



BANCO CENTRAL DO BRASIL

Minutes of the 88th Meeting of the Monetary Policy Committee (Copom)

Date: September 16th, from 4:10PM to 6:30PM, and September 17th, from 3:00PM to 6:00PM

Place: BCB's Headquarters meeting room of the 8th floor (on September 16th) and 20th floor (on September 17th) – Brasília – DF

In attendance:

Members of the Committee

Henrique de Campos Meirelles – Governor
Afonso Sant'Anna Bevilacqua
Antonio Gustavo Matos do Vale
Beny Parnes
Eduardo Henrique de Mello Motta Loyo
João Antônio Fleury Teixeira
Luiz Augusto de Oliveira Candiota
Paulo Sérgio Cavalheiro

Department Heads (present on September 16th)

Altamir Lopes – Economic Department
Daso Maranhão Coimbra – International Reserves Operations Department
José Antonio Marciano – Department of Banking Operations and Payments System
José Pedro Ramos Fachada Martins da Silva – Investor Relations Group
Marcelo Kfoury Muinhos – Research Department (also present on September 17th)
Sérgio Goldenstein – Open Market Operations Department

Other participants (present on September 16th)

Alexandre Pundek Rocha – Advisor to the Board
Antônio Carlos Monteiro – Executive Secretary
Flávio Pinheiro de Melo – Advisor to the Board
João Batista do Nascimento Magalhães – Special Advisor to the Governor
Jocimar Nastari – Press Secretary
Katherine Hennings – Advisor to the Board

The members of the Monetary Policy Committee analyzed the recent performance of and prospects for the Brazilian and international economies under the monetary policy framework, which is designed to comply with the inflation targets established by the government.

Recent Evolution of Inflation

1. The IPCA increased 0.34% in August, after an increase of 0.20% in the previous month, accumulating increases of 7.22% and 15.07% in 2003 and in 12 months, respectively. The IGP-DI increased 0.62% in August, compared to a decrease of 0.20% in July, reflecting an increase in the IPA-DI (+0.70% in August compared to -0.59% in July) and a deceleration of the IPC-BR (to 0.13% from 0.34%). The 12-month changes of the IGP-DI and IPA-DI decreased for the fifth consecutive month in August, reaching 22.03% and 25.85% respectively.
2. Regulated prices rose 0.85% in August, contributing 0.24 p.p. to the overall result of the IPCA, while free prices rose 0.14%, contributing 0.1 p.p. Among regulated prices, notable increases included fixed telephone and electricity tariffs, water and sewage tariffs, and the price of gasoline, which had been falling for five consecutive months. With respect to free prices, the most significant



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impacts came from increases in the prices of domestic services and meat. Food prices decreased 0.27% in August, less sharply than the 0.67% decline in the previous month.

3. Both agricultural and industrial wholesale prices rose in August. Agricultural prices increased 1.77%, reversing the declines observed in the previous four months, as a result of the beginning of an inter-harvest period and increases in the international prices of some commodities. The most significant pressures came from the prices of meat (cattle, pork and poultry) and meat-related products, coffee, manioc and rice. Industrial prices increased 0.29%, after falling in the previous three months, with notable increases in common steel plates, fuel oil, sulfur, sugar, roasted and ground coffee, and copper wires.
4. Core IPCA inflation calculated by excluding household food items and regulated prices increased 0.37% in August, repeating the change registered in July. The accumulated change in the last twelve months stood at 10.8%, decreasing for the second consecutive time.
5. Core IPCA inflation calculated under the trimmed-mean method (smoothed) reached 0.58% in August, compared to 0.65% in July. In the last twelve months, the accumulated change stood at 12.59%, decelerating for the first time this year. Inflation calculated without the smoothing procedure for pre-selected items resulted in rates of 0.35% and 11.47% in the month and in twelve months, respectively.
6. Core IPC-BR inflation calculated under the symmetric trimmed-mean method was 0.45% in August, accumulating an increase of 12.43% in the twelve months ending in August.
7. In September, consumer price indices will post larger increases than in August, mainly reflecting pressures on regulated and food prices. Among regulated prices, water and sewage tariffs in São Paulo, electricity in Brasília and Goiânia and the second readjustment of urban transportation in Salvador should be highlighted, along with other items with countrywide impacts such as alcohol, gasoline and fixed telephone tariffs. Free prices will increase as a result of increases in food prices, which were seen in the wholesale indices in August.
8. It should be noted that the one-time price increases to be observed in the next few months, mainly due to regulated prices and seasonal pressures, do not represent any change in the process of disinflation that has been observed in recent months. This is highlighted by the continuing downward trend of core inflation.

