

BRAZIL

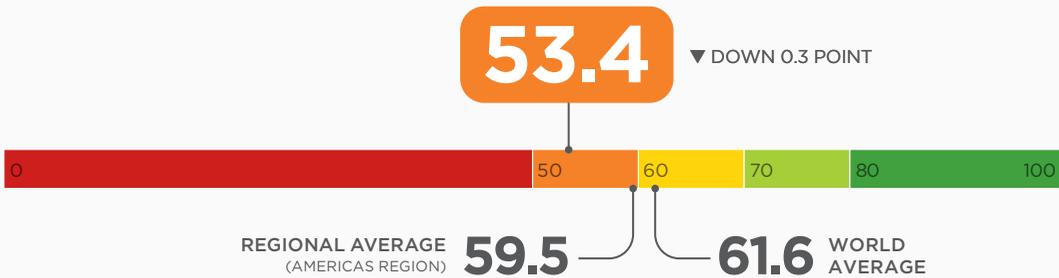
Brazil's economic freedom score is 53.4, making its economy the 143rd freest in the 2021 *Index*. Its overall score has decreased by 0.3 point, primarily because of a decline in **trade freedom**. Brazil is ranked 24th among 32 countries in the Americas region, and its overall score is below the regional and world averages.

Brazil has given up some of the gains in economic freedom it achieved in 2020, resuming its decline in the ranks of the mostly unfree. In addition to reining in the budget deficits that are driving up debt and have led to one of the world's lowest fiscal health scores, the government must improve in the areas of judicial effectiveness and government integrity if it hopes to get back on the path to greater economic freedom.

IMPACT OF COVID-19: As of December 1, 2020, 173,817 deaths had been attributed to the pandemic in Brazil, and the economy was forecast to contract by 5.8 percent for the year.

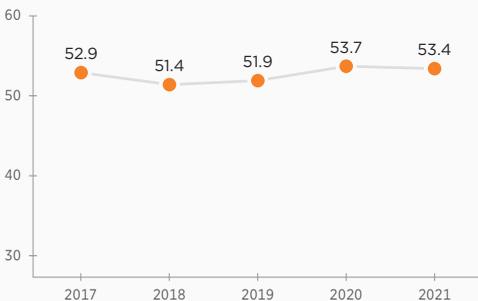
WORLD RANK: **143** REGIONAL RANK: **24**
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +2.0

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
211.0 million

GDP (PPP):
\$3.5 trillion
1.1% growth in 2019
5-year compound annual growth -0.6%
\$15,259 per capita

UNEMPLOYMENT:
12.1%

INFLATION (CPI):
3.7%

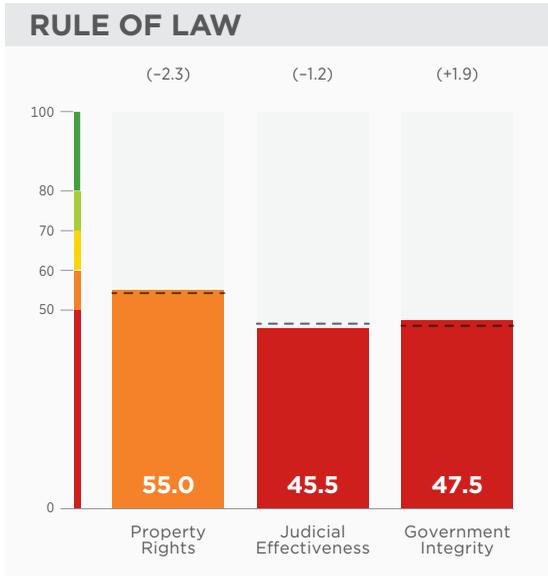
FDI INFLOW:
\$72.0 billion

PUBLIC DEBT:
89.5% of GDP

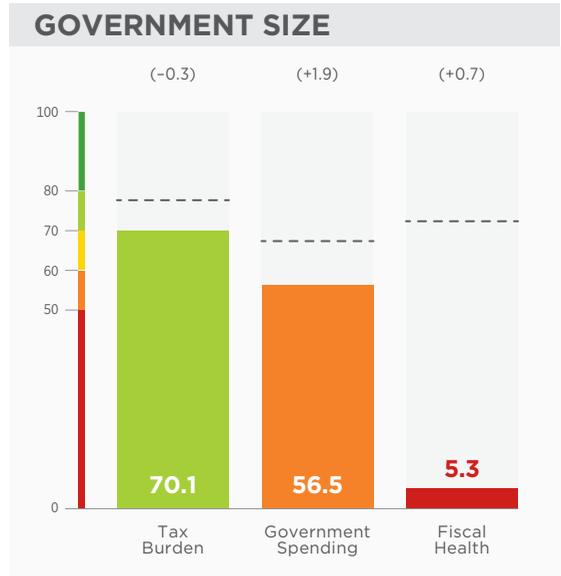
2019 data unless otherwise noted. Data compiled as of September 2020

