

## In a week marked by monetary policy decisions, FOMC and COPOM meet expectations, although with mixed communications

### Highlights

**In Brazil, the Central Bank followed the guidance established in the December meeting and signaled a smaller hike in the May meeting.**

The Central Bank's Monetary Policy Committee unanimously decided to raise the benchmark interest rate to 14.25%, maintaining the expected pace of +100bps. The statement retained a hawkish tone, reflecting an ongoing challenging scenario due to both internal and external uncertainties. Externally, the communication saw little change, with continued volatility, especially regarding the impacts of the Trump administration's trade policies. Internally, policymakers highlighted the first signs of economic growth moderation, although they acknowledged that the labor market remains dynamic. Regarding inflation forecasts, the Central Bank slightly revised its forecast for the IPCA in the third quarter of 2026, lowering it to 3.9% (from 4.0%), which indicates that the projected terminal rate of 15% in the Focus survey is not sufficient to anchor inflation expectations. Committed to achieving convergence but highlighting the uncertainty of the current economic situation and the lagging effects of the monetary cycle, the Committee opted to gain flexibility by signaling a smaller adjustment in the May meeting, without indicating the steps for the June decision. Currently, market expectations for the May meeting indicate a higher probability of a 50bps hike, followed by a 25bps increase in June or even a possible hold. Given the more hawkish indication from the inflation model, we believe this revision reinforces our forecast of a 15.5% terminal interest rate in June, with increases of +75bps and +50bps, respectively. It is worth noting that next week will be filled with new communications from the Central Bank, with the release of the meeting minutes and the first-quarter Monetary Policy Report, which will be particularly relevant for a deeper analysis of the committee's view on the current economic situation, as well as the outlook for inflation and economic activity indicators. Thus, for now, we maintain our scenario unchanged.

**On the fiscal front, the government introduces an Income Tax Exemption Bill, emphasizing revenue neutrality.**

Last Tuesday (18), the Federal Government presented a tax reform proposal granting income tax exemption for those earning up to R\$5,000 per month, benefiting around 20 million Brazilians. Alongside Finance Minister Fernando Haddad and House Leader Hugo Motta, President Lula signed the bill's submission, with its implementation planned for early 2026, aiming to correct distortions in the current tax system. According to the economic team, the measure has a neutral fiscal impact, with revenue compensation occurring through taxation of the wealthiest segment of society. However, our estimates suggest that the necessary compensation to ensure this neutrality may be greater than the government projects. While the administration estimates compensation at R\$25 billion, our forecasts point to a value closer to R\$40 billion, considering that the entire population earning between three and five minimum wages would benefit. Nevertheless, we believe this revenue loss could be offset by implementing new taxes, such as the taxation of dividends sent abroad, although the likelihood of approval remains uncertain. The bill now moves to the National Congress, where it will be debated and amended by lawmakers, with deliberations expected to continue until mid-September. According to Motta, the legislative body will play a key role in improving and approving the bill.

**In the United States, the FED revises current-year forecasts more aggressively, although the committee chairman delivered a more dovish message.**

As expected, the FOMC kept the benchmark interest rate at 4.50% in its March meeting, aligning with market expectations. The statement emphasized increased uncertainties, particularly regarding the potential impacts of the Trump administration's trade policies on both inflation and economic activity. While GDP forecasts were revised downward from 2.1% to 1.7% for 2025, the Committee revised inflation forecasts upward, with increases in both headline and core PCE (2.7% and 2.8%, respectively). In the dot plot, the expectation of two additional 25bps cuts by the end of 2025 signaled the anticipated continuation of monetary policy easing, especially if the disinflation process persists. Chairman Jerome Powell, in a press conference, reinforced the need to await more data before making significant adjustments, emphasizing the uncertainty surrounding Trump's policies, particularly their effects on prices. When questioned about a possible economic slowdown, Powell stated that the probability of a recession has increased, though it is still not high, stressing that the FED will continue closely monitoring economic data for informed decision-making. Given the current volatility and uncertainty, we maintain our expectation of a single Fed Funds rate cut in June, closing 2025 at 4.25%, a scenario contingent on developments related to tariff policies.

## Economic Calendar

In the domestic agenda, attention will be focused on **COPOM communications**, in addition to the release of the **March IPCA-15**, which we expect to increase by 0.70% MoM. Additionally, February **labor market data** will be released, along with **fiscal data**.

