Brazil Focus –
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Weekly Report –
Sept. 19-25 2015

Looking Ahead ➔ What to watch for?

- 28th Sept. – Pres. Dilma to address UN General Assembly
- 29th Sept. – Public Accounts data for August
- 29th Sept. – FGV to post September IGP-M ➔ % versus % in August
- 30th Sept. – August Industrial Growth ➔ % MoM & % YoY
- 30th Sept. – Congress to vote remaining Presidential vetoes
- 1st Oct. -- Trade Balance for September ➔ US$ billion (% YoY)
- 2nd Oct. – Deadline for party switching prior to the 2016 elections
- 5th Oct. -- Auto production in September, units sold
- 5th Oct. -- Pres. Dilma to visit Colombia
- 9th Oct. -- IBGE to post IPCA for September ➔
- 9th Oct. – FGV to post September IGP-DI ➔
- 9-11 Oct. -- Fall meetings of IMF and World Bank – Washington, DC
- 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.%

1 - POLITICS

1.1 – Rede Sustentabilidade

On Tuesday, 22nd September, the TSE accepted the formal registry of Brazil’s 34th political party – Rede Sustentabilidade – the Sustainability Network, organized by Lula’s Environment Minister and former presidential candidate in 2010 (PV) and 2014 (PSB) Marina Silva. In each of these presidential elections she received some 20% of the valid vote and threw the election into a 2nd round runoff election. In 2013, the TSE refused to register the RS. Now this new party will have to seek party switchers and new members in order to recruit its candidates for mayor and city council in the 2016 municipal elections.

1.2 – Lava Jato

On Monday 21st September, the Federal Judge who is conducting the Lava Jato investigation in Curitiba, Sérgio Moro, convicted and sentenced ten accused to prison terms. Former PT National Treasurer João Vaccari Neto (15 years & 4 months), former Petrobras Director Renato Duque (20 years & 8 months), former Petrobras manager Pedro Barusco (2 years), Toyo Setal executive Augusto Mendonça (4 years), money changer Alberto Yousseff (no sentence, plea bargain), “operator” Mário Goes (2 years), lobbyist Júlio Camargo (5 years), Adir Assad (nine years, ten months), Dario Teixeira Alves Jr. (nine years, ten months), and Sônia Branco (nine years, ten months). Barusco, Mendonça, Goes, Yousseff and Camargo received reduced sentences because of their plea bargaining testimony.

Vaccari is now the second PT National Treasurer to go to prison. During the mensalão episode, the then PT treasured Delúbio Soares was also convicted and received a jail sentence.

Former PT federal deputy André Vargas (PR) – who was Vice-President of the Chamber of Deputies – was sentenced to 14 years and four months in prison on 22nd September. His brother Leon Vargas was sentenced to 11 years and four months and advertising expert Ricardo Hoffmann was sentenced to 12 years and ten months. Vargas is the first politician to be sentenced in the Lava Jato case. Judge Moro also ordered the confiscation of R$ 1 million of Vargas’ assets.
Want more? As they say, “The noose has tightened around José Dirceu’s neck”. On 21st September, Judge Sérgio Moro accepted the plea bargaining testimony from Fernando Antonio Guimarães Hourneaux de Moura. Fernando Moura was the “master lobbyist” who worked closely with José Dirceu at the Casa Civil (2003-2005). He was arrested together with Dirceu on 3rd August 2015 during Operation Pixuleco, the 17th such Federal Police operation.

Moura was the principal Petrobras “operator” for Dirceu and “recruited” Renato Duque to be a Petrobras director “representing” the PT. After the Mensalão, he went to live in Miami.

Also on 21st September, three federal prosecutors who are part of the Lava Jato task force conducted a press conference in Curitiba. Prosecutor Carlos Fernandes dos Santos Lima affirmed that “I have no doubt that these large corruption scandals – Mensalão, Petrolão and Eletronuclear all began in Lula’s Casa Civil”. Apparently, he was referring to the Casa Civil headed by José Dirceu (2003-2005) and Dilma Rousseff (2005-2010). He did not go so far as to imply that Pres. Lula was aware of these schemes or involved in same – or that Dirceu’s successor was involved [knowledgeable].

