

November 1st, 2002

**BANCO CENTRAL DO BRASIL (BCB)
MINUTES OF THE 77th MEETING OF
THE MONETARY POLICY COMMITTEE (COPOM)**

Summary

Economic activity

External Environment

Prices

Money market and open market operations

Assessment of inflation trends

Monetary policy guidelines

Acronyms

Date: October 22 and 23, 2002

Place: Central Bank's Headquarters meeting room of the 8th floor (on October 22) and 20th floor (on October 23) -Brasília - DF

Called to Order: 3:30 PM on October 22 and 11:30 AM on October 23

Adjourned: 7:00 PM on October 22 and 1:00 PM on October 23

In attendance:

Members of the Board

Arminio Fraga Neto - Governor

Beny Parnes

Carlos Eduardo de Freitas

Edison Bernardes dos Santos

Information for unrestricted disclosure. It is not intended to bind Banco Central do Brasil in its monetary or foreign exchange policy actions. Questions and comments to gerin@bcb.gov.br

Ilan Goldfajn

Luiz Fernando Figueiredo

Sergio Darcy da Silva Alves

Tereza Cristina Grossi Togni

Department Heads (all present on August 20)

Altamir Lopes – Economic Department (DEPEC)

Daso Maranhão Coimbra – International Reserve Operations Department (DEPIN)

Luiz Fernando Cardoso Maciel - Department of Banking Operations and Payment System (DEBAN)

Marcelo Kfoury Muinhos - Research Department (DEPEP)

Sérgio Goldenstein - Open Market Operations Department (DEMAB)

Other participants (all present on August 21)

Antônio Carlos Monteiro - Executive Secretary

José Pedro Ramos Fachada Martins da Silva - Advisor to the Board

Alexandre Pundek Rocha - Advisor to the Board

João Borges - Press Secretary (ASIMP)

Tarsila Segalla Afanasieff – Investor Relations Group

The Board analyzed the recent performance of, and prospects for, the Brazilian and international economies under the monetary policy framework, designed to comply with the inflation targets established by the government.

Economic Activity

Economic indicators continue to show stability in the level of activity, maintaining the trend outlined since May. This behavior is related to the presence of factors which have

opposing effects on the economy in the last months. On the one hand, the increase of uncertainty, derived from the electoral process, and the consequent turbulence in the financial market have affected the performance of the sales of goods with higher value added and, most of all, investment outlays. On the other hand, the positive results of retail commerce – mainly associated to the nonscheduled disbursements of the Time in Service Guarantee Fund (FGTS), to the increase of employment level, and to the earnings from agriculture this year – and the favorable performance of the trade balance have contributed to sustain the activity level.

According to the São Paulo State's Federation of Commerce (Fecomércio), preliminary seasonally adjusted data point to a 2.4% increase of the real turnover in the São Paulo's Metropolitan Region in September. The highest increases were observed in the sales of semi and non-durable consumption goods, and of construction materials. A countrywide survey carried out by the Brazilian Institute of Geography and Statistics (IBGE) also shows a trend of recovery of the retail sector in the last months. It should be noted that, according to Fecomércio data, even automobile sales, whose performance has been negative during the year, increased for the second consecutive month in September, still benefiting from sales promotions and from the reduction of Industrialized Products Tax (IPI). Furthermore, it should be observed that the higher level of sales occurred mainly due to the increase of cash payments, in a similar way to August.

The number of enquiries to the Credit Protection Service (SPC) and to the Usecheque of the São Paulo Trade Association (ACSP) in the first fortnight of October, in comparison to the same period of 2001, increased by 7.7% and 1.9%, respectively, indicating the continuity of the expansionist movement of sales in the retail commerce.

In spite of the positive results of commerce, the scenario of uncertainties and the exchange rate volatility persist as determinants of the current economic scenario, according to the consumer expectations. As a consequence, the Consumers Intentions Index (ICC), released by the Fecomércio, declined 4.6%, mainly due to a decline of 8.4% in the indicator related

to the current conditions of the economy. The future intentions indicator retracted by a smaller proportion, 2.2%.

