Editors' Note

ACCEPTANCE BY THE SPEAKER OF the House in early December of the request to start proceedings to impeach President Rousseff is a further jolt to the battered Brazilian economy. If at first the market seemed to respond favorably to the news, since regardless of the outcome impeachment proceedings could bring the country out of its current political paralysis and economic stagnation, the proceedings also carry the risk that as they drag on, expectations might worsen. The already turbulent political situation was further roiled in the second week of December with publication of a letter from Vice President Michel Temer to embattled President Dilma Rousseff, in which Temer accuses the president of having no confidence in him or his party, the PMDB. This is a serious accusation: the PMDB is the biggest party in both houses of Brazil's Congress and the president's main ally in the coalition supporting the government.

It is the general expectation that in coming months, the news about the Brazilian economy will be very bad. Unemployment has been rising for some time, the economy is expected to contract by 3.6% this year and 3% in 2016, according to the projections of the Brazilian Institute of Economics, and for 2015 inflation will exceed 10%. The fiscal situation of the country itself is dire. Interestingly, as yet there has not been a steep drop in workers' incomes—in other words, the crisis has not yet reached the pockets of consumers, especially the pockets of lower-income consumers. Through September, the services sector, which accounts for 68% of all job openings, was still hiring more people than it was releasing. According to IBRE research, this will begin to change in the first quarter of 2016 and worker's incomes will begin to fall.

With all this uncertainty, aggravated by the involvement of politicians in the huge corruption scheme at the state oil company Petrobras, in this month's interview Marco Stefanini, CEO of Stefanini Group, believes that 2016 will be as difficult as 2015, if not worse. He does not expect any change in the country's current predicament until the political deadlock is resolved and confidence in the country returns. Until that happens, Brazil will remain paralyzed, and any conjecture about the future is futile.



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