Macro Brazil

September 17, 2025

Copom: steady at the helm

- The Copom delivered the widely expected decision, leaving the Selic rate stable at 15.00% pa. The committee restated its intention to keep the policy rate unchanged for quite some time. In our view, if anything, the meeting statement has a somewhat hawkish bias, in that its inflation forecast for the relevant policy horizon (1Q27) stands at 3.4%, the same level as in the previous Copom meeting – probably due to a change in the output gap estimate. Most market participants expected a lower forecast, at 3.2% or 3.3% (ourselves included). No progress in the convergence to the target means no change, or thoughts about change, in the policy stance. We still expect the Copom to leave the base rate unchanged at 15.00% until year-end, and to start an easing cycle only in January 2026. We'll learn more about the rationale for the decision with the release of the meeting minutes next Tuesday.

Main changes in inflation forecasts and balance of risks

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% (1T27)
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.

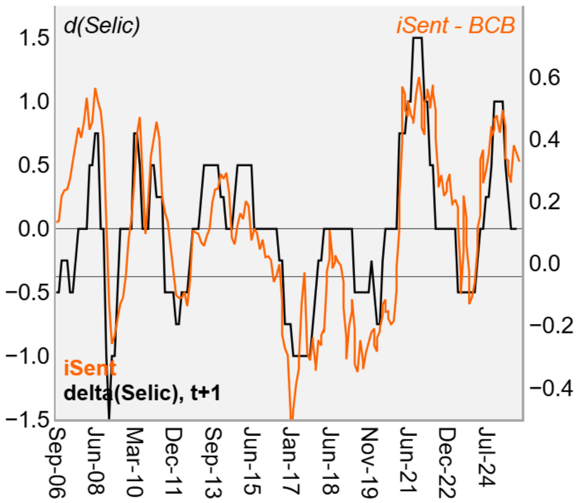
Source: Central Bank, Itaú.

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 (0.36).

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).*

Macro Research – Itaú

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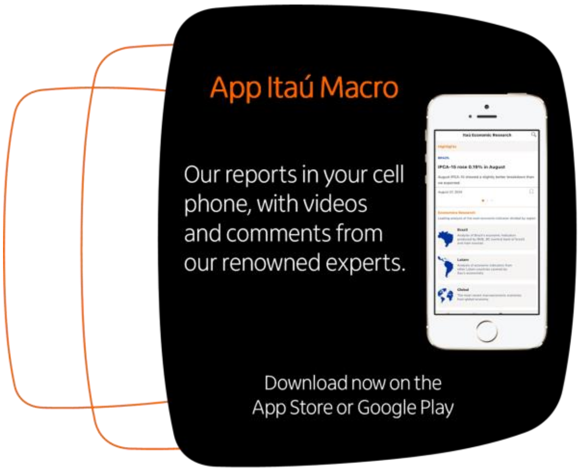

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