

■ Introduction

This issue of the Foreign Investment Bulletin presents investment data for China, the United States, Japan, France and Italy in Brazil. Countries have been selected based on the existence of a Memoranda of Understanding and Cooperation between each country and CAMEX's Executive Secretariat.

This report includes information from various news sources and unofficial databases, and therefore may not accurately reflect investment by these countries in Brazil in its entirety. Furthermore, some companies do not disclose comprehensive investment data.

For this quarter, the Bulletin adopted new data sources; so some projects have been retroactively added and others have been confirmed or canceled. This revision significantly changed data for some years.

Conscious of data limitations, the CAMEX team has compiled a Foreign Direct Investment (FDI) trend report between 2003 and the second quarter of 2019.

SECTION 1 News

The largest investments confirmed in the second quarter in terms of investment value were:

APR 2019 (FRANCE) – The consortium formed by the French group Engie and the Canadian fund Caisse de Dépôt et Placement du Québec (CDPQ) acquired 90% of the Gas Associated Company (TAG), a Petrobras subsidiary operating in the transportation and storage of natural gas. The total estimated value of the investment is US \$ 8.6 billion. (*Sources: Valor Econômico and G1 Globo*)

APR 2019 (CHINA) – Chinese lighting manufacturer Hangzhou Hpwinner Opto Corporation has confirmed a joint venture with Hpwinner Soluções em Iluminação Ltda., Located in São Paulo (SP). The value of the investment is US \$ 207 million. (*Source: Orbis Cross Border Investment*)

APR 2019 (USA) – Silicon Valley venture capital firm, Riverwood Capital, has confirmed its contribution to two Brazilian technology companies. The first investment will be US \$ 50 million in Technisys, a technology company for digital banks; the second investment will be US \$ 20.3 million in Omie, an online management platform company focused on small and medium businesses. (*Source: EMIS*)

APR 2019 (USA) – US investment firm, Franklin Templeton, made a US \$ 30 million contribution to Brazil's Weel, a Fintech specializing in receivables prepayment. (*Source: EMIS*)

APR 2019 (JAPAN) – Japanese group Mitsui & Co acquired a minority stake in Ebes Sistemas de Energia SA (Órigo), a company operating in the distributed generation of photovoltaic (SP) electricity. The value of the investment is US \$ 11.8 million. (*Source: EMIS*)

MAY 2019 (ITALY) – Italian group Fiat Chrysler Automobiles (FCA) has confirmed investment in its two automotive plants in Brazil. The first investment will be US \$ 1.9 billion to increase the production capacity of its plant installed in Goiana (PE); the second will be R \$ 2.1 billion for the implementation of a new line of turbo engines in Betim (MG). (*Sources: G1 Globo and Embassy of Italy in Brazil*)

MAY 2019 (JAPAN) – Japanese group NIDEC confirmed the purchase of Embraco, a refrigeration compressor manufacturer located in Joinville (SC). The value of the investment is US \$ 1.1 billion. (*Source: Orbis Cross Border Investment*)

MAY 2019 (JAPAN) – Japanese group Mitsui & Co acquired a stake in SuperVia, a company that operates urban trains in 12 municipalities in Rio de Janeiro. The investment is estimated at about \$ 205.6 million. (*Source: O Globo*)

MAY 2019 (ITALY) – Italian company Pirelli has confirmed an investment of US \$ 134.5 million to reorganize its production structure in its factories in Campinas (SP) and Feira de Santana (BA). The investment will take place between 2019 and 2021. (*Source: Italian Embassy in Brazil*)

JUN 2019 (JAPAN) – Japanese group Sumitomo, owner of tire manufacturer Dunlop, confirmed a \$ 38 million investment in the expansion of the Rio Grande Farm (PR). (*Source: Bloomberg*)

JUN 2019 (JAPAN) – Japanese SoftBank fund has confirmed its contribution to three Brazilian technology companies. The first investment will be US \$ 300 million in Gympass, Brazilian startup of subscription gyms; the second will be US \$ 150 million in Loggi, a Brazilian logistics startup; and the third will be US \$ 200 million at Creditas, fintech credit. (*Sources: Veja and Brazil Journal*)

JUN 2019 (ITALY) – The Brazilian renewable energy subsidiary of the Italian group Enel has initiated investment to increase the total installed capacity of the Delfina (BA) wind farm. The value of the project is approximately US \$ 40 million. (*Source: Bahia de Valor*)

