



# BANCO CENTRAL DO BRASIL

## Minutes of the 140<sup>th</sup> Meeting of the Monetary Policy Committee (Copom)

### Summary

Recent Economic Developments  
Assessment of Inflation Trends  
Monetary Policy Decision  
Inflation  
Economic Activity  
Surveys and Expectations  
Labor Market  
Credit and Delinquency Rates  
External Environment  
Foreign Trade and International Reserves  
Money Market and Open Market Operations

**Date:** January 20<sup>th</sup>, from 4:55PM to 6:50PM, and January 21<sup>st</sup>, from 4:20PM to 6:40PM

**Place:** BCB Headquarters meeting rooms - 8<sup>th</sup> floor on January 20<sup>th</sup> and 20<sup>th</sup> floor on January 21<sup>st</sup> – Brasília – DF

### In attendance:

#### Members of the Committee

Henrique de Campos Meirelles – Governor  
Alexandre Antonio Tombini  
Alvir Alberto Hoffmann  
Anthero de Moraes Meirelles  
Antonio Gustavo Matos do Vale  
Maria Celina Berardinelli Arraes  
Mário Gomes Torós  
Mário Magalhães Carvalho Mesquita

#### Department Heads (present on January 20<sup>th</sup>)

Altamir Lopes – Economic Department  
Carlos Hamilton Vasconcelos Araújo – Research Department (also present on January 21<sup>st</sup>)  
João Henrique de Paula Freitas Simão – Open Market Operations Department  
José Antônio Marciano - Department of Banking Operations and Payments System  
Ariosto Revoredo de Carvalho – International Reserves Operations Department  
Renato Jansson Rosek – Investor Relations Group

#### Other participants (present on January 20<sup>th</sup>)

Alexandre Pundek Rocha – Advisor to the Board  
Flávio Pinheiro de Melo – Advisor to the Board  
Katherine Hennings – Advisor to the Board  
Sergio Almeida de Souza Lima – Executive Secretary  
Valderez Caetano Paes de Almeida – Press Secretary

The members of the Monetary Policy Committee analyzed the recent performance of and prospects for the Brazilian economy under the monetary policy framework, which is designed to comply with the inflation targets established by the government, and also the recent performance of and prospects for the international economy.



## BANCO CENTRAL DO BRASIL

### Recent Economic Developments

1. IPCA inflation decelerated from 0.36% in November to 0.28% in December. It bears noticing that, in contrast to previous quarters, inflation in the last quarter of 2008 totaled 1.09%, quite lower than that registered in the same period of 2007 (1.43%). As a consequence, inflation reached 5.90% in 2008 – the highest change recorded since 2005 – up from 4.46% in 2007 and 6.39% in the last twelve months through November 2008. The acceleration of twelve-month consumer price trailing inflation mirrors the behavior of both regulated prices and market prices. Indeed, market prices and regulated prices increased 7.05% and 3.27%, respectively, up from 5.73% and 1.65% in 2007. Moreover, both prices of tradable goods and non-tradable goods accelerated on a twelve-month trailing basis, reaching 6.99% and 7.09%, respectively (compared to 4.75% and 6.65% in 2007). The price of services, whose dynamics tends to show more persistence than the prices of goods, increased 6.39% in the twelve months through December 2008, compared to 6.48% in November and 5.19% in December 2007. Preliminary data for January point to consumer inflation index above that observed in December. Considering broader intervals, twelve-month IPCA trailing inflation trended upwards since the second quarter of 2007, reached levels close to the upper limit of the tolerance interval after June 2008 and has reduced since October (when it reached 6.41%) – market prices, under this comparison basis, which started to accelerate more intensely from the second quarter of 2007 on, started to cool down in the third quarter of 2008. In the case of regulated prices, whose behavior incorporates more intensely past inflation developments, twelve-month trailing inflation continued to trend upwards. In short, information available suggest that the inflationary cycle observed in the last quarters tends to be gradually overcome by a process that should be led by the behavior of market prices, while regulated price inflation should show more persistence.

2. The three main underlying inflation measures calculated by the BCB showed divergent behavior in the last months, but converged in December. The core inflation by exclusion of household food items and regulated prices decreased from 0.51% in October to 0.36% in November and 0.33% in December. Smoothed and non-smoothed trimmed means core inflation measures showed relative stability, recording 0.37% and 0.32% in October, 0.35% and 0.28% in November and 0.33% in December, respectively. Similarly to the headline inflation, the three core inflation measures remarkably accelerated in 2008, compared to 2007, with increases from 4.11%, 4.04% and 3.62% to 6.09%, 4.82% and 4.92%, for the core inflation by exclusion, smoothed and non-smoothed trimmed means core inflation, respectively. Also in line with headline inflation, twelve-month trailing core inflation measures seem to have reached record highs in September (smoothed and non-smoothed trimmed means core inflation measures) or in October (core inflation by exclusion of household food items and regulated prices), reducing afterwards, despite to levels above the midpoint of the target. Moreover, it bears emphasizing that the behavior of the IPCA diffusion index, which remarkably increased in November and continued to point to an inflationary process relatively disseminated, reduced in December (from 64.58 to 61.72, compared to 61.98 in December 2007).

3. The General Price Index (IGP-DI) inflation changed from 0.07% in November to -0.44% in December. On a twelve-month trailing basis, IGP-DI inflation increased 9.10% in December, down from 11.20% in November, compared to 7.89% in December 2007. The acceleration of IGP-DI in 2008 reflected the behavior of its three main components. The Consumer Price Index-Brazil (IPC-Br) increased 6.07% (4.60% in 2007), while the Wholesale Price Index (IPA-DI) totaled 9.80% (9.44% in 2007). According to the same comparison basis, the Civil Construction National Index (INCC) increased 11.87% (6.15% in 2007). Regarding IPA-DI, the inflationary acceleration, under this comparison basis, derives basically from the behavior of industrial prices. The agricultural IPA reached 1.64% (24.82% in 2007), while the elevation of wholesale industrial prices reached 12.96% (4.42% in 2007). It bears noticing that, despite the exchange rate depreciation occurred since August, both wholesale agricultural and industrial prices have showed deflation at the margin. As mentioned in previous Copom Minutes, the Copom evaluates that the effects of wholesale prices over consumer price inflation will depend on current and prospective demand conditions and price-setters' expectations for the future inflation path.

