buysidebrazil

11/07/2025

Copom acknowledges improvement in inflation, but retains hawkish passages, leaving the market split on the timing of rate cuts

Highlights

The Copom kept the Selic rate unchanged at 15% with a slightly more dovish statement on the margin though still firmly contractionary.
The decision was unanimous and widely expected reflecting the Committee's strategy of preserving credibility and patience in monetary policy conduct. Regarding both external and domestic conditions the statement showed little change as the global environment remains uncertain due to the US economic and policy backdrop while domestically indicators continue to point to a gradual moderation in activity with the labor market still showing resilience. On inflation the text explicitly acknowledged the improvement in both headline and core measures in recent releases but cautioned that both remain above target. This signals that although the disinflation process is ongoing the Committee remains cautious given the incomplete convergence. The statement also incorporated a lower inflation projection for the policy relevant horizon at 3.3% in 2Q27 from 3.4% reinforcing a gradual improvement in the inflation outlook. In terms of communication the main change appeared in the final paragraph where the Copom removed the previous conditional phrasing "assessing whether maintaining the current level of the policy rate for a sufficiently long period will be enough" and replaced it with a more assertive statement "the Committee assesses that maintaining the current level of the policy rate for a sufficiently long period is enough to ensure convergence of inflation to the target." In other words it is no longer a hypothesis "whether it will be enough" but a concrete assessment that the current level of interest rates is indeed fulfilling its purpose. This subtle yet important shift suggests greater confidence in the effectiveness of monetary policy and reinforces the perception that the Central Bank believes the elevated Selic is already delivering the intended effects. Nevertheless the Copom retained all of its hawkish elements including the phrase "for a sufficiently long period" and the warning that it "will not hesitate to resume the adjustment cycle." This contributed to an adjustment in market expectations with some participants pushing back the expected start of rate cuts from January to March. However we believe the downward revision in inflation projections and the acknowledgment of improved current metrics provide room for further anchoring of expectations through the January meeting. As such we expect December's communication to provide a clearer signal on the start of the easing cycle and maintain our baseline scenario of a 25bps Selic rate cut in January 2026.

With the ongoing US government shutdown private indicators have gained even more relevance as a gauge of the economy and labor market conditions.
The October ADP report showed a moderate recovery in private employment with a net creation of 42,000 jobs above expectations of 30,000 and reversing the decline seen in September. The improvement was relatively broad based with rebounds in goods producing sectors especially construction and manufacturing and partial recovery in services led by information leisure and hospitality. The ISM Services Index showed a stronger rebound rising from 50.0 to 52.4 and exiting contraction territory supported by a sharp acceleration in new domestic orders and a smaller drop in exports. Despite stronger demand the labor component remained in contraction and prices reaccelerated sustaining persistent inflationary pressures.

Meanwhile the shutdown remains unresolved and is increasingly disrupting the functioning of the economy. The Department of Transportation announced a 10% reduction in domestic flight capacity across 40 major markets due to a shortage of air traffic controllers and operational bottlenecks. Additionally the paralysis continues to hinder the collection and release of economic statistics adding uncertainty to the Federal Reserve's assessment of the economic outlook. The lack of official data complicates the reading of the economy's slowdown pace and the recent behavior of the labor market making December's monetary policy decision more dependent on partial indicators and Fed officials' communication. In this context until there is greater clarity on the current state of the US economy we maintain our baseline scenario of another rate cut at the next meeting with a terminal rate of 3.0% in 2026.

buysidebrazil

Economic Calendar

In **Brazil,** the domestic agenda will feature the Copom meeting minutes and the October inflation data for which we project a 0.15% MoM increase. In addition the monthly retail trade and services surveys for September will be released.

On the **international** front, the highlights will be the inflation and economic activity data from China. In addition the euro area will publish its industrial production figures and third quarter GDP.

