

# Brazil Flash

## CB sees more growth and less inflation in 2013

The minutes of last week's monetary policy meeting, when the CB implemented a final SELIC cut, show that the monetary authority sees, on the one hand, a "complex", "disinflationary" external environment and, on the other, a more intense domestic activity and lower inflation in 2013. In our opinion, the minutes support the view that the SELIC will remain unchanged during the course of the next year.

- **For how long will "sufficiently prolonged" last?**

In the minutes released some instants ago, the CB referred to last week's SELIC cut as the "last" adjustment, closing the door to another cut in the next meeting in November. As we got to know last week, five COPOM members voted for cutting the SELIC by 25bs and three for keeping it at 7.5%. Now we got to know that for the former the pace of domestic recovery is still "uncertain" and the impact of rising food prices will be temporary, while for the latter "demand and cost pressures" could soon drive inflation up. The references to the "stability of monetary conditions for a sufficiently prolonged period" and to "a non-linear" convergence of headline inflation to the 4.5% target were -not surprisingly- included in the minutes. Still on inflation, CB forecasts for 2013 (at this point, the most relevant period for monetary policy) were revised downwards at some extent due to recently announced tax cuts, but they continue showing inflation above target. Looking forward, we expect the CB to continue to assess both the evolution of global economy and domestic activity recovery before deciding when exactly to change the SELIC rate. Anyway, the tone of the minutes released today suggest, in our view, that the CB is willing to keep rates stable for a longer period than markets are currently expecting. We reinforce our call for a SELIC at 7.25% at least until the end of 2013.

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

## El BC ve más crecimiento y menos inflación en 2013

Las minutas de la reunión de política monetaria de la semana pasada, cuando el BC implementó un último recorte de los tipos SELIC, muestran que la autoridad monetaria ve, por un lado, el actual entorno global "complejo" y "desinflacionario" y, por otro lado, una mayor intensidad de la actividad económica así como menor inflación en 2013. En nuestra opinión, las minutas apoyan la visión que el SELIC permanecerá inalterado a lo largo del próximo año.

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Enestor Dos Santos  
[enestor.dossantos@bbva.com](mailto:enestor.dossantos@bbva.com)  
+34 639 82 72 11

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