

Global Economy

Bolsonaro's Brazil, putting the discourse into practice

Expansión (Spain)

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31 October 2018

The conservative Jair Bolsonaro has beaten the left-winger Fernando Haddad in the second round of the presidential elections held last Sunday 28 October. He will therefore be the Brazilian president during the period from 1 January 2019 to 31 December 2022.

If Bolsonaro's government manages in the first few months of the coming year, as well as to implement an orthodox and pragmatic economic policy, to approve an ambitious reform of the pensions system, correct the primary fiscal deficit and guarantee the sustainability of the public debt, it will have fulfilled the promises of the liberal Paulo Guedes, Jair Bolsonaro's principal economic advisor up to now and future economic secretary. These changes would also satisfy the optimistic outlook of a large part of the local financial market. In this case, with the fiscal problems solved, GDP could grow at a rate of 3% per year, or even more, especially if other economic reforms promised by Paulo Guedes materialize. In this positive scenario, the exchange rate would climb significantly, helping keep inflation and interest rates at relatively low levels.

If this is a possible scenario, it doesn't appear to be the most probable. The polarisation of the political environment and the fragmentation of the Congress, among other factors, could hamper the work of the next government, in particular the passing of significant economic reforms. Perhaps for this reason, it would be most realistic to think that even if the next government takes measures that go in the right direction, these won't represent much of an adjustment. The concern with the future evolution of the public debt will be maintained, to a certain extent. GDB would grow by around 2% and the exchange rate would float around 3.8 Brazilian reals per dollar, a value not far from the most recent levels.

Another scenario we can't rule out, although it is less probable, is one in which Jair Bolsonaro would opt for less pragmatic policies or not to adopt measures to tackle the fiscal mess. In this case, confidence in the country's future would fall significantly once again, weakening the Brazilian real and creating the conditions for another crisis, perhaps similar to the crisis seen in 2015-2016.

It is important to underline that even in the first scenario, the most optimistic of the three, only in 2022 would Brazil's GDP measured in dollars exceed its 2011 level (USD 2.6 billion dollars). The participation of the Brazilian economy in world GDP would be 2.2% in the last year of Jair Bolsonaro's government, way below the 3.6% recorded in 2011. Talking about another wasted decade (at least) would not therefore be an exaggeration.

Therefore, Jair Bolsonaro's government will do better to focus on the present rather than the future. Transforming its discourse into specific measures will be hard enough.

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