BANCO CENTRAL DO BRASIL

Monetary Policy Report

September 24, 2026

Paulo Picchetti
BCB's Deputy Governor for Economic Policy

Reference scenario

Reference scenario

External scenario

- Uncertainty surrounding the global environment remains elevated. The global environment remains uncertain owing to unsettled armed conflicts in the Middle East and future monetary policy decisions in some advanced economies.
- This scenario calls for caution from emerging market economies amid heightened volatility in asset and commodity prices.

Economic activity

- Regarding the domestic scenario, the set of indicators released since the last meeting shows a gradual moderation of economic activity, particularly in more cyclical sectors, albeit at a resilient level, and a tight labor market.

Inflation

- In recent releases, headline inflation and the average underlying inflation measures decelerated, falling below the upper limit of the tolerance interval, although still above the target.
- Inflation expectations for 2026 and 2027 collected by the Focus survey remained above the inflation target and stand at 4.9% and 4.3%, respectively.
- Copom's inflation projection for the first quarter of 2028, currently the relevant horizon for monetary policy, stands at 3.2% in the reference scenario.

Monetary Policy Report

Economic outlook

External scenario

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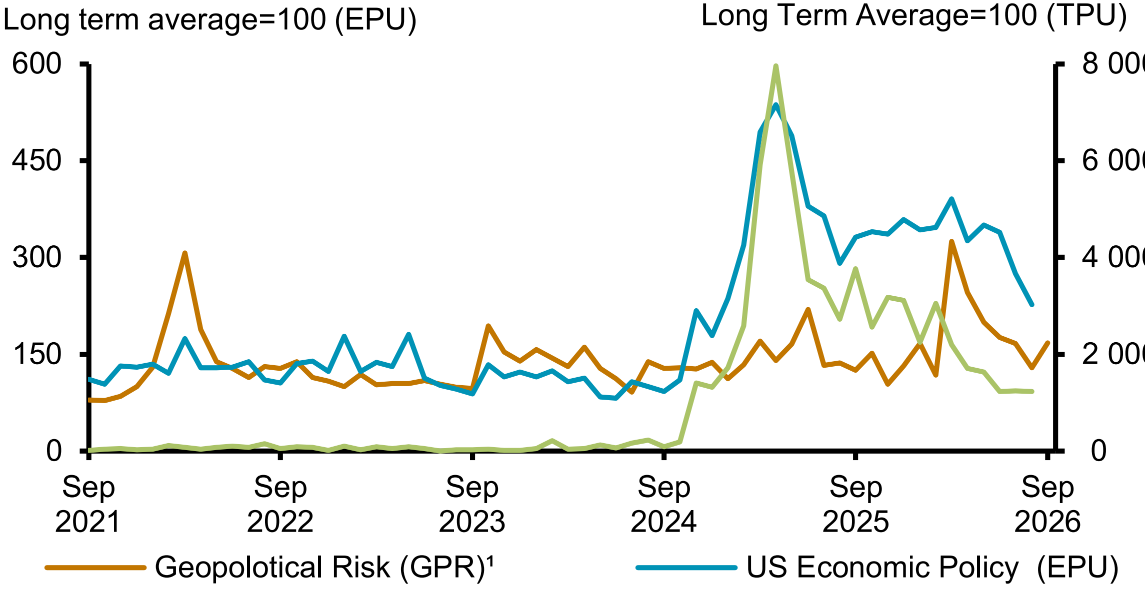
External scenario – Uncertainty

Prospective uncertainty regarding the external environment remains elevated. Tensions in the Middle East remain among the main risk factors for the global economic outlook. The persistence of elevated prices for energy, fertilizers, and other inputs has materialized inflation risks.

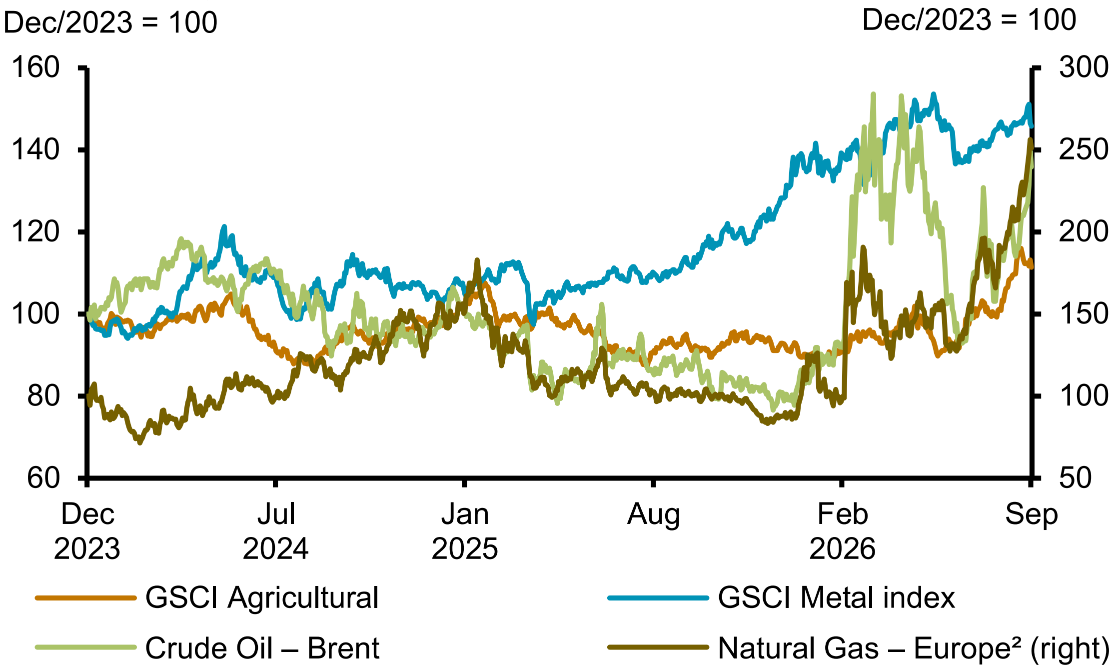
Uncertainty measures



Source: Bloomberg, Caldara, Dario and Matteo Iacoviello (2022), "Measuring Geopolitical Risk," American Economic Review, April, 112(4), pp.1194-1225.

1/ Index: 1985:2019=100. Data until September 11, 2026.

Commodity prices[1]



Source: Bloomberg

1/ Until September 11, 2026. 2/Title Transfer Facility (TTF)

External scenario – Economic activity

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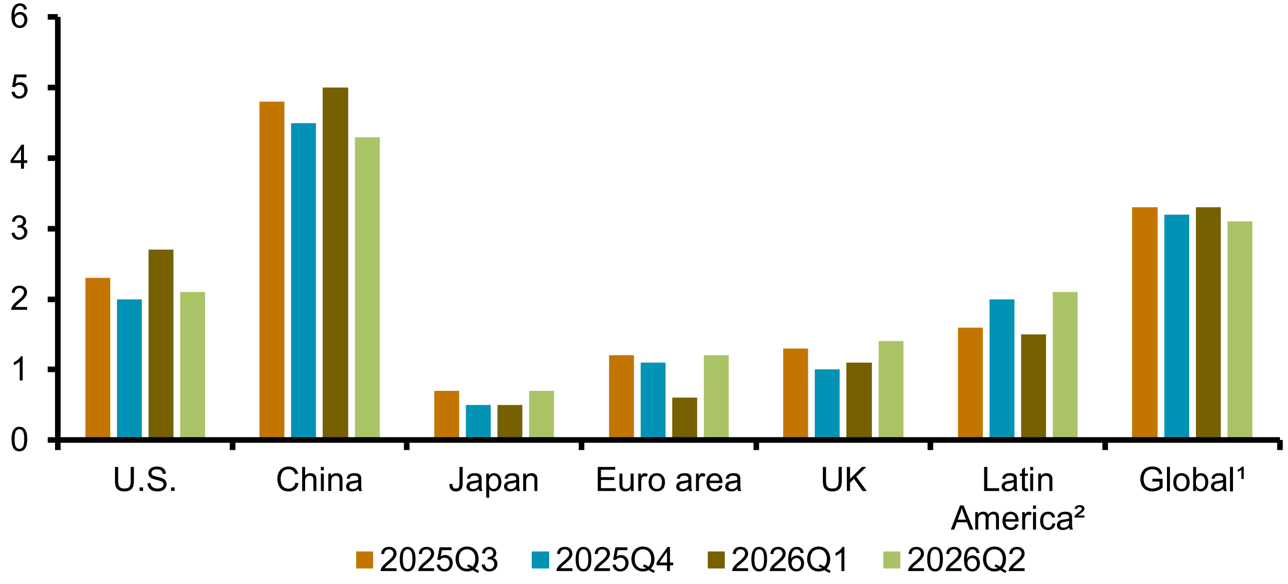
Global activity remains resilient in face of recent shocks but on a gradual deceleration trend, with heterogeneity across countries and regions.

GDP growth

From 2025Q3 to 2026Q2

% change over the same quarter in the previous year



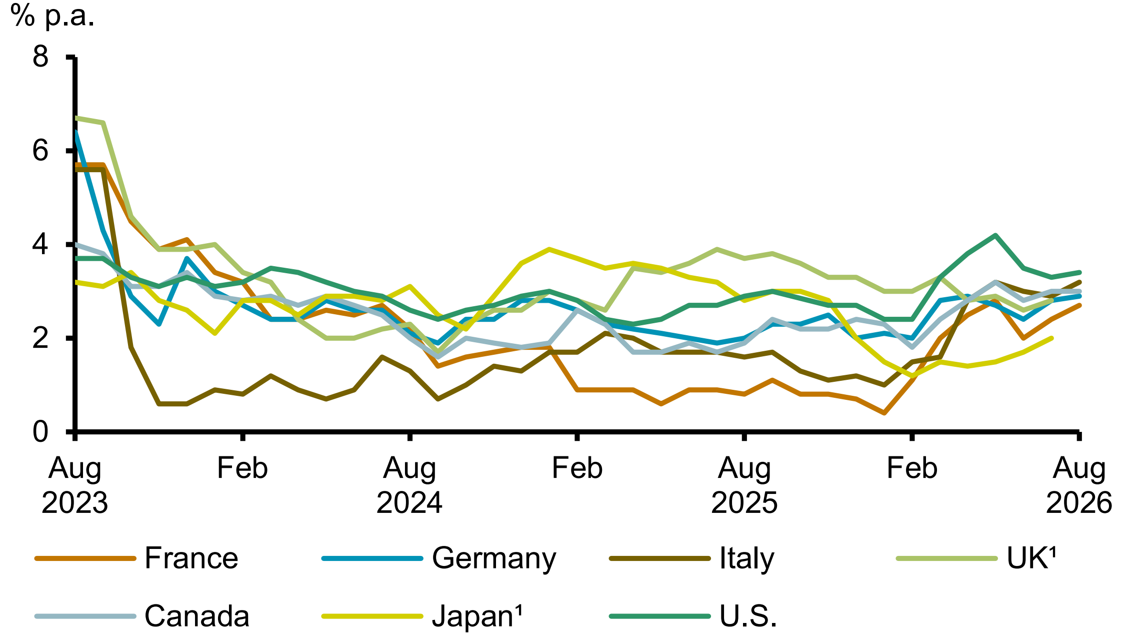
Sources: Bloomberg, BCB

1/ Calculated as described in the box "Projections and macroeconomic analysis model of the global economy" in the September 2022 IR.
2/ Argentina, Brazil, Chile, Colombia, Mexico, and Peru.

External scenario – Inflation

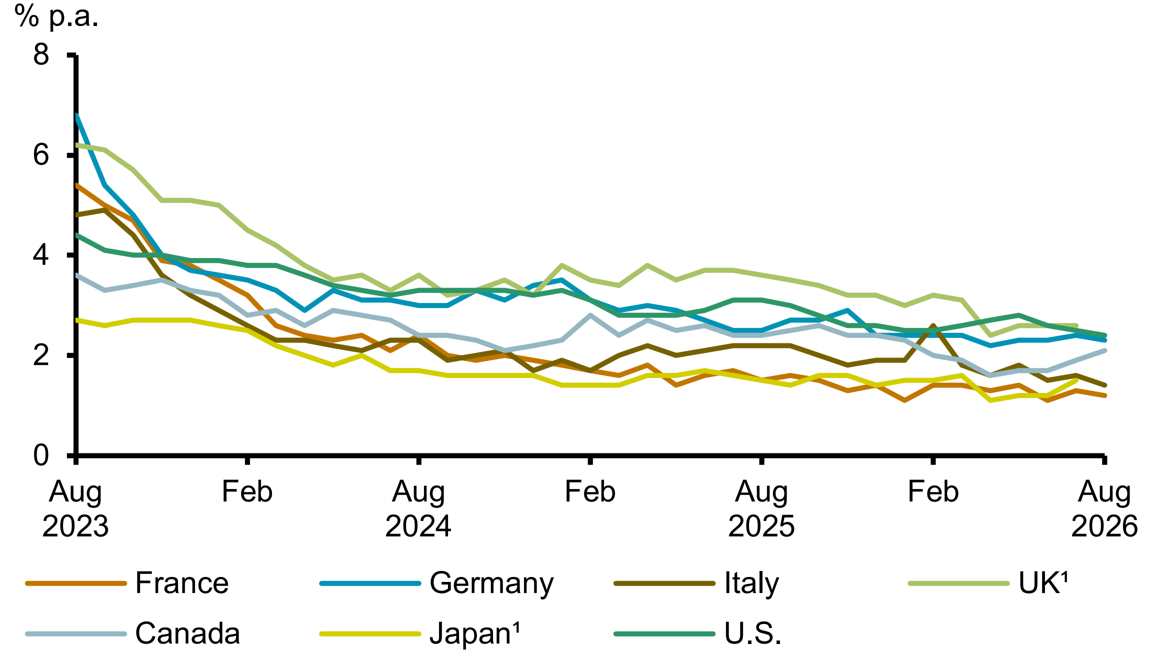
After some years of disinflation – which, although slow, had been relatively steady – higher energy prices have already increased global inflation and inflation expectations in the short and medium term. Core inflation, in aggregate terms, remains relatively stable, although above the inflation targets in many economies.

CPI – Advanced economies



Source: Bloomberg
1/ Until July 2026

CPI core – Advanced economies

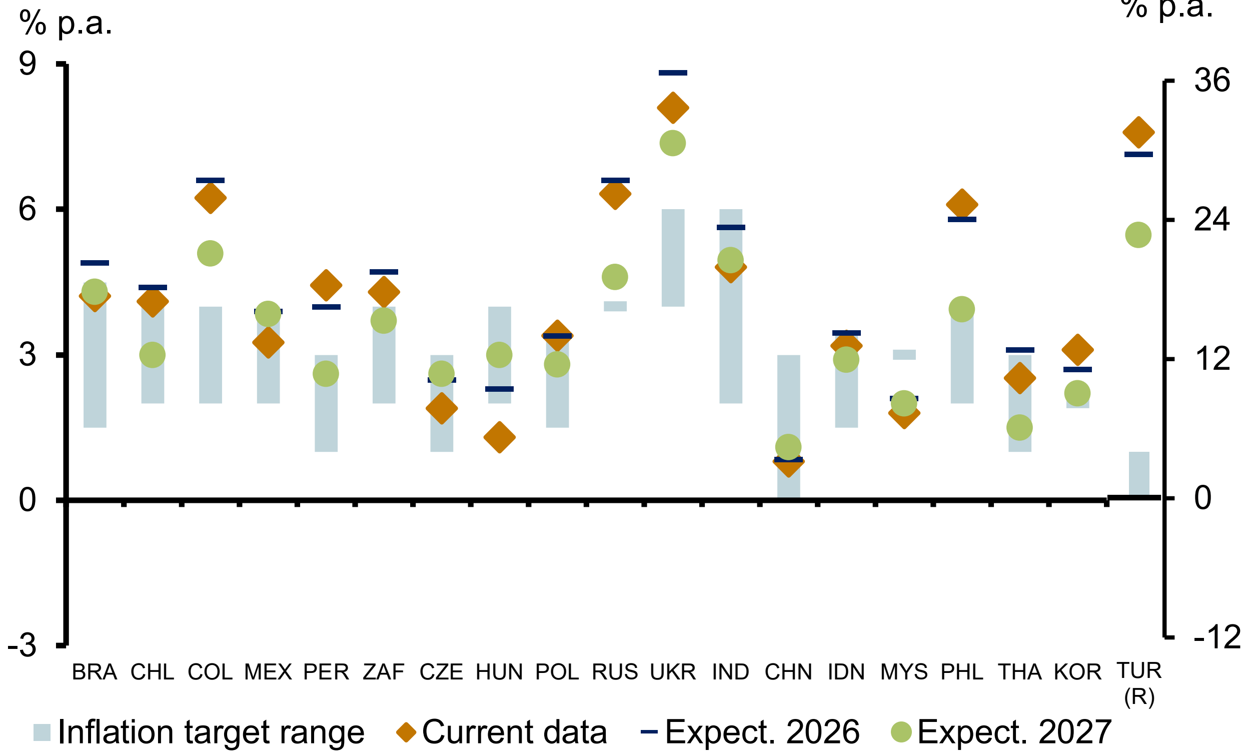


Source: Bloomberg
1/ Until July 2026

External scenario – Inflation expectations

Inflation expectations for the end of 2026 point to rates outside target ranges in several major emerging market economies. For 2027, expectations remain mostly within target ranges, although inflationary risks are still elevated.

