

With US\$ 100 Billion in Reserves Brazil Says It Got Turbulence Vaccine

Contributed by Edla Lula
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Brazil's foreign trade reserves have exceeded the US\$ 100 billion barrier for the first time in history. The Brazilian Central Bank (Banco Central, BC) disclosed yesterday, February 28, that foreign currency reserves - a kind of savings account that the country has for possible economic shocks - reached US\$ 100.3 billion on Tuesday, February 27.

Brazilian Finance Minister Guido Mantega commemorated the fact stating that it "makes the country more resistant to the foreign turbulence that occasionally materializes."

And Mantega recalled that the financial market is nowadays "powerful and boosted", and that Brazil has large reserves to be able to face the situation if there is a large outflow of investment.

"With the reserves, we will be vaccinated against international turbulence," he guaranteed.

International reserves are composed of dollars entering the country due to exports and to financial investment and also due to purchases of the dollars made by the BC.

To purchase the dollars, the BC sells treasury bonds corrected by the Brazilian benchmark interest rate, the Selic, currently at 13%.

When the organization invests the dollars abroad, the remuneration is approximately 5%. The cost to the country of the purchase in dollars is 8%, and therefore analysts criticize the reserve replenishing policy that the BC put in place in 2004.

Mantega stated that it is due to the security that Brazil is immune to turbulence that countries now loan money to the country at lower interest rates. "The security we currently have that turbulence does not affect us is worth gold."

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