Verisk Maplecroft

Decision 2018: Anticipating scenarios in an erratic political climate

September 25, 2018

1. Introduction to Verisk Maplecroft
2. Current business environment
3. Electoral context through our dynamic indices
4. Present polling tendencies
5. First round prediction and implications for run-off
6. Government stability in 2019
7. Macroeconomic challenges and growth outlook

Above ground risk landscape increasingly dynamic
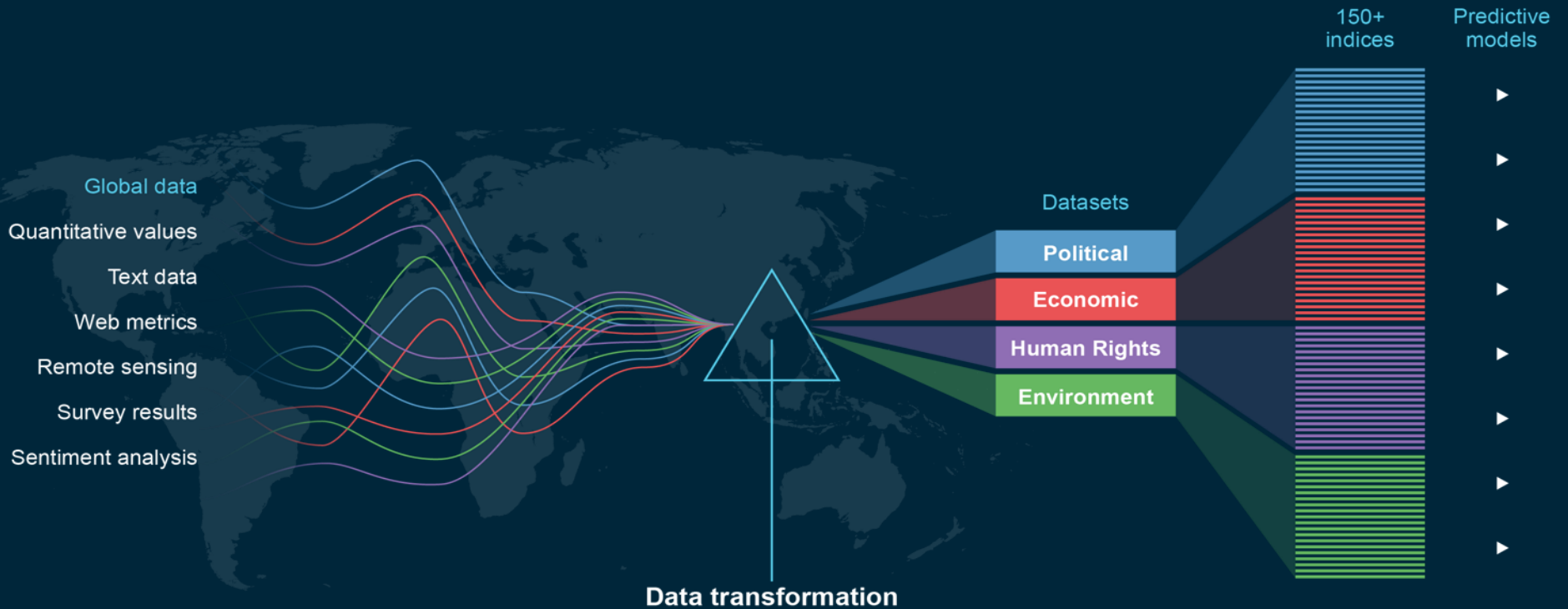## Viewing risk as an opportunity

Staying ahead of emerging risk issues is key to understanding the impact they can have and identifying the ways to mitigate them.
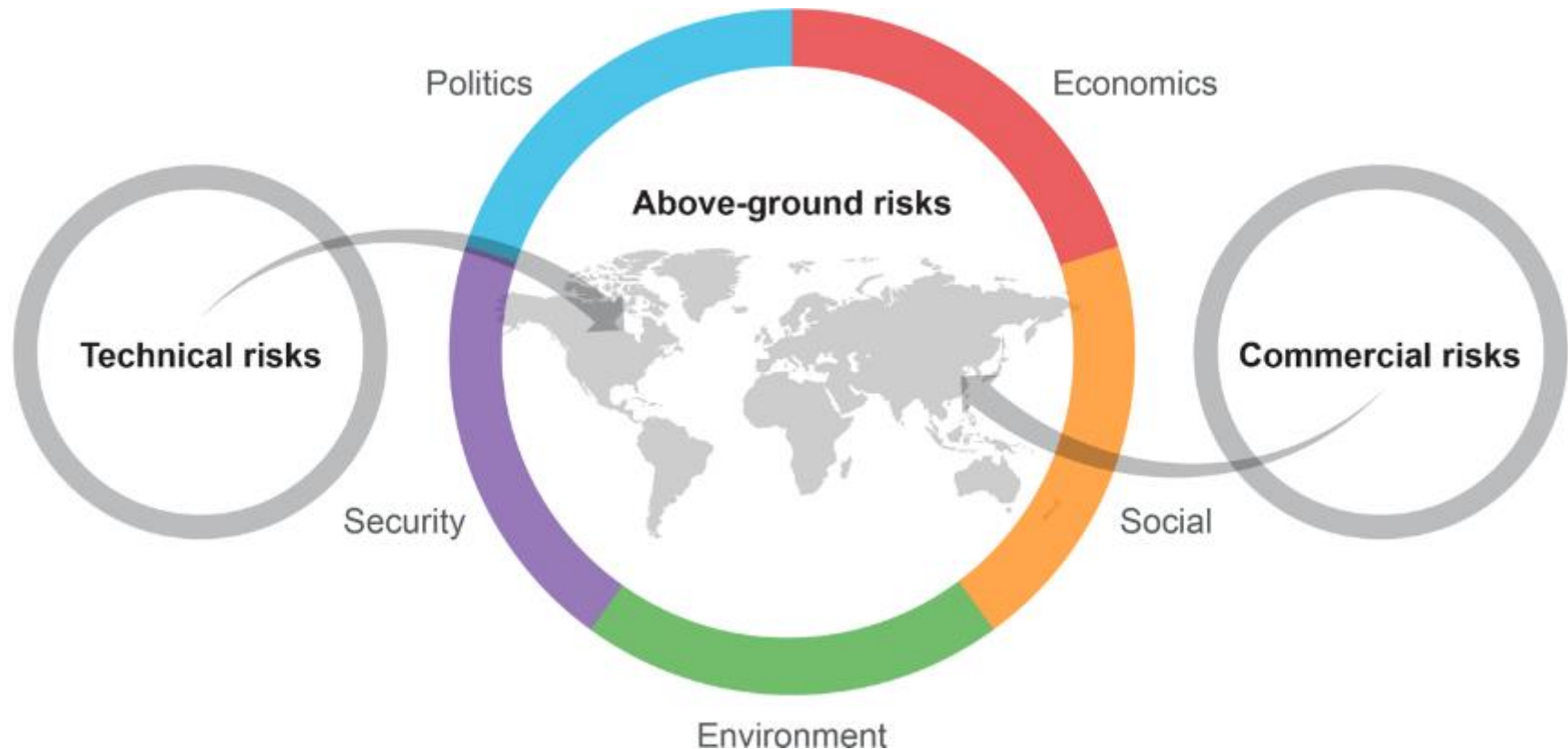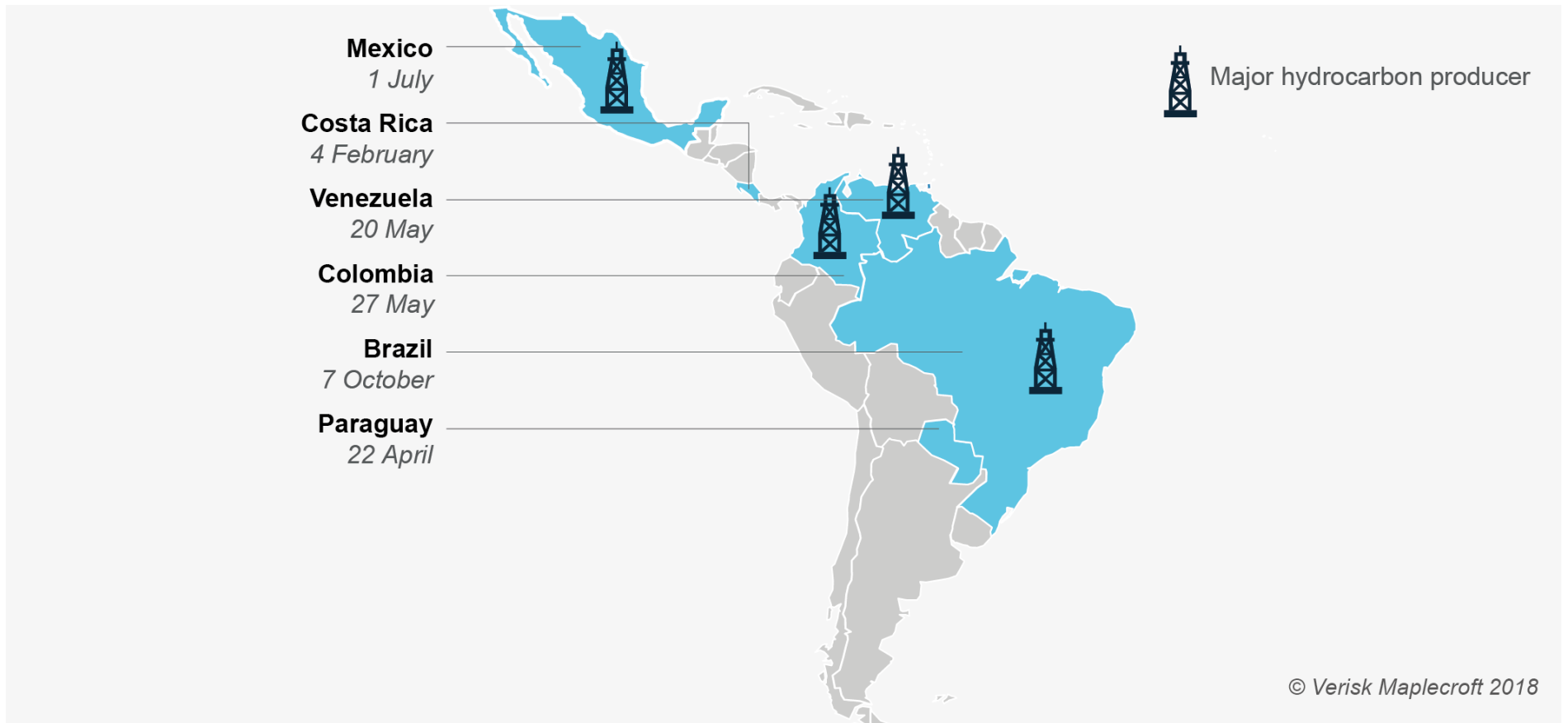
Global Risk Analytics

