ECONOMY

Retail sales rise after two-month decline

Retail sales bounced back in August from big declines in the preceding months, keeping hopes alive that the entire economy will soon start to recover. They rose 1.1% in August from the previous month in seasonally adjusted terms, government statistics agency IBGE said. However, year-on-year, retail sales were down 1.1% from August 2013 due to poor performance in June and July, when Brazil hosted the soccer World Cup and many stores reduced business hours. (October 15)

New jobs and unemployment both fall

New jobs created in September were 123,785, down 41% compared to September 2013, according to the Ministry of Labor. In the year to September, 904,913 new jobs were created, 32% less than in the same period in 2013. (October 15) Meanwhile, unemployment fell slightly, to 4.9% in September, according to the Brazilian Institute of Geography and Statistics (IBGE). Unemployment has been decreasing partly because with fewer jobs being created, fewer people are looking for work. (October 23)

Current account deficit widens in September

The current account deficit widened dramatically in September from US$2.8 billion in September 2013 to US$7.9 billion this year, according to the central bank. Although foreign direct investment is still robust at US$46.2 billion so far this year, it is not enough to eliminate the current account deficit. (October 24)

TRADE

EU files WTO dispute against Brazil

In the largest trade dispute against Brazil in the past 10 years, which may force Brazil to review its entire industrial policy, the European Union has asked the World Trade Organization to judge Brazil's system of tax incentives for the automobile, telecommunications, and fertilizer sectors. The EU alleges that the system is a form of subsidy for local industry. (October 31)

DEFENSE

Embraer unveils new military transport



Photo: Embraer

Emraer KC-390 military transport aircraft.

Brazilian aircraft maker Embraer has unveiled its new KC-390 military transport as it further expands into the global security and defense market. Developing the KC-390, the biggest plane Embraer has produced, cost US$1.9 billion. Embraer's goal is to sell 728 KC-390s in 77 countries, to bring in US$50 billion. The medium-size, twin-engine jet-powered aircraft can transport up to 23 tons of cargo at a maximum cruising speed of 860 kilometers (550 miles) per hour. The plane will back up military, humanitarian, and search-and-rescue missions. (October 21)

Consumer confidence again down

The main consumer-confidence index dropped in October on renewed concerns about inflation and lack of growth, the Getulio Vargas Foundation said. The index hit 101.5 points, down from 103 in September. (October 24)

Inflation slows

Brazil's annual inflation lost momentum in October but was above the official target range (2.5%–6.5%), increasing the risk that the central bank goal will overshoot its 2014 goal for the first time in more than a decade. Consumer prices rose 6.59% in the 12 months through October, easing from 6.75% in September. Consumer prices rose 0.42% in October, compared with 0.57% in September. Smaller increases in food and transportation prices helped bring down inflation, but an announced fuel price increase is likely to drive it up again in November. (November 7)

ECONOMIC POLICY

Government to renegotiate loans to BNDES

The Treasury will renegotiate R$130 billion of loans to the National Development Bank (BNDES), according to Broadcast Agência Estado, to give BNDES more time to start paying the loans off. The renegotiation will increase the bank's cash flow and reduce the need for any new Treasury injection of funds this year. (October 14)

Electricity rates going up

The National Electric Energy Agency has raised electricity rates 17.63% for consumers and an average of 18.20% for industry. The increases reflect the rising cost of production as a devastating drought reduced

the reservoirs of hydroelectric plants, shifting production to more expensive thermal plants. (October 21)

Central bank raises interest rates

Against expectations, the central bank has hiked the policy interest rate by 25 basis points, to 11.25%. The 5-3 votes to raise rates indicate dissent over the decision. The statement released after the meeting said that because "the intensification of relative price adjustments has made the balance of inflation risks less favorable … the Committee considered it appropriate to adjust monetary conditions to ensure, at a lower cost, the likelihood of a more benign outlook for inflation in 2015 and 2016." The bank added that it is now "especially vigilant" for signs that inflation may spread to new parts of the economy. (October 29 and November 6)

Budget deficit widens

In September the budget deficit widened to R$69.4 billion (US$28.4 billion) due to less economic activity, falling revenue, and rising investments. (October 31)

Fuel prices up

State-run oil company Petrobras has raised wholesale gasoline prices by 3% and diesel prices by 5%, the first hike in nearly a year. (November 7)

Administration to reduce public spending

Departing Finance Minister Guido Mantega said the administration is working on a plan to reduce public spending that would among other things reduce subsidies for loans made by Brazil's development bank. Most BNDES funding comes from the National Treasury. Mantega said no tax increases are yet being considered. The goal, he said, is to reduce spending quickly; long-term measures may be discussed later. (November 7)

Rousseff vows to trim budget, curb inflation

In an interview published in several leading newspapers, her first since her re-election on October 26, President Rousseff promised to move to reinvigorate Brazil's economy. "We will reinforce inflation controls and will keep our spending within budget restrictions," she said. Rousseff vowed that all government spending would be put "under a magnifying glass" as her administration seeks places to cut. She also said she would announce her new economy minister after this month's summit of G20 leaders in Australia. (November 7)

POLITICS

Rousseff: Narrow win, broad challenges

President Dilma Rousseff has vowed to reconcile Brazil, reboot the economy, and fight corruption after the most divisive race since the return to democracy in 1985. Rousseff took 51.6% of the vote to 48.4% for pro-business Aécio Neves in a run-off election. In his concession speech, Neves said unifying Brazil was Rousseff's main challenge. After a bitter campaign that split the country between the poor north and the wealthier south, Rousseff picked up enough middle-class votes in the industrialized southeast to cement a fourth straight win for the Workers' Party (PT). When her second term starts on January 1, she must govern a polarized country, win back the confidence of markets and investors, revive a stagnant economy, and tackle corruption. She has promised to listen to voters' demands for change—"This is the top priority of my second term," she said. (October 27)



Photo: Fabio Rodrigues Pozzebom. Agencia Brasil

Reelected President Rousseff has many challenges ahead