Macro Outlook

September 2026

Macro Outlook

- In the global scenario, tensions between the US and Iran remained elevated in August, with attacks continuing despite ongoing diplomatic efforts. Shipping flows through the Strait of Hormuz remained subdued amid the US naval blockade and ongoing tensions with Iran, while risks surrounding the Bab el-Mandeb Strait continued to remain elevated. As a result, the conflict continues to create inflationary pressures and weigh on global growth, although diplomatic channels remain open and could eventually support a new ceasefire. Regarding data, inflation indicators were generally benign, supported by a favorable core composition and further easing in energy prices, despite some upside surprises in underlying inflation. On the labor market, the August payroll report came in better than expected, with stronger job creation, positive revisions and a stable unemployment rate despite higher labor force participation, marking a sharp rebound from the previous release. On activity, the second estimate of the GDP was in line with expectations, with a stronger underlying composition, as private consumption and business investment were solid despite volatility in net exports, government spendings and inventories. Overall, the economy appears solid, and inflation showed signs of improvement, but the deterioration in the labor market and persistent geopolitical risks continues to pressure the Fed to tighten monetary policy.

- Regarding China, July data continued to point to a heterogeneous growth composition in the economy. External trade remained strong, while industrial production decelerated by more than expected, although both continued to be supported by growth in high-technology sectors. On the other hand, retail sales and fixed asset investment surprised expectations to the downside and continue to suggest subdued domestic demand. Additionally, inflation indicators came in below expectations, with a benign core composition and easing producer-price pressures, while growth in the housing sector remained a drag on overall economic activity. Overall, high-tech manufacturing and exports are expected to continue to outperform the rest of the economy, but weak domestic demand and ongoing weakness in the property sector remain key challenges to a broader economic recovery.

- In July, industrial production increased 0.2% MoM, below market expectations (+0.5% MoM), interrupting two consecutive monthly declines. In June, services were flat, above market expectations (-0.2% MoM), while broad retail sales rose 1.0% MoM, also above market expectations (-1.4% MoM). Overall, the mixed set of indicators remains consistent with a gradual moderation in economic activity. Meanwhile, the IBC-Br fell by 0.6% MoM, below market expectations (-0.5% MoM). Labor market data were mixed, with a lower unemployment rate contrasting with weaker-than-expected formal job creation.

- The COPOM reduced the Selic rate from 14.25% to 14.00% per year at its August meeting, maintaining an asymmetric balance of risks tilted to the upside. The committee acknowledged that incoming data points to moderation in activity and to improvements in current inflation but emphasized the concern about unanchored inflation expectations at longer horizons. In all, the statement leaves the door open for the continuation of the easing cycle. Since then, headline and underlying inflation have been below expectations, and activity is losing momentum, which must lead the Central Bank to delivery one more cut of 25 bps.

- August IPCA-15 fell 0.40% MoM, below market expectations (-0.30% MoM). Twelve-month inflation declined from 4.52% in July to 4.24% in August. The main downward pressures came from electricity tariffs, airfares and gasoline, while food prices also declined significantly in the month. Core services inflation advanced 0.50% MoM above market expectations (0,43% MoM), while the 12-month rate eased from 5.08% to 5.03%. The average of core inflation measures rose 0.23% MoM, while the 12-month rate edged down from 4.26% to 4.17%. Looking ahead, August's IPCA-15 showed a favorable composition, with softer readings in food, industrial goods and core measures. However, underlying services remain resilient, particularly labor-intensive services.

- The consolidated public sector posted a primary surplus of BRL 1.4 billion in July, below market consensus of BRL 6.4 billion, but a sharp improvement from the BRL 66.6 billion deficit recorded in the same month of 2025. On a rolling twelve-month basis, the public sector recorded a primary deficit of BRL 80.3 billion, equivalent to 0.7% of GDP. Regarding the breakdown, the central government posted a surplus of BRL 11.0 billion, while regional governments and state-owned enterprises recorded deficits of BRL 8.5 billion and BRL 1.1 billion, respectively. General Government Gross Debt (GGGD) rose from 81.9% to 82.5% of GDP, reaching its highest level since April 2021, driven by nominal interest payments (+0.8 p.p.) and net debt issuance (+0.2 p.p.), partially offset by nominal GDP growth (-0.5 p.p.). Meanwhile, Net Public Sector Debt (NPSD) rose by 0.6 p.p. to 69.1% of GDP. Overall, public sector posted a weak surplus in July due to regional governments' deficit, while debt continues to rise sharply.

China: Economic Activity

BANK OF COMMUNICATIONS BBM

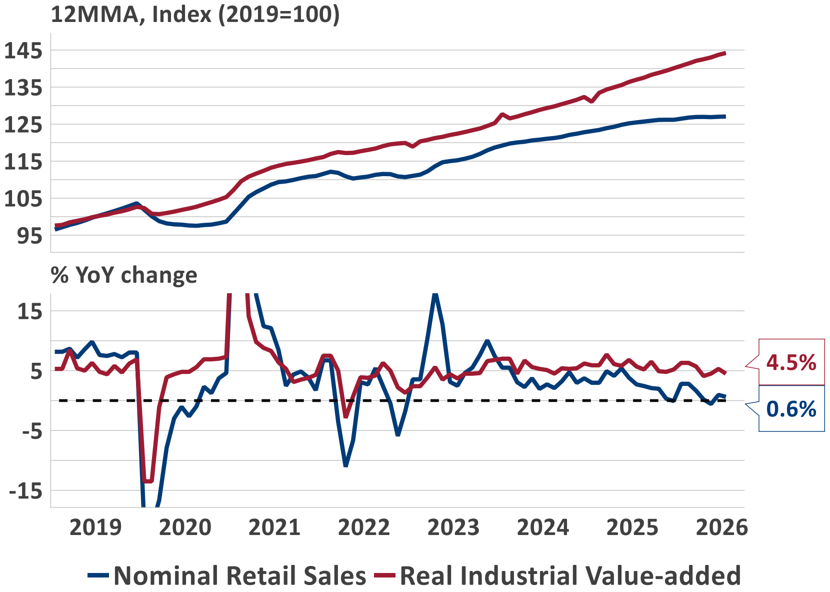
- **Monthly economic activity slowed in July, after a mixed performance in June:**
- **Industrial production** decelerated below consensus, from 5.3% to 4.5% YoY (exp 5.0%). Meanwhile, high-tech sectors continue to outperform the rest of the economy, with notable growth in components related to the AI sector.
- **Retail sales** fell from 1.0 to 0.6% YoY, below market expectations of 1.5%, primarily led by oil products, while cosmetics and communication equipment grew.
- **Fixed asset investment (FAI) fell from -5.7 % to -6.7% YTD YoY, worse than market consensus of -6.2%**. Intellectual property-product and high-tech investments rose, but not enough to offset the weakness in the real estates sector.
- **Housing:** growth in property indicators broadly continued to deepen into negative territory YoY, after some indicators showed modest recovery in recent months.

China: Activity (% YoY)

	7/2026	6/2026	7/2025
Industrial Production	**4.5**	**5.3**	**5.7**
Mining	-4.2	5.1	5.0
Manufacturing	5.5	6.0	6.2
Utilities	5.0	7.4	3.3
Fixed Asset Investment (YTD)	**-6.7**	**-5.7**	**1.6**
Manufacturing	-1.7	-1.2	6.2
Real Estate	-19.2	-18.0	-12.0
Infrastructure	-3.6	-2.4	3.2
Retail Sales	**0.6**	**1.0**	**3.7**
Catering Services	1.4	1.2	1.1
Consumer Goods	0.5	0.9	4.0
Clothing	-1.0	3.9	1.8
Automobiles	-17.0	-16.1	-1.5
Furniture	-8.8	-6.6	20.6
Cellphones	20.4	16.5	14.9
Home Appliances	-1.9	-8.7	28.7
Construction	-14.2	-10.5	-0.5

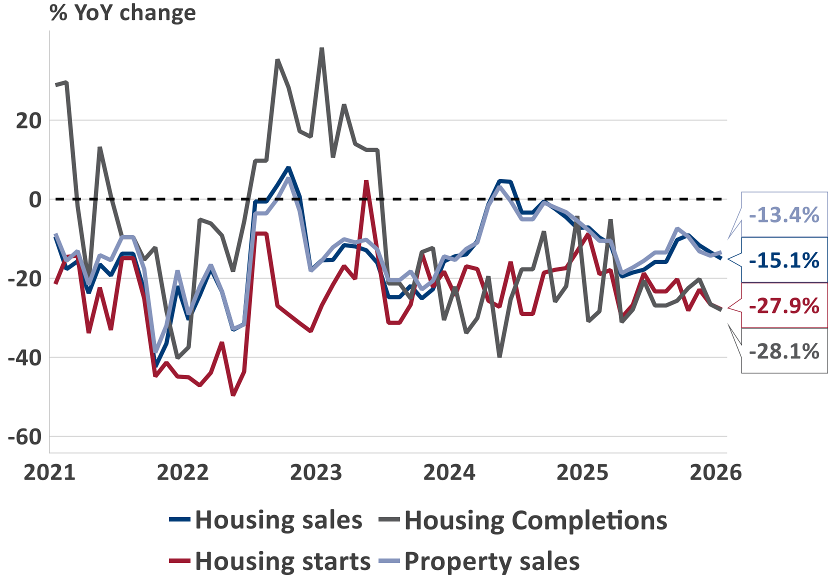
Source: BOCOM BBM, Macrobond

China: Industrial Production x Retail Sales



Source: BOCOM BBM, Macrobond, NBS

China: Property Indicators (YoY)

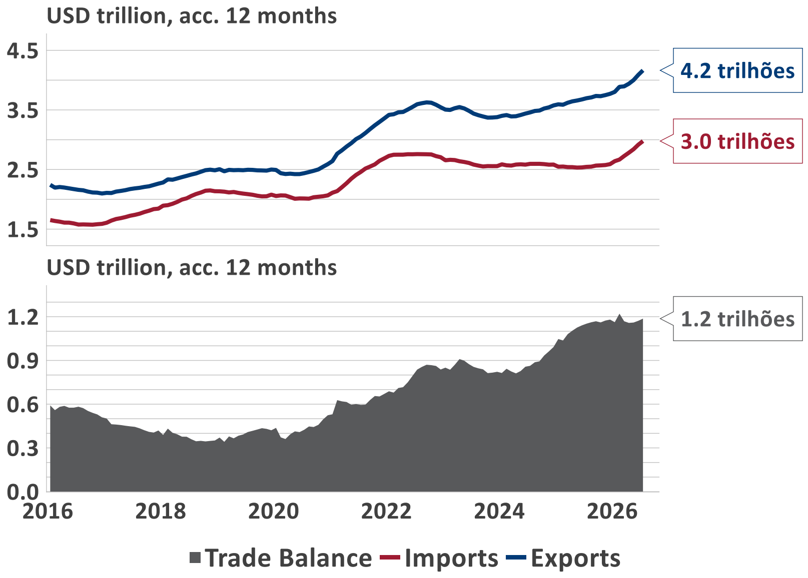


Source: BOCOM BBM, NBS

China: Economic Scenario

- **Trade growth remained at elevated levels in July:**
  - **Export growth decelerated**, from 27.0 % to 23.9%, against consensus of 23.0%. The increase was mixed within major partners, with tech goods remaining as the strongest components.
  - **Imports were weaker than expected but still maintained a strong pace (from 36.0 % to 27.5%, exp. 29.7%).** In the composition, there was a broad-based slowing across products imports, with coal and AI-related goods being the main exceptions.
- **CPI inflation modestly decreased in July, below with market expectations (at 0.5% YoY, vs 0.8% expected):**
  - Energy prices dropped due to the temporary escalation in the Middle East conflict, while food inflation also remained at weak levels.
  - **The Core CPI also slowed down, from 1.0% to 0.9% YoY,** as Consumer Goods decelerated sharply, from 1.1 to 0.2% YoY.
  - Meanwhile, the PPI came in at 3.5% YoY, below the 3.8% expected. While producer prices remain at historically elevated levels, the downside surprise may indicate that inflationary pressures are beginning to moderate.
- **Looking ahead, inflation should continue at positive territory in the upcoming months, supported by anti-involution policies and trade-in programs.**

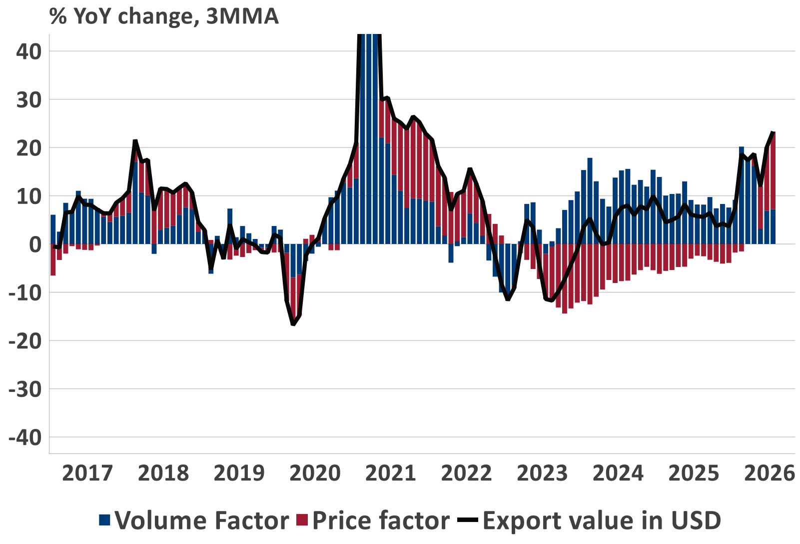
China: Trade Balance



Source: BOCOM BBM, Macrobond, GAC

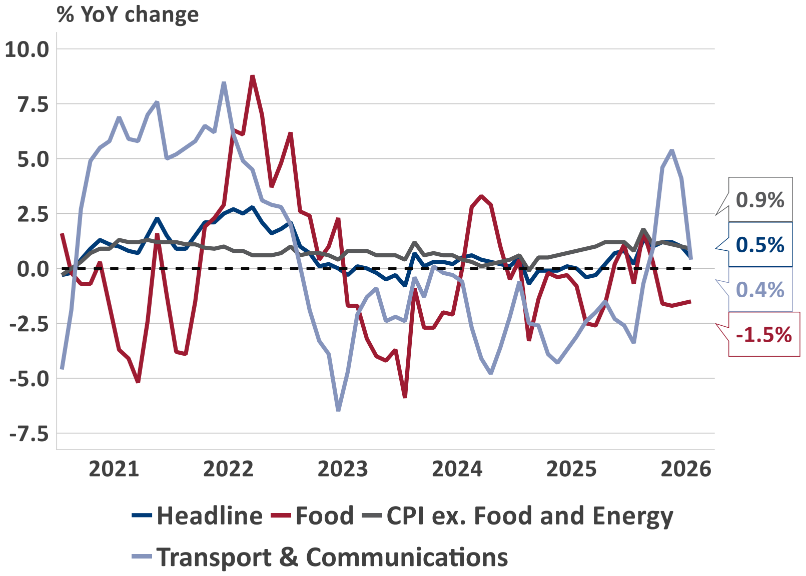
China: Exports (Price x Volume)

Last observation at 7/2026



Source: BOCOM BBM, Macrobond, GAC

China: CPI

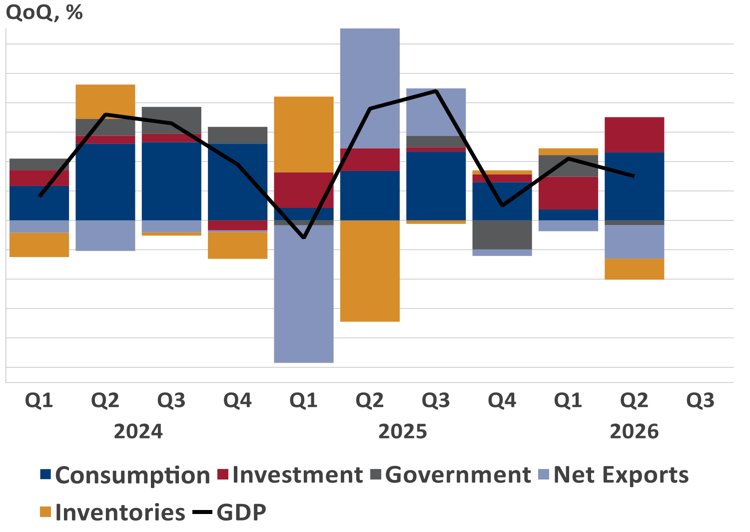


Source: BOCOM BBM, Macrobond, NBS

USA: Labor Market and Activity

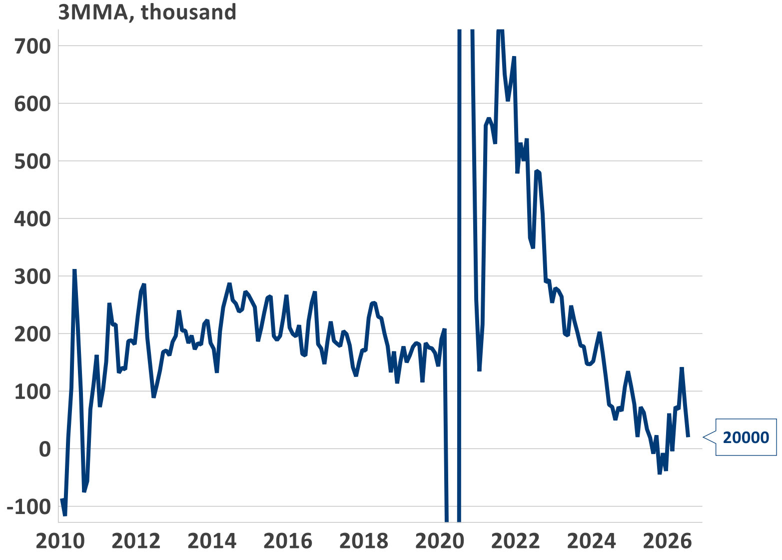
- The **August Payroll surprised expectations to the upside**, remaining at a solid pace;
  - Job creation increased by more than expected, from 21k to 162k, well above expectations of 56k.
  - The 2-month net revision was +55k: from 20k to 31k in June and -23k to 21k in July.
    - This took the 3MMA pace of job creation up to 71k, above the previous release's 38k (after revision).
- In the breakdown, both private and government payrolls came in above expectations. **Private payrolls increased from 71k to 127k** (vs. 45k expected), while **government payrolls rose from -50k to 35k** (vs. 0k expected).
- The unemployment rate held steady at 4.1%, despite the participation rate rising from 61.4% to 61.6%, suggesting labor demand remained strong enough to absorb new entrants into the workforce.
  - Average hourly earnings rose 0.27% MoM, up from 0.16% in the previous month.
  - Additionally, average weekly hours worked rose to 34.4, the highest level since March 2024.
- Overall, the August payroll report showed a stronger-than-expected composition and pointed to continued resilience in the labor market, rebounding sharply after July's weak reading;
- Regarding activity, the 2nd estimate for Q2 GDP was revised slightly down, from 1.5 to 1.48. Regarding the composition, Consumption and Investment, while Government Spending, Inventories and Net Exports dragged the total lower.
  - Looking ahead, the economy is expected to remain at a solid pace, with the continuation of the AI cycle and resilient consumption supporting domestic demand.