Still regarding the determinants of the retail commerce, the nonperforming loans increased by 6.7% in September, in comparison to 4.7% in the previous month, according to the ACSP survey. It should be noted that this result was more a consequence of the decline in the number of enquiries in June, the month used as reference to calculate the indicator, rather than from the rise of new net registrations. On the contrary, the cancelled registrations, thanks to the normalization of the debtors' situation, remained well above the year's average, still reflecting the stimulus of debt redemptions, due to the payments of the FGTS. The proportion of returned checks due to insufficient funds in relation to the cleared ones continued to decline in September, reaching 4.3%, in comparison to the 5.5% peak-value of this series, registered in March 2002.

The default of the credit portfolio with freely allocated resources of the financial institutions declined by 0.3 p.p. in September, reaching 7.9% of the (total) portfolio, the lowest value since November past year, also reflecting the more selective decisions of the banks in their credit operations in the last months.

The outstanding credit operations contracted by corporations with freely established rates increased by 7.1% in the month, reaching R\$ 141 billion. The volume of resources with domestic funding increased by 5.5% and those with external resources increased by 10.1%, reflecting the 21% exchange rate depreciation in the month. The volume of credit to private individuals totaled R\$77.3 billion, rising by 1.5% in September.

Industrial activity increased by 0.3% in August, according to the seasonally adjusted data of the Brazilian Institute of Geography and Statistics (IBGE). This result was mainly due to the 2.1% expansion of the mineral extractive production, since the manufacturing industry registered an expansion of 0.1%. In the last three months production levels stayed

practically static, reflecting, in general terms, the increase in the production of intermediate goods, particularly petroleum and gas, and the favorable performance of export segments that have offset the contraction of production of capital and consumer durable goods.

In August, data from the National Confederation of Industries (CNI) showed an expansion of the industrial sales for the third consecutive month. Nevertheless, the stability of the utilization level of installed capacity in the last four months denotes that this sales growth was mainly due to the reduction of industry inventories.

In the labor market, the average rate of open unemployment, measured by the IBGE, increased to 7.5%, in September, from 7.3%, in August. It is worth noting that the growth in the unemployment rate this year, in comparison to last year, is due to the 4% increase of the Economically Active Population (PEA), in comparison to the average of the same period in 2001, and the increase of 2.7% in the number of employed workers, using the same basis of comparison. Regarding legally registered employment, according to the Ministry of Labor, there was a 0.7% growth in September and a 3.1% growth accumulated in the year, which means the creation of 987 thousand new jobs.

The current account of the Balance of Payments registered a surplus of US\$ 1.2 billion in September of 2002, the best monthly result ever registered. This performance reflects, in part, the US\$ 2.5 billion record trade surplus. The performance of services and the income accounts also contributed to this result, with net remittances of US\$ 1.5 billion, below the US\$ 1.9 billion monthly average in the year, up to August.

In the first three weeks of October, the trade balance surplus totaled US\$ 1.1 billion, with average daily exports of US\$ 269 million, in comparison to US\$ 233 million for the year. The average daily imports in October, US\$ 187 million, is 0.7% below the average observed year-to-date, considering the period from January to October 20. As a result, the accumulated surplus reached US\$ 9 billion in 2002, in comparison to the US\$ 1.3 billion in the same period of 2001. Exports reached US\$ 47.3 billion and imports US\$ 38.3 billion,

declining by 0.3% and 17.1%, respectively, in comparison to the same period of 2001.

In summary, economic activity stayed relatively steady in the third quarter of the year, despite the volatility observed in the financial market. In spite of the inventory adjustments that occurred in August and September, the continuing uncertainties of the current scenario may restrain recovery movements in the short term.

