Looking Ahead ➔ What to watch for?

- **9th July**  -- State Holiday in SP – [“Commemorate” defeat in the 1932 Revolution]
- **9th July**  -- Argentine Independence Day
- **11th July** -- IBGE – Industrial employment in May ➔ ___% MoM.
- **11th July** -- IBGE ➔ Industrial Production in May
- **13th July** -- Central Bank to release its IBC-Br for May ➔ ___% MoM & ___% YoY
- **14th July** -- *Lava Jato* Judge Sérgio Moro to speak at W. Wilson Center in DC
- **15th July** -- *Lava Jato* Judge Sérgio Moro to speak at Council of the Americas in DC
- **16th July** -- IBGE – Retail sales in May ➔ +0.% MoM
- **18th July** -- *Caged* data ➔ _____ new jobs created in June
- **19-20 July** -- 200th Meeting of Copom ➔ Selic rate
- **22nd July** -- June tax collections R$ ____ billion, ___% YoY
- **22nd July** -- CNI ➔ Industrial Employment in June, __ points vs. __ points in May
- **22nd July** -- IBGE to release July ICPA-15 inflation data ➔
- **25th July** -- UNDP, HDI-Human Development Index ➔ Brazil ranked ___
- **25th July** -- IBGE to release PME unemployment data for June
- **28th July** -- Pedro Pablo Kuczynsk (PPK) – inauguration as President of Peru
- **29th July** -- June public accounts
1 - POLITICS

1.1 – Eduardo Cunha resigned Chamber Presidency

Shortly after 1:00 P.M. on Wednesday, 7th July, Dep. Eduardo Cunha (PMDB-RJ) was seen by journalists in the Chamber of Deputies making his way the Secretary-General of the Chamber. Immediately, these journalists “flashed” this news that his resignation was imminent because that office is where a resignation letter should be delivered. Shortly there after, Cunha appeared in the Salão Verde and read his resignations letter with tears in his eyes.

Apparently, Cunha’s very tardy decision is a lame effort to save his mandate as deputy because if he is cassado he would lose his political rights for TEN years. Now, the acting Chamber President, Dep. Waldir Maranhão (PP-MA) will have five sessions to mark the election for the Chamber to select a new President (through 1st February 2017). Cunha’s second objective is to try to elect an “ally” to succeed him as Chamber President who would “command” the rejection of his cassação – for example, set the date for the full Chamber to vote this question on a Sunday, or during the so-called “recesso branco” – a “white [informal] recess” in the second half of July for deputies to begin campaigning for their municipal allies (candidates for Mayor and City Council). With a reduced presence of Deputies, it might be difficult to muster 257 votes for Cunha’s cassação.

Regarding the election of Cunha’s replacement, he/she could not be reelected for the 2017-2019. Never the less, the articulations of the 12 pre-candidates are already “fast and furious”.

If Cunha is indeed cassado, all of his corruption/bribe cases would be transmitted to the first level federal judge in Curitiba – Sérgio Moro. Cunha’s wife – Cláudia Cruz -- was notified (intimated) by Judge Moro that she is accused and has ten days to present her defense. This might have provoked Cunha’s decision to resign the Chamber Presidency. Recently, federal courts ordered their assets blocked (frozen) – Cunha (R$ 80.67 million) and Cláudia (R$ 17.8 million). Cláudia Cruz’s assets increased from R$ 1.617.519,09 on 1st January 2008 to R$ 4.029.025,65 on 1st January 2015 – according to her income tax returns.

Just five days before completing two months in office, the interim government of Michel Temer received the news of Cunha’s resignation with a certain “relief” – because the two-month interim term of acting Chamber President Waldir Maranhão has been a total “disaster” – especially for the rapid approval of crucial fiscal austerity measures.

