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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

CURRENT ECONOMIC CONDITIONS IN BRAZIL

June 20, 1952

Economic Department
Prepared by: Harold Larsen

Currency unit:		Cruzeiro (Cr.)
Parity Cr. 18.50	-	US $1
Cr. 1	-	5.4 cents
Cr. 1 million	-	$54,040
Cr. 1 billion	-	$54 million

BRAZIL

ESSENTIAL STATISTICS

	1949	1950	1951	April 1952
Trade (million $)				
Exports	1,086	1,347	1,758	
Imports	1,115	1,102	2,011	
Trade Balance	- 29	+ 245	- 253	
Exchange Holdings (million $)				
(Dec) Gold	317	317	317	317
Net Exchange	351	253	2	27
Government Finance (billion Cr.)				
Revenues: Federal	17.9	19.4	27.4	
: States and Cities	18.1	23.2	21.7 1/	
Surplus (+) or: Federal	- 2.8	- 4.3	+ 2.8	
Deficit (-) : States and Cities	- 1.4	- 0.5	- 1.7 1/	
Money Supply (billion Cr.)	59.8	78.6	93.8	94.8
(Dec) Index	100	131	157	159
Cost-of-Living Index	100	106	118	133

1/ Preliminary and incomplete.

BRAZIL: EXTERNAL DEBT

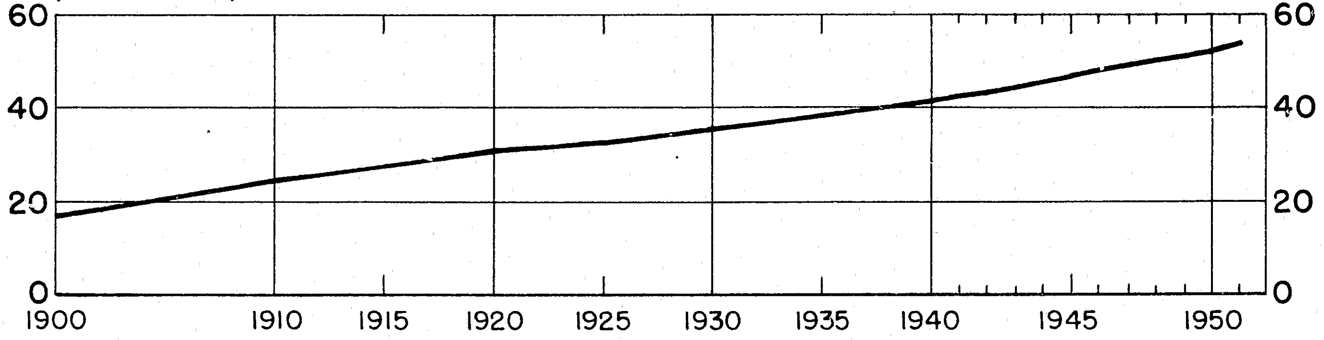
(Public debt plus Export-Import Bank loans to private companies)

(In thousands)

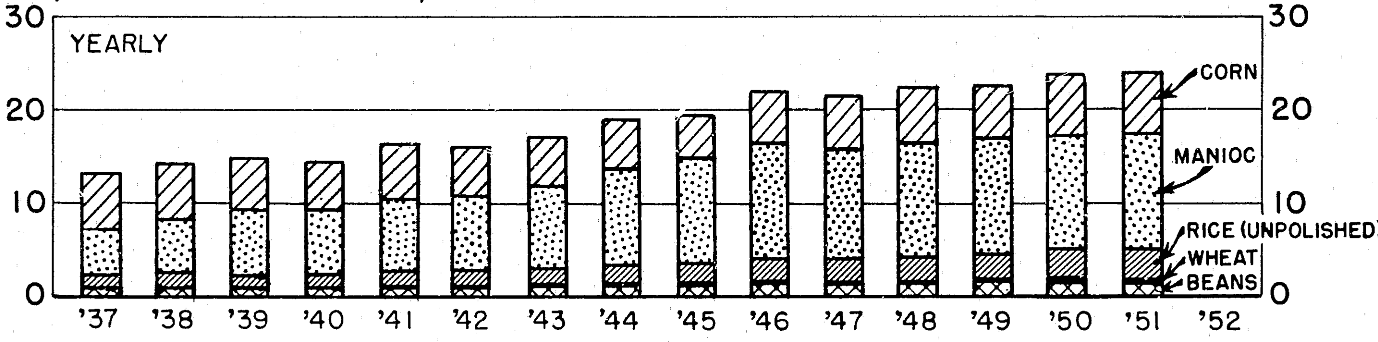
Identification	Debt outstanding December 31, 1951		Debt contracted since December 31, 1951	
	In currency of payment	Expressed in U.S. dollars	In currency of payment	Expressed in U.S. dollars
DOLLAR DEBT				
Dollar securities				
Government & guaranteed	$ 101,984	101,984		
Municipal non-guaranteed	$ 36,805	36,805		
Total dollar securities	$ 138,789	138,789		
I.B.R.D. loans (dollar portion)	$ 92,212	92,212		
U.S. Government loans				
Export-Import Bank				
Government & guaranteed	$ 97,699	97,699	$ 8,600	8,600
Public-non guaranteed	$ 2,375	2,375		
Private	$ 62,910	62,910	$ 48,140	48,140
Total Export-Import Bank	$ 162,984	162,984	$ 56,740	56,740
Other U.S. Government loans	$ 19,866	19,866		
Total U.S. Government loans	$ 182,850	182,850	$ 56,740	56,740
Total dollar debt	$ 413,851	413,851	$ 56,740	56,740
STERLING DEBT				
Sterling securities				
Government & guaranteed	£ 33,677	94,298		
Municipal non-guaranteed	£ 10,982	30,750		
Total sterling securities	£ 44,659	125,048		
I.B.R.D. loan	£ 598	1,907		
Total sterling debt	£ 45,257	126,955		
CANADIAN DOLLAR DEBT (I.B.R.D.)	Can$10,837	10,021		
BELGIAN FRANC DEBT (I.B.R.D.)	Bfr 3,723	74		
SWISS FRANC DEBT (I.B.R.D.)	Sw fr2,134	497		
FRENCH FRANC DEBT (I.B.R.D.)	fr 101,041	289		
TOTAL DEBT		551,687		56,740

