ECONOMY

Unemployment rises, wages fall
The unemployment rate climbed to 6.7% in May, up from 4.3% in December, and wages fell, government statistics agency IBGE said. Salaries discounted for inflation fell 1.9% month-on-month to R$2,117 (US$685), and sank 5.0% year-on-year. (June 25)

Consumer confidence, retail sales, down in June
The Getulio Vargas Foundation Consumer Confidence Index declined by 1.4% in June 2015 after two months of relative stability (June 26), and government statistics agency IBGE reported a continuing slump in sales, down 3.5% year-on-year in April. (June 16)

Industrial output up
In May industrial production in Brazil rose 0.6% month-to-month after three straight months of declines, IBGE said. Consumer goods production rose 1.4%. Nevertheless, industry contracted by 6.9% in the year to date compared with the same period in 2014. (July 2)

Inflation rises in June
The official consumer price index (IPCA) rose 0.79% in June, IBGE said, bringing rolling 12-month inflation to 8.89% through June, much above the 6.5% inflation ceiling set by the government. In June, the rise was attributed mainly to health, personal expenses and housing prices. (July 8)

TRADE

Mercosur members disagree on EU trade agreement
With regard to a Mercosur-European free trade agreement under discussion, Argentina has reservations about the pact but wants to move forward as long as “not one job is lost” in Argentina, said foreign minister Hector Timerman. But Bolivia, an associate Mercosur member, said it will drop out if a free trade agreement is signed. However, after meeting with Brazilian Foreign Minister Mauro Vieira and delegates from Argentina, Paraguay and Uruguay, EU Trade Representative Cecilia Malmström said such discussion is too early: “We are not ready. No one is really ready to exchange offers. That’s the reason why we decided to increase technical work and hope to exchange offers before the end of the year.” In a joint communiqué both sides agreed that they had “a frank and open exchange on the state of negotiations for an agreement ... (described as) ambitious, comprehensive and balanced ... The objective will be to exchange market access offers in the last quarter of 2015.” (June 12)

Lift for Brazil beef exports
Argentina has lifted an embargo on imports of Brazilian beef, Brazil’s agriculture minister Katia Abreu said. Abreu also expects the United States to start importing fresh Brazilian beef by August and is working to open Japan’s market. China suspended a ban last month, during a visit of Chinese Prime Minister Li Keqiang to Brazil. (June 17)

Japan takes Brazil to the WTO
Japan launched a complaint against Brazil at the World Trade Organization on Thursday to challenge charges and taxes it says illegally favor Brazilian-made over foreign goods. Japan says Brazil imposes a higher tax burden on importers and provides export-contingent subsidies, affecting sales of Japanese cars, semiconductors, smartphones, software, and other hi-tech and automation products, the WTO said. Brazil has 60 days to settle the complaint, after which Japan could ask the organization to adjudicate. (July 2)

INTERNATIONAL

EU-Brazil relations warm up
U.S. President Barack Obama and Brazilian President Dilma Rousseff recently met at the White House to turn the page on a spying scandal that had damaged relations and said they want to work to bolster economic ties. The presidents welcomed the “imminent opening of fresh beef trade” between the two countries, they said in a joint statement. They also agreed to take steps so that Americans and Brazilians can travel between the two countries without visas and to allow Brazilians to apply for expedited “global entry” into the United States in early 2016.

Obama praised Brazil during Tuesday’s press conference as a “global power” and an “indispensable partner” in addressing climate change with a deal to boost production of renewable power. (June 30)

POLITICS

Record low approval for Rousseff
President Dilma Rousseff’s approval rating dropped to a record low, Datafolha polling results showed, amid sluggish economic performance and corruption allegations related to state oil company Petrobras. Only 10% of respondents ranked the Rousseff administration as “excellent or good,” compared with 13% in the April poll; 65% of respondents said the administration was “bad or terrible,” up from 60%. (June 21)
**Court of Audit questions administration accounts**
The Court of Audit has called upon the administration to explain alleged irregularities in the 2014 federal government. The unprecedented decision could force the government to alter its fiscal targets for this year. The decision was hailed by analysts as showing the increasing strength and independence of the country’s institutions and improving the transparency of public accounts. The court gave the Rousseff administration 30 days to explain a series of accounting measures undertaken by the government last year, and questioned 2014 budgetary practices, such as running up debts with state banks. (June 17)

**Temporary pension system fix**
President Dilma Rousseff has issued a rule limiting pension benefits in an attempt to contain the social security deficit. The new rule differs from a recent Congress-approved formula that would substantially boost pension payments. Rousseff had vetoed a bill that would allow people to retire earlier. The new formula will save government US$16.7 billion in spending through 2026, Planning Minister Nelson Barbosa said. It will also likely raise tensions with union bosses and legislative allies who have threatened to override the veto in order to retain a more flexible retirement age. (June 18)

**Central Bank 2015 forecast: 9% inflation**
Brazil will end this year with inflation of 9.0%, the central bank said in its quarterly inflation report, compared with its March forecast of 7.9%. The bank emphasized that progress in combating inflation “is still not sufficient.” (June 24)

**Congress fights back at Rousseff initiatives**
The Senate has passed a bill that would raise spending on salaries by R$25 billion reais (US$8.1 billion) over four years. The boost affects workers in the court system. Delcidio do Amaral, the government’s leader in the Senate, said Rousseff will veto the legislation, which the lower house has already approved. Finance Minister Joaquim Levy has cautioned that failure to adopt the government’s fiscal-tightening measures could result in a sovereign-credit downgrade. (July 1)