The problem is that the so-called Centrão – created by Eduardo Cunha and currently includes nearly one-half of the Chamber – is divided (as usual) between its “High” and “Lower” clerics [Alto & Baixo Clero]. The “Higher Clerics” prefer the PSD floor leader Dep Rogério Rosso (DF) who performed very well as the President of the Chamber’s Special Impeachment Committee, but the “Lower Clerics” are divided ➔ 1) The current 2nd Chamber Vice President, Dep. Fernando Giacobo (PR-PR) supported by the PR’s “elder statesman” Valdemar Costa Neto (convicted in the Mensalão case); 2) Dep. Rodrigo Maia (DEM-RJ); and 3) The current 1st Secretary of the Chamber Dep. Beto Mansur (PRB-SP). Given this division, the PMDB is considering the possibility of launching Dep. Osmar Serraglio (PMDB-PR) the current President of the Chamber CCJ.
Chamber Election – Maneuvers: The date of Cunha’s resignation was chosen in an attempt to delay the meeting of the CCJ that is to deliberate the Ethics Council’s decision to recommend his cassação. The CCJ was scheduled to meet on Tuesday, 12th July, and thus interim Chamber President Waldir Maranhão set the election of the new Chamber President for Thursday, 14th July BUT Cunha’s allies reacted in the Colégio de Líders and set the election of the new Chamber President for 12th July in conflict with the CCJ that now will have to be postponed. In retaliation, because of his “participation” (support) of the party floor leaders who modified his determination for the election to be held on 12th July, Waldir Maranhão dismissed the Secretary-General of the Chamber governing board [Mesa Executiva] Sílvio Avelino. Apparently, the election will be on 14th July.

Stay tuned, high jinx and tensions next week!!

1.2 - Mais Lava Jato

The Federal Police have accelerated their anti-corruption operations (five just last week) because they do not have enough officers to continue the current pace of the Lava Jato task force in August when the Federal Police will have a large role in providing security for the Olympic Games in Rio.

1.2.1 – Operação Abismo

Before 07:00 a.m. on 4th July, the Federal Police unleashed yet another Operation – nicknamed “Abyss” – with 5 arrest warrants, 7 for coercive testimony and 23 for “search-and-seize”. The corruption episode was a R$ 39 million bribe regarding a contract to build Petrobras Research Center in Rio (Cenpes) between 2007 and 2012.
The principal target was former PT national treasurer Paulo Ferreira who served as PT federal deputy from Rio Grande do Sul (2012-2014). This case is reminiscent of Operation Custo Brasil from last week where a “PT couple” was involved – former Lula and Dilma minister Paulo Bernardo and current senator and former Dilma minister Gleisi Hoffmann. In the case of Paulo Ferreira, his wife – Teresa Campelo – was Dilma’s Minister of Social Development.

Applying, the Abismo is not as “serene” for the Ferreira-Campelo couple as the Custo Brasil case was (is) for the Bernardo-Hoffmann couple. The Lava Jato task force discovered that Ferreira “directed” part of his “take” to a Samba School in Porto Alegre, RS [Estado Maior da Restinga] and for its “dancing girl” Viviane da Silva Rodrigues. Reportedly, she received a total of R$ 61.700,00. Ferreira alleged that this “monthly allowance” was paid because she was a cabo eleitoral in his campaign.

1.2.2 – Operation Black List

On 5th July, the Federal Police launched Operation Black List to investigate the embezzlement of some R$ 100 million from tendering to acquire drug medicines and hospital supplies in the greater Recife area. Federal courts ordered 21 “search-and-seize” warrants in Recife and the municípios of Camaragibe and Carpina.

1.2.3 – Operation Custo Brasil

After STF Judge Dias Toffoli released former Minister Paulo Bernardo from prison, on 5th July, SP Federal Judge Paulo Bueno de Azevedo “retaliated” and ordered R$ 102.678 million “frozen” in accounts of Bernardo, the National PT and former PT national treasurer João Vaccari Neto.
In addition, Judge Azevedo ordered blockage (confiscation) of accounts of other accused: Bernardo’s lawyer Guilherme Gonçalves (R$ 6.7 million), Marcelo Matam (R$ 7.6 million), PTistas Carlos Gabas and Valter Correa (R$ 7.2 million each), Paulo Ferreira (R$ 755,000,00), journalist Leonardo Atuch (R$ 120,000,00), and lobbyists of the Consurgred firm Adalberto Wagner de Souza and José Silício (R$ 34.1 million).

1.2.4 – Operation Saqueador

On 30th June, the Federal Police Operation Saqueador arrested five persons accused of corruption/bribes in construction projects in Rio ➔ Carlos Augusts Ramos [Carlinhos Cachoeira], Fernando Cavendish (CEO of Delta Construções), money changer Adir Assad, Marcelo José Abud and Cláudio Dias Abreu. The day after (1st July), TRF Judge Ivan Athié, issued an order that they be held under house arrest – but they were not released from the Bangu prison in Rio because the state of Rio did not have the GPS ankle bracelets available.

