

# Monetary Policy in Brazil: Recent Developments and Challenges Ahead

Banco Central do Brasil

CEMLA

XVII Meeting of Heads of Monetary Policy

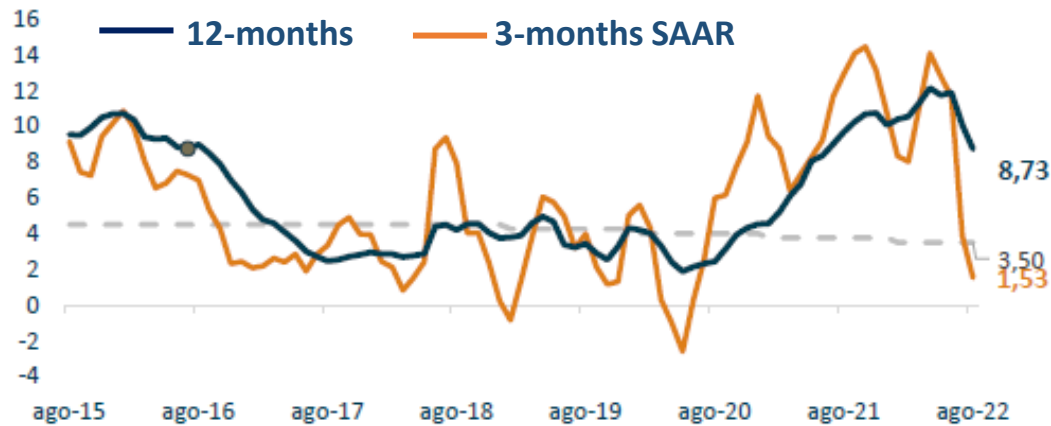
September 2022

André de Oliveira Amante

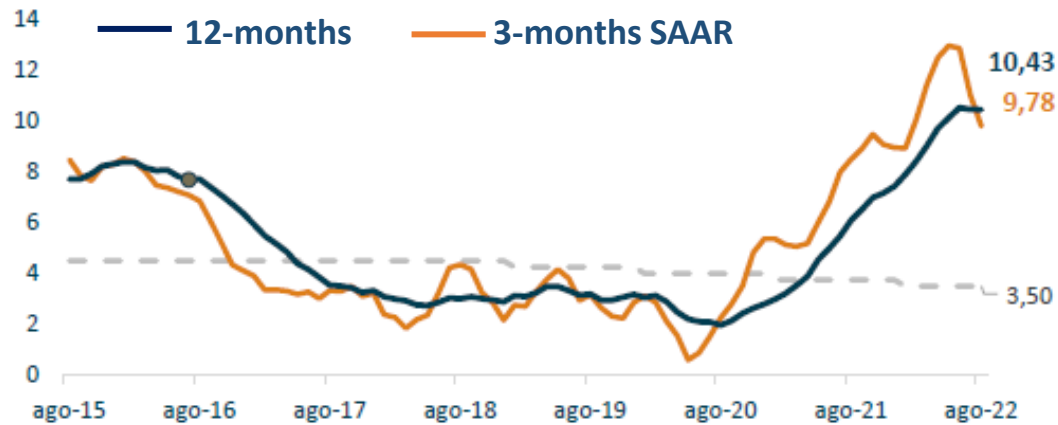


# Brazil: consumer price inflation and its components (%)

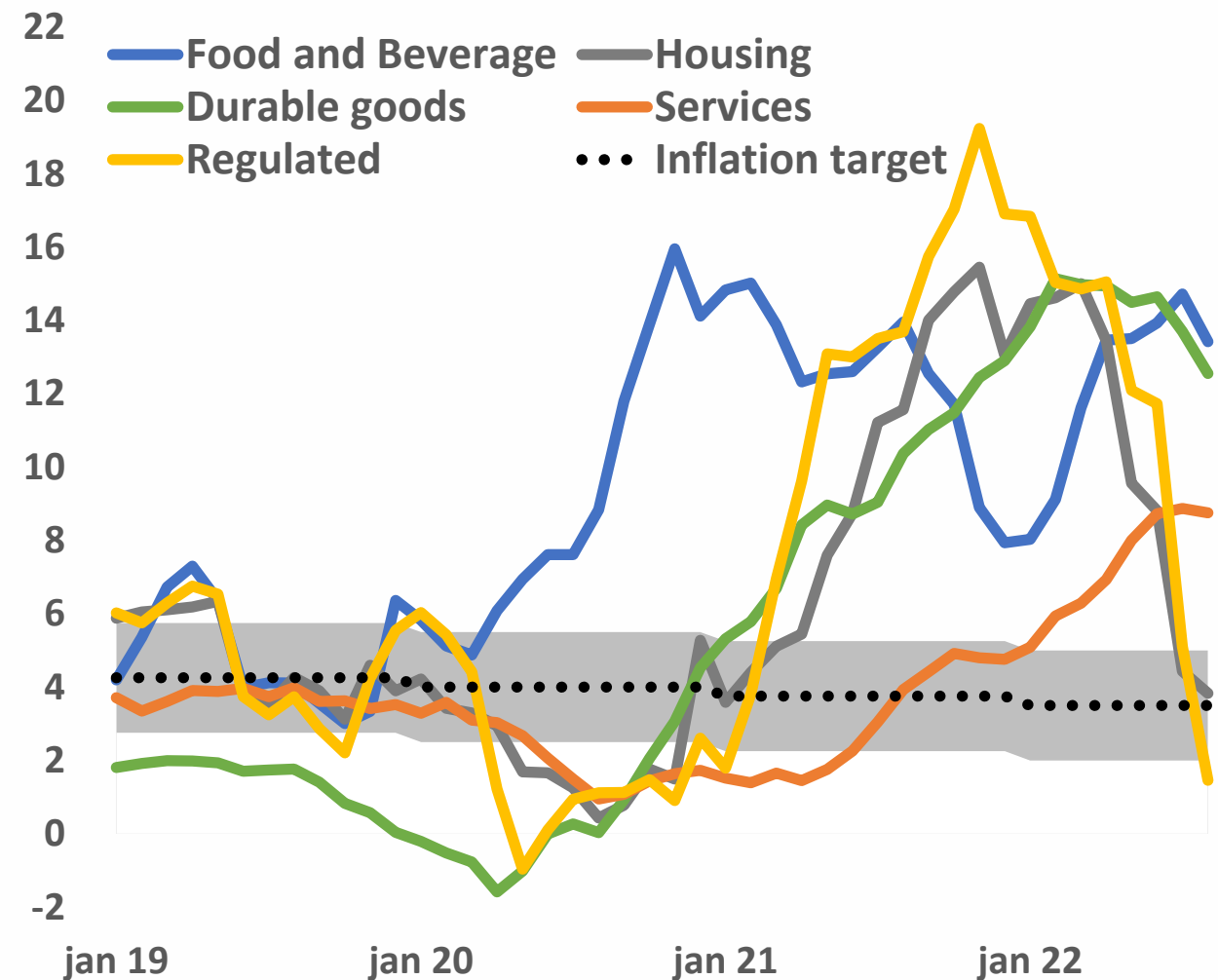
Consumer price inflation: IPCA (%)



