

Upward Mobility and Investment in Brazilian Economy

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BRAZIL BUSINESS ENVIRONMENT

The Brazilian economy is mixed and broad-based. It includes listed companies, state monopolies, foreign-owned companies, joint ventures, family enterprises, and many small businesses such as fintech startups. For the financial markets, an active stock market, the **São Paulo Stock Exchange (B3 - Brasil Bolsa Balcão S.A.)** has the **4th-largest** market cap in all of the Americas and the **13th largest** in the world. Historically, B3 reached an all-time high of **87652.64** in February 2018, which is a positive sign of economic recovery.



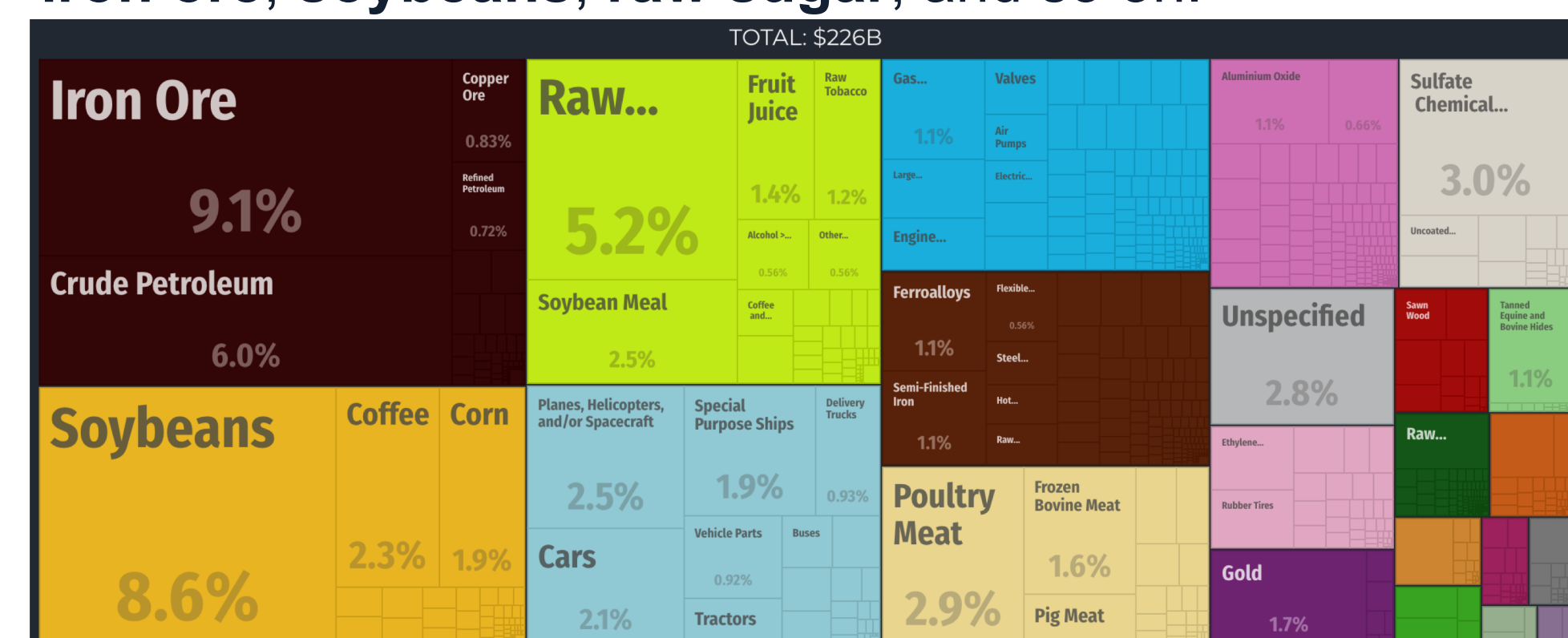
A number of Brazilian companies have raised billions of dollars in recent initial public offerings (IPOs). In particular, **PagSeguro Digital LTD**, a payments company owned by Brazilian media group Universo Online SA, raised about **\$2.27 billion** in an initial public offering on the New York Stock Exchange in January 2018.

