Macro Outlook

March 2026

Macro Outlook

- In the United States, the U.S. Supreme Court struck down the tariffs imposed by Trump under the IEEPA, prompting the president to immediately announce a 10% global tariff to circumvent the ruling – expected to be taken to 15% -, marking an additional escalation in his trade strategy. Additionally, on February 28, the U.S and Israel launched an attack on Iran, escalating a conflict that has been increasing energy prices and global economic uncertainty. Regarding the data, January CPI came in below expectations, driven by a downward surprise in core goods, while core services inflation was in line with forecasts. Still, inflation remains above target and with clear impacts from higher import tariffs. On activity, the economy remained resilient, with a strong domestic demand in the Q4 GDP despite a weaker headline (driven by the shutdown). In the labor market, February payrolls showed a relevant weakness after a very strong January print, with job creation coming in significantly below expectations due to private-sector weakness, and the unemployment rate increasing above consensus. The US economy is expected to remain resilient, driven by factors such as a stronger fiscal impulse and the lagged effects of rate cuts. However, uncertainty increased further, keeping the FOMC in a cautious stance as risks to both sides of the mandate increased.

- Regarding China, activity data for January and February will only be released in March (as is standard practice by the NBS to smooth distortions related to the Lunar New Year). However, other recent data showed a mixed composition: the Q4 current account posed the highest quarterly surplus since 2010. In the other hand, credit surprised to the downside, reaching the lowest YoY pace in eleven months. Inflation was also below expectations, despite being partly related to the later-than-usual Lunar New Year holiday. These divergences add to the uncertainty over the Chinese economic performance at the start of 2026. Additionally, the Chinese government announced in the 2026 NPC a reduction in the target for 2026 GDP from 5% to 4.5-5.0% and stability among other key targets - stating 2026 as a year of economic consolidation and prioritizing structural resilience. The 15th Five-Year Plan was also submitted, with fewer explicit targets. The government highlighted plans of prioritizing structural resilience, technological self-reliance and long-term security, consolidating a strong foundation to the real economy and enhancing new quality productive forces.

- Regarding Brazil, industrial production declined 1.2% MoM in December, slightly below market expectations (-1.1%). Additionally, services edged down 0.4% MoM (vs. -0.1% expected), retail sales also surprised on the downside, falling by 0.4% MoM (vs. 0.2% expected). The broader set of indicators continues to point to a gradual economic slowdown. In line with this backdrop, the IBC-BR contracted 0.18% MoM, above market consensus (-0.4% MoM). Labor market conditions remained tight at year-end, as unemployment stayed at historically low levels in line with stronger job creation in the formal sector (CAGED).

- In its January meeting, the Monetary Policy Committee kept the Selic rate unchanged at 15% per year, in line with market expectations. The Committee signaled, however, that it expects to begin the easing cycle in its next meeting in March. Inflation projections six trimesters ahead remained at 3.2% for the third quarter of 2027 in a scenario where rates reach 12.25% in 2026 and 10,5% in 2027, despite the modest improvements in inflation expectations in FOCUS. Overall, the statement provided guidance that the easing cycle is set to begging in March but did not specify the pace and the total budget for rate cuts. The committee notes that the flexibilization should still render rates restrictive in order to bring inflation back to the target. More recently, risks to the IPCA have increased marginally: geopolitical tensions involving Iran introduce an upside channel through oil prices. Meanwhile, the exchange rate has appreciated since the last Copom meeting, offsetting partially the increase in oil prices.

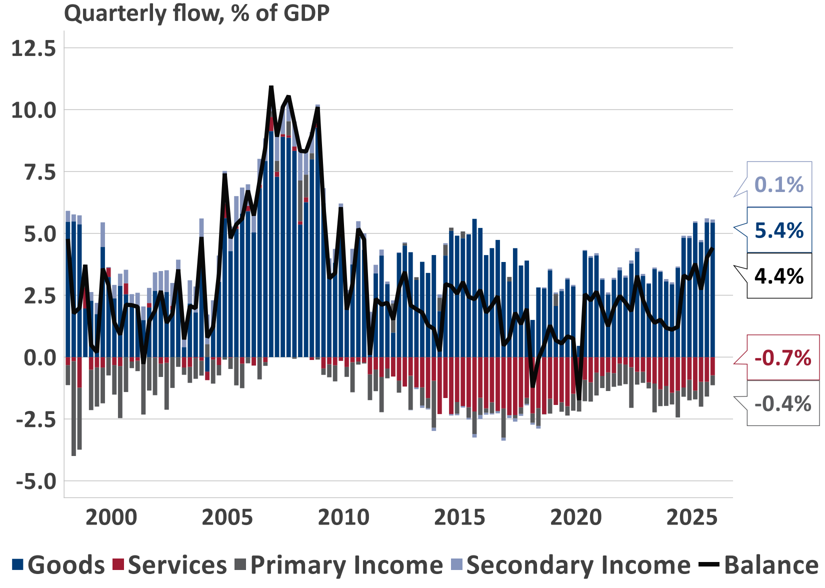
- February IPCA-15 increased by 0.84% MoM, well above market expectations. The 12-month accumulated inflation decelerated from 4.50% in January to 4.10% in February. The main upward surprise to our forecast came from services, mainly airfares (12bps), urban buses (3 bps) and vehicle insurance (3 bps). Core services advanced 0.66% MoM, well above forecasts, and the 3M SAAR remained at 5.2%. The average of core inflation increased by 0.65% MoM, with its 3M SAAR at 4.3%. Looking ahead, there are risks related to the shortage of electronic components and the increase in oil prices. On the other hand, the exchange rate has been behaving benignly.

- The consolidated public sector posted a primary surplus of BRL 103.7 billion in January, below market consensus (surplus of BRL 105.7 billion) and lower than the BRL 104.1 billion surplus billion recorded in the same month of 2025. Regarding the breakdown, the central government and regional governments registered surpluses of BRL 87.3 billion and BRL 21.3 billion, respectively, while state-owned enterprises presented a deficit of BRL 4.9 billion. General Government Gross Debt (GGGD) remained at 78.7% of GDP, reflecting a combination of net issuance (-0.2 p.p.) , nominal GDP growth (-0.4 p.p.), and exchange-rate variation (-0.2 p.p), offsetting accrued nominal interest (+0.8 p.p.). Overall, January's surplus is mainly seasonal and doesn't change the year view: revenues are still supported by a solid labor market. However, regional governments balances have edged weaker as state spending accelerates ahead of elections. SOEs posted an expected deficit (likely driven by Correios), and interest costs continue to rise as higher rates feed through to debt service, with nominal interest at the highest level since 2016.

China: Economic Scenario

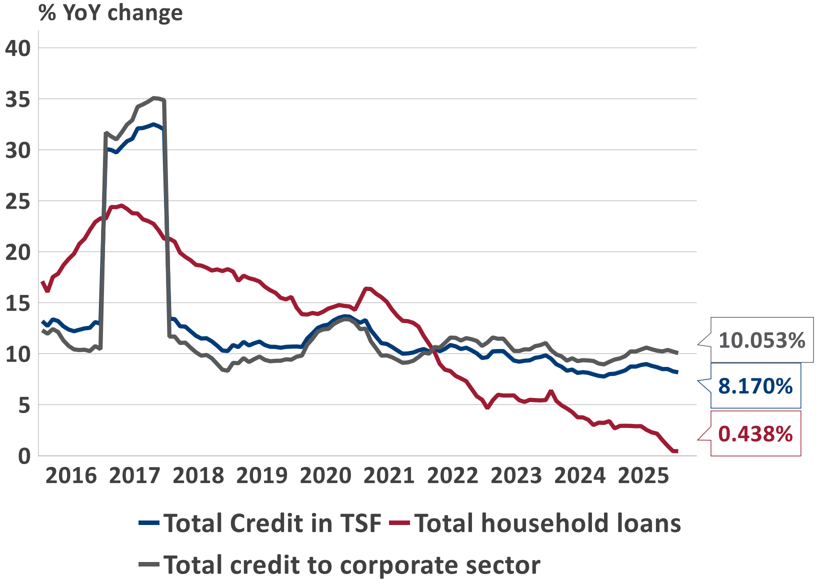
- Economic activity data for January and February will only be released in March, as is standard practice by the NBS in order to smooth out distortions related to the Lunar New Year;
- Nonetheless, data for credit, balance of payments, and CPI were recently released:
- Preliminary data for China's current account in Q4 showed the **highest surplus in a single quarter since 2010 (4.4% of GDP),** consistent with the strong export performance and an efficient rerouting throughout 2025.
- In YoY terms, **total credit growth surprised to the downside, reaching 8.2% YoY, the lowest pace in eleven months:** in the one hand, the was an acceleration of loans to the corporate sector, while household demand for loans continued to weaken amid the property downturn and softer mortgage demand;
- Chinese **CPI inflation ticked down in January** from 0.8% to 0.2% YoY, below the expected 0.4%. This weaker-than expected composition seems highly related to the later-than-usual Lunar New Year holiday. Still, the recent improvement trend from deflationary challenges seems to remain in place;
  - **In any case, deflationary pressures are expected to remain a relevant concern this year**, with this challenge not expected to be fully solved in 2026.

China: Current Account Balance



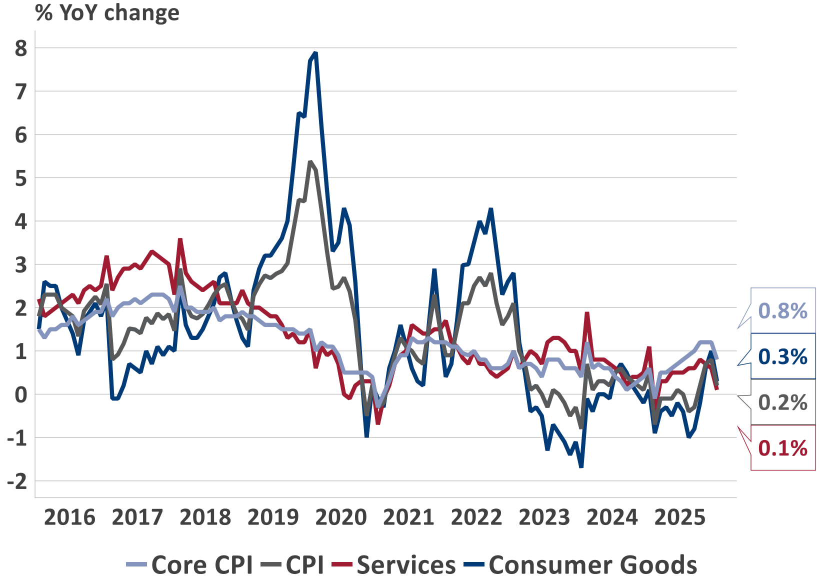
Source: BOCOM BBM, Macrobond, SAFE

China: TSF and Loans (YoY, %)



Source: BOCOM BBM, Macrobond

China: CPI



Source: BOCOM BBM, Macrobond

China: Two Sessions

- During the **National People's Congress**, in the first week of March, Premier Li Qiang delivered the Government Work Report, announcing key economic and fiscal targets for 2026, most of which came broadly in line with market's expectations;
- The **government changed the real GDP growth target from "around 5.0%" to "4.5 to 5.0%"**, suggesting additional tolerance to a slower pace while searching for new sustainable sources of growth.
  - Forecasts for Chinese real GDP growth this year are hovering around 4.6%, which would be in line with the official target;
- As expected, the **CPI inflation target was maintained at 2%**, despite a miss in 2025 (at 0.0%). This value is widely perceived as a ceiling.
- Beijing **kept stable the official on-budget fiscal deficit target at 4.0% of GDP**, and 2025 targets were **also maintained for new urban jobs** (>=12 million) **and the unemployment rate** (~5.5%). These came with the objective of a proactive fiscal policy, with greater emphasis on supporting job creation, household consumption and investing in human capital.
- Also, the **15th Five-Year Plan was submitted** for the NPC's review. Similarly to the previous, there was **not a specific GDP number**, but considering the aim to double 2020's GDP per-capita by 2035, from US$10,500, it **implicitly suggests annual growth of ~4.6% between 2026 and 2030**.
- There are few explicit numerical targets, which should allow greater flexibility in future policy adjustments. Overall, the government highlighted **plans of prioritizing structural resilience, technological self-reliance and long-term security**, consolidating a strong foundation to the real economy and enhancing new quality productive forces.

China: 2026 Major Economic Targets

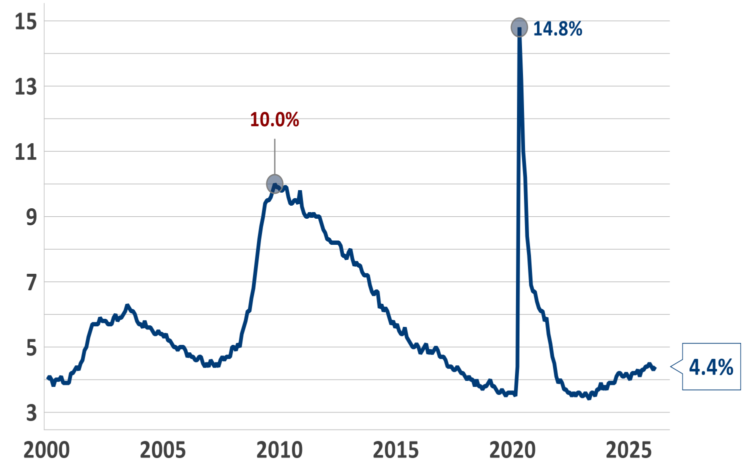
Indicator	Unit	2026		2025		2024		2023	
		Target	Market Expectation	Target	Actual	Target	Actual	Target	Actual
GDP Growth	%YoY	4.5-5.0	4.6	~5.0	5.0	~5.0	5.0	~5.0	5.2
CPI Inflation	%YoY	~2.0	0.7	~2.0	0.0	~3.0	0.2	~3.0	0.2
Official Fiscal Deficit Ratio	% of GDP	4.0	5.5	4.0	--	3.0	3.0	3.0	3.9
New Urban Jobs	mn persons	>=12	>=12	>=12	12.7	>=12	12.6	>=12	12.4
Surveyed Unemployment Rate	%	~5.5	5.1	~5.5	5.2	~5.5	5.1	~5.5	5.2

Source: Bocom BBM, NPC, Bloomberg

USA: Labor Market

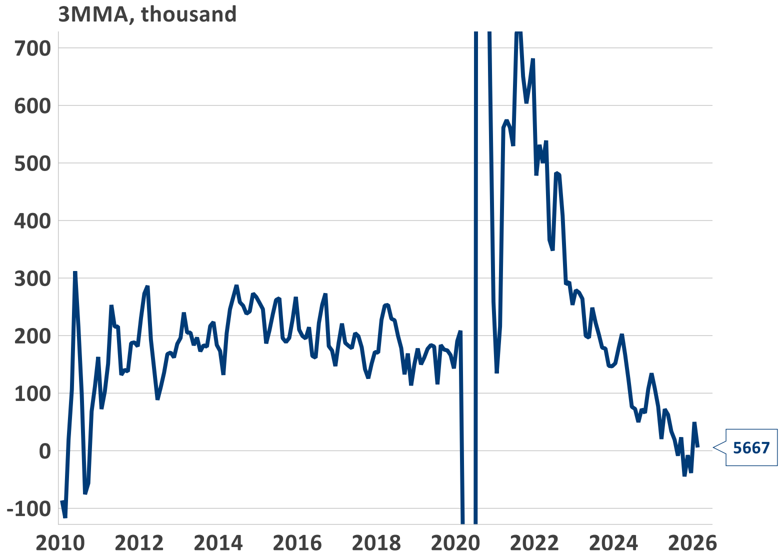
- **The February Payroll brought signals of labor market weakness, after a very strong January:**
  - **Job creation decreased from 126k to -92k in February, below expectations of 45k.** In the composition, private growth dragged the total data, decreasing from 146k to -86k, while government jobs increased from -20k to -6k.
    - **This took the 3MMA pace of job creation to 6k, from 50k in the previous month**
  - **Also, the unemployment rate ticked up**, from **4.28%** to **4.44%**, above the consensus of 4.3%.
  - Overall, the February Payroll survey pointed to relevant **unexpected weakness for the labor market**, in the opposite direction of the previous release, increasing downside risks to the labor market in the upcoming months.
- **Given that, the jobs-workers gap decreased to -1M, indicating that the economy is back at having now more available workers than jobs in the economy, a sign of relative weakness in the labor market.**
- **Average hourly earnings rose 0.41% MoM in February**, modestly above its recent trend of 0.3%
  - The recent pace of the data keeps showing resilience, in line with other Wage Growth Measures.

US: Unemployment Rate SA (%)



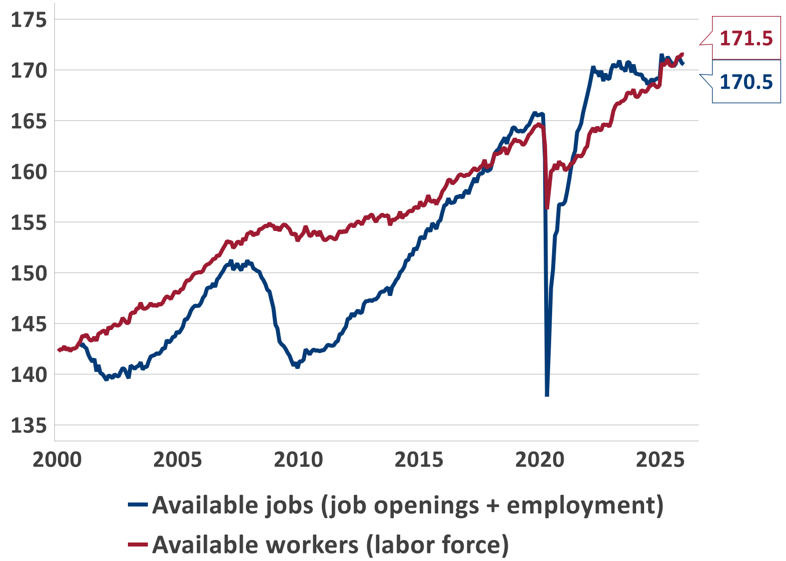
Source: BOCOM BBM, Macrobond, BLS

US: Nonfarm Payroll Employment Change



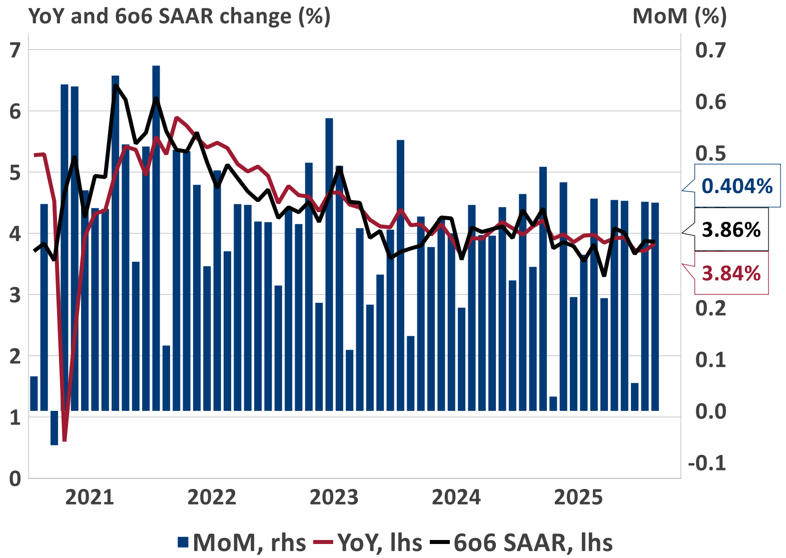
Source: BOCOM BBM, Macrobond, BLS

US: Jobs-workers gap (millions)



Source: BOCOM BBM, Macrobond, BLS

US: Average Hourly Earnings Growth (%)

