

# Sao Paulo (Brazil)

## April 2021

### 1. Economic Overview

São Paulo is the largest and most populous city in Brazil, the Americas, and the southern and western hemisphere with a population of approximately 21.3 million people. In terms of economic status, the city is Latin America's powerhouse. Its industry is built on a solid technology foundation: the state produces high value-added goods, most notably in the segments of Information and communications technology (ICT), oil and natural gas, the green economy, aeronautics, and the automotive segment. In 2020 its GDP grew by 2.6%, twice the national average.

The city accounted for 32% of Brazil's GDP (around USD574bn).

GENERAL INFORMATION	
Mayor	Bruno Cova's (since 2018)
Population	21.3 million
Region	Southeast
GDP	R\$ 714bn
GDP per capita	R\$ 60805
Area	248,000 km <sup>2</sup>
Ports	Santos Harbour and Sao Sebastiao Harbour

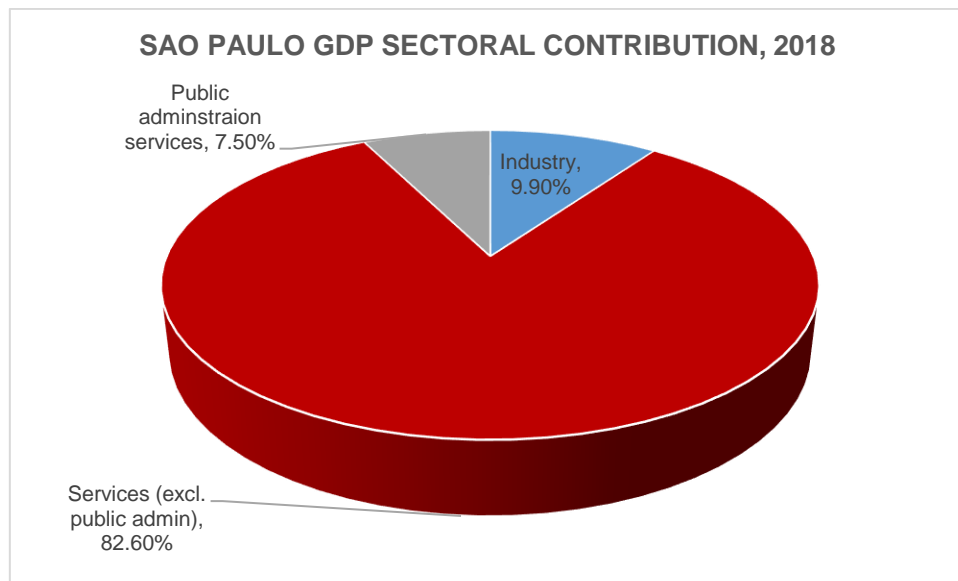
Source: Invest in Sao Paulo, 2021; Seade Painel, 2021

The State of Sao Paulo holds a modern and highly diverse industrial structure of services to provide the companies with a complete chain of suppliers to various production sectors.

According to Invest in São Paulo (2021), Sao Paulo is the main producer and consumer of a great variety of goods and services, thus offering a wide supply network for any industry installed within the State, including:

- 94% of Brazilian aircraft production
- 0.8% of Brazilian pharmaceutical production
- 48.2% of Brazilian ethanol production (14.6 million m<sup>3</sup>)
- 45.4% of Brazilian vehicles production
- 41.7% of Brazilian services sector's total revenues
- 37.8% of added value of the Brazilian transformation industry
- USD22.404 of GDP per capita - 47% greater than the national GDP per capita
- The most developed service sectors in Brazil: ITC, health, education, financial, engineering, logistic, consulting, law offices
- The largest sugar cane ethanol and orange juice producer of the world
- Highly diversified industrial structure and services

In 2018, Sao Paulo's services sector (excluding public administration) was the main contributor to GDP, followed by industry (9.90%) and public administration services (7.50%).



