

We expect the Selic easing cycle to begin in January 2026

Highlights

In monetary policy, COPOM maintains a hawkish tone and reiterates its commitment to bringing inflation back to target. The minutes of the July meeting reiterated the core message from the previous statement, confirming the end of the tightening cycle, but maintaining a hawkish tone by emphasizing that the Committee's projection for the relevant horizon (3.4% in 1Q27) remains above the inflation target. This, it argued, requires keeping interest rates at a high level for longer to ensure convergence. On the conjunctural front, the Committee highlighted a more adverse and uncertain external backdrop, especially due to U.S. trade and fiscal measures, underscoring heightened attention to the recent increase in tariffs on Brazilian exports and their potential impact on the economy and financial assets. Domestically, members stressed that economic activity is moderating in line with the restrictive monetary stance, accompanied by mixed signals typical of a turning point in the cycle, such as a weakening in credit, although the labor market remains buoyant. Inflation expectations stayed above target across all horizons, despite declines in market-implied measures, and current inflation showed easing in industrial goods and food prices, but persistent pressures in services, consistent with a positive output gap. In this context, the Committee reaffirmed that it will remain vigilant, ready to adjust policy as needed and, if warranted, resume the tightening cycle to safeguard price stability and ensure convergence of inflation to target.

Given a stronger currency and faster disinflation in industrial goods, we have brought forward our expected start of rate cuts to January 2026 from April. In light of recent wholesale price dynamics and their pass-through to consumer inflation (detailed in our [special report](#)), we have incorporated a more benign path for industrial goods and food inflation, lowering our 2025 IPCA forecast from 5.2% to 4.8%. The exchange rate, a direct driver of these components, has traded at even stronger levels, driven by the weaker U.S. dollar against other currencies and the substantial widening of the domestic–external interest rate differential. While we expect seasonal deterioration in FX flows in the second half of the year, we now see the BRL, currently around 5.40 per USD, depreciating to roughly 5.65 (vs. 5.75 previously). Although final calibration of our activity outlook will follow the release of consolidated June data, we acknowledge downside risks to our growth forecast, supporting output gap closure and reinforcing the case for initiating monetary easing in January.

In the external scenario, U.S. tariffs take effect and Trump nominates Stephen Miran to the Fed. The new trade tariffs announced by Donald Trump came into force midweek, targeting a broad range of countries and products. Beyond previously disclosed measures, the president announced an additional 100% tariff on imported semiconductors, with potential exemptions for companies investing in U.S. production, as well as the unexpected taxation of 1kg gold bars, classified as “semi-finished” and therefore subject to tariffs. Regarding China, Commerce Secretary Howard Lutnick indicated it is likely the United States will extend the deadline for the bilateral agreement by another 90 days, beyond the current August 12 expiration. Finally, President Trump announced he will appoint Stephen Miran, currently head of the White House Council of Economic Advisers, to temporarily occupy a seat on the Federal Reserve Board of Governors until January. Miran, an advocate of rate cuts and supportive of Trump’s tariff policies, bolsters the dovish wing of the Fed and signals the administration’s preferred monetary policy stance. His nomination further underscores the White House’s direct influence over monetary policy and intensifies the debate on the Fed’s independence at a time when the central bank faces the challenge of balancing political pressure, market expectations for rate cuts, and the need to preserve its credibility in containing inflation.

Economic Calendar

In **Brazil**, the key highlight will be the release of the July IPCA, for which we project a 0.41% increase on a monthly basis. In addition, economic activity data for June will be published, consolidating the figures for the quarter.

On the **international front**, U.S. CPI and PPI will be in focus, along with July retail sales data. In the Euro Area, GDP and industrial production figures will be released.