NYSE's Biggest IPO Since Snap Is \$2.3 Billion for Brazil Fintech

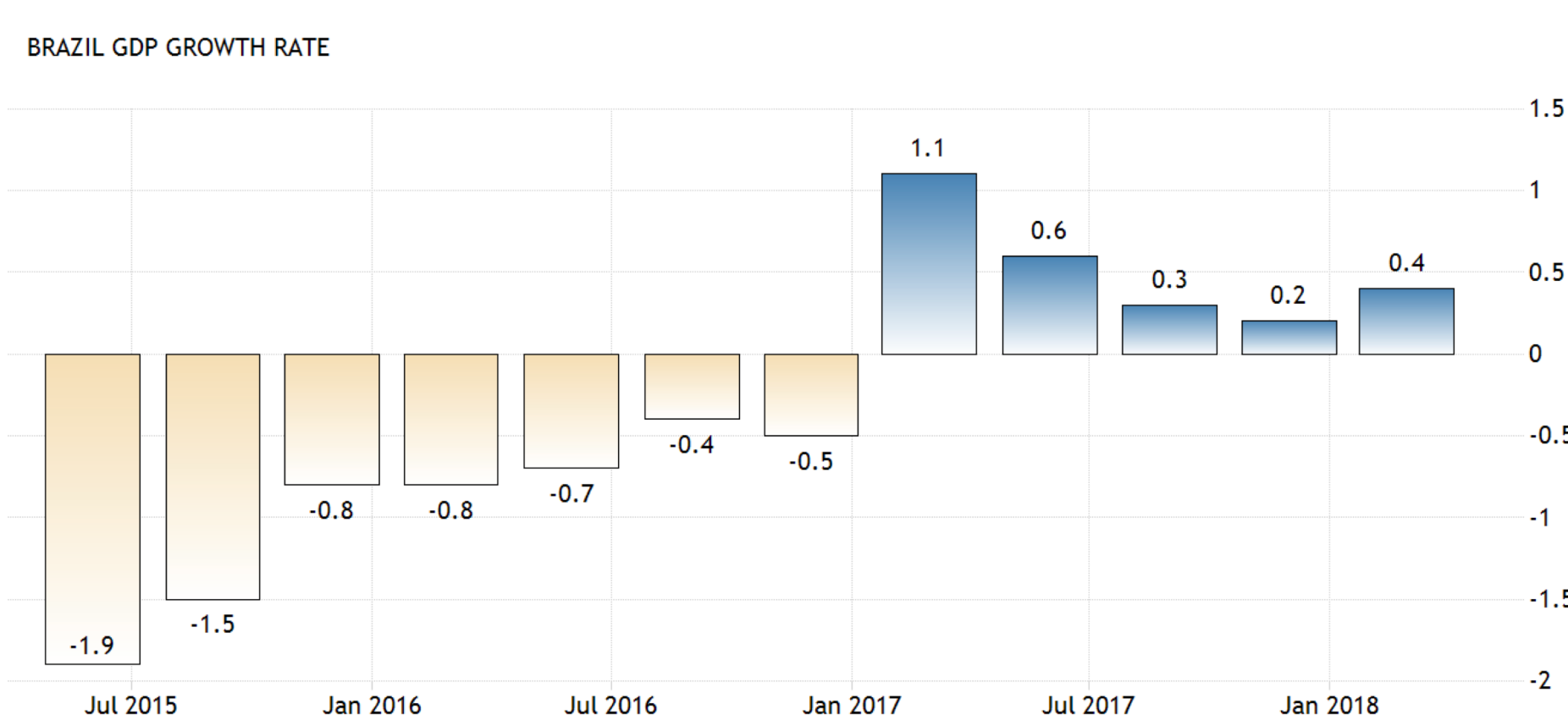
By Felipe Marques

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Brazil is also widely acknowledged as a global commodities powerhouse, with **\$226 billion annually**. It is the leading exporter of a great variety of items including **iron ore, soybeans, raw sugar**, and so on.



