Looking Ahead ➔ What to watch for?

- 4th Dec. -- Fenabrave ➔ November auto sales
- 5th Dec. – Labor union centrals plan national strike against Social Security reform ➔ This strike was postponed on 1st December
- 5-6 Dec. -- Copom meeting (the last in 2017)
- 8th Dec. -- IBGE to post IPCA data for November ➔
- 9th Dec. -- PSDB to hold its national party convention to elect new president
- 14th Dec. -- IBGE to announce services sector data in October
- 15th Dec. -- CMO-Joint Budget Committee to approve 2018 annual budget (LOA)
- 17-18 Dec. -- Mercosur Summit to meet in Brasília
- 18th Dec. -- IBGE to announce retail sales for October
- 18th Dec. -- Central Bank to announce October IBC-Br
- 18th Dec. IBGE to announce PME unemployment data for October
- 20th Dec. -- Joint Session of Congress should approve 2018 annual budget (LOA)
- 21st Dec. -- IBGE to announce IPCA-15
- 21st Dec. -- Labor Ministry – Caged data, new jobs created in November
- 21st Dec. -- Deadline for Congress to adjourn
- 25th Dec. -- Christmas Day [national holiday]
- 29th Dec. -- FGV to post December IGP-M
- 29th Dec. -- Public Account data for November
- 29th Dec. -- FGV to post December IGP-M ➔
1. POLITICS

1.1 – AL-RJ PMDB “gang” returned to prison

After the TRF-2 suspended three PMDB state deputies – Jorge Picciani (AL-RJ President), Paulo Melo and Edson Albertassi – and ordered their imprisonment on 16th November, the day after (17th November), the AL-RJ voted in favor of their release – based on the STF decision in favor of Sen. Aécio Neves (PSDB-MG). The STF considered this an “irregular” release in that the AL-RJ did not immediately communicate its decision to the TRF-2. Legally, in Brazil, only the judiciary can order a release from prison. Thus, on Monday, 20th November, the TRF-2 ordered them back to prison and the AL-RJ decided to appeal to the STF. The consensus at the STF is that the Aécio Neves case is not applicable to the 27 state legislatures. The three deputies requested a three-month leave of absence, with their salaries (of course).

Want more? Last week when the Garotinho couple were arrested and imprisoned, another arrest warrant was not completed. Federal police could not locate PR national president Antonio Carlos Rodrigues, former Transportation Minister, was accused of receiving illegal campaign contributions in 2014 – for the PR, Pres. Dilma and Garotinho’s campaign for governor that year. He turned himself in to the Federal Police in Brasília on 28th November. However, Rodrigues has a habeas corpus ready to be decided at the TSE in Brasília – by TSE judge Jorge Mussi as reporter.

1.2 – Garotinho transferred to Bangu prison

After former RJ governor Anthony Garotinho (PR) and his wife, Rosinha, were arrested on 22nd November, he alleged that he had been attacked and bruised in his cell – but internal cameras showed that he had bruised himself in order to claim “aggression”. Because of this episode, RJ prison authorities decided to transfer him to the maximum security unit at the Bangu prison in solitary confinement – with 24-hour observation.

On 29th November, the TRE-RJ granted a partial habeas corpus for former RJ governor Rosinha Garotinho. She was released from prison but to house arrest using a GPS ankle bracelet, and is not allowed to “go out at night”. However, the TRE-RJ maintained her husband Anthony Garotinho (also an ex-governor of RJ) in prison.

1.3 – Pres. Temer – coronary procedures

On Friday, 24th November, Pres. Michel Temer was admitted to the Sírio-Libanês Hospital in SP for exams of his coronary arteries. Doctors discovered that two arteries had 90% blockage and stents were inserted to assure unrestricted blood flows. A third artery did not need a stent, but doctors performed an angioplasty, where a tube is inserted in the artery and “balloon” is inflated to enlarge the semi-obstructed artery. Temer left the hospital on Monday, 27th November and returned to Brasília. This coronary problem is common in men over age 70; Temer is age 77, the oldest Brazilian president in history.
1.4 – Unify the PSDB? ➔ Alckmin??

In a desperate effort to reunify the PSDB, that recently has been split into several rival factions, *tucano* leaders decided that the best way out was to induce the pre-candidates for party president (to be elected at the 9th December national PSDB convention) – Sen. Tasso Jereissati (CE) who favors leaving the Temer government and Gov. Marconi Perillo (GO) who favors remaining in the Temer government -- to resign their pre-candidacies in favor of a “unifying” candidate ➔ Gov. Geraldo Alckmin (SP) who would be “acclaimed” at the national convention. The “details” are being negotiated ➔ who would be chosen for the several slots on the national party executive committee. However, the third pre-candidate was not consulted ➔ the Mayor of Manaus, Arthur Virgílio Neto.

