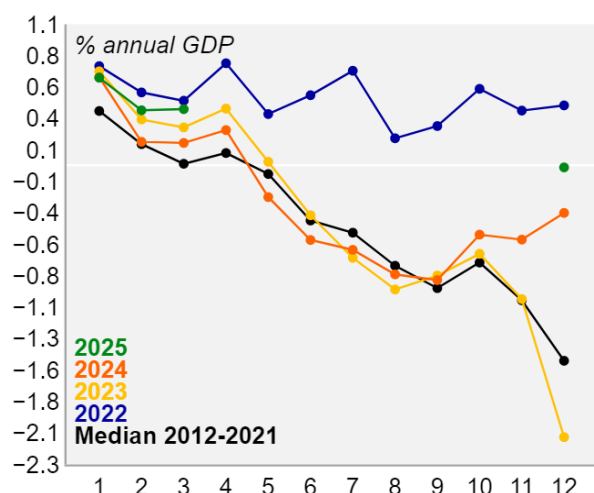


Primary surplus of BRL3.6bn in March

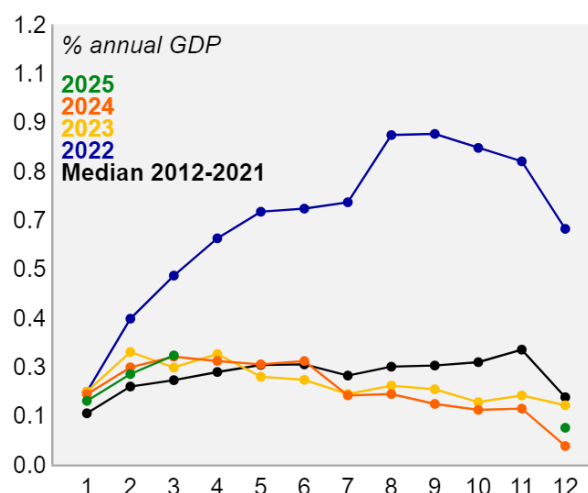
- ▶ The consolidated public sector recorded a primary surplus of BRL 3.6 bn in March, better than our expectation (a surplus of BRL 1.6bn). The central government, in turn, posted a primary surplus of BRL 1.1 bn, as reported by the Treasury, slightly worse than our expectation (a surplus of BRL 1.6bn). Meanwhile, in the Central Bank's metric, it was a deficit of BRL 2.3 bn.
- ▶ The regional governments recorded a surplus of BRL 6.5 bn in the month. Over 12 months, the consolidated primary result was stable at 0.1% of GDP, with the following breakdown: 0.1% of GDP for the central government and 0.0% for regional governments and SOEs.
- ▶ The general government gross debt fell from 76.1% of GDP to 75.9% of GDP in March, while the public sector net debt rose from 61.4% to 61.6% of GDP. Ex-FX swaps, 12-month accumulated nominal deficit increased from 7.4% to 7.5% of GDP in the period, while interest expenses increased from 7.2% to 7.4% of GDP.
- ▶ **Our view:** we do not expect the government to meet the primary result target of -0.6% of GDP this year (considering deductions and the lower limit of the official target of 0%). That said, we acknowledge that the risks are tilted towards a better outcome than what we currently estimate given the government's ongoing efforts in the revenue agenda. On the expenditure side, with the ongoing significant growth of mandatory expenses, we consider it important for the government to announce a significant freeze on discretionary spending in May bi-monthly report (of some R\$ 40 billion), in addition to including - within the limits of fiscal rules - expenses currently not subject to budget. These initiatives could mitigate, at least partially, the risks of undermining the fiscal framework's credibility as a policy anchor.

Primary result of the central government, seasonal profile



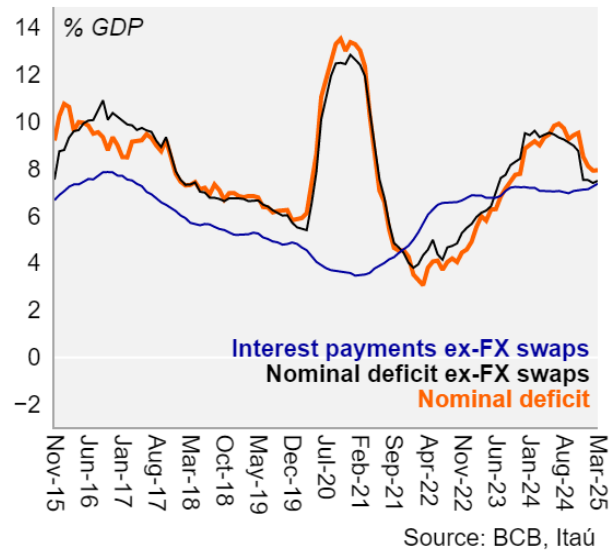
Source: STN, Itaú

Primary result of regional governments, seasonal profile

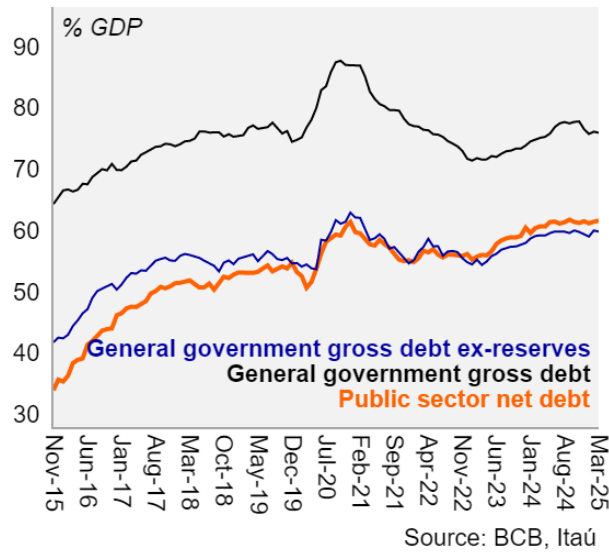


Source: BCB, Itaú

Nominal deficit and interest expenses



Public debt

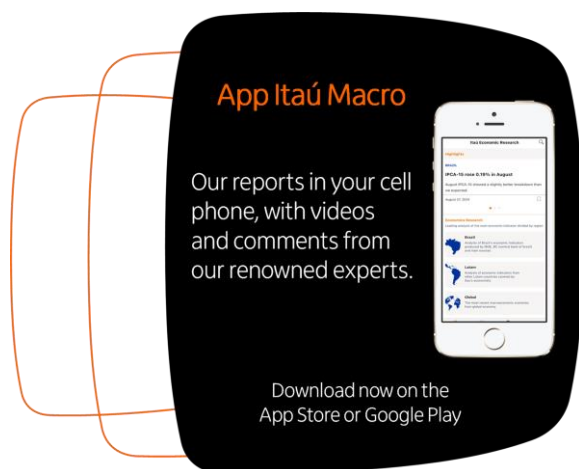


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