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Comitê de Cooperação Econômica

BRASIL-JAPÃO

# THE BRAZILIAN ECONOMY AND THE AGENDA FOR REFORMS

XX Joint Meeting of Japan – Brazil Economic Cooperation Committee



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Curitiba, August 28th, 2017



# FROM TOKYO TO CURITIBA: What changed in the Brazilian economy ?



# THE QUESTIONS



WHAT THE ECONOMIC  
INDICATORS SAY ABOUT  
THE RECOVERY ?



WHAT WAS THE EVOLUTION  
OF THE REFORMS ?

# FROM TOKYO TO CURITIBA

**RECOVERY**  
SLOWER THAN  
EXPECTED

MORE  
**REFORMS**  
THAN EXPECTED

NEW INVESTIGATIONS,  
NEW **UNCERTAINTIES**



## Economic scenario

### How is the economy going?

# BUSINESS CONFIDENCE: HOLDING VIRTUALLY STEADY



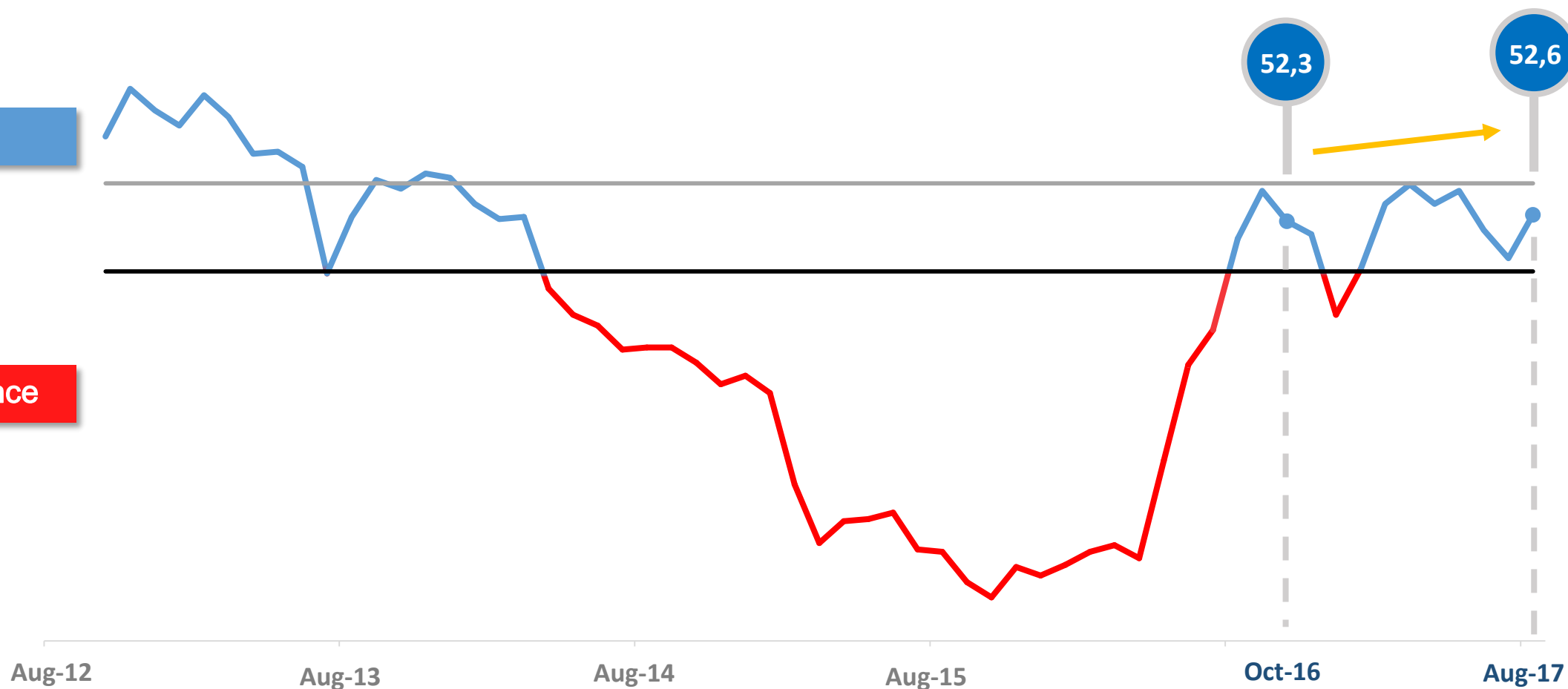
BUSINESS CONFIDENCE INDEX – ICEI\*

Confidence

Lack of confidence

TOKYO Meeting

CURITIBA Meeting



\*The ICEI varies in the 0-100 interval. Figures above 50 points indicate that entrepreneurs are confident.

Source: ICEI – Business confidence index.

