

# Macro Outlook

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January 2026

- In the US, the FOMC decided to cut rates by 25bps again at the December meeting but removed the bias for further cuts from the communication. Chair Powell indicated that he sees policy now within range of a neutral setting and the labor market hasn't been showing further weakening. Also, economic projections showed only modest revisions, with a more optimistic GDP outlook. The November CPI came in better than expected, but the shutdown likely led to downward distortions. In any case, inflation remains above target and still reflecting impacts from tariff policies. On activity, the economy remains resilient, with October retail sales and Q3 GDP pointing to stronger-than-expected consumer spending. In the labor market, October and November Payrolls - released together due to the shutdown – showed weakness in October due to the government's one-off federal jobs reduction program, while private sector jobs remained on a resilient pace. The larger-than expected increase in the unemployment rate also seems distorted by the shutdown, limiting strong conclusions from the release. For 2026, an activity reacceleration is expected due to factors as the upcoming fiscal boost and lagged impacts of recent rate cuts. Uncertainty remains elevated, suggesting a cautious approach to the FOMC.
- Regarding China, recent data continued to show mixed signals for the economy. Trade data showed a strong rebound in exports from the previous reading reflecting improvement from October holidays, easing trade tensions and resilient global demand. Regarding monthly activity indicators, retail sales, fixed asset investment, and housing indicators slowed, while industrial production remained stable. On inflation, deflationary pressures persisted, but there was some improvement in November the print, suggesting some impact from recent measures to combat the steep price competition associated with overcapacity. For 2026, China's technology advantage and the expected coordinated support from the government's suggest robust high-tech exports ahead. Despite China's favorable outlook in trade and the technology sector, domestic consumption will remain a key issue for the dynamics of its long-term economic growth. Thus, new stimulus programs may prove important, especially if they strengthen consumer confidence.
- In Brazil, economic activity continues to show gradual signs of deceleration. In October, industrial production came in below expectations, rising only 0.1% MoM. Additionally, in October, the real service sector increased by 0.3% MoM, while core retail sales posted a rebound of 0.5% MoM. Summarizing this scenario, the IBC-BR showed a contraction of 0.2% MoM in October, below the consensus estimate of +0.1% MoM. The labor market remains tight, November showed an increase in the employed population and growth in real wages, which may put pressure on inflation in labor-intensive service sectors.
- Concerning monetary policy, COPOM maintained the Selic rates at 15% per year in December as was largely expected and there were very minor changes in the communication. There was some expectation that the Central Bank would remove the indication that rates could be adjusted further if necessary. Instead, the Central Bank kept that message, noting that this is usual in monetary policy conduction. BCB inflation projection six quarters ahead stood at 3,2% 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. In contrast, the Copom minutes had a more dovish tone, highlighting a less uncertain external backdrop, signs of cooling in activity and the labor market, and that inflation has been slowing. Overall, the minutes pave the way for the start of a rate-cutting cycle, conditional on data developments. Unless there are significant data surprises or a meaningful exchange-rate depreciation, we believe the start of the easing cycle in January is currently the most likely scenario.
- December IPCA-15 increased by 0.25% MoM, in line with market expectations. The 12-month accumulated inflation fell from 4.50% in November to 4.41% in December. The main upward deviation came from airfares and lodging, while personal hygiene surprised to the downside. Core services advanced 0.52% MoM, above forecasts, and the 3M SAAR increased from 4.4% to 5.7%. The average of core inflation increased by 0.32% MoM, slightly above expectations, with its 3M SAAR at 3.5%. Overall, the December IPCA-15 showed a slightly worse composition than expected, but benign trends in food and industrial goods, along with relatively stable core measures, point to a favorable outlook in the coming months.
- In the fiscal scenario, the consolidated public sector posted a primary surplus of BRL 14.4 billion in November, in line with consensus (surplus of BRL 14.3 billion). Regarding the breakdown, the central government and state-owned enterprises (SOE) registered deficits of BRL 16.9 billion and BRL 2.9 billion, respectively, while regional governments presented a surplus of BRL 5.3 billion. General Government Gross Debt (GGGD) rose to 79.0% of GDP, with nominal interest (+0.7 p.p.) being the main driver of this growth, while nominal GDP growth (-0.4 p.p.) partially offset it. Overall, the performance of regional entities supported the balance of the public sector in November, although concerns regarding public debt persist.

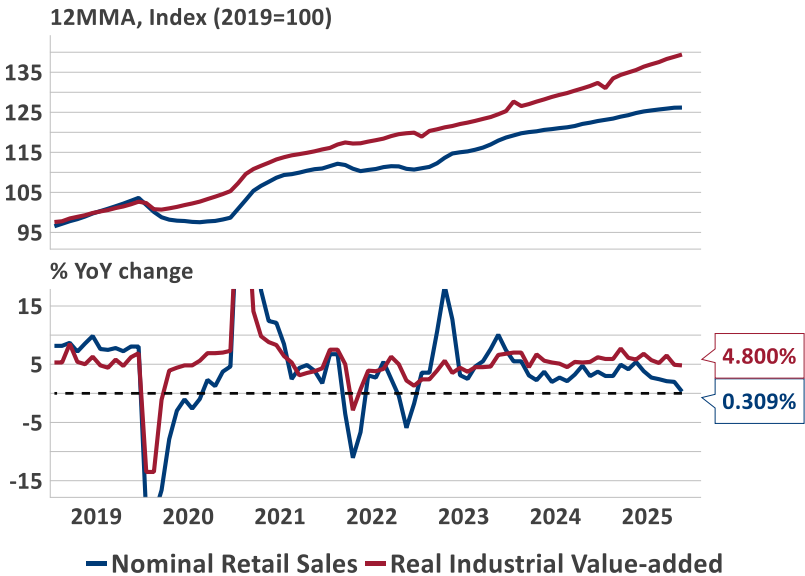
- Monthly economic activity showed mixed signals again in November:
- Retail sales slowed more than expected, from 2.9% to 1.3% YoY (exp. 2.9%). In the composition, home appliances and autos were relevant drags, pointing to some payback effects from the recent slowing in the trade-in program;
- Industrial Production slightly decelerated, from 4.9% to 4.8% YoY (exp. 5.0%), below consensus. Industrial robots and chips were among the strongest performers, while autos posed relevant softening and crude steel remained negative;
- Fixed Asset Investment eased more into negative territory, from -1.7 to -2.6% YTD YoY (exp. -2.3%), below the expected. There were contractions across all 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)

	11/2025	10/2025	11/2024
Industrial Production	4.8	4.9	5.4
Mining	6.3	4.5	4.2
Manufacturing	4.6	4.9	6.0
Utilities	4.3	5.4	1.6
Fixed Asset Investment (YTD)	-2.6	-1.7	3.3
Manufacturing	1.9	2.7	9.3
Real Estate	-15.9	-14.7	-10.4
Infrastructure	-1.1	-0.1	4.2
Retail Sales	1.3	2.9	3.0
Catering Services	3.2	3.8	4.0
Consumer Goods	1.0	2.8	2.8
Clothing	3.5	6.3	-4.5
Automobiles	-8.3	-6.6	6.6
Furniture	-3.8	9.6	10.5
Cellphones	20.6	23.2	-7.7
Home Appliances	-19.4	-14.6	22.2
Construction	-17.0	-8.3	2.9

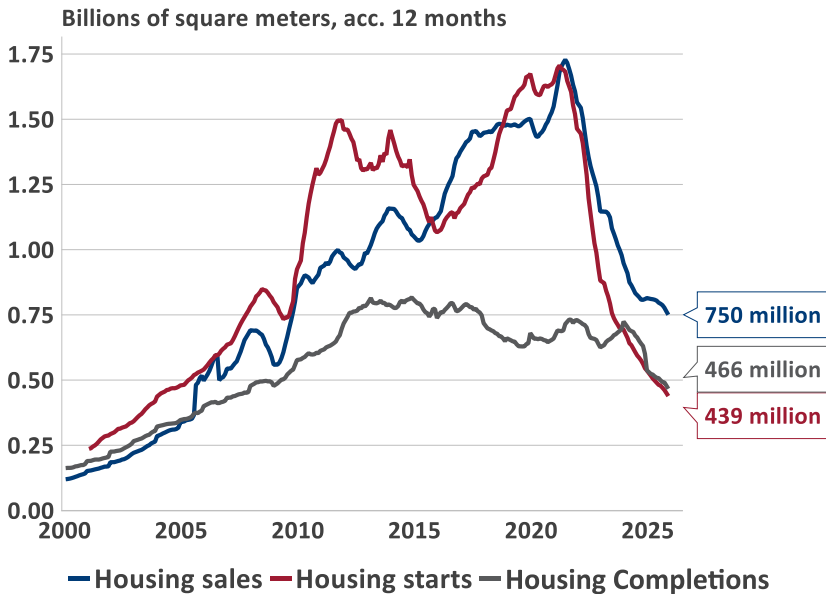
Source: BOCOM BBM, Macrobond

China: Industrial Production x Retail Sales



Source: BOCOM BBM, Macrobond, NBS

China: Housing Indicators



Source: BOCOM BBM, Macrobond, NBS

# China: Economic Scenario

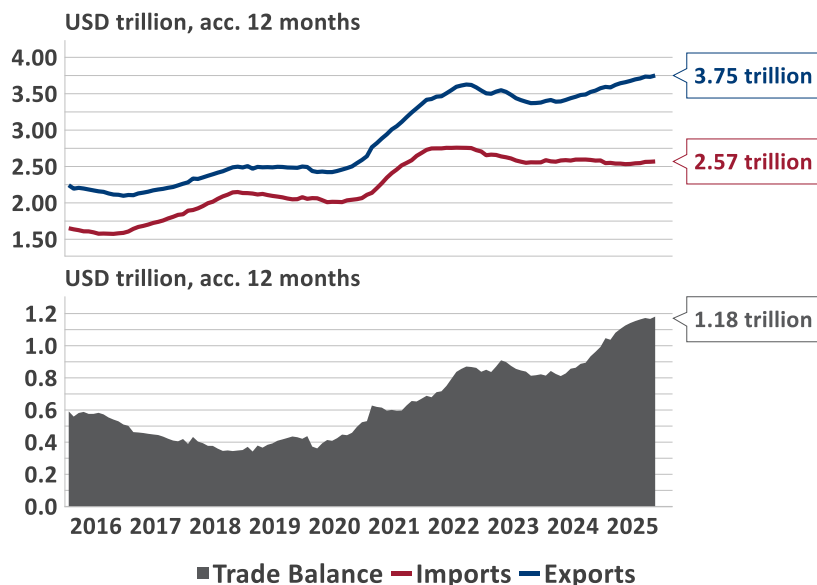
## China's trade growth rebounded in November, suggesting a recovery on trade momentum:

- Exports accelerated from -1.1% to 5.9% YoY, above consensus of +4.0%. By country, exports to the US slightly rebounded, while re-routing to most countries grew (specially to ASEAN and EU);
- Imports also ticked up, but below consensus, from 1.0% to 1.9% YoY (exp. 2.8%). In the composition, the biggest highlight were declines in imports from US;

## Regarding Inflation, the headline CPI ticked up, from 0.2% to 0.7% YoY, in line with market expectations:

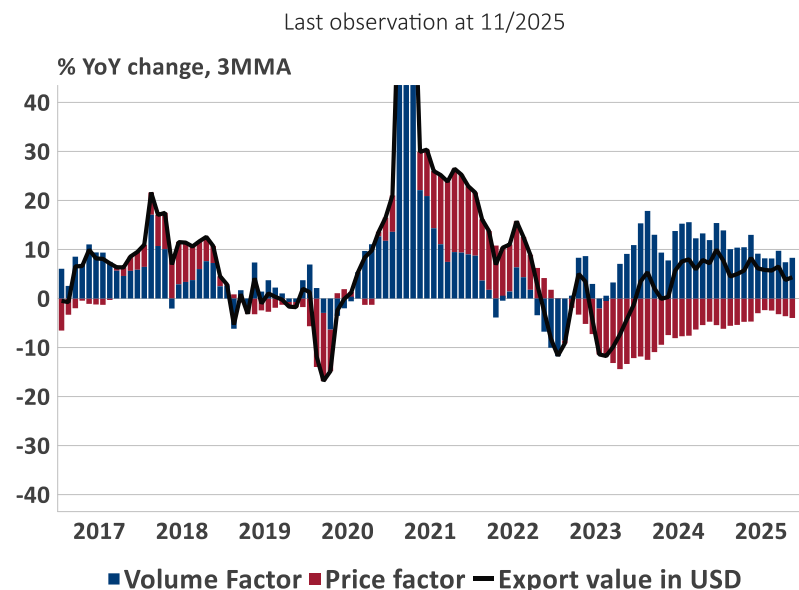
- The data was boosted by stronger food prices. Core inflation remained stable at 1.2% YoY - the highest print since 02/2024. Recent improvements in the data possibly reflect the government's recent anti-involution and trade-in programs.
- Overall, the data suggests that deflationary pressures persist in the Chinese economy, but some improvement was seen in November.

### China: Trade Balance



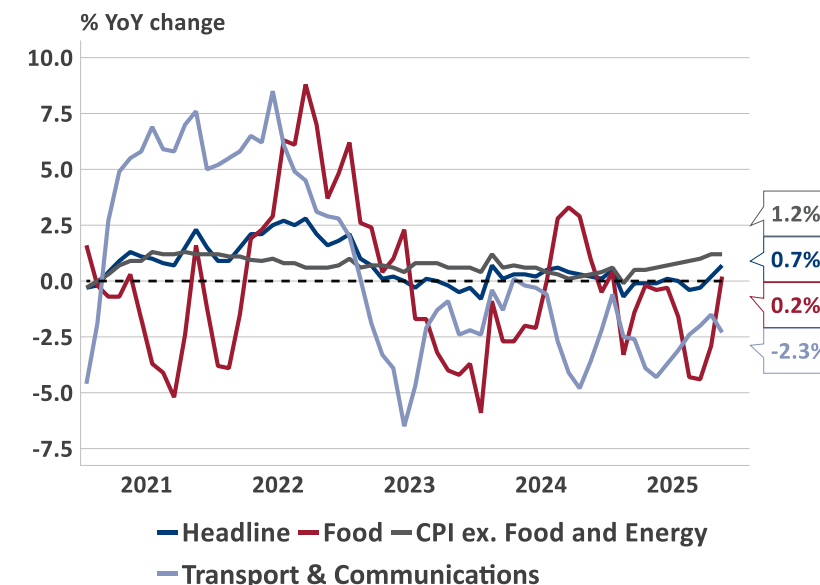
Source: BOCOM BBM, Macrobond, GAC

### China: Exports (Price x Volume)



Source: BOCOM BBM, Macrobond, GAC

### China: CPI



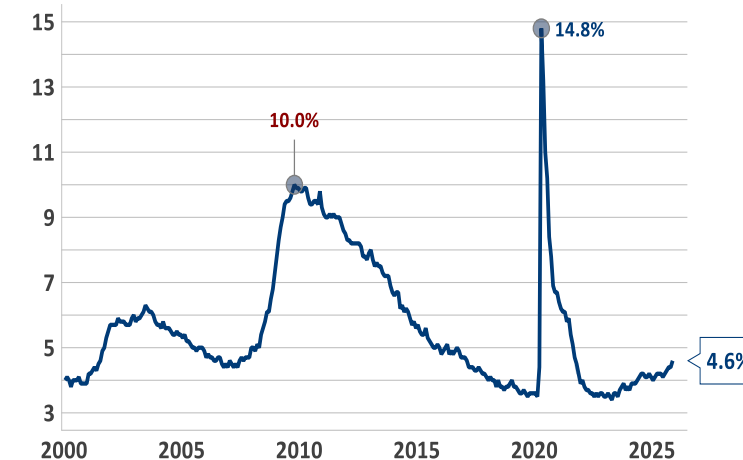
Source: BOCOM BBM, Macrobond, NBS

# USA: Labor Market

The payroll for October and November were released together due to the shutdown, and October data did not contain the Household Survey (such as Unemployment Rate), as it was not collected. The overall signal was mixed:

- Job creation decreased -105k in October, below expectations of -20k, and increased 64k in November above consensus of 50k taking November's 3MMA to 22k - substantially below September's 51k, but still below the pre-covid average;
  - But October data was highly distorted due to the impact of government's federal jobs reduction program, as expected, while private sector jobs remained on a decent pace in both months (52k and 69k).
- The unemployment rate ticked up again, from 4.44% to 4.56%, surprising the consensus of 4.5% and reaching the highest level since 2021. But it was partly related to the shutdown.
- The distortions limit strong conclusions from this payroll release, but suggest no additional deterioration took place until November.
- Given that, the **jobs-workers gap increased to 0.07M**, indicating that the economy is back at having now more jobs than available workers in the economy, a sign of relative tightness in the labor market.
- Average hourly earnings** averaged 0.3% MoM in October and November, in line with its recent trend and taking the YoY average to 3.6%;
  - The recent pace of the data shows resilience, in line with other Wage Growth Measures.

