Brazil: Commercial Interest Rates Escalate To 5,000% Per Year

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On June 27, for the second consecutive day, commercial bank interest rates reached 5,000% per annum, in anticipation of 35% inflation for the month of July and continued economic recession. The jump in interest rates was triggered by a Central Bank decision to adjust open market overnight rates to 44.51% per month. The 5,000% annual rate is the highest ever quoted in Brazilian history. The official Brazilian Institute of Geography and Statistics (IBGE) estimated inflation for June at 25%, more than double the 9.9% recorded for the month of May. The National Industrial Confederation (CNI) reported that its economics department calculated a 3.5% negative growth rate for industrial output in the last 12 months. In 1988, industrial output dropped 2.5%, and gross domestic product fell 0.3%. Negative growth rates were also observed in 1981 and 1983. (Basic data from Notimex, 06/27/89)

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