REGIOANALYSE: SÃO PAULO STATE

1. Politiek-bestuurlijke omgeving São Paulo

Facts & Figures

- Government: Governor Geraldo Alckmin (PSDB political party)
- Total Area: 248,209.4 km²
- Density: 170/km²
- Main cities: Campinas, Santos, Sorocaba, São José dos Campos, Ribeirão Preto. The metropolitan regions of Campinas and São Paulo form the first macro-metropolis in the southern hemisphere, joining 65 municipalities that together are home to 12% of the Brazilian population.

São Paulo State

São Paulo State has Brazil’s largest and most diversified industrial park and it is responsible for nearly 33% of the national GDP, contributing more than 32% and 43% of the national revenues of the commerce and services sectors, respectively. The State is also the biggest Brazilian consumer market, with approximately 42 million people. São Paulo holds relatively good quality of logistics and transportation infrastructure, if compared to other Brazilians states, but still has a lot to be improved particularly in ports, airports, roads and railroads. In the segment of financial services, headquarters and branches of the most important national and international banking institutions are located in São Paulo city, as well BOVESPA Brazilian Mercantile & Future Exchange one of the world largest by market capitalization. The qualification of the labour market of São Paulo is also the highest in the country: in 2009, nearly 56% of the employed population had at least 11 years of education (complete secondary education), in contrast to the national average of 43%. The State is the home of important professional education institutions, besides concentrating nearly 24% of the total institutions of higher education of Brazil, many of which are among the best ones of the country, even with international recognition. The sector of science, technology and innovation of São Paulo also stands out nationally and internationally. The State has a network of public and private research institutions with expressive production of knowledge, a program of implementation of technological parks as an instrument of attraction and support to innovative companies, besides agencies of promotion to the scientific and technological research of the country as Fapesp (São Paulo Research Foundation) with outlays of US$ 443 million in 2010. The expenditures in innovation carried out by the companies in the State reached US$ 12 billion, nearly 50% of the total invested in Brazil.

- Bottlenecks

In the last years the government of São Paulo has made some investments in the urban and road transport infrastructure, in the improvement of the quality of education, and in the public health system but these investments were not enough to meet the population needs. The government’s 2012-2015 multiannual plan, contemplates 180 programs and investments of R$ 809 billion, R$ 730 billion in budgetary resources and R$ 79 billion from Public-Private Partnerships (PPP) and State-owned companies. Currently, the areas that develop PPP projects in the State are sanitation and transportation. Among the sectors that have potential for PPP projects stand out health, housing, energy, education, prisons and electronic government.

- Overview São Paulo City

São Paulo is the largest metropolitan area in Brazil and the 10th largest in the world. Located in São Paulo state in southern astern Brazil, about 200 miles southwest of Rio de Janeiro and 30 miles inland from the Atlantic Ocean, São Paulo accounts for one-tenth of Brazil’s population, but one-fifth of its economy. A hub of commerce, its size and traffic congestion has encouraged it to acquire the highest number of helicopters per capita in the world.
Population

With almost 20 million people living in the metropolitan area, São Paulo accounts for nearly half (48%) of its state’s population and has about two million more residents than metropolitan New York. More than half (57%) of the population lives in the city proper, with the remainder residing in the 38 other municipalities that make up the metropolitan area, 11% live in favelas (irregular settlements), the seventh highest share among the 13 major Brazilian metro areas.

