Brazil Focus –
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Weekly Report
Feb. 24-Mar. 2
2018

Looking Ahead ➔ What to watch for?

- 4 March -- El Salvador – general elections
- 5 March -- Caged data ➔ jobs created in January
- 6 March -- Central Bank to announce savings accounts data for January
- 6 March – STJ to deliberate Lula’s habeas corpus request
- 7 March -- FGV to release February IGP-DI ➔ +0.% versus +0.% in January
- 8 March -- International Women’s Day – 107th Anniversary
- 8 March -- Central Bank – FX flow in February ➔ US$ billion
- 8 March -- IBGE ➔ January IP data, % YoY & % MoM
- 9 March -- IBGE -- IPCA data for February ➔ +0.% vs. +0.% in February 2017
- 11 March – US to go on daylight-savings time ➔ Return to 1-hour difference NYC/Brasilia
- 11 March -- Colombia – Legislative elections
- 13-15 March – WEF for Latin America to meet in SP
- 13-17 March - World Social Forum to meet in Salvador, Bahia
- 15th March -- FGV ➔ income inequality in 2016➔2017; Gini Index, 0. ➔ 0.
- 15th March - FGV ➔ income inequality increased in 2016➔2017; Gini Index, 0. ➔ 0.
- 15th March - FGV, IGP-10 ➔ +0.% versus +% in February
- 16th March - Caged data ➔ new jobs created in February
- 18th March - Russia – First round presidential elections
- 21st March - UNDP to release 2017 HDI-Human Development Index – Brazil ranked
- 20-21 March - 20-21 – Copom meeting ➔ Selic rate
- 22nd March - IBGE to release the IPCA-15 ➔ +0.%, versus +0.% in February

Observation: Next week we will travel to Uberlândia, MG (7-10 March). Thus, the 9th March issue will be delayed somewhat.

1 - POLITICS

1.1 – Brazilian gun runner arrested in Florida

On 24th February, ICE [federal] police arrested Frederick Barbieri at his home in Fort Pierce, Florida and a shipment of 40 attack rifles destined for Brazil was apprehended. Barbieri is considered the largest arms trafficker from the US to Brazil. In June 2017, a shipment of 60 attack rifles was apprehended at the Galeão International airport in Rio de Janeiro – worth R$ 4.8 million. This was the largest apprehension of attack rifles in Brazil over the past ten years.

Brazilian authorities supplied information to their American colleagues after the June 2017 case that helped ICE arrest Barbieri. Brazil has requested his extradition but because he acquired US citizenship probably he will be tried, convicted and imprisoned in the US. Because US prosecutors and courts have less “encumbrances” than their counterparts in Brazil, probably Barbieri will be convicted and sentenced relatively “quickly” and would not be subject to release after serving one-sixth of his sentence (for good behavior) – as is the case in Brazil. He was to be arraigned before a federal judge in Miami on 26th February.


However, on Monday, 26th February, before his arraignment, Barbieri had a “bad spell” in his prison cell and was taken to a hospital for treatment. His arraignment hearing was postponed until 27th February. The federal judge fixed Barbieri's bail at US$ 1.5 million and would have to prove that this money was not from an illicit source.
1.2 – *Lava Jato*

**Fernando Segovia** – On 26th February, the PGR Raquel Dodge requested that the STF prohibit the Director-General of the Federal Police, Fernando Segovia, from any kind of intervention or involvement in the Federal Police investigation of the role of Pres. Temer in the alleged favoring of certain firms operating at the Santos port. The same day, STF Judge Luis Roberto Barroso (who is accompanying this investigation) issued warrants to break open bank and fiscal secrecy of several of the accused (persons and firms) – excluding Pres. Temer. Barroso also extended this investigation for another 60 days. ➔ See Item 1.3.1

**JBS – Wesley Batista** ➔ On 26th February, the PGR requested the STF Judge Edson Fachin rescind (cancel) the plea bargaining testimony and resulting accord with Wesley Batista because his testimony omitted the “collaboration” of then federal prosecutor Marcello Miller who assisted the Batista brothers in their defense and with Joesley Batista’s incriminating “interview” with Pres. Temer recorded by Joesley. Also their testimony omitted other criminal acts discovered after the accord had been reached.

