Macro Outlook

August 2025

Macro Outlook

- In the US, the FOMC decided to remain on pause at the July meeting. The statement showed little change from June, with the biggest change being two dissenting votes for cut (as widely expected). In the Press Conference, Chair Powell downplayed the dissents and avoided to comment about September cuts - keeping all options open with upcoming data. June PCI and PCE showed evidence of tariff pass-through, which is expected to persist into H2 and lead to a modest pick up in core inflation. In the labor market, July payroll brought relevant downside surprises, with lower-than-expected job creation and, most importantly, a 2-month downward revision: -258k, bringing the 3-month-moving-average to 35k, well below the pre-covid average. But there were no significant changes in the unemployment rate and on other labor market indicators. Further signs of gradual cooling are expected ahead as higher tariffs weigh on activity and boost inflation, but the outlook remains highly uncertain.

- Regarding China, GDP growth remained robust on Q2, at 5.2% YoY (vs 5.4% in Q1), despite mixed signals in June's economic activity. Retail sales and fixed asset investment (FAI) softened in June, while industrial production accelerated. The resilience in Q2 was mostly driven by Consumption resilience (related to trade-in subsidies) and solid exports (due to tariff anticipation front-loading and to its subsequent suspension). Housing continues to be a drag and is expected to remain so in H2, weighting on construction and consumer confidence. Trade balance showed resilience in June amid trade tensions: exports surprised upwards, with the ones to the US reaccelerating as tariffs remain suspended, while alternative routes remained resilient. Furthermore, June Inflation reaffirmed persistent deflationary pressures.

- In Brazil, economic activity remains resilient. In June, industrial production result came slightly below expectations, increasing by 0.1% MoM. On the other hand, in May, along with modest rise on services (0.1% MoM), retail sales posted a moderate growth (0.3% MoM) showing signs of gradual slowdown in domestic demand. Summarizing this scenario, the IBC-BR showed a decrease of 0.7% MoM in May. Labor market remains solid, with increasing employment and income.

- Concerning monetary policy, the Brazilian Central Bank (BCB) kept the Selic rate at 15.00% p.a. at its July meeting, in line with our expectations. BCB inflation projections six trimesters ahead stand at 3.4 % in the first quarter of 2027 in a scenario where rates stay at 15.00% until the end of 2025 and reach 12.5% in 2026. Looking forward, the committee repeated that the plan is to keep the current restrictive stance of monetary policy for a "very prolonged period". The balance of risks also remained unchanged, indicating that risks continue to be elevated in both directions. In all, the statement describes the global outlook as "more adverse and uncertain" and added that it will closely monitor the impacts of higher US tariffs on Brazil.

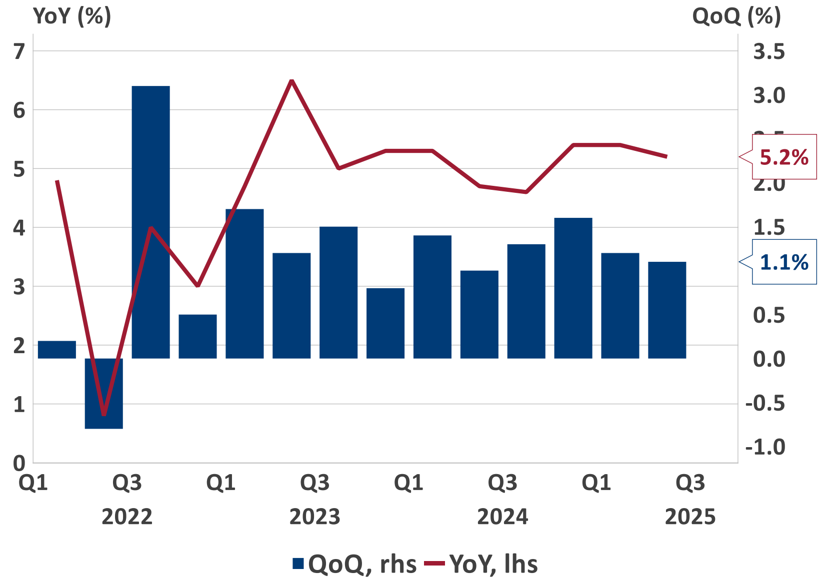
- July IPCA-15 rose by 0.33% MoM, in line with market expectations of 0.31% MoM. The 12-month variation advanced from 5.27% in June to 5.30% in July. Downward surprises were widespread in market-set prices, with a highlight to residential electric power and industrial goods. Regarding the breakdown, core services advanced 0.45% MoM, slightly lower than forecasts, and the 3M SAAR plunged to 5.5%. The average of core inflation increased by 0.29% MoM, in line with expectations, with its 3M SAAR at 4.6%. Recent IPCA readings have been in line with or below expectations, with a benign breakdown. Deflation in wholesale prices indicates further relief ahead. In all, the trend of easing and services inflation and the swift dissipation of FX-driven inflationary pressures suggests consolidation in the disinflation process.

- In the fiscal scenario, the Brazilian public sector posted a primary deficit of BRL 47.1 billion in June, above the market consensus (deficit of BRL 41.0 billion), from a deficit of BRL 40.9 billion in June 2024. Regarding the breakdown, central government, regional governments and state-owned enterprises (SOE) registered deficits of BRL 43.5 bn, BRL 0.9 bn and 2.6 bn, respectively. The General Government Gross Debt (GGGD) rose from 76.1% to 76.6% of GDP, with nominal interest (+0.7 p.p.) being the main driver of this growth, while nominal GDP growth (-0.5 p.p.) partially offset it.

China: Economic Activity

- **Second-quarter GDP grew 5.2% YoY, modestly above the expectations (5.1%) and only slightly below the 1Q25 pace (5.4% YoY).** The resilience was mostly driven by consumption resilience (related to trade-in subsidies) and solid exports (due to front-loading and subsequent suspension of tariffs).
- **Monthly economic activity** showed mixed signals in June, **reflecting impacts of the trade war and a soft domestic demand**. Fixed asset investment (FAI) and retail sales data weakened, while industrial production strengthened. Overall, underlying demand appears to remain subdued;
- **Retail sales softened** from 6.4% to **4.8% YoY,** below the expectations (5.3%) and the slowest pace in four months; catering services showed the biggest deceleration, possibly reflecting tightened rules for public sector-employees eating out ;
- **Industrial production accelerated** from 5.8 to **6.8% YoY**, above consensus (5.6%); manufacturing showed the biggest increase, as products such as industrial robots and solar batteries continued to show relevant growth;
- **FAI moderated** from 3.7 to **2.8% YoY**, below consensus (3.6%); it was the slowest pace in more than four years; real estate investment remained a relevant drag, decreasing further in June.
- **Housing**: Housing starts saw another decline in the 12MMA, reaching the lowest levels in 20 years. Meanwhile, housing sales shows signs of stabilizing, suggesting the decline in housing demand could be bottoming out. **The subdued demand also seems to be reflected in the credit data**, as household loans remained relatively weak despite strong government bonds.

China: Real GDP Growth (Quarterly)



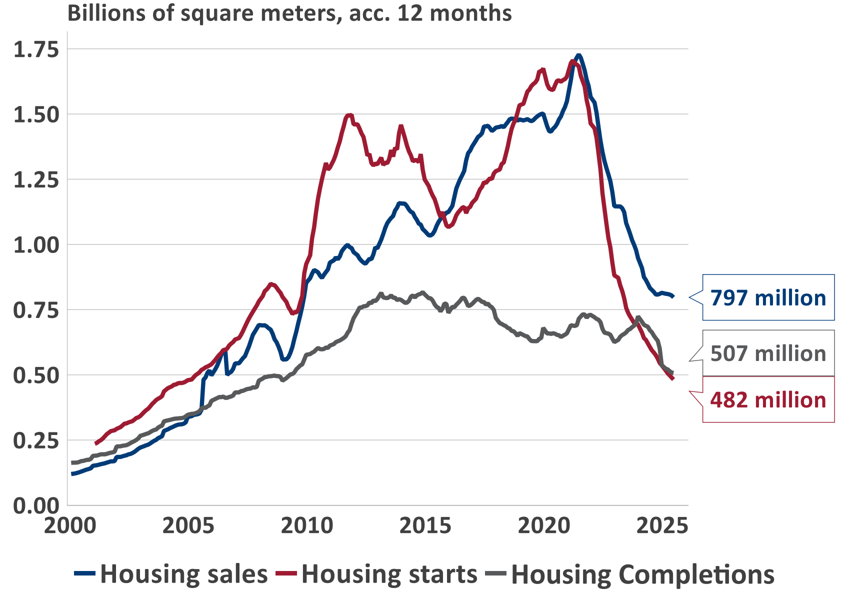
Source: BOCOM BBM, Macrobond, NBS

China: Activity (% YoY)

	6/2025	5/2025	6/2024
Industrial Production	**6.8**	**5.8**	**5.3**
Mining	6.1	5.7	4.4
Manufacturing	7.4	6.2	5.5
Utilities	1.8	2.2	4.8
Fixed Asset Investment (YTD)	**2.8**	**3.7**	**3.9**
Manufacturing	7.5	8.5	9.5
Real Estate	-11.2	-10.7	-10.1
Infrastructure	4.6	5.6	5.4
Retail Sales	**4.8**	**6.4**	**2.0**
Catering Services	0.9	5.9	5.4
Consumer Goods	5.3	6.5	1.5
Clothing	1.9	4.0	-1.9
Automobiles	4.6	1.1	-6.2
Furniture	28.7	25.6	1.1
Cellphones	13.9	33.0	2.9
Home Appliances	32.4	53.0	-7.6
Construction	1.0	5.8	-4.4

Source: BOCOM BBM, Macrobond

China: Housing Indicators



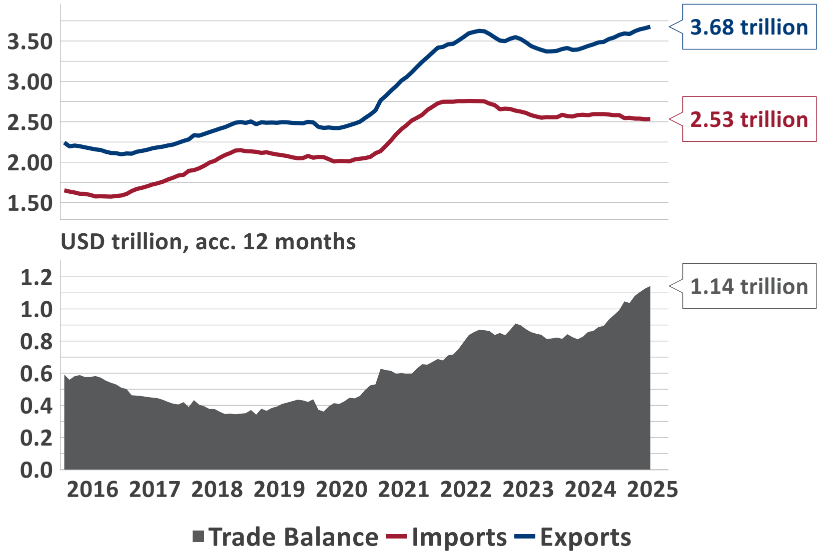
Source: BOCOM BBM, Macrobond, NBS

China: Economic Scenario

交通銀行 BANK OF COMMUNICATIONS BBM

- **China’s trade growth accelerated in June**, with the latest data coming in above expectations at solid levels;
  - Exports came in above expectations, accelerating from 4.8% to 5.8% YoY (expected: 5.2%), corresponding to a 0.9% MoM increase. The print was led by a rebound in exports to the US (21.9% MoM), while re-routing remained resilient despite losing some momentum.
  - Imports also grew above expectations, 1.1% YoY (expected: 0.3%), or 0.6% MoM, after a decline in the previous month;. Imports were also driven by a rise on the ones from the US.
  - Looking ahead, export momentum is expected to moderate in H2, but the pace will depend on trade negotiations with the US and external demand.
- In June, **Headline CPI inflation** returned to positive territory after three consecutive months of deflation, **rising by 0.2 pp to 0.1% YoY**. However, On a MoM basis, CPI fell by 0.1%;
  - **Core inflation increased** slightly in July, **by 0.1pp to 0.7% YoY**, the highest print since 04/2024. The data was driven by a modest ease in goods deflation, while services CPI remained at 0.5%;
  - The June print reaffirms persistent deflationary pressures in China. These remain a major concern for this year, with economy still suggesting excess capacity and weakness in consumption and property investment.

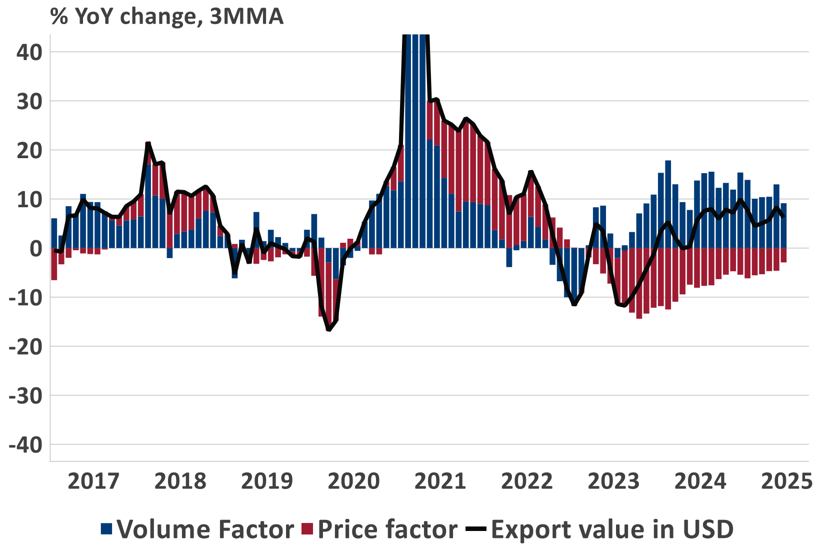
China: Trade Balance



Source: BOCOM BBM, Macrobond, GAC

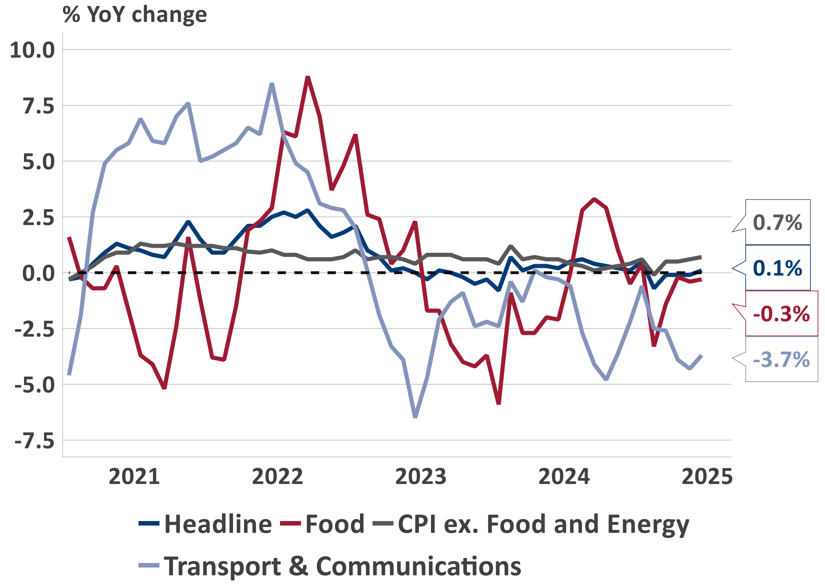
China: Exports (Price x Volume)

Last observation at 6/2025



Source: BOCOM BBM, Macrobond, GAC

China: CPI

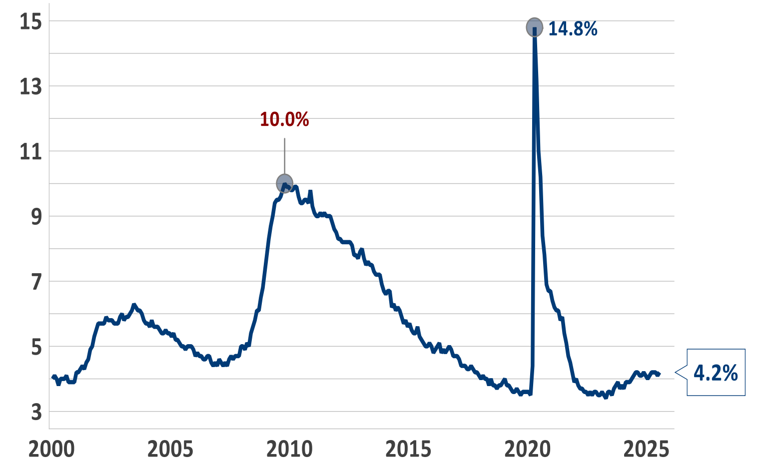


Source: BOCOM BBM, Macrobond, NBS

USA: Labor Market

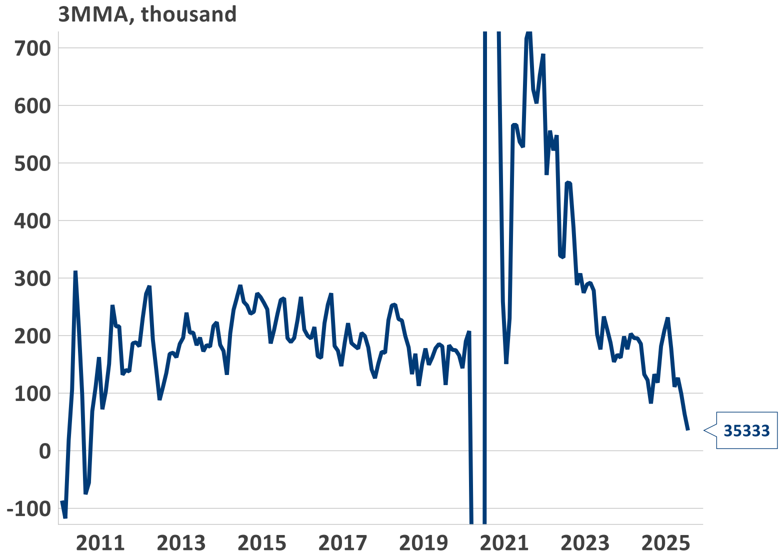
- **July Payroll brought relevant downside surprises:**
  - Job creation increased **73k**, below market expectations of 105k. Also, previous months were strongly revised downwards: 2- month net revision was -258k (May from 144k to 19k, June from 147K to 14k), bringing the 3mma to 35k, well below the pre-covid average.
  - The unemployment rate ticked up, from 4.12% to 4.25%, within consensus of 4.2 and with no signs of disruption;
- Given that, the **jobs-workers gap was 0.42M,** consistent with the pace of 2018 and 2019, indicating a slightly **tight but not overheated labor market.**
- Average hourly earnings accelerated **0.3% MoM,** matching expectations of 0.3%, corresponding to an YoY acceleration from **3.7%** to **3.9%.**
  - Overall, the July wage data signals a slight acceleration in wage growth, with Q2 ECI print also pointing to signs in the same direction.

