

BRAZIL SCENARIO

November 17, 2022

Politics



National Congress in November

After the elections, the National Congress gradually resumed its work in November. In the Senate, President Rodrigo Pacheco (PSD-MG) announced that during this month there would be a concentrated effort to vote on pending issues from the pre-election period.

Thematic Commissions have been dedicated, for the most part, on defining their amendments to the budgetary bill. It is expected that the house, still this month, will analyze the financial viability of the implementation of the nursing salary floor, the impasse around the Aldir Blanc and Paulo Gustavo Laws, and will also proceed with the opening of the Investigation Commissions that are waiting in line.

In the House of Representatives, the Provisional Measures that were awaiting on the agenda were voted on, such as the one that reviews the rules for financial institutions to deduct losses from non-receipt of credits. Other issues, such as the regulation of lobbying, are waiting to be discussed in the plenary session. It is expected that later this month, Congress will also discuss the Transition bill.



COP 27

President-elect Lula (PT) has been invited to participate in COP27 even before taking office. Some of his allies will accompany him on the trip, such as Celso Amorim, who is a contender for the Secretariat of International Affairs. On the other hand, Bolsonaro and his vice-president, Mourão, are not present at the event. Foreign Minister Carlos França is representing the government.

Lula has already received ten requests for bilateral meetings during COP-27, with China, the United States, and Germany, the president

of the World Bank, and British parliamentarian Alok Sharma, who chaired COP-26 in 2021. Lula already stands out due to his attention to climate and the country's foreign relations.



Transition Government

The work of the government transition team has begun in Brasília, under the leadership of Vice President Geraldo Alckmin. The transition team already has more than 110 people, among collaborators, volunteers, and technicians, in addition to 50 names made official in the Official Gazette, according to the limit allowed by the Constitution. The transition team will also have 31 technical groups, 14 of which have already had their members announced.



Ballot Security

In a Ministry of Defense report on the electronic ballots, sent to the Superior Electoral Court, the Armed Forces attested that there was no fraud or inconsistency in the electronic ballots or in the 2022's electoral process. National and international inspection entities also endorsed the security of the Brazilian electoral process.

However, Bolsonaro supporters continue to protest alleging fraud in the elections even two weeks after the result. The holiday of November 15, Brazil's Independence, was another pretext for further demonstrations in the streets.



Banners of protesters in Brasília calling for an audit of the ballot boxes.
Source: Poder 360

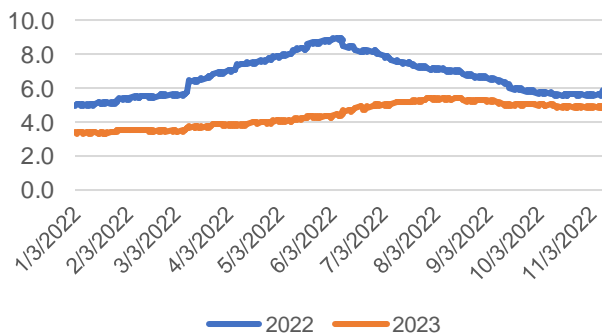


Inflation

After recording an average drop of 1.32% in the IPCA between July and September, the IGBE registered positive inflation of 0.59% in October, bringing the accumulated figure for the year to 4.7%. The largest increases were registered in foods (0.72%), health (1.16%), and transportation (0.58%).

Market expectations, according to the Focus Report consolidated by the Central Bank, indicate a 5.81% close for the year and 4.94% for 2023.

Inflation (IPCA)



Source: Focus Report: Consolidation: Edelman Global Advisory

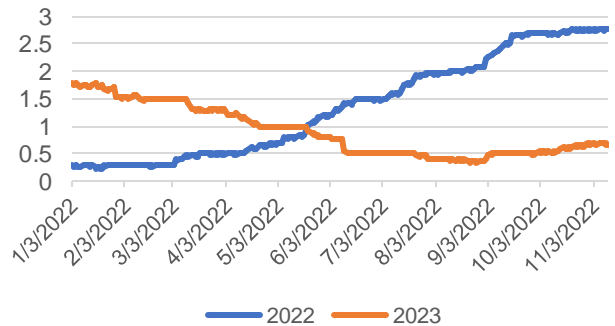
It is worth highlighting that the center of the inflation target for 2022 is 3.50% and for 2023 3.25%, with a 1.5 percentage point interval. Thus, both in 2022 and 2023 inflation should close above the target.



