

UK
TRADE &
INVESTMENT



Brazilian Construction Market

Valeria Martinez

UKTI Construction and Environment Industries

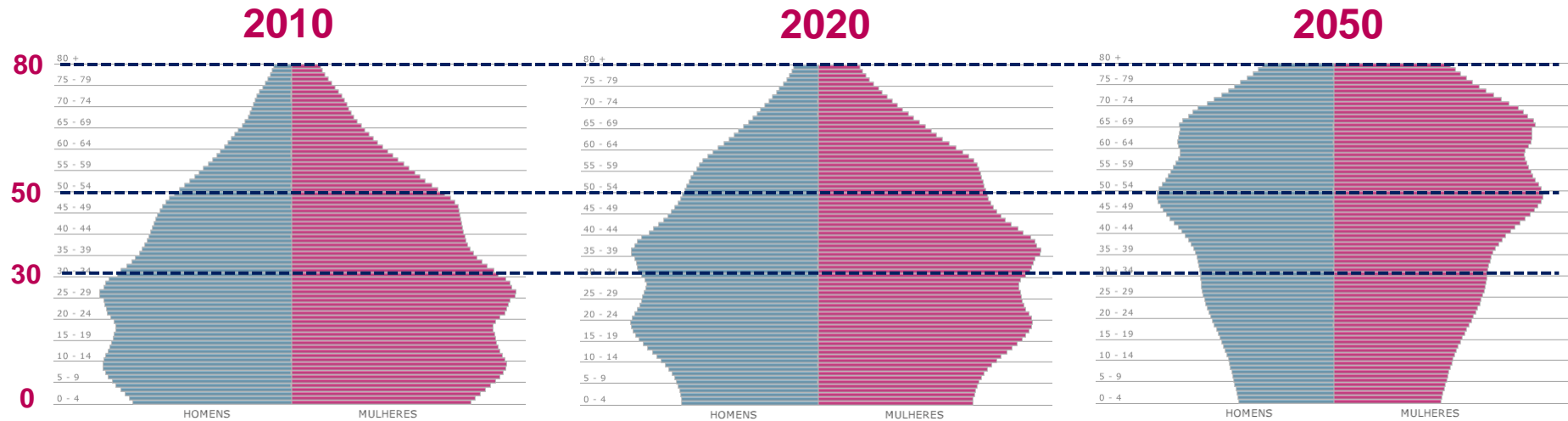
Brazil November 2011

Country Overview



- 5th largest country in the world
- 5th largest population in the world (200 million people)
- **9th largest world economy**
- GDP of US\$2.09 trillion with **7.5% real growth in 2010**
- Unemployment rate was estimated in 6.7% in 2010.
- President Dilma Rousseff (Labour Party) was elected with 56% of votes for the 2011-2014 term.

Brazilian Age Structure



Opportunity
Larger contingent of working-age population = possibility of increasing productivity

Challenges
Increase on health and social security expenditures

MASSIVE NATURAL RESOURCES

- ⇒ world's largest producer and/or exporter of a number of agricultural products and **minerals** (sugar, soy, chicken, coffee, iron ore)
 - ⇒ 3rd **food export** in the world, leading exporter of orange juice (80%)
 - ⇒ Largest cattle herd in the world (204 million heads)
- ⇒ world's largest reserves of tropical forest and biodiversity and flows of fresh water (25%)
- ⇒ **oil** and **ethanol** production
- ⇒ 40% of Brazil's energy already comes from **clean energy** sources. Hydro power accounts for 80%
- ⇒ 5th largest **lithium** reserves in the world

- ⇒ **POLITICAL STABILITY**
- ⇒ **CONTINUITY IN ECONOMIC POLICYMAKING**
- ⇒ **DEMAND FOR ITS COMMODATIES IN GLOBAL MARKETS**
- ⇒ **HIGH LEVELS OF FOREIGN DIRECT INVESTMENT**
- ⇒ **EXPANDING POPULATION**
- ⇒ **GROWING MIDDLE CLASS**
- ⇒ **URGENT NEED FOR INVESTMENTS IN INFRASTRUCTURE**
- ⇒ **LARGEST LUXURY MARKET IN LATIN AMERICA - shows a diverse economy!!**

CURRENT SCENARIO

- PAC and PAC 2 – Federal Investment Programmes (energy, transport and social and urban development)
- 2014 FIFA World Cup and 2016 Rio Olympic Games
- Petrobras plans of investment (US\$ 224 billion up to 2014)
- **Investment needs to look ahead to the next 40 years!**

