COUNTRY RISK CATEGORY

4

OF 7

OCTOBER 2026

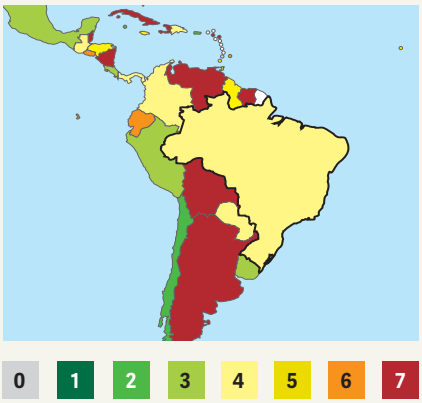
Brazil

COUNTRY ANALYST

André Lundvall
+46(0)8-788 02 35
andre.lundvall@ekn.se

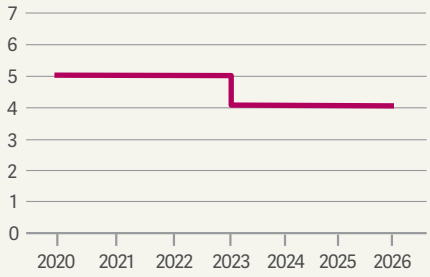
Basic facts (2025)

Population: 213 million
GDP, nominal: USD 2 280 billion
GDP/capita: USD 10 683



The country risk categories are arranged on a scale from 0 to 7. The lower the figure, the better the country's creditworthiness

Country classification history



Source: EKN

Strengths

+ Large and diversified domestic market
+ Well-established democracy with stable institutions
+ Substantial foreign exchange reserves and strong external position

Weaknesses

– High public debt and structural fiscal deficits
– Historically low growth rate

Latin America's economic giant

Brazil is the world's seventh most populous country, with 213 million inhabitants, and the world's tenth-largest economy in terms of nominal GDP. The economy is diversified, with manufacturing, a growing services sector and substantial natural resources, including forestry and agriculture, minerals, metals, hydropower, and oil and gas production. At the same time, commodities remain the backbone of exports, with iron ore, soybeans and crude oil accounting for around half of total exports. Brazil is Latin America's largest oil producer and the world's second-largest exporter of iron ore.

The country has a democratic system of government based on the 1988 constitution, which marked the transition to civilian rule after two decades of military dictatorship. Democratic institutions have since strengthened, although the political system remains fragmented and government formation often requires broad coalitions.

High public debt is Brazil's main credit weakness and a recurring source of financial volatility. The government has recorded structural fiscal deficits averaging more than five per cent of GDP over the past five years, and total public debt is expected to rise to 97 per cent of GDP in 2026. This is high for an emerging market and compared with other countries in country risk class 4. Interest payments account for 20 per cent of government revenues, limiting the government's fiscal buffers to respond to unforeseen events and crowding out private sector activity, as government borrowing needs push up overall interest rates.

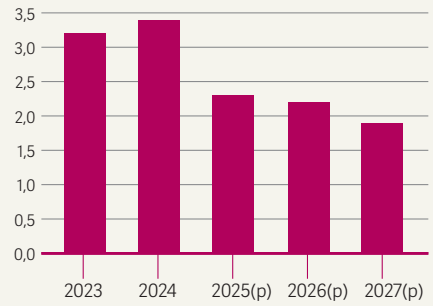
A tax reform introduced in 2023 is expected to strengthen revenues and simplify the system over time, including through a unified VAT system, but it will take time before the reform takes full effect. This, combined with statutory indexation and limited expenditure flexibility, makes a significant reversal of the upward trend in public debt unlikely in the near term.

At the same time, several factors mitigate these risks. The economy is large and diversified, and the composition of public debt is favourable, with a low share of external debt of around 10 per cent, of which an even smaller share, approximately four per cent, is denominated in foreign currency. Government repayment capacity is therefore not sensitive to exchange rate fluctuations, despite the high volatility of the local currency, the Brazilian real (BRL). Foreign exchange reserves are substantial, equivalent to eight months of import cover, giving the central bank the capacity to intervene in the event of excessive volatility. Brazil has an independent central bank operating under an inflation-targeting framework, while substantial foreign exchange reserves and a flexible exchange rate provide buffers against external shocks.

