

Lula: Despite Higher Primary Surplus Brazil Remains on Track

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The government has decided to raise its primary account surplus target from 4.25% of GDP to 4.50%. The announcement of the decision was made by minister of Finance, Antonio Palocci, following a meeting with President Luiz Inácio Lula da Silva, presidential Chief of Staff, Jose Dirceu, and minister of Planning, Guido Mantega. By raising the target 0.25 percentage points, the government makes it clear that it intends to economize an additional US \$1.4 billion (4.3 billion reais), which is earmarked for debt interest payment.

"The higher surplus will allow us to obtain a more solid macroeconomic situation for the country," explained Palocci.

As for the 2005 primary account surplus target, Palocci reports that a decision has not been made yet but that it will be part of the 2005 budget the government sends to Congress.

Lula Praises

Speaking at a press conference for radio broadcasters, president Luiz Inácio Lula da Silva said that the decision to raise the primary account surplus target from 4.25% of GDP to 4.50% of GDP was correct and showed that "government economists, led by minister of Finance, Antonio Palocci, were doing their job better than expected."

When the president was asked if the higher primary surplus target was possible because the government had raised some taxes, Lula replied that nowadays in Brazil there are three things everybody thinks he is an expert on: economics, health and soccer.

And then he added, "Brazilian economics are beginning to look like a soccer match!"

The president went on to explain that the government's budget for this year had set aside US\$ 140 billion (406 billion reais) for expenditures, but the amount the government wound up with was US\$143 billion (414 billion reais). Besides that, the government reached agreements with various economic segments for tax reductions that gave growth a boost. As a result, the government was able to raise the primary surplus target and use the money to reduce the country's debt.

Lula went on to say that planned infrastructure investments for next year remain on track and would not be affected by the higher primary account surplus.

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