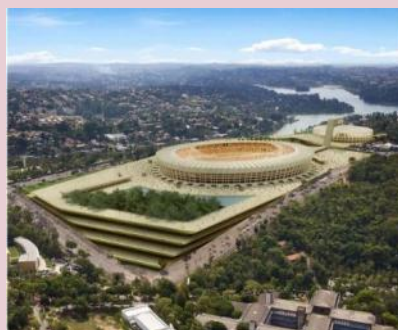
- Brazil's current infrastructure has some critical sectors, and continued investment is also required to keep up with growth:
 - Changes to the transport mix
 - Airports
 - Ports
 - Urban mobility
 - Sewage systems
 - Rainwater, Flood management
 - Solid waste management
 - Power;
 - Information and Communication systems (T.I.C.)

MAJOR SPORT EVENTS

The Host Cities for the 2014 World Cup



Stadiums/Arenas



Belo Horizonte/MG

- Stadium: Mineirão
- Capacity: 74,300
- Renovation of existing public stadium.
- Investment: US\$ 245 million.

Brasília/DF

- Stadium: Mané Garrincha
- Capacity: 60,000
- Renovation of public existing stadium.
- Investment: US\$ 428 million.

Cuiabá/MT

- Stadium: Arena Pantanal
- Capacity: 40,000
- Replacement of existing public stadium.
- Investment: US\$ 261 million.

Curitiba/PR

- Stadium: Arena da Baixada
- Capacity: 41,000
- Remodeling of existing private stadium.
- Investment: US\$ 107 million.

Stadiums/Arenas



Fortaleza/CE

- Stadium: Castelão
- Capacity: 60,000
- Renovation of existing public stadium.
- Investment: US\$ 358 million.



Manaus/AM

- Stadium: Arena Amazon
- Capacity: 42,000
- Replacement of existing public stadium.
- Investment: US\$ 287 million.



Natal/RN

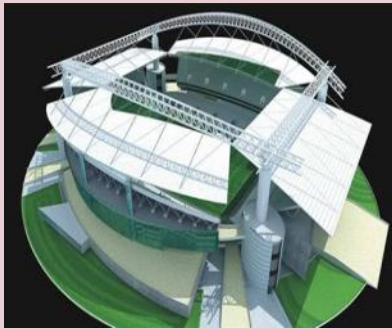
- Stadium: Arena das Dunas
- Capacity: 45,000
- New arena - public.
- Investment: US\$ 201 million.



Porto Alegre/RS

- Stadium: Beira Rio
- Capacity: 60,000
- Renovation of existing private stadium.
- Investment: US\$ 75 million.

Stadiums/Arenas



Recife/PE

- Stadium: Arena da Copa
- Capacity: 45,500
- New stadium (PPP)
- Investment: US\$ 267 million.



Rio de Janeiro/RJ

- Stadium: Maracana
- Capacity: 86,100
- Refurbishment of existing public stadium.
- Investment: US\$ 405 million.



Salvador/BA

- Stadium: Fonte Nova
- Capacity: 55,000
- Replacement of existing stadium (PPP).
- Investment: US\$ 340 million.



São Paulo/SP

- Stadium: Arena Itaquera
- Capacity: 48,000
- New private stadium
- Investment: US\$ 192 million.

- Potential Services and Products:
 - Building overlay
 - IT, data and systems (smart technology)
 - Sustainability and legacy issues
 - Temporary structures
 - Stadium security
 - Transport master planning
 - Energy and power generation
 - Security planning
 - Accommodation (hotel capacity)

RIO 2016 Olympic Games Master Plan



2016 Rio Olympic Games

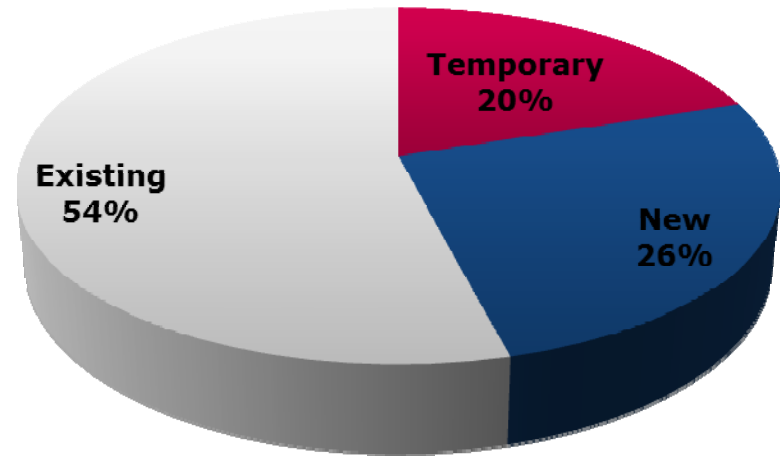
- First South American host in the history of the Games.
- Three levels of Government working together.
- Great popular support and enthusiasm.
- Games staged in four clusters around the city.
- Opening and closing ceremonies will be held in the famous Maracana Stadium.
- The Olympic Stadium (Engenhao) was built for the Pan American Games in 2007 and will be renovated for the Olympic events.
- Main driver – Urban Legacy