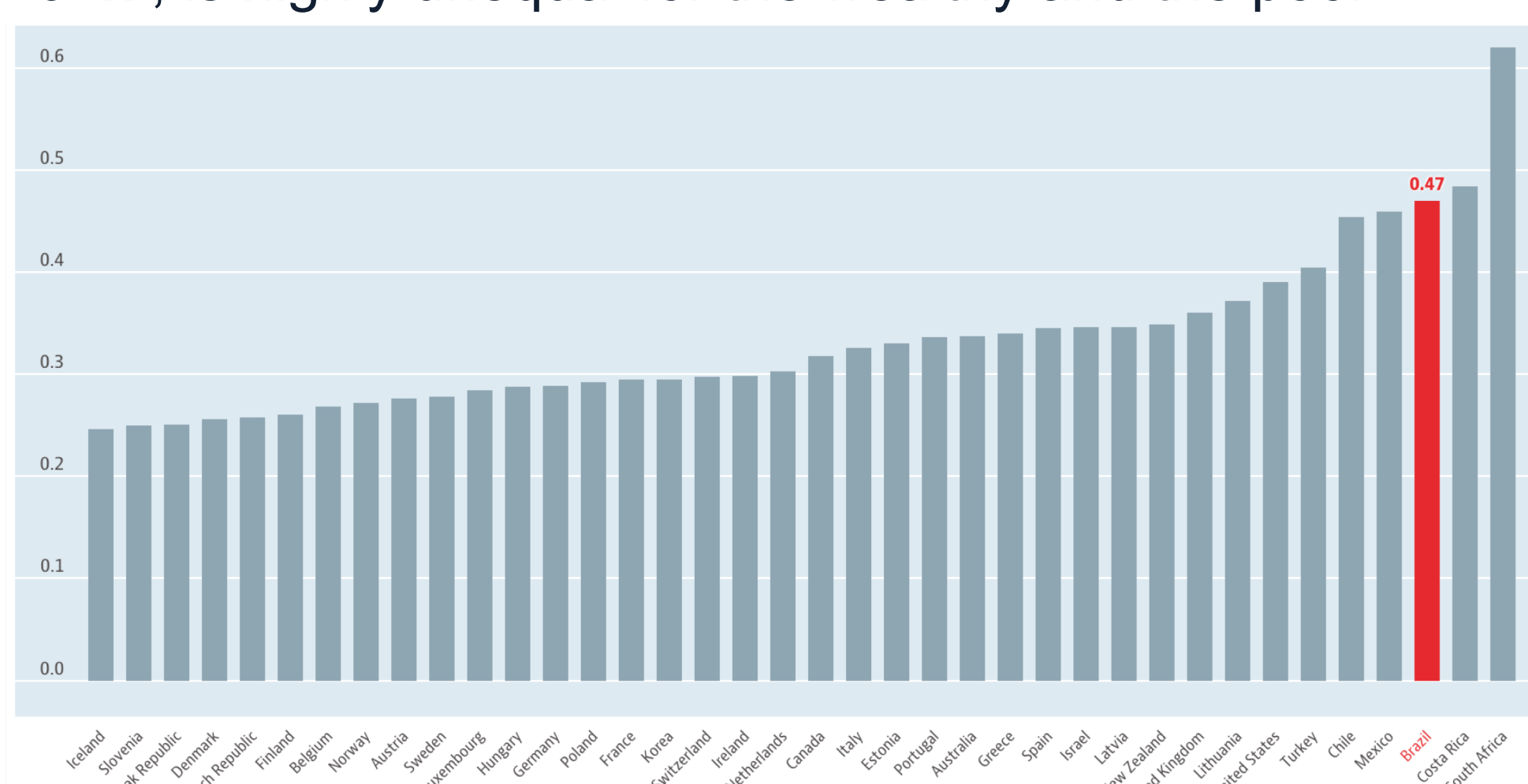
In a macroeconomic view, the Brazilian economy advanced **0.4%** of **GDP growth rate** in the first three months of 2018, with a positively **0.2%** expansion in the previous month. It marks the **5th straight quarter of growth** after a 2-year recession in 2016 and 2015.



