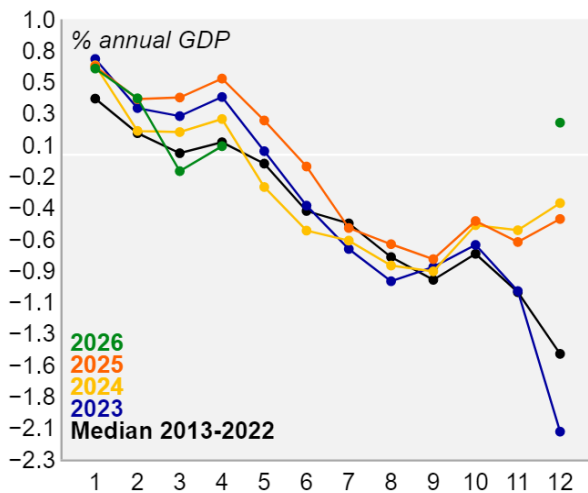


Primary surplus of BRL 24.6 bn in April

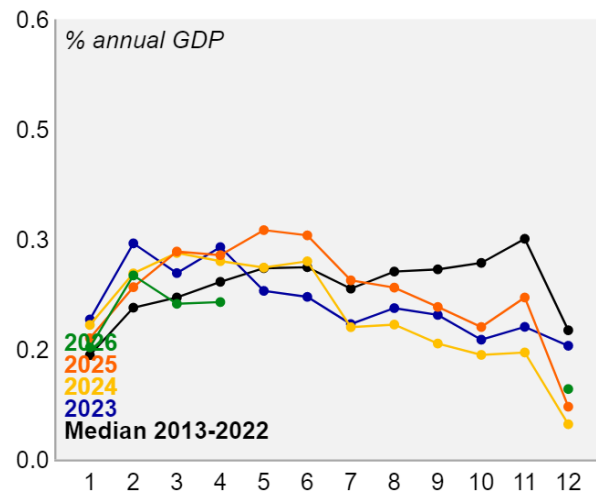
- ▶ The consolidated public sector recorded a primary surplus of BRL 24.6 bn in April, better than our call (a surplus of BRL 23.2 bn). The central government recorded a primary surplus of BRL 25.2 bn, as reported by the Treasury (based on revenues and expenditures), better than our call (a surplus of BRL 24.2 bn). According to the Central Bank (below the line figures), the central government posted a surplus of BRL 26.1 bn.
- ▶ The regional governments registered a surplus of BRL 0.3 bn. In the past 12 months, the consolidated primary deficit was 1.0% of GDP (vs. 1.1% in March), with the following breakdown: 0.9% of GDP for the central government and 0.1% for regional governments and SOEs.
- ▶ General government gross debt rose from 80.0% of GDP in March to 80.4% of GDP in April, while the public sector net debt rose from 66.8% to 67.4% of GDP. Ex-FX swaps, the 12-month accumulated nominal deficit remained at 10.2% of GDP, while interest expenses increased from 9.1% to 9.3% of GDP.
- ▶ **Our view:** revenues have continued to accelerate since late 2025, while expenditure growth remains robust. In the month, the positive surprise can be largely attributed to stronger tax collection performance. We also highlight the initial impacts of the income tax reform, with costs associated with the personal income tax exemption running at around BRL 21 billion on an annualized basis, while compensations remain below BRL 1 billion, in addition to the absence of any effect from the oil export tax so far. For 2026, we project a primary deficit of 0.5% of GDP, with the cyclical improvement in revenues being absorbed by expenditures linked to the reduction of the INSS benefits backlog and, once again, not translating into a more favorable fiscal outcome.

