Brazil Focus –
David Fleischer
Phone/FAX: 55-61-3327-8085
Cell: 99218-2771 e-mail: Fleischer@uol.com.br
Weekly Report
Nov. 26-Dec. 2 2016
Looking Ahead ➔ What to watch for?

- 5th Dec. -- IBGE to announce Industrial Production for October
- 8th Dec. -- IBGE to post IPCA data for November ➔
- 14th Dec. – Ex-Pres. Dilma Rousseff ➔ 68th birthday
- 16th Dec. -- IBGE to announce retail sales for October
- 16th Dec. -- IBGE to announce PME unemployment data for October
- 22nd Dec. -- Deadline for Congress to adjourn
- 25th Dec. -- Christmas Day [national holiday]
- 30th Dec. -- FGV to post December IGP-M
- 30th Dec. -- Public Account data for November
- 30th Dec. -- FGV to post December IGP-M ➔
- 31st Dec. -- Deadline for Congress to approve 2017 detailed budget [LOA]
- 1st Jan. -- New Years Day – National Holiday
- 1st Jan. -- New minimum wage of R$ 880,00 goes into effect R$ 945,80
1 - POLITICS

1.1 – A National Tragedy!!

Just after midnight, early Tuesday morning, 29th November, a BAe-146 plane (Arvo RJ85) owned by the Bolivian airline LaMia crashed some 50 Km from the Medellín airport in Northern Colombia. However, this plane was registered in Bolivia. Apparently, this plane had circled twice in preparation for its landing approach when it crashed at a velocity considered “low” by specialists – 147 knots (263 Km/hour, 158 miles per hour). This flight departed Santa Cruz de la Sierra, Bolivia en route to Medellín with the Chapecoense soccer team that was to play the final game of the South American Cup against Atlético Nacional of Medellín on Wednesday, 30th November.

Chapecoense is the soccer team of the city of Chapecó, in the western region of the state of Santa Catarina and was considered a “Cinderella team” in Brazil. ACF-Associação Chapecoense de Futebol was “born” in 1973 with the merger of two local teams – Atlético Chapecó & Independente – and went on to defeat its arch rival – Avaí – for the state championship in 1977. In 2009, ACF entered the Group D national competition and ascended, to Group C in 2010, to Group B in 2012, and to Group A in 2014. In 2016, AFC achieved ninth rank. In 2015, ACF competed in the South American Playoffs for the first time. In 2016, ACF arrived at the final playoff with Atlético Nacional after defeating Independiente (Argentina), Junior de Barranquilla (Colombia), and San Lorenzo (Argentina – Pope Francis’s favorite team).

After this tragedy, the Medellin team asked Conmebol (that organized this South American Playoff) to award the title (Championship) to the Chapecoense team. In solidarity with the Chapecó team, several other Brazilian soccer teams offered to loan some of their players (free) to ACF so the team could “get started again”. These teams also requested the CBF-Brazilian Soccer Confederation to maintain ACF in the first division for another three years. The CBF declared a seven-day mourning period – with no soccer games or other activities.

In addition to the ACF team and its technical staff, several TV, radio and print journalists were on board this flight - TV Globo (2), Fox Sports (5), & RBS (5). Three ACF players survived this tragic accident, plus one journalist and two crew members. This flight has 81 persons aboard – 72 passengers and 9 crew members. The passengers included 22 players, 26 technicians, 21 journalists and 3 invited guests. These 72 passengers had flown to Santa Cruz to board the LaMia flight to Medellín. ACF had used this LaMia plane before to travel to games in South America. Colombian authorities
confirmed 75 deaths. At first it was thought that 81 persons were aboard, but later it was discovered that four persons did not board for a variety of reasons. Thus the revised number was 71 dead and 6 survivors.

There were conflicting versions regarding the causes of this tragedy ★ 1) The plane ran out of fuel – the route Santa Cruz→Medellin is 2,900 Km (near to limit of the range of this BAc plane); 2) in the last contact between the Medellin control tower and the pilot, he reported some “grave electrical problems”; 3) reportedly, there were some severe thunderstorms south of Medellin at that time – but all other flights were able to land with no problems; 4) human error by the pilots; and 5) maintenance problems.

