Brazil Monetary Policy Outlook

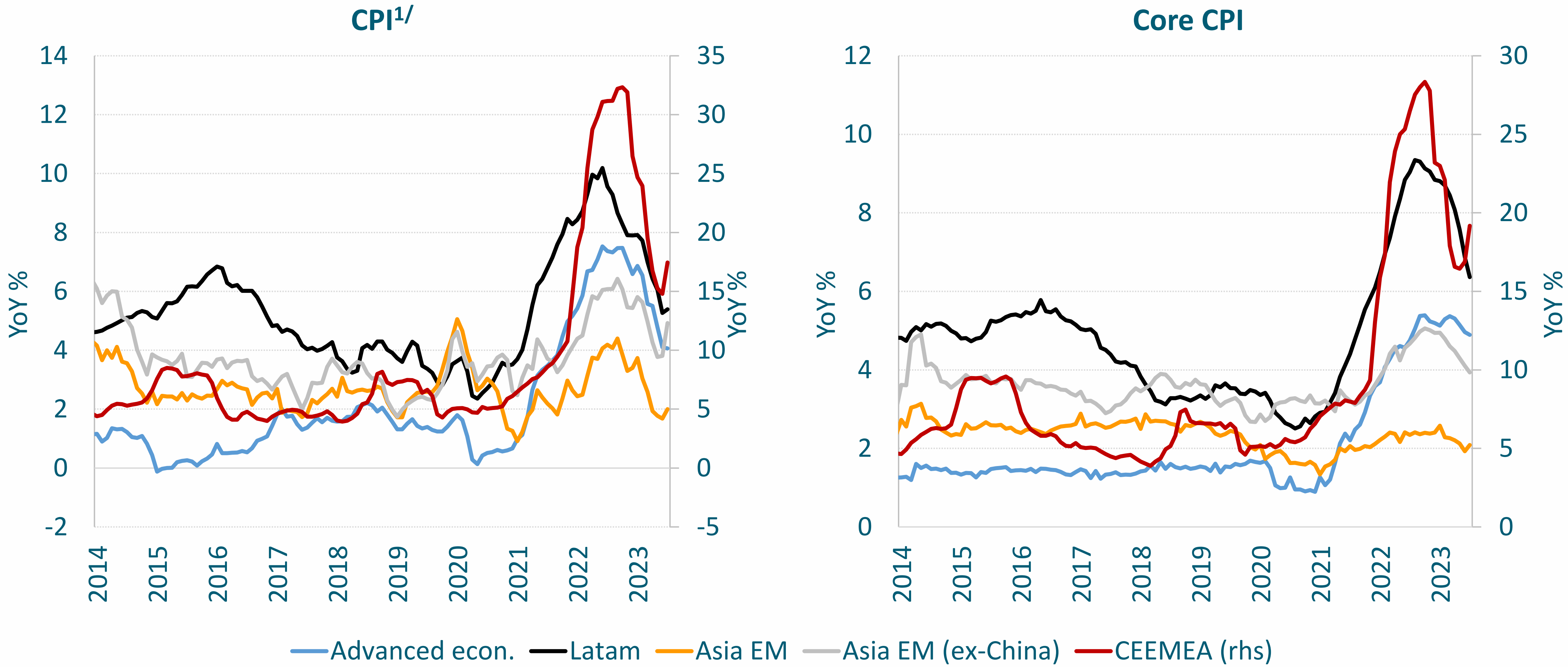
Banco Central do Brasil

Diogo Guillen – Deputy governor

September 8th, 2023

Global outlook

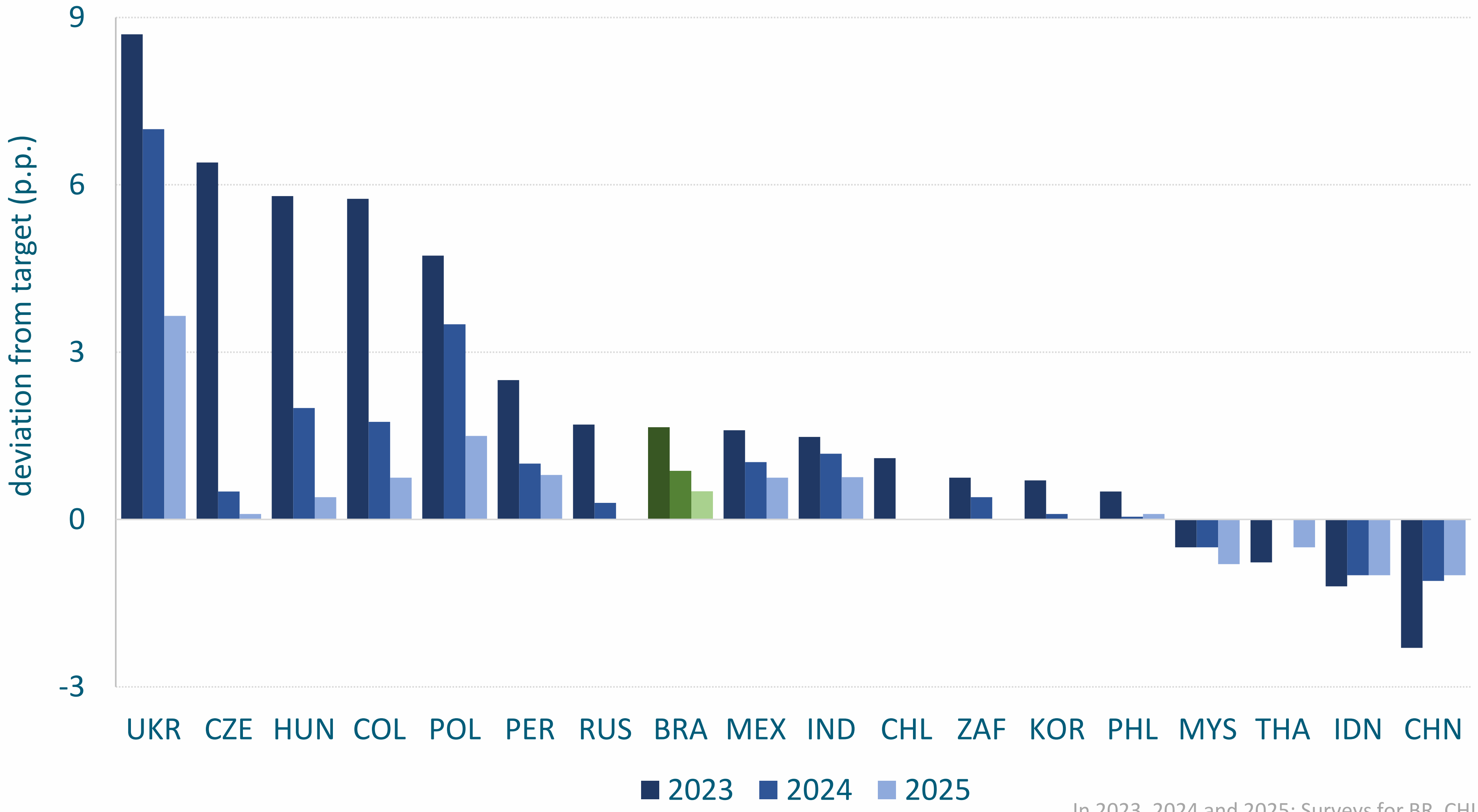
Global inflation



1/ Weighted by PPP; Latam: BRA, MEX, CHL, COL, PER; CEEMEA: TUR, RUS, BGR, CZE, HUN, POL, ROU, SVK; Asia EM: CHN, IDN, IND, KOR, HKG, MYS, PHL, SGP, TWN, THA; Advanced economies: DEU, FRA, ITA, GRC, PRT, IRL, ESP, CHE, NOR, SWE, DNK, FIN, USA

Source: Bloomberg

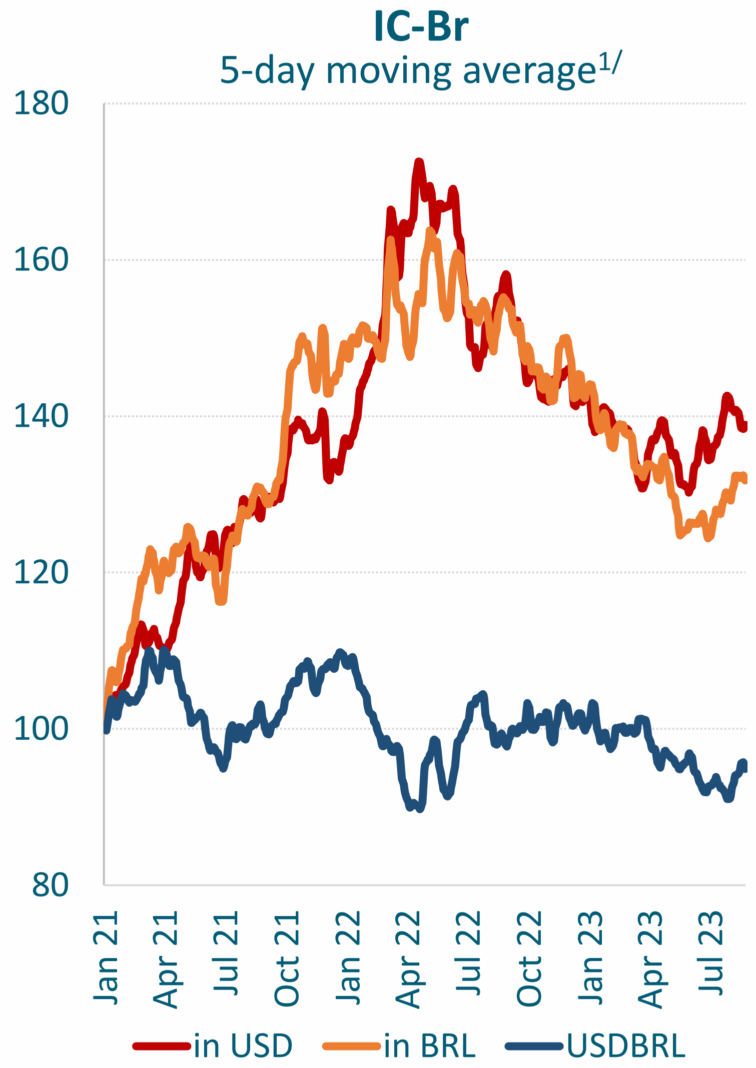
Inflation expectations

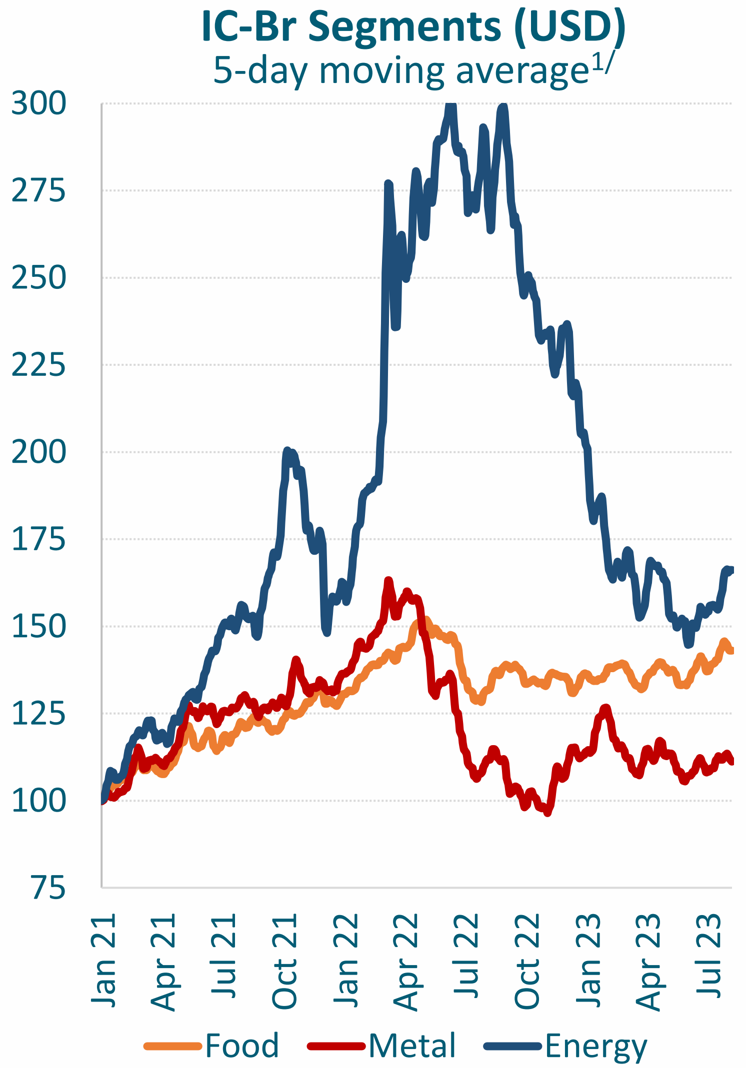


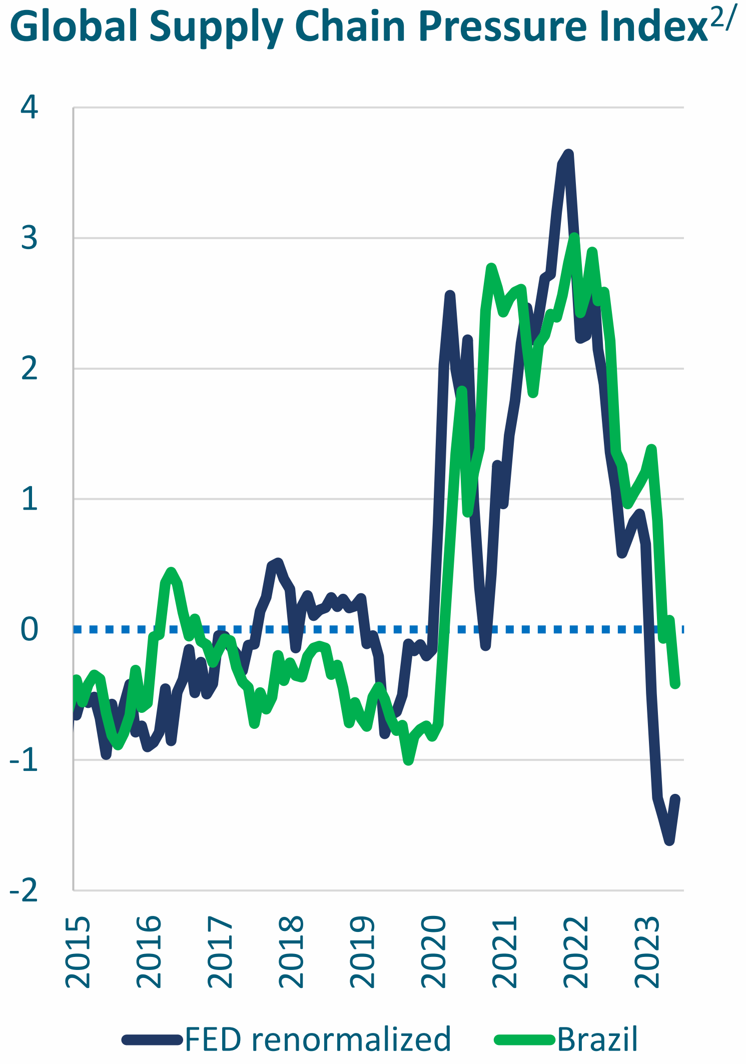
In 2023, 2024 and 2025: Surveys for BR, CHL, COL, MEX, PER and RUS
Others: Bloomberg (2023: YoY end of period; 2024 and 2025: annual average)

