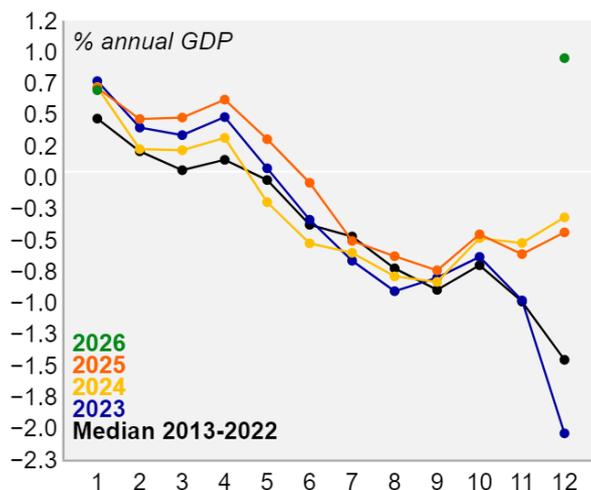


Primary surplus of BRL 103.7bn in January

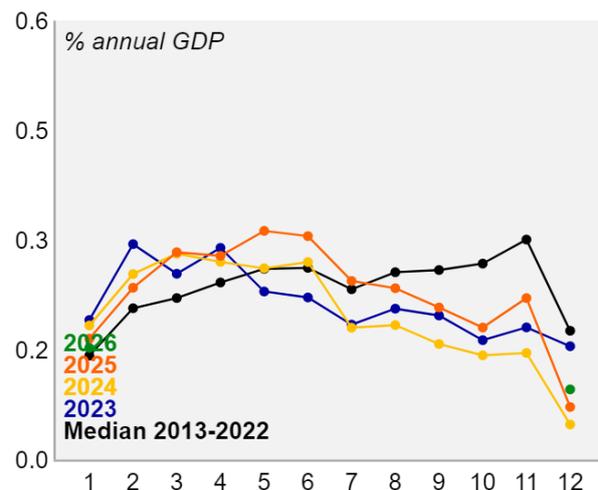
- ▶ The consolidated public sector recorded a primary surplus of BRL 103.7 bn in January, worse than our call (a surplus of BRL 114.6bn). The central government recorded a primary surplus of BRL 86.9 bn, as reported by the Treasury (based on the revenues and expenses), worse than our expectation (a surplus of BRL 90.6bn). According to the Central Bank (below the line figures), the central government posted a surplus of BRL 87.3 bn.
- ▶ The regional governments registered a surplus of BRL 21.3 bn. In the past 12 months, the consolidated primary result was stable at 0.4% of GDP, with the the following breakdow: 0.4% of GDP for the central government and 0.0% for regional governments and SOEs.
- ▶ General government gross debt rose from 78.7% of GDP in December to 78.8% of GDP in January, while the public sector net debt fell from 65.3% to 65.0% of GDP. Ex-FX swaps, 12-month accumulated nominal deficit increased from 9.2% to 9.4% of GDP between December and January, while and interest expenses increased from 8.7% to 8.9% of GDP.
- ▶ **Our view:** Revenues have regained robust momentum in recent months, following a period of weakness between August and October, while mandatory expenditures, particularly personnel and social-security benefits, continue to grow at an accelerated pace. In the month, there was a negative surprise across all levels of government, with emphasis on the sharp deterioration of the federal state-owned enterprises' deficit, which recorded the worst monthly result in the historical series. Looking ahead to 2026, we estimate a 0.3% of GDP challenge to meet the effective primary balance target (-0.5% of GDP considering the lower bound and allowed deductions). Achieving this outcome will depend on the confirmation of extraordinary revenues and strict compliance with the fiscal framework. On the expenditure side, the risk of initiatives that could expand the fiscal impulse remains.

