BANCO CENTRAL DO BRASIL

Minutes of the 165th Meeting of the Monetary Policy Committee (Copom)

Summary

Date: March 6th, 2012, from 4:20PM to 6:52PM, and March 7th, from 5:05PM to 8:50PM

Place: BCB Headquarters meeting rooms – 8th floor on March 6th and 20th floor on March 7th – Brasília – DF

In attendance:
Members of the Committee
Alexandre Antonio Tombini – Governor
Aldo Luiz Mendes
Altamir Lopes
Anthero de Moraes Meirelles
Carlos Hamilton Vasconcelos Araújo
Luiz Awazu Pereira da Silva
Sidnei Corrêa Marques

Department Heads (present on March 6th)
Adriana Soares Sales – Research Department (also present on March 7th)
Bruno Walter Coelho Saraiva – International Affairs Department
João Henrique de Paula Freitas Simão - Open Market Operations Department
Márcio Barreira de Ayrosa Moreira - Department of Foreign Reserves
Renato Jansson Rosek – Investor Relations and Special Studies Department
Rodrigo Collares Arantes – Department of Banking Operations and Payments System
Tulio José Lenti Maciel – Economic Department

Other participants (present on March 6th)
Gustavo Paul Kurrle – Press Officer

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

Recent Economic Developments

1. Monthly inflation measured by the IPCA reached 0.56% in January, after recording 0.50% in December, resulting in the fourth consecutive retreat of twelve-month trailing inflation, which reduced from 6.50% in December to 6.22% in January. Market prices inflation stood at 6.42% in the twelve months through January, down from 7.17% until January 2011, while regulated prices inflation reached 5.71% (3.24% in the same period of last year). Regarding market prices, it bears highlighting that tradable goods inflation reached 3.97% in the twelve months through January, while inflation related to non-tradable goods increased 8.62%, compared to 6.61% and 7.65% in the same period of 2011, respectively. Specifically on services, inflation in this segment reached 1.05% in January, after rising 0.51% in December, totaling 9.20% in the twelve months through

January (7.89% in January 2011). In short, the set of available information suggests a declining trend of inflation on a twelve-month accumulated basis, despite some persistence, which, in part, reflects the fact that services inflation still remains at high levels.

2. Underlying inflation measures calculated by the BCB, in general, performed similarly to headline inflation. While the average of monthly changes slightly increased in January, the average of twelve-month inflation fell for the fourth consecutive month. The smoothed trimmed means IPCA core inflation moved from 0.55% in November to 0.58% in December and 0.47% in January, while the non-smoothed trimmed means core inflation changed from 0.42% to 0.39% and 0.36% in the same period. Similarly, the double weight core inflation, after registering 0.53% in November, increased to 0.54% in December and 0.59% in January. At the same time, core inflation by exclusion, which excludes ten household food and fuels items, declined from 0.47% in November to 0.41% in December, before moving to 0.59% in January, while the core inflation by exclusion of regulated prices and household food increased from 0.45% in November to 0.49% in December and 0.57% in January. Therefore, the average change of these five core measures changed from 0.48% in November and December to 0.52% in January. In the twelve months through January, the average change of the five core measures declined from 6.72% in November to 6.59% in December and 6.41% in January.

3. The General Price Index (IGP-DI) increased 0.07% in February, after increasing 0.30% in January and decreasing 0.16% in December. Thus, the IGP-DI accumulated inflation of 3.38% in the twelve months through February, 7.74 percentage points (p.p.) below that registered in February 2011. This was the fourteenth consecutive decrease of the inflation in twelve months. The main component of the indicator, the Wholesale Price Index (IPA), changed 1.85% in the twelve months through February, reflecting an increase of 2.65% in the industrial IPA and a decrease of 0.28% in the agricultural IPA. According to the breakdown by stage of production, in the same period, there was decrease in the price of raw materials (0.25%) and increases in intermediate goods (2.31%) and final goods (3.22%). Inflation measured by Consumer Price Index (CPI), another component of the IGP-DI, stood at 5.62% in the twelve months through February, below the 6.02% recorded in February 2011. The Civil Construction National Index (INCC), component with the lowest weight in the IGP-DI, changed 8.02%. On its turn, the Producer/Manufacturing Industry Price Index (IPP/IT), calculated by the IBGE, decreased 0.46% in January, after deflation of 0.17% in December. In twelve months, this index changed from 2.60% in December to 1.72% in January. In general, the recent evolution of these indices signals reduction of the pressures stemming from wholesale prices over consumer prices.

4. The Brazilian economy grew 2.7% in 2011, after growing 7.5% last year and contracting 0.3% in 2009. In 2011, the value added by the agricultural sector expanded 3.9%, the industry grew by 1.6%, and the service sector, 2.7%. On the demand side, household consumption grew by 4.1% (compared to 6.9% in 2010), government consumption increased by 1.9% (4.2% in 2010), and investments, 4.7% (21.3% in 2010). The external sector had net contribution of -0.7 p.p. in 2011 (-2.7 p.p. in 2010). According to data seasonally adjusted by the IBGE, GDP resumed growth in the fourth quarter, quarter-on-quarter, recording 0.3%, after falling 0.1% in the third quarter and expanding by 0.5% in the second quarter. Growth resumption in the fourth quarter was noticeable in all components of domestic demand, and is compatible with the internal and external equilibrium, and consistent with the scenario of convergence of inflation to the target in 2012.

5. The Economic Activity Index of the BCB (IBC-Br) incorporates estimates for the monthly production of the three sectors of the economy, as well as for taxes on products, and constitutes, therefore, an important coincident indicator of economic activity. Considering seasonally adjusted data, the IBC-Br increased by 0.6% in December, after expansion of 1.3% in November and contraction of 0.6% in October. Thus, the indicator increased 0.3% in the last quarter of 2011, compared to the previous quarter, and 1.0% compared to the quarter ended in December 2010. In twelve months, the growth rate, which has been slowing since November 2010, retreated from 3.0% in November 2011 to 2.7% in December. The Consumer Confidence Index (ICC), from Getúlio Vargas Foundation (FGV), recorded a rise in February. In the same way, the Services Confidence Index (ICS) increased in February, after six consecutive declines.