Inflation expectations[1]

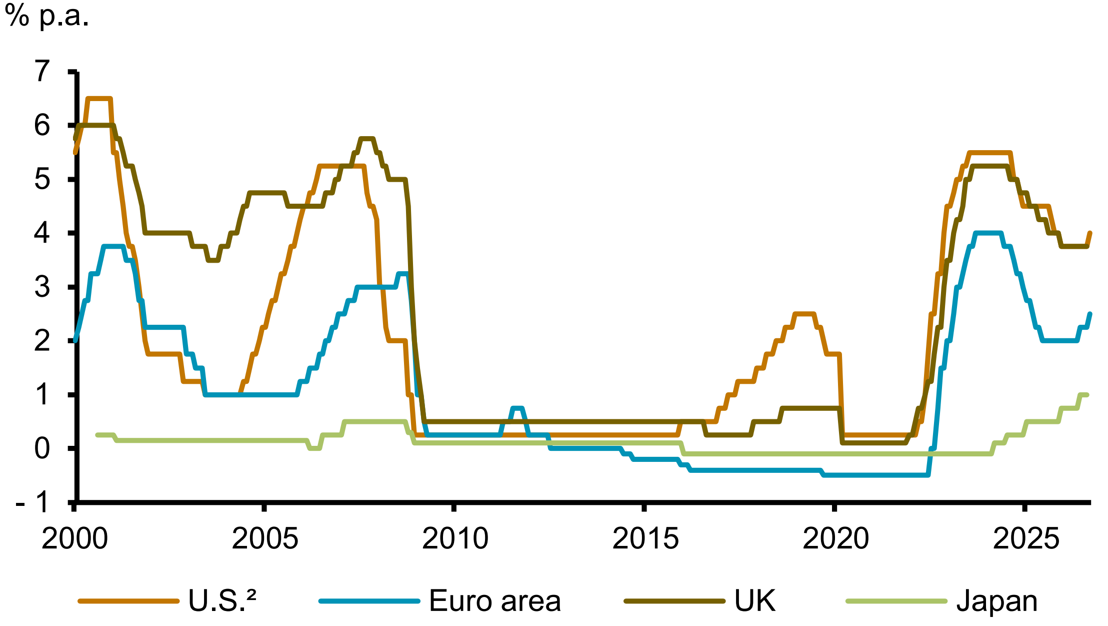


Sources: Bloomberg and central banks' surveys
1/ Until September 11, 2026.

External scenario – Monetary policy

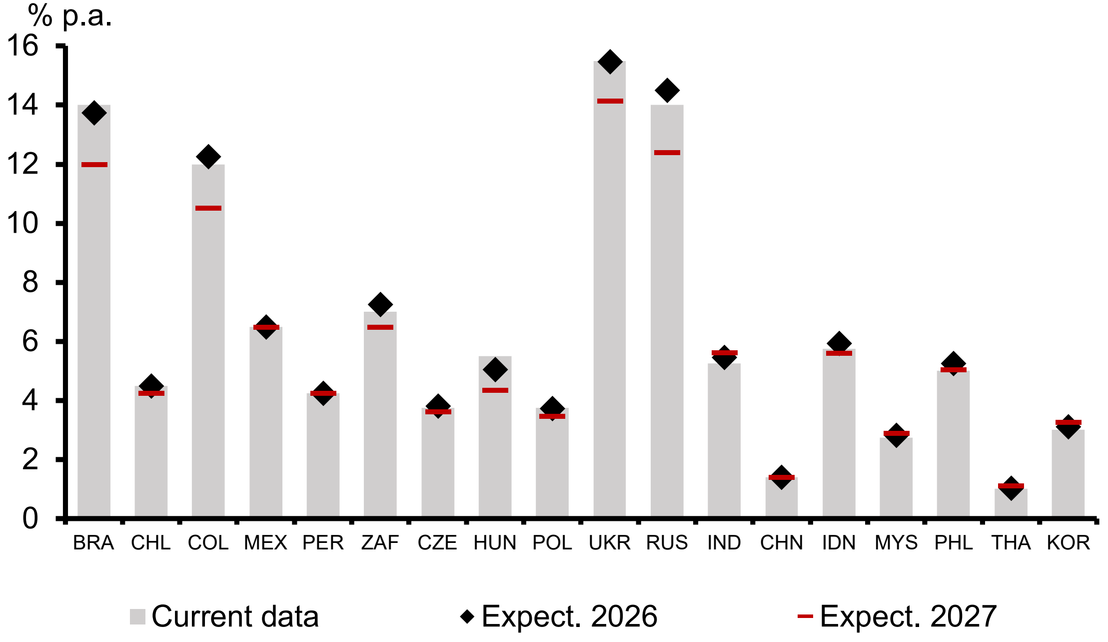
In response to the re-acceleration of inflation, several central banks have been raising monetary policy interest rates. The persistence of inflationary pressures, combined with activity resilience after four global supply shocks with lasting effects in recent years, has led to the adoption of more restrictive monetary policy stances in many economies.

Monetary policy rates[1]



Source: Bloomberg
1/ Until September 16, 2026. 2/ US refers to the upper bound of the monetary policy rate.

Policy interest rates[1]



Sources: Bloomberg and central banks' surveys
1/ Until September 11, 2026.

Monetary Policy Report

Economic outlook

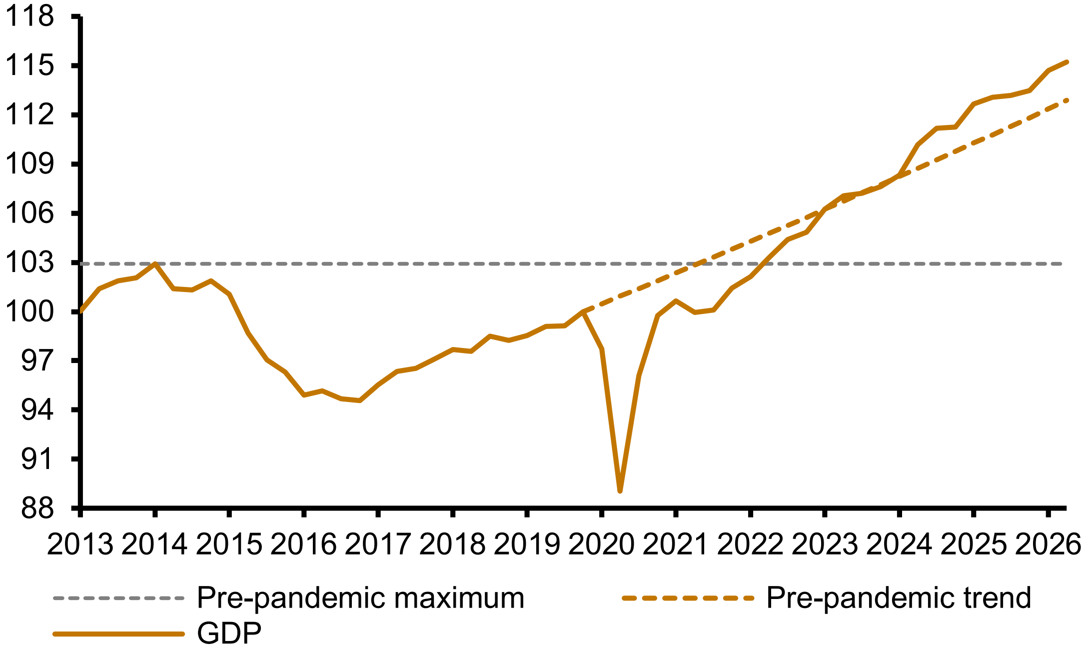
Domestic outlook

Economic activity

Following the strong growth recorded in 2026Q1, economic activity resumed expansion at a more moderate pace in 2026Q2. The sectors more sensitive to the economic cycle remained stable in 2026Q2, while the less cyclical sectors continued to grow.

Gross Domestic Product

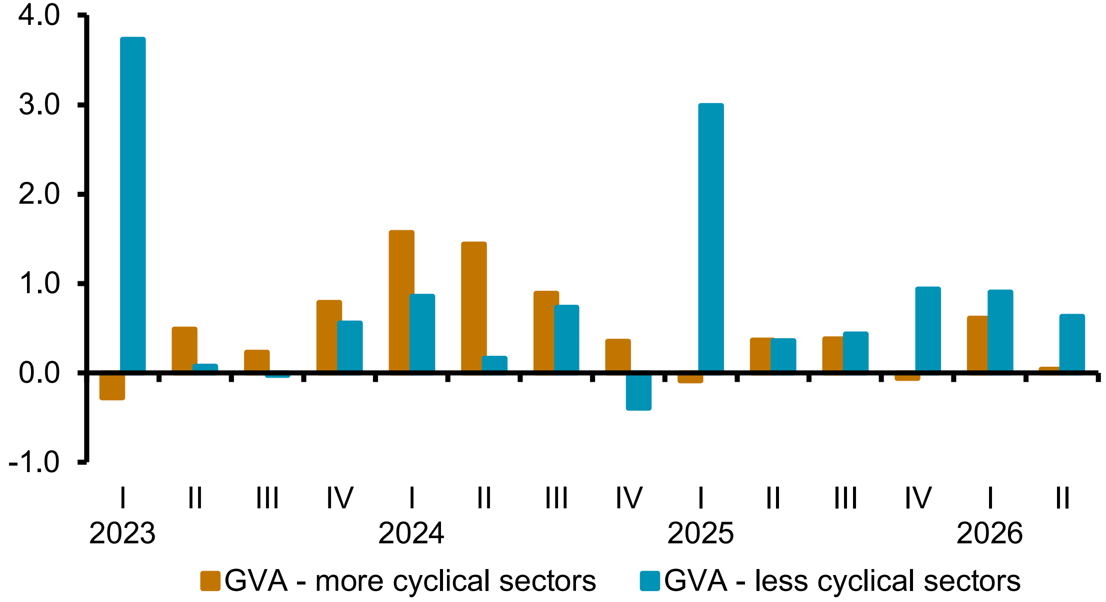
2019Q4 = 100, s.a.



Source: IBGE

GVA - more and less cyclical sectors - indirect seasonal adjustment

QoQ %, s.a.



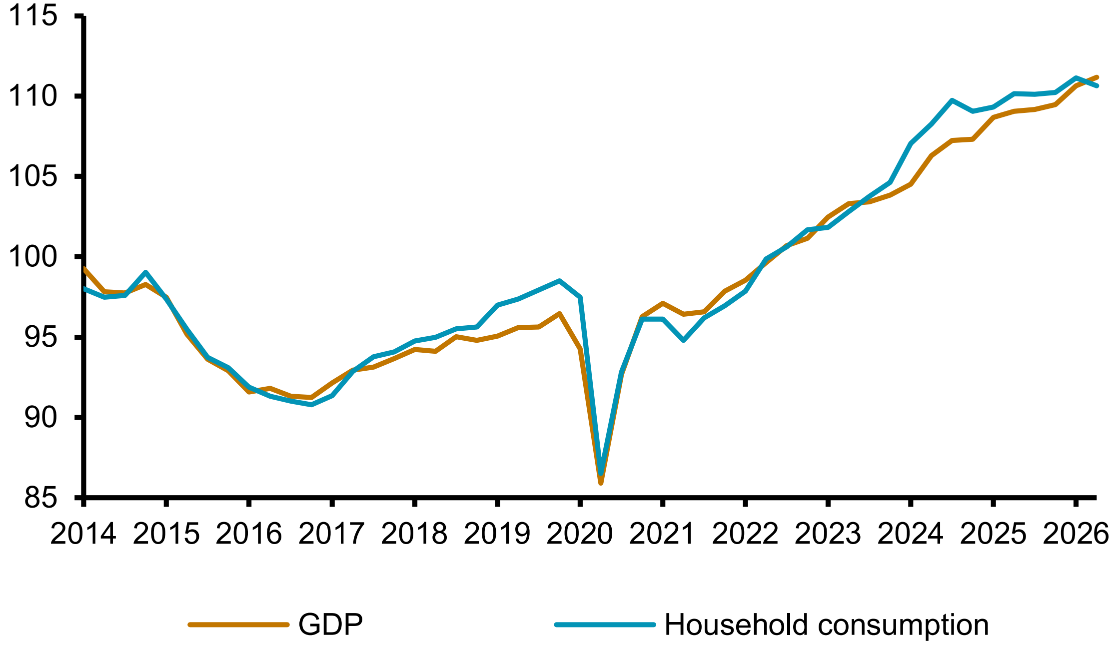
Sources: IBGE and BCB

Economic activity

Household consumption declined in 2026Q2 with the slowdown of the measures that had increased disposable income. GFCF increased in 2026Q2, although at a slower pace than in 2026Q1.

GDP and household consumption

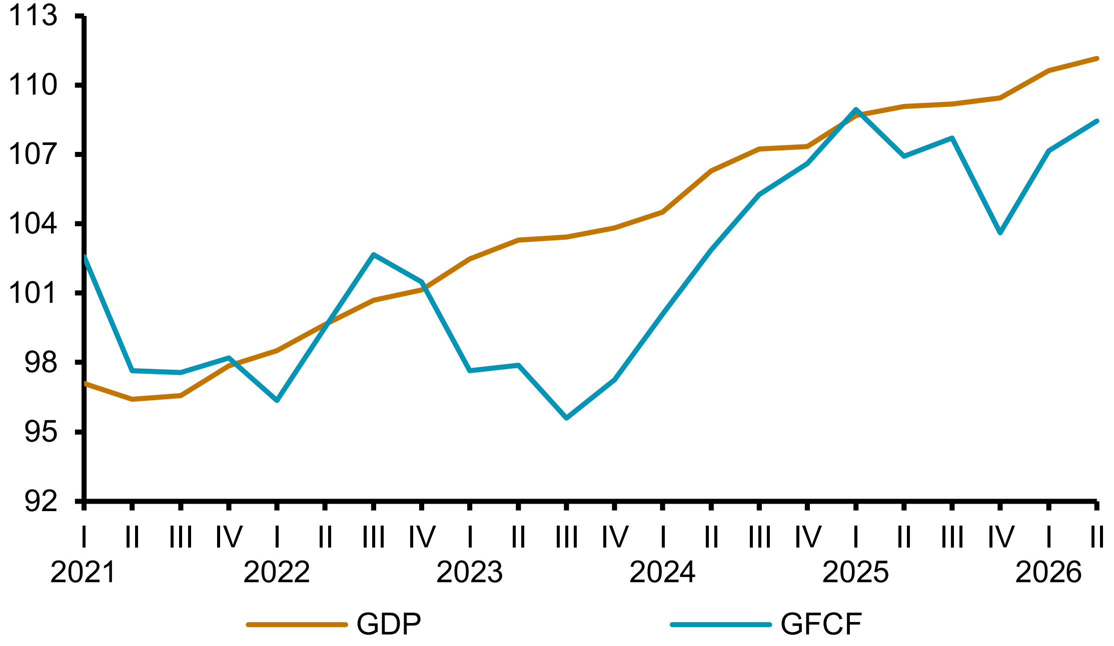
2022 = 100, s.a.



Source: IBGE

GDP and GFCF

2022 = 100, s.a.



Source: IBGE

Economic activity

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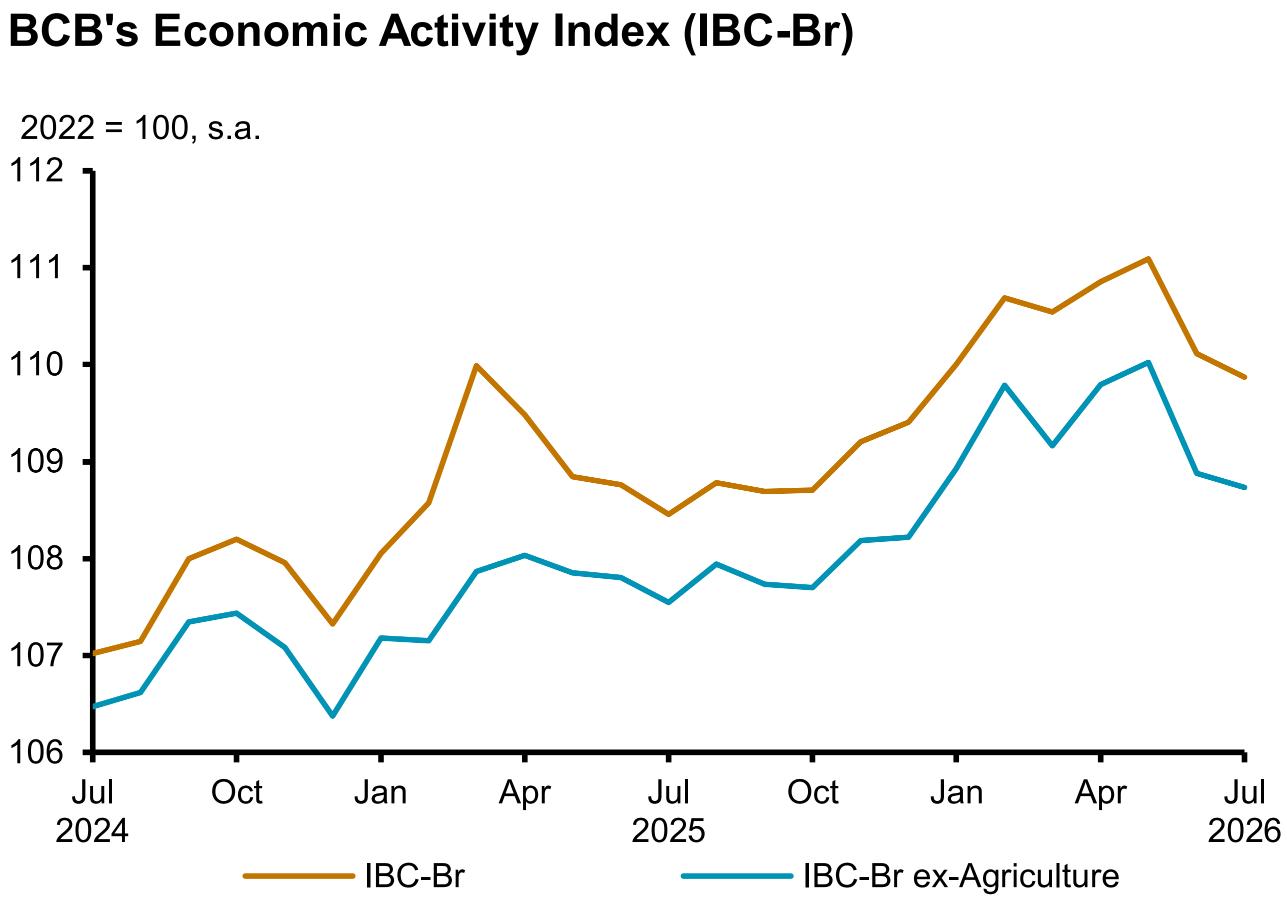
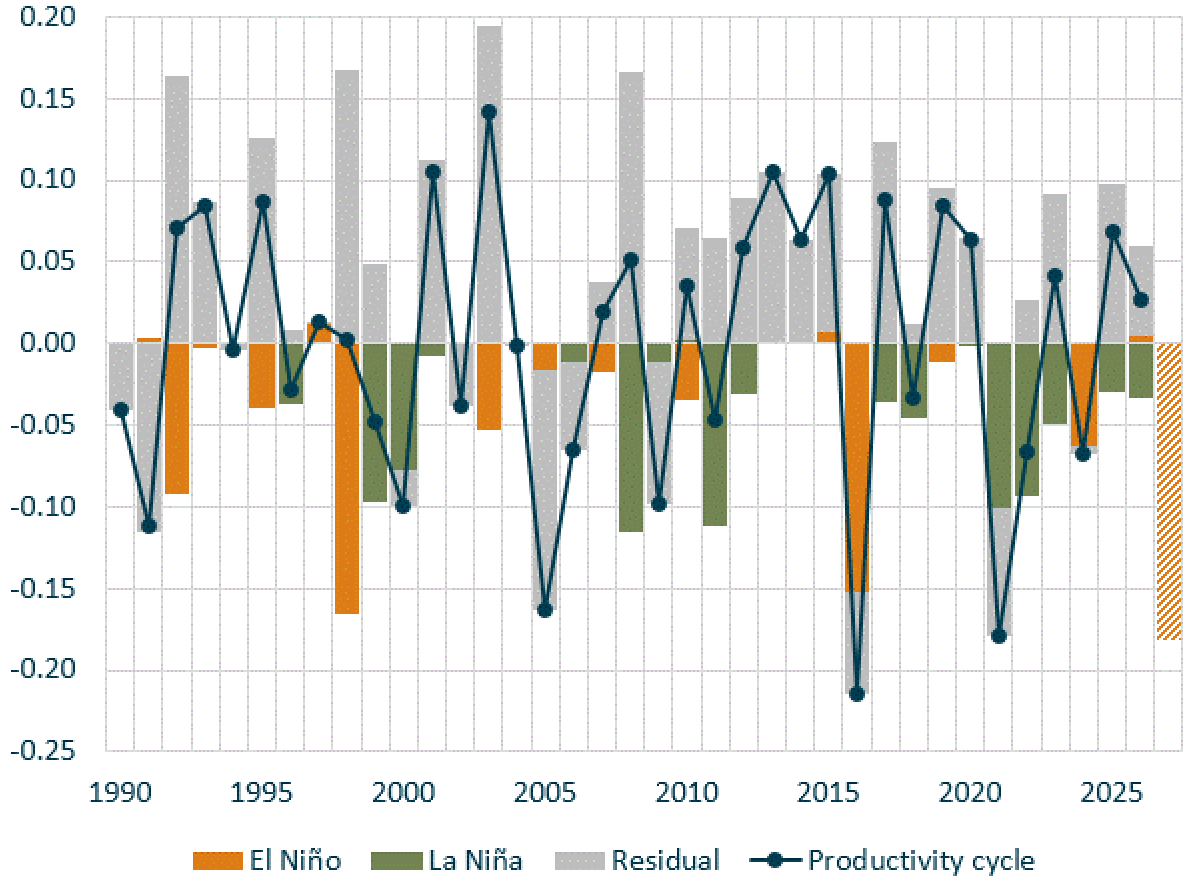
The slowdown in 2026Q2, which is expected to continue into 2026Q3, is part of a broader trend of declining economic momentum since late 2024, when a monetary tightening cycle began.