BRAZIL

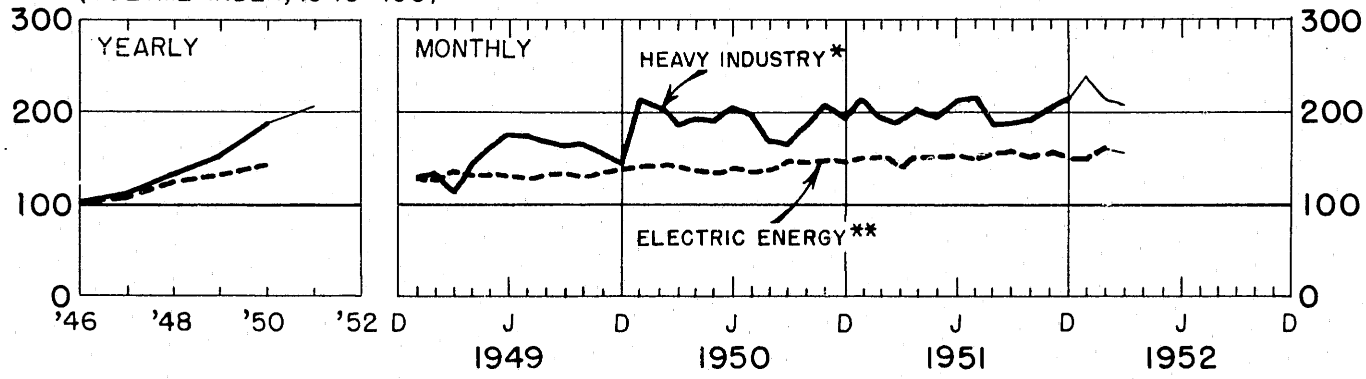
POPULATION
(IN MILLIONS)



BASIC FOOD PRODUCTION
(MILLIONS OF METRIC TONS)

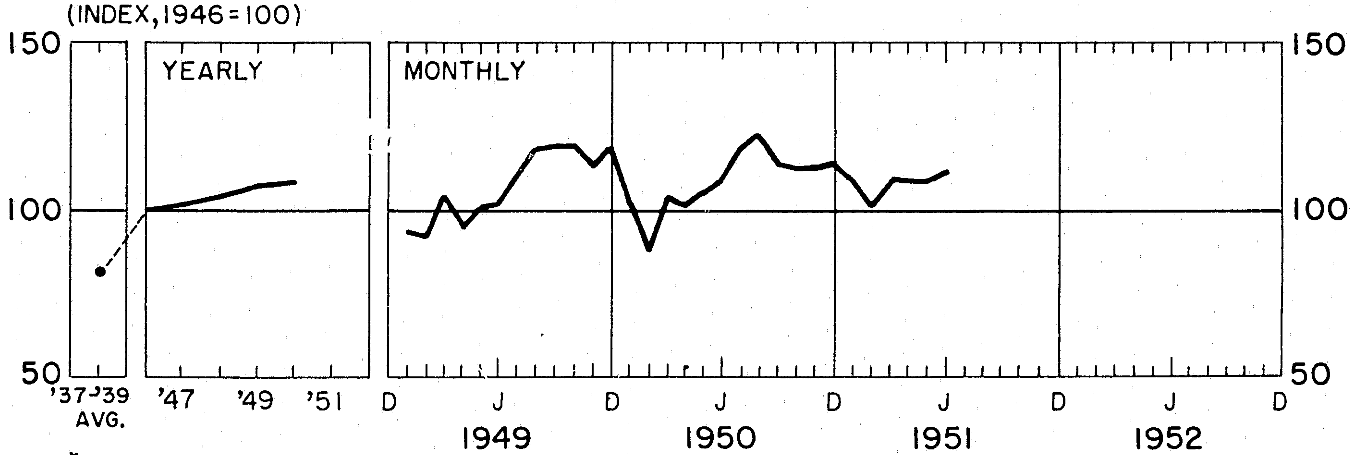


INDUSTRIAL PRODUCTION
(VOLUME INDEX, 1946=100)



*Production of steel, cement, coal, and pig iron. **Production in 20 capital cities.

RAILWAY FREIGHT TRAFFIC*
(INDEX, 1946=100)



*Excludes livestock.

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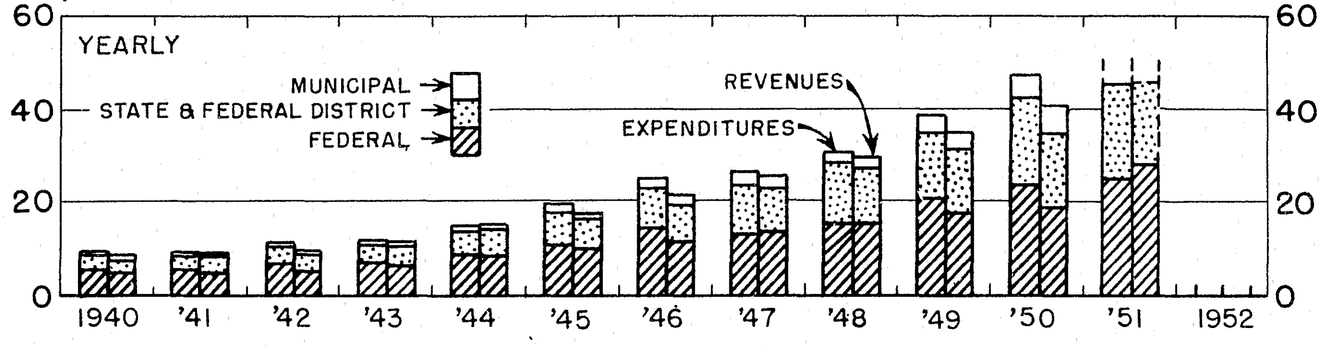
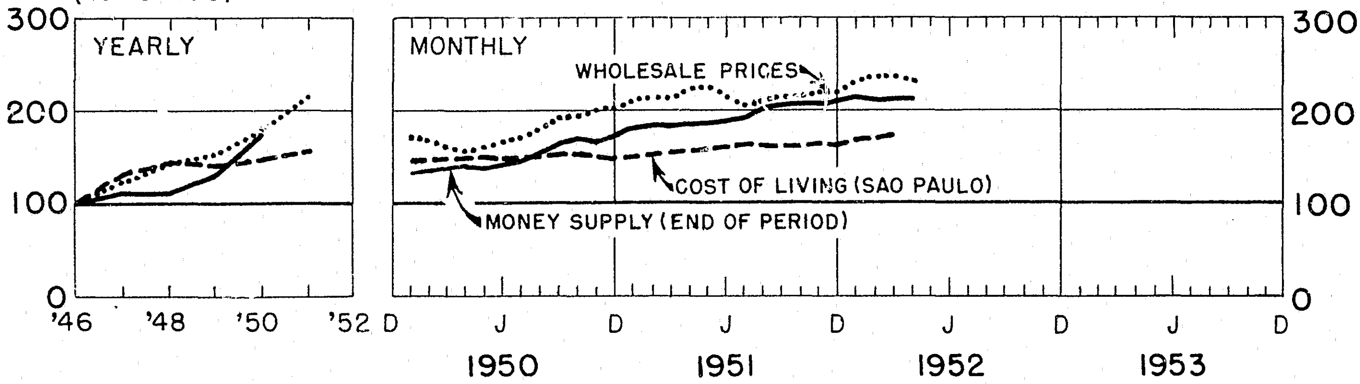
BRAZIL

