

Brazil Counting on New Minimum Wage for Economic Boom

Contributed by Bruno Bocchini
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The minimum wage in Brazil will be raised in May from US\$ 96 (260 reais) to US\$ 110 (300 reais). The result could be a US\$ 7.3 billion (20 billion reais) increase in Brazil's domestic consumption.

This is a calculation made by Márcio Pochmann, professor of Economics at the University of Campinas (Unicamp) and ex-Secretary of Development, Labor, and Solidarity of the São Paulo Municipal Government.

According to Pochmann, each increment of US\$ 0.37 (1 real) in the minimum wage represents an additional US\$ 184 million (500 million reais) in domestic consumption.

"This has a direct impact on sectors such as shoe manufacturing, foodstuffs, and transportation, and, as a result, because these activities imply tax payments, the public coffers end up getting back part of the money that the government set aside for salary payments," Pochmann affirmed.

According to the president of the Brazilian Consumer Defense Association, Gilberto Luiz do Amaral, the Federal Treasury gets back 40% of the total amount of capital injected into the economy, through tax collections.

"The balance is positive for the country as a whole, because the minimum wage is an essential factor in dealing with the country's poverty, and, even more, whenever the minimum wage goes up, there is a hope of reducing the country's income disparities, which are very great in Brazil," Amaral declared.

Translation: David Silberstein
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