

# Macro Outlook

---

December 2025

- In the US, November marked the end of the longest government shutdown in the country's history. Some key indicators, such as the October CPI and the October Payroll's Household Survey, won't be published and others are still being rescheduled, which limits a full reading of the economic scenario. Recent speeches from some voting Fed members, especially Williams — who tends to be closely aligned with Chair Powell — increased expectations of a 25bps cut in the next FOMC meeting, indicating that the economic outlook remains consistent with another insurance cut. On the labor market, September payroll report brought mixed signals, with increases in the employment and the unemployment rate. Inflation data remains outdated, with September CPI (the most up-to-date release available) better than expected, but with clear tariff impacts. Overall, the outlook remains foggy and suggests a cautious approach for the FOMC in 2026.
- Regarding China, recent data showed mixed signals in October. For the monthly activity indicators, retail sales came above consensus, while fixed asset investment slowed somewhat further than expected. Industrial production also slowed down, but part of the weakness can be attributed to distortions related to the holidays in October. The trade balance was also likely dragged by the October holidays. Its composition showed that exports slowed below consensus, with the ones to US rebounding slightly. Imports generally slowed from all major partners but Brazil. Additionally, inflation surprised the expectations to the upside, with core CPI reaching its highest print since 02/2024. It possibly reflects government's recent efforts to support the economy, such as consumer trade-in program and anti-involution policies. The latest data was likely distorted by holidays, but structural factors might also be playing a role. China's technology advantage and the coordinated support over the government's Five-Year-Plan suggest robust high-tech exports ahead. Moreover, cost advantages and EM investments are also likely to contribute to robust export growth in the medium-term. These have been triggering upward revisions over the Chinese economy for the upcoming years.
- In Brazil, economic activity shows signs of deceleration. In October, industrial production result came below expectations, increasing by 0.1% MoM. Additionally, in September, services recorded a significant rise (0.6% MoM), while retail sales posted a decrease (-0.3% MoM) showing signals of a gradual economic slowdown. Summarizing this scenario, the IBC-BR showed a contraction of 0.2% MoM in September. Regarding labor market, formal employment remains resilient, while real wages still gaining momentum and unemployment stays at historic lows despite gradual economic slowdown.
- Concerning monetary policy, Selic rates were kept at 15% per year as was largely expected. There were very minor changes in the communication, but the Central Bank now acknowledges that the strategy of keeping rates at the current level for a prolonged period is sufficient to bring inflation back to the target. Nonetheless, despite this understanding, the Central Bank kept the wording that it remains vigilant and can adjust rates further if necessary. BCB inflation projection six trimesters ahead stood at 3,3 % in the second quarter of 2027 in a scenario where rates stay at 15% until the end of 2025, reach 12.25% in 2026 and 10,5% in 2027. The projection was reduced from 3,4% to 3,3% in the relevant horizon, which was expected in light of currency appreciation and lower inflation expectations in FOCUS. In all, the statement indicates some progress in inflation projections and acknowledges that holding rate at the current level is working, but did not give any signal of when an easing cycle would start.
- November IPCA-15 inflation increased by 0.20% MoM, slightly above market expectations of 0.18% MoM. The 12-month variation fell from 4.94% in October to 4.50% in November. The main upward deviation came from airfares and lodging. Regarding the breakdown, core services advanced 0.40% MoM, in line with forecasts, and the 3M SAAR fell from 4.7% to 4.4%. The average of core inflation increased by 0.27% MoM, below expectations, with its 3M SAAR at 3.4%. Overall, last IPCA-15 breakdown signaled no major shifts, showing only a mild acceleration from services, partly offset by softer regulated prices and weak tradables.
- In the fiscal scenario, the Brazilian public sector posted a primary surplus of BRL 32.4 billion in October, below market consensus (surplus of BRL 34.1 billion), from a surplus of BRL 36.9 billion in October 2024. Regarding the breakdown, the central government registered a surplus of BRL 36.2 billion, while regional governments and state-owned enterprises (SOEs) presented deficits of BRL 3.6 billion and BRL 0.1 billion, respectively. The General Government Gross Debt (GGGD) rose to 78.6% of GDP, with nominal interest (+0.9 p.p.) being the main driver of this growth, while nominal GDP growth (-0.3 p.p.) partially offset it.

# China: Economic Activity

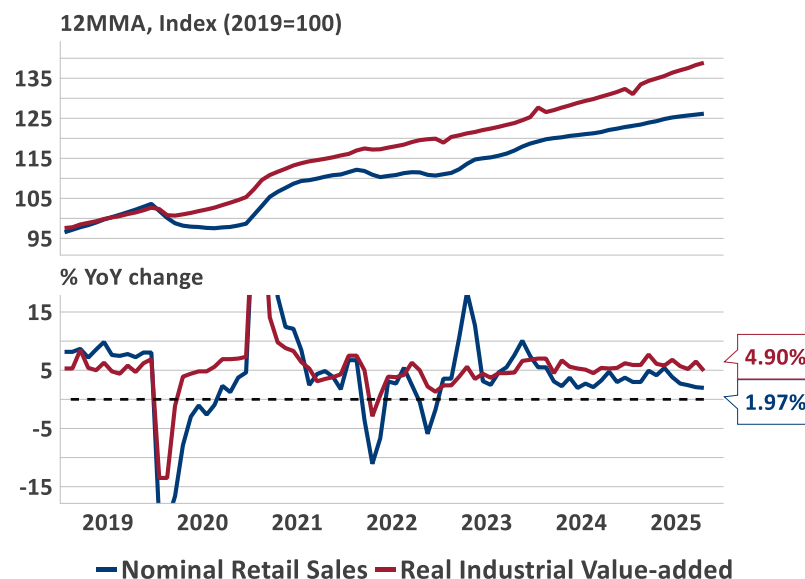
- Monthly economic activity showed mixed signals again in October:
- Retail sales slowed** by less than **expected**, from 3.0% to **2.9% YoY** (exp. 2.7%). In the composition, Both home appliances and autos contracted markedly, pointing to some payback effects from the trade-in program, while clothing and cell phones surged;
- Industrial Production decelerated** from 6.5% to 4.9% YoY (exp. 5.5%), below consensus. But part of this slowdown can be attributed to distortions related to the holidays in October;
- Fixed Asset Investment eased** from -0.5 to -1.7% YTD YoY (exp. -0.8%), below the expected. There were contractions across most components, suggesting anti-involution policies (aimed to address overcapacity and deflation) are generating weakness in investment;
- Housing: indicators generally saw another decline** in the 12MMA metric, as the housing sector continues to adjust. Credit data also reflected a subdued demand, as household loans remained relatively weak despite government bonds remaining as the major driver to credit growth.

China: Activity (% YoY)

	10/2025	9/2025	10/2024
<b>Industrial Production</b>	<b>4.9</b>	<b>6.5</b>	<b>5.3</b>
Mining	4.5	6.4	4.6
Manufacturing	4.9	7.3	5.4
Utilities	5.4	0.6	5.4
<b>Fixed Asset Investment (YTD)</b>	<b>-1.7</b>	<b>-0.5</b>	<b>3.4</b>
Manufacturing	2.7	4.0	9.3
Real Estate	-14.7	-13.9	-10.3
Infrastructure	-0.1	1.1	4.3
<b>Retail Sales</b>	<b>2.9</b>	<b>3.0</b>	<b>4.8</b>
Catering Services	3.8	0.9	3.2
Consumer Goods	2.8	3.3	5.0
Clothing	6.3	4.7	8.0
Automobiles	-6.6	1.6	3.7
Furniture	9.6	16.2	7.4
Cellphones	23.2	16.2	14.4
Home Appliances	-14.6	3.3	39.2
Construction	-8.3	-0.1	-5.8

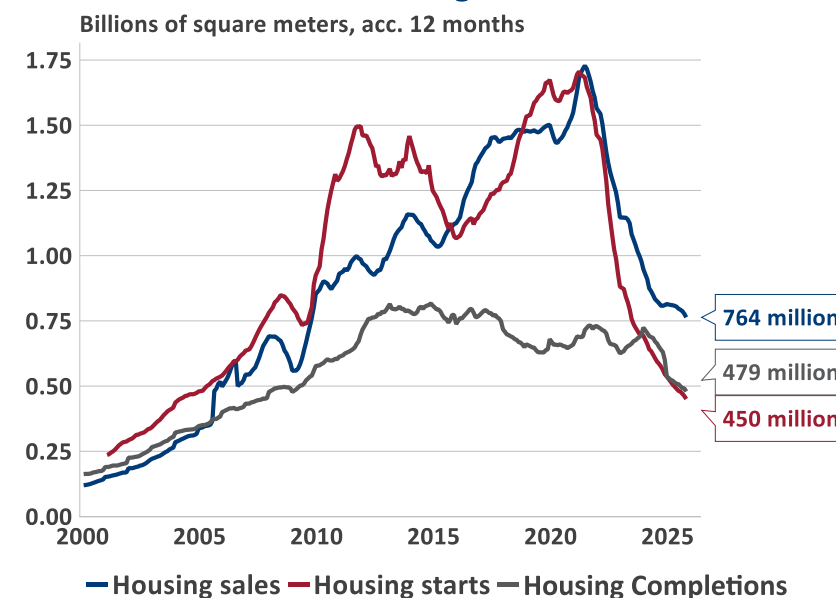
Source: BOCOM BBM, Macrobond

China: Industrial Production x Retail Sales



Source: BOCOM BBM, Macrobond, NBS

China: Housing Indicators



Source: BOCOM BBM, Macrobond, NBS

# China: Economic Scenario

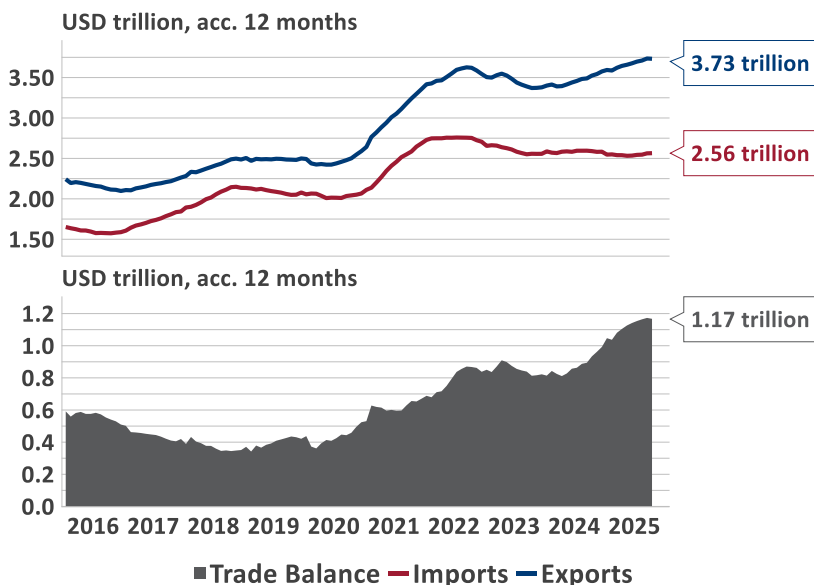
## China's trade growth decelerated in October, suggesting a slowdown on trade momentum:

- Exports slowed from 8.3% to **-1.1% YoY**, **below consensus** of +2.8%. By country, exports to the US slightly rebounded, while re-routing to most countries weakened (specially to Africa and EU). The weakness **could be related to the October holidays** and its smaller-than usual number of working days, but is expected to normalize in the following months;
- Imports also slowed **below consensus**, from 7.4% to **1.0%** (exp. 3.2%), or -1.6% MoM SA. There were declines in imports from all major destinations except Brazil;

## Regarding Inflation, the headline CPI ticked up, from -0.3% to **0.2% YoY**, slightly above consensus of 0.0%, **above expectations**:

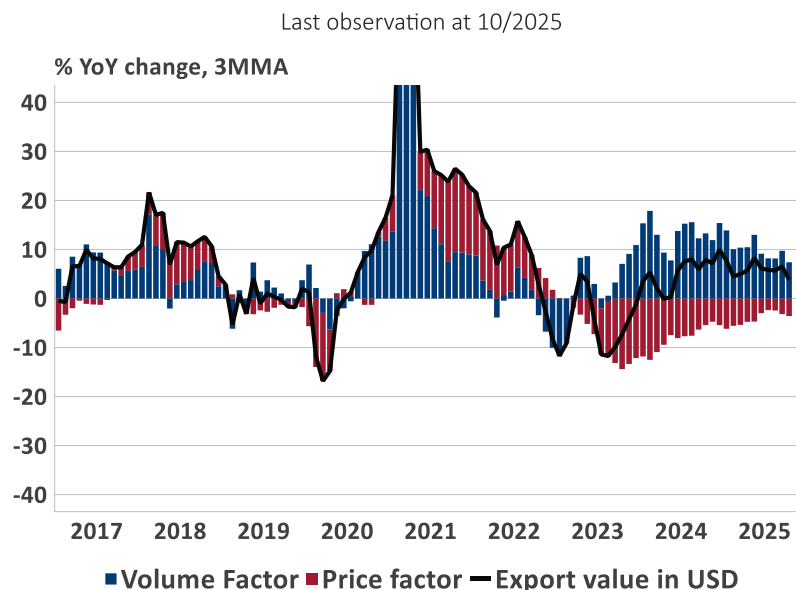
- The data was boosted by stronger data from food and energy prices. Also, **core inflation edged up** marginally again, **by 0.2pp to 1.2% YoY** - the highest print since 02/2024. It possibly reflects the government's recent efforts to boost domestic demand through a consumer trade-in program, although holidays could also have posed an effect.
- Overall, the data suggests that **deflationary pressures persist** in the Chinese economy, **but some improvement was seen in October**.

### China: Trade Balance



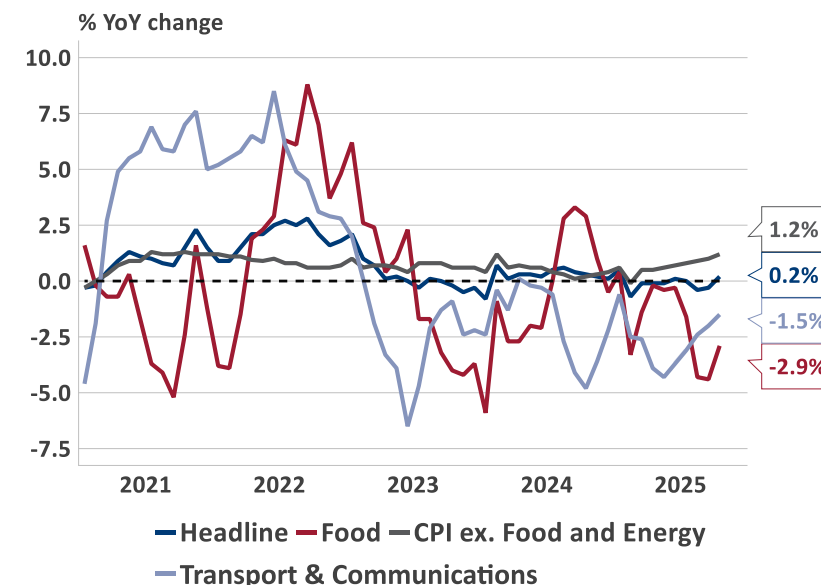
Source: BOCOM BBM, Macrobond, GAC

### China: Exports (Price x Volume)



Source: BOCOM BBM, Macrobond, GAC

### China: CPI



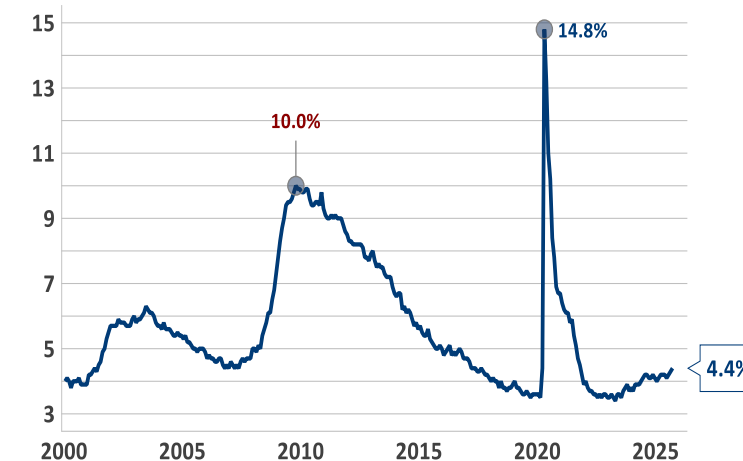
Source: BOCOM BBM, Macrobond, NBS

# USA: Labor Market

■ **The September Payroll was released** after being suspended due to the longest shutdown in the US history. The data brought a **relevant upside surprise** on the headline, **but a composition with mixed signals** over the labor market:

- **Job creation increased 119k**, considerably higher than market expectations of 65k and lifting the 3MMA to 62k - substantially above September's 29k (after revision from 18k), but still below the pre-covid average. In the other hand, the 2-month-net-revision was negative again (-33k) and larger than the previous month's -21k;
- **The unemployment rate ticked up again**, from 4.32% to **4.44%**, surprising the consensus of 4.3% and reaching the highest level since 2021. But it was partly related to an increase in the participation rate, from 62.3 to 62.4%;
- Given that, the **jobs-workers gap fell to -0.2M**, indicating that there are now more available workers than jobs in the economy, after more than four years with a positive gap, a sign of the ongoing easing in the labor market.
- Average hourly earnings grew **0.24% MoM**, below expectations of 0.3%, but with the YoY stable at **3.8%**;
  - This month's slower MoM could be possibly related to one-off calendar effects, but the YoY pace still shows resilience, in line with other Wage Growth Measures.
- **Alternative data continue to be given elevated importance** given the limited labor market data releases until the December FOMC meeting. Among these, **November ADP employment report came in lower than consensus (-32k vs 10k expected)**, suggesting **weakening job creation on the margin** and increasing the odds of a softer November payroll;

US: Unemployment Rate SA (%)



Source: BOCOM BBM, Macrobond, BLS

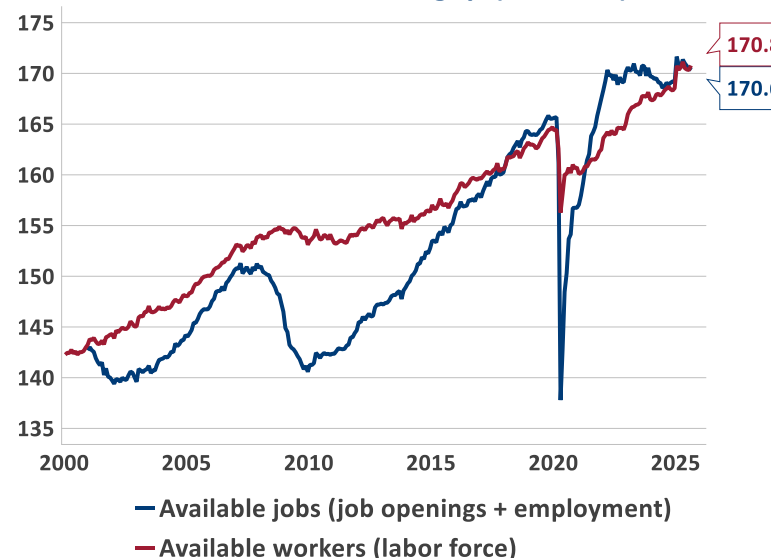
US: Nonfarm Payroll Employment Change

3MMA, thousand



Source: BOCOM BBM, Macrobond, BLS

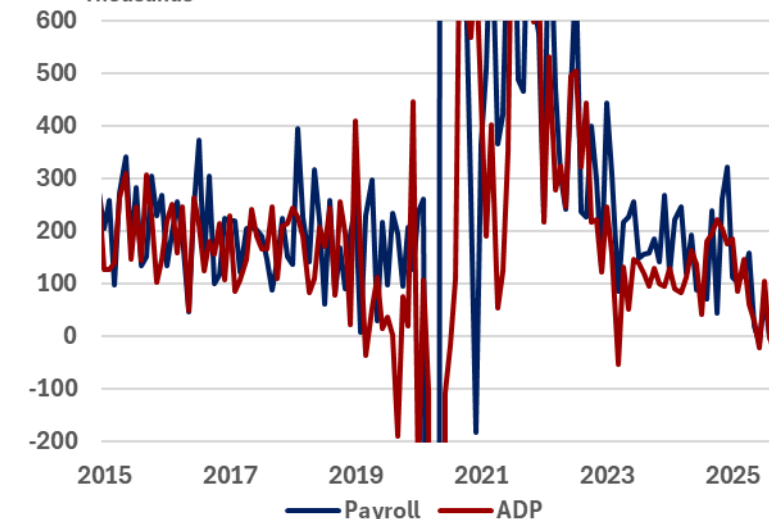
US: Jobs-workers gap (millions)