Now that the two black boxes have been recovered, their information might point to the conclusion that the plane ran out of fuel. When the engines begin to fail, electrical “problems” would develop, and the plane would lose air speed and altitude. One of the flight attendants who survived affirmed that before the crash “all the cabin lights went off”. A CNN dispatch late Wednesday afternoon reported that Colombia media published part of the cockpit audio (from the “black box”) where the pilot affirmed that “The plane is in electrical failure and without fuel”. This would confirm the first hypothesis above.


Before the LaMia plane reported problems, the Medellin control tower gave landing priority to another plane (ViaColombia) that had some “problems”. That caused the LaMia plane to make two circling movements that consumed more fuel. The pilot (who died) Manuel Quiroga was the owner of LaMia that had TWO Arvo RJ85 planes but only one was certified to fly. British-AeroSpace (BAe) stopped making this plane in 2001 due to competition from twin-engine Embraer and Bombardier planes. This BAe model suffered 13 accidents with 200 deaths.

LaMia (Linea Aerea Mérida Internacional de Aviación) was constituted in Mérida, Venezuela in 2009 with one plane (ATR-72 200) to promote tourism in that region, but later this plane was returned. In 2011, LaMia was reactivated with this BAe Arvo RJ-85 that had been operated in the US. In November, 2015, LaMia moved its headquarters to Santa Cruz, Bolivia and obtained a license to operate domestic flights.

The city government of Chapecó (210,000 inhabitants) declared a 30-day period of mourning, will all schools in recess and no end-of-year holiday celebrations. Pres. Michel Temer decreed a 3-day period of mourning and FAB-Brazilian Air Force put several of its planes at the disposal of the families of those killed in this crash and other authorities to fly to Bogotá. A Hercules C-130 plane was placed on call in Manaus to fly to Medellin to pick up the bodies of those killed and fly them to SP and then to Chapecó. The Colombian authorities decided that the identification of these 71 bodies would be done in Brazil. Brazilian and Colombian technicians have teamed up to speed up this process. Death certificates had to be issued by the Medellin authorities as well as the Brazilian consulate. This process was completed late Thursday, 1st December, and the coffins were transported to Santa Catarina on Friday, 2nd December on the FAB C-130 transport plane.
Simultaneous events in homage for the Chapecoense soccer team took place on Wednesday evening at the soccer stadiums in Chapecó, SC and in Medellín. The latter stadium was packed full with Colombian fans gave emotional homage to the Chapecoense team.

From Havana, where he and the Minister of Culture, Roberto Freire (PPS-SP) are representing Brazil during the funeral events for Fidel Castro (See Item 2.2), Foreign Minister José Serra flew to Medellín on 30th November to supervise the logistics of the post-accident operations. Serra is fluent in Spanish (married to a Chilean woman, he spent some 6 years in exile in Santiago until 9-11 1973). He delivered a highly emotional speech at the Medellín ceremony (in Spanish).

The cause of this tragic accident was that the plane ran out of fuel before its final approach to land in Medellín – confirmed by the dialogues between the pilot and the Medellín control tower. Before this flight left Santa Cruz de la Sierra (Bolivia) a young woman authority refused to accept this flight plan because it gave the plane no extra time (at least 30 minutes) after arriving near Medellín) but did not insist in a revised flight plan. Had this plane landed in Bogotá to refuel, LaMia would have had to cover the extra costs of landing and take off plus refueling (more expensive than in Brazil or Bolivia). Many asked “Why did the pilot not request “emergency status” (top priority) for an immediate landing at the Medellín airport? The answer was again EXTRA COSTS ➔ a very heavy fine for running out of fuel.

**DETAIL:** By coincidence, the father-in-law of the LaMia pilot Manuel Quiroga is Bolivian Senator Roger Pinto who sought asylum in the Brazilian Embassy in La Paz in May 2012 and was later “extricated” by Brazilian diplomat Eduardo Saboia – who transported Sen. Pinto overland (in two diplomatic vehicles) in a 22-hour non-stop road trip from La Paz to the border town of Corumbá, MS (Brazil) – on 23-24 August 2013.

On 1st December, Bolivia suspended the license for LaMia to operate in that nation.

**This was the worst air accident in the history of world soccer!!** The first such plane crash involved the Turin (Italy) soccer team in 1949.