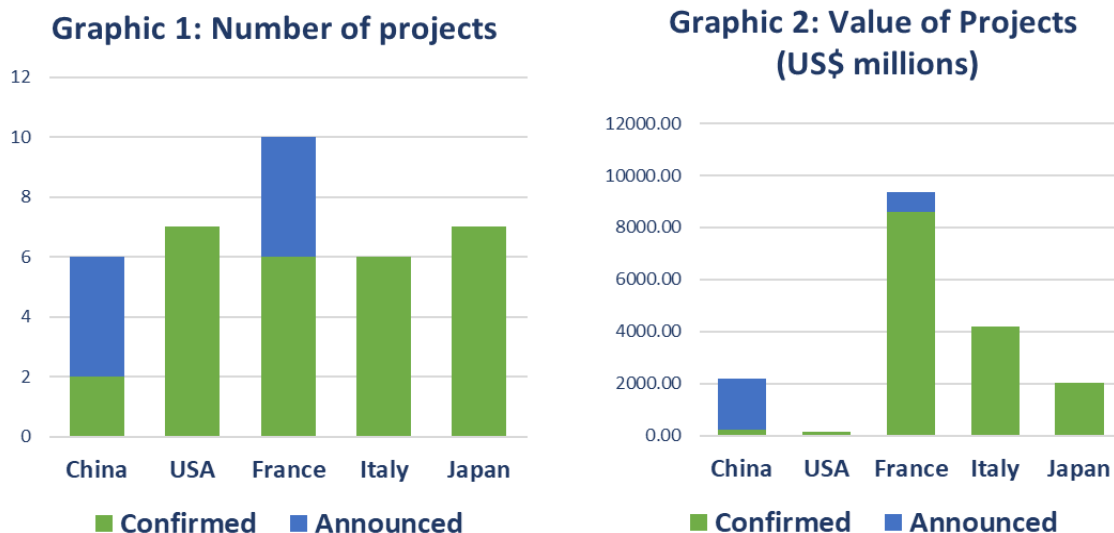
SECTION 2 FDI in the 2nd Quarter of 2019 – selected countries

In the second quarter of 2019, 36 FDI projects in Brazil were identified from 22 companies from the five selected countries. Of the total projects, 28 are confirmed investments¹ worth approximately US \$ 15 billion. When considering the announced investments², the total value rises to \$ 17.9 billion.

In terms of value of confirmed investments, France was the country that stood out most in the second quarter, with US \$ 8.6 billion. France is followed by Italy with US \$ 4.2 billion, then Japan with US \$ 2.0 billion. China and the US provided the smallest values, with US \$ 213 million and US \$ 131 million in investments, respectively.

In terms of number of confirmed projects, of the five countries, Japan and the US maintained the largest amounts, totaling 7 investments each in the second quarter. France and Italy have each confirmed 6 projects. China, despite announcing 4 investments, only confirmed 2 projects. Graphics 1 and 2 illustrate investment projects raised in the second quarter in terms of number and value, respectively.

Graphics 1 and 2: Confirmed and Announced Investments in Brazil (Quarter II 2019) – selected countries



Source: SE-CAMEX/ Ministry of Economy.

¹ Confirmed investments are investments directed to projects / projects in Brazil, whose information can be confirmed by more than one data source, including institutional pages of companies or institutions directly involved.

² Announced investments are formal announcements of future investments, which are now accompanied by the market and interested institutions. When an investment that has been computed in the "Announced" group is confirmed, its value leaves this group and joins the "Confirmed" group.

Foreign Investment Bulletin – Selected Countries

Executive Secretariat of CAMEX

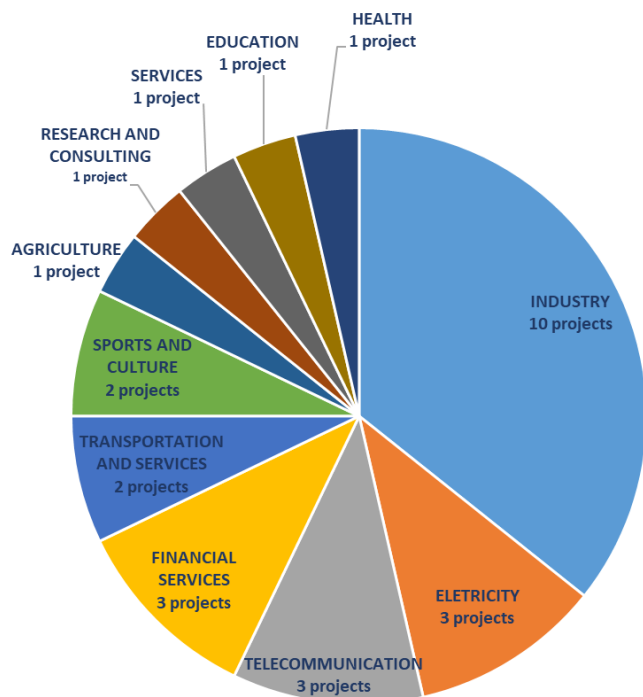
As for the distribution of investments confirmed by productive sectors, industry (10 projects), electricity (3 projects), telecommunications (3 projects) and financial services (3 projects) accounted for nearly 70% of the destination sectors of investments announced by the five countries in the second quarter.

Other sectors receiving investment in this quarter were: transportation (2 projects); sports and culture (2 projects); agriculture (1 project); research and consulting (1 project); services (1 project); education (1 project); and health (1 project).

