

Macro Outlook

October 2026

- In the global scenario, tensions between the US and Iran remained elevated in September, with attacks continuing despite ongoing diplomatic efforts. 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. In the US, inflation indicators came in worse than expected, with headline CPI accelerating amid higher energy prices and core inflation surprising to the upside, driven by stronger core services. On the labor market, the September payroll report came in weaker than expected, with softer job creation, negative revisions, and a higher unemployment rate alongside stronger labor force participation. On activity, the third estimate of Q2 GDP was revised upward, from 1.48% to 2.22%, with a stronger underlying composition, as private consumption and business fixed investment accelerated despite drags from net exports, government spending and inventories. Overall, the economy appears solid, but inflation remains elevated and persistent geopolitical risks continue to keep discussions of further Fed rate hikes alive.
- Regarding China, August data continued to point to a heterogeneous growth composition in the economy. External trade remained strong, while industrial production accelerated by more than expected, with both continuing to be supported by growth in high-technology sectors. On the other hand, retail sales surprised expectations to the downside and fixed asset investment remained weak, continuing to suggest subdued domestic demand. Additionally, headline inflation came in line with expectations, with a modest increase in core inflation, while producer-price inflation accelerated slightly more than expected amid higher energy, electronics and metals prices. Meanwhile, growth in the housing sector remained a drag on overall economic activity, with property indicators broadly deteriorating further. Overall, high-tech manufacturing and exports are expected to continue to outperform the rest of the economy, but weak domestic demand and ongoing adjustments 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 July, services were flat, below market expectations (+0.2% MoM), while broad retail sales rose 0.4% MoM, also below market expectations (+0.5% MoM). Overall, the mixed set of indicators remains consistent with a gradual moderation in economic activity. Meanwhile, the IBC-Br fell 0.2% MoM in July, below market expectations (-0.1% MoM), marking its second consecutive monthly decline. Additionally, in August the industrial production fell 0.6% MoM, below market expectation of 0.1% MoM. Looking ahead, confidence surveys showed negative signals across the board in September all indicators declined, with retail and industry confidence deteriorating the most.
- The COPOM reduced the Selic rate from 14.00% to 13.75% per year at its September meeting, a widely expected 25 bps cut, while maintaining an asymmetric balance of risks tilted to the upside. The committee kept its inflation projection for 1Q28 unchanged at 3.2% and acknowledged a gradual moderation in activity, concentrated in more cyclical sectors, with underlying inflation now below the upper limit of the tolerance band. Overall, there were very minor changes in the statement. Nonetheless, it acknowledges more improvements than challenges moving forward, and this leaves the door open for the continuation of the easing cycle. As the budget for further cuts is now very limited, the next steps will be guided by new data as they become available.
- September IPCA-15 rose 0.70% MoM, above market expectations (0.53% MoM). Twelve-month inflation accelerated from 4.24% in August to 4.47% in September. The main upward pressure came from the reversal of the Itaipu bonus in electricity bills, which rose 7.42% MoM, alongside airfares, gasoline and cigarettes. Core services inflation advanced 0.28% MoM, slightly below market expectations (0.31% MoM). Its three-month moving average seasonally adjusted annualized rate (3MMA SAAR) accelerated from 4.59% in August to 5.20% in September, while the 12-month rate rose from 5.03% to 5.30%. The average of core inflation measures rose 0.34% MoM. Its 3MMA SAAR accelerated from 3.87% to 4.30%, while the 12-month rate increased from 4.17% to 4.32%. Looking ahead, September's IPCA-15 showed a less favorable composition, with market-set prices accounting for the entire upside deviation and surprising across food, services and industrial goods. With the Itaipu credit exhausted, the electricity effect runs its course in September and should no longer pressure the headline from October onward, but underlying and labor-intensive services remain the main source of resilience.
- The consolidated public sector posted a primary deficit of BRL 10.0 billion in August, better than the market consensus of a BRL 15.7 billion deficit and an improvement from the BRL 17.3 billion deficit recorded in the same month of 2025. On a rolling twelve-month basis, the public sector recorded a primary deficit of BRL 82.1 billion, equivalent to 0.6% of GDP. General Government Gross Debt (GGGD) rose from 82.6% to 82.9% of GDP, reaching its highest level since March 2021, driven by nominal interest payments (+0.8 p.p.) and currency depreciation (+0.1 p.p.), partially offset by nominal GDP growth (-0.5 p.p.). Meanwhile, Net Public Sector Debt (NPSD) rose by 0.1 p.p. to 69.3% of GDP. Overall, surpluses from regional governments and state-owned enterprises helped, but did not prevent a public-sector deficit in August, while debt continues to rise.

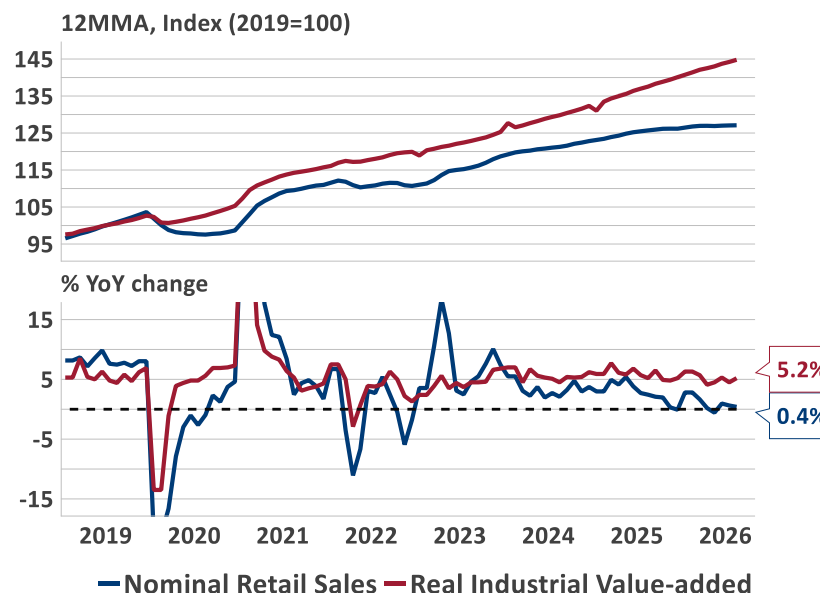
- Monthly economic activity accelerated in August, after a slowing performance in July:
- Industrial production** rose above consensus, from 4.5% to 5.2% YoY (exp 4.8%). Meanwhile, high-tech sectors continue to outperform the rest of the economy, with notable growth in components related to the AI sector.
- Retail sales** slowed from 0.6 to 0.4% YoY, below market expectations of 0.8%, primarily led by consumer goods, while communication equipment remained strong.
- Fixed asset investment (FAI)** fell from -6.7 % to -7.2% YTD YoY, in line with consensus. Intellectual property-product and high-tech investments continue on a rising trend, but not enough to offset the weakness in the real estate 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)

	8/2026	7/2026	8/2025
Industrial Production	5.2	4.5	5.2
Mining	-1.4	-4.2	5.1
Manufacturing	6.1	5.5	5.7
Utilities	4.9	5.0	2.4
Fixed Asset Investment (YTD)	-7.2	-6.7	0.5
Manufacturing	-2.3	-1.7	5.1
Real Estate	-19.9	-19.2	-12.9
Infrastructure	-4.0	-3.6	2.0
Retail Sales	0.4	0.6	3.4
Catering Services	1.1	1.4	2.1
Consumer Goods	0.3	0.5	3.6
Clothing	-0.5	-1.0	3.1
Automobiles	-18.5	-17.0	0.8
Furniture	-7.9	-8.8	18.6
Cellphones	27.3	20.4	7.3
Home Appliances	2.3	-1.9	14.3
Construction	-11.8	-14.2	-0.7