Screen, benchmark & prioritize the Above Ground Risk environment across countries of operation and future development

150+ indices

Predictive models

Global data

Quantitative values

Text data

Web metrics

Remote sensing

Survey results

Sentiment analysis

Datasets

Political

Economic

Human Rights

Environment

Data transformation

Our indices encapsulate complex concepts in a simple score that enables companies to compare risk across countries and across years. Clients use our indices to help them decide when and where to invest, how to allocate resources for due diligence, to mitigate risk or to risk-adjust their asset portfolios.

Latin America at another crossroads

'Anti-establishment sentiment' anticipates new political cycle in Brazil?

Mexico
1 July

Costa Rica
4 February

Venezuela
20 May

Colombia
27 May

Brazil
7 October

Paraguay
22 April

Major hydrocarbon producer

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Business environment

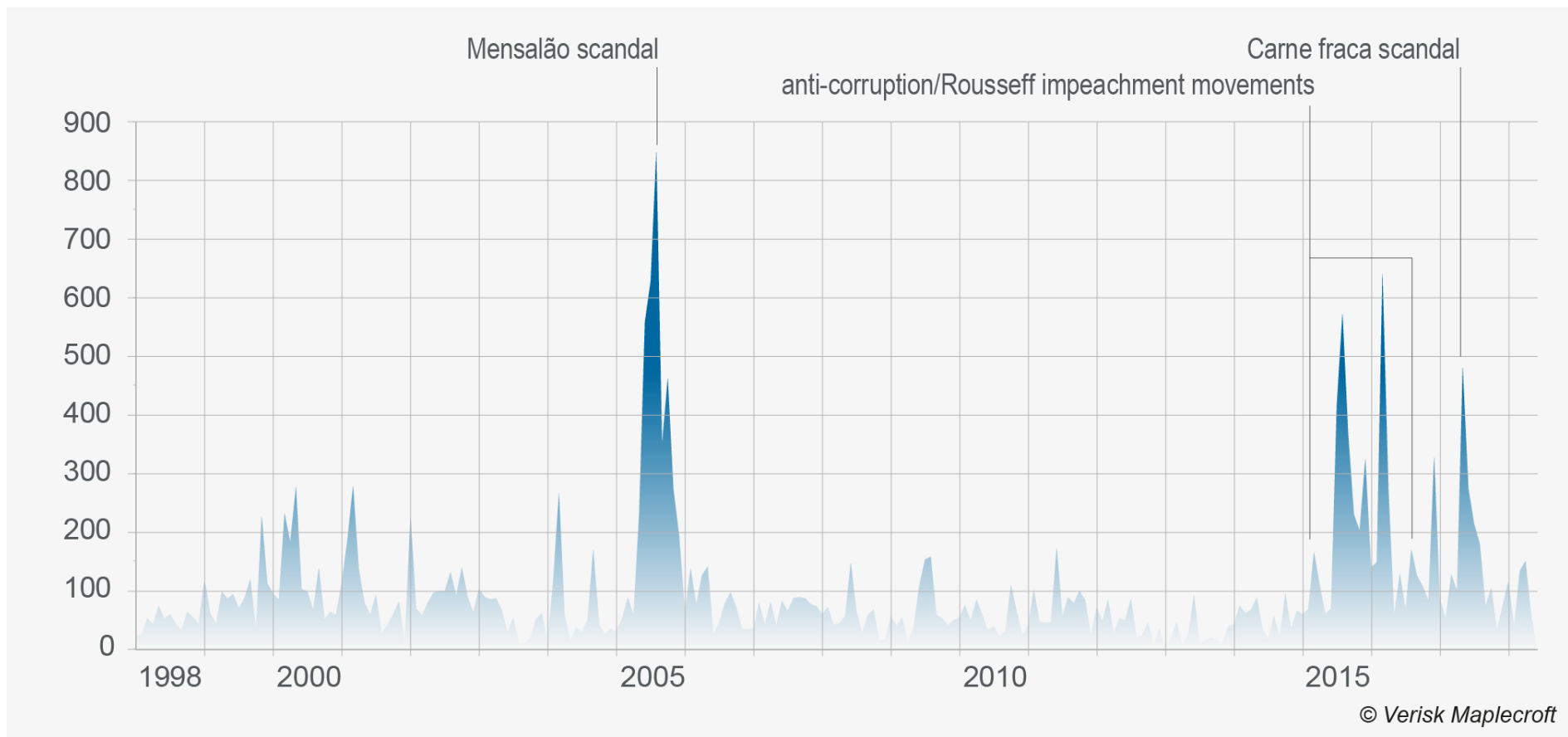## Economic, political & HR issues drag Brazil's performance
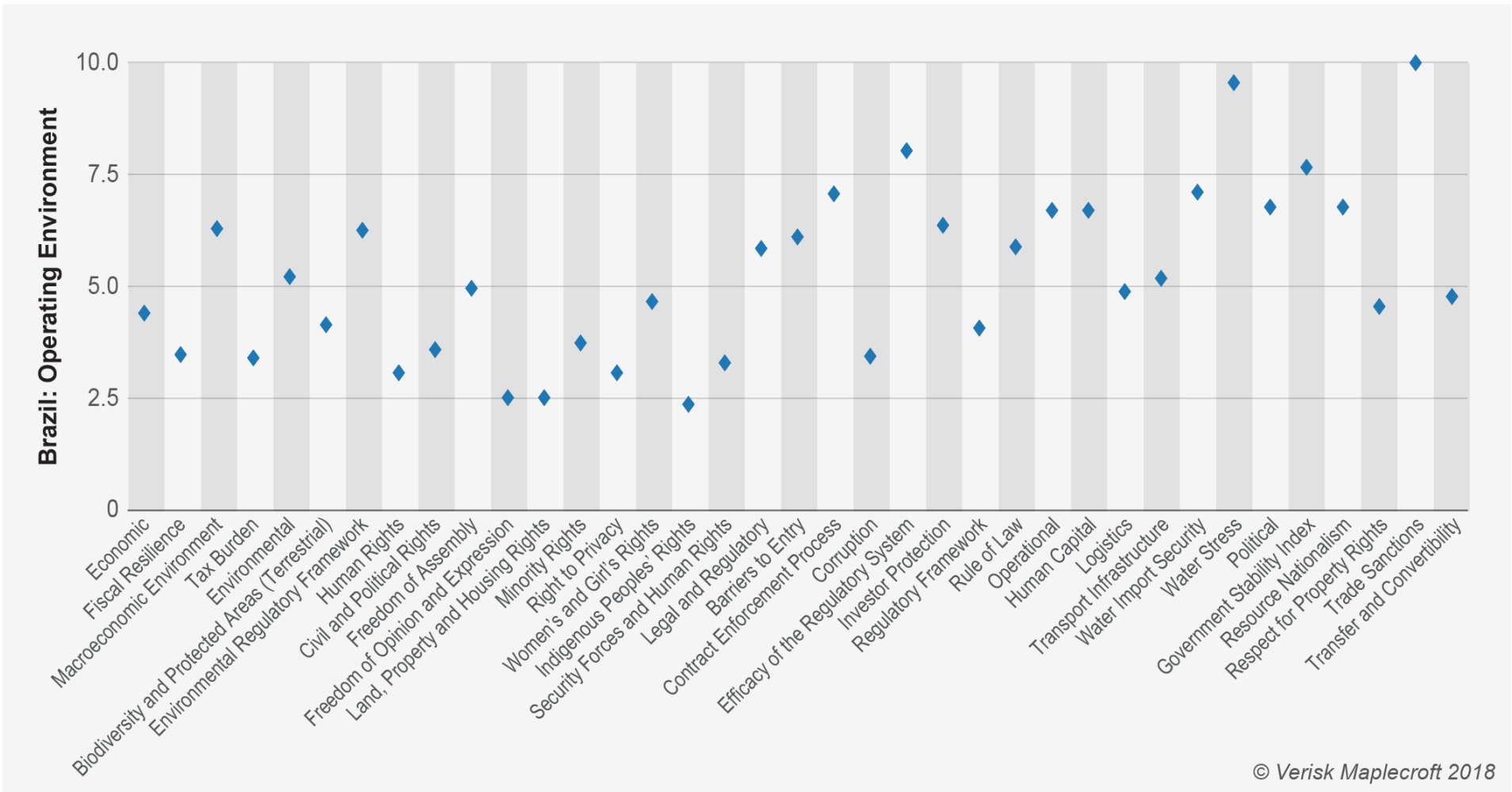
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Corruption probes underpin high domestic tension levels
Sustained frequent spikes reduce scope for structural reforms

