

Best in 10 Years for Brazil Companies

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Brazilian companies' profits will reach record levels this year, the best since 1994, according to a study conducted by Serasa, an economic analysis and information firm. The study was based on financial statements of 10 thousand industries from around the country, covering the period January-September.

The biggest companies, with sales of over US\$ 18.6 million (R\$ 50 million), reported profits of 12.4%, compared with 10.2% in 2003. Small and medium-sized firms registered profits of 5.1%, as against last year's 3%.

The study also reveals that this year's increase in sales was based on the economic growth pushed by the higher level of employment and the mass of salaries, the expansion of international trade, growth in the volume of personal loans, the drop in the interest rate, compared with 2003, and the increase in investments in productive activities.

The earnings of small and medium-sized firms rose 7.2%, the best result in the last nine years, according to the data from January to September. Earnings by the large companies amounted to 5.7%.

In the opinion of Serasa economists, the rise in profits is the result of changes introduced by the companies, such as cost controls that led to productivity gains, in addition to price readjustments induced by domestic demand.

"In 2004 the resumption of economic growth drove the demand for intermediate goods, favoring industry in general," the report states.

According to the study, the real earnings growth (factoring out inflation) of large companies between 1999 and 2004 amounted to 79.4%, while small and medium-sized firms attained a real growth of 43.2%.

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