4. On a three-month moving average basis, according to data seasonally adjusted by the IBGE, industrial output decreased 2.1% in November, after falling by 0.8% in the previous month. Still considering the seasonally adjusted series, after the 2.8% retreat observed in October, industrial output decreased by 5.2% in November, month-on-month (with less three working days than the previous month). Moreover, it bears emphasizing that the severe climatic conditions observed in the South of the country also influenced the industrial performance in November. As



## BANCO CENTRAL DO BRASIL

a consequence, industrial output grew 4.7% in the year through November, with respective increases of 4.6% and 6.2% in manufacturing and in mining output. On a year-over-year basis comparison, industrial output retreated by 6.2% in November, with respective falls of 4.6% and 6.3% in mining and manufacturing industries. Data already released for the last months point, in short, to the interruption of the industrial production expansion cycle in the last quarter of 2008. Industrial activity has been influenced by the international crisis, both due to its effects over credit conditions, and over business and households' expectations. In this context, several industrial segments have been led to adjust inventories and reduce production, with highlights to the sectors of transportation, especially vehicles, mining, ironworks and petrochemical.

5. Among the use categories, according to data seasonally adjusted by the IBGE, the production of capital goods decreased by 4.0% in November. Regarding the other use categories, intermediate goods production decreased 3.9%, semi-durable consumer goods production retreated by 0.7%, and the production of durable goods production, strongly influenced by the automotive sector, reduced by 20.4%. In the year, capital goods production leads the expansion, with a 16.9% increase, followed by the 7.3% elevation in durable consumer goods production. The recent slowdown in capital goods production reflects the persistence of the international financial turmoil and its consequences over business confidence. On its turn, the cooling in the pace of expansion of durable goods production reflects, predominantly, the tightening of credit conditions, the deterioration of consumer expectations and the process of inventories' reduction mentioned above. Such developments should continue to be evidenced by the December data.

6. Labor market started to record ambiguous indicators, combining positive aspects with significant accommodation of formal job creation at the margin. The unemployment rate in the six metropolitan regions covered by the Monthly Labor Survey (PME) increased from 7.5% in October to 7.6% in November, down from 8.3% in November 2007. As a result, the average unemployment rate in the first eleven months of the year was 1.5 p.p. below that observed in the same period of 2007. According to data seasonally adjusted by the BCB, the unemployment rate stood at 7.8% in November, above the 7.6% observed in October, remaining, however, at a historically low level. In November, average earnings increased 11.4% year-over-year (12% in October), totaling increases of 9.9% in the year and 9.6% in the last twelve months. In November, average real earnings increased 0.9% month-on-month and 4.0% year-over-year. In the year through November, average real earnings increased by 3.4%, while employment expanded by 3.8%. As a consequence, real payroll increased 7.4% (6.9% expansion in November, in year-over-year terms), continuing to constitute a key driver for domestic demand growth. According to the National Industry Confederation (CNI) data seasonally adjusted by the BCB, manufacturing employment retreated by 0.6% in November, after increasing by 0.1% in October, resulting in a 0.8% growth in the quarter ended in November, quarter-on-quarter. In year-over-year terms, employment grew 2.9%, totaling 4.2% growth in the last twelve months. According to data seasonally adjusted by the IBGE, manufacturing employment fell 0.6% in November (after falling 0.1% in October and increasing by 0.1% in September), totaling increases of 2.5% in the last twelve months and 0.4% year-over-year. Still regarding employment, data from the Ministry of Labor and Employment (MTE) indicate significant loss of dynamism in the generation of formal employment at the end of 2008. In December, 654,946 jobs were dismissed (compared to the negative result of 40,821 in November), approximately two fold the historical average for the month. On the other hand, employment reached the third best result for the yearly historical series, reaching 1,452 thousand hires for the period, only below the results for 2007 (1,617 thousand jobs) and 2004 (1,523 thousand jobs). Formal employment reduced by 0.2% in December, seasonally adjusted, and observed data point to a 6.4% expansion in the last twelve months. The manufacturing industry recorded the highest dismissal rate, with the reduction of 273,240 jobs (-1.1% seasonally adjusted change), followed by the agricultural and the services sector, which dismissed 134,487 and 117,128 workers, respectively. The civil construction sector dismissed 82,432 workers (-0.7%). The retail sector dismissed 15,092 workers (0.2%). The services sector recorded the highest hiring rate in the year (648,259 jobs, or 6% growth), a historical record high for the sector. The retail sector recorded the second most important growth (382,218 jobs; 6.7%); followed by the civil construction (197,868 jobs; 17.4%) – a record high for the series; and the manufacturing industry (178,675 jobs, or 5.6%).

7. According to data seasonally adjusted by the IBGE, expanded retail sales decreased by 3.4% in November, after decreasing 8.3% in October. On a year-over-year basis, it reduced by 4.1% and grew 11% in the year through November. The three-month moving average of expanded retail sales decreased 3.7% in the quarter ended in November, compared to the quarter ended in August, according to seasonally adjusted data. On a month-on-month



## BANCO CENTRAL DO BRASIL

basis, according to seasonally adjusted data, it bears emphasizing the expansion in the sales of “pharmaceutical, medical, orthopedic and perfumery products” (1.6%), “books, newspapers, magazines and stationary” (1.3%) and “hyper- and supermarket and food products” (0.7%). The negative key drivers were “vehicles and motorcycles, part and pieces” (-7.0%) and “office material and equipment” (-9.8%), sectors more sensitive to the credit supply conditions. In the year through November, cumulative growth was more significant in “office material and equipment” (33.2%) and “other personal and domestic articles” (17.8%). Similar to the observed in October and November, expanded retail sales data for December should also evidence the effects of credit supply restrictions and the deterioration of consumer confidence over vehicle sales, already captured by the data from the National Federation of Distribution of Automotive Vehicles (Fenabrave) for this month. However, preliminary evidence for January points to some recovery in the sales of vehicles, partially in response to sectoral incentives granted by the government. The steady growth of retail sales had been reflecting, in short, the performance of both the sectors more sensitive to income and employment expansions and those more sensitive to credit conditions. For the next quarters, the retail sales trajectory will continue to be sustained by fiscal transfers, as well as by real payroll growth, whose evolution may be favored by inflation reduction, but it will also be affected by the changes in the access to credit supply and by the deterioration of consumer confidence.

