Brazil’s economic freedom score is 56.6, making its economy the 118th freest in the 2015 Index. Its score is 0.3 point worse than last year, reflecting declines in half of the 10 economic freedoms including investment freedom, the management of government spending, and monetary freedom. Brazil is ranked 21st out of 29 countries in the South and Central America/Caribbean region, and its overall score is below the world average.

Over the past five years, Brazil’s economic freedom has advanced by less than 0.5 point. Improvements in financial freedom and freedom from corruption have been largely offset by deteriorations in the area of regulatory efficiency, including business freedom and labor freedom.

The negative economic impact of stagnant economic freedom has largely been masked by strong growth driven by high commodity prices over the past decade, but a deteriorating international environment and diminished growth expectations have brought these structural issues to the forefront. More broad-based and consistent reforms will be needed to guarantee long-term economic development.

BACKGROUND: Preparations for the 2014 World Cup and 2016 Rio Olympic games have tested President Dilma Rousseff’s government. Public discontent was reflected in the unexpectedly strong showing by Socialist Party candidate Marina Silva, but Rousseff was re-elected to a second term in October 2014. Brazil is spending heavily to host marquee sporting events, but Brazilians resent the fact that they are left to contend with poor public services, antiquated and insufficient infrastructure, high taxes, inflation, corruption, and sluggish economic growth. Brazil’s “Bolsa Família,” a conditional cash transfer program for the poor, has helped the government to win support in some sectors. Brazil is the world’s seventh-largest economy, and its population of almost 200 million is heavily concentrated on the Atlantic coast. The middle class is growing, and millions have been lifted out of poverty, but government intervention in the economy continues to cause the misallocation of capital and limit mobility, fueling a sense of injustice.

**Quick Facts**

- **Population:** 198.3 million
- **GDP (PPP):** $2.4 trillion
- 2.3% growth in 2013
- 5-year compound annual growth 2.6%
- $12,221 per capita
- **Unemployment:** 6.6%
- **Inflation (CPI):** 6.2%
- **FDI Inflow:** $64.0 billion
- **Public Debt:** 66.3% of GDP

2013 data unless otherwise noted. Data compiled as of September 2014.
Public discontent about new state-funded World Cup stadiums while public services remain deficient is reflected in a 2014 survey, which indicates that 85 percent of Brazilians disapprove of President Rousseff’s policies on corruption and crime. The judiciary is inefficient and subject to political and economic influence. The court system is generally overburdened, and contract disputes can be lengthy and complex.

The top individual income tax rate is 27.5 percent. The top corporate tax rate of 34 percent includes a 15 percent corporate tax, a corporate surtax, and a 9 percent social contributions tax on net profits. There are other federal, state, and municipal taxes. The tax burden is equivalent to 35.3 percent of domestic income. Public spending equals 40.4 percent of GDP, and public debt amounts to 66 percent of the economy.

Progress in reforming the regulatory framework has been uneven. Bureaucratic hurdles include lengthy processes for launching a business and obtaining permits. The non-salary cost of employing a worker adds to the cost of doing business, and labor regulations remain stringent. Inflation has increased steadily since 2011, and the government has imposed economically distortionary price controls and subsidies.

Brazil’s average tariff rate is 7.7 percent. The government has worked to improve customs procedures, but non-tariff barriers deter imports of goods and services. Foreign investment in aviation, insurance, and other sectors is limited. The financial sector is diversified and competitive, but the state’s role remains significant. State-owned banks control over a quarter of assets and direct loans to certain preferred sectors.

### Long-Term Score Change (since 1995)

<table>
<thead>
<tr>
<th>RULE OF LAW</th>
<th>GOVERNMENT SIZE</th>
<th>REGULATORY EFFICIENCY</th>
<th>OPEN MARKETS</th>
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</thead>
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<tr>
<td>Property Rights</td>
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<tr>
<td>Freedom from Corruption</td>
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<td>-23.5</td>
<td>Financial Freedom</td>
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<tr>
<td>Fiscal Freedom</td>
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<td>-1.4</td>
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<tr>
<td>Government Spending</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>+69.4</td>
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2015 *Index of Economic Freedom*