Flash Brasil

Un cauto COPOM

Según el Comité de Política Monetaria (COPOM), las presiones inflacionarias podrían suponer la "acomodación de la inflación en rangos superiores", pero las actuales incertidumbres "recomiendan que la política monetaria debe ser administrada con precaución". El acta de la última reunión monetaria no demuestra un compromiso en ajustar las actuales condiciones monetarias y por tanto mantenemos nuestra previsión de un SELIC estable al 7,25% a lo largo del año, con un claro (y relevante) sesgo alcista.

A cautious COPOM

According to the Monetary Policy Committee (COPOM), inflation pressures could imply “the accommodation of inflation at a higher range”, but current uncertainties “recommend that monetary policy should be administered with caution”. The minutes of the last monetary meeting do not reveal a commitment to the adoption of tighter monetary conditions ahead and, therefore, we maintain our call for a stable SELIC at 7.25% over the year, with a clear (and relevant) upward bias.

- ### Less hawkish than expected minutes…

  The monetary authority has revised upwards its inflation forecasts, which are above target, for both 2013 and 2014. In addition, it highlighted the resilience of inflation due to “the greater dispersion of recently observed increases in consumer prices, seasonal pressures and specific pressures in the transport segment, among other factors”. More importantly, it recognized that recent inflation pressures “could represent not a temporary phenomenon, but rather a possible accommodation of inflation at a higher range”. However, the COPOM considered that “remaining uncertainties - foreign and domestic - surround the prospective scenario and recommend that monetary policy should be conducted with caution”. In our view, this reveals that the COPOM is concerned with the negative impact that a tightening of monetary conditions could have at this moment (it could slow down the recovery process, impose additional risks to the financial system, increase the pressures on the currency…) Moreover, the exclusion from the minutes of a sentence commenting that “the COPOM strategy aims to ensure the convergence of inflation to the target path, which requires a prompt correction of any deviations from this trajectory” and the reference to a possible “disinflationary effect” resulting from the stability of the exchange rate at current levels reinforce our perception that the minutes were less hawkish than expected.

- ### …reduce the chance of a SELIC hike in April

  In line with this perception, for now we maintain our view that the SELIC will remain stable at 7.25% in the months ahead in spite of the worsening of inflation (see the text below). A hike of the SELIC cannot be ruled out, but today’s minutes suggest that an eventual monetary tightening would not start in April but rather in May.

- ### Uncomfortably high inflation, in spite of the impact of tax cuts

  Inflation continued to trend up in the first two months of the year and reached 6.3% in February, topping most forecasts. The sharp reduction of electricity tariffs and the postponement of the adjustment in transport tariffs in some regions (which followed a request from the federal government) prevented inflation from running out of the official target (2.5%-6.5%), but did not avoid a clear worsening of inflation (also revealed by core inflation figures, diffusion indexes and inflation expectations). More recently, actually on the same day that official data revealed that inflation had surprised to the upside in February, the government announced that federal taxes on staple food would be cut to zero. As previous measures adopted by the government, this decision will have a positive impact on inflation in the short-term, but will not be able to change significantly inflation dynamics ahead. More precisely, we expect the recently announced tax cuts to have a -30bps impact on inflation over the next three months. However, we revised downwards our forecasts for the end of the year by only 0.10bps to 5.5% as February inflation surprised us 0.20bps to the upside. Moreover, we continue to expect inflation to be within the 6.0% - 6.5% in the next few months, and then to decline slightly in the second half of the year (at a large extent due to positive base effects). We maintain our forecasts for 2014 practically unchanged and, therefore, continue to expect inflation to close the year at 5.5%.

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