Average of core inflation measures (%)



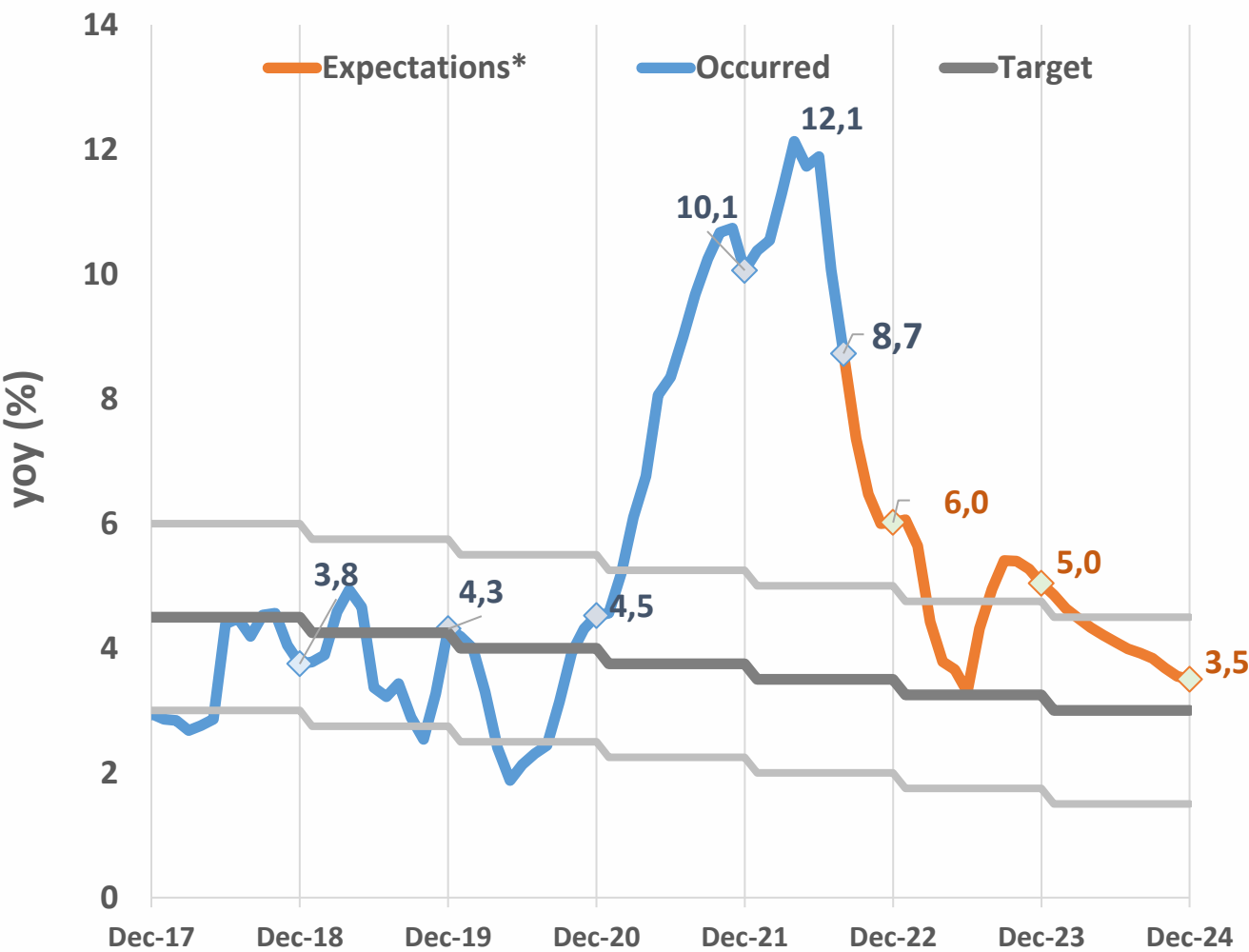
Consumer price inflation: IPCA's components (%)



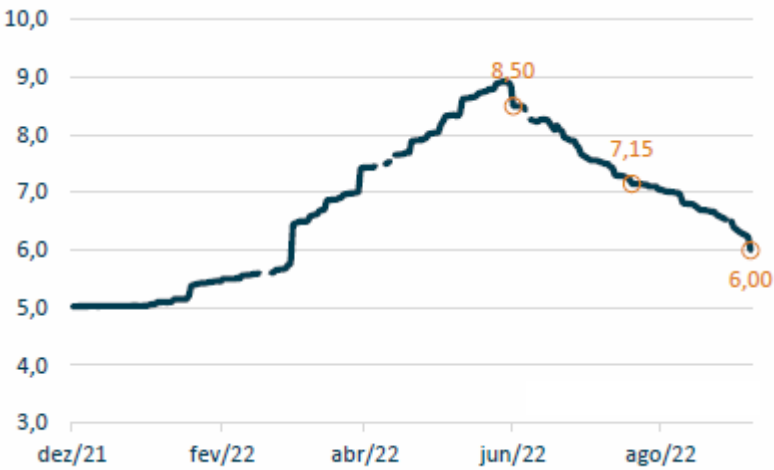
Sources: BCB, IBGE.

