Seeing Ahead ➔ What to watch for?

- 8-11 Oct. -- Fall meetings of IMF and World Bank – Lima, Peru
- 12th Oct. -- National Religious Holiday [Our Lady of Aparecida, national saint]
- 12th Oct. -- Columbus Day [observed in US] – federal holiday
- 12th Oct. -- Thanksgiving Day [Canada]
- 12th Oct. -- Day of the Race [Holiday in Mexico]
- 14th Oct. -- IBGE to announce unemployment in September
- 14th Oct. -- Maria Moors Cabot prizes to be announced at Columbia University
- 15th Oct. -- IBGE: August retail sales ➔
- 15th Oct. -- Labor Ministry, Caged data for September, new jobs
- 16th Oct. -- Central Bank to release its IBC-Br for August ➔ +0.9%
- 16th Oct. -- FGV to post IGP-10 ➔ +% versus +% in September
- 16th Oct. -- IBGE to announce IPCA-15 inflation index ➔
- 18th Oct. -- Daylight Savings Time begins in Brazil
2-hour time difference NYC/Brasília

- **20-21 Oct.** -- 194th Meeting of Copom ➔ Selic rate
- **22nd Oct.** -- SRF ➔ federal tax collections R$ billion in September (+% YoY)
- **25th Oct.** -- General elections in Argentina
- **27th Oct.** -- Former President Lula ➔ 70th birthday
- **27th Oct.** -- The Economist - Brazil Summit, Hyatt SP, “Fighting for the Future”
- **28th Oct.** -- IFC & World Bank to publish “Doing Business”, in 189 nations

1 – POLITICS

This week was billed as “Dilma’s Waterloo”. After reorganizing her cabinet (Dilma 2.1) last week and bringing in some PMDB “lower clerics”, she expected “tit-for-tat” this week – 1) that Congress would up hold her vetoes on Tuesday AND 2) the TCU not recommend that Congress reject her 2014 accounts. However, her “Waterloo” suffered yet another impact this week ➔ the TSE decided to investigate whether “illicit” funds were used in her 2014 campaign.

1.1 – Congress votes on Dilma’s vetoes

Renan Calheiros (PMDB-AL) convoked a joint session of Congress for Tuesday, 6th October to vote on Pres. Dilma’s vetoes as of 11 a.m. This time, Chamber President Eduardo Cunha (PMDB-RJ) did not convocate a session of the Chamber that conflicted with (obstructed) the Congress convocation – as happened last week.

However, a minimum quorum of deputies was not achieved (only 196 out of the necessary 257) although a quorum of 54 senators was present (41 necessary). Thus, at 2 p.m., after insistence of the Opposition, Calheiros finally postponed the joint session until Wednesday, 7th October. The PMDB has 65 deputies, but only 34 showed up. The PP, PR and PSD have cabinet posts, but of their 106 deputies, only 25 were present. Even the PT was not able to mobilize its deputies – of 62 only 49 were present. ➔ “Try again tomorrow”.


The DEM floor leader in the Senate, Ronaldo Caiado (GO) quipped – “With all the distribution of cabinet ministries last week, the Dilma government was unable to muster the minimum quorum to vote on her vetoes!”

Apparently, Senate President Renan Calheiros will convocate another joint session of Congress for Tuesday, 13th October (right after the long three-day weekend).

Apparently, Cunha did not repeat his obstruction tactics because he knew (or articulated) a minimum quorum of deputies would not appear. The question remained “Would a minimum quorum of deputies appear on Wednesday?” As seen below, the answer was no.
In part, the attack by the Dilma government against the TCU on 5th October (a gross attempt to persuade force the TCU to replace the Reporter (Augusto Nardes) on Dilma’s 2014 accounts – humiliate the accounting court (that is an advisory unit to Congress) – might have [further] alienated many deputies. ➔ See Item 1.3

On Wednesday, 7th October, government leaders were able to muster only 223 deputies present in the Chamber (257 needed) and so the appreciation of Dilma’s vetoes was again postponed. However, this time Senate President Renan Calheiros did not set a new date for this vote.

