

NEWSLETTER

January & February 2019

January 21, 2019

Executives don't want to 'hang up their cleats'

The overwhelming majority – 78% - of senior-level executives say they plan to continue working after officially retiring, according to a study by Page Executive and Angatu IDH. About one-fifth of those interviewed said they plan on starting their own business upon retiring, and a quarter of them said they wanted to focus on consulting. The study, which interviewed 400 executives between the ages of 40 and 60, also found that about half of interviewees who wanted to continue working after retirement did not have specific plans yet.

Source: Valor Econômico S. A.
<http://www.valor.com.br/international>

January 22, 2019

Latin America moving away from populism, Itaú executive says

Latin America is moving away from economic populism and adopting a liberal agenda, but the outcome of elections in Argentina and Uruguay this year will determine if the movement consolidated, says Ricardo Vilella Marino, head of Itaú's board for Latin American operations. The scion of a leading Itaú shareholding family says it wants to be recognized as "the bank" in the region. It could be on its way: Itaú currently ranks among the top five in Chile and Colombia and top three in Paraguay and Uruguay, as well as leading corporate banking in Argentina.

Source: Valor Econômico S. A.
<http://www.valor.com.br/international>

January 22, 2019

Few punished two years after meat inspection scandal

Almost two years after Operation Weak Flesh was announced, the Agriculture ministry has only removed five of the 33 government agents investigated for possible irregularities related to meat inspection. As the government employees await a final decision about

whether they will lose their jobs, many continue to receive government salaries - which can reach more than R\$20,000 a month – even after having plead guilty to charges in criminal court. At the time of investigations, JBS executive Wesley Batista promised to hand over a list of 200 inspectors that received bribes from the meatpacker, but that list had yet to be made public.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

January 23, 2019
New Petrobras board likely to include IT specialist

The man chosen to replace President Jair Bolsonaro's previous nomination to the Petrobras board, Nivio Ziviani, specializes in information technology, indicating a further shift away from corporate governance experts on the state-oil company's board and towards a multidisciplinary body able to deal with challenges in the global industry. The computer science professor at the Federal University of Minas Gerais has also founded a startup focusing on artificial intelligence, and sold a search engine he helped design to Google in 2005.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

January 23, 2019
Central Bank rule on storekeeper receivables stumping market

With eight days to go before a new Central Bank rule goes into effect that eases restrictions on storekeepers using credit card receivables to back credit operations, banks and payment processors are still unsure how to work with the new rules – in part because there is still some controversy about where and how such receivables will be registered. If no agreement is reached on recording these transactions, the effect of the measure could be delayed. Previously, storekeepers were required to use all their receivables as guarantees, not just an amount equal to the loan they were taking out.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

January 23, 2019
Federal Revenue studies broadening scope of PIS/Cofins simplification

The government's economic team is planning to take advantage of a proposal to simplify social contribution PIS that was initiated by former Federal Revenue Secretary Jorge Rachid to include another social tax called Cofins. The services industry has shown resistance to the proposal, as has the manufacturing industry. Despite having benefited from the measure, manufacturers fear they will end up facing more taxes. The Federal Revenue Service's Special Secretary Marcos Cintra told Valor that one of the goals for the government's first 100 days in office is to finish up a proposal to simplify PIS and Cofins. The potential change to the legislation aims to make easier the utilization of tax credits generated during different stages of production chains.

Source: *Valor Econômico S. A.*

<http://www.valor.com.br/international>

January 23, 2019
XP-BTG battle reaches antitrust body

The battle between XP Investimentos and BTG Pactual over hiring independent financial advisors, so far stalled in court and at the Securities and Exchange Commission of Brazil, has reached the Administrative Council for Economic Defense (Cade). BTG filed a complaint against XP on Tuesday, accusing the investment platform of abusive practices. Meanwhile, Valor has learned that Cade's technical department was planning to publish a statement on Tuesday night in which it assessed that XP had failed to comply with part of the agreement signed with the antitrust body to approve the partial sale of the brokerage house to Banco Itaú and, for that reason, would recommend starting administrative proceedings against XP. Under the agreement signed in May of last year, noncompliance with the agreement could lead to penalties such as the payment of a fine. When contacted by Valor, XP said that it was not aware of the conclusions reached by Cade's investigation.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

