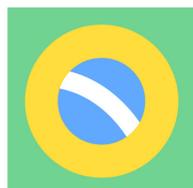

How do Brazilians get online?

1 message

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Sat, Apr 27, 2019 at 10:29 AM



WEEKLY REPORT

BY THE BRAZILIAN REPORT

Written by Gustavo Ribeiro · Apr 27, 2019

 *Happy Saturday, Laura!*

- [The week in review](#). The most important facts of the week.
- [Chart of the week](#). How much will the pension reform save?
- [Weekly pulse](#). How Brazilian markets performed this week.
- [Tech](#). How do Brazilians get online?

THE WEEK IN REVIEW

- **Intrigue**. The atmosphere between President Bolsonaro and VP Hamilton Mourão appears tense. Mr. Bolsonaro's sons have attacked the VP on social media, as did the president's ideological guru, Olavo de Carvalho. Publicly, the president called for unity and less squabbling among his team—but told senators and congressmen that Mr. Mourão is acting as a sort of "parallel president."
- **Jobs**. Over 43,000 formal jobs disappeared in March—more than half of them in the Northeast. Since January, however, the balance is positive, with net creation of 180,000 jobs. After 4 years of registering more layoffs than hires, Brazil bucked the negative trend in 2018. Still, the country is failing to create well-paying jobs. Only 0.5% of workers hired in 2018 were set to earn more than BRL 10,000 (USD 2,500) per month.
- **Petrobras**. Brazil's state-controlled oil and gas company Petrobras announced a voluntary layoff program expected to reach 4,300 workers.

The move is slated to cost BRL 1.1bn and generate a return of BRL 4.1bn for the 2019–2023 period. On Friday, the company announced its intention of selling 8 of its 13 oil refineries (capable of producing 1.1m barrels per day and potentially worth USD 15bn) and reducing its share in subsidiary BR Distribuidora, from its current equity of 71%.

- **Polls.** A new opinion poll measuring President Jair Bolsonaro's popularity shows that fewer people are on the fence about this administration. While 35% believe he is doing a "good or great" job (up 1 percentage point from March), 27% deem the government as either "bad or terrible" (up by 3 points).
 - **Lula.** Brazil's Superior Court of Justice upheld former president Lula's corruption conviction but lowered his sentence from 12 to 9 years—making him eligible for early prison release in September. However, Lula faces another six corruption cases—with one of them set for trial at a court of appeals by the end of this year, which would keep the politician in prison for longer.
 - **Open banking.** Brazil's Central Bank has published guidelines for open banking, which should become a reality in the country by 2020. Financial institutions will have to share customer data with other companies—providing customers themselves authorize it. Clients (and not financial institutions) own their data and can allow it to be used by companies—which would permit customers to centralize their bank information into one app and make financial operations without accessing their bank's web space.
-

CHART OF THE WEEK

How much will the pension reform save?

The government has finally managed to get the pension reform bill approved by the House's Constitution and Justice Committee. Now, the real debates begin, as the House will create a special committee to analyze and amend the proposal. Many analysts have doubts about the administration's ability to prevent the neutering of the bill. The first step was supposed to be the easiest, but it took this government 6 times longer to overcome it than the bill presented by former president Michel Temer—and savings were still cut in half, due to the president's waning political capital.

Below, we have shown how much the government expects to save.

