



Confederação Nacional da Indústria

CNI. A FORÇA DO BRASIL INDÚSTRIA





THE BRAZILIAN ECONOMY AND THE AGENDA FOR REFORMS

VIII CNI DIPLOMATIC BRIEFING



Confederação Nacional da Indústria

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**FROM
JUNE TO
NOVEMBER**



**WHAT CHANGED IN THE BRAZILIAN
ECONOMY?**

THE QUESTIONS

- ▶ WHAT THE ECONOMIC INDICATORS SAY ABOUT THE RECOVERY?
- ▶ WHAT WAS THE EVOLUTION OF THE REFORMS?

FROM JUNE TO NOVEMBER

**ALL ECONOMIC
INDICATORS
IMPROVED**

**REFORMS
KEPT IN
PROGRESS**



ECONOMIC SCENARIO

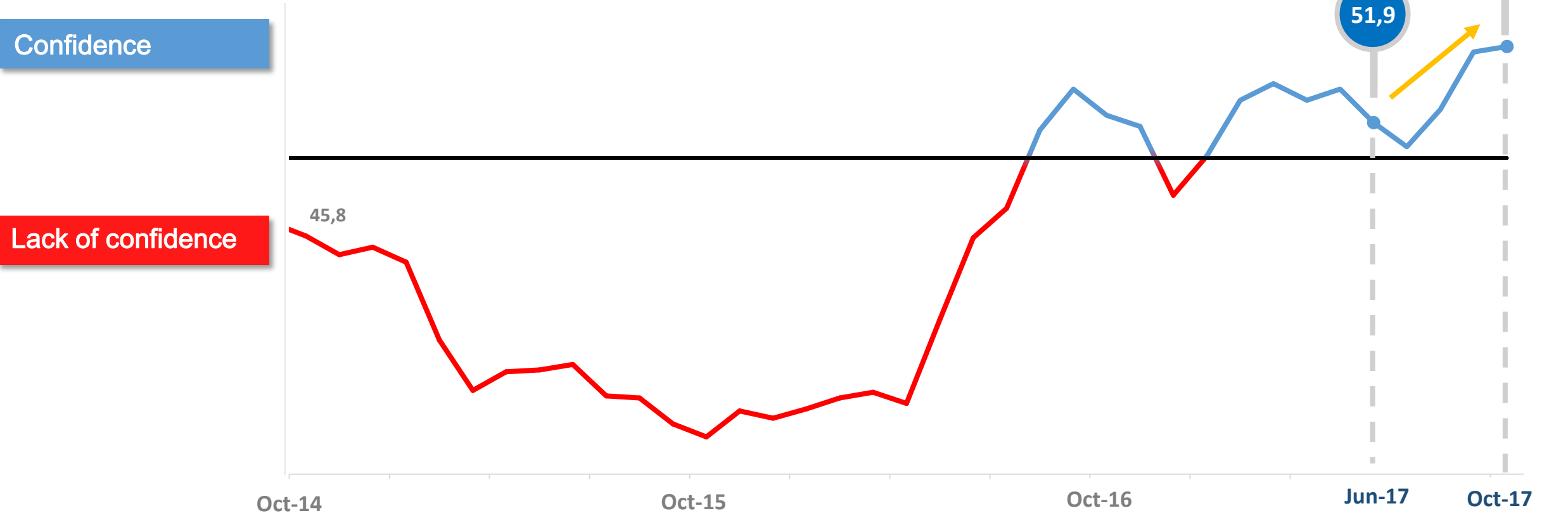


HOW THE ECONOMY MOVED?