January 24, 2019
Government plans to reduce the number of disability pensions

After measures to combat fraud, the government wants to reduce the number of people granted disability pensions. The plan is to put professional rehabilitation measures in place to allow workers to find new kinds of employment. The program depends on the integration of the Ministries of Health and Education with Social Security and Labor. In Brazil, between 17% and 18% of pensions are granted under disability criteria, compared with a worldwide rate below 10% - and less than 5% of people receiving disability pay in Brazil are getting some kind of rehabilitation treatment. In 2017, government spending on disability benefits totaled R\$54.1 billion.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

January 24, 2019
Consumer agency wants better services to keep cases out of court

Brazil's consumer protection agency Senacon is following in the digitalization footsteps of other organs now under the umbrella of the Justice and Public Safety Ministry and seeking to use online platforms to speed up the resolution of complaints - and thereby keep them out of the courts. Consumer Affairs Secretary Luciano Timm said the agency's online platform resolved 500,000 cases, with each case taking 10 days to resolve, and received an 80% satisfaction rating last year. Mr. Timm says it is possible to triple that number by transforming the platform into a complaint channel, thereby saving hundreds of millions in legal costs annually.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

January 25, 2019

Now is time to invest in emerging markets, Credit Suisse head says

Credit Suisse's head of global investment says "now is the time to get into emerging markets" with opportunities in all industries and valuations that look cheap by the standards of developed countries. Expectations that the US Federal Reserve will also be less aggressive in its monetary policy help buoy emerging markets, says Michael Strobaek. The biggest risk on the horizon for both emerging and developed markets, he says, is China and its trade war with the US.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

January 25, 2019

China ambassador says companies interested in Brazil infrastructure

Chinese companies will look for opportunities to take part in infrastructure projects launched by the Jair Bolsonaro government, China's ambassador to Brazil, Yang Wanming, told Brazil Infrastructure Minister Tarcísio de Freitas. After heavy investment in electric infrastructure, the Chinese now want to focus on transportation, especially railways and ports – Chinese firms already have partnerships underway in ports, but see current rail concession contracts as still being in need of improvement. The Chinese approach may be to take a minority stake or to control the project, and this will be decided on a case-by-case basis, according to embassy minister Qu Yuhui.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

January 28, 2019

São Paulo office market seen heating up

Demand for luxury offices in São Paulo started the year well, according to Cushman & Wakefield chief executive in South America, Celina Antunes. "We had a very busy December when it comes to contract closings. January also has been super hot as companies seek spaces. The word 'expansion' is once again on the agenda for office leasing," she says. Data gathered by Cushman put the city's vacancy rate at 21.5%, from 24.5% in late 2018. But the average asking price on leases stood at R\$89.07 per square meter, still down 7% from the same period a year earlier.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

January 28, 2019

State courts go deeper on financial crimes

The São Paulo Court of Justice, Brazil's largest in number of lawsuits, will create two specialized sections this year to rule on crimes against the tax system and public bidding laws, and which also will focus on money laundering and organized crime. They are expected to absorb over 1,800 criminal cases and more than 6,000 investigations in the state capital alone. Other states have launched similar efforts: Bahia established its first

organized-crime court nearly three years ago, while Ceará created a specific court for tax crimes last December.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

January 28, 2019

Pre-salt among world's most enticing prospects, says IEA chief

International Energy Agency (IEA) executive director Fatih Birol is optimistic about oil majors' interest in the next round of Brazilian pre-salt auctions, including the expected mega-auction of reserves included in the transfer-of-rights deal with Petrobras. "Even among those oil companies thinking twice before investing in long-term projects, the Brazilian pre-salt continues to be one of the most attractive investment opportunities throughout the world," he told Valor. Mr. Birol warns oil markets could start showing supply shortages in the second half, potentially putting pressure on prices.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

January 29, 2019

Credit market rebound likely to boost banks earnings

The credit market's rebound is likely to drive earnings among top banks in Brazil. Itaú Unibanco, Banco do Brasil, Bradesco and Santander are expected to post a combined profit of R\$19.15 billion in the fourth quarter of 2018, according to the average of analysts' projections surveyed by Valor. The combined profit would be 12% higher when compared with the same period in the previous year. Improvement in the credit market became more evident after last October. Credit data for 2018 will be released this Tuesday by the Central Bank, but outstanding loans were already up 4.4% in the 12 months through November, and the expectation is of a stronger performance in December.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

