

Macro Outlook

June 2026

- In the global scenario, the month was marked by the continuation of geopolitical tensions between US and Iran, despite a ceasefire being in place during most of the time. The U.S. aims to dismantle Iran's nuclear programs in its negotiations but has faced resistance from Iran regarding such proposals. Given stalled negotiations and the Strait of Hormuz still effectively closed, the conflict continues to pressure energy prices and disrupt supply chains, increasing the risks of higher inflation and slower growth. Regarding U.S. data, the latest inflation readings were broadly above market consensus, despite the still limited effects on core inflation. Aggregate measures continue to pick up, intensifying fears of persistent inflation and higher interest rates due to the conflict. On activity, the second estimate of 1Q26 GDP came in below expectations, mostly because of lower consumption and inventories. AI investment remains strong and continues to support growth. Labor market data were overall stronger than expected and continue to point to a low-hiring and low-layoff environment. Uncertainty remains elevated and should keep the FOMC at a cautious stance, as the Committee continues to assess the economic implications of the conflict.
- Regarding China, recent data showed mixed results. Among monthly activity indicators, industrial production, retail sales and fixed asset investment broadly slowed down, despite resilient performance in technology manufacturing components. On the other hand, trade flows increased by more than expected after a particularly weak previous month, with a broad-based increase among major partners, and high-tech goods continuing to drive the data up. On inflation, April data shows improvements, with producer prices continuing to pick up after four years in negative territory, and consumer prices among the highest levels in latest years. This suggests higher prices are due both to the Middle East conflict and to the progress from government policies aimed at addressing excess capacity. Looking ahead, China's technological edge and coordinated government support are likely to support technology manufacturing activity and exports. However, domestic demand and the property sector remain subdued, continuing to weigh on the aggregate economic data.
- In Brazil, March industrial production grew 0.1% MoM, above market expectations (-0.1%). Furthermore, the services sector contracted 1.2% MoM (vs. -0.1% expected), while retail sales surprised positively, rising 0.3% MoM (vs. 0.1% expected). In turn, the IBC-BR fell 0.7% MoM (vs. -0.4% expected). Despite the weaker performance in March, first-quarter GDP grew 1.1% QoQ (1.8% YoY), highlighting the dynamism of economic activity at the beginning of the year. The labor market remains solid, with the unemployment rate remaining at historical lows, but April data showed a slowdown in job creation in both the Caged and PNAD surveys.
- In the April meeting, the Monetary Policy Committee cut the Selic rate by 25 bps to 14.50%, as expected. Inflation projections six trimesters ahead increased from 3,3% to 3,5% in the fourth quarter of 2027 in a scenario where rates reach 13% in 2026 and 11% in 2027. The increase in projections was expected, as the sharp increase in oil prices pushed projection up by more than currency appreciation pushed it down. The statement emphasized that the scenario continues uncertain, and that the committee reinforces serenity and cautious moving forward. The next steps of the interest rate calibration will be data dependent and will incorporate more information as it becomes available. The committee now foresees adjustments both in the pace and in the extent of the calibration process moving forward. This leaves the door open for accelerating the pace, but also for a smaller budget of cuts. In all, the calibration cycle is set to continue, but the pace should be defined by the evolving economic landscape.
- May IPCA-15 rose by 0.62% MoM, above market expectations (0.57% MoM). The 12-month accumulated inflation accelerated from 4.37% to 4.64%. The main upward surprises to our forecast came from food at home. Core services increased by 0.53% MoM, slightly above market consensus, and the 3M SAAR grew from 5.98% to 6.15%, remaining well above the inflation target. The average of core inflation advanced 0.47% MoM, with its 12-month accumulated at 4.31%. Looking ahead, inflation should remain pressured, reflecting persistent core dynamics and strong food prices, despite temporary relief from fuel, with services and industrial goods still under upward pressure.
- The consolidated public sector registered a primary surplus of BRL 24.6 billion in April, better than market consensus (surplus of BRL 22.8 billion) and up from the BRL 14.2 billion surplus in the same month of 2025. Regarding the breakdown, the central government and regional governments posted surpluses of BRL 26.1 billion and BRL 0.3 billion, respectively, while state-owned enterprises registered a deficit of BRL 1.8 billion. General Government Gross Debt (GGGD) rose from 80.0% to 80.4% of GDP, a change driven by nominal interest (+0.9 p.p.), which was partially offset by nominal GDP growth (-0.3 p.p.) and exchange rate appreciation (-0.2 p.p.).

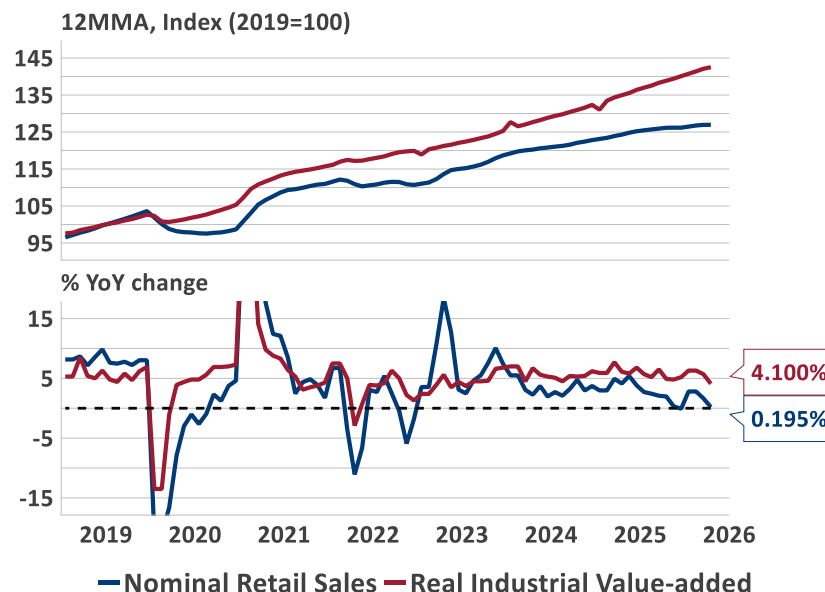
- Monthly economic activity slowed in April, after a strong performance in March and with major indicators below market consensus.
- Retail sales decreased from 1.7% to 0.2% YoY (exp. 2.0%). The decrease was again primarily led by auto and home appliances, while clothing and cellphones remained resilient.
- Industrial production cooled from 5.7% to 4.1% YoY (exp 5.9%). The slowdown came mostly from the chemical industry, with sulfuric acid and ethylene dropping, related to the Middle East supply chain disruptions. On the other hand, high-tech and autos continued to outperform.
- FAI fell from +1.7 to -1.6% YTD YoY (exp. +1.6%). Real-estate remains subdued, and heavy rains impacted the construction sector. Additionally, anti-involution policies (aimed to address overcapacity and deflation) also continue to generate weakness in investment.
- Housing: property indicators remained in negative territory YoY, even as some indicators have been showing a modest recovery trend in recent months.

China: Activity (% YoY)

	4/2026	3/2026	4/2025
Industrial Production	4.1	5.7	6.1
Mining	3.8	5.1	5.7
Manufacturing	4.0	6.0	6.6
Utilities	5.3	3.5	2.1
Fixed Asset Investment (YTD)	-1.6	1.7	4.0
Manufacturing	1.2	4.1	8.8
Real Estate	-13.7	-11.2	-10.3
Infrastructure	4.3	8.9	5.8
Retail Sales	0.2	1.7	5.1
Catering Services	2.2	2.9	5.2
Consumer Goods	-0.1	1.5	5.1
Clothing	3.6	7.0	2.2
Automobiles	-15.3	-11.8	0.7
Furniture	-10.4	-8.7	26.9
Cellphones	6.2	27.3	19.9
Home Appliances	-15.1	-5.0	38.8
Construction	-13.8	-9.0	9.7

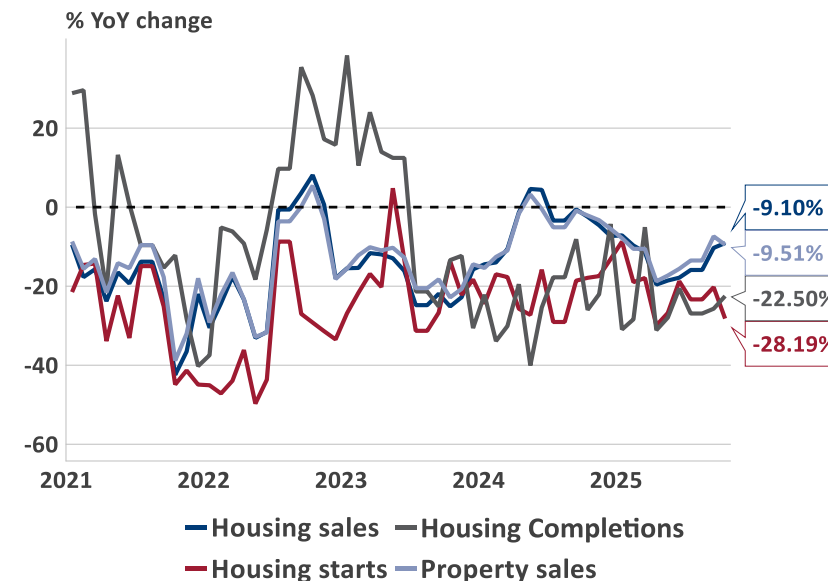
Source: BOCOM BBM, Macrobond

China: Industrial Production x Retail Sales



Source: BOCOM BBM, Macrobond, NBS

China: Property Indicators (YoY)



Source: BOCOM BBM, NBS

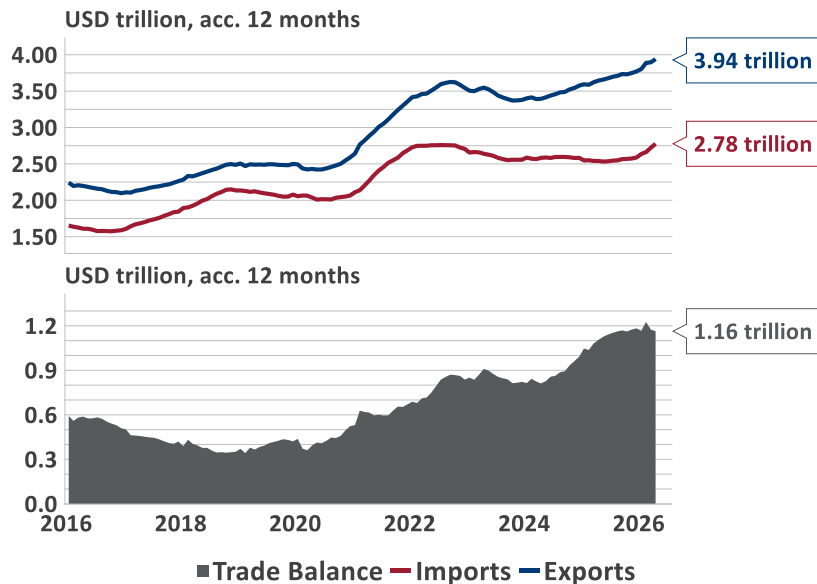
Trade growth outperformed in April:

- Export growth accelerated meaningfully, from 2.5% to 14.1% YoY (7.9% expected). The increase was broad-based, with exports to most major partners picking up. By product, high-tech and electrical products saw the largest increases
- Imports decelerated but by less than expected, maintaining a strong pace (from 27.8% to 25.3, exp. 15.2%). By product, copper and soybeans were among the main increases, while energy goods decreased.

April CPI inflation ticked up, against market expectations of cooling (rising from 1.0% to 1.2% YoY, vs. 0.8% consensus):

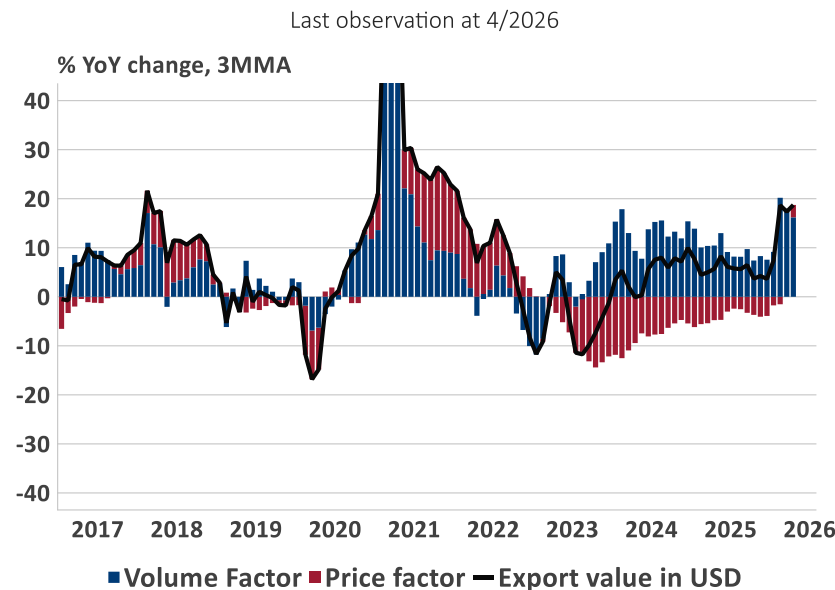
- Part of the surprise in the headline was related to higher energy prices due to the Iran conflict, despite a partial offset from lower food prices.
- The core CPI also increased, from 1.1% to 1.2%, as both Services and Consumer Goods accelerated modestly
- The impacts of higher energy prices are clearer in the PPI, which significantly ticked up, from 0.5 % to 2.8% (above consensus of 1.5%) - the second month of positive PPI inflation, after almost 4 years in negative territory.
- The recent improvement in inflation dynamics is expected to remain in place in the upcoming months, supported by both higher global prices due to the conflict and the government policies aimed to address excess capacity.

China: Trade Balance



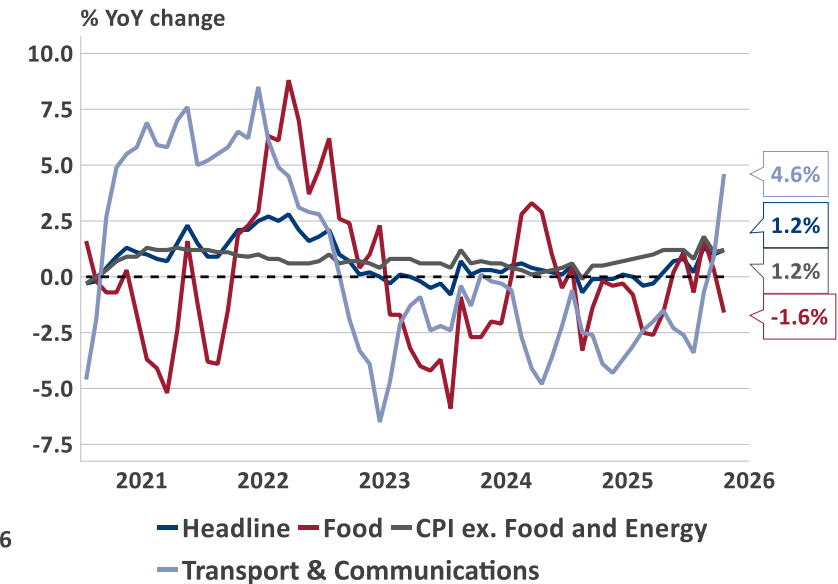
Source: BOCOM BBM, Macrobond, GAC

China: Exports (Price x Volume)



Source: BOCOM BBM, Macrobond, GAC

China: CPI



Source: BOCOM BBM, Macrobond, NBS

USA: Labor Market

The **April Payroll** brought signals of a still resilient labor market, after an also strong previous month:

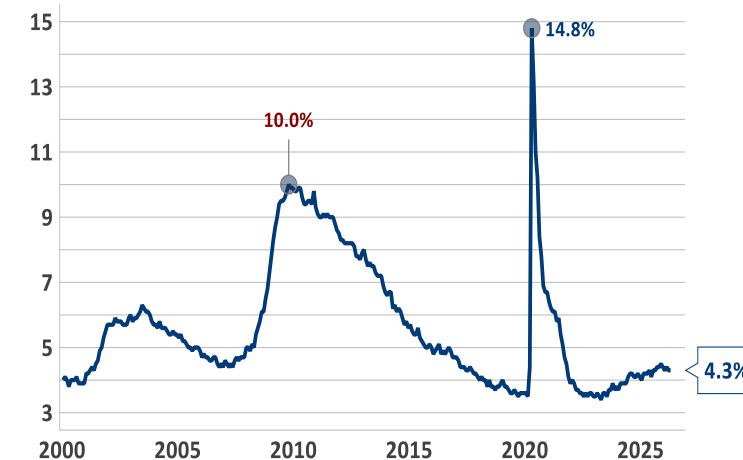
- Job creation increased **115k**, considerably above the 70k expected, though it moderated from March's 185k.
- The 2-month net revision was a small -16k, as it pushed February data even lower, from -133k to -156k, while lifting March from 178k to 185k.
 - This took the **3MMA pace of job creation down to 48k**, below the previous release's 63k.
- The composition showed private payrolls driving the upside surprise, at 123k (vs. 78k expected), despite easing from 190k in the previous month, while government payrolls fell by 8k, in line with consensus.
- On the other hand, **the unemployment rate ticked up, from 4.26% to 4.34%**, broadly in line with the consensus of 4.3%.
- Overall, the April payroll report continues to suggest resilience in the labor market.

In any case, the **US economy continues to show low hiring and layoff rates**, as shown in the latest JOLTS survey - a sign of relative resilience despite the easing in the labor market in recent years.

Average hourly earnings rose 0.16% MoM, below its recent trend and market consensus of 0.3%

- It suggests downside pressures over wages, even as this slowing was not yet detected in other Wage Growth Measures.