Assessment of Inflation Trends

9. The identified shocks and their impacts were reassessed according to newly available information. The scenario considered in the simulations assumes the following hypotheses:
 - a. The projections for the readjustment of gasoline prices in the remainder of 2003 were revised. The new projection for this year's readjustment stands at 2.2%, 2.7 p.p. lower than in August. This decrease results mainly from the exchange rate appreciation in the last month and the fall of international oil prices. The projections for bottled cooking gas for the full year decreased to 5.4% from 5.8%, as the actual increase in this price in August was slightly lower than expected. However, the projections for the remainder of the year were not changed;
 - b. The projection for the readjustment of electricity tariffs decreased to 20.8% from 22.3%. The projection for the readjustment of telephone tariffs in 2003 increased 0.2p.p. to 25.7%. It should be noted that the dates for the readjustments were revised as a result of a judicial injunction against the readjustment of these tariffs according to the annual change of the IGP-DI. The Copom utilized the hypothesis that differences between the increases



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authorized by Anatel and the actual readjustment to date will be compensated in the remainder of the year;

- c. The projected increase of 14.0% for regulated prices, which had a 28.6% weight in the August IPCA, was maintained;
 - d. For 2004, it is assumed that the readjustment of regulated prices will follow the endogenous determination model of regulated prices. Under this methodology, which considers the change in the exchange rate, free price inflation and the change in the IGP-DI, as well as seasonal factors, the projection for the readjustment of regulated prices in 2004 was reduced by 0.6 p.p., to 8.3%;
 - e. The projection for the 6-month spread over the Selic rate, following the specification of the VAR model using the Selic and the swap rate on the eve of the Copom meeting, was -275 b.p. for the fourth quarter of 2003, gradually rising to 50 b.p. at the end of 2004.
10. Regarding fiscal policy, it is assumed that the primary surplus target of 4.25% of GDP for this year and the following two years will be accomplished. The other related assumptions established in the August meeting were maintained.
11. Considering the baseline scenario hypotheses, including the maintenance of the Selic interest rate at 22.0% p.a. and the exchange rate at the level prevailing on the eve of the Copom meeting (R\$2.90), inflation is projected above the adjusted target of 8.5% for 2003 and below the target of 5.5% for 2004.

Monetary Policy Decision

12. The behavior of inflation in August confirmed the positive results of June and July. The maintenance of exchange rate stability and inflation expectations in line with the trajectory of the inflation targets indicate that the cycle of readjustment of relative prices that the Brazilian economy had experienced since 2002 has reached its end.
13. August IPCA inflation reached 0.34%, in line with projections presented at the August Copom meeting. The increase of 0.14 p.p. compared to July was due to increases in regulated prices and seasonally-sensitive items. Among these prices, notable increases included the prices of meat, due to the inter-harvest period, and the price of domestic services, which was captured in the August IPCA for methodological reasons even though changes typically occur mainly in April and May. It is important to highlight that the proportion of items with positive readjustments in the monthly IPCA has been falling since March, and stood at 56.4% in August, the lowest figure since January 2001.
14. The behavior of core inflation signals a downward trend in inflation. Core IPCA inflation calculated under the trimmed-mean method with smoothing and excluding regulated prices fell for the fifth consecutive month, and core inflation calculated under the trimmed-mean method without smoothing fell in August, after relative stability in June and July. Core inflation excluding regulated prices and household food items increased 0.37%, the same increase observed in July. Other core inflation measures, such as the IPC-BR, also point out to a downward trend for inflation.
15. After three consecutive months of deflation, wholesale prices increased in August, reflecting the beginning of an inter-harvest period and the end of the passthrough of the exchange rate appreciation that had been occurring since March. In August, the wholesale price index for agricultural products increased 1.8% while the wholesale index for industrial products rose 0.3%. Agricultural wholesale prices will continue to put upward pressure on retail prices in the next few months. As is typical at the end of the year, these increases are expected to reverse as the inter-