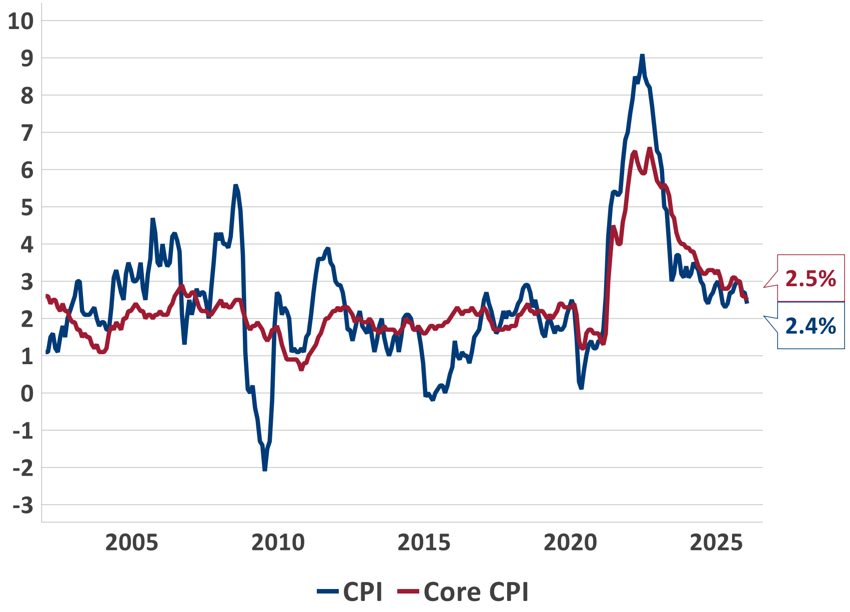


Source: BOCOM BBM, Macrobond, BLS

USA: Inflation

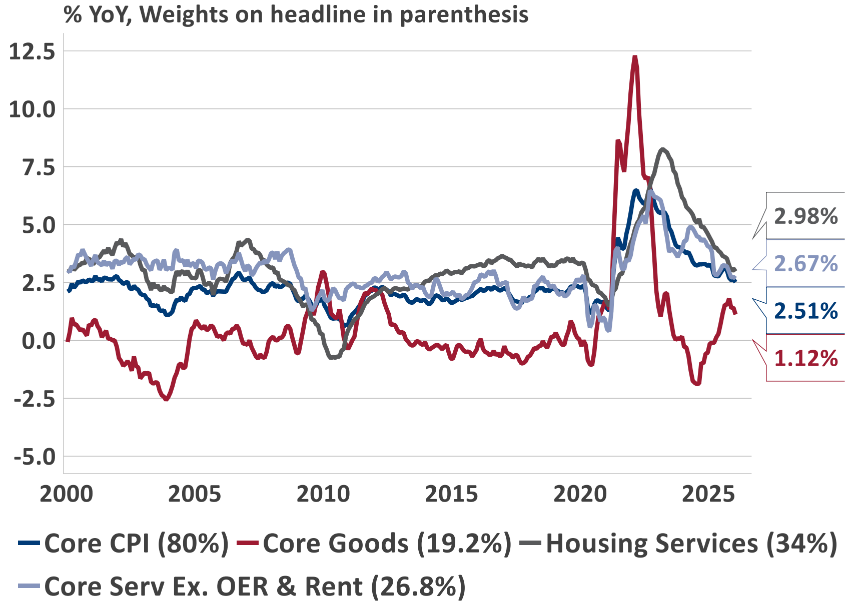
- The January **headline CPI rose 0.17% MoM** (below expectations of 0.26%). This led the YoY to fall to 2.4%, below market consensus of 2.5%:
  - In the composition, energy prices posted a relevant drop (from 0.34% to -1.47% MoM), while food prices slowed (from 0.66% to 0.19%).
- **Core CPI** increased from **0.23%** to **0.30% MoM, below consensus of 0.38%.** As a result, the YoY rate reduced to 2.5%, also below consensus of 2.6%:
  - Core Goods printed well below consensus (0.04% vs 0.36 expected). The biggest downward surprises in the component came from cars, while core goods ex-cars were above consensus (0.42 vs 0.34 exp), suggesting tariff impacts remain clear.
  - On the other hand, Core Services came in line with market consensus, from 0.27% to 0.39%.
- Overall, the January CPI was better than expected, despite some underlying resilience in tariff-led goods inflation:
  - **Looking ahead, inflation is expected to remain above the Fed's target in 2026, with tariff-related increases and the boost in consumption as main drivers. But recent releases pose a more optimistic tone for the start of the year.**

US: CPI (YoY, %)



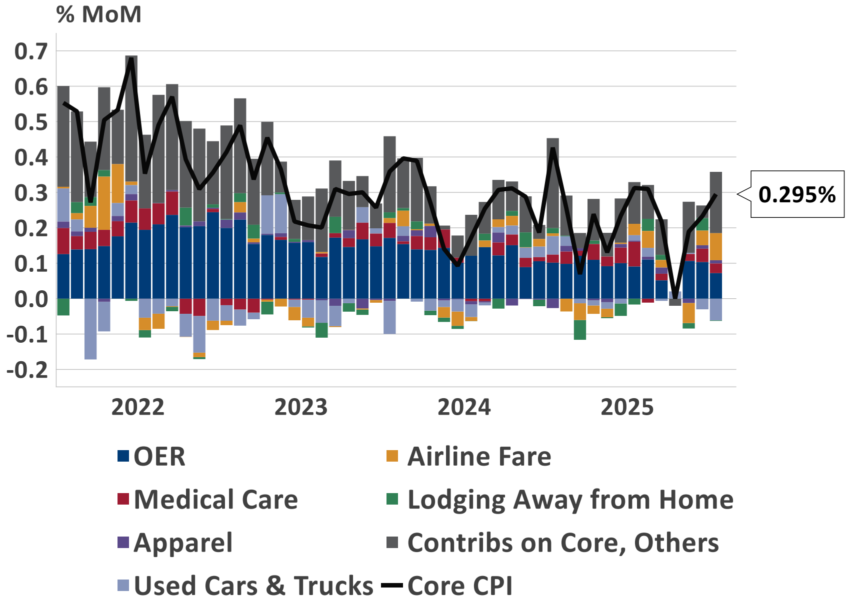
Source: BOCOM BBM, Macrobond, BLS

US: Core CPI Main Components (%)



Source: BOCOM BBM, Macrobond, BLS

US: Core CPI MoM Contributions

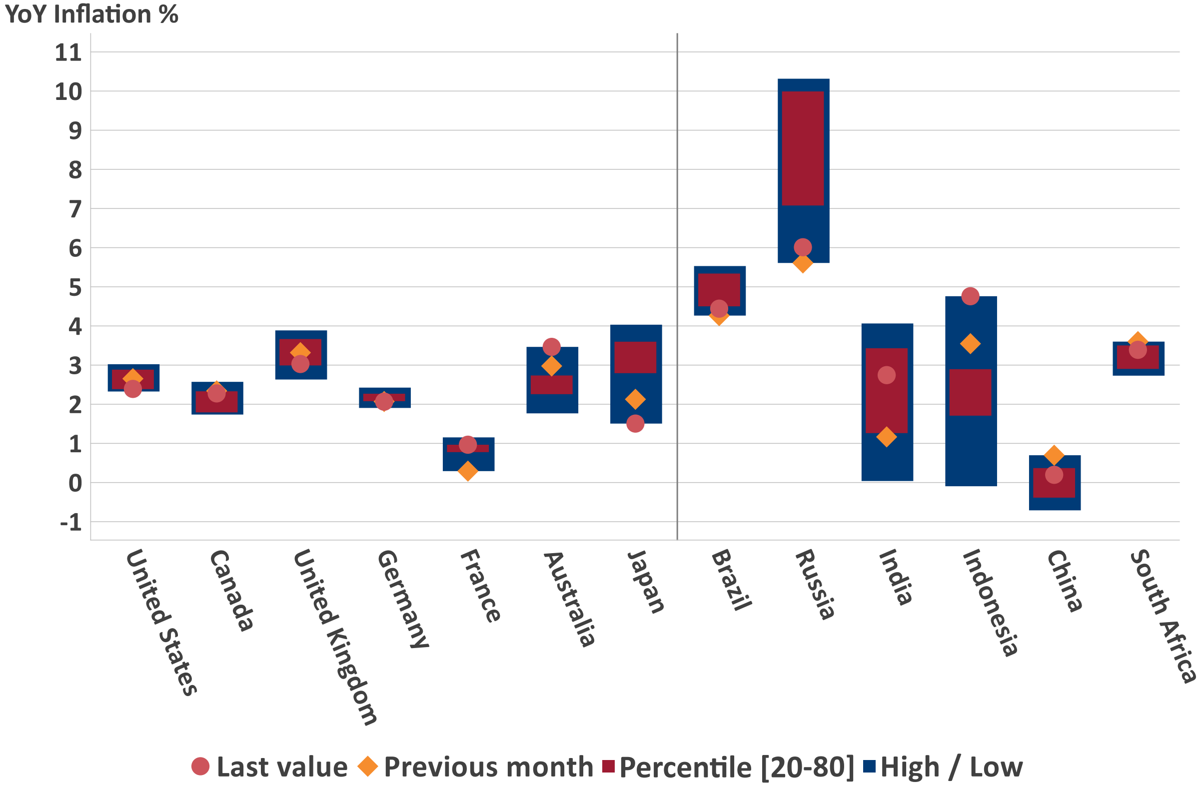


Source: BOCOM BBM, Macrobond, BLS

Global: Inflation & Activity

- Several developed markets have experienced progress in inflation numbers in 2025. However, it seems to have stalled in some (like the US) and is heterogeneous 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 last year’s resilience.
- For 2026, fiscal easing is expected to boost growth in many major markets, such as Japan and the US. But the recent increase in geopolitical tensions increases risks in the direction of slower global growth and more inflation.

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

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

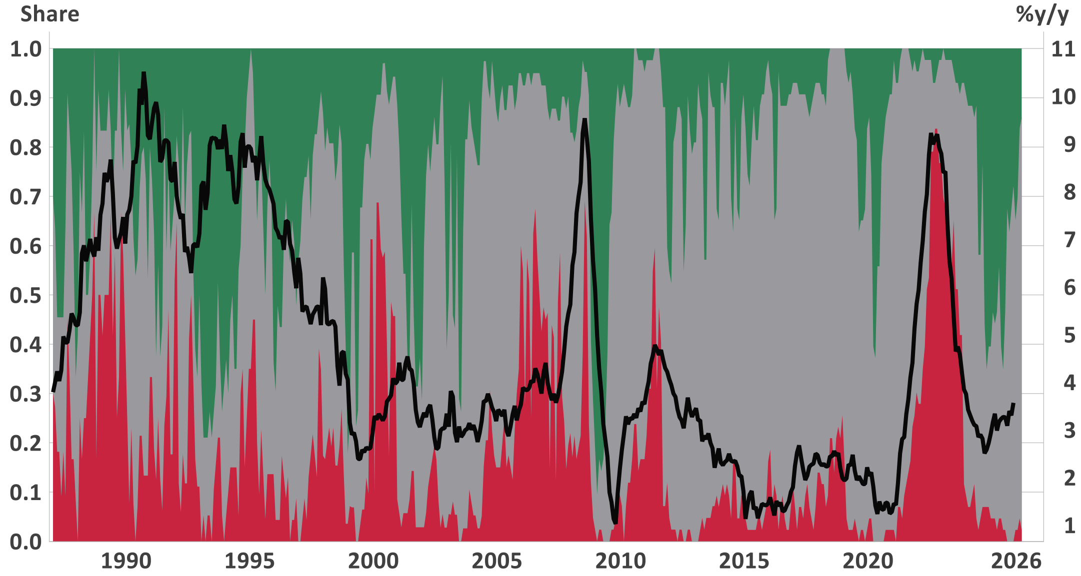
Sources: BOCOM BBM, Macrobond, National Sources

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 remains with a hiking bias;
- With a recent trade re-escalation, the uncertainty regarding potential effects of US tariffs in each country's domestic context should continue to drive institutions towards a more careful approach in 2026, reinforced by rising geopolitical tensions. 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, 6-Mar-26



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	32,4	33,4	29,00	-3,00	Cut	1/2025	29	13
Australia	3,8	4,1	3,85	0,25	Hike	2/2026	1	7
Brazil	4,4	4,5	15,00	0,25	Hike	6/2025	9	22
Canada	2,3	2,6	2,25	-0,25	Cut	10/2025	32	4
Chile	2,4	2,5	4,50	-0,25	Cut	12/2025	41	3
China	0,2	0,8	3,00	-0,10	Cut	5/2025	145	10
Colombia	5,4	5,5	10,25	1,00	Hike	2/2026	1	10
Costa Rica	-2,5	0,3	3,25	-0,25	Cut	12/2025	40	3
Czech Republic	1,4	0,2	3,50	-0,25	Cut	5/2025	44	10
Denmark	0,8	1,9	1,75	-0,25	Cut	6/2025	30	9
Euro Area	1,9	2,4	2,15	-0,25	Cut	6/2025	30	9
Hungary	2,0	2,7	6,25	-0,25	Cut	2/2026	41	0
Indonesia	4,8	2,6	4,75	-0,25	Cut	9/2025	22	6
Israel	1,8	1,9	4,00	-0,25	Cut	1/2026	33	2
Japan	1,5	2,6	0,75	0,25	Hike	12/2025	2	121
Mexico	3,8	4,5	7,00	-0,25	Cut	12/2025	35	3
New Zealand	3,1	2,5	2,25	-0,25	Cut	11/2025	33	3
Norway	3,6	3,2	4,00	-0,25	Cut	9/2025	27	6
Poland	2,0	2,7	3,75	-0,25	Cut	3/2026	42	0
Russia	6,0	5,4	15,50	-0,50	Cut	2/2026	16	1
Saudi Arabia	1,8		4,25	-0,25	Cut	12/2025	31	3
South Africa	3,4	3,4	6,75	-0,25	Cut	11/2025	33	3
South Korea	2,0	2,3	2,50	-0,25	Cut	5/2025	38	9
Sweden	0,5	2,0	1,75	-0,25	Cut	10/2025	29	5
Switzerland	0,1	0,4	0,00	-0,25	Cut	6/2025	32	9
Turkey	31,5	29,5	37,00	-1,00	Cut	1/2026	11	1
United Kingdom	3,0	3,0	3,75	-0,25	Cut	12/2025	31	3
United States	2,4	2,5	3,75	-0,25	Cut	12/2025	31	3

Source: BOCOM BBM, Macrobond

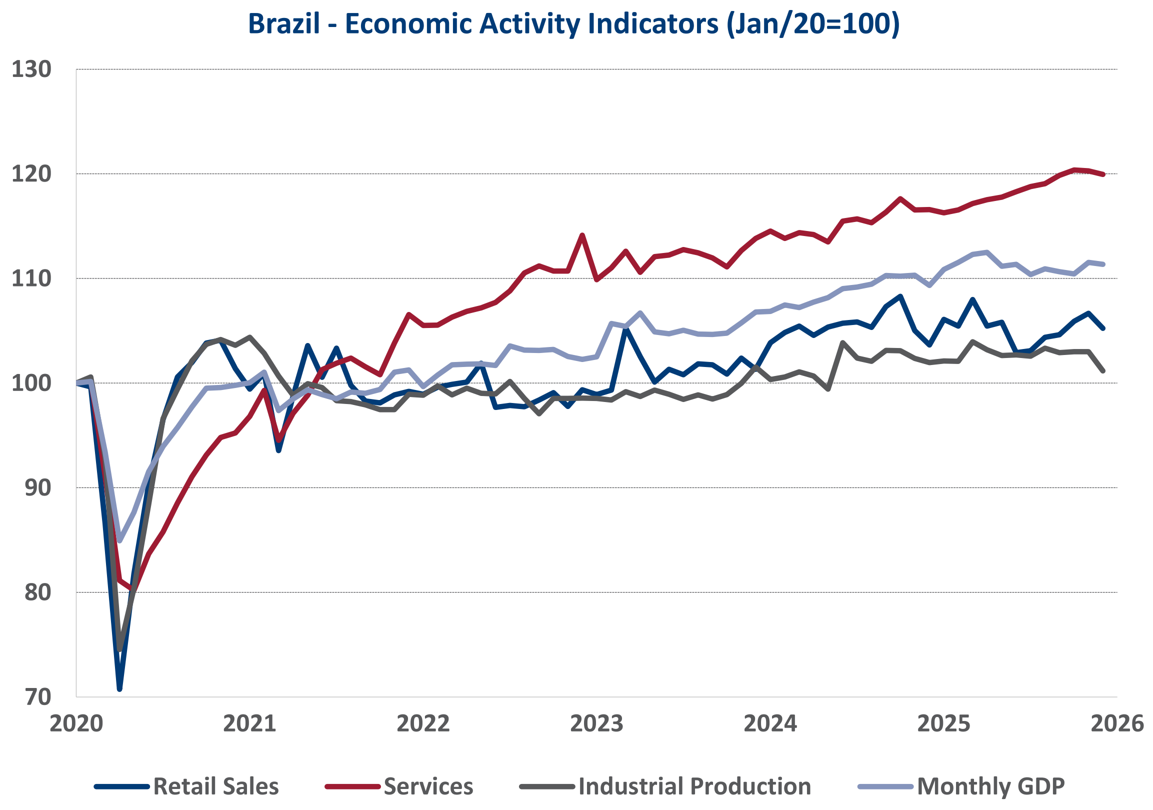
Brazil: Forecasts

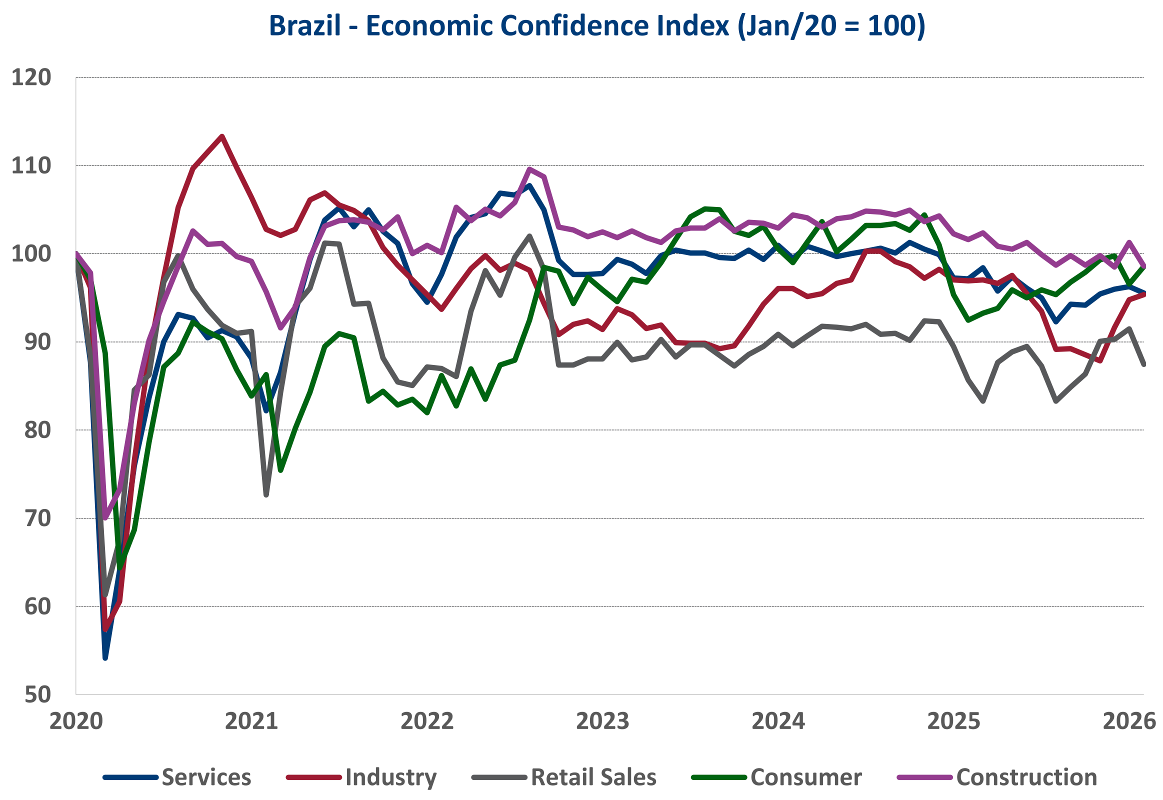
ECONOMIC FORECASTS	2020	2021	2022	2023	2024	2025	2026F	2027F
GDP Growth (%)	-3.3%	4.8%	3.0%	2.9%	3.4%	2.3%	1.8%	1.5%
Inflation (%)	4.5%	10.1%	5.8%	4.6%	4.8%	4.3%	3.8%	3.5%
Unemployment Rate (eoy ,%)	14.2%	11.1%	7.9%	7.4%	6.2%	5.1%	5.5%	6.2%
Policy Rate (eoy, %)	2.0%	9.3%	13.8%	11.75%	12.3%	15.0%	12.5%	10.50%
External Accounts								
Trade Balance (US$ bn)	36	42	52	92	66	60	70	71
Current Account Balance (US$ bn)	-25	-40	-42	-28	-66	-69	-60	-57
Current Account Balance (% of GDP)	-1.7%	-2.4%	-2.2%	-1.3%	-3.0%	-3.0%	-2.5%	-2.2%
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%	78.7%	82.2%	86.3%

Source: BOCOM BBM, IBGE

Brazil: Activity

- In December, industrial production declined 1.2% MoM, slightly below market expectations (-1.1%). Additionally, services edged down 0.4% MoM (vs. -0.1% expected), retail sales also surprised on the downside, falling by 0.4% MoM (vs. 0.2% expected). The broader set of indicators continues to point to a gradual economic slowdown. The IBC-BR contracted 0.18% MoM.
- Looking ahead, the confidence surveys for the services, retail sales and construction contracted in January, while the industrial sector and the consumer confidence grew.