Bad News ➔ In retaliation for what they called “bad treatment” by the Dilma government (that they were left out of the Cabinet reform negotiations by PMDB floor leader Dep. Leonardo Picciani (RJ) the large parliamentary bloc led by the PMDB decided to dissolve this bloc (PMDB, PP, PTB, PHS, PSC and PEN. The PMDB is divided in several “factions” – linked to Dep. Eduardo Cunha, Sen. Renan Calheiros, Vice-President Michel Temer and former Senator José Sarney – and some of these factions also rebelled - one-third (22) PMDB deputies signed a manifesto against Picciani. This seven-party bloc counted 149 deputies, but now Picciani only leads the PMDB (66 deputies) and the PEN (2 deputies). See ➔ http://www1.folha.uol.com.br/fsp/poder/235665-em-recado-ao-planalto-partidos-rompem-com-picciani.shtml

Who is Dep. Leonardo Picciani? First, he is the son of state deputy Jorge Picciani (PMDB-RJ) – considered one of the main and powerful political leaders of the MPDB in the state of Rio de Janeiro. Last February, he was elected president of the Rio state legislature by 65 of the 70 state deputies. Jorge was a “brizolista” until 1995 when he left the PDT to join the PMDB. He was president of the AL-RJ (2003-2010) and was defeated in the Senate election in 2010. In 2014, he returned to the AL-RJ to be elected president (again).

Second, he was elected by a one-vote margin to be PMDB floor leader in a closely disputed vote by the party caucus on 11th February 2015 ➔ defeating Dep. Lúcio Vieira Lima (PMDB-BA) 34-to-33. Picciani is seen as linked to Chamber President Eduardo Cunha (PMDB-RJ).

Leonardo Carneiro Monteiro Picciani (age 35) was born in Rio in November 1979. He was elected federal deputy in 2002, 2006, 2010 and 2014. In 2013-2014, Leonardo was Vice-Leader of the PMDB in the Chamber under Dep. Eduardo Cunha. Obviously, he does not have a clear leadership position within the PMDB in the Chamber and apparently did not consult with his peers regarding the
names of PMDB deputies he indicated to the Dilma government to be Minister of Health and Minister of Science & Technology.

Picciani was imploded via articulations by Eduardo Cunha who felt that the PMDB floor leader had “escaped” from his “control”. Previously, Picciani was cited as a possible successor to Cunha.

1.2 – TSE decided to investigate Dilma’s 2014 campaign contributions

Also on 6th October, the TSE decided on a 5-to-2 vote to reopen an investigation regarding the possible use of “illicit” funds contributed to the 2014 presidential campaign of the PT-PMDB slate (Dilma Rousseff and Michel Temer). The two women on the TSE – Luciana Lóssio & Maria Thereza de Assis de Moura - voted against opening this case against Dilma and Temer. This case is called an Aime [“Ai de me”] → Ação de Impugnação de Mandato Eletivo (Action to Impugn an Elected Mandate). The election courts have used this procedure many times to remove governors and mayors from office, usually accused of corruption or violating election laws.

In December 2014, the TSE approved the 2014 election campaign accounts presented by the PT-PMDB presidential slate. On 2nd January, the PSDB proposed (to the TSE) an Aime against Dilma’s campaign for “abuse of economic power”.

The current Aime concentrates on the possibility that the PT received “legal” (Caixa Uni) contributions, duly registered with the election courts, from the large construction/engineering firms investigated by the Lava Jato operation. The plea bargaining testimony by imprisoned executives of many of these firms said that they were “coerced” by the PT to make these contributions AND that they used “illicit” funds obtained from the Petrobras corruption/bribe scheme for these contributions.

