

MNI Brazil Central Bank Preview: November 2025

Monetary policy decision and Copom statement release: 2130GMT / 1630ET, Wednesday November 05, 2025

MNI POV: Prolonged Pause Still Required

The Copom is widely expected to leave the Selic rate unchanged at 15.00% for a third consecutive meeting on Wednesday, as the committee maintains its hawkish stance to rein in unanchored inflation expectations. Though inflation and inflation expectations have been gradually declining, they remain above target and officials have continued to reiterate their high for longer messaging recently. Nonetheless, with activity showing some further signs of softening as well, focus will be on the forward guidance and whether there are any signals for a possible rate cut in the near future. For now, many analysts see the easing cycle beginning in the first quarter of next year, although some still see risks of a move in December.

Prolonged Pause Still Needed to Bring Inflation to Target

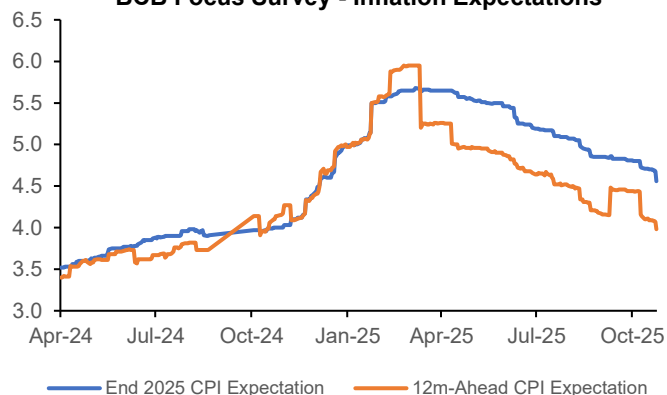
BCB officials have maintained their hawkish stance in recent weeks as they have continued to emphasise their high for long messaging. Speaking recently, BCB monetary policy director Nilton David said that inflation expectations are higher than the central bank would like them, and while he believes the current interest rate is sufficient to bring inflation back to target, it would need a prolonged pause to get there. Although inflation expectations have cooled considerably, he said that they are still far from the target range and remain unanchored, which is still a unanimous discomfort for the committee.

Similarly, BCB Governor Gabriel Galipolo has repeated the familiar rhetoric about the strength of the labour market and signs of a booming economy, while services inflation remains incompatible with target. He also said that there is still a long way to go with monetary policy. These hawkish remarks remain entirely consistent with the messaging at the September Copom meeting, when the committee said that heightened uncertainty still requires a “cautious stance” and that it would remain vigilant to evaluate whether “maintaining the interest rate at its current level for a very prolonged period will be enough to ensure the convergence of inflation to the target”.

Inflation Expectations Unanchored, But Improving

Amid the continued hawkish rhetoric, there are signs that the significantly restrictive monetary stance is having the desired effect, with both inflation and inflation expectations falling in recent weeks. The most recent IPCA-15 inflation data came in below expectations, with the headline rate dipping back below 5% in the first half of October (to 4.94% y/y), from 5.3% in September. Notably there were downside surprises in both the core services and core goods components, with underlying services inflation edging down to 4.6% and underlying industrials inflation falling to 2.7% on a 3mma (sa) annualised basis. On the same metric, the average of the core inflation measures eased by 20bp to 3.9%.

BCB Focus Survey - Inflation Expectations



Source: MNI/Bloomberg Finance L.P

Meanwhile, inflation expectations have continued to decline, including on longer horizons on which the Copom places more emphasis. The latest BCB Focus survey of economists showed that CPI inflation is now expected to end this year at 4.55%, down from 4.83% ahead of the previous Copom meeting in September and 5.10% in July. 2026 CPI expectations have also fallen further, with the year-end estimate now sitting at 4.20%, vs. 4.30% in September and 4.45% in July. Longer-term estimates have continued to decline as well, although with end-2027 (3.80%) and end-2028 (3.50%) estimates still above the 3% target, rate cuts are unlikely to be discussed by the Board at this juncture.