INCREASE IN BUSINESS CONFIDENCE



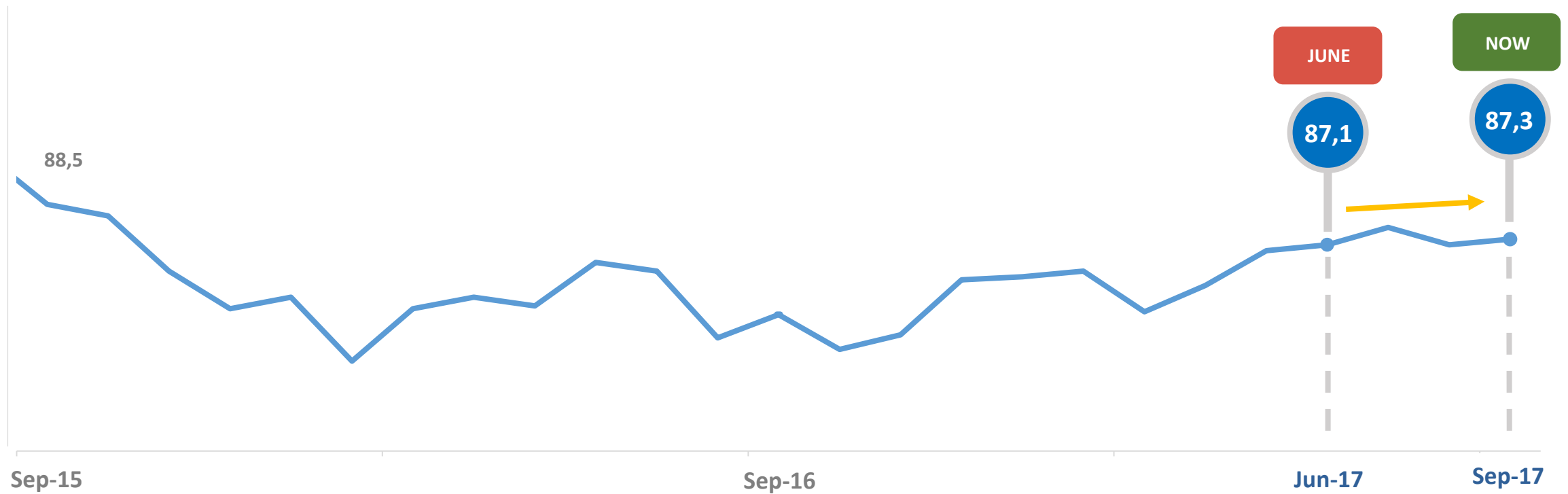
BUSINESS CONFIDENCE INDEX – ICEI*



*The ICEI varies in the 0-100 interval. Figures above 50 points indicate that entrepreneurs are confident.
Source: ICEI – Business confidence index.