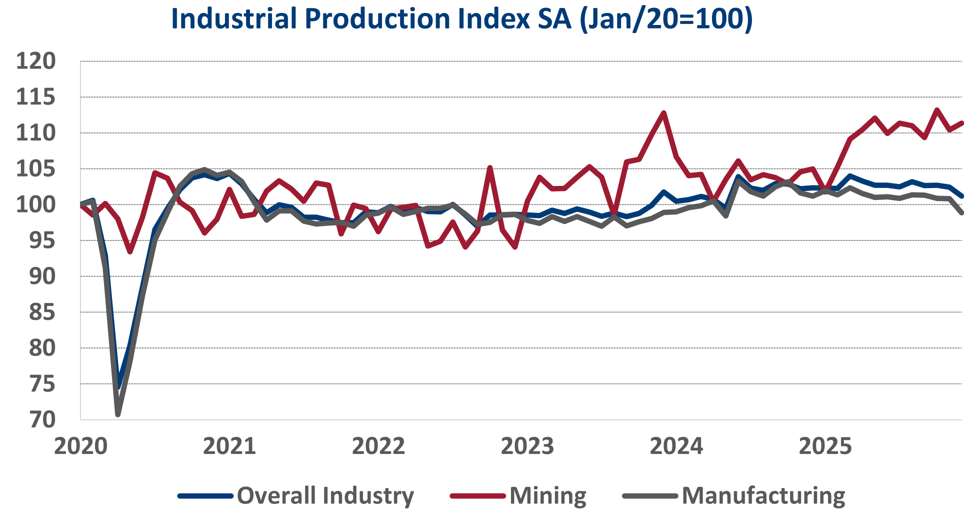


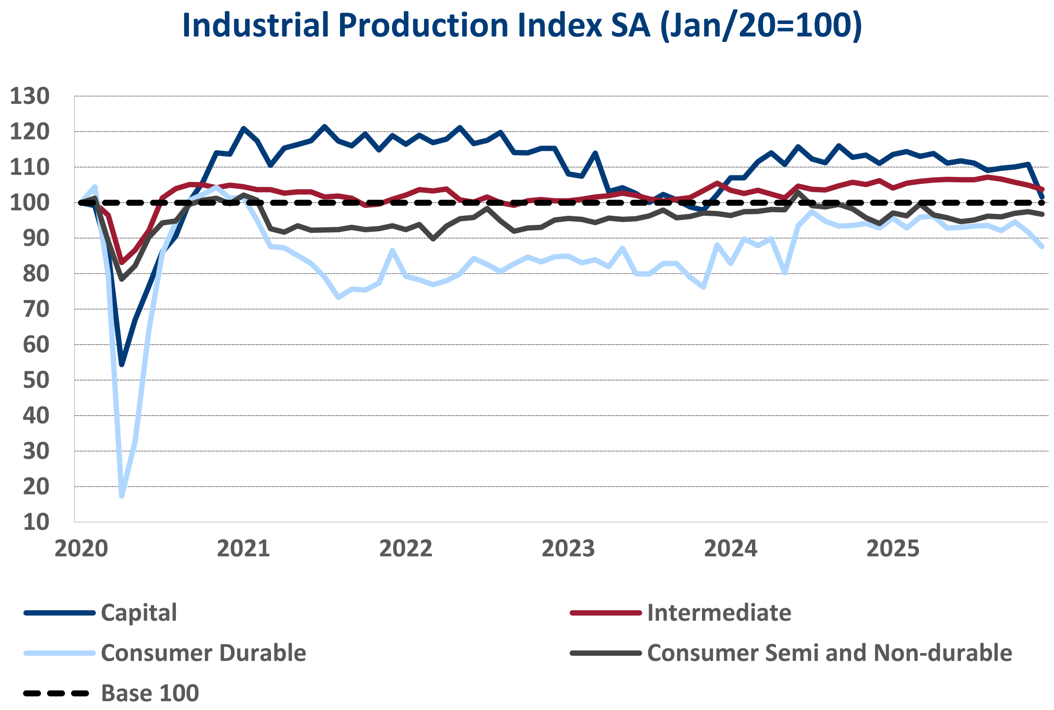


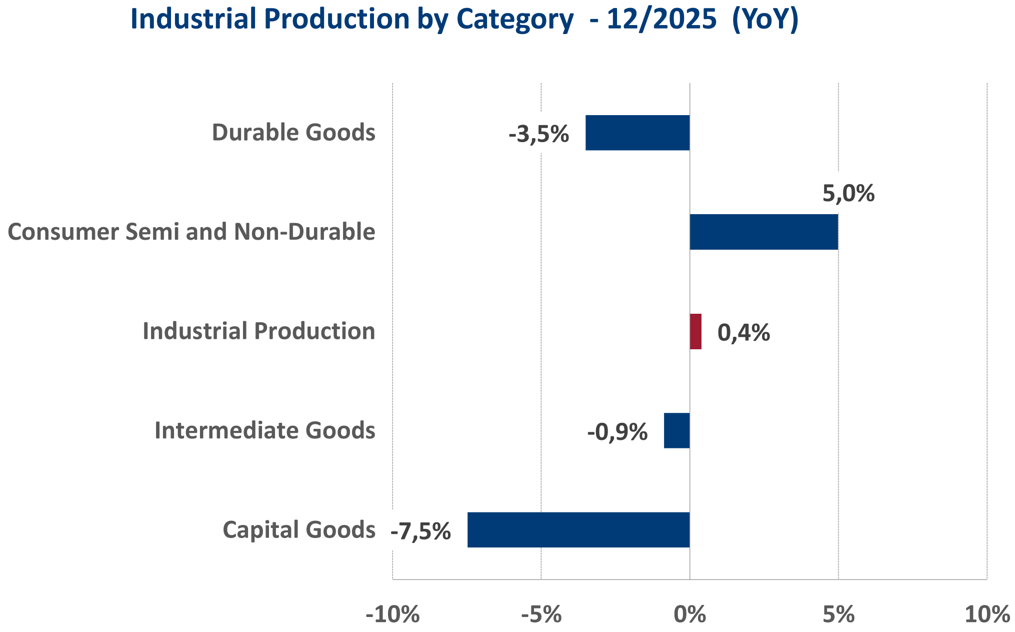
Source: BOCOM BBM, IBGE, FGV

Brazil: Industrial Production

- Industrial output fell by 1.2% from November to December, slightly below market expectations (-1.1%). The manufacturing industry decreased by 1.9% MoM (-1.0% YoY), while the extractive industry increased by 0.9% MoM (7.0% YoY).
- All four economic categories and 17 of the 25 industrial segments decreased in the monthly comparison.
- Capital goods production was the main drag, plunging 8.3% MoM (-2.3% QoQ) and extending the decline to a third consecutive quarter, pointing to weakness in short-term gross fixed capital formation. Similarly, durable consumer goods fell 4.4% MoM and also posted a third straight quarterly contraction (-1.9% QoQ), near-term growth is likely to remain constrained by tighter credit and elevated inventories.
- Intermediate goods declined 1.1% MoM (-1.8% QoQ), extending losses to a fourth consecutive month. Representing around 60% of the overall index, the category remained a key drag, mainly due to further weakness in oil derivatives (-2.3% QoQ) and chemical products (-2.7% QoQ). On the other hand, semi and non-durable consumer goods fell 0.7% MoM (+1.4% QoQ), reflecting gains in food products and apparel.





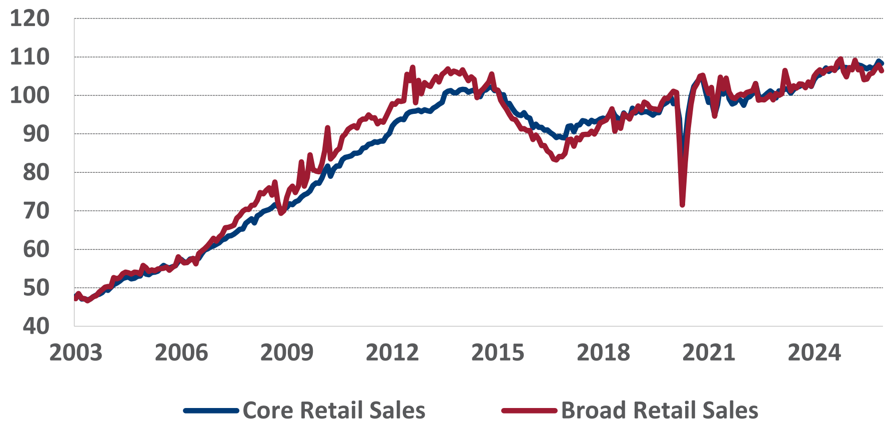


Source: IBGE, BOCOM BBM

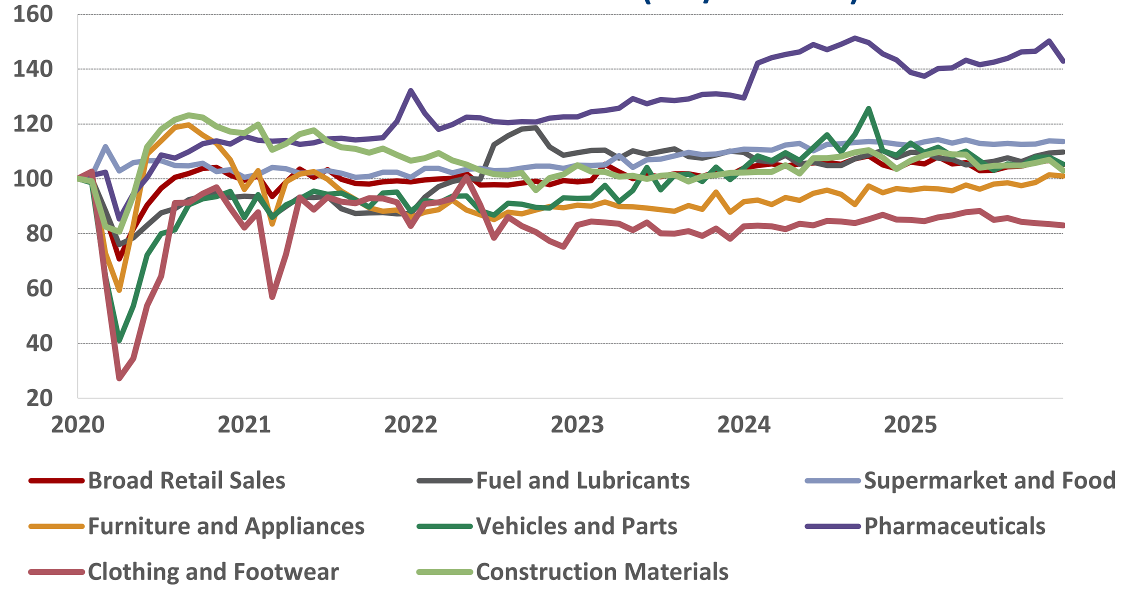
Brazil: Retail Sales

- Broad retail sales fell by 1.2% MoM in December, below expectations (-1.0% MoM).
- In turn, core retail sales declined 0.4% MoM, also below estimates (-0.2% MoM).
- In the breakdown, 8 out of 10 retail activities feel in the monthly comparison, with the highlights being the positive performance of office supplies (+6.0% MoM) and Fuel and Lubricants (+0.3% MoM) .
- On the negative side, Pharmaceutical (-5.1% MoM), Construction Materials (-2.8% MoM), Vehicle and Parts (-2.4% MoM and Books of Magazines (-2% MoM) performed poorly.
- In all, after a poor performance in 2H25 under a still tight monetary policy stance, domestic activity should regain momentum in 1H26 as the still-tight labor market and real income growth keep demand resilient, with targeted federal fiscal transfer to lower-income households with a high propensity to consume and a higher personal income tax exemption threshold providing a fiscal impulse in the background.

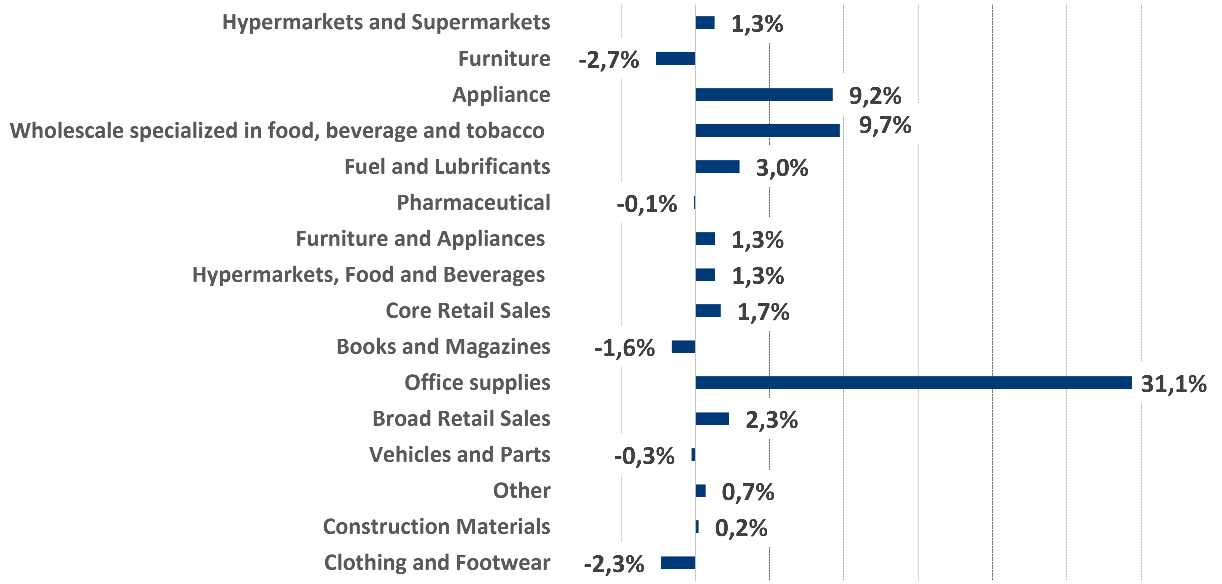
Broad Retail Sales SA x Core Retail Sales SA



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



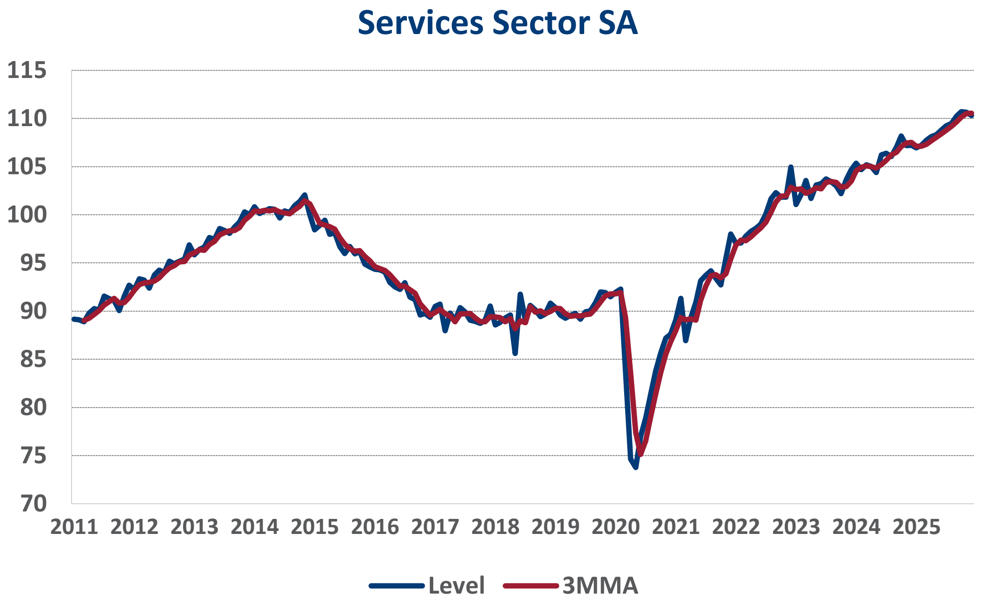
Retail Sales - YoY (12/2025)

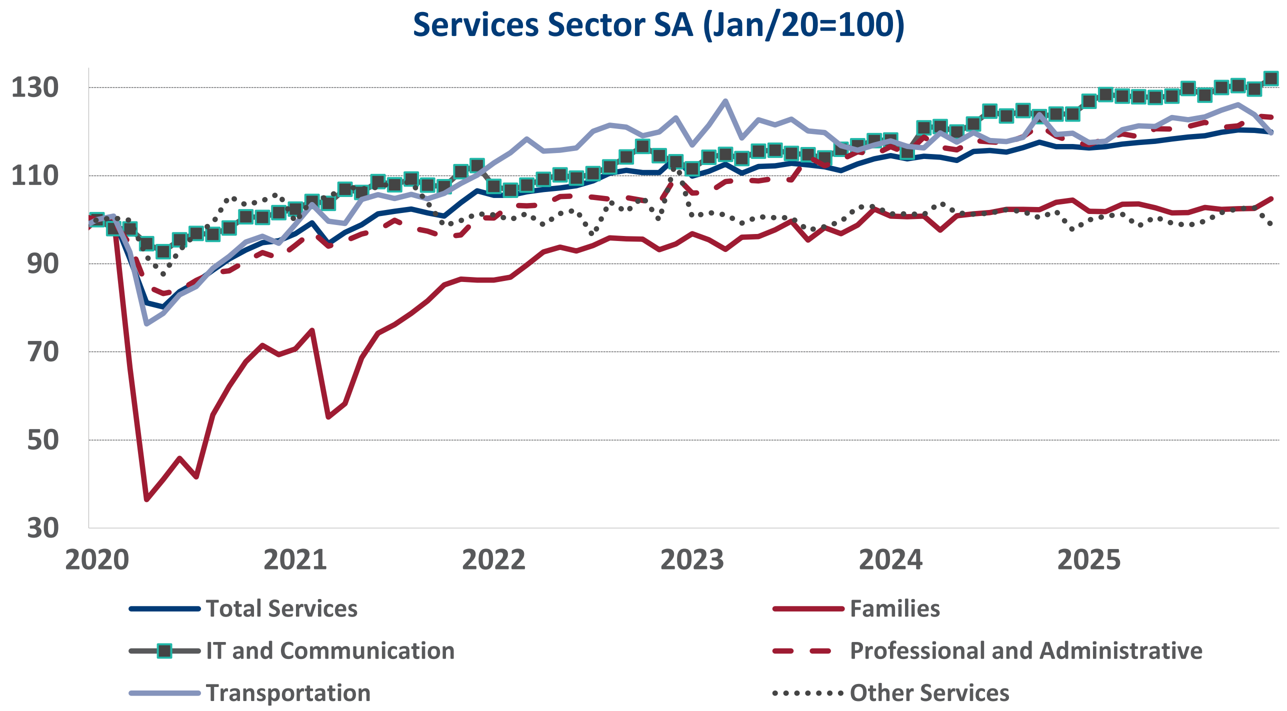


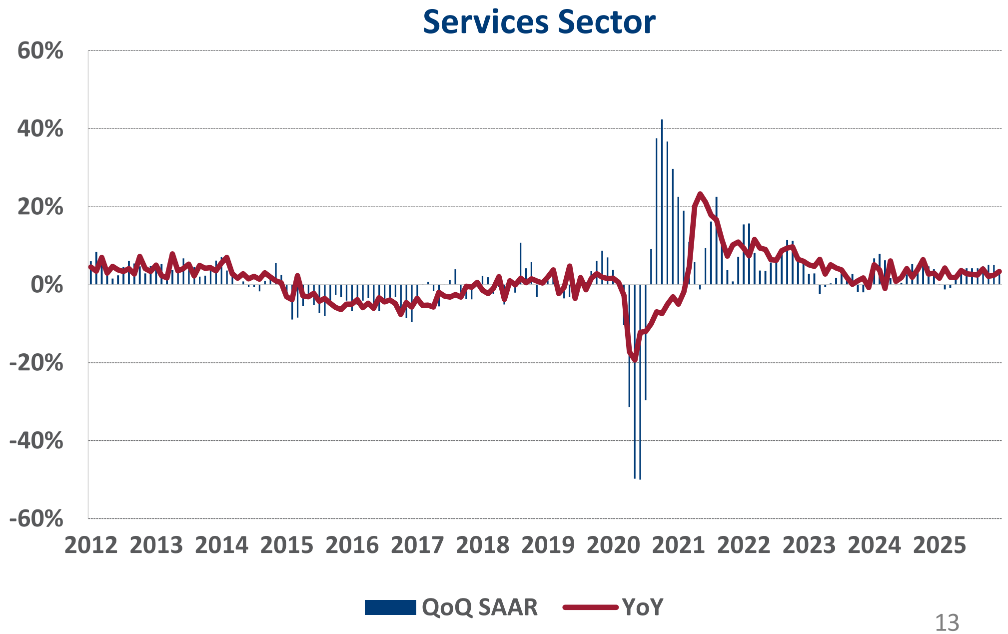
Source: IBGE, BOCOM BBM

Brazil: Services

- The services print fell 0.4% MoM in December, below market expectations (0.1% MoM) and marking a second straight MoM decline. Nevertheless, it increased 0.8% QoQ in Q4 (-0.4% MoM; 2.8% YoY), its eleventh consecutive gain.
- Four of the five major service categories grew in Q4. The highlight was IT and Communication jumped 1.2% QoQ (1.7% MoM; 2.8% YoY), led by the IT Services subsector. Professional and Administrative category expanded by 1.1% QoQ (-0.3% MoM; 4.4% YoY) owing chiefly to the robust performance of Technical Professional Services. The Services Rendered to Families category gained momentum in December, rising 1.1% QoQ (1.1% MoM; 1.8% YoY). Additionally, the Other Services category continued to show volatility, rising 1.0% QoQ (-3.4% MoM; 2.8% YoY).
- On the negative side, Transportation and Storage Services fell sharply in December -0.3% QoQ (-3.1% MoM; 0.8% YoY), with Storage Services and Waterway Transportation explaining most of the contraction at the end of 2025.
- Overall, sectors linked to companies suffered more, while services to family had a marginal expansion, the service sector remains resilient, albeit at a slower pace, and will continue to be a key driver of domestic economy.



