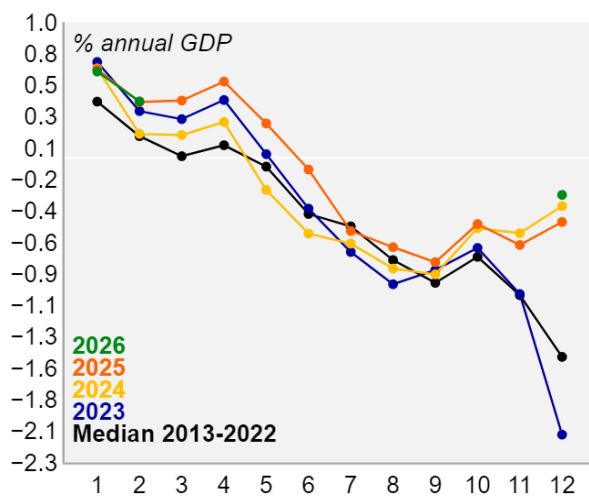


Primary deficit of BRL 16.4bn in February

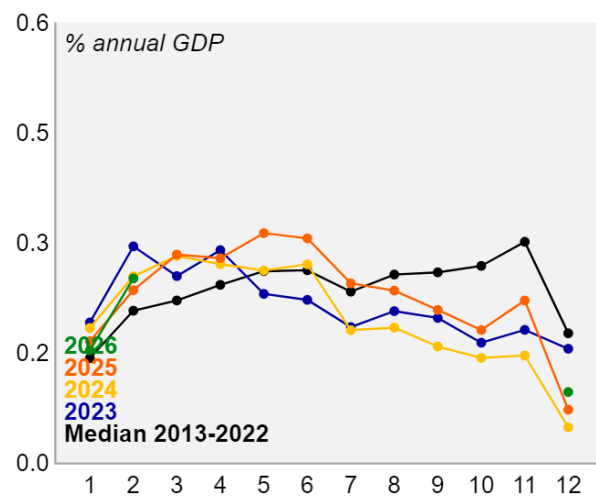
- ▶ The consolidated public sector recorded a primary deficit of BRL 16.4 bn in February, broadly in line with our expectation of a BRL 16.9 bn deficit. The central government posted a primary deficit of BRL 30.0 bn, as reported by the Treasury (based on revenues and expenditures), worse than our call of a BRL 28.0 bn deficit. According to the Central Bank's "below-the-line" figures, the central government recorded a deficit of BRL 29.5 bn.
- ▶ The regional governments registered a primary surplus of BRL 13.7 bn, better than our expectation of BRL 10.5 bn. In the past 12 months, the consolidated primary balance remained stable at 0.4% of GDP, with a surplus of 0.4% of GDP for the central government (Central Bank definition) and roughly 0.0% of GDP for states, municipalities and SOEs.
- ▶ General government gross debt increased from 78.7% of GDP in January to 79.2% of GDP in February, while consolidated public sector net debt rose from 65.0% to 65.5% of GDP over the month. Ex-FX swaps, the 12-month accumulated nominal deficit remained unchanged at 9.4% of GDP, while interest expenses increased from 8.9% to 9.0% of GDP.
- ▶ **Our view:** revenues have regained robust momentum in recent months, following a period of weakness in mid-2H25, while expenditures remain under pressure. In February, the surprise was concentrated in revenue transfers to regional governments, weighing on the central government balance and supporting states and municipalities. For 2026, we project a primary result of -0.5% of GDP (previously -0.8%). This reflects stronger oil-related revenues and the partial use of the fiscal space generated by some short-term containment of fuel prices, still without a clearly defined format. As a result, we assess that the government is very close to meeting the effective primary balance target of -0.5% of GDP (considering the lower bound and allowed deductions), although its achievement remains sensitive to the evolution of the external environment, policy responses to the oil shock, and compliance with the fiscal framework.

