



Economic Outlook

April 2026

The image features the word "Global" in a clean, white, sans-serif font, centered on a solid black background. The text is enclosed within a decorative frame composed of several overlapping, thin, orange lines that form a rounded, irregular shape around the word.

Global

Central banks remain cautious, awaiting greater clarity on the war

- **Geopolitics:** Countries show little willingness to escalate the conflict, but also little will to end it. The current equilibrium is unstable and the path toward normalizing the flow of ships in the Middle East is tortuous, implying higher oil prices.
- **United States:** Solid activity, lower downside risk to employment, and upside risks to inflation keep the Fed on hold this year.
- **Europe:** Rates on hold at 2.0%, for now, but the scenario is conditional on the duration of the conflict.
- **China:** No need for stimulus, for now, amid resilient exports.
- **Latin America:** Uneven growth, higher inflation, and tougher policy choices.

Highlights

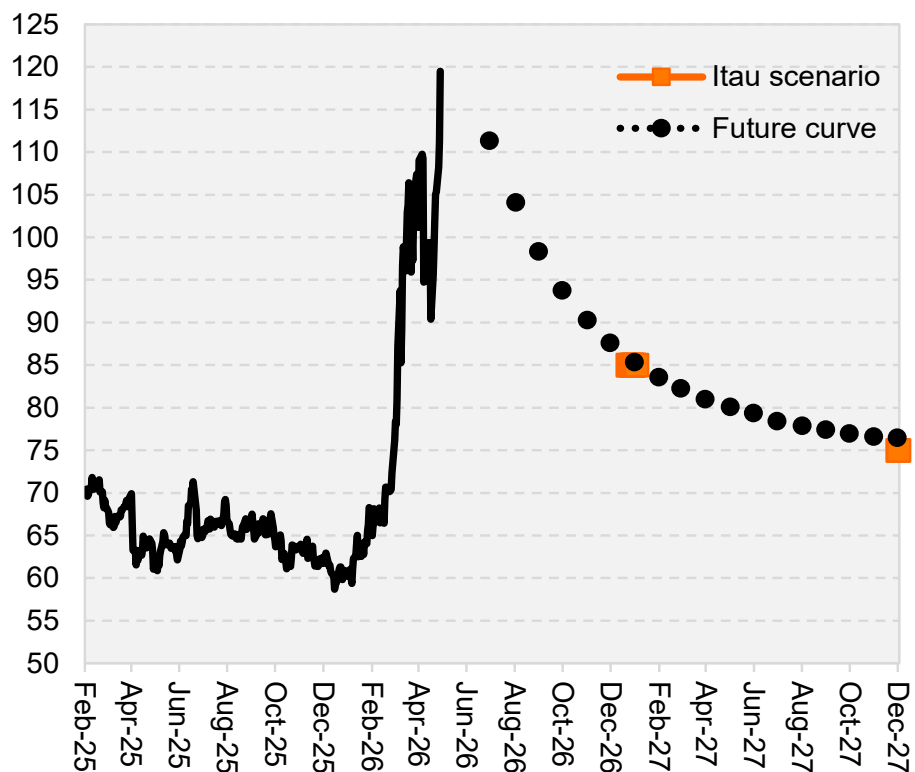
	2023	2024	2025	2026F		2027F	
				Current	Previous	Current	Previous
GDP Growth							
World GDP growth - %	3.2	3.2	3.3	3.3	3.4	3.4	3.4
USA - %	2.9	2.8	2.1	2.6	2.6	2.2	2.2
Euro Area - %	0.5	0.9	1.5	0.9	0.9	1.2	1.2
China - %	5.4	5.0	5.0	4.7	4.7	4.5	4.5
Inflation							
U.S. Core CPI - %, eop	3.9	3.2	2.6	3.2	3.2	3.3	3.5
Interest rates and currencies							
Fed Funds - %, eop	5.38	4.52	3.63	3.63	3.63	3.13	3.13
U.S. 10 Year Treasury - %, eop	3.88	4.58	4.18	4.25	4.25	4.00	4.00
USD/EUR - eop	1.10	1.04	1.17	1.18	1.16	1.18	1.16
CNY/USD - eop	7.13	7.30	6.99	6.90	6.90	6.90	6.90
DXY Index* - eop	101.3	108.5	98.3	98.2	99.4	97.8	99.0

Source: IMF, Bloomberg and Itaú

* The DXY is a leading benchmark for the international value of the U.S. dollar, measuring its performance against a basket of currencies that includes the euro, yen, pound, Canadian dollar, Swiss franc and Swedish krona.

Elevated energy prices keep central banks cautious

Oil scenarios (US\$/bbl) in the next months



We have updated our oil scenario, now assuming a resolution of the conflict in Iran by the end of May (vs. end of April, previously). The path to normalization in the region remains tortuous, but we see less willingness for a re-escalation of the war.

The conflict between the U.S., Israel, and Iran remains without a clear resolution for normalizing the flow of oil in the Middle East. On one hand, the parties have agreed to a ceasefire, signaling little appetite for further military escalation. On the other, the U.S. has moved to enforce a blockade of the Strait of Hormuz to apply economic pressure on the Iranian regime, which had previously been benefiting from controlling shipping traffic in the region.

We expect an agreement announcement toward a resolution in the Strait of Hormuz in May, and incorporating recent events, we revised our oil scenario to an average price of USD 85 per barrel by end-2026 (vs. USD 75 per barrel previously). The higher price in 2026 relative to the prior scenario reflects a larger geopolitical risk premium, only partial normalization of flows in the region, and a potential increase in demand for global inventory rebuilding.