6. Industrial activity decreased by 2.1% in January, according to data seasonally adjusted by the IBGE, after increasing 0.5% in December and 0.1% in November. Production decreased in 14 out of the 27 branches of activity in January, with the largest decrease occurring in the automotive vehicles sector (-30.7%). According

to the quarterly moving average, industrial production declined 0.5% between November and January, after recording stability in the period between October and December. Year-over-year, production decreased 3.4% in January, while on a twelve-month accumulated basis, it decreased by 0.2%. Compared to December 2008, month with the lowest output level during the 2008/09 crisis, the accumulated growth until January 2012 reached 19.6%. According to data from the National Industry Confederation (CNI), revenues in the manufacturing industry recorded 3.8% real growth in December, year-over-year, while the number of hours worked decreased 0.7%. Therefore, real revenues and the number of hours worked grew, respectively, 5.1% and 0.9% in 2011.

7. Among the industry use categories, according to data seasonally adjusted by the IBGE, in January the production of durable consumer goods decreased 1.9%, while the production of non-durable and semi-durable consumer goods increased by 0.7%. The production of intermediate goods and capital goods decreased by 2.9% and 16.0%, respectively, strongly influenced by the smaller production of transport equipment. In twelve months through January, the production of durable consumer goods decreased 3.0%, while the production of non-durable and semi-durable consumer goods and intermediate goods fell by 0.2% and 0.1%, respectively. According to the same comparison basis, capital goods industry was the only one growing among use categories, expanding by 1.7%.

8. The unemployment rate in the six metropolitan regions covered by the IBGE Monthly Labor Survey (PME), according to observed data, reached 5.5% in January, after reaching 4.7% in December. The January rate was 0.6 p.p. below the rate recorded in the same month last year. After recording 9.0% in March 2009, the observed unemployment rate reduced significantly and reached a record low in December, since the start of the series in March 2002. The unemployment rate seasonally adjusted by the BCB increased from 5.5% in December to 5.6% in January. In twelve months, there were increases of 2.0% in the occupation level and 1.4% in the economically active population. Data released by the Ministry of Labor and Employment (MTE), however, indicate slowdown in the creation of new jobs. In January, 118.9 thousand formal jobs were created (compared to 152.1 thousand jobs created in January 2011), expanding the number of formal jobs in six out of the eight sectors of economic activity. Services and civil construction were the sectors that mostly contributed for formal employment increase in the month. According to PME, real average earnings increased 0.7% in January, growing by 2.7% in twelve months. As a consequence, real payroll, considering real average earnings in the six metropolitan regions, expanded 4.8% in January, year-over-year. In short, evidences indicate that although the labor market remains robust, there are some signs of moderation at the margin.

9. According to the retail monthly survey (PMC) from IBGE, expanded retail sales increased 4.3% in December, year-over-year, after recording 3.2% growth in November and 1.6% in October, according to the same comparison basis. According to the seasonally adjusted series, expanded retail sales increased by 1.6% both in November and December, month-on-month, after a fall of 0.3% in October. Thus, the volume of sales increased 6.6% in 2011. In fact, the volume of sales in all ten sectors surveyed expanded, with highlights for equipment and supplies for office, computer and communication (19.6%) and furniture and appliances (16.6%). Since October, the FGV, in partnership with the BCB, has released the Trade Confidence Index (ICOM). This indicator provides important additional information, as it portrays the current state and signals the evolution of commercial activity in a more timely manner. The index continued to indicate slowdown in the sector in February, similarly to what occurred in the four previous months. In the upcoming months, the retail sales trajectory will continue to be influenced by governmental transfers, by the pace of real payroll growth, by the consumer confidence level and by moderate credit expansion.

10. The installed capacity utilization rate (Nuci) in the manufacturing industry, calculated by the FGV, without seasonal adjustment, moved from 82.1% in January to 82.9% in February. Thus, capacity utilization stood 1.0 p.p. and 0.8 p.p. lower than the levels observed in January and February 2011, respectively. According to the seasonally adjusted monthly series calculated by the FGV, the Nuci stood at 83.7% in February, reaching 3.0 p.p. below the record high recorded in June 2008. Capacity utilization is more significant in the sectors of construction inputs (87.6%) and intermediate goods (84.1%). In the sector of capital goods, the Nuci stood at 83.8%, while in the sector of consumer goods, it stood at 81.6%. The difference between the proportion of companies that reported excess inventories and those which reported insufficient inventories fell in February, similarly to what occurred in January. According to the Confederation of National Industry (CNI) data,

seasonally adjusted by the BCB, the Nuci stood at 81.6% in December, compared to 81.4% in November. The recent process of retreat in the rates of installed capacity utilization reflected, in part, the reduction in the pace of production growth and the maturity of investments. In fact, the absorption of capital goods grew 5.8% in the last twelve months through December (6.5% until November), while the production of construction inputs increased 4.0% (4.4 % until November).

11. The trade balance surplus on a twelve-month accumulated basis increased from US$28.1 billion in January to US$28.6 billion in February. This result stemmed from US$258.3 billion in exports and US$229.6 billion in imports, equivalent to 22.8% and 21.6% changes, respectively, in the last twelve months through February. The current account deficit accumulated in twelve months increased from US$52.6 billion in December to US$54.1 billion in January 2012, equivalent to 2.17% of GDP. On its turn, foreign direct investment reached US$69.1 billion in twelve months through January, equivalent to 2.78% of GDP.

12. Global economy faces a period of above-than-usual uncertainty, still showing deteriorated prospects for activity, despite some improvement, at the margin, and lower level of risk aversion. Since the last meeting, a more positive perception about the activity in the United States (US) has consolidated, but risks, such as the recent increase in oil prices and the prospect of fiscal constraint persist. The provision of additional liquidity by the European Central Bank (ECB) seems to have reduced, in the short term, the probability of extreme banking events, but the risks to global financial stability remain high, among others, due to international banks exposure to sovereign debts of countries with fiscal imbalances - as reflected in still high, despite decreasing, price levels for credit default swaps (CDS) and revision of ratings given to several mature economies by credit rating agencies. High persistent unemployment rates, coupled with the need for fiscal adjustments, the limited scope for anticyclical policy actions and the political uncertainty, have contributed, in general, for the reduction of growth projections in mature countries or even of their potential growth, indicating a wider and more volatile economic cycle. In fact, the composite leading indicator released by the Organization for Economic Cooperation and Development (OECD), for December, reinforced signs of activity recovery in the US, but showed increase in the probability of recession in the Euro Area. Disaggregated indicators of the Purchasing Managers Index (PMI) for February, related to activity in industry, point to a slightly more benign global scenario and asymmetry among countries. Regarding monetary policy, mature economies have continued to adopt accommodative monetary stances, complemented by non-conventional monetary policy initiatives by the ECB, the Bank of England (BoE) and Bank of Japan (BoJ). Regarding inflation, the core measures have persisted at moderate levels in the US and in the Euro Area. In emerging economies, in general, monetary policy bias is expansionist.

