Macro Brazil

March 24, 2026

Copom Minutes: options on the table

- The Copom minutes, released today, indicate policymakers remain confident about their ability to calibrate the degree of policy restrictiveness, despite ongoing global turmoil. In fact, the minutes hints that just the options to ease by 25 bps, or by 50 bps, were on the table. The text usefully discloses the approach taken to incorporate the oil shock, based on the futures curve, and stresses that its implications will be closely monitored. While noting that disinflation stalled in recent readings, the Copom also states that a possible (likely) reacceleration of economic activity in 1Q26 will not imply a major departure from their current scenario. All things considered, we reckon the document is consistent with a faster cut in the April meeting, which would take the base rate to 14.25%pa. We will wait for the publication of the incoming Monetary Policy Report, and press conference, on Thursday before deciding whether we need to calibrate the calibration. For now, we see the Selic at 12.25%pa by year-end.

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	September	November	December	January	March
IPCA 2026	3.6%	3.6%	3.5%	3.4%	3.9%
Relevant Horizon (RH)**	3.4% (1Q27)	3.3% (2Q27)	3.2% (2Q27)	3.2% (3Q27)	3.3% (3Q27)
Market-set prices 2026	3.5%	3.6%	3.6%	3.5%	3.7%
Market-set prices RH**	3.3% (1Q27)	3.2% (2Q27)	3.2% (2Q27)	3.1% (3Q27)	3.3% (3Q27)
Regulated prices 2026	3.8%	3.4%	3.2%	3.0%	4.3%
Regulated prices RH**	3.8% (1Q27)	3.5% (2Q27)	3.4% (2Q27)	3.3% (3Q27)	3.2% (3Q27)
Exogenous variables					
Exchange rate* (BRL/USD)	5.40	5.40	5.35	5.35	5.20
Selic rate (Focus) 2026	12.38%	12.25%	12.25%	12.25%	12.25%
Inflation expectations (Focus) 2026	4.3%	4.2%	4.2%	4.0%	4.1%

*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.

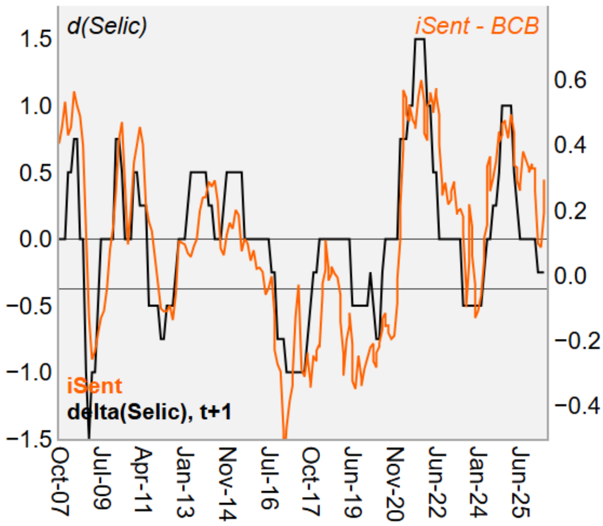
Source: Central Bank, Itaú.

Factors mentioned in the balance of risks by the Copom in the latest meetings (orange = change compared to the previous meeting)					
December		January		March	
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] points to a more hawkish tone (0.33), largely driven by the many references to 'uncertainty' throughout the minutes.

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).*

Macro Research – Itaú

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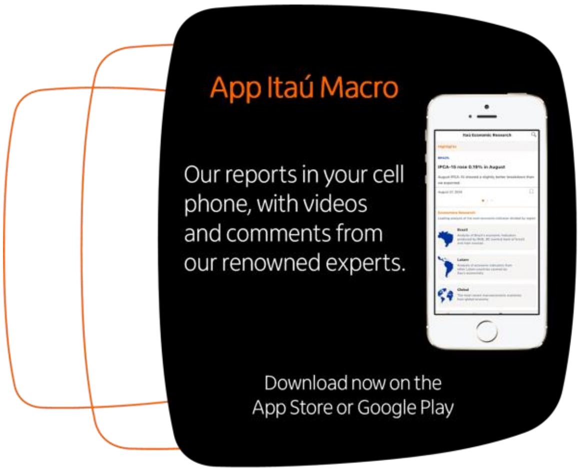

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