2. Economie en investeringen in São Paulo

São Paulo is also home to the largest employment base (9.5 million workers), the largest GDP ($473 billion makes up 20% of the Brazilian GDP and ranks 11th globally), and the second highest GDP per capita ($23,704 ranks only behind Brasília). Despite the impressive size of São Paulo’s economy, its growth rates rank low among other Brazilian metropolitan areas. Its long-term and short-term employment growth rank 11th and 12th, the same is true for its GDP growth, and both measures of GDP per capita growth rank 10th. São Paulo’s largest industries are slightly more diverse than those in other metropolitan areas. Its largest sector, public services, makes up only 20% of the economy. Manufacturing (19%), distribution and retail (18%), and business services (15%) are also large contributors. Since 1990, São Paulo has seen largest growth in its information services (251%) and business services (105%). In 2012, São Paulo experienced larger growth in its information services (4.2%), public services (3.5%), hotels and catering (2.2%), and financial services (1.3%) than its total growth (0.9%). 11% of all workers in Brazil work in the São Paulo metropolitan area, which specializes in financial services. São Paulo is the largest Brazilian exporter, sending $100 billion of goods abroad in the last five years, including $8.9 billion to the United States. Its major export sectors include vehicles and parts (18%), machinery (11%), sugars (9%), oil seeds and fruits (6%), and special operations (6%). Because of its size, São Paulo is considered the economic powerhouse of Brazil. However, its economic performance over the last year ranks it 12th among the 13 Brazilian cities profiled here. This is not to say that São Paulo is not a strong economy, but rather that São Paulo’s employment and GDP per capita has not grown as rapidly as that in smaller metropolitan areas over the past year.

Environment

São Paulo has 30 state parks, 26 ecological stations, 18 experimental stations, 15 preserved forests, a natural reserve, two gardens and two forest nurseries. The preservation of the state's green areas is carried out by the Secretary of the Environment, through the Forestry Institute and the Forestry Foundation, including partnerships with international institutions, among which, the United Nations Educational, Scientific and Cultural Organization - Unesco.

Business sectors

Most modern and cosmopolitan of the Brazilian states, biggest consumer market of the country with relatively good infrastructure and qualified manpower, São Paulo is responsible for one third of the Gross Domestic Product of Brazil, the economy of São Paulo stands out in the national scenario for its diversification, modern technological and research base and for its highly trained labour force. São Paulo also concentrates 38% of the Brazilian industrial production, 9% of the agricultural earnings of the country and 43% of the income generated in the service sector of Brazil, standing out as the main national center of services. The industry of São Paulo is supported by a strong technological base, generating high added value products, with emphasis on the sectors of aeronautics, automobiles, capital goods, pharmaceutical, among others. São Paulo is also characterized as a major center for the agribusiness, with expressive participation in the Brazilian trade balance - sugar, alcohol, meats and industrialized juices. Sugar cane is responsible for nearly 63% of the production of sugar of the country. Another strong characteristic of the economy of São Paulo is its great participation in the service activities of Brazil, particularly concentrated in the municipality of São Paulo with a wide range of services related to production - advertising and marketing, consulting/audit, communication and information technology services, transport and distribution of products, among others. Also most of the financial operations of Brazil are concentrated in São Paulo, with more than 30% of the bank agencies, besides hosting head offices of the financial institutions operating in the country. In the segment of health services São Paulo city is hosts hospitals of reference in several capacities.
2. **Overlap met NL-se topsectoren**

**Relevant industrial sectors in the State of São Paulo:**

- **Aeronautics (cluster in the area of São José dos Campos)**

Embraer is one of the largest aerospace companies in the world with operations in several stages of the process: design, development, manufacture, sale and after-sales support of aircrafts. Headquartered in São José dos Campos, Embraer has five plants with activities of engineering, development and manufacture, in São José dos Campos, Botucatu and Gavião Peixoto, besides two logistics centers in Taubaté and Campinas. Operating in 95 countries on the five continents, the company operates in the segments of commercial aviation, executive aviation and defence and security. Besides Embraer, the State of São Paulo is also the home of its main domestic and foreign suppliers. In 2009, the State was responsible for 76% of the local units, 97% of the employed staff and 96% of the Value of Industrial Transformation - VTI of the national aeronautics industry. The aerospace industry was responsible, in 2010, for 8% of the exports made from São Paulo, whose main market was the European Union where 36% of the exports went to.

