ADMINISTRATION

Cabinet chief Palocci resigns, succeeded by Gleisi Hoffmann

The departure of Antonio Palocci in the wake of allegations of financial impropriety has prompted concerns about Rousseff administration policy prospects. Palocci was seen as the strongest voice of economic orthodoxy in Rousseff's cabinet, advocating tighter monetary and fiscal policy to tame continuing high inflation. Analysts see his loss as making it more difficult for Rousseff to get her economic agenda (including pension reforms) through a fractious legislature.

The president's decision to appoint Senator Gleisi Hoffmann (PT) as Cabinet Chief surprised many. Some representatives of coalition parties complain that she has no political experience, and the decision does not end problems in articulating government policy. PMDB, the main party in the coalition, is pressing the president for a greater voice in government decisions. Allies from other parties have advised Rousseff to give Vice President Michel Temer (PMDB) more say in government decisions and appoint more PMDB members to government posts. (June 8)



Photo: Vitor Soares/Agencia Brasil

Former Cabinet Chief Antonio Palocci

POLITICS



Photo: Marcello Casal Jr./Agencia Brasil.

Former President Fernando Henrique Cardoso (left), Senator Aécio Neves (center), and former governor José Serra at the PSDB national convention.

Internal dispute for PSDB leadership continues

The national convention of the main opposition party, PSDB (Brazilian Social Democratic Party), failed to build a consensus on candidates for the 2014 presidential election. Former governor of São Paulo state José Serra and Senator Aécio Neves both want in. The convention elected Congressman Sergio Guerra as president until 2013. The Serra group managed to get Alberto Goldman the party vice-presidency, and Senator Neves's group got Congressman Rodrigo Castro in as secretary general. Former President Fernando Henrique Cardoso continues as honorary PSDB president. (May 28)

FOREIGN POLICY



Photo: Roberto Stuckert Filho/Agencia Brasil.

President Dilma Rousseff (left) and Uruguyan President Jose Mujica.

Uruguay and Brazil offer support for Mercosur and Unasur

Uruguay and Brazil presidents pledged in Montevideo to tighten bilateral relations and regional integration through Mercosur and Unasur. The two countries signed 15 cooperation agreements. In a joint declaration the two leaders ratified their "firm commitment to strengthen" Unasur and their "priority commitment to the consolidation of Mercosur as an instrument for improving living conditions for their peoples." The presidents also agreed on the need to reform the United Nations, particularly to make the Security Council "more representative, legitimate, and efficient" and ensure that the coming UN General Assembly will deliver concrete results. (May 30)

ENVIRONMENT

PT and PMDB clash on forestry code

A PMDB amendment to the forestry code provides for amnesty for those who had cut down native forest in the Permanent Protection Areas (PPAs) before 2008; it benefits small farmers affected by harsh environmental rules imposed in 1990. President Rousseff warned she would veto the proposal if it passed the Senate. It did, 273 to 182, mainly because of support from its sponsor, the PMDB. The rift in the governing coalition may affect future votes or result in more PMDB pressure for government appointments. (May 24)

INFRASTRUCTURE

Tender for airport announced for December

A tender for upgrading airport infrastructure and management at Guarulhos, Campinas, and Brasília is planned for December. Infraero (Brazilian Company of Airport Infrastructure), which manages the main airports, will hold no more than 49% in partnership with a private company. The soccer governing board, FIFA, has raised concerns about the transportation infrastructure of World Cup host cities, especially airports. (May 31)

ECONOMY

Consumer confidence falls again, says FGV

Between April and May, the consumer confidence index fell for the third straight time — from 118.2 to 115.4 points, the lowest level since January, according to the Getulio Vargas Foundation (FGV). Consumer assessments worsened for both the current situation and the near-term outlook. (May 25)

Unemployment holds at 6.4% in April

Unemployment fell very slightly, to 6.4%, in the six main metropolitan areas, interrupting the steady increase in unemployment since the beginning of the year. The results of the Brazilian Institute of Geography and Statistics (IBGE) survey nearly equal the 6.5% recorded in March. (May 26)

April industrial production fell 2.1%

The 2.1% decline in industrial production was led by a 10% drop in durable goods production — the largest contraction since December 2008. The decline indicates that monetary policy measures are already cooling the economy, although competition from imports contributed to the fall. (May 31)

Retails sales declined by 0.2% in April

Weak retail sales reinforced the perception that domestic demand is decelerating somewhat. (June 10)

ECONOMIC POLICY

Brazilian economy overheating, IMF says

The Brazilian economy is close to overheating and the authorities should raise interest rates and consolidate the budget, the International Monetary Fund's Olivier Blanchard told O Globo newspaper, adding that Brazil needs to be ready for negative shocks like a drop in raw material prices. He also suggested taking measures to limit appreciation of the Brazilian real, such as reserve accumulation and capital controls. (May 22)

Budget surplus equals 2.3% of GDP

Brazil's primary surplus (excluding interest payments) was R$18.1 billion in April, according to Central Bank data released in May. The 12-month primary surplus reached $119.6 billion (3.14% of GDP), but when doubtful revenues from an operation to capitalize Petrobras are excluded, the surplus was R$87.7 billion (2.30% of GDP) according to Fator Bank economist José Francisco Gonçalves. (May 27)

Central Bank policy rate rises to 12.25%, as expected

In announcing the 25 basis point rise, the Monetary Policy Committee said that continuing monetary adjustment for a sufficiently long period is the best strategy to bring inflation back on target in 2012. In May CPI inflation reached 6.55% year-on-year, above the top of the 2.5–6.5% target range. Brazil's high interest rates and promising growth prospects continue to draw capital, making it difficult for the Central Bank to control liquidity. In May net inflows were US$5.3 billion, about double those of May 2010. Since January, foreign reserve accumulation has totaled $47 billion, about triple that of the same period in 2010, bringing the total to US$335 billion. (June 6)