# Macro scenario - Brazil

June 26, 2026

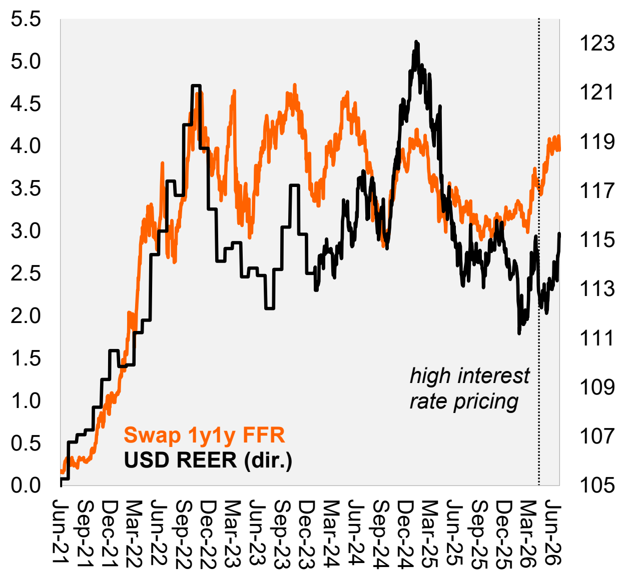
## At the crossroads

- We revised our exchange-rate forecast to BRL/USD 5.30 in 2026 (from BRL/USD 5.15) and BRL/USD 5.50 in 2027 (from BRL/USD 5.35), mainly reflecting a more adverse external environment for the currency, with expectations of higher interest rates in the U.S. and a stronger dollar ahead.
- We kept our GDP growth forecast for 2026 at 2.1%, driven by fiscal and quasi-fiscal stimulus, which should continue to support aggregate demand and offset the effects of contractionary monetary policy. For 2027, we kept our GDP forecast at 1.7%, in line with the fading fiscal impulse. In the labor market, we kept our unemployment-rate estimates at 5.7% in 2026 and 6.0% in 2027.
- We maintained our primary-balance forecasts at -0.5% of GDP in 2026 and -0.6% in 2027. With the drop in oil prices, the risk is that the revenue gain will no longer be enough to offset the recent expenditure increases. The expansion of policies carried out beyond the fiscal rules reinforces the need for a meaningful fiscal adjustment ahead.
- We kept our IPCA forecasts at 5.4% in 2026 and 4.5% in 2027. For 2026, we no longer incorporate additional gasoline hikes at the refinery, given the recent retreat in oil prices, with the balance of risks shifting from upward to slightly downward. For 2027, the balance of risks remains skewed to the upside, with uncertainty over the effect of El Niño on grain supply.
- Recent communication points to a more cautious monetary-policy stance, given the deterioration of the base-case scenario and the Copom's assessment that the balance of risks around this scenario is skewed to the upside. Even so, the authorities' communication does not fully close the door to further cuts. We revised our terminal Selic forecast to 14.00% (from 13.75%), with one last cut at the August meeting.

### BRL: a more adverse external environment

**We revised our exchange-rate forecasts to BRL/USD 5.30 in 2026 (from 5.15) and BRL/USD 5.50 in 2027 (from 5.35)**. The revision mainly reflects the change in the external scenario, with expectations of higher interest rates in the United States and a path of dollar strengthening. Added to this is the deterioration in the terms of trade, led by the fall in oil prices, and, on the domestic front, the rise in the risk premium amid the seasonal dynamics typical of the second quarter in election years. Although the interest-rate differential still offers some support in the short term, the combination of these factors points to a depreciation path ahead.

