MNI Brazil Central Bank Preview: December 2025

Monetary policy decision and Copom statement release: 2130GMT / 1630ET, Wednesday December 10, 2025

MNI POV: Guidance in Focus as Policy Shift Nears

The Copom is widely expected to leave the Selic rate unchanged at 15.00% for a fourth successive meeting on Wednesday, as it remains cautious amid unanchored inflation expectations. However, the very restrictive stance appears to be having the desired effect, with inflation and inflation expectations now declining and economic activity softening. As such, focus will be on the forward guidance and any signals that the Copom is opening the door to a rate cut early next year. This could include removing the tightening reference, which could provide immediate optionality to the committee.

Board Member Rhetoric Errs on Side of Caution

Despite the continued moderation of inflation and softening of economic activity, BCB Governor Gabriel Galipolo has pushed back a little on hopes for a near-term interest rate cut following benign IPCA inflation figures, saying recently that he doesn't see any data that promote a change of direction. The central bank, he said, remains vigilant and cautious, and the new data continue to show what is expected, that monetary policy is working, but very slowly. Galipolo also reiterated that the BCB would like for inflation to converge to the target at a faster pace, and that the policy rate will be kept at the necessary level for the necessary time to hit the inflation target.

Amid ongoing uncertainty about the lagged effect of US tariffs, Galipolo's comments suggest that he remains cautious on rate cut prospects for now, despite the recent return of inflation to the target range ceiling. Unanchored inflation expectations remain a concern for him and the rest of the monetary policy committee, and he continues to emphasise the resilience of economic activity, despite recent signs of a loss of momentum.

Galipolo's remarks contrast with BCB monetary policy director Nilton David's slightly softer tone recently, who said that a rate hike is no longer the base case for the BCB. David said that the central bank is waiting for the data to converge with the outlook, noting that if it is successful, then the next move in rates would be down, the question is when. Despite this, David still sounded cautious on the inflation backdrop and said that the job is not yet done. Overall, these latest remarks suggest that the Copom members maintain a cautious stance for now, even as they edge towards considering a start to a monetary policy easing cycle in the near future.

Flavio Bolsonaro Provides Late Curve Ball, USDBRL Surges

The Brazilian real came under sharp pressure late last week amid the reports that Flavio Bolsonaro would be former President Jair Bolsonaro's preferred candidate for the 2026 election. If so, this would appear to end the prospects for an election run by market favourite Sao Paulo Governor Tarcísio de Freitas. USDBRL rose roughly 3% on the news, while the belly of the DI curve shifted around 50bps higher, significant moves that potentially throw a late curve ball to the BCB board.

Additional reports that President Lula won't submit his nominees to replace BCB board members Diogo Guillen and Renato Gomes (whose terms finish at year-end) until next year may have added to negative sentiment, clouding the short-term outlook for Brazilian assets further.

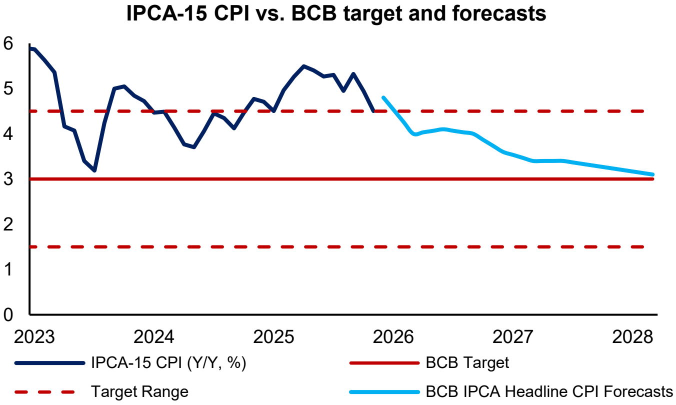
Latest USDBRL Spike Emphasises Sensitivity to Election

Source: MNI/Bloomberg Finance L.P

The latest move for the currency has bolstered the 5.27-5.30 area as a key support zone for USDBRL. The rapid surge to 7-week highs emphasises the sensitivity of the currency as we approach an election year and is a short-term bullish development. A stronger recovery would expose key resistance at 5.5214, the October 10 high. Positioning dynamics have the potential to exacerbate the BRL selloff, given its attractive carry profile that has assisted a 12% rally against the dollar this year.