Source: BOCOM BBM, Macrobond, BLS

US: ADP Employment x Payroll

Thousands

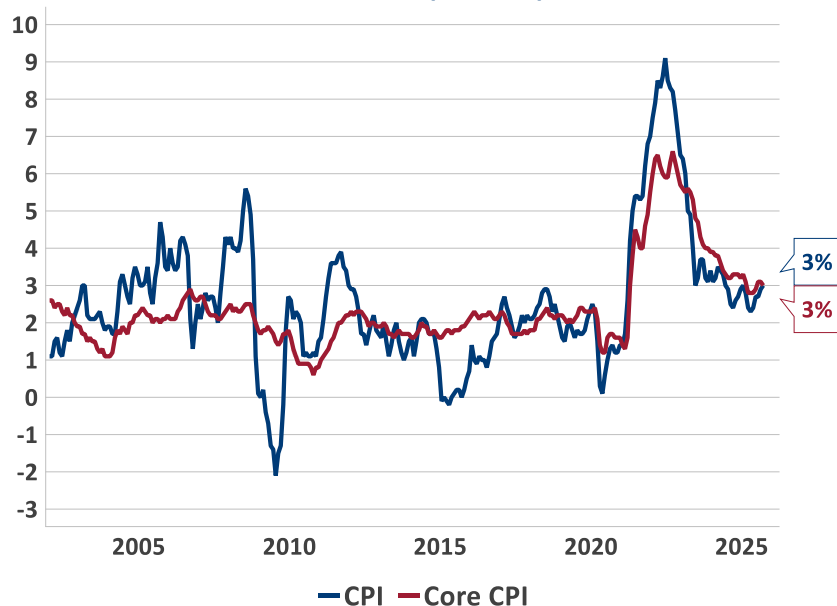


Source: BOCOM BBM, BLS, ADP, Macrobond

# USA: Inflation

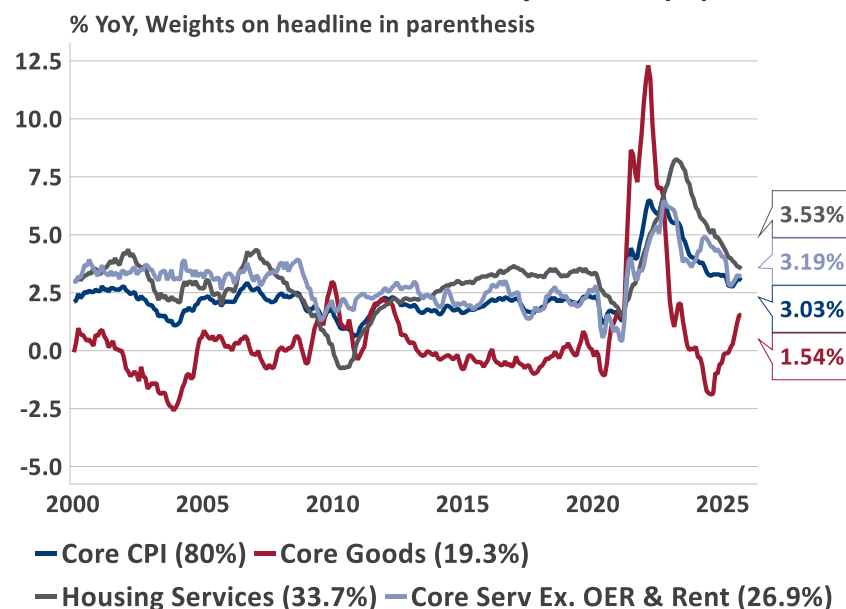
- Inflation data remains outdated due to the government shutdown. Most of October CPI won't be published because data wasn't collected, and November CPI will only be released on 18/12;
- The most up-to-date inflation data available is the **September CPI, released despite of the shutdown**:
  - The **headline 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 consensus pf 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, core services ex housing (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 further eased concerns of a more intense pick-up, but showed 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, %)



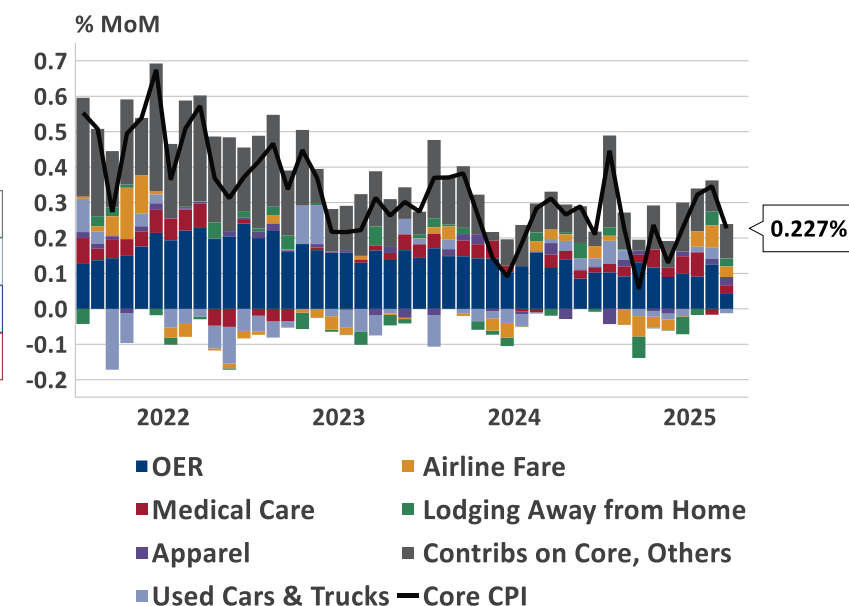
Source: BOCOM BBM, Macrobond, BLS

US: Core CPI Main Components (%)



Source: BOCOM BBM, Macrobond, BLS

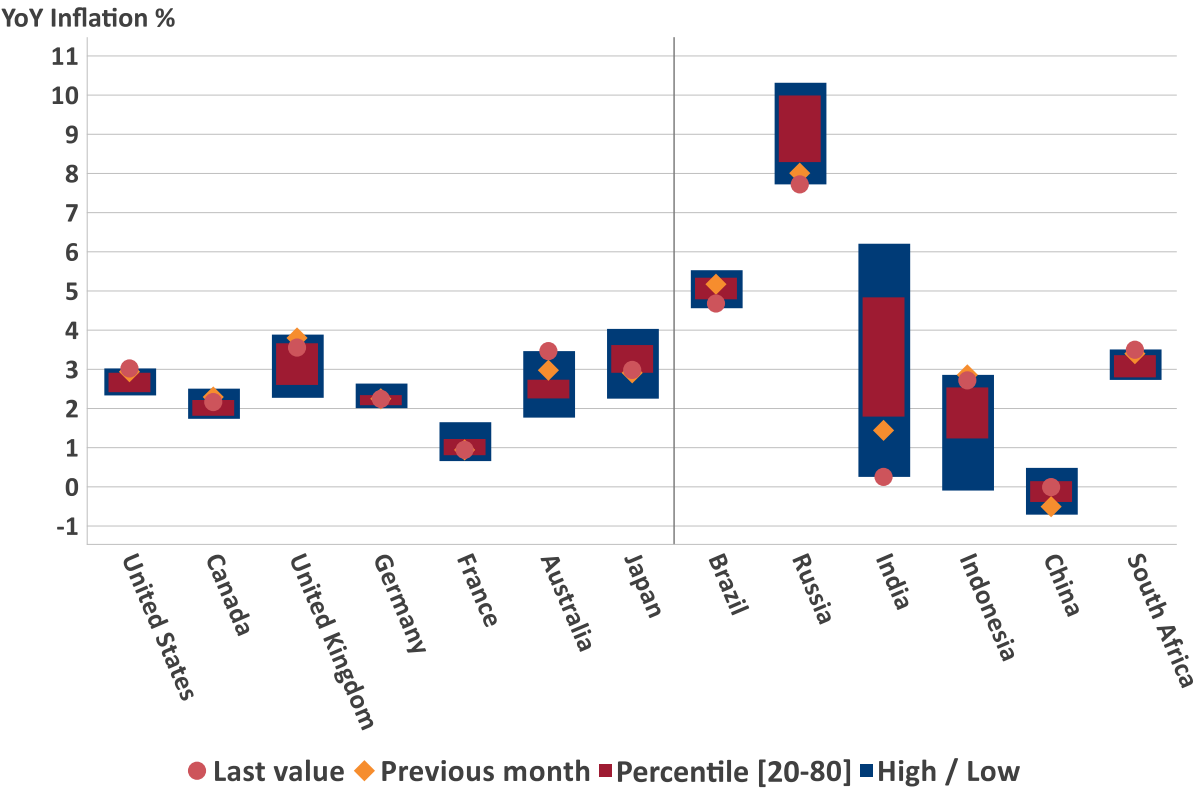
US: Core CPI MoM Contributions



Source: BOCOM BBM, Macrobond, BLS

- 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 recent years resulted in a slowdown of economic activity across several countries, although global growth remained somewhat resilient in 2025, with a shift away from expected tariff-related contractions also an important support for growth this year.
- For 2026, fiscal easing is expected to boost growth in many major markets, such as in the US.

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

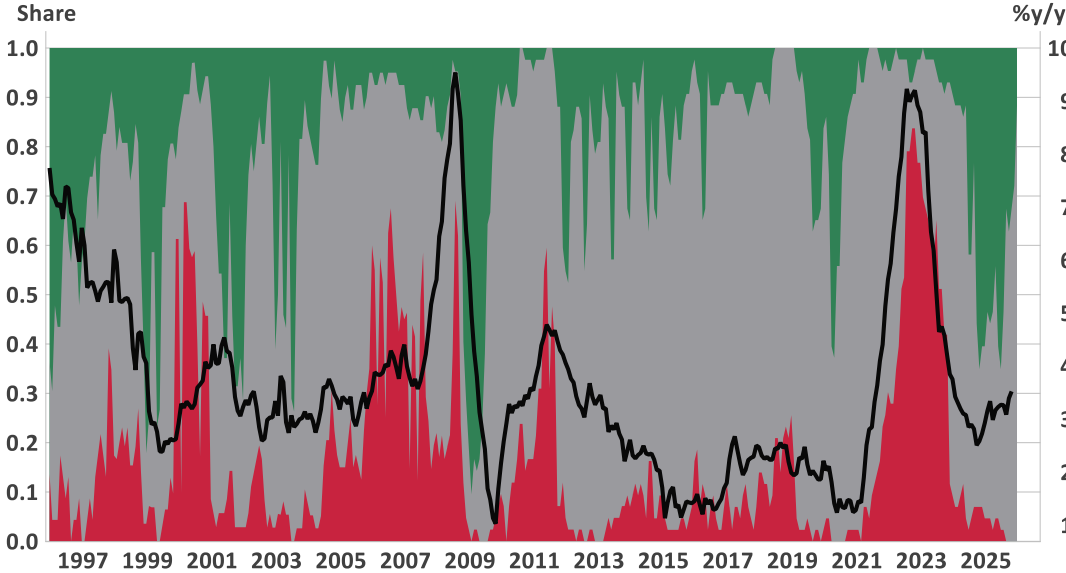
	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023
Argentina		-0,1	0,9	2,2	3,6	-0,8	-1,8	-2,2
Australia		0,6	0,3	0,6	0,3	0,1	0,2	0,1
Brazil		0,4	1,3	0,1	0,8	1,5	0,9	0,3
Canada	0,6	-0,5	0,5	0,7	0,8	0,8	0,7	0,1
China	1,1	1,0	1,2	1,5	1,5	1,0	1,3	0,8
Euro Area	0,2	0,1	0,6	0,4	0,4	0,2	0,3	0,1
France	0,5	0,3	0,1	0,0	0,4	0,2	0,1	0,4
Germany	0,0	-0,2	0,3	0,2	0,0	-0,3	-0,1	-0,3
India	1,6	-6,7	8,6	5,2	1,2	-7,1	7,6	4,4
Indonesia	1,4	4,0	-1,0	0,5	1,5	3,8	-0,8	0,5
Italy	0,1	-0,1	0,3	0,2	0,0	0,2	0,1	0,2
Japan	-0,4	0,6	0,2	0,7	0,4	0,4	-0,5	0,0
Mexico	-0,3	0,4	0,2	-0,6	0,9	-0,1	0,2	0,3
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	0,5	0,9	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	11,8	7,6	-15,6	2,1	13,1	5,1	-15,0	1,7
United Kingdom	0,1	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

- Several emerging markets eased their monetary policy in 2025, with some still at this part of the cycle - such as Mexico, Poland 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;
- Despite the partial trade de-escalation, the uncertainty regarding potential effects of US tariffs in each country's domestic context should continue to drive institutions towards a more careful, data-dependent approach in 2026. But overall, the budget for further cuts seems more limited than in 2025.

## Global monetary breadth

Share of economies (GDP top 50) with higher/unchanged/lower policy rates; monthly/mtd avg, 2-Dec-25



■ Tightening, Tightening (hiking rates), lhs ■ Unchanging, Unchanging (holding rates), lhs  
■ Easing, Easing (cutting rates), lhs — Global CPI inflation, median weighted, rhs

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	31,3	33,4	29,00	-3,00	Cut	1/2025	26	10
Australia	3,9	3,9	3,60	-0,25	Cut	8/2025	25	4
Brazil	4,7	4,8	15,00	0,25	Hike	6/2025	6	19
Canada	2,2	2,9	2,25	-0,25	Cut	10/2025	29	1
Chile	3,4	3,0	4,75	-0,25	Cut	7/2025	38	4
China	0,0	1,2	3,00	-0,10	Cut	5/2025	142	7
Colombia	5,5	5,6	9,25	-0,25	Cut	5/2025	31	7
Costa Rica	-0,4	0,1	3,50	-0,25	Cut	9/2025	37	2
Czech Republic	2,5	0,2	3,50	-0,25	Cut	5/2025	41	7
Denmark	2,1	2,3	1,75	-0,25	Cut	6/2025	27	6
Euro Area	2,2	2,4	2,15	-0,25	Cut	6/2025	26	6
Hungary	4,3	4,2	6,50	-0,25	Cut	9/2024	38	14
Iceland	3,7	3,5	7,25	-0,25	Cut	11/2025	27	0
India	0,3	4,4	5,50	-0,50	Cut	6/2025	34	6
Indonesia	2,7	2,4	4,75	-0,25	Cut	9/2025	19	3
Israel	2,4	2,2	4,25	-0,25	Cut	11/2025	30	0
Japan	3,0	3,1	0,50	0,25	Hike	1/2025	10	118
Mexico	3,6	4,3	7,25	-0,25	Cut	11/2025	32	1
New Zealand	3,0	2,5	2,25	-0,25	Cut	11/2025	30	0
Norway	3,1	3,4	4,00	-0,25	Cut	9/2025	24	2
Poland	2,4	3,0	4,25	-0,25	Cut	11/2025	39	1
Russia	7,7	6,9	16,50	-0,50	Cut	10/2025	13	1
Saudi Arabia	2,2		4,50	-0,25	Cut	10/2025	28	1
South Africa	3,5	3,1	6,75	-0,25	Cut	11/2025	30	0
South Korea	2,4	2,0	2,50	-0,25	Cut	5/2025	35	6
Sweden	0,9	3,1	1,75	-0,25	Cut	10/2025	26	2
Switzerland	0,1	0,5	0,00	-0,25	Cut	6/2025	29	5
Turkey	32,9	32,1	39,50	-1,00	Cut	10/2025	8	1
United Kingdom	3,6	3,4	4,00	-0,25	Cut	8/2025	28	4
United States	3,0	3,0	4,00	-0,25	Cut	10/2025	28	1

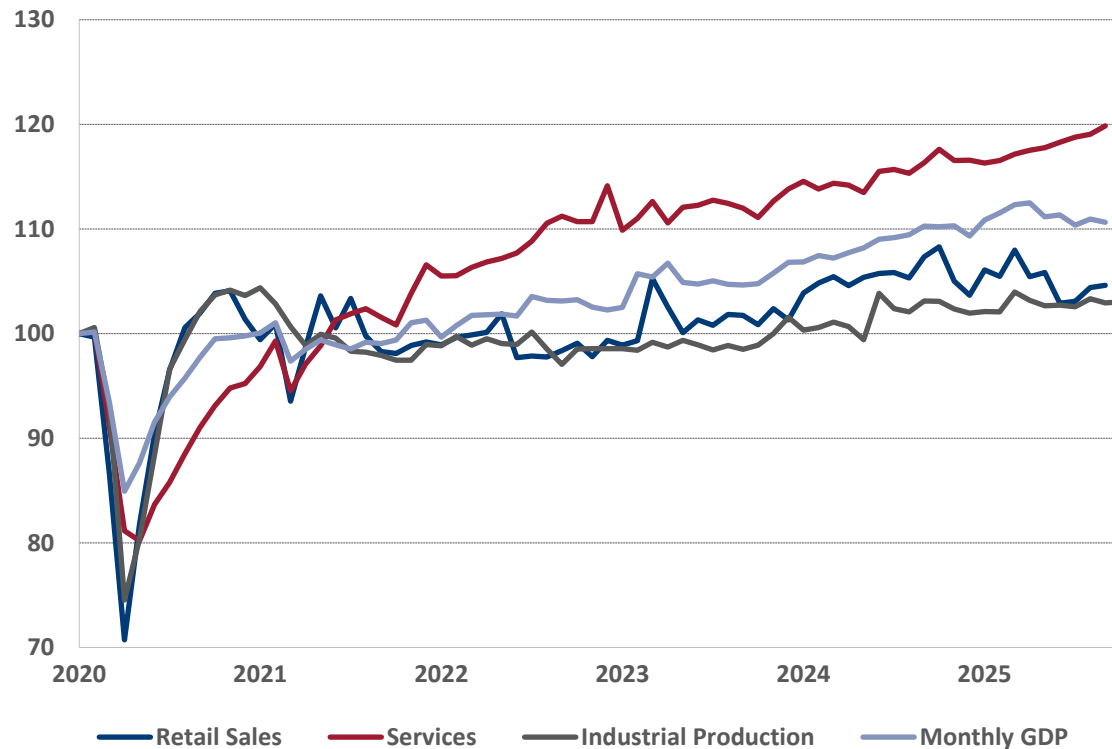
Source: BOCOM BBM, Macrobond

ECONOMIC FORECASTS	2020	2021	2022	2023	2024	2025F	2026F	2027F
GDP Growth (%)	-3.3%	4.8%	3.0%	2.9%	3.4%	2.3%	1.7%	1.8%
Inflation (%)	4.5%	10.1%	5.8%	4.6%	4.8%	4.4%	4.0%	3.6%
Unemployment Rate (eoy, %)	14.2%	11.1%	7.9%	7.4%	6.2%	5.8%	6.2%	6.8%
Policy Rate (eoy, %)	2.0%	9.3%	13.8%	11.75%	12.3%	15.00%	12.5%	10.50%
External Accounts								
Trade Balance (US\$ bn)	36	42	52	92	66	63	70	71
Current Account Balance (US\$ bn)	-25	-40	-42	-28	-61	-79	-62	-57
Current Account Balance (% of GDP)	-1.7%	-2.4%	-2.2%	-1.3%	-2.8%	-3.6%	-2.7%	-2.5%
Fiscal Policy								
Central Government Primary Balance (% of GDP)	-9.8%	-0.4%	0.5%	-2.1%	-0.4%	-0.5%	-0.4%	-0.7%
Government Gross Debt (% of GDP)	86.9%	77.3%	71.7%	74.4%	76.1%	80.5%	84.1%	88.2%

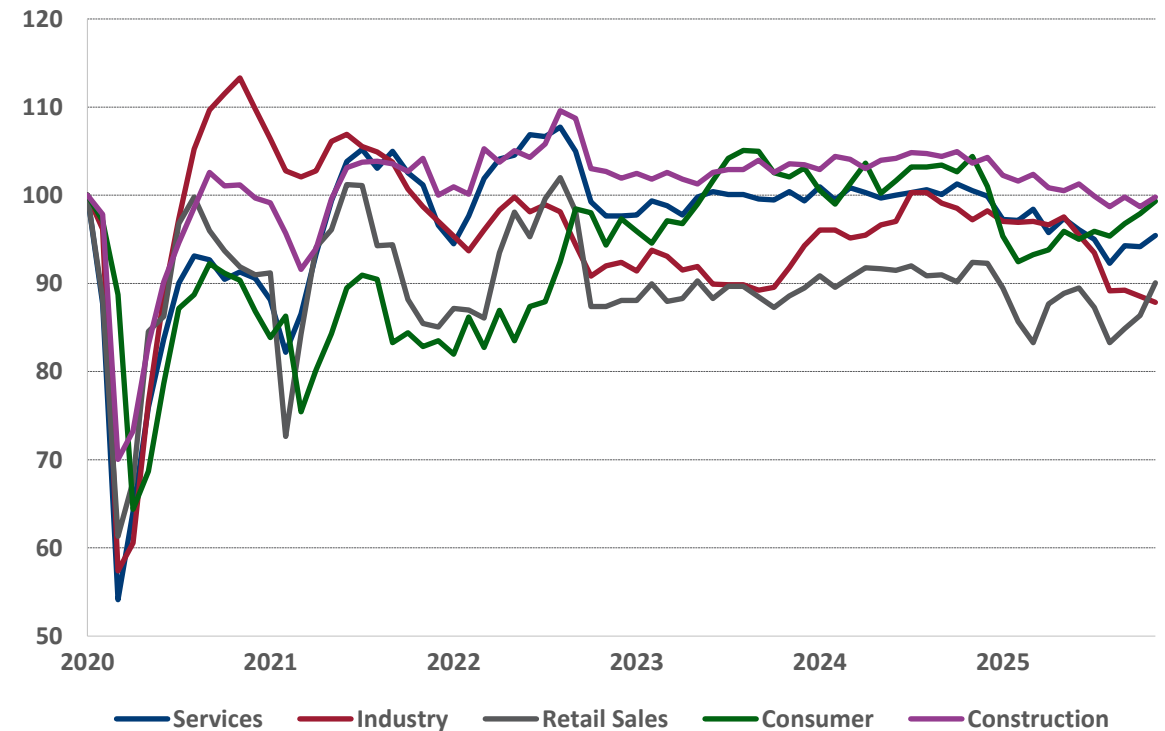
# Brazil: Activity

- In October, industrial production result came below expectations, increasing by 0.1% MoM. Additionally, in September, services recorded a significant rise (0.6% MoM), while retail sales posted a decrease (-0.3% MoM) showing signals of a gradual economic slowdown. Summarizing this scenario, the IBC-BR showed a contraction of 0.2% MoM in September.
- Looking ahead, the confidence surveys for the retail sales, consumer, services and construction sector grew in November, while industry contracted.

