

273rd

Minutes of the Meeting of the
Monetary Policy Committee — Copom

September 16-17, 2025

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Date: September 16-17

Place: BCB Headquarters' meeting rooms on the 8th floor (9/16 and 9/17 on the morning) and 20th floor (9/17 on the afternoon) – Brasília – DF – Brazil

Starting and ending times: September 16: 10:08 AM – 11:36 AM; 2:14PM – 5:53 PM
September 17: 10:06 AM – 11:15 AM; 2:38 PM – 6:30 PM

In attendance:

Copom Members

Gabriel Muricca Galípolo – *Governor*
Ailton de Aquino Santos
Diogo Abry Guillen
Gilneu Francisco Astolfi Vivan
Izabela Moreira Correa
Nilton José Schneider David
Paulo Picchetti
Renato Dias de Brito Gomes
Rodrigo Alves Teixeira

Department Heads in charge of technical presentations (attending on 9/16 and on the morning of 9/17):

André de Oliveira Amante – *Open Market Operations Department*
Euler Pereira Gonçalves de Mello – *Research Department* (also attending on the afternoon of 9/17)
Fábio Martins Trajano de Arruda – *Department of Banking Operations and Payments System*
Luís Guilherme Siciliano Pontes – *International Reserves Department*
Marcelo Antonio Thomaz de Aragão – *Department of International Affairs*
Ricardo Sabbadini – *Department of Economics* (attending on the afternoon of 9/16)

Other participants (attending on 9/16 and on the morning of 9/17):

Alexandre de Carvalho – *Office of Economic Advisor*
André Maurício Trindade da Rocha – *Head of the Financial System Monitoring Department*
Angelo Jose Mont Alverne Duarte – *Head of Office of the Deputy Governor for Licensing and Resolution* (attending on 9/16)
Arnaldo José Giongo Galvão – *Press Office Advisor*
Cristiano de Oliveira Lopes Cozer – *General Counsel* (attending on the morning of 9/17)
Edson Broxado de França Teixeira – *Head of Office of the Deputy Governor for Supervision* (attending on 9/16)
Eduardo José Araújo Lima – *Head of Office of the Deputy Governor for Economic Policy*
Fernando Alberto G. Sampaio C. Rocha – *Head of the Department of Statistics*
Isabela Ribeiro Damaso Maia – *Head of the Sustainability and International Portfolio Investors Unit*
Julio Cesar Costa Pinto – *Head of Office of the Governor* (attending on the morning of 9/17)
Laura Soledad Cutruffo Comparini – *Deputy Head of the Department of Economics*
Leonardo Martins Nogueira – *Head of Office of the Deputy Governor for Monetary Policy*
Marcos Ribeiro de Castro – *Deputy Head of the Research Department* (attending on 9/16)
Mardilson Fernandes Queiroz – *Head of the Financial System Regulation Department* (attending on 9/16)
Mario Rubem do Couto Bastos – *Deputy Head of the Department of Banking Operations and Payments System*
Olavo Lins Romano Pereira – *Deputy Head of the Department of International Affairs*
Ricardo da Costa Martinelli – *Deputy Head of the International Reserves Department*
Ricardo Eyer Harris – *Head of Office of the Deputy Governor for Regulation* (attending on 9/16)
Ricardo Franco Moura – *Head of the Prudential and Foreign Exchange Regulation Department*
Rogerio Antonio Lucca – *Executive Secretary*
Simone Miranda Burello – *Advisor in the Office of the Deputy Governor for Monetary Policy*

Copom members analyzed the recent performance and prospects for the Brazilian and international economies, under the monetary policy framework, whose objective is to achieve the inflation target set by the National Monetary Council.

A) Update of the economic outlook and the Copom's scenario¹

1. The global environment remains uncertain due to the economic policy and economic outlook in the United States. Therefore, the behavior and the volatility of different asset classes have been impacted, altering global financial conditions. This scenario requires particular caution from emerging market economies amid heightened geopolitical tensions.
2. Regarding the domestic scenario, the set of indicators on economic activity continues to show some moderation in growth, as expected, but the labor market is still showing strength.
3. In recent releases, headline inflation and measures of underlying inflation remained above the inflation target. Inflation expectations for 2025 and 2026 collected by the Focus survey remained above the inflation target and stand at 4.8% and 4.3%, respectively.