Brazil is exposed to climate-related risks. According to the ND-GAIN Index, an established measure of countries' vulnerability to climate change and their capacity to adapt, Brazil currently scores 49 out of 100. This places the country around the global midpoint in terms of climate vulnerability and adaptive capacity. A major challenge is the transition of the agricultural sector, which accounts for the largest share of Brazil's greenhouse gas emissions. In terms of exposure, the World Bank estimates that extreme weather events, such as droughts, flash floods and urban river flooding, already cause Brazil average

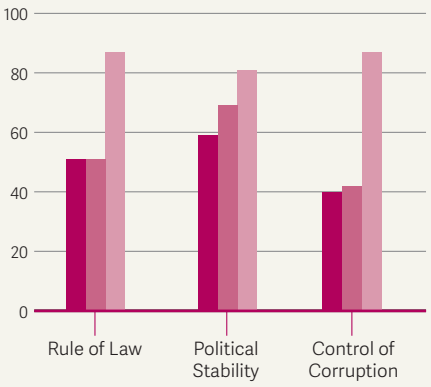
Brazil

Real GDP growth (constant prices, % per annum)



Source: IMF WEO, Macrobond

Business environment



Ranking from 0 (worst) to 100 (best)

Source: The World Bank, Macrobond

Swedish export to Brazil

	MSEK
2025	17 688
2024	17 683
2023	17 212
2022	16 858
2021	10 292

Source: SCB

EKN:s exposure

	MSEK
Guarantees	47 895
Offers	930

annual losses of USD 2.6 billion, equivalent to 0.1 per cent of GDP at its 2025 level.

At the same time, Brazil has certain comparative advantages that could enable it to benefit from the global energy transition. The country has a favourable energy mix, with almost half of its primary energy supply and more than 80 per cent of electricity generation coming from renewable sources, compared with global averages of 15 and 27 per cent respectively. In addition, Brazil has substantial rare earth reserves, the second-largest in the world after China according to the US Geological Survey, although extraction and production are currently limited.

Brazil is also expected to benefit from the free trade agreement between the EU and Mercosur, the trading bloc of which it is a member alongside Argentina, Paraguay and Uruguay. The agreement is one of the most comprehensive ever concluded by the EU and covers a combined population of more than 700 million people. Most tariffs will begin to be reduced or eliminated as the agreement is provisionally applied from May 2026, while more sensitive sectors, including the automotive industry, will be subject to gradual tariff reductions over 15–30 years, alongside specific tariff quotas for sensitive agricultural products. Beyond reducing trade barriers, the agreement includes broader commitments covering areas such as public procurement and climate cooperation. Over time, improved market access is expected to benefit Brazilian exports, particularly agricultural products and commodities, while increased competition from European companies may put pressure on parts of domestic industry.

Slower growth but resilient economy

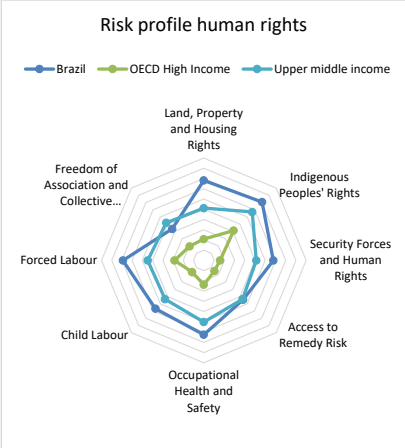
Domestic economic activity is expected to weaken over the next two years. Following several years of relatively strong real GDP growth, averaging just over three per cent annually over the past five years, high interest rates have begun to take effect, and economic activity has started to slow. According to the IMF, growth is projected at around two per cent in both 2026 and 2027.

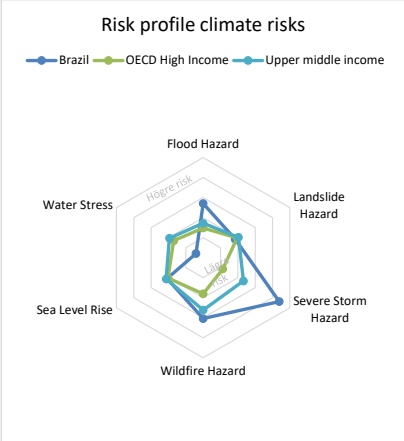
High interest rates have posed challenges for many companies operating in the Brazilian market. In recent years, Brazil has had one of the highest real interest rates in Latin America. On 31 August this year, the policy rate stood at 14 per cent, which, with inflation at around four per cent, implies a real interest rate of almost 10 per cent. At the same time, inflation is beginning to ease and is approaching the three per cent target, with a tolerance band of 1.5 percentage points, allowing for gradual interest rate cuts during the first half of this year.