BACKGROUND: Brazil, the world's fifth-largest country, has a mostly coastal population of more than 200 million and is dominated geographically by the Amazon River and the world's largest rain forest. In 2018, after a long period of political chaos prompted by massive public corruption scandals and economic crises, voters elected Jair Bolsonaro of the Social Liberal Party to serve as president. Bolsonaro has generally pursued a free-market agenda, including an overhauling of the public pension system and privatization of government assets. However, his fractious relationships with many parties in Congress could delay enactment of his proposal to reform Brazil's complex tax system, which is one of the most burdensome among emerging economies, consuming about 33 percent of gross domestic product.

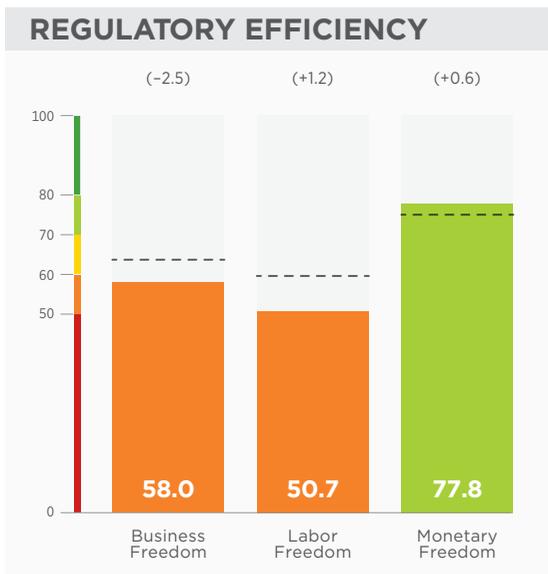
12 ECONOMIC FREEDOMS | BRAZIL



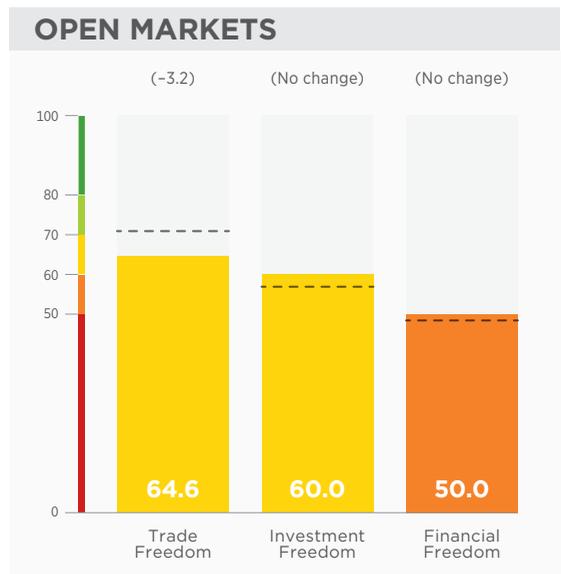
Property rights are generally enforced, but the mortgage registration system is uneven. The judiciary, though largely independent, is overburdened, inefficient, and often subject to intimidation and other external influences, especially in rural areas. A politicized Supreme Court has launched numerous investigations based on allegations of wrongdoing by the Bolsonaro government. Corruption and graft remain endemic, especially among elected officials.



The top individual income tax rate is 27.5 percent, and the top corporate tax rate is 34 percent. Other taxes include value-added and excise taxes. The overall tax burden equals 32.9 percent of total domestic income. Government spending has amounted to 38.1 percent of total output (GDP) over the past three years, and budget deficits have averaged 7.0 percent of GDP. Public debt is equivalent to 89.5 percent of GDP.



Obtaining electricity has become more expensive and complicated. It also takes longer to obtain a connection. The cost of dealing with construction permits has increased. Reforming Brazil's onerous labor laws is one of the Bolsonaro government's objectives. The government provides massive subsidies for the production of sugar and other agricultural products in addition to subsidies for hundreds of state-owned enterprises.



Brazil has nine preferential trade agreements in force. The trade-weighted average tariff rate is 10.2 percent, and 643 nontariff measures are in effect. Bureaucratic hurdles limit foreign investment. The financial sector is competitive, but government involvement remains considerable, and public banks account for more than 50 percent of loans to the private sector. The central bank has intervened in the foreign exchange market since February 2020.