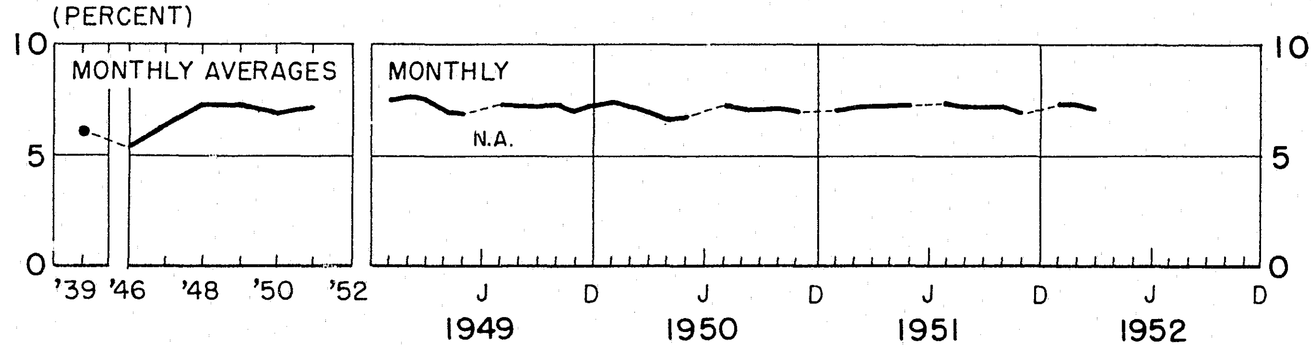
REVENUES AND EXPENDITURES
(BILLIONS OF CRUZEIROS)



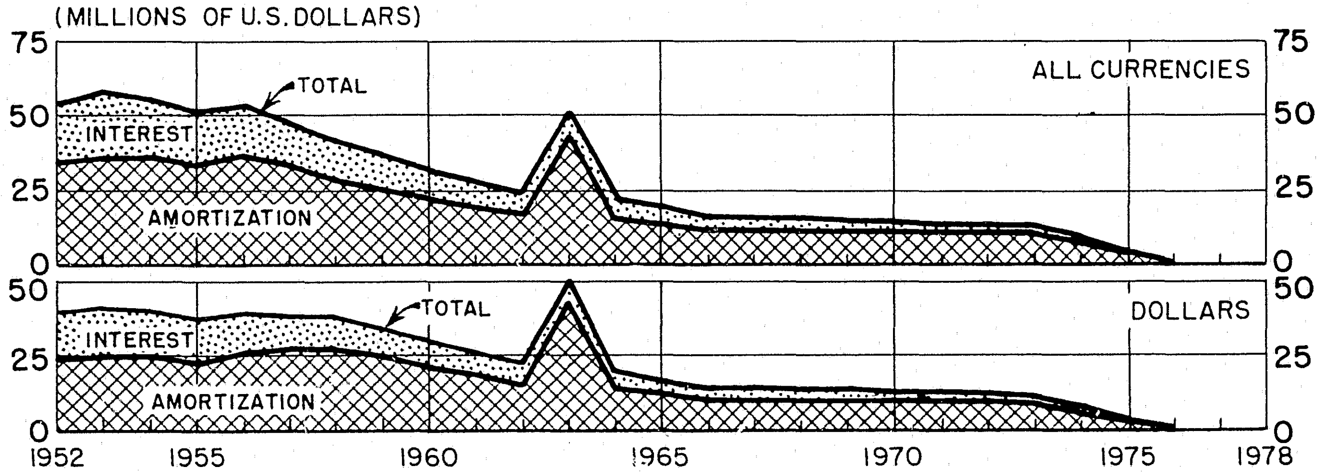
INDEXES: WHOLESALE PRICES, MONEY SUPPLY, AND COST OF LIVING
(1946=100)



INTERNAL GOVERNMENT BOND YIELDS
(PERCENT)



EXTERNAL DEBT SERVICE* AS OF DECEMBER 31, 1951
(MILLIONS OF U.S. DOLLARS)



*Including I.B.R.D., Export-Import Bank and Export-Import Bank loans to private companies.

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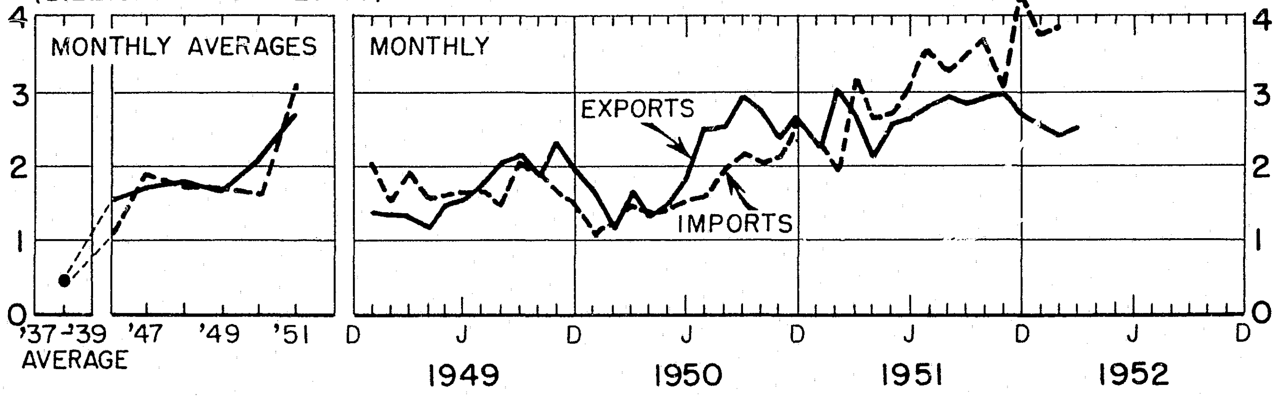
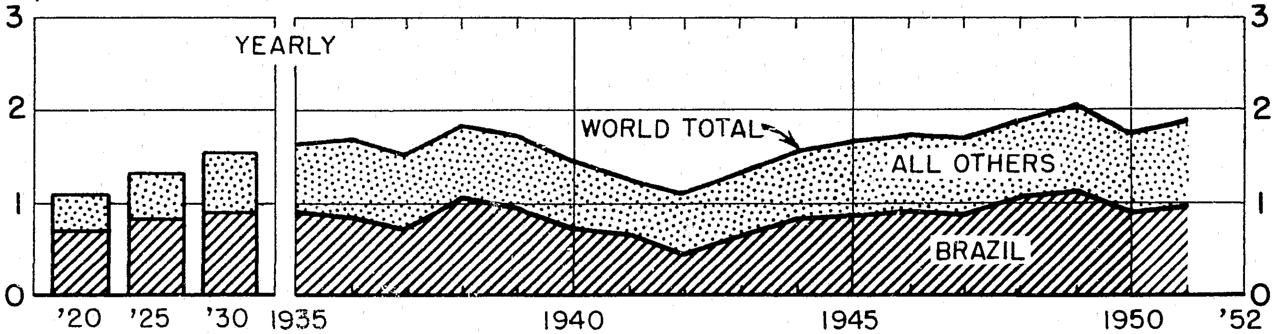
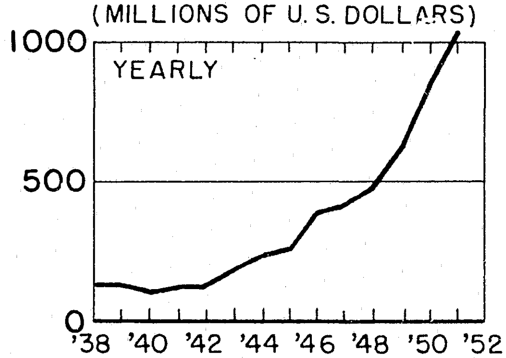
TOTAL EXTERNAL TRADE
(BILLIONS OF CRUZEIROS)