Sources: Bloomberg and surveys of central banks

Commodity prices



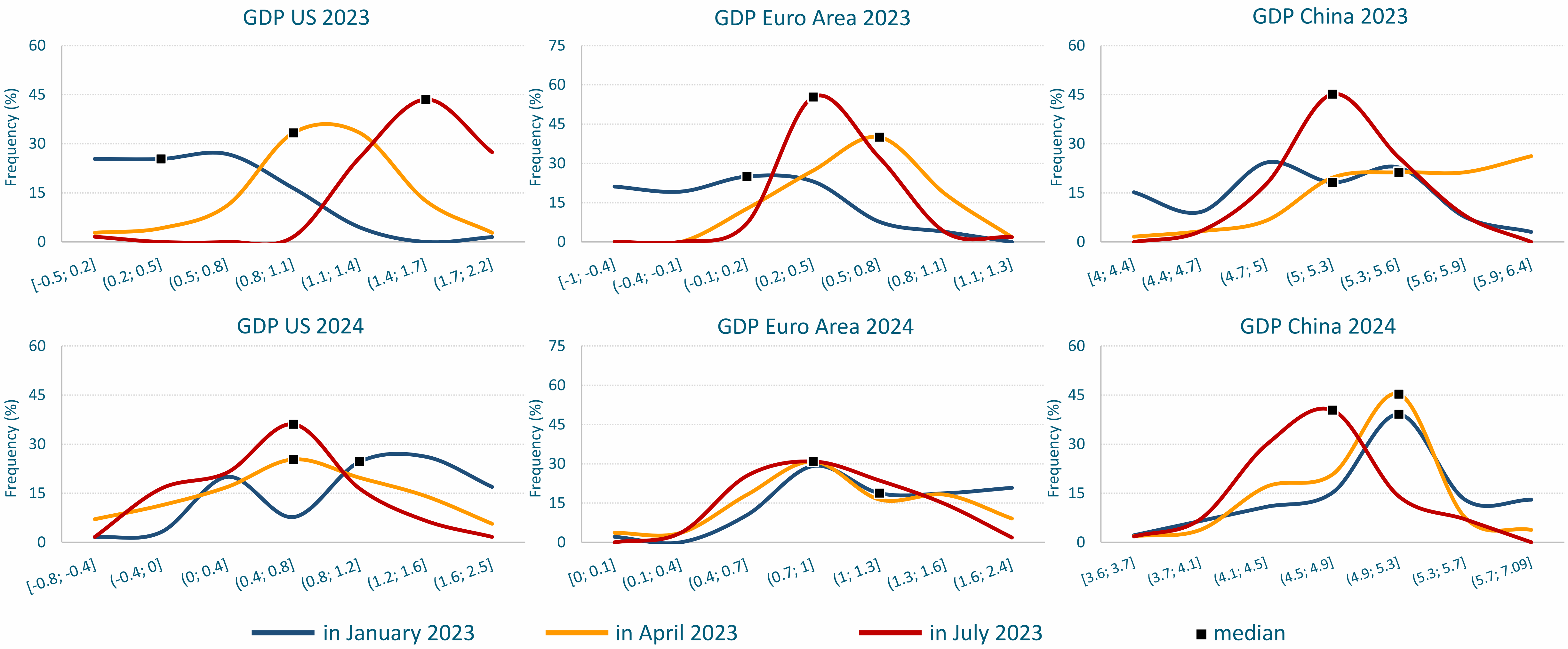




Sources: BCB, Bloomberg and Federal Reserve of New York

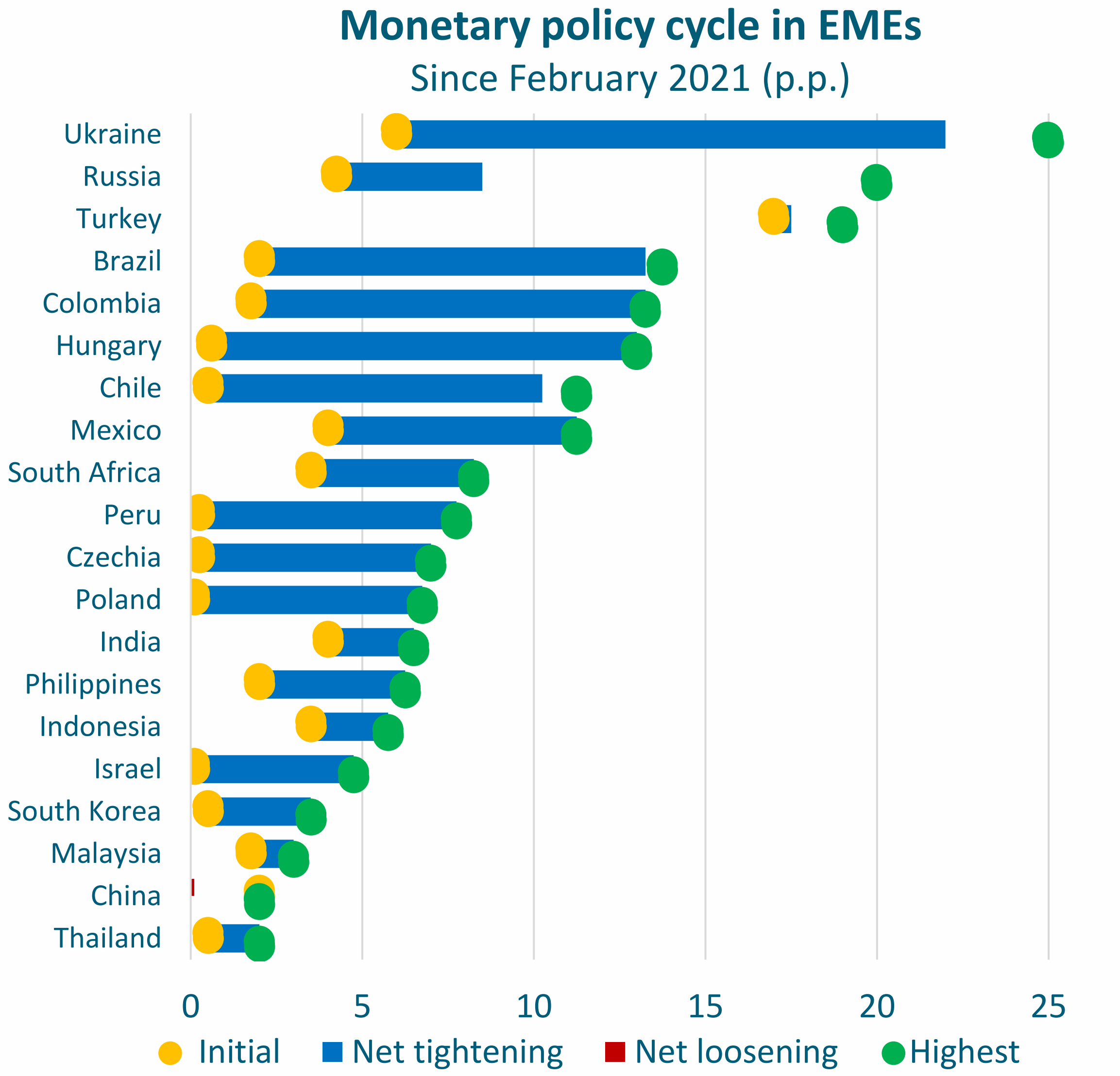
1/ Index December 31st = 100
2/ standard deviations to the average

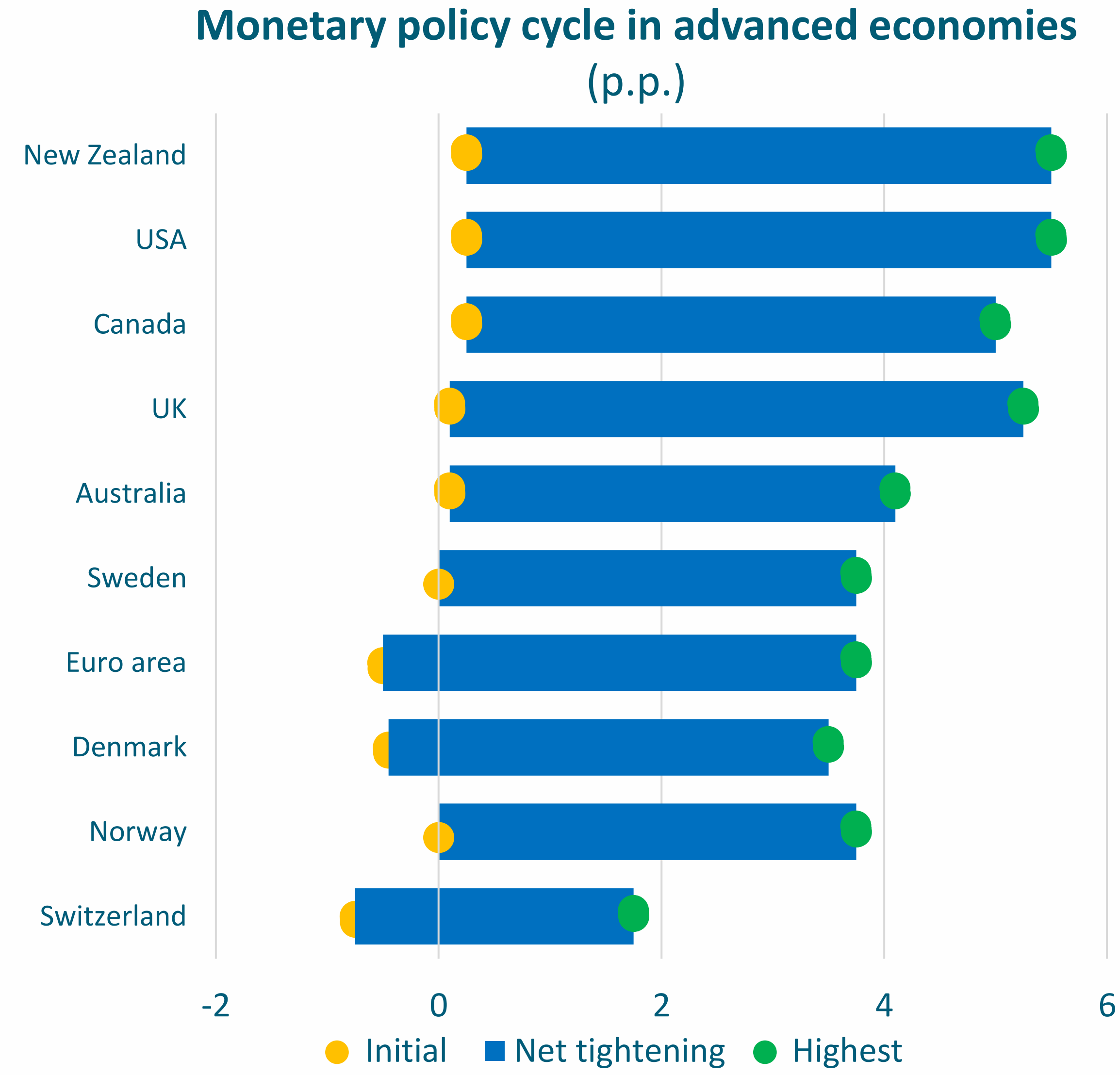
GDP growth expectations



Source: Bloomberg

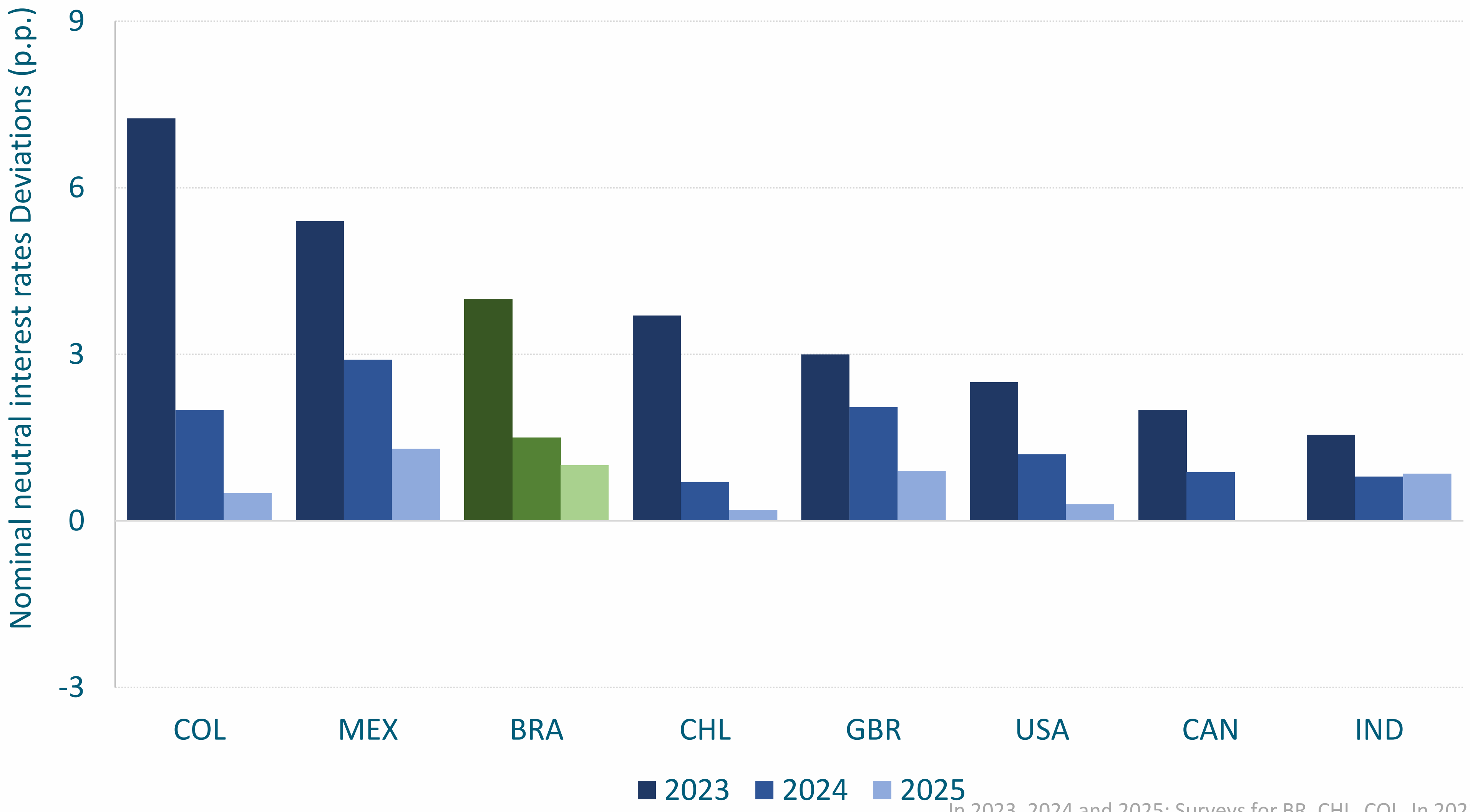
Monetary policy cycle in EMEs and advanced economies





BANCO CENTRAL DO BRASIL

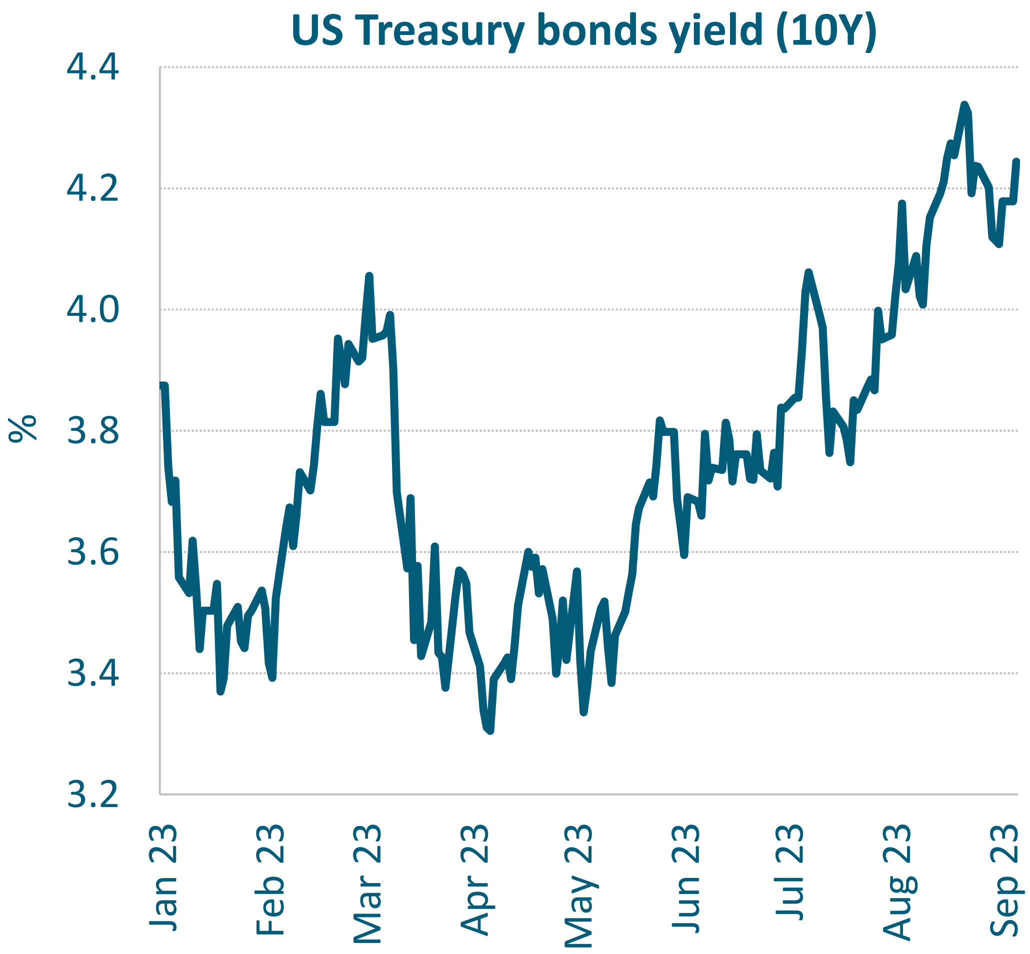
Interest Rate Expectations

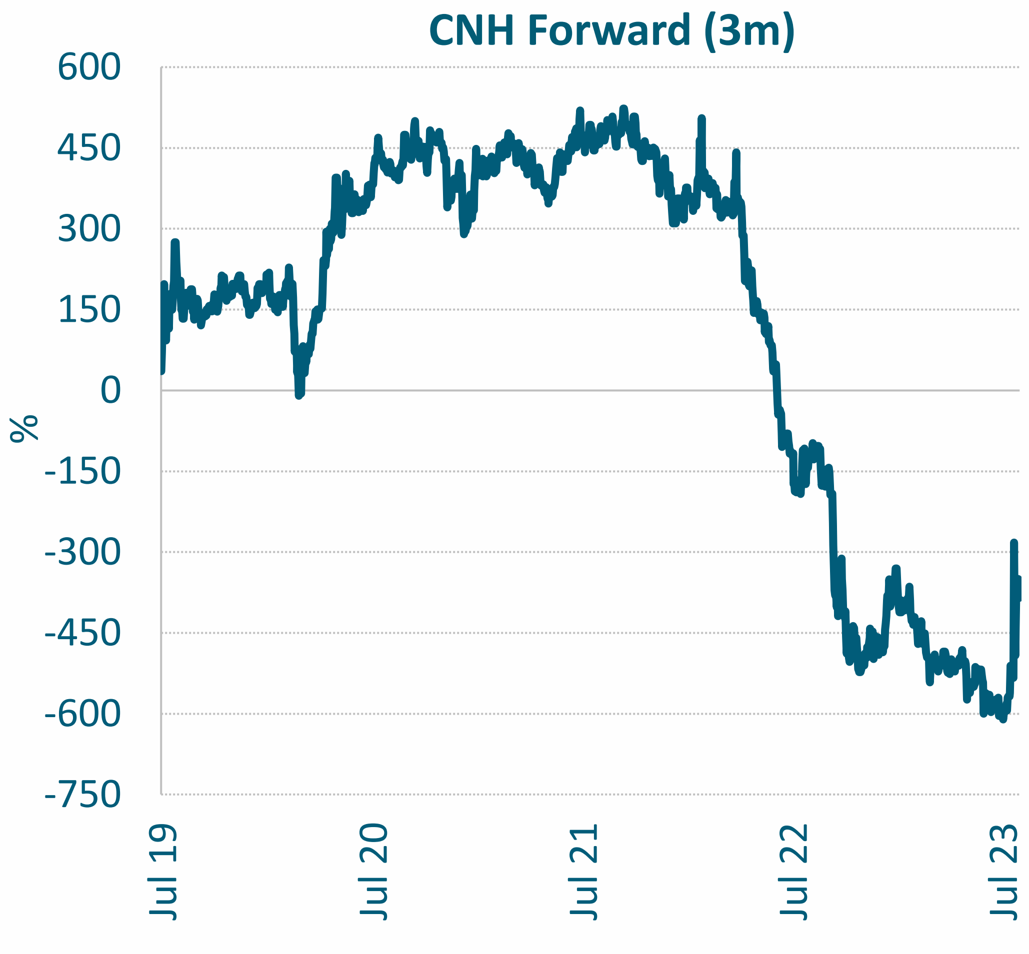


In 2023, 2024 and 2025: Surveys for BR, CHL, COL. In 2023 and 2024: Surveys MEX
Others: Bloomberg (2023: YoY end of period; 2024 and 2025: annual average)