13. The price of Brent oil barrel remained volatile and breached the US$120 level, reflecting, in part, greater political instability in some important producing countries and lags in the process of production resumption. It bears highlighting that the geopolitical complexity that involves the oil sector tends to heighten the volatile behavior of prices, which is also a reflex of the low predictability of some global demand components and of the dependency of supply growth on long term risky investment projects. Regarding the other commodities, it is noteworthy the upward movement for agricultural and metal international prices since the last Copom meeting, with respective increases of 3.8% and 1.8% when measured by the Commodity Research Bureau (CRB). Compared to the peak recorded in April 2011, the cumulative decline in both categories stands at 17.7% and 13.6%, respectively. The food price index, calculated by the Food and Agriculture Organization of the United Nations (FAO), which considers 55 items, accumulated a fall of 9.9% until January, since the peak observed in February 2011, with a monthly increase of 1.9% in January. In the recent past, the high volatility observed for the commodities prices was strongly impacted by the abundant global liquidity, in a context where financial markets adjust to new expectations for growth and volatility in FX markets. Prospectively, it is plausible to affirm that the announcement by Chinese authorities of reduced growth targets tends to generate some impact on commodities prices.

Assessment of Inflation Trends

14. The identified shocks and their impacts were reassessed according to the new set of available information. The scenario considered in the simulations was based on the following assumptions:

a) the projected adjustment for gasoline and bottled gas prices, for 2012, were maintained at 0%, the same value considered at the January meeting;
b) the projected adjustments for fixed telephone and electricity, for 2012, were maintained at 1.5% and 2.3%, respectively;
c) the projection for regulated prices inflation accumulated in 2012, based on individual items, according to the benchmark scenario, was maintained at 4.0%, the same value considered at the January meeting;
d) the projection for regulated prices inflation accumulated in 2013, according to the benchmark scenario, decreased to 4.5%, down from 4.6% considered at the January Copom meeting. Such projection is based on endogenous determination models for regulated prices, which compute, among other factors, seasonal components, foreign exchange rate changes, market prices inflation and the IGP (General Price Index) change; and
e) the projection for the spreads over the Selic rate, based on the 360-day swap rates, on the benchmark scenario, estimates -7 bps and 83 bps spreads in the fourth quarters of 2012 and 2013, respectively.

15. Regarding fiscal policy, projections assume the achievement in 2012 of the public sector primary surplus target (R$139.8 billion), around 3.10% of GDP, without adjustments. Moreover, a primary surplus of around 3.10% of GDP is considered for 2013, without adjustments.

16. The set of projections incorporated the estimated effects of the change in the IPCA weighting structure, which will take place in January 2012.

17. The projections were developed and analyzed from the perspective of models that identify in a broader manner the transmission mechanisms of external developments to the Brazilian economy – among others, trade, imports prices and external volatility channels. As a working hypothesis, the main scenario considers that the current deterioration in the international scenario will have an impact on the Brazilian economy equivalent to one fourth of the impact observed during the 2008/2009 international crisis. Part of this estimated impact is already being observed in the most recent economic activity indicators.

18. Since the last Copom meeting, the median of the expectations compiled by the BCB's Investor Relations and Special Studies Department (Gerin) for the 2012 IPCA decreased to 5.24% from 5.30%. For 2013, the median of inflation expectations increased to 5.20% from 5.00%. Specifically for banks, asset managers and other institutions (real sector companies, brokers, consultancies and others), the medians of expectations for the 2012 IPCA changed to 5.21%, 5.24% and 5.27%, from 5.29%, 5.29% and 5.30%, respectively. For 2013, the medians changed to 5.20%, 5.40% and 5.00% from 4.94%, 5.00% and 4.80%, in the same order.

19. The benchmark scenario assumes the maintenance of the exchange rate at R$1.70/US$1.00 and the Selic rate at 10.50% p.y. during the forecast period. Under this scenario, the projection for the 2012 inflation decreased relative to the figure considered at the January Copom meeting, and it stands below the 4.50% midpoint target established by the National Monetary Council (CMN). According to the market scenario, which incorporates the consensus exchange and Selic rates trajectories collected by Gerin in the period immediately prior to the Copom meeting, IPCA inflation forecast for 2012 also retreated and stands around the midpoint inflation target. For 2013, the inflation projection rose in the reference scenario and shows relative stability in the market scenario, in both cases positioned above the midpoint target.

Monetary Policy Decision

20. The Copom evaluates that monetary policy should contribute to the consolidation of a favorable longer-term macroeconomic environment. In this respect, the Copom reassures that, under the inflation targeting regime, it guides its decisions according to BCB projected inflation and based on the analysis of alternative scenarios for the evolution of the main variables that determine prices dynamics. The Committee also understands that low risks for the underlying inflation in the short run tend to reduce uncertainties regarding the future behavior of headline inflation, facilitate the assessment of scenarios by the monetary authority, as well as help the process of coordination of economic agents' expectations, particularly price setters'. Additionally, it is noteworthy that low risks for the underlying inflation in the short run tend to intensify the effects of monetary policy actions, enabling them to affect in a more long-lasting manner the dynamics of headline inflation in the future. Although

the Copom recognizes that other actions of macroeconomic policy may influence the price trajectory, it reaffirms its view that it is particularly under the responsibility of the monetary policy to remain especially vigilant to guarantee that pressures detected in shorter horizons do not spread to longer horizons.

21. International evidence, ratified by the Brazilian experience, indicates that high inflation rates lead to the increase in risk premia, both for private and public funding, and to the shortening of planning horizons, both for households and companies. Consequently, high inflation rates reduce investment and economic growth potential, in addition to presenting regressive effects on income distribution. In other words, high inflation rates do not originate any lasting results for economic and employment growth; on the contrary, they create permanent damage to these variables in the medium and long terms. Therefore, the strategy adopted by the Copom aims to ensure the convergence of inflation towards the targets path, which requires that possible deviations from the target path be promptly corrected. Such strategy takes into account the time lags in the transmission mechanism and is the most adequate to deal with the uncertainty inherent to the process of monetary policy formulation and implementation.