# Brazil: CPI (IPCA) and market expectations

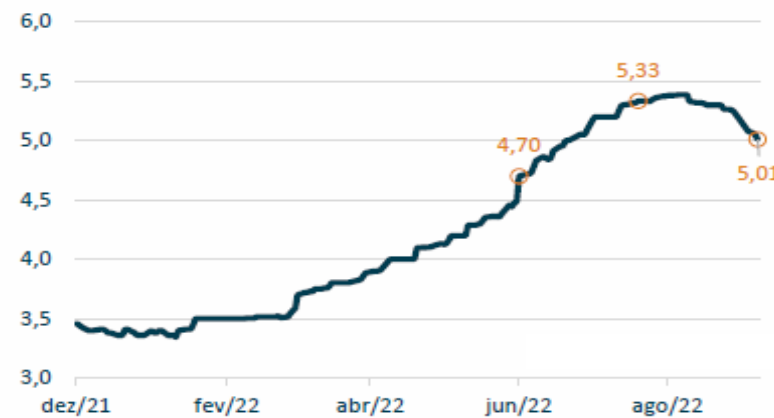
Consumer price inflation: IPCA (%)



IPCA 2022 (%): market expectations



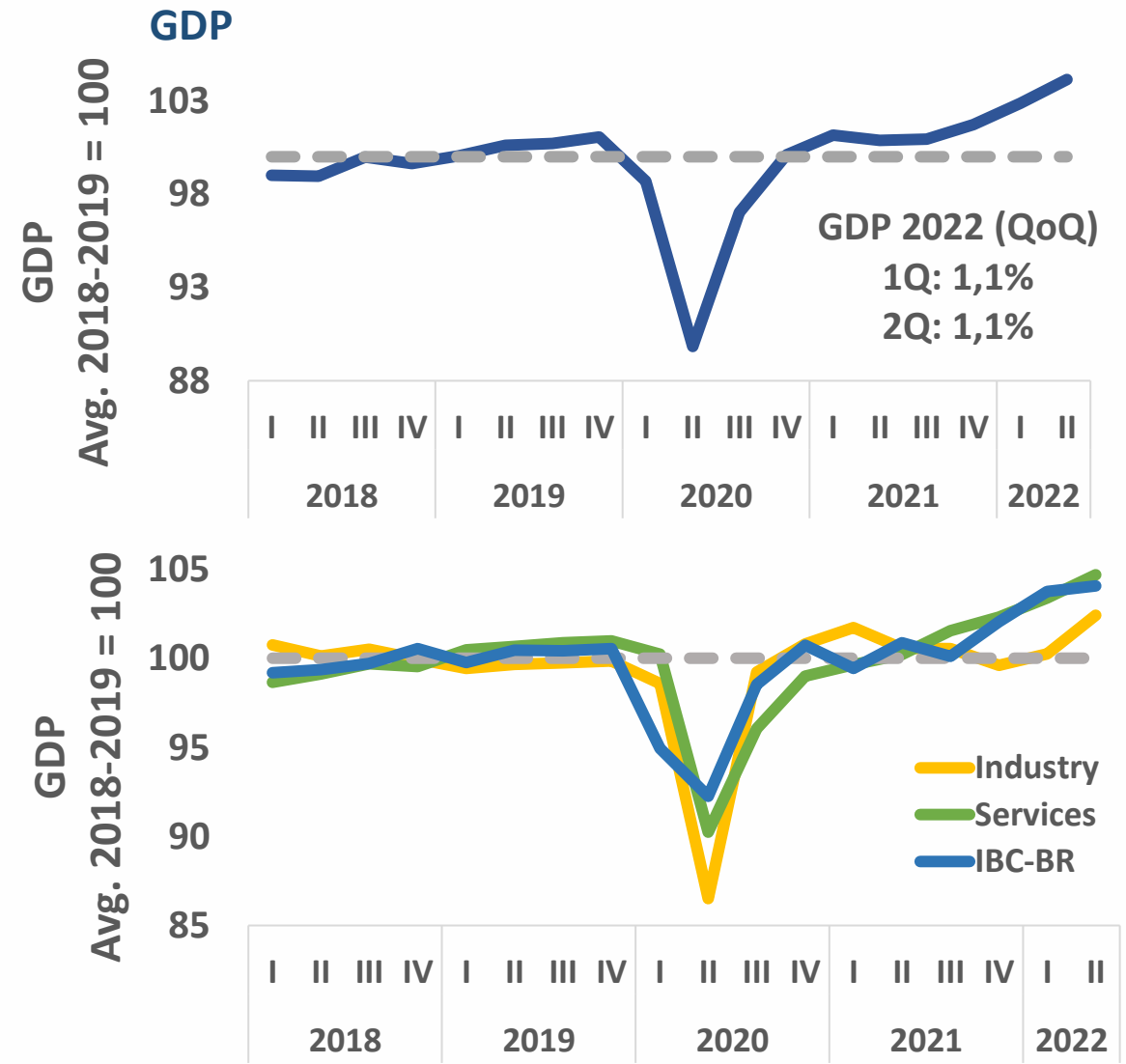
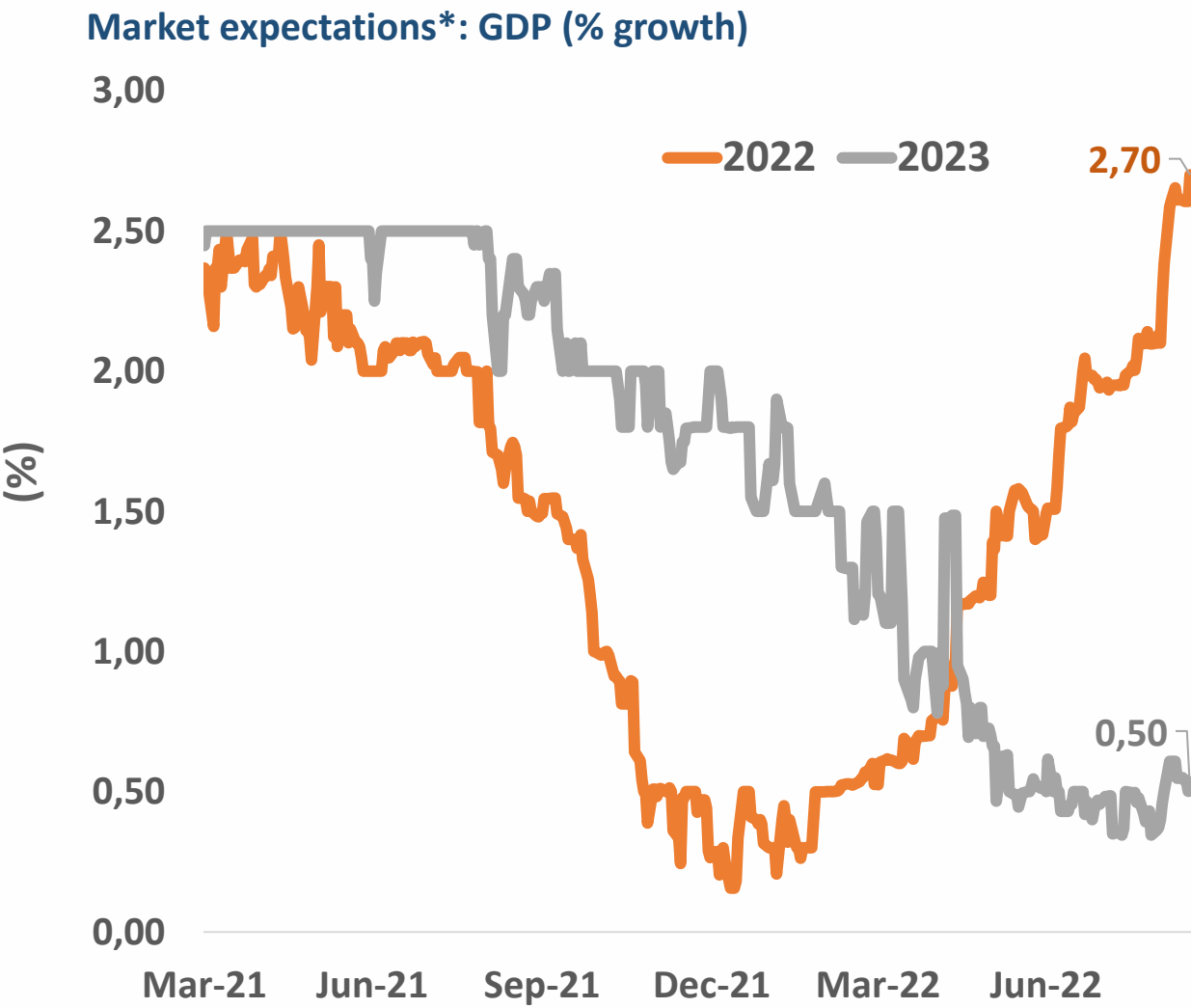
IPCA 2023 (%): market expectations