US: Unemployment Rate SA (%)



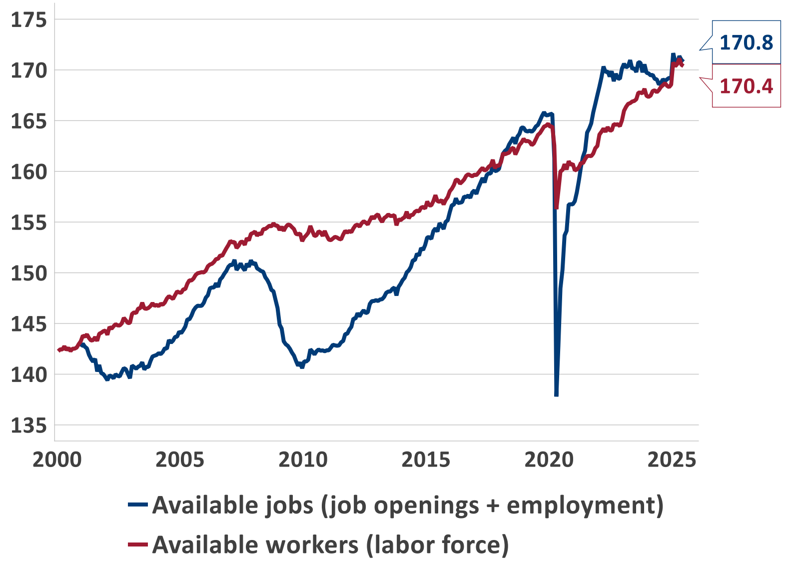
Source: BOCOM BBM, Macrobond, BLS

US: Nonfarm Payroll Employment Change



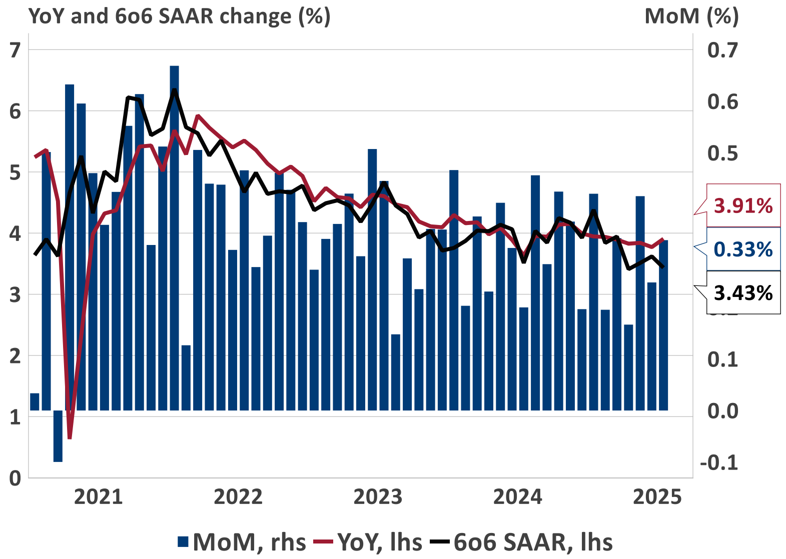
Source: BOCOM BBM, Macrobond, BLS

US: Jobs-workers gap (millions)



Source: BOCOM BBM, Macrobond, BLS

US: Average Hourly Earnings Growth (%)

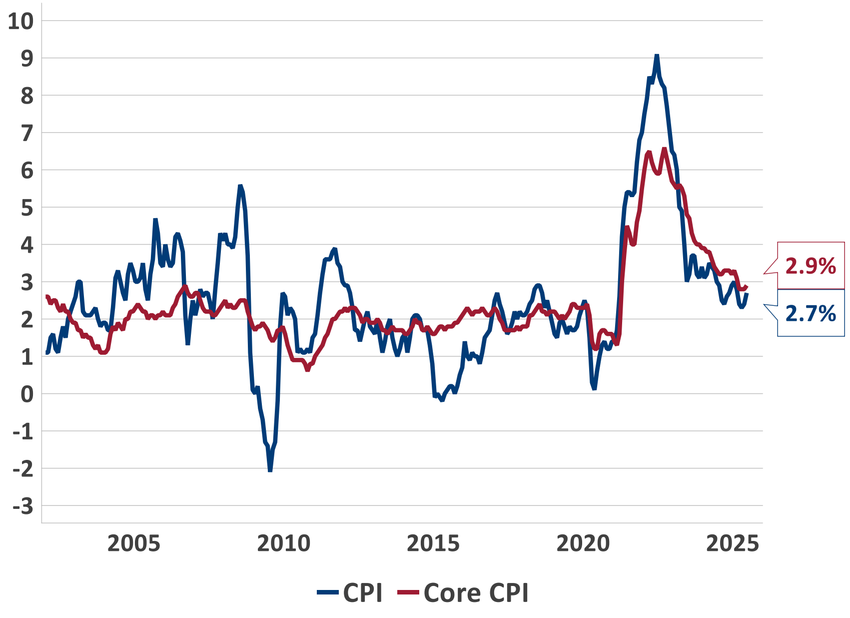


Source: BOCOM BBM, Macrobond, BLS

USA: Inflation

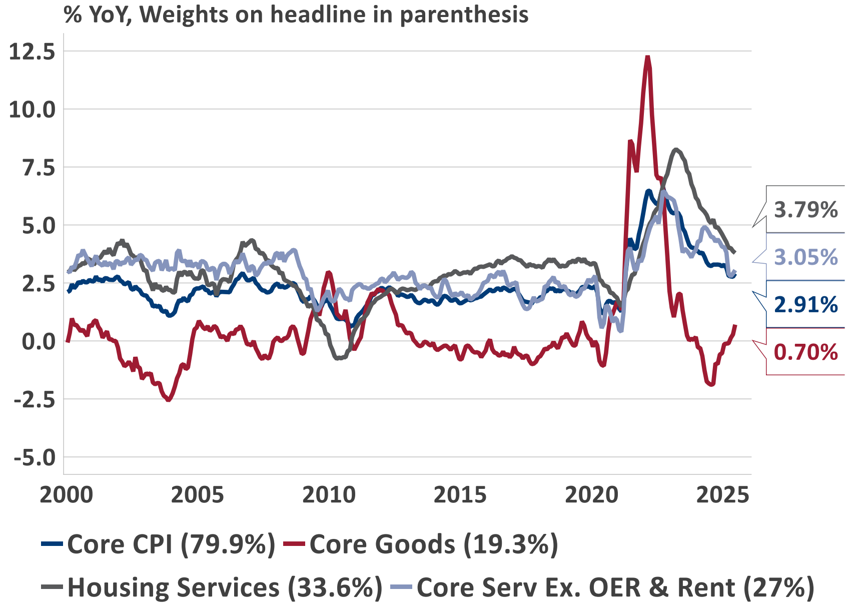
- The **June headline CPI** accelerated to **0.29% MoM** (modestly above expectations of 0.26%), leading to a YoY increase from 2.4% to **2.7%:**
  - In the composition, the most notable change was an increase in energy prices (from -0.98% to +0.95 MoM), while food prices remained flat (from 0.29% to 0.33% MoM);
- **Core CPI** rose **0.23% MoM,** slightly below consensus of 0.24%, and the YoY accelerated from 2.8% to **2.9% YoY:**
  - Core goods rebounded more than consensus, showing clearer signs of tariff pass-through. The biggest increases came from Apparel, Furnishing and Recreation, while a decease in Transportation goods partially offset the acceleration;
  - Core services showed some slowing, mainly led by a step-down in travel-related services;
- In sum, the June CPI print pointed to stronger signals of **tariff pass-through into consumer prices**, despite weaker services and transportation goods pushing the headline lower
- Looking ahead, the inflation pickup is expected to persist in the second semester, as tariff impacts become more relevant, leading to increases in CPI inflation.

US: CPI (YoY, %)



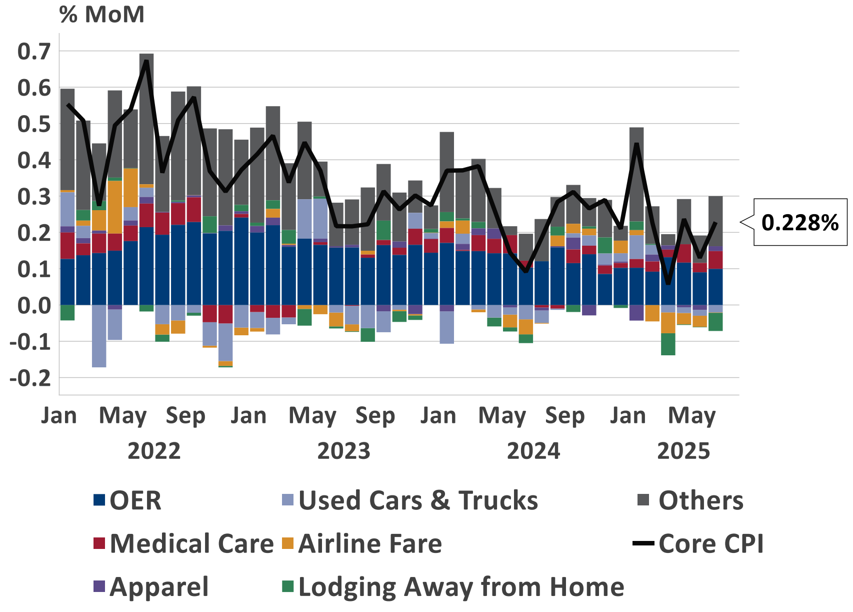
Source: BOCOM BBM, Macrobond, BLS

US: Core CPI Main Components (%)



Source: BOCOM BBM, Macrobond, BLS

US: Core CPI MoM Contributions

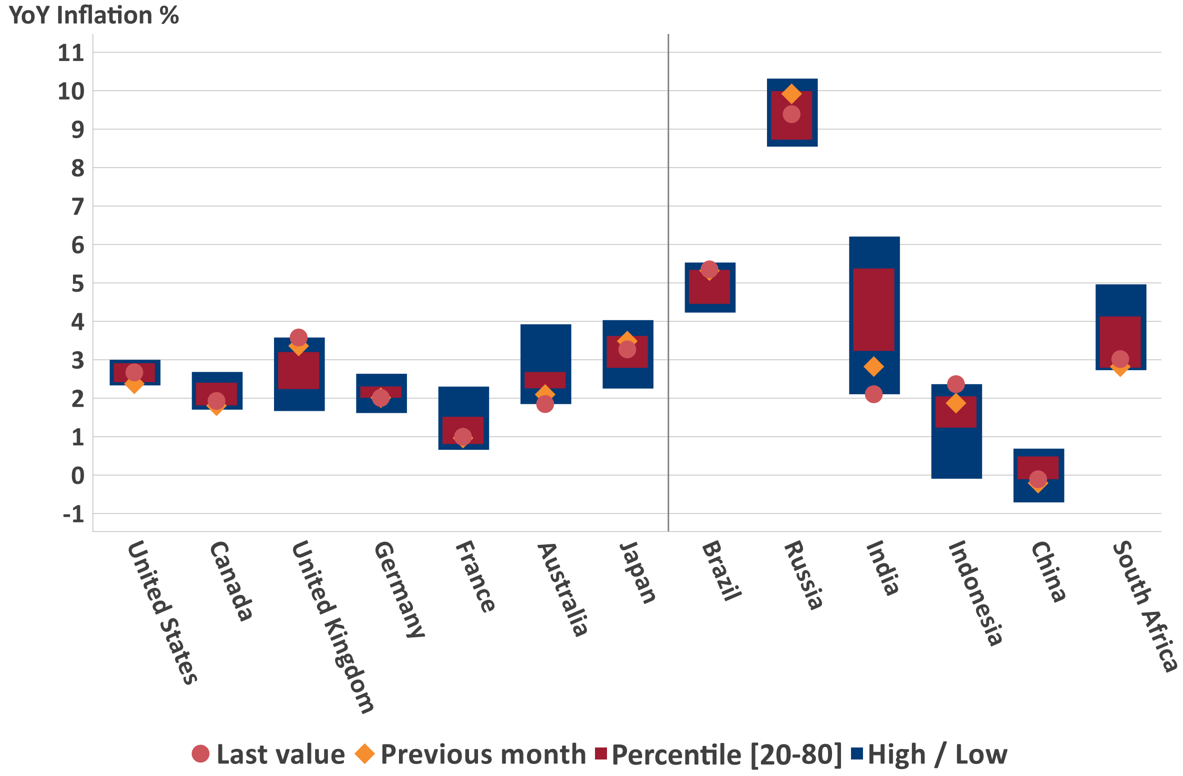


Source: BOCOM BBM, Macrobond, BLS

Global: Inflation & Activity

- Progress in inflation numbers are being seen in several developed markets; however, it seems to have stalled in some (like the US) and is heterogenous among emerging markets;
- The significant tightening in monetary policy in the recent years resulted in a slowdown of economic activity across several countries, although global growth continued surprising up and remained resilient still in the first semester of 2025;
- Expectations of further global economic deceleration, fueled by US economic policy and tariff uncertainty, improves the expectation of monetary policy easing this year, but timing and magnitudes should rely on each country’s domestic context.

Inflation range during the past 12 months



Source: BOCOM BBM, Macrobond

G20: GDP Growth Tracker (QoQ, %)

Countries marked in red indicates a technical recession:
2 consecutive quarters of negative sequential growth

	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023
Argentina		0,8	2,0	3,9	-0,8	-1,8	-2,3	2,1
Australia		0,2	0,6	0,3	0,2	0,1	0,1	0,5
Brazil		1,4	0,1	0,8	1,5	1,0	0,3	0,1
Canada		0,5	0,5	0,6	0,6	0,5	0,2	-0,1
China	1,1	1,2	1,6	1,3	1,0	1,4	0,8	1,5
Euro Area	0,1	0,6	0,3	0,4	0,2	0,4	0,0	0,0
France	0,3	0,1	-0,1	0,4	0,2	0,1	0,4	0,2
Germany	-0,1	0,3	0,2	0,0	-0,3	-0,1	-0,3	0,0
India		8,6	5,2	1,2	-7,1	7,6	4,4	2,0
Indonesia		-1,0	0,5	1,5	3,8	-0,8	0,5	1,6
Italy	-0,1	0,3	0,2	0,0	0,2	0,2	0,2	0,1
Japan		0,0	0,6	0,2	1,0	-0,3	-0,1	-1,0
Mexico	0,7	0,2	-0,7	0,8	0,2	0,0	0,4	0,5
Russia		-0,6	1,1	0,4	0,6	1,9	0,4	1,7
Saudi Arabia	-0,7	-0,6	4,1	1,0	-1,2	0,5	2,8	-1,2
South Africa		0,1	0,4	-0,3	0,3	0,1	0,4	-0,4
South Korea	0,6	-0,2	0,1	0,1	-0,2	1,2	0,5	0,8
Turkey		-15,7	2,2	12,9	4,9	-14,9	1,5	13,0
United Kingdom		0,7	0,1	0,0	0,5	0,9	-0,2	-0,1
United States	0,7	-0,1	0,6	0,8	0,7	0,4	0,8	1,1

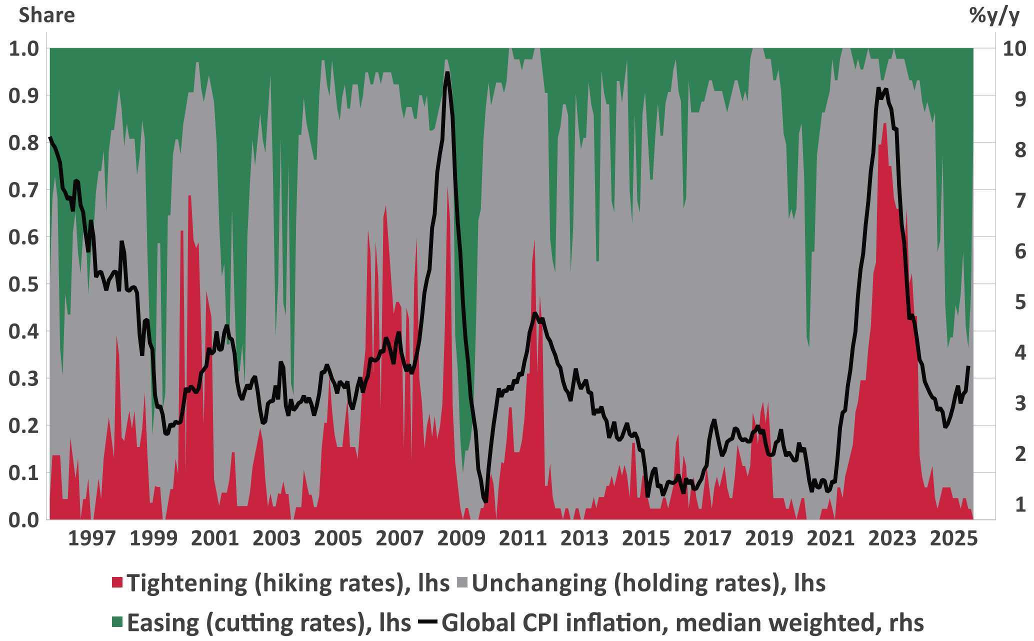
Sources: BOCOM BBM, Macrobond, National Sources

Global: Monetary Policy (Acho que tem margem p mudar o formato)

- Several emerging markets have already eased their monetary policy, such as Colombia, Chile and Mexico;
- Developed markets central banks took a little longer, but several also began cutting rates in 2024. However, there are exceptions, such as Japan, which raised interest rates in 2025;
- Overall, the uncertainty surrounding US tariffs and their potential effects in each country’s domestic context continues to drive institutions towards a more careful, data-dependent approach, despite the partial trade de-escalation.

Global monetary breadth

Share of economies (GDP top 50) with higher/unchanged/lower policy rates; monthly/mtd avg, 4-Aug-25



Source: BOCOM BBM, Macrobond, World Bank

Central bank tracker: G20 & OECD Countries

	CPI Y/Y %	Core CPI Y/Y %	Key rate	Last decision		Last Move	Months since last hike	Months since last cut
Argentina	39,4	42,0	29,00	-3,00	Cut	1/2025	22	6
Australia	2,0	2,5	3,85	-0,25	Cut	5/2025	21	3
Brazil	5,4	5,2	15,00	0,25	Hike	6/2025	2	15
Canada	1,9	2,7	2,75	-0,25	Cut	3/2025	25	5
Chile	4,1	4,0	4,75	-0,25	Cut	7/2025	34	0
China	-0,1	0,7	3,00	-0,10	Cut	5/2025	138	3
Colombia	4,8	5,1	9,25	-0,25	Cut	5/2025	27	3
Costa Rica	-0,2	0,4	3,75	-0,25	Cut	7/2025	33	1
Czech Republic	2,9	0,2	3,50	-0,25	Cut	5/2025	37	3
Denmark	1,9	1,9	1,75	-0,25	Cut	6/2025	23	2
Euro Area	2,0	2,3	2,15	-0,25	Cut	6/2025	23	2
Hungary	4,6	4,4	6,50	-0,25	Cut	9/2024	34	10
Iceland	4,0	3,9	7,50	-0,25	Cut	5/2025	23	3
India	2,1	4,4	5,50	-0,50	Cut	6/2025	30	2
Indonesia	2,4	2,3	5,25	-0,25	Cut	7/2025	15	1
Israel	3,4	3,4	4,50	-0,25	Cut	1/2024	26	19
Japan	3,3	3,4	0,50	0,25	Hike	1/2025	6	114
Mexico	4,3	4,2	8,00	-0,50	Cut	6/2025	28	1
New Zealand	2,7	2,7	3,25	-0,25	Cut	5/2025	26	2
Norway	3,0	3,1	4,25	-0,25	Cut	6/2025	20	2
Poland	3,2	3,4	5,00	-0,25	Cut	7/2025	35	1
Russia	9,4	8,7	18,00	-2,00	Cut	7/2025	9	0
Saudi Arabia	2,3		5,00	-0,25	Cut	12/2024	24	8
South Africa	3,0	2,9	7,00	-0,25	Cut	8/2025	26	0
South Korea	2,2	2,0	2,50	-0,25	Cut	5/2025	31	2
Sweden	0,7	2,8	2,00	-0,25	Cut	6/2025	22	1
Switzerland	0,2	0,8	0,00	-0,25	Cut	6/2025	25	2
Turkey	33,5	34,7	43,00	-3,00	Cut	7/2025	4	0
United Kingdom	3,6	3,7	4,25	-0,25	Cut	5/2025	24	3
United States	2,7	2,9	4,50	-0,25	Cut	12/2024	24	8

