ECONOMY

Power cut hits

A failure in the electric grid interrupted energy transmission between the North and South East of Brazil on February 4; the power cut affected over 2 million consumer households. A severe drought that has sapped hydroelectric output and increased government spending on energy subsidies means the Treasury may have to pay US$5–8.4 billion this year to secure energy supplies, according to research by Bradesco bank. (February 5)

Demand for consumer credit falls, defaults rise

Consumer demand for credit fell by 2.8% in January over the same period last year, according to Experian SERASA, which says consumers remain cautious about borrowing because of rising interest rates, uncertainty about inflation, and worry about defaults. Meanwhile, for the fourth consecutive month, in January consumer delinquencies went up, by 1.1%. (February 12)

Unemployment goes up to 4.8% in January

Unemployment in Brazil's six main metropolitan regions was 4.8% in January, said the government statistics agency IBGE, up from 4.3% in December. Job vacancies fell by 0.4% compared to December, mainly because 46,000 formal jobs were eliminated. (February 20)

GDP grew 2.3% in 2013

Consumer spending and investment allowed Brazil's economy to end 2013 on a positive note. According to government statistics agency IBGE, GDP was up 0.7% quarter-on-quarter in December, and for the year as a whole grew 2.3%. (February 27)

February brings another trade deficit

Brazil posted a trade deficit of US$2.1 billion in February, its second straight monthly shortfall, said the Ministry of Trade. Demand for Brazil's exports has slackened due to a subdued global economy, and the low productivity of Brazilian manufacturers has made their products less competitive globally. (March 6)

Industry rebounds in January

A jump in capital goods production energized Brazilian industrial output in January, though not enough to make up for the steep plunge in December. Production in Brazil rose 2.9% in January month-on-month, according to IBGE, but was down 2.4% from January 2013. The international economic environment is still unfavorable for Brazilian industry. (March 11)

Auto production jumps, but sales lag

Motor vehicle production in Brazil surged in February after auto workers returned from vacation, though production is still below 2013 levels. Production rose 18.7% in February after having risen 2.9% in January, according to the automakers' association, Anfavea. However, car sales dropped 17% in February and had fallen 11.7% in January. Part of the decline was likely due to unusually high sales in December, when consumers rushed to take advantage of holiday sales and tax breaks. (March 11)

Inflation up in February

The IPCA (National Consumer Price Index) rose by 0.69% in February, after increasing 0.55% in January, mainly because of tuition hikes in February. For the last 12 months, inflation was 5.68%. (March 12)

TRADE

WTO: Brazil the most protectionist country

Brazil holds the dubious title of world's most protectionist country. In 2013 it opened 39 antidumping actions, according to a World Trade Organization (WTO) report. Not far behind were India, with 35 cases, the U.S. with 34, and Argentina with 19. In the past two years the WTO has several times questioned Brazil's trade policy. Europe is expected, probably with support from Washington, to appeal Brazil's policy of tax incentives. (February 17)

No EU–Mercosur agreement yet

Statements by President Rousseff and representatives of the European bloc suggest that both sides are committed to working together at a technical meeting scheduled for March, with the main topic to be a free trade agreement between the EU and Mercosur. No concrete progress was made at the February 24 EU-Brazil summit in Brussels. (February 24)

POLITICS

President Rousseff approval ebbs

Approval of President Dilma Rousseff fell for the first time in seven months as growth slows and inflation remains above target. Her approval rating dropped from 59% in November to 55% in February, according to a National Transport Confederation poll. However, the survey suggests Rousseff would still win the October election outright with 44% of votes (February 18)

Business complains about government

At an official dinner on February 18, representatives of major Brazilian companies complained about their lack of dialogue with the administration; they also criticized government accounting gimmicks and delays in investment in infrastructure. Criticisms along the same line had been raised by the chairman of the Institute for Studies in Industrial Development, Pedro Passos, who told *Estado S. Paulo* newspaper that "business confidence in the government has ended." (February 8)



Photo: Pedro França/Agencia Senado.

Former President Fernando Henrique Cardoso speaks during celebration of Real Plan.

Cardoso criticizes today's economic policy

Former President Fernando Henrique Cardoso thinks it's time for Brazil to undergo another change as major as the Real Plan. "The people feel that it is time to change course," he said on his way to a ceremony in the Senate honoring the 20th anniversary of the Real Plan. He stressed the importance of meeting inflation targets and honoring the Fiscal Responsibility Law, and though he emphasized that there is no single recipe for good economic management, he said, "At the moment Brazil is in a slightly different rhythm than the rest of the world." (February 25)

ECONOMIC POLICY

Concessions to bring in US$34 billion

Federal concessions granted last year will bring in an estimated US$34 billion for investment in transportation, energy, oil and gas, and ports, according to the Ministry of Finance. The government is betting on a surge in infrastructure investment to boost the economy this year. Due to contractual obligations, most of these investments will take five years to play out. (January 10)

Government budget cut to restore credibility

The new government target for the primary budget surplus—revenues after expenditures but before interest payments—is a "conservative" 1.9% of GDP. Brazil failed to achieve its primary budget goals of 3.1% in 2012 and 2.3% in 2013. A realistic and transparent primary surplus is crucial as Rousseff struggles to attract enough investment to revive the economy. (February 21)

Central Bank raises policy rate once again

As expected, the Monetary Policy Committee voted unanimously to raise the policy rate by 25 basis points, to 10.75%. Though the increase was smaller than the previous six, each 50 basis points, the Central Bank stated that the hike was part of "a continuing process of adjustment to the policy rate" as inflationary pressures failed to dissipate. (February 27)