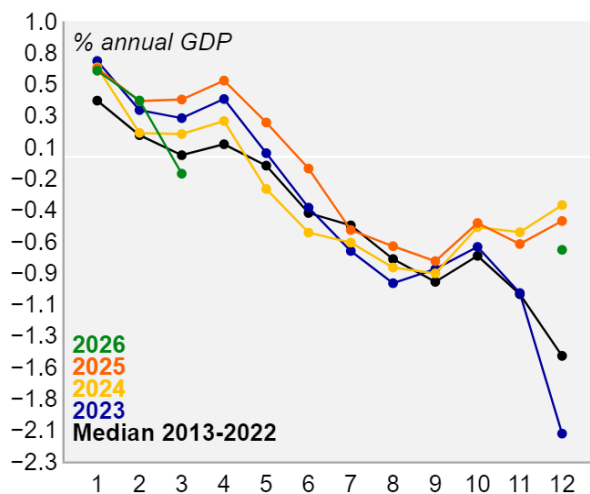


## Primary deficit of BRL 80.7 bn in March

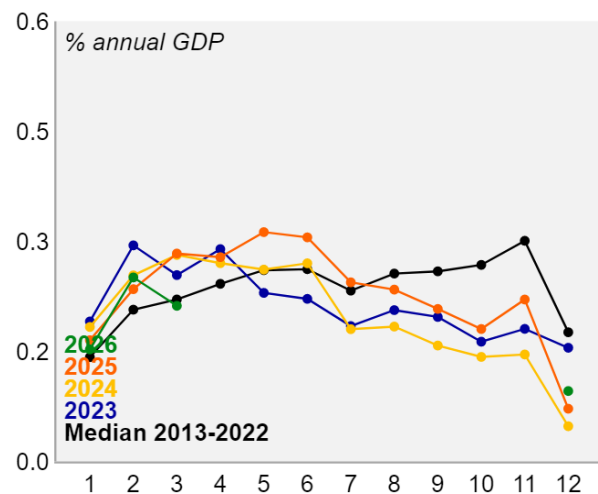
- ▶ The consolidated public sector recorded a primary deficit of BRL 80.7 bn in March, worse than our call (a deficit of BRL 69.2 bn). The central government recorded a primary deficit of BRL 73.8 bn, as reported by the Treasury (based on the revenues and expenses), worse than our call (a deficit of BRL 70.2 bn). According to the Central Bank (below the line figures), the central government posted a deficit of BRL 74,8 bn.
- ▶ The regional governments registered a deficit of BRL 5.4 bn, also worse than our forecast of a BRL 2.0 bn surplus. In the past 12 months, the consolidated primary result was 1.1% of GDP (vs. 0.4% in February), 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 79.2% of GDP in February to 80.1% of GDP in March, while the public sector net debt rose from 65.5% to 66.8% of GDP. Ex-FX swaps, 12-month accumulated nominal deficit increased from 9.4% to 10.2% of GDP between February and March, while interest expenses increased from 9.0% to 9.1% of GDP.
- ▶ **Our view:** revenues remain resilient in the first quarter of 2026, while expenditures continue to accelerate, reflecting pressure from mandatory spending, higher discretionary expenditures, and the anticipation of court-ordered debt payments (precatórios). As a result, the fiscal impulse is likely to strengthen in the second quarter, rather than in the third quarter as we previously expected. In the month, the negative surprise can be largely attributed to a weaker result from regional governments. We also highlight the initial impacts of the income tax reform, with costs associated with the personal income tax exemption running at around BRL 18 billion year-to-date and on an annualized basis, while compensations remain below BRL 1 billion. For 2026, we project a primary deficit of 0.5% of GDP. By earmarking extraordinary revenues for potential fuel tax cuts, the government is expected to forgo part of the cyclical fiscal improvement generated by the external shock and to prioritize mitigating the domestic impact of the war in the Middle East.

