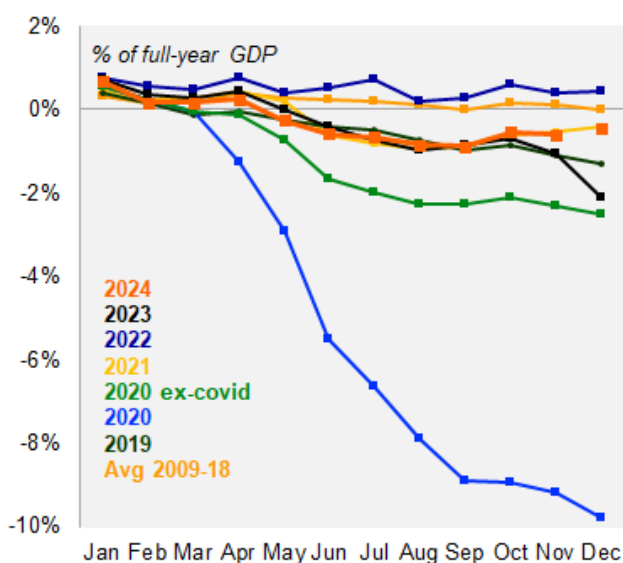


## Primary deficit of BRL 6.6 bn in November

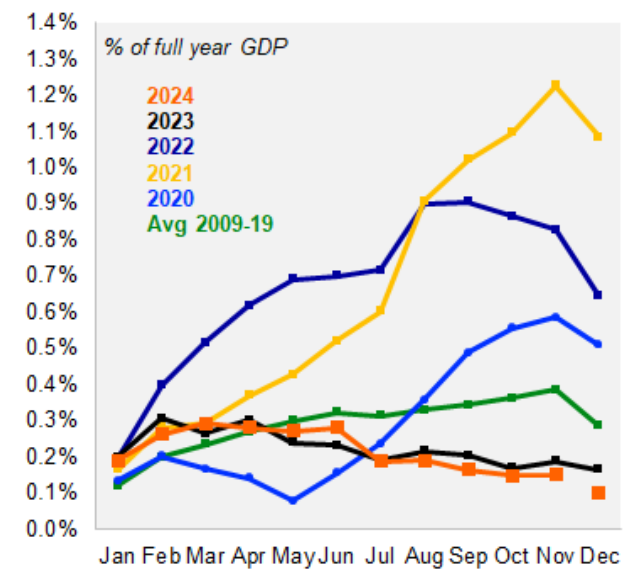
- ▶ The consolidated public sector recorded a primary deficit of BRL 6.6 bn in November, worse than our call (a deficit of BRL 4.4 bn). According to the Central Bank (below the line figures), the central government posted a deficit of BRL 5.7 bn, better than our call of a BRL 6.4 bn deficit.
- ▶ The regional governments registered a surplus of BRL 0.4 bn, below our estimate of a BRL 2.0 bn surplus. In the past 12 months, the consolidated primary result was 1.6% of GDP (vs. 1.9% in October), with the following breakdown: 1.7% of GDP for the central government and -0.1% for regional governments and SOEs.
- ▶ General government gross debt receded to 77.7% of GDP from 78.6% with the revised GDP series (stable versus at 77.8% of GDP using the old series), while the public sector net debt fell from 61.5% to 61.2% of GDP. Ex-FX swaps, 12-month accumulated nominal deficit decreased from 9.0% to 8.7% of GDP between October and November, while interest expenses were flat at 7.1% of GDP in the month.
- ▶ **Our view:** Although the government is reaching the lower limit of this year's primary result target due to strong revenue collection, fiscal risks remain high, considering the perception that mandatory expenses growing above the fiscal framework limit will prevent reaching the target by 2026 and the difficulty in achieving a path of convergence of primary results. In our view, the package to curb expenditure growth recently approved by Congress may be insufficient to ensure compliance with the framework by 2026, with few structural changes capable of altering the recent dynamics of expenses. We estimate potential savings of BRL 54 bn in 2 years, with BRL 30 bn in 2026, below the estimated need of BRL 40 bn. Going forward, it will be important to monitor whether new structural spending control measures will be implemented, in addition to the risks of deterioration in the primary result associated with the income tax exemption proposal.