On Friday, 2nd December, the repatriation of the bodies of those who died in this crash began. The only Paraguayan and only Venezuelan were returned on commercial Avianca flights. The five Bolivians were transported by a C-130 Hercules plane by the Bolivian Air Force. A chartered Avianca flight transported the 14 Brazilian journalists’ caskets to São Paulo and then to Rio.

The players and members of the Chapecoense soccer team left Medellín in the early evening of 2nd December on three FAB planes destined for Chapecó, SC. These caskets were ushered through the streets of Medellín by a formal military escort by Colombian troops – with full military honors. Brazilians were very favorably impressed by the outpouring of sympathy, grief and respect for the Brazilians killed in this terrible tragedy. After a refueling stop in Manaus, these planes will reach Chapecó Saturday morning in time for the memorial ceremony at the Arena Condá soccer stadium. These flights will arrive at planned intervals to allow time for the off loading of the caskets.

Pres. Michel Temer decided not to attend the collective funeral ceremony at the Condá Stadium in Chapecó (afraid of being booed and jeered) – but will be at the Chapecó airport to receive the caskets. Temer will confer the highest national sports honor (medals) to the Chapecó group.
1.2 – Chamber mutilated anti-corruption proposal

Brazilian federal prosecutors and judges together with other civil society groups circulated petitions in favor of a ten-point anti-corruption package and delivered this to the Chamber of Deputies as a popular initiative proposal that by law got priority deliberation in the Chamber.

Because of the national consternation caused by the tragedy described above in Item 1.1, many deputies wanted to postpone the vote on this package from Tuesday, 29th November until next week, after the three-day national mourning period. But, no – Chamber President Rodrigo Maia (DEM-RJ) stubbornly maintained the vote that only ended at 5:00 a.m. the next day (30th November). Remember: Maia is in full campaign to be reelected Chamber President on 1st February 2017 – clearly against the Chamber statutes.

The TEN items of this package “mutilated” by the Chamber:

1) Integrity – Prosecutors can guarantee the secrecy of their sources.
   → Defeated, removed.
2) Criminalize “illicit enrichment” of public employees (3 to 8 years in prison)
   → Defeated, removed
3) Heinous crimes – Prison terms between 4 and 12 years, or 12 to 15 years if amount corrupted surpasses R$ 8.8 million
   → The only item approved.
4) Minus appeals – Would limit the number of appeals allowed (including habeas corpus)
   → Appeal limits approved, but not limits on habeas corpus
5) Celerity – Accelerate civil suits related to corruption.
   → Defeated the regulation of leniency agreements.
6) Proscription – Would have altered the penal code to avoid proscription while corruption cases are being deliberated at the STJ or STF.
   → Defeated, removed.
7) Reduce penal nullities – Include cases of exclusion illicit acts to obtain evidence.
   → Defeated, removed
8) Punish political parties – Parties would be held responsible for corrupt practices, criminalize Caixa Dois, criminalize money laundering.
   → Approved criminalize Caixa Dois and possibility of annul a party’s registration
9) More arrests – Preventative arrest to facilitate discovery of illegal funds, to assure return of $$, or to avoid the use of these $$ to flee or pay defense lawyers.
   → Defeated, removed
10) Expand confiscation of assets – Create an “enlarged confiscation”, the difference between illicit assets and total assets.
    → Defeated, removed

Final Retaliation – An amendment presented by Dep. Wewerton Rocha (PDT-MA) that would subject judges, prosecutors and police be prosecuted for abuse of authority”. This supposedly would “coerce” the Judiciary regarding corruption cases. Wewerton has two corruption cases against him at the STF from when he held an appointment at the Ministry of Labor (when this post was in the hands of the PDT). Also, he voted against the impeachment of Dilma. Of the 450 deputies who voted in
favor of this “mutilated” proposal, 301 decided to vote in favor of Dep. Wewerton’s (midnight) amendment.

Of the 513 federal deputies, 312 have cases against them in the courts.

This vote in the Chamber was seen by most observers and analysts as a blatant retaliation against the Lava Jato investigation task force and against the Judiciary in general (including prosecutors and police agents) – exactly by those being investigated!!!. In protest, the Lava Jato prosecutors threatened to resign. However, the best posture would be for them to retaliate in double or triple against corrupt deputies and senators.