**JBS ➔ Cid Gomes.** The PGR is investigating the allegation of a R$ 20 million bribe to then Gov. Cid Gomes (PDT-CE) paid by JBS for favorable treatment by the state government – according to the plea bargaining testimony of Joesley Batista. Cid is the brother of pre-presidential candidate Ciro Gomes (PDT).

**Frei Chico** – On Monday, 26th February, Lula was interrogated for two hours by the Federal Police in SP regarding a “monthly allowance” paid by Odebrecht to Lula’s older brother – Frei Chico – soon after Lula became president in 2003. Initially this payment was R$ 9.000,00 per quarter, but after Frei Chico complained that this was not enough the value was increased to R$ 5.000,00 per month. These accusations were made in the plea bargaining testimony by two Odebrecht executives – Hilberto Mascarenhas da Silva Filho and Alexandrino de Salles Ramos Alencar. Allegedly these payments were made with the full knowledge of Pres. Lula over a 13-year period. In his testimony, Lula denied any knowledge of this allowance paid to his brother.

**Operation Red Card ➔** This Federal Police Operation was launched on 26th February to investigate bribes paid to the then governor of Bahia, Jacques Wagner (PT), during the reconstruction of the Salvador soccer stadium *Fonte Nova* in time for the world cup playoffs in Brazil in 2014. The plea bargaining testimony by former Odebrecht executives described the R$ 82 million bribe payment to secure this contract. Wagner’s residence in Salvador was subject to a search-and-seize operation.

**Jaques Wagner** is frequently cited as an alternate PT presidential candidate if Lula’s candidacy is eliminated. **However,** the Federal Police have now discovered that Ricardo Pessoa (UTC) offered bribes for Wagner and his Casa Civil Chief Rui Costa who was elected Wagner’s successor in 2014. These bribes were on behalf of Pereira’s colleague João Augusto Calasans. The Bahia state legislature (AL-BA) has a movement to create a CPI (investigative commission) to examine the “cost overruns” and alleged bribes involved in the reconstruction of the Fonte Nova soccer stadium.

1.3 – Ministry of Public Safety/Security created
On Monday, 26th February, Pres. Temer created (not by decree, but by Medida Provisória (MP) and the current Defense Minister Raul Jungmann was appointed to this new cabinet post. Because the Federal Police will be transferred from the Justice Ministry to this new Public Security Ministry, the Assoc. of delegados affirmed that this move will “dilute” the involvement of the Federal Police in corruption investigations. However, the Assoc. of Federal Police agents affirmed that this was a positive move”.

Pres. Temer appointed Army General Joaquim Silva e Luna to assume the Defense Ministry. This is the first time since the Defense Ministry was created by Pres. FH Cardoso in January 1999, that this ministry will not be headed by a civilian. In 2013, Silva and Luna was condemned by the TCU for articulating an “irregular” contract agreement with a firm without any formal bidding procedure back in 2011. However, he appealed this conviction twice and as a result was able to avoid paying a fine.

Reportedly, this new ministry will have a budget of R$ 2.7 billion in 2018 – funds transferred from the Ministry of Justice.

1.3.1 – Jungmann sacked Segovia

On Tuesday, 27th February, Jungmann’s first act as Minister was to sack the Director- General of the Federal Police, Fernando Segovia, and replaced him with career Federal Police officer Rogério Galloro, who had been National Secretary of Public Security/Safety at the Justice Ministry. Back in November 2017, when Pres. Temer was contemplating the appointment of a new Director- General of the Federal Police, Justice Minister Torquato Jardim had suggested Galloro, but Temer accepted Segovia who was recommended by former President José Sarney and other MDB leaders, including the Chief of the Casa Civil Eliseu Padilha. Segovia learned that he had been sacked via the news media.

Reportedly, Galloro is very close to former Federal Police Director General Leandro Daniello and was his number two at that time. Galloro acted as police attaché at the Brazilian Embassy in Washington (2011-2015). He received his BA in Law in 1992 and did a MBA in Management of Public Security at the FGV and a specialization in International Relations at UnB. Apparently, in the next weeks Galloro will replace most of the Federal Police heads of sectors appointed by Segovia.

Segovia was in effect “kicked upstairs” – he will be the Police Attaché at the Brazilian Embassy in Rome. This appointment was considered “irregular” because a Federal Police officer can’t be appointed twice as a Police Attaché without a three-year interval. Just before he was appointed by Temer in November 2017, Segovia was Police Attaché in South Africa. Segovia’s salary in Rome will be the equivalent of R$ 56,000,00. Not bad.

