

ágora: Thinking

We present the third edition of ágora: Thinking, focusing on Nísia Trindade's departure from the Ministry of Health, the Supreme Federal Court's ruling on parliamentary amendments and economic perspectives.

ágora: Thinking is our fortnightly bulletin on the political and institutional scenario. In each edition, we address different key topics on Brazil's political agenda.

From Technical Management to a New Political Agenda at the Ministry of Health

The transition from Nísia Trindade to Alexandre Padilha at the Ministry of Health signals a strategic shift: from a technical and ideological administration to a more political approach. While Nísia's legacy was marked by challenges such as dengue outbreaks and low vaccination coverage – but also by the ministry's internal reorganization – Padilha takes over after an intense internal dispute, prioritizing quick-impact measures, exemplified by the expansion of the Popular Pharmacy program. These measures can mobilize the population and bring the private sector closer but also postpone essential structural reforms for the healthcare system.

Unlike his predecessor, Alexandre Padilha assumes the ministry not as a reward but as the result of a long internal struggle and a process of political reinvention. Having aspired for years to return to the role, his appointment follows a two-year period of wear and tear at the Secretariat of Institutional Relations.

During his tenure as the government's political coordinator under Lula, Padilha faced significant challenges, being repeatedly neutralized by then-Speaker of the House, Arthur Lira, leading to episodes of political strain. The recent leadership renewal in the House of Representatives opens possibilities for a reconfiguration of institutional bridges, although without full guarantees of greater autonomy. With the ministry's robust budget and the management of parliamentary amendments—averaging around BRL 20 billion—at his disposal, the need to redesign his political negotiation strategy becomes imperative.

Walterson Rosa/MS



STF and Transparency Measures in Parliamentary Amendments

The Supreme Federal Court (STF) is about to review the decision issued by Minister Flávio Dino, which approved the work plan presented by the National Congress to enhance transparency and traceability in the allocation of parliamentary amendments.

The deadlock began in December 2022, when the STF declared the so-called RP8 (committee amendments) and RP9 (rapporteur amendments) unconstitutional. In response, the National Congress approved a resolution altering the rules for fund distribution. Since then, measures of suspension and blocking – such as the freezing of R\$ 4.2 billion in RP8 amendments – have been implemented.

Dino's decision highlighted progress in transparency regarding the allocation of amendments but included reservations. Amendments remain suspended if they:

- Have any technical impediments;
- Are classified as "PIX amendment" without a submitted and approved work plan;
- Lack proof of resource allocation;
- Are directed toward healthcare but have not been transferred to specific bank accounts.

Although Dino's ruling took effect upon publication, it still requires approval by the full court. Due to the case's "exceptional urgency," an extraordinary virtual session has been scheduled to start on Friday (28), underscoring the priority given to resuming payments and institutional adjustments.

The estimated budget for parliamentary amendments is approximately R\$ 52 billion, an increase from R\$ 49.2 billion in 2024 and significantly higher than the R\$ 6.1 billion recorded in 2014. Despite progress, parties such as PSOL argue that regulations are still being violated, while some types of transfers remain suspended due to technical barriers, audits, and specific court rulings.

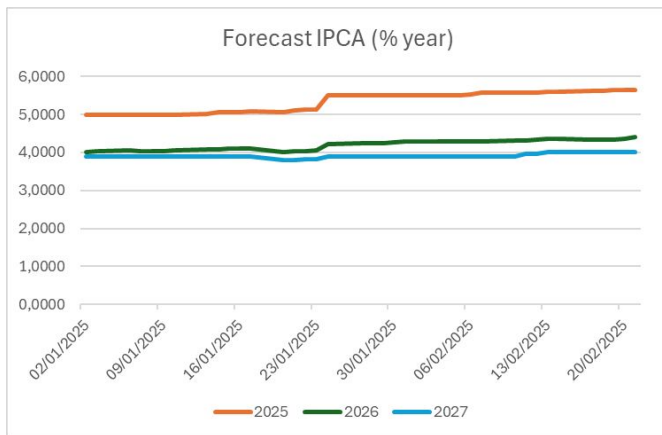


Economic Outlook

The economic outlook (based on the Central Bank's Focus Bulletin) for 2025 continues the skepticism observed in the third quarter of 2024. Inflation (IPCA) closed 2024 at 4.83%, above the target of 3.0% (with a tolerance range of 1.5%).

Disappointment over fiscal policy developments has pressured inflation expectations (IPCA) for 2025, with a projected year-end rate of 5.64%—1.14% above the target ceiling—worsening from the earlier expectation of 5.0%.

For 2026, expectations have risen from 4% at the beginning of the year to 4.4%, while 2027 projections remain stable at 4.0%. This scenario suggests that the inflation target will be missed in 2025 but met in 2026 and 2027.

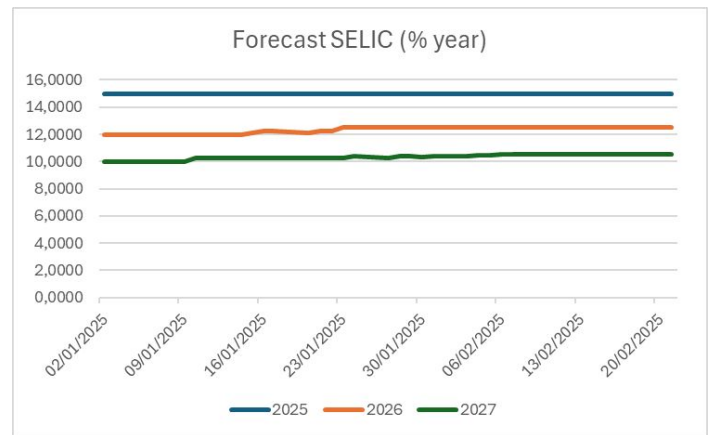


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Given this context, expectations for the SELIC interest rate have remained stable since the start of the year, at 15% in 2025, 12.5% in 2026 (compared to 12% earlier in the year), and 10.5% in 2027 (compared to 10% earlier in the year).

These expectations suggest an inflation cooling trend and a reversal of the SELIC interest rate curve. However, for 2025, pressure remains, signaling potential tensions between the government's economic and social agendas, as well as pressure on the Central Bank.

Externally, the impact of new U.S. foreign policy directions remains uncertain, as does their effect on BRICS nations, which could deteriorate domestic conditions.



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Conclusion

The ministerial reshuffle reflects a strategic move to strengthen Lula's allied base, essential for ensuring governability and advancing key legislative projects in a fragmented Congress. However, the shift in the Ministry of Health toward a more political profile suggests a short-term electoral strategy, while structural healthcare reforms remain postponed.

Meanwhile, the STF's ruling on parliamentary amendments introduces a new variable into the institutional stability equation, potentially reshaping budget negotiation mechanisms between the Executive and Legislative branches.

In the economic sphere, inflation above target and fiscal pressures heighten tensions between fiscal policy and the government's social objectives. Given this scenario, political and economic stability will depend on Lula's ability to keep his coalition united and on the reorganization of the opposition in an increasingly uncertain electoral environment.