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Macroeconomic Research Brasil

Chartbook: Monetary Policy & Inflation | July 2026

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Limited Disinflation, Limited Easing

INFLATION: We revised our 2026 IPCA forecast down to 5.0% (from 5.2%) and kept our 2027 forecast unchanged at 4.0%. The revision reflects the incorporation of a lower oil price trend, easing pressures on industrial goods, fuels, freight, and fertilizers. In addition, current oil prices and the possibility of a partial reversal of the fuel price increases recorded in the first half of the year leave the balance of risks for 2026 inflation tilted to the downside, even considering a potential reduction in fuel subsidies. Our baseline already incorporates the effects of a strong El Niño event, with impacts concentrated on fresh food prices. As a result, food-at-home inflation accelerates through February 2027 before easing thereafter. We made only marginal adjustments to our 2027 inflation forecast, as lower inflation in 2026 and a higher Selic rate largely offset the effects of lower oil prices. The main risks to our outlook remain the exchange rate, the pace of economic activity, and labor market pressures on costs.

MONETARY POLICY: The latest Monetary Policy Report reinforced our view that the Copom is, in principle, working with an interest rate path that lies between the one implied by the Focus Survey and an early pause in the Selic rate for an extended period. Using the Focus figures in the Reference Scenario (13.75% at the end of 2026 and 12.0% at the end of 2027 at that time), the BCB projects inflation of 3.2% in 1H28 and 3.1% in 2H28, suggesting that a less expansionary path than that estimated by analysts would be sufficient, according to the Central Bank's model, to ensure inflation converges to the target. In our scenario, however, a more depreciated FX rate, further upward revisions to inflation expectations, and a greater quasi-fiscal impact on economic activity (concentrated in 2027) tend to limit this room for maneuver. Accordingly, we have revised our Selic rate projection to 13.75% at the end of 2026 (from 13.25%) and 12.75% at the end of 2027 (from 12.50%).

Scenario Review

This Chartbook refers to the scenario in:

"Shifting Risks"

(published on July 03, 2026)

For the full report click on the link:

https://bit.ly/StdUpdJun26

Summary

Scenario Review

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"The Uncovered Rate Parity"

USD/BRL

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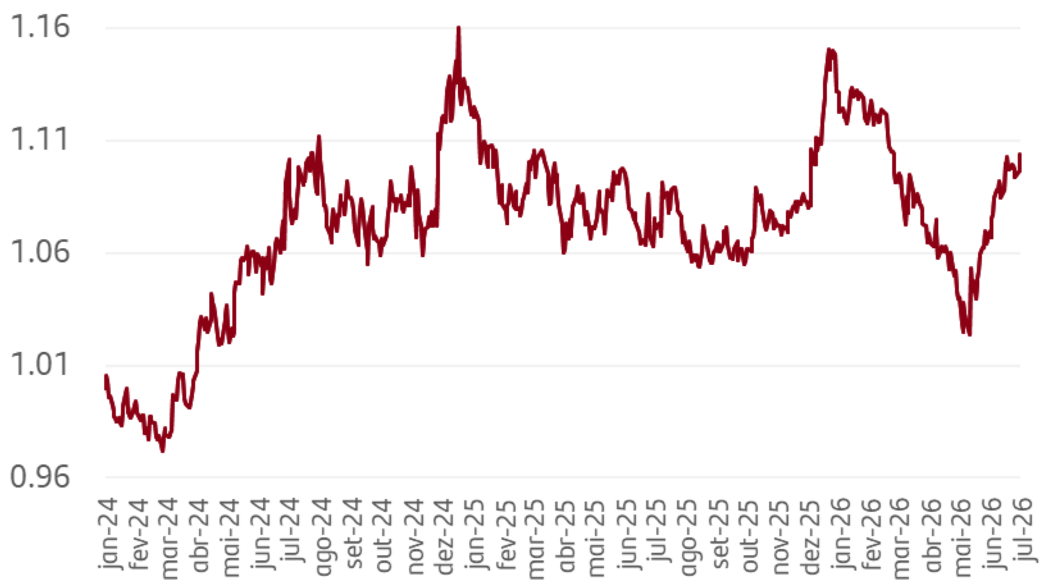
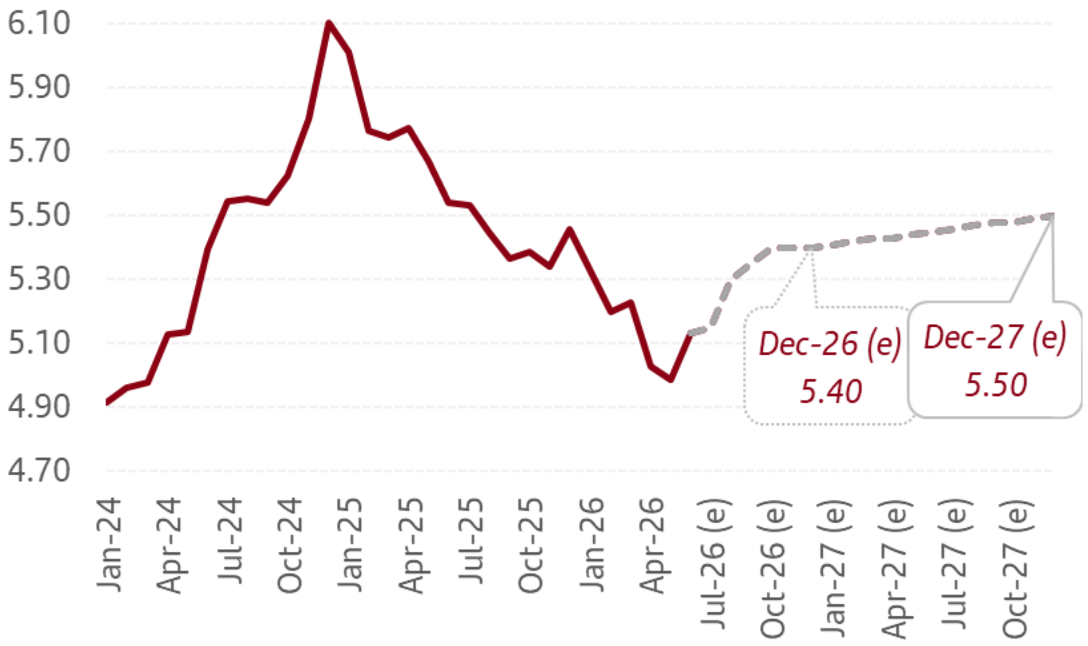
BRL vs. Peers*



Sources: Bloomberg, Santander. *Latam + ZAR.

Monthly Trajectory



Sources: Bloomberg, Santander.

Global Rates

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FED – Implied Policy Rate Ahead (%)

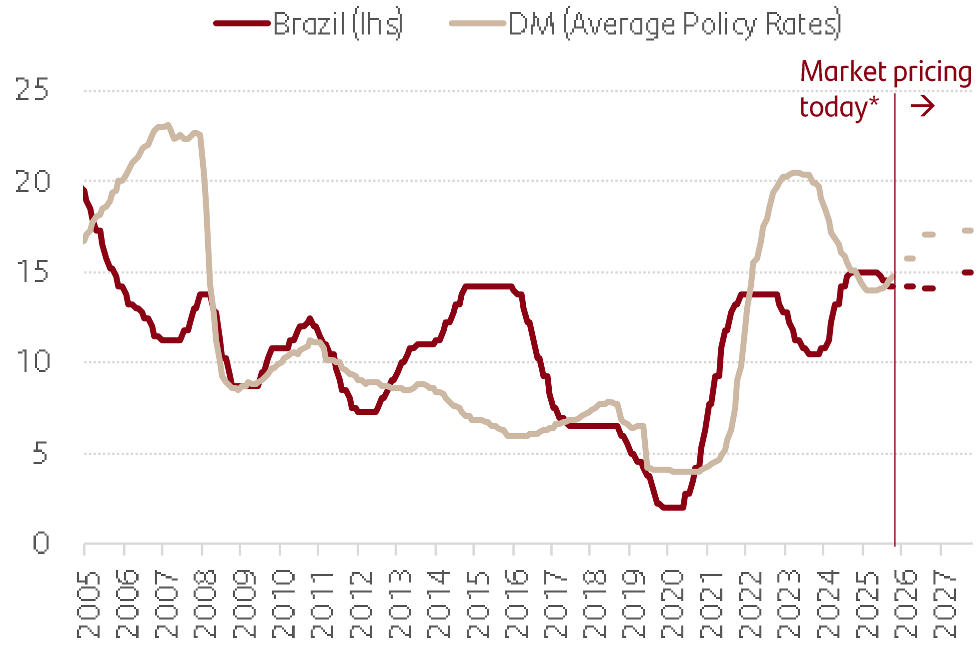
Sources: Bloomberg, Santander.

ECB – Implied Policy Rate Ahead (%)

Sources: Bloomberg, Santander.

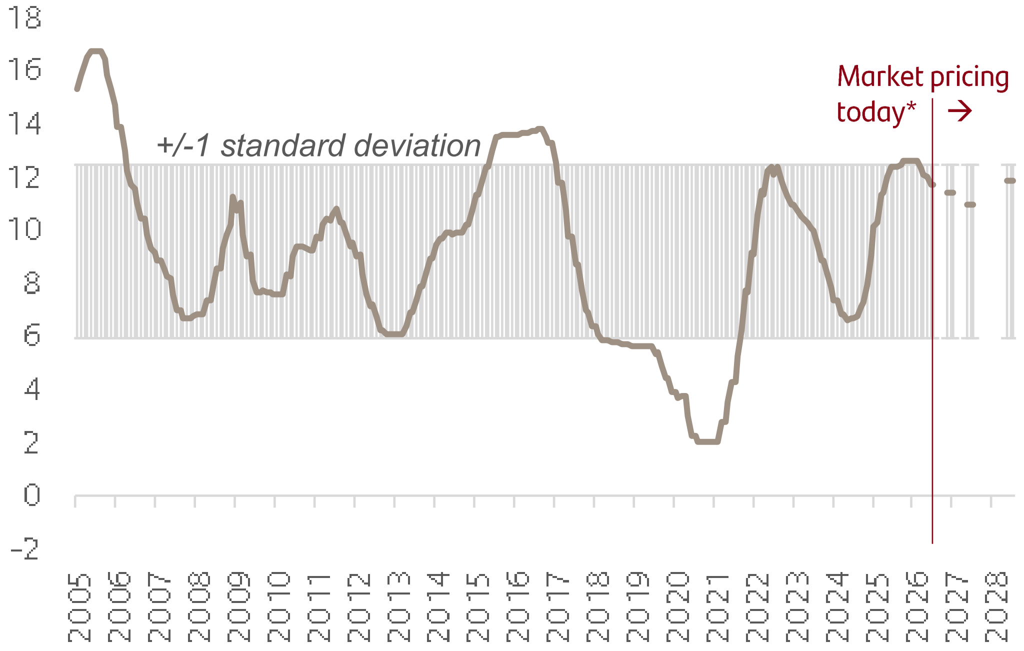
Global Rates

Policy Rates – Brazil vs. Developed Markets[1] (%)



Sources: Bloomberg, Santander.

Spread +/- 1 Standard Deviation – Brazil vs. DM



Sources: Santander.

[1] DM Central Banks: Fed, BoC, ECB, BoE, BoJ, SNB, NB, Riskbank, DNB, RBA, RBNZ and BoK.

Global Rates

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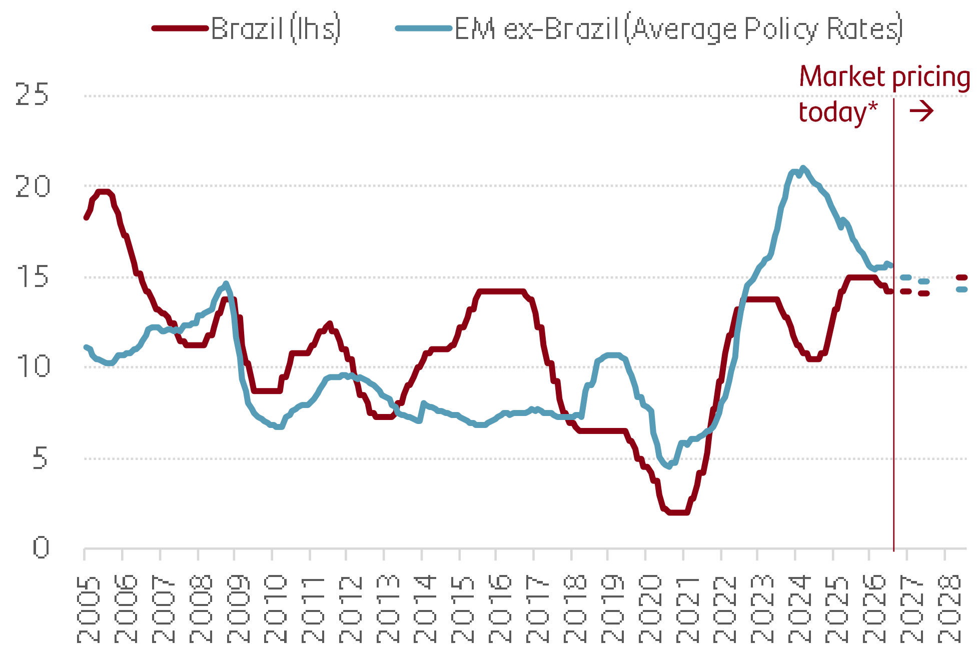
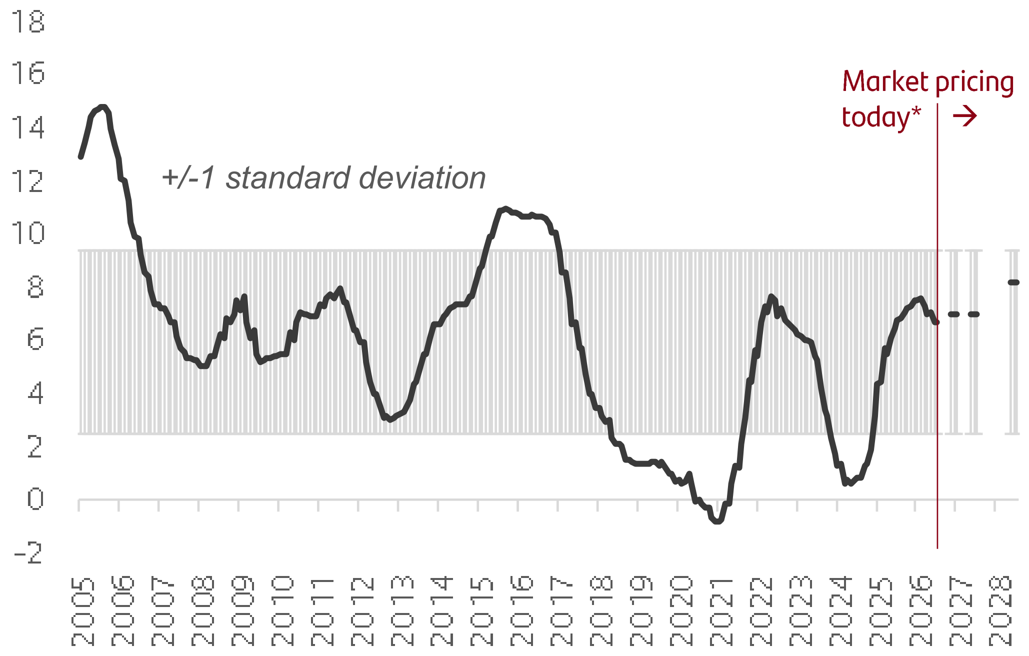
Policy Rates – Brazil vs. Emerging Markets[1] (%)



Sources: Bloomberg, Santander.

Spread +/- 1 Standard Deviation – Brazil vs. EM



Sources: Santander.

[2] EM Central Banks: BCB, Banxico, BCCE, BanRep, CNB, MNB, NBP, TCMP, BoI, SARB, RBIN, BNM, BSP and BoT.