# INDUSTRIAL PRODUCTION HAS STOPPED FALLING

## ▶ INDUSTRIAL PRODUCTION



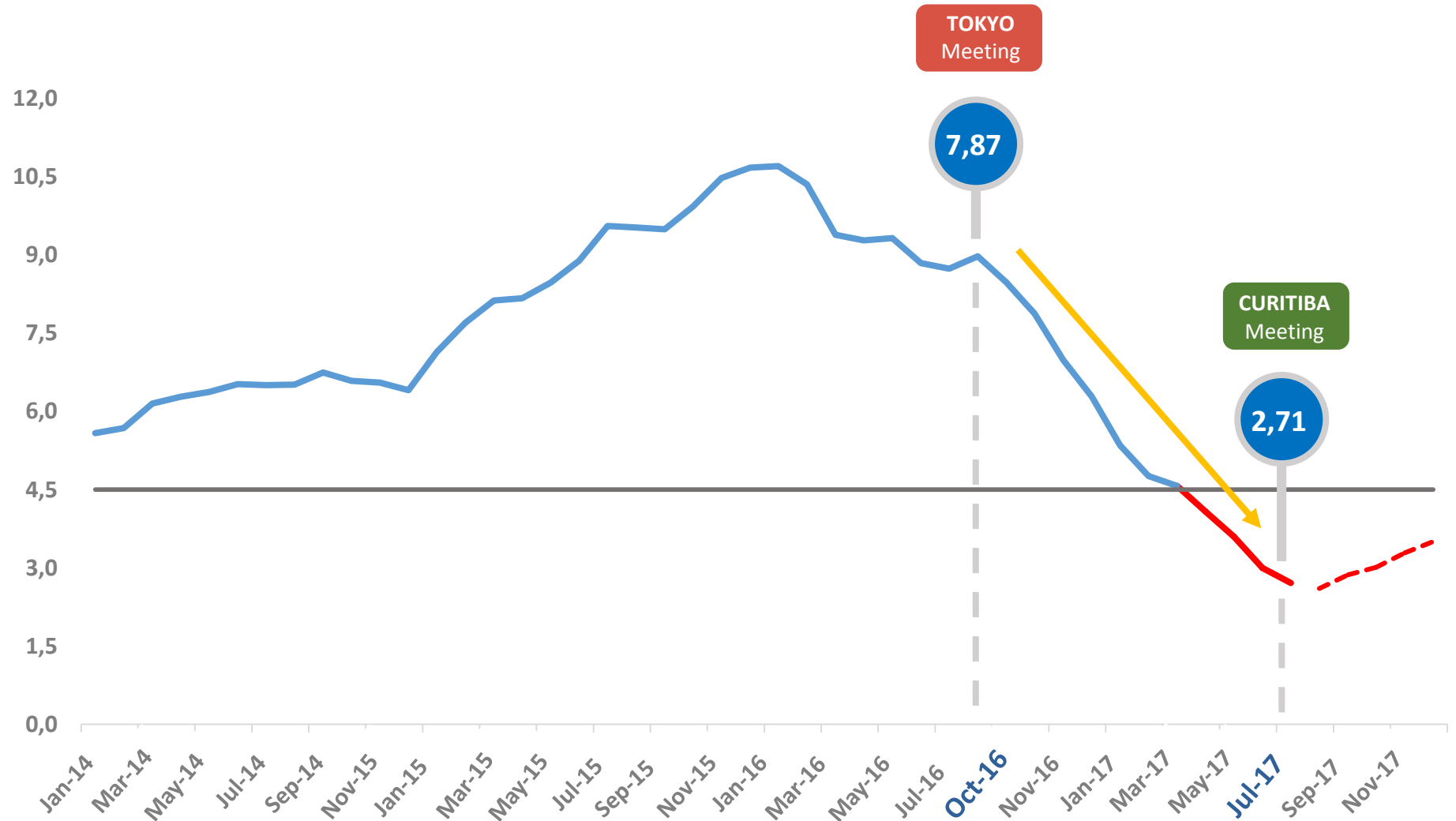
# INFLATION: BETTER THAN EXPECTED

▶ IPCA INDEX

12-month inflation