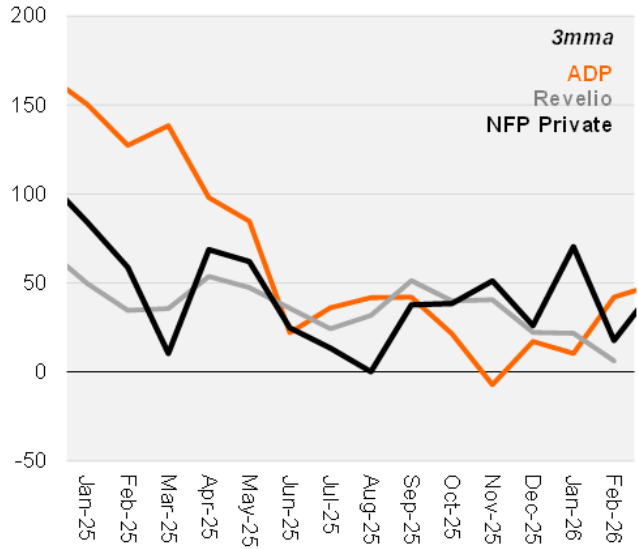
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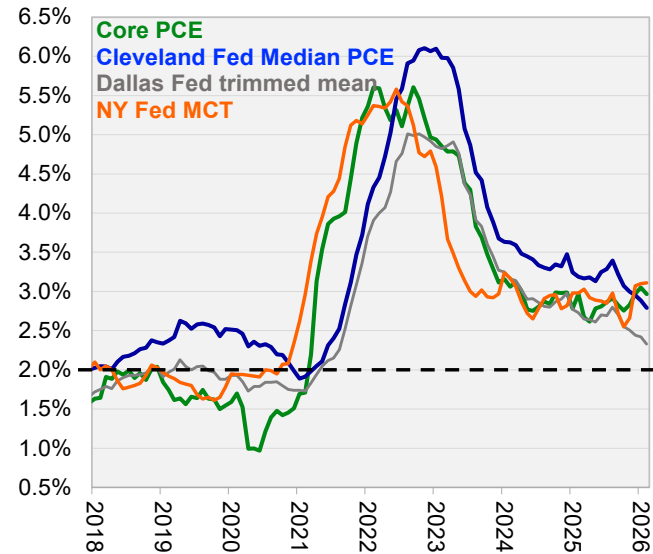
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Elevated energy prices keep central banks cautious

Private payroll growth (thous.)



Core PCE inflation – 12 months



In the U.S. economy, activity remains solid, with lower downside risks in the labor market. We estimate GDP growth of 2.5% in 1Q26 on a quarter-over-quarter annualized basis. In addition, employment metrics suggest some rebound (see chart) and unemployment has resumed declining (from 4.4% in February to 4.3% in March), as consensus consolidates that the pace of job growth consistent with a stable unemployment rate is now close to zero.

Against this backdrop, and given upside risks to inflation, the Fed is unlikely to cut rates this year. We estimate that core PCE reached 3.2% yoy in March (up from 3.0% in February) and 4.1% on a quarter-over-quarter annualized basis (up from 3.7%), significantly above target. The energy shock has so far produced only incipient signs in the current readings but should contribute to keeping inflation elevated and far from target. Second-round effects, such as rising inflation expectations, are risks that could alter the scenario more broadly and should be monitored by the Fed.

With the end of the Justice Department investigation, Kevin Warsh should soon be confirmed as the new Fed Chair and participate in the central bank's June meeting. We do not expect a significant change in the reaction function with the leadership transition. In his confirmation hearing, Warsh noted a preference for underlying trend metrics — specifically trimmed means — for analyzing inflation, but only some of them show any deceleration (see chart below). It also remains uncertain whether Powell will continue on the Committee, as his term as Chair expires in May, while his term as an FOMC member runs until 2028.

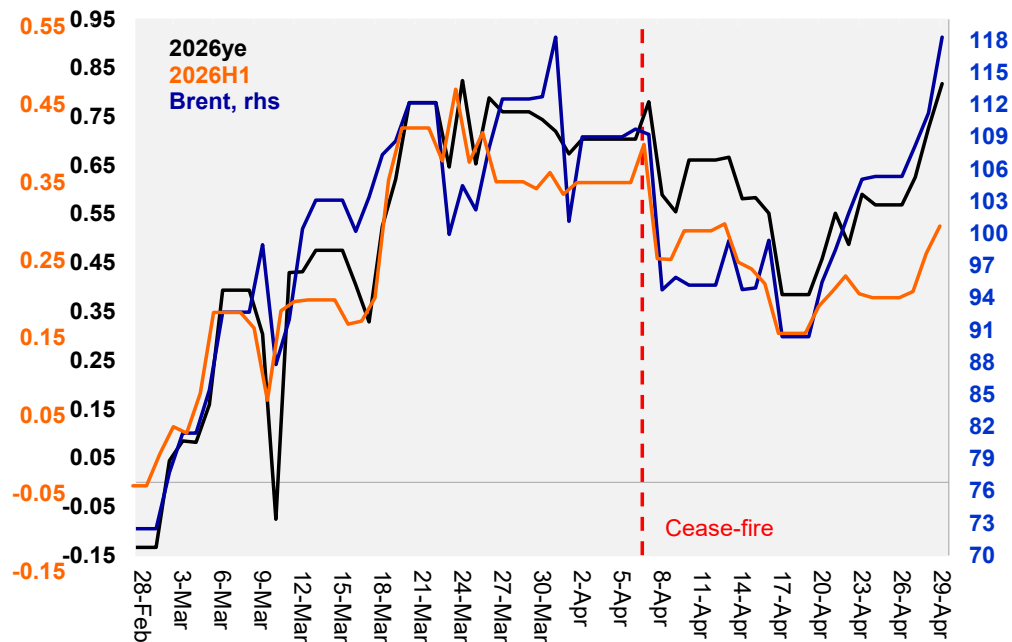
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Elevated energy prices keep central banks cautious

ECB: rates change priced in vs. Brent in 2026



In Europe, monetary policy remains conditional on oil price developments. For now, we maintain our view that interest rates will remain unchanged at 2.0%, given our expectation that the conflict will be resolved in May. Should oil prices remain around US\$120 per barrel, at least two rate hikes would be required. Although there are already signs of the direct impact of the energy shock, central bank members have signaled that there is no urgency to raise rates, given the uncertainty surrounding the persistence of the conflict. With the ECB's reaction closely tied to oil price scenarios, rate pricing has become highly correlated with the movement of the commodity at the margin. As we expect a resolution of the conflict over May and a decline in oil prices to around US\$85 per barrel, we believe the European Central Bank will keep interest rates unchanged at the current 2.0% level.

In China, growth continues to be supported by exports and, as a result, we do not see the need for additional stimulus at this point. GDP grew 5.0% yoy in the first quarter, with manufacturing and exports remaining the main engines of activity. Looking ahead, it is important to monitor a possible slowdown in the global economy on the back of the oil shock, which could raise the need for stimulus to support domestic demand. We maintain our growth forecasts at 4.7% in 2026 and 4.5% in 2027.