Risk Premium

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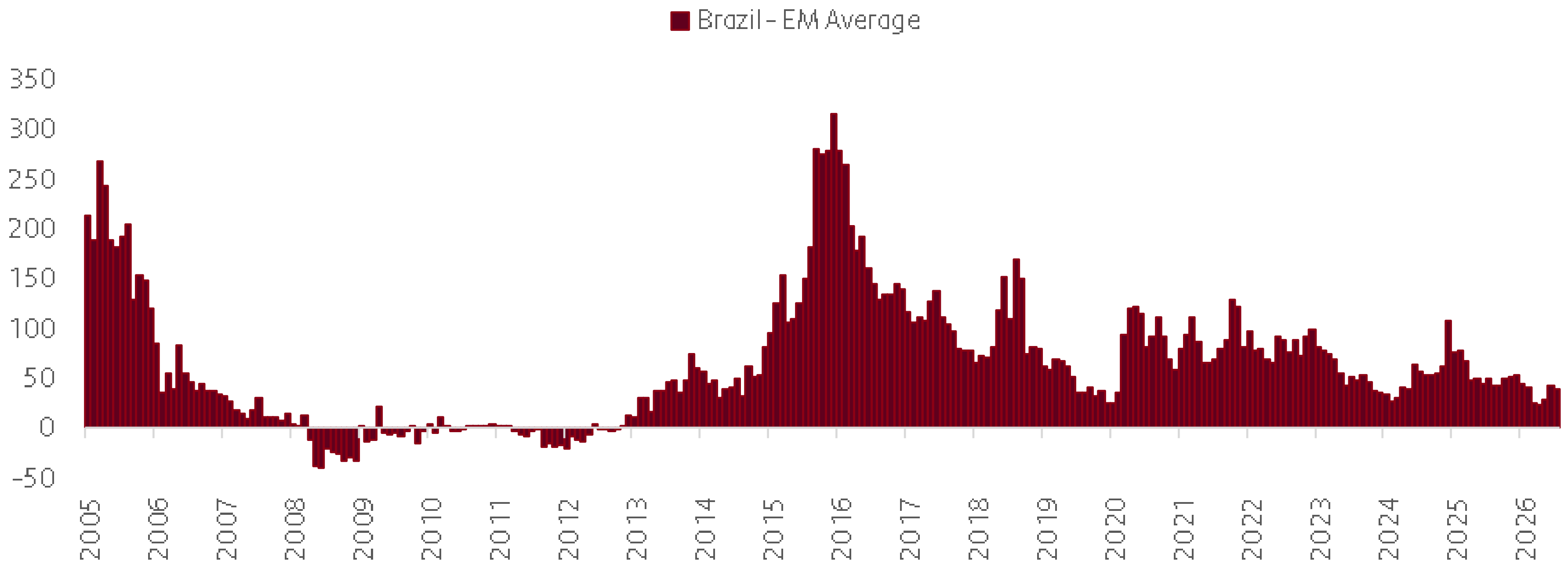
5-Year CDS[1] (bps)



Sources: Bloomberg, Santander.

[1] Chile, China, Colombia, Indonesia, Malaysia, Mexico, Peru, Philippines, South Africa, South Korea, Thailand and Turkey.

“The IS Curve”

Short Run GDP Growth

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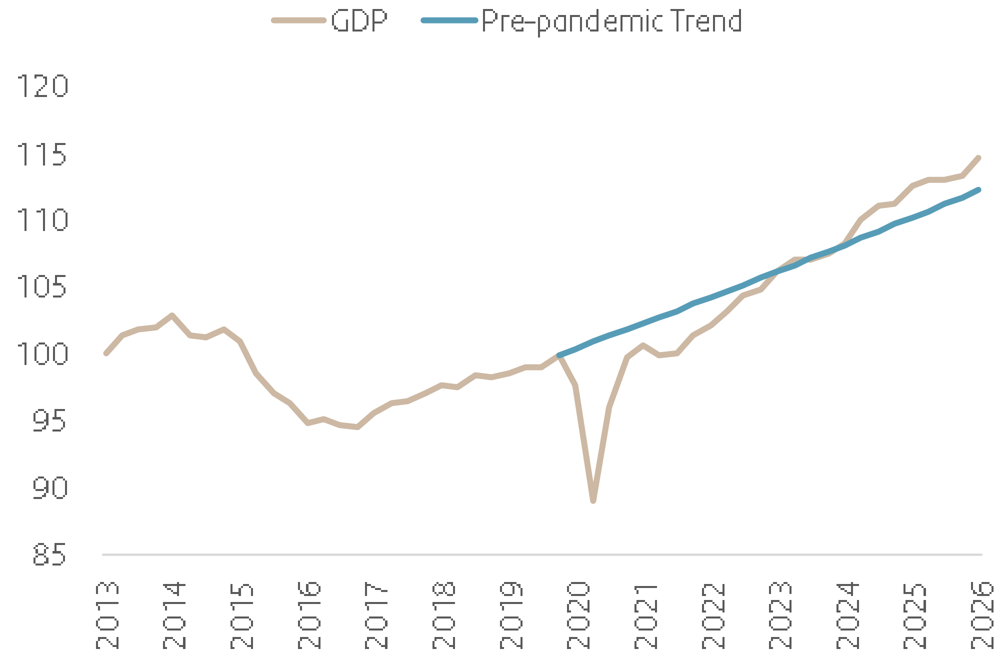
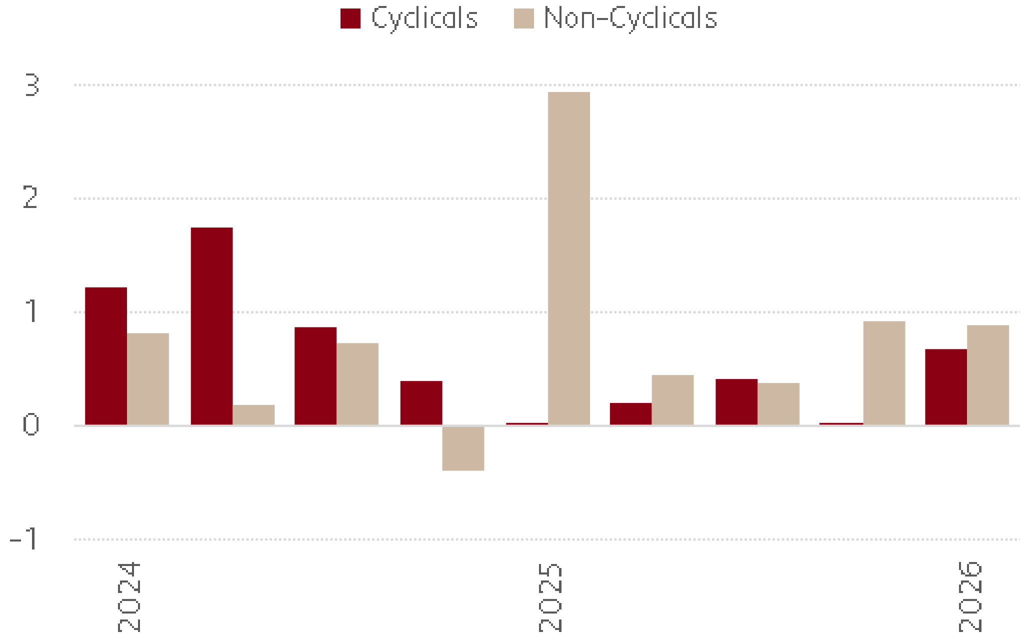
- Significant rise in the less cyclical sectors and an acceleration in those more sensitive to the economic cycle.

GDP at Constant Prices (4Q19 = 100, s.a.)



Sources: IBGE, Santander.

GVA Growth (% QoQ-sa)



Sources: IBCB, BGE, Santander.

Resource Utilization Indicator

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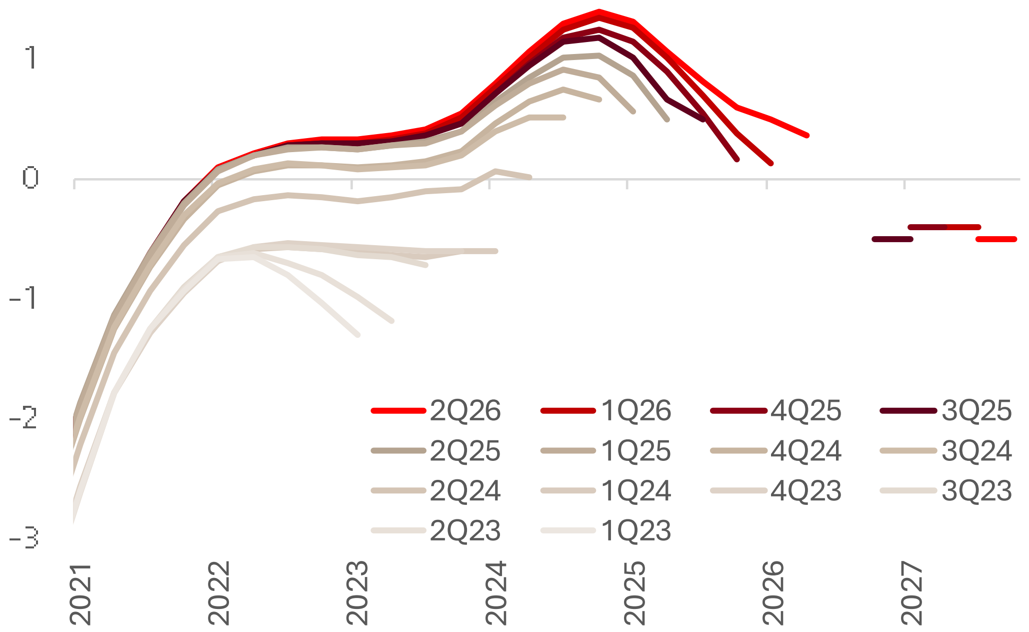
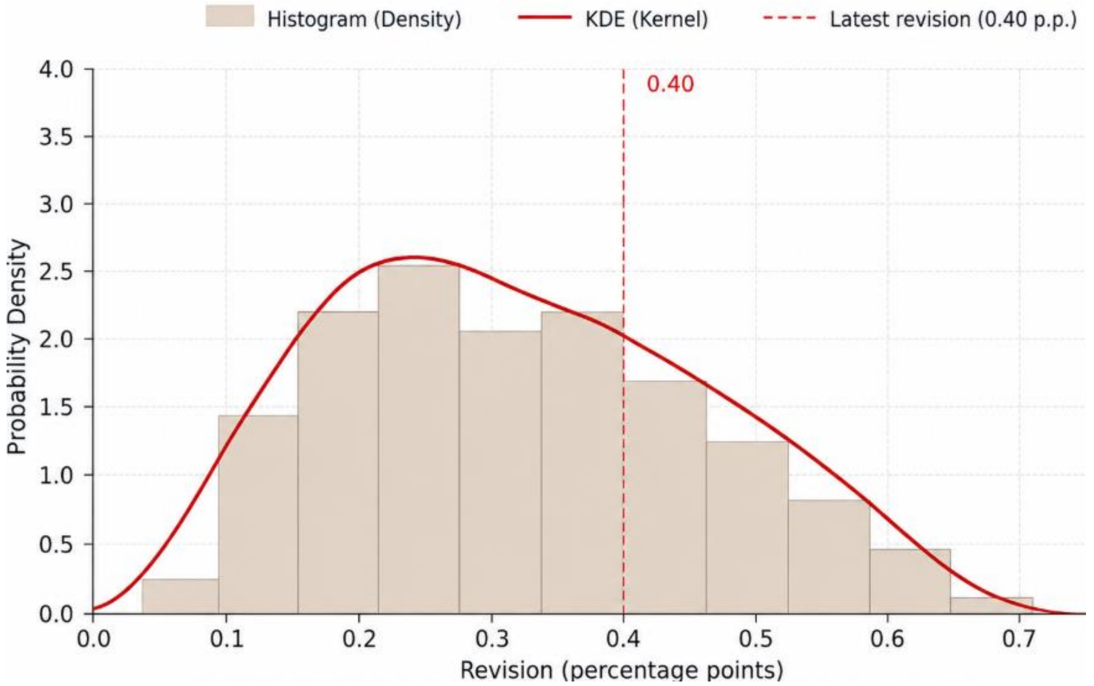
- BCB has once again revised the output gap upward.
- A revision of +0.4 percentage points from the current level is historically significant (±70th percentile).

BCB's Output Gap Revisions (p.p.)



Sources: BCB, Santander.

Distribution of BCB Output Gap Revisions (1/p.p.)

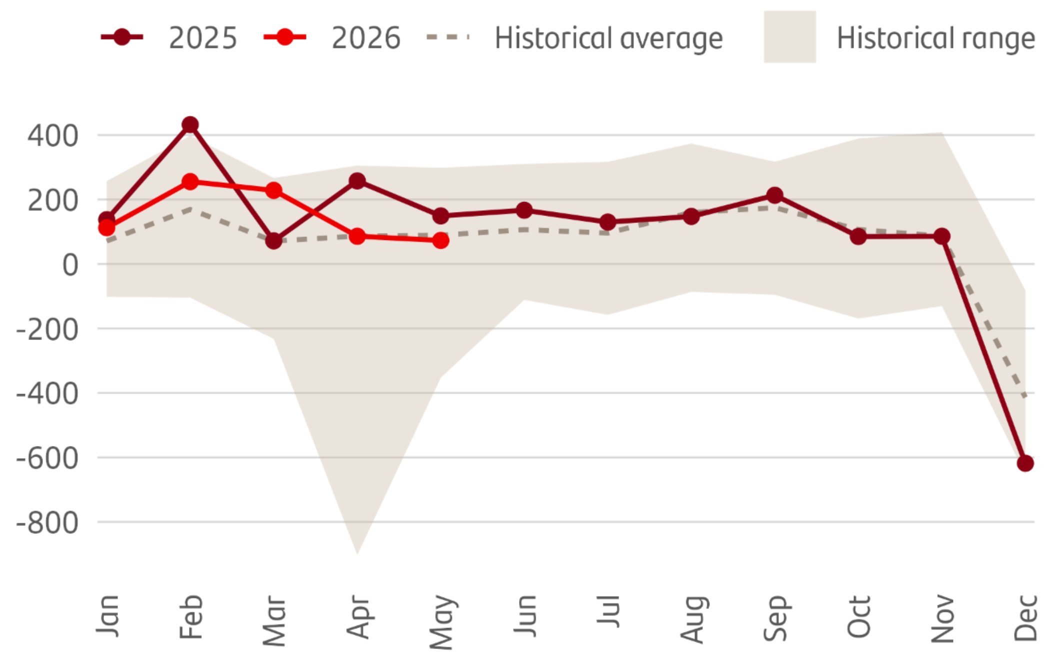


Sources: BCB, Santander.

Labor Market

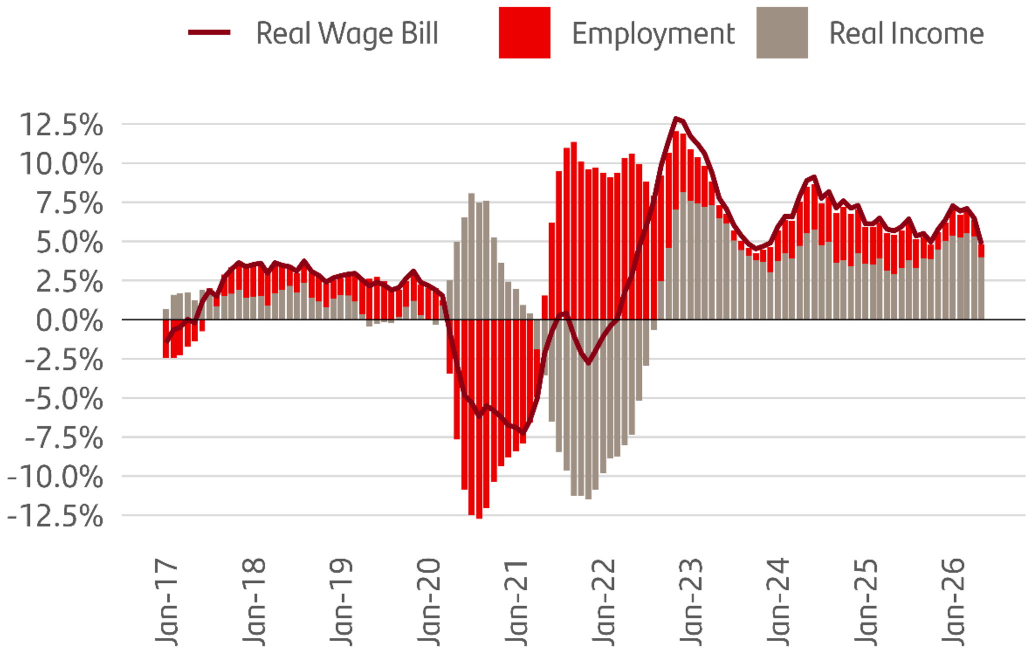
- Latest PNAD and CAGED point to modest employment gains and decelerating YoY growth.
- Most important signal in the latest PNAD: weaker real income and wage bill dynamics at the margin.

