

Outlook and perspectives of the Brazilian political-economic scenario

Executive and Legislative Branches

Outlook



Brazil: Lula's third term

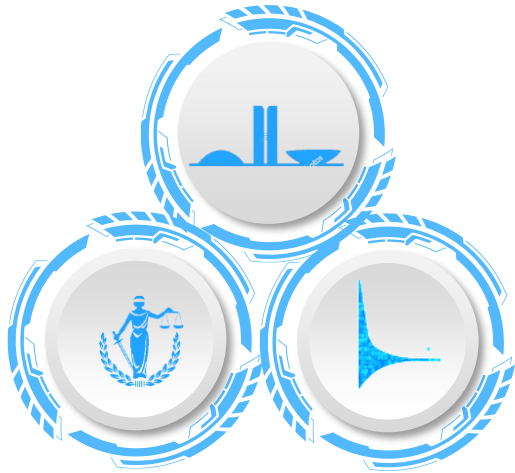
- Completely different economic and social scenario/circumstances from Lula's first and second terms (2003-2011)
- Relevant initiatives:
 - recreation of the MDIC;
 - launch of the NIB and the Ecological Transformation Plan.



World: regaining a foothold on international politics

- The Brazilian Government is prioritizing international relations by acting more assertively in organizations (UN, G20 and BRICS);
- Proactive stance in global debates on the environmental challenges facing the world.

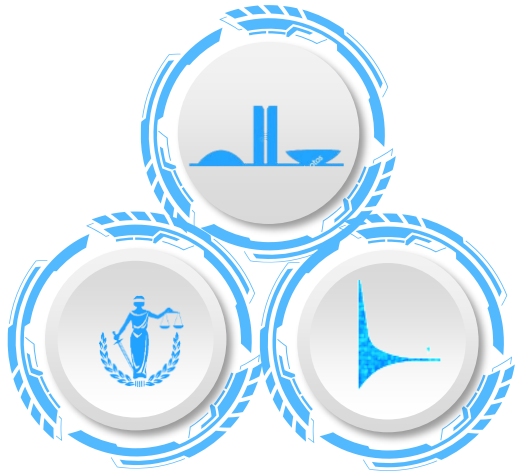
Political scenario



Trend towards greater stability between the three branches

- Convergence of the branches of government in favor of institutional stability - concrete results: approval of structural reforms (Tax Reform) and for feasible proposals that contribute to fiscal balance (“Tax Framework”).
- The Lula government has adopted a more conciliatory attitude and a dialogue based relationship with the other branches.
- Demonstrations by the leaders of the three branches reaffirm the commitment to the Democratic State under the Rule of Law.
- However, such a commitment does not represent an alignment with the programmatic agendas advocated by the third Lula government, nor does it serve to calm tensions between the political parties.