Inflation Back at Target Range Ceiling

The return of IPCA inflation to the top of the BCB's target range in the first half of November, for the first time since January, is another step towards the start of an easing cycle in the coming months. Headline inflation fell to 4.50% y/y, from 4.94% previously, supported by a further moderation in food inflation as it continues to normalise following last year's drought. Pressures in the transport and housing sectors also eased amid a drop in fuel and residential electricity costs. Within the core components, core goods inflation remained contained, helped by the strong BRL. However, core services inflation remained elevated, underpinning the BCB cautious stance for now. The Copom will also see full month IPCA data for November just ahead of its interest rate decision on Wednesday, with analysts expecting the headline rate to edge lower still.



Source: MNI/Bloomberg Finance L.P

In addition, analyst inflation expectations have also continued to decline over the last month. According to the BCB Focus survey of economists, CPI inflation is now expected to end this year at 4.40%, down from 4.55% ahead of the previous Copom meeting in November and 4.83% in September. 2026 CPI expectations have also edged lower, with the year-end estimate now sitting at 4.16%, as compared to 4.20% last month and 4.30% in September. Meanwhile, longer-term estimates have remained stable, with the end-2027 forecast holding at 3.80% and the end-2028 estimate at 3.50%. The fact that longer-term estimates remain above the 3% target likely keeps the prospect of a rate cut this week off the agenda. However, the significant decline in near-term estimates over recent months does open the door for the Copom to soften its tone on Wednesday, perhaps by dropping its language of being ready to resume rate hikes if necessary, and adopting a more data dependent stance. Speaking to MNI recently, former BCB deputy governor for monetary policy Luiz Fernando Figueiredo said that he expects the BCB to begin its easing cycle with a 25bp cut in January, although it could postpone that until March if the data are unfavourable. (See MNI Policy Team Insights below.)

Labour Market Remains Tight Despite Economic Slowdown

Latest data also show that the very restrictive monetary policy stance is also having the desired effect on economic activity. In the third quarter, the economy grew by just 0.1% q/q, following a modest 0.3% q/q expansion in Q2 and 1.5% in Q1. On an annual basis, real GDP growth slowed to 1.8% y/y in Q3, down from 2.4% previously, the slowest pace since Q1 2022. The smaller-than-expected increase was due to a slowdown in the service sector, where activity rose by just 0.1% q/q. Elsewhere, agriculture rebounded slightly from a weak Q2, while industrial output picked up, aided by a recovery in mining. Manufacturing activity, however, remained weak. By expenditure, consumer spending continued to slow, as did investment spending growth, despite a slight rebound over the quarter. As expected, net exports made a positive contribution to growth. Despite the slowdown, analysts' GDP forecasts have held up well, with the forecast for this year even ticking up to 2.25% (from 2.16% last month), according to the latest BCB Focus survey, while the 2026 GDP estimate has remained steady around 1.80% (vs. 1.78% previously).

Meanwhile, latest labour market data have been mixed. Despite the moderation in activity, the labour market remains tight, with the unemployment rate ticking down to a fresh cycle low of 5.4% last month. On the other hand, the latest jobs report revealed a slowdown in formal job creation in October, to its lowest level since March. Overall, the data suggest some softening of the labour market, but less than expected, with BCB officials noting that the labour market has been slow to react to changes in monetary policy. This suggests that the Copom will be cautious in relaxing its tight stance too quickly, opting to take more time to assess the incoming data before deciding on a possible first rate cut early in the new year. Once it starts cutting, however, the Copom is expected to ramp up the easing pace, with analysts expecting the Selic rate to fall to 12.25% by the end of next year.