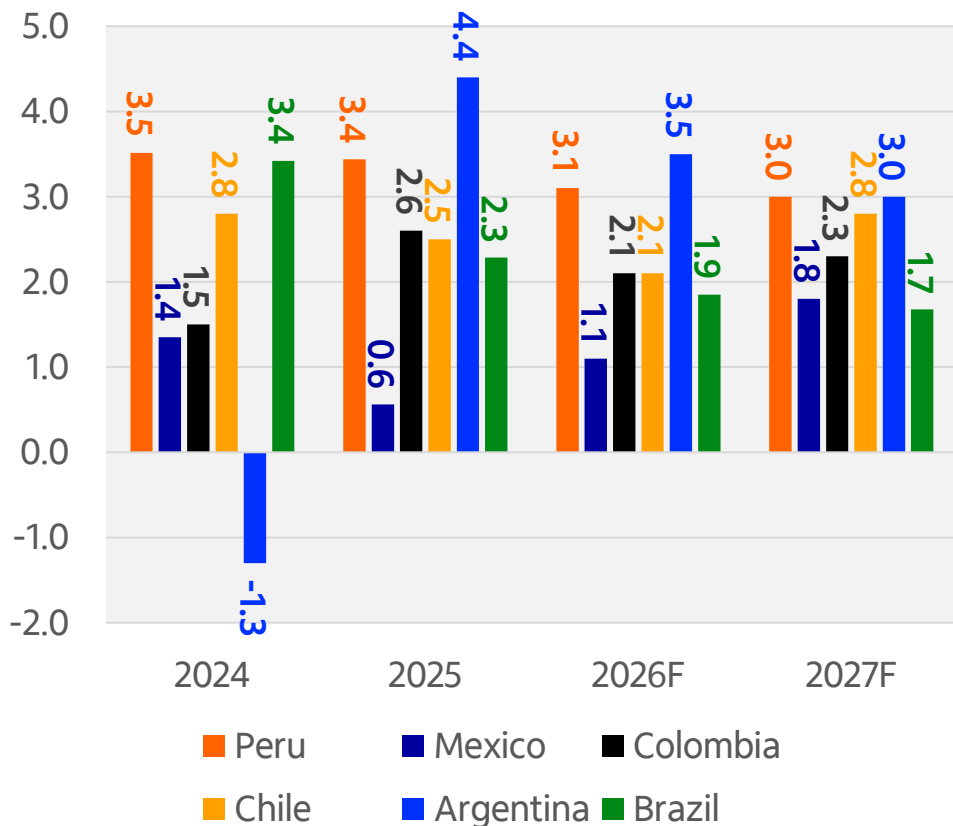
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LatAm – Activity: bridge over troubled water

Growth prospects remain uneven, reflecting divergent domestic fundamentals and external exposures.

GDP real growth (%)



Mexico remains the regional laggard with GDP growth revised down to 1.1% (from 1.5%), following a weak start to the year and contracting activity in early 2026. While a modest recovery is expected in the second half of the year (supported by improving domestic demand and transitory World Cup related effects), risks remain skewed to the downside if confidence and investment fail to rebound.

Chile's growth momentum has also weakened significantly. GDP is expected to expand 2.1% in 2026, with downside risks stemming from weak domestic demand, tight credit conditions, softer labor markets, and higher energy costs. Mining related investment and still supportive metal prices provide some offset, but near term activity remains fragile ahead of a gradual recovery expected in 2027.

Elsewhere, Argentina stands out on the upside, with GDP expected to grow 3.5%, supported by a strong agricultural harvest, easing financial conditions, and resilient investment. That said, growth remains uneven, as private consumption is constrained by falling real wages.

Peru continues to display solid macro resilience, with GDP growth projected at 3.1%. Favorable terms of trade, strong mining investment, and healthy carryover into 2026 provide a key buffer against political uncertainty and temporary supply disruptions. While consumption remains relatively supported by labor market dynamics, momentum may soften marginally in the near term.

Colombia's 2026 GDP growth forecast was trimmed to 2.1% (from 2.3%), following weak early year data. Despite some stabilization in consumer sentiment, fiscal pressures, policy uncertainty, and tight financial conditions continue to weigh on investment and overall momentum.

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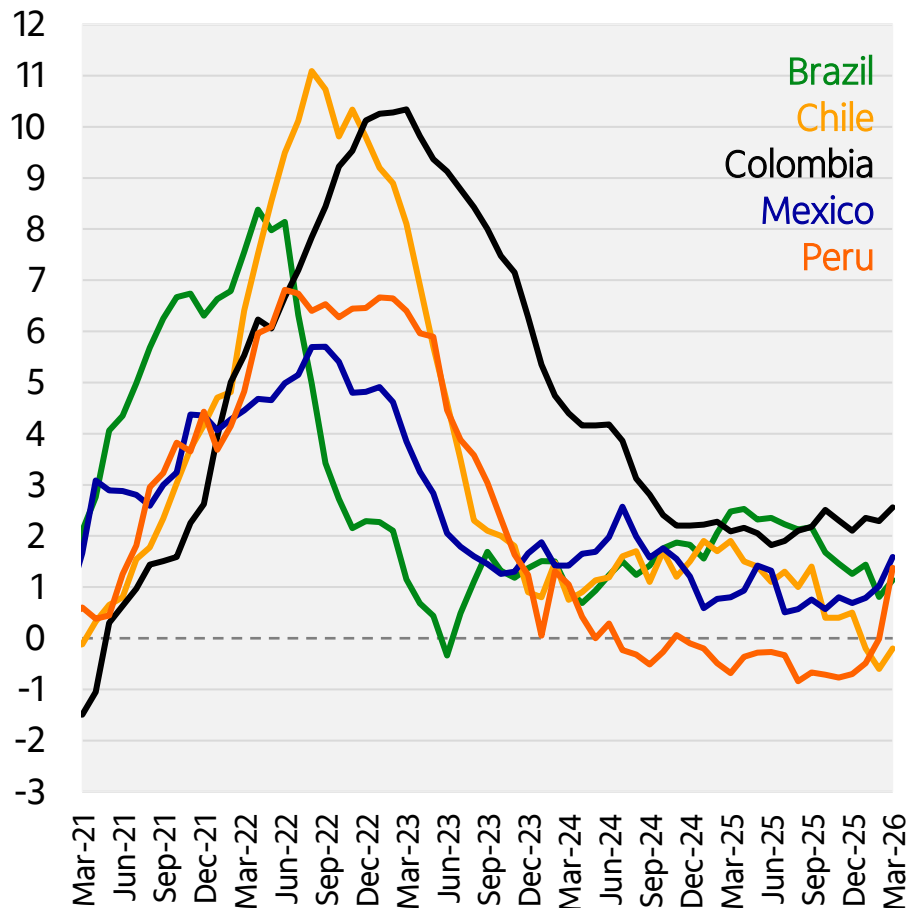
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LatAm – Inflation: forecasts revised up on higher oil prices and rising El Niño risks

Distance between headline and the target



Chile is entering a period of front loaded inflation pressure. Energy passthrough has lifted headline inflation, with year end inflation now expected at 4.3%. Core inflation remains better behaved, but near term dynamics complicate the policy outlook amid weakening growth.

