Macro Outlook

November 2025

Macro Outlook

BANK OF COMMUNICATIONS BBM

- In the **US**, the FOMC decided to cut rates by 25 bps again at the October meeting, but the chairman of committee raised doubts about a new cut in December in its speech at the press conference. There is now less consensus among members about the next move: while some members see room for further easing, others believe the data does not justify another cut. The month was also marked by the absence of many data releases due to the ongoing government shutdown. One exception was inflation. The September CPI was better than expected, mostly on housing services and vehicles, but inflation remains above target and with clear tariff impacts – which are expected to keep pushing prices up throughout H2. In the labor market, the last payroll data available showed additional weakening in the labor market in August, and the September ADP also came in lower than consensus. But, since then, other indicators do not suggest additional weakness. While some signs of cooling persist, the outlook remains highly uncertain, and the Fed signaled no clear bias toward additional easing.

- Regarding **China**, recent activity data showed mixed signals. Q3 GDP slowed but above market expectations, with the surprise mostly driven by robust exports and industrial production, reflecting easing on trade tensions and resilient global demand, while domestic demand decelerated. For the monthly activity indicators, retail sales, fixed asset investment and housing indicators slowed further, while industrial production posed a relevant surprise upwards. Regarding trade, exports beat expectations, with a modest pickup in exports to the US and a continuation of trade re-routing, and imports posed an even bigger surprise – marking the 4th consecutive month of increases. On inflation, deflationary pressures persisted, but some improvement was seen in September, specially on the Core CPI. Also, the Fourth Plenum of the Chinese Communist Party outlined priorities for the upcoming 15th Five-Year Plan, emphasizing tech self-reliance, stable manufacturing, and stronger domestic demand. Policies are expected to remain focused on infrastructure and tech investment, with a more gradual support for consumption.

- In Brazil, **economic activity** shows signs of deceleration. In August, industrial production result came above expectations, rising by 0.8% MoM. Additionally, services recorded a modest rise (0.1% MoM), while retail sales posted a mild increase (0.2% MoM) showing a slight upturn amid a scenario of gradual economic slowdown. Summarizing this scenario, the IBC-BR showed an increase of 0.4% MoM in August. Regarding labor market, formal employment remains robust, real wages rise moderately, and unemployment stays at historic lows despite gradual economic slowdown.

- Concerning **monetary policy**, the Brazilian Central Bank (BCB) kept the Selic rate at 15.00% p.a. at its September meeting, as largely expected. The hiking cycle seems to be over since COPOM no longer foresees an interruption of the cycle, paving the way for a cutting cycle at some point in the near future. Nonetheless, the committee also stated that it will remain vigilant evaluating whether rates at the current level will be sufficient to bring inflation to the target. BCB inflation projection six trimesters ahead was kept at 3.4 % in the first quarter of 2027, remaining unchanged despite currency appreciation and lower inflation expectations in FOCUS at the time of this last meeting. In all, Copom indicates that while a continuation of a hiking cycle is more unlikely, inflation projections still above the target might require caution and rates that remain high for a prolonged period of time.

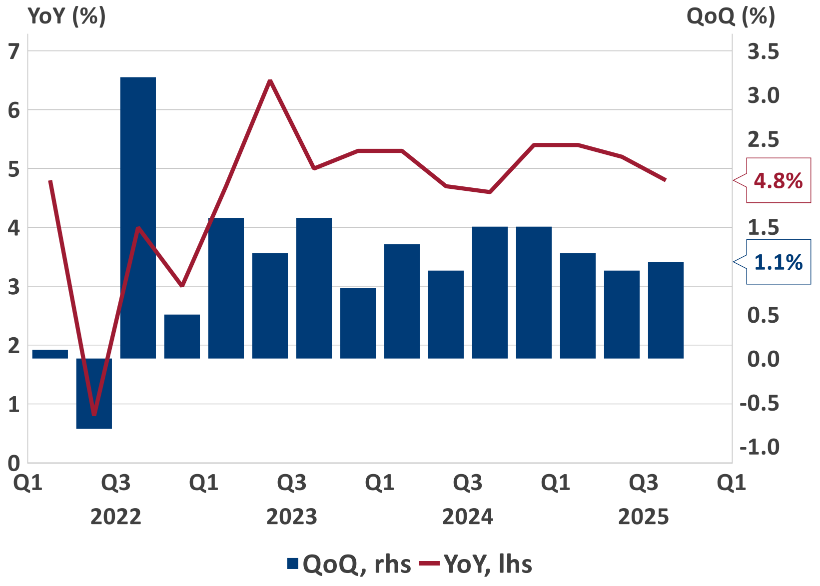
- October IPCA-15 **inflation** increased by 0.18% MoM, below market expectations of 0.21% MoM. The 12-month variation fell from 5.32% in September to 4.94% in October. The main upward deviation came from gasoline and residential electric power, while airfares surprised to the downside. Regarding the breakdown, core services advanced 0.24% MoM, well below forecasts, and the 3M SAAR fell from 4.9% to 4.7%. The average of core inflation increased by 0.21% MoM, below expectations, with its 3M SAAR at 3.8%. Overall, last IPCA-15 breakdown was better than expected, especially in core services metrics. Moreover, recent improvement in inflation for tradable goods, coupled with core metrics presenting softer prints, continue to corroborate the downside risks for inflation this year.

- In the **fiscal** scenario, the Brazilian public sector posted a primary deficit of BRL 17.5 billion in September, in line with market consensus (deficit of BRL 17.6 billion), from a deficit of BRL 7.3 billion in September 2024. Regarding the breakdown, central government and regional governments registered deficits of BRL 14.9 billion and BRL 3.5 billion, respectively, while state-owned enterprises (SOEs) presented a surplus of BRL 1.0 bn. The General Government Gross Debt (GGGD) rose to 78.1% of GDP, with nominal interest (+0.8 p.p.) being the main driver of this growth, while nominal GDP growth (-0.4 p.p.) partially offset it.

China: Economic Activity

- **Economic activity showed mixed signals**:
- **Third-quarter GDP grew 4.8% YoY, modestly above the expectations (4.7**%) but a deceleration from 2Q25 pace (5.2% YoY). The upside surprise was mostly driven by robust exports and industrial production, reflecting some easing on trade tensions and resilient global demand, while domestic demand decelerated;
- **Retail sales slowed** from 3.4% to 3.0% YoY, in line with market expectations. There were upticks in cell phones and clothing, but, in the other hand, catering services reached the slowest pace since the end of Covid, and base effects are turning less favorable;
- **Industrial production accelerated** from 5.2% to 6.5% YoY (exp. 5.0%), surprising consensus expectations to the upside. In the composition, the strength came mostly from automobiles, industrial robots and chips, and the data suggests resilience on global demand;
- **Fixed asset investment decelerated**, from 0.5% to -0.5% YTD YoY, below market consensus of 0.1%. The deceleration was widespread across components, with a continuing contraction in real-estate investments;
- **Housing**: **indicators generally saw another decline** in the 12MMA metric as the housing sector continues to adjust. Credit data reflects a subdued demand, as household loans remained relatively weak despite strong government bonds.

China: Real GDP Growth (Quarterly)



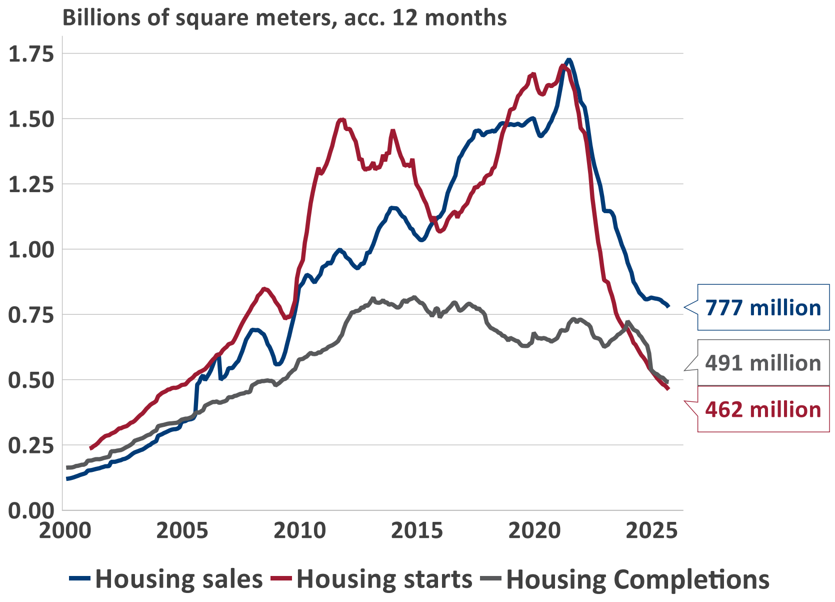
Source: BOCOM BBM, Macrobond, NBS

China: Activity (% YoY)

	9/2025	8/2025	9/2024
Industrial Production	**6.5**	**5.2**	**5.4**
Mining	6.4	5.1	3.7
Manufacturing	7.3	5.7	5.2
Utilities	0.6	2.4	10.1
Fixed Asset Investment (YTD)	**-0.5**	**0.5**	**3.4**
Manufacturing	4.0	5.1	9.2
Real Estate	-13.9	-12.9	-10.1
Infrastructure	1.1	2.0	4.1
Retail Sales	**3.0**	**3.4**	**3.2**
Catering Services	0.9	2.1	3.1
Consumer Goods	3.3	3.6	3.3
Clothing	4.7	3.1	-0.4
Automobiles	1.6	0.8	0.4
Furniture	16.2	18.6	0.4
Cellphones	16.2	7.3	12.3
Home Appliances	3.3	14.3	20.5
Construction	-0.1	-0.7	-6.6

Source: BOCOM BBM, Macrobond

China: Housing Indicators

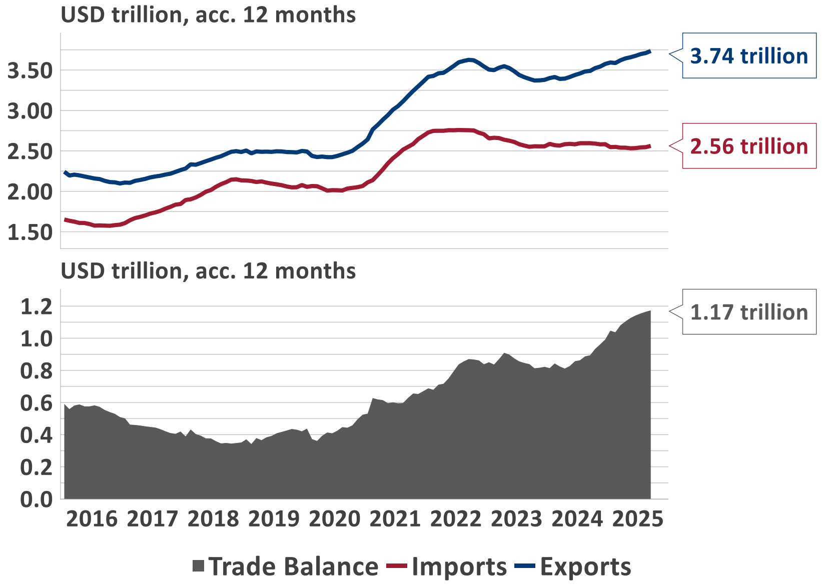


Source: BOCOM BBM, Macrobond, NBS

China: Economic Scenario

- **China's trade growth reaccelerated in September**, suggesting a pickup on trade momentum:
  - **Exports picked up** from 4.4% to **8.3% YoY,** above consensus of 6%. This corresponded to a 0.7% increase in MoM SA terms, with both a modest pickup in exports to the US and a continuation of trade re-routing;
  - **Imports were also considerably above consensus,** from 1.3% to **7.4% YoY,** against the consensus for 1.5%. This was the highest YoY print in 17 months, marking the 4th consecutive month of MoM increases;
- Regarding Inflation, the h**eadline CPI ticked modestly up, from -0.4% to -0.3% YoY,** but slightly below consensus of -0.1%:
  - The data was dragged down by weak food and energy prices. However, **core inflation edged up** marginally again, **by 0.1pp to 1.0% YoY -** the highest print since 02/2024. It possibly reflects the government's recent efforts to boost domestic demand through a consumer trade-in program.
  - Overall, the data suggests that **deflationary pressures still persist in the Chinese economy, but some improvement was seen in September**.

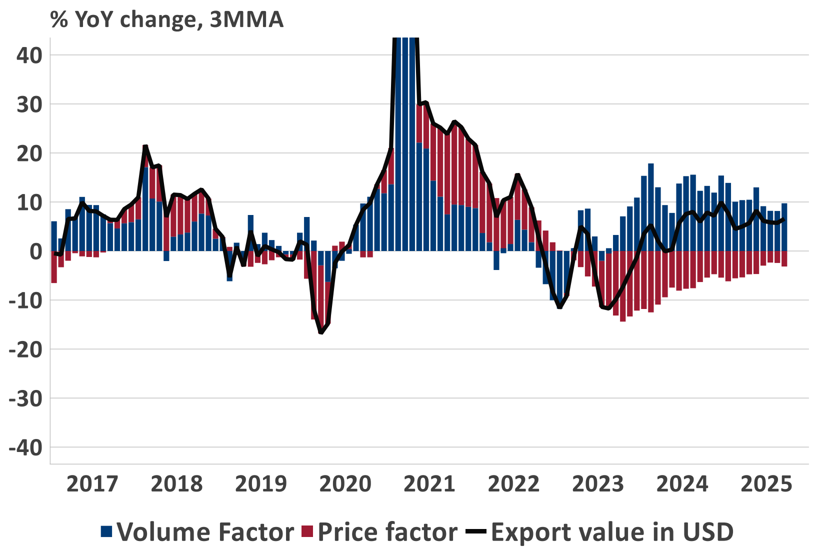
China: Trade Balance



Source: BOCOM BBM, Macrobond, GAC

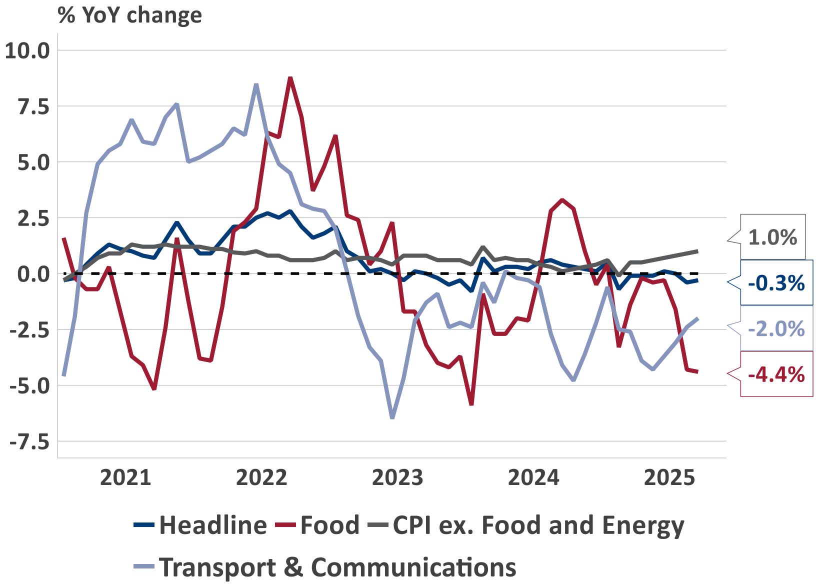
China: Exports (Price x Volume)

Last observation at 9/2025



Source: BOCOM BBM, Macrobond, GAC

China: CPI

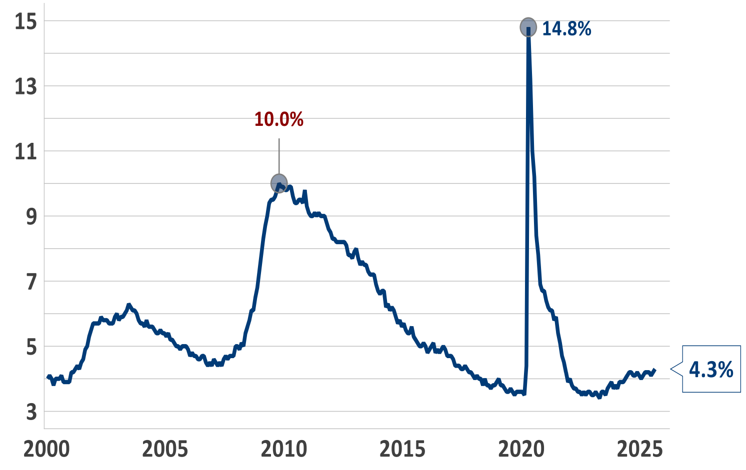


Source: BOCOM BBM, Macrobond, NBS

USA: Labor Market

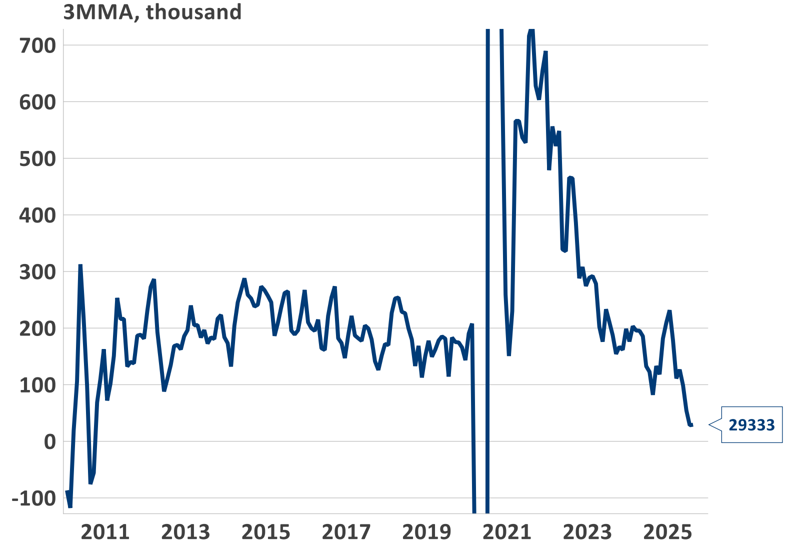
- **September Payroll was delayed due to a still-ongoing shutdown in the US government**, causing markets to put more weight on secondary indicators;
- Among these, **September ADP employment report came in lower than consensus, increasing the odds of another weaker-than-expected payroll report;**
- **It comes after an also weaker August Payroll report**:
  - Job creation increased 22k, below market expectations of 75k. Also, there was a 2-month net revision of -21k (June from 14k to -13k, July from 73k to 79k), keeping the updated 3MMA at 29k, well below the pre-covid average.
  - The unemployment rate ticked up again, from 4.25% to 4.32%, within consensus of 4.3% - reaching the highest level since 2021;
- Additionally, the jobs-workers gap fell to -0.16M, indicating that there are more available workers than jobs in the economy for the first time in more than four years, a sign of the ongoing easing on the labor market.
- A more detailed assessment of the labor market is dependent on the latest Payroll report, **to be released once the shutdown ends**.
  - The exact date is highly uncertain, since negotiations seem stalled.