External Environment

In spite of the recent improvement in the international financial markets, concerns about the financial health of the largest banks and of large European corporations maintain risk aversion and the volatility in the global market. The prospects of recovery of the world economy worsened with the release of the latest economic indicators, reinforcing expectations that a new cycle of recession is on its way. The terrorist attack in Indonesia contributed to increase these worries, and they may affect economic growth in the Southeast Asian countries. The tension in the oil market remains due to the possibility of an attack by the United States on Iraq.

The macroeconomic indicators continue to show contradictory signs in the United States, casting doubt on the capacity of the economy to recover.

The businessmen expectation indicators show diverging trends, with an increase in the services indicator and a drop in manufacturing production. Consistent with these results, the index of leading indicators of the *Conference Board* declined slightly by 0.2% in September, the fourth consecutive month of decline, a fact that had not been repeated since the beginning of the recession of 1990/91. Industrial production declined for the second consecutive month, and the level of utilization of installed capacity, in September, was the lowest, since May. The trade deficit – goods and services - reached US\$38.5 billion in August, accumulating a US\$ 387 billion negative result in 12 months.

In Japan, industrial production has been increasing slightly, positively influenced by the exports sector, although domestic demand continues to be poor. However, the unemployment rate continues static at a high relative level, 5.4% in August, and the chronic problems, such as deflation and the fragility of the banking credit, continue without solution.

The economy of the Euro area does not register consistent signs of recovery either. Retail sales increased in July and industrial production increased by 0.6% in August. However, the main indicators of confidence indicated a declining expectation of both consumers and businessmen. The unemployment rate remained stable at 8.3% in August, and the annual inflation, measured through the Harmonized Consumer Price Index, reached 2.1% in September, above the ceiling of 2% defined by the European Central Bank (ECB).

Prices

The inflation rate in September indicated an increase in prices, especially in free prices, mainly as a consequence of the evolution of the exchange rate. The Consumer Price Index - Extended (IPCA) increased by 0.72%, compared to the 0.65% increase in August, accumulating a 5.6% variation in the year and a 7.9% variation in 12 months. In the General Price Index - Demand Supply (IGP-DI), the effects of the exchange rate depreciation and off-season period were stronger due to the impact of the agricultural and industrial prices on the Wholesale Price Index (IPA).

The monthly result of the Consumer Price Index - Extended (IPCA) was influenced by a 1.96% rise in food and beverage prices, mainly due to the influence of the behavior of the exchange rate on soy oil and wheat and meat by-product prices. The increase in non-food product prices showed an acceleration, with a variation of 0.37%, contrasting with the 0.29% increase last month. The price increase in this group also bears evidence of the influence of the exchange rate variation: electro electronic devices, personal hygiene and cleaning materials. The products with monitored prices presented a monthly variation of -

0.01%, compared with a 0.22% increase in August, as a result of the 7.61% decline in the prices of bottled gas, which offset the price increases with a smaller impact in many other items, such as water and sewage, electricity and posting services.

In the IGP-DI, the Wholesale Price Index - Demand Supply (IPA-DI) rose by 3.84% in the month, reflecting the increases of 5.86% in agricultural prices and 3.04% in industrial prices. Among the agricultural components, the increase in the prices of wheat, corn, rice, coffee, soy, cotton, poultry and cattle for slaughter should be highlighted. Among the industry components, the upward movement in prices affected mainly the metallurgical and mechanical segments, paper and cardboard, textiles, chemical and food products.

In October the exchange rate depreciation in all likelihood will continue to be the main source of inflationary pressure on prices, a factor which associated to the increase of monitored prices – (mainly, as a result of the increase of fares of urban transport in Rio and the increase of airline fares)- plus the height of the off-season period, especially considering the delay in the rainy season, will imply in the maintenance of inflation rates at high levels.

Monetary market and open market operations

On September 17, on the eve of the release of Copom's decision in that month's meeting, the spread between the Over-Selic target and the 1-year interest rate was of 710 p.b. Afterwards, the 1-year spread reached 1,182 b.p., on October 11. After the release of the minutes of the nonscheduled Copom meeting, on October 16, the spread fell to 976 b.p.. The interest rates continued to show a declining trend due to the reduction of the uncertainties regarding the political-economic scenario in 2003 and the spread reached 787 b.p. on October 22.

