



South America's Economic Powerhouse

Brazil has traditionally relied on its abundant natural resources to underpin progress. However, the country's thriving innovation, technology and finance sectors are changing investors' approach to this rapidly evolving economy.

Brazil is bucking the international trend, emerging from the pandemic in better shape than expected. According to World Bank figures, the country recorded GDP growth of 5% in 2021 and 2.9% in 2022, a post-COVID bounce likely driven by robust fiscal stimulus, a strong commodities market and increased demand for services. The outlook for this year is positive, too – growth is predicted to rise above the 2.5% mark, propelled largely by the buoyant agribusiness sector, and boosted by government spending. The Brazilian Central Bank has already lowered the policy interest rate, with further decreases expected, while the new fiscal framework includes plans to stabilize debt by 2026.

Brazil's is a major player on the global stage – both as an energy producer and an agricultural innovator. The country's oil and gas industry is among the ten largest in the world, while it consistently ranks highly in the export of commodities such

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as soybeans, corn, meat, sugar and coffee. Its trade ties with the United States are significant: America's goods and services trade with Brazil topped more than \$120 billion last year. The two countries' bilateral ties are long-standing, and in 2011, an Agreement on Trade and Economic Cooperation was instituted which provided an even greater framework to enhance cooperation on trade and investment between the two economies.

Although challenges remain, it is a relationship that has already delivered many mutual benefits. For instance, cooperation on pandemic response and medical research can be traced back to the early stages of the HIV and Zika epidemics – the Centers for Disease Control and Prevention (CDC) has had an active

presence in Brazil for almost twenty years. Brazil is also grasping the nettle on climate change, by prioritizing its energy-transition agenda via the recently launched Ecological Transition Plan which aims to increase investment in environmentally sustainable initiatives while reducing social inequality. Brazil plans to cut emissions by 53% by 2030 and is seeking new investments for nature conservation and transitioning to deforestation-free agricultural production.

The US is also by far the largest source of foreign direct investment (FDI) in the country – amounting to almost \$90 billion in 2022 – with investors attracted to its large consumer base, populous workforce, abundant natural resources and relatively diversified economy. Agribusiness and infrastructure investments remain solid choices for inward investment but startups, especially in finance, technology and insurance are an area of growing interest for US investors. A recent report by business transformation

platform Distrito shows that Brazil dominates the startup landscape in Latin America, with more than 13,000 active startups (representing 63% of the region's total) and two dozen unicorns (startups valued at over \$1 billion) – all of which have received investments from the US.

Investors looking for new prospects would do well to consider Brazil.

The recent surge in FDI has been driven, in part, by the anticipation of long-overdue tax reforms, as well as the internationally respected security and autonomy of the Central Bank and other Brazilian financial institutions. With fresh opportunities in technology, infrastructure projects, and in industrial and services sectors expected in response to rapidly expanding domestic consumer and export markets, investors looking for new prospects would do well to consider Brazil. ■

INTERVIEW



Brazil Can Bank on Us

In just four short years, PagBank has done the seemingly impossible and become the second-largest digital bank in Brazil. CEO Alexandre Magnani explains how.

PagBank has one mission – to disrupt and democratize financial services in Brazil by providing an end-to-end digital banking ecosystem that is safe, affordable, simple, and mobile-first. It has succeeded – the company boasts an impressive 29.5 million customers, and last year it saw an 87% leap in revenue.

Magnani's collective 30-year experience in the banking sector includes 15 years at Mastercard, where he developed a new category of membership license to non-financial institutions that helped to diversify the Latin American payments and financial services industry. "This paved the way for other players to emerge in the world of payments and financial services," he said.

When PagSeguro, the company's name when PagBank initially launched, became the first non-bank-sponsored acquirer in Brazil, it revolutionized card accep-

tance by offering affordable POS systems to Brazilian businesses through a digital onboarding process. This groundbreaking model presented Magnani with his next career opportunity.

Money-cautious customers were avoiding registering a bank account to avoid fees, so the company became a card issuer. "This was so successful that we became the largest prepaid card issuer in Brazil. This was the embryo for us to create PagBank," said Magnani.

Today, PagBank provides a safe, hassle-free way of owning a free digital account where clients can manage their cash and accept online and in-person payment methods, including credit cards, debit cards, meal voucher cards, boletos, bank transfers, and cash deposits. ■



www.pagbank.com.br

Q: What was your initial vision for PagBank?

My previous experience in the industry focused on the development of new business models, introducing new technologies, and nurturing new players. This was fundamental to consolidating my vision that we could better serve the population with financial and payment services in a different, disruptive way through simple, affordable and safe solutions. We then came up with the idea to create a digital account through an app so that we could offer other financial services to a population that is poorly serviced, sometimes not serviced at all, by traditional banks.

"The mission of PagBank is to democratize access to payment and financial services"

Q: How did you develop to where you are today?

We started to make a digital account in the cell phone application, with the functionalities of bill payment, cell phone recharging, TED, and Pix transfers. We also launched insurance, loans, credit cards, and investments, before becoming a complete digital bank.

Q: What are some of your most recent successes?

We have grown substantially in terms of volume of deposits, and some of the key drivers for this success include our simple and easy to use digital experience, our complete offering of finan-

cial services in a very affordable package, and strong brand recognition. Also, the introduction of Pix – the instant payment network in Brazil – has boosted the volume of cash receipts from our customers. The volume of Pix receipts in PagBank accounts was around R\$54 billion in the third quarter of 2023, leveraging deposits to R\$22 billion. PagBank now accounts for 9.0% of all Pix transactions in Brazil.

Q: How are you positioning PagBank to take advantage of current market trends?

The mission of PagBank is to democratize access to payment and financial services. We have made a globally recognized case in the world of payments and card acceptance and are now making an impact in the world of digital banking. PagBank has grown exponentially, expanding to 30.2 million clients, with much more to come.

Q: What opportunities are there for foreign investors in Brazil?

Brazil is a very attractive market as it has a large scope for any type of product and service to be launched. We also have a population that adopts new technology very quickly. You can also find well-established institutions here which are complemented by many entrepreneurs creating and doing things differently. There is a great maturing of business management happening in our country right now. We invite investors to come and see for themselves.