With the decision by TV Globo celebrity (star) Luciano Huck to abandon his pre-candidacy on Monday, 27th November, in theory, this should open the way for Alckmin to occupy the “Center” as an option between the “polarization” Lula-Bolsonaro.


To this end, Governor Alckmin will have to increment his campaign to increase his meager standing (9%) in the polls – especially the simulations without Luciano Huck and João Doria. On the other hand, Alckmin is threatened by the possibility that the STJ will open an investigation of his corruption in SP. Last week, the PGR requested the STJ to install an investigation to this end regarding accusations that Alckmin received bribes from Odebrecht and the firms with contracts with the SP Metro and EBTU (urban trains in SP). Join the club, pre-candidates with “accusations”.

If Alckmin is to become the PSDB presidential candidate, he would have to “step down” from the SP governorship in early April, and his Vice-Governor Márcio França (PSB) would take over. It will be a VERY open question regarding possible candidates for SP governor. Some pre-candidates are already “in the wings” ➔ SP Mayor João Doria (PSDB), Mayor of São Bernardo do Campo Luiz Marinho (PT), Fiesp President Paulo Skaf (PMDB) and Senator José Serra (PSDB) – but others may be “temped” to become candidates.

1.5 – PGR accused Sen. Gleisi Hoffmann

On 24th November, the PGR transmitted to the STF a formal accusation against Sen. Gleisi Hoffmann (PT-PR) and her husband Paulo Bernardo regarding the illegal campaign finance in her 2010 elections campaign. The PGR requested the loss of her Senate mandate and a fine of R$ 4 million.

1.6 – Operation Forte do Castelo

2 – FOREIGN RELATIONS & TRADE

2.1 – UN requested Brazilian peacekeepers in Africa

According to a report in *The New York Times*, on Monday, 27th November, the head of UN Peacekeeping Operations, Jean-Pierre Lacroix, requested that Brazil seen a group of peacekeeping troops to the Central African Republic. In November, the UN Security Council the deployment of an additional 900 peacekeepers to protect civilians where violence broke out between Muslims and Christians in 2013.

This UN request must be approved by Brazilian President Michel Temer as well as by Congress (probably in 2018). Lacroix affirmed that “Brazil has a huge degree of knowhow and professionalism and we need this kind of troops in our peacekeeping operations”.


2.2 – November Trade Surplus

On Friday, 1st December, MDIC announced the November Trade Surplus ➜ US$ 3.546 billion (-25.4% YoY). Exports totaled US$ 16.688 billion (+2.9% YoY), and imports were US$ 13.142 billion (+14.7% YoY). The accumulated trade surplus in 2017 is now US$ 62.008 billion.

2.3 – Evo Morales visit postponed (again)

Bolivian President Evo Morales was scheduled to visit Brasília on Monday, 27th November but because of Pres. Temer’s coronary procedure in SP, this visit was postponed. On 28th October, a visit by Pres. Morales had to be postponed because Temer was hospitalized for a prostrate procedure. (See Item 1.3)

2.4 – Saab – After jet fighters, Navy ships?

After closing a US$ 5.4 billion contract to sell 36 supersonic jet fighter planes to Brazil, the Swedish Klarskrona shipyard (founded in 1622) has two Saab corvettes and other navy ships awaiting Brazil’s OK for sales. The Brazilian Navy is embarking on a re-outfitting plan that has attracted competition from Germany, France, the UK, South Korea Singapore and China.

2.5 – Embraer sale to The Philippines

On 30th November, Embraer announced that it had concluded the sale of 6 A-29 Super Tucano prop-jet fighter planes to The Philippines. Delivery would begin in 2019.
3 – REFORMS

3.1 – National protest strike postponed

Brazil’s national labor union centrals (with the exception of the UGT) had planned a nationwide protest strike against the Social Security reform on Tuesday, 5th December. BUT after the Chamber vote scheduled for 6th December was postponed until the following week, the labor centrals decided to postpone this strike until the week on 11th December.

4 – PRIVATIZATION & REGULATION

4.1 – STF prohibited all manufacture of asbestos

On 29th November, the Supreme Court prohibited ALL asbestos in Brazil – manufacture, sale and use – because of clear proof that asbestos can cause cancer. As usual, Brazil is very late in this “game” nearly all nations have prohibited the use and manufacture of asbestos that had been used extensively in buildings, water tanks, roof tiles, etc. A law in 1995 – 9.005/1995 permitted the “controlled” use of this material. In Brazil, the asbestos lobby had been quite strong. At one point, a lawyer for this sector requested an extended deadline (ten years) to phase out such production, manufacture and sales – but this was discarded. This lawyer argued that an “abrupt” cessation would create unemployment in this sector.

5 - ECONOMICS

5.1 – 3rd Q/2017 GDP

On Friday, 1st December, IBGE released its data for Brazil’s GDP for the third quarter 2017. Lower than most projections (+0.3%), Brazil’s GDP advanced only slightly \( +0.1\% \) but \( +1.4\% \) versus 3rd Q/2016. However, after 15 consecutive declines, investments were up +1.6% versus 3rd Q/2016. Lower interest rates and lower inflation stimulated a +1.2% increase in family consumption.