22. The Copom considers that, since the last meeting, the risks to global financial stability have remained high, particularly those derived from the ongoing deleveraging process observed in the main economic blocks. The Committee understands that the chances that the restrictions to which several mature economies are now exposed extend for a period longer than previously anticipated remain high. It also notes that, in these economies, there seems to be limited scope for using monetary policy, and a scenario of fiscal restraint also prevails, in this and in the upcoming years. Moreover, for important emerging economies, despite the resilience of domestic demand, the pace of activity has moderated, in part, as a consequence of policy actions and the weakening of external demand, through the external trade channel. In specific cases, changes in the growth pattern are anticipated, a development that tends to be permanent. Therefore, the Committee considers that the international scenario shows disinflationary bias for the relevant horizon.

23. For the Copom, there are cumulative evidences supporting the view that the transmission of external developments to the Brazilian economy materializes through several channels, among others, the reduction of total trade, the moderation in investment flows and tighter credit conditions. The Committee understands that the effects of the complexity surrounding the international environment add up to those stemming from the moderation of domestic activity, which is mirrored, for instance, in the retreat of growth projections for the Brazilian economy in this and in the upcoming year. In other words, the moderation process the Brazilian economy was already experiencing in the first half of last year was intensified by the weakness of the global economy.

24. The Copom evaluates that, although domestic demand expansion has moderated, prospects for economic activity are favorable. This assessment is supported by signs that, despite showing some cooling, point to the fact that the expansion of credit supply tends to persist, both for individuals and corporate, and by the fact that consumers' confidence, notwithstanding the accommodation at the margin, stands at historically high levels. The Copom considers, additionally, that the domestic activity will continue to be benefited by public transfers, as well as by the labor market vigor, mirrored in historically low unemployment rates and in wages growth, despite some accommodation at the margin.

25. The Copom reaffirms its view that inflation accumulated in twelve months, which started to retreat in the last quarter, tends to continue the decline and, therefore, to move towards the targets path. The Committee evaluates that, by itself, the reversion in the inflation trend will contribute to improve the economic agents' expectations, especially those of the price setters, about the dynamics of inflation in the upcoming quarters. Additionally, the Committee believes that this improvement in the perception will be boosted by the ongoing process of reassessment of the economic activity pace, both domestic and external, in this and in the upcoming semesters.

26. The Copom notes that the main inflation scenario considers the materialization of the assumed trajectories regarding fiscal variables. It bears highlighting that the generation of primary surpluses in line with the hypotheses considered for inflation projections, in addition to contributing to reduce the mismatches between supply and demand growth rates, will strengthen the reduction trend of the public debt-to-GDP ratio.

27. The Copom highlights that its main scenario also considers moderate expansion in credit market. Still about the credit market, the Committee considers opportune the adoption of initiatives with the aim of moderating the concession of subsidies through credit operations.

28. The Copom evaluates as decreasing the risks stemming from the persistence of the mismatch, in specific segments, between supply and demand growth rates. However, it highlights the narrow idleness margin in the labor market, despite the signs of moderation in this market, and considers that, under such circumstances, an important risk stems from the possibility of concession of wages increases incompatible with productivity growth and from its negative impacts over inflation dynamics. On the other hand, the Copom notes that the level of installed capacity utilization has stabilized and is below the long-term trend, in other works, is contributing to the opening of the output gap and to contain prices pressures. The Committee also observes that, in general, commodities prices in international markets have shown benign behavior.

29. The Copom considers that the deceleration of the Brazilian economy in the second half of 2011 was higher than expected; that recent events indicate the postponement of a final solution for the European financial crisis; and that the risks associated to the deleveraging process – stemming from banks, families and government - under way in major economic blocs persist. These and other elements, therefore, constitute an economic environment in which a much above-than-usual uncertainty level prevails. For the Committee, the prospective scenario for inflation, since the last meeting, has accumulated favorable signs. The Committee also notes that, according to the main scenario adopted, the inflation rate stands around the target in 2012, and assess as decreasing the risks for the materialization of a scenario in which inflation timely converges to the midpoint target.

30. In short, since the last Monetary Policy Committee meeting, the main scenario for inflation has evolved, in general terms, as then expected by the Committee, and, therefore, it does not detect significant changes in the estimates for the total adjustment of monetary conditions underlying this scenario. In light of this, two members of the Committee consider that it would be opportune the maintenance of the pace of adjustment of the Selic rate. However, the majority argues that developments such as the ones mentioned in the previous paragraph recommend, at this time, the redistribution along time of the total adjustment of monetary conditions as the most appropriate strategy.

31. In this context, continuing the process of monetary conditions adjustment, the Copom decided to decrease the Selic rate to 9.75% p.a., without bias, with five votes for the monetary policy action and two votes in favor of reducing the Selic rate by 50 basis points.

32. The Copom evaluates that domestic demand is still robust, especially household consumption, largely due to the effects of stimulus factors, such as income growth and credit expansion. This scenario tends to prevail in this and in the upcoming quarters, when domestic demand will be impacted by the effects of monetary policy actions recently implemented, which are, in short, lagged and cumulative. On the other hand, the Committee considers that recent initiatives reinforce a scenario for restrained public sector expenditures. Another important factor to curb aggregate demand is the substantial and persistent deterioration in the international scenario. These elements and quasi fiscal developments are an important part of the context in which future monetary policy decisions will be taken, aiming to ensure the timely convergence of inflation to the targets path.

33. The Copom understands that Brazilian economy has experienced significant structural changes, which determined retreat in the interest rates in general and, in particular, in the neutral rate. Among the factors that support this view, it bears highlighting the reduction of risk premia, a direct consequence of the accomplishment of the inflation target for the eighth consecutive year, of the macroeconomic stability and of institutional improvements. Moreover, the process of interest rates reduction was favored by changes in the structure of the financial and capital markets, by the credit market deepening, as well as by the generation of primary surpluses consistent with the maintenance of decreasing trend for the public debt-to-GDP ratio. For the Committee, all these changes are characterized by a high degree of persistence – although, due to the

economic cycles themselves, specific and temporary reversions can occur – and contribute for the Brazilian economy to currently present solid indicators of solvency and liquidity.

34. The Copom also considers that the increase in the supply of external savings and the reduction of its funding cost have contributed to the reduction of the domestic interest rates, including the neutral rate, which, according to the Committee's assessment, are largely permanent developments.

35. In light of the above, and considering the values projected for the inflation and the associated balance of risks, the Copom attributes high probability for the materialization of a scenario that considers the Selic rate moving to slightly above the historic lows levels, and stabilizing at these levels.