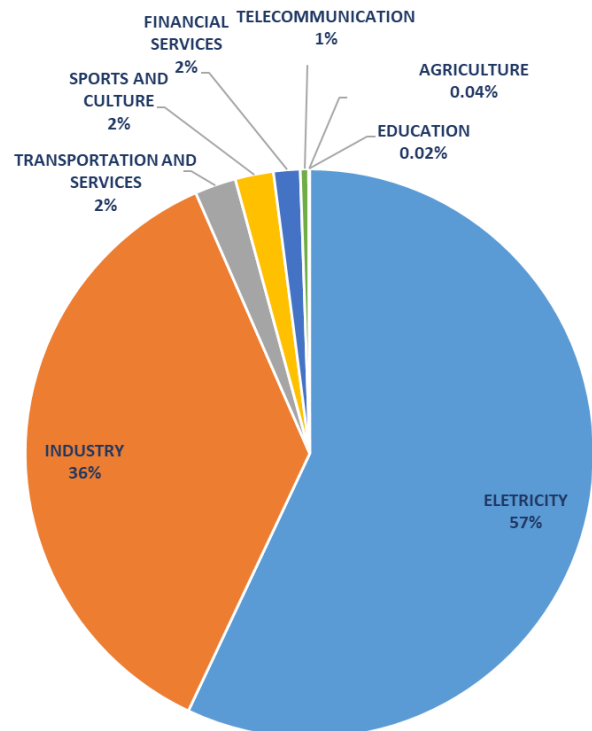
Graphics 3 and 4 illustrate the sectoral distribution of investments in the second quarter in terms of number of projects and value³, respectively. More than 90% of investment amounts were designated to the electric sector and to the industrial sector.

Graphics 3 and 4: Sectoral Distribution of Investments (Quarter II 2019) – selected countries

Graphic 3 - Number of Projects



Graphic 4 - Value of Projects (US\$ millions)



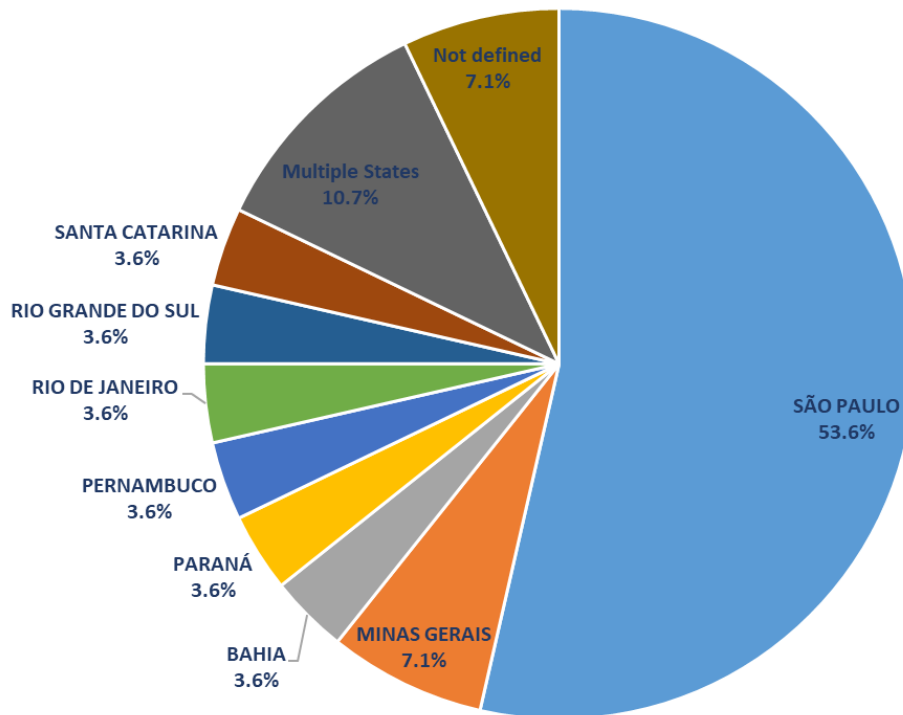
Source: SE-CAMEX/ Ministry of Economy.

³ Four projects (in the telecommunications, research and consulting, financial services, and health sectors) did not have the values disclosed.

Regarding the destination states of investments, 15 projects will be carried out in São Paulo, representing 53% of the investments confirmed. In Minas Gerais, 2 projects were confirmed. Bahia, Paraná, Pernambuco, Rio de Janeiro, Rio Grande do Sul and Santa Catarina were destinations of 1 project each. Finally, 3 projects were confirmed in more than one state and the states of 2 projects were not disclosed.

Chart 5 shows the geographic distribution of the investments raised in the second quarter, by number of confirmed projects.

Graphic 5: State distribution of investments by number of confirmed projects (Quarter II 2019) – selected countries