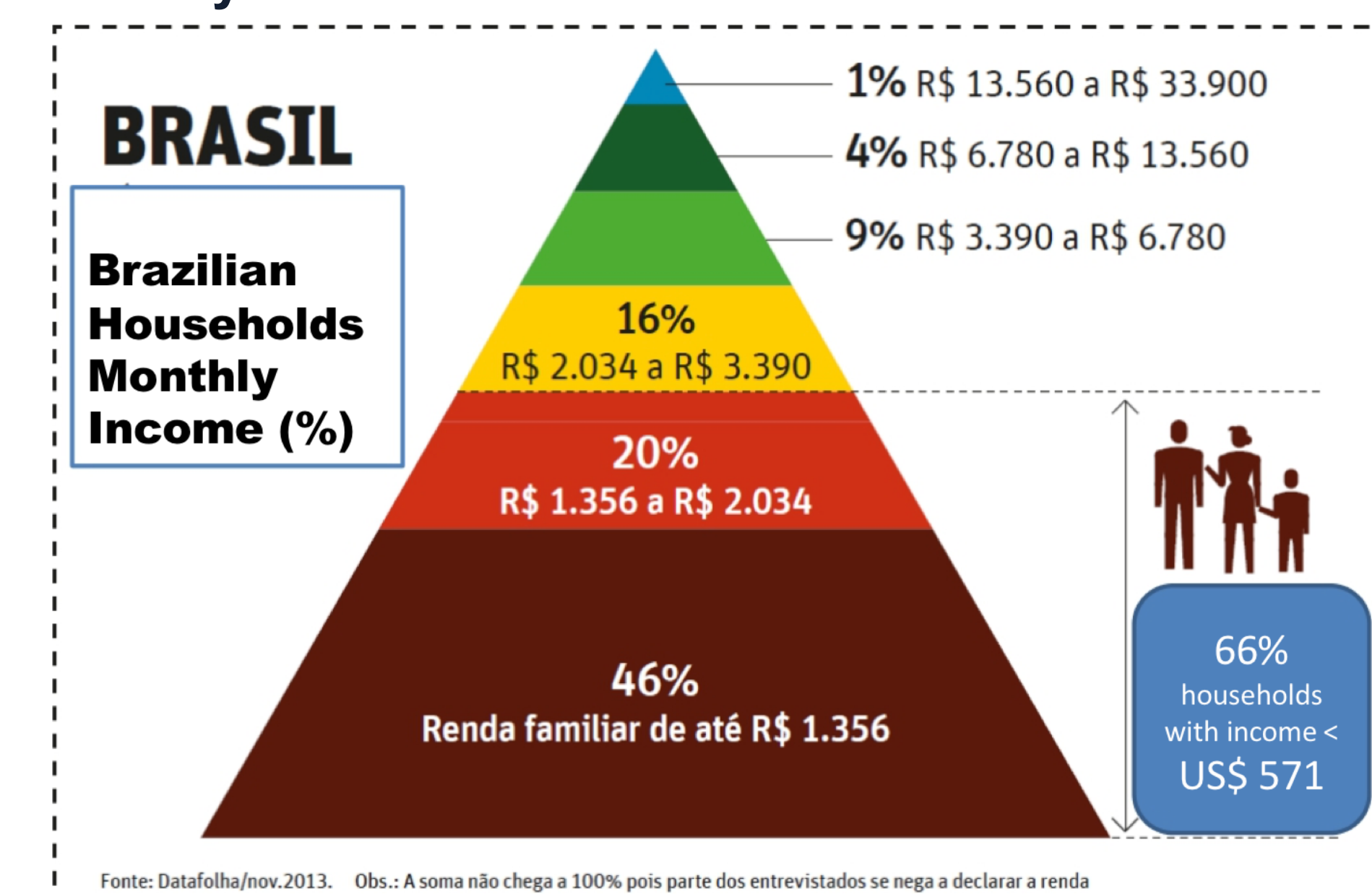
CURRENT SITUATION

High Level of Income Inequality

The **Gini coefficient** is a statistical measure of distribution, which is often used as a gauge of economic inequality, measuring **income distribution** among a population. The coefficient ranges from 0 (or 0%) to 1 (or 100%), with 0 representing perfect equality and 1 representing perfect inequality. Brazil, with the coefficient **0.47**, is highly unequal for the wealthy and the poor.

