ECONOMY

Hydroelectric production down by 30%

According to the National System Operator, 20% to 30% of thermoelectric power capacity is not available either for lack of fuel or technical issues, which means a heavier draw on reservoirs. (April 24)

Vehicle sales drop; 2,200 workers laid off

Vehicle sales fell 7.6% in February, said the Brazilian Institute of Geography and Statistics (IBGE), partly because a reduction in the industrial product tax that had stimulated, and satisfied, demand was ended. (April 15) The drop caused suspension of employment contracts and shutdowns of some of the operations of Volkswagen and Fiat, two of the largest car manufacturers as production was adjusted to demand. Vehicle sales for the 12 months through February were 5.3% lower than for the same period in 2013. Exports to Argentina, the main customer for Brazilian cars, fell more than 30%. (April 24)

Economic activity brakes suddenly in February

Brazil's economic activity slowed sharply in February, illustrating the weak start to the year. The central bank's seasonally adjusted economic activity index dropped to 0.24%, after 2.35% growth in January, revised up from a previously reported 1.26%. (April 16)

Jobless rate drops, job creation slows

Brazil's jobless rate unexpectedly plunged in March as fewer people sought jobs. From 5.1% in February the jobless rate declined to 5.0%, statistics agency IBGE said. Much of the decline was attributable to fewer job seekers as the labor force participation rate declined to its lowest level since March 2002. The formal sector created a lower-than-expected 13,117 jobs, 88% fewer than in the same period a year earlier. Inflation-adjusted wages rose 3.0% from March 2013 to an average of R$2,026 (US$904) a month—down 0.3% from February. (April 17)

Trade surplus narrows current account deficit

Though Brazil's current account deficit narrowed in March after the trade balance improved, it was still the second largest on record for that month, according to the central bank . Latin America's largest economy posted a current account deficit of US$6.2 billion, down from US$7.4 billion in February. A trade surplus of US$112 million in March, after two straight months of deficits, eased some of the pressure on the current account, but the surplus was the smallest since 2001. Brazil's trade balance has been hard-hit by rising fuel imports and a drop in the prices of iron ore and other key exports. A steep depreciation of Argentina's peso has also curbed Brazil's manufacturing exports to its neighbor. (April 25)

Consumer confidence lowest in almost 5 years

Brazil's consumer confidence index dropped by 0.8% in April to the lowest level since May 2009 because of repressed economic activity and inflationary pressures, the Getulio Vargas Foundation said. Lagging consumer confidence, accelerating inflation, moderating credit flows, and not much happening in the labor market are likely to discourage private consumption in the months ahead. (April 25)

Bank lending slows in March

Bank lending growth decelerated in March as bank spreads and interest rates went up. Credit to corporations slowed from 7.1% year-on-year in February to 5.5% and household credit dropped to 9.1% year-on-year from 10%. State-owned banks continued to widen their market share, which expanded from 51.7% to 51.9% in March. The percentage of nonperforming loans held steady at 4.8%. (April 30)

Inflation slows down in April

Brazil's benchmark consumer price index (IPCA) of April rose 0.67% compared to 0.92% in March, said the government statistics agency, IBGE. 12-month inflation was up 6.28% in April compared to 6.15% in March. Despite slowing down, most food prices continued to rise by 1.19% in April compared to 1.92% in March, and health service and housing prices had noticeable increases. Brazil's inflation problems are not likely to disappear soon. The recent food price spike is not the underlying cause of inflation, which is rooted in strong consumer demand and service price inflation. Also, there is a pent up inflation because the government controls many prices, including fuel, electricity rates and bus tariffs.

POLITICS

Campos vows lower taxes and more predictable fuel prices

If he wins the October election, Eduardo Campos, a centrist former state governor running for president, plans to lower the tax burden and set a formula for automatic fuel prices rises at state-owned Petrobras. Campos, 48, said he would implement a transparent formula for fuel price rises to cover costs. In a wide-ranging interview, Campos advocated reforms championed by Brazil's business community, which has largely soured on left-leaning President Dilma Rousseff after more than three years of slow economic growth. Campos says his message of improving Brazil's business climate while protecting the social gains made during the economic boom will catch on, especially as voters pay closer attention after the World Cup ends in July. (April 17)



Photo: Wikimedia Commons

Eduardo Campos

President pledges to boost social programs and reduce taxes

President Dilma Rousseff has pledged to improve Brazilians' buying power, fight inflation, and stabilize the economy. In a televised speech before the Labor Day holiday, Rousseff said electricity prices will remain controlled and promised to investigate alleged corruption at government-controlled oil giant Petrobras. She also announced, with no details, an income-tax adjustment that would reduce how much Brazilians pay, saying it is "an important indirect salary gain and more money in the worker's pocket." A planned adjustment of personal income tax brackets will cost the government coffers R$5.3 billion in 2015, according to the Ministry of Finance. (May 1)

Second round predicted for the presidential election

A poll by the Sensus Institute shows President Dilma Rousseff (Workers' Party, PT) with 35% of the first round vote, Senator Aécio Neves (Brazilian Social Democratic Party, PSDB) with 23.7% and former Pernambuco governor Eduardo Campos (Brazilian Socialist Party, PSB) 11%. The margin of error is 2.2%. Among voters 66.1% have a neutral or negative view of the Rousseff administration, 49.1% disapprove of the president's personal performance, and 50% believe that Brazil is not on track. (May 3)



Roberto Suckert Filho_PR

President Dilma Rousseff.

ECONOMIC POLICY

Investments of US$33 billion expected

Over the next 20–35 years federal concessions granted to the private sector in 2013 are expected to attract investments of US$33 billion in transportation, energy, oil and gas, and five permits to manage airports, according to the Secretary for Economic Monitoring. (January 10)

March fiscal surplus slides

Brazil's central and regional governments had a 12-month fiscal surplus (excluding interest payments) of R$86.2 billion in March, 1.75% of GDP, down from 1.9% the previous year. The March fiscal balance was the first reported since a budget revision that promised to curb spending—which instead accelerated over February's. The intense use of one-off revenues boosted the primary surplus but dented the transparency of fiscal policy. (April 30)