© Verisk Maplecroft

Brasilia's paralysis fuels economic uncertainty

Lack of reform threatens pace & sustainability of economic recovery

© Verisk Maplecroft
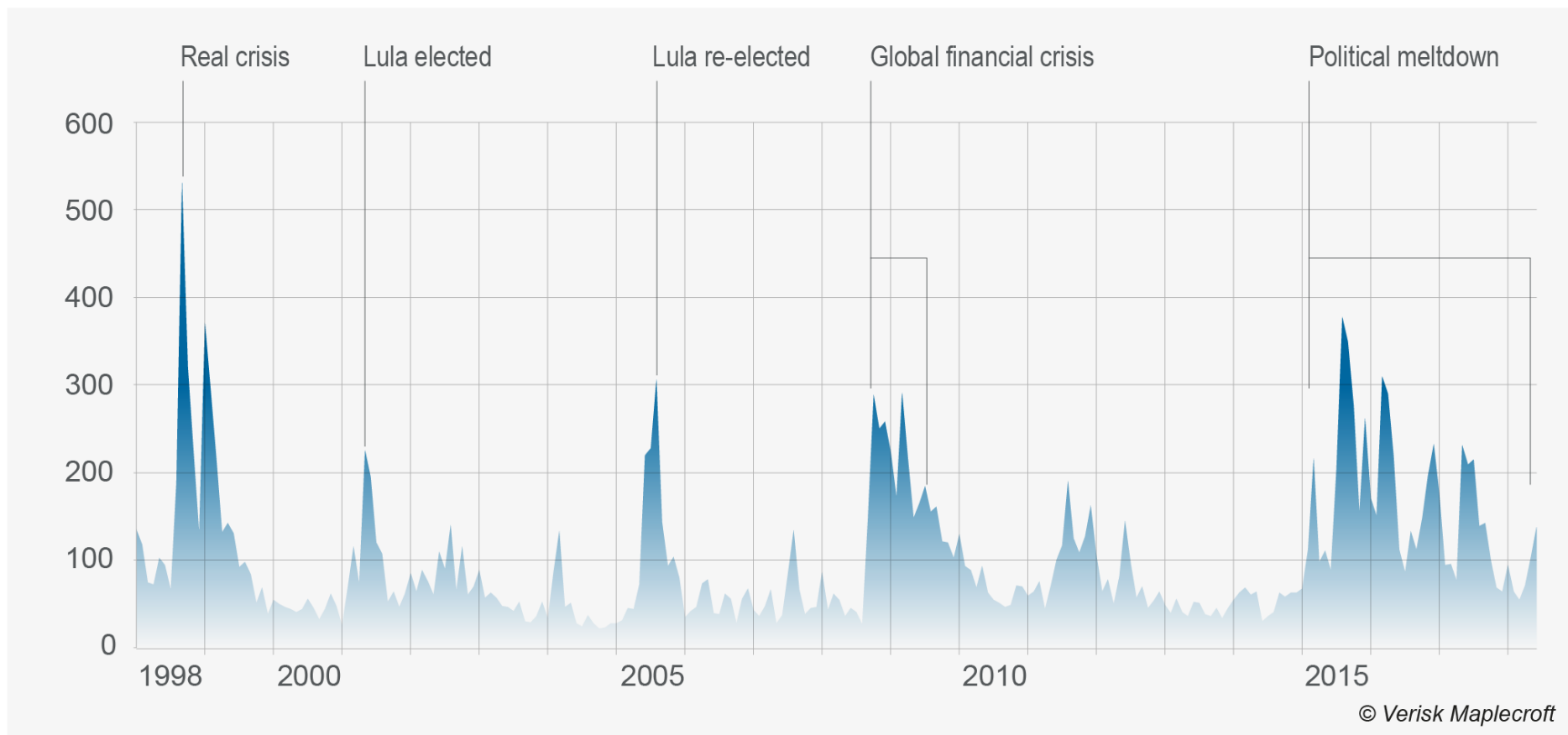
Political & economic frustrations drive civil unrest

Democratic crisis fuels polarisation & drives 'anti-establishment' wave

Fernando Collor impeachment

MST led activism spikes with actions against multinationals

Confederation cup protests

Rouseff impeachment

Anti-Temer protests

Truckers' strike
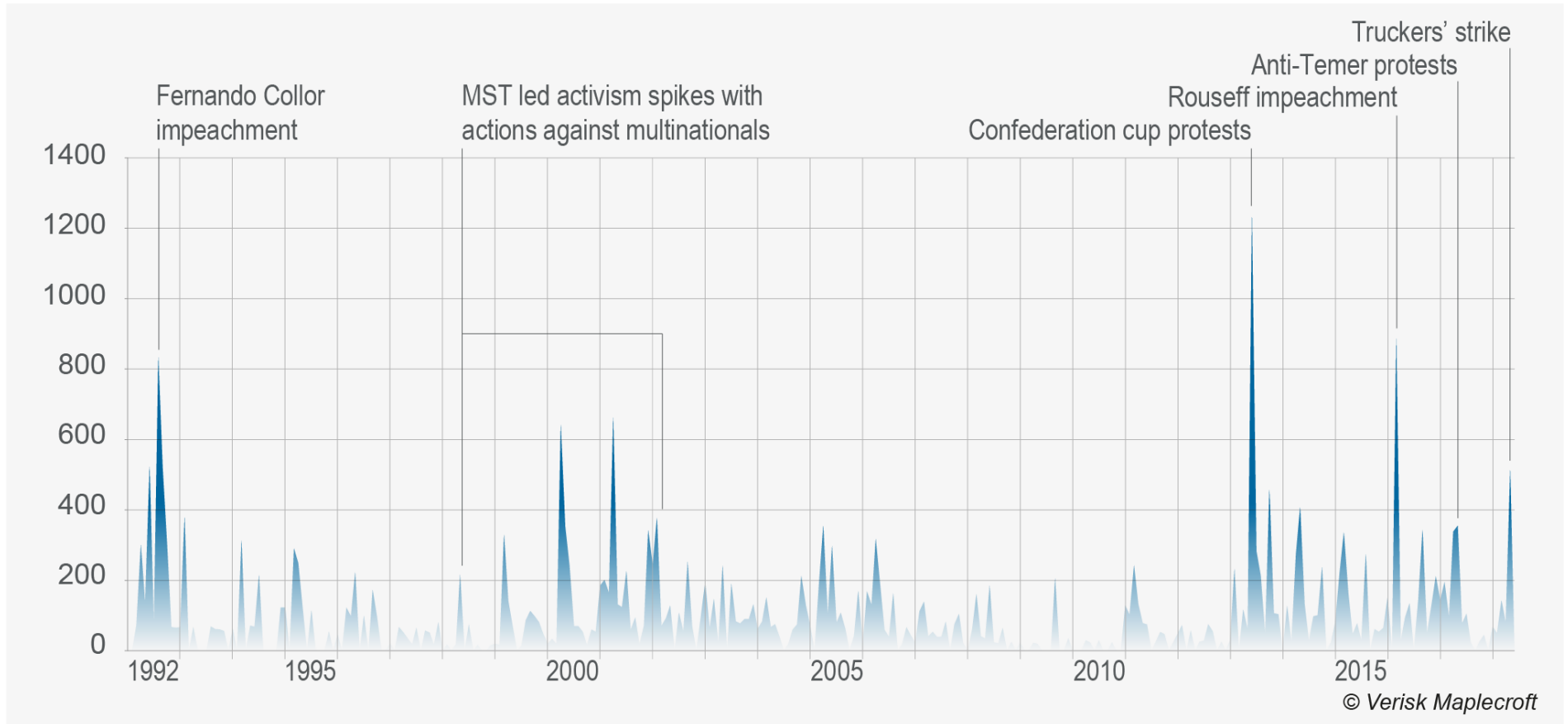
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Electoral timeline – T-minus 10 days for campaign end
Live experiment on role of traditional vs social media

