Brazil

The Brazilian franchise sector is among the world’s largest and most sophisticated markets, in terms of business practices and in adapting concepts from both foreign and domestic franchisors. Brazil is the largest and most populous country in South America.

Brazil’s sovereign rating was cut to a junk rating by Moody’s Investors Service in February 2016, as President Dilma Rousseff struggled to shore up fiscal accounts amid deepening political turmoil.

The Brazilian economy is being constrained by fiscal imbalances and political instability, which has caused a lack of much needed foreign investment in its economy. Pressing problems include high income inequality, crime, inflation, rising unemployment and corruption.

Brazil’s large market size has always been the reason why U.S. businesses keep trying to crack the Brazilian market. Brazil still faces significant internal protectionist pressures, often presenting challenges for firms interested in entering the enormous market.

In 2014, the Brazilian franchise sector grew by 7.7 percent, and total sector revenue was about R$127.331 billion (USD 49 billion). In 2014 there were an estimated 2,942 franchising chains (a growth of 8.8 percent compared to 2013) and 125,641 franchising units in the country (a growth of 9.8 percent compared to 2013), making Brazil the sixth largest in the world (in number of units) and the fourth largest in number of franchise chains. The franchise sector currently accounts for 1.1 million jobs in Brazil, a growth of 6.5 percent over last year, during a period in which the Brazilian unemployment rate was 6.8 percent.

The Brazilian franchise sector is among the world’s largest and most sophisticated markets. In fact, the franchising sector has consistently grown faster than Brazil’s economy overall and remains one of its positive economic sectors.

U.S. franchisors encounter strong competition in this robust market from Brazilian franchisors offering more products and service solutions than are available in other Latin American markets.

With our partners from the International Franchise Association, DOC’s Global Franchise team has scheduled a trade mission to Brazil in September 2016, in conjunction with a stop in Uruguay.

World Economic Forum’s Global Competitiveness Index (GCI):¹

Brazil continues its downward trend, amid rising inflation, low prospects for growth and deteriorating terms of trade.

Government/Regulatory

Brazil seeks to strengthen its workforce and its economy over the long run by imposing local content and technology transfer requirements on foreign businesses, which may impact the franchise sector. The Brazilian economy is being constrained by fiscal imbalances, consequences of a massive corruption scandal and political instability, which has
caused a lack of much needed foreign investment in its economy.

**Labor Force**

Brazil’s labor market efficiencies are again trending lower. Several workforce factors, such as strict limitations on hiring and firing practices and the inability to retain and attract talent, have hurt Brazil’s competitiveness.

**Infrastructure**

Brazil has registered a significant improvement in the quality of its air transport infrastructure, but low ratings remain for its rail, port and road infrastructure.

**Demand/Business Factors**

Brazil’s huge economy and population are magnets for foreign investments. Brazil’s deteriorating economy and protectionist practices, however, have made it extremely difficult for foreign firms to enter the market.

**Industry Interest**

Of the top 12 markets identified by the members of the International Franchise Association as markets most valuable to them for international expansion and to have profiled in the Top Markets Report, Brazil was ranked first.

**Resources**


U.S. Commercial Service: [http://export.gov/Brazil/](http://export.gov/Brazil/)

Brazil Franchising [http://apps.export.gov/article?id=Brazil-Franchising](http://apps.export.gov/article?id=Brazil-Franchising)


Brazilian Franchise Association: [www.portaldofranchising.com.br/](http://www.portaldofranchising.com.br/)

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**Industry Expert’s Take:**

Very high level of inflation, low GDP growth, political instability, no new investment happening and 96 percent of franchises are local.


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