Primary result of the central government, seasonal profile



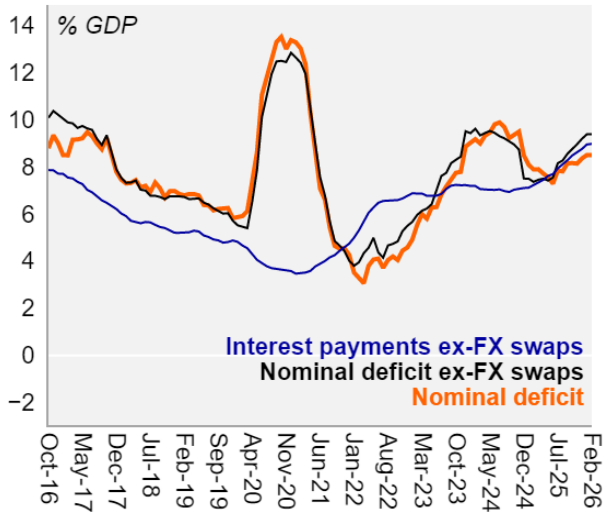
Source: STN, Itaú

Primary result of regional governments, seasonal profile

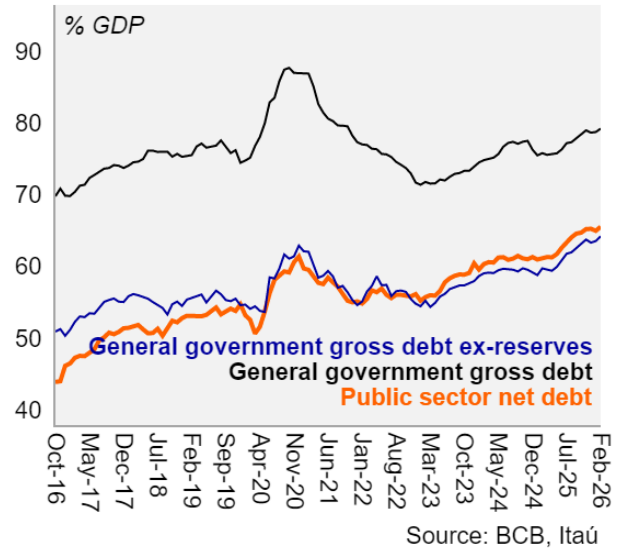


Source: BCB, Itaú

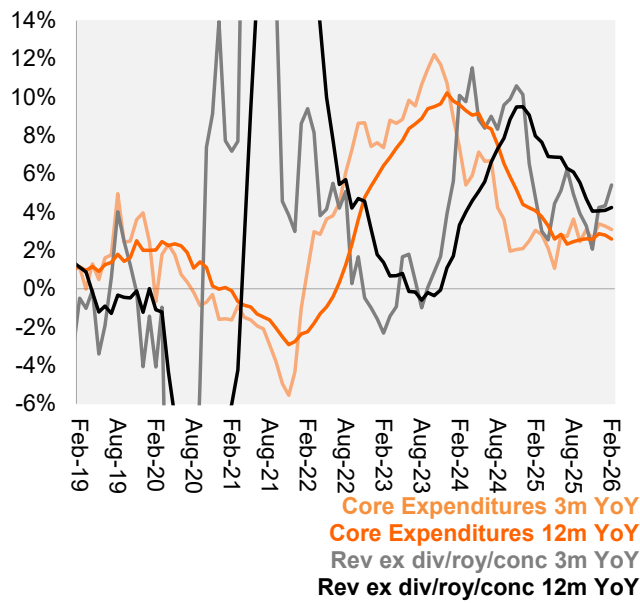
Nominal deficit and interest expenses



Public debt



Central Government: core revenues and mandatory spending – in real terms



Central Gov Primary Balance	% GDP	BRL bn	Real Growth								
	Feb-26	Feb-26	12mmaYoY			3mma YoY			YoY		
			Dec-25	Jan-26	Feb-26	Dec-25	Jan-26	Feb-26	Dec-25	Jan-26	Feb-26
Tax Collections	22.8%	222.1	3.7%	3.8%	3.9%	4.1%	4.9%	5.5%	7.5%	3.6%	5.7%
Total Revenues	22.9%	219.0	3.2%	3.0%	3.1%	1.6%	1.0%	2.6%	2.5%	2.0%	3.6%
Tax Revenues	20.7%	202.5	4.9%	5.0%	5.1%	6.4%	5.9%	5.7%	8.0%	4.6%	4.5%
Wage Bill	8.3%	84.2	6.1%	6.9%	6.4%	6.4%	7.1%	6.2%	7.1%	8.6%	2.2%
Consumption	5.3%	52.9	1.7%	0.6%	0.3%	2.9%	1.5%	2.6%	7.4%	-1.9%	2.8%
Profits	3.7%	29.8	0.6%	-1.4%	-0.3%	0.4%	-1.5%	-3.9%	-10.5%	-2.3%	-3.6%
Others	3.4%	35.6	13.0%	16.1%	17.1%	18.1%	19.3%	22.3%	19.6%	26.1%	22.7%
Non tax Revenues	2.1%	16.6	-10.7%	-13.0%	-13.0%	-29.0%	-34.2%	-21.8%	-25.4%	-25.2%	-6.2%
Net Revenue	18.4%	157.7	2.8%	2.5%	2.7%	0.8%	-0.2%	2.3%	1.6%	1.2%	5.6%
Total Expenditures	18.8%	187.7	3.4%	3.3%	4.6%	5.2%	3.3%	3.0%	3.1%	2.9%	3.1%
Mandatory Expenditures	14.3%	140.7	4.1%	4.2%	5.8%	4.0%	3.7%	2.7%	2.3%	4.9%	0.9%
Payroll	3.2%	32.8	4.3%	5.6%	6.2%	5.6%	7.6%	9.0%	9.2%	10.3%	7.1%