Internationally, the highlight of the agenda will be the release of the **February PCE data** in the **United States**, along with PMI results and the Q4 2024 GDP revision.

Date	Country	Event	Period	Survey	Buysidebrazil	Prior
<b>03/24/25 Monday</b>						
6:00 AM	Eurozone	<b>PMI</b>	Mar (P)			
		Manufacturing		48.2	-	47.6
		Services		51.1	-	50.6
		Composite		50.7	-	50.2
8:25 AM	Brazil	Central Bank Weekly Economist Survey (Focus)	-	-	-	-
9:30 AM	USA	Chicago Fed National Activity Index	Feb	-0.14	-	-0.03
10:45 AM	USA	<b>PMI</b>	Mar (P)			
		Manufacturing		51.5	-	52.7
		Services		51.0	-	51.0
		Composite		-	-	-
3:00 PM	Brazil	Weekly Trade Balance	-	-	-	-
<b>03/25/25 Tuesday</b>						
5:00 AM	Brazil	IPC-Fipe	Mar (3P)	-	-	1.08%
8:00 AM	Brazil	Consumer Confidence	Mar	-	-	83.6
8:00 AM	Brazil	<b>Copom Statement</b>	-	-	-	-
9:30 AM	USA	Philadelphia Fed Non-Manufacturing Activity	Mar	-	-	-13.1
10:00 AM	USA	FHFA House Price Index (MoM)	Jan	0.3%	-	0.4%
10:05 AM	USA	J. Williams' Speech (NY Fed)	Feb	-	-	-
11:00 AM	USA	New Home Sales	Feb	679k	-	657k
11:00 AM	USA	Richmond Fed Manufacturing Index	Mar	-	-	6
11:00 AM	USA	Richmond Fed Business Conditions	Mar	-	-	1
<b>03/26/25 Wednesday</b>						
5:55 AM	Germany	Unemployment Rate	Mar	6.2%	-	6.2%
8:00 AM	Brazil	Construction Confidence	Mar	-	-	94.3
8:30 AM	Brazil	<b>External Sector Statistics</b>	Feb			
		Current Account		-	-\$9.4b	-\$8.7b
		FDI		-	\$6.4b	\$6.5b
9:30 AM	USA	Durable Goods Orders (MoM)	Feb (P)	-1.0%	-	3.2%
11:00 AM	USA	Pending Home Sales (MoM)	Feb	1.3%	-	-4.6%
12:00 PM	USA	Kansas City Fed Manufacturing Activity	Mar	-	-	-5
2:30 PM	Brazil	Foreign Exchange Transactions	-	-	-	-
-	Brazil	Central Government Primary Result	Feb	R\$10.0b	-	R\$84.9b
<b>03/27/25 Thursday</b>						
8:00 AM	Brazil	Manufacturing Confidence	Mar	-	-	98.3
8:00 AM	Brazil	<b>Monetary Policy Report</b>	1T25	-	-	-
9:00 AM	Brazil	<b>IPCA-15 (MoM)</b>	Mar	0.73%	0.70%	1.23%
9:30 AM	USA	<b>GDP (QoQ)</b>	4Q24	2.4%	-	2.3%
9:30 AM	USA	Trade Balance	Feb	-\$134.8b	-	-\$153.3b
9:30 AM	USA	Initial Jobless Claims	-	225k	-	223k
11:00 AM	Brazil	<b>Monetary Policy Report Interviews</b>	-	-	-	-
11:00 AM	USA	Pending Home Sales (MoM)	Feb	1.3%	-	-4.6%
12:00 PM	USA	Industrial Survey - Kansas City	Mar	-	-	-5
-	Brazil	<b>Formal Employment</b>	Feb	-	230k	137k
-	Brazil	National Monetary Council Meeting	Mar	-	-	-
<b>03/28/25 Friday</b>						
7:00 AM	Eurozone	Economic Confidence	Mar	96.9	-	96.3
8:00 AM	Brazil	IGP-M (MoM)	Mar	-	-	1.06%
8:00 AM	Brazil	Retail Trade Survey	Mar	-	-	85.5
8:00 AM	Brazil	Services Survey	Mar	-	-	91.7
9:00 AM	Brazil	<b>Unemployment Rate</b>	Feb	-	6.8%	6.5%
9:30 AM	USA	<b>Personal Income (MoM)</b>	Feb	0.4%	-	0.9%
9:30 AM	USA	<b>Personal Spending (MoM)</b>	Feb	0.5%	-	-0.2%
9:30 AM	USA	<b>PCE Price Index (MoM)</b>	Feb			
		Total		0.3%	-	0.3%
		Core		0.3%	-	0.3%
11:00 AM	USA	U. Michigan Consumer Confidence	Mar (F)	57.9	-	57.9
-	Brazil	Monthly Public Debt Report	Feb	-	-	-
-	Brazil	Definition of the electricity tariff flag	Apr	-	Green	Green
<b>In the week</b>						
-	Brazil	<b>Tax Collections</b>	Feb	R\$211b	R\$201b	R\$261b