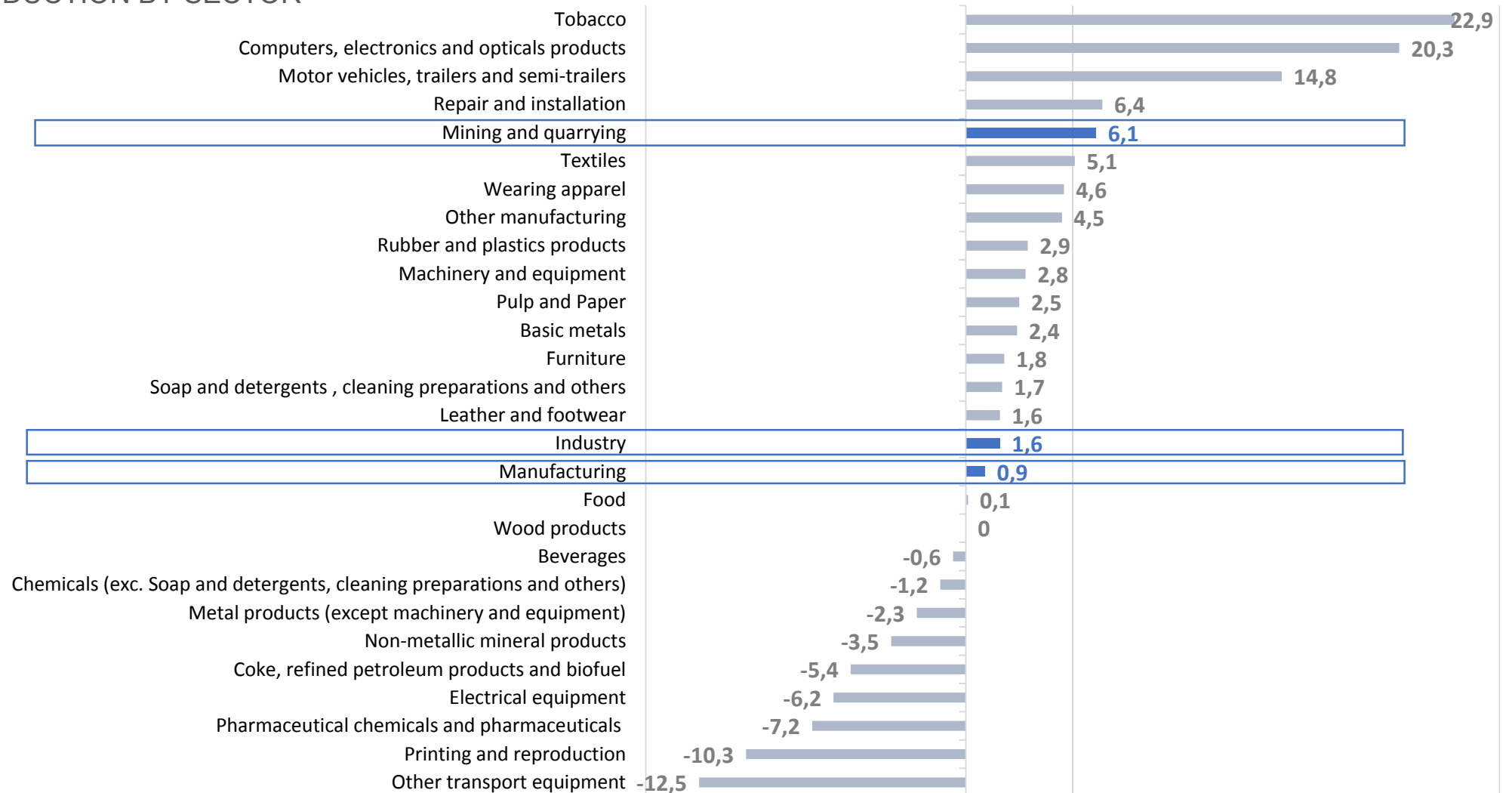
INDUSTRIAL PRODUCTION STOPPED FALLING

▶ INDUSTRIAL PRODUCTION



MOST SECTORS ARE GROWING

INDUSTRIAL PRODUCTION BY SECTOR



Source: IBGE

*Average from January to September 2017 against the average for the same period in 2016 (%)