B) Scenarios and risk analysis

4. The inflation outlook remains challenging in several dimensions. Copom assessed the international scenario, economic activity, aggregate demand, inflation expectations, and current inflation. Copom then discussed inflation projections and expectations before deliberating on the current decision and future communication.
5. The global outlook remains uncertain. Issues that are structurally challenging, such as the fiscal situation of developed countries, have had lower-than-expected impact on market price setting, while short-term movements in U.S. monetary policy have had a greater impact. Thus, the debate over the start of the Federal Reserve's rate-cutting cycle and the pace of U.S. economic growth stands out, while doubts persist about the impact of tariffs on U.S. inflation. Anyway, long-term risks, which contribute to turn the scenario uncertain, such as the introduction of tariffs and increased fiscal spending, remain. The prevailing assessment within the Committee is that great uncertainty persists in the global outlook, and, therefore, Copom should maintain a cautious stance. As usual, the Committee will focus on the transmission mechanisms from the external environment to the domestic inflation dynamics and its impact on the outlook. In this debate, it was discussed the recent exchange rate appreciation – possibly partly related to the interest rate differential and partly to the USD depreciation against various currencies.
6. The domestic economic activity outlook continues to indicate certain moderation in growth. This outlook increases the belief that the scenario outlined by the Committee is, so far, materializing. Some of the elements that could lead to a divergence from the outlined scenario – such as fiscal or credit stimuli – have not, so far, led to any significant divergences from expectations. Monthly sectoral surveys and timelier consumption data, in general, support the continuation of a gradual slowdown in growth. At turning points in the economic cycle, it is natural to observe mixed signals from economic indicators or different markets. Thus, the Committee will continue to monitor the full range of data.
7. The Committee assesses that, despite the mixed signals, signals from demand and economic activity so far suggest that the scenario is unfolding as expected and is consistent with the current monetary policy. Markets more sensitive to financial conditions – such as the credit market – have shown clearer moderation, with credit granting slowing down, unlike that of the labor market. Similarly, there is a greater slowdown in the consumption of more credit-related goods, as opposed to the consumption of more income-related goods. Another example from the credit market

¹ Unless explicitly stated otherwise, this update considers changes since the May Copom meeting (272nd meeting).

is the stronger slowdown in longer-term credit as opposed to emergency credit. The Committee reiterates that the aggregate demand slowdown is an essential element of supply-demand rebalancing in the economy and convergence of inflation to the target.

8. Fiscal policy has a short-term impact, mainly through stimulating aggregate demand, and a more structural dimension, which has the potential to affect perceptions of debt sustainability and influence the term premium in the yield curve. A fiscal policy that acts countercyclically and contributes to reducing the risk premium favors the convergence of inflation to the target. Copom reinforced its view that the slowdown in structural reform efforts and fiscal discipline, the increase in earmarked credit, and uncertainties over the public debt stabilization have the potential to raise the economy's neutral interest rate, with deleterious impacts on the power of monetary policy and, consequently, on the cost of disinflation in terms of activity. The Committee remained firmly convinced that policies must be predictable, credible, and countercyclical. In particular, the Committee's discussion once again highlighted the need for harmonious fiscal and monetary policies.

9. Inflation expectations, as measured by different instruments and obtained from various groups of agents, remain above the inflation target in all horizons, maintaining the adverse inflation outlook. At first, a reduction was observed in the measures of breakeven inflation extracted from financial asset price, in the decline of metrics of both risk premium and inflation expectation embedded in such measures. More recently, an incipient downward movement in inflation expectations measured by the Focus survey has been perceived, although still more concentrated in the shorter-term horizons, by a combination of elements, among which the contractionary monetary policy and the latest inflation data. The Committee reaffirmed and renewed its commitment with the reanchoring of expectations and the monetary policy conduction that supports such a movement. The Committee assesses that reanchoring inflation expectations reduces the costs of disinflation and understands that this process requires perseverance, firmness, and serenity.

10. Deanchored inflation expectations are a factor of discomfort shared by all Committee members and must be tamed. Copom highlighted that environments with deanchored expectations increase the disinflation cost in terms of activity. The scenario of inflation convergence to the target becomes more challenging with deanchored expectations for longer horizons. When discussing this topic, the main conclusion obtained and shared by all members of Copom was that, in an environment of deanchored expectations – as currently is the case – greater monetary restriction is required for a longer period than would be otherwise appropriate.

11. Recent inflation readings show a more favorable dynamic compared to what was expected at the beginning of the year. The combination of a more appreciated exchange rate and a more benign behavior of commodities contributed to a reduction in inflation for industrial goods and food. Conversely, services inflation has remained more resilient, responding to a labor market that is still dynamic and to an economic activity that has shown gradual moderation. Beyond the changes in items, or even short-term oscillations, the core inflation measures have remained above the value consistent with the target achievement for months, corroborating the interpretation that inflation is pressured by demand and requires a contractionary monetary policy for a very prolonged period.

