ECONOMY

Brazil's Central Bank orders Cruzeiro do Sul bank liquidation

In June Brazilian authorities seized Cruzeiro do Sul, a midsized bank specializing in payroll-deduction lending, after detecting accounting irregularities. Brazil's deposit guarantee fund (FGC) took over administration of the bank and has now issued a statement that it is recommending that the bank be liquidated after failing to find a buyer for it. (September 14)

Job growth slacks off

The Brazilian Labor Ministry reported that the economy created only 100,938 new jobs in August, down sharply from 142,496 in July. For January through August, Brazil created 1.4 million new jobs, down from 1.6 million for the same period in 2011. (September 20)

Consumer confidence rose in September

The Fundação Getúlio Vargas (FGV) Consumer Confidence Index rose 1.4% in September from the previous month, after falling 1% in August, because consumers have an improved view of the current and future prospects of the economy. (September 24)

Current account deficit and FDI down

The current account deficit was US$2.6 billion in August, down from US$4.8 billion a year earlier. Meanwhile, foreign direct investment fell to US$5 billion. While the current account has been stable with a moderate deficit of 2.0%–2.2% of GDP, there are concerns that it could be vulnerable to a change in investor sentiment toward Brazil. (September 26)

State-owned banks lead lending; defaults steady

Bank lending in Brazil rose in August as state-owned banks stepped up disbursements to help the government jump-start the economy. In September credit increased by 17.0% year-on-year, down from 17.7% in August. In contrast, private banks have drastically restricted loan origination as they reduce their portfolios in risky segments like auto financing. However, nonperforming loans to households held at 7.9% of total loans and to corporations increased marginally to 4.1%. (September 26)

Expansion of industrial production uneven

Industrial production in Brazil expanded in August at the fastest pace in 15 months thanks to heavy government stimulus, but reliance on a few sectors suggested a full recovery might still be far off. Output grew 1.5% in August from July, government statistics agency IBGE said, more than any month since May 2011. Capital goods, which had been hit heavily during the global crisis, gained 0.3% for the month — sluggish capital goods activity reinforces concerns that investment spending is still fragile. (October 2)

Inflation accelerates

Official inflation as measured by the IPCA price index accelerated to 0.57% in September, after the previous high of 0.41% in August, the government statistics agency IBGE said. The 12-month inflation rate hit 5.28%. Food accounted for more than half of the jump. (October 5)

LATIN AMERICA

ECLAC projections for growth adjusted downward

Latin America and the Caribbean will grow 3.2% this year, rather than the 3.7% previously estimated, due to downward adjustments for Brazil, the region's largest economy, and Argentina, said the Economic Commission for Latin America and the Caribbean (ECLAC). Its 2012 estimate for Brazil is 1.6% rather than the 2.7% projected last June. The main problem for the region is the weakness of the world economy. For 2013, the expectation is that Latin America and the Caribbean will grow 4%, which is also the estimate for both Brazil and Mexico. (October 2)

JUDICIARY

Former officials convicted on corruption charges

Brazil's Supreme Court convicted three top aides of former President Lula on charges of diverting public funds to buy political support for his coalition government when it came into power a decade ago. The court found Lula's former chief of staff José Dirceu, cofounder of the Worker's Party (PT), guilty of "running a scheme of monthly payments to politicians in exchange for their votes in Congress." The minimum sentence could be 18 years in jail. (October 9)

TRADE

Brazil-South Africa chicken row

South Africa's poultry industry is accusing Brazil of dumping chickens there, and farmers say they are forced to cut jobs because they cannot compete with Brazil's "unfairly low" prices. Denying the charge, Brazil has taken the matter to the World Trade Organization. South Africans eat more than a billion chickens a year, and last year close to 60% of all poultry imports came from Brazil—far more than any other country, according to official figures. (October 2)

FOREIGN POLICY



Photo: Jose Cruz/Agencia Brasil.

President Dilma Rousseff and Prime Minister Cameron.

Brazil and UK sign science and technology agreements

President Dilma Rousseff and British Prime Minister David Cameron signed three agreements related to science, technology, and innovation in Brasilia. The agreements call for an increase in the number of students sent to the United Kingdom through the Brazilian Science Without Borders program; cooperation between the BG Group, a world leader in natural gas, and Brazil's National Council of Scientific and Technological Development; and initiation of research projects related to oil and derivatives. (October 1)

ECONOMIC POLICY

Tombini: Brazil economy in gradual recovery

Central Bank Governor Alexandre Tombini said that inflation is under control and the Brazilian economy is gradually recovering, with industrial output showing signs of speeding up.Tombini told a Senate committee hearing that recent measures to stimulate the economy will help contain price pressures in the medium term and bring about more vigorous and sustainable growth. He said inflation might accelerate in the short term due to agricultural price shocks due to the U.S. drought, but would again decline over the long term. (September 12)



Photo: Wilson Dias/Agencia Brasil.

Central Bank Governor Alexandre Tombini

New round of tax relief to boost economy

To stimulate the economy in the face of global financial headwinds, Brazil has extended tax breaks to more than two dozen industries and reduced the cost of acquiring capital goods. Finance Minister Guido Mantega said the government was extending payroll tax breaks for 25 industries, including poultry and pork producers, wood pulp, and freight and passenger transportation. The tax breaks, to take effect in January 2013, will cost the government R$13 billion (US$6.41 billion) in forgone tax revenue. (September 13)

Central Bank cuts policy rate to 7.25%, signals end of easing

The Brazilian Central Bank cut its policy interest rate a quarter point, to a record low 7.25%, but signaled its 13-month easing cycle was ending. The central bank's rate-setting committee was divided, with five directors in favor of the cut and three against. (October 10)