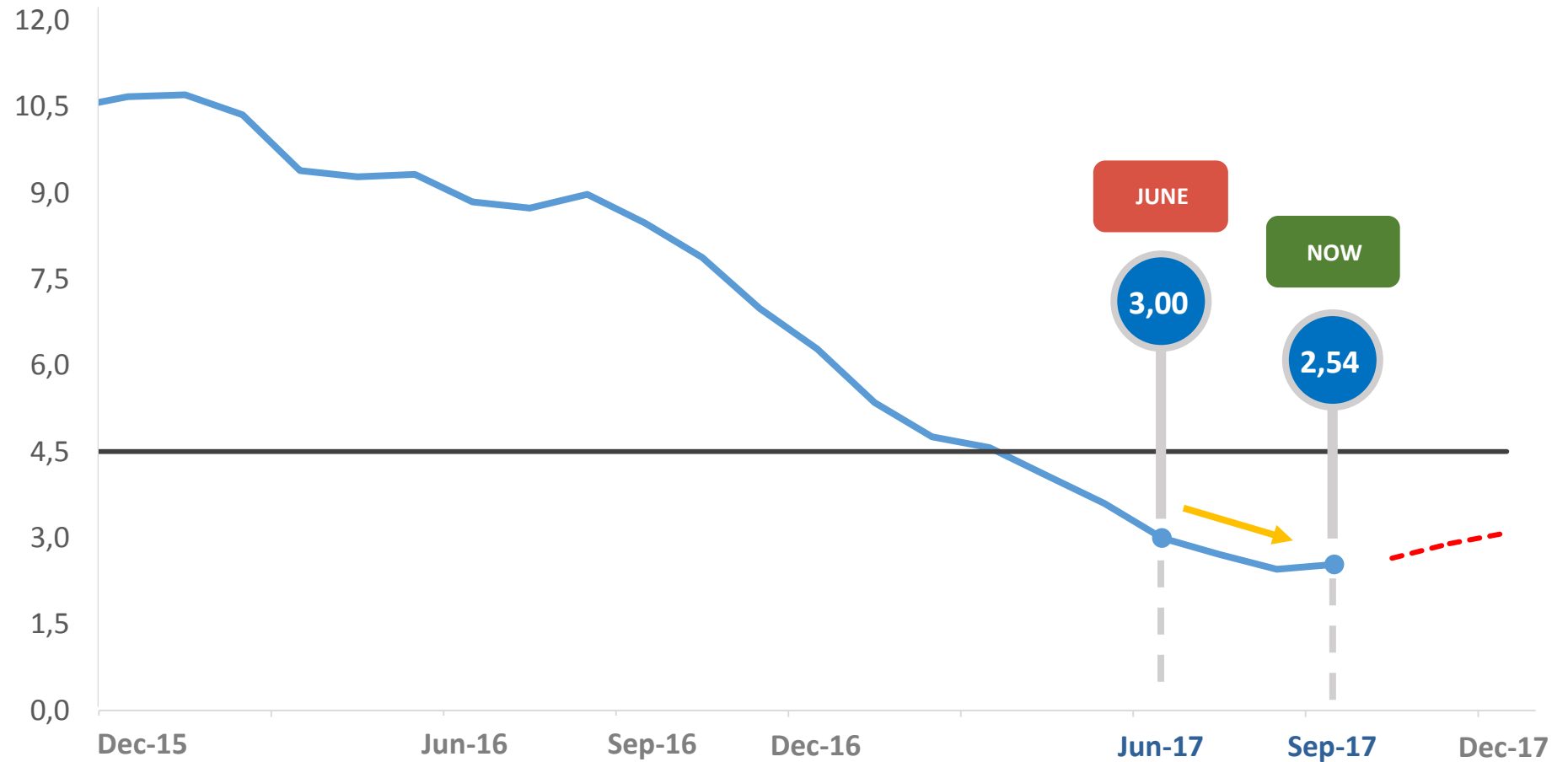
INFLATION: BETTER THAN EXPECTED

▶ IPCA INDEX

12-month inflation

Inflation target

Forecast



A LOWER RISK

EMBI+ Brasil