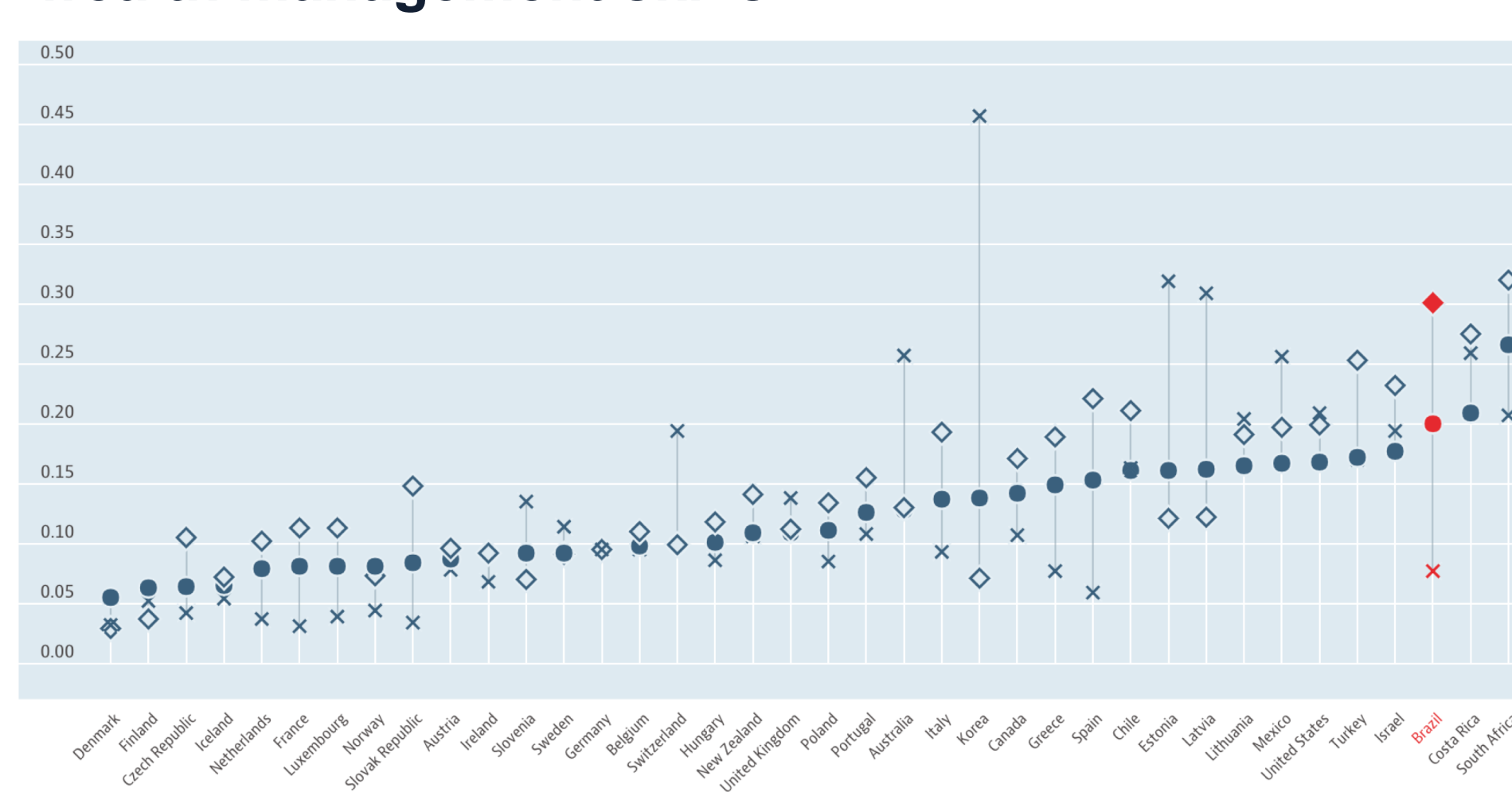


Furthermore, Brazil classifies all population into 5 categories depending on household income. As we can see, **66% households** earn income **less than \$571 USD monthly**.



