

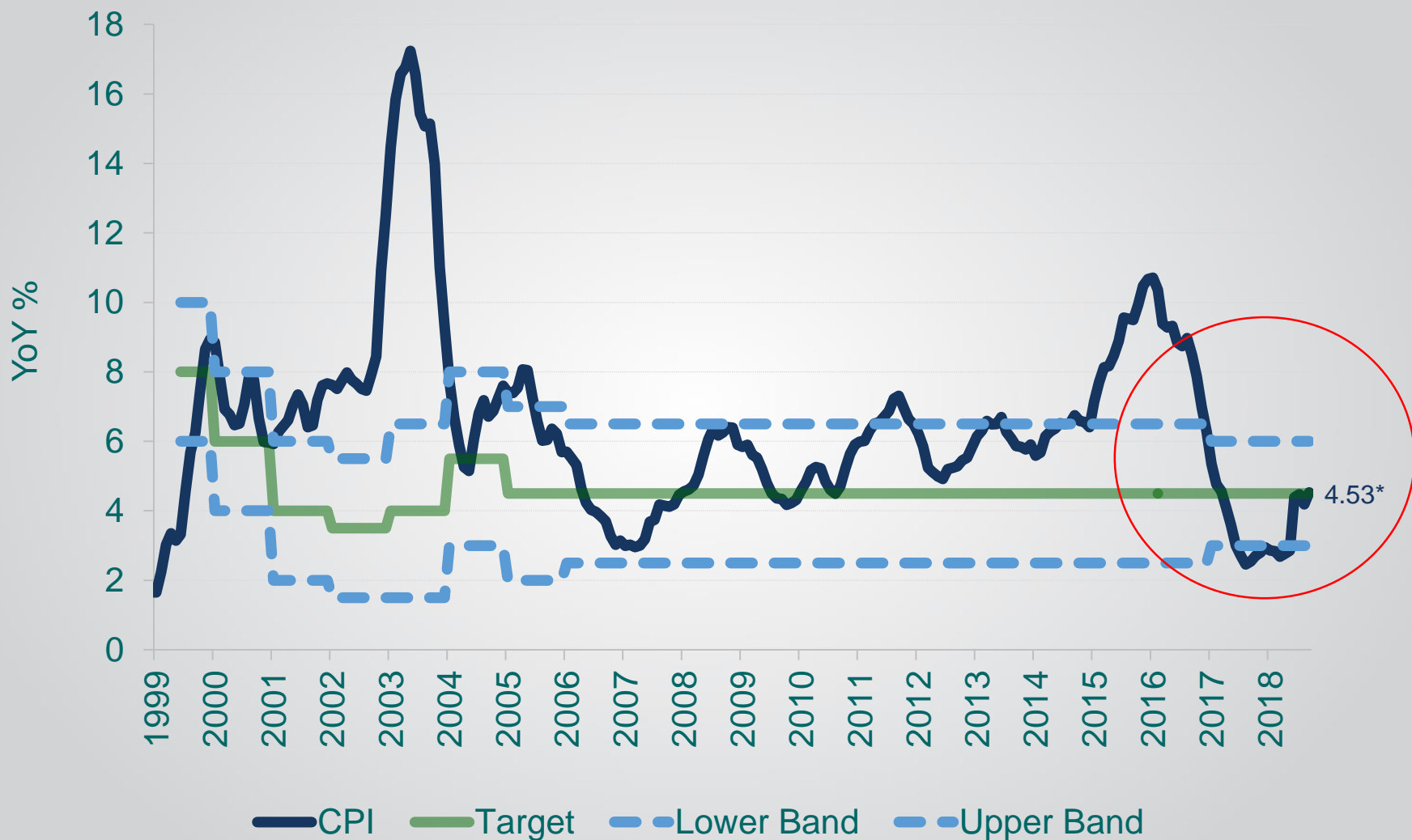
Farewell Conference in honor of Governor Flug

