ECONOMY

Job growth is still slowing

Brazil recorded 126,143 new jobs in October compared with 209,078 new jobs in September, a decline of 40%. From January to October this year, 2.2 million new jobs were created compared to 2.7 million in the same period last year, a decline of 18%. (November 18)

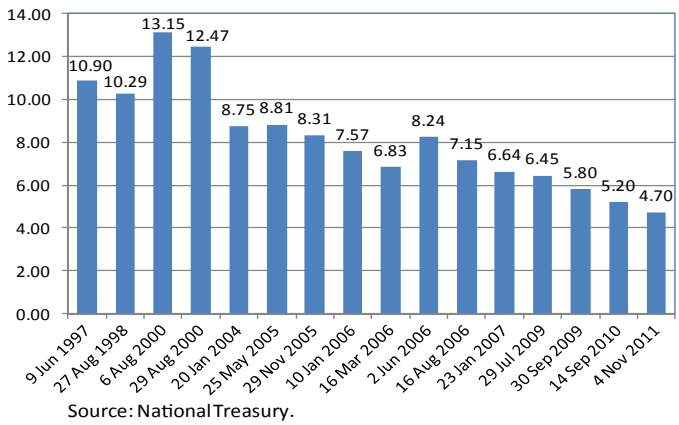
S&P raises Brazil's credit rating

S& P lifted Brazil's foreign currency sovereign bond ratings from BBB– to BBB and long-term local currency ratings from BBB+ to A–, with a stable outlook. The main reasons were the government's commitment to meeting fiscal targets, which enlarges the scope for using monetary tools to influence the domestic economy. Moody's upgraded the country to the equivalent Baa2 in June and Fitch Ratings lifted it to BBB in April. The upgrade is likely to increase capital inflows and thus exert pressures on the currency to appreciate. (November 18)

New bond issue has lowest yield in 14 years

The Brazilian National Treasury has issued a US$1.1 billion 30-year bond as part of its efforts to enlarge the investor base and to create a price reference for the issuance of bonds by Brazilian companies. Bond yields have declined to a historic low of 4.7%. Heavy demand for Brazilian

30-year Brazilian Bonds – Yield at issuance (% a year)



Source: National Treasury.

bonds demonstrates the good reputation Brazilian economic policy management has among international investors. (November 18)

Industrial production fell in October

Seasonally adjusted industrial production fell 0.6% from September to October, according to the Brazilian Institute of Geography and Statistics (IBGE). This was the third consecutive monthly decline. For the three months ended in October production on average showed a loss of 0.9% over the preceding quarter. (December 2)

The economy stagnated in the third quarter

Seasonally adjusted GDP stalled in the third quarter as the eurozone debt crisis hit, forcing the government to cut its growth projections for the full year. "With these results, it will be difficult to post 3.8% growth as we had forecast," Finance Minister Guido Mantega conceded. According to the IBGE. Industry suffered most, declining by 0.9%, followed by the service sector (down by 0.3%), but agriculture had healthy growth (3.2%). Household consumption fell 0.1% and gross fixed capital formation 0.2%. (December 12)

Inflation surprises on the upside in November

The National Consumer Price Index (IPCA) accelerated with an increase of 0.52% in November, well above the rate of 0.43% in October the central bank forecast. Annual inflation slowed in Brazil in November but remained above the government ceiling, underscoring the challenges of taming price pressures. Inflation in the 12 months through November reached 6.64%, above the government's target range of 2.5%-6.5%. (December 12)

POLITICS

Rousseff signs Truth Commission law

President Rousseff signed two bills that promise to bring more transparency to past and current government action: Congress approved both the Law on Access to Public Information and the Law Establishing the Truth Commission in late October. The Truth Commission is intended to shed light on human rights violations that occurred between 1964 and 1985. The commission, however, does not constitute a repeal of the Amnesty Law and will not prosecute violators. Brazil was the last country in Latin America to deal with the abuses of its military government. The Law of Access to Public Information puts an end to perpetual secrecy for official documents and regulates access to government information. (November 18)

Carlos Lupi is the seventh minister to leave

Labor Minister Carlos Lupi left the federal government after allegations of irregularities in agreements signed with nongovernmental organizations. The minister's aides were accused of accepting bribes from the NGOs. Lupi's situation became untenable after the *Folha* newspaper revealed that he had held two public jobs for nearly five years before joining the federal executive branch. Although popular support for President Rousseff has grown with the continuing corruption cleanup, frequent changes of ministers have caused paralysis in some parts of the administration. (December 4)

ECONOMIC POLICY

Restrictions on consumer credit loosened

The central bank has loosened macro-prudential restrictions on consumer lending to stimulate credit growth. It relaxed most of the restrictions imposed last December on car, personal, and payroll loans. Because growth grew strongly in September, some analysts expressed concerns that the central bank actions could jeopardize the inflation target next year. (November 16)

Central bank cuts rates again

For the third consecutive time, the Monetary Policy Committee decided unanimously on November 30 to reduce the central bank benchmark interest rate by 0.5 percentage point, to 11% a year, the lowest since the end of 2010, when it was 10.75%. The committee believes that timely and moderate adjustment in the benchmark rate will mitigate the negative effects of the global slow down on Brazil's economy and is consistent with bringing inflation to the target mid-point of 4.5% in 2012. The central bank is targeting an inflation rate between 2.5% and 6.5% this and next year. (November 30)

Government announces stimulus measures

To stimulate growth of the Brazilian economy, Finance Minister Guido Mantega announced that the government has reduced the industrial products tax on durable consumer goods, increased maximum funding for low-income houses, and eliminated the tax on foreign investment in stocks. (December 1st)



Photo: Marcello Casal Jr./ABr.

Guido Mantega (left), Minister of Finance, and Fernando Pimentel, Minister of Development, Industry and Foreign Trade, announce measures to stimulate consumption and growth.

IMF managing director visits Brazil

Christine Lagarde, managing director of the International Monetary Fund (IMF), met President Rousseff in her last stop of a trip that included Peru and Mexico. In a press release, Lagarde asserted that the resilience of the Brazilian economy is the product of a solid track record of competent macroeconomic management and a sound and well-capitalized banking sector. However, she pointed out that Brazil is not immune to the crisis manifesting itself elsewhere in a highly interconnected world. She believes that the challenge for Brazil is to find the right balance between curbing inflation, protecting social spending, and improving infrastructure. (December 1st)



Photo: Antonio Cruz/ ABr.

President Dilma Rousseff (left) greets IMF Managing Director Christine Lagarde during her first trip to Latin America.