The Central Bank turns a closer to inflation

- **The most important news in the domestic scenario is the Central Bank's more hawkish stance, indicating greater concern with the inflation outlook and expectations, signaling that monetary policy should return to neutral in the short term.**

- **The data continues to outline an economic recovery, particularly with the rise in consumption both of goods and services.** Thus, we revised our growth forecast from 4.8% to 5.2% in 2021 and from 2% to 2.2% for 2022.

- **Public finances have benefitted from economic growth and accelerating inflation.** With the spending cap partially preserved and extraordinary pandemic spending nearing BRL 130 billion/year, surprises in tax revenues resulted in major revisions to our forecasts for the primary fiscal deficit (to 1.7% and 1.1%/GDP in 2021 and 2022, respectively). Gross public debt will likely narrow to 82.1%/GDP this year and 83.1% in 2022.

- **The BRL continued to appreciate last month, outperforming its peers.** External fundaments are still quite positive, with a trade surplus of US$75bn and a current account surplus of 0.5%/ GDP in 2021. We forecast a YE exchange rate of BRL/USD 4.70 and BRL/USD 5.30 in 2021 and 2022, respectively.

- **We revised our forecast for IPCA inflation from 5.5% to 6.4% this year, but lowered it from 3.5% to 3.3% in 2022.** These forecasts incorporate the red flag II surcharge on consumer electricity bills as well as a greater pressure on industrial prices associated to commodities and supply chain restrictions. However, with the economy still under full capacity utilization, the shocks experienced this year should dissipate over the next few quarters.

- **A more hawkish stance by the Central Bank suggests that the Selic Policy rate will be brought back to a more neutral 6.5% sooner.** Higher rates and some excess capacity will likely push core inflation gradually lower in 2022.

More balanced risks for the global scenario

- **Favorable prospects for the global economy have been consolidated and risks are more balanced compared to a few months ago.** Concerns surrounding the pandemic, mainly regarding new virus variants, will linger on for some time, but vaccination rollout and the economy's adaptation to mobility restrictions are supportive for growth. Inflation still poses a risk for this scenario, as it will set the timing and pace of normalization of monetary policy – which is already underway in some emerging economies.

- **The Fed started talking about reducing asset purchases and anticipated its expectations regarding interest rate increases from 2024 to 2023, but the market reaction has been contained and organized.** Commodity prices have begun to settle at lower levels, compatible with the supply and demand fundamentals, relieving some concerns with inflation, although this may imply weaker growth for raw material exporters. For asset prices, this balance still does not allow favorable liquidity conditions for emerging countries – with the performance of currencies based on the difference in interest rates and growth, within an environment that tends to support a stronger U.S. dollar in the medium term, we believe.

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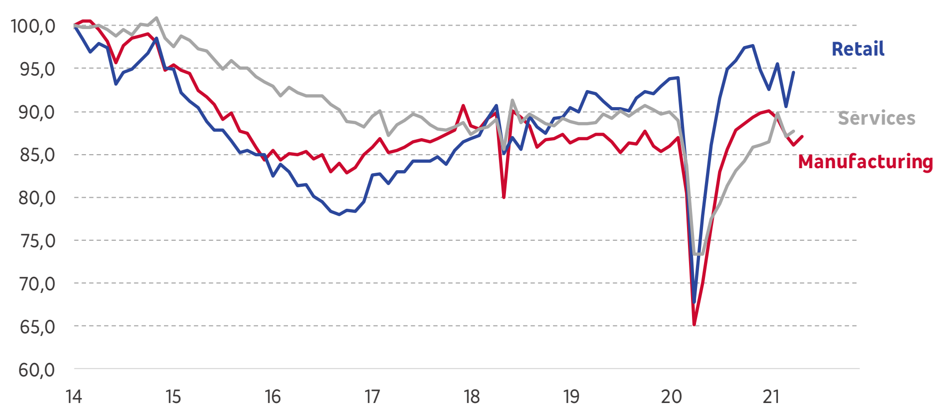
The Central Bank turns a closer eye to inflation

The most important news locally is the Central Bank's new more hawkish stance, showing greater concern regarding inflation and inflation expectations, signaling the need to bring the policy rate back to neutral (as opposed to the partial removal of monetary stimulus signaled previously). While short-term inflation remains under pressure, supply shocks affect the economy and growth continues to surprise positively, we believe the Central Bank of Brazil will raise the Selic policy rate to 6.5% by the end of this year. This increase in the benchmark rate has already had an effect on exchange rate appreciation and also impacted our forecast for the 2022 IPCA, which we now forecast will fall to below the center of the inflation target.