Source: Bloomberg

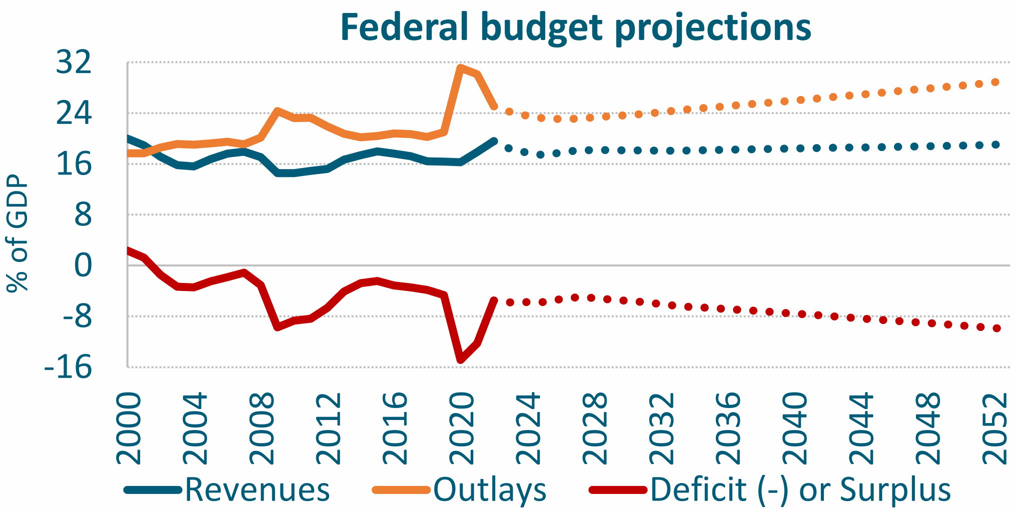
Recent price symptoms

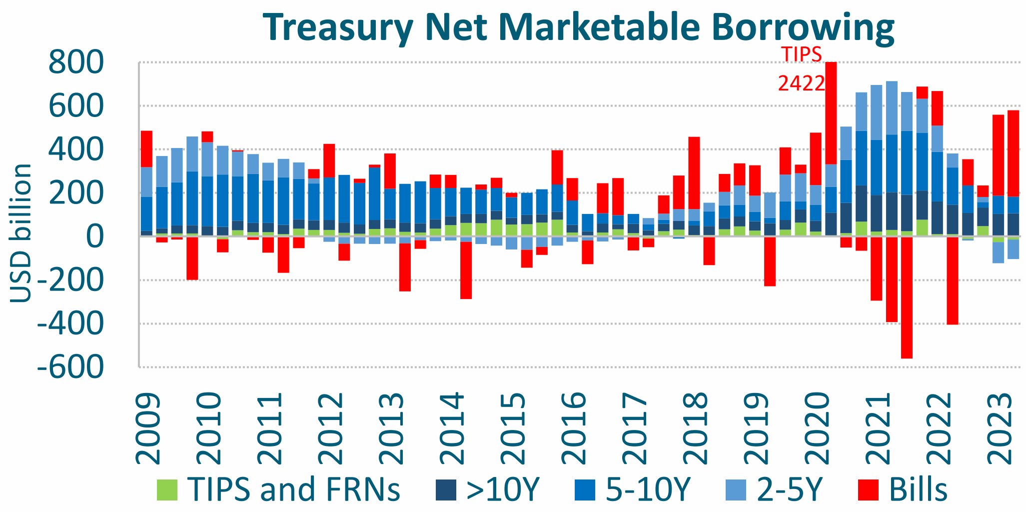


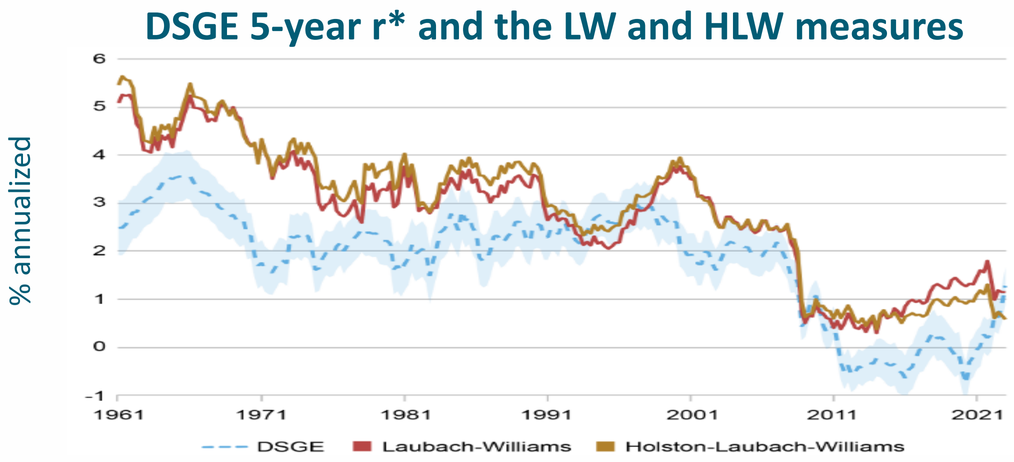


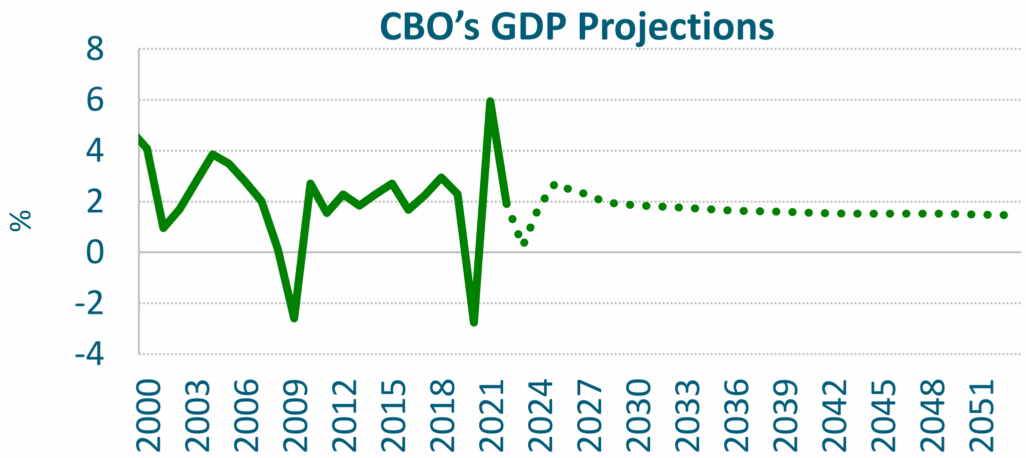
Source: Bloomberg

US Factors



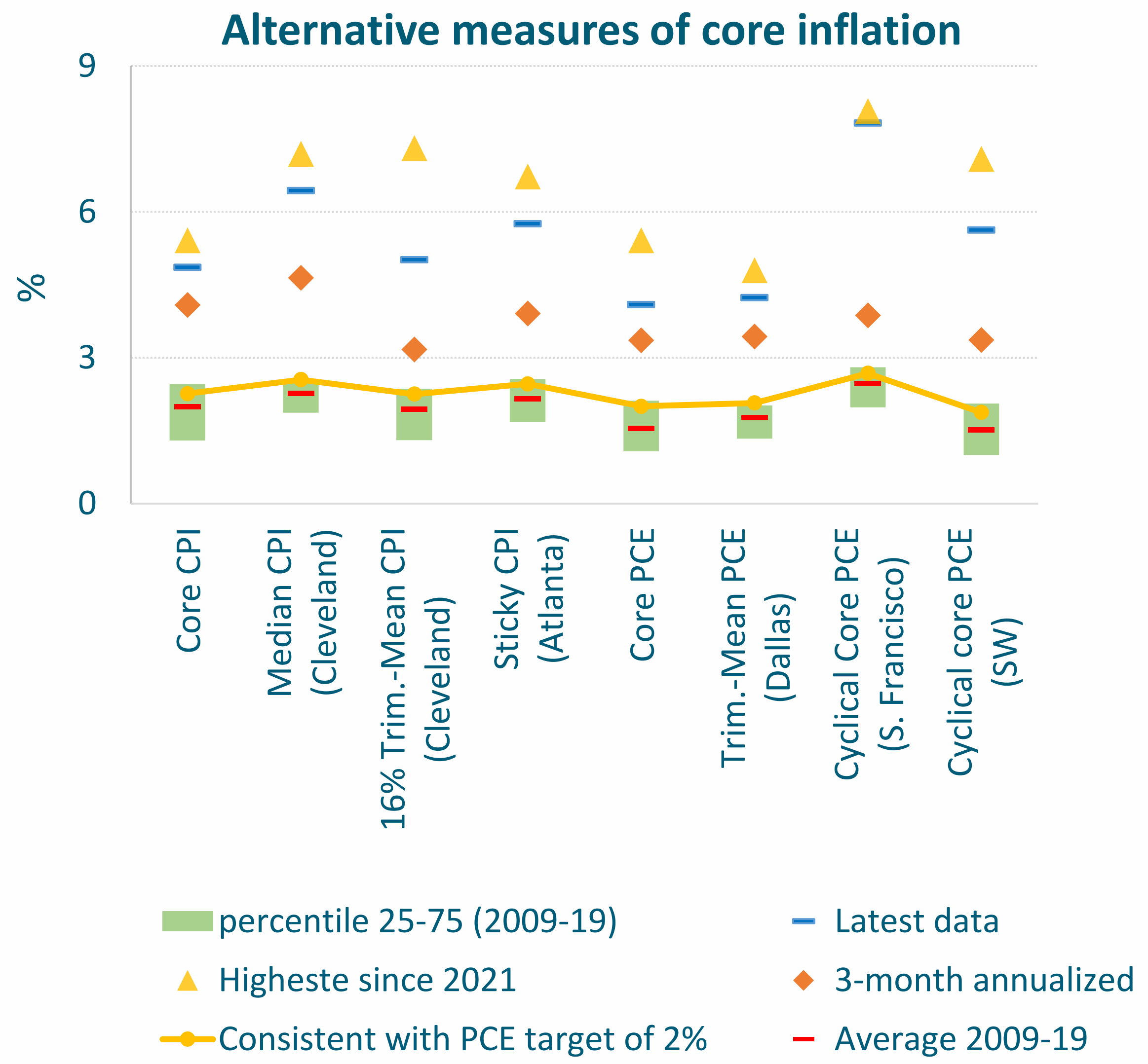


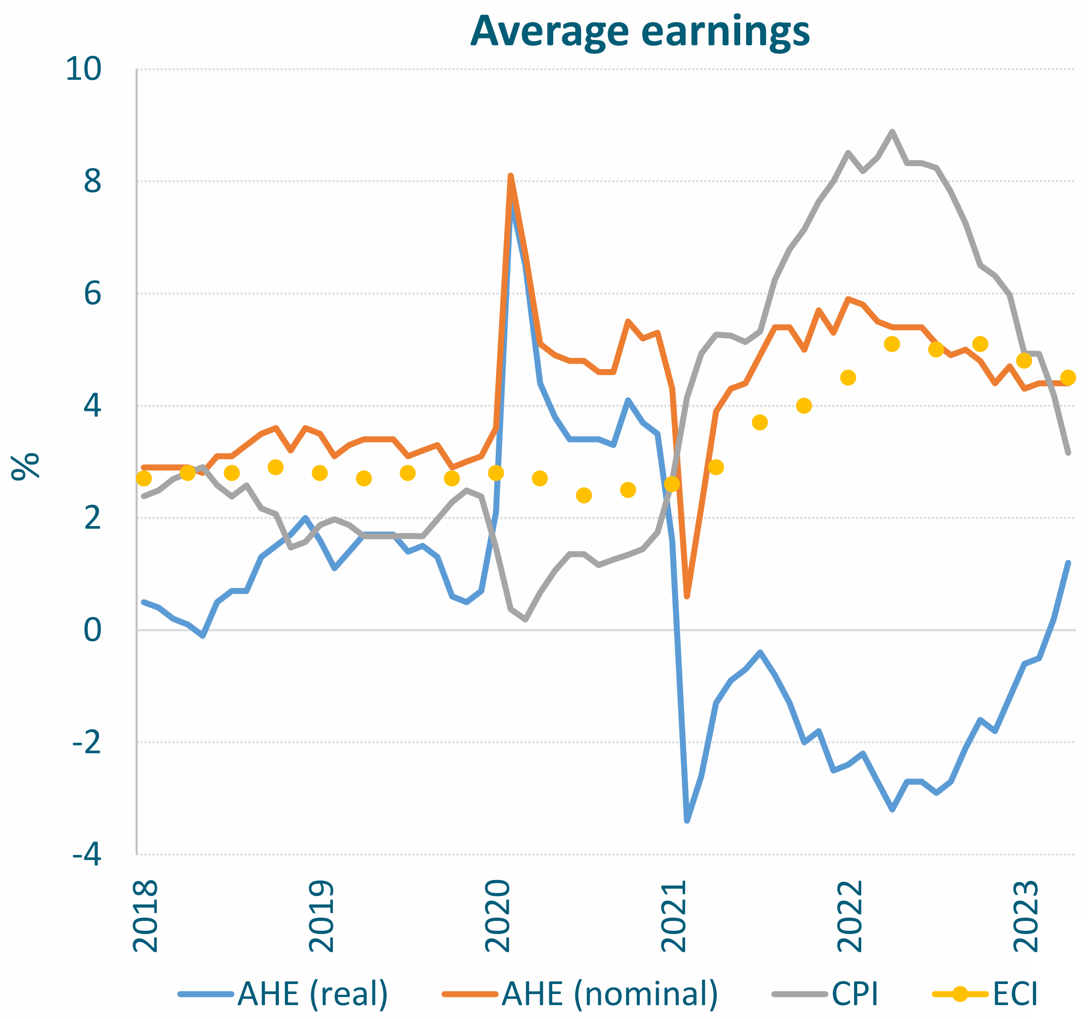




Sources: CBO, US Treasury and Federal Reserve of New York

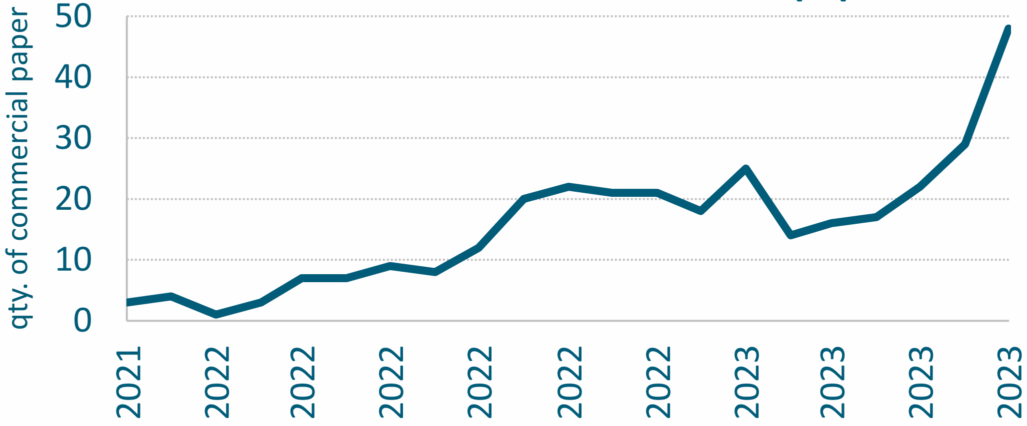
Core inflation and labor market in the US



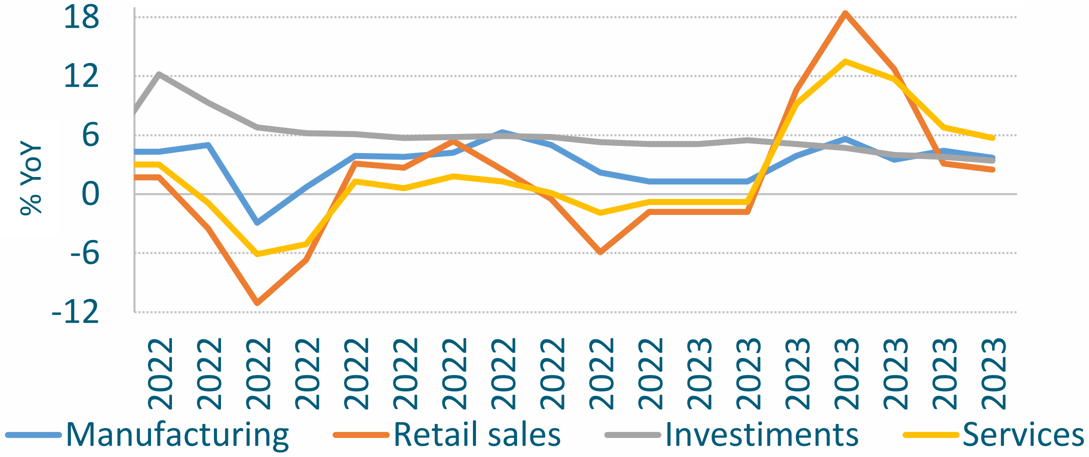


China Factors

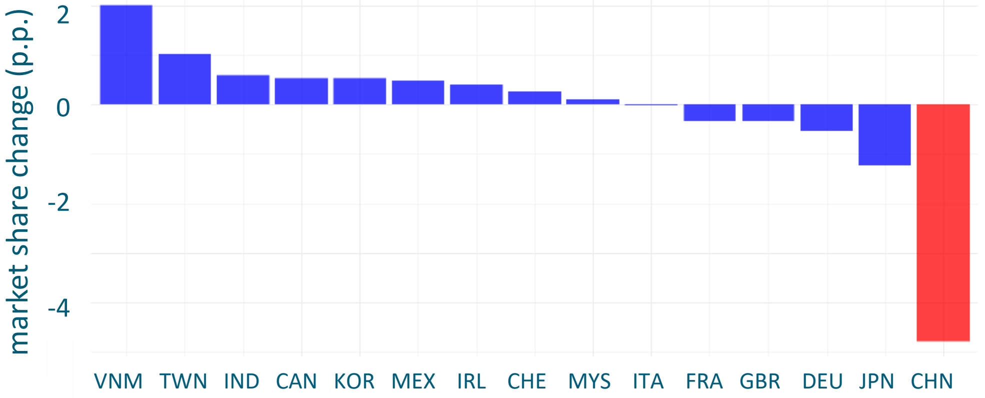
LGFV – defaults in commercial paper



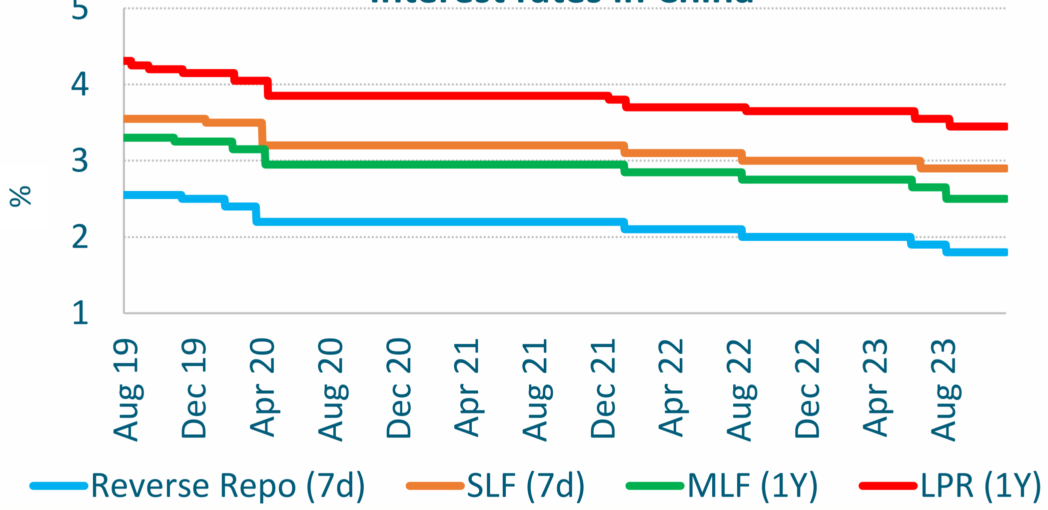
Economic activity



US import market share change (top 15 importing countries)

