

Lula's commitment to fiscal discipline, including an increase in the primary surplus target from 3.75% to 4.25% of GDP, helped restore confidence among international investors.

Support for Domestic Production: The government implemented measures to strengthen local industries and reduce reliance on imports, although challenges remained due to currency appreciation that made Brazilian exports less competitive.

Poverty Reduction: Lula expanded social programs like Bolsa Familia, which significantly increased cash transfers to low-income families. This move reassured markets that Brazil was committed to maintaining economic stability and managing public finances responsibly.

High Interest Rates: While maintaining high interest rates initially attracted foreign capital, it also had the unintended consequence of making domestic borrowing more expensive, which stifled investment in local production.

2. Increase in Minimum Wage: The government raised the minimum wage multiple times, benefiting a large segment of workers and stimulating domestic consumption.

Public Investment: Lula's administration shifted focus towards public investment in infrastructure and social services, despite initial budget constraints due to fiscal discipline.

Control of Inflation: During Lula's first term, inflation rates were managed effectively, decreasing from over 12% in 2002 to an average of about 6.3% between 2003 and 2006. This control of inflation was crucial for stabilizing the economy and promoting growth.