In the meantime, Federal Prosecutor Monica de Ré complained to the TRF that Judge Ivan Athié should be disqualified from this case (and replaced by another TRF judge because he, Athié, is a very close friend of Técio Lins e Silva (Cavendish’s lawyer). On 5th July, Athié removed himself from this case and was replaced by another judge. This meant that Athié 1st July decision was annulled and the accused will remain in the Bangu prison. Detail: When they arrived at the Bangu prison, their hair was cut off very short – prison style.

Want more? On 5th July, the TCE-RJ [Rio de Janeiro State Accounting Court] blocked R$ 198 million in the bank accounts of Andrade Gutierrez, Odebrecht and Delta in lieu of over invoicing in the renovation of the Maracanã soccer stadium prior to the 2014 World Cup playoffs.

1.2.5 – Operation Pripyat

On Wednesday, 6th July, the Federal Police conducted Operation Pripyat (this nickname is the city in The Ukraine that was destroyed by the Chernobyl nuclear disaster). This operation was a continuation of the investigation of a large corruption/bribe scheme at Eletronuclear – involving construction firms on the Angra 3 project.

Alm. Othon Luiz Pinheiro da Silva, who was already under house arrest from a previous investigation, was arrested again. His replacement at Eletronuclear, Pedro Diniz Figueiredo, was suspended. The Federal Police carried out six preventative arrest warrants, three temporary arrests,

The R$ 1.2 billion contract to construct Angra 3 went to Andrade Gutierrez with a [small] “side payment” (bribe) of R$ 48 million intermediated by Adir Assad went to Alm. Othon (R$ 12 million) and R$ 14.4 million to five Eletronuclear directors (who were also arrested) – Luiz Amorim Soares, Edno Negrini, Pêrsio Gomes Jordani, Luiz Amaral Messias and José Brayner Mattos.

1.2.6 – Operation Caça Fantasmas

On 7th July, the Federal Police carried out Operation Caça Fantasmas [Ghost Busters] – the 32nd phase of the Lava Jato investigation, with 17 warrants – 7 coercion testimonies and 10 “search-and-seize” in Santos, São Bernardo do Campo and São Paulo. This operation was against the clandestine operation of a “clandestine bank” to facilitate corruption (without the knowledge or authorization of Brazil’s Central Bank ➔ FPB Bank based in Panamá and allegedly linked to Mossack Fonseca, the Panamanian law firm investigated in the 22nd phase of Lava Jato. It is alleged that FPB Bank was active in money laundering to disguise/hide the origin of illicit funds ➔ outsourcing money laundering, more sophisticated than using a common money changer. The key person taken in for coercive testimony was Edson Paulo Fanton – who has a relative who works as a Federal Police delegado – a very nice “cover”.

1.3 – CARF

On 6th July, the Federal Police arrested João Carlos de Figueiredo Neto, a councilor on CARF-Administrative Council for Fiscal Appeals, who had attempted to “shake down” Banco Itau Unibanco [extortion], requesting a bribe to alleviate the bank’s appeal against accusations of tax evasion. Itau notified the police about this case and the councilor was “monitored” and Figueiredo Neto was arrested via a warrant issued by the Judge on the 12th federal circuit in Brasília. This was called Operation Quatro Mãos (Four Hands). This case involved the merger of Banco Itau and Unibanco in 2008 where in 2013 the SRF alleged that R$ 18.7 billion in tax credits (income) had not been declared. The investigation of this case was not part of the Operation Zelotes against CARF.

1.4 – Dep. Waldir Maranhão

After Dep. Eduardo Cunha (PMDB-RJ) was suspended from the Chamber Presidency by the STF on 5th May, the Chamber Vice-President Dep. Waldir Maranhão (PP-MA) took over as interim president. But he has been a total disaster – made inappropriate decisions and then forced to revoke same and is not capable of presiding over Chamber sessions and managing the agenda of the Lower House. Because Cunha has not yet resigned or been cassado, the Chamber can not hold an election to select a new President. So, how to resolve this dilemma??

On 5th July, two months after Maranhão became interim Chamber President, the PGR, Rodrigo Janot, invested against Maranhão. A Federal Police investigation discovered that Maranhão and three other deputies were involved in a corruption scheme as “lobbyists” in frauds against pension funds of employees of several municipal governments. The involvement of Maranhão was detected by the Federal Police during Operation Miqueias in 2013 via wire taps of conversations between Maranhão
and one of the main *doleiros* [money changers] in Brasília – Fayed Antoine Traboulsi. The Federal Police affirm that some R$ 50 million was embezzled from these pension funds.