US: Unemployment Rate SA (%)



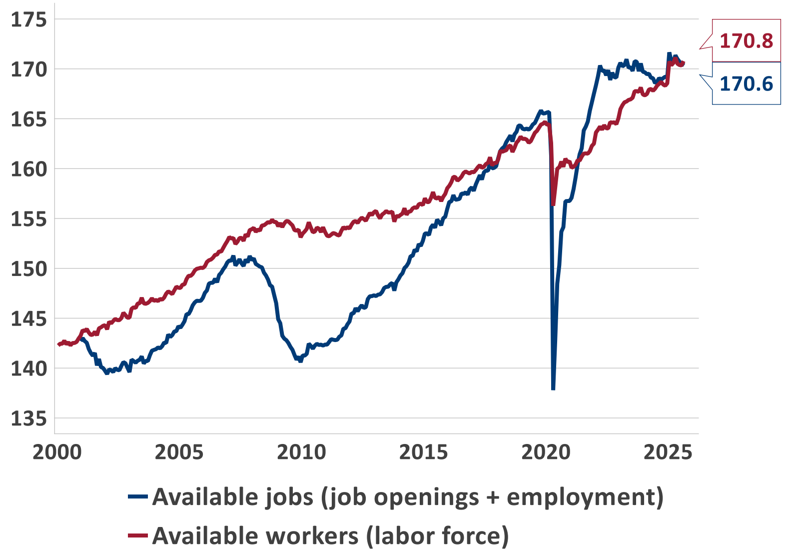
Source: BOCOM BBM, Macrobond, BLS

US: Nonfarm Payroll Employment Change



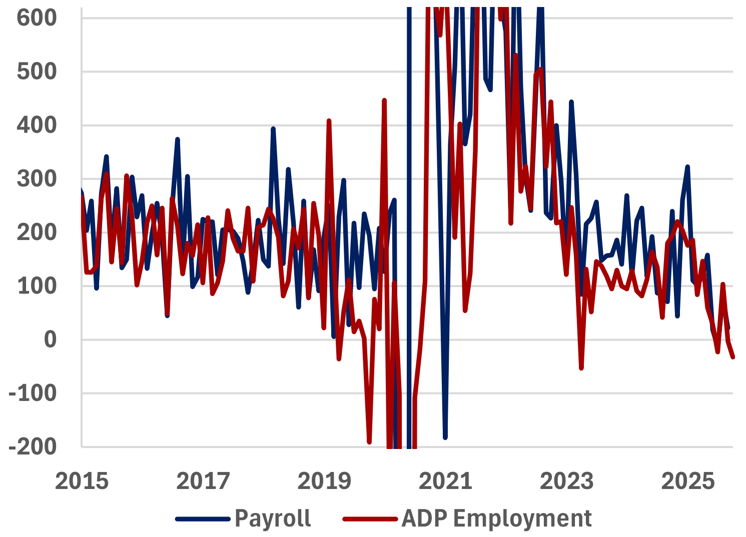
Source: BOCOM BBM, Macrobond, BLS

US: Jobs-workers gap (millions)



Source: BOCOM BBM, Macrobond, BLS

US: ADP Employment x Payroll

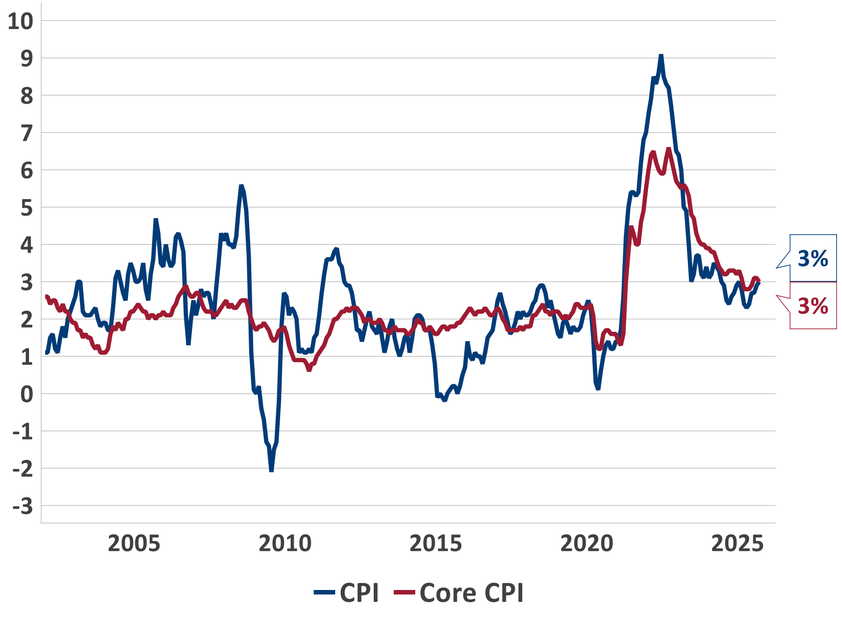


Source: BOCOM BBM, BLS, ADP, Bloomberg

USA: Inflation

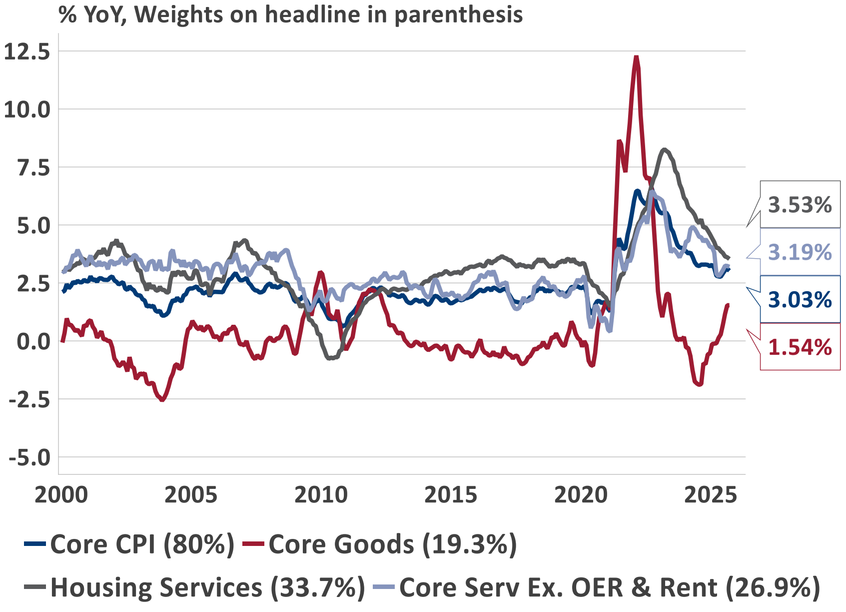
- The **September headline CPI, released despite of the shutdown,** slowed to **0.31% MoM** (below market expectations of 0.39%), lifting the YoY from 2.9% to 3.0% - also below consensus of 3.1%:
  - In the composition, food came in line with market expectations, while energy prices came slightly below market expectations;
- **Core CPI decelerated to 0.23% MoM,** also slightly below expectations of 0.30%, reducing the YoY by 0.1 pp to 3.0% despite consensus of 3.1%:
  - Core goods decelerated to 0.22% MoM, below the expected 0.37% but in a still-elevated pace. Tariffs seem short of the full expected pass-through but are showing clear effects, with the YoY reaching the highest level in 2 years;
  - Core services were also lower than expected (0.24 vs 0.33% exp), and the biggest slowing came from housing, especially OER. However, supercore ticked up slightly more than consensus (0.35 vs 0.32% exp), at a still-resilient pace;
- Overall, the September CPI composition was better than expected and keeps easing concerns of a more intense pick-up, but shows clear tariff impacts;
- Looking ahead, **a one-off pick-up on inflation is projected until the end of the year,** as tariff impacts intensify - but softer recent releases have been reducing the probability of more persistent effects;

US: CPI (YoY, %)



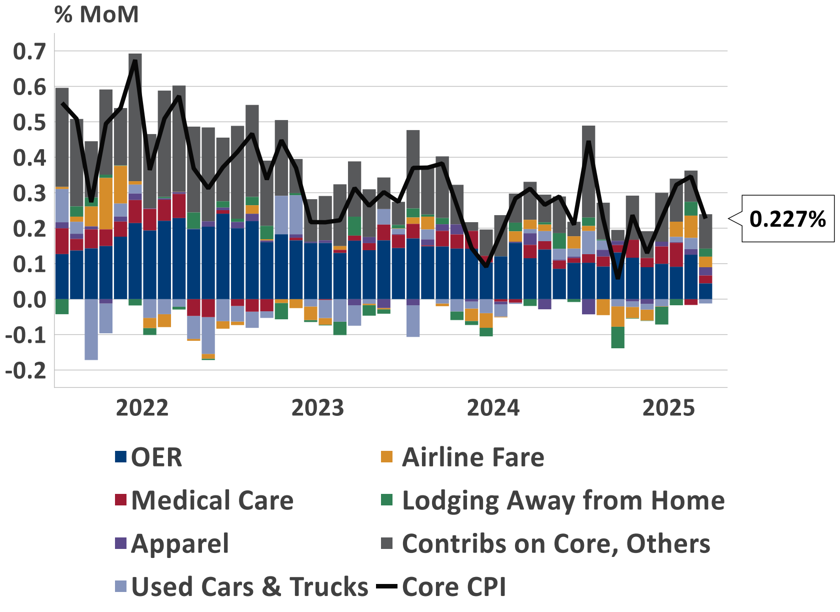
Source: BOCOM BBM, Macrobond, BLS

US: Core CPI Main Components (%)



Source: BOCOM BBM, Macrobond, BLS

US: Core CPI MoM Contributions

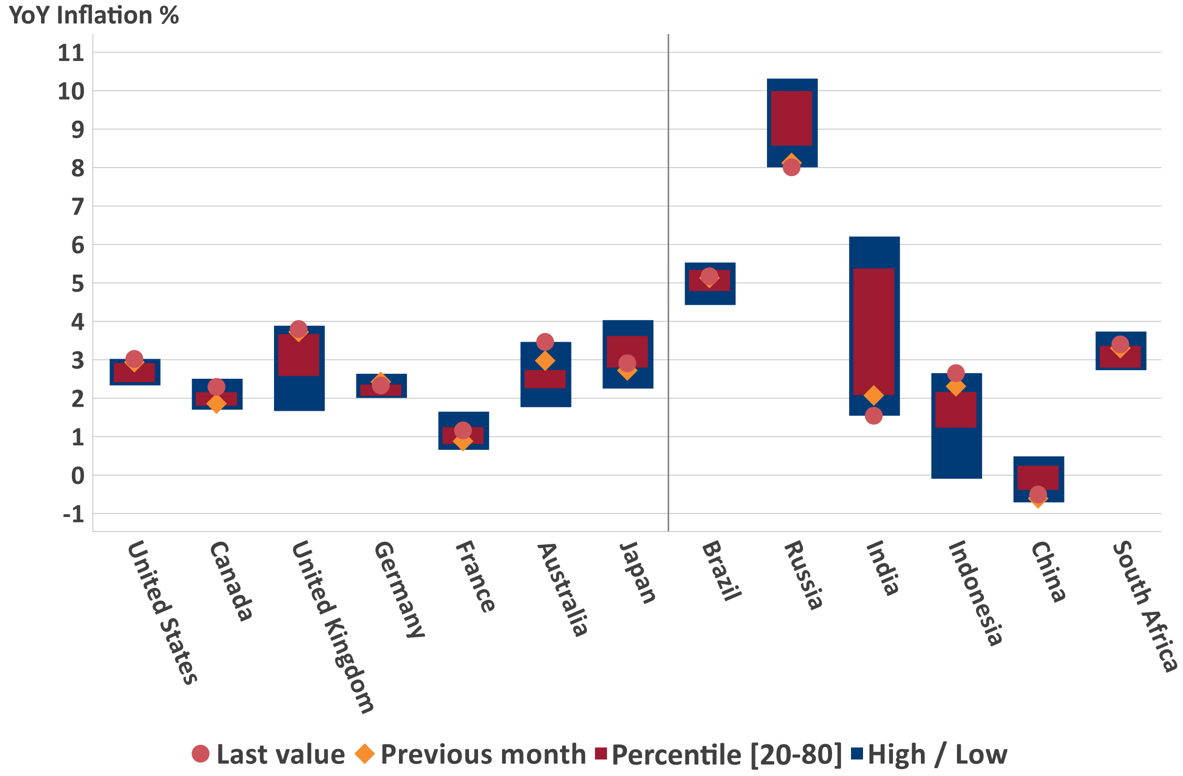


Source: BOCOM BBM, Macrobond, BLS

Global: Inflation & Activity

- Several developed markets have experienced progress in inflation numbers in 2025; 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 continues 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, have modestly decreased. Monetary policy easing is still expected for several countries, but the pace and extent of the cycle will rely on their domestic contexts.

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

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

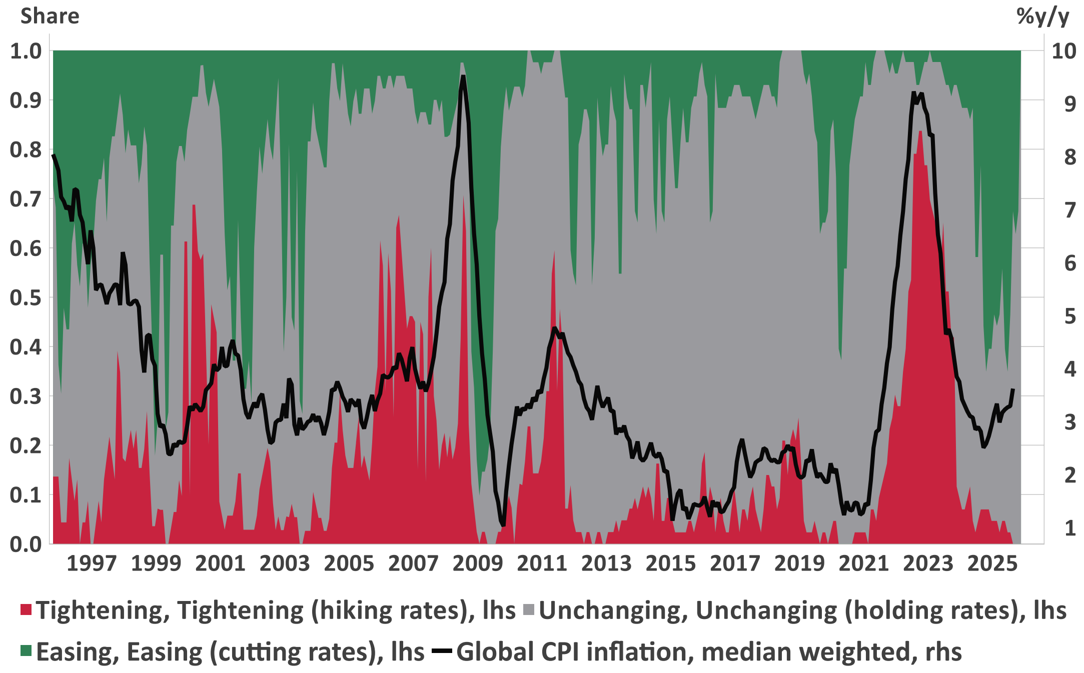
Sources: BOCOM BBM, Macrobond, National Sources

Global: Monetary Policy

- Several emerging markets keep easing their monetary policy, such as Mexico, Chile and Turkey;
- Developed markets central banks took a little longer, but also generally cut rates in 2025. However, there are exceptions, such as Japan, which raised interest rates this year and remain with a hiking bias;
- 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, 30-Oct-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	31,8	34,3	29,00	-3,00	Cut	1/2025	25	9
Australia	3,2	3,4	3,60	-0,25	Cut	8/2025	24	3
Brazil	5,2	4,9	15,00	0,25	Hike	6/2025	4	18
Canada	2,3	2,8	2,25	-0,25	Cut	10/2025	28	0
Chile	4,4	3,4	4,75	-0,25	Cut	7/2025	37	3
China	-0,5	1,0	3,00	-0,10	Cut	5/2025	141	5
Colombia	5,2	5,3	9,25	-0,25	Cut	5/2025	30	6
Costa Rica	-1,0	-0,1	3,50	-0,25	Cut	9/2025	36	1
Czech Republic	2,3	0,1	3,50	-0,25	Cut	5/2025	40	6
Denmark	2,3	2,2	1,75	-0,25	Cut	6/2025	26	5
Euro Area	2,2	2,4	2,15	-0,25	Cut	6/2025	25	5
Hungary	4,3	3,9	6,50	-0,25	Cut	9/2024	37	13
Iceland	4,3	4,2	7,50	-0,25	Cut	5/2025	26	5
India	1,5	4,5	5,50	-0,50	Cut	6/2025	33	5
Indonesia	2,7	2,2	4,75	-0,25	Cut	9/2025	18	1
Israel	2,5	2,4	4,50	-0,25	Cut	1/2024	29	22
Japan	2,9	3,1	0,50	0,25	Hike	1/2025	9	117
Mexico	3,8	4,3	7,50	-0,25	Cut	9/2025	31	1
New Zealand	3,0	2,5	2,50	-0,50	Cut	10/2025	29	1
Norway	3,6	3,1	4,00	-0,25	Cut	9/2025	23	1
Poland	3,0	3,2	4,50	-0,25	Cut	10/2025	38	1
Russia	8,0	7,6	16,50	-0,50	Cut	10/2025	12	0
Saudi Arabia	2,2		4,50	-0,25	Cut	10/2025	27	0
South Africa	3,4	3,2	7,00	-0,25	Cut	8/2025	29	3
South Korea	2,1	2,0	2,50	-0,25	Cut	5/2025	34	5
Sweden	0,9	3,1	1,75	-0,25	Cut	10/2025	25	1
Switzerland	0,2	0,7	0,00	-0,25	Cut	6/2025	28	4
Turkey	33,3	32,5	39,50	-1,00	Cut	10/2025	6	0
United Kingdom	3,8	3,5	4,00	-0,25	Cut	8/2025	27	3
United States	3,0	3,0	4,00	-0,25	Cut	10/2025	27	0