Net Formal Job Creation (NSA, thousand)



Sources: MTE, Santander.

Real Wage Bill - Employment and Income Contribution (YoY)

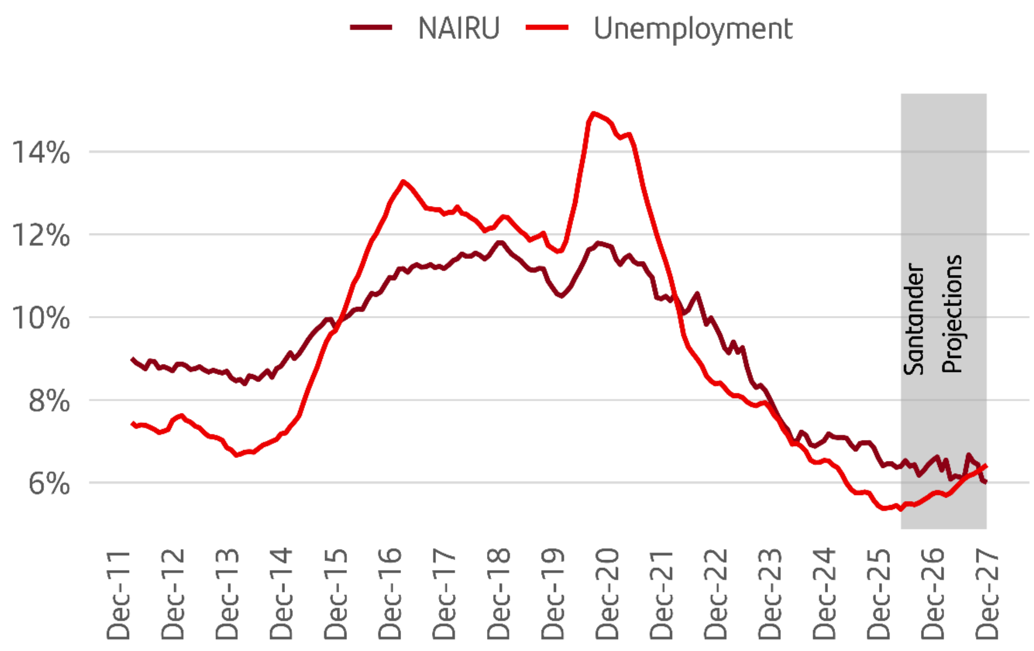


Sources: IBGE, Santander.

Labor Market

- Unemployment (s.a.) 5.7% end-2026 → 6.4% end-2027.
- Real wage bill growth: 5.4% in 2026, 4.55 in 2027 – with initial downside risks.

Unemployment Rate and NAIRU (%, s.a.)



Sources: IBGE, Santander.

Forecasts

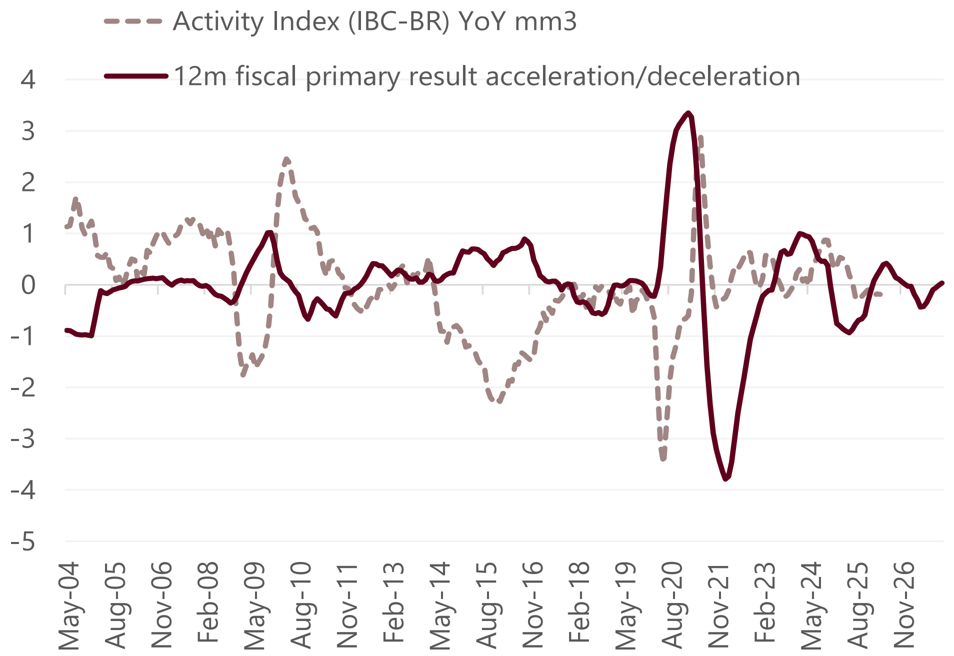
		Mar-26	Jul-26
Unemployment Rate (avg)	2024	6.9%	6.9%
	2025	5.9%	5.9%
	2026	5.9%	5.5%
	2027	6.6%	6.0%
Unemployment Rate (YE, sa)	2025	5.5%	5.4%
	2026	6.3%	5.7%
	2027	7.0%	6.4%
NAIRU* (avg)	2025	7.3%	7.3%
	2026	6.6%	6.6%
	2027	6.8%	6.8%
Real Wage Bill (12m, % YoY)	2025	6.7%	6.7%
	2026	4.0%	5.4%
	2027	2.5%	4.5%

*non-accelerating inflation rate of unemployment

Fiscal & Credit Impulses

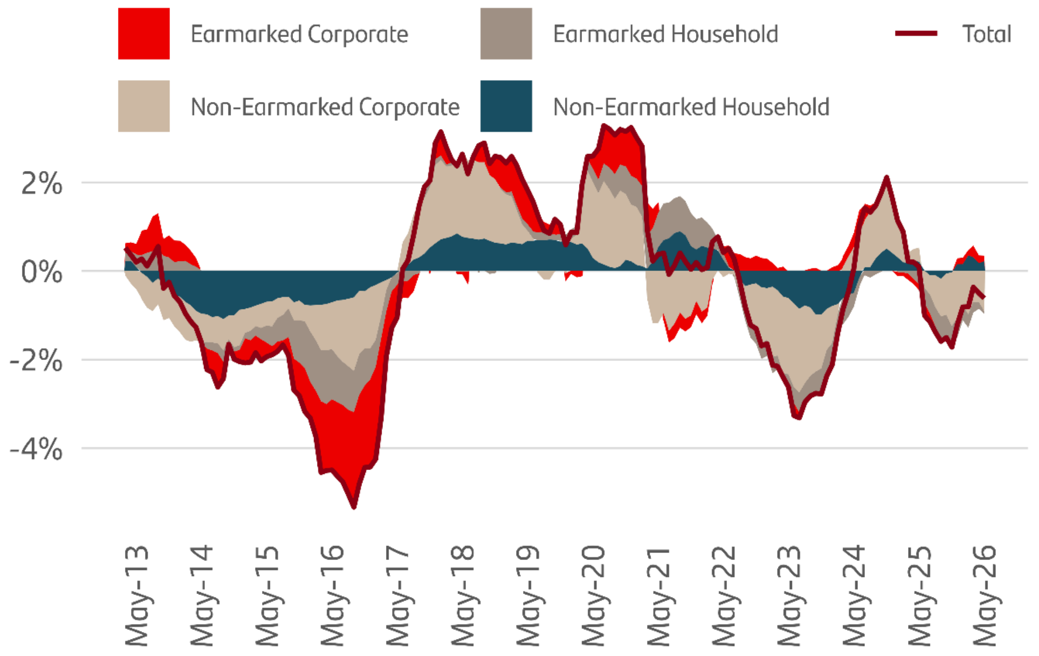
- Impulses are still acting to support consumption in 2026 but should dry up in 2027.

Fiscal Impulse (% GDP) - Federal Administration



Sources: IBGE, Santander.

Credit Impulse (12-month, % GDP)

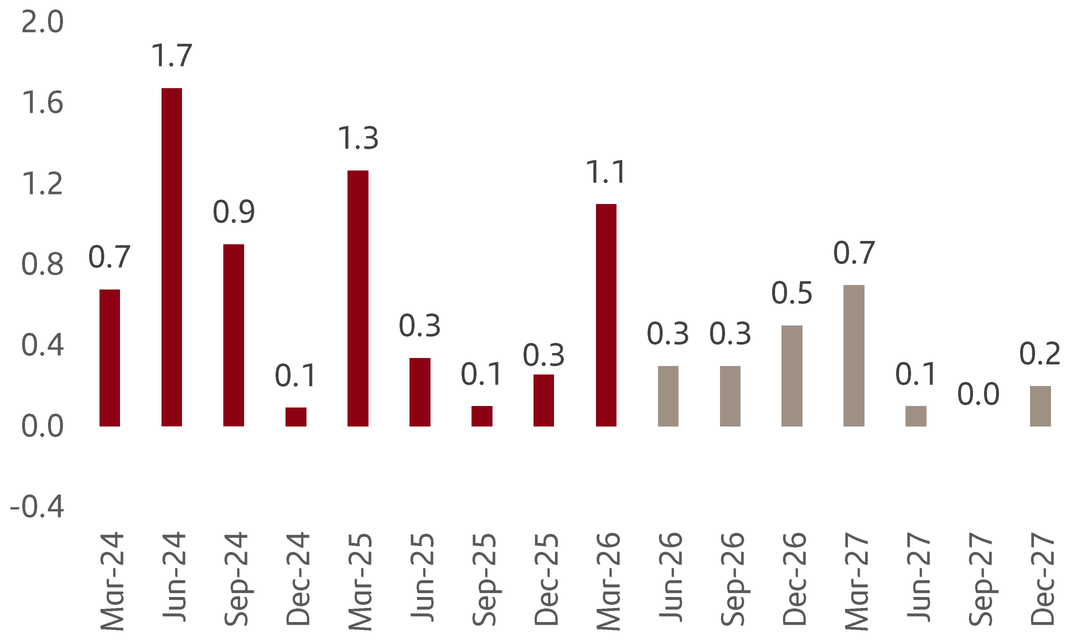


Sources: IBGE, Santander.

Growth Forecasts

- 2026 maintained at 1.8%; data consistent with 1H26-concentrated momentum.
- 2027 revised up to 1.3% (from 1.0%) on a less pronounced demand slowdown.

GDP Growth Baseline Scenario (QoQ – s.a., %)



Sources: IBGE, Santander. Jun-26 through Dec-27 are projections.

GDP Results and Forecasts (% full-year)

GDP Breakdown

	2024	2025	2026e	2027e
	3.4	**2.3**	**1.8**	**1.3**
Farm Output	-3.7	11.7	0.1	1.0
Industry	3.1	1.4	1.7	1.5
Services	3.8	1.8	2.0	1.0
Household Consumption	5.1	1.3	2.3	1.3
Government Consumption	2.0	2.1	2.2	0.5
Investments	6.9	2.9	-1.2	1.0
Exports	2.8	6.2	5.4	2.0
Imports	15.6	4.5	3.8	1.0

Sources: IBGE, Santander.

“The Phillips Curve”

Oil Shock Impact

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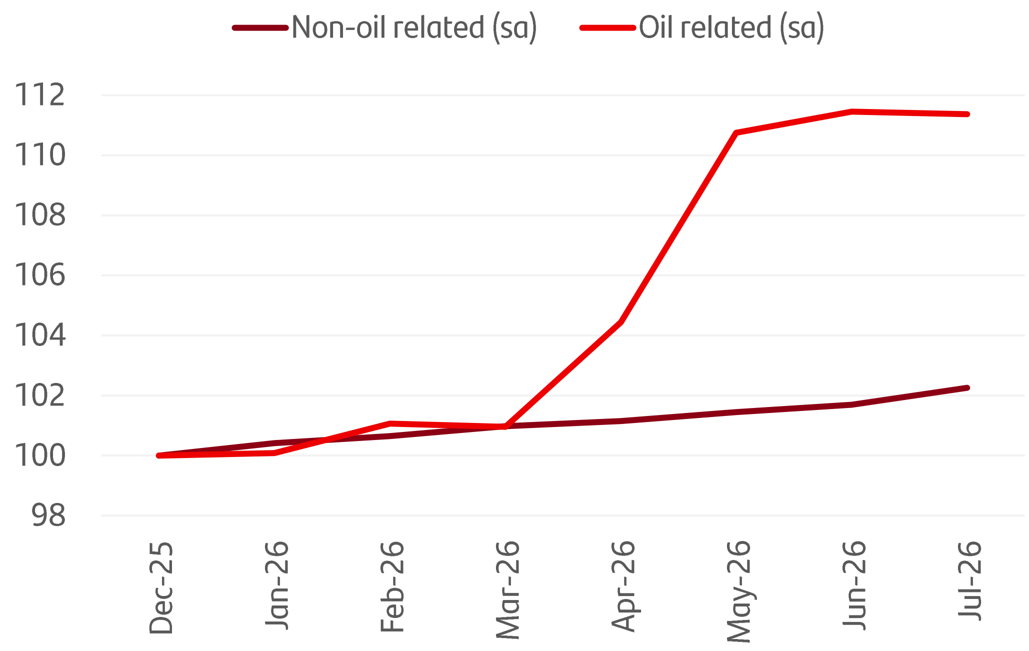
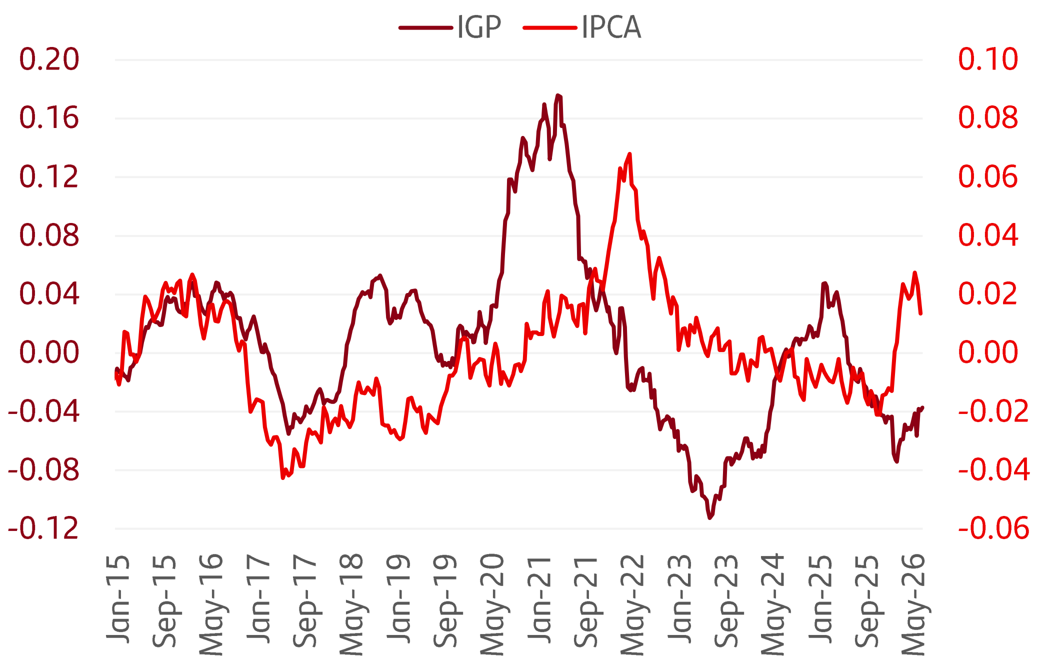
- Following the surge in oil prices, inflationary pressures have remained largely confined to oil-related items, particularly fuels. Inflation in non-oil components has continued to follow broadly the same trend observed since the turn of the year.
- The rise in oil prices also coincided with a series of upside inflation surprises. However, these surprises were largely concentrated in 1Q26, reflecting stronger-than-expected economic activity.

