

DELEGATION OF THE EUROPEAN UNION TO BRAZIL

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To: EDITA HRDA, Managing Director Americas, EEAS

Subject: BRAZIL – Weekly report: 21-28 January

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In focus this week:

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On the external front: Bolsonaro in Davos – Out of scope

Watching the economy: IMF's growth estimates for Brazil Out of scope

.... and much more

Highlight of the week

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On Saturday President Bolsonaro flew to Brumadinho and signed a Decree setting up a special crisis Council composed of 10 ministers under the supervision of Chief of Staff Lorenzoni, as well as a Disaster Management & Evaluation Committee.

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Art. 4(1)(a) 3rd indent

Inside Brazil

➤ Government unveils 35 priority measures for the first 100 days

In a long-expected announcement, Chief of Staff Lorenzoni presented this week a list of 35 priority measures for the first 100 days of the new administration. All 35 measures will be initiated during this period, but some of them are to be completed afterwards. A few of the announced measures have already been taken, such as the gun ownership decree and the provisional measure on fraud prevention in the social security system. However, the proposal for the much-awaited pension system reform is part of the list. Priority measures cover a broad range of areas: economy, education, health, justice and security, external relations, agriculture, environment and Controller General of the Union. Specific indications on the list include: international economic insertion; Central Bank independence; infrastructure privatization; re-evaluation of oil-exploration contracts in the pre-salt area; reduction of bureaucracy (staff) in public administration; a literacy programme and regulation of home-schooling; broader vaccination coverage for specific diseases; an anticrime bill; strengthened Car Wash Operations; Mercosur common external tariff reform; incentives to family farming; improving the environmental fines system and expansion of the *Bolsa Família* programme.

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On the external front

➤ President Bolsonaro's international debut in Davos

Jair Bolsonaro became the first Latin American head of state to open the World Economic Forum. Art. 4(1)(a) 3rd indent

He pledged to open Brazil's international trade, reduce taxes, work on privatisation and macroeconomic stability in order to improve conditions for international investors. He mentioned the fight against corruption, public security and education. He said that Brazil is the country that "best preserves its environment" with "30%" of forest cover of its territory, "9%" agriculture land and "25%" for livestock. He vowed to implement a foreign policy free from "ideological bias", to defend the "family and the real human rights" and to protect the "right to life and private property". Bolsonaro held meetings with heads of state and political leaders of several countries including from Japan, Italy, Switzerland, the Czech Republic, and Poland. He joined Latin American leaders from Peru, Ecuador, Colombia and Costa Rica to discuss the Venezuelan crisis. Bolsonaro also signalled that Brazil will not withdraw from the Paris agreement. He cancelled a press conference with Economy Minister Guedes, and Justice Minister Moro. Commenting on investigations on his son, Senator Flávio Bolsonaro, he stated that, if found guilty, his son would have to "pay the price", but later seemed to backtrack saying it was not fair to accuse his son in order to get at him.

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Watching the economy

➤ IMF reviews growth projections for Brazil

In its update of the World Economic Outlook release on 21 January, document about the IMF raised its projection for Brazil's economic growth in 2019, from 2.4% to 2.5%. However, the 2020 estimates were decreased from 2.3% to 2.2%. In the same document the IMF indicated that Brazil's grew 1.3% last year, 0.1% below what was estimated. The Brazilian Central Bank (BC) reduced its 2019 growth estimates from 2.57% to 2.53% and for 2020 from 2.60% to 2.50%. BC also estimated on average for 2019 a 7% basic interest rate and a 4.01% inflation rate. According to a report (23 January) from the General Register of Employed and Unemployed (Caged), Brazil created 529.000 formal jobs posts. Despite the high unemployment rate (12.2 million people or 11.6% of the population in 2018), the rate of employed population reached its highest historical point (93.1 million people). According to experts, the rate can be explained by the amount of workers who, due to the economic recession, accepted informal jobs or formal jobs with lower wages.

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Sign-off: Claudia GINTERSDORFER – Acting Head of Delegation

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