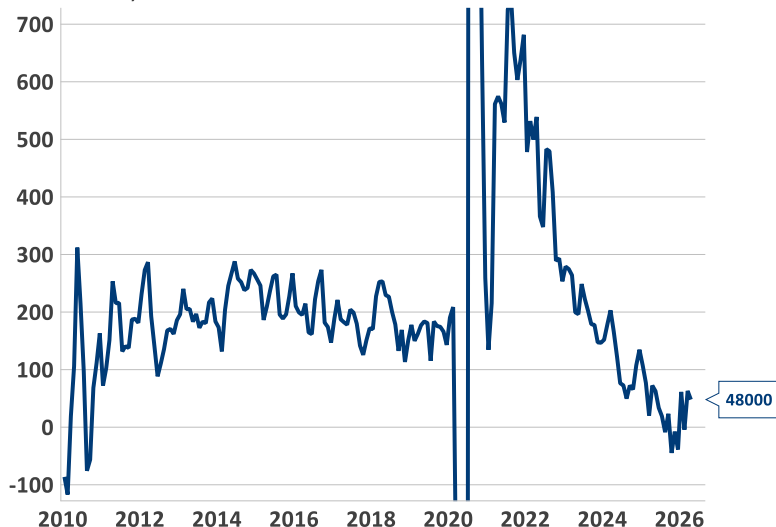
US: Unemployment Rate SA (%)



Source: BOCOM BBM, Macrobond, BLS

US: Nonfarm Payroll Employment Change

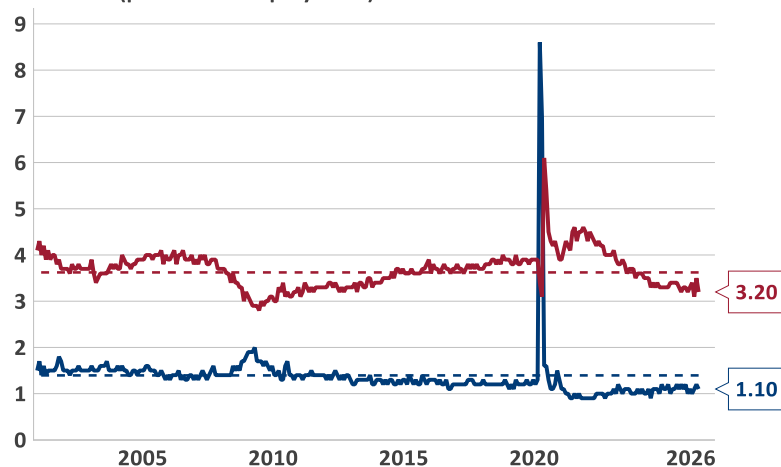
3MMA, thousand



Source: BOCOM BBM, Macrobond, BLS

US: JOLTS - Hires x Layoffs (Rates)

% Rates (percent of employment)



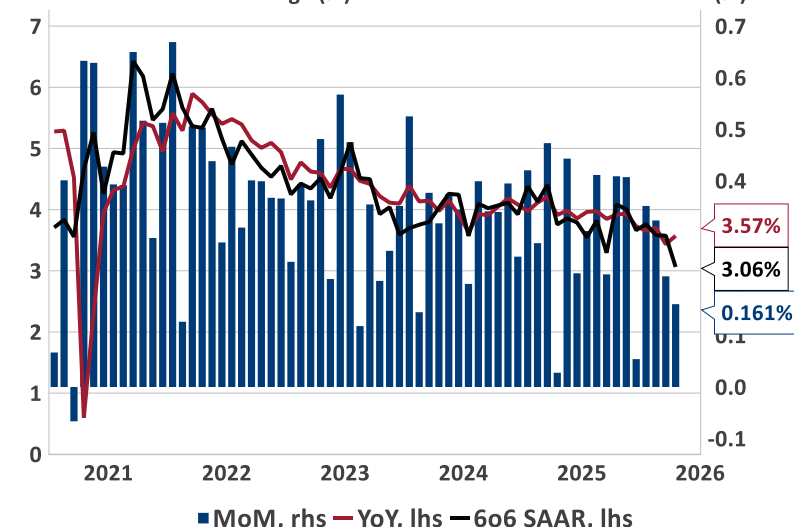
— Layoffs - - Layoffs (2000-19 avg) — Hires - - Hires (2000-2019 avg)

Source: BOCOM BBM, Macrobond, BLS

US: Average Hourly Earnings Growth (%)

YoY and 6o6 SAAR change (%)

MoM (%)

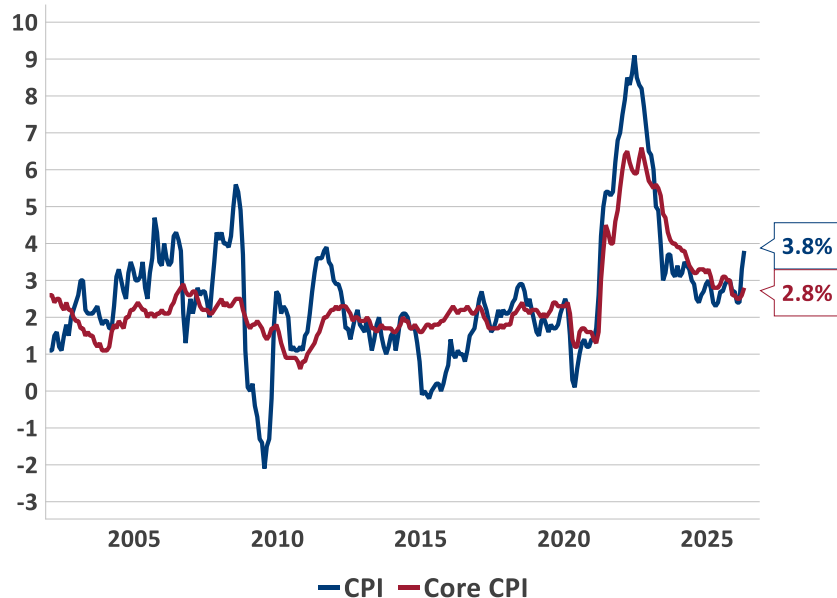


■ MoM, rhs — YoY, lhs — 6o6 SAAR, lhs

Source: BOCOM BBM, Macrobond, BLS

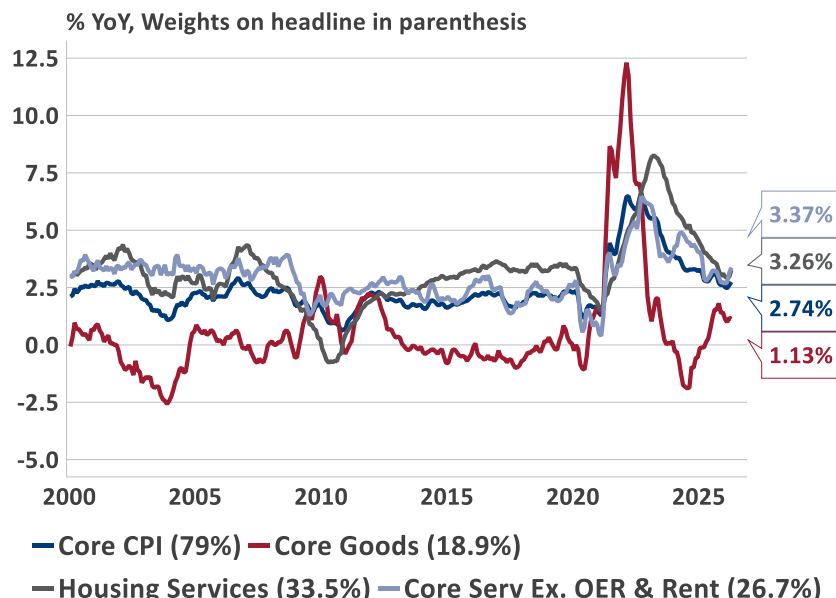
- The **April headline CPI rose 0.64% MoM, slightly above expectations** of 0.56%. This led the YoY to significantly increase, from 3.3% to 3.8%, above market consensus of 3.7%:
 - In the composition, energy prices came in marginally below market expectations (3.81% vs 3.85% exp), and food prices were also below consensus (0.50 vs 0.97 exp).
- The **core CPI accelerated to 0.38% MoM, also above expectations (0.32%)**, raising the YoY rate from 2.5% to 2.8% (above the consensus of 2.7%):
 - Core goods printed below consensus (0.03% vs 0.13% expected). On the other hand, core goods excluding cars accelerated slightly more than expectations. Tariff impacts on inflation are clear, as seen on the recent trend upwards in Core Goods, but seem to be slowing recently.
 - Core services came in significantly above consensus (0.50% vs. 0.36% exp.), with the core services ex-housing (supercore) as main driver (0.45% vs. 0.06% exp.) - amid strong airline fares – despite slowing in housing.
- Overall, **the April CPI was stronger than expected**:
 - Looking ahead, headline inflation should continue to pick up due to the Middle East conflict, while spillovers into core inflation are not the baseline scenario but remain as a relevant risk;

US: CPI (YoY, %)



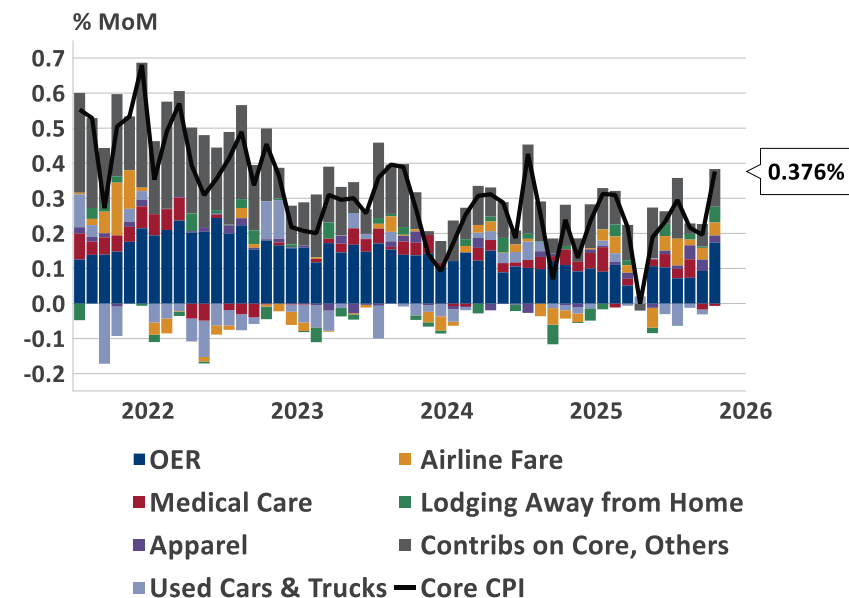
Source: BOCOM BBM, Macrobond, BLS

US: Core CPI Main Components (%)



Source: BOCOM BBM, Macrobond, BLS

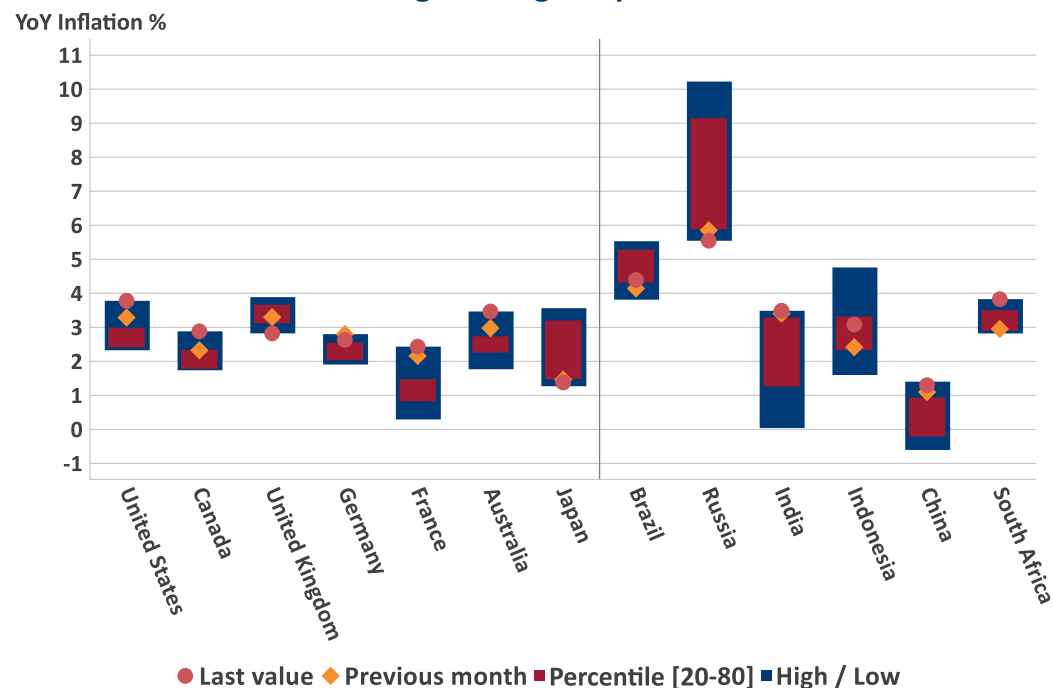
US: Core CPI MoM Contributions



Source: BOCOM BBM, Macrobond, BLS

- The geopolitical shock from the Middle East conflict keeps affecting trade flows and disrupting global supply chains.
- This scenario has been driving expectations of an inflation acceleration and an activity slowdown in most economies, with prospects of heterogenous impacts based on exposure to the conflict and domestic fundamentals.
- Nonetheless, **global activity is expected to count with 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

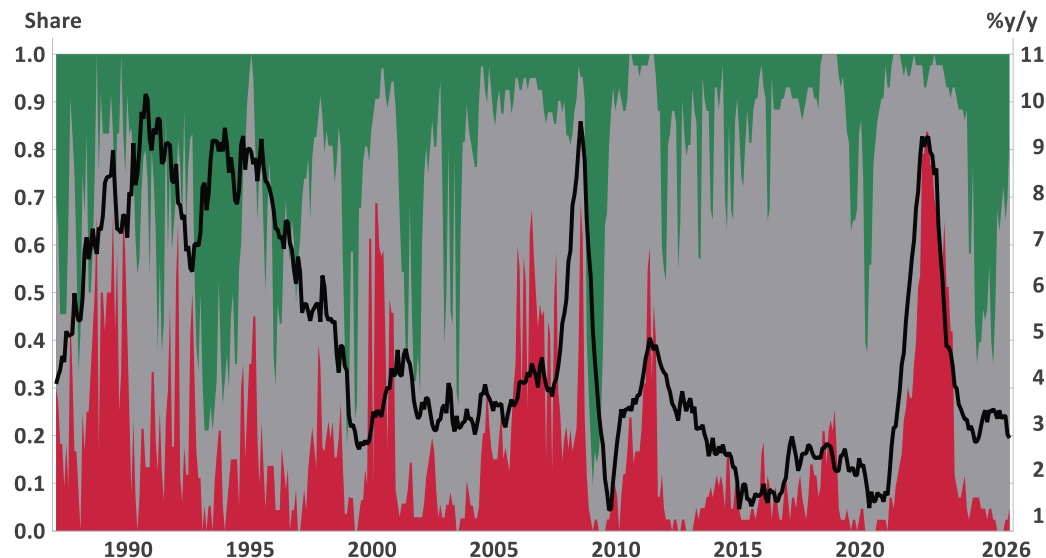
	Q1 2026	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024
Argentina		0,6	0,6	-0,1	1,0	1,6	3,9	-0,8
Australia		0,8	0,5	0,8	0,4	0,3	0,3	0,2
Brazil	1,1	0,3	0,1	0,3	1,3	0,1	0,9	1,7
Canada	0,0	-0,2	0,5	-0,2	0,7	0,7	0,8	0,8
China	1,3	1,2	1,1	1,1	1,1	1,6	1,4	1,0
Euro Area	0,7	0,2	0,3	0,1	0,6	0,4	0,4	0,2
France	-0,1	0,2	0,4	0,3	0,1	0,0	0,4	0,3
Germany	0,3	0,2	0,0	-0,2	0,4	0,2	0,0	-0,3
India		12,1	0,1	-7,5	3,8	12,8	-1,4	-7,3
Indonesia	-0,8	0,9	1,4	4,0	-1,0	0,5	1,5	3,8
Italy	0,3	0,3	0,2	0,0	0,3	0,1	0,0	0,2
Japan	0,5	0,2	-0,6	0,3	0,4	0,4	0,7	0,0
Mexico	-0,6	0,7	-0,1	0,3	0,6	-1,1	1,1	0,0
Russia		0,7	0,3	0,4	-0,8	1,0	0,6	0,6
Saudi Arabia	-2,5	4,1	1,9	-0,6	-0,4	3,9	1,6	-1,4
South Africa		0,4	0,3	0,8	0,1	0,4	-0,3	0,3
South Korea	1,7	-0,2	1,3	0,7	-0,2	0,1	0,1	-0,2
Turkey	-16,4	1,7	12,2	7,4	-15,6	2,1	13,1	5,1
United Kingdom	0,6	0,2	0,2	0,1	0,6	0,4	0,2	0,6
United States	0,4	0,1	1,1	0,9	-0,2	0,5	0,8	0,9

Sources: BOCOM BBM, Macrobond, National Sources

- After a global easing in monetary policy during 2025, the impulse in a stagflationary direction from the Middle East conflict, combined with rising risk premia, has been **pushing central banks toward a more restrictive 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 **room 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, 2-Jun-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

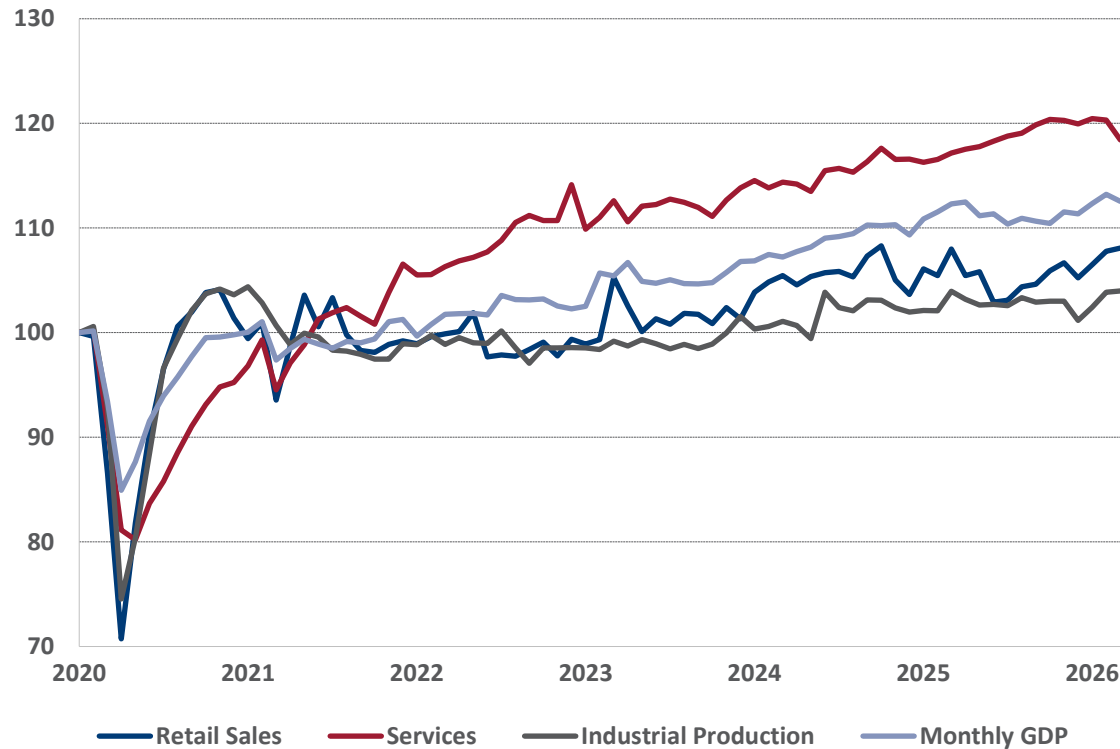
	CPI Y/Y %	Core CPI Y/Y %	Key rate	Last decision		Last Move	Months since last hike	Months since last cut
Argentina	32,4	32,4	29,00	-3,00	Cut	1/2025	32	16
Australia	4,2	3,8	4,35	0,25	Hike	5/2026	1	10
Brazil	4,4	4,4	14,50	-0,25	Cut	4/2026	11	1
Canada	2,9	2,1	2,25	-0,25	Cut	10/2025	35	7
Chile	4,0	2,8	4,50	-0,25	Cut	12/2025	44	6
China	1,3	1,2	3,00	-0,10	Cut	5/2025	148	12
Colombia	5,7	5,9	11,25	1,00	Hike	4/2026	2	13
Costa Rica	-1,6	-0,1	3,25	-0,25	Cut	12/2025	43	5
Czech Republic	2,5	0,3	3,50	-0,25	Cut	5/2025	47	13
Denmark	1,4	1,6	1,75	-0,25	Cut	6/2025	33	12
Euro Area	3,2	2,5	2,15	-0,25	Cut	6/2025	32	12
Hungary	2,1	2,2	6,25	-0,25	Cut	2/2026	44	3
Indonesia	3,1	2,6	5,25	0,50	Hike	5/2026	0	9
Israel	1,9	1,7	3,75	-0,25	Cut	5/2026	36	0
Japan	1,4	2,0	0,75	0,25	Hike	12/2025	5	124
Mexico	4,4	4,3	6,50	-0,25	Cut	5/2026	38	1
New Zealand	3,1	2,6	2,25	-0,25	Cut	11/2025	36	6
Norway	3,4	3,2	4,25	0,25	Hike	5/2026	1	8
Poland	3,1	3,0	3,75	-0,25	Cut	3/2026	45	3
Russia	5,5	4,9	14,50	-0,50	Cut	4/2026	19	1
Saudi Arabia	1,7		4,25	-0,25	Cut	12/2025	34	6
South Africa	3,8	3,6	7,00	0,25	Hike	5/2026	0	6
South Korea	3,1	2,5	2,50	-0,25	Cut	5/2025	41	12
Sweden	-0,1	0,8	1,75	-0,25	Cut	10/2025	32	8
Switzerland	0,6	0,3	0,00	-0,25	Cut	6/2025	35	11
Turkey	32,4	29,8	37,00	-1,00	Cut	1/2026	14	4
United Kingdom	2,8	2,4	3,75	-0,25	Cut	12/2025	34	6
United States	3,8	2,7	3,75	-0,25	Cut	12/2025	34	6

