

Foreign Reserves and Investors Way Up in Brazil

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Brazil's international reserves reached US\$ 62 billion at the end of the first quarter of this year as a result of an increase of US\$ 9 billion between December 2004, and the end of the first quarter, in March 2005.

"That was a significant increase in absolute terms," says Adriana Beringuy, of the government statistical bureau (IBGE), where she monitors National Accounts.

The IBGE says the increase was the biggest in the first quarter of any year in over a decade. And the inflow of dollars made it possible for the Brazilian Central Bank to buy dollars without exerting pressure on the exchange rate.

"The bank bought dollars to further strengthen the country's reserves," explains Beringuy. "That sends a positive signal to the international market and gives Brazil some slack in case of a foreign financial crisis."

Foreign Investors

The IBGE reports also that this year there has been a sharp rise in stock market investments by foreigners. From US\$ 851 million (2 billion reais) in the first quarter of 2004, the total has risen to US\$ 2.12 billion (5.9 billion reais) during the same period in 2005.

According Beringuy, that is a positive sign as it means the foreign investor sees the Brazilian economy in a favorable light.

The IBGE also reports an increase in corporate financial inflow to branches in Brazil. It went from US\$ 850 million (2.1 billion reais), in the first quarter of 2004, to US\$ 2.9 billion (7 billion reais), in the same period of 2005 - an increase of 242% in what is a type of foreign investment.

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