**Higher U.S. interest rates reinforce dollar strengthening**




Source: BBG, Itaú

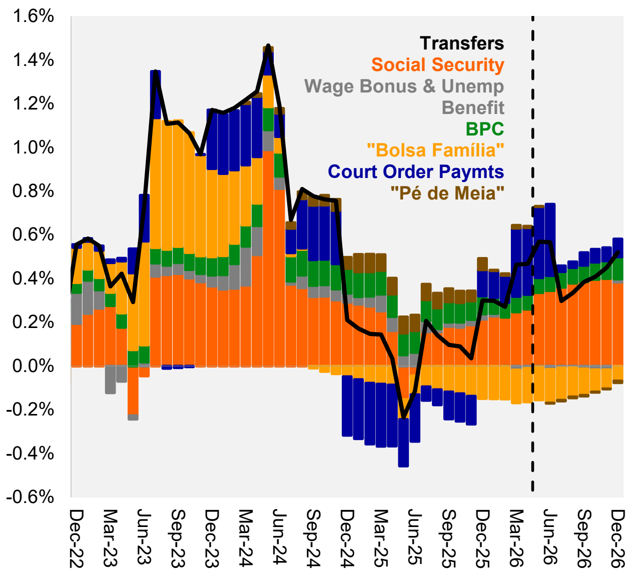
**We kept our current-account deficit forecasts at US$69 billion in 2026 and US$72 billion in 2027, with the effect of a more depreciated exchange rate offset by the decline in the terms of trade**. The current-account deficit remains above its recent average, with the improvement in the trade balance partially offset by more pressured services and income accounts. Even so, the external accounts show greater balance, reflecting the improvement in external financing, although with a marginally less benign composition, given the larger share of portfolio flows.

## Activity: public policies should boost 2026 growth

**April indicators reinforced the reading of still-robust activity in 2Q26**. The strong performance of manufacturing and of the services sector supports our GDP tracking for 2Q26 around the base-case scenario, with a 0.6% qoq increase (at the margin, seasonally adjusted) and a 2.2% yoy advance.

**We kept our growth forecast for GDP at 2.1% in 2026, driven by fiscal and quasi-fiscal stimulus, which should continue to support aggregate demand and offset the contractionary effect of monetary policy**. We estimate that the fiscal impulse in 2026 will be close to 1.0% of GDP, with about 0.6 p.p. stemming from increased spending on transfers and the remaining 0.4 p.p. associated with already-announced measures (changes to income tax, Gás do Povo, Luz para Todos, among others).

**Fiscal impulse from transfers**
Acum 12 months, % GDP




Source: National Treasury, Caixa Econômica Federal, Itaú

**For 2027, we kept our growth forecast at 1.7%**. We expect the fiscal impulse to lose intensity, though it should remain positive, in a context in which monetary policy should stay in contractionary territory, limiting the acceleration of activity.

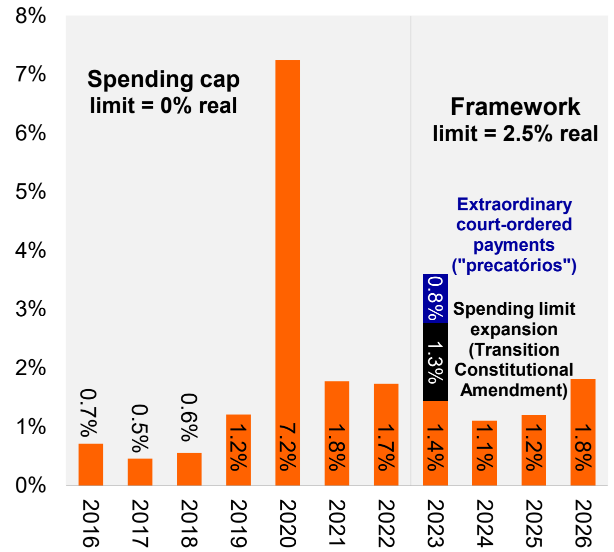
**In the labor market, recent data suggest incipient signs of stabilization**. We therefore kept our unemployment-rate forecasts at 5.7% in 2026 and 6.0% in 2027. Ahead, the expectation of activity growth close to the neutral rate, combined with a slight rise in the participation rate, should lead to a gradual and moderate increase in unemployment over the coming months.