US: Unemployment Rate SA (%)

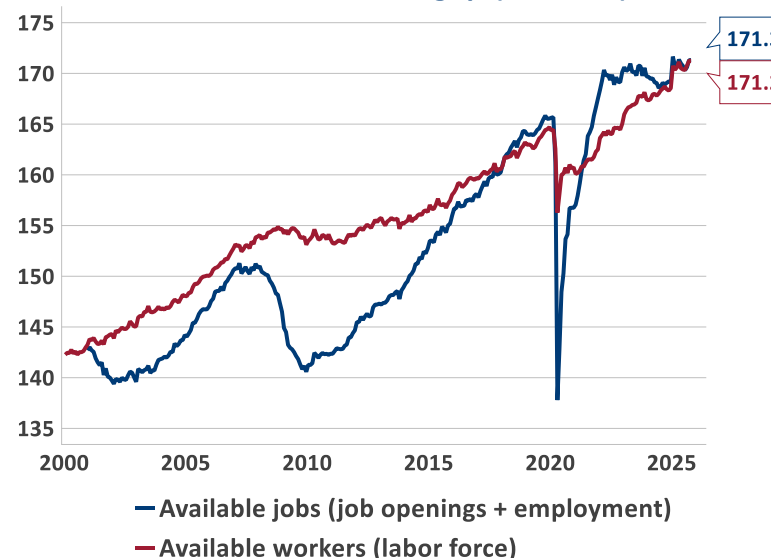


US: Nonfarm Payroll Employment Change

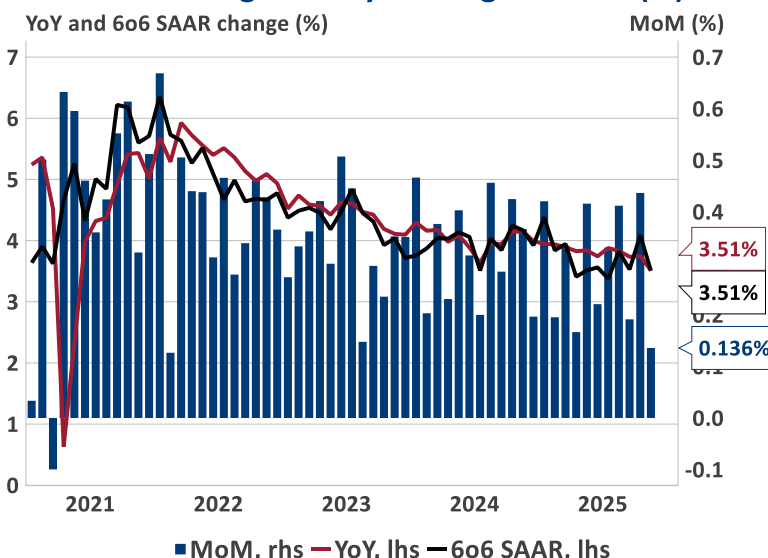
3MMA, thousand



US: Jobs-workers gap (millions)



US: Average Hourly Earnings Growth (%)

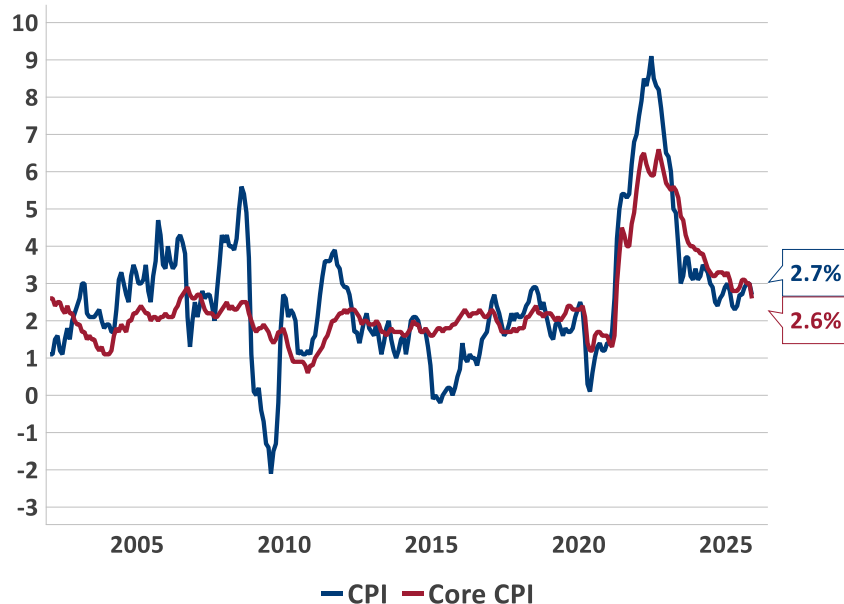




# USA: Inflation

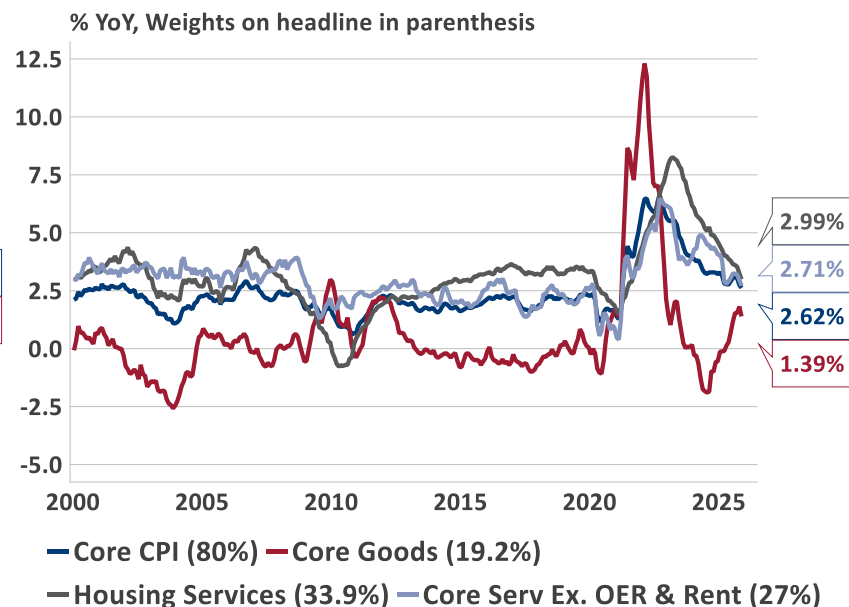
- The **November headline CPI** slowed from **3.0% to 2.7% YoY**, below consensus of **3.0%**. Similar to the payroll, this was a noisy print due to the shutdown: the October data was not released as it could not be collected, and therefore there was also not MoM data for November.
  - In the composition, food was weaker than expected (from 3.11% to 2.65% YoY), and energy prices ticked up more than expected (from 2.85% to 4.24%), driving the headline lower;
- Core CPI** eased from **3.02% to 2.63 YoY**, below consensus of **3.00%**;
  - Core Goods decelerated to 1.39% YoY, below the expected 2.04% but still in an elevated pace. Vehicle components were a relevant drag on the composition.;
  - Core Services were also slower than expected, The biggest slowing came from Housing, especially OER. Furthermore, the Core Services Ex Housing (Supercore) also ticked down more than consensus at a still-resilient pace;
- The shutdown led to distortions on the data and its methodology, making it difficult to draw strong conclusions from this print.
- Overall, inflation seems to be on a slowing path as tariff impact has been lower than expected until the moment. However, tariff effects are evident, with this component strongly rising in recent months, and inflation remains above the FOMC's 2% target;
  - Looking ahead, inflation is still expected to remain elevated in the near-term, as tariff impacts feed into the economy.

US: CPI (YoY, %)



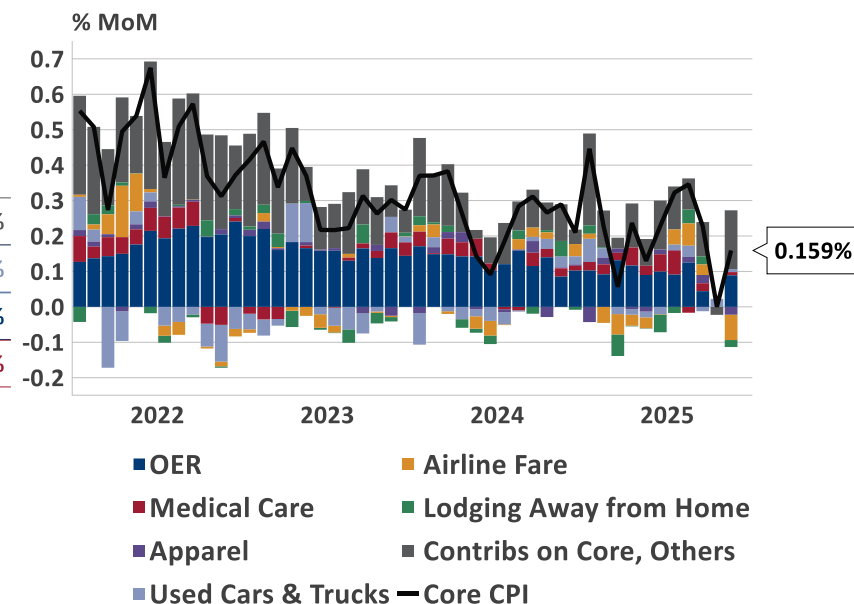
Source: BOCOM BBM, Macrobond, BLS

US: Core CPI Main Components (%)



Source: BOCOM BBM, Macrobond, BLS

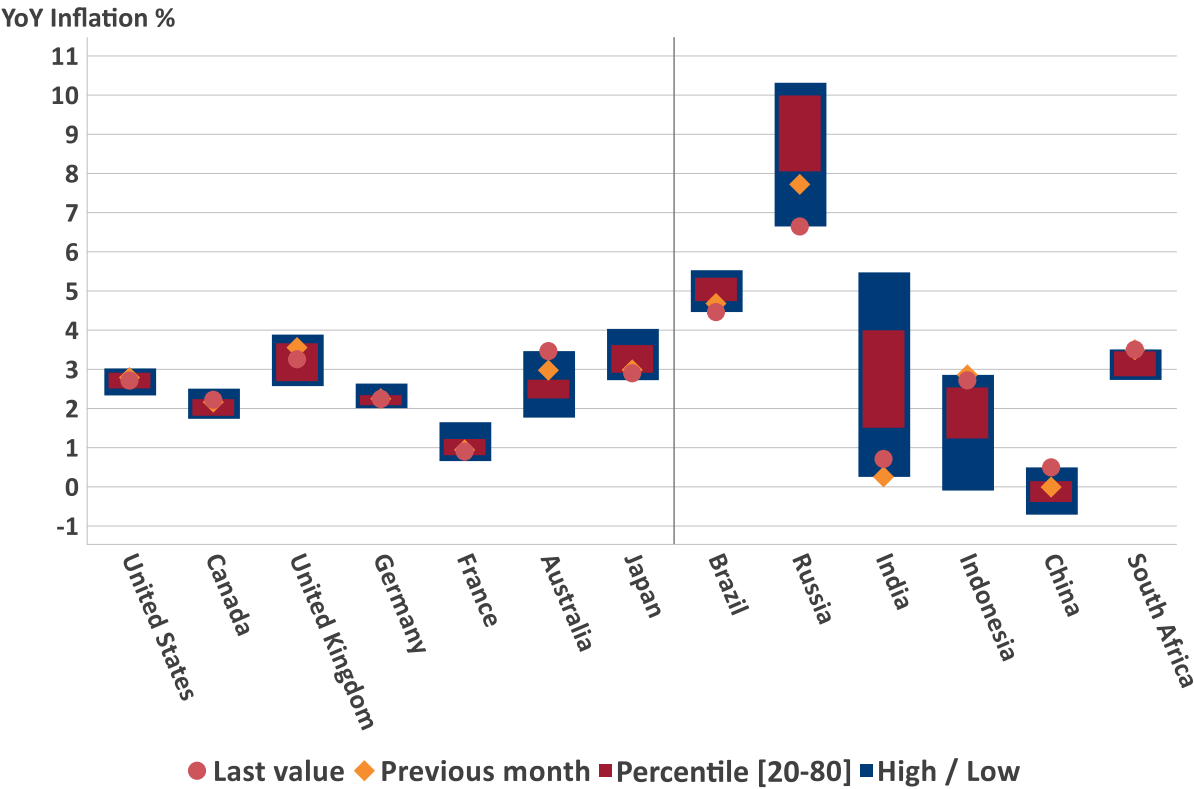
US: Core CPI MoM Contributions



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 last year.
- For 2026, fiscal easing is expected to boost growth in many major markets, such as Japan and 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	0,3	-0,1	1,1	2,0	3,6	-0,8	-1,6	-2,3
Australia	0,4	0,7	0,4	0,5	0,3	0,2	0,3	0,1
Brazil	0,1	0,3	1,5	-0,1	0,9	1,7	0,8	0,2
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	0,3	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	-0,6	0,5	0,4	0,3	0,7	0,2	-0,5	0,4
Mexico	-0,3	0,4	0,2	-0,6	0,9	-0,1	0,2	0,3
Russia	0,1	0,3	-0,7	1,0	0,6	0,5	1,8	0,4
Saudi Arabia	1,9	-0,6	-0,4	3,9	1,6	-1,4	1,1	2,6
South Africa	0,5	0,9	0,1	0,4	-0,3	0,3	0,1	0,4
South Korea	1,3	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	0,2	0,7	0,3	0,2	0,6	0,8	-0,3
United States	1,1	0,9	-0,2	0,5	0,8	0,9	0,2	0,8

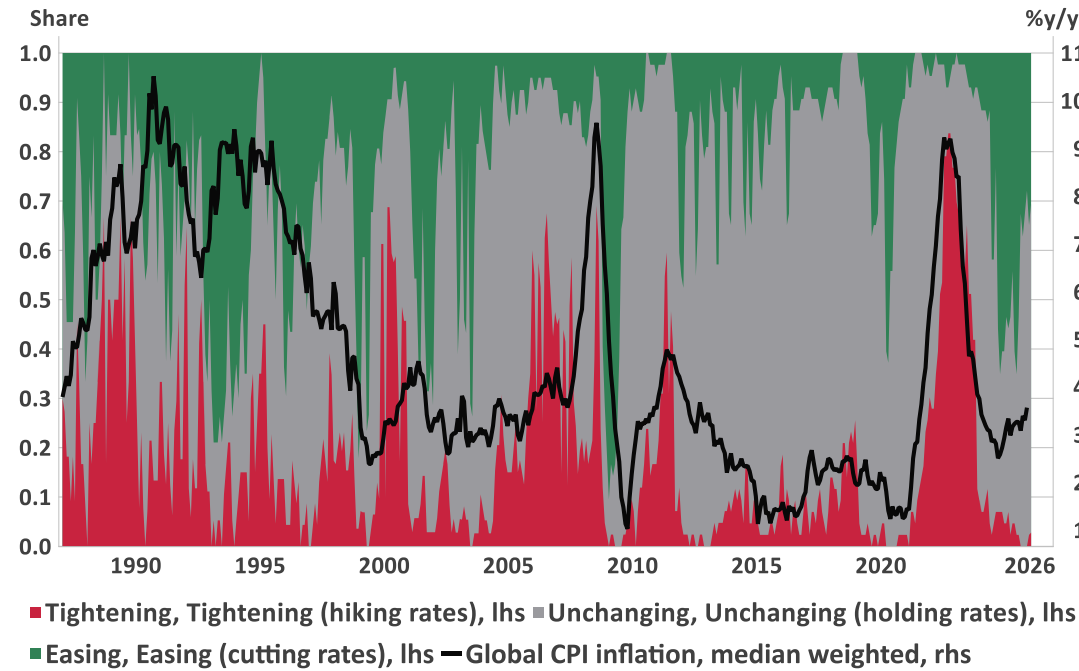
Sources: BOCOM BBM, Macrobond, National Sources

# Global: Monetary Policy

- Several emerging markets eased their monetary policy in 2025, with some still at this part of the cycle - such as Mexico, Poland and Turkey;
- Most developed markets' central banks took a little longer but also cut rates in 2025. There are exceptions, such as Japan, which raised interest rates last 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-Jan-26



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	31,4	33,3	29,00	-3,00	Cut	1/2025	27	11
Australia	3,9	3,9	3,60	-0,25	Cut	8/2025	26	5
Brazil	4,5	4,7	15,00	0,25	Hike	6/2025	7	20
Canada	2,2	2,9	2,25	-0,25	Cut	10/2025	30	2
Chile	3,4	2,9	4,50	-0,25	Cut	12/2025	39	1
China	0,5	1,2	3,00	-0,10	Cut	5/2025	143	7
Colombia	5,3	5,4	9,25	-0,25	Cut	5/2025	32	8
Costa Rica	-0,4	0,4	3,25	-0,25	Cut	12/2025	38	0
Czech Republic	2,1	0,1	3,50	-0,25	Cut	5/2025	42	8
Denmark	2,1	2,3	1,75	-0,25	Cut	6/2025	28	7
Euro Area	2,1	2,4	2,15	-0,25	Cut	6/2025	27	7
Hungary	3,8	4,0	6,50	-0,25	Cut	9/2024	39	15
Iceland	4,5	4,5	7,25	-0,25	Cut	11/2025	28	1
India	0,7	4,3	5,25	-0,25	Cut	12/2025	35	1
Indonesia	2,7	2,4	4,75	-0,25	Cut	9/2025	20	4
Israel	2,4	2,1	4,25	-0,25	Cut	11/2025	31	1
Japan	2,9	3,0	0,75	0,25	Hike	12/2025	0	119
Mexico	3,8	4,4	7,00	-0,25	Cut	12/2025	33	0
New Zealand	3,0	2,5	2,25	-0,25	Cut	11/2025	31	1
Norway	3,0	3,0	4,00	-0,25	Cut	9/2025	25	3
Poland	2,4	2,7	4,00	-0,25	Cut	12/2025	40	1
Russia	6,6	6,1	16,00	-0,50	Cut	12/2025	14	0
Saudi Arabia	1,9		4,25	-0,25	Cut	12/2025	29	1
South Africa	3,5	3,2	6,75	-1,00	Cut	12/2025	0	0
South Korea	2,3	2,0	2,50	-0,25	Cut	5/2025	36	7
Sweden	0,3	2,3	1,75	-0,25	Cut	10/2025	27	3
Switzerland	0,0	0,4	0,00	-0,25	Cut	6/2025	30	6
Turkey	31,1	31,6	38,00	-1,50	Cut	12/2025	9	1
United Kingdom	3,3	3,2	3,75	-0,25	Cut	12/2025	29	1
United States	2,7	2,6	3,75	-0,25	Cut	12/2025	29	1