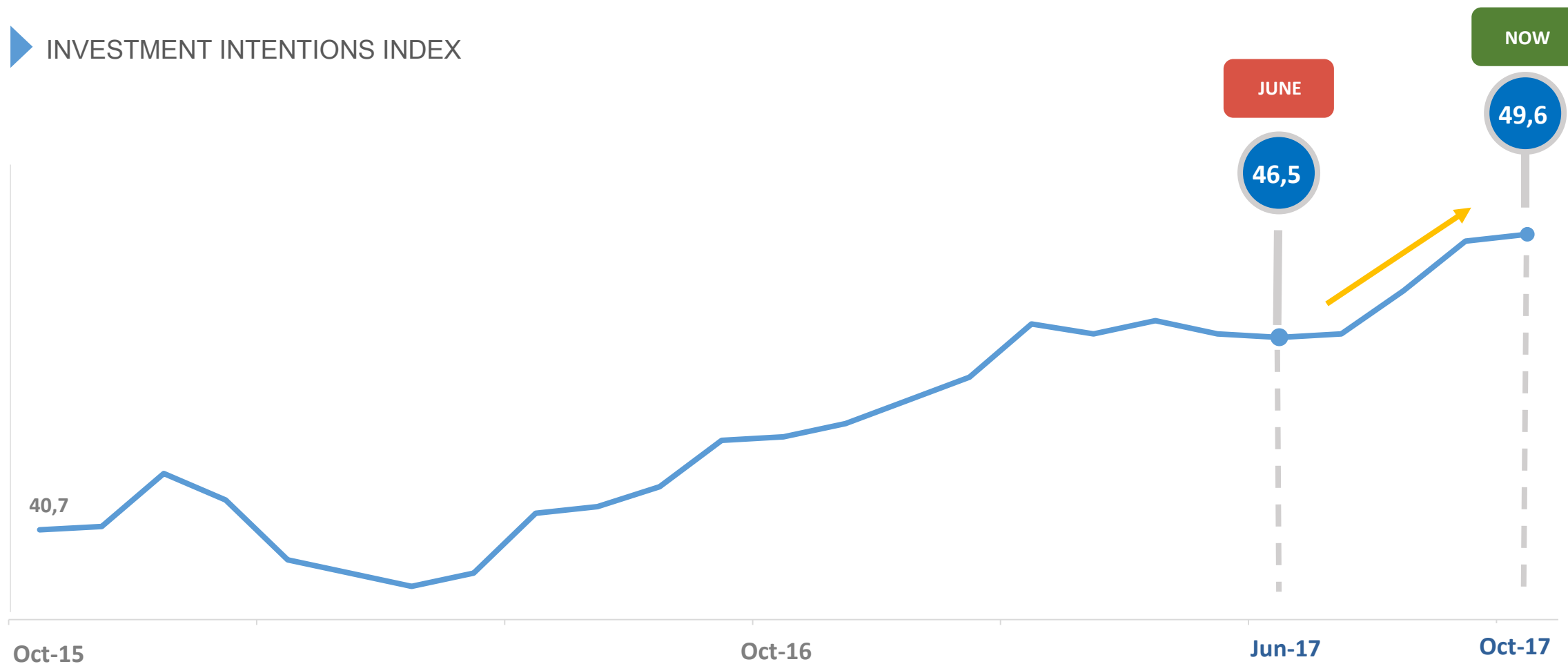


Source: EMBI

INVESTMENTS: A SLOW RECOVERY



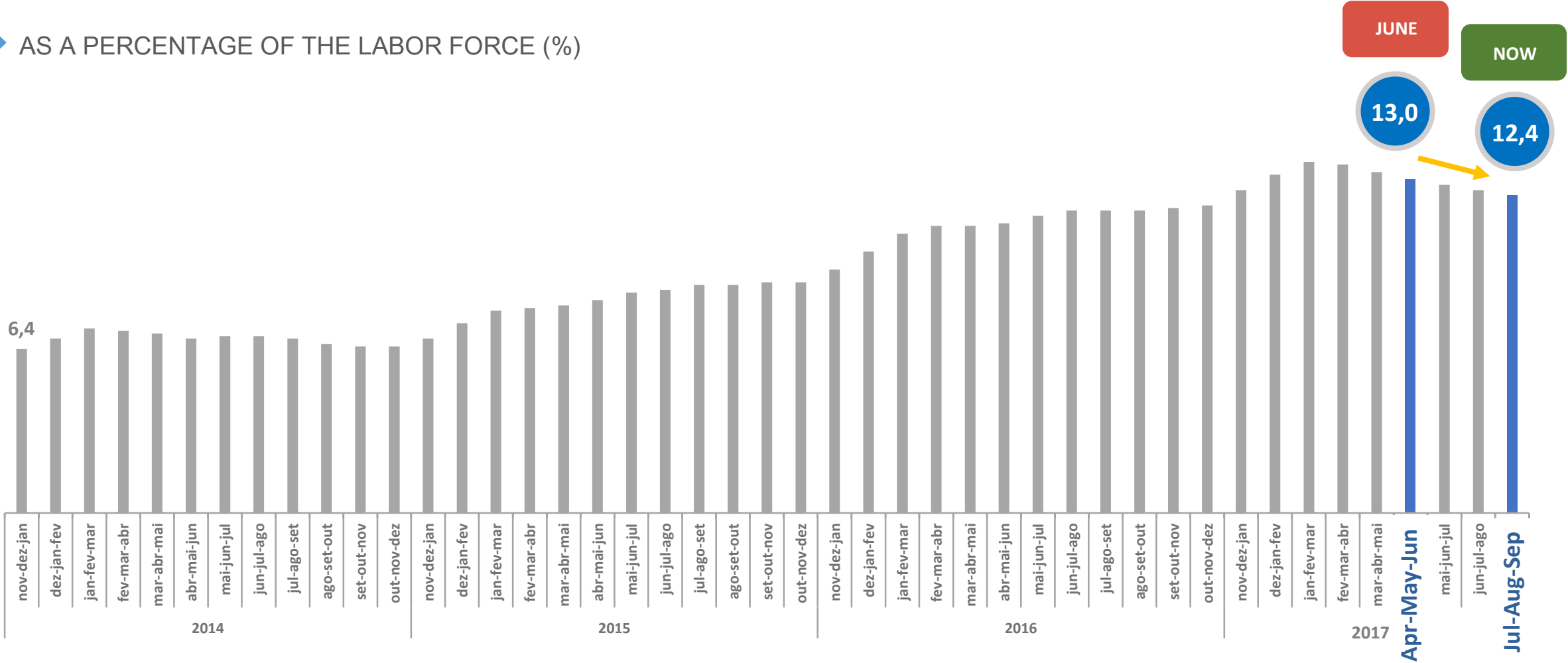
INVESTMENT INTENTIONS INDEX



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