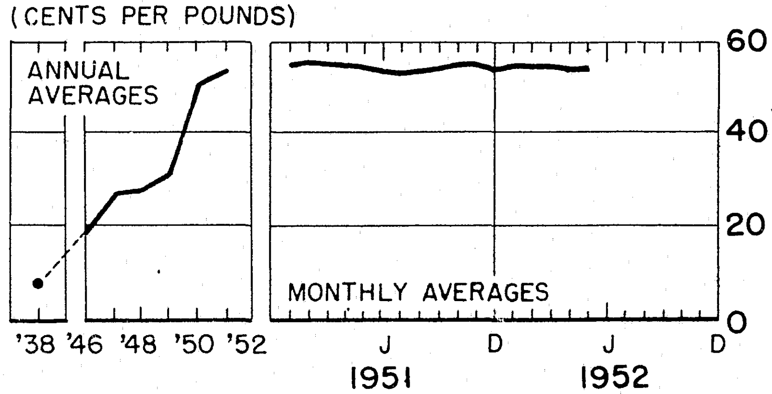
COFFEE EXPORTS: VOLUME
(MILLIONS OF METRIC TONS)



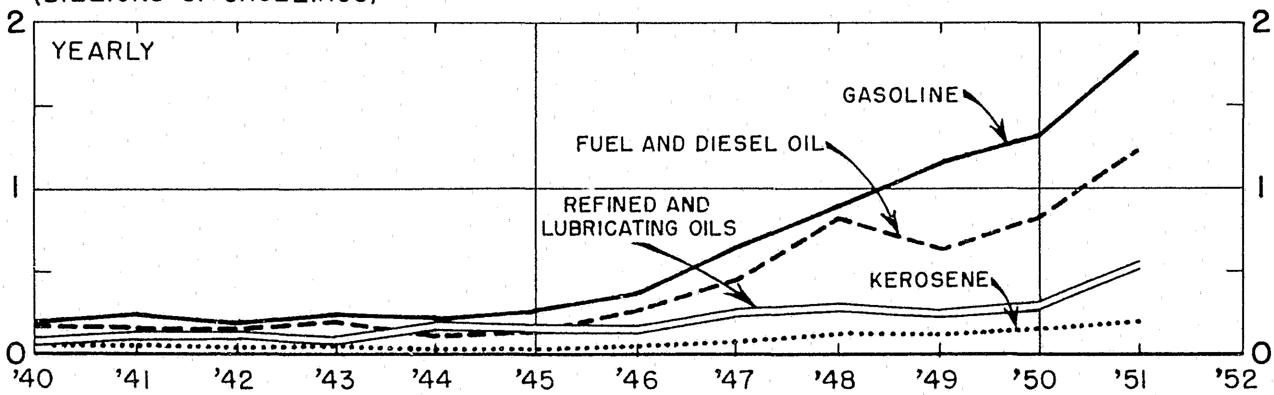
COFFEE EXPORTS: VALUE
(MILLIONS OF U.S. DOLLARS)



COFFEE PRICES IN U.S. (NEW YORK)
(CENTS PER POUNDS)