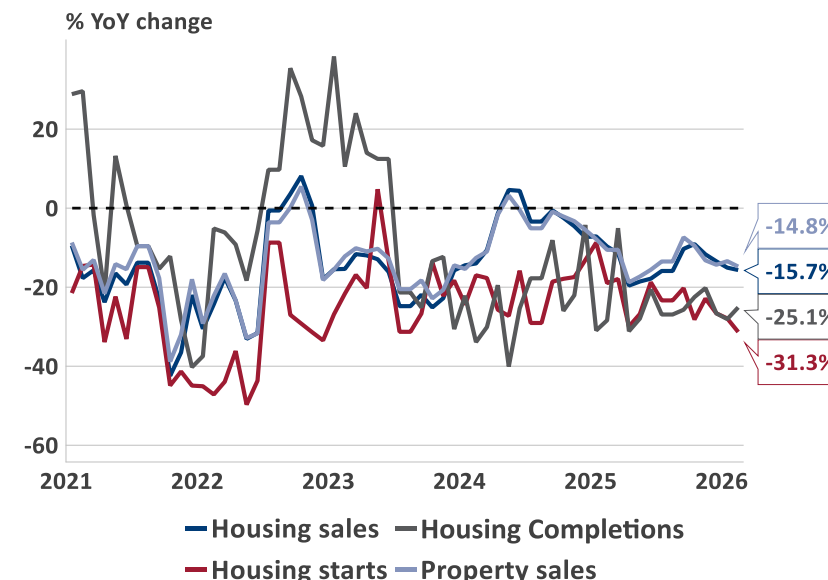
Source: BOCOM BBM, Macrobond

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 August:

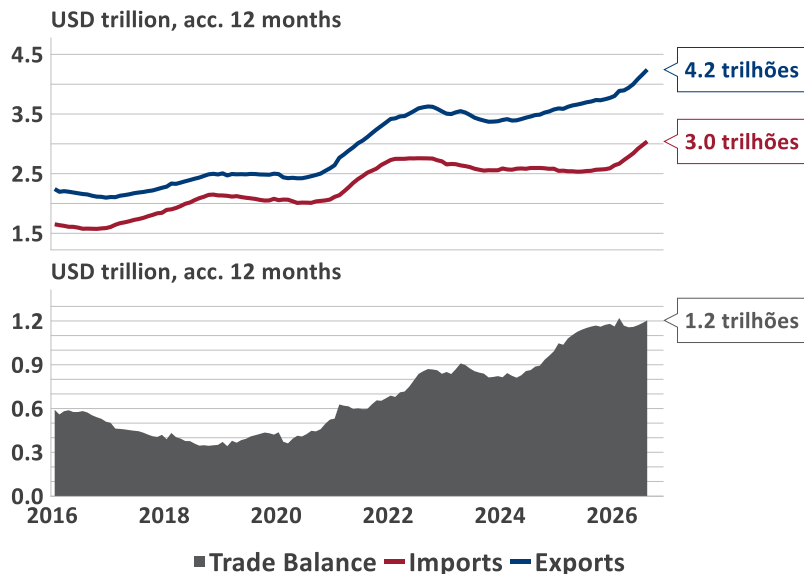
- Export growth accelerated**, from 23.9 % to 24.9%, against consensus of 25.9%. The increase was mixed within major partners, with tech goods remaining as the strongest components.
- Imports were weaker than expected but still maintained a strong pace (from 27.6 % to 28.2%, exp. 31.0%)**. In the composition, there was a broad-based slowing across products imports, with semiconductors and AI-related goods being the main exceptions.

CPI inflation grew in August, in line with expectations, at 0.8% YoY:

- Energy prices rose sharply due to the reescalation in the Middle East conflict, while food inflation remained at weak levels.
- The Core CPI edged up from 0.9% to 1.0% YoY, supported by broad-based increases in both core services and core goods inflation.**
- PPI accelerated from 3.5% YoY to 3.8% YoY, above the 3.7% consensus. Producer prices remain elevated, with the pickup largely driven by higher energy, electronics and metals prices amid renewed geopolitical tensions.

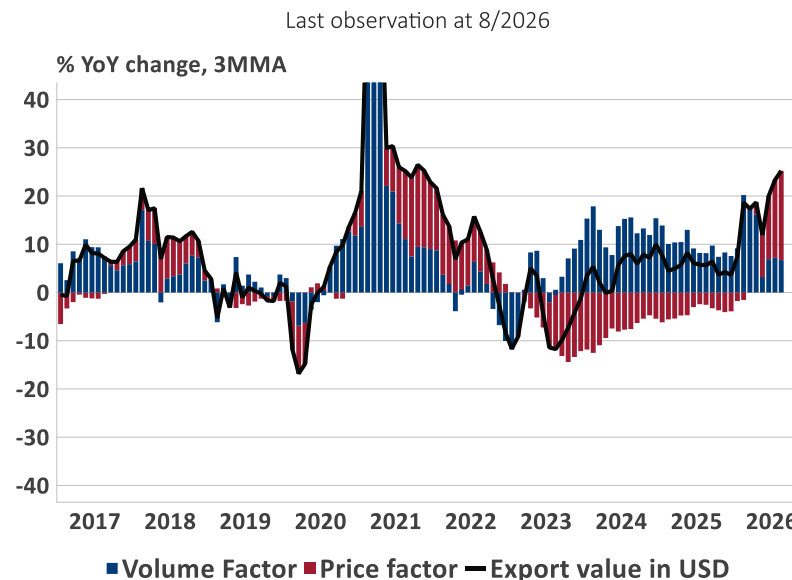
Looking ahead, inflation should continue at positive territory in the upcoming months, supported by anti-involution policies and trade-in programs.

China: Trade Balance



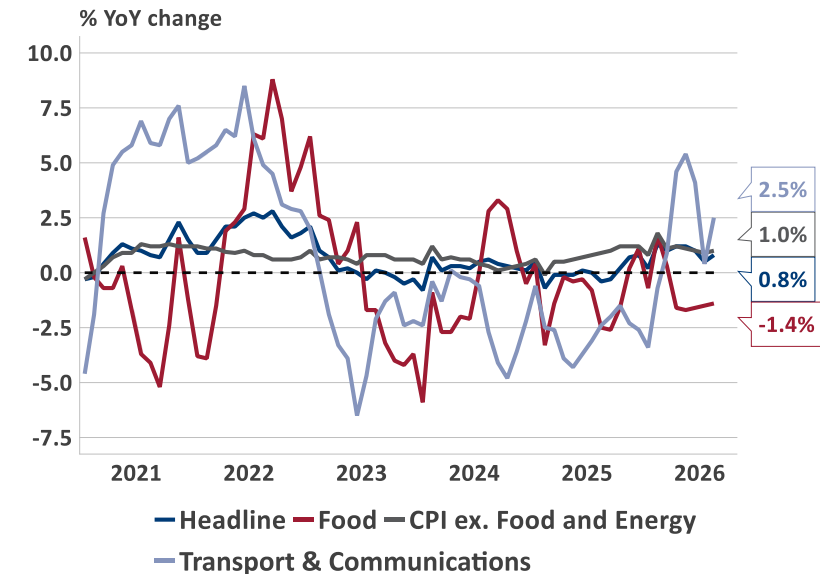
Source: BOCOM BBM, Macrobond, GAC

China: Exports (Price x Volume)



Source: BOCOM BBM, Macrobond, GAC

China: CPI



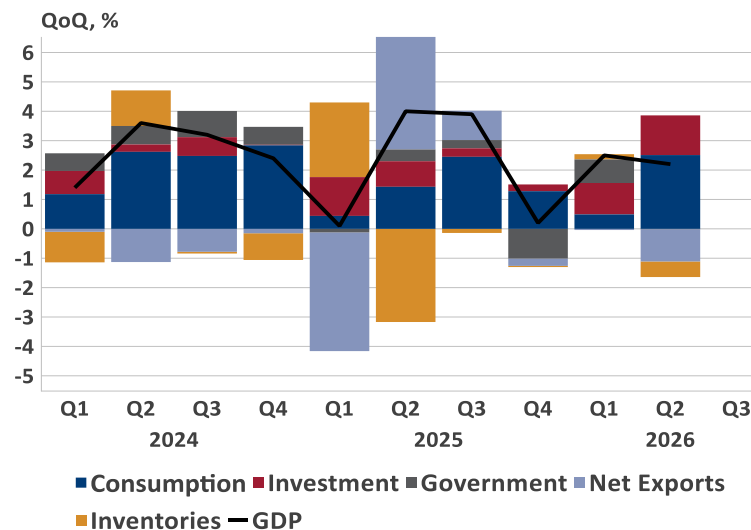
Source: BOCOM BBM, Macrobond, NBS

USA: Labor Market and Activity

The September Payroll surprised expectations to the downside:

