Economic Growth in Brazil Struggles to Gain Momentum

Brazil, is one of the fastest growing emerging markets in the world, making it an attractive location for international businesses and expatriates in search of job opportunities. However, job growth in the nation has been slow as of late, so they are struggling to gain any momentum.

From June 2014 to early July 2014, the FIFA World Cup took place in the capital Rio De Janeiro, Brazil, resulting in an influx of tourists and a wealth of workers focused on the matches and not their jobs. While many people argue that the World Cup brings in revenue for the host nation, information coming out of Brazil has indicated a more negative outlook.

Economy works to recover from World Cup

According to The Wall Street Journal, recent data from several sources point to an economy in Brazil hit hard by the recent World Cup. While the millions of people traveling to the country for the event should provide a boost, these positive effects have yet to be felt in the South American nation.

For example, Brazil's National Confederation of Industry reported that industrial production dropped to its lowest level in four years, The WSJ noted. The Brazilian Steel Institute also released data indicating that crude steel production has declined in June compared to the same time in 2013, while another industry report highlighted problems currently faced by the auto industry. Limited credit and exporting woes have hampered production there.

Jankiel Santos, chief economist at Brazil-based Espirito Santo Investment Bank, told the WSJ that there was likely a short-term economic improvement, but long-term gains are below expectations.

"What we really need is greater production capacity, and that capacity only comes through investment," Santos explained to the media outlet. "I think that [the World Cup] was a net positive, but nothing like what people imagined. At the end of the day what we wanted from hosting the Cup were improvements to infrastructure that were promised but not delivered."

Brazil's central bank implements stimulus

Given the current problems with the Brazilian economy, the nation's central bank recently announced a stimulus package designed to improve liquidity and credit.

According to Spanish media outlet EFE, more than U.S. $13.5 billion will be put into the economy so local banks have more capital for lending purposes. If everything goes to
plan, this will lead to lower interest rates and help businesses and consumers turn things around. While risky loans are at a low in the country, credit is still hampered. The central bank also relaxed standards, now allowing banks to dedicate 50% of their reserve requirements for lending purposes.

Despite the problems with Brazil's financial situation at the moment, growth is still forecasted in the country. EFE reported that the government's estimation for economic gains is at 1.8% in 2014. However, that was recently downgraded from 2.5% in May.

**Outlook dims consumer, business confidence**

The forecast for Brazil's economy has resulted in lower consumer confidence in the country, as well as dimmed the interest that many businesses have in operating in the nation.

According to *The Economist*, **optimism is slipping** across Brazil. This has led to many experts reducing their growth predictions following the World Cup's conclusion. Even so, the nation's current unemployment rate is relatively low. The overall economy has also grown a fair amount over the last three years.

In general, opportunity remains for global organizations looking to set up operations in Brazil. If this is the case for your business, make sure you have the proper [international insurance](#) in place ahead of time.

Mexico has been a major producer of global goods and products. Recent growth in the North American nation has many people optimistic about what the future holds. Read more about how [Mexico's economic gains](#) could be a very good sign for businesses.