

Brazil Ready to Lend US\$ 60 Billion to Help Businesses

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In a bid to speed up the Brazilian economy's recovery, Brazil is going to cut sales taxes on 70 capital goods and lower the long-term interest rate charged by the state development bank, BNDES, announced Brazil's Finance Minister Guido Mantega.

Speaking to reporters in Brazilian capital Brasília Mantega said the government will also extend existing tax breaks on the purchase of cars, home appliances, construction materials and some food staples until at least October.

The rate charged by the BNDES will be reduced to a record 6% percent, from 6.25% percent, at Tuesday's national monetary council meeting, Mantega said. The so-called TJLP rate has remained unchanged at 6.25% since July 2007.

"We are giving a boost to a sector that suffered badly in the crisis, which is the capital goods sector," said Mantega.

The TJLP rate is normally based on expectations for inflation plus risk spreads on the country's sovereign debt and is used by loans to businesses and as a reference for agriculture credit.

The subsidized TJLP is substantially lower than the benchmark Selic base rate, which still stands at 9.25% despite total cuts of 400 basis points since the start of the year.

Brazil economic policy secretary Nelson Barbosa said wind-power generators would be among the capital goods included in the tax-cut plan.

Brazil fell into its first recession since 2003 this year as credit and consumer spending dried up and the global recession reduced demand for its commodity exports. Latin America's largest economy began showing signs of growth in the second quarter, as consumer confidence has risen each month since February's record low and government spending increased.

The central bank last week said it expects gross domestic product to expand 0.8% this year, exceeding private analysts' estimates for a 0.5% contraction, according to a survey published on Monday.

BNDES is seeking to lend as much as 120 billion reais (US\$ 61 billion) this year, 30% more than last year, to ease

businesses' access to credit and boost economic growth.

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