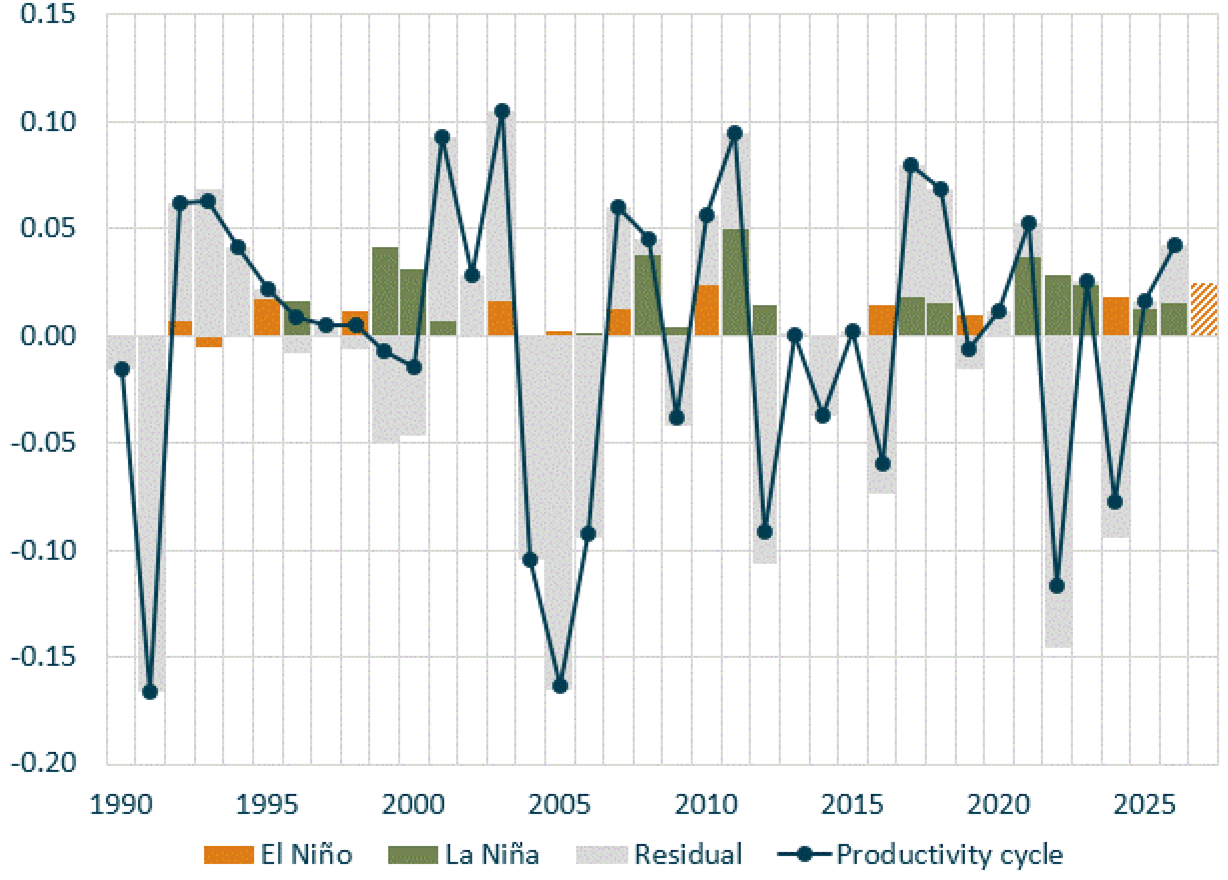
El Niño: Widespread negative effects on corn, but limited effects on soybeans

- Corn productivity declines across most states.
- The national impact on soybean productivity is limited, but varies considerably across regions.

Corn total - BR: productivity cycle decompostion



Soybeans - BR: productivity cycle decompostion



Box

GDP projections for 2026 and 2027

Gross domestic Product

% growth

	2025	2026 [1/]		2027 [1/]
		MPR Jun	MPR Sep	MPR Sep
GDP at market prices	**2.3**	**2.0**	**1.8**	**1.4**
Taxes on products	1.7	2.0	2.1	1.5
Value added at basic prices	2.4	2.0	1.7	1.4
Supply				
Agriculture and livestock	11.7	1.7	2.8	0.5
Industry	1.4	2.3	1.5	1.3
Services	1.8	1.9	1.7	1.5
Demand				
Household consumption	1.3	2.1	1.2	1.4
Government consumption	2.1	2.0	2.2	1.0
Gross fixed capital formation	2.9	1.5	2.0	1.5
Exports	6.2	3.0	3.0	2.0
Imports	4.5	2.0	3.5	1.5
Net trade contribution (p.p.)	0.3	0.2	-0.1	0.1

Sources: IBGE and BCB

1/ Estimates.

2026: Projection revised from 2.0% to 1.8%.

- **Rise in the projection for sectors less sensitive to the economic cycle and decline for more cyclical ones.**
- **Revision comprises:**
  - Less favorable 2026Q2 GDP composition, despite the positive surprise in the aggregate result.
    - Positive surprises concentrated in agriculture and mining;
    - Lower dynamism in more cyclical components and household consumption than expected.
  - Weaker activity signs than expected in 2026Q3.

2027: Growth projection of 1.4%

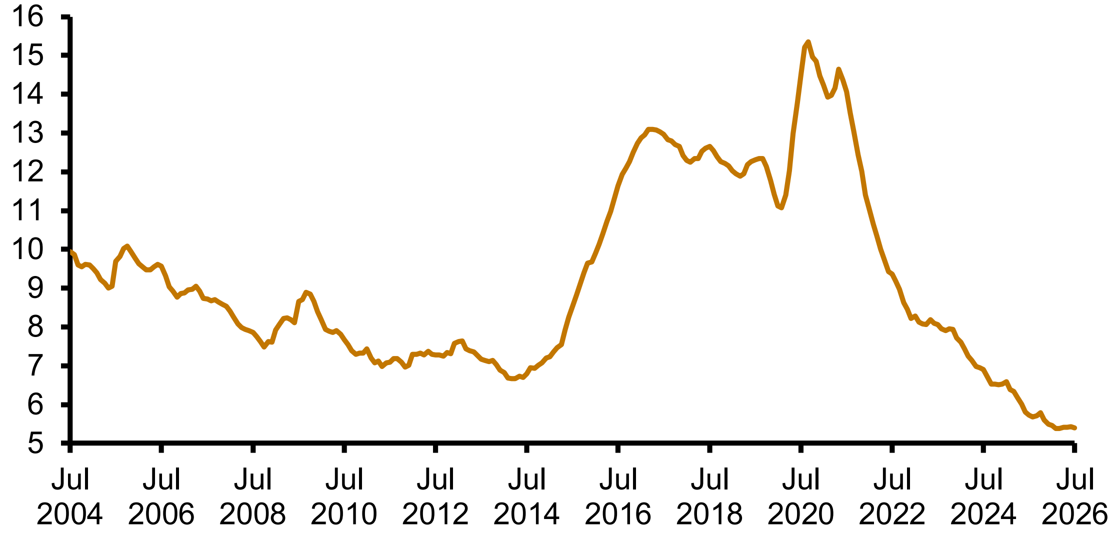
- **Expectation of moderate increases widespread across components:**
  - Tight monetary policy;
  - Expectation of weaker fiscal and credit stimulus;
  - Low slack of production factors;
  - Smaller contribution of agriculture and mining.

Labor market

The labor market remains tight, but some variables indicate moderation. The unemployment rate remained at a record low level. Formal jobs creation decelerated, but continues to grow more than the working-age population.

Unemployment rate[1]

%, 3MMA, s.a.

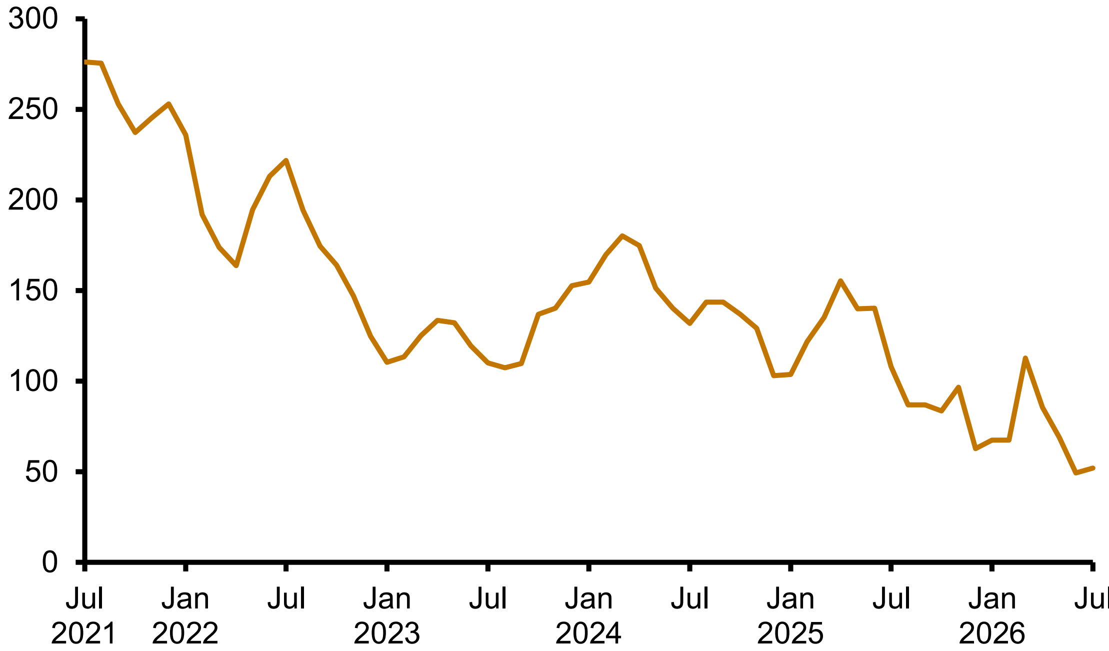


[1] Historical unemployment rate estimates following Alves, S. A. L. and Fasolo, A. M., "Not just another mixed frequency paper", (Working Paper Series 400, Banco Central do Brasil, 2015).

Sources: IBGE and BCB

Net formal job creation

Thousand, 3MMA, s.a.



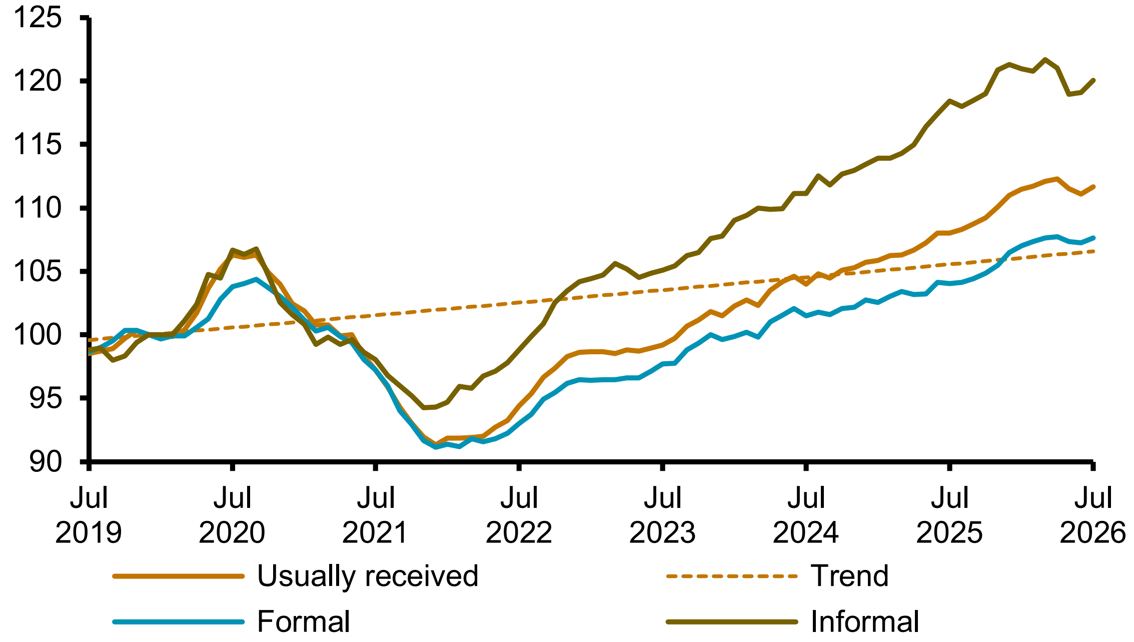
Source: Ministry of Labor and Employment

Labor market

The real average labor income, which had been on an upward trend since 2022, decreased at the margin in the May-Jul quarter. The average hiring salary in the formal private sector also declined in the last quarter.

Real average labor income

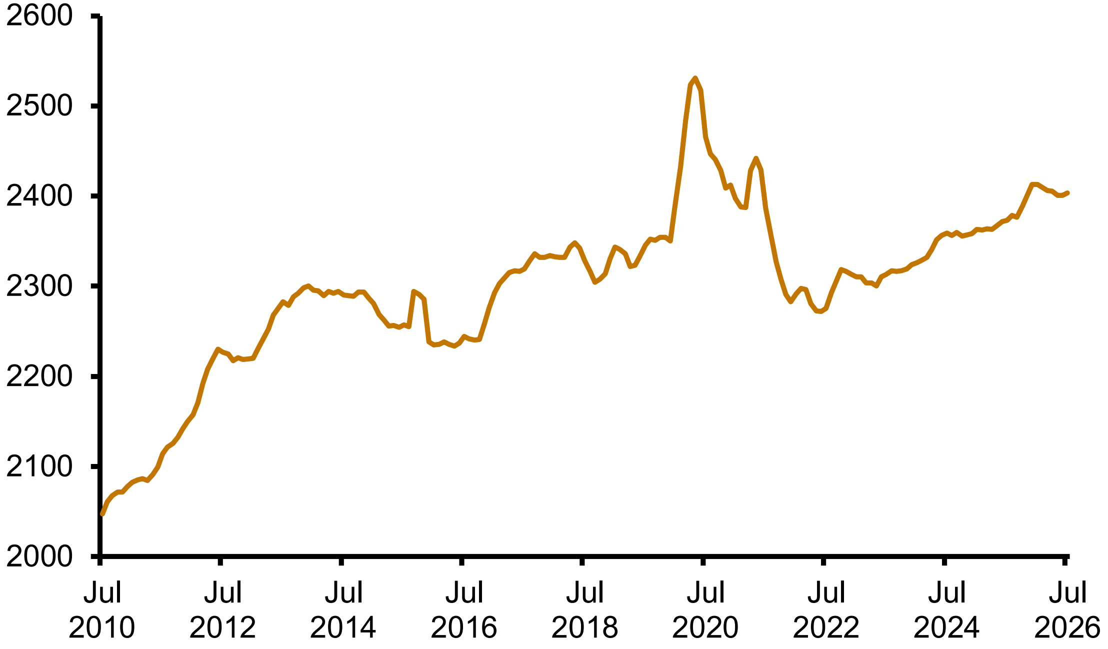
Dec 2019 = 100, 3MMA, s.a.



Sources: IBGE and BCB

Hiring salary

Jul 2026 BRL, 3MMA, s.a.



