

# MNI Brazil Central Bank Review – November 2025

## MNI POV: December Cut Unlikely Given Hawkish Tone

The Copom decided unanimously to keep the Selic rate unchanged at 15.00% for a third consecutive meeting, in line with expectations. The statement was very similar to before, although the committee now sees keeping the Selic rate at current levels for “a very prolonged period” as being sufficient to ensure the convergence of inflation to target. Despite this moderate dovish tilt, some analysts have notably adjusted their rate cut bets for December, with the easing cycle now widely expected to begin in the first quarter of next year.

In the accompanying statement, the Copom reiterated its hawkish bias, stating that heightened uncertainty still requires a “cautious stance”. It repeated its high for longer messaging, but now “evaluates that 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.” It also reiterated that it would “remain vigilant” and would not hesitate to resume the hiking cycle if necessary.

On the domestic scenario, the Copom noted some moderation in growth, as expected, but added that the labour market is still showing strength. It also said that inflation and inflation expectations remain above target, with risks to the outlook – both to the upside and downside – still higher than usual. Looking ahead, it continues to see inflation above target at 3.3% in Q2 2027 under its reference scenario (vs. 3.4% in Q1 2027 in September).

On the external front, uncertainty remains due to economic policy in the US. The Committee continues to monitor how the tariffs on Brazil and domestic fiscal policy impact monetary policy and financial assets, reinforcing its cautious stance in a scenario of heightened uncertainty.

Overall, the committee said that the current scenario still shows unanchored inflation expectations, elevated inflation projections, resilient economic activity and ongoing labour market pressures. It repeats that “ensuring the convergence of inflation to the target in an environment with de-anchored expectations requires a significantly contractionary monetary policy for a very prolonged period.” Despite the moderate dovish tilt in terms of expecting inflation to converge to target, some analysts have notably adjusted their easing bets and now see a December cut as unlikely. As a result, the easing cycle is widely expected to start in the first quarter of next year.

Link to the full statement is here: <https://www.bcb.gov.br/en/pressdetail/2636/nota>

## Notable Dates:

- Nov 11 – Copom Minutes
- Nov 11 – October IPCA Inflation Data
- Dec 04 – Q3 GDP Data
- Dec 10 – Next Copom Meeting

## Analyst Views (Alphabetical Order)

### BBVA: Subtle Nod to Improving Inflation, Language May Change in Dec

- Much of the text in the statement was the same as the previous one, with only a subtle nod to improving inflation. Overall, the Copom maintained its hawkish rhetoric. However, while rates are expected to remain restrictive for some time, there is room to cut from current levels and still be restrictive, as the neutral rate is estimated to be around 10%.
- Therefore, the BCB will likely begin reducing rates in early 2026 – BBVA economists expect a 50bp cut in 1Q. This could be previewed by the Copom with a change in guidance at the 10 December meeting, even as the bank will likely push back on market efforts to price a very aggressive cutting cycle.

- The persistent front-end pricing has kept the carry high and remained supportive for the BRL. However, BBVA believe the BRL could still weaken somewhat into year-end on dividend payment flows, eventually recovering into early 2026, before seeing renewed weakness into the election and as the central bank continues to reduce the policy rate (embedded in their FX forecast path).

### **Goldman Sachs: Mention of Hiking if Appropriate at Odds with Guidance Change**

- The Copom continues to signal that it remains keen to hold the policy rate at a “significantly restrictive level” for “a very prolonged period of time”. The main innovation is that the Copom now judges and states explicitly that maintaining the Selic at the current level for a “very prolonged period” will be enough to ensure the convergence of inflation to the target.
- The Copom reiterates that it will remain vigilant and will “not hesitate to resume the hiking cycle if appropriate” which in GS’ assessment appears slightly at odds with the evaluation that maintaining the Selic at the current level for a “very prolonged period” will be enough to ensure the convergence of inflation to the target.
- The balance of risks for inflation did not change, with both upside and downside risks still characterised as higher than usual. The conditional inflation forecasts for 4Q26 remained at 3.6%, and for 2Q27 improved marginally (3.3%; -10bp). Moreover, the 4Q26 forecast for freely-determined prices increased by 10bp to 3.6%, and for 2Q27 remained at 3.2%.
- The Copom judges that activity remains, as expected, on a moderation trend/path (vs a more tentative “some growth moderation” characterisation in the previous meeting) but the labour market remains dynamic/resilient, and that the recent headline and core inflation measures “have shown some improvement” but remained above the target.