17/07 to 05/08
Party conventions to confirm nominations

17/09
TSE deadline to review nominations and for parties to swap candidates

04/10
TV and radio campaigns (free & paid) conclude

08/10
campaign for run-off starts

13/10
Candidates cannot be arrested/detained unless caught in the commission of a crime

28/10
Run off

July   August   September   October

15/08
Deadline to register candidates with the TSE

31/08
Allocation of TV and radio ad time

22/09
Candidates cannot be arrested/detained unless caught in the commission of a crime

07/10
First round

12/10
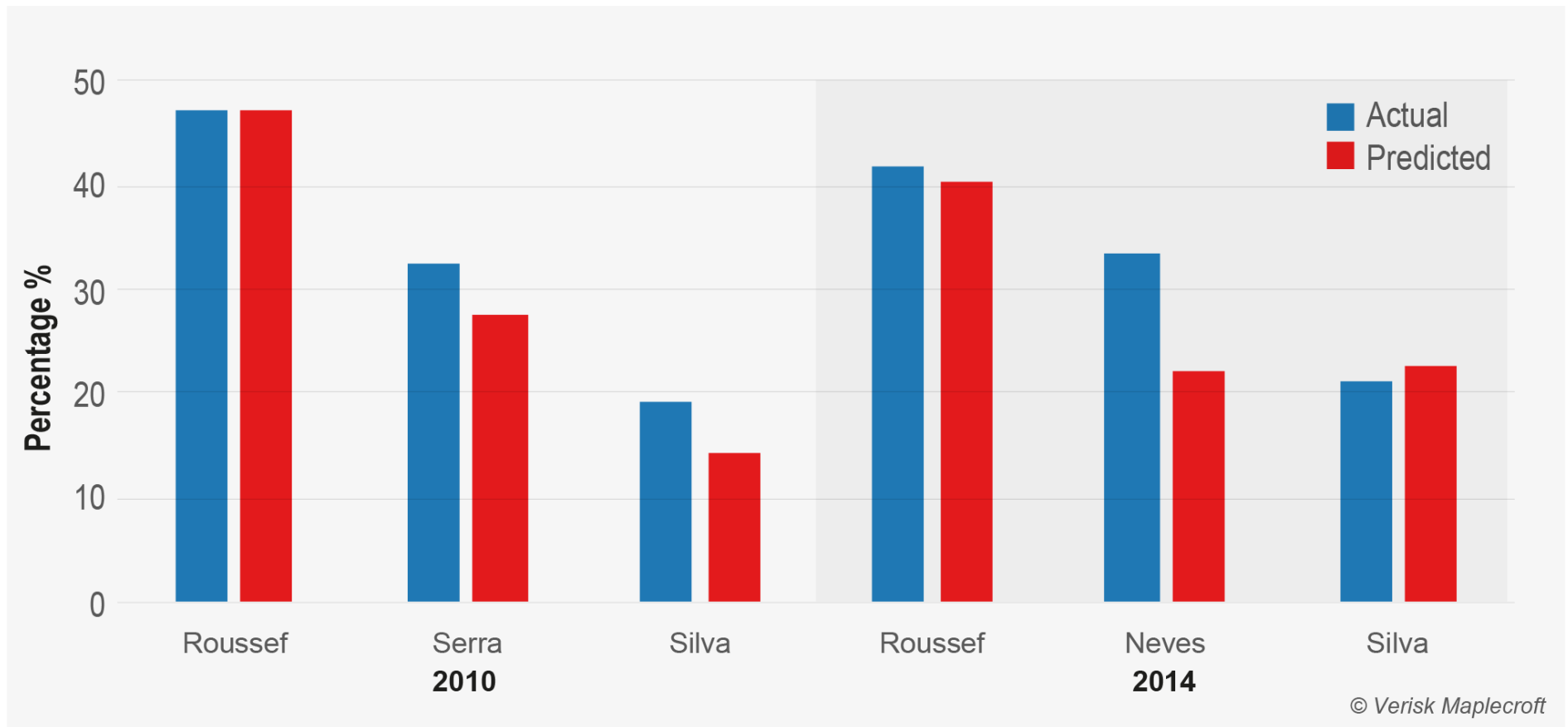Free ad campaign concludes

26/10
Paid ad campaign concludes

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Lessons from the past – stress-testing polling accuracy
Will traditional surveys capture social media role in campaign?

© Verisk Maplecroft

Rapidly evolving race makes for noisy data
Current trend suggests show-down of political extremes
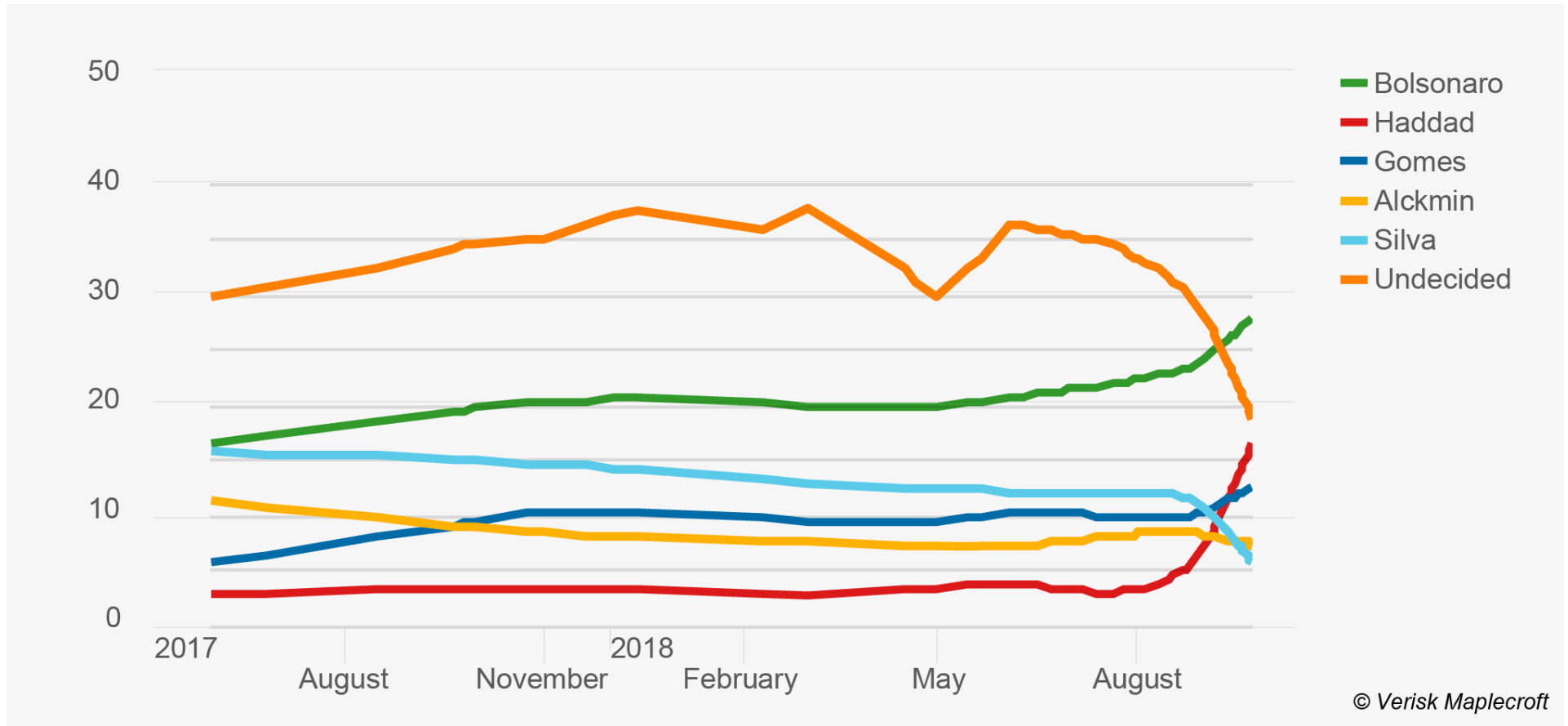
© Verisk Maplecroft

Odds in favour of Bolsonaro 1st round victory
But prediction limited by narrow data-point availability