Labour Market Slow to React to Restrictive Monetary Policy

There are also further signs that the highly restrictive monetary policy stance is weighing on the economy, with economic activity and credit growth beginning to weaken. BCB international affairs director Picchetti acknowledged

recently that there is some economic slowdown going on amid tighter credit conditions. He also said that the central bank's base scenario is for a deceleration in activity, although not to the point of bringing the economy to recession. However, BCB director David said that the level of activity growth is still above normal and generating inflationary pressures, while the labour market has been slow to react to changes in monetary policy.

Latest data showed that industrial production grew by more than expected in August, while retail sales and services volume were broadly in line. Overall, however, the economy grew by a smaller-than-expected 0.4% m/m in August, bringing annual growth down to +0.1% y/y, from +1.2%. Meanwhile, the national unemployment rate remains at a low level, despite ticking up to 5.6% in September, from 5.5%. For Q3 as a whole, the economy looks to be on course to grow by around 0.2% q/q, down from 0.4% in Q2 and 1.3% in Q1. For the full-year, analysts see GDP rising by 2.16%, according to the latest BCB Focus survey, while 2026 GDP estimates sit at 1.78%, similar to those ahead of the September Copom meeting.

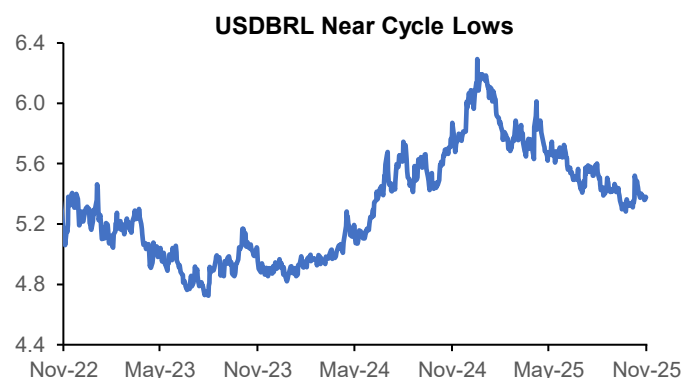
Signs that the economy is beginning to cool will keep attention on the forward guidance this week for any signals that the Copom may consider rate cuts in the near term. Speaking to MNI recently, however, the BCB's former head of open market operations, Sergio Goldenstein, said that a cut this year now seems highly unlikely as officials are less concerned with the timing of the beginning of the easing cycle and much more focused on ensuring a consistent monetary policy process. He sees the first cut coming in January, or possibly March. Similarly, former deputy governor for international affairs, Alexandre Schwartzman, told MNI that the BCB is likely to hold its interest rate at 15.00% at least until Q1 2026, when the board's inflation forecasts may start to show convergence toward the 3% target. (See MNI Policy Team Insights below.) This is consistent with the BCB's Focus survey, which shows that analysts still expect the Selic rate to end this year at 15.00%, before falling to 12.25% by end-2026.

USDBRL Bear Cycle Exposes Key Support

Ongoing fiscal uncertainties also remain a consideration for the Copom, although recent newsflow suggests that progress has been made by the government in finding new measures to replace revenues lost after Congress scrapped the IOF tax compensation bill. Last week, the lower house of Congress approved a bill that includes government-proposed measures to contain spending, which Treasury Secretary Ceron said would save BRL10bn in both this year and next. However, the bill still needs approval in the Senate and Ceron also said that more budget contingency measures would be needed to hit the centre of the fiscal target range. Meanwhile, the 2026 budget bill still needs approval by Congress, although Ceron believes that this will happen before year-end.

