

Pest analysis of brazil: high potential for growth

[Business](#)



Brazil, officially known as the Federative Republic of Brazil, is the fifth largest country in the world, in terms of both population and area, and the largest country in the Latin America and South America region. With a population of more than 200 million people, Brazil ranks seventh in the list of the largest economies in the world and is home to a variety of natural resources, natural environments and wildlife.

The country suffered a recession in 2009. However, tough fundamentals have led the country out of the crisis. To get a better insight about the business environment in Brazil, read on, as we evaluate it through a PEST analysis of Brazil.

Political Factors

The government is proactive and stable and there is no political instability in the country at the moment. However, for how long? This is something which cannot be predicted, as the modern history of Brazil indicates things can change overnight, especially during elections, as the political situation tends to heat up a great deal.

Corruption still remains a big issue in the country and it's worsening. It has escalated to the extent that even opening a small business (at times) may require you to make payments to government representatives and officials. According to a survey by Transparency International, Brazil is ranked 72nd out of 180 countries when it comes to corruption. This is even higher than economies like Turkey, Bulgaria and Cuba.

Corruption Perceptions Index 2013 [Transparency International]

Economic Factors

Thanks to a large population and FDI inflow, Brazil's potential for growth is extremely high. There is a substantial trend of a growing middle-class and the gap between the rich and poor is declining steadily. Additionally, the Central Bank has successfully reduced the risk of currency devaluation and has also brought inflation under control. However, when it comes to the dollar, the currency is considered to be overvalued, which is adversely affecting the exports of the country.

Both domestic and foreign enterprises are treated equally and labor costs are considerably low. For import duties, a system is in position, which gradually decreases the tariff depending on the amount of successful importing years. Furthermore, the corporate tax is set at 15% and there are no incentives for leaving profits in the country. Compared to other economies, such as Greece and Ireland, the tax rates are considerably high.

Social Factors

Next up in PEST analysis come the social factors. There is economic inequality with the population as around 20% of the population lives under the poverty line. Looking at the class distribution, there are a considerable number of wealthy citizens and a huge segment of people with minimal incomes. The middle class is growing. However, there is still time for it to establish. In addition, Brazilians are up-to-date in the fashion world and are considered modern, as they are aware of big brands and are keen to buy

expensive and luxurious products. The country hosted the FIFA World Cup 2014 and a majority of the population has a keen interest in football.

Technological Factors

Compared to countries like the US and Russia, Brazil possesses a weaker technological infrastructure, as well as investment, but there are efforts being made to push the development of technology centers all over the country. However, IT is a sector in which Brazil has been constantly improving and it currently ranks 53rd in the world.

So, hopefully this PEST analysis of Brazil will provide you the detailed information about the factors which affect the country's external macro environment.

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