

Macro scenario - Global



March 30, 2026

At War

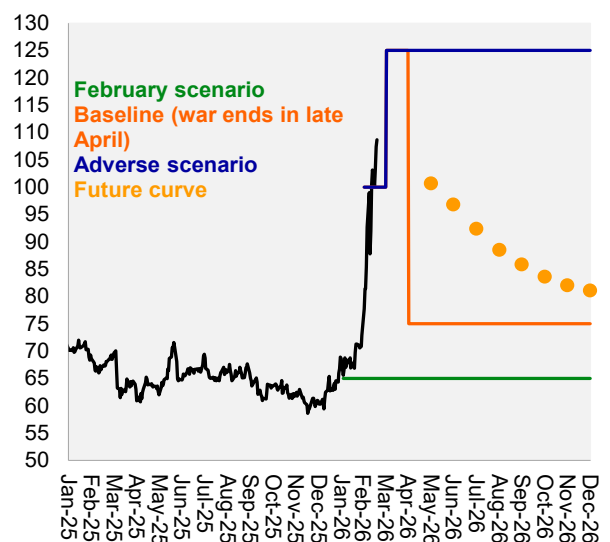
- ▶ **Geopolitics:** We project oil prices at USD 125/barrel in April, followed by a decline to USD 75/barrel, assuming a resolution of the conflict between the U.S., Israel and Iran. The path to normalization, however, is likely to be volatile.
- ▶ **United States:** Inflation risks combined with resilient activity point to greater caution by the Fed ahead; we no longer expect rate cuts this year.
- ▶ **Europe:** Lower GDP growth due to the energy shock (0.9% vs. 1.2% previously). A policy rate at 2.0% is conditional on the duration of the conflict.
- ▶ **China:** We revised our GDP forecast to 4.7%, reflecting the announcement of a more conservative growth target range of “4.5%–5.0%”.
- ▶ **Latin America:** Diverging paths amid a reacceleration of inflation and a more cautious monetary policy stance.

Oil prices heighten inflation risks, despite negative effects on activity

The conflict between the U.S., Israel and Iran could represent a significant supply shock to the global economy if it persists, weighing on activity while pushing inflation higher. We updated our oil scenario assuming a resolution by end-April and normalization in May, although the path to that outcome is likely to be volatile.

The news flow around the conflict remains highly fluid, and the timeline for normalization in the region is uncertain. The main consequence has been a sharp increase in global energy prices, following the closure of the Strait of Hormuz, through which roughly 20% of global oil and refined product flows pass. As a result, we adjusted our oil price assumptions, incorporating an average price of USD 125/barrel in April (from around USD 100/barrel currently), followed by a decline to USD 75/barrel — a higher level than in our previous scenario (USD 65/barrel), reflecting a larger geopolitical premium associated with the recurring risk of disruptions in the Strait.

