

When politics don't interfere in the economy

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Political turmoil's normally has a great influence on economy developments. Latin America has a long tradition, when political disruption occurs, that indicators of short term blow up. In the case of Brazil, we see every day in the news a new political issue that would take the breath of every entrepreneur to start his business in a normal way. In the past months, the political transformation in Brazil is affecting the Presidency and putting an alert on Brazil, whether or not they will stay with the Vice President in office for a longer time or if they will also impeach him. As this cleaning up process of corruption in the institutions started 2013, the Brazilian economy react in different ways. Normally, indicators like the average of the currency or the stock market react immediately over a political scandal, pricing the instability in one or another form. However, what can be observed since the last half year is that the *Real* to the *US\$* hasn't changed much as well as the BOVESPA Stock index. The inflation rate is falling down faster than predicted, putting pressure over the inter-banking interest rates (SELIC) to decrease. The economy begins to show up some indicators of recuperation such as the increase of exports (more volume than prices) imports increases to supply local and transformed products for export.

The local automotive market that was strongly affected by the economy recession, begins to have some indicators of increase in the exports as well as in the local market. The consumer confident index has recovered points and the same with the industrial one. CEO's of very important companies like BOSCH, Mercedes, ADM and others are making declarations that they are looking more to the real demand of the market than to the political development in Brasilia.

The question is what is happening in the Brazilian economy? Is there a real separation of perceptions between the politics and the economy? Is that possible or what is the reality in this market?

It seems that the economy team is doing the right thing without having a contamination of the political turmoil. The reforms of the important issues are ongoing, even in a slower rhythm than expected. The government has placed on the road the reforms of the budget expenses with a limit of debts, the outsourcing reform has been approved, the reform of the labor agreements is in the last turn in the Senate, and the pension reform is in the Congress. So, the indicators of real changes are being priced and the economy is finding its way to restart. Issues like the interest rates at consumer level are extremely high and the inter-banking rates are not being translated to the consumer or the industry. Great discussion over opening the economy and long-term financing formats are in the pipeline. The entrepreneurs are finding their routes. A while ago a great Convention of Brazilian Innovation was held with international stars like Peter Diamondis and others to show that the way is not waiting for government's solutions but to be the leader of the change. Incredible solutions have been shown in the 4.0 agribusiness, new cities and country solutions are in the focus. The giant of the south is waking up, slowly but he will be different. Don't underestimated its potential.