- Job creation increased by less than expected, from 133k to 29k, well below expectations of 90k.
- The 2-month net revision was -60k: from 21k to -10k in July and 162k to 133k in August.
 - This took the 3MMA pace of job creation to remain unchanged at 51k (after revision).
- In the breakdown, both private and government payrolls came in below expectations. **Private payrolls decreased from 89k to 46k** (vs. 80k expected), while **government payrolls declined from 21k to -10k** (vs. 10k expected).
- The unemployment rate rose to 4.2%, part of its increase was driven by the rise in the participation rate, from 61.6% to 61.8%, suggesting labor demand was not strong enough to absorb the increase in labor supply.
 - Average hourly earnings rose 0.13% MoM, down from 0.32% in the previous month.
 - Additionally, average weekly hours worked remained at 34.4 for the second month in a row.
- Overall, the September payroll report showed a weaker-than-expected composition, following August's strong reading, but labor market trends remained broadly stable;
- Regarding activity, **the 3rd estimate for Q2 GDP was revised upward, from 1.48% to 2.22%**. Regarding the composition, the revision was primarily driven by stronger private demand, with Consumption and Business Fixed Investment accelerating, while Government Spending and Net Exports remained a drag on growth. Looking ahead, the economy is expected to remain at a solid pace, supported by resilient consumption and continued AI-related investment.

US: GDP Growth



Source: BOCOM BBM, Macrobond, BEA

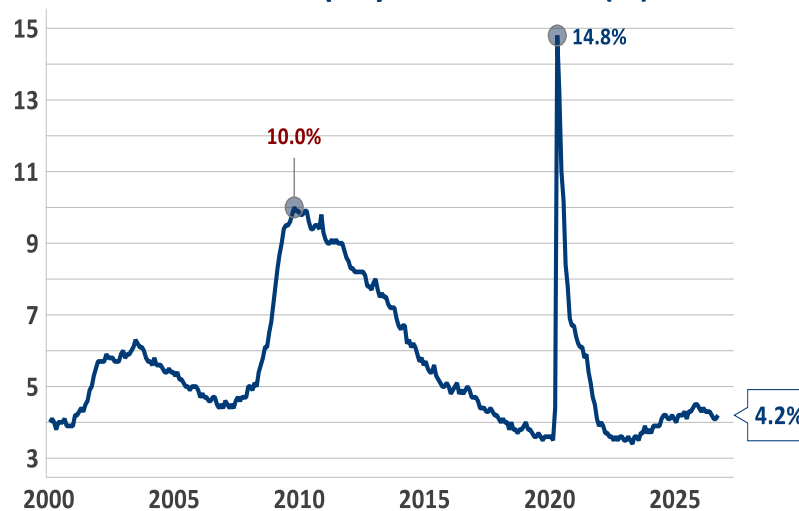
US: Nonfarm Payroll Employment Change

3MMA, thousand



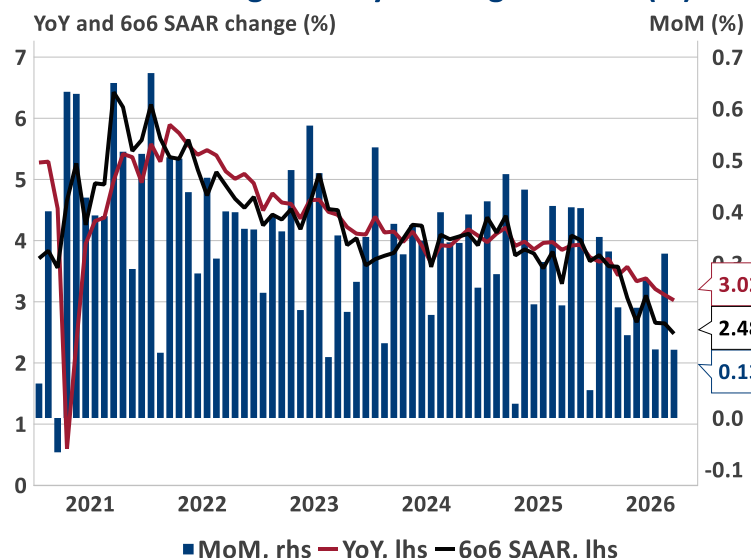
Source: BOCOM BBM, Macrobond, BLS

US: Unemployment Rate SA (%)



Source: BOCOM BBM, Macrobond, BLS

US: Average Hourly Earnings Growth (%)



Source: BOCOM BBM, Macrobond, BLS

■ **August headline CPI accelerated from 0.07% to 0.40% MoM, in line with expectations, leaving the YoY rate at 3.4%:**

■ In the composition, energy prices rose sharply supported by the recent reescalation in the Middle East conflict (from -1.48% to 2.10% MoM, vs 2.31% exp), while food prices rose by less than consensus.

■ **The core CPI came in above consensus, from 0.22 to 0.29%, with the YoY rate stable at 2.5%:**

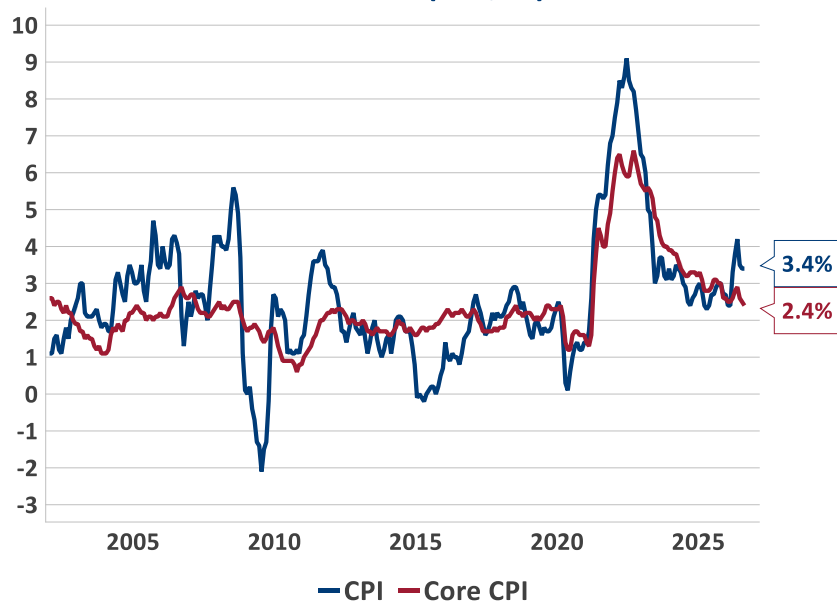
■ **Core goods decelerated** from 0.20 to 0.11% MoM (vs 0.11% exp). Core goods excluding vehicles were softer, remaining flat from the previous month.

■ **Core services accelerated** by more than expected, from 0.23% to 0.33% MoM, against expectations of 0.26%, especially due to a significantly increase in core services ex-housing (supercore), from 0.19 to 0.51% MoM (0.29% expected), amid stronger transportation related services.

■ **Overall, the August CPI report came in worse than expected**, as disruptions related to the re-escalation of the Middle East conflict resulted in a stronger-than-expected core reading, supporting the FOMC's decision to raise rates at its September meeting.