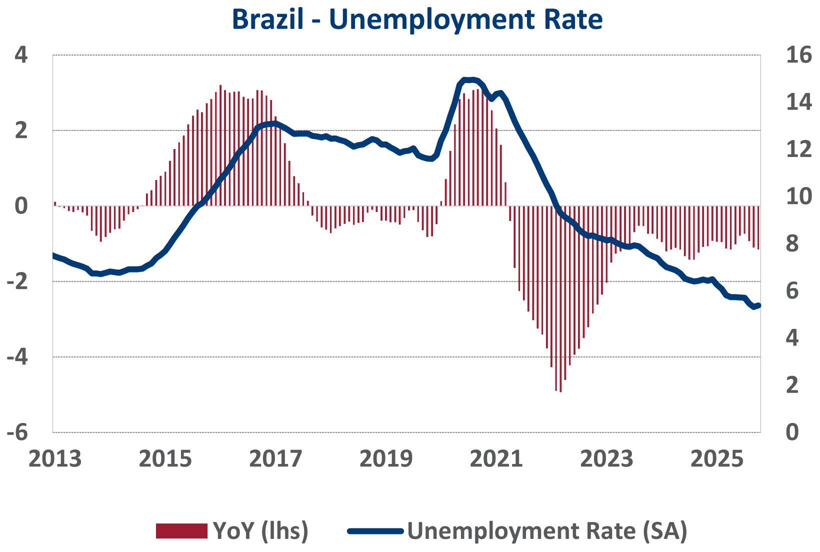


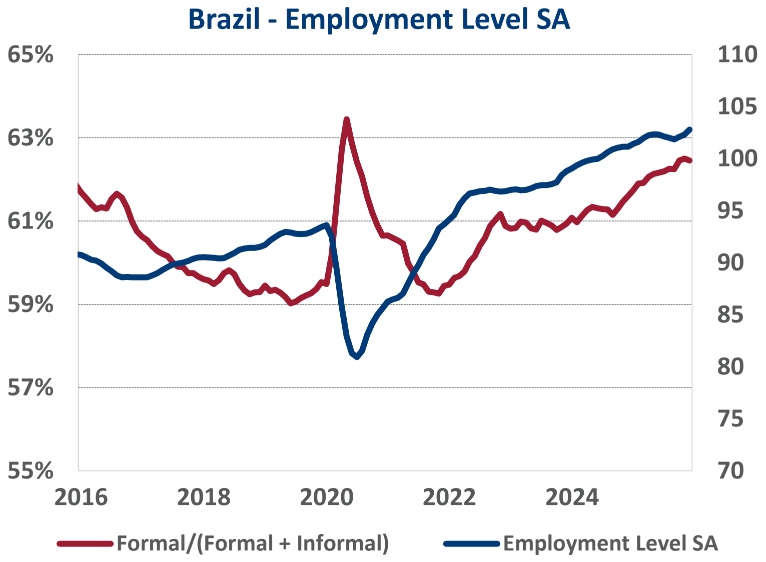


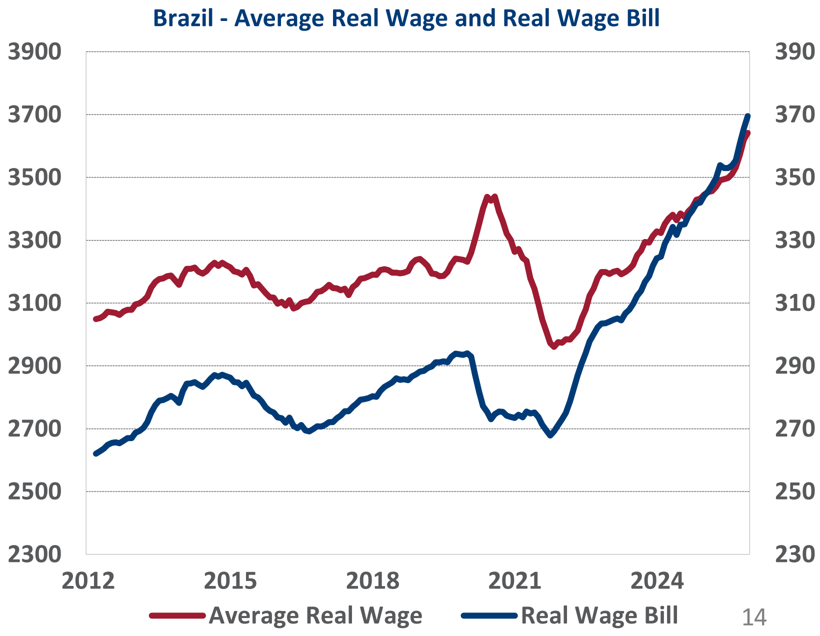
Source: IBGE, BOCOM BBM

Brazil: PNAD

- The unemployment rate rose from 5.1% to 5.4% in the moving quarter up to January, in line with consensus.
- Seasonally adjusted, the indicator ticked up to 5.5% from 5.3%, still a historically low level.
- Total employment increased by 0.4% MoM, standing at 102.7 million, additionally labor force edged up 0.2% MoM too 108.6 million, reflecting a scenario of still tight labor market.
- The labor force participation rate inched up from 62.0% to 62.1%, still below pre-pandemic levels of 63.5%.
- The average real wage increased 0.4% MoM, continuing an upward trajectory.
- Consequently, real aggregated labor income rose by 0.8% MoM, remaining at historically high levels.



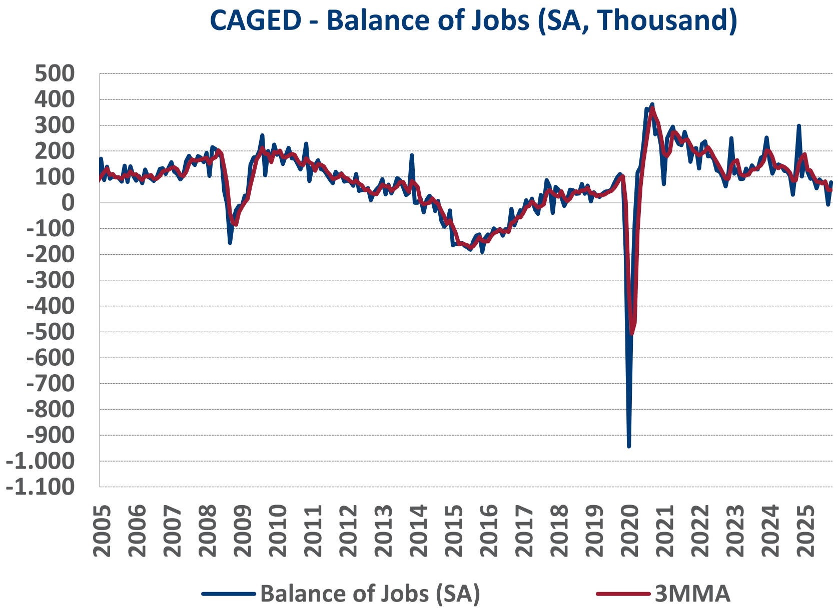


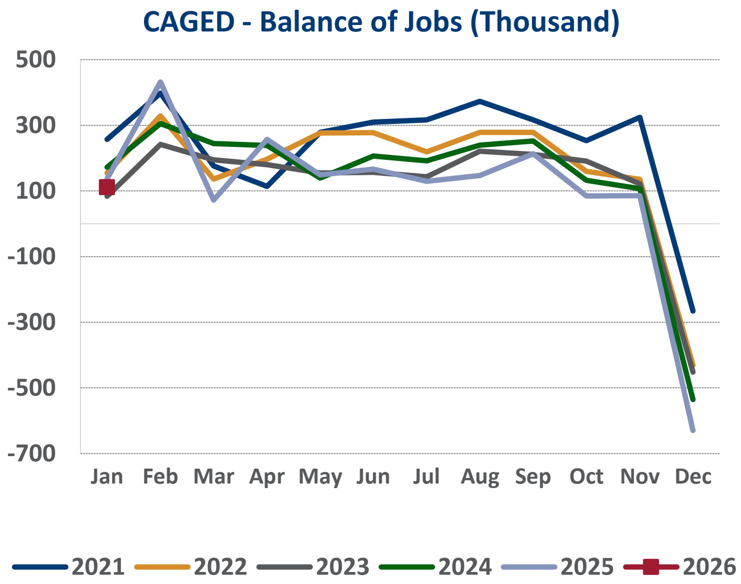


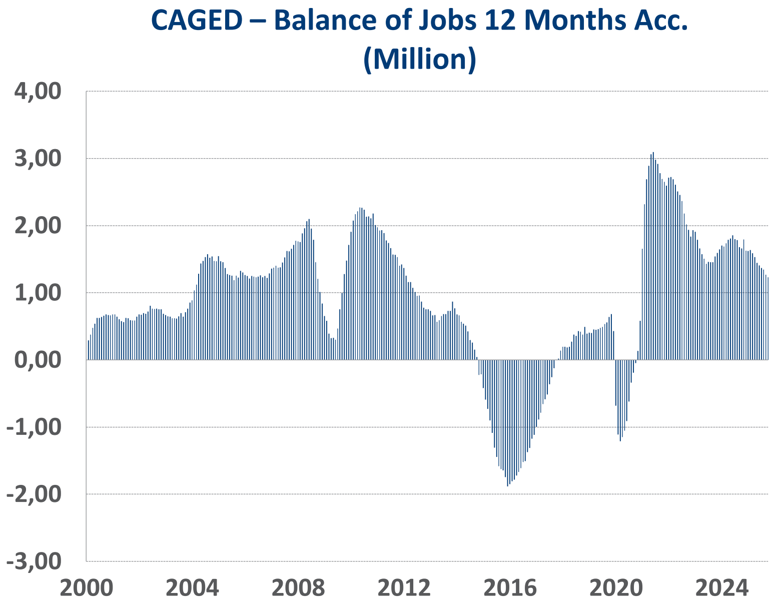
Source: IBGE, BOCOM BBM, MTE

Brazil: Formal Labor Market

- CAGED registered a net creation of 112.3k formal jobs in January, above market expectations (95.0k).
- There was a net creation of 1.228 million jobs in the 12-month rolling sum up to January 2026, up from nearly 1.270 million in the full-year 2025.
- Overall, formal employment remains on an upward trend, although losing momentum





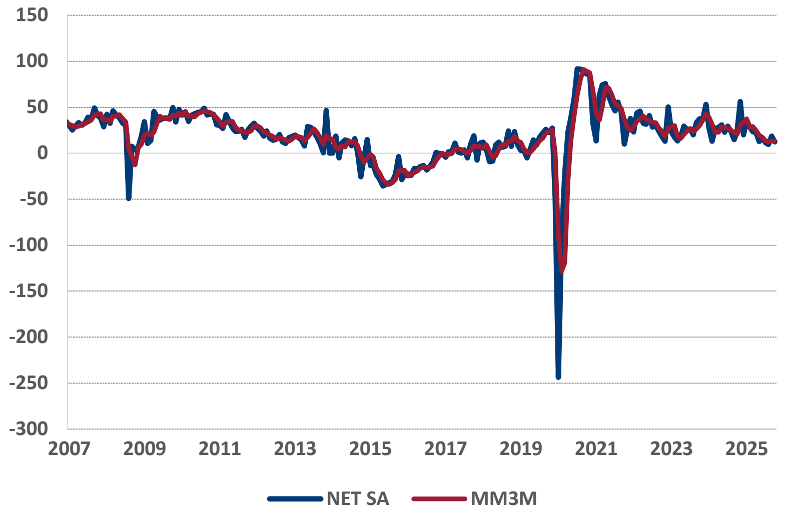


Source: BOCOM BBM, MTE

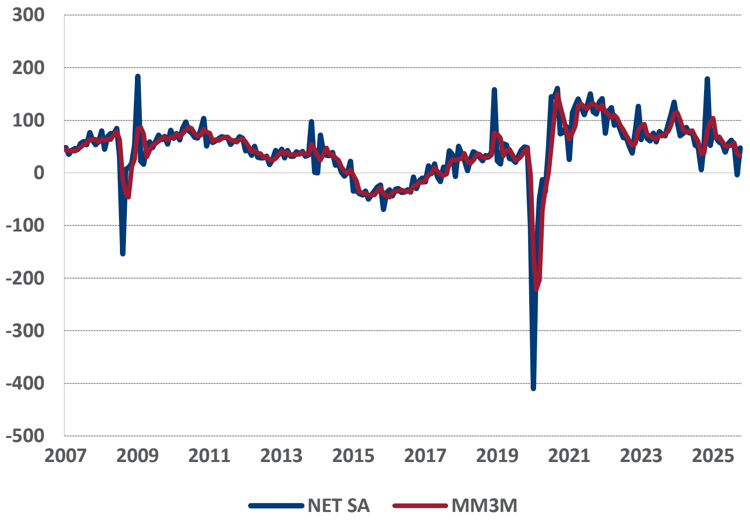
Brazil: Formal Labor Market

- Overall, Formal job creation was larger than expected, although losing momentum.
- In early 2026, all sectors experienced a recovery. Retail rose sharply, moving from –12k to 28k, while Services increased from 19k to 47k. Construction also improved, shifting from –15k to 24k, and Industry advanced from –7k to 18k, all showing significantly higher formal employment balances in January compared with December. Meanwhile, net addition of jobs in Agriculture & Livestock remained stable at 4k.

Brazil - Retail Net Payroll Job Creation (SA)

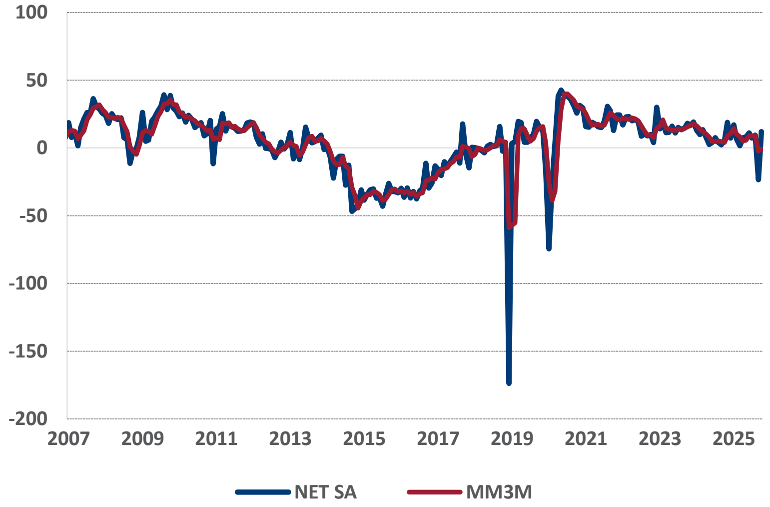


Brazil - Services Net Payroll Job Creation (SA)



Brazil - Industry Net Payroll Job Creation (SA)

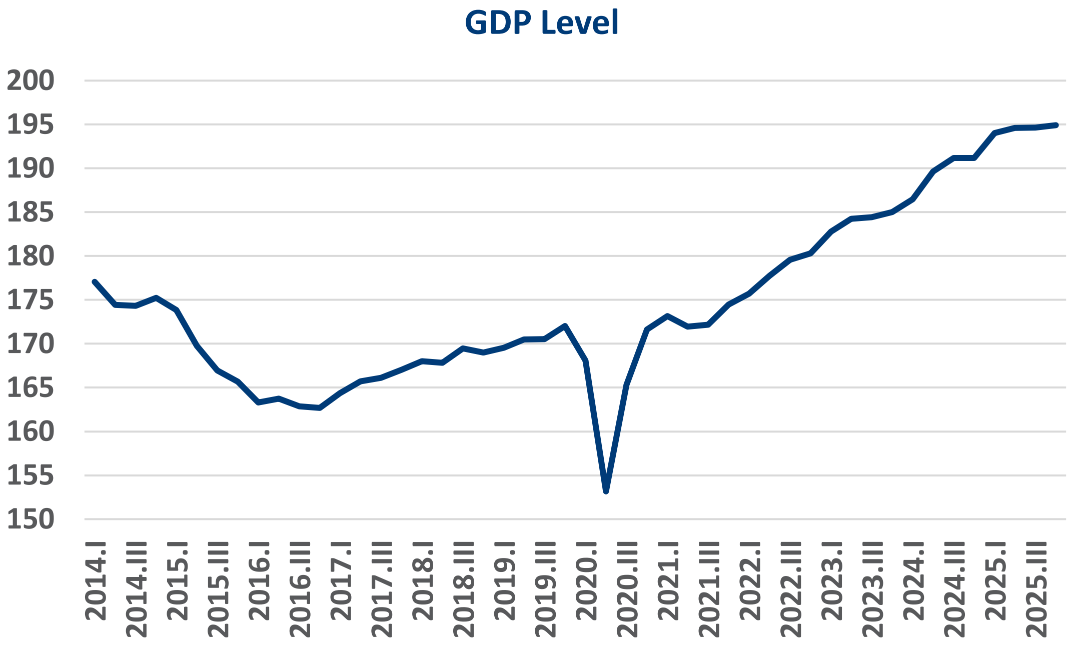
Brazil - Construction Net Payroll Job Creation (SA)



Source: BOCOM BBM, MTE

Brazil: GDP Q4

- The Q425 GDP confirmed the trajectory of slowing economic activity, posting a 0.1% QoQ expansion, in line with our expectation. For full-year 2025, growth reached 2.3%, with a clear deceleration in sectors more sensitive to the economic cycle
- On the supply side, services remained the key growth engine, outperforming expectations
- At the same time, industry softened, with manufacturing and construction showing renewed fragility amid tighter financial conditions. On the other hand, extractive activities maintained a solid expansion
- Finally, agriculture delivered a notably strong year-over-year performance in the last quarter, reinforcing its role as an important growth vector and benefitting from another record grain harvest

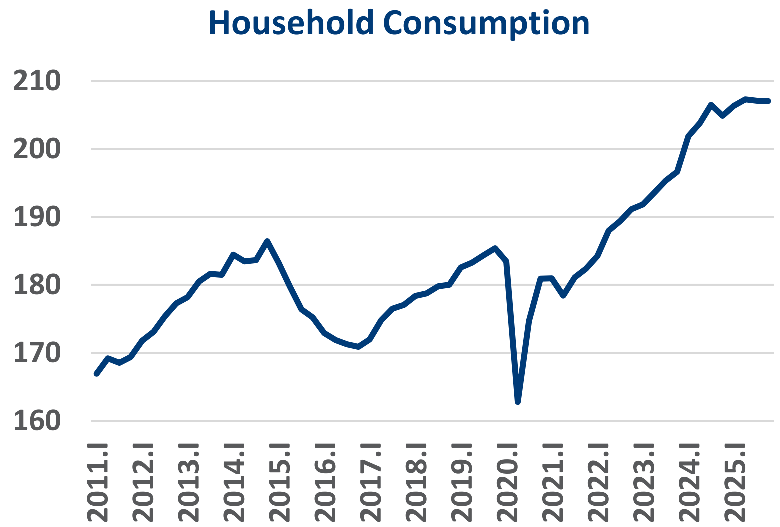


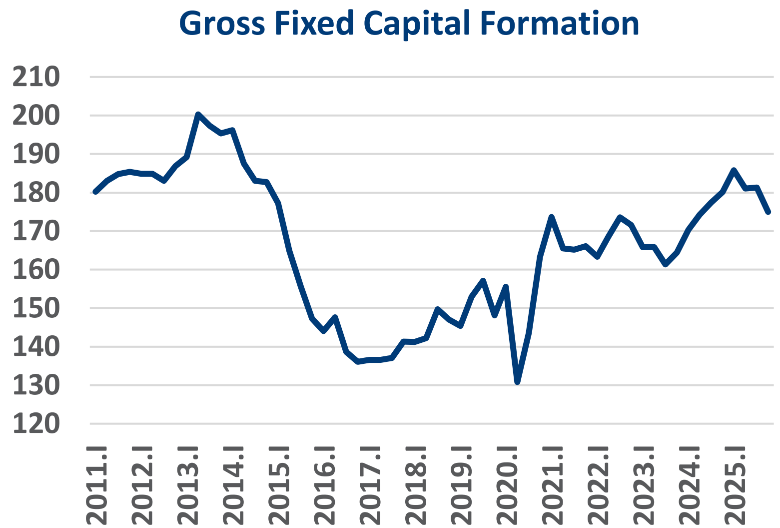
	Official	Forecast	Official	Forecast		
	Q4 QoQ	Q4 QoQ	Q4 YoY	Q4 YoY	2025	Carry
GDP	**0.1%**	**0.1%**	**1.8%**	**1.7%**	**2.3%**	**0.2%**
Agriculture	**0.5%**	**-2.2%**	**12.1%**	**7.0%**	**11.7%**	**0.1%**
Industry	**-0.7%**	**0.1%**	**0.6%**	**1.5%**	**1.4%**	**0.0%**
Mining	1.1%	1.6%	12.0%	12.8%	8.6%	2.8%
Manufacturing	-0.6%	-0.5%	-2.0%	-1.9%	-0.2%	-0.5%
Electricity	1.5%	0.0%	1.0%	-1.2%	-0.4%	0.2%
Construction	-2.3%	2.1%	-2.9%	3.0%	0.5%	-1.5%
Services	**0.8%**	**0.4%**	**2.0%**	**1.6%**	**1.8%**	**0.9%**
Retail	-0.3%	1.0%	0.2%	2.1%	1.1%	-0.1%
Transports	-1.4%	-0.8%	1.7%	2.7%	2.1%	0.5%
Information and Comunication	1.5%	1.2%	7.1%	6.6%	6.5%	2.1%
Financial Services	3.3%	0.0%	4.5%	0.4%	2.9%	2.4%
Rents	0.2%	0.2%	1.9%	1.9%	2.0%	0.6%
Other Services	0.7%	-0.2%	2.1%	0.9%	2.0%	0.7%
Public Administration	0.4%	0.4%	0.9%	1.0%	0.5%	0.5%

