ECONOMY

Payroll jobs improve in April

Formal job growth made its biggest monthly jump in April when the economy added 216,974 jobs, the Labor Ministry said, compared with an upwardly-revised 141,000 in March. However, workers'average inflation-adjusted income dropped 1.2%, to R$1,719. The April unemployment rate was down 0.2%, to 6%, according to the Monthly Employment Survey, published by the IBGE (Brazilian Institute of Geography and Statistics). (May 24)

Federal investment drops; World Cup jeopardized?

Government spending on new public works, equipment purchases, and permanent assets fell 5.5% over the same period last year, from R$11.1 billion in 2011 to R$10.5 billion in 2012. The federal government has reported that 40% (value: R$27 billion) of the works planned for the World Cup in 2014—stadiums, airports, public transit and ports—have not yet begun, though it claims to be optimistic. However, though Fifa, the world soccer governing body, has praised the efforts of governing bodies at all levels to speed up construction, it has complained of the bureaucracy and "excessive politicization" in Brazil. (May 15)

Brazil economy again disappoints

GDP grew only 0.2% quarter-on-quarter in the first quarter of 2012; though consumption held up, there was a decline in investment and a negative contribution from the external sector. The data reinforced expectations of further interest rate cuts soon. However, the scope for further credit expansion is limited because a quarter of households are over-indebted, spending more than 30% of household income on servicing debt. (June 1)

CPI inflation moderates

In year-on-year terms, inflation slowed to 5%, the lowest pace since September 2011 (7.3%); markets saw this as a signal that the central bank will keep cutting interest rates. (June 6)

POLITICS

Photo: Antonio Cruz-ABr



Former Presidents Luiz Inacio Lula da Silva and Fernando Henrique Cardoso with President Rousseff during the ceremony inaugurating the Truth Commission.

The president inaugurates the Truth Commission

At a ceremony attended by the four living former presidents of Brazil, President Rousseff opened the Truth Commission, saying that in clarifying the crimes committed during the military dictatorship (1964–1985) the commission cannot be a stage for revenge, or forgiveness. Former President Lula defined the commission as "an outstanding step," but some doubt that it will be effective. Historian Marco Villa points out that the commission's mandate is extremely broad. Also, the commission will work only part time, and its resources will be meager. (May 16)

R$1.3 million for pork barrel politics

The government has loosened the purse strings to facilitate release of funds for projects of interest to congressmen, senators, mayors, and governors in parties represented in the governing coalition. About 10% of the R$55 billion in spending that was to be postponed has now been released, and although most of it will go to mandatory spending, about R$1.3 billion will fund the pet projects of influential politicians. (May19)

TRADE

Brazil retaliates against Argentine products

The Brazilian government will no longer automatically license about 10 nonperishable products imported from Argentina; Brazil can now take up to 60 days to authorize the entry of Argentine products, which can make some seasonal exports unprofitable. The measure retaliates against Argentina's recent protectionist actions that saw Brazilian exports to Argentina fall 27% in April compared to April 2011. (May 14)

BNDES and bank agree to finance sales to Africa and Latin America

The National Bank for Economic and Social Development (BNDES) and Bradesco bank have signed a contract for financing exports of capital goods manufactured in Brazil to African and Latin American countries. Lines of credit valued at US$200 million will be transferred through Bradesco branches abroad and used to finance exports of Brazilian machinery and equipment. (May 28)

ENVIRONMENT

Forest Code provisions vetoed

President Rousseff has vetoed 12 points and made 32 other changes to the Forest Code passed by Congress. The government sought to preserve agreements not to grant amnesty to deforesters, protect smallholders, and maintain permanent preservation areas and forest reserves. For small producers, the government opted for restoration of forests according to the size of the property. (May 25)

OIL

Deep-sea discoveries upgraded

The consortium responsible for exploiring deep-sea oil has found significantly more potential in the block BM-C-33 in the Campos basin, where total resources are now estimated at more than 700 million barrels of light crude and 3 trillion cubic feet of gas. Statoil (Norway) holds a 35% interest in the consortium, Repsol Sinopec (Spain) 35%, and Petrobras 30%. The consortium is preparing an appraisal plan for the Brazilian National Agency of Petroleum, Natural Gas and Biofuels (ANP). (May 24)

ECONOMIC POLICY

Taxes reduced to stimulate consumption

Among stimulus measures Finance Minister Guido Mantega has announced are VAT exemptions on auto sales and reduction of taxes on consumer loans; bank reserve requirements have also been lowered to provide credit for vehicle purchases. (May 22)

Government reduces 2012 growth projection

Projected GDP growth has been cut by 0.5%, to a range of 3%–4%, Minister Mantega has announced. The revision reflects a worsening outlook for industry, investment, and car sales. (May 29)

Interest rate is cut

In May, the central bank again cut its benchmark interest rate, this time to 8.5%; in July 2011 the rate was 12.5%. With the global economy weak, the central bank sees little risk that inflation will rise. Analysts expect the rate to fall to 7.75% by September. (May 31)

Government ahead on 2012 surplus target

In April, the central government recorded a primary surplus (excluding interest payments) of R$11.2 billion. The target for the year is R$96.9 billion; in the first four months the surplus has met 46% of the target. (May 31)

Central bank takes over Cruzeiro do Sul

Cruzeiro do Sul, Brazil's 27th largest bank by assets, has been seized because of suspected fraud related to its credit portfolio; its main business is paycheck loans. The take-over highlights the stresses facing the financial system in a slowing economy. (June 5)

Government-owned banks lower rates

The state-controlled development bank BNDES has lowered interest rates on corporate loans and federal savings bank Caixa Economica Federal has dropped its rates for mortgages. Using credit as a policy tool to counter slowing growth, the government has repeatedly called for banks to reduce interest rates and expand lending. (June 6)

Subsidy to BNDES reaches R$28 billion

In the past three years, the government has supplied BNDES with R$28 billion at below-market rates, the Court of Audit reported in May. The Treasury re-lent borrowed funds at lower rates than it was paying so that BNDES could in turn provide cheaper loans to companies. (June 8)