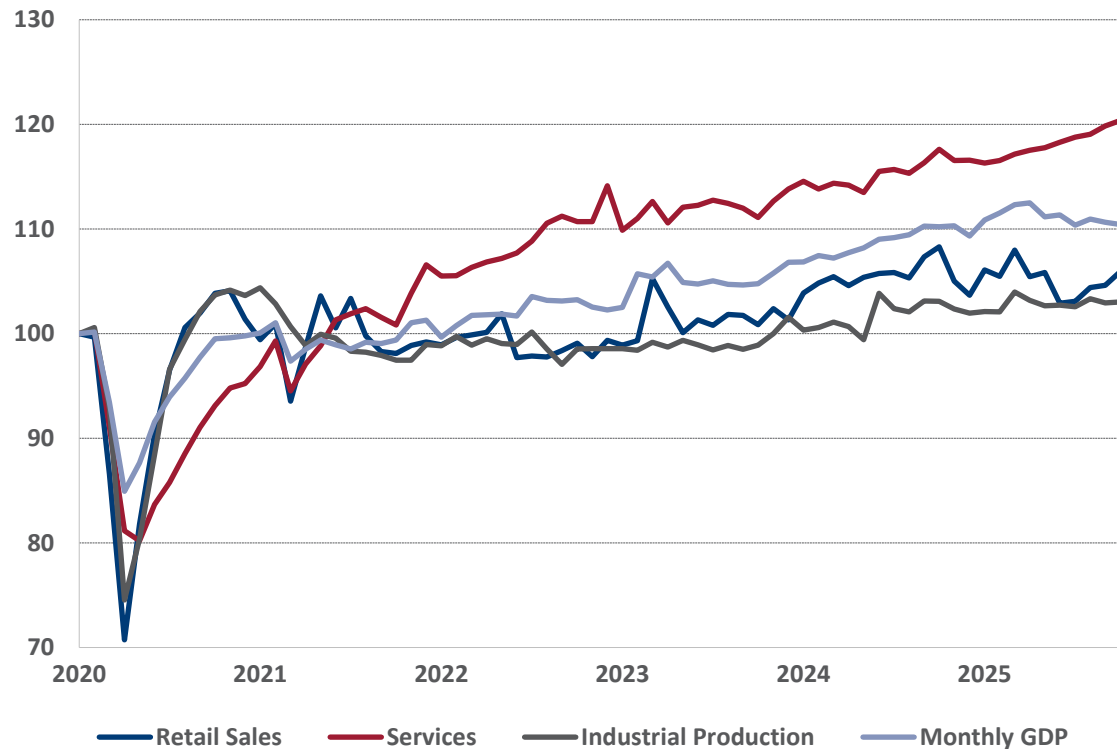
Source: BOCOM BBM, Macrobond



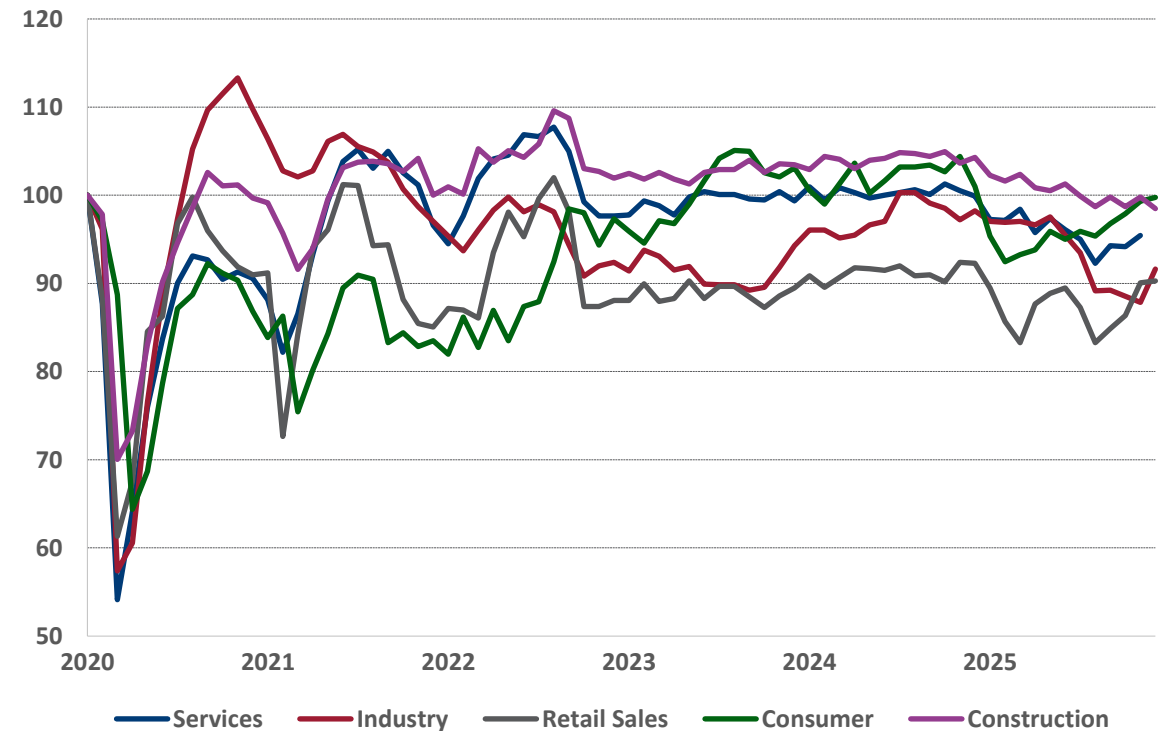
ECONOMIC FORECASTS	2020	2021	2022	2023	2024	2025F	2026F	2027F
GDP Growth (%)	-3.3%	4.8%	3.0%	2.9%	3.4%	2.3%	1.7%	1.8%
Inflation (%)	4.5%	10.1%	5.8%	4.6%	4.8%	4.3%	4.0%	3.6%
Unemployment Rate (eoy ,%)	14.2%	11.1%	7.9%	7.4%	6.2%	5.8%	6.2%	6.8%
Policy Rate (eoy, %)	2.0%	9.3%	13.8%	11.75%	12.3%	15.00%	12.5%	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	-82	-68	-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%

- In October, industrial production result came below expectations, increasing by 0.1% MoM. Services recorded a rise (0.3% MoM), and retail sales posted an increase (0.5% MoM) but still showing signals of a gradual economic slowdown. Summarizing this scenario, the IBC-BR showed a contraction of 0.2% MoM.
- Looking ahead, the confidence surveys for the retail sales, consumer, industry and services sector grew in December, while construction sector contracted.

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



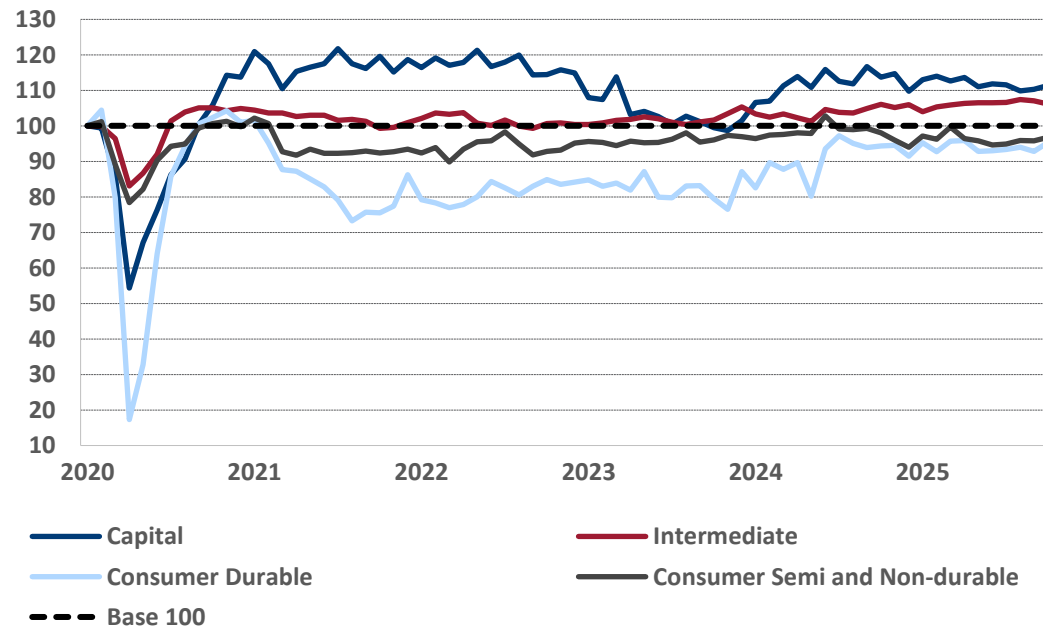
Brazil - Economic Confidence Index (Jan/20 = 100)



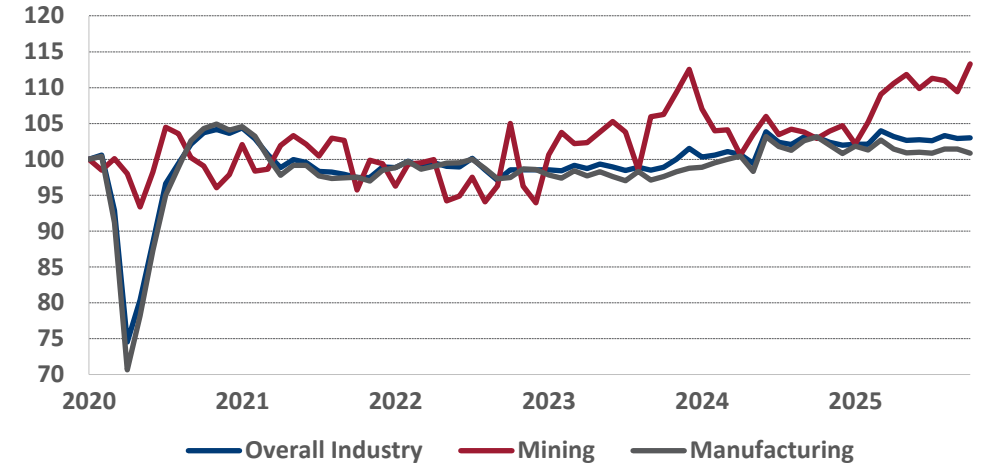
# Brazil: Industrial Production

- 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, the 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, the 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.

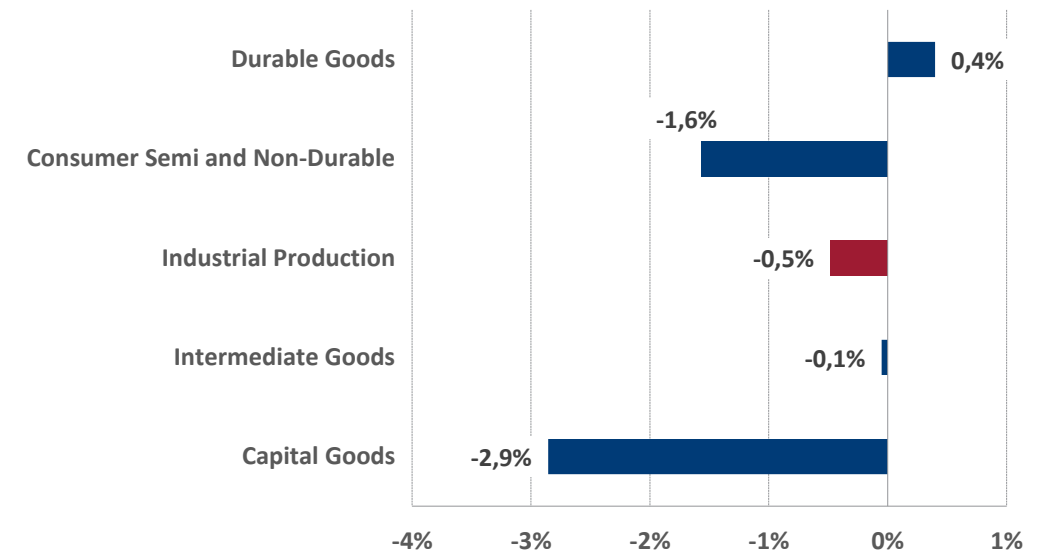
Industrial Production Index SA (Jan/20=100)



Industrial Production Index SA (Jan/20=100)



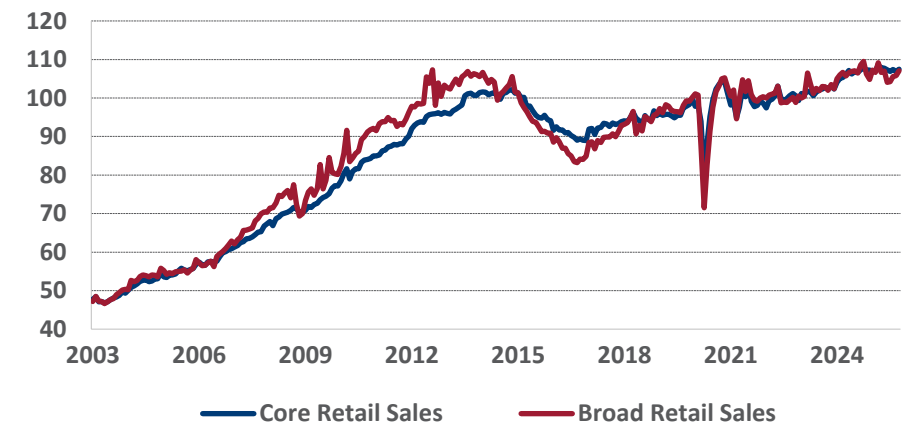
Industrial Production by Category - 10/2025 (YoY)



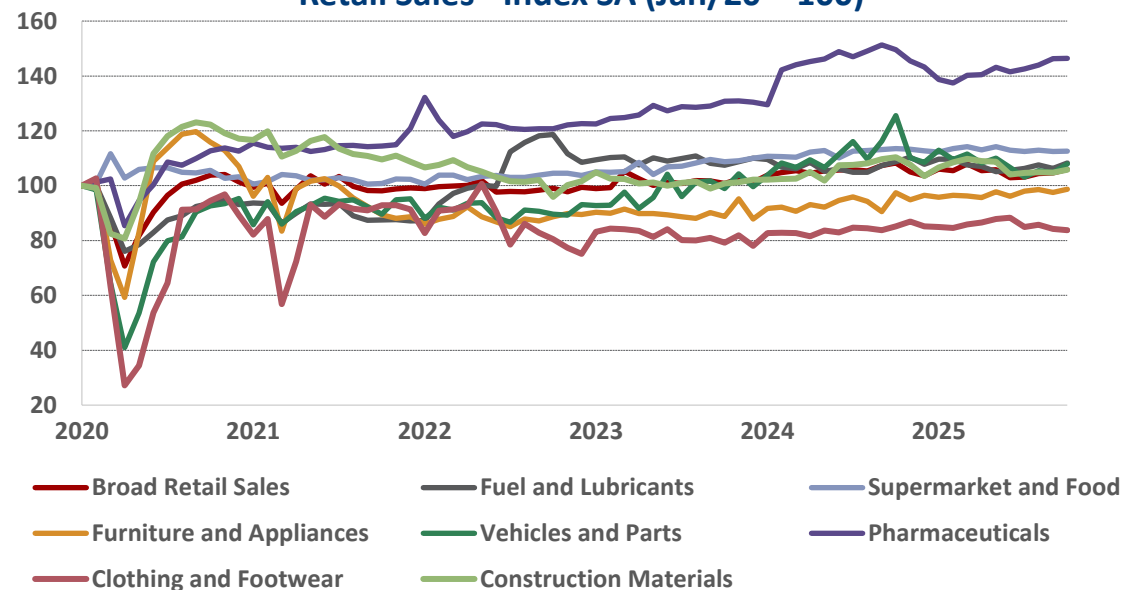
# Brazil: Retail Sales

- Broad retail sales increased by 1.1% MoM in October, above expectations (0.3% MoM).
- In turn, core retail sales rose by 0.5% MoM, above estimates (-0.1% MoM).
- In the breakdown, 9 out of 10 retail activities increased in the monthly comparison, with the highlights being the positive performance of office supplies (+3.2% MoM), vehicles, motorcycles, and auto parts (+3.0% MoM), fuel and lubricants (+1.4% MoM) and furniture and appliances (+1.0% MoM).
- On the negative side, clothing and footwear (-0.3% MoM) performed poorly.