36. At the end of the meeting, it was announced that the Committee will reconvene on April 17th, 2012, for the technical presentations, and on the following day to discuss monetary policy, as established in the Communiqué 21,213 of June 29th, 2011.

SUMMARY OF DATA ANALYZED BY THE COPOM

Inflation

37. The IPCA-15 rose 0.53% in February, down from 0.65% in January, totaling 1.18% in the year and 5.98% in the twelve months through February, compared to 6.44% in the twelve months through January, according to data released by the IBGE. The monthly result reflected the slowdown in market and regulated prices. Regarding market prices, which increased 0.59% in February, compared to 0.67% in January, the movement was influenced by the fall of 0.24% in the prices of tradable goods, compared to an increase of 0.29% in January, while the prices of non-tradable goods increased 1.35%, up from 1.00% in the previous month. Among the prices of non-tradable goods, it bears highlighting the increase in the prices of services, which changed from 0.71% to 1.38%. Regulated prices rose 0.35% in February, down from 0.59% in January. The monthly IPCA-15 change reflected, mainly, the increase in prices of education, which contributed 0.25 p.p., followed by personal expenses, 0.11 p.p., while food and beverages, transport and clothing were the main drivers of the IPCA slowdown in February. The diffusion index stood at 60.82% in February, down from 69.01% in January.

38. On a twelve-month trailing basis through February, market prices and regulated prices slowed down relative to January, changing from 6.49% to 5.98% and from 6.29% to 5.93%, respectively. The evolution of market prices was due to the deceleration in the prices of tradable goods, from 4.27% to 3.95%, and of non-tradable goods, from 8.45% to 7.79%. The prices of the services segment increased 7.79% in the last twelve months through February, compared to 8.81% and 9.00%, in the corresponding periods through January and December, respectively.

39. The IGP-DI totaled 0.07% in February, down from 0.30% in January, according to FGV, reflecting retreat in the IPA and deceleration in the IPC and in the INCC. The index accumulated 0.37% change in the year, compared to an increase of 1.94% in the same period of 2010, and 3.38% in twelve months, compared to 4.29% for the twelve-month period ended in January.

40. The IPA-DI decreased 0.03% in the month, compared to an increase of 0.01% in January, totaling -0.02% in the year and 1.85% in twelve months. The prices of industrial products decreased 0.05% in the month, after falling 0.36% in January, totaling -0.41% in the year and 2.65% in twelve months. The prices of agricultural and livestock products increased 0.01% in February compared to 1.07% in the previous month, totaling 1.07% in the year and -0.28% in twelve months. Regarding industrial products, the monthly performance evidenced, in particular, the retreat in the prices of meat, meat products and fish, -3.29%; metallic minerals, -2.12%; and sugar, -3.57%; which contributed -0.12 p.p., -0.11 p.p. and -0.04 p.p., respectively. The prices of agricultural and livestock products were mainly influenced by the prices of beans, eggs and corn, contributing 0.07 p.p., 0.06 p.p. and 0.05 p.p., respectively.

41. The IPC-DI increased 0.24% in the month, compared to 0.81% in January, totaling 1.06% in the year, compared to 1.77% in the same period of the previous year, and 5.62% in twelve months. The slowdown in February reflected the fall of 0.02% in the food segment, compared to the increase of 0.47% in January, and by the deceleration in transport, 0.31% in February, compared to 0.86% in the previous month. The INCC changed 0.30% in the month, down from 0.89% in January, reflecting deceleration in the costs of labor force (from 1.34% to 0.10%), and acceleration in the prices of materials, equipment and services (from 0.45% to 0.50%). The INCC accumulated changes of 1.20% in the year and 8.02% in the twelve months through February.

42. Three out of the five IPCA-15 core measures calculated by the BCB decreased in February. All measures decelerated in the twelve months through February compared to the twelve months through January. Month-on-month, the core inflation by exclusion, which excludes ten items of household food and fuels, increased 0.65% in the month, up from 0.61% in January, accumulating 6.24% in the twelve months through in February, down from 6.70% in twelve months through January. The core inflation by exclusion of household food and regulated prices increased 0.71%, in February up from 0.56% in January, totaling 6.23% in the twelve months through February, compared to 6.85% in the twelve months through January. The smoothed trimmed means increased 0.41% in February, down from 0.59% in January, accumulating 6.65% in the twelve months through February, compared to 6.70% in the twelve months through January. The non-smoothed trimmed means core inflation increased 0.32% in February, down from 0.54% in January, accumulating 5.40% and 5.72% in twelve months, in this order. The double weight core inflation increased 0.53% in February, down from 0.67% in January, accumulating 6.60% in the twelve months through February, compared to 6.91% in the twelve months through January.

43. The IPP/IT retreated 0.46% in January, compared to a decrease of 0.17% in December and an increase of 0.40% in January of the previous year. In the last twelve months ending in January, the IPP/IT increased 1.72% compared to 2.60% in December. The monthly result was mainly driven by the increases related to machinery and equipment industry, with contribution of 0.11 p.p.; computer equipment, electronics and optical products, 0.04 p.p.; and metal products, except machinery and equipment, 0.03 p.p.; offset by negative contributions of -0.32 p.p. stemming from the prices of other chemicals segment; -0.13 p.p. from the prices of metallurgy; and -0.06 p.p. from the prices of pulp, paper and paper products. In the twelve-month period ended in January, the index change reflected, in particular, the changes in the prices of food products, coke, oil and bio-fuels byproducts and automobile vehicles, shells and tows, which contributed 0.41 p.p.; 0.35 p.p. and 0.29 p.p. for the final result.

44. The Commodity Index Brazil (IC-Br) increased 0.57% in January, halting the series of three consecutive months of decline, depreciating 4.89% in the period. In February, the IC-Br returned to retreat, decreasing 2.96%, reflecting changes of -3.97%, 0.80% and -1.86% related to the segments of agriculture and livestock, metal and energy. In the last months, the twelve-months trailing IC-Br presented marked reduction, reaching -12.68% in February, down from -4.47% in January.

Economic Activity

45. The Commodities Index – Brazil (IBC-Br) increased 0.57% in December, month-on-month, considering seasonally adjusted data. In the last quarter of the year, the index increased 0.27%, compared to the third quarter, when it had declined 0.21%, according to the same comparison basis. Year-over year, the IBC-Br increased 1.47% in December, compared to increases of 0.79% in November and 0.69% in October. The index increased 2.7% in 2011.

