

ECONOMY

Brazil central bank intervenes in BVA bank

Brazil's central bank has intervened in the operations of the financially compromised Rio de Janeiro-based bank Banco BVA SA. The bank, which provided financing for small and medium-sized businesses, reportedly had uncovered liabilities of US\$276 million as the second quarter ended. The latest intervention comes as Brazil's banking system struggles in a sluggish economy to overcome loan delinquencies, which averaged a record high of 5.9% through August. (October 19)

Vale's third-quarter profit plunges

Giant mining company Vale reported net income of US\$1.7 billion for the third quarter, a decline of 57.8% over

the same period last year. The drop was driven by a 4.5% decline in the production of iron ore between July and September, and lower global iron ore prices, due to high Chinese stocks. (October 24)

Brazil September unemployment at 5.4%

Brazil's unemployment rate reversed two months of decline to rise slightly in September, and tight labor markets continued to push wages higher. Unemployment was 5.4% in September compared with 5.3% in August, according to the Brazilian Institute of Geography and Statistics (IBGE). Unemployment in September 2011 was 6.0%. The average monthly Brazilian salary was US\$874 in September, up 0.1% from August and 4.3% from September 2011. (October 25)

Industrial production falls 1% in September

Industrial production interrupted three months of growth to decline 1% in September, an IBGE survey found. This is the worst result since January, when production shrank 1.8%. Compared to September last year, the drop in production was even larger at 3.8%. During 2012 manufacturing production has so far decreased by 3.5%. (November 1)

Inflation accelerated in October

CPI inflation (IPCA) accelerated in October to 5.45% year-on-year, from 5.28% in September, mostly driven by food and apparel prices. This is significantly above the government's 4.5% inflation target mid-point. (November 7)

ECONOMIC POLICY

Brazil's central bank signals end to rate cuts

The minutes of the most recent central bank monetary policy meeting suggest that the easing cycle has come to an end and the bank is increasingly confident of domestic recovery. Inflation is expected to eventually converge to the target. Analysts believe that the central bank will hold the policy rate at 7.25% until at least 2013Q4. Brazil's currency (+0.2%) outperformed peers against the US dollar. (October 18)

Brazil cuts spending to meet surplus goal

Brazil's government will subtract up to 42 billion reais (US\$20.7 billion) in public spending from calculation of the primary budget surplus this year, Finance Minister Guido Mantega said, in an accounting maneuver aimed at meeting a closely watched budget target. However, Mantega

reiterated that Brazil's government remains committed to fiscal discipline. He highlighted that the government's net debt as a share of gross domestic product, another widely watched gauge of the soundness of public finances, will keep falling this year.

His remarks come a week after the central bank said the target for the primary surplus — the difference between total revenues and expenses excluding debt-servicing — would not be met. The accounting maneuver, last used in 2010, is not endorsed by multilateral institutions such as the International Monetary Fund. (November 6)

Tax exemptions to cost US\$22.5 billion for 2012

Finance Minister Guido Mantega

said that tax exemptions will add up to US\$22.5 billion by the end of 2012, though he stated that the decision to take countercyclical measures does not compromise the government's fiscal stance. The minister also pointed out that the government forecasts GDP growth of over 4% next year. To achieve this, it will be necessary to raise investment by 8% to 10% more than this year. (November 12)



Finance Minister Guido Mantega.

Photo:Valter Campanato/Agencia Brasil

INTERNATIONAL

Brazil's IMF constituency shaken up

Large nations like Brazil often represent smaller countries on the International Monetary Fund's board. Colombia, one of the countries Brazil represented, has moved to Mexico's constituency, a logical step as both Spanish-speaking countries already work together on a number of issues. Nicaragua, Cape Verde, and East Timor are now represented by Brazil, although together they do not equal the number of votes Colombia brought. (October 19)

Work permits for foreign professionals up

In the first nine months of 2012, the Brazilian Ministry of Labor and Employment granted 55,000 work permits, temporary and permanent, for foreign professionals, an increase of 5% over the same period in 2011. Humanitarian visas granted to Haitians, work permits for foreign specialists and technicians installing imported



Photo: Antonio Cruz/Agencia Brasil.

Foreign Minister Antonio Patriota (right) and Georges Chikoti, the chancellor of Angola, hold a joint press conference.

machinery and equipment, and technical assistance or technology transfer contributed significantly to the increase. (October 26)

Brazil and Angola discuss areas of cooperation

Foreign Minister Antonio Patriota and Georges Chikoti, the chancellor

of Angola, met recently to discuss cooperation in the areas of education, health, culture, agriculture, defense, information technology, combating transnational crimes, and immigration and consular matters, as well as the political situation in Guinea-Bissau. (November 13)

DEFENSE



Photo: Fabio Rodrigues Pozzebom - Ag. Brasil

Brazilian Defense Minister Celso Amorim

Brazilian troops in Haiti being replaced

On November 4, 130 Brazilian military personnel set off to join the United Nations Mission for Stabilization in Haiti (MINUSTAH). As leader of the military component of the mission, Brazil has more military personnel

(1,878) in Haiti than any other country, though the number will gradually decrease. The UN Security Council has extended MINUSTAH operations through October 15, 2013. The phased withdrawal of the Brazilian contingent is in line with the strategy of Brazilian Defense Minister Celso Amorim who

has reiterated that "there can be no permanent presence or irresponsible withdrawal" from Haiti. (November 8)

Itaguaí submarine base opens this month

The Prosub Metal Structure Fabrication Unit (UFEM) for conventional and nuclear submarine technology is scheduled to open in Itaguaí this month. In the 90,000 square-meter area, segments of submarines will be made for assembly in the shipyard. The Prosub operation is a partnership between the Brazilian and French governments which provides for transfer of French technology to Brazil for construction of submarines, particularly nuclear-powered. (November 7)