Source: BOCOM BBM, Macrobond

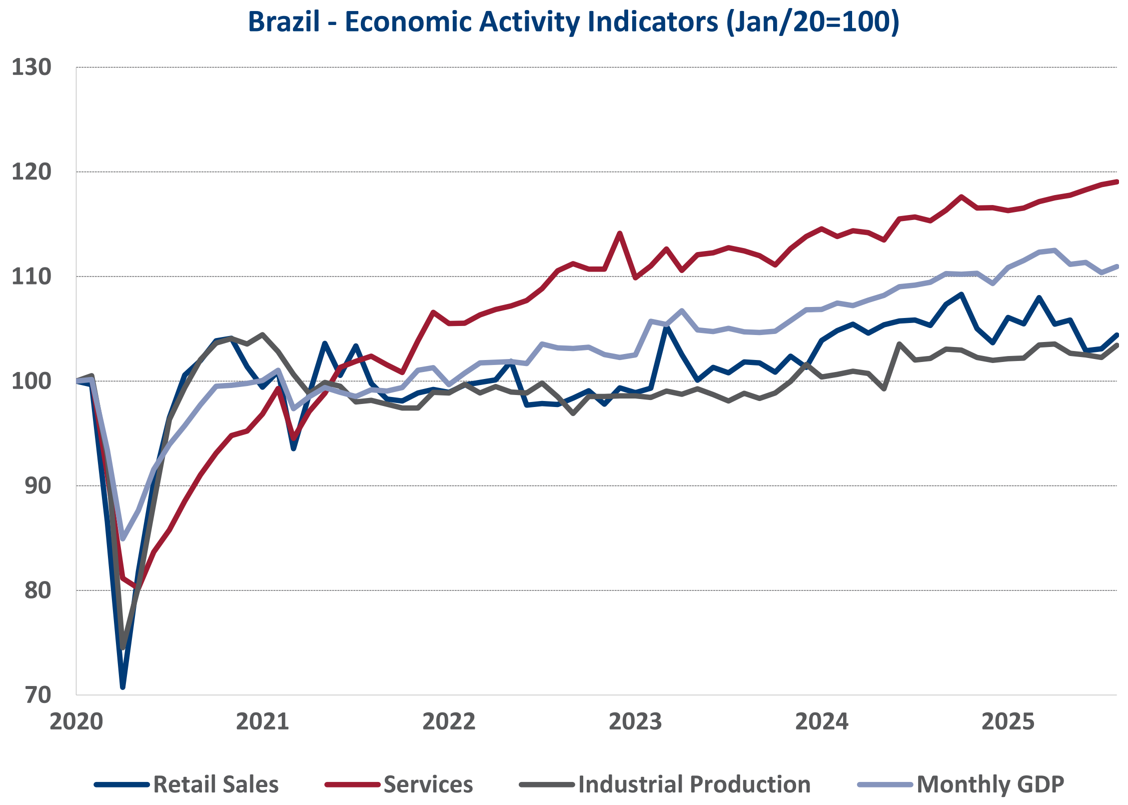
Brazil: Forecasts

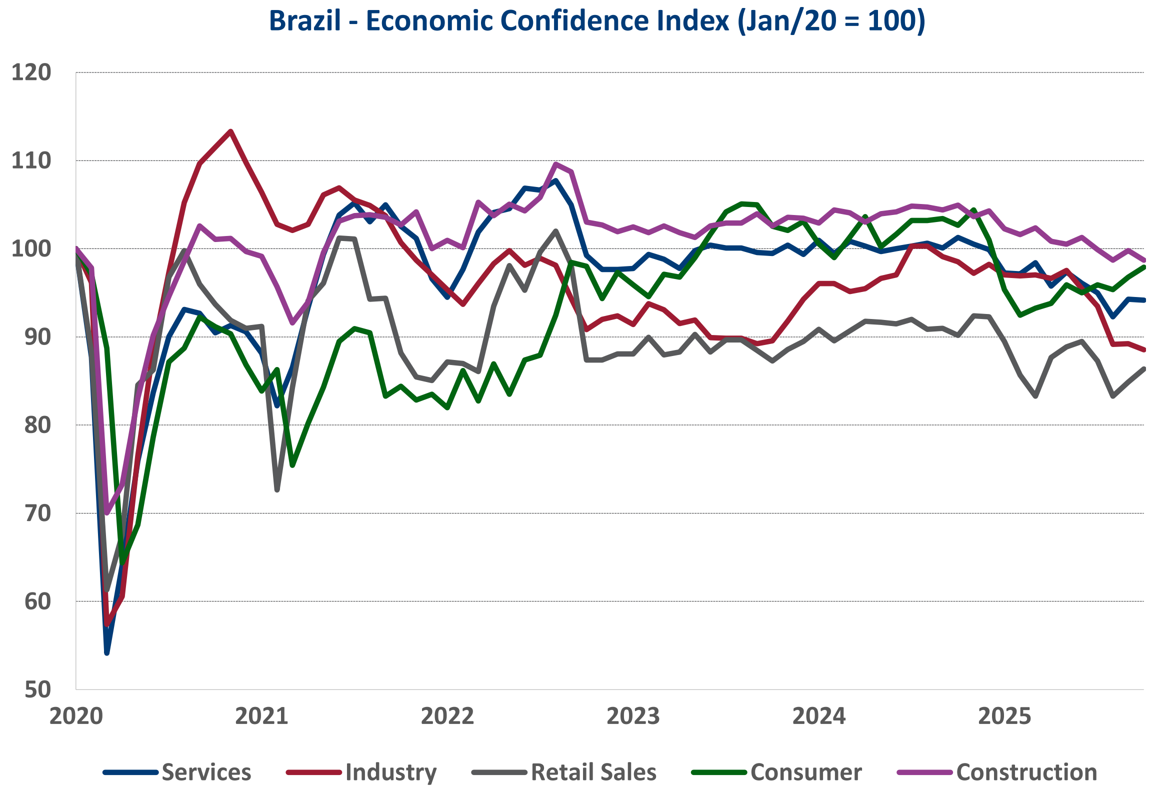
ECONOMIC FORECASTS	2020	2021	2022	2023	2024	2025F	2026F
GDP Growth (%)	-3.3%	4.8%	3.0%	2.9%	3.4%	2.1%	1.5%
Inflation (%)	4.5%	10.1%	5.8%	4.6%	4.8%	4.3%	4.0%
Unemployment Rate (eoy ,%)	14.2%	11.1%	7.9%	7.4%	6.2%	6.0%	6.5%
Policy Rate (eoy, %)	2.0%	9.3%	13.8%	11.75%	12.3%	15.00%	12.5%
External Accounts							
Trade Balance (US$ bn)	36	42	52	92	66	63	70
Current Account Balance (US$ bn)	-25	-40	-42	-28	-61	-79	-62
Current Account Balance (% of GDP)	-1.7%	-2.4%	-2.2%	-1.3%	-2.8%	-3.6%	-2.7%
Fiscal Policy							
Central Government Primary Balance (% of GDP)	-9.8%	-0.4%	0.5%	-2.1%	-0.4%	-0.5%	-0.6%
Government Gross Debt (% of GDP)	86.9%	77.3%	71.7%	74.4%	76.1%	80.5%	85.0%

Source: BOCOM BBM, IBGE

Brazil: Activity

- In August, industrial production result came above expectations, rising by 0.8% MoM. Additionally, services recorded a modest rise (0.1% MoM), while retail sales posted a mild increase (0.2% MoM) showing a slight upturn amid a scenario of gradual economic slowdown. Summarizing this scenario, the IBC-BR showed an increase of 0.4% MoM in August.
- Looking ahead, the confidence surveys for the retail sales and consumer sector grew in October, while services, industry and construction contracted.



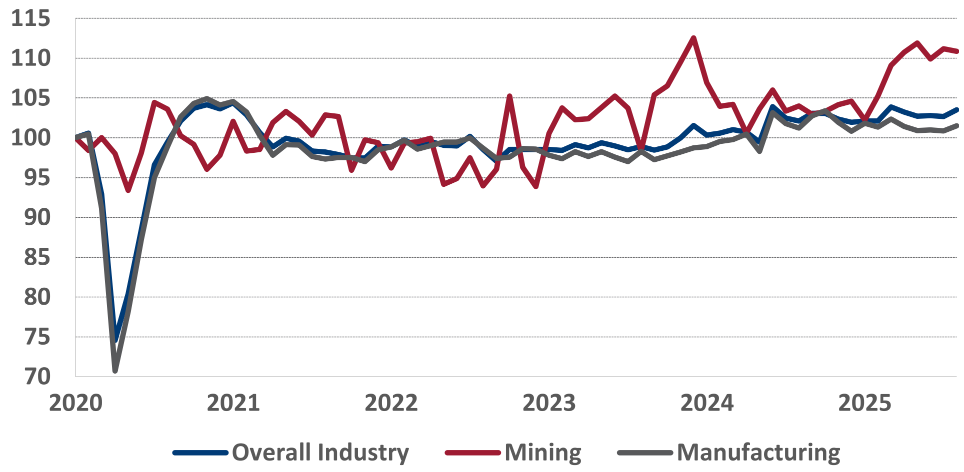


Source: BOCOM BBM, IBGE, FGV

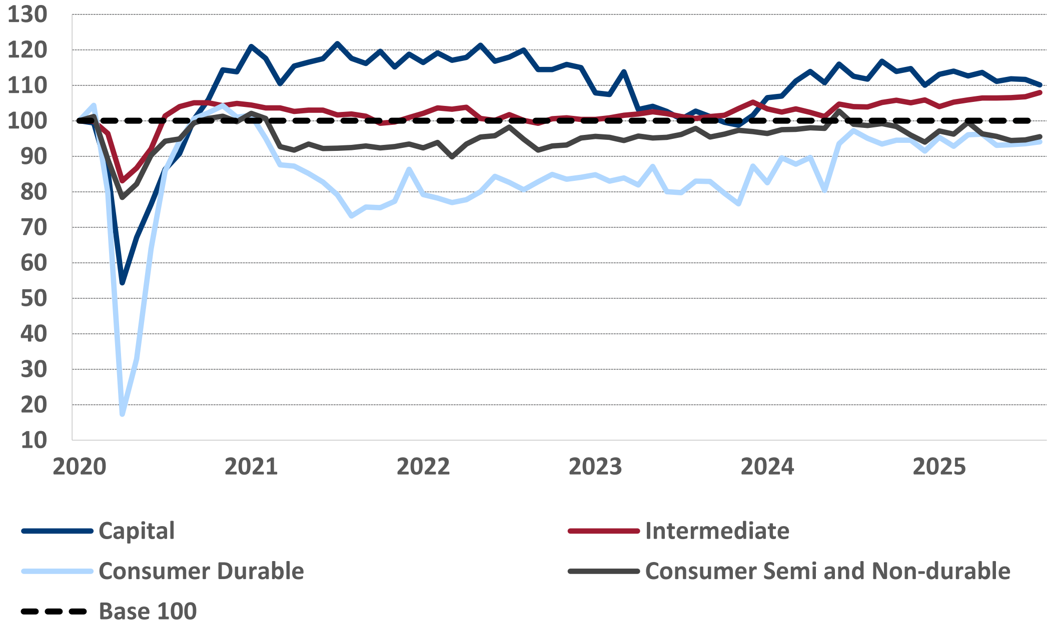
Brazil: Industrial Production

- Industrial output increased by 0.8% MoM in August, above expectations (0.4% MoM). The manufacturing industry rose by 0.3% MoM (-1.6% YoY), while the extractive industry fell by 0.3% MoM (4.8% YoY).
- The month's figures registered mixed results, with 3 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 intermediate goods increased by 1.0% MoM in August, mainly due to the expansion in oil derivatives and biofuels (1.8% MoM). In contrast, the category of capital goods has been weakening in the wake of high interest rates and heightened uncertainty in the macro environment (-1.4% MoM; -5.0% YoY in August).
- Overall, The Brazilian industry will remain subdued in the coming months.

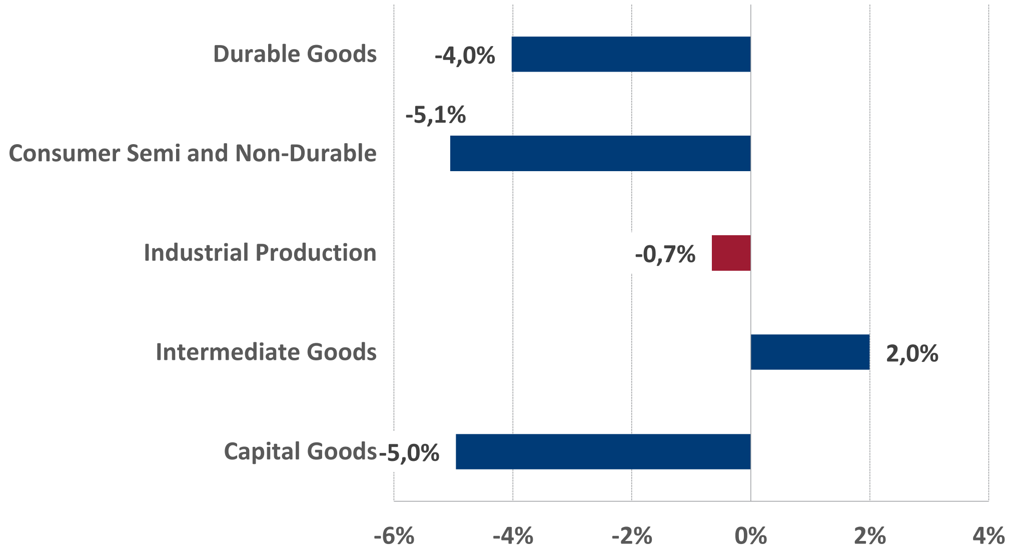
Industrial Production Index SA (Jan/20=100)



Industrial Production Index SA (Jan/20=100)



Industrial Production by Category - 08/2025 (YoY)

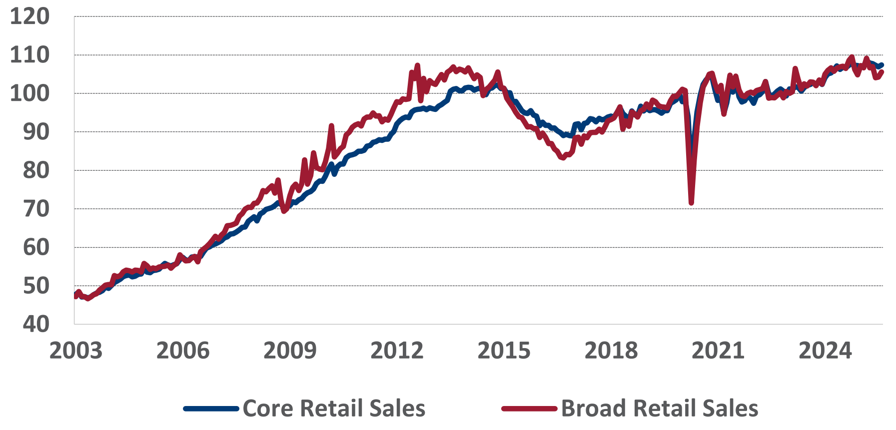


Source: IBGE, BOCOM BBM

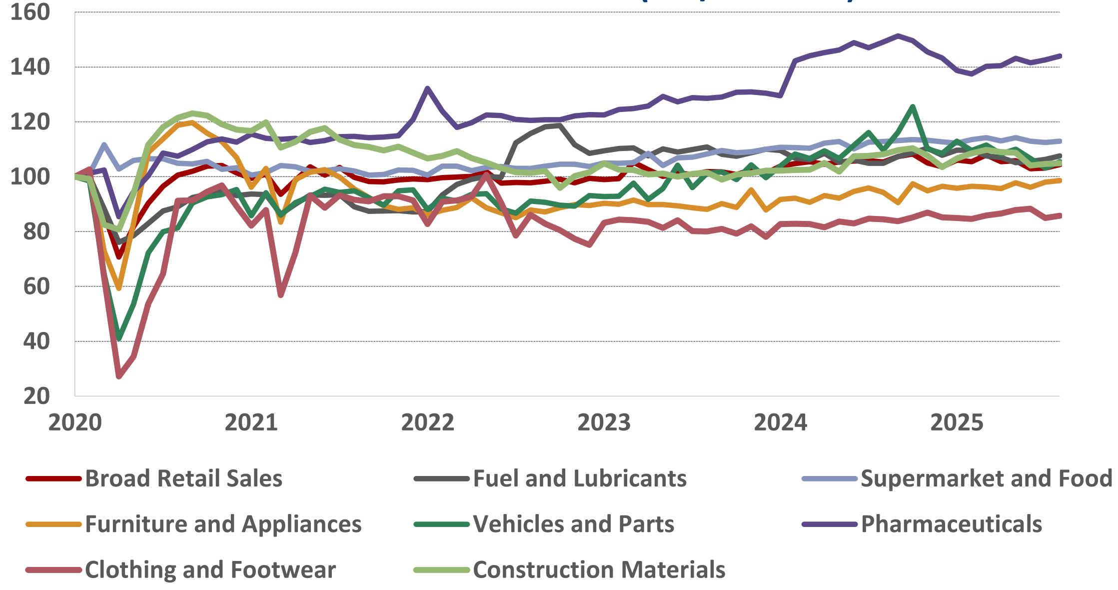
Brazil: Retail Sales

- Broad retail sales increased by 0.9% MoM in August, slightly above expectations (0.7% MoM).
- In turn, core retail sales rose by 0.2% MoM, in line with expectations.
- In the breakdown, 7 out of 10 retail activities increased in the monthly comparison, with the highlights being the performance of office supplies (4.9% MoM), clothing and footwear (1.0% MoM) and hypermarkets, food and beverages (0.4% MoM).
- On the negative side, books and magazines (-2.1% MoM) and fuel and lubricants (-0.6% MoM) performed poorly.
- Overall, credit-sensitive retail segments continue to struggle, while income-sensitive segments remained relatively solid and should still be resilient in the short term.

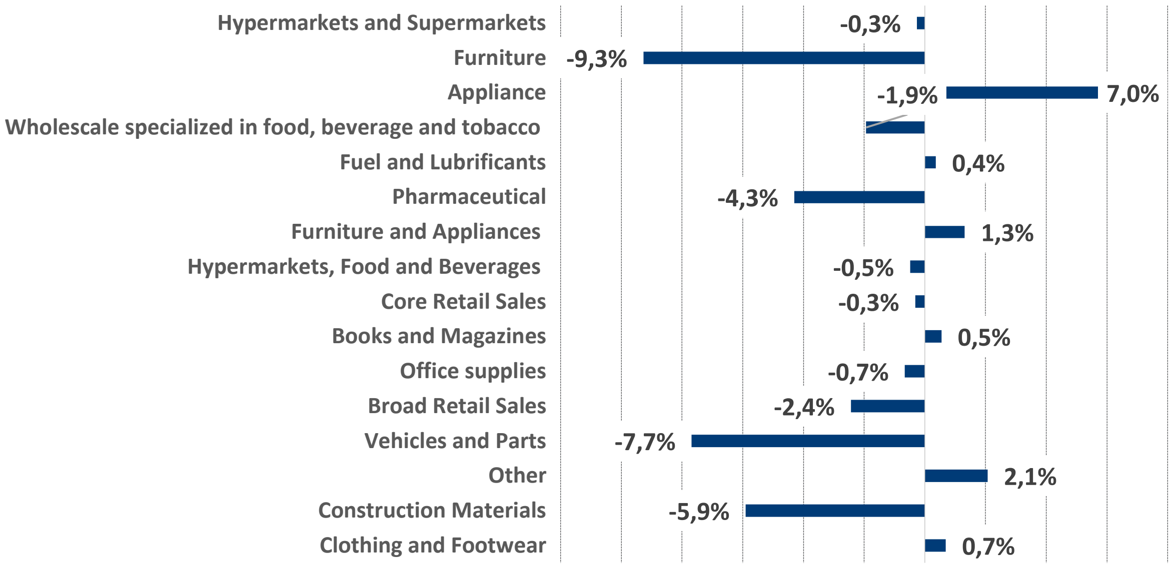
Broad Retail Sales SA x Core Retail Sales SA



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



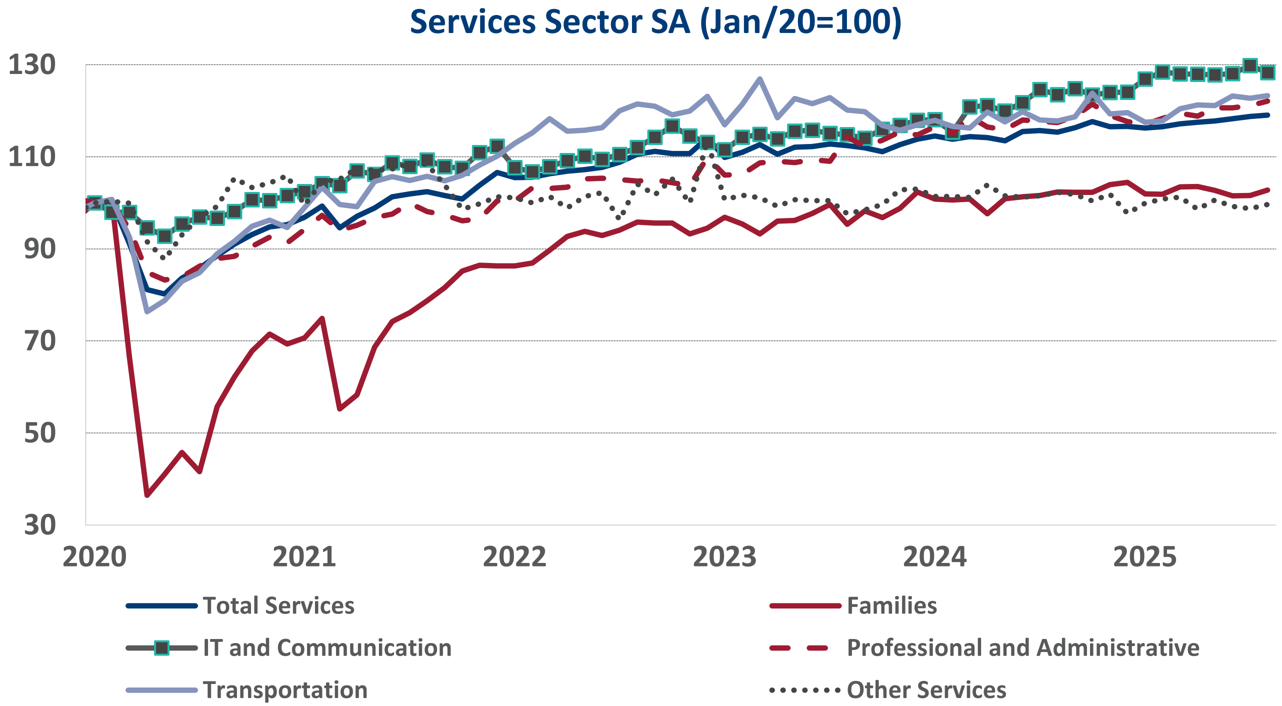
Retail Sales - YoY (08/2025)

