

Macro Outlook

April 2026

- March was marked by a relevant escalation in geopolitical tension, after the U.S. and Israel launched a coordinated attack on Iran that resulted in the death of the leader Ali Khamenei, followed by strong Iranian retaliation - including the closure of the Strait of Hormuz and attacks on Middle East countries' infrastructure and production. The conflict has been driving up prices of energy and disrupting other key supply chains, pushing the global economy into a higher inflation and lower growth scenario. The FOMC decided for a hold on its last meeting, and Chair Powell stated that it's too early to draw inferences from the conflict into future decisions and will monitor how it impacts the economy. Regarding data, the latest CPI and PCE came broadly in line with market expectations, with marginal improvement but still far from the Fed's target. On activity, the Q4/25 GDP was revised somewhat lower, including weaker consumption and investment, but domestic demand remained resilient despite drags related to the government shutdown, as suggested by the resilience in monthly indicators. As for the labor market, the March payroll report showed a meaningful recovery after a considerably weak February number, with job creation coming in significantly above expectations, and the unemployment rate decreasing below consensus. Overall, the latest developments should lead to a more cautious approach from the FOMC, as the committee assesses the economic implications of the conflict.
- As for China, recent data showed the economy has picked up in the beginning of the year. Industrial production, retail sales, and fixed asset investment all came in above consensus, indicating resilience in the January–February data. Also, trade figures showed an acceleration well beyond expectations, as trade continues to reallocate to other partners and global demand remains resilient. On inflation, December data continued to show improvement, although it remains a central point of attention to the Chinese economy. Nonetheless, China's technological advantage and government coordinated support should boost manufacturing and exports of tech goods this year. The broader macro context of elevated uncertainty poses risks to this outlook, even though the build up of oil strategic reserves and a diversified energy matrix counter act as a buffer.
- Activity in Brazil remains resilient. In February, industrial production grew 0.9% MoM, above market expectations (0.8%). Additionally, services increased 0.3% MoM (vs. 0.1% expected), and retail sales also surprised on the upside, rising by 0.4% MoM (vs. 0.2% expected). The broader set of indicators points to a gradual economic reacceleration. In line with this trend, the IBC-BR expanded 0.78% MoM, roughly in line with expectations (0.9%). The labor market, despite showing some recent softening, remains solid: the unemployment rate is still at historically low levels, and the Caged report continues to show considerable net job creation.
- In the March meeting, the Monetary Policy Committee cut its benchmark Selic rate by 25 bps to 14.75%, as expected by most market participants. The Committee signaled, that it intends to continue the ongoing calibration cycle in the next meetings, adjusting the pace of easing as new information clarifies the inflation outlook and the effects of geopolitical shocks. Inflation projection six trimesters ahead inched up to 3.3% for the third quarter of 2027 in a scenario, where the Selic converges to 12.25% in 2026 and 10.50% in 2027. Overall, the statement indicated that the easing cycle has begun, but the Committee deliberately avoided pre-committing to either the pace or the total extent of future reductions. Policy will remain firmly in restrictive territory, as the Copom stressed that a tighter stance will be required for longer in an environment of unanchored inflation expectations.
- March IPCA-15 increased by 0.44% MoM, well above market expectations (0.29% MoM). The 12-month accumulated inflation decelerated to 3.90% from 4.10%. The main upward surprise to our forecast came from services, mainly airfares, bank service and food related categories. Core services advanced 0.49% MoM, above market expectations, and the 3M SAAR remained at 5.2%. The average of core inflation rose by 0.34% MoM, with its 12-month accumulated at 4.3%. Looking ahead, fuel-related items are expected to push the March IPCA higher, and short-term inflation should deteriorate further, driven by the effects of the conflict in the Middle East. We increased our forecast for 2026 from 3.8% to 4.3%.
- The consolidated public sector posted a primary deficit of BRL 16.4 billion in February, below market consensus (deficit of BRL 21.9 billion) and lower than the BRL 19.0 billion deficit recorded in the same month of 2025. Regarding the breakdown, the central government and state-owned enterprises registered deficits of BRL 29.5 billion and BRL 0.6 billion, respectively, while regional governments presented a surplus of BRL 13.7 billion. General Government Gross Debt (GGGD) rose to 79.2% of GDP, a change driven by net issuance (+0.1 p.p.) and nominal interest (+0.7 p.p.) that was partially offset by nominal GDP growth (-0.3 p.p.).

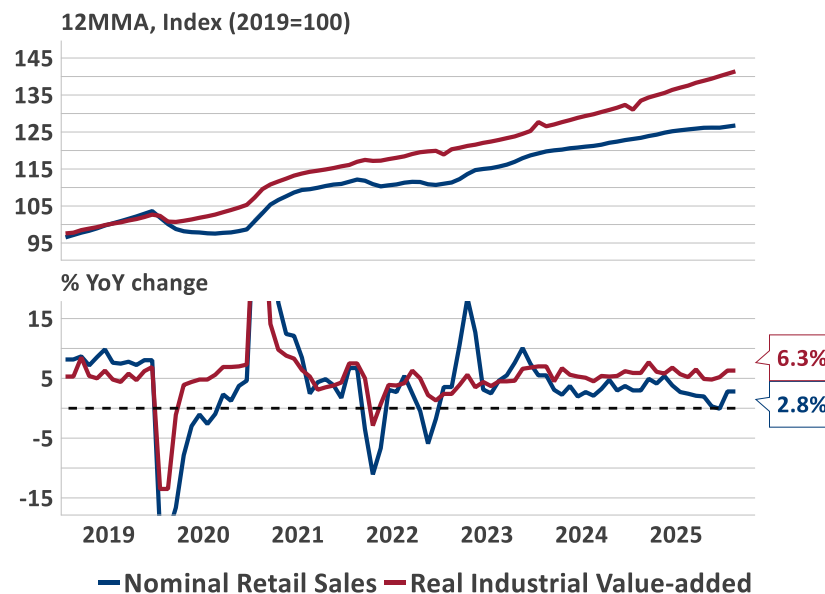
- Growth momentum showed broad strength in January-February**, with all major indicators ticking up above market consensus;
- Retail sales accelerated** from 0.9% to 2.8% YoY (exp. 2.5%), still showing signs of support from the consumer goods trade-in programs, with strong increases in clothing, furniture and cellphones;
- Industrial production accelerated** from 5.2% to 6.3% YoY (exp 5.1%): A widespread increase was seen in major components, such as electronic equipment and high-tech manufacturing. The strength came mostly from sectors related to the “new growth momentum” that has been highlighted in government priorities;
- FAI picked up** to 1.8% YTD YoY (exp. -0.4%). There were strong pick-ups in infrastructure and manufacturing investment, while real-estate contracted but at a lesser extent;
- Housing:** property indicators remained in negative territory YoY, and construction activity remained weak.

China: Economic Activity Overview (% YoY)

| | 2/2026 | 12/2026 | 2/2025 |
|-------------------------------------|--------|---------|--------|
| Industrial Production | 6,3 | 5,2 | 5,9 |
| Mining | 6,1 | 5,4 | 4,3 |
| Manufacturing | 6,6 | 5,7 | 6,9 |
| Utilities | 4,7 | 0,8 | 1,1 |
| Fixed Asset Investment (YTD) | 1,8 | -3,8 | 4,1 |
| Manufacturing | 3,1 | 0,6 | 9,0 |
| Real Estate | -11,1 | -17,2 | -9,8 |
| Infrastructure | 11,4 | -2,2 | 5,6 |
| Retail Sales | 2,8 | 0,9 | 3,7 |
| Catering Services | 4,8 | 2,2 | 2,7 |
| Consumer Goods | 0,7 | 0,7 | 3,9 |
| Clothing | 10,4 | 0,6 | -0,3 |
| Automobiles | -7,3 | -5,0 | 0,5 |
| Furniture | 8,8 | -2,2 | 8,8 |
| Cellphones | 17,8 | 20,9 | 14,0 |
| Home Appliances | 3,3 | -18,7 | 39,3 |
| Construction | -2,2 | -11,8 | 0,8 |

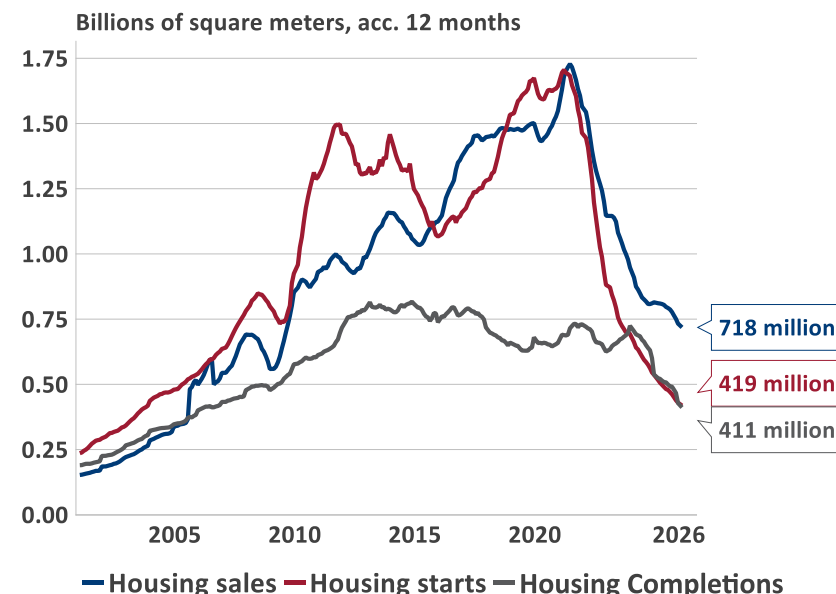
Source: BOCOM BBM, Macrobond

China: Industrial Production x Retail Sales



Source: BOCOM BBM, Macrobond, NBS

China: Housing Indicators



Source: BOCOM BBM, Macrobond, NBS

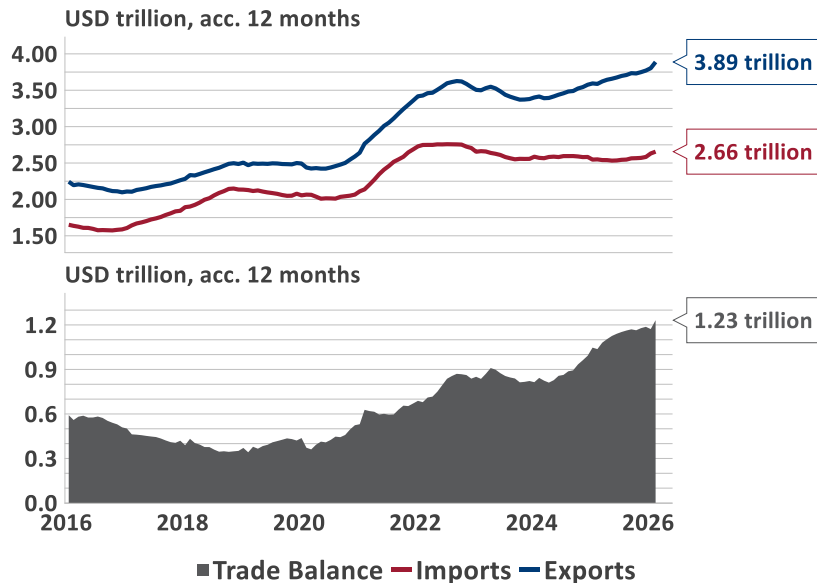
Both exports and imports rose substantially in the January-February data:

- Exports grew from 6.6% to 21.8%, against consensus of 7.1%. The increase was broad-based, with exports to most trading partners rising, including the US (from -30% to -11%).
- Imports also picked up by more than expected, from 5.7% to 19.8% (exp. 6.3%). It was mostly led by imports from Japan and Australia, while imports from the US declined.
- Overall, this print suggests Chinese trade remains very robust in the start of 2026, given the widespread surprises in exports and imports.

February CPI inflation accelerated from 0.2% to 1.3% YoY, above market expectations of 0.9%;

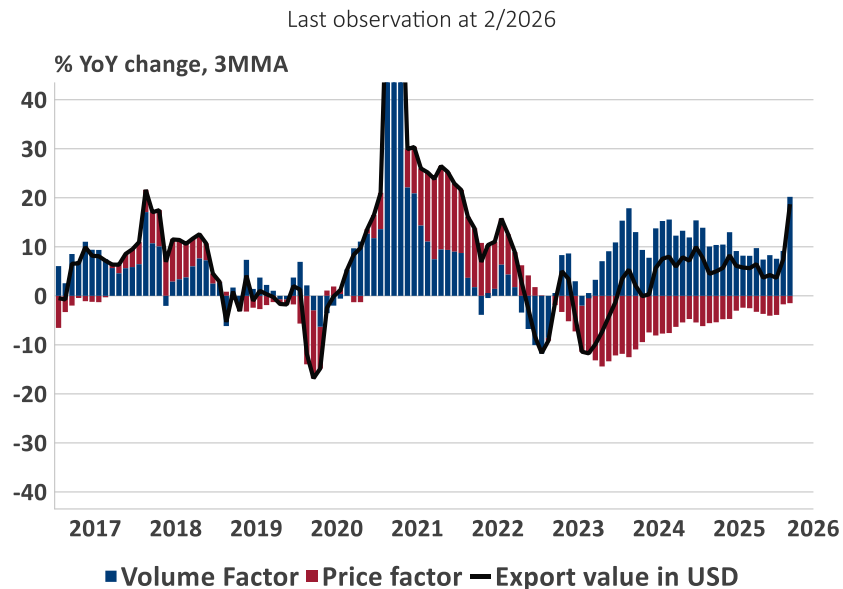
- Core inflation ticked up from 0.8% to 1.8% YoY but remains still low and below historical pre-COVID level.
- The stronger-than expected composition seems boosted by the longer-than-usual Lunar New Year Holiday. But it also appears in line with the recent improvement on deflationary challenges, given government policies aimed to address excess capacity.
- Nonetheless, this structural challenge is not expected to be fully solved in the near-term.

China: Trade Balance



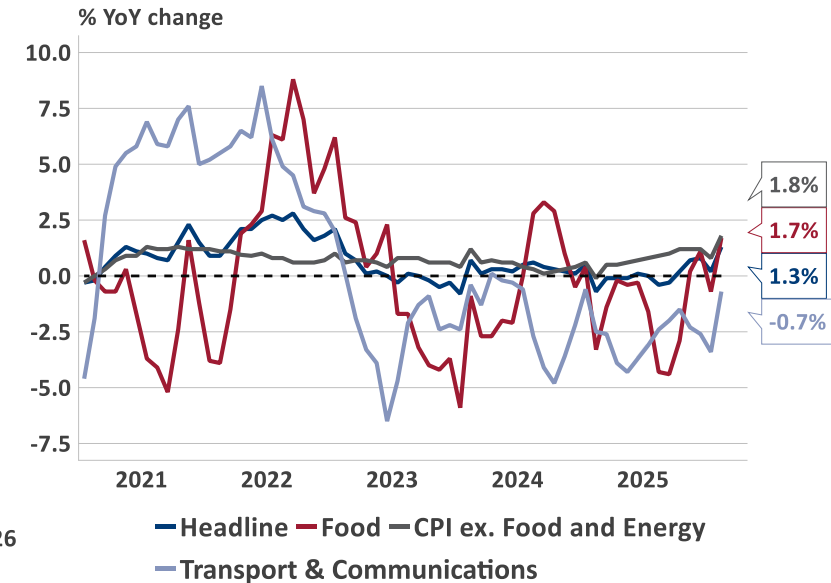
Source: BOCOM BBM, Macrobond, GAC

China: Exports (Price x Volume)



Source: BOCOM BBM, Macrobond, GAC

China: CPI

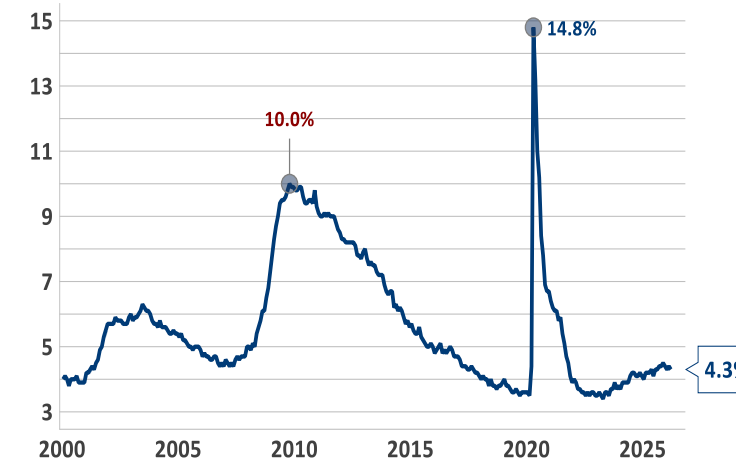


Source: BOCOM BBM, Macrobond, NBS

USA: Labor Market

- The **March Payroll** brought signals of labor market reacceleration, after a very weak February:
 - Job creation increased to 178k**, considerably above the 60k expected and the previous month's -133k.
 - The 2-month net revision was a small -7k, as it pushed February data even lower, from -92k to -133k, while increased January from 126k to 160k.
 - This took the **3MMA pace of job creation up to 68k**, considerably above the previous release's 3k
 - In the composition, private growth led the surprise, increasing from -129k to 186k (70k expected), while government jobs were -8k, broadly in line with consensus of -5k.
 - Also, the unemployment rate ticked down, from 4.44% to 4.26%, below the consensus of stability at 4.4%.
 - Overall, **the March Payroll survey pointed to relevant recovery in the labor market**, in the opposite direction of the previous release, reducing downside risks to the labor market.
- Given that, the jobs-workers gap decreased to -0.7M, indicating that the **economy still has more available workers than jobs**, a sign of relative softness in the labor market.
- Average hourly earnings rose 0.24% MoM in February, modestly below its recent trend of 0.3%
 - But 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