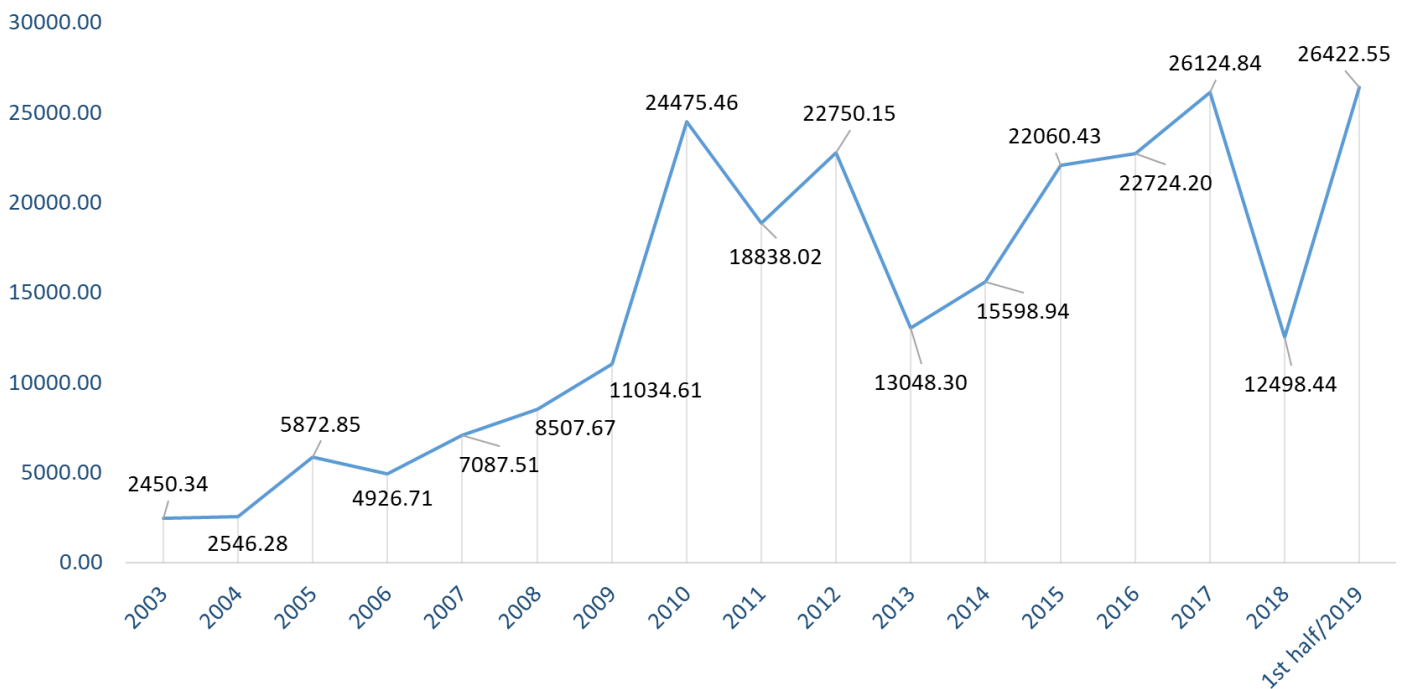


Source: SE-CAMEX/ Ministry of Economy.

SECTION 3 FDI Overview – selected countries

Foreign Direct Investment (FDI) from the five selected and confirmed countries in the first two quarters of 2019 amounted to approximately US \$ 26 billion (Chart 6), which includes approximately US \$ 15 billion in the second quarter, a growth of more than 220% in the of the five countries compared to US \$ 4.7 billion in the same quarter last year.

Graphic 6: Confirmed FDI Annual Totals (2003 – Quarter II 2019) – selected countries (US \$ million)



Source: SE-CAMEX/ Ministry of Economy.

Until the end of the last decade, the largest investment amounts came from the USA; as of 2010, Chinese investments have gained importance because of rapid growth in value. During the period between 2010 and 2017, the US and China alternated in the position of major investor, considering the sample of the five selected countries.

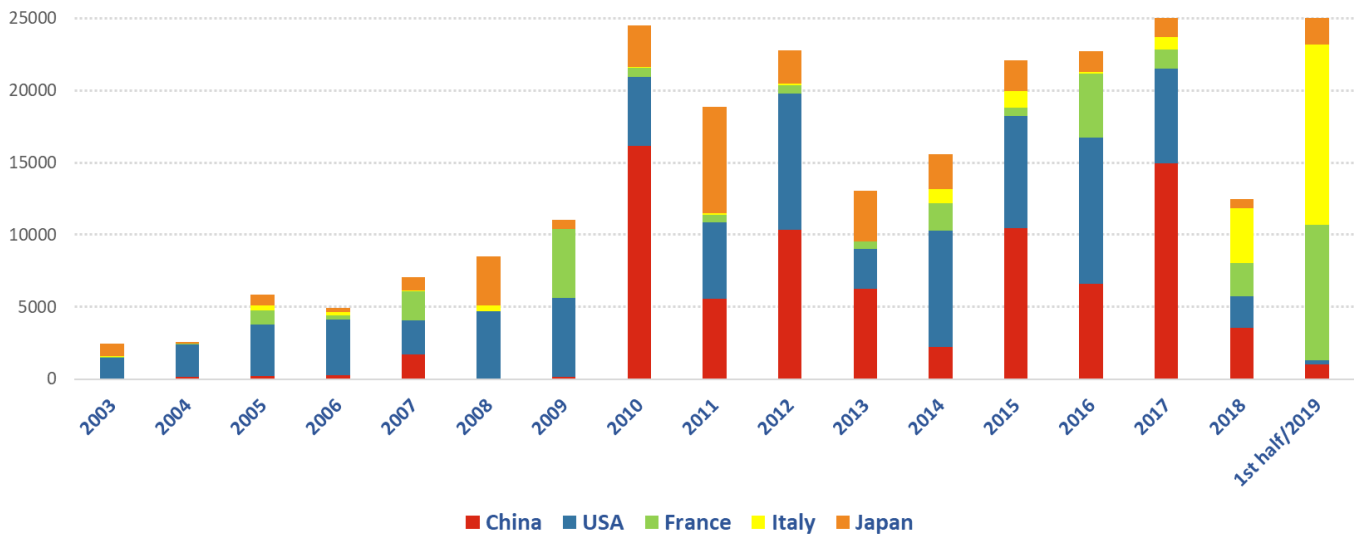
As of 2018, there was a drastic fall in the values of Chinese and North American investments, and a concomitant growth of French and Italian investments.