Source: BOCOM BBM, Macrobond

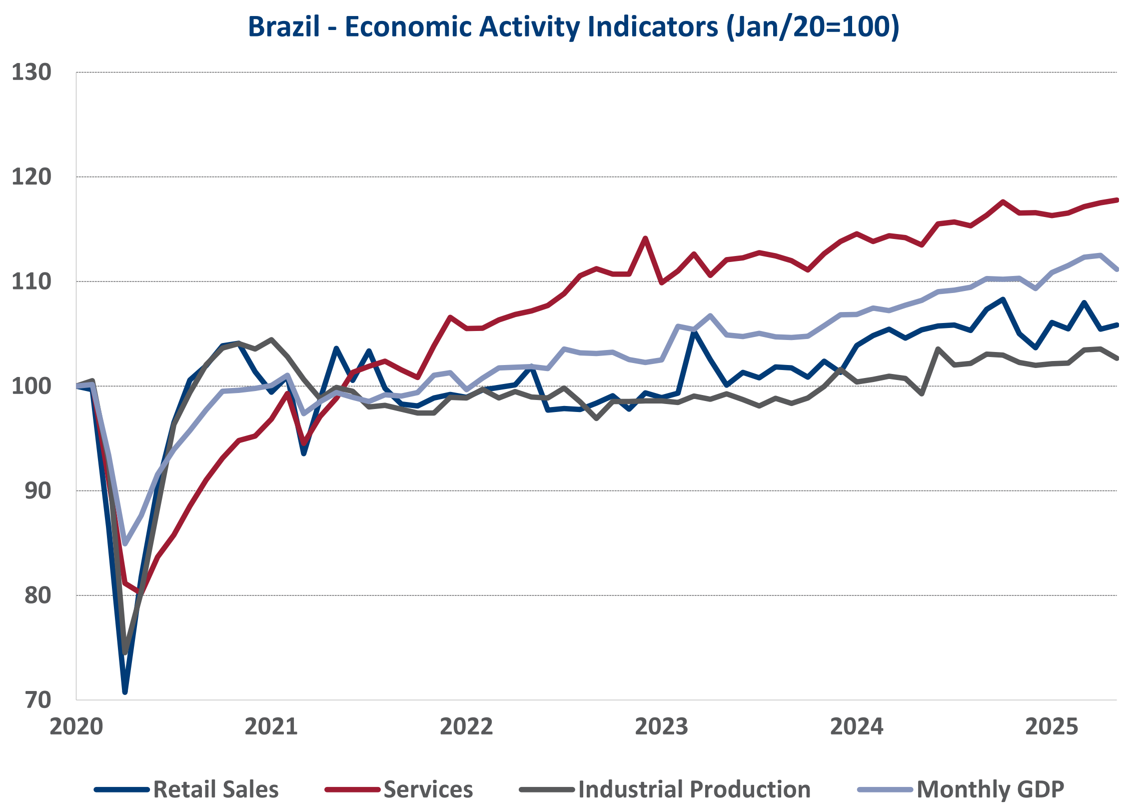
Brazil: Forecasts

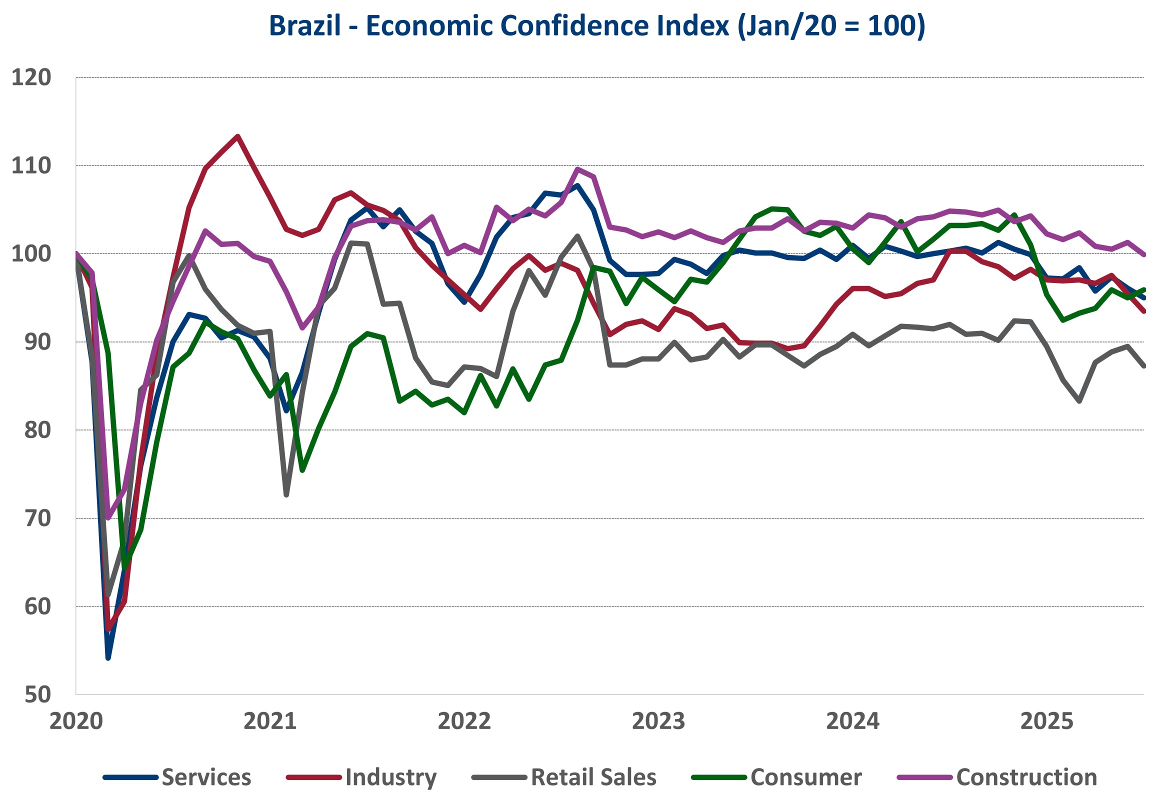
ECONOMIC FORECASTS	2020	2021	2022	2023	2024	2025F	2026F
GDP Growth (%)	-3.3%	4.8%	3.0%	2.9%	3.4%	2.3%	1.5%
Inflation (%)	4.5%	10.1%	5.8%	4.6%	4.8%	5.1%	4.1%
Unemployment Rate (eoy ,%)	14.2%	11.1%	7.9%	7.4%	6.2%	6.5%	7.0%
Policy Rate (eoy, %)	2.0%	9.3%	13.8%	11.75%	12.3%	15.00%	12.0%
External Accounts							
Trade Balance (US$ bn)	36	42	52	92	66	62	73
Current Account Balance (US$ bn)	-25	-40	-42	-28	-61	-65	-55
Current Account Balance (% of GDP)	-1.7%	-2.4%	-2.2%	-1.3%	-2.8%	-3.0%	-2.4%
Fiscal Policy							
Central Government Primary Balance (% of GDP)	-9.8%	-0.4%	0.5%	-2.1%	-0.4%	-0.5%	-0.7%
Government Gross Debt (% of GDP)	86.9%	77.3%	71.7%	74.4%	76.1%	80.3%	85.1%

Source: BOCOM BBM, IBGE

Brazil: Activity

- In June, industrial production result came slightly below expectations, increasing by 0.1% MoM. Otherwise, in May, along with modest rise on services (0.1% MoM), retail sales posted a moderate growth (0.3% MoM) showing signs of gradual slowdown in domestic demand. Summarizing this scenario, the IBC-BR showed a decrease of 0.7% MoM in the May.
- Looking ahead, the confidence surveys for the consumer sector grew in July, while services, industry, construction and retail sales contracted.



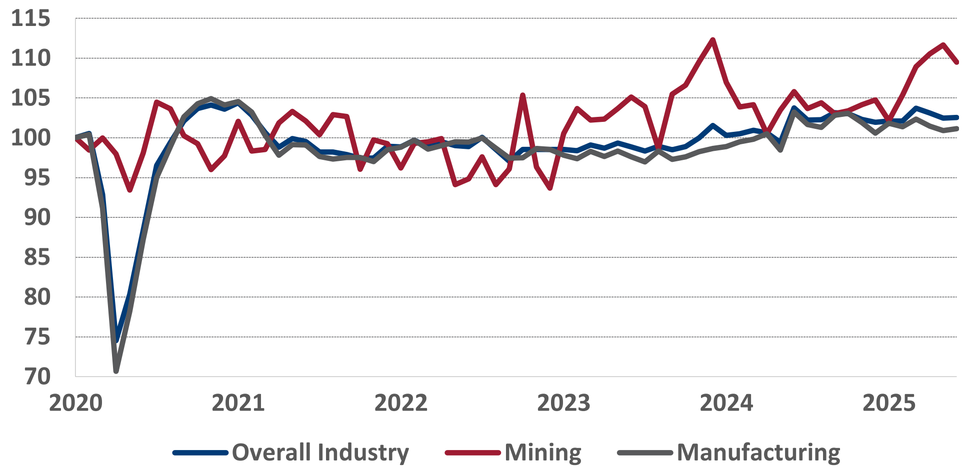


Source: BOCOM BBM, IBGE, FGV

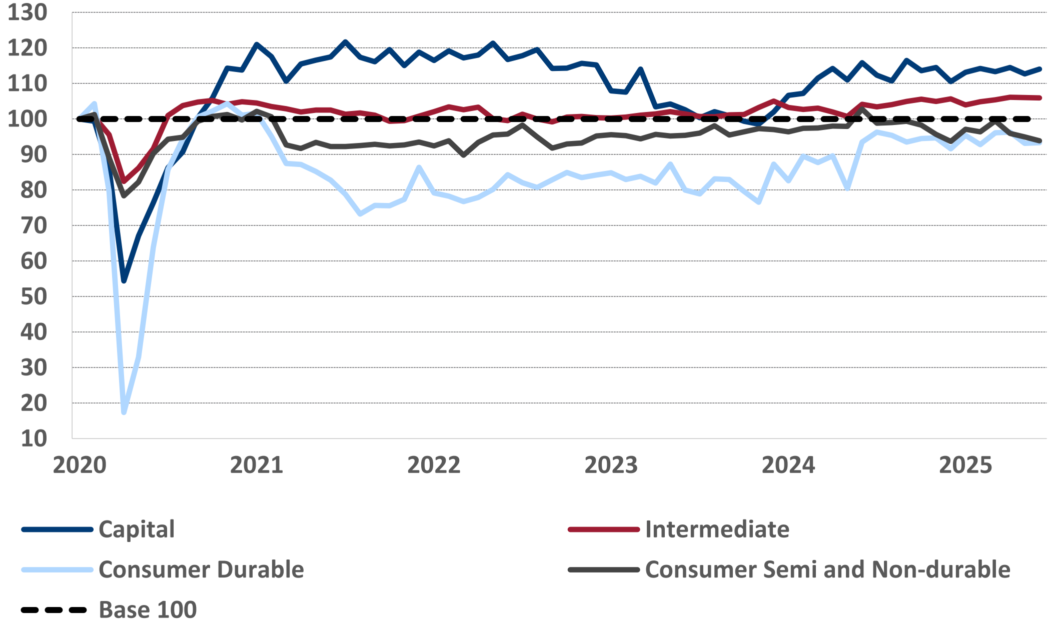
Brazil: Industrial Production

- Industrial output rose by 0.1% MoM in June, slightly below expectations (0.4% MoM). Overall industry edged up 0.1% QoQ in Q2 (0.5% YoY), reinforcing the case for a slowdown in domestic activity.
- The month's figures registered mixed results, with 2 out of the 4 major economic categories and 16 out of the 25 manufacturing activities growing in the monthly comparison.
- On the positive side, the category of Capital Goods increased for the second consecutive quarter (1.2% MoM) although losing steam amid the high-interest rate scenario. Besides, the category of Intermediate Goods grew significantly in Q2, despite the slight drop recorded in June.
- Overall, the Brazilian industry will continue to cool down. The end of spare capacity in most manufacturing categories and contractionary monetary policy take their toll. That said, the resilience of the labor market and short-term stimulus measures will prevent a sharper slowdown in the manufacturing sector.

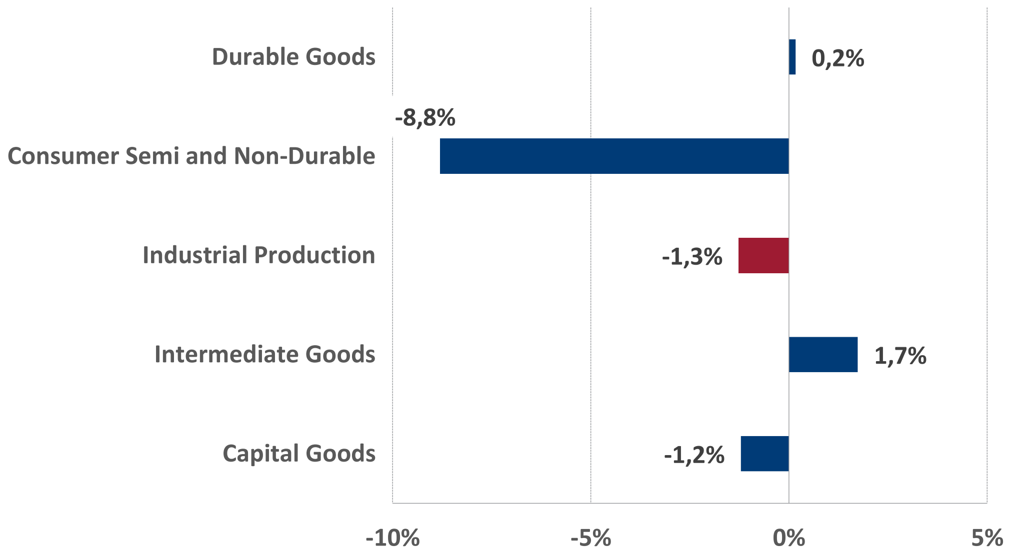
Industrial Production Index SA (Jan/20=100)



Industrial Production Index SA (Jan/20=100)



Industrial Production by Category - 06/2025 (YoY)

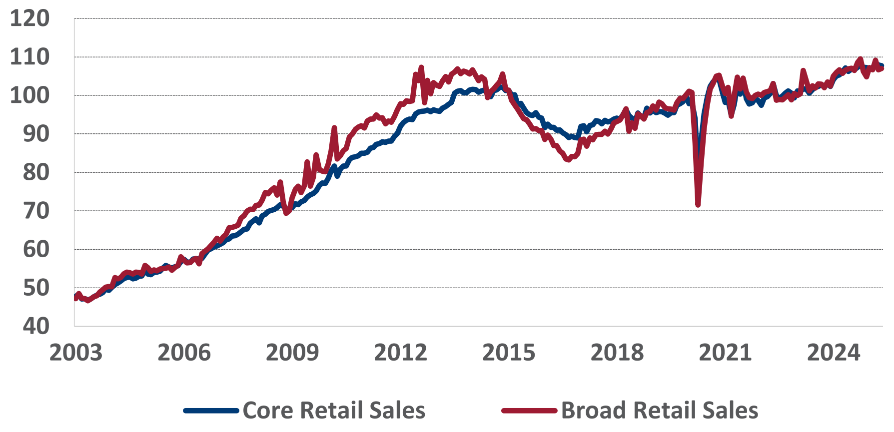


Source: IBGE, BOCOM BBM

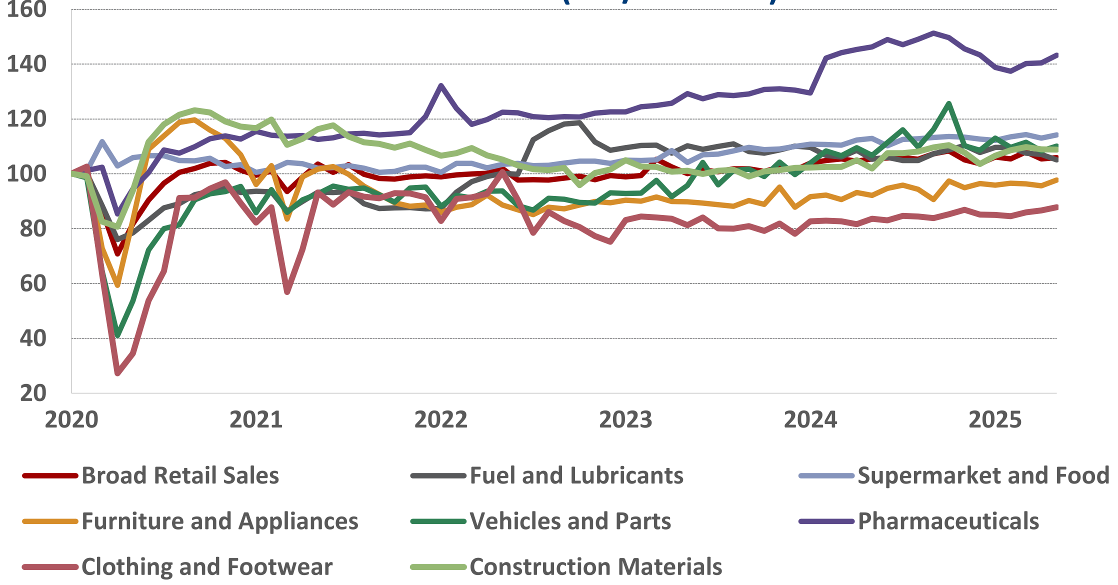
Brazil: Retail Sales

- Broad retail sales increased by 0.3% MoM in May, below expectations (1.0% MoM).
- In turn, core retail sales dropped 0.2% MoM, below market prospects (+0.2% MoM).
- In the breakdown, 6 out of 10 retail activities increased in the monthly comparison, with the highlights being the upward trend in office supplies (3.0% MoM) and in furniture and appliances (2.0% MoM). On the negative side, other articles of personal and domestic use (-2.1% MoM), books and magazines (-2.0% MoM) and fuels and lubricants (-1.7% MoM) performed badly.
- Retail sales have shown significant fluctuations in the recent period. In addition, tighter monetary policy effectiveness corroborates a gradual slowdown in domestic demand.
- Overall, credit-sensitive retail segments posted moderate growth, while income-sensitive ones were stable and should remain resilient in the short term.

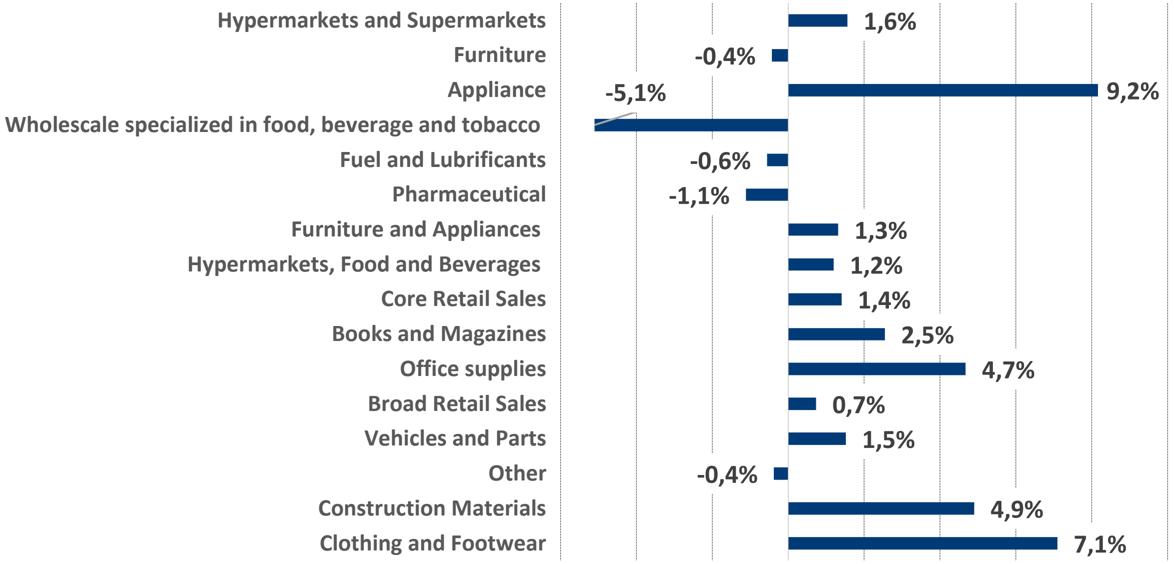
Broad Retail Sales SA x Core Retail Sales SA



Retail Sales - Index SA (Jan/20 = 100)



Retail Sales - YoY (05/2025)

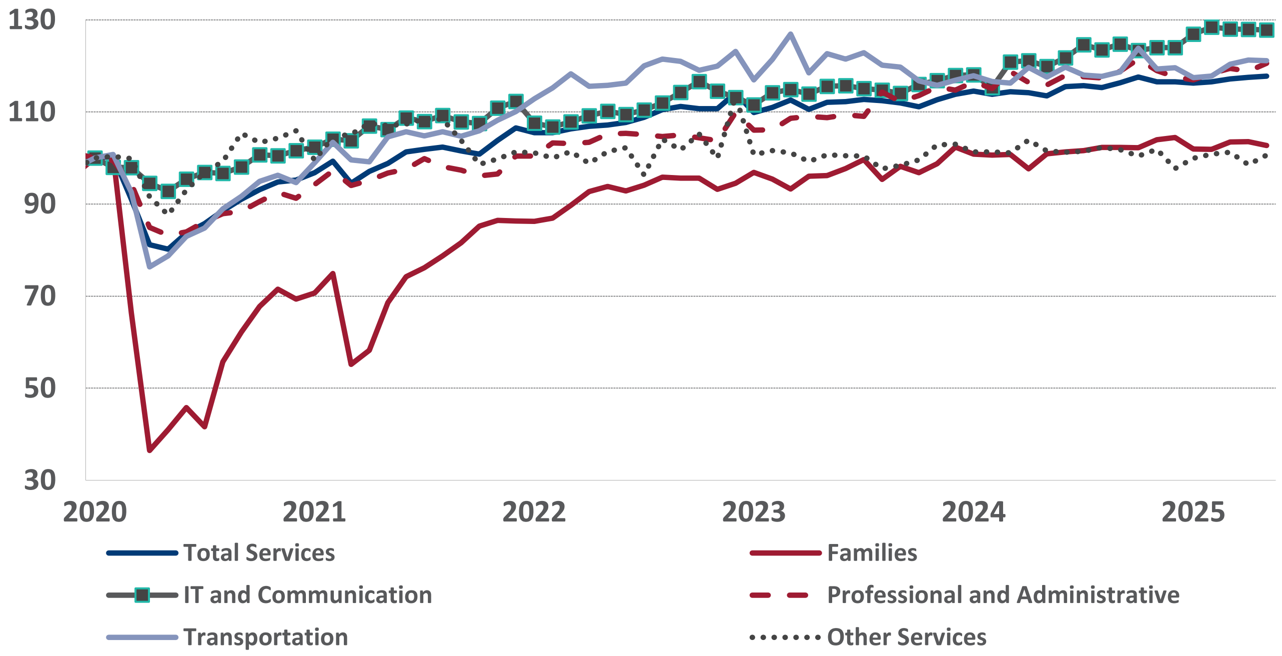


Source: IBGE, BOCOM BBM

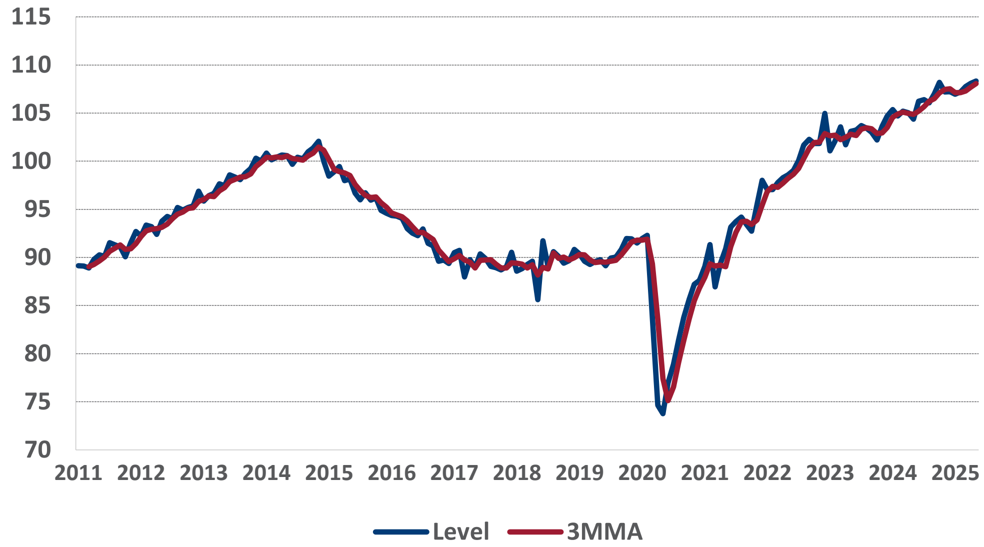
Brazil: Services

- Services output increased by 0.1% MoM in May, in line with market expectations of 0.2% MoM. In addition, the indicator rose by 1.0% QoQ in the moving quarter up to May.
- The lowlight went to services rendered to families (-0.6% MoM) and the decline in transportation and storage services (-0.3% MoM), ending a streak of three consecutive advances.
- On the positive side, professional, administrative and complementary services resumed growth (0.9% MoM) after a disappointing performance in April, mainly driven by technical-professional services.
- Overall, the tertiary sector continues to grow, albeit at a moderate pace. Still operating at historically high levels, the sector is showing some resilience, even amid a significantly contractionary monetary policy.