Apparently, prosecutor Santos Lima was referring to the plea bargaining testimony of Fernando Moura that might be “explosive” – against Dirceu and provide a “historic” smoking gun regarding Dilma’s involvement in/knowledge about the Petrolão corruption scandal. See [https://www.ultimoinstante.com.br/ultimas-noticias/politica/39tudo-foi-originado-na-casa-civil-do-governo-lula39-affirma-procurador/126220/](https://www.ultimoinstante.com.br/ultimas-noticias/politica/39tudo-foi-originado-na-casa-civil-do-governo-lula39-affirma-procurador/126220/)

Also – on 22nd September, STF judge Celso de Mello approved the installation of investigations of campaign finance fraud practiced in the 2010 elections Aloísio Mercadante (PT) for Governor and Aloísio Nunes Ferreira (PSDB) for Senator.

CORRUPÇÃO ELEITORAL

Min. A. Mercadante Sen. A.N. Ferreira

Some more – On 22nd September, Ms. Venina Velosa da Fonseca gave her testimony before the Petrobras CPI. Venina is a former manager at Petrobras who after she made some accusations regarding the Petrolão has had difficulty in being designated for a new position within this state enterprise.

Photo: Luis Macedo/Chamber of Deputies
Veni Velosa da Fonseca testified before the Petrobras CPI on 22nd September

In December 2014, she held a press conference where she claimed that in 2007 she had advised then Petrobras director Maria das Graças Foster about the “irregularities” she had observed. She also said that she had advised Director Paulo Roberto Costa but that he “suffocated” her claims. She reaffirmed to the CPI her claims that then Petrobras President José Sérgio Gabrielli had full knowledge of the “cost over runs at the Abreu e Lima refinery in Recife.

During her conversation with Paulo Roberto Costa, he pointed to a picture of then Pres. Lula on the wall of his office and asked her – “Do you want to bring everybody down”? Dep. Bruno Covas (PSDB-SP) then asked Venina – “Did Costa’s gesture mean that Lula and Gabrielli had full knowledge of the problem”? She answered – “Gabrielli was inside Petrobras, but regarding Lula I don’t know”. Covas asked – “But he did point to Lula’s picture on the wall”. And Venina answered – “Yes, he did”. Venina also described how she and her family had received many threats but telephone.

Pasadena – had always been one “large mystery” in terms of the Petrobras bribe scheme. This refinery in Texas was acquired by Petrobras with nearly US$ one billion in cost over run and since then everyone wanted to know how these funds were divided up. Finally, a plea bargain testimony might clarify this case – Edualdro Vaz Costa Musa, former general manager of international affairs – began his testimony on 23rd September. Pasadena was the largest bribe case (in dollars) in the Petrobras corruption scandal.

1.2.1 – Operation Nessum Dorma

On 21st September, the Federal Police began the 19th “Operation” Nessum Dorma [no one sleeps] – taken from the Puccini Opera Turandot. More “search & seize” and arrest warrants were issued. João Augusto Rezende Henriques was accused of being an operator for the PMDB and Judge Moro ordered the seizure of R$ 40 million of his assets. Henriques is accused by the Federal Police of channeling US$ 10.8 million to the PT. Also arrested was José Antunes Sobrinho, one of the owners of Engevix – involved in the construction of Angra III.

In 2009, bribe were extracted from the Petrobras contract to build the Titanium Explorer drilling platform while Jorge Luiz Zelada was the Director for International Affairs having succeeded Nestor Ceveró.
1.2.2 – DoJ ➔ Curitiba

US Dept. of Justice federal prosecutor Patrick Stokes, head of the division that administers the FCPA-Federal Corrupt Practices Act will travel to Curitiba to meet with the *Lava Jato* task force (federal prosecutors and federal police to obtain documents and information from the plea bargaining testimony of the accuse in the Petrobras corruption/bribe scandal. Stokes wants to use this information against the firms involved that have stocks and bonds negotiated on the NYSE.