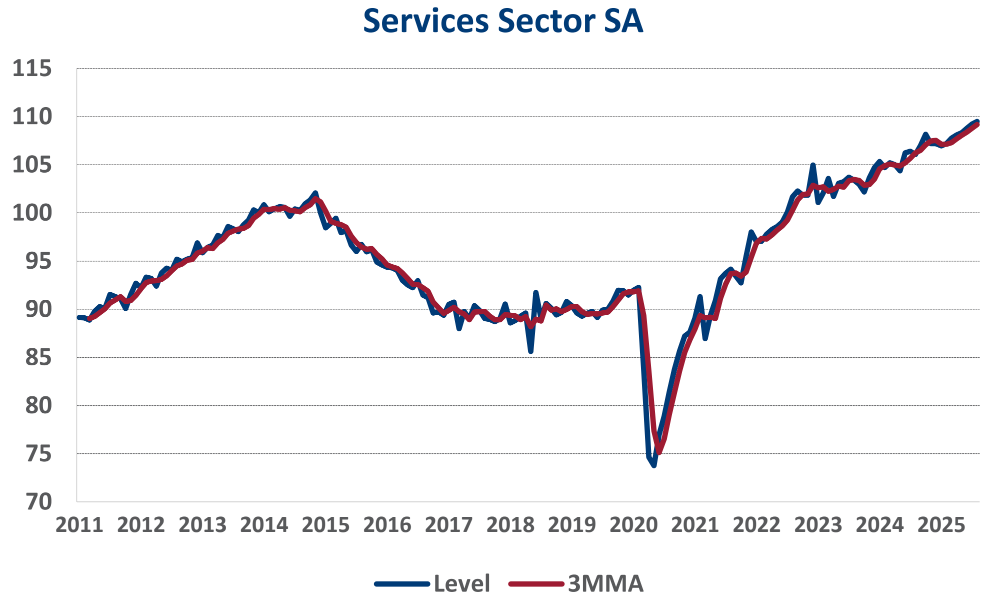


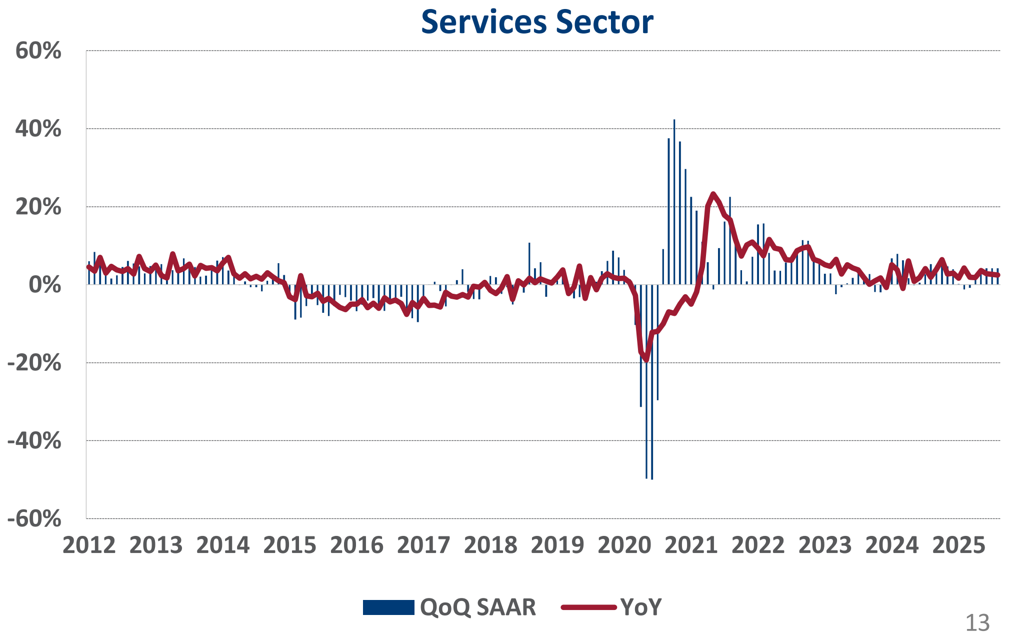
Source: IBGE, BOCOM BBM

Brazil: Services

- Services output increased by 0.1% MoM in August, in line with market expectations of 0.1% MoM. In addition, the indicator rose by 0.9% QoQ and 2.8% YoY.
- The highlight went to professional, administrative and complementary services (0.4% MoM), mostly due to the strength of technical-professional services (0.3% MoM). Additionally, services rendered to families rose for the second straight month (1.0% MoM), following a weaker-than-anticipated performance in Q2.
- On the negative side, the category of information and communication services dropped in August (-0.5% MoM), but its big picture remains encouraging (5.5% YTD). Furthermore, the (much volatile) category of other services posted an increase of 0.6% MoM.
- Overall, the service sector remains on an upward trend, although at a moderate pace.



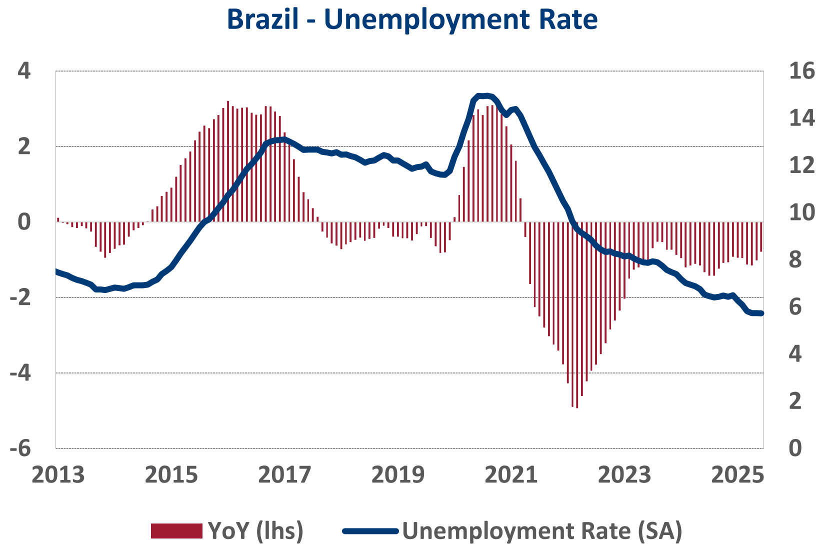


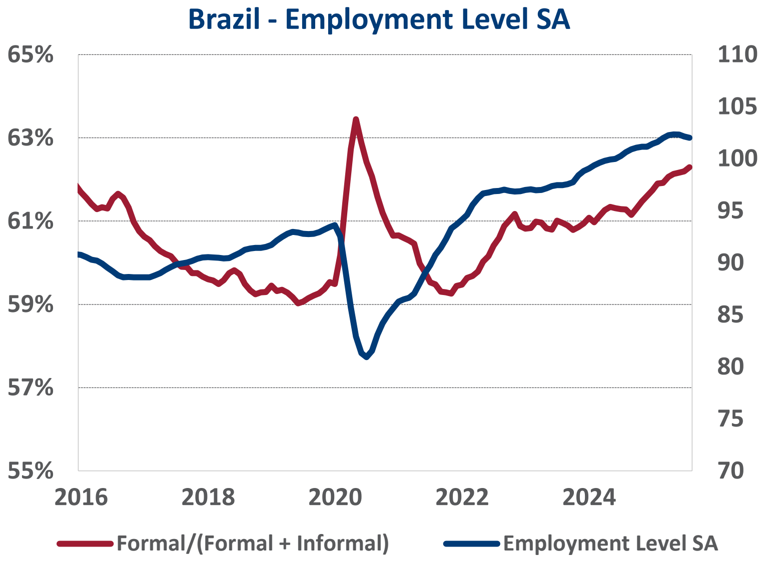


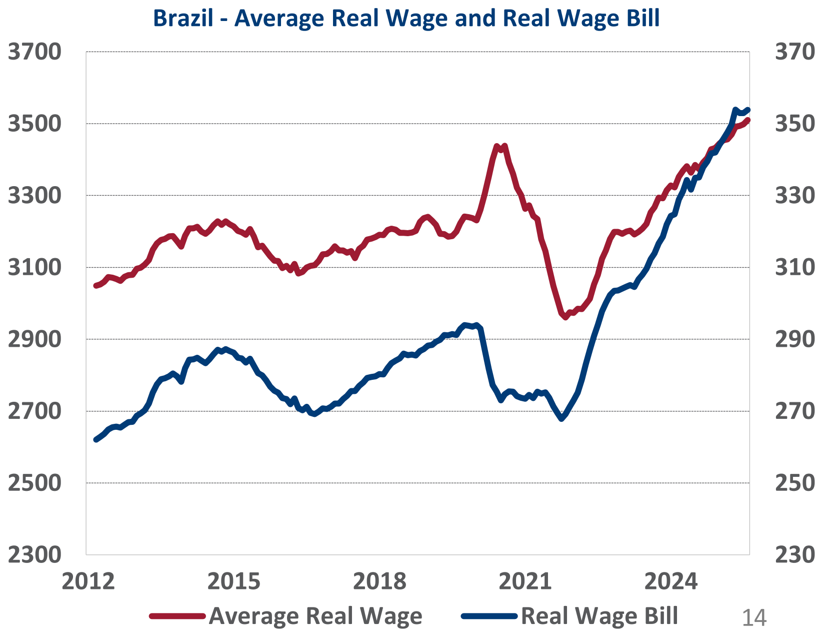
Source: IBGE, BOCOM BBM

Brazil: PNAD

- The unemployment rate was stable at 5.6% in the moving quarter up to September, in line with expectations.
- Seasonally adjusted, the indicator fell to 5.6% from 5.8%, remaining at a historically low level.
- Total employment fell by 0.1%, standing at 102.1 million, while labor force fell by 0.2% MoM, reflecting a still tight labor market.
- The labor force participation rate edged down marginally to 62.2%, still below pre-pandemic levels of 63.5%.
- The average real wage increased 0.2% MoM, remaining on an upward trajectory.
- In turn, real aggregated labor income was virtually flat in the monthly comparison.



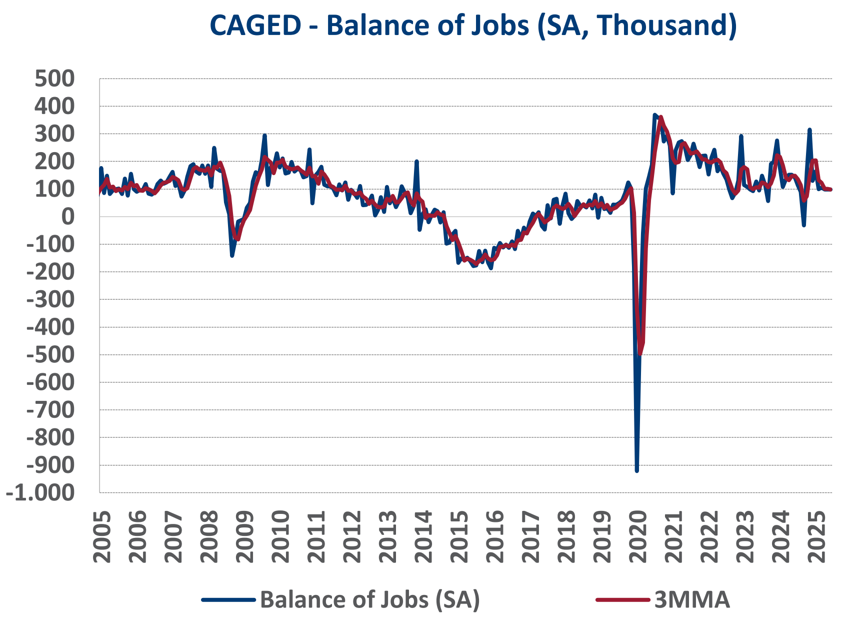


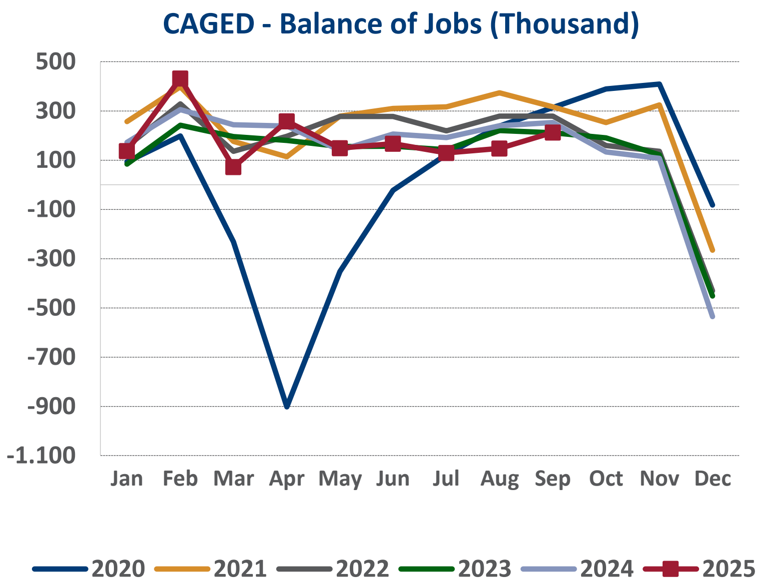


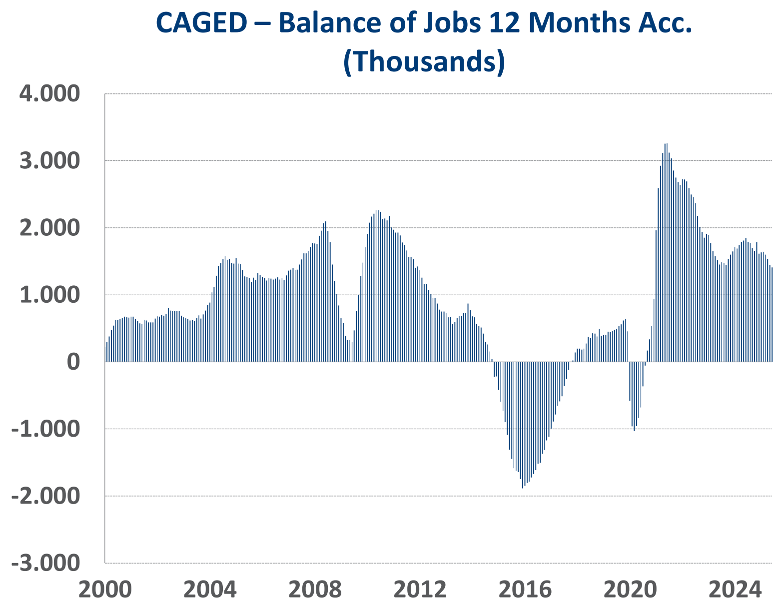
Source: IBGE, BOCOM BBM, MTE

Brazil: Formal Labor Market

- CAGED registered a net creation of 213k formal jobs in September, above market expectations (170k).
- There was a net addition of 1.717 million occupations from January to September 2025, following the 1.995 million in the same period of 2024.
- The 12-month rolling sum reached 1.400 million jobs.
- Formal job hiring rose by 3.7% MoM in September (4.9% YoY).
- In all, job creation regained momentum in September after the previous month's weak performance, keeping formal employment resilient despite volatility.



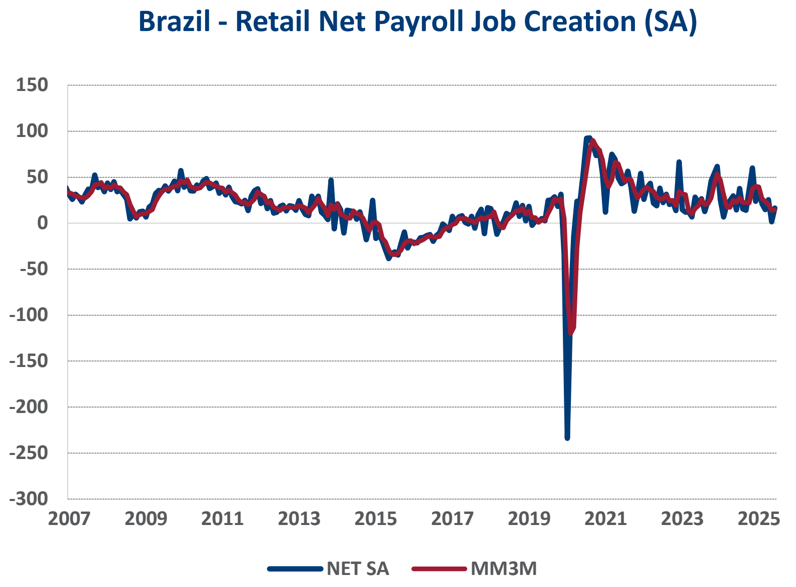


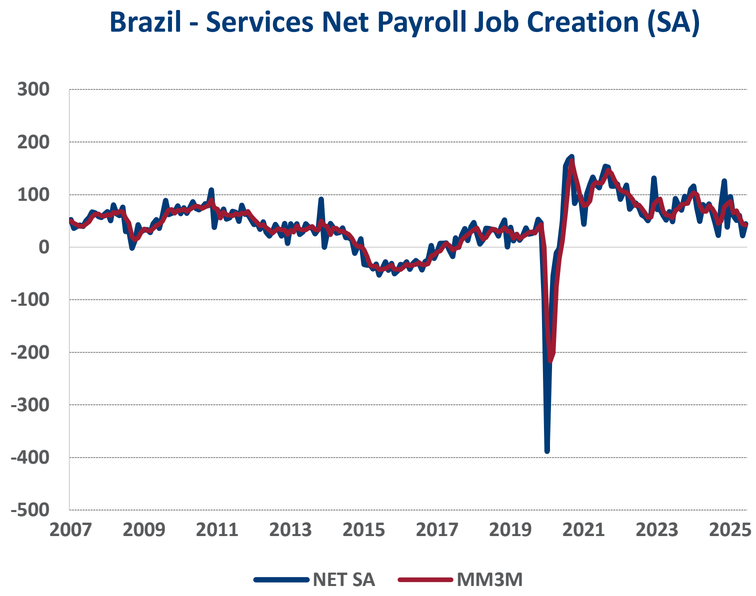


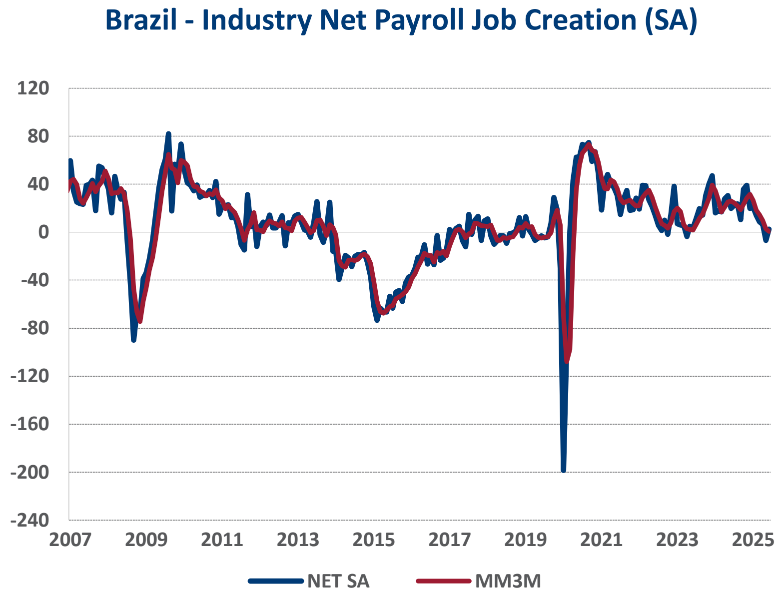
Source: BOCOM BBM, MTE

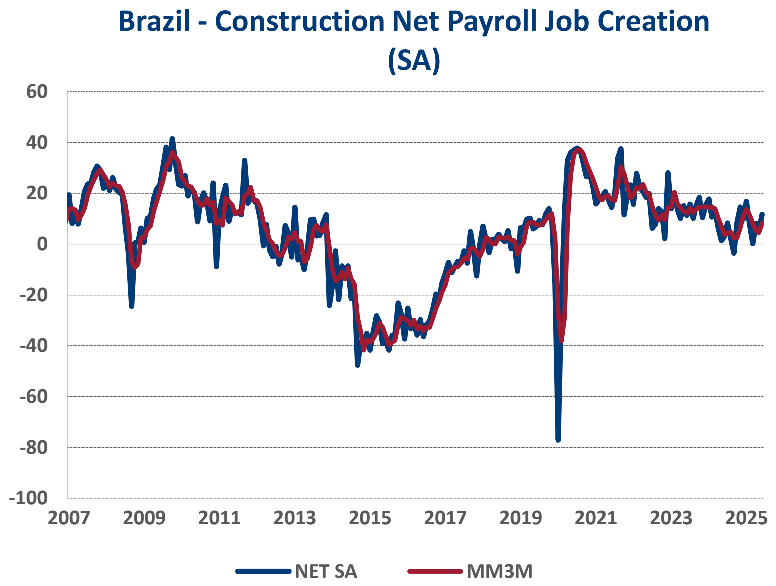
Brazil: Formal Labor Market

- The tertiary sector showed resilient, led by a rebound in administrative and support services.
- The net addition in the services sector totaled 68k jobs in September, after 20k in August.
- All sectors improved in the monthly comparison.
- The retail (to 20k from 13k), construction (to 14k from 6k), industry (to 9k from 1k), and agriculture & livestock (to 4k from -1k) also showed better figures this month.
- Overall, formal employment remains strong, despite significant monthly fluctuations.