Brazil has generally demonstrated resilience to the pressures facing the global economy in recent years. The negative effects of higher US tariffs and rising oil prices following the war in the Middle East have been relatively limited. Direct exports to the United States are relatively modest, and Brazil, as a net exporter of crude oil, has been able to benefit from higher oil prices.

Polarised and closely contested election

Incumbent President Lula da Silva's success in securing a fourth four-year term in October means that higher policy rates are likely to be needed to offset continued expansionary fiscal policy. The presidential election campaign was





The foregoing chart information was obtained from Verisk Maplecroft*

characterised by extensive promises to voters from both sides.

In the final stages of the campaign, President Lula promised, among other things, increased transfers to households, while his challenger, Flávio Bolsonaro, responded with costly pledges to introduce a six-month debt moratorium for individuals following the election if he won.

The current budget deficit of 9.5 per cent of GDP and rising public debt risk posing a challenge for the president in dealing with the country's legislature, Congress, which is notoriously resistant to spending cuts. In addition, his campaign promises will complicate any attempts to consolidate public finances. President Lula is therefore likely to focus primarily on strengthening revenues. At the same time, parties allied with Flávio Bolsonaro have increased their influence in Congress, limiting the president's room for political manoeuvre.

Business environment

Brazil is classified in business environment class 4 of 7, in line with its country risk classification. In the World Bank's Worldwide Governance Indicators (WGI), Brazil's scores for rule of law, control of corruption, regulatory quality and government effectiveness are generally in line with or slightly below the global median.

Access to financial information in Brazil is generally good. Open account imports are common, and EKN's experience has been positive overall. The use of letters of credit in export transactions has traditionally been limited. Private property rights are respected and well defined. The regulatory environment is considered relatively favourable, as government decisions are generally guided by technical and/or economic considerations rather than political factors.

The complex and difficult-to-navigate tax system has historically constrained business activity, although improvements have been made in recent years. The same applies to inadequate infrastructure, which frequently creates supply chain bottlenecks and contributes to inflation. The complicated legal system also means that legal proceedings can be lengthy and costly.

The Brazilian banking system is generally resilient. The banking sector is well capitalised, profitable and liquid, and has demonstrated its ability to withstand short-term pressures. For example, the sector remained stable and resilient throughout the pandemic, demonstrating its strength. The share of non-performing loans has risen to just over four per cent during 2026, a natural consequence of higher interest rates, but can be expected to decline as interest rates begin to fall.

The five largest banks dominate the market, accounting for more than 60 per cent of total banking system assets. The federal government plays a central role in the sector through its ownership of major banks, including Banco do Brasil, Caixa Econômica Federal and several development banks, including BNDES. Overall, state-owned banks account for approximately 40 per cent of total sector assets. Foreign ownership is more limited and accounts for a smaller share of assets, primarily through Banco Santander. State-owned banks have historically been able to offer subsidised credit to politically prioritised sectors, which has weakened competition and led to inefficient capital allocation.

In its business assessments, EKN considers the risk of adverse impacts on

human rights. The focus is on potential impacts arising from the operations in which exported goods are used. Key issues include working conditions, child and forced labour, excessive use of force by security forces, indigenous rights, and land rights.

Regarding the risk of human rights violations relevant to business operations, Brazil has the highest risk levels in relation to land rights, indigenous peoples' rights and forced labour. The risk of restrictions on freedom of association and collective bargaining is somewhat lower in Brazil than the average for upper-middle-income countries.

EKN's policy

EKN classifies Brazil in country risk class 4 of 7. There are no specific restrictions on transactions with the sovereign, banks or the private sector, meaning that transactions are assessed on their own merits without specific requirements or conditions. For transactions with public sector buyers, EKN requires a letter of credit, sovereign guarantee or bank guarantee before considering risk coverage.

EKN's commitment and experience

EKN's outstanding guarantees amount to approximately SEK 48 billion and consist largely of an export transaction involving JAS Gripen fighter aircraft. The remaining exposure is spread across several sectors, dominated by pulp and paper, consumer goods and industrial equipment.

Payment experience is generally positive. EKN currently has no arrears. However, indemnificationshave occurred in transactions involving both public and private buyers. Outstanding claims amount to SEK 50 million and relate to commercial claims in just over 20 transactions conducted between 2001 and 2018.

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