1.3 – Administrative Reform

Pres. Dilma Rousseff announced her cabinet “reform” on . Upon his return from his trip to Eastern Europe and Moscow, Vice-President Michel Temer (PMDB-SP) told Dilma that he would not make any “suggestions” regarding PMDB appointees in this “reform”. Senate President Renan Calheiros (PMDB-AL) and Chamber President Eduardo Cunha (PMDB-RJ) also refused to indicate names for Dilma’s cabinet reform. In a desperate move, she went to the PMDB floor leaders in the Chamber and Senate – Dep. Leonardo Picciani (RJ) and Sen. Eunício Oliveira (CE), respectively, and offered four “choice” cabinet slots – two for the Senate and two for the Chamber. Apparently, this helped mobilize the PMDB to vote against over riding Dilma’s vetoes.

For “independent” PMDB deputy Jarbas Vasconcelos (PE), it is only a question of time – “for impeachment or resignation”. Dep. Lúcio Vieira Lima (PMDB-BA) history is being repeated – “the PMDB is treating Dilma the same way the PFL treated Collor [in 1992]”.

The “resistance” of the PMDB lasted 24 hours. On 23rd September, Picciani delivered a seven-name list to Pres. Dilma – for two cabinet posts ➔ Health – Saraiva Felipe (MG) already vetoed by Dilma, Manoel Junior (PB) and Marcelo Castro (PI) and Infrastructure (fusion of Ports & Civil Aviation) – José Pirante (PA), Mauro Lopes (MG), Celso Pansera (RJ), and Newton Cardoso Junior (MG). Detail: Pirante is a nephew of Jader Barbalho and Newton Cardoso Jr. is the son of former MG governor Newton Cardoso.

The Senate would have a “quota” of two cabinet posts and would maintain Agriculture (Kátia Abreu, TO) and Mines & Energy (Eduardo Braga, AM). Picciani proposed that the Senate and Chamber propose a fifth “joint-indication” – to maintain former Chamber president Henrique Alves (RN) as Minister of Tourism. Thus, Dilma would be forced to maintain the Tourism Ministry and not fold it into MDIC. Picciani did not include current Civil Aviation Minister Dep. Eliseu Padilha (RS) is his “package” because the PMDB Chamber delegation was “negative” regarding Picciani’s personal choice.

Detail: The idea of going directly to Picciani and Kátia Abreu without consulting the PMDB “troika” (Temer, Renan & Cunha) was articulated by Casa Civil Chief Aloísio Mercadante. For this reason, this “cabinet shuffle” will not stave off PMDB participation in the impeachment “tsunami”.

**HOWEVER –** On 24th September, Dilma postponed the cabinet reform and flew off to NYC to deliver her speech opening the 70th session of the UN General Assembly on Monday, 28th September. Apparently, Picciani was irate as Dilma “pulled the rug from under his feet.
Because Eliseu Padilha (PMDB-RS) refused to give up his “Ministry” of Civil Aviation, AND Jader Barbalho (PMDB-PA) demanded that his son be allocated the “Ministry” of Ports (after “his” Fishing “Ministry” is incorporated into the Ministry of Agriculture) – the new Ministry of Infrastructure apparently disappeared from Dilma’s drawing board.

To make matters even worse, the PT came running to Dilma with the demand that three ministers be sacked – Mercadante (Casa Civil), Cardozo (Justice) and Finance (Levy).

Lula counseled Dilma – “It’s better to ‘lose’ some ministries than ‘lose’ the presidency [impeachment]”. As a “send off” for Pres. Dilma, the PMDB aired its TSE free propaganda time at 8:30 p.m. on Thursday. The “theme” was “the PMDB can [and will] re-unify Brazil”!!