In Mexico, even though headline inflation at the margin has been above the historical average, core dynamics remain favorable, reinforcing the view that underlying price pressures are easing and that recent shocks do not yet exhibit major effects. Our yearend inflation forecast remains unchanged at 4.1% in 2026 and 3.8% in 2027.

In Argentina, renewed upside inflation surprises prompted a revision of the 2026 inflation forecast to 30%. While monthly inflation is expected to decelerate as fuel prices stabilize, underlying pressures remain elevated and inflation expectations have increased.

Peru's inflation temporarily breached the target range following energy price shocks and gas supply disruptions. As a result, the 2026 inflation forecast was revised up to 2.8%, although inflation is expected to re enter the target band by year end as transitory shocks fade.

Colombia faces the most persistent inflationary pressures. Higher energy prices, indexation effects from the minimum wage hike, and rising climate risks pushed the 2026 inflation forecast to 7.0%, with core inflation remaining elevated.

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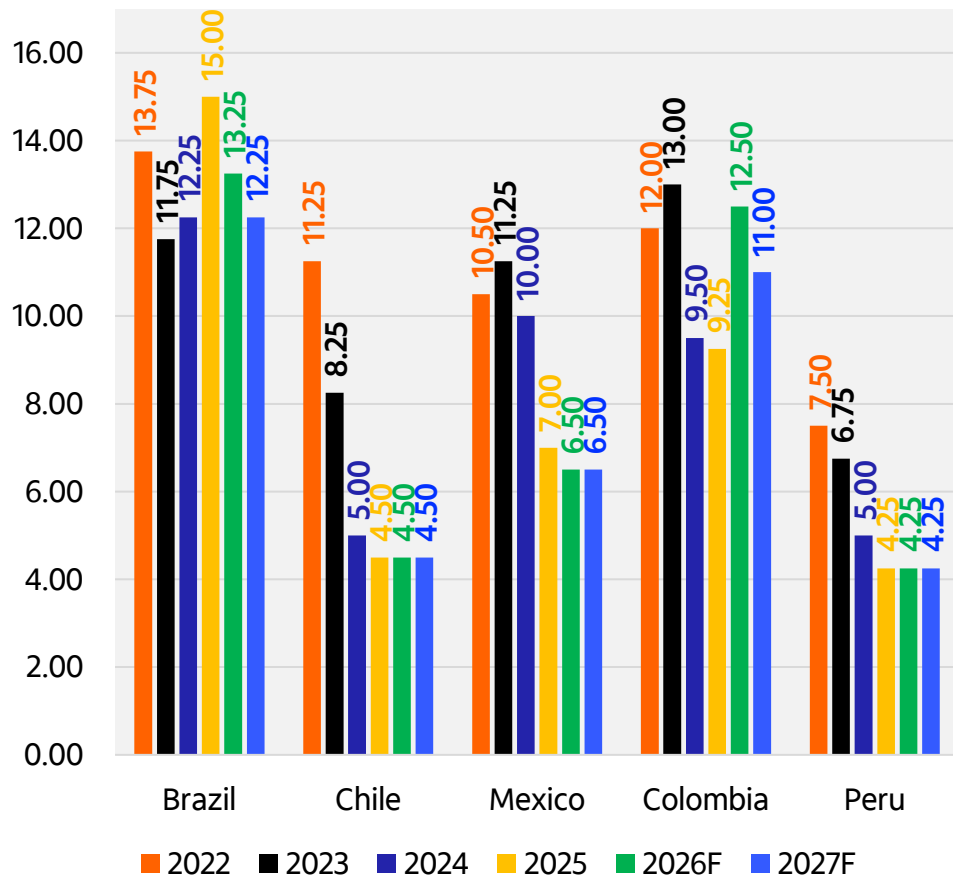
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LatAm – Monetary policy: tradeoffs intensify

Monetary policy tradeoffs have sharpened across the region.

Monetary policy in LatAm



Mexico remains the outlier, with Banxico expected to deliver one final 25bp cut to 6.5%, likely marking the end of the easing cycle before a prolonged hold.

In Chile, policy risks are asymmetrically skewed toward a prolonged hold at 4.5%, or even a mild tightening, as the central bank prioritizes anchoring inflation expectations despite weakening growth.

Argentina's central bank has reduced short term rate volatility through operational fine tuning, supporting a more accommodative financial backdrop without abandoning disinflation goals.

Peru's central bank remains on hold at 4.25%, viewing recent inflation pressures as transitory. Colombia, in its turn, has turned more firmly hawkish, with the expected terminal rate lifted to 12.5%, mainly reflecting persistently above target inflation expectations.

The rising probability of an "El Niño" weather shock to the region this year adds a layer of uncertainty to our forecasts. We interpret the weather phenomenon as yet another negative supply shock, disrupting agricultural production and supply chains, adding to inflationary pressures, especially in Colombia and Mexico. Regarding risks to economic activity, an intense El Niño phenomenon would likely have a greater transitory impact on Peru's agro-fishing sector. In contrast, greater rainfall in Chile tends to drive a marginal increase in hydroelectricity generation, and hence a slight bump in GDP.