Source: BOCOM BBM, Macrobond

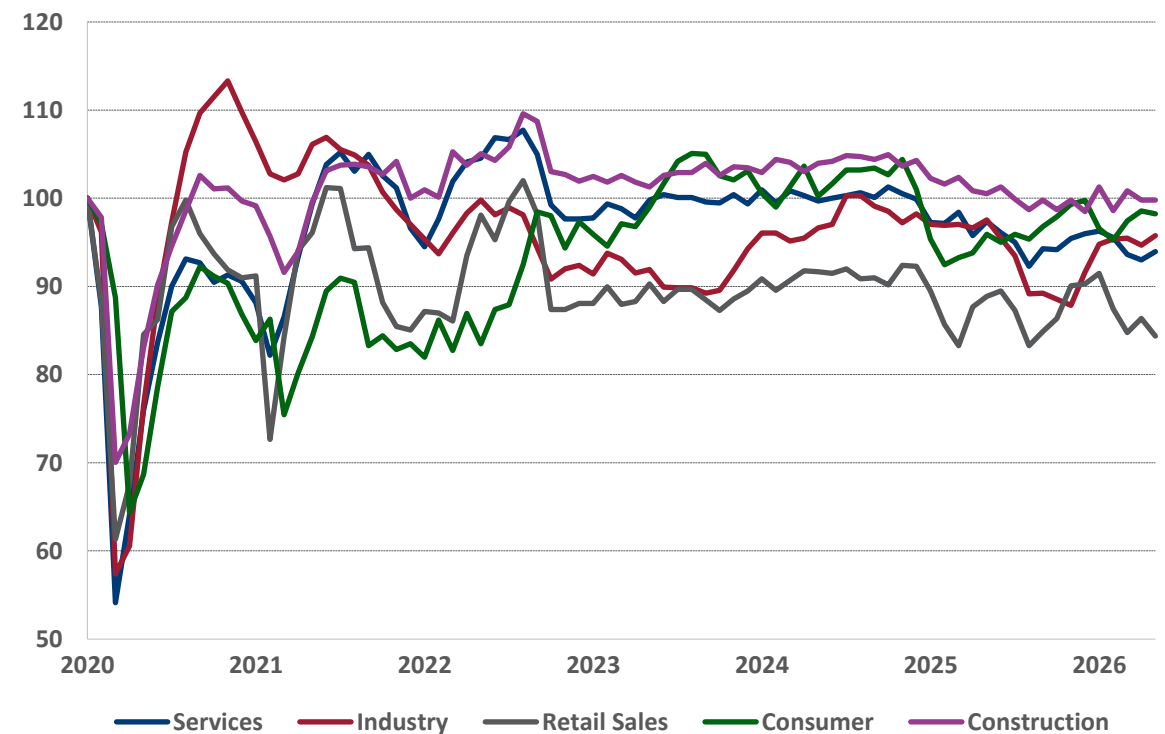
ECONOMIC FORECASTS	2020	2021	2022	2023	2024	2025	2026F	2027F
GDP Growth (%)	-3.3%	4.8%	3.0%	2.9%	3.4%	2.3%	2.0%	1.5%
Inflation (%)	4.5%	10.1%	5.8%	4.6%	4.8%	4.3%	5.4%	4.5%
Unemployment Rate (eoy, %)	14.2%	11.1%	7.9%	7.4%	6.2%	5.1%	5.6%	6.2%
Policy Rate (eoy, %)	2.0%	9.3%	13.8%	11.75%	12.3%	15.0%	13.50%	11.50%
External Accounts								
Trade Balance (US\$ bn)	36	42	52	92	66	60	81	75
Current Account Balance (US\$ bn)	-25	-40	-42	-28	-66	-69	-54	-50
Current Account Balance (% of GDP)	-1.7%	-2.4%	-2.2%	-1.3%	-3.0%	-3.0%	-2.0%	-1.9%
Fiscal Policy								
Central Government Primary Balance (% of GDP)	-9.8%	-0.4%	0.5%	-2.1%	-0.4%	-0.5%	-0.4%	-0.3%
Government Gross Debt (% of GDP)	86.9%	77.3%	71.7%	74.4%	76.1%	78.7%	82.7%	86.8%

- In March, industrial production grew 0.1% MoM, above market expectations (-0.1%). Additionally, services decreased 1.2% MoM (vs. -0.1% expected), retail sales surprised on the upside, rising by 0.3% MoM (vs. 0.1% expected). The broader set of indicators still points to a gradual economic reacceleration. Meanwhile, the IBC-BR fell by 0.7% MoM (vs. -0.4% MoM expected). Despite this, the indicator rose 1.3% QoQ, marking the strongest result since 24Q3.
- Looking ahead, consumer and retail confidence surveys weakened in May, while the services and industrial sectors posted gains, and the construction sector remained stable.

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



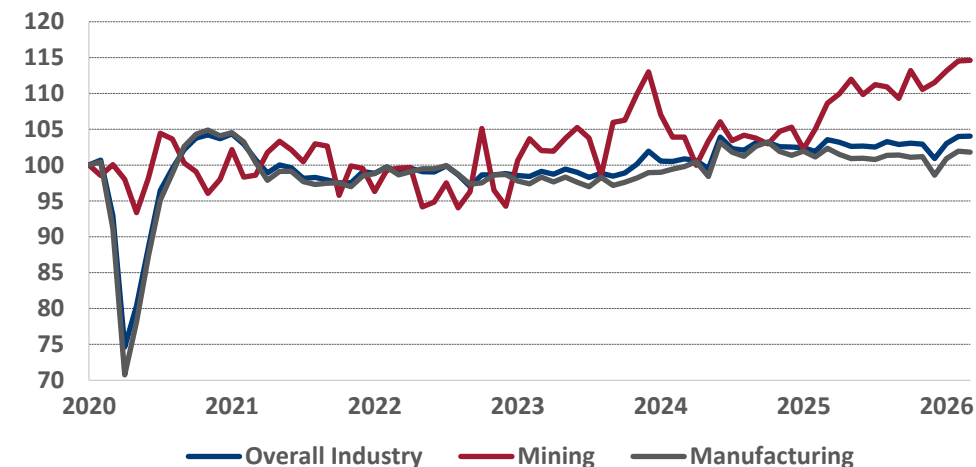
Brazil - Economic Confidence Index (Jan/20 = 100)



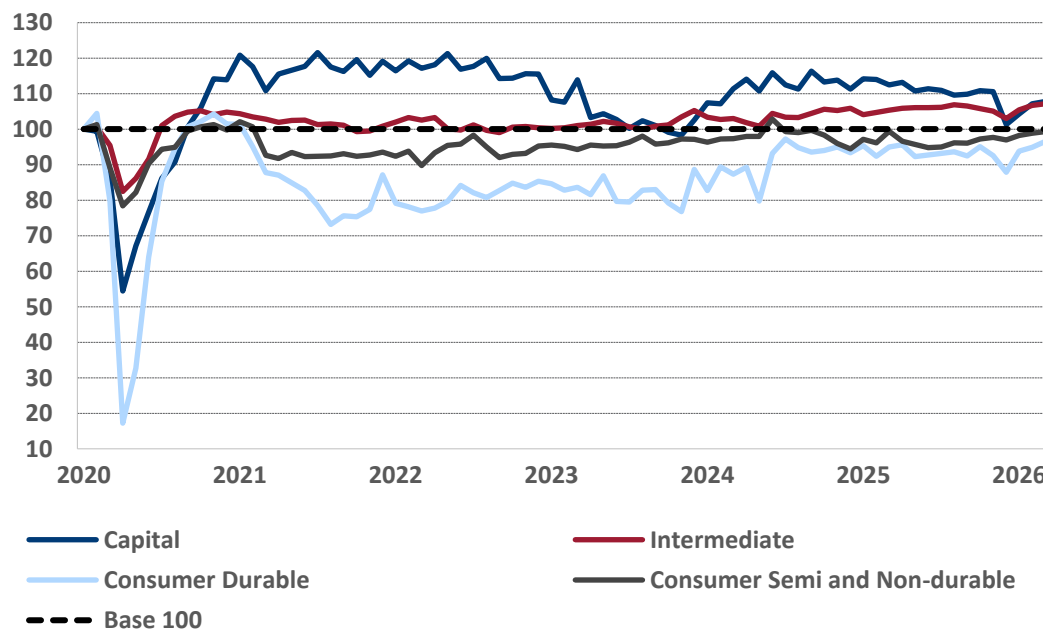
Brazil: Industrial Production

- Industrial output increased 0.1% from February to March, the third gain in a row and above market expectations (-0.1% MoM). The manufacturing industry inched up 1.3% QoQ in 26Q1 (0.0% YoY), while the extractive industry continued to stand out, expanding by 2.1% QoQ (8.7% YoY), with a notable contribution from Oil Derivatives & Biofuels, which surged 11.5% from December to March.
- Besides the Capital Goods category (-1.1% QoQ, marking the fourth consecutive decline, and -6.3% YoY), which was heavily affected by a weaker private investment environment, all categories grew compared to the previous quarter.
- On the bright side, Durable Consumer Goods rebounded strongly in 26Q1 (3.5% QoQ; 1.6% YoY), mainly driven by an expansion in motor vehicle production (nearly 6% QoQ), with additional support from the government's Carro Sustentável program, which has boosted demand and sales for electric vehicles.
- Furthermore, Intermediate Goods grew by 1.8% QoQ in 26Q1 (1.7% YoY). Finally, Semi and Non-durable Goods posted a second consecutive gain (1.5% QoQ; 1.8% YoY), driven by recoveries in Beverages (5.3% QoQ) and Pharmaceutical Products (2.5% QoQ).

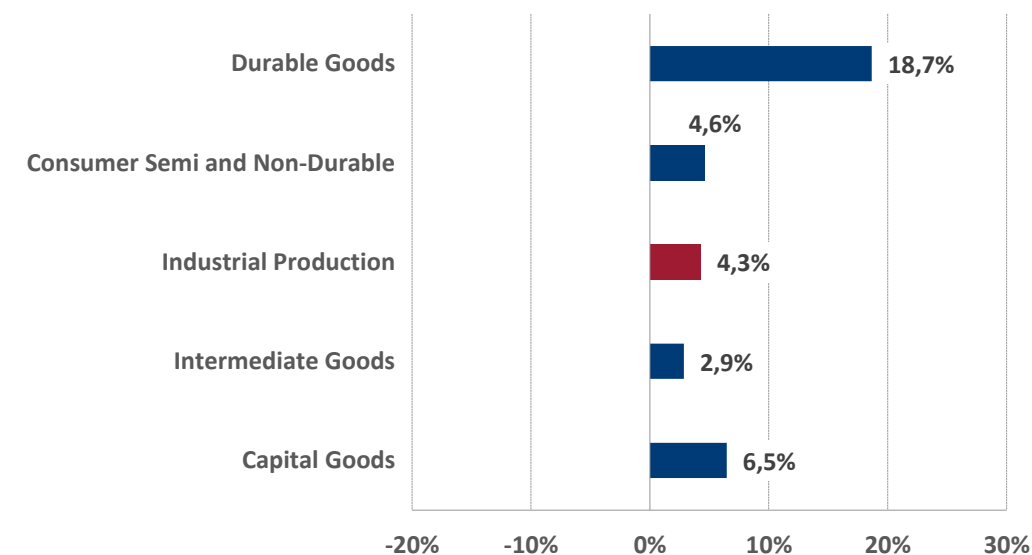
Industrial Production Index SA (Jan/20=100)



Industrial Production Index SA (Jan/20=100)



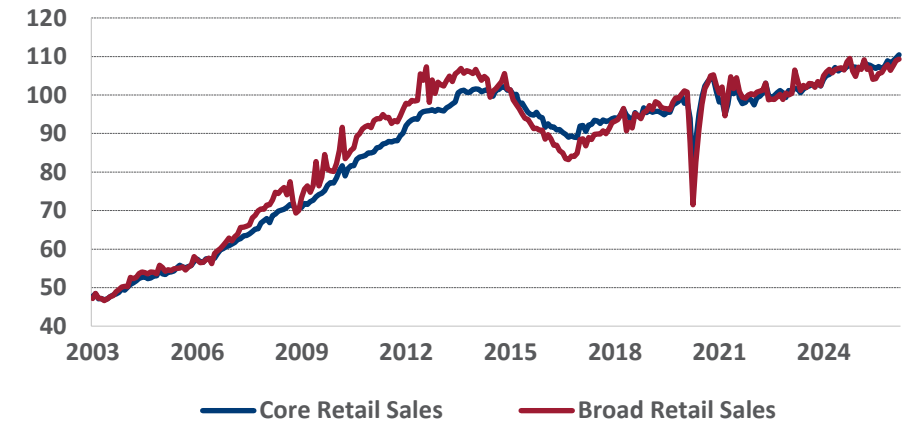
Industrial Production by Category - 03/2026 (YoY)



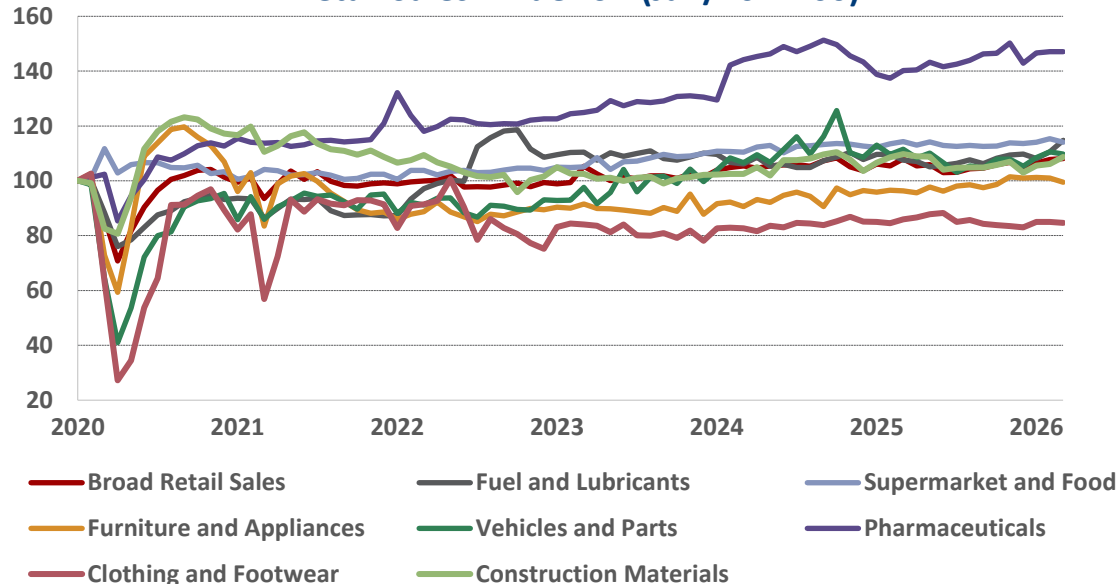
Brazil: Retail Sales

- Broad retail sales rose by 0.3% MoM in March, the third gain in a row and above market expectations (+0.1% MoM).
- In turn, core retail sales increased by 0.5% MoM, also above estimates (0.0% MoM).
- 6 out of 10 retail activities grew on a month-over-month basis (7 out of 10 in 1Q26). The main highlights were the strong performance of Office, Computer, and Communication Equipment & Materials (5.7% MoM), Other Personal and Household Articles (2.9% MoM), and Fuels and Lubricants (2.9% MoM), reflecting a rush to secure fuel supplies ahead of expected price increases due to the war in the Middle East.
- Overall, following a disappointing performance in 2H25 under still-tight monetary policy, domestic activity should regain steam in 1H26, as the still-tight labor market, rising real disposable income, and expanding fiscal and credit stimulus keep demand resilient.

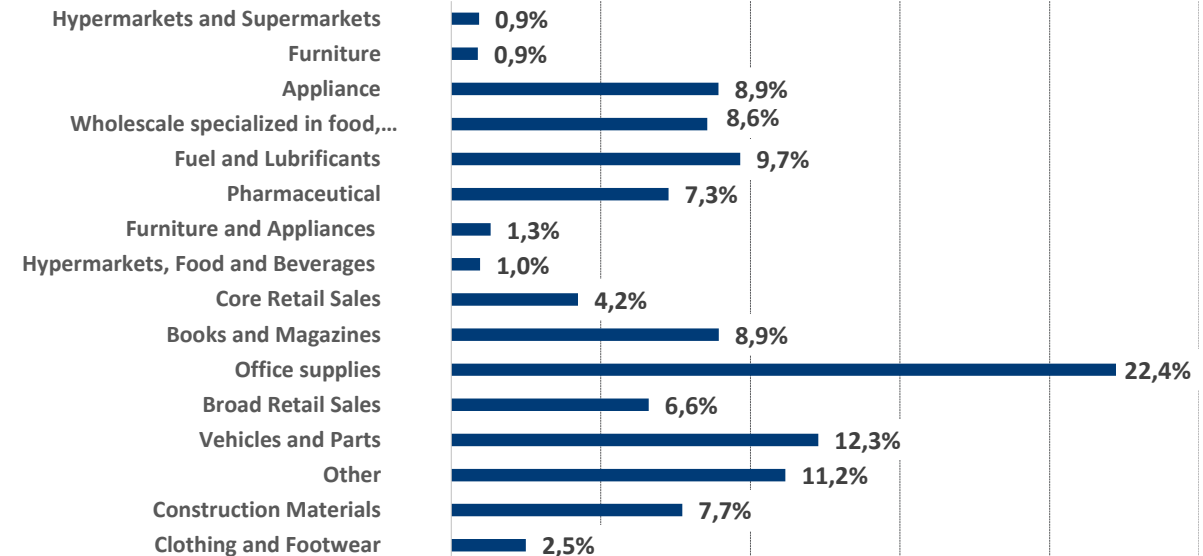
Broad Retail Sales SA x Core Retail Sales SA



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



Retail Sales - YoY (03/2026)