Political scenario

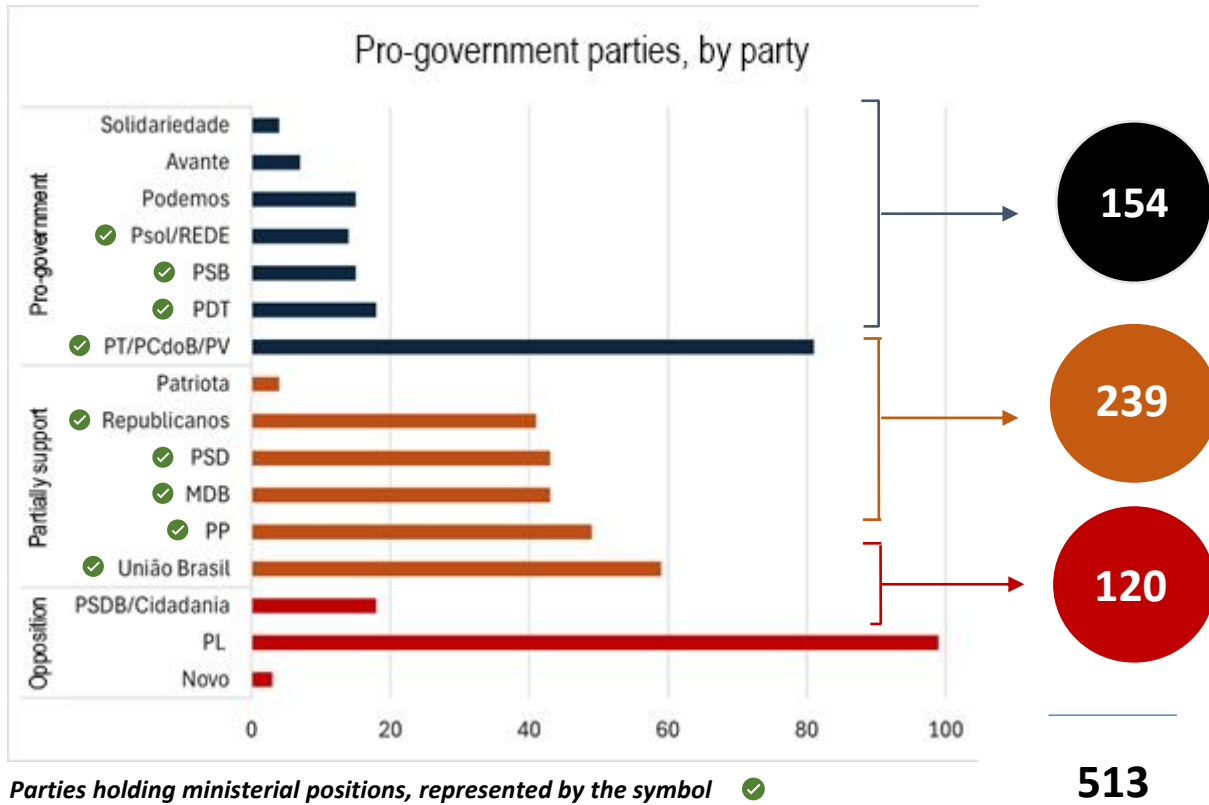


Greater relevance of the National Congress in the dynamic between the branches

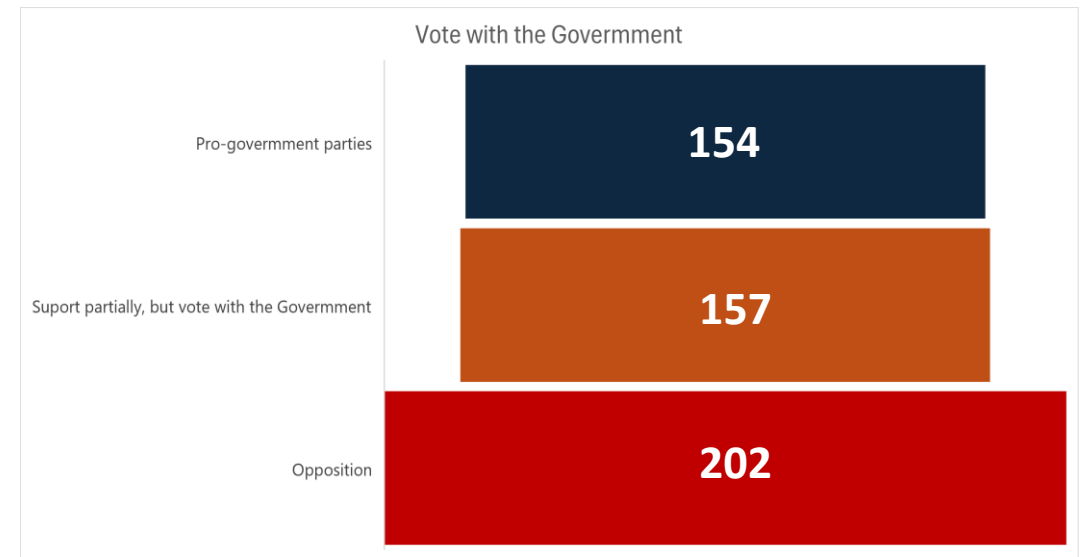
- The National Congress has taken center stage, including in the formulation and allocation of the public budget.
- It enhances the power of influence of senators and deputies when engaging with state and municipal political stakeholders.
- The Executive and Legislative branches' capacity to vote on priority agendas depends directly on the theme.
- The situation tends to favor a closer relationship between the Executive and the Judiciary branches.