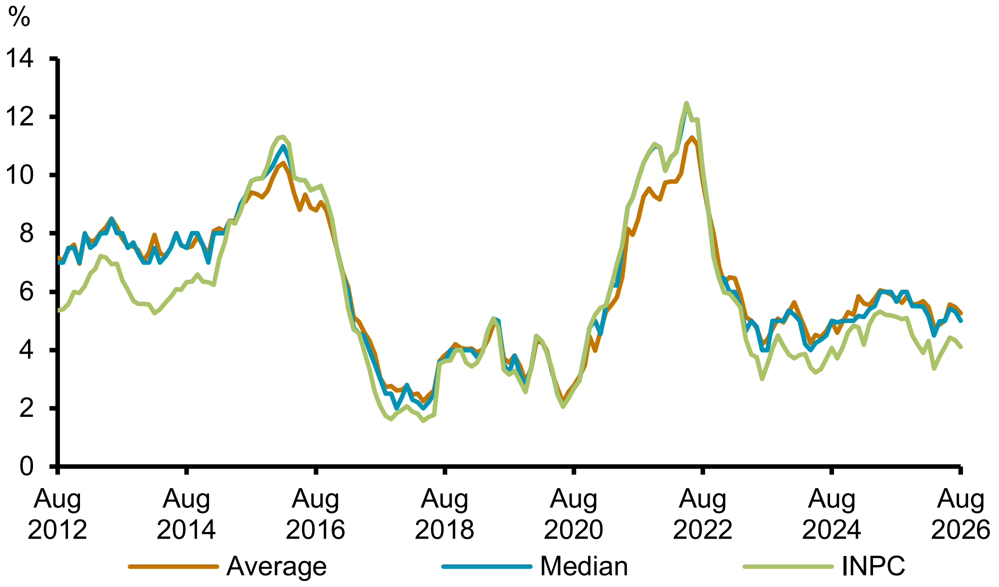
Source: Ministry of Labor and Employment

Box

Estimates of salary adjustments based on collective bargaining agreements (CCT)

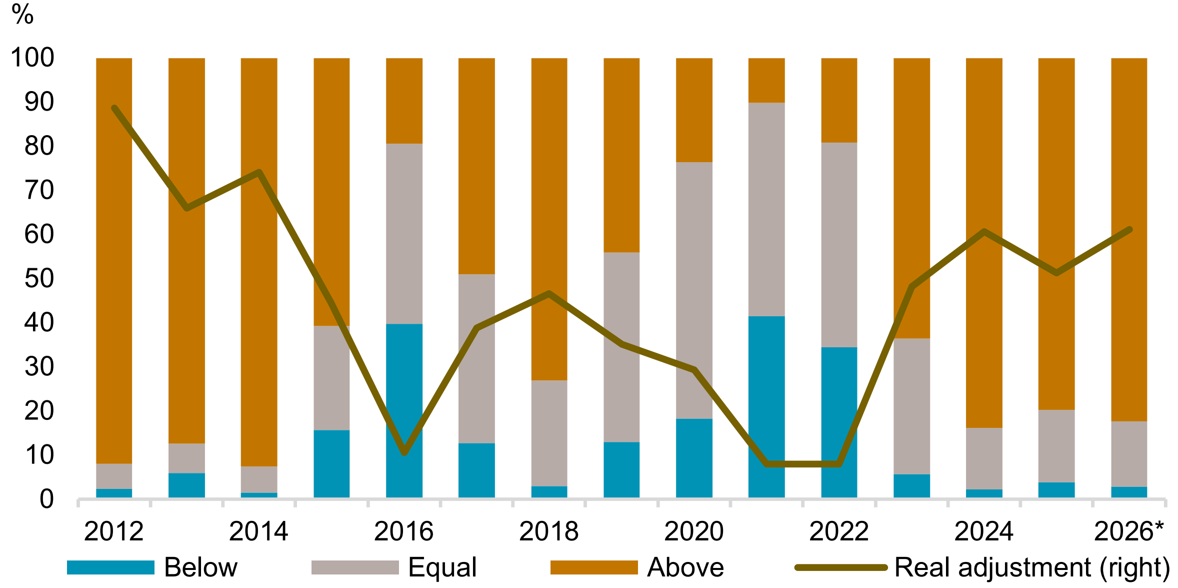
- The BCB starts to monthly publish salary adjustment indicators based on the CCT.
- Indicators reveal high adherence between nominal salary adjustments and past inflation.
- Real salary gains predominate at times of low unemployment rate.

Average and median nominal salary increases versus INPC, effective date criteria



Sources: BC and MLE

Distribution of salary adjustments relative to the INPC and average real adjustment, effective date criterion (annual averages)



Sources: BC and MLE.

* Cumulate through August.

Credit

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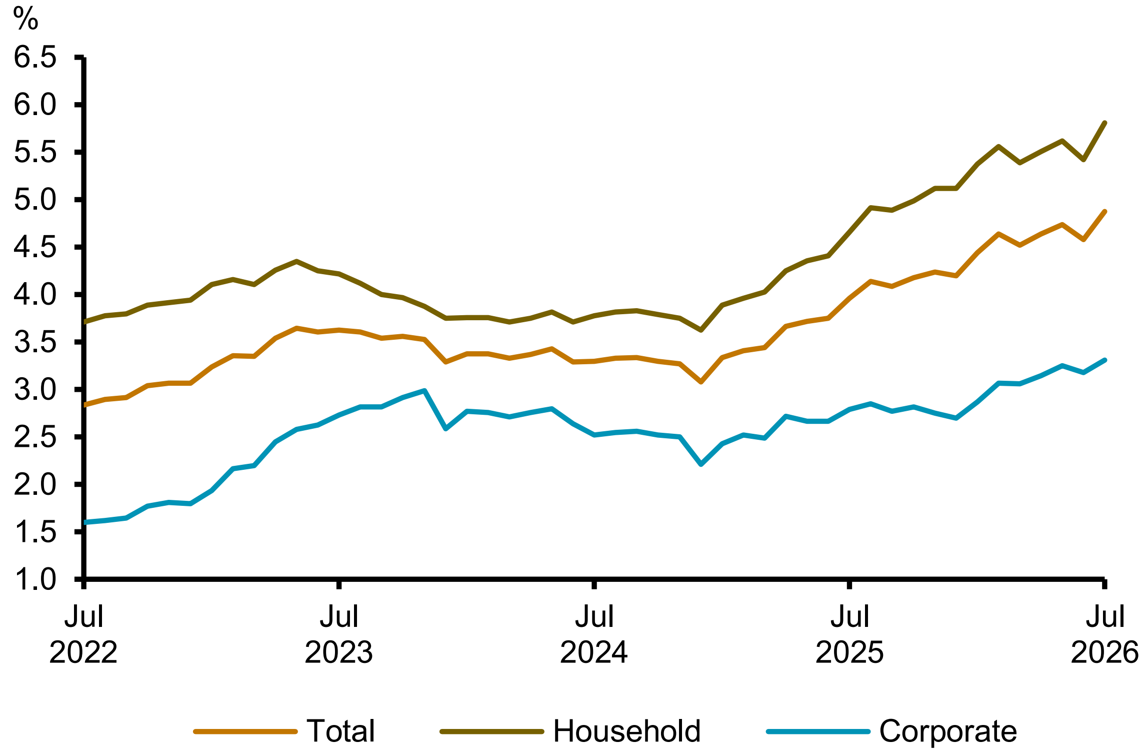
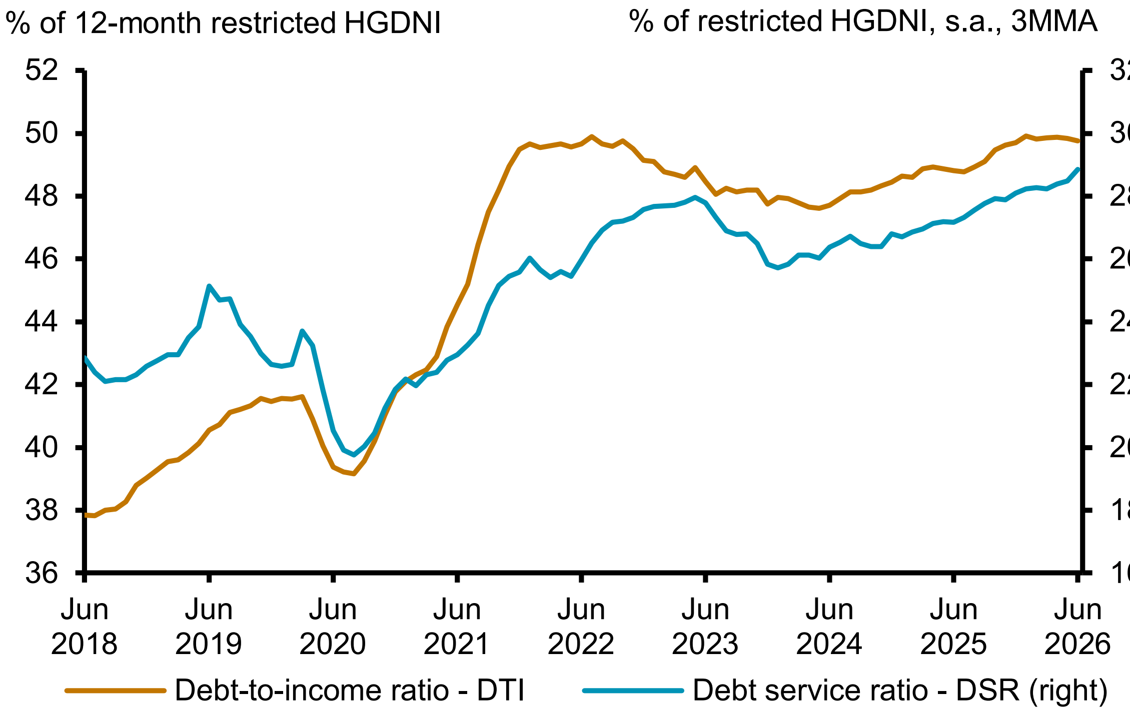
Credit delinquency in the SFN continued to rise and reached a new record high, mainly driven by delays on the household segment. High levels of indebtedness and credit costs continue to put pressure on households' debt-to-service ratio (DSR).

90 days past due loans



Household DTI and DSR



Credit

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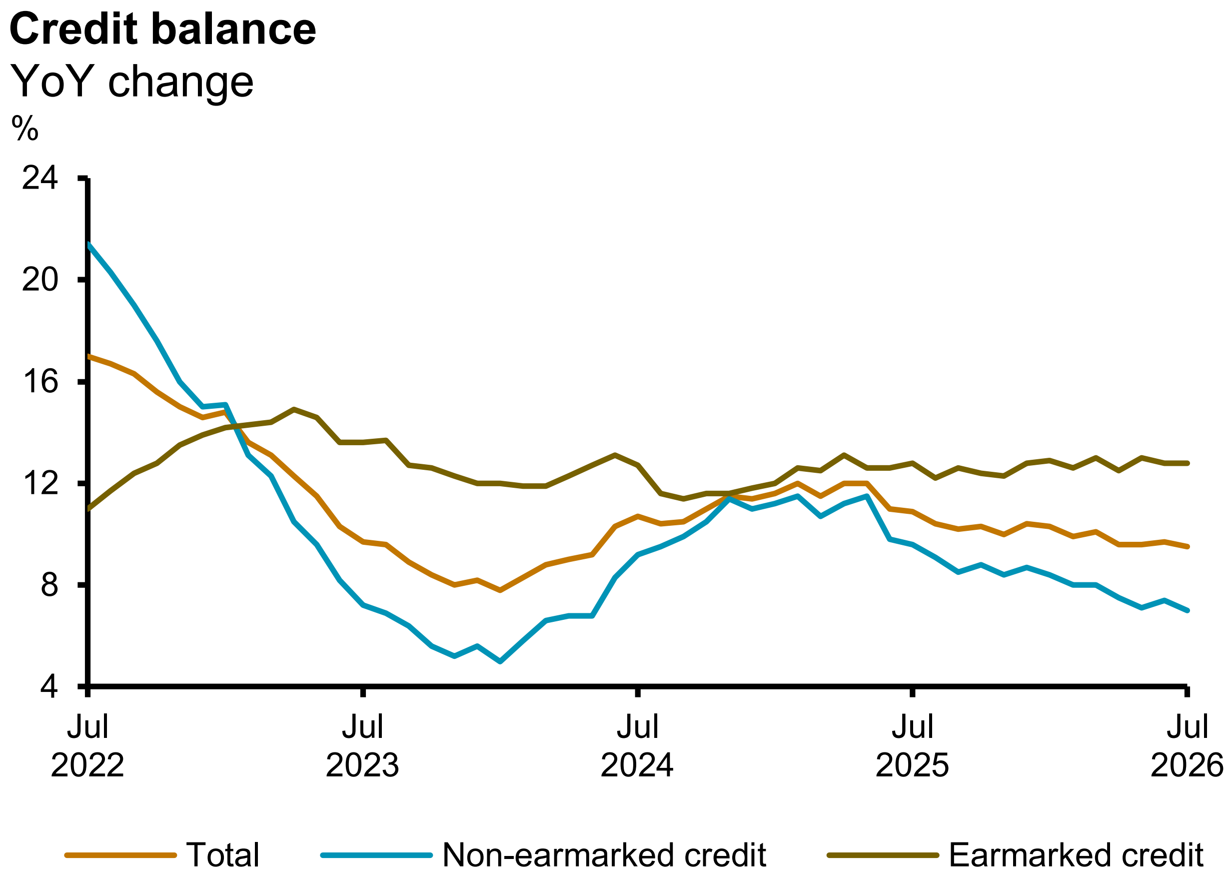
The slowdown in the growth of the SFN credit balance, underway since 2025 and driven by the non-earmarked credit, eased in the last quarter.



Projections for credit growth in 2026 and 2027

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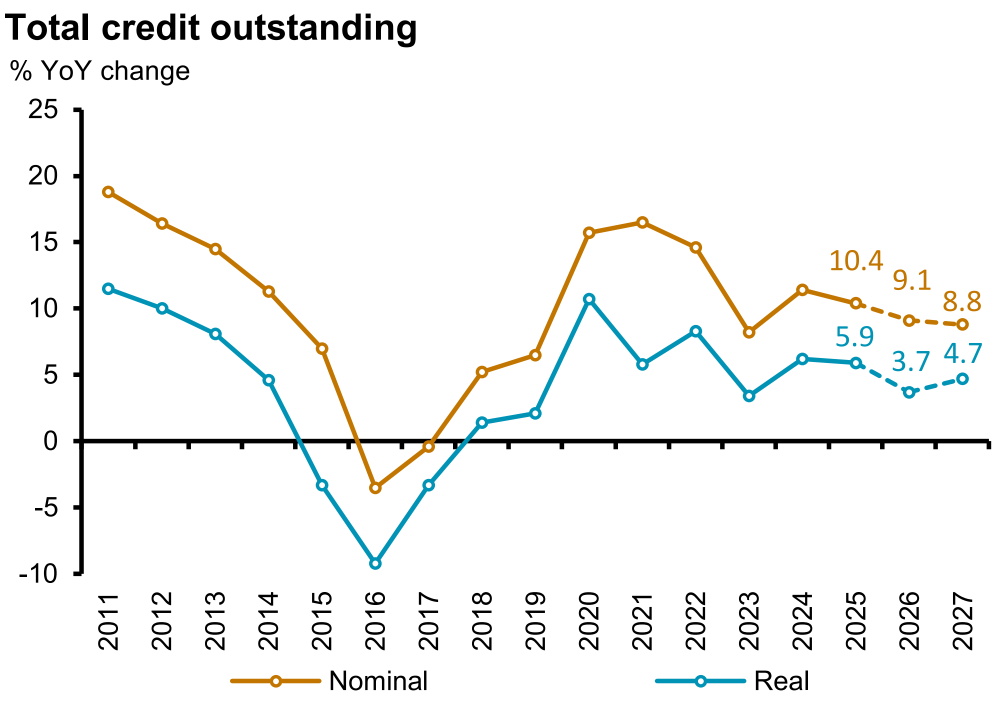
- The projection for nominal SFN credit balance growth in 2026 grew from 9.0% to 9.1%, with lower growth in non-earmarked credit and higher in earmarked credit.
- Growth expected for 2027 is 8.8%, with higher expansion in non-earmarked credit and lower in earmarked credit.

Credit balance

12-month % change

	Occurred			Proj. 2026		Proj. 2027
	2024	2025	Jul 2026	Previous	Current	Current
Total	11.4	10.4	9.5	9.0	9.1	8.8
Non-earmarke	11.0	8.7	7.0	7.8	7.2	7.8
Households	12.7	13.5	10.8	10.0	9.0	9.0
Corporations	8.8	2.2	1.4	4.5	4.5	6.0
Earmarked	11.8	12.8	12.8	10.7	11.7	10.0
Households	12.5	9.9	10.7	9.5	10.5	10.0
Corporations	10.5	18.6	16.8	13.0	14.0	10.0
Total Househo	12.6	11.9	10.8	9.8	9.7	9.4
Total Corporat	9.4	8.1	7.4	7.8	8.2	7.7

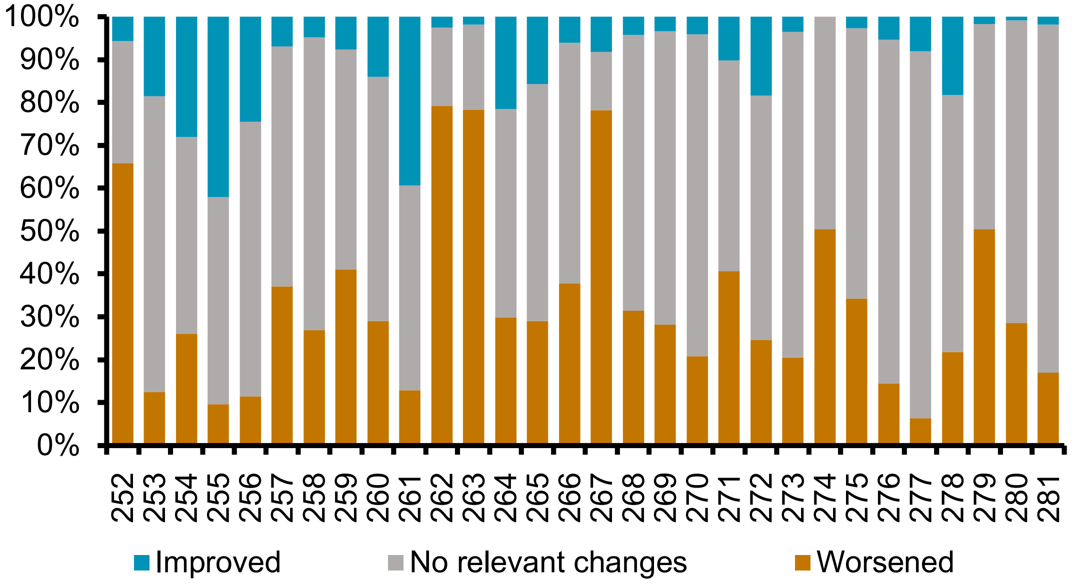


Fiscal

In the two editions of the Pre-Copom Questionnaire (PCQ) since the previous MPR, most respondents assessed that there had been no significant changes in the fiscal situation, following the perception of deterioration recorded in June.