46. Expanded retail sales, which include vehicles and construction inputs, increased 1.6% in December, month-on-month, according to data seasonally adjusted from IBGE’s monthly survey (PMC), after a 1.6% increase in November and a 0.3% decrease in October, resulting in a 1.1% increase in the last quarter of 2011, quarter-over-quarter. In the month, seven out of the ten surveyed segments presented increases, with highlights for the expansions of 6.9% in office, computing and communication equipment and material; 3.3% in vehicles, motorcycles, parts and pieces; and 2.6% in furniture and household appliances. The retractions were mainly driven by the decreases in books, newspapers, magazines and stationary (5.3%); hypermarkets,

supermarkets and food products (1.5%) and fuels and lubricants (0.5%). In 2011, expanded retail sales increased 6.6%. Retail sales volume increased 0.3%, compared to 1.2% in November, after recording stability in October, accumulating growth of 1.1% relative to the third quarter and of 6.7% in 2011.

47. Considering observed data, expanded retail sales increased 4.3% in December, year-over-year, mainly influenced by increases in the sales of office, computing and communication equipment and material (34.8%), furniture and household appliances (15.3%), pharmaceutical and medical articles (7%), and construction inputs (5.1%). In 2011, expanded retail sales increased 6.6%, mainly driven by increases in the sales of office, computing and communication equipment and material (19.6%), furniture and household appliances (16.6%), pharmaceutical and medical articles (9.7%) and construction inputs (9.1%).

48. Automobile sales by dealers, including cars, light commercial vehicles, trucks and buses, decreased 2.3% in February, month-on-month, compared to the increase of 2.8% in January, according to Fenabrave (Brazilian Federation of Automobile Vehicles Distribution) data, seasonally adjusted by the BCB. Sales increased 2.6% in the quarter ended in February, registering recovery compared to quarter ended in November, which had decreased 1.3%. Automobile vehicles sales register stability in the year, as a consequence of increase in sales of buses (3.2%), light commercial vehicles (1.4%) and decrease in the sales of trucks (4.1%) and automobiles (0.2%).

49. Capital goods imports quantum index, released by Funcex and seasonally adjusted by the BCB, increased 1.1% in January, month-on-month. Observed data showed a 10.3% expansion year-over-year and 11.9% in twelve months ended in January.

50. Capital goods production fell by 16% in January, accumulating a 5% decrease in the quarter, compared to the previous one ended in October, according to data seasonally adjusted from the Monthly Industrial Survey (PIM) by the IBGE. The main relative contribution to its negative performance stemmed from the 43.7% drop in transportation equipment, as opposed to 2.3% growth in capital goods for industrial use and 6.2% for agricultural capital goods.

51. Construction inputs production decreased 0.5% in January, accumulating a decrease of 1.1% in the quarter, compared to the one ended in October, considering seasonally adjusted data. The segment production increased 2.2% compared to January 2011, with a cumulative increase of 3.6% in twelve months.

52. Disbursements granted by the Brazilian Development Bank (BNDES) totaled R$138.9 billion in 2011, 17.5% lower than the one registered in 2010, reflecting, mainly, a decrease of 47.9% in funding for the manufacturing industry. In contrast, the amount directed to the mining industry grew by 136.5% in the year. In the period, the infrastructure sector absorbed 40% of the total funds released, followed by industry, 32%, commerce and services, 21% and agriculture and livestock, 7%.

53. Industrial production decreased 2.1% in January, according to IBGE seasonally adjusted data, after increasing 0.5% in December, reflecting a fall of 2.4% in manufacturing industry and of 8.4% in mining. By use categories, capital goods production decreased 16%, followed by respective decreases of 2.9% and 1.9% in intermediate and durable goods production, respectively, while semi and non-durable goods production increased 0.7%. Thirteen out of the 26 manufacturing industry activities surveyed decreased in the month, with highlights for the segments of automobile vehicles, medical equipment and office machines and computer equipment, which fell by 30.7%, 26.3% and 12.2%, respectively. In the quarter ended in January, compared to the one ended in October, industrial production dropped 1.4% after falling 1.9% in the previous period, as a consequence of a decrease of 0.9% in mining and 0.6% in manufacturing industry. The quarterly performance reflected, in part, the impact of the retreats in the activities of the tobacco industry (19.2%), office machines and computer equipment (11.7%), electronic material and communication equipment (7.5%) and automotive vehicles (7.4%). Considering the observed data, the industrial production registered a decrease of 3.4% in the month, year-over-year, and 0.2% in twelve months.

54. The Nuci in the manufacturing industry in February remained stable at 83.7%, month-on-month, according to data seasonally adjusted by FGV. The segments of capital and consumer goods rose 1 p.p. and 0.2 p.p.,

respectively, month-on-month, while those regarding construction inputs and intermediate goods retracted 1 p.p. and 0.6 p.p., in this order. Considered the observed series, the Nuci declined 0.8 p.p., year-over-year, as a result of the decrease in the indicators related to construction inputs (2.2 p.p.), intermediate goods (1.6 p.p.) and capital and consumer goods (both with 1.1 p.p.).

55. Vehicles output reached 217.8 thousand units in February, representing an expansion of 0.3% month-on-month and stability in the quarter, according to data released by Anfavea, seasonally adjusted by the BCB. Considering the observed data, there was a decrease of 26% year-over-year and 4.2% in twelve months.

56. Still according to data released by Anfavea, national vehicle licensing decreased 0.7% in February month-on-month and increased 2.9% in the quarter ended in February, quarter-on-quarter, considering seasonally adjusted data. Regarding observed data, there was a 9% decrease year-over-year and 0.9% increase in twelve months. Automobile exports totaled 36.5 thousand units in February, a 21.1% decrease year-over-year and 5.8% expansion in twelve months. According to data seasonally adjusted by the BCB, exports decreased 2.8% in the month and 5.5% in the quarter.

57. The LSPA survey carried out by the IBGE regarding January projected 158.7 million tons for the 2012 national harvest of grains, representing decreases of 0.7% year-over-year and 1% over the third forecast crop released in January. The new prognosis considered the prospect of bad weather in the southern region, which harms mainly the rice and soybeans crops. Regarding the 2011 harvest of grains, declines in the harvests of rice (-14.9%), wheat (-11%), soybeans (-6.4%) and beans (-0.6%) are estimated, as opposed to an increase of 11.4% for corn crop.

