

THE STATE OF THE BRAZILIAN ECONOMY AND
THE PERSPECTIVE OF REFORMS



*National Confederation of Industry
Brazil*

CNI. THE STRENGTH OF THE BRAZILIAN INDUSTRY

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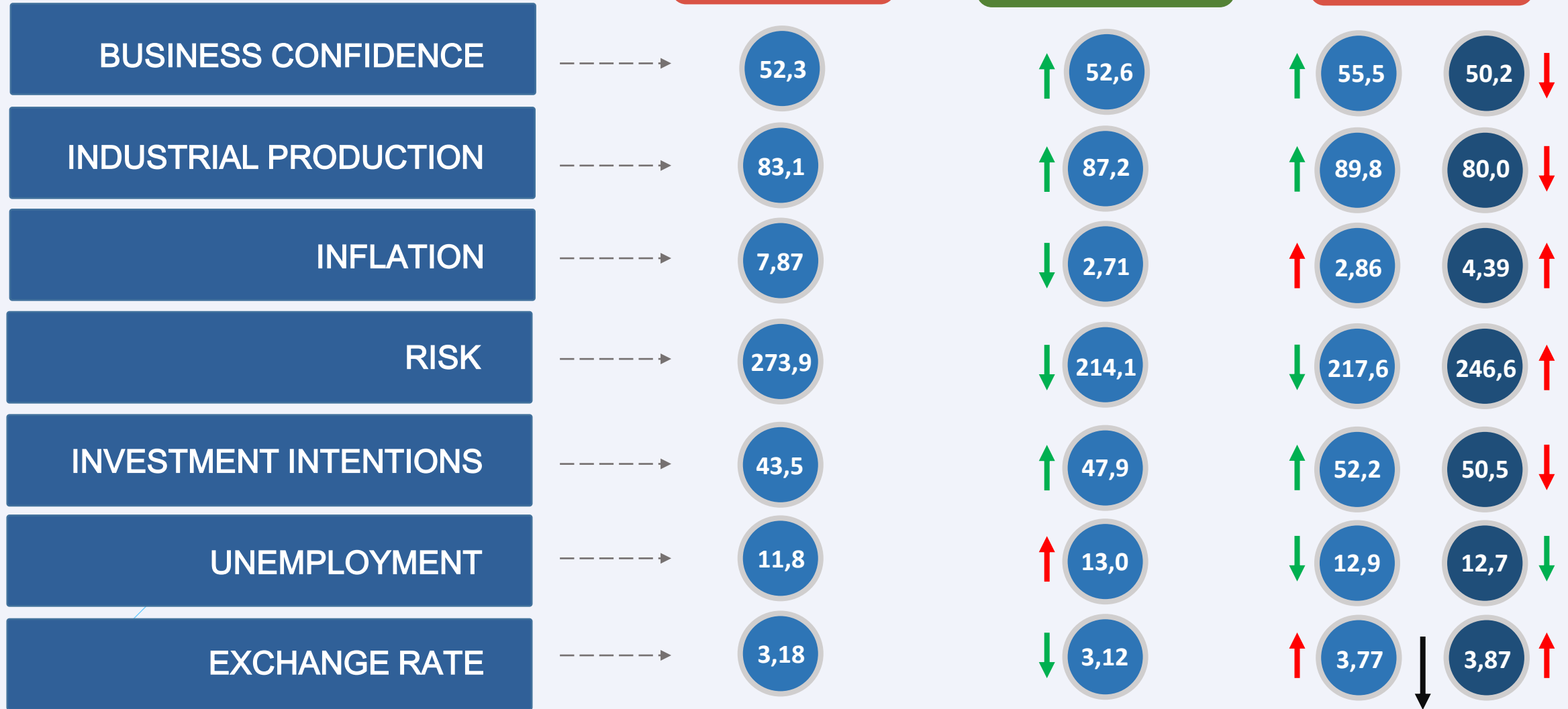
What is the
**STATE OF THE
BRAZILIAN ECONOMY ?**

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

2018 – 2022
What to expect ?

- CNI Agenda
- Reforms and presidential candidates

ECONOMIC SUMMARY



POST STRIKE

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
**BASIS FOR
THE DIALOGUE**

WITH PRESIDENTIAL CANDIDATES



2018

PROPOSALS FROM INDUSTRY
FOR THE ELECTIONS

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



March 2018

July 2018

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)

ISSUES TO **PAY ATTENTION**

- ▶ 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%)

CHALLENGES FOR THE NEW PRESIDENT

▶ 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

SUMMING-UP

- 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.

2018

PROPOSALS FROM INDUSTRY FOR THE ELECTIONS

<http://www.portaldaindustria.com.br/cni/canais/propostas-da-industria-para-eleicoes-2018/>



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