

Brazil Monthly Inflation Eases More Than All Analysts Expected  
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By Mario Sergio Lima

(Bloomberg) -- Brazil's monthly inflation slowed sharply amid easing food price increases while the annual figure remained above target, lending credence to the central bank's plans to keep the country's interest rate steady following five straight cuts.

Consumer prices measured by the IPCA index rose 0.21% in January, down from the 1.15% surge recorded the month prior and below all estimates from analysts in a Bloomberg survey, whose median forecast was for a 0.35% increase. In 12 months, the index rose 4.19%, the national statistics agency reported on Friday.

Policy makers capped their easing cycle this week in a bet that aggressive borrowing cost reductions will help fuel growth without jeopardizing inflation control. Central bank President Roberto Campos Neto has said he's comfortable with the consumer price outlook despite a recent spike in meat costs and possible pressures from a weaker real. Economists surveyed by the monetary authority expect inflation to ease well below target by year-end.

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Food and beverage costs rose 0.39% on the month, down from a 3.38% spike in December, according to the statistics agency. Transportation rose 0.32% in January, down from a 1.54% jump in the previous reading. Brazil targets annual inflation of 4% this year.

Latin America's largest economy has been mired in a multi-year slump marked first by recession and then sub-par growth. That's helped keep a lid on consumer prices and facilitated a tumble in the key rate from 14.25% in 2016 to the current level of 4.25%.

Both government officials and private sector analysts expect growth to accelerate to about 2.4% this year boosted by factors including credit growth and job creation.

--With assistance from Rafael Mendes.

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