Foreign Investment Bulletin – Selected Countries

Executive Secretariat of CAMEX

In 2017, investments from France and Italy accounted for 5% and 3% of the total value of the investments confirmed by the five selected countries, respectively. In 2018, the percentage rose to 18% and 31%, respectively. In the second quarter of 2019, the investments of these two European countries in Brazil represent 84% of the confirmed investments.

Graphic 7: Confirmed FDI by country of origin (2003 – Quarter II 2019) (US \$ million)



Source: SE-CAMEX/ Ministry of Economy.

Charts 8 and 9 present the types of projects invested by the companies of the countries selected during the period in question, whether greenfields⁴ or brownfields⁵.

In terms of value, and considering accumulated stock since 2003, greenfield investments represent only 14% of the total value of FDI projects from the five selected countries. When considering the number of projects, the number of greenfield projects represents 25% of the investments confirmed.

⁴ Greenfield investments are those involving the construction of new industrial plants or the expansion / modernization of existing plants to expand their productive capacity.

⁵ Brownfield investments are investments that involve the acquisition by a company of plants owned by other corporations (mergers and acquisitions), without resulting in immediate increase in production and employment in the recipient country.

Graphics 8 and 9: Types of Confirmed Ventures between 2003 – Quarter II 2019 – selected countries

Graphic 8- Number of Projects

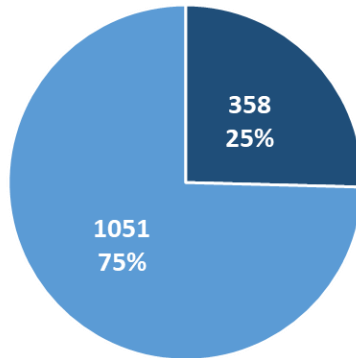
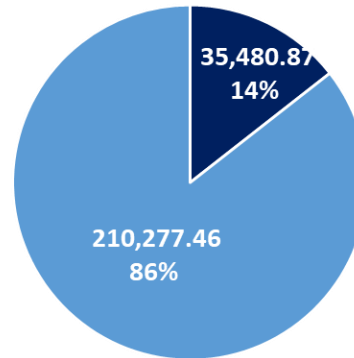


Gráfico 9 - Value of Projects (US\$ millions)

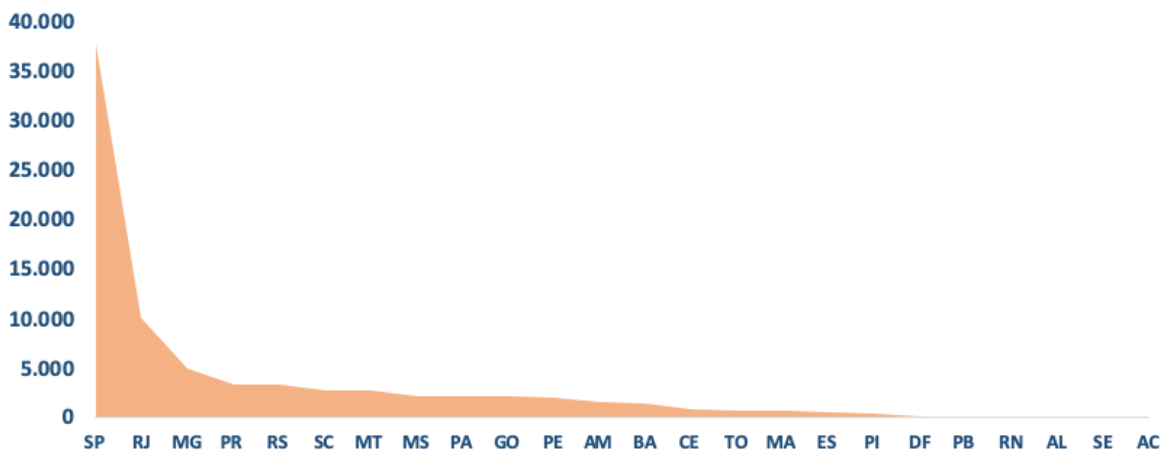


■ Brownfield
 ■ Greenfield

Source: SE-CAMEX/ Ministry of Economy.

Graphic 10 demonstrates that the investments of the five selected countries, since 2003, were concentrated in the Southeast and Southern regions, with a predominance of the State of São Paulo (34%), followed by Rio de Janeiro (6%) and Minas Gerais (4%).

Graphic 10: Project concentration by state Year to date 2003 – Quarter II 2019 – selected countries (US \$ million)



Source: SE-CAMEX/ Ministry of Economy.