Primary result of the central government, seasonal profile



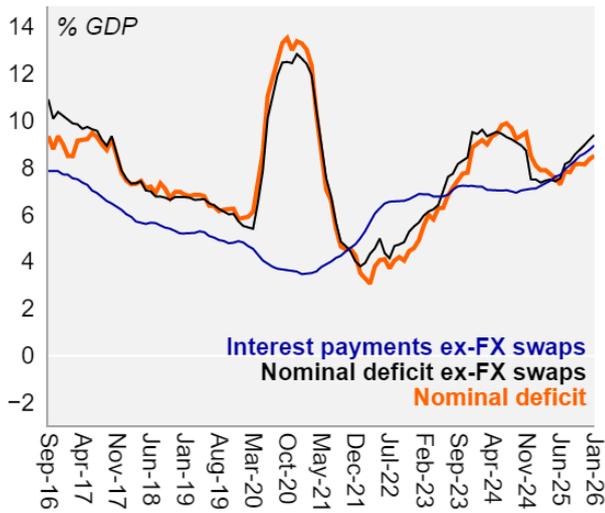
Source: STN, Itaú

Primary result of regional governments, seasonal profile



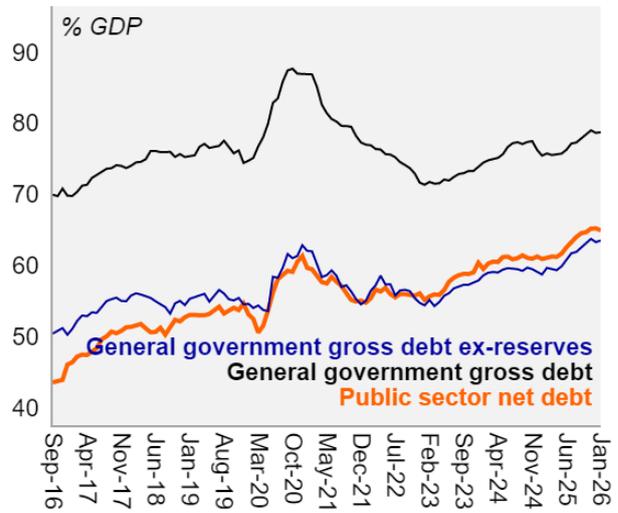
Source: BCB, Itaú

Nominal deficit and interest expenses



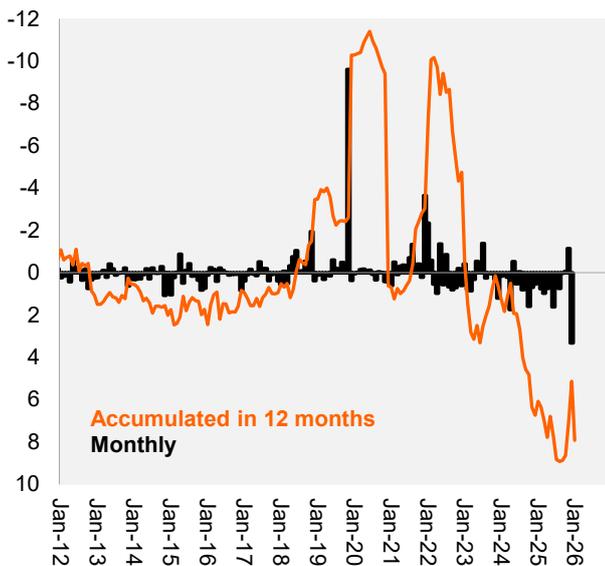
Source: BCB, Itaú

Public debt

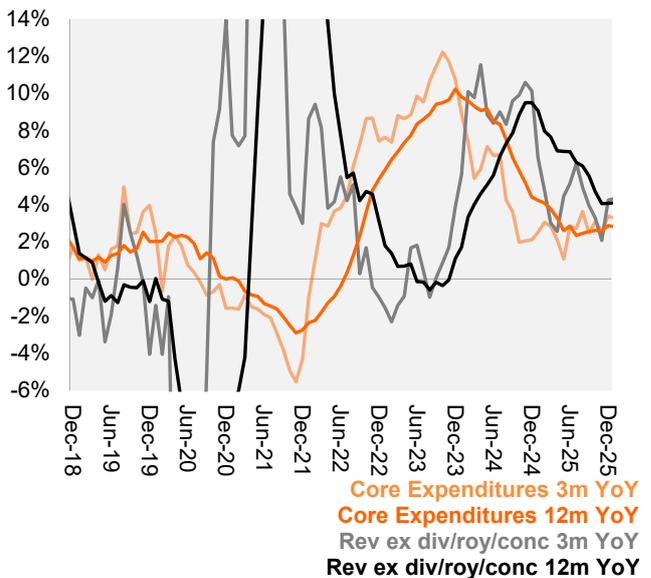


Source: BCB, Itaú

Deficit of Federal State-Owned Companies (R\$ bn)



