

## ECONOMY

**Brazil adds 260,823 jobs, but unemployment is up**

Brazil's economy added 260,823 payroll jobs in February, the Labor Ministry said. Last year the Brazilian economy added 730,687 jobs, the smallest number since 2003. Job creation has slowed in Brazil after three years of meager growth. (March 17)

Despite Brazil's sluggish growth since 2011, though higher than the 4.8% in January, at 5.1% February's jobless rate was the lowest for a February since 2002. Helping keep the rate low is that population growth is slowing, so fewer young Brazilians are looking for jobs. (March 27)

**Trade balance deteriorating**

After two months of deficit, the trade balance did have a small surplus of US\$112 million in March, said the Ministry of Development, Industry and Trade, but this is still the worst March result since 2001. For the first quarter, exports totaled US\$49.6 billion, down 4.1% from the same period in 2013. Imports were down 2.2%, to US\$55.7 billion. (April 1)

**Stock exchange and exchange rate up in March**

March brought some respite for Brazilian assets. The Ibovespa stock exchange index reached 50,414 points, up 7.1% from February, and the real appreciated

3.6% against the U.S. dollar. It may be that market apprehensions about Brazil have calmed down, having factored in uncertainties about US monetary policy and the S&P downgrade of Brazil's debt. State-run companies rallied on the argument that they may benefit from a possible change in government after the elections. (April 2)

**Inflation up in March**

IPCA inflation came in at a higher-than-expected 0.92% month-on-month, 6.15% year-on-year, mainly driven by a surge in food and agricultural prices. The annual rate is well above the midpoint of the 2.5%–6.5% target range. (April 10)

## ECONOMIC POLICY

**US\$5.1 billion for electricity sector**

The government has announced a US\$5.1 billion aid package to utilities to shield consumers from sudden price increases. Electricity distributors largely rely on hydroelectric power but have had to switch to expensive thermal power after the worst drought in at least four decades. Rather than pass on the higher costs to consumers so close to presidential elections when Brazil's economy is barely growing, Finance Minister Guido Mantega has announced measures to spread the costs between the utilities, the government, and consumers, putting off electricity rate increases until 2015, until after the elections. (March 14)

**Agribusiness giants plan to build railways**

Bunge, Cargill, Dreyfus, and Maggi, which together account for 70% of Brazil's grain exports, are forming a company to bid on new railway concessions in Mato Grosso state. The coalition also intends to carry third-party rail freight. (March 23)

**S&P cuts Brazil credit rating**

Standard & Poor's has lowered Brazil's long-term foreign currency sovereign credit rating to from BBB+ to BBB-, S&P's lowest investment grade, stating that "The downgrade reflects the combination of fiscal slippage, the prospect that fiscal execution will remain weak amid subdued growth in coming years, a

constrained ability to adjust policy ahead of the October presidential elections, and some weakening in Brazil's external accounts." It also said that fiscal credibility had been "systematically weakened" by reduction in the government's primary surplus target, and that loans by state-run banks had "undermined policy credibility and transparency." Finance Minister Guido Mantega rejected S&P's arguments and said the downgrade ignored Brazil's solid economic fundamentals and healthy standing compared with other major economies. (March 24)

**Policy rate again rises**

As expected, the Central Bank Monetary Policy Committee

unanimously hiked the policy rate by 25 basis points to 11%, bringing cumulative tightening to 350 bps since last April. The committee said it will monitor the macroeconomic scenario in order to decide on next steps. (April 3)

### Confidence in Brazil is low, says IMF

In view of low growth, low investment, and lack of investor confidence, Brazil's priorities should be to fight inflation, restore public finances, and strengthen infrastructure, said Alejandro Werner, director, Western

Hemisphere Department, International Monetary Fund. For Brazil, like much of Latin America, the IMF is recommending tighter fiscal policy. IMF expects economic growth in the region to fall from 2.7% in 2013 to 2.5% this year, and for Brazil from 2.3% to 1.8%. (April 12)

## POLITICS

### Congressional inquiry on Petrobras deal

Opposition lawmakers plan an inquiry into allegations of irregularities in a refinery purchase by state-run oil company Petrobras. President Dilma Rousseff said the Petrobras board she headed in 2006 approved the US\$370 million purchase of a 50% stake in Pasadena Refining System Inc. without knowledge of a put option that in 2012 forced the company to buy the remaining stake as part of a US\$820.5 million legal settlement. (March 20)

The Pasadena deal and crises involving the electricity sector have given the political opposition an opportunity to attack the image of good management President Rousseff has exploited since she was Minister of Energy under President Luiz Inácio Lula da Silva. Candidate Senator Aécio Neves asked on the Senate floor: "Since this administration took over the presidency, state-owned companies Petrobras and Eletrobras have lost US\$100 billion in market value. Is this efficient management by someone who knows what she is doing?" (March 23)



Photo: Jose Cruz/Agencia Brasil.

Senator Aécio Neves criticizes Rousseff's management.

### President Rousseff falls 6 points in Datafolha

Approval of President Rousseff has fallen 6 percentage points in Datafolha poll since February, to 38%. If elections were held now, the president would still be re-elected in the first round, the poll found. However, a survey by the National Confederation

of Industry (CNI)/Ibope, found approval of her administration fell from 43% in November to 36% in March.

### Lula backs Rousseff

Former President Luiz Inácio Lula da Silva stated in an interview that he will not run for president this year and backed President Rousseff, saying she has "competence" and "all the technical capacity" to make Brazil go forward." Dismissing calls for his return, he said, "It is a privilege for the country to have Rousseff as a candidate. She has character." But recognizing the fall in approval rates, Lula recommended that the administration adopt an "aggressive communication policy." (April 8)



Photo: Ricardo Stuckert/Lula Institute.

Former President Lula was interviewed by bloggers.