Surveys and Expectations

58. The Consumer Confidence Index (ICC), considering data seasonally adjusted from the nationwide Consumer Expectations Survey (FGV), increased 2.9% in February, month-on-month, to 119.4 points, driven by increases of 2.3% in the Current Situation Index (ISA) and 3.2% in the Expectations Index (IE). The ICC decreased 2.2% year-over-year, influenced by the contractions of 2.7% in the ISA and 1.9% in the IE.

59. The ICS calculated by the FGV, decreased by 3.2% in February, year-over-year, reaching 129.6 points, as a result of the decrease of 8.1% in the ISA, while IE increased 0.7%. Month-on-month, the ICS expanded by 2.1% in February, due to increases of 2% in the ISA and 2.2% in the IE, according to observed data.

60. The Commerce Confidence Index (ICOM) measured by the Commerce Survey, from FGV, reached 124 points in February, decreasing 7.9% year-over-year. The result reflected retreats of 9.6% in the Current Situation Index (ISA-COM) and 6.9% in the Expectations Index (IE-COM). In the quarter ended in February, the ICOM decreased 6.4% year-over-year, due to the retreats of 7.9% in the ISA-COM and 5.3% in the IE-COM.

61. The Industry Confidence Index (ICI), considering seasonally adjusted data from the Survey of Manufacturing Industry (SCIT-FGV) increased 0.2% in February, month-to-month, reaching 102.5 points. The result was driven by the changes of 0.6% in the ISA and -0.4% in the IE. The ICI fell 9.1% in February, year-over-year, due to decreases of 7.6% in the ISA and 10.6% in the IE.

62. The Construction Confidence Index (ICST), measured by the Construction Survey, from FGV, reached 131.1 points in February, decreasing 6.8% year-over-year. The result reflected retreats of 7.9% in the Current Situation Index (ISA-ICST) and 5.9% in the Expectations Index (IE-ICST). In the quarter ended in February, the ICST decreased 8.4%, year-over-year, due to the retreats of 11.1% in the ISA-ICST and 5.9% in the IE-ICST.

Labor Market

63. According to the General Record of Employment and Unemployment (Caged) of the Ministry of Labor and Employment (MTE), 118.9 thousand formal jobs were created in January, representing a 0.4% expansion, month-on-month, considering seasonally adjusted data. Out of this total, there was the creation of 61.5

thousand jobs in the services sector, 42.2 thousand jobs in civil construction, 37.5 thousand jobs in manufacturing industry and 12.3 thousand jobs in the agricultural and livestock sector; while 36.3 thousand jobs in commerce were eliminated. In twelve months, 1.5 million jobs were created, compared to 2.1 million in the same period of 2011.

64. According to the IBGE employment survey (PME), carried out in the six main metropolitan regions of the country, the unemployment rate reached 5.5% in January, increasing 0.8 p.p. month-on-month and decreasing 0.6 p.p. year-over-year. The monthly result was driven by the decreases of 1% in occupation and 0.2% in the Economically Active Population (PEA). Considering seasonally adjusted data, the unemployment rate reached 5.6% in January, compared to 5.5% in the previous month. According to the same survey, average real earnings usually earned by the workers increased 0.7% month-on-month and 2.7% year-over-year. Real payroll, defined as the number of persons employed times real average earnings, changed -0.3% month-on-month and 4.8% year-over-year.

Credit and Delinquency Rates

65. Outstanding credit in the financial system reached R$2,026.5 billion in January, equivalent to 48.8% of GDP, decreasing by 0.2% in the month and increasing 18.4% in twelve months. Non-earmarked credit operations decreased by 0.2% in the month and increased 16.6% in twelve months, reflecting the respective increases of 0.8% and 16.6% for credit operations to individuals and a fall of 1.2% and an increase of 16.7% for credit operations to corporate, in the same order. Earmarked credit operations decreased 0.1% in the month, registering, however, an increase of 21.6% in twelve months. In the month, the highlight was a contraction of 1.2% in BNDES disbursements and, in twelve months, a rise of 42% in housing credit.

66. The average interest rate on reference credit operations increased 0.9 p.p. in January, reaching 38%. The average annual rate on credit for individuals and corporate reached, in this order, 45.1% and 28.7%, registering an increase of 1.3 p.p. and 0.5 p.p., respectively.

67. The average tenure on reference credit operations increased to 498 days in January, representing an increase of one day, month-on-month. The tenure related to corporate segments increased three days, while the one related to individuals decreased two days, reaching 405 and 598 days, respectively.

68. The delinquency rate in the financial system (non-earmarked loans used as reference for interest rates, in arrears for more than ninety days) stood at 5.6% in January, an increase of 0.1 p.p.. The delinquency rates for credit operations with individuals and corporate reached 7.6% and 3.7%, a consequence of an increase of 0.2 p.p. and a reduction of 0.2 p.p., respectively. Compared to January 2011, the delinquency rate for credit operations with corporate changed 0.1 p.p., while the one relative to individuals increased 1.9 p.p..

External Environment

69. Prospects for world economic growth this year are subject to significant downward risks, considering the European crisis, the deceleration in world trade and geopolitical tensions in the Middle East. However, the assessment of purchase managers pointed to increase in the global PMI to 54.6 points in January. In the US, the annualized change of GDPQ4 was revised from 2.8% to 3%, influenced by the contributions of inventories and private consumption, which totaled, respectively, 1.9 p.p. and 1.5 p.p. to the output. Labor market, still depressed, maintains a recovery trajectory, with retreat in the unemployment rate to 8.3% in January, the lowest level in almost three years. The real available personal income expanded by 0.3% in the quarter ended in January, quarter-on-quarter, which favored the elevation of the savings rate to 4.6% in January. The Purchasing Managers' Index (PMI) of manufacturing industry maintains prospect of expansion, despite the retreat to 52.4 points in February. In the Euro Area, activity contracted 1.3% in annualized terms in the fourth quarter of 2011, with decrease of industrial production by 1.1% in December and the unemployment rate reaching 10.7% in January, the highest level since the creation of the monetary union. In Japan, GDP contracted by 2.3% in annualized terms in the last quarter of 2011, under negative influence of the external sector, and the expectation of the February Regional Economic Bulletin of the BoJ, which is of stagnation. In January, the consumer confidence level maintained the upward trajectory initiated in December, and the retail

sales increased 4.1%, while the trade balance recorded a record deficit of 1.5 trillion yens. In China, despite the deceleration of the external sector and the risks related to the real state sector, domestic demand continues robust. In December, the value aggregated by industry and the retail sales recorded, respectively, increases of 1.1% and 1.4%. In February, the composed PMI, measured by the HSBC/ Markit, reached 51.8 points, the highest in four months.

