

# BRAZIL SCENARIO

July 11, 2022

## National Policy

### Government under fire

The federal government faced challenges that harmed its image. The delay in offering answers after the disappearance of the indigenist Bruno Pereira and the British journalist Dom Phillips, in Vale do Javari, led to harsh criticism. In addition, suspicions of interference by Jair Bolsonaro in the investigation of a scheme to release funds at the Ministry of Education motivated the request to open a Parliamentary Commission of Inquiry (PCI). There was also a request for an inquiry, as well as an attempt to open another PCI, to investigate alleged interference by the president in Petrobras.

### Brazil and OECD

The OECD council of ministers approved the roadmap for Brazil's accession to the collegiate body, at a meeting in Paris. The roadmap consists of items that will be analyzed during the negotiations for the country to join the organization, with great emphasis on the environmental issue.

### Public Official's strike

Employees of the National Indigenous Foundation went on strike to demand increased security in remote regions of the Amazon. At the Central Bank, civil servants put an end to the strike, which lasted three months and demanded salary readjustments.

### Congress Agenda

The Congress focused on the fuel crisis: it approved a Provisional Measure that allows the direct sale of ethanol to the retail sector, and a bill which limits the ICMS tax on fuels and compensates the States for the loss of revenue. The House of Representatives approved a bill that requires the disclosure of values that make up fuel prices. The Senate approved the prioritization of biofuels over fossils and the institution of a state of emergency until the end of the year to expand the payment of social benefits: expansion of Auxílio Brasil and the kitchen gas voucher; aid to truck and taxi drivers; free public transport for the elderly; and reinforcement of Alimenta Brasil, a food safety program.

## Economy

### Brazil risk

The Brazil risk, an indicator that measures the country's ability to pay its debts, reached 300 points in June - the worst level since March 2020. The concern about a worsening fiscal situation, motivated by cost bills approved recently, was one of the main factors that led to the deterioration of the country's risk.

### Interest Rate

The new hike in the basic interest rate in June left Brazil with the third highest nominal interest rate in the world. With the Selic at 13.25%, Brazil is only behind Argentina and Turkey. The inflation estimate for 2022, on the other hand, was raised to 8.89%, according to the latest Focus survey by the Central Bank.

### Employment and Income

According to IBGE, the unemployment rate was below 10% for the first time in 10 years. However, the reaction was not accompanied by an increase in income, which fell 5.6% in a one-year period, according to data released by the Ministry of Labor and Welfare. In May, the average real admission salary was BRL 1,898.

### Fuel prices

At least 23 of the 27 federation units reduced the ICMS rate on fuels, decreasing the price of gasoline and diesel. The price of aviation kerosene, however, rose 3.6% in July, accumulating a high of more than 60% per year, which affects the prices of airline tickets in the country.



## Elections and Social Benefits

The Federal Audit Court (TCU) will investigate the Proposed Amendment to the Constitution known as PEC Kamikaze, due to its high cost to public spending. The measure creates or extends social benefits prior to the elections. The Public Ministry requested the investigation and the Court may request studies on its economic impact. The proposal was approved by the Senate, at a cost of BRL 41.25 bi



## Presidential Candidates

In the past month, presidential candidates prioritized the Northeast. Different states in the region received visits from Lula, Bolsonaro, Ciro and Tebet. Lula received support from former minister Marina Silva and supported Alexandre Kalil's candidacy for the government of Minas Gerais. Lula also met with the president of Portugal. President Bolsonaro went to Florida to inaugurate a vice consulate, where he participated in events alongside supporters. Bolsonaro formalized General Braga Netto as VP on his ticket. Simone Tebet received the support of the PSDB and advanced the conversations for Tasso Jereissati to be announced as vice candidate. Ciro Gomes also had an agenda in the south of the country. Bolsonaro, Ciro and Tebet participated in an event to debate the national industry, organized by the National Confederation of Industry.



## International observers

The Superior Electoral Court (TSE) confirmed the partnership with the Organization of American States to observe the elections in October. The Organization has already participated in the 2018 and 2016 elections. The OAS mission must inform the TSE about possible irregularities and interference in the elections. The Mercosur Parliament has also confirmed its mission, in addition to the Electoral Network of the Community of Portuguese Speaking Countries, the Inter-American Union of Electoral Bodies; International Foundation for Electoral Systems; Global Electoral Justice Network and Carter Center.



## Superior Electoral Court

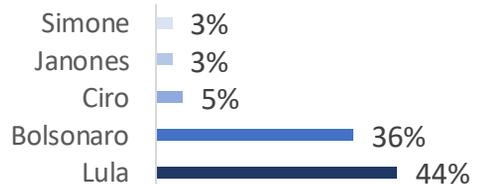
Justices Alexandre de Moraes and Ricardo Lewandowski were elected as president and vice-president of the Court, respectively. The ministers will be sworn in on August 16 and will be responsible for ensuring the safe conduct of the October elections.



## Opinion Polls

In a poll by Poder 360 carried out between July 3rd and 5th, Lula remains in the lead in the electoral race, with 44% of voting intentions, against 36% for Bolsonaro. The other pre-candidates together account for 11% of voting intentions: Ciro Gomes has 5%, while André Janones and Simone Tebet have 3%. For the second round, Lula has 50% of the voting intentions, against 38% for the current president. Lula's lead in a second round dropped from 17 to 12 percentage points, compared to the poll carried out 15 days earlier.

### 1st round



### 2nd round



Lula  
50%



Bolsonaro  
38%