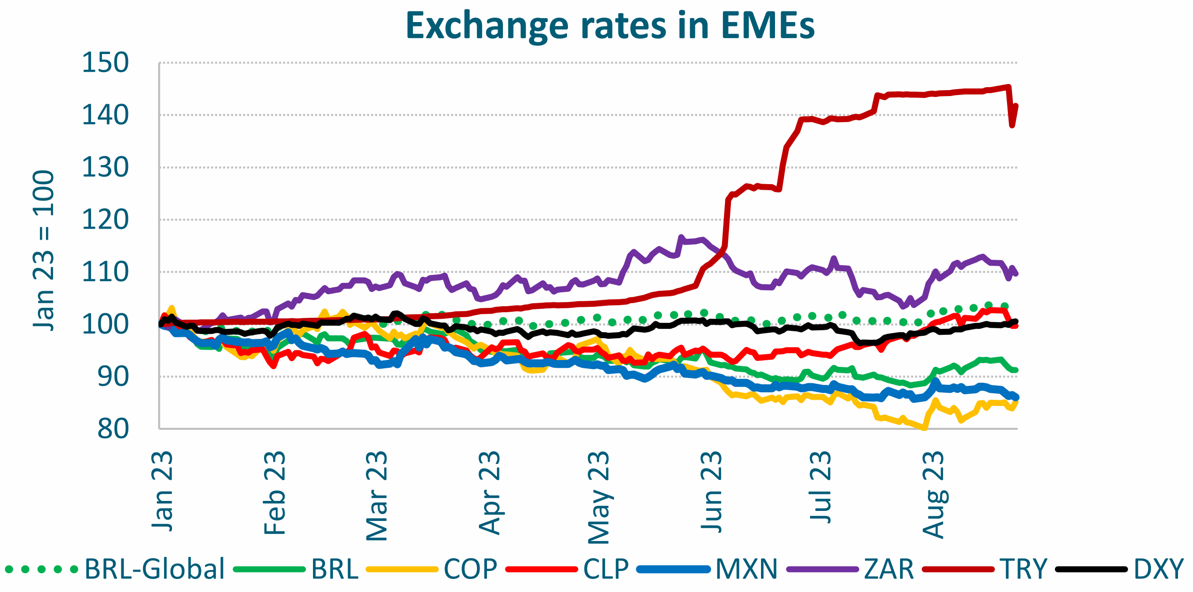


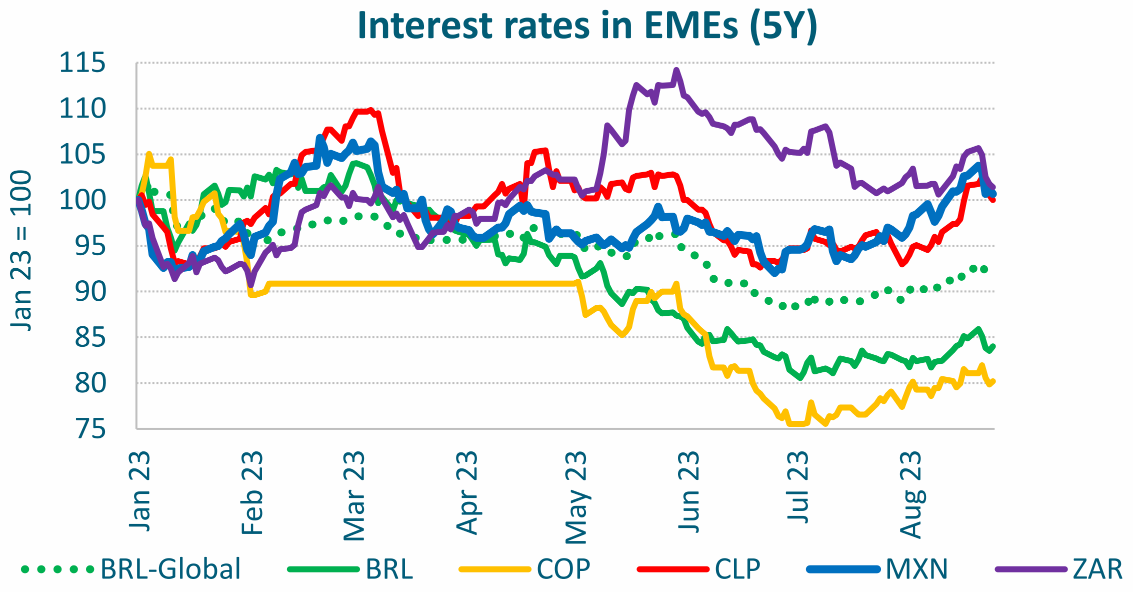
Interest rates in China

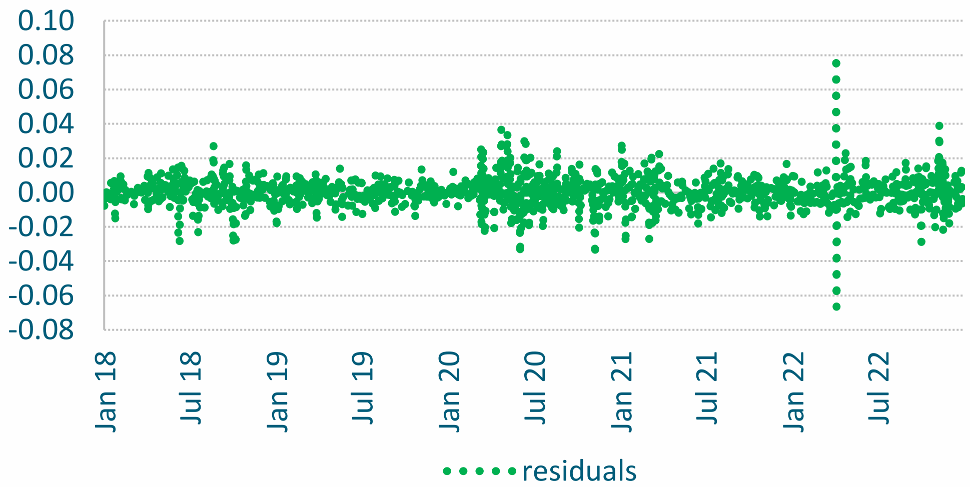


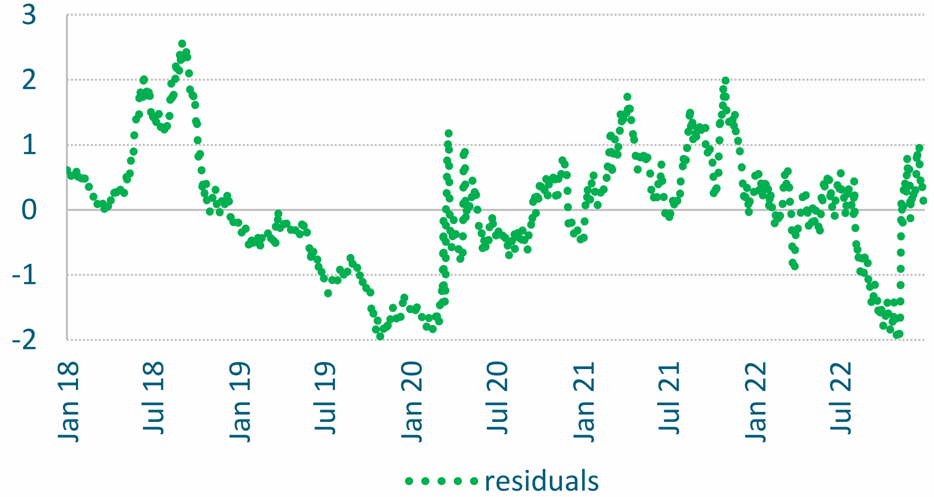
Sources: Bloomberg and Laura Alfaro & Davin Chor