Want more? Two of Segovia’s “buddies”, Eugenio Ricas and Sandro Avelar, were appointed Police Attachés in Washington and London, respectively.

1.3.2 – Temer & Jungmann met with governors

On Thursday, 1st March, Pres. Temer and Raul Jungmann met with Brazil’s 27 governors in Brasília to discuss the National Plan for Public Security and its applications at the state level. Temer
announced that R$ 42 billion would be available for loans to state governments to this end. Next week, a similar meeting is planned with the 26 Mayors of state capital cities.

1.4 – STF convicted Sen. Acir Gurgacz

On 27th February, the STF convicted Senator Acir Gurgacz (PDT-RO). In 2003-2004, he obtained a R$ 1.5 million loan from the Banco da Amazônia to renew the buses of his firm. He was accused of appropriating R$ 525,000.00 of this loan and acquired used (old) buses but used false receipts to show that he had acquired new buses. The STF sentenced him to 4 years and 7 months in prison – but free during the day. The STF also decided the los of his mandate (cassação) – but this must be confirmed by the Senate.

With this decision, the state of Rondônia now has two of its 3 Senators convicted. In addition to Gurgacz, Sen. Ivo Cassol (PP) was convicted by the STF in 2013, and the STF ordered his mandate be removed. Cassol’s mandate ends in January 2019, but Gurgacz’s (elected in 2014) mandate runs for another 4 years until 2023.

1.4.1 – STF convicted Dep. Nilton Capixaba

The state of Rondônia had its “day in court” on 27th February. In addition to Rondônia Senator Acir Gurgacz, the STF also convicted Dep. Nilton Capixaba (PTB) and sentenced him to 6 years and 10 months in prison. Capixaba was accused of corruption via the acquisition of ambulances for certain Rondônia municípios in 2013 with parliamentary amendments. Reportedly, these funds were designated for the firm Planam that supplied these over invoiced ambulances and the difference went to Dep. Capixaba. This “ambulance scheme” remotes back to 2006 when several deputies were accused of corruption in the acquisition of ambulances. They were nicknamed sanguessugas [blood suckers]. Only one of the deputies so accused was reelected in 2006.

1.4.2 – Sen. Wellington Fagundes

Also on 27th February, the STF installed an inquest against Sen. Wellington Fagundes (PR-MT) regarding his involvement in the same “ambulance scheme” (sanguessugas) in the state of Mato Grosso.

The MPF discovered that this “ambulance scheme” involves some 80 members of Congress.

1.5 – Paraná Pesquisas poll in SP

On 27th February, Paraná Pesquisas released the results of its poll regarding the pre-candidates for President, Governor and Senator in the October 2018 elections. This poll was conducted among 2,000 voters in 84 municípios on 20-25 February with a two-point margin of error.

<table>
<thead>
<tr>
<th>Pre-Candidates for President</th>
<th>(A)</th>
<th>(B)</th>
<th>(C)</th>
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<tbody>
<tr>
<td>Bolsonaro (PSC)</td>
<td>22.3%</td>
<td>23.4%</td>
<td>23.5%</td>
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<tr>
<td>Lula (PT)</td>
<td>19.7%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>F. Haddad (PT)</td>
<td>-</td>
<td>6.0%</td>
<td>-</td>
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</table>
This profile of the SP electorate shows that Jair Bolsonaro (PSC) would top both Lula (PT) and Geraldo Alckmin (PSDB) by slight margins. In the Paraná Pesquisas December poll, Alckmin had 23.7% versus Lula, but in February he declined to 20.1%. With Fernando Haddad as the alternate PT candidate (6.0%), Bolsonaro would still top Alckmin by 1.3 points and Marina Silva (Rede) would gain 3.5 points. In simulation (C), with Jaques Wagner as the alternate candidate (1.3%) – worse than Fernando Haddad – Bolsonaro and Alckmin would be in a technical tie. The other nice pre-candidates apparently don’t have a chance with SP voters. The surprise is that Dep. Jair Bolsonaro (PSC) topped current incumbent Governor Geraldo Alckmin (PSDB) – in the latter’s home state!! This preview shows that Alckmin probably would not be a viable candidate and another stronger “Center” candidate should (might) appear.