	Lower	**Predicted**	Upper
Bolsonaro	26.60317259	**30.87302959**	35.14288660
Haddad	18.52840285	**25.30115822**	32.07391359
Gomes	10.11050985	**14.43004238**	18.74957492
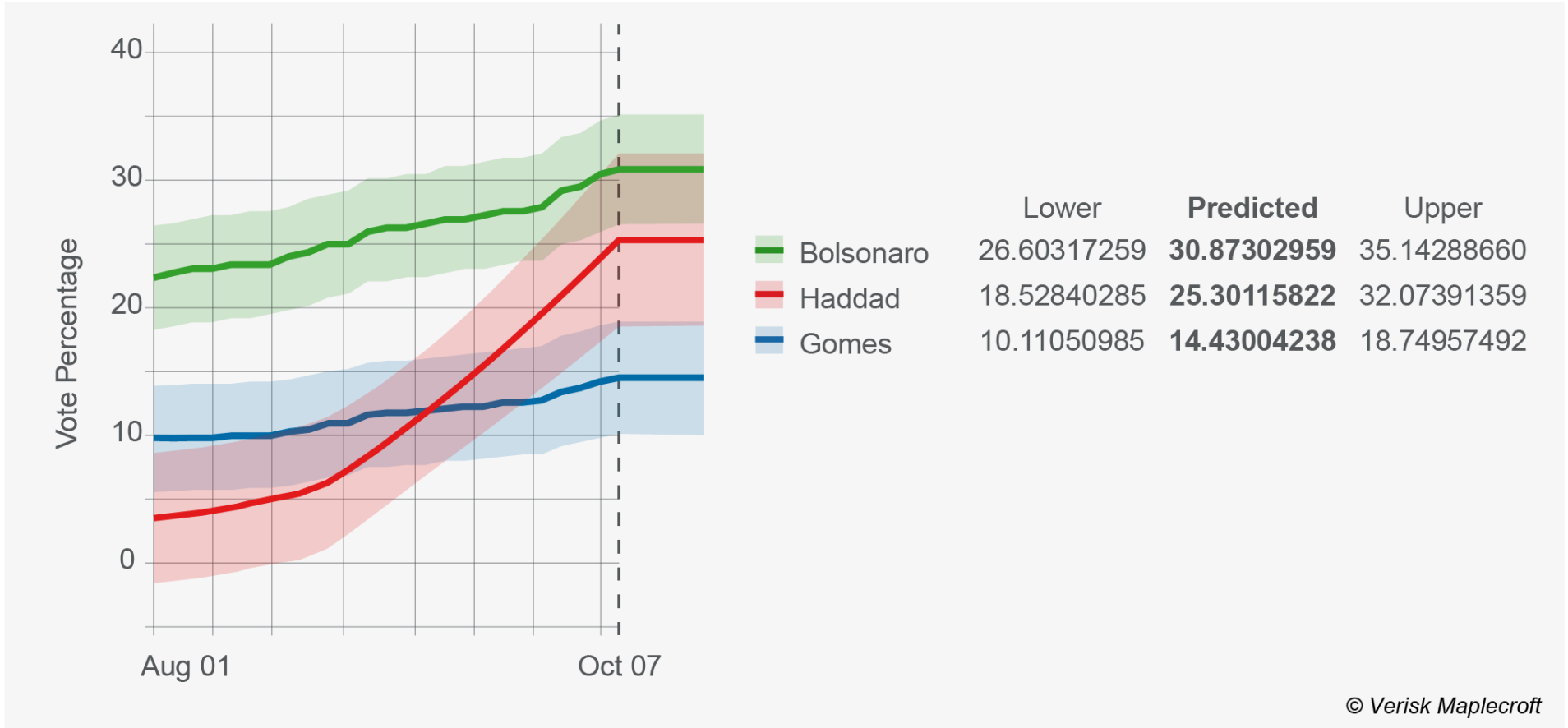
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Rejection rates as important as approval

© Verisk Maplecroft; Datafolha June 2018
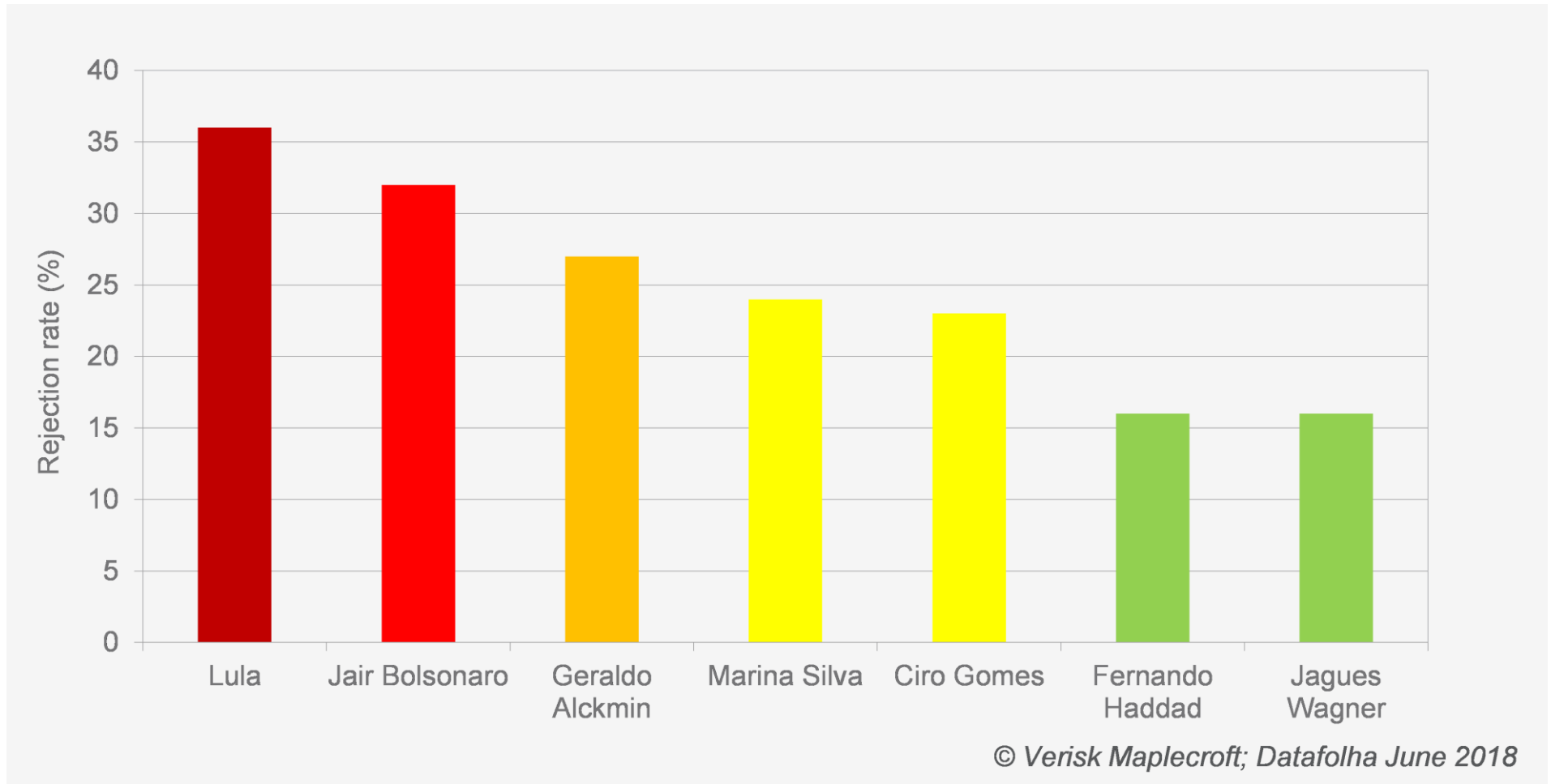
Polarisation in 2nd round points to neck-and-neck finish

Lower rejection rate favours Haddad, but anti-PT vote threatens his surge

Legend: Bolsonaro (green), Haddad (red)

© Verisk Maplecroft
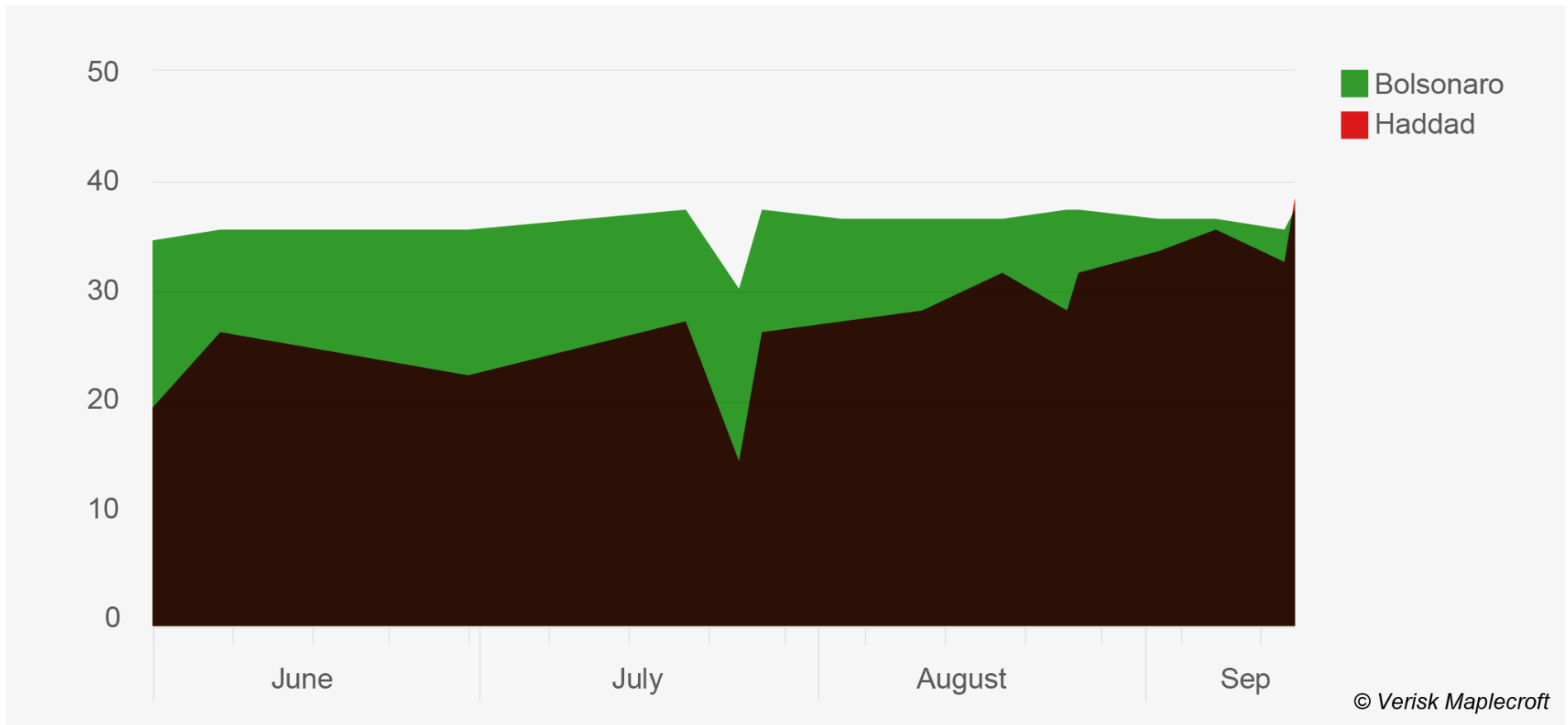
Gomes stronger as more moderate option

