

# Central Banker of the Year *2018*



## GLOBAL AND AMERICAS

Ilan Goldfajn, Brazil

“We still have three weeks to go, but it’s been quite a remarkable year,” says Ilan Goldfajn, the governor of Brazil’s central bank, in an interview with *The Banker* in December 2017.

It has indeed, as Latin America’s largest economy is finally out of recession and inflation has been tamed, hovering beneath the bottom range of the bank’s target. This is far from an easy accomplishment in a country that has struggled with inflation rising at double digits in the recent past.

“[We entered 2016 with inflation] of almost 11%, and when we took over, inflation went down only slightly to 9%,” says Mr Goldfajn, who was appointed as the governor of the central bank in June 2016, after seven years as chief economist at Itaú Unibanco, the country’s – and the region’s – largest lender. He is not new to the monetary institution, having served as director of economic policy at the central bank earlier in his career, between 2000 and 2003, after which he joined one of Brazil’s better known investment funds, Gavea Investimentos.

Mr Goldfajn’s curriculum vitae is an interesting mix of private and public institutions, academia and international organisations, developed after his doctorate in economics at the Massachusetts Institute of Technology.

Such a profile is important, as controlling inflation requires a combination of both skill and trust. The latter, in particular, had been hardest to cultivate but, as he assumed the central bank governor’s chair, markets felt comfortable with what was to come. Business leaders followed suit.

“We had a challenge at the end of 2016 to anchor expectations before starting to reduce interest rates. [Succeeding in this] helped us quite a bit because expectations went down before inflation went down,” he says, adding that high inflation that year was caused by defensive pricing, where companies would not allow a slowdown in price growth because of concerns over it not being matched by a slower growth of their costs or of other prices in the market.

“They were very fearful of that [economic] environment. Once they had a new



**WE HAD A CHALLENGE...  
TO ANCHOR EXPECTATIONS  
BEFORE REDUCING INTEREST  
RATES** *Ilan Goldfajn*

view of the future – because of changes at the central bank and a new [economic] model – they were willing to lower price [growth]. This helped inflation go down and the economy recover,” says Mr Goldfajn.

At 2.8% in November, beneath the 3% to 6% current target range, low inflation has allowed the benchmark interest rate, the Selic, to reach a record low of 7%, which markets expect will stay put in 2018 too, boding well for economic growth.

In 2018, the central bank will aim to reduce banking spreads, so that monetary policy can more fluidly reach the economy. Mr Goldfajn notes how the historical reform of the interest rate offered by the national development bank, BNDES (which will in time be brought in line with market rates), also goes in this direction. The Ministry of Finance, as well as the central bank, led the initiative, which was approved in 2017. Efforts will also continue to improve competition within the banking sector by supporting fintech firms, as well as to improve financial education.

But the main priority for 2018 will remain to keep inflation down. Mr Goldfajn says: “It’s very difficult to lose weight when you’re on a diet; but it’s much harder to preserve that weight once you’ve [slimmed down].”