US: GDP Growth



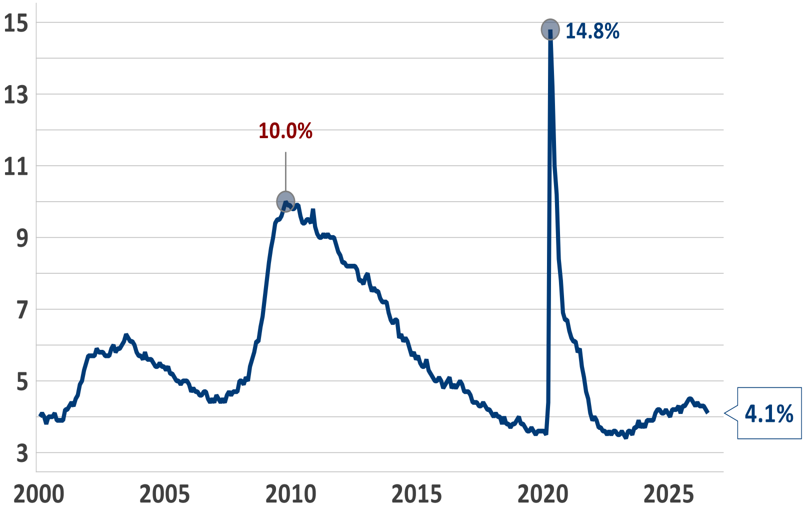
Source: BOCOM BBM, Macrobond, BEA

US: Nonfarm Payroll Employment Change



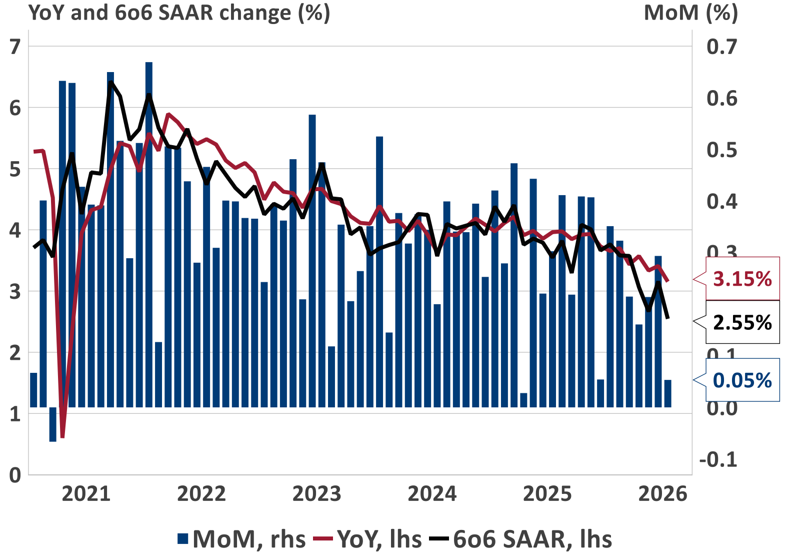
Source: BOCOM BBM, Macrobond, BLS

US: Unemployment Rate SA (%)



Source: BOCOM BBM, Macrobond, BLS

US: Average Hourly Earnings Growth (%)

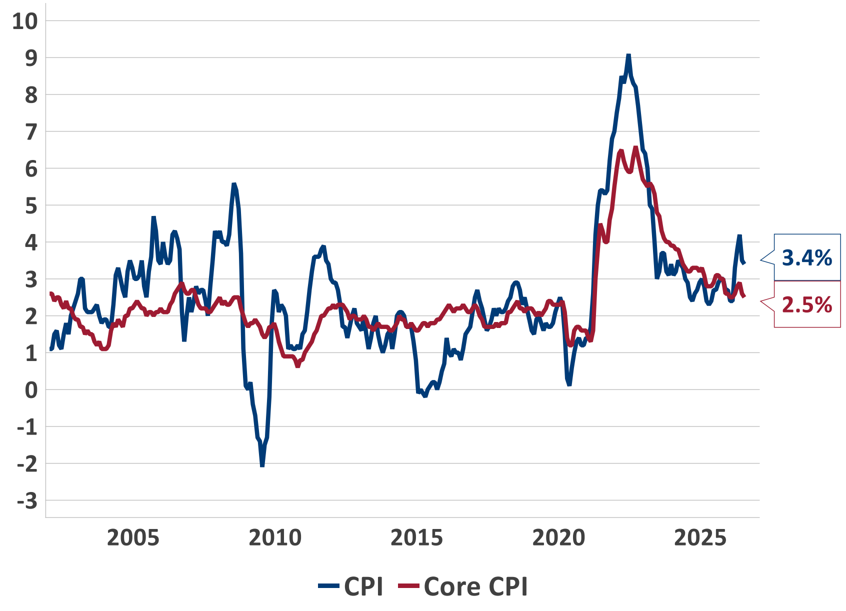


Source: BOCOM BBM, Macrobond, BLS

USA: Inflation

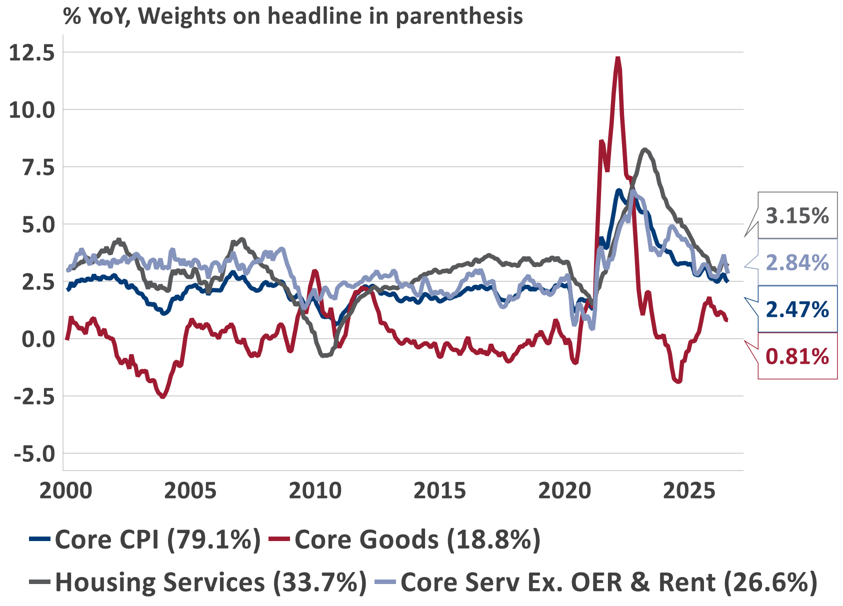
- **The headline CPI accelerated from -0.42% to 0.07% MoM, significantly below expectations, reversing part of the YoY increases from the Middle East conflict.** This led the **YoY** to slow from to **3.5 to 3.4%:**
  - In the composition, energy prices decreased by less than expected (from -5.71% to -1.48% MoM, vs -2.0% exp), and food prices were better than consensus.
- The **core CPI came in line with consensus, from -0.02 to 0.22%**, lowering the YoY rate from 2.6% to 2.5%:
  - **Core goods accelerated** from -0.09 to 0.20% MoM (vs 0.13% exp). Core goods excluding vehicles also ticked up, reaching 0.19%. The stronger-than-expected reading reflected widespread upside surprises across goods categories.
  - **Core services accelerated** by less than expected**,** from 0.03% to 0.23% MoM, against expectations of 0.26%, especially due to a significantly weaker core services ex-housing (supercore), from -0.21 to 0.19% MoM (0.29% expected), amid weak transportation related services.
  - Overall, the July CPI was broadly in line with consensus, with improvements not only in energy but also in the core - suggesting conflict-related inflation hasn’t meaningfully spilled over to core inflation until the moment:
  - Nonetheless, **inflation levels remains elevated, and the unsolved Middle East conflict applies additional risks to the upcoming months, keeping discussions of a rate hike in 2026 alive**.

US: CPI (YoY, %)



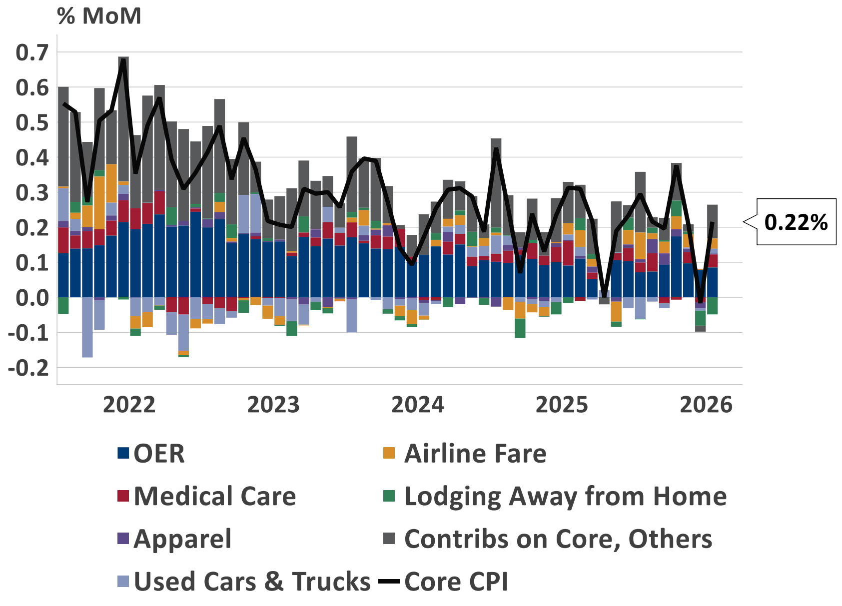
Source: BOCOM BBM, Macrobond, BLS

US: Core CPI Main Components (%)



Source: BOCOM BBM, Macrobond, BLS

US: Core CPI MoM Contributions

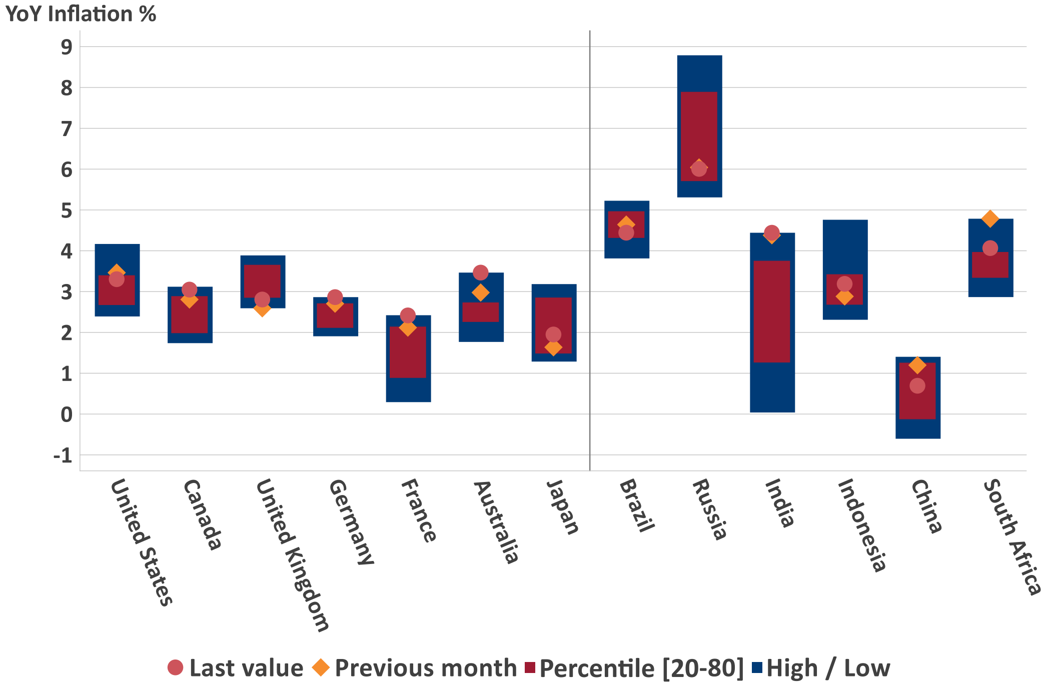


Source: BOCOM BBM, Macrobond, BLS

Global: Inflation & Activity

- **Persistent uncertainty surrounding the Middle East conflict continued to affect trade flows and raise risks of disruptions to global supply chains.**
- **These uncertainties continue to support expectations of higher inflation and weaker activity across most economies**, although the impact remains heterogeneous depending on countries' exposure to the conflict and domestic fundamentals.
- Nonetheless, **global activity is expected to benefit from several resilience buffers, particularly the strong AI investment cycle,** significant monetary policy easing in recent years, and the boost from additional fiscal stimulus. **The way the conflict ultimately affects energy markets, trade flows, and supply chains will be a key determinant of the global economy's trajectory 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

	Q2 2026	Q1 2026	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024
Argentina		0,7	1,2	0,1	0,3	0,8	1,9	3,6
Australia	0,4	0,3	0,9	0,5	0,8	0,4	0,4	0,3
Brazil	0,5	1,1	0,2	0,1	0,4	1,3	0,1	0,9
Canada	0,8	0,1	-0,2	0,5	-0,2	0,7	0,7	0,8
China	0,9	1,3	1,1	1,1	1,2	1,1	1,6	1,4
Euro Area	0,4	0,6	0,2	0,3	0,0	0,6	0,3	0,5
France	0,0	-0,2	0,3	0,4	0,2	0,2	0,0	0,4
Germany	0,3	0,4	0,3	0,0	0,0	0,1	0,2	0,1
India	-8,4	4,4	12,7	-0,1	-7,8	3,6	13,2	-1,2
Indonesia	3,7	-0,8	0,9	1,4	4,0	-1,0	0,5	1,5
Italy	0,2	0,3	0,3	0,2	0,0	0,3	0,1	0,0
Japan	0,3	0,5	0,2	-0,4	0,2	0,5	0,4	0,8
Mexico	1,4	-0,3	0,9	-0,1	0,0	0,8	-0,9	1,0
Russia		-0,6	0,4	0,0	0,3	-0,4	0,9	0,5
Saudi Arabia	-8,2	-2,5	3,9	2,4	-0,7	-0,4	3,9	1,6
South Africa		0,5	0,4	0,3	0,8	0,1	0,4	-0,3
South Korea	0,6	1,8	-0,1	1,4	0,6	-0,2	0,2	0,1
Turkey	7,2	-16,3	1,7	12,1	7,5	-15,5	2,1	13,1
United Kingdom	0,4	0,6	0,1	0,1	0,2	0,6	0,4	0,2
United States	0,4	0,5	0,1	1,1	0,9	-0,2	0,5	0,8
Euro Area 21	0,4	0,0	0,2	0,3	0,0	0,6	0,3	0,5

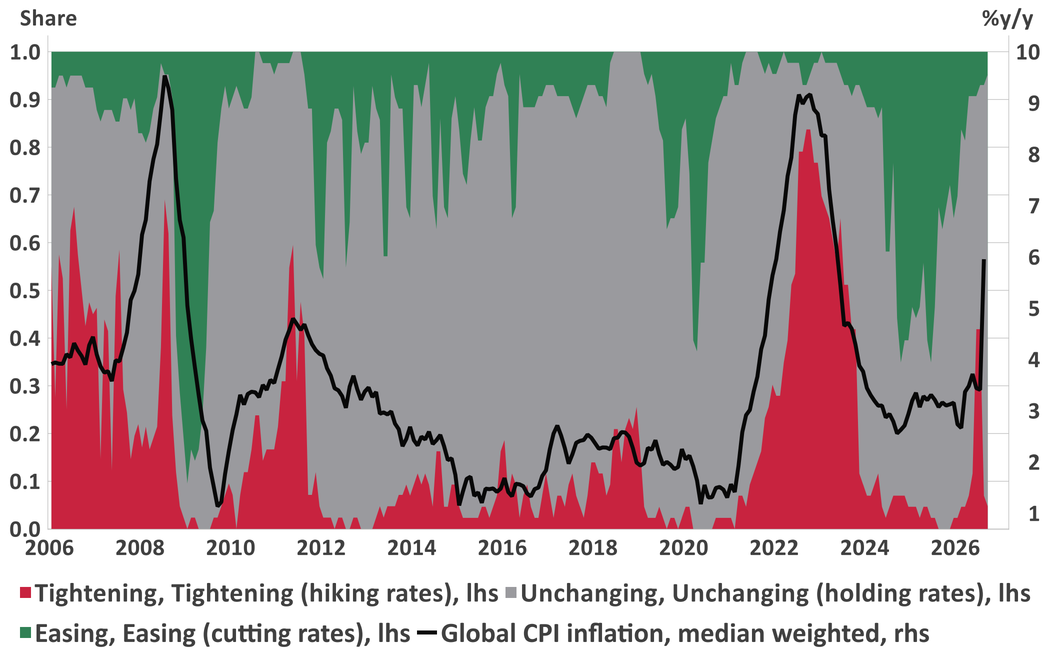
Sources: BOCOM BBM, Macrobond, National Sources

Global: Monetary Policy

- 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, is **pushing central banks toward a more restrictive stance**.
- The uncertainty regarding potential effects of geopolitical tensions in each country's domestic context continues to drive institutions towards a more careful approach in 2026.
- Overall, **easing bias has already been replaced by tightening discussions in the majority of G20 economies**, and some central banks delivered rate hikes in recent months - such as in EU, Japan and South Korea;

Global monetary breadth

Share of economies (GDP top 50) with higher/unchanged/lower policy rates; monthly/mtd avg, 3-Sep-26



Source: BOCOM BBM, Macrobond, World Bank

Central bank tracker: G20 & OECD Countries

	CPI Y/Y %	Core CPI Y/Y %	Key rate	Last Move		Date of Last Move	Months since last hike	Months since last cut
Argentina	33,8	32,2	29,00	-3,00	Cut	1/2025	35	19
Australia	3,5	3,7	4,35	0,25	Hike	5/2026	4	13
Brazil	4,4	4,4	14,00	-0,25	Cut	8/2026	15	1
Canada	3,0	2,3	2,25	-0,25	Cut	10/2025	38	10
Chile	3,5	2,9	4,50	-0,25	Cut	12/2025	47	9
China	0,7	0,9	3,00	-0,10	Cut	5/2025	151	16
Colombia	6,0	6,3	12,00	0,75	Hike	7/2026	2	16
Costa Rica	-0,3	0,1	3,00	-0,25	Cut	7/2026	46	1
Czech Republic	1,7	0,2	3,75	0,25	Hike	6/2026	3	16
Denmark	1,7	2,3	2,00	0,25	Hike	6/2026	3	15
Euro Area	3,3	2,4	2,40	0,25	Hike	6/2026	3	15
Hungary	1,1	1,9	5,50	-0,25	Cut	8/2026	47	0
Iceland	5,6	7,0	8,00	0,25	Hike	8/2026	1	9
Indonesia	3,2	2,9	5,75	0,25	Hike	6/2026	3	12
Israel	1,6	1,5	3,25	-0,25	Cut	9/2026	39	0
Japan	1,9	1,9	1,00	0,25	Hike	6/2026	3	127
Mexico	3,1	3,9	6,50	-0,25	Cut	5/2026	41	4
New Zealand	4,1	2,5	2,75	0,25	Hike	9/2026	0	9
Norway	3,0	2,7	4,25	0,25	Hike	5/2026	4	12
Poland	3,4	3,1	3,75	-0,25	Cut	3/2026	48	6
Russia	6,0	5,2	14,00	-0,25	Cut	7/2026	22	1
Saudi Arabia	1,8		4,25	-0,25	Cut	12/2025	37	9
South Africa	4,1	4,2	7,00	0,25	Hike	5/2026	3	9
South Korea	3,1	3,4	3,00	0,25	Hike	8/2026	0	15
Sweden	0,2	0,7	1,75	-0,25	Cut	10/2025	35	11
Switzerland	0,8	0,4	0,00	-0,25	Cut	6/2025	38	15
Turkey	31,5	30,1	37,00	-1,00	Cut	1/2026	17	7
United Kingdom	2,8	2,6	3,75	-0,25	Cut	12/2025	37	9
United States	3,3	2,5	3,75	-0,25	Cut	12/2025	37	9