IGP-10: Core IPA-Industrial (Dec-25 = 100)



Sources: FGV, Santander.

Inflation surprises (p.p.)

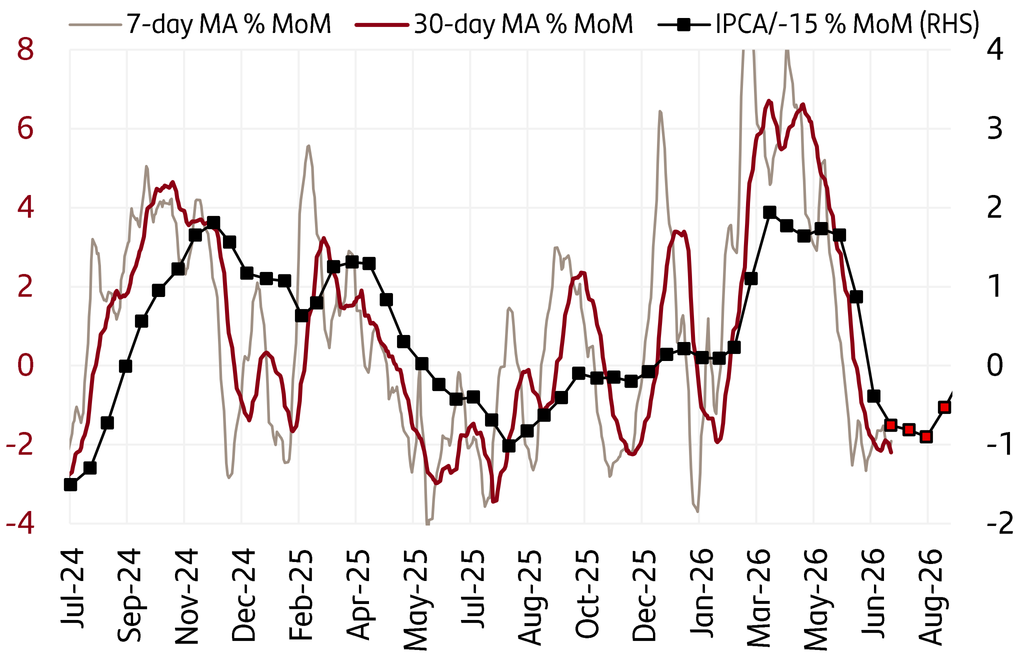


Sources: BBG, Santander.

Short-term IPCA

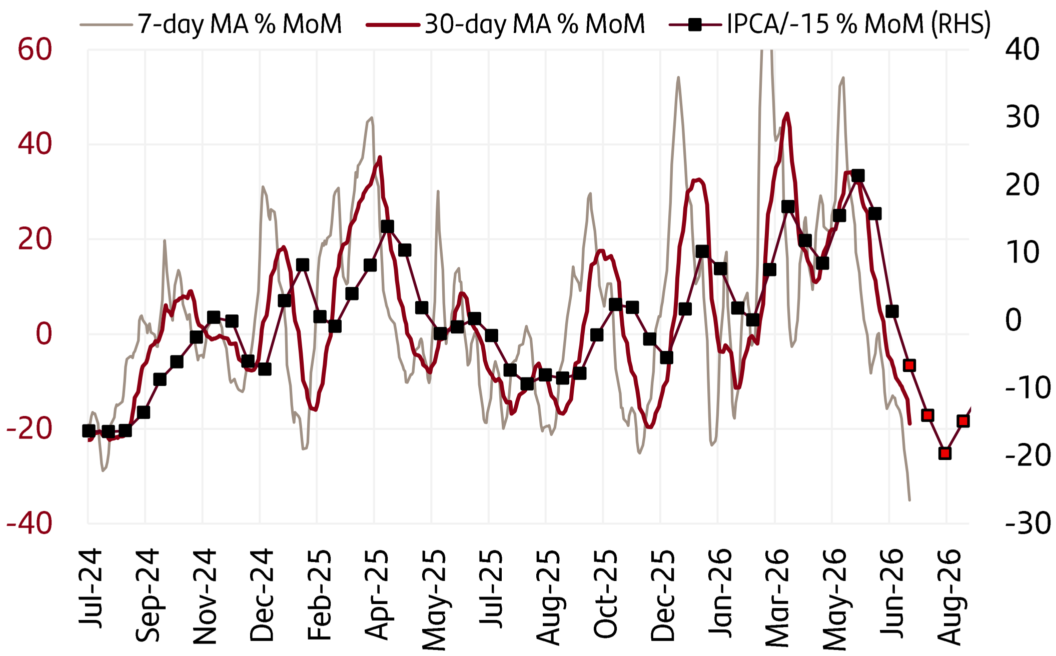
- With limited pass-through from higher oil prices to broader inflation dynamics, the near-term inflation outlook has become more favorable.
- Food inflation is easing on the back of seasonal factors, with a more sustained pickup expected only toward the end of 2026.

Food Price Survey: Food-at-Home (%)



Sources: Cepea, IEA, Ceagesp, Santander.

Food Price Survey: Tuber and Roots Vegetables (%)

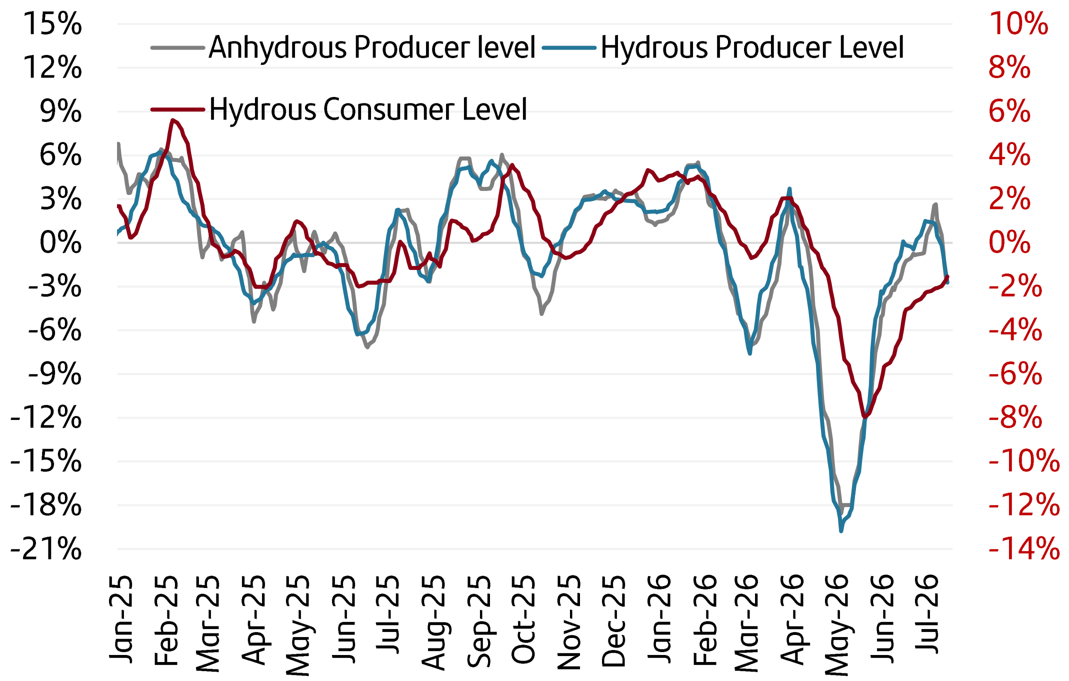


Sources: Cepea, IEA, Ceagesp, Santander.

Short-Term IPCA

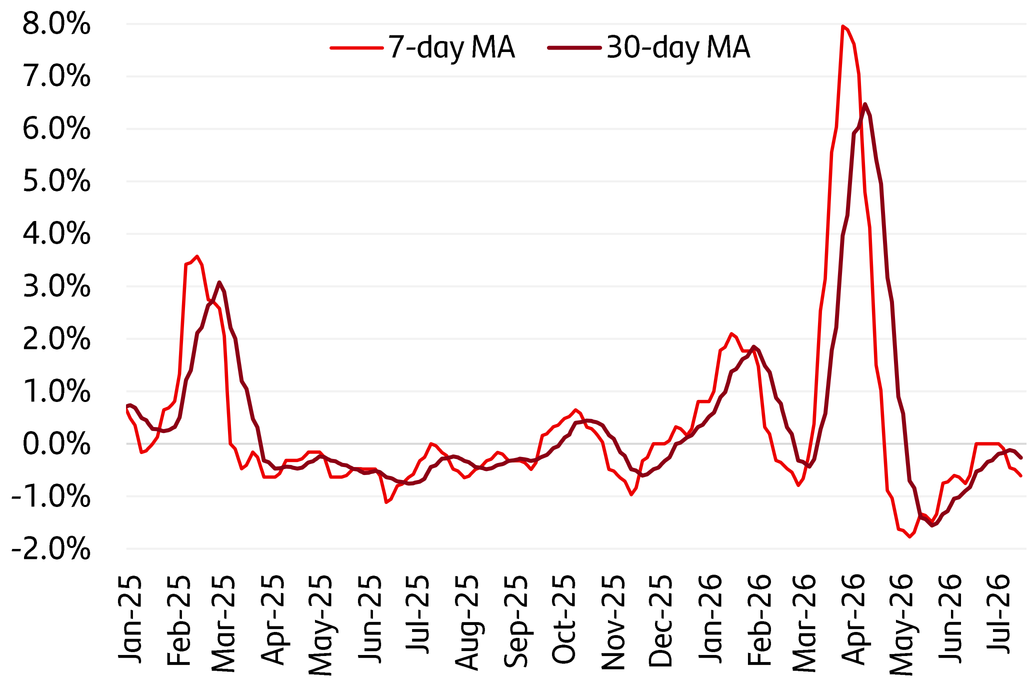
- Fuel prices are easing, supported by lower ethanol prices, and remain a key downside risk to near-term inflation prints.

Ethanol Prices (7-day Moving Average)



Sources: Cepea, ANP, Santander.

Retail Gasoline Prices (%)

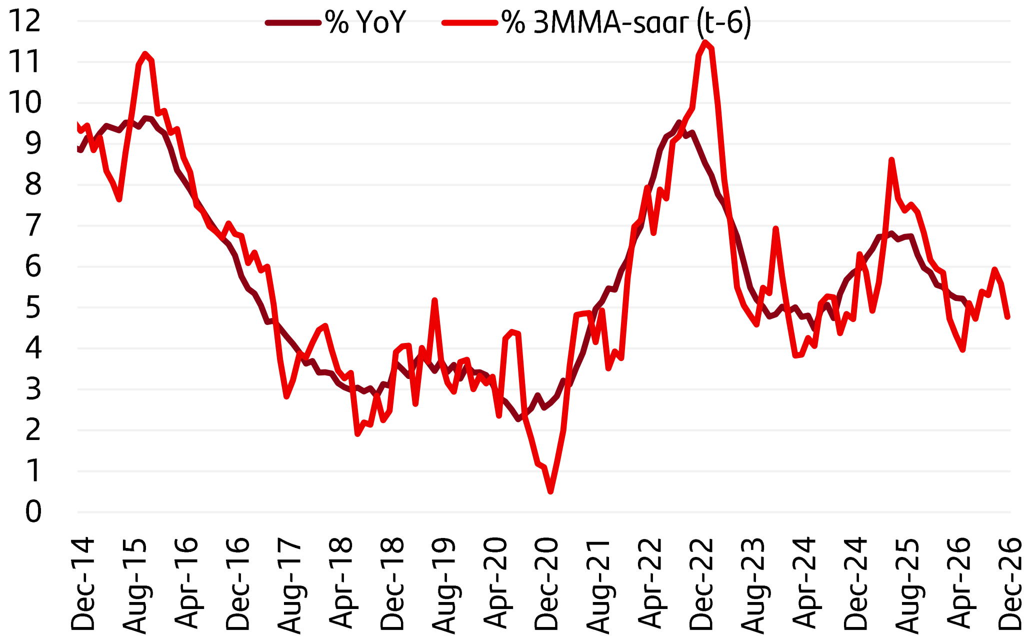


Sources: ANP, Santander.

Short-term IPCA

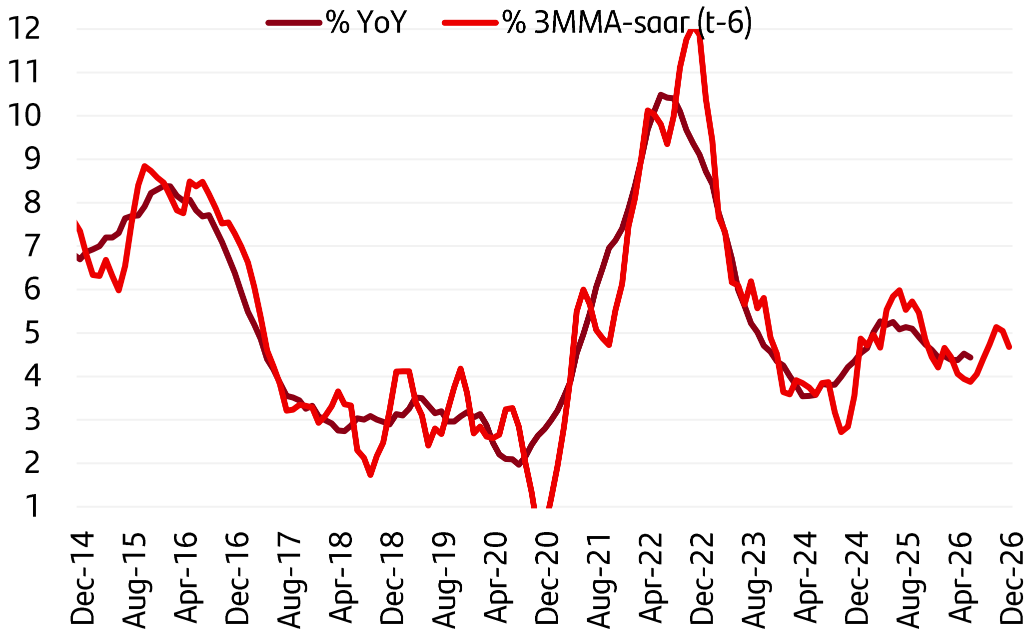
- Moreover, most core inflation metrics have eased at the margin more quickly than expected.
- All in, we expect a more favorable near-term inflation outlook, with downside risks to the upcoming inflation prints.

Core Services (%)



Sources: IBGE, Santander.

Average 5 Main Metrics (%)



Sources: IBGE, Santander.