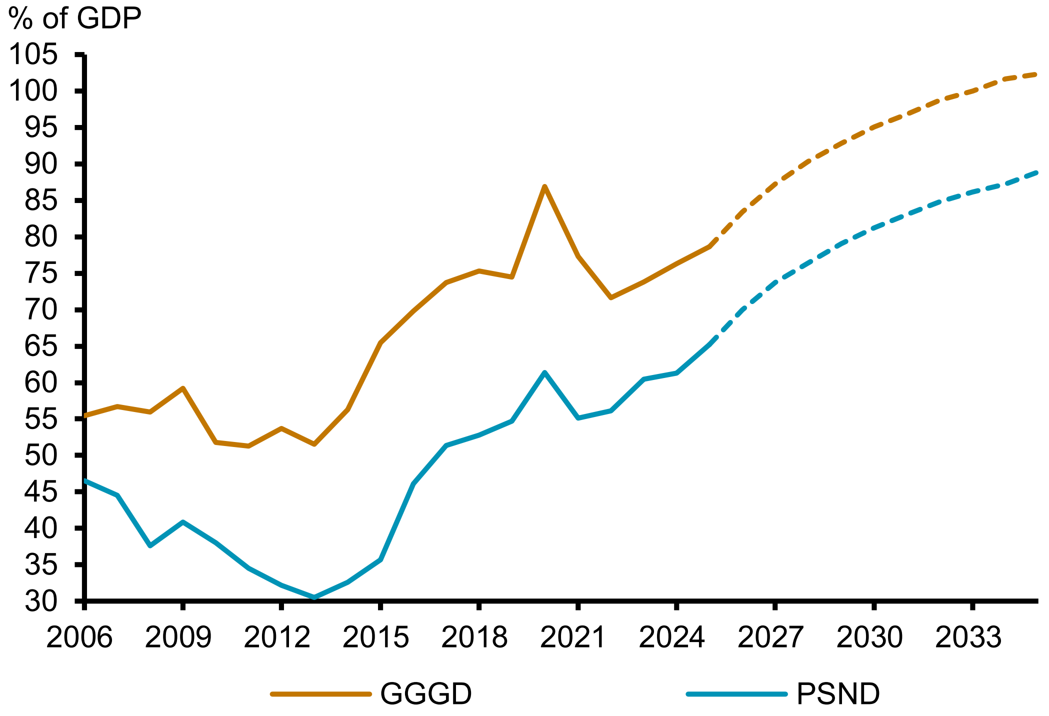
PCQ: Assessment of fiscal situation

Share of responses (%) in each PCQ



Question: How do you assess the change of the fiscal outlook since the previous Copom, considering both your baseline scenario and related risks?

Debt forecasts



Forecasts from 2026 onward correspond to the September 11, 2026, Focus

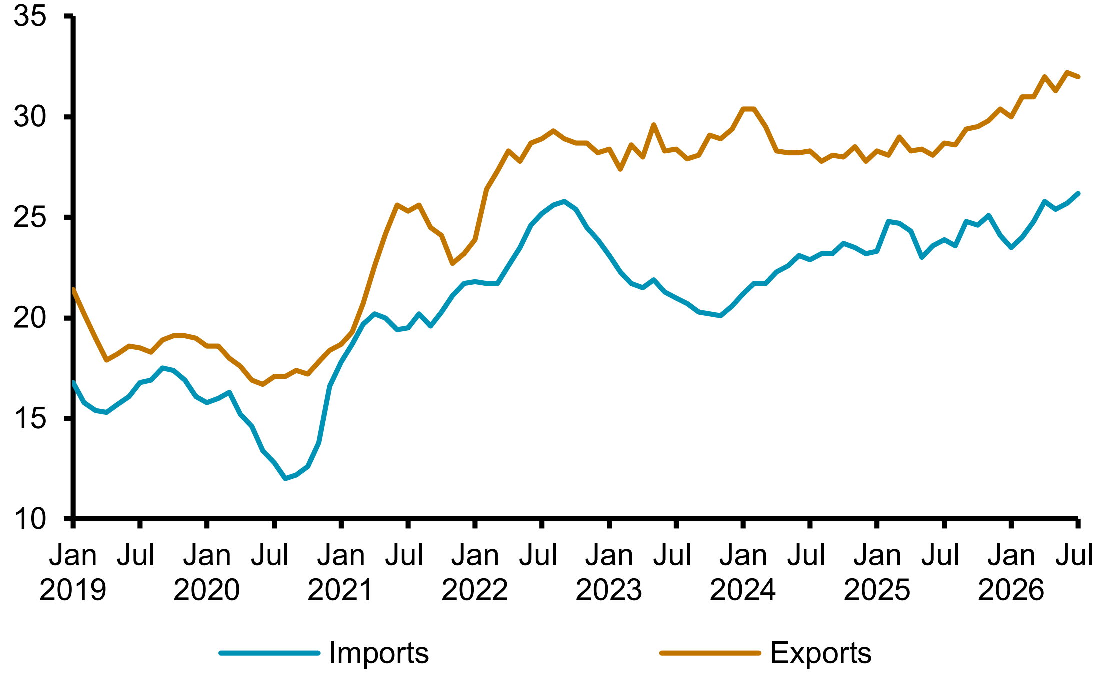
External accounts

Since the previous MPR, the current account deficit of the balance of payments continued to decline compared with 2025, driven by the increase in the trade surplus.

In the financial account, inflows of direct investment liabilities remained robust.

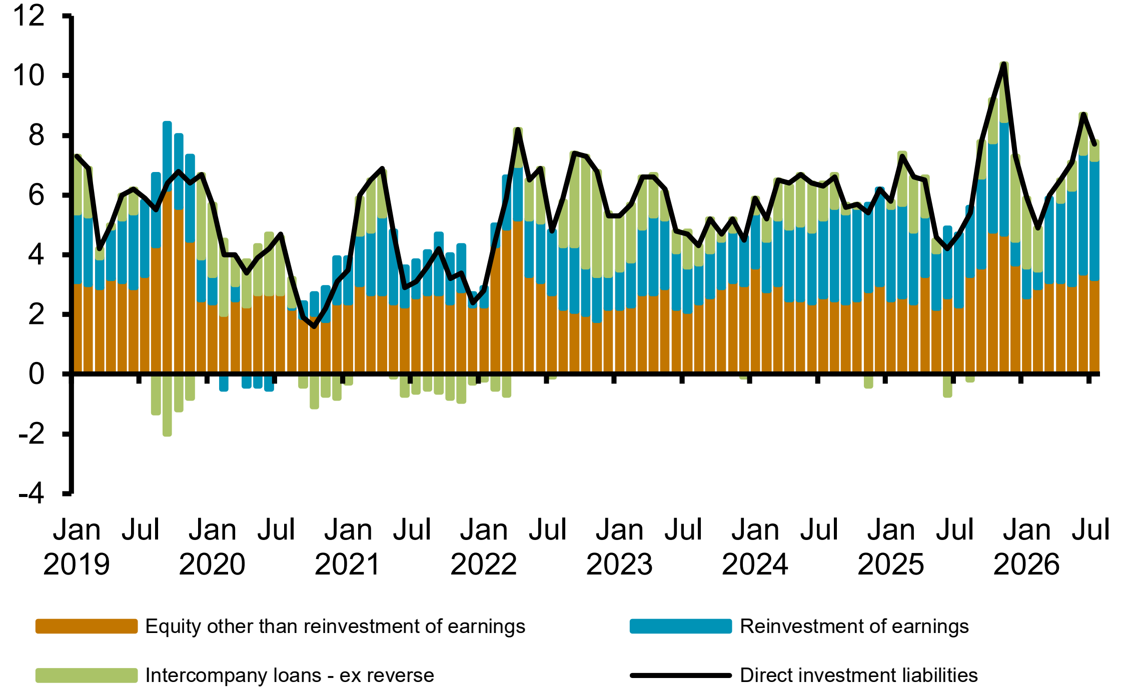
Trade balance

USD billion, 3mma s.a.



Direct investment liabilities

USD billion, 3MMA s.a.

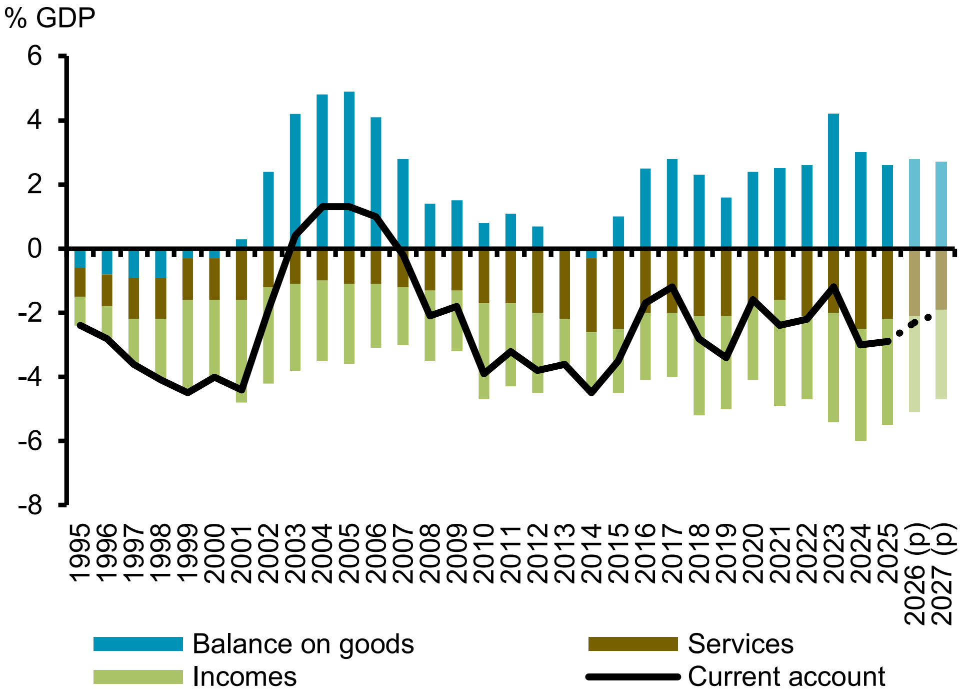


Box

Projections for the evolution of external accounts in 2026 and 2027

- The projection for the current account deficit for 2026 was revised to USD 60 billion (2.3% of GDP), a slight increase compared with the previous MPR forecast, but still lower than in 2024 and 2025. The projection for inflows of direct investment liabilities remains unchanged at USD 75 billion (2.8% of GDP).
- For 2027, the current account deficit is expected to decline again, reaching USD 55 billion (2.0% of GDP), while direct investment liabilities are projected at USD 75 billion (2.7% of GDP).
- The external accounts scenario is still subject to relevant risks.

Current account



Projections for the external accounts

USD billion

Itemization	2025	2026	2026 Forecast		2027 Forecast
	Year	Jan - Jul	Previous	Current	Current
Current account	-67	-36	-56	-60	-55
Balance on goods	60	43	78	75	77
Exports	351	219	385	384	395
Imports	291	176	307	308	319
Services	-51	-33	-56	-56	-54
of which: Travel	-12	-9	-15	-15	-14
of which: transportation	-14	-8	-15	-15	-14
Primary income	-81	-50	-83	-85	-83
of which: Interests	-28	-18	-31	-32	-33
of which: Dividens	-54	-31	-52	-53	-50
Main investments - liabilities					
DI liabilities	78	54	75	75	75
Portfolio investments	15	17	15	15	7

Monetary Policy Report

Prices

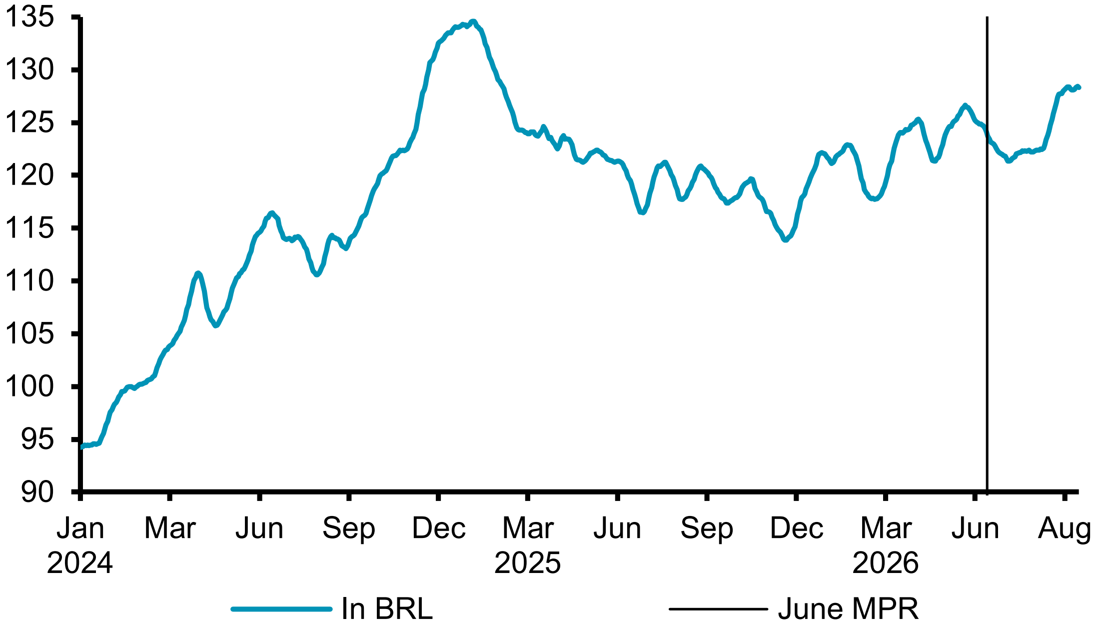
Domestic outlook

Commodity prices

Commodity prices rose for the third consecutive quarter, with increases concentrated in the agricultural segment.

IC-Br in BRL

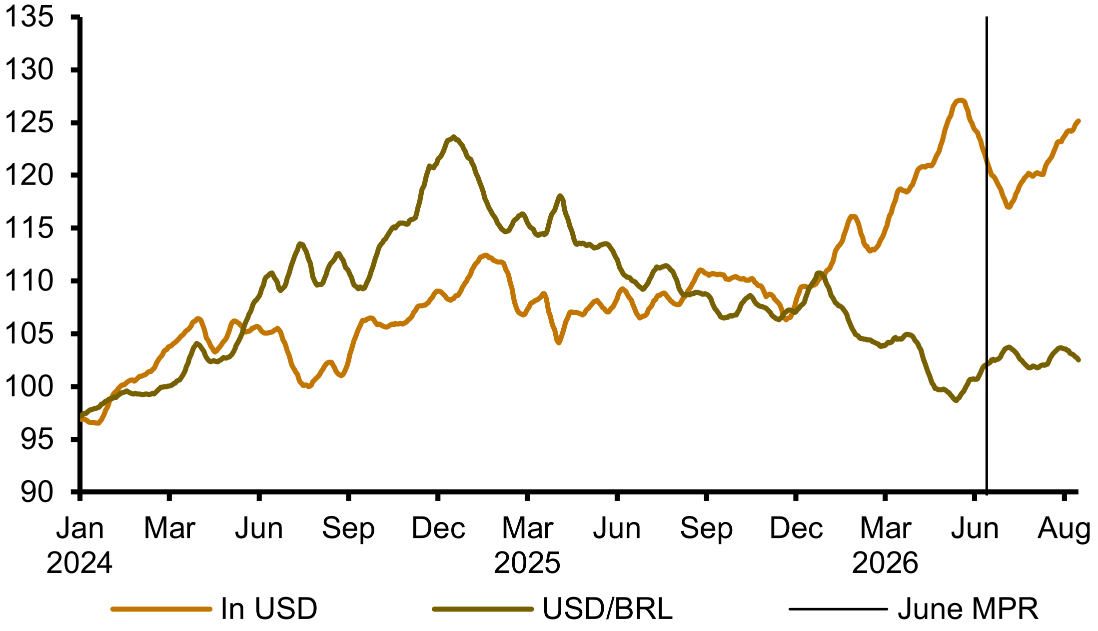
10-day moving average; 2023 = 100



Sources: Bloomberg and BCB

IC-Br in USD and foreign exchange rate

10-day moving average; 2023 = 100

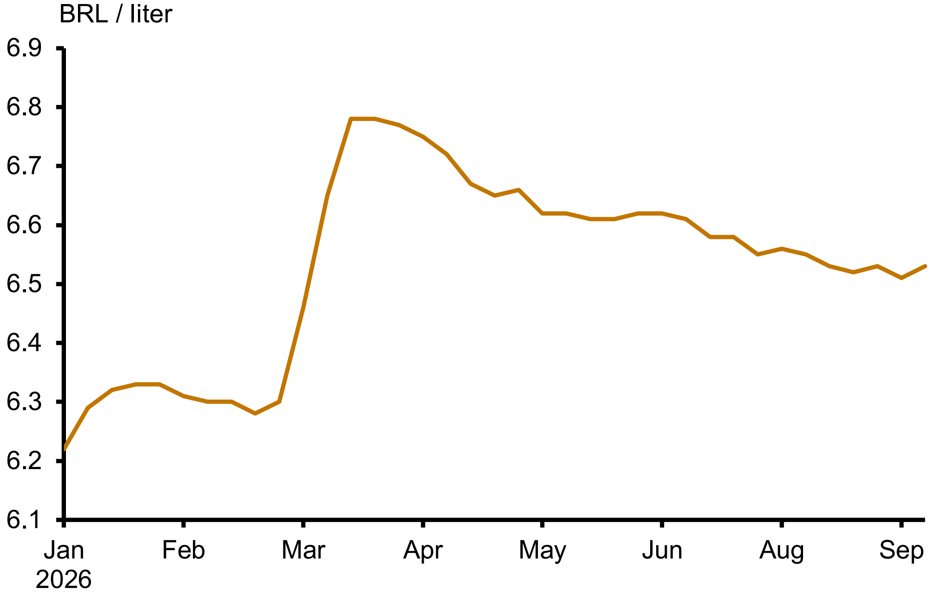


Sources: Bloomberg and BCB

Shock in oil and oil derivative prices: evidence of first-round effects on the Brazilian inflation

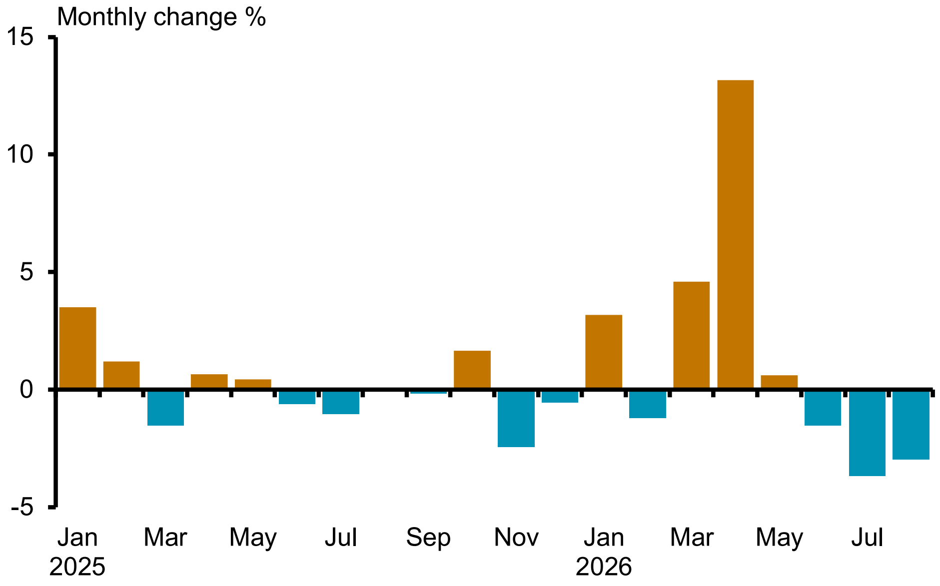
- Direct first-round effects: impact concentrated in consumer gasoline price.
- Indirect first-round impacts: via pass-through of costs – example: diesel and plastics supply chain.
  - ➢ Estimates suggest that the indirect impact may be just as significant as the direct impact, although it is more difficult to measure.
  - ➢ Despite the partial reversal of some prices, risks of inflationary pass-through persist in the short term.