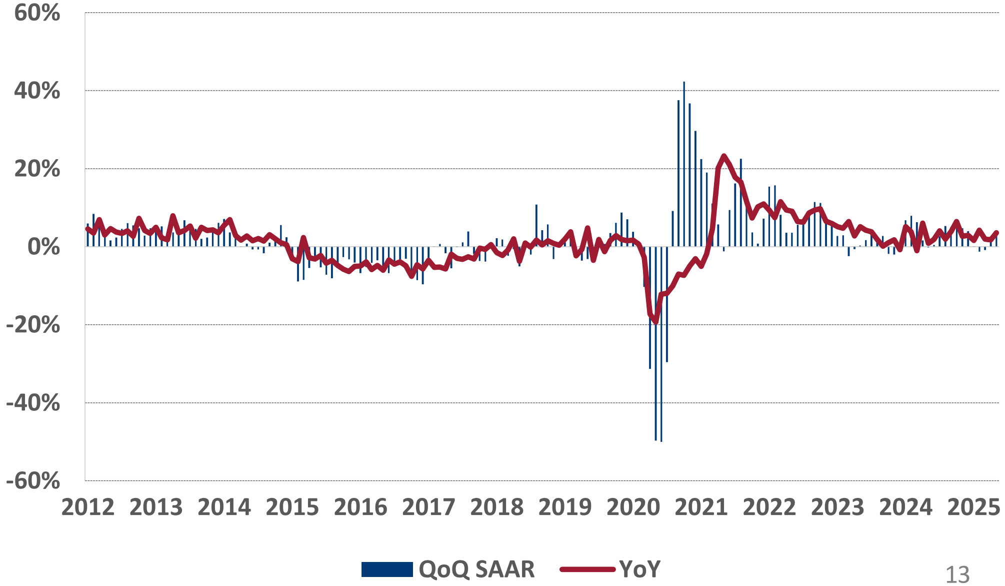
Services Sector SA (Jan/20=100)



Services Sector SA



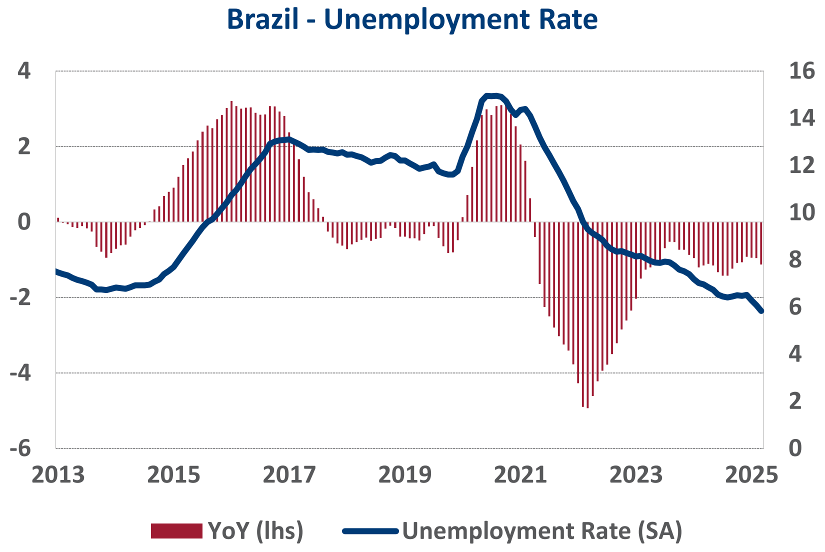
Services Sector

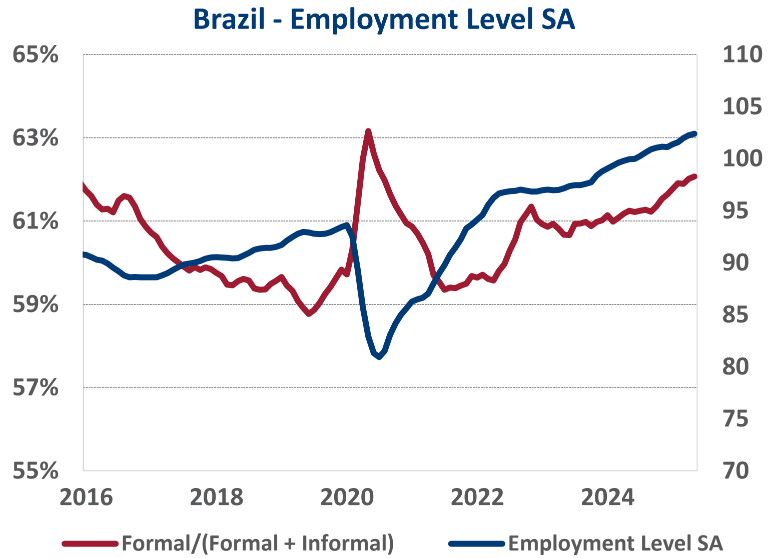


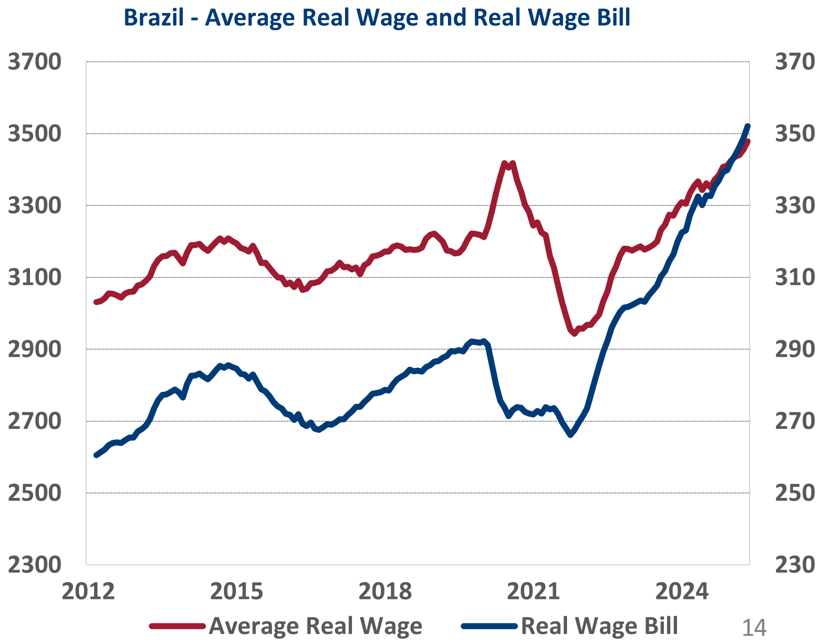
Source: IBGE, BOCOM BBM

Brazil: PNAD

- The unemployment rate fell to 5.8% in Q2, from 6.2% in the moving quarter up to May.
- Seasonally adjusted, the indicator dropped to 5.6% in June from 5.8% in May, remaining at a historically low level.
- Total employment increased by 0.2% MoM, standing at 102.5 million, while labor marginally edged down 0.1% MoM, reflecting the resilience of economic activity and a still tight labor market.
- The labor force participation rate remained stable around 62.4%, still below pre-pandemic levels of 63.5%.
- The average real wage kept increasing significantly, this time by 0.70% MoM, marking the ninth gain in a row.
- In turn, real aggregated labor income increased 0.9% MoM in June.





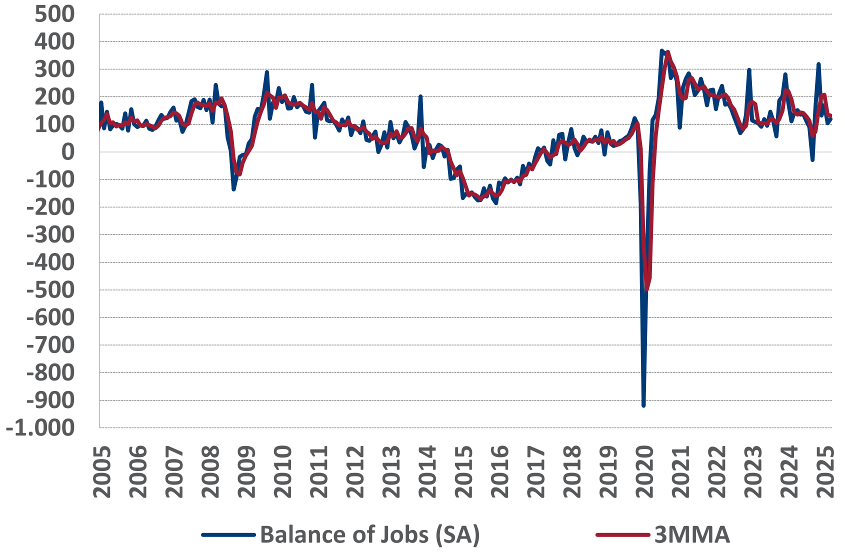


Source: IBGE, BOCOM BBM, MTE

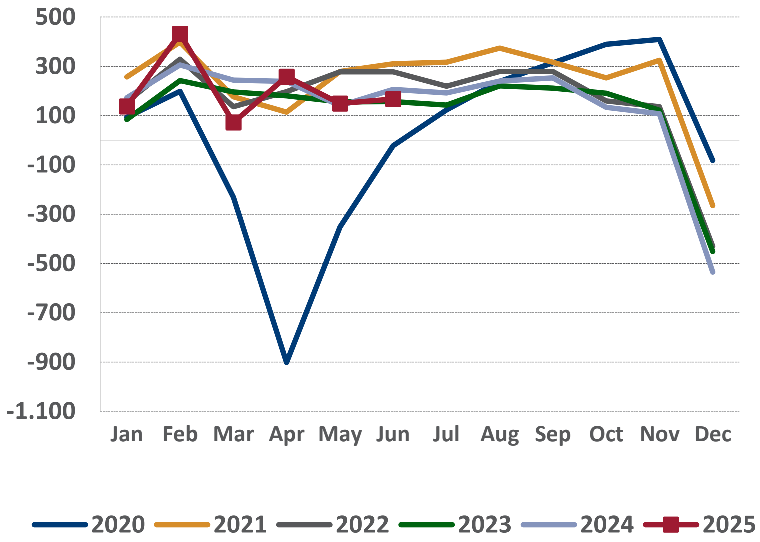
Brazil: Formal Labor Market

- CAGED registered a net creation of 166k formal jobs in June, below market expectations (177k).
- There was a net addition of 1.225 million occupations from January to June 2025, close to 1.310 million in the same period of 2024. The 12-month rolling sum reached 1.590 million jobs.
- Formal job hiring fell by 3.5% MoM in June (-0.5% QoQ).
- In all, job creation should continue to lose steam throughout the second half of the year, in line with the cooling of sectors more sensitive to monetary policy tightening.

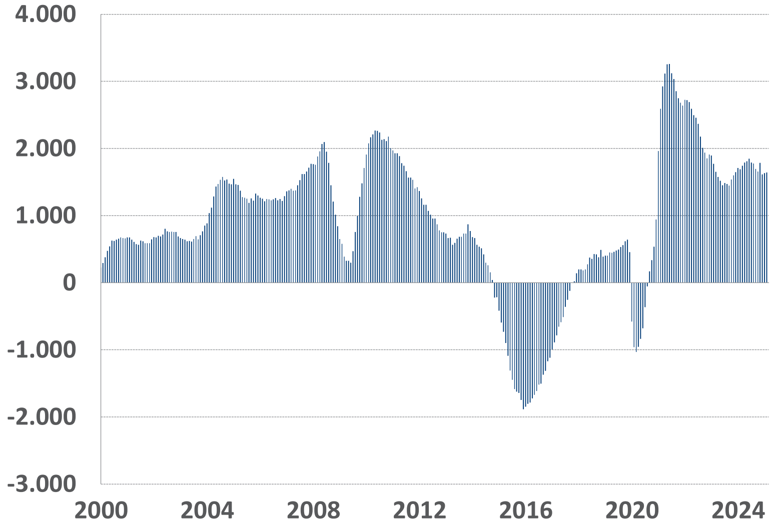
CAGED - Balance of Jobs (SA, Thousand)



CAGED - Balance of Jobs (Thousand)



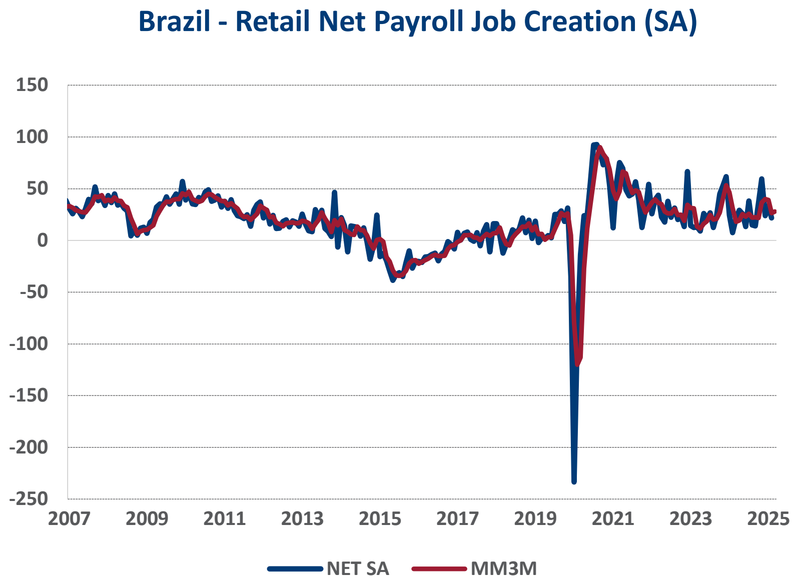
CAGED – Balance of Jobs 12 Months Acc. (Thousands)

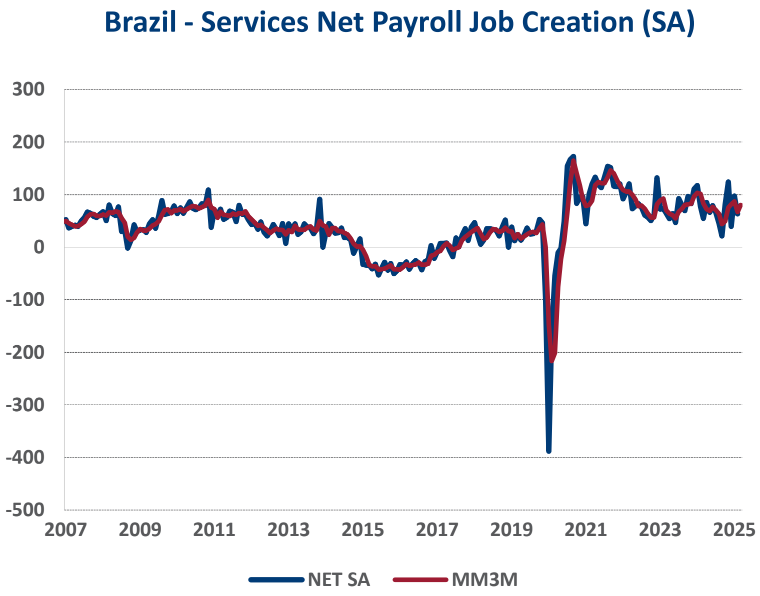


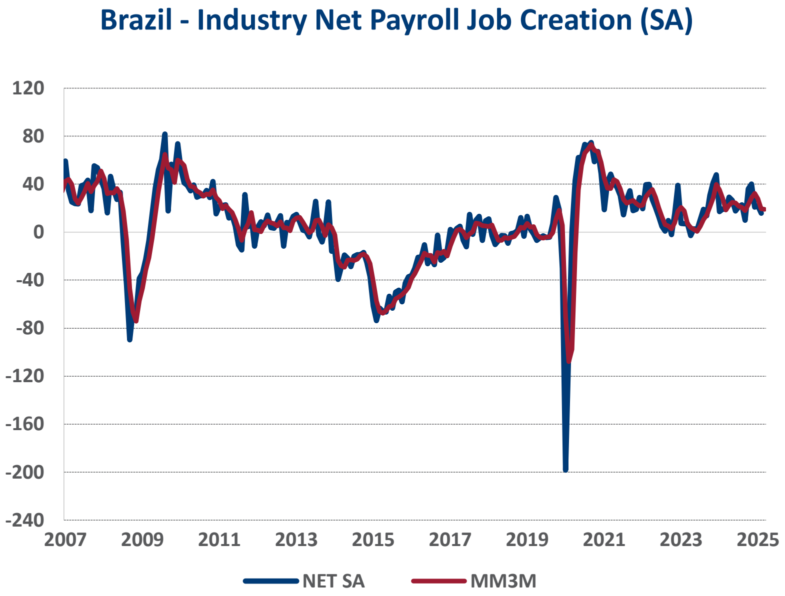
Source: BOCOM BBM, MTE

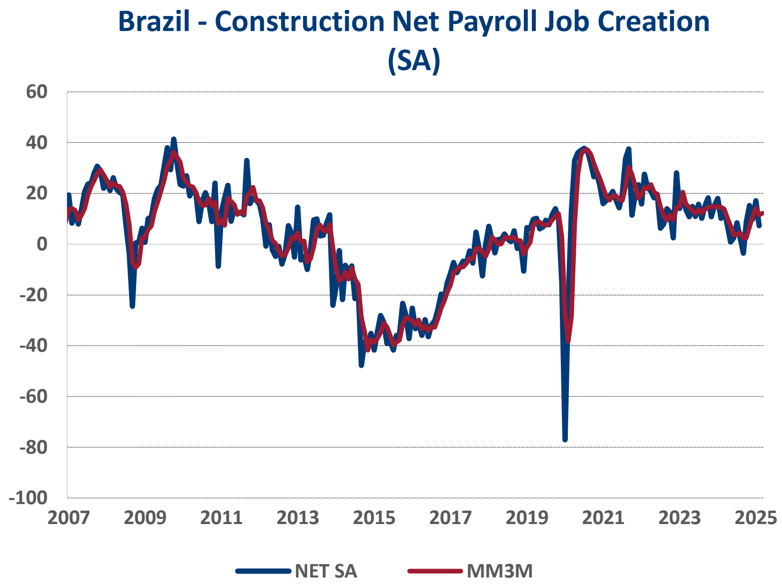
Brazil: Formal Labor Market

- Most sectors weakened in June, while tertiary sector shows resilience.
- The net addition in the services sector totaled 70k jobs in June, after 64k in May.
- Other activities lost strength in the monthly comparison.
- The retail (to 25k from 36k), construction (to -2k from 6k), manufacturing industry (to 11k from 22k) and agriculture & livestock (to -6k from 1k) sector presented deceleration.
- Overall, the tight labor market scenario remains, even though formal employment is gradually slowing down.