Short-term IPCA

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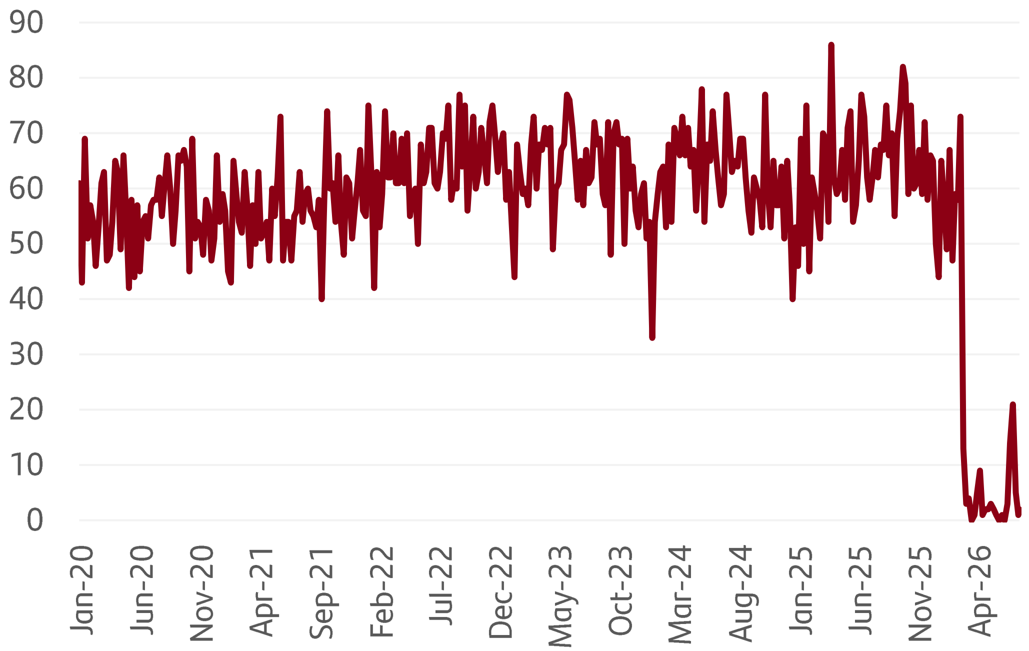
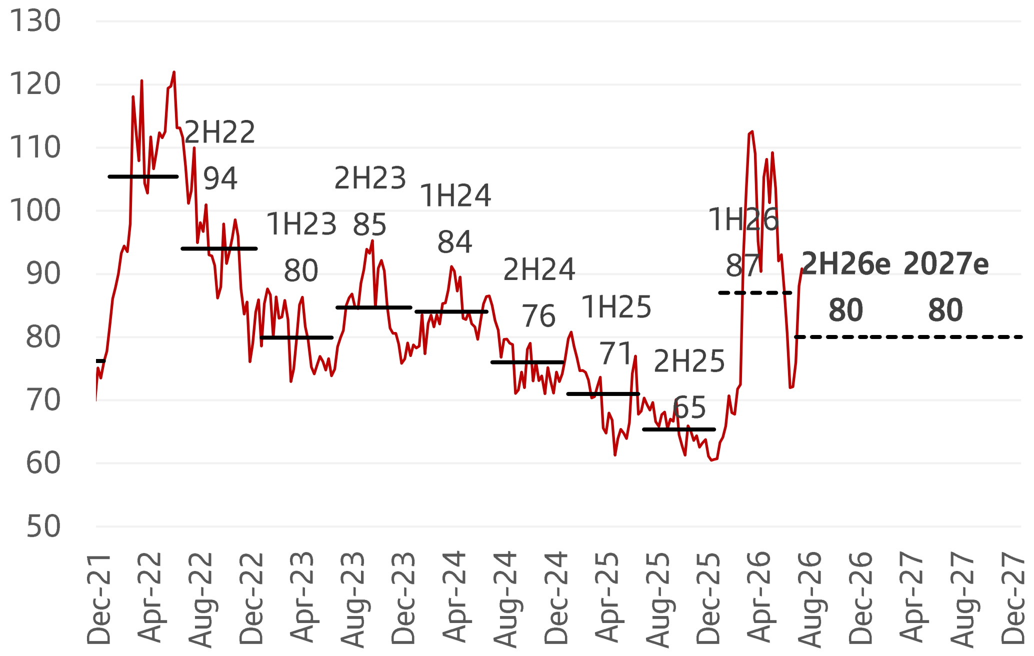
- While geopolitical developments, particularly those affecting oil prices, remain the main source of near-term risk.
- Brent oil prices currently sit above our 2H26 assumption for prices.

Tanker Vessels Crossings Hormuz Strait



Sources: BBG, Santander.

Brent Crude Oil Price Forecast (USD/bbl)



Sources: BBG, Santander.

El Niño

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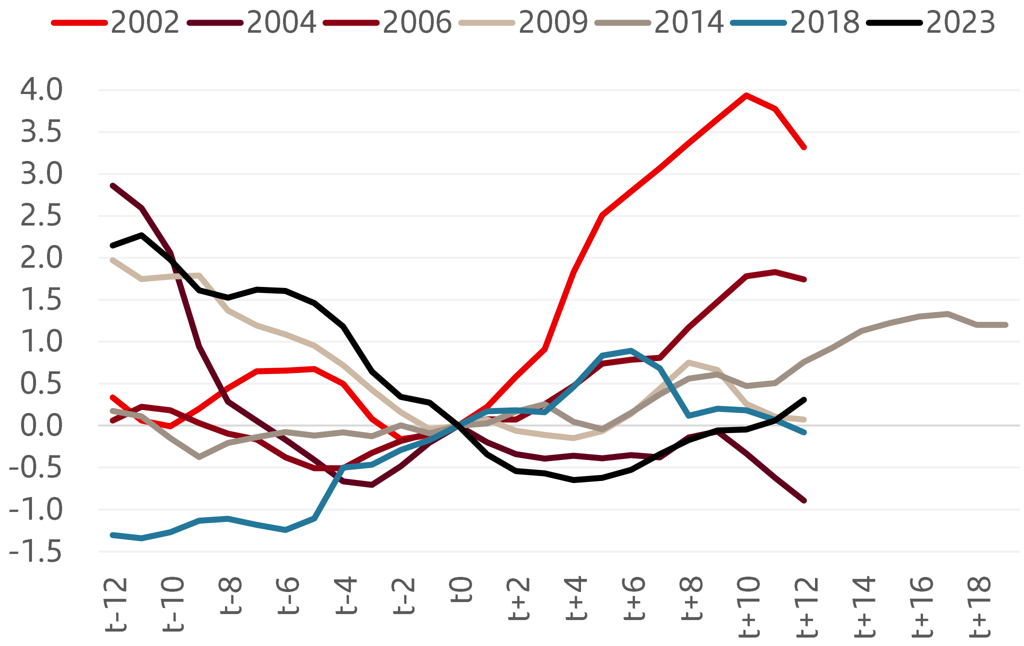
- Prospect of El Niño formation in the coming months, with the possibility of reaching very strong intensity. The main effect would be on food at home, especially fresh food. In our scenario, we expect food at home to peak in February 2027, almost 5 pp above the August 2026 level, equivalent to 75 bps in the IPCA. For the remainder of 2027, we project some moderation from the peak, but still incorporate a 40 bps effect on the IPCA. Nevertheless, food-at-home risks remain tilted to the upside.

12-month Food-at-home (p.p. in IPCA)



Sources: IBGE, Santander.

Average El Niño impact on IPCA per month (p.p.)

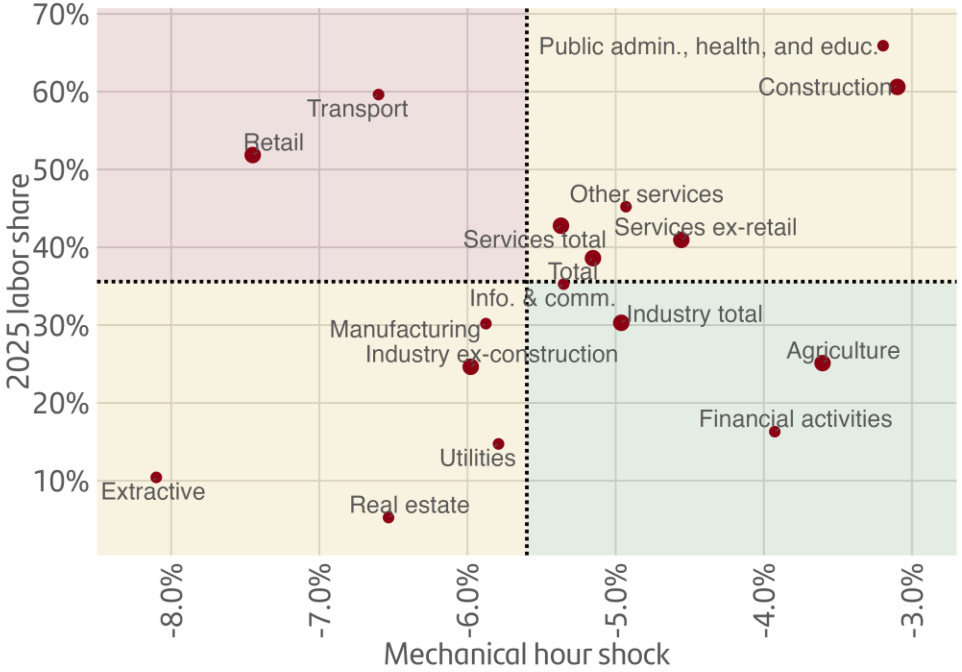
Food-at-home	Weak	Moderate	Strong/Very Strong
Jan	0.00	0.23	0.16
Feb	0.09	0.19	0.13
Mar	0.02	0.12	0.06
Apr	-0.02		0.07
May	-0.16		0.14
Jun	-0.07		0.02
Jul	0.02	0.22	0.02
Aug	0.14	0.39	-0.07
Sep	-0.07	0.34	-0.10
Oct	-0.02	0.42	-0.06
Nov	-0.03	0.92	0.06
Dec	-0.11	0.49	-0.01
Sum	-0.22	3.32	0.42

Sources: IBGE, Santander.

Unit Labor Cost

- We quantified the first-order impact of Brazil's workweek reform. The reform has the potential to mechanically reduce aggregate hours worked by ~5.1%, translating into a max cumulative GDP drag of ~2.5% and ULC of +2.6%, before offsets from productivity gains and avoidance behavior.
- ULC pass-through to IPCA is positive, but unstable. The 2013–2019 period shows stronger pass-through, while ULC have outpaced IPCA since 2023. A strong pass-through assumption should therefore be treated as an upper-bound risk rather than a baseline.
- In our view, the ULC increase could add up to +40 bps to IPCA in 2 years.

Sectoral ULC Risk Map (mechanical hour shock × labor share)



Sources: IBGE, Santander.

Illustrative IPCA Impact Under Selected Scenarios (p.p.)

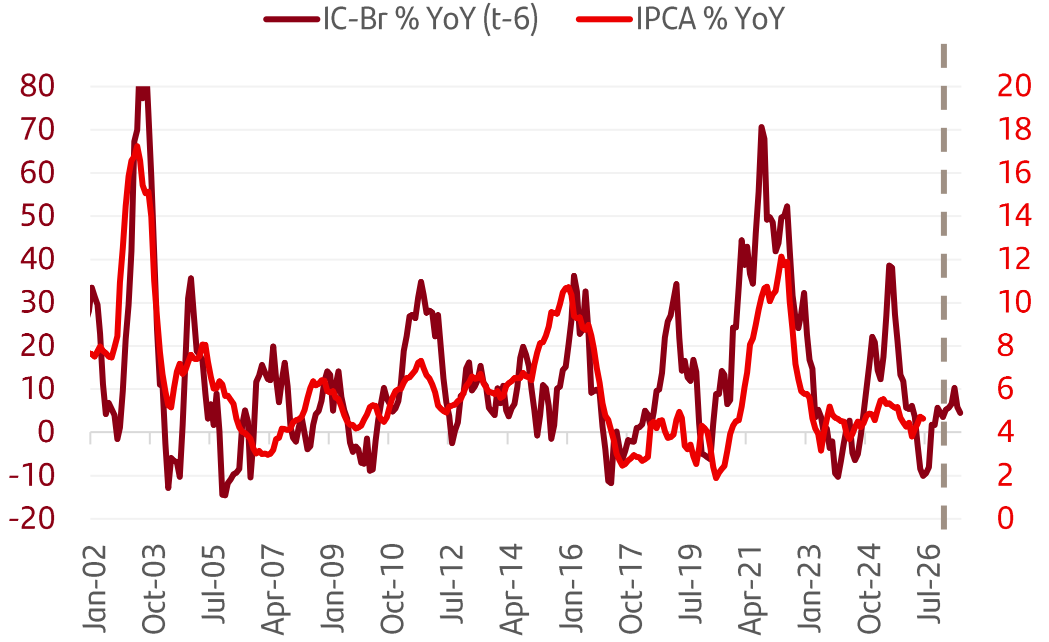
Scenario	ULC Impact	IPCA (β=0.2)	IPCA (β=0.34)	IPCA (β=0.7)
Worst case (σ=0, τ=0)	+2.6%	+0.5 pp	+0.9 pp	+1.8 pp
Moderate (σ=25%, τ=1%)	+1.0%	+0.2 pp	+0.3 pp	+0.7 pp
Benign (σ=35%, τ=2%)	−0.3%	−0.1 pp	−0.1 pp	−0.2 pp
Neutral frontier	0.0 pp	0.0 pp	0.0 pp	0.0 pp

Sources: IBGE, Santander.

Commodities Perspective

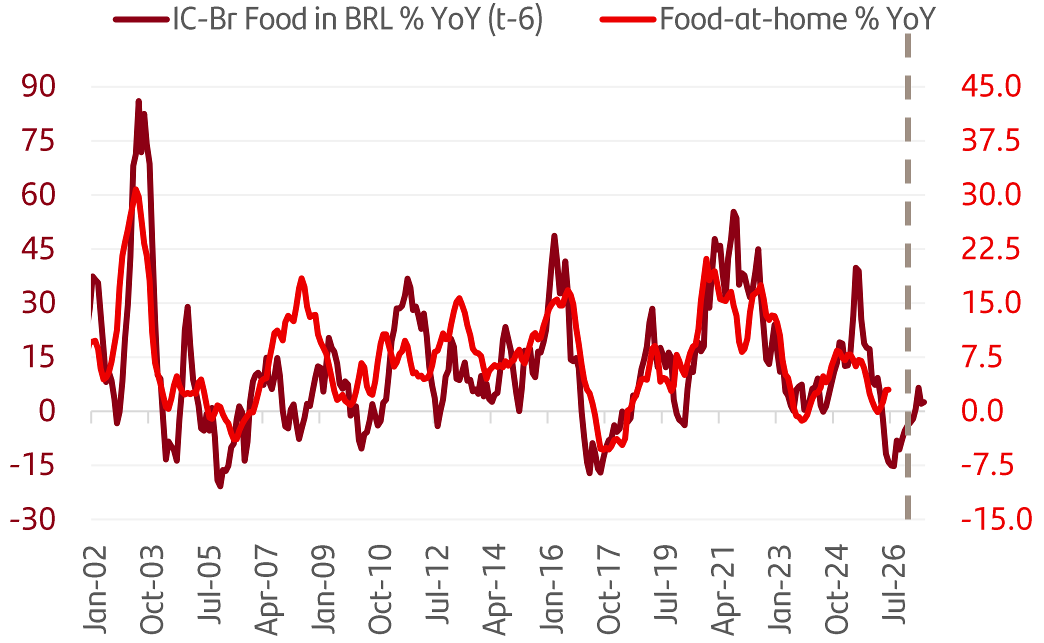
- Despite these upside risks over the medium term, commodities in BRL continue to point to a broadly sideways path for the IPCA.
- The near-term outlook, however, differs across commodity groups. Food prices still have room to decelerate further, while higher metal prices could exert some upward pressure on inflation.

Commodity Index vs. IPCA



Sources: IBGE, BBG, Santander.

