POLITICS

Senate approves minimum wage of R$545

In yet another easy win for the Rousseff administration, the Senate on February 23 approved the law to readjust the minimum wage to R$545, the amount advocated by the government and passed the previous week by the House of Representatives. Senators rejected an amendment to raise the minimum wage to R$600, which would have substantially increased public expenditure. The law gives the government the mandate to make adjustments to the minimum wage by decree until 2015. It now goes to the president for approval.

Opposition parties promise to get tougher

After spending the first three months of the Rousseff administration dealing with defeats in Congress and serious internal crises, the Democrats (DEM) and the Brazilian Social Democratic Party (PSDB) promise to move beyond "soft opposition" and become more critical of the government. Both will elect new leaders by May. The big problem for both opposition parties has been to heal the wounds caused by a third straight defeat in the presidential race. The PSDB has also had to manage the effects of the internal disagreement that led to the presidential candidacy of former São Paulo Governor José Serra rather than former Minas Gerais Governor Aécio Neves.

Senate approves creation of the Olympic Public Authority

The Senate has acted to create the Olympic Public Authority to organize the 2016 Olympic Games. President Rousseff has appointed former Central Bank President Henrique Meirelles to head the new agency.

FOREIGN POLICY



Foto: José Cruz/Agencia Brasil.

Minister Maria do Rosário condemned authoritarian regimes.

Human Rights Minister criticizes Middle East authoritarian regimes

Maria do Rosario, Brazil's Minister for Human Rights, has condemned authoritarian regimes of the Middle East and North Africa. Speaking at the opening of the 16th Session of the Council of Human Rights, the Minister referred to the wave of protests in the Arab world and said that no government should be sustained by force and violence; no government will last where there is social exclusion, unemployment, and poverty; and no people will bear in silence the violation of their fundamental rights. In an interview with the *Estado São Paulo* newspaper, Iran's foreign minister, Ali Akbar Salehi, conceded that "there may be conflicts in certain areas in the bilateral relationship between Iran and Brazil."

ECONOMY

Brazilian economy grows 7.5% in 2010, the largest increase in 24 years

Brazil's gross domestic product (GDP) grew 7.5% in 2010, the highest growth since 1986, according to the Brazilian Institute of Geography and Statistics (IBGE). GDP growth was mainly the result of 10.3% growth in domestic demand.

Vehicle production grows 18.7% in February

The National Association of Manufacturers (Anfavea) reports that 310,700 vehicles were produced in Brazil in February, an increase of 18.7% over January and 24.0% over February 2010.



Photo: Marcello Casl/Agencia Brasil.

Finance Minister Guido Mantega comments on GDP outcome in 2010.

Vehicle sales grew 12% in February

Sales of cars, light commercials, trucks, and buses in Brazil in February totaled 274,174 units, 12% more than in January and 24% more than in February 2010, according to the National Dealers Association (Fenabrave). Of these, 258,842 units were cars and light commercial vehicles, up 12.5% over January and 22.5% over the year earlier.

Official inflation slows to 0.80% in February

The IBGE has announced that inflation measured by the National Consumer Price Index (IPCA) was 0.80% in February, compared to 0.83% in January and 6% year-on-year, slowed in part by food and transportation. However, inflation in construction accelerated to 0.39%. Spending on education rose 5.81%, the highest in 10 years.

Inflows reached US$ 6.3 billion in February

February cash inflows were US$6.3 billion, according to new Central Bank data. Net capital inflows were US$7.2 billion, the net resulting from inflows of US$30.4 billion and outflows of US$23.2 billion. In contrast, net trade flows recorded a deficit of US$886 million (US$13.8 billion in exports and US$14.7 billion in imports).

BUSINESS

India and Brazil sign air services agreement

India and Brazil signed a bilateral air services agreement on March 8, which paves the way for increased and more convenient air travel between the two countries. According to the agreement, both countries would now be entitled to designate any number of airlines. The designated airlines of each side are entitled to operate 21 services a week in each direction with any type of aircraft not exceeding the capacity of B-747 aircraft.

ECONOMIC POLICY



Photo: Wilson Dias/Agencia Brasil.

Central Bank Governor Alexandre Tombini meets IMF Managing Director Dominique Strauss-Kahn.

IMF managing director says Brazil faces new challenges

IMF Managing Director Dominique Strauss-Kahn visited Brazil early March. He praised Brazil's resilience and skillful use of countercyclical policies during the economic crisis. However, he cautioned that it will be important to set an appropriate policy mix to contain inflationary pressures and ensure sustainable economic growth over the medium-term, while managing the challenges associated with large capital inflows.

R$50 billion to be cut in the federal budget

In late February, Ministers Guido Mantega (Finance) and Miriam Belchior (Planning) announced more details about a budget cut of R$50 billion (US$30 billion) in public spending this year. The government aims to make the cuts by targeting discretionary spending while preserving social programs and measures to boost growth. Ministries will have to cut discretionary spending by R$36 billion, of which R$18 billion in investments, and mandatory expenditure by R$15 billion, of which R$3.5 billion in payroll.

Central Bank raises rates by 50 basis points

As was widely expected, in its March meeting, the monetary policy committee in a unanimous decision again raised rates by 50 bps, bringing the benchmark rate to 11.75%, because inflation has moved closer to the upper limit of the bank's target range (2.5% to 6.5%).

Treasury will lend US$55 billion to BNDES

Finance Minister Guido Mantega has announced that the Treasury will lend US$55 billion to the National Bank for Economic and Social Development (BNDES) to extend the BNDES Investment Support Program. Mantega said increased investment is needed for sustainable growth. The BNDES today lends one and half times as much as the World Bank; last year, it provided US$96.3 billion in loans compared to World Bank lending of US$59 billion to member countries. However, experts disagree on how much impact BNDES has on economic growth. While some say it encourages private investment, others criticize the cost to taxpayers and the restrictions it imposes on monetary policy.