While fiscal concerns remain a medium-term threat to the Brazilian real, signs of a thaw in relations with the US have provided support more recently. After having a "surprisingly good" meeting with President Trump on the sidelines of the ASEAN summit last week, President Lula said that he expects a solution to the US trade dispute in days. Meanwhile, mounting pressure from the US congress to lift tariffs on Brazilian goods has also provided a tailwind for the real, bringing USDBRL back below the 5.40 mark in recent sessions, a previous pivot point of significance earlier in the year.

Overall, USDBRL maintains a short-term bearish tone, with the bear cycle that started off the October 10 high emphasising a deeper retracement of the bull leg between September 18 and October 10. Price remains below the 50-day EMA, at 5.3983, undermining the recent bullish threat. A continuation down would expose 5.2697, the September 18 low and bear trigger. Key resistance has been defined at 5.5214, the October 10 high. Clearance of this level would reinstate the recent bullish theme.



Source: MNI/Bloomberg Finance L.P

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	5.2	5.4	↓	5.5	↓					0.89
Core CPI	% m/m	0.2	0.4	↓	0.5	↓					-1.47
Oil Price (WTI Active)	\$	60.76	66.60	↓	56.60	↑					-0.28
Economic Activity		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
PMI Manufacturing	Index	48.2	48.2	→	50.3	↓					-1.18
GDP	% q/q	0.4	0.8	↓	0.3	↑					-0.51
Industrial Man Prod	% y/y	-0.7	3.4	↓	1.2	↓					-0.88
Economic Activity IGAE	% y/y	0.12	3.58	↓	4.48	↓					-1.61
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	7123.5	6942.8	↑	6709.0	↑					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	0.2	-0.1	↑	0.8	↓					0.18
Consumer Confidence (Q)	Index	88.5	86.7	↑	84.8	↑					1.60
Unemployment Rate	%	5.6	5.8	↓	7.0	↓					-0.94
Markets		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
Ibovespa	Index	150,175	133,071	↑	135,067	↑					1.62
Jan 2034 DI Swap Rate	%	13.56	13.86	↓	13.84	↓					-0.57

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

BBVA: Unanimous Rate Hold Fully Priced, But Should Remain Supportive BRL

- The Copom is likely to unanimously maintain the Selic rate at 15.00% this week, maintaining its hawkish stance. Policymakers are expected to emphasise the need to keep rates higher for longer to ensure inflation convergence amid external uncertainty and given the lagged domestic effects of monetary policy.
- Economic activity has softened somewhat since the last meeting, and inflation and inflation expectations have improved slightly but are still elevated. Hence, BBVA expects policymakers to note that progress has been made but they remain committed to the inflation mandate.
- The pause is fully priced but should remain supportive for the BRL, with an eye on seasonal dividends which could load up ahead of next year's elections.

Goldman Sachs: Expect Guidance Still to Suggest Prolonged Hold Ahead

- Goldman Sachs expects the Copom to leave the Selic unchanged at 15.00% in a unanimous decision, with guidance continuing to suggest that it will remain on hold for a prolonged period of time.
- A backdrop of high above-target inflation, still unanchored short- and medium-term inflation expectations, inflation forecasted above the target throughout the entire relevant horizon, a positive output gap, and still 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.
- The central bank's inflation forecasts are expected to have been favoured by a lower oil price path and lower inflation expectations. At this meeting, the relevant horizon for monetary policy will shift to Q2 2027, for which the latest Copom forecast was 3.4%. GS expects the end-2026 and Q2 2027 forecasts to decline by 10bp each to 3.5% and 3.3%, respectively.

Itaú: Copom to Maintain Signalling for Keeping Rates High for Prolonged Period

- Since the last meeting, the information set has evolved in a benign manner. Activity data have been confirming the ongoing deceleration trend and suggesting an incipient inflexion of the labour market. On the inflation front, core measures have shown some improvement and the surprises seen in the latest IPCA releases

should lead inflation to end the year closer to the band around the target. Additionally, there was a relevant drop in long-term inflation expectations.

