

XXXIII REUNIÓN DE PRESIDENTES DE BANCOS CENTRALES DE AMÉRICA DEL SUR

Presidente do Banco Central do Brasil

Ilan Goldfajn

08 de noviembre de 2017

Outline

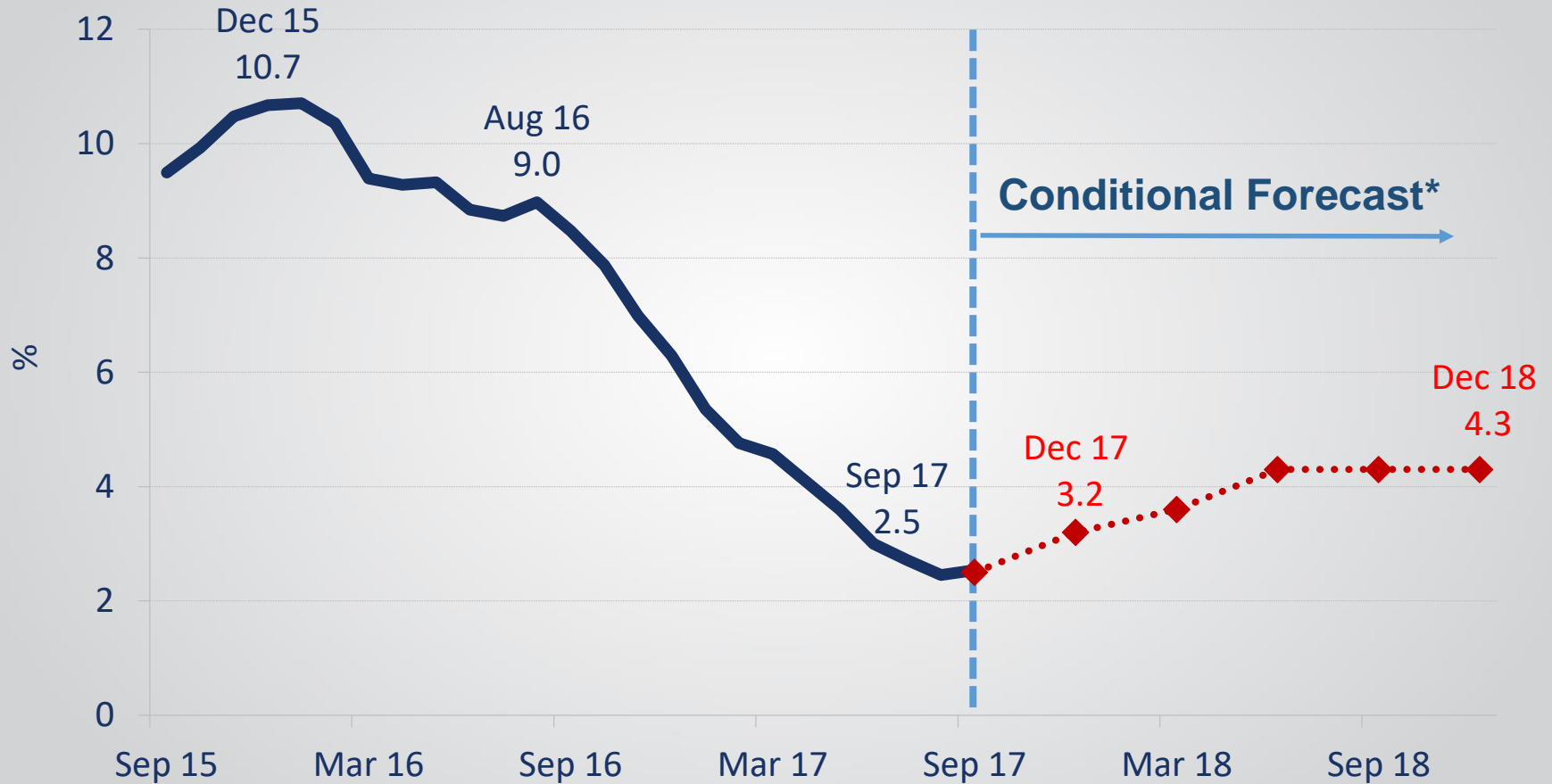
- Brazilian economy: inflation, interest rates and activity
- Benign external environment
- Looking ahead: reforms in Brazil
- Final remarks