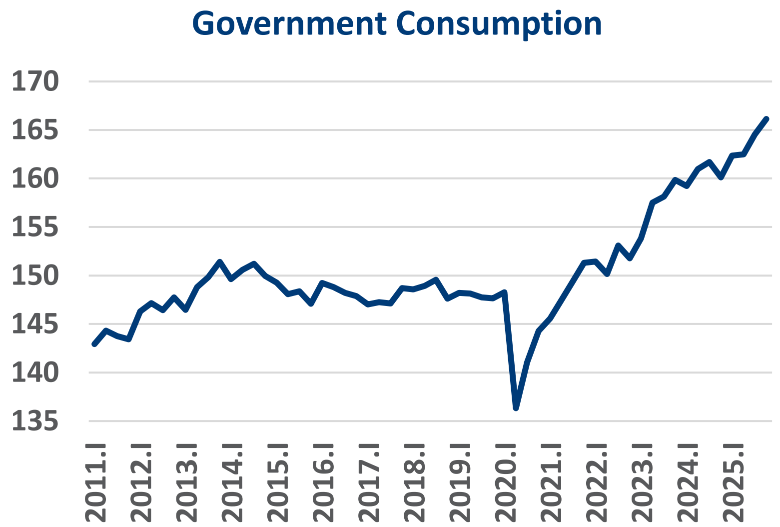
Source: BOCOM BBM, IBGE

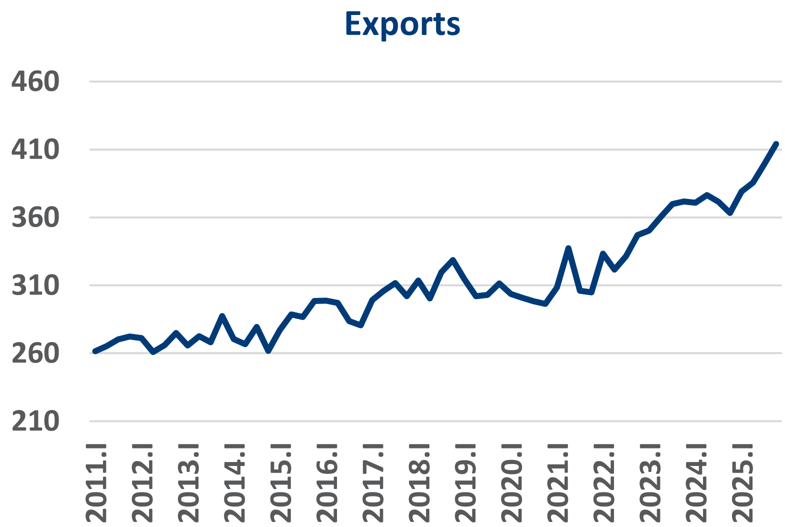
Brazil: GDP Q4

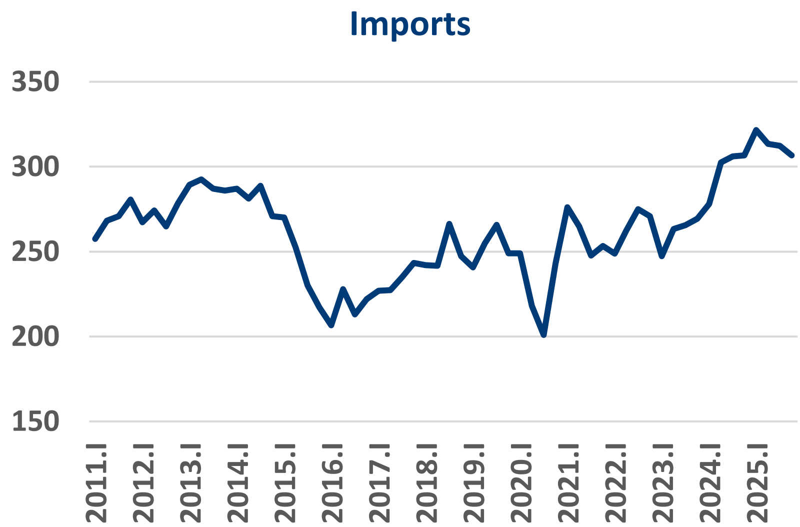
- From a demand perspective, the stagnation of household consumption and imports stands out, confirming a significant cyclical slowdown in the economy.
- On the other hand, growth was driven by government consumption and exports.











Source: BOCOM BBM, IBGE

Brazil: GDP Forecast

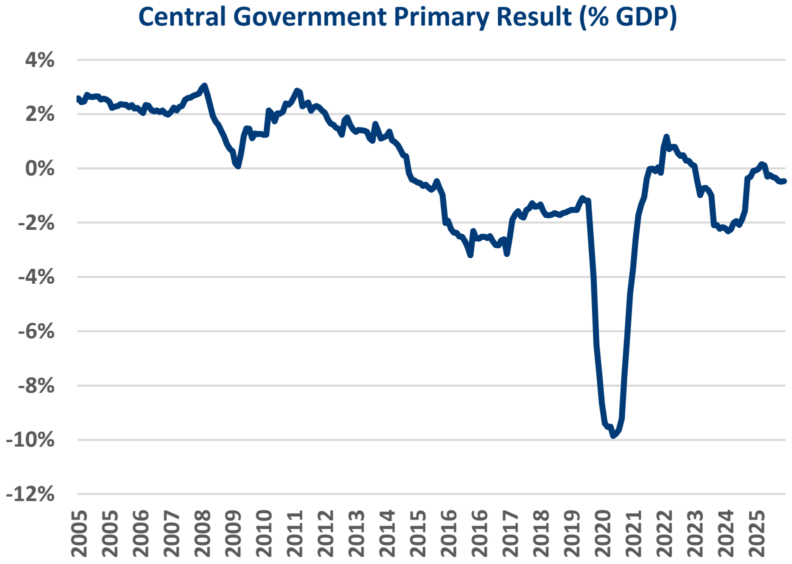
- Our projection for GDP growth in 2026 was maintained at 1.8%, with an upward bias due to the impact of the new fiscal and credit stimulus policies approved at the end of last year.

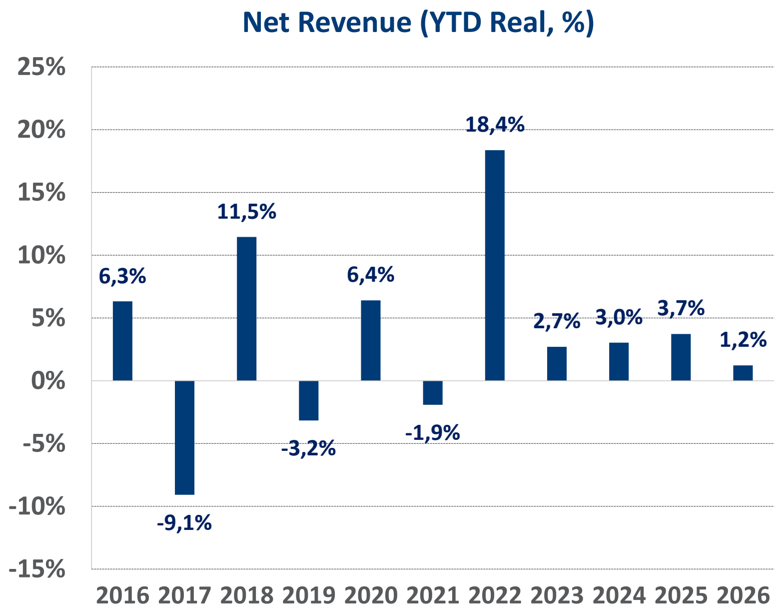
Forecasts				
	2026.I QoQ	2026.I YoY	2026	2027
GDP	**0.9%**	**1.5%**	**1.8%**	**1.5%**
Agriculture	**4.0%**	**4.5%**	**2.4%**	**5.0%**
Industry	**0.1%**	**0.2%**	**0.8%**	**0.6%**
Mining	-0.7%	7.0%	5.7%	2.5%
Manufacturing	-0.2%	-1.2%	-0.2%	0.3%
Electricity	2.1%	1.7%	2.3%	2.8%
Construction	-0.6%	-3.2%	-2.2%	-2.1%
Services	**0.6%**	**1.8%**	**2.1%**	**1.5%**
Retail	0.0%	0.1%	0.5%	0.5%
Transports	-0.2%	1.4%	2.0%	2.1%
Information and Comunication	1.1%	5.4%	4.4%	3.0%
Financial Services	0.9%	4.5%	4.4%	1.8%
Rents	0.7%	2.2%	2.5%	3.0%
Other Services	0.4%	1.9%	2.2%	1.0%
Public Administration	0.3%	0.9%	1.4%	1.5%

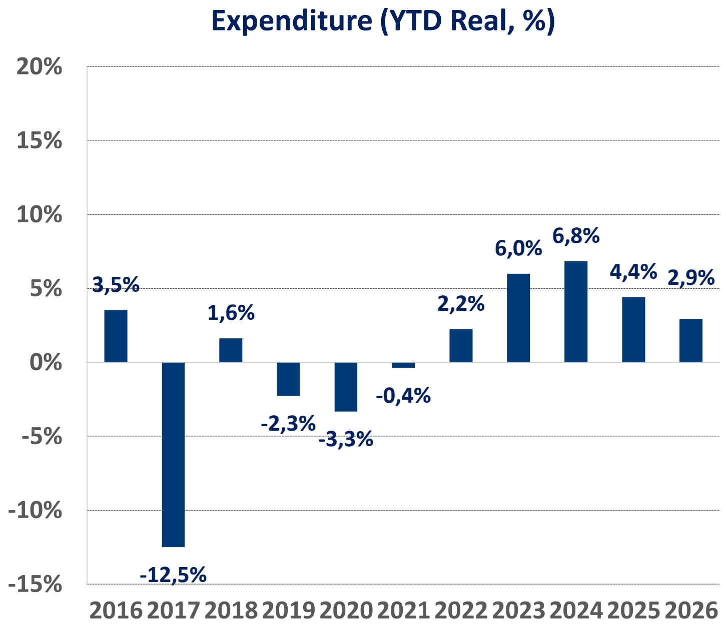
Source: BOCOM BBM, IBGE

Brazil: Central Government Primary Result

- The central government's primary balance posted a surplus of BRL 86.9 billion in January, below market consensus (BRL 89.0 billion), while slightly above the surplus recorded in the same month last year (BRL 85.1 billion).
- Net revenues grew by 1.2% YoY in real terms. Revenue administered by the RFB increased 3.7% in the wake of increases in income tax (3.3%), mostly related to withholding income tax on labor earnings and capital gains, IOF (49.3%) on the back of the tax hike implemented last year, and other revenue administrated by RFB (43.7%) caused by lottery revenues. Social security contributions increased 6.9%, showing the still solid labor market. In contrast, revenue not administered by the RFB (non-tax revenue) fell by 18.9% mainly due to a sharp drop of 27.4% in exploitation of natural resources, which was, as a result, a consequence of lower oil prices and the exchange rate appreciation.
- Total spending increased 2.9% YoY. The change was driven by social security benefits, which rose 5.3% in the wake of a growth in the number of beneficiaries and the rise in the minimum wage, and Personnel (10.3%) due to the hiring of new civil servants. Additionally, unemployment insurance and wage bonus fell by 27.1%.
- In all, the central government's January balance was virtually flat; slower net-revenue growth, particularly weaker non-tax inflows was offset by rising spending driven by social-security benefits. At the same time, the volatility associated with the election cycle keeps the fiscal outlook uncertain as we enter an election-driven year.





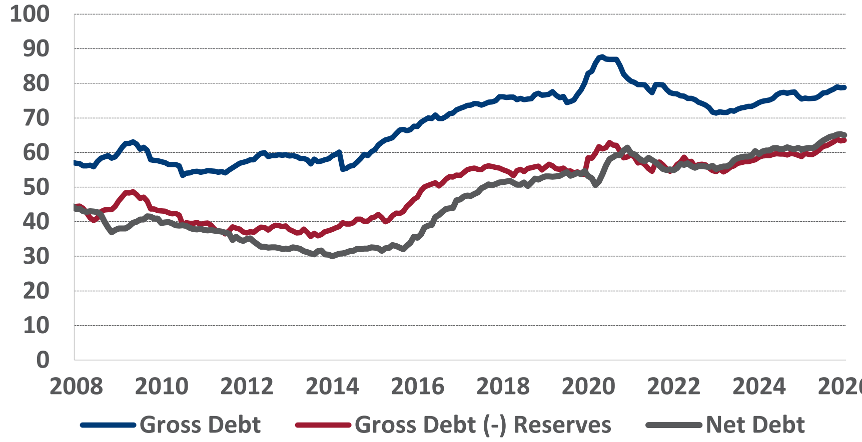


Source: BOCOM BBM, RTN

Brazil: Consolidated Public Sector Budget

- The consolidated public sector posted a primary surplus of BRL 103.7 billion in January, below market consensus (surplus of BRL 105.7 billion) and lower than the BRL 104.1 billion surplus billion recorded in the same month of 2025.
- Regarding the breakdown, the central government and regional governments registered surpluses of BRL 87.3 billion and BRL 21.3 billion, respectively, while state-owned enterprises presented a deficit of BRL 4.9 billion.
- General Government Gross Debt (GGGD) remained at 78.7% of GDP, reflecting a combination of net issuance (-0.2 p.p.) , nominal GDP growth (-0.4 p.p.), and exchange-rate variation (-0.2 p.p), offsetting accrued nominal interest (+0.8 p.p.).
- Overall, January's surplus is mainly seasonal and doesn't change the year view: revenues are still supported by a solid labor market. However, regional governments balances have edged weaker as state spending accelerates ahead of elections. SOEs posted an expected deficit (likely driven by Correios), and interest costs continue to rise as higher rates feed through to debt service, with nominal interest at the highest level since 2016.

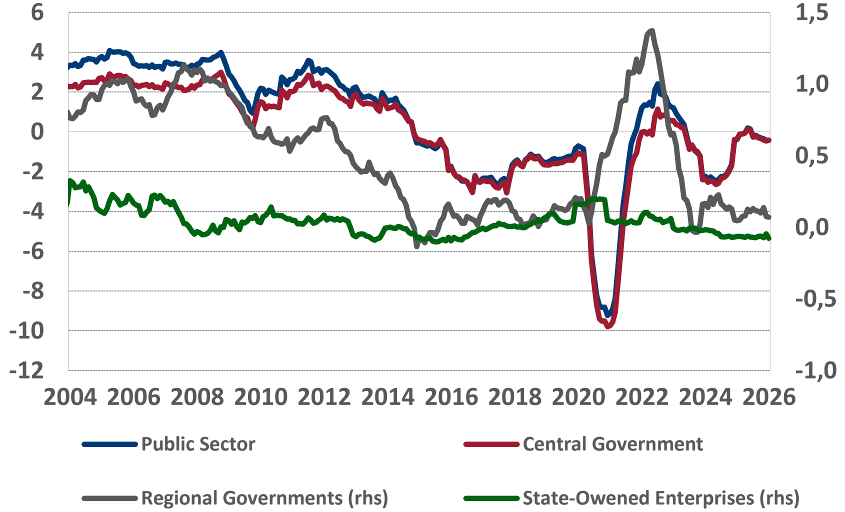
Public Sector Debt (% GDP)



Primary Budget Balance (% GDP 12M)

Central Government (% GDP 12M)

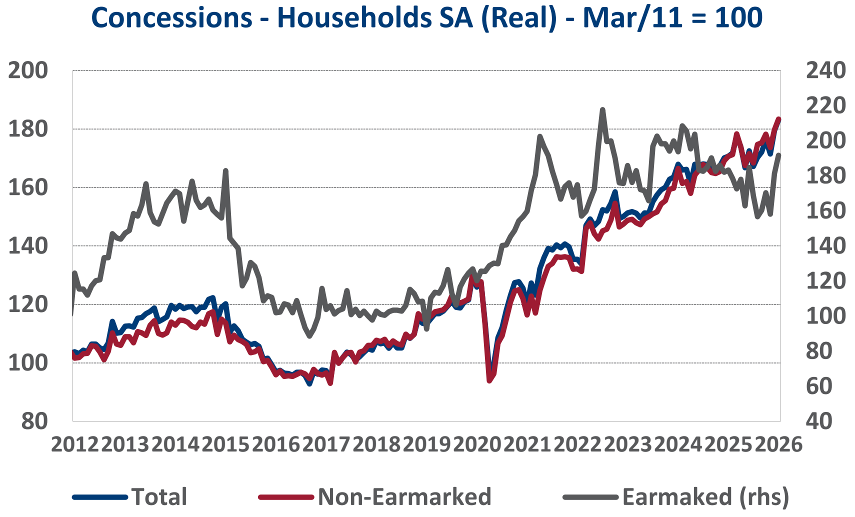
Public Sector Primary Result (% GDP)

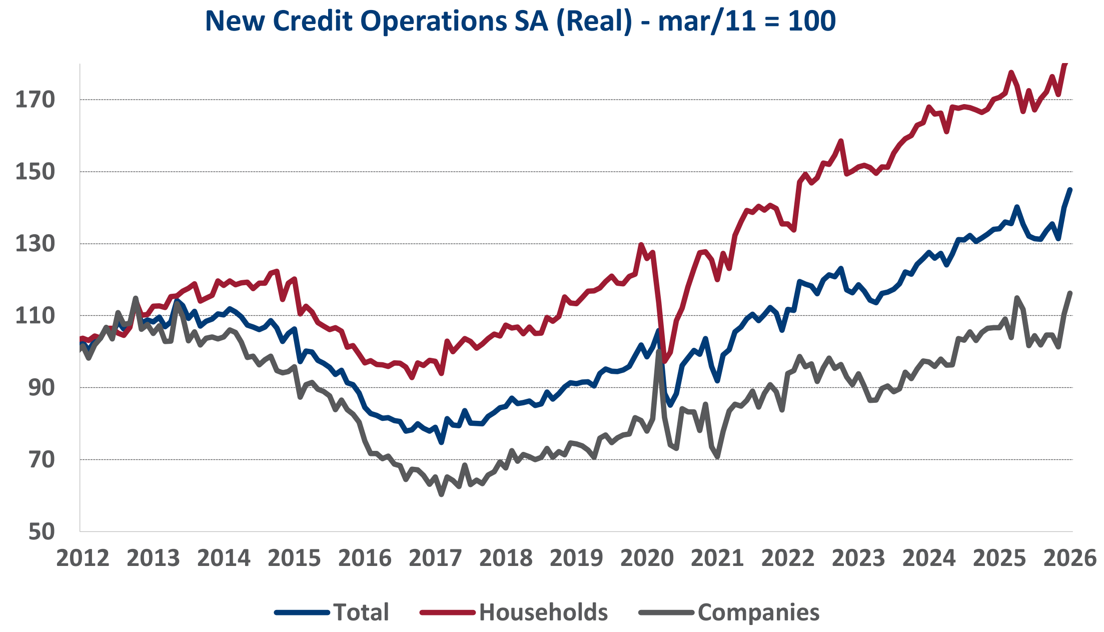


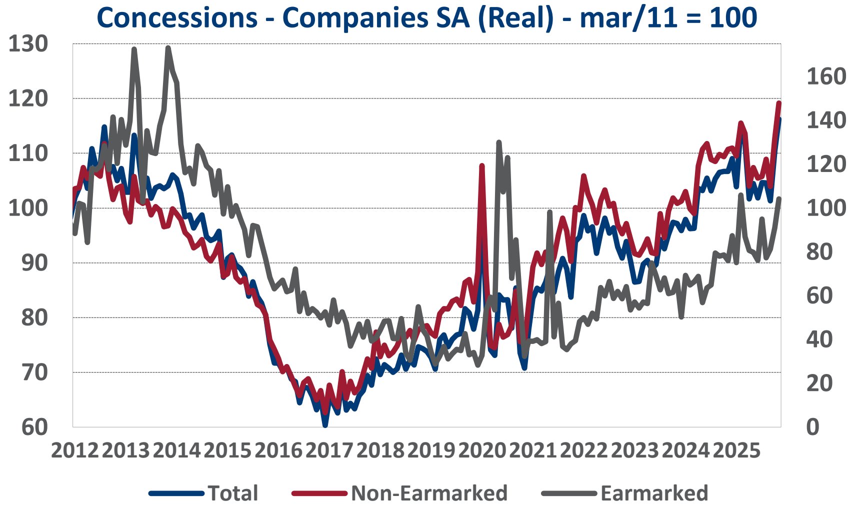
Source: BOCOM BBM, BCB

Brazil: Credit Statistics

- In January, total credit concessions increased by 3.5% MoM in real terms, after increasing by 6.5% in the last month.
- Non-earmarked credit concessions increased 2.1% MoM in real terms to households and rose by 5.3% for companies in the monthly comparison.
- Credit growth remains notably resilient.