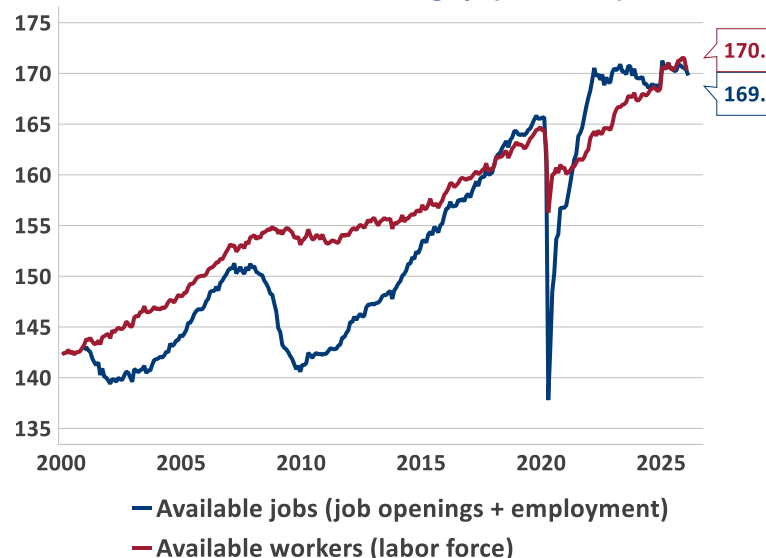
US: Nonfarm Payroll Employment Change

3MMA, thousand



Source: BOCOM BBM, Macrobond, BLS

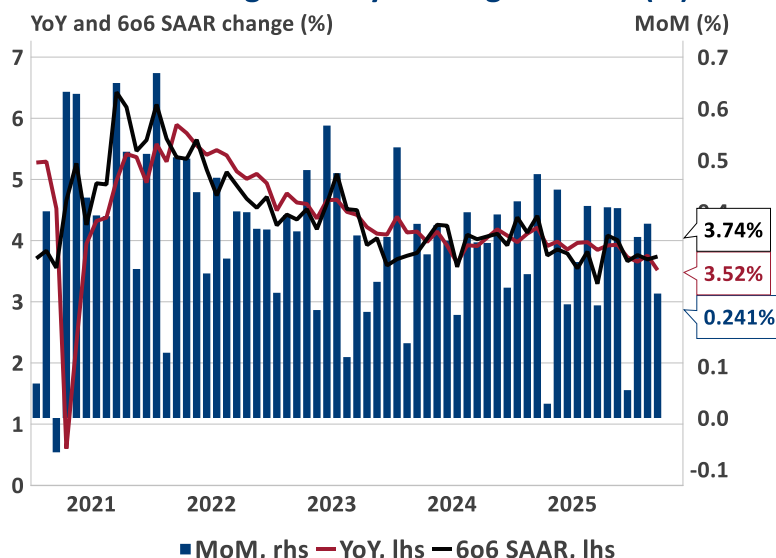
US: Jobs-workers gap (millions)



— Available jobs (job openings + employment)
 — Available workers (labor force)

Source: BOCOM BBM, Macrobond, BLS

US: Average Hourly Earnings Growth (%)



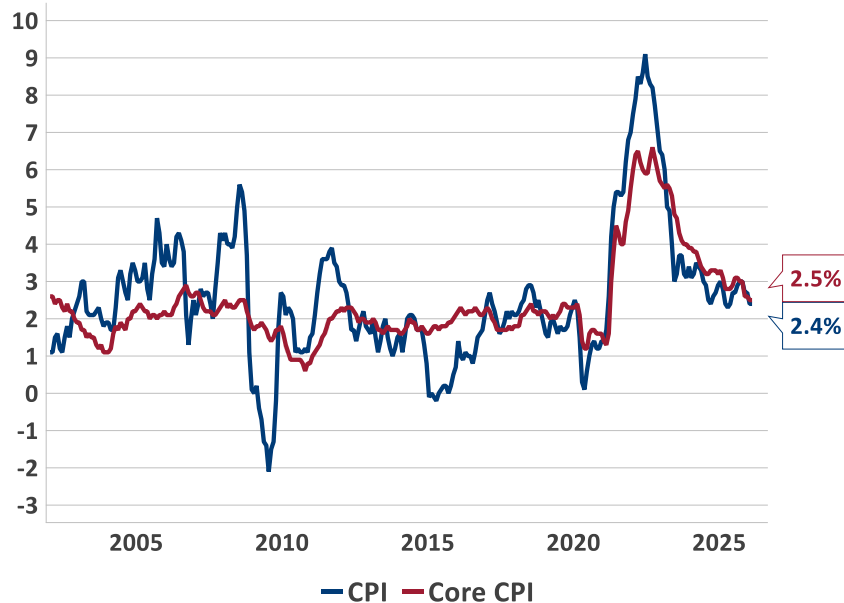
■ MoM, rhs — YoY, lhs — 6o6 SAAR, lhs

Source: BOCOM BBM, Macrobond, BLS

USA: Inflation

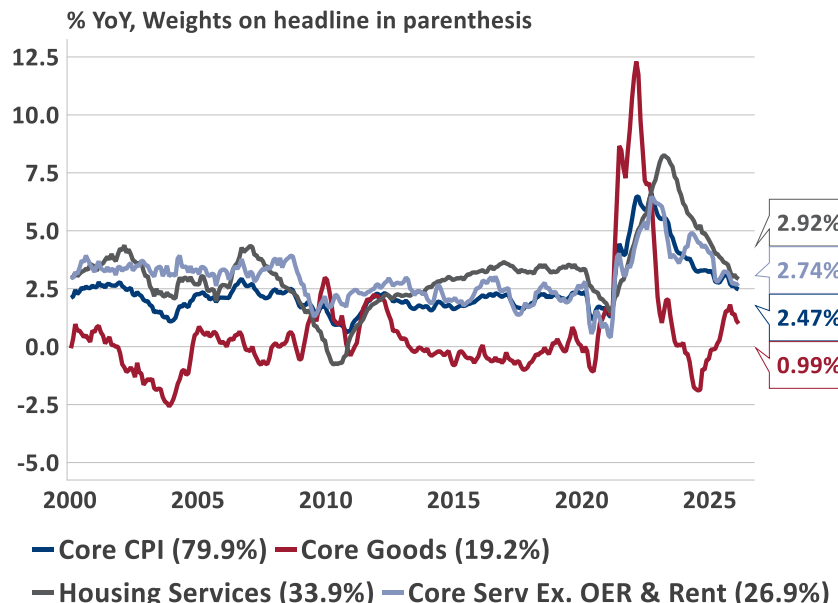
- The February **headline CPI rose 0.27% MoM**, in line with market expectations. This led the YoY to remain stable at 2.4%, also within market consensus;
 - In the composition, energy prices posted a relevant growth (from -1.47% to 0.63% MoM), and food prices also ticked up (from 0.19% to 0.39% MoM).
- Core CPI decreased from 0.30% to 0.22% MoM, below consensus of 0.24%**, keeping the YoY rate in 2.5%, in line with consensus;
 - Core goods printed below consensus (0.08% vs 0.13 expected). The downward surprises in the component came mainly from cars, even though core goods ex-cars were also below consensus (0.19 vs 0.22 exp).
 - On the other hand, core services came in line with market consensus, from 0.39% to 0.27%, with the Core Services Ex Housing (Supercore) lifting the component up despite some slowing in housing.
- Overall, the February CPI was in line with what the market expected**, despite some underlying resilience in the Supercore 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. Furthermore, the conflict in Iran war must also bring upward pressures to inflation.

US: CPI (YoY, %)



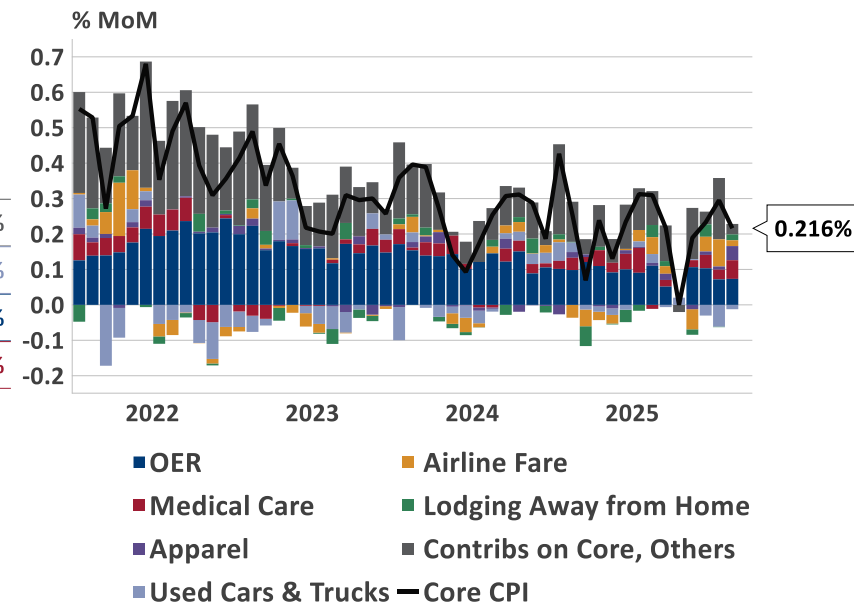
Source: BOCOM BBM, Macrobond, BLS

US: Core CPI Main Components (%)



Source: BOCOM BBM, Macrobond, BLS

US: Core CPI MoM Contributions

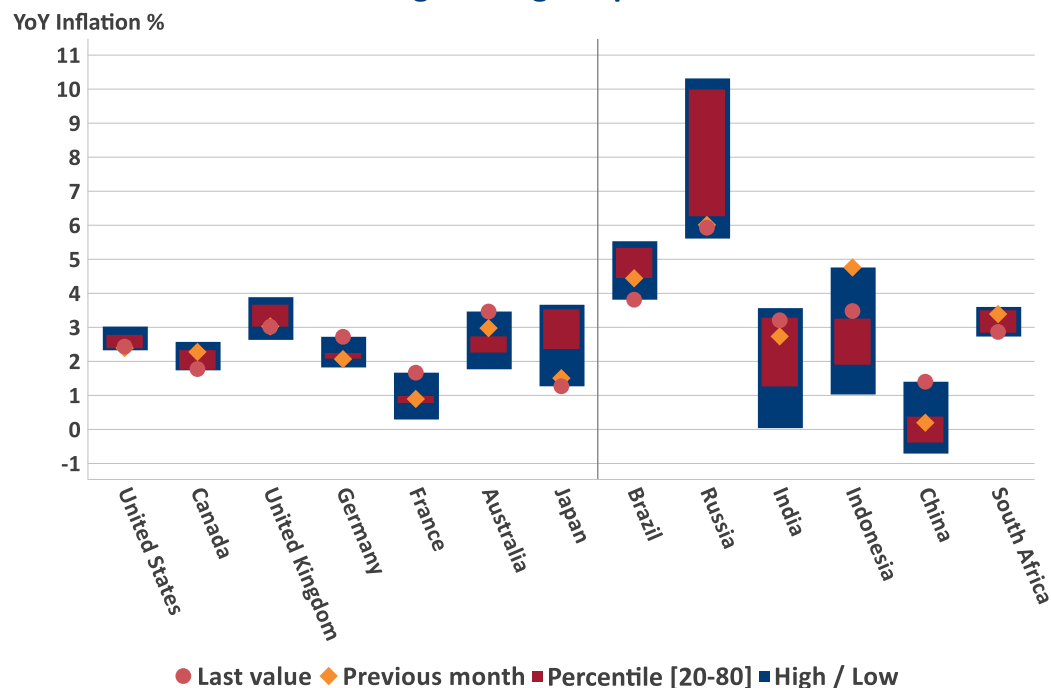


Source: BOCOM BBM, Macrobond, BLS

Global: Inflation & Activity

- Several markets have experienced progress in disinflation in 2025, along with growth outperformance after a shift away from the expected tariff-related contractions. These led to optimistic revisions to expectations over the global economy in 2026.
- More recently, however, the geopolitical shock from the Middle East conflict is starting to affect trade flows and disrupt global supply chains.
- This scenario has been driving expectations of an inflation acceleration and an activity slowdown in most economies, with prospects of heterogeneous impacts based on exposure to the conflict and domestic fundamentals.
- Nonetheless, global activity is expected to count on some resilience buffers, especially from the significant monetary policy easing in recent years and the boost related to increased fiscal easing. The duration and pass-throughs of the conflict will determine the dominant drivers to the global economy in 2026.

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 | 0,6 | 0,6 | -0,1 | 1,0 | 1,6 | 3,9 | -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 | 0,3 | -0,7 | 0,6 | 0,3 | 0,5 | 0,7 | 0,2 | -0,5 |
| 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 | 4,1 | 1,9 | -0,6 | -0,4 | 3,9 | 1,6 | -1,4 | 1,1 |
| South Africa | 0,4 | 0,3 | 0,8 | 0,1 | 0,4 | -0,3 | 0,3 | 0,1 |
| South Korea | -0,2 | 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 | 0,2 | 1,1 | 0,9 | -0,2 | 0,5 | 0,8 | 0,9 | 0,2 |

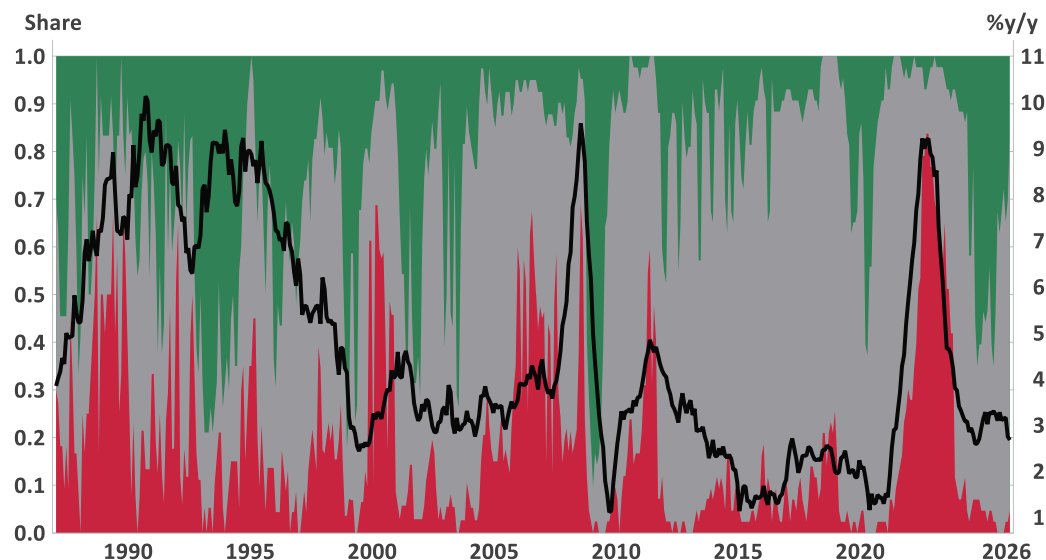
Sources: BOCOM BBM, Macrobond, National Sources

Global: Monetary Policy

- After a global easing in monetary policy during 2025, the stagflationary impulse from the Middle East conflict, combined with rising risk premia, has been pushing central banks toward a more hawkish stance.
- The uncertainty regarding potential effects of geopolitical tensions in each country's domestic context should continue to drive institutions towards a more careful approach in 2026.
- Overall, the budget for further cuts seems limited, with markets expecting that the next policy rate move will be a hike for the majority of G20 economies.

Global monetary breadth

Share of economies (GDP top 50) with higher/unchanged/lower policy rates; monthly/mtd avg, 3-Apr-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

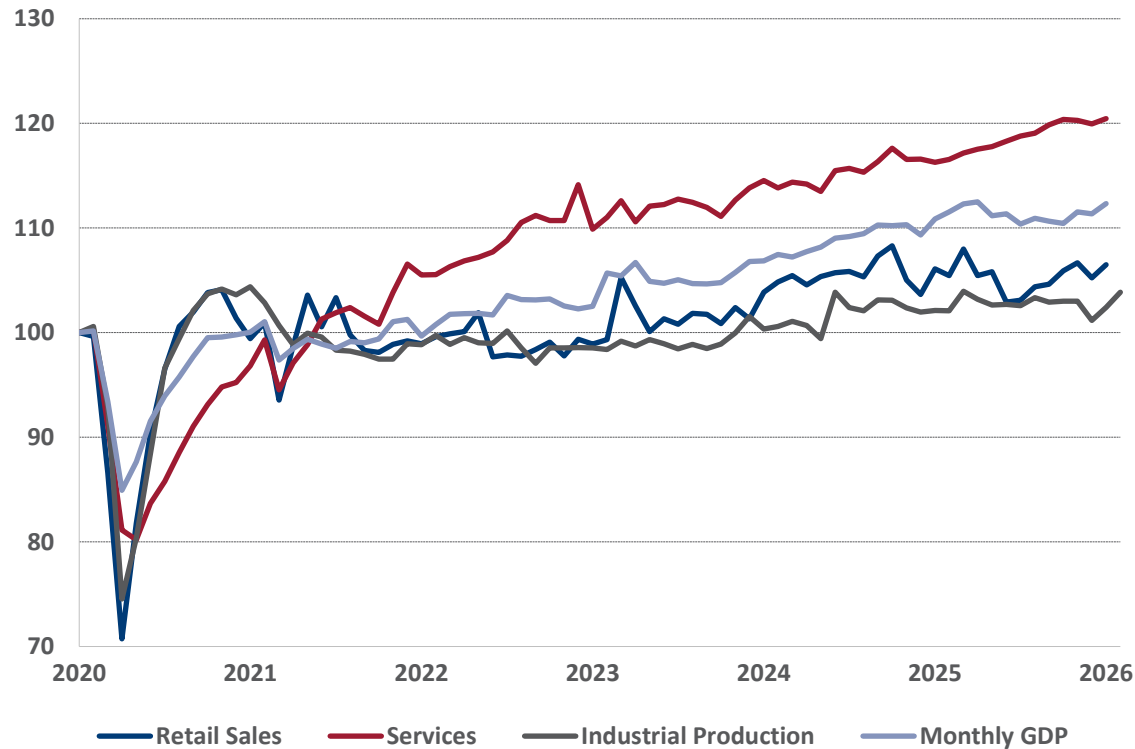
| | CPI Y/Y % | Core CPI Y/Y % | Key rate | Last decision | | Last Move | Months since last hike | Months since last cut |
|----------------|-----------|----------------|----------|---------------|------|-----------|------------------------|-----------------------|
| Argentina | 33,1 | 33,6 | 29,00 | -3,00 | Cut | 1/2025 | 30 | 14 |
| Australia | 3,7 | 4,2 | 4,10 | 0,25 | Hike | 3/2026 | 1 | 8 |
| Brazil | 3,8 | 4,5 | 14,75 | -0,25 | Cut | 3/2026 | 10 | 1 |
| Canada | 1,8 | 2,3 | 2,25 | -0,25 | Cut | 10/2025 | 33 | 5 |
| Chile | 2,4 | 2,5 | 4,50 | -0,25 | Cut | 12/2025 | 42 | 4 |
| China | 1,4 | 1,8 | 3,00 | -0,10 | Cut | 5/2025 | 146 | 11 |
| Colombia | 5,3 | 5,5 | 11,25 | 1,00 | Hike | 4/2026 | 0 | 11 |
| Costa Rica | -2,7 | 0,2 | 3,25 | -0,25 | Cut | 12/2025 | 41 | 4 |
| Czech Republic | 1,4 | 0,1 | 3,50 | -0,25 | Cut | 5/2025 | 45 | 11 |
| Denmark | 0,7 | 1,8 | 1,75 | -0,25 | Cut | 6/2025 | 31 | 10 |
| Euro Area | 2,5 | 2,3 | 2,15 | -0,25 | Cut | 6/2025 | 30 | 10 |
| Hungary | 1,4 | 2,1 | 6,25 | -0,25 | Cut | 2/2026 | 42 | 1 |
| Indonesia | 3,5 | 2,5 | 4,75 | -0,25 | Cut | 9/2025 | 23 | 7 |
| Israel | 2,0 | 2,1 | 4,00 | -0,25 | Cut | 1/2026 | 34 | 3 |
| Japan | 1,3 | 2,6 | 0,75 | 0,25 | Hike | 12/2025 | 3 | 122 |
| Mexico | 4,0 | 4,5 | 6,75 | -0,25 | Cut | 3/2026 | 36 | 0 |
| New Zealand | 3,1 | 2,5 | 2,25 | -0,25 | Cut | 11/2025 | 34 | 4 |
| Norway | 2,7 | 2,9 | 4,00 | -0,25 | Cut | 9/2025 | 28 | 7 |
| Poland | 2,9 | 2,5 | 3,75 | -0,25 | Cut | 3/2026 | 43 | 1 |
| Russia | 5,9 | 5,2 | 15,00 | -0,50 | Cut | 3/2026 | 17 | 0 |
| Saudi Arabia | 1,7 | | 4,25 | -0,25 | Cut | 12/2025 | 32 | 4 |
| South Africa | 2,9 | 3,0 | 6,75 | -0,25 | Cut | 11/2025 | 34 | 4 |
| South Korea | 2,2 | 2,2 | 2,50 | -0,25 | Cut | 5/2025 | 39 | 10 |
| Sweden | 0,5 | 1,7 | 1,75 | -0,25 | Cut | 10/2025 | 30 | 6 |
| Switzerland | 0,3 | 0,4 | 0,00 | -0,25 | Cut | 6/2025 | 33 | 9 |
| Turkey | 30,9 | 29,7 | 37,00 | -1,00 | Cut | 1/2026 | 12 | 2 |
| United Kingdom | 3,0 | 3,2 | 3,75 | -0,25 | Cut | 12/2025 | 32 | 4 |
| United States | 2,4 | 2,5 | 3,75 | -0,25 | Cut | 12/2025 | 32 | 4 |