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harvest period ends. However, the reversal may be partial, since there may be a change of price level for some items. This seems to be the case for soybean products, as soy prices increased recently in the international market.

16. As a consequence of the inter-harvest period and expected readjustments for regulated prices, inflation is expected to increase slightly in the upcoming months. In the medium-run, however, the Copom judges that inflation will return to the moderate levels observed recently.
17. The economy has started to show signs of a recovery from the deceleration observed in the first half of the year. As is usual in the early stages of a recovery, indicators of economic activity are giving contradictory signals. Hours worked, industrial production and sales, and electricity consumption in São Paulo all increased in August compared to July (s.a. data). Retail sales and employment were stable in June and July, while installed capacity utilization, and purchase of capital goods and civil construction inputs decreased.
18. The Copom estimates that activity will be recovering from the second half of this year onward. The easing of monetary policy, initiated in June and intensified in subsequent months, the increase in the supply of credit, and the increase in real incomes due to the decrease in inflation will allow consumption to increase progressively. Net exports, continue to provide support to aggregate demand, although at a lower relative magnitude. As a result of the level of idle capacity in the economy, a recovery of investment may take some months to occur. Generally speaking, even if investment recovers after consumption, the Copom maintains its judgement from the August meeting that the recovery of the economy will be balanced, and will occur at a speed that keeps demand growth in line with the growth of aggregate supply.
19. To maintain price stability in a longer horizon, the growth of aggregate demand must continue to be compatible with increases in aggregate supply. The decrease of investment in recent years – sharpened in the second quarter of 2003 - has had a negative effect on the growth of productive capacity. On the other hand, the maintenance of monetary and fiscal policies consistent with macroeconomic equilibrium and the approval of reforms now in the Congress will have positive impacts on the growth of potential GDP. The Copom will monitor the evolution of aggregate demand, in order to ensure that the growth of installed capacity utilization does not outstrip the completion of new investments.
20. The external scenario improved significantly since the August Copom meeting. The Real was less volatile and appreciated moderately against the US dollar, with the exchange rate falling from a plateau of R\$3.00 to a level around R\$2.90. Country risk measured by the Embi+ fell from 730 b.p. to 650 b.p. The Brazilian external accounts continued to post positive results, with increasing surpluses in the trade balance due to export growth, enough to produce small surpluses in the current account. FDI recovered in July and August, and sovereign and private securities were placed in the international market between August and September. As a consequence of the stability of the real and the favorable behavior of the external accounts, there is no expectation of new inflationary pressures coming from the exchange rate.
21. The BCB's inflation forecasts, assuming the maintenance of the Selic interest rate at 22.0% p.a. and the exchange rate at R\$2.90/US\$, point to inflation above the adjusted target of 8.5% for 2003. A small reduction of the projection for this year was due to the fall of market expectations for inflation, exchange rate appreciation and the 2Q2003 GDP released by IBGE, which was lower than expected and incorporated into the projections for the year. The trajectory of inflation remains compatible with the path presented in the Open Letter sent by the BCB Governor to the Ministry of Finance on January 21st, 2003.
22. The BCB's inflation forecasts for the next 12 months and for 2004 were reduced slightly, due to the lower than expected GDP results and the 0.4 p.p. reduction in the projection for regulated price



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inflation in 2004. The new projections, assuming the maintenance of the Selic interest rate at 22.0% p.a. and the exchange rate at R\$2.90/US\$, remain below the trend of the inflation targets.

