Macro Brazil

March 18, 2026

Copom: the cycle is on

- In line with our call, the Copom delivered a 25-bp rate cut, taking the Selic rate to 14.75% pa. The committee notices the activity slowdown, evidencing the effect of past policy decisions. Policymakers present inflation at 3.3% at the relevant horizon (3Q27), whilst conceding, rightly, that uncertainty around the central scenario is more intense than usual. The text indicates that the pace of easing may be adjusted, going forward, in light of incoming information. Given where we are, regarding the Middle East conflict and oil prices, and the asymmetry implicit in the meeting statement, one senses the Copom is poised to accelerate easing in its next meeting on April 29, conditions allowing. All things considered, we reckon the committee will probably feel comfortable to trim the Selic rate by 50 bps by then. We will learn more about the committee's rationale with the release of the minutes, next Tuesday.

Main changes in inflation forecasts and balance of risks

Inflation forecasts presented in the latest meetings by the Copom

Period	September	November	December	January	March
IPCA 2026	3.6%	3.6%	3.5%	3.4%	3.9%
Relevant Horizon (RH)**	3.4% (1Q27)	3.3% (2Q27)	3.2% (2Q27)	3.2% (3Q27)	3.3% (3Q27)
Market-set prices 2026	3.5%	3.6%	3.6%	3.5%	3.7%
Market-set prices RH**	3.3% (1Q27)	3.2% (2Q27)	3.2% (2Q27)	3.1% (3Q27)	3.3% (3Q27)
Regulated prices 2026	3.8%	3.4%	3.2%	3.0%	4.3%
Regulated prices RH**	3.8% (1Q27)	3.5% (2Q27)	3.4% (2Q27)	3.3% (3Q27)	3.2% (3Q27)
Exogenous variables					
Exchange rate* (BRL/USD)	5.40	5.40	5.35	5.35	5.20
Selic rate (Focus) 2026	12.38%	12.25%	12.25%	12.25%	12.25%
Inflation expectations (Focus) 2026	4.3%	4.2%	4.2%	4.0%	4.1%

*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.

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Factors mentioned in the balance of risks by the Copom in the latest meetings (**orange** = change compared to the previous meeting)					
December		**January**		**March**	
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

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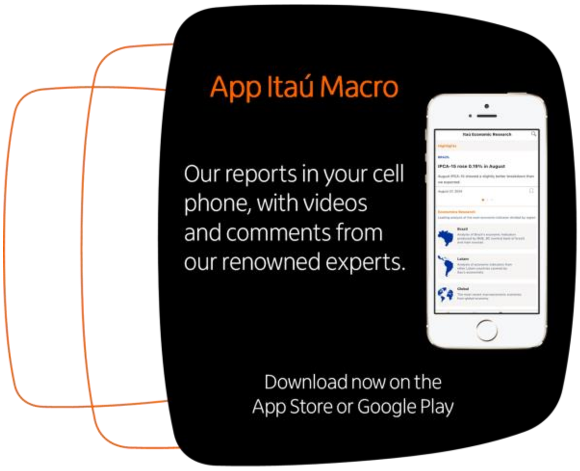

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