MNI Brazil Central Bank Data Watch List												
Inflation		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
CPI	% y/y	4.7	5.2	↓	5.5	↓					-0.07
Core CPI	% m/m	0.3	0.3	↑	0.5	↓					-0.65
Oil Price (WTI Active)	$	60.08	62.70	↓	58.14	↑					-0.73
Economic Activity		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
PMI Manufacturing	Index	48.8	47.7	↑	49.4	↓					-0.92
GDP	% q/q	0.1	-0.1	↑	0.8	↓					-0.86
Industrial Man Prod	% y/y	-0.5	0.3	↓	-0.5	→					-0.68
Economic Activity IGAE	% y/y	1.98	1.33	↑	3.85	↓					-0.32
Monetary Analysis		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
M2 Money Supply	% y/y	7191.4	7014.9	↑	6778.0	↑					1.62
Non-Fin Corp Credit	% y/y	179.6	176.5	↑	166.4	↑					1.16
Household Credit	% y/y	36.6	35.2	↑	34.3	↑					1.37
Consumer / Labour Market		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Retail Sales	% m/m	-0.3	-0.1	↓	0.7	↓					-0.03
Consumer Confidence (Q)	Index	89.8	86.2	↑	86.7	↑					1.78
Unemployment Rate	%	5.4	5.6	↓	6.6	↓					-1.01
Markets		**Current**	**3m ago**	**3m Chg**	**6m ago**	**6m Chg**	**2Y History**	**Hit / Miss**	**Vs Trend**	**Surprise Index**	**Z-Score**
Ibovespa	Index	157,369	141,422	↑	137,027	↑					1.91
Jan 2034 DI Swap Rate	%	13.57	13.69	↓	13.77	↓					-1.61

Note: For quarterly data the 3m ago column will display the previous data point and the 6m ago column will display the data point prior to that.
Source: MNI, Bloomberg

Analyst Views (Alphabetical Order)

All 23 analysts in the latest Bloomberg survey expect the Copom to remain on hold at 15.00% this week.

BBVA: Softening of Hawkish Tone Could Hint Toward Easing Early Next Year

- Brazil’s Copom is likely to unanimously keep rates on hold at 15.00% this week, with a further softening of the hawkish tone on lower inflation and economic activity that could be the first hint towards easing in early 2026. Indeed, right before the bank’s decision, the IPCA is likely to show annual inflation decelerating to 4.5% y/y in November, from 4.7% in October, and sustained decelerating signals in some of the core measures in goods and potentially also in services

BNY Mellon: Copom can Wait for FOMC Decision Before Taking Firmer View

- Another hold is the base case for the Copom. The real rate buffer in Latin America is likely to remain dominant heading into 2026, and the latest OECD forecasts point to a much-improved inflation outlook that should generate sufficient policy space.
- As is often the case, the Copom can wait for the FOMC decision before taking a firmer view, and the consensus around looser US financial conditions should help limit pressure on the real. It remains to be seen if tariff adjustments in the US have shifted the underlying policy outlook.

BofA: Expect Copom to Reaffirm Data Dependency, Implicitly Signal Possible Jan Rate Cut

- BofA expects the Copom to keep rates unchanged at 15.0%. They expect the board to reaffirm data dependency, although with a more dovish tone, implicitly signalling that the cutting cycle could begin in the January's meeting.

Goldman Sachs: Reference to Rate Hikes May be Dropped, But No Clear Dovish Signal Expected

- Goldman Sachs expects the Copom to leave the Selic unchanged at 15.00% in a unanimous decision. With regard to the forward guidance, the Copom may drop the reference that it will “not hesitate to resume the hiking cycle if appropriate” and add language to indicate that the policy stance has already been restrictive for a reasonable long period of time and is operating as expected (i.e., the mechanisms of transmission are working).

- However, GS expects the Copom to shy away from any clearly dovish signal. The FX and rates market reaction on Friday (Dec 5) to the announcement that Senator Flavio Bolsonaro has been chosen by former president Bolsonaro to run in the presidential election (to the detriment of São Paulo Governor Tarcisio de Freitas) could make the central bank even more conservative and cautious in its communication.
- A backdrop of high above-target inflation, still unanchored short- and medium-term inflation expectations despite modest/slow improvement at the margin, inflation forecasts above the target throughout the entire relevant horizon, a positive output gap, and resilient labour market is consistent with keeping the Selic at a restrictive 15.00% with hawkish guidance.
- Nevertheless, GS expects the Copom to acknowledge the moderation of real activity, and some mild improvement of inflation expectations and the overall inflation backdrop, though not at the pace required for the Copom to pivot into rate normalisation.