23. During the last few months, the convergence of inflation expectations to the trajectory of the inflation targets played a key role in generating positive inflation results. Monetary policy should guide the basic interest rate in order to ensure that expectations are consistent with the convergence of inflation to the targets. The median of market inflation expectations has been roughly stable since the August Copom meeting. For inflation in 2003, market expectations decreased to 9.6% from 9.7%. Regarding expectations for inflation in the next twelve months, there was a slight increase to 6.5% from 6.4%. For 2004, market expectations were stable at 6.2%.
24. The Copom evaluates the risks in the projections for the inflation trajectory on an ongoing basis. Some of these risks have become less significant, such as the doubts regarding the degree of inertia after the inflationary peak in the last quarter of 2002. During the last quarter of the year, the Copom will be observing wage readjustments that will occur under collective bargaining agreements. It will be important to differentiate two types of readjustments: i) those in sectors with relative price gains since last year, notably the sector of tradables, which has benefited from the exchange rate depreciation; and ii) those based on past inflation, rather than its projected or current performance for the sector.
25. As the disinflation process continues, other risks become more important. With consecutive reductions in the over-Selic rate since June, the real interest rate has come closer to the medium-run level consistent with sustainable growth and price stability. As the basic interest rate approaches this level, the greater the relative importance of risks associated with the uncertainties of the monetary policy transmission mechanism, including the lags and magnitudes of the impact of changes in the over-Selic rate on the inflation. With this progressive change in the relative importance of risks, gradualism in the conduct of monetary policy becomes increasingly important.
26. With the projection of inflation for the next twelve months and for 2004 below the target, market expectations stable and consistent with the targeted path, and the exchange rate and external accounts not presenting a source of inflationary pressure in the short-run, the Copom believes it is appropriate to continue the process of monetary policy easing, and decided unanimously to fix the Over-Selic rate target at 20% p.a.
27. At the close of the meeting, it was announced that the Copom would meet again on October 21 for technical presentations and on the following day, in order to discuss the monetary policy decision, as established in the Communiqué 10,187, of October 2nd, 2002.

SUMMARY OF DATA ANALYZED BY THE COPOM

Economic Activity

28. According to the IBGE, national retail sales fell 5.4% year-on-year in the January-July period. The negative performance has been generalized, reaching all activities and 22 out of the 27 States. By sector, the category including hypermarkets, supermarkets, food products, beverages and tobacco once again exerted the main negative influence in the overall retail results, accumulating a decline of 6.5% in the year.
29. Statistics from Fecomércio-SP confirmed the bad performance of the retail sector with a 3.2% month-on-month (s.a.) decline in retail sales in the metropolitan region of São Paulo in July. This result was due to declines in sales of consumer goods, vehicles and construction inputs of 2.8%, 5.2% and 5.3%, respectively. In the year up to July, retail sales dropped 13.8% compared to the same period in 2002.