The focus of the TSE investigation will be the documents and information gathered by the Federal Police and federal prosecutors in the Lava Jato investigation. Obviously, the PT will have the opportunity to defend Dilma-Temer at the TSE and probably will use all the delay tactics available to prolong the TSE final decision (the same tactics used to prolong the final decision by the TCU).

Remember ➔ Because the TSE is not a “court of last resort”, any negative decision regarding Dilma’s 2014 campaign contributions (to remove her mandate) could be appealed to the Supreme Court. This was part of the processes against several governors whose mandates were canceled by the TSE (via Aimes).

Detail: At the request of the Dilma government, well known SP jurist (linked to the PT), Dalmo de Abreu Dallari, elaborated a brief (parecer) contesting the TSE decision.

1.3 – TCU examined Dilma’s 2014 public accounts

This “tele-novela” has been ongoing since August when the TCU (federal accounting court) began to examine Pres. Dilma’s public accounts from 2014. Several times Brazil Focus has reported

Under Brazil’s “separation of powers” scheme based on Montesquieu’s ”checks and balances”, every year the Legislature has the prerogative (obligation) to pass judgment on the Executive Branch’s public accounts from the previous year. In Brazil, the first step is taken by the TCU that is not really a “court” but rather an auxiliary unit to the Congress. Thus, the TCU analyzes and evaluates the government’s “balance sheet” [previous year’s accounts] and makes a recommendation to Congress whether to approve or reject these accounts.

The TCU is composed of nine members selected on rotation by the Senate, the Chamber, the Executive Branch and an internal TCU career auditor. Thus, the press “classifies” the TCU “ministers” (or “judges” regarding their “linkages” to parties and their “sponsors” (politicians). Many are former deputies or senators indicated by their peers. Remember: Via a recent PEC, TCU members can stay on until they reach age 75. The oldest (Ana Arraes), now 67, could remain on the TCU eight more years (until 2023).

The current composition of the TCU is as follows:

**Chamber:**
- **Aroldo Cedraz, President** (age 64), former PFL-BA deputy (now Opposition DEM)
- **Ana Arraes** (age 67), former PSB-PE deputy, mother of ex-Governor Eduardo Campos
- **Augusto Nardes, Reporter** (age 63), former PP-RS) deputy

**Senate:**
- **Vital do Rego** (age 51), former PMDB-PB Senator, linked to Sen. Renan Calheiros
- **Raimundo Carrero** (age 66), former Senate Sec.-Gen., close to ex-Senator José Sarney (PMDB-MA)
- **Bruno Dantas** (age 36), former Senate consultant (staffer), linked to Sen. Renan Calheiros

**Other:**
- **José Múcio Monteiro Filho** (age 66), former PFL-PE deputy, congressional relations for Pres. Lula
- **Walton Alencar** (age 53), was a career prosecutor at TCU
- **Benjamin Zymler** (age 49), was a career auditor at TCU

When it became evident that the TCU might reject Dilma’s 2014 accounts, her government began a series of delay tactics after her first defense had been filed at the TCU by the AGU – asking for more time (extra 15 days) to submit additional defense information. Last week, when it was clear that no more delay artifices would be allowed by the TCU and that the analysis/report by TCU judge/minister Augusts Nardes would be negative (recommend that Congress reject Dilma’s accounts), the AGU began a more vicious attack ➔ requesting that the TCU remove Nardes as reporter on this case because “he had revealed his vote before the TCU final decision”. Of course – by the TCU internal norms/rules, the reporter must communicate his analysis (report) to his 8 peers five days before the decision session.

The TCU president, Aroldo Cedraz, consulted his TCU colleagues and maintained the “judgment day” on Wednesday, 7th October. However, he decided that before opening the judgment session, a procedural question would be decided – whether to maintain Nardes as the reporter. This
decision by Cedraz made it obvious that the TCU would not remove Nardes as reporter. Thus, the AGU took his attack to the STF where he requested that the Supreme Court suspend deliberations by the TCU.