Rio 2016 - Olympic Venues

Temporary		US\$ Mi
Copacabana Stadium	Beach Volleyball	10
Copacabana Fort	Swimming, Triathlon	9
Flamengo Park	Race walking, Road cycling	8
Riocentro	Weightlifting	17
Hockey Centre	Hockey	12
Mountain Bike Park	Mountain biking	8.40

New		US\$ Mi
Deodoro Arena	Modern Pentathlon Fencing	41
Tennis Centre	Tennis	46
Aquatics Stadium	Swimming Synchro-nised swimming	37
Whitewater Stadium	Canoe/ Kayak	26
BMX Centre	Cycling (BMX)	6
Golf Course	Golf	N.A
Rugby	Rugby	N.A
IBC	-	110
MPC	-	92



New		US\$ Mi
Riocentro – Pavilion 2	Boxing	4
Riocentro – Pavilion 3	Table tennis	6
Riocentro – Pavilion 4	Badminton	6
Olympic Arena	Gymnastics	4
Maracanãzinho Arena	Volleyball	2
Maracanã Stadium	Ceremonies, football	5
Velodrome	Cycling	39
Olympic Stadium Joao Havelange	Athletics	52

- Potential Services and Products:
 - Masterplanners,
 - Architects,
 - Accessibility specialists,
 - Environmental consultants,
 - Infrastructure engineers,
 - Sustainability and Legacy specialists,
 - Building services,
 - Supplies (seating, lighting, signage, audiovisual equipment)
 - Temporary Structures
 - Security

HOW TO APPROACH THE BRAZILIAN MARKET?

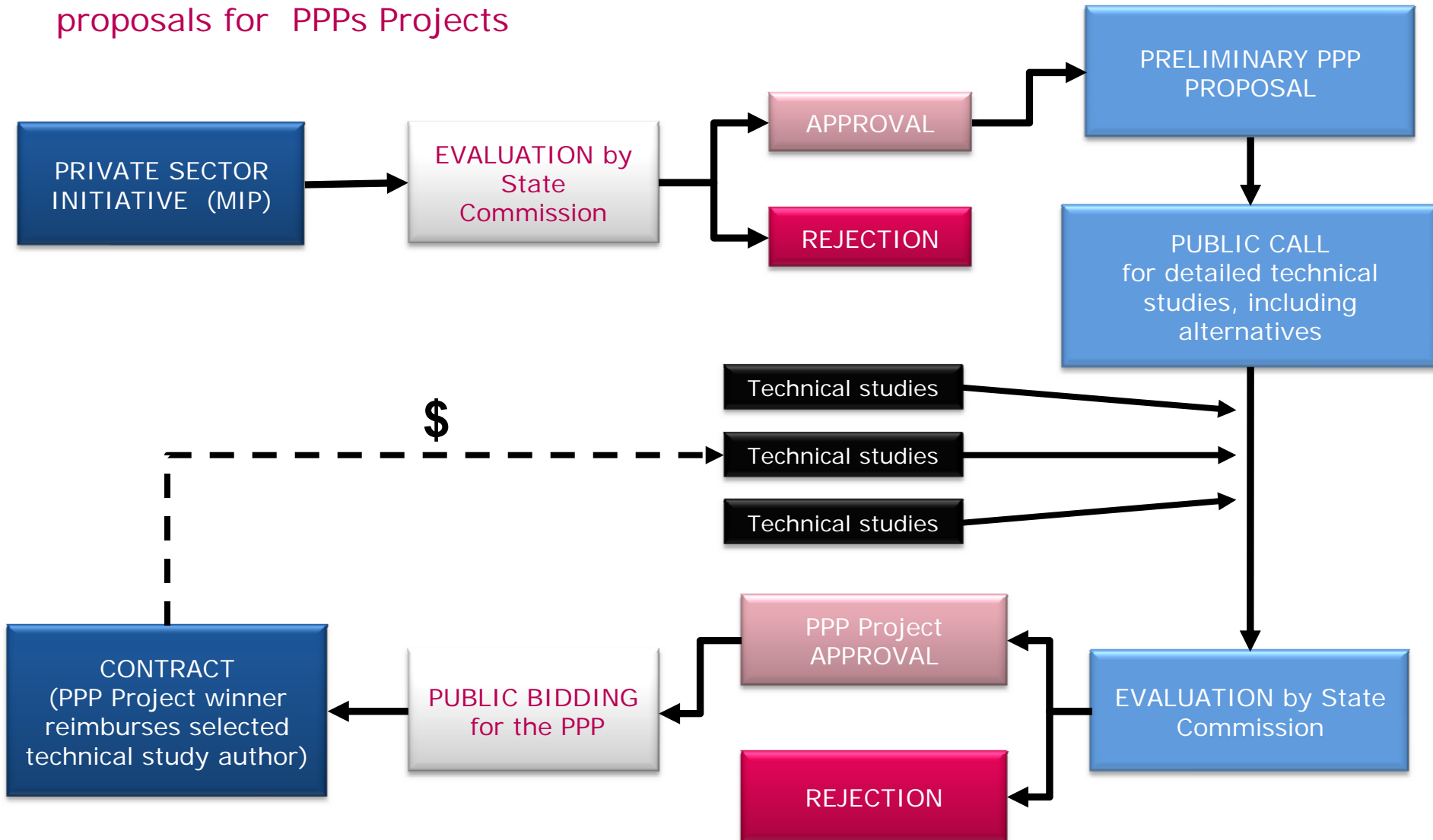
- Highly developed construction sector
- Large companies focused on heavy construction
- Lack of qualified labour and experience in delivering certain types of projects
- Cheap labour costs
- Growing importance of **sustainability** issues

