

Brazil Supply Wisdom™ Report

24-October-2019



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Executive Summary

Risk Snapshot

Manager Category	Q2 2019		Q3 2019		24-Oct-2019
Composite Risk	4.97	+	5.03	+	4.90
Macro-Economic Risk	2.87	+	3.47	+	2.14
Financial Risk	4.68	+	4.74	-	4.74
Geo-Political Risk	6.21	+	6.20	+	6.12
Infrastructure Risk	4.77	-	4.77	-	4.77
Business Risk	4.83	-	4.83	-	4.83
Legal / Security And Compliance Risk	4.75	-	4.75	+	4.87
Scalability Risk	5.25	-	5.25	-	5.25
Quality of Life Risk	5.12	+	5.04	-	5.04

Information	24-Oct-2019
Capital	Brasília
Population	210.3 million
National IT Protection Policy / Data Protection Laws	Good
Cybercrime - Country Rank	35.00
Total ITO Industry Size	US\$25.00 B
Total BPO Industry Size	US\$14.06 B
Current Industry Annual Growth Rate (ITO)	10.12%
Current Industry Annual Growth Rate (BPO)	8.30%
Total Number of ITO Companies	1,500.00
Total Number of BPO Companies	1,000.00
ITO Labor Pool (in Number)	1,300,000.00
BPO Labor Pool (in Number)	1,500,000.00

Key Highlights

Characterized by large and well-developed agricultural, mining, manufacturing, and service sectors, Brazil is the largest country in South America, in terms of area as well as population, and is expanding its presence in world markets. The country boasts of a strong and vibrant workforce ideally suited for call center support services. In a little more than two decades, the Brazilian IT industry has followed the country's economic expansion, created sophisticated solutions to meet the increasingly complex demands of a diversified and growing industry base, thus becoming a highly creative and competitive market. The location advantage and cultural affinity also further its appeal as a popular nearshore location.

Macro-Economic Risk

Macro-Economic Risk remains Negligible. Brazil's inflation rate surged to 4.53% in September 2018, the highest since March 2017, primarily driven by an increase in food and oil price. Nevertheless, it remained within the central bank's target range of 4.5% plus or minus 1.5% points.

Financial Risk

Financial Risk remains Low. Nationally, the average direct asking net rent for offices declined marginally over the second quarter due to soft market conditions in Rio de Janeiro and Sao Paulo.

Geo-Political Risk

Geo-Political Risk remains Moderate with no major reports of earthquakes or hurricanes; however, the Risk associated with social unrest & epidemic outbreak remains high due to an increase in the cases of Measles in the country.

Infrastructure Risk

Infrastructure Risk continues to remain Low. The country is well supported by government incentives and increase in supply of new office spaces. On the flip side, the high traffic density continues to be an issue in cities such as Rio de Janeiro and Sao Paulo.

Business Risk

Business Risk moved from Moderate to Low driven by Brazil's leap by 16 places to 109th place in the 'Doing Business 2019' Report published by the World Bank. With the introduction of online systems for licensing, company registration, and employment notifications, Brazil reduced the time frame involved in starting a business and also improved on its credit information systems.

Legal / Security and Compliance Risk

Legal / Security and Compliance Risk remains Low. Key Risk drivers are those associated with enforcing contracts and issues such as cybercrime and software piracy.

Scalability Risk

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With respect to Scalability, the Risk remains Moderate. Brazil has the second largest number of English speakers among the major developing economies and holds good number of multilingual labor pool.

Quality of Life Risk

Quality of Life Risk continues to be Moderate. During 2018, Brazil received 6.62 million international tourists, compared to 6.58 million during 2017. Brazil's cultural compatibility has played an important role in increasing tourist footfall in the country.

Latest Alerts

Latest Alerts

Oct. 17,
2019

Low

Brazil - Weather Warning
for Thunderstorm

Oct. 4, 2019

Low

Brazil - Weather Warning
for Thunderstorm

Sept. 25,
2019

Low

Brazil - Heavy Rainfall
Warning

Sept. 20,
2019

Low

Brazil - Heatwave Warning

Sept. 13,
2019

Medium

Brazil - Rise in Dengue
Cases - Nearly 600% in 8
Months

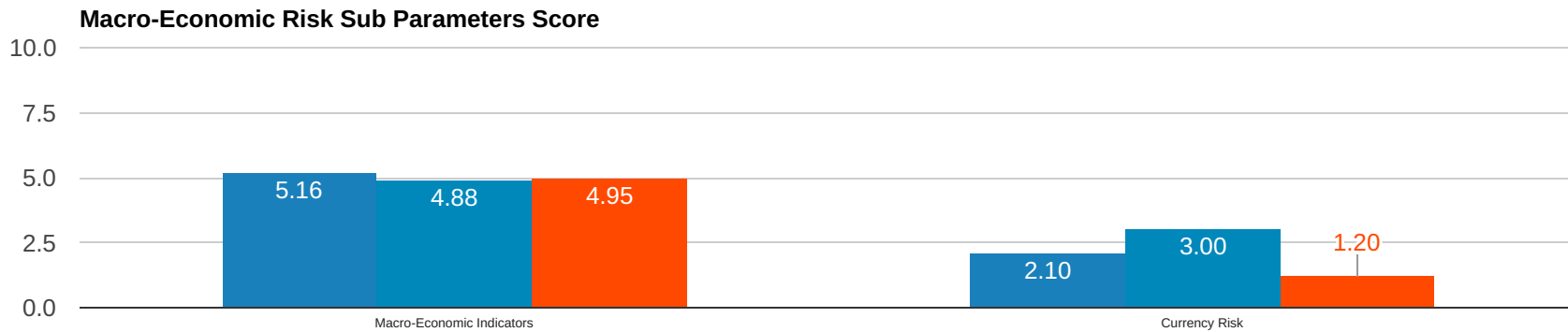
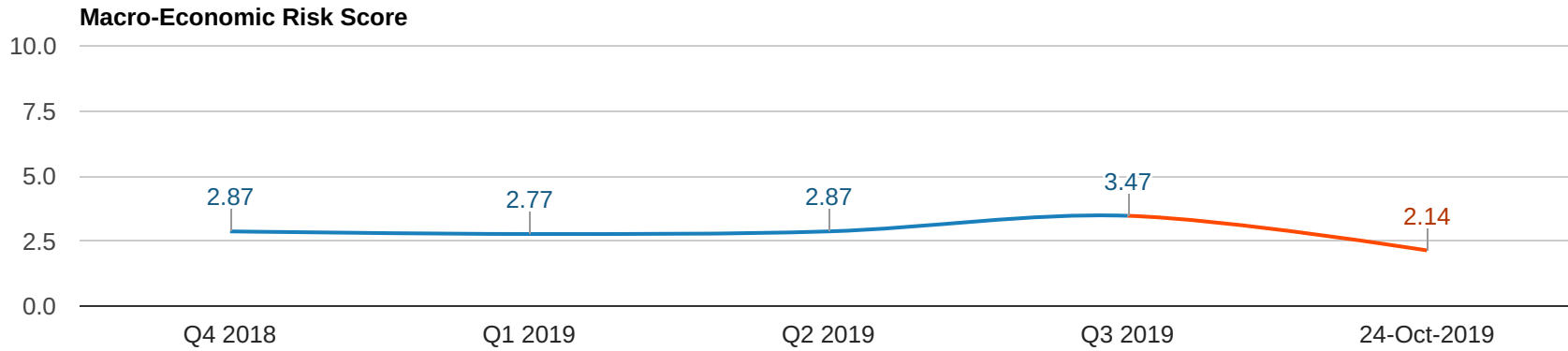
"Medium" - Alerts

