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Lula's ratings rise despite scandal

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President Luiz Inácio Lula da Silva is emerging personally unscathed from a month-long corruption scandal involving his Workers' party (PT), according to a new opinion survey.

The approval rating of the former metal worker actually rose to 59.9 per cent up 2.5 percentage points from May according to a Sensus survey published on Tuesday by the National Transport Confederation (CNT).

"This comes as a complete surprise. It is almost incredible," said Clesio Andrade, president of the CNT. "The president has uncoupled himself from these allegations; he remains shielded." Allegations surfaced more than a month ago of corruption in several state enterprises, and of an alleged PT scheme to pay off legislators in exchange for support.

The surprisingly strong approval ratings boosted investor confidence that Mr Lula da Silva could withstand the worst political crisis in the current administration. "For financial markets and for the country this is good news. They want the president to finish his term," said Armando Monteiro, president of the National Industry Federation.

The São Paulo stock exchange rallied more than 1 per cent by early afternoon. Mr Lula da Silva also continues to be the strongest candidate in next year's presidential race by a wide margin. He would beat José Serra, the mayor of São Paulo and Mr Lula da Silva's rival in 2002, with a margin of nearly 14 points in an election, according to Tuesday's poll.

"It is not over yet for Lula," said Ricardo Guedes, head of Sensus, the polling firm. "If he can clean house and keep the economy on track, he can survive this episode."

Mr Lula da Silva on Tuesday announced the second phase of a cabinet reshuffle aimed at strengthening his fragile coalition in Congress.

He is also expected soon to detail measures to streamline the public sector and cut government expenditures in order to reassure investors he will not abandon fiscal discipline.

Critics cautioned that the crisis was far from over: police and congressional investigations, and intense media coverage, could still produce surprises.

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