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LatAm: key electoral dates

Key Electoral Dates through 2027		
Argentina	August 8, 2027	Primary Elections (PASO)
	October 24, 2027	Presidential and Congressional Elections
	November 21, 2027	Presidential runoff (if needed)
	December 10, 2027	New presidential and congressional terms begin
Brazil	October 4, 2026	General Elections - 1st round
	October 25, 2026	General Elections - 2nd round
	January 4, 2027	New presidential and congressional terms begin
Colombia	March 8, 2026	Congressional Elections & Interparty Presidential Primary
	March 13, 2026	Deadline to determine presidential candidates
	May 31, 2026	Presidential first-round
	June 21, 2026	Presidential runoff (if needed)
	July 20, 2026	New Congress begins its term
	August 7, 2026	New President takes office
Mexico	June 6, 2027	Midterm Elections in 17 Gubernatorial seats
Peru	April 12, 2026	General Elections
	June 7, 2026	Presidential runoff (if needed)
	July 28, 2026	New presidential and congressional terms begin
	October 4, 2026	Regional and Municipal Elections

Source: Itaú based on official sources.

LatAm: compared scenario

World

	2025	2026		2027	
		Current	Previous	Current	Previous
GDP (%)	3.3	3.3	3.4	3.4	3.4

Brazil

	2025	2026		2027	
		Current	Previous	Current	Previous
GDP (%)	2.3	1.9	1.9	1.7	1.7
BRL / USD (eop)	5.47	5.15	5.40	5.35	5.60
Monetary Policy Rate (eop,%)	15.00	13.25	13.00	12.25	12.00
IPCA (%)	4.3	5.2	4.5	4.3	4.1

Argentina

	2025	2026		2027	
		Current	Previous	Current	Previous
GDP (%)	4.4	3.5	3.5	3.0	3.0
ARS / USD (eop)	1459	1700	1700	2100	2000
Reference rate (eop,%)	27.0	26.0	30.0	25.0	25.0
CPI (%)	31.5	30.0	27.5	25.0	21.0

Colombia

	2025	2026		2027	
		Current	Previous	Current	Previous
GDP (%)	2.6	2.1	2.3	2.3	2.3
COP / USD (eop)	3757	3600	3700	3600	3700
Monetary Policy Rate (eop,%)	9.25	12.50	12.00	11.00	10.75
CPI (%)	5.1	7.0	6.7	5.7	5.7

Paraguay

	2025	2026		2027	
		Current	Previous	Current	Previous
GDP (%)	6.6	4.0	4.0	4.0	4.0
PYG / USD (eop)	6598	6450	6650	6500	6650
Monetary Policy Rate (eop,%)	6.00	5.50	5.50	5.50	5.50
CPI (%)	3.1	3.5	3.5	3.5	3.5

Source: Itau

Latin America and Caribbean

	2025	2026		2027	
		Current	Previous	Current	Previous
GDP (%)	2.6	2.5	2.5	2.5	2.5

Mexico

	2025	2026		2027	
		Current	Previous	Current	Previous
GDP (%)	0.6	1.1	1.5	1.8	2.0
MXN / USD (eop)	18.0	18.4	18.8	18.9	19.3
Monetary Policy Rate (eop,%)	7.00	6.50	6.50	6.50	6.50
CPI (%)	3.7	4.1	4.1	3.8	3.8

Chile

	2025	2026		2027	
		Current	Previous	Current	Previous
GDP (%)	2.5	2.1	2.1	2.8	2.8
CLP / USD (eop)	900.6	880.0	880.0	860.0	860.0
Monetary Policy Rate (eop,%)	4.50	4.50	4.50	4.50	4.50
CPI (%)	3.5	4.3	4.1	3.0	2.9

Peru

	2025	2026		2027	
		Current	Previous	Current	Previous
GDP (%)	3.4	3.1	3.1	3.0	3.0
PEN / USD (eop)	3.36	3.40	3.40	3.40	3.40
Monetary Policy Rate (eop,%)	4.25	4.25	4.25	4.25	4.25
CPI (%)	1.5	2.8	2.5	2.2	2.3

Uruguay

	2025	2026		2027	
		Current	Previous	Current	Previous
GDP (%)	1.8	1.2	1.2	1.5	1.5
UYU / USD (eop)	39.0	39.5	39.5	40.0	40.0
Monetary Policy Rate (eop,%)	7.50	5.75	5.75	6.50	6.50
CPI (%)	3.6	4.9	4.5	4.5	4.5

Commodities forecasts

	2020	2021	2022	2023	2024	2025	2026F		2027F	
							Current	Previous	Current	Previous
Brent Oil (USD/bbl)	50	75	82	77	73	61	85	75	75	75
Iron Ore (USD/tonne)	153	116	110	135	103	104	95	95	75	75
Copper (USD/tonne)	7788	9525	8402	8489	9030	11763	11050	11050	11050	11050
Corn (Usd/bu)	437	592	656	480	444	444	450	450	420	420
Soy (Usd/bu)	1207	1290	1474	1311	984	1077	1100	1100	1000	1000
Wheat (Usd/bu)	604	790	749	619	548	532	600	600	610	610
Sugar (Usd/lb)	15	19	20	22	20	15	15	15	16	16
Coffee (Usd/lb)	123	235	166	188	321	360	300	300	250	250

Source: BBG, Itaú

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Brazil

Inflationary shock tests the limits for the easing cycle

- We revised our exchange rate forecast to BRL/USD 5.15 (from BRL/USD 5.40) in 2026 and to BRL/USD 5.35 (from BRL/USD 5.60) in 2027. Looking ahead, fundamentals are more constructive, with a structurally weaker USD and a more positive environment for Latin American currencies.
- We kept our GDP growth forecasts at 1.9% in 2026 and 1.7% in 2027. For 2026, the upward bias remains, albeit limited by the risks associated with the external environment and a possible slowdown in domestic credit. Regarding the labor market, we kept our unemployment rate estimates at 5.7% in 2026 and 6.0% in 2027.
- We maintained our primary result forecast at -0.5% of GDP in 2026 and -0.6% in 2027. With extraordinary revenues being linked to potential cuts in fuel taxes, the government is set to give up part of the cyclical fiscal improvement provided by the external shock and prioritize mitigating the domestic impact of the war in the Middle East.
- We revised our 2026 IPCA forecast to 5.2% (from 4.5%), reflecting more pressured near-term readings, mainly from fuels, and higher food inflation, owing to the effects of El Niño on fresh food items and lower milk supply. The balance of risks for 2026 remains tilted to the upside, with additional gasoline and diesel hikes as the main risk. For 2027, we revised our forecast to 4.3% (from 4.1%), incorporating greater inflation inertia. The balance of risks also remains skewed to the upside.
- The Copom continued the gradual easing cycle, seeking to calibrate the degree of monetary restriction. In view of the renewed deterioration of the inflation outlook, a new round of worsening expectations, and a deterioration in the balance of risks, we revised the Selic rate to 13.25% in 2026 (from 13.00%).

