

## Brazil's President-Elect Promises Prosperity but Faces Perils

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back into the presidency Sunday fondly recall his last heady two terms in office in the 2000s when commodity prices were soaring, poverty was plunging and Brazil was finally seen as the country of the future. "The people will eat steak and drink beer again...they will be happy again," Mr. da Silva told supporters in the campaign that ended with Sunday's victory over President Jair Bolsonaro, who has yet to concede or comment on the results. But Brazil's president-elect will struggle to deliver on those promises in the current economic climate when he takes office Jan. 1, economists said. Brazilian stocks were down some 2% in early trading in São Paulo on Monday, while the country's currency, the real, weakened about 0.6% to the dollar. Mr. da Silva—who former President Barack Obama once called "the most popular politician on earth"—is now 77 and faces a different world. China, the biggest buyer of its exports, expects its worst slowdown in years, the U.S. is forecast to enter recession in the next 12 months, and countries worldwide, among them Brazil, are struggling to reduce poverty and jump-start moribund economies as they emerge from the Covid-19 pandemic. When Mr. da Silva first took office in 2003, Brazil's economy was revving up as a rapidly growing and voracious China consumed everything from Brazilian iron ore to beef, sugar to soybeans. By 2010, Brazil was growing at 7.5%, its fastest rate in a quarter of a century, and Mr. da Silva finished his two terms with an approval rating of more than 80%. With state coffers filling up, Brazil paid off its International Monetary Fund debt early and poured money into social welfare spending and infrastructure projects to jack up oil production and bring industrial jobs to forlorn corners of the country. More than 25 million people were lifted from poverty, the Getulio Vargas Foundation said. "They were really exceptional circumstances...a one-off boom," said William Jackson, chief emerging markets economist at London-based research firm Capital Economics. "It's going to be a very challenging environment over the course of this presidential term." Mr. Jackson added that Mr. da Silva could follow the path of Chilean President Gabriel Boric, whose approval ratings sunk after he took office in March as the reality of the tough global economic context set in. Economists expect Brazil's economy to grow just 0.6% next year, after 2.8% growth this year, according to a survey Monday by the Central Bank. Mr. da Silva surrounded himself with respected economists during the campaign, including former Central Bank President Henrique Meirelles, buoying hopes that he will shun far-left policies once in office. However, Mr. Jackson cited a risk that Mr. da Silva insists on heavy spending even during an economic downturn to support the poor and prop up approval ratings at the expense of the country's fiscal health. That was Mr. Bolsonaro's strategy during the worst of the Covid-19 pandemic, when the economic blow forced him to forego market reforms championed by Economy Minister Paulo Guedes. After Mr. Bolsonaro spent as much as \$10 billion a month on payouts during the pandemic in 2020, Brazil's government debt reached close to 90% of gross domestic product that year and is now hovering about 80%. Mr. da Silva won 60.3 million ballots on Sunday, 50.9% of the vote, in what was the closest presidential race in history. Mr. Bolsonaro got 58.2 million votes, or 49.1%. "The wheels of the economy will turn once more," said Mr. da Silva in his victory speech Sunday. He promised to put the poorest families at the center of the country's economic recovery by increasing the minimum wage and pardoning some debts to boost consumption. Brazil's leftist former president Luiz Inácio Lula da Silva beat conservative incumbent Jair Bolsonaro in the country's closest presidential race in history. WSJ's Luciana Magalhaes unpacks the challenges ahead for da Silva in uniting a divided nation. Photo: Sebastiao Moreira/Shutterstock (more to come)



Supporters of Brazilian President Jair Bolsonaro in Rio de Janeiro reacted on Sunday to their candidate's loss. Photo:

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