11/13/2026

Inflation Delivers an Upside Surprise, Copom Communication Introduces a Slightly More Dovish Nuance, and PLP 299/2026 Is Expected to Enable Compliance with the 2027 Fiscal Target

Highlights

In the domestic inflation scenario, October's IPCA came in below expectations, with a more favorable composition than anticipated. The index rose 0.14% MoM, below our forecast of 0.26% and the market median of 0.25%, slowing from the 0.82% increase recorded in September. Over 12 months, inflation edged up from 4.58% to 4.63%, reflecting base effects. The positive surprise was concentrated mainly in administered prices, particularly the decline in gasoline prices (-0.56%), but underlying components also came in more favorably. The average of core inflation measures slowed from 0.36% to 0.22% MoM, below our forecast of 0.31%, with favorable contributions from services and industrial goods. Despite the improvement in the composition, a significant part of the result reflected one-off factors, so the data are not yet sufficient to indicate a sustained change in the inflation trend.

Regarding economic activity, retail and services data reinforce the perception of a gradual loss of momentum, despite some positive results at the margin. The restricted retail sales index (PMC) rose 0.2% in September, above both our forecast and the market median, which stood at -0.2%. However, the result was driven mainly by the information technology segment, while categories more sensitive to income and credit continued to contract. The broad retail sales index also increased by 0.2%, reflecting the positive contribution from IT, which partially offset weakness in vehicles and building materials.

In the same direction, the services volume index (PMS) fell 0.1% in September, marking its second consecutive monthly decline. Although the result was above the market median of -0.4%, it came in slightly below our forecast of no change. Taken together, the indicators reinforce the view of slowing economic activity, particularly in segments more dependent on credit conditions and household income, reflecting tighter financial conditions and weakening consumption momentum.

In monetary policy, the minutes of the November Copom meeting struck a slightly more dovish tone than the statement, while maintaining the assessment that the inflation outlook has deteriorated. The main highlight was the acknowledgment that a sharper slowdown in demand, with projected growth below potential, could limit the pass-through of supply shocks to inflation and reduce the risk of more persistent second-round effects. The Committee identified pressures associated with oil prices, the climate effects of El Niño, the potential impact of ending the 6x1 work schedule on labor costs, and currency depreciation. At the same time, it acknowledged that domestic activity has been losing momentum, especially in more cyclical and credit-sensitive sectors, and that persistently high interest rates on non-earmarked credit have contributed to weakening aggregate demand. In the labor market, despite continued resilience, the Committee also recognized signs of marginal cooling.

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AIn our assessment, the communication indicates that the current degree of monetary restriction is likely to be maintained for an extended period, allowing the lagged effects of monetary policy to continue weighing on activity and inflation. We see no indication of a resumption of the tightening cycle at this point and maintain our expectation that the Selic rate will remain at 13.75% at the next meetings.

On the fiscal front, PLP 299 is a welcome measure that creates conditions for achieving a positive primary balance in 2027, but it does not resolve the structural dynamics of public finances. We estimate that the package could generate up to BRL 39.1 billion in gross gains next year. Of this amount, approximately BRL 14.1 billion would come from permanent revenue measures, mainly the additional reduction in tax benefits and the REIDI cap. The remaining BRL 25 billion is associated with the 2.0% real spending growth limit and restrictions on tax compensation claims, mechanisms conditional on the activation of spending freezes. After accounting for revenue sharing with states and municipalities and the staggered implementation of the measures, we estimate a net impact of approximately BRL 28 billion for the federal government. If spending freezes are not triggered, the net effect would be close to BRL 7 billion. In our assessment, the package improves the prospects of meeting the 2027 target and represents an adjustment that is likely to be less detrimental to economic activity. However, it does not provide a clear signal of medium- and long-term fiscal sustainability, as it does not address the trajectory of expenditure growth or the intertemporal dynamics of public accounts. This limitation helps explain why the measure's approval, despite being positive, did not trigger a more significant market reaction.

I**n the international scenario, US inflation data showed a slowdown in headline inflation, while underlying pressures remained relatively stable.** The CPI rose 0.35% in October, following a 0.65% increase in September, mainly reflecting weaker energy prices. Core inflation slowed from 0.33% to 0.30%, remaining close to this level for the third consecutive month. Services inflation remained elevated, particularly in transportation and recreation, while housing inflation moderated. Among goods, some categories accelerated, but lower used-car prices helped contain the core index. The result provides some relief on headline inflation but does not significantly change the assessment that underlying pressures remain persistent. Against this backdrop, we maintain our expectation of a 25-basis-point rate hike at the Fed's December meeting, in line with recent signals from policymakers.