1.2.1 – Urgency attempt failed in Senate

In a rapid-fire sequence, later that same day (30th November) Senate President Renan Calheiros (PMDB-AL) attempted to approve “urgency” status to this package that has just been approved hours before in the Chamber. He proposed that this “urgency” motion (sponsored by the floor leaders of the PMDB, PSD and PTC) be approved by a “leadership vote”. Several senators complained that the content of this motion had not been distributed to the senators and their objections produced a roll call voted by individual senators – and this motion was roundly defeated by a 44-to-14 vote. The breakdown by party of 14 senators in favor of this “urgency” request ➔ PMDB (4), PP (3), PT (2) and PSB-PDT-PR (5). Reportedly, PSDB National President Sen. Aécio Neves (MG) took part in articulating this “urgency” proposal. However, this tucano colleague from SP, Sen. Aloysio Nunes Ferreira was one of the most ardent (and vocal) objectors to this tactic. This strong procedural vote means either: the Senate might restore a considerable part of the “mutilation” by the Chamber, or might reject the whole package. If by chance the Senate approves the Chamber package, two other levels might intervene ➔ 1) Pres. Temer might veto the most objectionable parts of this package; and 2) If Pres. Temer sanctions the total package approved by the Senate, some group might quickly file an ADIn at the STF and very quickly the Supreme Court would declare this attempt to reduce the powers of the Judiciary unconstitutional.

This was the FIRST defeat for Renan Calheiros; his second (and worse) defeat came “the day after”.

1.2.2 – Supreme Court “retaliation”

Perhaps, the new STF President, Judge Carmen Lúcia has the powers of “foresight” (ability to accurately predict the future). Anyway, several weeks ago she set the date for the STF to deliberate as case against Renan Calheiros on the Supreme Court docket for 1st December – “The Day After” the Chamber and Senate votes.

The STF deliberated a request by the PGR (from 2013) to open an investigation against Senator Renan Calheiros for peculato [embezzlement, peculation] stemming from the birth of his out-of-wedlock child with Mônica Veloso, a TV Globo journalist that became public in 2007 when he was President of the Senate. He was accused of paying child support (alimony) with funds supplied by a lobbyist from the Mendes Junior construction firm, in return for “favors” (legislative decisions) that benefited this firm. Renan reacted saying that in part these funds were the result of the sale of part of his beef cattle in Alagoas and “loans” an auto rental firm. Investigators quickly discovered that the
receipts form the alleged “cattle sale” were false as was the “loan document” from the auto rental firm. In addition, Renan had paid for a number of false auto rentals using his Senate expense allowance.

In 2007, the Senate Ethics Council deliberated in favor of the cassação of Calheiros, but at the last minute he “gave up some rings to save his fingers” and resigned the Senate presidency in an effort to save his Senate seat. On 12th September 2007, Renan was absolved by a close Senate vote (40-to-35). Later, he became PMDB floor leader and was again elected Senate President in 2012 and reelected in 2014. So you could say that in this case “history repeated itself” (in the Senate).

On 12th December, the STF voted 8-to-3 to prosecute Senator Renan Calheiros and for the first time he became an accused (reu) at the Supreme Court. He has another eleven accusations before the STF, including several from the Petrobras Lava Jato scandal.


Who remembers the Christine Keeler London episode in June 1963? This 21 year-old beauty was the “playmate”/lover of none other than then UK Defense Minister John Dennis Profumo – no big deal, but she was also the lover of Eugene Ivanov, the Soviet navy attaché in London. This was during a very “hot” Cold War period and Profumo was forced to resign and 4 months later PM Harold Macmillan’s Conservative government fell.

Born into an aristocratic British family and a World War II military hero, Profumo was pardoned in 1975 and died in 2006 at age 91.

In May 1963, photographer Lewis Morley snapped a sensuous photo of Ms. Keeler sitting nude on a curved (molded) Danish kitchen chair, that later was “leaked” and published in the Sunday Mirror. To prepare the photo display of Ms. Veloso (age 39) in 2007, Playboy chose the famous photographer J. R. Duran. Duran, remembering Morley’s 1963 shot of Ms. Keeler, snapped the equally sensuous Ms. Veloso in an identical nude pose sitting on the same model Danish chair!!

**COLD WAR, HOT SENATE**

The case that toppled the UK War Minister in 1963 inspired a *Playboy* photo in 2007

Lewis Morley - 1963/National Portrait Gallery / Divulgação
1.3 – VERY bad timing!