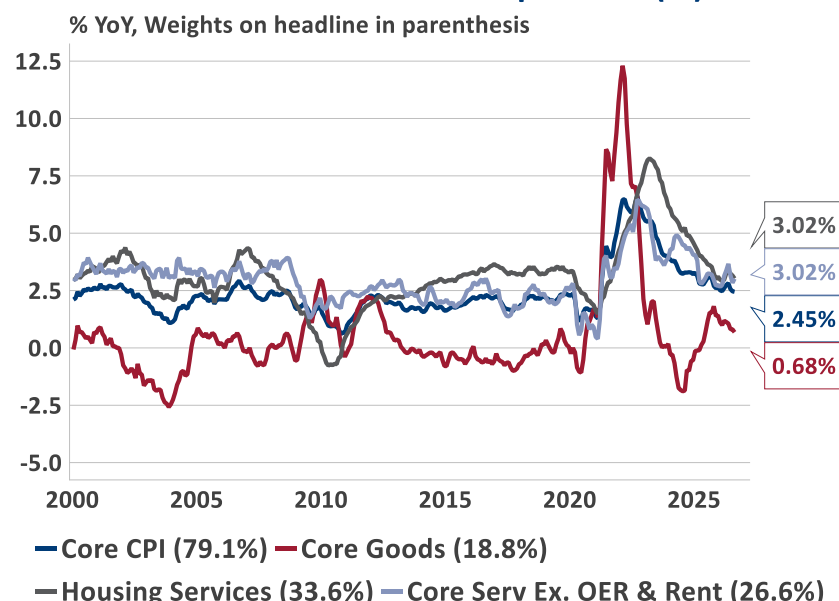
■ Nonetheless, **inflation levels remains elevated, and the unsolved Middle East conflict applies additional risks to the upcoming months, keeping discussions of further rate hikes in 2026 alive.**

US: CPI (YoY, %)



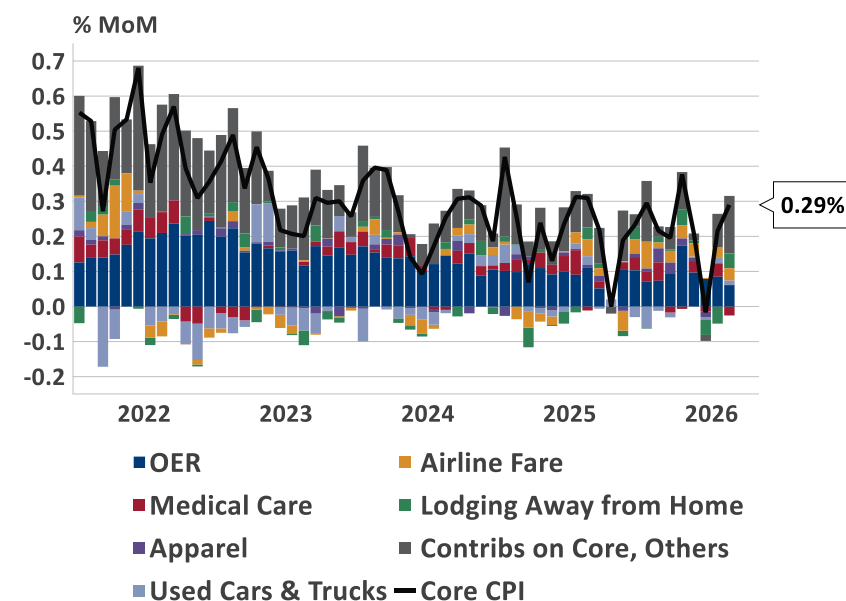
Source: BOCOM BBM, Macrobond, BLS

US: Core CPI Main Components (%)



Source: BOCOM BBM, Macrobond, BLS

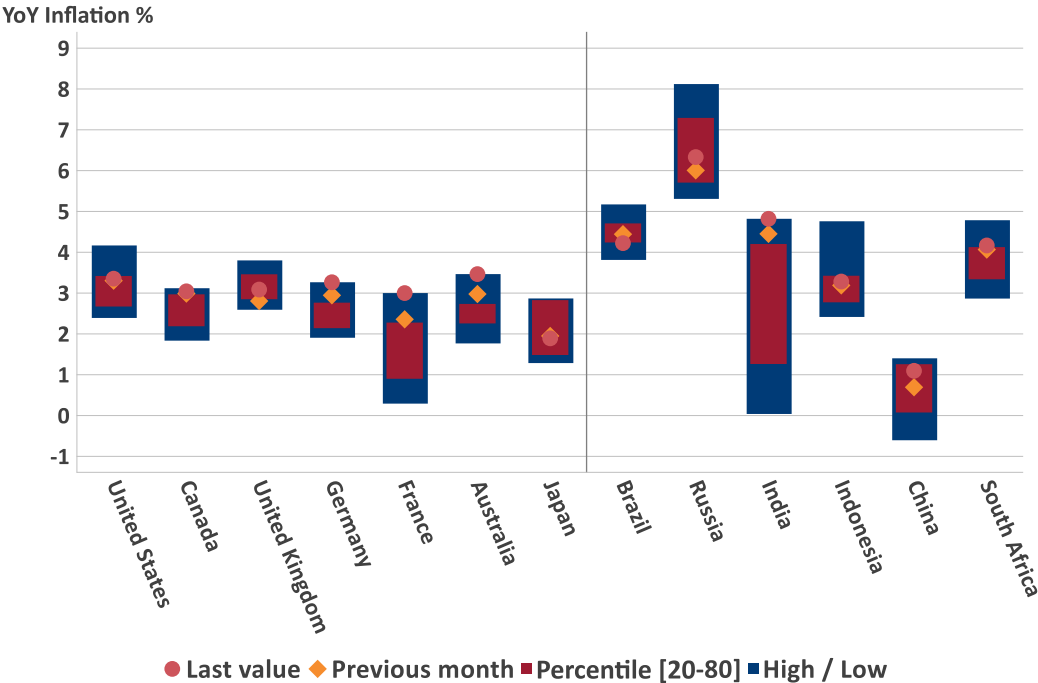
US: Core CPI MoM Contributions



Source: BOCOM BBM, Macrobond, BLS

- 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, ongoing fiscal support, and still-accommodative effects from past monetary easing. The impact of the conflict on energy markets, trade flows, and supply chains is expected to remain a key driver of global inflation and activity dynamics through the remainder of 2026.

Inflation range during the past 12 months



Source: BOCOM BBM, Macrobond

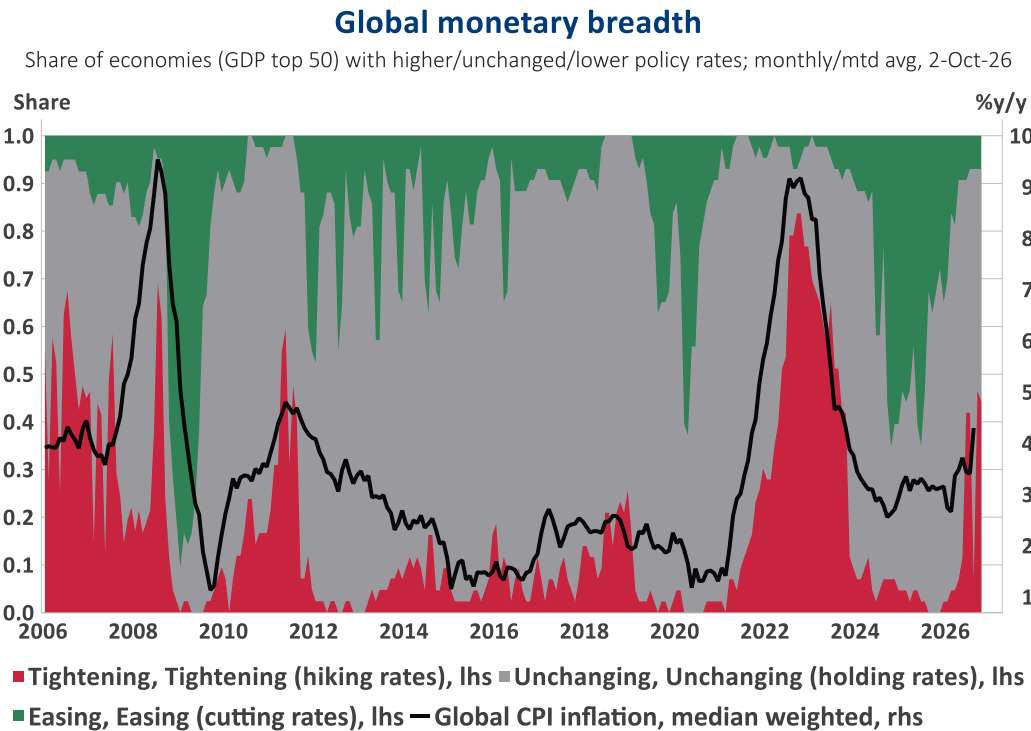
G20: GDP Growth Tracker (QoQ, %)