After two years of recession (2015 and 2016, 2017 has had three consecutive quarters of positive GDP growth: +1.3%, +0.7% and +0.1%. The strong GDP growth in 1st Q/2017 was due to record agricultural production and exports. In the 3rd Q/2017, the agricultural sector declined by -3.0% versus the previous quarter and the 2nd Q/2017 had a decline of -2.3%. In the 1st Q/2017, this sector expanded by +12.9%.

In the 3rd Q/2017, the industrial sector expanded by +0.8% and services by +0.6%.

5.2 – October Public Accounts

Current Account ➔ -US$ 343 million, best October result since 2007
  ➔ January-October 2017, -US$ 3.3 billion

Primary Surplus ➔ +R$ 4.759 billion
  ➔ 12-month deficit at -R$ 187.230 billion (2/88% of GDP)

Nominal Deficit ➔ -R$ 30.494 billion
  ➔ 12-month deficit at –R$ 601.394 billion (9.25% of GDP)

FDI ➔ +US$ 8.2 billion, more than covered Current Account deficit
  ➔ January-October, +US$ 60 billion

Brazilian Tourists Spent ➔ US$ 1.6 billion
  ➔ January-October, US$ 15.7 (+32.6% YoY)

5.3 – October Unemployment

On 30th November, IBGE released its PNAD data for employment in the August-September-October three-month period ➔ 12.2% -- a higher rate than in the same period in 2016 (11.8%), but a lower rate than in the previous period (May-June-July) -- 12.8%. The number of unemployed in this August-October period was 12.7 million, down by 586,000 (4.4%) versus the previous period. This reduction was due to an increase in “informal” employment – self employed or contracts with unsigned work cards. The average income in the August-October period was R$ 2.127,00, slightly higher than in the previous period (R$ 2.119,00).

PNAD also revealed that the 10% richest part of Brazil’s population received 43.4% of national income, and that the 10% poorest segment received 0.8%.

5.4 – Enel plans to invest R$ 7 billion

After acquiring CELG (R$ 2.2 billion) and the Volta Grande hydro electric installation - ex-Cemig (R$ 1.4 billion), the Italian Enel plans to invest another 1.8 billion euros (R$ 7 billion) in Brazil. On 21st November, Enel world President Francisco Starce expressed interest in acquiring six Eletrobras distributors in the North and Northeast in the April 2018 concession auction as well as control of the Light distributor in Rio.
5.5 – *Caged* 76,600 new jobs created

On 20\(^{th}\) November, the Ministry of Labor released the *Caged* data for October – 76,599 new were created – the best result for this month since 2013. In October 2016, 74,748 jobs were lost. In 2017, 302,200 new jobs were created. However, the 12-month result is still negative – 294,305 jobs were lost. In spite of this positive new job creation, the average starting salary declined -1.13% from September (R$ 1.479,89) to October (R$ 1.483,12).

5.6 – Banks reach agreement regarding savings accounts

Finally, after many years of negotiations, Brazilian banks reached an agreement with savings account holders who had gone to court to recover their losses due to the series of “economic plans” in the late 1980s and 1990s. These losses were due to monetary correction below levels of inflation during these plans. On 28\(^{th}\) November, the AGU Grace Mendonça announced that on 4\(^{th}\) December, she will officially register the agreement reached be the banks and savings account holders at the STF. Some one million persons had gone to court to recover their losses. The CEF has reserved R$ 1.5 billion to compensate its savings account holders. Only those who filed court suits will be contemplated.

The four heterodox anti-inflation plans that involved freezes of assets were Bresser (1987), Verão (1989), Collor I (1990) and Collor II (1991). The losses stipulated in this agreement are between R$ 10 billion and R$ 15 billion. The AGU commented that after the “liberation” of withdrawals from PIS-PASEP funds and the FGTS, this bank agreement will pump even more funds into the economy at the end of 2017/early 2018. Many savings account holders were upset because they feel that this “agreement” will only compensate about one-half of their losses with these four plans.

5.7 – IGP-M

On 29\(^{th}\) November, the FGV released its data for the November IGP-M +0.52%, up from +020% in October and slightly higher than the +0.47% posted in September. In 2017, the IGP-M accumulated deflation of -1.40% and - 0.86% for the 12-month period. The IGP-M is used as an index for rent increases.

5.8 – Korean Pan Ocean to transport Vale iron ore

On 30\(^{th}\) November, the South Korean shipping firm, Pan Ocean announced that it had signed a US$ 1.8 billion contract with Vale to transport iron ore to China over a 27 year period. Pan Ocean currently has six ore carrying ships but plans to acquire six additional ships from an unnamed Chinese ship builder.