Ever since Michel Temer replaced Dilma Rousseff on 12th May 2016, the maximum objective of the new government’s “economic team” has been to reverse the economic recession and as Temer put it “Get Brazil out of the Red”!! Of course, this irritated the PT.

The government pushed several economic austerity measures to rebalance Brazil’s public accounts in an effort to persuade the private sector (domestic and international) to return to investing (with innovations) in Brazil – more investments ➔ more new jobs created ➔ more economic production ➔ positive GDP growth. At that time, the private sector became more “optimistic” after Dilma was removed, but adopted a “wait-and-see” posture. As seen in Item 5.3, the private sector appears to be “still waiting”.

Exactly in late November/early December 2016, Brazil again confirmed the nasty quip by then French President Charles de Gaulle when he visited Brazil in 1965 ➔ “Brazil is not a serious country!”

The action by the Chamber of Deputies showed the whole world that it favors “opening the door” to corruption in Brazil and inhibiting investigations of members of Congress by the Judiciary – a severe blow to Montesquieu’s concept of “Separation of Powers”.

➔ This has produced a very strong negative impact on investor decisions regarding Brazil.

➔ Counterpoint: An Ipsos Public Affairs survey released on 2nd December showed that 96% responded that “the anti-corruption investigations must continue until the end”.

1.4 – Operation Zelotes
On 1st December, the Itau Unibanco was targeted by the 8th Phase of the Operation Zelotes. The Federal Police had 34 “search-and-seize” warrants for documents from the Bank Boston that had been acquired by Itau from Bank of America in 2006 – in addition to 13 warrants for coercive testimony of suspects – in SP, RJ and PE. Itau explained that it had no responsibility regarding these documents from tax cases deliberated by CARF.

1.5 – Lava Jato

Odebrecht ➔ “The End of the World” – Reportedly, 77 Odebrecht executives and ex-executives (including the founder Emilio Odebrecht and his son Marcelo Odebrecht) signed a “leniency agreement” with Lava Jato prosecutors on 1st December as well as individual plea bargaining testimony agreements. Because once this testimony is incorporated into the investigation, some 130 politicians will be “dragged down” into the status of “accused”. For this reason, this has been nicknamed “The End of the World”. Reportedly, the leniency agreement will cost Odebrecht some R$ 6.8 billion. Apparently, Marcelo Odebrecht will spend another 12 months in prison in Curitiba and then another five years under house arrest. This amount will be divided with the US and Switzerland where some of the illicit operations were conducted. Odebrecht has business operations in the US and thus is subject to the FCPA-Foreign Corrupt Practices Act. This agreement was delayed because the US demanded an extra US$ 50 million. These negotiations began back in March 2016.

➔ Stay tuned!!!!

1.6 – Operation Sevandija

On 2nd December, the Federal Police conducted the 2nd phase of Operation Sevandija in Ribeirão Preto, SP and arrested the outgoing Mayor Ms. Dárcy Vera (PSD) and four accomplices. This group is accused of corruption in tendering contracts for the city government (R$ 203 million). The Vice-Mayor Marinho Sampaio (PMDB) was undecided as to whether to assume the post of Mayor until 1st January 2017, or to resign.

1.7 – IBGE ➔ 2015 census (PNAD) report

On 2nd December, IBGE released PNAD data from its 2015 Census analysis.

Gender ➔ In 2015, the average salary for men was R$ 2.012,00 and R$ 1.522,00 for women (a R$ 490,00 difference, women received 76% less. Compared with 2005, at that point the difference was 71%). In 2015, 6.2% of men over age 25 occupied command positions, and 4.7% of women. Unemployment is worse among women (11.7%) than among men (7.9%).

Seniors ➔ Between 2005 and 2015, the proportion of Brazilians over age 60 increased from 9.8% to 14.3%. This indicates that the Brazilian population is aging and approximating the profiles of “developed” nations. The UN found that in 2015, 12.3% of the world’s population was over age 60. Like the latter, this means that Brazil must quickly reform its social security system. This change also points to better health care for the elderly over this ten-year period. On 1st December, Pres. Temer affirmed that the Social Security deficit should be -R$ 100 billion in 2016 and reach -R$ 140 billion in 2017.
Family Budgets ➔ IBGE found that 32% of Brazil’s population pays more than 30% of their income for rent. Between 2008 and 2015, average rents increased by +106.92% but that IPCA inflation increased less (+64.60%).