SECTION 4 Confirmed investments by country of origin of capital

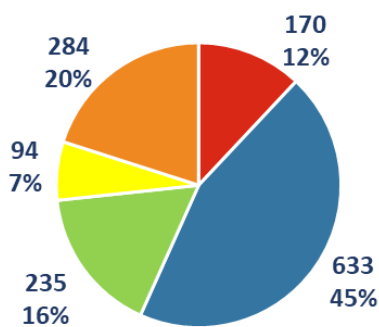
During the period between 2003 and the second quarter of 2019, the number of projects of US companies comprised 45% of the total of the five countries. The number of Japanese investments followed, with 20% of projects. Figures 11 and 12 illustrate the number of projects and the stock of foreign investment by country of origin since 2003.

In terms of value, US investments in this period totaled US \$ 81 billion, close to that of Chinese investments, which totaled US \$ 79 billion. Japanese investments follow, with \$ 35 billion; France, with US \$ 30 billion; and Italy, with \$ 21 billion.

The distinction between the graphs largely reflects the size of the projects, which is related to the destination sectors of the resources, as presented in Section 5. Chinese investments, although representing only 12% in number of projects of the sample of the five countries correspond, in terms of value, to 32% of the total, with about US \$ 80 billion in investments in the country.

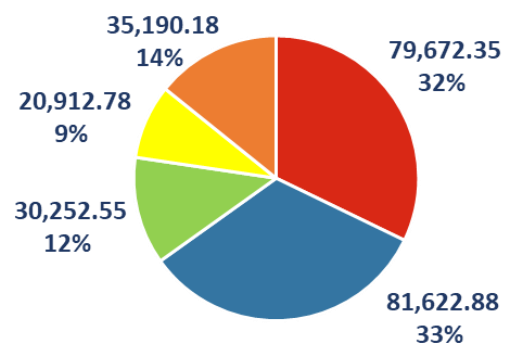
Graphics 11 and 12: Confirmed investments by country of origin of capital Between 2003 – Quarter II 2019 – selected countries

Graphic 11- Number of Projects



■ China ■ USA ■ France ■ Italy ■ Japan

Graphic 12 - Value of Projects (US\$ millions)



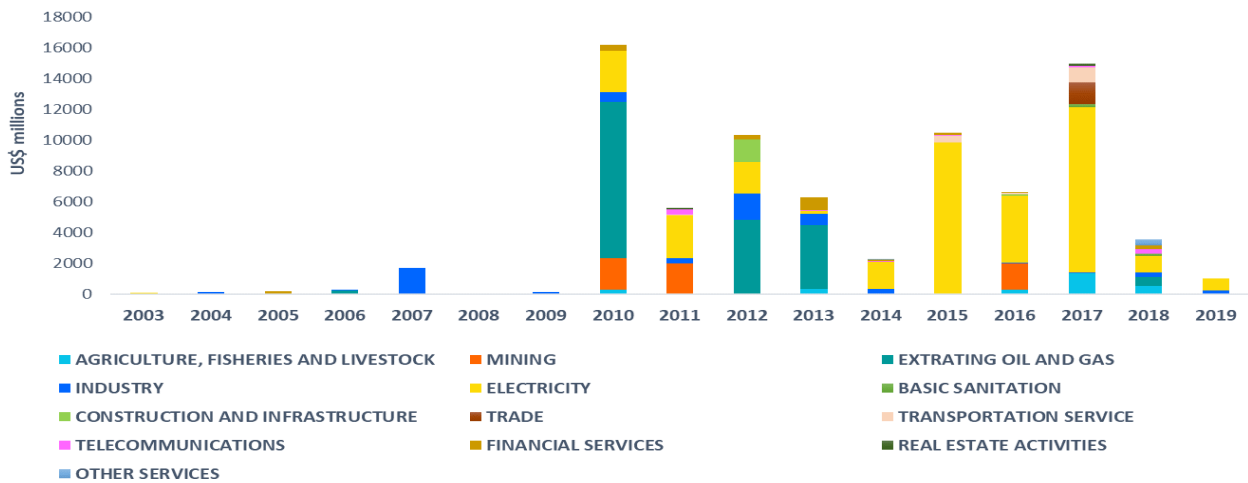
■ China ■ USA ■ France ■ Italy ■ Japan

Source: SE-CAMEX/ Ministry of Economy.

SECTION 5 Sectoral distribution of investments by country of origin of capital (2003 – Quarter II 2019)

