

NEWSLETTER

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SUZANO TO INVEST R\$600M IN NEW PLANT IN ESPÍRITO SANTO

Future unit will have capacity of 60,000 tonnes per year, increasing installed capacity by 35%

Suzano, the largest producer of market pulp in the world, intends to invest R\$600 million in a new tissue paper plant in Espírito Santo, increasing the installed capacity for this type of paper by 35%, to 230,000 tonnes. Today, it is 170,000 tonnes per year, which already places the owner of the Mimmo and Max Pure brands among the large local manufacturers.

The future plant, which will also convert toilet paper and paper towel, will be located in Aracruz and have a capacity of 60,000 tonnes per year, with an implementation period of two years. The execution of the project still depends on the approval of the board of directors and the signing of contracts with suppliers.

Suzano joined this market in 2018, initially focusing on the North and Northeast regions, where it is the leader with shares of 66% and 28%, respectively. After advancing into the Central-West and Southeast regions, it ended 2021 as the third largest player in this market, with a share of 11.2%.

The company has tissue production plants in Belém (Pará), Mucuri (Bahia) and Imperatriz (Maranhão), and converting units in Maracanaú (Ceará) and Cachoeiro de Itapemirim (Espírito Santo).

Suzano's plan is to use remaining sales tax ICMS credits in the state to meet the new investment, which still depends on approval by the authorities. At the end of 2019, Suzano unveiled a first tissue project in Espírito Santo, with an investment of R\$1 billion, also using ICMS credits accumulated due to its export activity in the state – Suzano has a pulp production unit in the city of Aracruz, which used to belong to Fibria.

In operation since the beginning of last year, the Cachoeiro de Itapemirim unit has the capacity to convert tissue paper into 30,000 tonnes of toilet paper per year, equivalent to 1 million rolls per day.

“Less than a year and a half later, we announced the plan to make another important investment in the state viable,” CEO Walter Schalka said in a note. During the construction period, 300 jobs are expected to be generated. When operations start, about 200 employees will work at the unit.

According to the company, the potential investment is in line with the strategy “to advance in the links of the chain, always with competitive advantage, and to ensure the supply to the growing Brazilian market for sanitary products.”

Source: Valor International
<https://valorinternational.globo.com/>

07/01/2022

ANALYSIS: CENTRAL BANK'S INFLATION SCENARIO AFFECTED BY ECONOMIC SLACK

In practice, this reflects stronger GDP expansion and lower-than-expected unemployment rate

It was not only supply shocks and other surprises that made the Central Bank revise upwards its inflation projections. There were also the impacts of the lower-than-estimated degree of economic slack and the higher neutral interest rate, according to the Inflation Report released by the monetary authority Thursday.

Since March, the Central Bank increased its inflation projection for 2022 by 2.5 percentage points to 8.8%. A good part of this increase is due to the war in Ukraine, which has caused the prices of oil and other commodities to surge and disrupted production chains due to China's zero Covid policy.

But the revision in the inflation projections, to some extent, is due to the fact that the Central Bank overestimated the degree of economic slack at the beginning of the year.

In March, the monetary authority had estimated that the so-called output gap, a measure of the economic slack, would be 1.8% at the end of the first quarter. Thursday's Inflation Report redoes this calculation and finds that, in fact, the slack was 1.1%.

From the point of view of the real sector of the economy, this is good news. In practice, it reflects stronger GDP expansion and a lower-than-expected unemployment rate. The Central Bank has increased its estimate for GDP in 2022 to 1.7% from 1%. But on the other hand, this means that economic slack has not been as strong a driver of lower inflation as expected.

In the second quarter, another surprise: the Central Bank estimated the economic slack at 2%, but according to the most recent estimate in Thursday's report, it has been revised downwards to 1.3%. A good part of the consequences of this lower-than-expected slack is still expected to reach inflation, which reflects the output gap with a few quarters of delay.

Economic activity was stronger than expected, in part due to the reopening of the economy with vaccination and a lower number of deaths from Covid. But GDP data for earlier this year also reflect last year's still expansionary monetary policy and fiscal expansion measures.

Another factor that contributed to increasing Central Bank's inflation projections was the revision of the neutral interest rate. In its June meeting, the Central Bank's Monetary Policy Committee (Copom) increased its view on the neutral interest rate to 4% from 3.5%.

The market had already revised its estimates to 4% by the end of 2021, due to the high fiscal risk amid tax-cutting measures and spending expansion during the election. But the Central Bank made the move in two stages, raising it to 3.5% from 3% in December, and now to 4%.

A consequence of this is that the economy has seen, before the revision of the neutral rate, a monetary tightening lower than the one estimated by the Central Bank. The monetary tightening represents the difference between the real interest rates forecast by the market and the neutral interest rate.

In Thursday's Inflation Report, the Copom says that the monetary tightening is lower than previously estimated, in March, until the first half of 2023, precisely because the neutral rate has risen. The tightening is higher in the second half of 2023, because the market now expects a higher Selic policy interest rate for the period.

In practical terms, this higher neutral interest rate leads to a higher inflation projection not only for 2022, but also for next year, which is the relevant horizon for monetary policy. The Central Bank has revised its inflation projection for 2023 by 0.9 percentage points, to 4%.

The Inflation Report says that other factors have also contributed to the rise in projected inflation this year, such as rising inertia and deteriorating inflation expectations. Inertia and expectations, in turn, may have been affected by inflationary surprises and higher price indexes in the short term. But they are also determined by the degree of monetary tightening and the level of economic slack, as well as fiscal uncertainty.

Source: Valor International
<https://valorinternational.globo.com/>

07/04/2022

STRATEGIC INDUSTRIES SEEK PARTNERSHIP WITH VOCATIONAL SCHOOLS

Companies, schools are joining forces across country

The partnership between the public and private sector, which specialists see as key for the expansion of vocational education, is starting to accelerate and deepen in Brazil in strategic fields like information technology and renewable energy. Experiments conducted in Araripina (Pernambuco) and in the state of São Paulo show programs that bring together companies and public schools in projects for training more in line with reality, curricula that can be replicated across the country, or programs that establish seamless transition between vocational and higher education.

Technology, creative economy and sustainability, including innovation in the power generation mix, are among the priority fields for which it is necessary to train young people with the ability to create and think, said Ana Inoue, head of Itaú Educação e Trabalho, the education and work initiative led by the Brazilian bank's foundation.

She sees vocational education as a way to generate labor capable of meeting demands. Policies and programs involving public schools, which account for 88% of high school enrollments, are key, Ms. Inoue said. Partnerships with the productive sector, she said, can provide not only greater opportunity for professional practice and supply of updated and state-of-the-art equipment for teaching, but also constant dialogue with public bodies to create curricular articulation that involves training more in line with the reality of each school and region.

With a population estimated by the Brazilian Institute of Geography and Statistics (IBGE) at 85,000 people, Araripina, in the northwestern region of Pernambuco, joined in 2020 the map of cities with more partnerships between the public and private sectors for the development of vocational education.

Carla Chiamareli, knowledge management manager at Itaú Educação e Trabalho, said that the program developed at Pedro Muniz Falcão, a full secondary school in Araripina, considered the strong regional inclination to wind and solar power, in a project that started with a dialogue between representatives of the state government. The Votorantim Institute, currently linked to the Auren group, continued with the entry of Schneider Electric, and now draws other companies in several forms of partnership.

The program, Ms. Chiamareli said, involved the joint construction of a curriculum in the field with the concern of generating vocational training for the entire renewable power production chain. The implementation of the curriculum also considers employability not only in generation companies, but also in user companies, paving the way for entrepreneurship as well, with the formation of professionals qualified to work in the supply of goods and services.

The project stood out for having a curriculum put together from the demands of the productive sector, which meant a change in relation to a model of vocational education often disassociated from the labor market, said Ricardo

Marques Jacó, the school's principal. Currently there are four classes of about 45 students each – two in the first year and two in the second year – in the renewable energy vocational course, which also includes high school. The school, he says, took advantage of the framework developed to also offer an evening vocational course for those who have already completed high school. Currently, there are three classes with about 30 students each.

Born in Araripina, Mr. Jacó expects that the new courses will contribute to change the profile of the labor force that works in the productive chain generated by wind and solar power, increasing the generation of jobs for the local population. Today, most of the professionals come from other regions, he said.

According to Rômulo Marçal, corporate director at Auren, there is a great opportunity in the sector in the region of Araripina, where the company runs a wind farm. He said that public information sources indicate that within a radius of 200 kilometers from the Pernambuco city there are about 1,800 renewable power projects – mainly solar and wind.

Mr. Jacó recalled that there are job opportunities not only among generation companies and manufacturers of power equipment, but also in user companies in several industries. The use of renewable power has been expanding in the region, he said, and many companies – among them those in the city's plaster industry and food industry – have been investing in their own plants, which will also demand more professionals in the field.

The training resulting from the vocational course is expected to generate better pay for the population. In 2020, the average monthly wage in the municipality was 1.6 minimum wages, which put it in 93rd place among the 185 cities of Pernambuco and in the 4,400th position among 5,570 municipalities in the country, according to IBGE. The proportion of employed people in relation to the total population was 9.4%, also two years ago.

Mr. Marçal highlights Auren's contribution for the creation of a curriculum for the renewable power course. Fifteen volunteers from the company took part with the concern to create a course that connects to digital technology and that can also develop the necessary skills for the corporate world.

The objective of adopting the curriculum is to develop general skills, such as the ability to solve problems, initiative, creativity, logical reasoning, flexibility and adaptability, said Mr. Chiamareli, with Itaú Educação e Trabalho. Another concern was to create a comprehensive renewable power curriculum that, besides wind and solar energy, also reaches other sources, such as hydro and biomass. "The idea is to give scale to the curriculum so that it can be put in place in all states." At least six states have already shown interest, she said.

In order for vocational education to be expanded with the capacity to meet existing demands, Ana Inoue points out, it is necessary to transform the way vocational education is seen. It is necessary, she added, to leave behind the "last century" vision. "Vocational education was created as something for the poor and underprivileged, and was less comprehensive, less emancipatory, and more restricted." It was education aimed at those who would not have the opportunity to go to university, Ms. Inoue said. Vocational training does not have to be "definitive in the young person's life." Instead, it must pave the way for "a new development process that needs to take place."

In this sense, she said, it is necessary to create public policies and programs in a way that encourage vocational education students to move forward with that in higher education, and even adding value to the student's previous training.

The Multiplatform Development Technologist course currently offered by 12 Technology Colleges (Fatecs) in São Paulo seeks to achieve this. Brasscom, an association that brings together 86 business groups in the fields of digital technologies and Information and Communication Technology, also took part in the formulation of curriculum of this course, which is the result of a partnership between Itaú Educação e Trabalho and Centro Paula Souza (CPS) – an autonomous body that coordinates São Paulo's public vocational schools and Fatecs.

Cacau Lopes, implementation and development manager at Itaú Educação e Trabalho, points out that the work with Brasscom also involved the review of career paths for vocational education. Working with an association has allowed the curricula to reflect the various companies that operate in the technology sector with different focuses and languages, and often competing with each other.

