

Brazil Flash

Economic activity grew more than expected in November

The Brazilian Central Bank's Economic Activity Index (the IBC-Br) expanded by 0.4% MoM in November, somewhat more than expected (BBVA: 0.2%; Consensus: 0.2%). The figure adds an upward bias to our 0.6% QoQ 4Q GDP forecast. Even though economic activity remains weak, recent figures – as well as increasing concerns with inflation- reduce the room for a SELIC cut. We continue to expect official interest rates at 7.25% throughout the year.

- **Main activity indicators surprised on the upside in November**

The IBC-Br was not the only indicator to top expectations in November. The retail sales indicator, which was released yesterday, expanded by 0.3% MoM, slightly more than anticipated (0.2% MoM), and industrial production dropped “only” 0.6% MoM (markets expected a 0.9% MoM decline) in the period. These recent positive surprises suggest that GDP could grow in Q4 slightly more than in 3Q, when it expanded by 0.6% QoQ. Moreover, recent activity data reduce the chance of a SELIC downward adjustment, at least in the short-term. Higher-than-expected inflation at the end of 2012 and concerns about the impact of an increase in fuel prices (to be announced still in January, according to local rumors) also reduce the room for additional monetary easing. Today, after financial markets close in Brazil, we expect the COPOM to maintain the SELIC at 7.25% and introduce no significant changes in the accompanying statement, thus reinforcing perspectives of stability over 2013.

La actividad económica creció más que lo esperado en noviembre

El Índice de Actividad Económica del Banco Central de Brasil (el IBC-Br) creció 0,4% m/m en noviembre, algo por encima de lo esperado (BBVA: 0,2% m/m; consenso: 0,2% m/m). El dato añade un sesgo alcista a nuestra actual previsión de crecimiento de 0,6% t/t para el PIB en el cuarto trimestre. A pesar de que la actividad económica se mantiene en niveles relativamente bajos, los indicadores más recientes – así como la creciente preocupación con respecto a la inflación- reducen el espacio para un recorte del SELIC. Seguimos esperando que los tipos de interés oficiales continúen en 7,25% a lo largo del año.

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