The data continue to outline an economic recovery, particularly with the rise in consumption both of goods and services. Several indicators suggest a robust recovery, especially in the services sector, which benefits from increased mobility. Industry, on the other hand, is still struggling with input shortages, which could weigh on an even stronger economic activity recovery, as the inventory replenishment cycle will likely take longer.

These results complement already strong data from earlier on in the year, showing that the economy adapted better than expected to social distancing as well as the positive effects from exports. In light of this, we revised our growth forecast for 2021 and 2022 from 4.8% and 2.0% to 5.2% and 2.2%, respectively. Looking forward, we believe positive vectors for the rest of the year will continue to support the recovery, such as the acceleration of vaccination and the reopening of the economy, as well as inventory replenishment in industry, and robust global growth. Regarding vaccination, rollout calendars were anticipated across several states and we expect the entire adult population to have received at least the first dose by September.

Chart 1: Major economic indicators
Seasonally adjusted



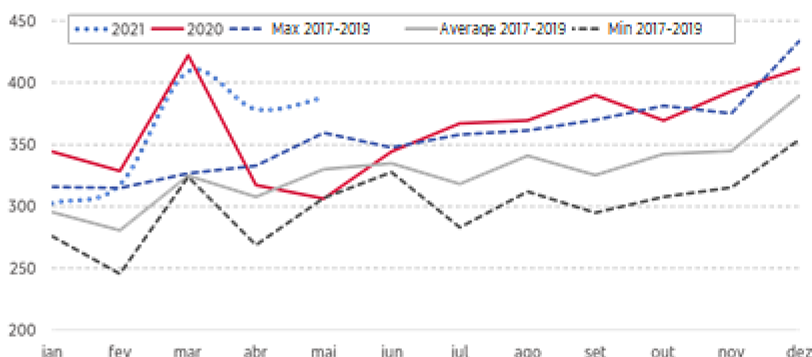
Source: IBGE, Bradesco

The advance of economic activity and the reopening of the economy will also continue to support the job market. Although these dynamics are currently more evident in the formal market, the informal sector tends to benefit from the recovery of services. We expect approximately 2.5 million jobs to be created by year-end, with the unemployment rate gradually falling in the second half of the year, reaching 12.8%. The formal job market is still leading this trend, reflecting the composition of the rebound in economic activity in recent months. These dynamics have been particularly evident in the regions that benefit the most from higher commodity prices. In addition, most job growth is happening in small firms.

The risks for this scenario are the same as those previously addressed, related to the pandemic and the hydrology outlook. The delta Covid-19 variant may also be an important risk factor for the broad economic reopening process. For now, however, there are no indication that the vaccines are ineffective against it. Economic results during the second wave of the pandemic in Brazil suggests that overall, firms appear to have better adjusted to social distancing restrictions, which suggests that a new upsurge in the pandemic will likely have proportionately fewer effects on the economy than the experience of 2020. On the other hand, the risks associated to the drought and its effects on energy supply and costs remains on the radar. The risk of power rationing is low, but capacity utilization at thermal power plants will remain high, lowering GDP value added and increasing energy costs, as accounted for in our forecasts.

Credit growth should continue to support the recovery. Lending has expanded faster than expected, particularly personal and consumption-related loans. The total stock of credit will likely grow 11% this year. Arrears and bankruptcies remain low and firms are well-capitalized. The rise in household indebtedness should be seen in the context of the uncertainty regarding whether PNAD income data is capturing the effects of recovery and income growth, as well as savings accumulated during the pandemic, which mitigates concerns about this indicator.