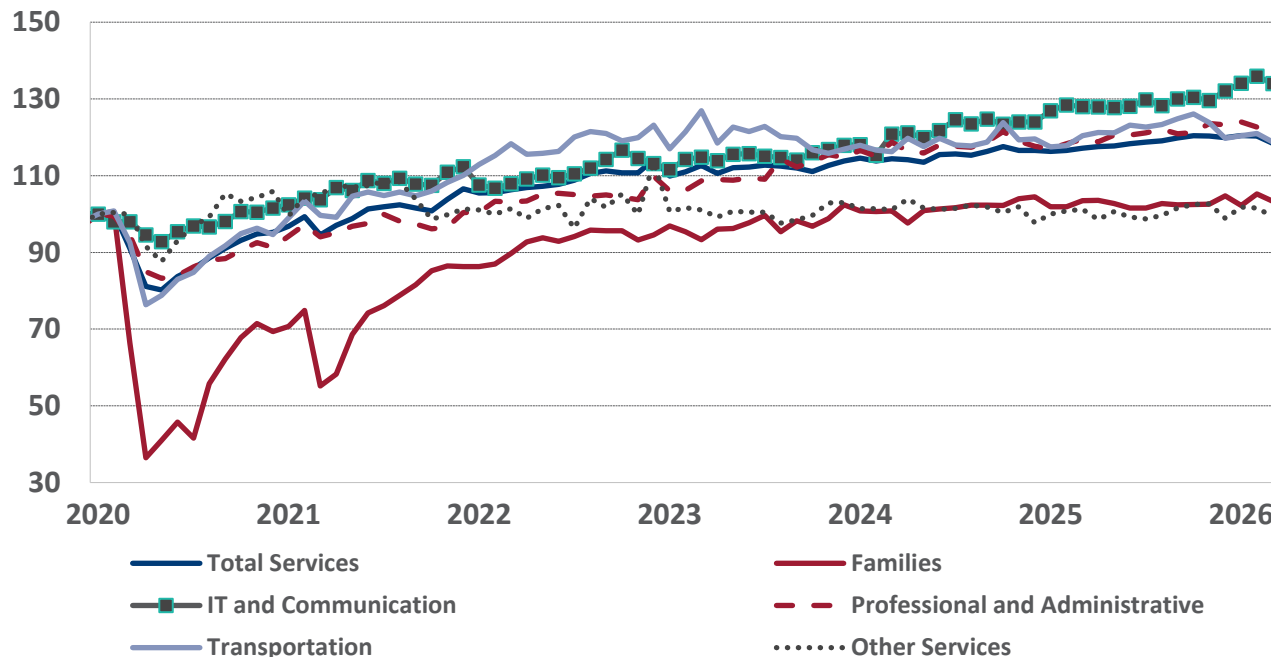
Brazil: Services

- The services sector fell by 1.2% MoM in March, considerably below market expectations (-0.1% MoM).
- All five major service categories decreased in March (3 out of 5 contracted in 26Q1). On a more positive note, Information and Communication Services delivered a solid expansion in 1Q26, rising 2.5% QoQ (6.3% YoY), despite a 0.9% MoM pullback in March (7.9% YoY), with IT Services (3% QoQ; 10% YoY) and Audiovisual Services (11% QoQ; 10% YoY) standing out as the main contributors over the quarter.
- In contrast, Services Rendered to Families lost steam in March (-1.5% MoM; 0.3% QoQ), partly reversing the gains seen in earlier releases. At the same time, Transportation and Storage Services remained under pressure, declining 1.7% MoM and 2.4% QoQ, largely due to a sharp contraction in Air Transportation Services (-7.1% MoM; -9.5% QoQ), as higher fuel costs, linked to escalating tensions in the Middle East.
- Overall, the service sector should continue to expand in the near term, supported by a resilient labor market and fiscal stimulus, although rising household debt service is likely to remain a constraint on consumption.

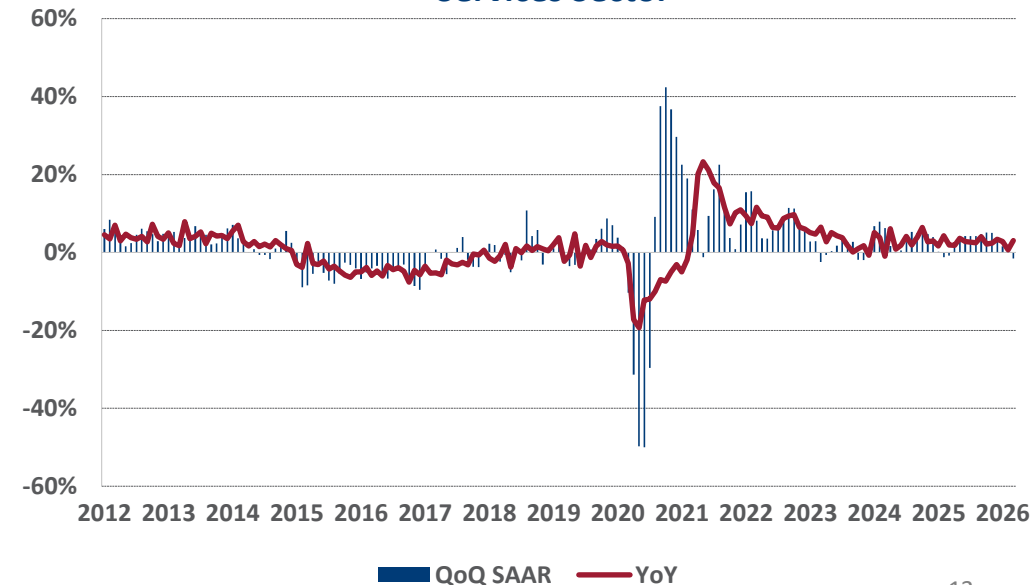
Services Sector SA



Services Sector SA (Jan/20=100)



Services Sector



Brazil: PNAD

The unemployment rate dropped from 6.1% in 26Q1 to 5.8% in the moving quarter up to April, slightly below market consensus

Seasonally adjusted, the indicator edged down to 5.6% from 5.5%, still a historically low level.

Total employment inched up 0.1% MoM in April, standing at 102.8 million, the sixth consecutive increase, but decelerating when compared to previous months. Additionally labor force remained at 108.9 million (0.6% YoY).

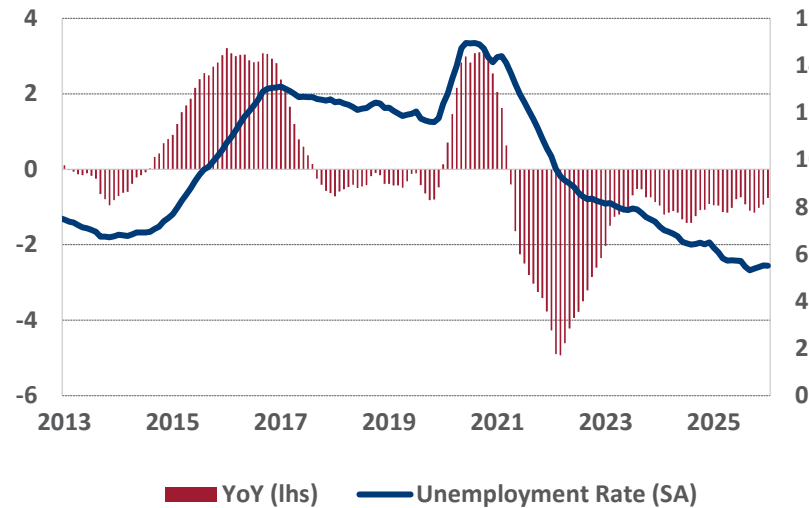
The labor force participation stood at 62,1%, well below pre-pandemic levels of around 63.5%.

The average real wage expanded by 0.3% MoM in April, continuing its rising trajectory, but decelerating at the margin.

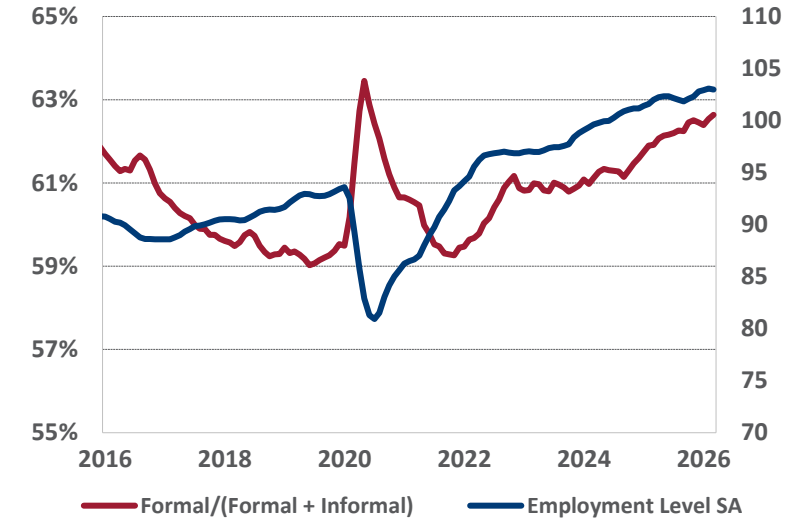
Consequently, real aggregated labor income, which combines average labor earnings and total employment, advanced 6.5% YoY and 6.2% over the past 12 months.

Overall, PNAD release reinforce a still-tight labor market, with the unemployment rate remaining well below its neutral level.

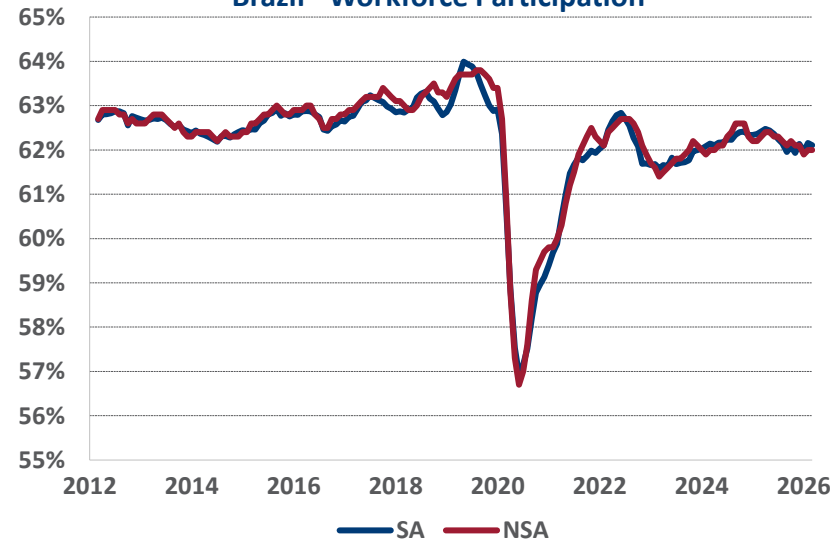
Brazil - Unemployment Rate



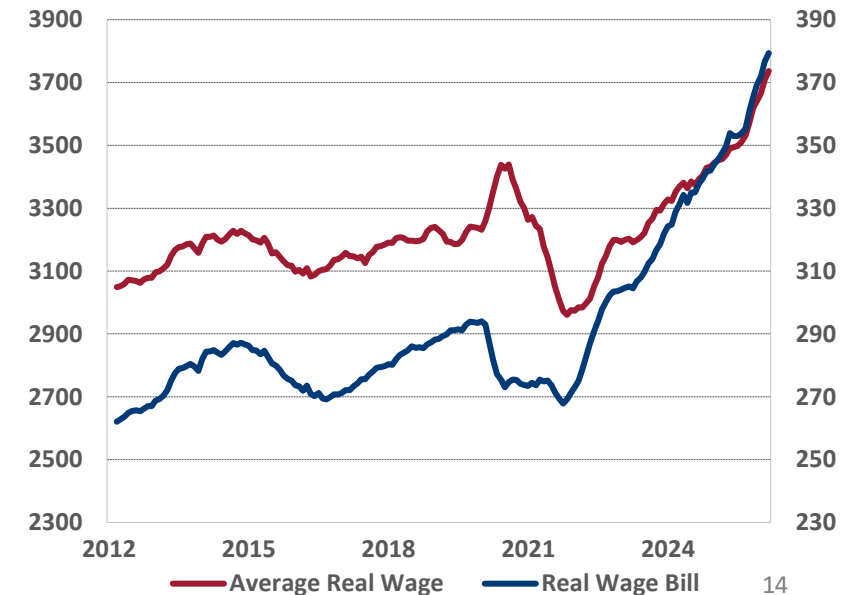
Brazil - Employment Level SA



Brazil - Workforce Participation



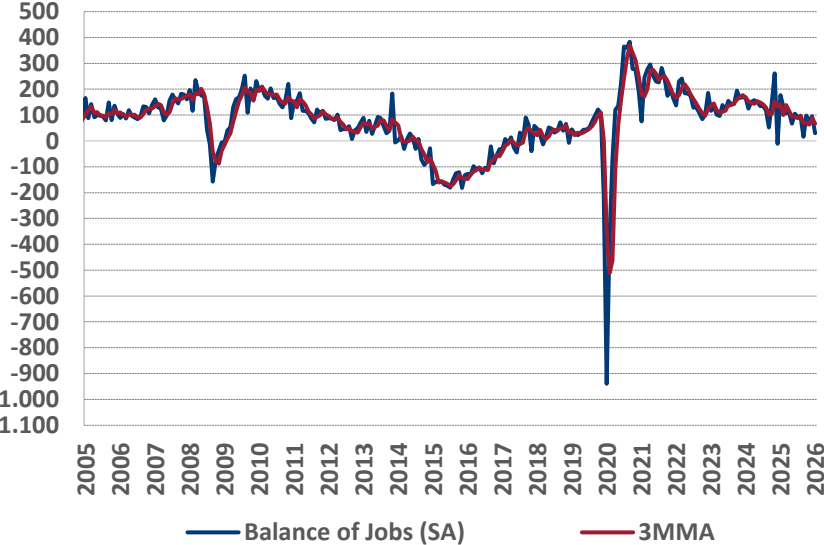
Brazil - Average Real Wage and Real Wage Bill



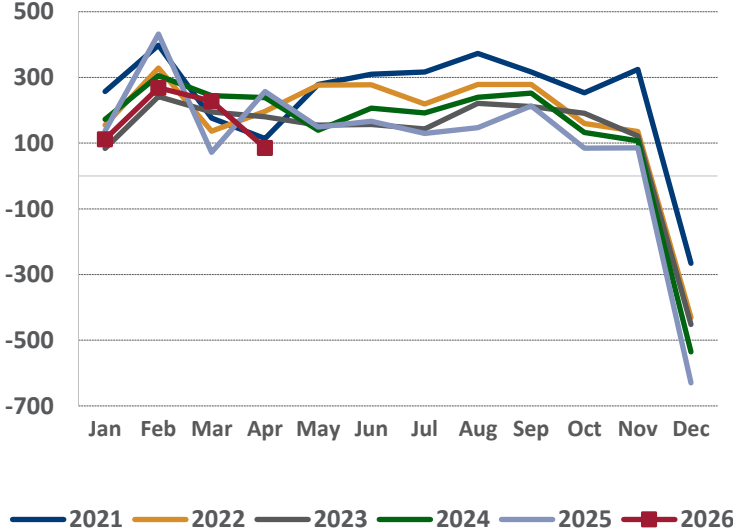
Brazil: Formal Labor Market

- CAGED registered a net creation of 85.9k formal jobs in April, well below market expectations (216.5k).
- There was a net creation of 1.060 million jobs in the 12-month rolling sum up to April 2026, below the 1.212 million posted in the previous reading.
- Overall, formal employment surprised to the downside in April, but the labor market slowdown remains gradual.

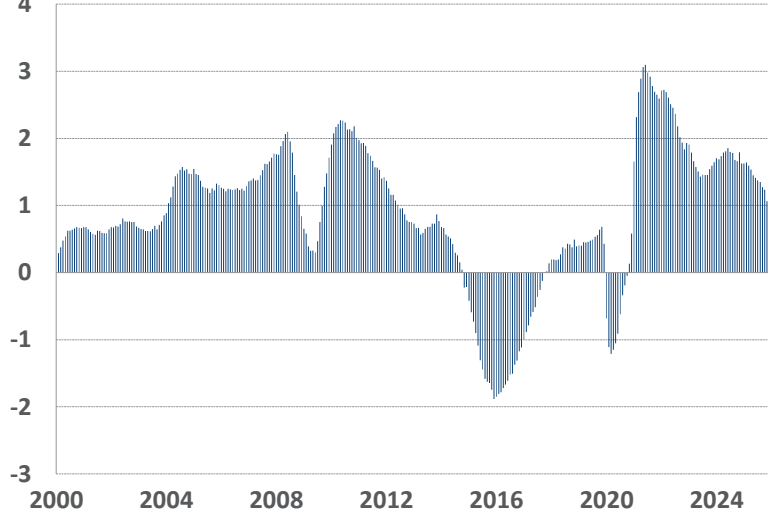
CAGED - Balance of Jobs (SA, Thousand)



CAGED - Balance of Jobs (Thousand)

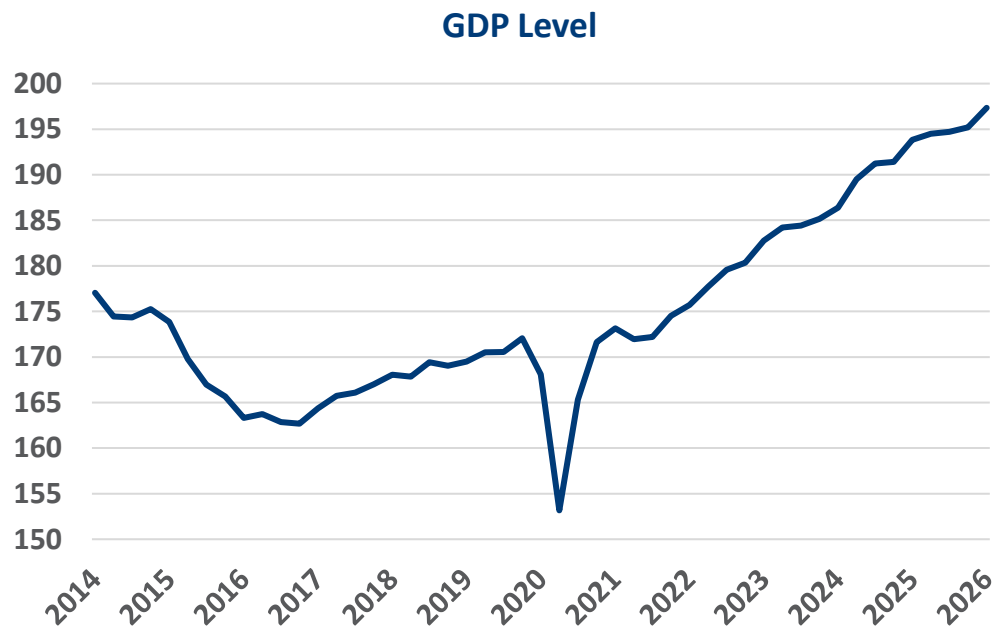


CAGED - Balance of Jobs 12 Months Acc. (Million)



Brazil: GDP Q1

- GDP grew strongly in early 2026, expanding 1.1% QoQ (1.8% YoY), with momentum shifting toward more cyclically sensitive sectors and stronger domestic absorption.
- On the supply side, services continued to grow but showed some moderation, with highlights in Information & Communication and a recovery in retail, partially offset by weakness in transportation.
- Industry regained traction in 1Q26, growing 1.0% QoQ, led by extractive activities (strong oil output) and a rebound in construction, while manufacturing remained broadly stagnant and utilities posted a mild decline.
- Agriculture expanded modestly in the quarter (+2.0%), driven by soybean production, but with softer-than-expected performance and a less favorable outlook ahead, suggesting limited contribution to growth going forward.