Source: BOCOM BBM, Macrobond

Brazil: Forecasts

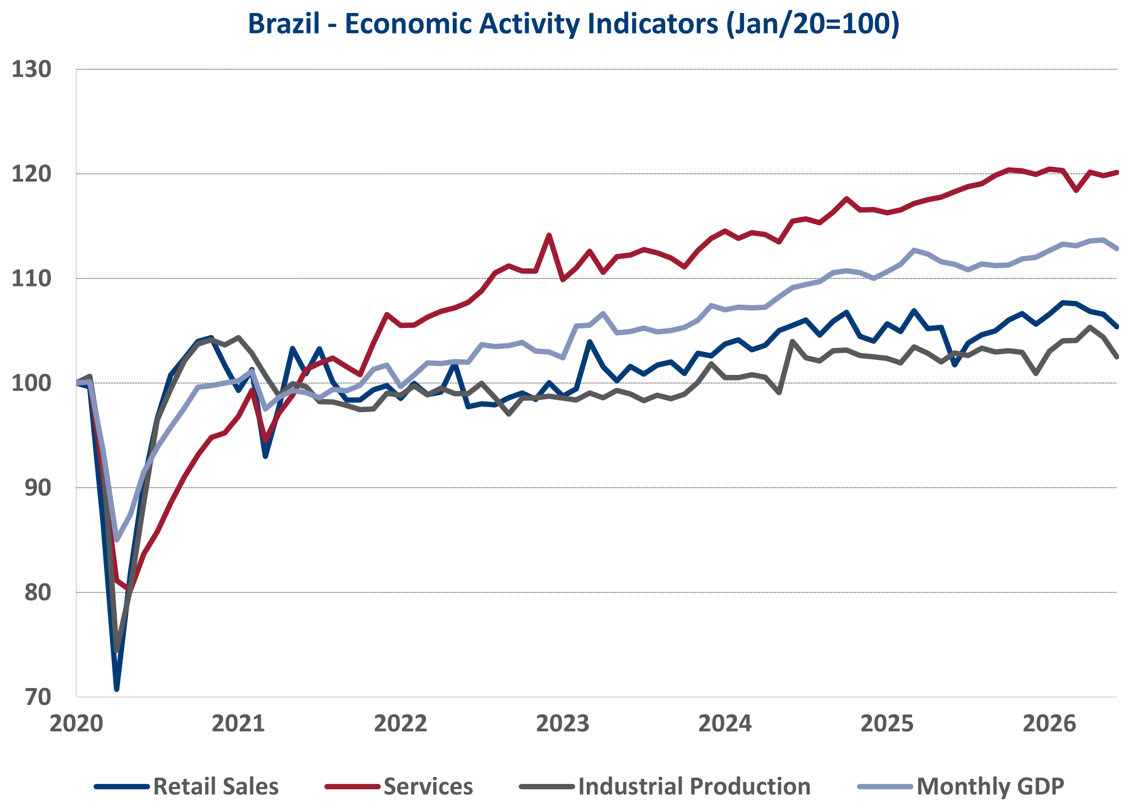
交通銀行 BANK OF COMMUNICATIONS BBM

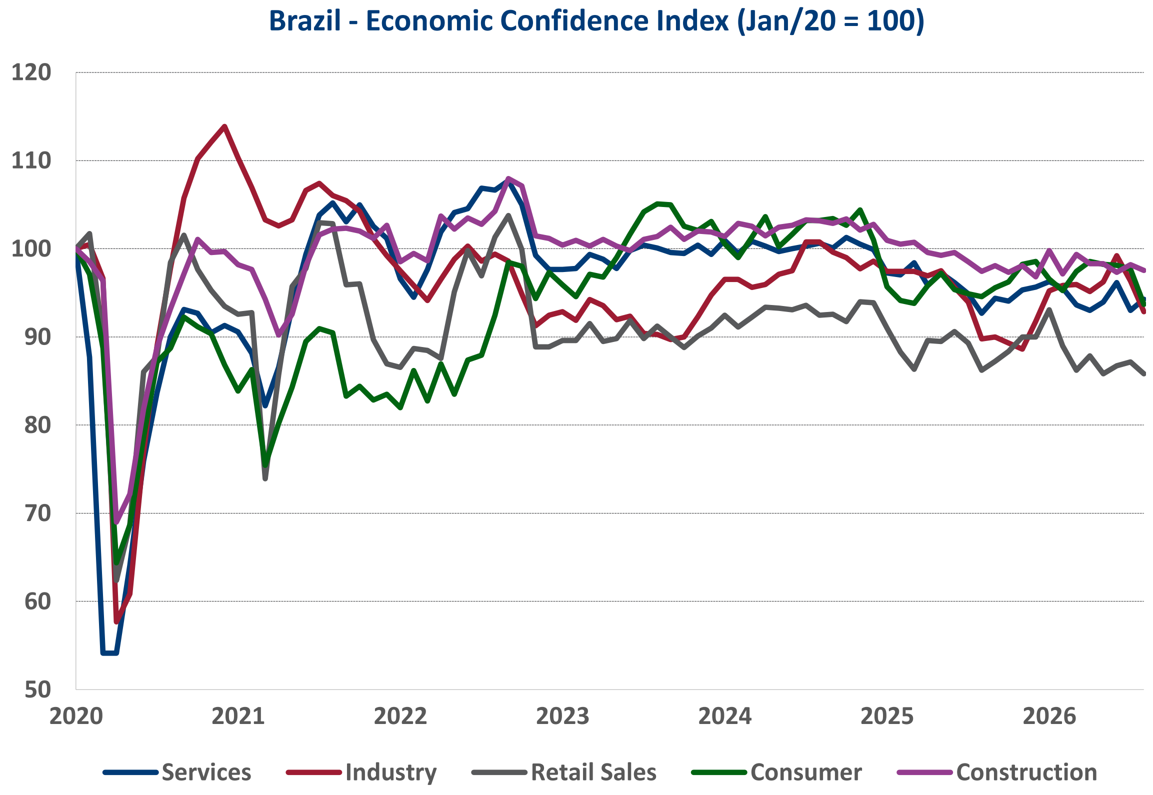
ECONOMIC FORECASTS	2020	2021	2022	2023	2024	2025	2026F	2027F
GDP Growth (%)	-3.3%	4.8%	3.0%	2.9%	3.4%	2.3%	1.7%	1.0%
Inflation (%)	4.5%	10.1%	5.8%	4.6%	4.8%	4.3%	5.0%	4.5%
Unemployment Rate (eoy ,%)	14.2%	11.1%	7.9%	7.4%	6.2%	5.1%	5.5%	6.2%
Policy Rate (eoy, %)	2.0%	9.3%	13.8%	11.75%	12.3%	15.0%	13.75%	12.00%
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	-59	-58
Current Account Balance (% of GDP)	-1.7%	-2.4%	-2.2%	-1.3%	-3.0%	-2.9%	-2.4%	-2.3%
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%	83.2%	87.2%

Source: BOCOM BBM, IBGE

Brazil: Activity

- In July, industrial production increased 0.2% MoM, below market expectations (+0.5% MoM), interrupting two consecutive monthly declines. In June, services were flat, above market expectations (-0.2% MoM), while broad retail sales rose 1.0% MoM, also above market expectations (-1.4% MoM). Overall, the mixed set of indicators remains consistent with a gradual moderation in economic activity, despite some resilience in services and retail. Meanwhile, the IBC-Br fell by 0.6% MoM in June, below market expectations (-0.5% MoM).
- Looking ahead, confidence surveys showed mostly negative signals in August: services confidence improved, while industry and consumer sentiment deteriorated sharply. Retail and construction confidence also edged lower.



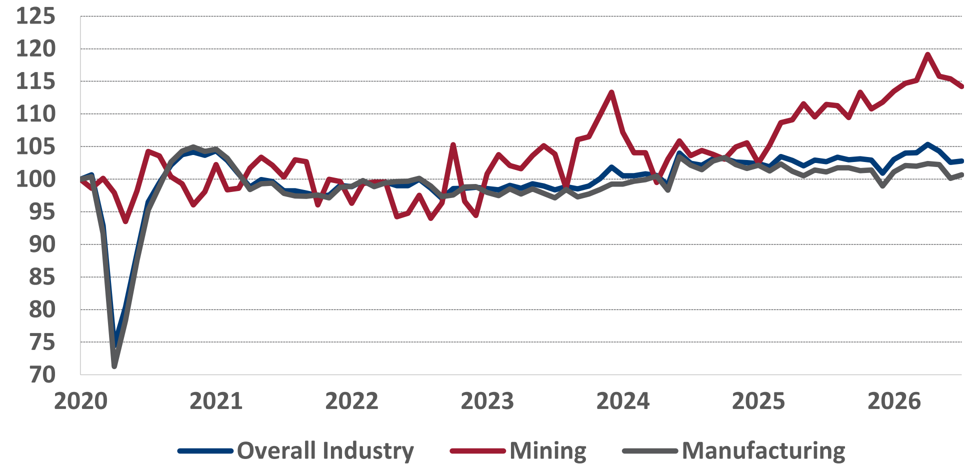


Source: BOCOM BBM, IBGE, FGV

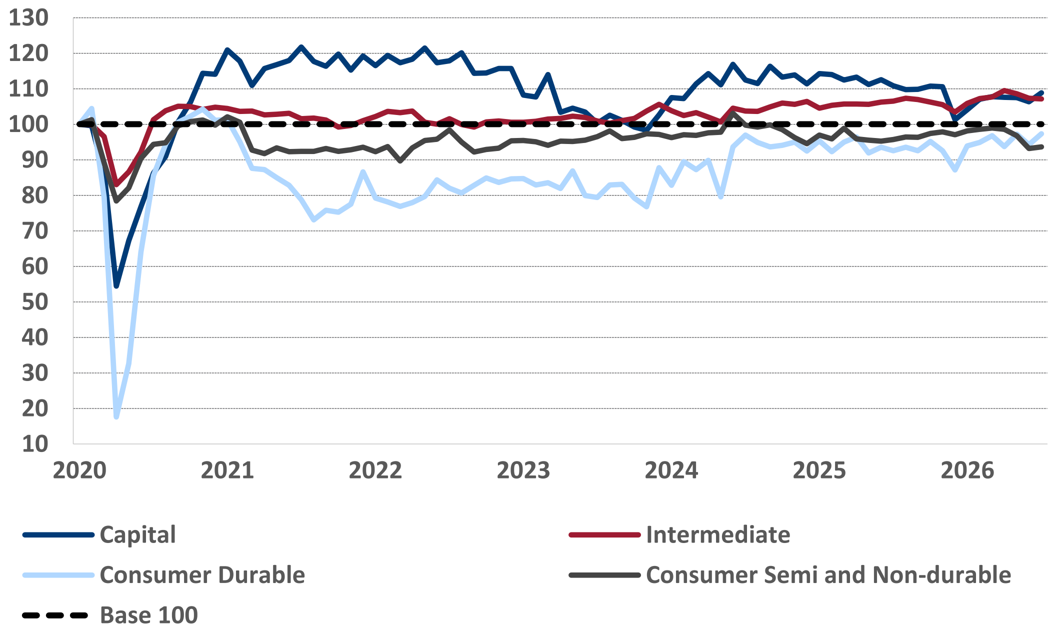
Brazil: Industrial Production

- Industrial output increased 0.2% MoM in July, below market expectations (+0.5% MoM), interrupting two consecutive monthly declines. Manufacturing production rose 0.5% MoM, while extractive industry declined 1.0% MoM, although the latter remained the main driver of industrial growth on a year-to-date basis.
- On the positive side, Capital Goods rose 2.4% MoM, the strongest gain among the main economic categories. Intermediate Goods, however, declined 0.2% MoM.
- Meanwhile, Consumer Goods increased 0.3% MoM, with Durable Goods rising 3.2% and Semi- and Non-Durable Goods advancing 0.5%. Despite the monthly improvement, Consumer Goods remained down 1.8% YoY, with Semi- and Non-Durable Goods falling 2.9% YoY.
- Looking ahead, July's modest rebound was insufficient to reverse the recent loss of industrial momentum. Only 13 of the 25 activities expanded in the month.

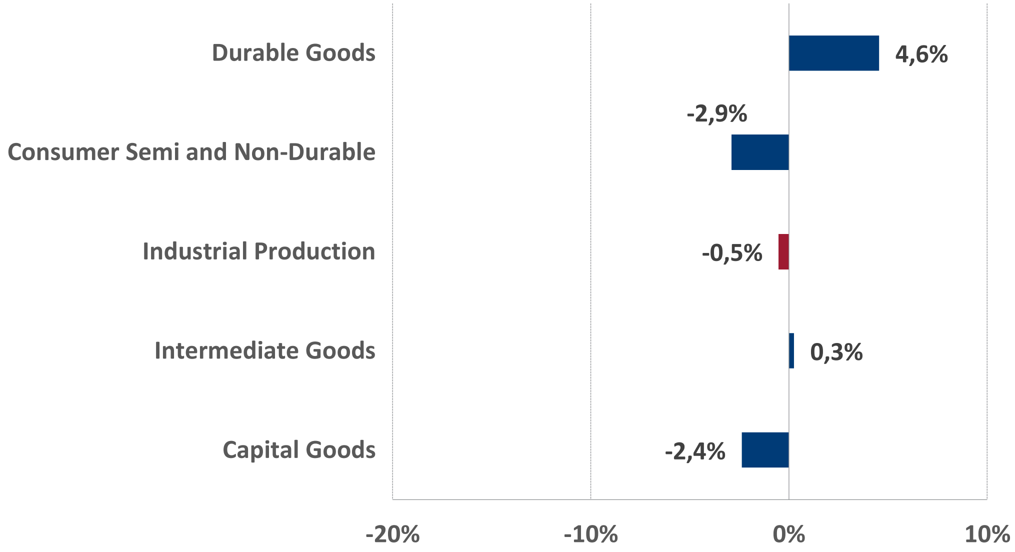
Industrial Production Index SA (Jan/20=100)



Industrial Production Index SA (Jan/20=100)



Industrial Production by Category - 07/2026 (YoY)

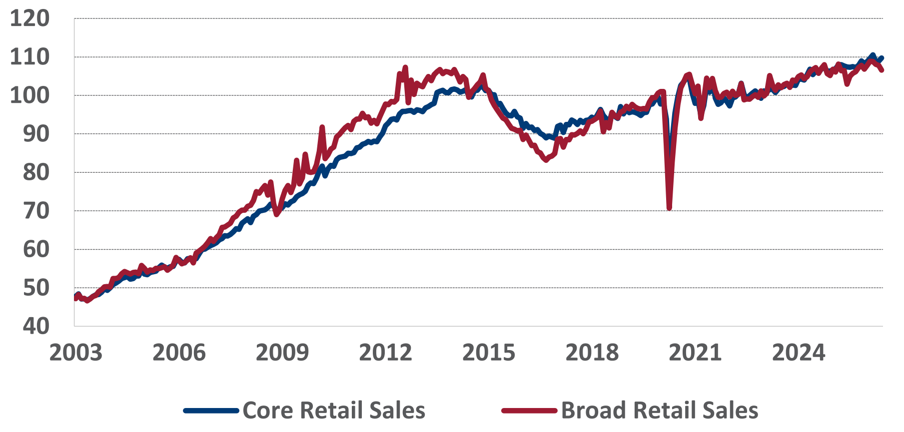


Source: IBGE, BOCOM BBM

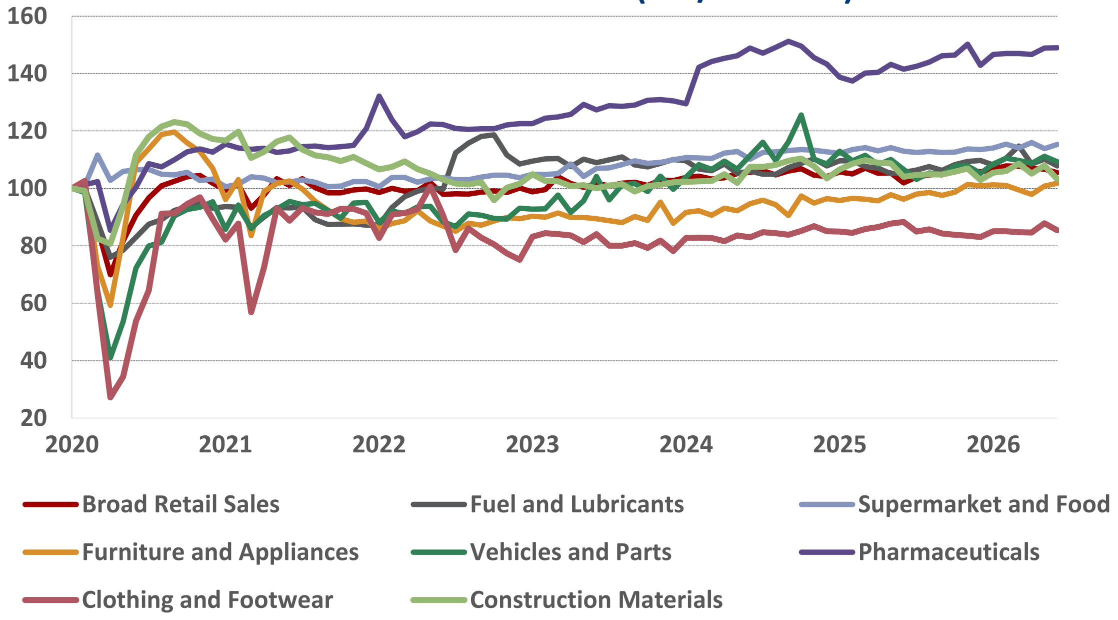
Brazil: Retail Sales

- Broad retail sales fell 1.0% MoM in June, above market consensus (-1.4% MoM). On a yearly basis, broad retail sales increased 4.9% YoY (vs. +4.1% consensus), mainly supported by an 11.6% YoY increase in Vehicles & Parts.
- Core retail sales rose 0.5% MoM in June, also above market consensus (0.1% MoM). Monthly performance was mixed, with Clothing & Footwear (-2.6% MoM), Fuels & Lubricants (-1.7% MoM) and Office, Computer and Communication Equipment (-1.3% MoM) among the main declines, while Other Personal and Household Articles (+2.4% MoM), Supermarkets & Hypermarkets (+1.1% MoM) and Furniture & Household Appliances (+0.4% MoM) posted gains.
- Despite the upside surprise in June, the quarterly picture remained weak, as both core and broad retail sales contracted in 2Q26 after three consecutive quarterly gains.

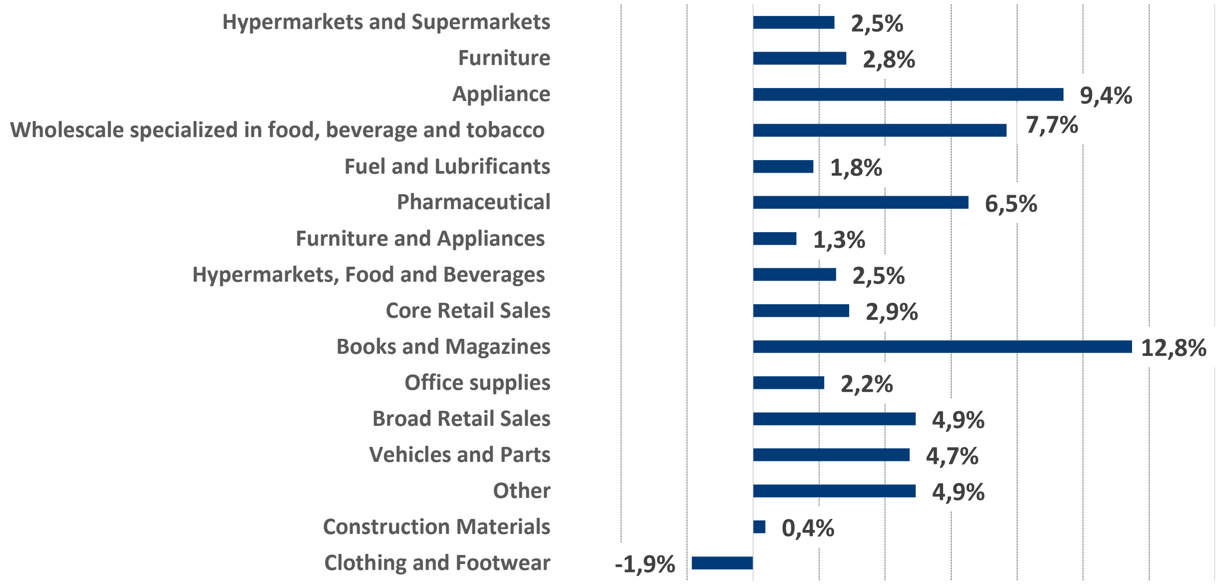
Broad Retail Sales SA x Core Retail Sales SA



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



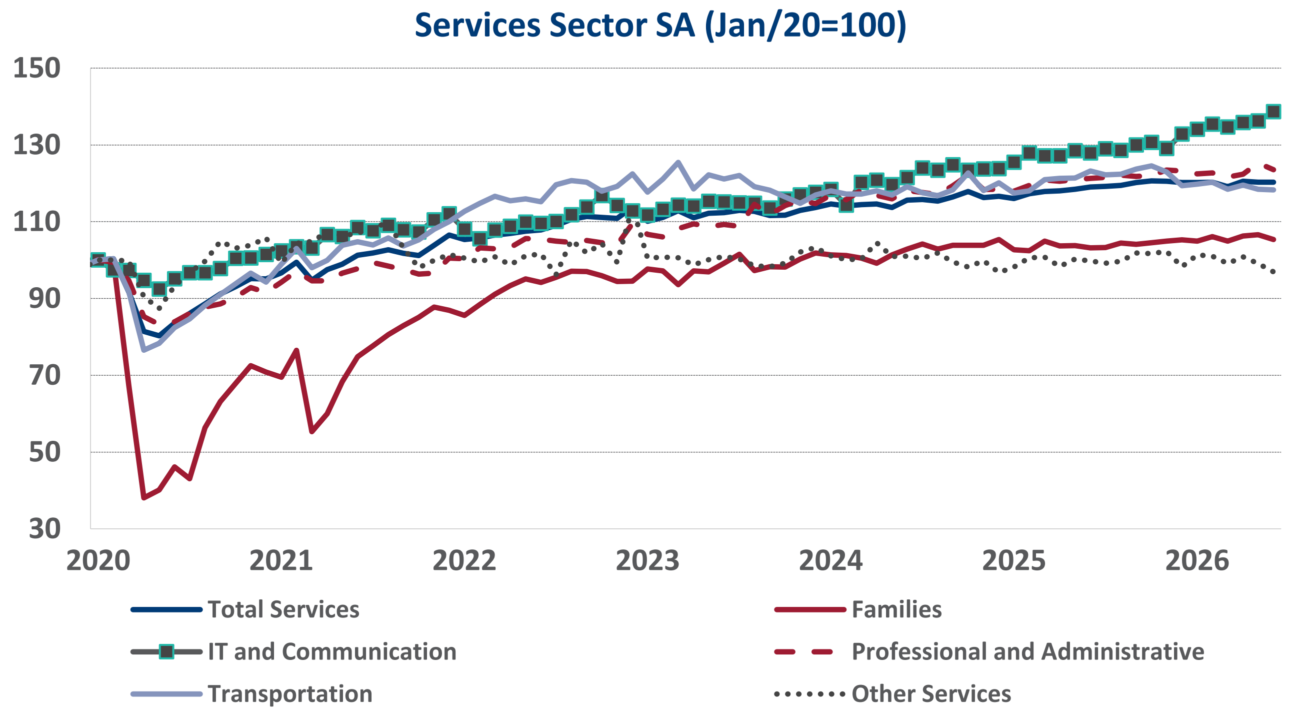
Retail Sales - YoY (06/2026)

