POLITICS

Democrats party (DEM) tries to contain internal dissent

The DEM elected Senator Jose Agripino Maia as its new president in its national convention, trying to rein in internal dissent. São Paulo Mayor Gilberto Kassab and the Deputy Governor of São Paulo Guilherme Afif Domingos left the DEM to found the Social Democratic Party (PSD). (March 15, 2011)

Opposition senator lashes out at the president

In his first speech in the Senate, Aécio Neves (PSDB-MG) criticized President Rousseff for not "breaking with the old." Although the former governor of Minas Gerais praised the government's social policies, he said the country needs a "reality shock" to deal with a Lula legacy of fiscal disorder, the risk of deindustrialization, and the threat of inflation. As expected, Neves stressed the need for reduce taxes to improve the economy. (April 6)

Supreme Court overturns use of the Clean Sheet Law for 2010 elections

The Clean Sheet Law (Ficha Limpa), which grew out of a popular initiative signed by 1.9 million Brazilians, would prevent politicians convicted in court from standing for election. The law was passed in May 2010, and the Supreme Court ruled retroactively that it did not apply to the November 2010 elections. The Court may rule on its constitutionality in time for the 2012 elections. (March 23)

FOREIGN POLICY

"For the people of Brazil, the future has arrived"



Foto: José Cruz/Agencia Brasil.

Presidents Barack Obama and Dilma Rousseff.

U.S. President Barack Obama made his first visit to Brazil in March; it came after a period of cooling between the two countries, marked by differing positions in President Lula's last two years on issues like Iran's nuclear program. In his well-received speech, Obama recognized Brazil as not only a regional leader but also a global power. He seemed to recognize that Brazil should no longer be understood exclusively as just part of a fuzzy U.S. agenda for Latin America. While many countries in the region see the United States as a source of financial resources and military assistance, Brazil has concerns about American presence in the region. What Brazil wants most from the U.S. is more balanced trade. (March 20)

Brazil votes for a UN special rapporteur on Iran

Changing its position, Brazil voted for a resolution of the UN Human Rights Council, proposed by the United States, to investigate violations by the Iranian government. The council approved appointment of a special rapporteur. (March 24)

ECONOMY

Official numbers better than consensus estimates

In January retail sales grew by 8.3% year-on-year in January, above the predicted 8.0%, and in February 281,000 new jobs were created — 195,000 had been expected. Meanwhile, bank offerings of mortgage-backed bonds have risen almost six-fold. (March 16)

Industry confidence falls again in March

The Industry Confidence Index (ICI) fell 0.1% in March compared to February, the Getulio Vargas Foundation reported. This is the third consecutive drop of the ICI, which reached its lowest level since November 2009. (March 31)

Rating agency ups Brazil's credit rating

Fitch has upgraded Brazil's bond rating from BBB– to BBB, citing greater fiscal restraint by the administration and the country's strong growth prospects. Moody's and S&P rate Brazil one notch lower. Brazil is still eight levels below Fitch's maximum AAA. (March 4)

Foreign capital inflows continue to be encouraging

Net foreign exchange inflows for March surged to US$12.7 billion, 50% of the inflows for all of 2010. Net financial inflows were US$9 billion and commercial inflows US$3.7 billion. (Central Bank, March 4)

Inflation speeds up again in April

In the first week of April, following major increases in food and transportation prices, inflation rose to 0.9%, from 0.7% in the previous week and 0.6% one month earlier; the prediction had been an 0.7% rise. (April 7)

BUSINESS

Government pressures Vale

In a meeting with Lázaro Brandão, chairman of the board of directors of Bradesco, a major shareholder in the Vale mining corporation, the government asked that Vale CEO Roger Agnelli be fired. Although Vale was privatized in 1997, the National Bank for Economic and Social Development and several state pension funds are also major Vale shareholders. Reportedly the government wants someone in the job who is more willing to follow its agenda. (March 21)

ECONOMIC POLICY

President: Fight inflation with growth

At a ceremony in Uberaba (MG), President Rousseff stated that it is possible to curb inflation without halting economic development and causing employment to drop. The ideal path, she said, is to increase the supply of goods and services. She was in Uberaba (MG) for the signing of a protocol establishing a fertilizer factory and a pipeline in the city. (March 27)

Central Bank governor: Curb inflation by containing demand



Photo: Antonio Cruz/Agencia Brasil

Central Bank Governor Alexandre Tombini

Central Bank Governor Alexander Tombini told a public hearing of the Senate Committee on Economic Affairs that to curb inflationary pressures it is necessary to slow domestic demand. He noted that most of the wage negotiations have been well above inflation, which puts pressure on prices. A combination of interest rate increases, fiscal reductions, and curbs on consumer lending, he said, would drive CPI inflation down toward the central bank 2011 target of 4.5%. (March 22)

Brazil acts to rein in exchange rate appreciation

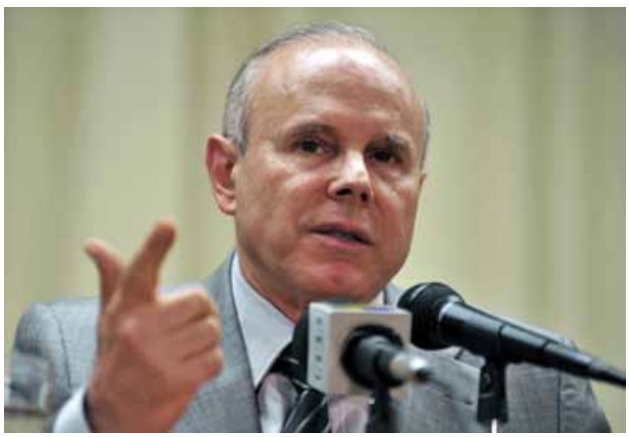


Photo: Renato Araujo/Agencia Brasil

Finance Minister Guido Mantega

Finance Minister Mantega announced that to limit capital inflows, stem appreciation of the real, and restrict credit growth, the 6% tax on foreign loans would be extended to cover maturities of up to 2 years (from 1 year). He warned that more aggressive measures are possible. (April 7)

INDUSTRIAL POLICY

President proposes a Department of Micro and Small Enterprises

As she promised before election, President Rousseff has sent Congress a proposal to establish a Department of Micro and Small Enterprises, which account for half the jobs in Brazil. Its head would have ministerial status and report directly to the President. (March 31)