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Barbara Khol

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Brazil: Update On Lifting Savings Account Freeze, Anti-inflation Measures

by Barbara Khol

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On Aug. 15, the Central Bank released the equivalent of \$1.4 billion of \$20 billion worth of savings account deposits frozen in March 1990. Savings account holders with 200,000 cruzeiros (\$487.80) in frozen accounts were authorized to withdraw their money. Persons with larger savings accounts were authorized to withdraw 1/13th of account sums. The remainder of the larger accounts is to be released in equal installments over the next 12 months. Although the funds in frozen accounts were corrected by monthly inflation, real buying power declined in relation to the dollar. In March 1990, 200,000 cruzeiros was equal to \$605.45. Consumer price inflation in March last year was 84.32%, and the 12-month rate, 4,853.9%. At that time, following President Fernando Collor de Mello's inauguration, \$85 billion in savings were frozen. Pressure by powerful economic interests as well as representatives of low-income households, and innumerable lawsuits led to the release of about \$60 billion over the subsequent 17 months. In the past month, a sum equivalent to nearly \$700 million was unfrozen result of a court decision. In January, the consumer price index rose 20.21%, and the government re-established price and wage controls. The April inflation rate was 7.2%. Economy Minister Zelia Cardoso de Mello and her economic team resigned. Subsequent to price deregulation, the inflation rate in June was 13%. The government responded by applying selective price controls. On Aug. 15, the Central Bank announced new measures to reduce inflation. Banks are required to deposit in the Central Bank earnings from short-term investments in excess of value as registered on July 31. Analysts pointed out that banks and other financial institutions will be forced to reduce the volume of resources earmarked for consumer loans. In statements to reporters on Aug. 16, Economy Minister Marques Moreira rejected the viability of a "dollarization policy" for Brazil as suggested Aug. 14 by Argentine President Carlos Menem. Due to differences between the two economies, said the minister, what is good for Argentina may have negative consequences for Brazil. Daily newspaper O Globo (08/17/91) reported that Economy Minister Marques Moreira dismissed press reports on the imminence of new economic "shock treatment" policies. The minister said certain "corrections" to current policy will be applied as necessary, but new programs are out of the question. [Basic data from EFE, O Globo (Brazil), 08/16/91; AFP, 08/15/91, 08/17/91]

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