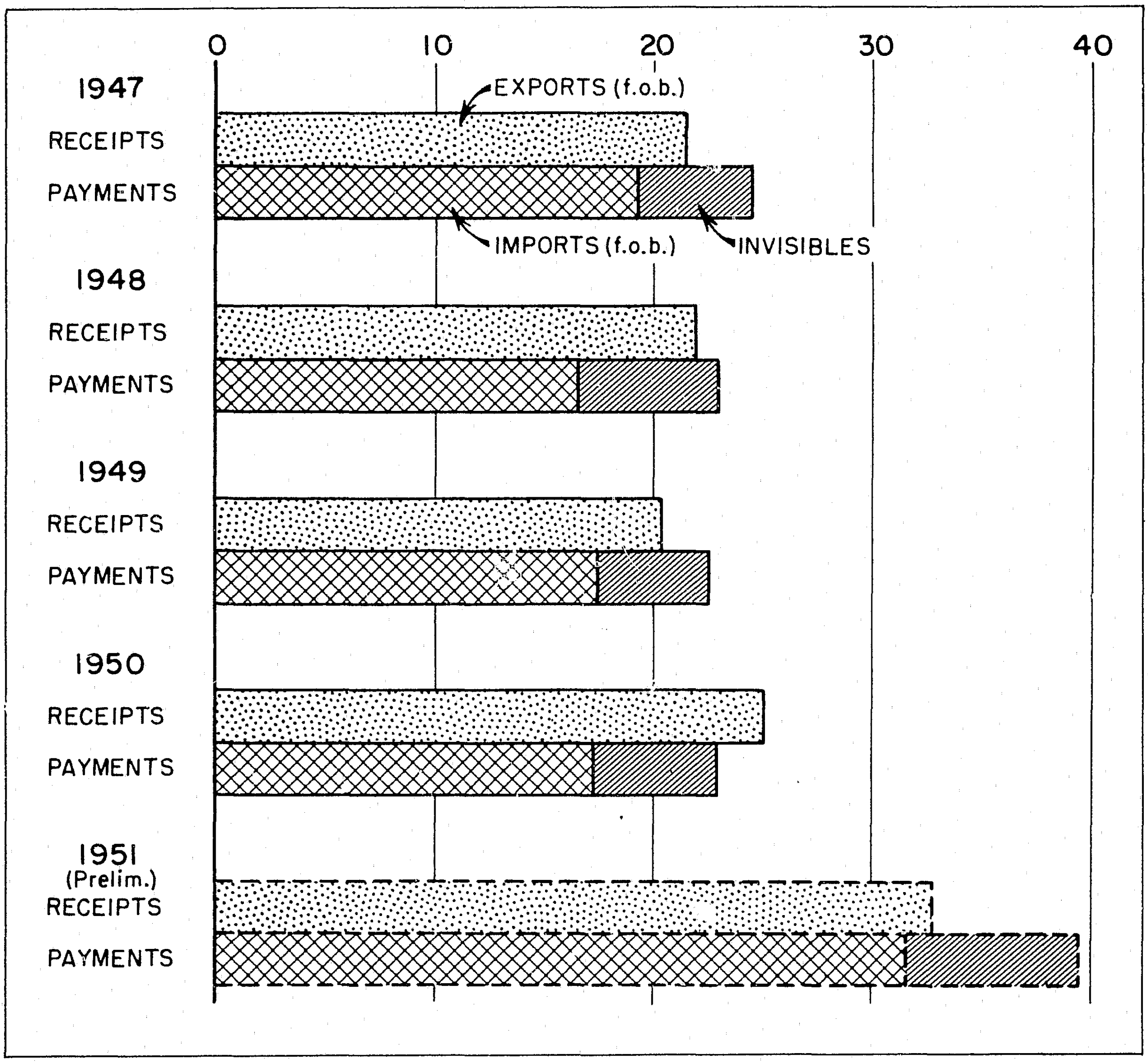


IMPORTS OF PETROLEUM PRODUCTS
(BILLIONS OF CRUZEIROS)

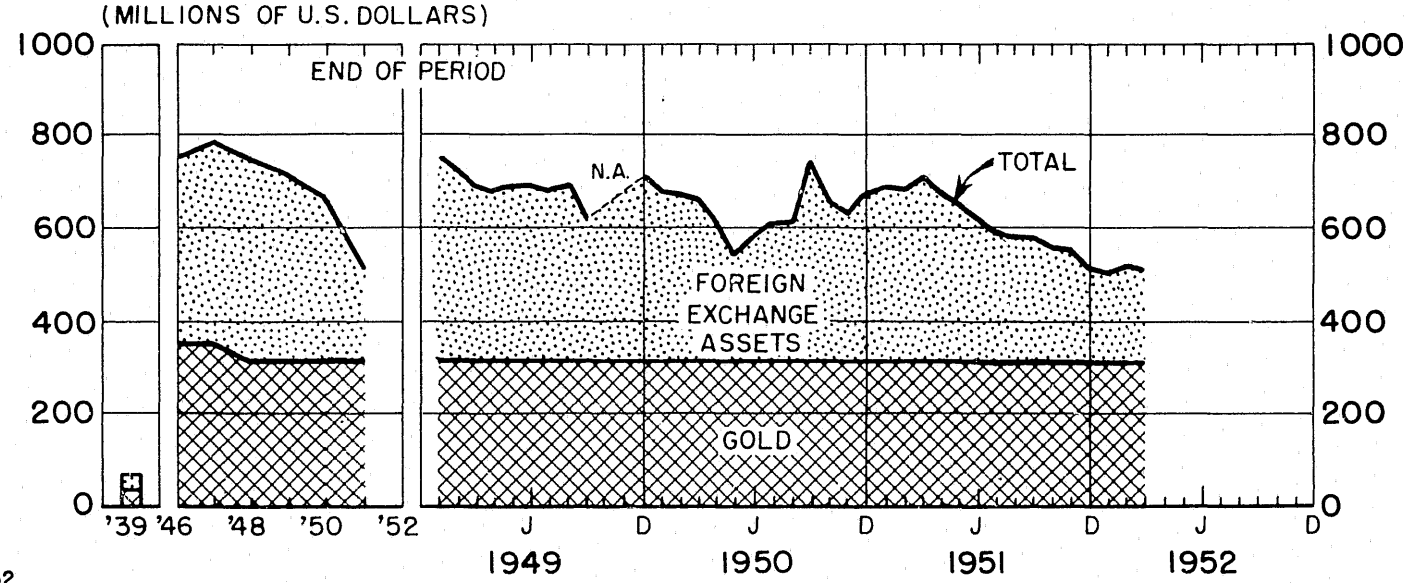


BRAZIL

BALANCE OF PAYMENTS ON CURRENT ACCOUNT
(BILLIONS OF CRUZEIROS)



GOLD AND FOREIGN EXCHANGE ASSETS (GROSS HOLDINGS)
(MILLIONS OF U.S. DOLLARS)



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CONCLUSIONS

1. Brazil is suffering a severe exchange shortage which is likely to persist into 1953. Exchange reserves fell drastically during 1951, due mainly to very heavy imports with a resulting trade deficit greater than that for any previous year. A contributing factor was a net exchange outflow of private foreign capital combined with large profit transfers. The authorities re-imposed severe import licensing in August 1951, and, by May 1952, actual imports were beginning to fall. In the meantime, however, a substantial payments backlog has arisen.

2. The current exchange stringency, and the continuance of domestic inflation, have not of themselves changed the basic economic structure of Brazil. Indeed, periodic recurrence of exchange difficulties and constant danger of inflation, more or less acute, are to be expected in the future.

3. The immediate balance of payments prospects are not promising. The buying power of coffee in the world markets is more likely to weaken than to increase, and at present most other Brazilian exports have marketing difficulties. Import pressures are strong and increasing. Private capital inflow into Brazil has been slackening, and it is not certain that any large increase of this item can be expected. Longer-run prospects can, however, be improved by appropriate financial and investment policies.

4. Measures are now being taken which will influence future growth of the economy and may modify future balance of payments reactions. These measures include the establishment of a free exchange market; the introduction of a new non-inflationary cruzeiro source of development finance (the "Lafer Plan"); and the establishment of an Economic Development Bank to handle Lafer Plan funds. For the first time, there is the prospect of a sustained effort to get needed investment in basic public utility facilities needed for expansion of the economy.

5. Present estimated debt service (including amortization) on official external debt (including the recent Eximbank credits of $56.7 million) is equivalent to around $55 million annually through 1955, an amount equal to 3.9% of average annual exports 1949-1951. Of this, about $40 million is payable in U.S. dollars. Annual amortization payments in all currencies run somewhat over $35 million equivalent. The present service burden appears proportionately light, but the danger of growing rigidity in many Brazilian import requirements (notably petroleum) should be taken into account. Although limited new lending should be within future repayment capacity, debt service requirements should not be heavily increased until the effect of new Brazilian financial and investment policies upon the direction of development can be more accurately estimated.