Sept. 13,
2019

Medium

Brazil - Rise in Dengue
Cases - Nearly 600% in 8
Months

Macro-Economic Risk Update



Latest Macro-Economic Alerts

Latest Alerts

Aug. 1, 2019

Info

Brazil - Interest Rate
Reduced to 6%

**May 13,
2019**

Low

Brazil - Rise in Inflation Rate

July 9, 2018

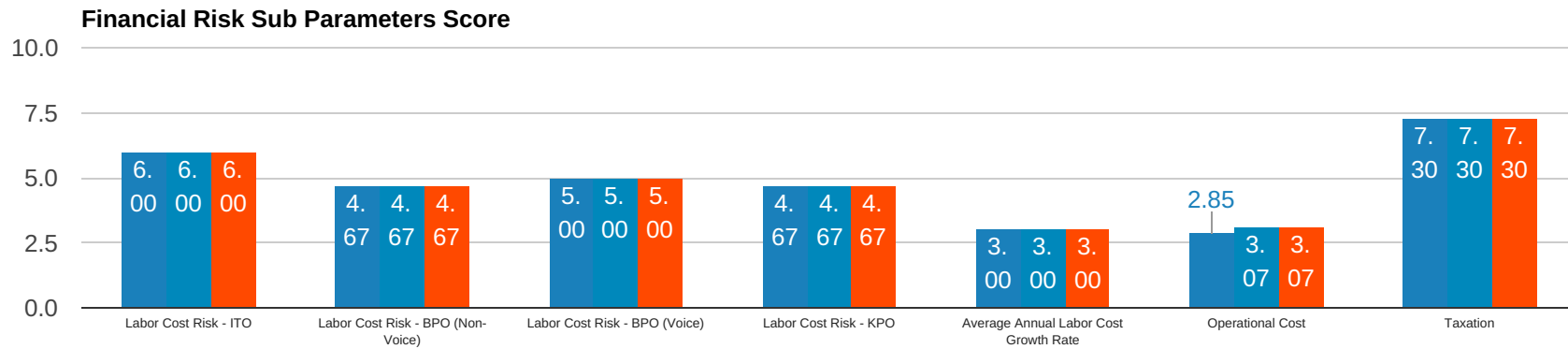
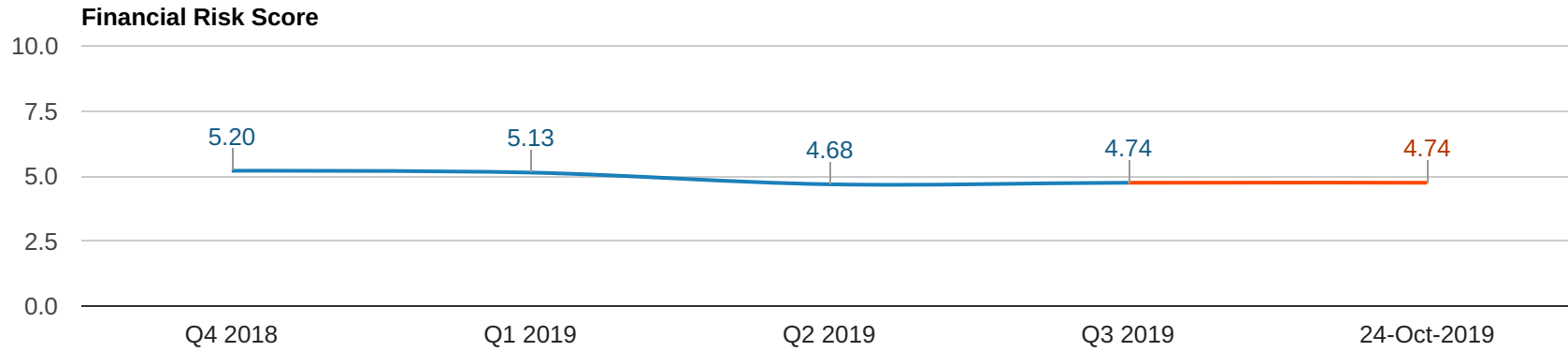
Info

Brazil's Annual Inflation
Rate Surges to 4.39% in
June 2018

Parameter	Units	Q2 2019	Q3 2019	24-Oct-2019	Change from Q3 2019	Additional Comments
Macro-Economic Indicators	Risk Score	5.16	4.88	4.95	0.07	
GDP Growth Rate	%	0.50%	1%	1%	0%	Data as of Q2 2019
GDP Contribution from the Services Sector	%	72.70%	72.70%	72.70%	0%	
Debt to GDP Ratio for Country	%	84%	84%	84%	0%	
Credit Risk/Debt Rating	OECD Rating	5.00	5.00	5.00	0.00	
Fiscal Balance (Per Capita)	US\$	\$-34.77	\$-34.51	\$-75.01	\$-40.50	As per the source, the government budget deficit increased to BRL-63.64 B (-US\$15.77 B) from BRL-30.26 B (-US\$7.50 B).
Trade Balance (Per Capita)	US\$	\$30.54	\$15.60	\$10.70	\$-4.90	
Inflation Rate	%	4.66%	3.28%	2.89%	-0.39%	
Foreign Trade & Payments Risk	EIU Rating	46.00	46.00	46.00	0.00	
Interest Rates	%	6.50%	5.50%	5.50%	0%	

Parameter	Units	Q2 2019	Q3 2019	24-Oct-2019	Change from Q3 2019	Additional Comments
FDI In-flow Growth	%	1.62%	1.62%	77.67%	76.05%	As per the source, Foreign Direct Investment in Brazil increased by US\$9,469 M in August 2019 compared to an increase of US\$5329 M in July 2019.
Stock Market Fluctuation (Within the Month)	%	9.61%	9.17%	6.23%	-2.94%	
Stock Market Performance (Within the Month)	%	1.14%	0.78%	3.22%	2.44%	
Currency Risk	Risk Score	2.10	3.00	1.20	-1.80	
Forex Rate Fluctuation (Within the Month)	%	5.44%	10.07%	4.19%	-5.88%	
Forex Reserves	US\$ B	\$386.16	\$386.48	\$376.43	\$-10.05	