Source: Valor International

<https://valorinternational.globo.com/>

07/04/2022

HIGER SETS UP STRATEGY TO BRING ELECTRIC BUS TO BRAZIL

Chinese company wants to turn country into gateway for neighbors in South, Central America

Brazilians going to Qatar to watch the FIFA World Cup in November have a good chance of going to and from the stadiums in one of the 1,800 electric buses that China's Higer sent to the host country to transport the fans of the 32 national teams. Those who will stay in Brazil, on the other hand, may also have the opportunity to know the vehicle — if government programs to electrify bus fleets move forward. This is expected to materialize quickly in some cities, especially in São Paulo.

The Chinese manufacturer has set up a business plan to hit the streets in Brazil and make the country the gateway to its neighbors in South and Central America, such as Peru and Colombia. The company intends to compete for space with big brands that dominate the Brazilian market, some of which have been operating in the country for more than 60 years.

Founded in 1998, Higer has four plants in China and grossed \$5.5 billion last year. It is a young company when compared to competitors, especially the European ones. "We already have 50,000 electric buses in the streets — mostly in China, but also in Europe," said Marcelo Barella, Higer's head for Latin America. In Brazil, the Chinese company will operate with TEVx Motors, which will import and distribute the vehicles.

The company has put together a business plan where the operators of the transportation system, whether private or public, will not need to buy the vehicles nor worry about the charging infrastructure. Everything will be leased. The electric bus is 2.5 times more expensive than a diesel-powered one. "A combustion bus costs around R\$900,000. The electric one reaches R\$2.6 million," Mr. Barella said.

Higer signed an agreement with Enel in order to compete for the supply of electric buses in São Paulo, which is Brazil's largest market — and the perfect place to debut in the country, in the Chinese company's view. The Italian power company holds the power distribution concession in São Paulo's capital city and 22 other cities in the metropolitan region around it. Enel will compete in biddings for the supply of the vehicles. If it wins, Enel will buy the vehicles from Higer, assemble the charging infrastructure, and lease the whole package to the operators. Higer will run bus maintenance and driver training, which includes having its own personnel inside the operators' garages.

"The rental system allows the fleet to be changed as quickly as possible. If operators had to buy an electric bus, I'm not sure if they would get the credit for that," Mr. Barella said. He recalled that São Paulo has 14,000 buses and plans to reach 12,000 electric buses by 2028. Of this total, 2,600 would be running by 2024 and 600 between 2022 and 2023.

The company plans to gain space in São Paulo, as it is one of the most complex urban transportation systems in the world. If it is able to meet the standards of SPTrans, which manages the city's system, the company will be able to serve any other city in the country, in the executive's view. Higer invested \$10 million to adapt the buses to

Brazilian standards. “We have all the tooling ready. If I have an order for a thousand buses, I am able to meet the demand.”

If Higer’s plans go as expected, the company estimates to have 300 employees in 2023 and 500 by 2024. There would be eight to 10 employees in each garage.

At first, the battery-powered vehicles will be imported in one piece, but the company is negotiating with the government of Ceará an area in the port of Suape to install an assembly line, with an estimated investment of \$20 million. With the local unit, the idea is to import the buses in a PKD (Partial Knock-Down) system. “The structure of the car comes ready and here we put the windows, seats and engine,” the executive said.

In a second moment, the SKD (Semi Knock-Down) system would be adopted, with higher added value. Mr. Barella explains that a good part of the vehicle maker’s suppliers in China are already in Brazil and could meet Higer’s needs in Ceará. They are global suppliers, such as Siemens and Dana, for engines; ZF for suspension; Bosch for steering gears; or Wabco for brakes. The batteries are from CATL, which has signed an agreement with the Brazilian battery manufacturer Moura for post-sale services. The unit in Ceará will also be the export base for the region.

The choice of Ceará reveals the next step in the automaker’s strategy for Brazil: hydrogen buses. The state has a large supply of clean energy and several projects for green hydrogen production in the medium term. Higer already has 400 hydrogen buses running in China. But it is a longer-term project in Brazil.

Well before the use of hydrogen, the Asian group plans to enter the segment of passenger and cargo electric vans and trucks in Brazil. The vans are expected to arrive later this year and will require a dealer network. On the other hand, Mr. Barella acknowledged that competition for trucks is likely to be fierce. The executive, who has worked for Higer since 2004 in several countries, knows that the heavy truck segment has its leaders, but as seen in the 2018 World Cup, when underdog Korea disqualified world champion Germany, favoritism is only confirmed at the end of the game.

Source: Valor International
<https://valorinternational.globo.com/>

07/05/2022

FUNDS SEEK CHEAP STOCKS ON BRAZILIAN STOCK EXCHANGE

Managers look for companies with good fundamentals to invest in

Companies with strong economic fundamentals trading at a discount are being analyzed by investment funds looking for opportunities on the Brazilian exchange B3. Despite the high interest rates, fast inflation and strong volatility, a scenario that increases risk aversion, these firms have been studying whether to buy into businesses, purchase shares of listed companies, or increase their stakes in companies with good growth history that have been affected by the crisis.

“It is cheaper to buy [shares of] companies on the stock exchange than to inject capital in unlisted companies,” said Rafael Furlanetti, institutional managing partner at XP Investimentos. “With the current prices on the stock exchange, private equity funds [which buy shares in companies] and long-term investors evaluate opportunities to become shareholders of companies that have strong fundamentals that will certainly weather this crisis,” he said.

Although it is still a restricted phenomenon, the prevailing view is that investors must identify potential opportunities to join top-notch, resilient assets trading at a heavy discount throughout the year, sources say.

The Brazilian cloud computing platform Locaweb has recently gained a major shareholder – the asset management company General Atlantic (GA), which has in its portfolio the pharmaceutical retail company Pague Menos and several technology companies. GA's strategy is to gradually buy shares in companies, sources say. Today, the company holds a 10.7% stake in Locaweb – in March, the fund acquired a 4.9% stake in the stock market. The company is down 54,8% on the stock market this year, and lost 77,8% in 12 months. From January to March, the company's net revenue rose 55% year over year, while profit advanced 154%.

Petz, a pet products retailer, has drawn funds like Mubadala, which historically allocates capital in infrastructure and real estate around the world, sources say. The Abu Dhabi sovereign wealth fund raised \$322 million earlier this year to invest in Brazilian companies. According to a source in the financial market, the fund mulls acquiring a stake in the fast-food chain Burger King, now called Zamp in Brazil.

Petz already has a major investor. The sovereign wealth fund GIC built a 5.2% stake in the chain at the end of 2021, increased it to 5.4% in May, then reduced it to 4.87% in June. But the fund is willing to raise the stake above 5% again in the near term, a source familiar with the retailer's strategy said.

"Both Petz and Locaweb are companies seen as having good fundamentals that are being affected by broader factors," a source in the financial market said. "Other retail companies, such as Assaí and Grupo Mateus, have drawn more attention from investors," an investment banker based in São Paulo said.

"What we see are different timings," said an asset manager with investments in education and consumption. "With more aggressive interest rate hikes in the U.S., the markets are pricing a stronger deceleration, but these foreign private-equity funds look very long term, they think five, 10 years in advance. It's different from the public market, which works with a one-year horizon, joins and leaves stocks all the time, and follow the short-term situation."

Dynamo, one of the most traditional asset management companies in the country, mulls increasing stakes in companies from its portfolio, a source within the firm told Valor. Car rental company Localiza (which merged with Unidas), cosmetic maker Natura, energy company Eneva, retailer Lojas Renner, sugar and energy company Cosan and energy company Vibra are in the current portfolio. "There are a lot of cheap stocks and there will be a lot of opportunities. We are definitely looking at what is attractive," a source linked to Vinci said.

Verde Asset also remains long in Brazilian listed companies and sees cheap stocks, according to the asset management company's financial results, unveiled last week.

Carlos Carvalho Jr., managing director of Kínitro Capital, says that there have been some interesting deals by private-equity funds in recent months in Brazil because investors are starting to see valuations that justify strategic buying. "According to these funds' calculations, there are, to some extent, more depreciated assets among the publicly-traded ones than among the privately held ones."

A Valor's analysis of 25 purchase and sale transactions of positions at B3 in 15 companies (from traditional companies in their sectors to newcomers to the stock market) shows a greater appetite from investors in general to increase their stakes in certain businesses. The analysis includes deals involving long-term funds and asset management companies focused on the short term – in both cases, without the objective of changing control or its management structure.

According to the survey, from January to June, one-third of the 25 deals were aimed at increasing stakes, while two-thirds reduced positions. In the previous six months, more than 70% were aimed at reducing stakes.

In order to have a broader volume of companies evaluated, consolidated deals in their markets, such as Renner, Raia Drogasil (drugstores) and Iguatemi (shopping malls), as well as recently listed companies in a growth phase, such as Petz and Quero-Quero (retailer), and groups that went public after 2020, such as Westwing (retailer), Track&Field (retailer) and Multilaser (technology), were considered in the analysis. The deals are filed with the CVM.

The U.S. asset management company Wishbone Management had already increased its position in Quero-Quero to 10.68% in April from 6.67%. Now, according to data from June, it holds 14.14%. Itaú Unibanco, however, reduced its stake in the retailer to 4.98% in June from 8.11% in March. The retailer has lost almost 43% of its market capitalization this year, with sales up 24% from January to March. Wasatch Advisors, an asset manager with an appetite for small-caps, increased its stake in Petz to 5.51% in June from 4.99%.

In the list of assets with stronger fundamentals, Raia Drogasil and Renner reported to the market that J.P. Morgan increased its shares in the companies – in the latter, to 5% in March from 4.6%.

Mr. Carvalho, with Kínitro Capital, sees Brazil a little ahead in terms of capital market recovery, which can be beneficial. “There are three main phases in these periods of acute crisis: the devaluation of company multiples, the revision of stock profits, and the capitulation, which is basically total lack of positive expectations, with investors surrendering to a very negative perception. Our market is in this third phase and the U.S. market, in the second phase, so we are ahead in this process of exiting this cycle. Obviously, if we don’t have a drastic worsening of the scenario again,” he said.

In June, up to the 27th, foreign investors bought R\$252.2 billion in stocks on the B3 and sold R\$250.9 billion, which means a net injection R\$1.3 billion. In 2022, the balance is positive by about R\$53 billion. A survey carried out by Valor Data shows that only 19 companies from the IBRx Index saw their shares rise over the last 12 months. The index is made up by the most liquid companies of B3.

Sergio Spinelli, with law firm Spinelli Advogados, says that companies that do not have “poison pill” clauses are becoming the target of asset management companies that invest in public companies. These clauses are protection mechanisms for shareholders of public companies against hostile takeover attempts by another investor. Each company has defined in its bylaws when the clause, which forced the investor to extend the offer to the other shareholders, can be triggered.

“The funds, when they allocate capital in these companies by building positions, need to see liquidity,” Mr. Spinelli said. “It is natural to look for companies without poison-pill clauses because it is one less limiting factor.” He still sees room for a further drop in the value of stocks driven by high interest rates.

Otávio Yazbek, with Yazbek Advogados, said that this clause started to gain relevance in Brazil after the IPO boom in 2006-2007. “This mechanism is very common in the United States, with companies’ moves to have a dispersed control. In Brazil, however, it guarantees that the controlling shareholder remains in control.”

With the recent IPO drives – in 2020 and 2021 –, Mr. Yazbek has seen that corporate disputes are beginning to emerge, since funds have increased stakes in companies. “New disputes have started to arise, also because funds, some with a more activist profile, are gaining a greater weight in recent stock offerings. The context is different than in previous booms.”