**1.4 – Another downgrade??**

On 9th August, Standard & Poor’s announced its downgrade for Brazil, from “BBB-” to “BB+” – or “speculative grade” [junk bond status]—with a negative outlook. Soon after, all eyes turned to the other [important] rating agencies – Moody’s and Fitch.

In April, Fitch altered its outlook for Brazil from “stable” to “negative”. On Tuesday, 22nd September, a Fitch evaluation team arrived in Brasília to collect data, opinions, estimates, projections, etc. for another decision regarding a possible downgrade for Brazil.

This team had meetings with Finance Minister Joaquim Levy, Planning Minister Nelson Barbosa, Central Bank President Alexandre Tombini and other officials – including a visit to the TCU.

**1.4.1 – Brazil – fifth highest “risk”**

This week, Brazil’s CDS (Credit Default Swap) advanced +8% to 465 points, up from 200 points in January. Only four nations have higher CDS risk ratings – Venezuela, Greece, The Ukraine and Pakistan. However, Brazil’s current CDS risk rating is much lower than the 3,500 points in 2002 just prior to Lula’s election as president – seen as a “terrible” risk factor for 2003. Russia’s CDS is 364 points.

Brazil’s 465 CDS rating is compatible with those nations with a “BB-” rating (speculative/junk bond) by Fitch.

**1.5 – Fiscal Austerity?**

On 22nd September, the Dilma government published in the Diário Oficial [federal daily record] the modifications on the 2016 budget that the government hopes will be approved – first by the joint budget committee and then by Congress.
However – the government did not wait to see whether (or not) Congress would uphold or over ride six of the President’s vetoes of “excessive” spending bills approved by both houses of Congress scheduled to be voted on 22nd September. The total number of vetoes is really 32, but the six most important measures were on the agenda Tuesday evening. The total “excessive” spending vetoed is R$127.8 billion.

At first, on 21-22 September, President Dilma tried to persuade the Senate and Chamber Presidents to postpone the vote on her vetoes out of fear of defeat. BUT – on Tuesday afternoon, 22nd September, she personally called Senate President Renan Calheiros (PMDB-AL) – and also President of the Congress – and asked him to “Go for it, now!” Put the vetoes on the agenda that same evening.

Why? She got scared, got cold feet – because the FX rate went to R$ 4,05 per US dollar – the first time in history that the FX rate surpassed R$ 4,00 – and predictions were that later in the week the FX rate would increase even more.

As discussed in Item 5.5, the very weak presidency, unable to muster coherent majorities has provoked a serious political crisis that has worsened the economic crisis because to increasing “uncertainties”. SO Pres. Dilma “went for broke” on 22nd September in a desperate attempt to demonstrate some “governability” – in an attempt to “calm the markets” exactly the week that the Fitch evaluation team is in Brasilia. See Item 1.4

In addition, she postponed her flight to New York to deliver the opening address to the UN General Assembly, and traveled on Friday night, 25th September.

On Tuesday evening, 22nd September the voting on Dilma’s vetoes continued into the wee hours of Wednesday (after 2 am) and 26 of the 32 vetoes were maintained. However, the most important (expensive) measures were not voted on the salary readjustment for the Judicial Branch and the total readjustment of all brackets of INSS pensions. There is no date fixed (yet) to resume voting on the remaining vetoes. The press evaluated this as a “partial victory” for the Dilma Government.

As 2 am approached, many deputies and senators left the session and the Opposition decided to exit thus depriving the session of a quorum to continue voting. Many say this result as strengthening the position of the government in Congress – to the point that impeachment might be avoided. But others said that it would be impossible to link the two questions. One-third of the PMDB voted against the government, but most of the Opposition voted to maintain Dilma’s vetoes.

