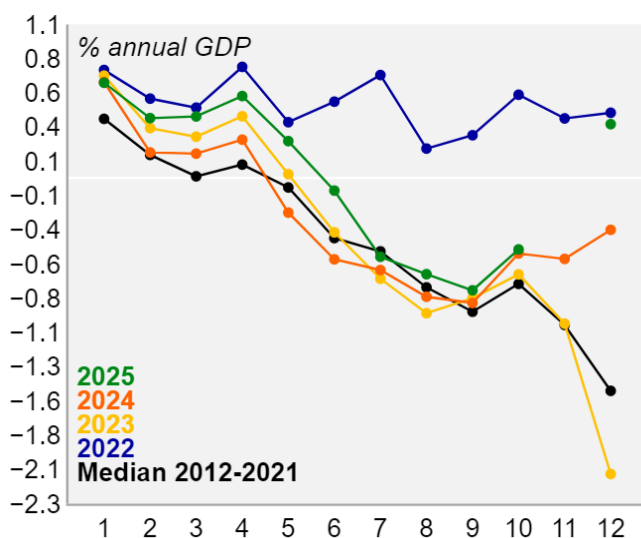


Primary surplus of BRL 32.4bn in October

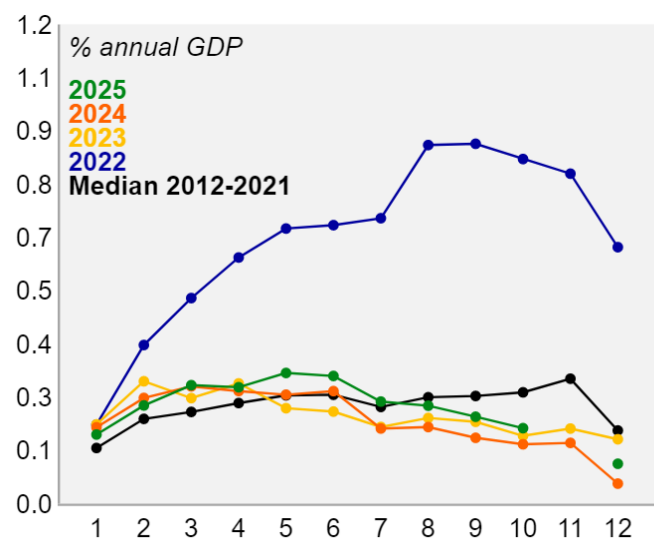
- ▶ The consolidated public sector recorded a primary surplus of BRL 32.4bn in October, below our forecast of a BRL 36.0bn surplus. The central government posted a surplus of BRL 36.5bn, according to the Treasury, also weaker than our projection of BRL 38.0bn. Under the Central Bank's definition (below-the-line), the central government registered a surplus of BRL 36.2bn.
- ▶ Regional governments recorded a deficit of BRL 3.6bn. Over the past 12 months, the consolidated primary result remained stable at 0.3% of GDP, 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 78.1% of GDP in September to 78.6% of GDP in October, while the consolidated public sector net debt increased from 64.8% to 65.0% of GDP. Excluding FX swaps, the 12-month accumulated nominal deficit widened from 8.6% to 8.8% of GDP between September and October, while interest expenses increased from 8.3% to 8.5% of GDP.
- ▶ **Our view:** Revenues continue to decelerate in line with 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, and greater execution of parliamentary amendments and discretionary spending — despite a growing INSS queue and a smaller Bolsa Família beneficiary base. Looking ahead, we see the government close to meeting 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 around 0.4% of GDP to meet the 2026 target. The success of the government's proposed fiscal adjustment strategy will continue to depend heavily on the confirmation of extraordinary revenues and the approval of measures in Congress.