Chart 2: Corporate and Consumer lending
Billions of inflation-adjusted BRL

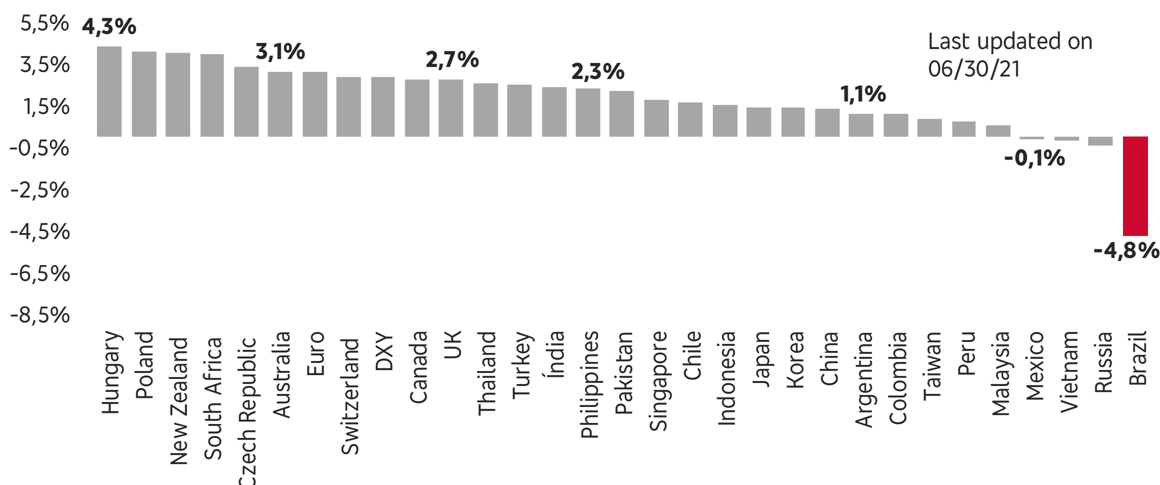


Source: BCB, Bradesco

Public finances have benefitted from economic growth and accelerating inflation. Federal revenue continue to show positive results, benefitting from the economic recovery, the BRL and inflation. With the spending cap partially preserved and extraordinary pandemic-related spending nearing BRL 130 billion/year, stronger than expected tax revenues led to a major revision of our forecast for the primary fiscal balance, from deficits of 2.4%/GDP and 1.8%/GDP in 2021 and 2022 to deficits of 1.7% and 1.1%/GDP, respectively. Gross public debt, in turn, will likely fall to 82.1%/GDP this year and end 2022 at 83.1%/GDP (from our previous forecasts of 84.6% and 86.3%/GDP, respectively). Note these forecasts already consider the impact of the recent Supreme Court ruling regarding deductions of PIS/Cofins tax on the calculation of ICMS tax, which lowers total revenues.

Long-term debt dynamics still depend upon meeting the fiscal rules. With the current spending cap and no changes to the overall tax burden, we now forecast a primary surplus as of 2024 – 2 years earlier than in our previous estimates. This scenario assumes an expansion of the *Bolsa Família* program and that new non discretionary recurring expenditures will use up the BRL 40bn margin in next year's spending growth cap. Despite the improvement in indicators, however, maintaining a fiscal framework that is consistent with the medium-term consolidation of public debt is still a necessary condition for a benign outlook for the BRL and local interest rates.

Chart 3: Selected exchange-rates vs. the USD
% change in June 2021



Source: Bloomberg, Bradesco

The BRL continued to strengthen last month, outperforming its peers. External fundaments are still quite positive, with a trade surplus expected to reach USD 75 bn in 2021, implying in current account surplus of 0.5%/GDP. Exports have hit record highs in 1H21 and the global environment remains favorable. In addition, foreign investment flows have been quite positive in recent months, recovering from the opposite trend seen at the peak of the first wave of the pandemic. Indeed, fundamentals have already been pointing to BRL appreciation for several months, but fiscal uncertainty, political noise and doubts regarding the economic recovery weighed against this. With the positive growth surprises and the improvement of fiscal indicators, the *Real* benefitted from an external environment that was more favorable to emerging markets. The beginning of the interest rate normalization process, including with the latest evidence of an increasingly more hawkish stance by the Central Bank, probably also contributed to this outcome.

We now forecast year-end exchange rates of BRL/USD 4.70 and BRL/USD 5.30 for 2021 and 2022, respectively. The short-term outlook remains supportive for the currency. In fact, our fair-value models suggest there could be even more room for appreciation, to about BRL/USD 4.30. However, some risks may be relevant in the next few quarters, such as U.S. monetary policy, commodity prices, and domestically, fiscal risks and political noise.

Inflation will remain under pressure this year, but we do expect to see some relief in 2022. We revised our forecast for IPCA consumer inflation from 5.5% to 6.4% ion 2021, but now forecast inflation to recede to 3.3% in 2022 (3.5% previously). For the current year, commodity prices and supply constraints in different production chains against a backdrop of strong demand have kept prices of industrial goods under pressure. In addition, the drought led Brazil's electrical energy regulator (ANEEL) to apply the red flag II surcharge, raising consumers electrical bills and pressure regulated prices. In 2H21, a stronger economic rebound may also lead to some pressure on service prices.

