TOPICS

I – POLITICAL FRAGMENTATION
II – DILMA’S TERM: SOME FACTS
III – 2014 ELECTIONS
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I – POLITICAL FRAGMENTATION
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IMPORTANT FACTS OF BRAZILIAN POLITICAL SYSTEM

1. BRASILIA BASED FEDERALISM
   - Overlapping competencies
   - Tax collection concentrated at federal level
   - Municipality is a federal entity

2. FRAGMENTED MULTI-PARTY SYSTEM
   - Weaker political parties
   - Less transparency

3. PRESIDENTIALISM BY COALITION
   - Bargaining over budget
   - Bargaining over executive appointments

4. PROVISIONAL MEASURES (aka MPs)
   - Executive branch legislative power
   - Legal uncertainty

5. BUDGET POLICY RULES
   - Originates in the Executive branch
   - Authorized (not imposed) by Congress

6. BROAD & DETAILED CONSTITUTION
   - “Supremocracy”
   - Complex legal system

States are relatively weak and have limited regulatory agenda

Reduced role of Congress and complex Executive branch structure

Increasing relevance of Judiciary
• 11 relevant political parties

• PMDB – largest party

• PT is the second party (about 20%)

• PSDB is the 3rd largest

Source: prof. Claudio Couto (FGV-SP) data base
STATE GOVERNMENT BY POLITICAL PARTIES

ACRE
MARINA SILVA
PSB

PERNAMBUCO
EDUARDO CAMPOS
PSB

MINAS GERAIS
AÉCIO NEVES
PSDB

RIO GRANDE DO SUL
DILMA ROUSSEF
PT

SÃO PAULO
SERRA
PSDB

Partidos Políticos

PT
PMDB
PSDB
PSB
DEM
PSD
Mayors elected by Political Parties from 2004-2012

Source: prof. Claudio Couto (FGV-SP) database
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DILMA’S ADMINISTRATION EVALUATION

Dilma’s Administration Evaluation

Dilma’s Popularity – october/2013

53%

42%

5%

Aprovação

Desaprovação

Não opinaram

* Não responderam / Não opinaram

Fonte: CNI/IBOPE

JUNE: Popular protests
• Considerable approval rating deterioration since June's popular protests.
• The worst decline in any approval was the interest rate policy. The rate dropped 16 points, going from 39% to 23%. The disapproval went from 54% to 71%.
2 – DILMA’S POLITICAL SUPPORT AT CONGRESS

Coalition Loyalty Index (%)

Senado
- Base - 75%
- Oposição - 25%

Câmara
- Base - 75%
- Oposição - 25%

Fonte: Basômetro - OESP
**ECONOMIC PERFORMANCE**

**Investment Rate – Forecast**
- as a % of GDP -

**Economic Forecast**

<table>
<thead>
<tr>
<th>Year</th>
<th>Conta Corrente – % PIB</th>
<th>Dívida Líquida – % do PIB</th>
<th>Selic – final de período</th>
<th>IPCA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>20%</td>
<td>30%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>2014</td>
<td>25%</td>
<td>35%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>2015</td>
<td>30%</td>
<td>40%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>2016</td>
<td>35%</td>
<td>45%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>2017</td>
<td>40%</td>
<td>50%</td>
<td>5%</td>
<td>5%</td>
</tr>
</tbody>
</table>

**Forecast - economic growth - % GDP**

<table>
<thead>
<tr>
<th>Year</th>
<th>Focus - BC</th>
<th>Itaú BBA</th>
<th>LCA</th>
<th>FMI</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>2.47</td>
<td>2.30</td>
<td>2.60</td>
<td>2.53</td>
</tr>
<tr>
<td>2014</td>
<td>2.20</td>
<td>1.70</td>
<td>2.90</td>
<td>2.50</td>
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<tr>
<td>2015</td>
<td>2.59</td>
<td>2.20</td>
<td>3.10</td>
<td>3.17</td>
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<tr>
<td>2016</td>
<td>3.08</td>
<td>2.80</td>
<td>3.70</td>
<td>3.32</td>
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<tr>
<td>2017</td>
<td>3.22</td>
<td>2.70</td>
<td>3.50</td>
<td>3.46</td>
</tr>
<tr>
<td>Média</td>
<td>2.71</td>
<td>2.34</td>
<td>3.16</td>
<td>3.00</td>
</tr>
</tbody>
</table>