8. The installed capacity utilization rate (Nuci) in the manufacturing industry reached 81.3% in November, below the level observed in October, according to CNI data seasonally adjusted by the BCB. According to data seasonally adjusted by CNI, the Nuci in the manufacturing industry also showed reduction, reaching 81.6% in November, down from 82.6% in October. Without the seasonal adjustment, the Nuci stood 2.0 p.p. below the level registered in November 2007. As a consequence, the average rate in the year through November was 0.5 p.p. above the level observed in the same period of 2007. The monthly non-seasonally adjusted Nuci calculated by Fundação Getúlio Vargas (FGV) retreated strongly in December to 80.6%, standing 6.10 p.p. below the level registered in the same month of 2007. The reduction in the Nuci in December 2008, year-over-year, is also observed in the production of consumer goods (-9.5 p.p.), intermediate goods (-6.0 p.p.), capital goods (-2.6 p.p.) and civil construction inputs (-4.9 p.p.). The reduction on Nuci calculated by CNI and FGV seems to be a result of a combination between the maturity of investment projects and accommodation on economic activity, and points to significant increase of the idle capacity level of the manufacturing industry. On the other hand, recent data about the absorption of capital goods show contraction at the margin, despite continuing to show expansion, compared to the same periods of 2007. The absorption of capital goods decreased 7.7% in November, according to seasonally adjusted data, and expanded by 21.8% in 2008, according to observed data. On its turn, the production of civil construction inputs retreated 4.6% at the margin in November, after showing stability in October, accumulating a 9.7% growth in 2008. In short, evidences so far suggest an ongoing process of reduction in demand pressures on the productive capacity level of the manufacturing industry. As stressed in previous Copom Minutes, the inflation trajectory is closely linked to current and prospective developments related to the expansion of supply of goods and services, to adequately meet demand conditions.

9. The trade balance continues to register deceleration at the margin, an already anticipated trend, and which is in line with assessments present in previous Inflation Reports and Copom Minutes. In 2008 the trade surplus reached US\$24.7 billion (38.2% below 2007). Exports and imports totaled, respectively, US\$197.9 billion and US\$173.2 billion, equivalent to 23.2% and 43.6% growth, over 2007. The reversal on the appreciation trend of the BRL and the accommodation on the pace of expansion of domestic demand may contribute to the recovery of the trade surplus, while the reduction on price levels of exports acts on the opposite direction. The decrease in the trade surpluses contributed to the US\$26.3 billion current account deficit registered in the twelve months through November 2008, equivalent to 1.7% of GDP. On its turn, foreign direct investment reached US\$37.8 billion in the twelve months through November, equivalent to 2.4% of GDP.

10. The period since the last Copom meeting was marked by the continuity of stress on international financial markets, which originated in the US and Europe, but whose impact on emerging economies has continued being significant. The increased risk aversion, observed since mid-September, after the bankruptcy of an important US financial institution, led the authorities in the US, Europe and Oceania to intervene in an unprecedentedly way in their financial systems, using wide range of instruments, in order to ensure minimum conditions of operation and liquidity in money markets. Systemic risk perception, which has shown some moderation, intensified in the last weeks. The international liquidity contraction has been contributing to a deleverage process by asset managers, which, in turn, has been pressuring down the prices of financial assets. In an environment of increased risk



## BANCO CENTRAL DO BRASIL

aversion and shortage of capital flows, the volatility of emerging economies' currencies continues present, despite not showing the generalized trend of depreciation against the US dollar observed in the last months of 2008.

11. Regarding the global macroeconomic scenario, contraction trends prevail over inflationary pressures. The dominant view still points to the expansion, despite at quite modest pace, of global economic activity in 2009, but data released in the last weeks indicate a more intense and generalized cooling of activity in mature economies and also in several emerging economies. There are evidences that the deeper weakening of economic activity in Europe and parts of Asia was in a significant manner due to the negative shock in the terms of trade caused by the elevation of commodities prices, which is being reverted. On the other hand, the problems in the financial system have been aggravated by a cyclical deterioration in the quality of credit, which tends to reinforce the contraction in financial conditions and, as a consequence, the risk of intensification of deceleration. The US economy, in particular, has been in recession since the end of 2007 and still continues to suffer the impacts of the housing sector crisis, with spillover effects on the labor market, whose weakening, together with the negative wealth effect associated to the fall in the prices of financial assets, has affected consumers' confidence, significantly contributing for depressing expenditure. Moreover, the prevailing interpretation is that the activity in Europe and Japan should continue to lose dynamism in the next months. In mature economies, where inflation expectations are better anchored and economic activity is decelerating considerably, inflationary pressures have reduced fast. In emerging economies, where the secondary effects of raw materials price increases over consumer prices and the heated demand pressures over the supply expansion capacity had been more intense, inflationary pressures have also been declining, although they show, in many cases, more persistence. In this context, the monetary policy stance is mainly expansionist in mature economies, whereas in emerging economies, which have been affected by the exchange rate depreciation trend, in addition to the facts already mentioned, the reaction seems to be more heterogeneous, but expansionist bias also prevails. In mature economies, the authorities have been announcing a series of initiatives aimed at sustaining economic activity, particularly through fiscal incentives, which could contribute to a gradual economic recovery. On the other hand, estimates on the fiscal costs for packages of macroeconomic stimulus and support to the financial sector have been increasing, which has caused pressures on the assessment of risk on many sovereign credits, even in advanced economies.

12. Oil prices remain highly volatile, despite currently being close to the levels observed at the last Copom meeting. Future markets quotations have also shown high volatility, without a defined trend. Uncertainty concerning these quotations remains high, as the prospective scenario depends on the evolution of demand, especially in emerging countries, on the supply's reaction to stimuli stemming from previous changes on relative prices and on the geopolitical issues that affect the price of this commodity. Nonetheless, despite the great uncertainty inherent to the projections of oil prices' trajectory, the main scenario adopted by the Copom, which assumes unchanged gasoline prices in 2009, remains plausible, but with the persistence of the current scenario in the oil market, it does not seem prudent to completely disregard the hypothesis of oil price reductions in 2009. However, it bears highlighting that, regardless of the behavior of domestic gasoline prices, the reduction in international oil prices observed in the second half of 2008 can eventually affect domestic prices both through productive chains, such as the petrochemical, as well as through the potential effect over inflation expectations. Conversely, prices of agricultural commodities such as wheat, soybeans and corn, which impact particularly the evolution of food costs, have remarkably increased since the last Copom meeting, reacting both to weather problems in important production regions, as well as to the apparent exhaustion of investment repositioning by non-traditional investors that had been allocating resources to these markets.

