## ECONOMY

### Economy stagnated in 2014

Brazil's gross domestic product grew just 0.1% in 2014 from 2013, according to government statistics agency IBGE. For the year, investment was 4.4% lower in 2014 than in 2013. (March 27)

### IMF: Austerity necessary for growth

The Brazilian economy will likely shrink this year, but could return to positive growth in 2016 if its austerity drive succeeds in building investor confidence, the International Monetary Fund said; the IMF lowered its 2015 growth estimate from its 0.3% forecast in January to a negative 1% due to tighter fiscal and monetary policies and less investment by state-run oil company Petrobras. The IMF stated that the fiscal adjustment is crucial if Brazil is to regain investor trust. To achieve its fiscal goals this year, the IMF said, the Brazilian government would need "ambitious, front-loaded measures." (April 10)

### Annual inflation surges in March

March consumer inflation came in at 1.32% month-on-month (m-o-m), 8.13% year-on-year, its highest level since 2003 and above the central bank's target ceiling of 6.5% a year. Government-controlled prices, which make up 23.3% of the consumer price basket, went up 3.36% m-o-m (13.4% y-o-y) in March. (April 8)

Central Bank Governor Alexandre Tombini said inflation should slow in April compared with the first quarter, citing several factors that should bring 12-month inflation to the 4.5% center of the target range in 2016. However, he told the Senate's economic affairs committee, "Monetary policy is and will remain vigilant to make sure that the effects of the price adjustments are confined to the short term." (March 24)



Photo: Wilson Dias/Agencia Brasil.

Central Bank Governor Alexandre Tombini

## POLITICS

### Anti-Rousseff protests draw 1.5 million

About 1.5 million protesters hit the streets across Brazil on Sunday, March 14, in response mainly to the corruption scandal at state-owned oil company Petrobras. Many called for impeachment of President Dilma Rousseff, less than six months after she was narrowly returned to power in the most bitterly fought presidential race since the military dictatorship ended in 1985. The Petrobras scandal is also affecting an already-faltering economy.

The biggest demonstration was in São Paulo, where police estimate that a million people rallied. The city, South America's biggest and Brazil's business and industrial hub, is a stronghold of opposition to Rousseff. Peaceful demonstrations also took place in 83 other cities and towns, including major turnouts in the capital, Brasilia, and Rio de Janeiro. The protests were significantly larger than those convened on Friday in support of Rousseff and Petrobras by unions and social movements related to Roussef's Workers' Party (PT).

Supporting the marches was the opposition Social Democracy Party; its president, Aécio Neves, who lost the runoff to Rousseff, said in video on Facebook that "We will not disperse." (March 15)

A survey later that week found President Rousseff's approval rating had fallen to a record low. The Datafolha polling institute said that about 62% of respondents said that Ms. Rousseff's administration was "bad or terrible," up from 44% in February. (March 18)

### Tax officials charged with corruption

Prosecutors are investigating allegations that Brazilian tax authorities solicited bribes from major companies for reducing their corporate tax liabilities, charging that losses to the nation's treasury totaled US$6.1 billion over 15 years. On Tuesday, the Finance Ministry said the alleged scheme involved only "isolated acts" carried out by a small group of tax officers. (April 8)

## LATIN AMERICA

### UN cuts growth forecast

The United Nations dropped its 2015 growth projection for Latin America from 2.2% to 1.0%, citing global economic concerns and financial volatility. The U.N. Economic Commission for Latin America and the Caribbean (ECLAC) said that "To lower world growth is added greater international financial volatility as a product of a very expansive monetary policy in Europe and Japan, at the same time as a rise in interest rates is expected in the United States."

ECLAC said the end of the commodities "super-cycle" was also a factor, since the region relies heavily on such exports as soy, oil, and copper. It projected contractions of 0.9% for Brazil and 3.5% for Venezuela and zero growth for Argentina. Mexico is a relative bright spot, with predicted growth of 3.0%. (April 7)

## ECONOMIC POLICY

### Primary budget deficit in February

The consolidated public sector posted an unexpected primary balance deficit of R$2.3 billion (US$721 million) in February, an ill omen for achieving the government fiscal goal of a 1.2% surplus this year. The primary fiscal balance—savings before payments on debt—serves as a gauge of a country's capacity to repay its debt. (March 31)

### Finance minister: Taxes could go up

Government will raise taxes if that must be done to meet its 2015 fiscal savings target, Finance Minister Joaquim Levy has said, warning that the investment grade rating for government debt is still at risk. "We're monitoring tax revenues and will take measures if needed to avoid any risk that tax collections are not sufficient for our target," Levy told the Senate economic affairs committee. As Brazil's economy slips closer to recession, tax revenues have been going down. Since Levy took office the finance ministry has raised taxes on fuel, payrolls, and consumer loans.. (March 31)

### Chinese financing for Petrobras

Petrobras Global Trading BV, the company's international unit, has contracted with the state-owned China Development Bank for financing of US$3.5 billion as part of a cooperation agreement for 2015–16. Details were not made public.

As a first step in its new divestment plan, Petrobras has also approved the sale of assets in Argentina for US$101 million. The company plans to sell assets worth an estimated US$13.7 billion in 2015 and 2016. Previously it had announced intentions to cut its US$220 billion investment plan by US$16 billion. Both the cut-back and the sales stem from the corruption scandal that has decimated the company's market value. (April 1)

### Japanese loan to the National Development Bank

The National Development Bank has signed a financing contract worth US$150 million with Japan's Bank for International Cooperation and Mizuho Bank, Ltd. The loan is to be used for environmental projects to curb greenhouse gas emissions. (April 1)

### Coalition backs Rousseff's economic plan

Leaders of the parties in Brazil's ruling coalition signed an agreement to back the government's proposals to narrow the budget deficit after Vice President Michel Temer took over negotiations with them; Temer is a member of the Brazilian Democratic Movement Party (PMDB). They also vowed to avoid bills that reduce revenues or increase spending. Rousseff's proposals call for R$23 billion (US$7.3 billion) in tax increases and social benefit cuts, equivalent to about 35% of the 2015 fiscal surplus target. (April 8)