Assaí, Burger King (Zamp) and Mateus declined to comment. Petz said it does not comment on market moves that have not been disclosed to the market. Mubadala also said that it does not comment on market rumors. GIC did not immediately reply to a request for comment.

Source: Valor International
<https://valorinternational.globo.com/>

07/05/2022

BRASIL CAN PRODUCE FULLY ELECTRIC CARS, GM SAYS

Santiago Chamorro rejects hybrid car idea, says country's turn will come when cost falls

Some automakers are preparing to produce hybrid cars in Brazil. This group understands that the vehicle with two engines (one combustion and one electric) is the best way for Brazil to join the global transition to electrification. And to also save its large industrial park, since fully electric cars, which require plug-in charging, are not yet manufactured in the country due to the high cost of this technology. This is not, however, what the management of General Motors thinks. For Santiago Chamorro, GM's CEO for South America, Brazil does not need an intermediate phase and can, when the technology is more accessible, have an electric car industry of its own.

Mr. Chamorro says he is convinced, from what global studies show, that the fully electric car is superior to the hybrid one in terms of environmental gain. "The other technologies become transient, temporary," he said.

Fully electric vehicles still represent a very small portion of vehicle sales in Brazil. And they are all imported. The share of this type of car represented 0.1% of sales in 2021 and 0.3% until May this year. Although still small, the share of hybrids in sales was larger – 1.6% and 2%, respectively.

"Volumes are still low; but everything starts this way," Mr. Chamorro said. The executive points to the premium category, with more expensive models and where sales of fully electric cars are concentrated today, as the gateway to transformation. Consumers in this range, the "early adopters," as they are called in the United States, are willing to pay for technology that allows driving to be "more fun" and quieter, among other things, the executive said.

"But in the future, cars will be electric in all segments where we have a presence," he said. When will this be? He replies, with good humor, that this is a topic "for a future conversation." GM also does not break down its electrification schedule per region to achieve the global goal of being carbon neutral by 2040. In Brazil alone, the company has three vehicle plants and one engine plant.

"We produce where we sell," Mr. Chamorro said, highlighting the vocation of Brazil, ninth largest producer of vehicles in the world and seventh largest market, besides other countries with car assembling in the region, such as Colombia and Ecuador.

With the electric car, the processes will change. "There will be a manufacturing transformation; our employees will have other skills and use other tools," he said. "The transition will not be immediate, and by then we will have combustion cars with less polluting engines."

To those who ask him if the electric car technology is not too expensive to be produced in the region, Mr. Chamorro replies with some facts. Besides Brazil being a source of renewable energies in expansion, such as solar and wind power, he recalled that South America offers mineral reserves, such as cobalt and nickel, which favor the development of the vehicles of the future.

Furthermore, he says, the cost of the technology tends to fall. GM has developed a modular platform, with battery packs that can be assembled in various formats for use in different types of vehicles. The flexibility of this platform, called Ultium, allows to meet the needs of those who seek a more affordable car and also of those who want a more luxurious one, with battery packs for longer or shorter range.

Recently, GM and Honda signed a global agreement that will use new generations of this platform to develop economical cars. The companies expect that, in the next generations of electric cars, the cost will be the same of a combustion car.

Mr. Chamorro points out that in the urban environment, the owner of a car used for day-to-day routine travels on average 45 kilometers a day. One charge a week, in this case, would be enough. And for those who think that no farmer is interested in an electric pickup truck, Mr. Chamorro says that today farmers invest in solar and wind power sources. "Many report difficulties in getting to a gas station," he said.

For Mr. Chamorro, there is no reason to be afraid of the electric car. "If we asked anyone a century ago if they would like to exchange their horse for an automobile, surely many would say they would rather have a second horse. Big changes involve strong emotions."

Mr. Chamorro points to the expansion of private investment in public charging stations. For him, this market will continue to attract investors as the demand for electric cars grows.

GM plans to invest \$35 billion to launch 30 new electric vehicles by 2025. Three of them will come to the Brazilian market. The three models – Bolt EUV, Blazer EV, and Equinox EV – were presented a few weeks ago on Youtube by Mr. Chamorro. The audience, he says, has already hit 6 million people. "The consumer is curious," he said.

Mr. Chamorro does not directly criticize competitors that show interest in hybrid cars and defend the use of ethanol in these engines. But he indicates that the subject generates dissent in the sector. "While other companies see this as a small matter, we see it as a central issue," he says in relation to fully electric cars.

GM's direct competitors, such as Volkswagen and Stellantis, intend to go this way. Toyota already produces this type of vehicle, and two Chinese brands – CAOA Chery and Great Wall – have already announced they will produce ethanol hybrids in Brazil.

The electric car is, however, only a part of the vehicle transformation process. Mr. Chamorro talks about GM's autonomous car tests in San Francisco and says that taking the driver out of the wheel will be one of the ways to put an end to traffic accidents.

Connectivity is another part of the transformation. Mr. Chamorro envisions the expansion of the car's communication with people's lives. GM is already collecting picturesque moments with its Onstar, a subscription-based communication service for navigation and emergencies. This service has helped, for example, in the rescue of stolen vehicles.

But one of the cases that moved Mr. Chamorro happened in the U.S. The emergency service was called by the mother of a woman about to give birth inside the vehicle. Trained for this too, the operators assisted in bringing the baby into the world. "There is a wave of possibilities coming," says Mr. Chamorro.

Source: Valor International
<https://valorinternational.globo.com/>

07/06/2022

BB DTVM SEEKS TO MODERNIZE MANAGEMENT

Brazil's largest asset manager is being structured to sophisticate products

BB DTVM, Banco do Brasil's asset manager and the largest such company in the country with R\$1.5 trillion under management, has always been known for its size, but also for being slower in the process of product sophistication. However, a set of measures is being taken under the management of Aroldo Medeiros, CEO of the asset management firm since December 2020, in the sense of modernization, with the aim of putting BB DTVM at the same level of other large management companies considered to be cutting edge.

"The phase in that the retail investor liked DI [interbank deposit] funds and passive fixed-income funds is over. The small investor is more informed every day and wants different products, and we are following this movement, with new products and an active management," Mr. Medeiros told Valor Investe. He has been with Banco do Brasil for 38 years and, a year and a half ago, took over as BB DTVM's CEO, replacing Carlos André, currently the CEO of Santander's asset manager.

One of the fronts of this modernization drive is the various partnerships being made, both in the management and distribution of funds, as well as in the attraction of clients. In the distribution area, the company is currently selling its funds on 16 investment platforms and has recently closed an agreement with four independent financial advisers with client portfolios specialized in pension funds.

There are also partnerships with international asset managers, with whom BB DTVM has mirror funds, and, according to Mr. Medeiros, new agreements with foreign asset managers are expected to be announced soon. "We want to offer the best to our clients, here in Brazil or abroad, whether they are managed by us or by third parties," Mr. Medeiros said.

As for management itself, BB DTVM is structuring new areas exactly in order to be able to analyze and, therefore, place increasingly sophisticated assets into the portfolios.

The asset manager has set up an active fixed-income analysis and operations desk with the aim of buying securities that offer returns well above the interbank benchmark rate CDI. And, more recently, it has structured an analysis desk for riskier and more volatile securities (known in the market as high alpha) and another for quantitative analysis, which uses mathematical and statistical models to monitor market behavior and thus identify investment opportunities. Mr. Medeiros says that other important fields for active management and more complex assets are being designed and are expected to be ready soon.

The growing demand from investors for more complex products justifies BB DTVM's focus on the support structure for analysis and selection of assets that go beyond the basics, both in fixed and variable income.

Mr. Medeiros recalls that the fall of benchmark interest rate Selic to the floor of 2% per year led a good part of the clients to migrate to hedge funds, corporate debt funds, ESG funds, infrastructure funds, cryptocurrency funds, and Fiagro (Investment Funds in Agroindustrial Productive Chains), among others.

However, with the current rise in the Selic rate, which is now 13.25% per year, BB DTVM, as well as assets managers of other large banks, has seen a wave of redemptions of its retail funds. In the year to May, redemptions in BB DTVM's retail funds totaled R\$12 billion, according to Morningstar data.

According to Mr. Medeiros, in general, this money that has been leaving the funds is going to products essentially offered by banks, such as certificates of bank deposit (CDBs), certificate of real-estate receivables (CRIs) and agribusiness receivables certificates (CRAs). He says, however, that these redemptions are very small compared to the stock in retail portfolios now, and that the greater trend of going to more sophisticated products has not been broken.

"The most complex products continue to receive new funds and, at the slightest sign that monetary tightening has come to an end, these investments will once again become relevant, just as they were until the Central Bank had to act with the Selic to tame inflation," says the executive. "Investors today are much more mature, and the search

for more structured assets is here to stay, even with this short-term setback, with the rise in interest rates,” he added.

Source: Valor International
<https://valorinternational.globo.com/>

07/06/2022

INFRASTRUCTURE COMPANIES PROPOSE FLOOR FOR PUBLIC INVESTMENTS

Trade group will present document to presidential candidates

Infrastructure companies advocate the creation of a floor for public investments, a reindustrialization policy and an integrated development agenda for the country. The proposals were put together by the Brazilian Association of Infrastructure and Basic Industry (Abdib) in a document that will be presented to presidential candidates. Brazil will hold elections in October.

“Since 2016, we have seen important advances in regulation, privatization and governance. But this was not accompanied by public investments, which today are at an unacceptable level,” said Venilton Tadini, head of the association. “We are not against the spending cap, but we are in favor of a floor for investments and a limit for current expenses,” he said.

In its proposals, Abdib emphasizes the privatization agenda, but reinforces the need to resume public works. “There are limits to private-sector participation. The concessions program itself has shown signs of fatigue. Today the interest rate scenario is different from recent years, and costs have increased,” Mr. Tadini said.

For Mr. Tadini, it is necessary to believe in the perspective of quality public investments, unlike what was seen in the past – for example, with the Growth Acceleration Program (PAC), which boosted public investments but ended up generating a series of abandoned projects across the country.

“Abandoned construction works are the result of poorly structured projects. Today we see an advance in governance, the control bodies have learned a lot and there has been an evolution in structuring,” he said.

The view is that, even in the short term, it would already be possible to unlock relevant amounts of investments in infrastructure with quality. “The country is at such a low level that the necessary works are very basic, like road resurfacing, maintenance of structures, simple projects that federal agencies are able to do without problems. Now, for larger structuring projects, new public-private partnerships, it would be another case, it is something that would require planning.”

The transportation and logistics sector is the one with the largest investment deficit in Brazilian infrastructure, according to the document prepared by Abdib. In 2021, the gap reached R\$166 billion. In total, R\$30.1 billion were invested in the segment, equivalent to 0.35% of GDP. The association says that this level must rise to R\$196.2 billion per year (2.26% of GDP) for the country to reduce its bottlenecks in the next decade.

Mr. Tadini also highlights the investment gap in the basic sanitation segment, which reached R\$22 billion last year. Although it is a smaller deficit in terms of volume, it has a very high social and environmental impact. “It’s a humanitarian issue,” he said.

Altogether, Abdib argues that the country should invest, per year, 4.3% of its GDP in infrastructure over 10 years.

In its letter of proposals, Abdib also tries to point out ways to guarantee the fiscal space necessary for the expansion of public investments, besides concessions. The association advocates a broad plan for reforms, which could be presented within the first 100 days of the government.