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- **Brazilian economy: inflation, interest rates and activity**
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Sharp fall in inflation

CPI (IPCA), 12-Month Percent Change



* Scenario with Focus Selic and Exchange Rates
Source: BCB / IBGE

Inflation expectations well anchored

CPI (IPCA), Annual Percent Change

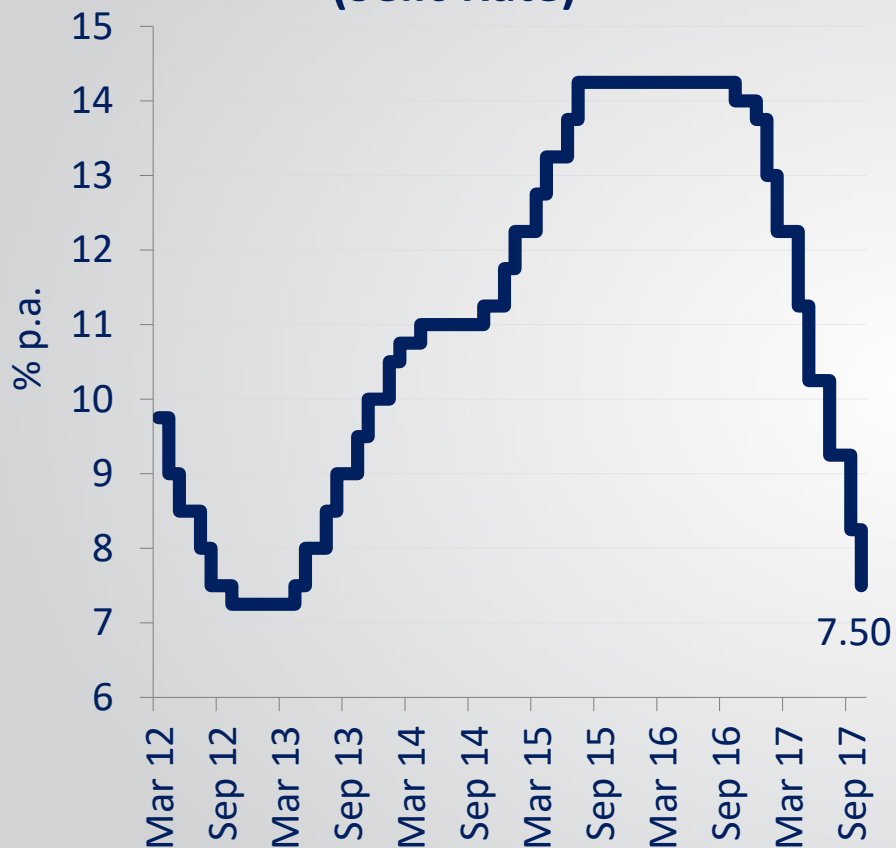


* Medians of Market expectations as of November 3th

Source: BCB / IBGE

Interest rate decline

Monetary Policy Interest Rate (Selic Rate)



