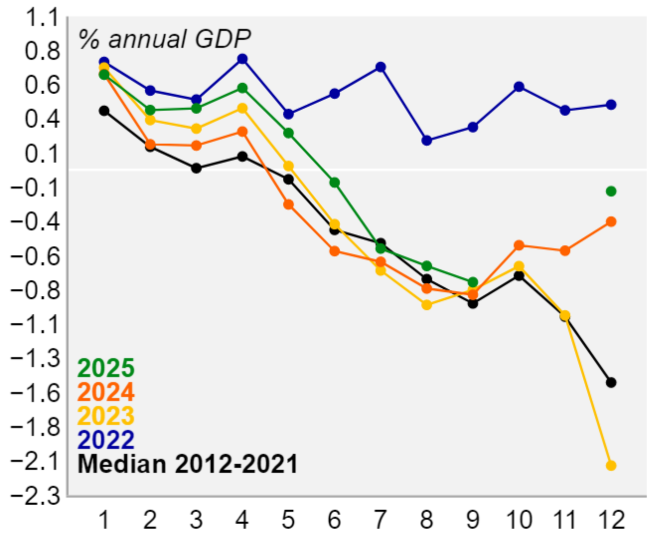
Macro Brazil

October 31, 2025

Primary deficit of BRL17.5bn in September

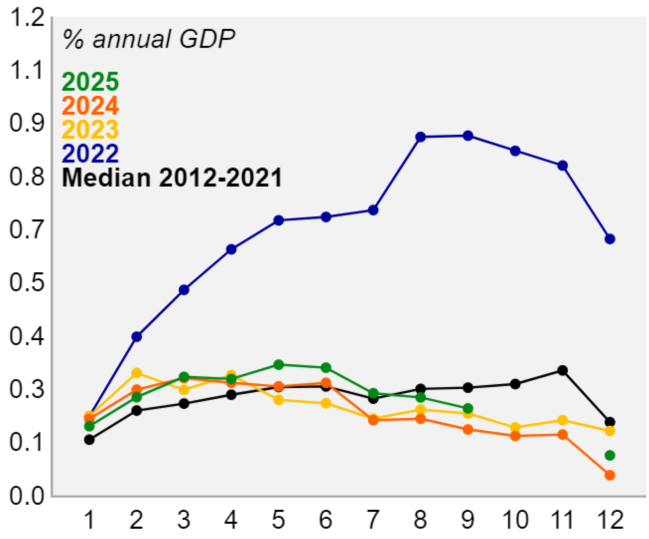
- The consolidated public sector recorded a primary deficit of BRL 17.5 bn in September, close to our call of BRL 17.6bn. The central government recorded a primary deficit of BRL 14.5 bn, as reported by the Treasury, better than our expectation of BRL 15.1bn. According to the Central Bank, the central government posted a deficit of BRL 14.9 bn.
- The regional governments registered a deficit of BRL 3.5 bn, worse than our estimate of BRL 2.5 bn. Over the past 12 months, the consolidated primary result was 0.3% of GDP (vs. 0.2% in August), with the following breakdown: 0.3% of GDP for the central government and -0.0% for regional governments and state-owned enterprises.
- General government gross debt rose from 77.5% of GDP in August to 78.1% of GDP in September, while the public sector net debt rose from 64.2% to 64.8% of GDP. Excluding FX swaps, the 12-month accumulated nominal deficit increased from 8.3% to 8.6% of GDP between August and September, while and interest expenses increased from 8.1% to 8.3% of GDP.
- **Our view:** Revenues – especially those from to retail and corporate profits – continue to decelerate, in line with overall economic activity, while expenditures are accelerating in the second half of the year – driven by the payment of court-ordered debts (precatórios), public sector wage adjustments, increased execution of parliamentary amendments and discretionary spending. Looking ahead, we see the government on track to meet its 2025 primary deficit target of -0.6% of GDP (considering allowable deductions and the lower bound of the official target range at 0%), but facing a challenge of about 0.4% of GDP to meet the 2026 target. The success of the government's proposed fiscal adjustment strategy will crucially depend on the confirmation of extraordinary revenues and the approval of measures in Congress

