
Brazil Sees Silver Lining of World Crisis: a More Realistic Dollar

Contributed by Newsroom
Saturday, 04 October 2008

Brazil's currency may not strengthen to previous levels because of ongoing global market turmoil and the government may use international reserves to increase liquidity, the Brazilian Finance minister said on Friday, October 3.

"My impression is that the currency will not return to the levels of the (recent) past, it will keep at a more realistic level," Guido Mantega said in a speech in Sao Paulo.

The currency had been trading at its strongest level since 1999 before the recent plunge, causing some exporters to demand protection from the government.

Since early August, the Real has dropped more than 20% as uncertainty over the fate of the US economy pushed investors out of riskier emerging market currencies into the US dollar.

When President Lula da Silva took office in 2002 the US dollar was trading at 4 Brazilian reais but it has since eroded (and the Brazilian currency soared) to 1.50 reais.

Mantega said the government is preparing new measures to help boost credit to exporters after trade finance tightened because of the global liquidity crunch.

Brazil also could tap its more than 200 billion US dollars of international reserves, Mantega said.

The central bank has offered dollar repurchase agreements to help ease a liquidity crunch in the foreign exchange market. It uses dollars from the reserves for these operations but they are returned in 30 days, Mantega said.

Mercopress