January 29, 2019

Pending patent cases in Brazil still high compared with other nations

Despite the declining trend in recent years, the number of pending patent requests in Brazil continues to be high compared to international standards, causing a number of obstacles to innovation in the country and negative impacts on productivity and sustainable economic growth, according to a study carried out by Antônio Márcio Buainain, professor at Unicamp, and commissioned by the Brazilian Intellectual Property Association (ABPI). In 2014, the ratio in Brazil was 1,042 patent requests for each analyst, much higher than in the US (66.7), Europe (93.8), Japan (109.7) and Korea (210.5). In 2018 there were more than 208,000 patent requests to be analyzed by the National Institute of Industrial Property (INPI). Despite the high volume, the number is down 15% from the peak of 243,000 cases pending in 2017.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

January 30, 2019

Brazilian companies resume bond sales abroad

Following in the footsteps of paper and pulp producer Suzano, the first to open the foreign market for Brazilian bond issues this year by raising \$750 million, other companies in the industry, such as Eldorado and Klabin, as well as the National Treasury, are expected to sell bonds early this year. Eletrobras has also hired BofA Merrill Lynch and Bradesco to roll over \$1 billion in bonds due in July, and is preparing a new offering. Suzano notes — a reopening of 2029 bonds — saw demand three times higher than the volume offered, which demonstrates investor appetite for Brazilian securities. The transaction, the company's first after its merger with Fibria, paid a yield of 5.46%, compared with 6.125% on a \$1-billion bond issue last September.

Source: *Valor Econômico S. A.*

<http://www.valor.com.br/international>

January 30, 2019

US increases pressure for Brazil wheat-export quota

The US government wants to take advantage of the positive signs sent by President Jair Bolsonaro to Donald Trump, and so has resumed demands for the creation of a quota to export 750,000 tonnes of wheat to Brazil free of tariffs, says a top official in the Brazilian government. The US is putting pressure on the Foreign Trade Chamber (Camex) to approve the quota, which is an old request. Americans also want to set a 10% rate for volumes that exceed the quota limit. In return, the Brazilian government expects the US to reopen its market to exports of fresh beef, embargoed for almost two years after abscesses were detected in meat imported from Brazilian meatpackers.

Source: *Valor Econômico S. A.*

<http://www.valor.com.br/international>

January 30, 2019

Low levels of foreign investors in Brazil debt open room for inflows

With foreign investors' share in Brazilian public debt at a relatively low level, and with positive prospects for reforms indicating improvement in fiscal accounts, a larger portion of global funds is likely to be allocated in the country in the coming months, experts say. The share of foreign investors in domestic federal debt stood at 11.2% in December, totaling R\$418.4 billion, according to National Treasury data. Brazil has one of the lowest percentages of foreign investors financing its public debt in comparison with emerging countries of similar size. South Africa, for example, has 38.3% of its debt financed by foreigners, followed by Russia with 26%.

Source: *Valor Econômico S. A.*

<http://www.valor.com.br/international>

January 30, 2019

Agibank studying IPO in the US, founder says

Marciano Testa, founder of Agibank, says the bank is considering an IPO in the US if Brazil's government gives the green light for foreign investors in the capital of financial institutions. Mr. Testa says no decision has been made yet, but this is one of the scenarios being considered by Agibank. At the end of 2018, the Agibank board approved the decision to ask securities regulator CVM to cancel the bank's registration as a publicly held company. According to Mr. Testa, one of the reasons for this was that being registered as a public company without carrying out the IPO only generated costs. Another reason was to leave open the possibility of listing the bank abroad.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

January 31, 2019

Petrobras sells Pasadena refinery to Chevron for \$562m

Petrobras signed an agreement to sell its Pasadena refinery in Texas to Chevron for \$562 million, bringing to a close the state-run oil company's tumultuous foray into overseas refinery operations. Petrobras paid more than \$1.2 billion for the refinery and then spent another \$685 million on needed improvements - part of its drive in the 2000s to establish refinery capacity abroad. Federal police investigations into suspected bribes paid by the seller to government workers as part of the deal eventually led to the Car Wash probe that brought down Dilma Rousseff's presidency.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