On Sunday, 4th October, the AGU (Luis Inácio Adams), the Justice Minister (José Eduardo Cardozo) and the Planning Minister (Nelson Barbosa) – the “three little pigs” held a press conference where they bitterly attacked Nardes as biased for previously revealing his vote and that this move was an attempt to nullify the popular verdict rendered by voters in October 2014 who had elected Dilma.

Want more?? The “refrain” during the deep economic recession in Brazil since January 2015 within the context of economic and political crises with Operation Lava Jato putting Petrobras officials and executives from the large construction/engineering firms in jail – was that “Brazil’s institutions continue to operate well (within the law), in spite of these crises”. However – in recent months this “refrain” has been modified so as not to allow these institutions to function. The TCU is the most prominent example, and there have been moves to constrict the investigation functions of Judge Sérgio Moro, the federal prosecutors and the Federal Police as well.

Even more? If the AGU action was not enough to attempt to demoralize and remove Nardes as reporter at the TCU, “just by coincidence”, on 6th October the Federal Police and federal prosecutors announced that they had encountered “indications” Nardes had received R$ 1.65 million from a firm under investigation for fiscal fraud. In 2005, Nardes was a part owner of firm – Planalto Soluções e Negócios registered in the name of his nephew, Carlos Juliano. This firm is under investigation in the Federal Police Operation Zelotes regarding fraud operated in/by CARF. Nardes affirms that he left this firm in 2005 when he became a minister/judge at the TCU.

However – at 3:30 p.m. on Wednesday, STF Judge Luiz Fux denied the injunction requested by the AGU and allowed the TCU session to begin at 5 p.m. The TV Câmara decided to provide live nationwide coverage of this “historic” TCU session. The TCU is an auxiliary unit of Congress but this was the first time that the TV Câmara covered a TCU session. PT leaders in the Chamber complained about this decision, but Chamber President Eduardo Cunha affirmed “I did not order this coverage, but I have no objections”. The TV Globo cable TV news channel Globo News also provided live coverage of the TCU session.

TCU minister/judge Raimundo Carrero reported the requests to replace Augusto Nardes as the TCU reporter on the case of Dilma’s 2014 accounts. These two requests were unanimously rejected. TCU President Aroldo Cedraz refused to allow the AGU to argue the report by Carrero. Then, Nardes read his report that cited the research completed by TCU auditors and accountants that showed that in 2014 Pres. Dilma had committed 16 unlawful practices and clearly violated the 2000 Fiscal Responsibility Law. The AGU was allowed a 20-minute rebuttal.

The final vote was unanimous eight-to-zero in favor of recommending the rejection of Dilma’s 2014 accounts by Congress that violated the 2000 Fiscal Responsibility Law – with a total of R$ 106 billion of “irregular” expenditures. The TCU president only votes to break a 4-to-4 tie. One TCU minister was so outraged that expressed his indignation by criticizing the nasty press conference by the “three little pigs” on Sunday, 4th October, that denigrated the honor of the TCU – in the presence of one of the “little pigs” (the AGU). Some analysts close to Dilma remarked that this episode was very counter-productive – that before this vindictive attack strategy, the government had
counted three votes against rejection, but the final vote was unanimous. This was considered “shooting yourself in the foot (or the head)”. Gamely, the AGU (who was booed and jeered during the TCU session) affirmed that the Dilma government would appeal the TCU decision at the STF.

This was the first time since 1937 that a president had his/her public accounts rejected by the TCU! The 1937 episode, where the TCU rejected the 1936 accounts of then President Getúlio Vargas was quickly resolved in November 1937 when Vargas decreed the Estado Novo and Brazil entered an eight-year period of dictatorship.

THUS – Dilma suffered 3 humiliating defeats in 2 days, 6-7 October. The press called 7th October “D-Day” – the Day of Dilma’s Defeat(s).

Want more? “The Day After” – on 8th October, Augusto Nardes affirmed that the same violations of the 2000 Fiscal Responsibility Law continue in 2015. He said that the TCU has an auditor and a prosecutor investigating these cases.