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	-0,6	0,7	1,1	0,3	0,3	0,7	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	0,6	0,6	0,2	0,3	0,0	0,5	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	0,4	0,5	0,3	-0,4	0,1	0,5	0,4	0,8
Mexico	1,4	-0,3	0,9	-0,1	0,0	0,8	-0,9	1,0
Russia	0,9	-0,4	0,6	0,1	0,0	-0,2	1,0	0,6
Saudi Arabia	-8,1	-2,6	3,9	2,4	-0,7	-0,4	3,9	1,6
South Africa	-0,2	0,4	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	0,5	0,6	0,0	0,2	0,0	0,6	0,4	0,2
United States	0,6	0,6	0,1	1,0	1,0	0,0	0,6	0,8
Euro Area 21	0,6	0,0	0,2	0,3	0,0	0,5	0,3	0,5

Sources: BOCOM BBM, Macrobond, National Sources

- After a global easing in monetary policy during 2025, the stagflationary impulse from the Middle East conflict, combined with rising risk premia, **has reinforced the global repricing toward a more restrictive monetary stance.**
- The uncertainty surrounding the impact of geopolitical tensions across domestic economies continues to keep central banks on a cautious and data-dependent path in 2026.
- Overall, **the easing bias has largely been replaced by discussions of higher-for-longer rates across most G20 economies.** In September, the Federal Reserve, the ECB and the Bank of Japan all delivered rate hikes, reinforcing the shift toward a more restrictive global monetary backdrop.



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	33,5	31,9	29,00	-3,00	Cut	1/2025	36	20
Australia	3,9	3,7	4,60	0,25	Hike	9/2026	0	14
Brazil	4,2	4,3	13,75	-0,25	Cut	9/2026	15	1
Canada	3,0	2,3	2,25	-0,25	Cut	10/2025	39	11
Chile	4,1	3,5	4,50	-0,25	Cut	12/2025	48	10
China	1,1	1,0	3,00	-0,10	Cut	5/2025	152	16
Colombia	6,2	6,5	12,25	0,25	Hike	10/2026	0	17
Costa Rica	-0,2	0,1	3,00	-0,25	Cut	7/2026	47	2
Czech Republic	1,9	0,2	3,75	0,25	Hike	6/2026	3	17
Denmark	2,0	2,2	2,25	0,25	Hike	9/2026	1	16
Euro Area	3,8	2,5	2,65	0,25	Hike	9/2026	1	16
Hungary	1,3	2,0	5,50	-0,25	Cut	8/2026	48	1
Iceland	5,9	5,0	8,00	0,25	Hike	8/2026	1	10
Indonesia	3,3	2,8	5,75	0,25	Hike	6/2026	4	13
Israel	1,4	1,3	3,25	-0,25	Cut	9/2026	40	1
Japan	1,9	1,9	1,25	0,25	Hike	9/2026	0	128
Mexico	3,3	3,9	6,50	-0,25	Cut	5/2026	42	5
New Zealand	4,1	2,5	2,75	0,25	Hike	9/2026	1	10
Norway	3,3	3,0	4,50	0,25	Hike	9/2026	0	12
Poland	4,0	3,3	3,75	-0,25	Cut	3/2026	49	7
Russia	6,3	5,4	14,00	-0,25	Cut	7/2026	23	2
Saudi Arabia	1,8		4,50	0,25	Hike	9/2026	1	10
South Africa	4,2	4,1	7,25	0,25	Hike	9/2026	0	10
South Korea	2,9	2,8	3,00	0,25	Hike	8/2026	1	16
Sweden	0,3	0,7	1,75	-0,25	Cut	10/2025	36	12
Switzerland	1,0	0,5	0,00	-0,25	Cut	6/2025	39	15
Turkey	31,5	30,1	37,00	-1,00	Cut	1/2026	18	8
United Kingdom	3,1	2,6	3,75	-0,25	Cut	12/2025	38	9
United States	3,4	2,4	4,00	0,25	Hike	9/2026	1	10

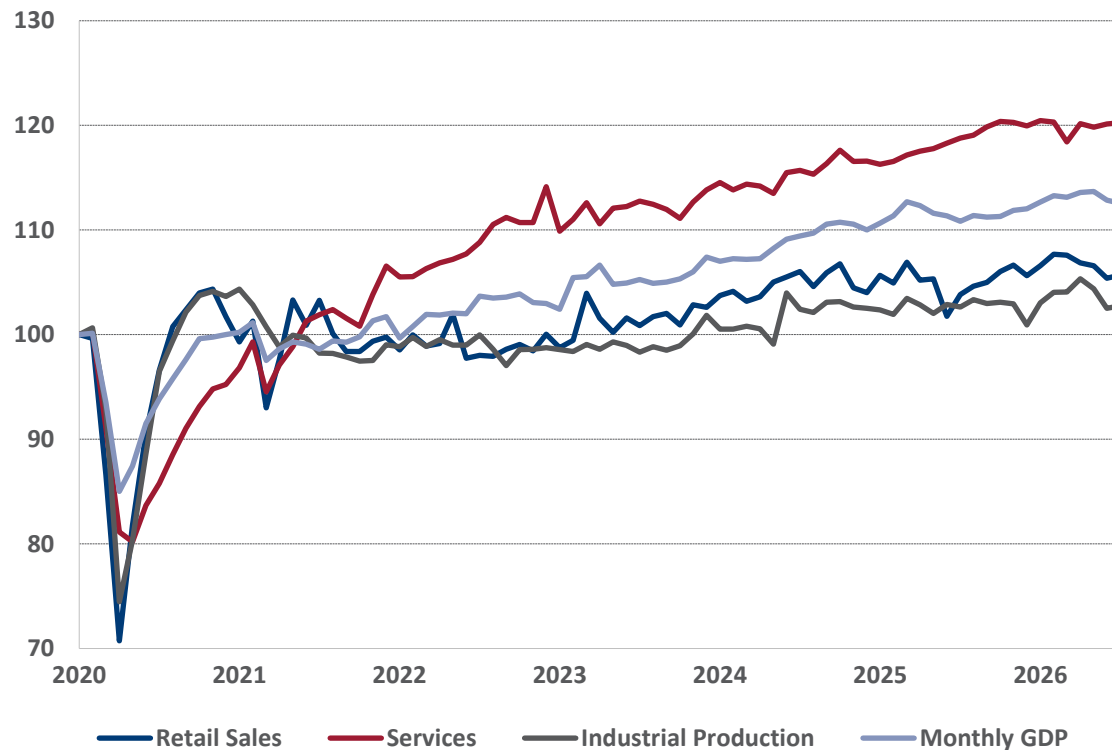
Source: BOCOM BBM, Macrobond

ECONOMIC FORECASTS	2020	2021	2022	2023	2024	2025	2026F	2027F
GDP Growth (%)	-3.3%	4.8%	3.0%	2.9%	3.4%	2.3%	1.7%	1.0%
Inflation (%)	4.5%	10.1%	5.8%	4.6%	4.8%	4.3%	5.2%	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%	13.50%	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%	-2.3%	-2.1%
Fiscal Policy								
Central Government Primary Balance (% of GDP)	-9.8%	-0.4%	0.5%	-2.1%	-0.4%	-0.5%	-0.5%	-0.3%
Government Gross Debt (% of GDP)	86.9%	77.3%	71.7%	74.4%	76.1%	78.7%	83.6%	87.8%