Sources: BCB, Focus, IBGE.

\*as of September 19<sup>th</sup>

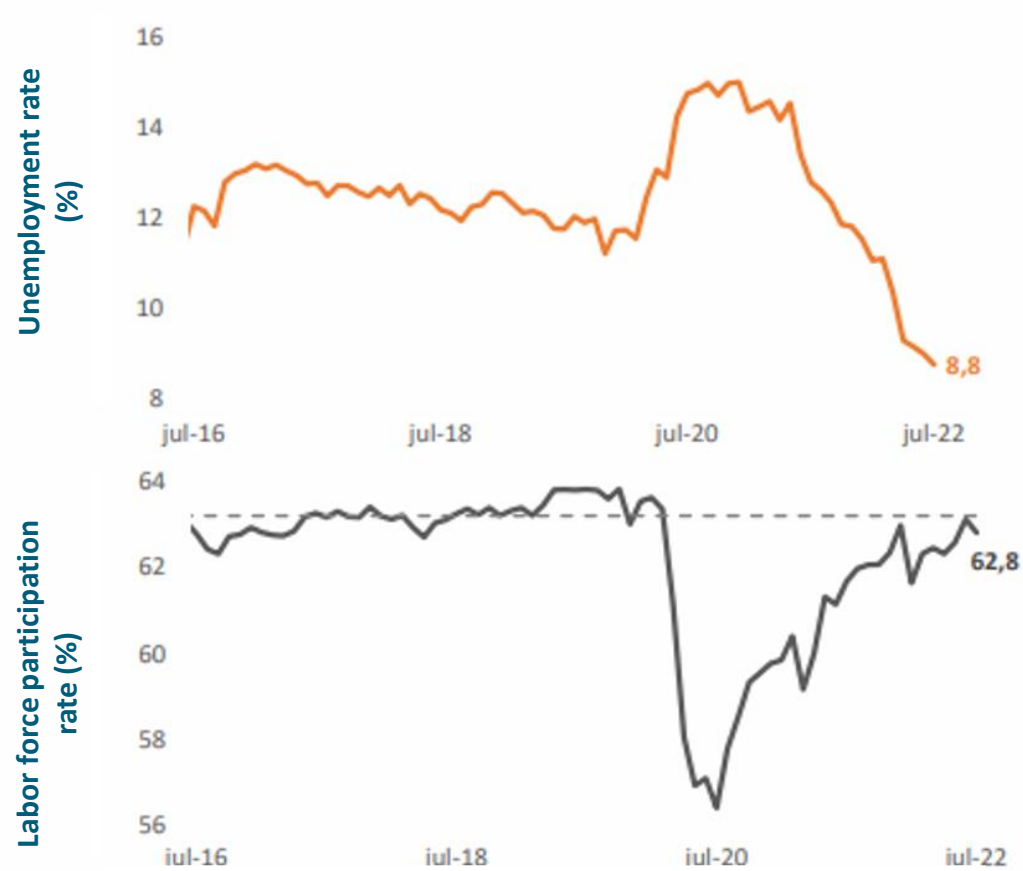
# Brazil: GDP and market expectations



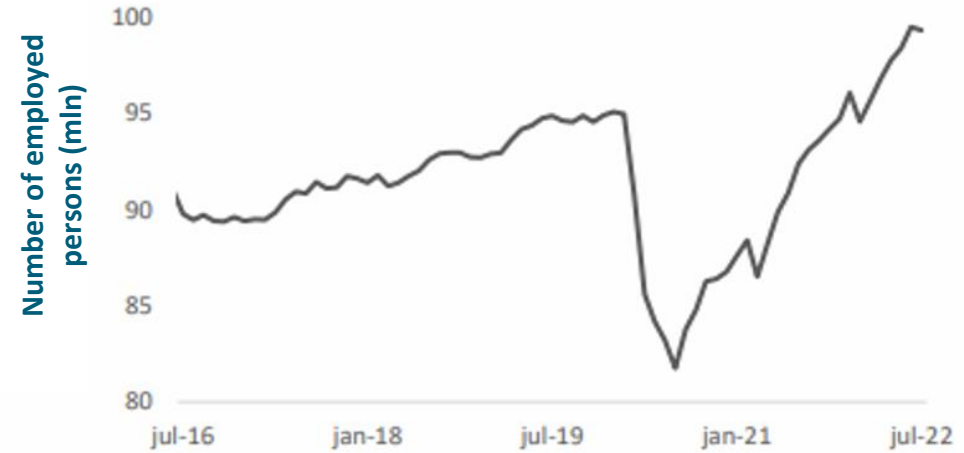
Source: BCB, Focus (median of last 5 working days), IBGE

\*as of September 19<sup>th</sup>

# Brazil: labor market



(\*) dashed line is the average from July 2016 to February 2020 (63.2%)



Sources: BCB, IBGE, (\*) Seasonally adjusted data.

