

## DELEGATION OF THE EUROPEAN UNION TO BRAZIL

Author: Art. 4 (1)(b)

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Classification:  
UNCLASSIFIED

To: EDITA HRDA, Managing Director Americas, EEAS

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

### Summary & Assessment:

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

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

***The President held several bilateral meetings, mostly with like-minded countries rather than with major trade partners.***

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## Reaction by markets and investors

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

Financial markets initial reactions and the Brazilian real's devaluation hit back immediately. The currency reached its lowest point since the start of 2019 (3.38 to the USD) and the São Paulo Stock exchange fell 1200 points between the beginning of the speech till closure time.

15. Minister Guedes thus had to re-double efforts to reassure investors and financial advisers on the scope of envisaged economic reforms that may have critical implication on business strategies & investment decisions towards Brazil. In a bid to boost market confidence, he attended several closed business panels in which he shared details on the pension & fiscal reforms, still unannounced at home.

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Guedes told reporters that the government expects to generate US\$20 billion from its privatization programme this year, expressed confidence that the social security reform will produce savings for the government of between R\$700 billion (US\$185 billion) and R\$1.3 trillion (US\$345 billion) in ten years and also stated that the government plans to lower company income taxes from 34% to 15% and to compensate for this will increase tax dividends and interest on equity by 15%.

16. All in all, though, judging by the firmness in the Brazilian assets prices and the currency (Brazil's benchmark stock exchange has set nine record highs so far this year while the currency has gained nearly 2.5 percent against the U.S. dollar), Guedes' attempts to restore credibility of "the reform agenda" have been successful. Investors confidently wait for the presentation the pension reforms, to be submitted to Congress when it reconvenes in February.

17. Out of scope

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In this respect, in some TV interviews, Bolsonaro commented on investigations concerning his son stating that, if found guilty, he would have to "pay the price". His decision to cancel a press conference planned together with Guedes and Moro

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Sign off: Claudia GINTERSDORFER, Acting Head of Delegation

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