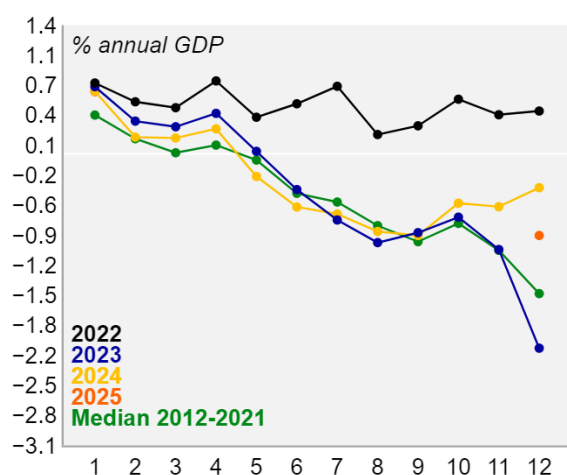


March 14, 2025

Primary surplus of BRL104.1bn in January

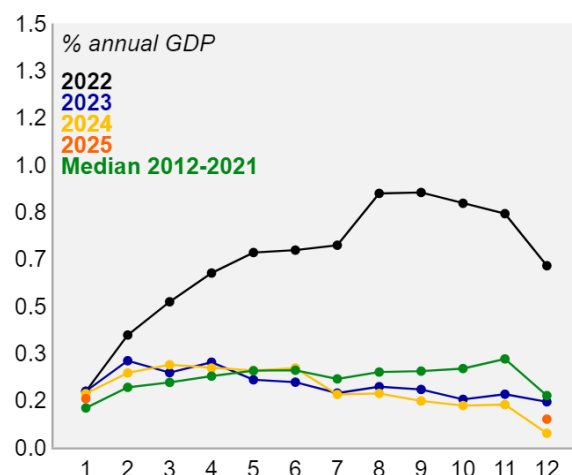
- ▶ The consolidated public sector registered a primary surplus of BRL 104.1 bn in January, a lower-than-expected result vs our BRL 112.0 bn surplus call. The central government recorded a primary surplus of BRL 84.9 bn, as reported by the Treasury (based on the revenues and expenses), worse than our expectation (a surplus of BRL 87.7bn). According to the Central Bank (below the line figures), the central government posted a surplus of BRL 83.1 bn.
- ▶ The regional governments recorded a surplus of BRL 22.0 bn, below our BRL 24.3 bn estimate. In the past 12 months, the consolidated primary result was stable at 0.4% of GDP, with the following breakdown: 0.4% of GDP for the central government and 0.0% for regional governments and SOEs.
- ▶ General government gross debt receded to 75.3% of GDP in January (from 76.1% in December), while the public sector net debt fell to 60.8% (from 61.2%). Ex-FX swaps, the 12-month accumulated nominal deficit remained at 7.5% of GDP, while and interest expenses were flat at 7.1% of GDP in the month. It's worth noting that the variables as percentage of GDP tend to be revised upwards in the next release, reflecting the realized GDP for 2024.
- ▶ **Our view:** we do not expect the compliance with the primary result target of -0.6% of GDP this year (considering deductions and the lower limit of the official target of 0%), although we recognize that the risks are of a better result than what we currently estimate, given the government's ongoing efforts on the revenue agenda. On the expenditure side, we believe it is important for the government to announce a significant reduction in discretionary spending of around BRL 35 billion, in addition to including expenses currently executed outside the budget within the limits of fiscal rules. These initiatives could mitigate, at least in part, the risks of loss of credibility of the framework as a fiscal anchor.

Primary result of the central government, seasonal profile



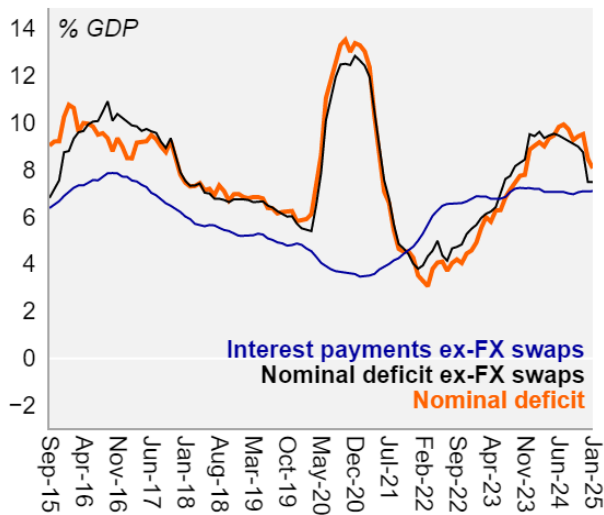
Source: STN, Itaú

Primary result of regional governments, seasonal profile

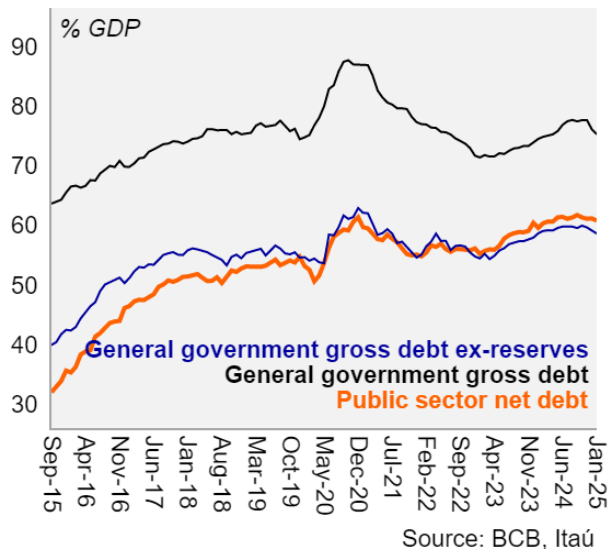


Source: BCB, Itaú

Nominal deficit and interest expenses



Public debt



Thales Guimarães

Macro Research – Itaú

Mario Mesquita – Chief Economist

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