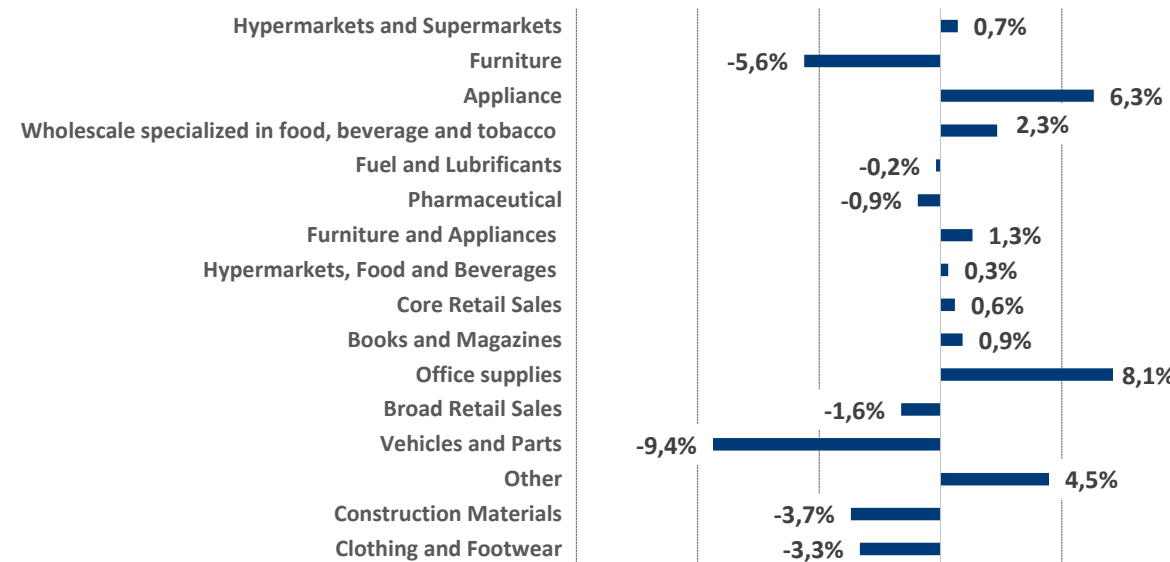
Broad Retail Sales SA x Core Retail Sales SA



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



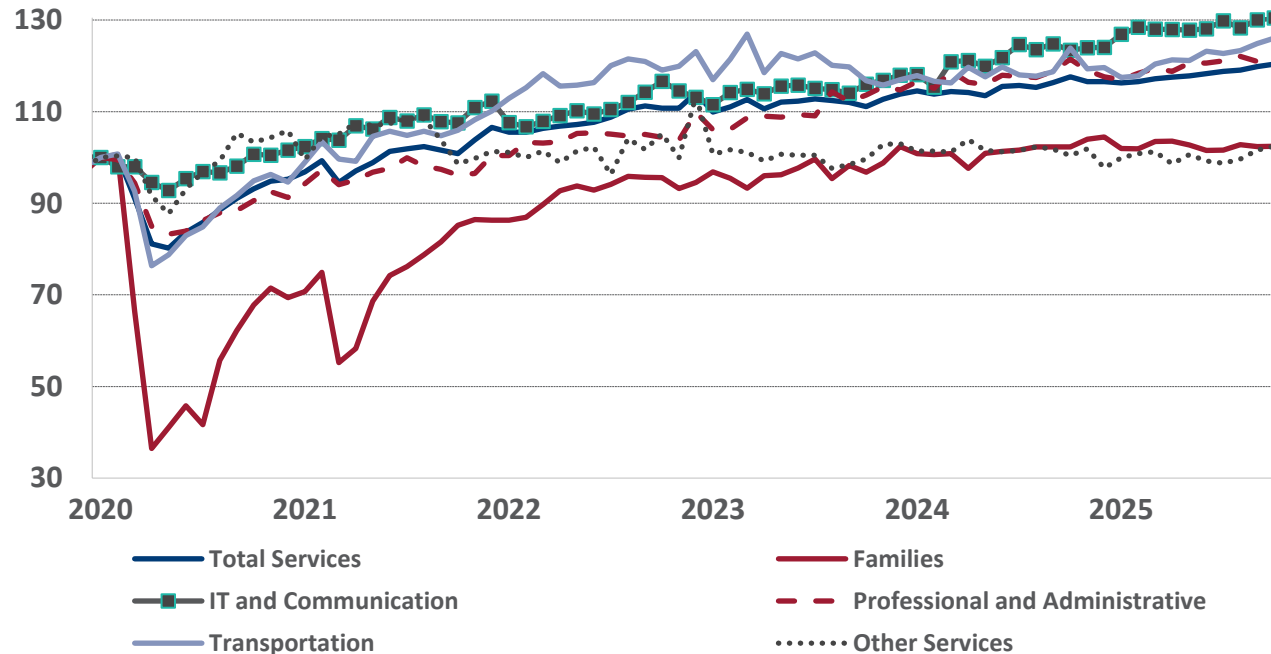
Retail Sales - YoY (10/2025)



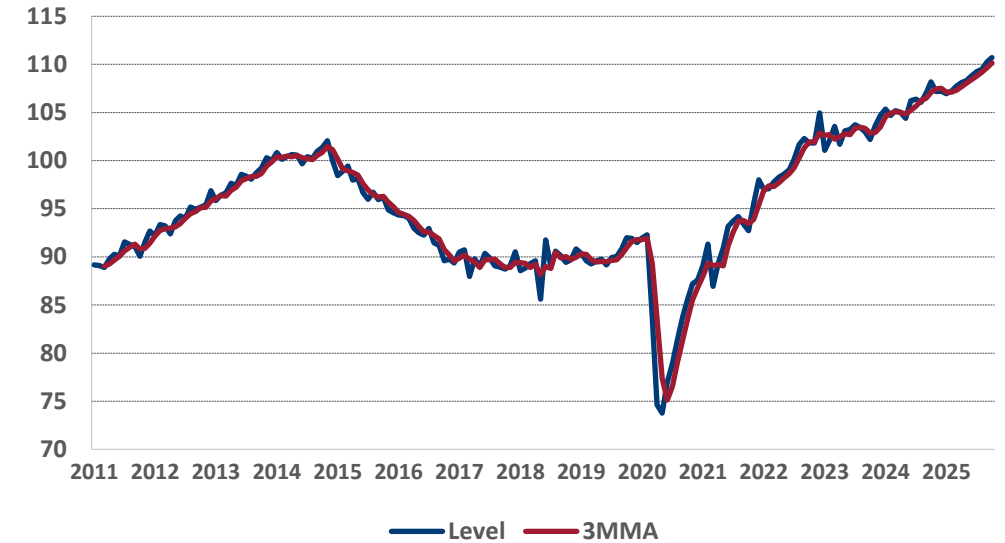
# Brazil: Services

- Services output increased by 0.3% MoM in October, in line with market expectations, marking the ninth consecutive gain. In addition, the indicator rose by 1.1% QoQ in the moving quarter (3.0% YoY).
- All major services categories grew in October compared to the previous month, although growth remained moderate. The highlight went to transportation and storage services (1.5% QoQ), that rose for the third consecutive month, mostly due to the firm recovery of road freight transport amid the record agricultural production. Additionally, Information and communication services continue to show a solid upward trajectory (0.8% QoQ), supported by IT services, with the subsector up 12.5% year-to-date.
- Meanwhile, services rendered to families were virtually stable (0.1% MoM; 0.3% YoY), with poor figures in its component of food and beverage services, partly due to cases of methanol poisoning linked to alcoholic beverages.
- Overall, the service sector remains on an upward trend, demonstrating resilience and it will continue to drive the domestic economy.

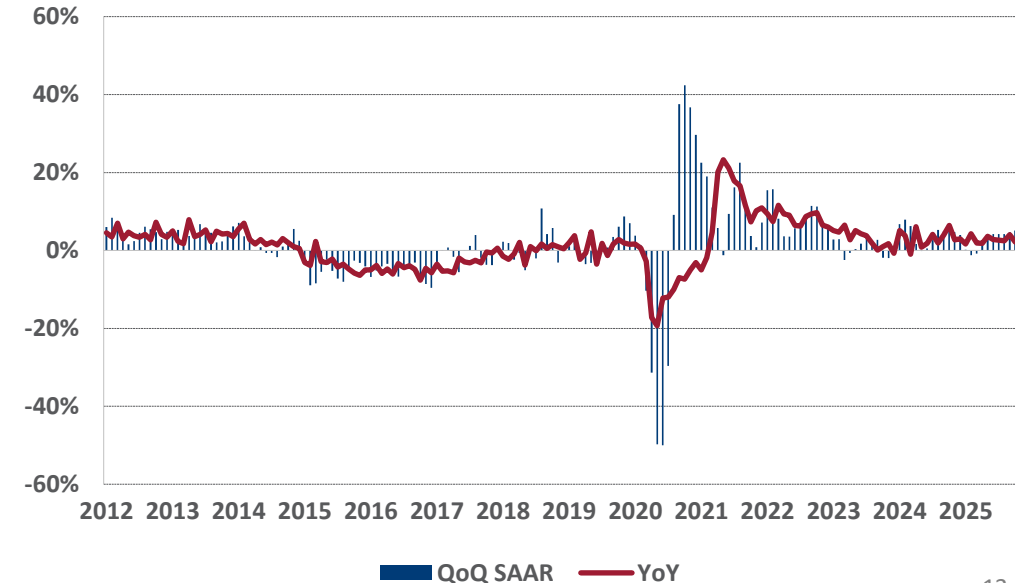
Services Sector SA (Jan/20=100)



Services Sector SA



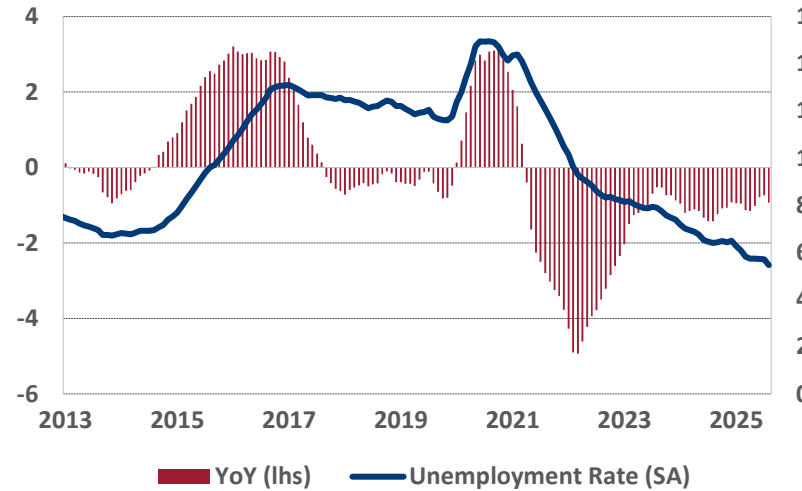
Services Sector



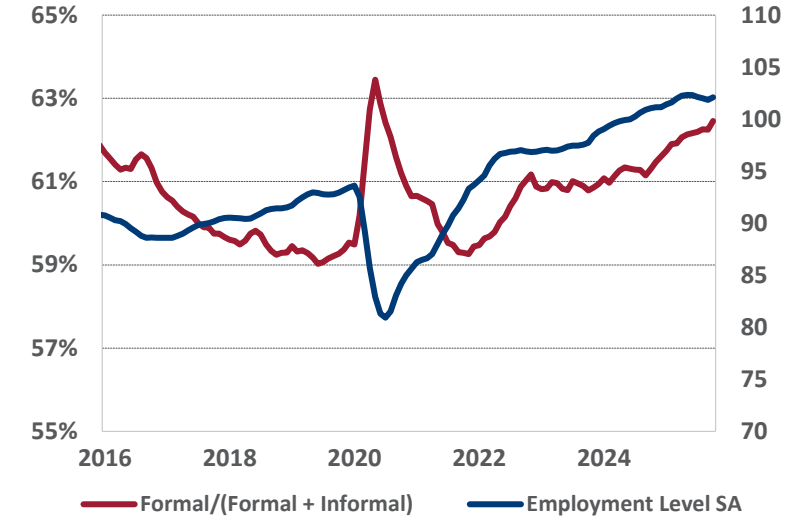


- The unemployment rate dropped to 5.2% in the moving quarter up to November, slightly below expectations.
- Seasonally adjusted, the indicator fell to 5.1% from 5.5%, remaining at a historically low level.
- Total employment increased by 0.8% MoM, standing at 102.8 million, additionally labor force rose by 0.2% MoM too 108.4 million, reflecting a scenario of still tight labor market.
- The labor force participation rate remained at 62.0%, still below pre-pandemic levels of 63.5%.
- The average real wage increased 0.7% MoM, remaining on an upward trajectory.
- Consequently, real aggregated labor income rose by 1.4% MoM, remaining at historically high levels.

Brazil - Unemployment Rate



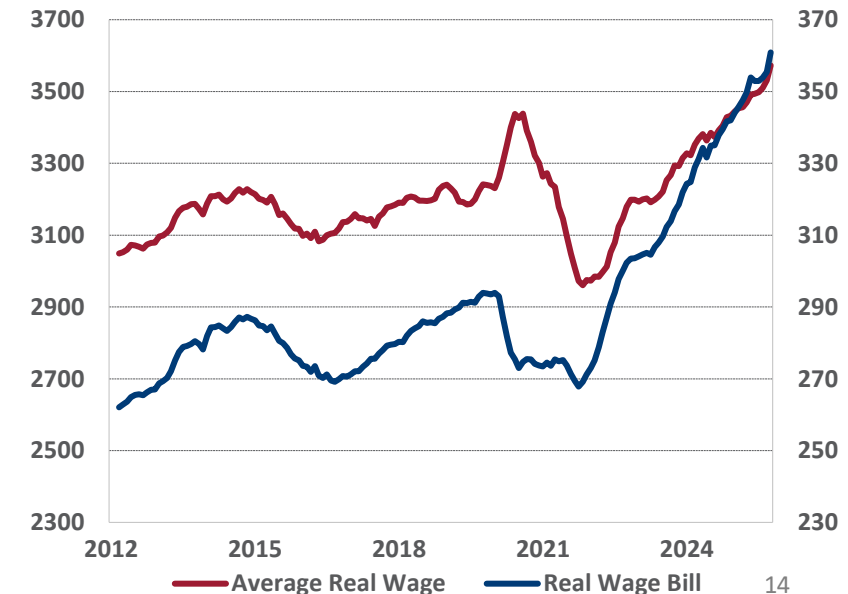
Brazil - Employment Level SA



Brazil - Workforce Participation

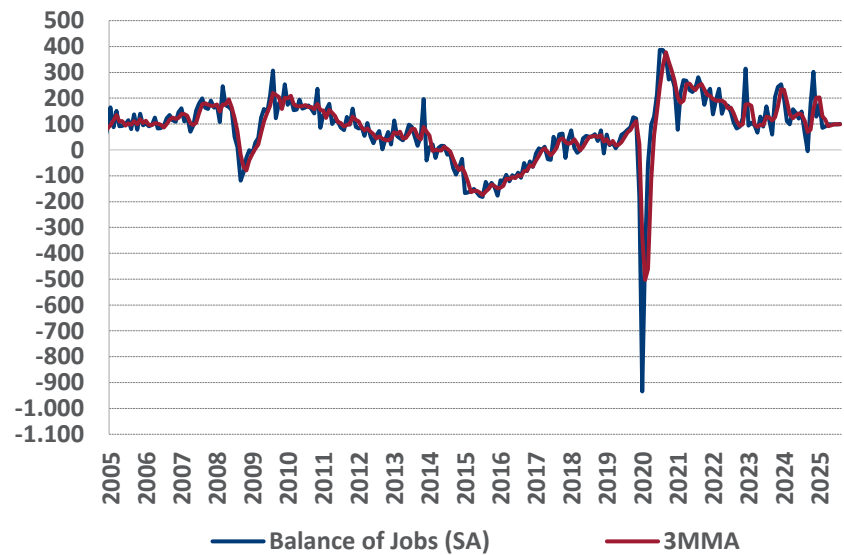


Brazil - Average Real Wage and Real Wage Bill

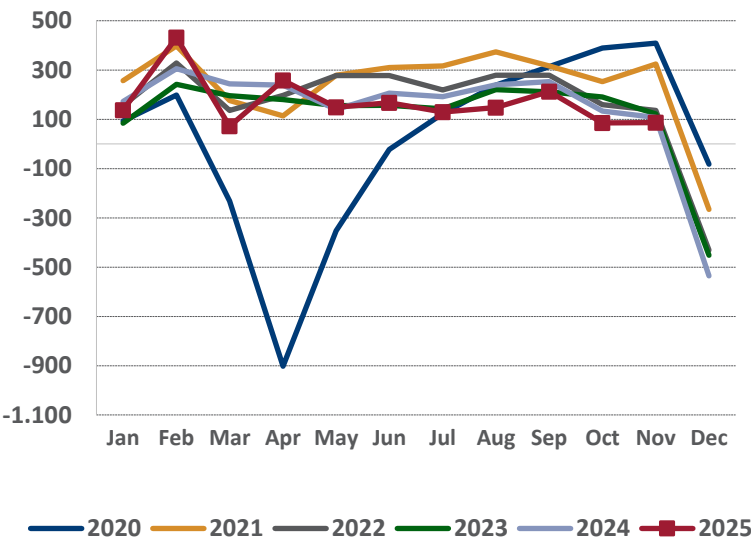


- CAGED registered a net creation of 85.9k formal jobs in November, above market expectations (76.6k).
- There was a net addition of 1.875 million occupations from January to November 2025.
- The 12-month rolling sum reached 1.340 million jobs.
- Formal employment remains strong, despite significant monthly fluctuations

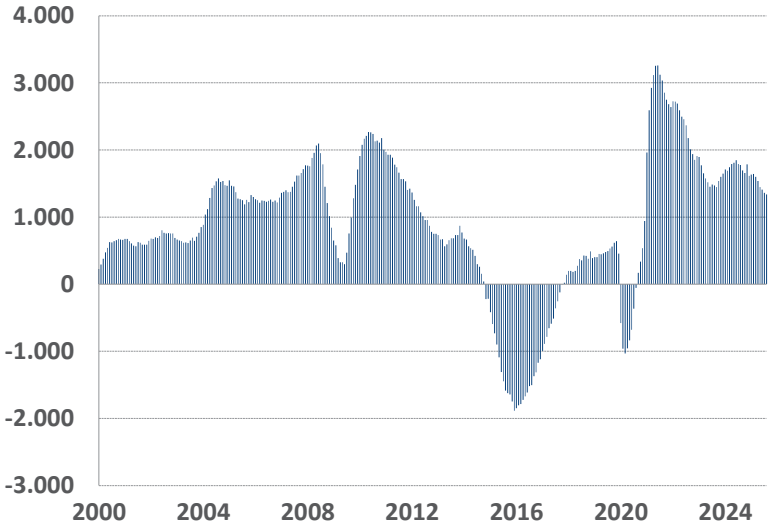
CAGED - Balance of Jobs (SA, Thousand)



CAGED - Balance of Jobs (Thousand)



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



# Brazil: Formal Labor Market

- Formal job creation exceeded expectations, despite a mixed composition.
- The tertiary sector remains resilient, even though weaker. The net addition in the services sector totaled 58k jobs in November, below the 81k in October.
- The retail sector experienced a slowdown (from 7k to -3k), while industry remained stable (at -4k) and construction accelerated (from 7k to 9k).