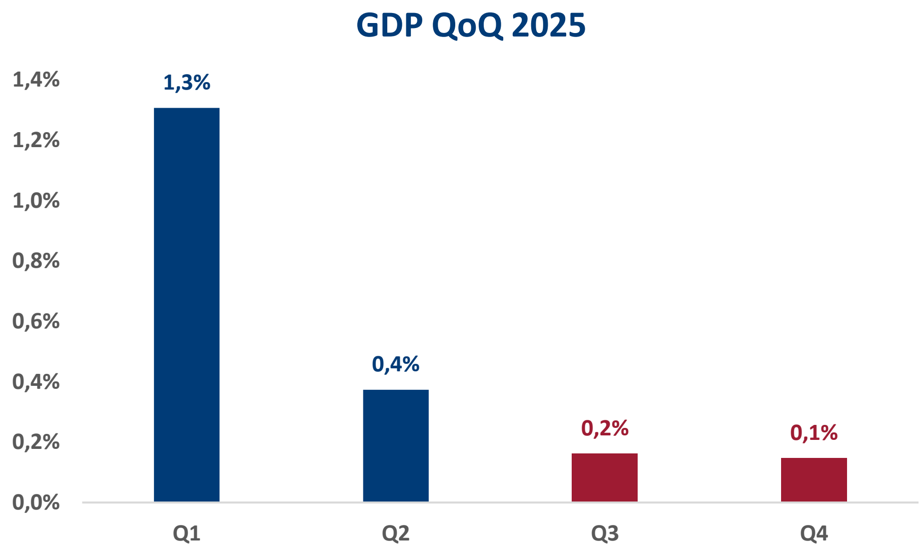


Source: BOCOM BBM, MTE

Brazil: GDP Forecast

- We forecast a growth of 2.1% in 2025, with an important slowdown of the economic activity in the second semester.

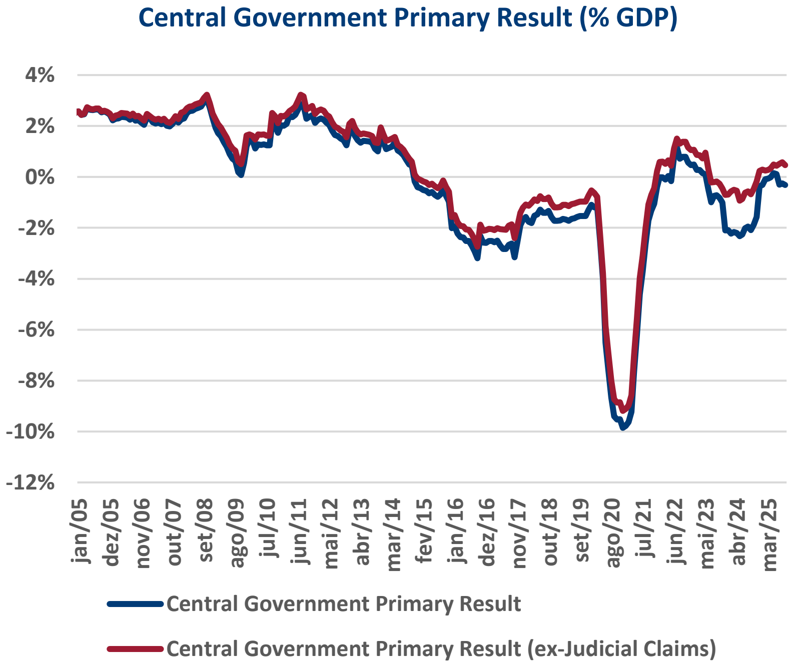
Forecast				
	2025.III QoQ	2025.III YoY	Proj. 2025	Proj. 2026
GDP	**0.2%**	**1.6%**	**2.1%**	**1.5%**
Agriculture	**-1.9%**	**5.0%**	**8.0%**	**4.2%**
Industry	**0.0%**	**0.6%**	**1.4%**	**1.0%**
Mining	-0.8%	8.5%	6.9%	4.2%
Manufacturing	0.4%	-0.5%	0.5%	0.2%
Electricity	-1.5%	-3.5%	-1.5%	1.4%
Civil Construction	-0.7%	-0.6%	0.6%	0.0%
Services	**0.6%**	**1.8%**	**1.8%**	**1.5%**
Retail	-0.01%	-0.2%	0.7%	0.5%
Transports	1.0%	3.6%	2.1%	1.3%
Information and Communication	1.2%	6.0%	5.9%	3.3%
Financial Services	2.1%	3.9%	3.2%	1.5%
Rents	0.3%	2.0%	2.3%	2.6%
Other Services	0.7%	2.1%	2.1%	1.2%
Public Administration	-0.4%	0.8%	0.6%	1.6%

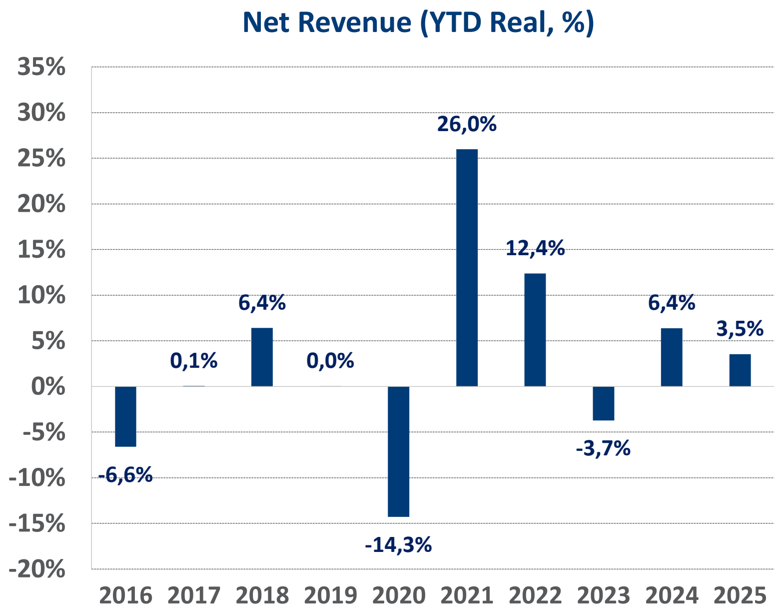


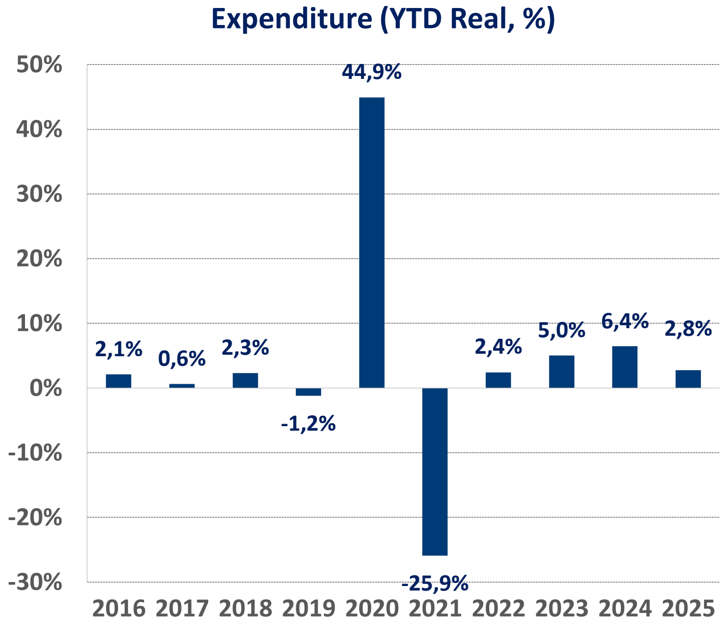
Source: BOCOM BBM, IBGE

Brazil: Central Government Primary Result

- The central government's primary balance posted a deficit of BRL 14.5 billion in September, in line with market consensus (BRL -15.1billion).
- Net revenues grew by 0.6% YoY in real terms, mainly driven by social security contributions, up 11.9% YoY, reflecting the still robust labor market and a drop in tax compensations, along with IOF (35.3% YoY), boosted by the recent tax rate increase. On the negative side, IRPJ/CSLL dropped by 24.2% YoY on the back of the deceleration in economic activity, and IPI declined by 21.5% YoY due to tax adjustments and reclassifications.
- Total expenditure rose by 5.7% YoY in real terms. Most of this increase is explained by discretionary expenditures, reflecting an acceleration in budget execution during the second half of the year, particularly related to parliamentary amendments. Additional contributors to the expenditure growth include unemployment insurance and wage bonus, and the cash benefit for elderly and disabled people (BPC/LOAS).
- Year-to-date, total expenditure increased by 2.8%, mainly due to social security benefits (4.0%), personnel (3.9%), and BPC/LOAS (10.2%), partially offset by a 3.6% reduction in discretionary spending.
- Overall, lower revenue growth and higher discretionary spending drove a central government deficit in September. Net revenue slowed amid weaker activity and moderating prices, with profit and consumption-related taxes continuing their downward trend. Discretionary spending, especially parliamentary amendments, expanded and should add pressure toward year-end, while mandatory spending moderated due to increased backlog in social security and welfare benefits.





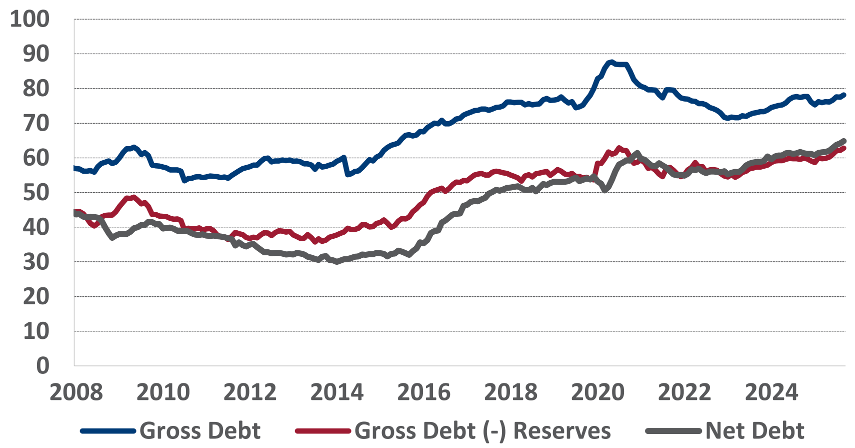


Source: BOCOM BBM, RTN

Brazil: Consolidated Public Sector Budget

- The consolidated public sector posted a primary deficit of BRL 17.5 billion in September, in line with market consensus (deficit of BRL 17.6 billion).
- Regarding the breakdown, the central government and regional governments registered deficits of BRL 14.9 billion and BRL 3.5 billion, respectively, while state-owned enterprises (SOEs) presented a surplus of BRL 1.0 bn.
- General Government Gross Debt (GGGD) rose to 78.1% of GDP, with nominal interest (+0.8 p.p.) being the main driver of this growth, while nominal GDP growth (-0.4 p.p.) partially offset it.

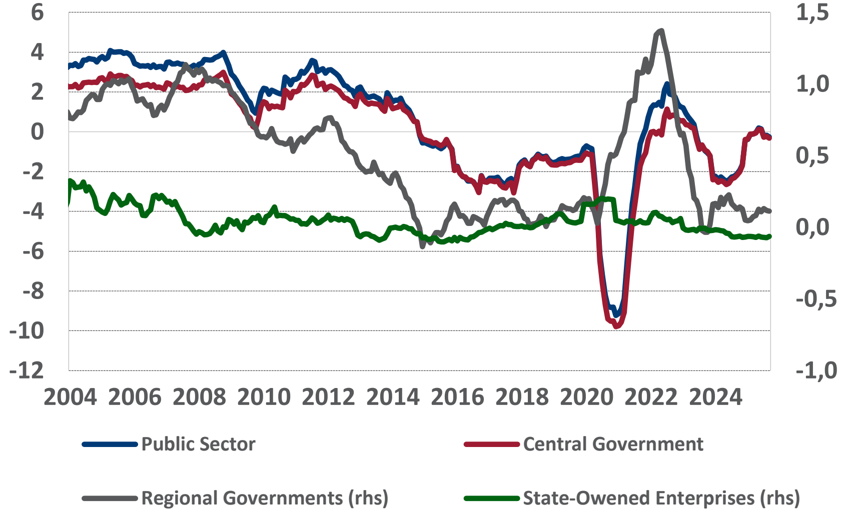
Public Sector Debt (% GDP)



Primary Budget Balance (% GDP 12M)

Central Government (% GDP 12M)

Public Sector Primary Result (% GDP)

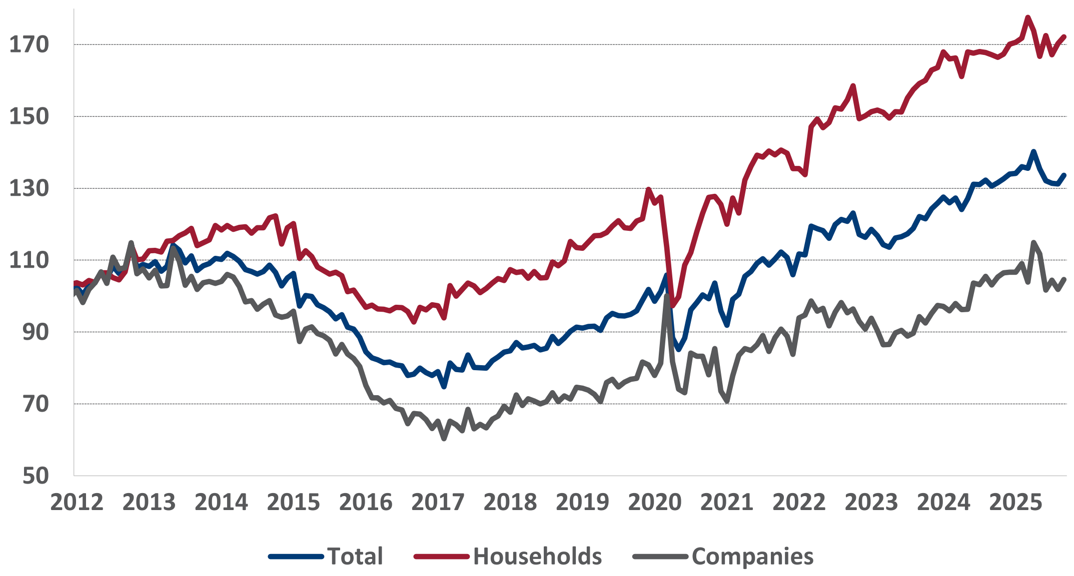


Source: BOCOM BBM, BCB

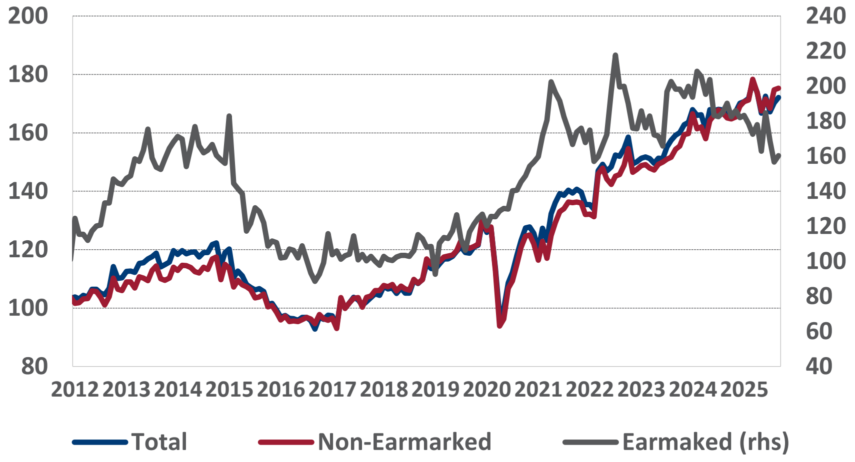
Brazil: Credit Statistics

- In September, total credit concessions increased by 1.8% MoM in real terms, after falling by 0.1% in the last month.
- Non-earmarked credit concessions increased 1.1% MoM in real terms to households and increased 2.7% MoM to companies.
- In September, credit data showed a mild recovery in origination and stable delinquency, but conditions remain tight as high borrowing costs and subdued household demand reflect the lagged impact of restrictive monetary policy.