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30. Despite the negative performance of retail commerce in July, data from the ACSP signal better prospects. Seasonally adjusted data on consultations to the SPC system and Usecheque show growth of 2.3% in August in relation to July.
31. The monthly Fecomércio-SP survey on consumer confidence (IIC) showed a decrease of 2.2 p.p. in September, mainly due to a decline of 3.9 p.p. in future purchasing intentions, while current intentions registered an increase of 1.9 p.p. It is worth noting that even with this decline, the IIC stood at 102.2 (out of a 0-200 range), still in the “optimistic” range.
32. Regarding investment indicators, there has been a slight increase (0.4%) in the s.a. monthly series of capital goods production. However, in the year up to July, capital goods production fell 2.6% in relation to the same period in 2002. It is important to highlight that the export oriented part of capital goods production increased by 3.7% in the year, which, added to the decrease of 33.6% in the quantity of capital goods imports, resulted in an estimate of a 14.2% fall in the domestic purchase of capital goods in 2003, compared to 2002. The production of civil construction inputs decreased 0.3% in July and accumulated a contraction of 7.3% in the year up to July. Another indicator unfavorable to investments in the period from January to July 2003 is the 12% decline in the volume of medium and long-term financing provided by the BNDES.
33. According to the IBGE, July industrial production registered an increase of 0.4% over June, in the s.a. series. This was a result of the positive performance of mineral extraction, which increased 8.8%, returning production of oil and natural gas to normal levels after a technical stop in the production of some platforms in June. The transformation industry, which represents approximately 90% of manufacturing production, registered a drop of 0.1% in the month. Up to July, compared to the same period in 2002, industrial production decreased 0.3%, which reflects the negative performance of the transformation industry (-0.6%), notwithstanding an increase in mineral extraction of 2.1% in the same period.
34. By categories of use, the favorable performance of the month reached intermediate goods, durable and capital goods, with increases of 1%, 0.7% and 0.4%, respectively. Only the semi-durable and non-durable goods production registered decrease in July (2.1%).
35. Data on industrial activity released by the CNI showed a slight recovery in July. In the month, s.a. data, real industrial sales increased by 1.7% and hours worked in production increased 0.9%. In the year, both indicators registered positive increases of 0.06% and 0.42%, respectively. Still considering the s.a. series, installed capacity utilization reached 78.9% in July, compared to the recent peak of 81.6% registered in October 2002.
36. In the automotive sector, in August auto output, domestic and external sales fell 6.3%, 9.1% and 14.2% month-on-month, respectively, according to the s.a. series. Production increased 1.8% in the eight first months of the year, driven mainly by a 36.8% increase in external sales, while domestic sales fell 7.7%.

Labor Market

37. The index of employment increased 0.1% month-on-month in July (s.a.), and 3.1% year-on-year up to July, according to Ministry of Labor and Employment data. According to the new methodology for the IBGE's employment survey, the unemployment rate in the six main metropolitan areas reached 12.8% in July, compared to 13% in June, mainly as the result of a contraction in the economically active population, while the number of occupied people decreased 0.1% in the month.
38. Also according to the IBGE's survey, average real wages of employed workers in June 2003 fell 17.3% compared to the same month in 2002. In the industrial sector, according to the CNI, real



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wages increased for the third consecutively month in July, but still remained 4.9% lower than the same month in 2002. In 2003 up to July, real wages in manufacturing declined 6.4% in comparison to the same period in 2002.

Credit and Delinquency Rates

39. Total non-earmarked or freely allocated credit rose 0.6% in August, after declining repeatedly between March and July. The monthly expansion was driven mainly by increases of 1.2% and 0.2% in individuals and company credits, respectively. Among credit operations to companies, internally funded credits rose 0.3% while externally funded credits rose 0.1%.
40. The average interest rate on non-earmarked credits fell again in August (2.2 p.p.), to 52.7% p.a., as a consequence of the reduction of the Over-Selic target rate since June. The decline was more significant for the interest rate on lending to individuals, which fell to 74.5% from 77.9%, especially for overdraft accounts and consumer credit. In corporate loans, the average rate was 36.3% p.a., falling 1.4 p.p., compared to July. The delinquency rate on non-earmarked bank credits fell to 8.6% in August from 8.7% in July, essentially as the result of the decrease of 0.3 p.p. in individuals' delinquency rate.
41. Regarding default rates on retail credit, there was a new improvement in August, driven by a 3.5% increase in cancelled default registrations, signaling debtors and creditors intention to renegotiate. In 2003 up to August, the number of cancelled default registrations rose 7.5%. ACSP data showed that the delinquency rate reached 4% in August and 5.8% on annual average until August, compared to the 6.4% average rate registered last year.