Oil: war scenarios

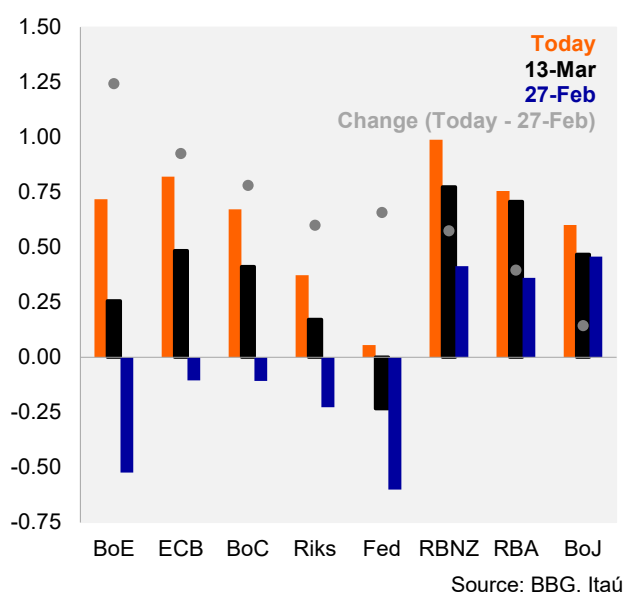


Source: Itaú

In response to the sharp rise in oil prices, interest rates have been repriced higher across several advanced economies, with respective central banks now expected to hike, the notable exception being the Fed. The initial reaction from central banks has been, broadly, to highlight rising inflation risks. No central bank has cut rates, in contrast with expectations immediately prior to the Middle East conflict. The Fed (U.S.), BoC (Canada), Riksbank (Sweden), ECB (Euro

Area) and BoE (UK) kept rates unchanged and conveyed a message of heightened caution regarding further easing, while the BoJ (Japan) and RBA (Australia) signaled a higher likelihood of additional rate hikes. Across the board, central banks emphasized the risk of rising inflation expectations and potential de-anchoring should oil prices remain elevated for longer. Policymakers appear to be reacting to the recent, and unfavorable, experience of underestimating the persistence of price shocks in the aftermath of the pandemic.

2026 Policy Rate Pricing today vs 27-Feb



In the U.S., we agree that greater emphasis should be placed on inflation risks. We view the U.S.

economy as relatively insulated from the conflict for several reasons: (i) lower dependence on oil in the production chain, given the country’s status as a net oil exporter and the incentive for higher domestic production at elevated prices; (ii) significant fiscal expansion scheduled for this year, with additional impulse coming from a decline in the effective average import tariff (following the judicial overturning of tariffs imposed under the IEEPA) and the possibility of further stimulus related to the war (market speculation points to a potential USD 200 billion package, subject to Congressional approval); (iii) financial conditions that have not tightened materially despite geopolitical uncertainty; and (iv) a strong starting point, with AI-related investment and productivity gains supporting robust activity this year. On inflation, our pre-shock view of a challenging backdrop with inflation persistently above target has been reinforced. See the table for the sensitivities we consider for the oil shock’s impact on the economy, based on different Fed estimates.

Against this backdrop, we no longer expect Fed rate cuts this year (from two cuts previously). Despite the Fed’s dovish bias – likely to persist with Kevin Warsh as the new Chair in the second half of the year – as reflected in a more accommodative stance than implied by a Taylor rule, we assess that the macroeconomic environment does not warrant rate cuts in 2026. Moreover, we see upside risks to rates should oil prices remain structurally higher and spill over into inflation expectations. Core inflation around 3.5% alongside a stable unemployment rate would likely revive discussions of rate hikes within the FOMC.

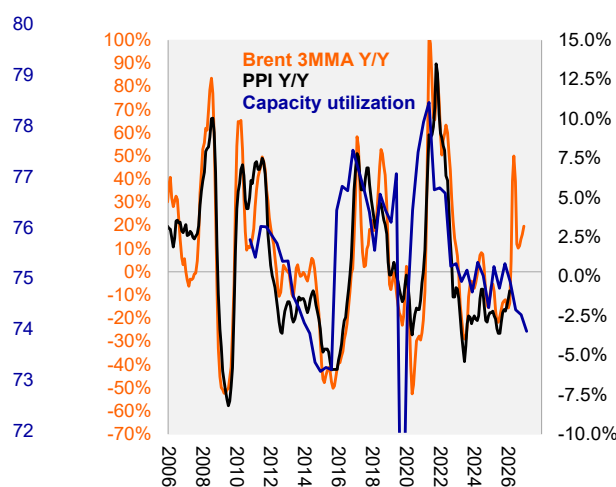
Paper	Sensitivity				2026 Oil \$90				2026 Oil \$125			
	Oil Shock	GDP	Inflation	Core	Oil Shock	GDP	Inflation	Core	Oil Shock	GDP	Inflation	Core
Fed 2018	\$10	-0.03	0.35	0.00	30	-0.09	1.05	0.00	65	-0.20	2.28	0.00
Fed 2024	10%	-0.06	0.15	0.06	50%	-0.30	0.75	0.30	108%	-0.65	1.63	0.65
Dallas Fed	10%		0.20	0.08	50%	-	1.00	0.40	108%	-	2.17	0.87
Average Fed		-0.05	0.23	0.05		-0.20	0.93	0.23		-0.42	2.02	0.51