The Day After – The markets were not placated. On 23rd September, the FX rate reached R$ 4,145 and again the central Bank intervened. Some say that by the end of 2015 the dollar will break another “barrier” R$ 5,00. However – The Central Bank “called the bluff” of the FX speculators on 24th September – after the dollar hit R$ 4,2491. Central Bank President Alexandre Tombini held a press conference and affirmed that the use of Brazil’s US$ 370 billion foreign reserves to control FX markets was “possible” and announced daily auctions by the STN and some 20,000 “swaps” were accomplished. He said that this FX fluctuation [speculation] was due to “non-economic problems” – a “very elegant” reference to Brazil’s political crisis. The result? The FX rate came down to R$3,99 and remained stable on Friday, 25th September R$ 3,974.
The vote by federal deputies was quite close – 205 to maintain Dilma’s vetoes and 183 to over ride. Both the PMDB and the PT lacked “mobilization” and had large numbers of deputies absent (not voting). As to be expected, the PT was more “cohesive” with only one anti-Dilma vote, while the PMDB had 15 “anti-Dilma” votes. The leading Opposition parties – PSDB and DEM – were very cohesive with only one pro-Dilma vote each, with few absent. Two larger parties in the Dilma support coalition were divided ➔ PP, anti-Dilma and PR, pro-Dilma (but with many absent). The PTB and PDT were divided, as was the PRB (but the PRB had 15 absent). The PCdoB is considered a very “consistent” and regimented party – all 11 votes were pro-Dilma (but with 2 absent). The former Communist party (PPS) was also consistent, all 8 votes anti-Dilma, but with 3 absent. See ➔ [http://www1.folha.uol.com.br/fsp/poder/234158-30-do-pmdb-votou-para-derrubar-veto-de-dilma.shtml](http://www1.folha.uol.com.br/fsp/poder/234158-30-do-pmdb-votou-para-derrubar-veto-de-dilma.shtml)

See the breakdown of this vote by party below:

<table>
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<tr>
<th>Party</th>
<th>Total</th>
<th>Anti-Dilma</th>
<th>Pro-Dilma</th>
<th>Absent</th>
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<tr>
<td>PMDB</td>
<td>67</td>
<td>15</td>
<td>34</td>
<td>18</td>
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<tr>
<td>PT</td>
<td>63</td>
<td>01</td>
<td>47</td>
<td>15</td>
</tr>
<tr>
<td>PSDB</td>
<td>53</td>
<td>50</td>
<td>01</td>
<td>02</td>
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<td>PP</td>
<td>39</td>
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<td>05</td>
</tr>
<tr>
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<tr>
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<td>Other</td>
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This breakdown clearly shows that it might be quite difficult to prevent over rides on the remaining eight Dilma vetoes yet to be voted on by Congress because the “spread” was only 22 votes with 100 absent (not voting). ➔ Stay tuned!!

1.6 – Central Bank, switches directors
On 21st September, the Central Bank announced that Altamir Lopes had replaced Luiz Awazu Pereira as Director for Economic Policy. Awazu was appointed as Vice-President of the BIS-Bank of International Settlements in Basel, Switzerland. Altamir will be replaced at Director for Administration by Luiz Edson Fletrim who had been Director for Institutional Relations and Citizenship.

Altamir joined the Central Bank in 1976 via the first public exam for economists. His position at Copom meetings has been considered “moderate”.

Alexandre Tombini had been trying to recruit a specialist from financial markets or academia – in vain. This “in house” appointment avoids a confirmation vote by the Senate.

1.7 – Party Switching

The 2nd October “deadline” for party switching is drawing near – for those who want to run for municipal office in 2016. With the “official” creation of Marina Silva’s *Rede* many politicians will switch to or join this new party in the next few days – for example. On 23rd September, the *Rede* received its first federal deputy – Miro Teixeira (RJ) – thus, the *Rede* became the 28th party represented in the Chamber. On 24th September, the *Rede* gained another deputy – Alessandro Molon (PT-RJ). He was the top PT vote-getter in the 2014 elections.