Governor of the Central Bank of Brazil

Ilan Goldfajn

November 4th, 2018

Inflation Targeting Regime in Brazil: 1999 - Present

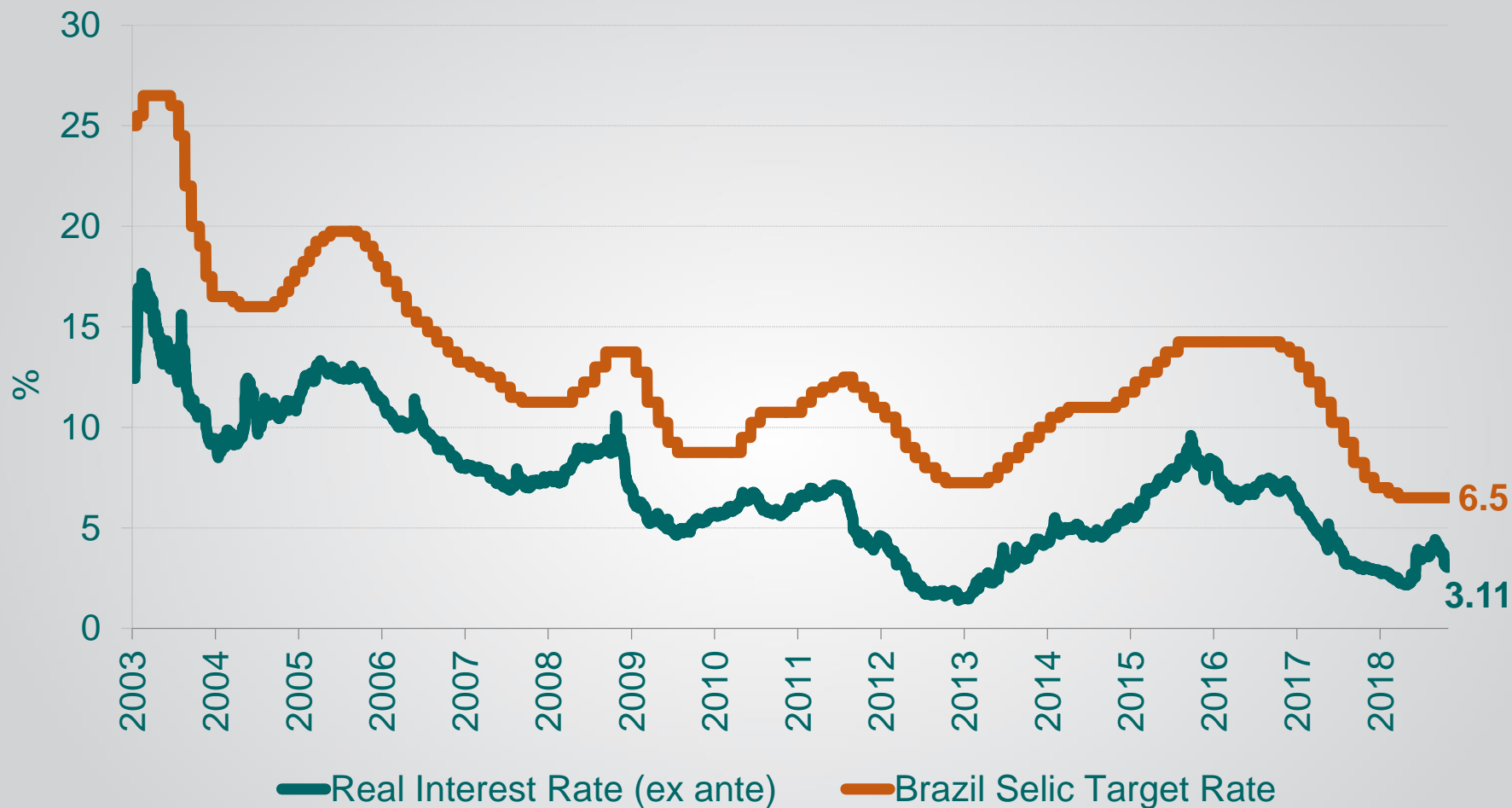


*Sep/2018

Expectations are crucial

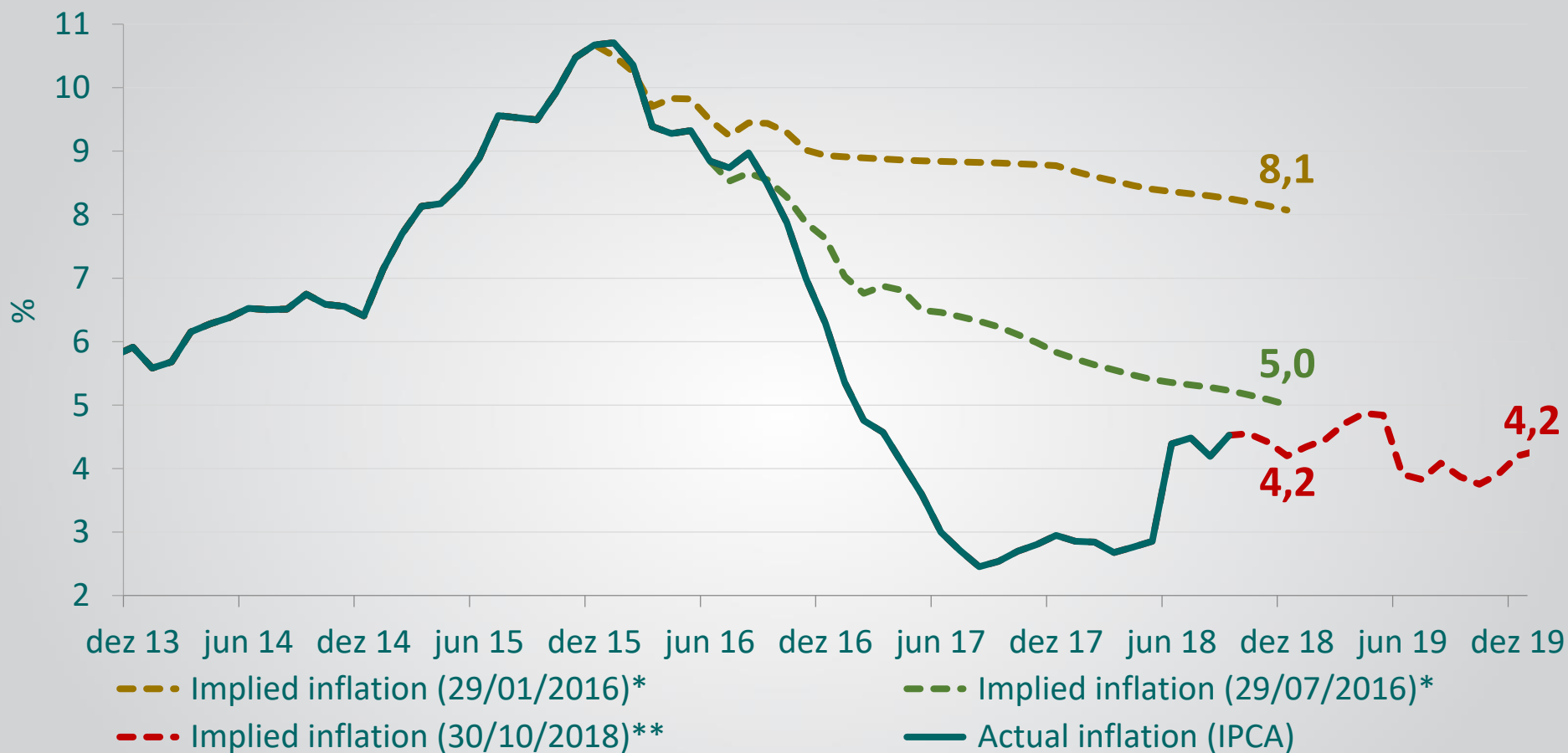


Interest Rates in a declining trend...



* 360-day market rate discounted by the IPCA expected for the next 12 months (Focus Survey)

Anchoring inflation expectations



*Implied inflation expectations in inflation-indexed bonds (NTN-B).

**Implied inflation expectations in CPI futures (DAP).

Source: BCB / IBGE

Recent Shocks to EMEs

- The Global economy continues to grow, but outlook became more challenging, especially to EMEs
- Two shocks are affecting the EMEs:
 1. Monetary Policy normalization
 - But normalization is normal
 2. Trade Conflicts
- It is a common shock, but the impact on each economy depends on its fundamentals and buffers

How should the international community and EMEs react?

- Advanced economies:
 - communicate well the normalization of monetary policy
 - resolve trade conflicts
- EMEs:
 - Defense against shocks starts on the domestic front
 - Policy framework of floating exchange rate and IT
 - credibility and flexibility
 - Buffers
 - reserves, anchored Inflation expectations, etc.
 - Continue reforms and adjustments.

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Thank you!

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