10/30/2026

# We expect the Copom to keep the Selic rate unchanged at its upcoming meetings

## Highlights

**The deterioration in fiscal risk following the election outcome has significantly altered the outlook for Brazilian monetary policy.** Although the election outcome has reduced some political uncertainty, significant doubts remain regarding the ability to implement measures that would ensure a sustainable public debt trajectory. The absence of more concrete signals regarding fiscal consolidation is likely to keep risk premiums elevated, particularly amid greater budget rigidity and limited room for expenditure adjustments. Against this backdrop, perceptions of increased fiscal vulnerability have begun to exert a more significant influence on domestic asset prices and expectations for key macroeconomic variables.

**The deterioration in financial conditions has prompted a significant revision to our exchange rate assumptions. We now expect the exchange rate to stand near BRL 5.40 per US dollar at the end of both 2026 and 2027, compared with our previous forecast of BRL 4.90.** This revision primarily reflects the incorporation of a higher domestic risk premium and a less favorable outlook for the Brazilian real over the forecast horizon. Although external factors remain relevant to exchange rate dynamics, we believe that the evolution of fiscal expectations and investor confidence in economic policymaking will play an increasingly important role in determining the trajectory of the Brazilian currency.

**Against this backdrop, currency depreciation adds significant inflationary pressures to the outlook.** Exchange rate pass-through to domestic prices tends to occur gradually, initially affecting tradable goods and components more sensitive to international prices, but also generating indirect effects on production costs and price-setting across the economy. **In light of this scenario, we have revised our IPCA inflation forecast for 2027 to 4.7% and now project inflation of 4.0% in 2028.** Beyond the direct impact on inflation, we believe that the deterioration in fiscal perceptions increases the risks surrounding inflation expectations. Persistently elevated risk premiums could hinder the reanchoring process, particularly if economic agents begin to incorporate a scenario of prolonged fiscal vulnerability into their expectations, making inflation convergence to the target more challenging over the monetary policy horizon.

**The gradual slowdown in economic activity, although supportive of disinflation, has become insufficient to offset the deterioration in the balance of risks.** Recent indicators continue to point to a moderation in the Brazilian economy, consistent with the lagged effects of restrictive monetary policy. Weaker momentum in sectors more sensitive to credit conditions and softer domestic demand should contribute to easing inflationary pressures over the medium term. However, we believe these effects may be partially offset by exchange rate pass-through and the greater persistence of inflation expectations above the target, limiting the scope for further monetary easing.

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**Therefore, the new macroeconomic environment significantly reduces the Central Bank's room for maneuver and calls for greater caution in the conduct of monetary policy.** In this context, we expect the Copom to place greater emphasis on preserving monetary policy credibility and ensuring inflation convergence to the target, even amid signs of moderating economic activity. **Accordingly, we now expect the Selic rate to remain unchanged at the upcoming Copom meetings, interrupting the ongoing monetary easing cycle.** In our assessment, the Central Bank is likely to adopt a more cautious stance, awaiting greater clarity on the fiscal outlook, stabilization in financial conditions, and developments in inflation expectations before considering further adjustments to the policy rate. The interruption of the easing cycle does not necessarily imply its definitive end, but rather reflects the need to reassess the appropriate timing of additional rate cuts in light of a more adverse balance of risks.

**The Copom's communication is likely to reflect heightened uncertainty surrounding the outlook while preserving flexibility for future decisions.** The absence of explicit forward guidance regarding the next moves in the Selic rate would be consistent with a more data-dependent approach, allowing the Central Bank to assess developments in inflation forecasts, expectations, and fiscal risks before resuming monetary easing. The resumption of rate cuts will depend primarily on an improvement in fiscal risk perceptions and more consistent signs of inflation convergence to the target. A potential stabilization in financial conditions, accompanied by greater clarity regarding fiscal policy, could contribute to a partial reversal of exchange rate pressures and the reanchoring of inflation expectations, reopening room for further Selic rate cuts. Conversely, the persistence of heightened fiscal uncertainty, combined with renewed inflationary pressures, could extend the period during which the policy rate remains unchanged.

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## Economic Calendar

In Brazil, the week will be marked by the Copom's monetary policy decision, for which we expect the Selic rate to remain unchanged at 13.75% p.a. On the activity front, we forecast a 0.8% MoM decline in industrial production in September, while in the labor market, we expect the creation of 181,000 formal jobs according to CAGED data.