January 31, 2019

Guedes tells mayors pension reform will include civilians and military

Economy Minister Paulo Guedes told a meeting of the National Front of Mayors (FNP) that pension reform is urgent and advocated a plan that includes the military as well as civilian retirement systems, with a minimum retirement age of 57 for women and 62 for men in both categories, according to Campinas mayor and FNP president Jonas Donizette (Brazilian Socialist Party, PSB). When contacted by Valor, the Ministry said options are still being studied. One issue under discussion is how long the transition to this new system would take. According to Mr. Donizette, Mr. Guedes also said that after pension reform is passed, the federal government wants to discuss a "federative pact" for tax revenue, giving more money to municipal and state governments and inverting the current scenario where the federal government takes in 55% of tax receipts and the rest is split between states and cities. Mr. Guedes proposed giving 60% to cities and 30% to states under a new pact.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

January 31, 2019

Market raises doubts on sale of Caixa credit portfolio

Caixa Econômica Federal's intention to sell up to R\$100 billion of its loan portfolio in four years may double the real estate receivables certificates (CRI) market, which now totals R\$79 billion. Experts, however, question the federal bank's ability to place such large

volume of CRIs on the capital market. One of the difficulties, they say, is that the main investors of these assets today are individuals, who are tax-exempt. To expand demand, it would be necessary to bring in foreign investors and pension funds.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

January 31, 2019

IPOs await Bolsonaro's first 100 days of government

The Jair Bolsonaro government wants an economic approach to relations within the BRICS (Brazil, Russia, India, China and South Africa) that is devoid of any geopolitical undertones, according to sources familiar with the matter in Brasília. Meanwhile, the Bolsonaro administration will try to become closer to the US positioning, being pragmatic to avoid escalating any disagreements with Washington. The BRICS issues will be handled now by the Secretariat of Foreign Trade and Economic Policy, under the Foreign Relations Ministry's new structure. Sources in Brasília do not rule out clashes with China and Russia due to their close relations with Venezuela, considered by the Bolsonaro government an antidemocratic regime.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

January 31, 2019

Government says 12 investors eyeing March airport auction

The government has mapped about a dozen companies interested in the 5th round of airport concessions scheduled for March 15, said Civil Aviation National Secretary Ronei Glanzmann. He sees room for new players in the Brazilian market. The 5th round will offer 12 new concessions, divided into three regional blocks: Northeast (Recife, Maceió, Aracaju, João Pessoa, Campina Grande, Paraíba and Juazeiro do Norte, Ceará); Southeast (Vitória, Espírito Santo and Macaé, Rio de Janeiro); and Central-West (Várzea Grande, Rondonópolis, Sinop and Alta Floresta, all in Mato Grosso). These 12 airports account for 9.5% of the domestic market. Mr. Glanzmann also confirmed government plans to liquidate Infraero, the state-owned operator, and transfer some of its workers to a new company dedicated to holding its traffic control assets and liabilities.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

January 31, 2019

After merger, mobility startups Yellow and Grin get \$150m injection

Mobility startups Yellow and Grin, known for their bicycles and electric scooters, have merged their operations. After the transaction, the new company, now called Grow Mobility, received a \$150 million capital injection from its partners. Yellow's and Grin's own applications and brands will continue operating separately. The new ownership structure has not been disclosed, but includes Brazilian companies such as venture capital firm Monashees and international names such as San Francisco-based 500 Startups. Together, Yellow and Grin had already raised nearly \$148 million. With the deal, former Caloi CEO Eduardo Musa, co-founder and until now chief executive of Yellow, will

leave the day-to-day operation. There is no information if Mr. Musa will stay in the partnership.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

February 01, 2019

Bolsonaro will need to negotiate support for reforms with parties

The Jair Bolsonaro administration will have to negotiate with independent parties in order to pass many of the measures it wants, according to the Parliamentary Advisory Interunion Department (Diap). The department says President Bolsonaro has the “unconditional” support of 257 deputies and 37 senators, which is short of the 308 deputies and 49 senators he needs to pass constitutional amendments – necessary to carry out measures such as pension reform. Another 117 deputies and 27 senators were classified as providing conditional support, and so will negotiate votes on a case-by-case basis.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