Highlights

	2022	2023	2024	2025	2026F		2027F	
					Current	Previous	Current	Previous
Economic Activity								
Real GDP growth - %	3.0	3.2	3.4	2.3	1.9	1.9	1.7	1.7
Nominal GDP - BRL bn	10,080	10,943	11,779	12,739	13,479	13,441	14,335	14,264
Nominal GDP - USD bn	1,951	2,192	2,186	2,278	2,626	2,534	2,726	2,590
Population (millions)	210.9	211.7	212.6	213.4	214.2	214.2	215.0	215.0
Per Capita GDP - USD	9,255	10,356	10,281	10,676	12,259	11,831	12,682	12,047
Nation-wide Unemployment Rate - year avg	9.5	8.0	6.9	5.9	5.5	5.5	5.8	5.9
Nation-wide Unemployment Rate - year end (*)	8.4	7.8	6.5	5.4	5.7	5.7	6.0	6.0
Inflation								
IPCA - %	5.8	4.6	4.8	4.3	5.2	4.5	4.3	4.1
IGP-M - %	5.5	-3.2	6.5	-1.1	5.7	4.8	3.8	3.7
Interest Rate								
Selic - eop - %	13.75	11.75	12.25	15.00	13.25	13.00	12.25	12.00
Balance of Payments								
BRL / USD - eop	5.28	4.86	6.18	5.47	5.15	5.40	5.35	5.60
BRL / USD - average	5.17	4.99	5.39	5.59	5.13	5.30	5.26	5.51
Trade Balance - USD bn	62	99	75	68	80	80	75	75
Current Account - % GDP	-2.2	-1.2	-3.0	-2.9	-2.6	-2.6	-2.8	-2.6
Direct Investment (liabilities) - % GDP	4.0	2.9	3.4	3.4	3.5	3.6	3.8	4.0
International Reserves - USD bn	325	355	330	358	360	360	360	360
Public Finance								
Primary Balance - % GDP	1.2	-2.3	-0.4	-0.4	-0.5	-0.5	-0.6	-0.6
Nominal Balance - % GDP	-4.6	-8.8	-8.5	-8.3	-8.8	-8.7	-8.5	-8.3
Gross Public Debt - % GDP	71.7	73.8	76.3	78.6	82.5	82.8	86.2	86.4
Net Public Debt - % GDP	56.1	60.4	61.3	65.2	71.1	70.7	75.0	74.5
Growth of public spending (% real, pa, **)	6.0	7.6	3.2	4.2	4.7	4.9	1.4	1.6

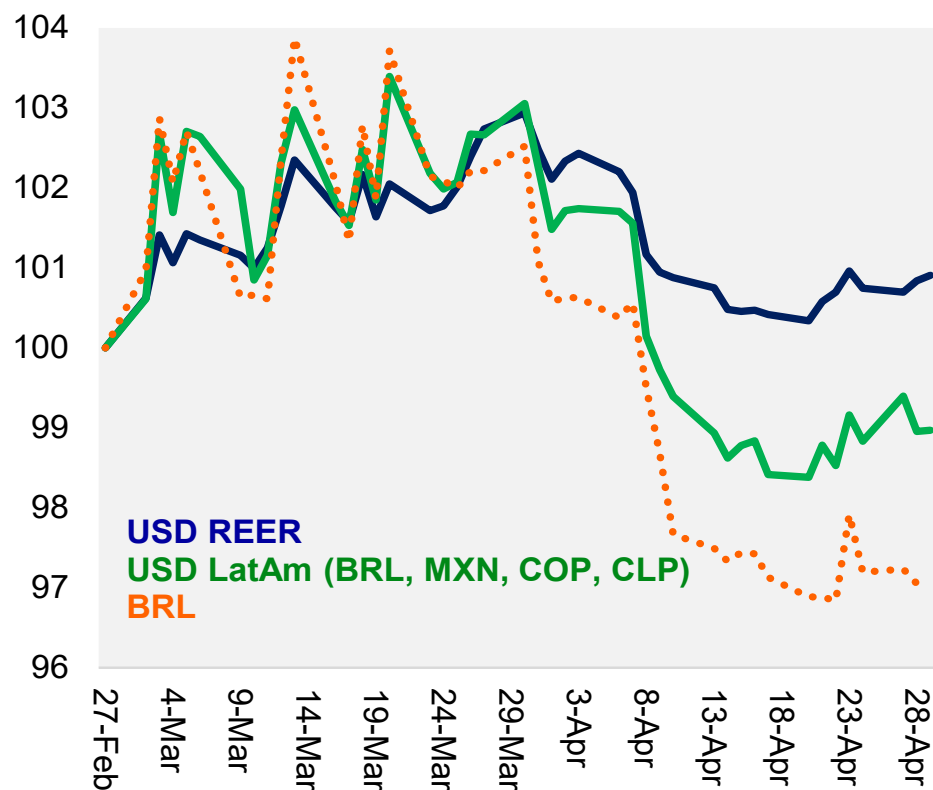
Source: IBGE, FGV, BCB and Itaú

(*) Nation-wide Unemployment rate measured by PNADC, seasonally adjusted

(**) We do not consider the 2023 payment of extraordinary court-ordered debts (precatórios). Including it, spending grew by 12.5% in 2023 and fell by 0.9% in 2024.

BRL: more favorable external fundamentals

Weaker USD versus LatAm emerging markets (Feb 27 = 100)



We revised our exchange rate forecasts to BRL/USD 5.15 in 2026 (from BRL/USD 5.40) and to BRL/USD 5.35 in 2027 (from BRL/USD 5.60). The BRL has performed well since the start of the conflict in the Middle East, supported in part by Brazil's position as a net oil exporter and in part by still-high interest rates. Looking ahead, fundamentals are also more constructive, with a structurally weaker USD and a more positive capital-flow environment for emerging economies, including Latin America. Even so, our forecast continues to incorporate some currency depreciation over the course of the year, reflecting greater volatility and a higher risk premium as the electoral cycle advances.

We revised our current account deficit forecast to USD 69 billion in 2026 (from USD 66 billion) and to USD 77 billion in 2027 (from USD 68 billion). The deterioration reflects the effects of a stronger exchange rate, with the most relevant impact coming from the income account. We kept the trade surplus forecasts at USD 80 billion in 2026 and USD 75 billion in 2027, as the negative FX effects were offset by other factors, in particular higher oil prices.