Retail price of gasoline



Source: ANP

IPA-DI - Organic chemicals, resins, and elastomers

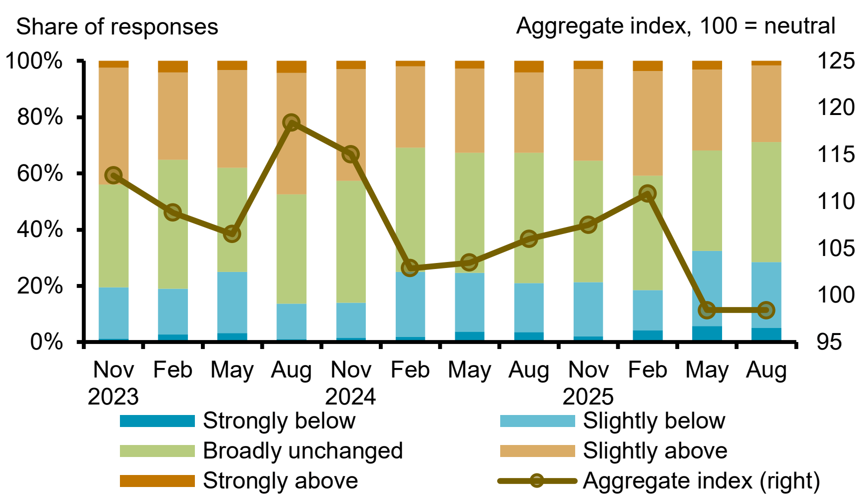


Source: FGV Dados - IPA, BCB (aggregation)

Shock in oil and oil derivative prices: second-round effects on the Brazilian inflation

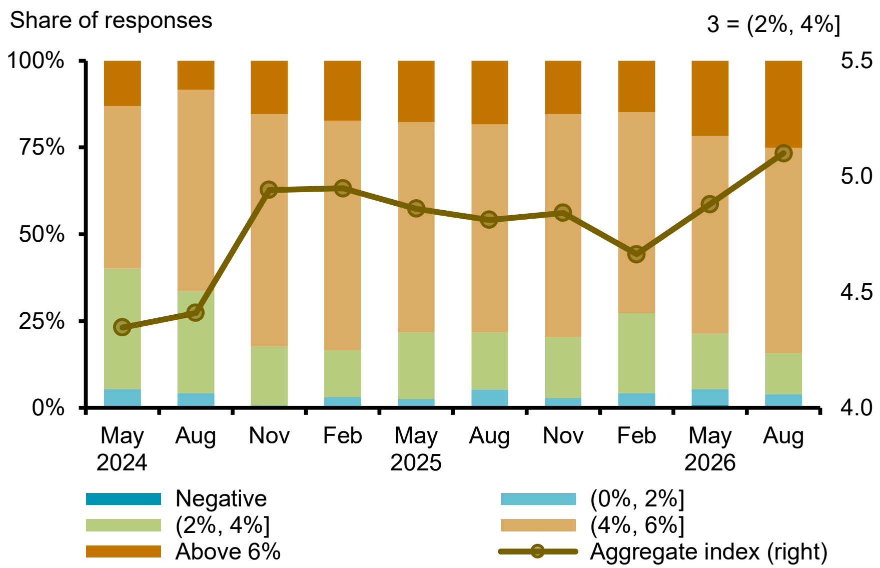
- Second-round effects occur when the initial increase in inflation stemming from first-round effects impacts price- and salary-settings.
  - In general, these indicators do not, so far, point to significant inflationary spillovers through second-round effects.
  - However, there are spillover risks worth monitoring.

Firms' margins: next 12m vs current (Firmus)



The aggregate index weights the qualitative responses using weights ranging from 0 ("Strongly below") to 200 ("Strongly above").

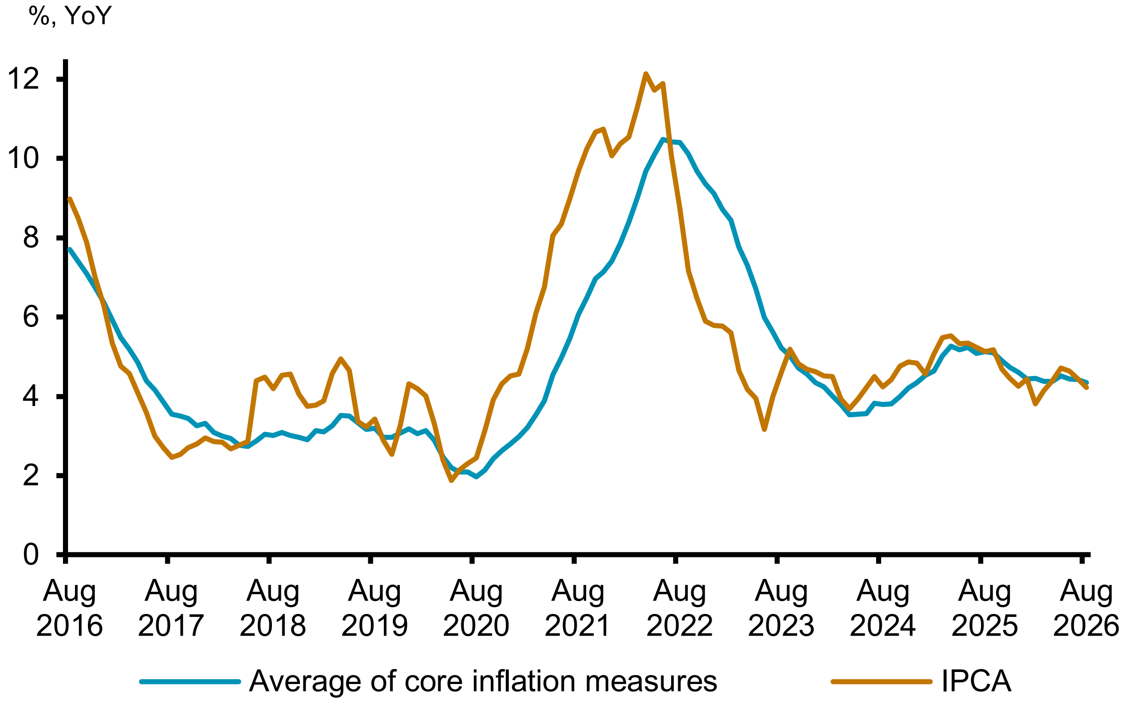
Labor costs: change over the next 12 months (Firmus)



Consumer prices (IPCA)

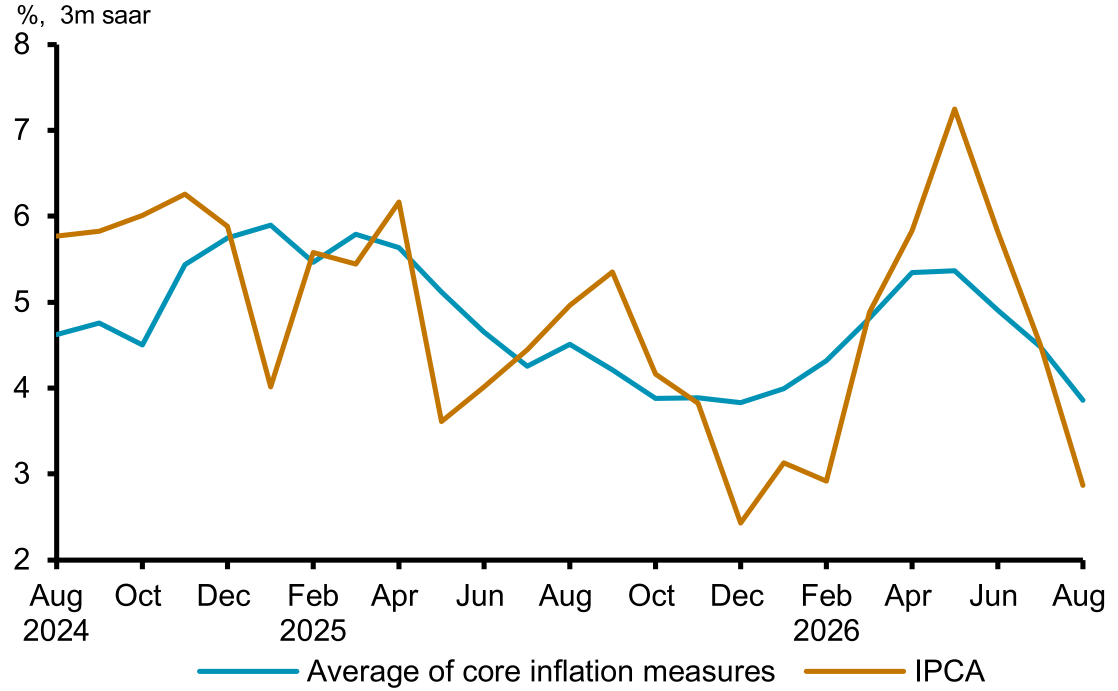
Consumer inflation declined compared with the previous quarter but the average core inflation measures remained elevated.

IPCA and core inflation



Sources: IBGE and BCB

IPCA and core inflation

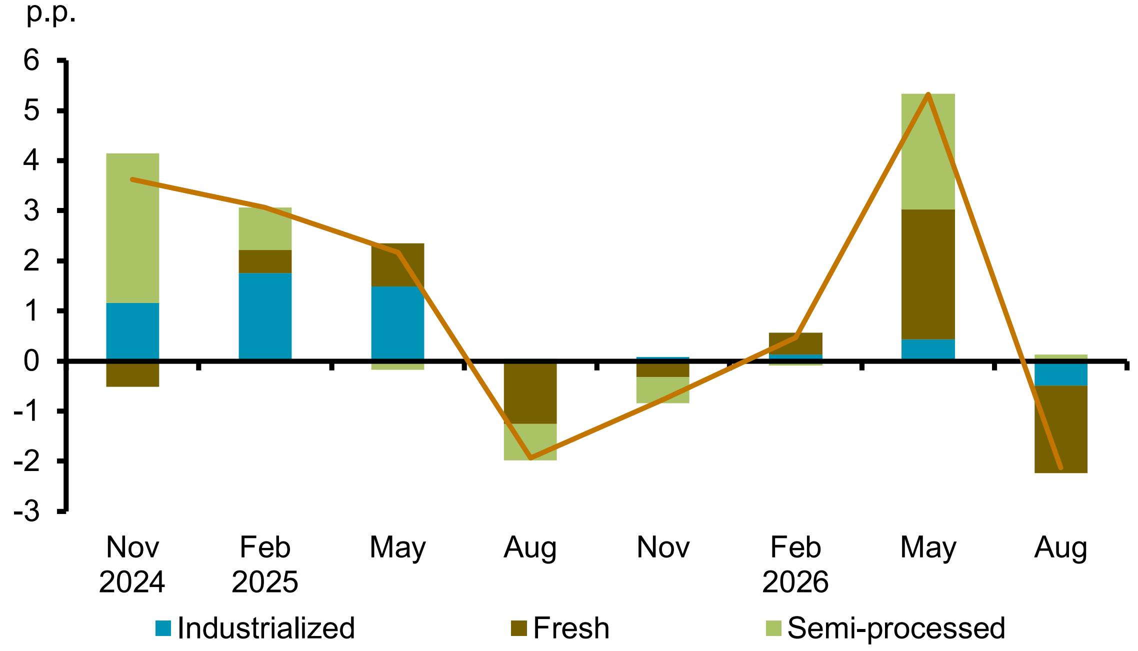


Sources: IBGE and BCB

Consumer prices (IPCA)

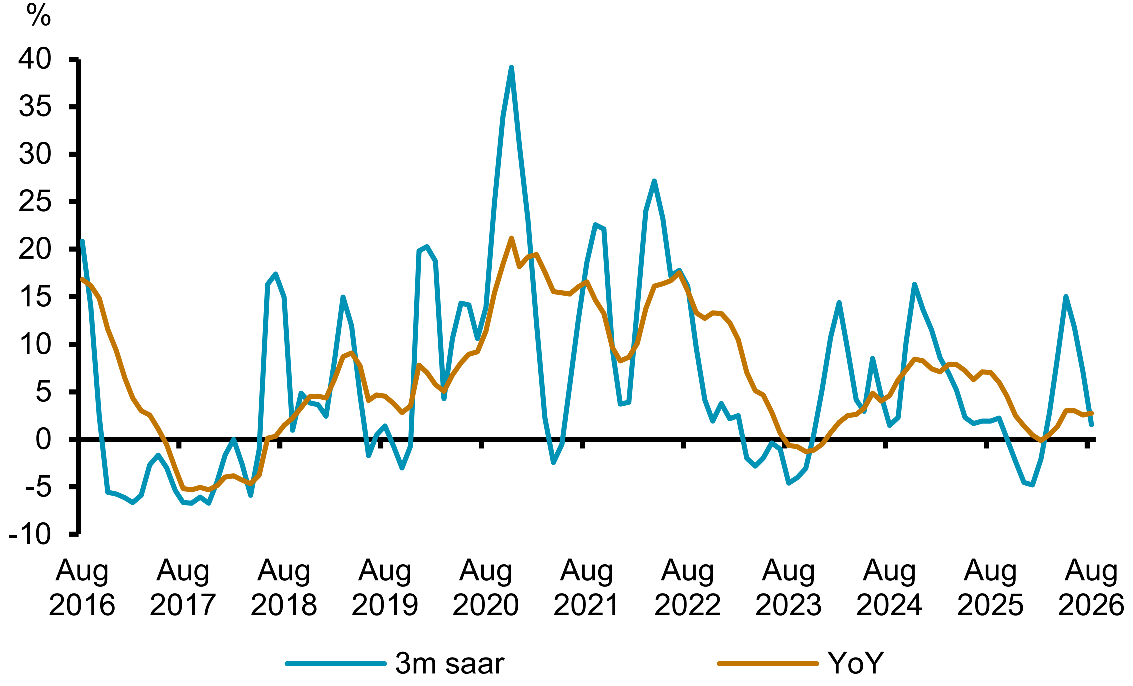
Consumer food prices declined, following a sharp increase in the previous quarter.

Contributions to quarterly changes in food-at-home prices – IPCA



Sources: IBGE and BCB

Food-at-home inflation



Sources: IBGE and BCB

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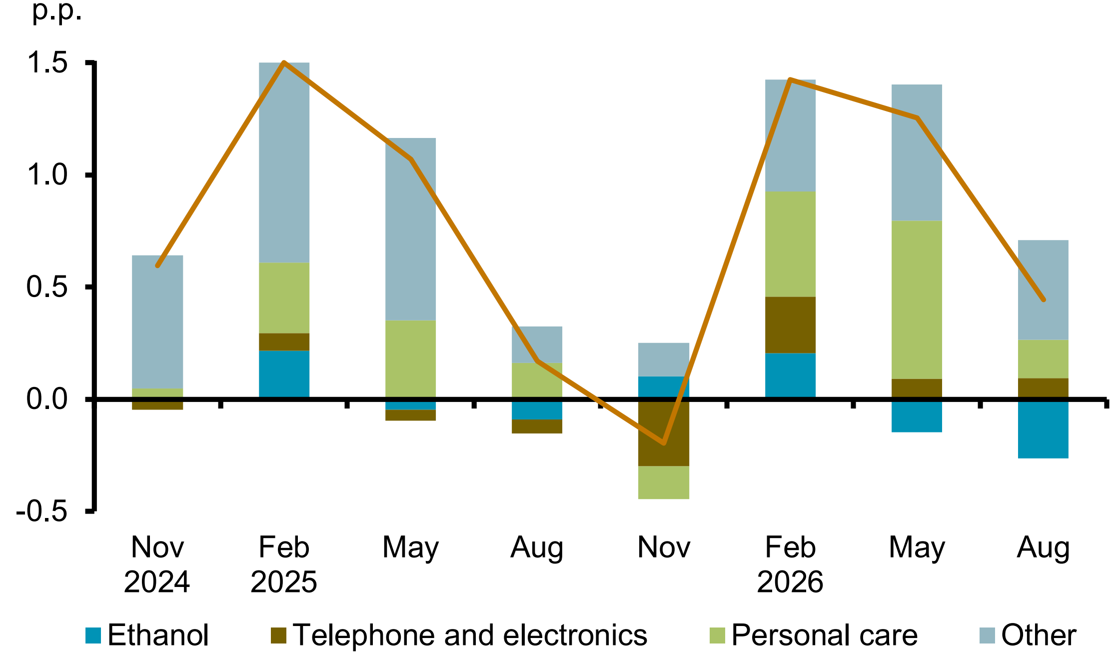
Consumer prices (IPCA)

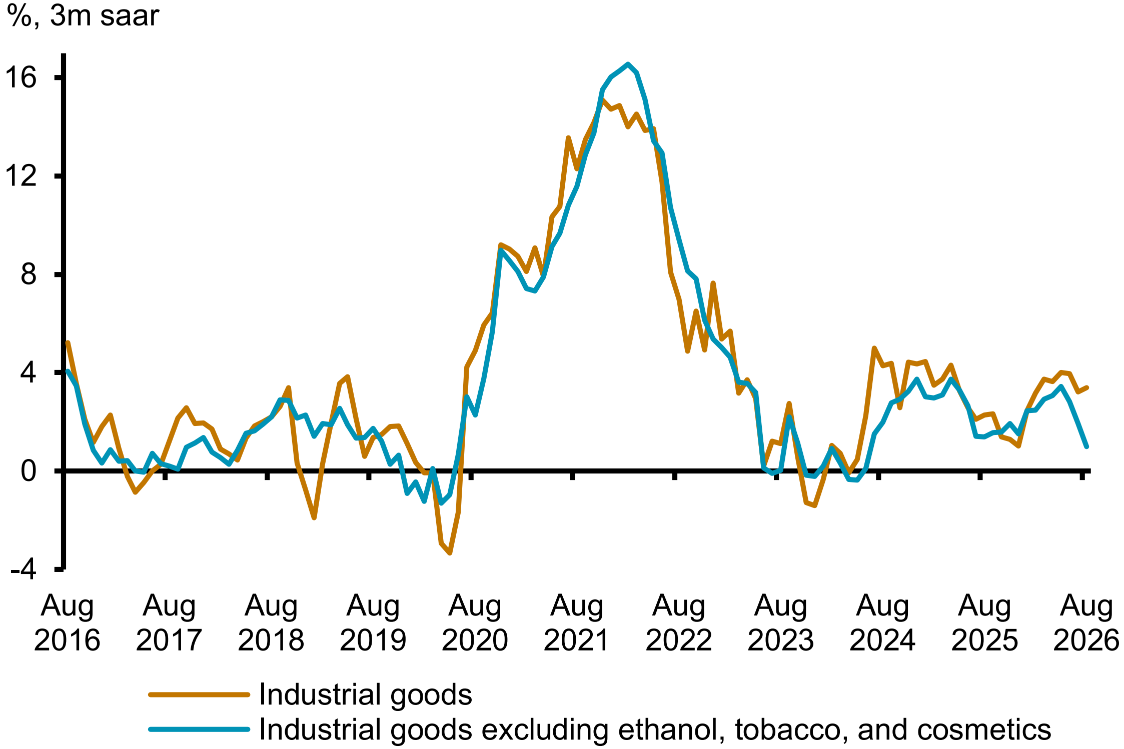
Prices of industrial goods showed signs of moderation during the quarter.