### Assessment of Inflation Trends

13. The identified shocks and their impacts were reassessed according to newly available information. The scenario considered in the simulations was based in the following assumptions:

- a) the projected adjustment for 2009 for both gasoline and bottled gas prices were maintained at 0%;
- b) the projected adjustment for 2009 for fixed telephone and electricity prices were kept at 5.0% and 8.1%, respectively, unchanged relative to the values considered in the December Copom meeting;





## BANCO CENTRAL DO BRASIL

- c) the projection for regulated prices inflation in 2009, based on individual items, was maintained unchanged at 5.5%, relative to the December Copom meeting. This set of prices, according to data released by the IGBE, corresponded to 29.56% of the total December IPCA;
- d) the projection of regulated prices inflation for 2010 stood at 4.8%. This projection is based on the endogenous determination model for regulated prices, which computes, among other factors, seasonal components, foreign exchange rate changes, market prices inflation and the IGP (General Price Index) variation; and;
- e) the projection for the spreads over the Selic rate, on the benchmark scenario, based on the 360-day swap rates, estimates a 5 bps spread in the fourth quarter of 2009 and 22 bps in the last quarter of 2010. The identified shocks and their impacts were reassessed according to newly available information.

14. Regarding fiscal policy, the projections assume the achievement of the public sector primary surplus target of 3.8% of GDP in 2008 and 2009. The related assumptions considered in the previous meeting were maintained.

15. Since the last Copom meeting, according to the median IPCA inflation expectations compiled by the BCB's Investor Relations Group (Gerin), the 2009 IPCA variation noticeably reduced to 4.80% from 5.20%. For 2010, inflation expectations stand at 4.50%.

16. Considering the hypotheses under the benchmark scenario – which assumes the maintenance of the exchange rate at R\$2,35/US\$1.00 and the Selic rate at 13.75% during the forecast period – the projection for the 2009 IPCA inflation decreased relative to the figure considered in the December Copom meeting, and remains below the 4.5% target established by the National Monetary Council (CMN). According to the forecast based on the market scenario – which incorporates the consensus exchange and Selic rates trajectories collected by Gerin on the eve of the Copom meeting – IPCA inflation forecast for 2009 slightly decreased compared to the figure considered in the previous Copom meeting, but remained around the central target for the year. Inflation projection for 2010, based on the benchmark scenario, reduced compared to the figure considered in the December “Inflation Report” and is considerably below the 4.5% central target for that year. On the other hand, considering the market scenario, the inflation projection slightly increased, staying around the 4.50% central target.

### Monetary Policy Decision

17. The Copom evaluates that the monetary policy should contribute for the consolidation of a favorable long-term macroeconomic environment. Economic activity data indicate that the pace of domestic demand expansion, which continued quite robust until the third quarter of 2008, and was at least partially responsible for the inflationary pressures, has considerably lost momentum since then. This deceleration is partly a result of a substantial and generalized cooling of economy activity on both emerging and G-8 economies. On its turn, the increase in risk aversion and the unprecedentedly constraints observed in liquidity conditions in the international markets continue to impose adjustments in the balance of payments. In general terms, the influence of the external scenario on the future trajectory of Brazilian inflation continues to be subject to contradictory effects, which can act with distinct intensity throughout time and surrounded by significant uncertainty. On the one hand, the economic cooling has caused an increase in risk aversion, impacting the demand for Brazilian assets, and consequently, depreciating their prices. On the other hand, the more generalized economic deceleration in the last months, which may persist in the upcoming quarters, has caused the cooling of both commodities prices and external demand, and has also negatively impacted local financial conditions. Moreover, the trajectory of price indices evidences the reduction of inflationary external pressures, especially in mature economies, but also in some emerging economies. As a consequence, the net effect of the global deceleration over the inflation trajectory seems to be, so far, predominantly benign. The Copom emphasizes that the main challenge of monetary policy in this context is to guarantee the maintenance of favorable results achieved in the last years.

18. The Copom evaluates that the probability that initially localized inflationary pressures may cause risks to domestic inflation trajectory diminished. The evidences of accommodation of domestic demand, and reduction of inflationary pressures over the market of factors, despite remaining surrounded by uncertainty, may mitigate the



## BANCO CENTRAL DO BRASIL

risk of pass-through of wholesale prices (which have been showing deflation in the last months) upward pressures to consumer price inflation. The Committee evaluates that the materialization of this pass-through, as well as the generalization of pressures initially localized on consumer prices, depend critically on economic agents' inflation expectations for 2009. The 2009 inflation expectations remain in levels above the inflation target, despite having remarkably decreased since the last Copom meeting and continue to be carefully monitored. Additionally, it is worth noticing that, according to data available, domestic demand should exert lesser pressures over the prices of non-tradable items, such as services, in the upcoming quarters. In this context, the Copom reaffirms that it will continue to conduct its actions in order to ensure that the gains obtained in inflation control in recent years become permanent.

19. Copom emphasizes, once again, that there are important time lags between the implementation of monetary policy and its effects on economic activity and inflation. Therefore, the evaluation of alternative options for monetary policy should necessarily focus on the forward-looking inflation scenario and its risks, instead of current inflation indices. This point of view is even more important in periods of higher uncertainty.

20. Prospects for the evolution of economic activity have continued to deteriorate since the last Copom meeting, despite the fact that industrial activity data have been partially reflecting a process of inventory retreat, which tends to exhaust. It is particularly important to notice, the effects of the international crisis over domestic financial conditions have resulted in severe decline of the credit contribution to support domestic demand. Additionally, the intensification of the international crisis has caused a negative effect on consumers and businessmen confidence. If this situation persists, the strength of economic activity will increasingly depend on payroll expansion and on the effects of governmental transfers expected for 2009. These considerations become even more relevant considering the fact that the monetary policy decisions will have concentrated impacts in the upcoming quarters.

21. The Copom evaluates that the loss of strength on domestic demand should result in reduction of inflationary pressures. On the other hand, the remaining risks for the inflationary dynamics derive from the trajectory of Brazilian assets prices, amidst a process of decreasing external sources of funding and mechanisms of price adjustments that contribute to prolong inflationary pressures observed last year. The balance of those influences over the prospective trajectory of inflation will be crucial to the assessment of the various alternatives available for the monetary policy stance.