Brazil - Retail Net Payroll Job Creation (SA)



Brazil - Services Net Payroll Job Creation (SA)



Brazil - Industry Net Payroll Job Creation (SA)

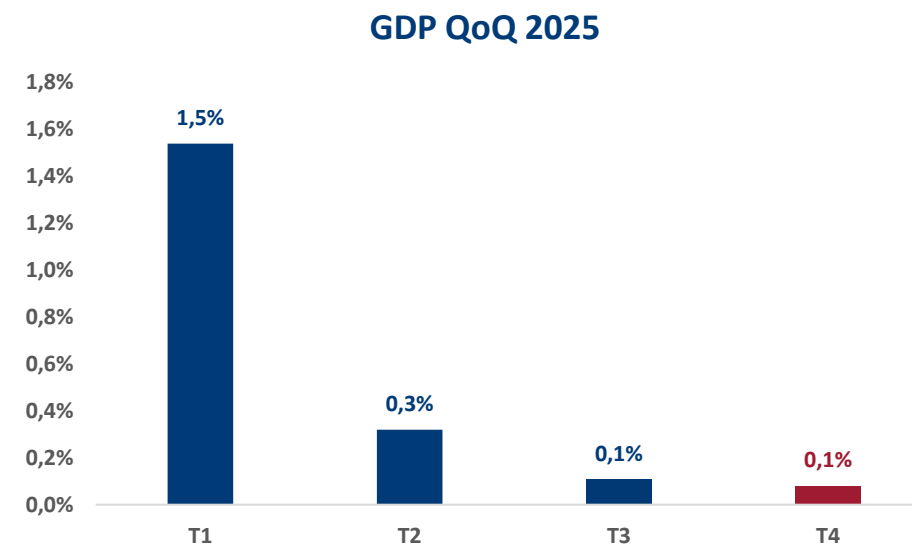


Brazil - Construction Net Payroll Job Creation (SA)



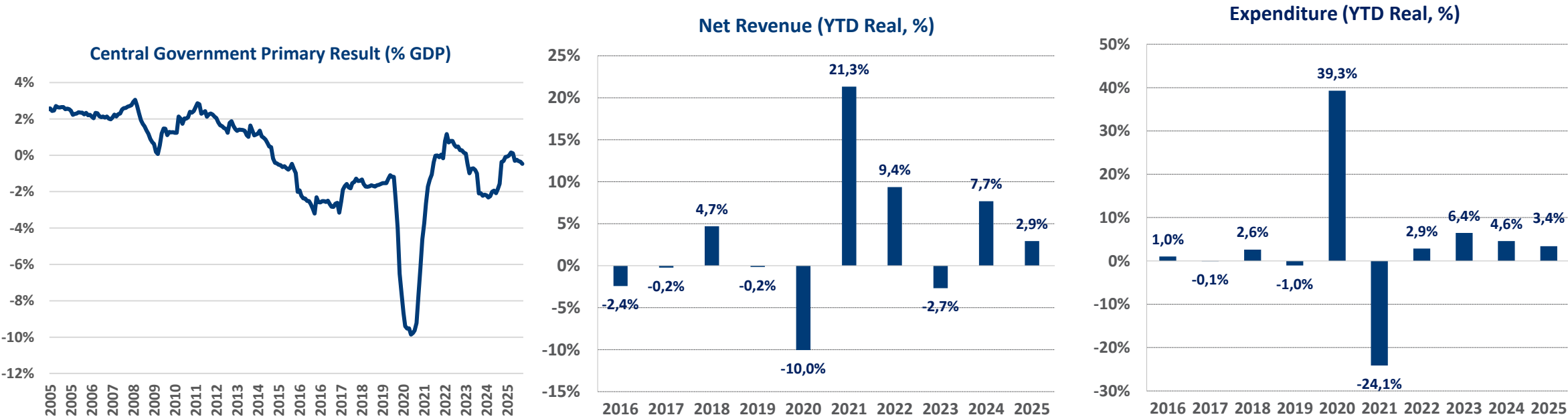
- Our projection for the GDP growth in 2025 was maintained at 2.3%.
- The strong slowdown in economic activity throughout the year and the important contributions of less cyclical sectors to growth in 2025 (agriculture, mining industry and their spillover effects on other activities, such as transport) stand out.
- For 2026, we maintained our projection at 1.7%, that already incorporates the 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 deficit of BRL 20.2 billion in November, below market consensus (deficits of BRL 12.9 billion).
- Net revenues fell by 4.8% YoY in real terms. Revenue administered by the RFB increased 5.2% in the wake of increases in income tax (5.9%), mostly related to labor earnings and corporate taxes, and IOF (41.4%) on the back of the tax hike implemented a few months ago. Social security contributions increased 6.9%, showing the still solid labor market. In turn, revenue not administered by the RFB (non-tax revenue) decreased by 52.5% due to a drop of 84.5% in dividends and shareholdings. The decline is explained by the substantial inflow of dividends from BNDES in 2024 without any similar event this year.
- Total spending rose 4.0% year-on-year in November. The change was driven by discretionary spending, which rose 27.3% in the wake of stronger execution of parliamentary amendments and health and education spending. Additional contributors to the expenditure growth include social security benefits (3.9%) and BPC/LOAS (6.6%).
- Overall, higher discretionary spending and lower extraordinary revenue lead to worse primary balance in November.

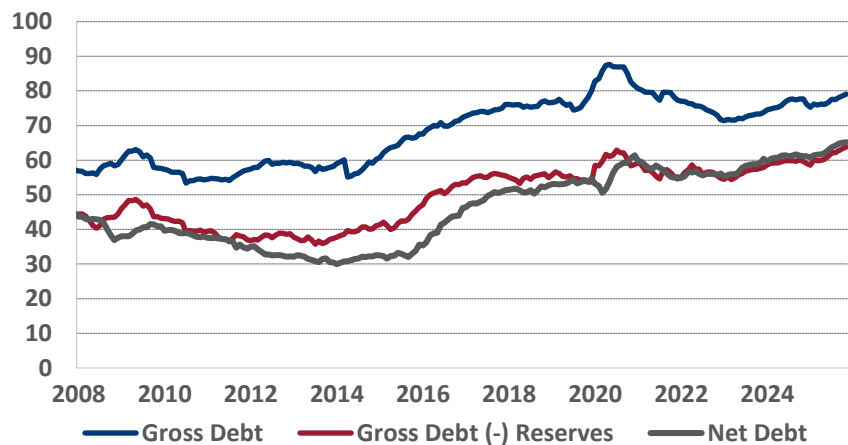




# Brazil: Consolidated Public Sector Budget

- The consolidated public sector posted a primary surplus of BRL 14.4 billion in November, in line with consensus (surplus of BRL 14.3 billion).
- Regarding the breakdown, the central government and state-owned enterprises (SOE) registered deficits of BRL 16.9 billion and BRL 2.9 billion, respectively, while regional governments presented a surplus of BRL 5.3 billion.
- General Government Gross Debt (GGGD) rose to 79.0% of GDP, with nominal interest (+0.7 p.p.) being the main driver of this growth, while nominal GDP growth (-0.4 p.p.) partially offset it.
- In all, regional performance support public sector balance in November, yet public debt concerns linger.

Public Sector Debt (% GDP)



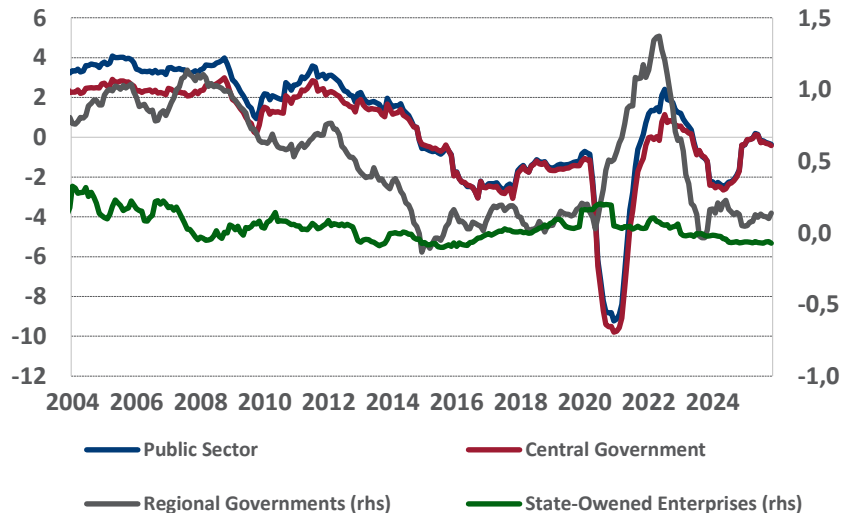
Primary Budget Balance (% GDP 12M)



Central Government (% GDP 12M)



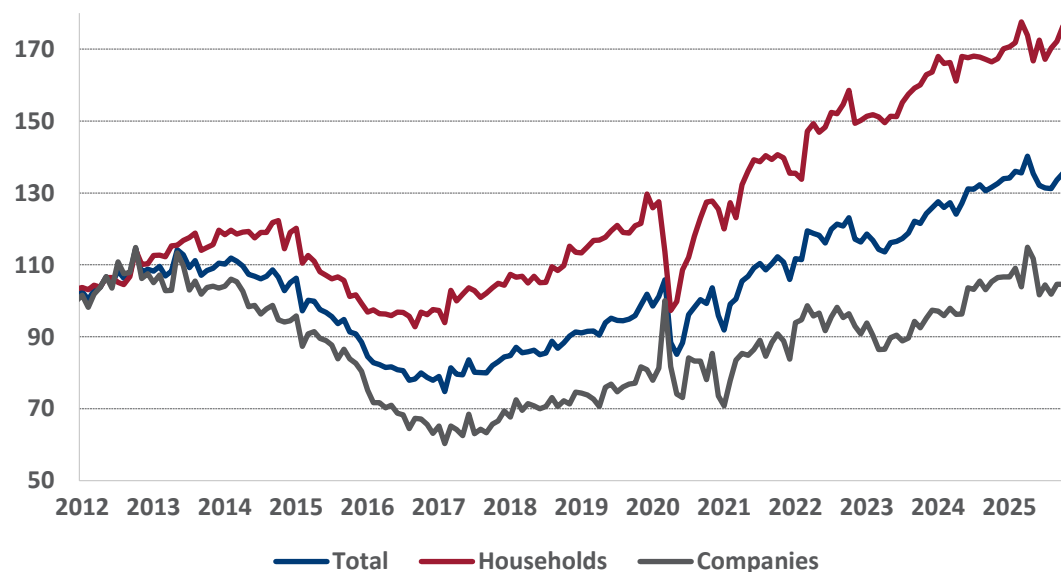
Public Sector Primary Result (% GDP)



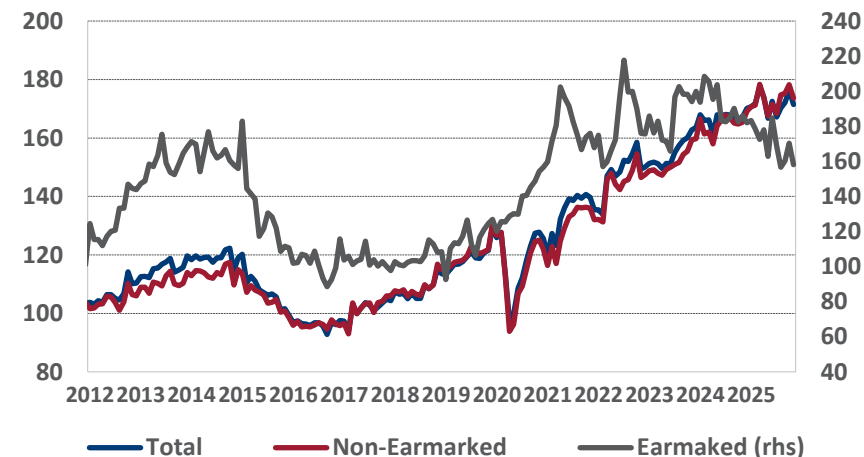
# Brazil: Credit Statistics

- In November, total credit concessions decreased by -3.0% MoM in real terms, after increasing by 1.4% in the last month.
- Non-earmarked credit concessions decreased 2.6% MoM in real terms to households and fell by 4.5% for companies in the monthly comparison.
- In all, after October's strong rebound, credit volumes slowed in November as expected, while a slight improvement in delinquency suggests some normalization in arrears. Still, elevated debt-service burdens and weaker income prospects keep downside risks for 2026 on the radar.

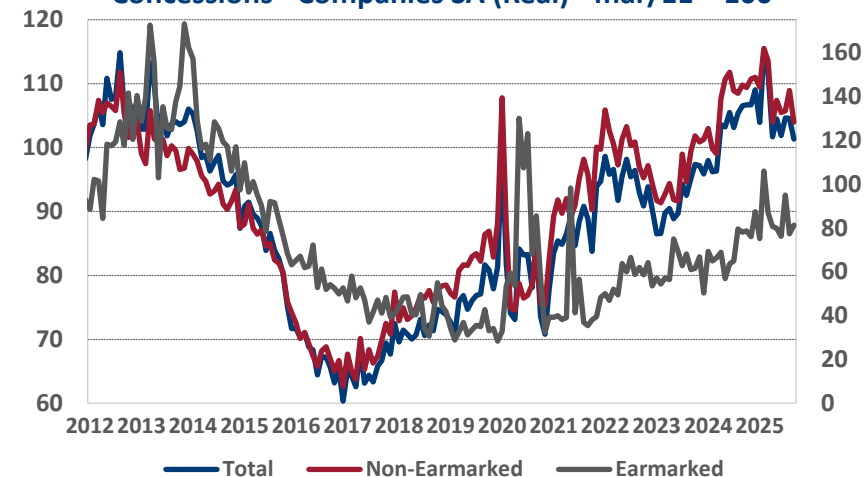
New Credit Operations SA (Real) - mar/11 = 100



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

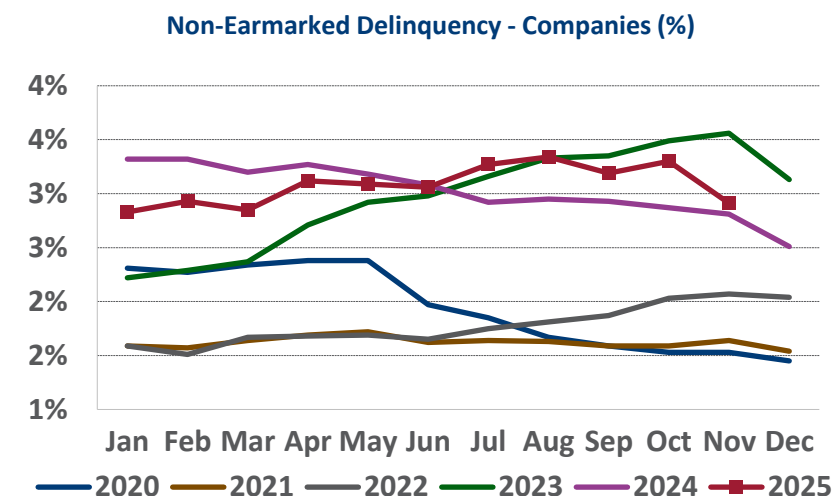
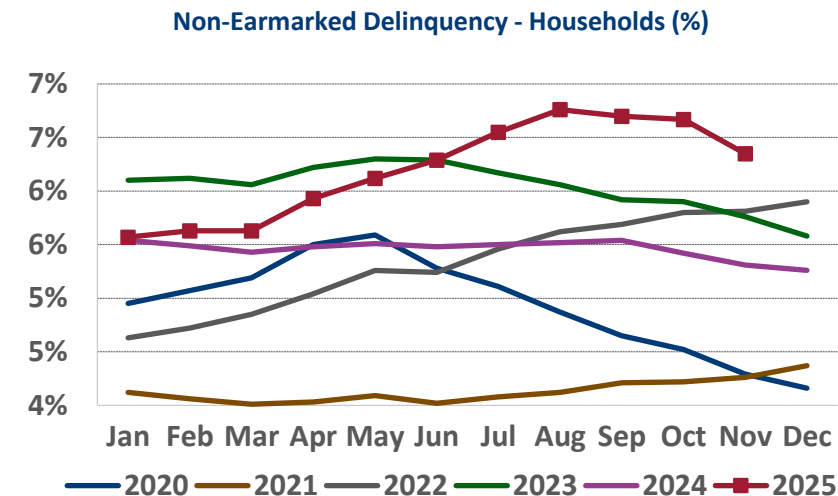
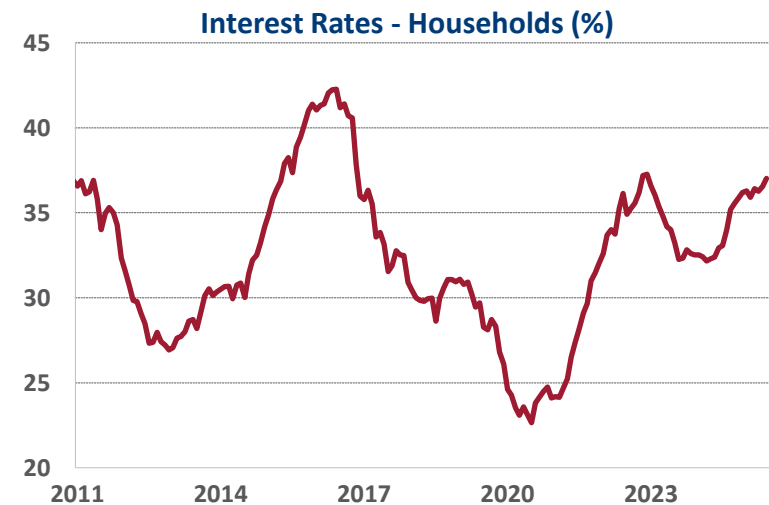