Date	Country	Event	Period	Survey	Buysidebrazil	Prior
11/10/25	**Monday**					
8:25	Brazil	Central Bank Weekly Economist Survey (Focus)	-	-	-	-
15:00	Brazil	Trade Balance	-	-	-	-
11/11/25	**Tuesday**					
5:00	Brazil	IPC-FIPE (MoM)	1st Nov	-	-	0,27%
7:00	Germany	Expectations Index	Nov	41,3%	-	39,3
8:00	US	Small Business Confidence	Oct	-	-	98,8
8:00	Brazil	IGP-M (1st Preview)	Nov	-	-	-0,4%
8:00	Brazil	**Copom Minutes**	-	-	-	
9:00	Brazil	**IPCA (MoM)**	Oct	0,15%	0,15%	0,48%
11/12/25	**Wednesday**					
4:00	Germany	Harmonized CPI (MoM)	Oct	-	-	0,3%
9:00	Brazil	**Services Volume (MoM)**	Sep	0,3%	0,3%	0,1%
9:00	Brazil	Quarterly Livestock Slaughter Survey	3Q25	-	-	-
14:30	Brazil	Foreign Exchange Transactions	-	-	-	-
12:00	US	Speech by A. Paulson (Fed da Filadélfia)	-	-	-	-
14:00	US	Speech by R. Bostic (Fed Atlanta)	-	-	-	-
11/13/25	**Thursday**					
7:00	Eurozone	Industrial Production (MoM)	Sep	0,8%	-	-1,2%
9:00	Brazil	Systematic Survey of Agricultural Production	Oct	-	-	
9:00	Brazil	**Retail Sales (MoM)**	Sep	0,2%	0,2%	0,2%
9:00	Brazil	**Broad Retail Sales (MoM)**	Sep	0,1%	0,1%	0,9%
10:30	US	**CPI (MoM)**	Oct	0,2%	-	0,3%
		Core (MoM)		0,3%	-	0,2%
16:00	US	Monthly Fiscal Balance	Oct	$55.0b	-	$198.0b
23:00	China	**Retail Sales (YoY)**	Oct	2,7%	-	3,0%
23:00	China	Industrial Production (YoY)	Oct	5,5%	-	6,5%
23:00	China	Urban Fixed Asset Investment (YoY)	Oct	-0,9%	-	-0,5%
23:00	China	**Unemployment Rate**	Oct	5,2%	-	5,2%
23:00	China	Real Estate Investment (YoY)	Oct	-14,5%	-	-13,9%
23:00	China	Residential Property Sales (YoY)	Oct	-	-	-7,6%
11/14/25	**Friday**					
7:00	Eurozone	GDP (QoQ)	3Q25	0,2%	-	-
8:00	Brazil	**IGP-10 (MoM)**	Nov	-	-	0,08%
10:30	US	**Retail Sales (MoM)**	Oct	-	-	-
10:30	US	Core (MoM)	Oct	-	-	-
10:30	US	**PPI (MoM)**	Oct	-	-	-
10:30	US	Core (MoM)	Oct	-	-	-
In the week						
	China	**PPI (YoY)**	Oct	-2,2%	-	-2,3%
	China	**CPI (YoY)**	Oct	-0,1%	-	-0,3%
	China	New Yuan Loans	Oct	15.250b	-	14.750b
	China	Aggregate Financing to the Real Economy	Oct	31.285b	-	30.090b

Macroeconomic projections

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	**4,5**	**4,0**
Selic Rate (end of period, %)	4,50	2,00	9,25	13,75	11,75	12,25	**15,00**	**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 (% of GDP)	-1,3	-9,8	-0,4	0,5	-2,3	-0,4	**-0,5**	**-0,5**
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**

Our team

Andrea Bastos Damico
Chief Economist and CEO
andrea@buysidebrazil.com

Rafaela de Sousa
Economist
rafaela@buysidebrazil.com

Marcelo Alonso
Economist
marcelo@buysidebrazil.com

Mirella Hirakawa
Research Coordinator and Partner
mirella@buysidebrazil.com

Rita Milani
Economist
rita@buysidebrazil.com

Henrique Miareli
Economist
henrique@buysidebrazil.com

buysidebrazil