A total of US\$6.6 billion in securities and exchange rate swaps matured between September 18 and October 22, and the rollover rate reached 37%. Due to the lower demand

for exchange rate hedge and the high rates proposed, the Banco Central decided not to rollover the US\$150 million maturing on September 20, and the US\$1.5 billion maturing on the 25th of the same month. Regarding the US\$1.3 billion maturity on October 1, the rollover rate reached only 20%, with a maximum limit previously set at 70%. Banco Central did not set a ceiling for the rollover of US\$3.6 billion due on October 17, when the reference value of the contracted swaps reached US\$2.2 billion (59% of the maturities).

In the same period, the National Treasury carried out three auctions of National Treasury Bills (LTN), in which the total offer was limited to 500 thousand securities per event, distributed between LTN maturing in November or December 2002, and LTN maturing in January 2003. Only lower tenure securities were placed, amounting to R\$1.5 billion. Due to the increase of the demand for National Treasury Financial Bills (LFT) in October, the National Treasury resumed selling these securities in the weekly auctions, which had not occurred since the beginning of August. On October 8, 500 thousand securities maturing in December 2002 were offered. In the following week, when the National Treasury auctioned only LFT, the first offer of 500 thousand securities was not enough to cover the demand, thus the National Treasury made a new offer of 1 million securities. The offer increased to 2 million securities on October 22. On all these occasions LFT were placed, and regarding the auctions on October 15 and 22, when securities maturing in 2002 and 2003 were offered, those with lower tenure were sold with premium. The financial result of the LFT placement reached R\$5.8 billion, of which R\$2.9 billion will mature in 2003.

A high increase of the demand for National Treasury Note-C Series (NTN-C) with three-year tenure was also observed, leading the National Treasury to offer these securities more frequently. Five auctions were carried out, totaling R\$4.5 billion.

Aiming at reducing the volatility of LFT prices, Banco Central carried out twelve selling auctions of LFT maturing in 2003, with a total value of R\$3.1 billion, allowing the settlement to be carried out with LFT and LFT-B maturing between 2004 and 2006. A

further thirteen auctions were carried out to repurchase R\$4.7 billion of LFT maturing in 2003.

Banco Central do Brasil intervened in the open market, withdrawing and providing one day liquidity, during the twenty-four working days between September 19 and October 22. The rates were, respectively, 17.90% and 18.00% to withdraw and provide liquidity, up to October 14. After the increase of the Over-Selic interest rate target, these rates increased to, respectively, 20.90% and 21.00%. The average daily volumes in the actions to reduce or increase liquidity were of R\$33.7 billion and R\$4.3 billion, respectively. The Banco Central also carried out two long-term selling operations with repurchase agreement, with a total financial value of R\$6.9 billion and an average tenure of approximately 24 working days.

Considering the financial settlements between September 19 and October 22, there was an expansionist monetary impact of R\$31.1 billion, basically due to the net redemptions of R\$17.6 billion in LFT and of R\$15.0 billion in exchange rate-linked securities.

In September, despite the net redemption of securities totaling R\$17.9 billion, the domestic federal securitized debt increased by R\$36.0 billion (5.8%), mainly due to the exchange rate depreciation.

Assessment of Inflation Trends

The identified shocks and their impacts were assessed according to newly available information. The scenario considered in the simulations encompasses the following assumptions:

1. There is a high level of uncertainty about the trend of future prices of petroleum by-products. In the last Copom meeting many alternative scenarios were analyzed. A conservative scenario forecasts gasoline price increases of approximately 9% for the rest of

2002 and a further 9% in 2003. The price of bottled gas is forecast to increase 16.6% in the last quarter and a further 16.6% increase is estimated for 2003. The revision of the readjustments for the petroleum by-products is a result of the pass-through occurred due to the increase in the international petroleum price that took place in the last months and to the exchange rate variation that has happened since the last readjustments. As always, in the event of changes to these parameters, the forecasts will be reviewed.