Fonte: Itaú BBA
RELATIVE HEALTH EXPENDITURE NOT GROWING, SO HEALTH WILL CONTINUE TO BE UNDERFUNDED

**Federal budget\(^1\) x Healthcare budget**

<table>
<thead>
<tr>
<th>Year</th>
<th>Federal budget</th>
<th>Healthcare</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>575</td>
<td>53</td>
</tr>
<tr>
<td>2010</td>
<td>642</td>
<td>57</td>
</tr>
<tr>
<td>2011</td>
<td>725</td>
<td>69</td>
</tr>
<tr>
<td>2012</td>
<td>794</td>
<td>80</td>
</tr>
<tr>
<td>2013</td>
<td>893</td>
<td>88</td>
</tr>
<tr>
<td>2014</td>
<td>989</td>
<td>92</td>
</tr>
</tbody>
</table>

EC 29/2000 and LC 141/2012: Government expenditure with healthcare must increase annually according to Brazil's GDP growth from the previous year.

**Share of selected areas in the Federal budget (2013)**

- Social security: 51%
- Education: 9%
- Healthcare: 10%
- Others: 12%
- Social assistance: 7%
- Labor: 7%
- Defense: 4%
- Others: 4%

**Source:** Prospectiva based on data from the Ministry of Planning

\(^1\)Mandatory primary expenses only.
BNDES represents 21% of the credit offer in Brazil.

Petrobras Investments per year - R$ bi -

Desembolsos totais
Desembolsos p/ Infra

(1º sem)

9M12
9M13
Planejado 2013

65
7
8
16
15
18
24
136
139
156

59,8
69,3
94

+16%
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POLITICAL ENVIRONMENT: SCENARIOS FOR 2014

- **PT / President of Brazil / Likely to win**
  - Industry and consumption will likely remain the main target as means of promoting economic growth
  - Despite recent drop in her approval ratings, she still remains the favorite candidate.

- **Sustainability Network / Party Leader / Best runner-up**
  - Has a clear message on how to do politics, but not at all clear message on which different policies she will adopt if elected
  - Sustainability is a key concern

- **PSDB / Senator for the State of MG / Likely second runner**
  - Likely to pursue new management model and cut expenses
  - More keen on private sector participation, but general economic policy is likely to remain very similar to the current one

- **PSB / Governor of PE / Good chances of being second runner**
  - Likely to form similar political coalition once elected, maintaining Dilma’s developmental and lower class focus
  - It is not yet clear what he would do different from Dilma

Regardless of who wins, no significant changes in health policy are expected.

- **PSDB (?) / Former Governor of SP / Presidential candidate in 2002 and 2010**
  - PSDB supports Aécio Neves as candidate for 2014. Would have to change parties if decides to run.
  - As a former minister of health, the area would probably be a priority.
### Voting Intention (%) - 2014

- **Dec/12**: Dilma Rousseff 54, Marina Silva 18, Eduardo Campos 6, Não sabem 4
- **March/13**: Dilma Rousseff 58, Marina Silva 16, Eduardo Campos 6, Não sabem 6
- **Early June/13**: Dilma Rousseff 51, Marina Silva 16, Eduardo Campos 6, Não sabem 7
- **End of June/13**: Dilma Rousseff 30, Marina Silva 23, Eduardo Campos 17, Não sabem 16
- **Aug/13**: Dilma Rousseff 35, Marina Silva 26, Eduardo Campos 13, Não sabem 13

Source: Datafolha – 07 a 09/08/2013
2014 PRESIDENCIAL ELECTIONS - VOTE INTENTIONS

Scenario 1

- Intenção de Votos

<table>
<thead>
<tr>
<th></th>
<th>Dilma</th>
<th>Marina</th>
<th>Aécio</th>
<th>Brancos e Nulos</th>
<th>NO/NR</th>
</tr>
</thead>
<tbody>
<tr>
<td>39%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Scenario 2

- Intenção de Votos

<table>
<thead>
<tr>
<th></th>
<th>Dilma</th>
<th>Aécio</th>
<th>Eduardo Campos</th>
<th>Brancos e Nulos</th>
<th>NO/NR</th>
</tr>
</thead>
<tbody>
<tr>
<td>41%</td>
<td></td>
<td>14%</td>
<td>10%</td>
<td>22%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Scenario 3