Financial Risk Update



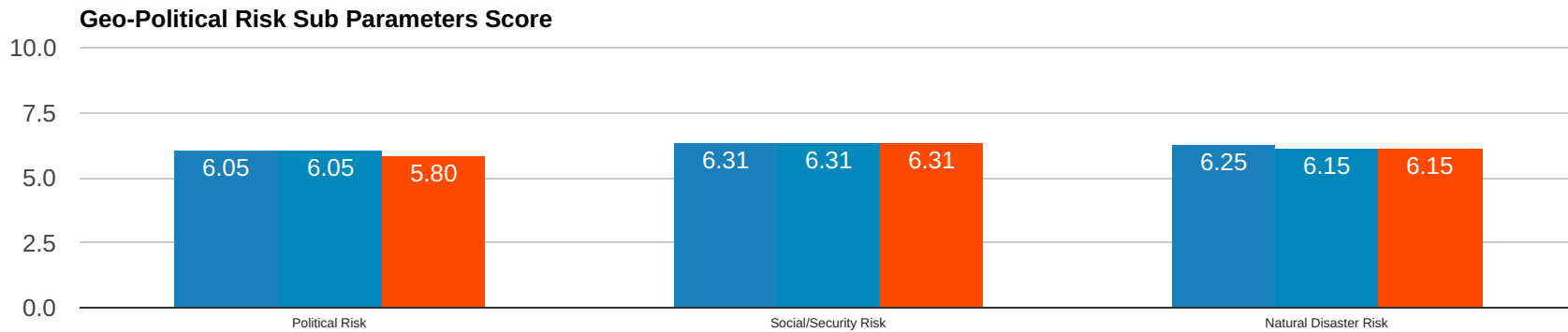
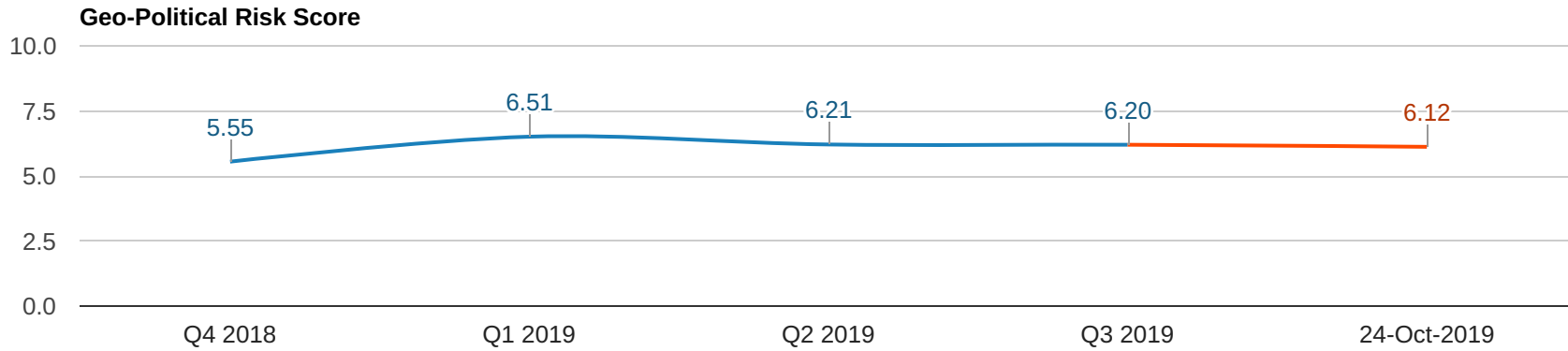
Parameter	Units	Q2 2019	Q3 2019	24-Oct-2019	Change from Q3 2019	Additional Comments
Labor Cost Risk - ITO	Risk Score	6.00	6.00	6.00	0.00	
Average Annual ITO Entry Level Salary	US\$	\$18,000.00	\$18,000.00	\$18,000.00	\$0.00	
Average Annual ITO Team Lead Level Salary	US\$	\$33,000.00	\$33,000.00	\$33,000.00	\$0.00	
Average Annual ITO Manager Level Salary	US\$	\$46,000.00	\$46,000.00	\$46,000.00	\$0.00	
Labor Cost Risk - BPO (Non-Voice)	Risk Score	4.67	4.67	4.67	0.00	
Average Annual BPO (Non-Voice) Entry Level Salary	US\$	\$9,500.00	\$9,500.00	\$9,500.00	\$0.00	
Average Annual BPO (Non-Voice) Team Lead Level Salary	US\$	\$15,000.00	\$15,000.00	\$15,000.00	\$0.00	
Average Annual BPO (Non-Voice) Manager Level Salary	US\$	\$34,000.00	\$34,000.00	\$34,000.00	\$0.00	
Labor Cost Risk - BPO (Voice)	Risk Score	5.00	5.00	5.00	0.00	
Average Annual BPO (Voice) Entry Level Salary	US\$	\$8,000.00	\$8,000.00	\$8,000.00	\$0.00	

Parameter	Units	Q2 2019	Q3 2019	24-Oct-2019	Change from Q3 2019	Additional Comments
Average Annual BPO (Voice) Team Lead Level Salary	US\$	\$14,000.00	\$14,000.00	\$14,000.00	\$0.00	
Average Annual BPO (Voice) Manager Level Salary	US\$	\$30,000.00	\$30,000.00	\$30,000.00	\$0.00	
Labor Cost Risk - KPO	Risk Score	4.67	4.67	4.67	0.00	
Average Annual KPO Entry Level Salary	US\$	\$10,000.00	\$10,000.00	\$10,000.00	\$0.00	
Average Annual KPO Team Lead Level Salary	US\$	\$17,000.00	\$17,000.00	\$17,000.00	\$0.00	
Average Annual KPO Manager Level Salary	US\$	\$39,500.00	\$39,500.00	\$39,500.00	\$0.00	
Average Annual Labor Cost Growth Rate	%	4.20%	4.20%	4.20%	0%	While labor cost increased in terms of Brazilian real, volatility in exchange rates caused the salary rates to depreciate in terms of US dollar
Operational Cost	Risk Score	2.85	3.07	3.07	0.00	
Rent (Grade 1 Commercial)	US\$/Sq. ft./Month	\$3.06	\$3.05	\$3.05	\$0.00	
Rental Growth	%	-2.46%	-0.29%	0%	0.29%	

Parameter	Units	Q2 2019	Q3 2019	24-Oct-2019	Change from Q3 2019	Additional Comments
Cost to Start Business	%	5%	5%	5%	0%	
Minimum Capital Required	%	0%	0%	0%	0%	
Cost of Registering Property	%	3.60%	3.60%	3.60%	0%	
Fuel Prices	US\$/Liter	\$0.94	\$0.86	\$0.90	\$0.04	
Power Cost	US\$/Kwh	\$0.18	\$0.16	\$0.16	\$0.00	
Average Lodging Cost (3 Star & Above)	US\$	\$210.00	\$204.00	\$206.00	\$2.00	
Taxation	Risk Score	7.30	7.30	7.30	0.00	
Corporate Income Tax	%	34%	34%	34%	0%	In addition to statutory corporate income tax rate of 15%, surtax of 10% on income in excess of Brazilian Real 240,000 per year imposed and 9% (20% for financial institutions) social contribution tax (CSLL) levied on adjusted net income.
Social Security Contributions Tax	%	20%	20%	20%	0%	
Property Tax	%	0.3% to 1.5%	0.3% to 1.5%	0.3% to 1.5%	N/A	

Parameter	Units	Q2 2019	Q3 2019	24-Oct-2019	Change from Q3 2019	Additional Comments
VAT / GST	%	4% to 25%	4% to 25%	4% to 25%	N/A	The ICMS (VAT on Sales and Services) is levied at rates ranging from 4% to 25%