The agenda includes three points: tax and administrative overhauls and a change in the fiscal regime defined by the spending cap rule, to guarantee the drop in current expenses and the increase of investments in infrastructure.

Furthermore, Abdib proposes a reindustrialization policy for the country, with incentives focused on strategic segments.

“There is a lack of dialogue between the infrastructure and industry programs. This causes the country to miss huge opportunities. If there had been dialogue with the industry during the privatization of the telecommunications sector, today we could have global giants capable of exporting technology. Today we see the same situation with basic sanitation; there is no dialogue between the investment policy and the development of national industry,” Mr. Tadini says.

Source: Valor International

<https://valorinternational.globo.com/>

07/07/2022

STELLANTIS PUTS PROCUREMENT TEAM INTO ACTION

One of the goals is to develop hybrid cars and develop local sourcing of parts

Stellantis's procurement team in Brazil has had a lot of work lately. The automaker corporation that unites Fiat, Chrysler, Peugeot and Citroën needs to advance in negotiations with suppliers to meet two priorities defined by the company's CEO in Latin America, Antonio Filosa. One part of the conversation involves development projects for the production of hybrid cars in Brazil. The other seeks to increase the local sourcing of parts, especially electronic components, to reduce dependence on foreign countries, especially in Asia.

Mr. Filosa, one of the greatest advocates of Brazil using its knowledge of ethanol to produce hybrid cars, does not reveal dates. But he said that the process of developing new versions of the so-called powertrain of the brand's cars will begin in Betim (Minas Gerais state), where the company currently has an important production center for combustion engines.

According to Mr. Filosa, Stellantis has engineering and product development teams around the world that are currently working to find solutions to reach the company's goal of reducing CO2 emissions by 50% by 2030. The Brazilian team was assigned the mission of developing the ethanol hybrid. “We are the only ones in the world capable of developing this technology,” he says.

Stellantis's position clashes with that of General Motors, which, according to Santiago Chamorro, CEO for South America, in an interview with Valor this week, said he intends to offer in the Brazilian market only 100% electric cars, which depend on charging at charge points. The hybrid, on the other hand, has two engines – a combustion one that helps charge the other, electric – and, therefore, dispenses the batteries charging in electric power sources.

“We will offer the customer whatever he wants, including 100% electric cars. But we will have, locally, the electrification with ethanol, a clean solution since the sugar cane plantation. This is Brazil's chance to electrify its vehicles without damaging the industry,” Mr. Filosa said. For now, all 100% electric cars are imported.

Stellantis' goal is to reach 2030 with electric cars in 100% of sales in Europe, 50% in the United States, and 20% in Brazil.

For Mr. Filosa, ethanol "is a very Brazilian answer," on the transportation side, to the decarbonization process. The rest, he says, is possible through reforestation. "These are simple solutions. We already have ethanol for cars and reforesting a country where it rains a lot is easy. Here is not Dubai," he affirms.

Stellantis's second move in negotiations with suppliers has two more fronts. In one of them, it seeks to reduce dependence on imported parts. In recent times, the automotive industry has had to face supply problems due to several factors, ranging from the strong recovery in global demand that followed the peak of the pandemic, to the war in Ukraine, followed later by the lockdowns in China.

Without naming, Mr. Filosa says that a new Asian supplier has already started to manufacture in Manaus components for the navigation and entertainment system of the cars produced by the automaker in the country.

Along the same lines as the expansion of domestic production, Stellantis's management seeks to attract more suppliers to its plants, especially the one in Goiana, Pernambuco, which currently has 30 suppliers in the surrounding area. By 2025, the company that a year and a half ago became a super-automaker, with the global merger of several brands, has become the leader of the Brazilian market, with 33.6% of sales of cars and light commercial vehicles in the first half of the year. In Brazil alone, the company has three industrial complexes and an engine plant.

"Brazil needs to industrialize more and more to guarantee work and income. If today 65% of the market is in the Southeast and South regions, it is not because consumers in the North and Northeast don't want or don't need cars. It is because of the lack of income," the executive said. For him, industrial decentralization also helps to improve the country's social indicators, such as education and security.

About the restrictions on the foreign exchange market in Argentina, where Stellantis has two vehicle plants, Mr. Filosa, who was once Fiat's CEO in Argentina, says the company is analyzing the situation "to understand the impacts." "We don't expect, of course, that there will be zero impact," he says.

Regarding the Brazilian market, the executive says that the pressure of inflation and the high-interest rates worry. But this, he highlights, does not show up in sales yet because the lack of components is a major problem. "For now, the crisis is of supply." Therefore, for him, the market this year tends not to present growth compared to 2021.

Source: Valor International
<https://valorinternational.globo.com/>

07/07/2022

DEMAND FOR PROFESSIONALS DRIVES UP SALARIES IN AGRIBUSINESS

Payment for positions in purchase and supply of fertilizers increased up to 60% amid the Russia-Ukraine war

The war between Russia and Ukraine has boosted the demand of Brazilian agribusiness companies for professionals who work in the supply area. Under the fear of lack of inputs, the remuneration of those who work

directly in the purchase and supply of fertilizers, for example, increased up to 60% in some regions of the country, according to a survey by Fesa Group, a company of executive recruitment and selection.

The movement is already helping to reverse the drop in hiring that occurred at the beginning of the Covid-19 pandemic. The most recent data show an increase in the demand for professionals for this type of position. Companies that operate in the Central-West and North regions are the ones that most seek these professionals for job positions. They are family groups, chemical, fertilizer, and input industries, and distributors, for example.

The demand for professionals for the positions of purchasing or supply manager and coordinator, the strongest, according to the survey, doubled compared to last year. The salaries also went up, between 30% and 40%, on average.

“When it is a position in a remote region or a country town, the increase can reach up to 60%,” says Anderson Schemberg, partner at Fesa, which operates in Minas Gerais, the Central-West and North of Brazil. According to him, there is an expansion in the agricultural regions of Matopiba (bordering the states of Maranhão, Tocantins, Piauí, and Bahia) and in areas of states like Pará, Acre, and Amapá.

Agribusiness companies have also increased their search for specialists, market intelligence coordinators, and professionals in the commercial area. “It is important to remember that these are leadership, managerial, and executive positions. With this analysis, we can assume that operational positions in these areas are also in greater demand,” he added.

Mr. Schemberg believes demand will remain strong at least until 2023. “From the second half of 2021 on there was a boom in demand for professionals in the market to reorganize staff. And there is a lack of specialized labor, from specialized mechanics to personnel for management positions,” he observed.

At Amaggi, the largest domestic capital company in the grain trading and processing segment, the growth of the sector, even with the pandemic, kept the pace of job openings high, unlike what happened in other segments of the economy. From 2020 to May this year, the company hired 1,700 people for permanent positions and more than 4,000 for temporary contracts in practically all units and areas of activity.

Nereu Bavaresco, Amaggi’s chief people officer, said that the challenges have grown since the beginning of the crisis, whether because of restrictions on the circulation of people, the “blackout” in the availability of qualified professionals, or the new requirements for different occupations.

Fesa Group points to the lack of professionals who speak English as one of the gaps in the selection processes. “These are positions that demand a global interface, so the language is a necessity,” explains Anderson Schemberg.

The lack of training led Amaggi to invest in its own initiatives to develop people to fill positions that already exist and also vacancies still to be opened. One of these initiatives is the Amaggi University, which, besides the benefits, salaries, and growth opportunities it has offered, is one more differential of the company to attract professionals to the segment.

“Average pay has risen approximately 15% during this period, and companies are realizing that their fixed labor cost has grown quickly. This is one of the reasons the industry has been investing heavily in state-of-the-art technology. Companies want to reduce their fixed costs and become more competitive, or in some cases, they are simply investing to survive in the global market,” says Mr. Bavaresco.

The salary is one of the attractions for positions in the Central-West and North regions, often occupied by people from the Southeast and South regions. “These professionals have been attracted by the good remuneration and the possibility of improving their quality of life and reducing their expenses,” said Mr. Schemberg. Fesa is currently working on 168 executive selection projects. Of these, 25, or 14% of the total, are vacancies for positions with more demand. “When compared with the same period last year, when we had 19 positions, the growth is 31.5%,” he says.

For multinational company Syngenta, the complexity of the labor market is also an opportunity to create a more collaborative environment with pay equity between men and women. In the recruitment for the different positions in the corporate area, such as human resources, information technology, finance, and communication, the

company gives much importance to the background and practical experience. For business positions, such as the commercial, production, sustainability, research, and development sectors, the focus is on more targeted academic training. Agronomists, chemists, biologists, and engineers are among the professionals the company most seeks for these positions.

In 2019, Syngenta made a partnership in Brazil with a leading human resources consultancy specializing in finding the right professional for strategic or highly complex positions. "It is not simple to bring diversity from the market to management roles, for example, but we are focused on the evolution of this," said the company in a statement.

Source: Valor International
<https://valorinternational.globo.com/>

07/08/2022

AENA STUDIES AIRPORT AUCTIONS WITH CAUTION

Higher interest rates, inflation and pandemic aftermath have impact, but group maintains interest in Brazil

Aena, the Spanish airport operator, is still interested in investing in Brazil and is studying to compete in the seventh round of concessions, scheduled for August, said the group's CEO, Maurici Lucena.

Despite confidence in the country's growth, market conditions today are more difficult than in 2019, when the company made its first move in Brazil by winning a block of six airports in the Northeast region.

Besides the pandemic aftermath, the scenario of higher interest rates and inflation will impact the pricing of assets, said the executive, in conversation with Valor.

"We are looking with great interest at the seventh round. There are attractive assets. Today we live in a more complex moment than in the past. Monetary and financial conditions have hardened and will harden even more. This evidently affects the valuation of assets and the financing capacity of airport managers. But it is a cyclical aspect, within a 30-year contract," he said.

Mr. Lucena is on his first visit to the country since Aena took over the six airports in the Northeast, won at an auction in 2019. The operation of the Recife airport, the main one in the block, officially began in March 2020 – exactly the month in which the pandemic arrived most intensely in Brazil.

"We had bad luck at this beginning, which was absolutely unpredictable. The reasonable thing is that this effect will be diluted throughout the 30 years of the concession," the executive says. Despite still suffering from the impacts of the pandemic, the assets operated by the company in Brazil had a recovery in 2021 above the national average and above the recovery seen in European countries.

By October 2023, Aena's prospect is to conclude investments of R\$1.4 billion in the six airports in the Northeast region. By 2027, this figure is expected to reach R\$2.2 billion – without considering maintenance expenses.

Mr. Lucena points out that the investment in Brazil is the first international move the Spanish group executed alone. "In other cases, in the UK, in Colombia, in Mexico, we always went with other partners. Here we entered alone. This shows how much we like Brazil. And we did it [the entry into the country in 2019] with the idea of being just the first step in Brazil. It's not a sure thing that we will get new assets. Everything will depend on the conditions, but that was our idea," he said.

Aena is controlled by the Spanish government, which owns 51% of the company's shares. The remaining 49% are traded on the stock exchange. Altogether, the group operates 46 airports in Spain, including Madrid and Barcelona, and has a stake in 23 international airports (including the six in Brazil).