2. For the readjustment of the residential electricity tariffs, an increase of 21.2% in 2002 is projected, of which 3.8% still to occur from October to December. The value projected in October is slightly higher than the one projected in September. For 2003, the forecast for the readjustment of the electricity tariffs increased to 25% in October from 21% in September, as a consequence of the exchange rate depreciation.

3. Regarding the set of prices administered by contracts and monitored, whose weighting represented 31.3% in the IPCA in September, the inflation forecast for 2002 grew by 2.4 p.p. in relation to the last Copom meeting, to 11.6%. The latter increase in the projection is due to the exchange rate pass-through. For 2003, the inflation forecast for the prices administered by contracts and monitored is 12.1%, therefore, above the 7.9% forecast in September. The revision of the projection for 2003 is a consequence of the exchange rate depreciation and the increase in the IGP-M projection for 2003, which incorporates the forecasts of some relevant readjustments of prices administered by contracts and monitored.

4. The estimate of the 6-month spread over the Selic rate is based on an error correction model specification. Maintaining the Selic rate constant at 21.0% p.a., the projection for the 6-month spread starts at 640 p.b. in the fourth quarter of 2002, declining afterwards, to reach -90 p.b. at the end of 2003.

The monthly inflation rate measured by the IPCA reached 0.72% in September, a higher value in comparison to 0.65% in August. The core inflation of the IPCA, calculated under the symmetric trimmed-mean method, grew to 0.78% in September from 0.65% in August. In the last twelve months, this core registered a variation of 7.40%. In its turn, the core inflation of the Consumer Price Index - Brazil (IPC-BR), calculated under the symmetric trimmed-mean method, increased to 0.67% in September from 0.65% in August. In twelve months, this core registered a variation of 6.87%. The core inflation calculated by excluding prices administered by contracts and household food prices registered a variation of 0.61% in September, an accumulated variation of 6.49% over twelve months.

The accumulated IPCA variation over twelve months, which had been presenting a declining trend since May, registered 7.93% in September, a value above the ones observed in the last four months. In these twelve months, the free market prices contributed to the inflation with 4.95 p.p., while the prices administered by contracts and monitored contributed with 2.98 p.p.

Regarding the fiscal policy, the hypothesis assumed is to achieve a 3.88% primary surplus for the consolidated public sector this year and 3.75% for the coming years. The other related assumptions established in the previous meeting were maintained.

From the simulation exercises with several specifications of the structural model, it has been concluded that the maintenance of the interest rate at 21.0% p.a. and the exchange rate at the same level as on the eve of the Copom meeting (R\$3.90) indicates an inflation rate considerably above the upper limit of the tolerance interval in 2002 and around the upper limit of the target in 2003.

Monetary Policy Guidelines

The economic indicators have been reinforcing the scenario shown in September, of growing sales and stable industrial production. Preliminary seasonally adjusted data of the Fecomercio shows a 2.4% increase of the real turnover of the retail commerce in São Paulo in September, the second consecutive monthly increase. The enquiries to the SPC and Usecheque increased by 3.5%, compared to August. According to seasonally adjusted data of the IBGE, the real payroll increased by 1.15% between June and July. For August, the available data refers to industrial activity, surveyed by the CNI, and they show that, compared to July, the employment level remained stable and the payroll declined by 0.6%. Since the positive evolution of the earnings is inclined to be more closely related to the growing levels of occupation, rather than to the increase of their average earnings, an eventual increase of consumption should find itself concentrated in the non-durable goods sector, as has been happening.

