

Copom: a divided house

- ▶ The Copom cut the Selic to 10.50% pa, in a divided decision. The four Board members nominated by the current administration voted for a faster, 50-bp move, despite agreeing with the generally hawkish assessment of the inflation outlook. We'll definitely learn more about the committee's views with the release of the minutes, next Tuesday. For the moment we expect another 25-bp move at the next meeting, which has a non-zero chance of being the last.

Main changes in inflation forecasts and balance of risks

Inflation forecasts presented in the latest meetings by the Copom				
Period	December	January	March	May
IPCA 2024	3.5%	3.5%	3.5%	3.8%
IPCA 2025	3.2%	3.2%	3.2%	3.3%
Regulated prices 2024	4.5%	4.2%	4.4%	4.8%
Regulated prices 2025	3.6%	3.8%	3.9%	4.0%
Exogenous variables				
Exchange rate* (BRL/USD)	4.90	4.95	4.95	5.15
Selic rate (Focus) 2024	9.25%	9.00%	9.00%	9.63%
Selic rate (Focus) 2025	8.50%	8.50%	8.50%	9.00%
Inflation expectations (Focus) 2024	3.93%	3.81%	3.79%	3.72%
Inflation expectations (Focus) 2025	3.50%	3.50%	3.52%	3.64%

*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
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)

January		March		May*	
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) 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) 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
Symmetrical		Symmetrical		Symmetrical	

*Despite keeping the balance of risks unchanged at the May meeting, the Copom mentioned that the domestic and external scenario will remain more uncertain, requiring greater caution in the conduct of monetary policy.

Source: Central Bank, Itaú.

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