

Brazil Flash

Inflation drops below 6% for the first time this year

Yearly inflation declined to 5.86% YoY in September, from 6.09% YoY in August, in line with forecasts (BBVA: 5.86% YoY; consensus: 5.86% YoY). This was the third drop in a row since June when inflation peaked at 6.70% YoY. Given the recent pressures on the exchange rate and the likely adjustment in fuel prices, the inflation moderation process should lose momentum in the fourth quarter.

- **In monthly terms, inflation increased to 0.35% MoM in August**

If on the one hand, yearly inflation has been declining due to more well-behaved commodity prices, relatively weaker private consumption and positive base effects, on the other, monthly inflation has been trending upward since July in line with less favorable seasonality. Monthly inflation increased to 0.35% MoM in September from 0.24% MoM in August, with the main pressures coming from household articles (0.65% MoM), apparel (0.63% MoM), housing (0.62% MoM), health and personal care (0.46% MoM) and transport (0.44% MoM).

- **We forecast inflation at 5.7% at the end of the year; risks are tilted to the upside**

In spite of the recent moderation, inflation continues at uncomfortable levels (core measures and medium-term expectations remain close to -or even above- 6.0% YoY). In addition, looking forward, the likely announcement of an increase in fuel prices and a weaker currency -in spite of the recent appreciation- will leave less room for inflation to decline in 4Q13. More precisely, we expect inflation to be around 5.9% YoY in both October and November and then recede slightly to 5.7% YoY in December.

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

La inflación cae por debajo del 6% por primera vez en el año

La inflación anual se redujo a 5,86% a/a en septiembre, desde el 6,09% a/a en agosto, en línea con las previsiones (BBVA: 5,86% a/a; consenso: 5,86% a/a). Esta fue la tercera caída consecutiva desde junio cuando la inflación alcanzó el 6,70% a/a. Dadas las recientes presiones sobre el tipo de cambio y el posible ajuste de los precios de los combustibles, el proceso de moderación de la inflación debería perder impulso en el cuarto trimestre.

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