**PSOL**-Party of Socialism and Liberty – received its fifth deputy on 23rd September – Glauber Braga (RJ), he had been elected by the PSB in 2014. With five deputies, the PSOL is now considered a party entitled to the “perks” of a “real party” in the Chamber of Deputies – party leadership room(s), a leadership car & driver, etc. The 5 PSOL deputies are – Braga, Chico Alencar and Jean Wyllys (RJ), Ivan Valente (SP) and Edmilson Rodrigues (PA).

**Glauber Braga** was born in Nova Friburgo (1982 and first ran for deputy in 2006 and served as *suplente* in 2009-2010. He was then elected in 2010 and 2014. It is possible that he might run for Mayor in Nova Friburgo in 2016.

On Saturday, 26th September, the PMDB-SP is planning a mega-event to mark the entry of Senator Marta Suplicy (former PT). She hopes to become the PMDB candidate for SP Mayor in 2016.

2 – FOREIGN RELATIONS & TRADE

2.1 – Italy decides Pizzolato case

In a secret session on Tuesday morning, 22nd September, the Italian Council of State decided to finally authorize the extradition of Henrique Pizzolato to Brazil. This was a final decision that does allow any more “appeals”. The Brazilian Supreme Court sentenced Pizzolato to 12 years and seven months in prison. But before this STF decision, he fled to Italy using his dead brother’s passport. In July, the Council of State had postponed its final decision awaiting more detailed information regarding the “conditions” of the prisons where Pizzolato might be incarcerated. Apparently, he will sever out his sentence at the Papuda prison in Brasília where all those sentenced in the *Mensalão* case began their prison terms. Pizzolato should be returned to Brazil within 20 days.
2.2 – Pres. Dilma ➔ New York

On Thursday, 24th September, Pres. Dilma flew to New York City to deliver the opening address to the 70th session of the UN General Assembly on Monday 28th September. Since the first session of the UN General Assembly in 1946, the Brazilian representative has by tradition always delivered the first speech to open the session. On Sunday, 27th September, Pres. Dilma will participate in a summit about the objectives of sustainable development. Dilma will discuss proposals for the INDC-Intended Nationally Determined Contributions.

She left Brasília with “her job unfinished” – she postponed her cabinet reform/reshuffle until next week – to the displeasure of the PMDB.

Pres. Dilma arrived in NY “just in time” to assist Pope Francis’ address to the UN General Assembly as 11:00 a.m. on Friday afternoon, 25th September.

The Brazilian President praised the Pope’s speech, especially the part where he suggested a reform of the UN Security Council. This has been a constant ambition for Brazil to obtain a regional permanent seat on the Security Council.

Photo: Andrew Kelly/Reuters

Pres. Dilma listens to Pope’s speech at UN

2.3 – Dilma appoints Ideli Salvatti (& husband) to Washington

In June 2015, former Senator Ideli Salvatti (PT-SC) was appointed to be an “Advisor” to the OAS unit for Access to Rights and Equality in Washington. On 5th August, Defense Minister Jacques Wagner (PT-BA) appointed her current husband 2nd [Army] Lieutenant (Musician) Jefferson da Silva Figueiredo to be an adjunct to the Sub-Secretariat for Administrative Services & Conferences at the Inter-American Defense Board. ➔ Keep this PT couple together – earning salaries in dollars.


As expected, these two appointments produced “discomfort” at Itamaraty, the OAS and among the Brazilian military. Usually, such an appointment to the Inter-American Defense Board is reserved for a higher ranking officer – as least a full coronel. Detail: Lt. Figueiredo speaks Russian.
After her defeat in the election for Governor of SC in 2010, Pres. Dilma appointed Ideli to be Fishing Minister in January 2011 and head of the Secretariat [Ministry without Portfolio] for Institutional Relations in June 2011. In April 2014, she was appointed to be Secretary for Human Rights until June 2015.

3 - REFORMS

Nothing this week.

4 – PRIVATIZATION & REGULATION

Nothing this week.

5 - ECONOMICS

5.1 – July IBC-Br

On Monday, 21st September, the Central Bank released the Economic Activity Index (IBC-Br) for the month of July ➔ -0.02%. This Central Bank index is seen as a “preview” of the GDP. For the first seven months in 2015 the IBC-Br accumulated a retraction of -2.74% and -1.09% in the second quarter. Economists predict that Brazil’s GDP will retract -2.7% in 2015.