## Fiscal: more stimulus beyond the fiscal rules

**We kept our primary-balance forecast at -0.5% of GDP in 2026 and -0.6% in 2027, with a more negative balance of risks given the prospect of lower oil prices**. With the fall in oil prices, we see a risk that recurring and extraordinary revenues (such as the export tax) linked to the commodity, and already incorporated into the scenario, may not materialize. On the other hand, the removal of fuel-price subsidies may be carried out more gradually, cushioning the impact on domestic prices but sustaining a high level of extraordinary expenditures.

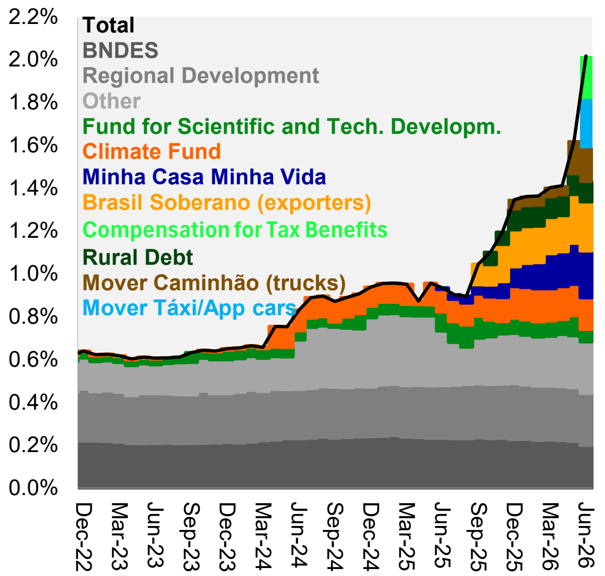
**We reiterate and stress the need for a meaningful fiscal adjustment to stabilize public debt**. The structural challenge remains high: we estimate that, keeping the current rules unchanged and with no course correction, the fiscal adjustment needed to stabilize public debt, currently around 4 p.p. of GDP, will continue to grow, and to even more significant magnitudes. In this context, the design of the prevailing rules has allowed an expansion of primary expenditures that is incompatible with the required trajectory, with an increase in exceptions to the rules and in stimulus to directed credit via financial expenditures, such that the credibility of the fiscal anchor has been undermined, with repercussions for the full transmission of monetary policy.

**Spending not subject to the limit**
(% of GDP)




Source: Ministry of Finance, Itaú

**Financial expenditures related to loan subsidies and others (% of GDP)**




Source: Siafi, BNDES, Itaú

## Inflation: composition changes, forecasts unchanged

**We kept our IPCA forecast for 2026 at 5.4%, but with changes in composition**. We no longer incorporate additional gasoline hikes at the refinery over the year, as the recent retreat in oil prices reduces the pressure for new adjustments. In return, we raised our food-inflation forecast, incorporating a possible El Niño effect on cereal prices as well. The balance of risks shifted from upward to slightly downward: oil, previously the main upside driver, now becomes the main downside risk for 2026, owing to a possible further easing of international prices, combined with a higher probability of a green electricity-tariff flag at year-end.

**For 2027, we kept our inflation forecast at 4.5%, with a balance of risks still skewed to the upside, mainly because of uncertainty over the intensity and persistence of El Niño**. Although we have already incorporated a scenario of more pressured food prices in 2026, with effects concentrated in fresh (in natura) items, a more intense climate event tends to produce more relevant impacts in 2027, raising the risk of productivity and crop losses and reducing grain supply, especially corn, a factor that could pressure food prices next year.

## Monetary policy: the calibration cycle is almost done

**The Copom continued the monetary-easing cycle with a new 25-bp cut at the June meeting, amid a less benign reading of the prospective inflation scenario**. The scenario description turned more hawkish, highlighting near-term activity acceleration and inflation (both headline and core) above the upper bound of the target, as well as an upward-skewed balance of risks, by explicitly incorporating demand stimulus as an inflationary-pressure factor. Even so, the monetary authority justified the reduction of the Selic to 14.25% per year on the basis of the roll-over of the relevant horizon: by considering the next horizon (1Q28), less restrictive interest-rate paths become compatible with inflation converging to the target, avoiding the additional tightening path that would be required to meet the target in the current horizon (4Q27) and that would imply inflation significantly below target ahead, resulting in undesired volatility of both monetary policy and activity.