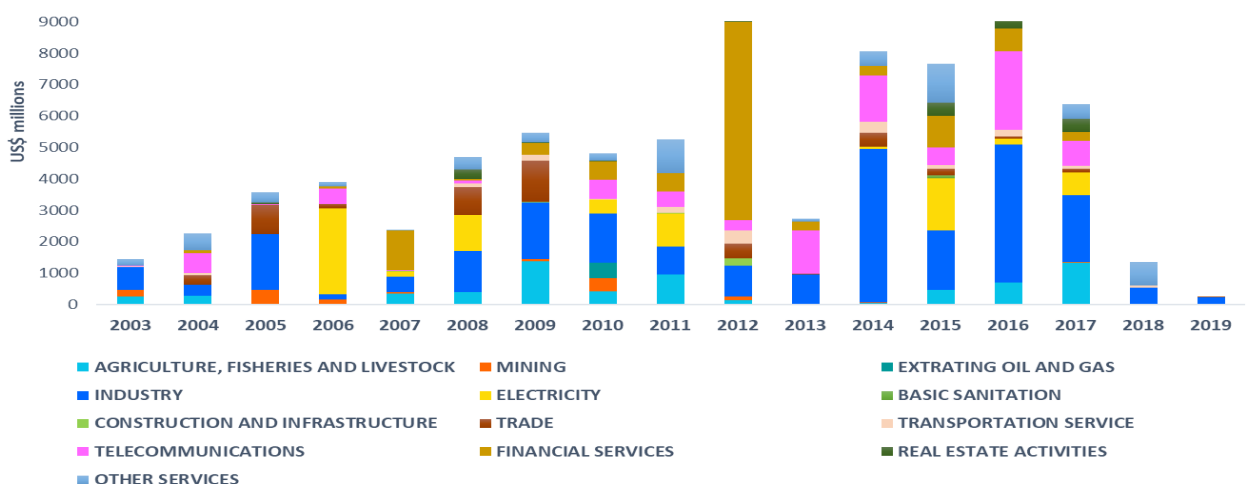
The sectoral distribution of investments plays a relevant role in the analysis of FDI in Brazil and, as mentioned, influences the participation of each country in terms of number and value of projects. The following charts represent the sectoral distribution for each of the five selected countries.

CHINA



The case of China reflects a common trend in Brazil and in other Latin American countries. The beginning of Chinese foreign direct investment was, for several years, associated with the exploitation of natural resources. In the case of Brazil, between 2010 and 2013 this trend was clear in the case of mining and extraction of oil and gas. Since 2014, however, there has been a clear concentration of projects in the electricity sector (generation and transmission), with a sharp decline in 2018 and the first half of 2019.

USA

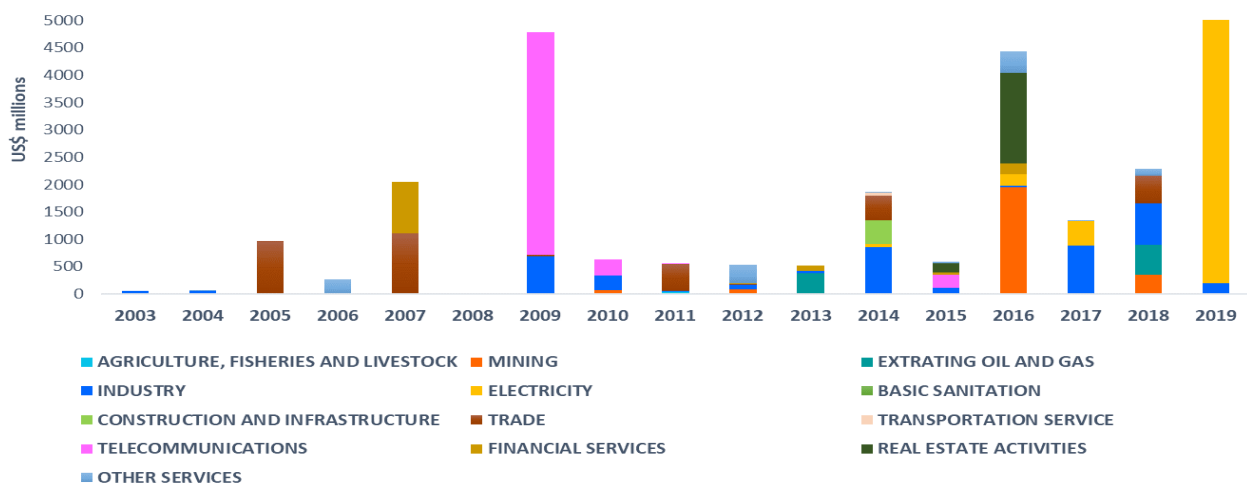


Foreign Investment Bulletin – Selected Countries

Executive Secretariat of CAMEX

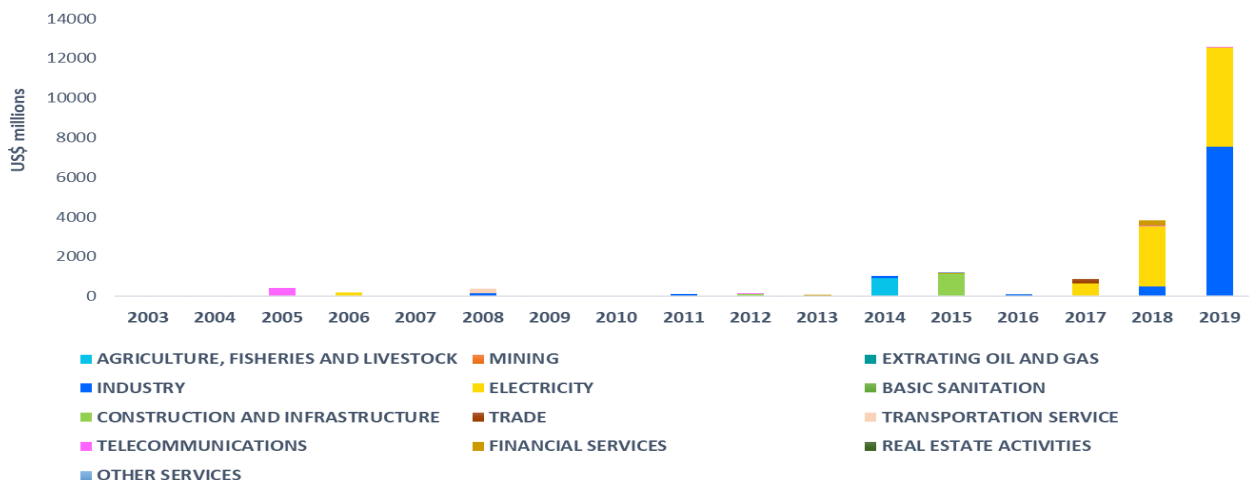
US direct investments in Brazil are concentrated in the services sector, especially financial services, although investments in the industrial sector are generally constant over time. The emphasis on US services is a reflection of the format of international presence of that economy, with comparative advantages made more concentrated in this sector. The share of investments in other sectors is relatively marginal. As of 2013, telecommunications projects are notable. Similar trends have taken place with Chinese projects, though reduced since 2017.