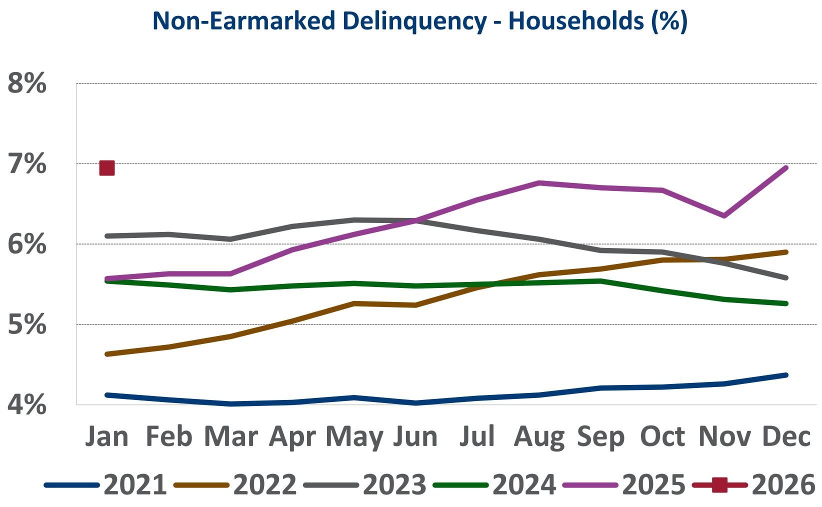


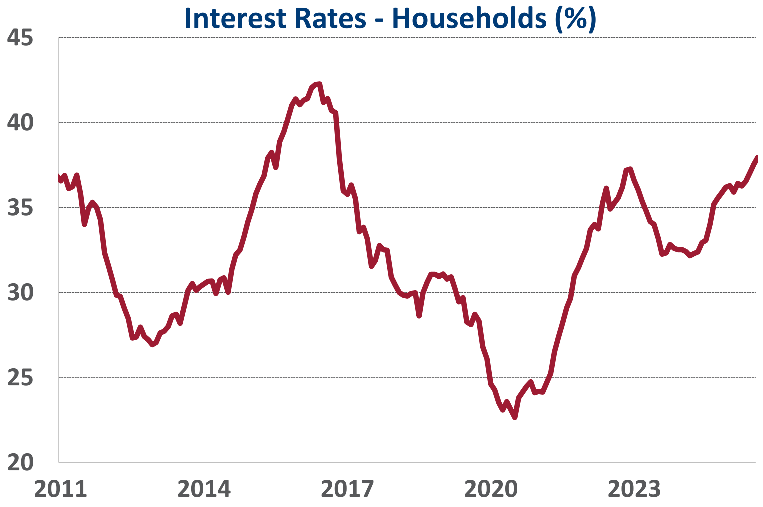


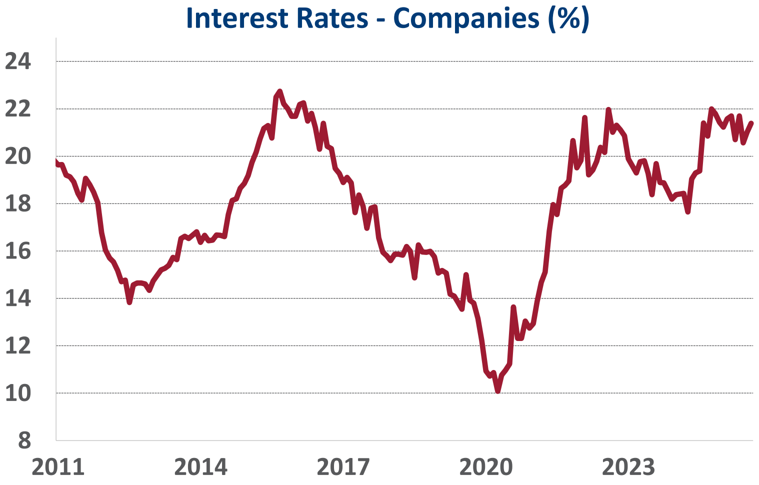
Source: BOCOM BBM, BCB

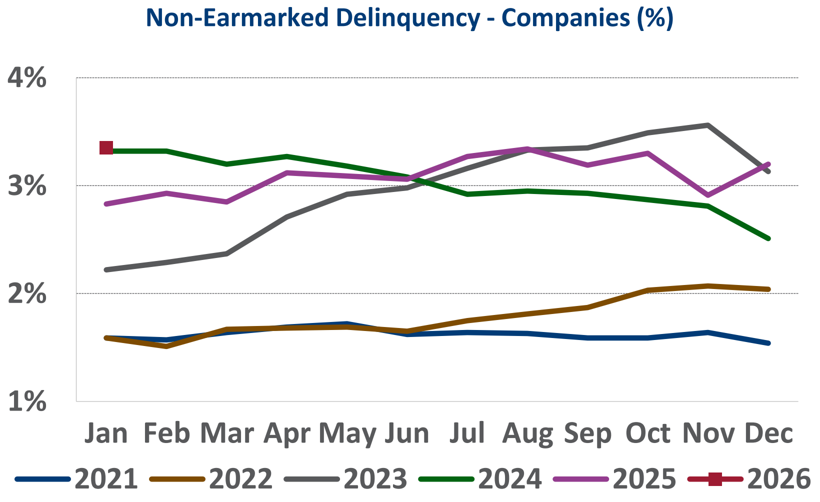
Brazil: Credit Statistics

- Lending rates increased marginally, remaining at high levels for households, reaching 37.95% in January from 37.6% in December, while for companies, rates rose from 21.0% to 21.38%.
- Meanwhile, delinquency on non-earmarked loans for households was unchanged at 6.95% in January, additionally for companies, it increased from 3.2% to 3.35%.





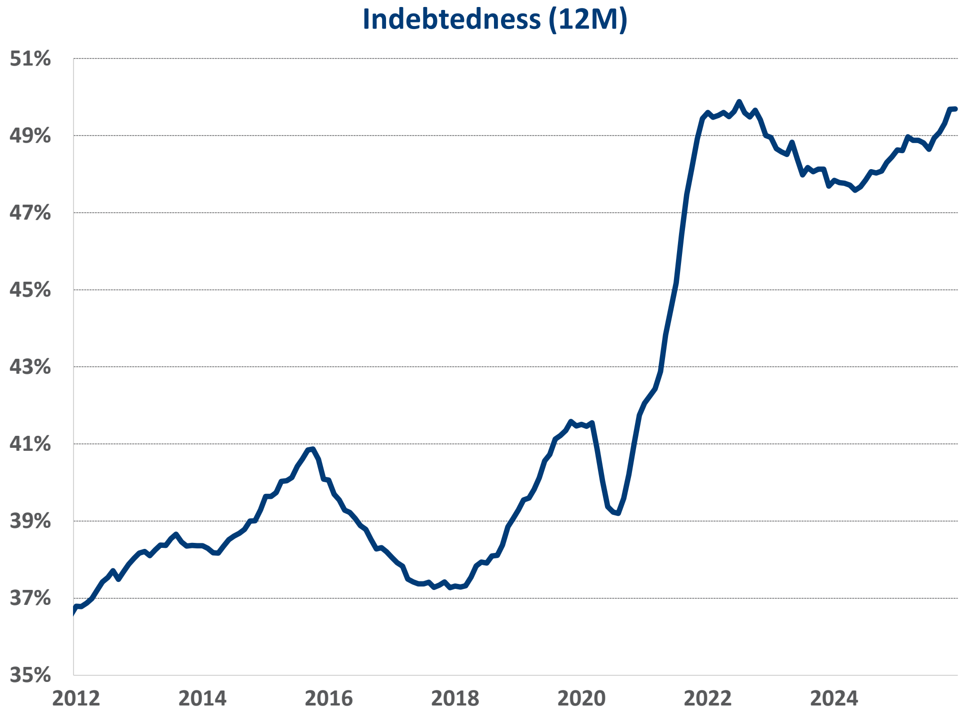


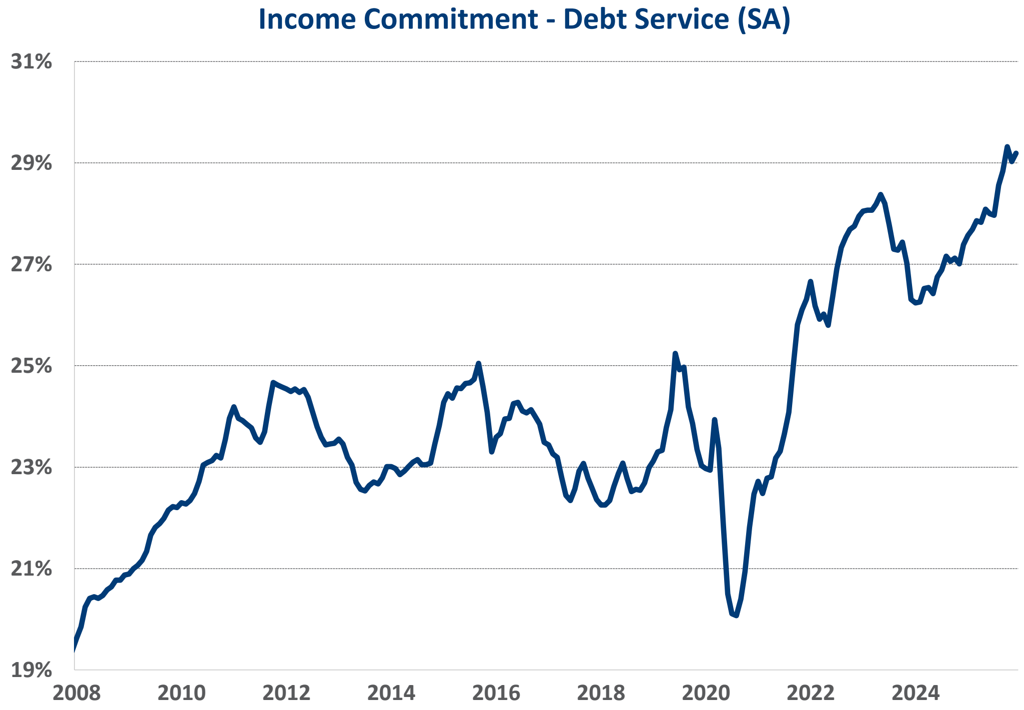


Source: BOCOM BBM, BCB

Brazil: Credit Statistics

- Total household indebtedness remains high, reaching 49.7% in December.
- Meanwhile, income commitment rose to 29.2%.
- Credit conditions remain restrictive, with high household debt and income commitment.





Source: BOCOM BBM, BCB

Brazil: Inflation 2026

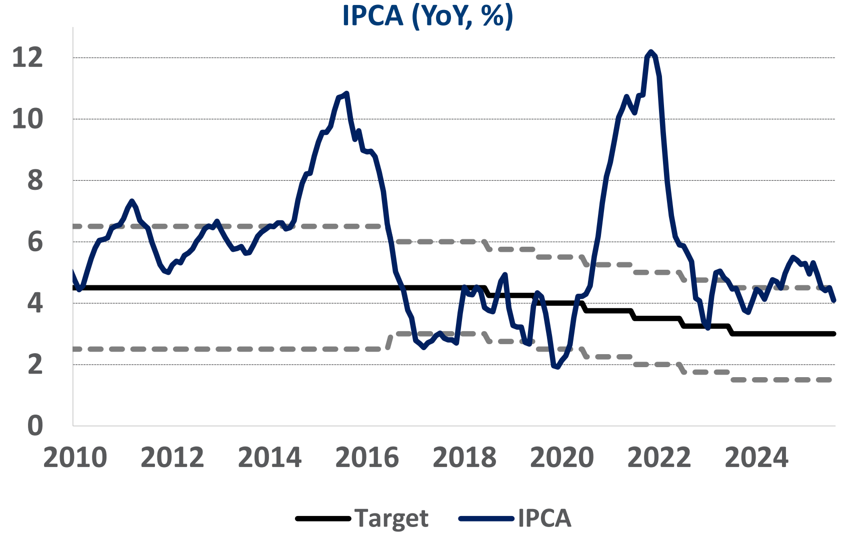
- February IPCA-15 increased by 0.84% MoM, well above market expectations. The 12-month accumulated inflation decelerated from 4.50% in January to 4.10% in February.

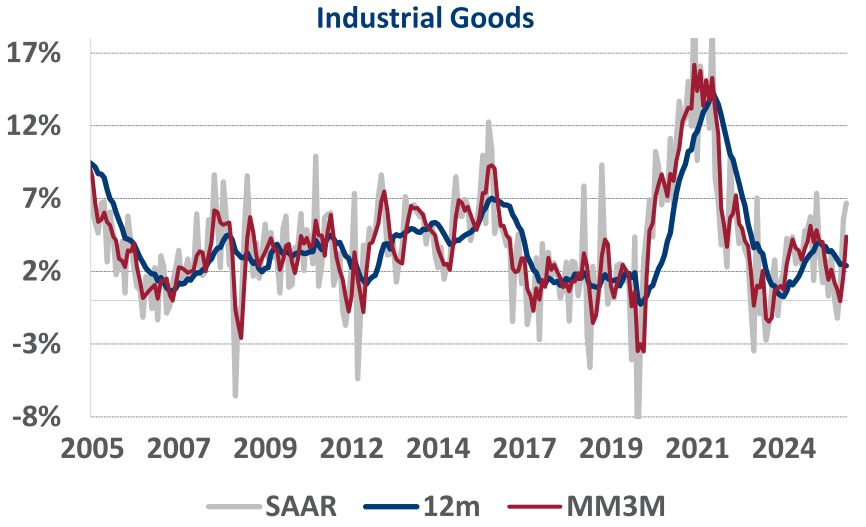
- The main upward surprise to our forecast came from services, mainly airfares (12bps), urban buses (3 bps) and vehicle insurance (3 bps).

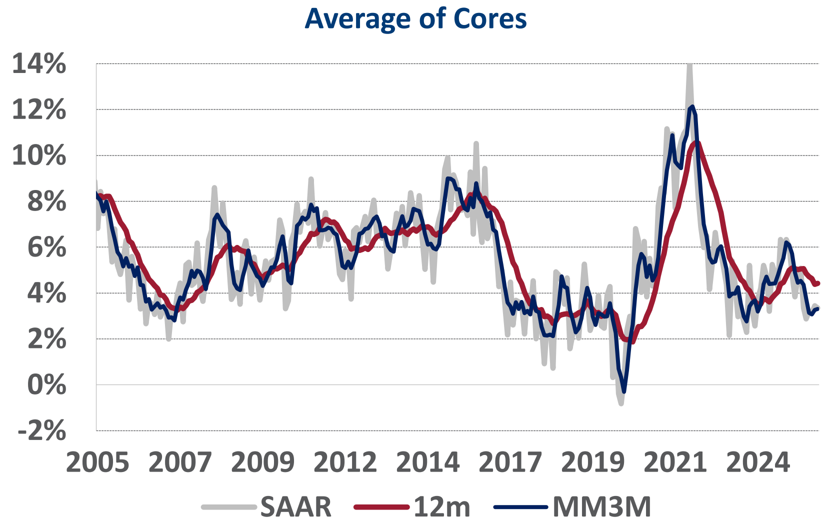
- Core services advanced 0.66% MoM, well above forecasts, and the 3M SAAR remained at 5.2%.

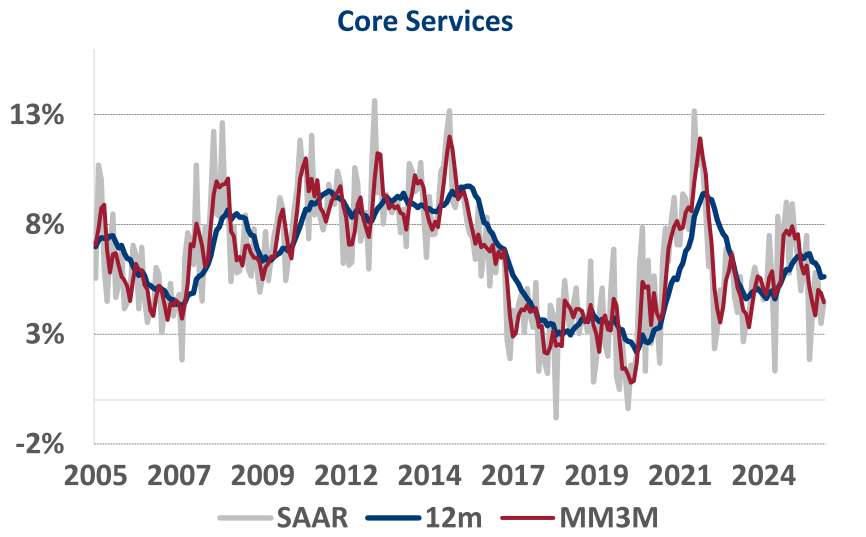
- The average of core inflation increased by 0.65% MoM, with its 3M SAAR at 4.3%.

- Looking ahead, there are risks related to the shortage of electronic components and the increase in oil prices. On the other hand, the exchange rate has been behaving benignly.





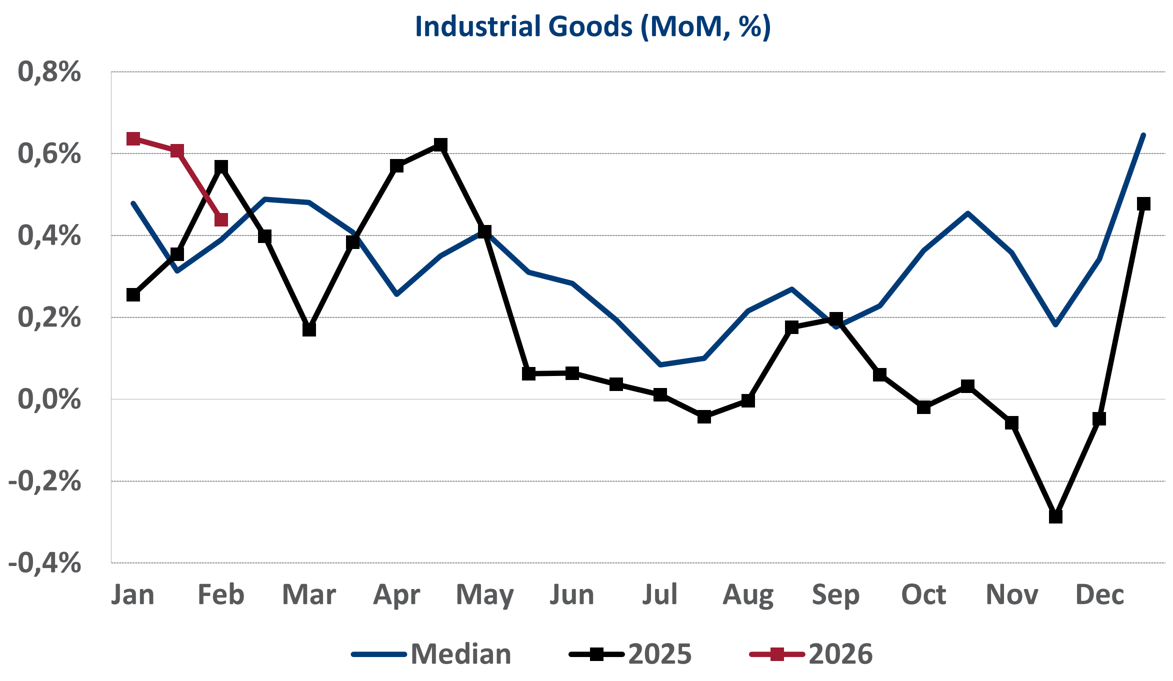


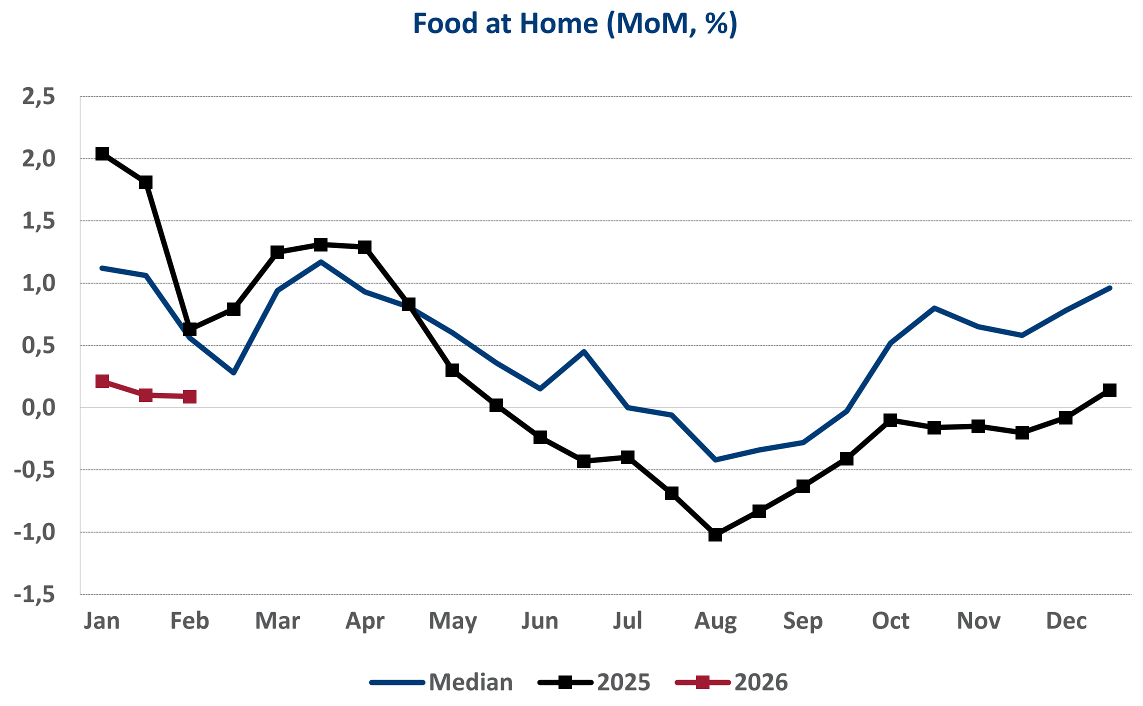


Source: BOCOM BBM, IBGE

Brazil: Inflation 2026

- Industrial goods prices rose 0.44% MoM, worse than expected, while the 3M SAAR accelerated from 1.9% to 2.8% in February.
- Foodstuff prices increased by 0.09% MoM, a bit above expectations (0.04% MoM). The surprise was driven by dairy products and fresh foods.
- Tradables inflation remain benign, with 12-month foodstuff inflation expected to remain low in the coming months. In contrast, services delivered a poor breakdown before the rate-cut cycle and could face further pressure from income and credit dynamics. Geopolitical tensions, such as the conflict in the middle east, pose an additional upside risk.





