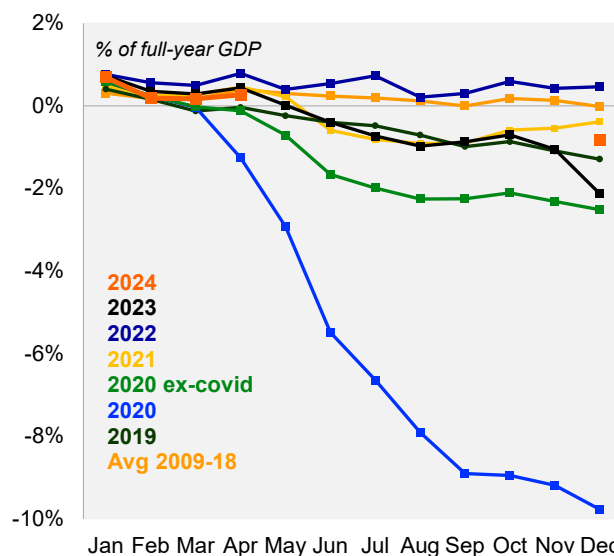


Primary surplus of BRL 6.7 bn in April, below expectations

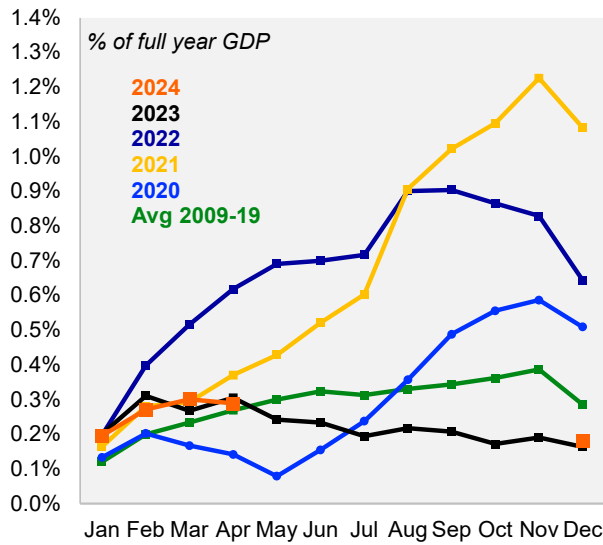
- ▶ The consolidated public sector recorded a primary surplus of BRL 6.7 billion in April, worse than our expectation of a BRL 17.0 bn surplus. The central government recorded a surplus of BRL 11.1 bn, as reported by the Treasury (based on the difference between revenues and expenses), lower than expected (a surplus of BRL 14.0 billion). Compared to our forecasts, the negative highlight was “Other Regulated Revenues”, typically more volatile, while mandatory spending continues to grow above expectations. Moreover, there was a greater methodological discrepancy this month, with the central government result reported by the Central Bank (based on the change in debt) being BRL 2.3 billion lower than that reported by the Treasury. Regional governments recorded a deficit of BRL 1.4 bn, worse than our estimate (a BRL 3.1 bn surplus). In 12 months, the consolidated primary result reached a deficit of 2.4% of GDP in April (from 2.3% in March), being -2.5% from the central government according to the BCB definition (-2.2% in the Treasury definition) and +0.1% in states, municipalities and state-owned companies.
- ▶ General government gross debt rose to 76.0% of GDP in April, from 75.7% in March. Net debt rose to 61.2% from 61.1% of GDP. The nominal deficit accumulated over 12 months, excluding swaps, went to 9.5% from 9.4% of GDP, while interest expenses remained stable at 7.1% of GDP in April.
- ▶ **Our view:** tax collection has been stronger at the beginning of the year, but fiscal risks remain high, considering the difficulty in obtaining a trajectory of convergence for primary results and the possibility of changes in the main parameters of the fiscal framework approved last year. Specifically, mandatory spending has been growing above the trend projected by the government, increasing the risk of early changes to the fiscal framework's spending limit. Any changes, if implemented, could bring new credibility damage to the government's fiscal plan after the recent change in primary targets from 2025 onwards.

Primary result of the central government remained stable



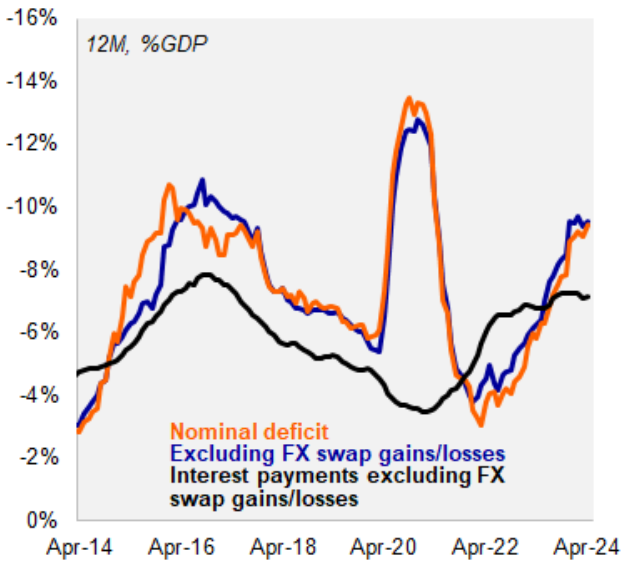
Source: Central Bank, Itaú

Primary result of regional governments with a slightly worse result



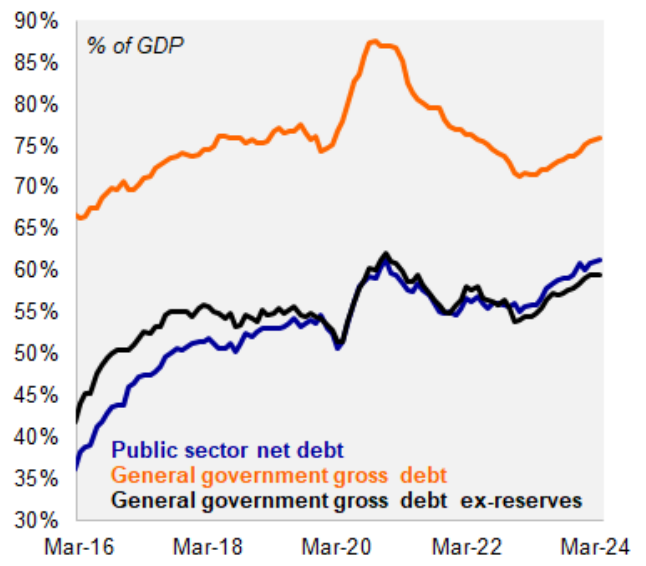
Source: Central Bank, Itaú

Nominal deficit remains elevated



Source: Central Bank, Itaú

Higher public debt at the margin



Source: Central Bank, Itaú

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