

All Eyes on Monetary Policy: Fed Signals Three Cuts in 2025 While Copom Maintains a Cautious Tone

Highlights

Fed Funds Expected to Reach 3.75% (upper bound) by End-2025, Supporting Recent Exchange Rate Dynamics.

Last week in the U.S., the FOMC began its rate-cutting cycle, lowering rates by 25bps to 4.00%-4.25% in an almost unanimous decision (11-1), with Stephen Miran advocating a 50bps cut. The statements reflected heightened concern about the labor market following significant revisions to payroll job creation. Individual members' expectations, the so-called "dots," shifted the median Fed Funds projection to 3.6% for 2025, signaling three cuts this year. However, six policymakers do not anticipate further reductions, reflecting a split between inflation and labor market concerns. In his speech, Powell adopted a more dovish tone, describing the cut as risk management and avoiding commitment to a pre-defined path in the coming months. The cut came amid strong political pressure, but Powell reaffirmed the Fed's independence. U.S. activity data for August, showed mixed signals but remained consistent with a moderation in economic activity, reinforcing the view of slower momentum indicated by prior surveys. Other monetary policy decisions around the world are also worth noting. In line with the U.S., Canada's BoC cut its policy rate by 25bps to 2.50%, resuming the cycle after a six-month pause. The decision was justified by lower inflation risks, while still monitoring the impact of U.S. tariffs. Meanwhile, in the U.K., the BoE kept rates at 4% in a divided vote (7-2), with two votes for a cut, reflecting the dilemma between persistent inflationary pressures and weak growth. Similarly, Japan's BoJ maintained its rate at 0.5% (7-2), with two dissenters favoring a hike. Additionally, the BoJ announced the start of ETF sales at a gradual pace, marking a new stage of normalization after years of stimulus.

Copom Maintains a Hawkish Tone, but Rate Cuts Could Still Come This Year

In Brazil, as widely expected, Copom kept the Selic at 15.0% p.a. in a unanimous decision, though the statement was more hawkish than anticipated. The BCB preserved its IPCA projection at 3.4% for 1Q27 (our estimate: 3.2%) and maintained a symmetric risk balance. The tone reflects caution amid external uncertainty but acknowledges moderation in domestic activity. Despite the hawkish tone, we still expect rate cuts to start only in December 2025, as we believe the disinflation process could accelerate.

Furthermore, Brazilian Economic Activity Continues at a Moderate Pace, Consistent with Delayed Effects of Monetary Policy, While Labor Market Remains Strong

Similar to the U.S., Brazilian activity indicators showed mixed signals but remain consistent with slowing activity since March, contrasting with labor market resilience and reinforcing the view of moderation in domestic growth. The Continuous PNAD showed further improvement in the labor market for the quarter ending in July, with the unemployment rate falling to 5.6% (vs. 5.7% expected). Meanwhile, the IBC-Br fell 0.53% month-over-month s.a. in July, below expectations, with downward revisions for June. The decline was broad-based across agriculture, industry, and services, resulting in a negative carry-over for 3Q25 (-1.1% total, -0.6% ex-agriculture).

Economic Calendar

In **Brazil**, the domestic agenda will be highlighted by the release of the September IPCA-15, which we project at +0.42% MoM, the minutes from the Copom meeting, the Monetary Policy Report, and August data from the BCB's external sector note. Additionally, FGV survey results will be released.

On **the international front**, focus will be on the the second-quarter U.S. GDP revision and August PCE data.