Geo-Political Risk Update



Latest Geo-Political Alerts

Latest Alerts

Oct. 17,
2019

Low

Brazil - Weather Warning
for Thunderstorm

Oct. 4, 2019

Low

Brazil - Weather Warning
for Thunderstorm

Sept. 25,
2019

Low

Brazil - Heavy Rainfall
Warning

Sept. 13,
2019

Medium

Brazil - Rise in Dengue
Cases - Nearly 600% in 8
Months

Sept. 6,
2019

Low

Brazil - Transport Strike -
Sao Paulo

"Medium" - Alerts

Sept. 13,
2019

Medium

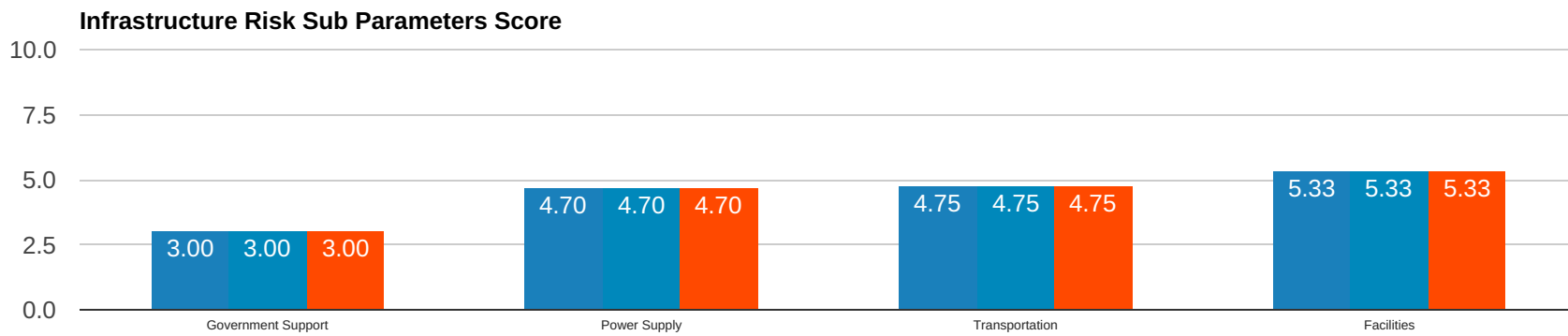
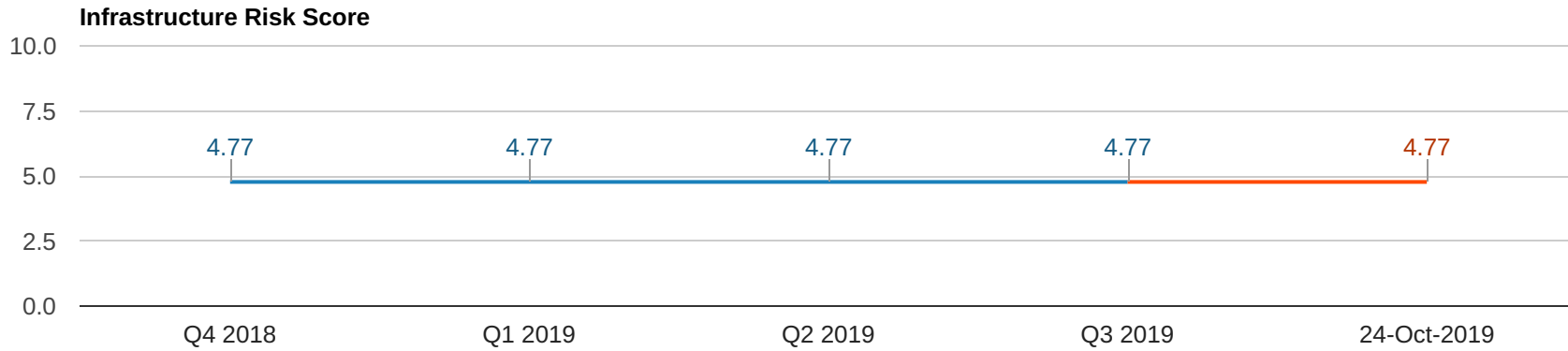
Brazil - Rise in Dengue
Cases - Nearly 600% in 8
Months

Parameter	Units	Q2 2019	Q3 2019	24-Oct-2019	Change from Q3 2019	Additional Comments
Political Risk	Risk Score	6.05	6.05	5.80	-0.25	
Political Stability	EIU Rating	40.00	40.00	40.00	0.00	
Average Government Tenure	%	12.50%	18.75%	20.83%	2.08%	Jair Bolsonaro sworn in as president of Brazil on January 1, 2019
Number of Political Parties	Number	32.00	32.00	32.00	0.00	
Corruption Level	CPI Rank	105.00	105.00	105.00	0.00	
Social/Security Risk	Risk Score	6.31	6.31	6.31	0.00	
Country Crime Index	Index	69.56	69.48	68.96	-0.5200	
Presence of Travel Advisories	Qualitative	Travel Warning in Place for Some Parts of the Country	Travel Warning in Place for Some Parts of the Country	Travel Warning in Place for Some Parts of the Country	N/A	The United States government advised its citizens not to travel to regions of Favela, Ceilandia, Santa Maria, Sao Sebastiao, and Paranoa due to high crime level.
Ethnic Tension	Qualitative	Low	Low	Low	N/A	
Terror Attacks/Threats	Qualitative	Low	Low	Low	N/A	

Parameter	Units	Q2 2019	Q3 2019	24-Oct-2019	Change from Q3 2019	Additional Comments
Social Unrest/Strikes	Qualitative	Extreme	Extreme	Extreme	N/A	Frequent protests witnessed across the country against the economic measures taken by the government.
Natural Disaster Risk	Risk Score	6.25	6.15	6.15	0.00	
Seismic Zone	Number	2.00	2.00	2.00	0.00	
Earthquake (Intensity in Richter Scale)	Richter Scale	No Major Earthquake Reported During the Last Six Months	No Major Earthquake Reported During the Last One Year	No Major Earthquake Reported During the Last One Year	N/A	
Presence of Nuclear Power Plants in the Seismic Zone	Qualitative	Yes	Yes	Yes	N/A	
Volcanic Eruptions	Qualitative	Negligible	Negligible	Negligible	N/A	
Floods	Qualitative	High	High	High	N/A	During the quarter, floods and landslides were reported in different parts of the country including the metropolitan region of Sao Paulo.

Parameter	Units	Q2 2019	Q3 2019	24-Oct-2019	Change from Q3 2019	Additional Comments
Droughts	Qualitative	Moderate	Moderate	Moderate	N/A	
Tsunamis/Hurricanes/Typhoons/Others	Qualitative	Moderate	Moderate	Moderate	N/A	
Epidemics	Qualitative	Extreme	Extreme	Extreme	N/A	1.4 million dengue cases registered since January 2019 which accounts for 600% increase on a year-on-year basis.

Infrastructure Risk Update



Latest Infrastructure Alerts

Latest Alerts

**May 31,
2019**

Low

Brazil - Power Outage -
Curitiba

Feb. 8, 2019

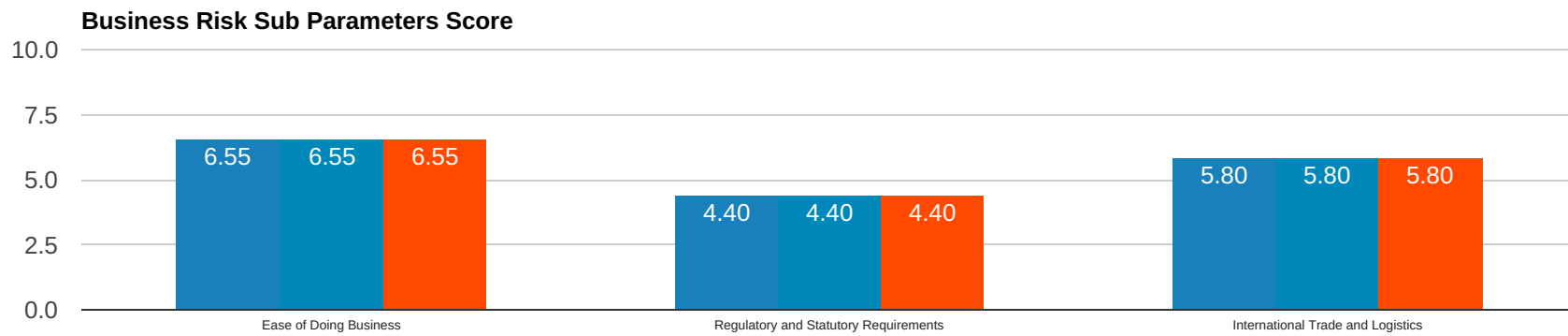
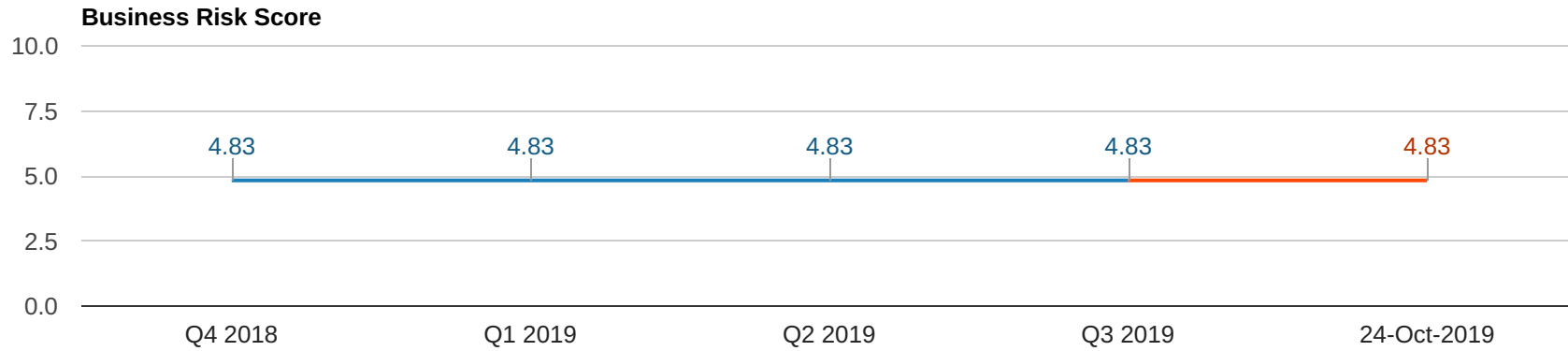
Low