Date	Country	Event	Period	Survey	Buysidebrazil	Prior
08/11/25	Monday					
5:00 AM	Brazil	IPC-Fipe (MoM)	1 ^o qs Aug	-	-	-
8:00 AM	Brazil	IGP-M (MoM)	Aug (1P)	-	-	-1.04%
8:25 AM	Brazil	Central Bank Weekly Economist Survey (Focus)	-	-	-	-
3:00 PM	Brazil	Weekly Trade Balance	-	-	-	-
08/12/25	Tuesday					
7:00 AM	USA	NFIB - Small Business Confidence	Jul	-	-	98.6
9:00 AM	Brazil	IPCA (MoM)	Jul	0.35%	0.41%	0.24%
9:30 AM	USA	CPI (MoM)	Jul			
		Total		0.2%	-	0.3%
		Core		0.3%	-	0.2%
3:00 PM	USA	Monthly Fiscal Result	Jul	-	-	\$27.0b
08/13/25	Wednesday					
9:00 AM	Brazil	PMC - Retail Sales (MoM)	Jun			
		Restrict		-	0.9%	-0.2%
		Broad		-	0.2%	0.3%
9:00 AM	Brazil	Quarterly Animal Slaughter Surveys - First Results	2Q 2025	-	-	-
2:00 PM	USA	Speech by A. Goolsbee (Chicago Fed)	-	-	-	-
2:30 PM	Brazil	Foreign Exchange Transactions	-	-	-	-
08/14/25	Thursday					
6:00 AM	Eurozone	GDP (QoQ)	2Q (S)	0.1%	-	0.1%
6:00 AM	Eurozone	Industrial Production (MoM)	Jun	-1.0%	-	1.7%
9:00 AM	Brazil	Systematic Survey of Agricultural Production	Jul	-	-	-
9:00 AM	Brazil	PMS - Services Volume (MoM)	Jun	-	0.2%	0.1%
9:30 AM	USA	PPI (MoM)	Jul			
		Total		0.2%	-	0.0%
		Core		0.2%	-	0.0%
9:30 AM	USA	Initial Jobless Claims	-	-	-	-
08/15/25	Friday					
9:30 AM	USA	Retail Sales (MoM)	Jul			
		Total		0.5%	-	0.6%
		Control Group		0.3%	-	0.5%
10:15 AM	USA	Industrial Production (MoM)	Jul	0.0%	-	0.30%
11:00 AM	USA	U. of Michigan Sentiment	Aug (P)	62.1	-	-
		1Y inflation expectations		-	-	-
		Inflation expectations between 5 and 10 years		-	-	-
Date	Country	Event	Period	Survey	Buysidebrazil	Prior
In the week						

Macroeconomic projections

	2019	2020	2021	2022	2023	2024	2025	2026
Brazil GDP (%)	1,2	-3,3	4,8	3,0	2,9	3,4	2,3	1,8
Unemployment Rate (average, %)	12,0	13,8	13,2	9,3	8,0	6,6	6,3	6,7
IPCA (Consumer Price Index) (%)	4,3	4,5	10,1	5,8	4,6	4,8	4,8	4,3
Selic Rate (end of period, %)	4,50	2,00	9,25	13,75	11,75	12,25	15,00	12,75
Exchange Rate (end of period, R\$/US\$)	4,03	5,20	5,58	5,22	4,84	6,19	5,65	5,70
Current Account Transactions (US\$ billion)	-68,0	-28,2	-46,4	-53,6	-28,6	-56,0	-76,3	-74,9
Current Account Transactions (% of GDP)	-3,6	-1,7	-2,9	-2,8	-1,4	-2,6	-3,5	-3,3
Trade Balance - BCB (US\$ billion)	26,5	32,4	36,4	44,2	80,5	66,2	52,6	53,6
Foreign Direct Investment (US\$ billion)	69,2	37,8	46,4	87,2	62,0	71,1	66,8	75,0
Foreign Direct Investment (% of GDP)	3,7	2,6	2,8	4,5	2,8	3,2	3,1	3,3
Primary Result of the Central Government (R\$ billion)	-95,1	-743,3	-35,1	54,1	-249,1	-43,0	-73,9	-67,8
Primary Result of the Central Government (% of GDP)	-1,3	-9,8	-0,4	0,5	-2,3	-0,4	-0,6	-0,5
Primary Result of the Public Sector (R\$ billion)	-61,9	-703,0	64,7	126,0	-249,1	-47,6	-42,5	-37,8
Primary Result of the Public Sector (% of GDP)	-0,8	-9,2	0,7	1,3	-2,3	-0,4	-0,3	-0,3
Gross Public Debt (% of GDP)	74,4	86,9	77,3	71,7	74,3	76,1	79,4	83,7
United States - GDP (%)	2,5	-2,2	6,1	2,5	2,9	2,8	1,7	2,0
United States - PCE (%)	1,4	1,1	4,1	6,6	3,8	2,5	3,5	2,8
United States - Fed Funds Rate (end of period, %)	1,8	0,3	0,3	4,0	5,5	4,5	4,0	3,50

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