Source: BOCOM BBM, IBGE

Brazil: Inflation Outlook

- We maintained our 2026 projection at 3.8%, with an upward bias should the war scenario continue.

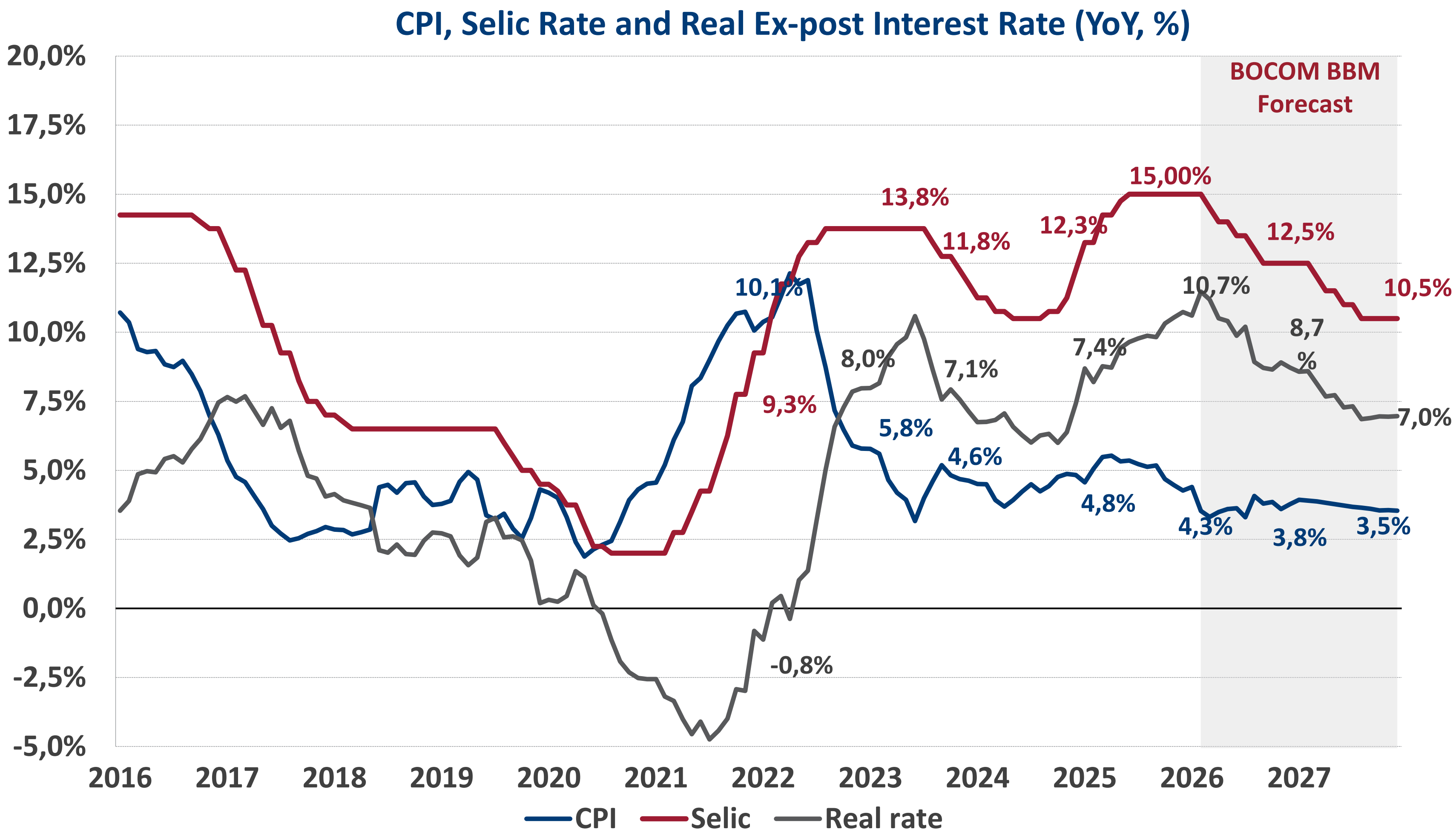
IPCA (%, annual)

	Weight	2020	2021	2022	2023	2024	2025	2026	2027
Regulated	**26.6**	**2.6**	**16.9**	**-3.8**	**9.1**	**4.7**	**5.3**	**3.6**	**3.9**
Industrial goods	**23.6**	**3.2**	**11.9**	**9.5**	**1.1**	**2.9**	**2.4**	**2.5**	**1.2**
Durable goods	10.3	4.5	12.9	6.1	-0.4	1.5	0.5	1.2	-
Semi-durable goods	5.9	-0.1	10.2	15.7	2.7	2.1	3.5	2.4	-
Non-durable goods	7.3	4.0	11.9	9.5	1.7	5.4	3.9	4.2	-
Food at home	**15.7**	**18.2**	**8.2**	**13.2**	**-0.5**	**8.2**	**1.4**	**3.8**	**4.2**
Services	**34.1**	**1.7**	**4.8**	**7.6**	**6.2**	**4.6**	**5.8**	**4.8**	**4.6**
Food away from home	5.6	4.8	7.2	7.5	5.3	6.3	7.0	4.8	-
Related to minimum wage	5.2	1.5	3.3	6.3	5.2	5.0	6.5	6.3	-
Sensitive to economic activity	8.2	0.2	5.1	6.3	9.5	0.9	5.4	3.6	-
Inertial	15.0	1.6	4.2	8.8	5.1	6.0	5.2	4.9	-
IPCA		**4.5**	**10.1**	**5.8**	**4.6**	**4.8**	**4.3**	**3.8**	**3.5**

Source: BOCOM BBM, IBGE

Brazil: Monetary Policy

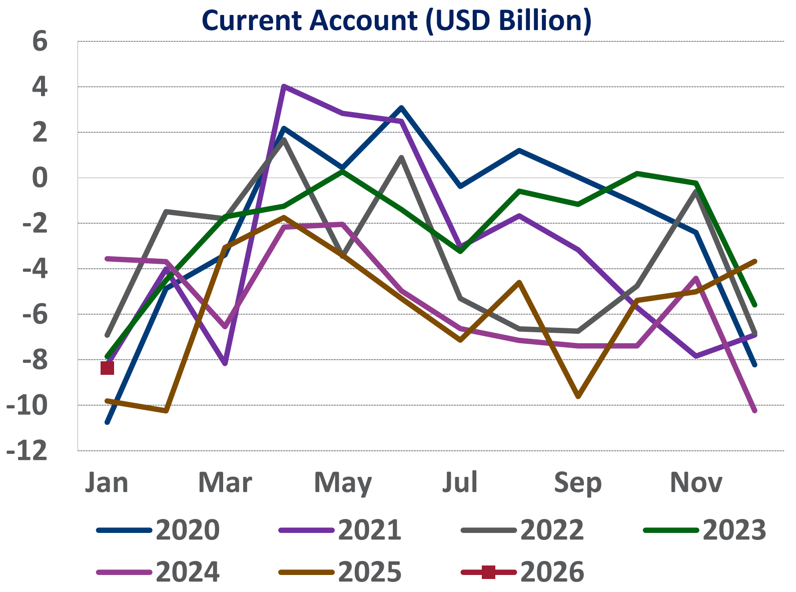
- In the January meeting, the Monetary Policy Committee kept the Selic rate unchanged at 15% per year, in line with market expectations. The Committee signaled, however, that it expects to begin the easing cycle in its next meeting in March. Inflation projections six trimesters ahead remained at 3.2% for the third quarter of 2027 in a scenario where rates reach 12.25% in 2026 and 10,5% in 2027, despite the modest improvements in inflation expectations in FOCUS. Overall, the statement provided guidance that the easing cycle is set to begging in March but did not specify the pace and the total budget for rate cuts. The committee notes that the flexibilization should still render rates restrictive in order to bring inflation back to the target. More recently, risks to the IPCA have increased marginally: geopolitical tensions involving Iran introduce an upside channel through oil prices. Meanwhile, the exchange rate has appreciated since the last Copom meeting, offsetting partially the increase in oil prices.

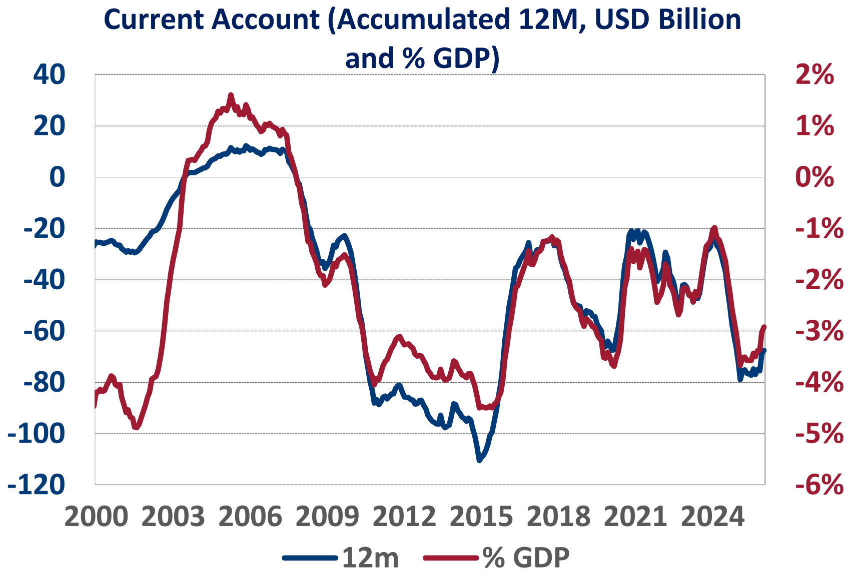


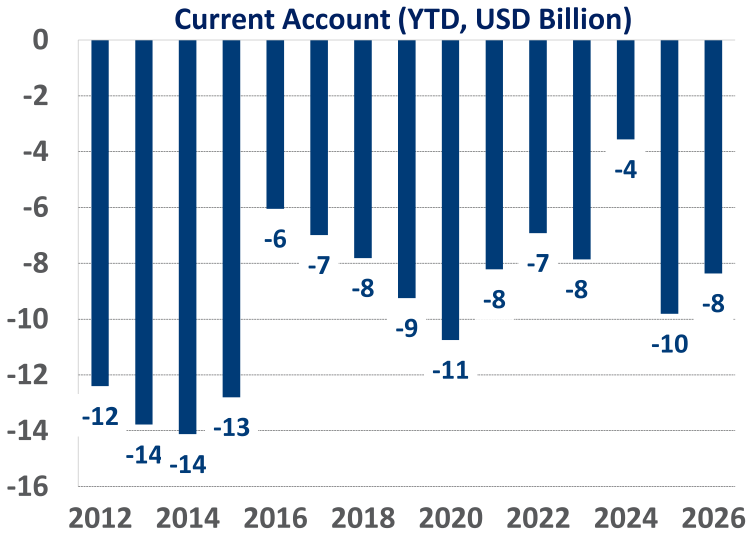
Source: BCB, BOCOM BBM, IBGE

Brazil: Balance of Payments

- The Brazilian current account recorded a deficit of USD 8.4 billion in January 2026, below the consensus (USD -6.55 billion).
- On a 12-month basis, the deficit increased slightly from USD 69.0 billion (3.03% of GDP) to USD 67.6 billion (2.92% of GDP) in January.
- Overall, Brazil's external accounts began 2026 with a mixed profile: the current account remained in deficit, but underlying trends such as stronger FDI and softer services outflows point to gradual stabilization. In addition, robust FDI inflows continued to more than cover external financing needs, while sizable portfolio flows provided further support at the start of the year. Still, the improvement remains concentrated in more cyclical components, which are sensitive to shifts in global financial conditions.





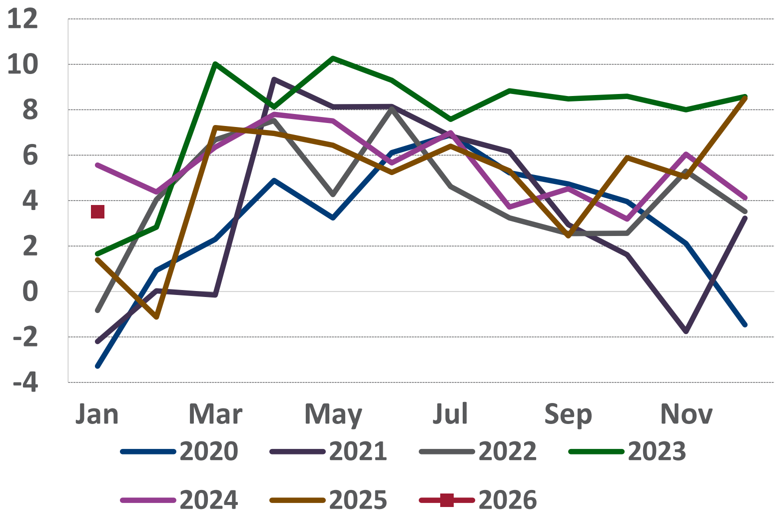


Source: BOCOM BBM, BCB

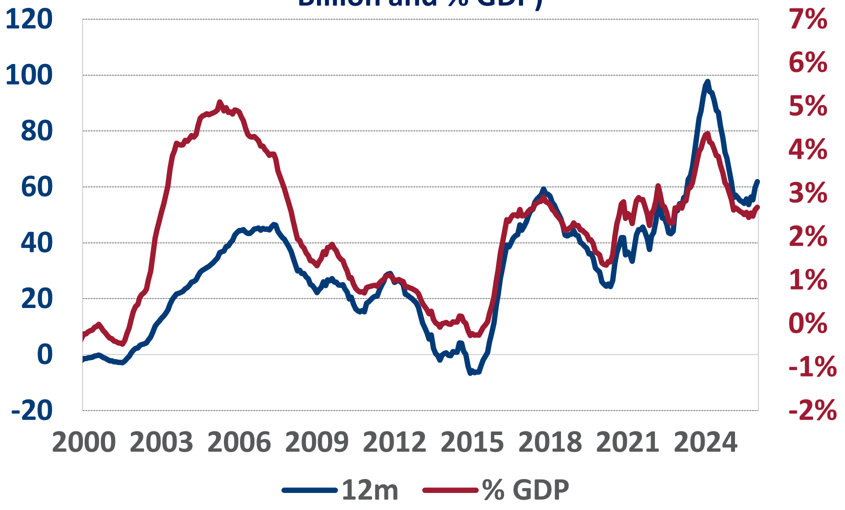
Brazil: Balance of Payments

- The merchandise trade balance posted a surplus of USD 3.5 billion, below the USD 8.8 billion surplus recorded last month, in December 2025.
- Exports fell to USD 25.3 billion (1.2% YoY), while imports decline to USD 21.8 billion (10.0% YoY). Exports volumes have remained solid in recent months, posting monthly volume gains. Both flows slowed in annual terms, however for different reasons. Import results was primarily affected by weaker volumes, whereas exports performance reflected lower prices.
- Meanwhile, imports and net services expenses contracted in the month over month comparison, in line with softer domestic demand.
- On a 12-month basis, the trade surplus increased to USD 61.5 billion, from USD 60 billion in December.

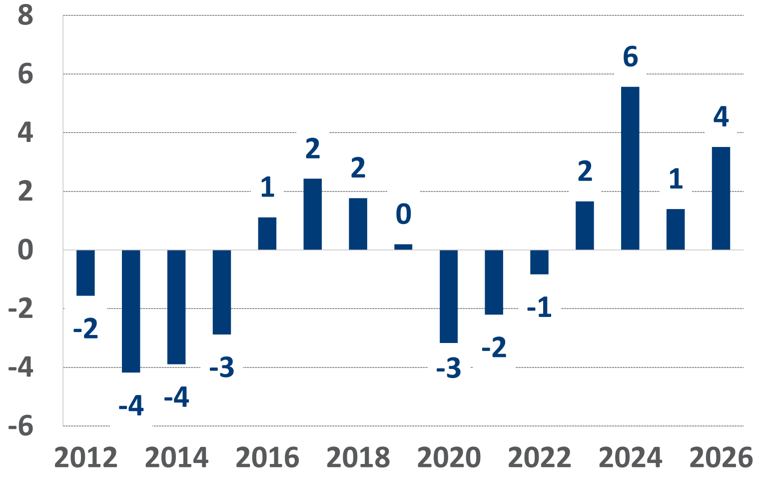
Balance on Goods (USD Billion)



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



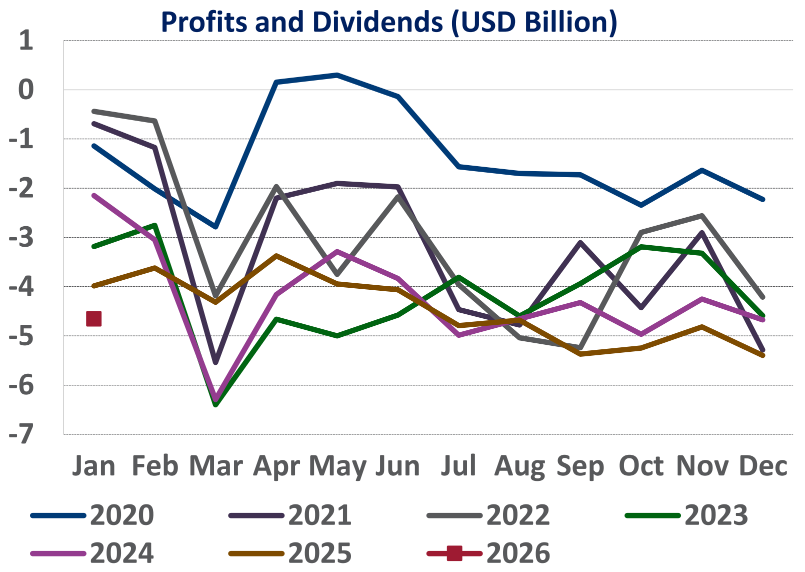
Balance on Goods (YTD, USD Billion)