**Macroeconomic projections**

	2019	2020	2021	2022	2023	2024	2025	2026
GDP (%)	1,2	-3,3	4,8	3,0	2,9	3,4	<b>1,8</b>	<b>1,7</b>
Unemployment Rate (average, %)	12,0	13,8	13,2	9,3	8,0	6,6	<b>7,1</b>	<b>7,5</b>
IPCA (Consumer Price Index) (%)	4,3	4,5	10,1	5,8	4,6	4,8	<b>5,2</b>	<b>4,4</b>
Selic Rate (end of period, %)	4,50	2,00	9,25	13,75	11,75	12,25	<b>15,50</b>	<b>11,75</b>
Exchange Rate (end of period, R\$/US\$)	4,03	5,20	5,58	5,22	4,84	6,19	<b>6,00</b>	<b>6,00</b>
Current Account Transactions (US\$ billion)	-68,0	-28,2	-46,4	-53,6	-28,6	-56,0	<b>-65,1</b>	<b>-69,4</b>
Current Account Transactions (% of GDP)	-3,6	-1,7	-2,9	-2,8	-1,4	-2,6	<b>-2,9</b>	<b>-3,0</b>
Trade Balance - BCB (US\$ billion)	26,5	32,4	36,4	44,2	80,5	66,2	<b>60,2</b>	<b>57,9</b>
Foreign Direct Investment (US\$ billion)	69,2	37,8	46,4	87,2	62,0	71,1	<b>72,0</b>	<b>75,0</b>
Foreign Direct Investment (% of GDP)	3,7	2,6	2,8	4,5	2,8	3,2	<b>3,2</b>	<b>3,2</b>
Primary Result of the Central Government (R\$ billion)	-95,1	-743,3	-35,1	54,1	-249,1	-43,0	<b>-54,7</b>	<b>-57,0</b>
Primary Result of the Central Government (% of GDP)	-1,3	-9,8	-0,4	0,5	-2,3	-0,4	<b>-0,5</b>	<b>-0,5</b>
Primary Result of the Public Sector (R\$ billion)	-61,9	-703,0	64,7	126,0	-249,1	-47,6	<b>-45,7</b>	<b>-50,0</b>
Primary Result of the Public Sector (% of GDP)	-0,8	-9,2	0,7	1,3	-2,3	-0,4	<b>-0,4</b>	<b>-0,4</b>
Gross Public Debt (% of GDP)	74,4	86,9	77,3	71,7	74,3	76,1	<b>78,5</b>	<b>80,8</b>

## Our team

**Andrea Bastos Damico**  
Chief Economist and CEO  
[andrea@buysidebrazil.com](mailto:andrea@buysidebrazil.com)

**Rita Milani**  
Economist  
[rita@buysidebrazil.com](mailto:rita@buysidebrazil.com)

**Rafaela de Sousa**  
Economist  
[rafaela@buysidebrazil.com](mailto:rafaela@buysidebrazil.com)

**Henrique Miareli**  
Economist  
[henrique@buysidebrazil.com](mailto:henrique@buysidebrazil.com)

**Pedro Tempel**  
Macroresearch Analyst  
[pedro@buysidebrazil.com](mailto:pedro@buysidebrazil.com)

**Mirella Hirakawa**  
Research Coordinator and Partner  
[mirella@buysidebrazil.com](mailto:mirella@buysidebrazil.com)

**Thaís Rodrigues**  
Economist and Partner  
[thais@buysidebrazil.com](mailto:thais@buysidebrazil.com)

**Ítalo Faviano**  
Economist  
[italo@buysidebrazil.com](mailto:italo@buysidebrazil.com)

**Vitor Rodrigues**  
Intern  
[vitor@buysidebrazil.com](mailto:vitor@buysidebrazil.com)