Primary result of the central government, seasonal profile



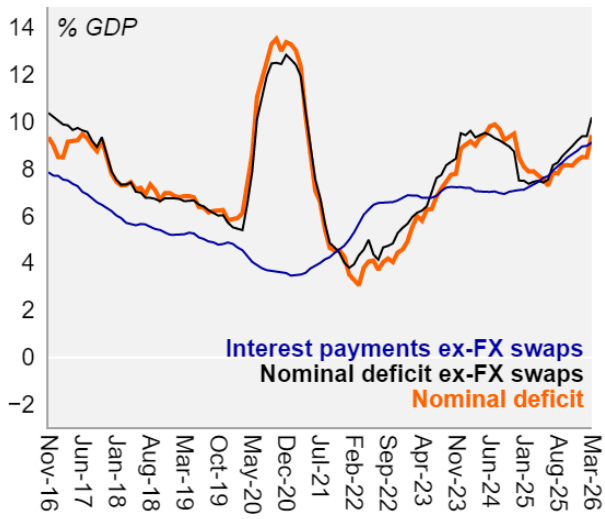
Source: STN, Itaú

Primary result of regional governments, seasonal profile



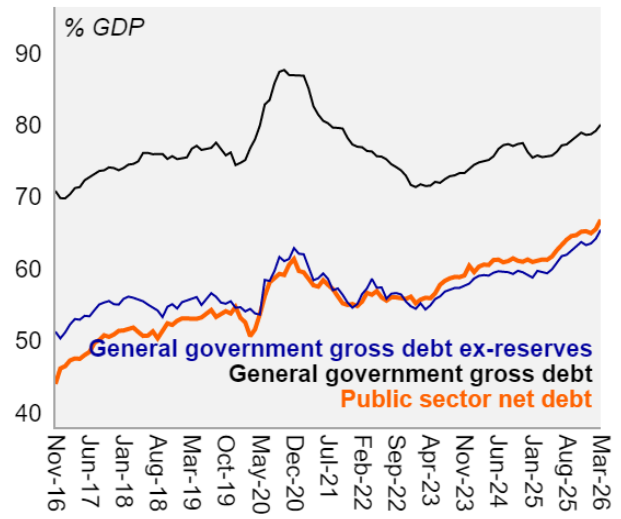
Source: BCB, Itaú

**Nominal deficit and interest expenses**



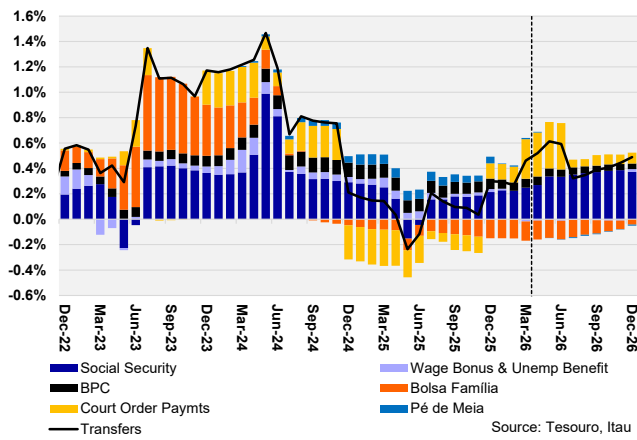
Source: BCB, Itaú

**Public debt**



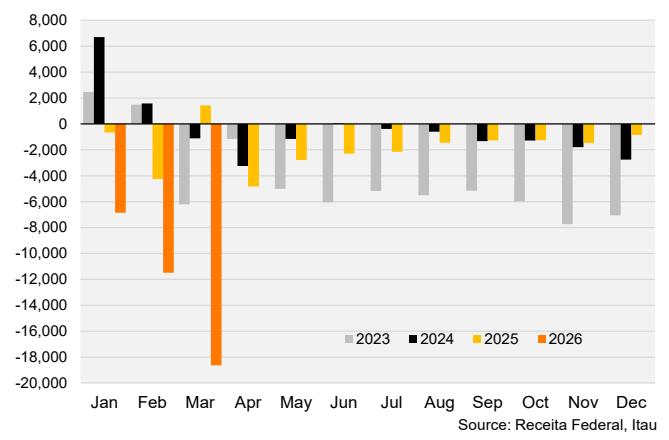
Source: BCB, Itaú

**Fiscal Impulse from Transfers Acum 12 months, % GDP**



Source: Tesouro, Itaú

**Deviation from Income Tax from Work vs Implied by Wage Bill (BRL mn, YTD and annualized)**



Source: Receita Federal, Itaú

Central Gov Primary Balance	% GDP	BRL bn	Real Growth								
	Mar-26	Mar-26	12mmaYoY			3mma YoY			YoY		
			Jan-26	Feb-26	Mar-26	Jan-26	Feb-26	Mar-26	Jan-26	Feb-26	Mar-26
Tax Collections	22.8%	229.2	3.8%	3.9%	4.0%	4.9%	5.5%	4.6%	3.6%	5.7%	5.0%
Total Revenues	22.9%	235.0	3.0%	3.1%	3.3%	1.0%	2.6%	3.4%	2.0%	3.6%	5.1%
<b>Tax Revenues</b>	<b>20.8%</b>	<b>215.1</b>	<b>5.0%</b>	<b>5.1%</b>	<b>5.2%</b>	<b>5.9%</b>	<b>5.7%</b>	<b>5.0%</b>	<b>4.6%</b>	<b>4.5%</b>	<b>6.1%</b>
Wage Bill	8.3%	90.5	6.9%	6.4%	6.2%	7.1%	6.2%	4.7%	8.6%	2.2%	2.9%
Consumption	5.3%	57.6	0.6%	0.3%	0.4%	1.5%	2.6%	1.4%	-1.9%	2.8%	3.9%
Profits	3.7%	35.3	-1.4%	-0.3%	0.7%	-1.5%	-3.9%	0.5%	-2.3%	-3.6%	14.0%
Others	3.4%	31.7	16.1%	17.1%	17.0%	19.3%	22.3%	20.7%	26.1%	22.7%	12.0%
<b>Non tax Revenues</b>	<b>2.1%</b>	<b>19.9</b>	<b>-13.0%</b>	<b>-13.0%</b>	<b>-12.3%</b>	<b>-34.2%</b>	<b>-21.8%</b>	<b>-13.8%</b>	<b>-25.2%</b>	<b>-6.2%</b>	<b>-5.3%</b>
<b>Net Revenue</b>	<b>18.4%</b>	<b>196.1</b>	<b>2.5%</b>	<b>2.7%</b>	<b>3.2%</b>	<b>-0.2%</b>	<b>2.3%</b>	<b>4.2%</b>	<b>1.2%</b>	<b>5.6%</b>	<b>7.5%</b>
<b>Total Expenditures</b>	<b>19.5%</b>	<b>269.9</b>	<b>3.3%</b>	<b>4.6%</b>	<b>8.4%</b>	<b>3.3%</b>	<b>3.0%</b>	<b>18.3%</b>	<b>2.9%</b>	<b>3.1%</b>	<b>49.2%</b>