Brazil – Floods – Rio de
Janeiro

Parameter	Units	Q2 2019	Q3 2019	24-Oct-2019	Change from Q3 2019	Additional Comments
Government Support	Risk Score	3.00	3.00	3.00	0.00	
National Incentives	Qualitative	Good Incentives	Good Incentives	Good Incentives	N/A	
Power Supply	Risk Score	4.70	4.70	4.70	0.00	
Surplus/Deficit	Qualitative	Balanced	Balanced	Balanced	N/A	
Power Cuts	Qualitative	Intermittent Power Cuts	Intermittent Power Cuts	Intermittent Power Cuts	N/A	
Quality of Electricity Supply	GCI Index	4.50	4.50	4.50	0.00	
Availability of Multiple Vendors	Number	18.00	18.00	18.00	0.00	
Transportation	Risk Score	4.75	4.75	4.75	0.00	
Intra-Country Road System/Network	Qualitative	Average	Average	Average	N/A	
Quality of International Airports	Qualitative	Good	Good	Good	N/A	
Intra-Country Public Transit Conditions	Qualitative	Average	Average	Average	N/A	

Parameter	Units	Q2 2019	Q3 2019	24-Oct-2019	Change from Q3 2019	Additional Comments
Facilities	Risk Score	5.33	5.33	5.33	0.00	
Technological Readiness	GCI Index	4.60	4.60	4.60	0.00	
Fastest Internet Connection	Mbps	1,000.00	1,000.00	1,000.00	0.00	
Number of Software Parks	Number	29.00	29.00	29.00	0.00	
Number of Special Economic Zones / Free Trade Zones (Current)	Number	8.00	8.00	8.00	0.00	
Office Space Surplus/Deficit	Qualitative	Surplus	Surplus	Surplus	N/A	
New Office Space Availability (1-3 years)	Qualitative	Balanced	Balanced	Balanced	N/A	
New Software Park Availability (1-3 years)	Qualitative	Plans are in Place for more than a year	Plans are in Place for more than a year	Plans are in Place for more than a year	N/A	

Business Risk Update



Latest Business Alerts

Latest Alerts

Nov. 2, 2018

Low

SW Risk Profile Change
Alert

Parameter	Units	Q2 2019	Q3 2019	24-Oct-2019	Change from Q3 2019	Additional Comments
Ease of Doing Business	Risk Score	6.55	6.55	6.55	0.00	
Procedures to Start a Business	Number	10.60	10.60	10.60	0.00	
Time to Start a Business	Days	20.50	20.50	20.50	0.00	Brazil reduced the time frame involved in starting a business by introducing online systems for licensing, company registration, and employment notifications.
Procedures for New Building Construction Permits	Number	19.20	19.20	19.20	0.00	
Time for New Building Construction Permits	Days	434.00	434.00	434.00	0.00	
Procedures to Register a Property	Number	13.60	13.60	13.60	0.00	
Time to Register a Property	Days	31.40	31.40	31.40	0.00	
Business Sophistication	GCI Index	4.10	4.10	4.10	0.00	
Efficiency of Government Bureaucracy	GCI Index	12.00	12.00	12.00	0.00	
Regulatory and Statutory Requirements	Risk Score	4.40	4.40	4.40	0.00	
Strength of Legal Rights Index	Index	2.00	2.00	2.00	0.00	

Parameter	Units	Q2 2019	Q3 2019	24-Oct-2019	Change from Q3 2019	Additional Comments
Depth of Credit Information Index	Index	8.00	8.00	8.00	0.00	
Public Registry Coverage	%	78.70%	78.70%	78.70%	0%	
Private Bureau Coverage	%	80.50%	80.50%	80.50%	0%	
Extent of Disclosure Index	Index	5.00	5.00	5.00	0.00	
Extent of Director Liability Index	Index	8.00	8.00	8.00	0.00	
Ease of Shareholder Suits Index	Index	4.00	4.00	4.00	0.00	
Strength of Minority Protection Index	Index	5.70	5.70	5.70	0.00	
Taxation Payments	Numbers/Year	10.00	10.00	10.00	0.00	
Taxation Time	Hours/Year	1,958.00	1,958.00	1,958.00	0.00	
International Trade and Logistics	Risk Score	5.80	5.80	5.80	0.00	
Documentation Needed to Export	Number	7.00	7.00	7.00	0.00	
Time to Export (Border Compliance)	Hours	49.00	49.00	49.00	0.00	
Documentation Needed to Import	Number	7.00	7.00	7.00	0.00	
Time to Import (Border Compliance)	Hours	30.00	30.00	30.00	0.00	

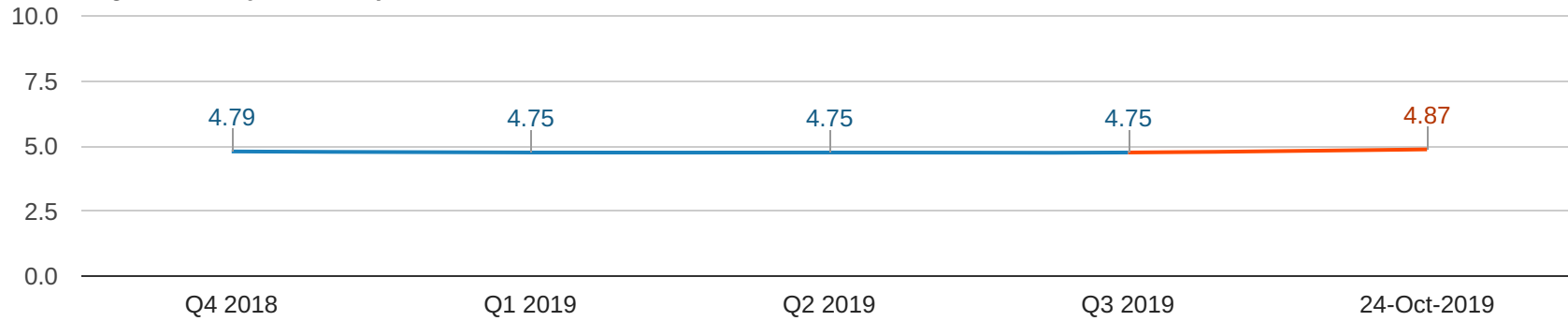
Parameter	Units	Q2 2019	Q3 2019	24-Oct-2019	Change from Q3 2019	Additional Comments
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Analyst Comment