Food Commodity Index vs. IPCA Food-at-Home

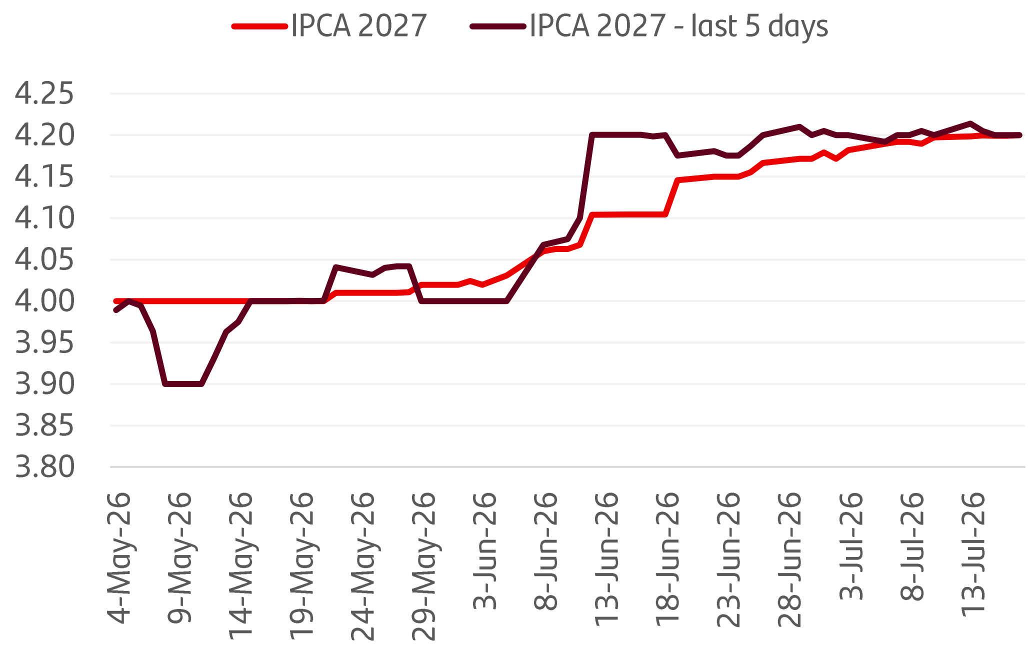


Sources: IBGE, BBG, Santander.

Inflation Expectations

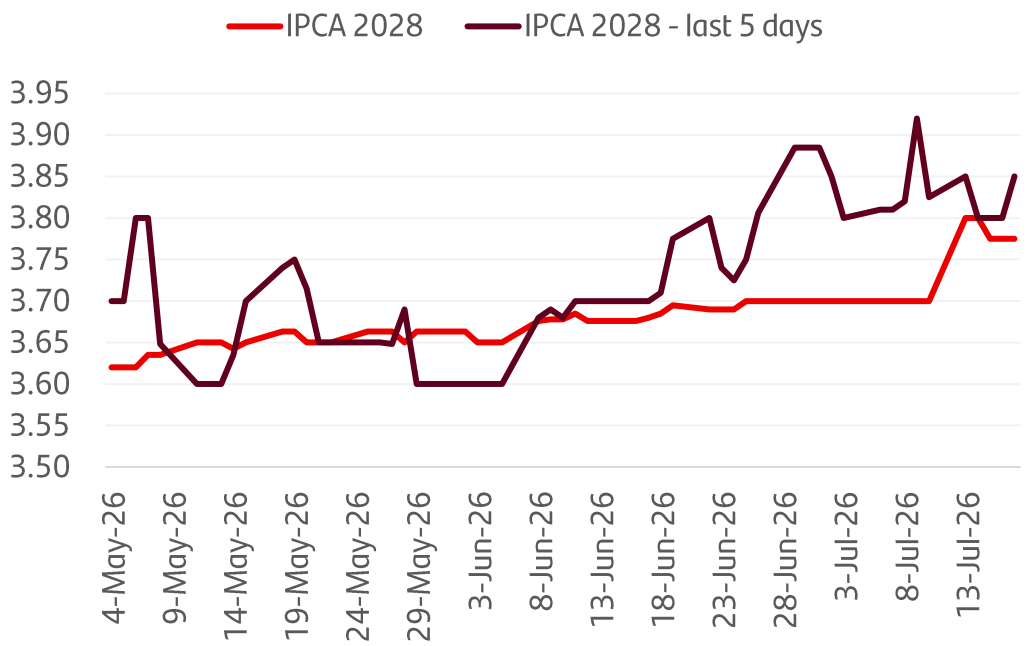
- As medium-term upside risks have increased, inflation expectations have continued to drift higher. Focus median IPCA expectations remain unanchored across all forecast horizons.
- Because revisions over the past five days have consistently exceeded those over the 30-day window, the median expectations have continued to move higher. That said, the latest round of upward revisions appears to have stabilized, at least for now, for the 2027 and 2028 horizons.

Focus IPCA (%)



Sources: BCB, Santander.

Focus IPCA (%)

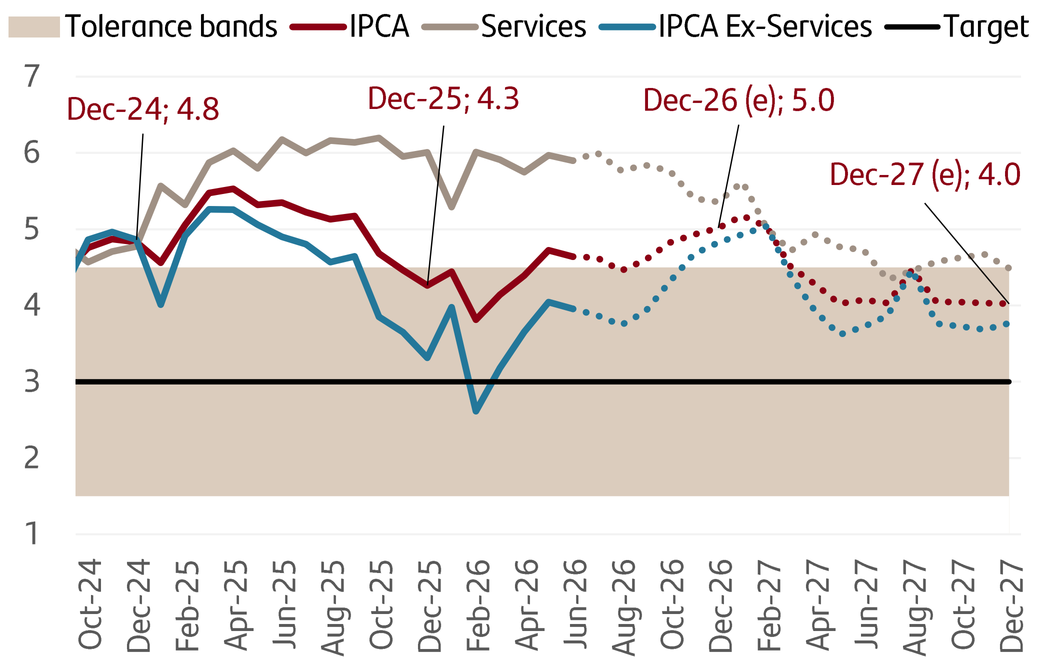


Sources: BCB, Santander.

Inflation: A Slightly Better Short-Term Outlook

- We revised our IPCA 2026 forecast down to 5.0% (from 5.2%) while keeping our IPCA 2027 forecast unchanged at 4.0%. The downward revision for 2026 reflects the incorporation of a lower oil price path relative to our previous baseline. While for 2027, the lower inflation in 2026 and higher Selic rate largely offsets the effects of lower oil prices. The main risks to our outlook remain the exchange rate, the pace of economic activity, and labor market pressures on costs.

IPCA Forecast (%)



Sources: BCB, IBGE, Santander.

IPCA Tracking Variation (% YoY)

	2026e			2027e		
	May-26	Jul-26	Δ (pp)	May-26	Jul-26	Δ (pp)
IPCA	**5.2**	**5.0**	**-0.19**	**4.0**	**4.0**	**-0.01**
Free Prices	**5.1**	**4.9**	**-0.11**	**4.2**	**4.2**	**-0.01**
Food-at-Home	6.0	6.0	0.00	6.1	6.0	-0.02
Industrial Goods	3.7	3.4	-0.08	2.5	2.5	0.02
Services	5.5	5.5	-0.03	4.5	4.5	-0.01
Core Services	5.6	5.5	-0.03	4.9	4.9	0.00
Monitored Prices	**5.7**	**5.3**	**-0.08**	**3.6**	**3.6**	**0.00**

Sources: Santander.

IPCA Forecasts (% MoM)

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- Our tracking (below) contains our most up-to-date estimates.

	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	2025	2026e
IPCA	**0.33**	**0.70**	**0.88**	**0.67**	**0.58**	**0.16**	**0.25**	**-0.27**	**0.62**	**0.30**	**0.28**	**0.41**	**4.3**	**5.0**
Food and beverage	**0.23**	**0.26**	**1.56**	**1.34**	**1.33**	**-0.24**	**-0.49**	**-0.26**	**0.04**	**0.58**	**0.78**	**0.88**	**2.9**	**6.2**
Food-at-home	0.10	0.23	1.94	1.64	1.65	-0.39	-0.82	-0.53	-0.07	0.60	0.88	0.94	1.4	6.3
Food service	0.55	0.34	0.61	0.59	0.49	0.15	0.36	0.43	0.32	0.54	0.52	0.74	7.0	5.8
Housing	**-0.11**	**0.30**	**0.22**	**0.63**	**1.22**	**0.63**	**1.06**	**-2.12**	**3.64**	**0.25**	**0.39**	**-0.48**	**6.8**	**5.7**
Electrical energy	-2.73	0.33	0.13	0.72	3.67	1.53	3.32	-8.45	13.18	0.12	0.63	-2.74	12.3	8.7
Household articles	**0.20**	**0.13**	**0.51**	**0.65**	**0.08**	**0.23**	**0.26**	**0.28**	**0.13**	**0.27**	**-0.09**	**0.25**	**-0.3**	**3.0**
Apparel	**-0.25**	**0.16**	**0.46**	**0.52**	**0.62**	**0.17**	**-0.22**	**0.19**	**0.39**	**0.52**	**0.28**	**0.62**	**5.0**	**3.5**
Transportation	**0.60**	**0.74**	**1.64**	**0.06**	**-0.46**	**0.17**	**0.57**	**-0.48**	**-0.08**	**0.16**	**0.00**	**0.80**	**3.1**	**3.8**
Airline tickets	-8.90	11.40	6.08	-14.45	3.20	7.12	17.00	-12.00	-4.00	2.00	-4.00	12.00	7.9	10.4
Gasoline	2.06	-0.61	4.59	1.86	-1.46	-0.12	-0.60	-0.15	-0.15	0.15	0.45	0.60	1.9	6.7
Health and personal care	**0.70**	**0.59**	**0.42**	**1.16**	**0.90**	**0.23**	**0.17**	**0.24**	**0.12**	**0.31**	**0.02**	**0.38**	**5.6**	**5.4**
Personal spending	**0.41**	**0.33**	**0.65**	**0.35**	**0.41**	**0.25**	**0.40**	**1.05**	**0.29**	**0.32**	**0.31**	**0.41**	**5.9**	**5.3**
Education	**0.02**	**5.21**	**0.02**	**0.06**	**0.00**	**-0.02**	**0.01**	**0.72**	**0.02**	**0.01**	**0.01**	**0.02**	**6.2**	**6.1**
Communication	**0.82**	**0.15**	**0.19**	**0.57**	**0.23**	**0.19**	**0.16**	**0.19**	**0.01**	**-0.04**	**0.19**	**0.04**	**0.8**	**2.7**
Administered	**0.53**	**0.17**	**1.22**	**1.00**	**0.44**	**0.29**	**0.53**	**-1.31**	**2.05**	**0.13**	**0.28**	**-0.22**	**5.3**	**5.2**
Free	**0.26**	**0.89**	**0.76**	**0.55**	**0.63**	**0.11**	**0.15**	**0.10**	**0.11**	**0.37**	**0.28**	**0.63**	**3.9**	**4.9**
Food-at-home	0.10	0.23	1.94	1.64	1.65	-0.39	-0.82	-0.53	-0.07	0.60	0.88	0.94	1.4	6.3
Food-at-home core	0.01	0.53	0.52	0.03	0.18	-0.81	0.09	0.01	0.26	0.23	0.34	0.36	8.4	1.8
Industrial goods	0.63	0.33	0.34	0.63	0.30	0.11	-0.06	0.42	0.10	0.25	-0.10	0.35	2.4	3.4
Industrial goods core	0.54	0.35	0.29	0.80	0.82	0.23	-0.02	0.13	0.15	0.35	-0.08	0.46	3.1	4.1
Services	0.10	1.51	0.53	0.04	0.40	0.33	0.69	0.17	0.20	0.34	0.26	0.68	6.0	5.4
Services core	0.57	0.64	0.49	0.52	0.40	0.22	0.42	0.40	0.35	0.39	0.35	0.52	5.9	5.4
EX3 Core	**0.56**	**0.52**	**0.40**	**0.64**	**0.57**	**0.22**	**0.23**	**0.29**	**0.27**	**0.37**	**0.17**	**0.49**	**4.7**	**4.8**

IPCA Forecasts (% YoY)

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- Our tracking (below) contains our most up-to-date estimates.

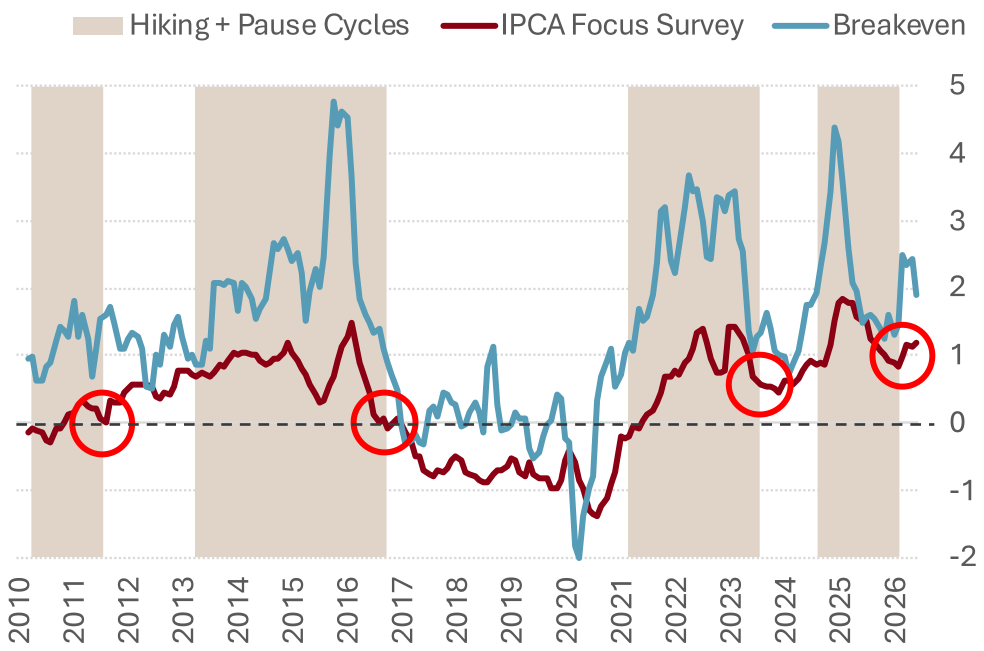
	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	2025	2026e
IPCA	**4.4**	**3.8**	**4.1**	**4.4**	**4.7**	**4.6**	**4.6**	**4.5**	**4.6**	**4.8**	**4.9**	**5.0**	**4.3**	**5.0**
Food and beverage	**2.2**	**1.8**	**2.1**	**2.7**	**3.9**	**3.8**	**3.6**	**3.8**	**4.1**	**4.7**	**5.5**	**6.2**	**2.9**	**6.2**
Food-at-home	0.4	-0.1	0.5	1.3	3.0	3.0	2.9	3.2	3.5	4.3	5.5	6.3	1.4	6.3
Food service	6.8	6.7	6.5	6.3	6.2	5.9	5.3	5.3	5.5	5.6	5.6	5.8	7.0	5.8
Housing	**10.1**	**5.7**	**5.7**	**6.2**	**6.2**	**5.9**	**6.0**	**4.7**	**5.4**	**6.0**	**5.8**	**5.7**	**6.8**	**5.7**
Electrical energy	27.4	9.4	9.4	10.3	10.3	8.8	9.1	4.3	7.0	9.7	9.0	8.7	12.3	8.7
Household articles	**0.0**	**-0.3**	**0.1**	**0.2**	**0.5**	**0.7**	**0.9**	**1.2**	**1.8**	**2.4**	**3.3**	**3.0**	**-0.3**	**3.0**
Apparel	**4.9**	**5.0**	**4.9**	**4.4**	**4.6**	**4.0**	**4.3**	**3.8**	**3.5**	**3.5**	**3.3**	**3.5**	**5.0**	**3.5**
Transportation	**2.4**	**2.5**	**3.7**	**4.2**	**4.1**	**4.0**	**4.2**	**4.0**	**3.9**	**3.9**	**3.7**	**3.8**	**3.1**	**3.8**
Airline tickets	-11.0	24.6	23.7	23.2	43.4	52.4	48.7	34.1	32.5	29.3	11.0	10.4	7.9	10.4
Gasoline	3.3	-0.1	4.0	6.3	5.4	5.7	5.6	6.4	5.5	5.3	6.2	6.7	1.9	6.7
Health and personal care	**5.6**	**5.7**	**5.7**	**5.7**	**6.0**	**6.2**	**5.9**	**5.6**	**5.6**	**5.4**	**5.5**	**5.4**	**5.6**	**5.4**
Personal spending	**5.8**	**6.0**	**5.9**	**5.7**	**5.8**	**5.8**	**5.4**	**6.1**	**5.9**	**5.7**	**5.2**	**5.3**	**5.9**	**5.3**
Education	**6.0**	**6.5**	**6.4**	**6.4**	**6.4**	**6.3**	**6.3**	**6.3**	**6.2**	**6.2**	**6.2**	**6.1**	**6.2**	**6.1**
Communication	**1.8**	**1.7**	**1.7**	**1.6**	**1.7**	**1.8**	**2.1**	**2.4**	**2.5**	**2.7**	**3.1**	**2.7**	**0.8**	**2.7**
Administered	**7.5**	**4.4**	**5.5**	**6.1**	**5.9**	**5.5**	**5.4**	**4.6**	**4.8**	**5.1**	**5.2**	**5.2**	**5.3**	**5.2**
Free	**3.4**	**3.6**	**3.7**	**3.8**	**4.3**	**4.3**	**4.4**	**4.4**	**4.5**	**4.7**	**4.8**	**4.9**	**3.9**	**4.9**
Food-at-home	0.4	-0.1	0.5	1.3	3.0	3.0	2.9	3.2	3.5	4.3	5.5	6.3	1.4	6.3
Food-at-home core	6.7	5.2	3.8	2.5	1.7	0.7	0.8	0.9	0.9	1.2	1.5	1.8	8.4	1.8
Industrial goods	2.5	2.5	2.4	2.5	2.7	2.8	2.8	3.1	3.1	3.3	3.5	3.4	2.4	3.4
Industrial goods core	3.2	3.4	3.3	3.4	4.0	4.2	4.2	3.8	3.8	4.1	4.2	4.1	3.1	4.1
Services	5.3	6.0	5.9	5.7	6.0	5.9	6.0	5.8	5.8	5.8	5.4	5.4	6.0	5.4
Services core	5.6	5.5	5.3	5.2	5.2	5.0	4.9	5.0	5.3	5.4	5.4	5.4	5.9	5.4
EX3 Core	**4.6**	**4.6**	**4.5**	**4.5**	**4.7**	**4.7**	**4.6**	**4.5**	**4.7**	**4.8**	**4.9**	**4.8**	**4.7**	**4.8**