- **Infrastructure**

Main producer and consumer market of Brazil, the State of São Paulo features a wide infrastructure but still inefficient. In a country that depends mainly on the road transportation. The highways adjacent to the capital city have European standards but it deteriorates in the interior of the state. A consistent multimodal intersection project would be the only solution to meet import and export demand. In 2010, the port of Santos had activities of about 96 million tons of cargo. General cargo, solid bulk products and liquid bulk products accounted for respectively 37%, 47% and 16% of that amount. The port of São Sebastião had activities of 653 thousand tons of cargo in its public commercial pier in 2010, with prominence to solid bulk products, such as soda ash, sodium sulphate and barley (74% of the total cargo).

- **Science & Technology**

The sector of research and development of the State is driven by companies that, in 2008, invested about US$ 3.8 billion in internal activities of R&D. The State public sector allocated, in 2009, resources of nearly US$ 2.1 billion for these activities. A great part of such resources come from Fapesp (São Paulo Research Foundation), whose purpose is to promote the research, exchange and diffusion of the science and technology produced in São Paulo. Among the actions aimed at the promotion of innovation, science and technology in the State it is worth pointing out the São Paulo System of Technological Parks - SPTec, instituted by the Secretariat of Economic Development, Science and Technology, to promote and stimulate the economic and technologic development in several regions, by the attraction of investments and generation of new knowledge-intensive companies.

- **Agribusiness**

Agribusiness is an important source of foreign exchange inflow for the Brazilian economy. In 2010, this business sector presented a surplus of nearly US$ 56 billion, while for the other sectors the trade balance was negative at US$ 36 billion. The concept of agribusiness comprises a wide array of activities that go from the basic agricultural products to research applied to biotechnology. There are many industrial segments that work with food and non-food (textiles and footwear, for instance) agricultural raw-materials and input suppliers (fertilizers, tractors, agricultural machines, pesticides, etc.). Such diversity assumes sharper outlines in the economy of São Paulo as a result of the level of sophistication of its productive structure and its technological and scientific research base. The State of São Paulo was responsible for 25% (US$ 20 billion) of the total exported by the Brazilian agribusiness in 2010, according to data of the IEA - Institute of Agricultural Economics. The industrialized (manufactured and semi-manufactured) products, was responsible for 82% of the exports of the agribusiness sector (US$ 16.12 billion). The main contributions according to the figures are: sugar-cane and saccharides (US$ 9.29 billion), bovines (US$ 2.73 billion), forest products (US$ 2.03 billion) and fruits (US$ 1.9 billion). Sugar-cane is the main activity generating value in most regions of the State which corresponds to more than 63% of the production of sugar and 60% of the national production of ethanol, also concentrating 95% of the production of the orange juice exported by Brazil and it corresponds to 13% of the slaughtering of the national beef cattle.
**Automotive**

In Brazil, the automotive industry is one of the main economic activities of the country. According to the data of Anfavea - National Association of Motor Vehicles Manufacturers, in 2010 Brazil was the sixth world producer of vehicles. The country has subsidiaries of the large transnational companies of the sector such as Volkswagen, GM, Fiat, Ford, PSA-Peugeot/Citroën, Renault/Nissan, Honda, Toyota and Mitsubishi, Mercedes-Benz, VW Trucks, Scania, Volvo, Caterpillar, CNH, among others. The sector has plants in nine States, 40% of which are located in the State of São Paulo. The main companies installed in the State of São Paulo are Ford, GM, Honda, Mercedes-Benz, Scania, Toyota and Volkswagen, concentrated mainly in the Metropolitan Region of São Paulo, in Vale do Paraíba and in the region of Campinas. In 2009, São Paulo concentrated 47% of the VTI (Industrial Transformation Value) and 49% of the personnel employed in the making and assembly segments of national motor vehicles, trailers and bodies. Even though its participation in the production of vehicles has been decreasing as a result of the diversification of this industrial segment, the State of São Paulo increasingly concentrates the technological and engineering activities due to the quality and availability of its manpower, its research centers and laboratories and the consolidated presence of centers of development of the main manufacturers of car parts. For the sector of car parts, the participation of the industry of São Paulo has been increasing in relation to the total of the country, despite the decentralization of the assembly and production activities. According to information of the IBGE, in 2009 the country had 1,969 companies, 2,260 local units. The State of São Paulo was the home of 58% of those units.