The PGR filed this accusation against Maranhão at the STF that has been accepted and an investigation installed. The STF reporter on this case, Judge Marco Aurélio Mello, ordered that Maranhão’s bank account and fiscal secrecy the broken open.

1.5 – PT leadership in the Senate

On 5th July, Sen. Lindbergh Farias (PT-RJ) was selected by his peers as the new PT floor leader in the Senate. His mission will be to monitor every step (initiative) of the interim Temer government and articulate a unified position for the Opposition. Reportedly, he will be assisted by two stalwarts who were part of the “inner circle” of the Lula and Dilma governments ➔ Gilberto Carvalho and Amb. Samuel Pinheiro Guimarães.

1.6 – Petrobras new “Ethics Code”

“Under new management” – Petrobras has elaborated a new “Ethics Code and Conduct Guide” that is to be signed by *ALL* employees by 26th July. As might be expected, FUP- Petroleum Workers Federation [the labor union representing Petrobras workers] is against this initiative. FUP is linked to the PT’s CUT-Single Workers’ Confederation and says that this code is very “vague” and that obliging workers to sign this constitutes “blackmail” – the worker who refuses to sign will have his/her access to Petrobras’ internet system blocked. Apparently, FUP and CUT want to “facilitate” the continuation of the massive corruption scheme under investigation by the *Lava Jato* task force.

1.7 - Impeachment

The chronogram elaborated by the Senate Special Impeachment Committee designated Wednesday, 6th July, for suspended Pres. Dilma Rousseff to make her own personal defense. However, she declined this opportunity and her lawyer, José Eduardo Cardozo read her statement to the Committee.


1.8 – Acting Presidents

One acting President (Michel Temer) suffered his first defeat on 6th July in the Chamber at the hands of another [disgruntled] acting President – Dep. Fernando Giacobo (PR-RR) – who was acting [temporary] President of the Chamber. Giacobo allowed the defeat of an attempt to allocate urgent status to the proposal for a temporary moratorium for the debts of state governments (LC 257/16). This attempt failed to achieve the necessary 257 votes by 4 (with only 254 votes). *Why?* Giacobo was upset because Temer refused to appoint his ally to be a director at Itaipu.
2 – FOREIGN RELATIONS & TRADE

2.1 – June Trade Surplus

Late Friday afternoon, MDIC released results for Brazil’s foreign trade in June – a surplus of US$ 4 billion – in spite of a reduction of **exports** -- US$19.6 billion ➔ US 16.7 billion (YoY). **Imports** also declined, US$ 15.2 billion ➔ US$ 12.8 billion (YoY).

**However** – the first semester trade surplus of US$ 23.6 billion broke all previous records, with exports totaling US$ 90.2 billion with imports of US$66.6 billion.

2.2 - Mercosul

On 5th July, Foreign Minister José Serra and former President Fernando H. Cardoso traveled to Montevideo to meet with Uruguayan leaders – President Tabaré Vázquez, Foreign Minister Rodolfo Nin Novoa, former President Julio Maria Sanguinetti and Minister of Economics & Finance Danilo Angel Astori Saragosa.

The main objective of this visit was to “negotiate” the rotation of the presidency of Mercosul set to occur at the next bi-annual meeting of the five Mercosul nations, scheduled for 11th July (next Monday) in Montevideo. The “problem” is that by six-month rotation, Venezuela would assume the Mercosul presidency – but Brazil, Paraguay and Argentina question this rotation.

Last month, Paraguay requested an emergency Mercosul meeting to suspend Venezuela’s membership in Mercosul because of violations of the “Democracy Clause” in Mercosul’s bylaws. **Remember:** Paraguay was suspended back in 2012 after the 48-hour impeachment of then President Fernando Lugo.

Now the questions raised by Brazil and Argentina include other “problems” – comply with Venezuela’s adhesion document (in 2012): 1) The Mercosul customs agreement (ACE-18); 2) The protocol regarding the free trade of services; 3) Has not participated in the Mercosul free trade negotiations with the EU; and 4) Has not adopted the “Residency Accord” that guarantees the free transit and residency of citizens of all Mercosul nations. Serra stressed that Brazil’s position was between that of Paraguay -- total opposition to Venezuela (the Paraguayan congress never ratified Venezuela’s inclusion in Mercosul – and that of Uruguay (total support for Venezuela).

During his trip to Europe, Argentine President Mauricio Macri said that he was against Venezuela assuming the Mercosul presidency on 11th July and favored **two** alternatives: 1) Argentina (the next on rotation after Venezuela) assume the Mercosul presidency in July 2016; or 2) that Uruguay continue occupying the Mercosul presidency until December 2016.

