Macro Brazil

May 5, 2026

Copom Minutes: on the one hand, on the other hand

- The Copom minutes, released this morning, reaffirm the committee's concern about the impact of the Middle East conflict. Copom members note the increase of inflation as well as inflationary expectations. The text mentions discussion about a “wide” change in the balance of risks for inflation, but comes short of making it asymmetric (upwards). Instead, the committee, on the one hand, expresses worries about the possible impact of the war on supply and distribution chains (hawkish). On the other hand, it notes that some of the feared risks, namely the increase of inflation expectations, may have already materialized, without, implicitly, provoking a break in the calibration cycle (dovish).
- In our view, on the one hand the Copom seems confident about its ability to continue the cycle. On the other hand, given risks to the inflation outlook, it does not seem inclined to change the pace of implementation, at least not for the time being. We still expect the Copom to deliver a 25-bp cut in its next policy meeting, and the Selic rate to end the year at 13.25%.

Main changes in inflation forecasts and balance of risks

In the tables below, we repeat the projections and balance of risks already presented in our report on the Copom decision last week. The inflation and Selic rate forecasts extracted from the Focus survey also refer to those published in the week of the decision.

Inflation forecasts presented in the latest meetings by the Copom

Period	November	December	January	March	April
IPCA 2026	3.6%	3.5%	3.4%	3.9%	4.6%
Relevant Horizon (RH)**	3.3% (2Q27)	3.2% (2Q27)	3.2% (3Q27)	3.3% (3Q27)	3.5% (4Q27)
Market-set prices 2026	3.6%	3.6%	3.5%	3.7%	4.5%
Market-set prices RH**	3.2% (2Q27)	3.2% (2Q27)	3.1% (3Q27)	3.3% (3Q27)	3.5% (4Q27)
Regulated prices 2026	3.4%	3.2%	3.0%	4.3%	4.8%
Regulated prices RH**	3.5% (2Q27)	3.4% (2Q27)	3.3% (3Q27)	3.2% (3Q27)	3.6% (4Q27)
Exogenous variables					
Exchange rate* (BRL/USD)	5.40	5.35	5.35	5.20	5.00
Selic rate (Focus) 2026	12.25%	12.25%	12.25%	12.25%	13.00%
Inflation expectations (Focus) 2026	4.2%	4.2%	4.0%	4.1%	4.9%

*Average observed on the ten business days ending on the last day of the week before the Copom meeting. Additionally, the exchange rate starts at the mentioned values and evolves according to the purchasing power parity (PPP) afterwards.
**Projection for six quarters ahead, the current relevant horizon for monetary policy, according to the new continuous inflation target system, effective from January 1, 2025 onwards.

Source: Central Bank, Itaú.

Factors mentioned in the balance of risks by the Copom in the latest meetings (**orange** = change compared to the previous meeting)					
January		March		April	
Upside risks	Downside risks	Upside risks	Downside risks	Upside risks	Downside risks
(i) a more prolonged period of deanchoring of inflation expectations; (ii) a stronger-than-expected resilience of services inflation due to a more positive output gap; (iii) a conjunction of internal and external economic policies with a stronger-than-expected inflationary impact, for example, through a persistently more depreciated currency.	(i) a greater-than-projected deceleration of domestic economic activity, impacting the inflation scenario; (ii) a steeper global slowdown stemming from the trade shock and the scenario of heightened uncertainty; (iii) a reduction in commodity prices with disinflationary effects.	(i) a more prolonged period of deanchoring of inflation expectations; (ii) a stronger-than-expected resilience of services inflation due to a more positive output gap; (iii) a conjunction of internal and external economic policies with a stronger-than-expected inflationary impact, for example, through a persistently more depreciated currency	(i) a greater-than-projected deceleration of domestic economic activity, impacting the inflation scenario; (ii) a steeper global slowdown stemming from the trade shock and the scenario of heightened uncertainty; (iii) a reduction in commodity prices with disinflationary effects.	(i) a more prolonged period of deanchoring of inflation expectations, **with longer horizons incorporating potential second-round effects stemming from supply constraints in oil and its derivatives**; (ii) a stronger-than-expected resilience of services inflation due to a more positive output gap; (iii) a conjunction of internal and external economic policies with a stronger-than-expected inflationary impact, for example, through a persistently more depreciated currency.	(i) a greater-than-projected deceleration of domestic economic activity, impacting the inflation scenario; (ii) a steeper global slowdown stemming from the trade **and oil shocks** and the scenario of heightened uncertainty; (iii) a reduction in commodity prices with disinflationary effects.

