Editors' Note

THE CHANGE AT THE helm of the economic team, with the rise of Nelson Barbosa to finance minister, should not be seen as enough, in the short term, to bring Brazil out of the current grave economic situation. Although allies of former president Lula are putting heavy pressure on the government to take action to boost growth, "we are not pulling a rabbit out of the hat," the president's Chief of Staff Jaques Wagner recently announced, making it clear there would be no new packages to stimulate the economy. The same point was emphasized by President Dilma Rousseff herself the next day at a breakfast with journalists.

The task of the new finance minister will be arduous. All economic indicators point to the coming year as being equal to or worse than 2015. IBRE staff estimate that in 2016 unemployment could reach an annual average of 11.7%, almost double the 6.8% recorded at the end of 2014. As production keeps dropping, industry's ordeal is likely to continue: in November, industrial production had its sixth consecutive fall; and compared to November 2014, it had contracted by 12.4%, the largest decline since 2003. The service sector, which had been tenaciously holding on and putting the brakes on the fall in GDP growth, is now clearly exhausted—as we had already anticipated last July.

To further cloud the outlook, the economy of China, the world's greatest commodity importer and our main trading partner, may grow even less than analysts predicted, which will have spillover effects on the Brazilian economy.

Although it is too soon to draw conclusions, the government has begun to outline its strategy for 2016; it seems that the approach to achieving fiscal balance will be gradual. Despite the political pressures, adoption of packages to stimulate the economy like those of the past two years seems to be off the table, at least for now. In other words, the administration will be concentrating its efforts both on preventing Brazil's economic indicators from getting any worse and on launching a pro-growth reform agenda, again bucking considerable pressure that might even go as far as Social Security reform.



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