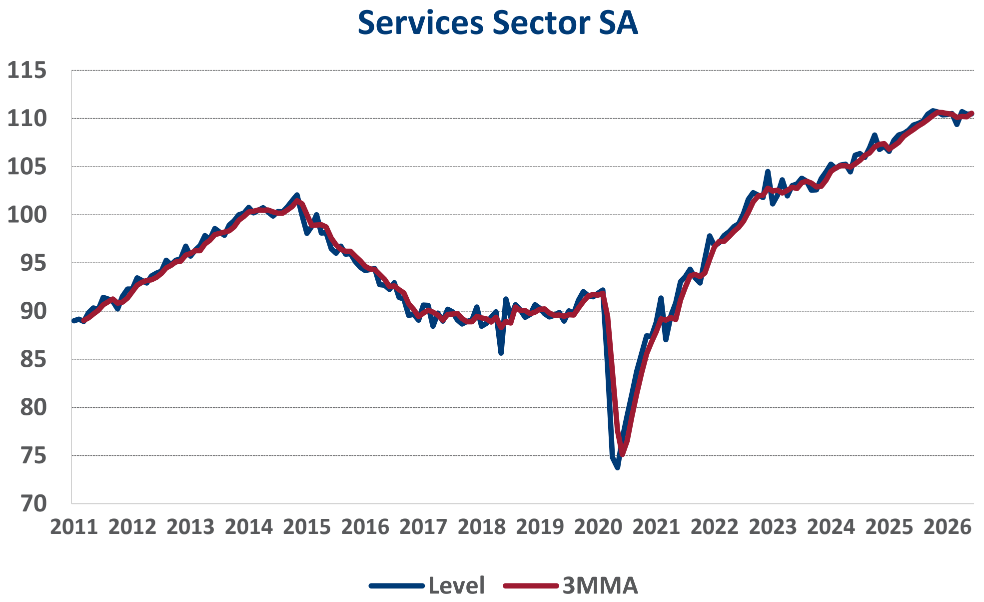


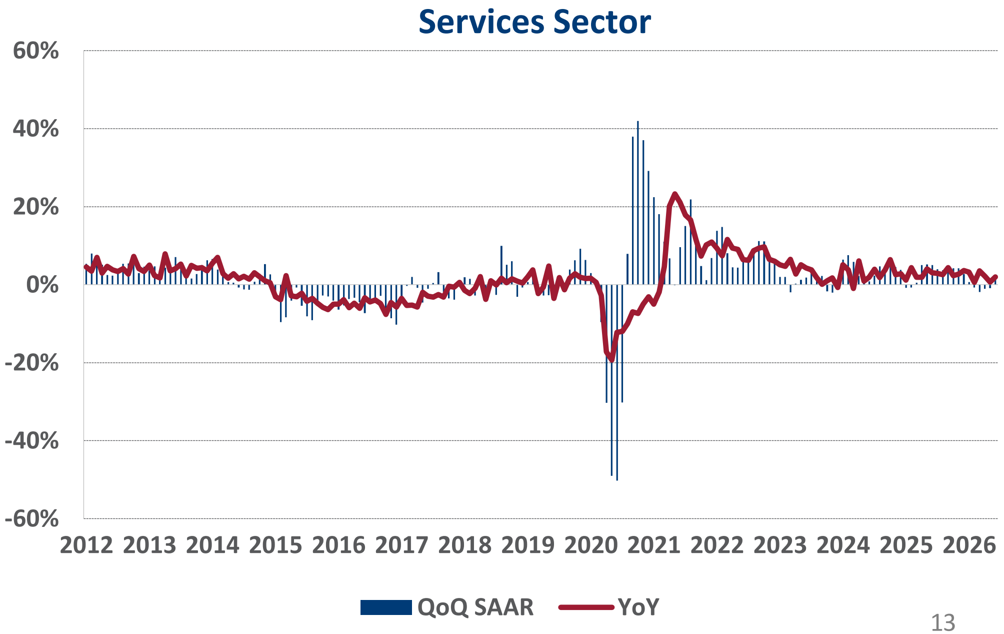
Source: IBGE, BOCOM BBM

Brazil: Services

- The services sector was flat in June, above market consensus (-0.2% MoM). Compared to June 2025, real service sector revenues increased 2.0%, above market expectations (1.2% YoY).
- Results were mixed across segments, with Communication and Information Services (9.4% YoY; 1.8% MoM) remaining the standout category, while Professional, Administrative and Complementary Services rose 2.8% YoY despite a 1.4% MoM decline. Services Rendered to Families remained positive in annual terms (1.7% YoY), although they fell 1.2% MoM.
- In contrast, Transportation, Auxiliary Services to Transportation and Mailing remained the main drag (-2.6% YoY; -0.1% MoM), subtracting 0.9 p.p. from headline yearly growth, while Air Transportation Services fell 28.6% YoY and 6.7% MoM.
- Overall, the June reading was better than suggested by transportation-related weakness, and the composition remained relatively constructive. Services rose 0.4% QoQ SA in 2Q26, following a 0.5% contraction in 1Q26.



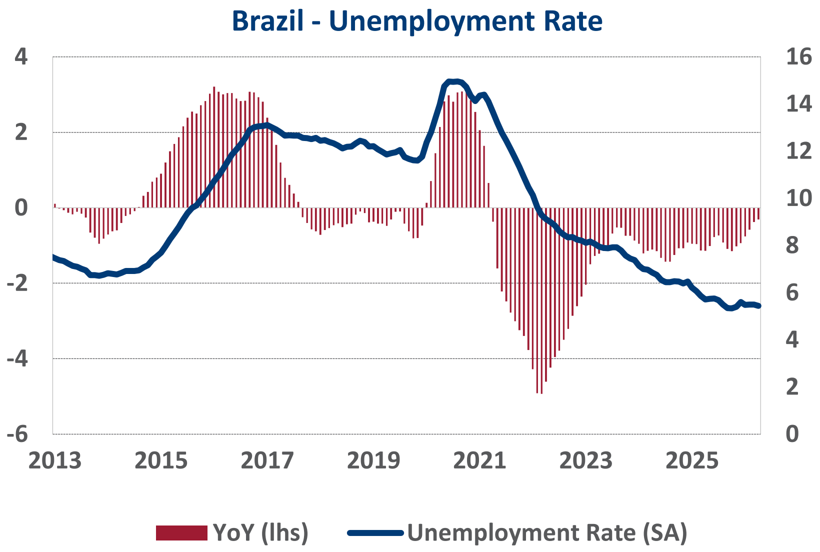


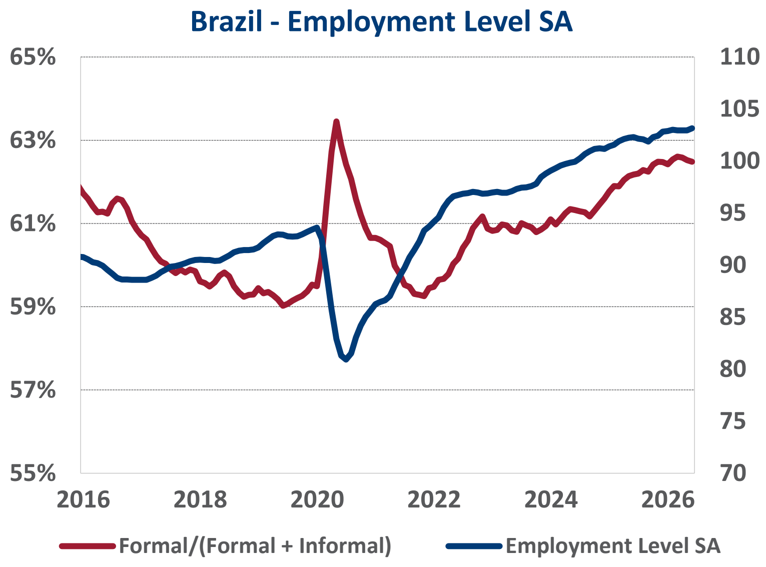


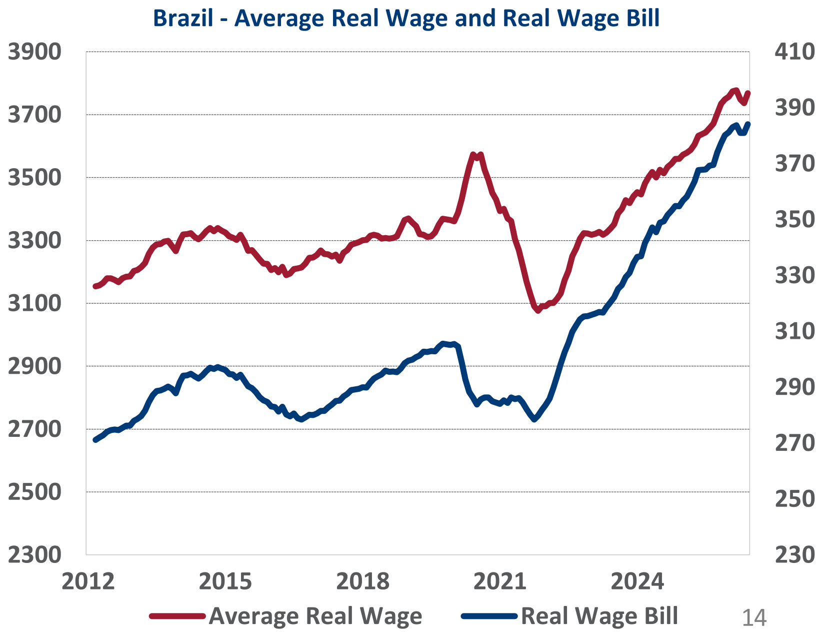
Source: IBGE, BOCOM BBM

Brazil: PNAD

- The unemployment rate dropped from 5.4% in the moving quarter up to June to 5.3% in the moving quarter up to July, in line with expectations.
- Seasonally adjusted, the indicator reached at 5.45%, remaining at historically low levels.
- Total employment edged up 0.15% MoM in July, reaching 103.3 million, marking the nineth consecutive monthly increase. On a year-over-year basis, employment grew 0.9%, taking the 12-month gain to 1.2%.
- The labor force participation rate ticked slightly up to 62.2%, still well below pre-pandemic levels of around 63.5%.
- The effective average real labor income increased 0.6% MoM in July. The indicator expanded 3.1% over the past 12 months.
- Real aggregate labor income, which combines average labor earnings and total employment, advanced 0.4% MoM, while expanding 4.1% YoY and 5.7% over the past 12 months.
- Overall, July's PNAD data reinforced the view of a still-tight labor market, with the unemployment rate remaining well below its neutral level.





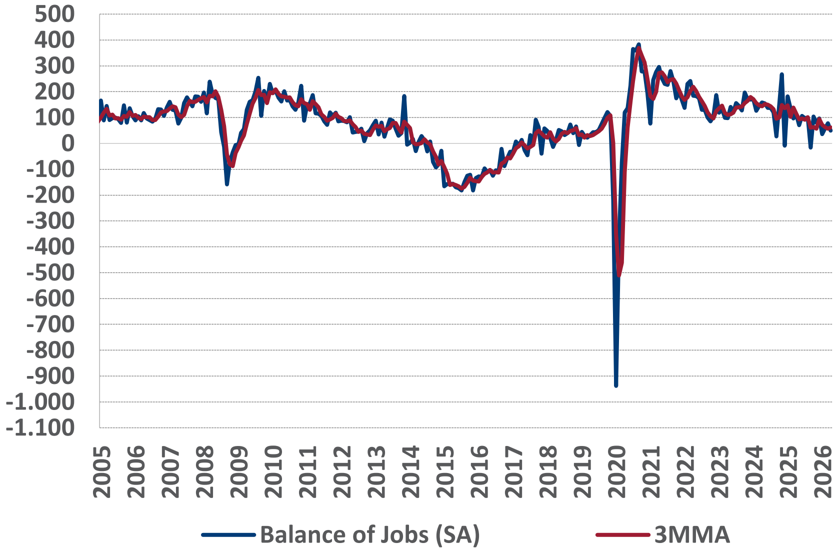


Source: IBGE, BOCOM BBM, MTE

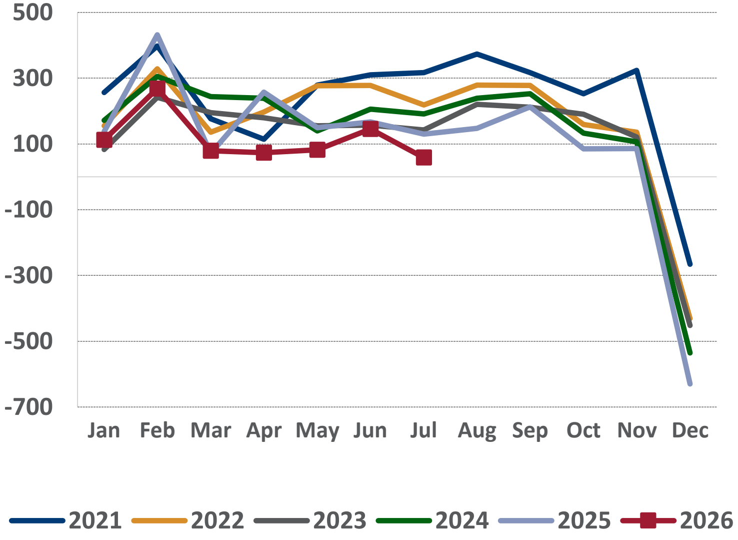
Brazil: Formal Labor Market

- July's CAGED report showed a net creation of 58.6k formal jobs, significantly below market expectations (115.0k)
- The 12-month cumulative job balance eased to 881k, from 956k previously, extending the downtrend observed over recent months.
- Recent data suggest a slowdown in formal employment, supporting our view of softer economic growth from 2H26 onward.

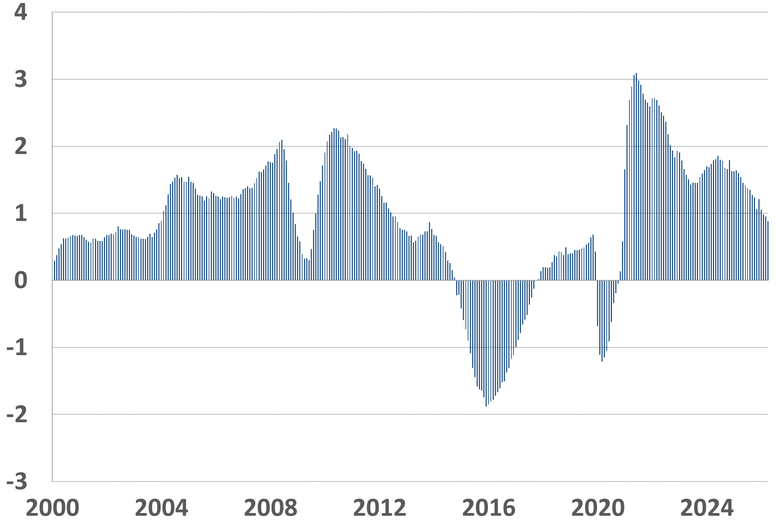
CAGED - Balance of Jobs (SA, Thousand)



CAGED - Balance of Jobs (Thousand)



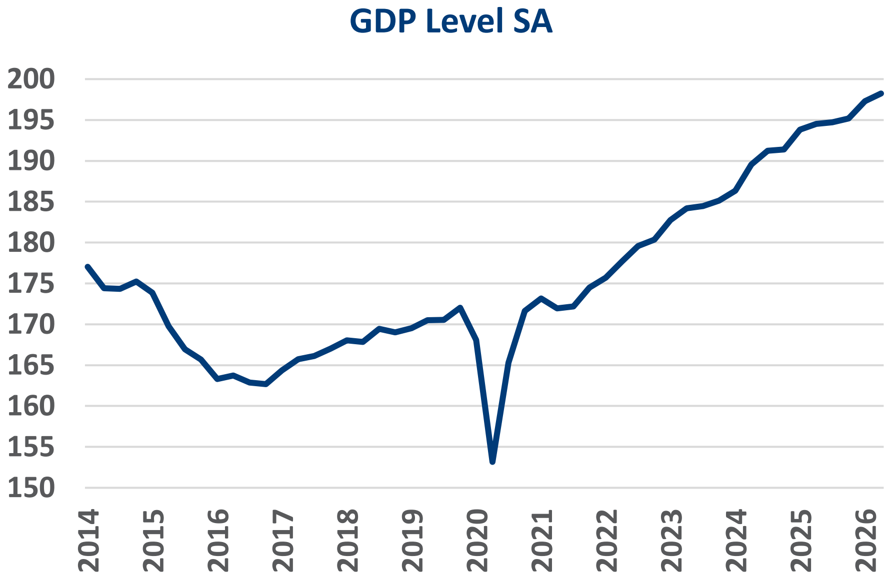
CAGED – Balance of Jobs 12 Months Acc. (Million)



Source: BOCOM BBM, MTE

Brazil: GDP Q2

- GDP continued to expand in 2Q26, growing 0.5% QoQ (2.0% YoY), although at a slower pace than in the previous quarter, with agriculture providing an important contribution to growth.
- On the supply side, services continued to grow but showed further moderation, with highlights in Information & Communication and Transportation, partly offset by weakness in financial activities and public services.
- Industry remained broadly stable in 2Q26, growing 0.1% QoQ, supported by strong extractive activity, while manufacturing, construction and utilities contracted in the quarter.



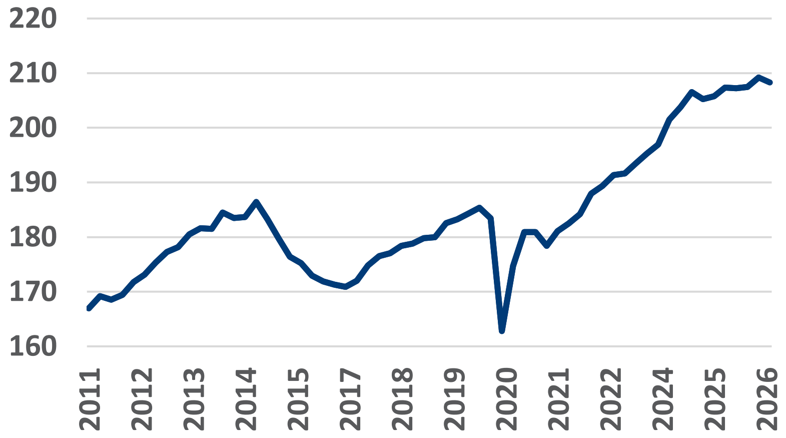
	Official	Forecast	Official	Forecast
	Q2 QoQ	Q2 QoQ	Q2 YoY	Q2 YoY
GDP	**0.5%**	**0.5%**	**2.0%**	**2.0%**
Agriculture	**2.8%**	**-0.4%**	**6.8%**	**0.6%**
Industry	**0.1%**	**0.4%**	**1.5%**	**1.9%**
Mining	3.4%	0.3%	12.0%	7.5%
Manufacturing	-0.4%	0.8%	-0.9%	0.7%
Electricity	-1.1%	0.0%	-0.5%	0.9%
Construction	-0.4%	0.0%	1.0%	1.4%
Services	**0.2%**	**0.5%**	**1.5%**	**2.2%**
Retail	0.0%	0.2%	0.9%	1.2%
Transports	1.1%	-0.4%	1.2%	-0.9%
Information and Comunication	2.1%	2.0%	8.4%	8.3%
Financial Services	-0.3%	0.3%	1.0%	2.0%
Rents	0.2%	1.0%	2.2%	3.3%
Other Services	0.0%	0.6%	1.1%	2.2%
Public Administration	-0.4%	0.3%	0.9%	1.7%
Demand				
Household Consumption	-0.4%		0.5%	
Government Consumption	0.4%		3.1%	
Gross Capital Formation	1.2%		1.4%	
Exports	-0.8%		3.8%	
Imports	1.8%		5.5%	

Source: BOCOM BBM, IBGE

Brazil: GDP Q2

- From a demand perspective, domestic absorption stalled in 2Q26, as household consumption fell 0.4% QoQ, while investment remained resilient, rising 1.2%, partly supported by state government investment.
- In contrast, the external sector weighed on sequential growth, as imports rose 1.8% QoQ while exports declined 0.8%, resulting in a negative 0.4 p.p. contribution from net exports.