But current polling trend makes his inclusion in 2nd round unlikely

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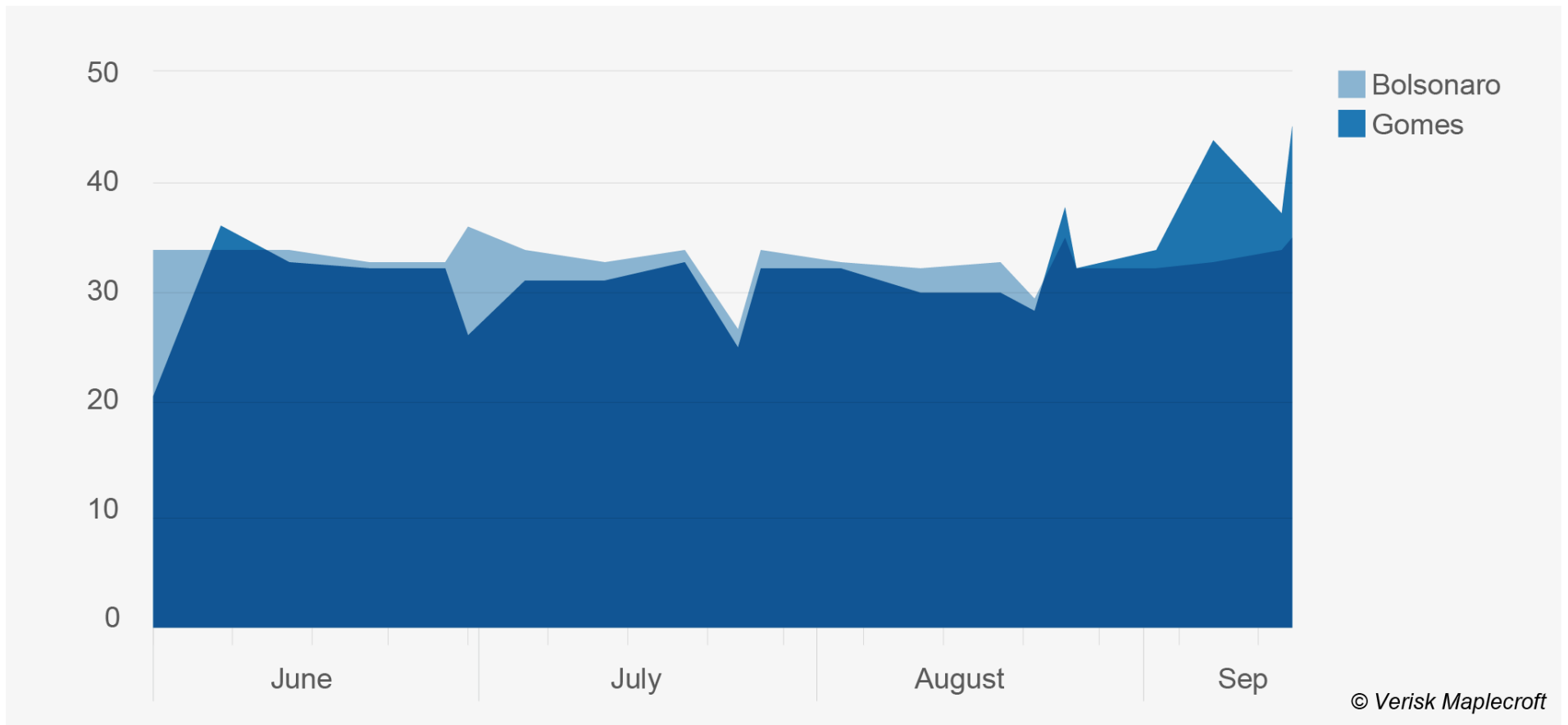
Effective number of political parties in Congress

Entrenched fragmentation precludes structural change in Brasilia
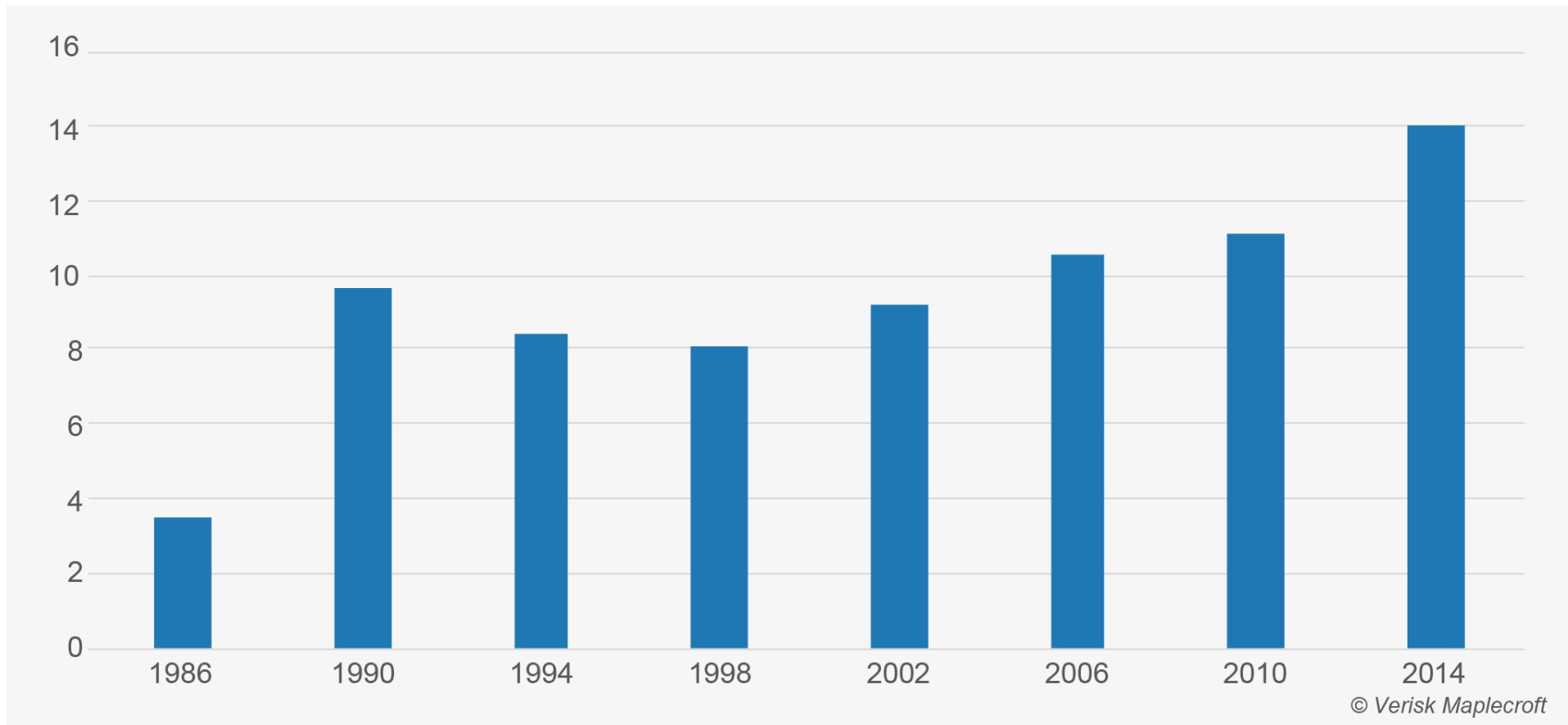
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Consolidating a coalition, a tall order for any winner

Electorate to punish parties in Temer's support base

Lower chamber
512
seats total

Bold = President Temer's support base

- Bloco PP, PTB, PSC: 73
- Bloco PMDB, PEN: 68
- PT: 57
- PSDB: 48
- PR: 39
- PSD: 36
- PSB: 34
- DEM: 28
- PRB: 22
- PDT: 21
- Bloco PTN, PTdoB, PSL: 19
- SD: 14
- PCdoB: 12
- PPS: 8
- PHS: 7
- PROS: 6
- PSOL: 6
- PV: 6
- REDE: 4
- PMB: 2
- PSDC: 1
- PRP: 1