Inflation target

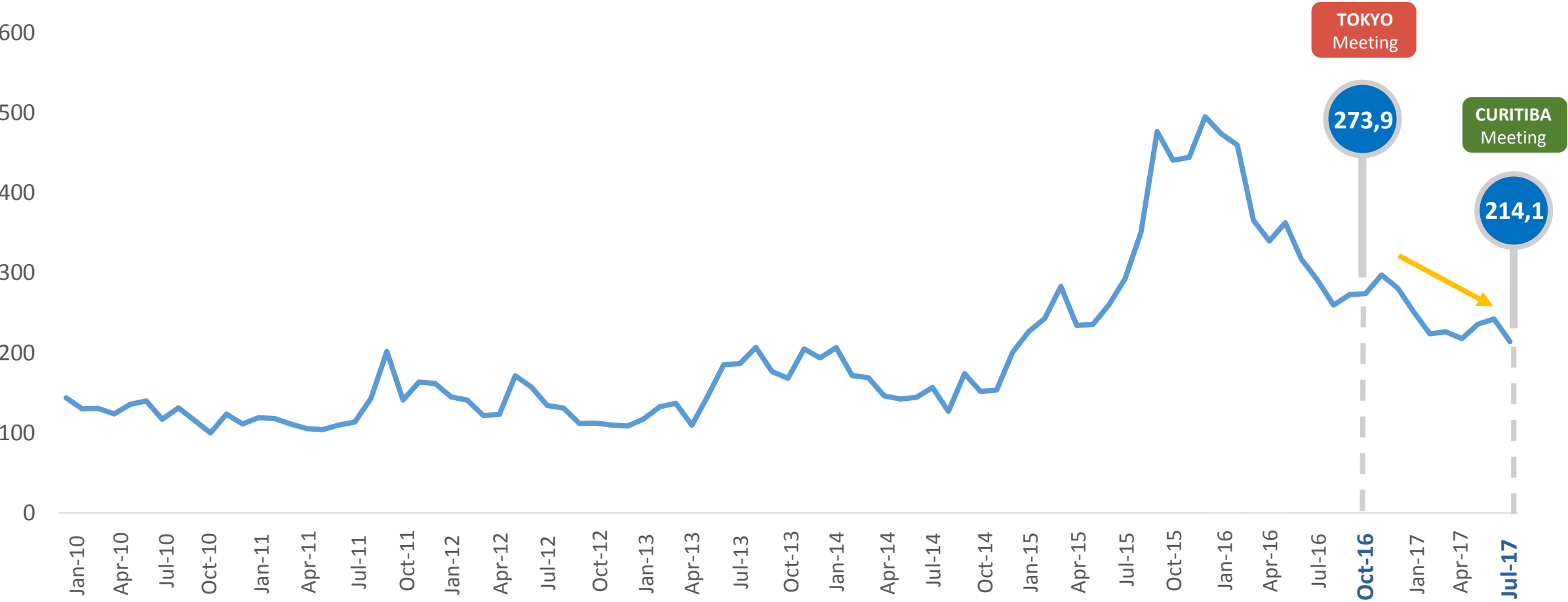
Forecast



# CDS: A LOWER RISK



CREDIT DEFAULT SWAPS

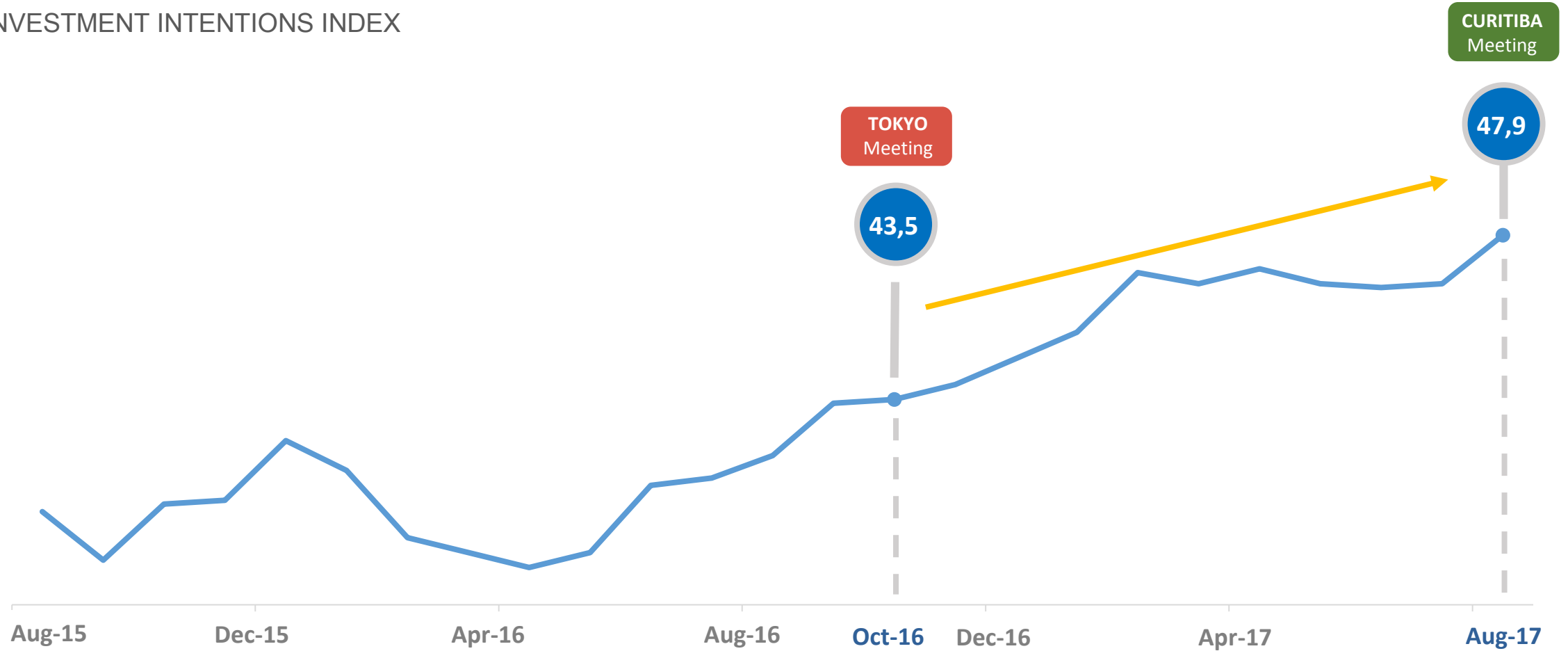


Source: Bloomberg