February 01, 2019

Brasília and Banco do Brasil don’t see eye to eye on privatization

While Brazil’s privatization czar Salim Mattar is pushing for more aggressive privatization of Banco do Brasil assets, bank CEO Rubem Novaes has signaled some reluctance to let go of some of the state-run bank’s “crown jewels.” Behind-the-scenes discussions at the bank have led to some concern that Mr. Mattar’s rush to privatize may lead the bank to not get the best price for its assets, and even to lose crucial businesses that add value to Banco do Brasil and allow it to compete with private-sector rivals, sources say.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

February 01, 2019

Demand for storage space set to rebound on economic prospects

Demand for self-storage units has started to grow again following Brazilian elections now that the outlook is for better economic growth. Companies seeking to bolster inventory as they prepare for a rebound in consumer demand are leading this growth. Players in the sector, such as market leader GuardeAqui and rivals Goodstorage (a joint venture between Hemisfério Sul Investimentos and Evergreen Real Estate Partners) and Metrofit (controlled by Goldman Sachs) say they plan to resume investments this year. But company executives say rent may not go up as quickly as there is still ample supply following Brazil’s recent economic slump.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

February 04, 2019

Economists see Selic rate steady for rest of the year

A Valor survey of 40 economists found that more than half (24) expect Brazil's benchmark Selic rate to remain steady throughout the year at 6.5%. Also, all of the economists surveyed are confident that the rate – which has remained unchanged since March 2018 – will not be modified when the monetary policy committee convenes this week for its first meeting of the year. As of now, futures markets are pricing in a slight increase in the Selic in 2019, although there is a natural tendency to include a small premium in futures. Should pension reform be passed this year and the economy underperform and grow less than 2.3%, there is even room for additional rate cuts, says Ivo Chermont, chief economist at Quantitas.

Source: Valor Econômico S. A.
<http://www.valor.com.br/international>

February 04, 2019

Federal budget has room this year for R\$26bn in extra spending

During its first year of government, the Jair Bolsonaro administration will have no difficulties in complying with the spending ceiling. Federal spending has room to grow by 6.4%, well above the inflation target's midpoint of 4.25%. This additional margin for increased spending equals R\$26 billion. The extra room in the ceiling this year can be explained by the fact that the Michel Temer administration spent much less in 2018 than the limit allowed. Of the R\$60 billion left over, only R\$26 billion represents effective relief, as a recent change transferred R\$34 billion in expenses from 2018 to this year.

Source: Valor Econômico S. A.
<http://www.valor.com.br/international>

February 04, 2019

Military accepts pension reform in exchange for correcting wage gap

The military agreed to provide an "additional quota of sacrifice," as the upper ranks of the Armed Forces described it, in order to contribute to the fiscal balance that the government of Jair Bolsonaro intends to achieve through pension reform. According to sources, the military agreed to discuss a minimum age for retirement, for example, but they have also expressed a desire to tackle the wage gap between the military and other sectors and are reluctant to carry a disproportionate burden in relation to other careers, arguing they have been losing benefits since 2001. The ministries of Economy and Defense have been talking with military officers in recent weeks, but their participation in the pension reform bill will be discussed only when Mr. Bolsonaro is back in Brasília after he recovers from surgery.

Source: Valor Econômico S. A.
<http://www.valor.com.br/international>

February 04, 2019

Chamber leaders seek to speed up pension reform

Most leaders of the Chamber of Deputies support the Bolsonaro government's strategy of using former President Michel Temer's pension reform constitutional amendment (PEC) to

issue a new version of the bill, which could speed up the process by at least two months. However, there are doubts among experts about whether the amendments will provide support for all the changes that the new government wants to make to the text, especially in relation to the new capitalization system. After getting support from the opposition for his re-election as Chamber speaker, Rodrigo Maia (DEM of Rio de Janeiro) said he was not willing to accept the maneuver being studied by the government, which would present a new amendment in order to sidestep Chamber procedures and instead be attached directly to the Temer government's proposal.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