Source: BOCOM BBM, Macrobond

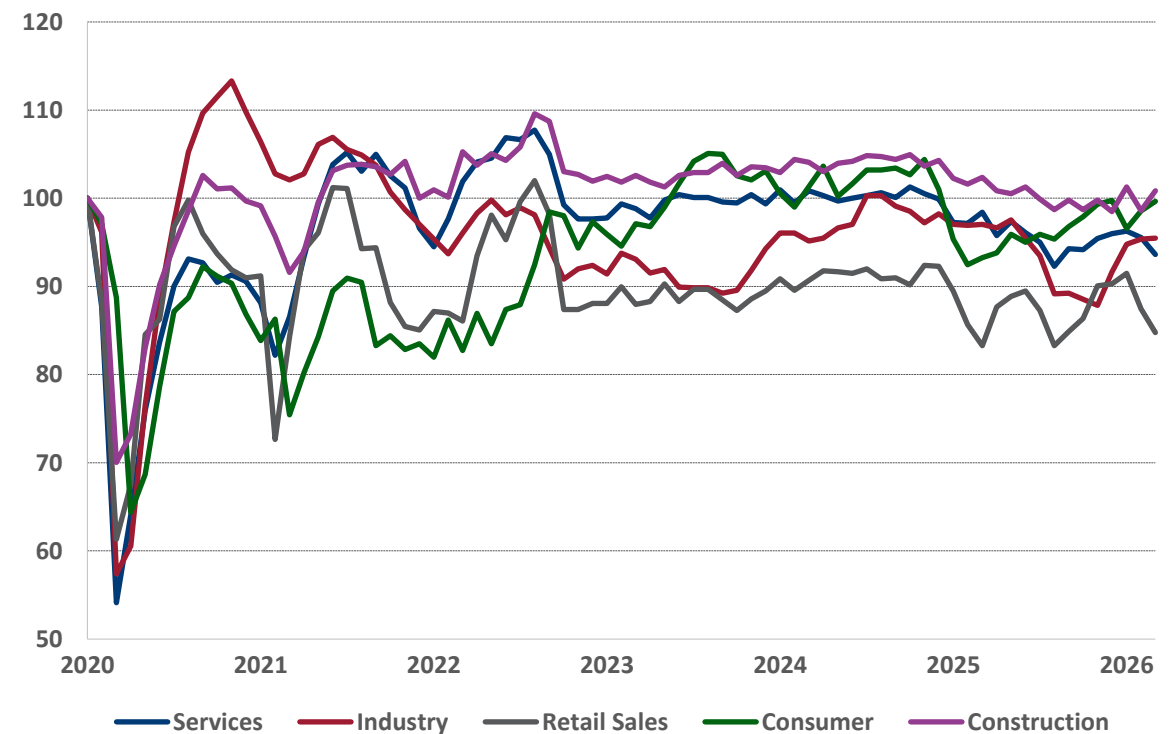
| ECONOMIC FORECASTS | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026F | 2027F |
|---|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|
| GDP Growth (%) | -3.3% | 4.8% | 3.0% | 2.9% | 3.4% | 2.3% | 2.0% | 1.5% |
| Inflation (%) | 4.5% | 10.1% | 5.8% | 4.6% | 4.8% | 4.3% | 4.3% | 3.6% |
| 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% |

- In February, industrial production grew 0.9% MoM, above market expectations (0.8%). Additionally, services increased 0.3% MoM (vs. 0.1% expected), retail sales also surprised on the upside, rising by 0.4% MoM (vs. 0.2% expected). The broader set of indicators points to a gradual economic reacceleration. In line with this trend, the IBC-BR expanded 0.8% MoM, roughly in line with expectations.
- Looking ahead, confidence surveys for the services and retail sectors weakened in March, whereas consumer, industrial, and construction confidence posted gains.

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



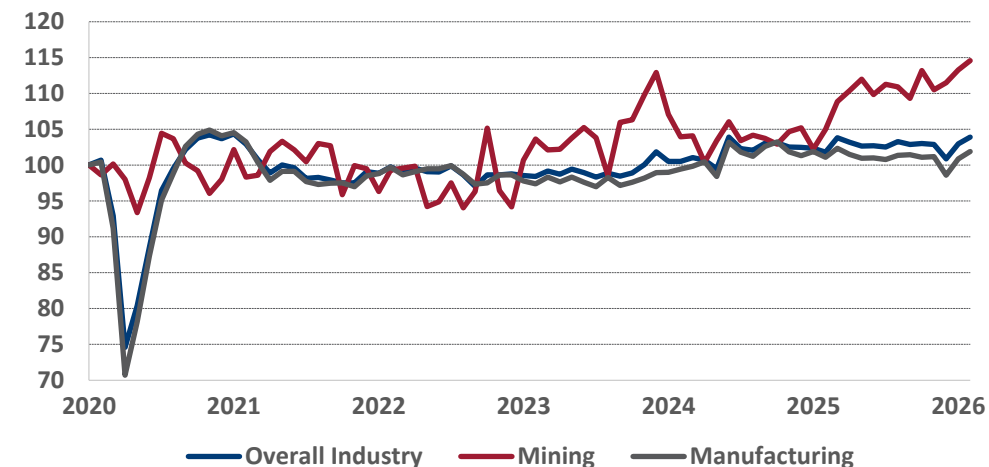
Brazil - Economic Confidence Index (Jan/20 = 100)



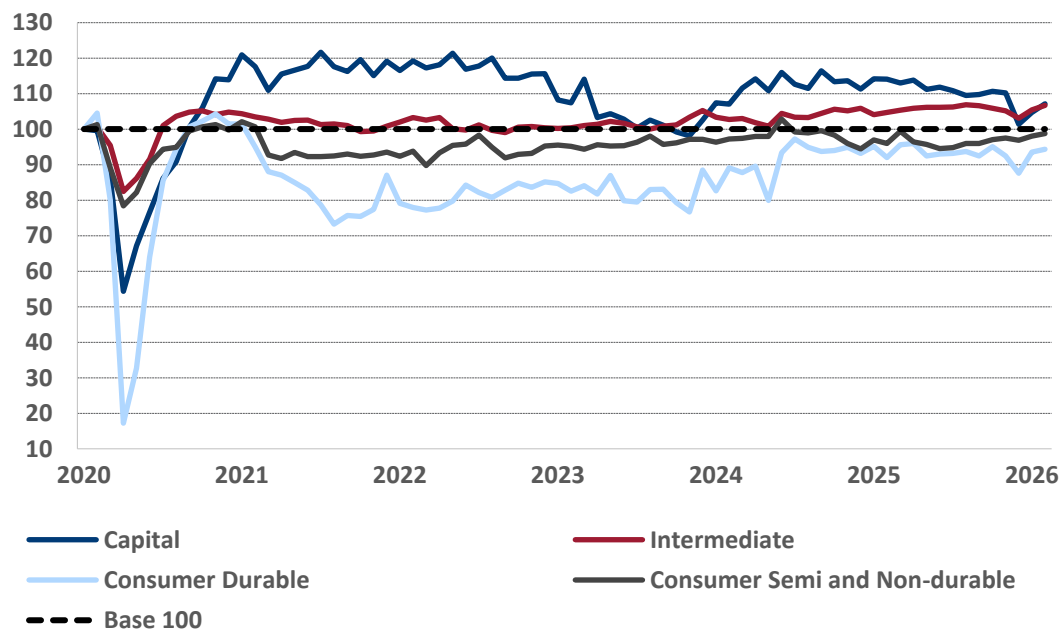
Brazil: Industrial Production

- Industrial output rose by 0.9% from January to February, above market expectations (0.8% MoM). The manufacturing industry increased by 1.0% MoM (-2.6% YoY), while the extractive industry increased by 1.1% MoM (10.2% YoY).
- All four economic categories grew compared to January, however, most of them show weakening when compared to 2025.
- Intermediate Goods resumed expanded 2.3% MoM, supported by a sharp increase in the Extractive Industry, driven by Oil Derivatives & Biofuels. Semi and Non-Durable Goods grew after disappointing figures at the end of 2025 (0.7% MoM; -0.3% YoY), driven mainly by the recovery in Food Products and Beverages.
- Capital Goods remained the main drag on industrial performance, despite a temporary 2.3% MoM, the category fell by 5.2% QoQ and 13.5% YoY, which signals short-term weakness in Gross Fixed Capital Formation. Furthermore, Durable Consumer Goods advanced for the second consecutive month but considerably weaker compared to last year (0.9% MoM; -9.3% YoY).

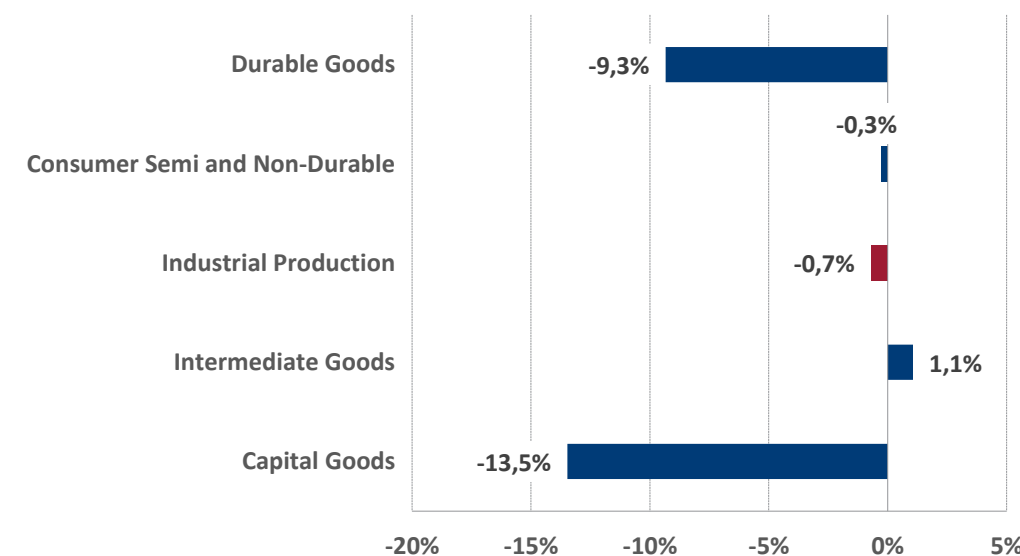
Industrial Production Index SA (Jan/20=100)



Industrial Production Index SA (Jan/20=100)



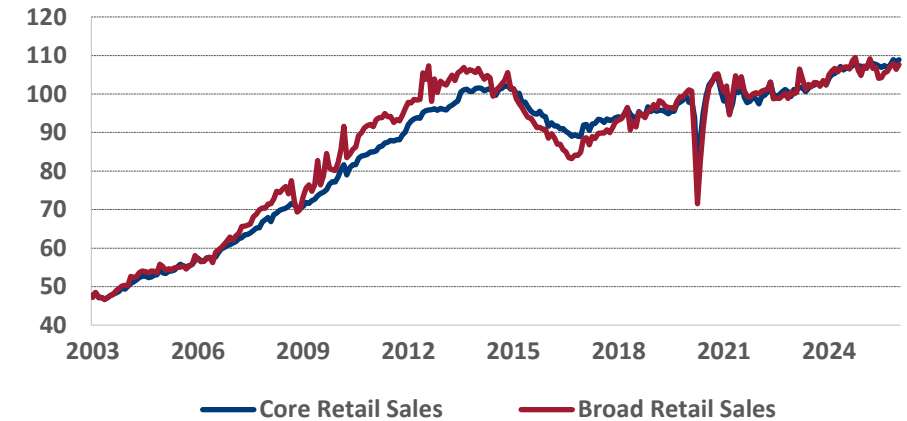
Industrial Production by Category - 02/2026 (YoY)



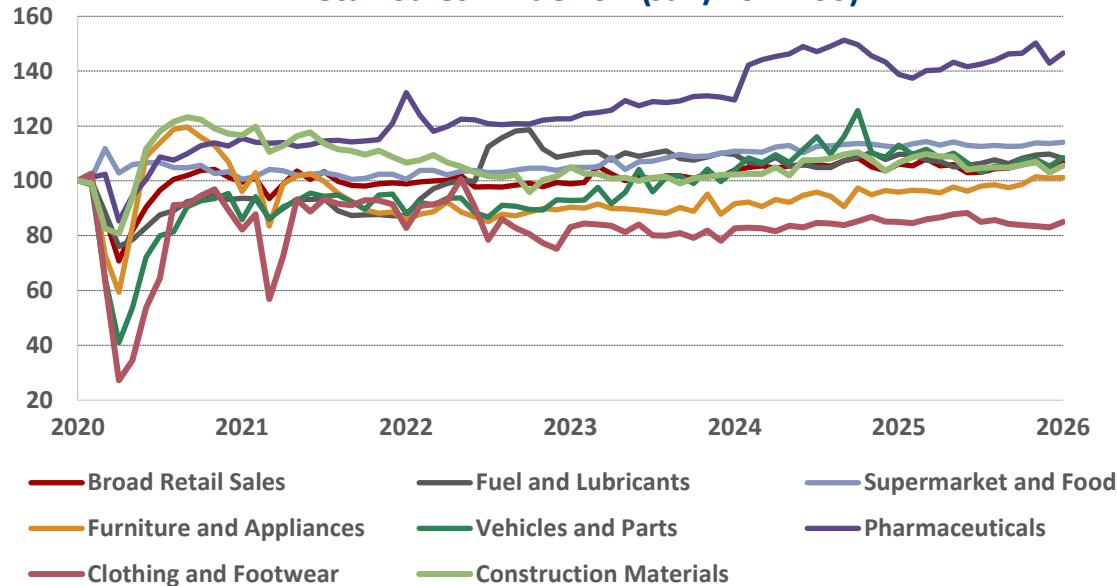
Brazil: Retail Sales

- Broad retail sales rose by 0.9% MoM in January, above expectations (+0.4% MoM).
- In turn, core retail sales increased by 0.4% MoM, also above estimates (-0.2% MoM).
- In the breakdown, 6 out of 10 retail activities grew in the monthly comparison, with the highlights being the positive performance of Pharmaceutical Products, Toiletries, and Cosmetics (+2.6% MoM), Building Materials (+3.4% MoM) and Motor Vehicles (+2.8% MoM).
- On the negative side, Office, Computer, and Communication Material & Equipment stood out, recording a significant MoM contraction (-9.3% MoM), reflecting the expected payback after December's unexpected jump.
- Overall, after weak performance in 2H25 under a still-tight monetary policy, domestic activity is expected to gain steam in 1H26, as the still-tight labor market and real income growth keep demand resilient.