For 2022, the combination of tighter monetary policy, persistent unemployment, and expectations of more stable commodity prices led us to lower our inflation forecast from 3.5% to 3.3%. In our view, since the economy will remain below full capacity utilization, the shocks experienced in 2021 tend to dissipate over the next few quarters. Currently, this excess capacity is more visible in the job market. Supply constraints, such as production bottlenecks and service supply restrictions, will likely also be temporary. That is, we expect marginally less capacity utilization next year.

In fact, we have already seen a decline in commodity prices, both in dollars and in *reais*. In our base-case scenario, we assume commodity prices to remain stable at their current level. However, there appears to be some downside risk to prices[1]. If this were to materialize, inflation could move closer to 3% in 2022 Another important risk factor is that, with the red flag II surcharge in place until the end of this year, even if drought conditions do not normalize and leads to regulator to maintain a red flag I surcharge through the end of 2022, this would still imply in some relief for inflation.

Table 1: IPCA Inflation Forecasts
%

	2019	2020	2021	2022
IPCA	**4.3%**	**4.5%**	**6.4%**	**3.3%**
Market prices	3.8%	5.6%	4.8%	3.3%
Food at home	7.8%	18.2%	5.3%	3.6%
Services	3.5%	2.2%	2.9%	4.0%
Industrialized goods	1.7%	3.4%	7.4%	2.1%
Regulated prices	5.8%	2.8%	11.1%	3.2%
Core by exclusion	2.8%	2.3%	4.6%	3.3%

Source: IBGE, Bradesco

Finally, the Central Bank's more hawkish communication suggests that the Selic policy will be raised to a neutral level of 6.5% sooner. This interest rate level, with the economy still below potential, may weigh on core inflation. The next steps of the monetary policy will be heavily data-dependent, particularly the behavior of expectations and inflation in the service sector. With the Central Bank's tougher stance, reinforcing its commitment to the center of the inflation target, expectations should at least stabilize. The more favorable dynamics of foreign exchange and commodities could also contribute to this trend.

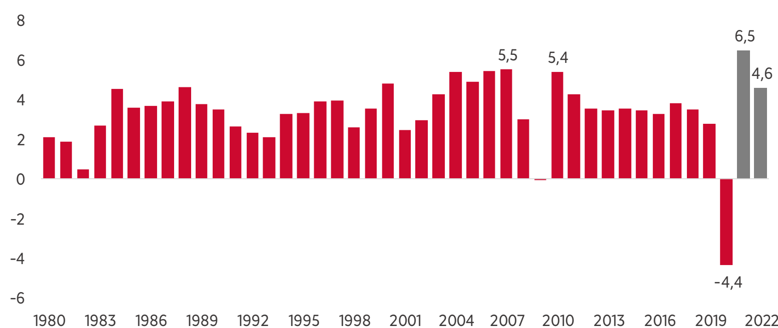
[1] In fact, current global growth levels would be consistent with a 15% decline, on average, in commodity prices, we believe.

More balanced risks for the global scenario

The more favorable outlook for the global economy has been consolidated and risks are more balanced compared to a few months ago. Concerns surrounding the pandemic, mainly regarding new virus variants, will persist for some time, but vaccination rollout and the economy's adaptation to mobility restrictions are becoming more evident. Inflation still poses a risk for this scenario, as it will set the timing and pace of normalization of the economic policy – which is already advancing in some emerging nations. The Fed, in turn, continues to signal it will not prematurely withdraw stimulus. Therefore, monetary policy will likely be adjusted in an orderly fashion over the next few quarters.

Last month, we adjusted our forecasts for global GDP, which we now expect to grow 6.5% and 4.6% this year and the next, respectively. Regarding estimates for this year, most of the bullish revision focused on surprises with results seen in the first quarter. In fact, as seen in Brazil, there is some resilience of the economy amidst reduced mobility, despite the worsening of the pandemic earlier this year. In addition, as the vaccination rollout advances, we expect an additional improvement with the reopening process. Looking ahead, another highlight is the consumption of savings accumulated during the pandemic and the maintenance of stimuli for a prolonged period. The risks arising from the new variants and the ongoing normalization of monetary policy in some countries weigh against this scenario.