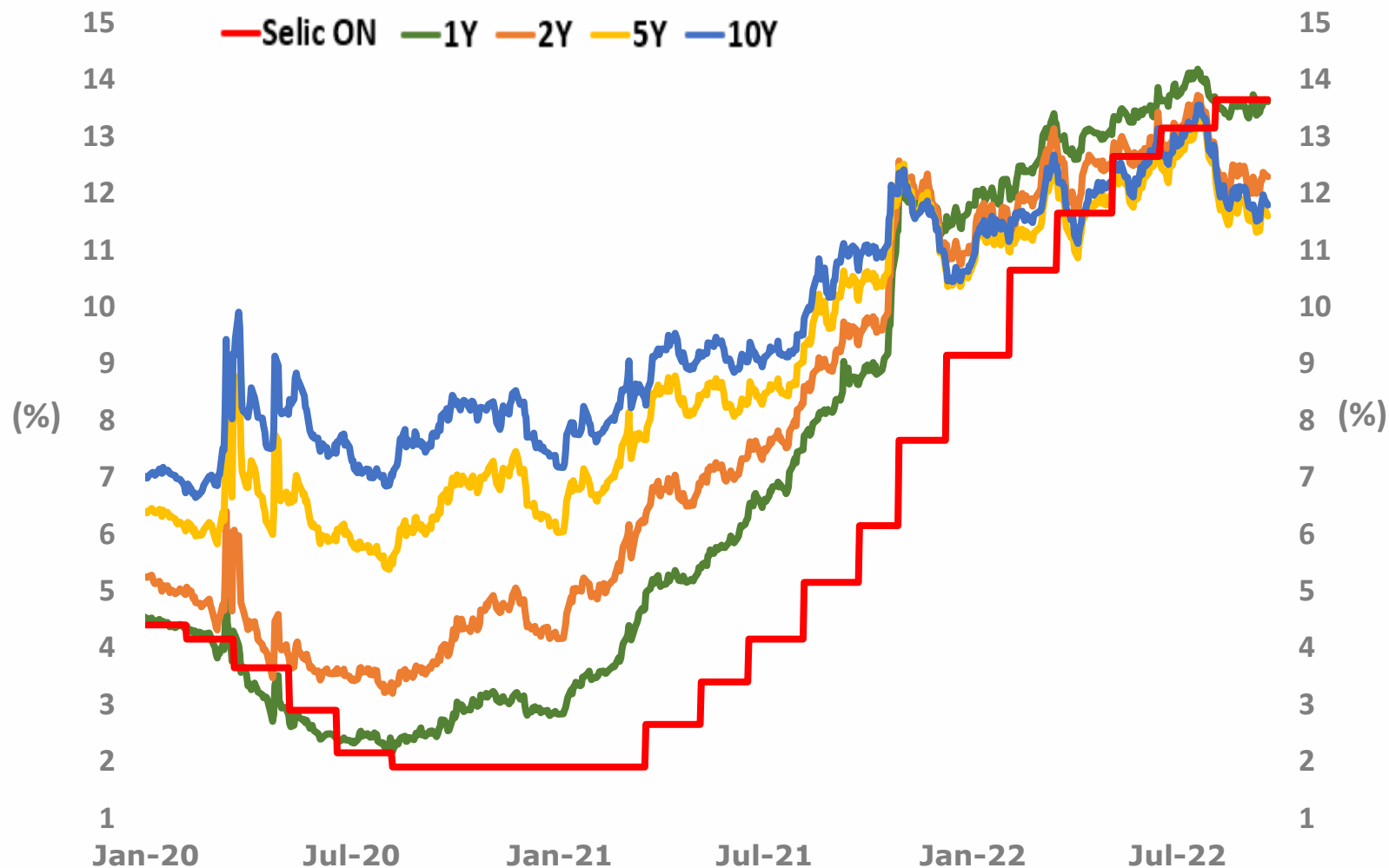
# Monetary Policy Committee (Copom)

## 249th Meeting – September 20-21, 2022

- Considering the assessed scenarios, the balance of risks, and the broad array of available information, **the Copom decided to maintain the Selic rate at 13.75% p.a.**
- Seven members of the Committee voted to maintain the Selic rate at 13.75% p.a., **while two members voted for a residual adjustment of 0.25 p.p.**
- The Committee judges that **this decision** reflects the uncertainty around its scenarios for prospective inflation, an even higher-than-usual variance in the balance of risks; and **is consistent with the strategy for inflation convergence to a level around its target throughout the relevant horizon for monetary policy, which includes 2023 and, to a lesser extent, 2024.**
- **The Committee will remain vigilant, assessing if the strategy of maintaining the Selic rate for a sufficiently long period will be enough to ensure the convergence of inflation.**
- The Committee reinforces that future monetary policy steps can be adjusted and **will not hesitate to resume the tightening cycle if the disinflationary process does not proceed as expected.**

Source: BCB.