February 05, 2019

Agriculture Ministry wants self-regulation, but with higher penalties

At the same time that the Agriculture Ministry is pushing for increased self-regulation of the agribusiness sector, rather than relying on government inspectors, Minister Tereza Cristina also wants to increase fines for companies that provide fraudulent information. A similar move was carried out under the Michel Temer administration - whereby the maximum fine on meatpackers and dairy producers was increased more than 30-fold to up to R\$500,000 - but that executive order expired. The current minister thinks any legislation of this sort would have to wait until after pension reform is passed. She also explained that not all processes would be self-regulated, because the sector fears that perceived laxity in inspection could lead overseas markets to ban Brazil meat shipments.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

February 05, 2019

Brazil could export \$10.5bn more as result of US-China trade war

Brazil's exports could increase by \$10.5 billion to the US and China if the world's two largest economies continue with their trade war, according to a study by the United Nations Conference on Trade and Development (UNCTAD). The organization estimates that about 80% of Brazil's gains would come from additional exports to the US market, taking advantage of the barrier raised against Chinese products. UNCTAD forecasts that out of the \$200 billion in Chinese exports subject to US tariffs, about 82% would be captured by other countries, while only 12% would remain with the Chinese and 6% would go to American companies.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

February 01, 2019

Multinationals increase demand for work permits in Brazil

Law firms and companies specializing in immigration are noticing an increase in consultations related to authorization for foreigners to reside and work in Brazil, mirroring a greater number of multinationals interested in investing here, experts say. According to lawyers, demand has risen following labor reforms and the election of President Jair Bolsonaro. In 2018, 31,116 work permits were granted, according to the General

Coordination of Labor Immigration, compared with 25,937 permits in the previous year. As of January 28, there were 1,526 requests awaiting review, according to the agency.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

February 06, 2019

Complementary pensions to offer new, simpler products

Regardless of what the final version of Social Security reform looks like, the view among specialists who deal with complementary pension plans (the so-called PGBL and VGBL plans) is that a capitalization system will definitely be incorporated, especially for higher-income workers. Major industry players expect to take the lead in adapting to these inevitable changes. Even for a segment that has been growing at a 20% pace for ten years and reached reserves of around R\$800 billion in 2018, experts say the growth potential is significant. One executive at a large company in the pension industry says one challenge will be offering simpler and more transparent plans, in terms of format and costs, so that consumers can better compare products.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

February 07, 2019

Next Harvest Plan to offer new credit lines with lower market rates

The government is preparing the next 2019/20 Harvest Plan considering an outlook of curbing subsidized lending to large farmers. The idea is to offer new credit lines at market rates below 10%. Another measure being studied is a bolder subsidy program for insurance premiums, with at least R\$1 billion — the estimated budget for this year amounts to R\$665 million. Agriculture Minister Tereza Cristina told Valor the outlines for the next Harvest Plan, which comes into effect on July 1, have already been discussed with Economy Minister Paulo Guedes and future Central Bank President Roberto Campos Neto.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

February 08, 2019

Petrobras may eliminate strategy and management system department

Petrobras is considering the possibility of eliminating the department of strategy, organization and management system, which is in charge of the preparation of long-term outlooks and the oil company's multi-year business plan, among other activities. No decision has been made yet. "We are analyzing the issue," CEO Roberto Castello Branco told Valor. Appointed to head the department, Lauro Cotta resigned at the end of January, citing personal reasons. Since then, the department has been led by CFO Rafael Grisolia. Petrobras currently has seven executive boards, in addition to the presidency. Only two names from the previous management remained: Mr. Grisolia and Rafael Mendes Gomes, director of governance and compliance.

Source: *Valor Econômico S. A.*

<http://www.valor.com.br/international>

February 12, 2019
Jorge Vianna takes over as Avianca Brasil CEO

Avianca Brasil announced that Jorge Vianna, one of the founders of OceanAir, will replace CEO Frederico Pedreira as of this Monday. The company said Mr. Pedreira would support the operation for a few months in a transition period but did not specify whether he will stay after that. The airline said it continues operating normally. "Under the command of Jorge Vianna, the company remains focused on its judicial recovery plan to ensure the continuity of its operations and the sustainability of its business," it said.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

February 12, 2019
AgRural forecasts 5.7% drop in soybean output

January's dry and hot weather in the main producing regions of Brazil is leading consultancy firm AgRural to issue one of the most pessimistic forecasts so far for the 2018/19 soybean haul: 112.5 million tonnes or 5.7% lower than the previous cycle. If confirmed, it would be the weakest in three years. INTL FCStone, in its turn, forecasts 112.2 million tonnes while Safras & Mercado expects 115.7 million. Conab, the government-owned agency that coordinates Brazil's farm resources, will issue a new forecast this Tuesday. Previously it had projected 118.8 million tonnes.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