Primary result of the central government, seasonal profile



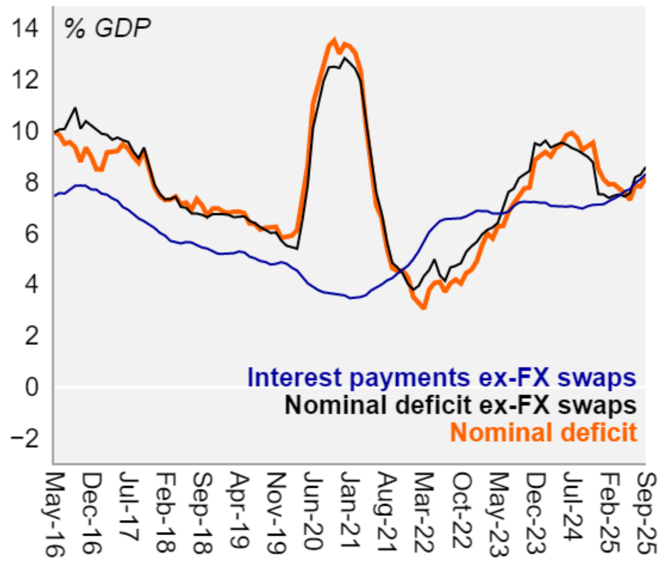
Source: STN, Itaú

Primary result of regional governments, seasonal profile



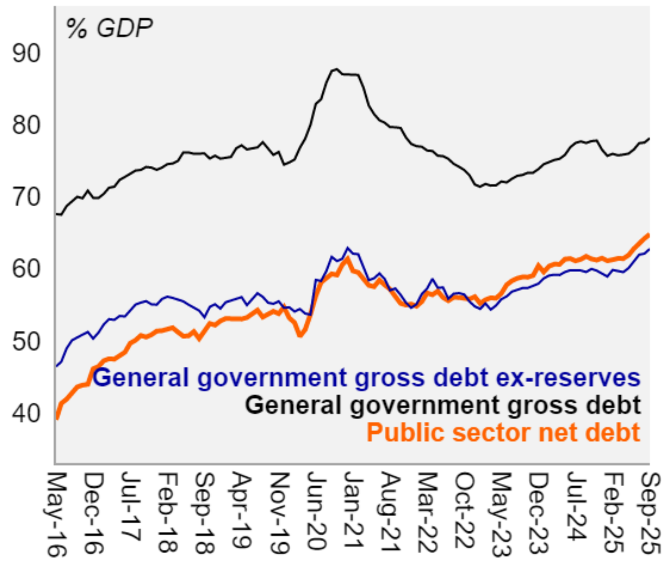
Source: BCB, Itaú

Nominal deficit and interest expenses



Source: BCB, Itaú

Public debt

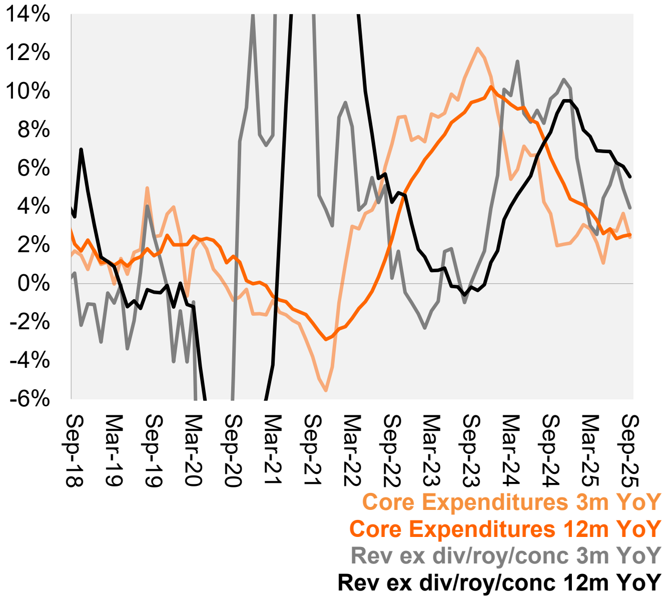


Source: BCB, Itaú

Central Gov Primary Balance	% GDP	BRL bn	Real Growth								
			12mmaYoY			3mma YoY			YoY		
	Sep-25	Sep-25	Jul-25	Aug-25	Sep-25	Jul-25	Aug-25	Sep-25	Jul-25	Aug-25	Sep-25
Tax Collections	**22.6%**	**216.7**	**6.7%**	**5.7%**	**5.0%**	**6.2%**	**3.3%**	**1.6%**	**4.6%**	**-1.5%**	**1.4%**
Total Revenues	**22.9%**	**216.4**	**6.0%**	**5.8%**	**6.4%**	**3.8%**	**4.6%**	**4.8%**	**4.5%**	**7.1%**	**2.7%**
Tax Revenues	**20.4%**	**199.7**	**6.7%**	**6.2%**	**5.6%**	**6.1%**	**5.1%**	**4.0%**	**5.0%**	**4.3%**	**2.7%**
Wage Bill	8.2%	86.1	4.6%	4.4%	5.2%	6.2%	6.8%	8.2%	3.0%	10.1%	11.3%
Consumption	5.3%	60.2	10.1%	8.5%	6.3%	0.1%	-0.4%	-0.4%	1.8%	1.1%	-3.6%
Profits	3.7%	17.5	3.6%	4.9%	3.4%	2.5%	3.3%	-1.0%	10.2%	-4.5%	-24.2%
Others	3.1%	31.1	10.9%	9.1%	7.0%	20.5%	12.2%	2.1%	6.5%	1.7%	-1.6%
Non tax Revenues	**2.4%**	**16.6**	**-0.2%**	**2.3%**	**13.6%**	**-13.2%**	**-0.2%**	**12.5%**	**0.3%**	**37.3%**	**3.4%**
Net Revenue	**18.4%**	**172.4**	**5.5%**	**5.8%**	**6.7%**	**2.4%**	**4.8%**	**5.0%**	**4.0%**	**11.1%**	**0.6%**
Total Expenditures	**18.7%**	**186.9**	**-3.6%**	**-3.3%**	**-3.0%**	**6.5%**	**11.9%**	**13.8%**	**28.3%**	**5.3%**	**5.7%**
Mandatory Expenditures	**14.3%**	**134.7**	**-1.7%**	**-2.3%**	**-2.5%**	**13.7%**	**16.8%**	**15.6%**	**42.9%**	**1.2%**	**0.3%**
Payroll	3.1%	30.7	-1.9%	-1.3%	-1.2%	11.1%	10.3%	9.8%	17.9%	7.6%	1.6%