Social Security	8.1%	81.8	4.1%	4.4%	4.3%	4.5%	5.2%	4.6%	6.4%	5.3%	2.2%
Other Mandatory	3.0%	26.1	3.7%	2.5%	9.6%	0.7%	-4.4%	-8.5%	-14.3%	-1.3%	-9.2%
Unempl. Insurance and Annual Bonus	0.7%	6.9	3.5%	1.7%	-0.3%	4.8%	-9.7%	-14.7%	0.9%	-27.1%	-15.4%
LOAS/RMV (BPC)	1.0%	10.9	9.1%	8.1%	7.2%	6.0%	4.7%	3.3%	5.2%	2.3%	2.4%
FUNDEB	0.5%	3.8	19.7%	16.1%	16.2%	20.2%	9.3%	9.5%	15.3%	5.0%	18.1%
Court Order Payments	0.3%	0.4	17.0%	17.2%	722.1%	234.8%	117.4%	112.9%	223.6%	37.7%	50.5%
Extraordinary Credits	0.1%	0.3	-58.1%	-61.6%	-66.8%	-69.8%	-80.6%	-81.3%	-84.0%	-58.2%	-81.4%
Expenditures w/ Cash Control	4.5%	47.0	1.2%	0.3%	1.0%	8.6%	2.3%	4.0%	5.0%	-4.3%	10.1%
Mandatory w/ Cash Control	2.9%	30.2	-1.4%	-2.3%	-3.0%	-3.3%	-5.3%	-4.3%	-3.1%	-6.5%	-3.5%
Bolsa Familia	1.2%	13.0	-10.4%	-10.5%	-10.5%	-14.7%	-12.9%	-11.2%	-15.8%	-9.0%	-8.6%
Discretionary	1.6%	16.8	6.1%	5.3%	8.9%	27.9%	15.9%	19.8%	14.3%	3.1%	47.7%
Primary Balance	-0.5%	-30.0									
Core Revenues and Expenditures											
Net Revenue ex roy, div and concessions	17.3%	153.2	4.1%	4.1%	4.2%	4.2%	4.3%	5.4%	7.6%	3.8%	5.1%
Mandatory Expend. ex Court Orders and 13rd	15.0%	161.8	2.9%	2.8%	2.6%	3.4%	3.3%	3.1%	5.1%	2.7%	1.4%
Social Security ex Court Orders and 13rd	7.2%	80.2	2.8%	3.1%	3.0%	4.4%	5.0%	4.4%	6.1%	5.0%	2.2%
Expenditures with Transfers	11.0%	112.6	2.6%	2.6%	2.4%	2.0%	2.0%	1.3%	3.0%	1.4%	-0.5%

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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