

Central Bank communication reinforces expectations of continued easing

Highlights

Domestic markets were primarily focused on the Central Bank's communication this week.

The release of the Copom minutes, the Monetary Policy Report (MPR), and the subsequent press conference conveyed a more dovish message than initially suggested by the June policy statement. While the Committee maintained an explicitly upside-skewed balance of risks and reiterated that pauses may be part of the calibration cycle, the key development was the rationale behind shifting the focus toward the first quarter of 2028. The MPR revised its inflation forecast for 2027Q4 up from 3.5% to 3.7%, mainly reflecting a more positive output gap, while keeping the 2028Q1 projection unchanged at 3.2%. Under normal circumstances, an upward revision to inflation at the end of 2027 would be expected to carry over, at least partially, into early 2028 through inflation inertia. The absence of such a revision suggests that the Central Bank views a large share of the projected deterioration in 2027 as stemming from temporary supply-side shocks that are expected to dissipate relatively quickly. In other words, keeping the 2028Q1 inflation forecast unchanged reinforces the view that the Committee expects a relatively swift disinflation process ahead, reducing the need for a more aggressive monetary policy response solely to bring inflation back to target by the end of 2027. The press conference reinforced this interpretation by clarifying that the alternative interest rate paths discussed in the minutes were purely illustrative and should not be interpreted as policy guidance. It also emphasized that the reference to 2028Q1 reflects the expected dissipation of supply shocks rather than a permanent change in the relevant policy horizon. Consistent with this assessment, the June IPCA-15 showed that current inflation is already beginning to normalize following recent shocks, with a qualitatively better composition than expected. Although the downside surprise in headline inflation was modest, the deceleration in average core inflation—driven primarily by softer underlying services inflation—reinforced the view that recent inflationary pressures remain concentrated in temporary shocks, broadly in line with the Central Bank's assessment. Taken together, the Central Bank's communication and the latest inflation data strengthened our expectation of continued monetary policy calibration, keeping our baseline call for another 25bp rate cut at the August meeting, although the extent of the easing cycle will remain conditional on incoming data.

Internationally, markets focused on the third estimate of first-quarter GDP and the May PCE inflation report in the United States.

The GDP revision pointed to an economy that remains resilient, with growth exceeding expectations, supported mainly by stronger investment, inventory accumulation, and a smaller drag from net exports, while private consumption continued to lose momentum, particularly in services, reinforcing signs of a gradual moderation in domestic demand. Meanwhile, the PCE report delivered a mixed inflation picture. Although both headline and core readings came in below expectations, the composition remained less favorable, with services inflation accelerating, partly offset by easing goods prices and softer food inflation. At the same time, real income and real consumption remained resilient, suggesting that economic activity continues to be supported in the near term, albeit alongside signs of declining household savings and weaker spending in categories more sensitive to higher prices. Overall, the data reinforce the view that the U.S. economy is undergoing a gradual slowdown, but not to an extent that would materially alter the Federal Reserve's cautious stance.

Economic Calendar

In Brazil, the main highlights of the week will be the release of the Central Bank's economic and financial statistics for May, as well as fiscal data and labor market indicators.

Internationally, the holiday-shortened week in the United States will focus on the U.S. labor market, especially the Payroll report, along with secondary activity indicators.

| Date | Country | Event | Period | Survey | Prior |
|---------------------------|----------|--|----------|--------|-------|
| 06/22/26 Monday | | | | | |
| 6:00 | Eurozone | Business Confidence Index | jun/26 | - | 93,5 |
| 8:00 | Brazil | IGP-M (MoM) | jun/26 | -0,55% | 0,84% |
| 8:00 | Brazil | Services Confidence | jun/26 | - | - |
| 8:00 | Brazil | Commerce Confidence | jun/26 | - | - |
| 8:30 | Brazil | Central Bank Weekly Economist Survey (Focus) | jun/26 | - | - |
| 11:30 | US | Dallas Fed Manufacturing Survey | jun/26 | - | - |
| 22:30 | China | PMI Composite | jun/26 | - | 50,5 |
| - | Brazil | Central Government Primary Balance | mai/26 | - | 25,2 |
| 06/23/26 Tuesday | | | | | |
| 4:55 | Germany | Unemployment Rate | jun/26 | - | 0,1 |
| 8:30 | Brazil | Fiscal Policy Statistics | mai/26 | - | 24,6 |
| 9:00 | Germany | Harmonized CPI (MoM) | jun/26 | - | 0,0 |
| 11:00 | US | Consumer Confidence | jun/26 | 94,3 | 93,1 |
| 11:00 | US | JOLTS | mai/26 | 7275k | 7618k |
| 11:30 | US | Dallas Fed Non-Manufacturing Survey | jun/26 | - | -7,7 |
| 22:45 | China | PMI Manufacturing | jun/26 | 51,9 | 51,8 |
| - | Brazil | Formal Job Creation | mai/26 | 140k | 85k |
| 06/24/26 Wednesday | | | | | |
| 6:00 | Eurozone | CPI (YoY) | jun/26 | - | 3,20% |
| 6:00 | Eurozone | Core CPI (YoY) | jun/26 | - | 2,60% |
| 9:15 | US | ADP | jun/26 | 110k | 122k |
| 10:30 | US | Speech by Kevin Warsh (presidente do Fed) | - | - | - |
| 10:45 | US | PMI Manufacturing | jun/26 | - | - |
| 11:00 | US | ISM Manufacturing | jun/26 | 53,9 | 54 |
| 14:30 | Brazil | Weekly FX Flow | jun/26 | - | - |
| 06/25/26 Thursday | | | | | |
| 6:00 | Eurozone | Unemployment Rate | mai/26 | - | 6,30% |
| 9:30 | US | Payroll | jun/26 | 118k | 172k |
| 9:30 | US | Average Hourly Earning (MoM) | jun/26 | 0,30% | 0,30% |
| 9:30 | US | Unemployment Rate | jun/26 | - | 4,30% |
| 9:30 | US | Initial Jobless Claims | jun/26 | - | - |
| 22:45 | China | PMI Composite | jun/26 | - | 54 |
| 06/26/26 Friday | | | | | |
| - | US | National Holiday | - | - | - |
| 5:00 | Eurozone | PMI Composite | jun/26 | - | 49,5 |
| 9:00 | Brazil | Industrial Production (MoM) | mai/26 | 0,30% | 0,70% |
| 15:00 | Brazil | Monthly Trade Balance | jun/2026 | 10,5 | 7,8 |

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 | 1,9 |
| 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 | 5,2 |
| Selic Rate (end of period, %) | 4,50 | 2,00 | 9,25 | 13,75 | 11,75 | 12,25 | 15,00 | 14,0 |
| 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 | 2,3 |
| United States - PCE (%) | 1,4 | 1,1 | 4,1 | 6,6 | 3,8 | 2,5 | 2,9 | 3,1 |
| 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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