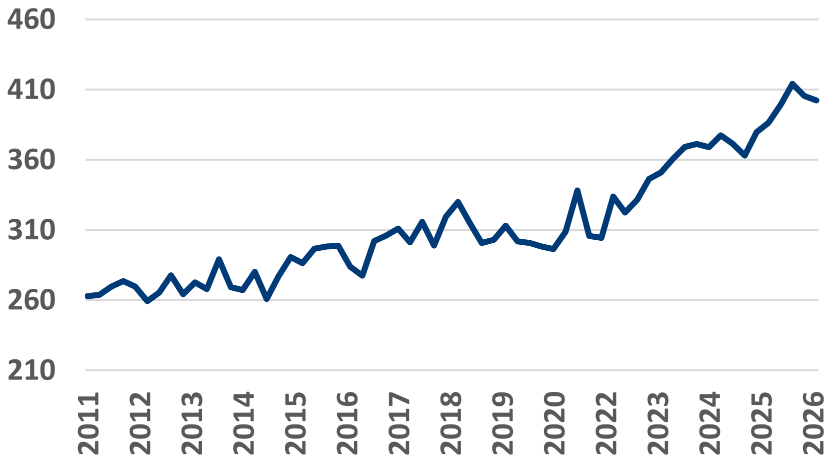
Household Consumption



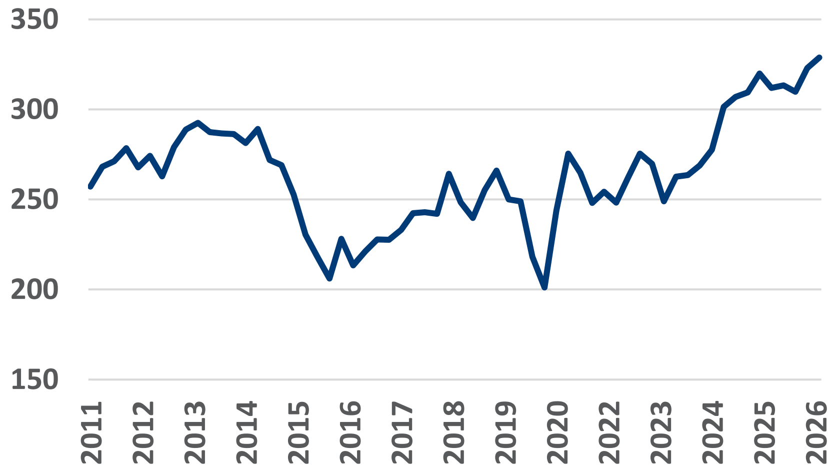
Gross Fixed Capital Formation

Government Consumption

Exports



Imports

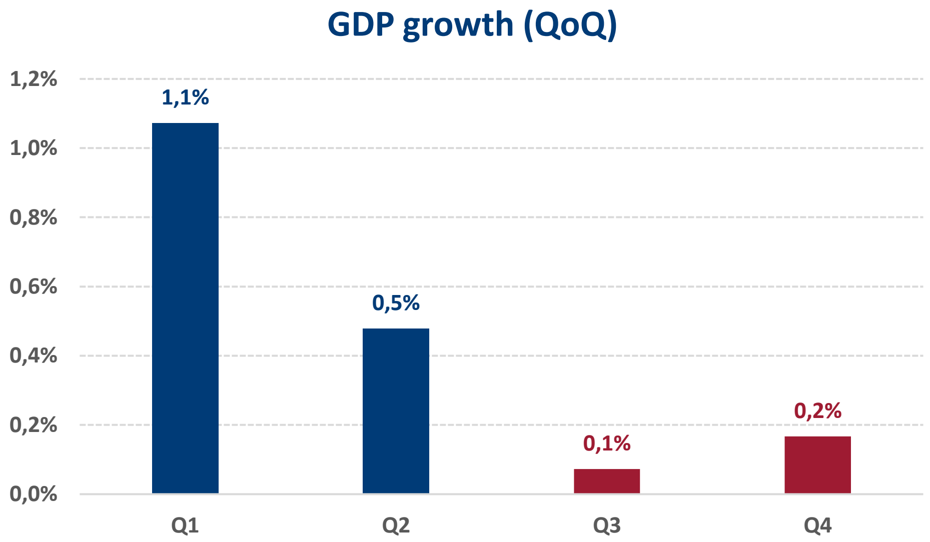


Source: BOCOM BBM, IBGE

Brazil: GDP Forecast

- New fiscal/credit stimulus policies and non-cyclical sectors boosted the economic growth in the first half of the year
- The slowdown must intensify from the third quarter

Forecasts				
	2026.III QoQ	2026.III YoY	2026	2027
GDP	0.1%	1.7%	1.7%	1.0%
Agriculture	**-2.0%**	**1.5%**	**2.7%**	**0.0%**
Industry	**0.5%**	**1.3%**	**1.4%**	**0.7%**
Mining	0.3%	9.0%	10.6%	6.1%
Manufacturing	0.2%	-0.7%	-0.8%	-0.5%
Electricity	1.4%	0.9%	0.1%	0.9%
Construction	1.7%	1.4%	1.2%	-0.5%
Services	**0.5%**	**1.8%**	**1.7%**	**1.2%**
Retail	0.0%	0.7%	0.7%	0.1%
Transports	1.2%	1.1%	1.0%	1.0%
Information and Comunication	0.7%	7.1%	7.2%	6.2%
Financial Services	0.5%	1.8%	1.6%	1.7%
Rents	0.8%	2.5%	2.6%	2.9%
Other Services	0.8%	1.9%	1.7%	0.8%
Public Administration	0.9%	1.3%	0.8%	0.4%



Source: BOCOM BBM, IBGE

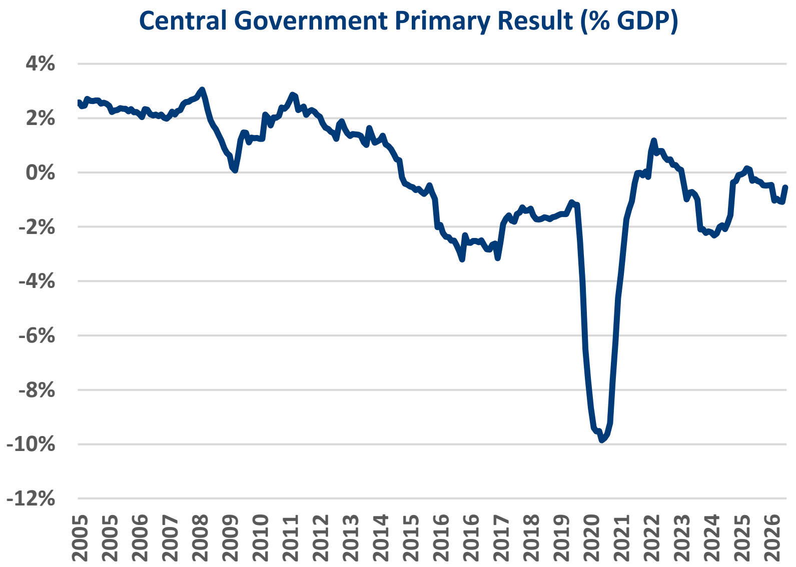
Brazil: Central Government Primary Result

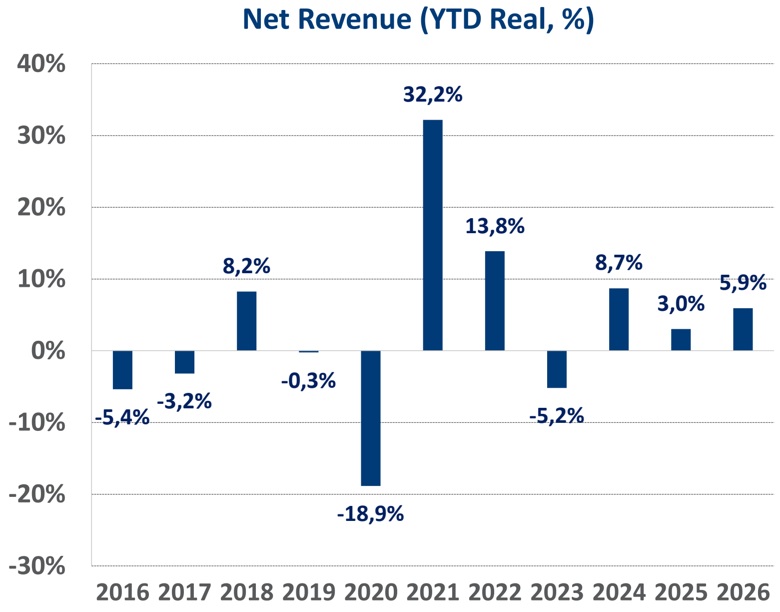
- The Central Government posted a primary surplus of BRL 10.8 billion in July, slightly better than market expectations of BRL 10.6 billion and a sharp improvement relative to the BRL 59.1 billion deficit recorded in the same month of 2025.

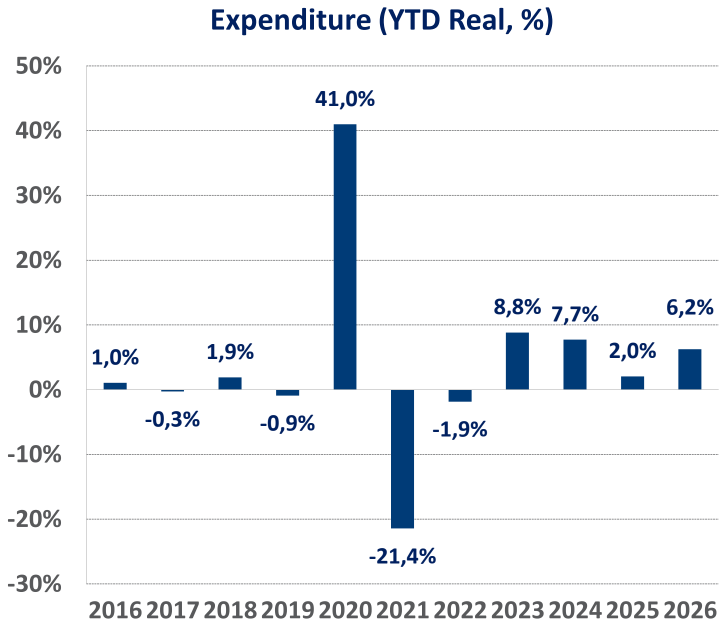
- Net revenues increased 7.7% YoY. Revenues administered by the Federal Revenue Service rose 7.1%, supported by withholding income tax on labor earnings (+54.3%), withholding income tax on capital gains (+25.6%) and other revenues administered by the RFB (+109.9%), boosted by the taxation of crude oil exports. Social security contributions rose 7.4%, while non-administered revenues increased 16.8%, mainly due to a 29.4% rise in revenues from the exploitation of natural resources.

- Total expenditure fell 20.7% YoY, reflecting lower social security benefits (-17.7%), personnel expenses (-8.9%) and court-ordered debts (-98.8%), which had been executed in July last year and in March this year. Excluding this effect, total spending would have increased 3.5% YoY. Discretionary spending declined 2.4%, while extraordinary credits rose due to subsidies aimed at mitigating the impact of higher oil prices on fuels.

- Looking ahead, still-resilient revenues and lower expenditure execution should support a continued improvement in fiscal results through year-end, although softer activity may weigh on tax collection.



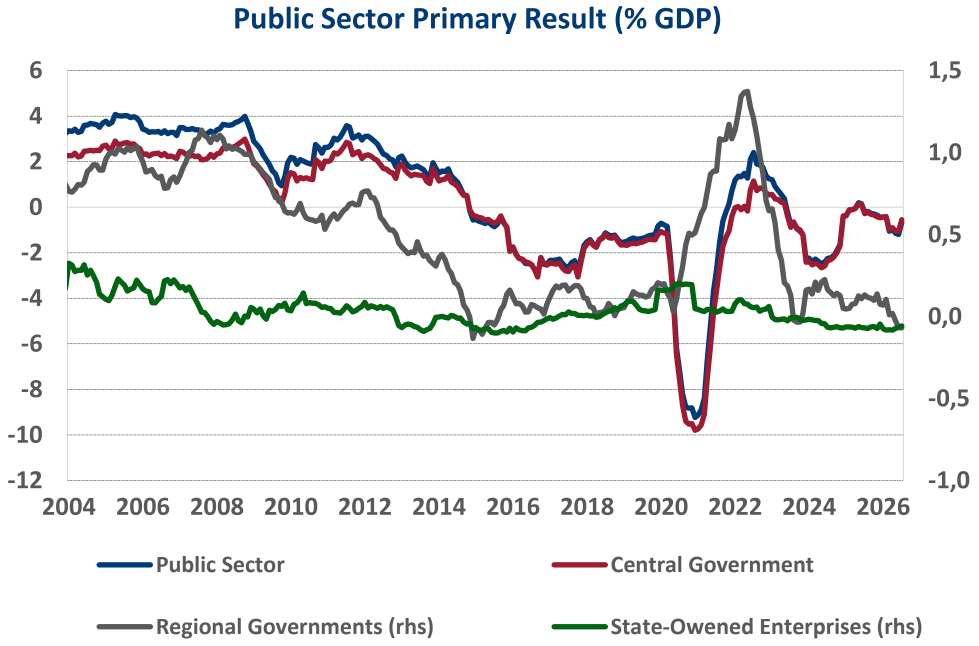


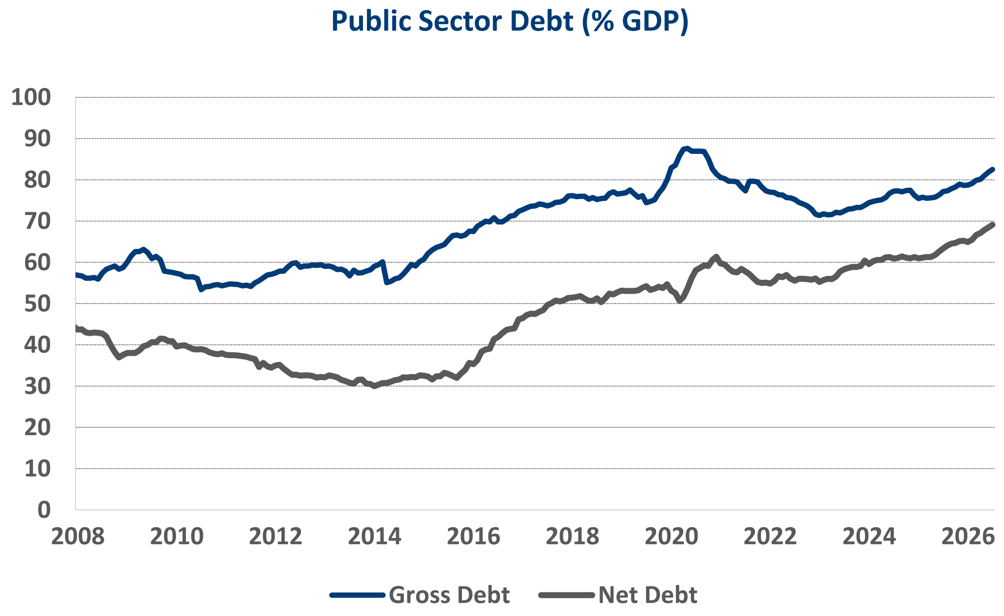


Source: BOCOM BBM, RTN

Brazil: Consolidated Public Sector Budget

- The consolidated public sector posted a primary surplus of BRL 1.4 billion in July, below market consensus of BRL 6.4 billion, but a sharp improvement from the BRL 66.6 billion deficit recorded in the same month of 2025. On a rolling twelve-month basis, the public sector recorded a primary deficit of BRL 80.3 billion, equivalent to 0.7% of GDP.
- Regarding the breakdown, the central government posted a surplus of BRL 11.0 billion, while regional governments and state-owned enterprises recorded deficits of BRL 8.5 billion and BRL 1.1 billion, respectively.
- General Government Gross Debt (GGGD) rose from 81.9% to 82.5% of GDP, reaching its highest level since April 2021, driven by nominal interest payments (+0.8 p.p.) and net debt issuance (+0.2 p.p.), partially offset by nominal GDP growth (-0.5 p.p.). Meanwhile, Net Public Sector Debt (NPSD) rose by 0.6 p.p. to 69.1% of GDP.
- Overall, public sector posted a weak surplus in July due to regional governments' deficit, while debt continues to rise sharply.



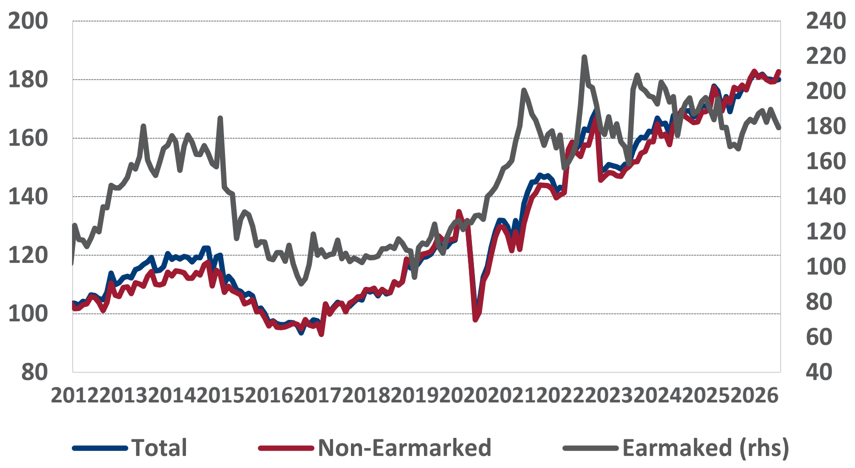


Source: BOCOM BBM, BCB

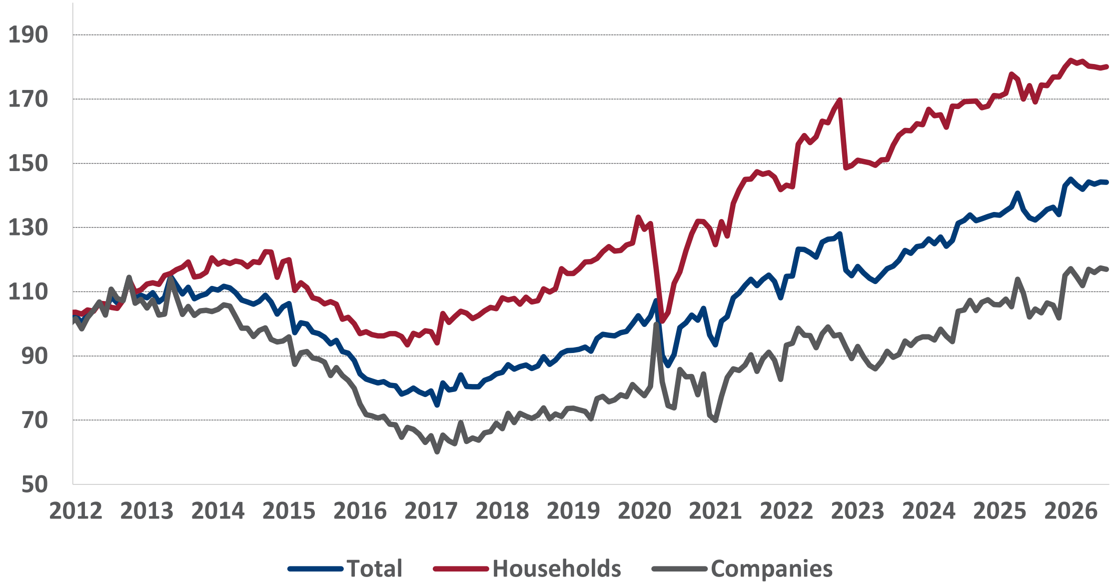
Brazil: Credit Statistics

- In July, total credit concessions declined by 0.1% MoM in real terms, after increasing by 0.4% in June.
- In real terms, non-earmarked credit concessions declined 0.3% MoM to companies and increased 1.9% to households.
- Credit activity remained resilient despite the slight monthly decline, with real total concessions still around 8.8% above their July 2025 level.

