

Aruba, November 26, 2013 - Brazil economists raised their 2014 key rate forecast to the highest level all year as a weakening currency complicates efforts to slow inflation.

Brazil's central bank will raise the benchmark Selic (The Sistema Especial de Liquidação e Custodia, Special Clearance and Escrow System) to 10.50 percent next year, compared with the previous week's forecast of 10.25 percent, according to the Nov. 22 central bank survey of about 100 analysts published today. Analysts also see the real at 2.30 per dollar by the end of this year, compared to last week's estimate of 2.27.

President Dilma Rousseff's administration has struggled to spark economic activity while taming inflation persisting near the upper limit of the central bank's target range. Consumer prices have come under added pressure from a double-digit drop in the real in 2013. The central bank will extend the world's biggest rate increase by raising the Selic by 50 basis points this week, according all estimates from 25 economists surveyed by Bloomberg.

Swap rates on the contract due in January 2015 fell one basis point, or 0.01 percentage point, to 10.86 percent at 9:02 a.m. local time. The real weakened by 0.1 percent to 2.2805 per U.S. dollar.

Analysts expect the central bank to lift the key rate by 25 basis points in January and resume the tightening cycle in December, according to the survey. Annual inflation through mid-November accelerated to 5.78 percent from 5.75 percent the month prior, and has remained above the central bank's 4.5 percent target for President Rousseff's entire term. Inflation continues to show resistance and on an annual basis will remain elevated, the central bank's director for economic policy, Carlos Hamilton, said on Nov. 6.

The real has declined more than any other major currency in the past six months and is down 10.1 percent year to date. A weaker real may pressure inflation by making imports more expensive.

Read more/ Source: <http://www.bloomberg.com/news/2013-11-25/brazil-economists-raise-2014-selic-forecast-to-highest-all-year.html>