Pre-Candidates for Governor

<table>
<thead>
<tr>
<th>Pre-Candidates for Governor</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
<th>(7)</th>
<th>(8)</th>
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<tbody>
<tr>
<td>João Doria (PSDB)</td>
<td>30.1%</td>
<td>39.8%</td>
<td>29.2%</td>
<td>37.3%</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>L. F. D’Avila (PSDB)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2.8%</td>
<td>4.1%</td>
<td>-</td>
<td>-</td>
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<tr>
<td>José Aníbal (PSDB)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3.5%</td>
<td>4.7%</td>
</tr>
<tr>
<td>C. Russomanno (PRB)</td>
<td>29.1%</td>
<td>-</td>
<td>28.2%</td>
<td>-</td>
<td>37.5%</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Paulo Skaf (PMDB)</td>
<td>12.9%</td>
<td>19.1%</td>
<td>12.7%</td>
<td>17.5%</td>
<td>18.8%</td>
<td>34.6%</td>
<td>18.9%</td>
<td>30.8%</td>
</tr>
<tr>
<td>F. Haddad (PT)</td>
<td>-</td>
<td>-</td>
<td>9.4%</td>
<td>13.4%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>L. Marinho (PT)</td>
<td>3.6%</td>
<td>5.5%</td>
<td>-</td>
<td>-</td>
<td>4.2%</td>
<td>7.3%</td>
<td>4.2%</td>
<td>7.2%</td>
</tr>
<tr>
<td>M. França (PSB)</td>
<td>2.5%</td>
<td>3.5%</td>
<td>2.2%</td>
<td>3.0%</td>
<td>4.0%</td>
<td>5.3%</td>
<td>4.0%</td>
<td>5.4%</td>
</tr>
<tr>
<td>R. García (DEM)</td>
<td>1.9%</td>
<td>4.9%</td>
<td>1.8%</td>
<td>4.5%</td>
<td>2.5%</td>
<td>7.2%</td>
<td>2.4%</td>
<td>-</td>
</tr>
<tr>
<td>C. Giannazi (PSol)</td>
<td>1.7%</td>
<td>2.1%</td>
<td>1.2%</td>
<td>1.7%</td>
<td>2.1%</td>
<td>2.9%</td>
<td>2.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td>No One</td>
<td>13.7%</td>
<td>19.6%</td>
<td>11.8%</td>
<td>17.5%</td>
<td>23.0%</td>
<td>34.6%</td>
<td>21.9%</td>
<td>33.9%</td>
</tr>
<tr>
<td>DK/NR</td>
<td>4.5%</td>
<td>5.5%</td>
<td>4.0%</td>
<td>5.1%</td>
<td>5.1%</td>
<td>8.0%</td>
<td>5.3%</td>
<td>8.0%</td>
</tr>
</tbody>
</table>

This simulation of the election for Governor clearly shows that the current (incumbent) Mayor João Doria is by far the strongest PSDB candidate, but runs ahead of Dep. Celso Russomanno (PRB) by only one point. Fiesp President Paulo Skaf (PMDB) is a distant third. However, without Doria and Russomanno, Skaf would win the first round. Former SP Mayor Fernando Haddad is the better PT candidate than Luiz Marinho – but neither have any chance in this governor’s race.
**Pre-Candidates for Senator**

<table>
<thead>
<tr>
<th></th>
<th>(A)</th>
<th>(B)</th>
<th>(C)</th>
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</thead>
<tbody>
<tr>
<td>Datena (PRP)</td>
<td>42.4%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>E. Suplicy (PT)</td>
<td>33.3%</td>
<td>36.6%</td>
<td>36.7%</td>
</tr>
<tr>
<td>M. Suplicy (PMDB)</td>
<td>16.4%</td>
<td>19.2%</td>
<td>-</td>
</tr>
<tr>
<td>Paulo Skaf (PMDB)</td>
<td>-</td>
<td>-</td>
<td>25.3%</td>
</tr>
<tr>
<td>P. Haddad (PT)</td>
<td>16.3%</td>
<td>17.8%</td>
<td>16.8%</td>
</tr>
<tr>
<td>Pastor Feliciano (PSC)</td>
<td>13.6%</td>
<td>16.6%</td>
<td>14.9%</td>
</tr>
<tr>
<td>Aloysio Nunes (PSDB)</td>
<td>9.6%</td>
<td>11.3%</td>
<td>10.2%</td>
</tr>
<tr>
<td>José Aníbal (PSDB)</td>
<td>5.2%</td>
<td>7.2%</td>
<td>6.2%</td>
</tr>
<tr>
<td>No One</td>
<td>13.7%</td>
<td>20.6%</td>
<td>14.8%</td>
</tr>
<tr>
<td>DK/NR</td>
<td>6.6%</td>
<td>10.2%</td>
<td>9.4%</td>
</tr>
</tbody>
</table>

