

Brazil Flash

Food prices continue driving inflation up

Inflation increased for the fourth month in a row and reached 5.45%/y/y in October. Food prices continue being the main source of inflationary pressures, which force us to revise our forecasts for the end of the year to 5.4% from 5.3%.

- **Monthly inflation reached 0.59%/m/m in October**

Inflation outturns were slightly higher than expected in October. Inflation reached 5.45%/y/y (0.59%/m/m), in comparison to 5.28%/y/y (0.57%/m/m) in September. In yearly terms this was the fourth increase in a row. After declining from 7.3% in Sep/11 to 4.9% in Jun/12, inflation started to trend up at a large extent due to food prices. In the absence of food pressures, inflation would have stayed relatively constant around the 5.0% mark (therefore, in our view it would not have converged to the 4.5% target as Brazilian authorities have been claiming lately). In October food prices accounted for 54% of monthly inflation (0.32bps out of 0.59bps), which is even more than in the previous months (53% in September and 51% in August). Preliminary figures show that core inflation increased in monthly terms in October, showing that food prices are not the only factor behind increasing inflation in Brazil. We now expect inflation to close the year at 5.4%. Tax cuts should help to keep inflation under control in the next year but we see increasing upside risks to our 5.3% forecast for the end of 2013.

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

El precio de los alimentos continúa presionando a la inflación

La inflación aumentó por cuarto mes consecutivo y alcanzó el 5,45% en octubre. El precio de los alimentos continúa siendo la principal fuente de presión, lo que determina una revisión al alza de nuestra previsión para el año desde el 5,3% hasta el 5,4%.

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