Real ex ante interest rate*

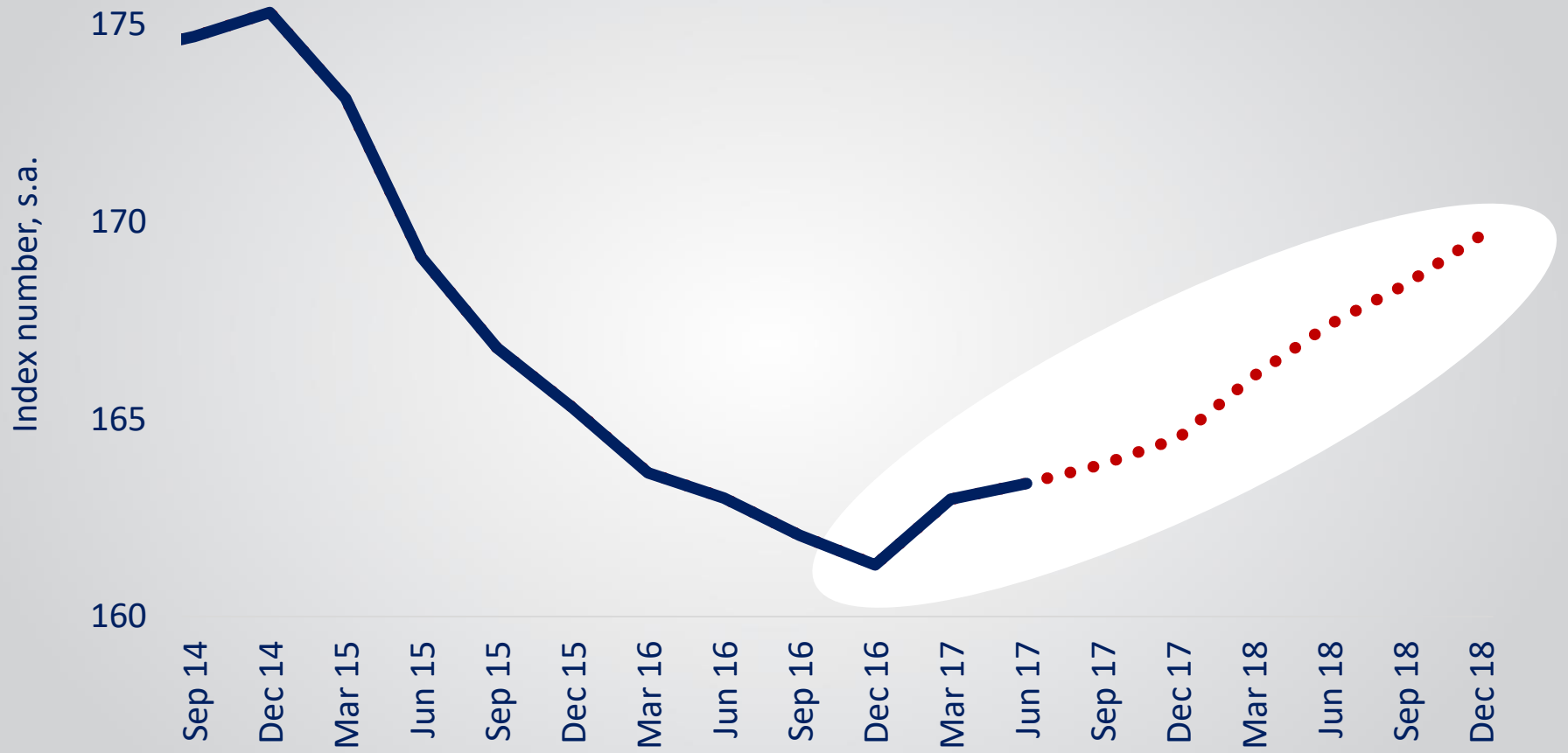


* 12-month pre-fixed interest rate (from the Swap DI market) minus 12-month expected inflation (Focus survey)

Source: BCB / Bloomberg

Recovery underway

Real GDP*



*In red, market forecast (Focus report, 11/03/2017).