Price Impacts: exchange rate and interest rate



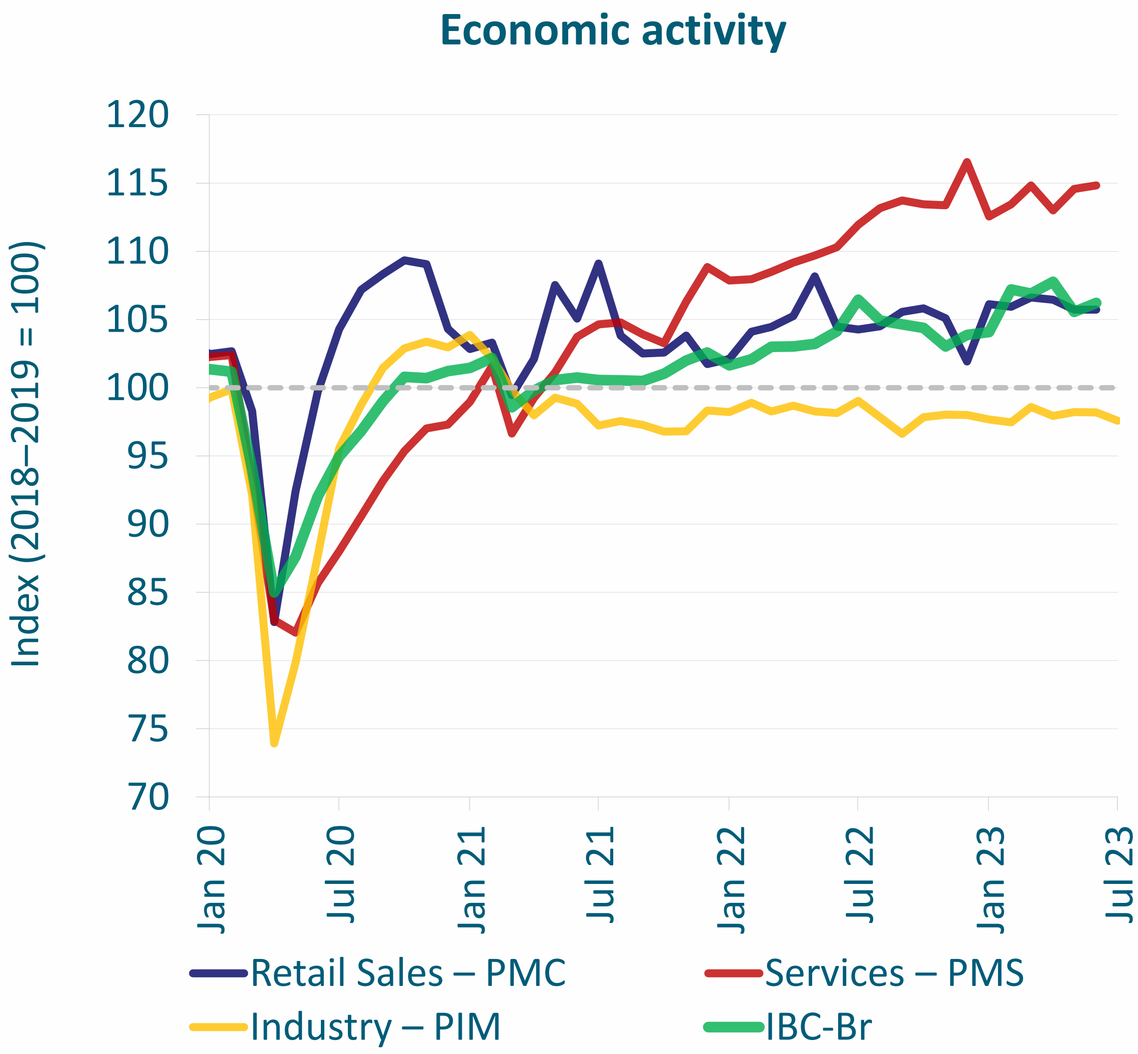


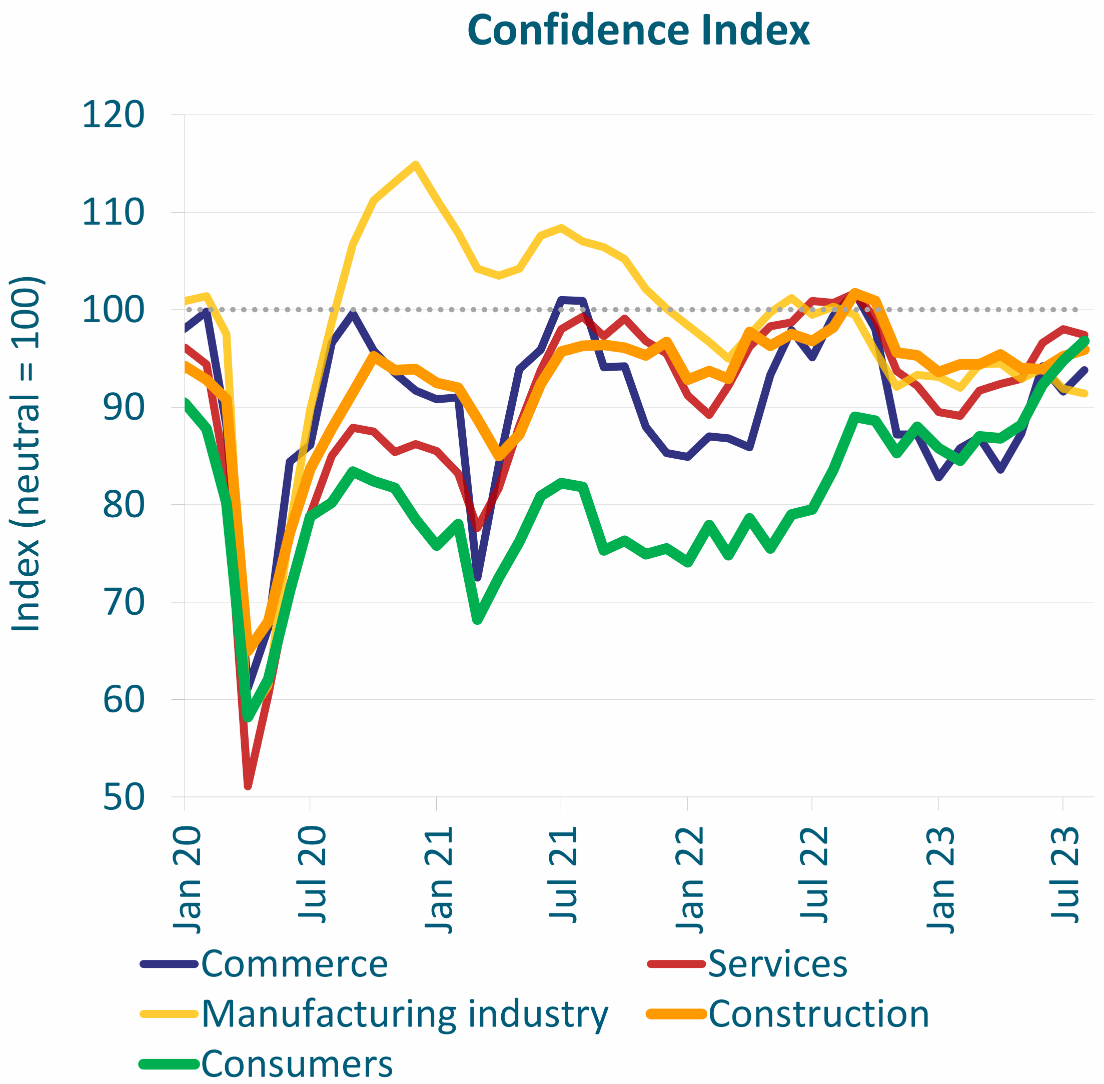




Economic Activity

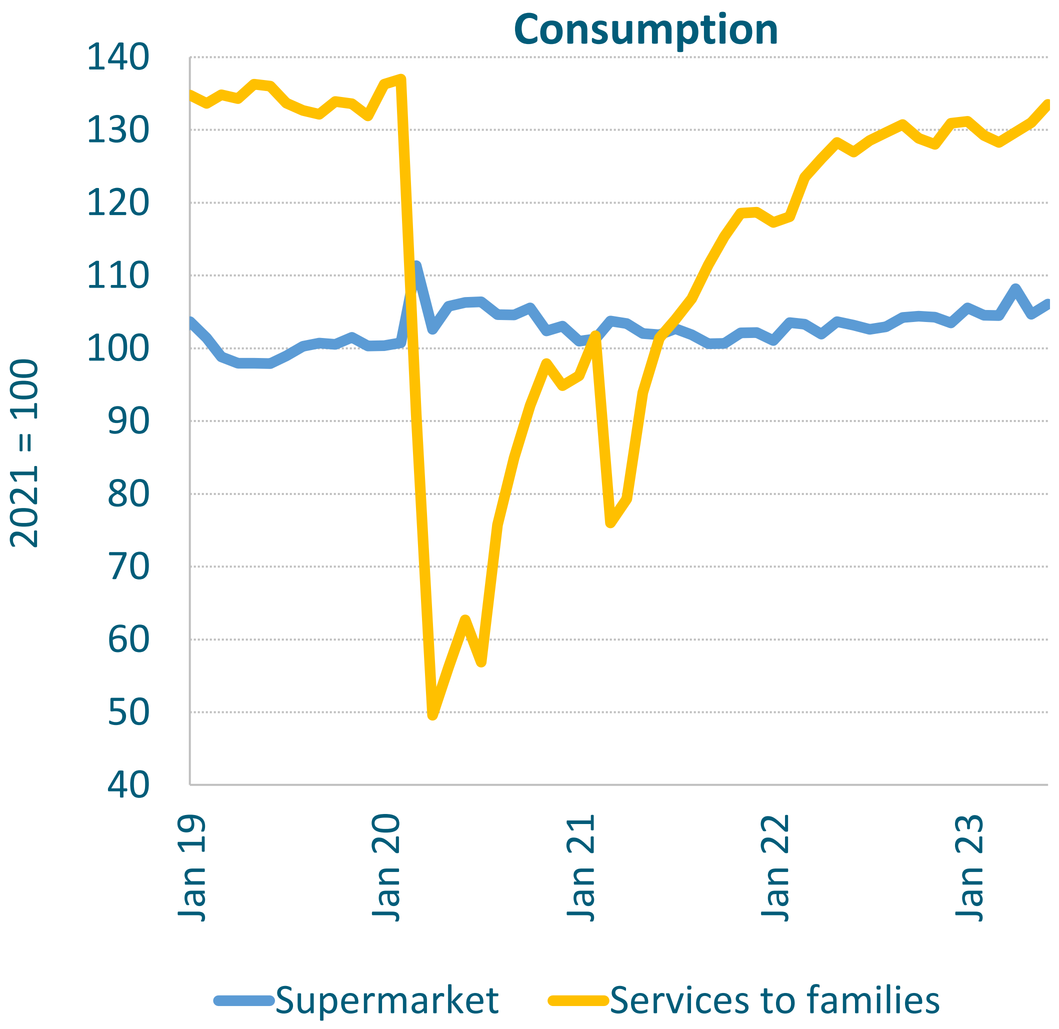
Economic activity

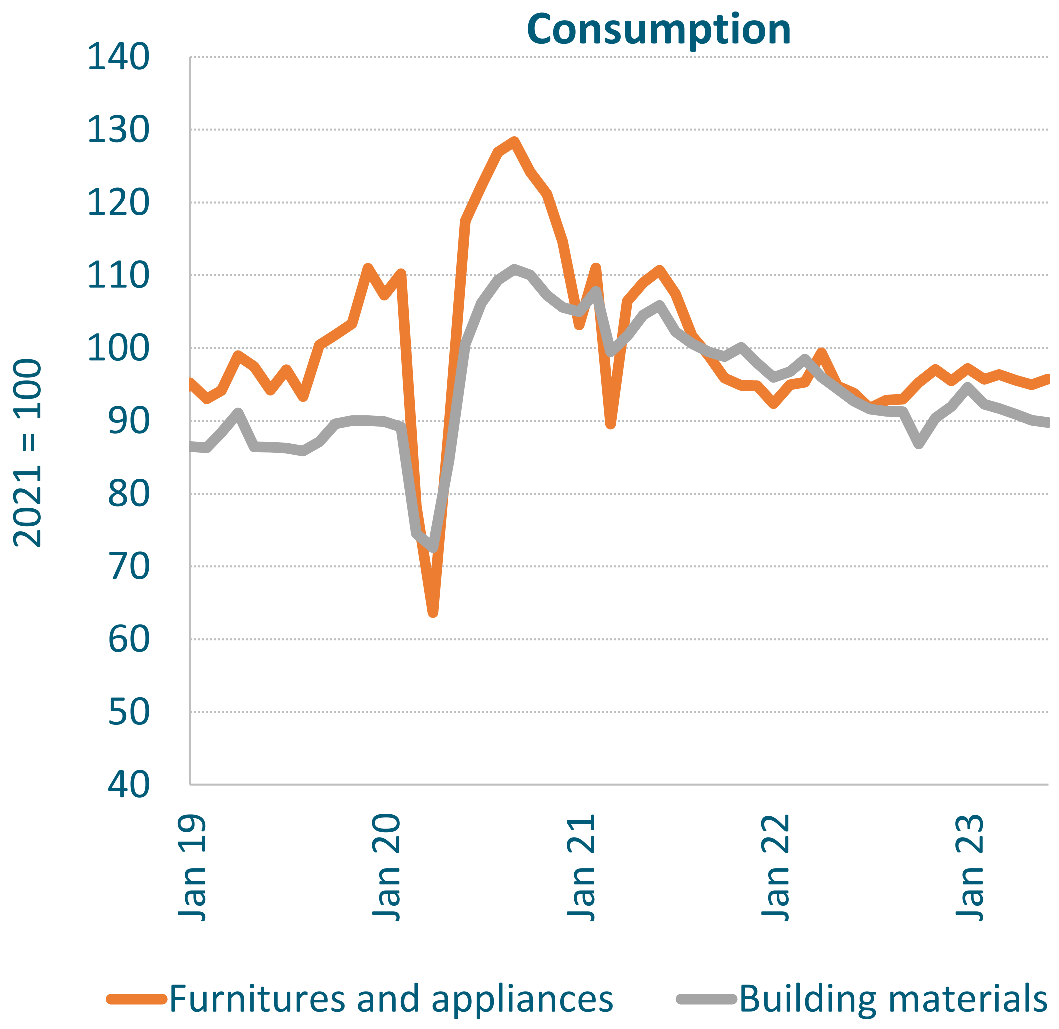




Sources: IBGE, BCB and FGV

Growth across sectors

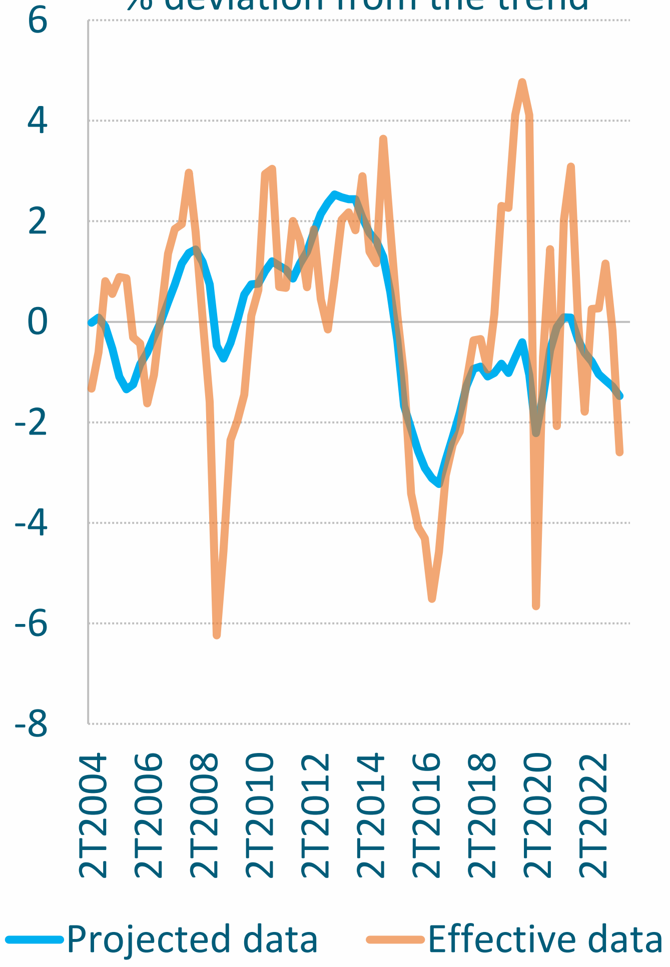




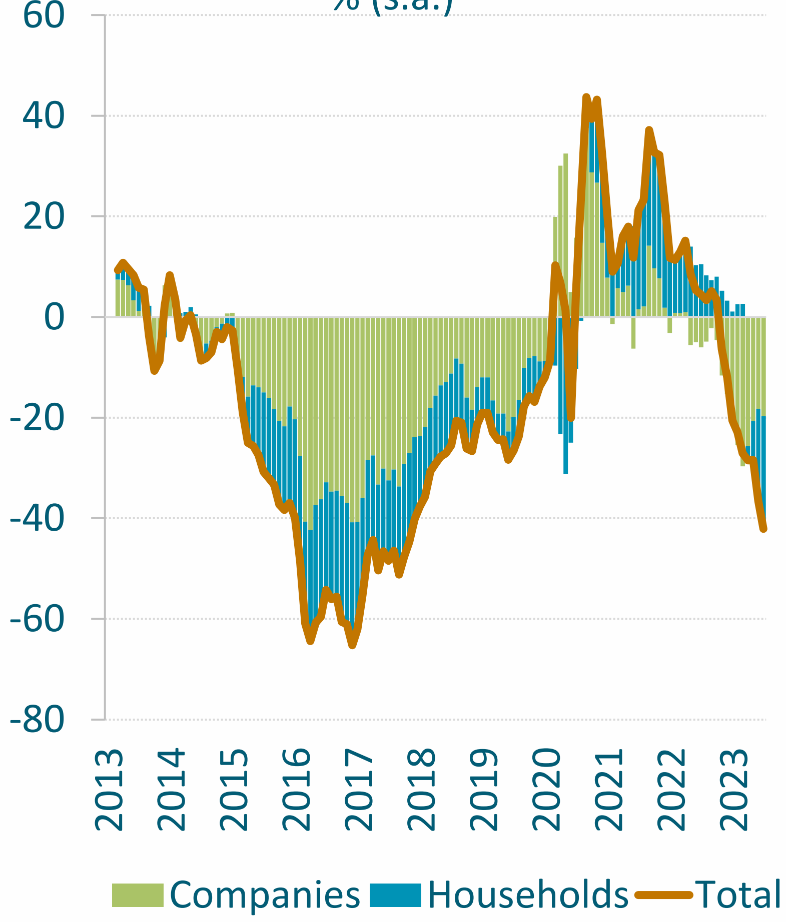
Source: IBGE (PMC and PMS)

Credit

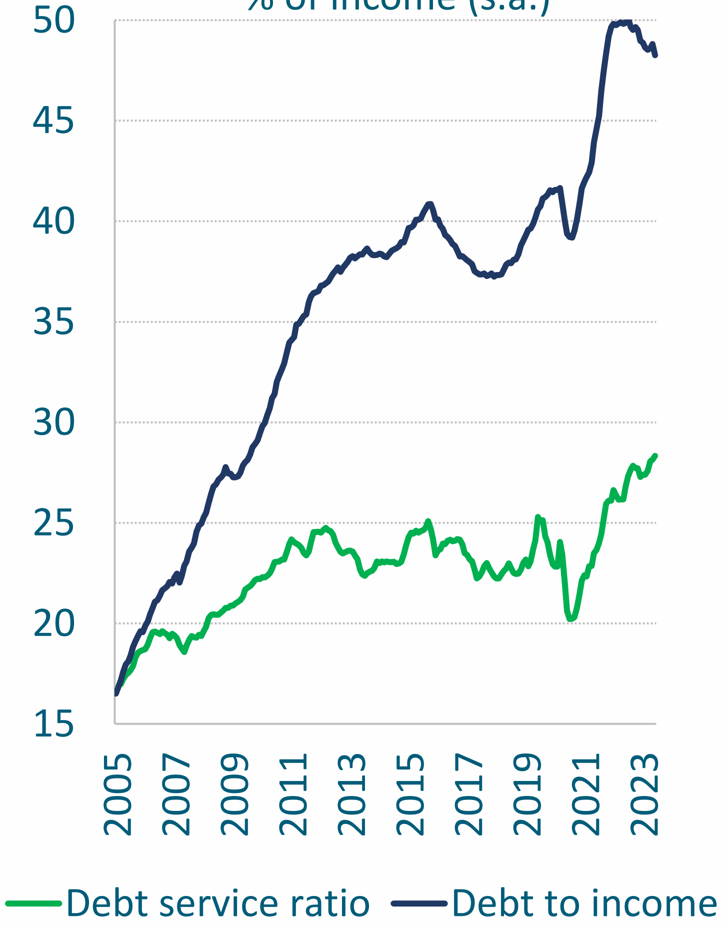
New loans to households[1/]
% deviation from the trend



Financial Flow[2/]
% (s.a.)



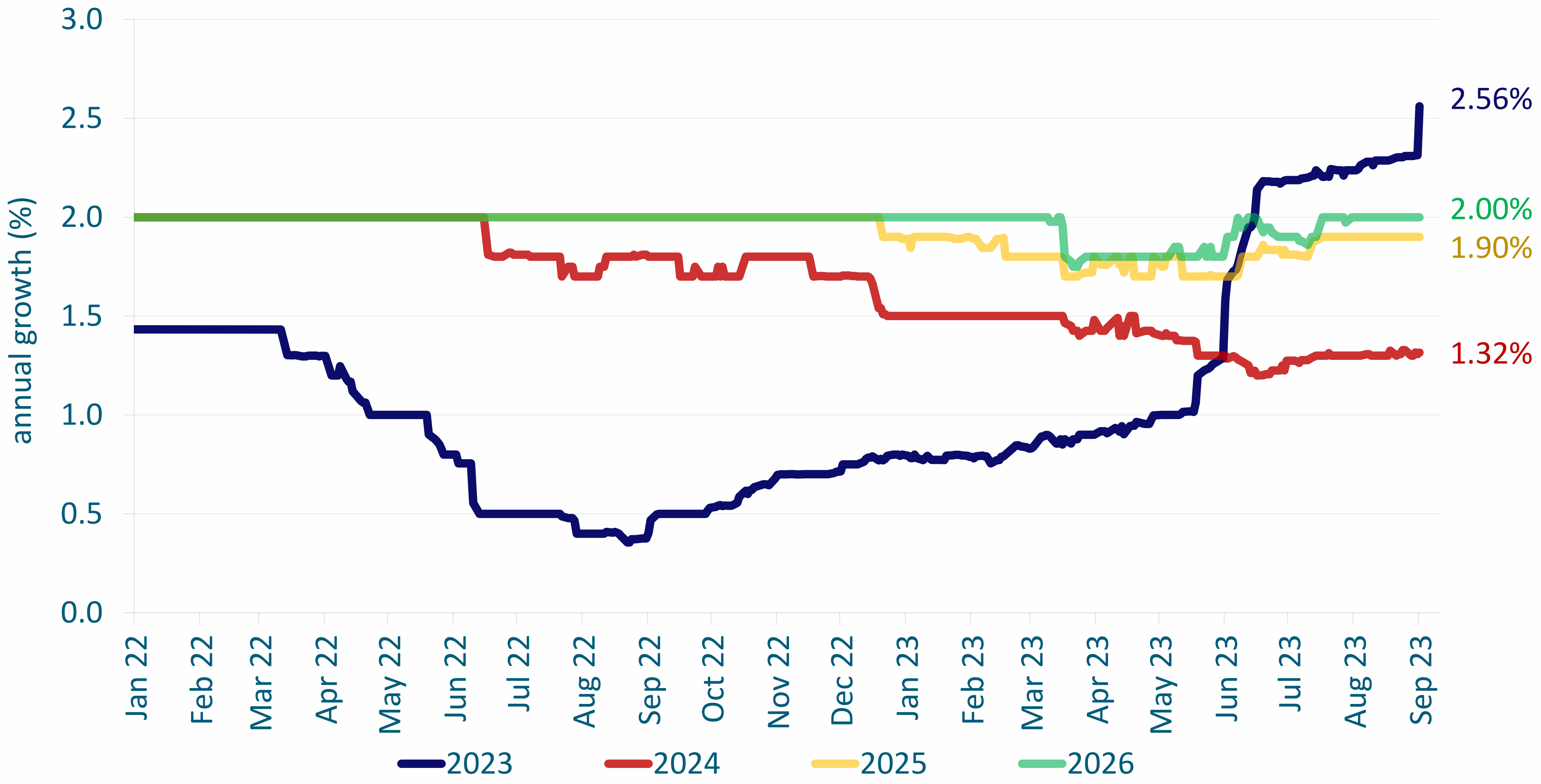
Debt to income and Debt service ratio
% of income (s.a.)



1/ Non-earmarked household credit: personal credit, vehicles financing, other goods financing, overdraft

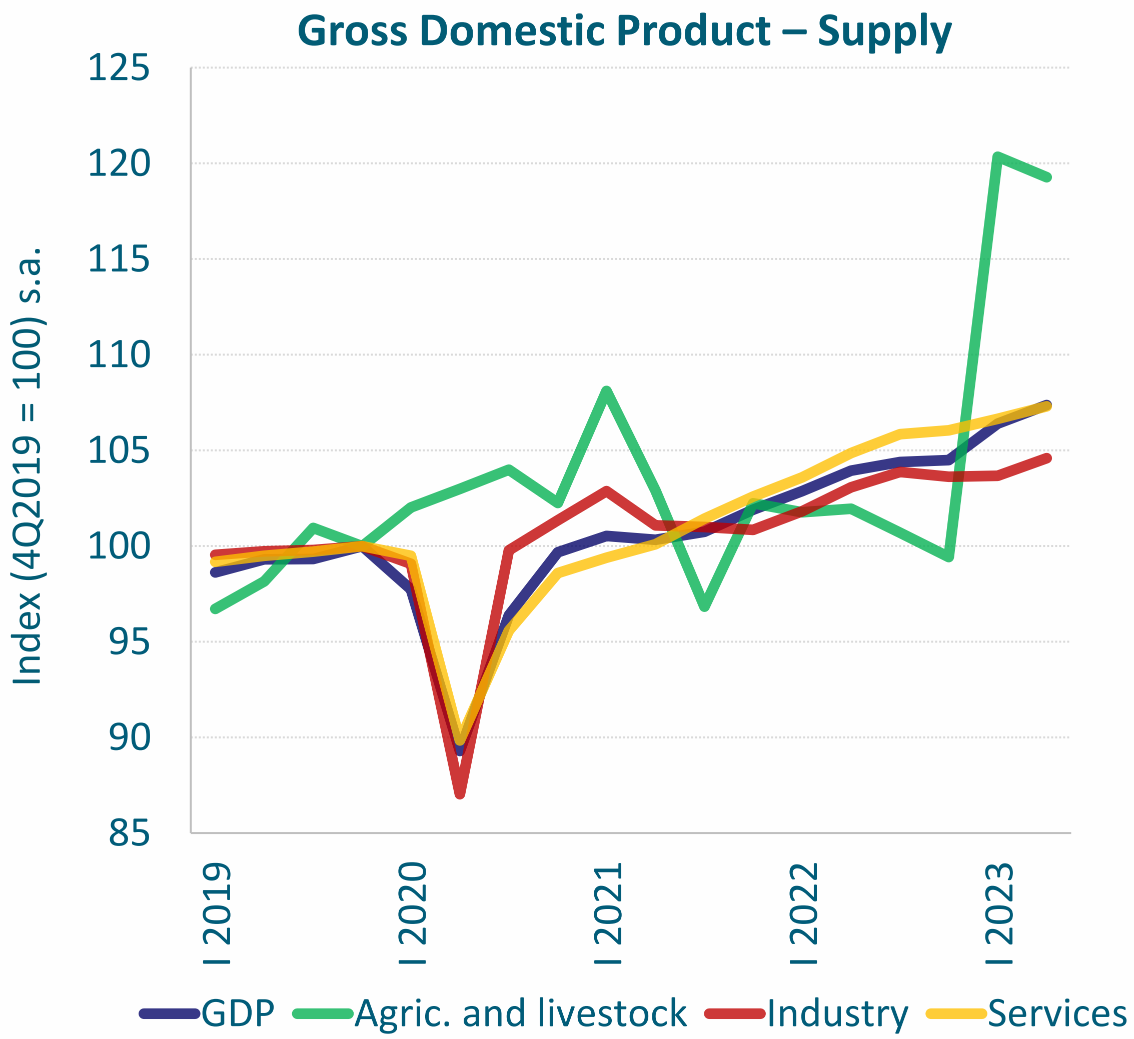
2/ Financial flow = new loans– payments. 3-month moving average in R$ billion (July 2023 prices)