Source: Itaú

In Europe, we maintain our baseline of rates on hold at 2.0%, conditional on a swift resolution of the conflict. The ECB’s statement, projections and officials’ remarks reinforced a cautious and vigilant stance regarding the potential inflationary impact of energy prices. The ECB presented three energy price scenarios: a baseline scenario, with oil and gas rising to USD 90/barrel and EUR 50/MWh before returning to USD 60/barrel and EUR 30/MWh; an alternative scenario, with a sharper rise to USD 120/barrel and EUR 90/MWh, but still converging to the same terminal levels as in the baseline; and a severe scenario, with oil rising to USD 120/barrel and remaining close to USD 100/barrel over the coming years, while gas prices rise to EUR 105/MWh before easing to EUR 40/MWh. We estimated several Taylor-rule-based policy responses for these scenarios. The results suggest that, under the baseline scenario, a 2.0% policy rate would still be appropriate given the transitory nature of the shock. However, two to four rate hikes would be indicated under the adverse and severe scenarios, respectively. As such, the duration of the conflict and its implications for energy prices will be key determinants of the required policy stance. On growth, we revised our euro area GDP forecast to 0.9% (from 1.2%), reflecting the region’s significant dependence on energy imports. For the euro, we now project a more depreciated exchange rate (1.15 vs. 1.18 per dollar previously), as the conflict increases risk aversion and strengthens the U.S. dollar globally.

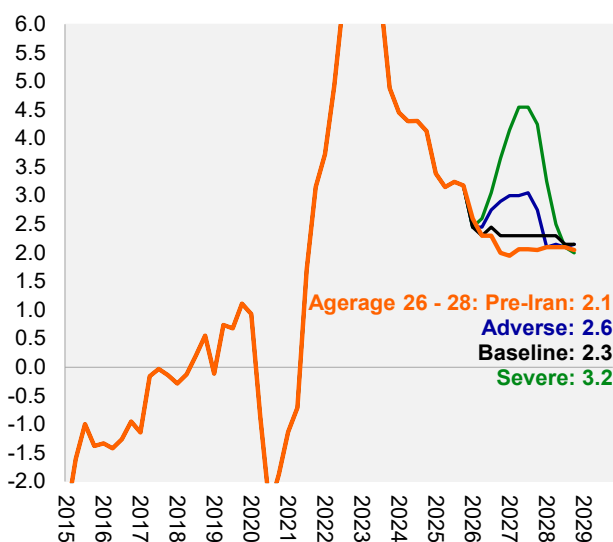
stimulus to achieve this growth rate, but a sharper global slowdown would require stronger support for domestic demand. Growth continues to be supported by exports, but the geopolitical backdrop raises the risk of a more pronounced global slowdown should the conflict persist. In addition, higher commodity prices could bring an end to the goods and producer price deflation (PPI) that has lasted for more than two years. This could occur even if excess industrial capacity – the main driver of deflation – is not directly addressed by Chinese authorities.

China: PPI, commodities & capacity utilization



Source: Haver, Itaú

ECB Taylor Rules



Source: Itaú

For China, we revised our GDP growth forecast to 4.7% (from 5.0%), following the announcement of a growth target “between 4.5% and 5.0%”. At this stage, we do not see the need for additional

LatAm: Diverging Paths as Inflation reheats and Policy Turns Cautious

Growth: The long and winding road

Growth dynamics across the region are increasingly heterogeneous, shaped by domestic fundamentals and external shocks. **Colombia’s** economy continues to lose momentum, with early-2026 data confirming weak sequential activity and a soft carryover. Tight monetary conditions, subdued investment, and weaker external accounts are expected to cap growth, with GDP projected at 2.3% in both 2026 and 2027. The widening current account deficit and declining FDI coverage underscore growing external vulnerability.