### **Itaú: Inflation Forecasts Key to Easing Cycle Timeline**

- Authorities made the expected factual updates. The committee notes activity is moderating, previously it detected “some” moderation. Copom members signal confidence that their policy strategy is now working; this was still something to be assessed, as of the previous meeting. Contrary to what some market participants (not Itaú) were expecting, policymakers did not change the pledge to keep the Selic unchanged for quite some time.
- Inflation forecasts, that are critical to the decision-making process, came in at 3.6% for 2026, and 3.3% for 2Q27, which is the relevant policy horizon. There is some debate, however, on whether they incorporated or not the effects on the output gap and inflation of the just approved change in the lower income tax threshold. If they did incorporate, then forecasts, looking ahead, have less upside, conversely, if this is still in the pipeline, Copom forecasts will tend to rise, other things being equal, in the coming meetings – which would signal a later start of the easing cycle, towards March or even April.
- Details on the committee’s rationale will be provided in the release of the minutes, on Nov 11. This, and the information on the income tax effect, might elicit a reassessment of Itaú’s current call that the first cut will happen in the first meeting of 2026.

### **JP Morgan: Expect Cuts Beginning in March, Raise 2026 Year-End Selic Rate Projection**

- The statement brought only minor changes, suggesting that since the last meeting, the BCB has seen only very small progress toward its inflation target, despite improvements in inflation expectations, FX, and soft GDP growth. This outcome effectively closes the door for a rate cut in December, as JP Morgan had anticipated—unless a major event occurs in the meantime.
- While it is possible the BCB could cut in January in response to a sharp downturn in the job market or a significant credit event, JPM now believe the most likely start of the easing cycle will be at the March meeting.
- JPM expect back-to-back 50bp cuts beginning in March and have raised their year-end 2026 Selic rate projection from 10.75% to 11.50%.
- There were some very modest acknowledgments of progress since the last meeting. The BCB’s inflation projection for the relevant period (now 2Q26) was reduced by a tenth to 3.3%, against JPM’s expectations for a 20bp reduction, and the central bank noted improvements in recent underlying inflation metrics.

- The central bank not only maintained the threat of a rate hike, in case it is deemed necessary, but also continued to emphasise that inflation convergence requires 15% rates for a very prolonged period. This overly cautious message signals that the BCB is unwilling to begin cutting rates anytime soon.

### **SocGen: December Cut Most Likely Ruled Out**

- The guidance shift means that recent progress on inflation is sufficient for the central bank to keep additional rate hikes off the table. Practically, it also implies that further progress on the inflation front could open the door to rate cuts soon.
- Given that the ex-ante real interest rate is close to 11%, inflation expectations—while meaningfully above target—appear sufficient to initiate a modest easing cycle. The BRL has appreciated 15% this year against the dollar, contributing to improving inflation expectations. Nevertheless, the BCB sees inflation expectations as still de-anchored and believes they remain vulnerable to various cyclical, structural, and external factors.
- Externally, as the central bank remarked, “the global environment still remains uncertain due to the economic policy and economic outlook in the United States, altering global financial conditions.” Additionally, the issue of the US tariff on Brazilian exports remains unresolved.
- The BCB continues to fight the credibility battle, despite probably being the most hawkish central bank in emerging markets. It clearly wants to achieve as much progress on inflation as possible before addressing the economic slowdown. Nevertheless, given the vulnerability of inflation expectations, it is difficult to see the BCB waiting for expectations to converge to target before initiating an easing cycle.
- The dovish tilt in the November Copom statement should be followed by a more apparent reference to progress in anchoring inflation expectations in December. This may or may not guarantee a rate cut in January. Nevertheless, sufficient progress in the coming months could still lead to an outsized rate cut in March.
- SocGen remain comfortable with their projection of a 50bp BCB rate cut in 1Q26 and a total 275bp cut in 2026.