Concessions - Companies SA (Real) - mar/11 = 100



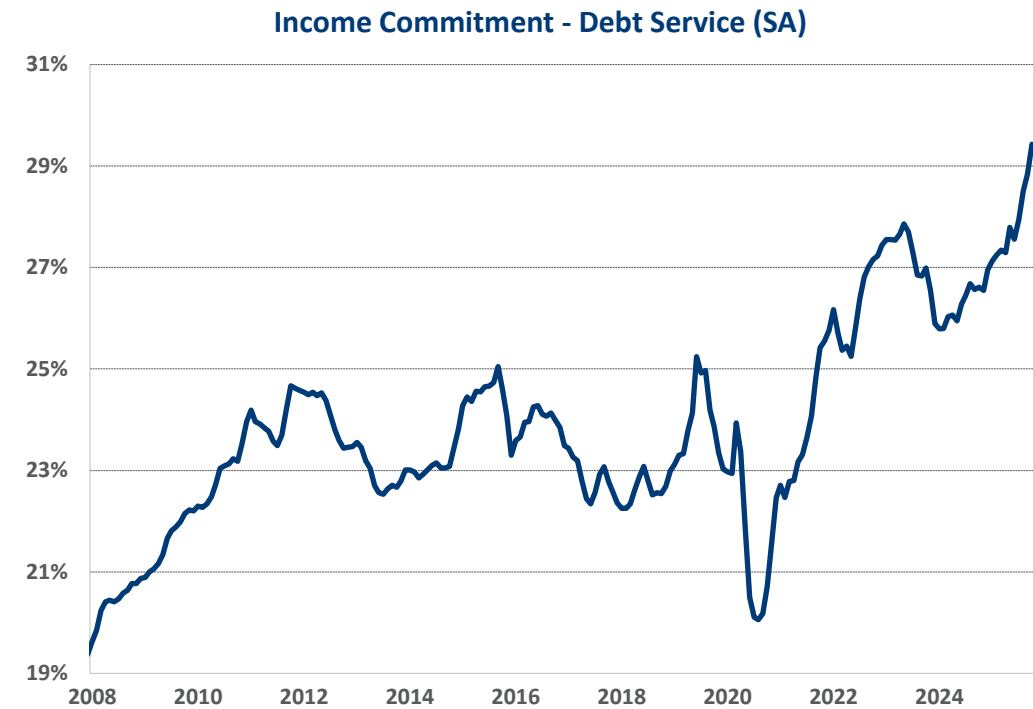
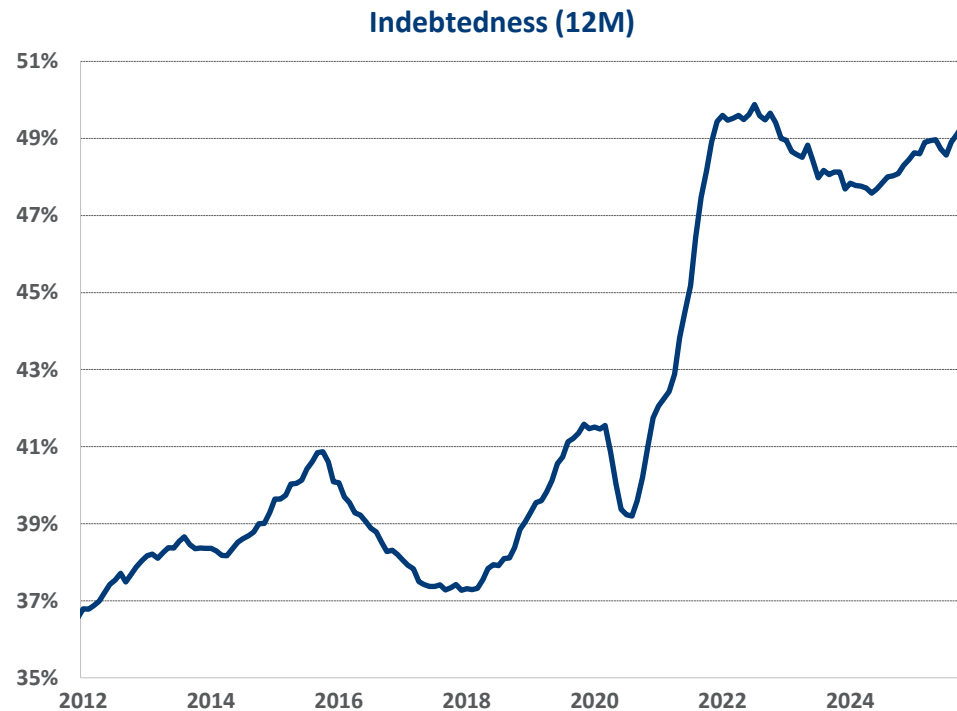
# Brazil: Credit Statistics

- Lending rates increased marginally, remaining at high levels for households, staying at 37.0% in November from 36.6% in October, while for companies, rates went down to 20.6% from 21.7%.
- In turn, delinquency on non-earmarked loans for households decreased to 6.4% from 6.7% in October, additionally for companies, it went down to 2.9% from 3.3%.



# Brazil: Credit Statistics

- The household indebtedness remains high, increasing slightly to 49.3% in October.
- Meanwhile, income commitment increased to a seasonally adjusted level of 29.4% in October, from 28.8% in September.
- Credit conditions remain tight, while household indebtedness and debt-service burden continue to rise.



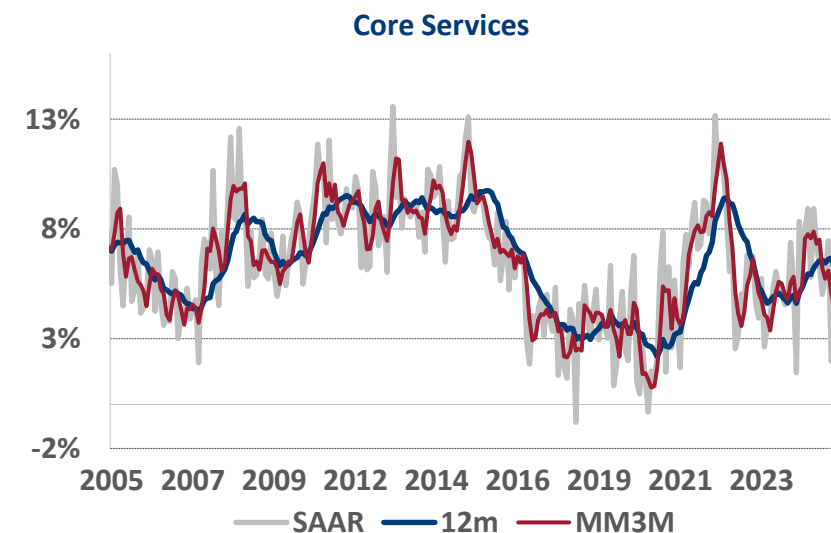
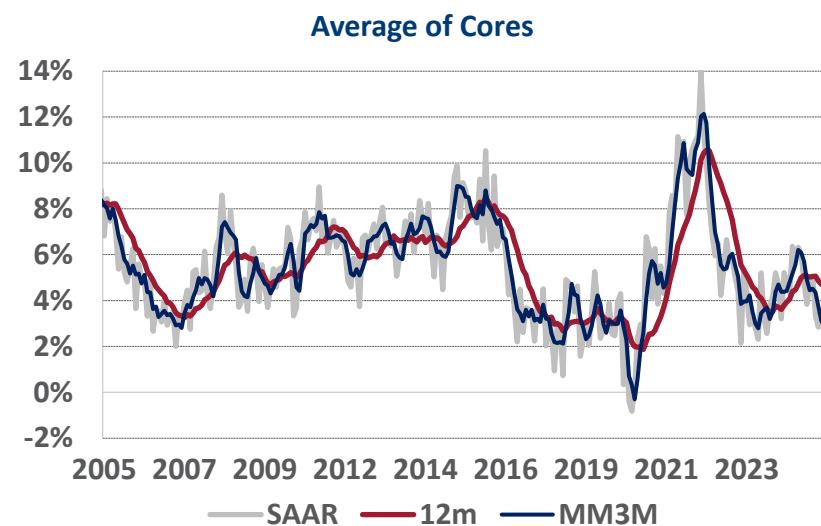
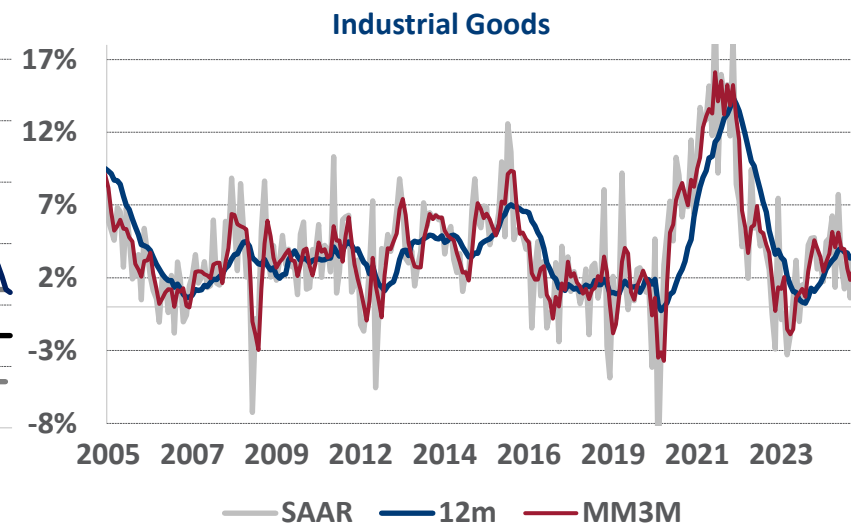
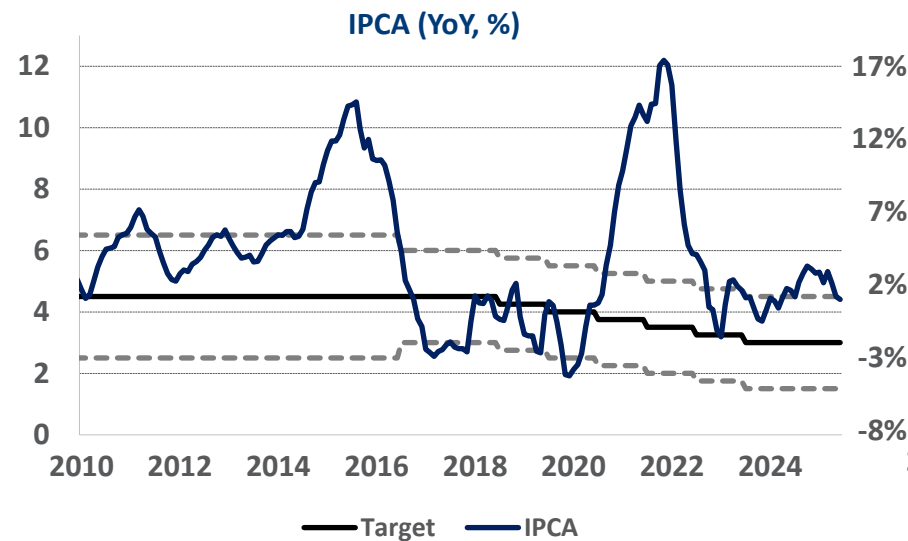
# Brazil: Inflation 2025

December IPCA-15 increased by 0.25% MoM, in line with market expectations. The 12-month accumulated inflation fell from 4.50% in November to 4.41% in December.

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

Core services advanced 0.52% MoM, close to forecasts, and the 3M SAAR increased from 4.4% to 5.7%.

The average of core inflation increased by 0.32% MoM, with its 3M SAAR at 3.5%.

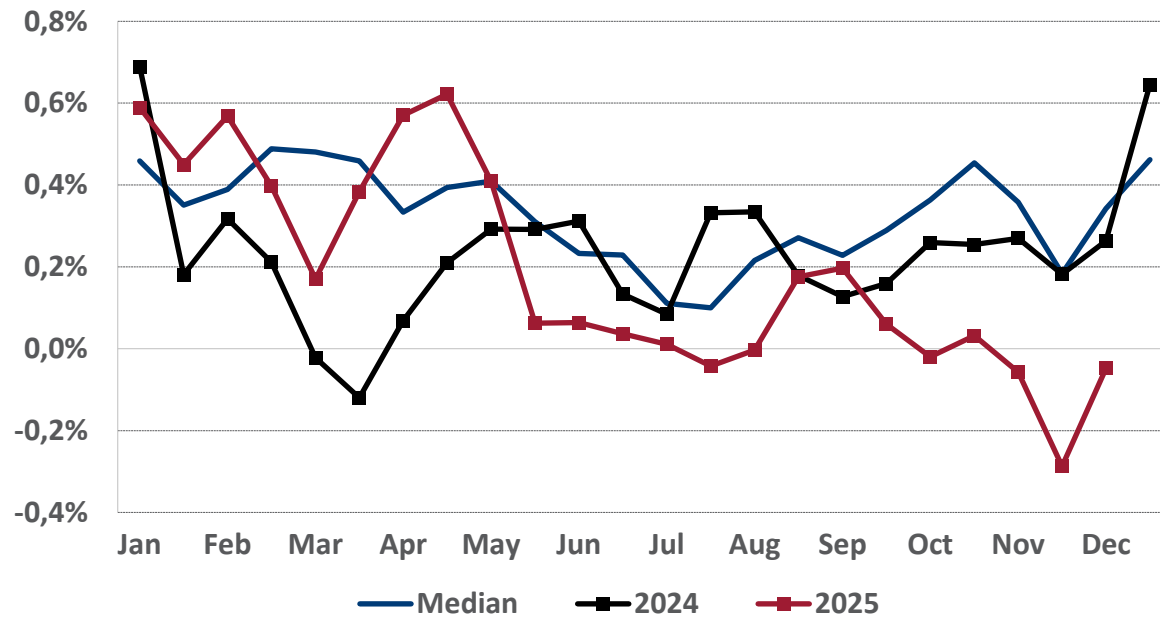




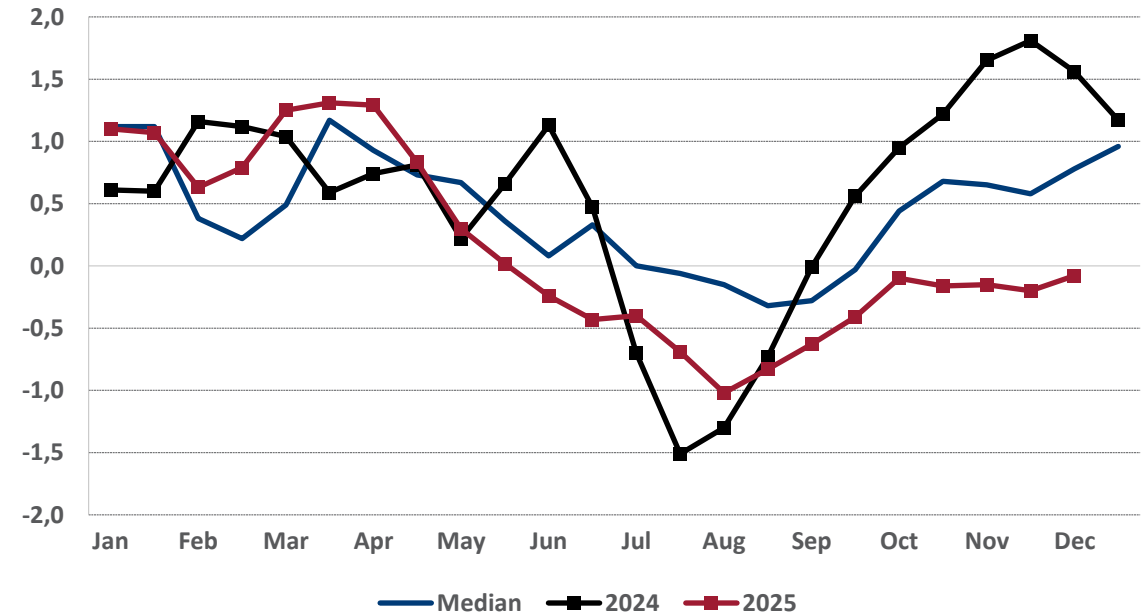
# Brazil: Inflation 2025

- Industrial goods prices retreated 0.05%, slightly below expectations, while the 3M SAAR stood at 0.6% in December.
- Foodstuff prices decreased by 0.08% MoM, above expectations. The sixth deflation in a row.
- Benign trends in food and industrial goods, alongside broadly stable core measures, point to a favorable inflation outlook.

Industrial Goods (MoM, %)



Food at Home (MoM, %)

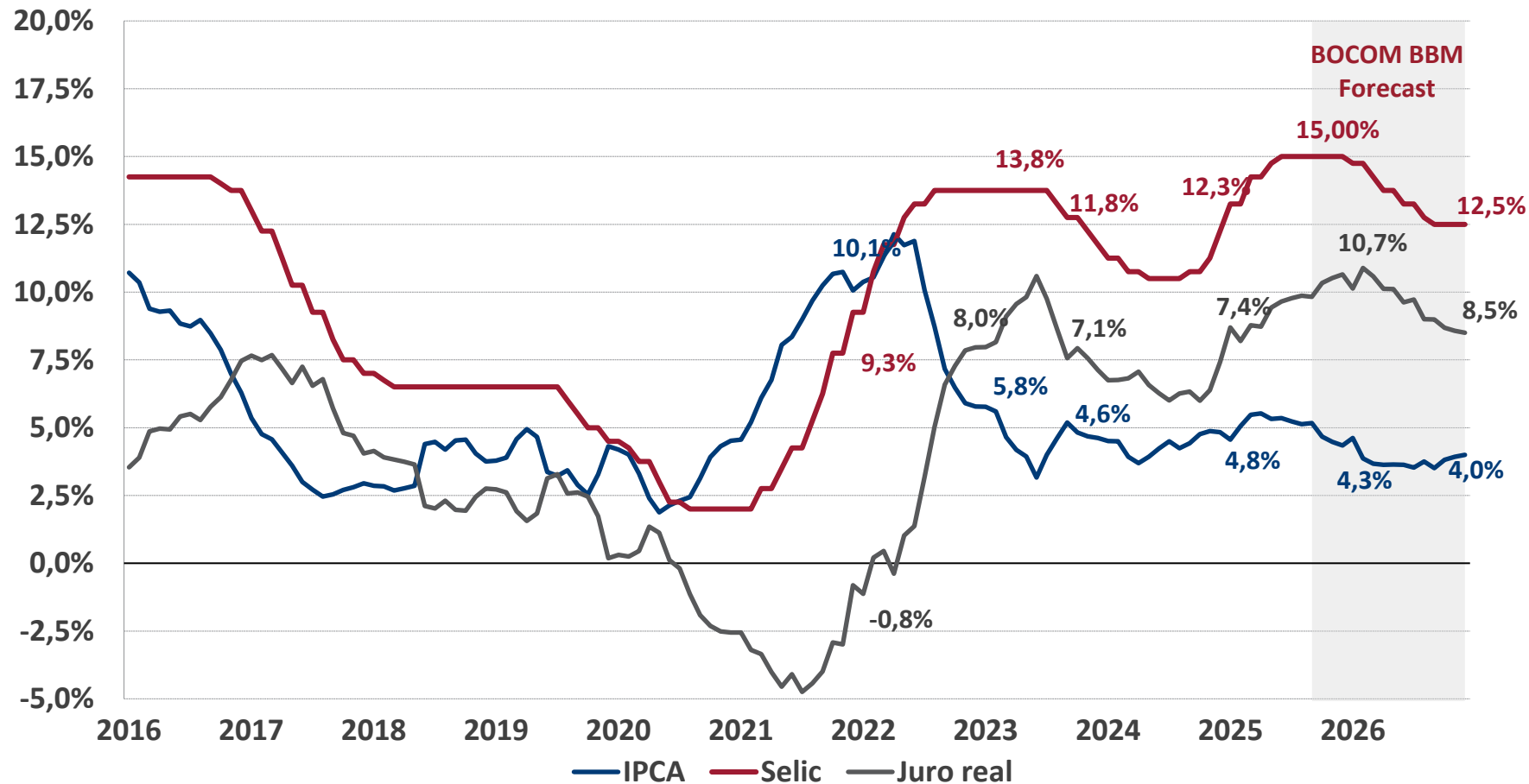


I We project that inflation will end the year at 4.3% and fall to 4.0% in 2026, with a gradual reduction in industrial goods and services.