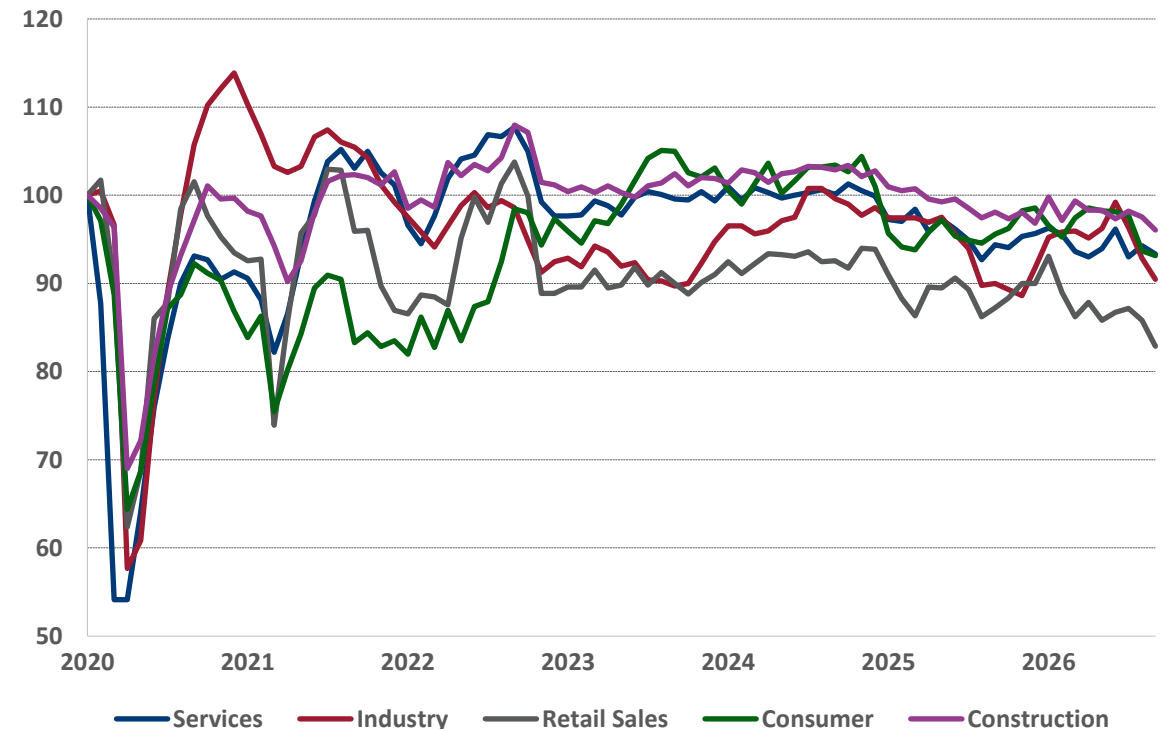
Brazil: Activity

- In July, industrial production increased 0.2% MoM, below market expectations (+0.5% MoM), interrupting two consecutive monthly declines. In July, services were flat, below market expectations (+0.2% MoM), while broad retail sales rose 0.4% MoM, also below market expectations (+0.5% MoM). Overall, the mixed set of indicators remains consistent with a gradual moderation in economic activity. Meanwhile, the IBC-Br fell 0.2% MoM in July, below market expectations (-0.1% MoM), marking its second consecutive monthly decline. Additionally, in August the industrial production fell 0.6% MoM, below market expectation of 0.1% MoM.
- Looking ahead, confidence surveys showed negative signals across the board in September all indicators declined, with retail and industry confidence deteriorating the most.

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



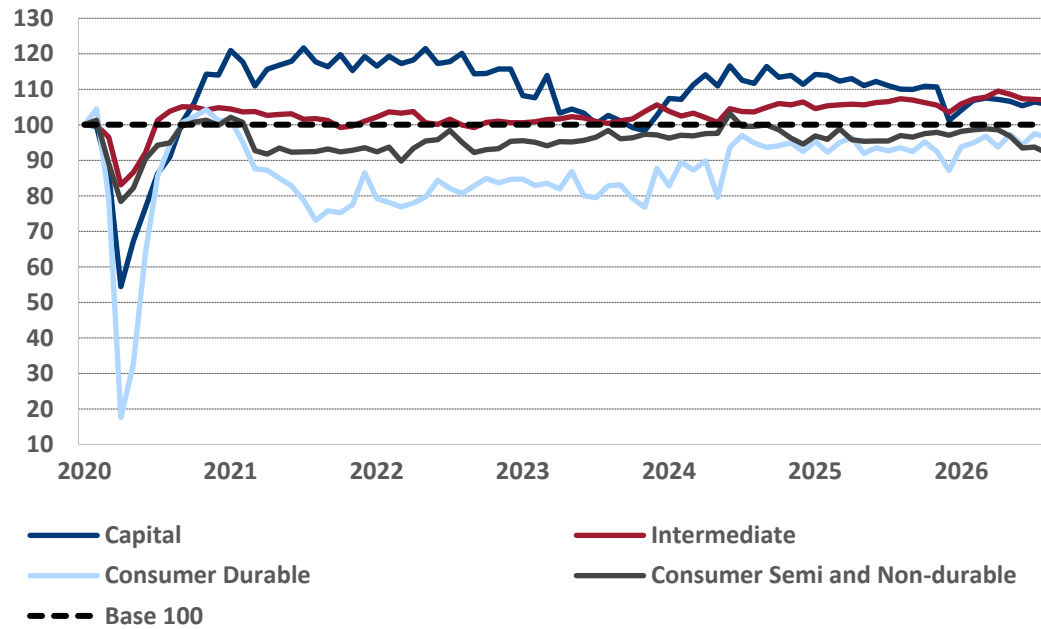
Brazil - Economic Confidence Index (Jan/20 = 100)



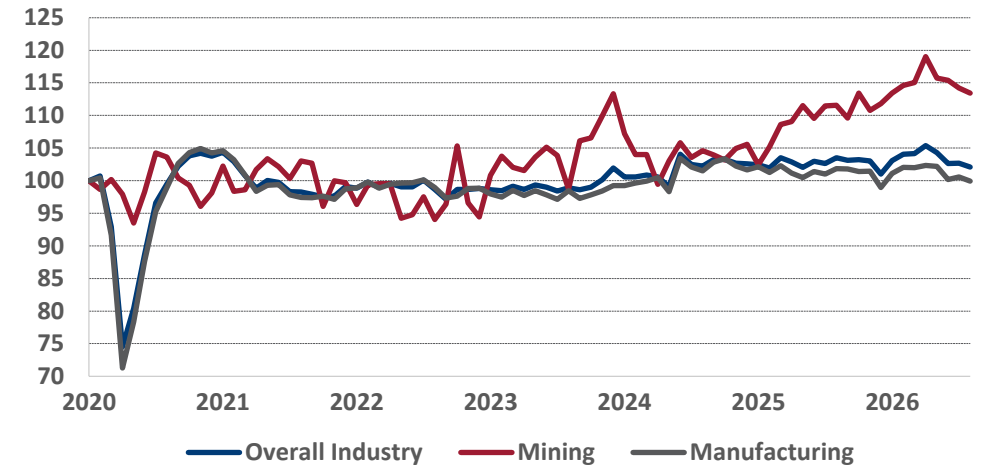
Brazil: Industrial Production

- Industrial output fell by 0.6% MoM in August, considerably below expectations of 0.1% MoM.
- There was a 1.2% drop compared to one year earlier (Market: -0.2%).
- The contraction in industrial production was widespread, since 16 of the 25 activities and all the four economic categories surveyed posted monthly declines.
- All the economic categories weakened in August.
- Overall, the industrial production data for August are consistent with the weakening of economic activity.

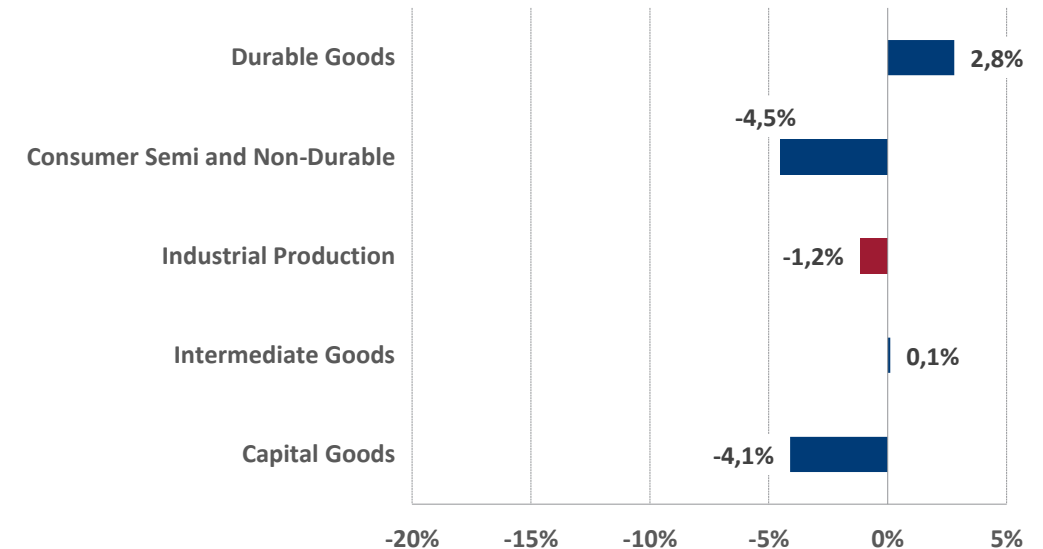
Industrial Production Index SA (Jan/20=100)