The Senate election in 2018 is for **two seats**. If the election was in late February 2018, TV presenter Datena (PRP) and former PT Senator Eduardo Suplicy would be elected. Apparently, current SP Senators Martha Suplicy (PMDB) and Aloysio Nunes Ferreira (PSDB) would not be reelected. She is the former wife of Eduardo, and Nunes Ferreira is the current Minister of Foreign Relations in the Temer government. Thus, it is possible that Nunes Ferreira might decide to remain as cabinet minister and not run for reelection.

### 1.5.1 – Geraldo Alckmin ➔ Washington

The Brazil Institute at the Woodrow Wilson Center in Washington will host an event on 7th March with Governor Geraldo Alckmin at the Keynote Speaker ➔ “Governor Geraldo Alckmin of São Paulo on Brazil’s Economic and Political Outlook in an Unpredictable Election Year”. Alckmin will be introduced by former US Ambassador to Brazil, Anthony S. Harrington. Panelists include: Murillo de Agagão, Mauricio Moura, Monica de Bolle, Ricardo Mendes and Roberto Simon.

### 1.6 – Ficha Limpa

The *Ficha Limpa* law was approved in June 2010 and makes anyone convicted in a 2nd level court ineligible for 8 years. In the 2014 elections, this law was not applied to deputies and senators seeking reelection – **but** the STF has now decided that this law will be applied to those seeking reelection in 2018. If the TREs (regional election courts) maintain a “firm” application of this decision, the turnover in the Chamber of Deputies should reach 70%. This also means that many senators seeking election as governors will be impeded from running. This decision applies the *Ficha Limpa* law to crimes and convictions that occurred **before** this law was approved in 2010. STF Judge Luiz Fux became the new TSE President last week and affirmed that “no *ficha suja* will be allowed to be a candidate in 2018”. **Remember:** This law is about to be applied to Lula because his conviction was maintained by the 2nd lever federal court (TRF-4) in Porto Alegre and should impede his Presidential candidacy in 2018.

**1.7 – Cabinet reshuffle (reform)**
Apparently, at least ten of Pres. Temer’s cabinet ministers should “step down” [resign] before 7th April in order to run for office in the October 2018 general elections:

Sports -- Leandro Picciani (MDB-RJ)
Education – Mendonça Filho (DEM-PE)
Transportation – Maurício Quintella (PR-AL)
Social Development – Osmar Terra (MDB-RS)
Science & Communications – Gilberto Kassab (PSD-SP)
Tourism – Marx Beltrão (MDB-AL)
Environment – Sarney Filho (PV-MA)
National Integration – Helder Barbalho (MDB-PA)
Health – Ricardo Barros (PP-PR)
Mines & Energy – Fernando Coelho Filho (Sem-PE)

Two other cabinet ministers had contemplated “stepping down” – Raul Jungmann (PPS-PE) who transferred from the Defense Ministry to the new Ministry of Public Security (See Item 1.3) and Foreign Minister Aloysio Nunes Ferreira (PSDB-SP) who apparently has decided not to run for reelection as Senator from São Paulo (See Item 1.5).

It is possible that an eleventh minister might decide to resign to run for President ➔ Finance Minister Henrique Meirelles (PSD-SP). It is possible that he might switch to the MDB.

1.8 – STF decided in favor of trans & trans genders

On 1st March, the STF decided that trans genders can alter their first name on their birth certificates and other documents by simply going to a cartório (civil registry office) and would not need any surgical operation in order to make this change.