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>5.3</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>2.0</b>
Durable goods	10.3	4.5	12.9	6.1	-0.4	1.5	0.2	0.9
Semi-durable goods	5.9	-0.1	10.2	15.7	2.7	2.1	4.1	2.9
Non-durable goods	7.3	4.0	11.9	9.5	1.7	5.4	3.8	2.8
<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>1.6</b>	<b>5.2</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>4.9</b>
Food away from home	5.6	4.8	7.2	7.5	5.3	6.3	7.0	5.3
Related to minimum wage	5.2	1.5	3.3	6.3	5.2	5.0	6.5	4.9
Sensitive to economic activity	8.2	0.2	5.1	6.3	9.5	0.9	5.4	4.2
Inertial	15.0	1.6	4.2	8.8	5.1	6.0	5.2	5.0
<b>IPCA</b>		<b>4.5</b>	<b>10.1</b>	<b>5.8</b>	<b>4.6</b>	<b>4.8</b>	<b>4.3</b>	<b>4.0</b>

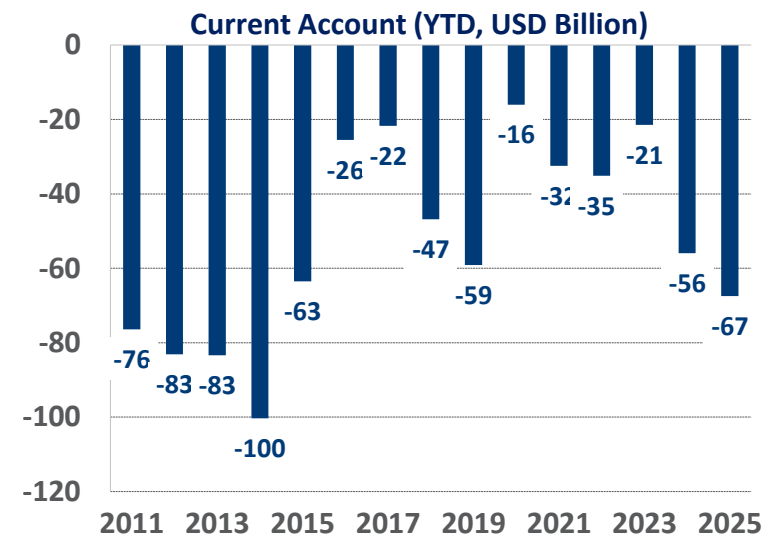
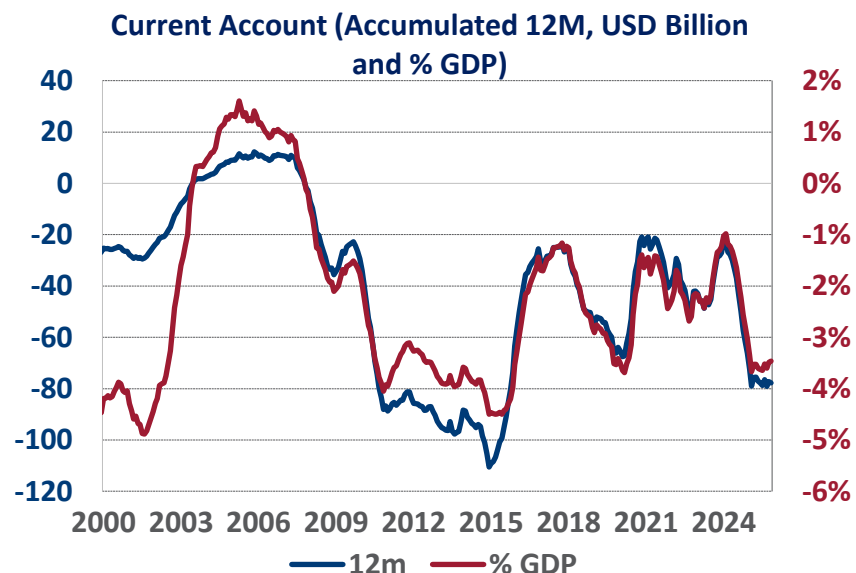
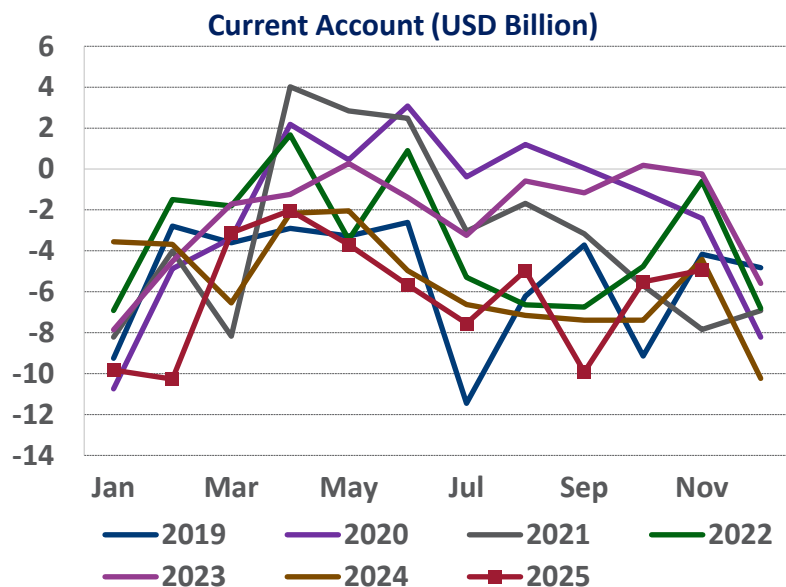
- In the December meeting, COPOM maintained the Selic rates at 15% per year as was largely expected and there were very minor changes in the communication. There was some expectation that the Central Bank would remove the indication that rates could be adjusted further if necessary. Instead, the Central Bank kept that message, noting that this is usual in monetary policy conduction. BCB inflation projection six quarters ahead stood at 3,2% 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. In contrast, the Copom minutes had a more dovish tone, highlighting a less uncertain external backdrop, signs of cooling in activity and the labor market, and that inflation has been slowing. Overall, the minutes pave the way for the start of a rate-cutting cycle, conditional on data developments. Unless there are significant data surprises or a meaningful exchange-rate depreciation, we believe the start of the easing cycle in January is currently the most likely scenario.

IPCA, Selic e Taxa de Juros Real Ex-post (YoY, %)



# Brazil: Balance of Payments

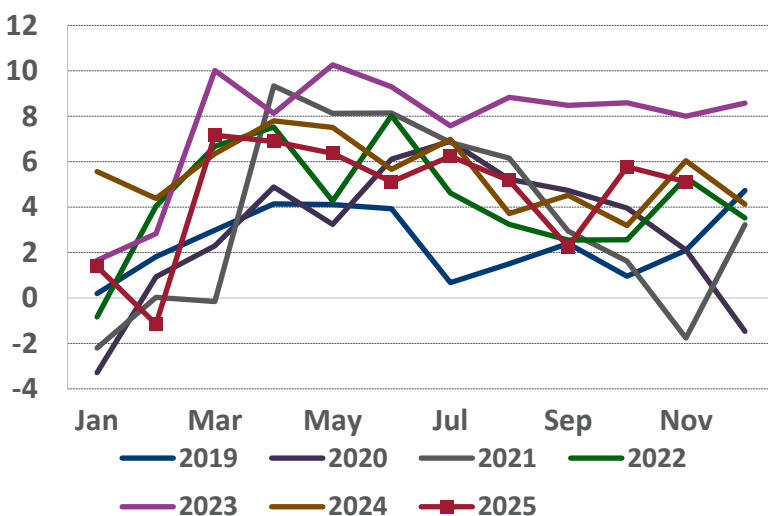
- The Brazilian current account recorded a deficit of USD 4.9 billion in November 2025, in line with market expectations (USD -4.7 billion).
- On a 12-month basis, the deficit increased slightly to USD 77.7 billion (3.47% of GDP) from USD 77.2 billion (3.49% of GDP) in October.
- In all, the recent moderation in the current account deficit reflects an improved trade surplus and a gradual slowdown in net services spending, while strong export performance and solid FDI inflows have helped offset still-elevated imports and primary income outflows.



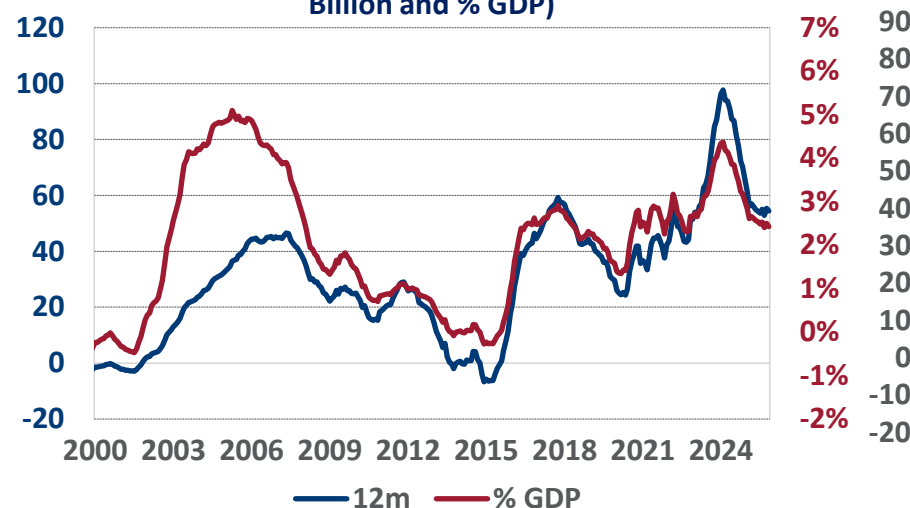
# Brazil: Balance of Payments

- The merchandise trade balance posted a surplus of USD 5.1 billion, below the USD 6.0 billion surplus recorded in November 2024.
- Exports reached USD 32.1 billion (2.3% YoY), while imports totaled USD 23.6 billion (7.1% YoY). Exports performance has remained solid in recent months. Meanwhile, imports appear to have stabilized at historically high levels, keeping the trade surplus under pressure.
- On a 12-month basis, the trade surplus decreased to USD 54.5 billion, from USD 55.4 billion in October.

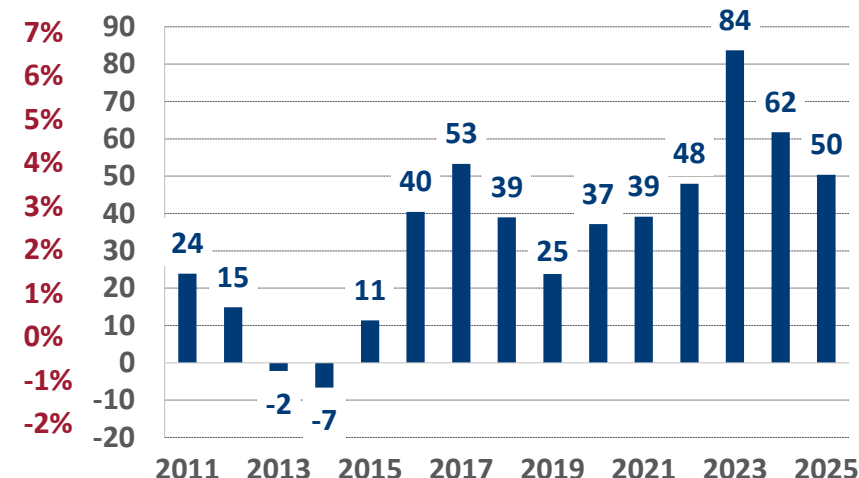
Balance on Goods (USD Billion)



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



Balance on Goods (YTD, USD Billion)

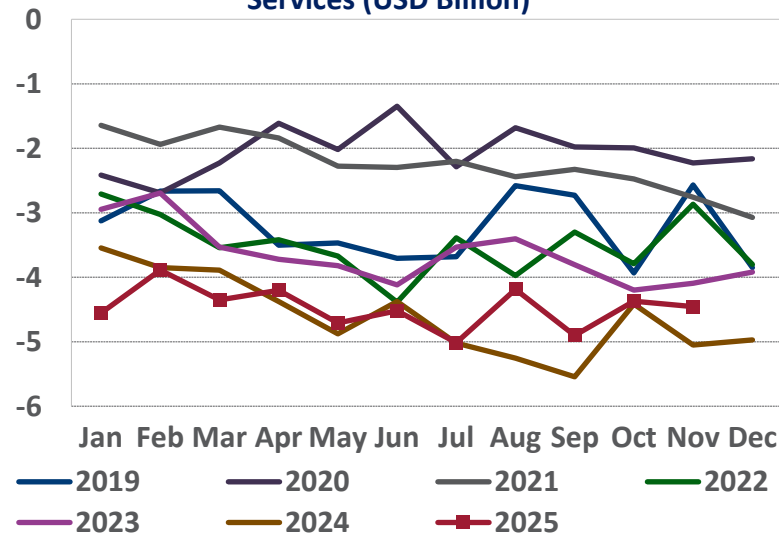




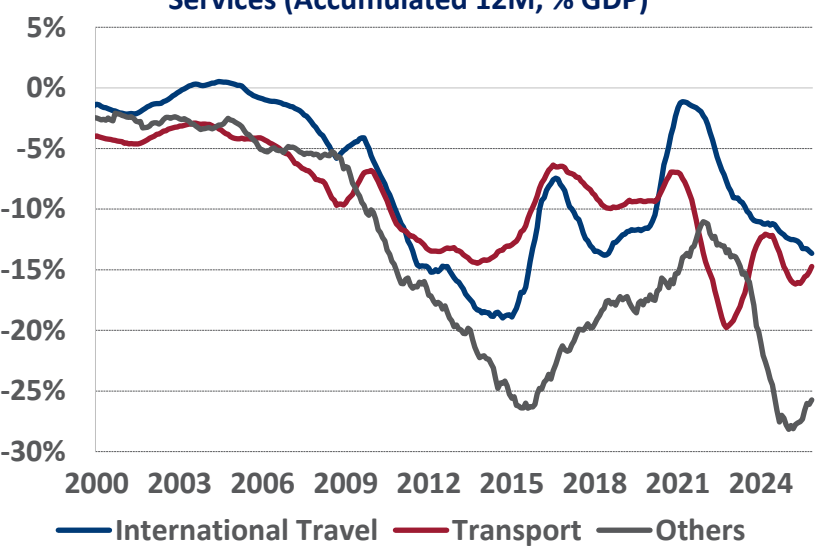
# Brazil: Balance of Payments

- The Services account posted a deficit of USD 4.5 billion in November, below the USD 5.0 billion deficit recorded in the same period last year. On a 12-month basis, the Services deficit reached USD 54.1 billion.
- In addition, the ‘Intellectual Property’ and ‘Telecommunication’ accounts, whose dynamics are less sensitive to the economic cycle, recorded a USD 1.0 billion and USD 0.8 billion deficit, respectively.
- On the other hand, the ‘Personal, Cultural, and Recreational Services’ Account recorded a USD 36.1 million surplus in November 2025, easing from a USD 88.5 million Surplus in October 2025.

