Flash Brasil

Estabilidad de las condiciones monetarias en un entorno de mayor inflación y crecimiento más bajo

El Comité de Política Monetaria (COPOM) mantuvo el SELIC en 7,25%, en línea con lo esperado. El Comité una vez más hizo referencia a la "estabilidad de las condiciones monetarias por un periodo de tiempo suficientemente prolongado" y reconoció, por un lado, el deterioro de la inflación en el corto plazo y, por otro lado, una recuperación del crecimiento interno más débil de lo esperado. Continuamos esperando que el SELIC siga estable en 7,25% a lo largo del año.

Stability of monetary conditions amid higher inflation and lower growth

The Monetary Policy Committee (COPOM) left the SELIC rate unchanged at 7.25%, in line with expectations. The Committee referred once more to the "stability of monetary conditions for a sufficiently prolonged period of time" and recognized, on the one hand, the worsening of short-term inflation and, on the other hand, a weaker than expected recovery of domestic demand. We continue to expect the SELIC to remain stable at 7.25% thorough the year.

- **The COPOM continued to refer to the complexity of the global environment**

  The decision to maintain the SELIC at 7.25% was unanimous and in line with expectations. The accompanying statement changed in comparison to the previous one, released in November. References to the worsening of short-term inflation and to lower than expected growth were introduced. In our view, these references to activity and inflation offset each other and reinforce COPOM's neutral tone. They, therefore, add to the main message revealed by the statement:" the stability of monetary conditions for a sufficiently prolonged period of time is the most adequate strategy to guarantee the convergence of inflation to target" (note the exclusion of the expression "albeit in non-linear manner" from the end of this sentence). Even though the focus of the statement released yesterday after financial markets closed in Brazil was on domestic issues, the reference to "the complexity that still surrounds the global environment" confirms that external conditions continue to be an important driver of domestic monetary conditions.

- **The communiqué practically closed the door to a rate cut in the next meeting**

  In our view, the recognition of the worsening of the balance of risks for inflation reduces significantly the chance of a downward adjustment in the short-term (especially in the next meeting, on March 5-6). At the same time, renewed concerns about the weakness of domestic activity should prevent the monetary authority from tightening monetary conditions. Given this domestic environment, as well as global uncertainties, we see a COPOM not in a hurry to adjust monetary conditions. Moreover, if changes in the domestic environment require some policy adjustment, we think authorities will prefer to use other tools (fiscal policy, exchange rates, macroprudentials, tax cuts…) to do so. Overall, we reinforce our call for a stable SELIC at 7.25% thorough the year.

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