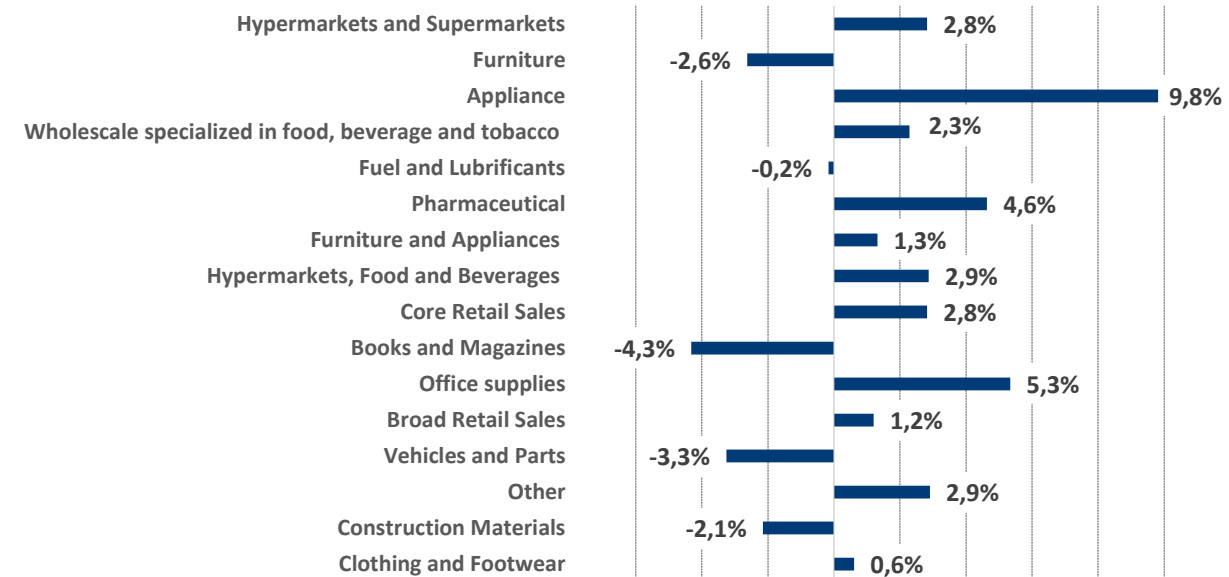
Broad Retail Sales SA x Core Retail Sales SA



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

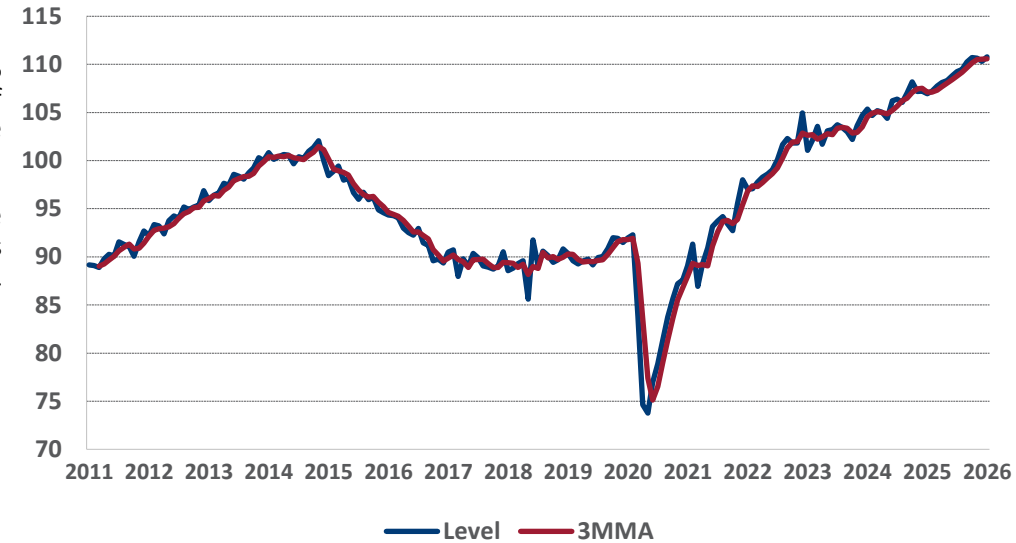


Retail Sales - YoY (01/2026)



Brazil: Services

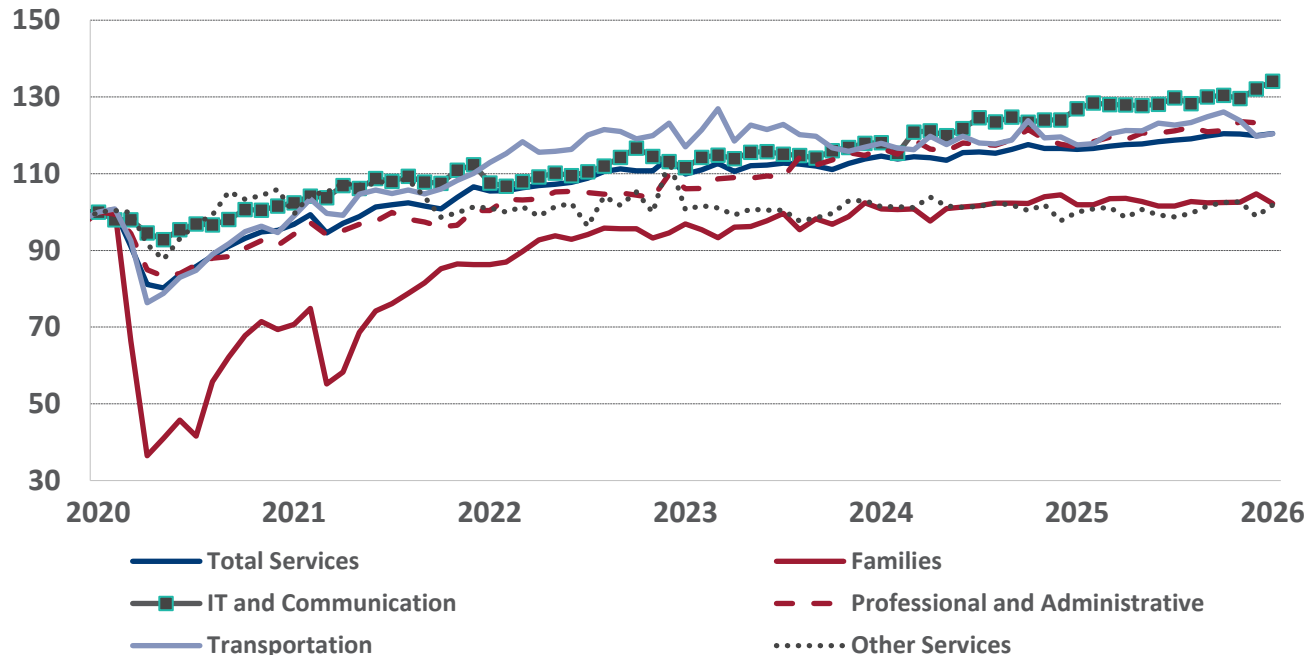
Services Sector SA



Services Sector



Services Sector SA (Jan/20=100)



- The services print expanded by 0.3% MoM in January, above market expectations (0.1% MoM) after two consecutive MoM declines.
- Three of the five major service categories grew in January. The highlight was Information & Communication Services (1.0% MoM; 6.5% YoY), led by the IT Services subsector. The category of Other Services expanded by 3.7% MoM In the first month of 2026 (1.9% YoY), owing chiefly to the robust performance of Auxiliary Financial Service Activities. Transportation & Storage Service category grew moderately in January (0.4% MoM; 1.1% YoY).
- On the negative side, Services Rendered to Families contracted by 1.2% MoM in January (0.5% YoY), after a sequence of three consecutive gains. There was a significant downward revision to its December result, to 0.6% YoY from 1.8% YoY. Despite this downward revision, upward revisions in Information & Communication Services and Professional, Administrative & Complementary Services more than compensated for it.
- Overall, a still-tight labor market and economic stimulus measures will rise real household disposable income.

Brazil: PNAD

The unemployment rate rose from 5.4% to 5.8% in the moving quarter up to February, above market expectations (5.7%).

Seasonally adjusted, the indicator ticked up to 5.5% from 5.4%, still a historically low level.

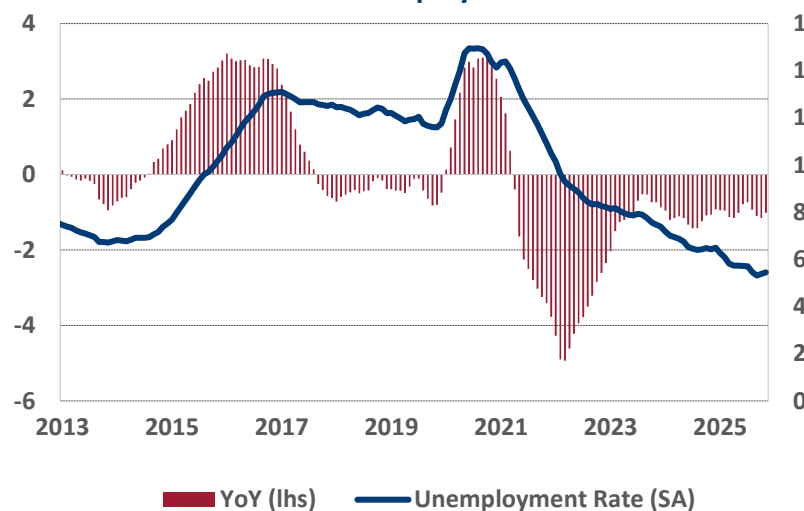
Total employment remained virtually flat, standing at 102.7 million, additionally labor force edged up 0.1% MoM to 108.6 million, reflecting a scenario of still tight labor market.

The labor force participation rate remains unchanged at 62.1%, still below pre-pandemic levels of 63.5%.

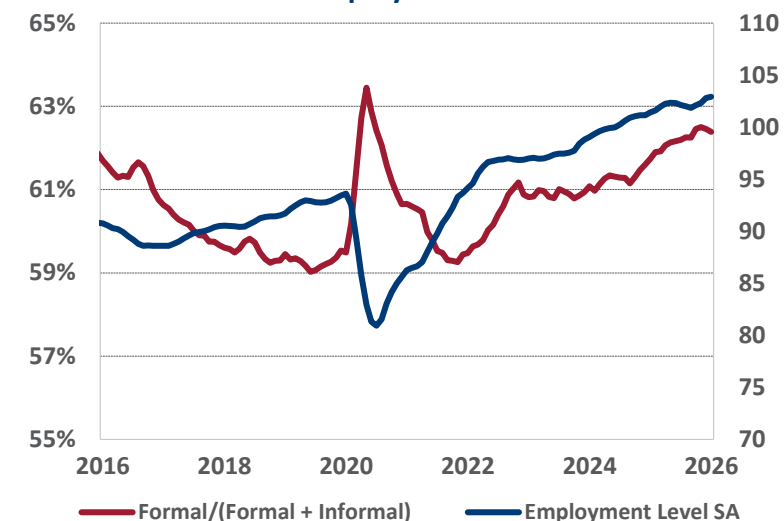
The average real wage increased 0.1% MoM, continuing an upward trajectory.

Consequently, real aggregated labor income rose by 0.4% MoM, remaining at historically high levels.

Brazil - Unemployment Rate



Brazil - Employment Level SA



Brazil - Workforce Participation



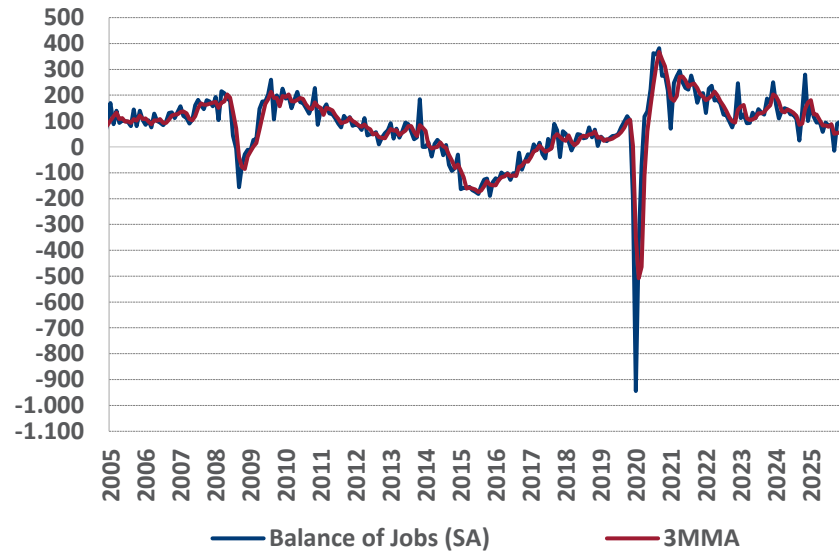
Brazil - Average Real Wage and Real Wage Bill



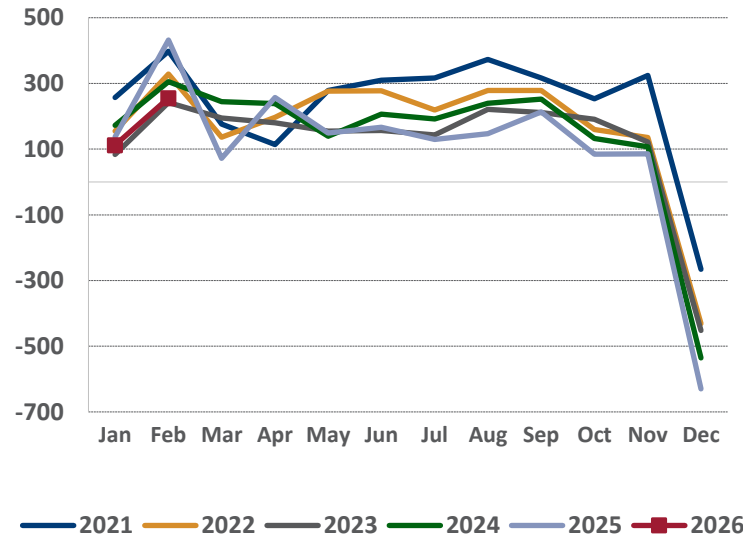
Brazil: Formal Labor Market

- CAGED registered a net creation of 255.3k formal jobs in February, roughly in line with market expectations (257.5k).
- There was a net creation of 1.047 million jobs in the 12-month rolling sum up to February 2026, down from nearly 1.232 million in the previous reading.
- Overall, formal employment remains on an upward trend, although losing steam.

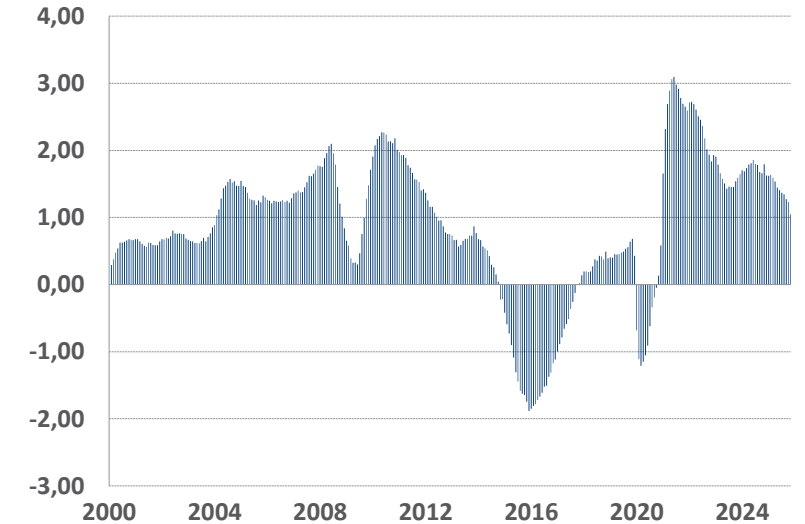
CAGED - Balance of Jobs (SA, Thousand)



CAGED - Balance of Jobs (Thousand)



CAGED - Balance of Jobs 12 Months Acc. (Million)

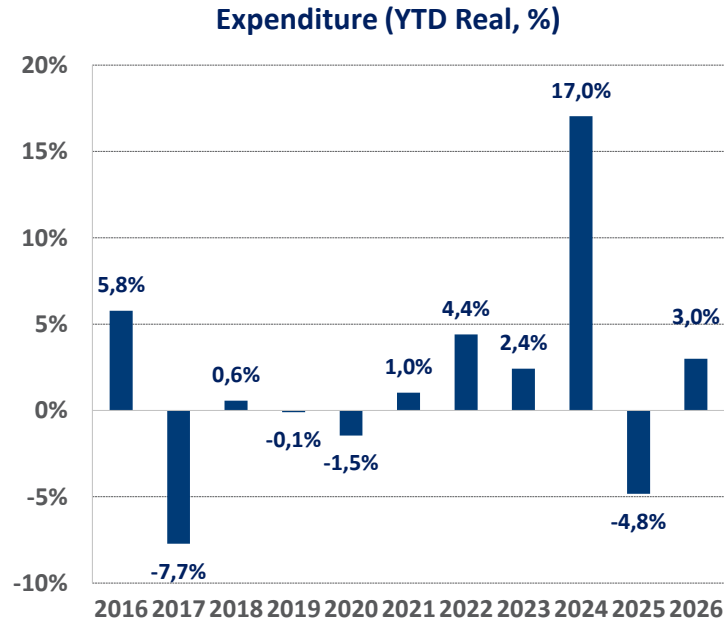
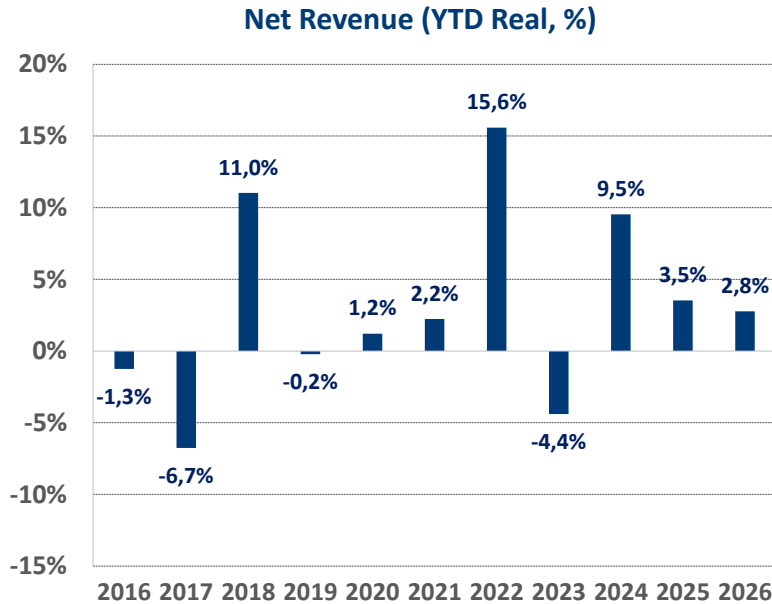
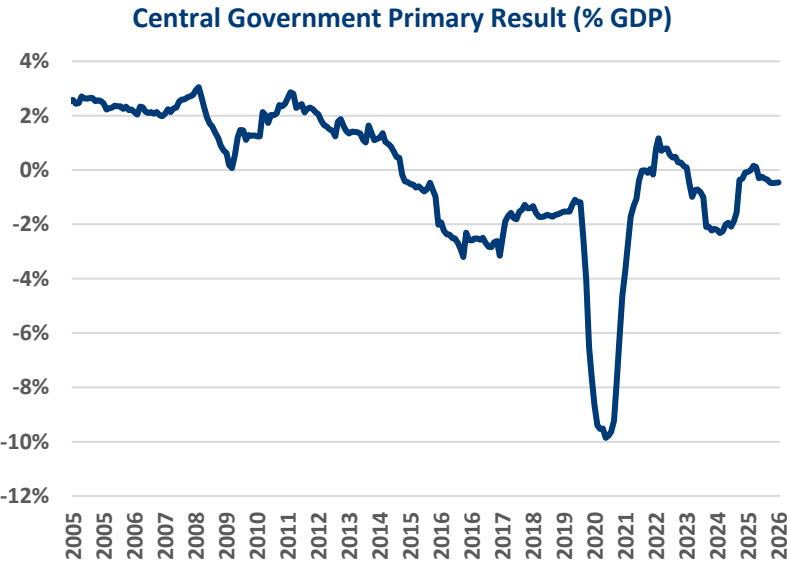


