

Flash Brasil

Significativa reducción de la inflación en julio marca el inicio de una tendencia a la baja

La inflación se redujo drásticamente a 6,27% a/a (0,03% m/m) en julio, desde el 6,70% a/a (0,26% m/m) en junio. Este importante descenso se debió a la desaceleración de los precios de alimentos, una reducción de las tarifas del transporte público y a un efecto base positivo. Esperamos que la inflación continúe cayendo en la segunda mitad del año, creando un espacio para que el BCB ponga fin al actual ciclo de ajuste monetario en octubre.

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Significant decline of inflation in July marks the beginning of a downward trend

Inflation declined sharply to 6.27% YoY (0.03% MoM) in July, from 6.70% YoY (0.26% MoM) in June. This significant drop was due to a deceleration in food prices, a cut in public transport fares and a positive base effect. We expect inflation to continue to trend down over the second half of the year, creating some space for the BCB to put an end to the current monetary tightening cycle in October.

- **Inflation was broadly in line with forecasts in July**

July inflation came in broadly in line with expectations (BBVA: 6.30% YoY and 0.05% MoM; consensus: 6.24% YoY and 0.00% MoM). Food inflation continued to lose steam and reached -0.08% MoM in July, favored by positive seasonality and lower commodity prices in global markets. In addition, transport prices declined 0.13% MoM, following the decision to reverse the upward adjustment in public transport fares adopted in June, and therefore contributing to drive inflation down in the period.

- **We expect inflation to continue to ease in the months ahead**

Favorable base effects, which played an important role in the decline of inflation in July, will continue to weigh on inflation in the coming months (2H12 inflation was above historical averages, largely due to the impact of some supply shocks on commodity prices). Lack of strong demand pressures and the more restrictive tone of the monetary policy should partially offset the negative impact of a weaker currency (at least if the exchange rate does not depreciate significantly further), helping domestic prices to ease ahead. We expect inflation to around 6.0% YoY in the next few months and the close the year at 5.7% YoY. In our opinion, inflation's downward trend should pave the way for the BCB to adopt a final +25bp of the SELIC rate in October. Before that, we expect monetary authority to adjust the SELIC upwards by 50bp to 9.0% in August.

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