

Project Management Report from Belo Horizonte



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The Dark Side of the Economy or One Difficult Year for PM

The 2014 Brazilian economy official results were revealed a few days ago. GDP grew a "spectacular" 0.1%. Industry and Investments (this down 4.4% compared to 2013) are the accounts that impacted more that awful result.

Such numbers would have been even worse if the GDP calculation methodology had not been changed, for among other things, to include the costs of IT, innovation and R & D investment (amazing, but until then they were expenditures). In the case of Project Management, falling investment means fewer projects, fewer jobs and less interest in the subject.

The 2014 results reflect only a huge lack of market confidence in the Brazilian economy. After years encouraging consumption and expanding the supply of credit, fiscal unorthodox maneuvers, betting on companies that do not correspond and insisting on a certain isolation, rather than take advantage of the increasingly global world and markets, the government saw these efforts prove harmless. There were no structural changes or transforming investments in infrastructure, nor discussed and encouraged the knowledge and good education to become national priorities.

One day the bill arrives. Then it arrived.

If the year 2014 was bad, 2015 could be worse. Market analysts and economists predict a fall in GDP and an even greater fall in investments.

Major drivers of investment in Brazil in recent years were the mining company VALE, oil company PETROBRAS and construction areas, this last as a result of a kind of real estate "bubble".

Now, with more and more moderate growth in China, and the consequent fall of ore and steel demand, causing lower prices, VALE drew their investments to about 10% of the total planned for 2014-2015.

PETROBRAS, with the accounts compromised by years of price controls by the government to "fight inflation", involved in a huge corruption scandal, heavily indebted, had to reduce significantly their investments, review contracts, suspend construction in progress and cancel projects. Still it is selling assets.

The real estate "bubble" burst, increasing inventories of finished units and reducing the sector's workforce. Prices are already falling, for now, in the form of discounts on the table and promotions. New projects are postponed.

These companies and the construction industry move a huge chain of suppliers and subcontractors, builders, manufacturers and architectural and engineering design companies. Such chains, of course, suffer from this downturn.

To be able to make such investments a success, Project Management techniques are key. On the other hand when investments fall, Project Management is the first to be reached. After all, GDP is for the future, but when the present is bad or hard, so what for Project Managers, PMOs, etc.?

However, there is hope. The Government has decided to fix things and adjust the public accounts. Even so 2015 will be difficult. If all goes well, 2016 will be better and may even bring a significant return of investments. However, only if all goes well, that is, if the harsh measures that need to be taken pass in Congress and even if there is no economic, political, and security significant problems in the US, Europe, China and Japan, we may have best years for Brazil and its Project Management, from 2016 or 2017.

A Difficult Year for PM in Minas Gerais

In the state of Minas Gerais things are no better. As with all state administrations there is a tax collection reduction resulting from falling economic activity. In addition, the State Government is "reviewing" projects of the previous administration. Thus, many works were paralyzed.

In the private sector, things are not much better as the state economy is heavily dependent on mining and steel, both living their crises.

At least, with the devaluation of the Brazilian Real against the dollar there may be an increase in exports. However, if it occurs, its effects will only be felt from the second half or the last quarter.

As there is idle capacity, not even a significant export momentum will mean new projects. So, hard days for Project Managers in Minas Gerais!

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