High Poverty Rate

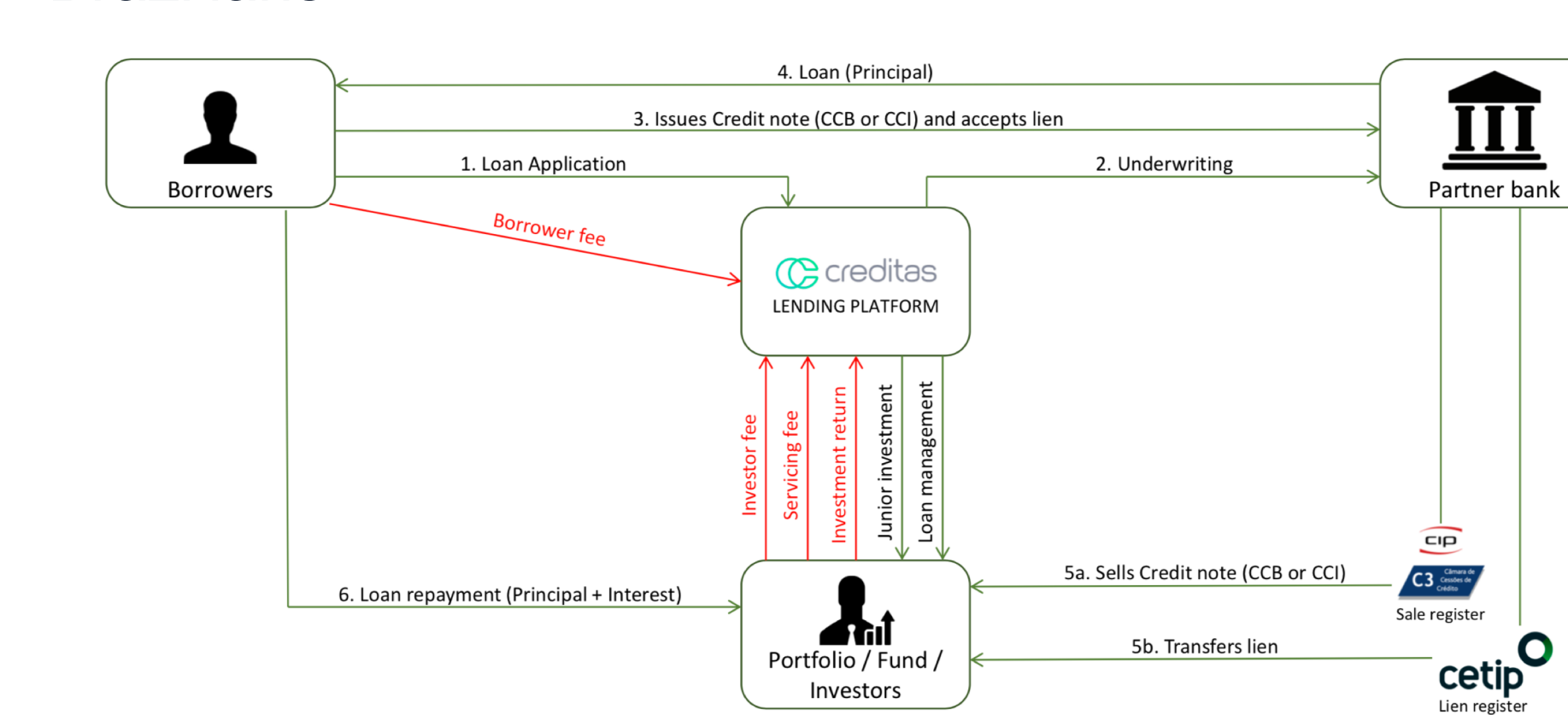
The poverty rate is the ratio of the number of whose income falls below half the median household income of the total population. Brazil suffers from a high poverty rate as its consumers **borrow unsecured loans** and **lack wealth management skills**.