- However, the stabilisation of the labour market occurs around the historical low of the unemployment rate. Current inflation remains distant from the monetary policy objective. And the improvement in expectations, even if significant, still leaves market projections consistently above the target – so recognising this improvement at this moment may be counterproductive.
- For these reasons, Itaú believes that the Copom may mention some improvement in current inflation but will not change its signalling of maintaining interest rates at 15% for a prolonged period in view of the de-anchoring of expectations, the resilience of the labour market, and inflation projections above the target.

JP Morgan: Expect Copom to Recognise Progress on CPI Goal, Still See Scope for Dec Cut

- JP Morgan expects the Copom to keep rates stable on Nov 5, while recognising progress toward its inflation goal. There are two major points to watch in the statement to gauge the central bank's assessment of progress. A necessary but insufficient condition for rate cuts this year is a more substantial reduction in the BCB's inflation projection for the relevant horizon. JPM expects this forecast to be lowered from 3.4% to 3.2%.
- It will also be important to see how much qualitative progress the BCB acknowledges. Since the last meeting, economic softness has continued, both core CPI and core services have shown incremental signs of deceleration, inflation expectations for this year and the next three years have fallen, and commodity prices have declined.
- If the central bank fails to acknowledge this progress, particularly through its projections, it will signal that the BCB is unlikely to cut rates at the December meeting. Although this first part of JPM's "earlier and deeper cuts" view for monetary policy is at risk, they remain confident that the BCB will ultimately deliver more cuts than the market and the consensus of economists currently expect.
- With the economy slowing, JPM believes that a more hawkish path would only reinforce the case for the BCB to cut rates more aggressively over the next couple of years, provided the scenario unfolds as they anticipate and the electoral cycle does not significantly impact the exchange rate.

Scotiabank: No Comfort to Begin Easing Cycle Yet

- The BCB is widely expected to hold its Selic rate unchanged at 15% on Wednesday afternoon. Neither actual inflation nor inflation expectations are combining to provide comfort to begin easing after a tightening campaign raised the policy rate by 450bp starting September 2024 through to June.

SocGen: Expect Easing Cycle to Begin in Q1 2026

- The key question for the BCB is whether the recent moderation in inflation expectations will continue and if the inflation outlook is now favourable enough to begin discussions about an easing cycle. The answer largely depends on fiscal dynamics, which are improving only sluggishly and continue to face downside risks in the upcoming election year.
- Any hint of premature easing would likely be poorly received by the market, as observed in 2023 and the first half of 2024. 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 stabilising the BRL and curbing inflation.
- Current nominal and real interest rates are unsustainable. SocGen expects the BCB to begin easing in Q1 2026, though a December rate cut cannot be completely ruled out. A combination of easing inflation expectations, weaker growth, and an accommodative Fed will prompt the BCB to start discussing rate cuts in the coming meetings (possibly this week but potentially more likely in December).
- With recent progress on inflation expectations, the risk is skewed towards an earlier start, possibly as soon as December this year. However, for this to occur, the Copom would need to significantly soften its hawkish language this week. SocGen expects the BCB to implement a total of 275bp in rate cuts in 2026 to 12.25%, and another 275bp of cuts in 2027–28. However, the fiscal outlook - both around and after the 2026 general elections - will be crucial to the BCB's Selic rate decisions in H2 2026 and beyond.

XP Investments: Focus on Whether Copom Gives Any Signal for Start of Easing Cycle

- XP Investments expect the Selic rate to remain at 15.00%. The question will remain regarding the Copom's communication, especially whether they will give any indication of the start of the interest rate cutting cycle.

MNI Policy Team Insights

MNI EM INTERVIEW: BCB To Hold Until 2026 To Preserve Credibility

By Larissa Garcia
Oct 17, 2025

The Central Bank of Brazil has shifted to a more cautious stance to preserve its credibility, and a rate cut in 2025 now appears unlikely, former head of open market operations Sergio Goldenstein told MNI, adding that the easing cycle will likely begin in January but could be postponed until March.