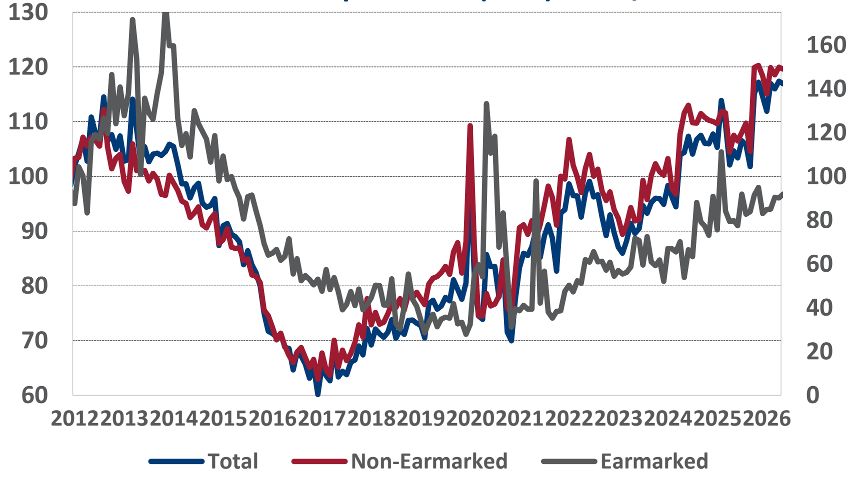
Concessions - Households SA (Real) - Mar/11 = 100



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



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



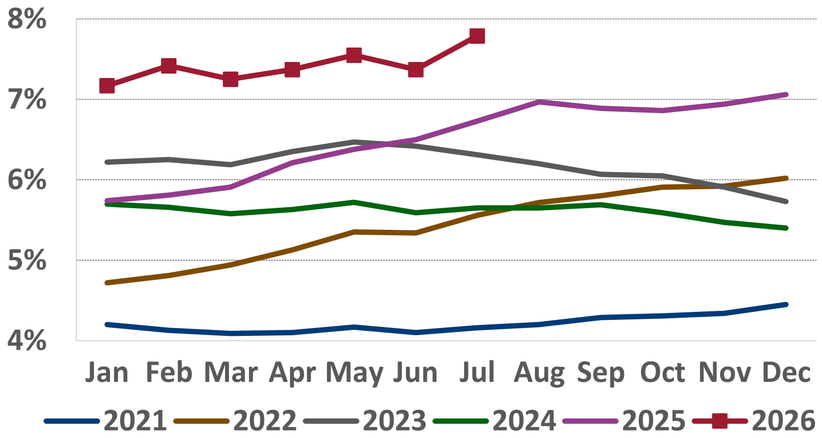
Source: BOCOM BBM, BCB

Brazil: Credit Statistics

BANK OF COMMUNICATIONS BBM

- Lending rates remained elevated in July. Rates for households declined to 37.41%, while rates for companies edged up to 20.97%.
- Meanwhile, delinquency on non-earmarked loans increased in both segments, rising from 7.37% to 7.79% for households and from 3.98% to 4.19% for companies.

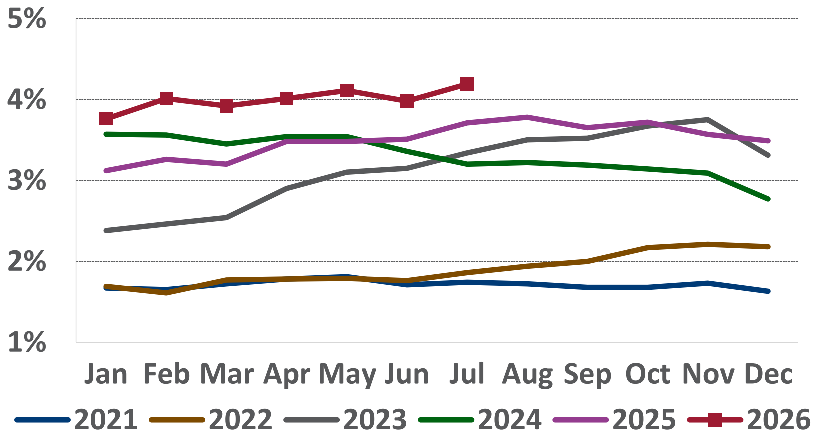
Non-Earmarked Delinquency - Households (%)



Interest Rates - Households (%)

Interest Rates - Companies (%)

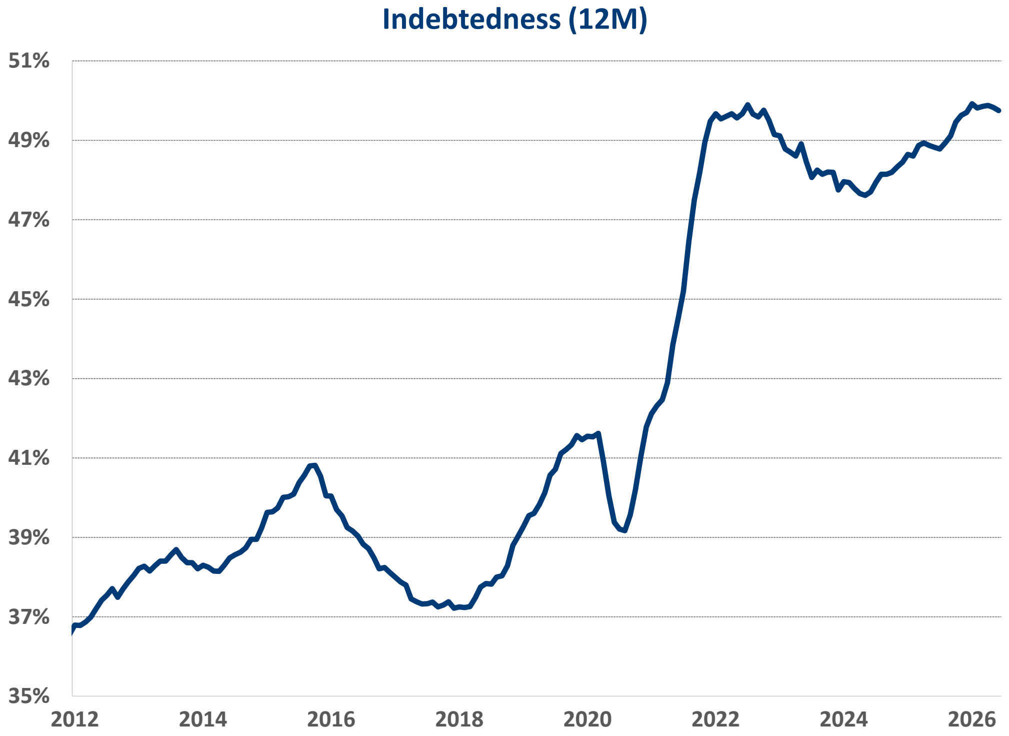
Non-Earmarked Delinquency - Companies (%)

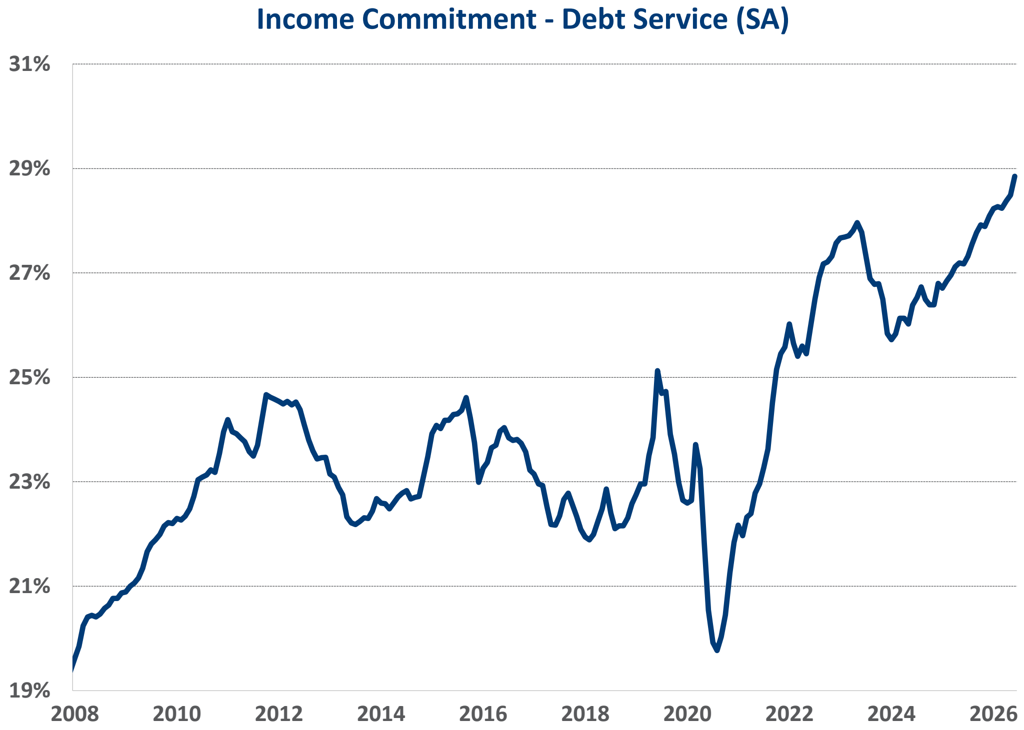


Source: BOCOM BBM, BCB

Brazil: Credit Statistics

- Total household indebtedness remained high, edging down from 49.83% in May to 49.75% in June.
- Meanwhile, income commitment increased from 28.49% to 28.85%, reaching its highest level in the series.
- Credit conditions remained tight, reflecting elevated borrowing costs, rising delinquency and still-high household indebtedness.



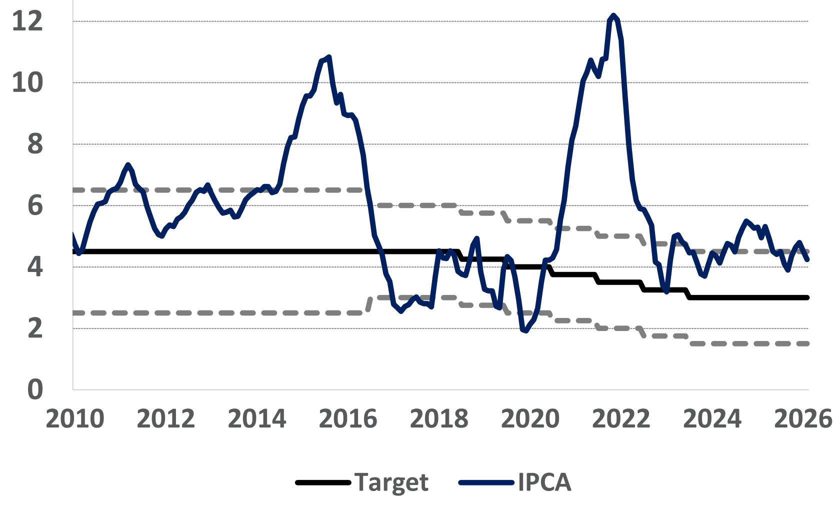


Source: BOCOM BBM, BCB

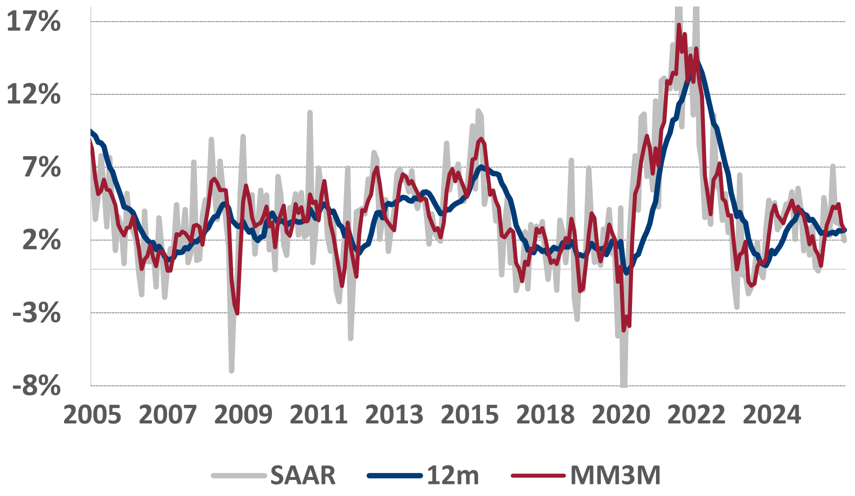
Brazil: Inflation 2026

- August IPCA-15 fell 0.40% MoM, below market expectations (-0.30% MoM). Twelve-month inflation declined from 4.52% in July to 4.24% in August.
- The main downward pressures came from electricity tariffs, airfares and gasoline, while food prices also declined significantly in the month.
- Core services inflation advanced 0.50% MoM above market expectations (0,43% MoM). Its three-month moving average seasonally adjusted annualized rate (3MMA SAAR) edged down from 4.66% in July to 4.59% in August, while the 12-month rate eased from 5.08% to 5.03%.
- The average of core inflation measures rose 0.23% MoM. Its 3MMA SAAR declined from 4.40% to 3.87%, while the 12-month rate edged down from 4.26% to 4.17%.
- Looking ahead, August's IPCA-15 showed a favorable composition, with softer readings in food, industrial goods and the average of core inflation. However, underlying services remain relatively resilient, particularly labor-intensive services.

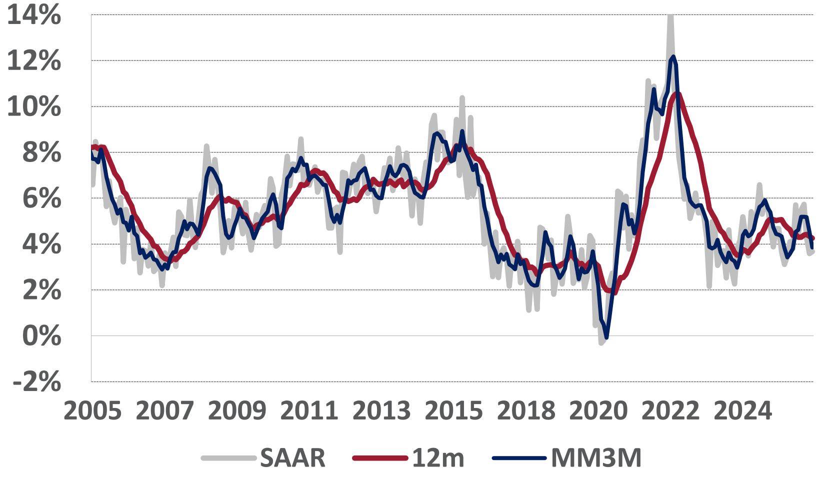
IPCA (YoY, %)



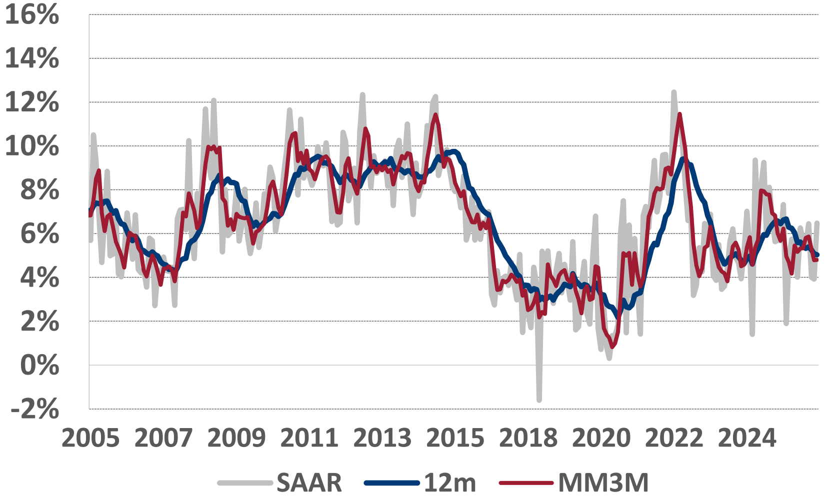
Industrial Goods



Average of Cores



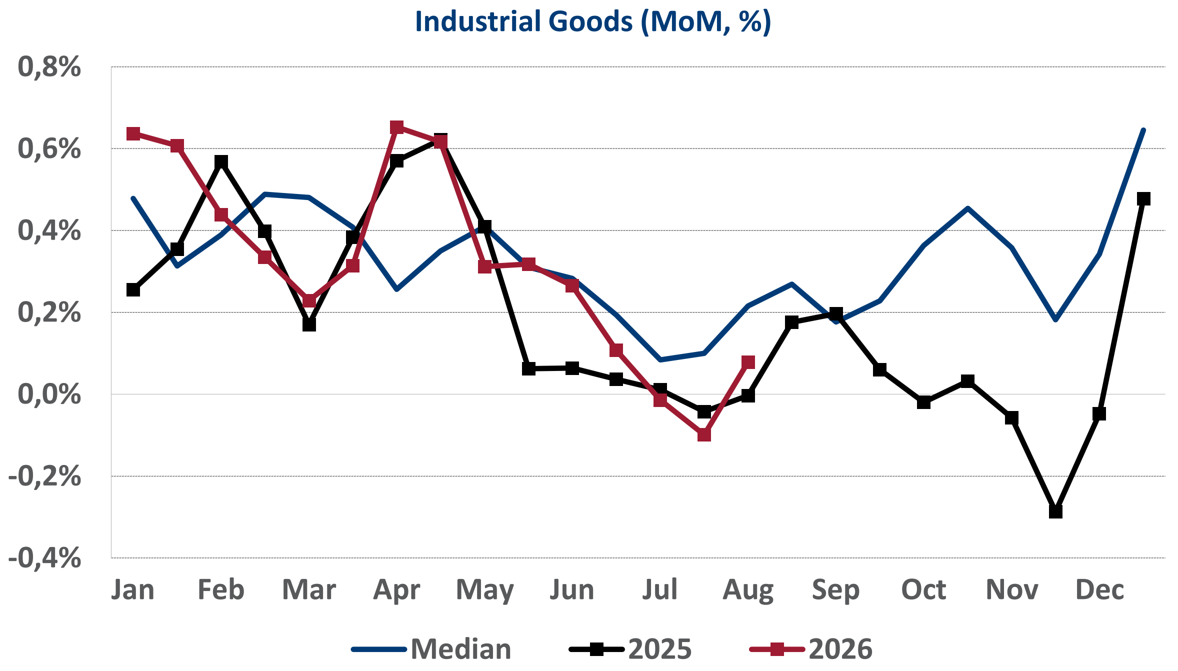
Core Services

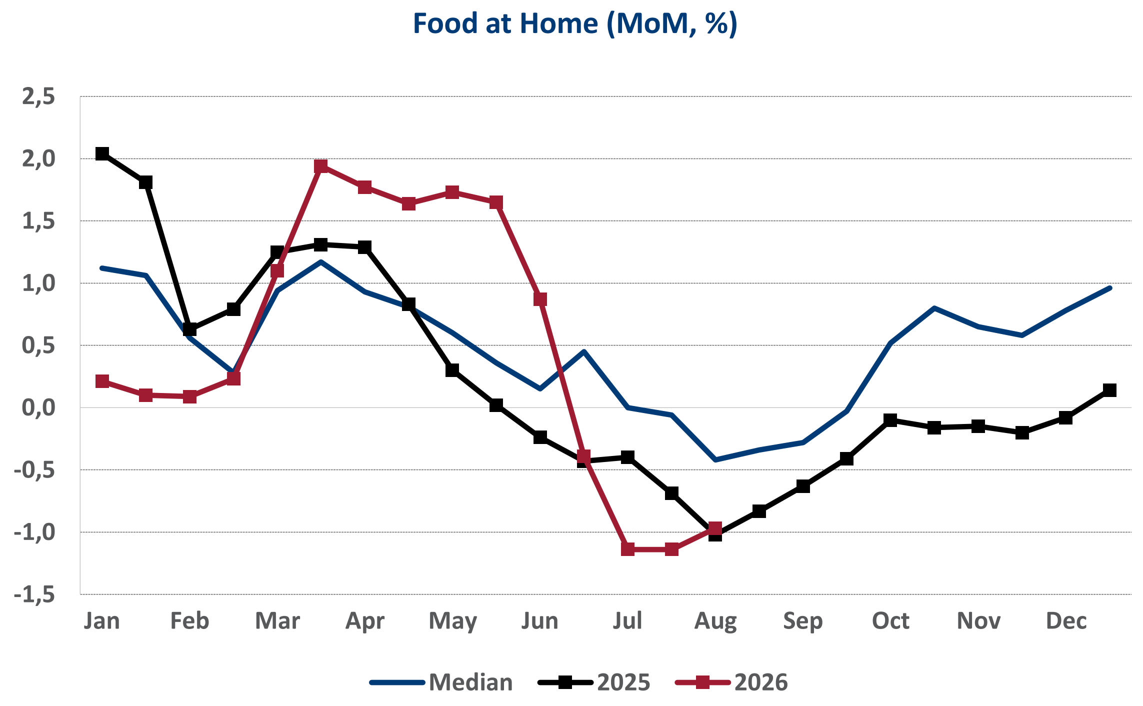


Source: BOCOM BBM, IBGE

Brazil: Inflation 2026

- Industrial goods inflation rose 0.08% MoM in August, below market expectations (0,23% MoM)
- Food-at-home prices fell 0.97% MoM, below market consensus (-0,68% MoM). The decline was mainly driven by tubers, roots and vegetables, while fruits and milk partially offset the downward movement.
- Food-at-home deflation remained broad-based in August, reinforcing the softer near-term food inflation picture and contributing to a more favorable composition of the IPCA-15.





