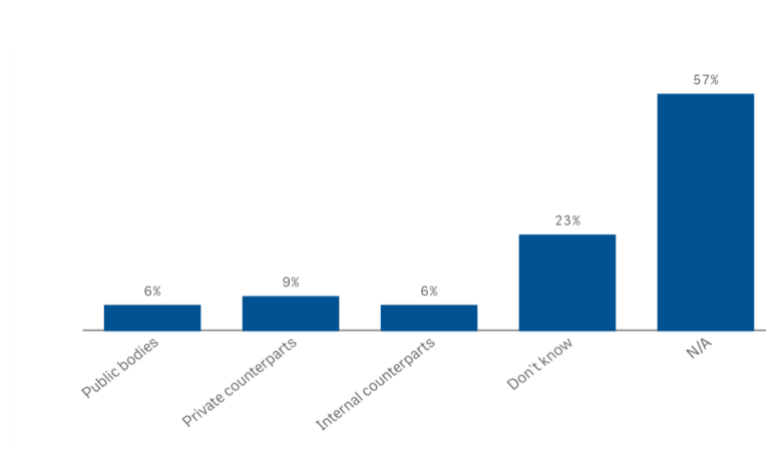
In fact, Brazil is already a major power within renewable energy. With an energy generation matrix focused on hydropower and exponential growth in wind, solar and biofuels, Brazil is the cleanest energy system with consumption above 100 TWh, with 88 per cent of the generation based on non-fossil sources – including hydro (63 per cent) and others (25 per cent), does not include nuclear (2 per cent). Comparable countries include Canada, Chile, Colombia and Sweden, but these have considerably smaller energy systems and lower green energy rates.

This puts Brazil in a key position in the future green hydrogen chain according to different factors: a) the unexplored potential for generation of energy from wind, solar and biofuels is enormous due to Brazil's dimension, geography and agribusiness capacities, b) the clean generation potential greatly surpasses the future local demand, creating opportunities for energy exports in the form of hydrogen, c) domestic access to natural resources used as inputs in energy-intensive industries, such as steel and petrochemical, creates opportunities for new processing plants fuelled by green hydrogen, with focus on exports for customers wishing to lower their carbon footprint and d) willing foreign investors, planning new projects related to green energy and hydrogen, mainly in the northeast region.

Four companies faced some form of corruption risk in 2023, representing 7.4% of total

Corruption risks were well distributed among public bodies, private counterparts and internal counterparts. Notably, 23 per cent claimed not to know about any exposure to corruption in 2023 – either reports have not reached the highest management or that was a way of replying that no risks were identified in the period. Still, the number of companies facing corruption is very low compared to Brazil's position (104th) in the Corruption Perceptions Index of Transparency International, actually dropping positions in 2023. That may show that Swedish companies can indeed operate in Brazil when implementing strong compliance policies which reduce corruption exposure.

HAS YOUR COMPANY IN BRAZIL BEEN EXPOSED TO CORRUPTION SUCH AS, BUT NOT LIMITED TO, ATTEMPTS OF BRIBERY OR FRAUD IN CONTACTS WITH ANY OF THE FOLLOWING AREAS?



NOTE: The number of respondents for this question was 54.

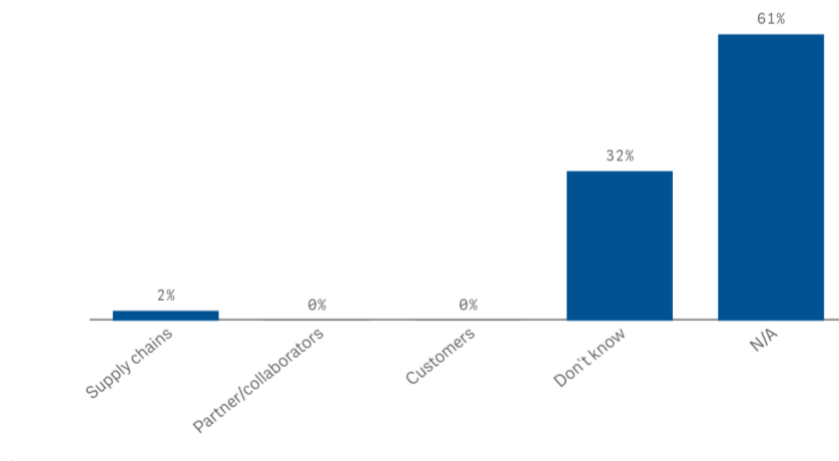
SOURCE: Business Sweden Climate Survey for Swedish Companies in Brazil 2024.

Only one company encountered a human rights violation in Brazil during 2023

Once again, despite known challenges regarding the protection of human rights in Brazil, which can include forced labour, violation of labour rights or different types of discrimination, the results for the following question were very low. One factor that helps to explain it is the companies' establishment in developed urban areas in the southeast region, where such challenges are less common. These results are in line with BCS results from previous years.

A study performed by the Centre of Public Leadership in Brazil compared different states in the status of their work towards the United Nations' Sustainable Development Goals (SDGs) and found that states in the central-southern portion of the country are significantly more advanced, mainly the states of São Paulo, Santa Catarina and Paraná, with respective scores of 82.8, 78.9 and 70.4 (out of 100). The States of São Paulo and Paraná are home for most of the Swedish business in the country.

HOW DO YOU PERCEIVE THE RISK OF ENCOUNTERING HUMAN RIGHTS VIOLATIONS AND/OR LABOUR RIGHTS ABUSES WHEN CONDUCTING BUSINESS IN BRAZIL?



NOTE: The number of respondents for this question was 54. Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Brazil 2024.

Additionally, Brazil also climbed a few positions in the World Bank's Political Stability and Absence of Violence/Terrorism Index over the last years ahead of most emerging economies, including China, India, Mexico, and Russia.

Company quotes on sustainability in Brazil

The Green Transition in Brazil

“Green transition is already happening, and Brazil is a major contributor for that. We all need to cooperate, both private and public sectors to secure fast investments. The best way to speed this transition is to improve communication and transparency, allowing sectors to decide how and when to invest. Today, I perceive companies waiting for government to give subsidies for investment or for taxes and private sector awaiting to start. We already have a gap of 8 months due to this long discussion and now we all need to act. Would be an idea to cluster the green agenda and invite companies and government representatives for meetings to align, defining how and when. This can help to speed up the green transition at same time boost the internal economy.”

“New building standard for projects will be more inclined towards sustainability in the future, and supply chain carbon footprint requirements will be stricter, we see a good opportunity.”

“Brazil has an opportunity to lead in energy transition and transition from oil derivatives to biomass.”

“It has increased a lot of discussions about sustainability in our pulp/paper industry. There is no way of doing business with the large groups if your company is not taking care o sustainability.”

Challenges include government action and cost sensitivity in the private sector

“On new technology, Brazil (and Latin America by large) not only do not offer incentives (e.g.: tax benefits), but create obstacles (e.g.: regulations, import duties and others). The government talks about “green transformation” but has very little to show in our industry. Quite the opposite, there is sizable barriers that have been rather hard to move (in discussion with authorities).”

“Global initiatives on sustainability create uncertainty due to regulations or unclear rules. How to get global regulations in place will be a major issue in the future.”

“Companies are too much profit oriented, and sustainability comes as a wish. To change this culture and really drive changes towards to a sustainable world, we need to clean our own house first, communicate more and set targets to do business with partners who care about sustainability. These simple actions will drive the transformation we need, and cost will not affect our companies’ profitability.”

“While everyone talks about it in their commitments, very few are really engaged and take action. One key limitation is that no one is willing to pay for related sustainability impacts in the operations and supply chains...”