Some analysts feel that this “small” IBC-Br in July signals that the GDP retraction in 3rd Q/2015 should be smaller than in 2nd Q/2015.

The government modified its GDP retraction projection for 2015 to -2.44%. On 24th September, the Central Bank adjusted its estimate to -2.70%. However, a majority of financial market analysts predict -3.0%

5.2 – September inflation
On 22nd September, IBGE released the IPCA-15 that is seen as a preview for the final September IPCA ➔ +0.39%, down from +0.43% posted in August. Food prices (-0.06%) helped reduce the IPCA-15, but housing costs (+0.68%) and transportation costs (+0.78%) maintained this index close to +0.40%. In the January-September 2015 period, the IPCA-15 has now accumulated +7.78% -- the highest for this nine-month period since 2002. The 12-month accumulation remained the same as in August ➔ 9.57%.

The estimates by 39 economists consulted by Bloomberg News were very close to the mark ➔ +0.38% and +9.56%.

5.3 – August Public Accounts

On 22nd September, the Central Bank released current account data for the month of August ➔ a deficit of -US$ 2.487 billion, down from -US$ 5.99 billion posted in July. This August result was much lower that the average prediction by 27 analysts consulted by Bloomberg News ➔ -US$ 3.2 billion. The 12-month accumulated deficit is now -US$84.5 billion (4.34% of GDP) down from -US$88.9 billion in July.

Economists affirm that reduced current account deficit is due to a weakening of Brazil’s Real that boosts exports and impedes imports.

FDI also declined in August to US$ 5.246 billion, down from US$ 6.0 billion in July. Market analysts expected US$ 3.250 billion. As a result, the Central Bank has now revised its 2015 FDI projection from US$81 billion to US$65 billion.

Overseas spending declines – In August, overseas spending by Brazilian tourists declined by 46% YoY to US$ 1.263 billion vs. US$2.350 billion in August 2014. Brazilian tourists spent US$ 12.9 billion overseas in the January-August 2015 period – down by 25% YoY.

5.4 – Petrobras sells natural gas stake to Mitsui

Petrobras has more than 7,000 Km of natural gas pipelines in Brazil to distribute natural gas – both from Bolivia and from its own off-shore production. On Tuesday, 22nd September it was revealed that Petrobras is in the final stages of negotiation to sell a 49% stake in this natural gas distributor. – Gaspetro. Terms of this agreement were not available and this deal is subject to approval by the Petrobras Administrative Council and by regulators (ANP & Cade).

5.5 - Instability

In early trading on Monday, 21st September, the dollar hit R$3,99 and the Central Bank intervened by selling US$ 3 billion. Thus, the FX closed that afternoon at R$ 3,98. The next day, 22nd September, the US$ broke through the R$ 4,00 barrier and closed at R$ 4,05 ➔ for the first time in history. The political uncertainty has produced economic uncertainty and instability. This atmosphere has impacted the stock market, FX transactions and estimates for the retraction of the GDP in 2015.
As a result, the private sector avoids any new investments and continues sacking and/or laying off employees.

5.6 – Unemployment ➔ 7.6%

On 24th September, IBGE released its PME (Monthly Employment Survey) for August ➔ 7.6% -- the highest monthly unemployment rate since 7.7% posted in September 2009. This PME covers Brazil’s six principal metropolitan areas. IBGE affirmed that the August PME found that those persons seeking employment had increased by 52% YoY. Economists surveyed by Bloomberg News estimated the August unemployment at 7.7%.

5.7 – Caged ➔ 86,543 jobs lost in August

On 25th September, the Ministry of Labor released its Caged data for August ➔ 86,543 jobs were lost [negative job creation] – less than the 157,099 jobs lost in July. The 12-month accumulation is now 986,000 jobs lost.