Análisis Económico
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Flash Brasil

Para el COPOM, la depreciación del tipo de cambio es una transición "natural y esperada" a la normalidad, pero conlleva riesgos

El acta de la reunión de política monetaria de la semana pasada sugiere que el Comité de Política Monetaria (COPOM) está alerta pero no excesivamente preocupado por la reciente depreciación del tipo de cambio. También muestra un tono menos optimista sobre el crecimiento externo y, principalmente, interno. En definitiva, pensamos que el acta de hoy refuerza nuestras previsiones (un otro ajuste de 50 puntos-básicos en los tipos SELIC en agosto y un ajuste final de 25 puntos en octubre) y reduce la posibilidad de ciclo más largo de ajuste.

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For the COPOM, the exchange rate depreciation is a “natural and expected” transition to normality, but entails risks

The minutes of last week’s monetary policy meeting suggested that the Monetary Policy Committee (COPOM) is alert but not excessively concerned about the recent depreciation of the exchange rate. They also showed a less upbeat tone regarding external and, especially, domestic growth. All in all, today’s minutes reinforce our SELIC forecasts (another +50bp adjustment in August and a final +25bp hike in October) and reduce the chance of a longer tightening cycle.

- **The currency depreciation poses inflationary pressure in the “short-term” and require monetary policy action to reduce “longer-term” risks**

  According to our reading of the minutes of last week’s monetary policy meeting, at which the SELIC rate was raised by 50bp to 8.50%, the COPOM did not reveal an excessive concern about the recent depreciation of the Brazilian real (around 11% in the last two months). Risks were highlighted (“…depreciation is a source of inflationary pressure in shorter terms”) but the focus on second round effects (which, according to the minutes, “tend to materialize over longer periods, and may be limited by proper monetary policy”) and the “back to normal” view (for the COPOM, the exchange rate depreciation was “natural and expected” and reflects prospects for a transition to normality) somewhat downplayed the worries regarding the negative impact of a weaker currency on inflation.

- **Less confidence on external and domestic growth**

  The minutes revealed that the monetary authority continues to expect domestic economic activity to gain momentum in both in the remainder of 2013 and in 2014. However, the wording was changed to admit that growth could be below potential levels (rather than around these levels, as stated in the previous minutes). In addition, the minutes highlighted the risk that the recent reduction in both consumer and business confidence impact growth ahead. Regarding the external scenario, the minutes revealed a less optimistic view on growth in other emerging economies.

- **Inflation forecasts remained practically unchanged**

  Inflation forecasts for the end of 2013 remained practically unchanged above the 4.5% target. The short-term impact of a weaker real seems to be offsetting the short-term impact of a higher SELIC rate (and lower growth). Regarding 2014, forecasts remained relatively stable in one of the scenarios (i.e. in the reference scenario, which assumes exchange and interest rates constant at 2.25 and 8.0%, respectively) but were revised upwards in the market scenario (which assumes exchange and interest rates will behave in line with consensus forecasts).

- **We expect a +50bp adjustment in August and then a final +25bp hike in October**

  In spite of some “hawkish” changes introduced at today’s minutes (such as the exclusion of all references to the reduction in neutral interest rates in the last years and the confirmation that the monetary authority is now using structural fiscal results rather than official fiscal figures in its forecasts models), the unchanged statements regarding the pace of the monetary adjustment strongly support another +50bp adjustment in August and the overall tone of the document favor our view that monetary tightening will end in October with a +25bp adjustment.

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