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Stable economic activity

	Supply side			Total GDP
	Agriculture	Industry	Services	
Weights	6%	22%	59%	100%
2019	0.4%	-0.7%	1.5%	1.2%
2020	4.2%	-3.0%	-3.7%	-3.3%
2021	0.0%	5.0%	4.8%	4.8%
2022	-1.1%	1.5%	4.3%	3.0%
2023	16.3%	1.7%	2.8%	3.2%
2024	-3.7%	3.1%	3.8%	3.4%
2025	11.7%	1.4%	1.8%	2.3%
2026	2.0%	2.2%	1.9%	1.9%
2027	3.5%	1.7%	1.6%	1.7%

	Demand side				
	Consumption	Govt Spending	Investments	Exports	Imports
Weights	64%	19%	17%	18%	18%
2019	2.6%	-0.5%	4.0%	-2.6%	1.3%
2020	-4.6%	-3.7%	-1.7%	-2.3%	-9.5%
2021	3.0%	4.2%	12.9%	4.4%	13.8%
2022	4.1%	2.1%	1.1%	5.7%	1.0%
2023	3.2%	3.8%	-3.0%	8.9%	-1.2%
2024	5.1%	2.0%	6.9%	2.8%	15.6%
2025	1.3%	2.1%	2.9%	6.2%	4.5%
2026	1.4%	2.1%	1.2%	4.0%	0.6%
2027	1.6%	-0.7%	0.5%	0.2%	0.2%

Activity data point to a slightly stronger 1Q at the margin, but with year-on-year growth still similar to that observed in the second half of last year. IBGE indicators showed widespread expansion across sectors in February. Manufacturing maintained its upward trajectory, while segments more sensitive to income and credit, notably automobiles, advanced, and household services surprised to the upside.

We estimate GDP growth of 1.0% qoq/sa (1.8% yoy) in 1Q26. Our tracking for the period is hovering slightly above this expectation, suggesting a modest upward bias to the quarterly result, though without a relevant impact on the full-year forecast.

We kept our 2026 GDP growth forecast at 1.9%. In this scenario, the revision in oil prices was offset by a downward revision in global GDP. We still see an upward bias, although attenuated by the high volatility of the external environment and a more challenging credit backdrop, especially for corporates. On the upside, we continue to monitor the effects of recently announced fiscal and quasi-fiscal measures. On the downside, it is worth noting that a prolonged conflict would tend to weigh negatively on the domestic economy.

For 2027, we kept our growth forecast at 1.7%. The fading fiscal impulse should be partially offset over time by less contractionary monetary policy.

In the labor market, inflection signals remain ambiguous. Accordingly, we kept our unemployment forecasts at 5.7% in 2026 and 6.0% in 2027. Going forward, the expectation of growth around potential, combined with a slight increase in the participation rate, should lead to a small uptick in unemployment over the coming months.

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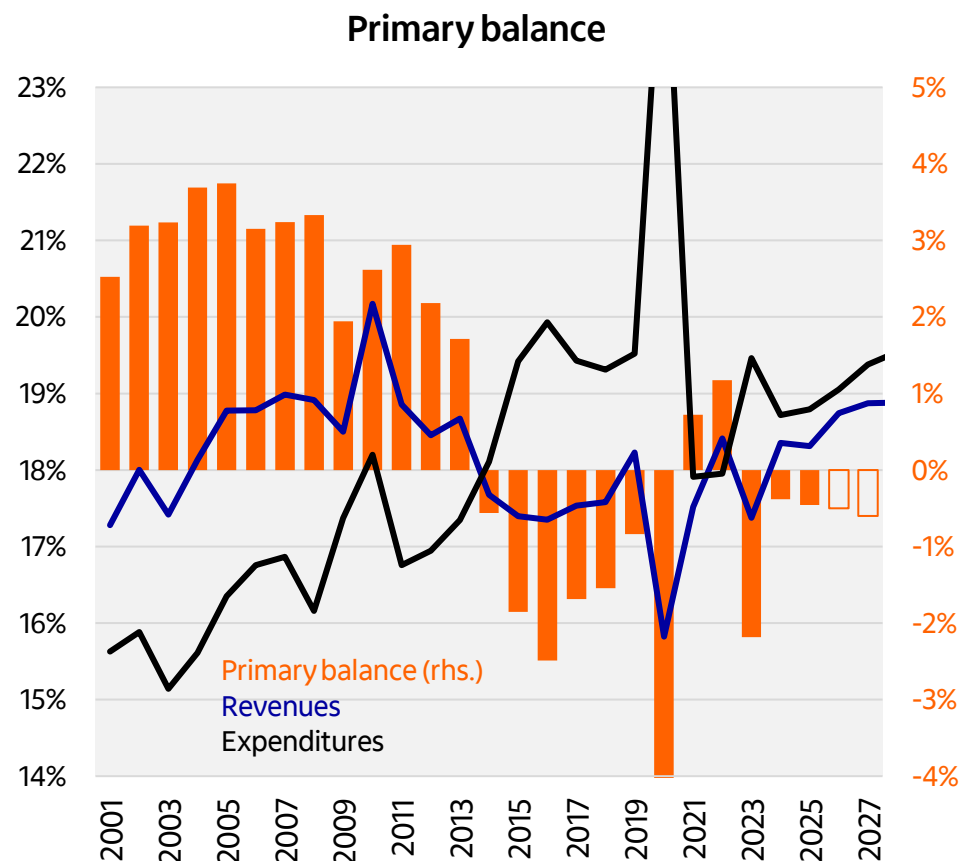
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Fiscal: cyclical improvement consumed by measures to cushion pressure on domestic prices



We kept our 2026 primary balance forecast at **-0.5% of GDP**, with an upward bias from revenues linked to even higher oil prices, which are being consumed by measures to cushion the rise in domestic prices. Our new scenario assumes even higher average oil prices (USD 84/bbl on average, vs. USD 80/bbl previously). However, with the government's proposal to link the additional revenues from higher oil prices to potential cuts in federal fuel taxes, the government is set to give up part of the fiscal improvement provided by the external shock and prioritize mitigating the domestic impact of the war in the Middle East. Although the format is not yet defined, we incorporate a partial reduction in gasoline taxes and the postponement of diesel subsidies until year-end.