Pension reform: where cuts will be made, in BRL bn

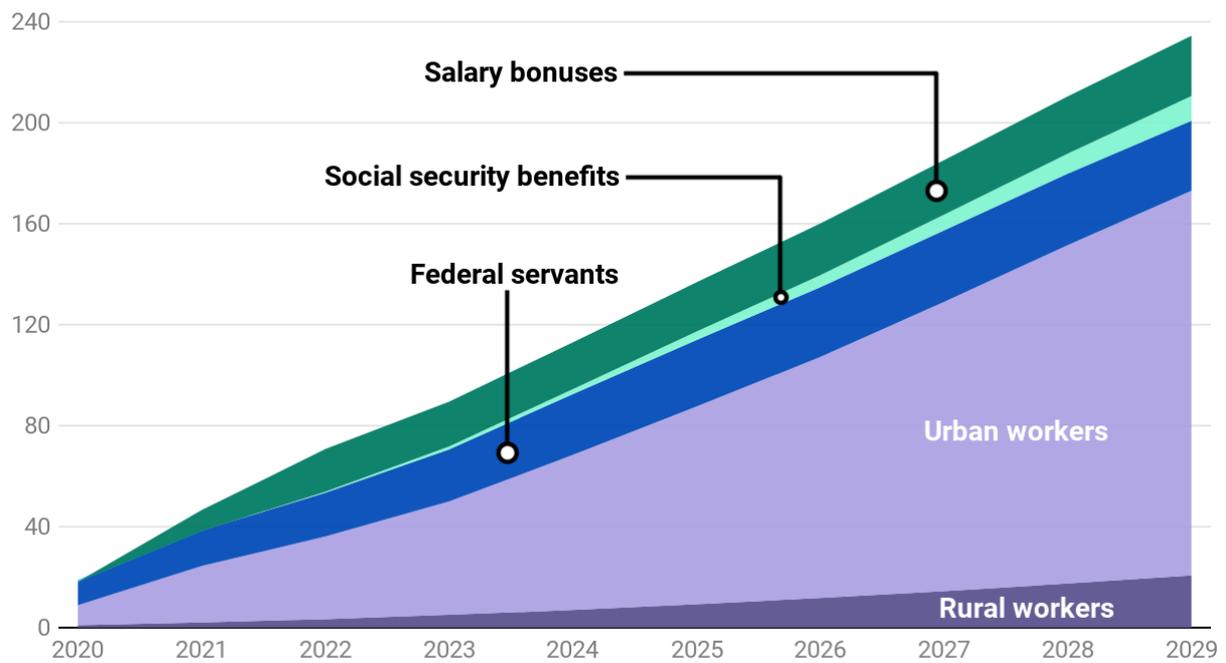


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MARKETS

Weekly performance Apr 22 — Apr 26

▲ IBOVESPA	96,236.04	+1.75%	▼ PETROBRAS_PS	27.25	-1.51%
▲ USD-BRL	3.9321	+0.05%	▼ VALE	50.42	-2.94%
▼ EUR-BRL	4.3807	-0.80%	▲ JBS	19.32	+6.15%

Cosmetics giant Natura will report its earnings on May 2. Shares have suffered since Natura disclosed its intentions to acquire Avon's struggling North America unit; analysts saw it as a challenge that could jeopardize Natura's finances. However, Avon made a deal with LG Household and HealthCare. After the news broke, Natura's shares (NATU3) went up 10%, as analysts saw fewer risks in the acquisition of the remaining Avon assets—which could also bring synergy in Latin America and Brasil, according to a Citi report.

Natália Scalzaretto, TBR markets reporter

TECH

How do Brazilians get online?



There are 230m smartphones—for 209m people—in Brazil

Over the last 12 months, Brazil gained 10m new smartphones—mainly due to the fact that younger consumers prefer them to computers or tablets. These other devices are usually only used for work. Still, the Brazilian digital device market is close to saturation, according to a study by think tank Fundação Getulio Vargas.

There are currently 420m active devices—or 2 per person (computers, laptops, smartphones, and tablets). The study proves, besides increasing spending with technology, that companies are becoming more and more digital. On average, each IT user spends BRL 46,800 per year. And companies increased their budgets for the sector by 7.9% from 2018.

The trend of stagnation has already begun. In 2018, smartphone sales were down by 6.8%. Meanwhile, the average spending per new device spiked by 13.8% to BRL 1,307—which is 30% higher than the minimum wage. Part of the predicted stagnation is due to economic factors, as such products are, in many cases, considered as luxury goods.

But the lack of innovation in new products is also a deterrent. Samsung and Apple's new flagship models, the Galaxy S10 and iPhone X, bring minor changes from their predecessors. "The number of active smartphones shouldn't jump much in the near future—from 230m today to 240m over the next decade," said Fernando Meirelles, who coordinated the study. "Purchases will be done to replace older models."

But while younger consumers prefer smartphones to computers, sales of PCs actually went up in 2018—reverting a negative trend. After sales in 2016 and 2017 stagnated at 12m (half of 2013 figures), 12.4m new devices were sold last year. In 2019, these numbers should be slightly up.

The corporate software market is highly concentrated in Brazil—dominated by big players. 79% of the Enterprise Resource Planning market is controlled by only three companies: Totvs, SAP, and Oracle. The Business Intelligence and Analytics sector is slightly more competitive: 92% is split between Microsoft, Qlik, IMB, Totvs, and Oracle.