External Environment

42. There are signs that a global economic recovery is in progress, stimulated by US economic performance. However, there is still a high level of uncertainty about its pace and degree. The US GDP growth rate in the second quarter of 2003 was revised up to 3.1% against 2.4% in previous estimates. Retail sales rose by 0.5% in August compared to the previous month. Inventories fell 0.1% in July and the inventory/sales ratio stood at 1.37, after 1.39 in June. Installed capacity utilization remained unchanged in August (74.6%). The unemployment rate decreased to 6.1% in August, which is still considered high, and claims for unemployment compensation are still around 400,000 per week.
43. The Federal Reserve decided to keep its basic rate at 1%, and was accompanied by the world's main central banks, which also kept official rates constant at their last meetings.
44. In Japan, there is also an optimistic environment regarding the recovery of the economy. Annualized GDP registered growth of 3.9% in the second quarter. The conditions are more favorable to exports and there is a moderate recovery in corporate investment occurring, but private consumption remains weak. The timing mismatch between the signs of growth in US and Japan is caused by European stagnation. The retraction of 0.4% of GDP (annualized rate) in the Euro Zone in the second quarter followed zero growth in the previous quarter. This situation has impacted the European labor markets. The unemployment rate stood at 8.9% in July, the same as in the previous month and the highest level in 3 ½ years, the same rate registered last month. One estimates that 12.5 million people were jobless in the Euro Zone last July.
45. The recovery of activity in the US and Japan and the weak performance in Europe is taking place with low inflation rates. The US consumer price index (CPI) rose 0.3% in August. The core index, which excludes energy and food prices, increased 0.1% in August. In the last twelve months, the CPI remained practically stable, with a 2.2% increase. The US PPI also registered an increase in August (0.4%), while its core increased 0.1%. In Japan, household prices are still falling, but at a



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lower pace in annual terms, registering deflation. In Euro Zone, the annual wholesale index remained unchanged in July; 1.3% in comparison with the same month in 2002, while the Harmonized Index of Consumer Prices (HICP) registered an annual increase of 2.1% in August, above the target of 2% fixed by EBC.

46. The business confidence index showed a prospective of business heating in the main economic areas. US manufacturing activity indicators rose in August for the second consecutive month, to 54.7 points, the highest level since December 2002. The Business Activity Index (BAI) remained at the same level, 65.1 points, in July and August. In Japan, Tankan index has been showing an upward trend in all their segments, but it still remains negative. In Europe, the confidence of German investors measured by Zew Institute rose in September to its highest level in 14 months, suggesting that the economic activity is recovering. The index that measures the economic growth expectations increased to 60.9 in September, compared to 52.5 in August. Amongst consumers, there is no uniform behavior. In US, a preliminary measurement of the Consumer Sentiment Index of University of Michigan showed a decrease to 88.2 p.p. in September. In Europe and Japan there is a slight improvement in the consumer's spirit.

Foreign Sector

47. The trade balance posted a US\$ 2.7 billion surplus in August, the highest monthly trade balance ever recorded, which led to new records of US\$ 15.1 billion and US\$ 22.9 billion surpluses in the year-to-date and 12-month accumulated results. Up to August, exports increased 22.9% and imports declined 4.1%, in comparison to the same period of 2002. In August, daily average exports increased 14.9% in comparison to the previous month, and 16.6% as compared to August 2002 values. Imports rose 0.9% and declined 6.4% considering the same bases. Up to the second week of September (10 working days), the trade surplus reached US\$ 1.4 billion, with exports and imports expanding 13.7% and 10.6%, in comparison to the average data of September 2002.
48. Exports increased in all categories of products, setting historical records for the months of August and the January-August period. It should be noted that this remarkable expansion resulted from many factors: higher shipped volumes, the recovery of international prices of important commodities, the diversification of items and markets, the inclusion of new enterprises in the export drive, the increase of competitiveness and the deceleration of economic activity.
49. Considering daily average data, semi-manufactured goods sales rose 20.6% in comparison to August 2002, with highlight to gross sugar and gross soy oil. Exports of basic products increased 17.4% in the same basis of comparison, driven by meat, soybeans and soy flour. Manufactured items increased 14.7%, most notably ethylene polymers, fuel oils, transport vehicles, automobiles, tires, car parts and furniture. As far as international demand is concerned, exports expanded to all regions in August, most notably shipments to China and Argentina, which remained as the second and third largest buyers of Brazilian products, with increases of 69.1% and 82.9% in the month, and of 136.7% and 84.5%, respectively, in January-August 2003, compared to the same period of 2002.
50. With reference to imports, the 2.9% decline in the daily average of the first eight months of 2003, in comparison to the same period of 2002, was mainly caused by drops of 21% and 10% in imports of capital goods and consumer goods, respectively. Imports of fuel and lubricants, due to the increase of prices and volumes, rose 11.4%, while imports of intermediate goods increased 5% in the same period.
51. The current account posted a US\$1.2 billion surplus in August, compared to a US\$305 million deficit in the same month of 2002. The deficit in the services and income accounts reached US\$1.7 billion and unilateral transfers posted a US\$236 million surplus. The year-to-date current account result reached US\$2.5 billion. The financial account registered a net inflow of FDI of US\$980