Primary result of the central government, seasonal profile



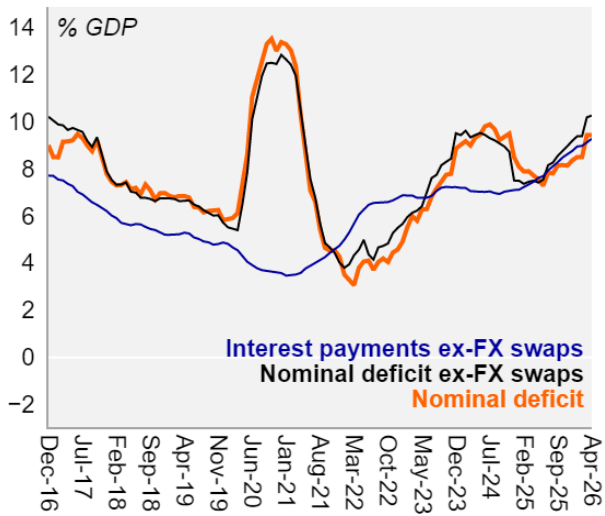
Source: STN, Itaú

Primary result of regional governments, seasonal profile

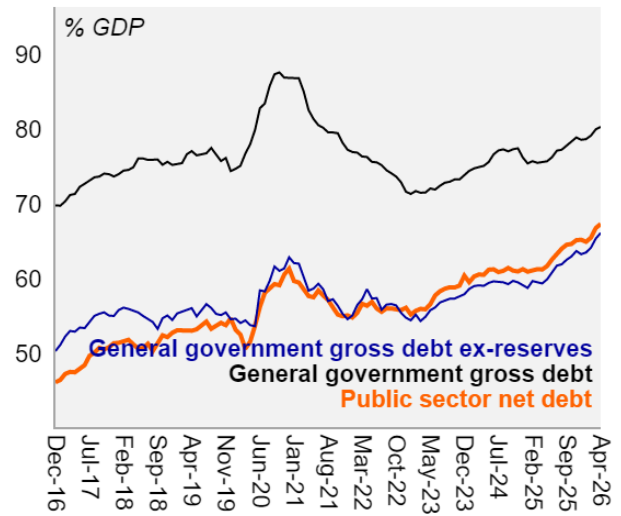


Source: BCB, Itaú

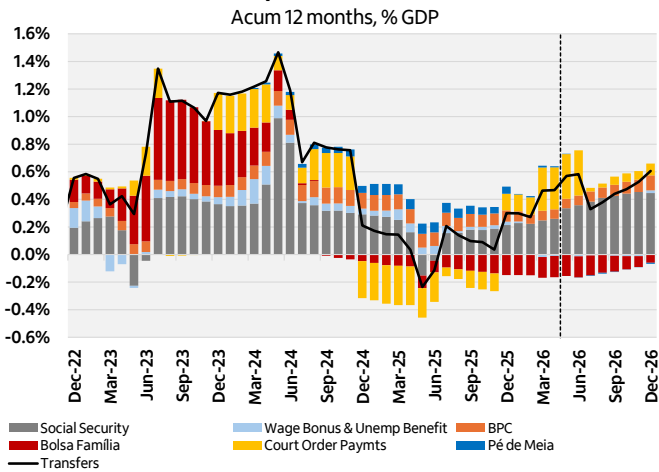
Nominal deficit and interest expenses



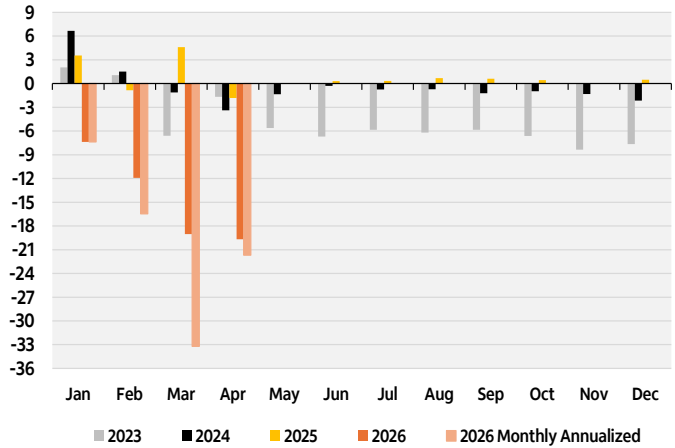
Public debt



Fiscal Impulse from Transfers



Deviation from Income Tax from Work vs Implied by Wage Bill



Central Gov Primary Balance	% GDP	BRL bn	Real Growth								
			12mmaYoY			3mma YoY			YoY		
	Apr-26	Apr-26	Feb-26	Mar-26	Apr-26	Feb-26	Mar-26	Apr-26	Feb-26	Mar-26	Apr-26
Tax Collections	22.9%	278.8	3.9%	4.0%	4.4%	5.5%	4.6%	6.3%	5.7%	5.0%	7.8%
Total Revenues	23.0%	279.5	3.1%	3.3%	3.4%	2.6%	3.4%	5.0%	3.6%	5.1%	6.0%
Tax Revenues	20.9%	250.5	5.1%	5.2%	5.6%	5.7%	5.0%	6.2%	4.5%	6.1%	7.6%
Wage Bill	8.4%	91.4	6.4%	6.2%	6.4%	6.2%	4.7%	3.1%	2.2%	2.9%	4.2%
Consumption	5.3%	61.5	0.3%	0.4%	1.7%	2.6%	1.4%	5.9%	2.8%	3.9%	10.8%
Profits	3.7%	61.4	-0.3%	0.7%	-0.4%	-3.9%	0.5%	3.2%	-3.6%	14.0%	1.2%
Others	3.5%	36.2	17.1%	17.0%	18.1%	22.3%	20.7%	20.0%	22.7%	12.0%	25.0%
Non tax Revenues	2.1%	29.0	-13.0%	-12.3%	-14.3%	-21.8%	-13.8%	-5.7%	-6.2%	-5.3%	-5.8%
Net Revenue	18.5%	235.3	2.7%	3.2%	3.2%	2.3%	4.2%	6.3%	5.6%	7.6%	5.8%
Total Expenditures	19.5%	210.1	4.6%	8.4%	8.5%	3.0%	18.2%	17.8%	3.0%	49.2%	3.3%
Mandatory Expenditures	14.9%	161.2	5.8%	9.8%	10.0%	2.7%	19.8%	19.3%	0.9%	54.2%	4.2%
Payroll	3.3%	34.2	6.2%	9.2%	10.1%	8.8%	17.7%	17.8%	7.0%	37.0%	9.8%
Social Security	8.3%	94.2	4.3%	7.0%	7.1%	4.6%	14.4%	13.2%	2.1%	35.3%	3.4%