Source: Seade Painel, 2021

São Paulo's key sectors that have strong potential to attract new investments are the following:

**Aerospace and Defence:** As the largest aerospace hub in Latin America, São Paulo accounts for 73% of local units, 95% of employed persons and 96% of the industrial transformation value of the Brazilian aeronautic sector.

**Agri-business:** With competitive conditions for the sector, it accounts for 22% (US\$ 21.9 billion) of total exports from Brazilian agribusiness, São Paulo is the largest global producer of oranges and sugar cane ethanol and Brazil's largest producer of peanuts, natural rubber, flowers, vegetables, and eggs.

**Automotive:** As the 15<sup>th</sup> largest manufacturer of vehicles in the world, the state of São Paulo is the birthplace of the automotive industry in Brazil, concentrating over 41% of plants in the national automotive complex. Domestic content in Brazilian cars has reached nearly 90%. São Paulo state is home to the main cluster for both auto parts and OEMs (Original Equipment Manufacturers).

**Green Economy:** São Paulo has the largest market for green economy in Brazil, 142,000 companies operate in the sector, employing 1.6 million people, with special mention to the biofuel and renewable energy sectors. With the profile of a low carbon economy, it is the State with the cleanest energy matrix of Brazil, with a 55% share of renewable sources. Another differential is the *2020 Strategy for Sustainable Development of the State of São Paulo* which aims to establish an agenda for the sustainable development of the state, presenting sectoral goals that will define the State Government action.

**Machinery and Equipment:** São Paulo accounts for 57% of the value of industrial transformation and 49% of employed persons (approximately 288,000 employees) in Brazil, playing a leading role in the generation of new technologies.

**Oil and Natural Gas:** In addition to concentrating 23% of domestic suppliers of equipment and services for the industry, São Paulo has five refineries, which account for 44.45% of the capacity of Brazil and a huge extraction potential with the discoveries in the pre-salt industry.

**IT and Communication:** Biggest role of technology and communications in Brazil, São Paulo contains 41% of the national hi-tech equipment industry, as well as a wide offering of services for computers, tablets, and smartphones.

Source: Invest in Sao Paulo, 2021

## 2. Trade

In 2020, Sao Paulo merchandise exports stood at USD4.01bn, making it the 6<sup>th</sup> largest exporter out of the 2,261 exporters in Brazil. The city's top export products were gold (USD974m), soybeans (USD851m), raw sugar (USD647m), raw cotton (USD184m), and corn (USD106m), with the leading export destinations markets being China (USD1.01bn), Canada (USD346m), the United States (USD311m), Belgium (USD205m), and Italy (USD181m).

In terms of imports, Sao Paulo imported USD7.5bn worth of goods, making it the 4<sup>th</sup> largest importer out of the 2,261 importers in Brazil. The city's top import products were refined petroleum (USD953m), blood, antisera, vaccines, toxins, and cultures (USD316m), packaged medicaments (USD275m), telephones (USD200m), and medical instruments (USD185m). Sao Paulo's top import source markets were the United States (USD1.68bn), China (USD1.61bn), Germany (USD585m), Argentina (USD339m), and Japan (USD317m).

With regards to the city's fastest growing import source markets, in 2020 South Africa was third fastest growing import market at USD13.2m worth of imports, and a significant 933% higher than imported in 2019.

The Port of Santos situated in Sao Paulo is the largest in Latin America. It connects over 600 ports in 125 countries. In 2018, the port was responsible for processing 133 million tons of cargo and 4.1 million TEUs, generating USD250m in revenue. Santos is the most important foreign trade route in Brazil. Almost 27% of the country's trade balance (USD112.3bn) passes through the port. It is also the 39<sup>th</sup> largest container port on Lloyd's Top 100 list (the second largest in Latin America, and the only Brazilian port on the list).