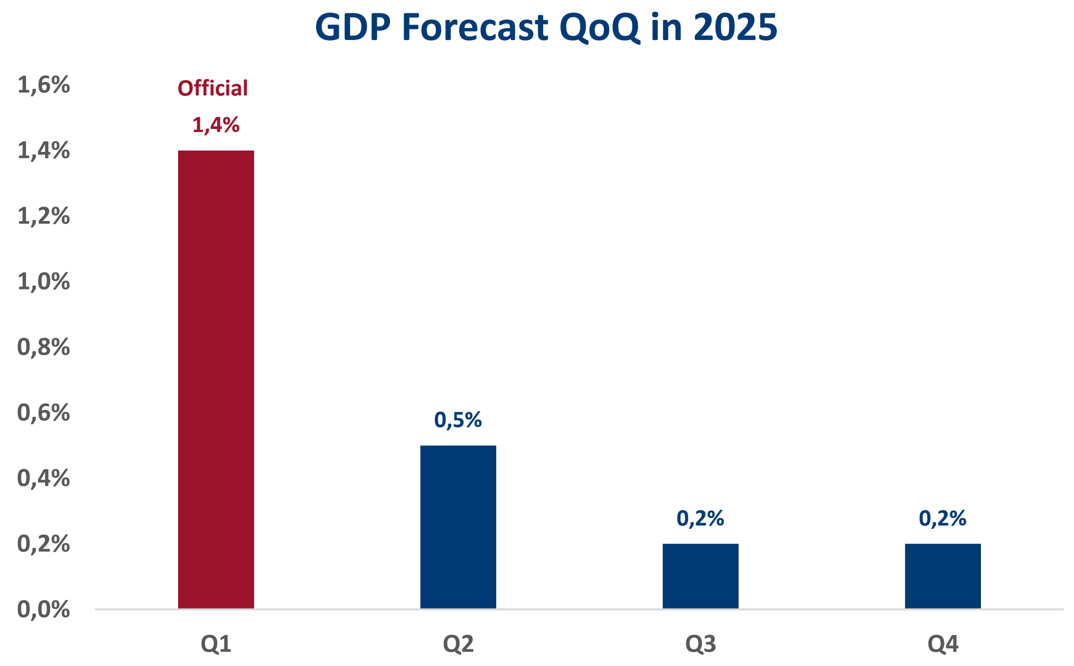


Source: BOCOM BBM, MTE

Brazil: GDP Forecast

- Economic activity remains resilient, but with incipient sign of slowdown, in line with expectation.
- Labor market remain robust, with low unemployment rate and substantial rise in real aggregate labor income.
- In our view, growth in 2025 should register 2.3%, with downside risks after US tariffs increase on Brazil exports.
- By 2026, the lagged effects of monetary policy should be more significant, reducing growth to 1.5% in the absence of new fiscal measures.

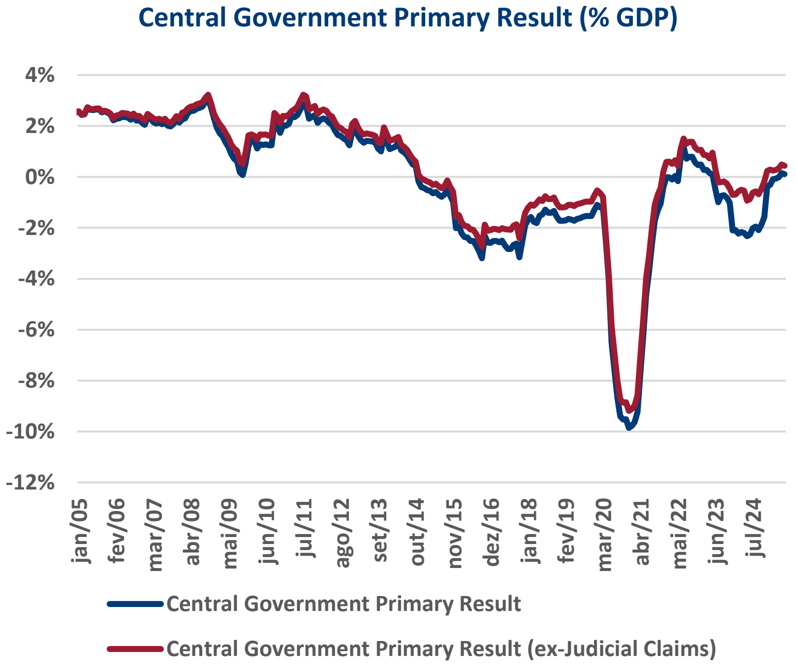
Forecast				
	2025.II QoQ	2025.II YoY	2025	2026
GDP	**0,5%**	**2,5%**	**2,3%**	**1,5%**
Agriculture	**-0,2%**	**10,0%**	**7,9%**	**4,2%**
Industry	**1,1%**	**1,9%**	**2,4%**	**1,2%**
Mining	4,2%	7,0%	7,9%	4,8%
Manufacturing	-0,1%	0,5%	1,0%	0,2%
Electricity	1,6%	1,0%	1,8%	1,9%
Civil Construction	0,4%	2,0%	2,0%	0,8%
Services	**0,3%**	**1,9%**	**1,7%**	**1,5%**
Retail	0,1%	1,5%	1,5%	0,8%
Transports	1,2%	1,0%	0,9%	0,7%
Information and Communication	0,7%	5,8%	5,3%	3,3%
Financial Services	1,0%	1,5%	1,6%	1,1%
Rents	0,6%	2,7%	2,8%	2,9%
Other Services	0,0%	2,2%	1,6%	1,2%
Public Administration	0,1%	1,0%	0,9%	1,4%

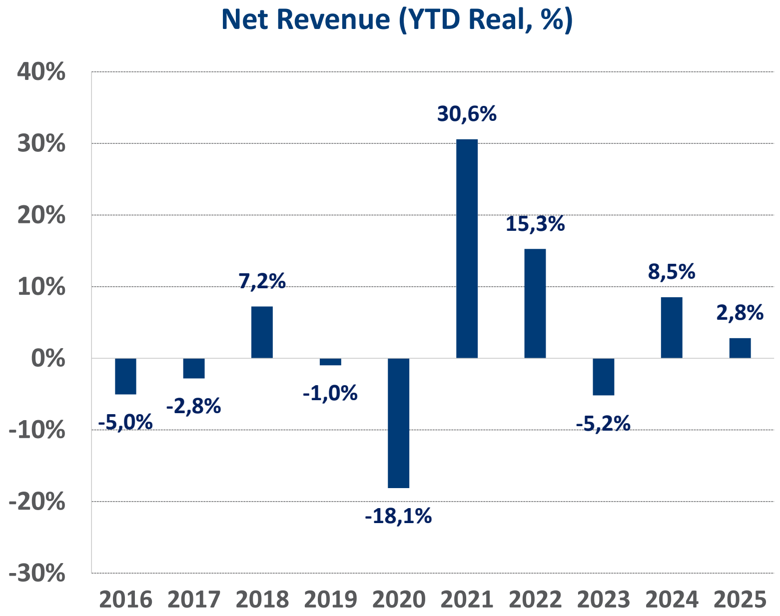


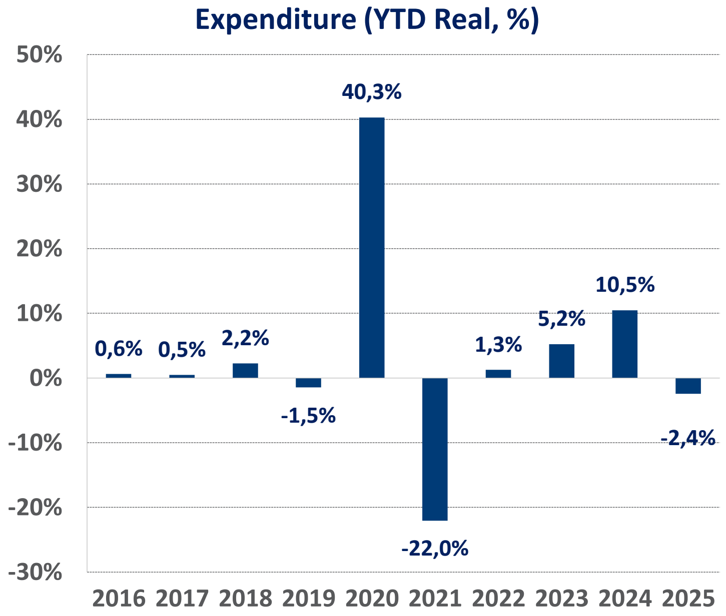
Source: BOCOM BBM, IBGE

Brazil: Central Government Primary Result

- The central government's primary balance posted a deficit of BRL 44.3 billion in June, above the market consensus (BRL 41.1 billion).
- Net revenues grew by 2.1% YoY in real terms, mainly driven by financial transactions tax (40.3%), income tax (7.5%) and import tax (16.1%). On the negative side, there was a decline in PIS/Cofins revenue (-8.5%) and in dividends and shareholdings (-67.9%). Year-to-date, net revenue grew 2.8%.
- Total expenditure rose by 1.6% YoY in real terms. The change was partly explained by the increase in social security benefits (5.7%) and BPC/LOAS (11.9%), due to acceleration on benefits concessions along with salary wage and unemployment insurance (18.1%). On the other hand, extraordinary credits fell by 95.3% due to the Rio Grande do Sul natural disaster last year without any correspondence this year, and discretionary expenditures (-34.8%).
- Year-to-date, total expenditure fell by 2.4% mostly due to the change in the payment calendar for court-ordered debts but also due to a lower execution of discretionary spending (-21.2%) and extraordinary credits (-82.1%).
- Overall, June's deficit was pushed by higher expenditures. We draw attention to the fact that the reduction in the backlog of social security benefits and BPC/LOAS claims is already beginning to put pressure on spending, a trend that we expect to continue in the coming months.



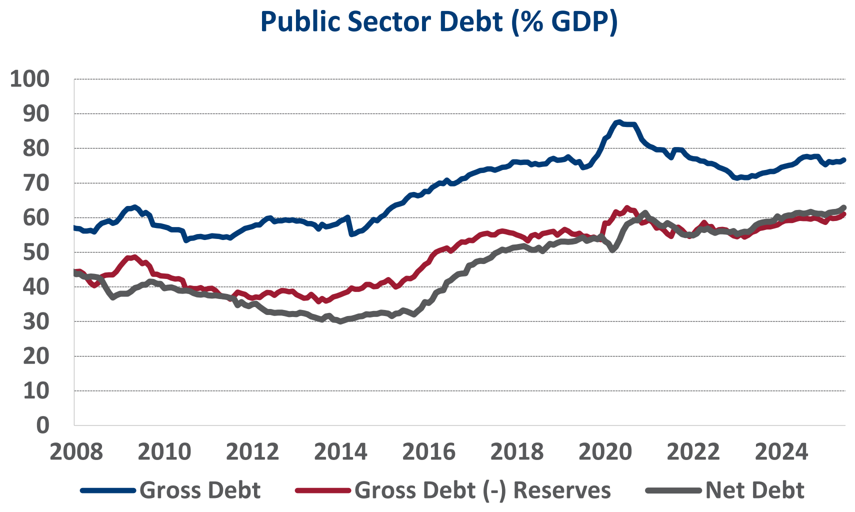


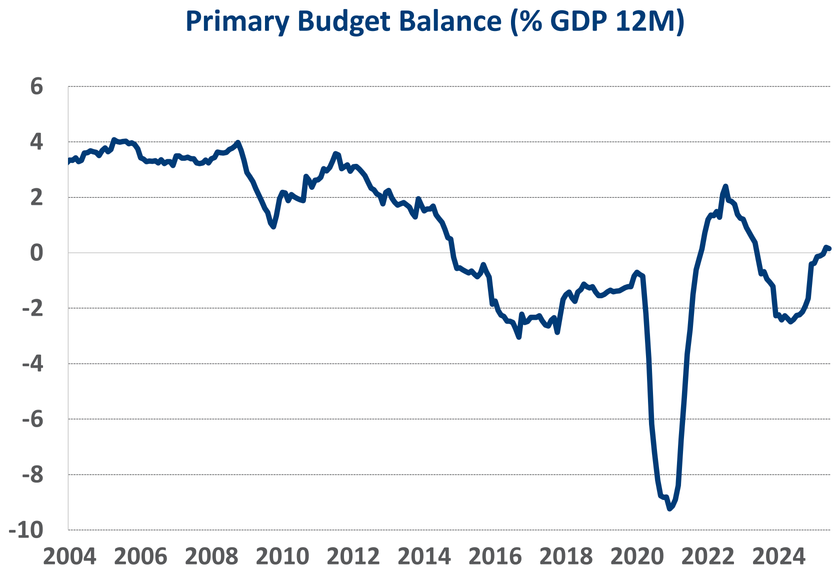


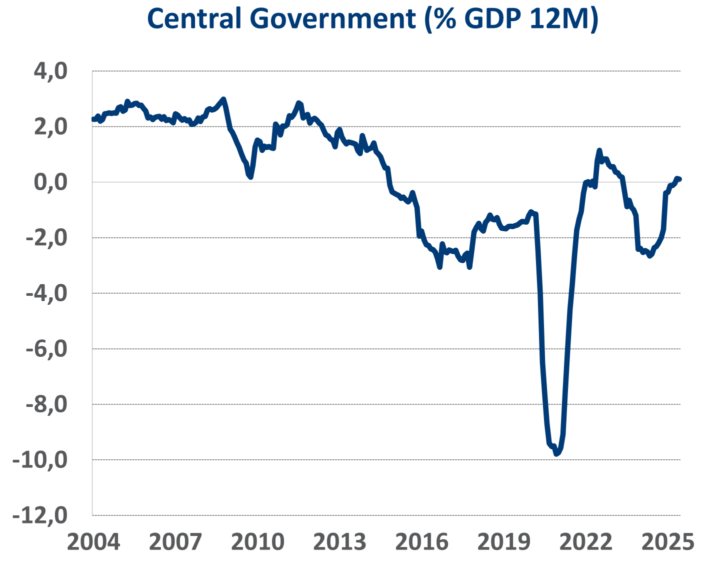
Source: BOCOM BBM, RTN

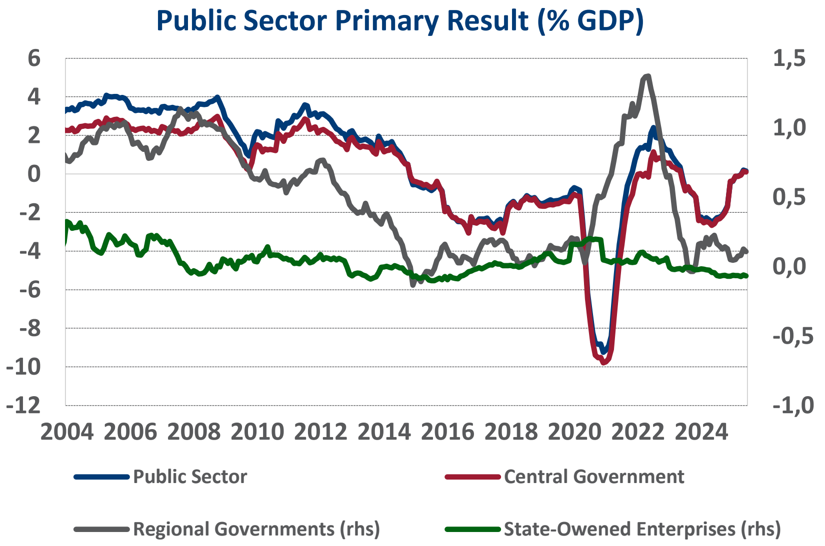
Brazil: Consolidated Public Sector Budget

- The consolidated public sector posted a primary deficit of BRL 47.1 billion in June, below the market consensus (deficit of BRL 41.0 billion).
- Regarding the breakdown, Central government, regional governments and state-owned enterprises (SOE) registered deficits of BRL 43.5 bn, BRL 0.9 bn and 2.6 bn, respectively.
- General Government Gross Debt (GGGD) rose from 76.1% to 76.6% of GDP, with nominal interest (+0.7 p.p.) being the main driver of this growth, while nominal GDP growth (-0.5 p.p.) partially offset it.



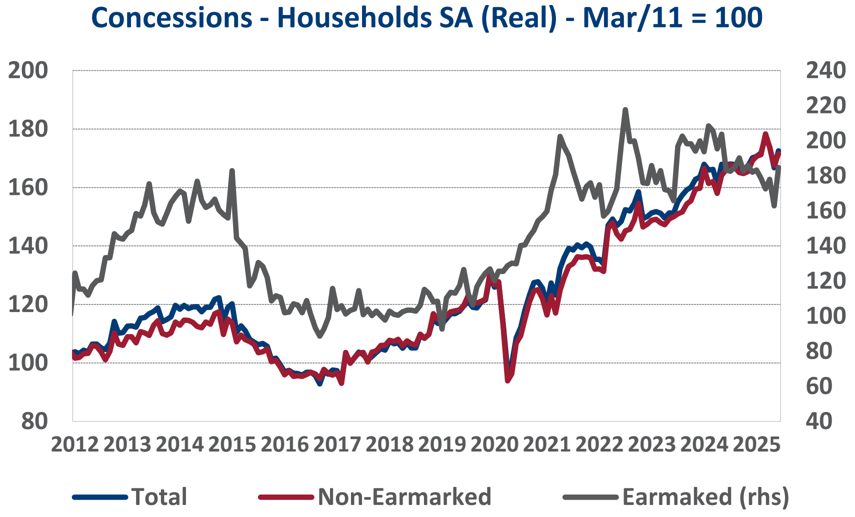


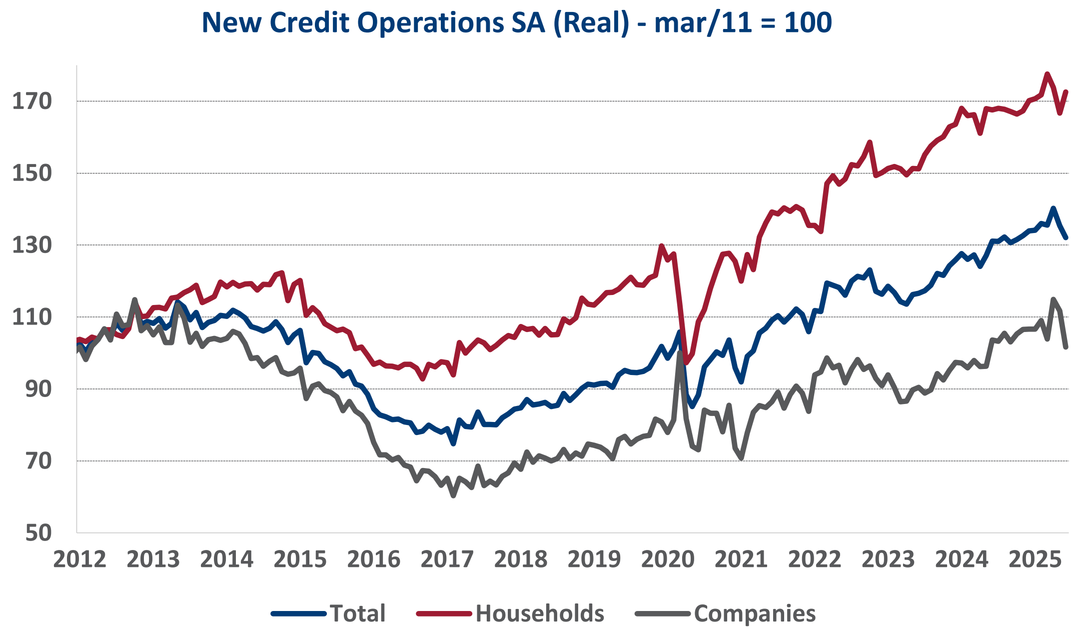


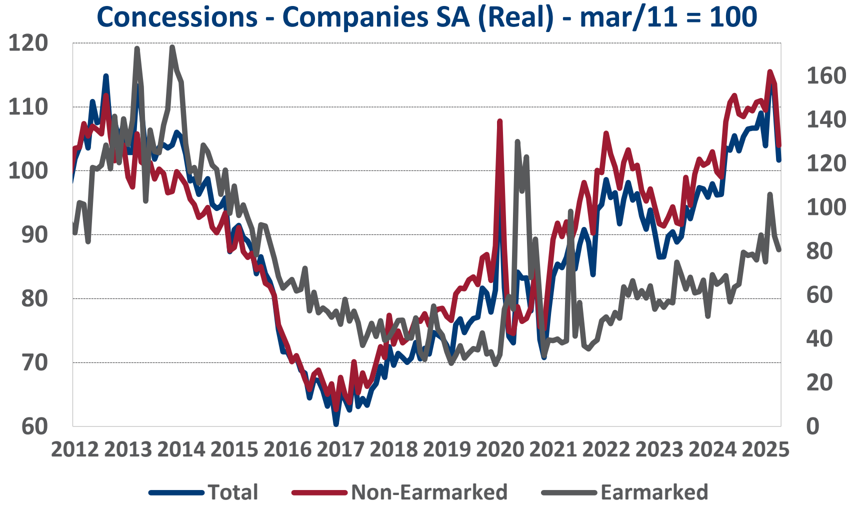


Brazil: Credit Statistics

- In June, total credit concessions decreased by 2.4% MoM in real terms, after falling by 3.5% in the last month.
- Non-earmarked credit concessions increased 2.4% MoM in real terms to households and fell 8.5% MoM to companies.
- In June, the IOF tax reform may have had an additional impact, particularly on corporate receivables operations. Overall, credit data continue to show a slowdown in disbursements, rising delinquency, and higher borrowing costs—consistent with the lagged and cumulative effects of monetary policy.



