ECONOMY

Ratings of two government-owned banks downgraded

Moody's lowered ratings for BNDES (the development bank) and Caixa Economica Federal (a mortgage lender) by two notches to Baa2, in line with the sovereign rating, citing significant growth of assets and loans and leaner capital ratios. (March 25)

Current account deficit much higher

Brazil's current account deficit in February was US$6.6 billion, far above the US$1.7 billion deficit in February 2012. This year as imports surged to a record high for the month there was a larger-than-expected trade deficit in February of US$1.276 billion. (March 25)

Worst first quarter for Stock Exchange in 18 years

The Bovespa index accumulated a loss of 7.55% from January to March this year, falling to 56,352 points, the worst result in 18 years—and also the worst performance among the 18 major stock indexes of America, Asia, and Europe. (March 28)

Industrial production falls

Industrial production fell 2.5% in February compared to January. The contraction, which virtually nullifies the 2.6% expansion in January, affected more than half the sectors surveyed. The biggest drop was in durable goods, especially vehicles, which were down 9.1%. (April 2)

Fewer new jobs in February

In February 123,446 formal jobs were created in Brazil, a drop of 18% compared with February 2012, according to the Ministry of Labor. This was the worst result since February 2009. (March 20)

Consumer confidence down in March

In March the Consumer Confidence Index of the Getulio Vargas Foundation fell for the sixth consecutive month, dropping from March by 2%. Although Brazilian consumers today are not satisfied with the current situation, they are neutral (neither optimistic nor pessimistic) about the foreseeable future. (March 25)

Confidence in construction and commerce also down

The Construction Confidence Index of the Getulio Vargas Foundation (FGV) again fell, by 7.9% quarter-on-quarter in the quarter ended in March, continuing the slowdown since 2012. Similarly, the FGV Commerce Confidence Index declined for the third time in a row, by 2.3% in the quarter ended in March compared to the same period last year. Activity at the end of the quarter was moderate to strong but expectations for coming months are less optimistic. (April 3)

Inflation edges up again in March

Inflation crept up by 0.47% to 6.59% year-on-year in March, breaching the top of the central bank's target range (2.5% to 6.5%). Food inflation more than doubled (13.48% year-on-year), contributing about half of total inflation. (April 10)

Retail sales drop suddenly in February

In February retail sales in Brazil unexpectedly fell 0.4% from January, the first drop in nearly a decade. Solid retail demand had been one of the few bright spots in a sluggish Brazilian economy, as record-low unemployment and interest rates kept families spending. (April 11)

INTERNATIONAL

US$100 billion BRICS reserve fund agreed

The BRICS will pool US$100 billion of central bank reserves to guard against economic crises, bolstering their calls to reform global financial institutions with a new mechanism of their own. The fund "would also contribute to strengthening the global financial safety net and complement existing international arrangements," South Africa's President Jacob Zuma said. (March 27)

POLITICS



Photo: Renato Araujo/Agencia Brasil.

Pernambuco state Governor Eduardo Campos

Campos running for president in 2014

In recent weeks the governor of Pernambuco state, Eduardo Campos (Brazilian Socialist Party, PSB), has held talks with several parties and business sectors. At a luncheon sponsored by the Institute for Retail Development, he asserted that Brazil needs a clearer foreign trade policy and that the federal government should prioritize sectors of the economy that have comparative advantage. He also listed his own social, educational and health services achievements as governor. (March 15)

ECONOMIC POLICY

US$30 billion direct currency swap between China and Brazil

Brazil and China agreed to swap up to US$30 billion in Brazilian reais and Chinese renminbis over the next three years, part of China's push to make the renminbi a conduit of global trade. In signing the agreement, their finance ministers and central bankers said the pact might then be renewed. (March 26)

Primary budget deficit of R$3 billion in February

In February Brazil's government posted a consolidated primary budget deficit of R$3.0 billion (US$1.5 billion) in February, the central bank said, reducing the 12-month primary budget surplus to 2.16% of GDP in February from 2.46% in January. The primary budget balance represents the excess of revenue over expenditures excluding interest payments. The monthly deficit is an abrupt turnaround from January's R$30.3 billion surplus; it is primarily due to large federal transfers to state and municipal governments in February. (March 28)

Tax cut for vehicle purchases extended

The Brazilian government has extended the reduction of the industrial product tax on vehicle sales through December in an effort to boost the domestic economy and contain inflation. (April 1)



Photo: Antonio Cruz/Agencia Brasil.

Central Bank Governor Alexandre Tombini

Tax cut to stimulate capital goods purchases

Elimination of the financial operations tax on infrastructure and economic development financing will help open up credit for capital goods, Finance Minister Guido Mantega said. (April 2)

Industry and service payroll taxes cut

President Dilma Rousseff has signed a bill to lower payroll taxes in the industry and service sectors to stimulate the economy and encourage companies to hire more workers. It relieves certain companies from paying 20% payroll taxes. However, businesspeople have criticized cuts of payroll taxes for some sectors. (April 4)

Monetary policy committee raises interest rates

The monetary committee ended an easing cycle that had lasted nearly two years by raising the central bank's policy lending rate by 25 basis points, to 7.50%, in response to a surge in inflation. Six members of the committee voted to raise the policy rate higher than expected and two members voted to keep it unchanged. In the accompanying statement, the monetary committee said that in its judgment the high level and the resilience of inflation required a response. It also noted that domestic and especially external uncertainties call for caution in managing monetary policy. (April 17)