Following the January results, we have increased our GDP forecast for this year from 1.8% to 2.0%, reflecting the impact of fiscal and credit stimulus policies enacted last year.

| Forecasts | | | | |
|------------------------------|-------------|-------------|-------------|-------------|
| | 2026.I QoQ | 2026.I YoY | 2026 | 2027 |
| GDP | 1.1% | 1.8% | 2.0% | 1.5% |
| Agriculture | 4.0% | 4.5% | 2.4% | 5.0% |
| Industry | 0.1% | 0.2% | 0.8% | 0.5% |
| Mining | 1.3% | 9.7% | 6.6% | 2.5% |
| Manufacturing | -0.6% | -1.8% | -0.5% | 0.1% |
| Electricity | 1.0% | 0.5% | 1.6% | 2.7% |
| Construction | -0.1% | -2.7% | -0.9% | -1.6% |
| Services | 0.8% | 2.1% | 2.5% | 1.6% |
| Retail | 0.6% | 1.0% | 1.1% | 0.5% |
| Transports | -0.5% | 1.0% | 1.2% | 0.3% |
| Information and Comunication | 2.1% | 7.1% | 5.6% | 3.4% |
| Financial Services | 1.0% | 4.6% | 4.5% | 1.9% |
| Rents | 0.4% | 1.8% | 2.2% | 3.0% |
| Other Services | 0.8% | 2.5% | 3.0% | 1.3% |
| Public Administration | 0.1% | 0.6% | 1.6% | 1.5% |

Brazil: Central Government Primary Result

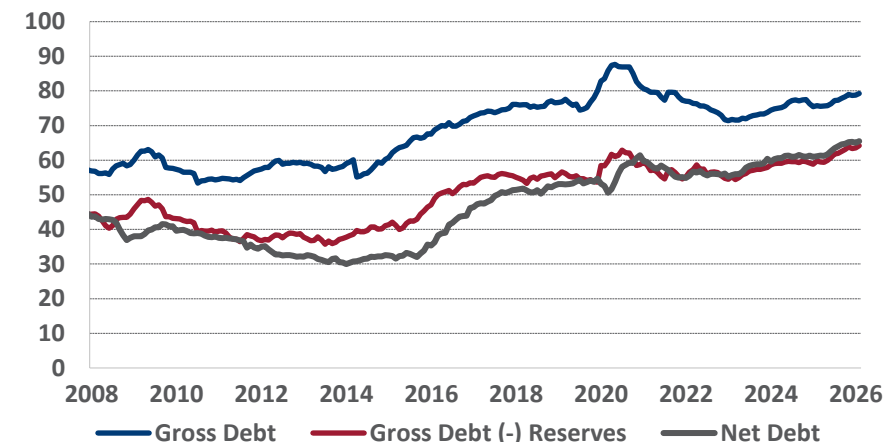
- The central government's primary balance posted a deficit of BRL 30.0 billion in February, below market consensus (BRL 30.9 billion), while slightly below the deficit recorded in the same month last year (BRL 31.6 billion).
- Net revenues grew 5.6% YoY in real terms. Revenue administered by the RFB increased 4.1%, driven by PIS/Cofins (6.9%), which reflected stronger retail sales and services activity early this year, and IOF (35.6%), supported by the tax hike implemented in 2025. Social Securities contributions grew 5.6%, as the labor market remains solid. In contrast, revenues not administered by the RFB (non-tax revenues) decreased by 4.4%, due mainly to a 36.4% drop in dividends and shareholding largely reflecting lower payments from BNB and Petrobras this year, as well as weaker revenues from the exploitation of natural resources.
- Total spending increased 3.1% YoY. The change was driven by discretionary expenditures, which surged 47.7% in the wake of stronger execution of parliamentary amendments and health and education outlays. Personnel (7.1%) and social securities benefits (2.2%) also contributed to expenditure growth. Better results in both social securities benefits and BPC/LOAS remains constrained by the rising backlog of applications.
- Looking ahead, the recent increase in oil prices should raise royalty revenues. Even so, election-year dynamics continue to add uncertainty to the fiscal outlook.



Brazil: Consolidated Public Sector Budget

- The consolidated public sector posted a primary deficit of BRL 16.4 billion in February, below market consensus (deficit of BRL 21.9 billion) and lower than the BRL 19.0 billion deficit recorded in the same month of 2025.
- Regarding the breakdown, the central government and state-owned enterprises registered deficits of BRL 29.5 billion and BRL 0.6 billion, respectively, while regional governments presented a surplus of BRL 13.7 billion.
- General Government Gross Debt (GGGD) rose to 79.2% of GDP, a change driven by net issuance (+0.1 p.p.) and nominal interest (+0.7 p.p.) that was partially offset by nominal GDP growth (-0.3 p.p.).

Public Sector Debt (% GDP)



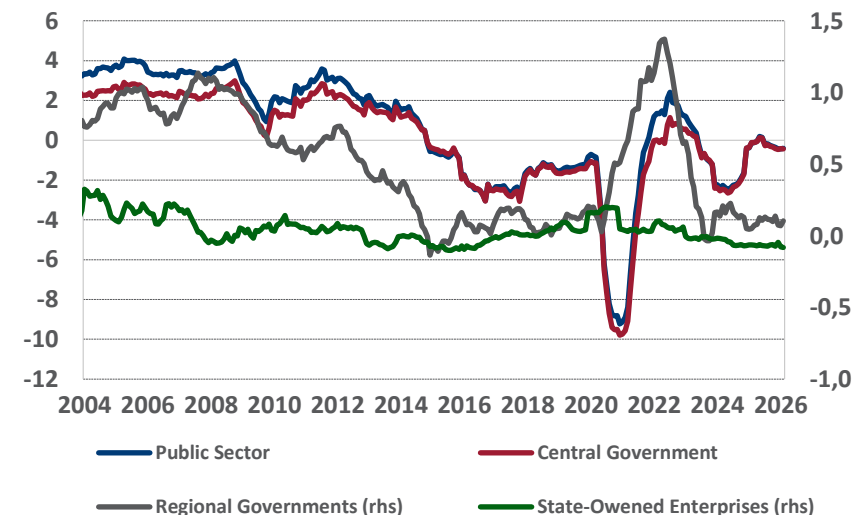
Primary Budget Balance (% GDP 12M)



Central Government (% GDP 12M)



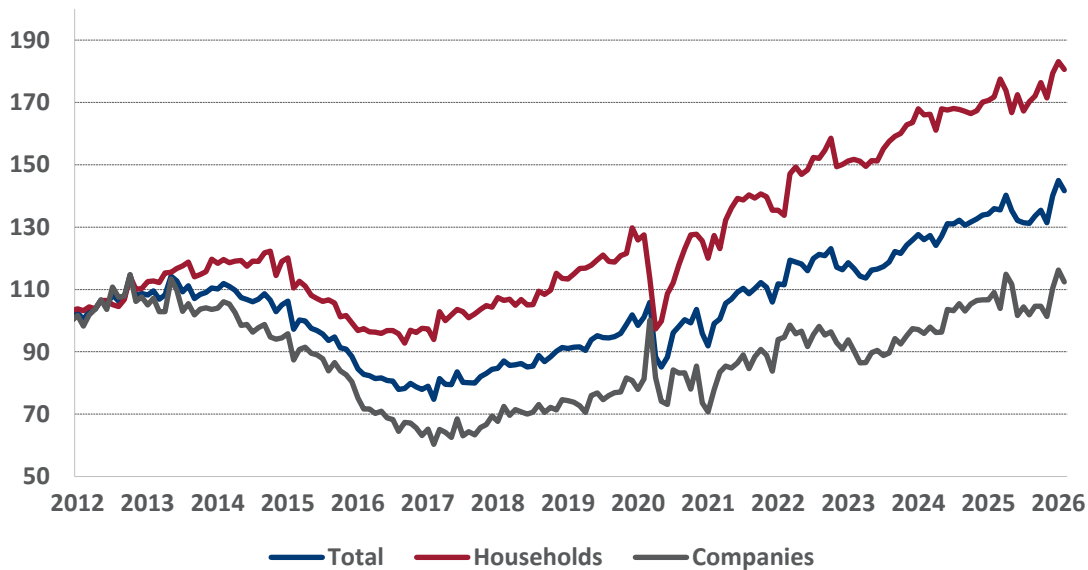
Public Sector Primary Result (% GDP)



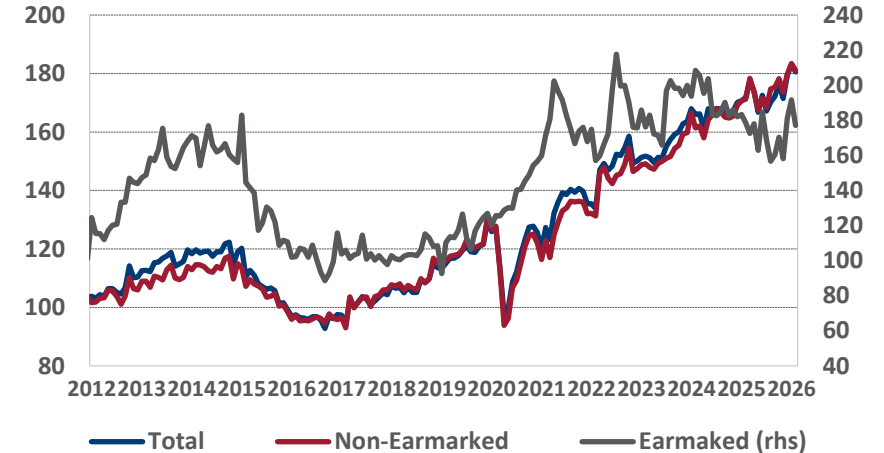
Brazil: Credit Statistics

- In February, total credit concessions decreased by 2.3% MoM in real terms, after increasing by 3.5% in the last month.
- Non-earmarked credit concessions fell 1.4% MoM in real terms to households and contracted by 3.3% for companies in the monthly comparison.
- Credit growth softened at the margin, after months of notable resilience.

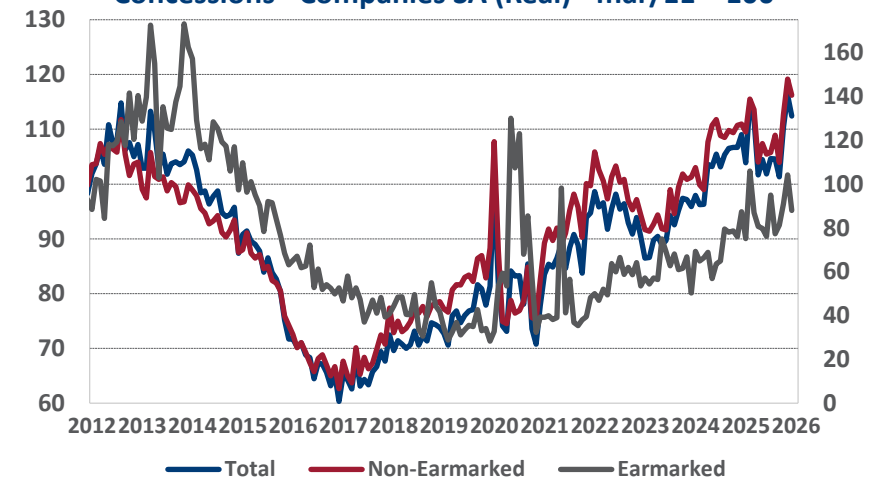
New Credit Operations SA (Real) - mar/11 = 100



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



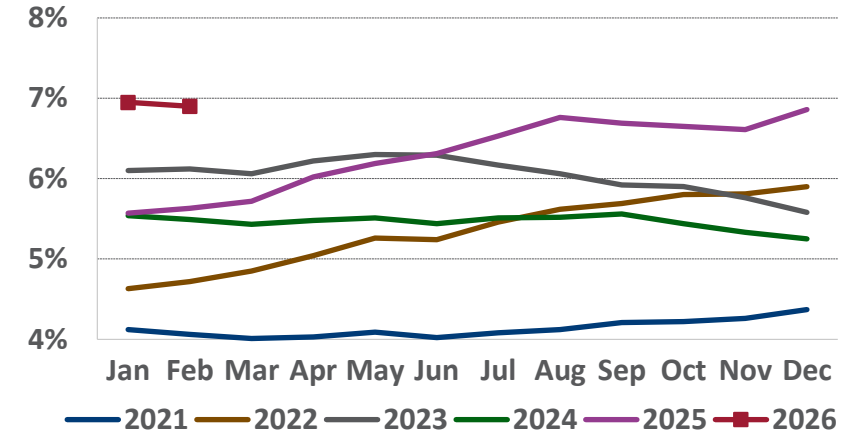
Concessions - Companies SA (Real) - mar/11 = 100



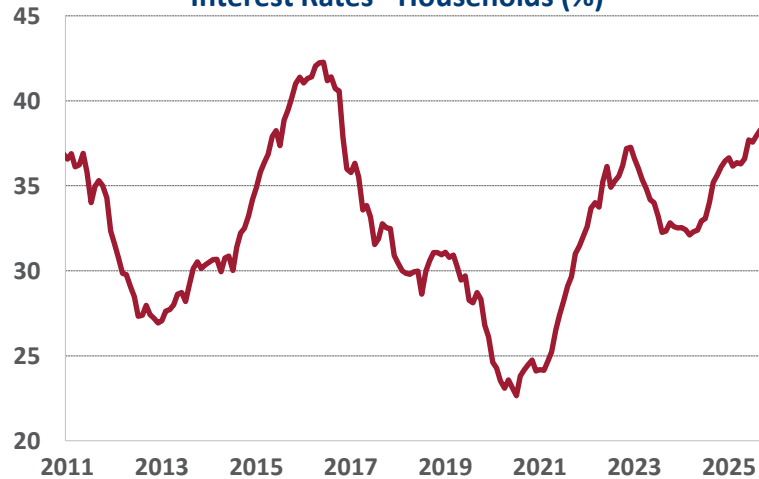
Brazil: Credit Statistics

- Lending rates increased marginally, remaining at high levels for households, reaching 38.3% in February from 37.95% in January, while for companies, rates decreased from 21.38% to 21.12%.
- Meanwhile, delinquency on non-earmarked loans for households fell 6.90% in February, additionally for companies, it contracted from 3.35% to 3.30%.

Non-Earmarked Delinquency - Households (%)



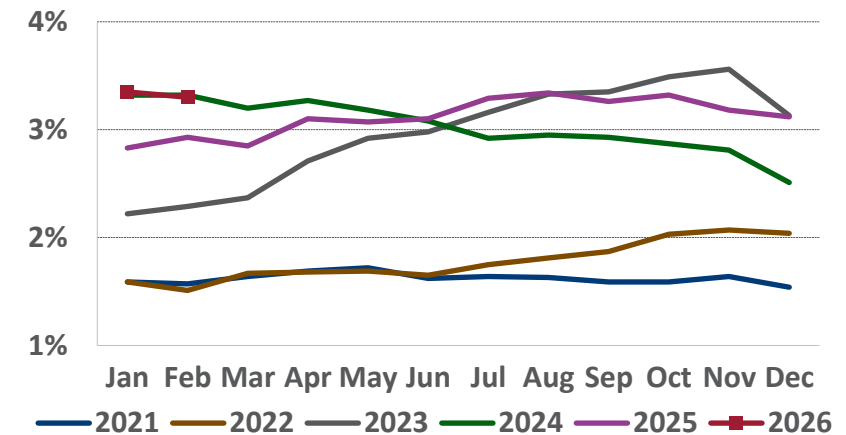
Interest Rates - Households (%)



Interest Rates - Companies (%)