	Official	Forecast	Official	Forecast
	Q1 QoQ	Q1 QoQ	Q1 YoY	Q1 YoY
GDP	1.1%	1.2%	1.8%	2.0%
Agriculture	2.0%	4.0%	0.7%	4.5%
Industry	1.0%	1.1%	1.6%	1.3%
Mining	3.6%	1.3%	13.1%	9.7%
Manufacturing	0.1%	0.8%	-0.9%	0.1%
Electricity	-0.3%	-0.2%	-1.7%	-1.5%
Construction	2.9%	0.8%	1.3%	-1.6%
Services	0.5%	0.8%	2.1%	2.2%
Retail	0.6%	1.4%	1.0%	1.7%
Transports	-0.7%	-0.7%	0.7%	0.7%
Information and Communication	2.4%	2.4%	7.6%	7.6%
Financial Services	-0.6%	0.7%	2.8%	4.3%
Rents	1.2%	0.6%	2.9%	2.0%
Other Services	0.8%	0.8%	2.4%	2.4%
Public Administration	0.4%	0.0%	1.1%	0.5%
Demand				
Household Consumption	1.0%		1.8%	
Government Consumption	0.3%		2.8%	
Gross Fixed Capital Formation	3.5%		-1.4%	
Exports	-1.7%		7.4%	
Imports	4.4%		1.2%	

Brazil: GDP Q1

- From a demand perspective, domestic absorption rebounded strongly, with household consumption and investment surprising to the upside, supported by resilient income and credit dynamics.
- In contrast, the external sector weighed on sequential growth, as a sharp increase in imports and a pullback in exports reflected the strength of domestic demand.

Household Consumption



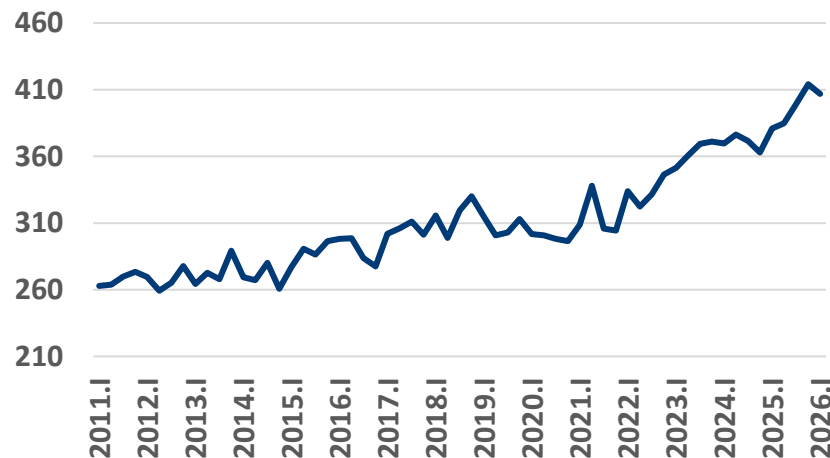
Gross Fixed Capital Formation



Government Consumption



Exports



Imports



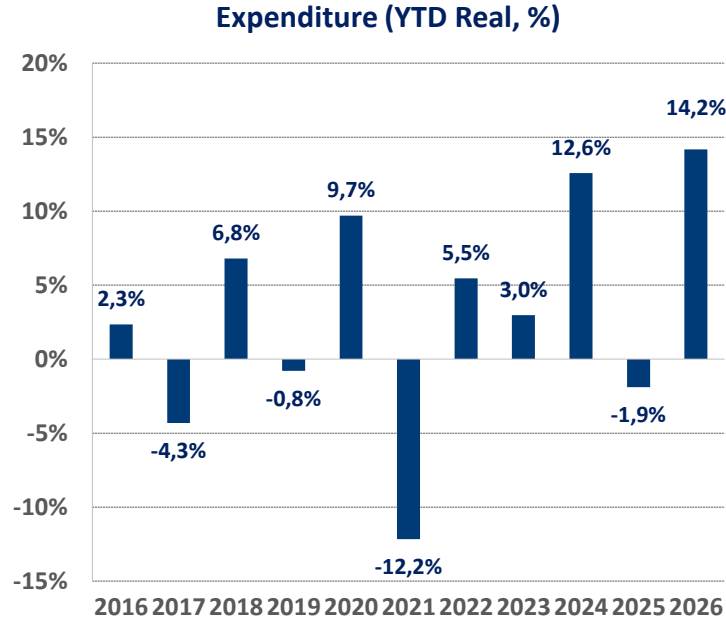
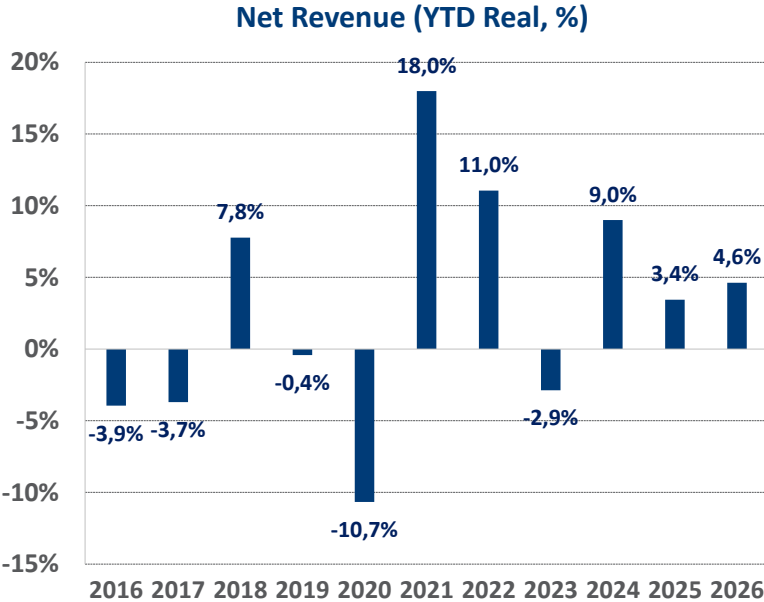
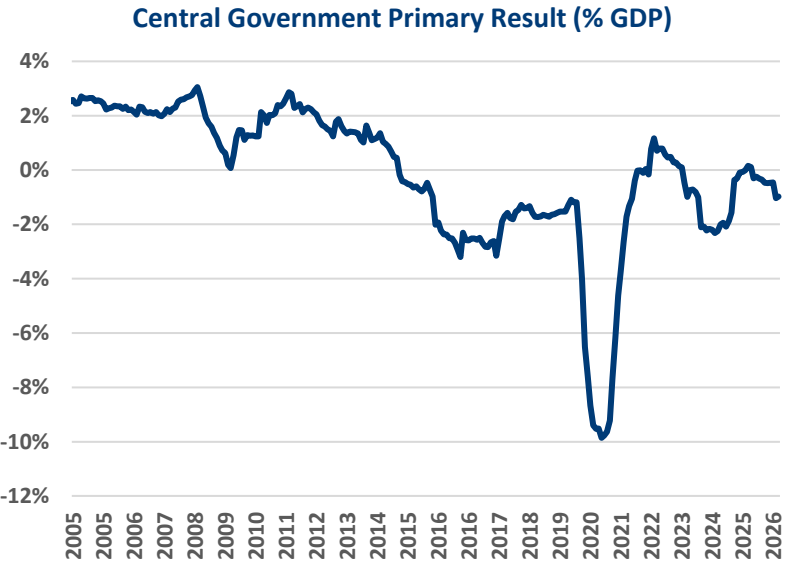
Brazil: GDP Forecast

- We maintained our forecast for 2026 at 2,0%
- Growth must decelerate through the second semester: from an average of 0,8% QoQ in H1 to 0,3% QoQ in H2

Forecasts				
	2026.II QoQ	2026.II YoY	2026	2027
GDP	0.5%	2.0%	2.0%	1.5%
Agriculture	0.3%	2.0%	1.2%	5.0%
Industry	0.1%	1.1%	1.4%	0.6%
Mining	-0.7%	6.1%	7.7%	2.5%
Manufacturing	0.1%	-0.2%	-0.2%	0.1%
Electricity	-0.5%	0.3%	0.5%	2.6%
Construction	0.0%	1.4%	1.7%	-1.0%
Services	0.6%	2.3%	2.3%	1.5%
Retail	0.2%	1.1%	1.1%	0.6%
Transports	0.9%	1.0%	1.1%	0.3%
Information and Comunication	0.3%	6.1%	5.8%	3.5%
Financial Services	0.8%	2.9%	2.9%	2.0%
Rents	0.8%	3.0%	3.1%	3.1%
Other Services	0.9%	2.6%	2.8%	1.3%
Public Administration	0.3%	1.8%	1.4%	1.0%

Brazil: Central Government Primary Result

- The central government's primary balance posted a surplus of BRL 25.5 billion in April, above the market consensus (BRL 24.7 billion), while better than the result recorded in the same month last year (BRL 18.2 billion surplus).
- In April, net revenues grew 5.8% YoY. Revenue administered by the RFB increased 7.9%, driven by IOF (+29.5%), reflecting tax hikes implemented last year, withholding income tax on capital gains (21.4%) led by higher collection on fixed income funds and interest on equity and withholding income tax on remittances abroad (+38.9). Social Securities contributions grew 7.2%, as the labor market remains solid. In contrast, revenues not administered by the RFB (non-tax revenues) decreased by 4.7%, due mainly to a 82.4% drop in dividends and shareholding, largely reflecting lower payments from Caixa Econômica Federal.
- Total expenditures rose 3.3% YoY in real terms, largely reflecting higher social security benefits (+3.4%) and personnel expenses (+9.8%), associated with increased benefit concessions and civil servant wage adjustments; BPC/LOAS also recorded a notable increase (+4.9%), in line with the expansion in concessions, while extraordinary credits surged (130.6%) due to LPG subsidy payments. Year-to-date, expenditures are up 14.2%, mainly driven by social security (+11.4%), personnel (+15.8%) and discretionary spending (+39.3%).
- Looking ahead, tax revenues should remain supported by strong activity and the gradual materialization of higher oil prices and revenue-raising measures, while continued pressure from social security and BPC/LOAS spending, alongside potential fuel-related mitigation measures, is expected to weigh on the primary balance.

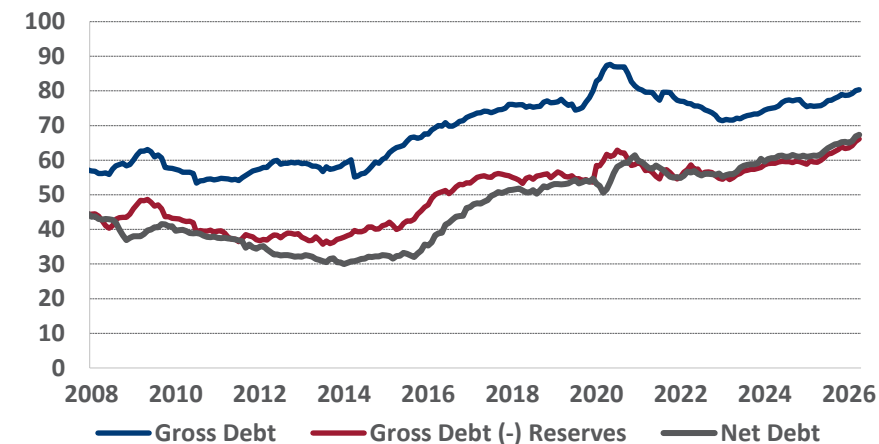


Source: BOCOM BBM, RTN

Brazil: Consolidated Public Sector Budget

- The consolidated public sector registered a primary surplus of BRL 24.6 billion in April, better than market consensus (surplus of BRL 22.8 billion) and up from the BRL 14.2 billion surplus in the same month of 2025.
- Regarding the breakdown, the central government and regional governments posted surpluses of BRL 26.1 billion and BRL 0.3 billion, respectively, while state-owned enterprises registered a deficit of BRL 1.8 billion.
- General Government Gross Debt (GGGD) rose from 80.0% to 80.4% of GDP, a change driven by nominal interest (+0.9 p.p.), which was partially offset by nominal GDP growth (-0.3 p.p.) and exchange rate appreciation (-0.2 p.p.).
- Overall, despite a stronger-than-expected primary performance, public debt continues to follow an upward trajectory, driven by a still-elevated interest burden and the absence of sufficiently large and sustained primary surpluses to stabilize debt dynamics.

Public Sector Debt (% GDP)



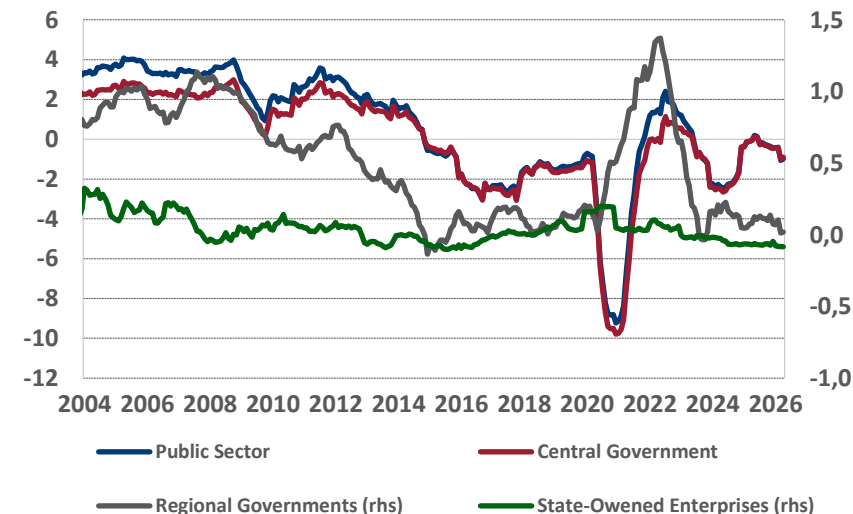
Primary Budget Balance (% GDP 12M)



Central Government (% GDP 12M)



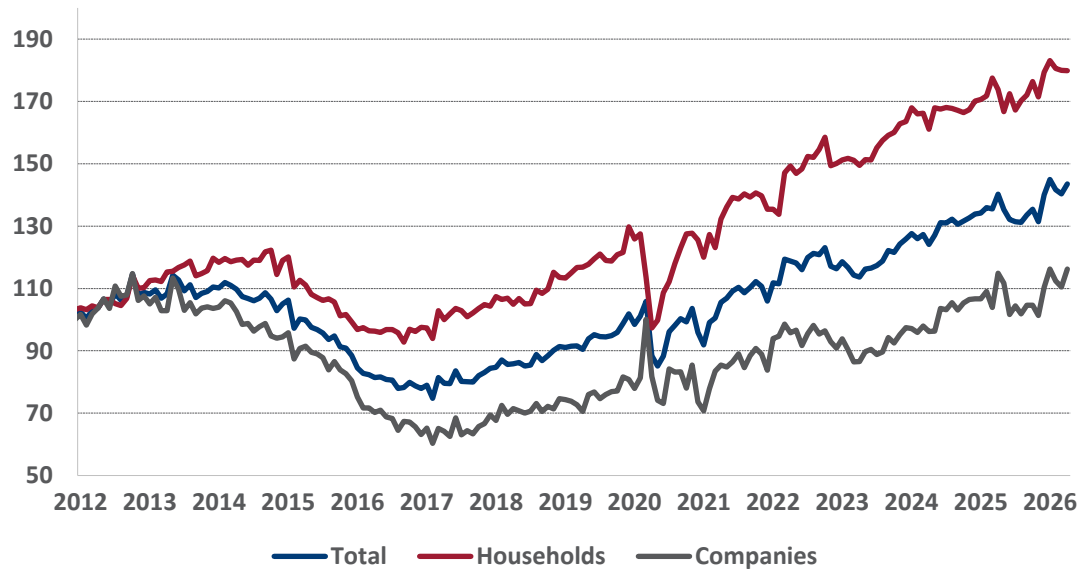
Public Sector Primary Result (% GDP)



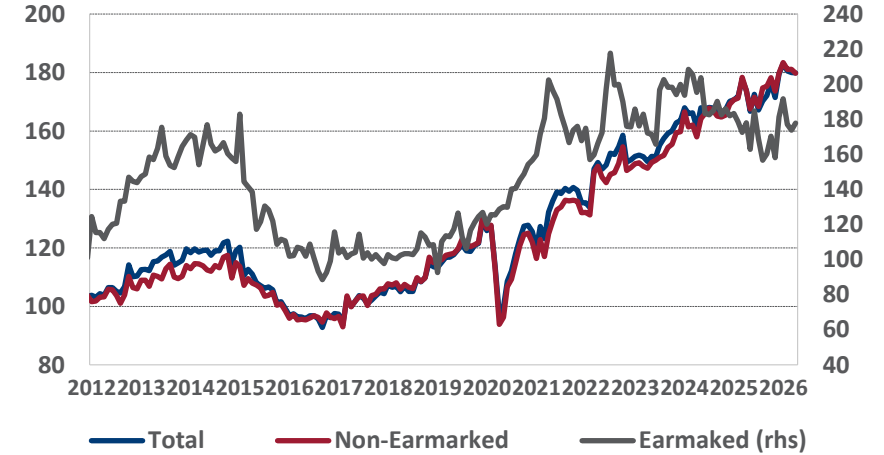
Brazil: Credit Statistics

- In April, total credit concessions increased by 2.3% MoM in real terms, after decreasing by 1.0% in the last month.
- In real terms, non-earmarked credit concessions contracted 0.1% MoM to households and increased by 5.2% to companies in the monthly comparison.
- Credit dynamics reinforced a picture of weaker credit impulse.

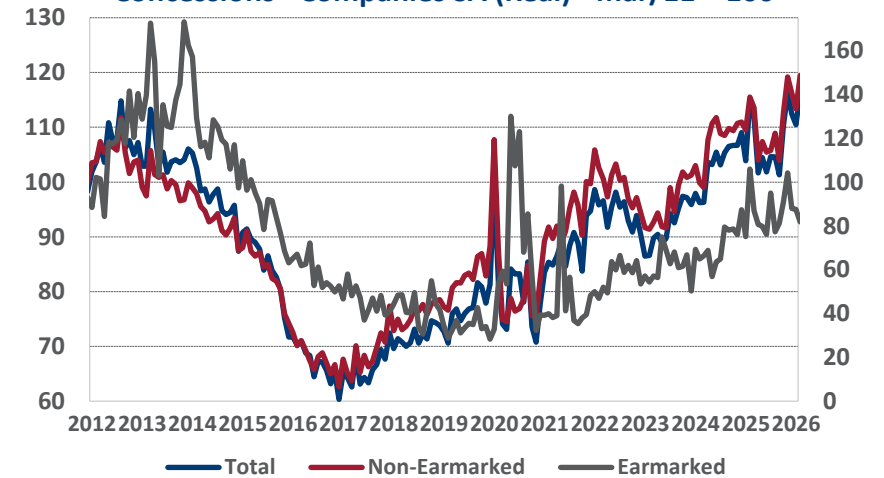
New Credit Operations SA (Real) - mar/11 = 100



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



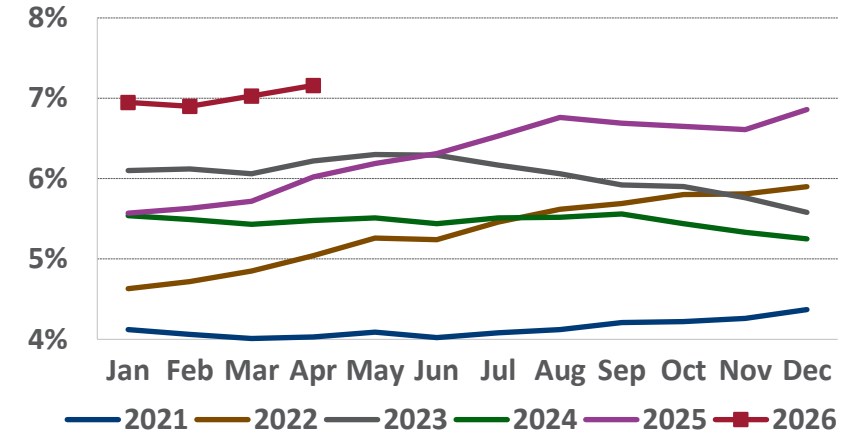
Concessions - Companies SA (Real) - mar/11 = 100



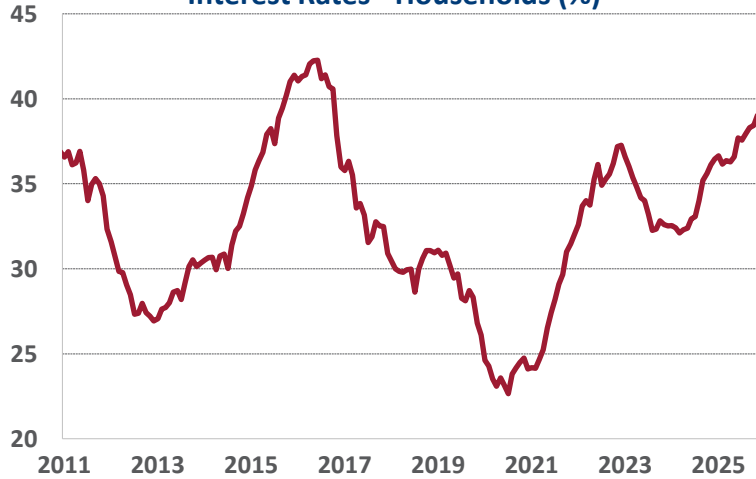
Brazil: Credit Statistics

- Lending rates increased at the margin, remaining at high levels for households, reaching 39.03% in April from 38.43% in March, while for companies, rates increased to 22.25% from 21.25%.
- Meanwhile, delinquency on non-earmarked loans for households reached 7.16% in April, additionally for companies, it expanded from 3.49% to 3.57%.