Social Security	8.1%	78.9	1.0%	1.0%	0.6%	7.6%	11.3%	9.6%	26.8%	2.9%	-0.6%
Other Mandatory	3.1%	25.1	-7.9%	-10.7%	-11.0%	35.0%	39.2%	37.6%	111.3%	-8.7%	2.0%
Unempl. Insurance and Annual Bonus	0.7%	4.7	7.8%	2.0%	2.9%	0.4%	3.1%	0.0%	-6.3%	-1.6%	19.3%
LOAS/RMV (BPC)	1.0%	10.7	11.4%	11.1%	10.4%	9.9%	11.0%	9.0%	11.2%	9.9%	5.8%
FUNDEB	0.5%	4.2	22.7%	23.1%	20.8%	25.2%	23.8%	14.5%	25.2%	21.2%	-0.9%
Court Order Payments	0.3%	0.4	-55.4%	-55.0%	-56.5%	3356.8%	3631.7%	1781.0%	11379.9%	116.3%	-68.6%
Extraordinary Credits	0.2%	0.9	-44.3%	-43.2%	-42.5%	-80.6%	-55.9%	-39.4%	-57.7%	-10.5%	8.2%
Expenditures w/ Cash Control	**4.4%**	**52.2**	**-9.5%**	**-6.8%**	**-4.7%**	**-15.0%**	**-3.0%**	**8.4%**	**-11.0%**	**19.2%**	**22.8%**
Mandatory w/ Cash Control	3.0%	31.0	0.0%	0.2%	-0.4%	-3.1%	-0.7%	-3.0%	-5.6%	-0.3%	-2.9%
Bolsa Família	1.3%	12.9	-6.4%	-7.3%	-8.1%	-8.0%	-10.2%	-12.3%	-10.5%	-13.9%	-12.6%
Discretionary	1.5%	21.1	-25.2%	-18.6%	-12.2%	-32.6%	-6.9%	33.6%	-19.3%	74.5%	100.9%
Primary Balance	**-0.3%**	**-14.5**									
Core Revenues and Expenditures											
Net Revenue ex roy, div and concessions	17.2%	167.3	6.3%	6.1%	5.5%	6.2%	4.9%	3.9%	5.3%	5.0%	1.4%
Mandatory Expend. ex Court Orders and 13rd	15.0%	156.6	2.3%	2.5%	2.5%	2.7%	3.6%	2.4%	1.2%	3.5%	2.6%
Social Security ex Court Orders and 13rd	7.1%	76.3	2.0%	2.0%	2.4%	2.0%	3.7%	3.0%	2.6%	3.0%	3.6%
Expenditures with Transfers	11.1%	107.2	1.3%	0.8%	0.5%	5.5%	7.9%	5.9%	17.6%	0.9%	-1.0%

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.

Central Gov: Core revenues and mandatory expenditures
real terms



Source: BCB, Itaú

Core Expenditures (~81% Total): Social Security+Payroll+BPC+Unemp. Insurance (ex Court Order and 13rd wage) + FUNDEB + Mandatory w/ Cash Control

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