Contributions to quarterly changes in industrial goods prices – IPCA



Sources: IBGE and BCB

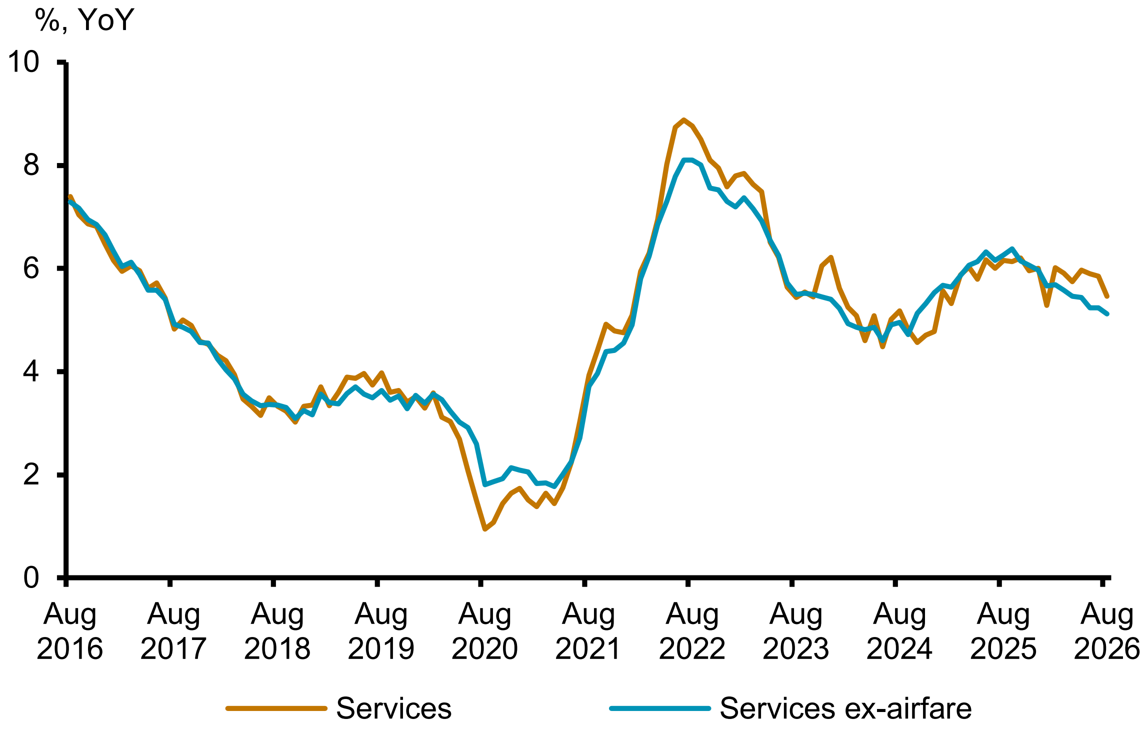
Industrial goods inflation



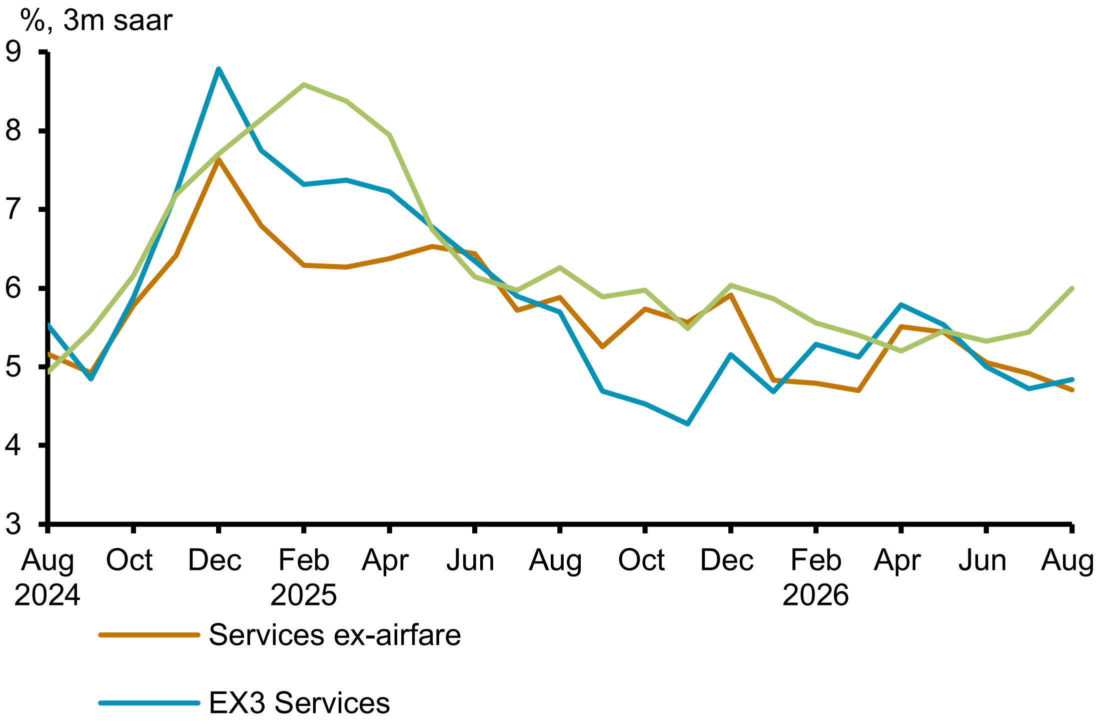
Consumer prices (IPCA)

Services inflation remained elevated, although some measures of underlying inflation in the segment declined during the quarter.

Services inflation



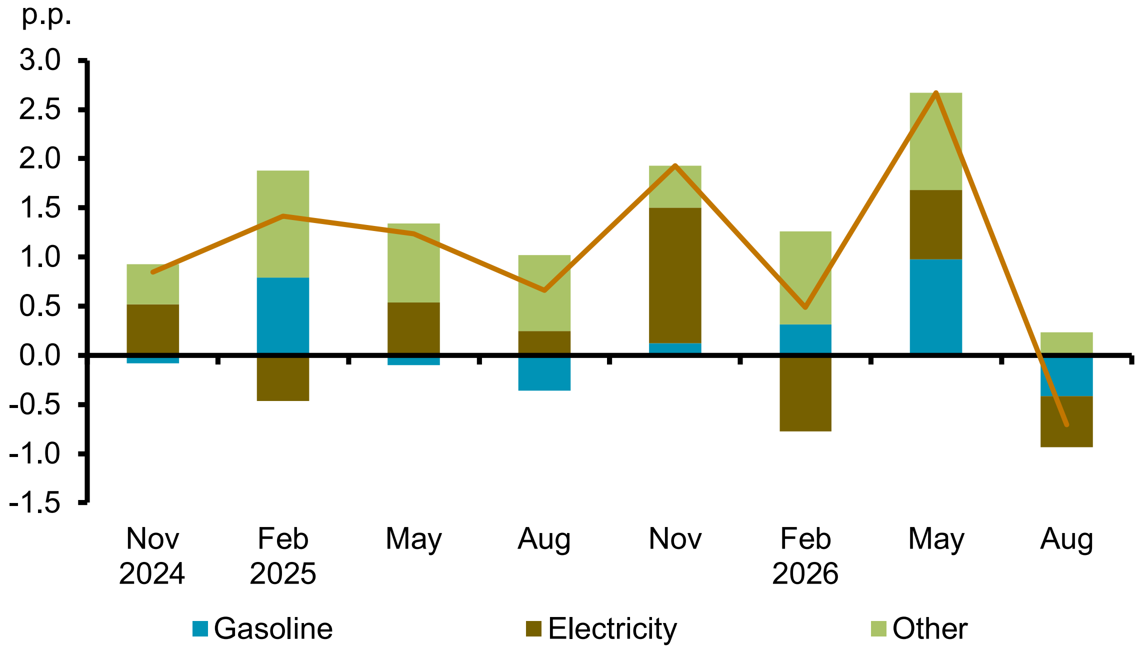
Services inflation



Consumer prices (IPCA)

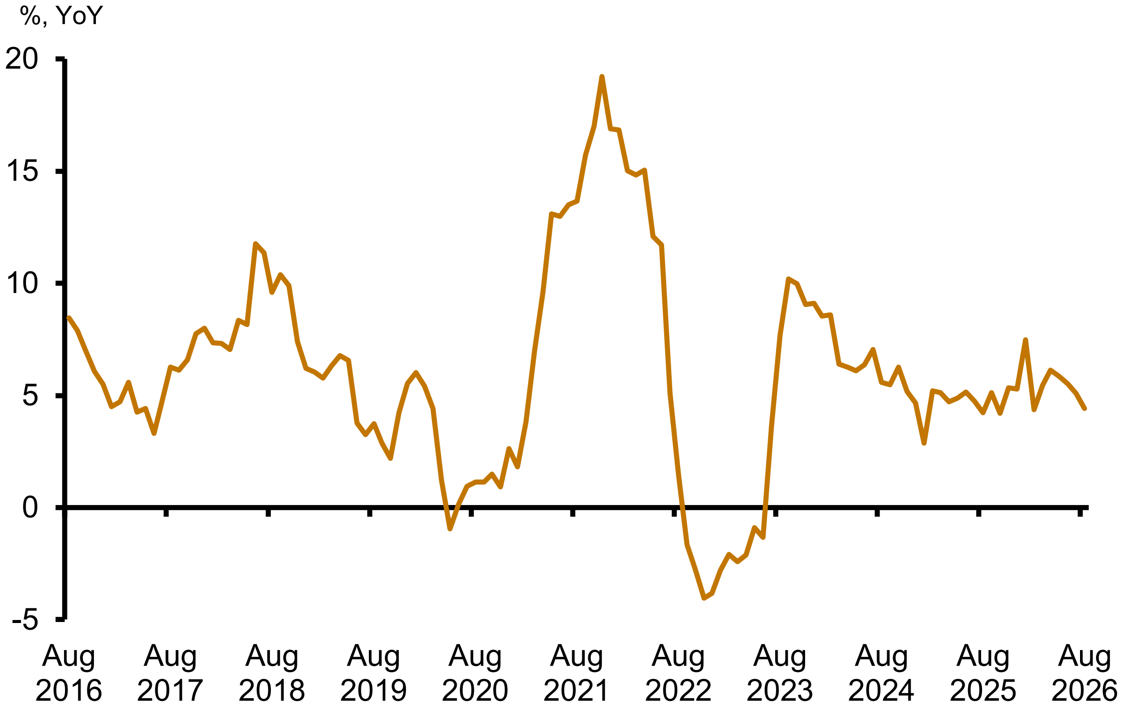
After rising sharply in the previous quarter, administered prices declined, reflecting lower gasoline prices and a temporary discount on residential electricity tariffs.

Contributions to quarterly changes in administered prices – IPCA



Sources: IBGE and BCB

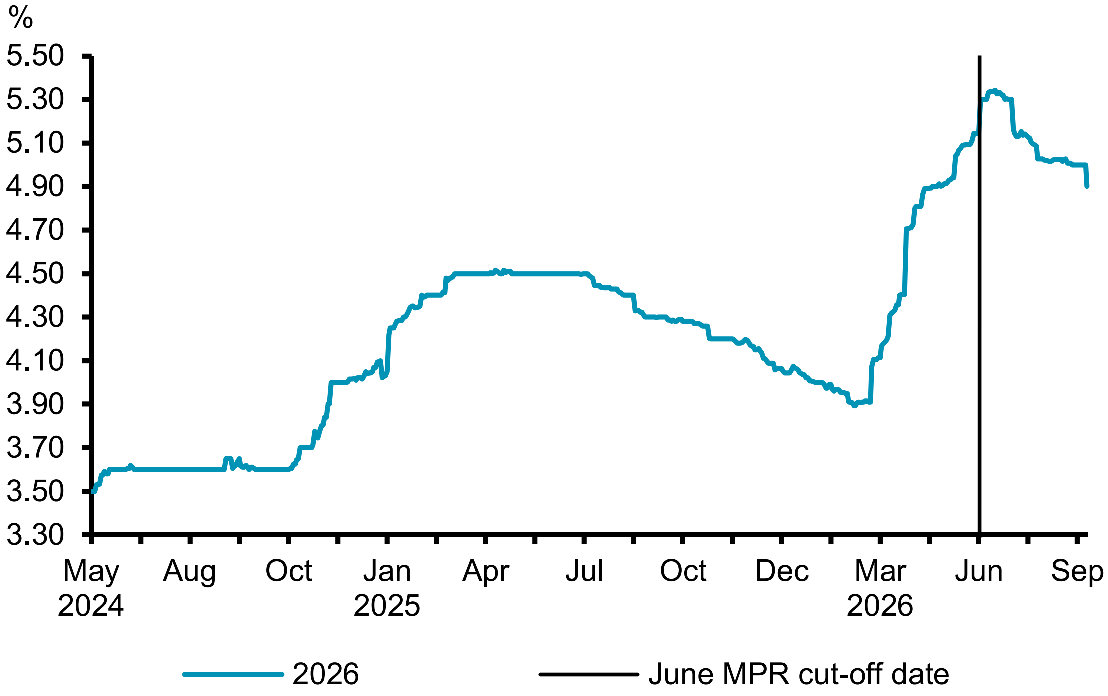
Administered prices



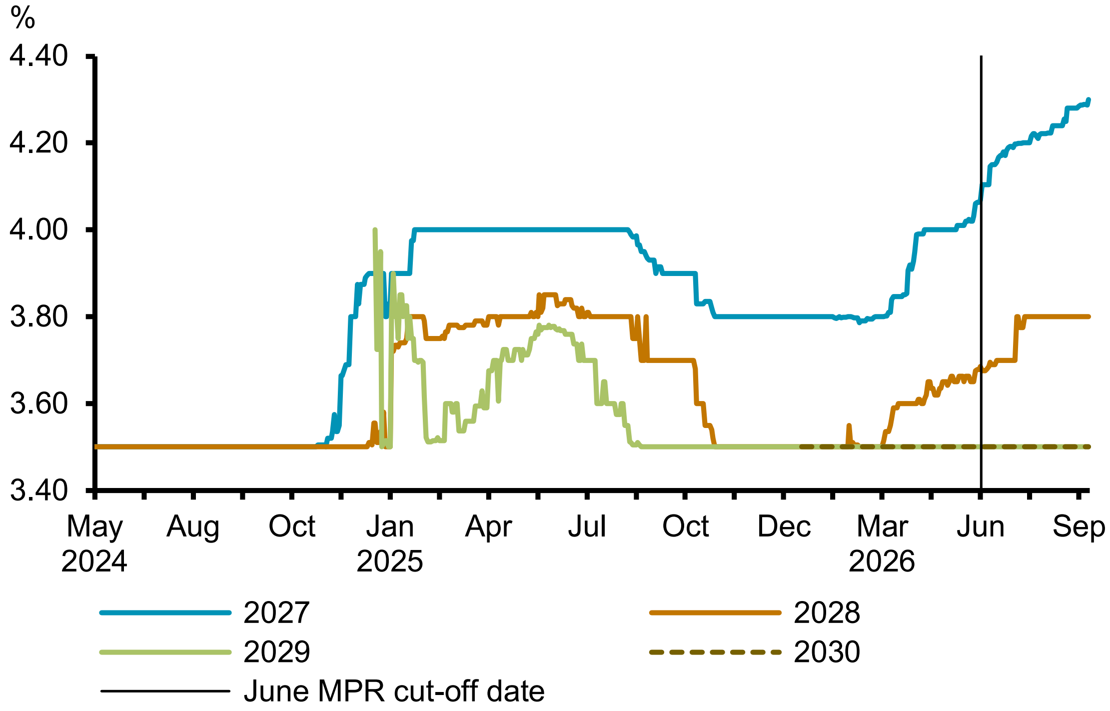
Consumer prices – Expectations

Inflation expectations declined for 2026 but increased for 2027 and 2028.