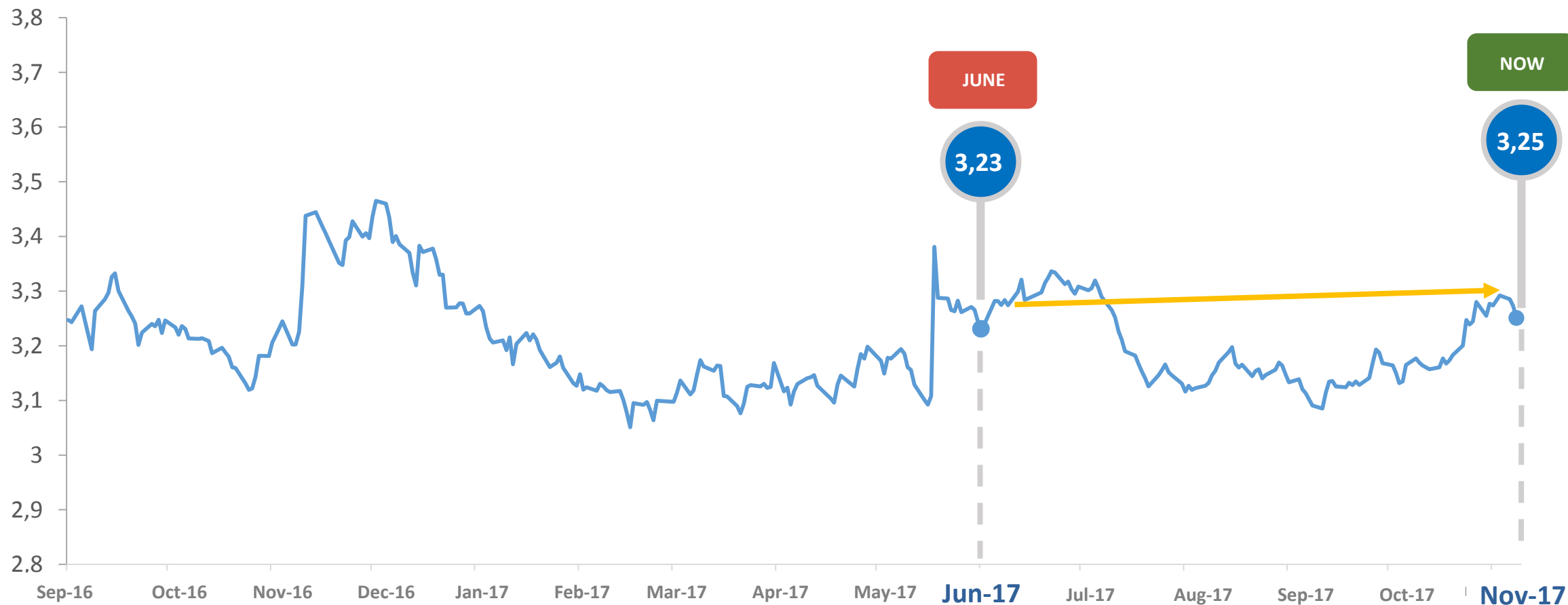
UNEMPLOYMENT START DECREASING

▶ AS A PERCENTAGE OF THE LABOR FORCE (%)



EXCHANGE RATE: STABLE, FOR HOW LONG ?

