

## **Brazilian Inflationary Dynamics from 2000 to 2009: A Multisector Approach**

Topic: Price modelling

Author: Leandro Gomes da Silva

Co-Authors: Fabio Neves Peracio de Freitas

This work aims to analyze, from a multisector point of view, the Brazilian inflationary process between 2000 and 2009 using the System of National Accounts. In order to do so, we present a structural decomposition analysis methodology to be applied to the Input-Output Price Model. Based on the assumption that under normal conditions of a market economy, inflation is mainly caused by the increase in production costs, we evaluate the results of the structural decomposition analysis for the Brazilian economy during the period 2001-2009. We divide the period in three phases. In the first, between 2001 and 2003, the major cause of Brazilian inflation is nominal exchange rate. The second one, from 2004 to 2005, marks a change in the path of the exchange rate, and an increase in the importance of commodities price and wages. In the last phase, from 2006 to 2009, labor cost exerts the most important influence on the inflation rate and due to the behavior of income distributive variables, the service sector became an important factor in the explanation of the inflation rate in the Brazilian economy. This work advances the application of structural decomposition analyses covering a new field, associated with the input-output price model, since this exercise is traditionally executed for the quantity model.