22. International evidence, as well as the Brazilian experience, indicates that high inflation rates leads to increase in risk premiums, shortening of planning horizons and, consequently, to lower potential economic growth, besides having regressive effects over income distribution. Therefore, the Copom's strategy aims to bring inflation back to the midpoint target of 4.5% during 2009, as already established by the CMN, and keep it in a consistent level relative to the target path during 2010. Such strategy, which should have its results evidenced throughout time, takes into account the time lags in the transmission mechanisms and is the most adequate to deal with uncertainties inherent to the process of monetary policy formulation and implementation.

23. The Copom evaluates that, in light of signs of economic activity slowdown, evidenced since the last meeting regarding, for instance, the industrial production indicators – exacerbated by an inventory cycle –, some available data on labor market and industrial capacity utilization rates, as well as on consumers and businessmen confidence, together with lower inflation expectations for relevant horizons, the risks of non-materialization of a benign inflation scenario, in which IPCA would resume evolution in line with the targets path, have been markedly reduced. Indeed, the evolution of the prospective scenario is reflected on inflation projections considered by the Committee. The Copom also understands that demand deceleration has reduced the pressure over supply conditions observed in most of 2008, which should significantly contribute to deflate the economy. Still, monetary policy should be cautiously conducted, aiming to assure the convergence of inflation to the targets path, despite some scope for an easing process.

24. The Committee believes that the consolidation of restrictive financial conditions for a longer period should exert in significant contraction effect over demand and, throughout time, a relevant deflation pressure. Under such circumstances, the majority of the Copom members, taking into account the balance of risks for economic activity and, consequently, for the prospective inflation scenario, as well as the absence of clear evidence of effects over



## BANCO CENTRAL DO BRASIL

inflation stemming from the depreciation of the exchange rate, in an environment of global reduction of inflationary pressures, has decided, at this moment, to reduce the Selic rate by 100 bps.

25. Other Copom members evaluate that, in light of the presence of inflationary feedback mechanisms in the economy, as well as the consequences of the balance of payments adjusting process, a more moderate reduction of the Selic rate would represent a more consistent signal of the prospective trend of inflation convergence to the targets path and would be more adequate to an optimal pace of the easing process.

26. In such context, taking into account inflation prospects, the Copom has decided, at this moment, to reduce the Selic rate to 12.75% p.a., without bias. Five votes were in favor of this monetary policy action while three were in favor of reducing the Selic rate by 75bps. With such action, the Committee has initiated a process of monetary policy easing, immediately accomplishing significant part of the Selic rate movement, without harming the commitment to the inflation target.

27. Under the inflation targeting regime, the Committee guides its decisions according to projected inflation, analysis of several alternative scenarios for the evolution of the main variables that determine the forward-looking prices dynamics, and the balance of risks associated to their projections. There are signs that, after a long expansion period, domestic demand has started to have a contraction influence over economic activity, despite persistence of incentive factors, such as income growth. Additionally, it is worth noticing that inflation expectations for 2009 have substantially decreased since the last Committee meeting. On the other hand, the strong global economy deceleration has resulted in downward pressures over wholesale prices, despite the exchange rate adjustment. In such environment, monetary policy can be more flexible without putting at risk inflation convergence to the targets path. Evidently, if deterioration on the risk profile implies shifts to the inflation prospective basic scenario, considered by the Committee at this moment, the monetary policy stance will be promptly adjusted to the circumstances.

28. At the end of the meeting, it was announced that the Committee would reconvene on March 10th, 2009, for technical presentations, and on the following day, to discuss the monetary policy decision, as established in Communiqué 17.327 of August 27th, 2008.

### SUMMARY OF DATA ANALYZED BY THE COPOM

#### Inflation

29. The IPCA changed 0.28% in December, showing a decrease in inflation compared to the December IPCA-15 result( 0.29%) and to the November IPCA (0.36%). In 2008, the IPCA accumulated a 5.90% increase, compared to 6.39% in the twelve months through November, and 4.46% in 2007, representing the highest annual change since 2005. The 2008 result showed increases of 7.05% in market prices and of 3.27% in regulated prices, compared to 5.73% and 1.65%, respectively, in 2007. The household food group contributed 2.42 p.p. for the 2008 index, representing 41% of the annual IPCA change.

30. Market prices decelerated in December, increasing 0.28% compared to 0.44% in November, as a result of the increases of 0.17% in the prices of tradable goods and of 0.36% in the prices of non-tradable goods, compared to 0.60% and 0.29%, respectively, in November. Regulated prices changed 0.29% compared to 0.18% in the previous month. The diffusion index reached 61.72%, down from 64.58% in November, with a 62.83% average in 2008, surpassing the 2007 average, 58.79%.

31. Core excluding household food items and regulated prices increased 0.33% in December, down from 0.36% in November, accumulating a 6.09% increase in the last twelve months, compared to 6.36% in the previous month. For the third consecutive month, the smoothed trimmed means core change declined, reducing to 0.33% in December down from 0.35% in November and, in twelve months, to 4.82% down from 4.90%. The non-smoothed trimmed means core change reached 0.33% in December, compared to 0.28% in the previous month, accumulating 4.92% in the last twelve months through December, down from 5.05% through November.





## BANCO CENTRAL DO BRASIL

32. The IGP-DI decreased 0.44% in December, compared to a 0.07% increase in November, accumulating a 9.10% increase in 2008, compared to an 11.20% twelve-month trailing change in November. The IPA decreased 0.88%, reflecting the fifth consecutive fall in the prices of agricultural products, of 1.30%, and a 0.73% decrease in the prices of industrial products. The prices of industrial products reached a record low in the series for the period after June 2003. In 2008, the IPA increased 9.80%, with increases of 12.96% in the prices of industrial products and of 1.64% in the prices of agricultural products. It is worth highlighting the IPA significant deceleration, considering the twelve-month accumulated changes ended in October and November, of 14.72% and 12.88%, respectively. The agricultural IPA behavior strongly contributed to this scenario. The IPC-Br slightly decelerated to 0.52% in December, down from 0.56% in November, increasing by 6.07% increase in 2008. The INCC changed 0.17% in December, down from 0.50% in November, and totaled 11.87% in 2008. The IPC-Br core totaled 0.34%, compared to 0.45% in the previous month, accumulating a 4.07% change in 2008.

33. By stages of processing, the IPA in December, decreased in all its components: 0.36% in the prices of final goods, 1.35% in the prices of intermediate goods, and 0.74% in the prices of gross raw materials prices. In 2008, considering the IPA by stages of processing, there were increases of 4.19%, 14.83% and 9.23%, respectively.