"The Taylor Rule"

Inflation Gap

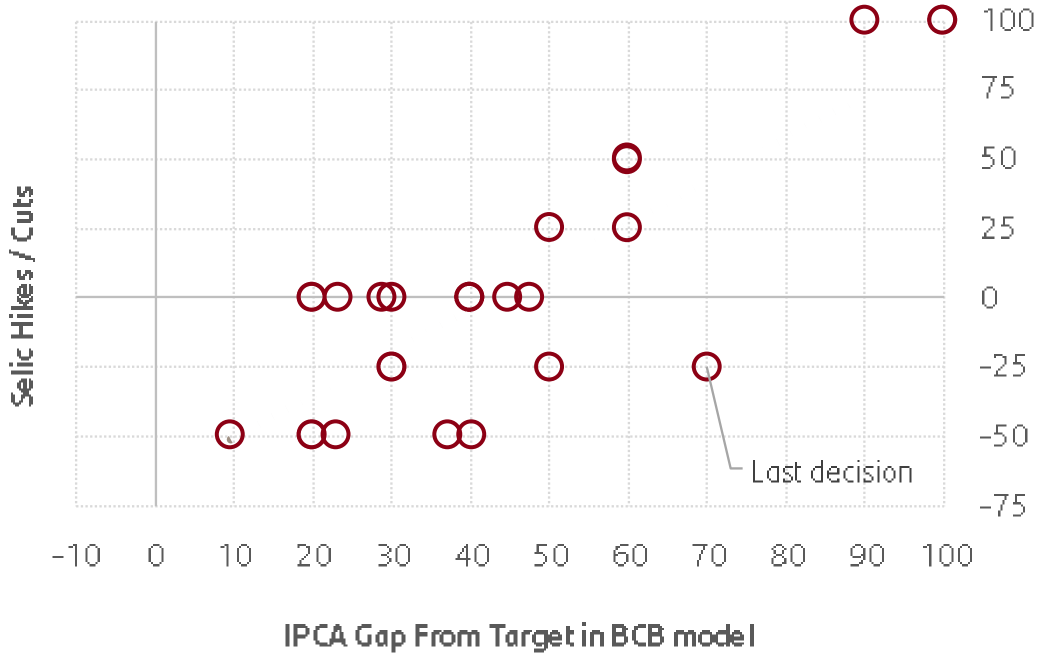
- Something seems to have changed in the BCB's reaction function.

Inflation Forecast Gap from Target (%, 18 Months Ahead)



Sources: Anbima, BCB, Santander.

Changes in Selic Rate vs. IPCA in Reference Scenario (bps)

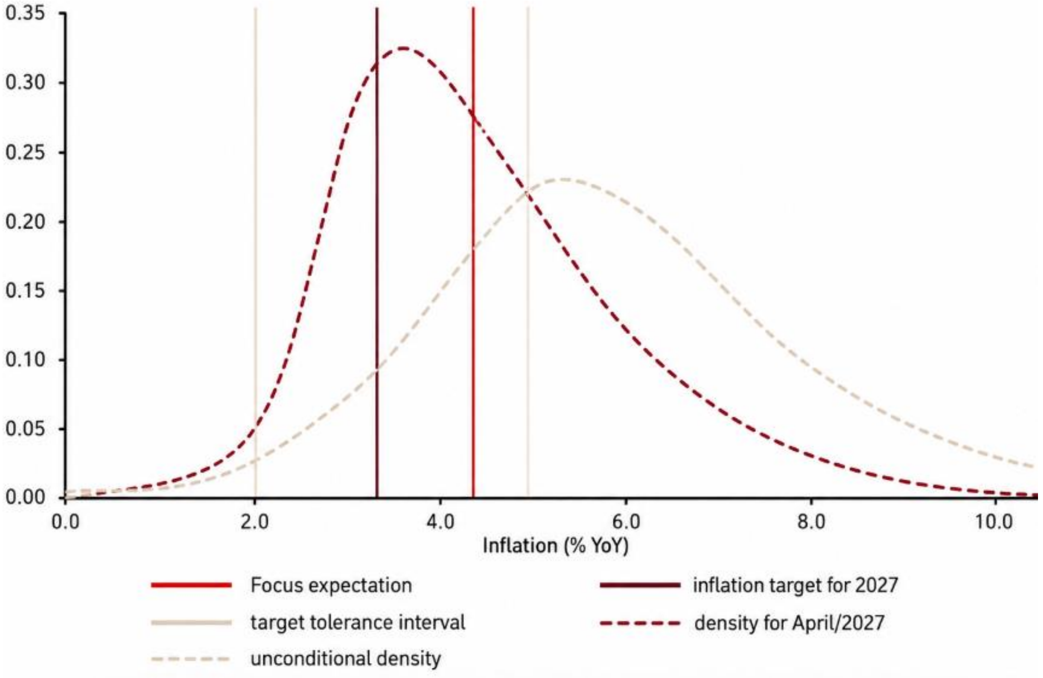


Sources: BCB, Santander.

Balanced Approach?

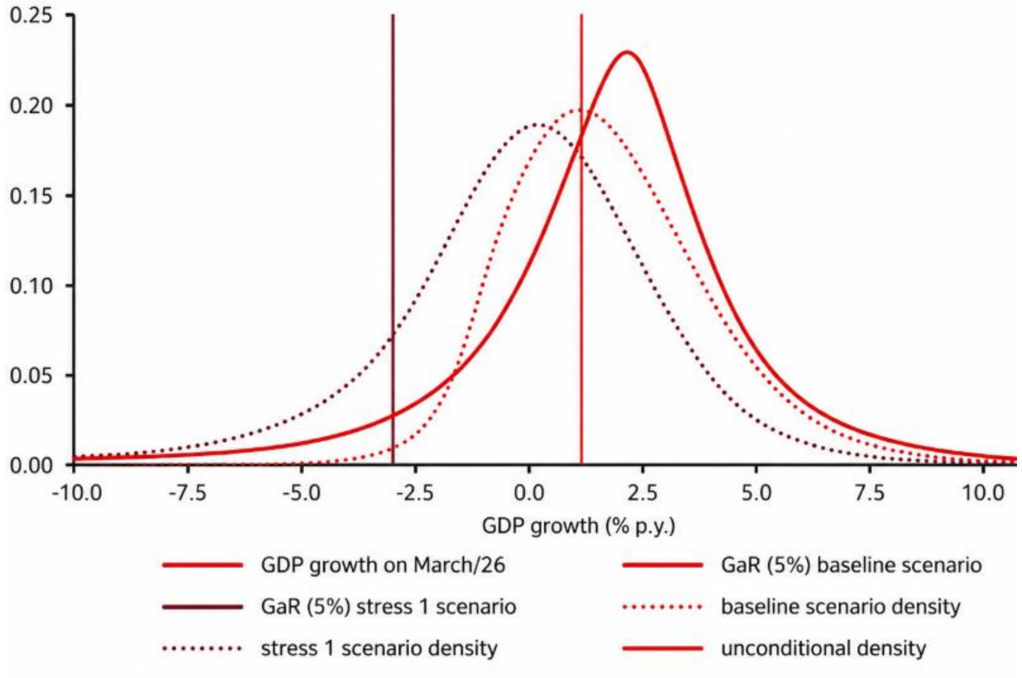
- The BCB took care to publish probability distributions for inflation and GDP, rather than just a central scenario, in stress scenarios.
- In the exercise, financial shocks have little impact on average growth but increase the risk of low growth or recession (left tail).
- Anyway, the focus seems to shifts from “what is the forecast?” to “how do the risks surrounding it might change?” typical of a balanced approach.

Inflation Density Forecasts (1/p.p.) – BCB’s Estimates



Sources: BCB, Santander.

GDP Growth Density Forecast (1/p.p.) – BCB’s Estimates



Sources: BCB, Santander.

Simulations on the BCB Model

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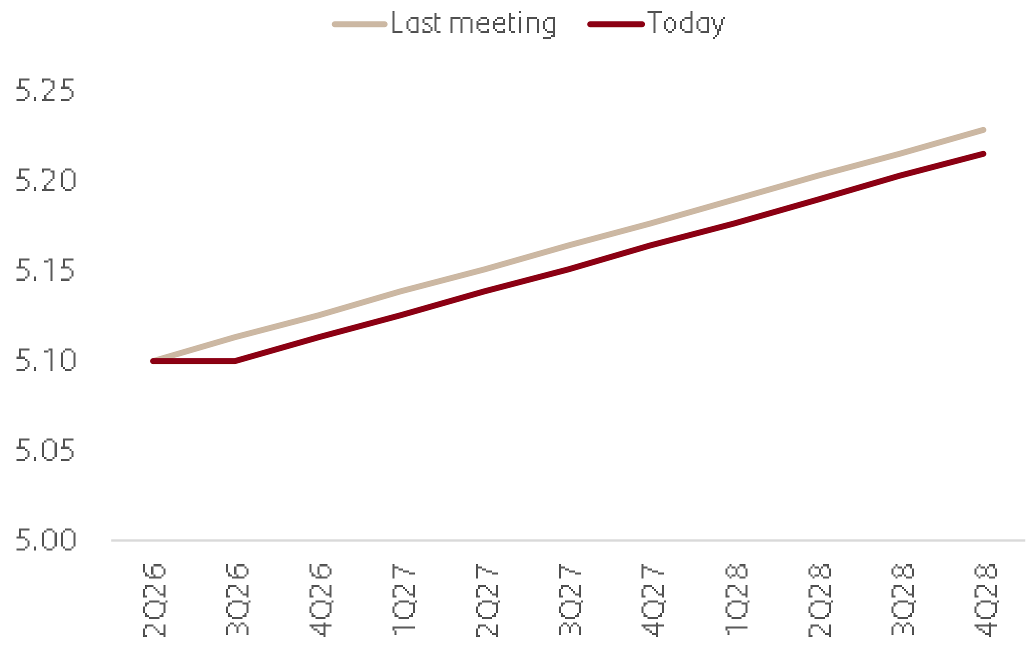
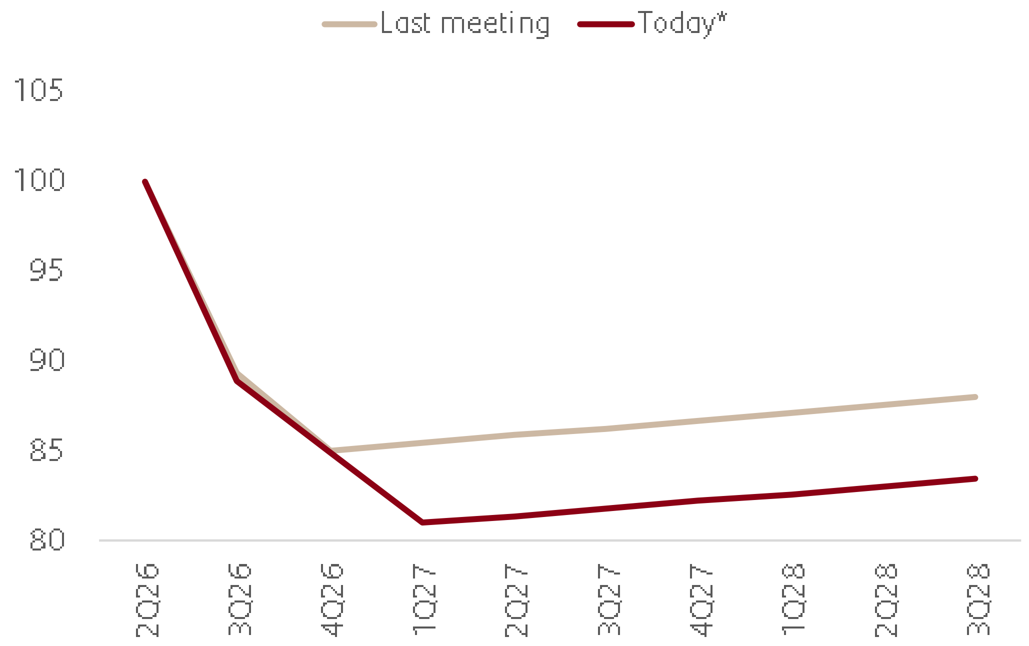
USD/BRL



Sources: BCB, Santander.