POTENTIAL SOLUTIONS

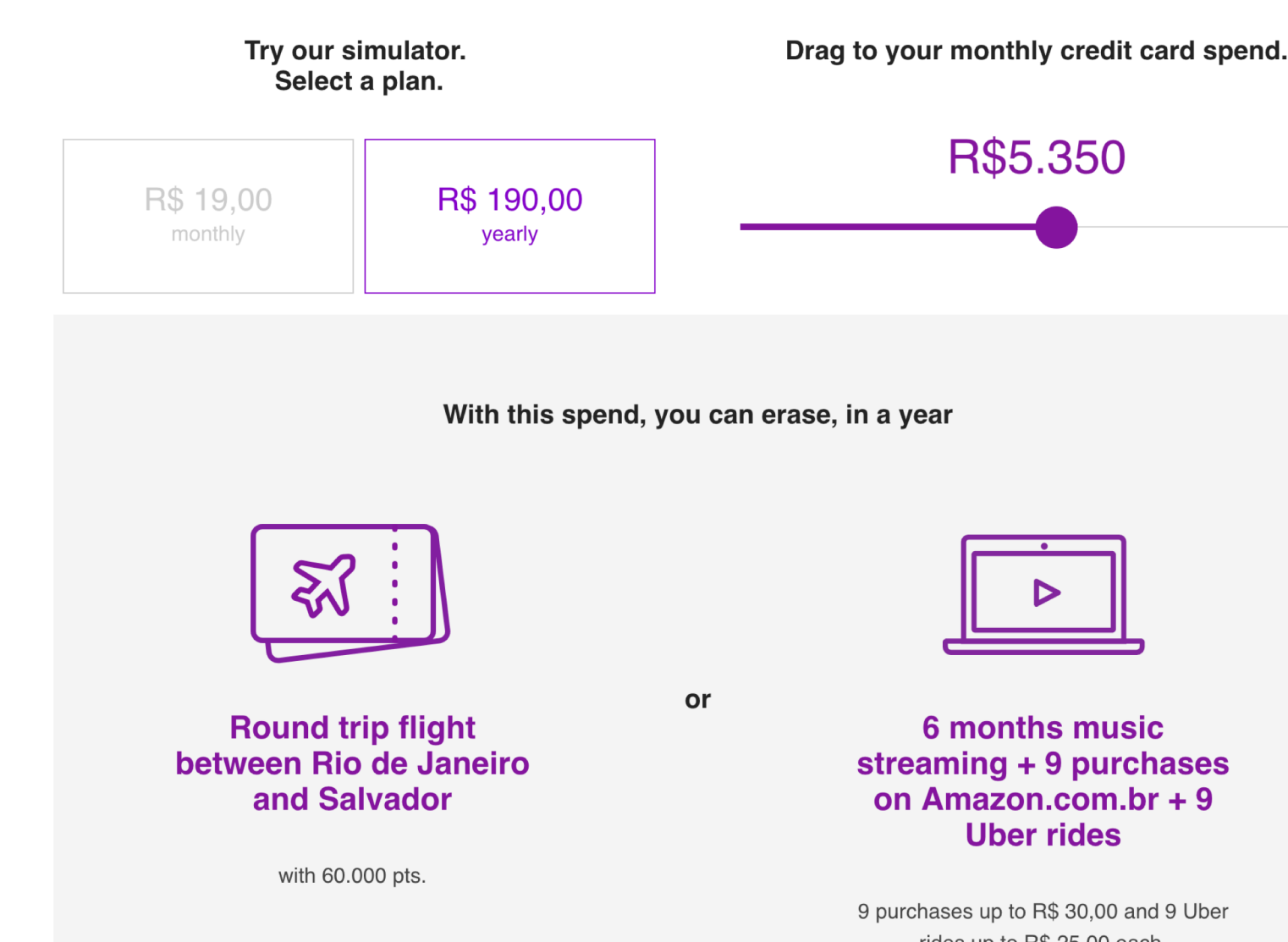
Secured Loan

As **40 million** Brazilians are paying the **highest interest rate** in the world at **230% APR** on credit cards, they also carry other financial burdens such as overdraft and personal loans. Therefore, **Creditas**, a trusted intermediary in Brazil, offers the **lowest consumer rates**, which serves as a secured lending platform for young Brazilians.



Rewards Program

In Brazil, just **over 50%** of the credit cards end up being approved for use and **less than a third** of the debit cards are activated. Brazil has **55 million** unbanked adults and more than **20 million** without access to any banking service. To eliminate complexity from banks and empower customers to take control of their finances, **Nubank** issued credit cards with an innovative reward program including **cash back** and **bonus miles**.



Asset Management

Until recently, only **11%** of the working-age population holds a university degree in Brazil. To cultivate business mindset for the rest of the population, **Empiricus** teaches people how to **manage personal assets** and **invest in the financial market** via its publications.



CONCLUSION AND FUTURE

As we all know, economics and politics are inseparable. Former Brazilian president Dilma Rousseff was impeached due to violation of budgetary laws. Her administration saw a 2-year negative economic growth. In contrast, Brazil is currently in a solid recovery under President Michel Temer.

Nonetheless, even under a **fair business environment**, most Brazilians are still in poverty. Lack of **personal wealth management** skills among citizens is the primary problem for Brazilian poverty. Hence, lots of startups begin to tackle **high interest rate** by providing **secured loans, credit card rewards program, and asset management knowledge** are three common solutions.

Some economists believe that Brazilian economy will continue to grow in 2018. However, as the high unemployment rate in Brazil remained constant in recent years, I am skeptical about Brazil's economic future. Feel free to visit Brazil and consider any investment depending on your observations and insights!

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