1.3.1 – What now???

On Wednesday evening, shortly after the TCU decision, Opposition leaders met with Chamber President Dep. Eduardo Cunha at his residence in Brasília. Reportedly, the following strategy was articulated: 1) Next week, Cunha will reject the impeachment brief filed by jurist Hélio Bicudo and Miguel Reale Jr.; 2) the Opposition will then mobilize enough (simple majority) deputies to override Cunha’s decision on a floor vote in the Chamber; 3) A special commission would then be installed in the Chamber to deliberate possible impeachment; 4) This Commission would transmit its report to the full Chamber; 5) The full chamber would then deliberate (decide) the impeachment question; and 6) To approve the impeachment indictment, a two-thirds quorum is necessary – 342 of 513 deputies. If the impeachment is approved, Pres. Dilma would be suspended from office for 180 days while the Senate sits as a jury to decide impeachment. During this time, Vice-President Michel Temer (PMDB-SP) would temporarily assume the presidency.

1.3.2 – The next round, at TCU

TCU judges are preparing yet another round of judgments regarding Pres. Dilma’s 2014 accounts – of the involvement of “subordinates” in implementing “illegal” policies ➔ STN (Arno Augustin), Finance Minister (Guido Mantega), BB Presidnet Lademir Bendine, BNDES President (Luciano Coutinho), Planning Minister Nelson Barbosa) and Central Bank PRsidnet (Alexandre Tombini).

1.4 – Former Petrobras President José Eduardo Dutra dead at 58

On 4th October, former Senator, ex-President of Petrobras and former PT national President, José Eduardo de Barros Dutra died in Belo Horizonte, victim of skin cancer. He was born in Rio de Janeiro in April 1957. After obtaining his BS in Geology at the UFFRRJ in 1979, he worked on the geological planning for a potassium mine in Taquari-Vassouras, Sergipe with Petrobras. He also worked for the CVRD (1990-1994). He was president of the Mine Workers’ Labor union in Sergipe (1989-1994) and CUT-SE (1988-1990). He was defeated in the 1990 election for governor by João
Alves Filho (PFL). In 1994, he was elected senator from Sergipe by the PT. In 2002, he was again defeated for governor by the same João Alves Filho.

In January 2003, Pres. Lula appointed Dutra to be President of Petrobras until July 2005. In 2006, he tried to return to the Senate but was defeated by Maria do Carmo Alves (wife of Gov. João Alves Filho). In September 2007 he returned to Petrobras to be President of BR Distribuidora until August 2009 when he was elected national president of the PT until April 2011. In 2010, he was elected suplente to Senator Antonio Carlos Valadares (PSB-SE). Also in 2010, he was one of the coordinators of the presidential election campaign of Dilma Rousseff – together with Antonio Palocci and José Eduardo Cardozo. This trio was nicknamed “the three little pigs” in the Brazilian press.

1.5 – Operation Lava Jato

The Opposition’s Turn – On 7th October, the STF accepted the accusations filed by the PGR and installed an inquest to determine whether to open a formal investigation of Senator José Agripino Maia (DEM-RN). The Lava Jato investigation of the participation of OAS in the Petrobras corruption scheme discovered that OAS had paid bribes to Agripino ripped off from the construction of the soccer Stadium of the Dunes in Natal for the 2014 World Cup playoffs – in return for “articulations” at the BNDES to secure financing for this stadium.

Also on 7th October, the 4th Region TRF rejected a request by the lawyers for Marcelo Bahia Odebrecht to release him from preventive arrest in Curitiba.