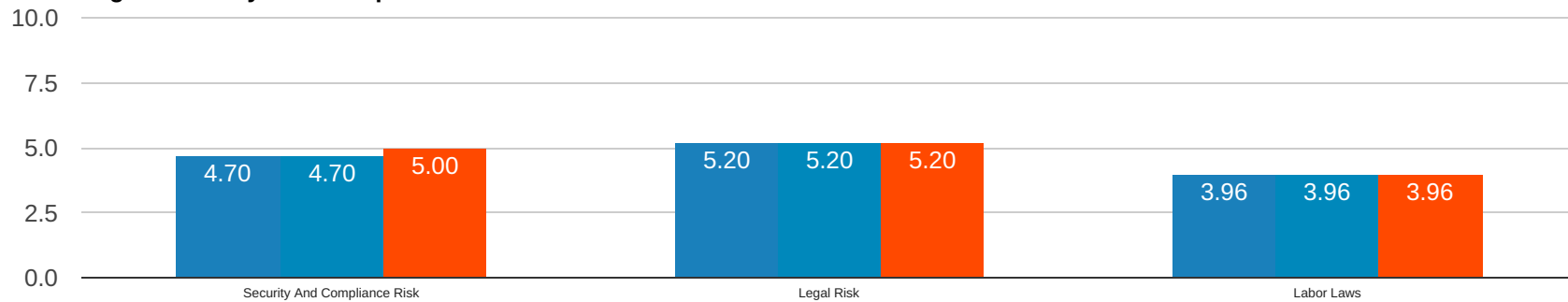
According to the 'Doing Business 2019' Report published by the World Bank, Brazil climbed up by 16 places to 109th place among 190 countries surveyed.

Legal / Security And Compliance Risk Update

Legal / Security And Compliance Risk Score



Legal / Security And Compliance Risk Sub Parameters Score



Latest Alerts

Aug. 16,
2018

Low

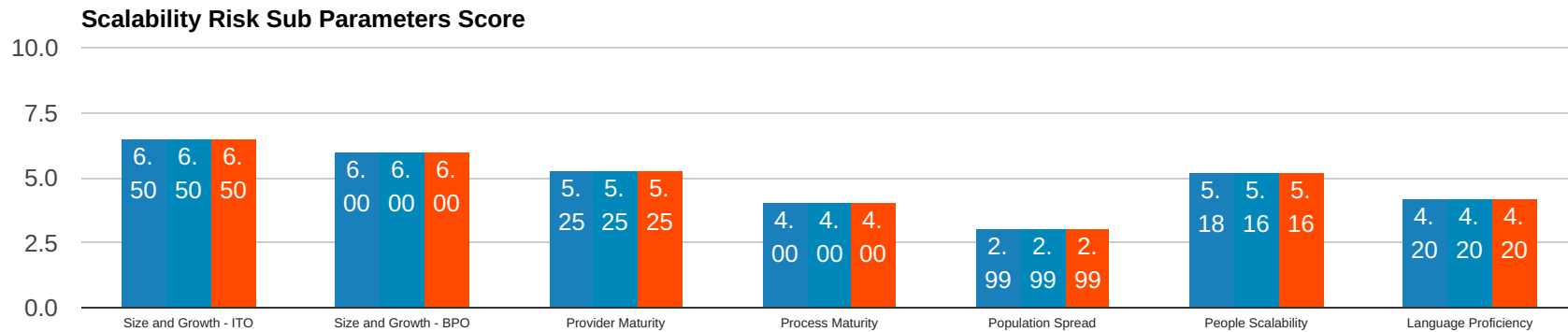
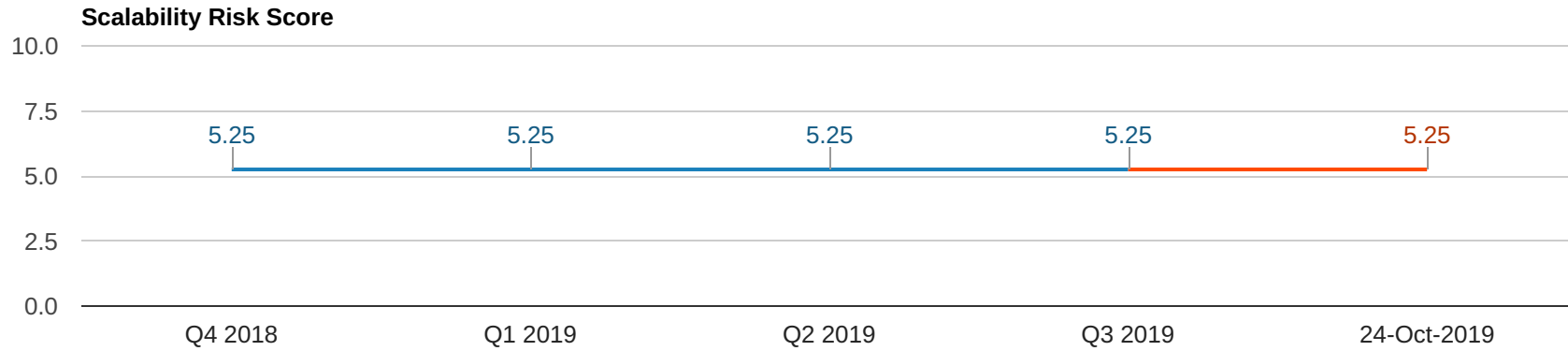
[Brazilian President Signs
Data Protection Bill into Law](#)

Parameter	Units	Q2 2019	Q3 2019	24-Oct-2019	Change from Q3 2019	Additional Comments
Security And Compliance Risk	Risk Score	4.70	4.70	5.00	0.30	
National IT Protection Policy / Data Protection Laws	Qualitative	Good	Good	Good	N/A	
IP Protection Laws	GCI Index	4.20	4.20	3.80	-0.4000	
Cybercrime	Qualitative	35.00	35.00	35.00	0.00	Botnets and Malware remain as significant concerns in Brazil.
Software Piracy Rate	%	50%	50%	50%	0%	
Strength of Auditing and Reporting Standards	GCI Index	4.80	4.80	4.70	-0.1000	
Sanctions Imposed	Qualitative	No	No	No	N/A	
Financial Action Task Force (FATF)	Qualitative	Yes	Yes	Yes	N/A	
Legal Risk	Risk Score	5.20	5.20	5.20	0.00	
Quality of Judicial Processes Index	NA	13.10	13.10	13.10	0.00	
Time to Enforce a Contract	Days / Year	731.00	731.00	731.00	0.00	

Parameter	Units	Q2 2019	Q3 2019	24-Oct-2019	Change from Q3 2019	Additional Comments
Tax Policy Risk	EIU Rating	63.00	63.00	63.00	0.00	
Complexity of Tax Regulations	GCI Index	5.40	5.40	5.40	0.00	
Anti-Bribery Laws or Measure of Bribery	Qualitative	Average	Average	Average	N/A	
Anti-Money Laundering Laws	Qualitative	Average	Average	Average	N/A	
Patents Issued in the Last One Year	Number	5,450.00	5,450.00	5,450.00	0.00	
Labor Unions in the Country	Qualitative	Strong Labor Union Presence	Strong Labor Union Presence	Strong Labor Union Presence	N/A	
IT/BPO Unions in the Country	Qualitative	Present, but not very active	Present, but not very active	Present, but not very active	N/A	
Labor Laws	Risk Score	3.96	3.96	3.96	0.00	
Working Hours for Day Shift	Hours / Day	8.00	8.00	8.00	0.00	

Parameter	Units	Q2 2019	Q3 2019	24-Oct-2019	Change from Q3 2019	Additional Comments
Working Hours for Night Shift	Hours / Day	8.00	8.00	8.00	0.00	
Weekly Working Hours	Hours / Week	44.00	44.00	44.00	0.00	
Overtime Pay (% of Hourly Pay)	%	50%	50%	50%	0%	
Public Holidays per Year	Days / Year	14.00	14.00	14.00	0.00	
Working Hours per Year	Hours / Year	2,188.00	2,188.00	2,188.00	0.00	

