

## Brazil

## Economic Watch

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## Economic Analysis

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## Brazil: Inflation remains strong In January

- Inflation measured by the IPCA came up at 0.83%/m/m in January, slightly higher than the BBVA forecast (0.75%/m/m) and an in line with the market's consensus (0.83%/m/m).
- Monthly inflation was higher in January than in December (0.63%/m/m), mostly due to seasonal factors. According to our seasonally adjusted inflation series, the IPCA in January was 0.62%/m/m, broadly the same as in December (0.59%/m/m).
- Yearly inflation moved up to 5.99%/y/y from 5.91%/y/y in December, the highest value since November 2008.
- By groups, the two items that contributed most to January's inflation were Transports and Food/Beverages. While the contribution of the latter to inflation dropped from 0.31p.p. to 0.27p.p., the contribution of the former accelerated from 0.05p.p. in December to 0.29p.p. in January. Together, these two groups accounted for 67% of the 0.83%/m/m inflation.

Table 1

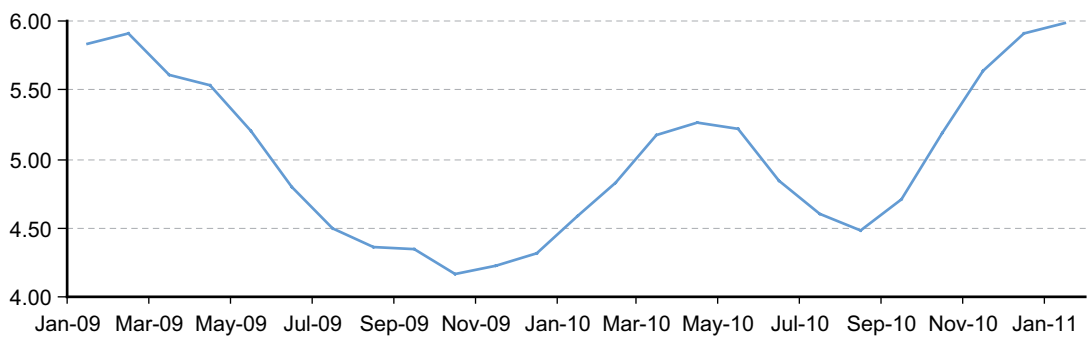
**IPCA (m/m%)**

	January-11	December-10
IPCA	0.83	0.63
Food and Beverages	1.16	1.32
Clothes	0.12	1.34
Personal Expenditures	0.83	0.57
Education	0.30	0.05
Health	0.47	0.39
Housing	0.61	0.49
Home Supplies	0.25	0.10
Transport	1.55	0.29
Communication	0.29	0.05

Source: IBGE

The data released today does not change our forecasts for the SELIC (two additional 50bps increases) and for inflation (5.3%/y by the end of 2011).

Chart 1

**Inflation: IPCA (y/y%)**

Source: IBGE

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