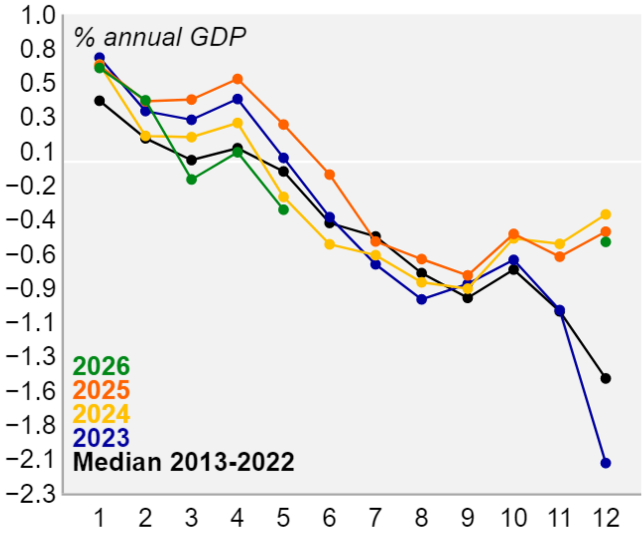
Macro Brazil

Tuesday, June 30, 2026

Primary deficit of BRL 56.1 bn in May

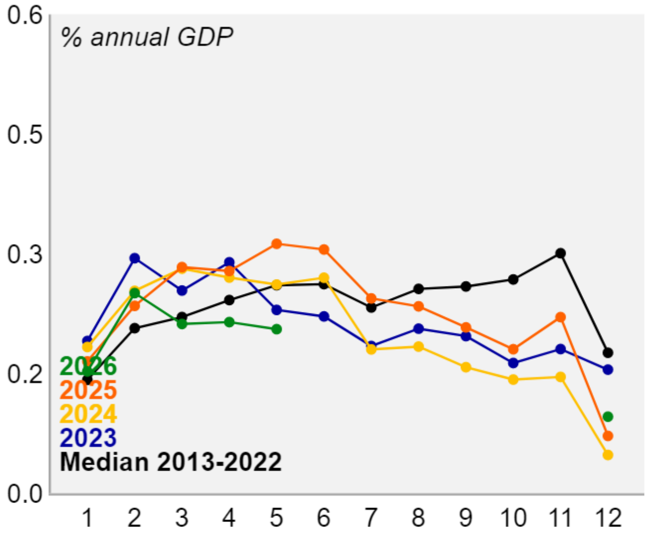
- The consolidated public sector recorded a primary deficit of BRL 56.1 bn in May, worse than our expectation (a deficit of BRL 54.9bn). The central government recorded a primary deficit of BRL 53.3 bn, as reported by the Treasury (based on the revenues and expenses), better than our expectation (a deficit of BRL 55.5bn). According to the Central Bank (below the line figures), the central government posted a deficit of BRL 55.2 bn.
- The regional governments registered a deficit of BRL 1.2 bn. In the past 12 months, the consolidated primary result was 1.1% of GDP (vs. 1.0% in April), with the following breakdown: 1.0% of GDP for the central government and 0,1% for regional governments and SOEs.
- General government gross debt rose from 80.2% of GDP in April to 81.1% of GDP in May, while the public sector net debt rose from 67.2% to 67.9% of GDP. Ex-FX swaps, 12-month accumulated nominal deficit increased from 10.2% to 10.4% of GDP between April and May, while interest expenses increased from 9.2% to 9.3% of GDP.
- **Our view:** revenues have continued to accelerate since late 2025, while expenditure growth remains robust. This month, key highlights included tax collection linked to corporate profits, oil royalties, and the first effects of the oil export tax. Regarding the income tax reform, we estimate annualized costs of around BRL 19 billion, offset by only BRL 1.5 billion in compensatory measures. For 2026, we forecast a primary deficit of 0.5% of GDP. With oil prices declining, the risk is that higher revenues may no longer be sufficient to offset the recent increase in spending. Moreover, the expansion of policies implemented outside the fiscal framework reinforces the need for meaningful fiscal adjustment ahead.