Non-Earmarked Delinquency - Households (%)



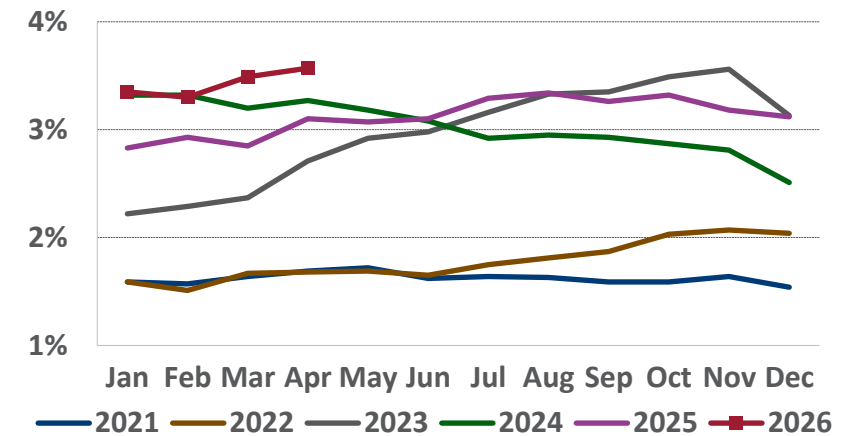
Interest Rates - Households (%)



Interest Rates - Companies (%)

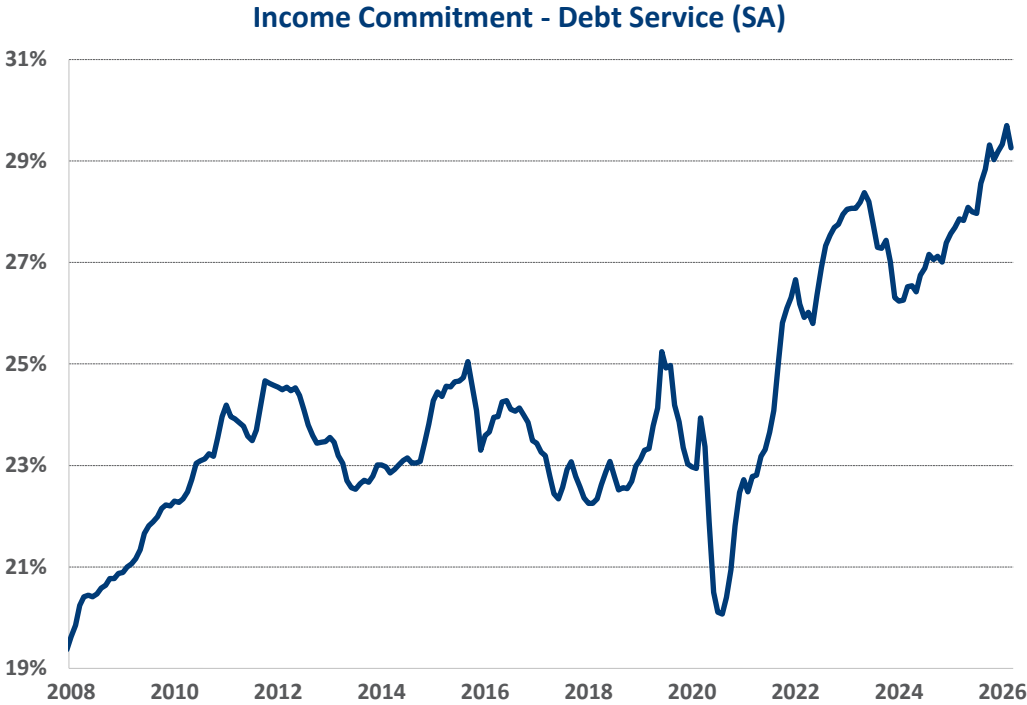
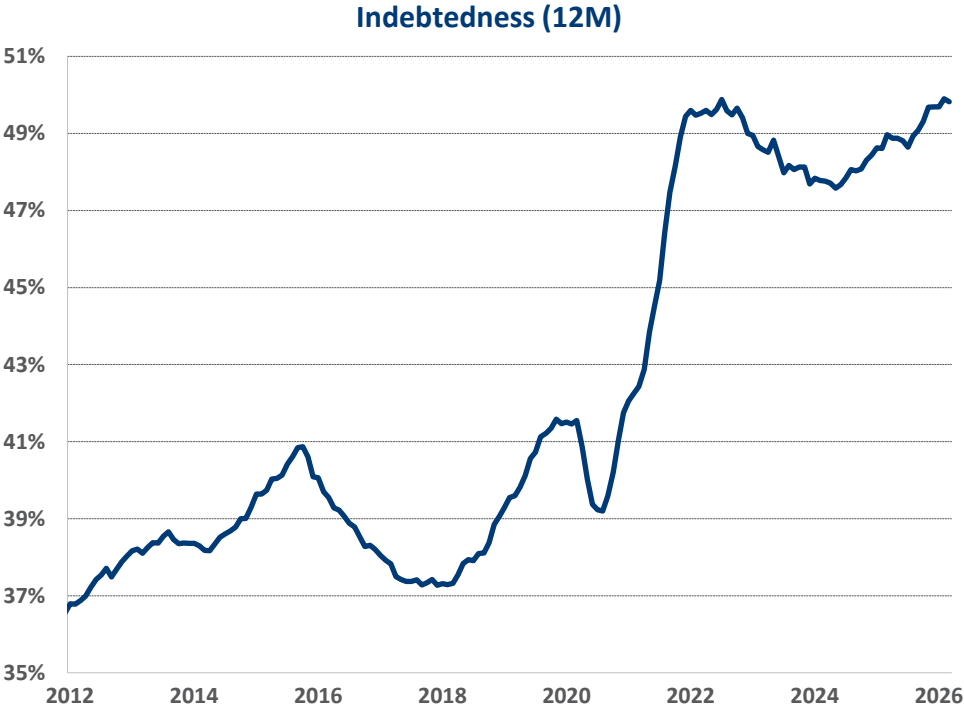


Non-Earmarked Delinquency - Companies (%)



Brazil: Credit Statistics

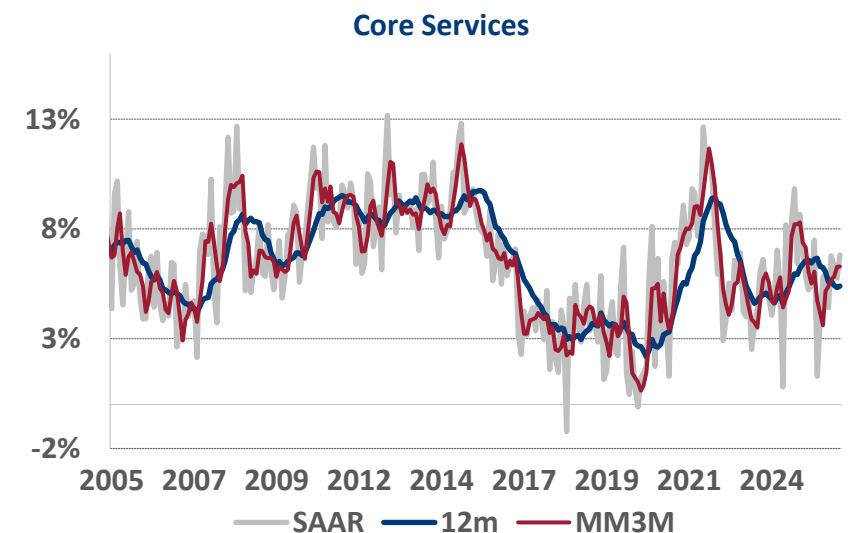
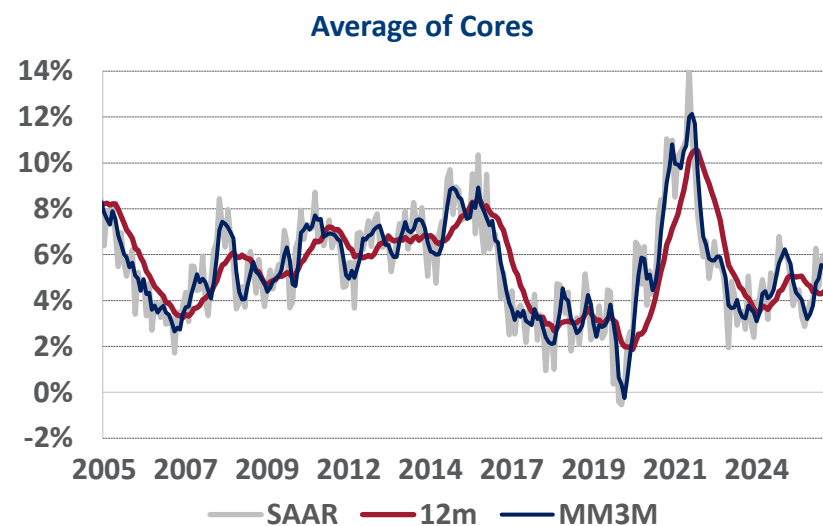
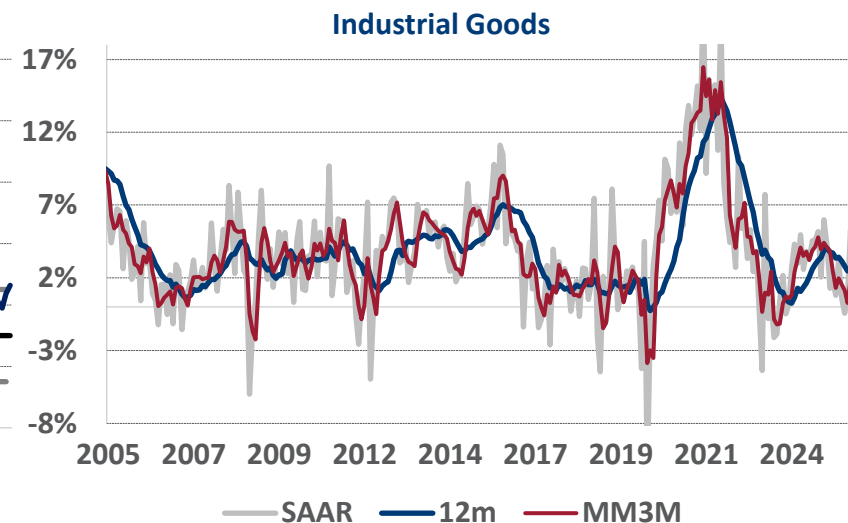
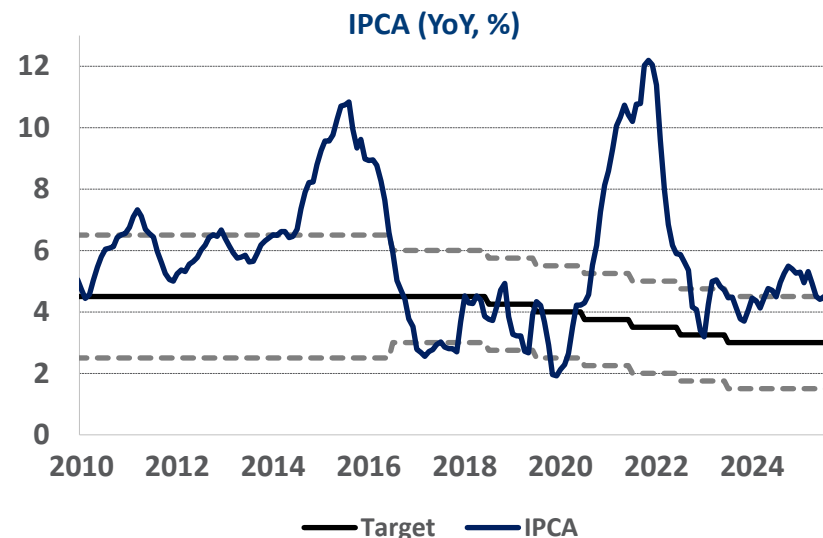
- Total household indebtedness remains high, despite a slight decrease at the margin 49.82% in March.
- Meanwhile, income commitment fell to 29.26%.
- Credit conditions remain restrictive, reflecting still-high interest rates, rising delinquency, and elevated household indebtedness and income commitment.



Source: BOCOM BBM, BCB

Brazil: Inflation 2026

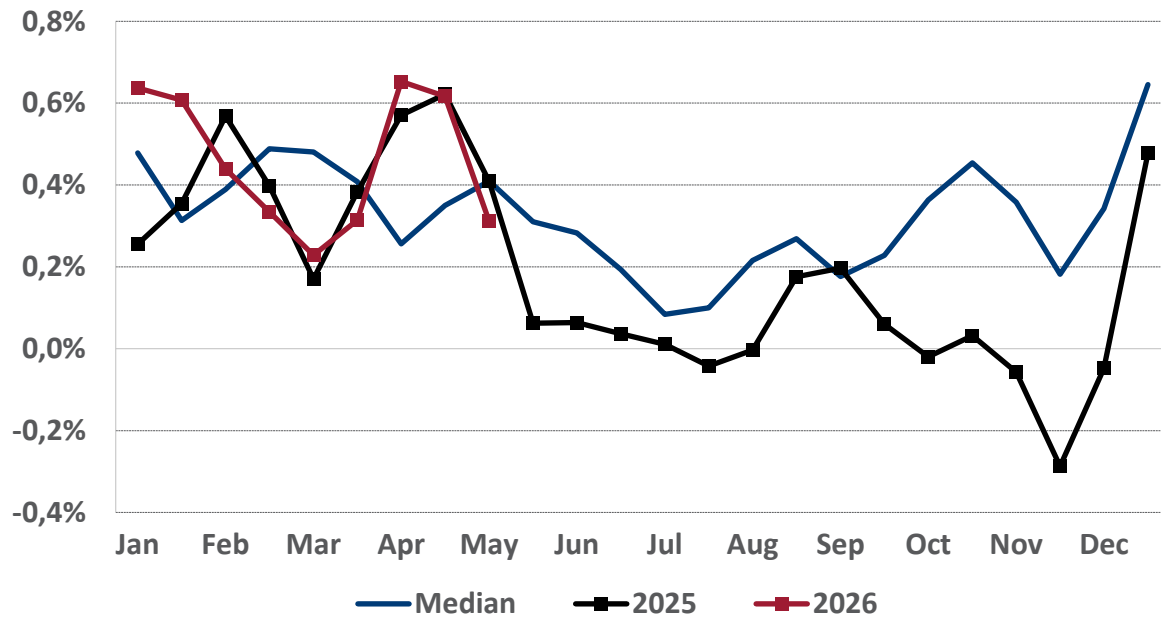
- May IPCA-15 rose by 0.62% MoM, above market expectations (0.57% MoM). The 12-month accumulated inflation accelerated from 4.37% to 4.64%.
- The main upward surprises to our forecast came from food at home.
- Core services increased by 0.53% MoM, slightly above market consensus, and the 3M SAAR grew from 5.98% to 6.15%, remaining well above the inflation target.
- The average of core inflation advanced 0.47% MoM, with its 12-month accumulated at 4.31%.
- Looking ahead, inflation should remain pressured, reflecting persistent core dynamics and strong food prices, despite temporary relief from fuel, with services and industrial goods still under upward pressure.



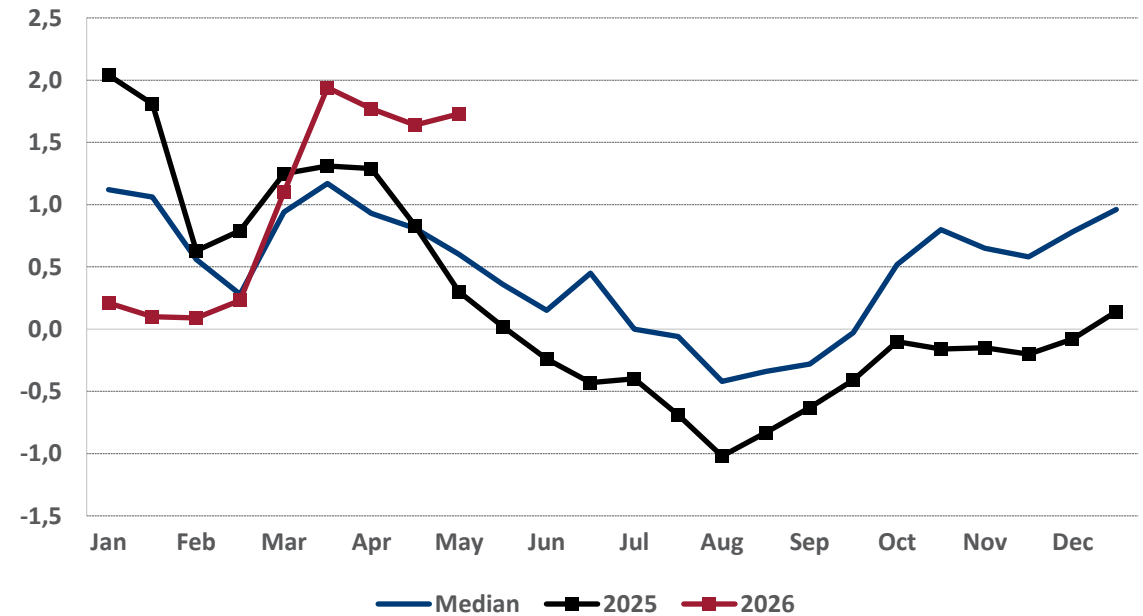
Brazil: Inflation 2026

- Industrial goods prices rose 0.31% MoM, above expectations, while the 3M SAAR fell from 3.81% to 3.63% in May.
- Foodstuff prices increased by 1.73% MoM, well above market expectations (1.47% MoM). The main upward surprises were concentrated in roots and vegetables, tubers, poultry and eggs, and fruits.
- Food inflation is expected to remain high throughout 2026 as the effects of El Niño gain momentum.