I. RECENT DEVELOPMENTS

(a) Exchange Holdings

During 1951, Brazil lost $250 million equivalent in foreign exchange reserves, reducing net holdings in December 1951 (exclusive of gold) to US$ 2 million equivalent. Since then there has been a small recovery, aided by a drawing of $37.5 million from the IMF in February, 1952. Simultaneously, however, a large backlog of unpaid import commitments is accumulating, estimated at about $175 million at the end of May, 1952. On June 1, 1952, $15 million was repaid to the IMF; $25 million is to be repaid on July 1, and another $25 million on August 1, 1952. There are thus substantial short-term commitments without adequate exchange cover.

NET OFFICIAL GOLD AND NET EXCHANGE HOLDINGS
(million dollar equivalents)

End of Period	Exchange (net)					Gold	Total Gold and Exchange
	Dollars	Sterling Inconvertible	Sterling Blocked	Other	Total		
1949	131	26	113	81	351	317	668
1950	130	31	63	29	253	317	570
1951 June	85	15	44	-30	114	317	431
Sept	36	28	41	-23	82	317	399
Dec	-27	29	12	-12	2	317	319
1952 Mar	14	23	3	24	61	317	378
Apr	- 3	20	3	7	27	317	344

Source: Banco do Brasil

(b) Trade

This situation arose partly from a large increase in imports during 1951 and partly from an adverse shift in capital transactions. Imports during 1951 totalled $2.01 billion, almost twice 1950 imports of $1.1 billion. Despite record exports of $1.76 billion, the result was a trade deficit of $253 million, the highest deficit ever experienced, $162 million greater than that for 1947, the previous peak deficit year. The 1951 deficit was $183 million in convertible currencies (despite a small surplus of $20 million with the USA) and $70 million equivalent in inconvertible currencies, whereas the 1947 deficit was wholly in hard currencies.

Imports increased during 1951 because the Brazilian authorities deliberately relaxed import licensing in the belief that the world political situation was deteriorating, and that consequently import stocks should be increased to the maximum. Import licenses issued during the month increased from Cr. 2.2 billion ($119 million) in June 1950 to just under Cr. 10 billion ($540 million) in July 1951. Efforts were made to facilitate desired imports; for example, licenses originally issued for inconvertible currencies were readily validated for convertible currencies if supplies were more quickly available against hard currencies.

By July 1951, the authorities realized that the policy of import relaxation had gone too far. Imports were more readily available and delivery schedules shorter than had been expected, and a higher proportion of licenses issued were being utilized than had been anticipated. The actual import rate had grown to exceed exchange cover. The issue of new licenses was drastically cut, beginning in August 1951. In December 1951, the monthly license issue was Cr. 3.2 billion, ($173 million) and in April 1952 only Cr. 1.6 billion ($87 million) as compared with almost Cr. 10 billion in July 1951.

Actual imports, however, did not respond for some time, owing to the volume of imports already ordered or in transit. Not until May 1952 was a reduction evident; imports from the U.S. fell from a monthly rate of $100 million in the first four months of 1952 to $68 million in May 1952.

Appraisal of the nature and immediate consequences of these exchange and import difficulties requires knowledge of the volume and character of recent imports. The data upon this are, however, scanty and perhaps misleading. The value of 1951 imports, $2.01 billion, was 83% higher than 1950 imports. In terms of overall tonnage, a somewhat crude indicator, volume increased only 23%, while average unit import prices per ton increased 50%. The largest increases of unit import prices, which partly reflect higher freight rates, were in the raw material group.

The make-up of import values remained substantially the same in 1951 as in 1950. Gasoline and fuel absorbed 10% of total import payments volume increasing 21% while value increased 48%.

COMPOSITION OF IMPORTS BY VALUE (1950 and 1951)

Class	Value 1950	Value 1951	Percent of total 1950	Percent of total 1951	Percent increase in 1951
	(million $ equivalent)				
A. Essential					
Raw materials & fuel ..	291	504	26.6	25.1	73
Foodstuffs	162	210	14.8	10.5	30
Manufactures	531	1,049	47.8	52.1	98
Live animals	9	7	0.9	0.3	-22
Total	993	1,770	90.1	88.0	78
B. Less Essential 1/.	109	241	9.9	12.0	121
Grand Total	1,103	2,011	100.0	100.0	83

1/ Includes passenger automobiles.

Source: Comercio Internacional Mar. 1952

No statistical data are available upon the size of commodity stocks, but it does not seem that Brazil has succeeded in accumulating stockpiles in many imported items. The great increase of import values did not represent a corresponding increase in import volumes. Stocks of some key items, notably petroleum products, are known to be low. For others, it is doubtful whether the 1951 volume increase did more than replenish stocks depleted by previous import restrictions. On balance, it must be assumed that the present severe import restrictions will directly reduce the volume of goods entering current use, with adverse consequences upon inflationary pressures, and possibly some damage to domestic commodity output due to difficulty in obtaining equipment and replacements.

(c) Capital Movements

A second, smaller, but perhaps more persistent factor contributing towards present balance of payments difficulties has been the behavior of capital items. The inflow of capital on Government account since the war has been relatively small and has not offset regular amortization. Nor for the last three years has there been any significant entry of private capital. Speaking broadly, Brazilian development since the World War II has been self-financed.

ESTIMATED OFFICIAL LONG-TERM CAPITAL MOVEMENTS

(million $ equivalents)

	1947	1948	1949	1950	1951
Inflow	32.1	9.7	40.1	27.7	37
Amortization	48.7	40.7	28.6	54.0	31
Net entry (+) or exit (-)	-16.6	-31.0	+11.5	-26.3	+ 6
Interest transferred ...	13.8	20.4	9.5	10.9	14

Source: IMF Balance of Payments Statistics; 1951, preliminary.

The position regarding private foreign direct investment capital has been causing much concern both within and outside Brazil. Within Brazil, it has been noticed that little new private capital has been entering the country from outside, the growth of foreign-owned capital being increasing through re-investment of domestically earned profits. Simultaneously, outward profit transfers by foreign-owned companies, based upon growing capital and reserves, were making increasing call upon Brazilian exchange receipts. Thoughtful Brazilians are well aware of the benefits of foreign private direct investment in terms of technology, managerial ability, and in many cases of replacement of physical imports, but they are deeply concerned about the slackening flow and increasing exchange cost of such investment. Outside this rather small group, the situation offers argument and opportuni' ' for anti-foreign nationalistic attitudes.

