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Análisis Económico

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El COPOM espera mayor inflación y estabilidad en la actividad económica de aquí en adelante

El acta de la reunión de política monetaria de la semana pasada muestra que la autoridad monetaria revisó al alza sus previsiones de inflación para 2014 y reconoció que la inflación ha sorprendido al alza últimamente, lo que probablemente fue el detonante de la decisión de subir la tasa SELIC en 50pb la semana pasada. Sin embargo, el acta también revela que la autoridad monetaria es menos optimista sobre la actividad económica y está menos preocupada por las presiones salariales. La referencia al efecto retardado de la política monetaria sobre la inflación se mantuvo sin cambios. Aunque el COPOM no cerró la puerta a un nuevo ajuste de 50pb en la SELIC, pensamos que una subida final de 25pb en febrero es el escenario más probable (la significativa sorpresa a la baja del IPCA-15 de enero, que también se ha conocido hoy, apoya nuestra visión).

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COPOM sees higher inflation and stable economic activity ahead

The minutes of last week's monetary policy meeting show that the monetary authority revised its 2014 inflation forecasts up and acknowledged that inflation has been surprising to the upside lately, which probably was the trigger of the decision to hike the SELIC by 50bp last week. However, the minutes also reveal that the monetary authority is less confident on economic activity and less worried about wage pressures. The reference to the lagged impact of monetary policy on inflation was left unchanged. Although the COPOM did not close the door for another 50bp adjustment, we think that a final 25bp hike of the SELIC in February is the most likely scenario (the significant downward surprise of the January's IPCA-15, which was also released today, support our view).

- **More concerns about inflation…**

  The Monetary Policy Committee (COPOM) continued to affirm that it has to be "especially vigilant" to minimize inflation risks. In addition, it commented in the minutes that inflation has been slightly above the forecasts, implicitly referring to the fact that inflation surprised to the upside in December, closing 2013 at 5.9% instead of at 5.7%/5.8% as expected. 2014 inflation forecasts were revised upward in both reference and alternative scenarios (they were both at 5.7% when the 4Q Inflation Report was released in December). The COPOM expects administered-price inflation to reach 4.5% this year, in line with our view that there is no room to maintain non-market inflation as low as in 2013 (1.6%). Finally, still on the hawkish side, the COPOM seemed more optimistic about the global environment.

- **...partially offset by lower domestic demand pressures**

  At the same time, the minutes indicate that the COPOM is now less optimistic on the performance of economic activity. It expects growth to be "relatively stable this year in comparison to 2013", which contrasts with the references to the intensification of economic activity growth included in the previous minutes. The monetary authority also elaborates somewhat on the drivers of growth ahead, affirming that consumption and services will lose momentum and investment, exports and the tradable sectors will contribute more to growth, and concluding that these changes will generate productivity gains. In addition, the monetary authority referred to the lower adjustment of the minimum wage adopted this year and to the fact wages has lately been growing more in line with labor productivity.

- **The minutes left many doors open, but today's IPCA-15 reinforces our view of a final 25bp adjustment of the SELIC in February**

  In our view, the minutes show that the COPOM is not committed to any specific strategy and that it will adopt a wait-and-see position. However, the just-released IPCA-15 for January, which measures inflation from mid-December to mid-January, declined unexpectedly to 0.67%MoM (5.63% YoY) from 0.75% MoM (5.85% YoY) in the previous reading (BBVA: 0.82% MoM and 5.78% YoY; consensus: 0.79% MoM, 5.75% YoY), suggesting that the full-month IPCA will decline more than anticipated to around 0.65% MoM / 5.7% YoY. As well as the upward surprise in December inflation determined a 50bp rather than 25bp hike of the SELIC rate in January, a likely downward surprise in January inflation should trigger a 25bp rather than a 50bp adjustment in February.

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