12. Copom then addressed the projections. In the reference scenario, the interest rate path is extracted from the Focus survey, and the exchange rate starts at USD/BRL 5.40², and evolves according to the purchasing power parity (PPP). The Committee assumes that oil prices follow approximately the futures market curve for the following six months and then start increasing 2% per year. Moreover, the energy tariff flag is

² It corresponds to the rounded value of the average exchange rate observed over the ten working days ending on the last day of the week prior to the Copom meeting, according to the procedure adopted since the 258th meeting.

assumed to be “green” in December of the years 2025 and 2026.

13. In the reference scenario, four-quarter inflation projections for 2025 and for 2026 are 4.8% and 3.6%, respectively (Table 1). For the relevant horizon for monetary policy – 2027Q1 – the inflation projection based on the reference scenario extracted from the Focus survey remained at 3.4%, above the inflation target.

14. Regarding the balance of risks, it was assessed that the scenario of greater uncertainty continues to present higher-than-usual upside and downside inflation risks to the inflation outlook. Copom assessed that, among the upside risks for the inflation outlook and inflation expectations, it should be emphasized (i) a more prolonged period of deanchoring of inflation expectations; (ii) a stronger-than-expected resilience of services inflation due to a more positive output gap; and (iii) a conjunction of internal and external economic policies with a stronger-than-expected inflationary impact, for example, through a persistently more depreciated currency. Among the downside risks, it should be noted (i) a greater-than-projected deceleration of domestic economic activity, impacting the inflation scenario; (ii) a steeper global slowdown stemming from the trade shock and the scenario of heightened uncertainty; and (iii) a reduction in commodity prices with disinflationary effects.

15. Prospectively, the Committee will continue monitoring the pace of economic activity, which is a fundamental driver of inflation, particularly services inflation; the exchange rate pass-through to inflation, after a process of increased exchange rate volatility; and inflation expectations, which remain deanchored and are drivers of future inflation behavior. It was emphasized that inflationary vectors remain adverse, such as the economic activity resilience and labor market pressures, deanchored inflation expectations, and high inflation projections. This scenario prescribes a significantly contractionary monetary policy for a very prolonged period to ensure the convergence of inflation to the target.

C) Discussion of the conduct of monetary policy

16. Copom then discussed the conduct of monetary policy, considering the set of projections evaluated, as well as the balance of risks for prospective inflation.

17. Following a firm interest rate hiking, the Committee opted to interrupt the cycle and to assess the accumulated impacts. Now that the scenario has unfolded as expected, the Committee begins a new stage in which it opts to keep the rate unchanged and to continue evaluating if, maintaining the current level for a very long period, such strategy will be enough to ensure the convergence of inflation to the target.

18. Endorsing the Committee's expected scenario so far, there is a gradual moderation in ongoing activity, a certain decrease in current inflation, and some reduction in inflation expectations. However, the Committee will remain vigilant and will not hesitate to resume the rate hiking cycle if appropriate. The firm commitment to the BCB's mandate to bring inflation to the target was reaffirmed.

D) Monetary policy decision

19. The Committee continues to monitor the announcements on tariffs by the USA to Brazil, and how the developments on domestic fiscal policy impact monetary policy and financial assets, reinforcing its cautious stance in a scenario of heightened uncertainty. The current scenario continues to be marked by deanchored inflation expectations, high inflation projections, resilience on economic activity, and labor market pressures. Ensuring the convergence of inflation to the target in an environment with deanchored expectations requires a significantly contractionary monetary policy for a very prolonged period.

20. Copom decided to maintain the Selic rate at 15.00% p.a., and judges that this decision is consistent with the strategy for inflation convergence to a level around its target throughout the relevant horizon for monetary policy. Without compromising its fundamental objective of ensuring price stability, this decision also implies smoothing economic fluctuations and fostering full employment.

21. The current scenario, marked by heightened uncertainty, requires a cautious stance in monetary policy. The Committee will remain vigilant, evaluating 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. The Committee emphasizes that future monetary policy steps can be adjusted and that it will not hesitate to resume the rate hiking cycle if appropriate.

22. The following members of the Committee voted for this decision: Gabriel Muricca Galípolo (Governor), Ailton de Aquino Santos, Diogo Abry Guillen, Gilneu Francisco Astolfi Vivan, Izabela Moreira Correa, Nilton José Schneider David, Paulo Picchetti, Renato Dias de Brito Gomes, and Rodrigo Alves Teixeira.

Table 1
Inflation projections in the reference scenario
Year-over-year IPCA change (%)

Price Index	2025	2026	2027Q1
IPCA	4.8	3.6	3.4
IPCA market prices	5.0	3.5	3.3
IPCA administered prices	4.3	3.8	3.8