ECONOMY

External balance improves

Though the current account deficit reached US$2.5 billion in December, for the year it narrowed to US$58.9 billion, 3.3% of GDP, down from US$104.2 billion, 4.3% of GDP in 2014. Deep recession slashed demand for imports and a weaker currency helped local exporters sell more. Foreign direct investment also fell in the year, by 29% to US$75 billion. (January 26)

Inflation at 12-year high

Brazil's inflation rate rose to a 12-year high of 10.71% year-on-year, the highest since November 2003 and well beyond the central bank's target ceiling of 6.5%, said national statistics institute IBGE. The January inflation rate was 1.27%, the highest recorded for the month of January since 2003 and accelerating from 0.96% in December. The rise was driven by food (2.28%) and transportation (1.77%) prices as urban bus fares and gasoline taxes went up. (February 2)

Industrial production plunges 8.3%

In December industrial output in Brazil fell for the seventh straight month, capping the worst year for manufacturers in more than a decade as they struggled with inflation, high interest rates, and political uncertainty. Output at factories and mines sank by 8.3% in 2015, statistics agency IBGE said, the worst performance since the data series started in 2003. After seasonal adjustments December production was 0.7% below November. Manufacturing and mining production was nearly 20% below its 2013 peak. (February 3)

ECONOMIC POLICY



Photo: Fabio Rodrigues Pozzebom, Agencia Brasil.

Central Bank Governor Tombini struggles to cap inflation.

Central bank interest rate unchanged

In a divided vote in January the central bank Monetary Policy Committee left its policy interest rate untouched at 14.25% despite rising inflation, opting against an increase that might have further slowed the world's seventh-biggest economy. Surprising some observers, the bank cited "increased domestic and particularly external uncertainties" for the decision. Central Bank Governor Alexandre Tombini and five other members of the committee had voted to hold the rate steady, against two votes to raise it. Bank officials are under pressure to ease the hardship of ordinary Brazilians squeezed by rising prices with double-digit inflation and increasing unemployment. The rate has now been steady since July 2015, when the bank made the last of seven consecutive hikes to try to put a lid on inflation. (January 21)

Fiscal deficit hits a record 10.34% of GDP

In 2015 the consolidated public sector nominal deficit hit R$613 billion (US$150 billion), equivalent to 10.34% of GDP, the central bank reported. Excluding interest payments, the primary budget deficit was R$111 billion (US$27 billion), the biggest since 2001. In a bid to get its fiscal house in order, Brazil's government launched an austerity plan in early 2015. Not yet fully approved by Congress, it included tax hikes and spending cuts. With deepening recession and stalled austerity measures, the deficit has grown. (January 30)

INTERNATIONAL

Perception of Brazilian corruption worsens

Brazil, plagued by a scandal surrounding state oil giant Petrobras, has registered the biggest plunge on this year's Transparency International corruption index. In its Corruption Perceptions Index 2015 report, the organization said that Brazil had dropped seven notches from 2014. It is now in 76th position out of 168 countries because of the kickback allegations engulfing Petrobras. (January 27)

POLITICS

Rousseff's impeachment problems fading

Her opponents in the Brazilian Democratic Movement Party (PMDB) are losing hope that they can impeach President Dilma Rousseff and replace her with Vice-President Michel Temer, a PMDB member. A recent Supreme Court ruling expanded the authority of the Senate, where she has solid backing, and reduced the clout of Lower House speaker Eduardo Cunha, who triggered the impeachment process. The president's critics accuse her of manipulating government accounts to boost public spending during her 2014 re-election campaign, but in recent weeks, political consensus has been emerging in the political establishment that the evidence against her is not solid enough to justify impeachment. (January 20)

Former President Lula under investigation

Brazil's federal police are now investigating whether former President Luiz Inácio Lula da Silva may have used bribes to influence the passage of legislation benefiting the auto sector, according to court documents. The investigation is part of the Operation Zealots probe that originally looked into the bribing of lower-level tax collectors. It is separate from the much-publicized investigation into price-fixing and political kickbacks at state-run oil company Petrobras. (February 5)

PUBLIC HEALTH

Is Brazil losing its main public health battle?

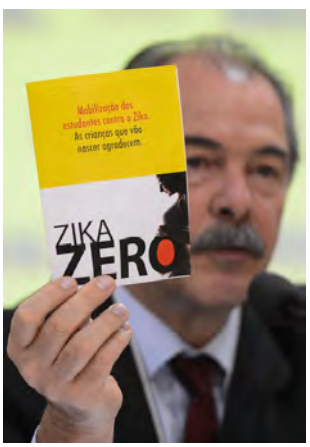
In a controversial statement, Health Minister Marcelo Castro said that Brazil is getting nowhere in its fight against *Aedes aegypti*, the mosquito that spreads dengue fever, chikungunya, and zika. "We have had the mosquito here in Brazil for about three decades and we are losing the battle badly," he said, pointing out that in 2015 the country registered a record number of dengue fever cases, more than 1.6 million. Others in the federal government objected to the statement because the administration has been trying to intensify its actions to fight the mosquito. (January 25)

Soon after Castro's comments, in a recorded TV message to the nation President Dilma Rousseff declared war on the mosquitoes responsible for spreading the virus. She announced a national mobilization day, during which thousands of soldiers and sanitation employees would work to eradicate the insects in homes and offices. Zika has been linked to babies being born with underdeveloped brains. As it has been spreading throughout the Americas, the World Health Organization has declared the disease to be a global public health emergency. In her address, Ms. Rousseff said that substantial federal resources were being released to fight *Aedes aegypti* mosquitoes, because it was a fight that "cannot be lost … I insist, since science has not yet developed a vaccine against the Zika virus, that the only efficient method we have to prevent this illness is the vigorous battle against the mosquito." (February 4)

Photos: Antonio Cruz, José Cruz, and Elza Fiuza







Brazil mobilizes to fight the mosquito-transmitted zika virus: Sanitation workers intensify inspections, and Minister of Education Aloizio Mercadante distributes a flyer on zika virus for students.