Scalability Risk Update



Parameter	Units	Q2 2019	Q3 2019	24-Oct-2019	Change from Q3 2019	Additional Comments
Size and Growth - ITO	Risk Score	6.50	6.50	6.50	0.00	
Total ITO Industry Size	US\$ B	\$25.00	\$25.00	\$25.00	\$0.00	Estimated by Supply Wisdom
Industry Size ITO (Export)	US\$ B	\$3.63	\$3.63	\$3.63	\$0.00	
Industry Size ITO (Domestic)	US\$ B	\$21.37	\$21.37	\$21.37	\$0.00	
Current Industry Annual Growth Rate (ITO)	%	10.12%	10.12%	10.12%	0%	
Projected Industry Growth Rate (ITO)	%	10.12%	10.50%	10.50%	0%	
Size and Growth - BPO	Risk Score	6.00	6.00	6.00	0.00	
Total BPO Industry Size	US\$ B	\$14.06	\$14.06	\$14.06	\$0.00	Estimated by Supply Wisdom
Industry Size BPO (Export)	US\$ B	\$5.06	\$5.06	\$5.06	\$0.00	
Industry Size BPO (Domestic)	US\$ B	\$9.00	\$9.00	\$9.00	\$0.00	
Current Industry Annual Growth Rate (BPO)	%	8.30%	8.30%	8.30%	0%	

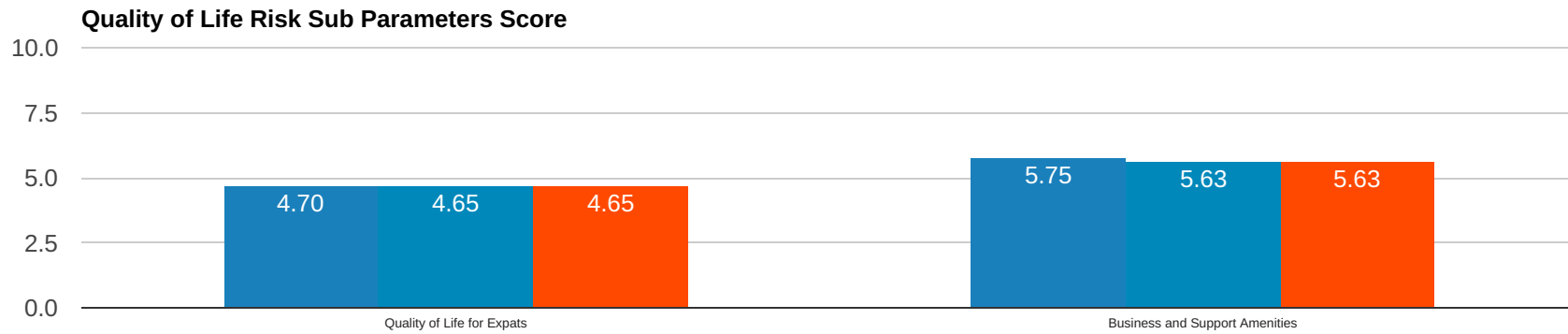
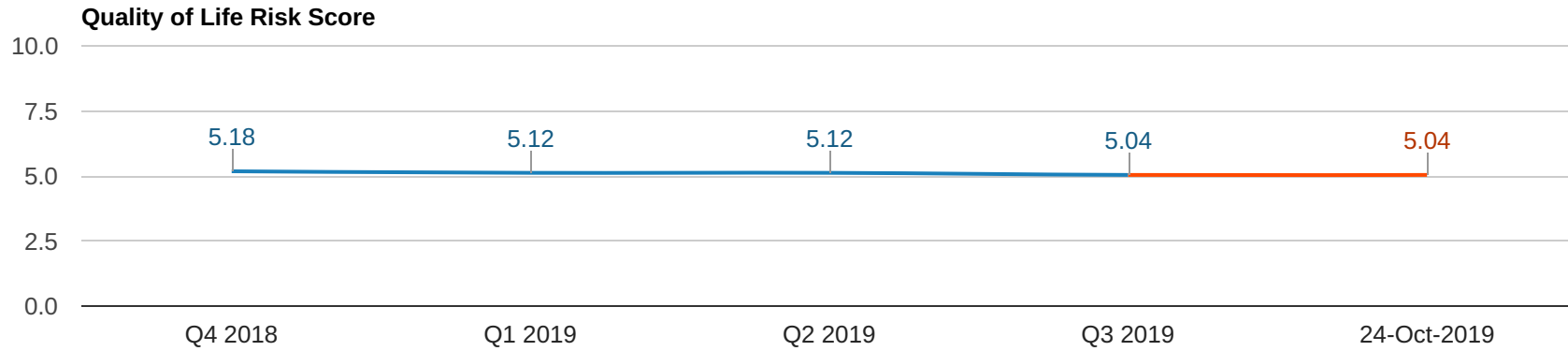
Parameter	Units	Q2 2019	Q3 2019	24-Oct-2019	Change from Q3 2019	Additional Comments
Projected Industry Growth Rate (BPO)	%	8.30%	8.30%	8.30%	0%	
Provider Maturity	Risk Score	5.25	5.25	5.25	0.00	
Total Number of ITO Companies	Number	1,500.00	1,500.00	1,500.00	0.00	
Total Number of BPO Companies	Number	1,000.00	1,000.00	1,000.00	0.00	
Presence of Tier 1 Companies (With Operations Over a Billion Dollars)	Qualitative	Balanced	Balanced	Balanced	N/A	
Presence of Tier 2 Companies (With Operations Between 500 Million and a Billion)	Qualitative	Strong Presence	Strong Presence	Strong Presence	N/A	
Presence of Captive Centers	Qualitative	Balanced	Balanced	Balanced	N/A	
Presence of Providers with CMMI Level 5/ISO 9001/Six Sigma Certifications	Qualitative	Balanced	Balanced	Balanced	N/A	
Process Maturity	Risk Score	4.00	4.00	4.00	0.00	
Number of Established Processes/Functions	Qualitative	Strong Presence	Strong Presence	Strong Presence	N/A	

Parameter	Units	Q2 2019	Q3 2019	24-Oct-2019	Change from Q3 2019	Additional Comments
Number of Established Verticals	Qualitative	Strong Presence	Strong Presence	Strong Presence	N/A	
Number of Emerging Processes/Functions	Qualitative	Strong Presence	Strong Presence	Strong Presence	N/A	
Number of Emerging Verticals	Qualitative	Strong Presence	Strong Presence	Strong Presence	N/A	
Population Spread	Risk Score	2.99	2.99	2.99	0.00	
0-14 Years	%	21.50%	21.50%	21.50%	0%	
15-64 Years	%	69.60%	69.60%	69.60%	0%	
65 Years and Above	%	8.90%	8.90%	8.90%	0%	
People Scalability	Risk Score	5.18	5.16	5.16	0.00	
Labor Force	M	104.20	104.20	104.20	0.00	
Unemployment Rate	%	12.50%	11.80%	11.80%	0%	
Literacy Rate	%	92.60%	92.60%	92.60%	0%	
Number of Colleges and Universities	Number	>2400	>2400	>2400	N/A	