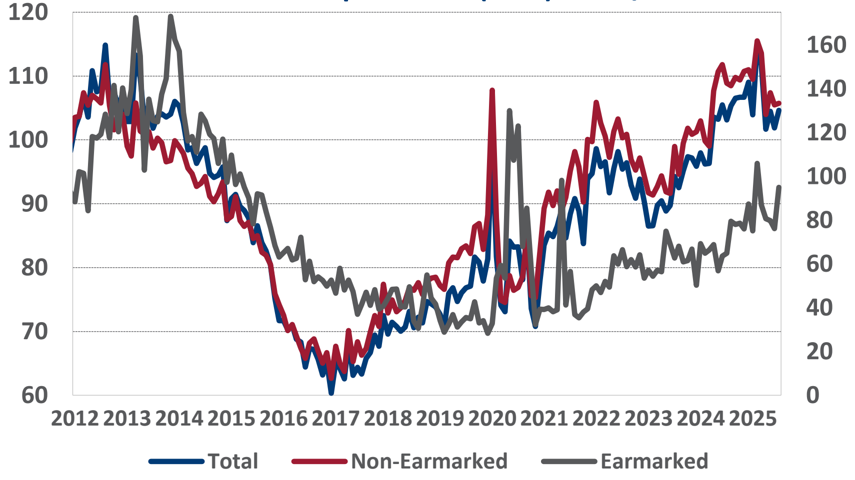
New Credit Operations SA (Real) - mar/11 = 100



Concessions - Households SA (Real) - Mar/11 = 100



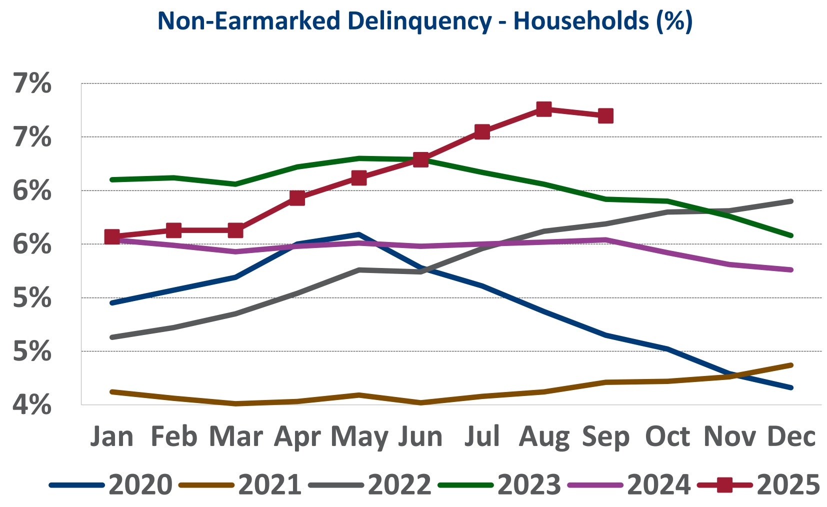
Concessions - Companies SA (Real) - mar/11 = 100

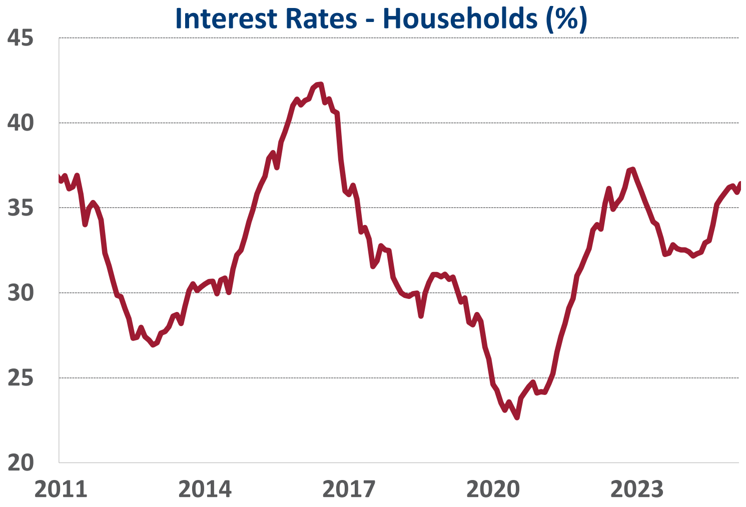


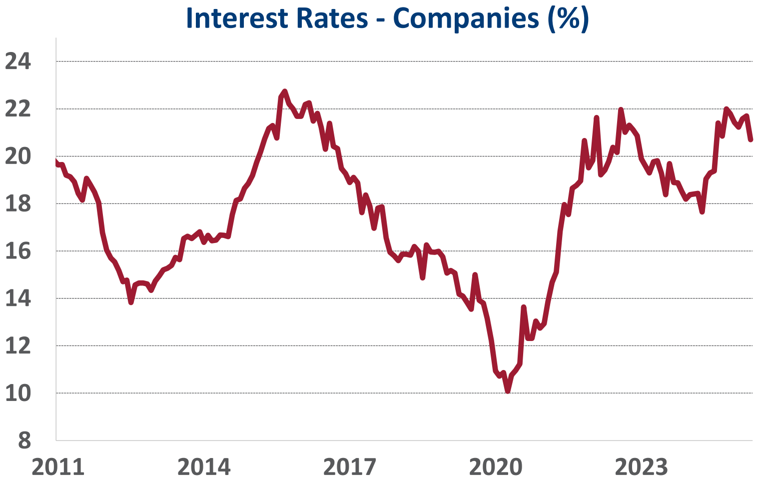
Source: BOCOM BBM, BCB

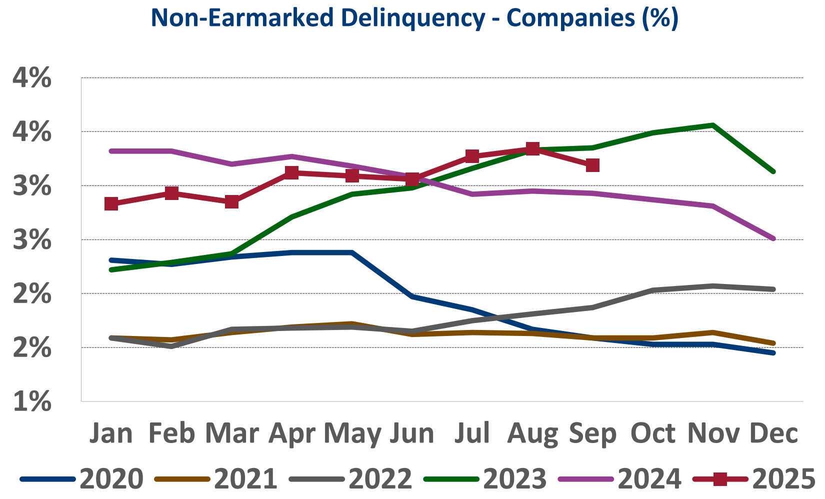
Brazil: Credit Statistics

- Lending rates decreased marginally, remaining at high levels for households, staying at 36.3% in September from 36.4% in August, while for companies, rates went down to 20.7% from 21.7%.
- In turn, delinquency on non-earmarked loans decreased both for households (from 6.8% to 6.7%) and for companies, staying at 3.2%.
- Interest rates also fell slightly at the margin, with household costs remaining elevated and corporate rates showing a modest decline, keeping overall borrowing conditions restrictive.







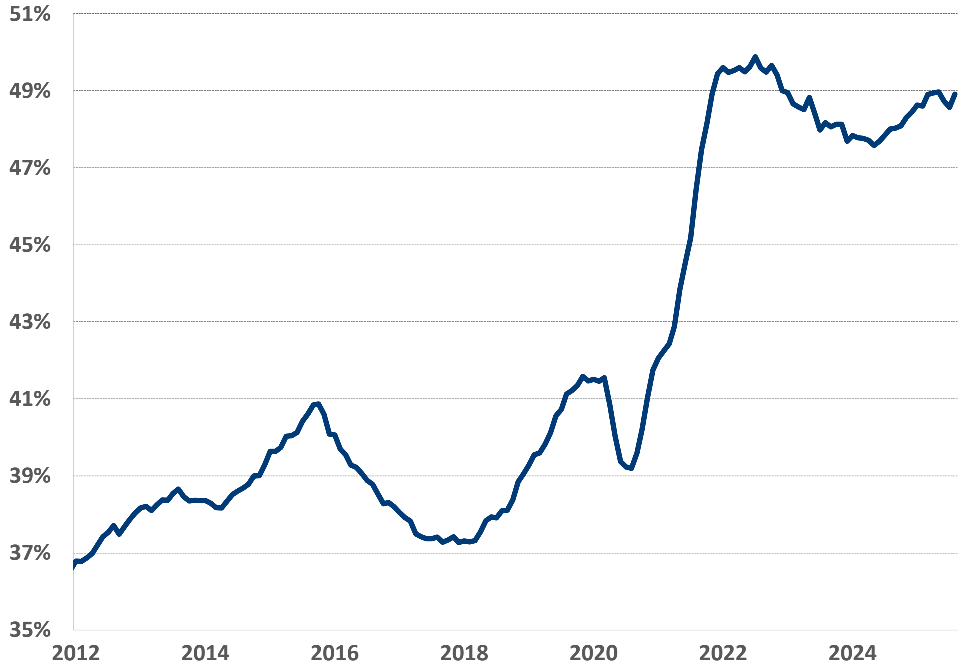


Source: BOCOM BBM, BCB

Brazil: Credit Statistics

- The household indebtedness remains high, increasing sharply to 48.9% in August.
- Meanwhile, income commitment increased to a seasonally adjusted level of 28.5% in August, from 27.9% in July.
- Credit dynamics remain constrained, with household demand weak and corporate flows driven by earmarked lines, notably BNDES under Plano Brasil Soberano. Lending rates and delinquency stabilized at high levels, while non-earmarked credit continues to slow and household indebtedness and debt service burdens keep rising, reinforcing the drag from the credit channel on activity.

Indebtedness (12M)

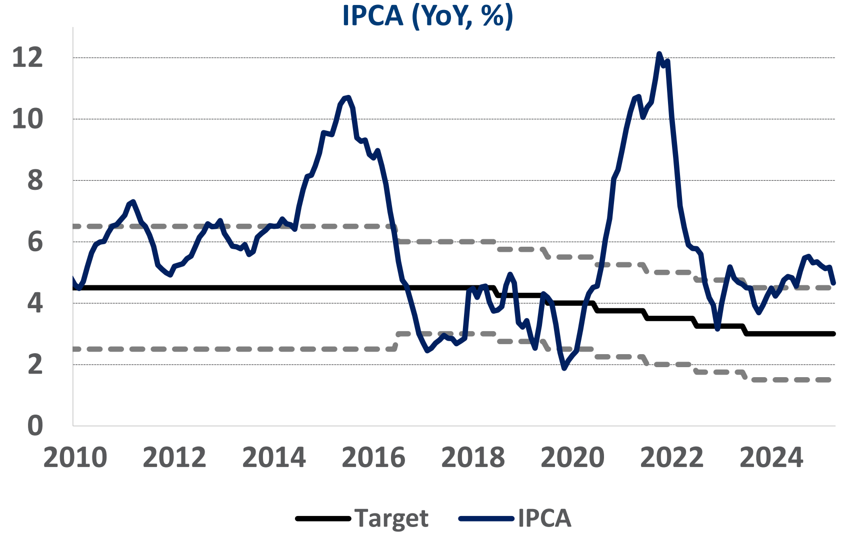


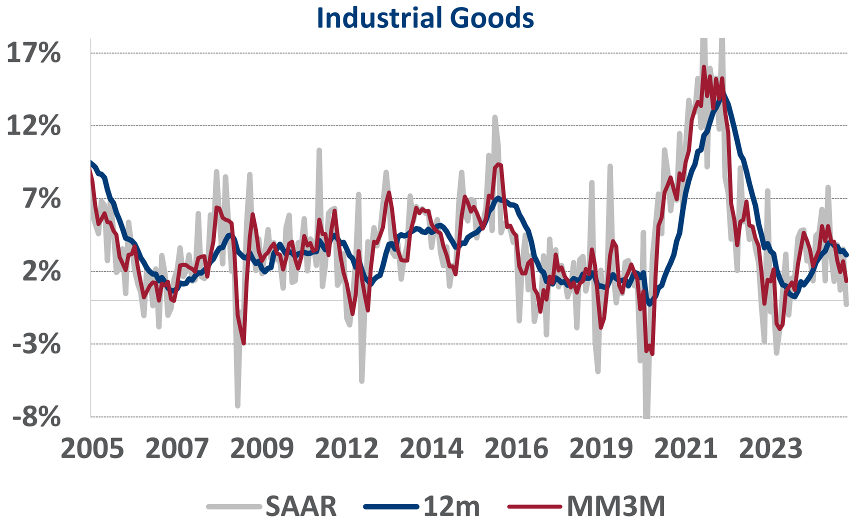
Income Commitment - Debt Service (SA)

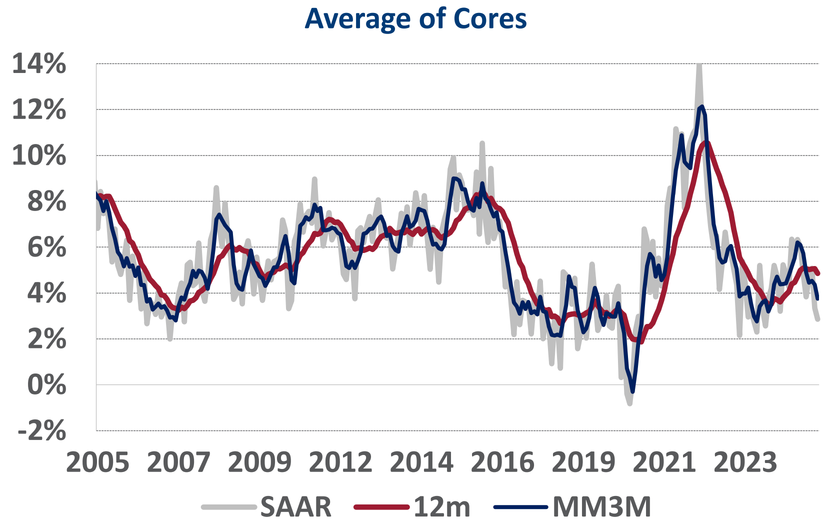
Source: BOCOM BBM, BCB

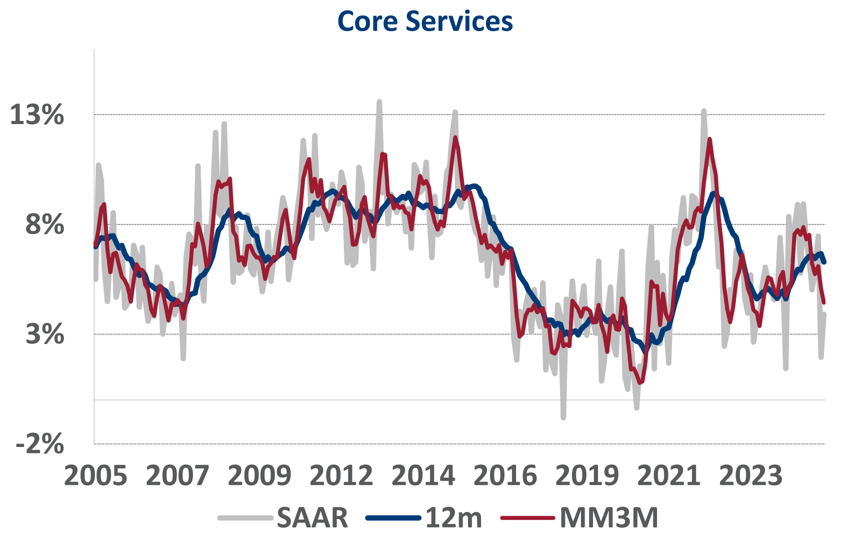
Brazil: Inflation 2025

- October IPCA-15 increased by 0.18% MoM, below market expectations (0.21% MoM). The 12-month variation fell from 5.32% in September to 4.94% in October.
- The main upward deviation came from gasoline and residential electric power, while airfares surprised to the downside
- Core services advanced 0.24% MoM, well below forecasts, and the 3M SAAR decreased from 4.9% to 4.7%.
- The average of core inflation increased by 0.21% MoM, below expectations, with its 3M SAAR at 3.8%.
- In all, the October IPCA-15 breakdown was better than expected, especially in core metrics.





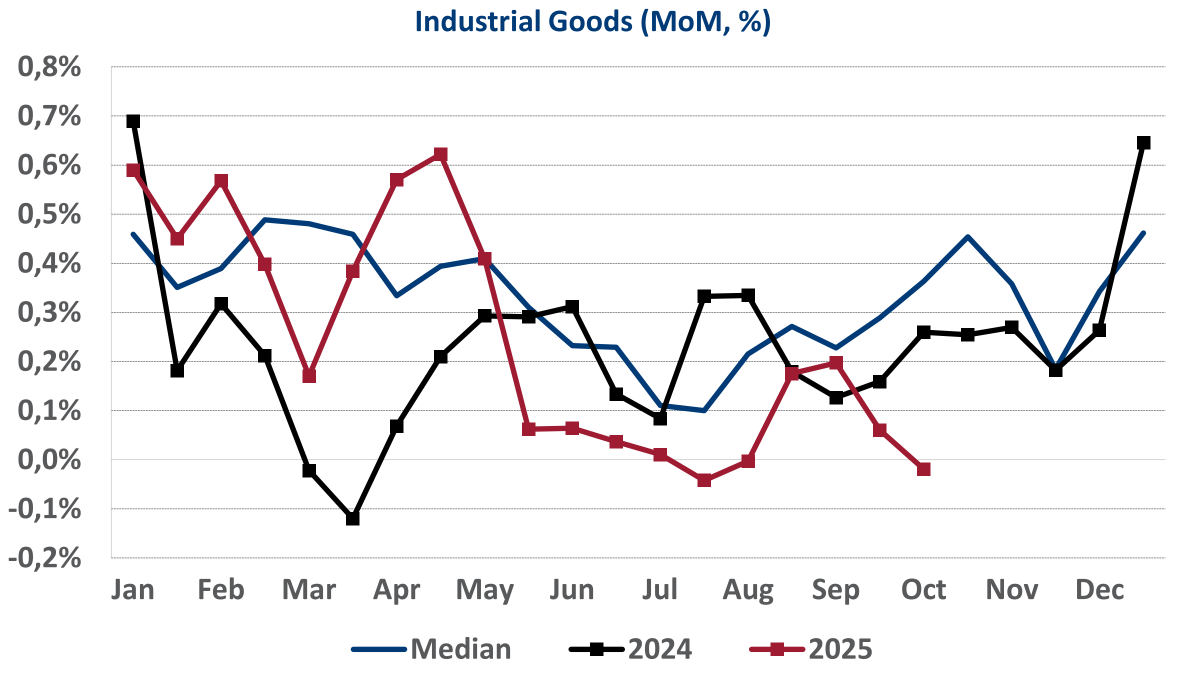


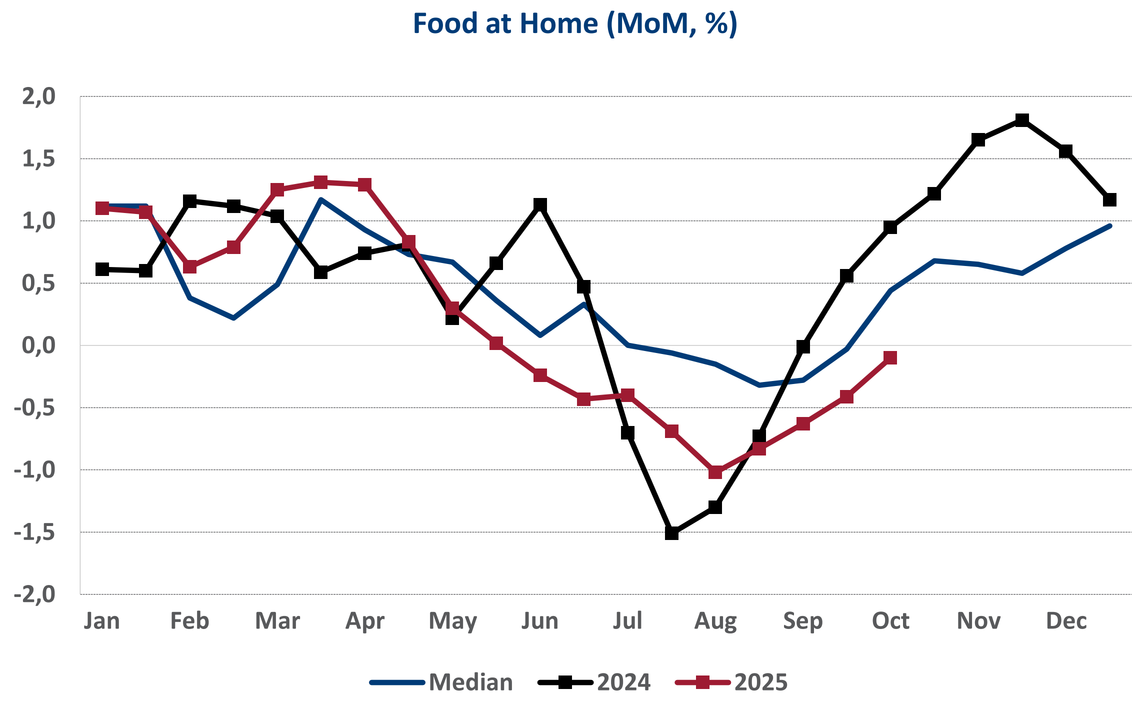


Source: BOCOM BBM, IBGE

Brazil: Inflation 2025

- Industrial goods prices retreated 0.02%, below expectations, while the 3M SAAR stood at 2.9% in October.
- Foodstuff prices decreased by 0.10% MoM, in line with expectations. Items such as cereals, fresh foods and dairy products contributed to the drop.
- Accordingly, recent improvement in inflation for tradable goods, coupled with core metrics presenting softer prints, continue to corroborate the downside risks for inflation this year.





Source: BOCOM BBM, IBGE

Brazil: Inflation Outlook

- After the cut in gasoline prices by Petrobras and the release of the IPCA-15 for October, we revised our projection to 4.3% this year.
- The downside surprises have been driven by tradable goods, but the latest releases also show a more favorable scenario for services and core inflation.

