

Brazil Flash

COPOM leaves the SELIC unchanged, but refrains from committing to stable monetary conditions ahead

In line with our expectations, the Monetary Policy Committee (COPOM) decided, unanimously, to maintain the SELIC at 7.25%. The reference to the “stability of monetary conditions” was eliminated from the accompanying statement, which instead revealed that the monetary authority has adopted a “wait-and-see” position. Even though the chance of a short tightening cycle starting as soon as in April is currently relevant, for now we maintain our call for a stable SELIC at 7.25% over the year.

- **All options on the table**

The accompanying statement released yesterday after the markets closed in Sao Paulo was as follows: “Assessing the macroeconomic outlook and the prospects for inflation, the COPOM unanimously decided to maintain the SELIC rate at 7.25%, without bias. The Committee will follow the evolution of the macroeconomic scenario until its next meeting, in order to define the next steps of its monetary policy strategy.” By excluding the reference to the stability of monetary conditions from the communiqué, the COPOM refrained from committing to a SELIC at 7.25% in the months ahead. However, the accompanying statement shows that the monetary authority also refrained from committing to adjusting the SELIC upwards. Therefore, both options remain on the table. In our view, the COPOM will follow closely the evolution of inflation (observed and expectations) from now till April 17 to decide which way to take. We forecast inflation figures to slow down from 6.2% in January to 6.1% in February (due to electricity tariff cuts and, to a lesser extent, less pressured food prices) and then pick up to 6.3% in March (although a lower figure, due to extra tax cuts, would not surprise us). For the time being, we maintain our call for a stable SELIC at 7.25% over the remainder of the year, with a clear (and increasing) upward bias. The minutes of the COPOM meeting, which will be released next week, should provide helpful information for us to shape our view on future monetary conditions.

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El COPOM deja el SELIC estable, pero no se compromete a mantener las condiciones monetarias estables en el futuro

En línea con nuestras expectativas, el Comité de Política Monetaria (COPOM) decidió por unanimidad mantener el SELIC al 7,25%. La referencia a “condiciones monetarias estables” fue eliminada del comunicado y en su lugar una postura de “esperar a ver” ha sido revelada. A pesar de que las posibilidades de la adopción de un corto ciclo de ajuste sean relevantes, por ahora mantenemos nuestra previsión de un SELIC estable al 7,25%.

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