The 10 top-ranking construction firms

Ranking 2010	Company	Turnover US\$ x 1.000 (2009)	Staff educated to degree level
1	Norberto Odebrecht	5.292.345	9.197
2	Camargo Correa	5.264.878	3.121
3	Andrade Gutierrez	4.182.954	1.347
4	Queiroz Galvão	4.035.694	667
5	OAS	2.612.352	1.632
6	Galvão Engenharia	2.128.727	693
7	Delta Construções	2.109.444	509
8	Mendes Junior	1.379.734	642
9	Trading	1.227.949	1.100
10	Gafisa	1.201.715	215
	Carioca Christiani-Nielsen		
TOTAL		29.435.792	19.123

Innovative Fast Track for PPP Projects

State Decree 57.289 dated August 30, 2011 allows interested investors to present proposals for PPPs Projects



State Investment Plan, including PPP potential

Projected investment 2012-2015:
R\$ 79.16 billion (US\$ 44.98 billion)
PPP potential 2012-2015: R\$ 16.88 billion (US\$ 9.59 billion)

* Submitted to State
Legislature



SECRETARIAT OF METROPOLITAN
TRANSPORTS

US\$ 28,816 million



SECRETARIAT OF LOGISTICS AND
TRANSPORTS

US\$ 13,222 million



SECRETARIAT OF SANITATION
AND HIDRIC RESOURCES

US\$ 1,605 million



HOUSING SECRETARIAT

US\$ 1,336 million

Potential Barriers

- ↘ Bureaucracy
 - ↘ Language barrier
 - ↘ High taxation
 - ↘ Labour laws
 - ↘ Inefficient infrastructure
 - ↘ Strong competition
-
- However, UK companies in Brazil said that none of this prevented them from doing good business.

UK PRESENCE IN BRAZIL

“Culture has more in common with European experience than say China”

UK PRESENCE IN BRAZIL

- UK is Brazil's 15th largest supplier – market share of 2.05%
- Many large UK corporations have operations in the country (Shell, BP and BG, HSBC, BT, JCB, Halcrow)
- UK Products and services are highly considered by Brazilian companies
- ↳ Brazil Joint Economic and Trade Committee, **JETCO**, signed in 2006 **to further UK's strategic economic relationship with Brazil** in some areas (e.g. Life sciences, aerospace, financial services)