Brazil - Economic Activity Indicators (Jan/20=100)



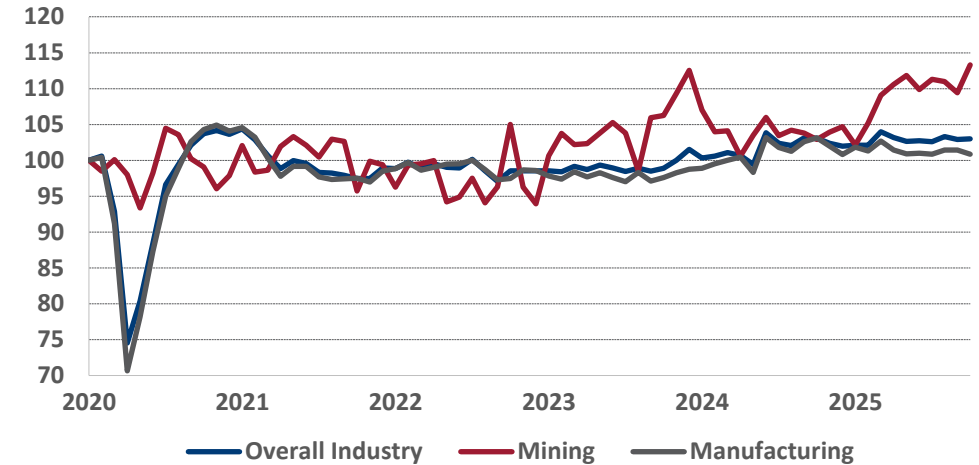
Brazil - Economic Confidence Index (Jan/20 = 100)



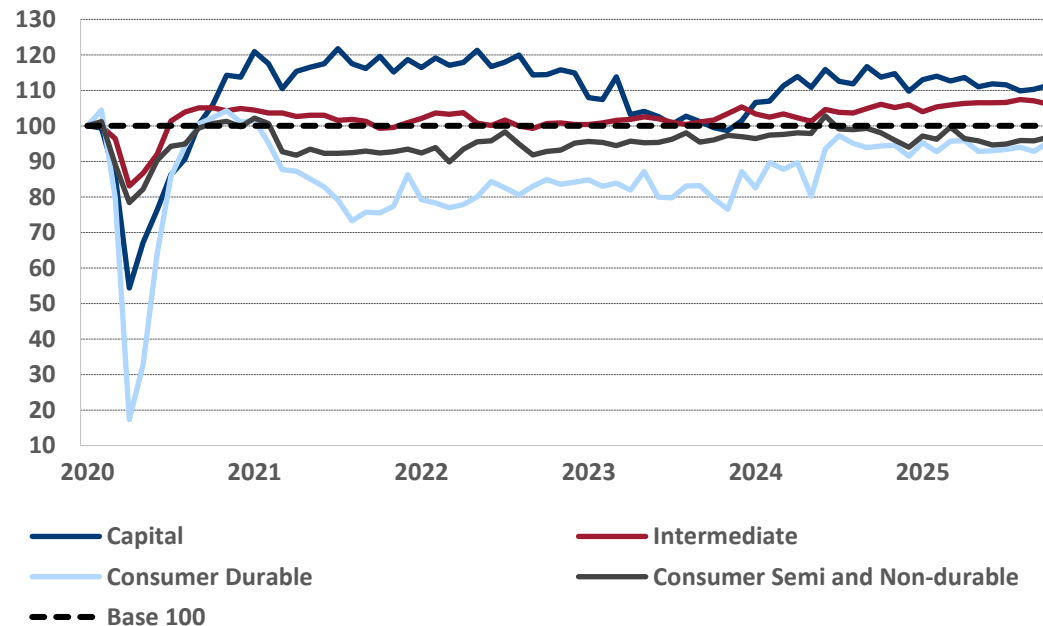
# Brazil: Industrial Production

- Industrial output increased by 0.1% MoM in October, below expectations (0.5% MoM). The manufacturing industry dropped by 0.6% MoM (-2.2% YoY), while the extractive industry rose by 3.6% MoM (10.1% YoY).
- The month's figures registered mixed results, with 3 out of the 4 major economic categories and 12 out of the 25 manufacturing activities increasing in the monthly comparison.
- On the positive side, production of capital goods increased for the second month in a row (1.0% MoM). Similarly, the durable consumer goods category grew in October (2.7% MoM; 0.4% YoY) mainly due to the rebound in electronic products (4.0% MoM) and motor vehicles (2.0% MoM). In contrast, production of intermediate goods fell by 0.8% MoM, the second consecutive decrease. The category, which represents about 60% of the overall index, was heavily affected by the tumble in the production of oil derivatives.
- Overall, the Brazilian industry should remain flattish in the short term.

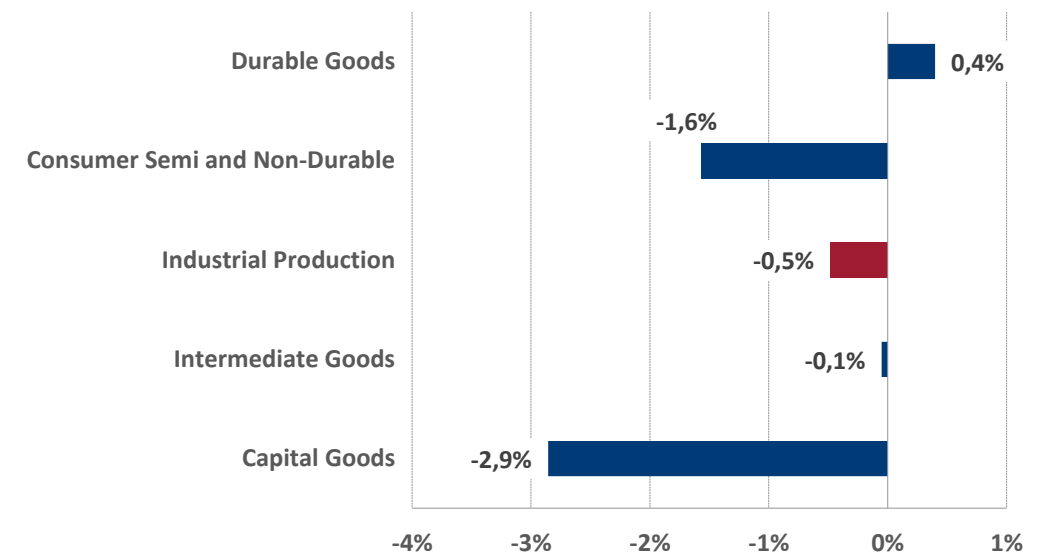
Industrial Production Index SA (Jan/20=100)



Industrial Production Index SA (Jan/20=100)



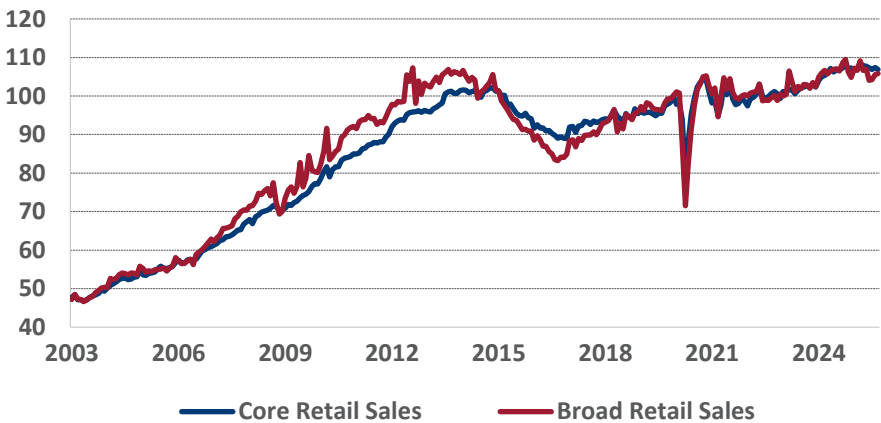
Industrial Production by Category - 10/2025 (YoY)



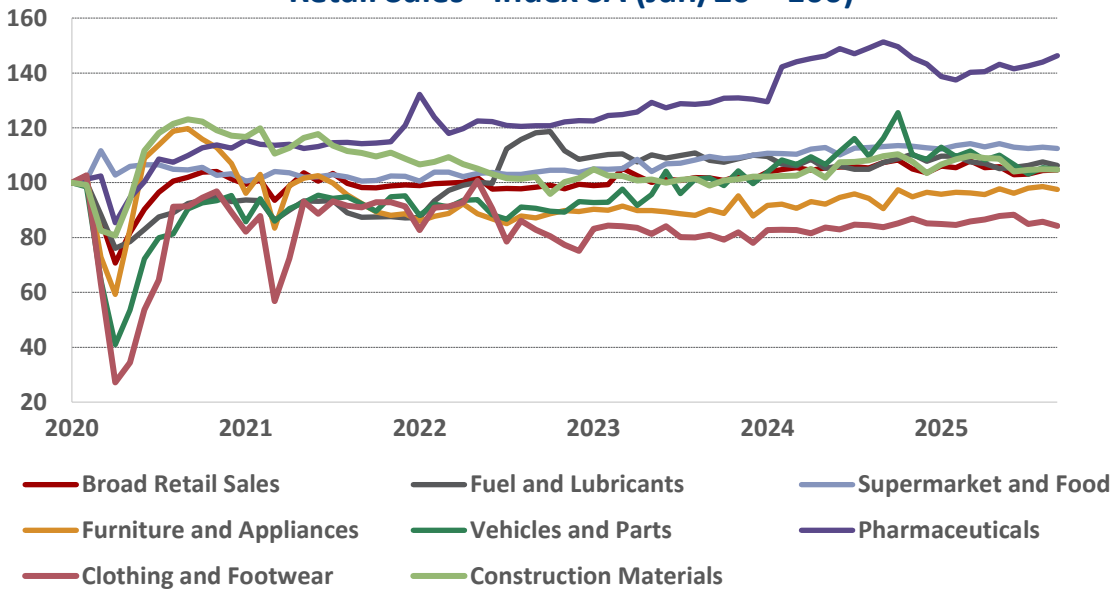
# Brazil: Retail Sales

- Broad retail sales increased by 0.2% MoM in September, in line with expectations (0.1% MoM).
- In turn, core retail sales fell by 0.3% MoM, below expectations.
- In the breakdown, 8 out of 10 retail activities dropped in the monthly comparison, with the highlights being the poor performance of vehicles, motorcycles, and auto parts (-0.8% MoM), books and magazines (-1.6% MoM) and clothings and footwear (-1.2% MoM)
- On the positive side, pharmaceuticals (1.3% MoM) and other articles of personal and domestic use (0.5% MoM) performed better.
- Overall, credit-sensitive retail segments continue to struggle, while income-sensitive segments remained relatively solid and should still be resilient in the short term.

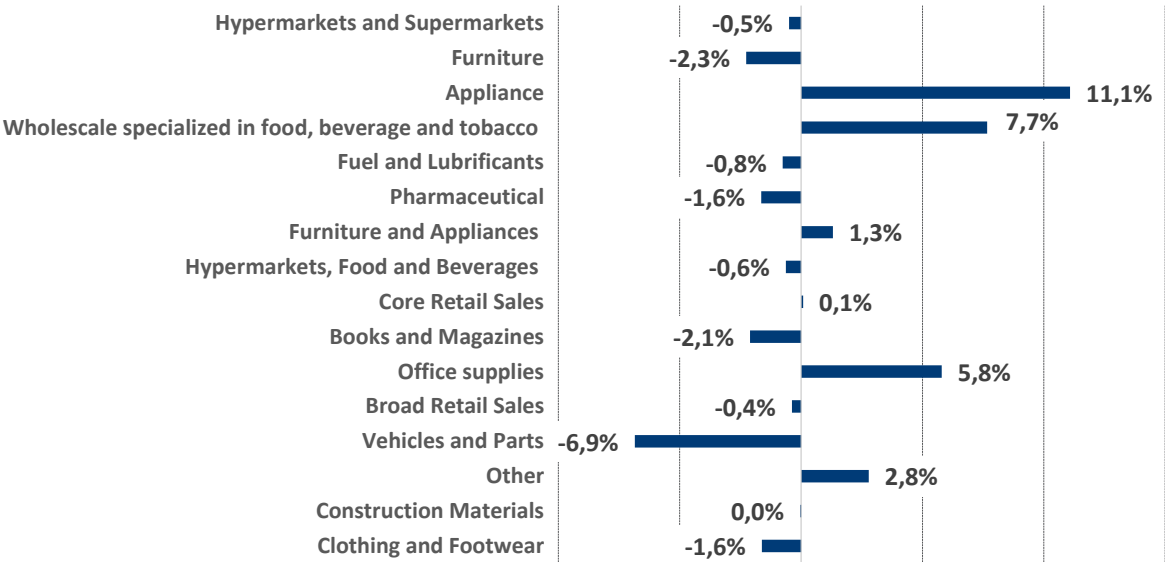
Broad Retail Sales SA x Core Retail Sales SA



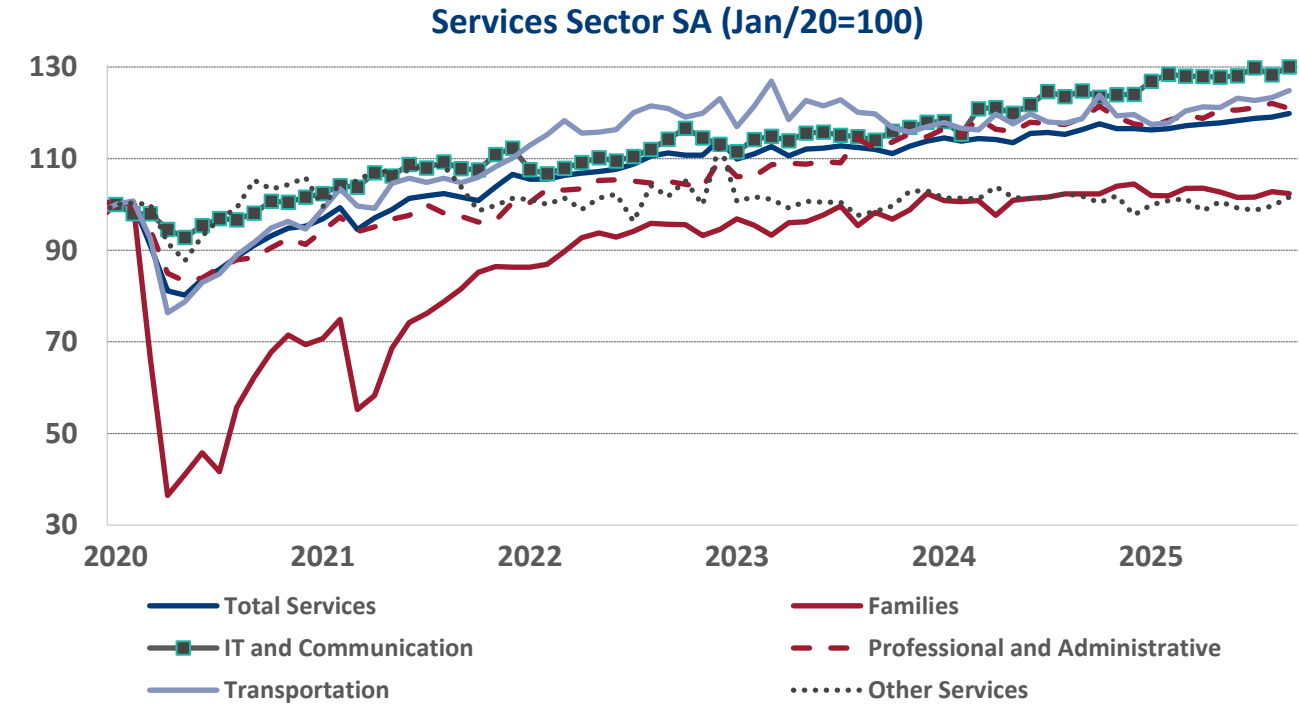
Retail Sales - Index SA (Jan/20 = 100)



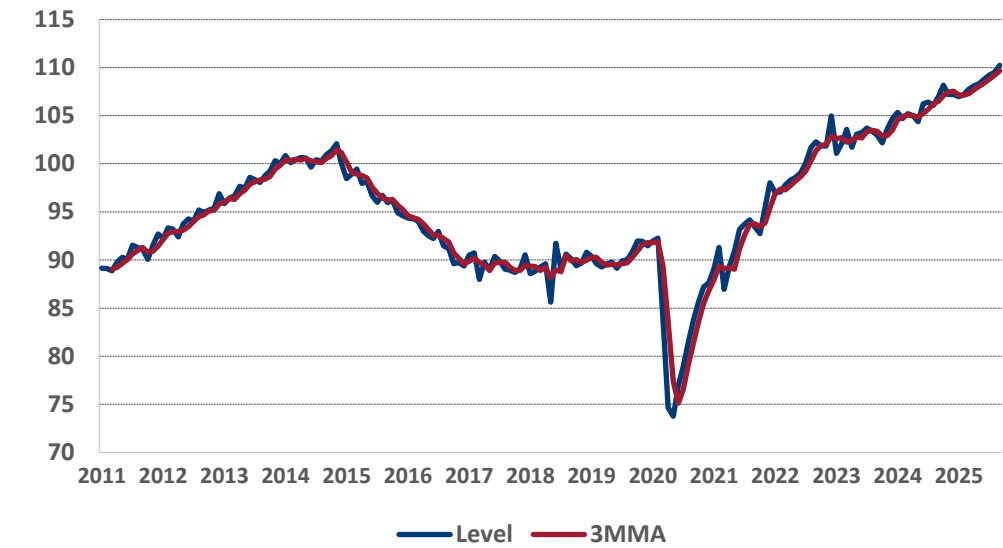
Retail Sales - YoY (09/2025)



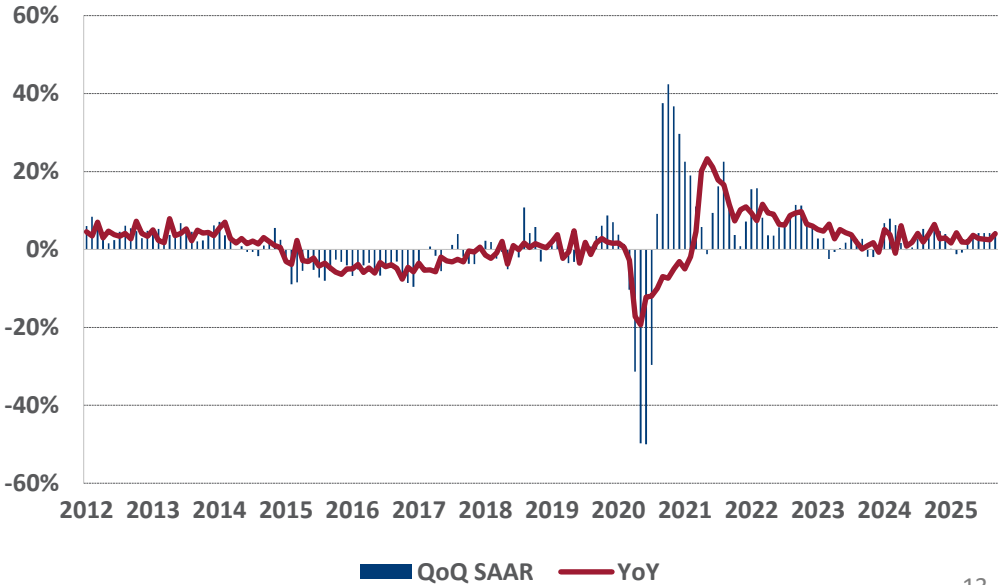
- Services output increased by 0.6% MoM in September, above market expectations of 0.4% MoM. In addition, the indicator rose by 0.9% QoQ in Q3 (3.1% YoY).
- The highlight went to transportation and storage services (1.1% QoQ), mostly due to the firm recovery of road freight transport amid the record agricultural production. Additionally, professional, administrative and complementary services increased by 0.8% QoQ in Q3 (2.6% YoY), despite a setback in September.
- On the negative side, the category of services rendered to families was virtually flat in Q3 (-0.1% QoQ; -0.2% YoY), in line with the increasing household debt.
- Overall, the service sector remains on an upward trend, demonstrating its resilience.