# INVESTMENTS: A SLOW RECOVERY



## INVESTMENT INTENTIONS INDEX

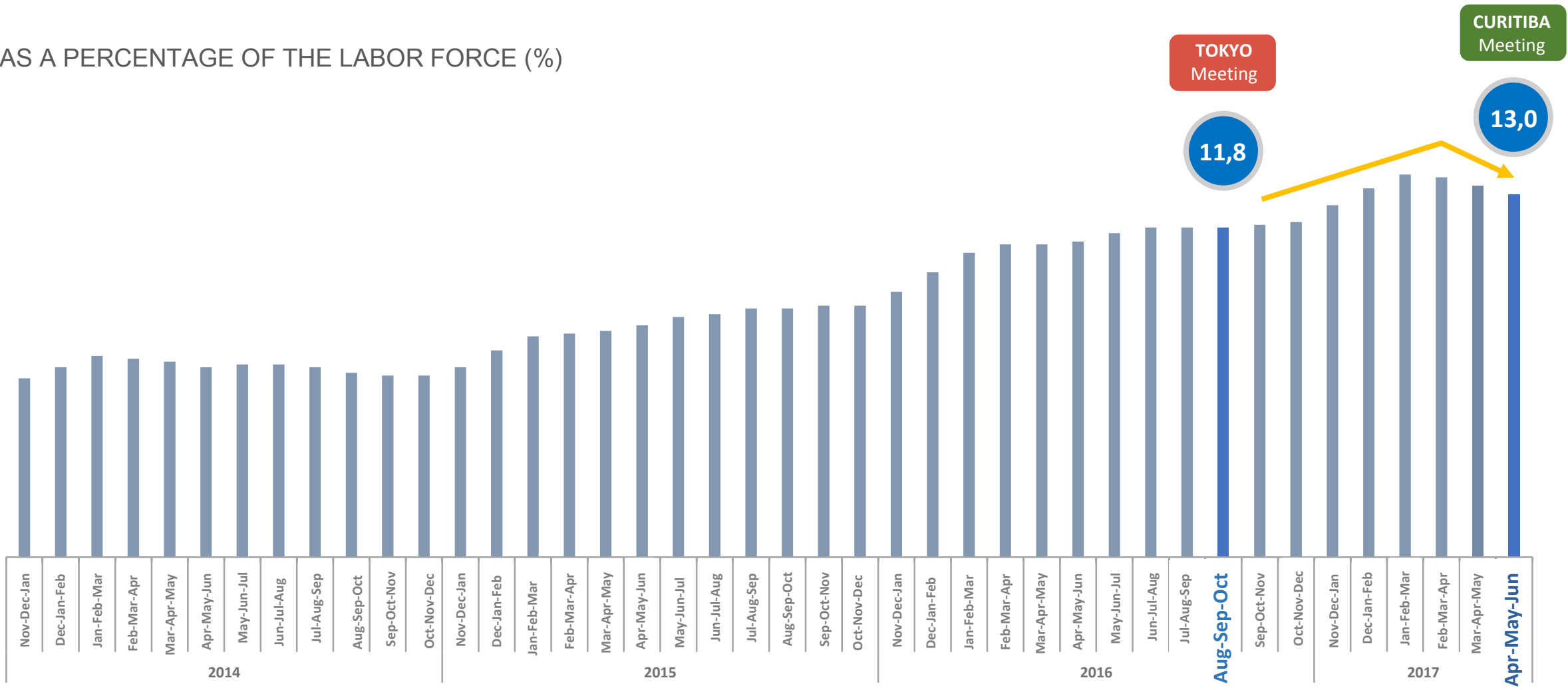


\*The index range from 0-100. The higher the index, the more likely industry is to invest