Family Units ➔ This PNAD 2005-2015 comparison found that number of couples without children increased 15.2% ➔ 20.0% and that the number of single person households increased 10.4% ➔ 14.6%.

Income Distribution ➔ The 10% richest persons in Brazil hold 40.5% of the nation's wealth, while the 40% poorest part of the population detained only 13.6%. This concentration decreased slightly since 2005 – 10% richest held 45.3% and 40% poorest had 11%.

2 – FOREIGN RELATIONS & TRADE

2.1 – November trade surplus

On 1st December, MDIC released Brazil trade data for November 2016 ➔ a US$ 4.758 billion. The 11-month accumulation in 2016 now stands at US$43.282 billion. This November result was positively impacted by increases in commodity prices as well as the sale of two off shore drilling platforms for US$ 1.9 billion. MDIC projects a final 2016 trade surplus between US$ 45 billion and US$ 50 billion and should surpass the all time record of a US$ 46.5 billion surplus in 2006.

This November surplus was an all time record for that month since this historic data series began in 1989. Exports totaled US$ 16.220 billion and imports were US$ 11.463 billion

2.2 – Fidel Castro (1926-2016)

Fidel Castro passed away in Havana on late Friday evening, 25th November ➔ Black Friday. Brazilians had very mixed reactions – passion and despair (among Leftists) and “joy” (among non-Leftists).

Pres. Barack Obama decided not to attend the sequence of funeral events, but dispatched two officials to represent the US – Jeffrey DelLaurentis who awaits Senate confirmation as US Ambassador to Cuba and deputy national security advisor Ben Rhodes.

Pres. Michel Temer also decided not to attend, but designated Foreign Minister José Serra (PSDB-SP) and Minister of Culture Roberto Freire (PPS-SP) to represent Brazil. However, because of the crash of the airplane the carried the Chapecoense soccer team to Medellin, Colombia, Serra flew from Havana to Medellin to supervise arrangements for the transfer of the remains of those who died in the crash and accompany the treatment of the survivors under hospital treatment. (See Item 1.1)

On Saturday, 3rd December, Lula and impeached President Dilma Rousseff will fly to Havana on a private jet to participate in the funeral ceremonies for Fidel Castro in Santiago, Cuba the next day, Sunday, 4th December. José Dirceu was also invited by the Cuban government to participate in these
ceremonies, but because he is in prison in Curitiba, PR, he will not attend. This invitation was extended to his son Dep. Zeca Dirceu (PT-PR).

2.3 – Mercosul suspended Venezuela

On 1\textsuperscript{st} December, the four original Mercosul members (Brazil, Argentina, Uruguay and Paraguay) decided to suspend Venezuela from Mercosul. The four foreign ministers signed the document notifying Venezuelan foreign minister Delcy Rodríguez Gómez that was delivered on 2\textsuperscript{nd} December. Of the 1,224 norms that Venezuela should have adopted, 238 were not approved. Of the 57 Mercosul agreements, Venezuela had only incorporated 16. Argentina should assume the presidency of Mercosul (on a six-month rotation) at the next summit the week of 12\textsuperscript{th} December.

3 - REFORMS

3.1 – Bolsa Família

On 1\textsuperscript{st} December, the Ministry of Social and Agrarian Development (MDSA) announced that it had detected 8,000 federal employees who were receiving Bolsa Família monthly cash transfers – that is against the law because they falsified their incomes. This “fine tooth comb” exercise compared the Siape data set for federal employees with the Bolsa Família database. MDSA minister Osmar Terra affirmed that this comparison of these data bases will be conducted every month.

3.2 – PEC 241 ➔ PEC 55 approved by Senate

In spite of some quite violent protests along the Esplanada dos Ministérios and in front of Congress on 29\textsuperscript{th} November (10,000 protesters including some 2,000 vandals), the Senate approved the PEC that would put a “cap” on federal expenditures by a 61-to-14 vote. The second round vote should take place next week.

