

Prices in Brazil Rise 93%. Those Controlled by Government Go Up 340%

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A just-released study by Brazil's Secretariat of Economic Oversight at the Ministry of Finance - Secretaria de Acompanhamento Econômico (Seae) do Ministério da Fazenda - shows clearly that over the last ten years the prices that have risen most in Brazil were prices controlled by the government: electricity, telephone, transportation, basic sanitation, gasoline and health plans.

And the difference between the increase in government-controlled prices and prices in the private sector was not small. Government-controlled prices rose 340%, other prices were up only 93% .

Between May 1995 and November 2005, prices in economic segments controlled by the government (such as telephones, energy and gasoline) rose almost four times as much as prices in the private sector. How did this happen?

Marcelo Saintive, the deputy head of the Secretariat of Economic Oversight at the Ministry of Finance explains that the causes were: privatizations which required price adjustments to be viable (that is, attractive to investors), the devaluation of Brazilian currency in 1999 (it slumped over 30% against the dollar) and higher petroleum prices.

Saintive says that those shocks have now be absorbed by the Brazilian economy and that the tendency is for government-controlled prices to rise less in the future.

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