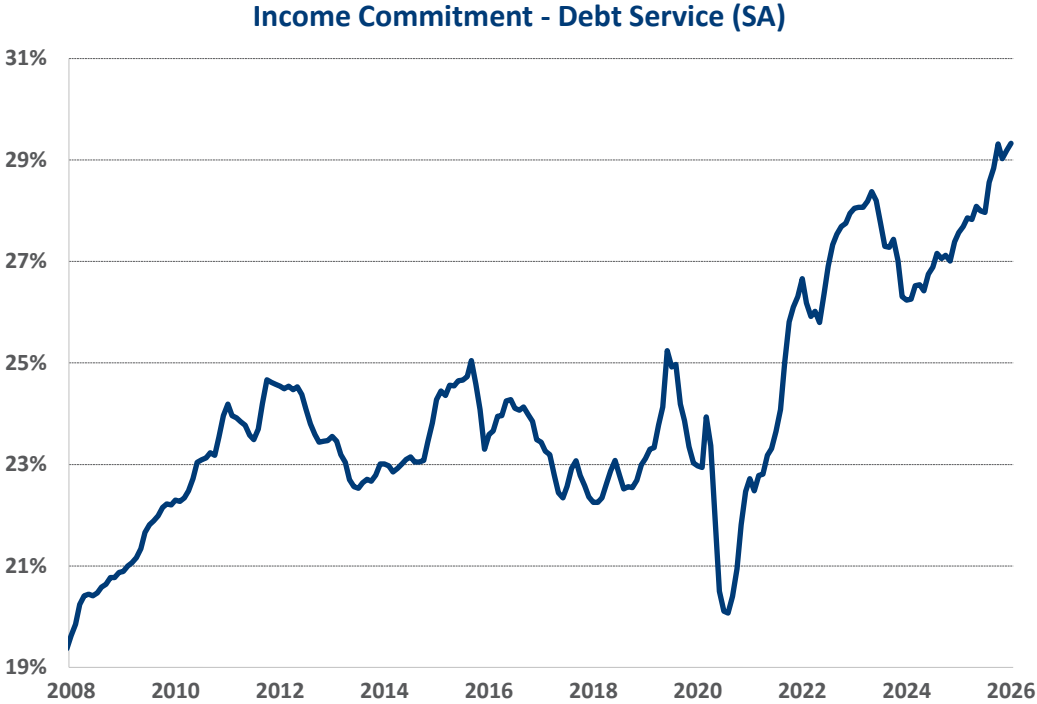
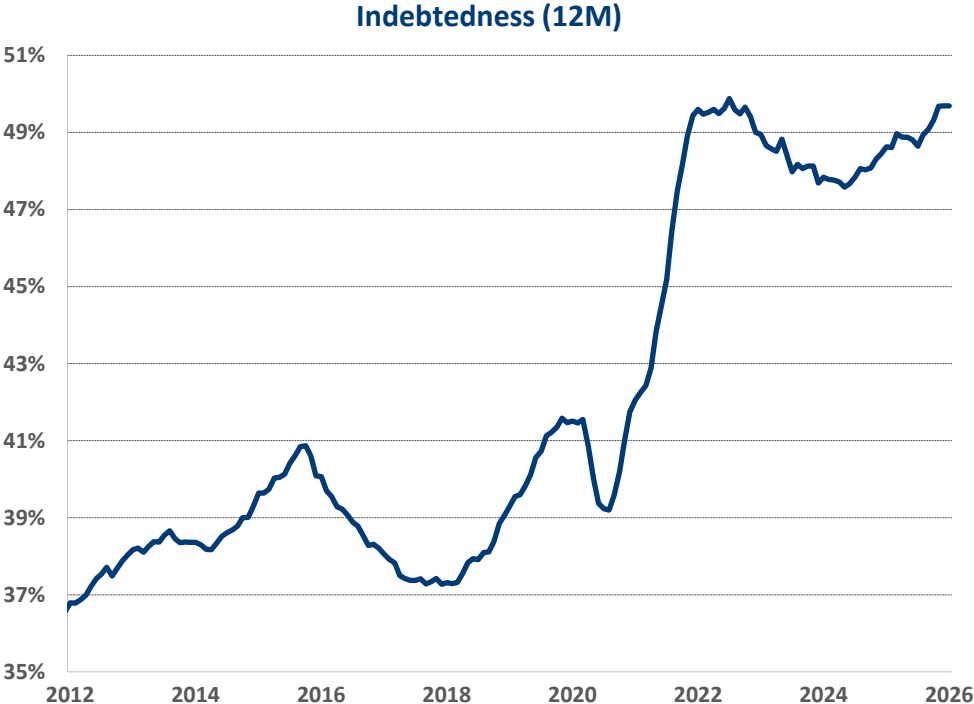


Non-Earmarked Delinquency - Companies (%)



Brazil: Credit Statistics

- Total household indebtedness remains high, standing at 49.7% in January.
- Meanwhile, income commitment rose to 29.3%.
- Credit conditions remain restrictive, with high household debt and income commitment.



Source: BOCOM BBM, BCB

Brazil: Inflation 2026

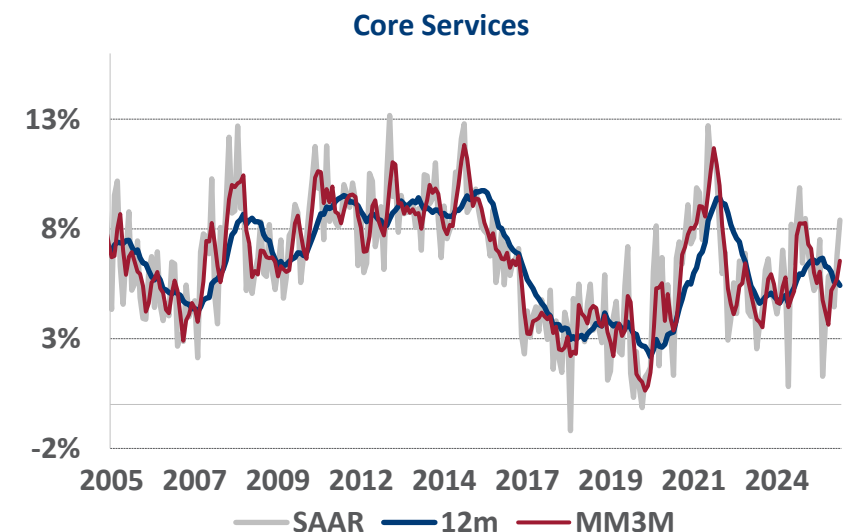
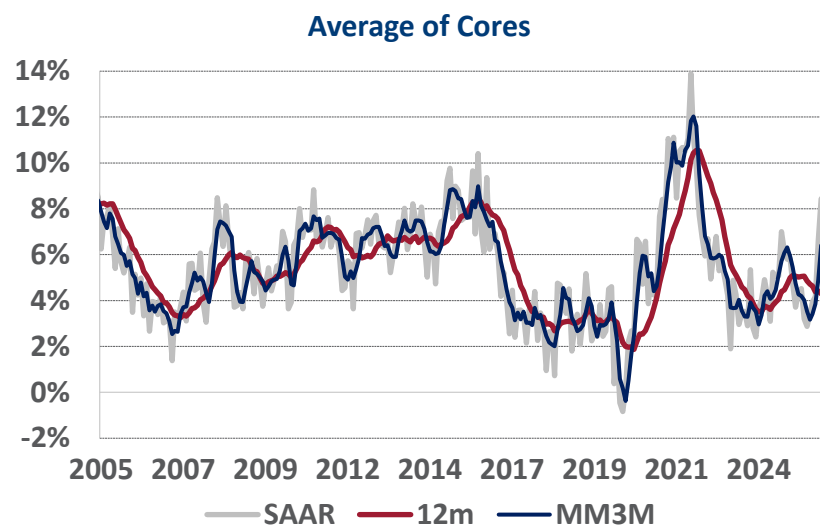
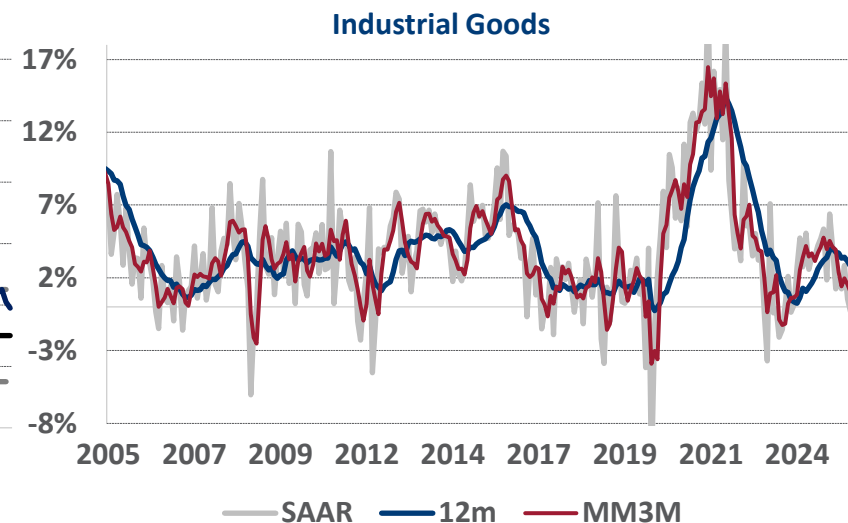
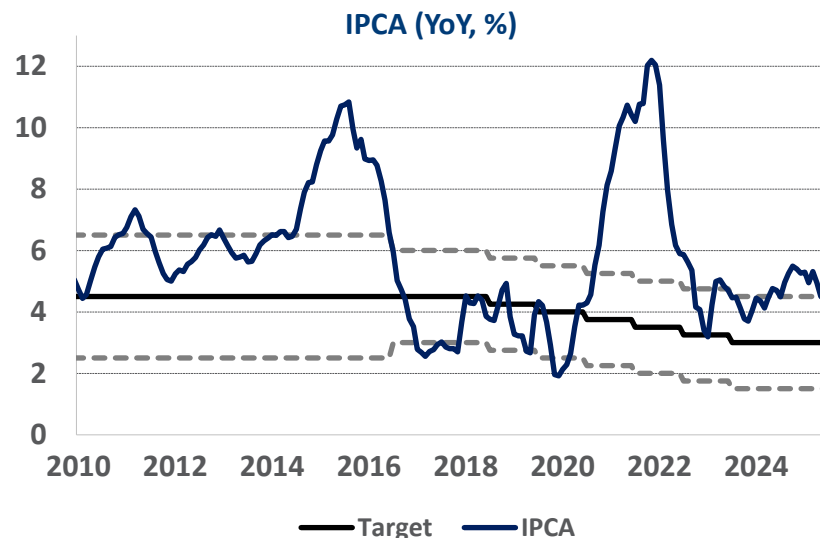
March IPCA-15 increased by 0.44% MoM, well above market expectations (0.29% MoM). The 12-month accumulated inflation decelerated to 3.90% from 4.10%.

The main upward surprise to our forecast came from services, mainly airfares, bank service and food related categories.

Core services advanced 0.49% MoM, above market expectations, and the 3M SAAR remained at 5.2%.

The average of core inflation rose by 0.34% MoM, with its 12-month accumulated at 4.3%.

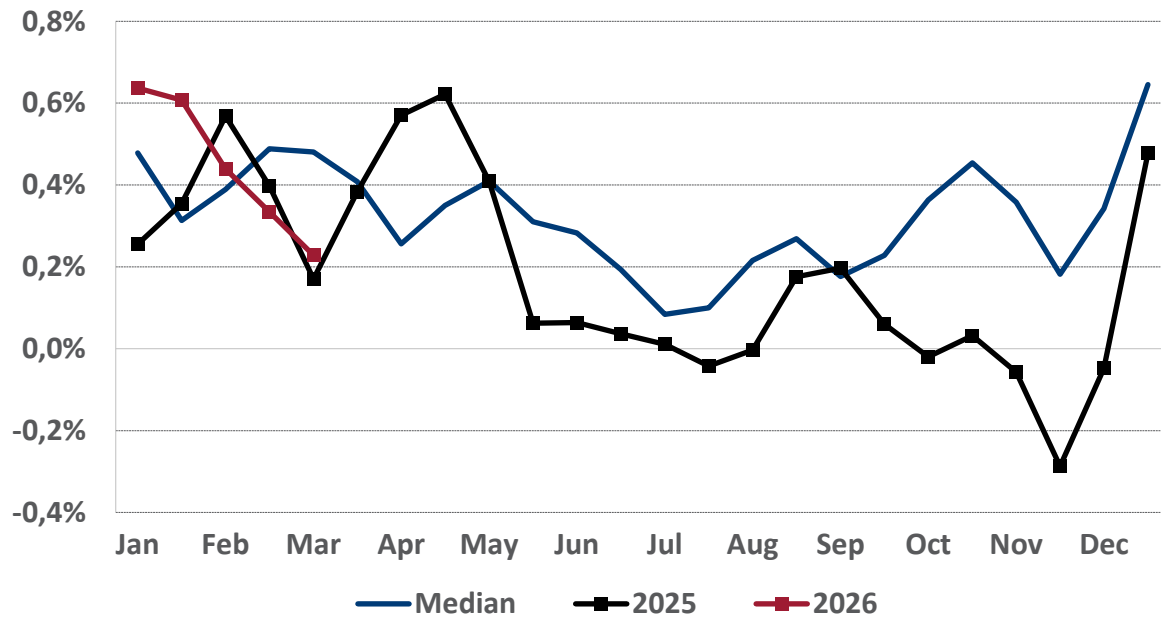
Looking ahead, fuel-related items are expected to push the March IPCA higher, and short-term inflation should deteriorate further, driven by the effects of the conflict in the Middle East.



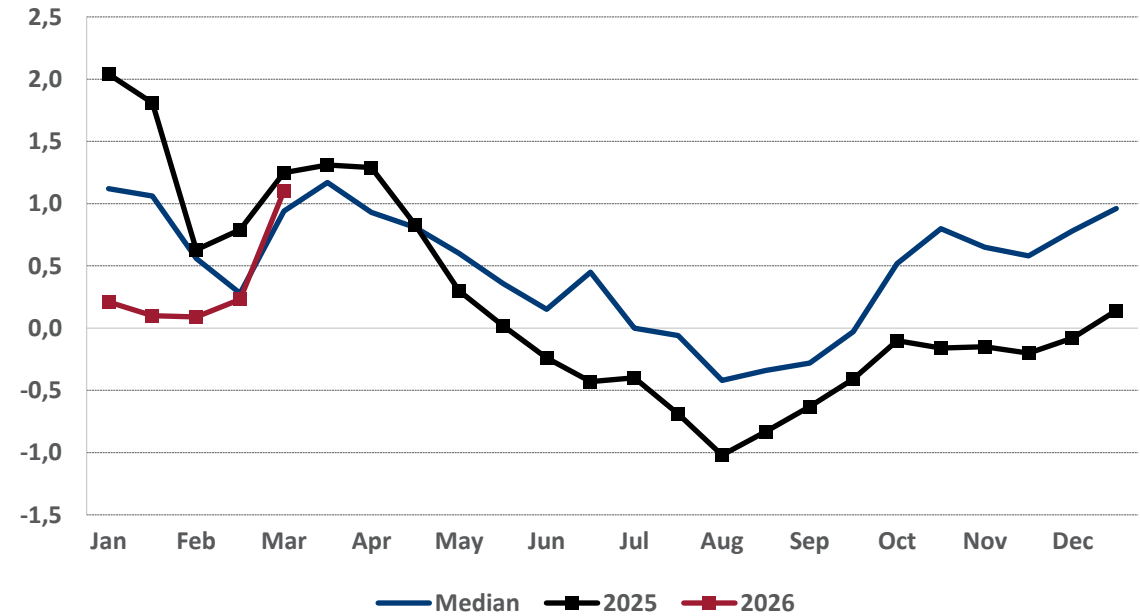
Brazil: Inflation 2026

- Industrial goods prices rose 0.23% MoM, below expectations, while the 3M SAAR accelerated from 2.9% to 3.0% in March.
- Foodstuff prices increased by 1.10% MoM, above expectations (0.70% MoM). The surprise was driven by meat, beans and vegetables.
- The Middle East conflict poses an additional upside risk by increasing oil prices and contributing to higher energy and logistics costs.

Industrial Goods (MoM, %)



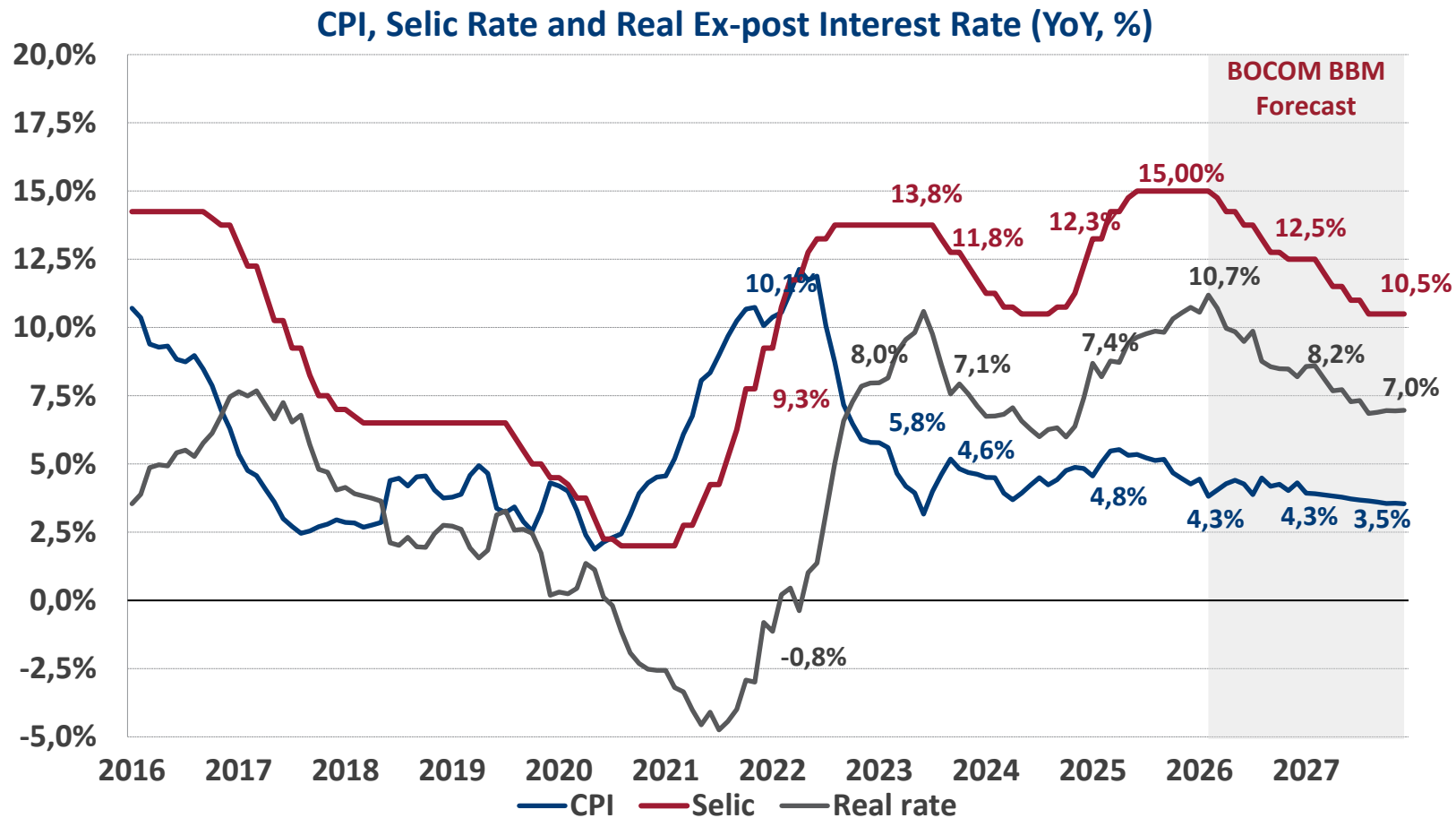
Food at Home (MoM, %)



I We have increased our inflation forecast from 3.8% to 4.3% in response to the rise in fuel prices observed in our daily consumer price surveys.