Primary result of the central government, seasonal profile



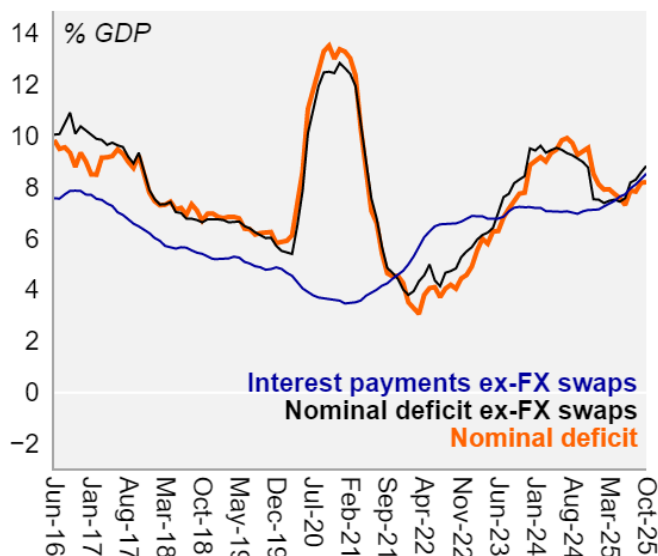
Source: STN, Itaú

Primary result of regional governments, seasonal profile



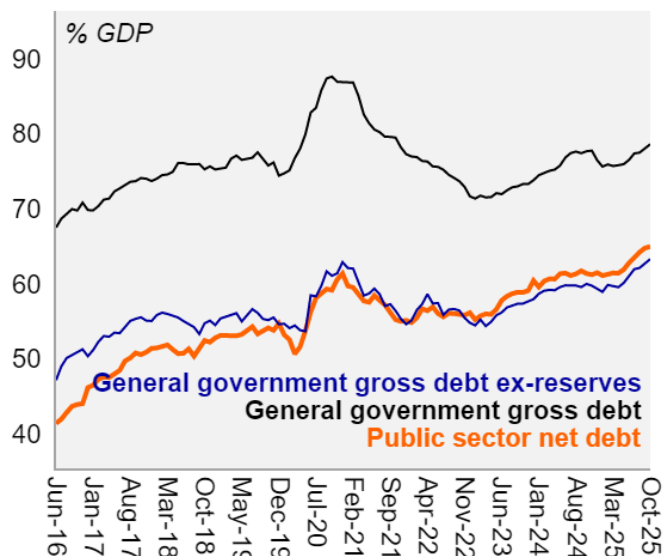
Source: BCB, Itaú

Nominal deficit and interest expenses



Source: BCB, Itaú

Public debt



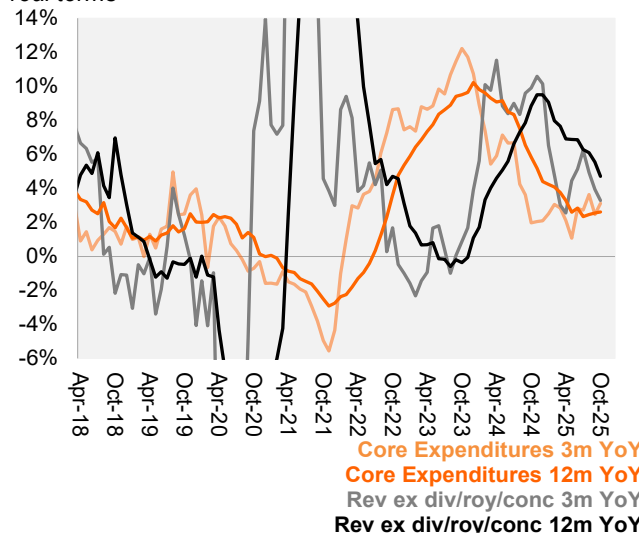
Source: BCB, Itaú

Central Gov Primary Balance	% GDP	BRL bn	Real Growth								
	Oct-25	Oct-25	12mmaYoY			3mma YoY			YoY		
			Aug-25	Sep-25	Oct-25	Aug-25	Sep-25	Oct-25	Aug-25	Sep-25	Oct-25
Tax Collections	22.6%	261.9	5.7%	5.0%	4.2%	3.3%	1.6%	0.3%	-1.5%	1.4%	0.9%
Total Revenues	23.0%	268.2	5.8%	6.4%	5.9%	4.6%	4.8%	4.6%	7.1%	2.7%	4.0%
Tax Revenues	20.6%	239.7	6.2%	5.6%	5.2%	5.1%	4.0%	4.3%	4.3%	2.7%	5.8%
Wage Bill	8.3%	87.1	4.4%	5.3%	5.5%	6.8%	8.3%	9.2%	10.1%	11.4%	6.2%
Consumption	5.3%	61.1	8.5%	6.3%	4.5%	-0.4%	-0.4%	-0.2%	1.1%	-3.6%	2.1%
Profits	3.7%	57.9	4.9%	3.4%	1.5%	3.3%	-1.0%	-5.9%	-4.5%	-24.2%	0.9%
Others	3.2%	33.7	9.1%	8.3%	10.4%	12.2%	7.2%	12.2%	1.7%	13.2%	22.8%
Non tax Revenues	2.4%	28.5	2.3%	13.6%	11.8%	-0.2%	12.5%	6.8%	37.3%	3.4%	-8.6%
Net Revenue	18.5%	229.0	5.8%	6.7%	6.1%	4.8%	5.0%	5.2%	11.1%	0.7%	4.5%
Total Expenditures	18.9%	192.5	-3.3%	-3.0%	-2.3%	11.9%	13.8%	6.7%	5.3%	5.7%	9.2%
Mandatory Expenditures	14.4%	139.8	-2.3%	-2.5%	-2.4%	16.8%	15.6%	2.4%	1.2%	0.3%	5.9%
Payroll	3.1%	31.1	-1.3%	-1.2%	-0.9%	10.3%	9.8%	4.3%	7.6%	1.6%	3.8%
Social Security	8.1%	78.7	1.0%	0.6%	0.6%	11.3%	9.6%	1.7%	2.9%	-0.6%	3.1%