REGISTERED EXCHANGE TRANSACTIONS

on account of private foreign investment in Brazil

(million US$ equivalents)

	1947	1948	1949	1950	1951 Jan/Sept
Entry of capital	40.5	28.6	8.7	10.4	4.7
Exit of capital	5.6	3.7	3.3	7.5	9.3
Net entry	34.9	24.9	5.4	2.9	-4.6
Profits transferred	21.0	32.9	41.2	45.4	59.1
Net exchange receipts by Brazil ..	13.9	-8.0	-35.8	-42.5	-63.7

Source: Banco do Brasil statistics.

(d) Proposals for a free exchange market

In any event, the present balance of payments situation is clearly one preventing full and prompt dividend transfers; the exchange resources simply do not exist. In January 1952, the President of Brazil promulgated a decree drastically revising the basis of dividend transfer permitted to foreign companies. While foreign investors fully expected reduced and delayed transfer, they found the action taken unacceptable, particularly since it embodied retroactive features, and stated that the new regime would seriously discourage new foreign investment.

The Government, taking these objections and its own political position into account, has proposed and sponsored the establishment of a free foreign exchange market through which all private capital transactions would pass. Foreign companies (other than public utilities) would lose the right of dividend transfer at the official rate, but would gain freedom of transfer at a new free market rate. The free market legislation is now before Congress and expected to pass shortly.

Until it is known what transactions will be given access to the free market, and what action, if any, the authorities will take to influence or stabilize the free market exchange rate, it is not possible to estimate probably consequences in any detail. It is clear, however, that a major change of Brazilian balance of payments policy is in the making.

It is most unlikely that the free market will be, or would long remain, restricted to invisibles. Unless there be a big revival of new inward private capital transfers, demand for free exchange would probably result in a free rate much higher than the official rate. There will probably be growing economic and political pressures to place some exports in the free market, both to supplement its supply of exchange and to ease the difficulties of some exports now unable to sell at their world market price and the official exchange rate. Although quantitatively small, such exports determine the prospects of whole regions of Brazil.

Under such pressures, a mixing system, under which exporters sell part of their exchange to the official market and part to the free market, is not unlikely. There will then be advantages in also placing some import categories in the free market. The upshot may well be a progressive de facto devaluation of the cruzeiro.

(e) Internal Finances

Despite heavy imports, internal inflation continued during 1951, due mainly to expansion of commercial bank credit.

	(Cruzeiros Billions)			Combined surplus (+) or deficit (-) of Federal, State and Municipal Governments	Cost-of-Living Index (Ave. for years or months) 1949 = 100
	Means of Payment a/	Bank Loans: To Gov't Entities	Bank Loans: To the Public		
Dec. 1947 ..	59.8	19.9	54.1	-4.2	100
Dec. 1950 ..	78.6	21.3	69.4	-5.4	106
Dec. 1951 ..	93.8	14.2	88.5	+1.1 b/	118
Apr. 1951 ..	82.2				122
Apr. 1952 ..	94.8				133

a/ Different definition from IMF "Money Supply".
b/ Excluding municipal results, not yet available. State results: 10 States actual, 11 States budget forecasts.

The anti-inflationary policies of the Ministry of Finance are evidenced by the realized Federal Budget surplus of Cr. 2.6 billion in 1951, by the balanced budget proposals for 1952 and 1953, and by the "Lafer Plan" method of financing public works. Nevertheless, the Ministry has been unable to secure sufficient coordination with or cooperation from other financial authorities to avoid an offsetting of its own actions. The State and Municipal Governments together ran a deficit in 1951 which, when full results are known, will probably be found close to the Federal surplus. The banking system, headed by the Banco do Brasil, greatly expanded its own lending operations with the public. As a result all sectors of the economy except the Federal Government were furnished with additional money with which to bid limited economic resources away from each other. Wage increases have occurred; demands for higher wages, including those of Federal employees, continue, and will probably be largely conceded. A serious wage-price inflation may therefore be in motion.

Inflationary pressures will be aggravated by the necessity sharply to reduce current imports. An additional and more serious new source of inflation is the Government's decision requiring the Banco do Brasil to purchase the current cotton crop at a support price above world market prices. It is estimated that this operation may occasion new currency issues of around Cr. 3 billion. The Ministry of Finance is aware of the grave inflationary danger implicit in this cotton purchase scheme, and is seeking methods both to limit the resulting primary monetary expansion and to dampen or avoid a secondary credit expansion based upon the primary increase of banking reserves.

II. LONGER RANGE PROSPECTS

(a) Domestic Investment

Recently compiled national income estimates show total gross investment in 1949 as 16% of output in that year, 13% being private and 3% government. Of total gross investment, 24% was private construction.

There is no reason to suppose that overall investment ratios have fallen since 1949. Owing, however, to the social and physical geography of Brazil, it is doubtful whether investment even of this magnitude can result in any great increase in per capita income. In large areas of the country, other than the relatively well-developed Sao Paulo region, rather massive investment is required to provide useful public facilities such as transport. Here geographic size enhances development costs.

For this reason, Government investment in Brazil has probably been inadequate to provide an expanding framework for productive initiative. The "Salte Plan" did not provide sources of finance equal to proposed expenditures, and became little more than a special heading in the regular

Federal Budget. Its total expenditures have been considerable (Cr. 2.3 billion in 1951; Cr. 1.9 billion or 6% of budget expenditures proposed for 1953). But examination of the items shows that its main expenditures are now for petroleum refineries, the rest being spread thin over a multiplicity of projects.

The more recent "Lafer Plan" is therefore of considerable interest. A 15% surcharge upon personal and corporation income taxes, and a 3% tax upon undistributed corporation profits, have been imposed since January, 1952. Taxpayers will be reimbursed with 20 year 5% Economic Rehabilitation Bonds, receiving 125 cruzeiros in bonds for each 100 cruzeiros taxes paid, five years after payment, the 25% bonus representing 5% annual interest (none compounded) for that period. These compulsory bond purchases through tax surcharge are expected to yield Cr. 1.65 billion in 1952, annual yield thereafter rising to Cr. 2.54 billion in 1956. The legislation also gives powers enabling the President to require the collective savings institutions to make compulsory deposits with the proposed Economic Development Bank, raising possible annual cruzeiro availabilities of the Lafer Plan by Cr. 1.0 - 1.5 billion.

The proceeds from compulsory bond sales and deposits (if they are required) will be handled by a newly established Economic Development Bank, which in its turn will make cruzeiro loans for development projects. It is expected that the new Bank's projects will be principally those which also require foreign financing from the IBRD or Eximbank. In effect, there has been introduced a non-inflationary source of local currency finance for development projects (expected to yield the equivalent of around $100 million annually) and a specialized institution to handle investment of the funds.

