Macro Brazil

August 29, 2025

We estimate that GDP grew 0.2% at the margin in 2Q25

- The 2Q25 GDP figure, to be released next Tuesday, September 2, is expected to show a 0.2% qoq/sa expansion. On a year-over-year basis, we project growth of 2.1%.
- On the supply side, the agriculture sector likely remained the main positive contributor, with an estimated 9.8% yoy increase. Industrial GDP is expected to have slowed to 1.2% yoy in 2Q25, down from 2.4% in the previous quarter. Similarly, the services sector is projected to have grown 1.8% yoy, after a 2.1% increase in 1Q25.
- On the demand side, both household consumption and investment likely decelerated. We estimate that consumption rose 1.8%yoy in 2Q25 (versus 2.6% in 1Q25), while investment increased 4.7% yoy, compared to 9.1% in the previous quarter.

The economy is expected to decelerate in 2Q25

We estimate that GDP in 2Q25 grew 0.2% at the margin, seasonally adjusted, and expanded 2.1% yoy. The official data will be released next Tuesday, September 2nd. The agriculture sector likely remained the main positive highlight, with an estimated expansion of 9.8% yoy, driven by strong production of soybeans, corn, cotton, and rice.

Excluding the agricultural sector, we estimate that GDP grew by 1.6% yoy, decelerating from 2.3% in 1Q25. This deceleration reflects weaker performance in both the industrial and services sectors.

For industrial GDP, we estimate a 1.2% yoy increase, after growing 2.4% in 1Q25. Within the sector, the manufacturing industry likely posted a year-over-year decline, while the utilities segment was negatively impacted by greater reliance on thermal power generation. In contrast, the mining and extractive sector is expected to have grown 9.3% yoy, supported by robust oil and gas output.

The services sector is also expected to have decelerated, with estimated growth of 1.8% yoy in 2Q25 (after rising by 2.1% in 1Q25). The slowdown was mainly driven by the retail segment, whose annual growth rate fell from 2.1% to 0.4%, despite ongoing labor market resilience. We believe the lagged effects of tight monetary policy have weighed particularly on credit-sensitive goods.

On the demand side, we estimate a slowdown in both household consumption and investments. Household consumption is expected to have grown by 1.8% yoy, down from 2.6% in 1Q25, but still increasing at the margin. Investments, in turn, are expected to have posted a year-over-year increase of 4.7% (down from 9.1% in 1Q25), giving back part of the strong rise registered in the previous quarter.

GDP 2Q25 (YoY)						
	Weight	2Q24	3Q24	4Q24	1Q25	2Q25
GDP	**100%**	**3.3%**	**4.0%**	**3.6%**	**2.9%**	**2.1%**
Services	**59%**	**3.6%**	**4.1%**	**3.4%**	**2.1%**	**1.8%**
Public Administration	14%	1.5%	1.7%	1.7%	0.5%	0.8%
Other Services	15%	5.1%	6.4%	4.5%	2.5%	2.5%
Retail	10%	3.8%	3.9%	4.7%	2.1%	0.4%
Housing	8%	3.8%	3.1%	2.6%	2.8%	2.8%
Financial services	6%	4.7%	5.1%	2.0%	2.1%	0.9%
Transportation	3%	0.8%	2.5%	3.9%	1.1%	1.9%
Information Technology	3%	5.7%	7.8%	6.2%	6.9%	6.3%
Industry	**21%**	**4.0%**	**3.6%**	**2.5%**	**2.4%**	**1.2%**
Manufacturing	12%	3.7%	4.2%	5.3%	2.7%	-0.6%
Construction	3%	4.4%	5.7%	5.1%	3.4%	0.9%
Utilities	2%	8.3%	3.7%	-3.5%	3.0%	-1.4%
Mining/Extractive	4%	1.3%	-1.0%	-3.6%	0.2%	9.3%
Agriculture	**6%**	**-3.3%**	**-0.8%**	**-1.5%**	**10.2%**	**9.8%**
Taxes	**14%**	**5.5%**	**6.4%**	**6.1%**	**2.9%**	**1.3%**
Household consumption	63%	5.1%	5.5%	3.7%	2.6%	1.8%
Government Expenditure	18%	1.2%	1.3%	1.2%	1.1%	1.4%
Investment (GFCF)	18%	5.7%	10.8%	9.4%	9.1%	4.7%
Exports	20%	4.3%	2.1%	-0.7%	1.2%	2.1%
Imports	-19%	14.7%	17.7%	16.0%	14.0%	6.1%

Source: IBGE, Itaú

We maintain our GDP growth forecast of 2.2% for 2025. However, we acknowledge a slight downside bias, given risks associated with the credit market, such as the effects of the increase in the IOF tax and the slowdown in payroll-deducted loans for INSS beneficiaries.

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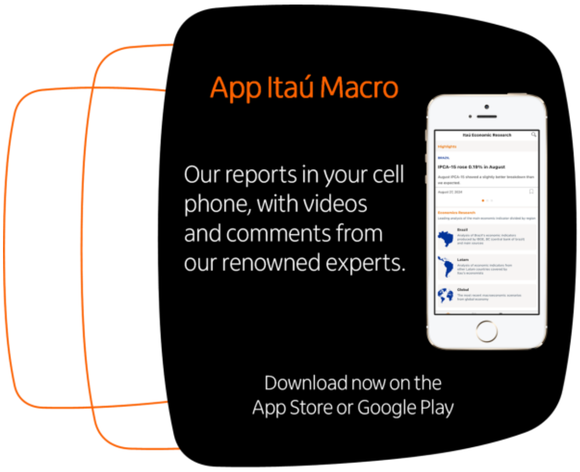

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