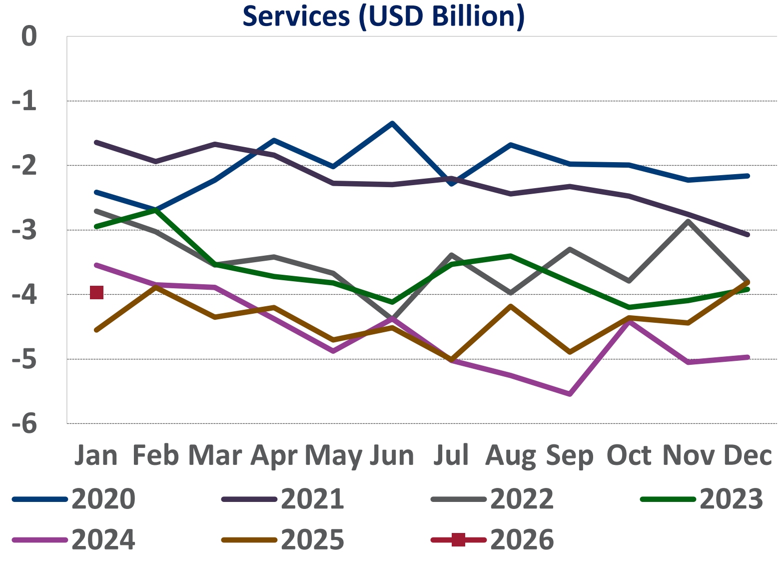


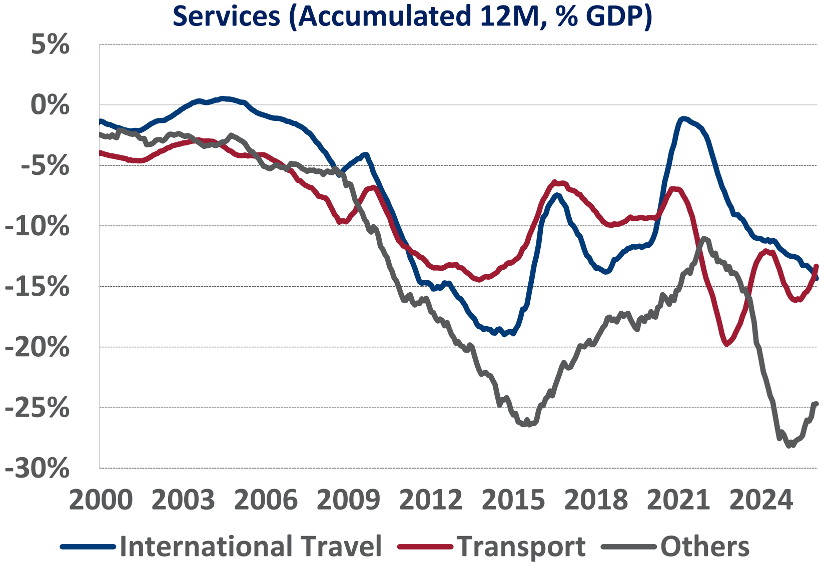
Source: BOCOM BBM, BCB

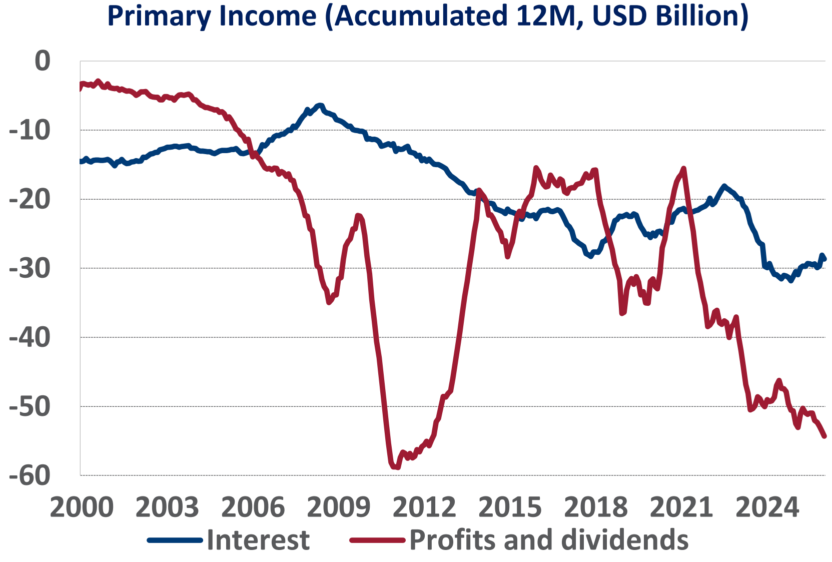
Brazil: Balance of Payments

- The Services account posted a deficit of USD 4.0 billion in January, below the USD 4.6 billion deficit recorded in the same period last year. On a 12-month basis, the Services deficit reached USD 52.4 billion.
- In addition, the ‘Intellectual Property’ and ‘Telecommunication’ accounts, whose dynamics are less sensitive to the economic cycle, recorded a USD 0.8 billion and USD 0.9 billion deficit, respectively.
- On the other hand, the ‘Other Business Services’ Account recorded a USD 0.6 billion surplus in January 2026, maintaining the upward trend observed in the previous month (USD 0.6 billon).







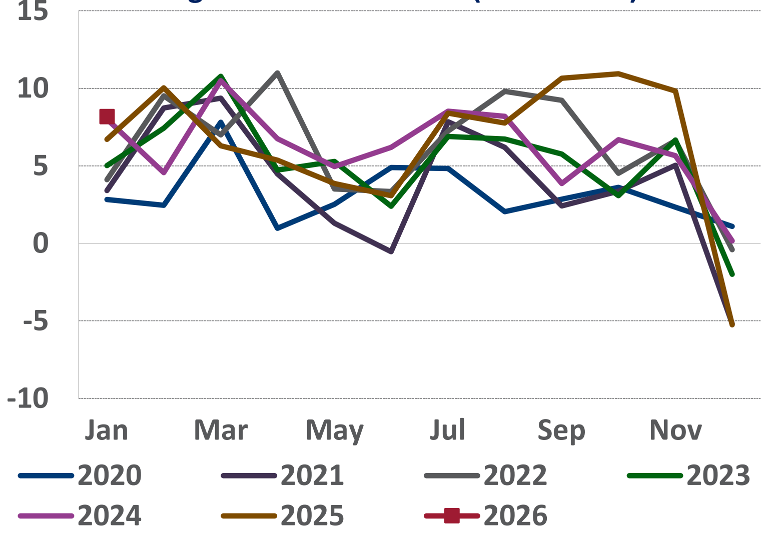


Source: BOCOM BBM, BCB

Brazil: Balance of Payments

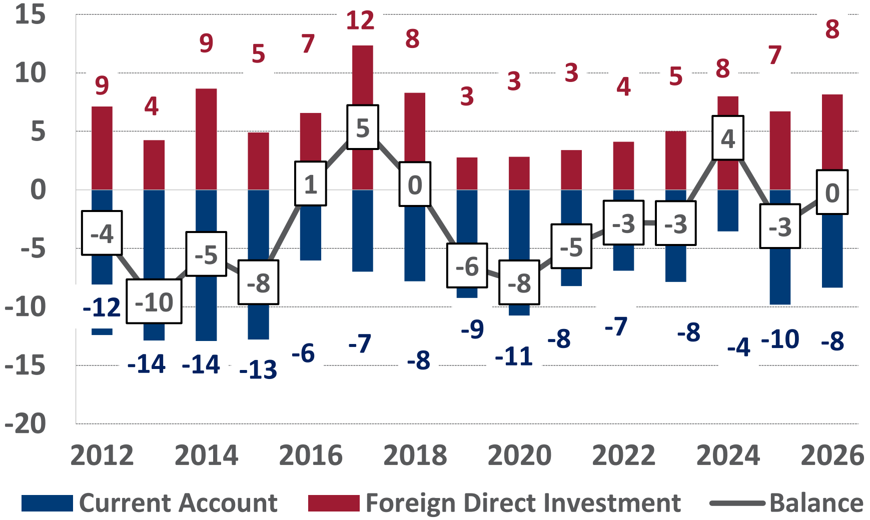
- Foreign Direct Investment (FDI) registered a net outflow of USD 8.2 billion in January, above market consensus of US$ 6.85 billion.
- On a 12-month basis, FDI inflows reached USD 79.1 billion (3.42% of GDP), from USD 77.7 billion in December. Providing relief to the still-elevated current account deficit.

Foreign Direct Investment (USD Billion)



Foreign Direct Investment (Accumulated 12M, USD Billion and % GDP)

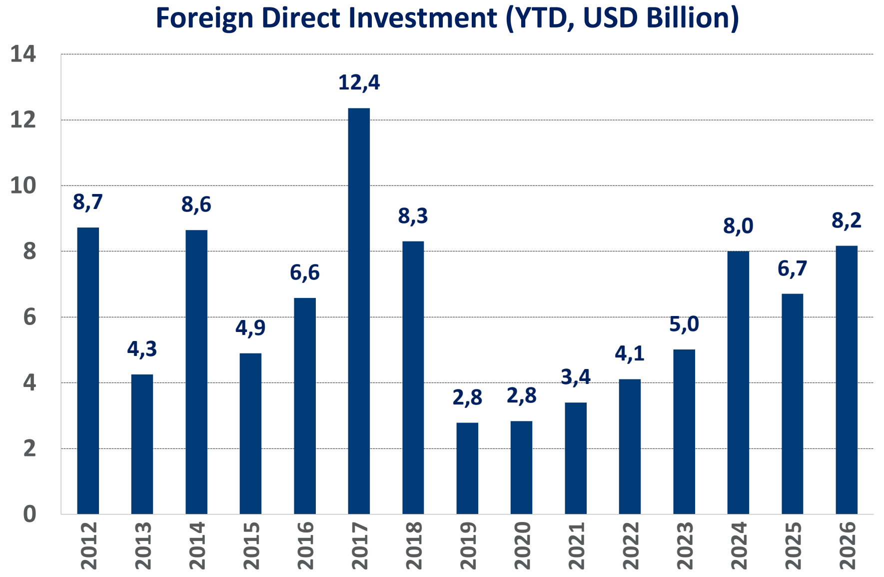
Current Account Balance and FDI (YTD, USD Billion)

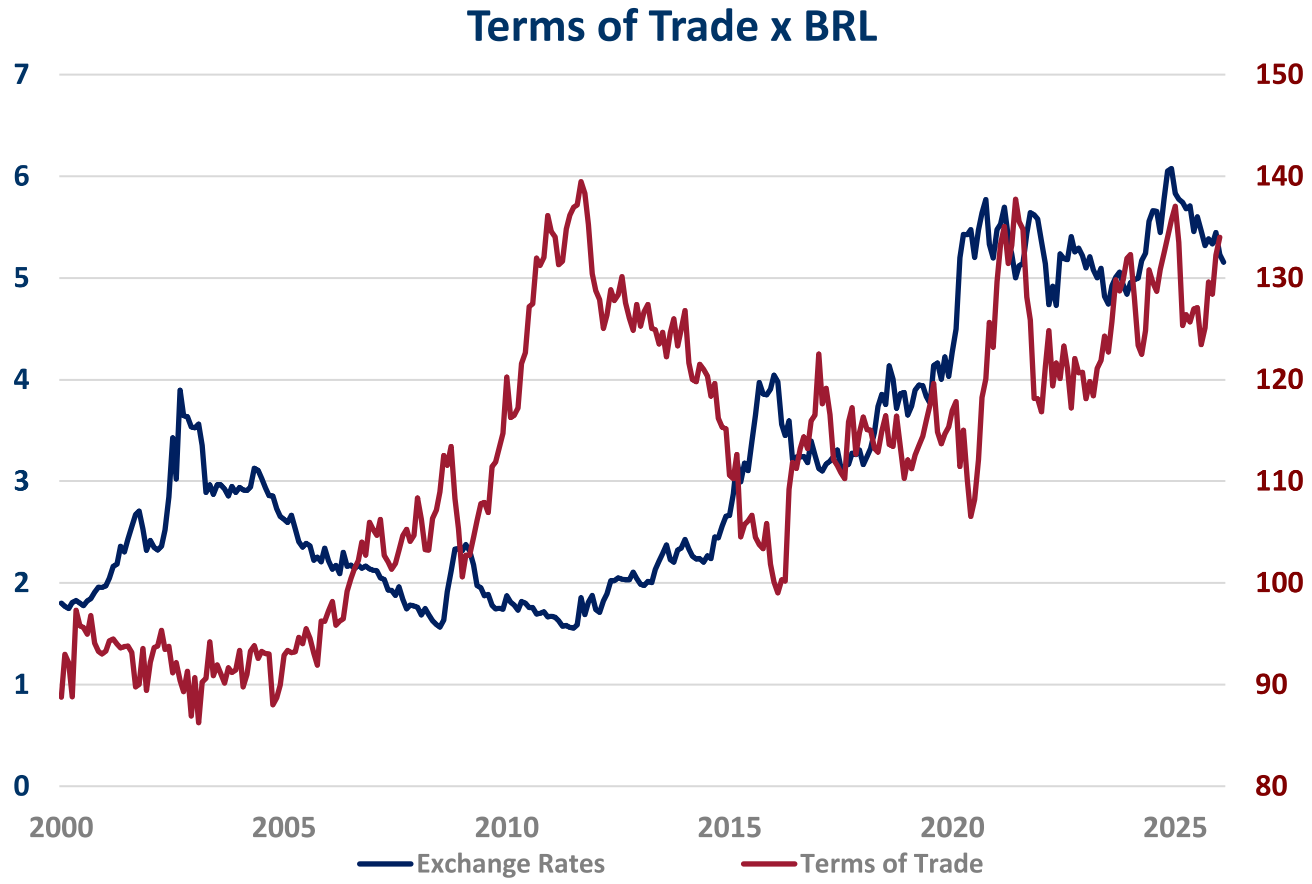


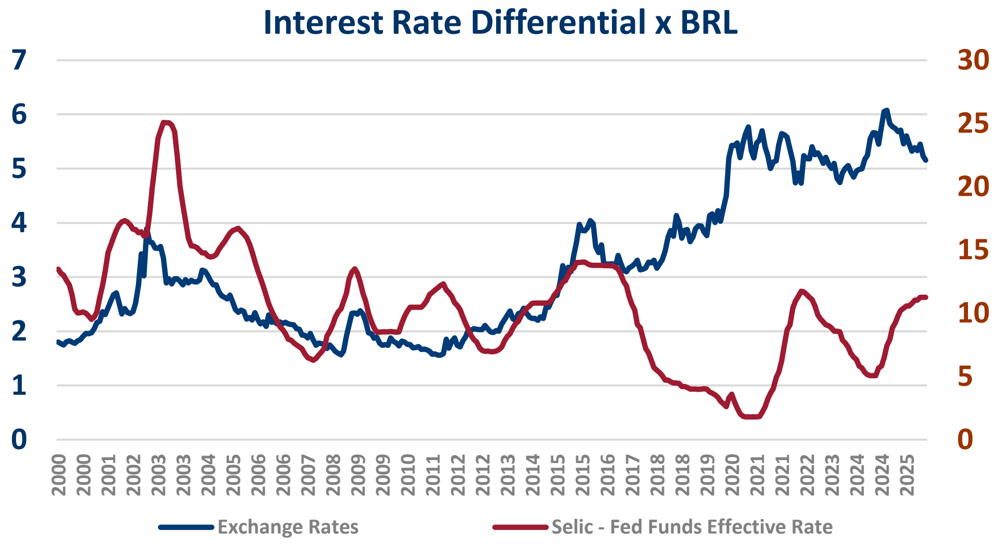
Source: BOCOM BBM, BCB

Brazil: External Sector

- In February, the Brazilian real appreciated from around 5.21 to approximately 5.15 per dollar. In net terms, the Brazilian currency's recent performance reflects mainly external influences, with emerging market currencies benefiting from global flows for portfolio diversification. Domestically, election polls showed an increase in voting intentions for the right-wing candidate, Flávio Bolsonaro. However, the conflict in the Middle East caused depreciation at the beginning of March.





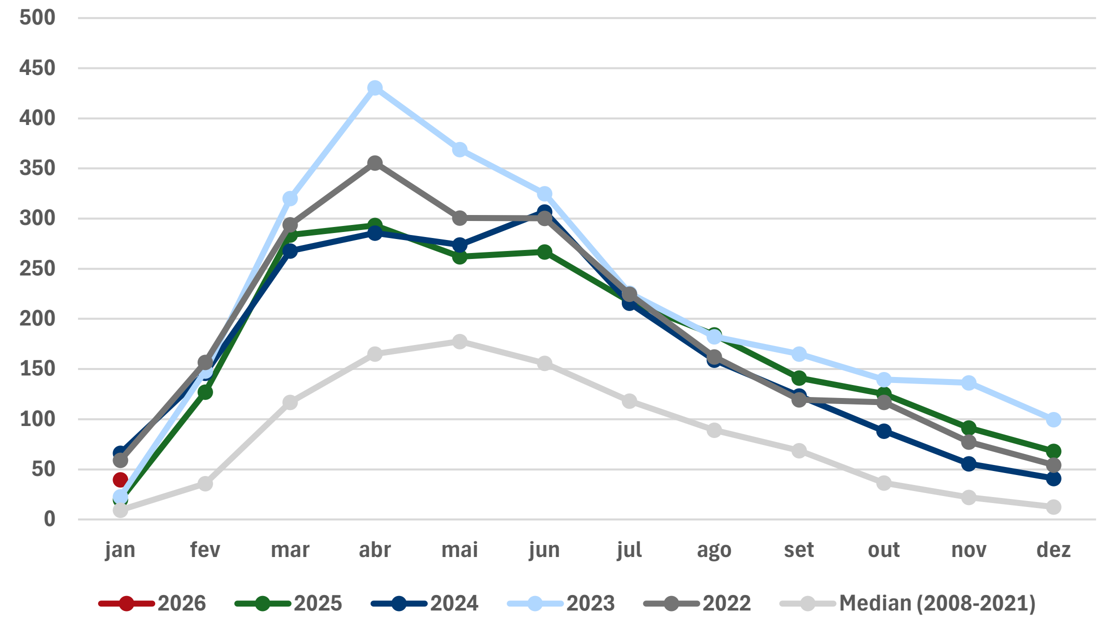


Source: BOCOM BBM, Bloomberg, BCB

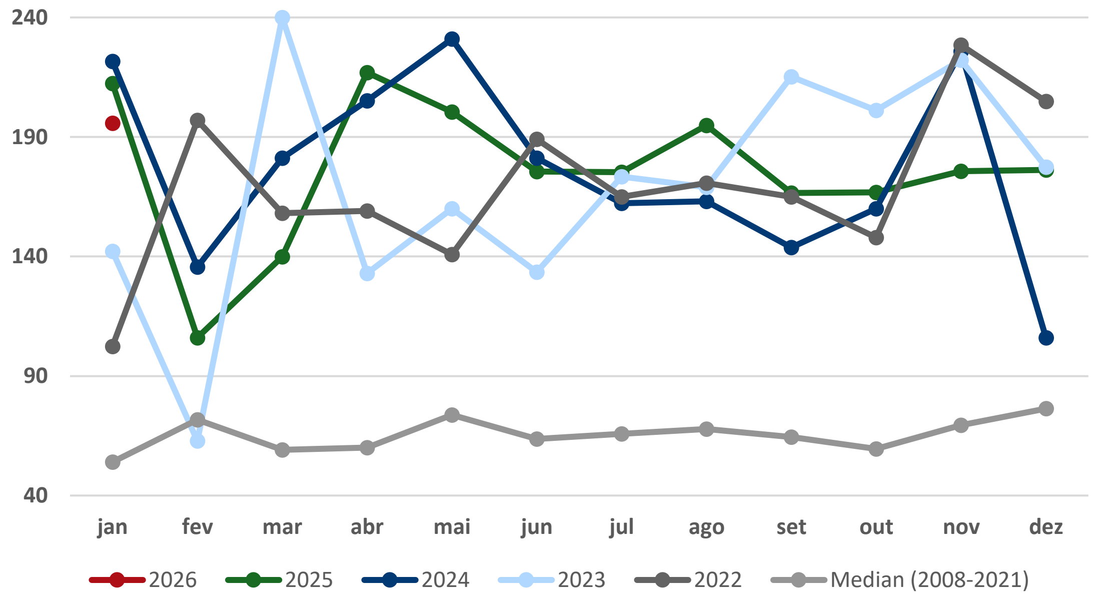
Brazil: External Sector

- In January 2026, exports totaled US$25.153 billion and imports US$20.810 billion, resulting in a positive balance of US$4.340 billion.
- Exports decreased 1.0% YoY, mainly due to the performance of wheat and rye, unmilled (-33.6%), unroasted coffee (-23.7%), and raw cotton (-31.2%) in Agriculture; iron ore and concentrates (-8.6%), nickel ores and concentrates (-100%), and crude petroleum oils or oils from bituminous minerals (-7.8%) in the Extractive Industry. However, The key highlight was the continued increase in export volumes for Brazil's main commodities, especially oil and meats, and with soybeans posting a strong rise (+91.7%).
- Meanwhile, imports decreased 9.8% YoY, wheat and rye, unmilled (-35.5%) and raw or roasted cocoa (-86.3%) in Agriculture; coal, even in powder form but not agglomerated (-4.1%), crude petroleum oils or oils from bituminous minerals (-49.8%), and natural gas, liquefied or not (-15.8%) in the Extractive Industry; and petroleum fuel oils (except crude oils) (-17.5%), nonelectric engines and machinery and their parts (except piston engines and generators) (-66.8%), and parts and accessories for motor vehicles (-20.4%) in Manufacturing.

Brazil BoP: Soy Exports
USD Million Daily Average



Brazil BoP: Crude Oil Exports
USD Million Daily Average



Source: Secex, BOCOM BBM

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