

Computer Hardware

Overview

Brazil is the second-largest IT market within emerging economies after China. Brazil shows the most balanced IT market segments among the BRIC (Brazil, Russia, India and China) countries, relative to its size, macroeconomic strength, growth, and the balance maintained between consumer and business IT spending.

According to trade sources, IT end-user spending in Brazil is expected to grow during the next few years, approaching \$134.2 billion in 2014. Since 2011, the most desired product is the computing tablet, and this trend will continue for the next two to three years at least. It has been announced that over one million tablets and smart phones were sold in Brazil in 2011.

(USD millions)	2010	2011 (estimated)	2012 (estimated)	2013 (estimated)
Total Market Size	23.87	26.084	29.214	32.700
Total Local Production	21.67	23.582	26.369	29.445
Total Exports	.207	.217	.227	.215
Total Imports	2.405	2.719	3.072	3.470
Imports from the U.S.	.274	.318	.338	.381

Source: Abinee – Brazilian Association of Electro-electronic products
Exchange Rate US\$1 = R\$ 1.67

These figures reflect a very positive scenario for Brazil. Among all BRIC countries, Brazil is second only behind China in terms of investments in information technology. It is also estimated that investments in IT in Brazil will grow more rapidly than the country's GDP (predicted by the federal government to grow by 5% in 2012).

Brazil will also face strong investments in IT due to the 2014 World Cup and the 2016 Summer Olympic Games. Infrastructure must be built and upgraded for both major events, which will also require investments in tourism facilities, transportation, security and the environment.

Sub-Sector Best Prospects

Perspectives for 2012 are positive, despite the economic crisis that is currently affecting the global economy. The Brazilian Electric-Electronic Association believes that the industry will continue on its growth path, and will grow more rapidly than the country's GDP in 2012.

According to industry forecasts, 2012 should remain the "Year of the Tablets," as mobile computer sales will continue to grow. The Government of Brazil has created mechanisms and incentives to attract manufacturers of tablets to install production plants in Brazil (Law 12.507). There are now 11 manufacturers authorized to manufacture tablets in Brazil with the tax incentives offered by the government and this number is expected to increase, as there are a total of 28 companies that have requested the benefit.

Opportunities

In addition to the benefits of manufacturing the tablets in Brazil, the Ministry of Education, since 2007, has invested in the PROINFO, a program to promote technology as an important tool to teach. The program includes installations of technological labs in the public schools, laptops for teachers and students, digital boards, projectors and tablets. The budget will also be used to invest in classroom infrastructure and training for teachers. In 2012, the government will continue to invest in PROINFO, which will include the purchase of tablets for teachers, computers for technological laboratories at schools and universities, smart and digital boards, and projectors, among others.

Brazil is considered the 5th largest PC (personal computer) market in the world. It also drives Latin America's PC market, with a 41.5% share. In the long term, Brazil is forecast to continue experiencing the largest growth rates in this region until at least 2014.

Brazil's trade policy has clearly favored domestic production of PCs over the importation of complete systems. Tariffs for complete PC systems remain high, and despite policy changes, the trend will likely continue, compelling foreign vendors to establish manufacturing facilities within Brazil. Government policy in Brazil also stipulates that PC manufacturers need to maintain a minimum ratio of R&D investment to revenue. This ratio has been raised to 3%, from 2%, and effectively encourages domestic manufacturers to innovate and remain competitive against foreign products.

According to Gartner, Brazil's PC market is forecast to grow an average of 16.7% per year until 2014, with the bulk of growth centering on mobile PCs. This form factor will grow an average of 28% over the same period due to the relatively low current penetration rate, an increase in local production by Brazilian manufacturers, lower-cost application service providers (ASPs), more easily available credit, an increase in Brazilians' average income and more foreign direct investment. Desk-based PCs will grow 8.6% for similar reasons, as well as to meet demand from business replacement cycles.

Brazil will continue to import computer hardware and peripherals as local production cannot keep pace with demand, while PC manufacturers may not be able to meet demand because of some processor shortages.

Web Resources

- ABINEE: www.abinee.org.br

For more information about export opportunities in this sector, please contact US Commercial Service Industry Specialist: patricia.marega@trade.gov