ECONOMY

Job rise in July

The Brazilian economy created 142,496 new jobs in July, up from 120,440 in June, the labor ministry said, a suggestion of hope for the long-promised economic recovery. Unemployment has remained near record lows despite the slowing economy as domestic demand, boosted by lower interest rates, tax cuts on certain consumer goods, and easier credit have encouraged employers to hire more workers. (August 16)

Current account deficit narrows

As Brazil's trade surplus recovered from a deep decline in June, the central bank reported, the current account deficit fell from US$4.4 billion in June to US$3.8 billion in July, barely above the US$3.6 billion recorded in July 2011. The improvement was influenced by a widening of the country's trade surplus, which rose to US$2.9 billion from US$806 million in June. The 2012 deficit, however, was fully covered by foreign direct investment, which surged from US$5.8 billion in June to US$8.4 billion in July. (August 23)

Economy grew 0.4% in the second quarter

Brazilian GDP grew 0.4% in the second quarter of 2012 compared with the first, said statistics agency IBGE. Driving the growth was agriculture, which grew at 4.9%; however, industry shrank 2.5%, and investment grew only 0.7%. Growth in the first half of 2012 totaled only 0.6%. (August 31)

Industrial production and car sales up

Although still tentative, industrial production has somewhat recovered in recent months. In July it grew 0.3% month-on-month, close to market expectations and up slightly from 0.2% in June. A strong increase in car sales was also reported, due in part to a tax rebate. The rise in Brazilian industrial production adds to evidence that sweeping government stimulus measures to support the manufacturing sector are beginning to bear fruit. (August 4)



Photo: Marcelo Camargo/Agencia Brasil.

Car sales up 15% in August.

Foreign reserves up US$1.1 billion

Brazil's foreign currency reserves were US$1.1 billion higher in August than in July, as the value of the country's investments increased. Foreign exchange reserves, which are a significant part of Brazil's protection against global crises, totaled US$377 billion in August, the central bank reported on its website. In the first eight months of 2012, Brazil's reserves have increased by US$25 billion. (September 4)

Inflation up 0.41% in August

Higher food prices fueled consumer inflation in August, according to statistics agency IBGE. Brazil's official consumer price index rose 0.41% in August, on top of 0.43% in July, and the trailing 12-month inflation rate rose to 5.24%. The government's goal is to keep inflation between 2.5% and 6.5%. (September 5)

LATIN AMERICA

UN revises regional growth downward

Latin America and the Caribbean will expand less than expected this year due to softening demand both internally and externally, said Alicia Barcena, head of the UN Economic Commission for Latin America and the Caribbean (ECLAC). ECLAC now sees regional growth of 3.2%–3.3% this year, down from the forecast of 3.7% that was confirmed in June. The revised projection would be a steep drop from the 4.3% growth the region achieved in 2011, it results from worries about the eurozone debt crisis and a slowdown in China, a major trade partner for many Latin American countries. Brazil, Latin America's biggest economy, is not expected to reach the 2.7% growth ECLAC had forecast for this year, Barcena said, but did not give a specific number. (August 28)

ECONOMIC POLICY

US$66 billion stimulus for transportation infrastructure

President Dilma Rousseff has launched a R$133 billion (US$66 billion) stimulus package to spur investment in Brazil's creaking infrastructure and shore up ailing investor confidence. In the first of an expected series of announcements, Ms. Rousseff said the government plans to sell rights for private companies to operate 7,500km of roads and 10,000km of railways. Affected are 9 highways and 12 railways. "We are starting with railways and roads but obviously we will take care of airports, ports, and waterways," Ms Rousseff told politicians and businesspeople in Brasília. Transport Minister Paulo Passos, said the measures would double capacity on Brazil's main highways. Of the total investment, R$79 billion [about 60%] would be spent within five years and the rest over 25 years. It would be funded on largely favourable terms by BNDES, the state development bank. (August 15)



Photo: Wilson Dias/Agencia Brasil.

President Rousseff lauches a program for road and railway concessions.

Brazil tax revenues again plunge

Collection of federal taxes fell sharply in July from a year earlier; it was the second consecutive monthly drop as a stuttering economy hit corporate profits and prompted policymakers to slash industry and consumer tax rates. Federal tax revenues were R$88 billion, a fall of 7.4% from a year ago. (August 27)

Stimulus for consumption and investment

Brazil's government unveiled new measures to promote investment and consumption, including an extension of tax breaks on home appliances, furniture, and cars. The tax break for automakers will be extended for another two months, Finance Minister Guido Mantega said. (August 29)

Most public employees back to work

Unions representing 90 percent of Brazil's striking public employees agreed to return to work, accepting the tough terms set by President Rousseff, who insisted on putting fiscal discipline before the demands of her own political base. Rousseff, whose Workers' Party began as a union movement, offered a 15.8% wage increase over three years, which will barely cover expected inflation; unions for 18 categories of public employee have agreed. Nevertheless, the wage rise will increase budget expenditures by R$10 billion in 2013. (August 29)

Central Bank policy rate cut

As expected, Brazil's central bank has cut its policy rate by 50 basis points to a record low of 7.50%. It was the ninth cut since August last year, taking total relief to 5 percentage points. Analysts now expect the central bank to continue with cuts but at a slower pace. According to the minutes of the last Monetary Policy Committee meeting, the central bank believes any additional cuts should be done with "maximum" caution because recent spikes in food prices pose short-term inflationary risks. The committee also expects a recent jump in commodities prices to be less intense than similar situations in 2010 and 2011, the minutes said. (September 6)