**Pharmaceutical**

The pharmaceutical industry is formed by companies that produce pharmaceutical raw materials and medicines. In Brazil, the industry has concentrated structure, under the control of a small group of large international companies. Those companies co-exist with a large number of smaller companies, many national private capital and public laboratories. According to the IBGE, in 2009, the State had 42% of the local units and 53% of the employed staff and it was responsible for 70% of the VTI of the pharmaceutical segment in the country. The State of São Paulo concentrates all agents of the health industrial complex, mainly in the Metropolitan Regions of São Paulo and Campinas.

With the goal of enhancement one of the main competitive challenges of the Brazilian pharmaceutical sector, the National Development Bank - BNDES has, among its lines, the BNDES Program of Support to the Development of the Industrial Health Complex - BNDES Profarma. Intended for all sectors of the health industrial complex, the program includes, among its strategic goals, the stimulation to the dissemination of the innovative activity.

**Information technology**

São Paulo hosted in 2010, 35% of information technology companies in the country, responsible for 47% of all jobs in the country in the sector. As regards the internal distribution in the State, it was concentrated in the Metropolitan Regions of São Paulo and Campinas, with 79% and 15% of the jobs, respectively. In the segment of information technology consulting, the Metropolitan Region of São Paulo offers 91% of the jobs in the activity in the State. In what refers to the São Paulo sector of computer equipment and peripheral manufacturing, in 2009, according to the IBGE (Brazilian Institute of Geography and Statistics), it concentrated 44% of the employed staff and 34% of the Value of Industrial Transformation - VTI of the segment in the country.

**Subsidy and incentives for IT**

The BNDES Program for the Development of the National Software and Related Services Industry - BNDES Prosoft has a fund available to increase of the participation of the companies established in the state in the market, the promotion of the growth of their exports, the strengthening of the innovation process and the research and development activities in the sector, promoting the diffusion and increasing use of the national software in Brazil and abroad, among others. The program funds the investments and the business plans of software and information technology service companies based in Brazil (BNDES Prosoft - Company), the sale in the domestic market (BNDES Prosoft - Sale) and the exports (BNDES Prosoft - Export).
- **Biotechnology**

The Brazilian biodiversity guarantees the country's great potential for the development of the biotechnology sector, one of the most promising sectors of the economy, presenting fast growth in recent years. Many biotechnology companies have commercial activity and R&D centers in the region. These companies can be divided into seven categories: human health (diagnostic kits, vaccines, dressings and artificial skins, etc.), animal health (diagnostic kits, vaccines, embryo transfers, etc.), agricultural (plant cloning, molecular diagnosis, genetic improvement, etc.), environmental (bioremediation, treatment of effluents and degraded areas), bioenergy, inputs (enzymes, DNA extraction kits) and mixed (human and animal disease diagnostic kits). A survey made in 2010 identified 271 private bioscience companies in operation in the country, 53% (143 companies) of which working with biotechnology. The group of bioscience companies or companies aimed at life sciences is broader than the biotechnology's because it includes segments like services of validation of new drugs (pre-clinical and clinical trials) and the development of state-of-the-art medical devices that do not fall within the strict definition of biotechnology and has been experiencing an increase of its significance in the country. The State of São Paulo hosts 38% of the national bioscience companies. The region of São Paulo has a large network of universities and research institutions and qualified workforce. Specifically within the sphere of the state, Fapesp - São Paulo Research Foundation has a credit line aimed at the technological innovation, which includes exclusive programs for the biotechnology, biodiversity and molecular biotechnology sectors.