Primary result of the central government, seasonal profile



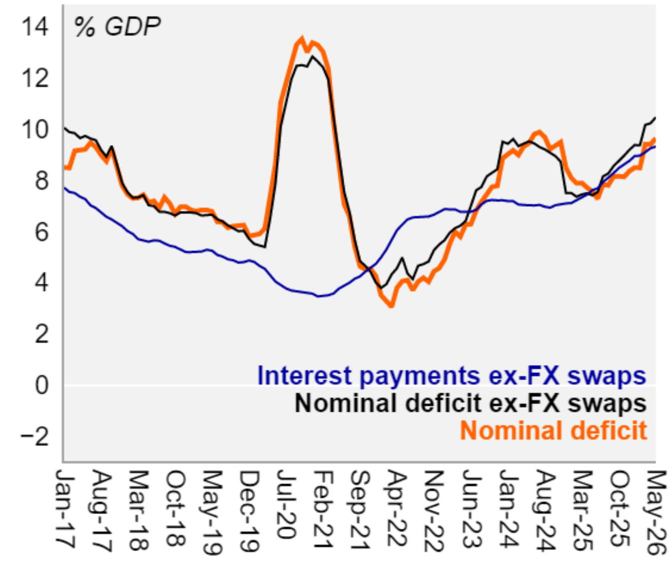
Source: STN, Itaú

Primary result of regional governments, seasonal profile



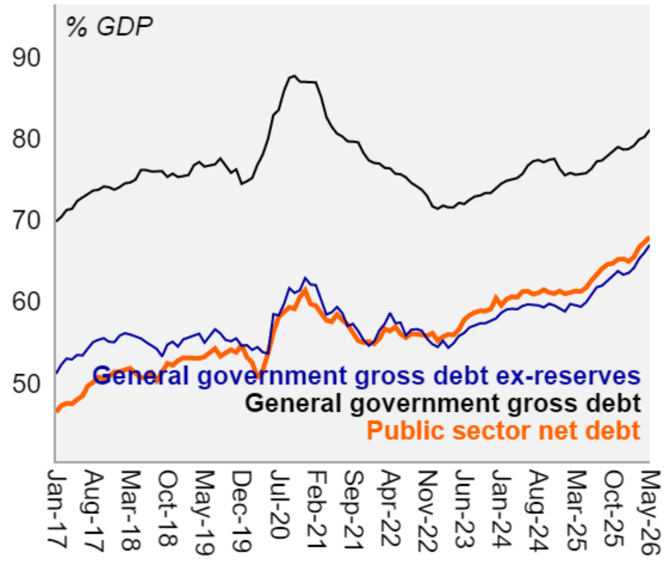
Source: BCB, Itaú

Nominal deficit and interest expenses



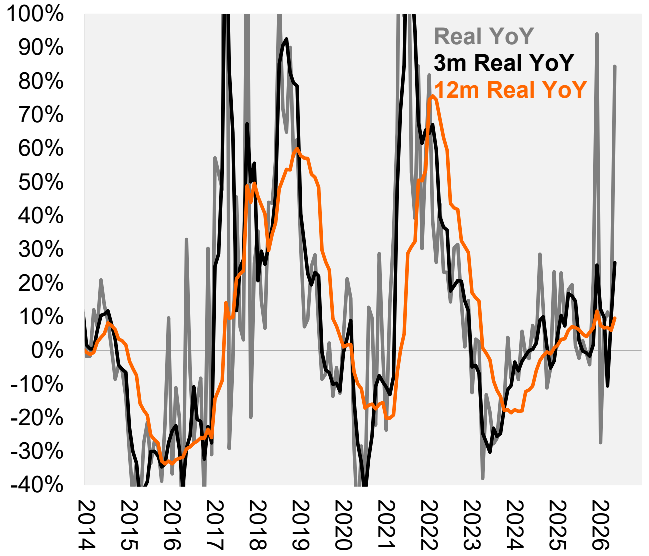
Source: BCB, Itaú

Public debt



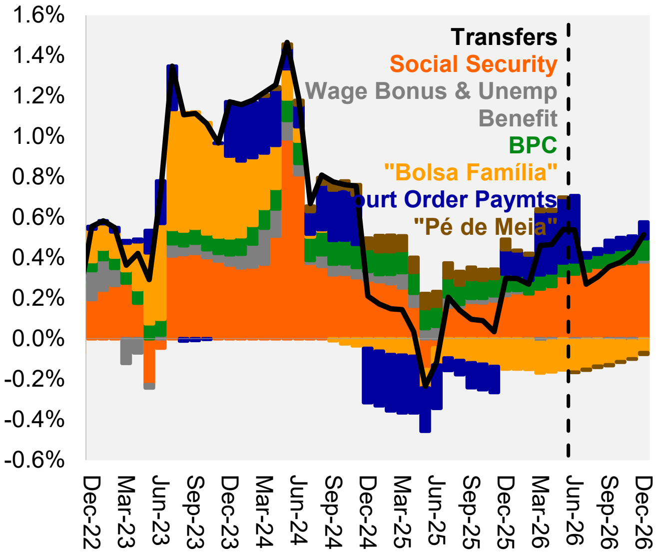
Source: BCB, Itaú

Royalty Revenues



Source: National Treasury, Itaú

Fiscal Impulse from Transfers (% of GDP)



Source: National Treasury, Itaú

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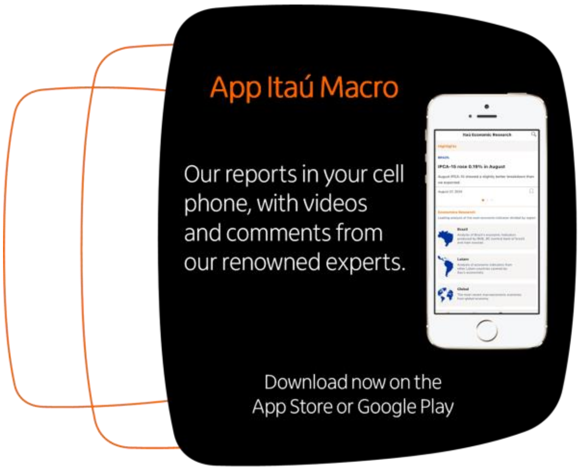

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