For 2027, we kept the primary balance at **-0.6% of GDP**. Despite a slightly more favorable starting point relative to the pre-war scenario, the structural challenge remains relevant. We estimate that, under current rules and with no course correction, the fiscal adjustment required to stabilize public debt – currently around 4 p.p. of GDP – will be increasing and of even more sizable magnitudes.

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Inflation: forecasts revised up on higher oil prices and rising El Niño risks

Federal tax cuts could offset higher gasoline prices at the refinery level

Impact (bps) / Equivalent Refinery Price Adjustment	PIS/Cofins Gasoline C + CIDE				
	0.68	0.48	0.28	0.00	
ICMS	1.57	0 / 0%	-15 / 11%	-29 / 22%	-50 / 38%
	1.07	-37 / 28%	-52 / 39%	-66 / 50%	-87 / 66%
	0.57	-74 / 56%	-88 / 67%	-103 / 78%	-124 / 93%
	0.00	-116 / 87%	-131 / 98%	-145 / 110%	-166 / 125%

We revised our 2026 IPCA forecast to 5.2% (from 4.5%), reflecting greater near-term pressure, mainly from fuels and food. The revision incorporates the impact of the El Niño phenomenon, especially on fresh food items. In addition, we project more pressured milk prices, owing to lower supply this year.

In the short term, with international oil prices still at elevated levels, the pressure tends to come from additional gasoline price hikes, given the gap between domestic and external prices. We assume, however, that there will be mitigation measures, such as new tax cuts, limiting the immediate upward impact on inflation. **The balance of risks for the forecast remains tilted to the upside:** additional gasoline and diesel price hikes are the main risk for this year.

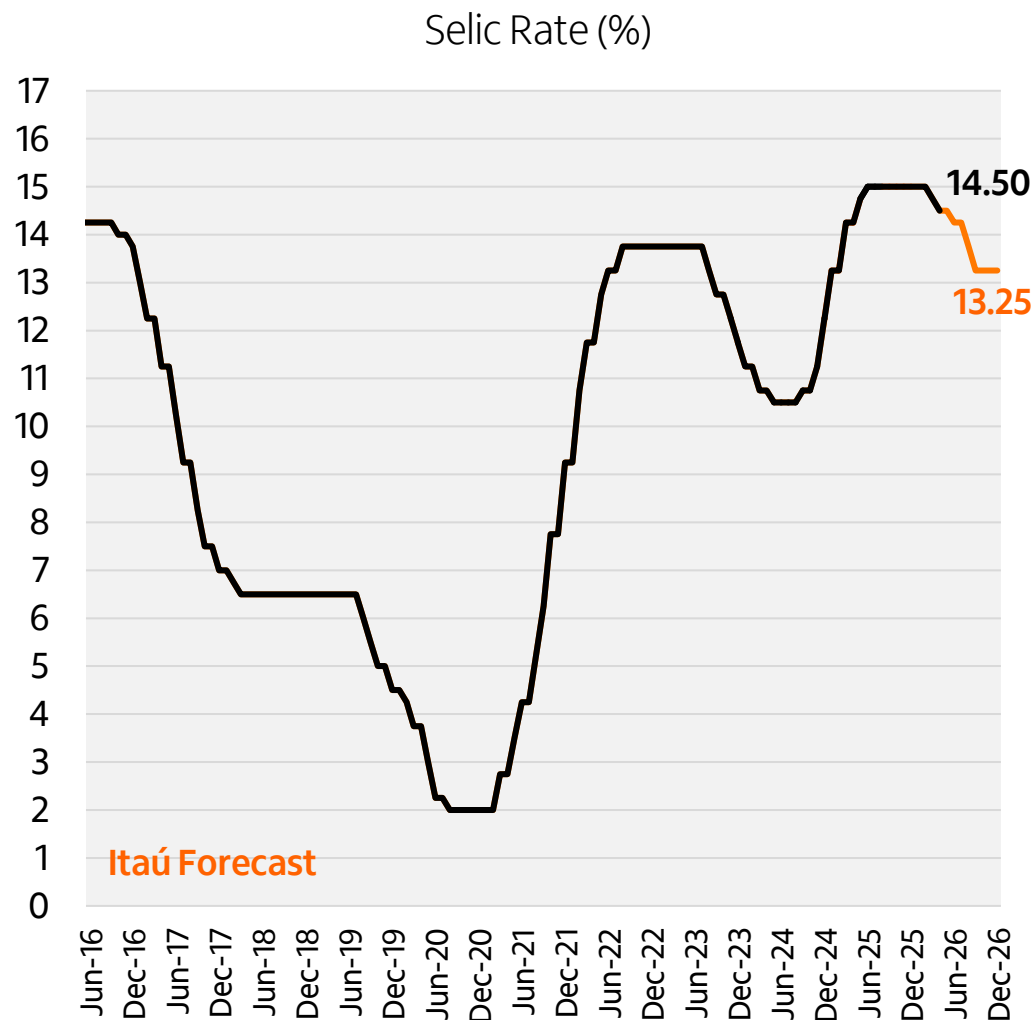
For 2027, we revised our inflation forecast to 4.3% (from 4.1%), incorporating greater inflationary inertia. The balance of risks remains skewed to the upside and is associated, above all, with rising fertilizer prices and the possibility of a more intense El Niño – factors that tend to pressure agricultural production costs and, consequently, food inflation.

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Monetary policy: even less room for rate cuts



The Copom continued the easing cycle with another 25-bp cut amid still-high uncertainty. The monetary authority continues to emphasize that this will be a calibration cycle for monetary policy – that is, a cycle that will still end in contractionary territory, given the starting point of unanchored inflation expectations and a positive output gap.

The deterioration of the inflation outlook, the worsening of Focus expectations and of the balance of risks, indicates less room for rate cuts, even with a stronger BRL. According to our simulations, based on the BCB model, Selic scenarios below 13.00% would require not only an exchange rate below BRL/USD 5.00, but also the absence of further deterioration in expectations – a condition that, at this point, appears unlikely.

We revised again our terminal Selic forecast to 13.25% in 2026 (from 13.00%). Once more, still-elevated uncertainty and pressured inflation readings in the coming months should prevent the Central Bank from accelerating the easing pace. We expect another adjustment of the same magnitude (-25 bps) in June. For 2027, we maintain the expectation of a continued easing cycle, with the Selic rate converging to 12.25%.

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