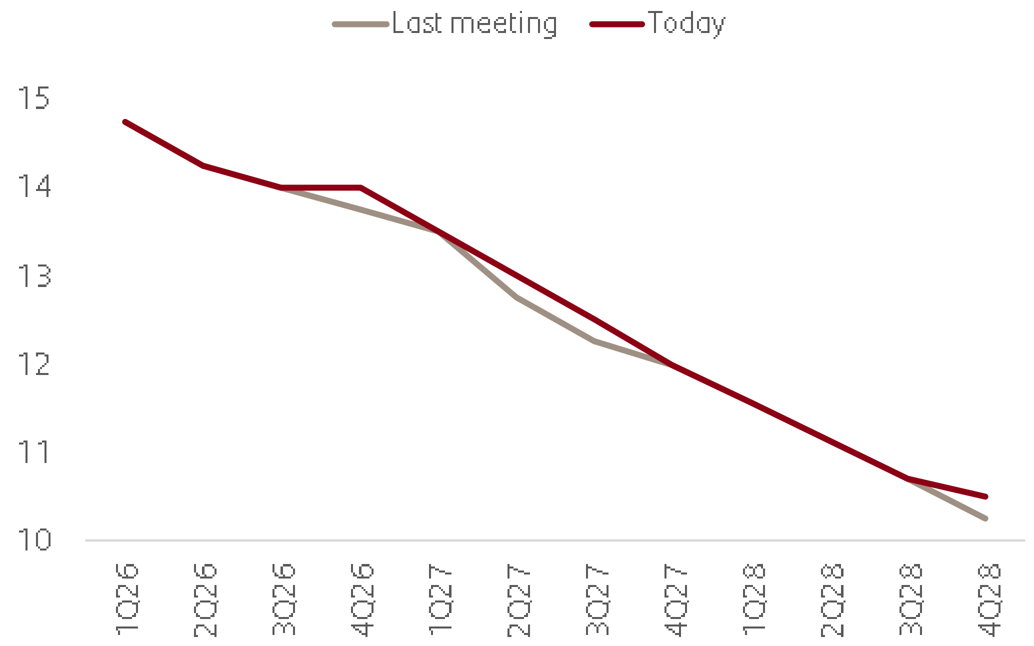
Brent Prices (USD/bbl)



Sources: Bloomberg, Santander. * July 20.

Simulations on the BCB Model

Selic Rate Path in the Focus Survey (% p.a.)



Sources: BCB, Santander. *End of March.

IPCA Forecasts (% p.a.)

	1Q28	2Q28
Last Meeting	**3.2**	**3.2**
Selic	-0.03	-0.03
USD/BRL	-0.01	-0.01
IPCA Focus	0.07	0.07
ADM + Cmdty	-0.04	-0.07
Output Gap*	0.00	0.00
Today	**3.2**	**3.2**

* Exogenous review

Sources: Santander.

Selic Forecasts

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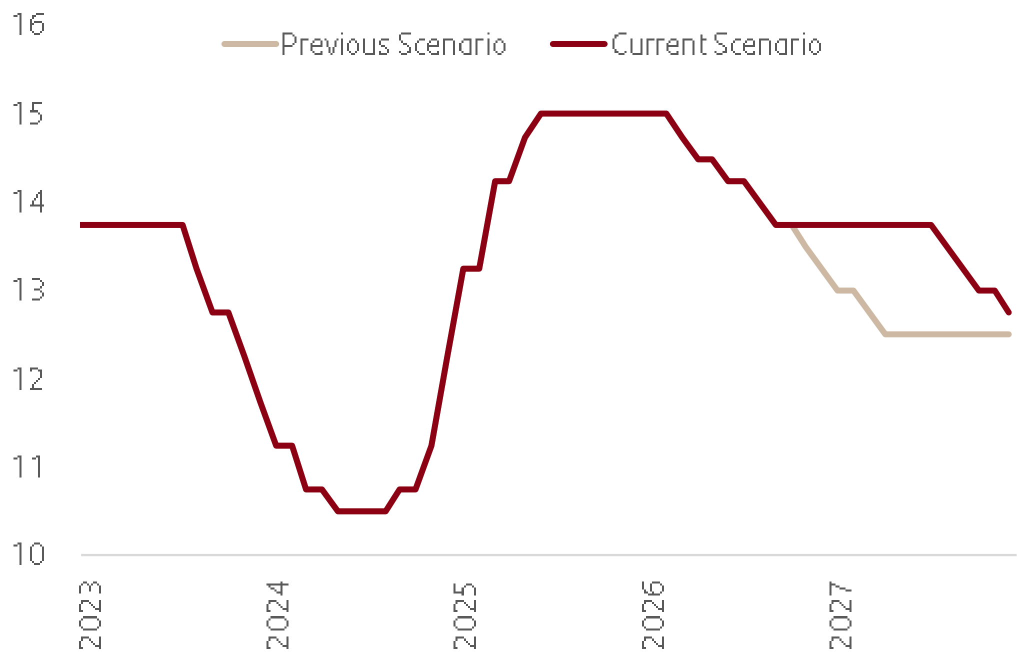
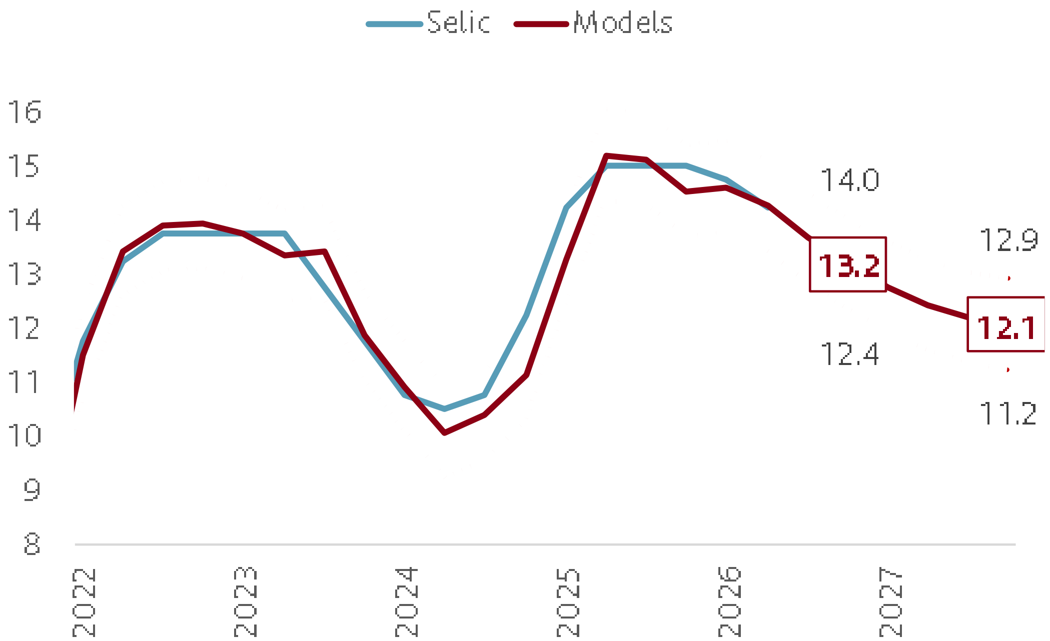
- We have revised our Selic rate projection to 13.75% (two additional cuts this year) at the end of 2026 (from 13.25%) and 12.75% at the end of 2027 (from 12.50%).
- Our new baseline scenario is above the midpoint of the projections suggested by alternative monetary rule models.

Selic Rate Projections (%)



Sources: BCB, Santander. *End of March.

Actual Selic Rate vs. Selic Rate Estimates (%)



Sources: Santander.

Monetary Policy

Santander Brasil Macroeconomics

- Projections from the BCB model for different combinations of BRL, inflation expectations, and Selic rates (Focus or flat across the entire horizon).
- No significant exogenous revision of the output gap → +10bps IPCA every +0,2 p.p. gap revision.
- Brent at current prices (see slide 32).

BCB Projections for IPCA in 1Q28 - Selic in Focus Survey

		USDBRL						
		4.95	5.00	5.05	**5.10**	5.30	5.50	5.70
IPCA Focus	4.30	3.2	3.3	3.3	3.4	3.6	3.8	4.0
	4.20	3.2	3.2	3.3	3.3	3.5	3.7	3.9
	4.10	3.1	3.1	3.2	3.2	3.4	3.6	3.8
	4.00	3.0	3.1	3.1	3.2	3.4	3.6	3.8
	3.90	2.9	3.0	3.0	3.1	3.3	3.5	3.7
	3.80	2.9	2.9	3.0	3.0	3.2	3.4	3.6
	3.70	2.8	2.9	2.9	3.0	3.2	3.4	3.6

BCB Projections for IPCA in 1Q28 - Selic @13.75

		USDBRL						
		4.95	5.00	5.05	**5.10**	5.30	5.50	5.70
IPCA Focus	4.30	2.8	2.9	2.9	3.0	3.2	3.4	3.6
	4.20	2.8	2.8	2.9	2.9	3.1	3.3	3.5
	4.10	2.7	2.8	2.8	2.9	3.1	3.3	3.5
	4.00	2.6	2.7	2.7	2.8	3.0	3.2	3.4
	3.90	2.6	2.6	2.7	2.7	2.9	3.1	3.3
	3.80	2.5	2.5	2.6	2.6	2.8	3.0	3.2
	3.70	2.4	2.5	2.5	2.6	2.8	3.0	3.2

BCB Projections for IPCA in 2Q28 - Selic @13.50

		USDBRL						
		4.95	5.00	5.05	**5.10**	5.30	5.50	5.70
IPCA Focus	4.30	2.9	2.9	3.0	3.0	3.2	3.4	3.6
	4.20	2.8	2.9	2.9	3.0	3.1	3.3	3.5
	4.10	2.8	2.8	2.8	2.9	3.1	3.2	3.4
	4.00	2.7	2.7	2.8	2.8	3.0	3.2	3.4
	3.90	2.6	2.7	2.7	2.7	2.9	3.1	3.3
	3.80	2.5	2.6	2.6	2.7	2.9	3.0	3.2
	3.70	2.5	2.5	2.6	2.6	2.8	3.0	3.1

BCB Projections for IPCA in 2Q28 - Selic @13.25

		USDBRL						
		4.95	5.00	5.05	**5.10**	5.30	5.50	5.70
IPCA Focus	4.30	3.0	3.0	3.0	3.1	3.3	3.4	3.6
	4.20	2.9	2.9	3.0	3.0	3.2	3.4	3.6
	4.10	2.8	2.9	2.9	2.9	3.1	3.3	3.5
	4.00	2.7	2.8	2.8	2.9	3.1	3.2	3.4
	3.90	2.7	2.7	2.8	2.8	3.0	3.2	3.3
	3.80	2.6	2.6	2.7	2.7	2.9	3.1	3.3
	3.70	2.5	2.6	2.6	2.7	2.8	3.0	3.2

Sources: BCB, Santander.

R-Stars

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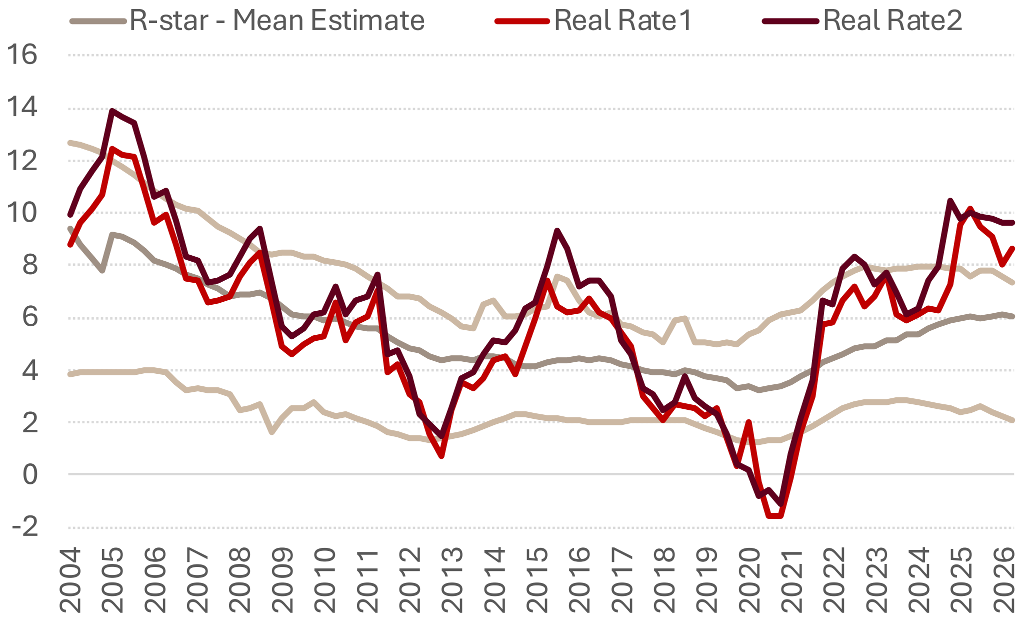
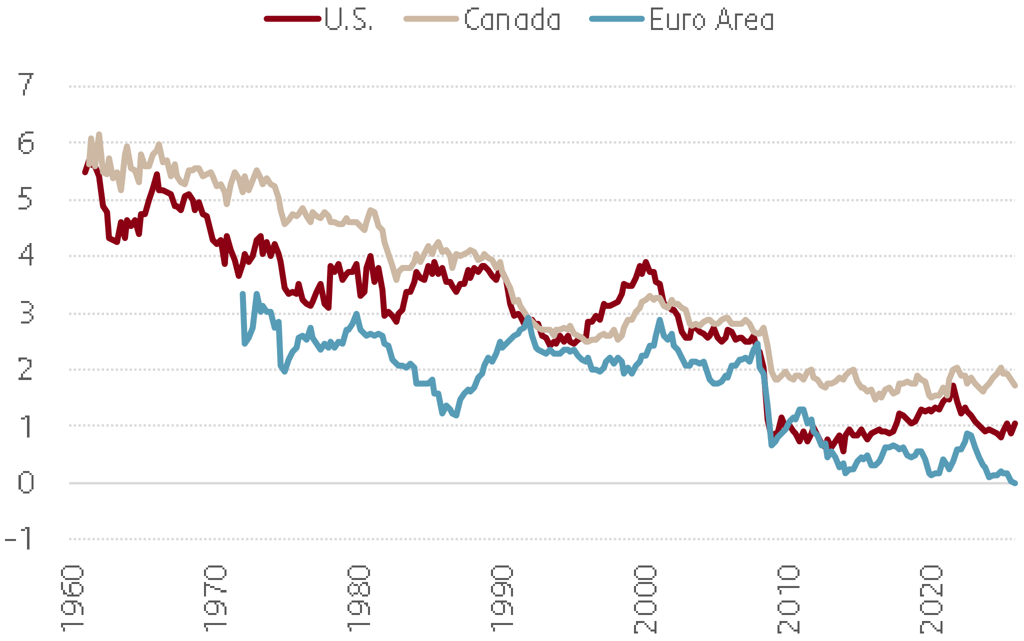
Brazil's Real and Neutral Rates Estimates (% p.a.)



Sources: Bloomberg, Santander. 1: 1-year forward market real rate (fixed duration); 2: 1-year forward market nominal rate minus Focus Survey IPCA, 1 year ahead.

DM Real Neutral Rates Estimates (% p.a.)



Sources: FRBNY, Santander.

Forecasts

Brazil Macro Forecasts

Macroeconomic Variables		Previous		Current
GDP(%)	2026E	1.8	▬	1.8
	2027E	1.0	▲	1.3
IPCA (%)	2026E	5.1	▼	5.0
	2027E	4.0	▬	4.0
Selic Rate (% end of period)	2026E	13.25	▲	13.75
	2027E	12.50	▲	12.75
FX Rate - USD/BRL (end of period)	2026E	5.40	▬	5.40
	2027E	5.50	▬	5.50
Current Account Balance (% of GDP)	2026E	-2.2	▬	-2.2
	2027E	-1.8	▬	-1.8
Primary Fiscal Balance (% of GDP)	2026E	-0.5	▬	-0.5
	2027E	-0.6	▬	-0.6
Primary for Target Compliance (% of GDP)	2026E	0.1	▬	0.1
	2027E	-0.1	▬	-0.1
Gross Public Debt (% of GDP)	2026E	83.7	▬	83.7
	2027E	88.8	▬	88.8

Source: Santander.

Scenario Update

This Chartbook refers to the scenario in:

"Shifting Risks"

(published on July 03, 2026)

For the full report click on the link:

https://bit.ly/StdUpdJun26

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Our purpose is to help people and business prosper.

Our culture is based on believing that everything we do should be:

Simple Personal Fair

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Brasil Macroeconomics

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