

# BRAZIL SCENARIO

March 11, 2022

## National Politics



### Legislative Activities

Congress has started another legislative year, which will be challenging and shortened due to the 2022 Elections. For President Bolsonaro, this is a crucial year to fulfilling his campaign promises, pleasing his electoral base, and ensuring a certain governability.

The Executive's biggest challenge continues to be filling the vacancy of a government leader in the Senate, which has been vacant since December. It has been difficult to find someone who engages in dialogue with different wings, which weakens President Bolsonaro's efforts to ensure that his agendas are approved by the legislative branch.

At the same time, the president of the House of Representatives Arthur Lira becomes more important as he plays the role of a government articulator to grant increasing governability.

## Federal Government Priorities

The Federal Government's priority legislative agenda for 2022 includes 45 proposals. Out of these, 39 are pending in Congress and another 6 are being prepared. The list reflects the interests of the Bolsonaro administration since the beginning of his term, focusing on customs, reforms, and privatization.

Three projects related to tax reform are on this agenda: Income Tax (Bill 2337/2021), Operations with Goods and Services (Bill 110/2019), and Social Contribution on Operations with Goods and Services (Bill 3887/2020). Congress does not have the obligation to follow these priorities, which have a guiding role, however, it opens opportunities for the safeguard of interests.

## Petrobras Price Policy

The Federal Government scheduled a meeting with ministers to decide on fuel price control for the Brazilian oil company. The prices rose again due to the war.

## Economy



### GDP 2021

GDP grew by 4.6% in 2021, totaling BRL 8.7 trillion. The best result since 2010, when the country grew 7.5%. However, the outlook is still cautious as the increase is related to the sharp drop in 2020, due to the Covid-19 pandemic.

## World's Biggest Economies

Even with the growth registered in 2021, Brazil dropped to 13th in the ranking of the world's largest economies. Between 2010 and 2014, the country occupied the 7th position, but since 2020 it has not appeared among the top 10.

## Unemployment

The unemployment rate has dropped to 11%, but still reaches 12 million people. Despite the recovery trend, the impacts of the pandemic still affects several economic activities and harm the generation of formal job vacancies. A survey by EXAME/IDEIA points out that 25% of the people believe that this is the country's biggest problem, 18% say it is health, and 17% inflation.

## Inflation and interest rate

Inflation forecasts for 2022 increased from 0.22% to 5.6%, the seventh consecutive increase. The forecasts on the interest rate remained at 12.25% for the year.

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## 2022 ELECTIONS SPECIAL



### Funds for Campaign Financing

The Supreme Federal Court ruled to maintain the decision of the Executive and Legislative powers on the value of the Electoral Fund in 2022, granting R\$ 4.9 billion for the financing of campaigns, in accordance to Brazil's 2022 Budget.

### Party Federations

The Supreme Federal Court validated by 10 votes to 1 the constitutionality of party federations. Court ministers also voted to extend the registration deadline to May 31. However, for the next elections, the deadline for registration will be up to 6 months before voting day.

### Black and female candidates

This year, the Constitutional Amendment #111, enacted by Congress in 2021, comes into force. The Amendment encourages black and female candidates. Votes for black people or women for the House of Representatives will be doubled when calculating the distribution of the Party Fund and the Special Fund for Campaign Financing.



### Presidential Candidates

Lula maintained regional articulations and held meetings with international political leaders on a trip to Mexico. In addition, Alckmin defined a move to the PSB political party and is expected to be Lula's vice president. Moro intensified the agenda in the Northeast, focusing on Ceará and Piauí. Bolsonaro attended the inauguration of the São Francisco River transposition and other events with the Minister of Infrastructure. Ciro Gomes maintains the strategy of strengthening his digital channels, and Doria kept focused on delivering projects within the state of São Paulo.

### Elections and War in Ukraine

Third-way candidates like Moro, Doria, and Simone Tebet published a joint manifesto in support of Ukraine. Lula and Ciro Gomes have repudiated the war, and in Mexico, Lula said that Latin America must unite against wars. Bolsonaro adopts a neutral position, and the Federal Government has already taken steps to receive refugees. Bolsonaro must also avoid issues that might reflect badly on his campaign.

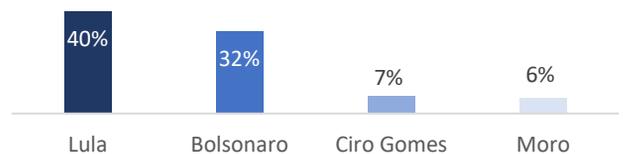


### Voter Intention Polls

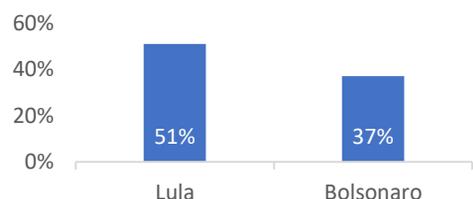
A new poll conducted by PoderData, between 02/27 and 03/01, shows no significant changes in the first round of the elections, compared to the previous polls: Lula continues to lead the voting intentions with 40%. Bolsonaro comes next with 32%. None of the other candidates exceed 7% of voting intentions.

For the second round, there was a small change: a 3% drop in Lula's leadership as Bolsonaro remains stable.

#### 1st Round



#### 2nd Round



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## SPECIAL RUSSIA AND UKRAINE



### Brazilian diplomacy

At the UN Human Rights Council, Brazil voted in favor of the resolution on the Situation of Human Rights in Ukraine. At the Security Council, the Brazilian ambassador defended the promotion of dialogue, and that the international community should unite to demand a ceasefire. Brazil also suggested a reassessment of economic sanctions against Russia. In the face of the conflict, Brazilian diplomacy follows its historic position of neutrality and peaceful settlement of disputes.



### Bolsonaro and the War

Bolsonaro has avoided criticizing Russia over the conflict. In recent statements, he emphasized Brazil's position of neutrality and willingness to help find a solution. According to the president, taking a more critical position could harm the country's agribusiness. Vice President Mourão rejected the position of neutrality and stated that Brazil opposed the invasion. In response, Bolsonaro claimed that only the president has the competence to make official statements on the conflict.



### Oil price

The conflict between Russia and Ukraine has generated sharp rises in the price of several products, including the price of the barrel of oil, which reached 105 USD (the highest level since 2014). This trend should significantly increase the price of fuel, especially diesel. The price hike may also influence food prices, as transport costs are passed on to the final price of products.



### Agribusiness

The conflict has driven up commodity prices, such as wheat and corn, and poses a real risk of supply shortages. The country is dependent on fertilizers from Russia and needs to find a solution to mitigate this situation. The government is considering a plan to solve regulatory and tax problems. Bolsonaro also reinforced his support towards the approval of a bill that allows the exploitation of mineral resources in indigenous lands, especially potassium in the Amazon.



### Brazilian Companies

Embraer has adhered to economic sanctions against Russia and in certain regions of Ukraine. The company halted the execution of maintenance services and the supply of spare parts to aircrafts.

Scania's subsidiary in Brazil followed the Swedish parent's decision and suspended exports of trucks and parts to Russia.