In the first quarter of this year, the group as a whole carried 43.4 million passengers, a 281.6% advance over 2021 and a 71.9% recovery from the pre-pandemic, 2019 level. For the quarter, Aena reported an Ebitda of €72.6

million, compared to a negative Ebitda of €121.5 million in the same period in 2021. However, the group still posted a net loss of €96.4 million in the quarter.

Mr. Lucena avoids giving details about the group's plans for the upcoming auctions. Regarding the seventh round, for example, he prefers not to inform which of the three blocks offered is on the radar. In the market, the perception is that Aena has a strong interest in the lot that includes Congonhas (São Paulo), considered the star of the competition and that it may also bid for a block of two airports in the North of the country, where there could be synergies with the current portfolio.

Besides the seventh round of auctions, Mr. Lucena signals that the group will study all the next opportunities that are coming up: the new auction of Viracopos, in Campinas (São Paulo state), of São Gonçalo do Amarante, in Natal (Rio Grande do Norte), and the last round of concessions (which will include Santos Dumont and Galeão, in Rio de Janeiro). "All of them are interesting. When the time is right, after the seventh round, we will look at them case by case," he says.

Source: Valor International
<https://valorinternational.globo.com/>

07/11/2022

BRAZIL IS COUNTRY WITH MOST CONCENTRATED EXPORTS TO CHINA

The top ten Brazilian products in bilateral exchanges account for 91% of sales

Brazil was the seventh-largest seller to China in 2021, a position that contributed to assuring a record surplus in the Brazilian trade balance last year. Among the ten countries that sold the most products last year to the world's second-largest economy, however, Brazil was the one that had the most concentrated agenda. Only ten products were responsible for 91.4% of the total value that Brazil exported to China last year.

China's increasing share in Brazilian exports, concentrated on just a few items, is only paralleled by large oil exporters such as Angola, Qatar, and Oman (which sell very few products to China), and exposes the performance of Brazilian exports not only to the ongoing volatility of commodity prices but also to the expected slowdown in the Asian country, experts say. The International Monetary Fund (IMF) projects a 4.4% growth in China's GDP in 2022 after an 8.1% increase in 2021.

With a dynamic similar to that of Brazil, although with a lower concentration in the export list, is Australia, the fifth country that sold the most to China last year, with the "top ten" products accounting for 88.2% of the amounts exported. Russia, tenth in the ranking of the biggest exporters, has a concentration of 75%. Taiwan is the first supplier to the Chinese, with the top ten products reaching 71.2% of their exports.

The situation of these countries contrasts with that of South Korea, Japan, and the United States, which follow in this order Taiwan among China's largest suppliers. The three countries have a much lower concentration of the ten most sold products: 51.5%, 20.5%, and 37%, respectively, according to Chinese government data.

Among the 50 largest GDPs on the planet, only Nigeria (the 31st largest global economy) and Iraq (47th) have sales to China that are more concentrated in ten products than the exports from Brazil, which is expected to be the tenth-largest in the world this year. In both cases, oil is the main product to China. Iraq is the third-largest supplier of the commodity to the Asian country, and it represented 99.3% of its sales last year.

Even as the seventh-largest supplier to China last year, Brazil was the leader in sales to the Asian country in only 48 products. The champion in this ranking was Japan, with 1,444 items, followed by Germany, with 856 products, and the United States, with 796.

Figures available on Brazil's side also show a concentration of the export agenda. Last year the Chinese absorbed 31.3% of Brazil's total exports, a share nine percentage points higher than in 2017, according to data from the Economy Ministry.

The share of the ten largest products in the value shipped remained high, advancing to 91.4% of exports to China in 2021 from 89% in 2017. Even within the “top ten,” there is great concentration. The three leading products – iron ore, soybeans, and oil – accounted for 80% of what Brazil sold to China last year.

The concentrated structure of exports favored Brazil last year when iron ore prices hit historic highs. In 2021 the Chinese bought \$87.9 billion in Brazilian products, 29.7% more than in the previous year. The performance contributed to a record Brazilian trade surplus of \$61.4 billion.

“As the concentrated agenda has guaranteed surpluses, there is an accommodation, with no effort to diversify,” says José Augusto de Castro, president of the Brazilian Foreign Trade Association (AEB).

The problem, he points out, is that this also subjects exports to price volatility and the performance of the Chinese economy. For him, the vocation for exporting commodities must be taken advantage of, but also with a parallel policy that stimulates exports of manufactured goods.

Although prices are still contributing positively, Brazilian exports are already starting to feel some effects of commodity price adjustments in 2022. In June, highlights Mr. Castro, the major effect in this direction came from iron ore. According to data from the Secretariat of Foreign Trade (Secex), the commodity’s export revenue fell 40.5% in June year-on-year. There was a drop of 4.3% in the quantity shipped and the average prices of the item dropped 37.8% in the same comparison.

This probably contributed, says Mr. Castro, to the 11.7% drop in the value of exports to China in June compared to the same month in 2021. With the performance, the Asian country absorbed 29.1% of the values exported by Brazil in June this year, nine percentage points less than the 38.1% share it held in June 2021. The figures include Hong Kong and Macau – in Chinese foreign trade data, the two locations are counted separately.

In the year to June, China’s share in Brazilian exports fell to 29.1% from 35.3% in the same period of 2021. The average price of total iron ore exported by Brazil in the period fell 25.4% in the first half of this year compared to the same period of 2021, contributing strongly to a 31.5% drop in export revenue. There was also a drop in quantity, but at a lower rate, by 8.2%.

“As there are only a few products and they are very representative in the list of shipments, a shock in one of them ends up having a very big contribution to the relations in the aggregate list,” explains Livio Ribeiro, partner at BRCG and researcher at Fundação Getulio Vargas’s Brazilian Institute of Economics (Ibre-FGV).

“China is currently going through a particularly delicate moment,” Mr. Ribeiro says. Beijing has been trying to reactivate more aggregate demand, he explains, through stimulus focused on investments in infrastructure. But it is not known, he says, if this will be enough because consumer confidence has collapsed with the new Covid-19 outbreaks.

Given this picture, BRCG’s estimate for Chinese GDP growth in 2022 is 3.8%. “To reach 4% will take a lot of struggle. For 4.5%, a monumental effort,” Mr. Ribeiro evaluates.

Fabio Silveira, a managing partner at MacroSector, projects growth between 3.5% and 4% for the Chinese economy this year. “China’s growth is expected to go from an annual average of close to 5.5% in the last three years to an average between 3% and 3.5% in the next three years. A drop with great impact because we are talking about the second-largest economy in the world.” In this scenario, according to Mr. Ribeiro, the agricultural products exported by Brazil, such as soybeans and beef, are the ones that can be most affected in the short term.

According to him, demand for iron ore volumes is expected to suffer relatively less due to China’s attempt to maintain more accelerated investments. As for oil, he says, the Chinese option to buy more from Russia may displace other markets, which may affect Brazil.

In 2021, China absorbed 70.4% of all soy exported by Brazil in value. In iron ore, the share was 69.7%, and in petroleum, 46.6%. The Chinese also bought 56.2% of all Brazilian boneless frozen beef shipped last year. In 2021, Brazil was the largest supplier of soybeans and frozen boneless beef to China, the second-largest supplier of iron ore, and the seventh-largest of oil.

For Mr. Silveira, even with the global slowdown and that of China, with effects on the prices of important commodities in the export agenda, the Brazilian trade balance is likely to close 2022 with a relatively robust surplus, between \$45 billion and \$50 billion. The warning sign, however, comes on for next year, when the trade balance may become flatter and no longer contribute so favorably to the foreign sector.

Source: Valor International
<https://valorinternational.globo.com/>

07/12/2022

ANALYSIS: MARKET STILL BETS ON INTEREST RATE CUTS IN 2023

Analysts' median projection for Selic at end of 2023 was stable this week at 10.5%

Economic analysts have once again increased their inflation projections for 2024 and continue to bet on cuts in the basic interest rate in 2023, shows the Focus survey, released on Monday morning.

Overall, this movement in expectations reveals that the financial market is questioning the strategy of the Central Bank's Monetary Policy Committee (Copom) of raising interest rates less now, but avoiding cuts next year.

At its last meeting in June, the committee said that if it raises the key interest rate less in the next few meetings, combined with keeping interest rates higher in 2023, it could bring inflation down "around the target" as early as 2023.

On that occasion, the Copom disclosed an alternative projection for inflation that shows that if interest rates were maintained at 13.25% per year during 2023, projected inflation for 2023 itself would drop to 3.7% from 4%. At this percentage, it would still be above the target, set at 3.25%, but the committee considers that it would be close enough to the target, given the great uncertainties affecting the economic scenario.

The Focus survey shows that, at least for now, the market has not bought the thesis of higher interest rates in 2023. The median projection of analysts for the Selic policy interest rate at the end of 2023 was stable this week, at 10.5% per year.

The market has doubts if, in fact, the Copom will keep interest rates stable in 2023 because, if it does, the inflation projected by the Central Bank itself for 2024 would be too low. In mid-June the Central Bank projected inflation at 2.7% for 2024, already below the center of the year's target of 3%.

Some experts noted, when the Central Bank unveiled its strategy of higher interest rates for longer, that it is inconsistent with the usual way the Copom acts. The natural thing to do would be for the Central Bank to take care of inflation for the following year, cutting interest rates so that they do not get too low.

Moreover, the Central Bank's own policy director, Diogo Guillen, said in the Inflation Report interview that signaling higher interest rates for longer in 2023 was not forward guidance. Forward guidance could tie the hands of the Central Bank and force it to keep interest rates higher even if circumstances over time suggest it should do otherwise.

Another set of data from the Focus survey that puts the Central Bank's strategy in doubt is the evolution of market inflation expectations.

In the case of the figures projected for 2023, they rose to 5.09% from 5.01% last week. The figures expected for 2024 rose to 3.3%, against a target of 3%, after remaining stable at 3.25% for several weeks.

In part, this is a sign of market disbelief that the Central Bank will be able to meet targets with the current monetary policy strategy. It also reflects the fiscal risks, with tax cuts and increased transfers, that are likely to make disinflationary work difficult for a long period of time.

Source: Valor International
<https://valorinternational.globo.com/>

07/12/2022

BRAZIL IN TALKS TO IMPORT DIESEL FROM RUSSIA, BOLSONARO SAYS

Move is aimed at reducing costs locally after federal measures failed to reduce diesel prices at pumps as much as those of other fuels

President Jair Bolsonaro said Monday the Brazilian government will try to make it possible to start importing diesel from Russia within 60 days.

The move is aimed at reducing costs locally after federal measures to reduce sales tax ICMS levied on fuels failed to reduce diesel prices at the pumps as much as gasoline and ethanol prices. The rate charged by states on diesel was already lower than the 17% cap defined as of this month for services considered essential.

"It is agreed. In 60 days, it can already start arriving here. There is already this possibility," said Mr. Bolsonaro, in an interview at the presidential palace, in Brasília. "We import almost 30% [of the diesel consumed in the country]. You have to import diesel from those who are selling it cheaper, not from those who are selling it even more expensive [than before]."

Less than three months before the elections, the president has been pressuring Petrobras not to pass on any price increases. The diesel price hike, besides the impact on inflation, directly affects truck drivers, who massively supported Mr. Bolsonaro when he was elected president, in 2018. Brazil will hold elections on October 2. Mr. Bolsonaro, who is running for reelection, is trailing former president Luiz Inácio Lula da Silva in the polls.

