

ECONOMY

Industry growth lukewarm

Industrial output increased 0.7% in September, said statistics agency IBGE; the market had been expecting output of 1–1.5%. Though the September result is positive, it is not enough to make up for previous losses, notably the July drop in production of 2.4%. (November 1)

Brazilian roads worsening

According to a study by the National Confederation of Transport (CNT), 64% of Brazil's highways have signaling, paving, and other deficiencies, up from 63% last year; at least US\$155 billion is needed to rehabilitate them. Privately managed roads did better than

public roads: 84.4% are excellent or good, and only 15.6% were fair to very poor; of roads under public management, only 26.7% are excellent or good and 73.3% are unsatisfactory. CNT estimates that poor road conditions raise transport operating costs on average by 25%. (November 1)

Industry confidence flat, consumer confidence down

The Industry Confidence Index by the Getulio Vargas Foundation (FGV) remained virtually unchanged, down by 0.2% in October; now at 97.8 points, the index was at the lowest level since July 2009 (95.7 points) The FGV Consumer Confidence Index dropped 2.5%,

from 114.2 to 111.7 points. That index has been below the historical average of 114.9 points for eight consecutive months. (October 23)

Retail sales slow, economic activity stagnant

Retail sales seasonally adjusted grew 0.5% in September, compared with 0.9% in August and 2% in July, according to IBGE. The setback is attributed to higher inflation and slower growth in incomes. Meanwhile, the central bank economic activity index declined 0.01% in seasonally adjusted terms, suggesting that economic activity was off by 0.12% in the third quarter. (November 13 and 14)

POLITICS



President Dilma Rousseff recovers popular approval.

President's approval strong, administration not so much

Five months after massive street protests, 59% of Brazilians again approve of President Dilma Rousseff but only 39% approve of her administration, according to a survey of the National Confederation of Transport. In preparation for the 2014 presidential elections, the president has stepped

up domestic travel and announced allocation of resources in ceremonies across the country. (November 7)

Campos attacks growth under Rousseff

The governor of Pernambuco state, Eduardo Campos, has again criticized the Rousseff administration's economic policy, calling growth rates of 2% a year "mediocre." In Teresina city, Campos said that in advance of the 2014 presidential elections he and former Senator Marina Silva "will travel around Brazil and show that there are ways for the country to renew politics. Brazil will not improve if we do not improve policies." (October 22)

BUSINESS

Eletrobras posts US\$393 million loss

State-run electricity utility Eletrobras posted a net loss of US\$393.34 million for the third quarter, mainly because of government-mandated price reduction—third quarter 2012 had produced a net profit of US\$430 million. Eletrobras agreed in December to a government plan to renew expiring hydroelectric dam concessions in exchange for electricity rate cuts of 18–32%. The company is struggling to cut costs and reorganize its management to counteract the rate mandate. (November 14)

Photo: Marcello Casal Jr./Agencia Brasil.

FOREIGN POLICY

Departing U.S. Ambassador insulted in Brasilia

Foreign Affairs Minister Luiz Alberto Figueiredo did not attend the farewell lunch on September 5, as would have been customary, for departing U.S. Ambassador Thomas Shannon, who has since been named special adviser to U.S. Secretary of State John Kerry. At the lunch, Carlos Antônio Paranhos, undersecretary for political affairs, gave an aggressively hostile speech.

Shannon wrote a letter of protest to Figueiredo, who chose not to respond. The Brazilian authorities admitted that the message might have been unduly harsh, but said that given the president's indignation over the espionage, it was justified.

The relationship between the two countries has been tense since the revelation that the U.S. National Security Agency spied on President Rousseff, which led to her cancelling a state visit to Washington in October. Ambassador Shannon left his post earlier when the NSA spying scandal exploded.

Although there is no justification for the behavior of the NSA, that did not justify the Foreign Affairs Ministry mistreating the ambassador in a way that has been described as "humiliating." Ambassador Shannon has been a good friend of Brazil and has been working since the George Bush administration to improve U.S.–Brazil relations. (November 11)

JUDICIARY

Supreme Court orders convicted officials to begin prison time

Brazil's Supreme Court ordered former leaders of the ruling Workers' Party to begin serving their sentences following landmark convictions related to a congressional vote-buying scheme. José Dirceu, a party founder and former chief of staff to former President Luiz Inácio Lula da Silva, turned himself in to federal police to begin serving his 10-year sentence. Despite the delays, not uncommon given a notoriously slow judicial system, many Brazilians see the convictions as a sign of at least partial progress in a culture long tolerant of corruption. The Supreme Court will continue to review the appeals of the convicted officials. (November 14)

ECONOMIC POLICY

Protests fail to stop oil blocks auction

Amid street protests, Brazil's first auction of rights to drill for oil in the country's biggest deepwater field awarded the rights to the only consortium to bid. The Libra oilfield is estimated to hold 8–12 billion barrels of oil equivalent. In the winning group are state-owned oil company Petrobras, European giants Royal Dutch Shell SA and Total SA, and two Chinese firms, Cnooc Ltd. and China National Petroleum Corp. (October 22)

Record high for the primary fiscal deficit

Brazil's primary fiscal deficit rose in September to R\$9 billion (US\$4 billion), the highest in more than 10 years, the Central Bank reported. In the first nine months of the year, the primary surplus was 68% lower than for the same period last year.



Photo: Tania Rego/Agencia Brasil.

Activists protest against auction of rights to explore deepwater oil field in Rio de Janeiro.

The main problem is that spending on social programs and public administration has gone up 16%. (October 31)

National Development Bank (BNDES) to lend less

BNDES, the state development bank, will reduce lending by about 20% next year, according to Finance Minister Guido Mantega; it will

provide about US\$67 billion in new loans in 2014, rather than this year's US\$85 billion. To shore up public finances BNDES lending to states and municipalities will be frozen and tax breaks on consumer goods will be unwound. Brazil's debt-to-GDP ratio, according to rating agencies, is at 59%; the median for other nations with similar ratings is 45%. (November 5)