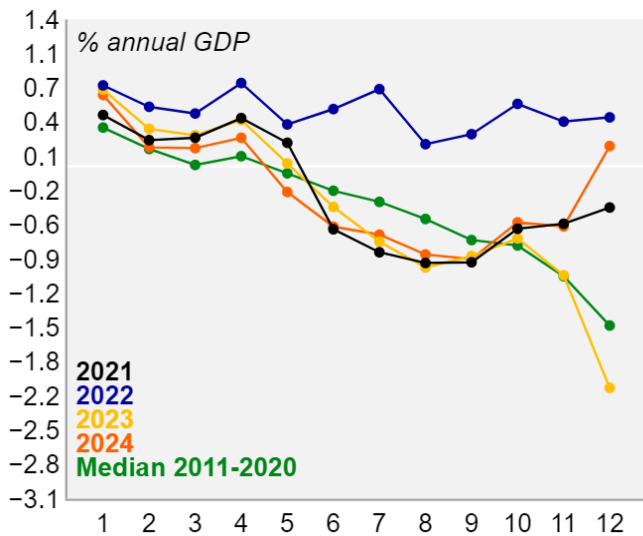


Primary deficit ended 2024 at 0.4% of GDP

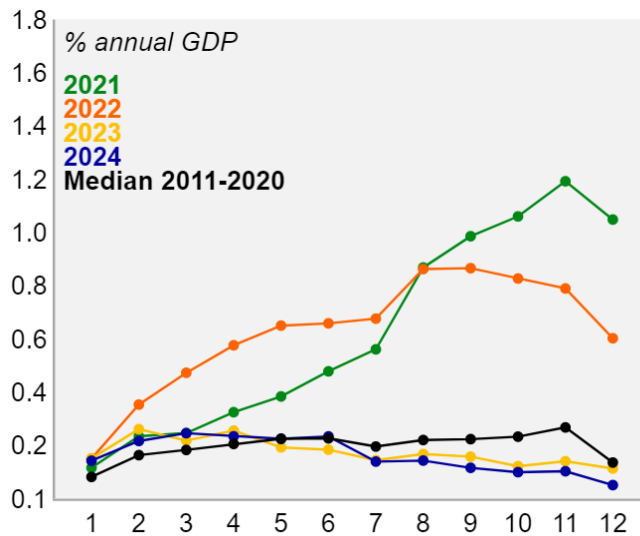
- ▶ The consolidated public sector recorded a primary surplus of BRL 15.7 bn in December, worse than our estimates (a surplus of BRL 16.6bn). The central government recorded a primary surplus of BRL 24.0 bn, as reported by the Treasury, better than our estimates (a surplus of BRL 19.0bn). According to the Central Bank (below the line figures), the central government posted a surplus of BRL 26.7 bn. The regional governments registered a deficit of BRL 12.0 bn, worse than our estimates (a deficit of BRL 2.4 bn).
- ▶ In the past 12 months, the consolidated primary result of 2024 was 0.4% of GDP, with the following breakdown: 0.4% of GDP for the central government and 0.0% for regional governments and SOEs. The significant improvement compared to the 2023 result – 2.3% of GDP – is mainly explained by the removal from the comparison base of the payment of extraordinary “precatórios” (court-ordered debts) and the increase in extraordinary revenues, such as dividends from state-owned companies, taxation of exclusive fund stocks and offshore accounts, among other measures. Just in December, there were approximately R\$ 26 billion in extraordinary revenues associated with concessions, bets, dividends from state-owned companies, and payments to regulatory agencies. Excluding expenses related to support for the state of Rio Grande do Sul and other legal deductions, the central government recorded a primary deficit of 0.1% of GDP for the year, meeting the lower limit of the primary result target (-0.25%)
- ▶ Central government gross debt receded to 76.1% of GDP in December (from 77.7% of GDP in November), with a significant part of the decline (1.7 p.p.) associated to the sale of international reserves by the Central Bank. The public sector net debt went from 61.2% to 61.1% of GDP in the month. Excluding FX swaps, 12-month accumulated nominal deficit decreased to 7.5% of GDP in December (from 8.7% in the previous month), while interest expenses remained stable at 7.1% of GDP.
- ▶ **Our view:** The federal government reached the lower limit of the primary result target in 2024, after deducting expenses from the actual result. Additionally, meeting the target was highly dependent on the high volume of extraordinary revenues throughout the year. In 2025, for now, we do not expect the government to achieve the target, although we recognize that the risks are of a better result than we currently estimate, given the government’s continued efforts on the revenue agenda. Even so, we see growing challenges to the credibility of an adjustment that relies on rising revenues. Therefore, initiatives that slow down expenditure growth structurally and consequent revision of the outlook for public debt seem more relevant to improving domestic risk perception.