Referring to the new CEO of state-owned oil company Petrobras, Caio Mário Paes de Andrade, Mr. Bolsonaro also called for prices at the pump to fall if oil drops below \$100 a barrel.

"If prices increase here, so does Petrobras's profit. Petrobras now has a CEO that will respect the social purpose imposed by the state-owned companies' law. Brent oil has fallen from \$100 then it went back up a little. I believe that if it is consistent, a little below \$100, there is room to reduce prices in refineries," he said.

As for imports of diesel from Russia, the president celebrated the evolution of partnerships with the country and its decision to remain neutral after Russian leader Vladimir Putin decided to invade Ukraine, launching a five-month war.

"Russia continues to do business with the whole world. It seems that the economic sanctions didn't work out. So much so that Germany has now had 40% of its gas cut off. Europe is largely dependent on gas imports from Russia. The ruble, which people thought would melt down, is the currency that appreciated the most this year. It is a great country, twice the size of ours. And Brazil maintained a balanced position. Of course, we would like there not to be a war," he said.

After receiving the official visit from the president of Hungary, Katalin Novák, Mr. Bolsonaro made another statement, assuring that he will do his best for peace in the conflict. He also unveiled he will speak with Ukraine President Volodymyr Zelensky on July 18.

If confirmed, this will be the first contact between Mr. Bolsonaro and the president of the country that has been waging a war against Russia since February, when its territory was invaded.

"We exchanged some remarks about the conflict going on near Hungary, the Russia-Ukraine issue. I told her that I have a phone call with Zelensky scheduled for July 18, just as after my visit to Russia, before the conflict, I had another conversation with President Putin," Mr. Bolsonaro told reporters. "We want, more and more, to do what is possible for peace. We know that the truth often hurts, but there is no other way."

In the speech, the president thanked Hungary for its support of the Mercosur-European Union trade agreement and Brazil's accession to the OECD.

During his visit to Eastern Europe in February, days before the war started, Mr. Bolsonaro met with the Prime Minister of Hungary, Viktor Órban. At the time, he referred to the far-right leader as "brother" and highlighted the political and ideological affinities between the two.

Source: Valor International
<https://valorinternational.globo.com/>

07/13/2022

BRAZILIAN POWER COMPANIES STAND OUT FOR RETURNS

Roland Berger highlighted Alupar, Engie, Equatorial and Enel Brasil in Brazil in survey with 201 listed firms around the world

Alupar, Engie, Equatorial and Enel Brasil are among the 23 electrical companies with the world's best performance, a study by Roland Berger shows.

The consultancy surveyed 201 power companies listed in the U.S., Canada, Europe, Asia and Latin America, with revenues exceeding \$1 billion, and for which there is public performance data over the past 10 years.

Between 2016 and 2020, the segment saw shareholder value added rise, with a return on invested capital (ROIC) higher than the weighted average cost of capital (WACC) in all years except 2017. In the five-year period, value creation reached \$210 billion.

Companies in Europe and the United States accounted for 96% of the value created, while Asia and Latin America changed their positions since the previous study.

"Asia destroyed \$11 billion of value while Latin America built \$20 billion of shareholder value," says Jorge Pereira da Costa, Roland Berger's managing partner, stressing that the perception of risk in Latin America is still very high.

In the same period, the Brazilian power industry created value in every year despite the pandemic, with over \$12 billion in shareholder value added. This is the first time Brazilian power companies are among the global 23 Top Performers – the ones that proportionally grew the most in sales and offered better remuneration to shareholders and investors, the executive says. Alupar stands out in transmission, Engie in generation, Equatorial in distribution, and Enel for its efficiency in asset management.

"Despite the challenges in Brazil, these companies are capable of being among the best performers in the world using very specific levers. Alupar took advantage of a regulatory window to invest heavily in transmission and good execution capabilities. Equatorial has a regulatory strategy, knew how to take advantage of its asset base, operational efficiency and diversification. Engie is leaving the thermoelectric power plant market, and has invested in services and power commercialization as a growth lever. Enel, on the other hand, is a highlight due to growth, the purchase of Eletropaulo and the capacity to extract value from this asset," he said.

Enel is not a listed company, but parent company Enel Americas is, Mr. Costa says. The study considered the contribution of Enel Brasil to Enel Americas. "There are 22 companies plus one," he said. The use of these listed levers, he says, will shape the future of the power industry by better addressing the structural problems. These are included in Bill 4,141, which deals with the modernization of the industry.

Another finding of the survey is that the Brazilian power industry is impacted by the performance of state-owned companies, which have wiped out \$1.8 billion in shareholder value. Eletrobras accounts for more than 80%, or \$1.5 billion.

Alupar CEO Paulo Godoy says that the study proves the efficiency in the company's capital allocation, the experience to identify and execute new projects, technical competence and the financial discipline, ensuring the profitability of the business.

Engie Brasil CEO Eduardo Sattamini says that 95.8% of the generation comes from renewable sources and that the performance in diverse and complementary segments creates synergy, increasing resilience to risks and driving opportunities that emerge from trends and challenges.

Equatorial CEO Augusto Miranda highlighted the financial discipline and capacity to allocate capital efficiently, with a focus on the long term, and the delivery of growth and results, which translates into shareholder return.

Enel's country manager in Brazil, Nicola Cotugno, said that the result comes from the company's commitment to energy transition in the country, which brings opportunities for competitors that operate in an integrated manner in the power industry.

Source: Valor International
<https://valorinternational.globo.com/>

07/14/2022

BRAZIL OFFERS BEST ENVIRONMENT FOR PPPS IN LATIN AMERICA, IDB SAYS

Study evaluates chances of partnerships to prosper in 26 countries

Brazil tops an Inter-American Development Bank (IDB) survey on the environment for public-private partnerships (PPP) in Latin America. Conducted with the Economist Intelligence Unit (EIU), the study "Infrascopes LAC" evaluated, for the first time, the chances of such initiatives prospering in each of the 26 countries in the region.

This is the seventh edition of the ranking. However, because it is the first conducted with updated methodology and with all Latin American countries, it is not comparable with previous editions. In 2019, in the last edition, Brazil was ranked 16th out of a total of 21 nations surveyed.

"Public-private partnerships represent a great opportunity to expand markets, generate jobs, contribute to economic recovery and growth in Latin America and the Caribbean, as they foster sustainability, efficiency, and innovation," said IDB President Mauricio Claver-Carone.

In all, the study compares the countries based on 106 indicators, grouped into five categories: regulation and institutions; project preparation and sustainability; financing; risk management and contract monitoring; and performance and impact evaluation. From a 0 to 100 score, Brazil reaches 76.3 points, slightly above Chile, in second place, with 75.3 – the region's average was 47.3 points.

Of these five categories, Brazil only does not lead the ranking in two: risk management and contract monitoring, where it loses the lead to Chile, and regulation and institutions, where it is twelfth.

"Brazil is one of the most active markets for PPPs in Latin America and the Caribbean, accounting for more than 40% of infrastructure investments of this type between 2011 and 2020," the IDB points out.

The study lists four challenges for PPPs in Brazil: ensuring an appropriate division of risk between the private and public sectors, improving coordination between the different agencies involved, strengthening the legality of contracts, and implementing social and environmental evaluation mechanisms. The authors point out that the new biddings law, signed into law last year, is a step in the right direction, but "progress depends on its full implementation, which has been left until 2023."

They also criticize the lack of clarity on compensation mechanisms for early termination or default of contracts, or on the characterization of force majeure, which represent a source of uncertainty for the private sector. "The case

of the Linha Amarela concession in Rio de Janeiro, in which the government expropriated the concessionaire's assets without a prior process, represents a warning point, although this type of occurrence is not common," they point out.

The authors emphasize, finally, that the environmental and social issues are taken into account in the structuring of the projects, but are left out of the later stages of monitoring and evaluation of results.

Source: Valor International
<https://valorinternational.globo.com/>

07/15/2022

AGRICULTURAL EXPORTS RISE 30% IN JUNE DRIVEN BY COMMODITY PRICES

Prices increased 28.5% on average, much more than volume shipped, which is up 2.1%

Cargo handling in Paranaguá: exports of soybeans, meal and oil remained at top of export list — Foto: Divulgação/Claudio Neves/Portos do Paraná

Cargo handling in Paranaguá: exports of soybeans, meal and oil remained at top of export list — Foto: Divulgação/Claudio Neves/Portos do Paraná

Brazil's agricultural exports remained strong and yielded \$15.7 billion in June, up 31.2% year-over-year, according to data from the Secretariat of Foreign Trade (Secex) compiled by the Ministry of Agriculture. The ministry says this was a new record, once again influenced by the high prices of commodities in the international market.

In a note, the ministry stressed that while it dropped 4.7% between May and June, the World Bank's food price index rose 22.8% in June year-over-year and that a similar move was seen in the food price index calculated by FAO, the UN's food and agriculture branch. "In other words, despite an apparent slowdown in food inflation, as captured by both indices, international prices remain at very high levels."

In the case of Brazilian agricultural exports, prices rose 28.5% year-over-year on average – much more than the average volume shipped (2.1%) – which ensured the announced result. As imports grew 19.8% in this comparison, to \$1.5 billion, the sectorial surplus increased by 32.6% and reached \$14.2 billion last month. As for imports, the highlight was the 187% growth in fertilizer purchases, to \$3.3 billion, due to a 17.5% increase in volumes and a 144.4% higher average price.

The exports of soybeans and soybean products (meal and oil) remained at the top of the export list. Shipments increased by 31.9% in June, to \$8.1 billion. "Because of the smaller harvest in 2022, soybean exports retreated to 10.1 million tonnes from 11.1 million tonnes in June 2021 (-9.2%). The 34.4% increase in the soy price, however, allowed for an expansion of 22.1% in the exported value of the oilseed, which reached a record \$6.32 billion for the month of June," the ministry said. China was the destination of 64.5% of the raw material exports, even with a drop of 8.2% in purchases compared to June last year.

Brazilian meat shipments (beef, chicken, and pork) totaled \$2.4 billion in June, up 32% year-over-year. Beef shipments grew 36.9%, to \$1.1 billion, and China was also the leading purchasing country, with 65.9% of the total value. Chicken sales, also driven by China, increased 46.7% to \$932.1 million, a record for June, while pork sales were 19.1% lower (\$216.6 million).

Among the other groups of products most exported by the Brazilian farmers, forest products increased by 23.1%, to \$1.5 billion, sugar and ethanol advanced by 0.3%, to \$1.1 billion, and coffee rose 73.6%, to \$788.7 million. In total, China was the destination of 36.3% of the revenue from Brazilian agricultural exports in June, or \$5.7 billion.

Thus, in the first half of the year, Brazilian agricultural exports reached \$79.3 billion, 29.4% more than in the same period last year. Imports grew 8.5% in comparison, to \$8.1 billion, and the surplus was 32.3% higher (\$71.2 billion).

From January to June, shipments of soybeans and soybean products increased by 30.1%, to \$37.8 billion; meat products climbed 35.3%, to \$12.2 billion; forest products rose 29.1%, to \$8.3 billion; sugar and ethanol declined 6.9%, to \$4.3 billion, and coffee exports were 55.5% higher (\$4.6 billion). In the first half of the year, China absorbed 35.6% of Brazilian agricultural exports (\$28.3 billion).