Primary result of the central government, seasonal profile



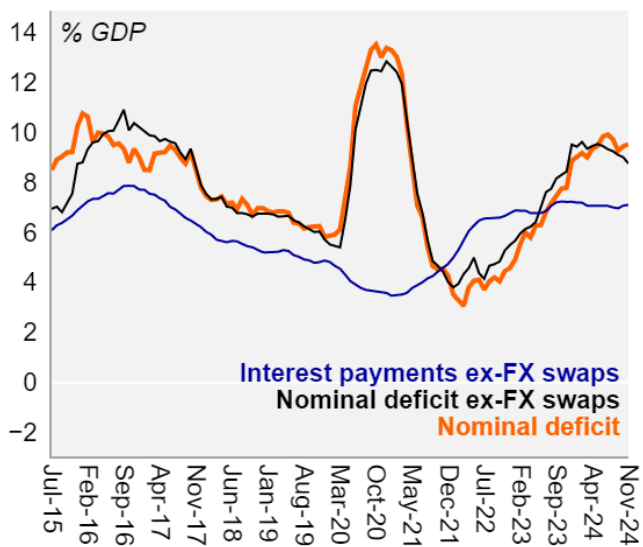
Source: BCB, Itaú

Primary result of regional governments, seasonal profile



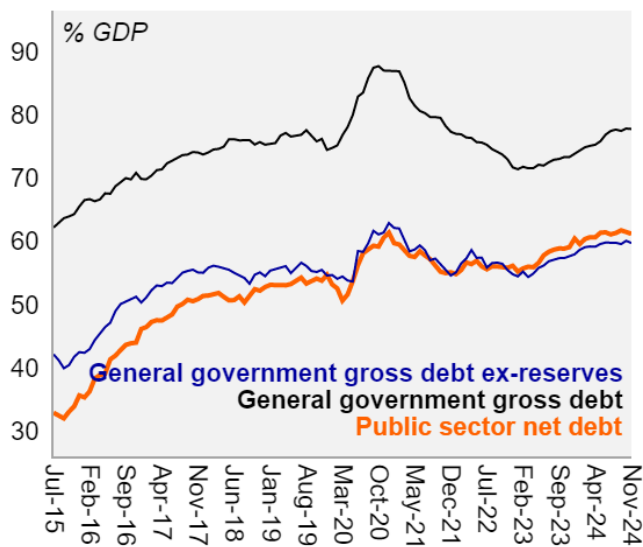
Source: BCB, Itaú

**Nominal deficit and interest expenses**



Source: BCB, Itaú

**Public debt**



Source: BCB, Itaú

Thales Bastos

Macro Research – Itaú


Mario Mesquita – Chief Economist

To access our reports and forecast visit our website:

<https://www.itaubba-pt/macroeconomic-analysis>

App Itaú Macro

Our reports in your cell phone, with videos and comments from our renowned experts.



Download now on the App Store or Google Play

## Relevant Information

1. This report has been prepared and released by the Macro Research Department of Itaú Unibanco S.A. ("Itaú Unibanco"). This report is not a product of the Equity Research Department of Itaú Unibanco or Itaú Corretora de Valores S.A. and shall not be construed as a research report ("relatório de análise") for the purposes of Article 1 of the CVM Instruction NR. 20, dated 2021.
2. The exclusive purpose of this report is to provide macroeconomics information and it does not constitute and shall not be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial product, or to participate in any particular trading strategy in any jurisdiction. The information herein is believed to be reliable as of the date on which this report was released and it has been obtained from public sources believed to be reliable. However, Itaú Unibanco does not make any explicit or implied representation or warranty as to the completeness, reliability or accuracy of such information, nor does this report intend to be a complete statement or summary of the markets or developments referred to herein. Itaú Unibanco has no obligation whatsoever to update, modify or amend this report and inform the reader accordingly.
3. The opinions contained herein reflect exclusively the personal views of the analyst responsible for this report and were prepared independently and autonomously, including in relation to Itaú Unibanco, Itaú Corretora de Valores S.A. and any other companies within their economic group.
4. This report may not be reproduced or redistributed to any other person, in whole or in part, for any purpose, without the prior written consent of Itaú Unibanco. Additional information on the financial products mentioned in this report may be available upon request. Itaú Unibanco and/or any other company within its economic group is not and shall not be liable for any investment decisions (or otherwise) based on the information provided herein.

**Additional Note:** This material does not take into consideration the objectives, financial situation or specific needs of any particular client. Clients must obtain financial, tax, legal, accounting, economic, credit and market advice on an individual basis, based on their personal characteristics and objectives, prior to making any decision based on the information contained herein. By accessing the material, you represent and confirm that you understand the risks related to the financial instruments described in this material and the laws in your jurisdiction relating to the provision and sale of financial service products. You acknowledge that this material contains proprietary information and you agree to keep this information confidential for your exclusive use.

**SAC Itaú:** For inquiries, suggestions, complaints, criticisms and compliments, talk to Itaú's CICC: 0800 728 0728. Or contact us through our portal <https://www.itaubr.com.br/atendimento-itaubr/para-voce/>. If you are not satisfied with the proposed solution, please contact the Itaú Corporate Ombudsman: 0800 570 0011 (on weekdays from 9 AM to 6 PM) or our PO Box 67.600, São Paulo-SP, Zip Code 03162-971. Hearing impaired, every day, 24h, 0800 722 1722.