Source: *The Observatory of Economic Complexity (OEC), 2021; Santos Port Authority, 2021*

## 3. Investment

For the period 2003 to September 2020 a total of three FDI projects were recorded from Sao Paulo into South Africa. These projects represent a total capital investment of **USD40.0m** which is an average investment of **ZAR13.33m** per project. During the period, a total of 101 jobs were created.

In June 2012 Stefanini IT Solutions (Brazil) invested USD1.10m into South Africa's Software & IT services sector in a Business Services project, creating 10 jobs.

In January 2014 BTG Pactual (Brazil) invested USD1.00m into South Africa's Financial Services sector in a Business Services project, creating 3 jobs.

In January 2017 Embraer (Embraer-Empresa Brasileira de Aeronautica) invested USD37.9m into South Africa's aerospace sector in and education and training project, creating 88 jobs.

SOUTH AFRICA'S FDI FROM SAO PAULO 2003 – SEPTEMBER 2020							
DATE	INVESTING COMPANY	DESTINATION STATE	INDUSTRY SECTOR	SUB-SECTOR	INDUSTRY ACTIVITY	CAP EX (USD m)	JOBS
Jun -12	Stefanini IT Solutions	Not Specified	Software & IT services	Custom computer programming services	Business Services	1.1	10
Jan -14	BTG Pactual	Not Specified	Financial Services	Corporate & investment banking	Business Services	1	3
Jan -17	Embraer (Embraer- Empresa Brasileira de Aeronautica)	Gauteng	Aerospace	Aircraft	Education & Training	37.9	88
<b>TOTAL</b>						<b>40.0</b>	<b>101</b>

Source: *FDI Intelligence, 2021*

For the period 2003 to September 2015, five FDI projects was recorded from South Africa into Sao Paulo. These projects represent an estimated capital investment of **USD52.4m**, during the period, and an estimated 23 jobs were created.

In May 2013 MiX Telematics (South Africa) invested USD11m into the city of Sao Paulo Brazil in the communications sector in a sales, marketing, and support project, creating 23 jobs.

In March 2019 OLX (South Africa) invested USD5.4m into the city of Sao Paulo Brazil in the software and IT services sector, in a sales, marketing and support project, creating 72 jobs.

From April to July 2019 iFood (South Africa) made a total of three investments worth USD36m into the city of Sao Paulo Brazil in the software and IT services sector, in a design, development and testing projects, creating 348 jobs.

SOUTH AFRICA'S FDI TO PAULO, 2003 – SEPTEMBER 2020							
DATE	INVESTING COMPANY	SOURCE STATE	INDUSTRY SECTOR	SUB-SECTOR	INDUSTRY ACTIVITY	CAPEX (USDm)	JOBS
May-13	MiX Telematics	Gauteng	Communications	Communications Equipment	Sales, Marketing & Support	11	23
Mar-19	OLX	Western Cape	Software & IT Services	Creative Industries	Sales, Marketing & Support	5.4	72
Apr-19	iFood	Western Cape	Software & IT Services	Agribusiness	Design, Development & Testing	20	134
Jul-19	iFood	Western Cape	Software & IT Services	Agribusiness	Design, Development & Testing	2.4	37
Jul-19	iFood	Western Cape	Software & IT Services	Agribusiness	Design, Development & Testing	13.6	177
<b>TOTAL</b>						<b>52.4</b>	<b>443</b>

Source: FDI Intelligence, 2021

For more information on this publication and other Wesgro publications please contact [research@wesgro.co.za](mailto:research@wesgro.co.za) or for more publications visit the Wesgro publications portal on our website at <http://wesgro.co.za/publications>

**Disclaimer:** Wesgro has taken every effort to ensure that the information in this publication is accurate. We provide said information without representation or warranty whatsoever, whether expressed or implied. It is the responsibility of users of this publication to satisfy themselves of the accuracy of information contained herein. Wesgro cannot be held responsible for the contents of the publication in any way.

© Wesgro, 2021