GDP

Concerning market expectations for the GDP, also consolidated in the Focus Report, in November 2022 the expected closing of the year is consolidated at 2.76%, while expectations for 2023 remain stable at 0.7%.

GDP Expectations



Source: Focus Report: Consolidation: Edelman Global Advisory

These are expectations of low growth for 2022 and 2023, but combined with expectations for relatively low rates, the scenario points to stability.

Politically, however, the context is challenging, since the economy should not represent a significant change for the population.



Fiscal Responsibility

During the electoral campaign, Lula signaled that he would seek to review the Expenditure Ceiling, a proposal that has taken on consistency in recent weeks with the discussion of the presentation of the Transition PEC, which aims to remove social spending from Ceiling. This move has increased insecurity in the market by opening an uncertain space for increased public spending.

In fact, the Expenditure Ceiling had already gone through renegotiations during the pandemic, but on a transitory basis, while the PEC may represent a permanent change.

On November 14th, the National Treasury presented a proposal for revising the Ceiling, which maintains the correction for GDP growth, as well as the variation of the debt level and the real growth rate of fixed expenses over a two-year period.

Regulation of Artificial Intelligence in Brazil

The regulation of the development and use of artificial intelligence in Brazil has been under discussion at the Congress for a long time, with the presentation of some bills dealing with the subject, the main ones being: 5.051/19 by Senator Styvenson Valentim (PODE/RN), 21/20 by Congressman Eduardo Bismarck (PDT-CE) and 872/21 by Sen. Veneziano Vital do Rêgo (MDB/PB). The most advanced Bill is 21/20, which was approved in September 2021 in the House of Representatives.

However, when it reached the Senate, the project started to be processed together with the others mentioned here, thus representing a possibility of acceleration of the analysis process of the other bills introduced by senators. The main challenge is to work on the regulation of a theme that is still under development, even more so considering the speed with which Congress has carried out a discussion that is so complex and broad.

Commission of Jurists in the Senate

The President of the Senate, Rodrigo Pacheco, determined the creation of a Commission of Jurists in the house, with the objective of working on the suggestion of a new bill that can replace the current proposals.

The Commission is composed of 18 members and is chaired by the president of the Superior Court of Justice (STJ), Ricardo Villas Bôas Cueva, and reported on by expert Laura Schertel. The group's work should be concluded in December.

Main Discussion Points

The main discussion around this theme at the moment is regarding the scope of the regulation. Some argue that the content should be more principled, avoiding a rigid regulation that hinders innovation. In this scenario, other regulators should establish other rules and regulations for the topic in the future, and there would be a significant investment in the sector's self-regulation. Other specialists point out that some AI models are already well-known and can be subject to further regulation.

Currently, the text approved by the House of Representatives addresses points such as fundamental rights and ethics, regulatory model, research and development, governance, and professional training, among others. The themes that still cause controversy are balance between transparency and safeguarding the developers' industrial and commercial secrets, and accountability and oversight.

Hot Topics in Social Media



The changes implemented by Elon Musk at Twitter. While some celebrated the flight of advertisers and the loss of value of the company, others praised Musk's statements about defending freedom of speech and the return of banned accounts. Users commented on the exchange of messages between Musk and Jovem Pan News commentator Roberto Motta, who said that freedom of the press was being curtailed in Brazil with the help of Twitter.



The Ministry of Defense report on the audit of the electronic voting system*. Bolsonaro's supporters reproduced vague passages of the report, which would point to the possibility of fraud based on alleged improper access to the TSE network when the source code was being compiled. Profiles of journalists and traditional media outlets, on the other hand, pointed out that the report found no fraud or inconsistency in the electronic ballot boxes and the 2022 election process.

**The repercussion of themes about the presidential election dominated the networks in this period. Edelman Global Advisory prepared a series of reports on the elections with an analysis of the most commented topics on the networks. If you would like to receive them, please send an email to publicaffairsbr@edelman.com*