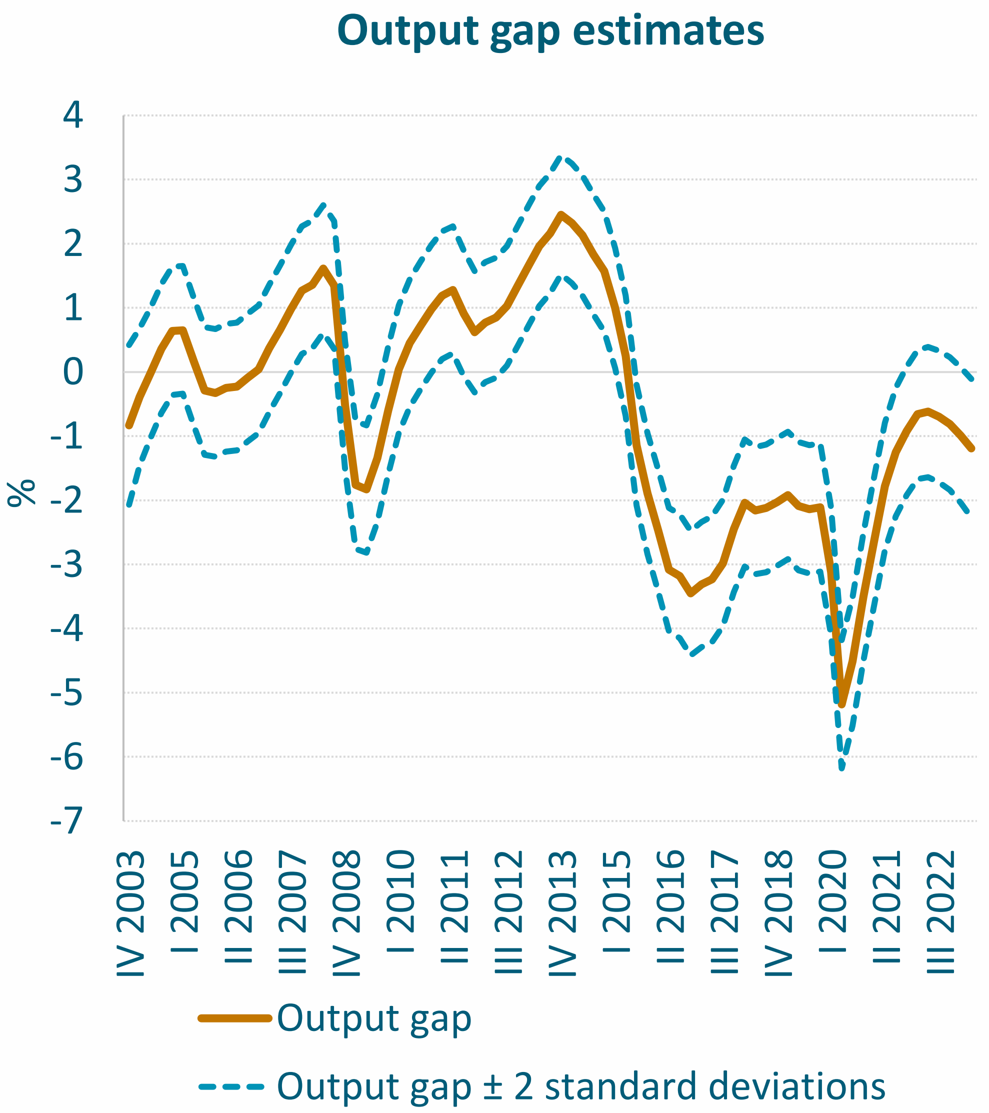
Growth Expectations



Focus: up to September 1st

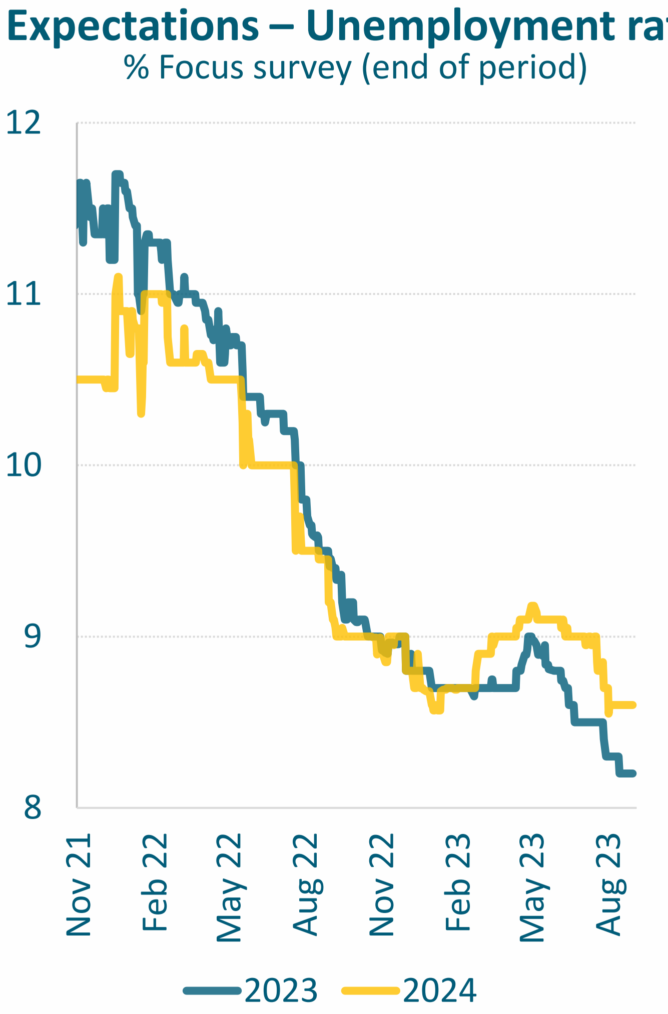
Quarterly GDP and output gap

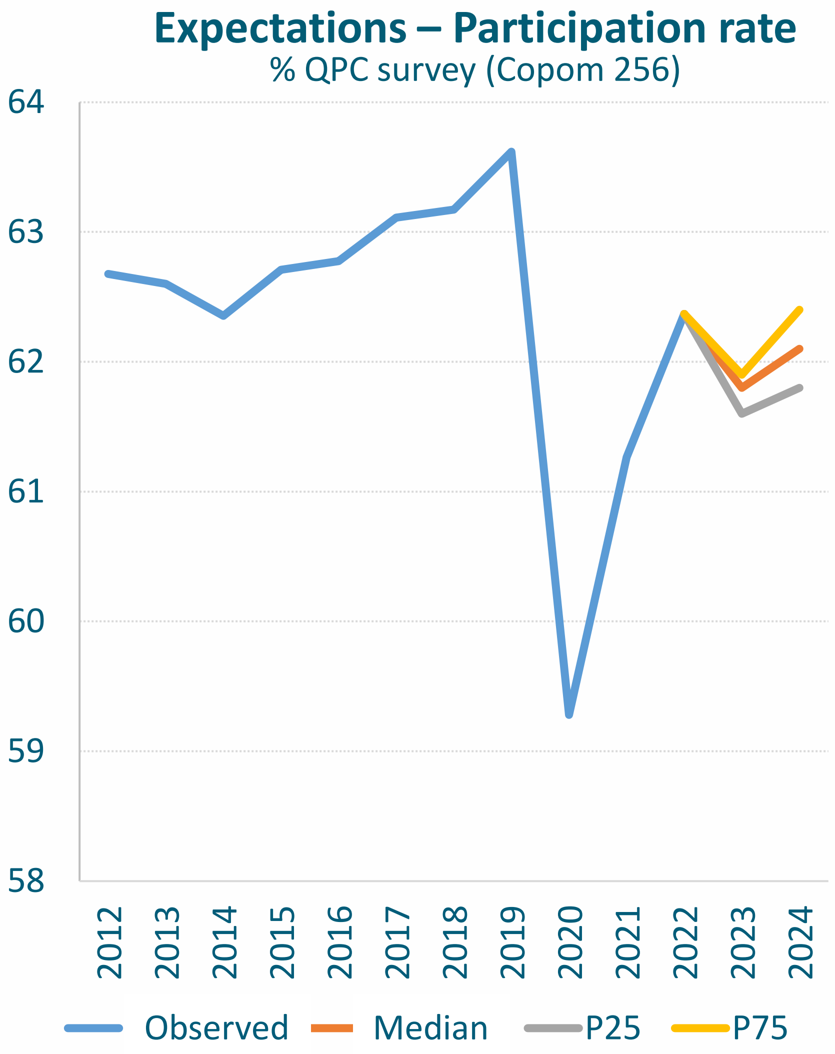


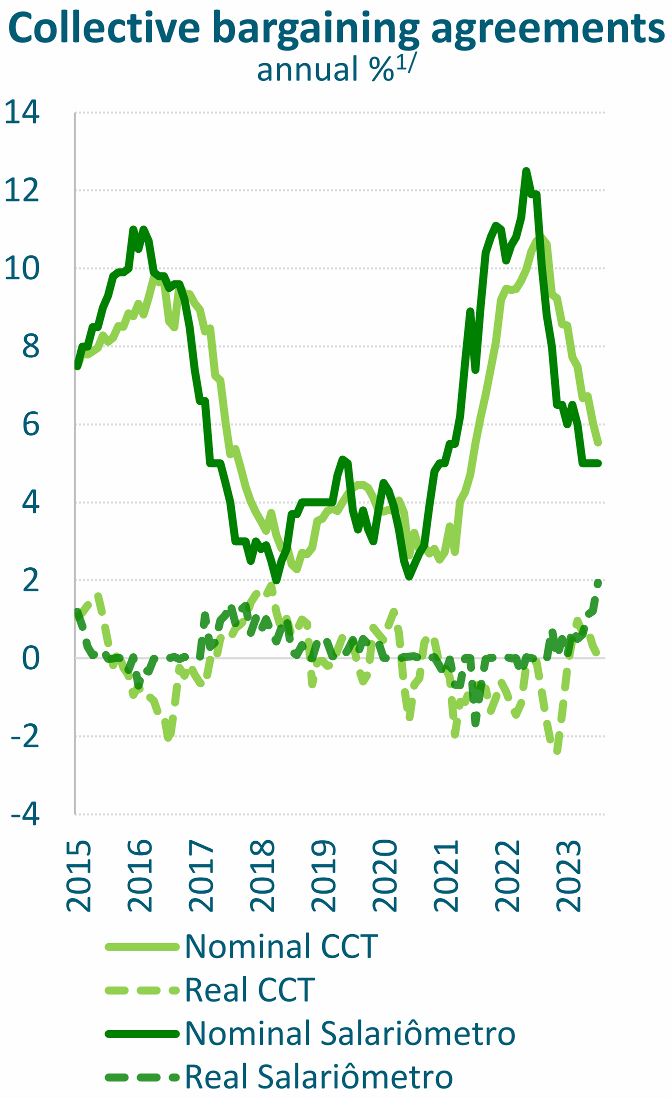


Sources: IBGE and BCB

Labor market slack





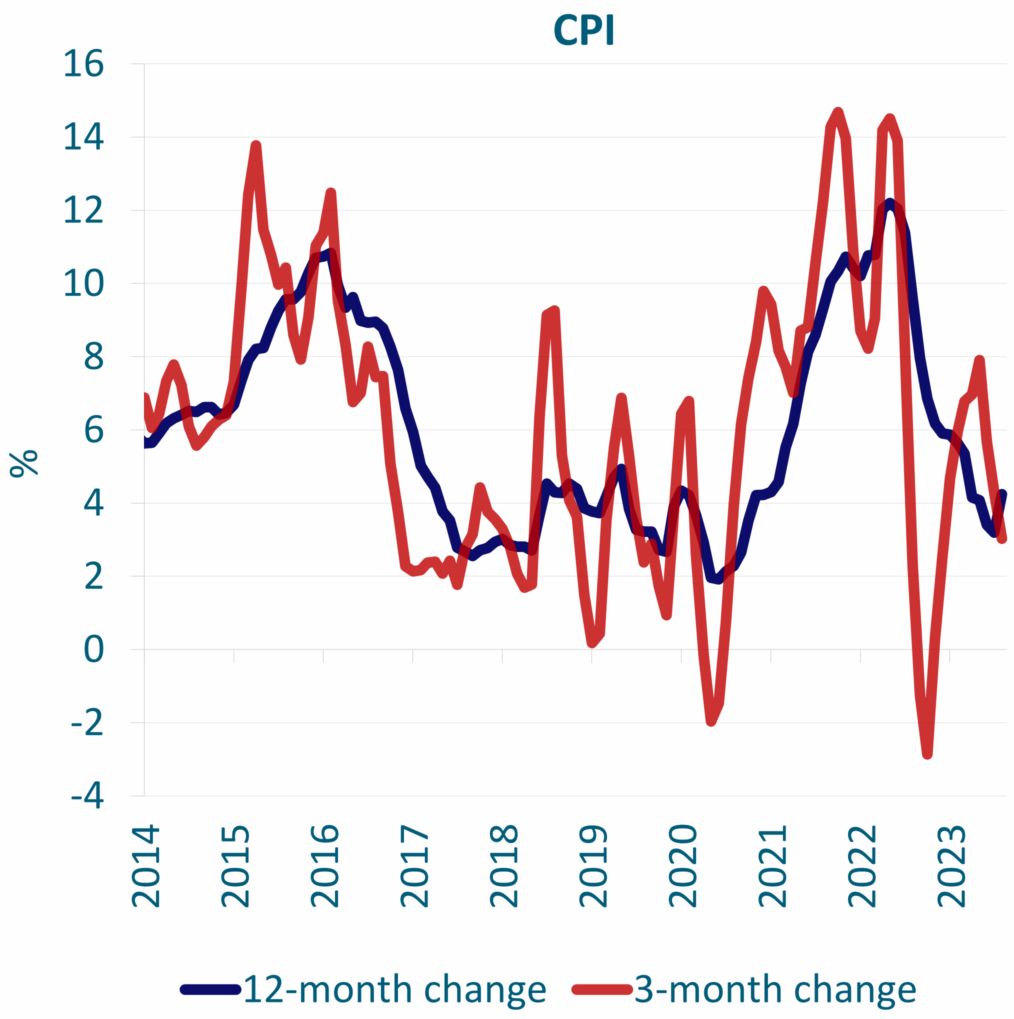


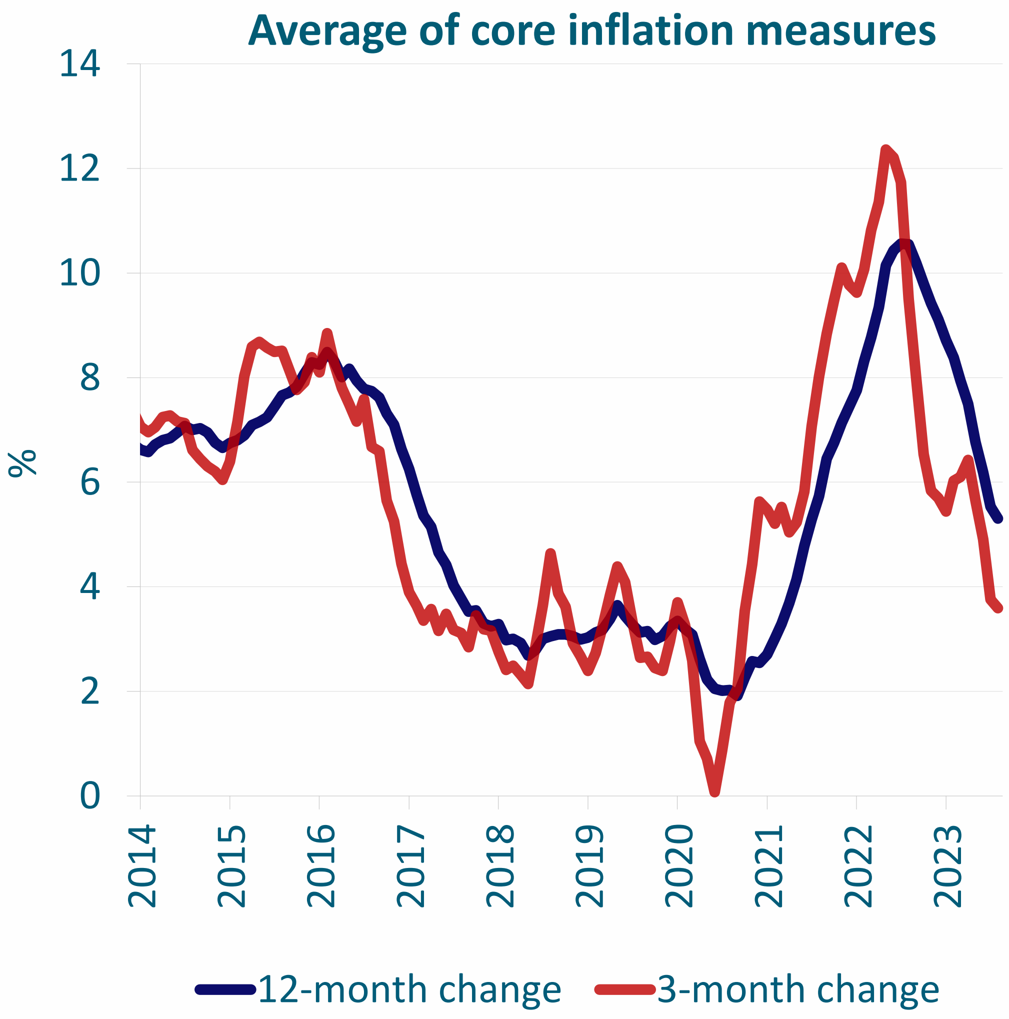
Sources: BCB and Fipe

1/ CCT: nominal average wage adjustment in São Paulo and Rio de Janeiro deflated by INPC (t-5); Salariômetro: nominal median adjustment, deflated by INPC (t-1).