Itaú (November 13): Base Case Still for January Cut, Risks Tilted Towards Later Start

- Itaú maintain their expectation for the start of the easing cycle in January 2026, with a 0.25pp cut, taking the Selic rate to 12.75% p.a. over the year.
- The Central Bank's model should show inflation closer to the target over the relevant horizon at the January meeting, allowing for the start of a gradual monetary easing. For this to occur, however, additional adjustments to the committee's communication will be necessary at the December meeting, eliminating the passage in which the Copom states that "it will not hesitate to resume the tightening cycle, if deemed appropriate" and qualifying at what stage the aforementioned "quite prolonged period" finds itself.
- The risk, albeit slightly lower at the margin, remains tilted towards delaying the start of the easing cycle. Stronger growth, prompting a further upward revision to the output gap, or a labour market that continues to surprise with its resilience, or even a more conservative stance from the central bank could postpone the start of rate cuts.

JP Morgan: Shift to Data Dependent Stance Would Open Door to Q1 Rate Cut

- The Copom is broadly expected to keep the policy rate at 15%. JP Morgan does not anticipate any clear guidance, but they do expect the BCB to open the door for a cut in the first quarter by shifting its message from 'high for long' to 'data dependent.'
- Removing the wording about “maintaining the interest rate at its current level for a very prolonged period” appears to be a necessary condition for the BCB to begin signalling the timing of an eventual easing cycle early next year. However, simply modifying this message is likely insufficient to guarantee that easing will start at the first meeting of next year; the data will need to support the case for a January cut.
- JPM expects the incoming data to be mixed, with improvements on the inflation front offset by an acceleration in economic growth relative to a weak 3Q25. Along with a transition at the BCB at the turn of the year, these factors make it slightly more likely that the BCB will wait until the March meeting to start the easing cycle.

Natixis: Rising Probability of a Cut in January

- The moderation of inflation and the slowdown of the economy increase the probability of a cut in January. The IPCA for October came in at 4.68%, while the IPCA-15 for the same month moderated even further to 4.5%, marking the lowest level since October 2024. Analysing average core inflation measures reveals a notable decrease to 4.71% in October, down from 4.95% in September.
- Natixis believes this downward trend in inflation could have significant implications for monetary policy. In the Copom meeting this week, they expect the BCB to maintain the Selic rate at 15.00%. However, there is a strong possibility that it will indicate the imminent start of a cutting cycle in the forward-guidance paragraph.
- While Natixis continues to forecast the first rate cut in March 2026, they acknowledge the growing likelihood of a 25bp cut as early as January, particularly because growth is also slowing.

Scotiabank: Within-Target CPI Inflation Print Would Tee Up Q1 26 Rate Cut

- The BCB is unanimously expected to keep the Selic rate at 15% on Wednesday, amid resilient services inflation and persistently elevated inflation expectations. While economic growth slowed to +0.1% q/q in Q3, upside risks to inflation remain significant, driven by sticky services prices.

- As a result, the bank is likely to maintain its current stance until it observes a clear deceleration in inflation and/or a more pronounced domestic slowdown. A within-target CPI inflation print this week would help it deliver a message that tees up the start of rate cuts at some point in 1Q26.