Services Sector SA

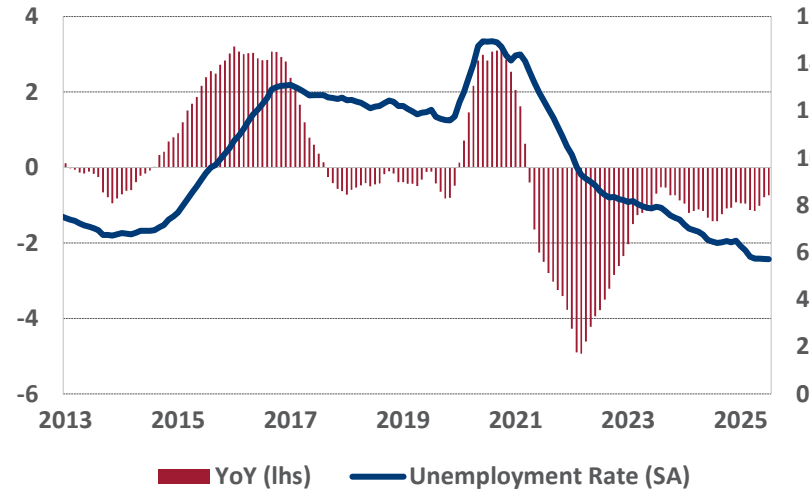


Services Sector

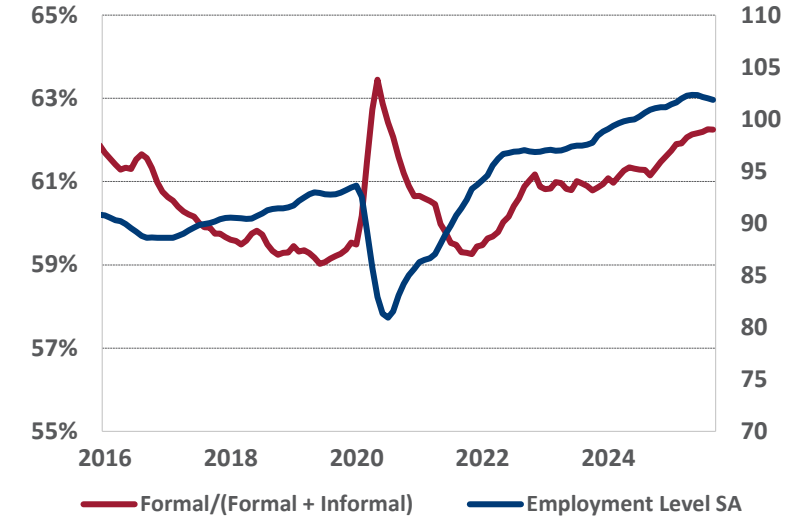


- The unemployment rate dropped to 5.4% in the moving quarter up to October, slightly below expectations.
- Seasonally adjusted, the indicator fell to 5.7% from 5.8%, remaining at a historically low level.
- Total employment fell by 0.1%, standing at 101.9 million, while labor force fell by 0.2% MoM, reflecting a labor market losing strength gradually.
- The labor force participation rate edged down marginally to 62.0%, still below pre-pandemic levels of 63.5%.
- The average real wage increased 0.4% MoM, remaining on an upward trajectory.
- Consequently, real aggregated labor income rose by 0.2% MoM, remaining at historically high levels.

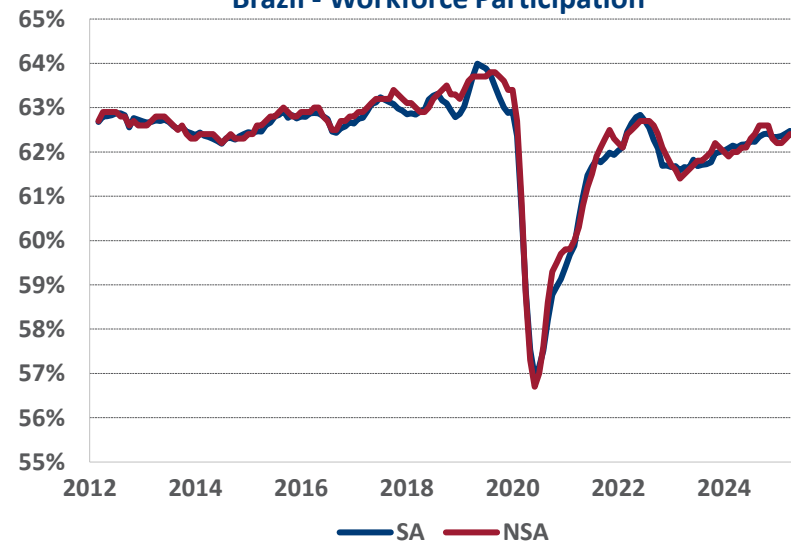
Brazil - Unemployment Rate



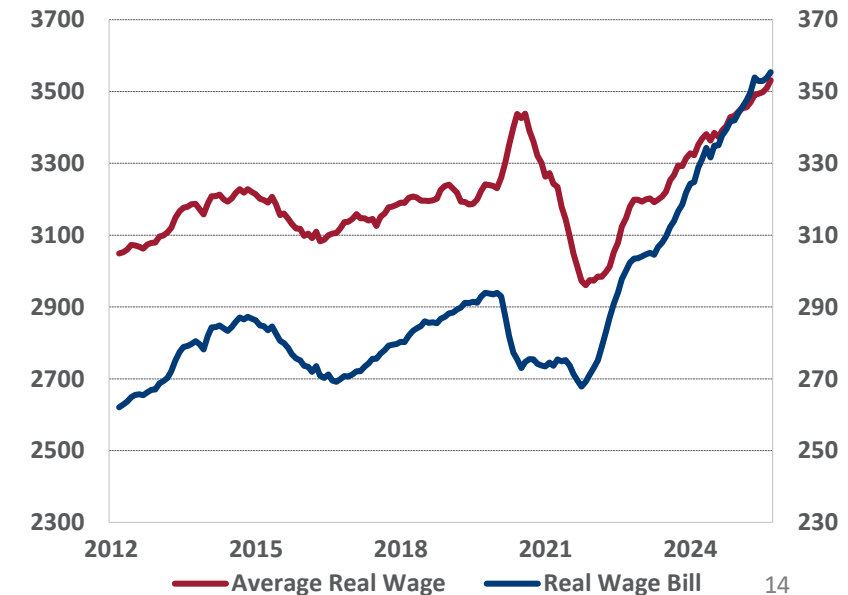
Brazil - Employment Level SA



Brazil - Workforce Participation



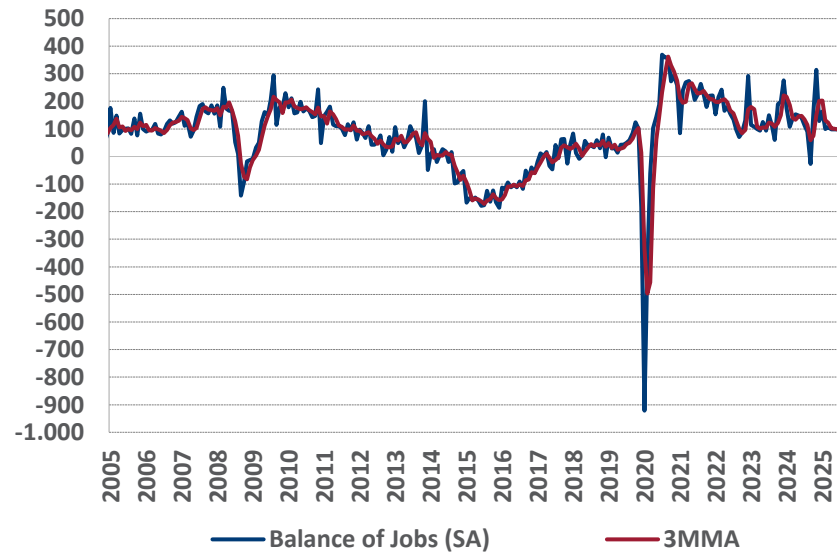
Brazil - Average Real Wage and Real Wage Bill



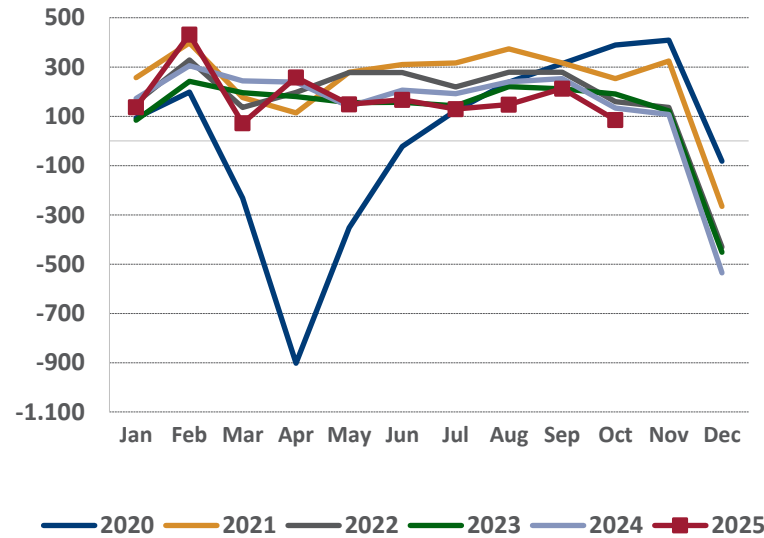
# Brazil: Formal Labor Market

- CAGED registered a net creation of 85k formal jobs in October, below market expectations (110k).
- There was a net addition of 1.789 million occupations from January to October 2025.
- The 12-month rolling sum reached 1.352 million jobs.
- Formal job hiring fell by 0.2% MoM in October (1.0% QoQ).
- The labor market appears to have reached a turning point, beginning a gradual cooling trajectory that should continue over the next few months.

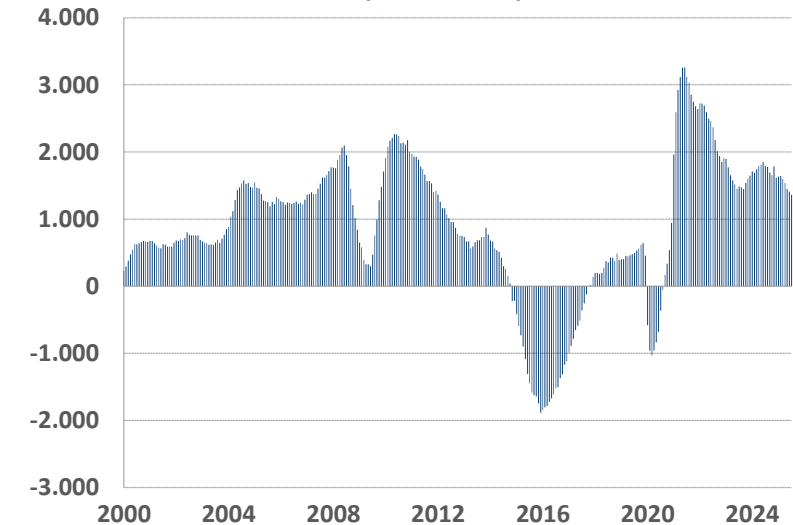
CAGED - Balance of Jobs (SA, Thousand)



CAGED - Balance of Jobs (Thousand)



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



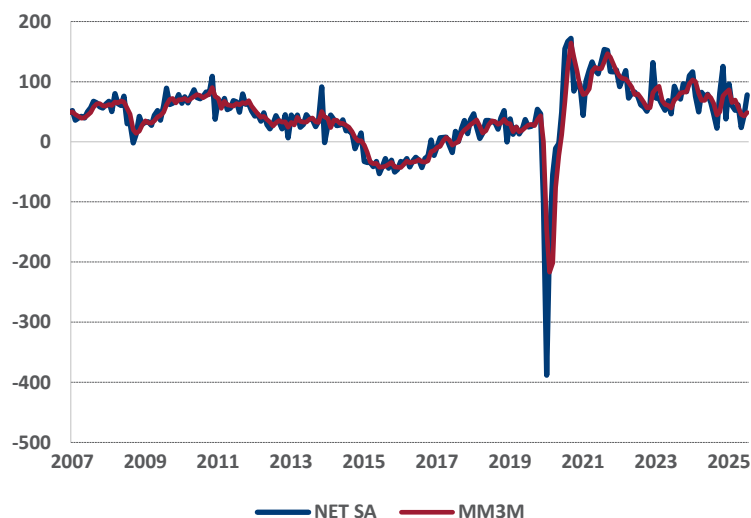
# Brazil: Formal Labor Market

- The tertiary sector remains resilient.
- The net addition in the services sector totaled 78k jobs in October, above the 44k in September.
- Most sectors cooled down in the monthly comparison.
- The retail (to 11k from 16k) and construction (to 5k from 12k) posted a mild slowdown on a monthly basis. In turn, industry (to -5k from 2k), and agriculture & livestock (to -2k from 2k) recorded a net destruction of positions.
- Overall, formal employment remains robust, despite significant monthly fluctuations.

Brazil - Retail Net Payroll Job Creation (SA)



Brazil - Services Net Payroll Job Creation (SA)



Brazil - Industry Net Payroll Job Creation (SA)

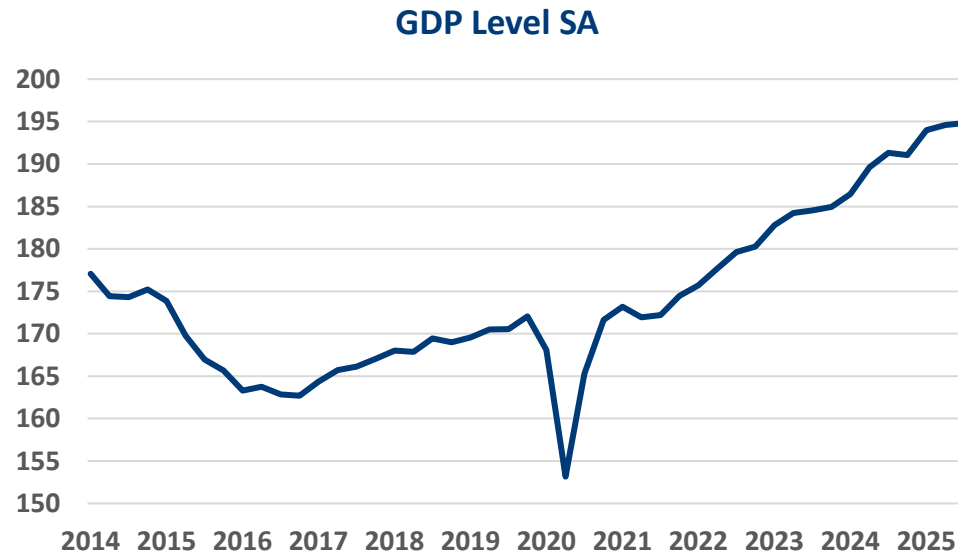


Brazil - Construction Net Payroll Job Creation (SA)



# Brazil: GDP Q3

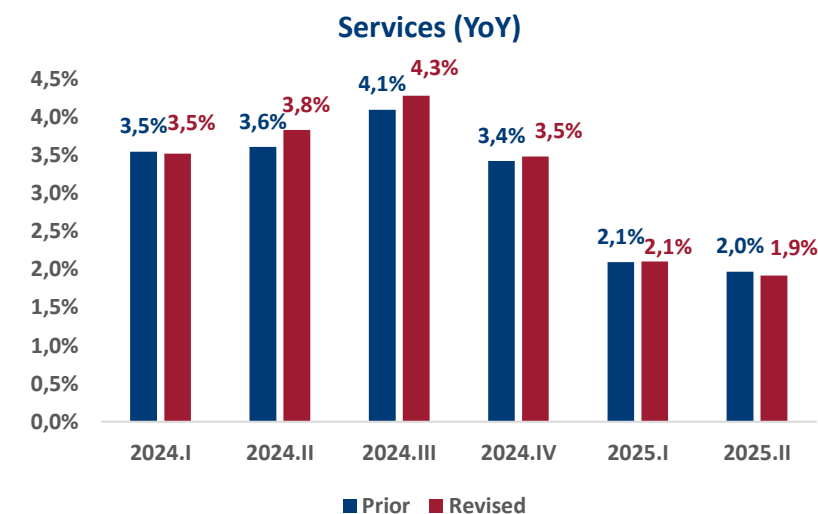
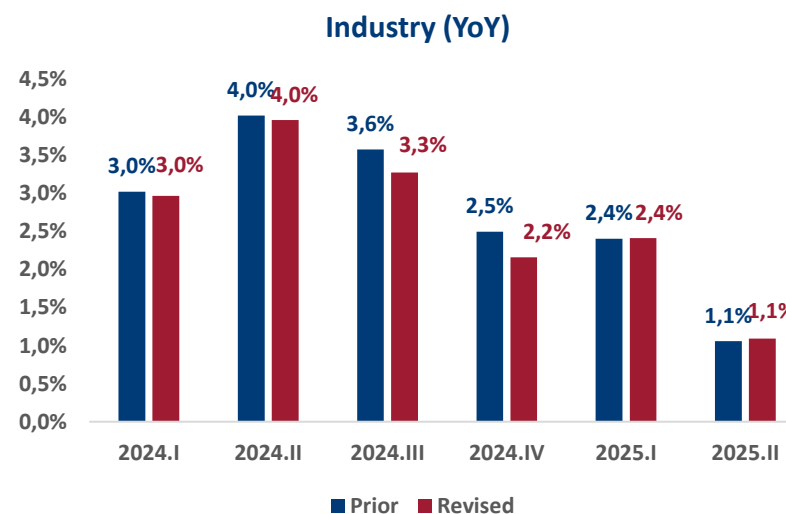
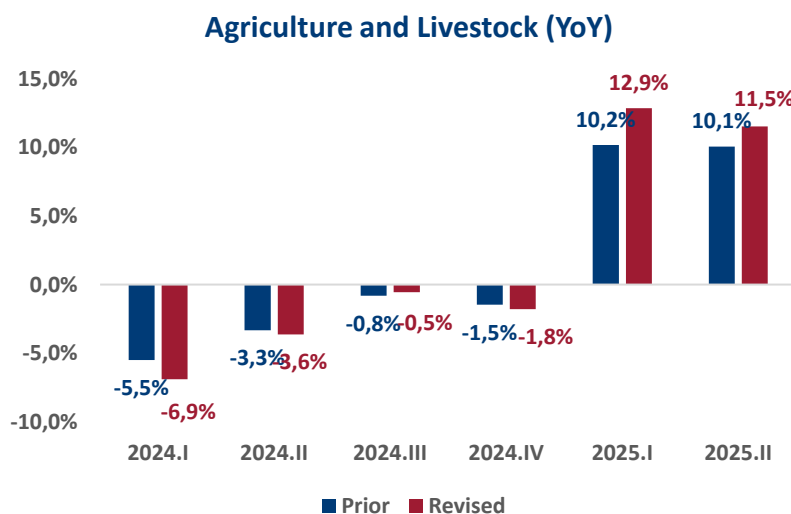
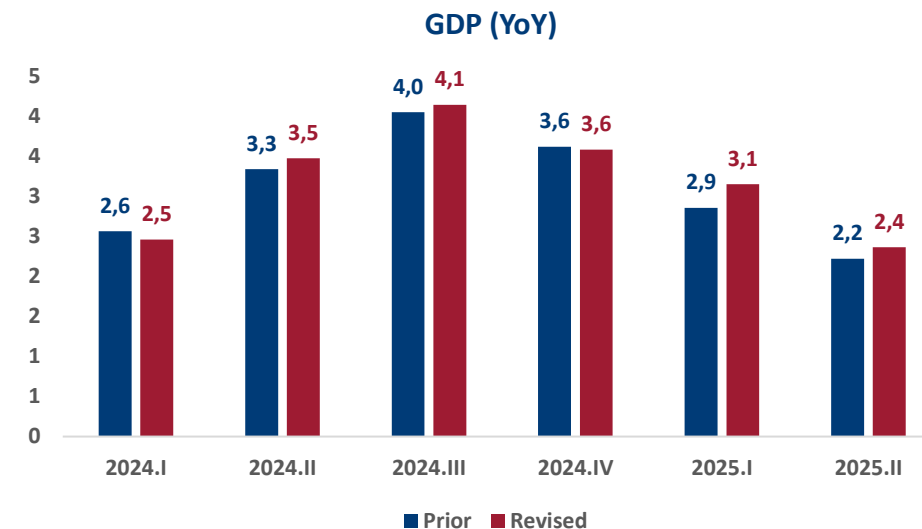
- The Q3 GDP confirmed the trajectory of slowing economic activity, with a growth of 0.1% QoQ, marginally below market expectations.
- From the supply side, the main downside surprise came from services, driven by lower-than-expected growth in information and communication, financial services, other services, and public administration services.
- On the other hand, better results in agriculture and industry partially offset the lower-than-expected result in services.