Government coalition in the National Congress

Coalition parties, by party on the Chamber of Deputies



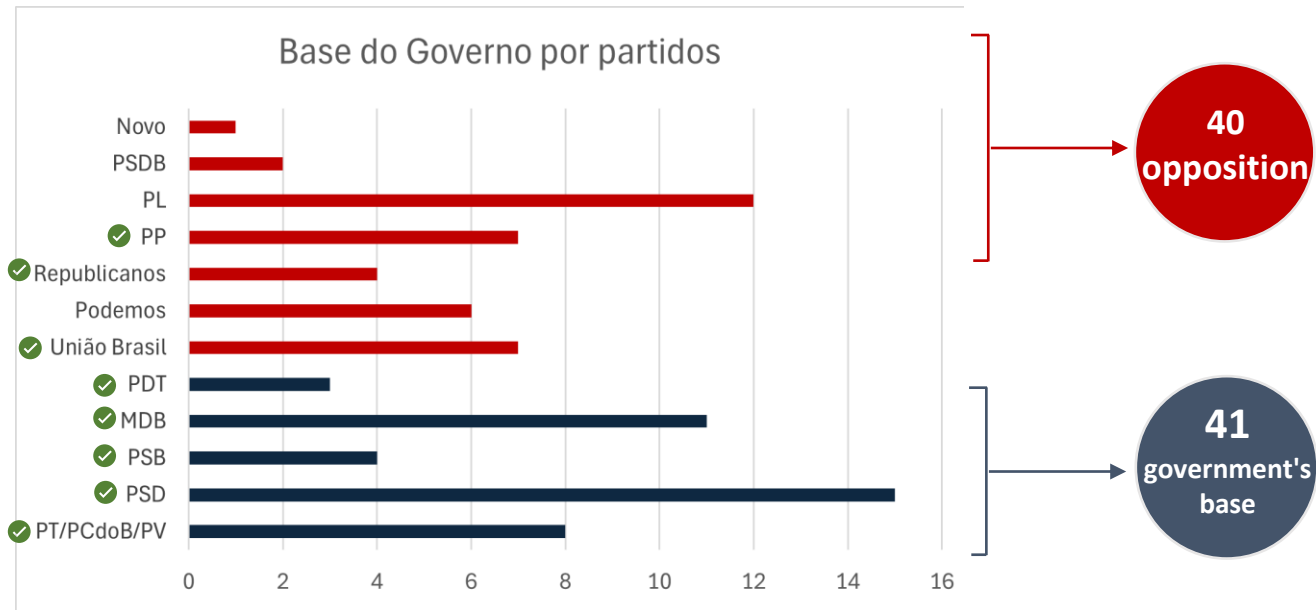
Vote with the government (Depending on individual behavior)



311 MPs vote with the government

Government coalition in the National Congress

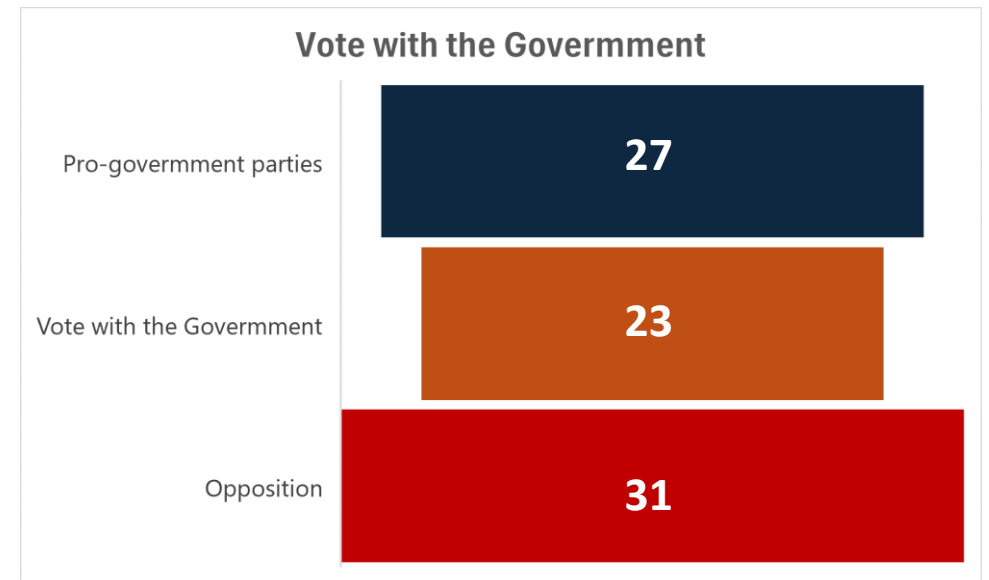
Coalition parties, by party on the Federal Senate



