

February 4, 1970 - 70/12

Statement on Brazil by Representative from
the Western Hemisphere Department at
Executive Board Meeting 70/9
February 4, 1970

I have a very brief statement to make. The staff has received additional information on financial developments in November 1969, and while these data do not alter the basic picture described in the report I might indicate the movements in a few of the principal variables. The net domestic credit of the monetary authorities rose in November but over the period January to November its change was still negative, by about 10 per cent; this refers to the figures as shown in Table 1 in the paper. Also, in terms of that table, the Treasury was in deficit in November, and for the first 11 months of the year the deficit was slightly more than NCr\$300 million. The net foreign reserves of the monetary authorities continued to improve in that month, bringing the gain for the first 11 months of the year to approximately \$665 million.

We now have price data for the whole of 1969, and these show that the rise in the cost of living last year was only marginally higher than in 1968, as the increase in December 1969 was smaller than the one recorded in the same month of the previous year. Wholesale prices actually declined in December 1969, and the increase over the whole of last year was a little more than 19 per cent, compared with 24 per cent in the previous year--by reference, this is in Table 2 of the report. The wholesale prices of industrial products rose moderately in December of last year, by 4/10 of 1 per cent, and ended the year with a rise of less than 15 per cent. In the second half of 1969 wholesale prices of industrial products rose by a little less than 4 1/2 per cent, or at an annual rate of around 9 per cent. Agricultural wholesale prices--this is still in reference to Table 2--declined by nearly 1 per cent in December 1969, and this reduced their rate of increase for the year to about 32 per cent; however, this was still about twice the rate of increase recorded in 1968.

Finally, a plan to reduce reserve requirements by about two percentage points was announced recently. This is to be tied to a further reduction in interest rates. However, the staff is expecting to receive additional information on these changes and is not in a position to add anything further on this matter at the present time except to now note that decreases in compulsory reserve deposits count as credit from the monetary authorities under the concept of net credit utilized in the stand-by arrangement under discussion.