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Análisis Económico
10 de enero de 2012

Flash Brasil

La inflación cierra 2012 en 5,8%, muy por encima del objetivo

La inflación alcanzó 5,8% a/a y cerró el año – el tercer consecutivo – por encima del objetivo del 4,5%, aunque dentro del rango oficial de 2,5%-6,5%. No hay perspectivas de moderación significativa en 2013 ya que la recuperación de la demanda domestica, las políticas económicas expansivas, el posible incremento del precio de los combustibles y los recientes problemas de oferta de energía mantendrán la presión sobre los precios. Esperamos, sin embargo, que el SELIC se mantenga constante en el 7,25% a lo largo del año.

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Inflation closes 2012 at 5.8%, well above target

Inflation reached 5.8% YoY in December, closing another year – the third in a row- above the 4.5% target, although within the 2.5%-6.5% official range. There are no perspectives of significant moderation in 2013 as domestic demand recovery, the tone of economic policies, an eventual adjustment of fuel prices and the recent problems regarding energy supply will keep prices under pressure. We, however, expect the SELIC to remain unchanged at 7.25% throughout the year.

- **Inflation surprised on the upside in December**

  Inflation topped expectations (BBVA: 0.60% MoM and 5.64% YoY; Consensus: 0.74% MoM and 5.79% YoY) and reached 0.79% MoM (5.84% YoY) in December, higher than in November (0.60% MoM and 5.53% YoY). Food inflation accelerated again at the end of the year (1.0% MoM in December in comparison to 0.8% MoM in November) and was once again the main contributor to inflation in the period. Transport costs and personal expenses also accelerated, contributing to drive inflation up at the end of the year.

- **Expectations are not well-anchored and inflation remains an important source of risk**

  Inflation has been now 28 months above the 4.5% target. Moreover, there are no expectations of convergence to that level any time in the future. Markets (including us) expect inflation to be around 5.6% in 2013 in spite of i) the positive impact of lower electricity tariffs (to be implemented in February), ii) eventual tax cuts to be adopted over the year; iii) smaller minimum wage adjustment, iv) record domestic harvest which should help to keep food prices under control. In our view, these benign effects will be offset by the expected recovery of domestic demand, the expansive tone of monetary and fiscal policies, a more depreciated exchange rate, and an eventual adjustment of fuel prices. In addition, a hot, dry summer has been driving reservoirs at hydroelectric dams down to multiyear lows, generating a risk (denied by authorities) of energy shortage. In any case, even if this shortage risk does not materialize (which seems the most likely scenario at this moment), inflation will continue under pressure in 2013. In our view, this significantly reduces the chance of a new monetary policy easing at the beginning of this year. We maintain our call for a stable SELIC at 7.25% throughout the year. We think the SELIC rate will be the last tool to be used to prevent inflation from running out of control.

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Enestor Dos Santos
enestor.dossantos@bbva.com
+34 639 82 72 11

BBVA | RESEARCH | Pº Castellana 81, Floor 7, 28046 Madrid | Tel.: +34 91 374 60 00 | www.bbvaresearch.com

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