	Official	Forecast	Official	Forecast
	Q3 QoQ	Q3 QoQ	Q3 YoY	Q3 YoY
<b>GDP</b>	<b>0.1%</b>	<b>0.2%</b>	<b>1.8%</b>	<b>1.6%</b>
<b>Agriculture</b>	<b>0.4%</b>	<b>-1.9%</b>	<b>10.1%</b>	<b>6.3%</b>
<b>Industry</b>	<b>0.8%</b>	<b>0.0%</b>	<b>1.7%</b>	<b>0.4%</b>
Mining	1.7%	-0.8%	11.9%	6.4%
Manufacturing	0.3%	0.4%	-0.6%	-0.3%
Electricity	-1.0%	-1.5%	-1.0%	-2.8%
Construction	1.3%	-0.7%	2.0%	-0.3%
<b>Services</b>	<b>0.1%</b>	<b>0.5%</b>	<b>1.3%</b>	<b>1.8%</b>
Retail	0.4%	-0.3%	0.9%	-0.2%
Transports	2.7%	2.0%	4.2%	2.4%
Information and Communication	1.5%	1.7%	5.3%	5.5%
Financial Services	-1.0%	0.9%	0.4%	3.4%
Rents	0.8%	0.7%	2.0%	2.3%
Other Services	0.2%	1.1%	1.1%	2.2%
Public Administration	0.4%	0.6%	0.3%	1.0%

# Brazil: GDP Q3

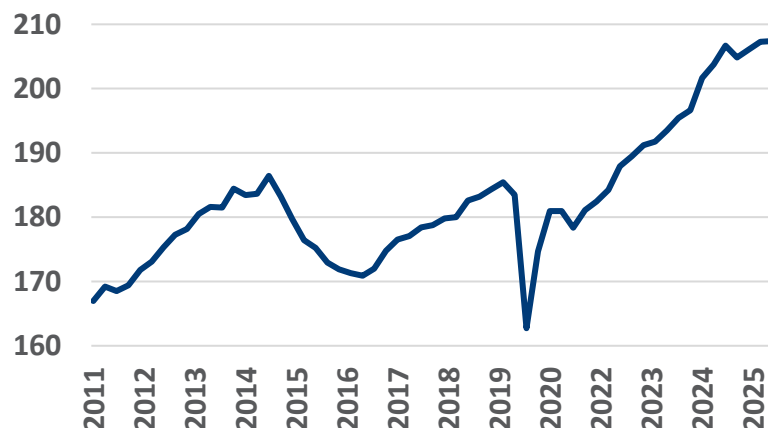
- Despite the bearish surprise in Q3 GDP, there were upward revisions in previous quarters, which should lead to higher growth projections for 2025.
- It is worth noting that the revision in the previous quarters of 2025 was driven by the stronger performance of agriculture.



# Brazil: GDP Q3

- From a demand perspective, the stagnation of household consumption and imports stands out, confirming a significant cyclical slowdown in the economy.
- On the other hand, growth was driven by government consumption and exports.

## Household Consumption



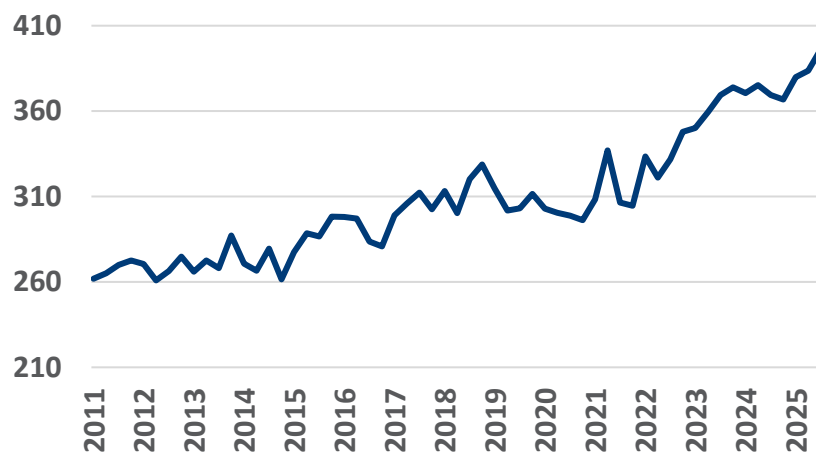
## Gross Fixed Capital Formation



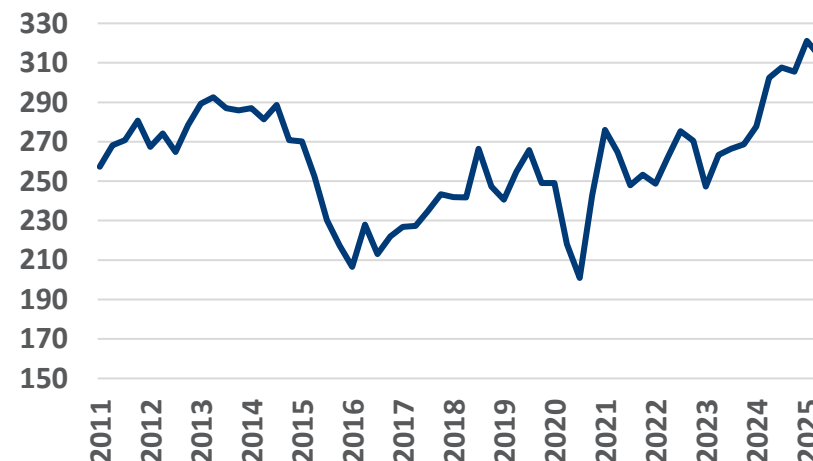
## Government Consumption



## Exports

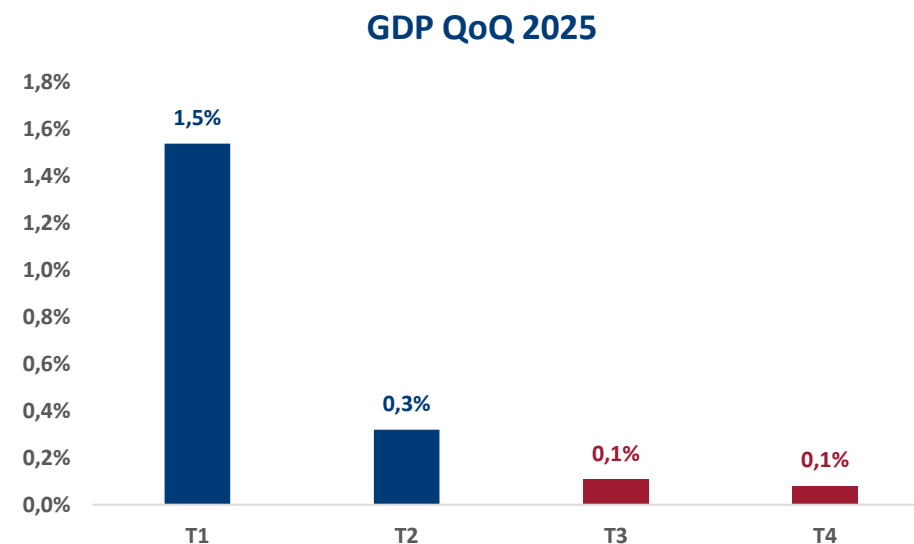


## Imports



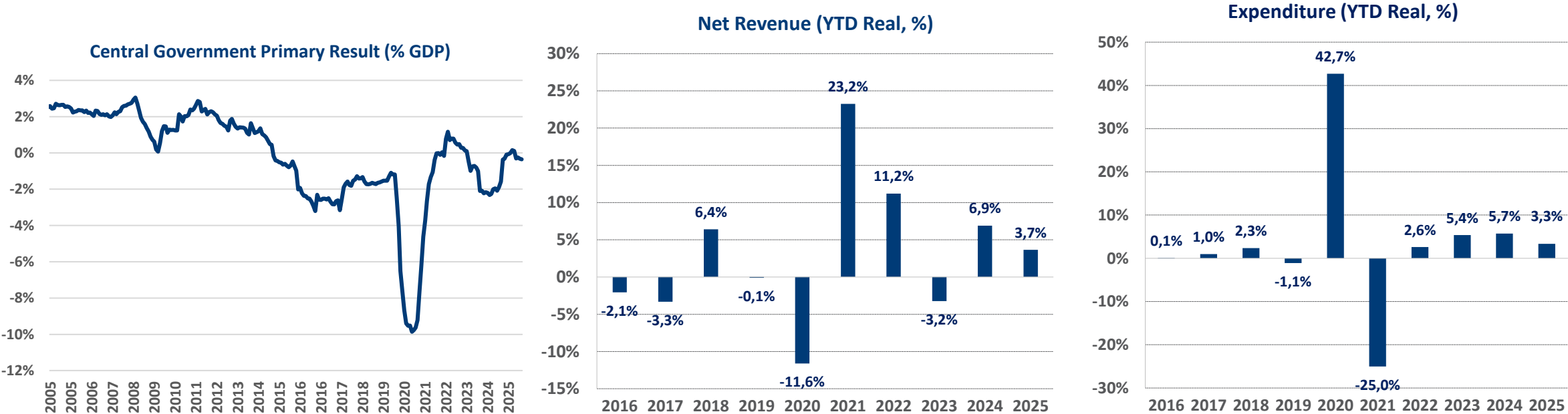
- We revised our 2025 projection from 2.1% to 2.3%, due to the revision of historical series promoted by IBGE.
- The strong slowdown in economic activity throughout the year and the important contributions of less cyclical sectors to growth in 2025 (agriculture, mining industry and their spillover effects on other activities, such as transport) stand out.
- For 2026, we revised our projection from 1.5% to 1.7%, incorporating new fiscal and credit stimulus policies already approved.

Forecast				
	2025.IV QoQ	2025.IV YoY	2025	2026
<b>GDP</b>	<b>0.1%</b>	<b>1.8%</b>	<b>2.3%</b>	<b>1.7%</b>
<b>Agriculture</b>	<b>-2.2%</b>	<b>7.0%</b>	<b>11.0%</b>	<b>1.0%</b>
<b>Industry</b>	<b>0.2%</b>	<b>1.7%</b>	<b>1.7%</b>	<b>0.7%</b>
Mining	1.5%	12.5%	8.7%	5.8%
Manufacturing	0.0%	-1.2%	0.0%	-0.3%
Electricity	0.6%	-0.4%	-0.7%	1.9%
Construction	0.9%	1.5%	1.7%	-2.5%
<b>Services</b>	<b>0.3%</b>	<b>1.6%</b>	<b>1.7%</b>	<b>2.2%</b>
Retail	0.1%	0.8%	1.3%	0.9%
Transports	0.9%	4.6%	2.8%	1.4%
Information and Communication	1.1%	6.2%	6.2%	4.6%
Financial Services	-0.1%	0.2%	1.8%	1.6%
Rents	0.4%	2.2%	2.0%	2.7%
Other Services	0.3%	1.6%	1.9%	3.3%
Public Administration	0.2%	0.7%	0.4%	1.5%



# Brazil: Central Government Primary Result

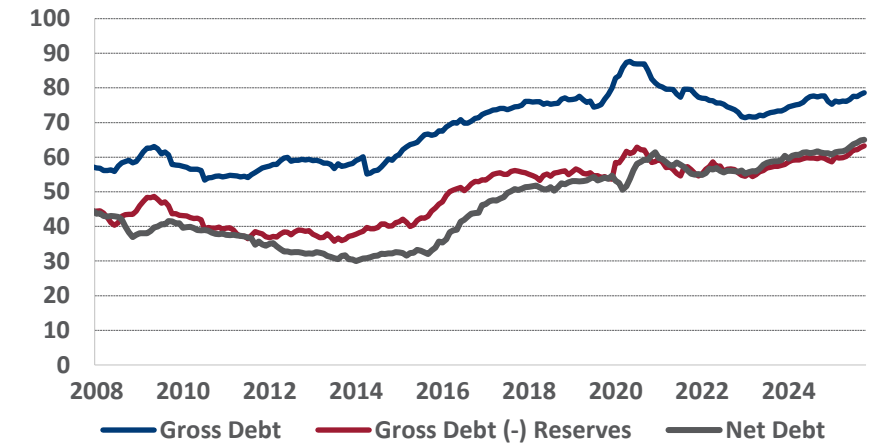
- The central government's primary balance posted a surplus of BRL 36.5 billion in October, in line with market consensus (BRL 36.8 billion).
- Net revenues grew by 4.5% YoY in real terms. Profit-based taxes performed well during the month, as did PIS/Cofins revenues (consumption-based tax). Likewise, IOF revenues (a tax on financial transactions) remained solid following the rate hike in May. As for extraordinary revenues, the government received BRL 2.8 billion in dividends from BNDES.
- Total expenditure rose by 9.2% YoY in real terms, mostly driven by a sharp increase in discretionary outlays, which rose BRL 8.4 billion (57% YoY), largely concentrated in healthcare. Social security benefits expanded BRL 2.4 billion (3.1% YoY), reflecting a growing beneficiary base and minimum wage adjustments, while personnel expenses increased BRL 1.1 billion (3.8% YoY) following wage hikes for federal employees. Additional pressure came from judicial payments, which surged BRL 1.5bn (+442%) due to the settlement of pending court-ordered debt.
- Year-to-date, total expenditure increased by 3.3%, mainly driven by social security benefits (4.0%), personnel expenses (3.8%), and BPC/LOAS benefits (9.7%), while discretionary spending also expanded significantly during the period.
- Overall, strong revenue gains and accelerating discretionary spending shaped October's fiscal outcome.



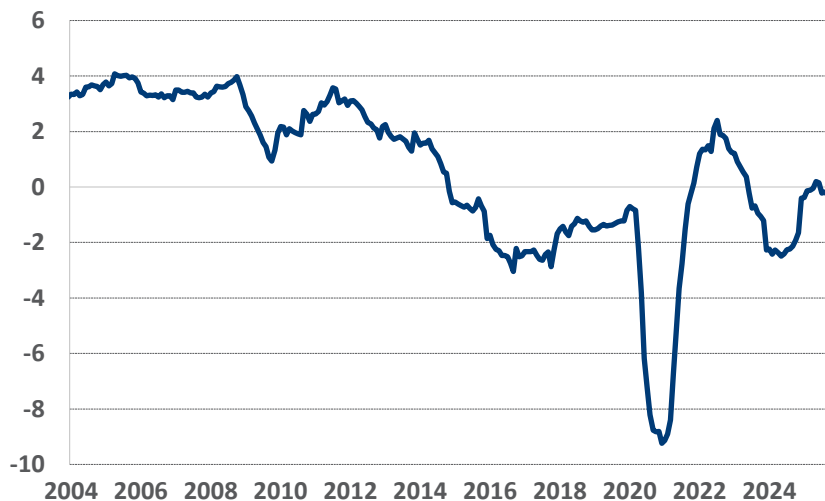
# Brazil: Consolidated Public Sector Budget

- The consolidated public sector posted a primary surplus of BRL 32.4 billion in October, below market consensus (surplus of BRL 34.1 billion).
- Regarding the breakdown, the central government registered a surplus of BRL 36.2 billion, while regional governments and state-owned enterprises (SOEs) presented deficits of BRL 3.6 billion and BRL 0.1 billion, respectively.
- General Government Gross Debt (GGGD) rose to 78.6% of GDP, with nominal interest (+0.9 p.p.) being the main driver of this growth, while nominal GDP growth (-0.3 p.p.) partially offset it.

Public Sector Debt (% GDP)



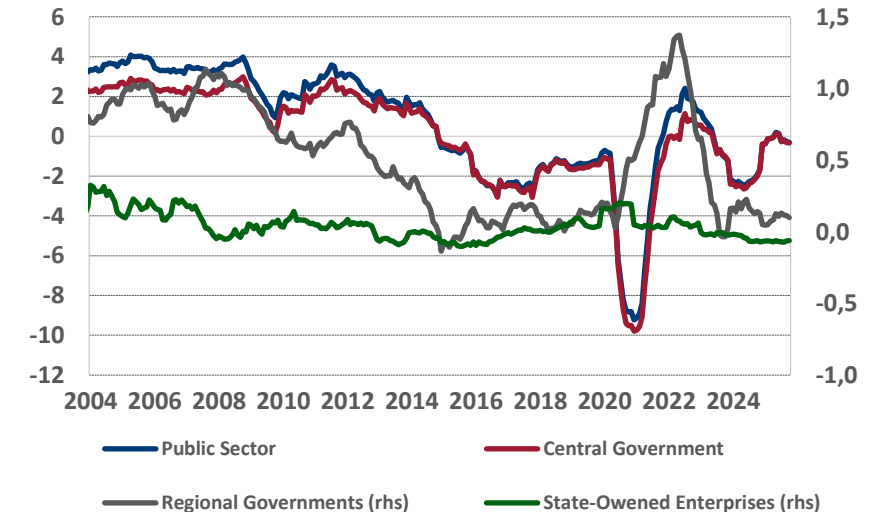
Primary Budget Balance (% GDP 12M)



Central Government (% GDP 12M)



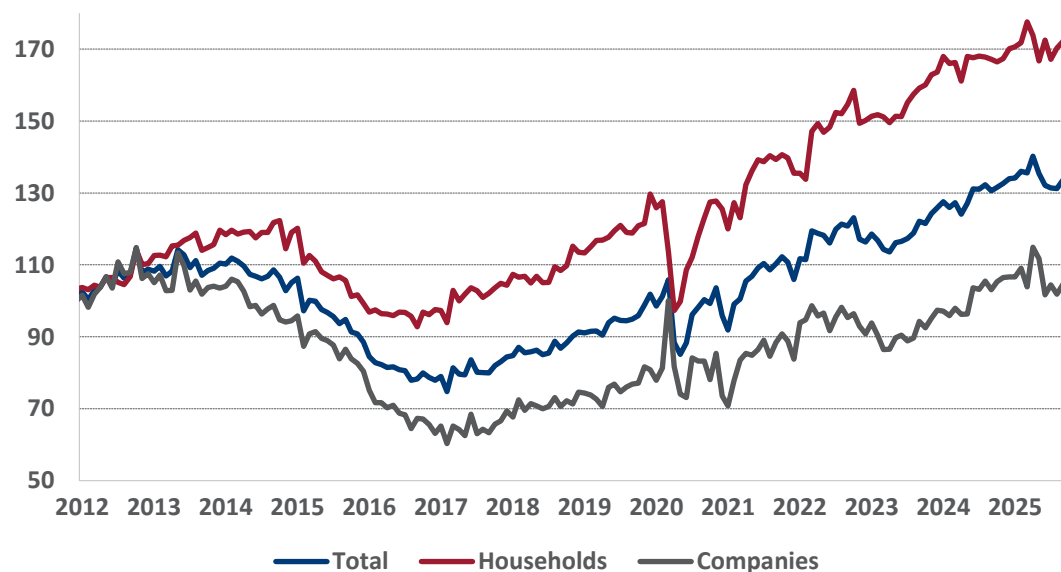
Public Sector Primary Result (% GDP)



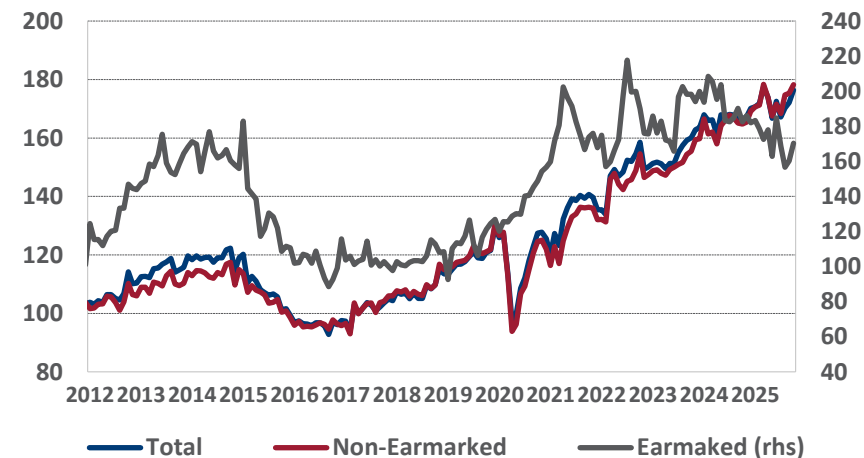
# Brazil: Credit Statistics

- In October, total credit concessions increased by 1.4% MoM in real terms, after increasing by 1.8% in the last month.
- Non-earmarked credit concessions increased 2.5% MoM in real terms to households and stayed stable to companies in the monthly comparison.
- In October, credit data showed a strong rebound in volumes, led by credit cards, while delinquency stayed stable despite rising indebtedness. Credit composition worsened, and overall conditions remain tight under restrictive monetary policy.