Active digital devices in Brazil

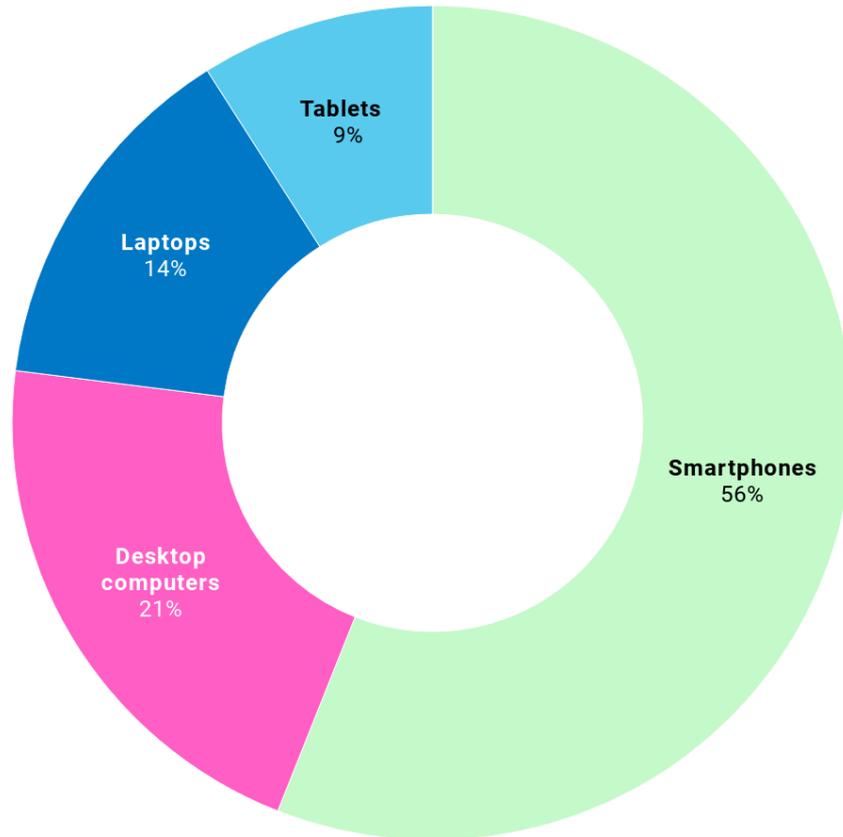


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Use of digital devices, rate per person

World Brazil U.S.

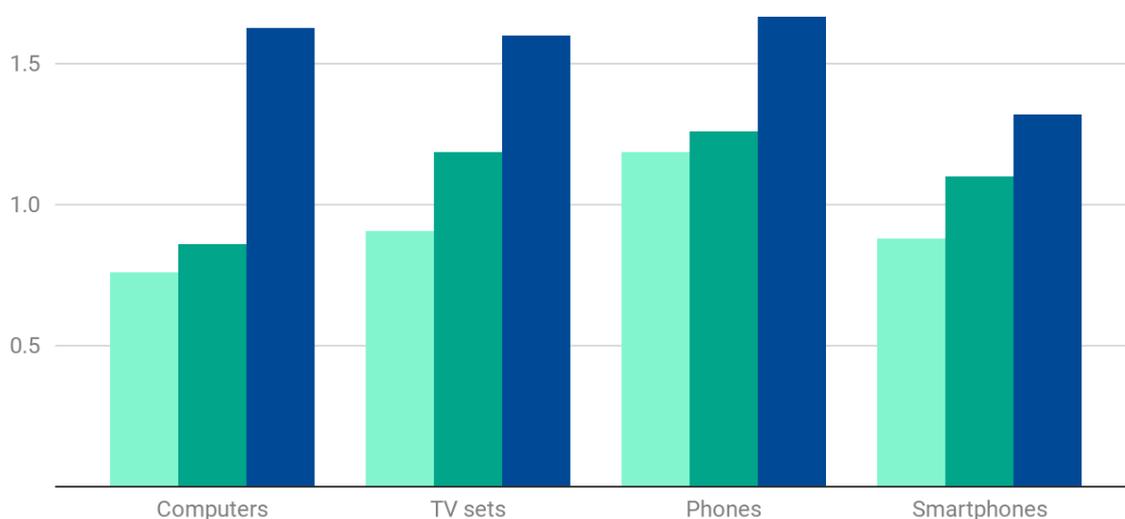


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How do Brazilians navigate online?

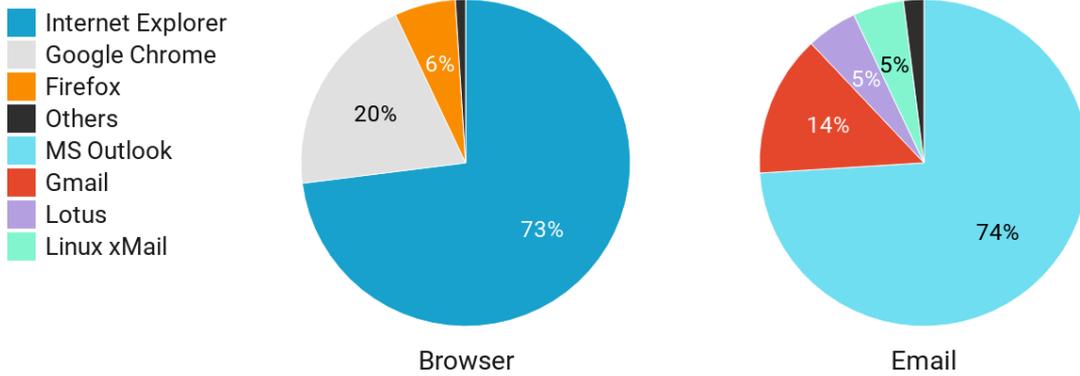


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How much services companies spend on IT

