# Copom increases the Selic rate to 13.25% p.a.

In its 268th meeting the Copom decided to increase the Selic rate to 13.25% p.a.

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The global environment remains challenging due mainly to the economic policy and outlook in the United States, which poses questions about the pace of economic deceleration, disinflation and, consequently, about the Fed's monetary policy stance. The central banks of major economies remain committed to bringing inflation back to its targets in a context characterized by labor market pressures. The Committee judges that the external environment continues to require caution from emerging market economies.

Regarding the domestic scenario, the set of indicators on economic activity and labor market has been exhibiting strength. Headline inflation and measures of underlying inflation remain above the inflation target and have again increased in recent releases.

Inflation expectations for 2025 and 2026 collected by the Focus survey increased significantly and stand at 5.5% and 4.2%, respectively. Copom's inflation projections for the third quarter of 2026, current relevant horizon for monetary policy, stand at 4.0% in the reference scenario (Table 1).

The risks to its inflation scenarios remain tilted to the upside. 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) impacts on the inflation scenario in the case of a greater-than-projected deceleration of domestic economic activity; and (ii) a less inflationary scenario for emerging economies arising from shocks on international trade or global financial conditions.

The Committee continues to monitor closely how the developments on the fiscal side impact monetary policy and financial assets. The perception of agents about the fiscal regime and debt sustainability continues to significantly impact asset prices and expectations.

The current scenario is marked by additional deanchoring of inflation expectations, an increase of inflation projections, resilience on economic activity and labor market pressures, which requires a more contractionary monetary policy.

Copom therefore decided to increase the Selic rate by 1.00 p.p. to 13.25% 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.

In light of the continuation of the adverse scenario for inflation convergence, the Committee anticipates another adjustment of the same magnitude in the next meeting, if the scenario evolves as expected. Beyond the next meeting, the Committee reinforces that the total magnitude of the tightening cycle will be determined by the firm commitment of reaching the inflation target and will depend on the inflation dynamics, especially the components that are more sensitive to monetary policy and economic activity, on the inflation projections, on the inflation expectations, on the output gap, and on the balance of risks.

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 | 2026Q3 |
|---|---|---|
| IPCA | 5.2 | 4.0 |
| IPCA market prices | 5.2 | 3.8 |
| IPCA administered prices | 5.2 | 4.6 |

In the reference scenario, the interest rate path is extracted from the Focus survey, and the exchange rate starts at USD/BRL 6.00 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 onwards. Moreover, the energy tariff flag is assumed to be "green" in December of 2025. The value for the exchange rate was obtained according to the usual procedure.

Note: This press release represents the Copom's best effort to provide an English version of its policy statement. In case of any inconsistency, the original version in Portuguese prevails.