



# LATAM MARKETS - BRAZIL

## MARKET OVERVIEW

Brazil's mining wealth has fueled its economy from colonial times. Its diverse mineral deposits are among the very richest in the world, earning around US\$24.8 billion annually in exports. Brazil is one of the biggest global players in the mining sector, especially for niobium, tin, bauxite, lithium, manganese and iron ore. The country is also an exporter of gold, nickel, chromium, copper, vanadium, kaolin, magnesite and ornamental stones.

In 2019, Iron ore accounted for 83% of Brazil's mineral exports and the country is the second largest producer of iron ore globally, after Australia.

The Brazilian mining sector plans to boost its capex despite the COVID-19 crisis. The sector's projected capex for 2020-24 has been increased to US\$37.1bn from the US\$27.5bn it had estimated for 2019-23, according to figures published by Brazilian mining association (Ibram). In 2020-24, mining firms plan to invest US\$2.2bn in the decommissioning of tailings dams.

A feature of Brazil's mining sector is the gradual move towards exploration and operations in the country's tropical northern states, which are home to the largest high-grade iron ore deposits. In particular, the northern state of Para, where Vale's (Brazil's largest mining company) massive Carajas iron ore projects are located, represents opportunities for Australian mining equipment, technology and services (METS) companies with capabilities to operate in tropical, indigenous and remote environments.

## MARKET OPPORTUNITIES

The expansion plans for the Brazilian mining industry and increasing environmental concerns may represent opportunities for Australian companies with capabilities in tailings management, environmental risks and water management solutions. There is also a range of other opportunities for Australian companies in:

- › *Mineral exploration*
- › *Mining Software*
- › *Automation and robotics*
- › *Contract mining and engineering services*
- › *Environmental equipment and consulting*
- › *Mining processing technologies*
- › *Mining equipment*
- › *Mine safety*
- › *Mining education and training services*
- › *Mining research and University collaboration*

## MAIN CHALLENGES

There are some important market challenges in Brazil that need to be considered in any market entry strategy.

- › The nation's abundant mineral resources have drawn major international investor interest, but lack of infrastructure is hindering development. Inefficient domestic bureaucracy, persistent corruption and poor infrastructure in certain areas makes the country's business environment challenging while also placing upward pressure on operating costs.
- › Rigid and outdated labour laws alongside high employment taxes and additional mandatory benefits for employees make Brazil one of the least competitive countries in the region in terms of labour costs.
- › Increased environmental scrutiny on the mining sector from the government following the Brumandinho dam collapse could slow the pace of investment in the short term.

## KEY CUSTOMERS



Vale



CSN



MRN

Other major companies include:

- › Anglo American
- › AngloGold Ashanti
- › Nexa Resources

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Lais Araujo, Business Development Manager, Brazil  
[Lais.Araujo@austrade.gov.au](mailto:Lais.Araujo@austrade.gov.au)