- Intenção de Votos

<table>
<thead>
<tr>
<th></th>
<th>Dilma</th>
<th>Marina</th>
<th>Serra</th>
<th>Brancos e Nulos</th>
<th>NO/NR</th>
</tr>
</thead>
<tbody>
<tr>
<td>39%</td>
<td></td>
<td>21%</td>
<td>16%</td>
<td></td>
<td>13%</td>
</tr>
</tbody>
</table>

Scenario 4

- Intenção de Votos

<table>
<thead>
<tr>
<th></th>
<th>Dilma</th>
<th>Eduardo Campos</th>
<th>Serra</th>
<th>Brancos e Nulos</th>
<th>NO/NR</th>
</tr>
</thead>
<tbody>
<tr>
<td>40%</td>
<td></td>
<td>18%</td>
<td>10%</td>
<td></td>
<td>19%</td>
</tr>
</tbody>
</table>

* Não opinaram / Não responderam
Fonte: CNI/IBOPE
Spontaneous Response by Income

- Mais de 5 Salários
- 2 a 5 Salários Min.
- 1 a 2 Salários Min.
- Até 1 Salário Min.

Fonte: CNI/IBOPE

Intentions by Income

- Mais de 5 Salários
- 2 a 5 Salários Min.
- 1 a 2 Salários Min.
- Até 1 Salário Min.

* Nao opinaram / Não responderam

Fonte: CNI/IBOPE
**SCENARIOS – PRESIDENTIAL RUNOFF**

### Scenario 1
- **Intenções de votos**

<table>
<thead>
<tr>
<th></th>
<th>Dilma</th>
<th>Aecio</th>
<th>Brancos e Nulos</th>
<th>NO/NR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>47</strong></td>
<td></td>
<td>19</td>
<td>22</td>
<td>11</td>
</tr>
</tbody>
</table>

* Não opinaram / Não responderam  Fonte: CNI/IBOPE

### Scenario 2
- **Intenções de votos**

<table>
<thead>
<tr>
<th></th>
<th>Dilma</th>
<th>Marina</th>
<th>Brancos e Nulos</th>
<th>NO/NR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>42</strong></td>
<td></td>
<td>29</td>
<td>18</td>
<td>11</td>
</tr>
</tbody>
</table>

* Não opinaram / Não responderam  Fonte: CNI/IBOPE

### Scenario 3
- **Intenções de votos**

<table>
<thead>
<tr>
<th></th>
<th>Dilma</th>
<th>Eduardo Campos</th>
<th>Brancos e Nulos</th>
<th>NO/NR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>45</strong></td>
<td></td>
<td>18</td>
<td>24</td>
<td>14</td>
</tr>
</tbody>
</table>

* Não opinaram / Não responderam  Fonte: CNI/IBOPE

### Scenario 4
- **Intenções de votos**

<table>
<thead>
<tr>
<th></th>
<th>Dilma</th>
<th>Serra</th>
<th>Brancos e Nulos</th>
<th>NO/NR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>44</strong></td>
<td></td>
<td>23</td>
<td>20</td>
<td>13</td>
</tr>
</tbody>
</table>

* Não opinaram / Não responderam  Fonte: CNI/IBOPE
SCENARIO – POLITICAL PARTY COALITIONS

Desde a sua criação o SDD já indicou coalizão com PSDB.

Fizeram parte da coalisão com o PSDB em 2010, estão na base aliada do PT.

O alvo do PSDB são siglas como PMDB, PP, PTB, PSD e PDT, que têm em comum a afinidade com PSDB e PT.

Partidos que PODERÃO integrar a base do PT em 2014.

Sem Marina, poderá apoiar PT.

Indicaram lançamento de candidatos próprios para concorrer à presidência em 2014;

Aliança Marina + PSB altera o jogo eleitoral, tanto do ponto de vista regional como segmentos sociais.

