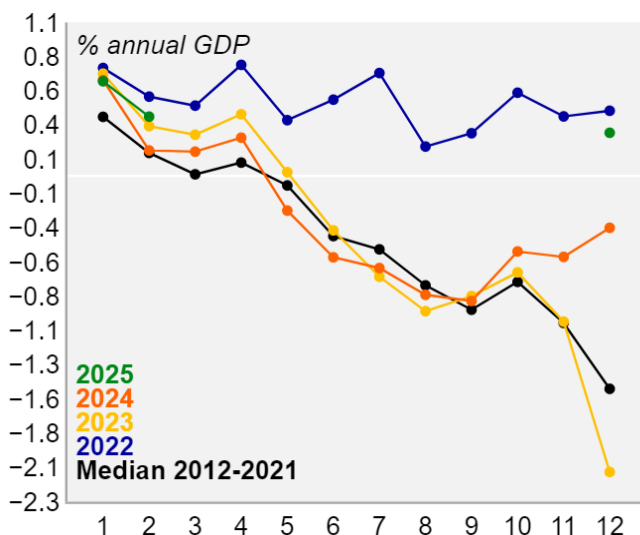


April 8, 2025

Primary deficit of BRL 19.0bn in February

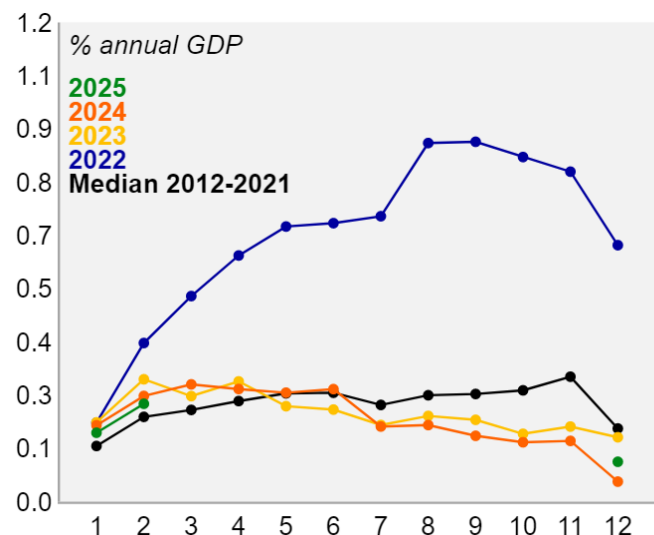
- ▶ The consolidated public sector recorded a primary deficit of BRL 19.0 bn in February, somewhat better than our expectation (a deficit of BRL 19.6bn). The central government, in turn, posted a primary deficit of BRL 31.7 bn, as reported by the Treasury, slightly worse than our expectation (a deficit of BRL 30.5bn). Meanwhile, in the Central Bank's metric the deficit was of BRL 28,5 bn.
- ▶ The regional governments recorded a surplus of BRL 9.2 bn in the month. Over 12 months, the consolidated primary result was 0.1% of GDP (vs. 0.4% in January), 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 rose from 75.7% of GDP in January to 76.2% of GDP in February, while the public sector net debt rose from 61.1% to 61.4% of GDP. Ex-FX swaps, the 12-month accumulated nominal deficit decreased from 7.5% to 7.4% of GDP in the period, while interest expenses increased from 7.1% to 7.3% 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, we consider it important for the government to announce a significant freeze on discretionary spending (of some R\$ 35 billion), in addition to including - within the limits of fiscal rules - expenses currently not subject to budget. Furthermore, it will be important to confirm the primary surplus target of 0.25% in the 2026 Budget Guidelines Law (PLDO), which should be submitted next week. These initiatives could mitigate, at least partially, the risks of losing credibility in the fiscal framework as an anchor.

Primary result of the central government, seasonal profile



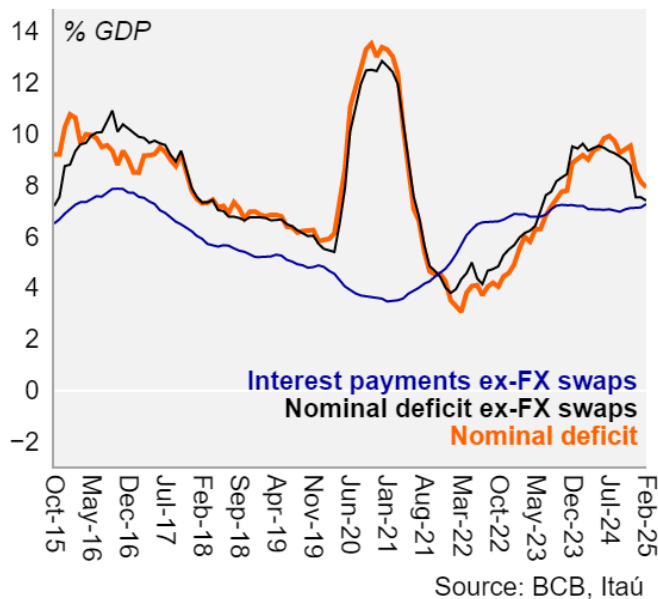
Source: STN, Itaú

Primary result of regional governments, seasonal profile

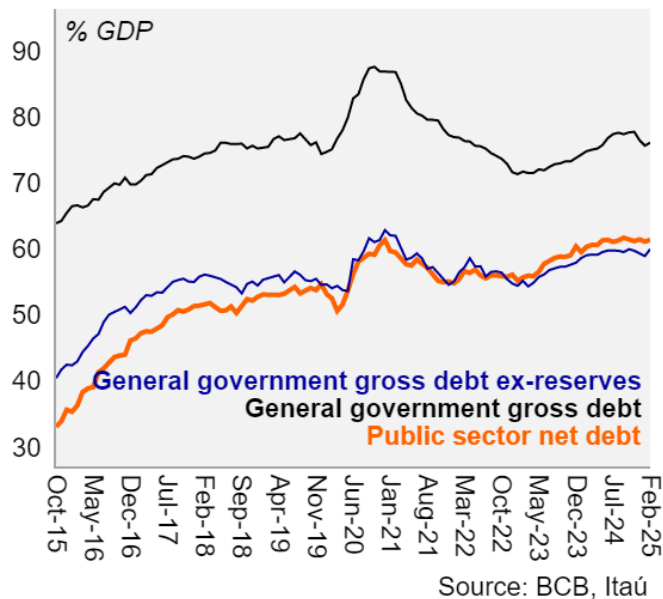


Source: BCB, Itaú

Nominal deficit and interest expenses



Public debt



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Macro Research – Itaú

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