



NEWSLETTER

Business Overview in Brazil

The Day After: What to Expect from the Post-Election Economy?

The end of the electoral cycle brings with it the expectation of reduced political noise, but the macroeconomic outlook for the post-election period calls for close attention. The latest data from the Central Bank's Focus Bulletin point to structural adjustment and slower economic growth. GDP growth, which is expected to end the election year at around 1.86%, is projected to slow to 1.41%.

This cooling reflects the fading of fiscal stimulus typically seen during election years, together with the prolonged impact of restrictive interest rates.

The Three Macroeconomic Pillars of the Post-Election Period

The behavior of the main economic indicators points to a scenario of gradual adjustment and persistently high indexation:

- **Inflation (IPCA):** Estimates indicate that headline inflation should decline from around 4.99% at the end of the election year to approximately 4.31%. Despite the decline, inflation would remain persistently above the 3.0% target midpoint, indicating that service prices and regulated prices will continue to face pressure.

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one of the world's most prestigious global networks in audit, accounting, tax advisory, and business consulting, with more than 8,500 professionals, a presence in 100 countries, and 80 years of history.

In Brazil, we are represented by seven member firms that combine diverse professional backgrounds, extensive experience, strategic industry knowledge, and strong local reputations to deliver the high-quality service clients require, together with the personalized attention and commitment they value.

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- **Selic Rate:** The Monetary Policy Committee is expected to begin a gradual easing cycle, bringing the benchmark interest rate down from the elevated levels seen during the election year to around 12% per year. However, corporate credit and long-term financing are likely to remain structurally expensive.
- **Exchange Rate:** The dollar is expected to rise slightly, from an average of R\$5.20 to approximately R\$5.28. This would reflect the consolidation of external fiscal risks and the global reallocation of investment portfolios.

Practical Implications for the Accounting and Business Sectors

As electoral uncertainty subsides, companies operating in accounting, tax and audit will move from a scenario driven by speculation to one focused on implementing concrete changes:

- **The “Moment of Truth” for Tax Reform:** The post-election period will mark the beginning of the countdown to the transition to the new taxes, such as IBS and CBS. Accounting departments will need to implement parallel calculation and reporting systems and review the strategic tax planning of companies operating with tight margins.
- **Fiscal Adjustment and Tax Incentives:** A rigorous review of tax incentives and special regimes adopted during the pre-election period is expected. Independent audits will place greater emphasis on validating prior-period tax credits and liabilities arising from abrupt changes in legislation.
- **Insolvency Management:** With GDP growing at a slower pace and the cost of capital remaining in double digits, the accounting ecosystem will play an important role in debt restructuring and working-capital management.



Investors' Strategy in the New Scenario

For investors, the post-election period calls for a portfolio transition focused on fundamentals and stability, while mitigating the impact of political risk premiums.

- **Locking in Fixed-Income Returns:** The prospect of a Selic rate that remains high in real terms — after accounting for inflation — makes locking in rates through long-term fixed-rate and IPCA-linked securities an attractive opportunity for securing consistent returns.

- Selectivity in Equities:** The stock market (Ibovespa) is expected to unlock value primarily in resilient, cash-generating sectors such as utilities, financial services and exporters, which benefit from a sustained dollar. Small caps and sectors highly dependent on credit, such as retail and construction, may take longer to recover due to the slow decline in structural interest rates.
- Return of Foreign Capital:** Large investments in infrastructure and innovation are expected to return to the radar as the elected government presents credible guidelines for public-debt sustainability.

The post-election scenario points to a transition towards more moderate growth and an environment that will require greater financial discipline and adaptability. For businesses and investors, the challenge will be to turn lower political uncertainty into strategic decisions based on efficiency, risk management and economic fundamentals.

MGI Worldwide member firms in Brazil are ready to support their clients in navigating this challenge.

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“MGI Assurance, works collaboratively with other MGI firms across Brazil, bringing together teams and specialists to provide comprehensive support to both domestic and international clients. This collaboration reflects our ability to combine local expertise with international reach to support our clients in an increasingly challenging environment.”



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