

## ECONOMY

**Chinese auto plant to open soon**

Privately owned Chinese automaker Chery will open its new plant in Jacarei city in São Paulo state this year, the company has announced. Construction began in 2011 with an investment of US\$400 million. Chery already has 80 dealers in Brazil, one of its top markets, and with a domestic plant, it will pay less tax, making its products more competitive. (August 11)

**Accelerated growth in second quarter not expected to last**

In the second quarter Brazil's economy grew at its fastest in more than three years, but with rising interest rates, among other problems, many expect little to no growth in the second half of 2013. GDP grew 1.5 percent from the first quarter, government statistics agency IBGE said. Investments, as measured by gross capital expenditure, rose for a third straight quarter, gaining 3.6 percent over the previous quarter. (August 30)

**Industrial output retreats in July**

Brazilian industrial output fell more than expected in July as capital goods production dropped by a seasonally adjusted 2.0% from June. IBGE also revised the June data upward from a 1.9% increase to a 2.1% increase. Of 27 sectors surveyed, 15 declined in July, notably automobiles, pharmaceutical goods, and rubber and plastic products. In broader industrial categories, consumer goods fell 2.6% and intermediate goods 0.7%. (September 3)

**Trade balance worst in 18 years**

In August, at US\$1.2 billion the trade surplus was 62% lower than the US\$13 billion surplus in August 2012. Since January the 2013 trade balance has recorded a deficit of US\$3.7 billion. (September 2)

**Brazil ranked as less competitive**

Brazil is ranked 56th in the *Global Competitiveness Report 2013-2014*, down from 48th for the previous year. It has been overtaken by not only Mexico, Costa Rica, and South Africa but even Portugal. The drop reflects the negative combination of rising inflation, low growth, high debt, rising external deficit, and lack of significant investments in infrastructure and of tax simplification. (September 3)

**Services sector shrinks for first time in 12 months**

The closely watched HSBC Purchasing Managers Index for Brazilian services fell to 49.7, seasonally adjusted, in August from 50.3 in July; readings above 50 indicate expansion. <http://www.hsbc.com/news-and-insight/emerging-markets>. (September 4)

**Stock market up**

The Ibovespa ended August at 50,011 points, up 3.68% from July. In August 2013, financial volume on the exchange totaled a record R\$187 billion in, also a record, 21,736,691 trades, up from R\$133 billion and 18,355,701 trades in July. (September 5)

**Inflation up 0.24% in August**

The National Consumer Price Index (IPCA) rose 0.24% in August, IBGE reported. For the 12 months ending in August, inflation was 6.1%. (September 6)

## SOCIETY

**Population to top 200 million**

Brazil's population will move past 200 million in 2013, an IBGE study based on census data has found, and will continue rising longer than expected as members of the expanding middle class live longer than their parents. Population will peak at 228 million in 2042 before stabilizing at about 218 million in 2060. The fertility rate has plunged since the 1970s, from an average of 4.0 births per woman to the current 1.77. In 2034, the rate will fall to 1.5 and stay there through 2060. However, life expectancy has also been growing, to an average 71.3 years for men and 78.5 years for women. (August 29)

## JUSTICE

**Supreme Court hears appeals of convicted former officials**

The Supreme Court on August 21 opened hearings on the appeals of former officials of President Lula (2003–10) convicted of corruption in October 2012. Of 38 people accused, 25 were found guilty of taking part in a scheme to divert public funds to buy political support. All 25 have appealed their jail terms and fines. On August 23 the Supreme Court flatly rejected the appeal of Delubio Soares, former treasurer of the ruling Workers' Party (PT). (August 21 and 23)