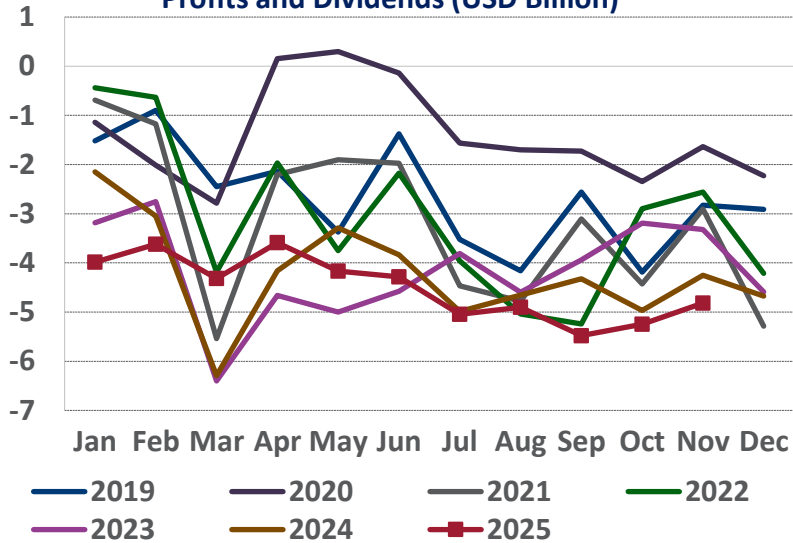
Services (USD Billion)



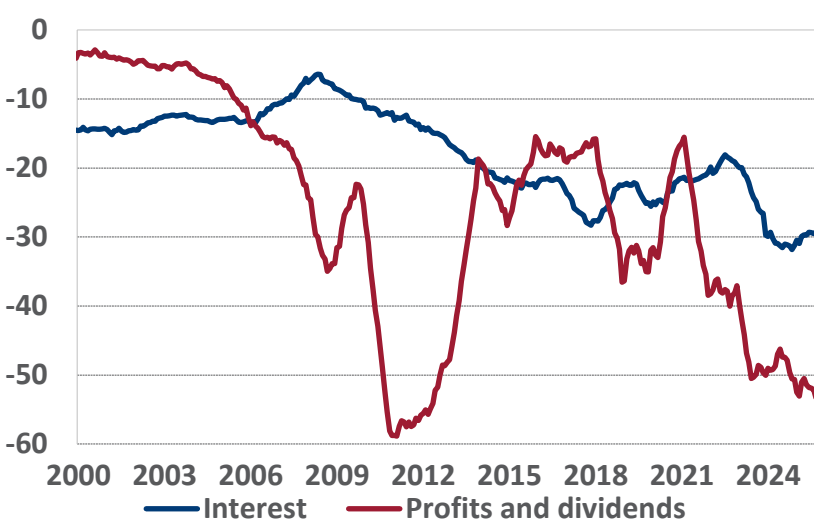
Services (Accumulated 12M, % GDP)



Profits and Dividends (USD Billion)

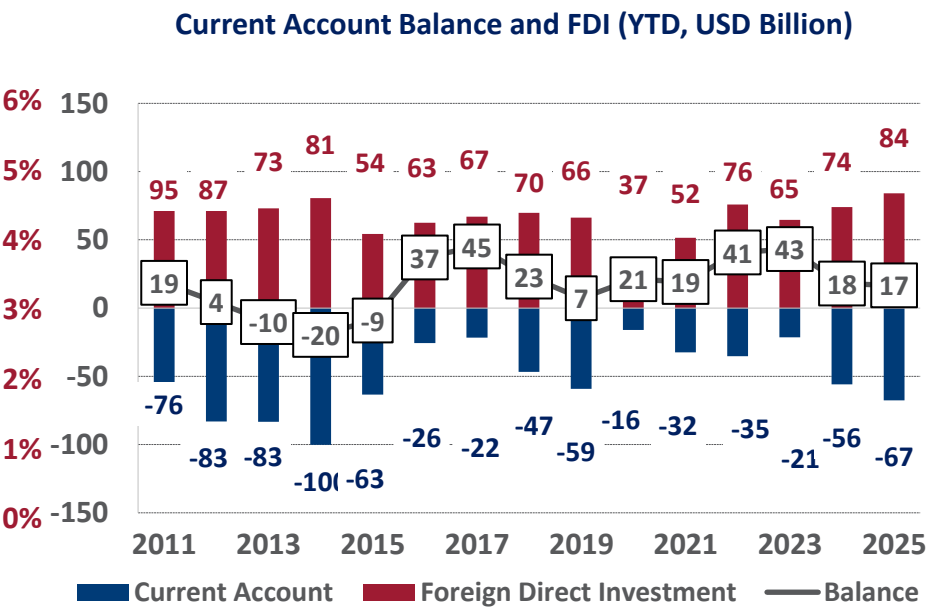
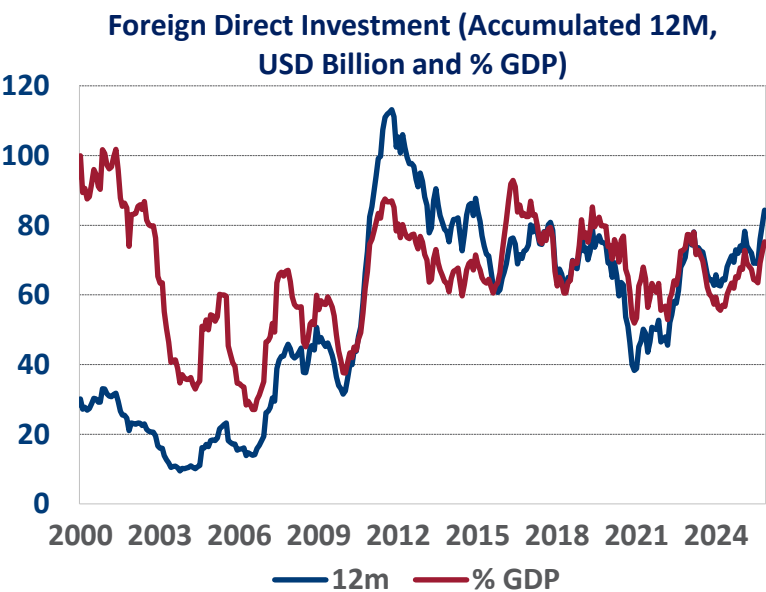
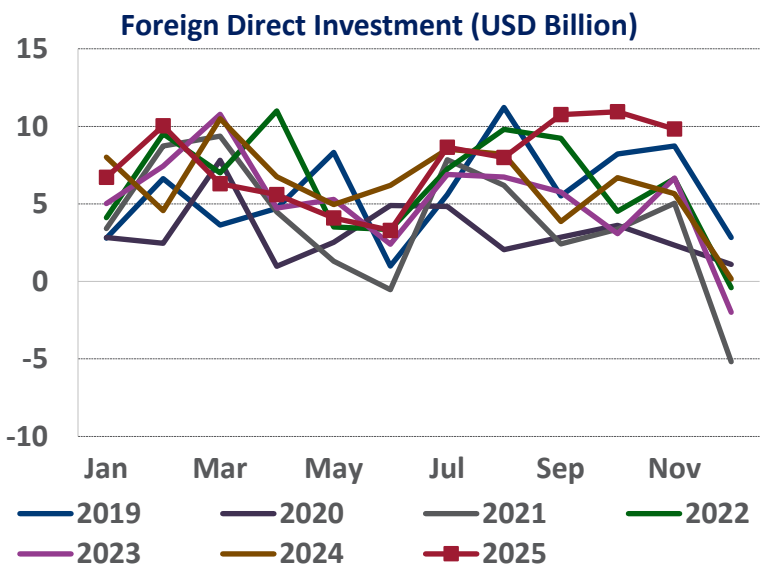


Primary Income (Accumulated 12M, USD Billion)



# Brazil: Balance of Payments

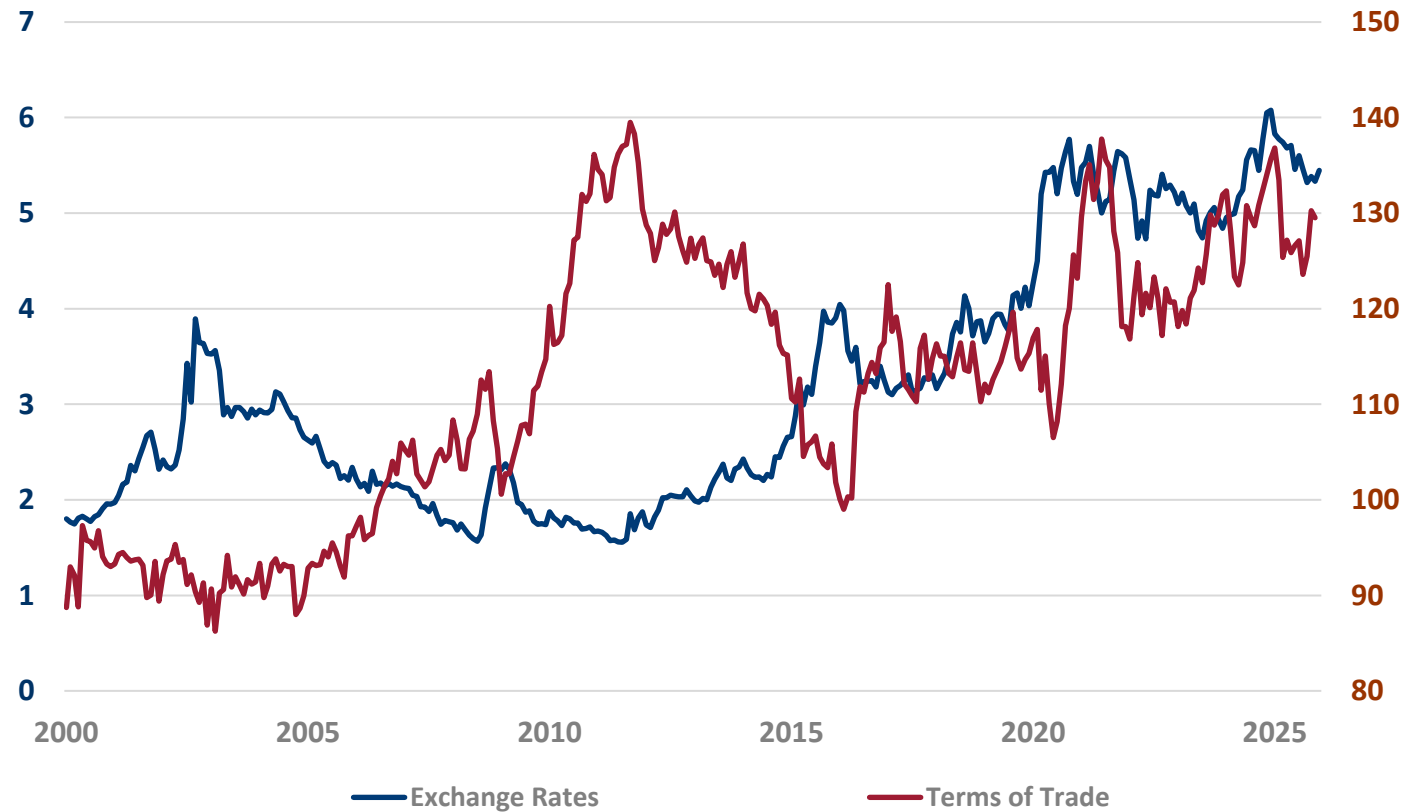
- Foreign Direct Investment (FDI) registered a net inflow of USD 9.8 billion in November, above market consensus of 6.5 billion.
- On a 12-month basis, FDI inflows reached USD 84.3 billion (3.76% of GDP), from USD 80.1 billion in October.



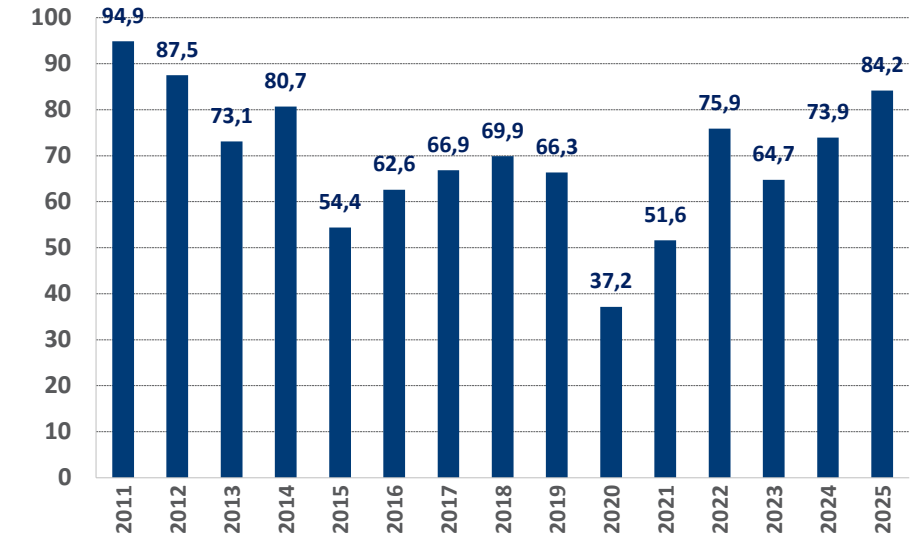
# Brazil: External Sector

In December, the Brazilian real depreciated from 5.33 to around 5.45 per US dollar. In net terms, the Brazilian currency's performance over the past month reflects the increase in domestic political uncertainty. On the international front, risk sentiment worsened, with heightened aversion following escalating tensions between the United States and Venezuela. Domestically, Brazil's high carry at 15% continued to support resilience, but volatility increased after Flávio Bolsonaro's pre-candidacy announcement on December 5, which amplified sensitivity to local political risk.

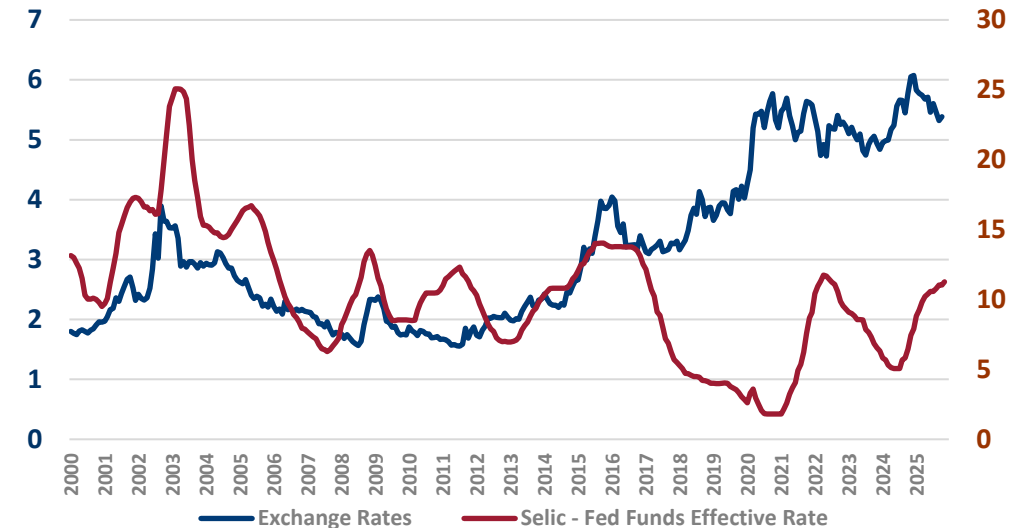
## Terms of Trade x BRL



## Foreign Direct Investment (YTD, USD Billion)



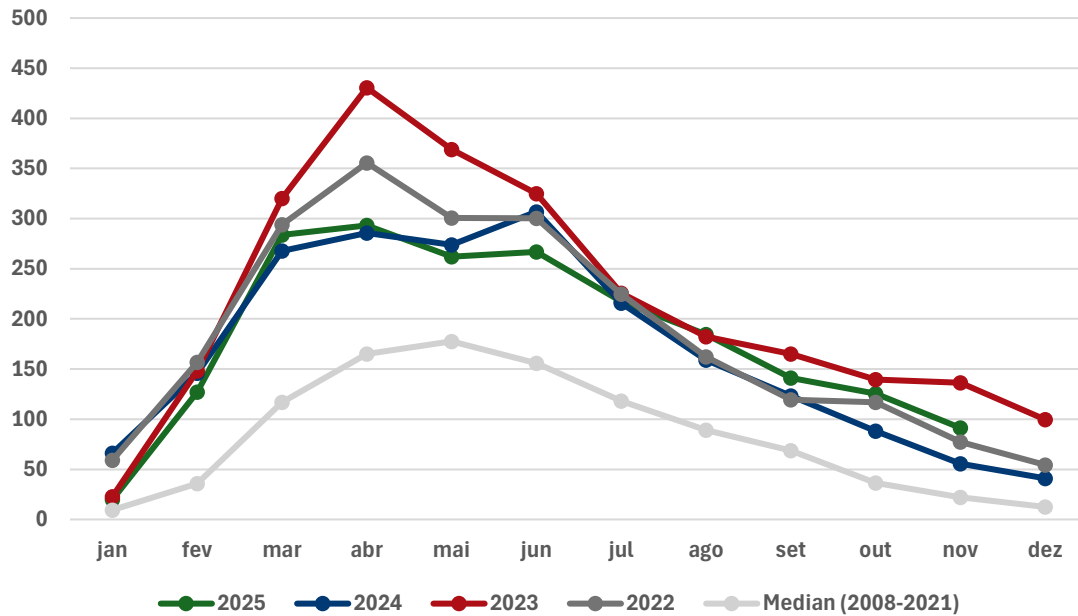
## Interest Rate Differential x BRL



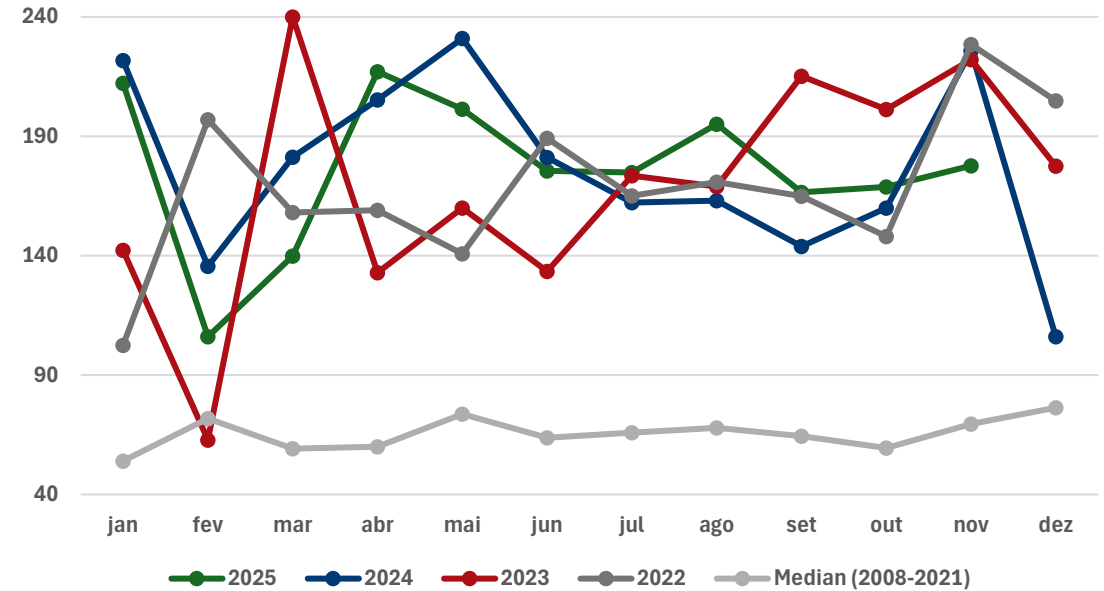
# Brazil: External Sector

- In November 2025, exports totaled US\$28.515 billion and imports US\$22.673 billion, resulting in a positive balance of US\$5.842 billion.
- Exports increased 2.4% YoY, mainly due to the performance of agriculture (25.8% YoY), with emphasis on the growth of exports of soybeans, coffee, corn, cotton and livestock.
- On the other hand, imports increased 7.4% YoY, driven by products from the manufacturing industry.

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



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



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