Flash Brasil

Inflación en niveles incómodamente altos

La inflación aumentó por el séptimo mes consecutivo y alcanzó 6,15% en enero. A pesar de que los precios de los alimentos son una importante fuente de presión, hay también factores de demanda –relacionados, por ejemplo, con el dinamismo del mercado laboral- por detrás de la trayectoria alcista de la inflación. Esperamos que la inflación siga en niveles elevados en los próximos meses, lo que debería desencadenar el anuncio de más recortes impositivos y otras acciones de política económica (pero no un aumento de los tipos SELIC).

Inflation at uncomfortably high levels

Inflation increased for the seventh consecutive month and reached 6.15% in January. Even though increasing food prices are an important factor behind this upward trend, inflation pressures are also related to demand issues, such as the strength of the labor market. We expect inflation to continue at high levels in the next months, which should eventually trigger the announcement of more tax cuts and other policy actions (but not a SELIC hike).

- **January figures were broadly in line with forecasts**

  Inflation moved up to 6.15% YoY (0.86% MoM) in January from 5.8% YoY (0.79% MoM) in December, broadly in line with expectations (BBVA: 6.11%; 0.82%; consensus: 6.13%; 0.84%). Inflation continued to increase in January in spite of the postponement of the adjustment in transport tariffs in some regions (which followed a request from federal government) and the reduction of electricity tariffs in the last week of the month. Inflation continues pressured by food prices (11.1% YoY; 2.0% MoM) as well as by demand factors, reflected for example in high service inflation (8.6% YoY; 0.92% MoM).

- **Inflation will continue under pressure ahead**

  We expect lower electricity tariffs and some moderation in food prices to drive inflation down to 6.0% YoY (0.3% MoM) in February. However, we see likely that inflation continues to trend upward in the remainder of the semester. We expect the government to eventually announce more tax cuts to face increasingly worrying inflation. In this regard, the President Dilma commented some few days ago that the government is planning to cut taxes on essential goods, which have a non-negligible weight on the IPCA index (the 2013 budget bill includes an estimate of R$20bn -0.4% of GDP - in tax cuts). In addition, we expect tools other than the SELIC to be used to try to maintain inflation under control, which means that an additional appreciation of the exchange rate and/or a reduction in public expenditure should not be ruled out.

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