ECONOMY

Petrobras sells US$11 billion record bond offering

State-controlled Petrobras has sold US$11 billion in the largest-ever bond offering by a Latin American company. Bids topped US$50 billion. Despite sagging revenue the oil giant now has more than half of the US$20 billion it intends to borrow this year to invest in exploration and production. Petrobras plans to spend US$237 billion through 2017, which may be the world's largest investment plan by a single company. (May 14)

Current account deficit widens

Brazil posted a current account deficit of US$8 billion in April as its trade surplus turned into a deficit and foreign companies repatriated profits to headquarters abroad, central bank data showed. After a jump in late 2010, foreign direct investment (FDI) has stagnated, prompting economists to question how long it can continue to make up for the current account shortfall. However, FDI is still relatively robust, reaching close to US$6 billion in April. The central bank has forecast a current account deficit of US$67 billion for 2013 and FDI of US$65 billion. (May 22)

Unemployment rises again

In April Brazil's unemployment rate climbed for the fourth consecutive month, to 5.8%, up from 5.7% in March, and local wages again retreated as tight labor markets continued easing, the government statistics agency IBGE reported. The average monthly Brazilian salary fell to R$1,862 (US$917), down 0.2% from March. (May 23)

Economy grows less than expected

Economic growth in Brazil continued to disappoint in the first quarter as weak industrial production offset a bumper harvest. GDP expanded 1.9% year-on-year, according to IBGE; for the first quarter GDP grew 0.6% compared with the fourth quarter of 2012. (May 29)

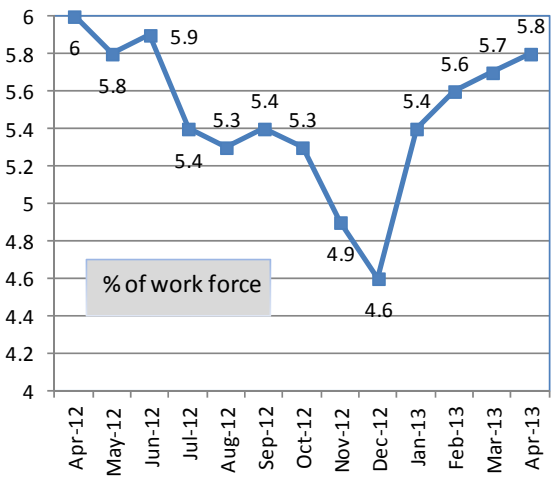
Stock exchange falls in May

The São Paulo stock market index (Ibovespa), ending May at 53,506 points, down 4.3% in nominal terms and 10.1% against the US dollar in the average price of equities. Stock exchange turned over R$162.4 billion in May, down 10.3% from April. The market capitalization of the 365 companies listed on BM&FBOVESPA at the end of May was R$2.46 trillion, up 1.1% over April. (May 30)

Lowest trade surplus in more than a decade

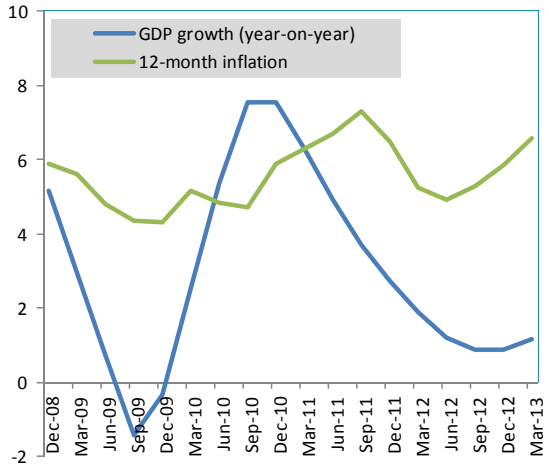
Brazil's trade surplus in May was US$760 million, the lowest since 2002, the Ministry of Development, Industry and Trade said. In May exports dropped 5.9 percent year-on-year to US$21.8 billion and imports increased 4 percent to US$21.1 billion. The trade surplus was 74.3% less than last year. (June 3)

Unemployment on the rise since last December



Source: IBGE.

Inflation accelerates despite weak growth



Source: IBGE.

Industrial recovery picks up speed

Industrial production rose a seasonally adjusted 1.8 percent in April from March, IBGE reported, the second straight month of improvement as capital goods production accelerated; this suggests that a recovery in Brazil's beleaguered manufacturing sector may be gaining steam. (June 4)

S&P cuts Brazil credit rating outlook

Standard & Poor's has lowered Brazil's credit rating outlook to negative, stating that sluggish economic growth and an expansionary fiscal policy could lead to higher government debt. There was no change in its ratings on 'BBB' long-term and 'A-2' short-term foreign currency sovereign credit ratings. (June 6)

Inflation up in May

The Extended Consumer Price Index (IPCA) rose 0.37% in May compared to 0.55% in April, IBGE reported; 12-month inflation reached 6.50%, the upper limit of the government inflation target. Though food prices, one of the main drivers of inflation so far this year, slowed, housing and apparel costs accelerated, highlighting broad-based price pressures. (June 7)

POLITICS

Opinions of government fall

For the first time since she took office in January 2011, the popularity of the Rousseff administration has fallen: According to the DataFolha Institute, found that 57% of Brazilians consider government good or excellent, down from 65% in March. The percentage of Brazilians who expect that inflation will rise went up from 45% in March to 51%. Rousseff, however, remains a favorite candidate for the presidential election in 2014, at 51%. (June 8)



Photo: Wilson Dias/ Agencia Brasil.

President Dilma Rousseff

ECONOMIC POLICY

Central Bank benchmark interest rate rises to 8%

The central bank Monetary Policy Committee's unanimous decision to raise the benchmark interest rate by 0.50 percentage point to 8% was the second consecutive increase; 12-month inflation was 6.49%, almost at the top of the inflation target band. "The Committee considers that this decision will contribute to bringing inflation down and ensure that this trend will continue next year," said a statement released at the end of the meeting. (May 29)

New port law squeaks through

President Rousseff has signed into law new regulations to make Brazil's ports more efficient and attract up to US$12 billion in investments. Despite the overwhelming majorities over which Rousseff officially presides, the government struggled for several months to control its congressional coalition to push through the changes. The law now allows private terminals to handle cargo for third parties as well as their own products. New leases will be auctioned early in 2014. (June 5)



Photo: Fabio Rodrigues Pozzebom/ Agencia Brasil.

Finance Minister Guido Mantega announces the lifting of capital controls.

Government spending on infrastructure slow

The Brazilian government has spent only 17.6 percent of the R$130.4 billion budgeted for investments—less than in the same period last year, when it spent 22.58 percent of budget. While the Rousseff government has promised increased spending on roads, ports, and airports, Ministry of Transportation investments fell from 13.28% of budget last year to 12.85% this year, according to *O Globo* newspaper. (June 11)

Brazil lifts capital controls as currency weakens

Facing capital outflows and a weakening exchange rate, the government eliminated the 1% Financial Operations Tax (IOF) on foreign-exchange futures. Less than 10 days earlier, the government eliminated the 6% IOF on fixed income inflows. (June 13)