**Recent communication points to a more cautious stance, but without fully closing the door to further cuts**. The committee continued to stress that the magnitude of the calibration cycle will be adjusted depending on the evolution of the data. But, by characterizing the balance of risks as upward-skewed, it signals that any remaining room for easing is running out quickly.

**In light of recent communication, we again revised our terminal Selic forecast to 14.00% (from 13.75%), with one last rate cut at the August meeting**. We recognize that, given a scenario of de-anchored expectations and accelerating activity, the risk is that this last cut does not materialize.

**We expect the policy rate to be kept in contractionary territory for a prolonged period, and easing to resume in 2027, with the Selic rate falling to 12.50%.**

## Brazil | Forecasts and Data

| | 2022 | 2023 | 2024 | 2025 | 2026F | | 2027F | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Current | Previous | Current | Previous |
| **Economic Activity** | | | | | | | | |
| Real GDP growth - % | 3.0 | 3.2 | 3.4 | **2.3** | **2.1** | 2.1 | **1.7** | 1.7 |
| Nominal GDP - BRL bn | 10,080 | 10,943 | 11,779 | **12,739** | **13,524** | 13,543 | **14,403** | 14,457 |
| Nominal GDP - USD bn | 1,951 | 2,192 | 2,186 | **2,278** | **2,606** | 2,651 | **2,663** | 2,749 |
| 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** | **12,166** | 12,374 | **12,389** | 12,790 |
| Nation-wide Unemployment Rate - year avg | 9.5 | 8.0 | 6.9 | 5.9 | **5.5** | 5.5 | **5.8** | 5.8 |
| 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 | **5.4** | 5.4 | **4.5** | 4.5 |
| IGP–M - % | 5.5 | -3.2 | 6.5 | -1.0 | **5.5** | 6.5 | **4.3** | 4.5 |
| **Interest Rate** | | | | | | | | |
| Selic - eop - % | 13.75 | 11.75 | 12.25 | 15.00 | **14.00** | 13.75 | **12.50** | 12.50 |
| **Balance of Payments** | | | | | | | | |
| BRL / USD - eop | 5.28 | 4.86 | 6.18 | 5.47 | **5.30** | 5.15 | **5.50** | 5.35 |
| BRL / USD - average | 5.17 | 4.99 | 5.39 | 5.59 | **5.19** | 5.11 | **5.41** | 5.26 |
| Trade Balance - USD bn | 62 | 99 | 75 | 68 | **80** | 80 | **80** | 80 |
| Current Account - % GDP | -2.2 | -1.2 | -3.0 | -2.9 | **-2.7** | -2.6 | **-2.7** | -2.6 |
| Direct Investment (liabilities) - % GDP | 4.0 | 2.9 | 3.4 | 3.4 | **3.5** | 3.5 | **3.9** | 3.8 |
| 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 | **-8.9** | -8.9 | **-8.7** | -8.6 |
| Gross Public Debt - % GDP | 71.7 | 73.8 | 76.3 | 78.6 | **82.8** | 82.6 | **86.5** | 86.0 |
| Net Public Debt - % GDP | 56.1 | 60.4 | 61.3 | 65.2 | **70.7** | 70.9 | **74.7** | 74.6 |
| Growth of public spending (% real, pa, **) | 6.0 | 7.6 | 3.2 | 4.2 | **5.3** | 5.3 | **1.3** | 1.3 |

