

ECONOMY

Brazil retail sales plunge

In May, Brazilian retail sales posted their biggest monthly drop, 0.8%, since the 2008 financial crisis, eroding one of the few recent drivers of growth in a stagnating economy. Brazilian households have been struggling increasingly with record debt. (July 11)

Consumer confidence falls yet again

Consumer confidence fell in July for the third straight month as Brazilians grew increasingly dissatisfied with current economic conditions and less optimistic

about the near future. Brazil's consumer confidence index fell from 123.5 in June to 121.6 in July after seasonal adjustments, private research institute the Getulio Vargas Foundation said. (July 25)

June industrial production weak

Industrial production grew just 0.2% in June compared to May. In comparison with June 2011, industry activity declined 5.5%. In the first half, the sector contracted by 3.8%. (August 1)

Trade surplus improves in July

Brazil's trade surplus grew in July after a weak June, according to the

Ministry of Trade, which said the foreign-trade surplus rose to US\$2.88 billion from US\$807 million in June. Through July, the 2012 trade surplus was US\$9.9 billion, a 38% decline from the US\$16.1 billion for same period last year. (August 1)

Inflation up in July

Official inflation (IPCA) rose 0.33% in July, compared with 0.18% in June. For the last 12 months, the IPCA registered an increase of 5.24% above the previous 12 months. Most of the increase was due to food and personal expenses inflation. (August 10)

POLITICS

New anti-money laundering law

President Dilma Rousseff signed into law (Law 12.683/2012) a bill to curb money laundering in Brazil, another move in her campaign to stamp out the corruption that is slowing the country's progress. Prison sentences have been increased from three to ten years and fines drastically increased from R\$200,000 to R\$20 million. However, the new law fails to engage financial institutions as surveillance agents, as the U.S. and Europe do. (July 10)

Senator expelled over corruption claims

Senator Demostenes Torres has been expelled from the Senate over alleged links with a gambling ring. Torres, an independent, is only the second senator to be removed by his

colleagues in the Senate's 188-year history. Police say Torres helped a detained gambling magnate obtain favors for his companies in exchange for money. (July 11)

Corruption trial starts

Brazil's Supreme Court is hearing the cases of 38 people—politicians, businesspeople, government officials, and bankers—whose charges of corruption rocked the government of then-President Lula in 2005. The defendants are accused of involvement in a scheme that used public funds for monthly payments to coalition partners to support the government's agenda. Among those accused are former leading members of Lula's Workers' Party (PT). All deny the charges. (August 2)

SOCIETY

Changing women's role

In 1960, just 17% of Brazilian women worked outside the home, among the lowest rates in Latin America; now 66% have jobs, one of the highest rates in the region. Perhaps

relatedly, in 1960, Brazilian women averaged six children each; now they average 1.9, fewer than anywhere else in Latin America except Cuba. (July 1)

FOREIGN POLICY

Brazil losing influence in South America?

In an interview with the magazine *Veja*, former president Fernando Henrique Cardoso said that Brazil is rapidly losing influence in South America to Venezuela. Cardoso said that although he favored bringing Venezuela into Mercosur, "they had at least to comply with the basic requisite of adopting a common external tariff." Cardoso also warned about the dangers of protectionism emphasizing, "Argentina has an open determined protectionist tendency, which drastically erodes productivity". (July 20)



Former President Fernando Henrique Cardoso

Photo: Renato Araujo/Agencia Brasil.

ECONOMIC POLICY



Photo: Wilson Dias/Agencia Brasil.

Central Bank Governor Alexandre Tombini

Policy rates cut to a record low

As expected, the central bank cut its benchmark interest rate by 50 bps to an all-time low of 8%. The Monetary Policy Committee, its statement worded as for the previous two meetings, sees limited inflation risks due to the disinflationary forces arising from the fragile global economy. Just hours after the central bank cut, state-run banks Banco do Brasil and Caixa Economica Federal and private bank Banco Bradesco announced lower rates on loans for both individual clients and companies. (July 12)

BNDES loans up

Lending by Brazil state development bank BNDES unexpectedly rose in the first five months of the year, led by disbursements to infrastructure projects—an encouraging sign of a possible recovery in investment in Latin America's largest economy. The bank lent a total of R\$44 billion (US\$22 billion) from January through May, up 1 percent from January–May 2011. (July 19)

Federal tax revenues drop

in June

Brazil's federal tax revenues dropped more than expected in June compared to the year before, as a stubborn economic slowdown slashed corporate profits and prompted the government to

grant tax breaks to some industries. Federal tax revenues were R\$81 billion (US\$40 billion) in June, 6.6% less than in June 2011 when adjusted for inflation, Brazil's tax authority said. (July 24)



Photo: Jose Cruz/Agencia Brasil.

Federal public employees protest for higher wages in front of Planning Ministry in the Brazilian capital, Brasilia.

Public employee demands stymie cost-control push

A slowing economy, dwindling tax revenues, and falling demand for Brazil's commodity exports mean the government must tighten its belt, President Rousseff argues. But across the country customs workers, university professors, and myriad other federal employees are striking for salary increases worth R\$92 billion (US\$45 billion). The strikes are a growing headache for Rousseff at a time when she sees unexpected public spending as counter to her priority of reviving Brazil's stagnant economy. (July 26)

Decline in the budget surplus

The primary surplus (budget balance, excluding interest expenses) of the

consolidated public sector (federal, state, and municipality) was R\$66 billion in the first half of this year, said the Central Bank, 16% lower than the R\$78 billion recorded in the first half of last year. (July 31)

IMF: Household credit growth in Brazil needs watching

Brazil's financial system is still strong, the IMF reports, but rapid credit growth to households is a risk that needs to be carefully monitored. "There are some signs of financial distress in parts of the household sector," the IMF said in its health check of Brazil's financial sector. In particular, the IMF said, there were signs of emerging strains because Brazilians have been using credit cards and bank overdrafts to finance consumption. (July 31)