2 – FOREIGN RELATIONS & TRADE

2.1 – February Trade Surplus

MDIC released the trade data for the month of February on 1st March ➔ a trade surplus of US$ 4,907 billion. In February 2017, the trade surplus was US$ 4,555 billion. Thus, the 2018 total is now US$ 7.676 billion. The February surplus was enhanced by the sale of an off shore drilling platform for US$ 1.535 billion because February only had 17 working days due to the Carnaval holiday. The February surplus was an all time record for that month. The trade surplus in 2018 now accumulates US$ 7.676 billion versus US$ 7.266 billion for the same period in 2017. This January-February 2018 total surplus in the largest for that period since 1989. The Central Bank survey of financial institutions found that the average prediction for Brazil’s 2019 trade surplus was US$ 54.3 billion. The Central Bank prediction is US$ 59 billion.

In February, exports totaled US$ 17.315 billion (+11.9% YoY) and imports were US$ 12.408 (13.7% YoY).
2.2 – Brazil ➔ OECD

Some nine months after requesting formal (full) membership in the OECD, Brazil’s aspiration apparently is being blocked by the US in favor of Argentina. During his state visit in Washington in April 2017, Argentine President Macri received public support by Pres. Trump for Argentina’s membership in the OECD. In his recent visit to Latin America, US Vice-President Pence skipped Brazil and visited Argentina. Macri also gained formal support from French President Emanuel Macron and German PM Angela Merkel. Brazil support comes from the OECD Secretary-General, Mexican Angel Gurria. In addition to Brazil and Argentina, four other countries have applied for OECD membership ➔ Peru, Bulgaria, Croatia and Romania.

Central Bank President Ilan Goldfajn affirmed that Brazil’s full membership in OECD should help reduce the cost of Brazil’s public debt and reduce interest rates as well.

**Remember:** During Lula’s presidency (2003-2010), Brazil was “invited” by the OECD to become a full member, but at that time Brazil “snubbed” this offer by this “Rich Nations’ Club (35 nations). This response was articulated by then Foreign Minister Celso Amorim. **Times change.**

2.3 – Trump decided to tax steel and aluminum imports

On 1st March, US President Donald Trump announced that the US would apply import taxes for steel (25%) and aluminum (10%). These new taxes probably will provoke counter measures by the major exporters on these products to the US. To produce its steel, Brazil imports some US$ 1 billion of anthracite [hard] coal and might decide to seek this coal elsewhere. **Remember:** In 2016, then candidate Donald Trump promised that he would assist the coal mining sector in West Virginia (and elsewhere) recover its markets by removing restrictions on coal-fired electricity generation. Brazil accounts for 13% of US steel imports.

At Brazil’s large bauxite deposits in Bacarena, Pará (the largest in the world), the Norwegian aluminum factory Albras – Norsk Hydro has been operating for 33 years. In 2016, 460,000 tons were produced. Nippon also is a minor participate in this venture. This is the largest aluminum factory in the world. Some 80% of this production is exported to the US, Europe and the Middle East. In 2016, Brazil’s steel exports to the US totaled US$ 2.63 billion.

On 20th February, the state of Pará ordered Norsk ro reduce its production by 50% after it was discovered that this firm had a clandestine discharge pipe that was polluting local rivers with heavy metals that had drastically affected the health of the population of neighboring communities.

3 – REFORMS

Nothing this week.

4 – PRIVATIZATION & REGULATION
4.1 – Neoenergia to invest 5 billion euros

On 27th February, Neoenergia President Mario Ruiz-Tagle announced that between 2018 and 2022 his firm would invest some 5 billion euros (R$ 20 billion) in Brazil acquisitions and would also sell its stake in the Belo Monte hydro project.

4.2 – Cade rejects Ultragaz acquisition of Liquigás

On 28th February, Cade [Brazil’s anti-trust unit] rejected the acquisition of Liquigás (a subsidiary of Petrobras) by Ultragaz. This deal was announced by Petrobras in November 2016 as part of its disinvestment strategy involving R$ 2.8 billion. The CADE rationale was “market concentration” because this acquisition would give Ultragaz a 45% market share of the bottled cooking gas (GLP) sector.

Apparently, Petrobras has decided to sell Liquigás on via a stock market auction (Bovespa).

4.3 – Gavio Group ➔ Ecorodovias

Ecorodovias is one of Brazil’s principal highway concession holders and turned a profit of R$ 3.2 billion in 2017. Now it appears that the Italian Gavio Group is about to acquire part of the majority share in this concession holder of CR Almeida to become the majority share holder. With this acquisition Gavio could become the world’s largest firm is toll roads.

