

## **Aerospace/Aviation**

### **Overview**

The aerospace industry is one of the most important industries in Brazil, and many companies are world-class players due to their high technology capability and the quality of products. The industry is led by Embraer, the world's third largest aircraft manufacturer. In 2012, Embraer delivered 205 aircraft and closed the year with firm orders of 185 aircraft valued at US\$12.5 billion. The company produces commercial, military and executive aircraft. In January 2013, Embraer signed a memorandum of understanding with Agusta Westland, the Italian helicopter manufacturer, to establish a joint venture partnership to produce helicopters for the military and civilian markets. On February 27<sup>th</sup>, 2013, the U.S. Air Force announced the selection of A-29 Super Tucano manufactured by Embraer for its Light Air Support (LAS) Program.

The other key player in the helicopter industry is Helibras, Eurocopter's subsidiary in Brazil since 1992, which has been manufacturing helicopters in Itajuba, Minas Gerais since 1978. Helibras has delivered more than 500 helicopters to the Brazilian civilian, military, and law enforcement markets. The company recently won a €1.9 billion bid to supply 50 helicopters to the Brazilian Armed Forces, with the commitment to develop part of the aircraft in Brazil.

Despite the presence of two strong local aircraft manufacturers, Brazil offers excellent opportunities for general aircraft suppliers. According to the Brazilian Association of General Aviation (ABAG), Brazil has the 2<sup>nd</sup> largest fleet of executive aircraft, and the 3<sup>rd</sup> largest helicopter fleet in the world. Aircraft imports in 2012 totaled US\$4.7 billion, an increase of 21% from to 2011.

US suppliers of aircraft and parts wishing to export or produce in Brazil must be certified by the Brazilian National Civil Aviation Agency – ANAC. Interlocutors continue to report that this process is both lengthy and bureaucratic.

### **Sub-Sector Best Prospects**

The worldwide trend of airlines replacing larger aircrafts with smaller jets that fly more efficiently should keep Embraer as the leader in this market segment and continue to offer opportunities to U.S. aircraft component manufacturers.

Azul Trip Airlines recently announced the purchase of 12 Embraer aircraft, and Latam Airlines plans to double its fleet in the next ten years with an additional 100 aircraft. Latam's current fleet is composed of Boeing and Airbus aircraft.

Brazil's hosting of the 2014 soccer World Cup and the 2016 Olympic Games should increase the demand for executive aircraft and helicopters. The offshore oil segment where the Petrobrás and other oil companies are making enormous investments, also presents significant business opportunities for helicopter manufacturers.

Aeronautical maintenance and repair is an additional sub-sector that should not be overlooked. This sector, currently estimated at US\$600 million, has enjoyed annual growth of approximately 5-6% over the last few years.

## Opportunities

Companies interested in supplying to original equipment manufacturers (OEMs) must undergo a strict qualification process which examines the company, product and technology. Once approved, companies will find excellent opportunities. Embraer imports annually over US\$2 billion of aircraft components to support its Brazilian operations, and is always open to include new suppliers with recognized technology in the aeronautic industry.

Having a local agent that is familiar with how OEMs operate and that has developed long-term contacts would facilitate access to the right decision-makers within companies. Marketing directly to Tier 1 and Tier 2 suppliers would also be a way to successfully enter the Brazilian market. Suppliers of parts and products for aircraft maintenance and repair will be more successful having a well-informed local agent or a stocking distributor.

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