Industrial Production Index SA (Jan/20=100)



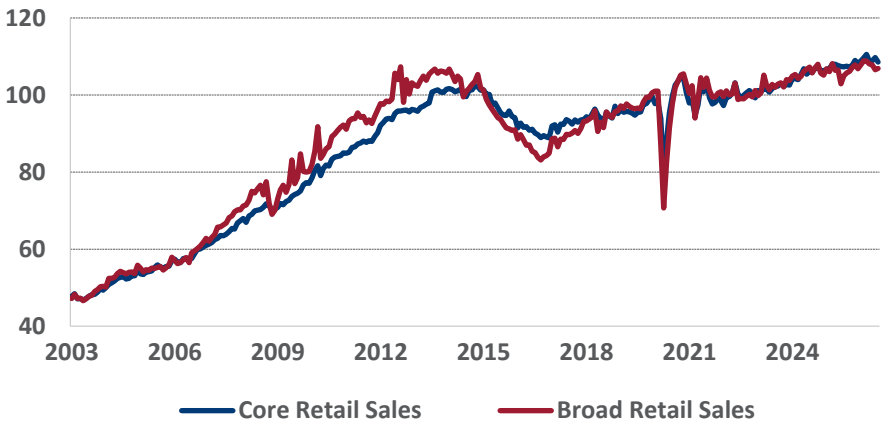
Industrial Production by Category - 08/2026 (YoY)



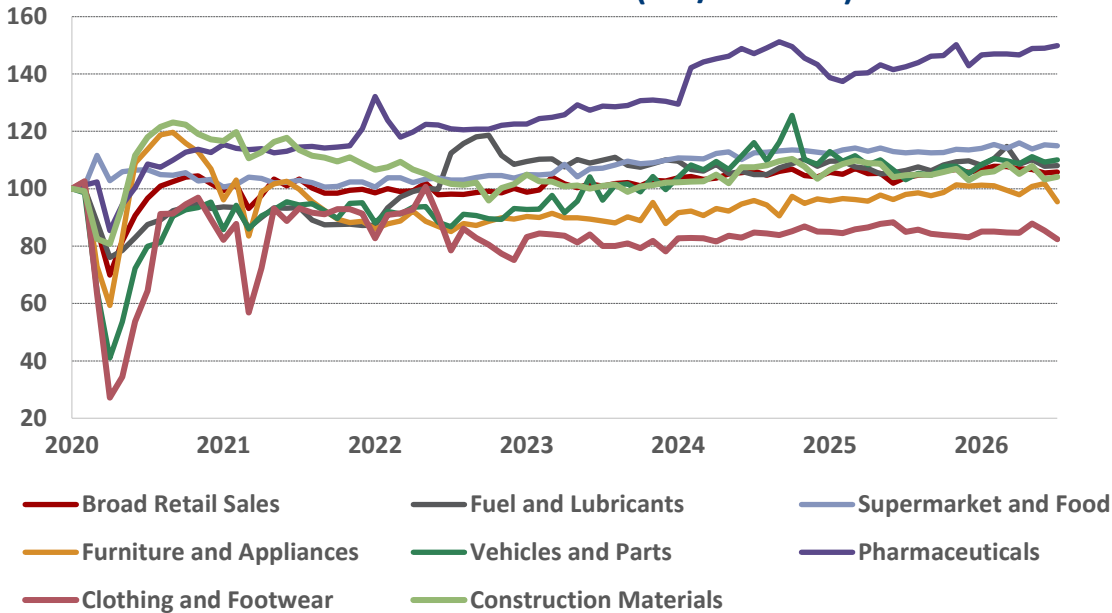
Brazil: Retail Sales

- Broad retail sales increased 0.4% MoM in July, marginally below expectations market consensus (0.5% MoM), while rising 1.8% YoY, also below market expectations (2.0%).
- Core retail sales dropped -0.8% MoM, below market consensus (-0.3% MoM). Monthly performance was weak in July: gains in Building Materials (+0.7%), Pharmaceuticals (+0.6%) and Vehicles (+0.3%) were offset by sharp declines in Furniture & Appliances (-4.9%), Books & Stationery (-4.2%) and Clothing & Footwear (-2.7%).
- The 3Q26 outlook remains soft due to negative carry-over effects and weak credit-sensitive spending.

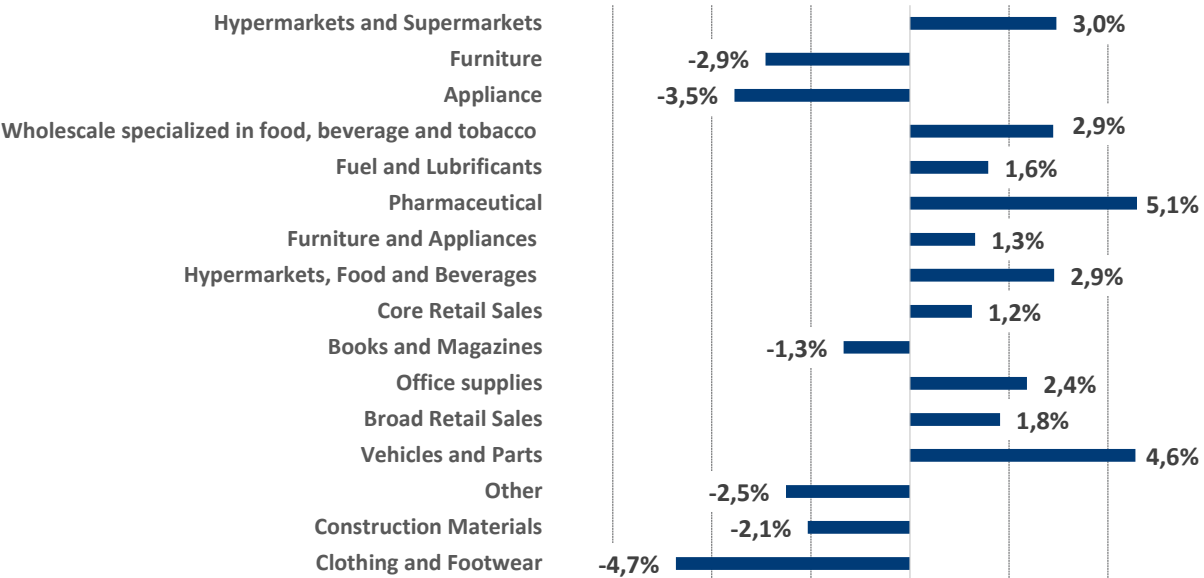
Broad Retail Sales SA x Core Retail Sales SA



