

Economic summary

Monetary policy

The monetary supply contracted 20.5% on balance terms, and 11.7% on average criterion, up to March 19.

The Central Bank promoted the net sale of federal public securities amounting to Cz\$11.9 billion. The cash surplus of the National Treasury reached to Cz\$19.7 billion, and the SBPE deposits, Cz\$8.2 billion.

These resources allowed the Central bank to provide Cz\$6.5 billion for the Banco do Brasil, Cz\$11.5 billion for special lines of financing to commercial and investment banks, and Cz\$5.2 billion for funds and programs operations, besides to collect net Cz\$16.2 billion of paper-currency.

Demand deposits in the commercial banks decreased 20.3%, and their change rate over 12 months went from 208.6% in February, to 59.5% in March 19.

From 20 to 31, issued paper-currency amounted to net Cz\$13.3 billion, the

public federal securities operations figured net Cz\$19.2 billion, and the cash surplus in the National Treasury reduced to Cz\$12.8 billion. Demand deposits expanded then 17.3% (47.2% from March 20 to 31).

At the end of March, M1 reached Cz\$412.4 billion (10.9% in the month, -8.8% in the year and 96.6% over 12 months. Or, on average terms, 2.7%, -22.1% and 78.3% in the same order).

The paper-currency in the hands of the public dropped 13.7%, and demand deposits went up 17.3%. In the quarter, the balance of paper-currency in the hands of the public showed a nominal fall of 20.9%, and a real one of 48%.

The other rates for larger concepts of money were, in the month and in the quarter, respectively: M2, 4.7% and 3.8%; M3, 12.3% and 24.3%; M4, 12.9% and 33.6%. These rates reflect the variations in time deposits (-1.7%), savings deposits (+25.6%) and federal securities out of the Central Bank portfolio (+14.5%).

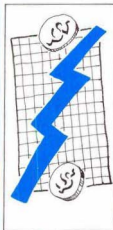
The monetary base balance performed Cz\$169.2 billion (1.3% in the month, -5.4% in the quarter, and +14.6% over 12 months). On daily average terms, it made up +5.5%, -5.5% and +17.7% in the same order.

Fiscal policy

At the end of the first quarter of 1987, the National Treasury recorded a surplus of Cz\$14.6 billion, contracting Cz\$26.3 billion on the monetary base balance (Cz\$11.7 billion transferred to the Central Bank).

The revenues from January to March reached to Cz\$115.8 billion (-22.8% in comparison to the same period of 1986). The fiscal revenues grew from 76.7% in 86 to 89% of the collected total.

But in real terms, they showed a decrease of 10.2%.



Income tax made up about Cz\$49 billion (Cz\$32.2 billion of withholding tax). After reimbursements of Cz\$2.2 billion, Cz\$46.8 billion were left over to be actually collected to the National Treasury. The tax on industrialised products (IPI) has continued to increase its real figure (29.6% in March), since December 86. IPI went from 17.3% up to 29% of the total fiscal revenues. The bigger real increase in this quarter was shown by the tax on financial operations (IOF), which performed 29.6% - 8.4% of the total revenues, and 4.5% in the first quarter of 86.

It collected Cz\$9.8 billion, mainly from exchange and credit operations (61.2% and 31.6%, respectively).

Among non-fiscal revenues, Finsocial made up Cz\$8.1 billion (7% of the total); PIN-Proterra and agricultural products commercialization figured similar Cz\$4.1 billion (3.5% of the total for each of them).

The cash expenditures of the National Treasury increased nominal 11.5% in the first quarter of 1987. This means less 34.1% than the same period of 1986. The expenditures totalled Cz\$101.2 billion. 23.6% of this amount was transferred to the states and municipalities (Cz\$23.9 billion).

Financial markets

At the end of the first quarter of 1987, the estimated balance of the financial holdings amounted to Cz\$2,152.2 billion, with nominal increases of 15.5%, 34.6% and 83.73% respectively in the month, in the year, and over 12 months.

Non-monetary holdings grew 16.2%, overpassing the monetary ones (10.9%), what has happened since Nov.-Dec. 86.

In March, non-monetary assets showed bigger expansions in savings deposits (25.6%) and in the total federal and state public

securities (20.2%). The balance of savings deposits, federal and state public securities and CDB altogether shared 96% of the total non-monetary assets at the end of March.

The federal public debt reached Cz\$1,611.7 billion, increasing nominal 5.6% in the month and 152.9% over 12 months. The stock of public securities of the National Treasury and of the Central Bank in the hands of the public amounted to Cz\$584.7 billion - nominal growth of 14.5% if compared to February, and real decrease of 15.2% over 12 months.

The joint operations of the first and second hand markets, in March, caused a monetary expansion Cz\$7.2 billion, and a quarterly one of Cz\$7 billion. OTN issued Cz\$31 billion in March, and LTN reached Cz\$160 billion, both absorbed by the Central Bank portfolio. LBC totalled Cz\$10 billion in the month, and accumulated an amount of Cz\$69.6 billion. The overnight monthly rate for operations with LBC was of 11.95%, against 19.61% in February. As to private securities, CDB reached 16.02% a.m. (17.72% a.m. in February).

Summary by
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