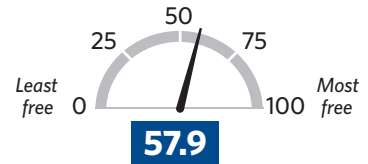


# BRAZIL

## Economic Freedom Score



World Rank: **99**

Regional Rank: **20**

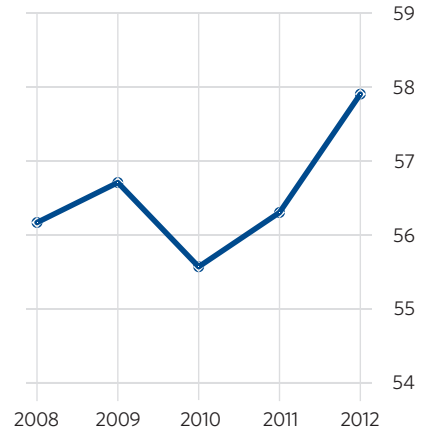
**B**razil's economic freedom score is 57.9, making its economy the 99th freest in the 2012 *Index*. Its score is 1.6 points better than last year, with improvements in four of the 10 economic freedoms, including financial freedom. Brazil is ranked 20th out of 29 countries in the South and Central America/Caribbean region, and its overall score is below the regional and world averages.

Despite the challenging global environment, the Brazilian economy has averaged better than 4 percent annual growth over the past five years. Strengthening the foundations of economic freedom, however, remains critical to capitalizing further on current growth momentum and ensuring a greater economic future. Corruption and property rights scores are relatively low, and the judicial system remains vulnerable to political influence.

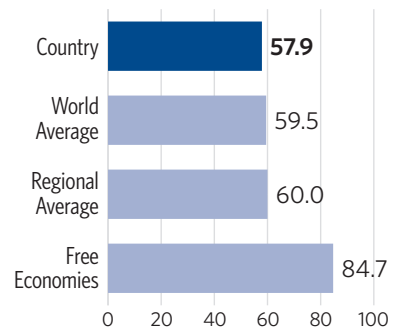
The state presence in many areas of the economy remains considerable, undercutting development of a more vibrant private sector. The efficiency and overall quality of government services continue to be inadequate, particularly because of poor public finance management. Public-sector wages and transfer payments account for a large portion of government spending and are significant sources of fiscal pressure. Compared to other emerging economies, the overall pace of Brazil's regulatory reform has slowed.

**BACKGROUND:** Brazil's democratic constitution dates from 1988. On January 1, 2011, Dilma Rousseff, two-term Workers' Party President Luiz Inacio "Lula" da Silva's hand-picked successor, became Brazil's first female president. It is her first elected government office. Brazil has benefited from surging prices for its commodity exports and has weathered the 2009 global economic downturn better than many developed countries. The *real* is stable, and the middle class is growing. Brazil is the world's fifth-largest country in terms of land mass and population, and its almost 200 million people are heavily concentrated on the Atlantic coast. Ensuring adequate infrastructure when Brazil hosts the 2014 World Cup and 2016 Rio Olympic games will present many challenges.

## Freedom Trend



## Country Comparisons



## Quick Facts

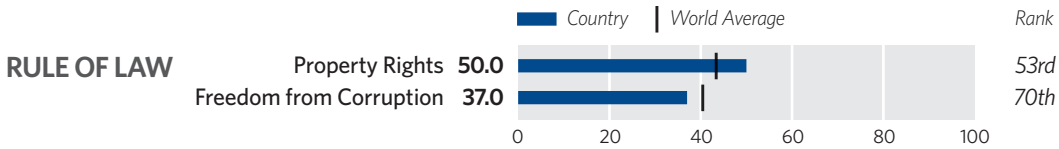
**Population:** 193.3 million  
**GDP (PPP):** \$2.1 trillion  
 7.5% growth in 2010  
 5-year compound annual growth 4.4%  
 \$11,239 per capita  
**Unemployment:** 7.0%  
**Inflation (CPI):** 5.0%  
**FDI Inflow:** \$48.4 billion  
**Public Debt:** 66.8% of GDP

2010 data unless otherwise noted.  
 Data compiled as of September 2011.

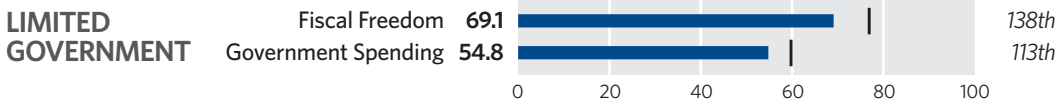
### How Do We Measure Economic Freedom?

See page 455 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

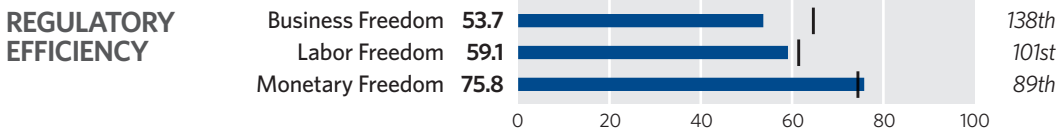
**THE TEN ECONOMIC FREEDOMS**



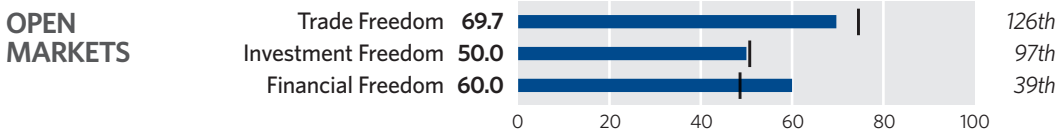
Contracts are generally considered secure, but Brazil’s judiciary is inefficient and subject to political and economic influence. Protection of intellectual property rights has improved, but piracy of copyrighted material persists. Corruption continues to undermine economic freedom. Businesses bidding on government procurement contracts can encounter requests for bribes, also seen as a problem in the lower courts.



The top income tax rate is 27.5 percent. The standard corporate tax rate is 15 percent, but a 10 percent surtax and 9 percent social contribution on net profit paid by most industries bring the effective rate to 34 percent. Other taxes include a financial transactions tax, with the overall tax burden equal to 34.3 percent of total domestic income. Public spending is over one-third of GDP, resulting in chronic budget deficits. Government debt is 66.8 percent of GDP.



Despite some progress, organizing new investment and production remains cumbersome and bureaucratic. It is costly and time-consuming to launch or close a business. On average, it takes more than 119 days to start a company, compared to the world average of 30 days. Stifling labor regulations continue to undermine employment and productivity growth. Mandated benefits amplify overall labor costs. Inflationary pressures remain significant.



The trade weighted tariff rate is 7.6 percent. Non-tariff barriers and the use of antidumping measures are a cause for concern. Foreign investors are granted national treatment, but their activity is restricted in some sectors, including communications and mining. The banking sector emerged relatively unscathed from the global downturn, with credits to the private sector increasing. The insurance sector has become the largest in the region.

**Score Changes**

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+0.1	Business Freedom	-0.6	Trade Freedom	-0.1
Freedom from Corruption	0	Government Spending	+5.2	Labor Freedom	+1.3	Investment Freedom	0
				Monetary Freedom	-0.1	Financial Freedom	+10.0