Source: BOCOM BBM, IBGE

Brazil: Inflation Outlook

We forecast inflation at 5% this year and 4.5% in 2027

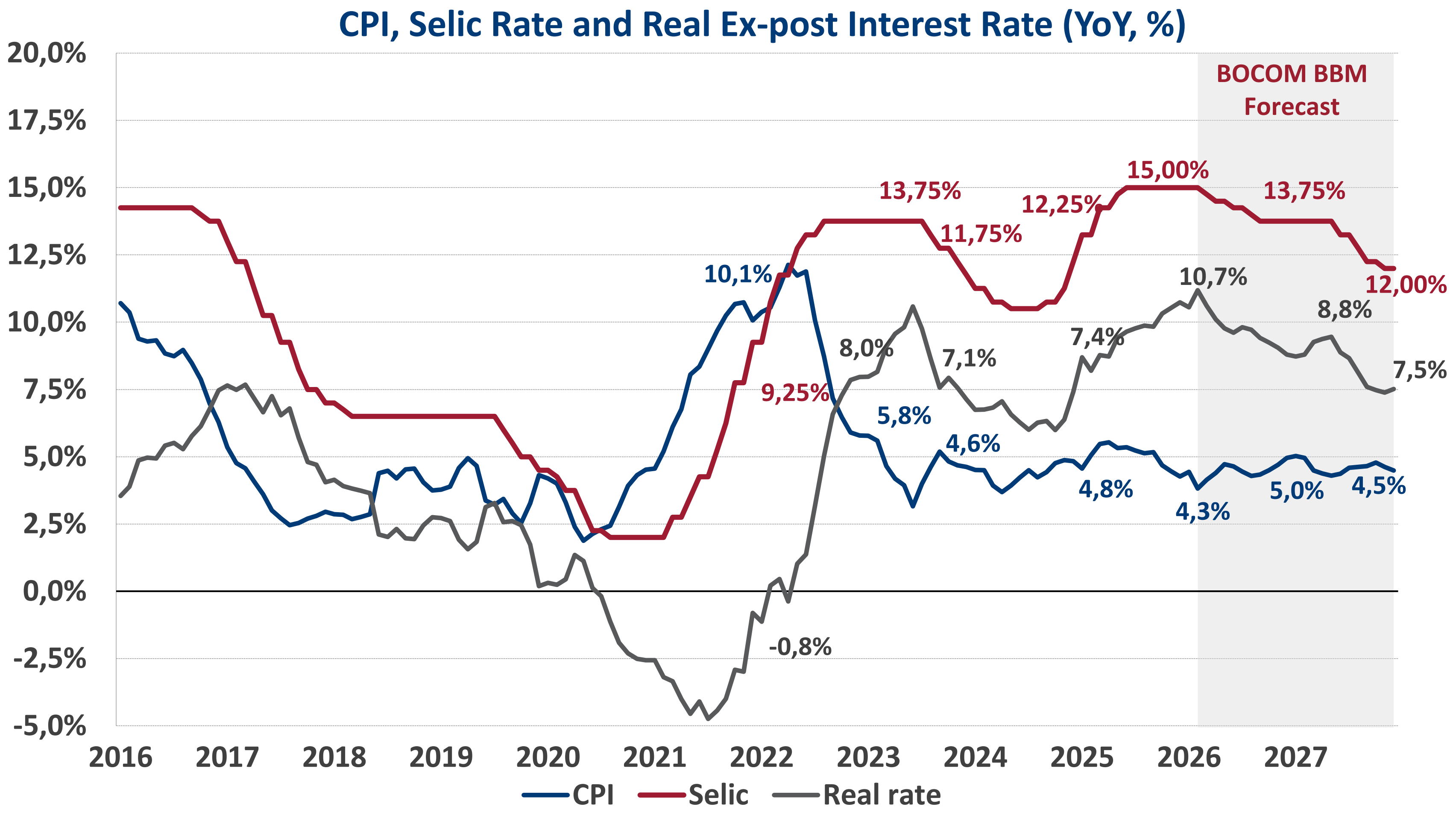
IPCA (%, annual)

	Weight	2021	2022	2023	2024	2025	2026	2027
Regulated	**26.6**	**16.9**	**-3.8**	**9.1**	**4.7**	**5.3**	**4.7**	**4.2**
Industrial goods	**23.6**	**11.9**	**9.5**	**1.1**	**2.9**	**2.4**	**3.5**	**3.4**
Durable goods	10.3	12.9	6.1	-0.4	1.5	0.5	2.0	2.0
Semi-durable goods	5.9	10.2	15.7	2.7	2.1	3.5	2.1	3.2
Non-durable goods	7.3	11.9	9.5	1.7	5.4	3.9	6.6	5.3
Food at home	**15.7**	**8.2**	**13.2**	**-0.5**	**8.2**	**1.4**	**6.5**	**5.3**
Services	**34.1**	**4.8**	**7.6**	**6.2**	**4.6**	**5.8**	**5.4**	**5.0**
Food away from home	5.6	7.2	7.5	5.3	6.3	7.0	6.5	5.7
Related to minimum wage	5.2	3.3	6.2	5.5	5.2	6.7	6.3	4.6
Sensitive to economic activity	8.2	5.1	6.3	9.5	0.9	5.4	4.2	4.2
Inertial	15.0	4.2	8.8	5.1	6.0	5.2	5.2	4.9
IPCA		**10.1**	**5.8**	**4.6**	**4.8**	**4.3**	**5.0**	**4.5**

Source: BOCOM BBM, IBGE

Brazil: Monetary Policy

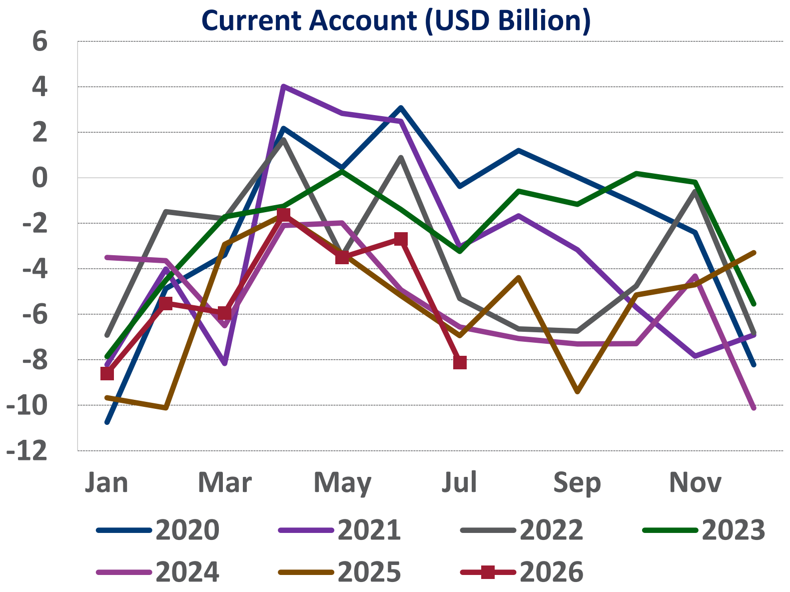
- The COPOM reduced the Selic rate from 14.25% to 14.00% per year at its August meeting, maintaining an asymmetric balance of risks tilted to the upside. The committee acknowledged that incoming data points to moderation in activity and to improvements in current inflation but emphasized the concern about unanchored inflation expectations at longer horizons. In all, the statement leaves the door open for the continuation of the easing cycle. Since then, headline and underlying inflation have been below expectations, and activity is losing momentum, which may lead the Central Bank to delivery one more cut of 25 bps.

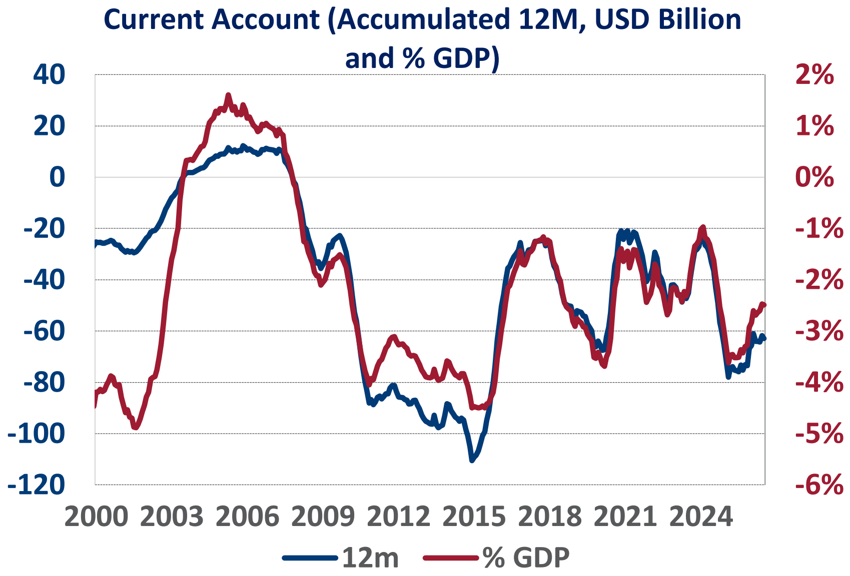


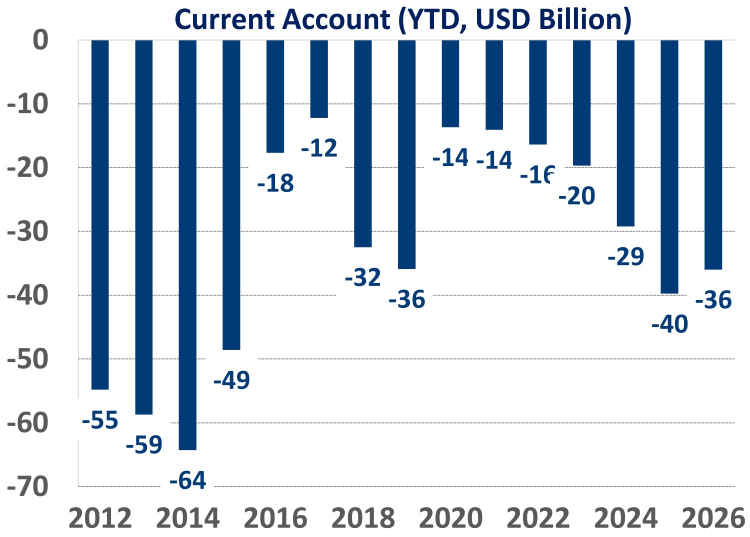
Source: BCB, BOCOM BBM, IBGE

Brazil: Balance of Payments

- The Brazilian current account posted a deficit of USD 8.1 billion in July 2026, wider than market consensus of USD 6.7 billion
- On a 12-month rolling basis, the current account deficit widened to USD 62.9 billion, equivalent to 2.49% of GDP, from USD 61.7 billion and 2.47% of GDP in June.







Source: BOCOM BBM, BCB

Brazil: Balance of Payments

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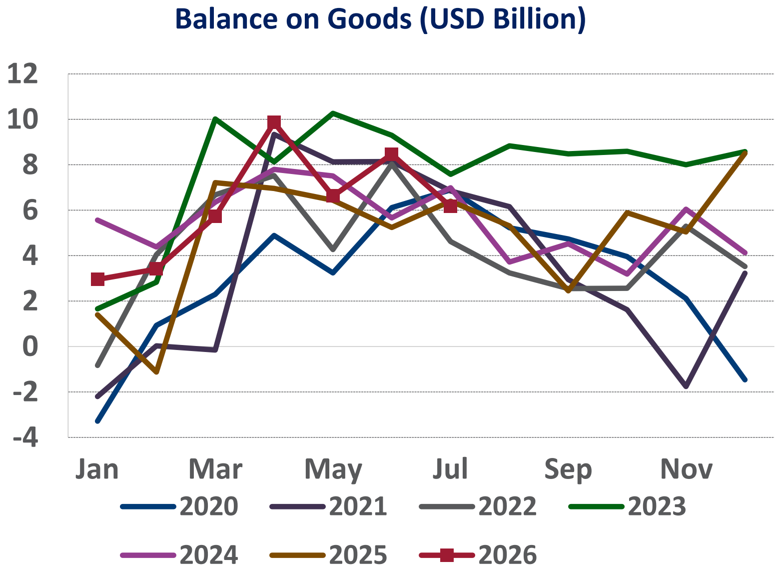
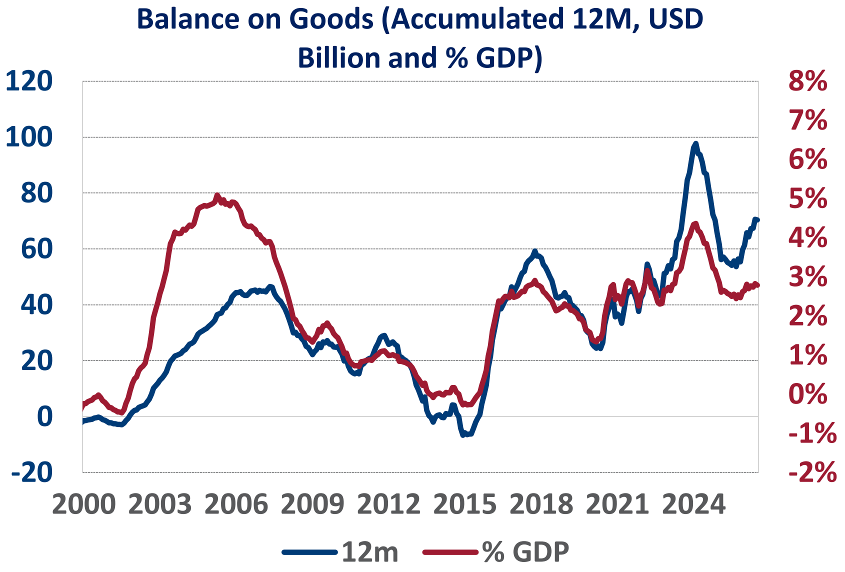
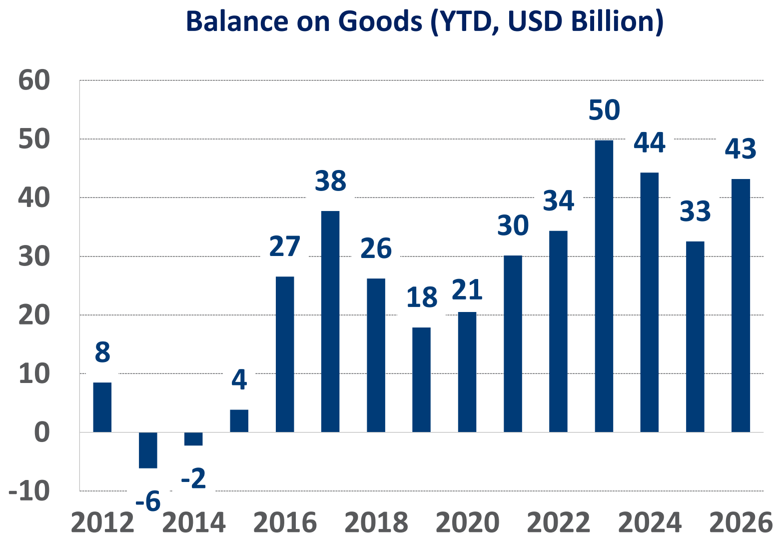
- The merchandise trade balance recorded a surplus of USD 6.2 billion in July, broadly stable compared with the USD 6.4 billion surplus registered in July 2025.
- Exports reached USD 34.2 billion, up 5.7% YoY, as higher prices more than offset lower volumes. Imports totaled USD 28.1 billion, an 8.1% YoY increase, also supported by higher prices, particularly for fuels.
- On a 12-month rolling basis, the trade surplus stood at USD 70.8 billion, slightly below USD 71.0 billion in June.



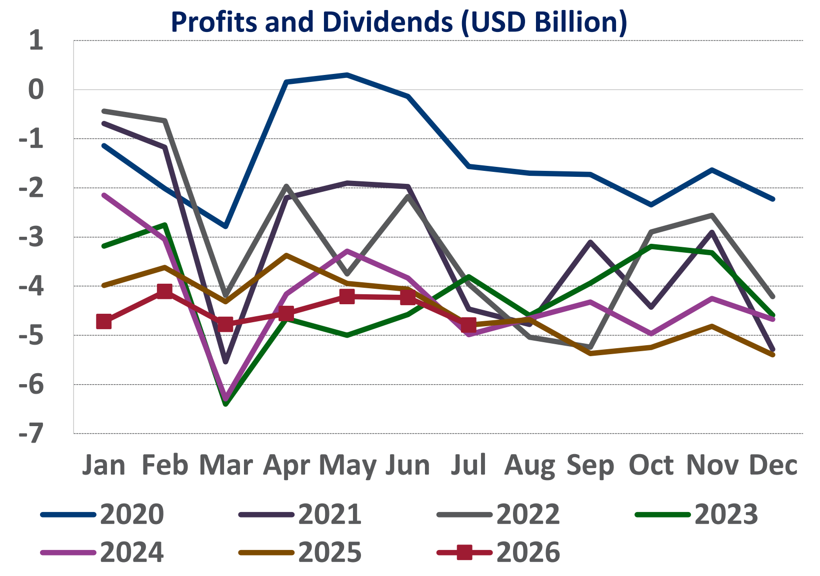


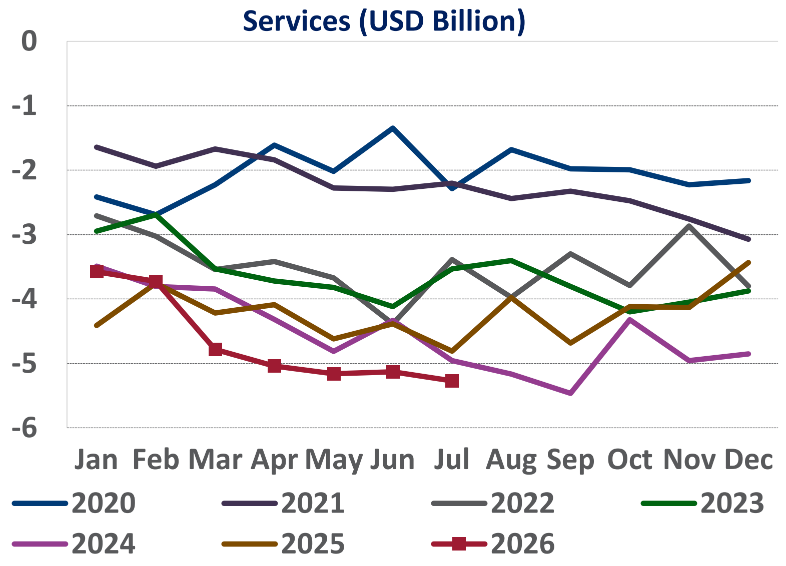


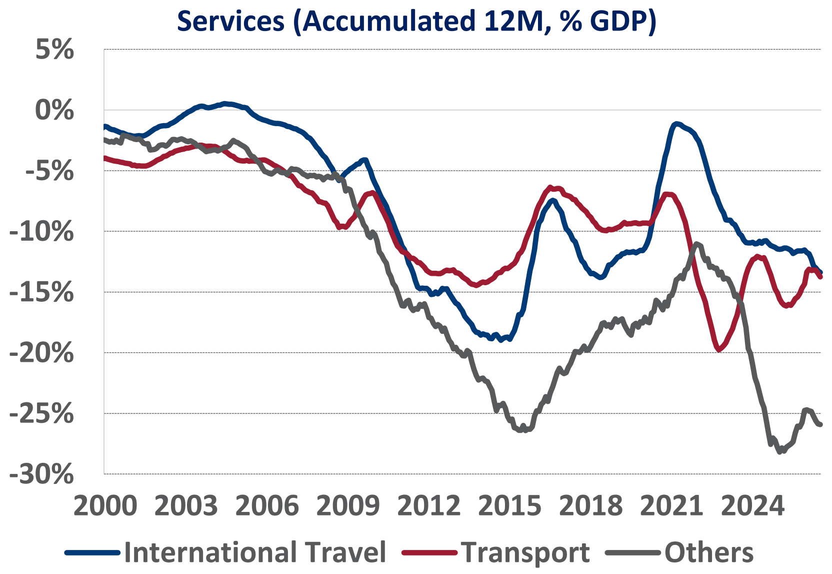
Source: BOCOM BBM, BCB

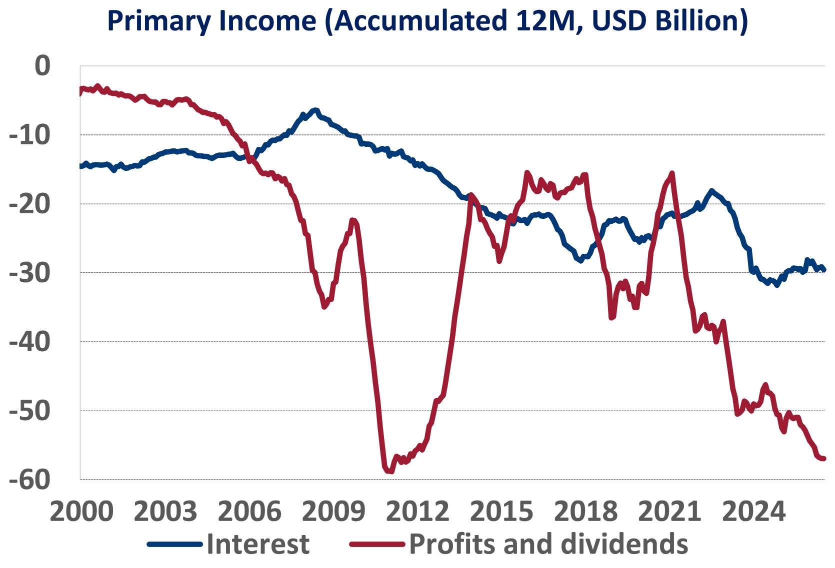
Brazil: Balance of Payments

- The services account registered a deficit of USD 5.3 billion in July, wider than the USD 4.8 billion deficit recorded in July 2025.
- Transportation expenses increased amid higher international freight costs, while intellectual property and telecommunications services continued to deteriorate; travel net expenses also increased on a year-on-year basis.
- The primary income account posted a deficit of USD 9.4 billion in July, wider than the USD 9.0 billion deficit registered in the same month last year.
- On a 12-month rolling basis, the services deficit reached USD 53.1 billion, from USD 52.6 billion in June.





