ECONOMY

Unemployment stable in October

Unemployment dropped to 4.7% in six major metropolitan areas in October, according to government statistics agency IBGE —less than the 4.9% in September and the 5.2% for October 2013. Average real income for workers was R$2,122 (US$884) in October, up 2.3% from September and 4% from October 2013. (November 19)

Current account deficit up US$8.1 billion

The external current account deficit grew in October by US$8.1 billion, the central bank said, for a 12-month deficit of US$84.4 billion, equal to 3.73% of GDP. Foreign direct investment grew to US$5 billion in October, up from US$4.2 billion in September but not enough to cover the current account deficit. (November 24)

POLITICS

Petrobras accounting problems

Petrobras is delaying filing of its Q3 financial statements with the Brazilian Securities and Exchange Commission, following media reports that independent auditor PricewaterhouseCoopers refused to sign the financial statements until Sergio Machado was removed as head of the transport unit, Transpetro. Some Transpetro officers are being investigated for corruption. Release of the financial statements may be further delayed by a need to restate past earnings and set aside reserves for legal expenses related to the corruption allegations. Petrobras cannot issue debt in the US without audited financial results. (November 18)

Consumer confidence down, industry's up

The November Getulio Vargas Foundation (FGV) Consumer Confidence Index fell by 6.1% to 95.3 in November compared to October, the lowest level since December 2008 (94.8). Consumers are concerned about inflation, the labor market, and rising interest rates. (November 24) However, the FGV Industry Confidence Index advanced by 3.6% to 85.6, the highest level since last June, mainly because of brighter perceptions of current business conditions. (November 26)

Brazil out of recession

After contracting by 0.2% in the first quarter and 0.6% in the second, growth of 0.1% in the third quarter brought the economy out of recession, IBGE said, as manufacturing and services began to expand. However, compared with 2013, GDP was still down 0.2% in the third quarter. (November 28)

Industrial production stalls

Brazil's industrial output unexpectedly stagnated in October, raising concerns about growth prospects. After falling 0.2% in September, production was flat, IBGE said. Output was down 3.6% from the same period in 2013. (December 2)

Inflation up again

The official consumer price index (IPCA) rose 0.51% month-on-month in November, IBGE reported—faster than the 0.42% rise in October. Rolling 12-month inflation was up 6.56% through November, above the central bank's 6.5% target ceiling for a fourth consecutive month. Driving up consumer prices were steep increases in prices for perishables like potatoes, carrots and meat. Housing prices also shot up. (December 5)

TRADE

Mercadante calls for faster trade deals

Brazil must move faster in negotiating international trade deals, Presidential Chief of Staff Aloizio Mercadante said recently in Brasilia. He noted that South American trade bloc Mercosur "is in negotiations with the European Union, and with some countries where there are conflicts, and we have to see how we can move forward."

According to International Monetary Fund data, Brazil is the most closed major economy in the Americas, with trade accounting for only about a quarter of GDP. Mercadante may be signaling a more market-friendly turn as the economy teeters on the edge of recession. Many business leaders believe lower trade barriers would cut the cost of inputs and make local industry more globally competitive.

Brazil, a commodities powerhouse, is expected to end 2014 with its worst trade balance since 2000, according to the central bank, after a recent plunge in global prices for iron ore, soybeans, and oil. (November 19)

ECONOMIC POLICY

Tax on cars heading up

Meeting with Luiz Moan, president of the National Association of Motor Vehicle Manufacturers, departing Finance Minister Guido Mantega reiterated that the government will raise the industrial product tax on vehicles on January 1, 2015; the tax on small cars will rise from 3% to 7%, on medium-sized cars from 9% to 11%. (November 20)

Joaquim Levy named finance minister

President Dilma Rousseff has appointed economist Joaquim Levy, 53, as finance minister and kept Alexandre Tombini as Central Bank governor. Levy is working with outgoing Finance Minister Guido Mantega until he takes over in January. Currently director of the Bradesco Bank investment fund management division, Levy was Treasury Secretary in the first administration of Luis Inacio Lula da Silva. He also previously held posts with the International Monetary Fund and the Inter-American Development Bank.

In his first public statement, Levy set a 2015 goal of a fiscal surplus equivalent to 1.2% of GDP, to be raised to 2% in 2016 and thereafter. This year, the Brazilian government will not meet its goal of a surplus of 1.9% of GDP and is now working to have a waiver for not meeting the target approved by Congress. (November 27)



Photo: Wilson Dias/Agencia Brasil.

New Finance Minister Joaquim Levy

Small primary surplus posted in October

The public sector posted a primary budget surplus of R$3.7 billion (US$1.5 billion) in October, the central bank said, after five straight monthly deficits. For the first 10 months of 2014 the primary balance was in deficit by R$11.6 billion. The government goal for the primary surplus (revenue over expenditures before interest payments) was R$99 billion (1.9% of GDP) for 2014 as a whole. Its new surplus target is just R$10 billion (0.2% of GDP). (November 28)

Rousseff promises fiscal discipline

In a letter to investors read at a JP Morgan conference, hinting at a turn to more market-friendly policies President Rousseff said that a high priority for her second term is to put Brazil's fiscal accounts in order. She also gave clear backing to future finance minister Joaquim Levy, a noted fiscal conservative, stating that "Our new economic team will work to gradually but structurally raise our primary surplus so we can stabilize and reduce gross public debt in relation to GDP." Promises of fiscal discipline are the latest signals that the administration is trying to reach out to investors, after four years of interventionist policies and lackluster economic growth. (December 3)

Central bank raise interest rates again

The monetary policy committee decided to raise the central bank's policy interest rate by 50 basis points to 11.75%. The decision was unanimous. In its statement, the committee said that further increases in the policy rate should be "implemented parsimoniously." (December 3)