Since 2011, the internal trade flows among Mercosul members have declined by -37%.
José Serra and F.H. Cardoso met with Uruguayan leaders

As might be expected the Venezuelan response was quite “violent” in its attacks on Brazil’s “illegitimate” government and its interim Foreign Minister, José Serra.

⇒ Stay tuned for the Mercosul meeting next Monday!!!

SEE⇒


2.3 – US – agreement for Sérgio Amaral

On 7th July, the US agreed to receive Sérgio Silva do Amaral as the new Brazilian Ambassador to the US. Amaral (72) was born in Rio in 1944. He completed his Law degree at USP in 1967 and finished the Inst. Rio Branco diplomacy course in 1970 and began his career at Itamaraty in 1971. He was professor of Political Science and International Relations at UnB (1981-1999) and Director of the American Studies Program at FAAP in São Paulo (2009-2016). He completed his doctorate at the University of Paris (Pantheon-Sorbonne) in 1978.


Amaral’s appointment must be confirmed by the Senate. He will replace Amb. Luiz Alberto Figueiredo who will become Brazil’s Ambassador to Portugal.
3 - REFORMS

Nothing this week.

4 – PRIVATIZATION & REGULATION

4.1 - Liquigás

Petrobras is in the process of privatizing its LPG subsidiary – Liquigás. This privatization is total – 100% of Liquigás will be sold. Reportedly, seven firms will place bids in this auction: Ultragaz, Supergasbras (Dutch capital), Gávea Investimentos, Aygaz (Turkey), a consortium of Copagas & Nacional Gas, Consigaz (SP). Because Liquigás has a 21.86% market share, Ultragaz has 23.5%, Supergasbras has 20.4% and Nacional Gas has 19.4%, the Brazilian Assoc. of LPG retailers filed a suit at CADE to suspend this auction because it might produce a large market share (near 50% that would impede competition.

5 - ECONOMICS

5.1 – ANP – Oil production increased

On 5th July, ANP-National Petroleum Agency announced that Brazil’s petroleum production increased by +8.6% MoM & +3.1% YoY in May to 2.487 million barrels per day. 99.8 million cubic meters of natural gas were produced, +4.2% MoM & +7.2% YoY.

These increases were because of several off shore drilling platforms returned to service after periods of maintenance. According to ANP, the 56 pre-salt wells produced 928,900 barrels of petroleum and 34,5 million cubic meters of natural gas – the equivalent of 1.146 billion barrels of petroleum per day, +15.2% MoM.

5.1.1 – New auctions in 2017

In 1st Q/2017, ANP will hold the second round of concession auctions for the pre-salt fields in the Campos and Santos basins. The first round was held in 2013 and yielded R$ 15 billion in the Libra area of the Santos basin. The consortium formed by Petrobras, Shell, Total and two Chinese firms (CNOOC & CNPC) won this auction. This auction depends on the approval of Bill 131 by Congress that would remove Petrobras from obligatory participation in the exploration of the pre-salt areas. On 6th July, the Special Chamber Committee approved Bill 131 (drafted by then Senator José Serra) by a 22-to-5 vote and now goes to the full Chamber for deliberation.

See ➾ http://www.reuters.com/article/us-brazil-oil-auction-idUSKCN0ZM0BU
5.2 – Industrial Production “stable” in May

On 5th July, IBGE released its IP data for the Month of May ➔ production was “stable” in May (0.0% MoM) but -9.5% YoY. On “bright sign” came from the capital goods sector ➔ +1.5% MoM, but -26.9% YoY. Consumer durables were also up +5.6% MoM, but -22.4% YoY.

5.2.1 – Auto sales up in June

On 5th July, Anfavea released data for auto sales in the first semester 2016 ➔ 983,500 units (-25.4% YoY) – the worst semester in ten years. However, in June sales were 171,800 units, up by +2.57% MoM. This caused a “spark” of hope in this sector. The past three months had revealed an “upward trend” in auto production ➔ April (169,800 units), May (175,300 units) and June (182,600 units).

⇒ Stay tuned for auto sales in July.

In 2012, Brazil’s auto sales surpassed those of Germany and was ranked fourth worldwide. In 2014, Brazil declined to 7th rank and in 2015 descended even further to 10th rank.