Parameter	Units	Q2 2019	Q3 2019	24-Oct-2019	Change from Q3 2019	Additional Comments
Quality of Math and Science Education	GCI Index	2.60	2.60	2.60	0.00	
Quality of Management Schools	GCI Index	3.80	3.80	3.80	0.00	
Quality of Scientific Research Institutions	GCI Index	3.70	3.70	3.70	0.00	
Availability of Scientists and Engineers	GCI Index	3.60	3.60	3.60	0.00	
Capacity for Innovation	GCI Index	4.10	4.10	4.10	0.00	
Annual Non-IT Graduate Pool	Number	1,037,000.00	1,037,000.00	1,037,000.00	0.00	
Annual IT Graduate Pool	Number	74,500.00	74,500.00	74,500.00	0.00	
ITO Labor Pool	Number	1,300,000.00	1,300,000.00	1,300,000.00	0.00	
BPO Labor Pool	NA	1,500,000.00	1,500,000.00	1,500,000.00	0.00	
ITO Headcount Growth Rate (YoY)	%	6.50%	6.50%	6.50%	0%	
ITO Attrition Rate	%	15%	15%	15%	0%	
BPO Attrition Rate	%	6.50%	6.50%	6.50%	0%	
Language Proficiency	Risk Score	4.20	4.20	4.20	0.00	

Parameter	Units	Q2 2019	Q3 2019	24-Oct-2019	Change from Q3 2019	Additional Comments
English Proficiency	Qualitative	Good	Good	Good	N/A	
Spanish Proficiency	Qualitative	Average	Average	Average	N/A	
Multilingual Proficiency	Qualitative	Good	Good	Good	N/A	

Quality Of Life Risk Update



Latest Quality of Life Alerts

Latest Alerts

Sept. 20,
2019

Low

[Brazil - Heatwave Warning](#)

Sept. 11,
2019

Low

[Brazil - Heatwave Warning](#)

Parameter	Units	Q2 2019	Q3 2019	24-Oct-2019	Change from Q3 2019	Additional Comments
Quality of Life for Expats	Risk Score	4.70	4.65	4.65	0.00	
Cultural Compatibility	Qualitative	Good	Good	Good	N/A	
Quality of Private Healthcare Facilities	Qualitative	Average	Average	Average	N/A	
Availability of International Schools	Qualitative	Average	Average	Average	N/A	
Pollution Index	Index	56.08	56.10	55.77	-0.3300	
Leisure Amenities	Qualitative	Good	Good	Good	N/A	
Climate	Qualitative	Moderate	Moderate	Moderate	N/A	
Safety Index	Index	30.47	30.52	31.04	0.52	
Cost of Living Index	Index	27.75	27.48	27.48	0.00	
Internet Cost (60 Mbps or More, Unlimited Data, Cable/ADSL)	US\$/Month	\$31.79	\$28.91	\$28.66	\$-0.25	
Business and Support Amenities	Risk Score	5.75	5.63	5.63	0.00	
Residential Space Surplus/Deficit	Qualitative	Balanced	Balanced	Balanced	N/A	
Lodging Availability	Qualitative	Balanced	Balanced	Balanced	N/A	
Hotel Room Occupancy Rates	%	65%	58.91%	58.91%	0%	

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About Supply Wisdom™ and Risk Reports

Supply Wisdom™

- Global services industry's first ever comprehensive risk monitoring service developed by Neo to proactively identify and report services supply chain risks
- Monitoring conducted and reported at a Country, City and Third party level
- Includes quarterly 'Risk Reports' and ongoing dynamic throughout the year 'Event Alerts'
- Covers over 50 countries, 100 global cities and 200 third parties currently. More delivered on client request within 10 working days

Risk Reports & Event Alerts

- Our Risk Reports provide a detailed assessment of risks and Neo's analysis of the risk scenario
- Each report offers risk profiling, risk ratings and risk mitigation recommendations
- Quarterly updates continuously highlight the changes to risk scenarios and update the risk rating and recommendations
- Event Alerts provide quick summaries of real-time events that impact risk scenarios,

Methodology

- Risk information tracked from public, semi-private and private sources
- Risk ratings provided relatively on a 10 - point scale: 10 (most risky) – 1 (least risky)

Methodology

Over 350 data parameters factor into our **Standard Risk Rating** computations, the percentage (%) weighting of each **Category** may vary.

Supply Wisdom™ Real-Time Risk Model

RISK COVERAGE

Locations	Macro-Economic	Financial	Geo-Political	Infrastructure
	Business	Legal/Security & Compliance	Scalability	Quality of Life
Suppliers	Financial		Solutions Maturity	People
	Client		Cyber Security	Governance, Regulatory & Compliance

RISK RATING

NEGLIGIBLE	LOW	MODERATE	HIGH	EXTREME
1.0 - 2.99	3.0 - 4.99	5.0 - 6.99	7.0 - 8.99	9.0 - 10.0
No immediate or significant risk areas. No action required currently.		Some risk areas identified. Continue tracking closely.	Shows signs of increasing risk areas. Increase governance on risky parameters. Explore alternate options.	Highly risky – immediate actions required! Need for focused and intensive governance. Review exit strategies.

Category Definitions

Location Category	Description and Tracked Metrics
Macro-Economic Risk	Measures key Macro-Economic indicators including inflation, foreign direct investment, credit risk, currency risk, and market fluctuations
Financial Risk	Key labor cost metrics for each of ITO, BPO, KPO, as well as operational costs, and taxation factors
Geo-Political Risk	Political risk and stability, social and security risk (e.g. terrorism, prevalence of travel advisory/warnings, and natural disaster risks)
Infrastructure Risk	Measures government support and incentives to source (including forward availability), plus power and utilities, transport and facilities, technological readiness (adoption of existing technologies by an economy), and quality of connectivity metrics
Business Risk	Ease of doing business (permits, start up, etc.), regulatory and statutory requirements, business sophistication (quality of business networks & individual firm's operations), and trade & logistics
Legal Risk	Legal and regulatory policy and acts, cyber crime, ITO and BPO industry trade union activity, and key in-market labor & workday laws

Third Party Category	Description and Tracked Metrics
Financial Risk	Assesses ownership model, balance sheet ratios, profitability, client concentration, liquidity, and revenue/revenue growth metrics
Solutions Maturity Risk	Indicates Business tenure, quality certifications (e.g., CMMI, ISO 9001), service & vertical line revenue/revenue growth, geographical metrics, new alliances/partnerships, launch of new capabilities, capability enhancement through M&A, CSR ratings, industry recognition, and patent information
People Risk	Monitors employee strength, attrition (overall and senior leadership), and employee reviews on professional networking sites
Client Risk	Evaluates customer portfolio including acquisition, retention/flight, Fortune 500 clients, and brand reputation
Governance, Regulatory & Compliance	Tracks Regulatory Compliance, litigations, liens and settlements, incidents of noncompliance, and organizational changes at management level

Location Category	Description and Tracked Metrics
Scalability Risk	Size and growth characteristics for ITO and BPO, provider and process maturity, worker population spreads, attrition/hiring measures, and languages
Quality of Life Risk	Expat quality of life measures and business support & amenities

Third Party Category	Description and Tracked Metrics
Cyber Security Risk	Measures the Cyber Susceptibility and cyber security strength and vulnerability to outside threats including data breach, data loss/data leak and cyber attack

Appendix I - Abbreviations

Abbreviation	Stands For
B	Billion
BPO	Business Process Outsourcing
BPS	Basis Points
CAD	Current Account Deficit
CBD	Central Business District
CPI	Consumer Price Index
EIU	The Economist Intelligence Unit
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
FTZ	Free Trade Zone
Gbps	Giga bits per second
GDP	Gross Domestic Product
Kwh	Kilo Watt Per Hour
Ltr	Liter
M	Million

Abbreviation	Stands For
Mbps	Mega bits per second
MW	Mega Watt
PBD	Peripheral Business District
PLR	Prime Lending Rate
QoQ	Quarter on Quarter
Qtr	Quarter
SBD	Secondary Business District
SEZ	Special Economic Zone
Sq ft	Square Foot
Sq M	Square Meter
VAT	Value Added Tax
WPI	Wholesale Price Index
YoY	Year on Year
YTD	Year to Date