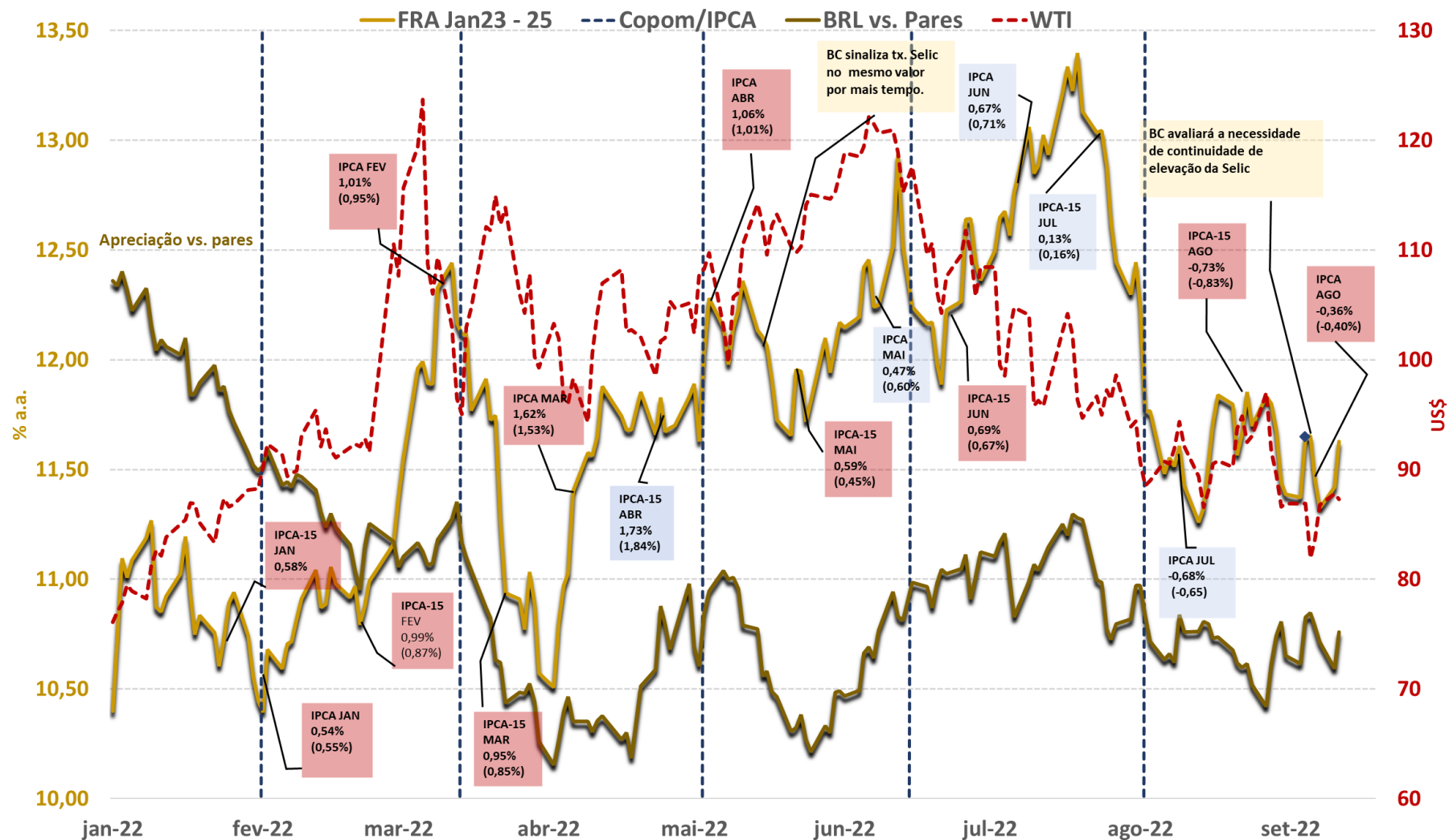
# MPC Selic ON rate and domestic yield curve



The BCB decided to maintain the Selic policy rate stable at 13.75% at its September MPC meeting.

