ECONOMY

Brazil creates fewer jobs in May

Brazil's economy added a net 72,028 payroll jobs in May, the labor ministry said, compared to 197,000 in April. Yet unemployment remains at record lows as businesses hold on to workers in the hopes of an economic recovery. (June 21)

Industry and consumer confidence both down

The Industry Confidence Index of the Getulio Vargas Foundation (FGV) fell by 1.1% in June to 103.8 points, the lowest rate since July 2012, and the FGV Consumer Confidence Index dropped 0.4% to 112.9 points, below the recent historical average of 114.8 points for the fourth consecutive month. (June 26)

Brazilian stock market falls in the first half of the year

The main stock index of the Brazilian stock exchange, the Bovespa, closed 22% lower for the first half of 2013, the worst performance since the second half of 2008, the height of the U.S. crisis, when losses amounted to 42%. (June 28)

Trade balance records large first-half deficit

Brazil's trade balance in the first half of 2013 showed a deficit of US$3 billion compared with a surplus of US$7 billion in the first half of 2012, mainly because US$4.5 billion on fuel imports made last year were recorded this year and there has been a slump in exports of major commodities. (July 1)

Inflation slows in June

IPCA official inflation came in at 0.26% in June but is at 6.7% year-on-year, above the 6.5% upper limit of the central bank's target range. (July 5)

IMF reduces expectations for Brazil's growth

Because the larger and more prolonged slowdown in emerging economies, deeper recession in the euro zone, and fiscal tightening in the U.S. have poured cold water on the global economic recovery, the International Monetary Fund reduced its projections for the growth of Brazil's GDP from 3.0% to 2.5% for 2013 and from 4.0% to 3.2% for 2014. (July 9)

ECONOMIC POLICY

Brazil's rising protectionism

A new World Trade Organization (WTO) report shows that G20 countries have not fulfilled their promise to withdraw measures that could create obstacles to world trade and named Brazil as the worst offender for adopting 18 such measures, mostly to protect industrial products. (June 17)

Central Bank moves on inflation, GDP prospects, and interest rates

Brazil's central bank raised its inflation forecasts for 2013 from 5.7% to 6.00% and for 2014 from 5.3% to 5.4%, suggesting it may have to accelerate the pace of rate hikes in coming months to bring down persistently high inflation. This month, as expected, it raised the policy interest rate 50 basis points, to 8.5%. It also revised down its estimate 2013 for economic growth from 3.1% to 2.7%, saying the pace of the recovery remains "gradual." (June 27)

Consolidated budget deficit increases in May

Public sector consolidated deficit increased from R$7.7 billion in April to R$14.5 billion in May. Gross public debt reached 59.6% of GDP. (June 28)

POLITICS

Brazil protests expand beyond bus fares

Brazil's student bus fare protests spread throughout the country's major cities with hundreds of protesters invading areas of the national Congress complex in Brasília and attempting to set fire to the state legislative assembly building in Rio de Janeiro. The protests, which began as a rally against an increase in public transport fares in São Paulo, have now become an expression of general dissatisfaction with the nation's politicians. With the opening of the Confederations Cup—the dress rehearsal for the World Cup—protesters are also increasingly attacking the large sums being spent on infrastructure for the games and the Olympics in 2016. (June 17-19)



Photo:Tomaz Silva/Agencia Brazil.

Popular protests in Rio de Janeiro city.



Photo: Marcelo Camargo/Agencia Brasil.

Popular protests in São Paulo city.

Responses to the protests

President Dilma Rousseff yesterday sought to defuse the massive protest movement by acknowledging the need for better public services and more responsive governance. Speaking the morning after more than 200,000 Brazilians marched in more than half a dozen cities, Rousseff said her government remains committed to social change and is listening attentively to the grievances expressed at the demonstrations. (June 18)

She also surprised Brazilians with a call for a referendum on what would be the country's most ambitious political reform in decades. In a meeting with governors and mayors the week after the country's largest protests in 20 years she proposed a national vote on amending Brazil's constitution. There were immediate questions about whether she could deliver as she heads to what may be a more difficult re-election in 2014. Brazil's last sweeping political reform was 25 years ago, when the current Brazilian constitution was ratified in 1988. Political observers are skeptical and do not believe the proposal will be carried out. (June 25)

Meanwhile Congress scrapped a proposal that would have restricted the power of prosecutors to investigate corruption and worked until the early hours to approve an increase in the allocation of oil and gas royalties to education and health, from R$25.8 billion to R$335.8 billion. But economists complained that throwing more money at Brazil's public services will not solve the problem. (June 27)

The popularity of the president has plummeted by 27 percentage points: The percentage of those who consider her management good or excellent fell from 57% in the first week of June to 30% by the end of the month, according to a *Datafolha* survey. (June 29)