

Flash Note:
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Brazil - The lower house passed a far-reaching pension reform.

- The text was already approved in first vote on July but Brazilian laws but under Brazilian law the text requires two votes in both the lower and upper houses.
- In this second round, the controversial bill passed by 370 to 124 (with the chamber rejecting eight amendments proposed by opponents that would have substantially reduced the fiscal savings).
- Economy Minister Paulo Guedes went to Congress to thank lawmakers for passing his reform bill and told reporters he expects its passage through the upper house (Senate) to be smooth.
- The bill lowers the costs of a generous social security system that has become unsustainable and was fueling Brazil's rising public debt. Total savings expected 933bn Reais over 10 years (much higher than initial consensus)
- Recent stiff opposition to this reform threatened to lead to currency instability (causing the Central Bank of Brazil keeping rates high and resulting in a brake on investments). Now, with more certainty, monetary conditions may be more flattering, causing that pending investment decisions can now be carried out.
- Solid economic recovery in Brazil depended on this reform. This step should be reflected in a more robust profile of this economy, and this improves our long-term outlook for Brazilian assets.

Best