SocGen: Expect BCB to Signal that Easing is Imminent

- The BCB is likely to maintain the pause in December. In November, the BCB only moderated its hawkish tone slightly, suggesting that while further rate hikes are off the table, it is not considering a cut in December. The key question for the BCB is whether the recent moderation in inflation expectations will continue and if the inflation outlook is now sufficiently favourable to begin discussions on an easing cycle.
- Any hint of premature easing would likely be poorly received by the market, as evidenced in 2023-1H24. Unresolved fiscal issues and the risk of renewed market concerns about a weak fiscal and debt outlook could challenge the BCB, despite recent successes in curbing inflation. The tight labour market is also an immediate reason for the BCB to remain vigilant.
- Nonetheless, current nominal and real interest rates are unsustainable. SocGen expects the BCB to signal that easing is imminent, with the first rate cut likely to occur in either January or March. A combination of easing inflation expectations, weaker growth, and a more accommodative Federal Reserve will prompt the BCB to start discussing rate cuts in upcoming meetings, likely resulting in the first cut in 1Q26 (with a somewhat higher probability for January than March).
- SocGen anticipates 50bp of rate cuts in 1Q26 and a total of 275bp in cuts during 2026 (bringing the Selic rate to 12.25%), followed by another 275bp in cuts over 2027–28 (to 9.5%). However, the fiscal outlook—both surrounding and following the 2026 general elections—will be crucial to the BCB's Selic rate decisions in the second half of 2026 and beyond.

XP Investments: Project Start to Easing Cycle in March

- XP believes that the Copom will maintain the Selic rate at 15.00%, signalling that it is not yet the time for easing. In their official communications, Copom members have argued that the inflationary scenario has improved, but more gradually and less intensely than expected. In XP's view, this week's post-decision statement will convey a similar message.
- XP continues to project the start of the interest rate cut cycle in March (with the risk of an earlier reduction in January). They forecast six consecutive cuts of 0.50 percentage points until the Selic rate reaches 12.00%. In real terms, the interest rate would be around 7.5% – above what we consider the neutral level – reflecting the expected fiscal challenges for the next presidential term.
- Fiscal reforms are fundamental for further cuts. For the Selic rate to approach its neutral level – around 5.5% in real terms, according to XP's estimates – it will be necessary to implement reforms that slow the pace of growth in government spending. Without such measures, the increase in public debt could reignite the debate about fiscal dominance, as happened at the end of last year.

MNI Policy Team Insights

MNI EM INTERVIEW: BCB To Start Cuts In January - Figueiredo

By Larissa Garcia
Nov 28, 2025

The Central Bank of Brazil is likely to begin its easing cycle by cutting 25 basis points in January, though it could postpone to March if data is unfavorable, former BCB deputy governor for monetary policy Luiz Fernando Figueiredo told MNI.

"In my view, the BCB will likely start cutting in January. The central bank will have a very good amount of data to make a decision. If it doesn't happen in January, the start of the rate-cutting process shouldn't go beyond March," he said in an interview.

Figueiredo pointed to moderating economic data, suggesting that demand is cooling, which would support the case for central bank action.

"We have also seen credit calming down. In the last few months, we have seen downside surprises in current inflation, and inflation expectations settling," he said.

Price and other economic data needs to continue to moderate for the central bank to act, he said. "And I think it will."

50BP CUT NOT LIKELY

Figueiredo stressed that the Copom should begin cutting rates gradually, with 25 points, and would only cut aggressively, by 50 basis points, if it waited until March to start and felt it was behind the curve.

"Let’s see how this new central bank behaves in a rate-cutting process, whether it will start more gradually or not. My guess is they will start a bit earlier, in January, with 25 basis points," he said.

The BCB decided to hold its official Selic rate at 15.00% this month, and stressed that keeping rates at this level for a "very prolonged period" will be sufficient to contain prices pressure.

Figueiredo said that expansionary fiscal policy will limit Copom’s room to cut as far as single digits.

"Fiscal policy is still very off track, which ultimately makes the central bank’s job much harder. Only when we have a really strong signal of an important fiscal adjustment will we see the interest rate move to single digits. Until then, I think that’s very unlikely to happen."

The former official believes that by the end of next year the Selic rate will be around 12%. "It could be a bit more or a bit less, but roughly around that level," he stressed.

Only after a determined fiscal adjustment will the central bank be able to fully anchor long-term expectations, he said. Currently, analysts project long-term inflation at 3.5%, above the 3% target.

Figueiredo emphasized that the stronger real, which has been helping the central bank in the disinflation process, is mostly due to a weaker dollar globally, and that a possible fiscal adjustment could give a boost to the exchange rate.