buysidebrazil

02/13/2026

Activity and inflation data reinforce our expectations for the interest-rate cycle in Brazil and the United States

Highlights

On the international front, the week was marked by a heavy schedule of U.S. indicators and the release of inflation data in China. The main highlight was the U.S. Payroll report, at a time when the labor market remains central to the conduct of monetary policy.

January's U.S. labor market data indicated a broader recovery in employment, although still concentrated in a few segments. Net job creation exceeded expectations, driven mainly by the strong performance of education and health services. If we assume that this segment had posted growth closer to its three-month average, total services job gains would have been near 50,000, with overall payroll around 44,000, showing that the improvement was not widespread. The public sector once again registered net job losses, while wages accelerated. Overall, the reading remains one of a moderating labor market: services continue to sustain growth, goods show selective signs of recovery, and the unemployment rate declined, providing some marginal relief.

On inflation, January CPI, released on Friday, rose 0.2%, below expectations, reflecting mainly deflation in energy and easing food prices. Core CPI increased 0.3%, in line with expectations, with notable acceleration in core services. The composition remains mixed: goods inflation remains contained, with stability in the core and deflation in used vehicles, while services remain under pressure, especially in more volatile segments such as airfares. Shelter inflation showed moderate growth. **From a monetary policy perspective, the overall data reinforce the narrative of gradual disinflation but do not materially alter the Federal Reserve's stance. The Fed is expected to maintain a cautious strategy, awaiting more consistent evidence before adjusting the interest-rate path.**

In Brazil, the week was initially marked by the release of inflation data, renewed remarks from Central Bank President Gabriel Galípolo, and activity indicators.

January's IPCA came in line with market consensus, without triggering meaningful revisions to the inflation outlook. Qualitatively, the reading was largely benign, confirming the ongoing disinflation process. Pressures were concentrated in regulated prices and industrial goods, while services showed a more favorable marginal dynamic. Positive surprises were concentrated in gasoline and personal hygiene, while services, especially app-based ride, acted in the opposite direction, limiting broader deceleration. Meanwhile, the Monthly Services Survey (PMS) fell 0.4% on the month, closing the year with 2.8% growth, in line with previous years. December's result came below market expectations (-0.1%), with transportation (-3.1%) as the main negative highlight, reinforcing signs of sectoral deceleration. Similarly, Retail Sales (PMC) also came in below expectations, falling 0.4% versus a projected -0.1%. Unlike previous readings that had indicated acceleration, the current result, combined with earlier declines in industrial production (PIM) and services, consolidates the perception of a gradual economic slowdown. Accordingly, we reaffirm our projection that early 2026 will also unfold at a slower pace, with the labor market being the last segment to show greater resilience in this cooling process. We therefore maintain our GDP growth forecast of 2.2% for 2025 and 1.8% for 2026. Finally, we highlight that Central Bank communications during the week reinforced the beginning of the interest-rate cutting cycle in March. Gabriel Galípolo emphasized three central pillars: (i) the gradual calibration of monetary policy, with the start of the cycle signaled for March; (ii) reaffirmation of the Central Bank's reaction function, without changes in communication; and (iii) emphasis on institutional credibility, particularly in the context of the Master case and recent discussions regarding appointments. In light of inflation and activity data, as well as the tone adopted by the Central Bank president, we maintain our expectation of a 50-basis-point cut at the March meeting, marking the beginning of the easing cycle.

Economic Calendar

In **Brazil**, a lighter economic calendar due to Carnival will highlight the release of the IBC-Br and the GDP Monitor.

In the **international scenario**, attention will focus on January industrial production data in the U.S., followed by the release of the PCE and the 2025 U.S. GDP, both scheduled for Friday.