Chart 4: World GDP
%

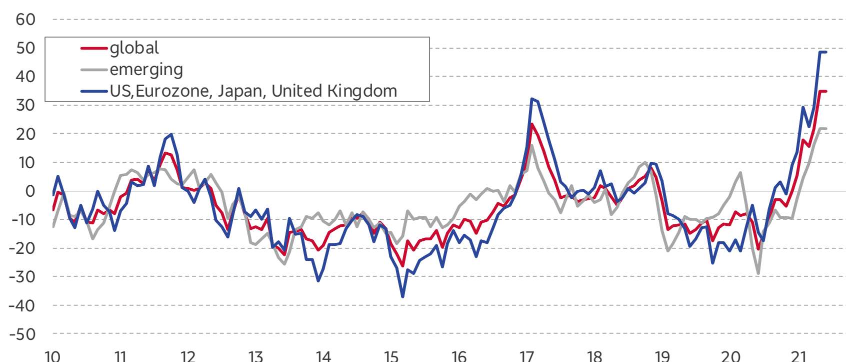


Source: IMF, Bradesco

Regarding the pandemic, the overall balance of information available thus far is positive. New cases, hospitalization and deaths have been dropping in most countries, with high vaccination rates in developed nations. New variants still have to be closely monitored, but recent experience suggests that eventual economic impacts will likely be more limited. Nonetheless, we cannot rule out the potential postponement of a full economic reopening, reopening of borders and the need for new vaccination programs.

The dynamics of global inflation still show positive surprises. They contribute to strong wholesale price increases, commodity prices and supply constraints for various goods – such as interruptions in the supply of electronic components and logistical constraints. We expect commodity prices to stabilize ahead, but the rise in the prices of goods will likely be more persistent – given the still unfavorable relationship between orders and inventories. Therefore, even if the base effect is lagging behind, ensuring a drop in inflation rates, the risks arising from the transfer of wholesale to retail and service prices remain, as the economy reopens.

Chart 5: Inflation surprise index
The higher the index, the greater the surprise



Source: Bloomberg, Bradesco

In this scenario, divergences between countries in how to steer the economic policy increase as a way to contain inflationary pressures within a scenario of growth recovery. After returning to pre-pandemic level as early as the end of last year, China is the most advanced country in removing stimuli. Next, some emerging economies have already started raising interest rates, such as Brazil, Russia, Hungary and Mexico. Among developed nations, the U.S. could reduce asset purchases this year, while the European Central Bank will likely be the last to start the normalization process, even in the face of more favorable signs from the economy.

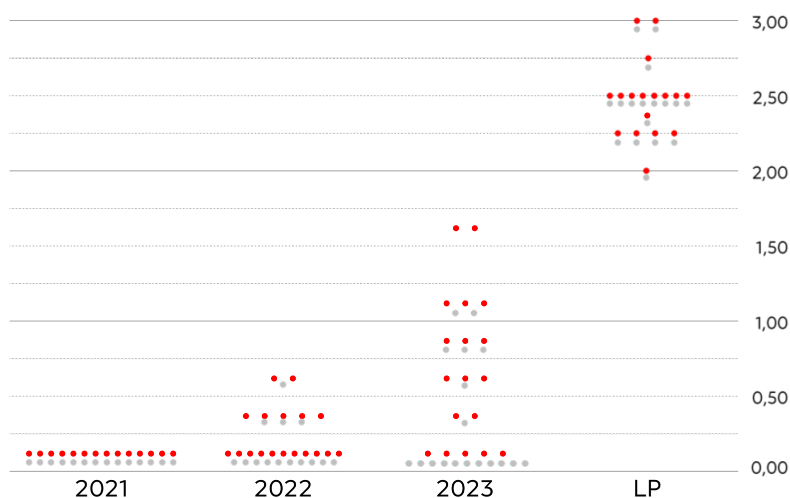
In China, the latest results point to still strong growth in the second quarter, close to 8%. However, the dynamic is still supported by supply, with a stronger expansion than expected from industry and exports, reflecting a still heated foreign demand and restrictions from Asian neighbors. Similarly, the housing sector has been gradually cooling down. On the other hand, household consumption has been underwhelming, revealing a sense of caution still present among the Chinese people, despite the rapid vaccination rollout.

Signs coming from the economic policy must be taken into account for the second half of the year in China. On the one hand, the government has expressed concern about the rapid acceleration of commodity and real estate prices. In addition, environmental issues have led to the closure of production capacity and risks are arising from the finances of local governments. On the other hand, the direction of economic stability, supported by liquidity, especially in small companies, remains on track. Therefore, we believe the government will likely carry on with the normalization of the economic policy, albeit at a gradual and moderate pace. The impact of the stimulus withdrawal may affect mainly the infrastructure and housing sectors, ultimately slowing down the growth rate over the next quarters to 5% or 6%.