IPCA (%, annual)

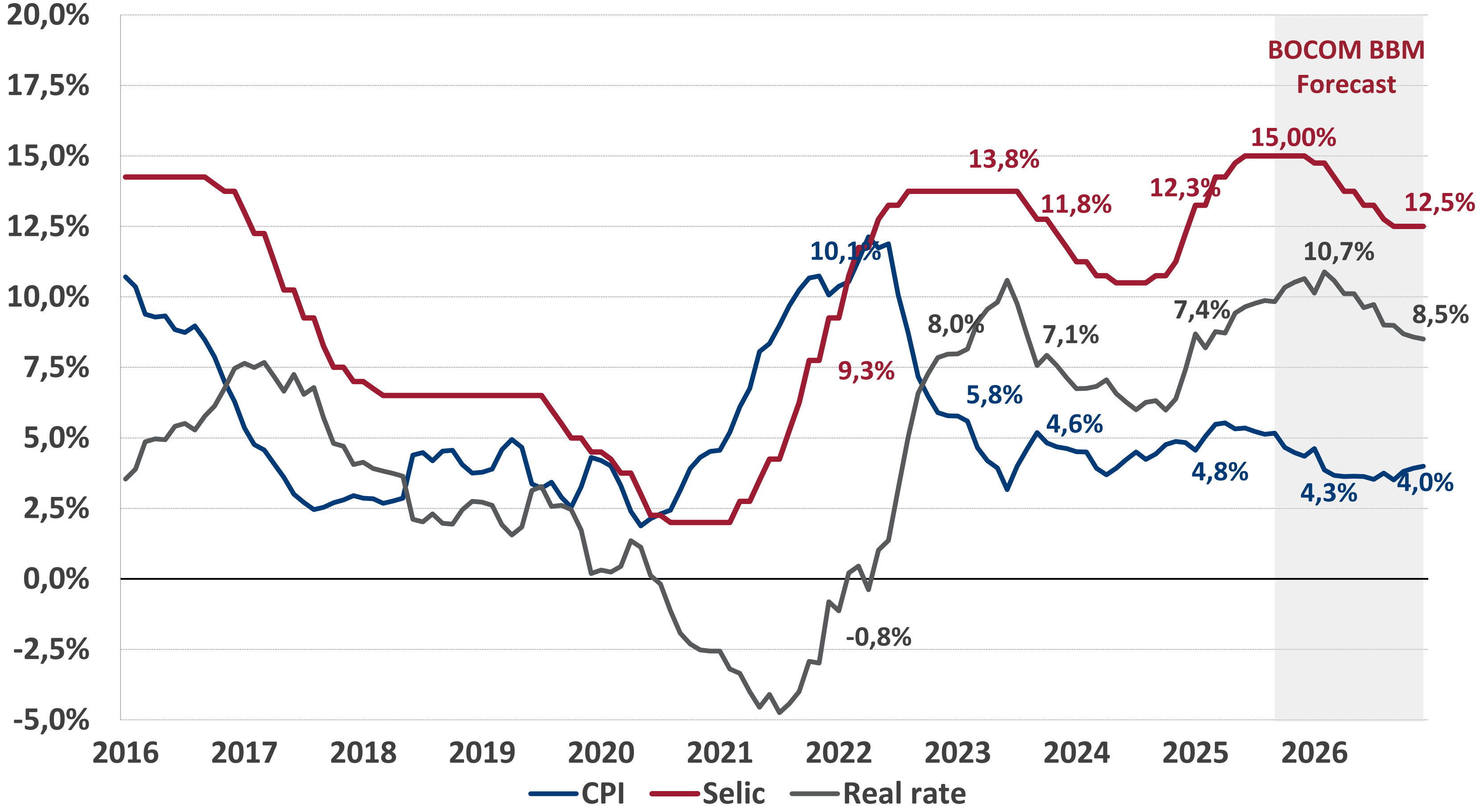
	Weight	2019	2020	2021	2022	2023	2024	2025	2026
Regulated	**26.6**	**5.5**	**2.6**	**16.9**	**-3.8**	**9.1**	**4.7**	**4.8**	**3.9**
Industrial goods	**23.6**	**1.7**	**3.2**	**11.9**	**9.5**	**1.1**	**2.9**	**2.6**	**2.4**
Durable goods	10.3	0.0	4.5	12.9	6.1	-0.4	1.5	0.8	-
Semi-durable goods	5.9	0.6	-0.1	10.2	15.7	2.7	2.1	3.4	-
Non-durable goods	7.3	4.4	4.0	11.9	9.5	1.7	5.4	4.2	-
Food at home	**15.7**	**7.8**	**18.2**	**8.2**	**13.2**	**-0.5**	**8.2**	**3.6**	**4.9**
Services	**34.1**	**3.5**	**1.7**	**4.8**	**7.6**	**6.2**	**4.6**	**5.4**	**4.8**
Food away from home	5.6	3.8	4.8	7.2	7.5	5.3	6.3	6.9	5.2
Related to minimum wage	5.2	2.9	1.5	3.3	6.3	5.2	5.0	6.2	5.0
Sensitive to economic activity	8.2	2.4	0.2	5.1	6.3	9.5	0.9	4.4	4.5
Inertial	15.0	4.3	1.6	4.2	8.8	5.1	6.0	5.2	4.6
IPCA		**4.3**	**4.5**	**10.1**	**5.8**	**4.6**	**4.8**	**4.3**	**4.0**

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 September meeting, as largely expected. COPOM no longer foresees an interruption of the cycle, paving the way for a cutting cycle at some point in the near future. Nonetheless, the committee also stated that it will remain vigilant evaluating whether rates at the current level will be sufficient to bring inflation to the target. BCB inflation projection six trimesters ahead was kept at 3,4 % in the first quarter of 2027, remaining unchanged despite currency appreciation and lower inflation expectations in FOCUS at the time of this last meeting. In all, Copom indicates that while a continuation of a hiking cycle is more unlikely, inflation projections still at 3,4% (and above the target) might require caution and rates that remain high for a prolonged period of time.

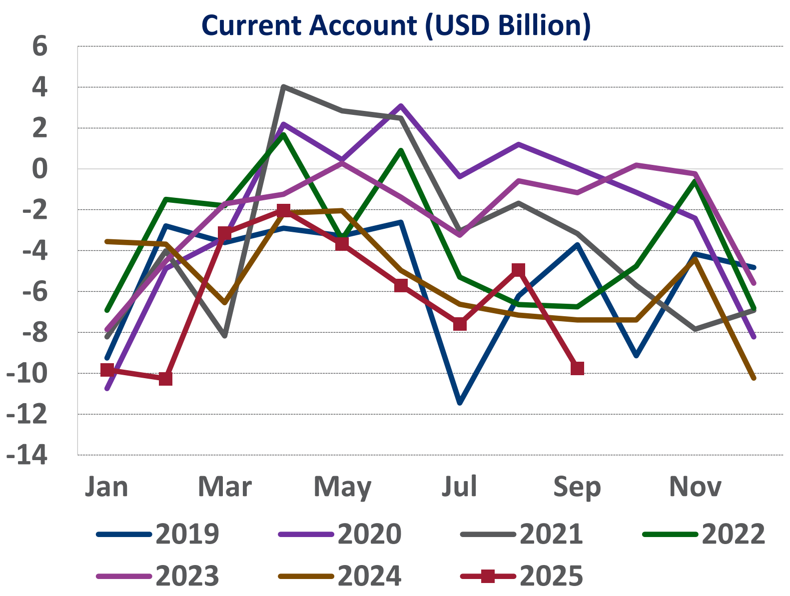
CPI, Selic Rate and Real Ex-post Interest Rate (YoY, %)

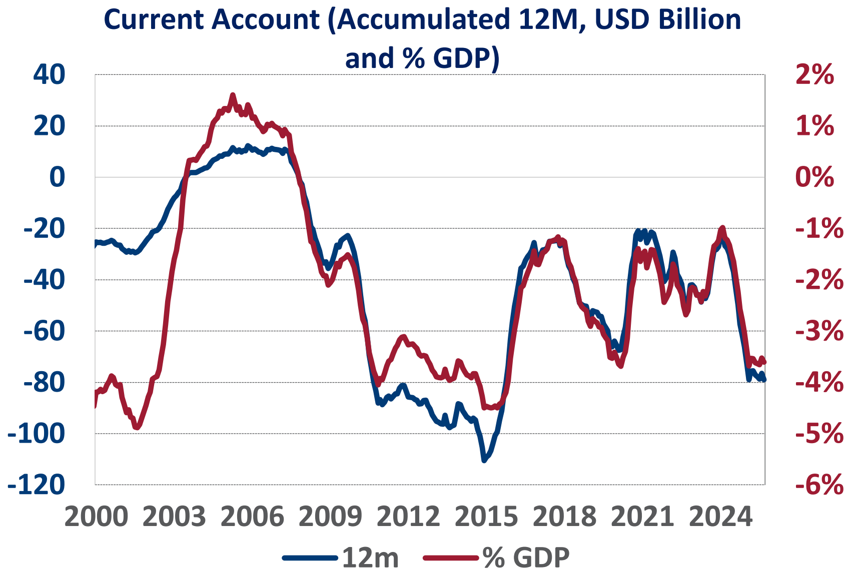


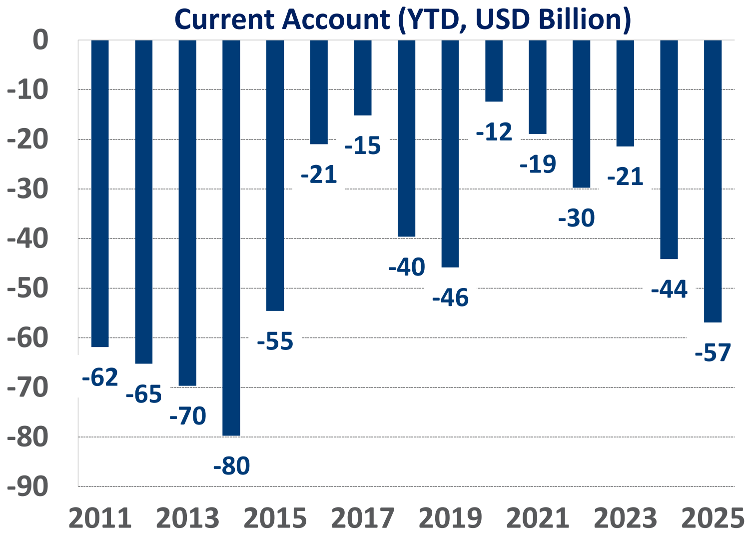
Source: BCB, BOCOM BBM, IBGE

Brazil: Balance of Payments

- The Brazilian current account recorded a deficit of USD 9.8 billion in September 2025, worse than market expectations (USD -7.8 billion).
- On a 12-month basis, the deficit reached USD 78.9 billion (3.61% of GDP) from USD 76.6 billion (3.53% of GDP) in August.
- In all, the balance of payments continues to deteriorate, amid still strong domestic demand and structural changes in the population consumption patterns.





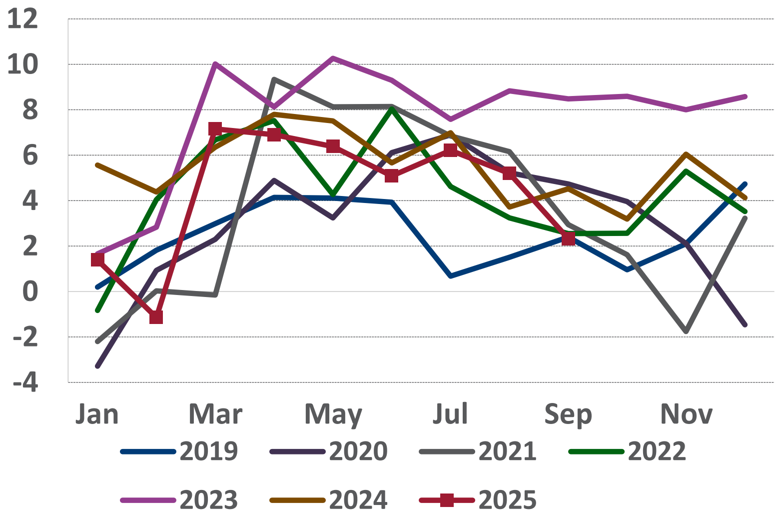


Source: BOCOM BBM, BCB

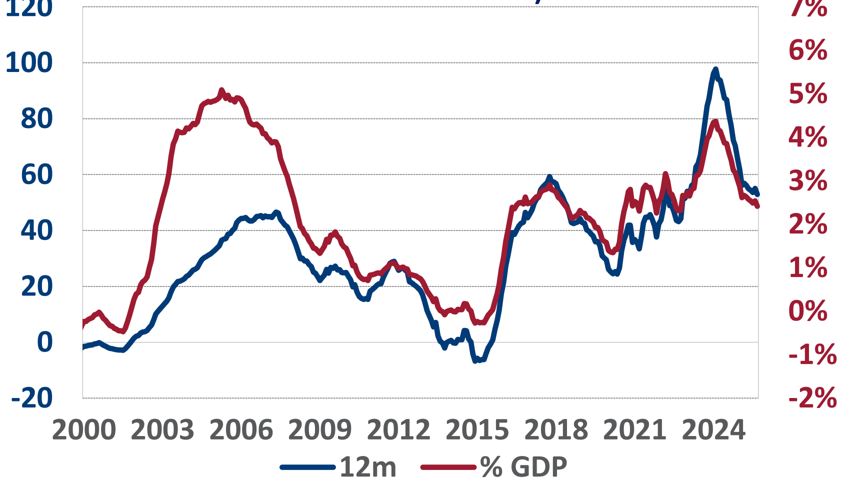
Brazil: Balance of Payments

- The merchandise trade balance recorded a surplus of USD 2.3 billion, below the USD 4.5 billion surplus recorded in September 2024.
- Exports increased this month, staying at USD 30.7 billion, while imports are still strong (USD 28.4 billion). According to MDIC data, while exports remain at high levels, import volumes remain robust, pressuring the trade surplus.
- On a 12-month basis, the trade surplus decreased to USD 53.2 billion, from USD 55.4 billion in August.
- Exports are performing well, in line with the record grain harvest, higher iron ore prices, and high exports of meat and vehicles.
- Imports remain resilient, with the month marked by the import of an oil platform valued at USD 2.4 billion, which boosted the YoY growth in September.

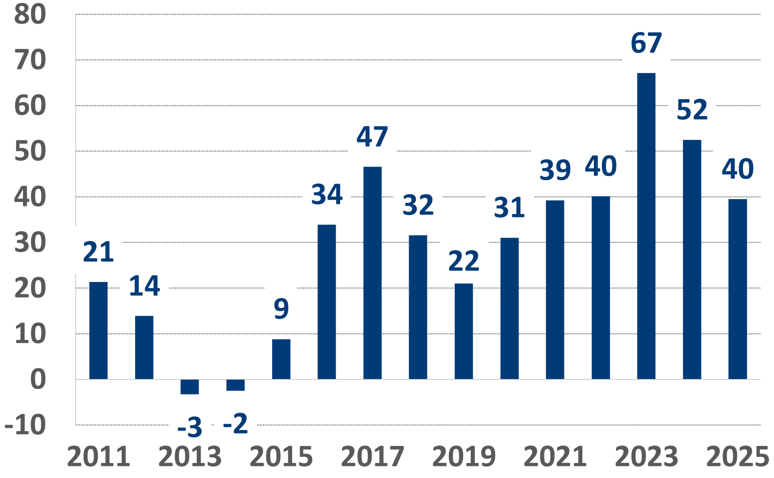
Balance on Goods (USD Billion)



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



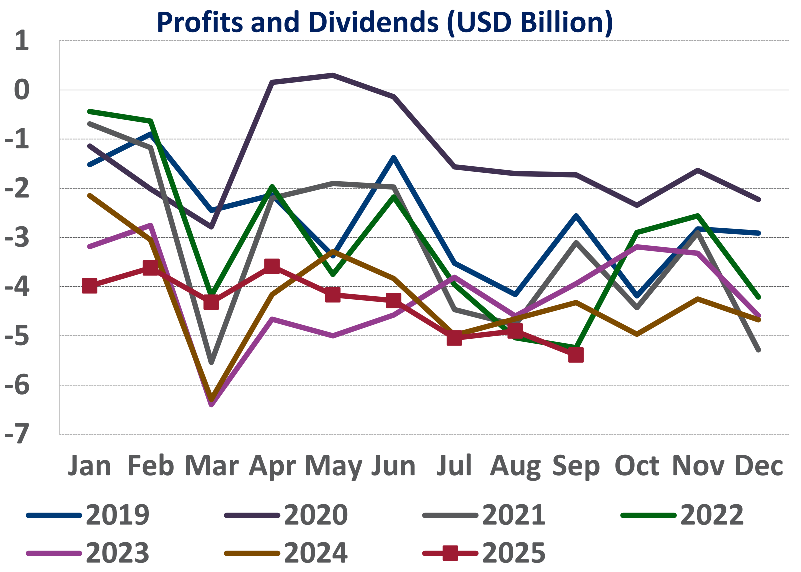
Balance on Goods (YTD, USD Billion)

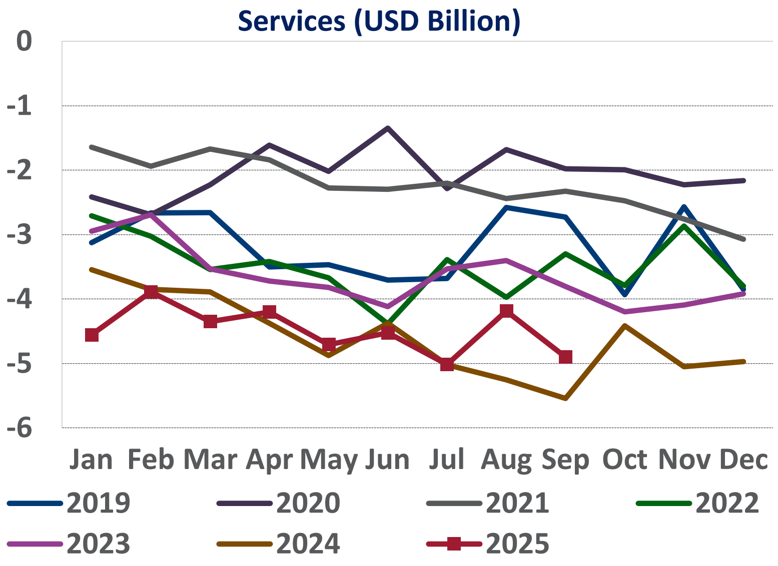


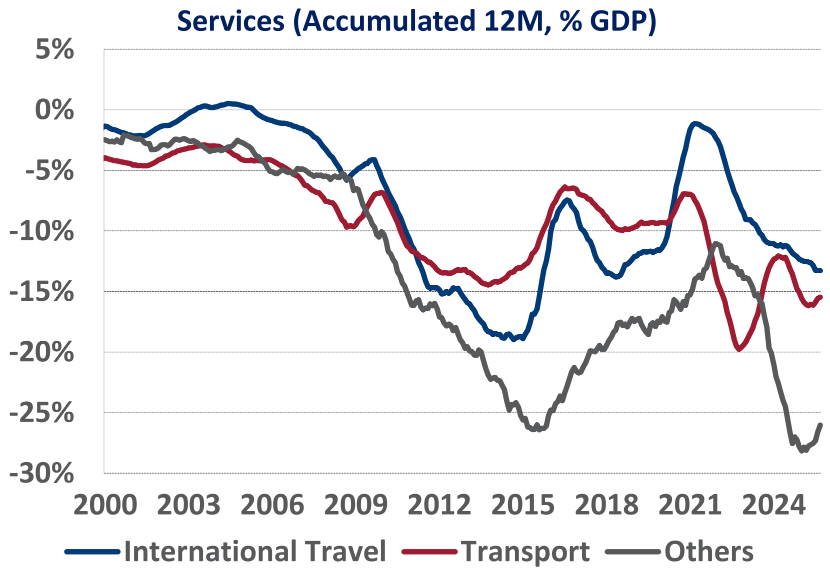
Source: BOCOM BBM, BCB

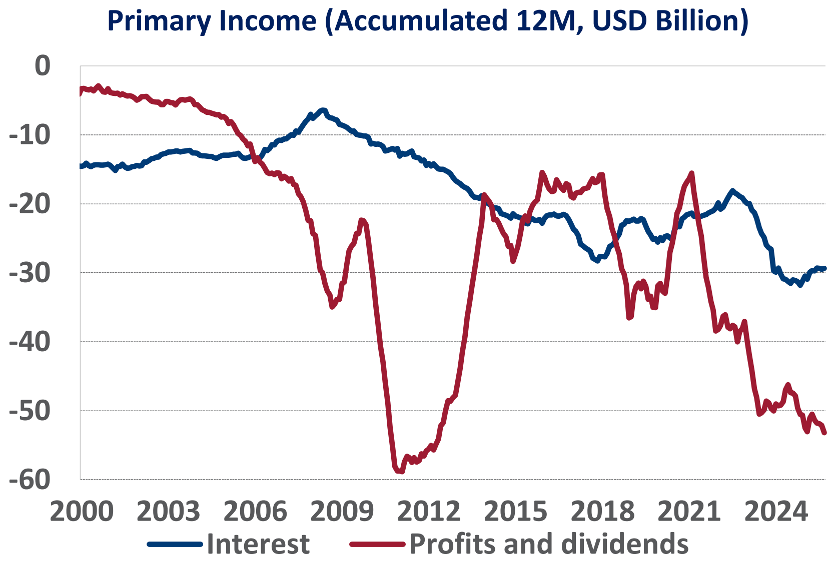
Brazil: Balance of Payments

- The Services account posted a deficit of USD 4.9 billion in September, below the USD 5.5 billion deficit observed in the same period last year. On a 12-month basis, the Services deficit reached USD 54.8 billion.
- The 'Intellectual Property' and 'Telecommunication' accounts, whose dynamics are less sensitive to the economic cycle, recorded a USD 1.2 billion deficit.
- On the other hand, the 'Personal, Cultural, and Recreational Services' Account posted a USD 18 million superavit in September 2025, coming from a deficit of USD 421 million in September 2024.





