ECONOMY

Opening a business not easy in Brazil

Although the time it takes to open a company in Brazil has dropped 20% since 2007, at 119 days it is still one of the longest in the world, says the World Bank. Not only does Brazil come in at 179th in the global ranking of 183 countries, it is far outstripped by other major emerging countries: in India it takes 29 days, in Russia 30, in China 38, and in South Africa 19 days. Brazil demands 13 legal procedures, Canada and New Zealand just 1. (February 15)

Current account deficit widens

Brazil's current account deficit rose from US$6 billion in December to US$7.1 billion in January. The trade deficit (US$1.3 billion) for the month was the worst since 1998, though it was offset by foreign direct investment (US$5.4 billion) and portfolio inflows, mostly into equities after the government lifted the tax on foreign investment in stocks last December. However, international reserves increased to US$355 billion. (February 23)

A disappointing 2011

Brazil's economy grew just 2.7% in 2011, although early March data suggest that this year growth is accelerating somewhat. Recent data from the government statistics agency, IBGE, show that agriculture and domestic demand began to stimulate growth in the final quarter of 2011, although industry shrank 0.5% compared to the third quarter. (March 6)

Industrial output fell in January

Output at Brazil's mines and factories in January was far worse than expected; widespread decline was exacerbated by a slump in production of trucks and lost iron mining due to heavy rains. Industrial production in January fell 2.1% from December, the worst decline since 2008; it quashed a brief two-month revival in output, according to IBGE. (March 7)

Inflation slowed in February

Inflation in Brazil eased in February to its slowest pace for that month in five years. Brazil's official consumer price index rose 0.45 percent in February, IBGE said. Consumer prices rose 5.8 percent in the 12 months through February. (March 9)

LATIN AMERICA

Latin America dependent on commodities and China

Latin America's "growing dependency on commodities and China requires improving lines of defense against sharp and sustained terms of trade losses," the Institute for International Finance (IIF) said in its latest regional overview. The IIF also said that the region's economic improvement relative to developed economies suggests that "appreciation pressures on local currencies are to some extent warranted." Countries must therefore improve productivity and reduce government deficits "to widen the scope for interest-rate cuts," the IIF said. (March 8)

JUDICIARY

Clean Record Law validated

On February 16, the Supreme Court ruled 7–4 that the Clean Record Law is constitutional. The 2010 law bars sentenced politicians from being elected for eight years. The law is a popular initiative presented to Congress after being signed by more than 1.3 million voters. (February 16)

POLITICS



Photo: Valter Campanato/ABr.

Former candidate to the presidency and governor of São Paulo José Serra.

Retired military charged with insubordination

The government ordered military commanders to punish with a warning for insubordination retired military who on February 28 issued a letter attacking President Rousseff and Defense Minister Celso Amorim. The letter criticized the president for not disavowing statements by ministers and the Workers' Party favoring investigation of events during the military regime (1964–1985). (March 1)

José Serra returns

After months denying any such interest, former mayor of São Paulo and presidential candidate José Serra (Brazil's Social Democratic Party, PSDB) on February 27th announced he will again seek his party's nomination for mayor. São Paulo, Brazil's biggest municipality with 11 million residents, is Brazil's business center. Its mayor matters. The result of this election will also affect the future of the PSDB, which is the main national opposition to President Rousseff. It also has implications for the governing Workers' Party (PT) and the 2014 presidential election.

FOREIGN POLICY

Germany endorses EU/Mercosur agreement

Brazilian Foreign Minister Antonio Patriota and his visiting German counterpart, Guido Westerwelle, have called for a free trade agreement between the European Union and South American trade bloc Mercosur. "We count on the Brazilian presidency [of Mercosur] in the second half of the year" to make progress, Westerwelle said. Negotiations have stumbled over differences on agriculture—notably Europe's subsidies to its farmers. Reaching a deal "will not be easy," but Westerwelle said Berlin would use "all its weight to ensure that the negotiations succeed." (February 15)



Photo: Fabio Pozzebom/ABr.

Foreign Ministers Guido Westerwelle of Germany (left) and Antonio Patriota of Brazil.

Brazil pushes for non-American World Bank president

Brazil urged the World Bank to consider developing-country candidates to replace outgoing president Robert Zoellick. "There is no reason for the president of the World Bank to be a specific nationality. It should just be someone competent and capable," Finance Minister Guido Mantega said, pushing for an end to a 65-year tradition. "Our goal is that emerging countries have the same chance to compete to lead multilateral organizations," he said. Zoellick's five-year term ends in late June, setting up a possible fight over U.S. dominance at the Bank. (February 15)

ECONOMIC POLICY

Fund for civil servants created

By 318–134 the House passed a bill creating a complementary pension fund for federal civil servants that is more closely aligned to the private pension scheme. The maximum Social Security pension benefit is R$3,916 and the tax is 11% of salary. A civil servant desiring a larger benefit must now contribute to a supplementary fund. (February 28)

Primary budget surplus sets record in January

Brazil posted a record primary budget surplus in January—the latest evidence that President Rousseff's push for fiscal restraint is helping pave the way for lower interest rates. The consolidated surplus was R$26 billion (US$15.3 billion). In the 12 months through January, the primary surplus, which excludes debt-servicing costs, was equivalent to 3.30% of GDP, up from 3.11% in December. Brazil plans to freeze R$55 billion ($32 billion) in spending this year to help meet its 2012 primary budget surplus target of R$139 billion. Brazil's debt-to-GDP ratio edged up to 37.2% in January from 36.5% in December, the central bank said. (February 29)

Central bank slashes rates

A larger-than-expected cut of 75 basis points has pushed the central bank benchmark rate down to 9.75%; the cut was supported by five voting policymakers; two others voted for 50 bps. Disappointing GDP figures for Q4 2011, slowing industrial production in January, and low inflation in February may have tipped the balance in favor of the larger reduction. (March 8)