
Half of Brazil's Corporate Shares Are Bought by Foreigners, Mainly from the EU

Contributed by Alana Gandra
Thursday, 05 January 2006

Foreign investors were responsible for 45-50% of the transactions effectuated to acquire shares of corporations in Brazil in 2005, according to a report issued by the international consulting firm, PricewaterhouseCoopers.

The report informs that companies from the European Union led the ranking of foreign buyers, with participation in 52 of the 269 transactions. French investors were in the forefront, present in 12 of the transactions.

Raul Beer, a partner in the consulting firm, affirmed that foreign participation in the Brazilian merger market used to be greater. In 1997-98, it accounted for 2/3 of the total. He pointed out, however, that the level of foreign investor participation at that time "was not sustainable." The current level is, in his judgment, "more reasonable for the Brazilian economy."

The participation of foreign investors in the Brazilian market is seen as the result of increased confidence in the country. A proof of this, according to Beer, is the drop in the country risk premium, which, on Tuesday, January 3, attained its lowest level ever since the consulting firm, JP Morgan, began computing the index in 1994.

It ended the day at 301 points, following a signalization by the Federal Reserve Bank that the cycle of higher US interest rates may be drawing to a close.

Foreign participation in the Brazilian market is expected to continue in 2006, the specialist commented. "Despite its being an election year, I see no reason in terms of either the international or the Brazilian economy for us to return to the levels of 2002 and 2003," Beer remarked, recalling that foreign participation fell to 30-35% in the pre- and post-election periods in 2002 and 2003.

Agência Brasil