FRANCE



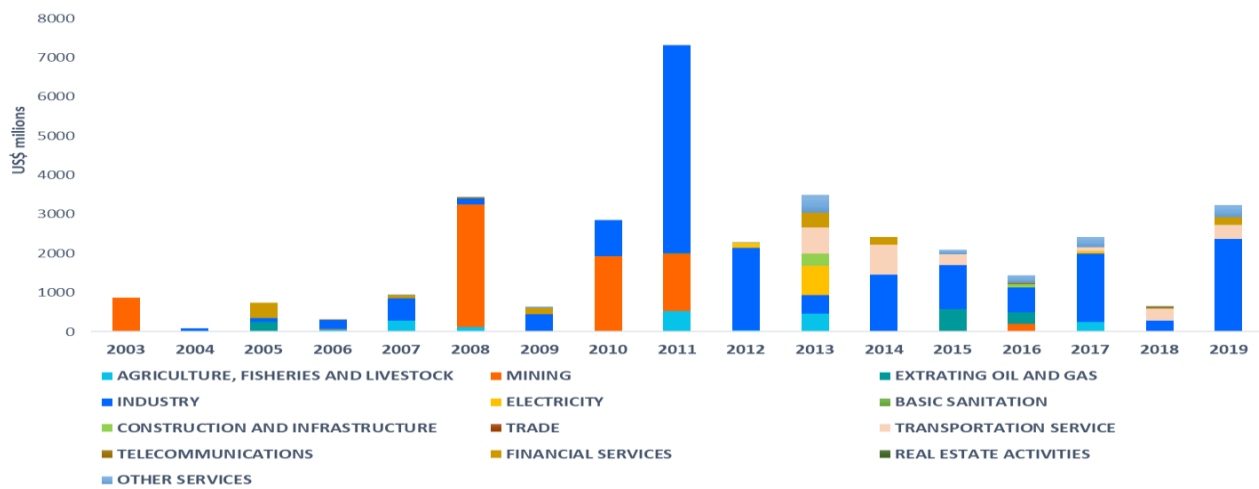
France's direct investments are more modest when compared to China and US investments. French investments are more diversified in sectoral terms, and a clear profile or trend is not identifiable, as in the case of the US and China. For example, these investments were highlighted at different times in trade (2007), telecommunications (2009), real estate (2016) and industry (2018). At the beginning of 2019, electric sector investment amounts are remarkable.

ITALY



Italian investments have a unique trajectory, among the five countries considered. By 2017, the amounts involved were very small compared to the other countries, with small, more significant values in 2005 (telecommunications), 2008 (transportation) and 2015 (sanitation). As indicated in Graph 1, in 2018 and the first quarter of 2019, Italian investments in the electricity sector were the highest in this group of countries. Also noteworthy in the first half of 2019 are Italian investments in the industrial sector.

JAPAN



The sectoral distribution of Japanese investments shows some similarity with the trajectory of Chinese investments, with regard to the emphasis on the mining sector until 2011. That same year, and in the following years, however, the concentration of investments in the industrial sector is preponderant, associated in some years (2013, 2016, 2017, 2019) with investments in the services sector.

Foreign Investment Bulletin – Selected Countries

Executive Secretariat of CAMEX

Sources:

Institutional pages of the companies and federal entities cited, databases of the Brazil-China Business Council, Financial Times (FT), The Heritage Foundation & American Enterprise Institute, Emerging Markets Information Service (EMIS) and other referenced media for: Agência Brasil, AidData, Bloomberg, China Daily, Dealogic, Estadão, Exame, Folha, Gazeta Mercantil, G1, Investing.com, ISTOÉ, MacaHub, Reuters, Terra, UOL, Valor Econômico.

Preparation

GENERAL COORDINATION OF INVESTMENT ALLOCATION - EXECUTIVE SECRETARIAT OF THE CHAMBER OF FOREIGN TRADE

CONTACT: MINISTRY OF THE ECONOMY COMMUNICATIONS CONSULTANT

TELEPHONE: +55 61 3412-2545/2547

Bulletin access link – <http://www.economia.gov.br/central-de-conteudos/publicacoes/boletim-de-investimentos-estrangeiros>