

On Top of the World: Brazil's business boom amid green horizons

July 2025

After two years of turbulence, Brazil enters mid-2025 on firmer economic footing. Real GDP expanded 3.4 percent in 2024 - its best since the pandemic - driven by household spending and a rebound in capital formation.



Momentum is moderating as tighter policy grinds, yet consensus still pegs 2025 growth above two percent and expects inflation to hover toward five percent by December, giving the central bank room to begin orderly easing.

Fiscal repair is slow but visible. Congress approved a new cap-and-floor framework that limits primary deficits and channels windfall commodity revenues into debt reduction, easing market concern over the 2023 gap that had briefly hit eight percent of GDP. Investors also note a stronger Real and a narrower current-account deficit, both helped by buoyant soft-commodity exports; soybean shipments alone were up three percent year-on-year in the first half of 2025, while beef volumes reached a fresh record.

Politics, however, is the decisive swing factor. The 2024 municipal elections confirmed President Lula's broad centre-left coalition and sidelined attempts to revive Bolsonaro-era polarisation. Domestic analysts who once worried about "*coalition presidentialism*" now frame its negotiation-heavy mechanics as a safety valve that keeps policy on a pragmatic track and reassures foreign capital. Analysts still flag fiscal slippage as a key 2025 risk, but ranks Brazil better positioned than many emerging peers thanks to its diversified export base and comparatively deep local capital markets.

Political stability post-2024 – why it matters for investors

Brazil's institutions have proved stubbornly resilient. Courts, Congress and the presidency often move slowly. It has been described as an “*expensive and inefficient*” negotiation cycle, yet one that stops any single actor from steam-rolling the system. The 2024 municipal polls reinforced that logic. Lula's broad centre-left alliance tightened its grip on key cities, marginalising Bolsonaro-aligned parties and calming fears of renewed polarisation. With a workable majority, the administration is quietly advancing fiscal and tax reforms that underpin a medium-term primary-surplus target, signalling policy continuity even as cabinet rhetoric veers left.

Public administration remains overstaffed and prone to arbitrary reshuffling, delaying licence approvals and infrastructure tenders, a drag that can erode project returns if timelines are tight. Externally, analysts warn that a tougher global backdrop, higher US rates, trade friction and weaker commodity prices, could widen the fiscal gap and revive currency pressure ahead of the 2026 presidential race. Any deterioration would embolden opposition hard-liners and test the coalition.

Brazil's strategic assets – beyond carnival glitter

Almost 90 percent of Brazil's energy mix comes from renewables, giving hydrogen developers access to low-carbon electrons without subsidy distortion. Brasília is mapping export corridors with Brussels, and the EU - Brazil's second-largest trade partner - has flagged Brazilian green hydrogen as a future feedstock for European steel and fertiliser plants, once certification rules are finalised.

Underground, a parallel bet is taking shape. In January, the federal development banks launched a four-billion-real (US\$815 million) credit line to accelerate lithium, nickel and rare-earth projects, tying finance to onshore processing rather than raw-ore exports. Investors highlight clearer permitting timelines than in Chile or Argentina, allowing offtake contracts for battery-grade material to move faster from memorandum to binding terms.

Renewable baseload and data-friendly regulations are drawing hyperscale cloud groups. AWS (Amazon Web Services) will spend R\$10 billion on new facilities, while Microsoft plans US\$2.7 billion for AI infrastructure through 2027.

This computing spine underpins a fast-growing aggrotech market - valued at just US\$50 million last year but projected to compound at roughly 19 percent annually to 2033 as farmers adopt satellite-guided irrigation, sensor-driven fertiliser dosing and carbon-credit dashboards. Multinationals are already anchoring R&D teams in São Paulo and Mato Grosso to pilot these tools at scale.

Together, competitively priced green hydrogen - a state-backed critical-minerals push - and an AI-enabled farm sector explain why cross-continental capital is tilting from short-cycle soybean bets toward longer-dated infrastructure and technology plays. Brazil is no longer just the grain super-exporter; it is positioning itself as a full upstream-to-digital supply-chain partner for the energy transition.

Brazil's global balancing act – relations with key partners

With Brussels, the chemistry is mostly commercial. The EU buys nearly 16% of Brazil's exports - second only to China - and two-way trade topped €89 billion in 2024. Finalising the long-stalled EU-Mercosur accord is now a priority; new safeguards on beef and sugar are being floated to win French support, while tighter environmental clauses would channel fresh capital to low-carbon projects.

Across the Atlantic, Washington remains a core security and technology partner. The State Department notes US-Brazil goods flows of roughly US \$38 billion each way, and expanding co-operation on defence R&D, climate finance and critical-mineral supply chains, even as tariff skirmishes and wider US-China rivalry inject friction. Recent joint non-proliferation talks underline a commitment to keep channels open despite political noise in an election.

Beijing, meanwhile, is Brazil's largest customer for soybeans and iron ore, and has pivoted into green hydrogen and battery metals. Lula's May visit yielded 20 agreements spanning energy, mining and digital infrastructure. Moscow's cheque-book is modest, but within BRICS, an enlarged membership gives Russia a diplomatic bridge while allowing Brazil to push a development agenda that stops short of overt anti-Western posturing.

Looking ahead – Brazil’s vision for 2030 and beyond

Brasília’s new 2025-2030 Action Plan, signed in Hanoi this March, sets the template; deepen strategic partnerships, lift bilateral trade to US\$15 billion, and fast-track technology and energy-transition projects. Domestically, the same horizon is anchored by hard infrastructure. Work on the 1,527-kilometre West-East Integration Railway (FIOL), and a planned bio-oceanic link to Peru, promises to cut freight times from the soy belt to Atlantic and Pacific ports, while port expansions at Santos and Ilhéus will raise throughput for mineral and hydrogen cargoes.

Policy is now inseparable from sustainability targets. Brazil’s nationally determined contribution commits to a 50% emissions cut from 2005 levels by 2030 and net-zero by 2050; the ABC+ low-carbon-agriculture programme alone aims to avoid one billion tonnes of CO₂ this decade. These pledges are already shaping credit conditions. Green and transition-labelled debt reached US\$12 billion in the first half of 2025, up 40% year-on-year.

Commodity prices have eased, providing some relief on inflation, but a prolonged decline would undermine fiscal consolidation efforts. The political climate could heat up again as the 2026 presidential race takes shape, potentially emboldening hard-line factions and fuelling protest activity, as well as supply-chain disruptions stemming from regional unrest or El Nino-related logistical challenges.

Conclusion

Brazil’s story into the next decade is one of potential promise. A clearer fiscal rulebook, recovering household demand, and an export base that now stretches from soy to software, have moved the country back into the mainstream of global capital allocation. The sheer depth of its renewable’s portfolio reveals cost-competitive hydrogen, while state-backed credit channels are steering critical-mineral output toward battery-grade processing rather than raw shipments. Add an AI-enabled farm sector and Brazil’s production model is edging steadily up the value curve. Yet, political and macro variables still require caution.

Commodity in terms of trade remain the principal swing factor for fiscal health and exchange-rate stability, and the 2026 presidential cycle could revive polarisation, delay permits or alter tax incentives. For boardrooms, the focus is therefore twofold: align early with projects that sit inside Brasília's 2030 action plan and meet tightening ESG benchmarks, but layer contingency funding and flexible procurement around rail, port and digital infrastructure to absorb election-year noise or an extended soft-commodity dip.

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