Inflation

Headline and Core Inflation

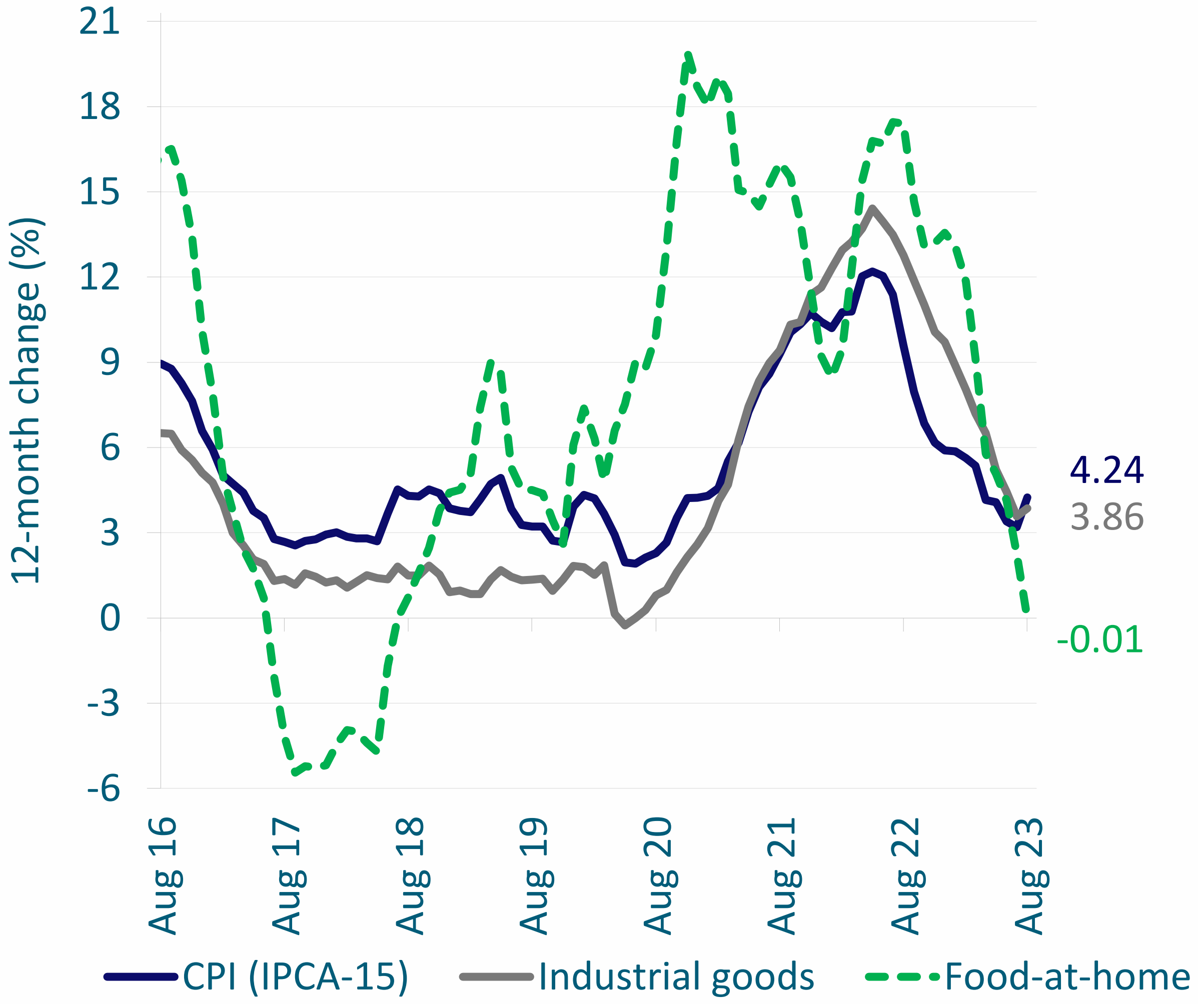


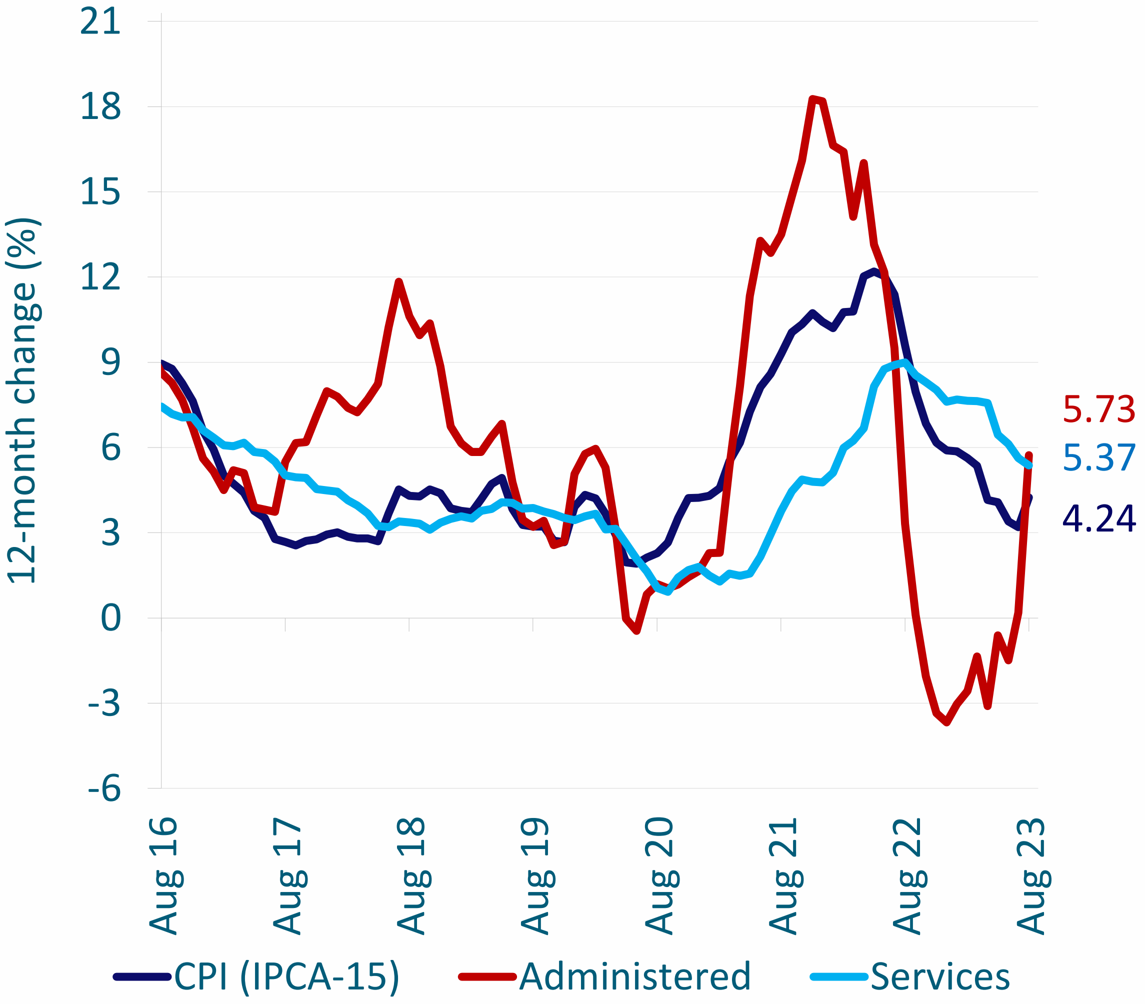


Sources: IBGE and BCB

CPI and core inflation measures refer to IPCA-15 up to August

CPI components

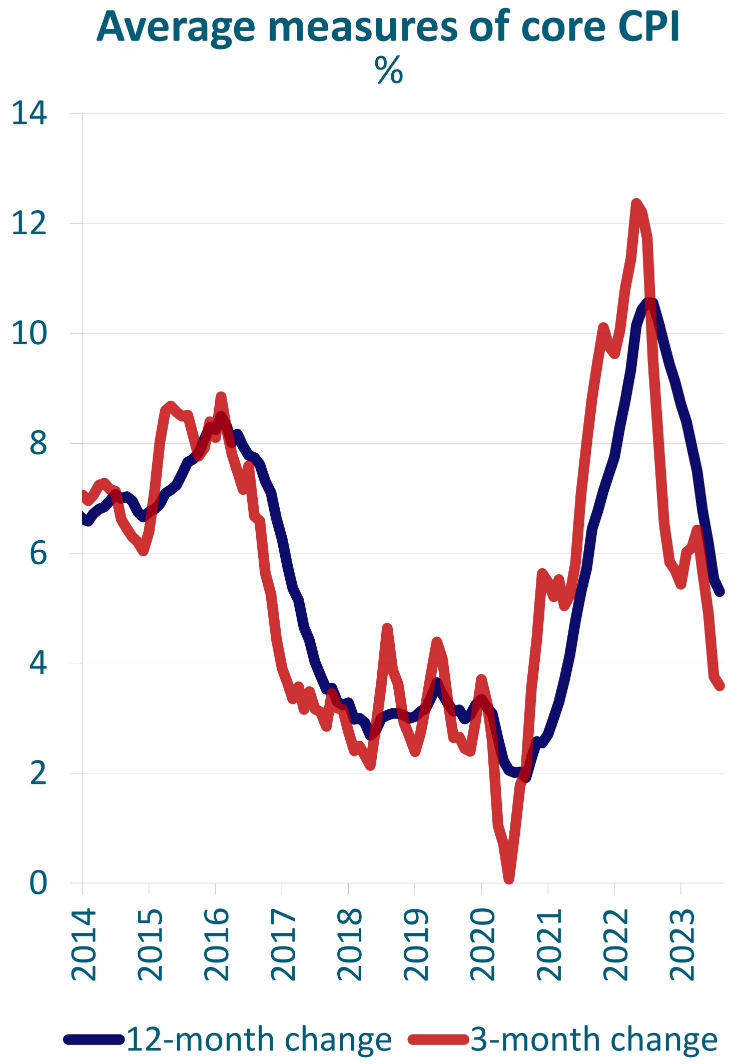


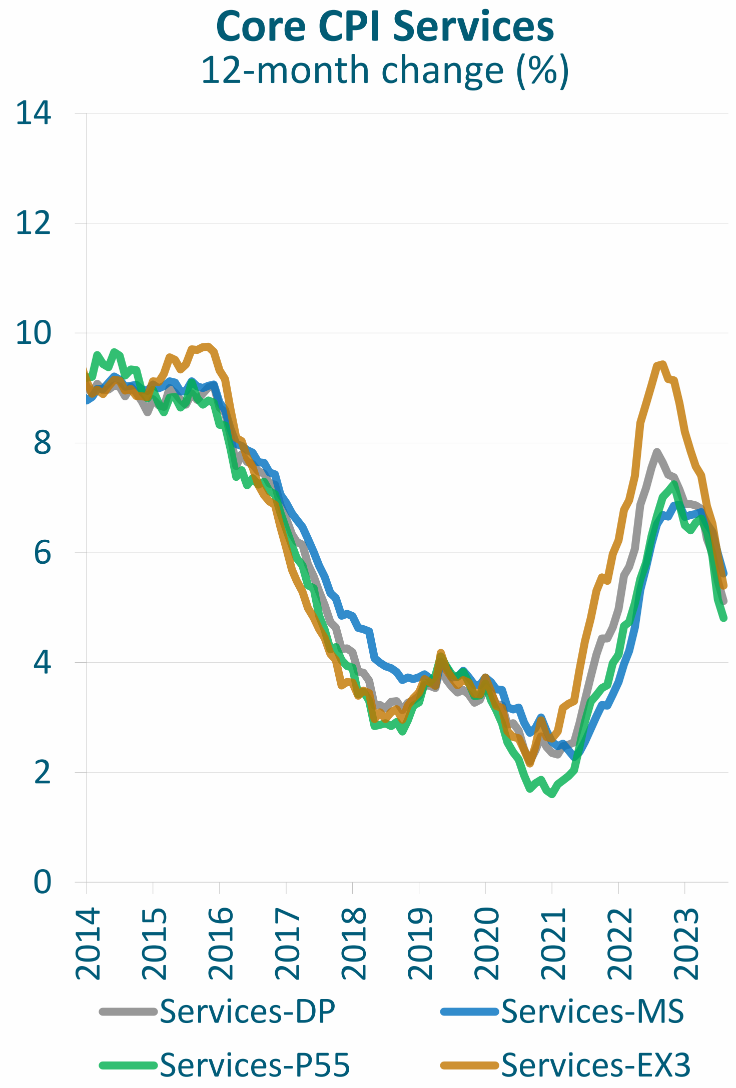


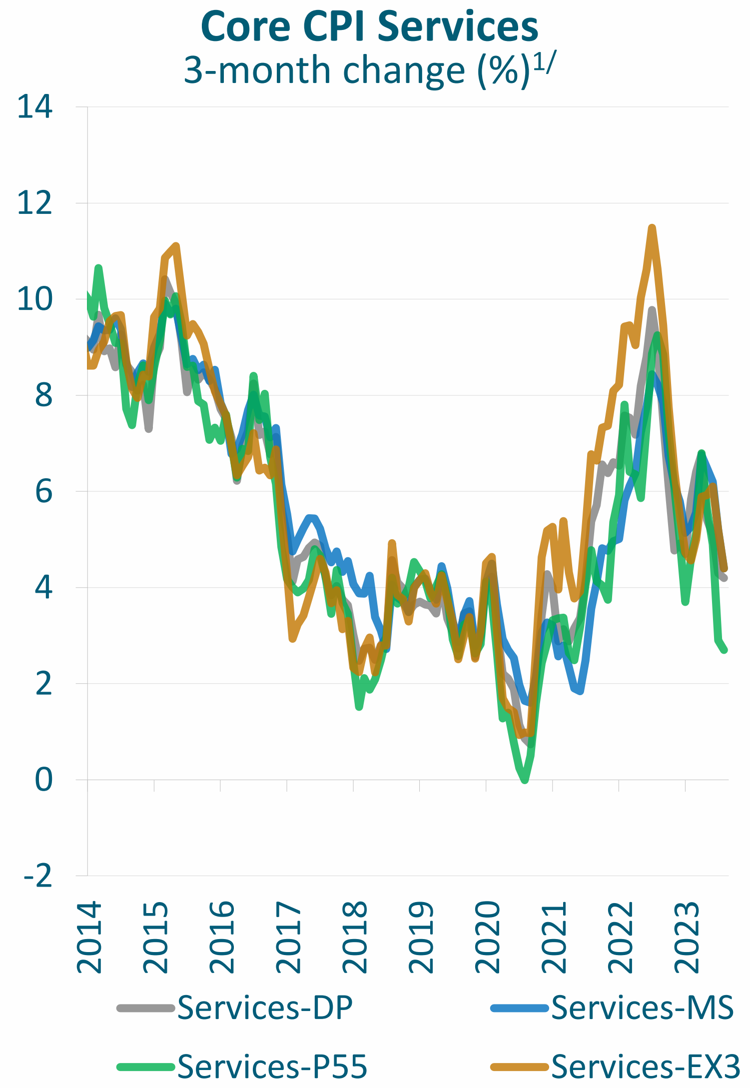
Sources: IBGE and BCB

CPI refers to IPCA-15 up to August

Core CPI



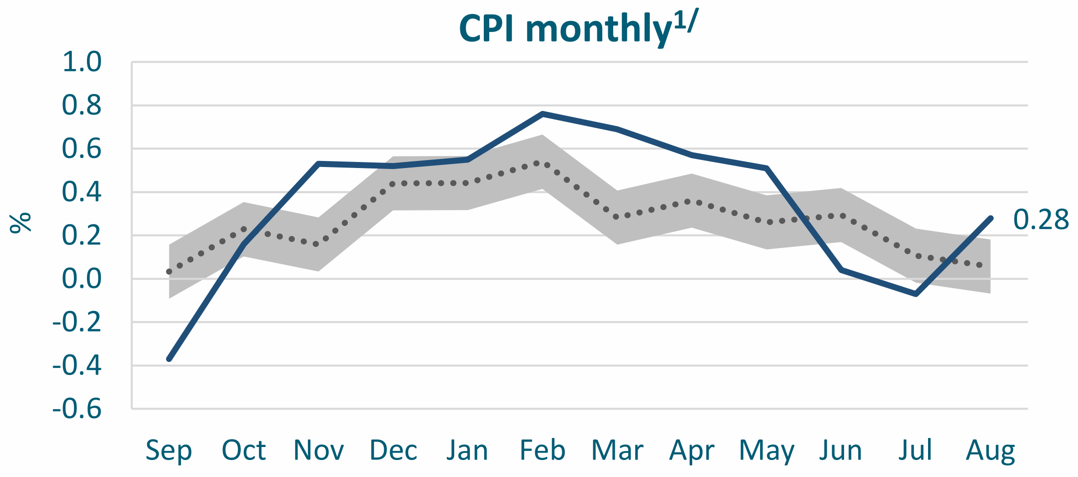


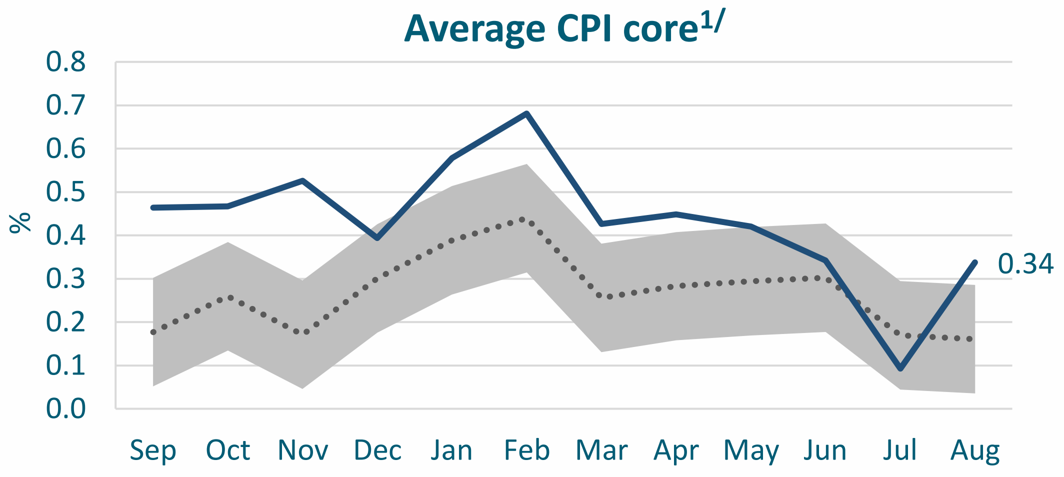


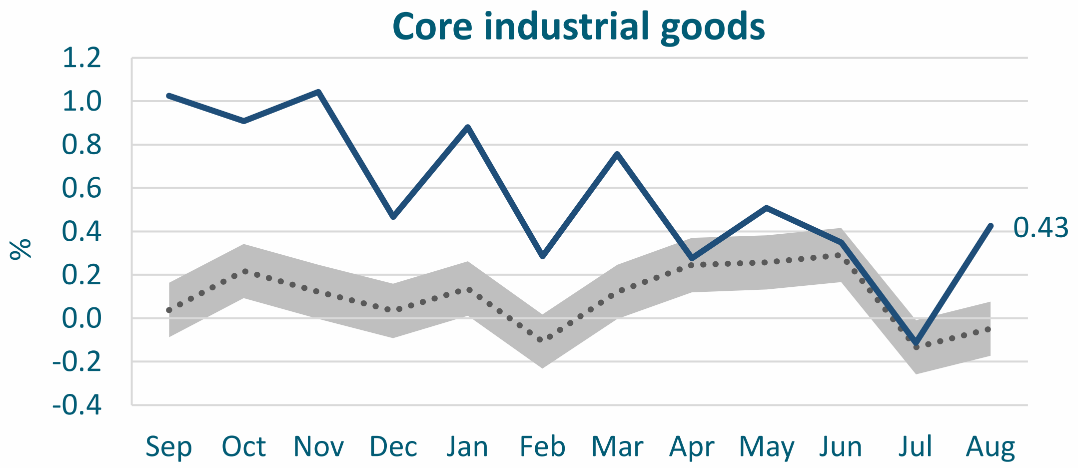
Sources: IBGE and BCB

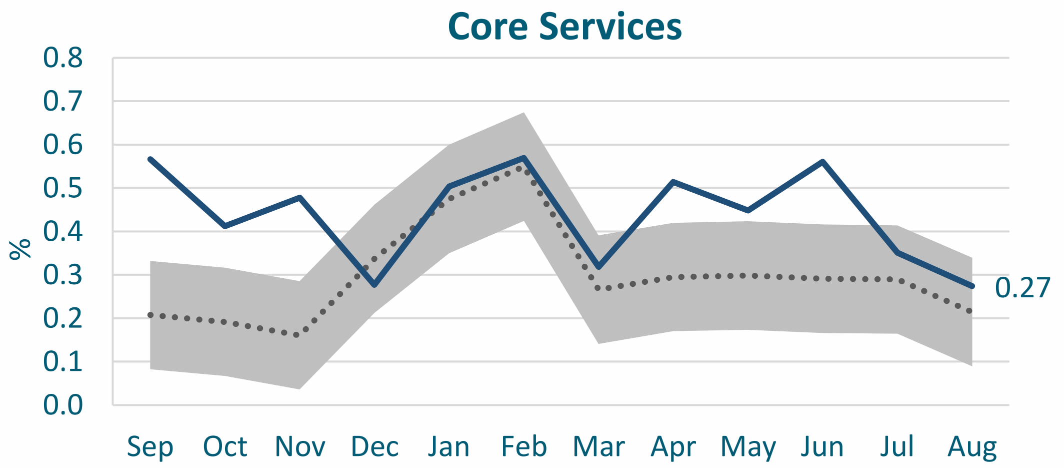
CPI refers to IPCA-15 up to August. 1/ seasonally adjusted annualized 3-month change

