

9-4-1990

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Recommended Citation

Khol, Barbara. "Brazil: Notes On Effects Of Economic Austerity Program." (1990). <https://digitalrepository.unm.edu/notisur/5159>

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Brazil: Notes On Effects Of Economic Austerity Program

by Barbara Khol

Category/Department: General

Published: Tuesday, September 4, 1990

On Aug. 31, the Roman Catholic Church released a document criticizing the government's austerity policies, asserting that "It is ethically unacceptable that the greatest sacrifice is falling on exactly those who least afford it." Introduced March 16, President Fernando Collor de Mello's program included an 18-month bank freeze on \$115 billion in business and individual savings accounts and short-term money market funds. A recent World Bank report showed Brazil's income distribution was the third most unequal in the world, exceeded only by Honduras and Sierra Leone. The bank freeze, tight credit and monetary policies, has produced the worst recession in a decade. The Brazilian Institute of Geography and Statistics (Instituto Brasileiro de Geografia e Estatística-IBGE) recently reported that second quarter GDP plunged 8.8% compared with the same period last year. An estimated 1 million workers have been fired since mid-March. In May, the president decided to abolish monthly cost-of-living wage adjustments. Economist Juarez Rizzieri of the Foundation Institute of Economic Research (FIPE) estimates real earnings are down 16.6% from the 1989 average. Union organizations say the losses are even greater. Supermarket sales dropped 25% June and another 26% in July. Less than half the \$115 billion blocked in March is still "frozen," according to unidentified private estimates cited by AP. Survey results on consumption patterns five months after the "Collor plan" went into effect published Sept. 2 by daily newspaper Folha de Sao Paulo indicate that purchases by self-employed and independently wealthy households have not significantly changed. The survey, conducted by Research International Brasil, was based on detailed interviews with 24 persons, four representing each of six categories of high- to low-income households. Most wealthy households continue to consume expensive superfluous goods and services, such as alcohol imports. In contrast, according to sociologist Claudia de Resende, Research International survey coordinator, households previously labeled "high-income" where principal income earners are salaried professionals and company executives have experienced an abrupt decline in purchasing power. According to survey results, the most notable changes in consumption patterns by middle-income households are cutbacks in purchases of dairy products and cold cuts; more time and energy spent in seeking out sales and seasonal liquidations; price-based rather than name brand shopping; seeking out the lowest price location for purchases of fruits and vegetables. Low-income households have dropped purchases of meats and dairy products. The same results were reported by Research International following a similar survey in April, less than a month after implementation of the austerity plan. A recent report by daily newspaper O Estado de Sao Paulo, cited by EFE, emphasized that in the past five months, tourism outside the country has increased by 90%, while retail sales of imported consumer goods, and sales at airport duty-free shops rose by over 30%. [Basic data from AP, 09/03/90; Folha de Sao Paulo (Brazil), EFE, 09/02/90]

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