ECONOMY

Unemployment falls to 5.2%

Brazil's official unemployment rate decreased to 5.2% in October despite a continuing slowdown in the economy. However, unlike previous years new job vacancies are growing only moderately. At 23 million employed workers in October there was no significant increase compared to October 2012. (November 21)

Brazil corporate delinquencies soaring

Delinquencies by Brazilian firms of all sizes, from defaults on bank loans to unpaid utility bills, rose in October from September by 13%, the fastest monthly pace in a year, credit research company Serasa Experian said. (November 27)

Trade balance posts a surplus

Brazil's November trade surplus of US$1.7 billion was well above expectations, according to the Ministry of Development, Industry and Trade. For the year to date, the trade deficit was US$89 million, compared with a surplus of US$17.2 billion for the same period last year. (December 3)

GDP falls in third quarter

GDP fell by a seasonally adjusted 0.5% in the third quarter of 2013 compared with the previous quarter, IBGE reported. Investments, stagnation in manufacturing, and the end of record grain harvests led to Brazil's worst quarterly performance in two years. IBGE also revised GDP growth in 2012 from 0.9% to 1%. (December 3)

Surprises in October industrial production

Industrial output rose 0.6% in October compared to September after increasing a revised 0.5% in September, IBGE reported. Output of intermediate and consumer goods rose by 0.3%, while capital goods production jumped 0.6%. Vehicle production dropped 3.1%. (December 4)

Inflation hits 0.54%

The official inflation rate as measured by the Broad Consumer Price Index (IPCA) increased 0.54% in November, 0.03 percentage points below the rate recorded in October, according to IBGE. The slowdown was driven by lower food price inflation. (December 6)

POLITICS



Photo: Renato Araujo/Agencia Brasil.

Eduardo Campos, governor of Pernambuco State

Campos streamlines state government, criticizes federal

To reduce the cost of state government, presidential candidate Eduardo Campos, governor of Pernambuco, announced that the number of departments will be cut from 28 to 21 by July 2014. The cuts could save R$25 million. Last month Campos moved to reduce costs by eliminating 969 commissioned positions. Campos recently criticized the large number of federal ministries in an interview with Globo TV, stating, "It is bad to have 39 ministries. I think there are too many. . . . We need to have a rationalization of public administration." (November 20)

EDUCATION

Brazil still doing badly in education

Though slowly improving the quality of teaching, Brazilian education is still ranked near the bottom, according to the Program for International Student Assessment (PISA), which assesses 15- and 16-year-olds on math, reading, and science. In math, Brazil ranked 58th among 65 countries; in reading, Brazil is still 55th, as in 2009, and in science still 59th. The tests were taken in 2012, and 85% of students evaluated attend public schools. (December 3)

ECONOMIC POLICY

US$9 billion awarded in airport deals

Brazil has awarded US$9 billion worth of contracts for private management of two of its busiest airports in a hotly contested auction to overhaul crowded terminals ahead of the 2014 World Cup and the 2016 Olympics. Though private operators will be running the international airports in World Cup host cities Rio de Janeiro and Belo Horizonte next year, there will be little time for investment in upgrades before the tournament in June. Local contractors and foreign airport operators won the two concessions, paying a premium of more than 250% over minimum bids to cash in on a recent boom in Brazilian air travel. The Rousseff administration has struggled to restore its credibility with the private sector after investor complaints of its heavy-handed approach to concessions in the power industry and elsewhere. (November 22)

President ducks a change in its fuel price formula

President Dilma Rousseff is reluctant to allow state-controlled oil company Petrobras to adopt a fuel price policy that would automatically raise gasoline prices to match inflation, newspaper *Folha de S. Paulo* said, adding that the government is willing to sign off on an increase of about 5% for gasoline and 10% for diesel but not until 2014. Because the government has kept consumer prices below international market prices, Petrobras has lost more than US$10 billion at its refining division in the past few years. (November 26)

Subsidies and tax breaks to be scrapped, but no spending cuts

To keep the country's fiscal policy sound, Finance Minister Guido Mantega said, the government will remove some subsidies and delay tax breaks, and the state development bank, BNDES, will cut credit lines to regional government next year.

Meanwhile, in an interview with Spanish newspaper *El País*, President Dilma Rousseff said reducing federal spending to keep public accounts sustainable is not necessary. "We do not have debt like Spain," she said. "We have net public debt of 35% of GDP [gross public debt is 56%]. The discussion in Brazil is whether the primary surplus will be 1.8% of GDP, 1.9%, or 2%, not about whether we increase debt," Rousseff said. She also celebrated the latest oil and airports concessions and predicted a successful auction for highway and gas field concessions. (November 26)

Budget surplus disappoints

October's primary fiscal surplus (nominal fiscal balance less interest payments) of R$6.2 billion was below market expectations. In 12 months, the general government consolidated primary surplus fell to 1.44% of GDP, from 1.58% in September. The federal nominal deficit widened to 3.4% of GDP in October. For the last two months of the year, an improvement in tax revenues, mainly due to a tax amnesty program, bonuses from oil field auctions, and dividends from state-owned firms are expected to keep the primary fiscal surplus for 2013 at about 1.7% of GDP. (November 29)



Photo: Alexandre Cruz/Agencia Brasil.

Central Bank Governor Alexandre Tombini

Central bank raises interest rate and extends forex program

The bank decided to raise its benchmark interest rate by half a percentage point to 10% in order to curb prices, but signaled in its decision statement that it may slow the pace of rate hikes to focus more on economic growth. (November 28)

The central bank will extend into 2014 the program of offering a hedge to investors by selling currency swaps with some adjustments, bank governor Alexandre Tombini said on Thursday. The US$60 billion program of swaps and credit lines auctions was announced on August 22nd as a measure to prevent an excessive weakening of the currency and to mitigate excessive currency volatility. (December 5)