



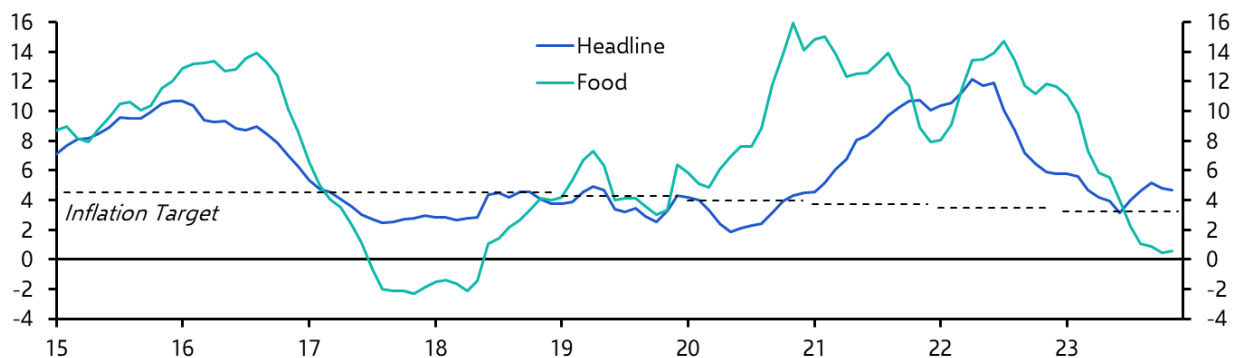
# LATIN AMERICA RAPID RESPONSE

## Brazil IPCA (November 2023)

Another 50bp rate cut on the cards tomorrow

- **The small fall in Brazil’s headline inflation rate in November, to 4.7% y/y, makes another 50bp interest rate cut (to 11.75%) at tomorrow’s central bank meeting a certainty. But with inflation still well above target – and likely to remain so throughout our near-term forecast horizon – we don’t think interest rates will be lowered as far as most currently anticipate.**
- The outturn was in line with both our own and the consensus forecast, and was down from 4.8% y/y in October. (See Chart 1.) The data confirm that the recent mini-inflation cycle has now passed its peak.
- The breakdown of the data showed that food inflation rose (slightly) after 11 months of consecutive declines. The statistics office’s press release noted particularly large m/m rises in the prices of onions and potatoes. But this was more than offset by falls in clothing and transport inflation. (See Table 1.) Inflation in most other categories was broadly unchanged from October
- We estimate that core services inflation jumped last month, to 6.0% y/y, from 5.5% y/y in October. That appears to have been driven entirely by airline ticket prices, which tend to be very volatile and which the central bank will probably look through. (Airlines rose 19.1% m/m in November.)
- **This data release will do nothing to change the central bank’s assessment that it should continue the monetary easing cycle in 50bp steps, including at tomorrow’s meeting.**
- Nonetheless, with inflation still well above target (3.25% for this year, 3.00% for next year), the labour market tight and fiscal concerns likely to build again, we think it will move to smaller cuts around the middle of next year. **And we think that the Selic rate will be lowered by less than most anticipate over the course of 2024. Our end-2024 Selic rate forecast is 9.50%.**

Chart 1: Brazil IPCA (% y/y)



Sources: Refinitiv, IBGE

Table 1: Brazil IPCA

	Headline		Food & Bev.	Housing	Pers. Exp.	Transp.	Health	Educ.	Clothing
	% m/m	% y/y	% y/y	% y/y	% y/y	% y/y	% y/y	% y/y	% y/y
Aug-23	0.2	4.6	1.1	5.4	6.0	4.1	9.3	8.4	7.5
Sep-23	0.3	5.2	0.9	5.3	5.5	7.7	8.7	8.3	6.1
Oct-23	0.2	4.8	0.5	5.0	5.2	7.5	7.8	8.2	5.3
<b>Nov-23</b>	<b>0.3</b>	<b>4.7</b>	<b>0.6</b>	<b>4.9</b>	<b>5.6</b>	<b>6.9</b>	<b>7.9</b>	<b>8.2</b>	<b>3.8</b>

Sources: Refinitiv, IBGE



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