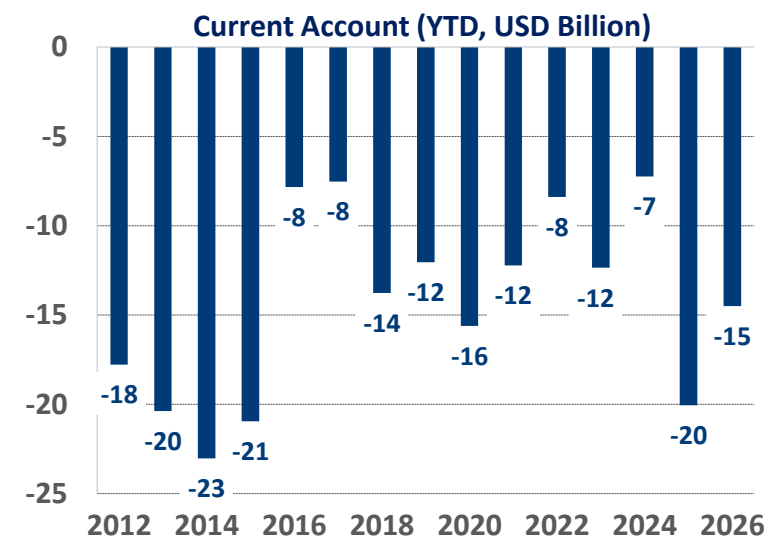
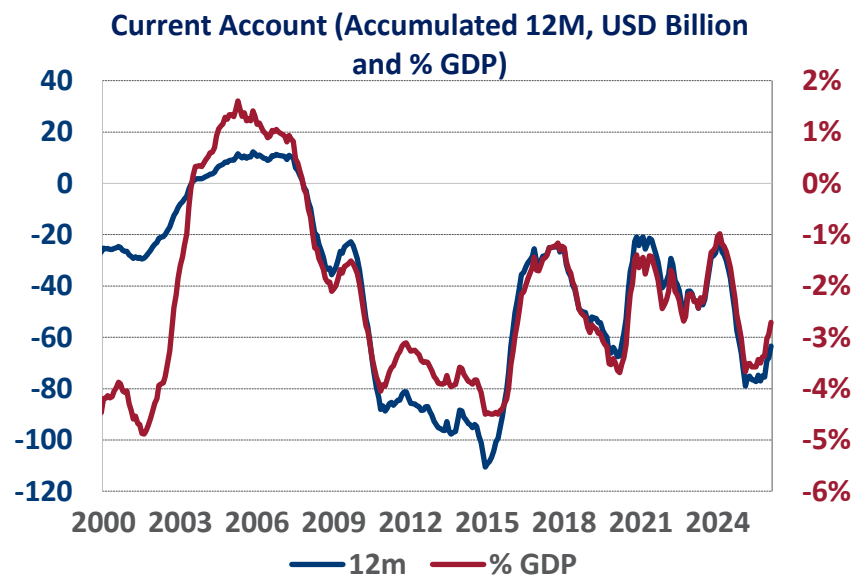
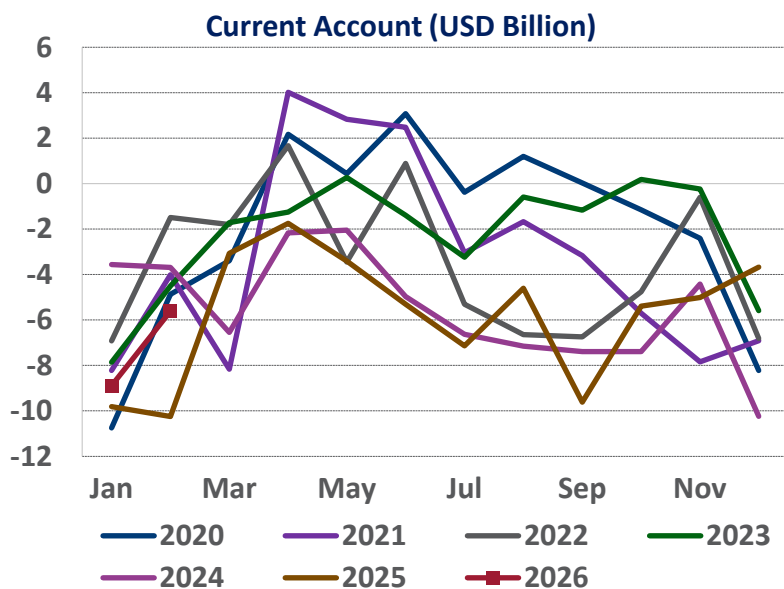
| IPCA (% annual) | | | | | | | | | |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|------------|------------|------------|------------|
| | Weight | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
| Regulated | 26.6 | 2.6 | 16.9 | -3.8 | 9.1 | 4.7 | 5.3 | 3.8 | 3.9 |
| Industrial goods | 23.6 | 3.2 | 11.9 | 9.5 | 1.1 | 2.9 | 2.4 | 3.2 | 1.3 |
| Durable goods | 10.3 | 4.5 | 12.9 | 6.1 | -0.4 | 1.5 | 0.5 | 1.8 | - |
| Semi-durable goods | 5.9 | -0.1 | 10.2 | 15.7 | 2.7 | 2.1 | 3.5 | 3.0 | - |
| Non-durable goods | 7.3 | 4.0 | 11.9 | 9.5 | 1.7 | 5.4 | 3.9 | 5.2 | - |
| Food at home | 15.7 | 18.2 | 8.2 | 13.2 | -0.5 | 8.2 | 1.4 | 4.5 | 4.2 |
| Services | 34.1 | 1.7 | 4.8 | 7.6 | 6.2 | 4.6 | 5.8 | 5.2 | 4.6 |
| Food away from home | 5.6 | 4.8 | 7.2 | 7.5 | 5.3 | 6.3 | 7.0 | 4.7 | - |
| Related to minimum wage | 5.2 | 1.5 | 3.3 | 6.3 | 5.2 | 5.0 | 6.5 | 6.0 | - |
| Sensitive to economic activity | 8.2 | 0.2 | 5.1 | 6.3 | 9.5 | 0.9 | 5.4 | 5.1 | - |
| Inertial | 15.0 | 1.6 | 4.2 | 8.8 | 5.1 | 6.0 | 5.2 | 5.2 | - |
| IPCA | | 4.5 | 10.1 | 5.8 | 4.6 | 4.8 | 4.3 | 4.3 | 3.6 |

In the March meeting, the Monetary Policy Committee cut its benchmark Selic rate by 25 bps to 14.75%, as expected by most market participants. The Committee signaled, that it intends to continue the ongoing calibration cycle in the next meetings, adjusting the pace of easing as new information clarifies the inflation outlook and the effects of geopolitical shocks. Inflation projection six trimesters ahead inched up to 3.3% for the third quarter of 2027 in a scenario, where the Selic converges to 12.25% in 2026 and 10.50% in 2027. Overall, the statement indicated that the easing cycle has begun, but the Committee deliberately avoided pre-committing to either the pace or the total extent of future reductions. Policy will remain firmly in restrictive territory, as the Copom stressed that a tighter stance will be required for longer in an environment of unanchored inflation expectations.



Brazil: Balance of Payments

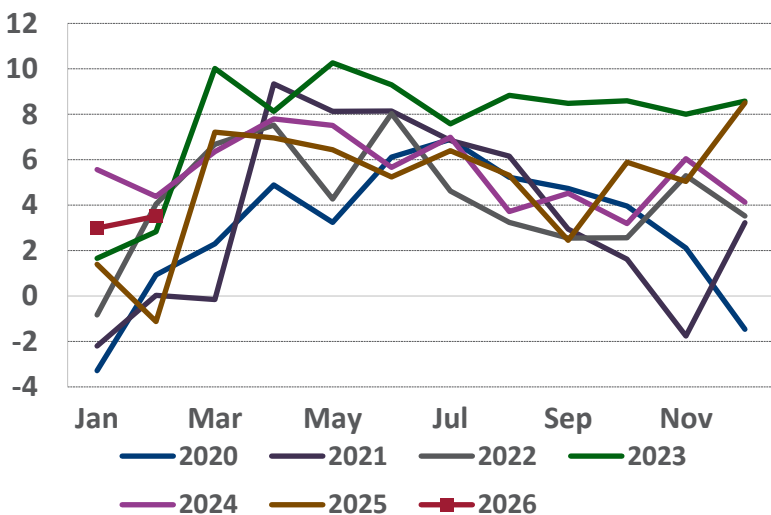
- The Brazilian current account recorded a deficit of USD 5.6 billion in February 2026, worse than market consensus (a deficit of USD 5.4 billion).
- On a 12-month basis, the deficit narrowed to USD 63.4 billion (2.71% of GDP), from USD 68.1 billion (2.94% of GDP) last month.



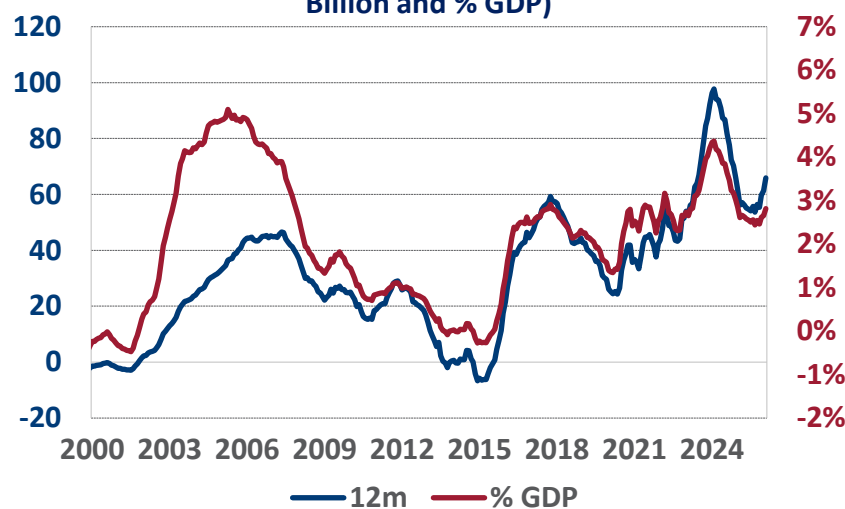
Brazil: Balance of Payments

- The merchandise trade balance posted a surplus of USD 3.5 billion in February, a marked improvement from the USD 1.1 billion deficit observed same month last year.
- Exports increased to USD 26.4 billion (14.8% YoY), while imports decline to USD 22.9 billion (5.1% YoY). Exports volumes has remained solid in recent months, and higher oil prices are likely to bolster the trade balance throughout the year. On the other hand, resilient domestic activity is expected to maintain import demand at high levels.
- On a 12-month basis, the trade surplus increased to USD 66.0 billion, from USD 61.8 billion in January.

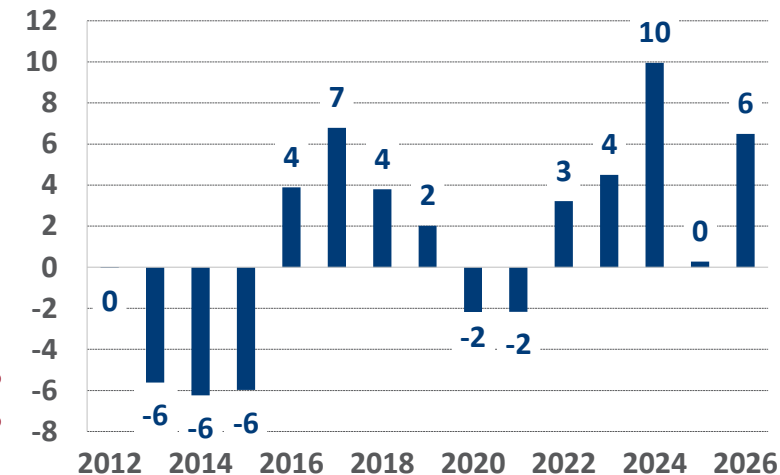
Balance on Goods (USD Billion)



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



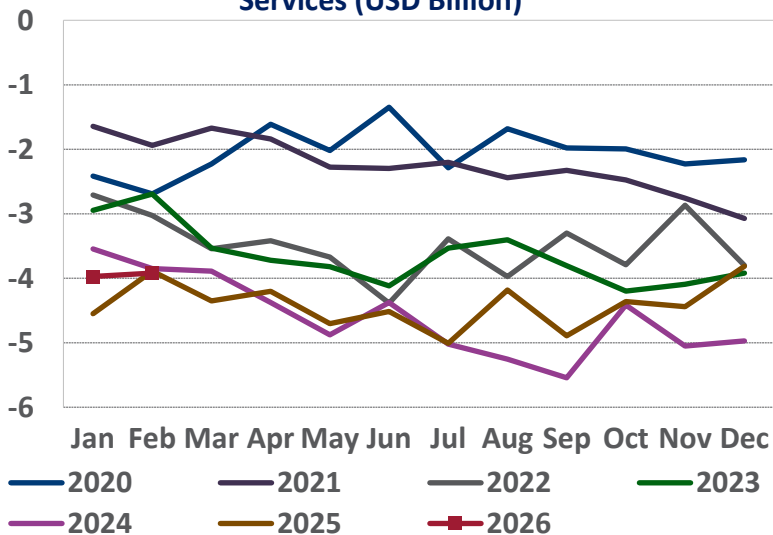
Balance on Goods (YTD, USD Billion)



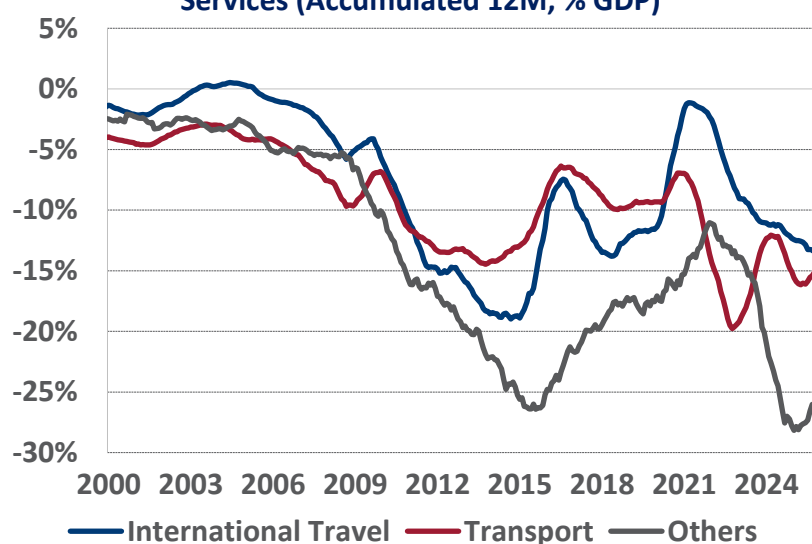
Brazil: Balance of Payments

- The Services account posted a deficit of USD 3.9 billion in February, in line with the deficit recorded in the same month last year. On a 12-month basis, the Services deficit remained at USD 52.4 billion.
- In addition, financial services, transportation services, and other business services posted smaller deficit, following recent trends.
- On the other hand, the travel account, likely still reflecting BRL appreciation since last year, and intellectual property services, whose dynamics are less sensitive to the economic cycle, posted wider deficits.
- The recent improvement in transportation services is unlikely to be sustained, as escalating geopolitical tensions in the Middle East are expected to push freight costs higher going forward.

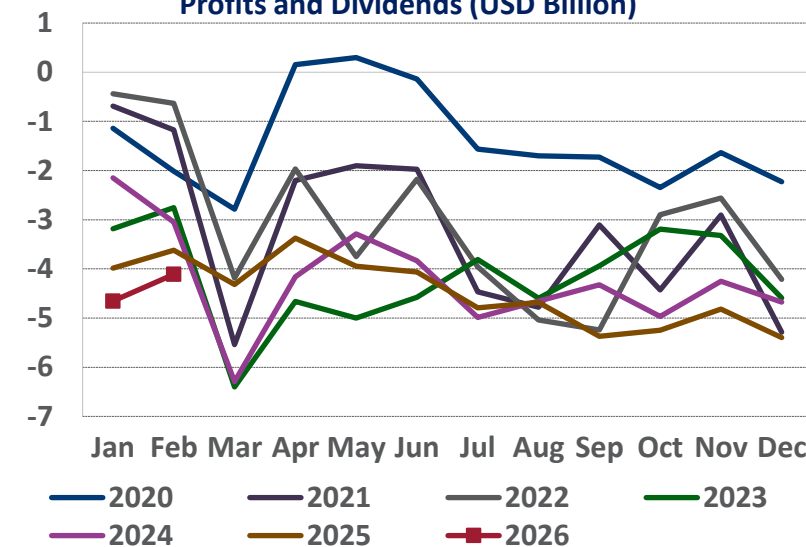
Services (USD Billion)



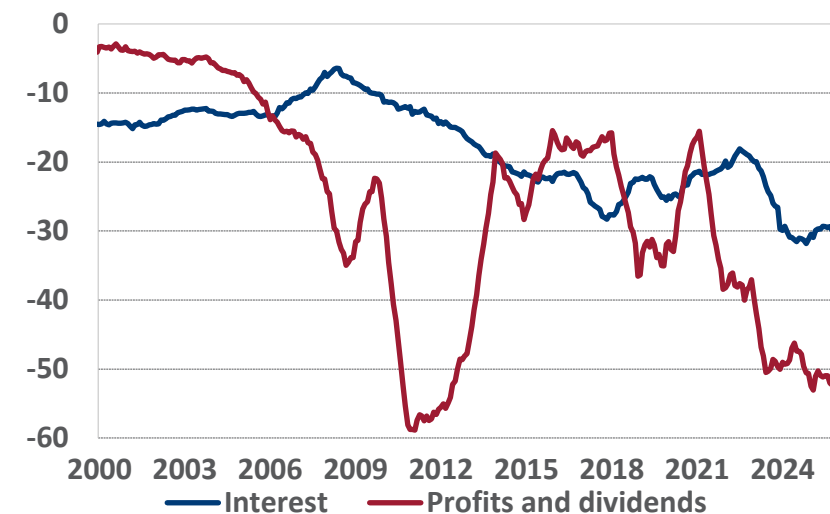
Services (Accumulated 12M, % GDP)