October 7th again – A group of 30 deputies (PSol, PT, PMDB, PROS, Rede, PPS and PSB) delivered a brief requesting the Chamber Corregedor Dep. Carlos Manato (SD-ES) to open a disciplinary procedure against Chamber President Eduardo Cunha (PMDB-RJ). This would have to be decided by the Chamber governing board (Mesa Executiva) – whether to send this request to the Chamber Ethics Commission, where a cassação process might be installed. This brief alleged that Cunha lied to the Petrobras CPI that he did not have any Swiss bank accounts (now proven by Swiss prosecutors who already sent these documents to the PGR in Brasília) – and that this constitutes “lack of parliamentary decorum”. It was revealed that these accounts were in the Julius Baer bank – the same institution used by some of the former Petrobras directors Pedro Barusco, Renato Duque and Jorge Zelada. Julius Baer informed the prosecutors that two of these accounts were closed out in March 2014 just after the Lava Jato investigation began.

Detail: As Chamber President, Cunha presides over all meetings of the Governing Board. However, it is alleged that Law 9784/1999 obliges and public servant to refrain from any participation in decisions
involving his/her accusations. Thus, the Chamber 1st Vice-President Waldir Maranhão (PP-MA) would preside over this session. ➔ Stay tuned.

In Curitiba, there are indications that the Andrade Gutierrez executives imprisoned by the Lava Jato investigation – Otávio Azevedo and Elton Negrão - are now negotiating their plea bargaining testimony. ➔ Stay tuned!!

2 – FOREIGN RELATIONS & TRADE

2.1 – TPP-Trans-Pacific Partnership

After nearly eight years of negotiations, on Monday, 5th October, 12 Pacific-rim nations signed the TPP-Trans-Pacific Partnership – following an intense final week of negotiations in Atlanta, GA ➔ the US, Japan, Canada, Chile, Peru, Mexico, Australia, New Zealand, Singapore, Malaysia, Brunei and Vietnam. This group of nations represents some 40% of the world’s GDP and is seen as a “challenge” to China’s world trade expansion. The TPP still must be approved by the legislatures of these 12 nations. Because both Republicans and Democrats are divided for and against the TPP, approval by the US Congress is not assured. At the same time, the US continues to negotiate a giant FTA with the European Union.

Once ratified, the TPP would reduce 90% of trade tariffs among these nations to zero by 2017

Many specialists affirm that “Brazil is being left behind and will see its world trade opportunities restricted”. WHY? Because Brazil is “ideologically” bound into Mercosur that constricts any major FTAs outside of this community. Mercosur was established in the early 1990s recently accepted Venezuela as a “full member”, while Chile, Bolivia and Peru continue as “associate members”. So far, the only FTAs signed by Mercosur have been with Israel, Palestine and Egypt. Mercosur and the EU have negotiating a block-to-block FTA with the EU since 1995!! BUT these negotiations are always blocked by Argentina.

A study by economists at the FGV in Río concluded that Brazil’s exports might suffer a retraction of 2.7%. However, other analysts affirm that the losses should be much larger – meat, sugar, iron ore, and even coffee that Vietnam produces. The majority of Brazil’s manufacture exports go to the Americas, and more that 50% of Brazil’s agro-exports go to Asia.

2.2 – Extradition of Pizzolato – Not yet.

The Federal Police had already sent a detachment to Rome to escort Henrique Pizzolato back to Brasilia (on 7th October) where he will serve his prison term (12 years and 7 months) in the Papuda jail. However – on the same day that the European Court of Human Rights rejected an appeal by Pizzolato’s lawyers, senators of the Italian Center-Left Partido Democrático (the same party of Italian PM Matteo Renzi) filed a petition with Justice Minister Andrea Orlando demanding “explanations”.
This petition was signed by Senators Maria Cecilia Guerra and Luigi Manconi ➞ “Considering the singular precipitation of such a delicate subject, where the fundamental rights of a person are at risk, where Brazilian prisons are the object of grave accusations by all human rights organizations”. As a result, Orlando suspended (postponed) the extradition for yet another 15 days.

⇒ Stay tuned!!