Source: CNI

# UNEMPLOYMENT KEPT INCREASING BUT NOW IS IN A TURNING POINT

▶ AS A PERCENTAGE OF THE LABOR FORCE (%)



Source: Continuous PNAD/IBGE

# EXCHANGE RATE: UNCERTAINTIES AND RESILIENCE

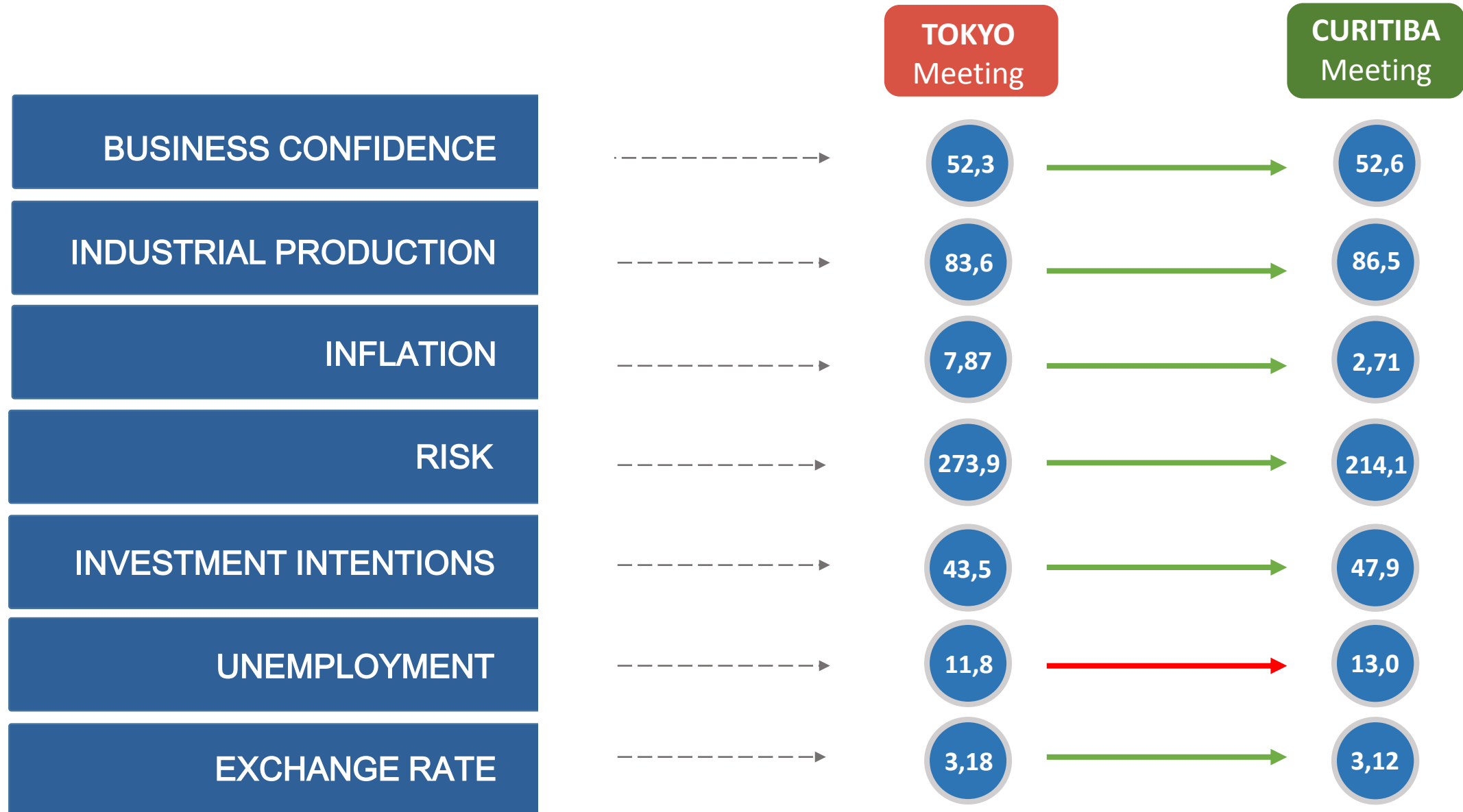
▶ DAILY EXCHANGE RATE (PTAX CLOSING RATE\*)  
IN R\$ PER US\$



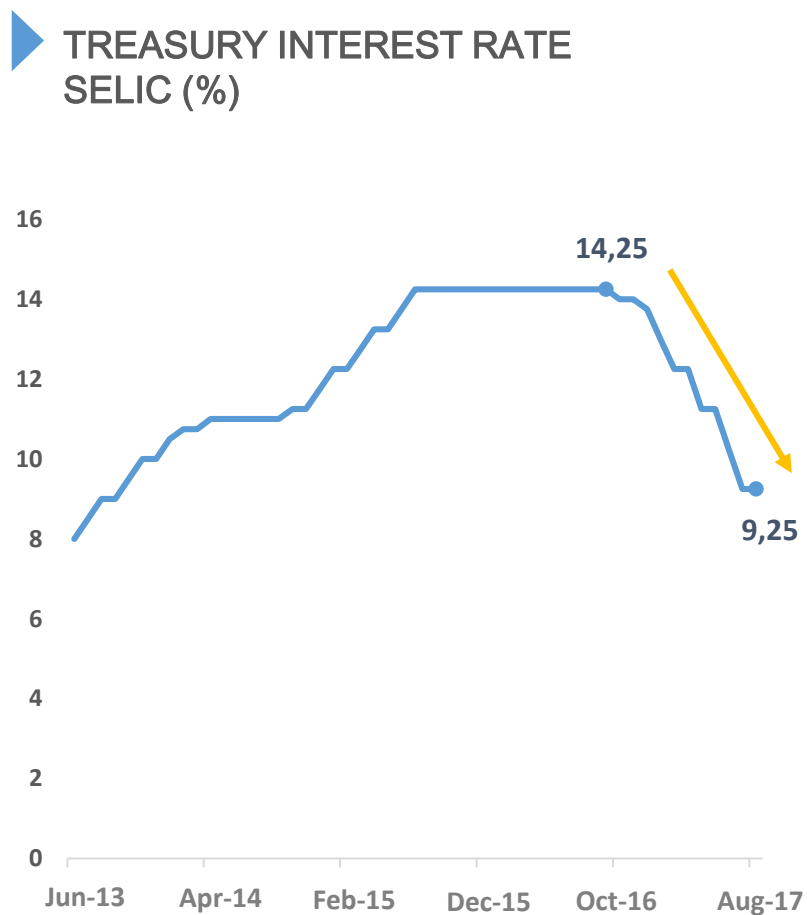
Source: Central Bank of Brazil

\* The Closing Ptax rate is the arithmetic average of bid and offer rates published in daily bulletins.