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



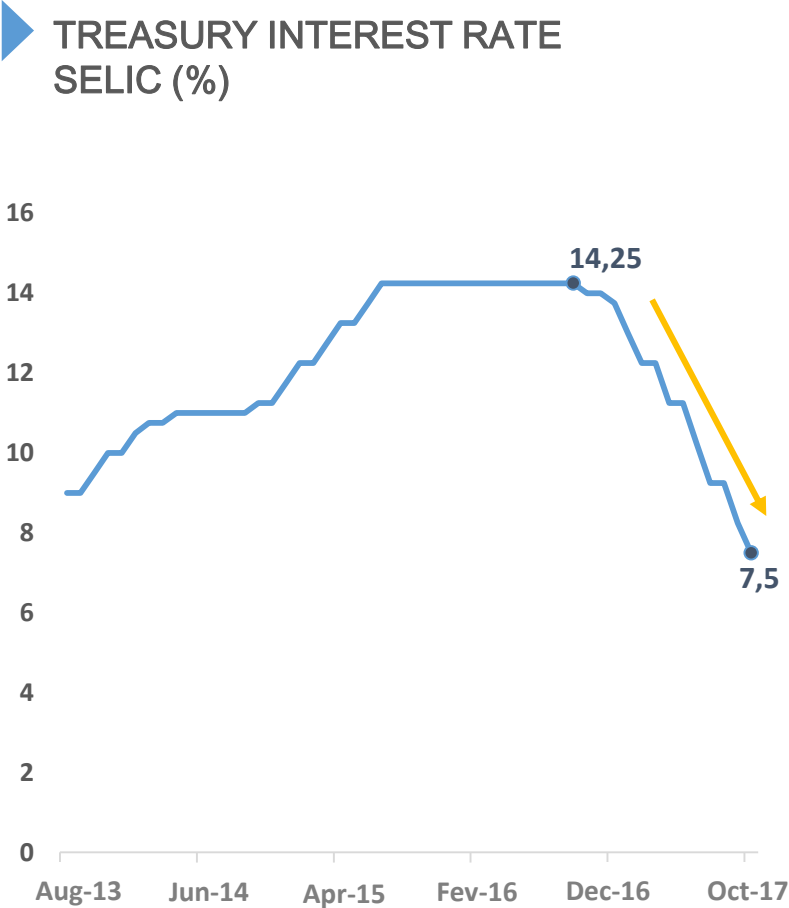
Source: Central Bank of Brazil

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

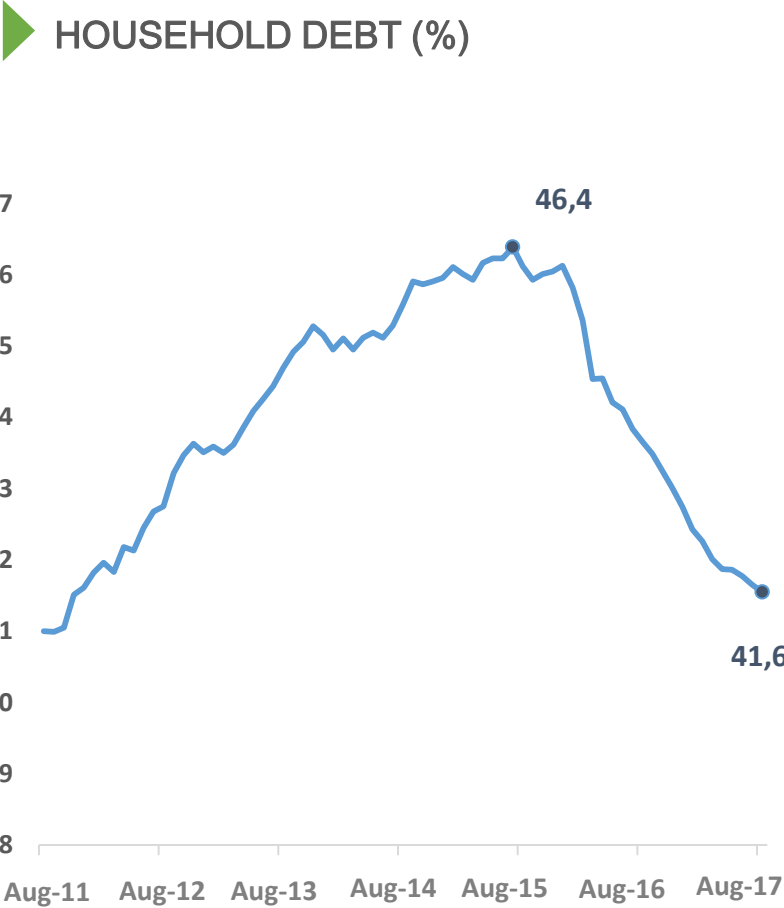
SUMMARY



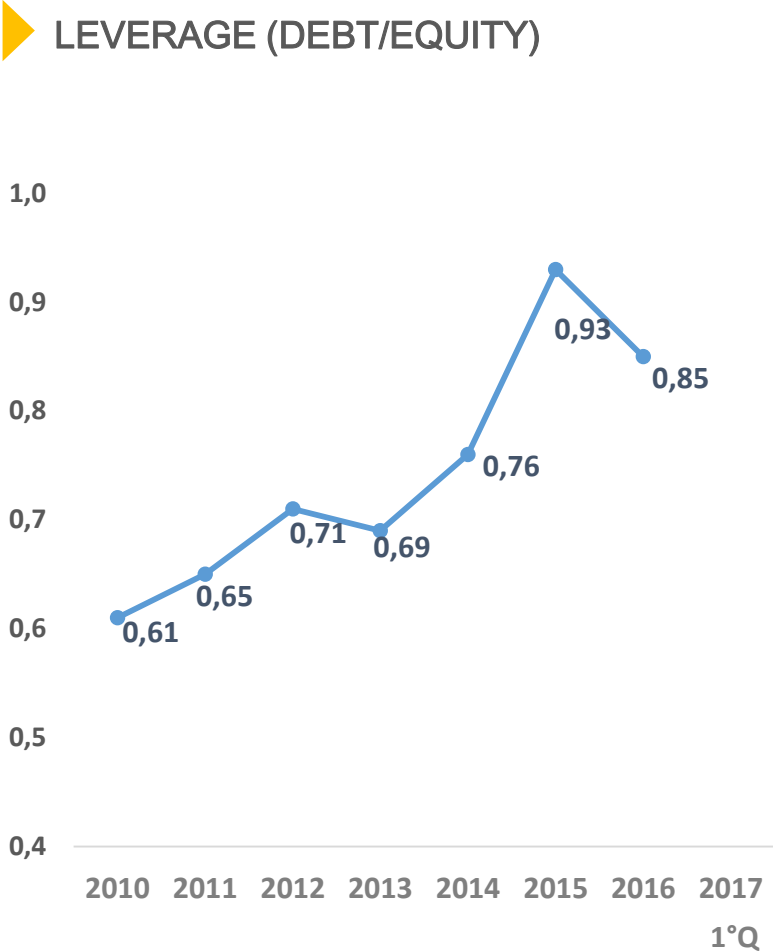
TOWARD A CYCLICAL RECOVERY



Source: Central Bank of Brazil.



Source: Central Bank of Brazil.



Source: CEMEC-IBMEC.



REFORMS IN BRAZIL

CONSTITUTIONAL REFORMS



REGULATORY REFORMS



ORDINARY LAW REFORMS

CNI 36 PROPOSALS

JUNE



4 COMPLETED



22 IN PROGRESS



10 HAVE STALLED

NOW



8 COMPLETED



21 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



THE NEW LABOR LAW

PREVALENCE OF
NEGOTIATION
OVER LEGISLATION

NEW CONTRACTS
MODELS

MORE
FLEXIBILITY

RESPECT TO FUNDAMENTAL RIGHTS

LEGAL CERTAINTY + COOPERATION



REFORMS: WHAT IS ON THE PIPELINE



OTHER REFORMS BEEN IMPLEMENTED / PIPELINE

1 DOING BUSINESS LINKED REFORMS

2 DEBUREAUCRATIZATION

3 GAS

4 ELETRIC MODEL

5 TELECOMMUNICATIONS

6 REFORMS LINKED TO OECD ACCESS

CHANGES IN THE INFRASTRUCTURE LANDSCAPE: THE SHARE OF THE PRIVATE SECTOR

	TODAY	WITH PPI NEW CONCESSIONS
AIRPORTS	<ul style="list-style-type: none"> • 10 airports • 53% of domestic passengers 	<ul style="list-style-type: none"> • More 14 airports • 74% of total passengers
