

Copom Minutes: cohesion

- ▶ The Copom minutes sent a clear message of cohesion amongst committee members regarding the gradual start of the tightening cycle and other aspects of the scenario. It also emphasized that the inflation target of 3% will be fully pursued, indicating no inclination to use the tolerance band around that target. The general message did not diverge from last week's statement, with the positive output gap, asymmetric risks to the upside, and de-anchored expectations indicating, in our view, that the next move will likely be a 50-bp hike.

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
	Reference	Reference	Alternative (constant Selic rate)	Reference	Alternative (constant Selic rate)	Reference
IPCA 2024	3.8%	4.0%	4.0%	4.2%	4.2%	4.3%
IPCA 2025	3.3%	3.4%	3.1%	3.6%	3.4%	3.7%
IPCA 1Q26***	-	-	-	3.4%	3.2%	3.5%
Market-set prices 2024	-	-	-	-	-	4.4%
Market-set prices 2025	-	-	-	-	-	3.6%
Market-set prices 1Q26	-	-	-	-	-	3.4%
Regulated prices 2024	4.8%	4.4%	-	5.0%	-	4.2%
Regulated prices 2025	4.0%	4.0%	-	4.0%	-	4.0%
Regulated prices 1Q26	-	-	-	-	-	3.9%
Exogenous variables						
Exchange rate* (BRL/USD)	5.15	5.30		5.55		5.60
Selic rate (Focus) 2024	9.63%	10.50%	10.50%	10.50%	10.50%	11.25%
Selic rate (Focus) 2025	9.00%	9.50%	10.50%	9.50%	10.50%	10.50%
Selic rate (Focus) 2026	8.75%	9.00%	10.50%	9.00%	10.50%	9.50%
Inflation expectations (Focus) 2024	3.72%	3.96%		4.10%		4.35%
Inflation expectations (Focus) 2025	3.64%	3.80%		3.96%		3.95%
Inflation expectations (Focus) 2026	3.50%	3.60%		3.60%		3.61%

*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.

**The Copom presented an alternative scenario (in addition to the reference scenario) for its inflation projections, considering the Selic rate constant at the current level.

***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.

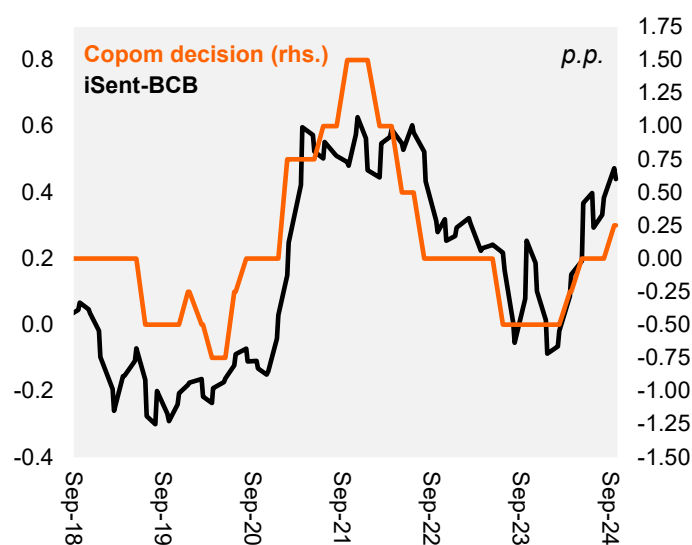
Factors mentioned in the balance of risks by the Copom in the latest meetings (orange = new inclusion compared to the previous meeting)					
June		July		September	
Upside risks	Downside risks	Upside risks	Downside risks	Upside risks	Downside risks
(i) persistence of global inflationary pressures (ii) stronger than expected resiliency on services inflation due to a tighter output gap	(i) greater deceleration of the global economic activity (ii) an impact on global inflation larger than expected from synchronized monetary policy tightening	(i) a more prolonged period of unanchoring of inflation expectations (ii) a stronger-than-expected resilience of services inflation due to a tighter output gap (iii) a conjunction of internal and external economic policies with an inflationary impact, for example, through a persistently more depreciated currency	(i) greater deceleration of the global economic activity (ii) an impact on global inflation larger than expected from synchronized monetary policy tightening	(i) a more prolonged period of unanchoring of inflation expectations (ii) a stronger-than-expected resilience of services inflation due to a tighter output gap (iii) a conjunction of internal and external economic policies with an inflationary impact, for example, through a persistently more depreciated currency	(i) greater deceleration of the global economic activity (ii) an impact on global inflation larger than expected from synchronized monetary policy tightening

Source: Central Bank, Itaú.

iSent, Itaú’s Central Bank Sentiment Classifier

Our [iSent Central Bank Classifier](#)¹ remains in positive territory (0.44), compatible with an acceleration of the magnitude of interest rate increase in the next meeting.

Classifier in positive territory



Source: BCB, Itaú

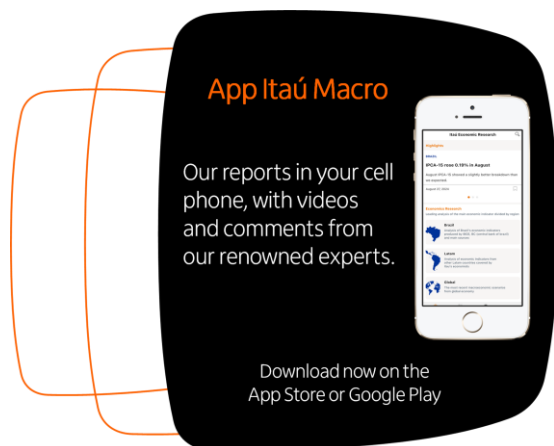
¹ Based on GPT-4, developed by our data science team using sentences published in central bank’s official documents labeled by our economists. Our labeled dataset consists of approximately 1,000 sentences extracted from official documents published by the Brazilian Central Bank. Each sentence was classified 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).

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