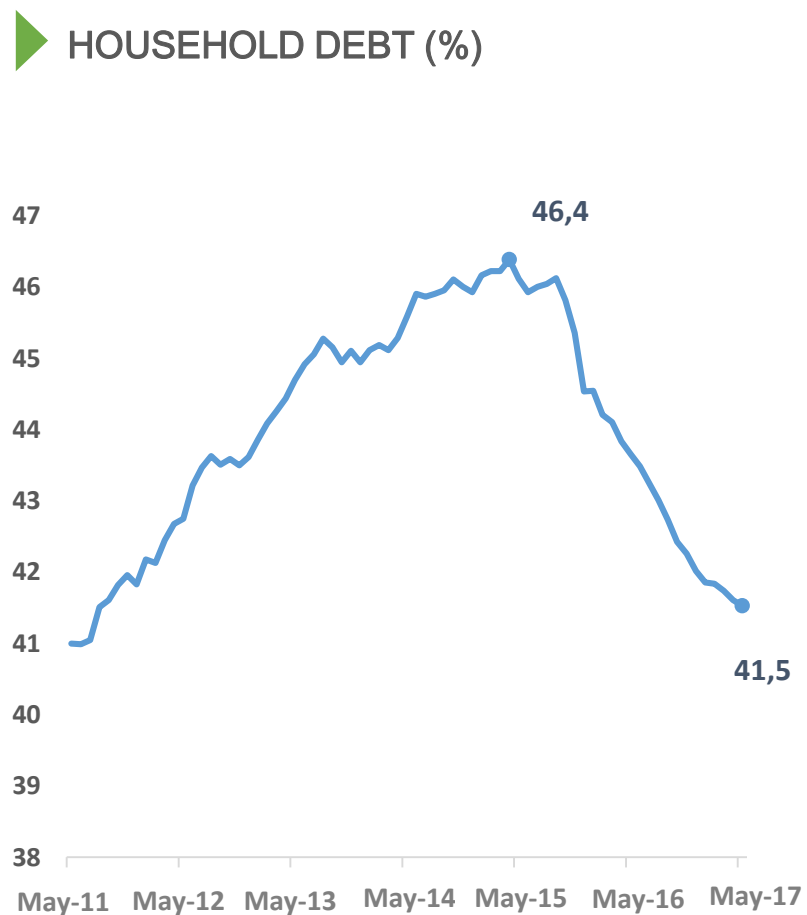
# SUMMARY



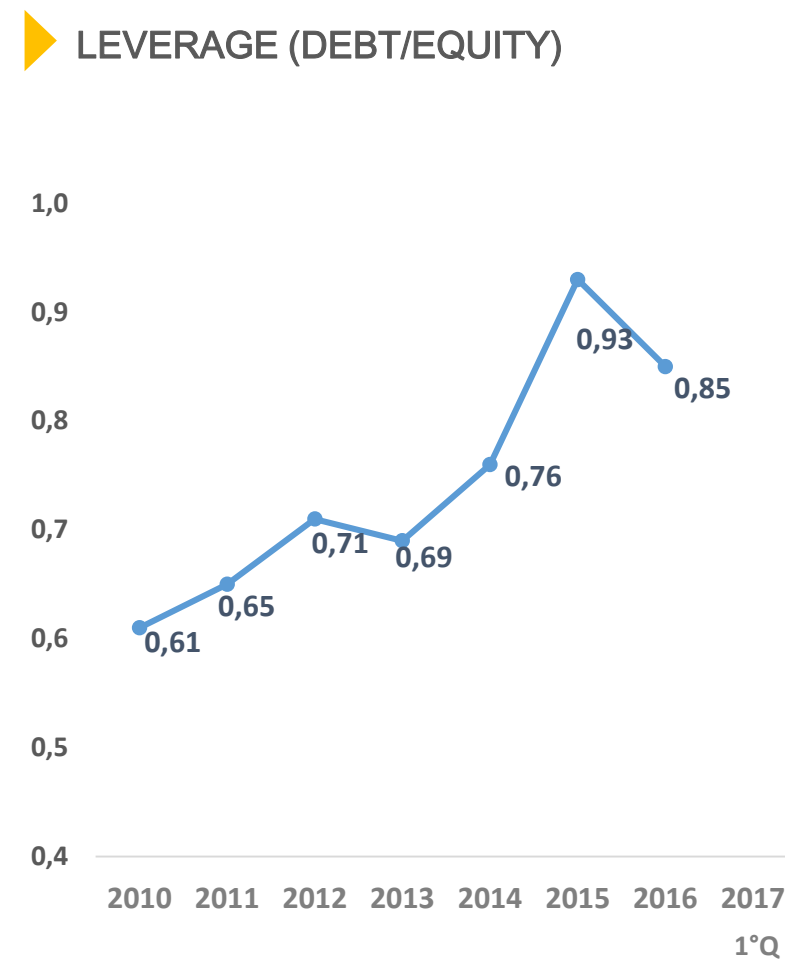
# TOWARD A CYCLICAL RECOVERY



Source: Central Bank of Brazil.



Source: Central Bank of Brazil.



Source: CEMEC-IBMEC.

# IT HAS BEEN TIME OF REFORMS IN BRAZIL

## CONSTITUTIONAL REFORMS



## REGULATORY REFORMS



## ORDINARY LAW REFORMS



ONE YEAR AFTER

36

PROPOSALS

CNI



6 COMPLETED



23 IN PROGRESS



7 HAVE STALLED

# REFORMS ACCOMPLISHED: MAIN HIGHLIGHTS

## FISCAL

- Limit on Public Expenses

## EDUCATION

- High School reform

## GOVERNANCE

- Regulatory Agencies
- Public Sector Companies

## LABOR

- Outsourcing
- Labor reform
- Excluding commuting accidents from the FAP (Accident Prevention Factor) calculation

## SECTORIAL

- Petroleum & Gas (sharing regime review)
- Charging the CDE (Energy Development Bill) proportionally
- Modernizing concessions for exploiting natural gas onshore

## TRADE

- Trade facilitation
- Trade negotiations



IN PROGRESS

# THE NEW LABOR LAW: A LANDMARK



# THE NEW LABOR LAW: A LANDMARK

PREVALENCE OF  
**NEGOTIATION**  
OVER LEGISLATION

**NEW CONTRACTS**  
MODELS

**MORE**  
**FLEXIBILITY**

**RESPECT TO FUNDAMENTAL RIGHTS**

**LEGAL CERTAINTY + COOPERATION**

# WHAT CANNOT BE NEGOTIATED

1	2	3	4	5
Health and security rules	13th salary (compulsory Christmas bonus)	Right to free unionization	Right to strike	Right to free and spontaneous collective bargaining

# WHAT CANNOT BE NEGOTIATED

6	7	8	9	10
<b>Additional pay for extraordinary working hours</b>	<b>Protection against discrimination</b>	<b>Maternity and paternity leave</b>	<b>Annual vacation</b>	<b>Protection for female workers</b>

# WHAT CAN BE NEGOTIATED + NEW REGULATIONS

1	2	3	4
Representation of workers in the workplace	Working hours, subjected to the constitutional limits	Flexible working hours and an annual working hours bank	Exclusion of commuting hours from working hours (rule)

# WHAT CAN BE NEGOTIATED + NEW REGULATIONS

5	6	7	8
Rest and meal break of at least 30 minutes	Home office and intermittent work	Modality of recording working hours	Possibility of switching holidays falling in the middle of the week