Industrial Goods (MoM, %)



Food at Home (MoM, %)



Brazil: Inflation Outlook

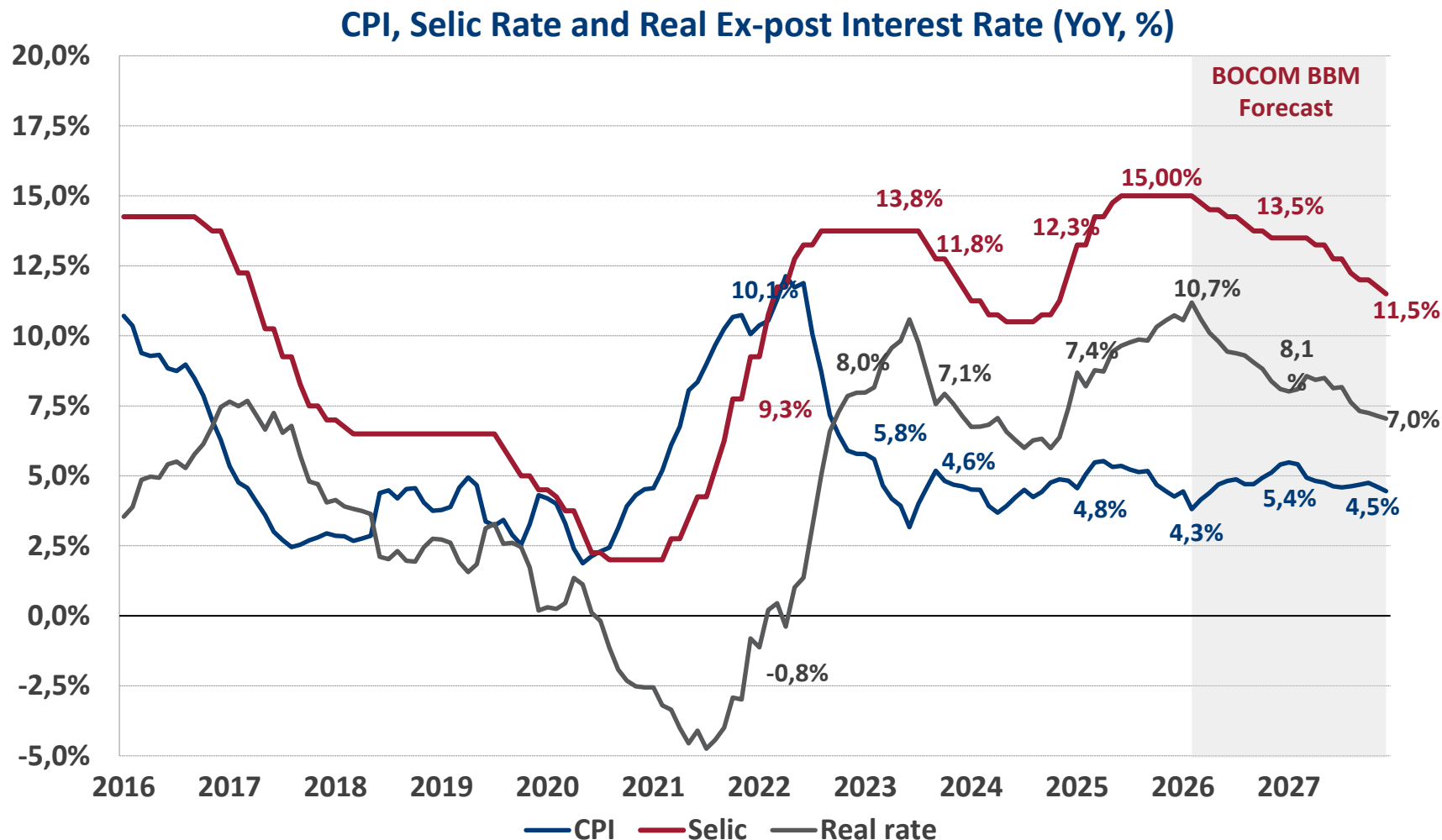
- | We have increased our inflation forecast from 5.0% to 5.4% in response to the rise in cores and food at home.
- | For 2027, we increased our projection from 3.9% to 4.5%.
 - | Higher inertial inflation from 2026, worst scenario for food inflation due to El Niño conditions and higher industrial goods inflation are the main drivers of the revision.

IPCA (% annual)

	Weight	2021	2022	2023	2024	2025	2026	2027
Regulated	26.6	16.9	-3.8	9.1	4.7	5.3	5.0	4.2
Industrial goods	23.6	11.9	9.5	1.1	2.9	2.4	4.1	3.4
Durable goods	10.3	12.9	6.1	-0.4	1.5	0.5	2.9	2.0
Semi-durable goods	5.9	10.2	15.7	2.7	2.1	3.5	2.7	3.2
Non-durable goods	7.3	11.9	9.5	1.7	5.4	3.9	6.9	5.3
Food at home	15.7	8.2	13.2	-0.5	8.2	1.4	7.5	5.0
Services	34.1	4.8	7.6	6.2	4.6	5.8	5.6	5.0
Food away from home	5.6	7.2	7.5	5.3	6.3	7.0	7.0	5.7
Related to minimum wage	5.2	3.3	6.2	5.5	5.2	6.7	5.8	4.6
Sensitive to economic activity	8.2	5.1	6.3	9.5	0.9	5.4	5.0	4.2
Inertial	15.0	4.2	8.8	5.1	6.0	5.2	5.1	4.9
IPCA		10.1	5.8	4.6	4.8	4.3	5.4	4.5

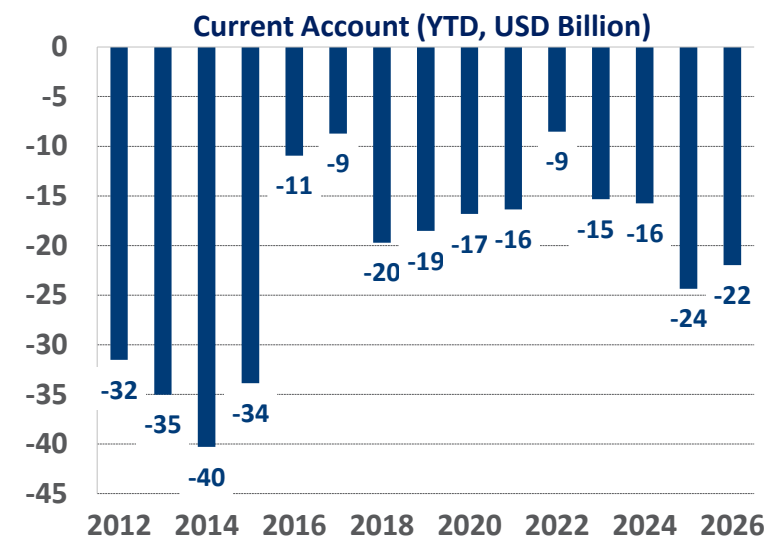
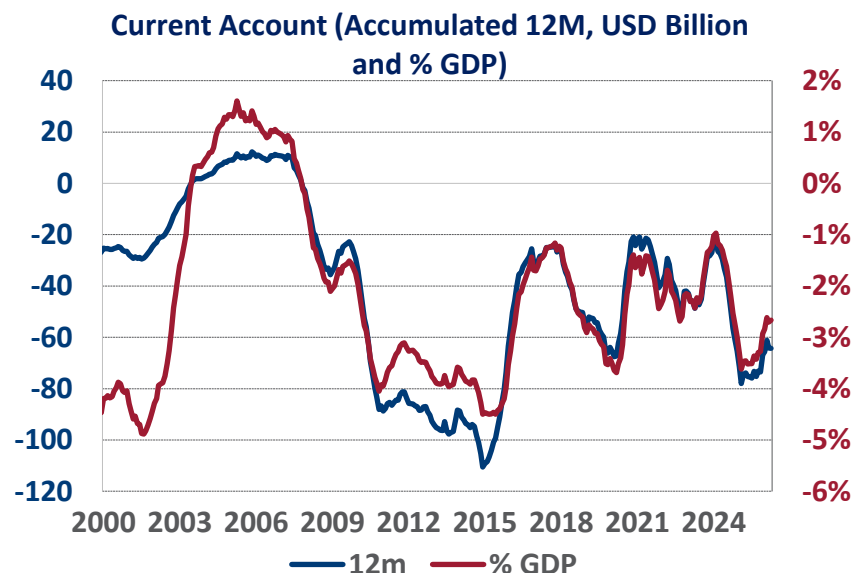
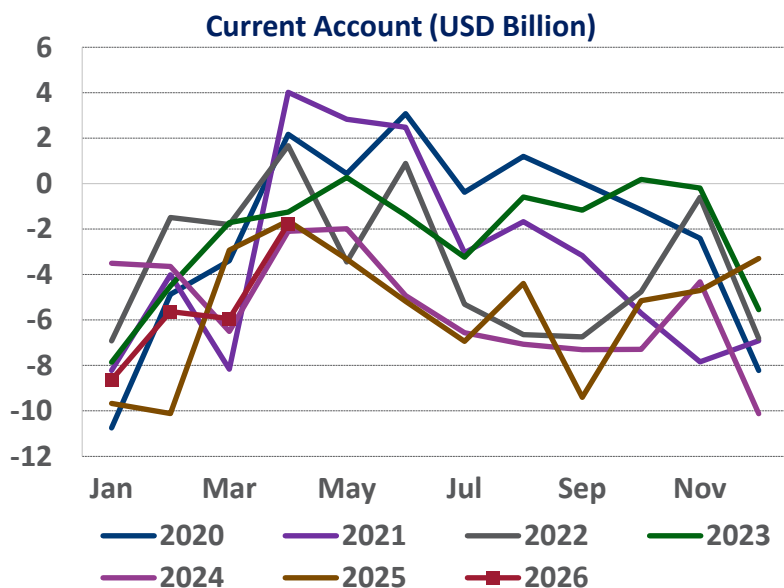
Brazil: Monetary Policy

In the April meeting, the Monetary Policy Committee cut the Selic rate by 25 bps to 14.50%, as expected. Inflation projections six trimesters ahead increased from 3,3% to 3,5% in the fourth quarter of 2027 in a scenario where rates reach 13% in 2026 and 11% in 2027. The increase in projections was expected, as the sharp increase in oil prices pushed projection up by more than currency appreciation pushed it down. The statement emphasized that the scenario continues uncertain, and that the committee reinforces serenity and cautious moving forward. The next steps of the interest rate calibration will be data dependent and will incorporate more information as it becomes available. The committee now foresees adjustments both in the pace and in the extent of the calibration process moving forward. This leaves the door open for accelerating the pace, but also for a smaller budget of cuts. In all, the calibration cycle is set to continue, but the pace should be defined by the evolving economic landscape.



Brazil: Balance of Payments

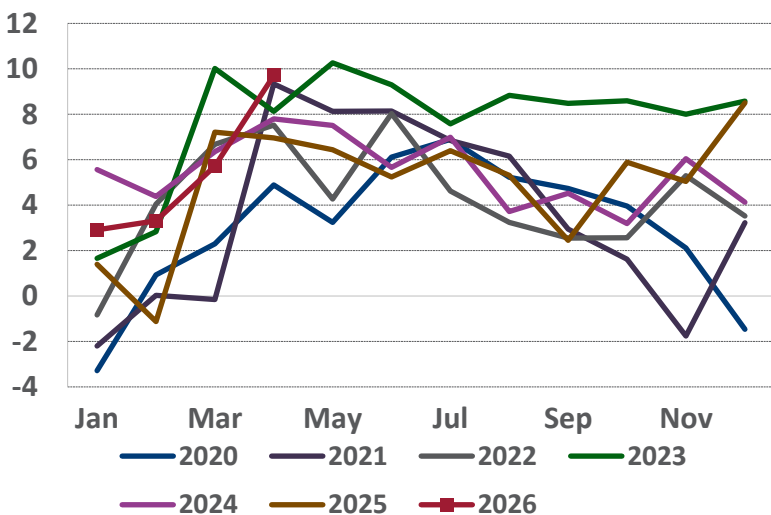
- The Brazilian current account recorded a deficit of USD 1.8 billion in April 2026, below market expectations (a deficit of USD 0.2 billion).
- On a 12-month basis, the deficit remained broadly stable at USD 64.3 billion (2.66% of GDP), from USD 64.2 billion (2.70% of GDP) last month.



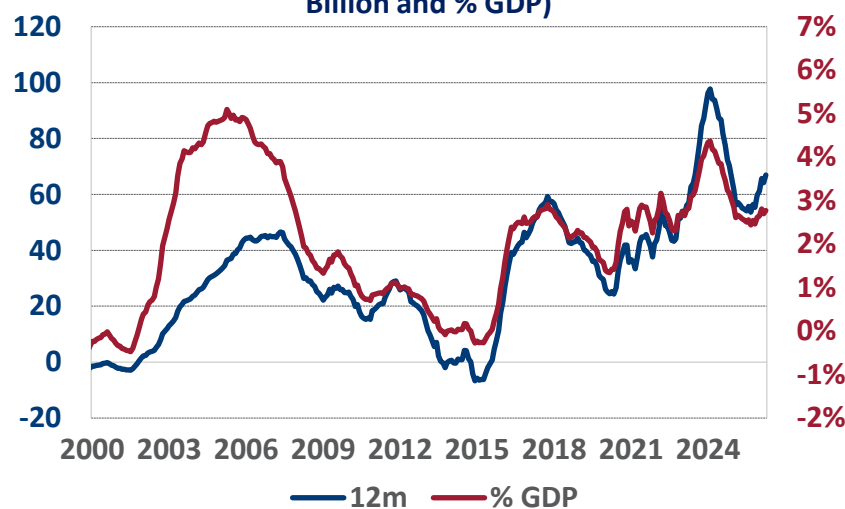
Brazil: Balance of Payments

- The merchandise trade balance posted a surplus of USD 9.7 billion in April, compared to a USD 2.8 billion surplus in the same month last year.
- Exports reached USD 34.3 billion (13.9% YoY), while imports totaled USD 24.6 billion (6.2% YoY). Export growth was concentrated in commodities, especially crude oil and soybeans, while imports were supported by front-loading of Chinese passenger vehicles.
- On a 12-month basis, the trade surplus reached USD 64.3 billion, from USD 64.2 billion in March.

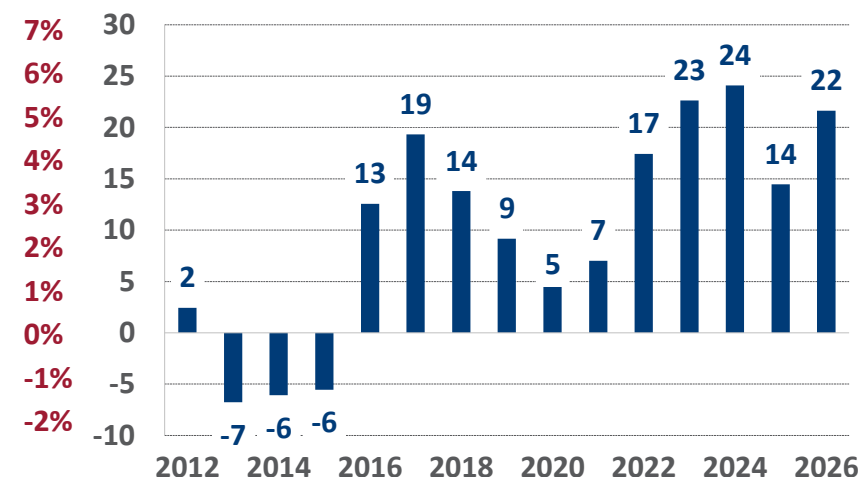
Balance on Goods (USD Billion)



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

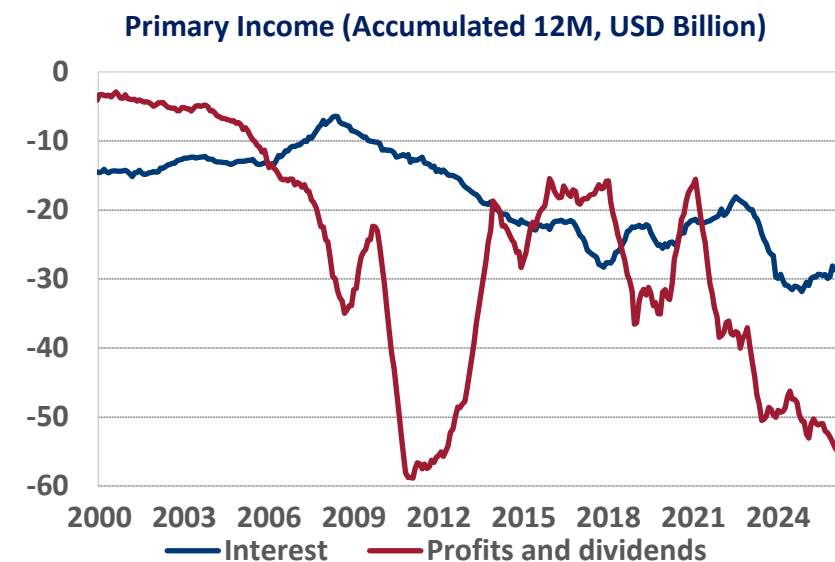
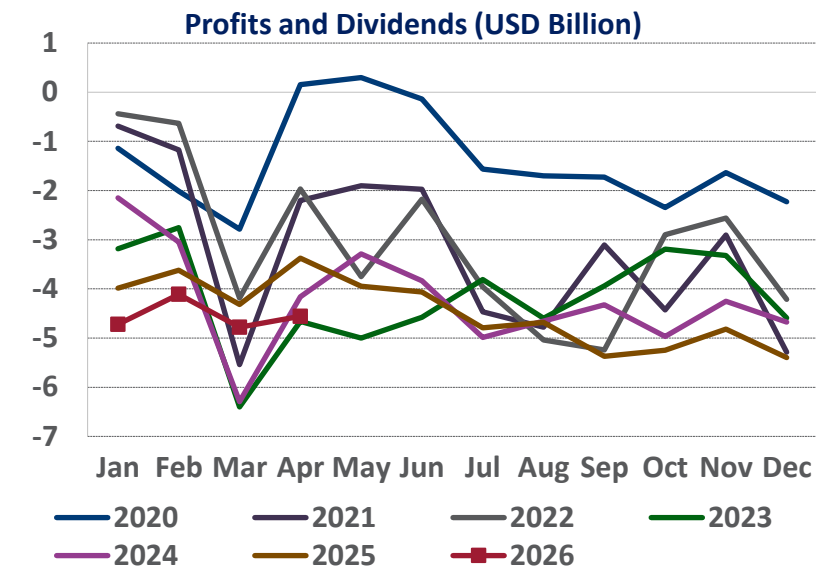
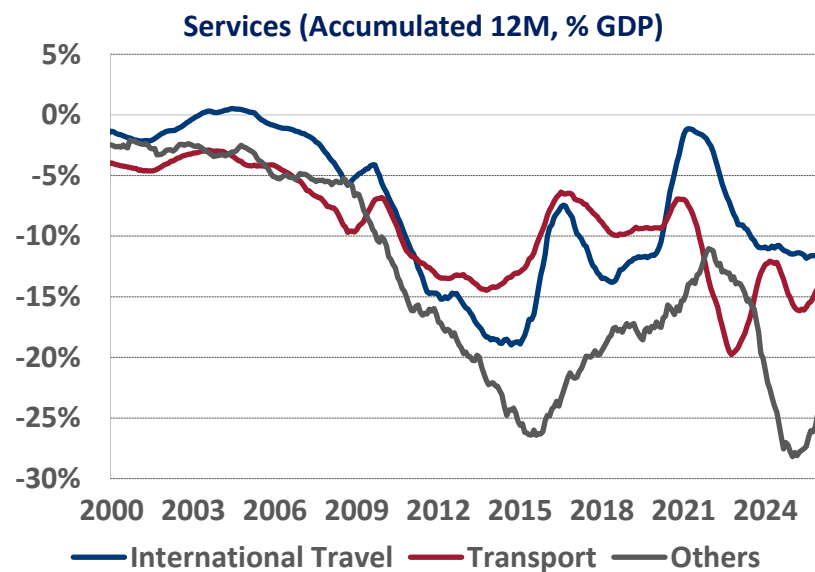
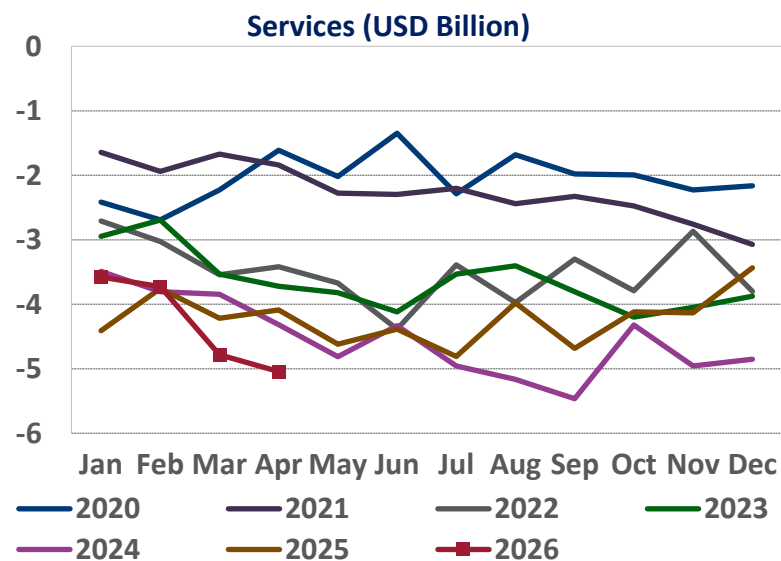