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Senate
81
seats total

Bold = President Temer's support base

- DEM: 4
- PCdoB: 1
- PDT: 3
- PMDB: 19
- PP: 7
- PPS: 1
- PRB: 1
- PR: 4
- PSB: 6
- PSC: 2
- PSDB: 12
- PSD: 4
- PTB: 3
- PTC: 1
- PT: 10
- PV: 1
- REDE: 1
- Independent: 1

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Parties at extreme ends of spectrum to increase power
Although unlikely to become dominant legislative blocs

Left column	Right column
Partido Comunista do Brasil	Democracia Cristã
Partido Comunista Brasileiro	Partido Republicano Brasileiro
Partido da Causa Operária	Partido Trabalhista Cristão
Partido Socialista dos Trabalhadores Unificado	Partido Humanista da Solidariedade
Partido Socialismo e Liberdade	Democratas
Partido Pátria Livre	Partido Republicano da Ordem Social
Partido dos Trabalhadores	Partido da República
Partido Democrático Trabalhista	Partido Republicano Progressista
Rede Sustentabilidade	Partido Social Cristão
Partido Verde	Progressistas
Solidariedade	Partido Novo
Partido da Mobilização Nacional	Partido Renovador Trabalhista Brasileiro
Partido Socialista Brasileiro	Partido Social Liberal
Partido Popular Socialista	Patriota
Partido da Mulher Brasileira	
Partido Trabalhista Brasileiro	
Avante	
Movimento Democrático Brasileiro	
Podemos	
Partido da Social Democracia Brasileira	
Partido Social Democrático	

Legend:
- Far-left
- Left-wing to far-left
- Left-wing
- Centre-left to left-wing
- Centre-left
- Centre
- Centre to centre-right
- Centre-right
- Right-wing
- Right-wing to far-right
- Far-Right

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Government stability to increase
But fractured Congress will limit scope for major policy changes

● Current score

1.3%
% of outcomes that
see an increase
in risk

98.7%
% of outcomes that
see a decrease
in risk

Probability (%)

Extreme Risk   High Risk   Medium Risk   Low Risk

Government Stability Index Score

Source: Verisk Maplecroft 2018
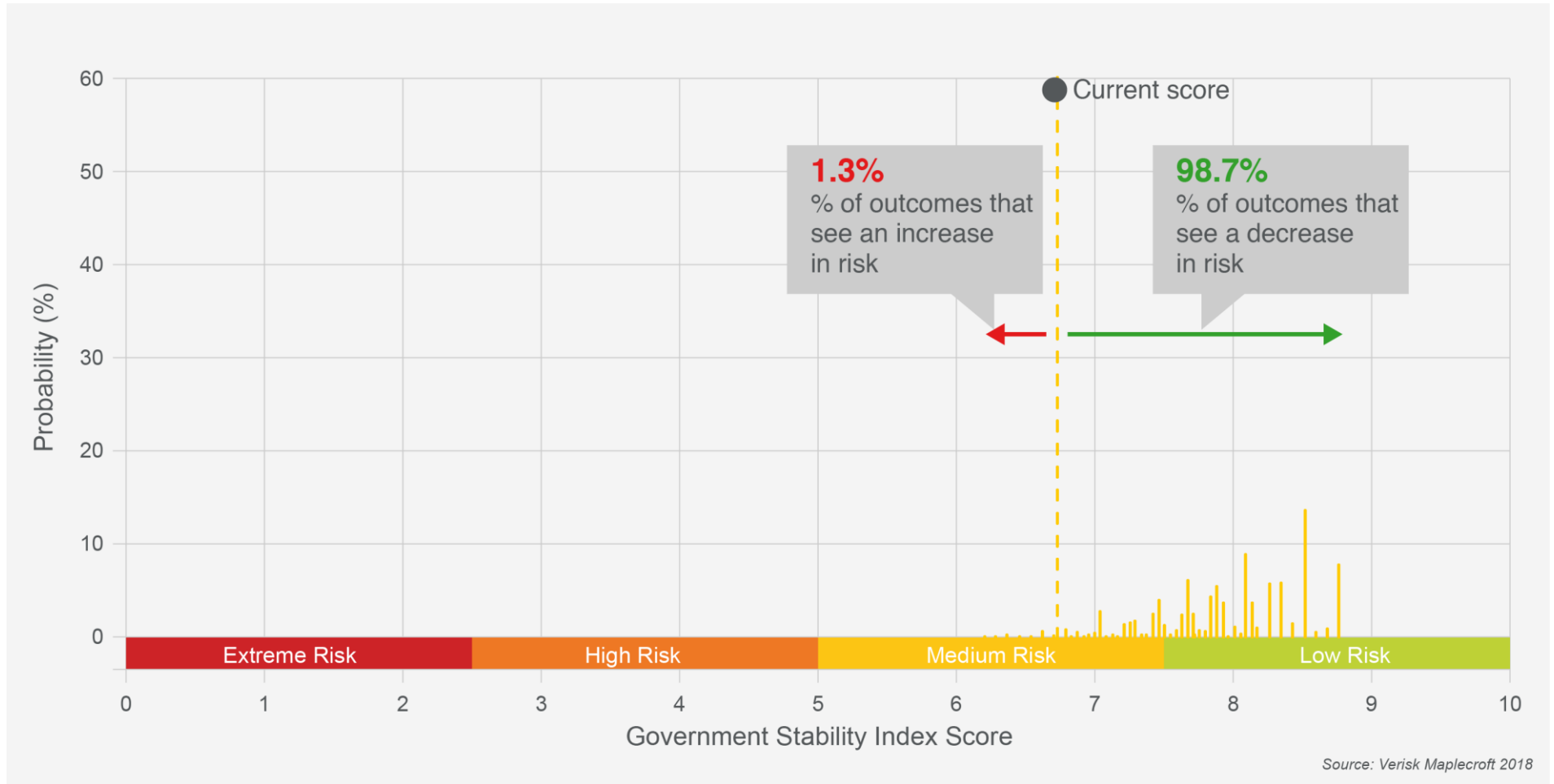
Reducing the fiscal deficit, the top challenge
But candidates steer away from meaningful economic debate