Source: Valor International
<https://valorinternational.globo.com/>

07/15/2022

FITCH REVISES BRAZIL'S OUTLOOK TO STABLE FROM NEGATIVE

Credit rating agency also affirmed country's BB- rating

Fitch has revised Brazil's outlook to stable from negative and affirmed the country's long-term foreign currency rating at BB-.

According to Fitch, the revision of Brazil's outlook reflects the better-than-expected evolution in public finances amid successive shocks in recent years since the firm assigned a negative outlook in May 2020.

"Last year, Brazil recorded its first primary fiscal surplus since 2013, highlighting revenue outperformance and the authorities' commitment to withdraw stimulus implemented during the pandemic," the agency says. "A sharp reduction in the public debt ratio in 2021 is projected to be followed by another mild fall in 2022, considerably improving the starting point before a gradual projected rise in 2023 and beyond."

According to the agency, "near-term growth dynamics have outperformed Fitch's prior expectations, and incremental progress on reforms could benefit medium-term investment prospects."

"The central bank's decisive monetary policy tightening, supported by its new formal autonomy, highlights its commitment to addressing inflation," the agency added.

The agency stresses in the statement that fiscal and growth challenges persist, and the October elections pose uncertainty around how these will be addressed.

"Nevertheless, these challenges are already captured in Brazil's BB- ratings, and Fitch expects broad macroeconomic policy continuity after elections."

Fitch added that Brazil's ratings are supported by its large and diverse economy, relatively high per-capita income, and capacity to absorb external shocks underpinned by its flexible exchange rate, robust international reserves, sovereign net external creditor status and deep local debt market.

"This is counterbalanced by high government financing needs and indebtedness, a rigid fiscal structure, weak growth potential and a difficult political landscape hampering policy predictability and timely progress on reforms."

The Economy Ministry said in a note that it "affirms its commitment to the fiscal consolidation necessary for the continuity of the economic recovery scenario."

Source: Valor International
<https://valorinternational.globo.com/>

07/18/2022

BRAZIL'S RELIANCE ON IMPORTED MEDICINES ON RISE

Survey shows there is room for more medicines, vaccines to be produced here

Brazil's growing dependence on imported drugs led pharmaceutical companies to submit to the presidential candidates a package of proposals to foster local production of drugs and raw materials. The document entitled "Improving Health in Brazil – Industry Proposals" provides alternatives for improving rules and encourage innovation and investments.

"The solution is not to restrict imports, but to make better use of the productive base and concentrate value generation here," says Reginaldo Arcuri, head of FarmaBrasil Group, which represents the pharmaceutical companies that operate in research, development and innovation and subscribes the document.

From January to May, according to a survey conducted by the trade group, purchases of medicines abroad grew 35% compared to the averages of 2020 and 2021, reaching \$4.29 billion in absolute values this year. Compared to previous years (2015 to 2019), the increase is more significant, of 56%.

The Covid-19 pandemic has increased the most recent figures for foreign purchases. In the first two years of the pandemic, drug imports grew 15% over the average of the previous five-year period.

Still, the survey shows that there is room for more medicines and vaccines to be produced here if there was more dialogue between government and industry and public policies to encourage production in Brazil.

Brazil already has a solid production base and structural conditions on the government's side, but these need to be improved, Mr. Arcuri says. In addition, the country is a large market driven by the national health system SUS – which provides universal health coverage – and a scientific production structure.

"Brazil can accelerate the chance of having a new world-class economic sector, but there needs to be more coordination between the private sector and the state's structures," he says.

In his view, the statistics make clear the growth trend of foreign purchases of active pharmaceutical ingredients (APIs), which was already known, but also of ready-made drugs considered strategic. Once a major producer of raw materials, Brazil now imports 95% of the API used in the local production of medicines.

Grupo FarmaBrasil's survey shows that, this year, imports were driven by the 41% increase in the purchase of biotech products compared with the average of the pandemic period, and 110% compared with the average of the 2015-2019 period.

Pharmochemical products saw growth of 23% this year compared to the pandemic period and 59% compared to the average for the five years prior to the pandemic.

According to the study, 54.8% of the medicines imported by Brazil between January and May came from five countries: Belgium (\$684 million), the United States (\$528 million), Germany (\$479 million), Switzerland (\$348 million), and China (\$310 million).

At the moment, Mr. Arcuri says, the local pharmaceutical industry is working on this data to find out which drugs can and should be produced locally before taking these proposals to the government.

Source: Valor International
<https://valorinternational.globo.com/>

07/19/2022

B2B E-COMMERCE TO GROW 19.7% PER YEAR THROUGH 2030

Growth is driven by emergence of B2B online marketplace platforms

Marketplace platforms, which bring together products from several retailers or manufacturers, have become a common environment in the consumer's buying habits. Now, however, it is in transactions between companies

that this model is growing at accelerated rates, promising to increase the customer portfolio of the industry, which can also capture data that help to define portfolio strategies, pricing, and even to sell services linked to products.

Ambev, for example, is betting big on Bees, its digital sales service for bars and restaurants. Besides its beers and soft drinks, the group houses in its ecosystem “small stores” of BRF, M. Dias Branco, Pernod Ricard, and Beam Suntory. By the end of the first quarter, the annualized gross merchandise volume sold (GMV) reached R\$1.2 billion. BRF itself has teamed up with the technology company VTex to develop a marketplace in Chile.

According to Isaac Pessanha, VTex’s B2B leader, demand from companies for projects for these ecosystems has grown by triple digits. “The market is still incipient in Brazil and Latin America for the potential it has,” adds Erick Buzzi, VTex’s vice president of sales.

The B2B platform model is “currently at the stage B2C [sales to the final consumer] was 10 years ago”, says Guido Carelli, vice-president of B2B at Infracommerce, which develops software for online commerce. This year alone, the business unit headed by Carelli is developing 15 to 20 marketplaces for companies. Unilever’s Compra Agora platform is one of them.

Carelli says the industry began to realize the growth potential of this channel, especially for reaching small and medium sales points, such as neighborhood grocery stores or bakeries. The B2B business already accounts for 30% to 40% of Infracommerce’s revenue.

Data from research firm Grand View Research indicate that B2B e-commerce moved \$6.88 trillion in 2021 and that the growth of this market should average 19.7% per year through 2030. Online retail for the end consumer, which is more widespread and experienced a boom in the pandemic, is expected to grow 9.7% per year until 2028.

But the big jumps are likely to come from the marketplaces. The estimate of the British payments research and consulting firm IBe TSD is that they will have a \$3.6 trillion turnover in 2024, accounting for 30% of all B2B digital sales. In 2018, these sales were no more than \$680 billion.

Among the reasons for creating a B2B marketplace, or joining a platform as a seller, are the ability to expand presence geographically, increase order frequency, and the number of items sold. According to Mr. Carelli, when a company starts selling on a marketplace, its sales can jump by 15% to 25%, depending on the region in the country.

Besides reducing costs by not needing to send a sales representative to the site, the manufacturer has more data about the purchasing habits of small and medium retailers, and the salesperson starts to act more like a consultant, suggesting what the retailer can buy and “reactivate” those who haven’t placed an order in a while, say executives interviewed by Valor.

The B2B marketplace does not come alone, says Pessanha. “It brings potential and the need to reevaluate credit even to foster that ecosystem.” In other words, in addition to selling their products, manufacturers have a better understanding of the credit profile of small retailers that were previously only served by distributors. Thus, the industry can define how much credit it is willing to give to each buyer, either in terms of limits or payment terms.

There are, however, some obstacles to development. One of them is the risk of cannibalization. Carelli says that the pace of emergence of platforms should continue intense over the next five years, but from there on there should be a consolidation.

For Fernando Gâmbôa, partner and leader of consumption and retail of KPMG in Brazil and Latin America, although they benefit from working with “raw” market data and start to function as full-service providers, the companies are advancing in the distributors’ territory. “Besides breaking long-term contracts with the distributor, he will stay in the region and may bring in competitors.”

But both VTex and Infracommerce executives affirm that the figure of the distributor does not cease to exist. He can even enter as a seller on the platform, selling items from other companies, they say. “It is not disintermediation. It helps the distributor to increase inventory turnover, to optimize truck use. There is more information exchange,” says Mr. Pessanha.

Source: Valor International
<https://valorinternational.globo.com/>

07/20/2022

SOLAR BECOMES THIRD SOURCE IN POWER GENERATION MIX

Large solar farms and small self-generation projects generate 16.6 GW, which surpasses natural gas and biomass

Solar photovoltaic power has surpassed the installed capacity of natural gas and biomass thermoelectric plants and is now the third largest source in the national power generation mix, behind only hydroelectric plants and wind farms, according to a survey carried out by the Brazilian Association of Solar Power (Absolar), with data from the Brazilian Electricity Regulatory Agency (Aneel).

There are a total of 16.4 gigawatts (GW) of solar power in large solar farms and small self-generation projects, compared to 16.3 GW of natural gas and 16.3 GW of biomass. According to Absolar, since 2012 the solar source has brought Brazil more than R\$ 86.2 billion in new investments, R\$ 22.8 billion in revenue to the public coffers, and generated more than 479,800 jobs. This has also avoided the emission of 23.6 million tonnes of CO₂ in electricity generation.

For Carlos Dornellas, director of the entity, the growth of solar power in Brazil, through large solar farms and self-generation in homes, small businesses, rural properties, and public buildings, is fundamental for the social, economic, and environmental development of Brazil.

“The solar source helps to diversify the supply of electrical energy in the country, reducing the pressure on water resources and the risk of even more increases in the population’s electricity bill,” says Mr. Dornellas. “The large-scale solar farms generate electricity at prices up to ten times lower than emergency fossil thermoelectric plants or electricity imported from neighboring countries, two of the main responsible for the tariff increases on consumers.”

A large photovoltaic farm becomes operational in less than 18 months, from auction to electricity generation. On the other hand, the source is intermittent and does not generate energy during the night.

Hydroelectric plants occupy the first position in the generation power mix, with more than 109 GW of installed capacity, and wind power follows in second place, with 21.9 GW of power.

Source: Valor International
<https://valorinternational.globo.com/>

07/25/2022

YARA ISSUES R\$520M IN AGRIBUSINESS RECEIVABLES CERTIFICATES

Resources will be used to facilitate fertilizer purchases by 26 input dealers and cooperatives

The Brazilian subsidiary of Norwegian Yara, one of the largest fertilizer suppliers in the world, has just announced the issuance of R\$520 million in Agribusiness Receivables Certificates (CRA), the fourth operation of this kind in the country.

The resources of the issuance, structured by the securitization company Ecoagro, with the distribution of the fixed income bonds to investors coordinated by Banco Alfa, will finance the purchase of fertilizers by 26 input dealers and cooperatives. The multinational's main purpose is to facilitate the acquisition of inputs from its client network, reinforcing its customer loyalty strategy in the Brazilian countryside.

This is the largest CRA operation that Yara has ever made in the country. The amount is higher than the total of the two operations conducted in 2021, when it raised, in total, R\$ 335 million.

The demand for rural credit has increased this year, and money, like fertilizers, is more expensive in Brazil. “We understand that meeting our customers’ business needs goes beyond having the best solution in plant nutrition,” says Maicon Cossa, Yara’s commercial vice president in Brazil.

The focus is soybeans, but there are no restrictions related to crops. The movement ends up benefiting agricultural producers, who, in turn, get better payment conditions to buy inputs at the dealers. “Even though this is not Yara’s core business, and, for this reason, we seek partners for these operations, the idea is to contribute with the producer in seeking financial solutions to make cultivation feasible,” Mr. Cossa says.