“Since the split five-four decision in May last year, which had a bad reaction from the market, the Central Bank has made it a key priority to rebuild credibility and, with that, achieve at least a partial re-anchoring of inflation expectations,” Goldenstein, now founding partner of Eytse Estrategia, said in an interview.

According to him, the Central Bank is less concerned with the timing of the beginning of the easing cycle and much more focused on ensuring a consistent monetary policy process.

“To maintain consistency and avoid losing credibility, the board has adopted a conservative stance, which I believe is the right approach.”

The BCB’s Monetary Policy Committee (Copom) kept the Selic rate at 15% last month and said monetary policy should remain significantly contractionary for a prolonged period.

2025 CUT UNLIKELY

Until recently, some analysts expected the BCB to start reducing the Selic rate in 2025, but that now seems highly unlikely, he noted.

“There is currently a split between those expecting the first cut in January and those in March. I believe it will happen in January, but I also recognize the possibility of the process beginning in March,” the former BCB server stressed.

“There is a risk of exchange rate depreciation, though I’m optimistic on that front, as well as stronger-than-expected economic activity, which could prompt the central bank to postpone the first cut to March,” he added.

Goldenstein mentioned several factors that continue to create discomfort for the Central Bank.

“The first point is that, despite the improvement in expectations, de-anchoring remains significant. Projections for 2026 and 2027 still show a notable deviation from the inflation target. This results in Copom’s inflation projection remaining above target, at 3.4% over the relevant horizon.”

For the Central Bank to begin cutting rates, it is important that its inflation forecast moves closer to the target, he said.

“The third source of discomfort is the resilience of the labor market. We are seeing unemployment at a historic low of 5.6%, and this labor market strength has also been contributing to the persistence of services inflation,” Goldenstein said.

FISCAL RISKS

In his view, both fiscal and quasi-fiscal policies have been moving in the opposite direction to monetary policy.

"This risk has been increasing because the government has adopted quasi-fiscal measures, including subsidized credit programs, which end up reducing the effectiveness of monetary policy," he said.

The BCB's terminal rate will depend on the country's fiscal situation and the outcome of the 2026 presidential elections, according to Goldenstein.

"If the opposition wins, the Selic could fall back to single digits and the exchange rate would likely appreciate significantly," he said, adding that if the current government is re-elected, the real could weaken and there would be limited room for the policy rate to continue falling.

MNI EM INTERVIEW - BCB To Hold Rates Until Q1 2026 - Schwartzman

By Larissa Garcia
Oct 6, 2025

The Central Bank of Brazil is likely to hold its interest rate at 15.00% at least until the first quarter of 2026, when the board's inflation forecasts may start to show convergence toward the 3% target, former deputy governor for international affairs Alexandre Schwartzman told MNI.

"We expect the central bank to start cutting rates sometime next year, likely in one of the first two meetings, when the inflation projections in the relevant horizon begin to point to inflation closer to the target," Schwartzman, who now runs an economic consultancy, said in an interview.

Although he believes the BCB's projection will reach 3% over the relevant horizon, which is currently set for the first quarter of 2027, he expects inflation to remain above the target for a long time, around 4%.

"Expectations will probably still be somewhat above the target. But the central bank actually uses those expectations as an input for its model, and the model itself should point to inflation close to the target," he said.

"The central bank's past behavior suggests it has never tried to bring inflation to the center of the target, even when Roberto [Campos Neto] was governor."

Still, he argues that the target should be kept at 3%. "If a higher target is set, what happens is that expectations end up drifting even further away."

The BCB's Monetary Policy Committee (Copom) kept the Selic rate at 15% last month and said monetary policy should remain significantly contractionary for a prolonged period.