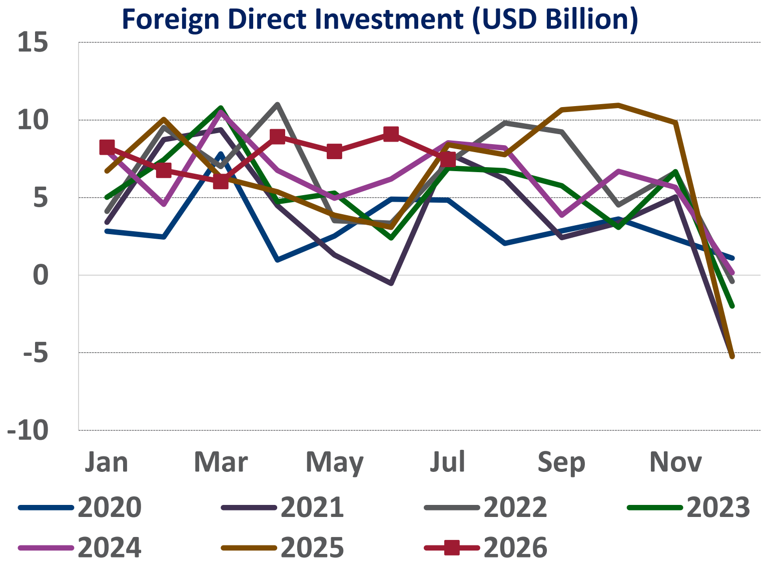


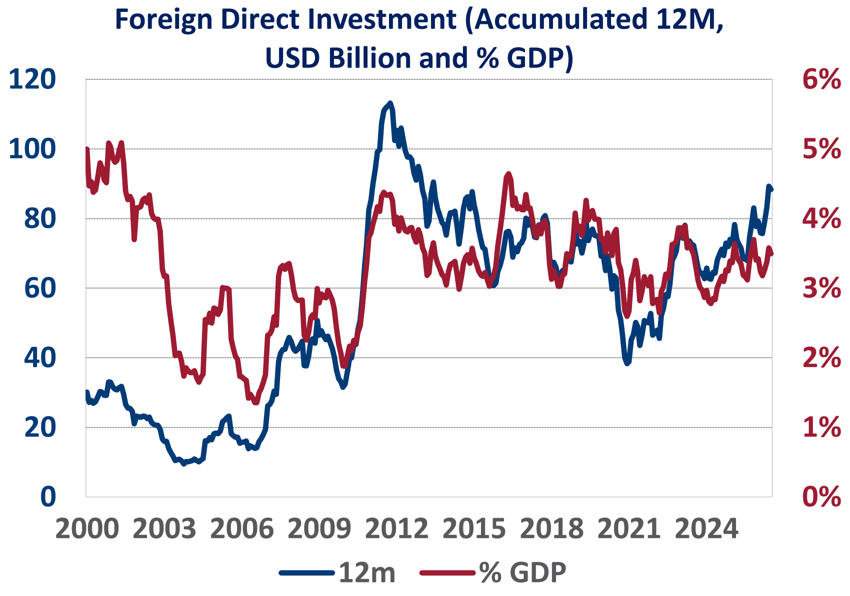


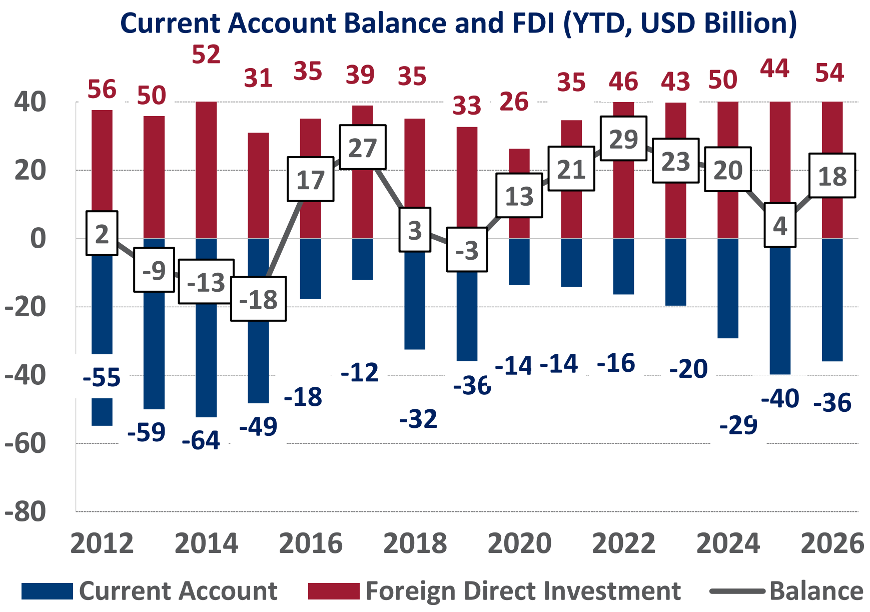
Source: BOCOM BBM, BCB

Brazil: Balance of Payments

- Foreign Direct Investment registered net inflows of USD 7.5 billion in July, slightly below market consensus of USD 8.0 billion and the USD 8.4 billion recorded in July 2025.
- On a 12-month rolling basis, FDI inflows stood at USD 88.4 billion, equivalent to 3.50% of GDP, from USD 89.3 billion and 3.58% of GDP in June.
- Year-to-date FDI inflows reached USD 54.4 billion, USD 10.7 billion above the same period of 2025, driven by stronger equity capital inflows.







Source: BOCOM BBM, BCB

Brazil: External Sector

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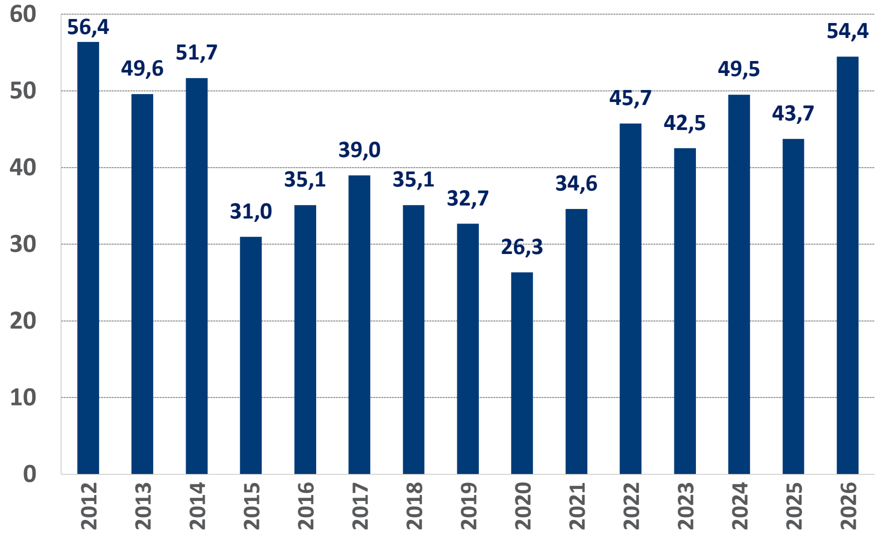
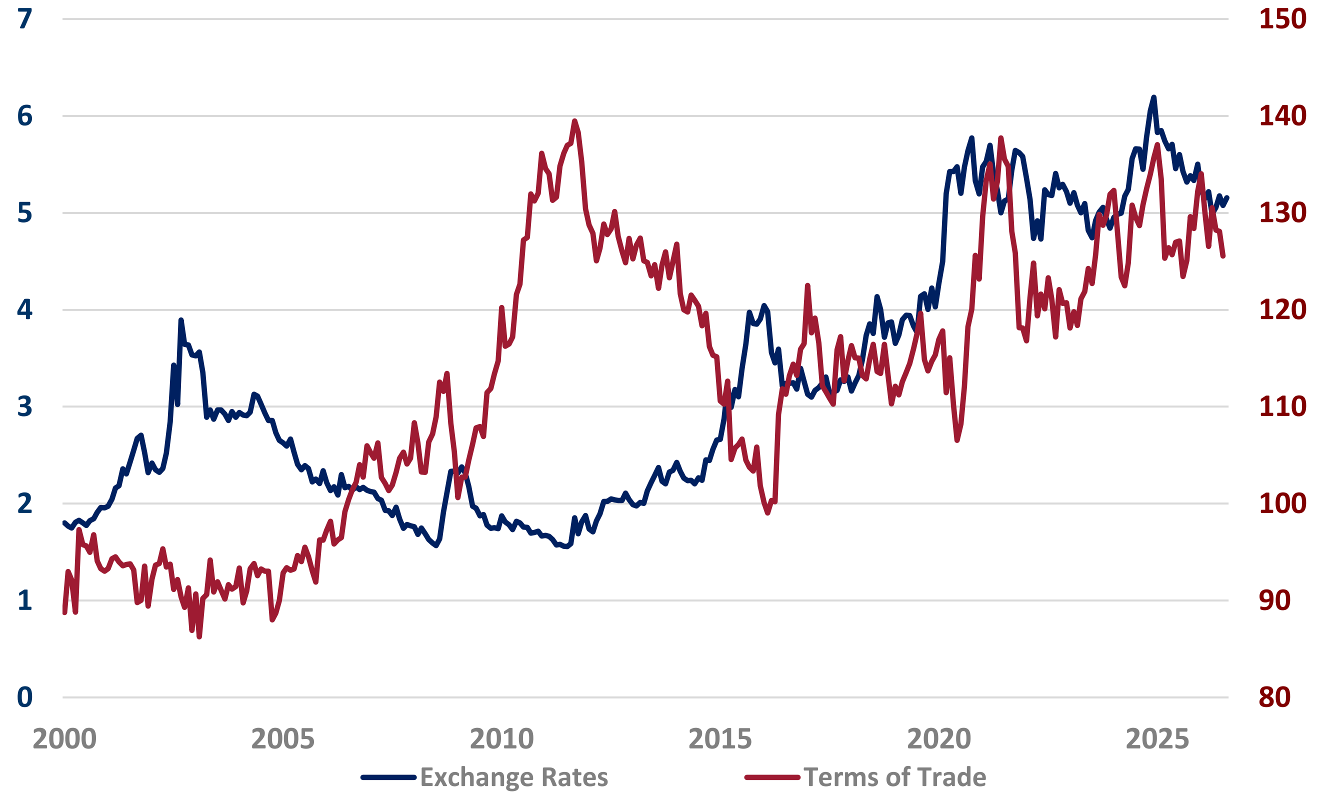
- In August, the Brazilian real remained relatively resilient despite a more volatile external environment, ending the month close to 5.18 per dollar and strengthening further to around 5.15 in early September. Global developments continued to drive most of the short-term fluctuations in the currency, with movements broadly consistent with those observed across emerging-market peers. Domestically, there was a downside surprise in the August IPCA-15 and a more favorable inflation composition. Meanwhile, robust foreign direct investment and a strong trade balance continued to provide an important external buffer, although a wider current-account deficit and persistent fiscal uncertainty remained relevant sources of risk. Overall, the combination of attractive carry, solid external financing and improving inflation dynamics has continued to support the BRL, helping the currency remain resilient despite a less favorable global backdrop.

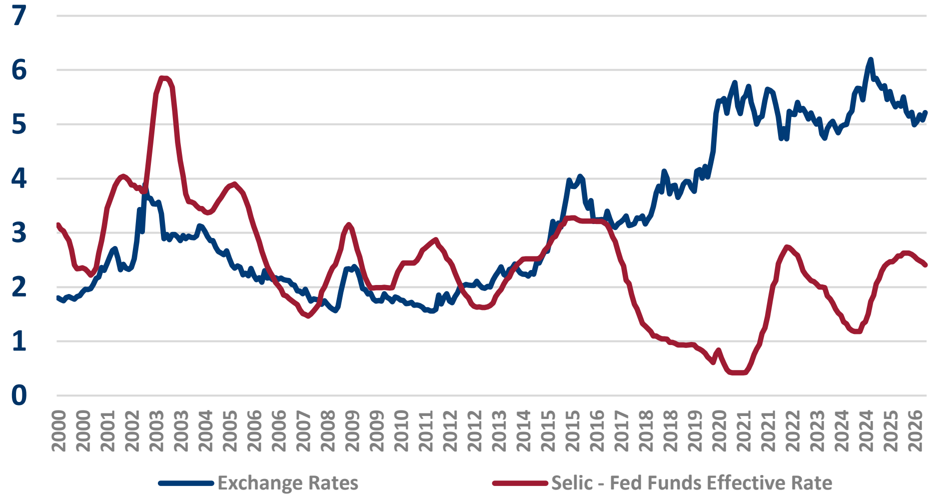
Foreign Direct Investment (YTD, USD Billion)



Terms of Trade x BRL



Interest Rate Differential x BRL

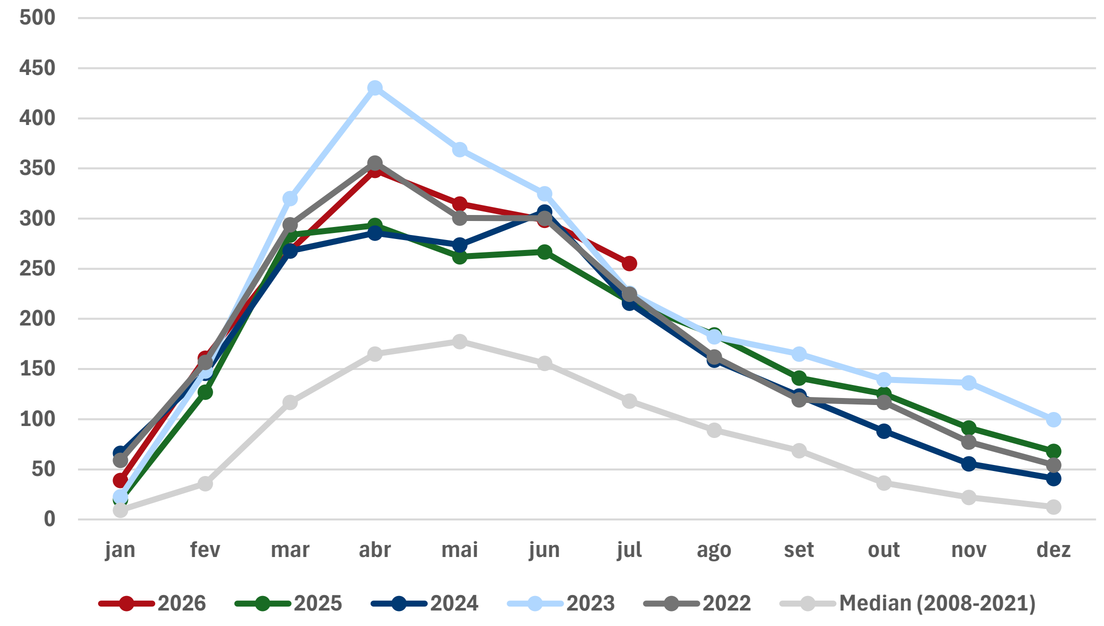


Source: BOCOM BBM, Bloomberg, BCB

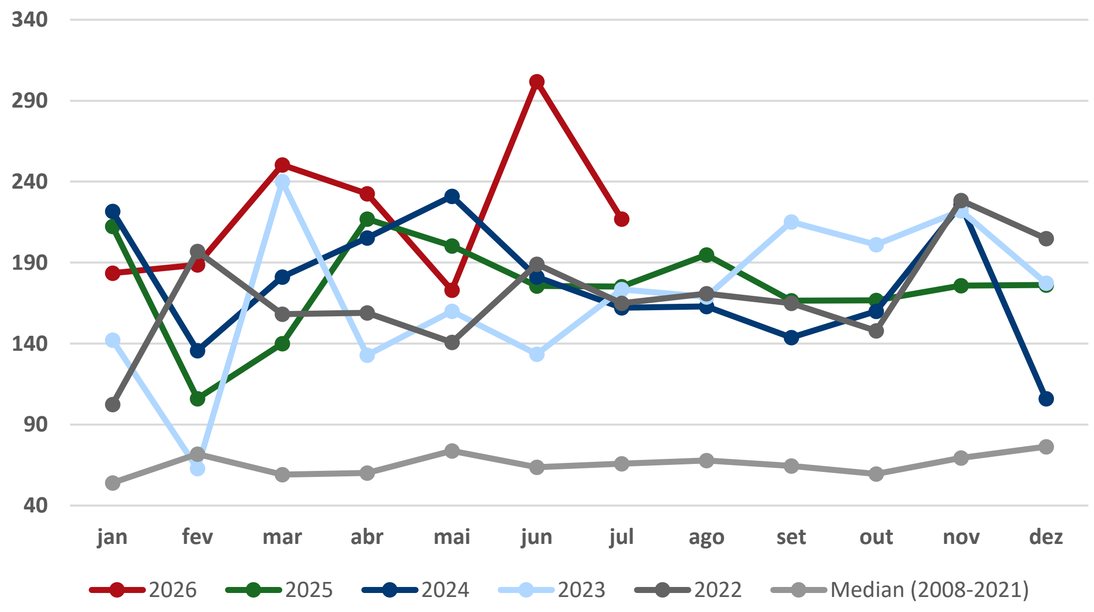
Brazil: External Sector

- In July, exports totaled US$34.12 billion and imports US$27.05 billion, resulting in a trade surplus of US$7.1 billion.
- Export performance was positive across the three major sectors, with growth in Agriculture (+9.3%, USD 7.82bn), Extractive Industries (+10.8%, USD 8.23bn), and Manufacturing (+2.4%, USD 17.83bn), resulting in an overall increase in total exports. The main positive contributions came from soybeans, crude oil, beef, poultry, and fuel oils.
- Imports also expanded, with growth in Extractive Industries (+25.0%, USD 1.18bn), and Manufacturing (+14.3%, USD 24.73bn), while Agriculture fell (-4.1%, USD -0.48bn), driving an overall increase in total imports. The increase was mainly influenced by vegetables (fresh or chilled), crude oil, natural gas, pharmaceuticals, valves and tubes.

Brazil BoP: Soy Exports
USD Million Daily Average



Brazil BoP: Crude Oil Exports
USD Million Daily Average



Source: Secex, BOCOM BBM

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