

The ex-president's activities were legal, a spokesman from Lula's foundation, known as Instituto Lula, said by phone Thursday, asking not to be named citing internal rules. The institute later wrote in a statement that Lula was surprised by news of the investigation, which it called unjustified.

At least one political leader wasn't caught by total surprise on Thursday, as lower house President Eduardo Cunha earlier in the day forecast the country's political crisis would worsen. He was referring to predictions that his own troubles would grow, and was right: a state's witness accused him of accepting a bribe.

Cunha denied the allegations Thursday, saying the government may have pressured the informer to lie. "The strain of the political crisis coupled with the economic crisis is eroding the government's popularity and, as a consequence, it's losing its ability to govern," he said before the informer's charges were made public.

The administration has suffered a series of defeats in Congress over the past month as lawmakers frustrate its efforts to contain spending and raise taxes. Legislators have opposed Rousseff by approving wage increases for judiciary workers and higher pensions for younger retirees.

The probe into Lula could further damage the administration by making it harder for the ex-president to provide it with political support, Rafael Cortez, political analyst at research company Tendencias, said by phone.

"This is one more factor of political destabilization," Cortez said.

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