# Brazil’s economy shrinks for first time since 2016


Brasilia, May 30 (RHC)-- Brazil’s economy shrank in the first quarter of this year for the first time since 2016 due to delayed fiscal reforms, weak investment and rising unemployment, according to a poll by Reuters.

This is the first contraction since a deep 2015-2016 recession from Brazil never recovered — making a double-dip recession more likely.

The news puts mounting pressure on the unpopular, far-right president, Jair Bolsonaro, the former army captain who took office on Jan. 1 and whose approval rate is slipping. A May 21 Ipespe poll found that 36 percent think Bolsonaro’s government is bad or terrible, up by five percentage points from early May. Most blame the president for the worsening economy.

Morgan Stanley’s Arthur Carvalho said the “eternal feedback loop” between politics and growth shows no sign of breaking, and so the 2019 outlook has dimmed considerably in recent weeks.

The central bank said earlier this month there is a “relevant probability” that economic output contracted in the January-March period, and the government last week cut its 2019 growth forecast.

Brazil’s gross domestic product (GDP) in the first quarter of this year shrank about 0.2 percent from the preceding three months, according to economists. The economy was expected to grow this quarter by 0.5 percent over the same period in 2018.

The main reason for the economic slump, say analysts, is over the deepening uncertainty surrounding pension reform.  The government can't seem to get its pension proposal passed to supposedly save the public purse more than 1 trillion reais (US$250 billion) over the next decade and reignite growth.

“The key reason for a weaker economic recovery is the significant delay in the pension reform approval and higher risk for a larger dilution (of the proposals),” Bank of America Merrill Lynch economists wrote recently.

A study published by the International Labor Organization (ILO) last year showed that pension reforms similar to those proposed by Bolsonaro failed in 60 percent of the countries that adopted them.  According to Bolsonaro's system, a worker will retire off of his or her own private savings, rather than contributing to a secure state fund. Between 1981 and 2014, 30 countries adopted this system.  Last year, 18 countries reversed at least part of the policy.

"With 60 percent of the countries that have privatized compulsory public pensions, ... and with accumulated evidence of negative social and economic impacts (of this), it is possible to say that the experiment failed," the study revealed.

The 18 countries that tried to private but later made reforms were: Argentina, Ecuador, Bolivia, Venezuela, Nicaragua, Bulgaria, Kazakhstan, Croatia, Slovakia, Estonia, Hungary, Latvia, Lithuania, Macedonia, Poland, Czech Republic, Romania, and Russia.???????

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