# WHAT CAN BE NEGOTIATED + NEW REGULATIONS

9	10	11	12
Career and wages plan and corporate regulation	Compensation for productivity and individual performance	Incentive bonuses in goods and services	Participation in profits and results

# REFORMS: WHAT IS ON THE PIPELINE



# ISSUES TO MONITOR

## MENTIONED IN THE TOKYO MEETING + ELECTIONS 2018



CONGRESS REACTION TO REFORMS



PUBLIC OPINION REACTION



EVOLUTION OF CORRUPTION INVESTIGATIONS



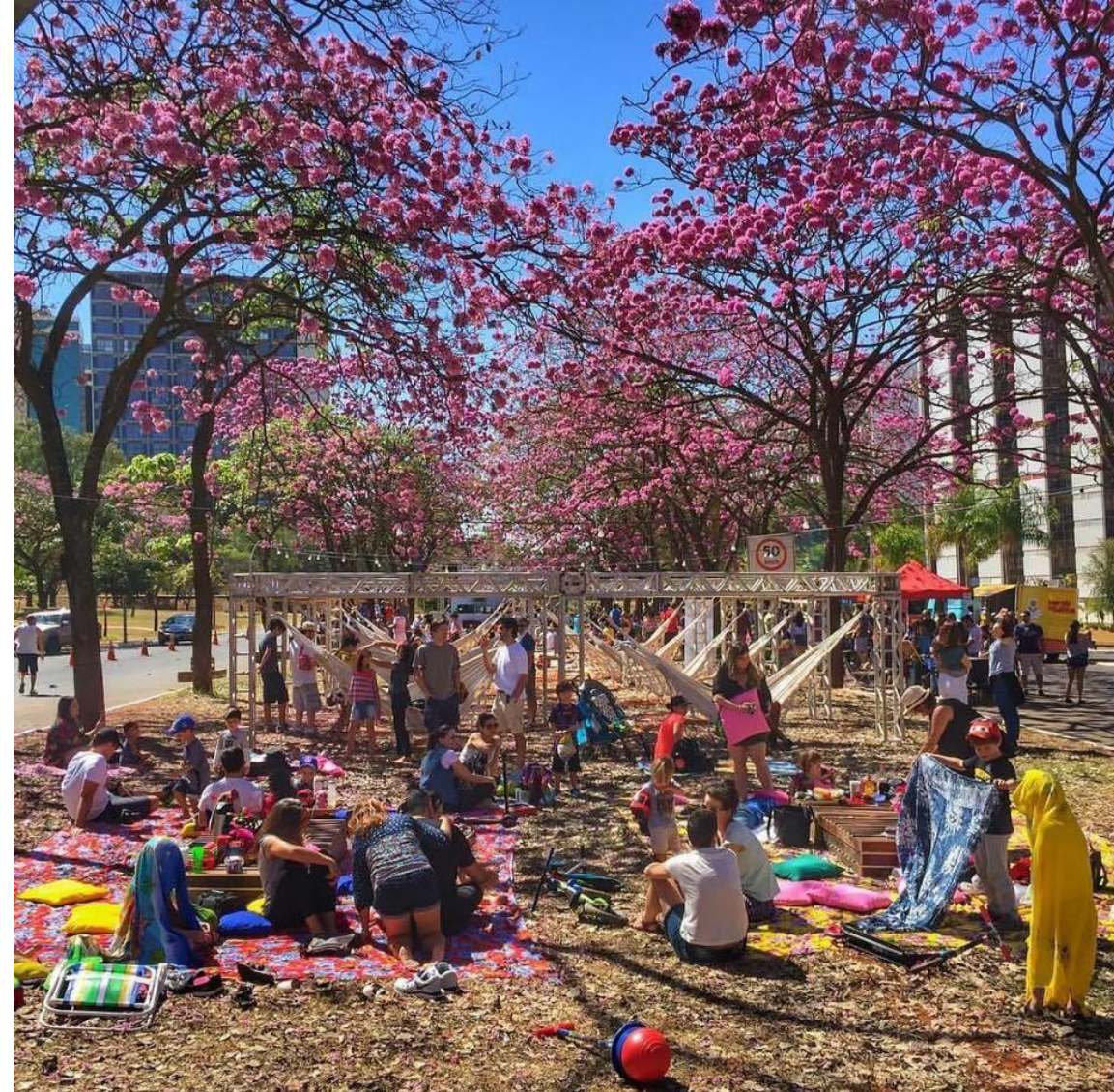
SPEED OF ECONOMIC RECOVERY



ELECTIONS 2018

A person is silhouetted against a bright, golden sunset sky while climbing a vertical rock face. The climber is positioned on the left side of the frame, reaching up with their right arm. The rock face is textured and layered. The sky is filled with soft, glowing clouds, and the sun is visible near the bottom right, creating a strong backlight effect.

► *The climbing continues*



► **To a better scenario (an integrated one)**



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