

BRAZIL

Navigating Risk in a Strategic Market



How do you know Brazil?

A colorful, feel-good destination where the lush Amazon Rainforest, lively Carnival and sunny vibes of Rio de Janeiro come together to create unforgettable experiences.

As well as being one of the world's most important producers of essential agricultural commodities such as sugarcane, coffee and soybeans.

And yet, as a specialist broker on trade receivables management and political risk, AU Group's role is to highlight rather the 'riskier' aspects of Brazil.

“High level” Debt Collection Complexity

Brazil is classified as having a “**High**” level of **international debt collection complexity** and is one of the most exposed countries to internal debt collection complexity among Latin America due to a high share of trade with countries that have high debt collection complexity.

The payment behavior of domestic companies remains acceptable but is under pressure due to the macroeconomic difficulties since 2014. **Although the regulator in Brazil has tried to regulate payment delays, late payments are still likely to occur unless transactions are secured: the average DSO is around 70 days, while the average payment terms turnaround is 50 to 60 days.**

- Legal proceedings are often long and costly, making amicable settlements and specialized debt collection methods preferable.
- In insolvency situations, despite increased use of corporate rescue procedures, debt recovery prospects remain very limited.
- **As of end of August 2025, the overall loss ratio of the major insurers were %125. (Susep)**
- When it comes to insolvent debtors, use of the company rescue mechanisms is increasing. In practice, however, the chances of recovering debt remain extremely low.



Financing Risk and Macroeconomic Pressures

Financing conditions in Brazil remain restrictive, with only gradual monetary easing expected in 2026. Persistently high interest rates have increased debt-servicing costs, **pushing public debt above 80% of GDP**, while fiscal reforms have only partially contained rising deficits, leaving the government budget in negative territory. **Elevated borrowing costs and volatile input prices have contributed to a rise in corporate insolvencies, particularly in the agribusiness sector.** In contrast, the Brazilian real has strengthened, appreciating by around 10% against the US dollar in 2026 up to April. This currency appreciation, together with easing inflation expectations and slowing economic activity, enabled the Central Bank to begin reducing the SELIC policy rate, although overall financial conditions remain tight.

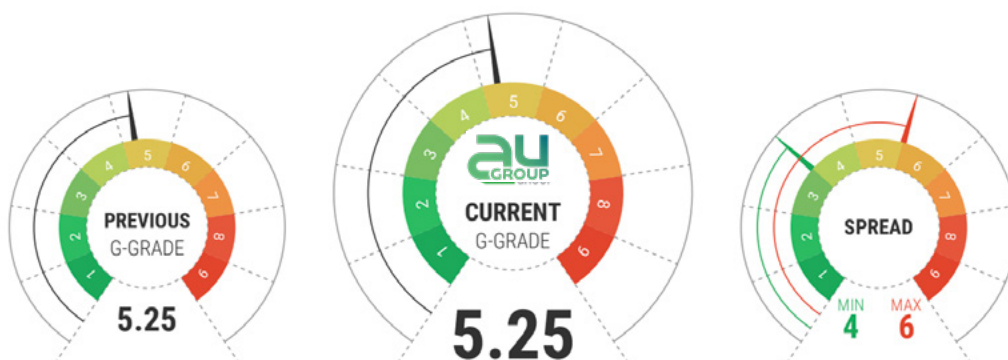
Economic Outlook and Trade Dependence

Growth dynamics are expected to lose further momentum in 2026. Household consumption will remain the main driver of growth, supported by anticipated increases in income tax exemptions, new credit instruments and the minimum wage adjustment rule which will provide real income gains for workers and beneficiaries of certain cash transfer programmes.



AU G-Grade For Brazil

AU G-Grade is a country risk assessment tool designed for Financial Directors and Credit Managers, covering more than 140 countries. It combines evaluations from leading credit insurers to provide a comprehensive risk rating. Businesses use AU G-Grade to monitor country risk trends and manage international credit exposure more effectively.



Brazil's economic growth is decelerating, with GDP expected to expand by around **+2.2%** in 2026-2027. This slowdown is driven by tighter monetary policy, reduced fiscal support and a difficult global environment. **Inflation is easing** but is expected to stay near the top of the central bank's target range, at around **3.9%** in 2026.



Political Risk

Political risk is rising as Brazil approaches the 2026 elections. Legislative fragmentation, uncertainty around President Lula's political future, and the risk of pre-election fiscal loosening weigh on policy predictability. While social tensions remain contained, potential policy shifts depending on the electoral outcome continue to be a key concern for investors and could affect fiscal discipline and market stability.

Recent News About Brazil

The EU is working to reduce its dependence on Russia and is expanding cooperation with countries like Brazil. Brazil is a growing oil and gas producer and has strong potential in green hydrogen. For these reasons, Brazil and **MERCOSUR** are seen as attractive long-term partners.

In the fertilizer market, a 35% rise in urea prices in Brazil shows the critical importance of fertilizers for agricultural production, leading suppliers to temporarily suspend sales and farmers to adjust their purchasing behavior. As urea is closely tied to overall fertilizer prices, this increase raises input costs and negatively impacts agricultural commodity producers. Brazil cut federal taxes levied on diesel to zero and imposed a **12%** tax on crude oil exports, as well as a **50%** levy on diesel shipments. **The spike in diesel prices has emerged as a threat to Brazil's farm sector**, raising costs for producers who are harvesting a record soybean crop and planting corn they cannot afford to delay.

Sector Focus: Agriculture

Brazil is expected to reach another **record harvest in 2025/2026 by +0.6% y/y**, driven by a larger planted area, with **record soybean output** partly offset by a decline in corn production due to weaker yields. However, **higher costs, tighter credit, and climate risks could pressure farmers' payment capacity heading into 2026**.

The production of **sugarcane dropped by 2%** as unfavorable climate risks affected yields while sugar prices weakened due to ample global stocks. Exportations to the US are affected by the **50% tariff imposed by the US**.

Among the total **coffee exports** of Brazil **16%** is related to US and **33,3%** of American coffee supplies come from Brazil. Despite the drop sales to the US, because of the tariffs, Brazil managed to compensate by targeting other markets such as Germany, Italy, Japan and the Netherlands.



Brazil offers opportunities but remains a challenging credit environment. Structural inefficiencies in debt recovery, combined with macroeconomic and sector-specific pressures, mean that risk management discipline is essential for doing business safely.

SOURCES:

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- [Brazil scraps taxes on diesel, imposes levy on oil exports after price spike | Reuters](#)
- [EU-Mercosur interim application brings forward trade opportunities](#)
- [Coface: Economic and sector Outlook\(08/01/2026\)](#)
- <https://group.atradius.com/knowledge-and-research/reports/economic-research-insolvency-outlook-apr-2026>
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