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million, accumulating US\$5.7 billion in 2003. At the end of August, international reserves stood at US\$47.8 billion, while adjusted net reserves stood at US\$15.4 billion.

Money Market and Open Market Operations

52. Since the Copom's decision in August, the yield curve dropped significantly at all maturities. In addition to the larger-than-expected reduction of the Over-Selic target rate, several factors contributed favorably to this movement, including the advance of the social security and tax reforms, the appreciation of the exchange rate, the fall of country-risk and the release of indicators showing a low level of economic activity. Between August 20th and September 16th, 1-month and 1-year future interest rates fell by 187 b.p. and 183 b.p., respectively.
53. The maturities of FX-linked bonds and FX swaps in the period were rolled over by means of swap operations with terms ranging from 4 to 58 months (21 months on average). The rollover rate reached 50% of the principal. The lower rates offered in these operations, compared to the previous period, were due to the downward shifting of the FX coupon curve, caused by the improvement of the country-risk and the announcement of new foreign settlements by Brazilian enterprises.
54. The National Treasury conducted four LTN auctions, totaling R\$10.7 billion. Together with the movement of the interest rate curve, placement rates fell significantly. There were also four LFT auctions, which totaled R\$6.9 billion.
55. NTN-Bs (IPCA indexed securities) were also offered, in the second placement of these securities, the first having occurred in March of 2002. Both August 2006 and May 2009 maturities were offered at 10.79%. The operation totaled R\$2.4 billion, R\$991 million of which was paid in currency and the rest with swaps for other securities.
56. Financial redemptions between August 21st and September 17th caused a monetary contraction of R\$2.4 billion, explained mainly by the net placements of R\$10.7 billion of LTN and of R\$3.2 billion of NTN-B and NTN-C, partially offset by net redemptions of R\$7.8 billion of LFT and of R\$2.9 billion of dollar-indexed securities.
57. The Central Bank intervened in the open market on a weekly basis with 2-week repo operations and conducted daily liquidity management operations. These operations withdrew from the banking reserves market excess liquidity of R\$55.6 billion on average.
58. In August, the net securitized public debt increased by 0.9%. The prefixed share increased to 7.4% from 6.3% in July, and the share linked to the dollar declined to 28.1% from 28.5%.



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Acronyms

ACSP	São Paulo Trade Association
Anatel	National Telecommunications Agency
BCB	Banco Central do Brasil
BNDES	National Bank of Economic and Social Development
b.p.	basis points
CNI	National Confederation of Industry
Embi+	Emerging Market Bond Index Plus
Fecomércio-SP	São Paulo State's Federation of Commerce
GDP	Gross Domestic Product
IBGE	Brazilian Institute of Geography and Statistics
IGP-DI	General Price Index – Domestic Supply
IIC	Consumer Intentions Index
IPA-DI	Wholesale Price Index
IPCA	Broad Consumer Price Index - Brazil
IPC-BR	Consumer Price Index – Brazil
LFT	National Treasury Bills (floating)
LTN	National Treasury Bills (fixed rate)
NTN-B	National Treasury Notes – Series B
p.a.	per annum
p.p.	percentage point
s.a.	seasonally adjusted
VAR	Vector AutoRegressive
WTO	World Trade Organization