Primary result of the central government, seasonal profile



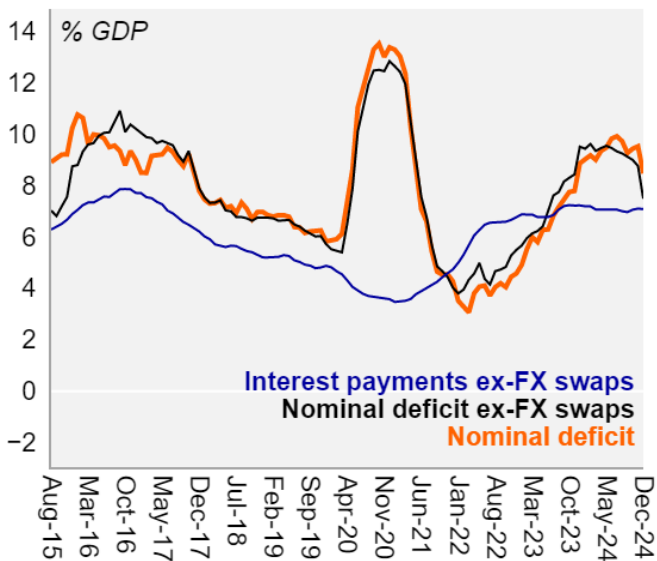
Source: STN, Itaú

Primary result of regional governments, seasonal profile



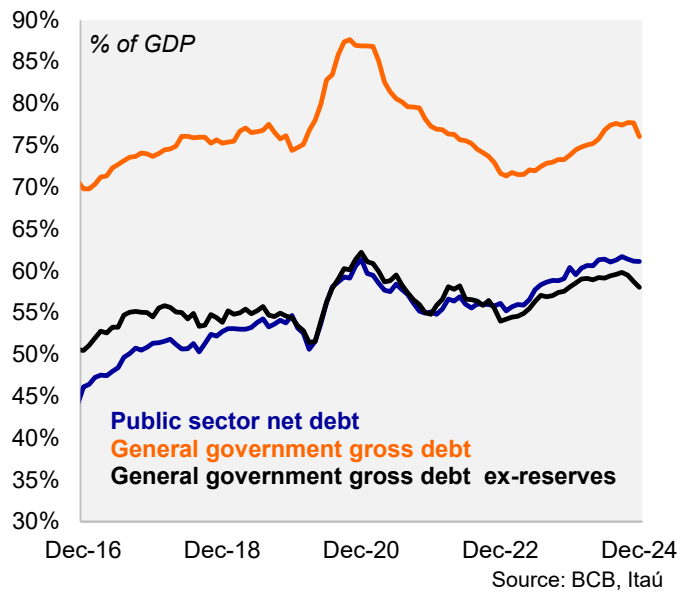
Source: BCB, Itaú

Nominal deficit and interest expenses



Source: BCB, Itaú

Public debt

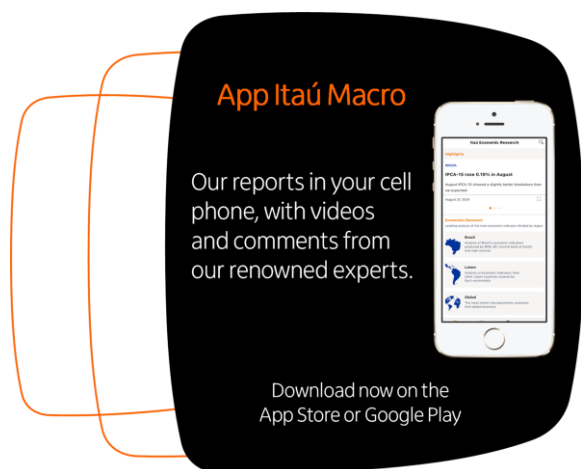


Source: BCB, Itaú

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