Source: IBGE, FGV, BCB and Itaú

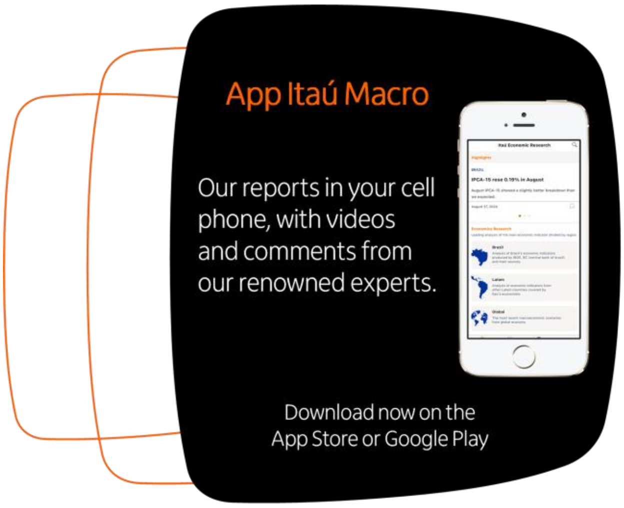
(*) Nation-wide Unemployment rate measured by PNADC, seasonally adjusted

(**) 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.

Macro Research – Itaú

**Mario Mesquita – Chief Economist**

To access our reports and forecast visit our website:
https://www.itau.com.br/itaubba-pt/macroeconomic-analysis




## Relevant Information

1. This report has been prepared and released by the Macro Research Department of Itaú Unibanco S.A. ("Itaú Unibanco"). This report is not a product of the Equity Research Department of Itaú Unibanco or Itaú Corretora de Valores S.A. and shall not be construed as a research report ("relatório de análise") for the purposes of Article 1 of the CVM Instruction NR. 20, dated 2021.
2. The exclusive purpose of this report is to provide macroeconomics information and it does not constitute and shall not be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial product, or to participate in any particular trading strategy in any jurisdiction. The information herein is believed to be reliable as of the date on which this report was released and it has been obtained from public sources believed to be reliable. However, Itaú Unibanco does not make any explicit or implied representation or warranty as to the completeness, reliability or accuracy of such information, nor does this report intend to be a complete statement or summary of the markets or developments referred to herein. Itaú Unibanco has no obligation whatsoever to update, modify or amend this report and inform the reader accordingly.
3. The opinions contained herein reflect exclusively the personal views of the analyst responsible for this report and were prepared independently and autonomously, including in relation to Itaú Unibanco, Itaú Corretora de Valores S.A. and any other companies within their economic group.
4. This report may not be reproduced or redistributed to any other person, in whole or in part, for any purpose, without the prior written consent of Itaú Unibanco. Additional information on the financial products mentioned in this report may be available upon request. Itaú Unibanco and/or any other company within its economic group is not and shall not be liable for any investment decisions (or otherwise) based on the information provided herein.
5. This report may include sections generated with the support of artificial intelligence tools. All content has been reviewed and validated by the authors to ensure the accuracy and integrity of the information presented.

**Additional Note:** This material does not take into consideration the objectives, financial situation or specific needs of any particular client. Clients must obtain financial, tax, legal, accounting, economic, credit and market advice on an individual basis, based on their personal characteristics and objectives, prior to making any decision based on the information contained herein. By accessing the material, you represent and confirm that you understand the risks related to the financial instruments described in this material and the laws in your jurisdiction relating to the provision and sale of financial service products. You acknowledge that this material contains proprietary information and you agree to keep this information confidential for your exclusive use.

**SAC Itaú:** For inquiries, suggestions, complaints, criticisms and compliments, talk to Itaú's CSCC: 0800 728 0728. Or contact us through our portal https://www.itau.com.br/atendimento-itau/para-voce/. If you are not satisfied with the proposed solution, please contact the Itaú Corporate Ombudsman: 0800 570 0011 (on weekdays from 9 AM to 6 PM) or our PO Box 67.600, São Paulo-SP, Zip Code 03162-971. Hearing impaired, every day, 24h, 0800 722 1722.