Profits and Dividends (USD Billion)



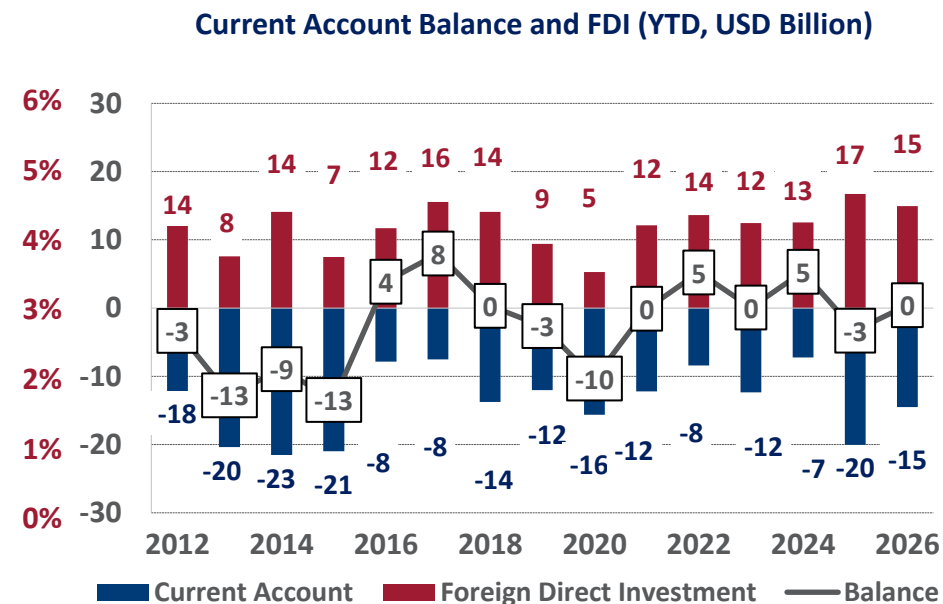
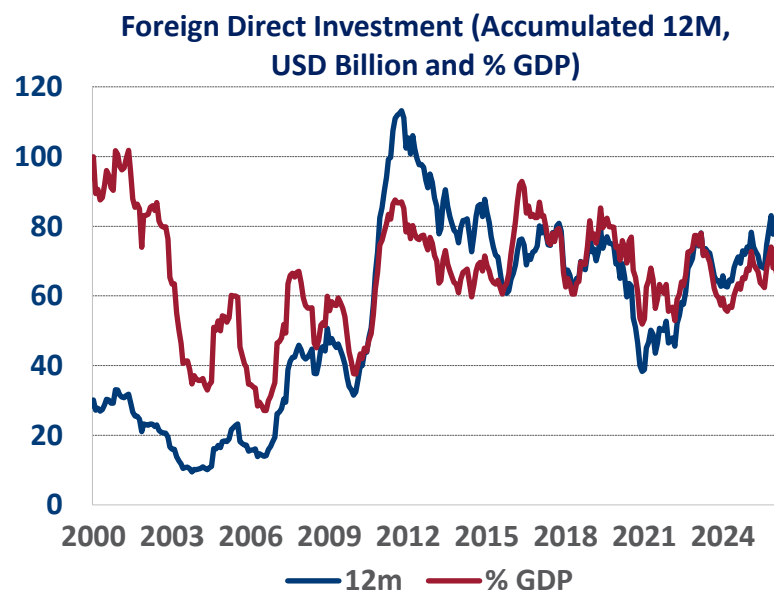
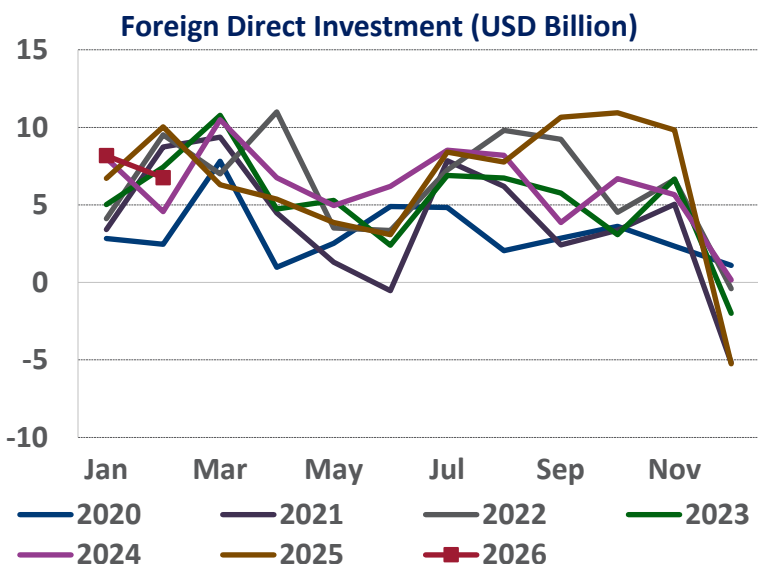
Primary Income (Accumulated 12M, USD Billion)



Source: BOCOM BBM, BCB

Brazil: Balance of Payments

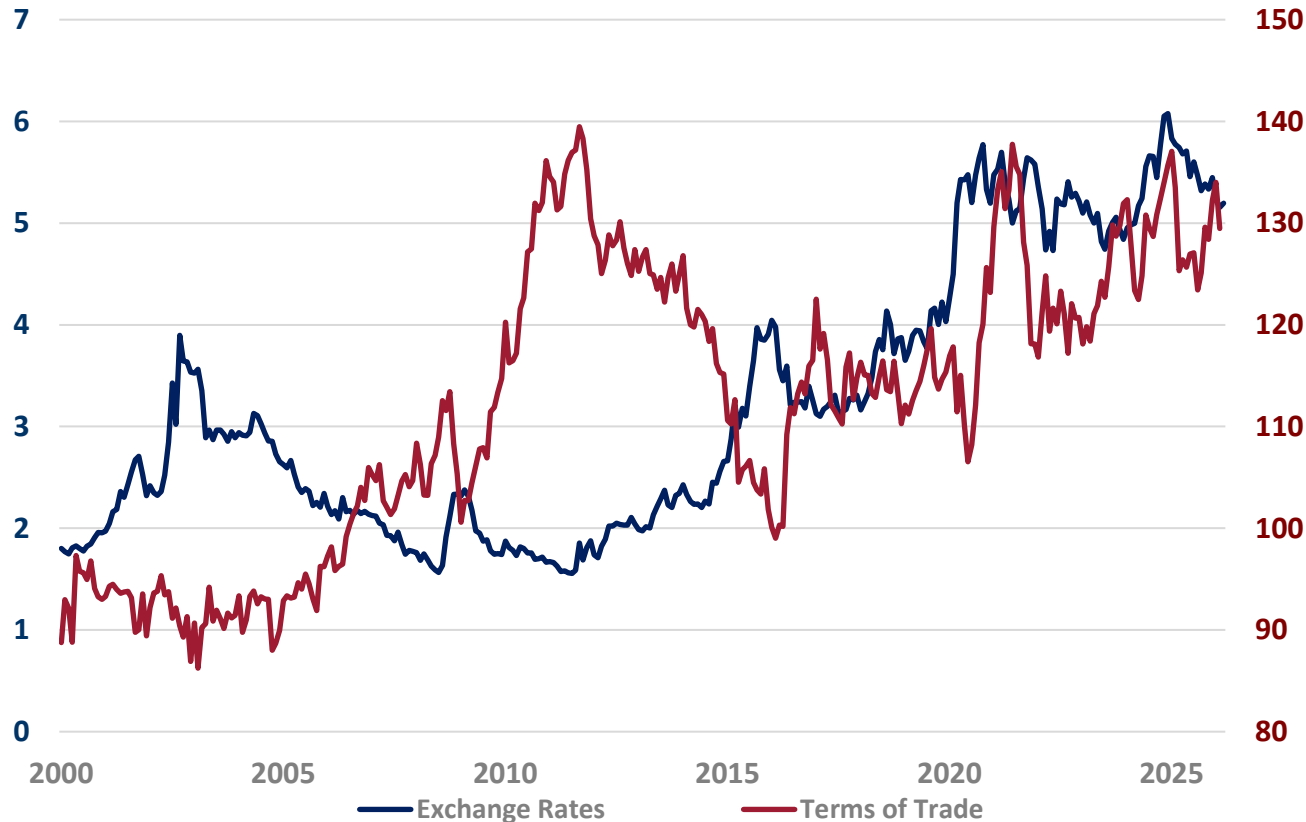
- Foreign Direct Investment (FDI) registered net inflows of USD 6.8 billion in February, below market consensus of USD 7.5 billion.
- On a 12-month basis, FDI inflows totaled USD 75.9 billion (3.24% of GDP), from USD 79.1 billion (3.42% of GDP) in January.
- Overall, Brazil remains a relevant destination for FDI among emerging economies. According to the OECD, greenfield investment projects have expanded significantly, particularly in renewable energy and industrial sectors.



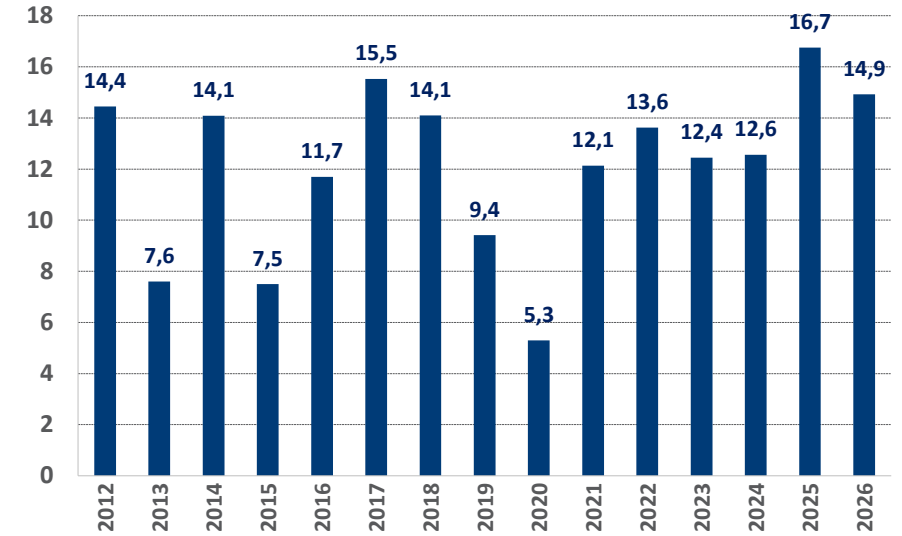
Brazil: External Sector

In March, the Brazilian real depreciated from around 5.15 to approximately 5.19 per dollar, as global risk sentiment deteriorated amid the escalation of the Middle East conflict, particularly the heightened tensions surrounding the Strait of Hormuz and their impact on oil markets. Throughout the month, exchange rate dynamics were largely driven by these external shocks, which kept volatility elevated. Despite the challenging backdrop, the BRL still outperformed most emerging-market peers, which broadly weakened as geopolitical stress continued to dictate global cross-asset behavior.

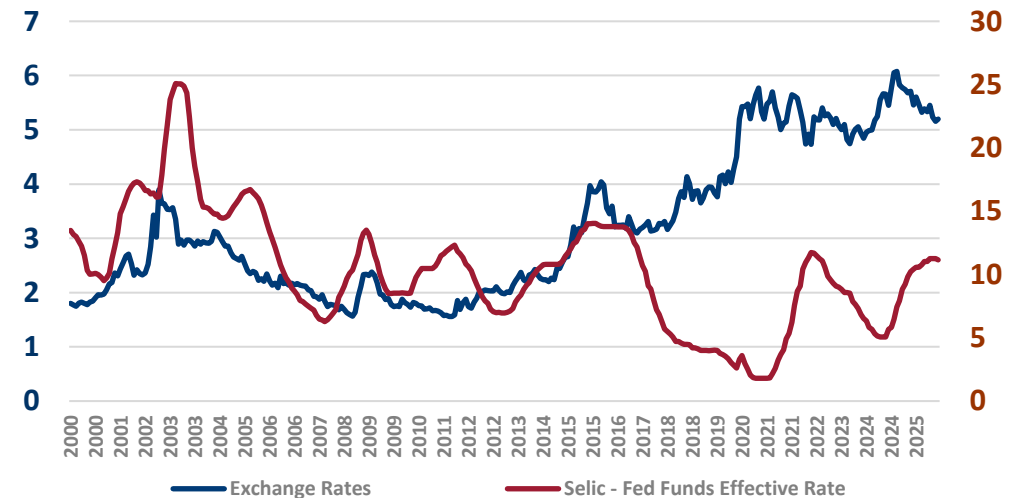
Terms of Trade x BRL



Foreign Direct Investment (YTD, USD Billion)

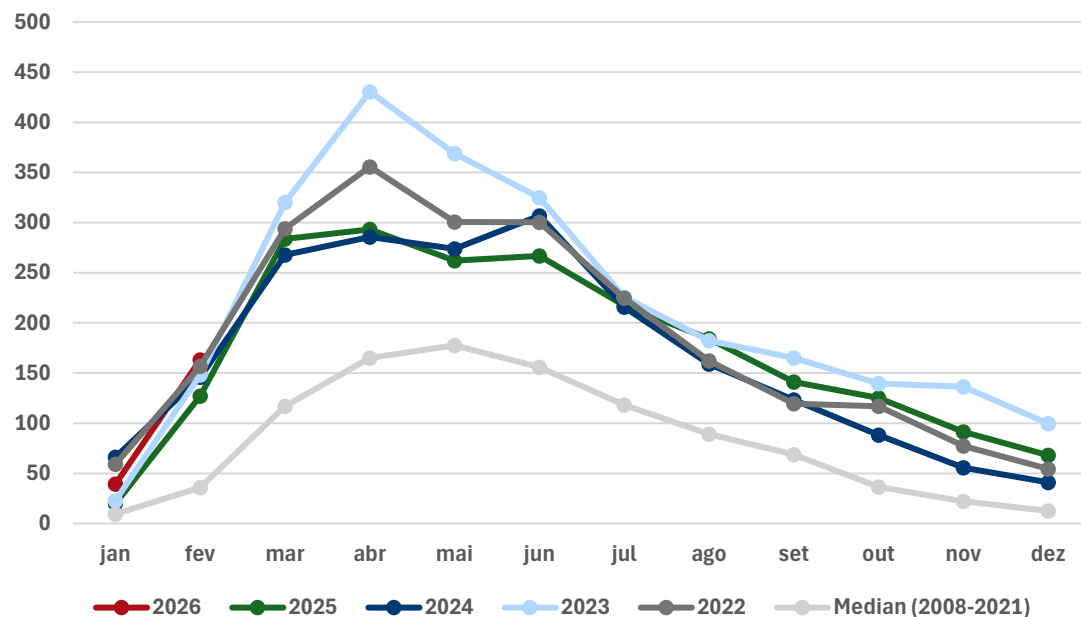


Interest Rate Differential x BRL

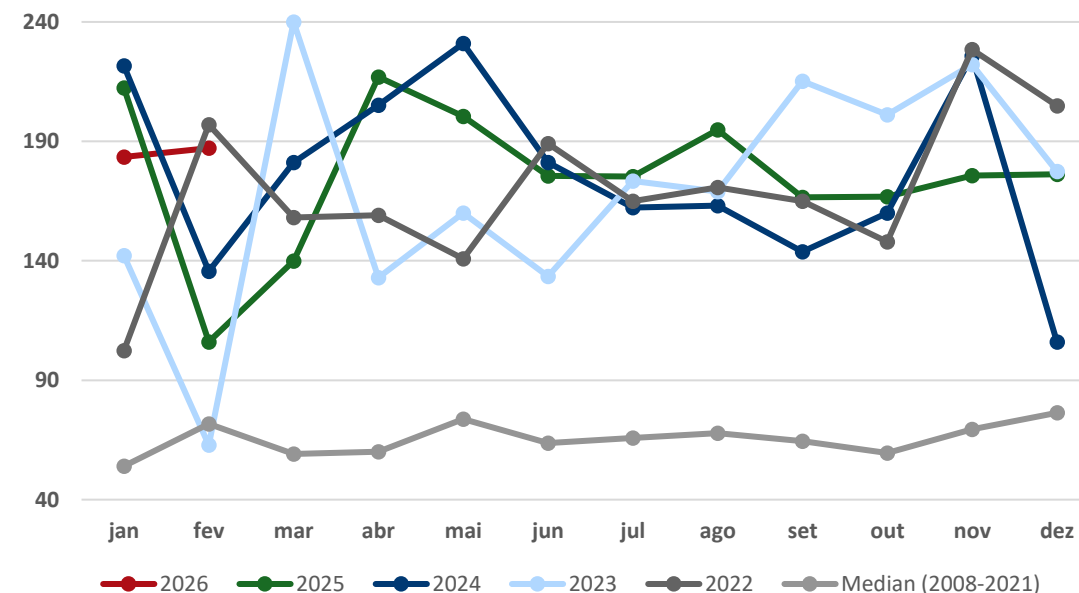


- In February 2026, exports totaled US\$26.31 billion and imports US\$22.10 billion, resulting in a positive balance of US\$4.21 billion.
- Exports rose 5.8% YoY, mainly driven by higher sales of Corn (8.0%), Fresh or dried fruits and nuts (33.9%), and Soybeans (15.5%) in Agriculture; and by Iron ore and concentrates (20.9%), Copper ores and concentrates (131.2%), and Crude petroleum oils or bituminous mineral oils (76.5%) in the Extractive Industry. However, the main highlight was the continued increase in exported volumes of Brazil's key commodities, especially oil and soybeans, with meat also posting a strong rise (41.8%).
- Meanwhile, imports fell 7.3% YoY, reflecting declines in Wheat and rye, unmilled (-65.5%), Unmilled corn, excluding sweet corn (-70.0%), and Natural rubber, latex and related categories (-48.9%) in Agriculture; a drop in Other crude minerals (-26.3%), Other base-metal ores and concentrates (-38.9%), and Natural gas, liquefied or not (-50.8%) in the Extractive Industry; and decreases in Insecticides, rodenticides, fungicides, herbicides, plant growth regulators, disinfectants and similar products (-44.5%), Non-electric engines and machinery and parts (-70.5%), and Platforms, vessels and other floating structures (-8.3%) in Manufacturing.

Brazil BoP: Soy Exports
USD Million Daily Average



Brazil BoP: Crude Oil Exports
USD Million Daily Average



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