70. Since the last Copom meeting, stock markets maintained the upward trajectory initiated in December, with the Standard and Poor's 500 index, from the US, reaching the highest levels since July 2008, and volatility, as measured by the VIX index, retreating to level observed prior to the worsening of the European crisis in August 2011. In the Euro Area, the agreement between Greece and the private owners of sovereign bonuses, with 53% haircut in the debt of the country, added up to the approval of additional measures of fiscal restraint by the Greek parliament, qualified the country to receive new aid from the European Union and the International Monetary Fund (IMF), decreasing the possibility of disorganized default of the country, which relieved the pressure on the debt market in the continent. In addition, the ECB continued the purchase of sovereign bonuses in the secondary market and offered, at the end of February, new three-year refinance line (LTRO) for the banks at the region. However, on March 1st, the deposits of financial institutions at the ECB reached a new record high: 770 billion euros. Under this scenario, characterized by an environment of some decrease in risk aversion, the dollar devaluated against currencies of emerging countries and lost strength against the euro, the sovereign risk premia retreated in Europe, and the CDS of European banks reduced as of mid-February.

71. Commodities international prices showed, at the margin, strong volatility and upward trend since the last Copom meeting, reacting to uncertainties related to the consequences of drought to the grains harvest in South America, to the decrease of risk aversion in financial markets and to the improvement in the prospects for global economic growth, with highlights for the decrease in the fears related to a sharp deceleration in the Chinese economy. It bears noticing the strong increase in the oil price in the period, reflecting the worsening of geopolitical tensions related to Iran.

72. The Federal Reserve and the BoJ announced that the "long-term price stability" materializes on a 2% p.y. target. In the US, this target refers to the consumption personal expenses deflator, whose annual change in January reduced to 2.4%. In Japan, where annual inflation is still around zero, that target will shortly be limited to 1% p.y. Additionally, the Federal Open Market Committee (FOMC) extended, until the end of 2014, its prospect of maintaining the interest rates exceptionally low. It bears highlighting that new measures of quantitative easing were taken in Europe and in Japan. Therefore, the program of assets purchase of the BoE and BoJ were extended, respectively, by 50 billion pounds, to 325 billion pounds, and by 10 trillion yens, to 65 trillion yens. In the Euro Area, the LTRO conduced in December and in February supplied 489.2 billion euros and 529.2 billion euros, respectively. Consumer price inflation in the Euro Area retreated to 2.6% in January, while in the United Kingdom, the annual CPI change declined to 3.6%. In China, consumer price inflation suffered slight uptick, to 4.5% in January, without altering, however, the downward trend observed in the last six months, which enabled the China Popular Bank (BPC) to cut twice, in the first two months of 2012, the reserve requirements by 50 basis points. In the other emerging economies and countries in development, since the last Copom meeting, only Colombia did not show trend of stronger monetary easing, with elevation of the rate to 5% in January and 5.25% in February.

Foreign Trade and International Reserves

73. The Brazilian trade surplus reached US$1.7 billion in February, as a result of US$18 billion in exports and US$16.3 billion in imports. In the first two months of the year, the trade surplus totaled US$423 million, down from US$1.6 billion in the same period of 2011, reflecting expansions of 7% in exports and 11.2% in imports. In the year, total trade grew 9%, totaling US$67.9 billion, compared to US$62.3 billion registered in the same period of 2011.

74. International reserves reached US$356.3 billion in February, increasing US$1.3 billion month-on-month. Compared to December 2011, the reserves increased US$4.3 billion. The BCB bought net US$842 million in the FX spot domestic market in the month.

Money Market and Open Market Operations

75. After the January Copom meeting, the domestic interest rate yield curve fell in all its extension. This movement was influenced, at the local scenario, by the expectation of continuity of the Selic rate reduction cycle, by the favorable trajectory of current inflation indices and by the announcement of the federal budget adjustment for 2012. At the external scenario, the uncertainties related to the restructuring of the Greek debt and the increase of global liquidity after the operation of supplying resources to the banking system promoted by the ECB contributed to the retraction of the interest rates. Between January 16th and March 5th, the one-, three- and six-month interest rates fell by 0.68 p.p., 0.79 p.p. and 0.96 p.p., respectively. The rates for maturities of one, two and three years decreased by 0.97 p.p., 0.80 p.p. and 0.61 p.p., respectively. The real interest rate, as measured by the ratio between the nominal rate of one year and expected inflation (smoothed) for the next twelve months, decreased from 4.46% on January 16th, to 3.54% on March 5th.

76. On February 23rd and 29th, the BCB carried out reverse FX swap auctions maturing in April and July 2012, totaling US$1.7 billion in notional value.

77. In its open market operations, the BCB carried out weekly, between January 17th and March 5th, repo operations borrowing R$39.9 billion for a six-month period. As a consequence, the average daily balance of the long operations decreased to R$161.0 billion. In the same period, the BCB also borrowed money through repo operations with tenures between sixteen and thirty-three working days, increasing the average daily balance of short-term borrowing operations to R$234.0 billion. The BCB also borrowed money through 33 very short-term operations, and carried out leveling operations conducted at the end of the day, with tenures of one and two working days. The average daily balance of these operations totaled R$48.3 billion in the period. The average daily balance of the total outstanding of repurchase agreements of the BCB increased from R$379.5 billion, between November 29th, 2011 and January 16th, to R$443.3 billion, between January 17th and March 5th. Considering the operations for the most recent period, the total outstanding of repurchase agreements decreased from R$460.0 billion on January 16th to R$444.3 billion on March 5th. The main factors that contributed to the contraction of liquidity in the period were the net revenues of the Union and the net placement of securities by the National Treasury.

78. Between January 17th and March 5th, the National Treasury issuance regarding the traditional auctions raised a total of R$39.9 billion. The sale of fixed-rate securities reached R$29.5 billion, with R$26.7 billion via issuance of LTNs maturing in 2012, 2013, 2014 and 2016, and R$2.8 billion via NTN-Fs maturing in 2018 and 2021. The sales of LFTs totaled R$2.6 billion, with issuance of securities maturing in 2018. The sales of inflation-linked NTN-Bs reached R$7.8 billion, for securities maturing in 2016, 2018, 2022, 2030, 2040 and 2050.