The industrial production measured by the IBGE grew by 0.27% between July and August (seasonally adjusted data), confirming the prospects of stability previously outlined by the Copom. The different rates between sales and production levels led to a decline of the inventory levels. According to the CNI, the index that measures the desirable inventory levels of final products in the manufacturing reached 51.7 between the second and third quarters of this year, in comparison to 55.9, the highest value of this series, which started in 1999. According to this index, data above 50 signify higher than desired inventories. In spite of the low level of utilization of the production capacity and the salary stability, the cost rises derived from the exchange rate depreciation should exert pressure on inflation, even if the current level of consumption is maintained.

The strong exchange rate depreciation and the slow growth of the economy have been causing a fast adjustment in the current account of the Balance of Payments. The 12-month accumulated deficit has been declining since July 2001, reaching US\$ 13 billion in September, after surpluses in two consecutive months. The improvement of the current

account, which registered the highest surplus (US\$1.22 billion) in the last ten years in September, is attributed mainly to the good performance of the trade balance, whose 12-month accumulated result reached US\$ 9.2 billion in September, from US\$ 3 billion at the beginning of this year. A deficit of up to US\$ 11 billion for the current account is projected for 2002, and a trade surplus of the same amount. For next year, a US\$ 9 billion deficit for the current account is projected, and a US\$ 15 billion surplus for the trade balance. The exchange rate, however, continues under pressure. Since the Copom meeting of September, the US\$ quotation increased to approximately R\$3.90 from R\$ 3.20, reflecting an environment that is risk averse and a decline of confidence not only in relation to Brazil, but also to the industrialized countries.

The confidence crisis derived from the uncertainties concerning the future guidance of the economic policy reduced credits to Brazil. Furthermore, the scandals related to big US corporations, the crises observed in emerging markets, the prospects of another war in the Gulf and the reduction of the likelihood of recovery of the US and European economies have been reducing the market's tolerance to risk. A series of indicators have been showing the increase in the risk perception, to levels comparable to those observed during the Russian crisis. The high correlation between the Embi+ Brazil and S& P 500 indices show that the increase of the country risk registered in the last months is partially due to the higher risk aversion observed in the international financial markets.

In the last week there was a stabilization and recovery in the financial market. After a depreciation of about 18% between the September meeting and the extraordinary meeting called in October, the *real* remained relatively stable, at around R\$ 3.90, until Copom's more recent monthly meeting. Furthermore, the country-risk measured by the Embi+ registered a declining trend in the period (2251 b.p. and 1987 b.p. on October 11 and 21, respectively), and one observed a higher demand for public securities in the domestic market, with lower offered discounts.

The inflation expectations surveyed by the Investor Relations Group (Gerin) of the Banco Central do Brasil for 2003 increased during the last month. Since the Copom meeting of September, the expectations' median rose to 5.9% from 5.2% on the eve of the extraordinary meeting of October, and reached 7.0% on the eve of the more recent meeting. There was also an increase in the dispersion of expectations, with the standard deviation reaching 2.7 p.p. on October 21 from an average of 1.2 p.p. in September. The increase of the inflation measured by other indices, as the 2.81% registered on the 2nd preliminary result of the IGP-M of October, contributed to the increase of inflation expectations.

The Copom also made an upward readjustment in the inflation projections for 2002 and 2003. The exchange rate depreciation was the main factor responsible for this revision. The exchange rate depreciation has direct impacts, increasing free and administered prices, and indirect ones, elevating the inflation expectations and the effects of inertia. Amongst the goods whose prices are administered by contracts and monitored, the projected increases for gasoline and bottled gas is noticeable. Since the meeting of September, the projected inflation for all the administered by contracts and monitored prices in 2003 increased to 12.1% from 7.9%. The new projections point to an IPCA increase around the adjusted target for 2003.

At this point, it is worth reinforcing the understanding regarding some basic principles that have guided Copom's actions since the adoption of the inflation target regime. First, the Copom acts by starting with an evaluation of the future trend of inflation. These projections are obtained through the best available information, both quantitative, processed by structural models, simulations and other statistical procedures, and qualitative and disaggregated, which require a more subjective evaluation.

