THE STATE OF THE BRAZILIAN ECONOMY AND THE PERSPECTIVE OF REFORMS
What is the State of the Brazilian Economy?

2018 – 2022
What to expect?

- Slow Recovery
- Lower inflation and interest rates
- High Fiscal Deficit

- CNI Agenda
- Reforms and presidential candidates
<table>
<thead>
<tr>
<th>Economic Indicator</th>
<th>Tokyo Meeting 2016</th>
<th>Tokyo Meeting 2018</th>
<th>Curitiba Meeting 2017</th>
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<tbody>
<tr>
<td>Business Confidence</td>
<td>52,3</td>
<td>55,5</td>
<td>52,6</td>
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<td>Industrial Production</td>
<td>83,1</td>
<td>89,8</td>
<td>87,2</td>
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<td>Inflation</td>
<td>7,87</td>
<td>273,9</td>
<td>2,71</td>
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<td>Risk</td>
<td>273,9</td>
<td>217,6</td>
<td>214,1</td>
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<td>Investment Intentions</td>
<td>43,5</td>
<td>52,2</td>
<td>47,9</td>
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<td>Unemployment</td>
<td>11,8</td>
<td>12,9</td>
<td>13,0</td>
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<td>Exchange Rate</td>
<td>3,18</td>
<td>3,77</td>
<td>3,12</td>
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**REFORMS ACCOMPLISHED:** MAIN HIGHLIGHTS

**FISCAL**
- Limit on public expenses

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

**EDUCATION**
- High school reform

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

**GOVERNANCE**
- Regulatory agencies
- Public sector companies

**TRADE**
- Trade facilitation
- Trade negotiations
  - IN PROGRESS
The BASIS FOR THE DIALOGUE
WITH PRESIDENTIAL CANDIDATES

STRATEGY MAP FOR INDUSTRY
STRATEGY MAP
FOR INDUSTRY

COMPETITIVENESS WITH SUSTAINABILITY

- Productivity and Innovation within Companies
- Industrial, Innovation and Foreign Trade Policy
- Infrastructure
- Taxation
- Labor Relations
- Education
- Financing
- Natural Resources and the Environment
- Legal Certainty
- Macroeconomic Environment
- Government Efficiency, Governance and Red Tape Reduction
THE MAP
AND THE
PROPOSALS
WERE THE PLATFORM
OF THE DIALOGUE WITH
PRESIDENTIAL CANDIDATES
ELECTIONS: TOO EARLY TO SAY ANYTHING?

TWO VIEWS

STRUCTURAL
- TV and Radio time matters
- Party financing is important
- Presidential, governors and Congress elections
- Parties control of municipalities
- 48% of voters seek news on candidates through the internet
- 46% says that their current choice may change

THIS TIME IS DIFFERENT
- A high demand for a disruptor
- Anti-establishment mood
- The role of social media
- According to pools, 33% of voters will vote null or blank (more than 3x in previous elections)
HOW THE VOTES WILL DECIDE IN THE LAST MOMENT?

THE DINAMICS OF THE "TACTICAL VOTING"

THE WORKERS’ PARTY CANDIDATE AND ITS EFFECTS ON OTHER LEFT WING CANDIDATES
BRAZIL 101

IMPORTANT POLICIES ARE IN THE CONSTITUTION
- Tax reform
- Social security
- Labor

CONSTITUTIONAL REFORMS REQUIRES 3/5 OF VOTES IN BOTH HOUSES

CONGRESS IS VERY FRAGMENTED. THE NEW PRESIDENT WILL NEED TO FORM POLITICAL COALITIONS
- Number of parties ➔ 1998 (18) ➔ 2014 (28)
- President’s party in Congress ➔ 1998 (19%) ➔ 2014 (13%)
WHERE TO USE THE POLITICAL CAPITAL?

• Social security
• Tax reform
• Deregulation / Regulation

THE NEGOTIATION PROCESS: LEADERSHIP AND COMMUNICATION

COALITION MANAGEMENT: OLD WAYS x POLICY AGREEMENT

• Government formation
• Changes in Congress?
CNI Dialogue
WITH THE
PRESIDENTIAL CANDIDATES

Some highlights:

- Fiscal Reform → Social Security
- Tax Reform → VAT
- Infrastructure → The role of the private sector
The Brazilian economy is in a process of recovery but in a slow pace.

Brazil has been in a reform momentum but political events and the elections reduced its pace.

The new government will have to face big challenges: fiscal reforms (social security) and competitiveness. The probability of a Tax Reform has increased. Most candidates will work on this agenda.

2018 Elections will be the main source of uncertainty in the near future.