

THE ASSOCIATE PRESS

# Brazil plans to offset subsidies

SAO PAULO - Brazil will raise taxes or cut public spending to compensate for any future subsidies it offers to support struggling sectors, Finance Minister Guido Mantega told a local newspaper in an interview published on Sunday.

"If we cut taxes further, like we did on diesel sales, all the foregone revenues will be compensated by spending cuts or other taxes," Mantega told

O Globo.

After missing its main budget target last year, Brazil has struggled to improve its finances and regain investors' confidence. The task has become even more challenging as the government faces the largest street protests in decades, with more than 1 million

Brazilians demanding better public services.

Brazil had offered a slew of tax breaks and other subsidies in the past few years, without raising other taxes, in an attempt to revive economic growth. However, while the economy has failed to improve substantially,

the deterioration in Brazil's fiscal accounts prompted the Standard and Poor's ratings agency to warn of a possible downgrade of Brazil's debt rating.

"Even the United States were downgraded already. That's life," Mantega said. "What is important to me is

the economic performance, public accounts, inflation. We will perform better this year than in 2012."

Brazil is expected to grow 2.5 percent this year, according to the median forecast in a weekly central bank survey with around 100 economists. It expanded just 0.9 percent last year.