February 13, 2019
Citibank bullish about Brazilian equities

Indications from the Central Bank's Monetary Policy Committee (Copom) that base rate Selic could stay parked at 6.5% throughout 2019 are encouraging investors to seek equity funds and could lend support to rising prices, says Citibank's head of Latin American trading, Fabio Gheilerman. "There's a chance we could keep seeing this performance without foreign capital, but there would be a second rally once these investors join in," says the New York-based executive. B3 featured a net outflow of R\$11.5 billion last year, but Mr. Gheilerman argues that foreign investors will start pouring back into the country only after Congress passes pension reform.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

February 14, 2019
Government resumes sale of Infraero stakes in privatized airports

The government is resuming the sale process of stakes held by state-owned operator Infraero in the airports privatized between 2012 and 2013, said Wednesday the national secretary of Civil Aviation, Ronei Glanzmann. Infraero still has a 49% stake in five

airports: Guarulhos (São Paulo), Viracopos (São Paulo), Brasília (Federal District), Galeão (Rio de Janeiro) and Confins (Minas Gerais). In the coming weeks, Mr. Glanzmann says, Infraero's board of directors and executive board are expected to approve hiring a company to carry out the valuation of assets and find the best model to sell them to the private sector.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

February 15, 2019
Under pressure, GWI Group sells 33.7% stake in Gafisa

The GWI Group, controlled by fund manager Mu Hak You, auctioned on Thursday 33.67% of common shares in real estate developer Gafisa, and is no longer the company's largest shareholder. GWI was under pressure from brokerage Planner and B3 itself to hedge margins for its leveraged positions. The sale of the 33.67% stake marks the end of a troubled period since Mr. Mu became Gafisa's majority shareholder at the end of September, elected a new board, dismissed several directors and adopted controversial measures. The auction raised R\$131.4 million at R\$9 per stock. Gafisa shares ended the trading day down 12.8% at R\$9.4.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

February 15, 2019
For Banco do Brasil CEO, bank would be more efficient privatized

The adjustment that Banco do Brasil has undergone in recent years, after a phase of stronger credit expansion, paid off in 2018 with improved return and higher net income. But the new CEO of Banco do Brasil, Rubem Novaes, thinks the performance could be better if the bank were not state-owned. "If privatized, BB [Banco do Brasil] would be more efficient," Mr. Novaes told reporters Thursday in São Paulo. In the fourth quarter, adjusted return on equity was 16.3%, compared with 14.5% a year earlier. Despite the improvement, the indicator is almost six percentage points lower than that of Itaú Unibanco, of 21.8% in the fourth quarter. Banco do Brasil had adjusted net income of R\$13.5 billion in 2018, up 22.2% over the previous year.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

February 15, 2019
Most companies listed on Novo Mercado yet to adapt to new rules

About one-third of companies listed on Novo Mercado, B3's strictest corporate governance segment, do not have an internal audit department in charge of assessing the quality and effectiveness of governance rules, according to a study conducted by B3 to which Valor had access. Almost 64% of companies have an audit department, but still must adapt it to the new regulation approved in 2017. Only 6% of them have an audit division that fully complies with the B3 new requirements. According to B3, CCR, Lojas Renner, Sabesp, Totvs, Localiza and B2W are the ones more advanced in the process. Companies have until April 2021 to comply with the new regulation.

Source: Valor Econômico S. A.
<http://www.valor.com.br/international>

February 18, 2019
Chinese firms eyeing R\$5.3bn Salvador-Itaparica bridge

China Communications Construction Company and China Railway 20 Bureau Group are interested in building a R\$5.3 billion bridge connecting Salvador with Itaparica Island in Bahia state. Officials hope to auction this year the project, first conceived in the 1960s, by drawing up a public-private partnership. It would feature 4.6 kilometers of access roads in Salvador and a 21.4km expressway on Itaparica aside from the 12.4km bridge over All Saints Bay. The Bahia government is willing to contribute R\$1.2 billion to build the bridge, which would open up a new transportation link for south-bound cargo and real-estate opportunities close to the state capital. Chinese officials decided to limit bidding on the project to just the two firms amid massive interest from the country's companies. Brazilian infrastructure group CCR, which already operates Salvador's subway, is also expected to bid.