Sources: BCB, B3 Exchange

# Domestic yield curve and WTI

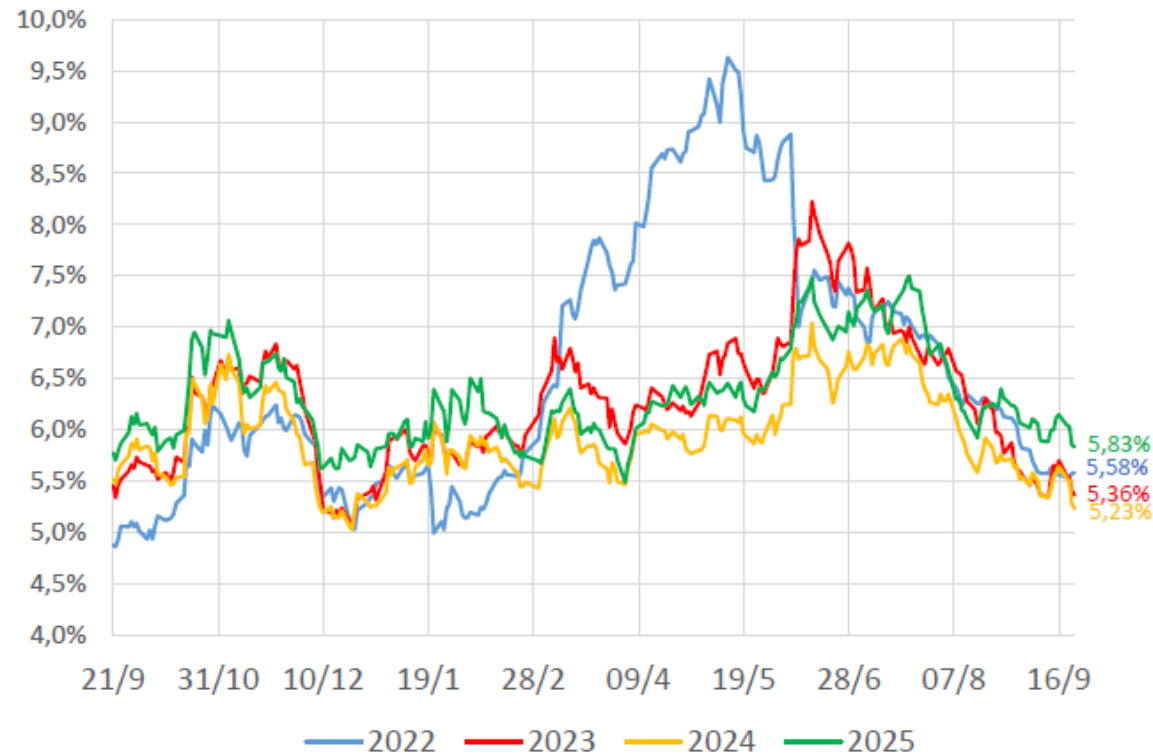


Sources: BBG, BCB, B3 Exchange

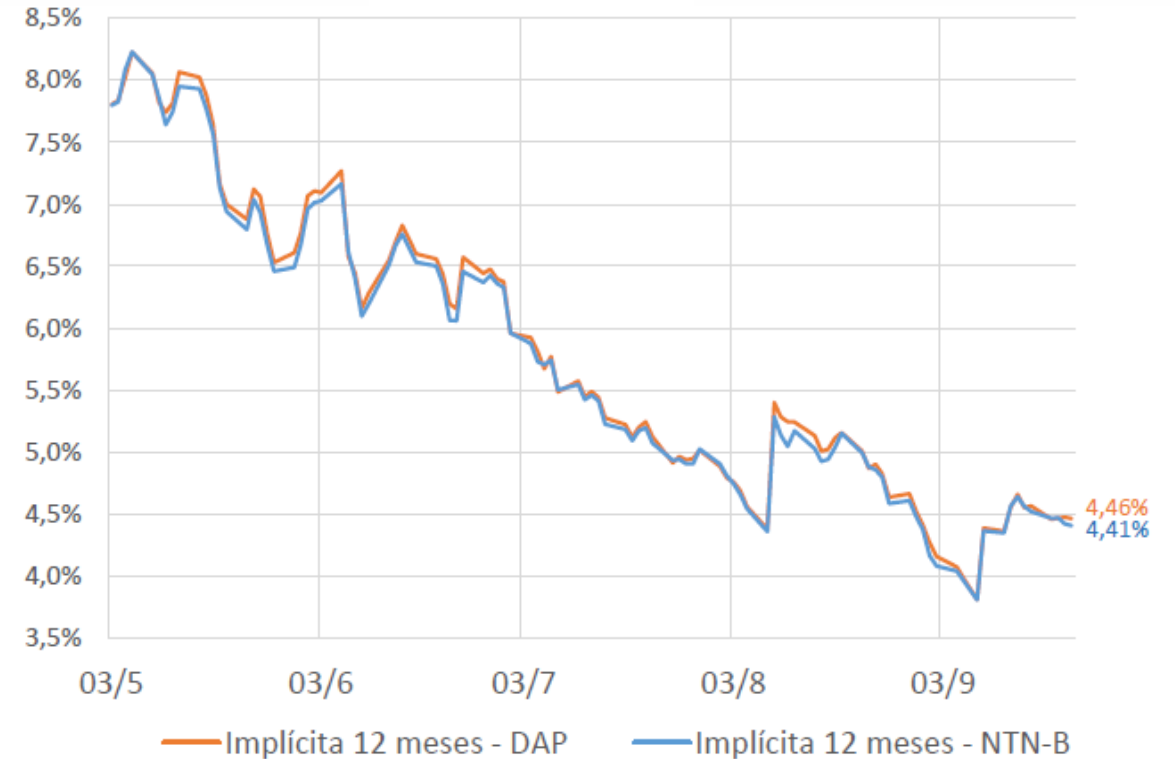


# Break-even inflation(%)

## Break-even inflation for calendar year (%)

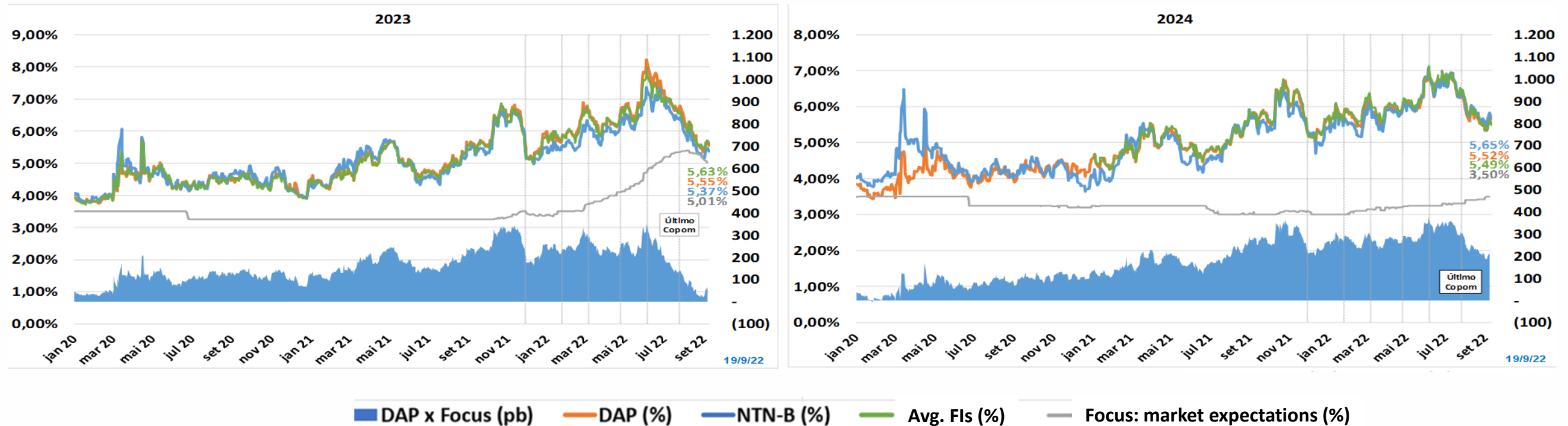


## Break-even inflation 1Y ahead (%)



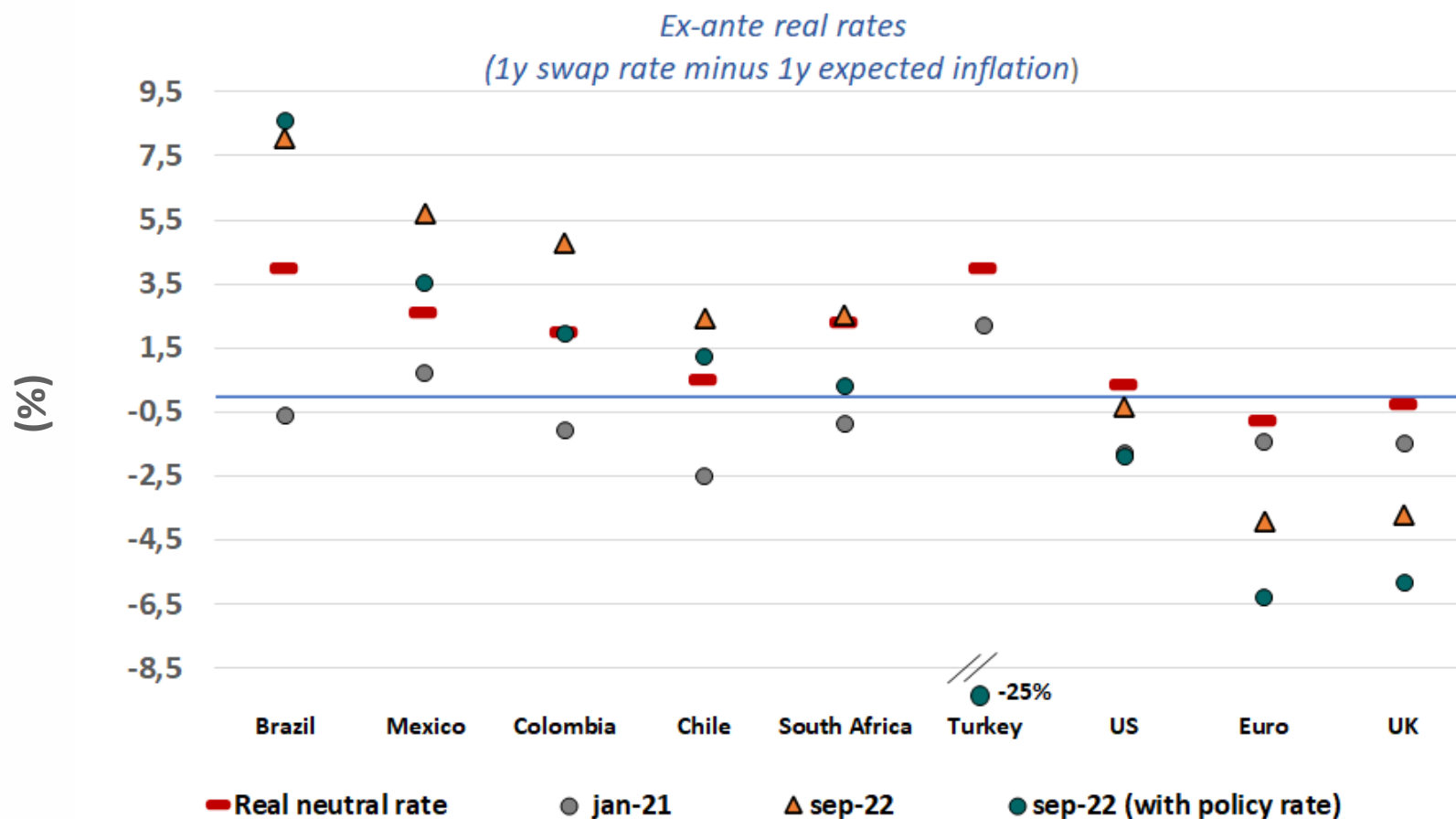
