ECONOMY

Employment in industry rises, but fewer jobs created

Seasonally adjusted employment in industry increased 0.2% from February to March, reported government statistics agency IBGE, but total industry employment for the first quarter of 2014 was down 2% (May 13), and according to the Ministry of Labor in April Brazil created 105,384 formal jobs—the fewest in April in 15 years. (May 21)

Consumer confidence still sinking

Brazil's main consumer confidence index fell in May to the lowest level since April 2009 because of poor economic activity and inflationary pressures, the Getulio Vargas Foundation said. The index was at 102.8, down from 106.3 in April, the lowest level since 99.7 in April 2009. (May 23)

External current account deficit up in April

Brazil's central bank said Friday the country's current-account deficit widened to US$8.3 billion in April from the US$6.2 billion reported for March. The 12-month deficit was US$81.6 billion, or 3.65% of GDP. Foreign investment in April was US$5.2 billion, for a 12-month total of US$64.5 billion. (May 23)

Bank lending growth slowing

Averaging 31.7% a year, borrowing costs are still at their highest in two years, and outstanding loans in Brazil's banking system rose only 0.6% in April after growing by 1% in March, the central bank said. Loans by private banks rose about 5.3% in the 12 months through April, compared with 20.5% for state-run lenders. Loans in arrears for 90 days or more, the benchmark for credit delinquencies, again remained unchanged at 4.8%. (May 29)

Minimal economic growth in the first quarter

GDP grew 0.2% quarter-on-quarter in the first quarter of 2014 compared to 0.4% in the fourth quarter of 2013, according to IBGE. Shrinking factory output, falling investment, and flat consumer spending were partly offset by a good performance in agriculture and heavy government spending ahead of the October election. (May 30)

Automobile production falls 18% in May

In May 282,465 cars and trucks were produced—18% less than in May 2013, reported the National Association of Automobile Manufacturers, but up 1.9% since last month. For January through May, production was lower by 13.3% than in the same period in 2013 (June 5)

Inflation up 0.46% in May

Consumer prices slowed in May as the impact on food prices of one of the worst droughts in decades receded only partially. Brazil's consumer-price index, the IPCA, rose 0.46% compared to 0.67% in April, IBGE said. Through May, 12-month inflation was 6.37% compared to 6.28% in April. (June 6)

INTERNATIONAL

IMF: Regional growth decline not temporary

It appears that Latin America is growing little and the outlook is for falling commodity prices and "normalization" of U.S. monetary policy. In an interview with *Estado de S. Paulo* newspaper, Alejandro Werner, director of the Western Hemisphere Department of the International Monetary Fund (IMF), recommended that governments in the region avoid "easy solutions" and not consider the drop in growth to be temporary. He also said that public protests will have an impact on the conduct of fiscal policy, and social spending must become more efficient. (May 10)

OECD: Growth below trend in emerging economies

Growth is slow in major emerging economies, the OECD says, but recovery in the Eurozone is on track despite signs of a slowdown in Germany. The OECD index of composite leading indicators showed growth conditions below trend in Brazil, China, and India and even losing momentum in Russia, which has been struck by the crisis in Ukraine. For the OECD as a whole, and the United States, Canada, and Japan in particular, growth momentum is stable and Britain is even showing signs of acceleration. (May 13)

POLITICS

Rousseff opponents getting more traction


Photo: Fabio Rodrigues Pozzedom Agência Brasil


Photo: Wikimedia Commom by PSDB MG


Photo: Marcello Casal Jr Agência Brasil

Candidates running for 2014 election: President Rousseff (PT), Senator Neves (PSDB), and former Pernambuco Governor Campos (PSB).

TV ads are sparking interest in the presidential election. Although Dilma Rousseff (Workers' Party, PT) improved from 37% of the vote in April to 40% in May, according to an Ibope poll, her direct opponents increased the chances of a second round as Aécio Neves (Brazilian Social Democratic Party, PSDB) rose from 14% to 20% and Eduardo Campos (Brazilian Socialist Party, PSB) from 6% to 11%. (May 22)

Rousseff and Neves court Campos

President Dilma Rousseff (PT) and Senator Aécio Neves (PSDB) are the presidential candidates best placed in the polls and their parties are both working to win the support of former Pernambuco Governor Eduardo Campos (PSB) as an ally in a possible run-off. (June 5)

Rousseff defends World Cup spending

With spending on the World Cup the target of protests in the run-up to the June 12 kick-off match, President Dilma Rousseff—seeking reelection in October and facing criticism because Brazil is spending more than US$11 billion on the tournament—insisted that the vast majority of public spending related to the tournament was "for Brazil" over the long term and not limited to the World Cup. She said hosting the tournament had spurred many cities to undertake badly needed public transport projects—though she acknowledged many would not be completed before the World Cup. (June 4)

World Cup and protests

World Cup started amid street protests, which have been dispersed violently by police. President Rousseff was greeted by jeers and before Thursday's World Cup opening match. Since last year, Brazilians have been taking the streets to protest against the low quality of public services, health and education. (June 12)

ECONOMIC POLICY

Brazil seeks Chinese investments in rail

Cesar Borges, Brazil's Transport Minister, and BNDES (Brazilian National Development Bank) president Luciano Coutinho were in China in May seeking to interest Chinese companies to consider investing in Brazil's railroad infrastructure. (May 17)

Pause in interest hikes

As expected the central bank held its policy rate at 11%, pausing its monetary tightening; the futures curve shifted down ahead of the decision. The Monetary Policy Committee (COPOM) issued a brief and neutral statement that given the macro and inflation prospects "at this moment," the policy interest rate was unchanged. (May 28)

Government cuts tax on foreign loans

A presidential decree cut the duration of external debt and foreign loans subject to the 6% tax from 1 year to 6 months. Analysts saw the move as aimed at attracting hard currency and sustaining the *real* ahead as the foreign exchange swap program ends in June. (June 5)