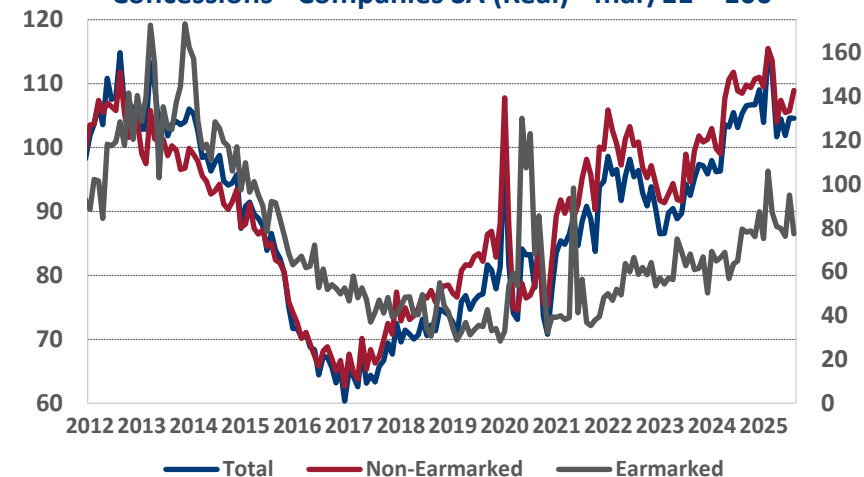
New Credit Operations SA (Real) - mar/11 = 100



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

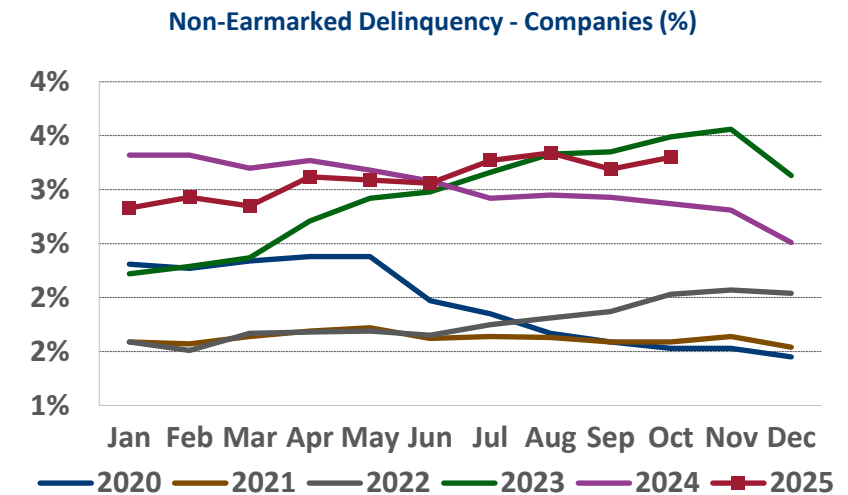
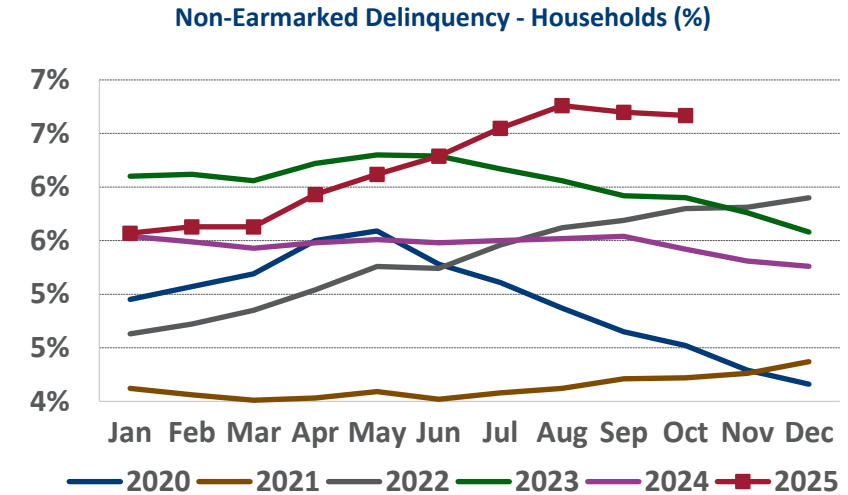
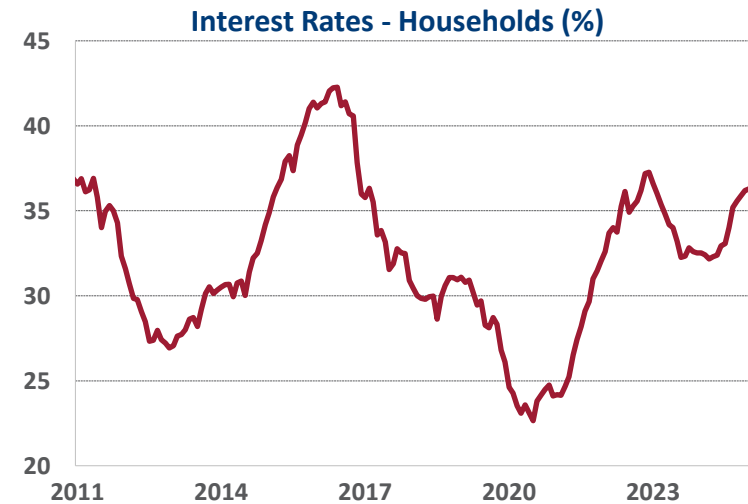


Concessions - Companies SA (Real) - mar/11 = 100



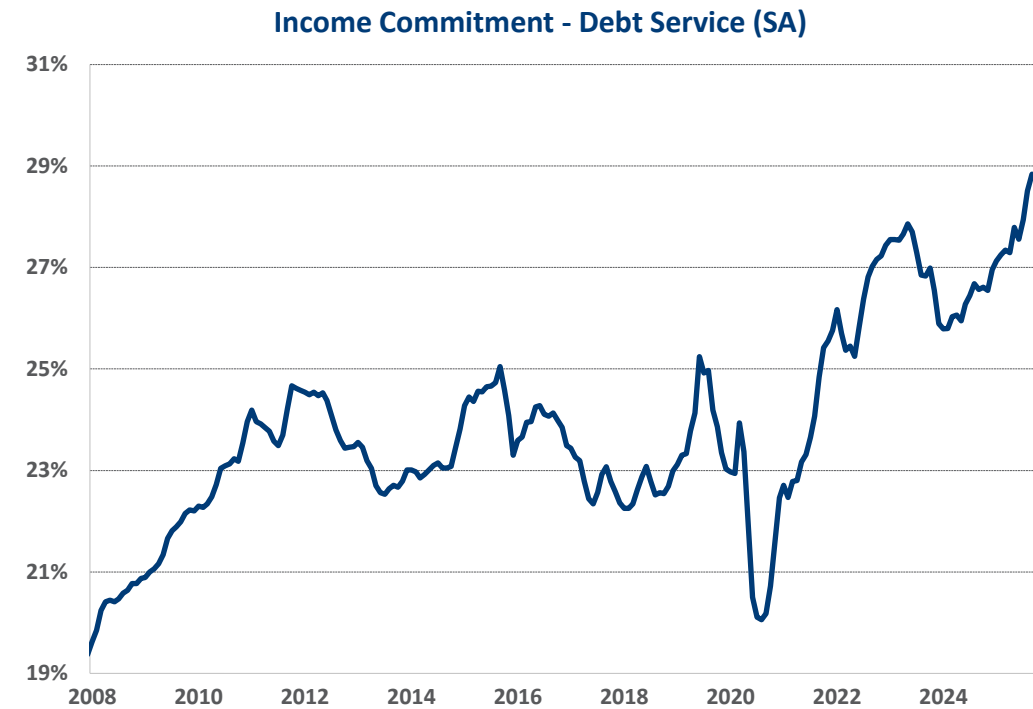
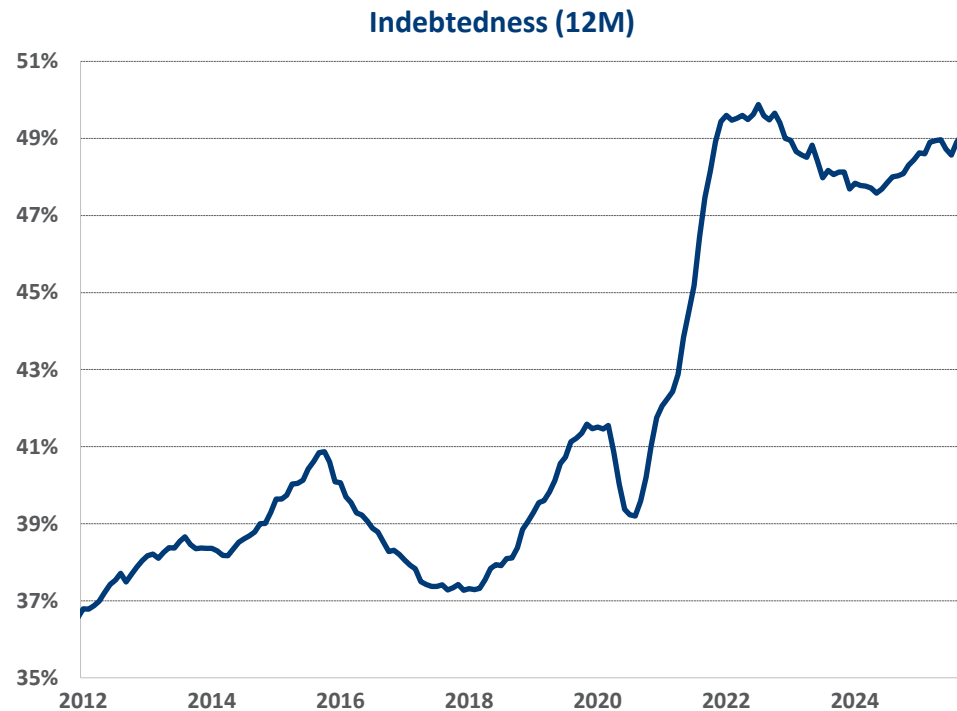
# Brazil: Credit Statistics

- Lending rates increased marginally, remaining at high levels for households, staying at 36.6% in October from 36.3% in September, while for companies, rates went up to 21.7% from 20.7%.
- In turn, delinquency on non-earmarked loans remained stable for households at 6.7%, while for companies, it went up to 3.3% from 3.2%.
- Interest rates rose at the margin, with a sharp increase for corporate loans, (especially working capital) and a modest uptick for households, keeping borrowing conditions restrictive.



# Brazil: Credit Statistics

- The household indebtedness remains high, increasing sharply to 49.1% in September.
- Meanwhile, income commitment increased to a seasonally adjusted level of 28.8% in September, from 28.5% in August.
- Credit conditions remain tight despite a modest improvement in October.



# Brazil: Inflation 2025

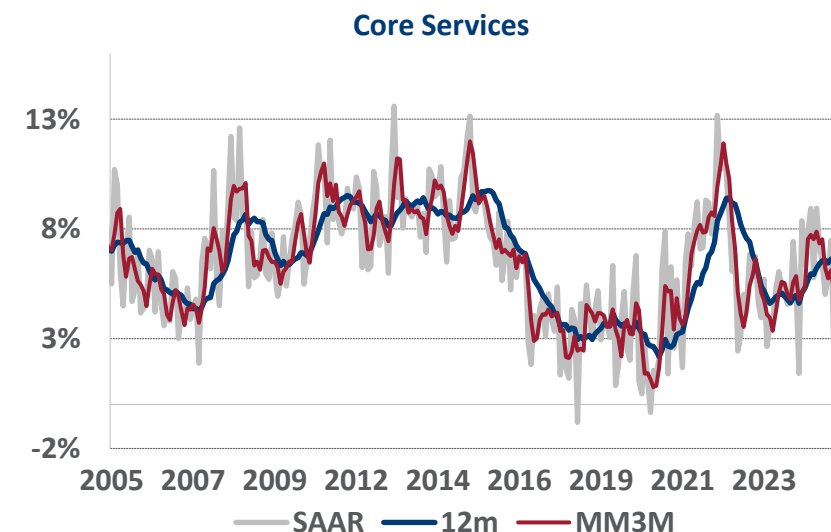
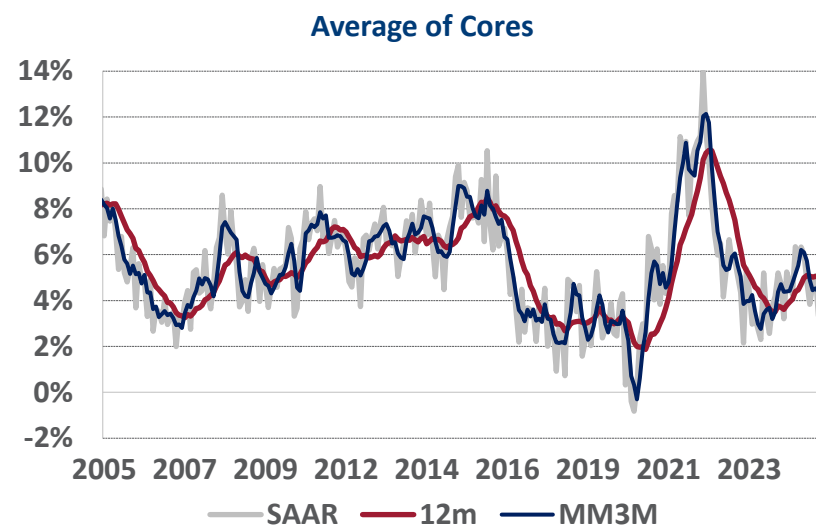
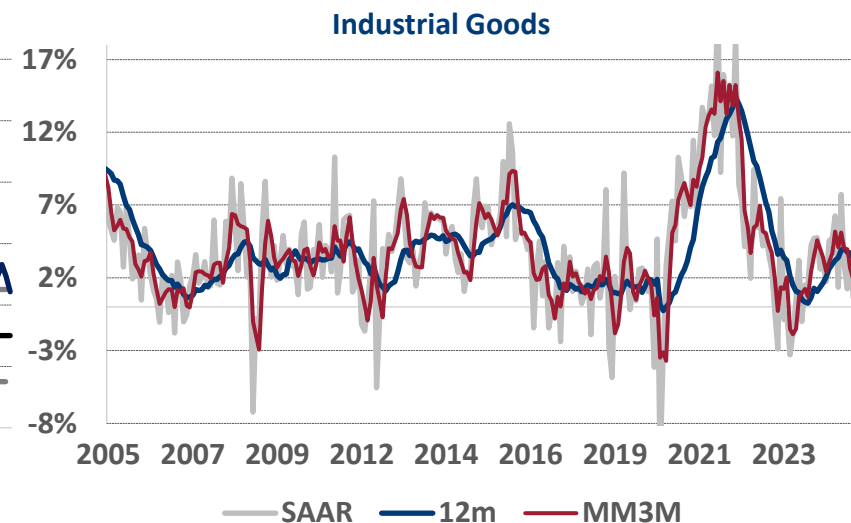
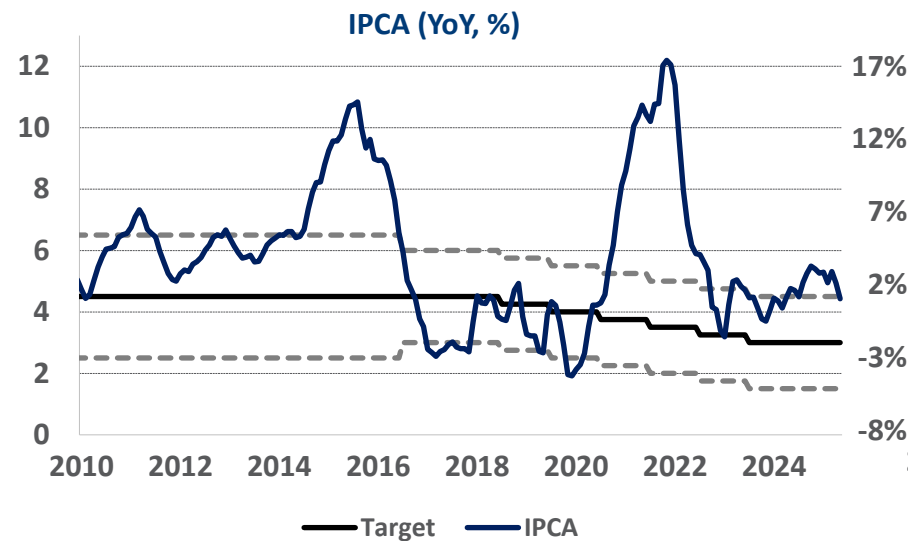
November IPCA-15 increased by 0.20% MoM, slightly above market expectations (0.18% MoM). The 12-month variation fell from 4.94% in October to 4.50% in November.

The main upward deviation came from airfares and lodging, while personal hygiene surprised to the downside

Core services advanced 0.40% MoM, in line with forecasts, and the 3M SAAR decreased from 4.7% to 4.4%.

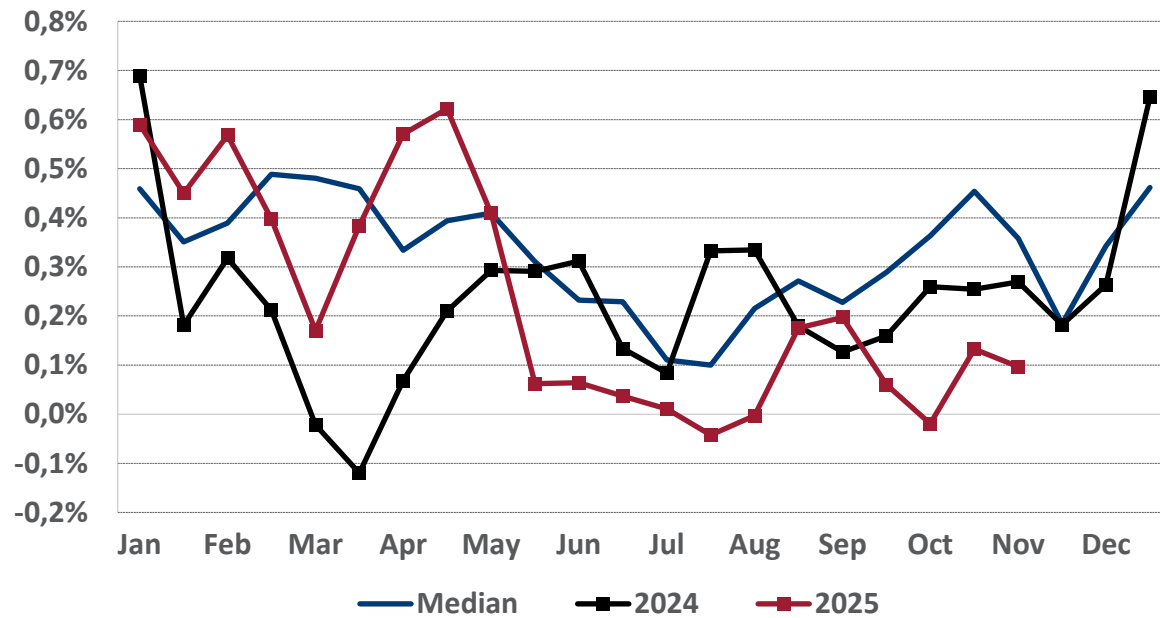
The average of core inflation increased by 0.27% MoM, below expectations, with its 3M SAAR at 3.4%.

In all, the November IPCA-15 breakdown signaled no major shifts, showing only a mild acceleration from services, partly offset by softer regulated prices and weak tradables.