The Eurozone's economic performance has surprised positively. Activity indicators have also shown important resilience not only in the industrial segment, but also in services, even during the period in which the region had lower mobility rates. With reopening already underway, the services sector tends to accelerate slightly. Disbursements from the recovery fund will likely begin to take place in July – driving the GDP by approximately 1 p.p. – and support from the European Central Bank and employment programs will continue to enable the financial health of companies and families to be maintained. We understand that the ECB should be cautious in the process of withdrawing stimulus. Even with the recognition of the economic recovery, the inflation scenario in the region remains comfortable and it is unlikely that the European monetary authority will reverse the expansion of the emergency purchase program, which occurred months ago.

In the U.S., the Federal Reserve seems to have taken the first step towards normalizing the monetary policy, albeit still very cautiously. There were no news in the announcement published after the FOMC meeting, but the shift in individual forecasts for the Fed Funds rates by FOMC's members was read by the market as a hawkish sign. The number of members forecasting an interest rate increase in 2022 rose from 4 to 7, and a majority of the FOMC (13 out of 18) now expects high rates in 2023 (the median forecast in March was that interest rates not rise before 2024).

Chart 6: Fed Funds rate forecasts by FOMC members
%



Source: Federal Reserve

Since the meeting, however, Chair Powell once again made more dovish statements, while other members continue to diverge in their assessment of the current scenario. The consensus seems to be that inflation was higher than expected, but most of this surprise relates to transient shocks associated to the reopening of the economy, which tend to dissipate over time.

Regarding the job market, it is still difficult to accurately assess the situation due to different effects caused by the pandemic. Some people likely chose to anticipate their retirement during the pandemic, while at the same time, some people who stopped working are taking longer to get back into the job market. In addition, the fear of the pandemic may have led some people to postpone their return to the market, especially in professions that entail direct contact with the public. All of these factors seem to have contributed to a drop in participation rate. The pandemic-related unemployment aid may also have increased the reserve salary in some sectors of the economy, such as hospitality, where wages appear to be rising faster than would be consistent with the difference between job openings reported by firms and the net decline of employment in the sector since the beginning of the pandemic.

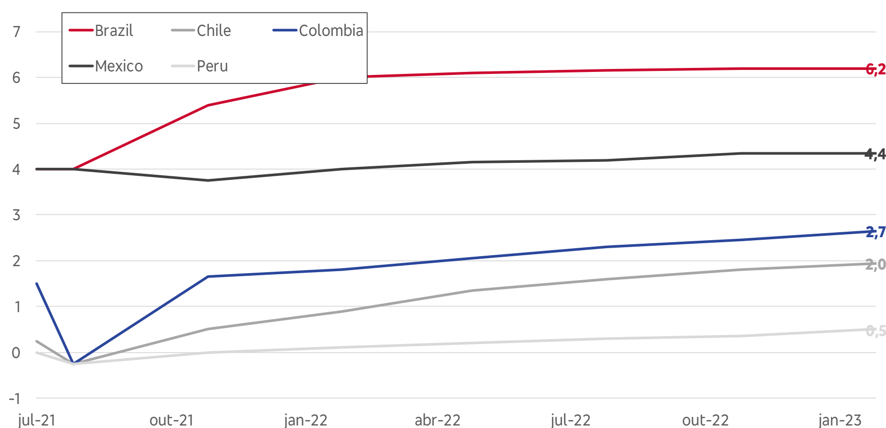
Against this backdrop, we believe the Federal Reserve will wait for more evidence on the pace of recovery in the job market and outlook for inflation before committing to reducing monetary stimulus. So far, most FOMC members appear to believe that the conditions that would justify a change in policy have not yet been met, although recent statements suggest that many recognize that the time horizon for this to happen is becoming shorter.

Over the next 1 to 2 months, we believe that economic data will not lead the Federal Reserve to deviate significantly from the script flagged so far. In addition to the data agenda, the FOMC meeting on July 28 and the annual Jackson Hole symposium (August 26-28) should be other crucial events for the Fed to manage taper tantrum risks in the markets. In our scenario, the Fed is treading towards adjusting its asset purchases program between late 2021 and early 2022, and the first policy rate hike will take place in the end of next year.

