POLITICS

More access to public documents approved

The Senate has approved the bill that facilitates access to public documents in all three branches of government at all levels — city, state, and federal. The House having already approved it, the text will now go for presidential signature. The law establishes a maximum of 50 years for restricting access to top-secret documents. Although today such documents are considered confidential for up to 30 years, the period can be renewed indefinitely. With the new bill, confidential official documents can be classified as reserved (5 years), secret (15 years), and top secret (25 years). (October 25)

Minister of Sports resigns over corruption allegations

Minister of Sports Orlando Silva (Communist Party of Brazil) left the government yesterday accused of embezzlement. He is the sixth minister to fall since President Rousseff was inaugurated. The president appointed Congressman Aldo Rebelo of the same party to succeed Silva. Rebelo said the ministry will not continue partnerships with NGOs, some of which have been the target of accusations of irregularities. (October 27)



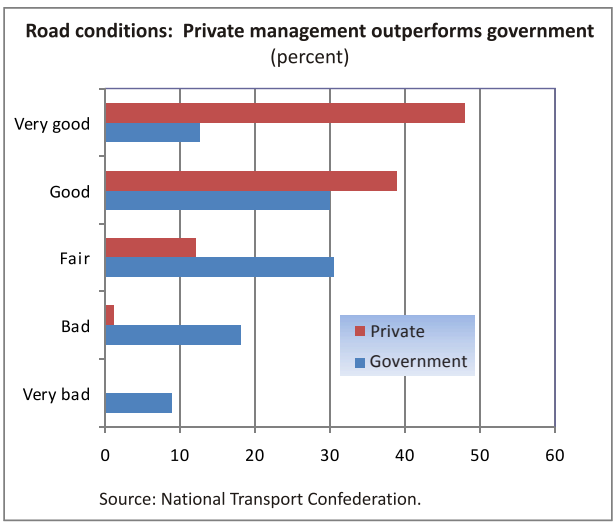
Photo: Jose Cruz/ABr.

New Minister of Sports Aldo Rebelo

INFRASTRUCTURE

More than half of Brazilian roads are deficient

The National Transport Confederation (CNT) report shows that 57.4% of Brazilian roads have serious deficiencies, and 26.9% are in critical condition. CNT surveyed 92,747 kilometers of paved federal and state roads; it says Brazil needs to invest R$200 billion in road infrastructure; last year's investment was only R$9 billion. CNT also said the government needs to change its transport management organization and curb corruption. In contrast, less than 1% of privately managed toll roads were found to be bad, and none were very bad. (October 26)



ECONOMY

Labor market slackens as the economy slows

According to the Minister of Labor, in September Brazil recorded creation of 209,078 jobs with a formal contract, the lowest for the month since 2006, when 176,735 formal jobs were created, and 15% lower than the same month last year. The main culprit was manufacturing, which has lost 30,000 jobs this year. (October 18)

Industrial confidence still sliding

The Industrial Confidence Index fell 0.4% in October compared to September, to 100.7 points; this was the tenth consecutive drop. The October number was the lowest since August 2009, according to the Getulio Vargas Foundation. (October 31)

Corporate bankruptcies rise in October

Corporate bankruptcies increased by 21% in October over September. Decelerating economic activity, monetary tightening, the worsening international situation, and competition from imports have adversely affected corporate performance. (October 31)

Inflation and capacity utilization both lower than expected

Inflation measured by the Getulio Vargas Foundation was 0.4% in October compared to 0.75% in September. Falling wholesale agricultural prices are expected to keep a lid on consumer inflation through the end of the year. As speculation grows that GDP will continue to decelerate, capacity utilization for September declined to 81.6%, down from 82.2% in August, and industrial production for September was down 1.6% year-on-year. (November 8)

ECONOMIC POLICY



Photo: Roberto Stuckert Filho/ABr.

President Rousseff during official photo at the summit of G20 leaders.

OECD: Brazil needs to promote integrity in public service

Brazil has made solid progress over the past decade in the fight against misconduct in the public sector, but better procedures are still needed to detect and prevent improper acts by officials, according to a new OECD report. The OECD review looked at what Brazil has done in four areas: promoting transparency and citizen engagement, implementing risk-based internal control systems; embedding high standards of conduct among public officials; and enhancing integrity in public procurement. It recommended that Brazil make risk management a core responsibility of all public managers, rather than a task only for internal auditors. Managers should be empowered to identify and manage the risk of waste, fraud, and corruption in their operations. (October 27)
http://www.oecd.org/document/54/0,3746,en_21571361_44315115_48943990_1_1_1_1,00.html

Central bank benchmark rate cut no surprise

Although an August 0.5% reduction in the central bank benchmark rate to 12% was a surprise, financial markets received the October 19 cut of 0.5% to 11.5% with tranquility. The drop was expected; the international landscape has deteriorated considerably. It is likely that further rate cuts are on the agenda with inflation expected to converge with its target next year. Weak growth data (see below) gives the central bank more room to cut interest rates. (October 27)

Growth expectations again deteriorate

The central bank's weekly survey of market forecasts reported that GDP growth expectations for 2011 dropped by 9 bps to 3.20%, although forecasts for 2012 held steady at 3.50%. The previous week's industrial production, capacity utilization, and industrial confidence figures had been surprisingly weak. See Focus survey at http://www4.bcb.gov.br/pec/GCI/PORT/readout/readout.asp (November 7)

Public sector surplus in September

Excluding interest payments on debt, the public sector recorded a primary surplus of R$8 billion in September. In the first half of the year, the primary surplus totaled R$78 billion (3.99% of GDP), 66% of the target for the whole year. (October 31)

President reports on G20 summit

President Dilma Rousseff said the recent G20 summit in France was a relative success in that the euro zone countries have moved to decide how to face the euro crisis, though it offered no definite solution. The eurozone issue dominated discussions at the meeting. During the summit, Rousseff reaffirmed that Brazil would consider providing financial assistance to Europe through the International Monetary Fund on condition that more details were provided about the rescue package. Rousseff also confirmed that Brazil would "not oppose" a tax on international financial transactions, which France was keen to support. However, the U.S. and the U.K. forcefully opposed the tax. (November 8)