Brazil’s Inflation Is So Bad Even Central Bank Workers Protest

(Bloomberg) — Inflation is so rampant in Brazil, having surpassed 12% a year in early April, that workers at the institution in charge of taming prices are themselves on strike, demanding wage raises to recover lost purchasing power.

Brazil’s central bank employees in Brasilia stopped working on Tuesday, piling pressure on the institution to increase their salaries by 26% to compensate for losses to inflation in the past few years. The walkout, which doesn’t involve the bank’s senior leadership, coincides with the start of deliberations on whether to keep increasing interest rates after one of the world’s most aggressive monetary tightening cycles in the wake of the pandemic.

While the strike won’t impact the rate decision process by the bank’s board of governors, with its announcement due on Wednesday after 6:30 p.m., it’s symbolic of how serious the inflationary problem became for Latin America’s largest economy. Angry workers are planning demonstrations on the streets of Brasilia by the time the central bank issues it’s traditional communique, to make their case more allegorical.

The union of civil servants, which initially called a strike at the beginning of last month, had announced a truce on April 19 to allow for negotiations. As workers crossed their arms for nearly three weeks, the central bank had to postpone the publication of key data including economic activity and a widely watched survey of inflation and interest rate expectations, leaving analysts without the usual tools to assess the performance of the economy.

The central bank, headquartered at an iconic modernist-style building in the Brazilian capital, had 3,460 workers as of 2021. The union expects about half of them to adhere to the strike.

Brazil’s annual inflation reached 12.03% in the first two weeks of April, the fastest in almost 20 years, amid growing pressure in food and energy costs. The price spike has triggered protests around the country, including by other government workers, complicating President Jair Bolsonaro’s re-election bid in October.

The central bank has boosted rates by 9.75 percentage points since March 2021 in an attempt to control the inflationary spike. It is expected to raise the Selic rate by an additional percentage point, taking it to 12.75%, in Wednesday's meeting, according to all economists surveyed by Bloomberg.

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