Parties holding ministerial positions, represented by the symbol ✓

81

Vote with the government (Depending on individual behavior)



50 senators vote with the government

A safer business environment

Reformist milestones

Law No. 13,467/2017 and Law No. 13,249/2017
Labor reform and Outsourcing, which modernized labor relations in Brazil

Regulatory Standard (NR) 12
 Revision of the regulation on **health and safety of workers** during the use of machinery and equipment

Law No. 13668/2018
 Regulating **environmental compensation** as provided in Article 36 of Law 9,985/2020

Law No. 13,932/2019
Eliminating the additional fine of 10% of the FGTS for dismissals for cause

Constitutional Amendment (EC) 103/2019
Pension Reform
 The new system is able to compensate for the pension deficit and brings more predictability to public budgets

Law No. 14,026/2020
 New **Basic Sanitation Law** and **Law No. 14,273/2021**
 New **Railway Law**

Law No. 14,134/2021
 New **Natural Gas Law**, which modernized and increased competition on the sector

Law No. 14,285/2021
 Defense of the administrative autonomy of municipalities in defining urban **Permanent Preservation Areas (APPs)**

Law No. 14260/2021
 Creation of **incentives for recycling** which allow individuals and companies to deduct investment in recycling from their income tax.

Constitutional Amendment (EC) 132/2023
Tax Reform
 The new system is capable of increasing economic growth



Municipal Elections

- Municipal elections have an impact on the public policy discussion calendar - voters' decisions have a direct impact on the 2026 election scenario.
- The election campaign puts pressure on the social agenda and focuses on the regulation of the digital agenda - fake news, Artificial Intelligence (AI) and digital platforms.
- Slow down legislative sessions during municipal elections.
- November and December - intense agenda (negotiations will revolve around the succession of the presidents of the legislative houses, deputy Arthur Lira - PP/AL and senator Rodrigo Pacheco - PSD/MG).



The Government's economic agenda

Reforms and investments

- The government adopted a new tax regime to replace the “cap on public expenditure” (Supplementary Law 200/2023) and achieved a real increase in the minimum wage and in the Bolsa Família (family allowance) Program.
- The inflation target was maintained, and the Central Bank initiated a cycle of interest rate cuts
- GDP growth of 2.9 % in 2023, an increase of 2.2 % compared to the previous year
- Implementation of an important reform of the tax system (Constitutional Amendment 132/2023)

Challenges for 2024:

- Ensure fiscal balance without hampering economic activity
- Overcome the global downturn
- Regulate the Tax Reform



Progress expected in 2024

Economic agenda



Tax Reform Regulation



MP 1202/23, 1208/24 and PL 493/24 - Payroll reimbursement



PL 15/24 - Tax and customs compliance and persistent debtors



PL 3/24 - Amendments to the Insolvency Law



The Government's economic agenda

Industrial policy

- August 2023: launch of the New PAC – investment program that bundles projects to modernize and expand infrastructure
- September 2023: launch of the National Development Strategy for the Health Economic-Industrial Complex, with investments in public laboratories, an improvement in service in the Unified Health System (SUS), and an increase in vaccine production capacity
- December 2023: launch of the Ecological Transition Plan during COP-28
- January 2024: launch of the New Industrial Policy (NIB), which provides around R\$ 300 billion to stimulate the productive sector

Challenges:

- Governance to implement the NIB, linking with other measures to promote neo-industrialization, including the ETP (Ecological Transformation Plan)





Progress expected in 2024

Industrial policy agenda

Federal Senate | Accelerated depreciation (PL 2/2024)



Under urgent consideration

Already processed by the Chamber of Deputies and approved in March 2024.