4 – PRIVATIZATION & REGULATION

4.1 – Enel acquired Celg for R$ 2.1 billion

In the first privatization in the Temer government, the Italian Enel acquired the Goiás state electric distribution firm – Celg-D (controlled by Eletrobras) for R$ 2.187 billion on 30\textsuperscript{th} November. This price was 28% over the stipulated minimum. Enel will pay the total amount at the end of January. R$ 1.065 billion will go to Eletrobras and the rest to the state of Goiás.

Eletrobras plans to sell off another six distribution firms by the end of 2017 ➔ Acre, Alagoas, Amazonas, Rondônia, Roraima and Piauí.

4.2 – ContourGlobal to acquire Neoenergia assets
On Monday, 28th November, the São Paulo office of ContourGlobal announced that it had signed an agreement with Neoenergia to acquire its assets (operations) of a 205 MW portfolio of electricity generation in Brazil – consisting of seven hydroelectric installations (130 MW) in the states of Bahia, Minas Gerais and Rio de Janeiro as well as four high-efficiency co-generation plants in PR, RJ and SP. The total price for this acquisition is US$ 208 million and this operation should be concluded in 1st Q/2017.

5 - ECONOMICS

5.1 – October Public Accounts

Primary SURPLUS ➔ R$ 39.5 billion (first time since 2001)
➔ Because of the “repatriation” of funds held overseas (R$ 45 billion)
- Without this “repatriation”, primary deficit of -R$ 5.5 billion
➔ The December primary surplus should be still larger, because the BNDES
Is scheduled to return R$ 100 billion to the Federal Treasury

Nominal SURPLUS ➔ R$ 3.38 billion (first time in 18 months)

Accumulated deficit in 12-months:
  September 2016 ➔ 3.08% of GDP
  October 2016 ➔ 2.23% of GDP

2016 Deficit Target ➔ R$163.9 billion (2.6% of GDP)
➔ November & October remaining??

Social Security Deficit ➔ -R$ 11.2 billion Vs. –R$ 19.8 billion in October 2015

5.2 – OECD predictions

On 28th November, the OECD revised its economic predictions for Brazil ➔ GDP retraction in 2016 (worse), -3.3% ➔ -3.4% and for 2017 a bit better, -0.3% ➔ 0.0%.

5.3 -- IBGE released GDP for 3rd Q/2016

On 30th November, IBGE released its data for Brazil’s GDP for the 3rd Q/2016 ➔ -0.8% -- worse that 2nd Q/2016 (-0.4%) and 1st Q/2016 (-0.5%). The estimate for the full year 2016 is a retraction of -3.8%. Compared to the 3rd Q/2015, the retraction was -2.9%. Brazil had the worst 2016 GDP data on a list of 39 nations – surpassed by Greece, The Ukraine and Russia. The top performers were The Philippines (+7.1%), China (+6.7%), Indonesia (+5.0%), Israel (5.0%), Peru (+4.4%) and Malaysia (+4.3%).

What happened? Investments – the “great hope” was that investments by the private sector (domestic & international) would continue to increase after the 2nd Q/2016 result ➔ +1.2% MoM –
but the 3rd Q/2016 result was -1.3% MoM. The Quarter-on-Quarter results were ➔ -1.6% (1st Q/2016), +0.5% (2nd Q/2016), and -3.1% (3rd Q/2016).

This produced a “chain reaction” ➔ continued unemployment, net jobs lost, reduced consumer demand, etc. Since Pres. Dilma was “suspended” in May and finally removed in August, the private sector had positive “expectation” for the Temer government – but adopted a “wait and see” position. Thus, the June-September period was worse than the April-June period.

As seen above, the revised OECD projection (above) for Brazil’s GDP in 2016 ➔ -3.4% -- less than the projection from the IBGE data.

5.4 – Copom

Copom met on 29-30 November and announced its decision after markets closed on Wednesday afternoon ➔ the basic Selic interest rate was reduced by 25 bps from 14.00% to 13.75%. This was the last Copom meeting in 2016.

5.5 – Industrial Production declined in October

On 2nd December, IBGE released its data for Industrial Production in October ➔ -1.1% MoM and -7.3% YoY. This was the worst October result since -1.5% was posted in 2013. The 12-month accumulation is now -8.4%. One problem is that investments continue to decline and this affects industrial production. Also, FBCF-Formation of Brute Fixed Capital declined by -3.1% in 3rd Q/2016.
In addition, the PMI-Purchase Managers Index shows a continuing decline in industrial purchase orders.