34. The IPC-S increased from 0.52% in the last week of December to 0.68% in the first week of January 2009 and 0.69% in the second week.

### Economic Activity

35. According to data seasonally adjusted from the IBGE's monthly survey (PMC), expanded retail sales, which include construction material and vehicles and motorcycles, parts and pieces, decreased 3.4% in November, month-on-month, after an 8.3% decrease in October. Among the ten segments surveyed by the IBGE, only three expanded, with highlights for the 1.6% growth in the sales of pharmaceutical, medical, orthopedic, perfumery and cosmetic products and the 1.3% growth in the sales of books, newspapers, magazines and stationery. Among the negative drivers, it is worth highlighting the 7% decline in the sales of vehicles, motorcycles, parts and pieces.

36. Considering the comparisons between identical periods of 2008 and 2007, expanded retail sales decreased 4.1% in November. From January to November 2008, sales increased 11%, compared to the same period of last year, with expansion in all commerce sectors, as well as in all Federal units, except for Amazonas.

37. According to São Paulo Trade Association (ACSP) data, seasonally adjusted by the BCB, database consultations for credit sales (SCPC) related to the city of São Paulo decreased by 3.2% in December, month-on-month, while consultations to the Usecheque system expanded by 1.4%. In 2008, these indicators increased by 6.4% and 4.3%, respectively, compared to 2007.

38. Regarding investment indicators, capital goods production declined 4% in November, while the production of construction typical inputs decreased 4.6%, month-on-month, considering the seasonally adjusted series. All sub-sectors of capital goods production decreased in the period, with highlights to the production of construction capital goods (-17.3%) and agricultural capital goods (-11.6%). Capital goods and construction typical inputs production increased 3.6% and 1.6%, respectively, year-over-year. In the year through November, these indicators increased 16.9% and 9.7%, respectively, compared to the same period of 2007.

39. Capital goods imports declined 4% in November, month-on-month, according to the quantum indices from Funcex, seasonally adjusted by the BCB. The November indicator expanded by 22.3% year-over-year, standing below the cumulative change in the year through November (37.3%), and the cumulative change in twelve months (36.9%), signaling the significant loss of dynamism.

40. CNI indicators showed deceleration in the pace of industrial activity in November, with decreases of 0.6% in employment, 2.1% in installed capacity utilization and 1% in hours worked, according to data seasonally adjusted by the BCB. Seasonally adjusted real revenues decreased by 4.8%, month-on-month. Compared to the same periods of 2007, real revenues decreased by 7% in November, with a 6.4% increase in the first eleven months of the year, while hours worked increased by 1.4% and 5.6%, respectively, according to the same comparison bases.



## **BANCO CENTRAL DO BRASIL**

Installed capacity utilization (Nuci) reached 81.3% in November, 1.7 p.p. below the October level, considering seasonally adjusted data, and 2.4% below the November 2007 level.

41. According to IBGE's Monthly Industrial Survey (PIM), industrial production decreased in November, for the second consecutive month, intensifying the monthly decrease to 5.2%, compared to 2.8% in October, according to the seasonally adjusted series. In November, industrial production recorded a record low for the series since May 1995. As a consequence, the production of the quarter ended in November stood 2.4% below that of the quarter ended in August. Considering seasonally adjusted data, the four use categories presented negative results, with highlights to the 20.4% decrease in durable consumer goods production, a record low for the series since December 1997. In addition to the weak performance of automotive production, the retractions in the production of audio and video equipments (17.3%), and kitchen appliances (5.1%) also contributed to the decrease. The production of semi- and non-durable consumer goods, whose consumption is more dependent on the payrolls, presented the lowest decrease among the use categories (0.7%). Capital and intermediate goods declined 4% and 3.9%, respectively, in November, month-on-month.

42. Industrial production decreased 6.2% in November, year-over-year, a record low for the series since December 2001. Only five out of the twenty six manufacturing industry activities surveyed expanded in November according to the same comparison basis, with highlights to the production of other transportation equipment, which increased 73%, backed up by the production of airplanes and the production of pharmaceuticals, with a 16.6% increase in the month. According to the same comparison basis, the most important negative drivers were office machines and IT equipment (-29.6%), electronic material and communication equipment (-20.5%), shoes and leather (-18.8%), furniture (-18.7%), and vehicles (-18.3%). Considering the use categories, the production of durable consumer goods, intermediate goods and semi- and non-durable consumer goods declined 22.1%, 7.5% and 2.7%, respectively, year-over-year, while the production of capital goods expanded by 3.6%.

43. In the year through November, industrial production growth reached 4.7%, with highlights to the expansions of capital goods (16.9%) and durable consumer goods (7.3%). In the same period, the growth of production of intermediate and semi- and non-durable consumer goods reached 3.3% and 1.7%, respectively. Industrial production increased 4.8% in the last twelve months through November, compared to 5.9% in October and 6.8% in September, indicating significant deceleration at the margin.

44. Vehicles production reached 102.1 thousand units in December, according to Anfavea, decreasing 53.8% year-over-year. Considering data seasonally adjusted by the BCB, the production of vehicles fell 34.3% in December, month-on-month, while the last quarter averaged 32.5% less than in the previous quarter. In 2008, the production of vehicles and agricultural machinery increased by 8.2% and 30.7%, respectively, year-over-year. Domestic vehicles sales decreased 7.2% in December 2008, compared to December 2007, and increased 13.9% in the year, compared to 2007. According to the same comparison bases, vehicles exports decreased 26.1% and 7.7%, respectively.

45. The LSPA survey carried out by the IBGE in December pointed to the production of 145.8 million tons in the year, a 9.5% increase over 2007, up from the 145.7 million tons November estimate. For 2009, the third estimate for the grains harvest points to a 5.9% fall in production, which should reach 137.3 million tons. Declines of 10.5% and 1.9% in the production of corn and soybean, respectively, were also projected.

### **Surveys and Expectations**

46. According to the Fecomercio-SP survey, the Consumer Confidence Index (ICC) decreased 2% in January, month-on-month, reflecting the reduction of 3.1% in the Consumer Expectations Index (IEC). The Current Economic Conditions Index (Icea) was kept virtually stable. The ICC declined 12.9% year-over-year.