Short-term seasonal pattern





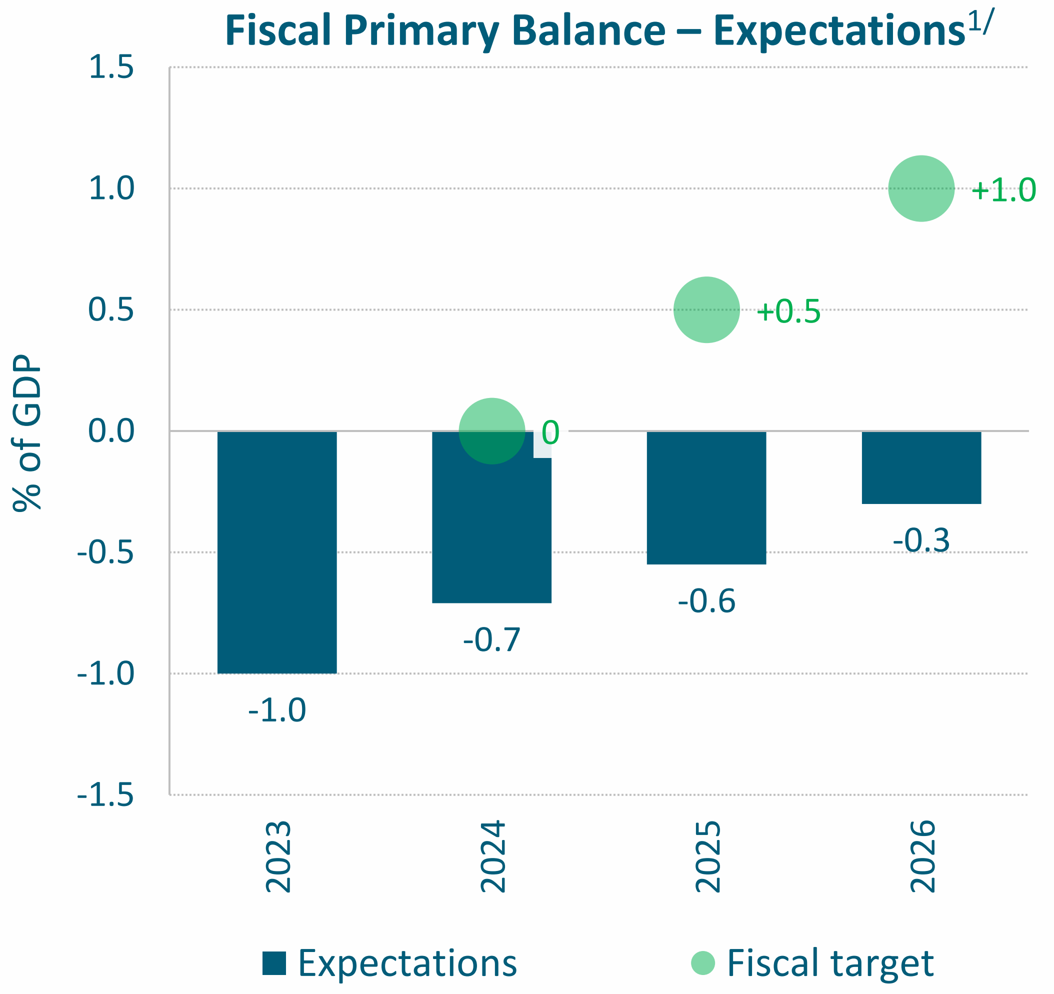


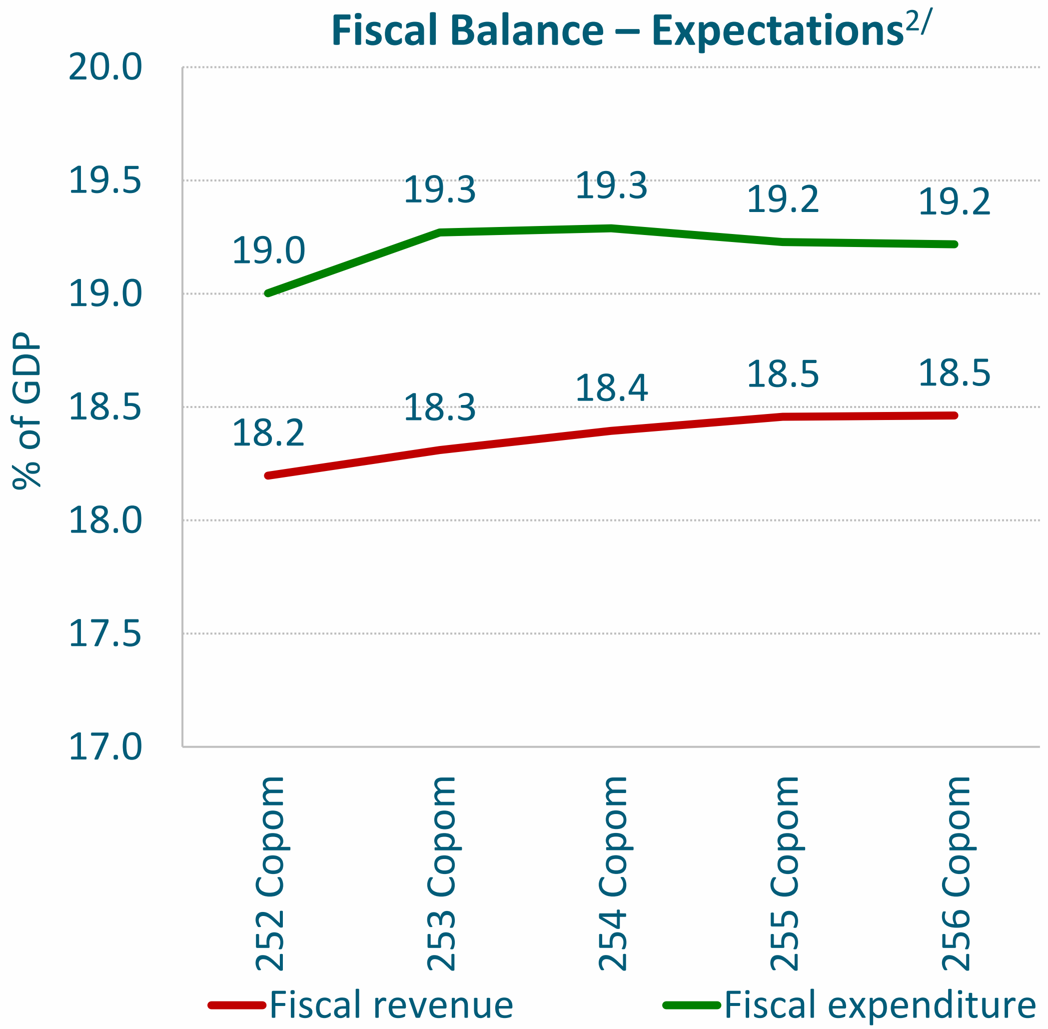


Sources: IBGE and BCB

CPI and core inflation measures refer to IPCA-15 up to August

Dissecting some movements



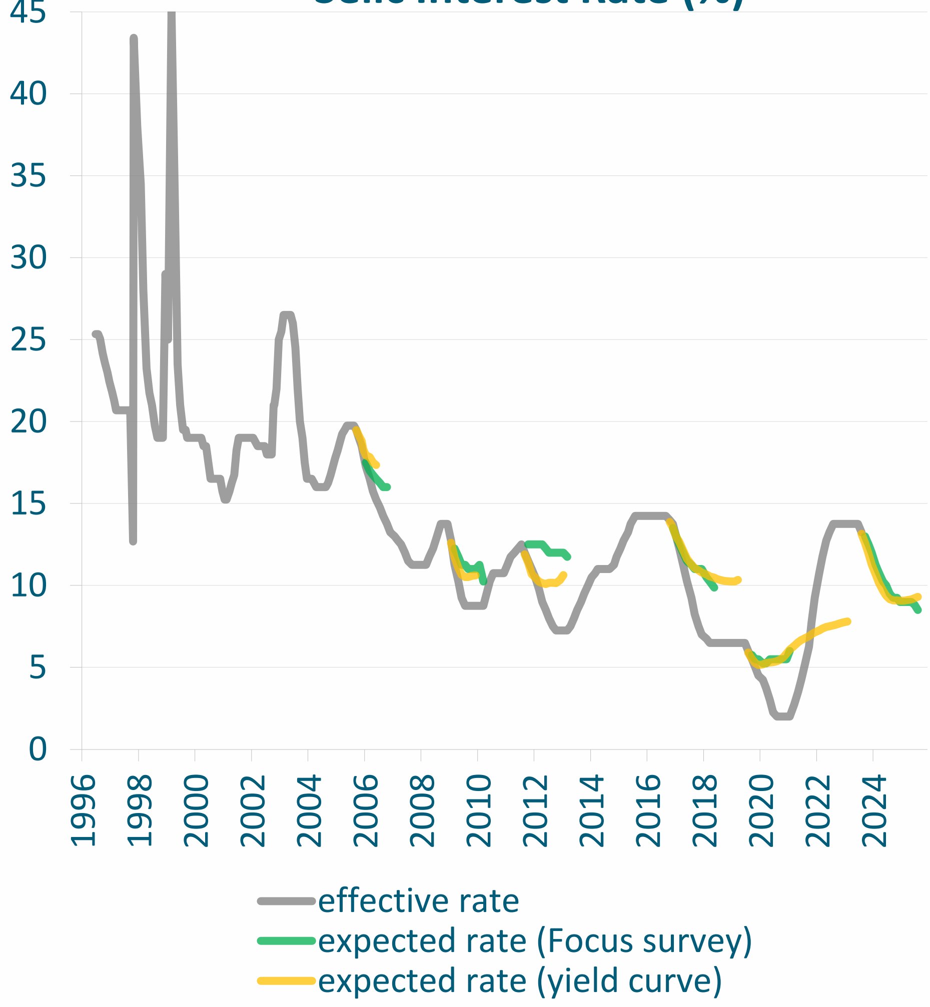


Sources: BCB and Ministério da Fazenda

1/ Focus survey on September 1st 2/ QPC survey

Monetary Policy Stance

Selic Interest Rate (%)



Sources: BCB, Bloomberg, IBGE and FGV/Codace

Monetary cycles in Brazil

cycle	end	hard landing[1/]	softish landing[2/]	soft landing[2/]
Oct 97	Oct 97			
Dec 98	Mar 99			(+3.5, +4.8)
Mar 01	Jul 01			
Oct 02	Feb 03			
Sep 04	May 05		(-1.4, -5.0)	
Apr 08	Sep 08			
Apr 10	Jul 10		(-4.4, +1.6)	
Jan 11	Jul 11		(-3.7, -0.7)	
Apr 13	Apr 14			
Oct 14	Jul 15			
Mar 21	Aug 22			

1/ Alan S. Blinder (2023) Landings, Soft and Hard

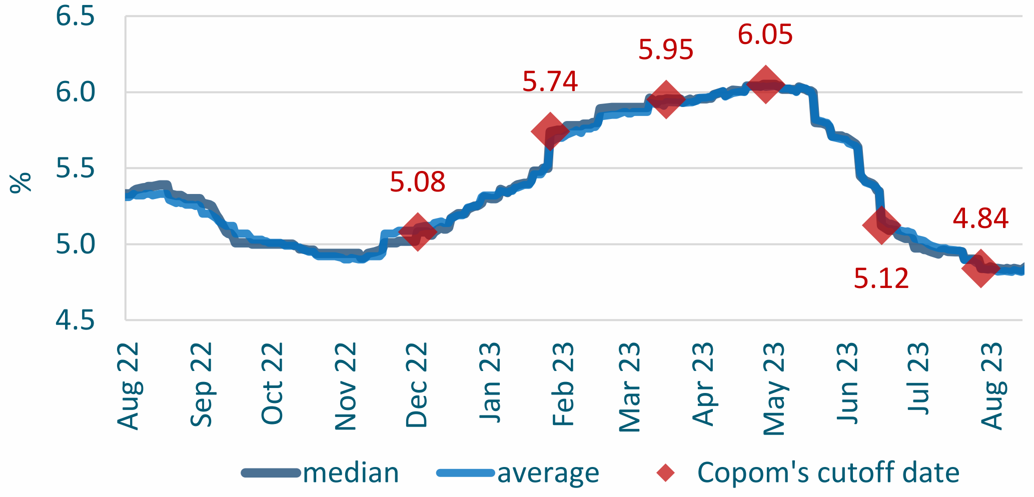
2/ Economic cycle by Codace/FGV six quarters after the end of monetary tightening cycle

3/ Acceleration (+) or deceleration (-) of YoY GDP growth and 12-month CPI (IPCA) six quarters after the end of monetary tightening cycle (p.p.)

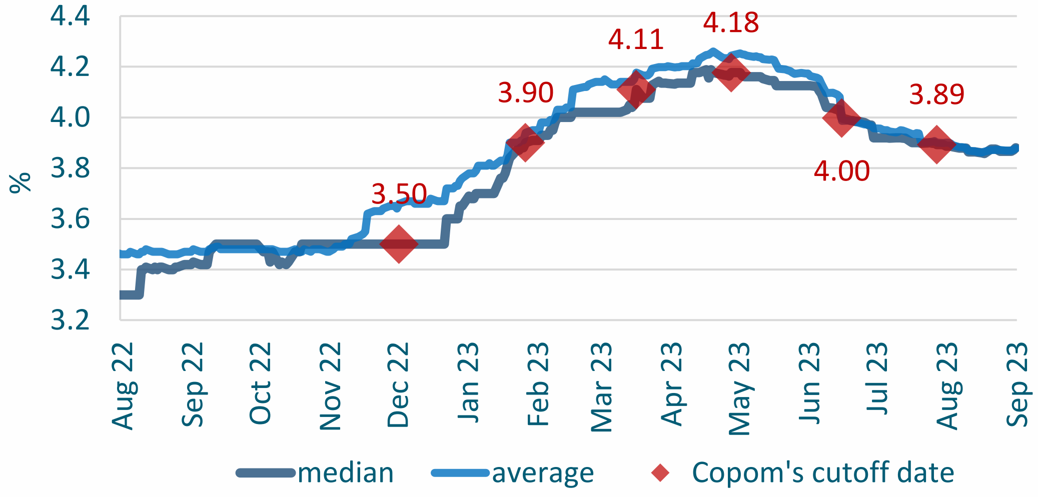
BANCO CENTRAL DO BRASIL

Inflation expectations

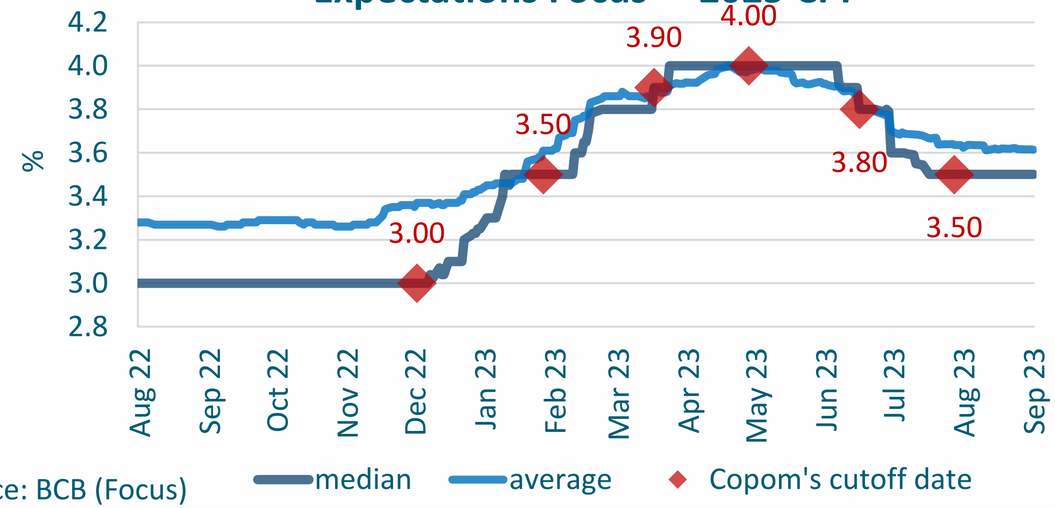
Expectations Focus – 2023 CPI



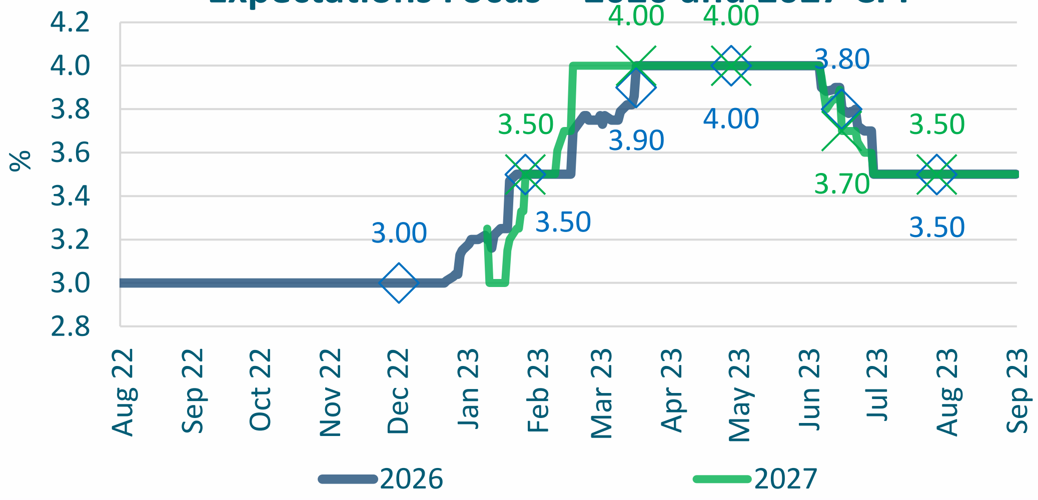
Expectations Focus – 2024 CPI



Expectations Focus – 2025 CPI



Expectations Focus – 2026 and 2027 CPI



Source: BCB (Focus)

Focus: up to September 1st

Brazil Monetary Policy Outlook

Banco Central do Brasil

Diogo Guillen – Deputy governor

September 8th, 2023