DEM deverá manter a parceria com o PSDB em 2014 com a indicação de um vice

Há chance de um projeto novo do DEM com o governador Eduardo Campos (PSB)
**Scenario 1 – São Paulo**

- Pesquisa Data Folha – Espontânea

<table>
<thead>
<tr>
<th>Candidate</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geraldo Alckmin (PSDB)</td>
<td>19%</td>
</tr>
<tr>
<td>José Serra (PSDB)</td>
<td>4%</td>
</tr>
<tr>
<td>Celso Russomanno (PRB)</td>
<td>1%</td>
</tr>
<tr>
<td>Lula (PT)</td>
<td>1%</td>
</tr>
<tr>
<td>Paulo Maluf (PP)</td>
<td>1%</td>
</tr>
<tr>
<td>Paulo Skaf (PMDB)</td>
<td>1%</td>
</tr>
<tr>
<td>Marta Suplicy (PT)</td>
<td>1%</td>
</tr>
<tr>
<td>Aloizio Mercadante (PT)</td>
<td>1%</td>
</tr>
<tr>
<td>Gilberto Kassab (PSD)</td>
<td>1%</td>
</tr>
</tbody>
</table>

**Scenario 2 – São Paulo**

- Pesquisa Data Folha - Estimulada

<table>
<thead>
<tr>
<th>Candidate</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geraldo Alckmin (PSDB)</td>
<td>52%</td>
</tr>
<tr>
<td>Paulo Skaf (PMDB)</td>
<td>16%</td>
</tr>
<tr>
<td>Gilberto Kassab (PSD)</td>
<td>9%</td>
</tr>
<tr>
<td>Alexandre Padilha (PT)</td>
<td>3%</td>
</tr>
<tr>
<td>Brancos/Nulos</td>
<td>14%</td>
</tr>
<tr>
<td>Não Sabe</td>
<td>5%</td>
</tr>
</tbody>
</table>

**São Paulo State – Alckmin Administration Assessment**

- Ótima/Boa: 51%
- Regular: 31%
- Ruim/Péssima: 15%
- Não opinou: 3%
## VOTE INTENTIONS – RIO DE JANEIRO STATE

### Scenario 1 – Rio de Janeiro

<table>
<thead>
<tr>
<th>Candidate</th>
<th>Votes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anthony Garotinho (PR)</td>
<td>6%</td>
</tr>
<tr>
<td>Lindbergh Farias (PT)</td>
<td>2%</td>
</tr>
<tr>
<td>Sérgio Cabral (PMDB)</td>
<td>2%</td>
</tr>
<tr>
<td>Marcelo Crivella (PRB)</td>
<td>1%</td>
</tr>
<tr>
<td>Luiz Fernando Pezão (PMDB)</td>
<td>1%</td>
</tr>
<tr>
<td>Marcelo Freixo (PSol)</td>
<td>1%</td>
</tr>
<tr>
<td>Eduardo Paes (PMDB)</td>
<td>1%</td>
</tr>
<tr>
<td>Wagner Montes (PDT)</td>
<td>1%</td>
</tr>
<tr>
<td>Brancos/Nulos</td>
<td>11%</td>
</tr>
<tr>
<td>Não Sabe</td>
<td>72%</td>
</tr>
</tbody>
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**Pesquisa UP – Espontânea**

### Scenario 2 – Rio de Janeiro

<table>
<thead>
<tr>
<th>Candidate</th>
<th>Votes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anthony Garotinho (PR)</td>
<td>23%</td>
</tr>
<tr>
<td>Marcelo Crivella (PRB)</td>
<td>16%</td>
</tr>
<tr>
<td>César Maia (Democratas)</td>
<td>11%</td>
</tr>
<tr>
<td>Marcelo Freixo (PSol)</td>
<td>6%</td>
</tr>
<tr>
<td>Janira Feghal (PcdsB)</td>
<td>5%</td>
</tr>
<tr>
<td>Bernardino do Vôlei (PSDB)</td>
<td>4%</td>
</tr>
<tr>
<td>Miro Teixeira (PROS)</td>
<td>3%</td>
</tr>
<tr>
<td>Milton Temer (PSOL)</td>
<td>3%</td>
</tr>
<tr>
<td>Brancos/Nulos</td>
<td>2%</td>
</tr>
<tr>
<td>Não Sabe</td>
<td>15%</td>
</tr>
</tbody>
</table>

**Pesquisa UP – Estimulada**

Fonte: Instituto UP Pesquisa e Marketing.
Out/2013