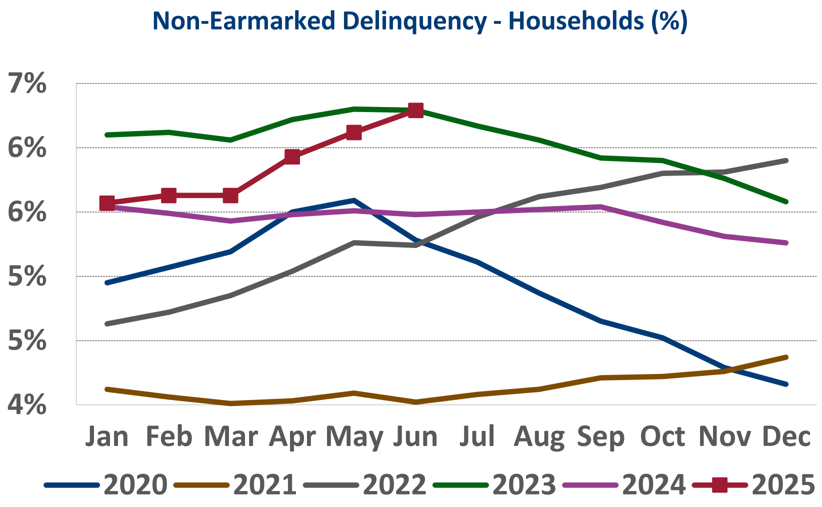


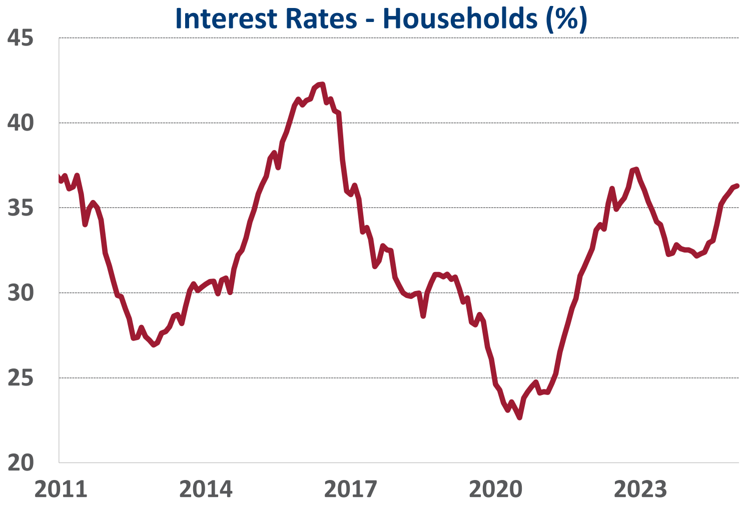


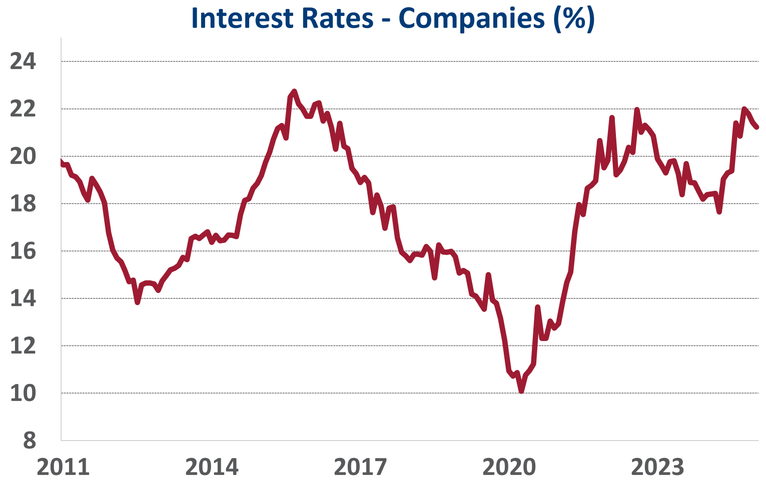
Source: BOCOM BBM, BCB

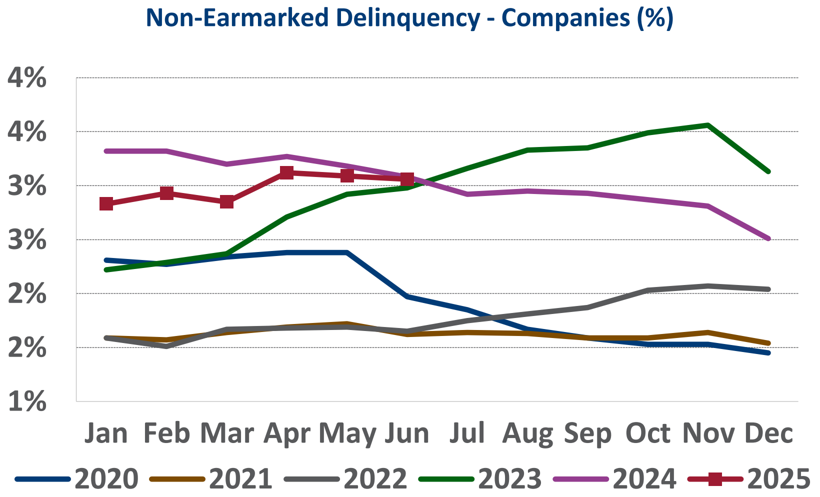
Brazil: Credit Statistics

- Lending rates reached historically high levels for households, rising to 36.3% in June from 36.2% in May, while for companies, rates declined to 21.2% from 21.4%.
- In turn, delinquency on non-earmarked loans increased for households (from 6.2% to 6.3%) and remained stable for companies (at 3.1%). The increase in June was concentrated in non-payroll personal loans, which rose from 7.2% to 7.5%, the highest level since June 2023.





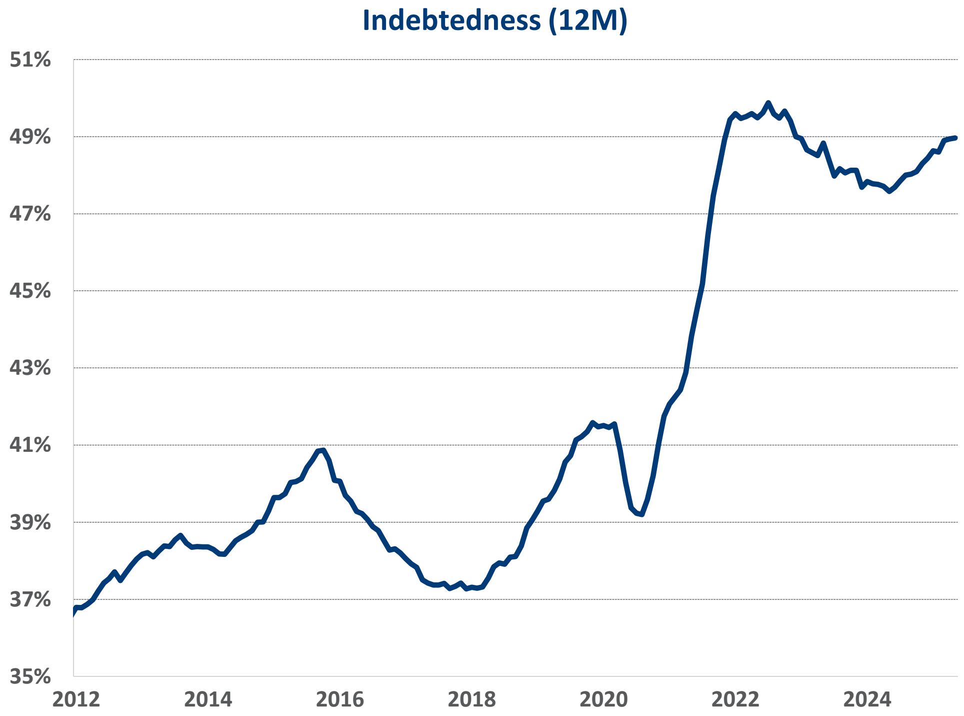


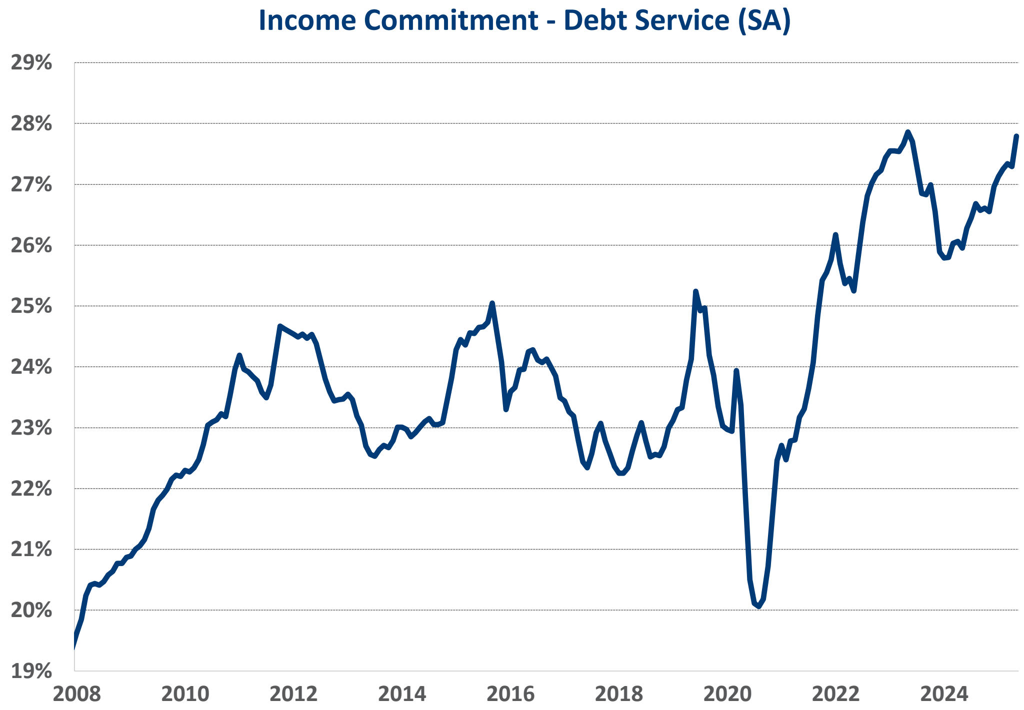


Source: BOCOM BBM, BCB

Brazil: Credit Statistics

- The household indebtedness remains high, staying marginally stable at 48.9% in May, compared to April.
- Meanwhile, income commitment remained stable, increasing marginally to a seasonally adjusted level of 27.8% in May, from 27.3% in April.
- Credit conditions should remain restrictive throughout the year, contributing to the economic slowdown.





Source: BOCOM BBM, BCB

Brazil: Inflation 2025

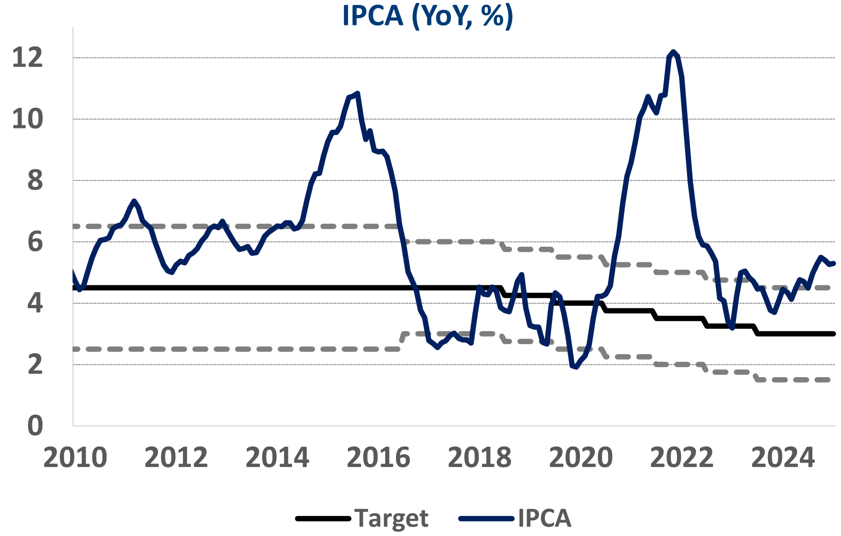
- July IPCA-15 rose by 0.33% MoM, in line with market expectations (0.31% MoM). The 12-month variation slowed down from 5.27% in June to 5.30% in July.

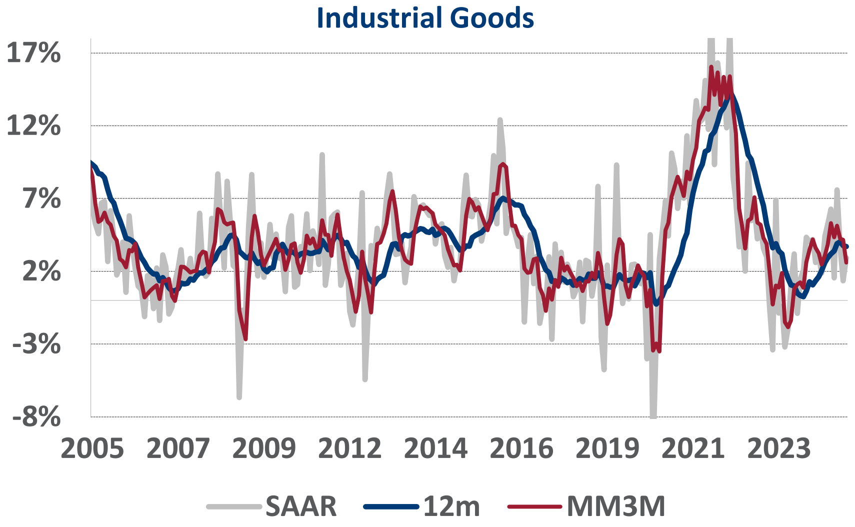
- Downward surprises were concentrated in residential electric power and industrial goods.

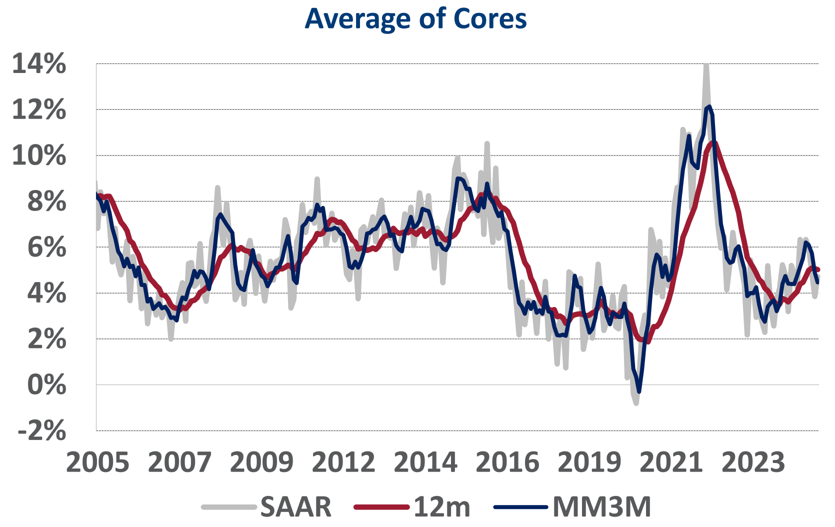
- Core services advanced 0.45% MoM, slightly above forecasts, and the 3M SAAR fell from 6.1% to 5.5% continuing at worrisome levels.

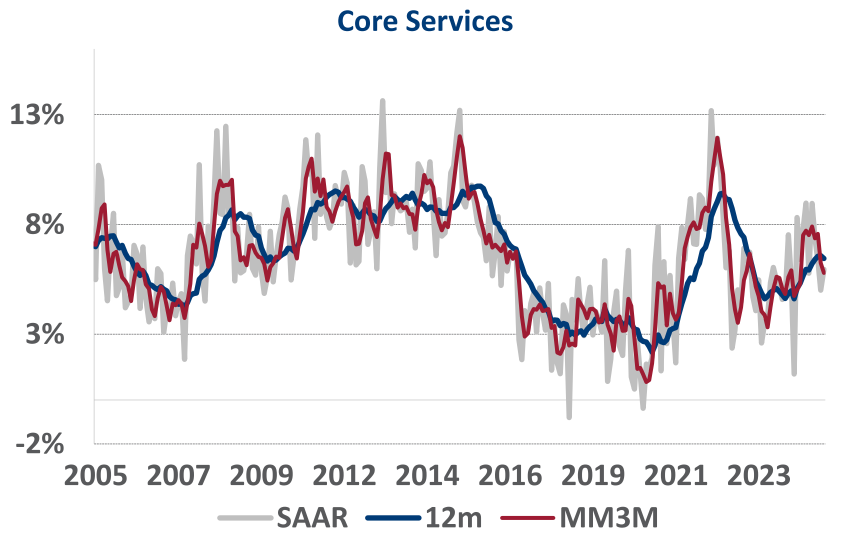
- The average of core inflation increased by 0.29% MoM, in line with expectations, with its 3M SAAR at 4.6%.

- In all, July IPCA-15 presented, widespread relief in market-set prices.





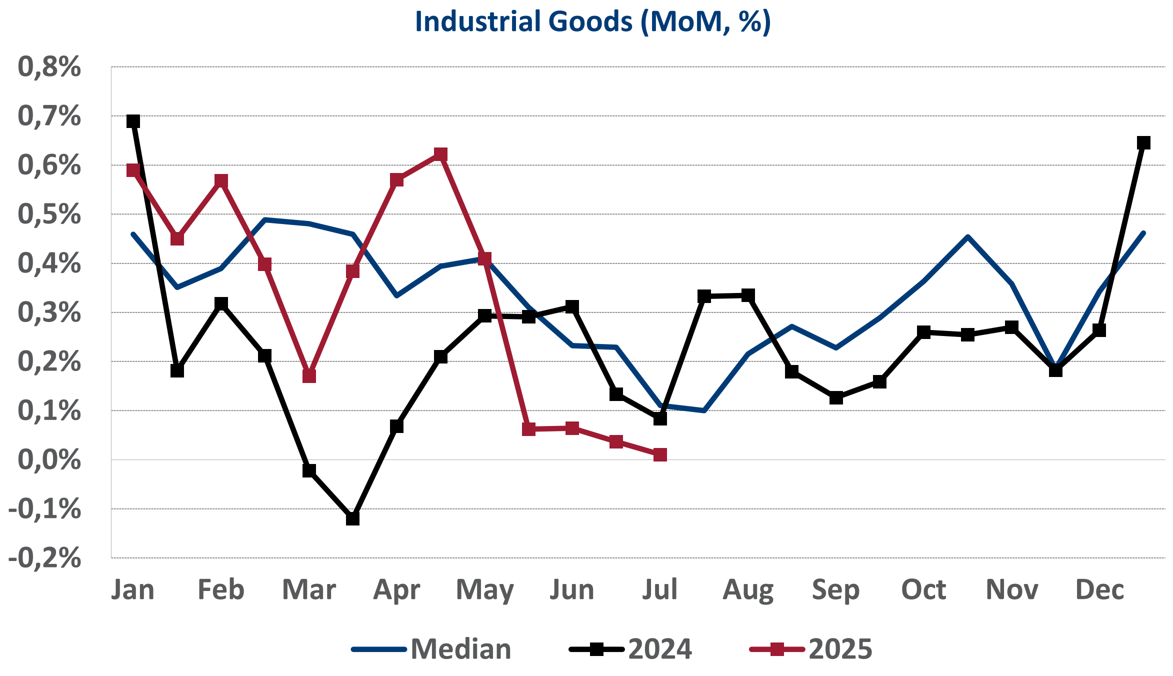


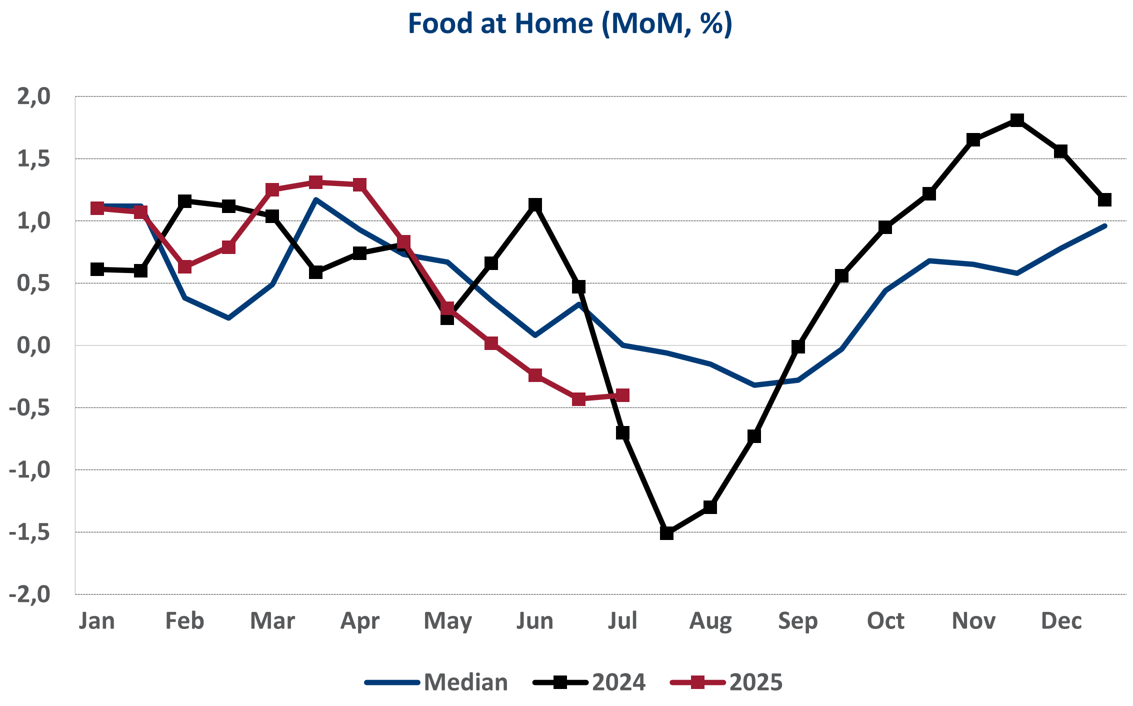


Source: BOCOM BBM, IBGE

Brazil: Inflation 2025

- Industrial goods increased by 0.01% MoM, significantly below estimates. The 3M SAAR decreased from 3.4% last month to 2.6% in July.
- Foodstuff prices decreased by 0.40% MoM, in line with expectations. Items such as fresh foods, cereals and protein contributed to the drop.
- The recent benign dynamics of the BRL have materialized in weak readings for industrial goods inflation in recent months.





