ECONOMY

November retail sales grew for the fourth month

Retail sales grew unexpectedly 0.9% month-on-month and 1% year-on-year in November, government statistics agency IBGE said. Analysts nevertheless expect continued weak sales well into 2015 because of slow economic growth and recent falls in consumer confidence, which fell in January by 6.7%, from 96.2% to 89.8%. (January 14)

Workers cut, fewer jobs created

In 2014 Brazil generated only 396,993 formal jobs—the fewest since 2002, according to the Ministry of Labor and Employment. Although the service sector did create 476,108 jobs in 2014, manufacturing led the losses in other sectors by eliminating 163,817 jobs. (January 23)

The total number of workers employed in industry fell by 0.4% month-on-month in November, according to statistics agency IBGE. In the first 11 months, the number of jobs in industry dropped 3.1% compared with the same period in 2013. (January 15)

Record 2014 external current account deficit

In 2014 Brazil recorded a current account deficit of US$91 billion (4.2% of GDP), its worst ever, mainly because of a steep drop in the prices of key exports and a sluggish global economy. For the second year, foreign investment in Brazil (US$61 billion) was not enough to cover the deficit. (January 23)

Consumer confidence falls in January

In January the Getulio Vargas Foundation consumer-confidence index fell by 6.7 percentage points to 89.8 points. In addition to concerns over inflation and slow growth, consumer confidence has been negatively impacted by the intensifying drought, which has raised the prospect of power cuts and electricity rationing. (January 26)

As taxes go up vehicle sales fall

Sales of autos, light commercial vehicles, trucks, and buses fell 31.4% in January compared to December and 18.8% from January 2014 last year, announced the National Association of Vehicle Manufacturers. The main reason was the end of the discount on the tax on vehicles that went into effect in May 2012. (February 5)

Inflation shoots up

The official consumer price index rose 1.24% in January—the highest monthly rise since February 2003. Year-on-year inflation through January rose 7.14%, far above the government's target ceiling of 6.5%. Electricity rates and bus fares, among the biggest drivers of the rise, jumped 8%. Food prices rose by 1.48%, driven by a severe drought. (February 6)

ECONOMIC POLICY

Budget gap swelled in 2014

For 2014 the consolidated public primary budget deficit (excluding interest payments on public debt) was of R$32.5 billion (US$13.76 billion), equal to 0.63% of GDP, the central bank said. That was the first annual deficit since 2001 and a steep drop from 2013's R$91.3 billion surplus (1.93% of GDP). The Rousseff administration originally targeted a primary surplus equivalent to 1.9 % of GDP but abandoned that target as tax revenues dwindled and public spending surged ahead of the October election. The results were much worse than the already grim estimates of investors and ratings agencies. (January 29)

Finance Minister warns of austerity

Brazil is in for a period of austerity and supply side reform, notably the potentially controversial overhaul of social welfare programs, such as unemployment benefits, Joaquim Levy, the new finance minister, said to a *Financial Times* interviewer at the World Economic Forum in Davos. To rationalize government finances, he said, the administration intends to "get rid of subsidies and get prices right," highlighting "energy and other areas" as potential targets. Levy added that a period of austerity might mean that "Flat growth cannot be discarded as a possibility although GDP growth in Brazil is resilient." (January 22)

New peak for Central Bank policy rate

At its January meeting the central bank lifted its policy interest rate by 50 basis points, to 12.25%, the highest rate in more than three years, thus extending a monetary tightening cycle that began 3 days after President Dilma Rousseff was re-elected in October. (January 22)

POLITICS

Turmoil at Petrobras

Managing team resigns: Petrobras chief executive Maria das Graças Silva Foster and five other executives have resigned over the corruption scandal; Gracas Foster has also resigned from the board. The departures mark another scene in the drama that has crippled Petrobras. None of those who resigned have been targeted by prosecutors.

New CEO appointed: Aldemir Bendine, currently chief executive of state-owned Banco do Brasil, will replace Graças Foster as Petrobras CEO. Bendine, 51, has spent more than 30 years at Banco do Brasil, rising to CEO in 2009. Investors reacted negatively to the news that Mr. Bendine would be the next CEO of the company, sending Petrobras shares down as much as 7.8% in recent trading in São Paulo. Bendine is perceived as too close to the government. (February 6)

Balance sheet problems: Petrobras last week released its financial results for the third quarter ended September but was unable to quantify the extent of the losses from corruption, disappointing markets. External auditor PricewaterhouseCoopers has refused to sign the accounts until there is more clarity on the financial impact of the scandal. (February 4)



Photos: Valter Campanato and Fernando Frazão/Agencia Brasil.

Incoming Petrobras CEO Aldemir Bendine and departing CEO Maria das Graças Silva Foster

Petrobras ratings downgraded

The kickback-corruption scandal has led Moody's Investors Service to downgrade the rating on unsecured Petrobras debt from Baa2 to Baa3, the lowest investment grade, and to keep it on review for further downgrade. (January 29)

Shortly after, Fitch Ratings downgraded Petrobras ratings for foreign and local currency issuer default and outstanding debt from BBB to BBB—and has placed all Petrobras ratings on Rating Watch Negative. (February 3)

Rousseff critic elected Speaker of the House

In a setback for the ruling Workers' Party (PT) that split the coalition of President Dilma Rousseff and will complicate her legislative agenda, the Chamber of Deputies elected conservative Eduardo Cunha as speaker. Cunha belongs to Brazil's largest party, the PMDB, Rousseff's main ally in the governing coalition. The new speaker, a 56-year-old economist of the Evangelical faith, is known for doggedly representing the interests of lobbying groups in negotiating legislative proposals, which has often put him at odds with Rousseff's policies.

Earlier on the same day, the Senate re-elected a loyal Rousseff ally, Renan Calheiros of the PMDB party, as president. Calheiros and Cunha will preside over a more fractious Congress with 28 parties, fewer members representing labor and environmental interests, and more Christian conservatives and farm lobby representatives. (February 1)

President's approval rating plunges

Dilma Rousseff's approval rating has fallen to a record low. Responding to a Datafolha survey, 23% said the Rousseff administration was "excellent or good," compared with 42% in the December poll. The rating was the lowest for a Brazilian president since 1999, when Fernando Henrique Cardoso had the job. The drop in approval appears to be based on both the Petrobras scandal and the failure of Brazil's economy to regain traction. Stagnation is expected for the economy and inflation is at nearly 7%, above the tolerance band of 2.5–6.5%. (February 8)