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Brazilian Finance Minister Announces "second Phase" Of Anti-inflation Program

by John Neagle

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On the afternoon of April 19, Finance Minister Mailson da Nobrega announced the second phase of the government's anti-inflation program known as Plano Verao (Summer Plan). The minister said that effective immediately, prices can be adjusted only after businesspersons receive authorization from the Finance Minister. Adjustments, he added, can be implemented only at three-month intervals, and in an amount equal to or less than changes in the consumer price index. Next, wages are to be adjusted, said the minister, for the first time since the Jan. 15 freeze. The maximum adjustment is 15.88%, with variations by occupational category, in an effort to equal the average wage for 1988. Nobrega warned that the salary hikes are not to be passed off to consumers by employers. Da Nobrega said that the government had decided to establish adjustments in the nominal value of the recently- created National Treasury Bond (BTN), a 25-year instrument with a 12% maximum annual rate of return. In February, its nominal value was set at one cruzado (about US\$1), now to be adjusted in line with the consumer price index. The minister stated that within the next few days, the BTN's value would be adjusted in accordance with inflation in February (3.6%) and March (6.09%). The BTN replaced the OTN (Obrigacao de Tesouro Nacional), which was indefinitely frozen on Jan. 15. Da Nobrega announced the return of "mini-devaluations" of the national currency, the first of which occurred on April 14. The new cruzado was devalued 3.2%. The minister said the mini-devaluations will take place on an irregular schedule, in accordance with export policy needs. Finally, Da Nobrega stated that the government will continue its policy of strict money supply control via monitoring credit and interest rates, and rigid controls on public spending. (Basic data from AFP, 04/19/89)

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