In Latin America, in addition to the positive effects of rising commodity prices, greater resilience of economies and the advance of vaccination rollout, political issues have been decisive. In Colombia, the failure of the Executive-led tax reform proposal raised investor concern about the next steps in fiscal policy and resulted in the downgrading of the country's sovereign credit rating. In Peru, it looks like Pedro Castillo won the presidential election by a very small margin, though some challenges remain to be dealt with by the electoral authorities. In Mexico, legislative elections on June 6 confirmed the weakening of the government's coalition. Finally, in Chile, we should see some progress in discussions surrounding the drafting of a new Constitution, which had extensive center-left participation.

Another highlight is Banco de México´s surprise 25bps rate increase. The Mexican monetary authority recognized the temporary nature of shocks that have impacted inflation, but, given the diversity, magnitude and extent of their duration, says these shocks were a risk for price formation. That was the justification for initiating an interest hike cycle, promoting an ordered adjustment of relative prices and ensuring convergence towards the target. This move, in our view, was quite emblematic and indicate the gap that will tend to widen between the policy stance of EM and DM central banks. We also expect Chile to start normalizing monetary policy over the next few months, and Colombia by the end of the year.

Chart 7: Interest rate differential compared to the USD
p.p.



Source: Bloomberg

Therefore, we reach the half of the year with more positive prospects for the global economy. The pandemic appears to be under greater control, vaccination of adults is advancing in developed nations, and emerging nations are on the path of catching up in the second half of the year. EMs will likely slowly adjust their policies in response to inflationary pressures. The Fed already policy normalization and appears to have signaled the beginning of a tightening cycle forward to at least 2023, but market reaction so far has been contained and organized. Commodity prices have begun to settle at lower levels, compatible with the supply and demand fundamentals, relieving some concerns with inflation, although this may imply weaker growth for raw material exporters. For asset prices, this balance still does not allow favorable liquidity conditions for emerging countries – with the performance of currencies based on the difference in interest rates and growth, within an environment that tends to have a strong U.S. dollar in the medium term.

Macroeconomic Projections (2017 – 2022)

	2017	2018	2019	2020	2021*	2022*
DOMESTIC ACTIVITY, INFLATION AND INTEREST RATES						
GDP (%)	1.3	1.8	1.4	-4.1	5.2	2.2
Agriculture (%)	14.2	1.3	0.6	2.0	2.5	1.8
Industry (%)	-0.5	0.7	0.4	-3.5	5.0	2.5
Services (%)	0.8	2.1	1.7	-4.5	4.8	2.2
Private consumption (%)	2.0	2.3	2.2	-5.5	4.6	2.1
Government consumption (%)	-0.7	0.8	-0.4	-4.7	3.0	1.5
Investment (%)	-2.6	5.2	3.4	-0.8	8.5	3.0
Exports of goods and services (%)	4.9	4.1	-2.4	-1.8	8.8	4.0
Imports of goods and services (%)	6.7	7.7	1.1	-10.0	7.6	3.9
GDP (R$ billion - current prices)	6.585	7.004	7.407	7.448	8.435	9.007
GDP (US$ billion)	2.063	1.916	1.878	1.445	1.646	1.752
Population (million)	207.7	209.2	210.7	212.1	213.4	214.7
Per Capita GDP (US$ - current prices)	9.935	9.161	8.914	6.815	7.713	8.157
Industrial Production - IBGE (%)	2.5	1.0	-1.1	-4.5	6.0	2.5
Unemployment Rate - IBGE (%)	12.7	12.3	11.9	13.2	13.8	12.8
Retail Sales - (%)	2.0	2.3	1.9	1.2	5.4	2.2
CPI - IPCA - IBGE (%)	2.95	3.75	4.31	4.52	6.45	3.29
WPI - IGP-M - FGV (%)	-0.52	7.54	7.30	23.14	17.74	4.03
Nominal Interest Rates - Selic target (end of period - %)	7.00	6.50	4.50	2.00	6.50	6.50
Nominal Interest Rates - Selic target (12-month - %)	10.0	6.42	5.9	2.8	4.0	6.4
Real Interest Rates - Selic (12-month - %)	6.8	2.6	1.6	-1.7	-2.3	3.0
EXTERNAL ACCOUNTS AND FX						
Trade Balance (US$ billion)	64.0	53.0	40.5	43.2	75.5	60.5
Exports (US$ billion)	218	240	226	211	274	272
Imports (US$ billion)	154	186	185	167	198	212
Trade flow (exports + imports) (% of GDP)	18.0	22.2	21.9	26.2	28.7	27.7
Current Account Deficit (US$ billions)	-15	-42	-51	-13	8	-16
Current Account Deficit (% of GDP)	-1.1	-2.7	-3.5	-1.7	0.5	-0.9
Foreign Direct Investment (US$ billions)	69	78	69	34	49	61
FX - end of period (R$ / US$)	3.31	3.87	4.03	5.20	4.70	5.30
FX - yearly average (R$ / US$)	3.19	3.65	3.94	5.15	5.12	5.14
Moody's sovereign credit rating	Ba2	Ba2	Ba2	Ba2	-	-
S&P sovereign credit rating	BB	BB-	BB-	BB-	-	-
FISCAL ACCOUNTS						
Primary Surplus (R$ billions)	-111	-108	-62	-703	-146	-97
Primary Surplus (% of GDP)	-1.7	-1.5	-0.8	-9.4	-1.7	-1.1
Gross Public Debt (domestic and external) (% of GDP)	73.7	75.3	74.3	88.8	82.1	83.1
Net Public Debt (domestic and external) (% of GDP)	51.4	52.8	54.6	62.7	60.1	62.3
CREDIT						
Total Credit growth (% YoY)	-0.4	5.1	6.5	15.6	11.0	9.3
Non-earmarked Credit growth (% YoY)	1.9	10.9	14.0	15.4	12.7	12.3