<b>Mandatory Expenditures</b>	<b>14.9%</b>	<b>216.4</b>	<b>4.2%</b>	<b>5.8%</b>	<b>9.9%</b>	<b>3.7%</b>	<b>2.7%</b>	<b>19.9%</b>	<b>4.9%</b>	<b>0.9%</b>	<b>54.3%</b>
Payroll	3.3%	41.6	5.6%	6.2%	9.2%	7.6%	9.0%	17.9%	10.3%	7.1%	37.1%
Social Security	8.3%	109.5	4.4%	4.3%	7.0%	5.2%	4.6%	14.4%	5.3%	2.2%	35.4%
Other Mandatory	3.3%	65.4	2.5%	9.6%	18.5%	-4.4%	-8.4%	36.2%	-1.3%	-9.1%	124.9%
Unempl. Insurance and Annual Bonus	0.7%	8.3	1.7%	-0.3%	-2.6%	-9.7%	-14.7%	-14.2%	-27.1%	-15.4%	-4.8%
LOAS/RMV (BPC)	1.0%	12.6	8.1%	7.2%	7.8%	4.7%	3.3%	6.9%	2.3%	2.4%	16.0%
FUNDEB	0.5%	4.2	16.1%	16.2%	16.3%	9.3%	9.5%	9.7%	5.0%	18.1%	17.7%
Court Order Payments	0.6%	35.3	17.3%	723.4%	1367.5%	119.8%	121.4%	3877.7%	46.9%	69.4%	9381.5%
Extraordinary Credits	0.1%	0.3	-61.6%	-66.8%	-68.9%	-80.6%	-81.3%	-70.8%	-58.2%	-81.4%	-70.0%
<b>Expenditures w/ Cash Control</b>	<b>4.6%</b>	<b>53.4</b>	<b>0.3%</b>	<b>1.0%</b>	<b>4.1%</b>	<b>2.3%</b>	<b>4.0%</b>	<b>12.7%</b>	<b>-4.3%</b>	<b>10.1%</b>	<b>31.7%</b>
Mandatory w/ Cash Control	2.9%	31.0	-2.3%	-3.0%	-2.4%	-5.3%	-4.3%	-2.7%	-6.5%	-3.5%	1.8%
Bolsa Familia	1.2%	12.8	-10.5%	-10.5%	-10.8%	-12.9%	-11.2%	-9.3%	-9.1%	-8.6%	-10.1%
Discretionary	1.7%	22.4	5.3%	8.9%	16.8%	16.0%	19.8%	59.3%	3.2%	47.7%	121.7%
<b>Primary Balance</b>	<b>-1.0%</b>	<b>-73.8</b>									
<b>Core Revenues and Expenditures</b>											
Net Revenue ex roy, div and concessions	0.0%	188.3	4.1%	4.2%	4.7%	4.3%	5.4%	5.5%	3.8%	5.1%	8.2%
Mandatory Expend. ex Court Orders and 13rd	15.0%	168.1	2.8%	2.6%	3.0%	3.3%	3.1%	3.2%	2.7%	1.4%	5.6%
Social Security ex Court Orders and 13rd	7.2%	83.1	3.1%	3.0%	3.3%	5.0%	4.4%	4.3%	5.0%	2.2%	5.8%
Expenditures with Transfers	11.2%	143.1	2.6%	2.4%	4.2%	2.0%	1.3%	8.7%	1.4%	-0.4%	24.9%

