ECONOMY

Unemployment drops; monthly wages rise in November

Unemployment fell for a second consecutive month in November as local businesses filled year-end holiday jobs, but is likely to rise in 2014. Unemployment in Brazil's six largest cities was 4.6% in November compared with 5.2% in October, the statistics agency IBGE said. Wages continued to grow in November, rising 2% from October to R$1,965 (US$843). (December 19)

Lowest trade surplus in 13 years

The Brazilian trade surplus declined by 87% in 2013, from US$19.4 billion in 2012 to US$2.6 billion, according to the Ministry of Development, Industry and Commerce, and exports stagnated at US$242 billion. Exports of commodities fell by 1.2% and manufactured exports grew by 1.8%, especially automobiles, petroleum, tractors, and cargo vehicles. Imports grew 6.5% to US$239 billion last year. (January 2)

Drops in stock market and exchange rate

The Bovespa stock index ended 2013 at 51,507 points, down 15.5%, though total trading volume of R$1.82 trillion and average daily financial volume of R$7.41 billion reached record highs. For the year the exchange rate was devalued by 15.3%, ending at R$2.361 per U.S. dollar in 2013. (January 7)

Biggest forex outflow in over a decade

Brazil's net foreign exchange outflow in 2013 was US$12 billion, the first negative result since 2008, according to the central bank. The outflows put more pressure on the weakness of the Brazilian real against the U.S. dollar. (January 8)

POLITICS

Approval of Rousseff administration rises to 43%

The latest CNI/Ibope survey showed that the positive assessment of the government of President Dilma Rousseff has risen from 37% to 43% compared to the September survey, with fewer respondents assessing the administration as bad (22%) or very bad (20%). Personal approval of the President rose from 54% to 56%. (December 13)



Photo: Marcello Casal Jr./Agencia Brasil.

President Rousseff's popularity is up despite Brazil's economic woes.

Campos criticizes Rousseff administration

Brazil is experiencing a "crisis of expectation" in the economic area, Eduardo Campos, governor of Pernambuco and presidential candidate (Brazilian Socialist Party, PSB), has posted on his Facebook page, adding that inflation is back knocking on Brazilians' door. Campos said that "We have, today, economic problems that must be faced. For three years Brazil has grown half of what it had been growing … Latin America has grown 50% more than Brazil. The world is growing faster than Brazil." Reinforcing his criticism that the government has manipulated public accounts data, Campos said that given Brazil's low economic growth, "there is no room for maneuver to try to make magic." He also called for humility to recognize the deficiencies that need to be fixed. (January 2)



Photo: Renato Araujo/Agencia Brasil

Pernambuco Governor Campos is on the attack.

TRADE

EU takes Brazil to WTO over car taxes

In mid-December the European Union launched a case against Brazil at the World Trade Organization (WTO) over Brazil's taxes on imports from cars to computers, but insisted the dispute should have no bearing on current delicate free-trade talks. As its biggest trading partner, the EU accounts for a fifth of Brazil's exports. The EU is currently negotiating a far-reaching agreement with the Mercosur group of Latin American countries, but the two sides have failed to resolve a long-running row over Brazilian import taxes that Europe says are unfair and break global trade rules. Brazil's 30 % tax on imported motor vehicles and its levies on goods ranging from computers to smartphones and semiconductors have also angered Japan, the United States, and other big trading nations, which may join the EU case. Without a trade deal, next year Brazil will lose its favorable access to the EU because it is no longer considered a developing nation. Brazil is already the fifth largest foreign investor in Europe and wants greater access to EU markets for agricultural exports, especially beef. (December 19)

ECONOMIC POLICY

BNDES raises some interest rates

In 2014 the Brazilian Development Bank (BNDES) will raise interest rates on some state-subsidized credit lines, Finance Minister Guido Mantega said, withdrawing part of the stimulus that helped boost investments but also hurt public finances in 2013. Annual rates on loans for purchase of capital goods and trucks will climb from 4% to 6% and on special credit lines for exports from 5.5% to 8%. Subsidized credit lines are part of a BNDES program to lower the cost of capital goods for industries and farms. The program spurred investment and boosted a tentative economic rebound in the first half of 2013 but also alarmed ratings agencies by pushing up Brazil's gross debt. (December 11)

BNDES lending rose in 2013

In the first 10 months of 2013 BNDES disbursed R$147 billion, up 35% from the same period in 2012. BNDES loans for infrastructure rose by 31% (R$47 billion), industry 19% (R$45 billion) and commerce and services 52% (R$40 billion); its loans to agriculture and cattle-raising were 73% higher (R$15 billion). (December 13)



Photo: Elza Fiuza/Agencia Brasil

Finance Minister Mantega announces the fiscal result for 2013.

Primary fiscal target met

Brazil's central government exceeded its 2013 primary fiscal surplus target of R$73 billion (US$30 billion), Finance Minister Mantega has announced, thanks to extraordinary revenues from settlement of corporate tax arrears and bonuses from oil-rights auctions. For the year, the surplus totaled about R$75 billion, just over 1.5 % of gross domestic product, Mantega said. However, the country is expected to miss the consolidated primary fiscal target, which includes state and city governments. (January 3)

LATIN AMERICA

Latin America's economies to grow by 3.2%

The economies of Latin America and the Caribbean will expand by 3.2% in 2014, up from 2.6% in 2013, says the United Nations Economic Commission for Latin America and the Caribbean (ECLAC). Panama will lead with growth of 7%, Brazil is predicted to grow by 2.6%, and Mexico by 3.5%. In 2013 economic performance was depressed by less buoyant external demand, greater international financial volatility, and falling domestic consumption, ECLAC says. In 2014 a moderately more favorable environment will help to boost external demand and in turn Latin American exports. Private consumption will also continue to grow, although more slowly than previously. Meanwhile, attracting investment remains a challenge for the region. (December 11)

Brazil's downgrade unlikely, says Moody's

Moody's said that a change in the country's outlook to negative is more likely than a downgrade in 2014. The rating agency forecast Brazilian GDP growth at 2% and the primary budget surplus at 2.1% of GDP. It also said that if the expectations prove correct, the rating should remain stable throughout the year. (January 8)

New 10-year local bond pays record yield

Treasury is paying the highest yield ever on a new 10-year benchmark fixed-rate domestic bond maturing in January 2025. It has sold 2 million of the bonds, worth R$1.64 billion (US$683 million) at yields as high as 13.4%. (January 9)