On the international front, the main highlights will be the U.S. midterm elections, along with the release of the ISM indices, the JOLTS report, and the October nonfarm payrolls report. In the Euro Area, the focus will be on the preliminary October inflation figures, while in China, the services PMI will be released.

| Date | Country | Event | Period | Survey | Buysidebrazil | Prior |
|---|---|---|---|---|---|---|
| **02/11/26** | **Monday** | | | | | |
| | Brazil | National Holiday | - | - | | - |
| 4:00 | Germany | Retail Sales (MoM) | set/26 | 0.5 | | 1.3 |
| 12:00 | USA | ISM Manufacturing PMI | out/26 | 54.7 | | 54.5 |
| 12:00 | USA | Construction Spending (MoM) | set/26 | 0.6 | | 0.9 |
| **03/11/26** | **Tuesday** | | | | | |
| 8:30 | Brazil | Central Bank Weekly Economist Survey (Focus) | - | - | | - |
| 12:00 | USA | **JOLTS Job Openings** | set/26 | 7.10M | | 7.079M |
| 12:00 | USA | Factory Orders (MoM) | set/26 | 1.1 | | 0.1 |
| 22:45 | China | Caixin Services PMI | out/26 | 51.5 | | 51.6 |
| | USA | **Midterm Elections** | - | - | | - |
| **04/11/26** | **Wednesday** | | | | | |
| 7:00 | Euroarea | Inflation Rate (MoM) | out/26 | 0.2 | | 0.6 |
| 10:15 | USA | **ADP Employment Change** | out/26 | 69k | | 90k |
| 10:30 | USA | Balance of Trade | set/26 | - | | US$-105.6B |
| 12:00 | USA | **ISM Services** | out/26 | 54.8 | | 54.9 |
| 14:30 | Brazil | **Formal Job Creation (CAGED)** | set/26 | 182k | 181k | 165.83k |
| 18:30 | Brazil | **Copom Monetary Policy Decision** | - | 13.75% | 13.75% | 13.75% |
| 20:50 | Japan | BoJ Meeting Minutes | - | - | | - |
| **05/11/26** | **Thursday** | | | | | |
| 4:00 | Germany | Factory Orders (MoM) | set/26 | 3.6 | | -10.6 |
| 7:00 | Euroarea | PPI (MoM) | set/26 | 1.1 | | 1.9 |
| 9:00 | Brazil | **Industrial Production (MoM)** | set/26 | -0.3 | -0.8 | -0.6 |
| 10:30 | USA | Initial Jobless Claims | out/26 | 195k | | 194k |
| **06/11/26** | **Friday** | | | | | |
| 4:00 | Germany | Industrial Production (MoM) | set/26 | 0.5 | | 2.0 |
| 7:00 | Euroarea | Retail Sales (MoM) | set/26 | 0.3 | | 0.1 |
| 10:30 | USA | **Payroll** | out/26 | 60k | | 29k |
| 10:30 | USA | Unemployment Rate | out/26 | 4.2 | | 4.2 |
| 10:30 | USA | Average Hourly Earnings (MoM) | out/26 | 0.2 | | 0.1 |
| 12:00 | USA | Michigan Consumer Sentiment (Prel) | nov/26 | 47.0 | | 48.0 |
| 15:00 | Brazil | Balance of Trade | out/26 | US$9.0B | | US$7.74B |

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| Macroeconomic projections | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| Brazil GDP (%) | -3,3 | 4,8 | 3,0 | 2,9 | 3,4 | 2,3 | 1,8 | 1,3 |
| Unemployment Rate (average, %) | 13,8 | 13,2 | 9,3 | 8,0 | 6,6 | 5,6 | 5,5 | 6,0 |
| IPCA (Consumer Price Index) (%) | 4,5 | 10,1 | 5,8 | 4,6 | 4,8 | 4,3 | 5,1 | 4,7 |
| Selic Rate (end of period, %) | 2,00 | 9,25 | 13,75 | 11,75 | 12,25 | 15,00 | 13,75 | 13,75 |
| Exchange Rate (end of period, R$/US$) | 5,20 | 5,58 | 5,22 | 4,84 | 6,19 | 5,50 | 5,40 | 5,40 |
| Current Account Transactions (US$ billion) | -28,2 | -46,4 | -53,6 | -28,6 | -66,2 | -68,8 | -53,3 | -52,0 |
| Current Account Transactions (% of GDP) | -1,7 | -2,9 | -2,8 | -1,4 | -3,0 | -3,0 | -2,0 | -1,9 |
| Trade Balance - BCB (US$ billion) | 32,4 | 36,4 | 44,2 | 80,5 | 66,2 | 60,0 | 83,8 | 85,0 |
| Foreign Direct Investment (US$ billion) | 37,8 | 46,4 | 87,2 | 62,0 | 71,1 | 77,7 | 85,0 | 80,0 |
| Foreign Direct Investment (% of GDP) | 2,6 | 2,8 | 4,5 | 2,8 | 3,2 | 3,4 | 3,2 | 3,0 |
| Primary Result of the Central Government (% of GDP) | -9,8 | -0,4 | 0,5 | -2,3 | -0,4 | -0,4 | -0,4 | -0,4 |
| Gross Public Debt (% of GDP) | 86,9 | 77,3 | 71,7 | 74,3 | 76,1 | 78,7 | 83,7 | 87,3 |
| United States - GDP (%) | -2,2 | 6,1 | 2,5 | 2,9 | 2,8 | 2,2 | 2,2 | 2,1 |
| United States - PCE (%) | 1,1 | 4,1 | 6,6 | 3,8 | 2,5 | 2,9 | 3,6 | 2,6 |
| United States - Fed Funds Rate (end of period, %) | 0,3 | 0,3 | 4,0 | 5,5 | 4,5 | 3,75 | 4,25 | 4,50 |

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