Source: BOCOM BBM, IBGE

Brazil: Inflation

- We kept out inflation forecast at 5.1% for this year and at 4.1% for 2026.
- Better perspectives for tradables due to BRL appreciation, cheaper industrial goods coming from China and high-interest rate differential.

IPCA (%, annual)

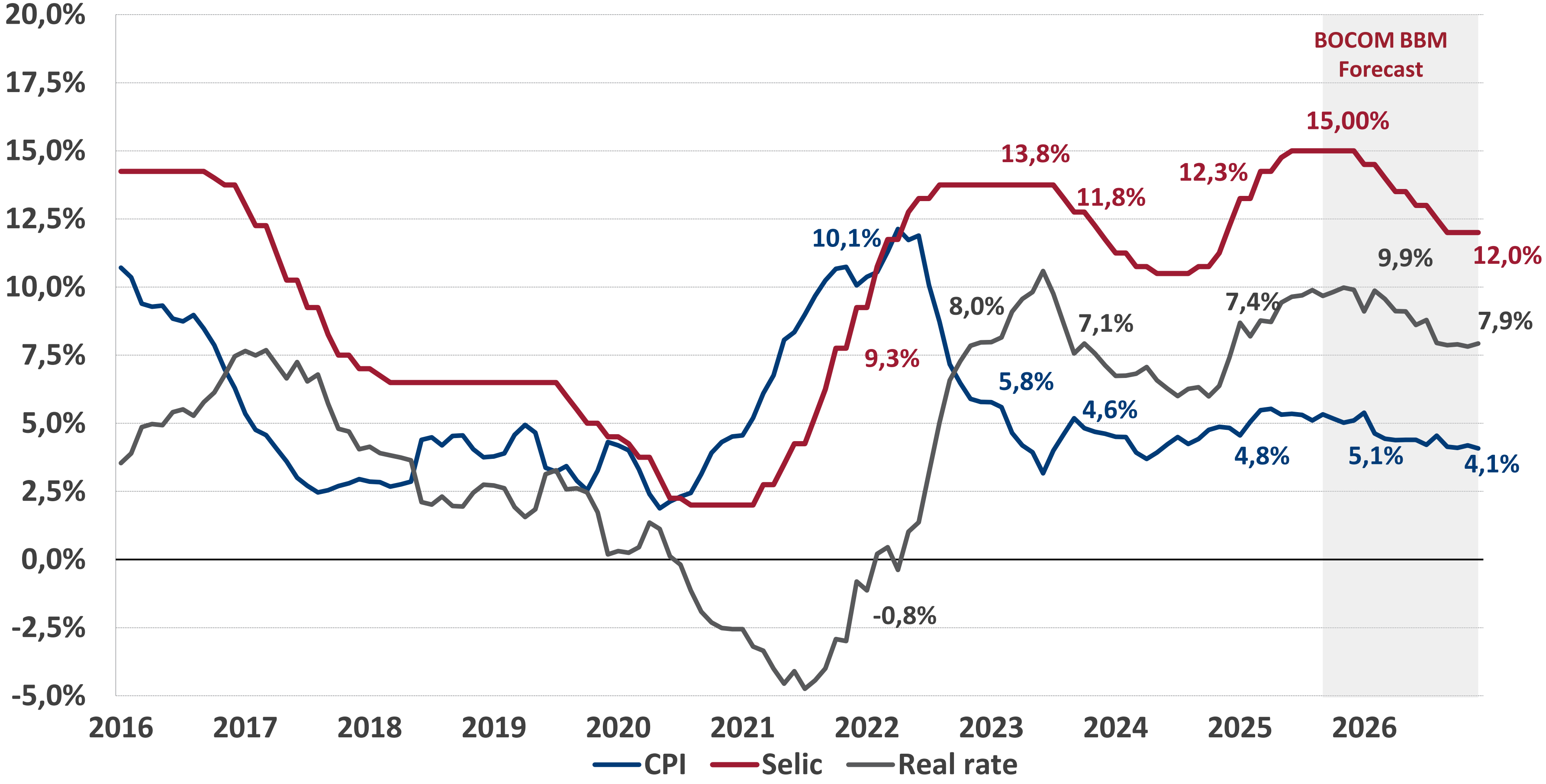
	Weight	2019	2020	2021	2022	2023	2024	2025	2026
Regulated	**26.6**	**5.5**	**2.6**	**16.9**	**-3.8**	**9.1**	**4.7**	**4.8**	**3.9**
Industrial goods	**23.6**	**1.7**	**3.2**	**11.9**	**9.5**	**1.1**	**2.9**	**3.2**	**2.6**
Durable goods	10.3	0.0	4.5	12.9	6.1	-0.4	1.5	1.8	-
Semi-durable goods	5.9	0.6	-0.1	10.2	15.7	2.7	2.1	3.6	-
Non-durable goods	7.3	4.4	4.0	11.9	9.5	1.7	5.4	4.5	-
Food at home	**15.7**	**7.8**	**18.2**	**8.2**	**13.2**	**-0.5**	**8.2**	**6.7**	**4.8**
Services	**34.1**	**3.5**	**1.7**	**4.8**	**7.6**	**6.2**	**4.6**	**5.9**	**4.9**
Food away from home	5.6	3.8	4.8	7.2	7.5	5.3	6.3	6.7	5.2
Related to minimum wage	5.2	2.9	1.5	3.3	6.3	5.2	5.0	6.7	5.2
Sensitive to economic activity	8.2	2.4	0.2	5.1	6.3	9.5	0.9	5.5	4.9
Inertial	15.0	4.3	1.6	4.2	8.8	5.1	6.0	5.5	4.6
IPCA		**4.3**	**4.5**	**10.1**	**5.8**	**4.6**	**4.8**	**5.1**	**4.1**

Source: BOCOM BBM, IBGE

Brazil: Monetary Policy

- Concerning monetary policy, the Brazilian Central Bank (BCB) kept the Selic rate at 15.00% p.a. at its July meeting, in line with our expectations. BCB inflation projections six trimesters ahead stand at 3.4 % in the first quarter of 2027 in a scenario where rates stay at 15.00% until the end of 2025 and reach 12.5% in 2026. Looking forward, the committee repeated that the plan is to keep the current restrictive stance of monetary policy for a “very prolonged period”. The balance of risks also remained unchanged, indicating that risks continue to be elevated in both directions. In all, the statement describes the global outlook as “more adverse and uncertain” and added that it will closely monitor the impacts of higher US tariffs on Brazil.

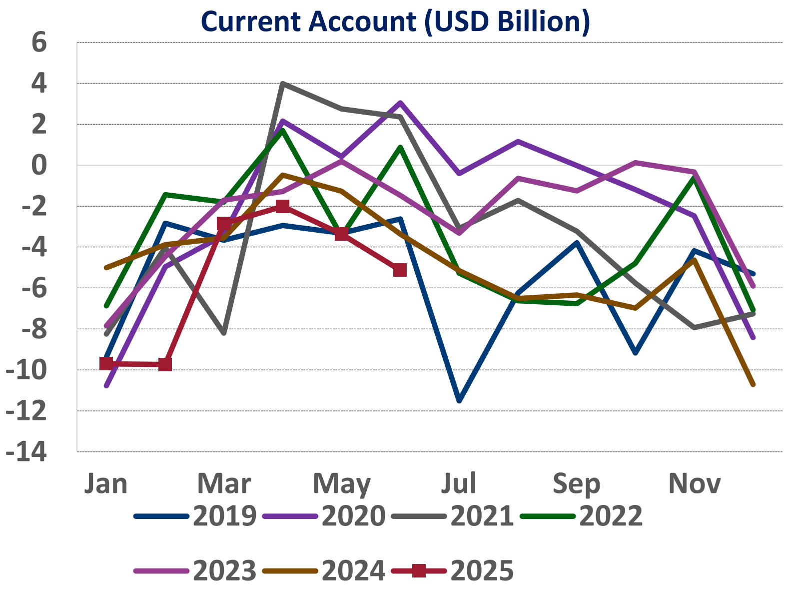
CPI, Selic Rate and Real Ex-post Interest Rate (YoY, %)

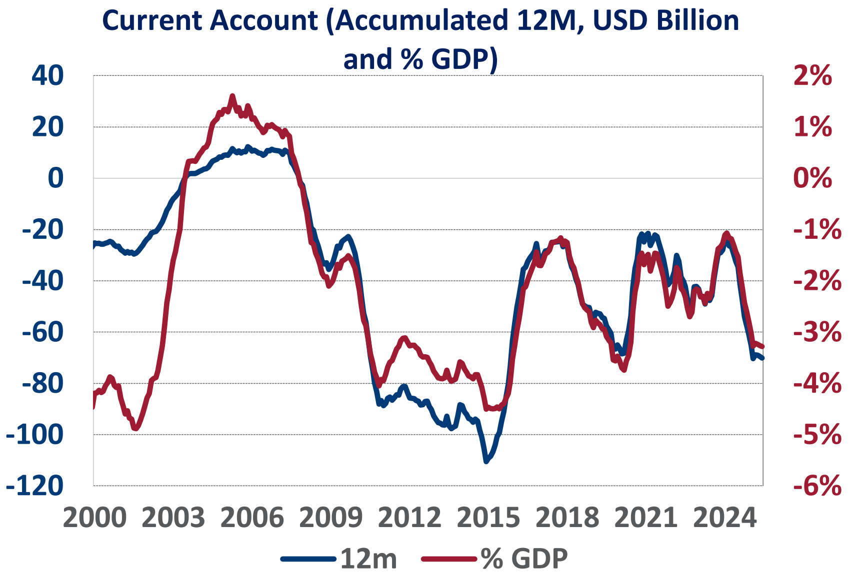


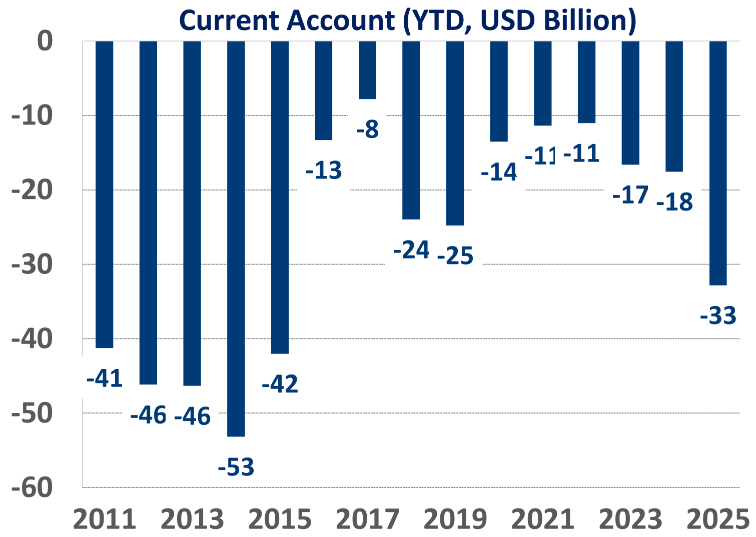
Source: BCB, BOCOM BBM, IBGE

Brazil: Balance of Payments

- The Brazilian current account recorded a deficit of USD 5.1 billion in June 2025, worse than market expectations (USD -4.4 billion).
- On a 12-month basis, the deficit reached USD 73.1 billion (3.42% of GDP) from USD 71.4 billion (3.35% of GDP) in May.
- Overall, the services balance still reflects strong domestic absorption, though some moderation is expected going forward.





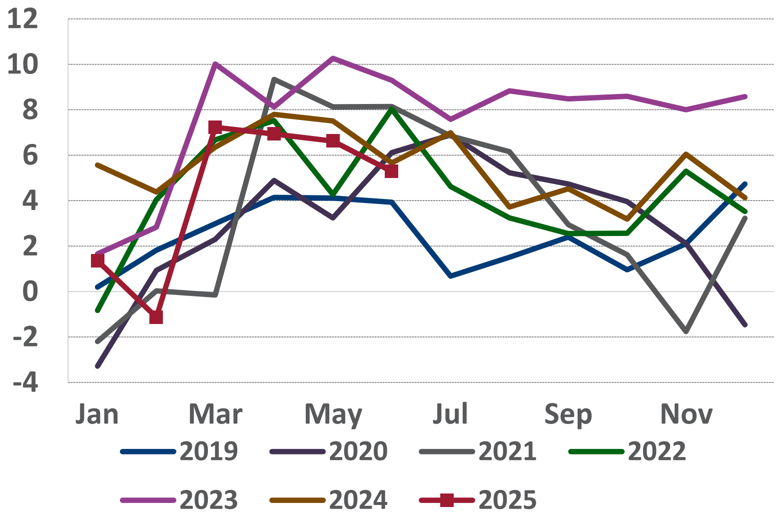


Source: BOCOM BBM, BCB

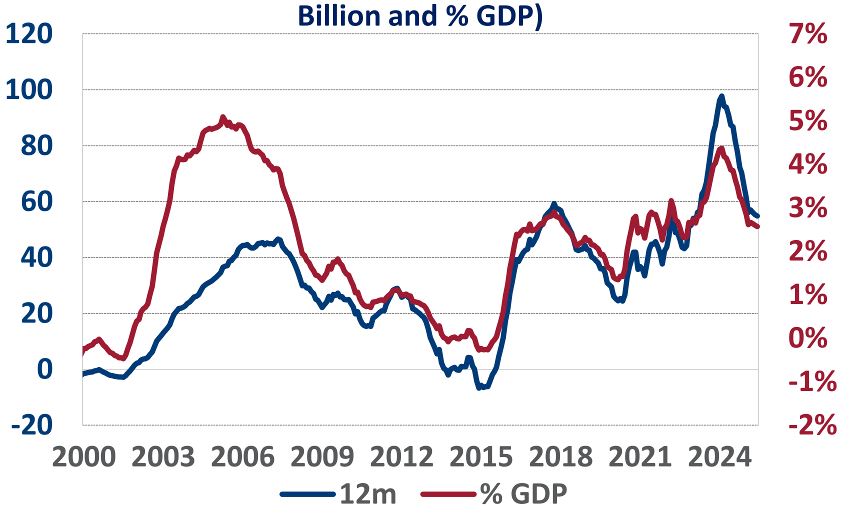
Brazil: Balance of Payments

- The merchandise trade balance recorded a surplus of USD 5.3 billion, in line with the USD 5.7 billion surplus recorded in June 2024.
- Exports declined marginally (-1.4% MoM) staying at USD 29.3 billion, while imports kept posting strong figures (+2.8% YoY to USD 24.0 billion). According to MDIC data, import volumes remain robust, pressuring the trade surplus.
- On a 12-month basis, the trade surplus declined slightly to USD 54.6 billion, from USD 55.0 billion in May.
- Looking ahead, export volumes—especially in agriculture—is expected to rise, supported by record grain production.

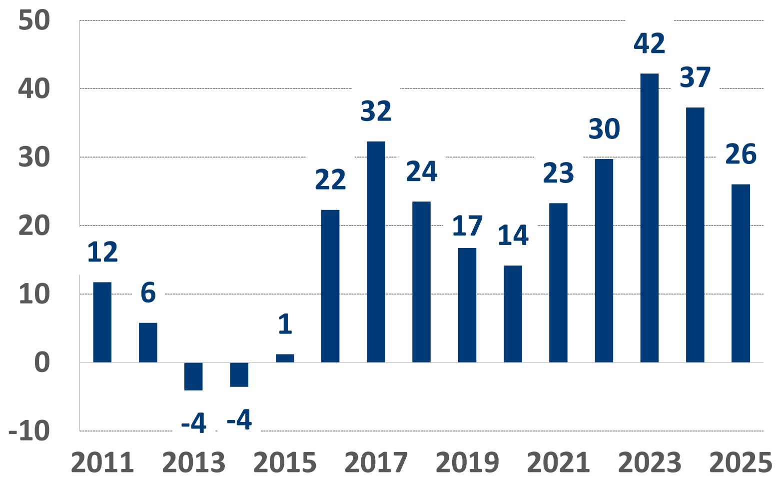
Balance on Goods (USD Billion)



Balance on Goods (Accumulated 12M, USD Billion and % GDP)



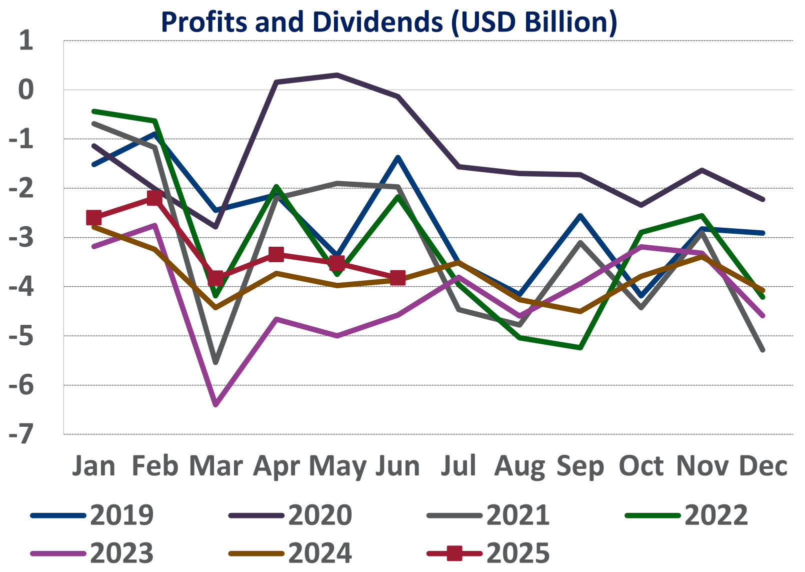
Balance on Goods (YTD, USD Billion)

