

Copom minutes reinforce a cautious easing path, while the U.S. labor market remains resilient

Highlights

On the domestic front, the release of the Copom minutes reinforced and expanded on the hawkish message already conveyed in the statement accompanying the latest policy decision. The document placed greater emphasis on the deterioration of the inflation risk balance, highlighting both risks that have already materialized, such as the recent upside surprise in headline inflation and the further de-anchoring of inflation expectations, particularly at longer horizons, as well as still-latent risks associated with more persistent spillovers from the geopolitical shock into supply chains, distribution networks, and domestic prices. On the external side, the minutes again stressed the highly uncertain backdrop, shaped by tensions in the Middle East, elevated volatility in energy commodity prices, and their potential spillovers into global inflation dynamics. Despite this more adverse inflation backdrop, the Committee maintained its assessment that the lagged effects of restrictive monetary policy are still working through the economy and beginning to generate a gradual moderation in aggregate demand, allowing the easing cycle to continue. In our view, the key takeaway from the minutes was a clear reaffirmation that room for monetary easing remains strictly conditional. The Central Bank continues to acknowledge a gradual slowdown in activity, but made clear that the pace and extent of further easing will depend on the evolution of inflation expectations, the magnitude of second-round effects from the oil shock, and, above all, the persistence of inflationary pressures ahead. As such, we continue to expect Copom to maintain a cautious stance in upcoming meetings, with a gradual continuation of the easing cycle, taking the terminal policy rate in 2026 to 13.00%.

On the international front, U.S. labor market data continued to reinforce the view of a gradual moderation process, but still without signs of abrupt deterioration. The JOLTS report showed a slight decline in job openings, from 6.92 million to 6.87 million, maintaining the recent trend of a gradual cooling in labor demand, while the quits rate edged back up to 2.0%, suggesting worker confidence remains relatively stable. In the same direction, ADP employment showed payroll growth of 109k in April, broadly in line with expectations, reinforcing the picture of a still-resilient labor market, albeit with hiring concentrated in a limited number of sectors. Nonfarm payrolls, meanwhile, surprised once again to the upside, with 115k jobs created, well above the 63k consensus expectation, alongside only modest net downward revisions to previous months. The unemployment rate held steady at 4.3%, while wage growth remained firm, with annual average hourly earnings accelerating from 3.43% YoY to 3.57% YoY, a pace still consistent with robust household income dynamics. That said, job creation remained heavily concentrated in sectors such as trade and transportation and education and health services, while information continued to post net job losses and manufacturing softened again. In addition, the Household Survey showed a net loss of 226k jobs, accompanied by a slight decline in labor force participation, suggesting that the headline resilience continues to coexist with more gradual signs of cooling in alternative labor market indicators. Overall, the data continue to point to a labor market that remains solid enough to sustain income growth and consumption, but is undergoing a gradual and orderly normalization, without evidence of the kind of sharp deterioration that would materially alter the Federal Reserve's cautious policy stance.

In the Middle East, the week was marked by alternating episodes of military escalation in Hormuz and incremental progress in negotiations between the United States and Iran, keeping uncertainty around global oil flows elevated. Early in the week, the United States announced Project Freedom, a naval operation aimed at ensuring the passage of commercial vessels through the Strait of Hormuz under U.S. military protection, in response to rising attacks and the partial disruption of shipping routes by Iran-backed forces. The initiative, combined with further incidents involving drones, missiles, and naval vessels in the Gulf, heightened fears of more prolonged disruptions to maritime trade and pushed the geopolitical risk premium embedded in energy commodities higher. As the week progressed, however, news flow turned somewhat more constructive, with signs of progress in negotiations mediated by regional actors and discussions surrounding a provisional agreement involving partial sanctions relief and limits on Iran's nuclear program. This helped ease some of the immediate pressure on oil prices, although prices remain elevated and shipping through Hormuz continues to operate under significant caution. In our view, despite the recent relief, the situation remains fragile, with meaningful risks of renewed escalation and the persistence of an important upside risk to global inflation through the energy channel.

Economic Calendar

On the domestic front, the main highlight this week will be the release of April's IPCA, which we expect to rise 0.67% MoM, alongside the March batch of economic activity indicators.

On the international front, the focus will be on U.S. wholesale and consumer inflation releases, followed by key economic activity indicators. In the Euro Area, attention will turn to the release of 1Q26 GDP.

Date	Country	Event	Period	Buysidebrazil	Prior
05/11/26	Monday				
8:25	Brazil	Central Bank Weekly Economist Survey (Focus)	-	-	-
15:00	Brazil	Weekly Trade Balance	-	-	-
05/12/26	Tuesday				
9:00	Brazil	IPCA (MoM)	abr/26	0,67%	0,88%
9:30	US	CPI (MoM)	abr/26		0,90%
9:30	US	Core CPI (MoM)	abr/26		0,20%
14:00	US	Speech by A. Goolsbee (Fed Chicago)	-	-	-
15:00	US	Monthly Fiscal Result	abr/26		-164,1
05/13/26	Wednesday				
6:00	Eurozone	GDP (QoQ)	mar/26		0,1%
6:00	Eurozone	Industrial Production (MoM)	mar/26		0,4%
9:00	Brazil	Retail Sales (MoM)	mar/26		0,6%
9:00	Brazil	Broad Retail Sales (MoM)	mar/26		1,0%
9:30	US	PPI (MoM)	abr/26		0,5%
9:30	US	Core PPI (MoM)	abr/26		0,1%
12:30	US	Speech by S. Collins (Fed Boston)	-	-	-
14:15	US	Speech by N. Kashkari (Fed Minneapolis)	-	-	-
14:30	Brazil	Weekly FX Flow	-	-	-
05/14/26	Thursday				
9:00	Brazil	Systematic Survey of Agricultural Production	abr/26		
9:30	US	Initial Jobless Claims	mai/26		
9:30	US	Retail Sales (MoM)	abr/26		1,7%
9:30	US	Core Retail Sales (MoM)	abr/26		0,7%
14:00	US	Speech by B. Hammack (Fed Cleveland)			
18:30	US	Speech by S. Barr (Fed Board)			
05/15/26	Friday				
9:00	Brazil	Services Volume (MoM)	mar/26		0,1%
10:15	US	Industrial Production (MoM)	abr/26		-0,5%

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	5,6	5,5
IPCA (Consumer Price Index) (%)	4,3	4,5	10,1	5,8	4,6	4,8	4,3	4,7
Selic Rate (end of period, %)	4,50	2,00	9,25	13,75	11,75	12,25	15,00	13,0
Exchange Rate (end of period, R\$/US\$)	4,03	5,20	5,58	5,22	4,84	6,19	5,50	5,15
Current Account Transactions (US\$ billion)	-68,0	-28,2	-46,4	-53,6	-28,6	-66,2	-68,8	-52,9
Current Account Transactions (% of GDP)	-3,6	-1,7	-2,9	-2,8	-1,4	-3,0	-3,0	-2,3
Trade Balance - BCB (US\$ billion)	26,5	32,4	36,4	44,2	80,5	66,2	60,0	78,0
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	-0,2
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	2,2	2,4
United States - PCE (%)	1,4	1,1	4,1	6,6	3,8	2,5	2,9	2,9
United States - Fed Funds Rate (end of period, %)	1,8	0,3	0,3	4,0	5,5	4,5	3,75	3,8

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