Annual cost per user, in BRL thousands

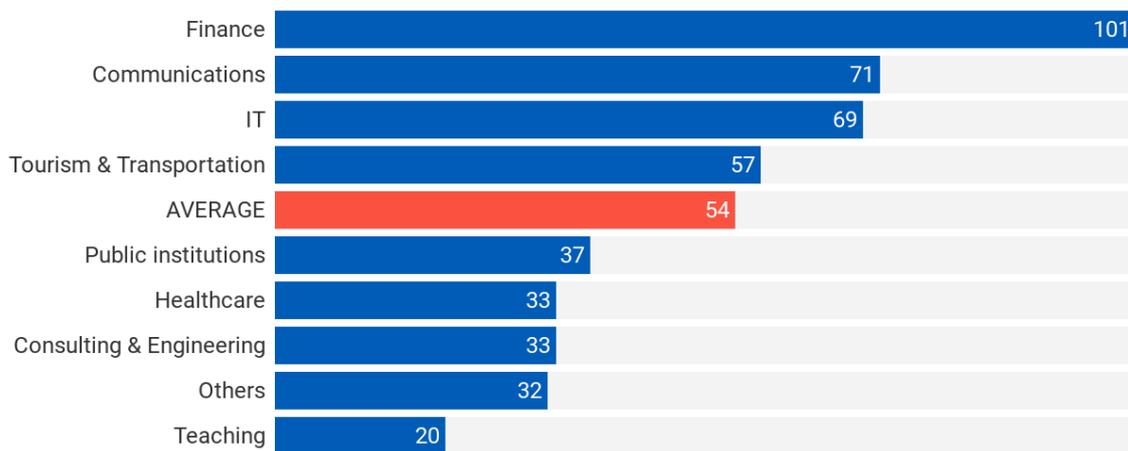


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Corporate software market

Business intelligence, Customer Relationship Management

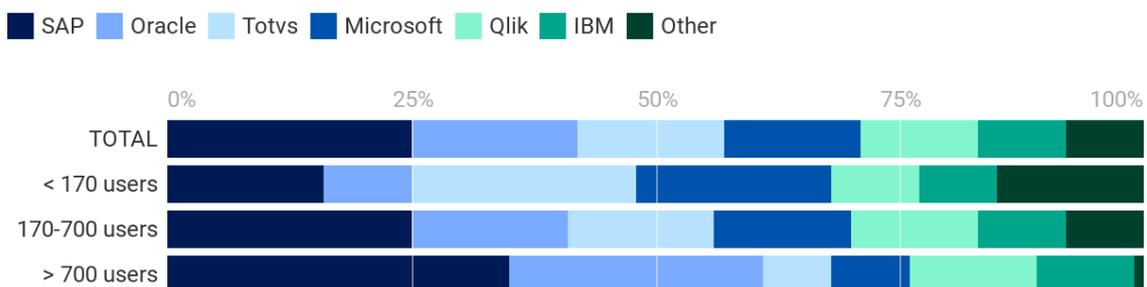


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Corporate software market

Enterprise resource planning

■ SAP ■ Oracle ■ Totvs ■ Infor ■ Other

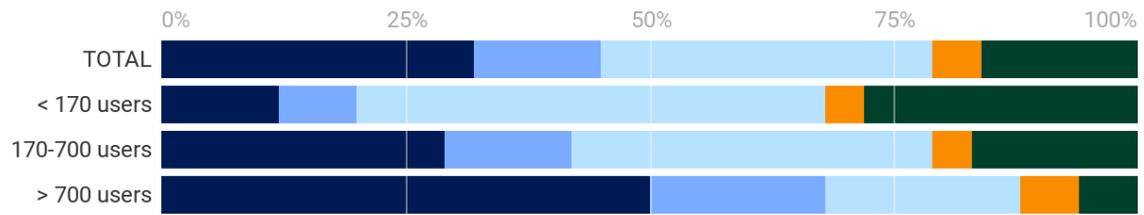


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