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.

Thales Guimarães

Macro Research – Itaú  
Mario Mesquita – Chief Economist

To access our reports and forecast visit our website:  
<https://www.itaubba-pt/macroeconomic-analysis>

**App Itaú Macro**

Our reports in your cell phone, with videos and comments from our renowned experts.

Download now on the App Store or Google Play

## Relevant Information

1. This report has been prepared and released by the Macro Research Department of Itaú Unibanco S.A. ("Itaú Unibanco"). This report is not a product of the Equity Research Department of Itaú Unibanco or Itaú Corretora de Valores S.A. and shall not be construed as a research report ("relatório de análise") for the purposes of Article 1 of the CVM Instruction NR. 20, dated 2021.
2. The exclusive purpose of this report is to provide macroeconomics information and it does not constitute and shall not be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial product, or to participate in any particular trading strategy in any jurisdiction. The information herein is believed to be reliable as of the date on which this report was released and it has been obtained from public sources believed to be reliable. However, Itaú Unibanco does not make any explicit or implied representation or warranty as to the completeness, reliability or accuracy of such information, nor does this report intend to be a complete statement or summary of the markets or developments referred to herein. Itaú Unibanco has no obligation whatsoever to update, modify or amend this report and inform the reader accordingly.
3. The opinions contained herein reflect exclusively the personal views of the analyst responsible for this report and were prepared independently and autonomously, including in relation to Itaú Unibanco, Itaú Corretora de Valores S.A. and any other companies within their economic group.
4. This report may not be reproduced or redistributed to any other person, in whole or in part, for any purpose, without the prior written consent of Itaú Unibanco. Additional information on the financial products mentioned in this report may be available upon request. Itaú Unibanco and/or any other company within its economic group is not and shall not be liable for any investment decisions (or otherwise) based on the information provided herein.
5. This report was prepared by the economic research team and may include sections generated with the support of artificial intelligence tools. All content has been reviewed and validated by the authors to ensure the accuracy and integrity of the information presented.

**Additional Note:** This material does not take into consideration the objectives, financial situation or specific needs of any particular client. Clients must obtain financial, tax, legal, accounting, economic, credit and market advice on an individual basis, based on their personal characteristics and objectives, prior to making any decision based on the information contained herein. By accessing the material, you represent and confirm that you understand the risks related to the financial instruments described in this material and the laws in your jurisdiction relating to the provision and sale of financial service products. You acknowledge that this material contains proprietary information and you agree to keep this information confidential for your exclusive use.

**SAC Itaú:** For inquiries, suggestions, complaints, criticisms and compliments, talk to Itaú's CSMC: 0800 728 0728. Or contact us through our portal <https://www.itaubr.com.br/atendimento-itaubr/para-voce/>. If you are not satisfied with the proposed solution, please contact the Itaú Corporate Ombudsman: 0800 570 0011 (on weekdays from 9 AM to 6 PM) or our PO Box 67.600, São Paulo-SP, Zip Code 03162-971. Hearing impaired, every day, 24h, 0800 722 1722.