Balance on Goods (YTD, USD Billion)



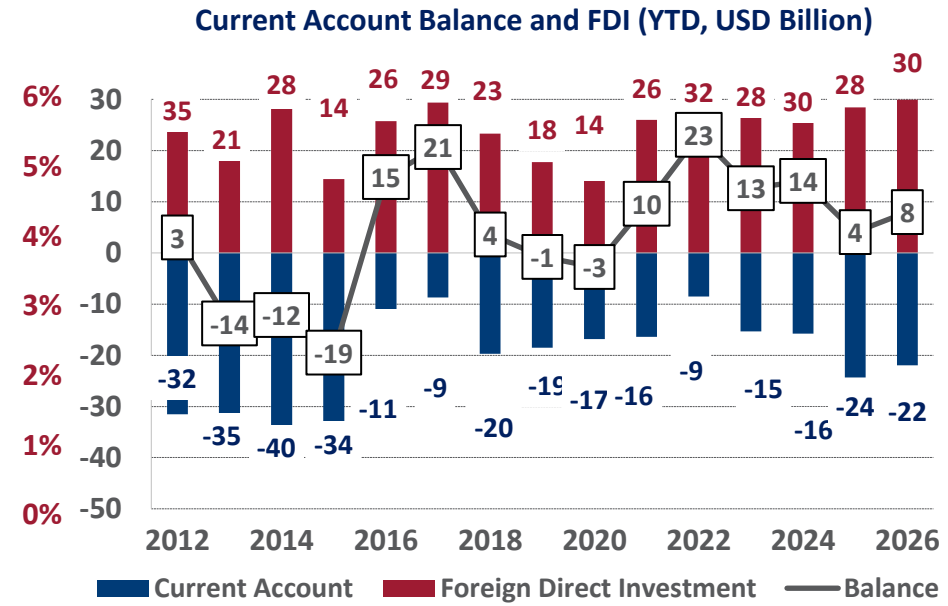
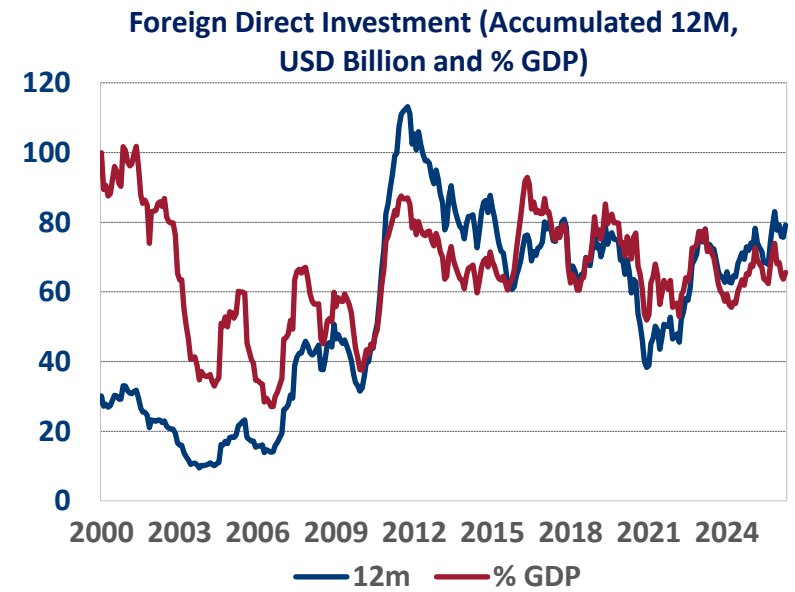
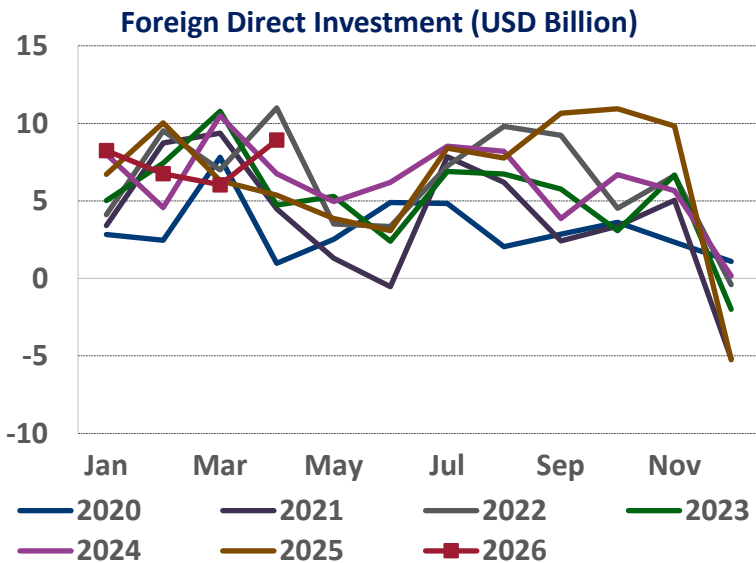
Brazil: Balance of Payments

- Services posted a deficit of USD 5.0 billion in April, wider than the USD 4.2 billion recorded in April 2025. On a 12-month basis, the Services deficit rose from USD 50.3 billion, to USD 51.3 billion in April.
- Net travel expenses, likely still reflecting past BRL appreciation, were the main driver of the wider services deficit, while intellectual property and telecommunications payments continued to increase.
- Intellectual property and telecommunications services continued their structural upward trajectory.



Brazil: Balance of Payments

- Foreign Direct Investment (FDI) registered net inflows of USD 8.9 billion in April, well above market expectations USD 5.4 billion.
- On a 12-month basis, FDI inflows totaled USD 79.2 billion (3.28% of GDP), from USD 75.7 billion (3.18% of GDP) in March.
- Overall, Brazil remains well positioned to attract FDI, supported by its diversified industrial base and clean energy matrix, while large rare earth reserves reinforce its strategic role in global technology value chains.

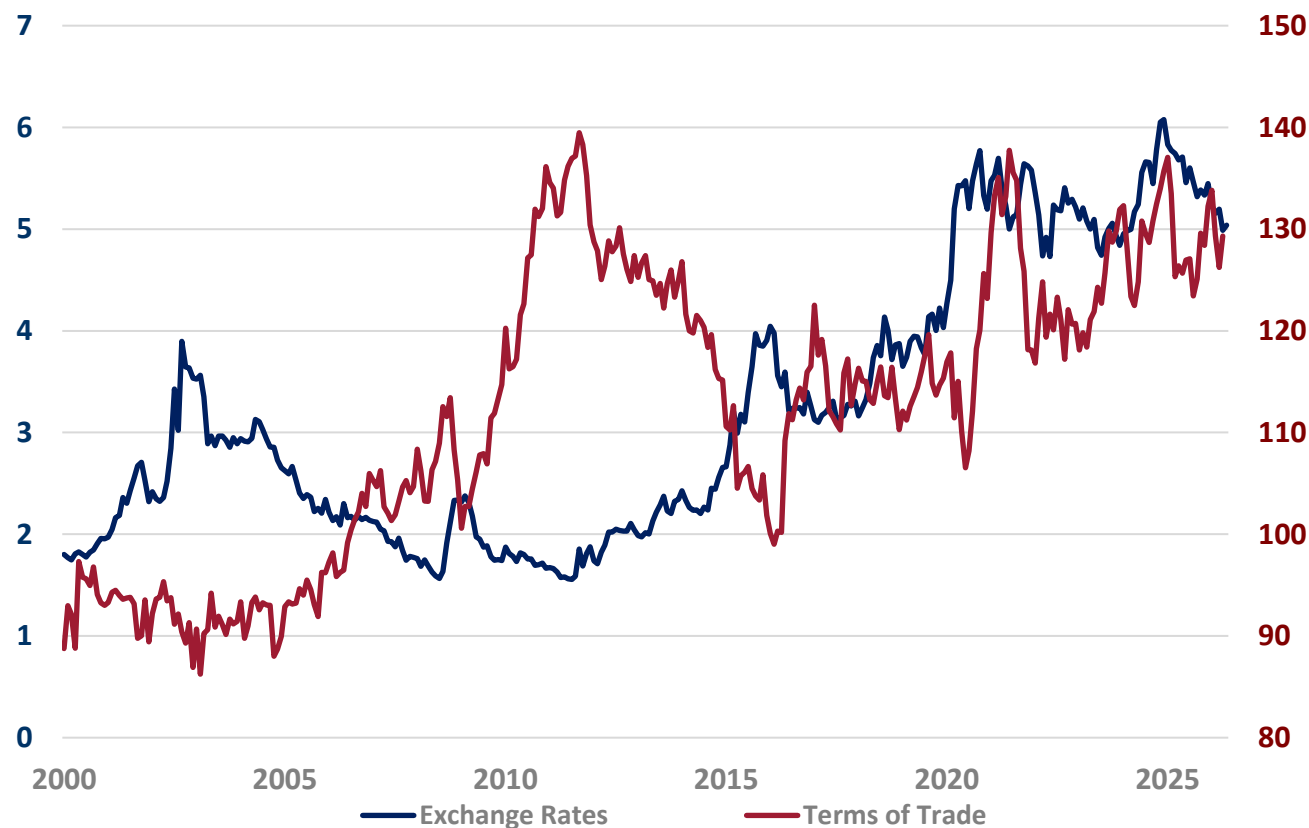


Source: BOCOM BBM, BCB

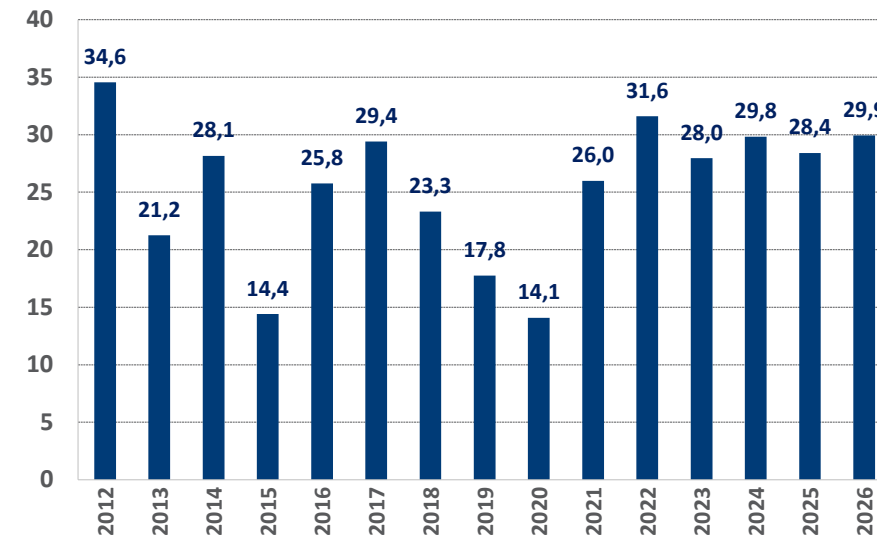
Brazil: External Sector

In May, the Brazilian real depreciated slightly, falling from 5.02 to around 5.05 per dollar, even in a slightly more constructive external environment. The exchange rate dynamics were influenced by geopolitical uncertainties, although there are occasional signs of easing in the conflict involving Iran. Domestically, the political decline of the right-wing presidential candidate contributed to the real's devaluation. Overall, the exchange rate was driven by international and domestic conditions, as well as short-term positioning.

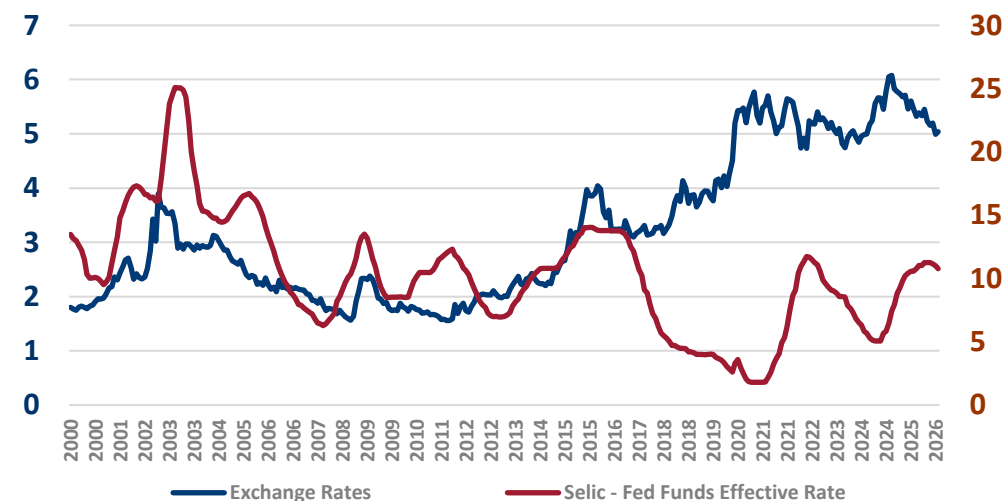
Terms of Trade x BRL



Foreign Direct Investment (YTD, USD Billion)



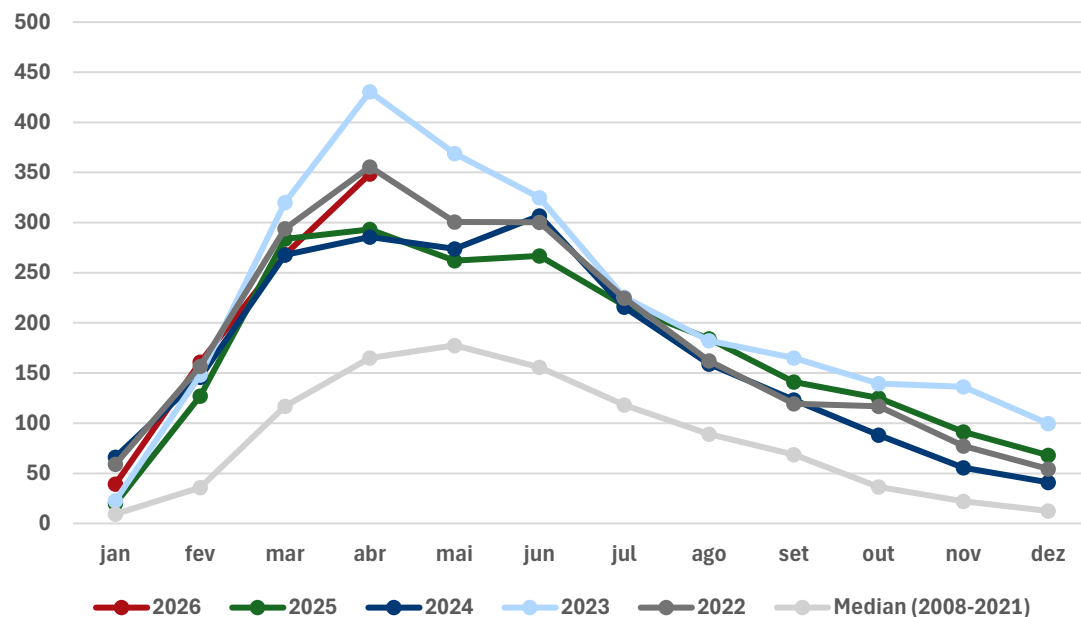
Interest Rate Differential x BRL



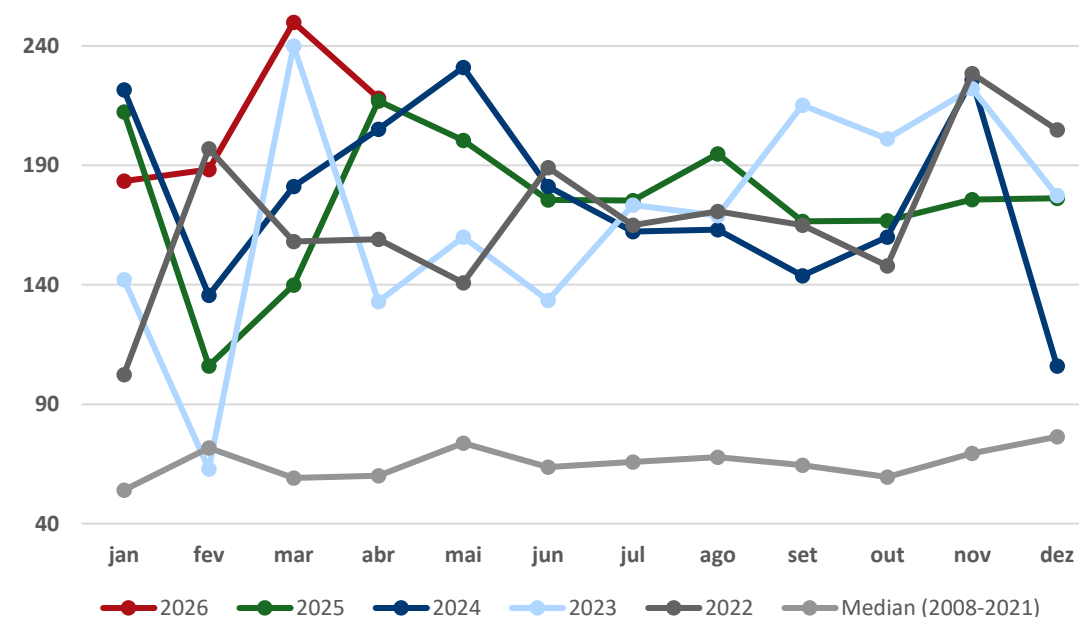
Brazil: External Sector

- In April, exports totaled US\$ 34.15 billion and imports US\$ 23.61 billion, resulting in a trade surplus of US\$ 10.54 billion - a record level for the month.
- The improvement was driven mainly by the strong increase in exports, particularly oil and distillates (that reached a surplus of US\$35bn in 12-months).
- On a 12-month cumulative basis, the total trade surplus reached US\$76bn, above the US\$68bn recorded in 2025.

Brazil BoP: Soy Exports
USD Million Daily Average



Brazil BoP: Crude Oil Exports
USD Million Daily Average



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