- **Green economy**

There are 141,000 companies operating in the sector of green economy, employing 1.14 million people. The state accounts for nearly one third of green jobs in the country. The state of São Paulo was the first region of Brazil to incorporate the green economy issue in its political and business agenda by creating new laws as: regulation of issues such as solid waste (State Law No. 12300/2006) and climate changes (State Law No. 13798/2009). Both provide opportunities for prospecting new business, since they create specific demands. With the profile of a low carbon economy, São Paulo has the cleanest energy matrix of Brazil, with a 55% share of renewable sources, according to the Energy Balance of the State of São Paulo (BEESP). São Paulo is the largest producer in the world and the largest domestic producer of ethanol (56% of the production in the country). Besides ethanol, the state of São Paulo has small hydroelectric plants scattered throughout the territory and includes the production of components for wind turbines, designed to take advantage of the great capacity of the country to generate wind power.

- **Financial Services**

The municipality of São Paulo is the third largest urban cluster for financial institutions in Latin America. It is the home of the main banking institutions of the country and of the one of the world's largest stock exchange by market capitalization. According to the Brazilian Central Bank, in December 2010, 30% of the credit operations of the country were registered in São Paulo. It is in the State of São Paulo that most of the financial services are rendered in Brazil, taking into consideration the activities carried out by the banking system, insurance services and real estate activities. This concentration of the banking system in the State of São Paulo has been increasing in recent years as a result, among others factors, of the process of restructuring the national banking system by merger and acquisitions. The reorganization of the sector sped up the entrance of the foreign banks in the national market.

- **Creative Industries**

The Brazilian Creative Industry sector has grown explosively during recent years. This presents distinct opportunities for the Dutch Creative industry. Key factor is that the Brazilian market is not an open and transparent market and that entering the Brazilian market can only be achieved by Dutch companies with a long term vision, and significant stamina and investments will be needed. During the last few years a number of initiatives have been undertaken to stimulate and position the Dutch Creative Industry in the States of São Paulo and Rio de Janeiro, with the primary focus being the design and architecture sectors. These sectors have shown great promise and some inroads have been established, not only in relation to information exchange, but some companies have started local operations and the first significant contracts have been signed.
Geographical distribution of the Creative Industries

São Paulo and Rio de Janeiro ranked 1st and 2nd regarding the total number of people employed by the creative industries in Brazil, respectively 311,000 and 96,000 employees, equalling 2.3% and 2.2% of the local labour market. In São Paulo 24.7% of the individuals working in the creative industry, are employed in the architecture segment. The segment Design is most significant in the 3 southern states of Brazil, being 20.7% of the total creative industries in Santa Catarina, 17.2% in Rio Grande do Sul and 15.2% in Parana. The total share of Design in the Brazilian creative economy is 12.7%.

Sources:

Getúlio Vargas Foundation (Fundação Getúlio Vargas - FGV)

The Getúlio Vargas Foundation, a think-tank and independent higher education institution operating in Rio de Janeiro, São Paulo and Brasília, calculates the longest series of price indexes reported on a regular basis in Brazil. Since 1944 it has provided monthly indices based on information collected nationwide on wholesale prices (IPA), consumer prices (IPC-BR) and the national cost of civil construction (INCC), the latter with nationwide coverage since 1985. A composite price index (IGP-DI) is calculated as a weighted index of these three indexes. In 1989 FGV introduced the IGP-M, an index with the same structure as the IGP-DI but a different data-collection period. As well as full monthly releases, two 10-day previews are reported. Another index in the IGP group is the IGP-10, released monthly, which also uses the same structure as the IGP-DI, again differing only with regard to the length of time over which the data is collected.

Brazilian Institute of Geography and Statistics (Instituto Brasileiro de Geografia e Estatística - IBGE)

The Brazilian Institute of Geography and Statistics, a federal government agency, calculates the National Consumer Price Index (INPC) and the Enlarged Consumer Price Index (IPCA), both released on a monthly basis. The IPCA is used as the reference for the inflation target.

Economic Research Foundation, São Paulo University (Fundação Instituto de Pesquisas Econômicas da Universidade de São Paulo - FIPE-USP)

Other price indexes are also available. A price index for a representative food basket is calculated daily by the São Paulo Consumer Protection Agency (Procon-SP) and the Inter-Trade Union Department for Statistics and Socioeconomic Studies (DIEESE).

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