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On July 1, Finance Minister Mailson da Nobrega said the new cruzado would be devalued by 12%, exchange transactions would be centralized, and a Treasury bond linked to exchange rates would be created toward conserving foreign reserves. Current reserves are reportedly above the December 1988 low of $5.4 billion. The devaluation was announced June 30. In part, the government devalued the new cruzado in response to exporters' complaints about reduction of the currency's market value resulting from high inflation. In addition, the government hopes the devaluation will expand exports and reduce imports. On Jan. 15, the government created the new cruzado as part of an anti-inflation program. Inflation in 1988 reached a record 933.62%. In January, the new cruzado was set at parity with the US dollar. On June 30, the dollar was trading at 1.5 new cruzados, and July 1, at 1.7 new cruzados. The government devalued the new cruzado by 3.2% on April 14. Since June 14, nearly daily mini-devaluations have further reduced the currency's value. Da Nobrega said the 12% devaluation should reduce exchange market instability, discourage speculation and a "growing tendency" toward capital flight, and foster the return of capital. The centralizing of exchange transactions under the central bank was not intended as an arbitrary barrier to capital flows, said the minister, but to more effectively regulate them. Imports and exports would continue to move normally, he added. On July 10, some $600 million worth of two-year National Treasury Bonds will be launched, da Nobrega said. They will be indexed to the exchange rate of the new cruzado and will earn an annual 6% interest. The government hopes to generate financing from the bond sales for economic programs. Last year's trade surplus totaled $16 billion. (Basic data from AFP, Xinhua, 07/01/89)

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