47. The National Consumer Expectations Index (Inec), quarterly surveyed by CNI, declined 5% in December, quarter-on-quarter. Among its components, the indices related to the expectations of unemployment and inflation presented declines of 18.5% and 9%, respectively, registering record lows since March 2002 and November 2001, respectively.



## **BANCO CENTRAL DO BRASIL**

48. According to the FGV survey, the ICC increased 0.5% in December, month-on-month, favored by the increase of 6.8% in the Current Situation Index (ISP), while the Expectations Index (IE) declined 2.8%, reaching a record low for the series started in September 2005. Relative to December 2007, the survey also registered decreases of 19% in the ICC, 13.9% in the ISP and 21.9% in the IE.

49. Still according to the FGV, businessmen confidence in the industrial sector declined in December, similarly to the observed in the previous three months. The Industry Confidence Index (ICI) reached 74.7 points in December, seasonally adjusted, falling by 9.2 points month-on-month and 40.3 points relative to September. The index reached a record low since October 1998, emphasizing the pessimistic businessmen expectations about industrial activity, already captured in the November survey. Among its components, and also in seasonally adjusted terms, the Current Situation Index (ISA) leveled at 76.1 points, 9.2 points below the November outcome. The Expectations Index (IE) declined by the same magnitude, reaching 73.3 points, a record low for the series started in April 1995.

50. In accordance with the FGV Manufacturing Industry Survey, installed capacity utilization (Nuci) reached 80.6% in December, 6.1 p.p. below December 2007, and 79.9% in the seasonally adjusted series, 4.1 p.p. below the previous month, when these changes registered 2 p.p. and 1.3 p.p. declines, respectively. The seasonally adjusted index for December was close to the 80% average of the last 20 years. In December 2008, all use categories registered year-over-year declines, with the sharpest retraction for consumer goods (-9.5%). Considering industrial segments, only pharmaceuticals and veterinary products expanded, 3.6 p.p., year-over-year. Among the negative drivers, it bears highlighting transportation material (-14.4 p.p.), metallurgy (-13.6 p.p.), and mechanics (-10.5 p.p.), according to the same comparison basis.

### **Labor Market**

51. According to the Ministry of Labor and Employment (MTE), 654.9 thousand formal jobs were eliminated in December 2008, result that ratifies the loss of dynamism in the labor market, outlined since October. Employment level decreased by 0.2% month-on-month in seasonally adjusted terms. Manufacturing industry was the sector that recorded the higher number of dismissals, 273.2 thousand, followed by agriculture and services, which eliminated 134.5 and 117.1 thousand jobs, respectively. In 2008, 1,452,204 new jobs were created, compared to the creation of 1.617.392 jobs in 2007. Moreover, the level of formal jobs grew 6.4% in 2008. By sectors, the level of employment in the construction sector registered the higher increase in the year, 17.4%, followed by the retail sector, 6.7%, services, 6%, and manufacturing industry, 5.6%.

52. According to the IBGE employment survey (PME), carried out in the six main metropolitan areas of the country, the unemployment rate stood at 7.6% of the economically active population (PEA) in November, returning to the August and September levels, after a 0.1 p.p. decline in October. Compared to November 2007, unemployment declined 0.6 p.p. Despite the slight increase, the unemployment rate recorded the lowest level for November months since the beginning of the new PME series, started in March 2002. The relative stability of the unemployment rate in November, month-on-month, reflected the dismissal of 76 thousand workers from the labor market and the elimination of 95 thousand jobs. In seasonally adjusted terms, unemployment reached 7.8%, up from 7.6% registered in October. Compared to November 2007, occupation increased 2.9%, diverging from the annual average of 3.9% recorded until October. The PEA expanded 2.1%, year-over-year, and 2.2% in the year through November. The number of formal workers slightly decreased by 0.2% in November, month-on-month, corresponding to the elimination of 22 thousand jobs, while the total number of informal workers reduced by 38 thousand jobs, corresponding to a 1.3% decline in the number of this type of workers. In the year through November, formal workers in the private sector grew by 7.9%, while informal job creation expanded by 0.2%.

53. The same survey pointed that average real earnings of occupied workers increased by 0.9% in November, month-on-month, and expanded by 4%, year-over-year, representing the second consecutive month of deceleration according to this comparison basis. Real payrolls increased by 0.4% in November, month-on-month, and by 6.9% year-over-year.

### **Credit and Delinquency Rates**



## BANCO CENTRAL DO BRASIL

54. Outstanding credit in the financial system reached R\$1,209 billion in November, increasing by 2% in monthly terms and 32.8% on a twelve-month trailing basis. This volume corresponded to 40.3% of GDP, compared to the 2007 figures of October (39.6%) and November (33.6%). According to the same comparison basis, non-earmarked credit operations increased 1.7% and 34.5%, respectively. Non-earmarked operations, with a share of 71.4% in the total of financial system, registered the cooling in the dynamism of operations with individuals, both in the arrangements that includes credit used as reference to the interest rate and in the operations to rental markets, which increased 98.6% in twelve months, but only 0.1% in November. Earmarked credit operations increased 3% month-on-month and 28.6% on a twelve-month trailing basis, as result of increases of 4.2% in credit operations performed by the BNDES (Brazilian Development Bank) and 3.3% in housing loans and transfers. Considering the segmentation by economic activity, it is worth mentioning loans to industry, which increased 4.3% in November and 41.8% in the last twelve months.

55. The average interest rate on non-earmarked credit operations, used as reference for interest rates, reached 44.1% p.a. in November, up from 42.9% p.a. in October and 34.7% p.a. in November 2007. The average rate on credit for individuals increased 3.8 p.p. in November, month-on-month, reaching 58.7% p.a., while the average rate on corporate credit declined by 0.4 p.p., reaching 31.2% p.a. In November 2007, the average rate on credit to individuals and credit to corporate stood at 44.8% p.a. and 23.3% p.a., respectively.

56. The average tenure on non-earmarked credit operations, used as reference for interest rates for individuals, reached 378 days in November, compared to 385 days in October and 343 days in November 2007. The average tenure of corporate credit operations reached 305 days, while the average tenure for credit operations to individuals totaled 482 days, up from 268 days and 429 days, respectively, in November 2007.

57. Delinquency rates in the financial system (non-earmarked loans, used as reference for interest rates, in arrears for more than ninety days) stood at 4.2% in November, a 0.3 p.p. decrease year-over-year. Delinquency rates for credit operations with corporate and individuals reached 1.7% and 7.8%, respectively, compared to 2.2% and 7.1% in November 2007.