2.3 – IMF projections

Just prior to its meeting in Washington (9-11 October) the IMF released projections for 2015, 2016 and 2017. In 2014, Brazil’s GDP was US$ 2.3 trillion but in 2015, the IMF projects US$ 1.8 trillion – and Brazil will “slip” down on the IMF’s ranking from 7th to 9th largest GDP. In terms of GDP per capita, Brazil will decline from US$ 11,600.00 (61st) to US$ 8,802.00 (70th). The IMF projects that Brazil’s GDP will retract (recession) by -3.0% in 2015, retracts by -1.0% in 2016 and expand by +2.3% in 2017 ➞ “just in time” for the 2018 general elections?

2.4 – Pres. Dilma ➞ Colombia

After her defeats on 6-7 October in Congress, at the TSE, the STF and TCU, Pres. Dilma flew off to Colombia on Thursday evening, 8th October for a two-day state visit. The main objective of this visit was to persuade Colombia to “begin looking South”, after looking to the North (the US) in past years. Colombia is the third largest economy in South America, but is Brazil’s seventh largest trade partner (among South American nations.

Also, Brazil is trying to promote more integration between the Mercosur block and the Pacific Alliance (Colombia, Peru, Mexico, Chile and Costa Rica). However – the main obstacle to this block-to-block integration is Bolivia. Why? Because last July Bolivia was incorporated as a full member of Mercosur and wants to be considered a “Pacific Rim Nation” within its conflict with Chile to (re)gain access to a pacific port that it lost during the “Pacific War” (1879-1883) – Chile against Peru and Bolivia. Remember: Chile and Peru now are members of the TPP. (See Item 2.1)

3 - REFORMS

Nothing this week.

4 – PRIVATIZATION & REGULATION

4.1 – ANP auction

On 7th October, ANP held an auction for exploration rights in the Lula oil field that is considered to be one of the most productive along the Brazilian coast.

Problem: Pres. Dilma Rousseff and ANP refused to modify national content rules and concession contracts that the oil industry says raise costs and increase political risk.
Mexico went through this same scenario when for the first time it offered 14 blocks for exploration with only two takers in July. At a second auction on 30th September, Mexico eased contract requirements at the request of the bidders and sold three of the five areas offered.

This first such auction if two years is seen by the international community as a “mini-referendum” on the willingness of investors to bet on the future of an industry under very heavy pressures and the Brazilian economy in crisis.

The first round of bidding, 119 blocks were offered but only 17 were sold. The second round offered 117 blocks and only 20 were acquired. Petrobras and other large petro firms such as Shell, BP and GDF Suez made no bids. Only R$ 121 million were generated by this auction.


Several laws have been proposed to reduce the rigid contract requirements and remove the requirement that Petrobras be a co-participant in all consortiums and are being deliberated in Congress.

5 - ECONOMICS

5.1 – September inflation

On 7th October, IBGE released the IPCA results for the month of September ➔ +0.54%, up from +0.22% in August. This result was slightly higher that the media forecast by 40 economists surveyed by Bloomberg News (+0.52%). However, the 12-month accumulation of the IPCA declined slightly, +9.54% ➔ +9.49%. In October, the IPCA will be still larger because of the recent hike in fuel prices by Petrobras.

5.3 – Savings account withdrawals

According to the Central Bank, the net result for Brazilian savings accounts in September was a loss of -R$ 5.293 billion (deposits minus withdrawals). This was the worst result in 20 years. So far in 2015, the loss was -R$ 53.791 billion. This is a result of the deep recession in Brazil and the necessity of families to dip into their savings to make ends meet. Another reason is that savings account remuneration is “negative” [less than inflation]. This situation has impacted the SFH programs in housing mortgages – less funds available (via savings accounts) to finance new housing construction loans.

5.4 – Vale negotiates sale of bauxite mine

Vale is negotiating the sale of a 40% share of its bauxite mine MRN-Mineração Rio do Norte to the Norwegian Norsk Hydro. This mine has the capacity to produce 18 million tons of bauxite. Norsk Hydro, the second largest aluminum producer (after Alcoa) already holds a 5% share of MRN. Norsk and Vale plan to negotiate buyout of minority share holders (18.5%).