Other Mandatory	3.3%	32.9	9.6%	18.5%	17.9%	-8.4%	36.2%	37.5%	-9.1%	124.9%	0.9%
Unempl. Insurance and Annual Bonus	0.7%	10.5	-0.3%	-2.6%	-1.6%	-14.7%	-14.2%	-5.0%	-15.4%	-4.8%	3.4%
LOAS/RMV (BPC)	1.0%	11.7	7.2%	7.8%	7.4%	3.3%	6.9%	7.7%	2.4%	16.0%	4.9%
FUNDEB	0.5%	4.6	16.2%	16.3%	14.1%	9.5%	9.7%	8.8%	18.1%	17.7%	-4.0%
Court Order Payments	0.6%	0.3	723.4%	1367.2%	1332.8%	121.4%	3876.0%	2704.4%	69.3%	9377.3%	-61.7%
Extraordinary Credits	0.1%	0.6	-66.8%	-68.8%	-69.1%	-81.3%	-70.3%	-60.0%	-81.4%	-68.3%	5.2%
Expenditures w/ Cash Control	4.6%	48.9	1.0%	4.1%	3.8%	4.0%	12.6%	13.1%	10.1%	31.7%	0.4%
Mandatory w/ Cash Control	2.9%	33.4	-3.0%	-2.4%	-2.5%	-4.3%	-2.7%	-0.4%	-3.5%	1.8%	0.5%
Bolsa Família	1.2%	12.8	-10.5%	-10.8%	-11.1%	-11.2%	-9.3%	-9.7%	-8.6%	-10.1%	-10.5%
Discretionary	1.7%	15.5	8.9%	16.8%	16.3%	19.8%	59.2%	47.9%	47.6%	121.3%	0.0%
Primary Balance	-1.0%	25.2									
Core Revenues and Expenditures											
Net Revenue ex roy, div and concessions	17.5%	215.9	4.2%	4.7%	5.1%	5.4%	5.5%	6.9%	5.1%	8.2%	7.2%
Mandatory Expend. ex Court Orders and 13rd	15.1%	169.6	2.6%	3.0%	3.2%	3.1%	3.2%	3.7%	1.4%	5.6%	4.1%
Social Security ex Court Orders and 13rd	7.2%	81.8	3.0%	3.3%	3.5%	4.4%	4.3%	3.9%	2.2%	5.7%	3.9%
Expenditures with Transfers	11.2%	129.2	2.4%	4.2%	4.3%	1.3%	8.7%	8.6%	-0.5%	24.8%	2.0%

Heatmap based on 20 years in each line (Payroll and Expend. w/ control centered in 0%, Social Security and Assistance in 3.5%, others in 2.5%); core measures since 2016.

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