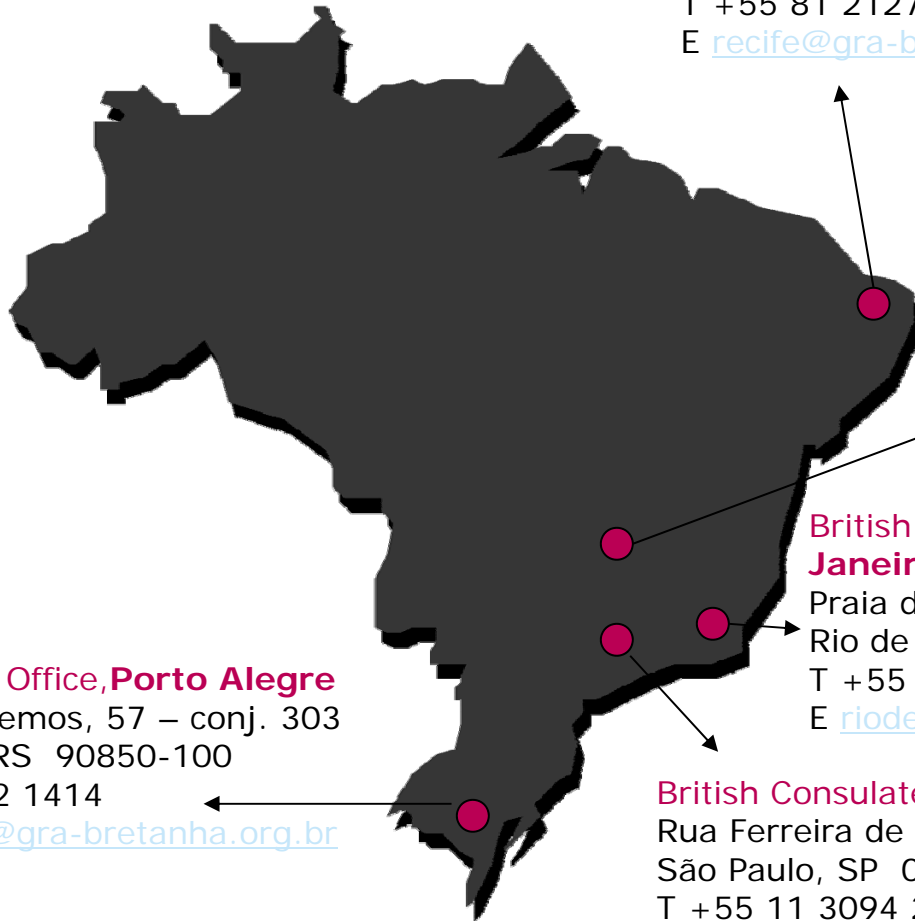
- **Essential to undertake preliminary market research to identify the best entry option (Joint Venture, Representation, Distribution, etc.)**

- ↳ **Overseas Market Introduction Service (OMIS):**
 - Provides valuable information on the market opportunities and business contacts, and a elaborated Visiting Programme.

- Further information: www.uktradeinvest.gov.uk

- UK Environment and Water Opportunities in Brazil May 2011
- Opportunities for UK business in the Rio 2016' Olympic & Paralympic Games
- Game On: Progress in Brazil's preparations for the 2014 FIFA World Cup
- Brazil Missions to the UK: Transport, Oil&Gas, Environment and Water, Construction and Sports Infrastructure

UKTI Brazil network



UKTI Regional Office, Recife

Av. Conselheiro Aguiar, 2941 - 3º andar
Recife, PE 51020-020
T +55 81 2127 0230
E recife@gra-bretanha.org.br

British Embassy, Brasília

Setor de Embaixadas Sul - Quadra
801 conj. K - lote 8
Brasília - DF 70408-900
T +55 61 3329 2300
E brasilia@gra-bretanha.org.br

British Consulate-General, Rio de Janeiro

Praia do Flamengo, 284 - 2º andar
Rio de Janeiro, RJ 22210-030
T +55 21 2555 9600
E riodejaneiro@gra-bretanha.org.br

British Consulate-General, São Paulo

Rua Ferreira de Araújo, 741 2nd floor
São Paulo, SP 05428-002
T +55 11 3094 2700
E saopaulo@gra-bretanha.org.br

UKTI Regional Office, Porto Alegre

Rua Antenor Lemos, 57 - conj. 303
Porto Alegre, RS 90850-100
T +55 51 3232 1414
E portoalegre@gra-bretanha.org.br

Thank you!

Valeria Martinez, Sector Manager
Construction and Environment & Water Industries
UK Trade & Investment - Brazil

British Consulate General São Paulo
Tel.: + 55 11 3094 2735
Valeria.Martinez@fco.gov.uk