5.3 – Citibank ➔ Santander

On 6th July, it was reported that the Spanish bank Santander was completed its review of the data presented by the Brazilian branch of Citibank and is ready to make its final offer by the end of July. Like HSBC, Citibank decided to close its operations in Brazil in February 2016. Banco Itau Unibanco and Banco Safra showed some interest. Citibank has operated in Brazil for over 100 years and currently has 71 branch offices with assets of R$ 7.7 billion and had R$ 895 million profits in 2015.

CEO of Banco Santander, Ana Botín, affirmed that she has “faith in Brazil” and that the Brazilian branch of her bank might become the main source of profits after Brexit.

Banco Santander estimates that it might invest US$ 11 billion in infrastructure projects in Latin America in the next three years – US$ 5.4 billion in Brazil.

5.4 - Senate confirmed new Central Bank Directors

On Tuesday, 5th July, the Senate confirmed four new Central Bank directors ➔ 1) Monetary Policy, Reinaldo Le Grazie; 2) International Affairs & Management of Corporate Risks, Tiago Couto Berriel; 3) Economic Policy, Carlos Vianna de Carvalho; and 4) Institutional Relationships and Citizenship, Issac Sidney Menezes Ferreira. Earlier that same morning, they were approved by the Senate Economic Affairs Committee.

Le Grazie worked at Bradesco Asset Management. Tiago Berriel and Carlos Carvalho taught economics at PUC-Rio. Issac Ferreira was General Legal Counsel at the Central Bank.

Central Bank Directors who left their positions were Aldo Mendes (Monetary Policy), Tony Volpon (International Affairs) and Altamir Lopes (Economic Policy). Those directors continuing in their posts are – Anthero Meirelles (Oversight), Sidnei Marques (Financial System Organization & Rural Credit Control), and Otavio Damaso (Regulation).
5.4.1 – Mário Mesquita replaced Goldfajn

Ilan Goldfajn left his position as Chief Economist at Itau Unibanco to become the new President of the Central Bank. On Tuesday, 5th July, Itau Unibanco announced that economist Mário Mesquita would replace Goldfajn. Over the past four years, Mesquita was a partner and chief of economic research at the Banco Plural Brasil. He was a director at the Central Bank under Henrique Meirelles (2006-2010). He completed his BA at UFRJ and his MA and Ph.D. at Oxford. He also worked at the IMF, Febraban and ABN Amro Bank.

5.5 – Savings accounts depleted

In the first semester of 2016, Brazil’s savings accounts suffered the worst result since 1995 (when this data set began) – net losses of R$ 42.6 billion. In the first semester of 2015, net withdrawals were R$ 38.5 billion – according to the Central Bank. In June 2016, net withdrawals were R$ 3.7 billion. Brazil’s savings accounts hold a total of R$ 638.2 billion.

5.6 – IBGE – Brazil’s grains production down in 2016

On 6th July, IBGE released its projection that Brazil’s production of grains should decline by -8.4% in 2015/2016 to 191.8 million tons from 207.7 tons in 2014/2015. However, CONAB projects a reduction to 189.3 million tons. This would be the largest decline since 1996 (-13.3% decline YoY). This “harvest year” ends on 30th July each year.

The production of soy is 96.6 million tons (-0.6% YoY). Corn production will be down by -64.1% YoY due to adverse climate conditions.

5.7 – Fiscal deficit in 2017

On 7th July, the Temer economic team, led by Finance Minister Henrique Meirelles, announced that the projected fiscal deficit in 2017 would be R$ 139 billion. The estimate for the fiscal deficit in 2018 is R$ 79 billion according to the Planning Ministry.

5.8 – Inflation declined in June

On 8th July, IBGE released data for the IPCA in June ➔ +0.35%, down from +0.78% in May. Bloomberg News surveyed 42 economists whose median prediction was +0.37%. The 12-month accumulation of the IPCA is now +8.84% and +4.42% in the first semester of 2016. This was the lowest IPCA since +0.22% was posted in August 2015. In June 2015, the IPCA was +0.79.

5.9 – Petrobras US$ 3 billion bond issue

On 7th July, Petrobras completed a US$ 3 billion bond issue on the NYSE – in two tranche: US$ 1.75 billion in five-year bonds and US$ 1.25 billion in ten-year bonds. Of this total, US 2 billion will be used to repurchase bonds that fall due in 2016 and 2017. Earlier this year, Petrobras completed a NYSE bond issue of US$ 6.75 billion. Petrobras had a debt of US$ 126 billion according to its 1st Q/2016 balance sheet.