Other Mandatory	3.1%	30.0	-10.7%	-11.0%	-10.7%	39.2%	37.6%	2.3%	-8.7%	2.0%	16.5%
Unempl. Insurance and Annual Bonus	0.7%	5.2	2.0%	2.9%	3.4%	3.1%	0.0%	6.6%	-1.6%	19.3%	10.9%
LOAS/RMV (BPC)	1.0%	10.7	11.1%	10.4%	9.8%	11.0%	9.0%	7.3%	9.9%	5.8%	6.1%
FUNDEB	0.5%	5.5	23.1%	20.8%	21.3%	23.8%	14.5%	16.7%	21.2%	-0.9%	30.2%
Court Order Payments	0.3%	1.8	-55.0%	-56.5%	-54.9%	3631.7%	1781.0%	47.6%	116.3%	-68.6%	442.0%
Extraordinary Credits	0.2%	2.1	-43.2%	-42.5%	-44.2%	-55.9%	-39.4%	1.3%	-10.5%	8.2%	3.1%
Expenditures w/ Cash Control	4.5%	52.7	-6.8%	-4.7%	-2.1%	-3.0%	8.4%	20.4%	19.2%	22.8%	19.1%
Mandatory w/ Cash Control	3.0%	29.6	0.2%	-0.4%	-0.1%	-0.7%	-3.0%	-1.0%	-0.3%	-2.9%	0.2%
Bolsa Família	1.3%	12.3	-7.3%	-8.1%	-8.7%	-10.2%	-12.3%	-13.7%	-13.9%	-12.6%	-14.6%
Discretionary	1.6%	23.0	-18.6%	-12.2%	-5.6%	-6.9%	33.6%	75.2%	74.5%	100.9%	57.1%
Primary Balance	-0.4%	36.5									
Core Revenues and Expenditures											
Net Revenue ex roy, div and concessions	17.3%	211.8	6.1%	5.5%	4.7%	4.9%	3.9%	3.3%	5.0%	1.4%	3.5%
Mandatory Expend. ex Court Orders and 13rd	15.0%	156.3	2.5%	2.6%	2.6%	3.6%	2.5%	3.1%	3.5%	2.8%	3.1%
Social Security ex Court Orders and 13rd	7.1%	76.1	2.0%	2.4%	2.3%	3.7%	3.1%	3.2%	3.0%	3.7%	3.0%
Expenditures with Transfers	11.1%	106.9	0.8%	0.5%	0.3%	7.9%	5.9%	0.4%	0.9%	-1.0%	1.3%

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

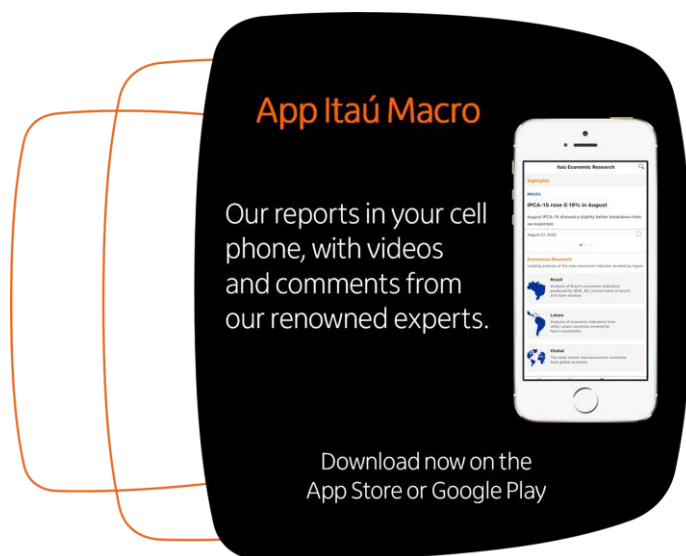
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