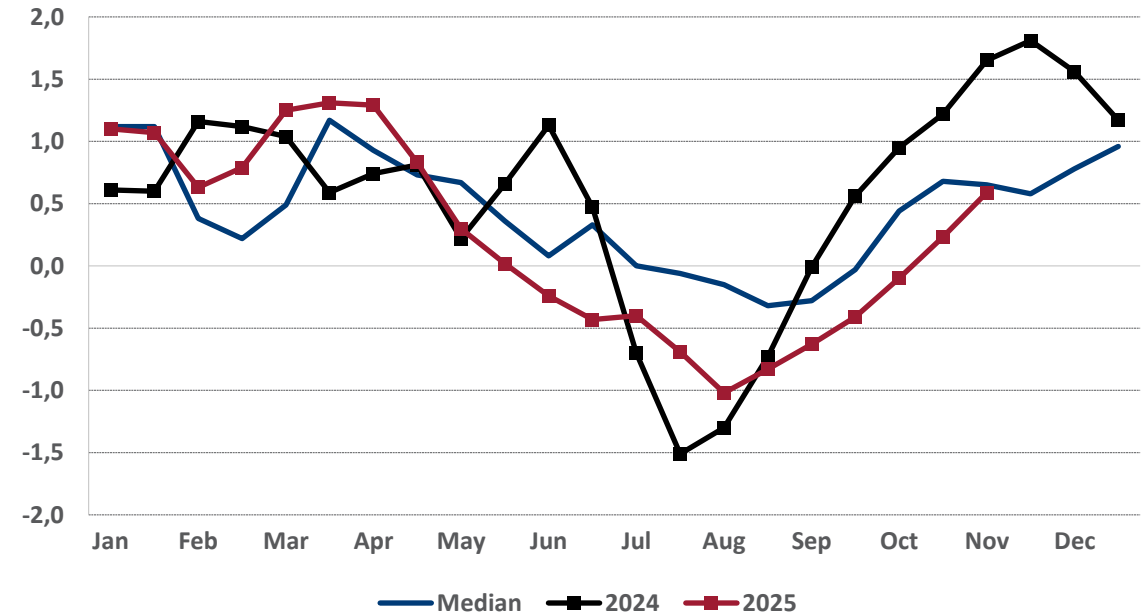


- Industrial goods prices retreated 0.06%, below expectations, while the 3M SAAR stood at 1.3% in November.
- Foodstuff prices decreased by 0.15% MoM, below expectations. Items such as cereals, fruits and dairy products contributed to the drop.
- The persistent decline in food and industrialized goods, alongside softer core readings, strengthens the case for a more benign inflation path this year, even as services remain elevated and continue to pose challenges.

Industrial Goods (MoM, %)



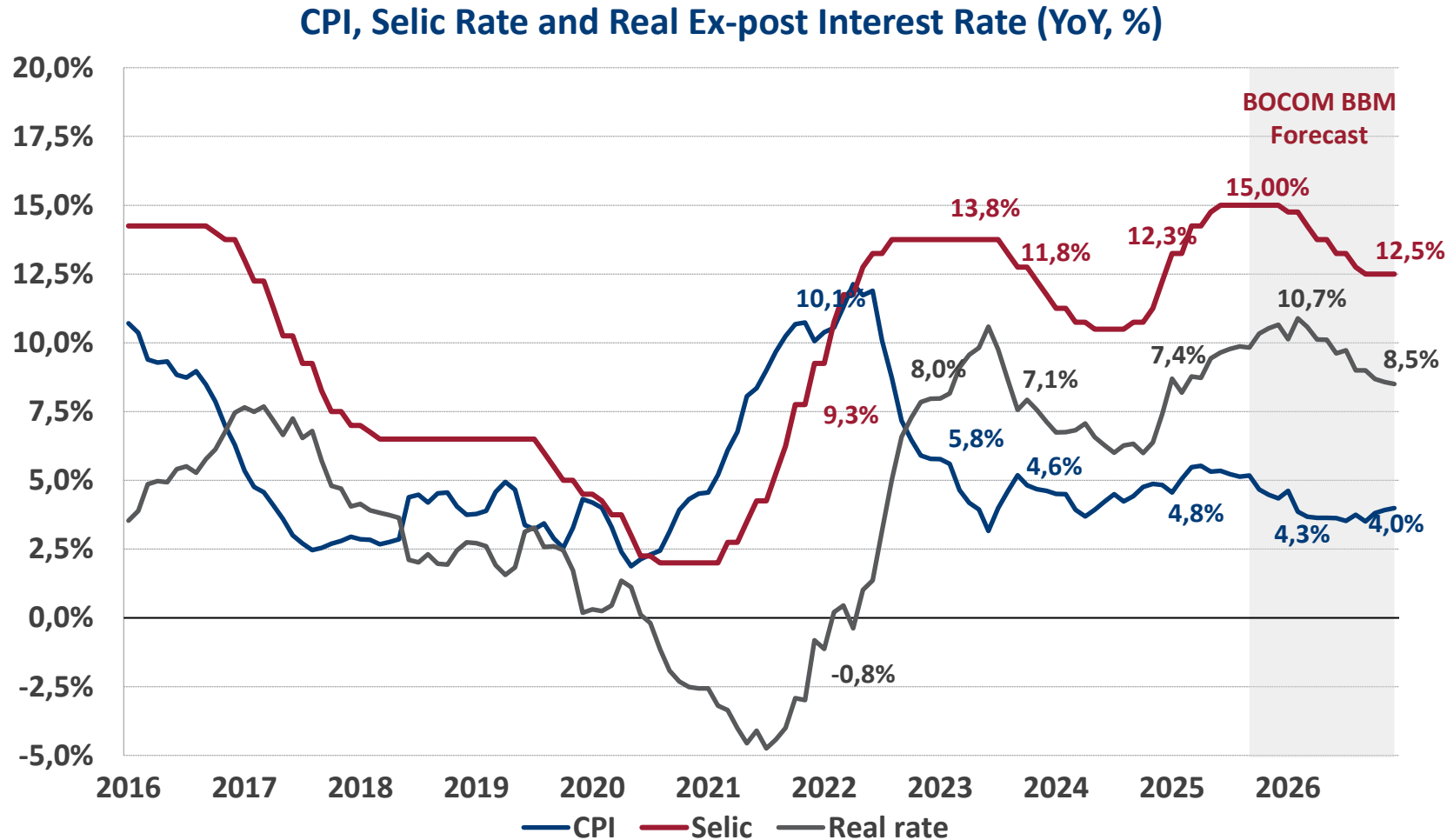
Food at Home (MoM, %)



I We project that inflation will end the year at 4.4% and fall to 4.0% in 2026, with a gradual reduction in industrial goods and services.

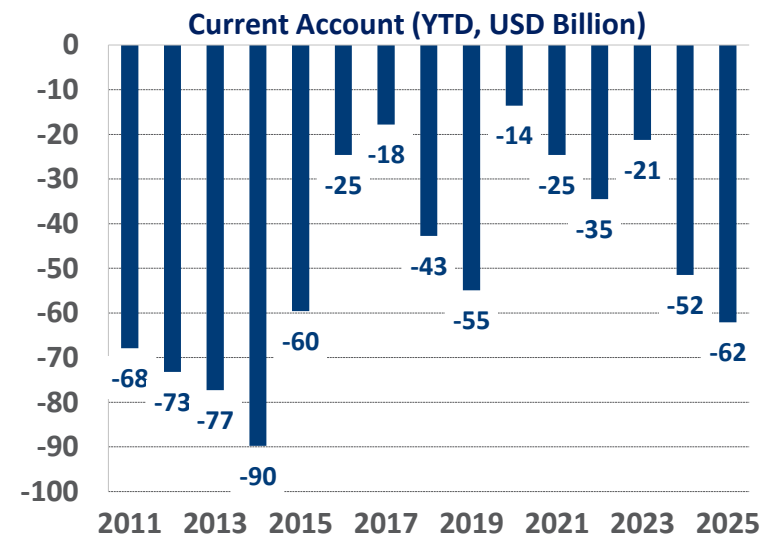
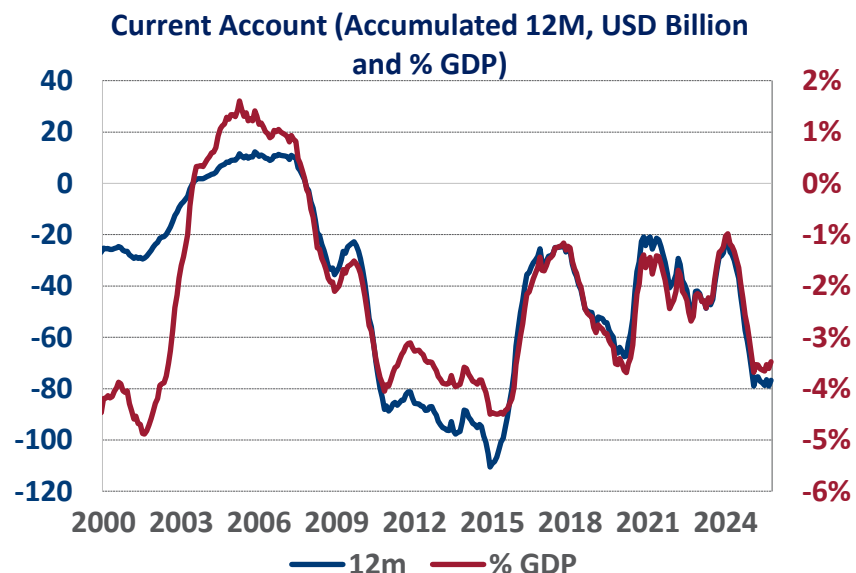
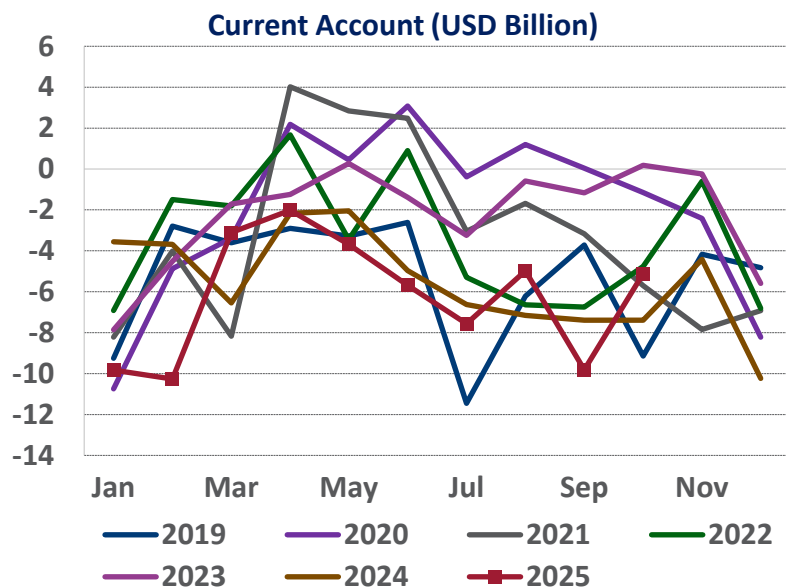
IPCA (% , annual)								
	Weight	2020	2021	2022	2023	2024	2025	2026
<b>Regulated</b>	<b>26.6</b>	<b>2.6</b>	<b>16.9</b>	<b>-3.8</b>	<b>9.1</b>	<b>4.7</b>	<b>5.1</b>	<b>3.9</b>
<b>Industrial goods</b>	<b>23.6</b>	<b>3.2</b>	<b>11.9</b>	<b>9.5</b>	<b>1.1</b>	<b>2.9</b>	<b>2.4</b>	<b>1.9</b>
Durable goods	10.3	4.5	12.9	6.1	-0.4	1.5	0.4	-
Semi-durable goods	5.9	-0.1	10.2	15.7	2.7	2.1	3.4	-
Non-durable goods	7.3	4.0	11.9	9.5	1.7	5.4	4.2	-
<b>Food at home</b>	<b>15.7</b>	<b>18.2</b>	<b>8.2</b>	<b>13.2</b>	<b>-0.5</b>	<b>8.2</b>	<b>2.7</b>	<b>4.8</b>
<b>Services</b>	<b>34.1</b>	<b>1.7</b>	<b>4.8</b>	<b>7.6</b>	<b>6.2</b>	<b>4.6</b>	<b>5.8</b>	<b>5.1</b>
Food away from home	5.6	4.8	7.2	7.5	5.3	6.3	7.0	5.1
Related to minimum wage	5.2	1.5	3.3	6.3	5.2	5.0	6.4	5.9
Sensitive to economic activity	8.2	0.2	5.1	6.3	9.5	0.9	5.6	5.0
Inertial	15.0	1.6	4.2	8.8	5.1	6.0	5.2	4.8
<b>IPCA</b>		<b>4.5</b>	<b>10.1</b>	<b>5.8</b>	<b>4.6</b>	<b>4.8</b>	<b>4.4</b>	<b>4.0</b>

- Concerning monetary policy, Selic rates were kept at 15% per year as was largely expected. There were very minor changes in the communication, but the Central Bank now acknowledges that the strategy of keeping rates at the current level for a prolonged period is sufficient to bring inflation back to the target. Nonetheless, despite this understanding, the Central Bank kept the wording that it remains vigilant and can adjust rates further if necessary. BCB inflation projection six trimesters ahead stood at 3,3 % in the second quarter of 2027 in a scenario where rates stay at 15% until the end of 2025, reach 12.25% in 2026 and 10,5% in 2027. The projection was reduced from 3,4% to 3,3% in the relevant horizon, which was expected in light of currency appreciation and lower inflation expectations in FOCUS. In all, the statement indicates some progress in inflation projections and acknowledges that holding rate at the current level is working, but did not give any signal of when an easing cycle would start.



# Brazil: Balance of Payments

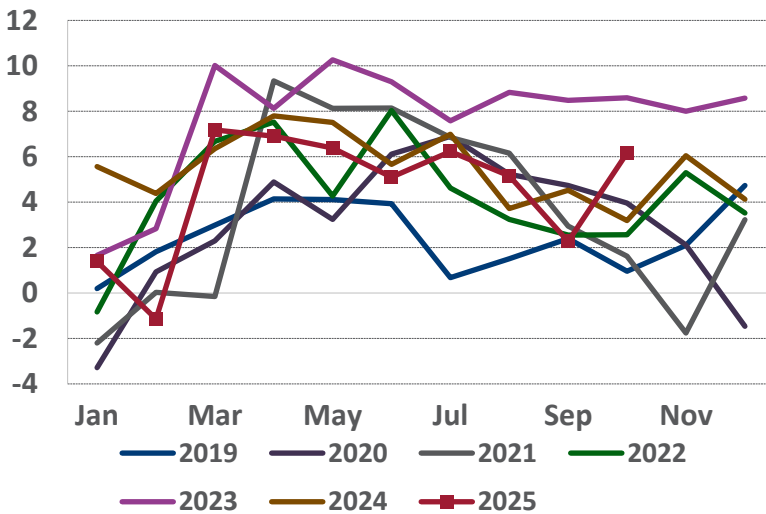
- The Brazilian current account recorded a deficit of USD 5.1 billion in October 2025, worse than market expectations (USD -4.7 billion).
- On a 12-month basis, the deficit reached USD 76.7 billion (3.48% of GDP) from USD 78.9 billion (3.61% of GDP) in September.
- In all, the moderation in the current account deficit over the last months reflects an improvement in the trade surplus and a gradual deceleration in net services spending driven by the slowdown in domestic demand.



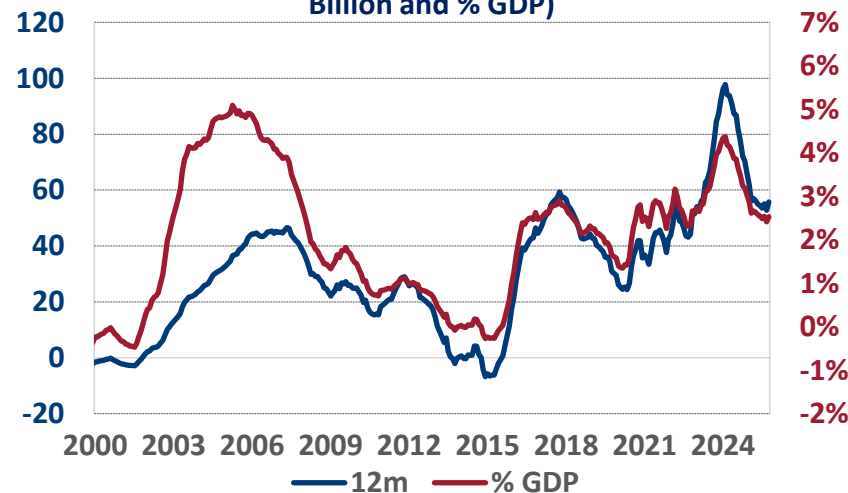
# Brazil: Balance of Payments

- The merchandise trade balance recorded a surplus of USD 6.2 billion, above the USD 3.2 billion surplus recorded in October 2024.
- Exports increased this month, staying at USD 32.1 billion, while imports are still strong (USD 25.9 billion). While exports remain at high levels, import volumes remain robust, pressuring the trade surplus.
- On a 12-month basis, the trade surplus increased to USD 55.8 billion, from USD 52.8 billion in September.

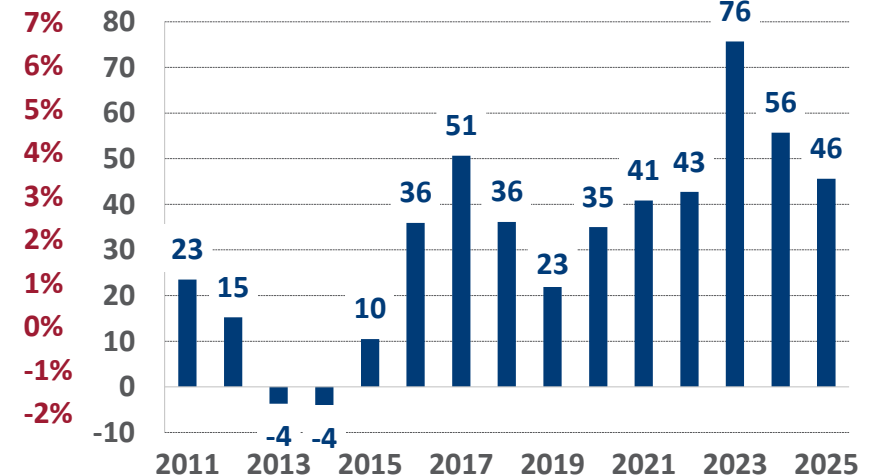
Balance on Goods (USD Billion)



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



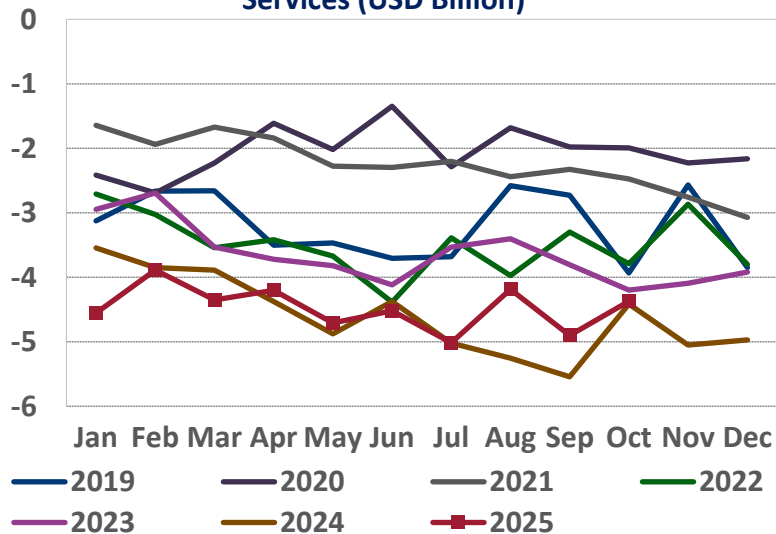
Balance on Goods (YTD, USD Billion)



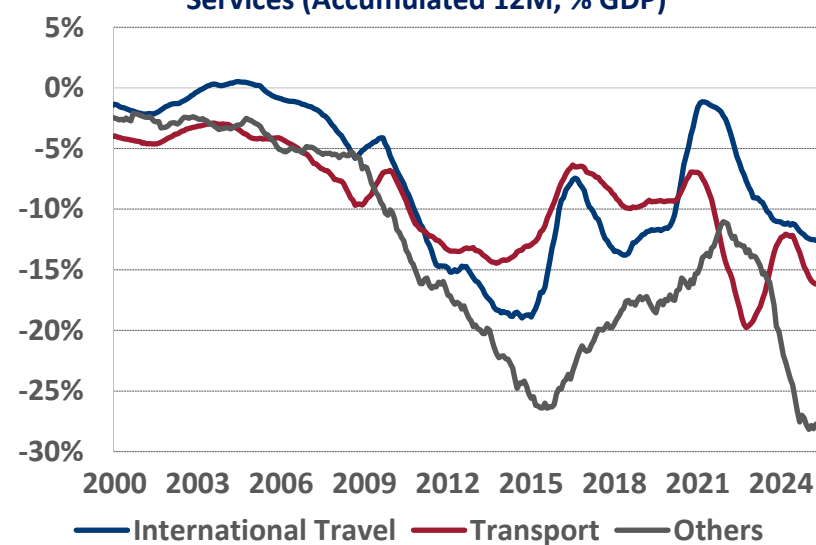
# Brazil: Balance of Payments

- The Services account posted a deficit of USD 4.4 billion in October, below the USD 6.6 billion deficit observed in the same period last year. On a 12-month basis, the Services deficit reached USD 54.7 billion.
- The 'Intellectual Property' and 'Telecommunication' accounts, whose dynamics are less sensitive to the economic cycle, recorded a USD 1.0 billion and USD 0.6 billion deficit, respectively.
- On the other hand, the 'Personal, Cultural, and Recreational Services' Account posted a USD 88 million superavit in October 2025, coming from a deficit of USD 412 million in October 2024.

