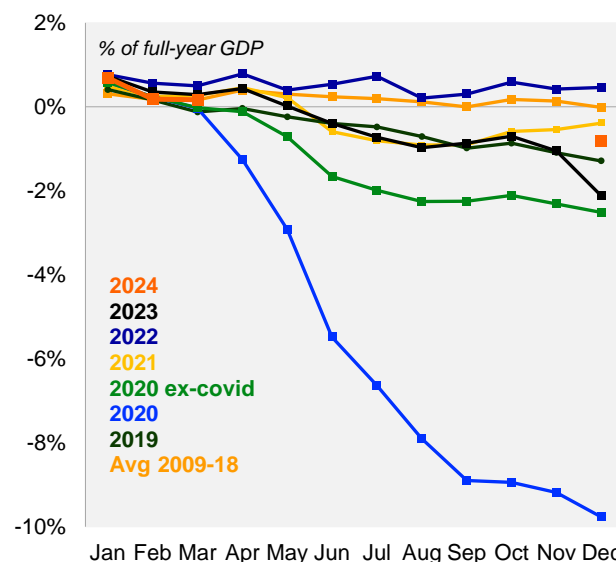


Primary surplus of BRL 1.2 bn in March, close to expectations

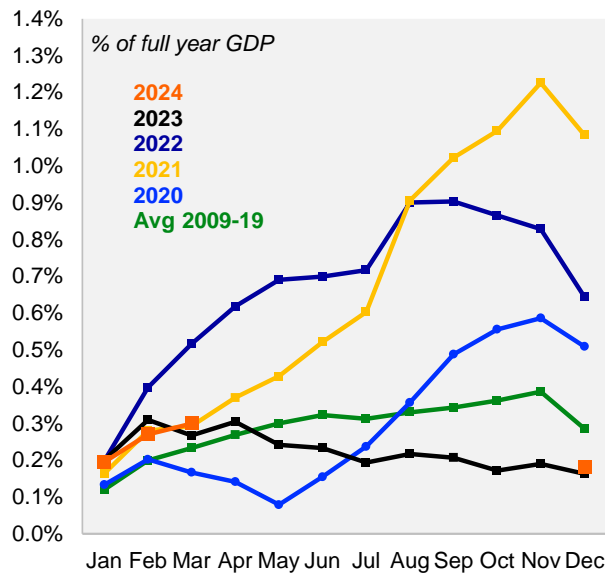
- ▶ The consolidated public sector recorded a primary surplus of BRL 1.2 billion in March, close to our expectation of a surplus of BRL 1.3 bn. The central government recorded a deficit of BRL 1.5 bn, a worse result when compared to our estimate of a BRL 1.3 bn surplus. Compared to our forecasts, tax revenues were lower than expected, with negative highlight to “Other Regulated Revenues”, typically more volatile, while spending came in close to our call, with a rise seen in mandatory spending. Regional governments recorded a surplus of BRL 3.4 bn, better than our expectation of a net zero result. In 12 months, the consolidated primary result reached a deficit of 2.3% of GDP (from 2.4% in February), being -2.5% from the central government according to the BCB definition (-2.2% in the Treasury definition) and +0.2% in states, municipalities and state-owned companies.
- ▶ General government gross debt oscillated to 75.5% from 75.7% of GDP in February. Net debt rose to 61.1% from 60.9% of GDP. The nominal deficit accumulated over 12 months, excluding swaps, went to 9.4% from 9.7% of GDP and interest expenses oscillated to 7.1% of GDP in March (from 7.2% in the previous month).
- ▶ **Our view:** tax collection has been stronger at the beginning of the year, but fiscal risks remain high, considering the difficulty in obtaining a trajectory of convergence for primary results and the possibility of changes in the main parameters of the fiscal framework approved last year. Specifically, mandatory spending has grown above that projected by the government, increasing the risk of early changes to the fiscal framework's spending limit. Any changes, if implemented, could bring new credibility damage to the government's fiscal plan after the recent change in primary targets from 2025 onwards.

Primary result of the central government posts a small deterioration



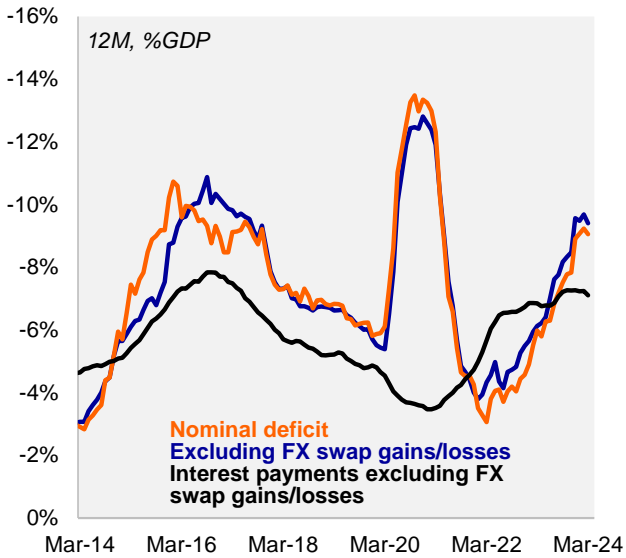
Source: Central Bank, Itaú

Primary result of regional governments with slight better result



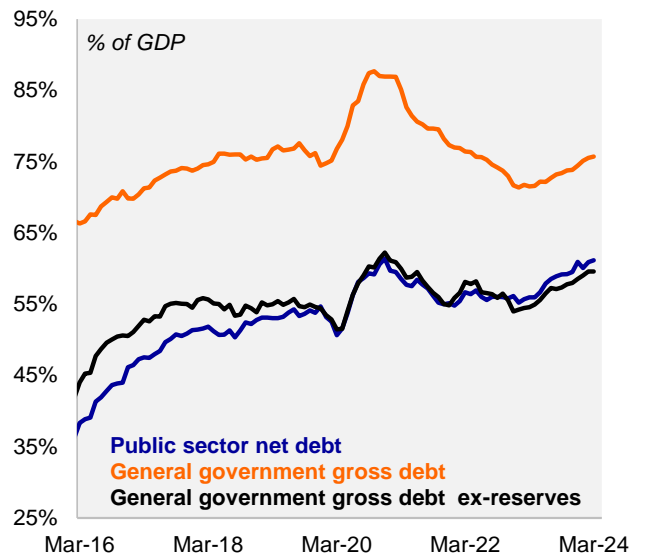
Source: Central Bank, Itaú

Nominal deficit and interest expenses are marginally lower at the margin



Source: Central Bank, Itaú

Higher public debt at the margin



Source: Central Bank, Itaú

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