International indicators (2017 – 2022)

	2017	2018	2019	2020	2021*	2022*
GDP						
World	**3.8**	**3.5**	**2.8**	**-3.3**	**6.5**	**4.6**
Developed markets	**2.4**	**2.3**	**1.6**	**-4.8**	**5.8**	**4.1**
United States	2.3	3.0	2.3	-3.5	7.0	4.4
Euro Area	2.3	1.8	1.1	-6.8	5.0	4.5
United Kingdom	1.7	1.4	1.0	-10.2	6.5	5.0
Japan	1.7	0.8	0.9	-4.8	2.5	2.5
Emerging markets	**4.8**	**4.5**	**3.7**	**-2.2**	**6.7**	**5.0**
China	6.9	6.5	6.1	2.3	9.0	5.5
Latin America	1.2	1.0	0.1	-7.2	5.4	3.2

International indicators – Latin America (2017 – 2022)

	2017	2018	2019	2020	2021*	2022*
Argentina						
GDP (%)	2.7	-2.5	-2.2	-11.0	4.0	2.5
CPI (%)	24.8	47.7	53.8	36.1	45.5	39.7
Interest rate (%)	29.20	60.31	44.85	26.95	40.00	37.00
ARS/US$ (end of period)	18.6	37.7	59.9	84.1	119.0	152.0
Brazil						
GDP (%)	1.3	1.8	1.4	-4.1	5.2	2.2
CPI (%)	2.9	3.7	4.3	4.5	6.4	3.3
Interest rate (%)	7.00	6.50	4.50	2.00	6.50	6.50
BRL/US$ (end of period)	3.31	3.87	4.03	5.20	4.70	5.30
Chile						
GDP (%)	1.2	3.9	1.1	-6.0	6.4	3.5
CPI (%)	2.3	2.6	3.0	3.0	3.5	3.0
Interest rate (%)	2.50	2.75	1.75	0.50	1.25	2.25
CLP/US$ (end of period)	615	694	752	712	720	725
Colombia						
GDP (%)	1.4	2.5	3.3	-6.8	5.5	3.8
CPI (%)	4.1	3.2	3.8	1.6	2.8	3.0
Interest rate (%)	4.75	4.25	4.25	1.75	2.25	3.00
COP/US$ (end of period)	2.987	3.250	3.277	3.430	3.680	3.600
Mexico						
GDP (%)	2.1	2.1	-0.1	-8.2	6.0	3.0
CPI (%)	6.8	4.8	2.8	3.2	5.1	3.5
Interest rate (%)	7.25	8.25	7.25	4.25	5.00	5.50
MXN/US$ (end of period)	19.66	19.65	18.93	19.91	19.90	20.50
Peru						
GDP (%)	2.5	4.0	2.2	-11.0	9.0	4.8
CPI (%)	1.4	2.2	1.9	2.0	2.5	2.2
Interest rate (%)	3.25	2.75	2.25	0.25	0.50	1.00
PEN/US$ (end of period)	3.24	3.37	3.31	3.62	3.75	3.60

(*): (estimate)
Source: IMF, Bradesco

bradesco

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