Date	Country	Event	Period	Survey	Buysidebrazil	Prior
09/22/2025 Monday						
8:25	Brazil	Central Bank Weekly Economist Survey (Focus)	-	-	-	-
9:30	USA	Chicago Fed Nat Activity Index	Aug	-	-	-0.19
11:00	USA	Speech by A. Musalem (Fed St. Louis)	-	-	-	-
11:00	Eurozone	Consumer Confidence	Sep	-15.5	-	-
13:00	USA	Speech by B. Hammack (Fed Cleveland)	-	-	-	-
15:00	Brazil	Trade Balance Weekly	-	-	-	\$1325m
-	Brazil	Primary Revenues and Expenditures Assessment Report	-	-	-	-
09/23/2025 Tuesday						
4:30	Germany	PMI Composite	Sep	50.7	-	50.5
5:00	Eurozone	PMI Composite	Sep	51.1	-	51.0
8:00	Brazil	Copom Minutes	Sep	-	-	-
9:30	USA	Philadelphia Fed Non-Manufacturing Activity	Sep	-	-	-17.5
10:45	USA	PMI Composite	Sep	-	-	54.6
11:00	USA	Richmond Fed Manufacturing Index	Sep	-	-	-7
09/24/2025 Wednesday						
5:00	Germany	IFO Business Climate	Sep	89.4	-	89.0
8:00	Brazil	Consumer Confidence	Sep	-	-	86.2
11:00	USA	Building Permits	-	-	-	1312k
11:00	USA	New Home Sales	Aug	650k	-	652k
11:30	USA	Crude Oil Inventories	-	-	-	-
14:30	Brazil	Foreign Exchange Flow	-	-	-	-
09/25/2025 Thursday						
5:00	Brazil	IPC-FIPE (MoM)	3 ^o q	-	-	0.28%
8:00	Brazil	Monetary Policy Report	Sep	-	-	-
8:00	Brazil	Construction Survey	Sep	-	-	-
9:00	Brazil	IPCA-15 (MoM %)	Sep	-	0.42%	-0.14%
9:20	USA	Speech by A. Goolsbee (Fed Chicago)	-	-	-	-
9:30	USA	Trade Balance	Aug	-\$95.3b	-	-\$103.6b
9:30	USA	GDP (QoQ % SAAR)	2Q	3.3%	-	3.3%
9:30	USA	Durable Goods Orders (MoM)	Aug P	-0.5%	-	-2.8%
9:30	USA	Initial Jobless Claims	240k	-	-	231k
11:00	USA	Existing Home Sales	Aug	3.97m	-	4.01m
12:00	USA	Kansas City Fed Manufacturing Index	Sep	-	-	1
-	Brazil	National Monetary Council Meeting	Sep	-	-	-
09/26/2025 Friday						
8:00	Brazil	Manufacturing Survey	Sep	-	-	-
8:30	Brazil	Current Account Balance (USD bl)	Aug	-	-	-\$7067m
		FDI (USD bl)	Aug	-	-	\$8324m
9:30	USA	PCE Price Index (MoM)	Aug	0.2%	-	0.20%
		Core PCE Price Index (MoM)	Aug	0.3%	-	0.30%
9:30	USA	Personal Income (MoM)	Aug	0.3%	-	0.40%
9:30	USA	Real Personal Spending (MoM)	Aug	0.5%	-	0.50%
11:00	USA	U. Michigan Sentiment	Sep F	55.8	-	55.4
		1 Yr. Inflation	-	-	-	4.80%
		5-10 Yr Inflation	-	-	-	3.90%
12:00	USA	Kansas City Fed Service Index	Sep	-	-	4
22:30	China	Industrial Profits (%YoY)	Aug	-	-	-1.50%
-	Brazil	Definition of the electricity tariff flag	Oct	-	-	Vermelha 2

Macroeconomic projections

	2019	2020	2021	2022	2023	2024	2025	2026
Brazil GDP (%)	1,2	-3,3	4,8	3,0	2,9	3,4	2,1	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	4,6	4,1
Selic Rate (end of period, %)	4,50	2,00	9,25	13,75	11,75	12,25	14,75	12,25
Exchange Rate (end of period, R\$/US\$)	4,03	5,20	5,58	5,22	4,84	6,19	5,50	5,50
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	3,75	3,00

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