POLITICS

Vetoes on spending bills upheld

Brazil's Congress has upheld President Dilma Rousseff's vetoes of two bills to raise public spending, a victory for the embattled leader as she tries to close a gaping fiscal deficit and regain investors' confidence. Opposition lawmakers failed to reach the absolute majority needed to override the president's vetoes of one bill to raise benefit payments to retirees and another that would have granted steep wage hikes for court employees. The two bills would have cost 47 billion reais (US$12.43 billion) in extra spending over four years, the Finance Ministry estimated. (November 19)

Photo: Wilson Dias/Agencia Brasil.



Speaker of the House Eduardo Cunha

Photo: Fabio Rodrigues Pozzebom/Agencia Brasil.



President Dilma Rousseff

Congress moves to impeach President Rousseff

Eduardo Cunha, speaker of the lower house of Brazil's Congress, has announced plans to open impeachment proceedings against President Dilma Rousseff, in response to charges that in 2014 she violated the law by manipulating government finances to benefit her re-election campaign. If the committee hearing the charges, which is comprised of members of all parties in the lower house, decides against her, and if two-thirds of the entire lower house votes to suspend her, the case will move to the Senate, where there will be a 90-day trial. A two-thirds majority in the upper house would then be necessary to formally remove the president from office.

The impeachment proceedings opened on the same day that the Workers Party, which Rousseff represents, decided to support proceedings in the House Ethics Council to remove speaker Cunha, who has been accused of accepting bribes in the Petrobras corruption scandal. Cunha denied the allegations but it has been confirmed that the speaker and family members had bank accounts in Switzerland with deposit dates and amounts that closely track the changes. (December 3)

Vice President Temer publicly criticizes the President

The political turbulence increased with publication of a letter from Vice President Michel Temer (PMDB) to President Dilma Rousseff (PT) in which Mr. Temer accuses the president of having no confidence in him or his party. The president's press office had no immediate comment. Temer, who would succeed Rousseff if she were impeached and convicted, detailed in the letter a series of events which he said supports his charges and deplored what he called "A lack of trust that is incompatible with what we've done to maintain personal and partisan support for your government." Temer is president of the PMDB. Rousseff will probably need the support of at least some PMDB members to avoid being removed from office, analysts say. (December 8)

Photo: José Cruz./Agência Brasil.



Vice President Michel Temer

ECONOMY

Job losses accelerate

Brazil's economy lost a net 169,131 payroll jobs in October, the Labor Ministry reported, up from 95,602 in September. In the past 12 months Brazil's recession has already cost nearly 1.4 million jobs. (November 23)

Recession deepens

Compared to the second quarter Brazil's GDP contracted 1.7% in the third quarter, according to Brazilian statistics agency IBGE, and was down 4.5% from the third quarter of 2014. Economists surveyed by Brazil's central bank expect the economy to shrink by 3.19% this year and by another 2.04% in 2016. From the second to the third quarter agriculture shrank by 2.4%, industry by 1.3%, investment by 4.0%, and services by 1.0%. Brazil's service sector, which ranges from beauty salons to banks and realtors, employs more than any other sector in the country by a wide margin. Altogether services represent about 60% of GDP. (December 1)

Consumer prices up

Consumer prices in Brazil rose in November, pushing 12-month inflation to 10.48%, according to the Brazilian statistics agency IBGE. The 12-month figure marked the highest level since November 2003, when it reached 11.02%. The acceleration was mainly due to food costs, as food prices went up by 1.83% in November, compared with a rise of 0.77% in October. (December 9)

ECONOMIC POLICY

Levy remains as finance minister

Disagreeing with her predecessor, Lula da Silva, who had criticized the effectiveness of Finance Minister Joaquim Levy, President Rousseff said Levy will remain in office. Reportedly in closed meetings Lula had criticized Levy, saying he puts too much emphasis on the austerity plan and is ignoring the need for pro-growth measures. Rousseff also urged Congress to approve imposition of a financial transaction tax, and said the majority in Congress now backs her economic plan. (November 16)

Central bank keeps interest rate at 14.25 pct

For the third straight month Brazil's Central Bank has kept interest rates at 14.25% in a move to avoid further damage to an ailing economy despite a surge in inflation. However, this time, two of the eight members of the bank's monetary policy committee voted to raise the rate to 14.75%. The current rate is the highest in nine years and well above that of emerging market peers like India and Mexico. (November 25)

Deadline set for government plan to repay state banks

Brazil's federal audit court, the TCU, has given the administration 30 days to present a plan to pay arrears to state banks. The plan must provide a schedule to honor the arrears "as soon as possible," the unanimous court ruled, although the estimated 57 billion reais (US$15 billion) may be repaid in installments. The decision came after the TCU rejected a government appeal that the arrears be considered as regular operations. The TCU also ordered the central bank to revise the official debt statistics to incorporate the arrears. (Decemeber 9)

Photo: Antonio Cruz/Agencia Brasil.



Central Bank Governor Alexandre Tombini

Central bank still committed to controlling inflation

The Central Bank will use whatever measures it considers necessary to ensure that inflation falls back to the targeted rates, Bank President Alexandre Tombini said recently. Twelve-month inflation reached 10.48% in November, more than twice the bank's goal of 4.5%. According to the text of a speech he gave to a Brazilian bankers association, the Central Bank will not limit its actions out of concern over their possible fiscal implications, Tombini explained, He also emphasized the need for the government to get its finances under control in 2016. (December 10)