This is a new feature in Brazil, and one which, it is reasonable to hope, will increase the scale and improve the effectiveness of Government investment. It is not yet clear, however, what impact will be felt upon non-self-liquidating investment such as highways.

In the meantime, the Brazil-U.S. Mixed Commission is examining and recommending upon a series of projects considered urgent. The present intention is apparently that the Economic Development Bank should progressively absorb the work of the Mixed Commission.

(b) Trade

Coffee is still Brazil's bulk earner of foreign exchange, yielding $1.07 billion equivalent (60% of all export receipts) in 1951, of which $682 million was from exports to the U.S.. World coffee prices have remained steady with a slight rising tendency since the large increase late in 1949. Longer-run price estimates are necessarily inexact, but it is only prudent to assume a future worsening in the price relationship between Brazil's coffee exports and her imports, either through a falling tendency in coffee prices or through a growth of Brazilian import prices, or both. Precise data are lacking, but the worsening of Brazilian terms of trade through rising import prices since 1948 has already largely absorbed the foreign trade advantage of the 1949 coffee price rise.

MAIN EXPORTS BY VALUE

(million US dollars)

	1950	1951
Coffee	882	1,073
Raw cotton	105	207
Cacao	78	69
Lumber	33	50
Hides and skins	31	38
All other	218	321
Total	1,347	1,758

Source: Comercio Internacional, March 1952

All other Brazilian exports are experiencing growing difficulty in selling at world market prices converted at the official exchange rate, because of a constant rise in their domestic costs of production. Cotton in particular faces a difficult position following recession in Britain and elsewhere in the cotton textile industries. Because of marketing difficulties, exchange proceeds of these efforts may be permitted to be sold in the free exchange market about to be created.

The events of 1951 and early 1952 clearly reveal the difficult nature of the Brazilian import problem. In 1951 relaxation of import licensing quickly led to a record foreign trade deficit despite unprecedented foreign exchange earnings from exports. The eager importer response to the policy of relaxation of controls seems to have partly a financial and partly a more enduring structural explanation.

The financial stimulus to imports arises from chronic inflation combined with a now externally over-valued currency. Both factors are remediable, and the authorities appear to be on the brink of action in both fields. The Ministry of Finance may be able to obtain support and cooperation elsewhere for its own anti-inflationary policies, and the proposed free exchange market may result in a decreasing volume of trade being conducted at the official exchange rate.

There are, however, structural reasons why even under more stable monetary conditions import pressures are likely to persist at any level of exchange earnings. The more highly developed region, of which Sao Paulo is the center, embraces a population of around 15 million compared with a total Brazilian population of almost 53 million. Here production and income is already much higher and growing faster than elsewhere in Brazil, and consumption more diversified and sophisticated. There is a steady internal migration towards this high income area, creating a constantly increasing demand for imported investment and consumption goods. Brazil's import needs are therefore much higher than would be the case if her present income was more homogeneously distributed through the country.

Moreover, Brazilian development, particularly in the Sao Paulo region, has reached a stage where it is becoming increasingly difficult if not impossible to compress certain categories of imports, throwing the whole burden of adjustment on to other categories. Raw materials and fuel imports now absorb 25% of total imports, and foodstuffs, (mainly wheat) a further 10%. The volume of petroleum and petroleum products imported has been increasing 20% annually over the past few years. Even if abundant domestic petroleum resources were discovered (and little has yet been proven) and exploited as rapidly as technically feasible, balance of payments relief cannot be expected for at least five years, and may well take longer.

The foreign trade prospects therefore indicate a strong probability of continuously heavy import pressures on the one hand, and the possibility, at least in the immediate future, of smaller rather than larger export earnings on the other. Mid-1952, however, is evidently a time of rapid transition in Brazil during which any longer-run predictions (except those regarding the pressure of petroleum imports) may well prove false. Key foreign exchange and investment policies are under modification. The free exchange market, if partly opened to merchandise trade, may encourage minor exports while confronting import demand with a price restraint as well as a licensing curb. Better coordinated and larger investment should assist growth of domestic output, some part of which will replace present imports. The development of hydro-electric power will at least slow the growth of petroleum imports that would otherwise occur.

(c) Capital Movements

Future capital movements are at present unpredictable. The reaction of private foreign investors to the opening of a free market for their transfers must await establishment and operation of that market. Initially, there will probably be a movement of postponed transfers both inwards and outwards which may roughly offset one another. Thereafter a resumed flow of private investment to Brazil will depend not only upon the attractiveness of conditions in Brazil but also upon investment opportunities elsewhere, including the country of capital origin. The slackening private investment flow into Brazil from 1947 to 1951 probably resulted as much from the existence of attractive investment opportunities outside Brazil as from a real change of Brazilian conditions.

III. EXTERNAL DEBT

On January 1st, 1952, Brazil's foreign indebtedness amounted to the equivalent of about $552 million. It comprised: (a) dollar bonds of $139 million; (b) sterling bonds equivalent to $125 million; (c) outstanding Eximbank credits of $163 million (of which $65 million was undisbursed); (d) IBRD loans of $105 million (of which $30 million was undisbursed); and U.S. Government loans (other than Eximbank) of $20 million. The IBRD loans included $10 million in Canadian dollars and small amounts in Belgian, French and Swiss Francs.

In June 1952, three additional Eximbank credits totalling $56.7 million were authorized. The following table, showing estimated future service requirements in selected years, includes service on these credits as well as on undisbursed portions of other Eximbank and IBRD loans:

Year	Outstanding			Amortization		Interest		Total
	$	Other	Total	$	Other	$	Other	Service
			(million dollar equivalents)					
1952	413.9	137.8	551.7	24.4	10.5	15.5	3.8	54.2
1954	412.3	102.4	514.7	24.8	11.2	16.2	2.9	55.1
1956	355.3	67.2	422.5	25.9	11.2	14.1	1.8	53.0
1958	292.3	34.6	326.9	26.9	1.4	11.7	0.9	40.9
1960	228.7	31.3	260.0	20.8	0.8	9.2	0.9	31.7
1965	107.3	25.7	133.0	12.1	1.0	4.3	0.7	18.1
1970	50.9	18.9	69.8	9.9	1.1	2.1	0.5	13.6
1975	3.5	11.8	15.3	3.0	0.6	0.1	0.2	3.9

Service in 1952 represents **about** 3.9% of estimated average annual exports for the period 1949-1951 and about the same proportion of the 1952 federal budget.

In addition to the above indebtedness, Brazil purchased from the IMF \$37.5 million in dollars in 1949, \$28 million in sterling in 1951 and \$37.5 million in dollars in February 1952, for a total of \$103 million. Brazil has undertaken to repurchase \$65.5 million of this within six months from March 1, 1952 and a further \$18.75 million within the six months following.