

## ECONOMY

**Fewest jobs created since 1998**

In June 25,363 jobs were created, down 56.9% from last year and the worst result for June since 1998, according to the Ministry of Labor. For the entire first half, 588,761 jobs were created, the least since 2009. (July 17)

**Growth forecast lowered**

Private forecasters have reduced their GDP forecasts to 0.97% for 2014, down from about 1.6% two months ago, but still expect inflation to end 2014 near the Central Bank's 6.5% target ceiling. (July 22)

**Electricity bills may surge**

Electricity rates may rise by up to 8 percentage points starting in 2015 so electricity distributors can offset the rise in their costs due to prolonged drought, says the National Electric

Energy Agency (ANEEL). As yet there are no projections for consumer rates, but the costs to businesses are estimated at US\$17.7 billion. (July 29)

**July trade balance surplus was US\$1.6 billion**

The Brazilian trade surplus reached US\$1.6 billion in July, the Ministry of Development, Industry and Trade announced. For the year, however, the trade balance shows a deficit of US\$916 million. (August 1)

**Vehicle sales fall 13.9% in July**

The National Federation of Car Dealers reported that vehicle sales were 13.9% lower this July than in 2013. In both June and July the World Cup reduced dealer's sales. For the year sales have fallen 8.6%. (August 1)

**Inflation slows**

The Consumer Price Index rose 0.01% in July, down from 0.40% in June, said government statistics agency IBGE; 12-month inflation ending in July was 6.5%, the ceiling of the Central Bank inflation target range. Transport prices declined noticeably, though services inflation is still high. (August 8)

**Petrobras: Second quarter profits down**

State-owned oil company Petrobras ended the second quarter with a profit of US\$4.96 billion, down 20% from 2013. Operating profit, before interest, taxes, depreciation and amortization, fell 10.2% to US\$16.25 billion, influenced by controlled domestic fuel prices that are lower than international prices. Revenue, however, increased by 11.8%, to R\$82.30 billion. (August 8)

## INTERNATIONAL FINANCE



Photo: Marcelo Camargo/Agencia Brasil.

**BRICS launch a development bank**

Brazil, China, Russia, India and South Africa unveiled the new bank at the BRICS summit in Fortaleza. It will be headquartered in Shanghai. The bloc also agreed to release US\$50 billion to finance infrastructure in BRICS and other developing nations. India will take up the development bank presidency. President Dilma Rousseff said that the institution will not affect Brazilian participation in such multilateral institutions as the International Monetary Fund (IMF), but also said that the IMF does not reflect the current global balance of power. (July 16)

Russian President Vladimir Putin, Indian Prime Minister Narendra Modi, President Dilma Rousseff, Chinese President Xi Jinping, and South African President Jacob Zuma at the BRICS 6th Summit.

## 2014 ELECTIONS

**Datafolha: Rousseff and Neves would tie in a run-off**

With a current rating of 36%, President Dilma Rousseff (Worker's Party, PT) still leads in polls for the coming presidential elections, but for the first time, senator Aécio Neves (Brazilian Social Democratic Party, PSDB) could tie with her if the elections go to a second round. According to Datafolha, if the two were to face off today, Rousseff would collect 44% of the votes and Neves 40%. With a two point margin of error, the two are virtually tied. (July 17)

**Presidential candidates square off at CNI Q&A**

The current government will leave "the worst fiscal situation in decades" and "the poor results of the Brazilian economy are the result of wrong policy choices" by the current administration, said PSDB candidate Aécio Neves at a National Confederation of Industry (CNI) Q & A. Neves also criticized current Brazilian

foreign policy and argued that "Brazil needs greater trade with the developed world. ... I will realign our foreign policy with a non-ideological trade agenda, resuming negotiations with other regions."

The Brazilian Socialist Party (PSB) candidate for president, former Pernambuco Governor Eduardo Campos said that active social inclusion policies are also an economic policy. Campos also said that although he respected his opponents, President Dilma Rousseff (PT) and Senator Neves (PSDB), "The circumstances surrounding President Rousseff and Senator Neves are to preserve this old politics that has failed."

However, President Rousseff, the Workers' Party (PT) candidate, criticized those who believe that



Photo: Antonio Cruz/Agencia Brasil.

Presidential candidates, former Pernambuco Governor Eduardo Campos (PSB), President Dilma Rousseff (PT), and Senator Aécio Neves (PSDB).

Brazil's industrial policy is a mistake and "those who conspire openly or shamefacedly, against the public funding of the National Bank for Economic and Social Development (BNDES)." She reiterated that if re-elected, she will give priority to tax reform and promised to "improve the business environment" and seek "new institutional measures" to ensure investment. (July 30)

## ECONOMIC POLICY

**Policy rate unchanged despite high inflation**

In the minutes of the most recent meeting of the central bank Monetary Policy Committee (Copom), the bank pledged to remain vigilant in controlling inflation as it again kept its policy rate at 11%. Copom issued its customarily brief statement: "Taking into account the progress of the macroeconomic scenario and the inflation outlook, the Copom decided unanimously, at this moment, to keep the policy rate at 11% a year, without bias."

It appears that for now the central bank has ruled out slashing borrowing costs: "The committee anticipates an outlook of resistant inflation in coming quarters, but keeping monetary conditions stable ... tends to get [inflation] on the path of convergence toward the goal." (July 16 and 24)



Photo: Antonio Cruz/Agencia Brasil

Central bank Governor Tombini

**June primary budget deficit: US\$930 million**

Brazil's public sector posted a primary budget deficit of R\$2.1 billion (US\$930 million) in June, the central bank said. The primary surplus in the 12 months through June narrowed to R\$68.5 billion, 1.36% of GDP, from R\$76.1 billion, 1.52% in May. The government's 2014 target for the primary surplus (the budget balance excluding interest payments) is 1.9% of GDP. (July 30)

**Tombini sees less growth**

After expansion stalled in the first half of 2014, Brazil's economy will probably recover in the second half, central bank chief Alexandre Tombini said, though it will likely grow less this year than last. Tombini told the Senate economic affairs committee that there is no contradiction between monetary policy and recent macroprudential measures to improve banking system liquidity. He reiterated that the bank is not considering reducing its policy interest rate in the near future despite the economic slowdown. "We certainly cannot speak of a crisis," he said. "I want inflation to be lower than it is now, but it is under control." Still, Tombini acknowledged a risk that the Brazilian industrial sector could contract in 2014. (August 5)