Sources: BCB, B3 Exchange, IBGE.

# Break-even inflation and market expectations (%)



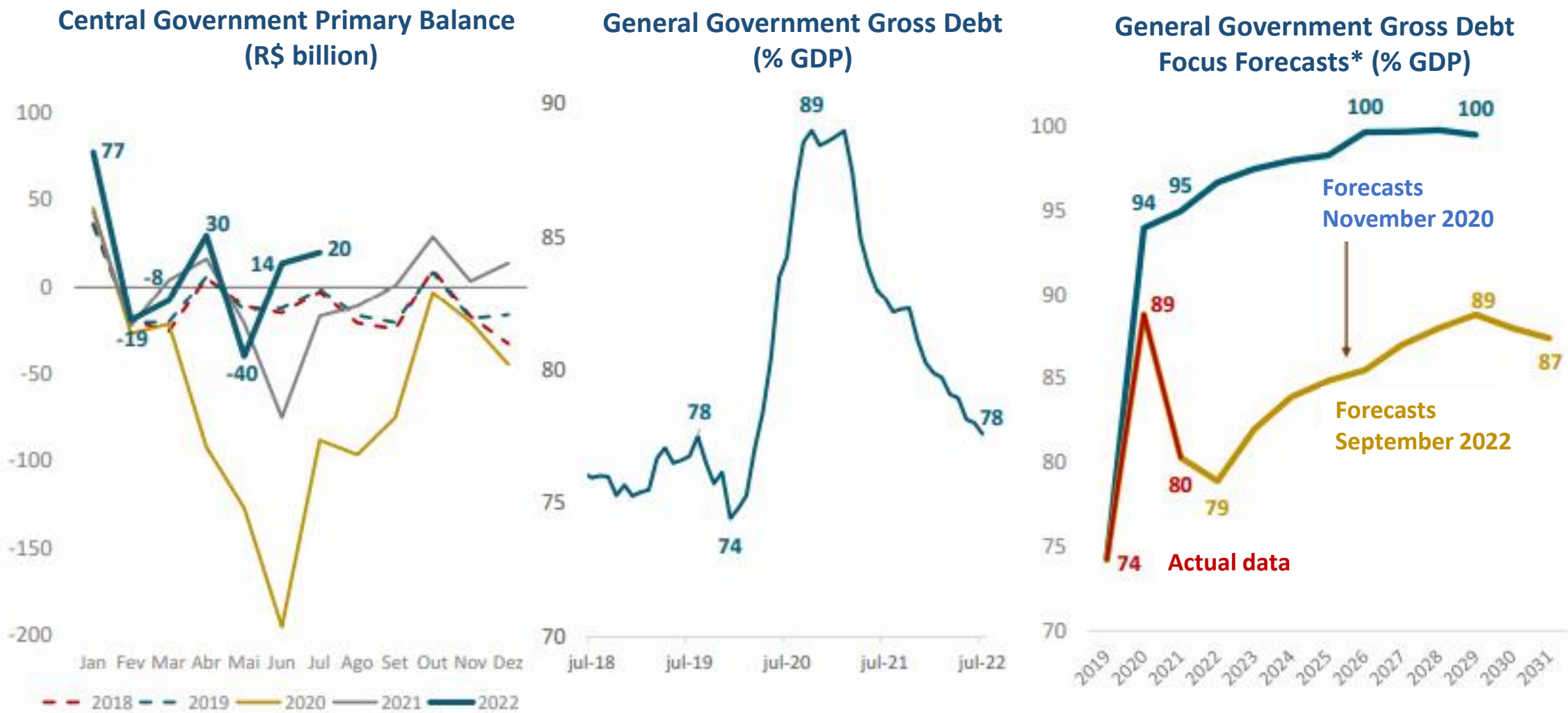
Sources: BCB, B3 Exchange, IBGE.

# Real interest rates (%)



Source: BBG, BCB calculations.

# General government fiscal balance and Debt



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