Date	Country	Event	Period	Buysidebrazil	Prior
02/16/26	Monday				
-	Brazil	**National Holiday**	-		-
-	US	**National Holiday**	-		-
7:00	Eurozone	Industrial Production (MoM)	dez/25		0,70%
02/17/26	Tuesday				
	Brazil	**National Holiday**	-		-
7:00	Germany	Expectations Index	fev/26		59,6
7:00	Germany	Current Conditions Index	fev/26		-72,7
10:30	US	Empire Manufacturing	fev/26		7,7
12:00	US	NAHB Housing Market Index	fev/26		37
16:30	US	Speech by M. Daly (San Francisco Fed)	-		-
02/18/26	Wednesday				
10:30	US	Durable Goods Orders (MoM)	dez/25		5,30%
10:30	US	New York Services Business Activity Index	fev/26		-16,1
11:15	US	**Industrial Production (MoM)**	jan/26		0,40%
11:15	US	Capacity Utilization	jan/26		76,4
12:00	US	Leading Indicators (MoM)	jan/26		-0,30%
14:00	Brazil	Central Bank Weekly Economist Survey (Focus)	-		-
16:00	US	**FOMC Minutes**	jan/26		-
02/19/26	Thursday				
5:00	Brazil	IPC-FIPE (MoM) - 2nd Week	fev/26		0,15%
8:00	Brazil	IGP-M (MoM) - 2ª Preview	fev/26		0,44%
9:00	Brazil	**IBC-Br (MoM)**	dez/25	0,1%	0,68%
10:30	US	Philadelphia Fed Manufacturing Survey	fev/26		12,6
10:30	US	Initial Jobless Claims	fev/26		
10:30	US	Trade Balance	dez/25		-56,8
12:00	Eurozone	Consumer Confidence	fev/26		-12,4
12:30	US	Speech by A. Goolsbee (Chicago Fed)	-		-
02/20/26	Friday				
5:30	Germany	PMI Composite	fev/26		52,1
6:00	Eurozone	PMI Composite	fev/26		51,3
10:15	Brazil	GDP Monitor	dez/25		-
10:30	US	**PCE Price Index (MoM)**	dez/25		0,20%
		Core (MoM)	dez/25		0,20%
10:30	US	Personal Income (MoM)	dez/25		0,30%
10:30	US	Personal Spending (MoM)	dez/25		0,50%
10:30	US	**GDP (QoQ Annualized)**	dez/25		4,40%
10:30	US	Personal Consumption (QoQ Annualized)	dez/25		3,50%
11:45	US	**PMI Composite**	dez/25		53
12:00	US	**Consumer Confidence**	fev/26		57,3
12:00	US	1-Year Inflation Expectations	fev/26		3,50%
12:00	US	5–10 Year Inflation Expectations	fev/26		3,40%
15:15	US	Speech by L. Logan (Dallas Fed)			-

Macroeconomic projections	2019	2020	2021	2022	2023	2024	2025	2026
Brazil GDP (%)	1,2	-3,3	4,8	3,0	2,9	3,4	**2,2**	**1,8**
Unemployment Rate (average, %)	12,0	13,8	13,2	9,3	8,0	6,6	5,6	**6,4**
IPCA (Consumer Price Index) (%)	4,3	4,5	10,1	5,8	4,6	4,8	4,3	**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	-66,2	-68,8	**-74,9**
Current Account Transactions (% of GDP)	-3,6	-1,7	-2,9	-2,8	-1,4	-3,0	-3,0	**-3,3**
Trade Balance - BCB (US$ billion)	26,5	32,4	36,4	44,2	80,5	66,2	60,0	**53,6**
Foreign Direct Investment (US$ billion)	69,2	37,8	46,4	87,2	62,0	71,1	77,7	**75,0**
Foreign Direct Investment (% of GDP)	3,7	2,6	2,8	4,5	2,8	3,2	3,4	**3,3**
Primary Result of the Central Government (% of GDP)	-1,3	-9,8	-0,4	0,5	-2,3	-0,4	-0,4	**-0,5**
Gross Public Debt (% of GDP)	74,4	86,9	77,3	71,7	74,3	76,1	78,7	**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	**3,25**

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