



# Brazilian Presidential Elections 2022

Post Second-Round Analysis

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November 2022

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# An Overview of the Results

- On Sunday, October 30th, after the fastest vote count in the country’s history, Luiz Inácio Lula da Silva was declared the winner of the presidential election after obtaining 50.9% of the valid votes (60.345.999) – Bolsonaro obtained 49.1% (58.206.354).
- The difference between both candidates became narrower in the second round; while in the first round Lula obtained an advantage over his opponent of about 6.2 million votes, in the second round, difference fell to over 2.1 million votes.
- In the second round, Lula gained over 3 million new votes, mainly in the Southeastern region of Brazil, while Bolsonaro gained over 7 million new votes – a feat that should not be overlooked.
- In a historic shift, the abstention rates were lower during the second round of voting (going from 20.95% to 20.59% which represented 570,424 thousand new voters).
- This time around, polls predicted voter intention for both candidates reasonably close to the estimated 2% margin of error – 2 days before the election, all of them pointed towards a close race with a Lula victory.
- Notably, during this electoral process, labor law control entities registered a record number of indictments against 1,945 companies that allegedly incurred in electoral harassment by coercing their employees in some form to vote for a certain candidate.
- On that same day, there were also runoff elections for state governors in 12 states. All 26 states and the federal district will be led by governors affiliated to 11 different political parties, out of which only 11 are sympathetic to Lula.
- Governors elected on the first round that declared support for Bolsonaro, specifically in key states such as Minas Gerais and Rio de Janeiro, were not able to change their state’s electoral preference, making the geographic distribution of votes for president by states very similar to that of the first round.

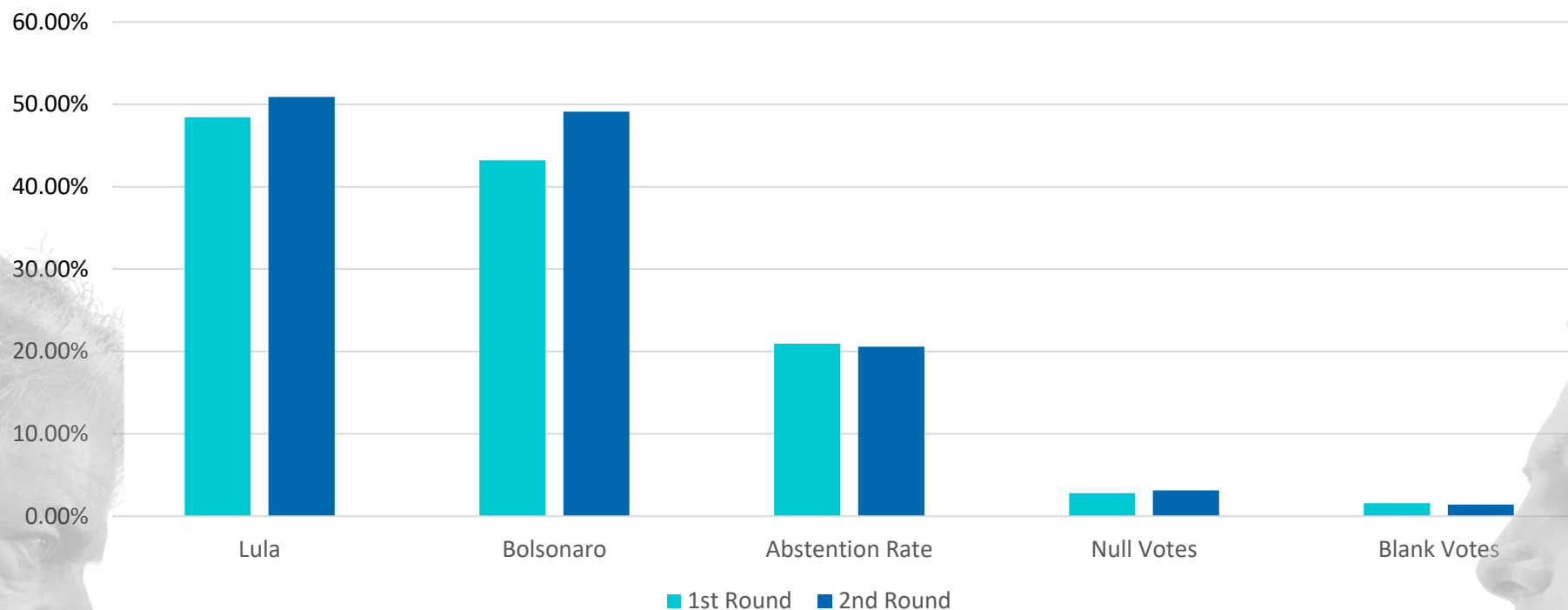


## Focus on Abstention:

- Both candidates amassed over 91% of total votes during the first round, so they needed to convince more people to vote in the runoff.
- Lula was at a disadvantage, since people that tend to abstain come from rural and poor areas – precisely where Lula’s support runs highest.
- Abstention rates were reduced in part due to the TSE (Electoral Supreme Court) ruling that obliged mayors in all capital cities to provide free public transportation the day of the election.