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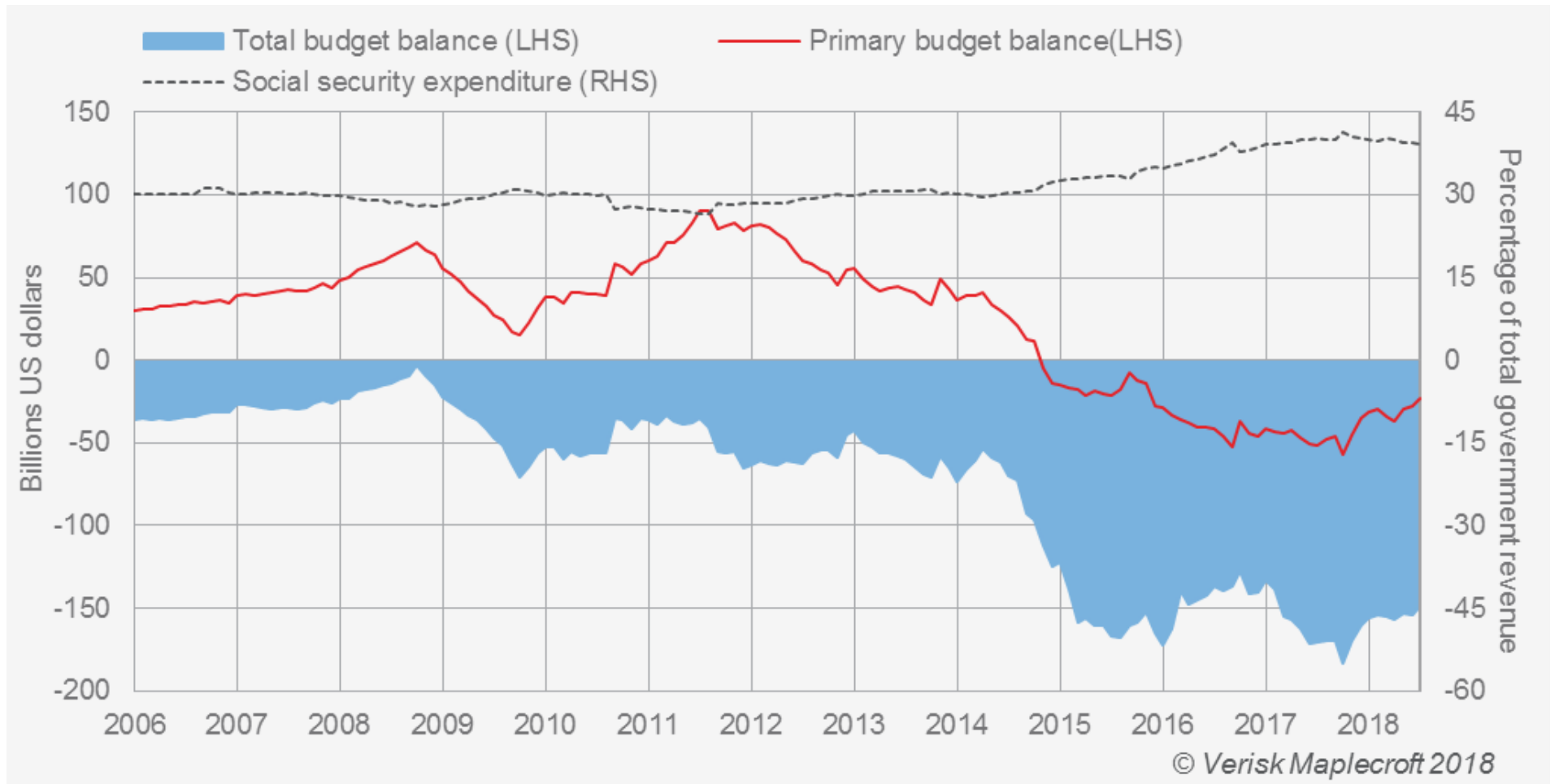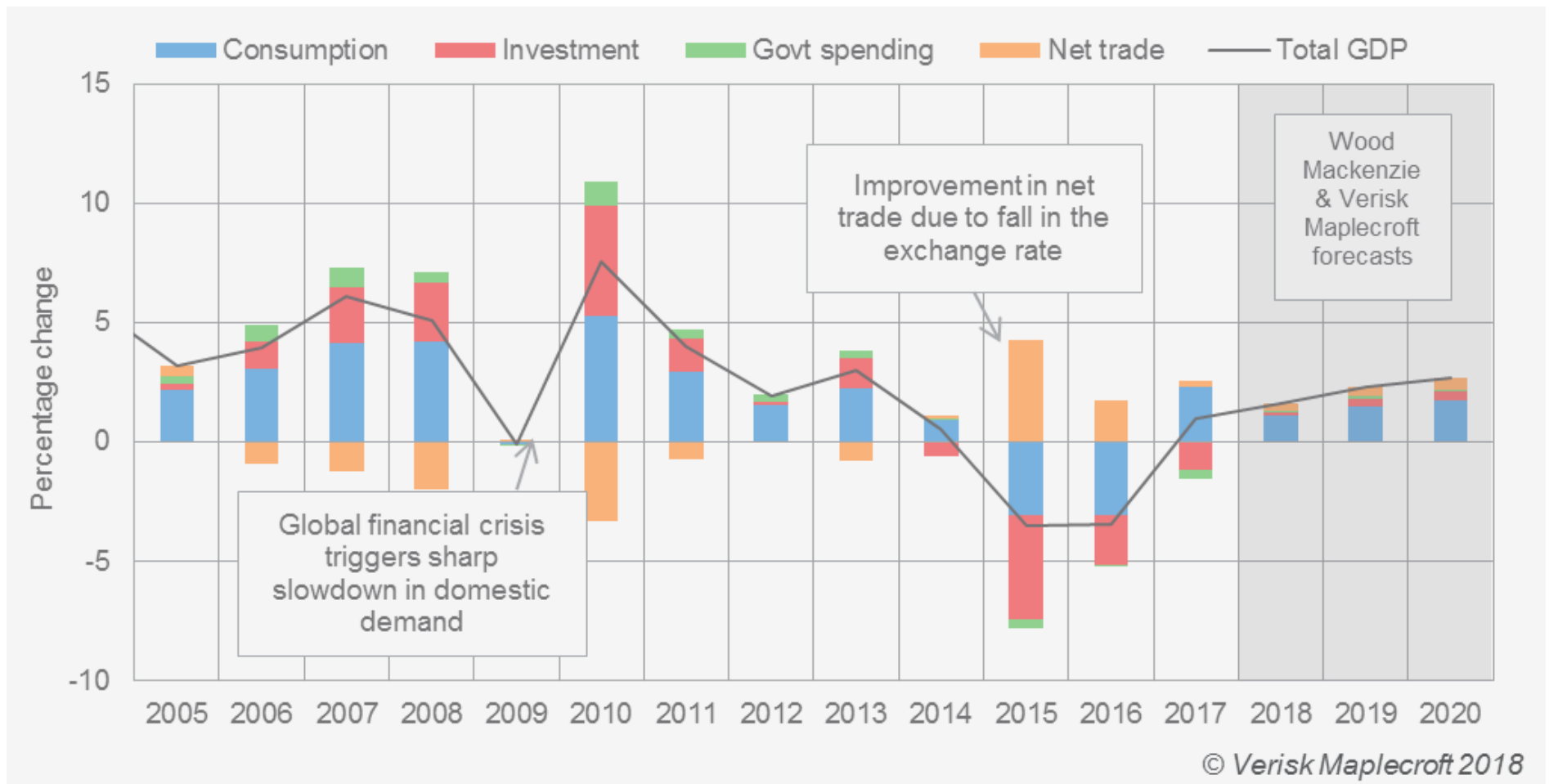
Social conservatism vs economic liberalism
Voters want a present state, but focus on meritocracy
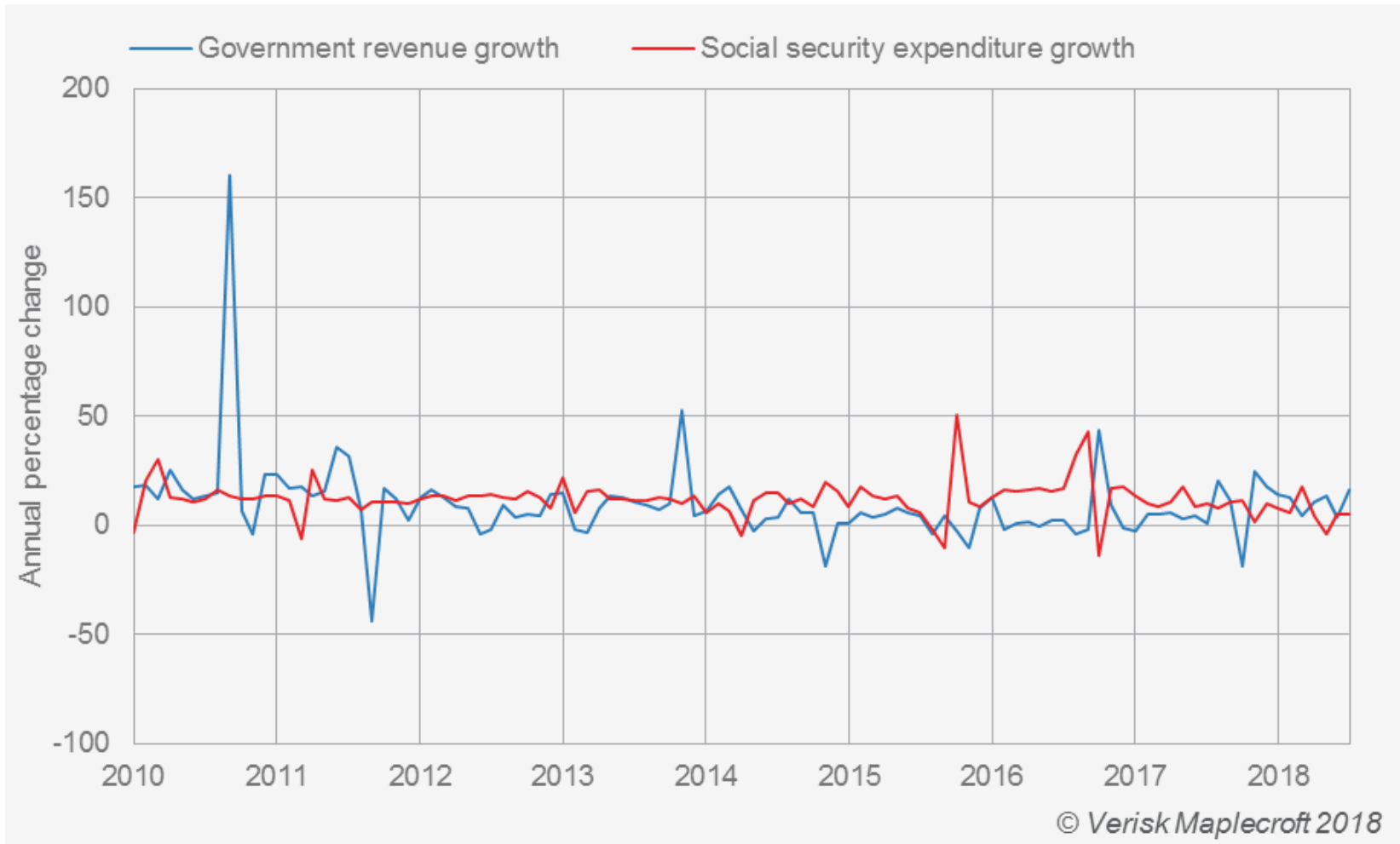
Slow economic recovery to continue

Minor progress in political stability allows slow consumer recovery

Consumption   Investment   Govt spending   Net trade   —— Total GDP

Improvement in net trade due to fall in the exchange rate

Wood Mackenzie & Verisk Maplecroft forecasts

Global financial crisis triggers sharp slowdown in domestic demand

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