Second, the Copom tries to analyze the cause of eventual differences between the projection and the target, in order to react in accordance with the recommendations of the best international theory and practices on this matter. It is necessary, at this point, to distinguish between demand and supply shocks, and permanent and temporary shocks.

Demand shocks should be offset by a policy with an inverse sign to the shock. In the case of a supply shock (also known as a cost-shock) the traditional recommendation has been followed: the direct impact on the price level is accommodated (that is, it does not provoke reaction of the monetary policy), but the secondary (or inertial) effects of the shock are fought. The monetary policy has been adjusted in order to extend the period of convergence of the price index to the inflation target when confronted with shocks of great magnitude, as in the last 18 months. This procedure takes into account the costs (in terms of the product) of the adjustment process, linked to the existence of inflationary inertia. Such a policy indicates that, according to the conception of the targets system, Banco Central should give due consideration to the volatility of the activity level in its decision-making, but without setting aside its main objective of achieving the inflation targets.

For the Banco Central to be able to act with the necessary flexibility, without losing credibility in its commitment to the targets, it is essential that its performance be totally transparent. To meet this condition, the Copom created a methodology (detailed in the Inflation Report of June 2002) to measure the primary effect of the shocks and the impact of the inertia inherited from the previous period. Furthermore, in view of the magnitude and of the persistence of the shock, the Copom evaluates the time period necessary to eliminate the inflationary inertia. Given this period, one estimates the part of the inertia to be tolerated in the year under consideration and, added to which the estimate of the primary shock, is incorporated in the target, for the purpose of comparison with Copom's target projection. For example, for next year, the sum of half the impact of the inflationary inertia and of the primary shock of administered prices totals 2 p.p., and increases the adjusted inflation target to a rate of around 6%. In this case, the monetary policy has been set to neutralize the effect of the inertia over two years, assuring, in the absence of other shocks, a gradual convergence of the inflation to the intended target.

The Copom maintains its assessment that the increases of inflation and its expectations for 2003, derived from the accentuated exchange rate depreciation, recommend the setting of

the target for the Selic interest rate at 21% p.a., as decided in the nonscheduled meeting of October 14.

In the light of these facts, the Copom unanimously decided to maintain the target for the Selic interest rate at 21% p.a..

At the close of the meeting, it was announced that the Committee would meet again on November 19, 2002, for technical presentations and, on the following day, in order to discuss the monetary policy guidelines, as set in the Communiqué 8911, of Oct 03, 2001.

Acronyms

ac 12m accumulated in 12 months

ACC Anticipated Exchange Rate Contracts

BM&F Mercantile and Futures Exchange

bp Base Points

CDI Interbank Futures Contract

CETIP Center for Financial Custody and Settlement of Private Securities

CNI National Confederation of Industries

CPMF Provisory Contribution on Financial Transactions

CSLL Social Contribution on Net Profit

DI Interbank Deposit

Fecomércio Federation of Commerce of the State of São Paulo

FED Federal Reserve System

FOMC Federal Open Market Committee

FRA Forward Rate Agreement

GDP Gross Domestic Product

IBGE Brazilian Institute of Geography and Statistics

IF Financial Institution

IGP-DI General Price Index – Domestic Supply

IIC Consumer Intentions Index

IPA Wholesale Price Index

IPC Consumer Price Index

IPCA Consumer Price Index – Extended

IPCH Consumer Price Index – Harmonized

IPP Producer Price Index

IR Income Tax

IRF-M Market Fixed Income Index

IRRF Withholding Income Tax

LFT National Treasury Letters (floating)

LTN National Treasury Notes (fixed rate)

NAPM National Association of Purchasing Managers

NBC-E Central Bank Note - E Series (indexed to the exchange rate variation)

NTN-D National Treasury Note – D Series (indexed to the exchange rate)

p.a. per annum

p.m. per month

PEA Economically Active Population

pp percentage point

Selic Central Bank's Custody and Settlement Center

STN National Treasury Secretariat

ytd year-to-date