# Comparing the First and Second Rounds

\*Final Results published by the TSE (Supreme Electoral Court) [here](#).



	1st Round	2nd Round
<b>Lula</b>	48.43% (57,259,504)	50.9% (60,345,999)
<b>Bolsonaro</b>	43.2% (51,072,345)	49.1% (58,206,354)
<b>Abstention Rate</b>	20.95% (32,770,982)	20.59% (32,200,558)
<b>Null Votes</b>	2.82% (3,487,874)	3.16% (3,930,765)
<b>Blank Votes</b>	1.59% (1,964,779)	1.43% (1,769,678)



A Peaceful Transfer of  
Power is Likely

# The Transition Process Underway

For months, President Bolsonaro raised doubts about his intention to accept the election results if he were to lose the election. Some of his followers still believe that the Military will soon come forward with information that will prove voter fraud. The TSE has confronted fraud theories relentlessly.

- After months of tensions between the Executive and the Judiciary, the Supreme Electoral Court (TSE) took the spotlight in this election as it assumed unique powers to control fake news and alleged attacks on democratic institutions through tough measures judged by conservatives as censorship.
- On Sunday, October 30<sup>th</sup>, immediately after Lula was declared the winner of the presidential race, leaders of both houses of Congress, as well as the Judiciary and even some prominent figures from Bolsonaro’s own camp, were quick to make public declarations recognizing Lula’s victory.
- Foreign leaders across the world were also ready to extended their recognition and congratulations to the president elect just hours after the official results were in.
- On Monday, dollar prices fell, stock rates rose (except those of publicly owned companies like Petrobras), and the country awoke to pro-Bolsonaro trucker blockades that reached 321 points throughout almost every state and impacted supply for supermarkets, gas stations and hospitals nationwide.
- On Tuesday, November 1<sup>st</sup>, President Bolsonaro finally appeared before the media and delivered a carefully crafted speech that did not explicitly recognize defeat but was seen as a bid to maintain his base’s support while avoiding any possible liability for the trucker blockades. The Supreme Court (STF) quickly interpreted this as a concession speech.
- Later that same day, Bolsonaro reportedly met with members of the STF, in what was described as a polite conversation to reduce tensions between the Executive and Judicial powers.
- On Wednesday, as protests continued, the President went on social media to reinforce his message to truckers (judged by some as unclear), but encourage protesters gathered at city squares and in front of military barracks across the country. The Military remained silent.
- Although some videos showed Federal Police being lenient with protesters during the first hours of the blockades, the STF ordered their Commander to obey their mandate and restore public order on highways or face grave legal consequences. Governors supported the mandate.
- On Thursday, Ciro Nogueira and Geraldo Alckmin held their first meeting in Brasilia as leaders of outgoing and incoming governments.
- In parallel, Lula’s transition team began negotiations with the “Centrão” (the largest caucus in Congress) to ensure some governability come January 1<sup>st</sup>. The most important item on the agenda is next year’s Congressional budget, to ensure the execution of existing social subsidies beyond 2023.
- After a short holiday, the President-elect has traveled to Brasilia this week to make protocolary visits to leaders of the Legislative and Judiciary branches. He is also expected to name key Ministers shortly, especially for the environment post, as he was invited to participate in this month’s COP 27 meeting in Egypt with a delegation.
- The Military is due to publish a report with their findings on the integrity of the electronic voting process that took place last October. They will likely point out weaknesses that should be addressed for future voting. It remains to be seen how this report will be handled by politicians.



*Although problems and polarization are far from over, it seems that the worst possible scenario has been averted – there was no coup, no armed insurrection, and the transition process is officially underway.*

