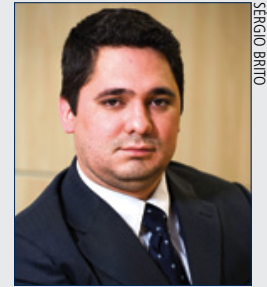


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SÉRGIO BRITO

POLITICS ON THE ECONOMIC AGENDA

It's no news, for those who deal with the market on a daily basis, that economic circumstances significantly influence political life. This is how it was like in the first semester of 2012 and it won't be any different in the months that will conclude the year.

Suffering from the negative effects of reduced domestic consumption, due to increased loan default on the part of families and global economic slowdown, the Dilma administration introduced a series of political and economic measures that ended up being coined the Greater Brazil Plan (PBM).

It was even the theme of *O Papel's* main Interview in July. Behind the measures divulged in the PBM, we note a strong effort on the part of the government to stimulate consumption.

And that raises a question: Is stimulating families to consume more the right solution in view that they already are overly indebted?

Points of view aside, the fact is that the PBM introduced tax exemptions in certain industrial sectors, increased the supply of credit and lines of financing, among other things. However, nothing in practice that stimulated industry's structural competitiveness.

The PBM's first positive result came with the 0.75% expansion in the economic activity indicator divulged by the Central Bank of Brazil (*see graph*) in the monthly comparison reported in the beginning of August.

Simply put, this growth was conditioned exclusively by trade and service activities and agriculture. Industry had no momentum and suffered a 4.76% retraction.

With the beginning of municipal elections in July, one expected an intensified dedication on the part of the Federal Government in campaigns at key cities. This is not what happened. Strikes by federal servants, which paralyzed important services, left the government enraged.

If that weren't enough, key political figures had to sit on the stand in criminal lawsuit #470, a.k.a. *mensalão*, which truly tarnished former President Luis Inácio Lula da Silva's history and that of the Workers Party.

At this stage of events and of political demands, the Federal Government is demonstrating a lack of negotiation skills. In the electoral field, top candidates of the Workers Party in important cities hold unfavorable positions in polls. As such, in the event the elections confirm the latest polls, this will be a major defeat for the former president and his party.

If the pessimistic electoral scenario for the situation prevails, there will most probably be a change in the 2014 presidential elections and, to offset this, the Dilma administration will radically change its vision and action towards the economy. Who knows this wouldn't be the right moment to bet on improving industrial competitiveness and infrastructure as a solution for promoting real changes?

Source: Central Bank of Brazil.
Prepared by the Author

Graph: Central Bank Activity Index (IBC-Br)

In %, with adjustment (02=100)