Peru, by contrast, entered 2026 with strong momentum. Activity expanded solidly at the start of the year, supported by resilient domestic demand, strong real wage growth, and robust formal job creation. Leading indicators remain constructive, though headwinds – including temporary gas supply disruptions, higher oil prices, and lingering El Niño

risks – are likely to moderate growth. Even so, GDP is expected to grow close to potential, at just above 3% in 2026–27.

In **Mexico**, growth remains modest and uneven. Activity slowed early in the year but is expected to improve in the second half of 2026, contingent on easing trade uncertainty and increased public investment. Infrastructure-focused public-private partnerships should provide some support without materially weakening fiscal accounts.

Chile faces short-term headwinds despite improved fundamentals. Growth momentum softened into early 2026, and higher energy prices will weigh on activity this year leading us to downgrade our GDP growth forecast to 2.1% (from 2.6%). Nevertheless, stronger investment, less demanding base effects, and expected oil price normalization support a rebound in 2027.

Meanwhile, in **Argentina**, GDP expanded sequentially in 4Q25 and grew 4.4% in 2025, but leading indicators point to a soft start to 2026. Inflation has eroded real wages, consumer confidence has weakened, and labor market conditions have deteriorated. Imports and real tax revenues have contracted, reflecting subdued domestic demand. Still, GDP growth of 3.5% is expected in 2026, supported by investment and favorable base effects, although consumption recovery may be gradual. Externally, higher oil prices improve Argentina's terms of trade, benefiting the energy balance and supporting FX inflows alongside a strong soybean harvest.

Inflation: the heat is on

Inflation pressures have re-intensified across the region, largely driven by energy shocks and persistent domestic factors. **Colombia** faces the most challenging inflation backdrop. Headline inflation has risen back above 5%, while core inflation exceeds 6%, reflecting strong services inflation and indexation pressures. Survey based expectations continue to drift higher and remain well above target, reinforcing concerns about inflation persistence amid elevated oil prices and wage related risks.

In **Peru**, inflation remains comparatively contained but has picked up at the margin. Headline and core inflation moved slightly higher in early 2026, with sequential pressures strengthening. Looking ahead, higher oil prices, gas supply disruptions, and weather related risks are expected to push inflation closer to the upper bound of the target range, prompting upward

revisions to forecasts while expectations remain broadly anchored.

Mexico's inflation outlook is increasingly shaped by energy and food related risks. Higher oil and fertilizer prices pose upside risks, particularly to food inflation later in 2026. However, fuel subsidies, a negative output gap, and limited exchange rate pass through help mitigate near term inflationary effects.

Chile is expected to experience the sharpest inflation shock in the region. The rapid pass through of higher global oil prices to domestic fuel prices has materially lifted near term inflation, with risks of broader second round effects. While inflation is expected to converge back toward target in 2027 as oil prices unwind, near term risks remain clearly skewed to the upside.

Argentina's disinflation process has proven more challenging than expected, prompting an upward revision to the 2026 year end inflation forecast to 27.5%, from 23.5%. Early year inflation readings have surprised to the upside despite a stronger peso, while fuel price increases are adding further pressure. Inflation expectations have also risen across horizons, reinforcing wage indexation pressures and domestic inflation inertia.

Monetary policy: Should I stay or should I go?

Central banks across the region are responding to divergent inflation and growth dynamics with differentiated policy stances, though caution has become the dominant theme. In **Colombia**, persistent inflation pressures and unanchored expectations justify further tightening. We expect additional rate hikes with the policy rate peaking at 12% before gradual easing begins in 2027.