According to him, Yara does not measure the universe of farmers that it reaches with the credit offer, since it does not control how resources are passed on in the distributor channel. The executive states, however, that the network of 26 dealers and cooperatives reaches mostly small and medium producers and that the action can reach “much more than 2.000 farmers”.

According to Milton Menten, CEO at Eco Securitizadora, the resource was taken by the borrower (input dealers) at interbank deposit rate (CDI) + 1.80%, which he considers a “very good rate at this moment of the market.” The deadline for repayment is one year, much longer than the one practiced by the fertilizer industry. According to the financial agents, the demand exceeded the offer.

“The engineering of the operation and the investor’s appetite offered credit under conditions that dealers would not have individually, says Augusto Martins, head of Corporate & Investment Banking at Alfa.

“The interest in agribusiness grows every semester because it reflects the advance in governance structures of the companies. To access the capital market, it is necessary to follow a rite and a series of conditions that the Securities and Exchange Commission (CVM) imposes,” Mr. Martins says.

Eco Securitizadora issued R\$8.4 billion in CRA in the first semester, an amount three times higher than in the same period of 2021. Alfa, in turn, coordinated R\$3 billion in operations in the electric, sanitation, and agricultural sectors in the first six months of this year, which represented an increase of 51%.

Source: Valor International
<https://valorinternational.globo.com/>

07/25/2022

BROADBAND INTERNET IMPROVES AGRICULTURAL PRODUCTION, WORKERS’ LIVES

Survey shows 71% of households in rural areas had internet access last year in Brazil

The arrival of broadband internet to the Santo Antônio do Desejado farm, in Nova Ubiratã, a municipality in Mato Grosso with 11,000 inhabitants, spared farmer Cristian Dalben from a labor problem. “In the beginning, we didn’t have so much difficulty in hiring people because there was no internet. Today, I have 26-year-olds working with me,” he says, “and this younger generation doesn’t stay on a farm without a connection.”

Internet came to the property about 10 years ago, but via radio, with very low speed and limited to the farmhouse. “To shoot a video? No chance. Pictures were also difficult,” recalls the rural producer. Mr. Dalben managed to bring fiber optic connection to the farm three years ago, which, according to him, increased the satisfaction level of the workers. “Our employees are happy to be on the farm because they can have fun during their free time, watch Netflix or just surf the Internet,” he says.

The report on the benefits that the arrival of quality internet has brought to the workers of the Santo Antonio do Desejado farm shows that improved access represents more than just the possibility of using connected agricultural machinery or technologies of the so-called Internet of Things (IoT): it also changes the daily lives of all people involved in production. And this is no small matter.

According to a recent survey by the Regional Center for Studies on the Development of the Information Society (Cetic), 71% of households in rural areas had internet access last year in Brazil, an advance of 20 percentage points over 2019. Of this total, 58% had fixed broadband.

Mr. Dalben understands well the difference it makes to have internet access in the fields, and not only to streamline production. Thirteen years ago, when his father became ill and he had to leave Curitiba, where he was studying mechanical engineering, to take over the family business in Mato Grosso, the only means of contact with the world beyond the limits of the property was a landline phone. "I spent three years isolated," he says.

Today, broadband keeps the farm connected to the world, which makes workers happier and allows farmers to extract the full potential of contracted digital technologies. The farm is connected to Bayer's Climate FieldView platform and John Deere's Operation Center. Before the connection reached the entire area of Santo Antônio do Desejado, the investment was underused, since the sending of data for analysis only happened when the machines returned to a point closer to the farm headquarters, where there was a connection.

"Recently, I was in the United States and the people were working on the harvest of the second yearly crop corn. I was able to observe the whole farm in real time," says the farmer. "And days ago, a machine broke down. If this had happened in the past [when there was no internet], we would have had to run into town. This time, John Deere sent an online update that solved it."

Connectivity improves business for equipment users and also for manufacturers. "Before, the technician would leave the city, go to the farm, come back, pick up the machine, and only then go to make the repair," says Estela Dias, tactical marketing manager for precision technologies at John Deere in the country. "We have improved this service. Now, we can access the monitor of the equipment to understand the problem and go straight with the solution."

Since 2020, a partnership between the U.S. agricultural machinery manufacturer and phone operator Claro has brought internet to an area of 2 million hectares. With ongoing negotiations, there is an expectation of coverage of more 3.5 million hectares. "Democratizing the connection in the fields also means connecting people. It helps retention [of workers in the fields], facilitates the arrival of content to them and allows advances such as telemedicine."

Bayer, owner of the Clima FieldView platform, has been working to extend the reach of 4G technology in rural areas through ConectarAgro, an association it helped found. "Increasing connectivity in the field represents an opportunity for farmers to enjoy even more benefits and tools that help them make more accurate decisions," says Thiago Bortoli, the platform's head of marketing for Latin America.

The results of the farm in Nova Ubiratã are an example of the positive impacts of digital farming technology on crop productivity. Before the arrival of fast internet, Mr. Dalben produced 62 bags of soy and 100 bags of corn per hectare; now, the production is 75 bags of soy and 174 bags of corn per hectare, a performance well above the national average.

According to Marcos Ferrari, executive president of Conexis, association that represents telecoms operators in Brazil, the expansion of internet in farms has gained momentum since 2017. "This movement is expected to become even more accentuated after the auction of 5G coverage, in which companies have also committed to bring the 4G signal to thousands of municipalities," he says.

Source: Valor International
<https://valorinternational.globo.com/>

27/07/2022

INFLATION SLOWS DOWN HELPED BY FUEL TAX RELIEF

After tax relief, mid-month inflation index IPCA-15 lost steam in July

Recent tax cuts on key items helped to bring, as expected, relief to the July inflation preview, which also saw a cooling in industrial goods prices. Inflation of services and more inertial items, however, remains pressured and worries economists.

The increase in Brazil's mid-month inflation index IPCA-15, known as a reliable predictor for official inflation, slowed down to 0.13% in July from 0.69% in June, below the median of expectations compiled by Valor Data, of 0.16%. It was the lowest monthly variation since June 2020, when the indicator oscillated only 0.02%. In 12 months, the IPCA-15 went to 11.39% in July from 12.04% in June – compared with the top of the target range of 5%. The diffusion – proportion of items with price increases in the period – also fell, to 67.8% from 68.9%, according to Valor Data.

Most of the July IPCA-15 slowdown was explained by the 1.5% drop in regulated prices, after a 0.86% rise in June, MCM Consultores says. This reflects tax cuts on fuels, which went down 4.88%, and electricity, whose prices fell 4.61% – even more than economists expected. Among the fuels, gasoline dropped 5.01%, and ethanol, 8.16%. Diesel oil, on the other hand, rose 7.32%.

Together, fuel and electricity had a negative impact of 0.58 percentage points on the IPCA-15 in July, which means that, without this, the index would have been 0.71%. The tax cut on telecommunications has not yet been captured by the indicator and is expected to show in next readings, according to analysts. According to market projections, IPCA may fall 0.50% to 0.75% in July.

Non-regulated prices inflation, in turn, accelerated to 0.72% in July from 0.63% in June. The food and beverage group rose to 1.16% from 0.25%, with advances for both food at home (to 1.12% from 0.08%). The price of long-life milk rose 22.27% in July and was the main influence on the IPCA-15 for the month.

Although food inflation remained strong in the July forecast, economists note that the acceleration was slightly less sharp than projected and the group may have a less unfavorable outlook ahead with the cooling in commodity prices, especially grains.

Some relief in commodities — notably metals — may also help explain the deceleration in industrial goods prices, to 0.28% in July from 0.65% in June, with some reduction in the rate over 12 months (to 13.5% from 14%). “It’s still relatively timid, but it’s a sign we’ve been waiting for,” says Daniel Karp, an economist at Santander. The category also benefited from tax cuts on ethanol, but there were surprises in other more relevant industrial goods items, such as automobiles, he points out. New car inflation, for example, decelerated to 0.14% in July from 1.46% in June.

Industrial goods are also included in the core measures, those that try to minimize the effect of more volatile items. In the average of the five main cores, inflation went to 0.72% in July from 0.89% in June. In 12 months, however, it still accelerates to 10.56% from 10.43%, the highest level since 2003, says Roberto Secemski, chief economist for Brazil at Barclays. He expects a rapid deceleration of the IPCA in the second half of 2022, but not of the cores, which could complicate the Central Bank’s outlook for the interest rate, he says. “Core inflation dynamics are less susceptible to these tax changes,” he says.

Costs for more inertial and labor-intensive services also remain elevated. Inflation in the sector remained around 0.85% in July, while underlying services (more linked to the business cycle) went to 0.91% in July from 0.86%.

“These items will only react with the lag of monetary policy. It shouldn’t mean a relief in the short term, it will start to show towards the end of the year,” says Andrea Damico, the chief economist at Armor Capital. Despite the “very ugly” services inflation, the relative relief in industrial goods may make the Central Bank more comfortable to pause the cycle after the expected hike in the key interest rate Selic in August, Ms. Damico says.

Source: Valor International
<https://valorinternational.globo.com/>

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NISSAN LAUNCHES CAR SUBSCRIPTION IN BRAZIL

Entire line of the Japanese brand will be available in 12, 18, 24 or 36-month plans

Nissan launched Thursday a subscription car service in Brazil. The entire line of the Japanese brand will be available in 12, 18, 24, or 36-month plans, with kilometers traveled ranging from 1,000 to 2,000 kilometers per month.

Called Nissan Move, the service includes a new and connected car including vehicular tax IPVA, insurance, maintenance and 24-hour assistance. During the launching stage, the service, which can be purchased at a dealership or online, will be available São Paulo, Rio de Janeiro, Curitiba, Porto Alegre, Joinville, Goiânia, Vitória, Macaé, and Salvador.

According to the company, to rent a Nissan Versa Sense CVT for 24 months with up to 1,000 kilometers driven per month, for example, the installments will be R\$2,409 per month. On the other hand, a Kicks Advance, also with CVT transmission, will cost R\$2,889 per month for 36 months of contract and also 1,000 kilometers driven per month.

Today, subscription services represent 8% of the rental market in Brazil. According to Humberto Gomez, Nissan's marketing director for Brazil, it is hard to predict how much this market can expand. He estimates that the share within the rental market can reach 15% in nearly three years. Outsourced services in rental company fleets absorb 52% of this market. Rental by ride-hailing drivers has a 20% share.

"With production returning to normal due to the resumption of semiconductor deliveries, it will be easier to see how this market evolves," Mr. Gomez said during the presentation of the new service.

According to the CEO of Nissan in Brazil, Airtou Cousseau, the automaker's subscription car service had been ready for a long time. But the launch was delayed because "there would be no way to meet the demand" due to the lack of components throughout the industry.

Automakers and rental companies have been betting on subscription car services in an attempt to draw a new public. The proposal meets especially people who do not want to worry about the expenses that owning a vehicle imposes.

But the industry estimates that there is demand from other groups of customers, such as those who want to test a model before buying it. The idea also tends to attract those who want to have a new car every year or two without having to invest in the purchase, or even those who want to drive around for a while in a more luxurious car than they could afford, or test how an electric car works.

Source: Valor International
<https://valorinternational.globo.com/>