Source: Valor Econômico S. A.
<http://www.valor.com.br/international>

February 18, 2019
Buffett signs up for significant stake in IRB

Conglomerate Berkshire Hathaway is negotiating to buy part of an 8.9% slice in reinsurer IRB being offered by state-owned bank Caixa Econômica Federal, Valor has learned. Controlled by Warren Buffett, one of the world's most celebrated investors, Berkshire has insurance assets making up a major part of its operation. Caixa, for its part, hopes to raise as much as R\$2.5 billion with the IRB stake amid a new plan to divest non-core assets. The offering will be priced on February 26.

Source: Valor Econômico S. A.
<http://www.valor.com.br/international>

February 18, 2019
Government to speed up allocation of funds to infrastructure projects

Two decrees in their final draft at the Special Secretariat for Productivity, Employment and Competitiveness (Sepec) promise to make easier the commitment of budgetary funds to infrastructure projects included in the Growth Acceleration Program (PAC). The decrees' goal is to cut red tape in government procedures and decentralize actions, speeding up transfer of funds among sectorial ministries in charge of investment projects. PAC still has 30,000 projects with planned investment of around R\$22 billion in the 2019 federal budget, despite fiscal restrictions.

Source: Valor Econômico S. A.
<http://www.valor.com.br/international>

February 19, 2019
Minerva holds roadshow of Athena Foods IPO

Brazilian meat producer Minerva Foods, the biggest beef exporter in South America, has intensified meetings with investors for an initial public offering in the Chilean market of Athena Foods, its subsidiary gathering operations outside of Brazil. Minerva executives took advantage of a Dubai trip, where food convention Gulfood is being held, for a roadshow with Middle Eastern and Asian investors. They plan to offload up to 25% of the company for as much as R\$1.5 billion. Salic, a farming and livestock investment firm controlled by the Saudi government, already is the biggest shareholder of Minerva with a 32.9% stake.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

February 19, 2019
Latam plans to undo equity engineering of LAN-TAM merger

Chilean group Latam plans to increase its stake in TAM to 51.04% from 48.99% after Brazilian authorities finally authorized foreign investors to control domestic airlines. It would mean undoing the complicated equity engineering created for the 2010 merger of LAN and TAM. The final arrangement let the Amaro family of TAM's founder control the airline but not the overall business. Now they will transfer control to the Chileans by converting part of their preferred shares into common ones. Latam says the change will generate administrative savings.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

February 20, 2019
CVM poised to allow companies to protect data during public offerings

The Securities and Exchange Commission of Brazil (CVM) took the first step to change rules for public offerings in a way that allows companies to protect proprietary information when issuing shares. The market regulator also will stop blocking companies from winning authorization to issue shares in the 16 days before disclosing earnings. In the end, the changes will erase current rules that forbid offerings in 64 days of the year. The changes will begin experimentally and follow a period of market consultations. They meet longstanding requests of industry players.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

February 21, 2019
Union federations at odds over retirement reform

Disagreements among union federations regarding the Social Security reform bill probably will create hurdles for the opposition. Union leaders are warning that without a unifying strategy workers could suffer "another defeat" similar to the labor reform passed by the previous administration. Eight federations protested against the reform Wednesday in São Paulo, except for UGT, which supports the plan but has its share of critics. Força Sindical,

another large federation, opposes the bill but is against a general strike, arguing it may not attract enough workers. Instead, it calls for “regional mobilizations.”

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>

February 21, 2019

Potential coalition members cautiously support pension bill

The parties that may vote with the government agreed on the importance of pension reform but avoided fully endorsing a proposal forwarded Wednesday by the president, arguing they first need to study its technical aspects more closely. The multiparty thematic caucuses -- (farm, law-enforcement and evangelicals) the president is banking on to form his congressional base, meanwhile -- have started mobilizing to protect their interests and soften some aspects. The opposition, for its part, plans to highlight the package’s lack of measures to curb tax evasion and criticize what it sees as disguised ways of cutting benefits.

Source: *Valor Econômico S. A.*
<http://www.valor.com.br/international>