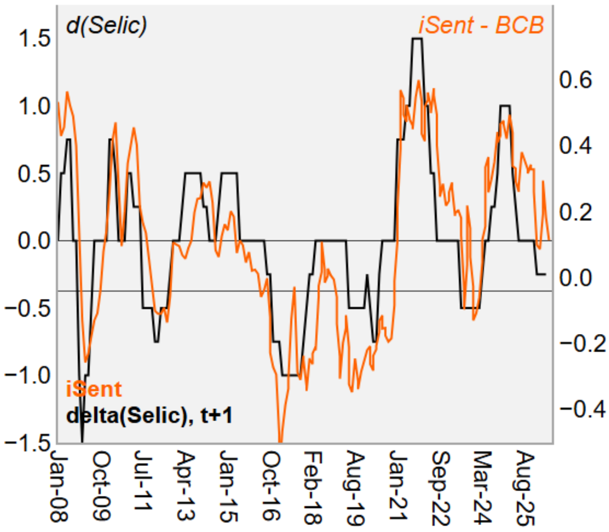
Additionally, the minutes brought details on the debate relative to the balance of risks. According to the text, “as in its previous meeting, the Committee once again discussed broader changes in the balance of risks to inflation. On the one hand, the delay in resolving the conflict in the Middle East, amid incomplete and contradictory information, increases the likelihood of more lasting impacts on production and distribution chains. On the other hand, it was discussed that the duration of the conflict to date may have been sufficient for some risks to materialize, the most evident being a further deanchoring of inflation expectations over longer horizons, particularly for 2028. In this context, the Committee reaffirms its commitment to combating second-round effects of the oil and derivatives supply shock, while maintaining serenity to gather additional information over time, amid a scenario of heightened uncertainty”.

iSent, Itaú’s Central Bank Sentiment Classifier

Our iSent Central Bank Classifier[1] points to a close-to-neutral tone (0.15), in line with the weighting considerations mentioned throughout the text.

[1] *Based on GPT-4, developed by our data science team using sentences published in central bank’s official documents labeled by our economists. Our labeled dataset consists of approximately 1,000 sentences extracted from official documents published by the Brazilian Central Bank. Each sentence was classified as dovish, neutral, hawkish, or out of context. the index is constructed on the relative presence of each class. The index ranges from -1 to 1, getting higher as the tone is perceived as more hawkish. iSent-BCB shows good adherence to current and future moves in interest rates in Brazil (correlation around 0.8).*

Classifier close to neutral territory



Source: BCB, Itaú

Macro Research – Itaú
Mario Mesquita – Chief Economist

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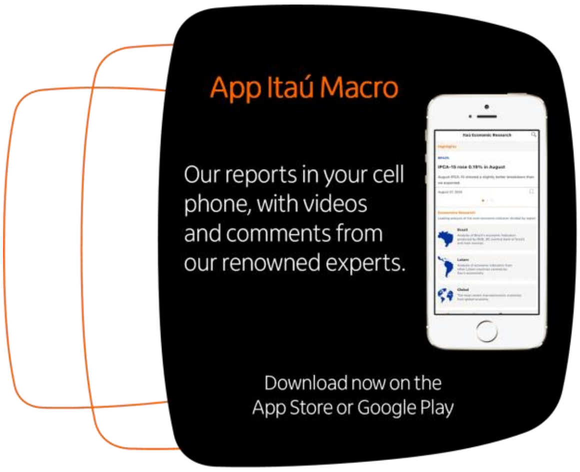

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