Peru's central bank retains greater flexibility. While inflation risks have increased, expectations remain close to target, allowing policymakers to remain data-dependent and avoid aggressive tightening. Policy is expected to stay restrictive, without rate changes, unless upside inflation risks materialize more forcefully.

In **Mexico**, Banxico cut by 25bps in March to 6.75% and adjusted the guidance signaling one final cut. Although second-round inflation effects remain limited, heightened global volatility, energy-related risks, and exchange-rate dynamics argue for a cautious stance. Rates are expected to remain at restrictive levels for an extended period, with FX developments playing a key role in future decisions.

Chile's central bank has shifted decisively into a wait-and-see mode. Despite a sharp rise in near-term inflation driven by energy prices, the shock is still viewed as temporary. With a slightly negative output gap and anchored medium-term expectations, policy rates are expected to remain on hold. However, the balance of risks has tilted away from further cuts and toward potential hikes should inflation expectations drift above target.

Argentina's policymakers continue to grapple with the trade-off between reserve accumulation and disinflation. Thanks to higher expected inflation, we have revised our interest rate forecast up to 30.0%, whilst noting that the central has been targeting monetary aggregates.

Global | Forecasts and Data

	2023	2024	2025	2026F		2027F	
				Current	Previous	Current	Previous
GDP Growth							
World GDP growth - %	3.2	3.2	3.3	3.4	3.6	3.4	3.4
USA - %	2.9	2.2	2.2	2.6	2.7	2.2	2.2
Euro Area - %	0.5	0.9	1.5	0.9	1.2	1.2	1.2
China - %	5.4	5.0	5.0	4.7	5.0	4.5	4.5
Inflation							
U.S. Core CPI - %, eop	3.9	3.2	2.6	3.2	3.2	3.5	3.5
Interest rates and currencies							
Fed Funds - %, eop	5.38	4.52	3.63	3.63	3.13	3.13	3.13
U.S. 10 Year Treasury - %, eop	3.88	4.58	4.18	4.25	3.80	4.00	3.80
USD/EUR - eop	1.10	1.04	1.17	1.16	1.18	1.16	1.18
CNY/USD - eop	7.13	7.30	6.99	6.90	6.85	6.90	6.85
DXY Index* - eop	101.3	108.5	98.3	99.4	97.4	99.0	97.4

Source: IMF, Bloomberg and Itaú

* The DXY is a leading benchmark for the international value of the U.S. dollar, measuring its performance against a basket of currencies that includes the euro, yen, pound, Canadian dollar, Swiss franc and Swedish krona.

Compared scenario

World

	2025	2026		2027	
		Current	Previous	Current	Previous
GDP (%)	3.3	3.4	3.6	3.4	3.4

Brazil

	2025	2026		2027	
		Current	Previous	Current	Previous
GDP (%)	2.3	1.9	1.9	1.7	1.7
BRL / USD (eop)	5.47	5.40	5.40	5.60	5.60
Monetary Policy Rate (eop,%)	15.00	13.00	12.25	12.00	11.25
IPCA (%)	4.3	4.5	3.8	4.1	3.9

Argentina

	2025	2026		2027	
		Current	Previous	Current	Previous
GDP (%)	4.4	3.5	3.5	3.0	3.0
ARS / USD (eop)	1459	1700	1700	2000	1950
Reference rate (eop,%)	27.0	30.0	28.0	25.0	22.0
CPI (%)	31.5	27.5	23.5	21.0	18.0

Colombia

	2025	2026		2027	
		Current	Previous	Current	Previous
GDP (%)	2.6	2.3	2.3	2.3	2.3
COP / USD (eop)	3757	3700	3700	3700	3700
Monetary Policy Rate (eop,%)	9.25	12.00	12.00	10.75	10.75
CPI (%)	5.1	6.7	6.7	5.7	5.7

