ECONOMY

Industrial activity grows 2.2%

Industrial activity grew by 2.2% in November, breaking a string of negative results, according to the National Confederation of Industry. Industry operated at 81.5% of its capacity, as it did in October. Hours worked increased by 0.2% compared to October and employment was stable. (January 16)

Consumer confidence falls in January

The Consumer Confidence Index, compiled by the Getulio Vargas Foundation (FGV), was down 3% in January compared with December. The proportion of consumers assessing the local economic situation as good declined from 27.1% to 24.4%, and the share of consumers intending to buy durable goods within six months fell from 19.5% to 15.9%. (January 25)

Credit growth accelerated at year-end

Growth in bank lending rose from 18.2% year-on-year in November to 19.0% in December. However, bank balance sheets could be vulnerable to deteriorating asset quality as households became more indebted in the past five years. Household debt as a share of yearly income has already gone from 25 percent to over 40 percent. (January 25)

Federal public debt grew in December

The National Treasury reported that federal public debt, domestic and external, grew 10% in December 2011, reaching R$1.86 trillion. Domestic debt increased by 11% to R$1.78 trillion; external debt fell by 7.6%, to R$83.3 billion. (January 30)

POLITICS

Farewell to another minister

Minister of Cities Mario Negromonte is the seventh minister in Rousseff's cabinet to step down because of corruption charges. He has been accused of awarding public work contracts to companies that financed his party—allegations he denies. (February 2)

INFRASTRUCTURE

Airport sales prices higher than expected

The government raised R$24.5 billion (US$14.4 billion) from the sale of airports in Guarulhos, Campinas, and Brasilia—347% higher than the R$5.5 billion initial bid. The private sector will have a 51% stake in new companies that will manage the airports and state-owned Infraero will keep 49%. The concession period is 20 years for Guarulhos airport, 30 years for Campinas, and 25 years for Brasilia. (February 6)

JUDICIARY

Supreme Court sustains CNJ powers to investigate

The Supreme Court ruled 6–5 that the National Council of Justice (CNJ) could retain its investigative powers. The decision validates the power of the agency to open investigations against magistrates without relying on local internal affairs units. The decision reverses an injunction granted by Justice Marco Aurelio Mello to the Association of Brazilian Magistrates. (February 2)

DEFENSE and SECURITY

Brazil and Colombia cooperate on defense

The defense ministers of Brazil, Celso Amorim, and Colombia, Juan Carlos Pinzón Bueno, announced creation of the Binational Commission of Defense on January17 in Brasilia. The objective is to increase the exchange of information between their intelligence agencies, especially about the Amazon and regional crime. Officers in the armed forces of each country will meet in the next two months to discuss details. (January 17)

ECONOMIC POLICY

Central Bank cuts benchmark interest rate

Confirming expectations, for the fourth straight time the central bank reduced the benchmark interest rate by 50 bps, to 10.5% . The central bank said that moderate rate adjustments were consistent with reducing inflation to the 4.5% mid-point target this year. (January 18)

Mantega: Fiscal tightening will help lower interest rates

The Brazilian government's policy of controlling spending will help give the central bank room to further reduce the interest rate, Finance Minister Guido Mantega said Thursday in a conference call with reporters. President Rousseff has said the administration wants the interest rate to fall to levels in other developing countries, and the government passed a budget late last year that reined in discretionary spending. (January 26)

Brazil meets 2011 budget target, worries ahead

Brazil comfortably met its primary budget surplus target in 2011, official data showed. In President Rousseff's first year in office, Brazil posted a record primary budget surplus of R$129 billion (US$73 billion), equal to 3.1 percent of GDP, the central bank said. The strong fiscal performance, helped by rising tax revenue even as the economy slowed, stopped a two-year stretch of government spending growth under former President Lula da Silva to shield Brazil from 2009 global financial crisis and during the 2010 electoral year. However, growing spending pressures from a mandated 14 percent minimum wage hike and a likely drop in taxes collected will make it harder to achieve this year's 3.1 percent primary surplus target. (January 27)

FOREIGN POLICY

Patriota meets with UK Foreign Minister
Foreign Minister Antonio Patriota and British Foreign Minister William Hague met to address trade and reform of the UN Security Council. Patriota said that Brazil highly values UK support for the free trade agreement between the EU and Mercosur and said he expected the negotiations to move this year. Hague said also that expanding trade between Brazil and the UK is a priority for the British government. He also expressed support for reform of the Security Council and Brazil's hope of a permanent seat on it. (January 18)



Photo: Valter Campanato/ABr.

Foreign Ministers William Hague (left) and Antonio Patriota at press conference.

Foreign Minister pledges more money for the IMF
At the World Economic Forum in Davos, Foreign Minister Antonio Patriota reiterated Brazil's readiness to contribute more to the IMF to help resolve the euro crisis. However, he repeated that the contribution would be conditioned on the euro zone taking measures to resolve its crisis and restore growth. (January 27)

Rousseff focuses on trade on Cuba trip
President Rousseff visited Cuba on January 30 in a bid to expand economic ties. There she discussed the US$800 million project to renovate Havana's Mariel port, largely funded by Brazil's development bank and Brazilian building company Odebrecht. She also signed several science and technology agreements. The Brazilian government will open a $350 million credit line for Cuba to finance food purchases and another for $200 million to purchase agricultural equipment. Rousseff reiterated her support for a global commitment to human rights; she did not comment on alleged violations by Cuba but did criticize the U.S. prison base at Guantanamo and the 50-year-old U.S. embargo on trade with Cuba. (January 30)



Photo: Roberto Stuckert Filho/ABr.

President Rousseff (left) and Cuban President Raul Castro