ECONOMY

Industry confidence steady, consumer confidence down

According to Getulio Vargas Foundation surveys, the Industry Confidence Index moved only 0.2% in January, to 106.6 points, but Brazilian consumer confidence fell for the fourth month in a row because of concerns about the economy. (January 24)

Biggest trade deficit ever

Brazil posted a trade deficit of US$4.0 billion in January, the worst since 1959, as imports, especially fuel, rose 14.6% and exports fell 1.1% compared with January 2012. (February 1)

Strong credit growth in December

Year-on-year real domestic credit expanded by 16.2% in December. Public sector credit expanded 47.6% (up from 33.5% year-on-year in November), and private sector credit by 11.2% (from 9.1% year-on-year in November). However, at 53.5% the overall credit-to-GDP ratio still compares favorably to the ratio in other major emerging markets. (January 28)

Unemployment at a record low

Although in 2012 Brazil's GDP growth was a dismal 1%, unemployment still sank to 5.5%, the lowest level in 10 years, reported government statistics agency IBGE. Average annual income was an estimated R$1,794 (US$918), up 4.1% compared to 2011. (January 31)

Industrial production in Brazil down 2.7% in 2012

Industrial production in Brazil closed 2012 with a fall of 2.7%, the first decline since 2009. Capital goods was the worst-performing sector, according to IBGE. The production of capital goods related to investments plummeted 11.8% in comparison with 2011. Brazilian industry performed poorly despite a series of government stimulus measures in 2012. (February 1)



Photo: Tania Rego/Agencia Brasil.

Petrobras CEO Maria das Graças Silva Foster.

Petrobras: Fuel prices still not high enough

According to CEO of state-owned oil company Petrobras Maria das Graças Foster, the increases in the prices of diesel and gasoline—the latter to US$5.49 a gallon—have not been sufficient to eliminate the difference between domestic and international oil prices, and oil production will likely fall this year. Petrobras shares have tumbled. Its profit of R$20 billion (US$10 billion) last year was 36% below profit in 2011 and the lowest in eight years. Blamed for the drop was the lag in fuel price rises, the sharp rise in gasoline imports, a 2% drop in oil production, a large number of dry or uneconomic wells, and the strong depreciation of the *real* against the dollar. (February 5)

Inflation again up in January

The Extended National Consumer Price Index (IPCA) of January increased 0.86%, the highest monthly IPCA since April 2005 (0.87%) and the highest for January since 2003 (2.25%). (January 25)

Consumer defaults fell 1.5% in January

For the third straight month, Brazilian consumer defaults fell in January, this time by 1.5%, according to services group Experian Serasa, due in part to more renegotiations of debt and an interest rate drop. However, in comparison with January 2011, defaults were still up 12.9%. As a result, experts are predicting lower sales growth in 2013. (February 15)

POLITICS

Scandal-tainted politicians back in power

Suspected of a range of crimes, Henrique Eduardo Alves, from the Brazilian Democratic Movement Party (PMDB), was elected president of the Chamber of Deputies; his term will last until February 2015. Alves won easily with 271 votes, more than 100 votes ahead of runner-up Julio Delgado from the Brazilian Socialist Party (PSB). A week before, Renan Calheiros (also PMDB) was elected Senate president five years after he was forced to resign that post amid allegations of corruption. Both Alves and Calheiros had decisive support from the ruling Workers Party (PT). (February 4)

FOREIGN POLICY

Brazil and the European Union summit in Brasilia

At a joint trade summit in Brasilia, European Commission president Jose Manuel Barroso and European Council president Herman Van Rompuy met with Brazilian President Dilma Rousseff, who stressed the fact that a great number of European companies are helping to sustain growth and create jobs in Brazil. Brazil sells 20% of its exports to the EU. The EU, in turn, wants to boost the volume of goods sold to Brazil as a means of creating jobs and growth in Europe. Recently, however, Brazil has been accused of protectionism for hiking tariffs on a number of imports, including cars and pharmaceuticals. The European Commission has also been negotiating a free trade deal with the Mercosur trading bloc, of which Brazil is a member, for 12 years.



Photo: Roberto Stuckert Filho/PR

Herman Van Rompuy, Dilma Rousseff, and Jose Manuel Barroso during IV Summit Brazil-EU in Brasilia.

Brazil, Chile in agreement

Brazilian President Dilma Rousseff and Chilean President Sebastian Piñera signed three agreements in Santiago, Chile, committing to closer cooperation in education, culture, and the Antarctic. According to Rousseff, the two heads of state also discussed the possibility of cooperating in hydropower production. (January 26)



Photo: Roberto Stuckert Filho/Agencia Brasil

President Sebastian Piñera greets President Dilma Rousseff at La Moneda Palace.

ECONOMIC POLICY

Domestic airfares: Deregulation worked

In the 10 years since they were deregulated, domestic airfares (adjusted for inflation) have dropped by 40%, according to the National Civil Aviation Agency. Supply (number of seat-kilometers offered) has more than doubled, growing 10% a year, and demand (number of passenger-kilometers transported) almost tripled, growing 13% a year. (January 17)

Brazil unveils new highway concession terms

Finance Minister Guido Mantega announced that Brazil will sell 30-year concessions to bidding investors rather than the previous 25 years, and the financing provided by the three government banks will last for 25 years, also five years longer than in the past, and is being considered a similar adjustment for railway concessions. Brazil is offering more favorable terms to attract foreign as well as domestic private investment. Last August, the government announced a major plan for highway and railway concessions but the market failed to react as hoped. (February 6)



Photo: Wilson Dias/Agencia Brasil.

Alexander Tombini

Central Bank governor says inflation is not comfortable

Central Bank Governor Alexandre Tombini admitted in an interview in *O Globo* newspaper that January inflation was above expectations, but said that most forecasts indicated no risk of breaching the inflation target ceiling (6.5%) in the first half of 2013. However, recent minutes of the Monetary Policy Committee suggest it is taking a hawkish approach to inflation and is recognizing that monetary policy is inadequate as an instrument to boost sluggish growth. (February 7)