Awaits the appointment of a rapporteur for this matter in the Senates' Committee on Economic Affairs.

Chamber of Deputies | MOVER (PL 914/2024)

Innovation and Green Mobility Program



Under urgent consideration

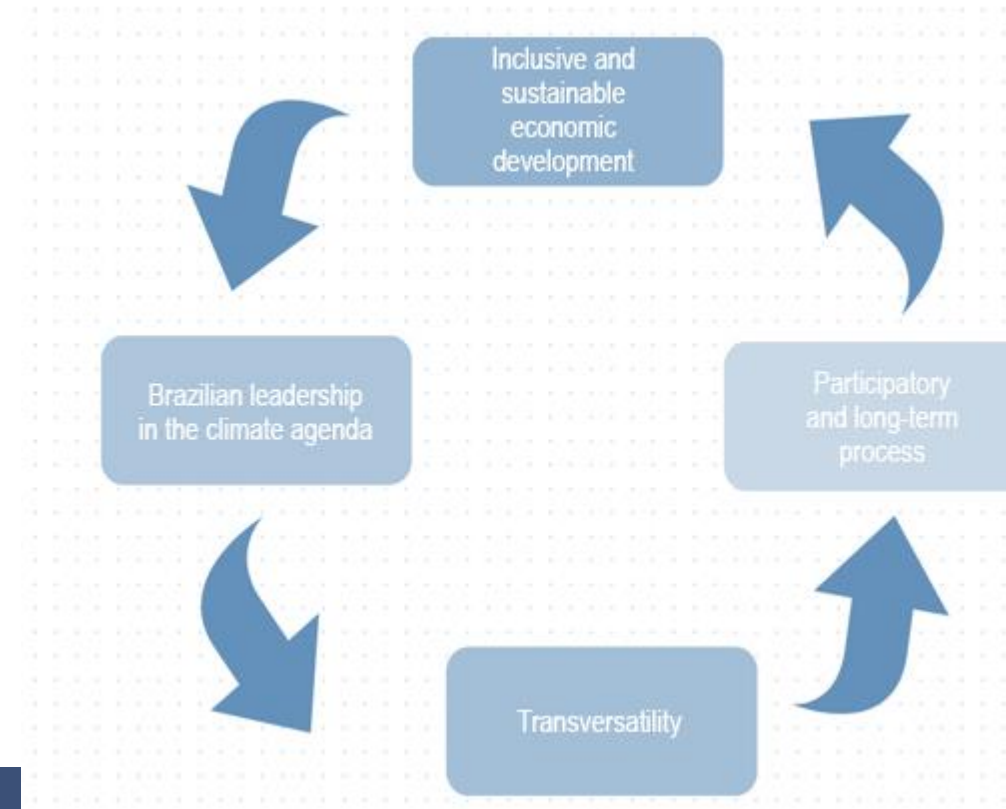
Awaits distribution to the Committees in the Chamber of Deputies



The Government's environmental agenda

Strategic actions

- Host the United Nations Climate Change Conference (COP 30) - Belém/2025.
- Zero deforestation as a goal to be achieved by 2030.
- The government launched the Ecological Transformation Plan (Ministry of Finance), which includes six axes: sustainable finance, circular economy, technological densification, bioeconomy, energy transition, and climate change adaptation.
- Revision of the National Policy on Climate Change (PNMC) and the 2024-2035 Climate Plan.



Challenges:

- Implementation of the ETP in addition to and in line with the NIB
- Formulate the implementation of the Brazilian Greenhouse Gas Emissions Trading System (SBCE).



Progress expected in 2024

Green agenda



PL 528/20
Fuel of the future



PL 2148/15
Carbon Market



PL 327/21
Energy Transition Acceleration



PL 3027/22
Air quality



PL 1874/22 **National Circular Economy Policy**



PL 2308/23
Low-carbon hydrogen



PL 5932/23
Framework for offshore wind farms



THANK YOU

Roberto Muniz
Institutional Relations Director



Confederação Nacional da Indústria

PELO FUTURO DA INDÚSTRIA