Median market expectations (Focus) – Annual IPCA in 2026



Median market expectations (Focus) – Annual IPCA - 2027 to 2030



Monetary Policy Report

Inflation outlook

Short-term reference scenario

IPCA – Inflationary surprise

% change

	2026 Jun	Jul	Aug	Quarter up to Aug	12-months up to Aug
Copom scenario[1/]	0.32	0.26	0.23	0.81	5.17
Actual IPCA	0.16	0.07	-0.32	-0.09	4.22
Surprise	-0.16	-0.19	-0.55	-0.90	-0.95

Sources: IBGE and BCB

1/ Scenario at the June 2026 Monetary Policy Report cutoff date.

IPCA – Short-term projections[1/]

	2026 Sep	Oct	Nov	Dec
Monthly change	0.65	0.29	0.41	0.68
Quarterly change	0.40	0.62	1.36	1.39
12-months change	4.40	4.61	4.85	5.21

Sources: IBGE and BCB

1/ Copom's reference scenario at cutoff date.

Surprises

Consumer inflation in the Jun-Aug quarter was significantly lower than expected, with a surprise concentrated in electricity.

- This surprise reflects the effects of the distribution of the Itaipu bonus in August and more favorable tariff flags than forecast.
- The bonus effect is reversed in September, with a neutral impact on 2026Q3.
- Lower-than-expected results also in IPCA market prices, partly due to more volatile items - airfare and fresh food.
- However, industrialized food inflation and underlying inflation measures of industrial goods also came below expectations.

Projections

Short-term monthly projections indicate higher 12-month inflation, which is expected to exceed again the upper limit of the tolerance interval around the inflation target.

- Food: less favorable seasonality and *El Niño* effects.
- Administered: fuel prices still conditioned by the oil price and subsidies and exemptions; hypothesis of yellow flag until the end of 2026 balances the risk for electricity tariffs.
- Industrial goods: moderate increases but with risks of delayed pass-through of the oil price shock.
- Services: underlying inflation measures are expected to remain under pressure, in line with price inertia and a still tight labor market.

Conditional inflation projections: conditioning factors

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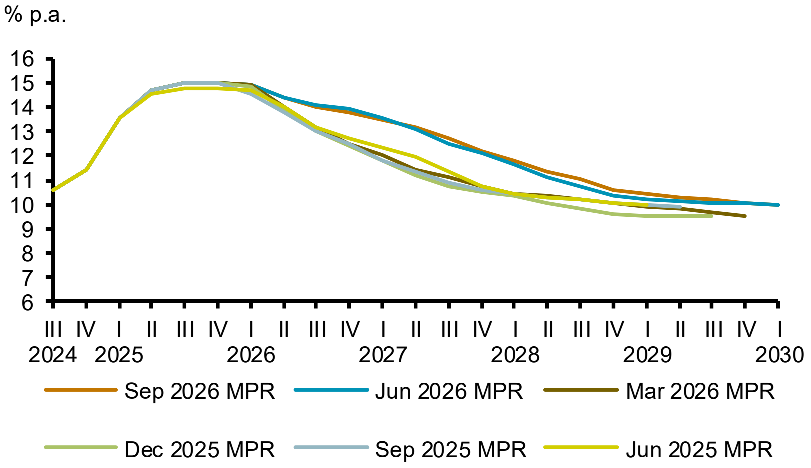
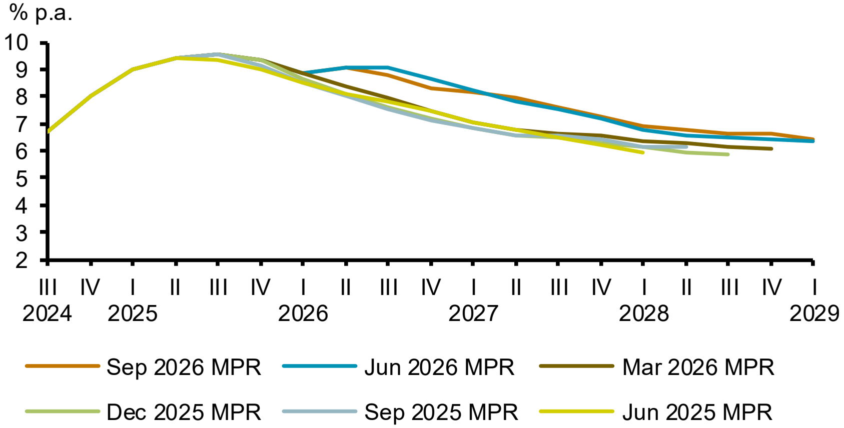
Selic rate target assumption for projections – Focus survey expectations

Quarterly averages



Four-quarter-ahead real Selic

Quarterly averages

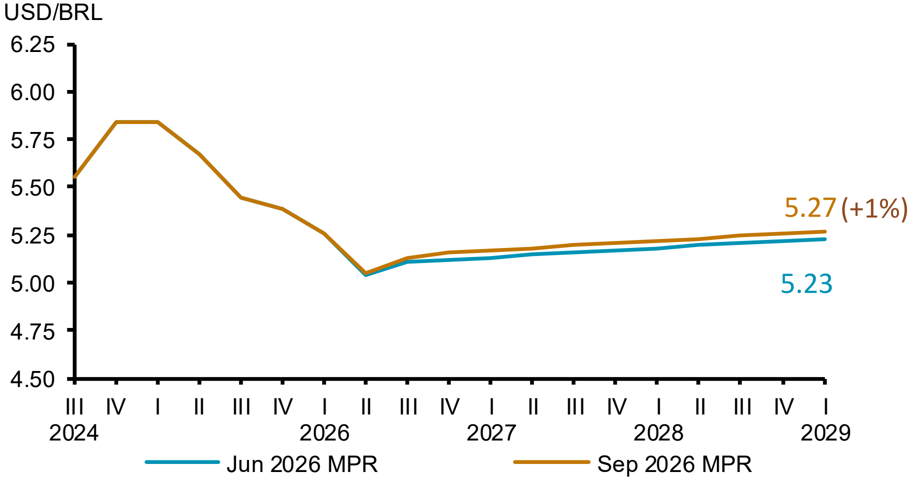


Note: Real Selic calculated as the four-quarter-ahead Selic rate, discounted from inflation expectations for the same period, both variables extracted from the Focus survey.

neutral real interest rate of 5.00%

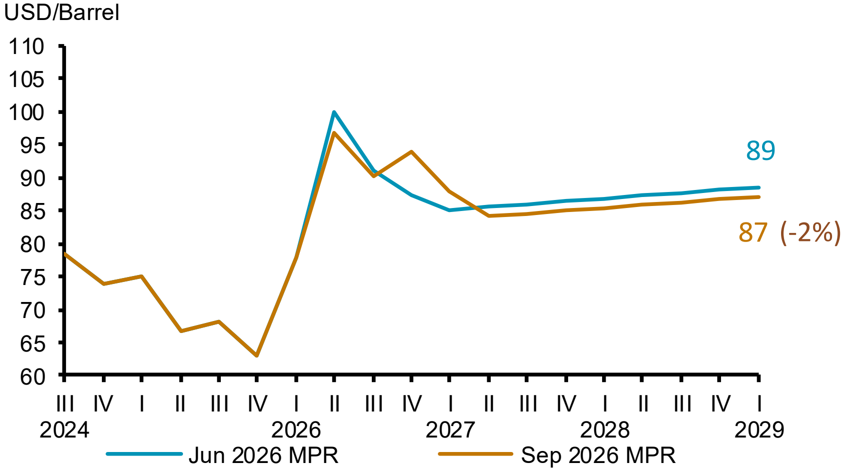
Exchange rate assumption for projections – PPP trajectory

Quarterly averages



Brent-type oil price

Quarterly averages

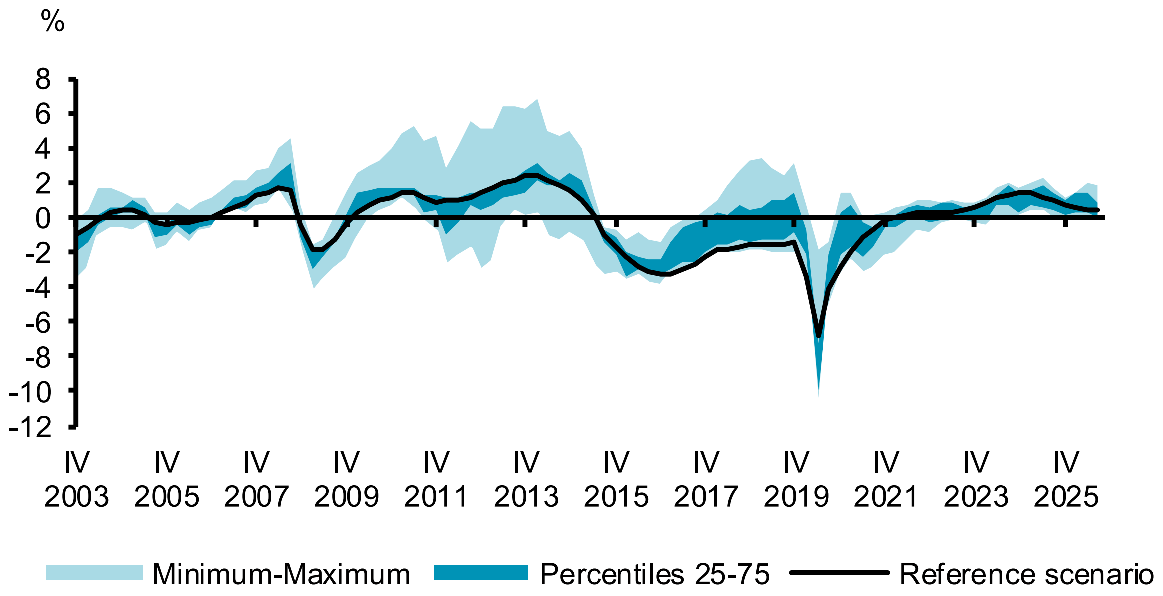


Sources: Bloomberg and BCB

Output gap

Positive output gap estimate at the margin but projected to decline over the coming quarters.

Output gap: estimates and dispersion



Note: Dispersion measures were constructed using a set of selected output gap measures. See the box "Output gap measures in Brazil", in the June 2024 IR, for a presentation of a broad range of methodologies. Figure's data period: 2003Q4–2026Q3.

- Output gap estimate at 0.4% in 2026Q3.
- Output gap estimate at -0.4% in 2028Q1.

Conditional inflation projections: reference scenario

Inflation projections – Reference scenario
YoY IPCA inflation

%

Price index	2025		2026				2027				2028				2029
	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I
IPCA	5.2	4.3	4.1	4.6	4.4	5.2	4.9	4.5	4.5	3.9	3.2	3.1	3.1	3.1	3.1
Previous MPR difference (p.p.)	[0.0]	[0.0]	[0.0]	[-0.2]	[-0.4]	[0.0]	[0.3]	[0.5]	[0.4]	[0.2]	[0.0]	[-0.1]	[0.0]	[0.0]	-
Market prices	5.2	3.9	3.7	4.3	4.6	5.2	5.0	4.6	4.5	4.1	3.2	3.0	3.0	3.0	3.1
Previous MPR difference (p.p.)	[0.0]	[0.0]	[0.0]	[-0.3]	[-0.2]	[-0.1]	[0.0]	[0.5]	[0.5]	[0.4]	[0.0]	[-0.1]	[-0.1]	[-0.1]	-
Administered prices	5.1	5.3	5.5	5.5	3.9	5.3	4.5	4.0	4.3	3.5	3.2	3.4	3.5	3.4	3.2
Previous MPR difference (p.p.)	[0.0]	[0.0]	[0.0]	[0.2]	[-1.0]	[0.6]	[0.8]	[0.4]	[0.2]	[-0.4]	[-0.3]	[0.0]	[0.1]	[0.1]	-

Note: The values in white background are actuals, and those in hatched background are projections. The values presented are rounded. Therefore, the aggregated values may not match the combination of the rounded disaggregated values. The difference with respect to the previous MPR is calculated using the rounded values presented.

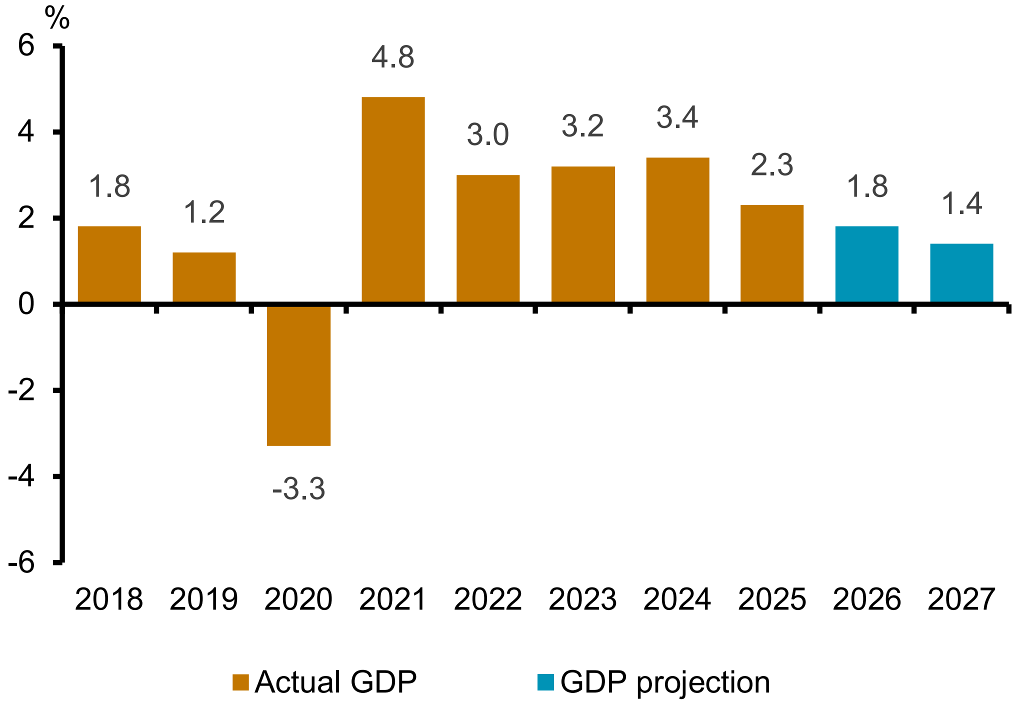
- Key **upside factors** for projections in the relevant horizon:
  - Upward revision to the estimated and projected path of the output gap;
  - Rising inflation expectations;

- Key **downside factors** for projections in the relevant horizon:
  - Downward surprise in the actual IPCA figure;
  - Stronger restitution of the higher oil prices observed in the short term;

For the nearest horizons, it should also be highlighted, other than the upside factors aforementioned, the stronger pressure resulting from the climate effects and higher oil prices in the short term.

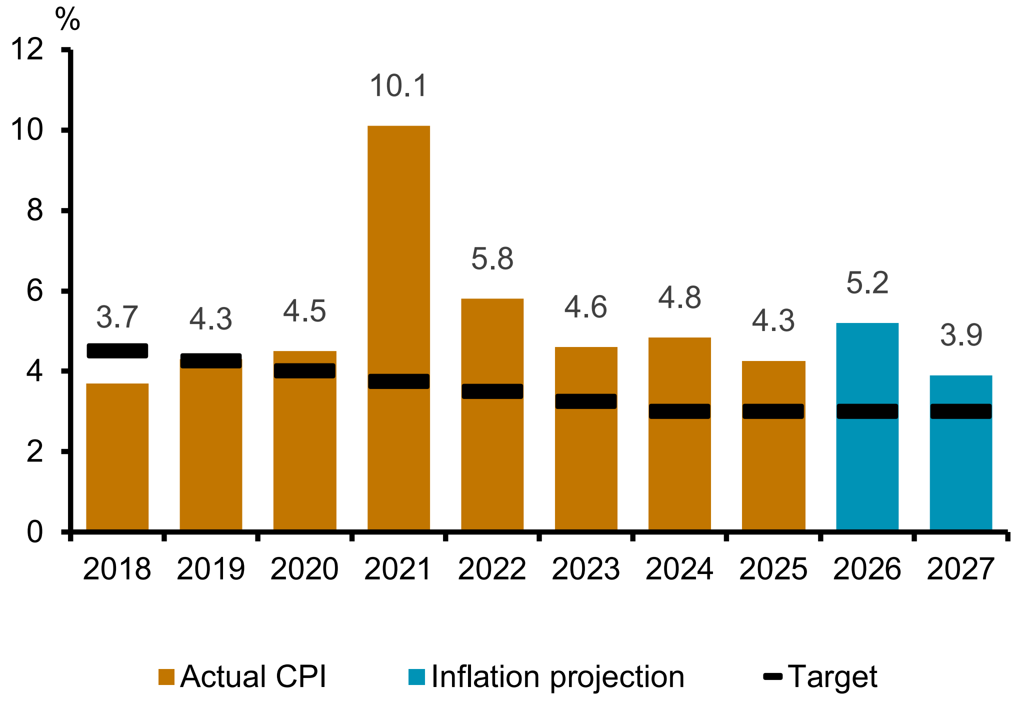
GDP and IPCA projections

Actual GDP and GDP projection



Sources: IBGE and BCB

Actual CPI and inflation projection – IPCA



Sources: IBGE and BCB

Final remarks – Balance of risks

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The risks to inflation, both to the upside and to the downside, remain higher than usual, with an upward asymmetry.

- Among **upside risks** to the inflation scenario and inflation expectations, stand out:

i. deanchoring of inflation expectations for a a more prolonged period, with longer horizons incorporating potential second-order impacts of supply shocks, related to oil and oil derivatives, and the climate effects on agricultural productivity and electricity costs;
ii. a stronger-than-expected resilience of services inflation due to a more positive output gap;
iii. a conjunction of internal and external economic policies with a stronger-than-expected inflationary impact, for example, through a persistently more depreciated currency; and
iv. stimulus to aggregate demand, particularly its consumption component, resulting in economic activity growth above potential output, weakening some of the usual transmission channels of monetary policy.

Final remarks – Balance of risks

The risks to inflation, both to the upside and to the downside, remain higher than usual.

- Among **downside risks**, stand out:

i. a possible greater-than-projected deceleration of domestic economic activity, with impacts on the inflation scenario;
ii. a steeper global slowdown stemming from the trade and oil shocks, as well as from a scenario of heightened uncertainty; and
iii. a reduction in commodity prices with disinflationary effects.

The current scenario, marked by heightened uncertainty, deanchoring of expectations, and elevated risks surrounding the reference scenario, requires serenity and cautiousness in the conduct of monetary policy. The Committee will continue to monitor developments in the scenario in order to keep monetary policy adequately restrictive to ensure convergence to the inflation target.


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