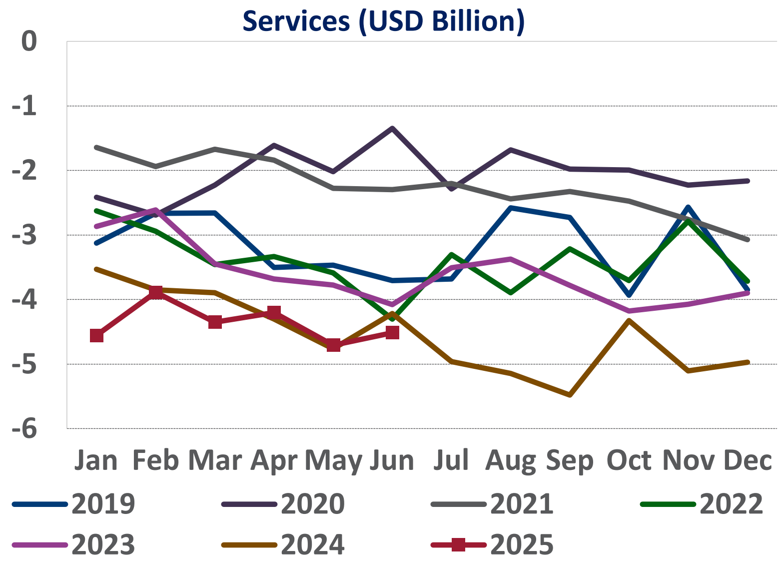


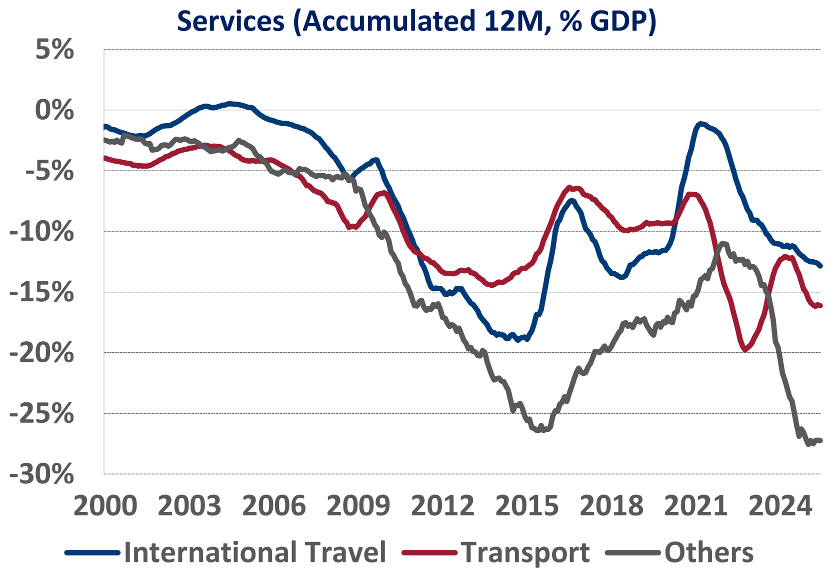
Source: BOCOM BBM, BCB

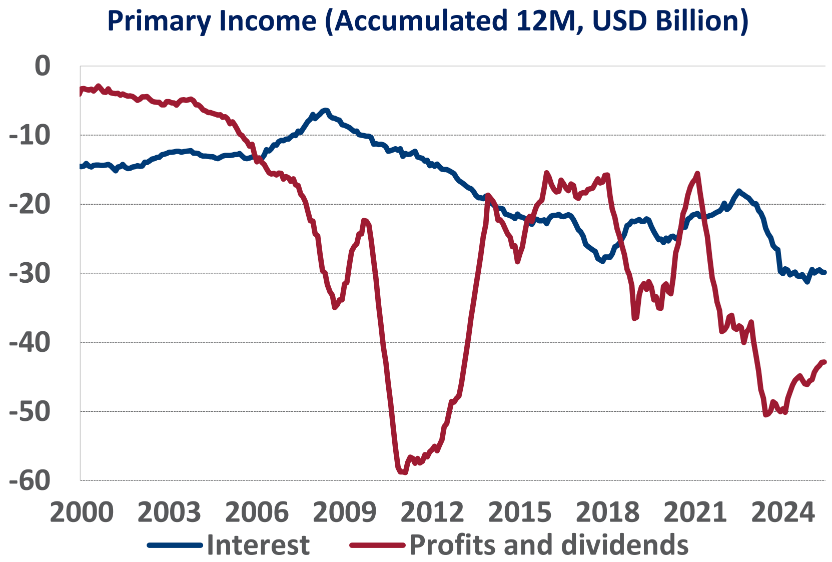
Brazil: Balance of Payments

- The Services account posted a deficit of USD 4.5 billion in June, slightly above than the USD 4.4 billion deficit observed in the same period last year. On a 12-month basis, the Services deficit reached USD 56.4 billion.
- The ‘Intellectual Property’ and ‘Telecommunication’ accounts, whose dynamics are less sensitive to the economic cycle, recorded a USD 1.0 billion deficit. Additionally, the ‘Operating Leasing Services’ account deficit widened in June by USD 1.0 billion, in line with higher GFCF investments.
- On the other hand, the ‘Personal, Cultural, and Recreational Services’ Account posted a balanced result in June 2025, from a deficit of USD 400 million in June 2024. The result came in line with the formalization of betting operations that began earlier this year.





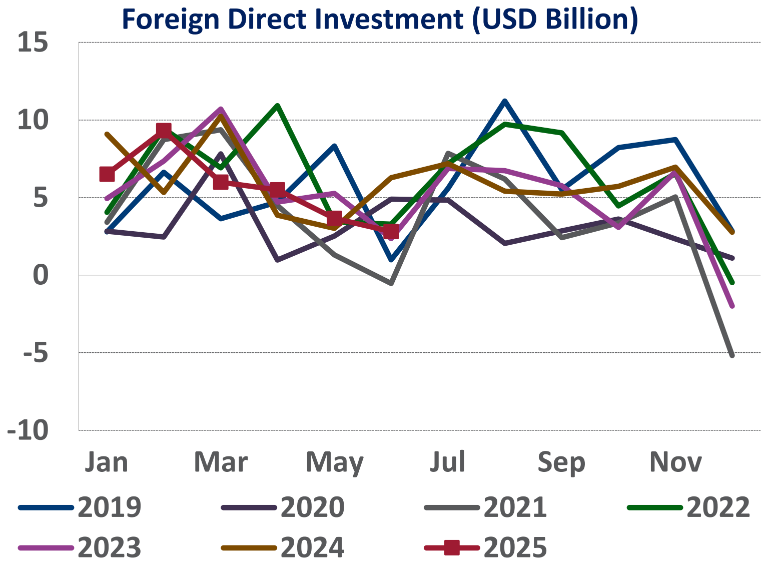


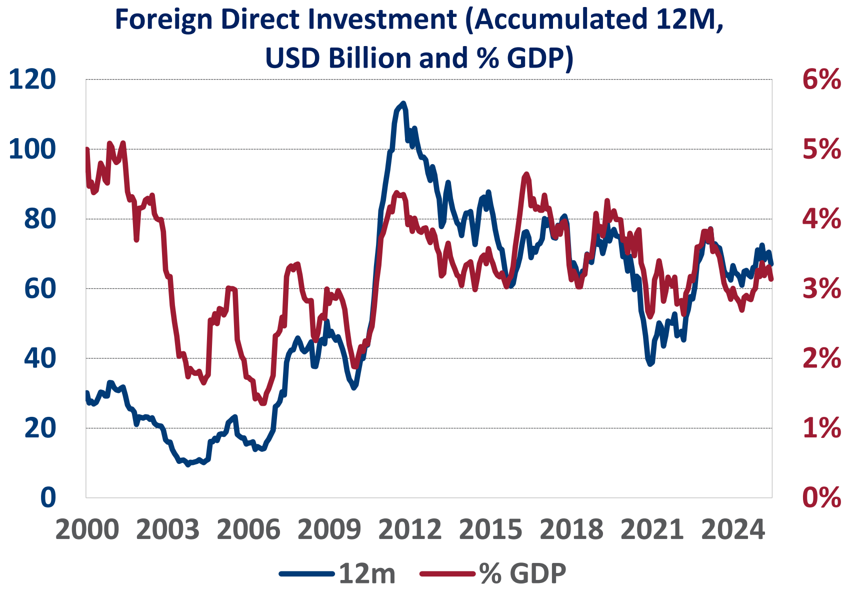


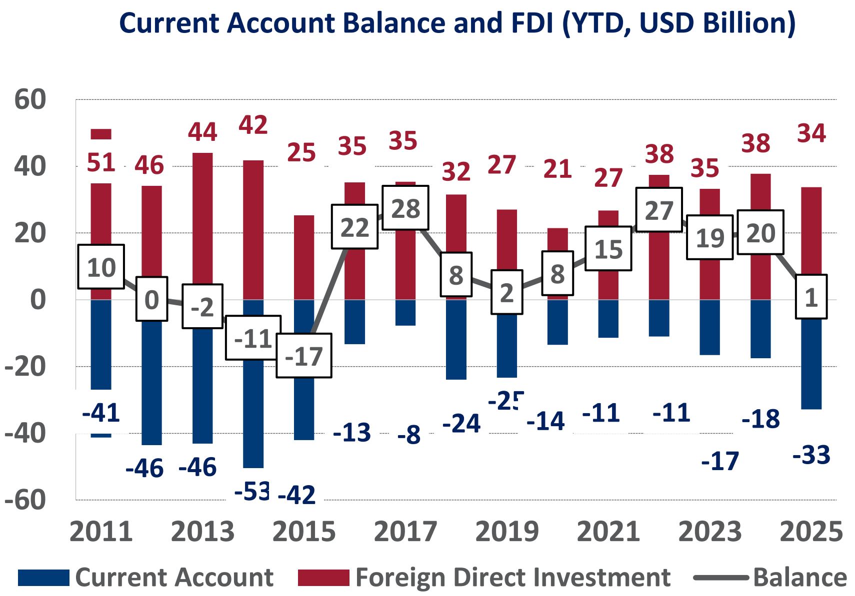
Source: BOCOM BBM, BCB

Brazil: Balance of Payments

- Foreign Direct Investment (FDI) registered a net inflow of USD 2.8 billion in June, below market consensus.
- Equity capital posted a net inflow of USD 6.4 billion, while intercompany loans posted a net outflow of USD 3.6 billion.
- On a 12-month basis, FDI inflows decreased to USD 67.0 billion (3.14% of GDP), up from USD 70.5 billion in May.





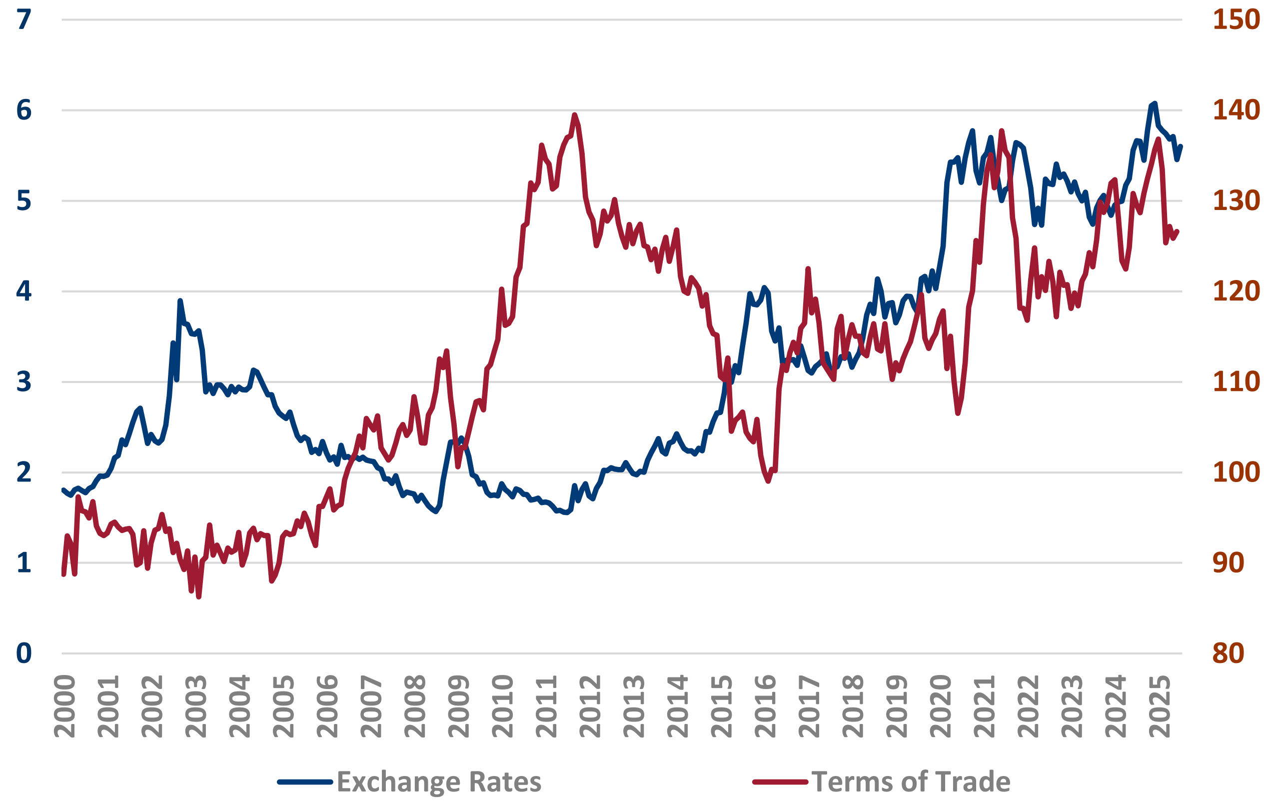


Source: BOCOM BBM, BCB

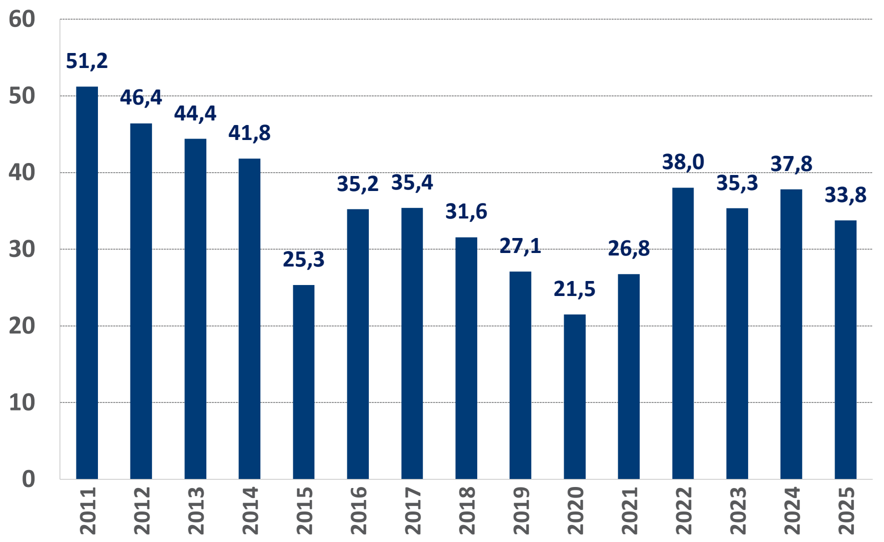
Brazil: External Sector

- In July, the Brazilian Real depreciated from 5.48 to around 5.60 against the US Dollar. Generally, the BRL hovered near early-June lows after Trump's 50% tariff on Brazilian exports disrupted trade and external revenue outlooks. A stronger dollar, backed by steady Fed policy and solid U.S. data, added pressure on EM. On the national front, there was a US$1.9 billion in outflows by late July amid fears of retaliation and funding volatility. Still, strong domestic fundamentals—record-low unemployment, rising real wages, and a 15.00% Selic rate—attracted carry-trade inflows that tempered, but didn't reverse, the real's decline.

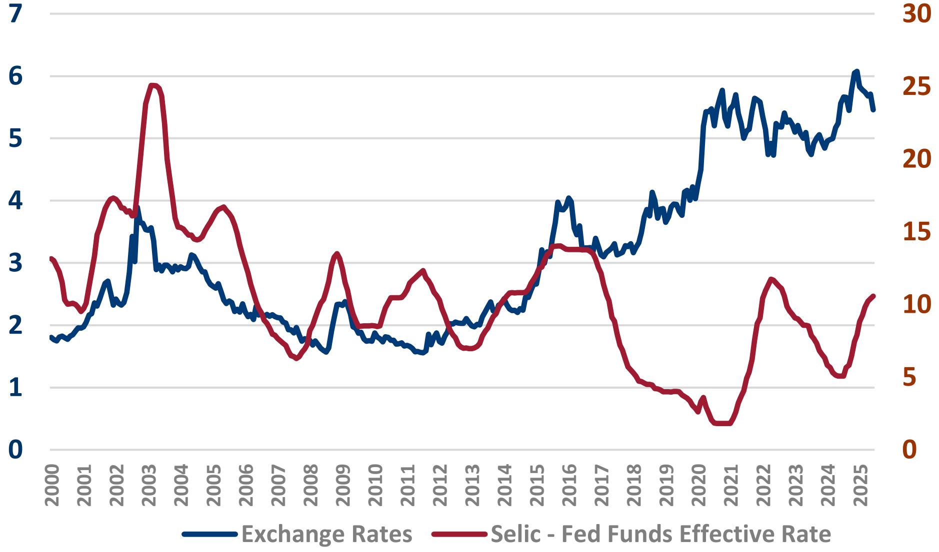
Terms of Trade x BRL



Foreign Direct Investment (YTD, USD Billion)



Interest Rate Differential x BRL

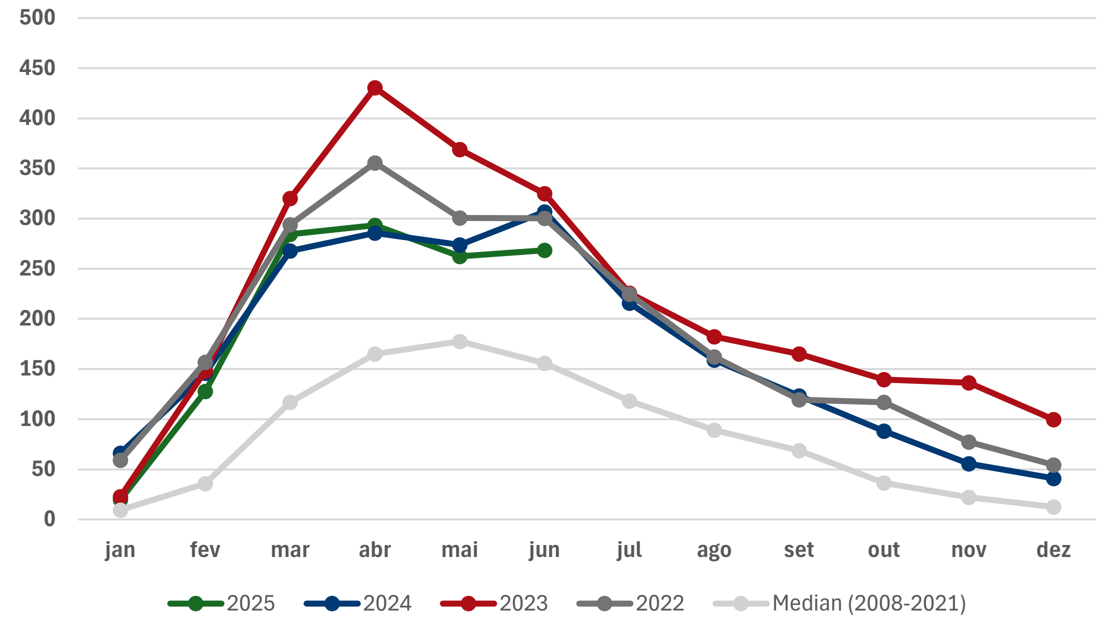


Source: BOCOM BBM, Bloomberg, BCB

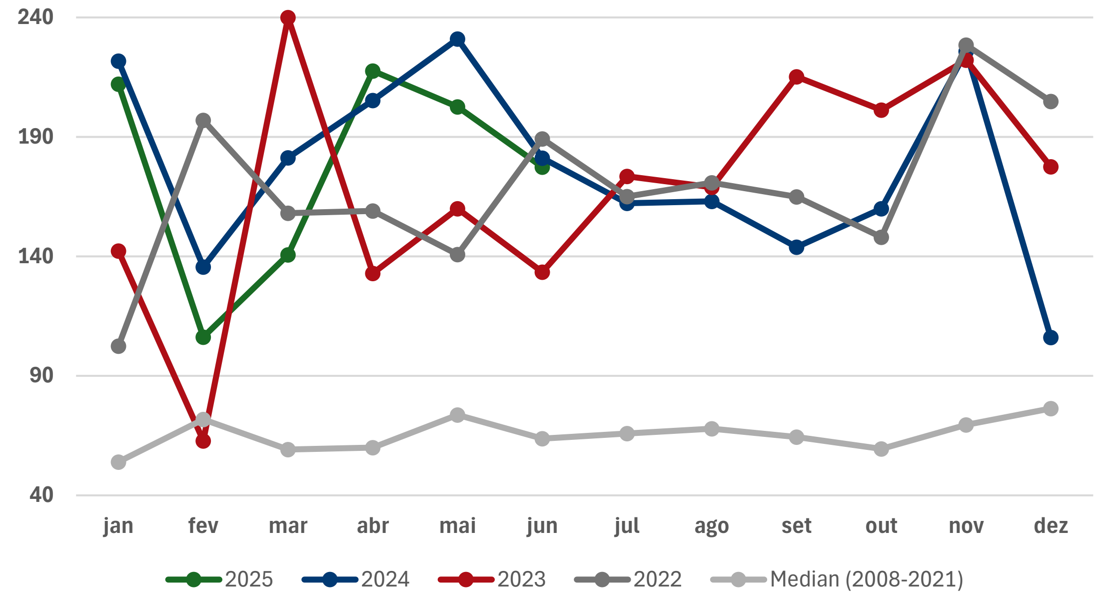
Brazil: External Sector

- In June, the trade balance presented a surplus of USD 5.89 bn (-6.9% YoY) according to Secex data.
- Exports increased by 1.4% YoY, mainly due to the performance of the transformation industry (10.9% YoY). In turn, even though exports grew, some products recorded a decrease in sales, such as soybeans (-12.5%), raw cotton (-29.7%), and iron ore and its concentrates (-8.6%).
- On the other hand, imports rose by 3.8% YoY, driven by the demand transformation industry (5.5% YoY), while the extractive industry imports declined by 20.9%.

Brazil BoP: Soy Exports
USD Million Daily Average



Brazil BoP: Crude Oil Exports
USD Million Daily Average



Source: Secex, BOCOM BBM

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