ELECTRICITY	<ul style="list-style-type: none"> • 65% of generation • 61% of distribution • 39% of transmittion 	<ul style="list-style-type: none"> • 88% of generation • 63% of distribution • 77% of transmittion
ROADS	<ul style="list-style-type: none"> • 15% of paved federal roads (9,600 Km) 	<ul style="list-style-type: none"> • 19% of paved federal roads (more 2,500 Km)
RAILROADS	<ul style="list-style-type: none"> • 90% of railroads (27,000 Km) 	<ul style="list-style-type: none"> • More 3,000 Km
PORTS	<ul style="list-style-type: none"> • 237 areas in public ports • 180 private terminals 	<ul style="list-style-type: none"> • 5 new private terminals
SEWAGE	<ul style="list-style-type: none"> • 9.3% of the Market • 150 municipalities • 91 companies 	<ul style="list-style-type: none"> • 29% of the Market • 1630 municipalities • Concession analysis of 14 state level companies

SOME CONCLUSIONS

1. The economy improved since the last Briefing in June in all economic indicators
2. The recession is over, but the recovery is in a moderate pace
3. Brazil has been in a reform momentum
4. The greatest challenge on reforms will be Social Security
5. Government should keep its capacity to advance ordinary laws and regulatory reforms up to middle 2018. We do not bet in a “lame duck”
6. Main uncertainties will be connected to the 2018 elections. Expect noises in exchange rate and stock exchange





National Confederation of Industry - Brazil