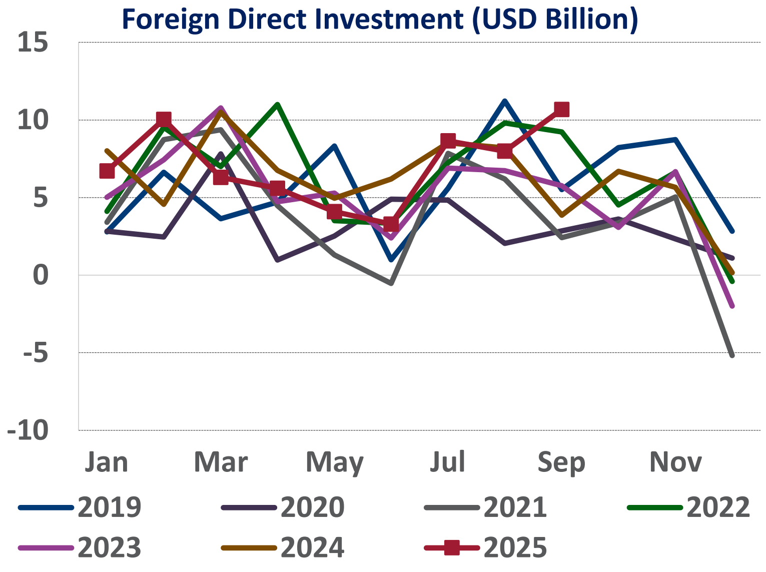


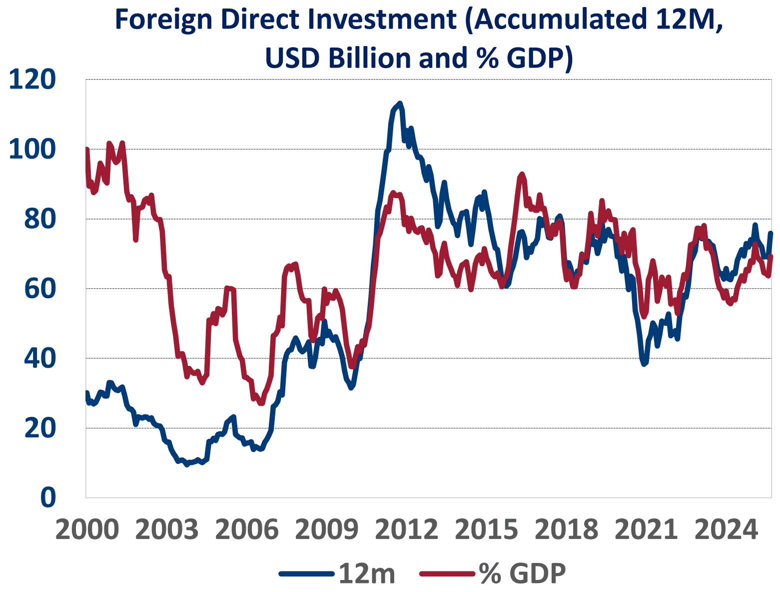


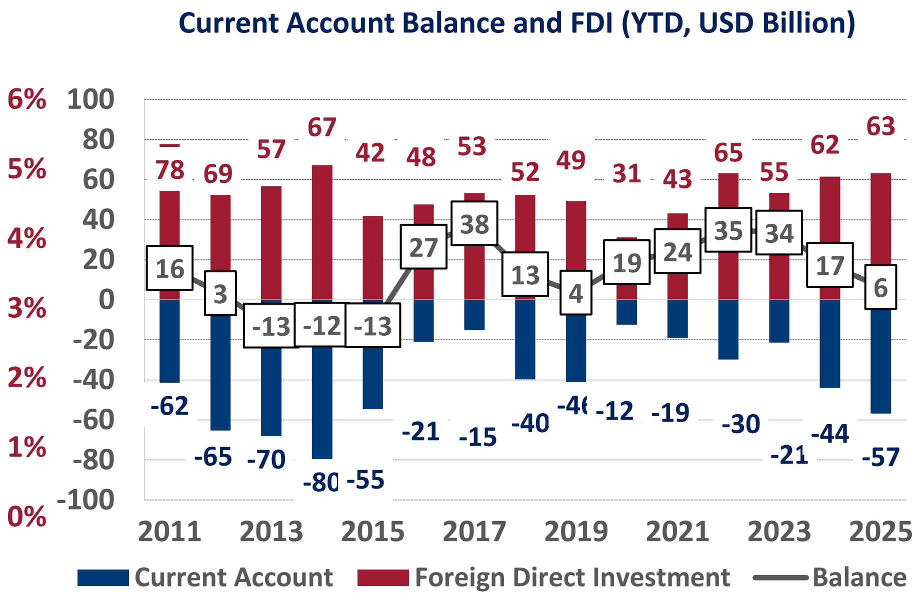
Source: BOCOM BBM, BCB

Brazil: Balance of Payments

- Foreign Direct Investment (FDI) registered a net inflow of USD 10.7 billion in September, above market consensus.
- On a 12-month basis, FDI inflows reached USD 75.8 billion (3.47% of GDP), from USD 69.0 billion in August.



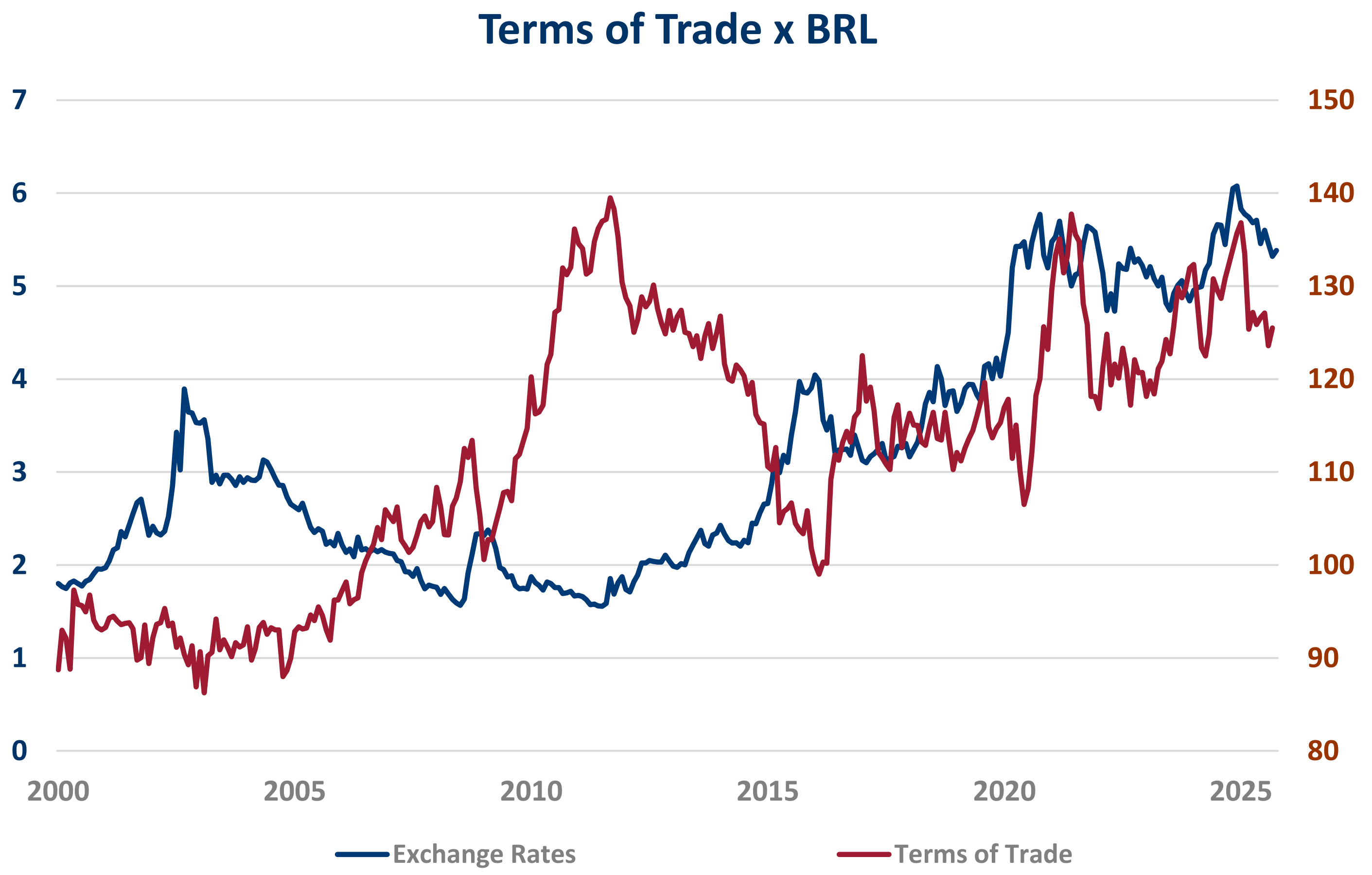


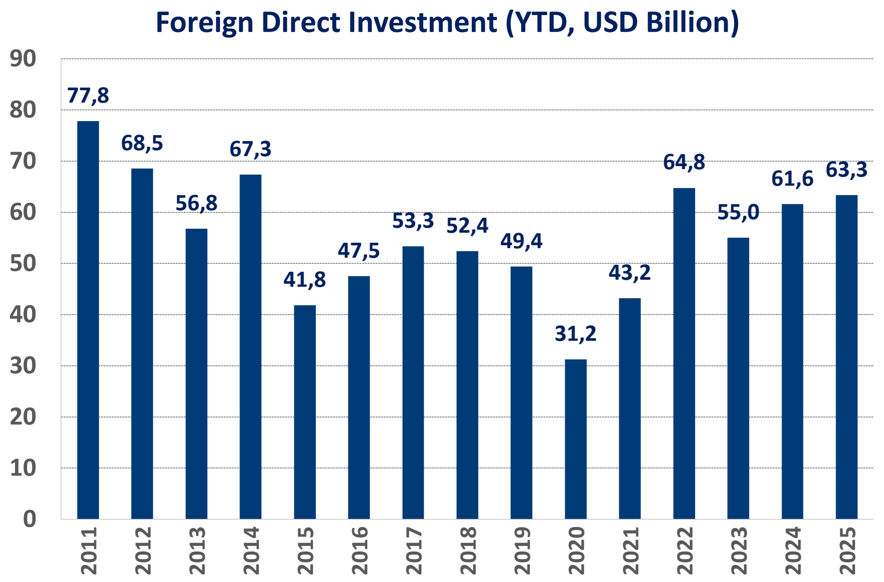


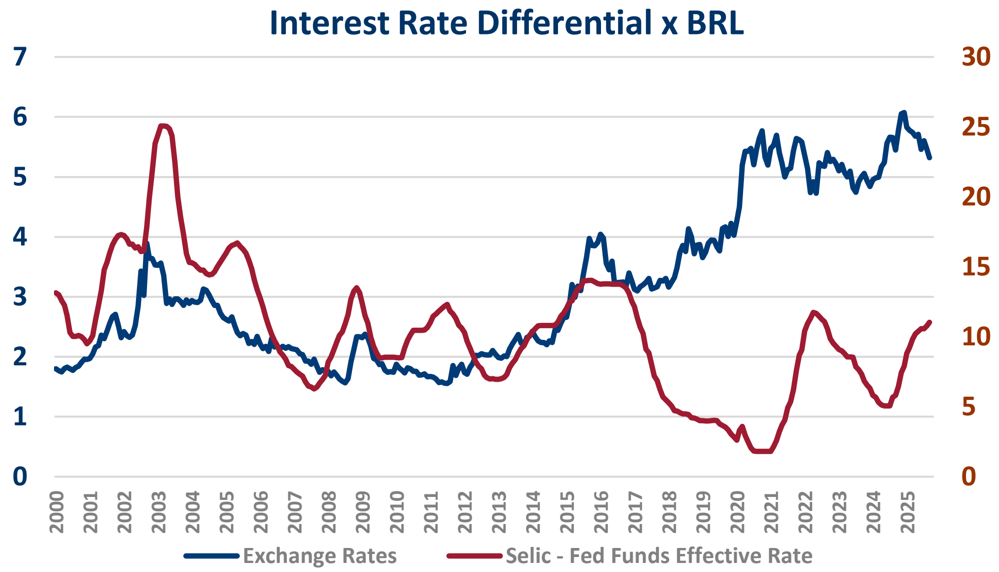
Source: BOCOM BBM, BCB

Brazil: External Sector

- In October, the Brazilian real depreciated from 5.32 to around 5.38 against the US dollar, closing slightly weaker after oscillating within a narrow range. The move reflected external pressure from a stronger dollar, driven by expectations that the Federal Reserve will keep rates for longer, overshadowing limited relief from the U.S.–China trade truce, which is seen as temporary and keeps uncertainty over global trade flows. Domestically, the Central Bank's hawkish stance and contained inflation offered some support, but fiscal risks and reliance on commodity exports sustained a cautious outlook, reinforcing the BRL's mild depreciation.





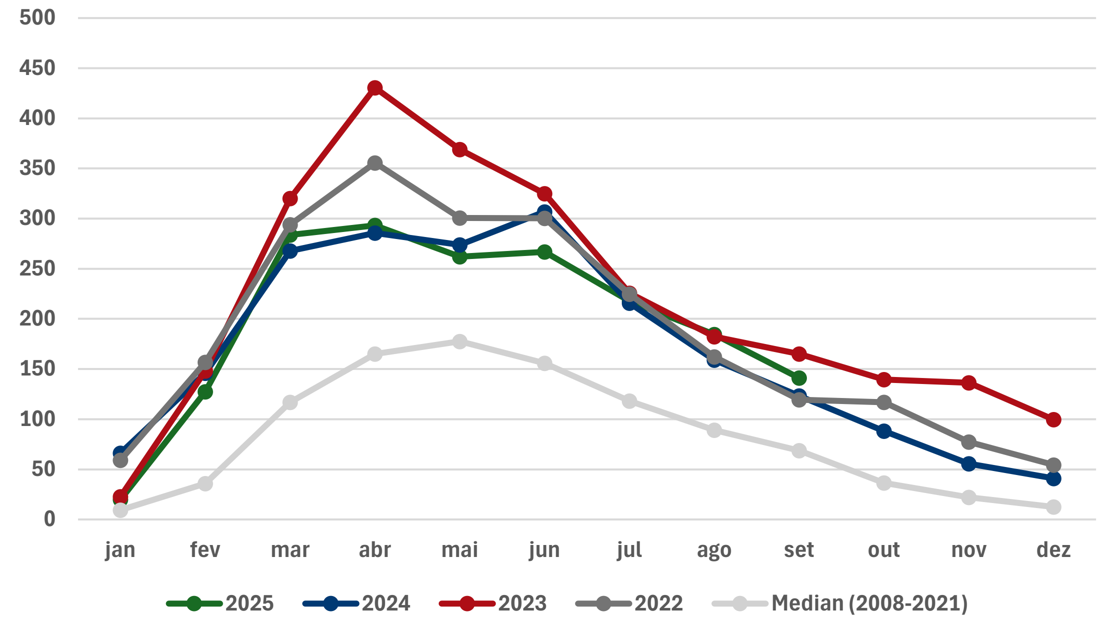


Source: BOCOM BBM, Bloomberg, BCB

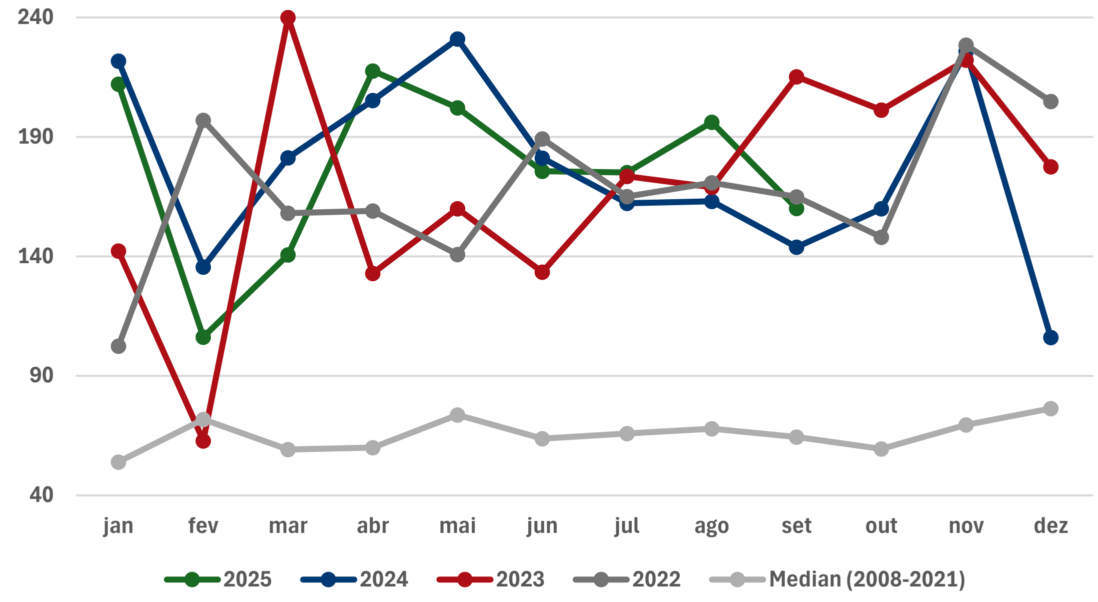
Brazil: External Sector

- In September, the trade balance presented a surplus of USD 2.99 bn (-41.1% YoY) according to Secex data.
- Exports increased by 7.2% YoY, mainly due to the performance of the agriculture (18.0% YoY). In turn, even though exports grew, some products recorded a decrease in sales, such as raw wood (-42.0%), aluminum ores and concentrates (-54.2%), and other raw minerals (-21.1%).
- On the other hand, imports grew by 17.7% YoY, driven by the performance of manufacturing industry (21.5% YoY), while the extractive industry imports decreased by 26.1%.

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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