# Lula's Priorities



- On Sunday night, after being declared the winner, Lula delivered an acceptance speech in São Paulo.
- After thanking his voters and allies, he notably recognized that he was happy and worried at the same time – happy to have won, and worried about the country's division. In any case, he promised to govern on behalf of all Brazilians, and not just those that voted for him.
- During this speech, he stated what would be his priorities:
  - Combatting hunger.
  - Unifying the country and leave polarization behind.
  - Elevating the minimum wage beyond inflation rates.
  - Supporting small and medium-sized farmers and micro and small enterprises to make the Brazilian economy grow.
  - Return to a place of relevance in foreign affairs, focusing on environmental policy and leading efforts to integrate the region, as well as expanding cooperation ties between all countries – especially in the southern hemisphere.
- Lula is being pressured to decide on Ministers as soon as possible to give markets some predictability.
- The President-elect is reportedly considering his cabinet with Congress in mind, since the October 2<sup>nd</sup> elections gave Bolsonaro the second largest coalition in both houses (right after the “Centrão”).
- For this reason, he is not expected to call on many elected Congressmen from his party, since he wishes to keep the strongest allies in the Legislative branch.
- Instead, Lula is seeking to appoint Ministers with a political background that could negotiate with Congress effectively.
- Although he will undoubtedly prize strategic campaign allies with a ministerial post, such as Simone Tebet who is optioned for the agriculture or education posts, Lula is expected to give preference to members of his own party (PT).
- The more technical experts are expected to be appointed to vice-minister posts.



# The Incoming Government's Main Challenges



# The New Government's Challenges



## Political Challenges

The election results and their aftermath revealed a clear split in the Brazilian electorate and a climate of political animosity which led to a [110%](#) increase in cases of political violence during the electoral period. Cases of [electoral harassment](#) by employers also increased.

- There are [demonstrations](#) from Bolsonaro supporters who refuse to accept the election results and would prefer an intervention by the [armed forces](#).
- Lula will confront a Congress with a complex composition: In this election, there was a significant [reduction](#) in the number of parties represented in Congress (from 30 to 19 in this election). The “Centrão” will still [dominate](#) in both houses, albeit [weakened](#) (this is a caucus composed by political parties at the center of the ideological spectrum who have historically adhered to the ruling government’s policies in exchange for budget assignments). Meanwhile, the conservative caucus was [strengthened](#) in both houses, leaving Lula at a disadvantage.
- Lula will have to bring forward moderate proposals and make concessions to govern. Analysts say the president has [good chances](#), as prominent Congressmen have already pointed towards adopting a [pragmatic stance](#). In any case, the new cabinet will prove crucial to help the President navigate this scenario.
- The first challenge Lula will face is negotiating a way to break budget constraints to maintain the monthly subsidy of BRL 600 for the poorest households created during Bolsonaro’s administration in recent months. This move will entail reviewing the current "[spending ceiling](#)" (a rule created to control public spending in accordance with inflation rates), which can only be achieved through a [Constitutional amendment](#) (which requires 2/3 approval in both houses).
- Out of all the state governors elected last month, [only 11](#) are government allies. However, elected governors in key states like São Paulo, who were declared Bolsonaro allies, have spoken to the elected president or with members of his campaign, indicating not only a recognition of Sunday’s results, but a [willingness](#) to work together in a democratic way.
- Finally, Lula has said he will remove most of the 6,000+ military members currently holding government bureaucratic posts – control institutions have [pointed out](#) that President Bolsonaro appointed most of them, increasing the number from 2,765 in 2018 to 6,175 military members in 2021. The challenge will be to conduct this transition without leading to confrontations with the institution, given that the institutional relationship between the Military and the incoming government is expected to be [strained](#).

# The New Government's Challenges



## Economic Challenges

Despite recent improvements in some economic indicators, the new government is expected to face a difficult economic scenario:

- According to ECLAC/UN data, the Brazilian economy is expected to grow by a mere 1.4% in 2023, underperforming all its peers in the region (except Chile).
- Despite the reduction in unemployment over the last few months, peaking at an all time high of 14.7% in March of 2021, and reaching 8.7% in the three months leading up to September 2022, experts point out that the next government should face difficulties in creating formal jobs.
- In addition, the new government will face a country that is still recovering from high inflation and that is expected to fail to meet the annual inflation target (between 2% and 5%) for the second year in a row. Central Bank projections point towards a 5.63% inflation rate at the end of this year.
- As a result, the new government is expected to take office amid a cycle of significant monetary tightening, with the basic interest rate at 13.75% after the largest and longest cycle of hikes experienced by the country since 1999.
- In addition, external factors like China's slowing growth (which impacts commodity prices), the war in Ukraine and the risks of a global recession will most likely hamper economic recovery by impacting fuel and food prices directly – and therefore, inflation.
- In this volatile context, Lula will find it difficult to deliver on his campaign promises to maintain social subsidies, increase the minimum wage and expand public spending without increasing inflation or expanding public debt. His bet is to implement large-scale fiscal reform to simplify fiscal policy and make contributions proportional to income, as well as increasing taxes on profits and dividends, in addition to inheritances.
- Reaching a balance between public spending and fiscal responsibility will be a challenge indeed.