HIGHER NEUTRAL RATE

The BCB's scenarios underestimate the output gap and the neutral rate, according to Schwartzman. While the central bank projects a real neutral rate of 5%, the former deputy governor says it is likely to be around 7%.

"Tightness in the labor market has to be a concern, because it has a very close relationship with the output gap. So, if the labor market doesn't moderate, the gap remains pressured, and a pressured gap makes it harder for inflation to converge."

Brazil will likely face a higher neutral rate as long as the country risk premium remains elevated, especially given the unfavorable fiscal outlook, he said. "Without a proper fiscal adjustment, what we end up with is a much higher neutral interest rate. We need to find some way to eliminate the risks associated with the government's growing debt."

At the end of this year, the terms of two board members — Diogo Guillen (economic policy) and Renato Gomes (financial system organization) — will end, and two new members will be appointed by President Luiz Inacio Lula da Silva.

"We'll find out who the replacements will be, whether it will be someone with the same line of thinking or if there will be a very radical change in the monetary policy orientation, but I don't think so," Schwartzman said.

Regarding the external environment, he noted that U.S. President Donald Trump's new tariff policy is unlikely to affect Brazil much, sapping GDP by around 0.2% of GDP but not by enough to have a deflationary effect.

"If we move toward a stage of derailment in the U.S. economy, then the situation could become more delicate, but for now I think the effect on inflation here is negligible."

MNI EM INTERVIEW: BCB January Rate Cut Likely, Can Delay - Kawall

By Larissa Garcia
Oct 16, 2025

The Central Bank of Brazil will likely begin cutting interest rates in January, former Treasury Secretary Carlos Kawall told MNI, though he added that the start of the easing cycle could be delayed if inflation does not ease further.

"Both the statement and the minutes from the last meeting ended up being marginally more hawkish than expected," Kawall, now a partner at investment manager Oriz, said in an interview.

"Copom even kept the warning that they might have to raise the Selic rate if necessary, which now seems unlikely. They wanted to maintain this tougher language to avoid any speculation that they might be leaning toward cutting rates earlier," he added.

The BCB's Monetary Policy Committee (Copom) kept the Selic rate at 15% last month and said monetary policy should remain significantly contractionary for a prolonged period.

Progress so far on inflation has been consistent but modest, Kawall noted.

"The BCB will continue with this tough communication at least until the end of the year," he said. "I believe Copom will start cutting rates in January, though it might have to delay that a bit further. There was a moment, just over a month ago, when I thought the bias was toward Copom cutting rates earlier, but now it seems to me the bias is toward acting later."

He emphasized that while inflation has improved for food and other exchange rate-sensitive items, services — which are more responsive to monetary policy — remain resilient.

FISCAL POLICY

With monetary policy restrictive, Kawall said the government is now assessing whether it needs more stimulus tools at hand in case an adverse economic scenario takes shape next year, during the presidential election campaign.

"High real interest rates have coexisted with an economy that's performing well, with an overheated labor market driven by fiscal policy. This balance of very high real interest rates and a large deficit, which is not unique to Brazil, is unlikely to shift during an election year."

He noted that markets are becoming more sensitive to fiscal risk again after concerns remained subdued for much of the year.

"New fiscal developments suggest that the government's post-election agenda is not strongly committed to fiscal adjustment. I think that's what has reintroduced this uncertainty," Kwall said.

U.S. TRADE POLICY

The former secretary does not see much impact from the 50% tariffs imposed on Brazil by U.S. President Donald Trump.

"Neither side was significantly affected by the issue. For neither the U.S. nor Brazil are bilateral exports really relevant."

It was both in the U.S. government's interest to make an example of Brazil and in the Brazilian government's interest to assert autonomy and sovereignty, he noted.

"Obviously, that's totally different when you're talking about the U.S.–China or U.S.–Europe relationships. Those are extremely important and delicate economic relationships, and that's precisely why no one resorts to fights or bravado. It's a more serious, difficult, and complex negotiation."