Also in the international scenario, China's producer price data pointed to intensifying cost pressures along the industrial supply chain. The PPI accelerated from 5.0% to 5.7% in October, while prices paid by producers for industrial inputs (PPIRM) rose from 6.9% to 7.9% over 12 months. Pressures remain concentrated in production goods, particularly mining and raw materials, reflecting higher commodity and industrial input prices. Fuel and energy, as well as chemical products, also recorded significant acceleration. By contrast, consumer goods prices remained in deflation, down 0.1% YoY. The gap between input cost inflation and factory-gate prices suggests pressure on industrial margins if cost increases are not fully passed through.

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Economic Calendar

IThe week begins with the release of the September IBC-Br, which is expected to show a 0.2% contraction in economic activity, following the 0.3% increase recorded in August. If confirmed, the result would bring growth over the 12-month period to 1.46%.

Abroad, the focus will be on China's activity data, with the release of October industrial production and retail sales figures, which are important for assessing the pace of the Chinese economic recovery.

In the United States, attention will also turn to October retail sales and industrial production data, as well as the minutes of the latest FOMC meeting, which may provide further indications of the Federal Reserve's assessment of economic activity and the interest rate outlook.

Date	Country	Event	Period	Survey	Buyside brazil	Prior
16/11/26	**Monday**					
	China	Industrial Production (YoY) [Sun 15/11]	out/26	5.3		5.5
	China	Retail Sales (YoY) [Sun 15/11]	out/26	0.8		1.1
	China	Fixed Asset Investment (YTD, YoY) [Sun 15/11]	out/26	-7.0		-7.2
	China	Unemployment Rate [Sun 15/11]	out/26	5.2		5.2
	Japan	GDP Growth Rate (QoQ, Prel) [Sun 15/11]	3T26	0.1		0.4
	Japan	GDP Growth Annualized (Prel) [Sun 15/11]	3T26	0.3		1.4
7:00	Euroarea	Industrial Production (MoM)	set/26	0.6		-0.5
8:00	Brazil	IGP-10 (MoM) — FGV	nov/26	1.0		1.76
8:00	Brazil	Labor Market Survey (FGV)	out/26			
8:30	Brazil	Central Bank Weekly Economist Survey (Focus)	-			
9:00	Brazil	IBC-Br Economic Activity (MoM)	set/26	-0.1	-0.2	0.3
10:30	USA	NY Empire State Manufacturing Index	nov/26	10		25.5

Date	Country	Event	Period	Survey	Buyside brazil	Prior
17/11/26	**Tuesday**					
7:00	Germany	ZEW Economic Sentiment Index	nov/26	29		28.1
10:30	USA	Retail Sales (MoM)	out/26	0		0.8
10:30	USA	Retail Sales Ex Autos (MoM)	out/26	0.4		0.9
11:15	USA	Industrial Production (MoM)	out/26	0.1		0.7
20:50	Japan	Balance of Trade (¥) [Wed 18/11]	out/26	¥-956B		¥-536.6B

Date	Country	Event	Period	Survey	Buyside brazil	Prior
18/11/26	**Wednesday**					
7:00	Euroarea	Inflation Rate (YoY, Final)	out/26	4.0		3.8
7:00	Euroarea	Core Inflation Rate (YoY, Final)	out/26	2.5		2.5
10:15	Brazil	GDP Monitor (FGV)	set/26			
10:30	USA	Housing Starts	out/26	1.23M		1.221M
10:30	USA	Building Permits (Prel)	out/26	1.36M		1.398M
16:00	USA	FOMC Minutes	-			
20:50	Japan	Machinery Orders (MoM) [Thu 19/11]	set/26	-0.5		5.2

Date	Country	Event	Period	Survey	Buyside brazil	Prior
19/11/26	**Thursday**					
10:30	USA	Initial Jobless Claims	nov/26	200k		200k
10:30	USA	Philadelphia Fed Manufacturing Index	nov/26	19		20.9
	Brazil	National Monetary Council (CMN) Meeting	-			
20:30	Japan	Inflation Rate (YoY) [Fri 20/11]	out/26	2.0		2.1
20:30	Japan	Core Inflation Rate (YoY) [Fri 20/11]	out/26	2.3		2.1
22:15	China	Loan Prime Rate 1Y [Fri 20/11]	-	3.0%		3.0%
22:15	China	Loan Prime Rate 5Y [Fri 20/11]	-	3.5%		3.5%

Date	Country	Event	Period	Survey	Buyside brazil	Prior
20/11/26	**Friday**					
4:00	Germany	PPI (MoM)	out/26	0.5		1.9
4:00	Germany	PPI (YoY)	out/26	7.1		6.7
7:00	Euroarea	Negotiated Wage Growth	3T26	2.4		2.44
12:00	Euroarea	Consumer Confidence (Flash)	nov/26	-17.3		-17.9
12:00	USA	Michigan Consumer Sentiment (Final)	nov/26			48.0
12:00	USA	Michigan Inflation Expectations (Final)	nov/26			4.7

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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	1,7	1,0
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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