58. Net delinquency rate for retail credit, measured by the ACSP, reached 3.6% in December, up from -1.9% in the same month of 2007. In 2008, the average delinquency rate stood at 6.5%, up from 5.4% in 2007.

### External Environment

59. Since September, the global macroeconomic scenario has reflected the deepening of the crisis. The current economic and financial conditions have implied a decline in consumption and deterioration of business and consumer expectations, impacting negatively production, investment and real GDP, outlining the most severe economic reversal since 1929. The recession in United States, Japan, United Kingdom, Germany, Italy and Australia, among others; the dramatic decline in the installed capacity utilization verified globally; and the retraction in international trade are responsible for the deepening in the decline in the prices of commodities, oil in particular. This picture, which progressively contaminates emerging economies, both through the fall in the imports of developed countries and through the growing difficulty of external funding, exposes the fragility of the decoupling thesis and translates into estimates of global GDP contraction of approximately 4.1% in the fourth quarter of 2008, which should be added up to the 2.6% contraction in the first quarter of 2009.

60. The domestic demand collapse and its effects over the international trade, among credit restrictions, have provoked the increase in the unemployment rate, which reached 7.2% in December in the US economy. This fact, added up to the deepening of the non-functionality in the financial systems, has evidenced the need of anti-cyclical fiscal policies. In this sense, new packages of fiscal stimulus, preferentially directed to expenditures in infrastructure and tax reduction, were released in the US, Japan, China, Germany, Spain, France and UK, among others.

61. In light of the magnitude of reversal of the inflationary process and the weakening of the economic activity, initially occurred in the developed economies, but progressively reaching emerging economies, a continuous monetary policy easing process can be observed in global terms, even in the Latin America, where the central banks of Colombia, Chile and Mexico started a process of interest rate reduction between December 2008 and



## BANCO CENTRAL DO BRASIL

January 2009. In Japan and in the US, where the interest rates are almost zero, the central banks changed the focus of monetary policy, acting under the outlook of quantitative easing and therefore widening their balance sheets (Fed balance sheets increased to US\$ 2.3 trillion in mid- December up from US\$ 900 billion in September). In the UK, the repo rate stood at 1.5%, the lowest level since the foundation of the bank, more than 300 years ago.

### Foreign Trade and International Reserves

62. Brazilian trade surplus reached US\$2.3 billion in December, totaling US\$24.7 billion in 2008. In the year, exports reached US\$197.9 billion, and imports, US\$173.2 billion, growing by 21.8% and 41.9%, respectively, year-over-year, on a daily average basis. Total external trade recorded US\$371.1 billion in 2008, a 30.4% increase related to 2007, on a daily average basis.

63. Despite the favorable balance in December, exports and imports reduced by 11.7% and 1.2%, respectively, on a daily average basis, compared to December 2007, signaling the cooling of 2009 total external trade.

64. Based on the liquidity concept, international reserves totaled US\$206.8 billion in December, with increases of US\$429 million in the month and US\$26.5 billion relative to the end of 2007. Under the cash concept, international reserves totaled US\$193.8 billion, recording a US\$885 million decrease month-on-month.

### Money Market and Open Market Operations

65. After the last Copom meeting in December, the future yield curve shifted sharply downward in the whole extension. This behavior was mainly driven by the fall in the current and expected inflation and by the released indicators that signaled the reduction of the expansion pace of economic activity, negatively impacting in the labor market. In the external outlook, the Federal Open Market Committee (FOMC) decision to adopt, on the December 16 meeting, a reference range from zero to 0.25% to the Fed funds, also contributed to this movement. Between December 8 and January 19, one-, three-, and six-month rates decreased by 51 bps, 87 bps and 141 bps, respectively. Moreover, one-, two- and three-year rates decreased by 180 bps, 209 bps, and 211 bps, respectively. Real interest rates, measured by the differential between the one-year forward nominal interest rate and the smoothed twelve-month-ahead inflation expectations, decreased to 6.25% on January 19, down from 7.38% on December 8.

66. In the period between December 9 and January 19, the BCB carried out traditional FX swap auctions, in which assumed a long position in domestic interest rate and a short position in FX. These operations totaled US\$12.1 billion, rolling contracts due on January 2 and February 2.

67. In its open market operations, the BCB carried out, from December 9 to January 19, weekly five- and seven-month fixed rate repo operations, borrowing. The average daily balance of these operations reached R\$45.0 billion, of which R\$30.0 billion were seven-month operations. In the same period, the BCB borrowed money through 32 overnight repo operations. The BCB also conducted daily, at the end of day, two-working-day-tenure liquidity management operations. Operations with tenors less than thirty days, including daily liquidity management operations, averaged R\$114.3 billion, on a daily basis, borrowing. In addition, the BCB conducted borrowing operations with tenures of 28 and 15 working days on December 11; of 24 and 11 working days on December 17; of 14 working days on January 2; and of 11 working days on January 7. These operations draw from the market the following amounts: R\$163.5 billion, R\$10.4 billion, R\$3.6 billion, R\$2.0 billion, R\$33.4 billion and R\$12.4 billion, respectively. These operations averaged R\$190.8 billion.

68. Between December 9 and January 19, the National Treasury raised a total of R\$28.8 billion, of which R\$11.6 billion in fixed-rate securities: R\$10.9 billion via issuance of LTNs maturing in 2009, 2010 and 2011, and R\$0.7 billion in NTN-Fs maturing in 2012, 2013, 2014 and 2017. Issuance of LFTs totaled R\$15.1 billion, for securities maturing in 2011, 2012 and 2013. Issuance of inflation-linked NTN-Bs reached R\$2.1 billion, for securities maturing in 2011, 2013, 2014, 2017, 2020, 2024, 2035 and 2045.

69. In the same period, the Treasury conducted auctions to sell LTNs maturing in July and October 2009 and bought LTNs maturing in January and April 2009, totaling R\$1.3 billion; and conducted auctions to sell LFTs





## **BANCO CENTRAL DO BRASIL**

maturing in March and December 2011, and September 2013, against the purchase of LFTs maturing in December 2008 and January 2009, totaling R\$2.0 billion. The sales of NTN-Bs settled in other National Treasury securities maturing 2011, 2013, 2014, 2020, 2024, 2035 and 2045 totaled R\$2.2 billion. The Treasury also conducted purchase auctions of LTNs and NTN-Bs totaling R\$1.0 billion and R\$0.2 billion, respectively.