# The New Government's Challenges



## Environmental Challenges

Home to two-thirds of the Amazon Rainforest, Brazil has seen its reputation change from environmental hero to villain within the last four years. The outgoing President tarnished international cooperation agreements under the argument of State sovereignty and focused on defending economic expansion while disregarding growing deforestation rates.

- The incoming President and his Environmental Minister (most likely Marina Silva, a renowned environmentalist and historian, Environmental Minister during Lula's first term and current Congresswoman) will face the challenge of restoring Brazil's position as a leader in climate-change and sustainability, clean energy innovation and environmental protection.
- Lula is off to a good start in this regard, as presidents of the United States, Canada and France have already expressed their desire to work with the new administration to advance issues related to environmental policy. The day after the election, the Norwegian Minister for Climate and Environment announced that his country would resume payments to the Amazon fund and the UN invited Lula to participate in the next COP meeting in Egypt.
- At home, challenges will be greater, as environmental departments must be rebuilt and policies updated to address illegal activities and scale-back on mining and agricultural expansion in once-protected areas in order to halt uncontrolled deforestation and uphold land rights for indigenous communities.
- While international pressure on this subject rises, Lula will have to convince the agricultural sector, represented by a group of 300 parliamentarians who will now be members of the opposition, that his environmental policy is good for Brazil's reputation, as well as its economy.
- In fact, Brazil's foreign policy hinges on the reestablishment of international environmental commitments, as Mercosur's free trade agreement with the European Union, and OCDE accession have been barred mainly due to concerns over the weakening of environmental (and in connection, of indigenous people's) protection mechanisms.
- There is also some expectation that Lula will add on to Brazil's existing commitments, like creating goals to cut down on methane gas emissions. Amongst environmentalists, the consensus is that sustainability will be treated as a transversal theme throughout the President's cabinet.

# The New Government's Challenges



## Social Challenges

After two years struggling to recover from the Covid-19 pandemic, the country faces alarming growth rates in poverty, unemployment and hunger metrics. Additionally, political polarization will continue to feed a culture war that places different parts of Brazilian society at odds.

- After almost 8 years, Brazil returned to the United Nations Hunger Map. According to a study released in June 2022, about 33 million Brazilians now live in a situation of hunger, while more than half of the population (58.7%) faces some degree of food insecurity. The challenge will be to reformulate social assistance programs and to ensure the effectiveness of government's food and nutrition security programs.
- In education, the main challenge is the fight against school evasion, which reached alarming rates after the pandemic – according to a Unicef survey, about 11% of children are out of school in Brazil. The most affected by this scenario are the poorest – if looked at separately by social classes, the percentage of children out of school in the lowest levels reaches 17%, which is well above the national average.
- In Health, the reduction in vaccination coverage in recent years is worrisome. According to Fiocruz, in 2019, vaccination coverage reached 73% of the population, but only 59% in 2021. The decline, motivated by the advance of denialist discourses and the lack of government programs to encourage childhood vaccination, has raised the risk of the return of diseases such as Poliomyelitis, which had been considered eradicated since 1994.
- In the last 10 years, more than 13,600 workers in conditions similar to slavery were rescued in Brazil. 1,930 were rescued in 2021, the highest number since 2013 and a 106% increase from 2020, when records showed 936 people.
- The Covid-19 pandemic contributed to the increment in poverty rates throughout the country. According to a study published by FGV, from 2019 to 2021, almost 10 million people have joined the group of Brazilians that live below the poverty line, which now reaches close to 62.9 million (29.6% of the population). This represent the highest poverty rates registered in the country since 2012, when this study was conducted for the first time.
- Therefore, one of Lula's main challenges will be to repeat his feat of reducing poverty rates by 50,64% during his first mandates (2002-2010), now under a much more complex socioeconomic landscape.



How to navigate this  
new scenario?

# FTI Can Help You Navigate This Scenario



In the upcoming months, you should:

**1**  
Prepare for inevitable scenarios such as an increase in minimum wage beyond inflation rates, the implementation of fiscal reform and the possible revision of labor laws reformed during the Temer administration.

**2**  
Understand how upcoming reforms will change regulation and impact your business by having dedicated teams monitoring key legislation and policy developments.

**3**  
Actively participate in the debates that lead to the construction of public policies, either directly or through sectoral associations that effectively represent your interests.

**4**  
Take advantage of the new government's focus on environmental and social issues and look for ways to collaborate with local governments to advance your ESG agenda.

**5**  
Make your positive impact visible to improve your reputation and gain goodwill with government entities.

**6**  
Own your responsibility as an organization operating within a democratic system struggling with polarization by creating internal policies to address political harassment and discrimination.

Click [here](#) to schedule a meeting with our team and understand how we can help you with all of this and more.

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