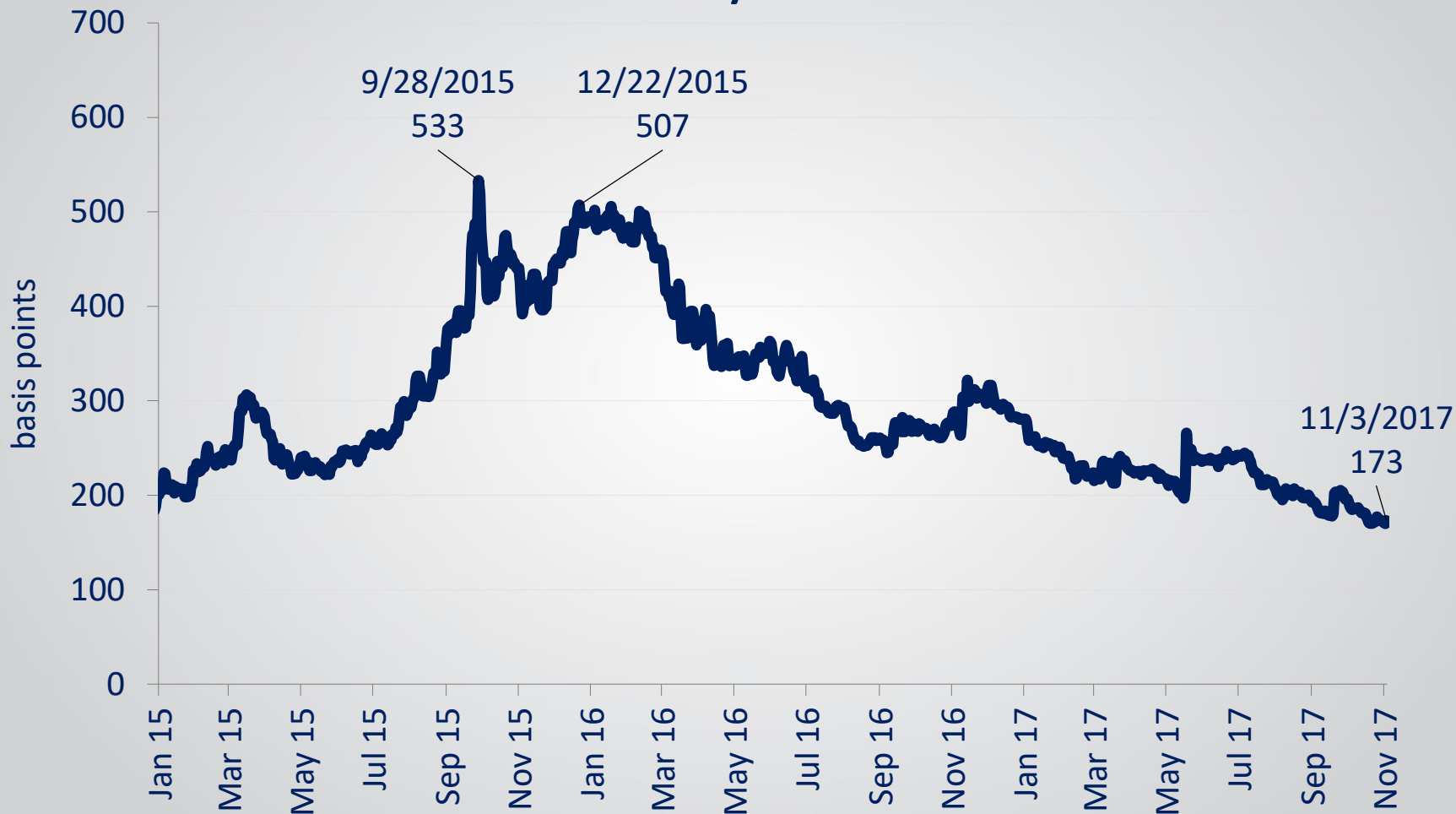
Source: IBGE

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Risk has fallen

Brazil: 5-year CDS



Source: BCB / Bloomberg

Asset prices have improved

**Brazil: Stock Exchange Index
(Ibovespa)**



Brazil: 5-year real interest rate*



*5-year inflation-indexed bond (NTN-B) interest rate.
Source: BCB / Bloomberg

Brazil is more resilient to external shocks

- Current account deficit: 0.6% of the GDP in September
- FDI: 4.2% of the GDP in September (seven times the deficit)
- Trade balance surplus: US\$ 53 billion this year until September
- International reserves: more than US\$ 380 bi, around 20% of the GDP

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Brazil must persevere in the path of reforms

- Recently approved reforms / adjustments
 - Labor reform
 - Educational reform
 - Constitutional spending ceiling
 - Changes in the gas and oil sector
 - Privatization announcements
- BC+
 - New market-oriented interest rate (TLP) for National Development Bank operations
 - Law approving the electronic registration of collateral and guarantees
 - New punitive code and plea agreement tools
 - Positive credit bureau: New piece of legislation

Outline

- Global economic outlook: a favorable scenario to EMEs
- Brazilian economy: inflation, interest rates and activity
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Final remarks

- Economic policy reorientation and a firm monetary policy stance in Brazil led to disinflation, lower real interest rates and economic recovery
- The benign international economic outlook for EMEs will not last forever
- Reforms and adjustments: essential to sustainable growth and low inflation

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