

WORLD NEWS DECEMBER 31, 2018 / 1:05 PM / 7 DAYS AGO

Brazilian businesses seek quick action from Bolsonaro on deficit

Tatiana Bautzer

4 MIN READ



SAO PAULO (Reuters) - Brazil's business community will give far-right President-elect Jair Bolsonaro little in the way of a honeymoon as it presses him to make good on campaign promises to tame the country's bureaucracy and erase a yawning public deficit.



FILE PHOTO: Brazil's President-elect Jair Bolsonaro speaks in a synagogue in Rio de Janeiro, Brazil, December 28, 2018. Leo Correa/Pool via REUTERS

Bolsonaro takes office on Tuesday and business owners and bankers say they are watching him and his economic team impatiently, seeking signs that he will carry out the promised overhaul.

The biggest challenges - reforms of the pension and tax systems - cannot be addressed in earnest until Congress returns in February. But Bolsonaro's team should aggressively prepare the ground now for those long-pending reforms even before legislators return from break, business leaders say.

"It would signal a faster approval if Bolsonaro and his team commit to amending the current pension reform bill that has been in Congress for some months," said Ricardo Lacerda, founder and partner at investment bank BR Partners.

Opting to amend the current bill instead of putting forth an entirely new version would increase the chances of it being approved in the first half of 2019, Lacerda said, adding that the pension time bomb was the most urgent reform Bolsonaro's team must take on to halt growth of the 130 billion reais (\$33.5 billion) deficit.

Bolsonaro also promised during his campaign to attack endemic political corruption in part by ending the horse trading with the lawmakers of the 30 parties in Congress to get his desired legislation passed.

When lawmakers return, he will have to show he has figured out a way to work with them to get long-pending reforms passed. It is not yet clear how Bolsonaro's team will do that.

The new government will also need to prove deft at dealing with the judiciary if it wants to succeed in its plans to shed government-owned assets.

"Negotiations with the Supreme Court are important to accelerate the pace of privatizations," said Samuel Oliveira, partner at investment boutique North Stone.

For instance, Supreme Court Justices Ricardo Lewandowski and Marco Aurelio Mello have each approved separate injunctions blocking the asset sale program of state-controlled oil company Petroleo Brasileiro SA ([PETR4.SA](#)), known as Petrobras.

The sale of other assets will depend on how Bolsonaro will solve tensions within his own team.

The Economy Ministry favors selling off state-run firms across the board.

But it will have to compete with the nationalistic views of several Bolsonaro ministers who are former high-ranking military officers. They see many government-owned companies, like Centrais Eletricas Brasileiras SA ([ELET6.SA](#)), as strategic assets that should not be auctioned off.



'Yellow vests' gather for first protest of 2019

Incoming Economy Minister Paulo Guedes forecasts the sale of up to 300 billion reais a year in state assets.

Top bankers expect a more conservative 50 billion reais a year, if the Bolsonaro government succeeds in overturning the Supreme Court orders.

(This story corrects year in paragraph 5 to 2019 from 2018.)