

Brazil Flash

Monetary policy minutes highlight concerns on inflation

The minutes of [last week's monetary policy meeting](#) show that the COPOM is now mainly focused on inflation, with a greater sense of urgency to fight price pressures. The uncertainties regarding both domestic growth and the external environment were downplayed. We continue to expect the SELIC to be adjusted by 50bp and 25bp, respectively, in July and August.

- **More hawkish minutes, as we expected**

The just-released minutes of the last monetary meeting are clearly more hawkish than those released in April, in line with the decision to increase the pace of monetary tightening. Inflation is now in the spotlight. According to the COPOM, the balance of risks to inflation is unfavorable and, in the short term, annual inflation will continue to trend upwards (we expect inflation to trend up till the beginning of the third quarter). The monetary authority highlighted the risks related to price indexation, the worsening of inflation expectations as well as to the fact that wages continue to fuel costs. The reference to the disinflationary impact deriving from the moderation in the prices of some assets (i.e. exchange rate and minimum wage) was taken out of the minutes. Regarding domestic growth, the COPOM still sees an intensification of the pace of activity this year and in the next one (i.e. "a growth path ...more aligned with the potential growth"). Finally, the COPOM introduced a greater sense of urgency to fight inflation: instead of implicitly suggesting that it was focused on 2014 inflation, this time the monetary authority referred to a "tempestiva" (timely, opportune) reversion of recent inflationary trends (signaling it wants to bring inflation down as soon as this year).

- **We keep our current SELIC call: +50bp in July and +25bp in August**

We continue to expect the SELIC rate to be adjusted to 8.50% in July and then to 8.75% in August. However, the chance of a 50bp hike in August is now higher and, conversely, the chance that the current monetary tightening cycle ends in July is lower. We expect this monetary adjustment and the more hawkish tone adopted by the COPOM to prevent inflation expectations from running out of control, but we do not forecast inflation to converge to the 4.5% target anytime soon.

For more on Brazil, [click here](#)

El acta de la última reunión de política monetaria destaca las preocupaciones con la inflación

Las minutas de [la pasada reunión de política monetaria](#) muestran que el COPOM se encuentra principalmente centrado en contener la inflación, con una mayor urgencia en controlar las presiones sobre los precios. Las incertidumbres sobre el crecimiento doméstico y sobre el escenario externo se han minimizado. Todo ello nos lleva a seguir esperando subidas de tipos de 50pp y 25pp, respectivamente, en julio y agosto.

Para ver más acerca de Brasil, [haga clic aquí](#)

Enestor Dos Santos
enestor.dossantos@bbva.com
+34 639 82 72 11

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