5 - ECONOMICS

5.1 – IBGE released 2017 GDP data

On Thursday, 1st March, IBGE released Brazil’s GDP data for 2017 ➔ +1.0% --- the first positive growth year after two years of recession (2015 & 2016) with negative GDP of -3.5% each year. In 2014, the GDP was only +0. 5%. Growth in 2017 was boosted by the agricultural sector that had its strongest growth since 1996 (+13%).

In 2017, in addition to agriculture, three other sectors had positive growth ➔ services (+0.3%), retail sales (+1.8%) and real estate (+1.1%). Sectors with negative growth were ➔ financial activities (-1.3%), information and communications (-1.1%), and administration, defense, health, public education and social security (-0.6%). The industrial sector was “stable” (no growth) ➔ by sectors: extractive (+4.5%), transformation (+1.8%) and civil construction (-5.0%).

The level of investment was very low in 2017 ➔ 15.6% of GDP – the lowest level since 1996. To have any “reasonable” economic growth with new job creation, Brazil needs at least 22% new investments each year.

5.2 – January Public Accounts
**Current Account Deficit** ➔ -US$ 4.310 billion, 12-total US$ 9 billion (0.44% of GDP)
 ➔ The best January result since 2009

**Primary Surplus** ➔ +R$ 46.9 billion, best result in 22 years
 ➔ Federal Public Sector surplus was R$ 36.5 billion
 - 12-month deficit ➔ R$ 100.3 billion (1.53% of GDP)

**Nominal Result (surplus)** ➔ R$ 18.626 billion

**Overseas spending by Brazilians** ➔ US$ 2 billion (+26.8% YoY)

**FDI** ➔ US$ 6.466 billion; 12-month total US$ 65.3 billion (3.17% of GDP)

**Remittances** ➔ US$ 222 million

**Federal Revenues** ➔ R$ 155.62 billion (+10.1% YoY)
 ➔ Best result since January 2014

**International Reserves** in January ➔ US$ 375.7 billion

5.3 – **BNDES to return R$ 30 billion??**

Since 2016, BNDES has recognized that it should return R$ 130 billion to the central government, but the current BNDES President Paulo Rabello de Castro is “dragging his feet” and has succeeded in putting this off. He is the PSC pre-candidate for President and would have to step down before 7th April. The BNDES had agreed to transfer these funds in three installments of R$ 30 billion, R$ 30 billion and R$ 70 billion. The first installment was to be in February 2018, but apparently Rabello wants this to be made only after he leaves office in April. He is accused of visiting the state-level regional offices on BNDES – not for “bank business” – but in an effort to organize local support for his campaign.

5.4 – **Moody’s**

There are indications from New York City that next week Moody’s should follow the lead of Fitch and downgrade Brazil yet another notch ➔ to three notches below investment grade”. On 28th February, representatives from Moody’s met with Finance Minister Henrique Meirelles.

5.5 – **Unemployment increased**

On 28th February, IBGE released its PNAD data for the November-December-January period. This data showed that 12.7 million were unemployed (12.2%). This was up from the 11.8% in the previous quarter (October-November-December). IBGE affirmed that this increase was “seasonal” because traditionally in January many temporary employees are dismissed after the holiday season ➔ back to the 12.2% verified in August-September-October.

5.6 – **February inflation**
On 27\textsuperscript{th} February, FGV released its IGP-M for February \(\Rightarrow +0.07\%\), down from \(+0.76\%\) in January – because of a decrease in wholesale food prices. The 12-month accumulation now stands at \(+0.42\%\). The IGP-M is used as an index for rental contracts.

5.7 – New car sales up in February

On 1\textsuperscript{st} March, Fenabrave announced auto sales in February were up by 15.7\% YoY \(\Rightarrow 156,906\) units sold. In January, 181,254 units were sold — but February had 28 days with the Carnaval holiday as well.

5.8 – \textit{Caged} \(\Rightarrow 77,800\) jobs created in January

After a few days delay, finally, on 2\textsuperscript{nd} March, the Labor Ministry released its \textit{Caged} date for the month of January 2018 \(\Rightarrow 77,822\) new jobs were created (49,500 jobs with signed work contracts) – the best January result since 2012. Five states led in job creation in January \(\Rightarrow SP, RS, SC, PR \& MT\). A good sign was that the civil construction sector created 14,900 new jobs. The footwear and textiles sectors also created large numbers of new jobs.