Macro Brazil

September 23, 2025

Copom Minutes: moving along nicely

- The Copom minutes brought many, somewhat upbeat, updates in the assessment of the scenario and the disinflation process. Committee members note the appreciation of the BRL and express confidence that the economy is slowing down in a way that would be consistent with further disinflation. Moreover, the Copom expresses confidence that inflation expectations are moving in the right way. It also indicates that monetary policy is at a new "phase" — high for long, presumably (moving on from the hiking cycle).
- All things considered, if there is a bias, it is to the dovish side, but not enough for us to change our call that the easing cycle will only begin in January 2026. We'll learn more about the Copom's thinking with the release of the Quarterly Monetary Policy Report next Thursday.

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

*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.

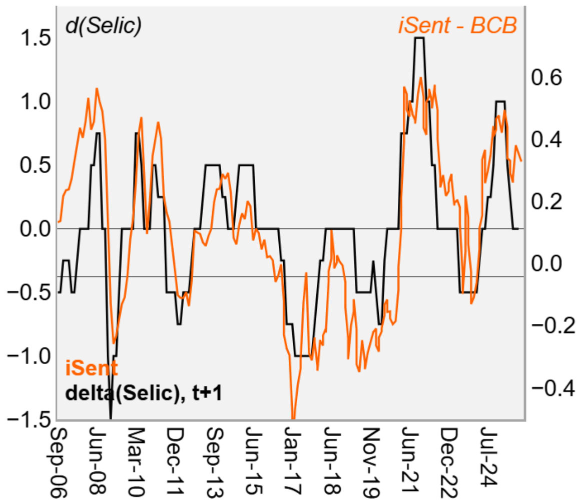
Source: Central Bank, Itaú.

Factors mentioned in the balance of risks by the Copom in the latest meetings (orange = change compared to the previous meeting)					
June		July		September	
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 (0.35).

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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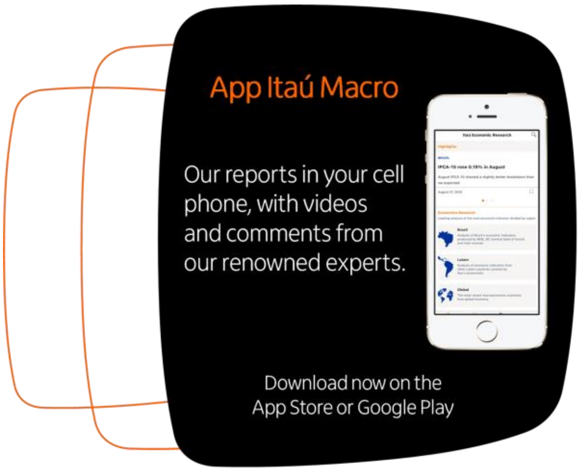

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