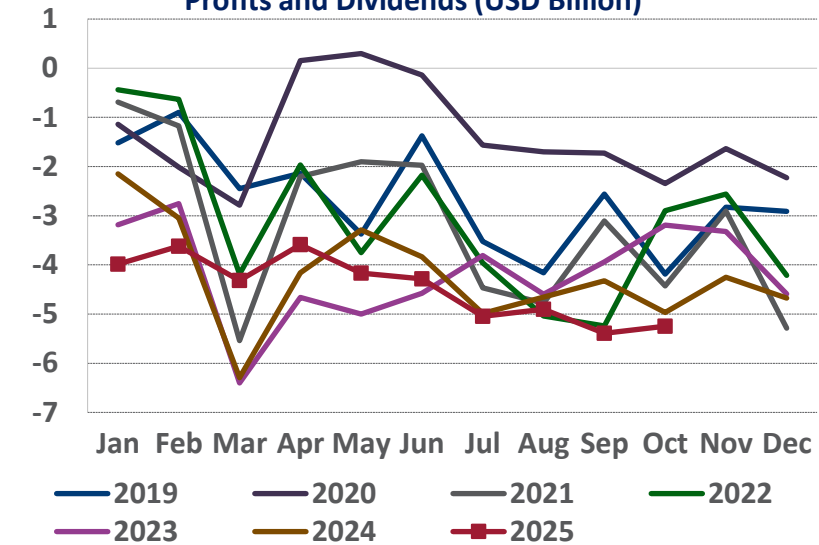
Services (USD Billion)



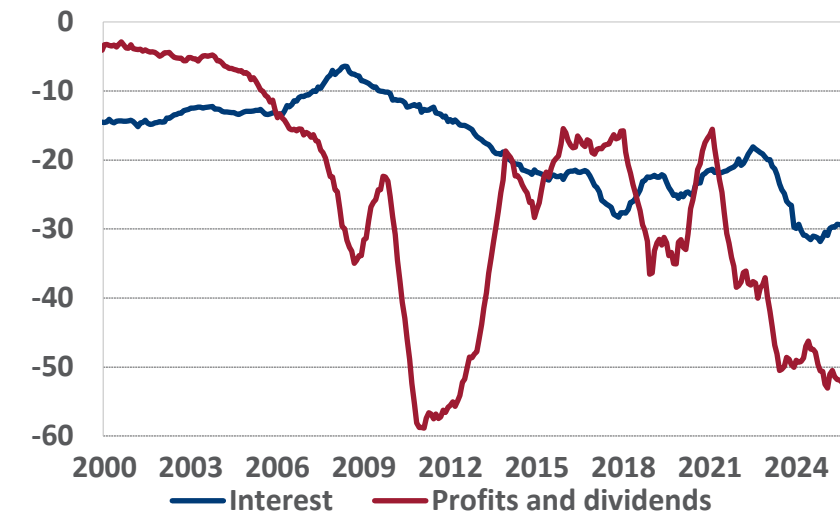
Services (Accumulated 12M, % GDP)



Profits and Dividends (USD Billion)

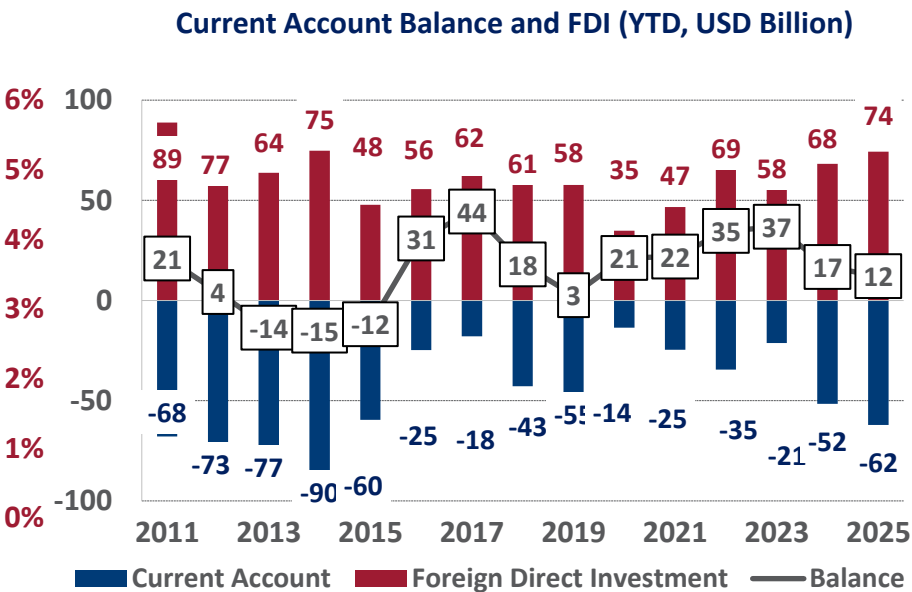
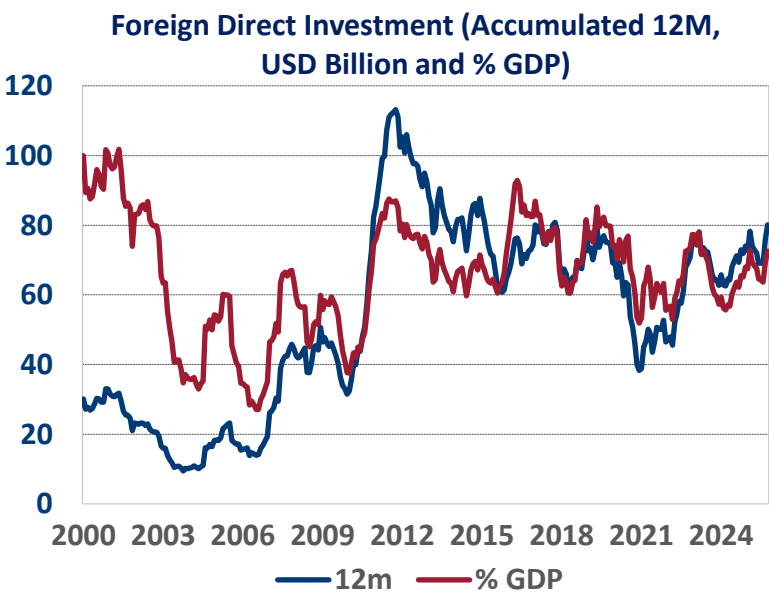
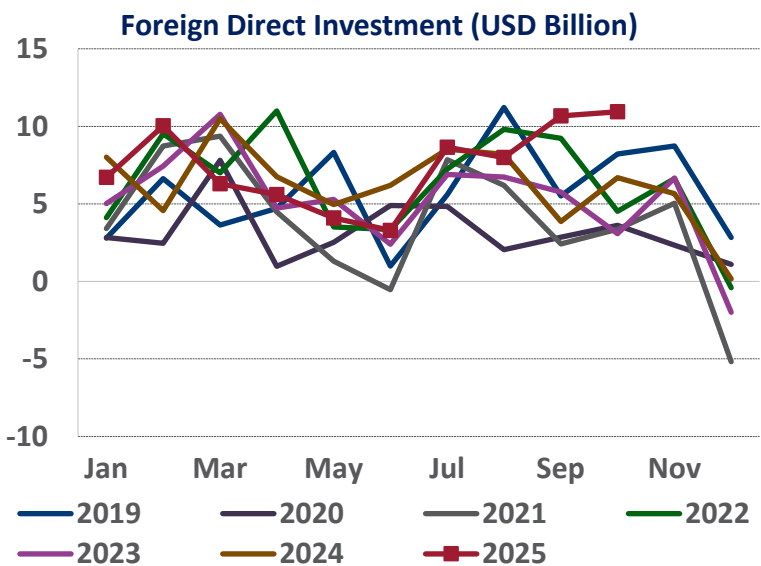


Primary Income (Accumulated 12M, USD Billion)



# Brazil: Balance of Payments

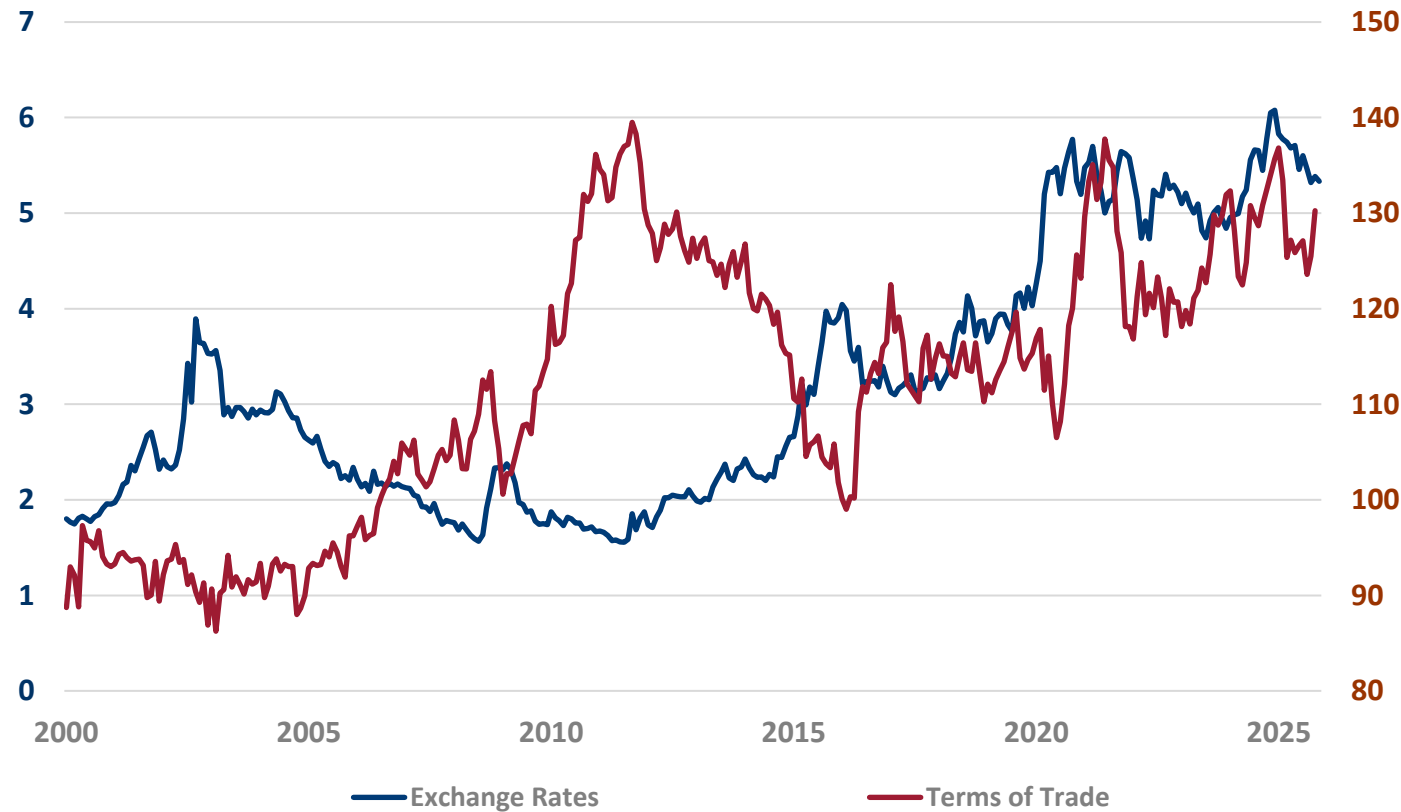
- Foreign Direct Investment (FDI) registered a net inflow of USD 10.9 billion in October, above market consensus.
- On a 12-month basis, FDI inflows reached USD 80.1 billion (3.63% of GDP), from USD 75.8 billion in September.



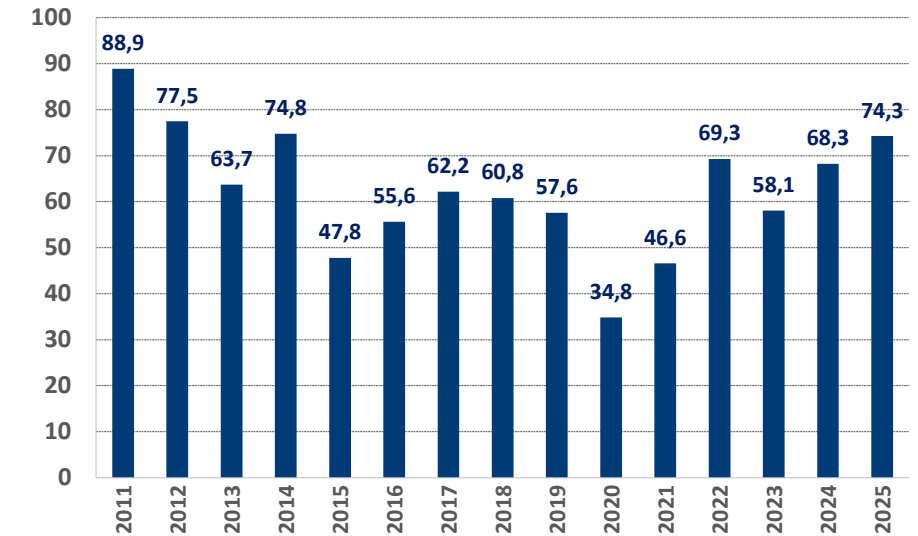
# Brazil: External Sector

■ In November, the Brazilian real appreciated from 5.38 to around 5.33 per US dollar, closing slightly stronger after testing levels near its May highs. The move reflected a weaker dollar as markets priced in a likely Fed rate cut in December amid signs of a softer U.S. labor market. Domestically, with the Selic at 15%, Brazil's high carry continued to attract flows, reinforcing BRL resilience. Political risk tied to the 2026 elections remains a medium-term factor, but near-term volatility should stay contained.

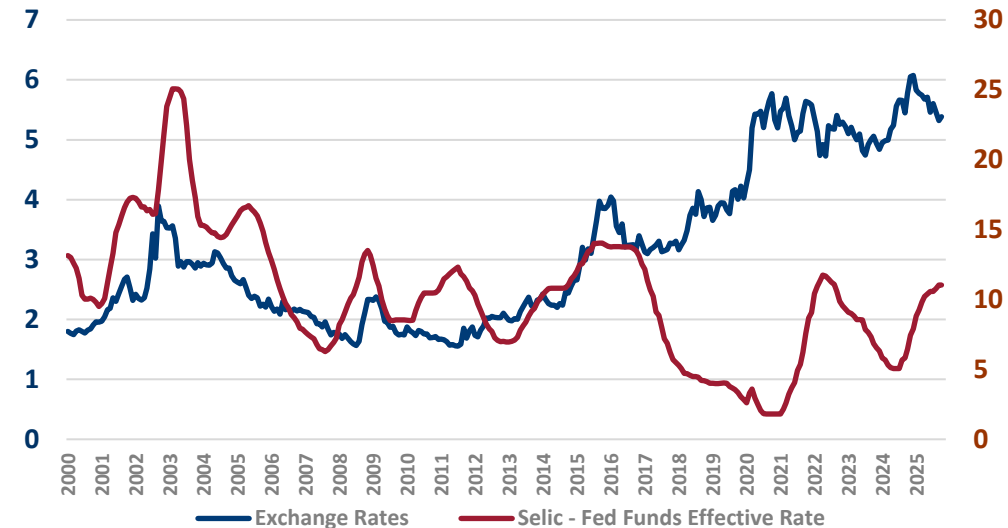
## Terms of Trade x BRL



## Foreign Direct Investment (YTD, USD Billion)

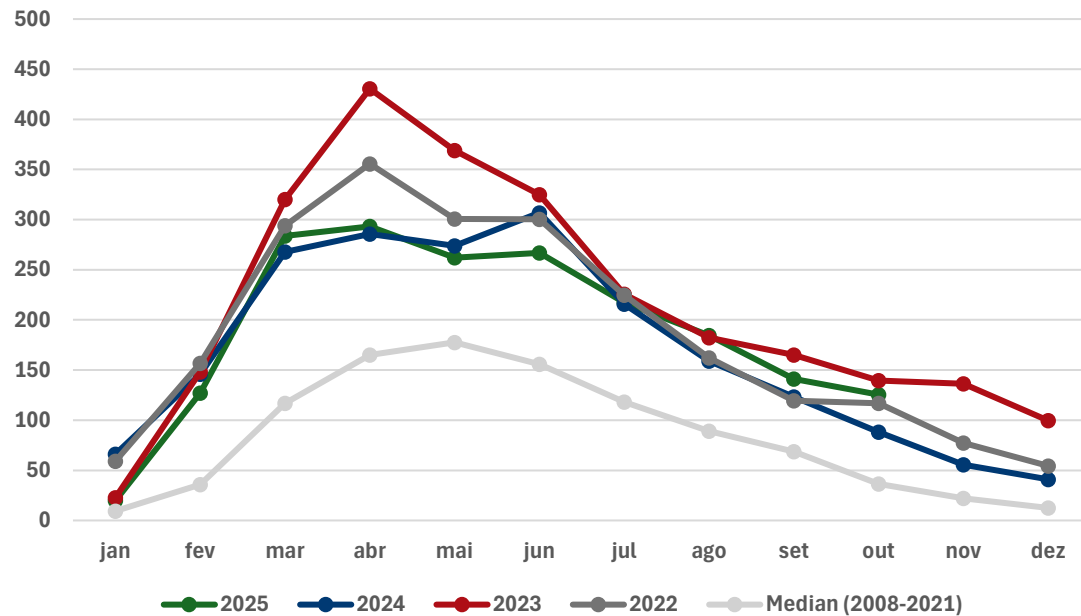


## Interest Rate Differential x BRL

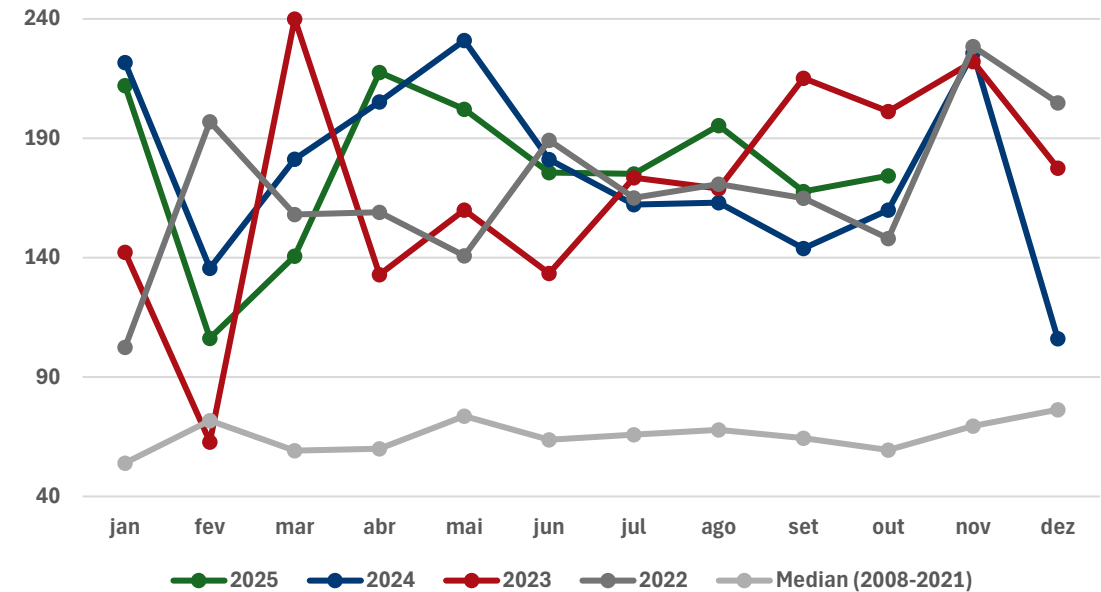


- In October, the trade balance presented a surplus of USD 6.96 bn (70.2% YoY) according to Secex data.
- Exports increased by 9.1% YoY, mainly due to the performance of the agriculture (21.0% YoY). In turn, even though exports grew, some products recorded a decrease in sales, such as Rye, oats, and other cereals, not ground (-77.6%), raw fertilizers (-41.6%), and precious metal ores and concentrates (-77.7%).
- On the other hand, imports fell by 0.8% YoY.

**Brazil BoP: Soy Exports**  
USD Million Daily Average



**Brazil BoP: Crude Oil Exports**  
USD Million Daily Average



This presentation was prepared by Banco BOCOM BBM. The information contained herein should not be interpreted as investment advice or recommendation. Although the information contained herein was prepared with utmost care and diligence, in order to reflect the data at the time in which they were collected, Banco BOCOM BBM cannot guarantee the accuracy thereof. Banco BOCOM BBM cannot be held responsible for any loss directly or indirectly derived from the use of this presentation or its contents. This report cannot be reproduced, distributed or published by the recipient or used for any purpose whatsoever without the prior written consent of Banco BOCOM BBM.