Macro Brazil

November 11, 2025

Copom Minutes: mind the gap

- The Copom minutes, released this morning, point towards a slightly more upbeat view on the inflation outlook. The text exudes confidence that the current strategy, to keep the Selic unchanged at 15.0% for a prolonged period, is working. Committee members note that policy is leading towards a fall in inflation expectations, mostly at the short-end, but also extending into periods beyond the policy horizon.
- Importantly, the Copom states that it has incorporated a preliminary estimate of the impact of the recently approved income tax relief into its forecasts – which limits their upside risks going forward. Given that this was the main topic of discussion amongst market participants since the policy meeting, investors may increase their positioning for a January start of the easing cycle, which is also our call. But, for that to happen, the December texts will need to be changed further, specifically, the text in paragraph 20 of the minutes, in which the Copom vows not to hesitate to resume hiking, if warranted, should be scrapped.
- The minutes, in short, point to a confident committee, and one that sees less upside risks to the output gap, and hence inflation, than was the case in October.

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	May	June	July	September	November
IPCA 2025	4.8%	4.9%	4.9%	4.8%	4.6%
IPCA 2026	3.6%	3.6%	3.6%	3.6%	3.6%
Relevant Horizon (RH)**	3.6% (4Q26)	3.6% (4Q26)	3.4% (1Q27)	3.4% (1Q27)	3.3% (2Q27)
Market-set prices 2025	5.3%	5.2%	5.1%	5.0%	4.5%
Market-set prices 2026	3.4%	3.4%	3.5%	3.5%	3.6%
Market-set prices RH**	3.4% (4Q26)	3.4% (4Q26)	3.3% (1Q27)	3.3% (1Q27)	3.2% (2Q27)
Regulated prices 2025	3.5%	3.8%	4.4%	4.3%	5.0%
Regulated prices 2026	4.0%	4.1%	4.0%	3.8%	3.4%
Regulated prices RH**	4.0% (4Q26)	4.1% (4Q26)	3.9% (1Q27)	3.8% (1Q27)	3.5% (2Q27)
Exogenous variables					
Exchange rate* (BRL/USD)	5.70	5.60	5.55	5.40	5.40
Selic rate (Focus) 2025	14.75%	14.75%	15.00%	15.00%	15.00%
Selic rate (Focus) 2026	12.50%	12.50%	12.50%	12.38%	12.25%
Inflation expectations (Focus) 2025	5.53%	5.25%	5.09%	4.83%	4.55%
Inflation expectations (Focus) 2026	4.51%	4.50%	4.44%	4.30%	4.20%

*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.

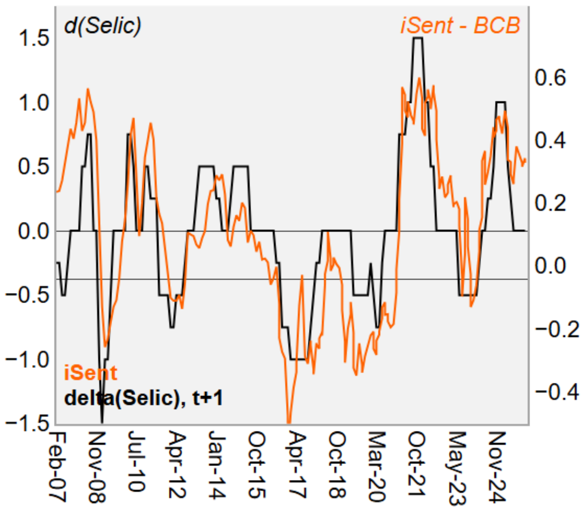
Source: Central Bank, Itaú.

Factors mentioned in the balance of risks by the Copom in the latest meetings (orange = change compared to the previous meeting)					
July		September		November	
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; (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

iSent, Itaú's Central Bank Sentiment Classifier

Our iSent Central Bank Classifier[1] remains in positive territory (0.36).

Classifier in positive territory



Source: BCB, Itaú

[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).*

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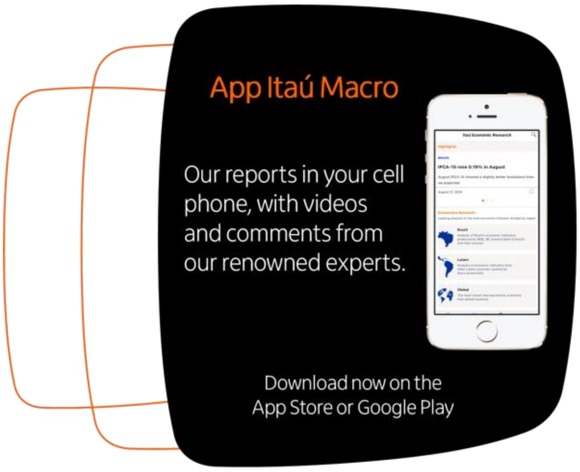

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