Paraguay

	2025	2026		2027	
		Current	Previous	Current	Previous
GDP (%)	6.6	4.0	4.0	4.0	4.0
PYG / USD (eop)	6598	6650	6650	6650	6650
Monetary Policy Rate (eop,%)	6.00	5.50	5.25	5.50	5.00
CPI (%)	3.1	3.5	3.5	3.5	3.5

Source: Itaú

Latin America and Caribbean

	2025	2026		2027	
		Current	Previous	Current	Previous
GDP (%)	2.6	2.5	2.5	2.5	2.5

Mexico

	2025	2026		2027	
		Current	Previous	Current	Previous
GDP (%)	0.6	1.5	1.5	2.0	2.0
MXN / USD (eop)	17.9	18.8	18.8	19.3	19.3
Monetary Policy Rate (eop,%)	7.00	6.50	6.50	6.50	6.50
CPI (%)	3.7	4.1	3.7	3.8	3.6

Chile

	2025	2026		2027	
		Current	Previous	Current	Previous
GDP (%)	2.5	2.1	2.6	2.8	2.5
CLP / USD (eop)	900.6	880.0	860.0	860.0	860.0
Monetary Policy Rate (eop,%)	4.50	4.50	4.25	4.50	4.25
CPI (%)	3.5	4.1	2.8	2.9	3.0

Peru

	2025	2026		2027	
		Current	Previous	Current	Previous
GDP (%)	3.4	3.1	3.1	3.0	3.0
PEN / USD (eop)	3.36	3.40	3.40	3.40	3.40
Monetary Policy Rate (eop,%)	4.25	4.25	4.00	4.25	4.00
CPI (%)	1.5	2.5	2.0	2.3	2.0

Uruguay

	2025	2026		2027	
		Current	Previous	Current	Previous
GDP (%)	1.8	1.2	1.5	1.5	1.5
UYU / USD (eop)	39.0	39.5	39.5	40.0	40.0
Monetary Policy Rate (eop,%)	7.50	5.75	5.50	6.50	5.50
CPI (%)	3.6	4.5	4.5	4.5	4.5

Commodities

	2020	2021	2022	2023	2024	2025	2026F		2027F	
							Current	Previous	Current	Previous
Brent Oil (USD/bbl)	50	75	82	77	73	61	75	65	75	65
Iron Ore (USD/tonne)	153	116	110	135	103	104	95	95	75	75
Copper (USD/tonne)	7788	9525	8402	8489	9030	11763	11050	11050	11050	11050
Corn (Usd/bu)	437	592	656	480	444	444	450	415	420	400
Soy (Usd/bu)	1207	1290	1474	1311	984	1077	1100	1070	1000	980
Wheat (Usd/bu)	604	790	749	619	548	532	600	570	610	600
Sugar (Usd/lb)	15	19	20	22	20	15	15	15	16	16
Coffee (Usd/lb)	123	235	166	188	321	360	300	300	250	250

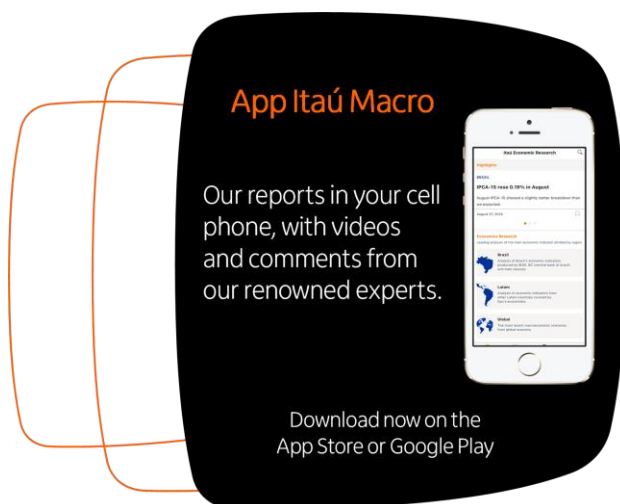
Source: BBG, Itaú

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