# Why Rousseff is still the front runner

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IN THE PAST FEW WEEKS President Dilma Rousseff was able to dodge two potential risks to her reelection. On June 21, she won the Workers' Party (PT) nomination, putting to rest speculation not only that former president Lula might replace her in the ballot (although Brazil's election code allows for candidates to be replaced up to a few weeks before the election), but more importantly, that allied parties would jump ship. With the deadline to declare alliances over, most parties within the ruling coalition have decided to back Rousseff for reelection, providing her with an ample advantage over opposition candidates when it comes to campaign time on TV. Rousseff will have nearly twice the time allotted to the two main opposition candidates combined, Aécio Neves of the Brazilian Social Democratic Party (PSDB) and Eduardo Campos of the Brazilian Socialist Party (PSB).

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The story at the local level, however, is a bit more challenging for Rousseff. Many of the parties that formally support her at the national level are striking coalitions within the states against the PT and Rousseff. In the five most populous states (roughly 50% of the population), the PT has a strong candidate for governor only in Minas Gerais state—which happens to be Neves's home state—and possibly in Rio de Janeiro state. For comparison, in 2010 the PT and its allies had strong candidates in all five major states; they won in Rio de Janeiro, Rio Grande do Sul, and Bahia and lost in São Paulo and Minas Gerais states.

Nevertheless, while local political dynamics hint at a more competitive ballot in October, the impact on how Rousseff performs nationally is likely to be limited. Pundits often overplay the ability of local and regional politicians to affect the vote in a presidential election. Elections are determined much more by national media campaigns than by what local and regional politicians are saying. While Rousseff's disadvantage in the states may hurt at the margin, the impact should not be overstated.

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The second risk to Rousseff's reelection was World Cup chaos. That did not happen. Even though the overall impact of the World Cup on the election will be limited, the change in sentiment toward the games helped dissipate that source of uncertainty about the Rousseff government, which was overplayed in local and international media. Recent polling data suggests that what is being regarded so far as a successful World Cup, with the accompanying respite from protests and strikes, may even marginally benefit the president in the near term.

At this juncture, the key risk factor to Rousseff's reelection is the unfavorable economic situation. High inflation and slow growth will continue to be a drag on Rousseff's poll numbers, and most other indicators of economic activity have also been coming in negative, particularly investment and consumer and business confidence. However, while Brasilia's near-term response to the economic slowdown will confound expectations and exacerbate negative sentiment, the political fallout for Rousseff is likely to be contained. In coming months inflation is expected to recede somewhat and the labor market is not expected to weaken much before the election.

While middle class discontent still lingers, raising the risk of voter fatigue with the PT, the bottom line is that the standing of Rousseff and her party with their political base of support is unlikely to shift much before October. Much of the discontent that triggered the protests since last year is concentrated in the upper middle classes. While those demonstrations were enough to take Rousseff's approval ratings down from close to 70% to slightly below 50%, the bulk of the president's supporters are the lower middle classes, which have in recent years benefited more from government policies (credit expansion, wage increase, Family Grant Program, the housing program). While a tougher economic environment has started to undermine support for the government within those classes, Rousseff should have enough momentum to guarantee her victory in October.

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Although Rousseff is still favored to win reelection, the election is still expected to be competitive. Most polls have recently started to indicate that there will be a second-round run-off, and the president's current margin over the main opposition candidate, Aécio Neves of the PSDB, would probably narrow to single digits in a run-off. By Brazilian standards, this would be a tight victory. In the last three presidential elections, the margin between winner and runner-up has been in the double digits: Rousseff over José Serra in 2010 by 12 points; Lula 21 points over Geraldo Alckmin in 2006 by 21 points; and Lula over José Serra in 2002 by 22 points.