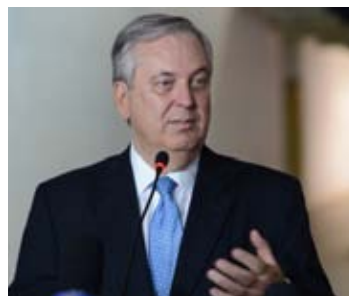
## FOREIGN POLICY

**Foreign policy ministerial shake-up**

After members of his diplomatic staff smuggled a Bolivian opposition politician into Brazil, in an incident that challenges Brazil's neutrality policy, Foreign Minister Antonio Patriota was replaced by Brazil's ambassador to the United Nations, Luiz Alberto Figueiredo. Bolivian senator Roger Pinto, who says he received death threats after accusing his government of links to drug traffickers, was taken from the Brazilian embassy in La Paz and

driven over the border. Patriota has assumed Figueiredo's UN duties. Mr. Figueiredo was Brazil's lead negotiator on climate change until

he moved to the UN post a year ago, but few expect him to have much more influence than his predecessor. (August 26)



New Foreign Minister Luiz Alberto Figueiredo.



New UN Ambassador Antonio Patriota

Photo: Fabio Rodrigues Pozzebom/Agencia Brasil

Photo: Antonio Cruz/Agencia Brasil

## ECONOMIC POLICY

**Record disbursements leave BNDES short**

Brazil's National Bank for Economic and Social Development (BNDES) said it needs more capital to fund this year's record loan disbursements. Bank president Luciano Coutinho said that the BNDES may ask the national treasury, its largest shareholder, for a capital injection or borrow money in domestic debt markets in the fourth quarter. Brazil's main source of long-term corporate credit, BNDES is expected to disburse US\$80 billion this year. (August 14)

**US\$60 billion central bank currency intervention**

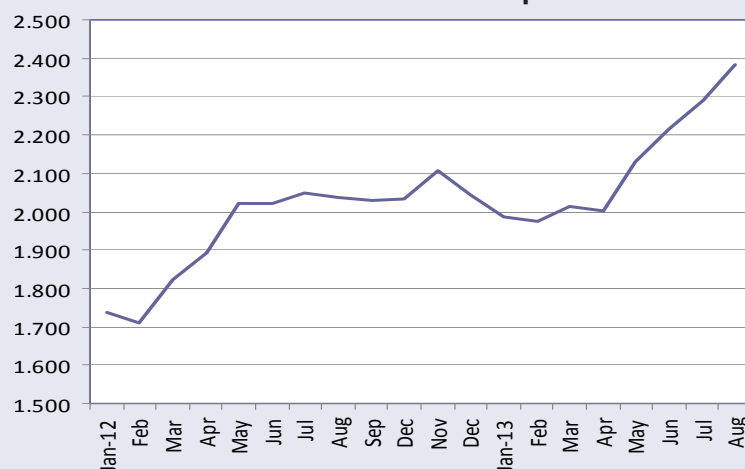
By year-end the central bank will provide US\$60 billion in cash and insurance to the foreign-exchange market to bolster the *real* as it slips to a near five-year low against the dollar. The bank will sell US\$500 million worth of currency swaps, derivative contracts designed to provide investors with a hedge against a weaker *real*. (August 22)

**Benchmark rate up**

In a move to restore investor confidence and curb inflation,

the central bank monetary policy committee said in its announcement, it raised the benchmark rate by 50 basis points to 9%, bringing total tightening up to 175 basis points since April.

The Brazilian *real* has depreciated more than 20% against the dollar since last April, pushing up both the cost of imports and already high inflation. (August 28)

**Brazilian real has devalued 20% against the U.S. dollar since last April.**

Source: Central Bank of Brazil.

**July public sector deficit worst since 2002**

The Brazilian government's nominal deficit reached R\$21.1 billion Brazilian reais (US\$8.97 billion) in July, up from R\$12.2 billion in June, the worst record in more than a decade. For

the last 12 months, the deficit was R\$138.7 billion—3% of GDP. Brazil's fiscal deficit has become a major issue recently as economic growth stalled and the government used accounting gimmicks to minimize the deficit. (August 30)