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



Central Gov Primary Balance	% GDP	BRL bn	Real Growth								
			12mmaYoY			3mma YoY			YoY		
			Jan-26	Jan-26	Nov-25	Dec-25	Jan-26	Nov-25	Dec-25	Jan-26	Nov-25
Tax Collections	22.7%	325.8	3.7%	3.7%	3.8%	2.0%	4.1%	4.9%	3.8%	7.5%	3.6%
Total Revenues	22.8%	322.1	4.6%	3.2%	3.0%	1.5%	1.6%	1.0%	-2.6%	2.5%	2.0%
Tax Revenues	20.7%	301.8	4.8%	4.9%	5.0%	4.6%	6.4%	5.9%	5.0%	8.0%	4.6%
Wage Bill	8.3%	99.0	5.6%	6.1%	6.9%	7.6%	6.4%	7.1%	5.4%	7.1%	8.6%
Consumption	5.3%	62.0	2.1%	1.7%	0.6%	-0.8%	2.9%	1.5%	-0.7%	7.4%	-1.9%
Profits	3.7%	97.7	2.5%	0.6%	-1.4%	-2.2%	0.4%	-1.5%	10.0%	-10.5%	-2.3%
Others	3.4%	43.1	10.4%	13.0%	16.1%	15.4%	18.1%	19.3%	10.7%	19.6%	26.1%
Non tax Revenues	2.1%	20.3	2.9%	-10.7%	-13.0%	-24.3%	-29.0%	-34.2%	-60.2%	-25.4%	-25.2%
Net Revenue	18.3%	272.8	4.5%	2.8%	2.5%	0.5%	0.8%	-0.2%	-4.8%	1.6%	1.2%
Total Expenditures	18.8%	185.9	-1.5%	3.4%	3.3%	6.3%	5.2%	3.3%	4.0%	3.1%	2.9%
Mandatory Expenditures	14.3%	149.0	-1.7%	4.1%	4.2%	3.4%	4.0%	3.7%	4.0%	2.3%	4.9%
Payroll	3.2%	35.7	-0.6%	4.3%	5.6%	2.7%	5.6%	7.6%	2.6%	9.2%	10.3%
Social Security	8.1%	80.5	0.7%	4.1%	4.4%	2.1%	4.5%	5.2%	3.9%	6.4%	5.3%
Other Mandatory	3.1%	32.7	-8.5%	3.7%	2.5%	8.4%	0.7%	-4.4%	6.3%	-14.3%	-1.3%
Unempl. Insurance and Annual Bonus	0.7%	4.0	3.5%	3.5%	1.7%	10.9%	4.8%	-9.7%	2.1%	0.9%	-27.1%
LOAS/RMV (BPC)	1.0%	10.8	9.2%	9.1%	8.1%	6.2%	6.0%	4.7%	6.6%	5.2%	2.3%
FUNDEB	0.5%	12.1	20.5%	19.7%	16.1%	14.8%	20.2%	9.3%	15.1%	15.3%	5.0%
Court Order Payments	0.3%	0.4	-54.5%	17.0%	17.2%	45.8%	234.8%	117.4%	89.8%	223.6%	37.7%
Extraordinary Credits	0.1%	0.5	-28.6%	-58.1%	-61.6%	-29.0%	-69.8%	-80.6%	-76.7%	-84.0%	-58.2%
Expenditures w/ Cash Control	4.5%	36.9	-1.0%	1.2%	0.3%	14.9%	8.6%	2.3%	3.8%	5.0%	-4.3%
Mandatory w/ Cash Control	2.9%	27.9	-0.8%	-1.4%	-2.3%	-3.2%	-3.3%	-5.3%	-6.7%	-3.1%	-6.5%
Bolsa Família	1.2%	13.1	-9.5%	-10.4%	-10.5%	-13.6%	-14.7%	-12.9%	-13.7%	-15.8%	-9.0%
Discretionary	1.6%	9.0	-1.4%	6.1%	5.3%	58.0%	27.9%	15.9%	27.2%	14.3%	3.1%
Primary Balance	-0.5%	86.9									
Core Revenues and Expenditures											
Net Revenue ex roy, div and concessions	17.3%	261.9	4.1%	4.1%	4.1%	2.1%	4.2%	4.3%	1.0%	7.6%	3.8%
Mandatory Expend. ex Court Orders and 13rd	15.0%	168.2	2.6%	2.9%	2.8%	2.6%	3.4%	3.3%	2.0%	5.1%	2.7%
Social Security ex Court Orders and 13rd	7.1%	78.5	2.5%	2.8%	3.1%	3.6%	4.4%	5.0%	3.9%	6.1%	5.0%
Expenditures with Transfers	11.0%	108.4	0.3%	2.6%	2.6%	0.6%	2.0%	2.0%	1.6%	3.0%	1.4%

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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 Mario Mesquita – Chief Economist

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