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



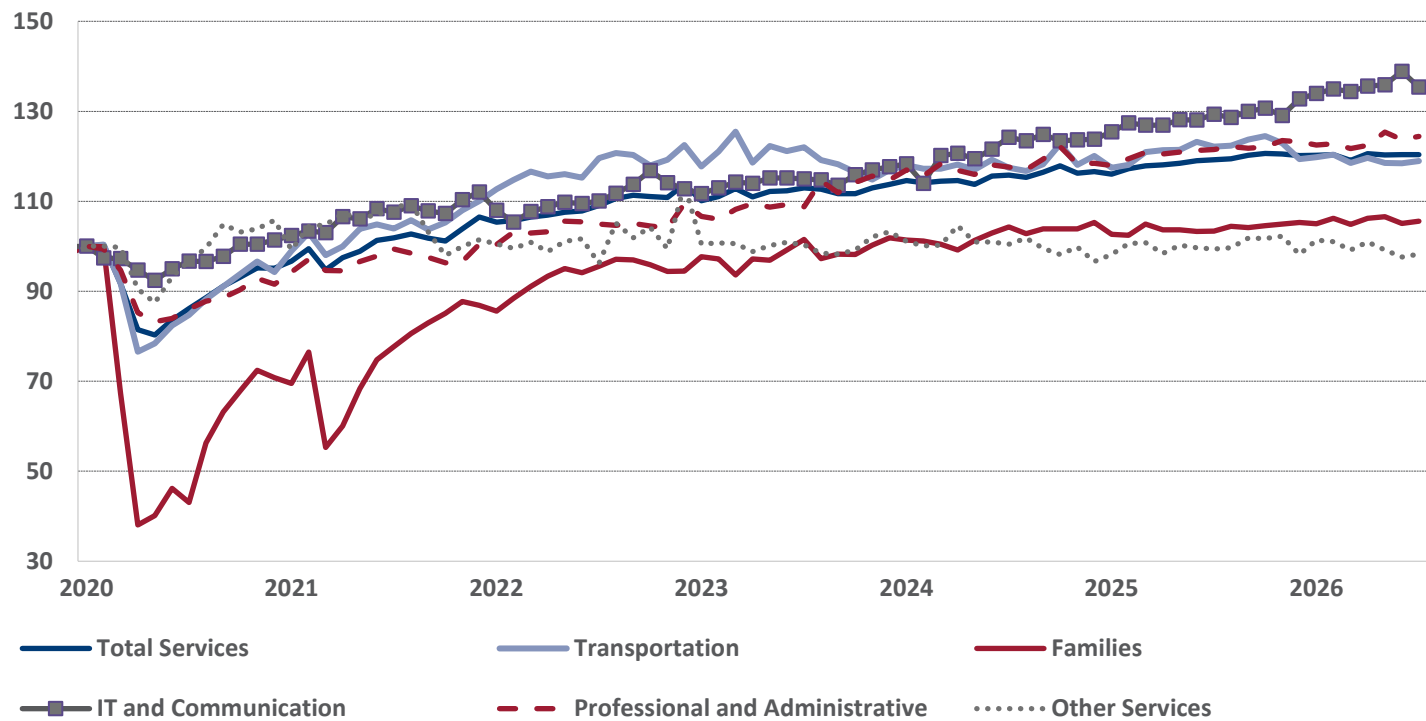
Retail Sales - YoY (07/2026)



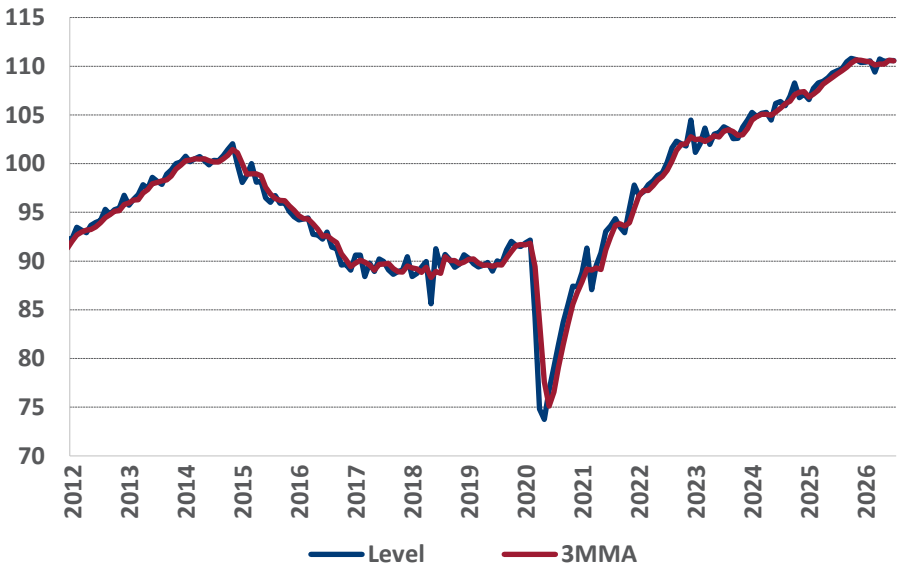
Brazil: Services

- The services sector was flat in July, below market consensus (0.2% MoM). Compared to July 2025, real service sector revenues increased broadly in line with expectations of 1.0%.
- Results were mixed across segments, with the main negative surprise coming from Communication and Information Services (4.6% YoY; -2.5% MoM), while Professional, Administrative and Complementary Services rose 1.8% YoY and 0.6% MoM decline. Services Rendered to Families remained positive (1.7% YoY; 0.5% MoM), although they were flat QoQ.
- Transportation Services also increased on the margin on monthly terms (-2.7% YoY; 0.4% MoM), supported by Land Transportation and by Air Transportation, after a sequence of sharp declines.
- Overall, the July reading was weaker than expect and concentrated on Communication and Information Services , and the composition remained relatively constructive. The statistical carry-over for 26Q3 stood at 0.0% QoQ, leaving the quarter with a neutral starting point.

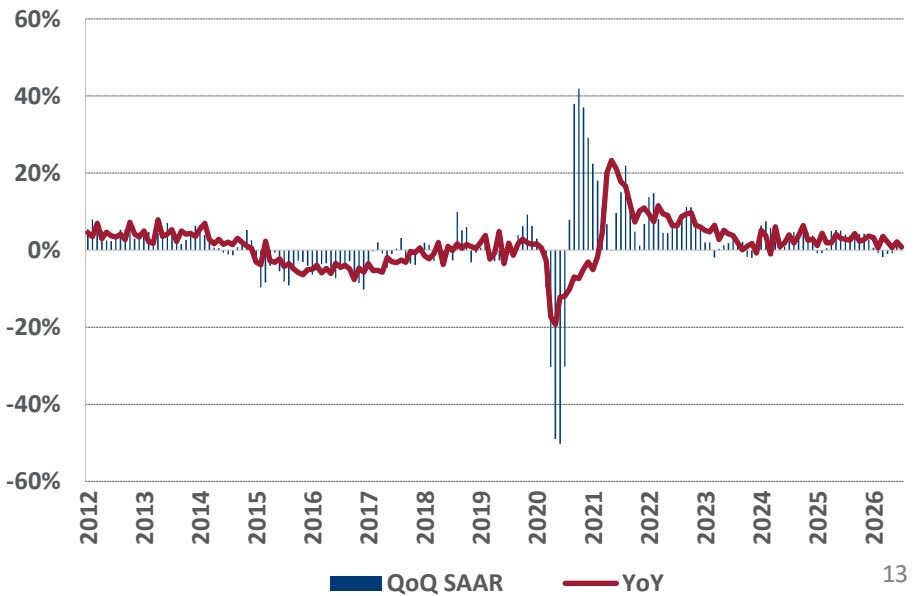
Services Sector SA (Jan20=100)



Services Sector SA

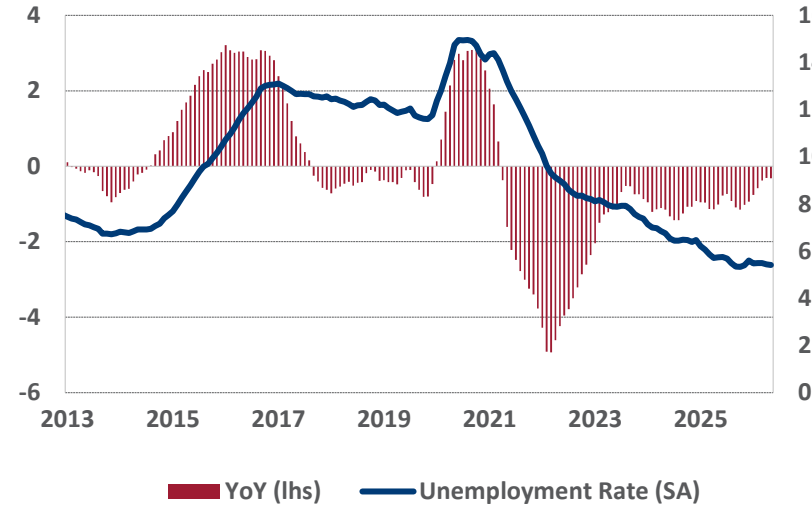


Services Sector

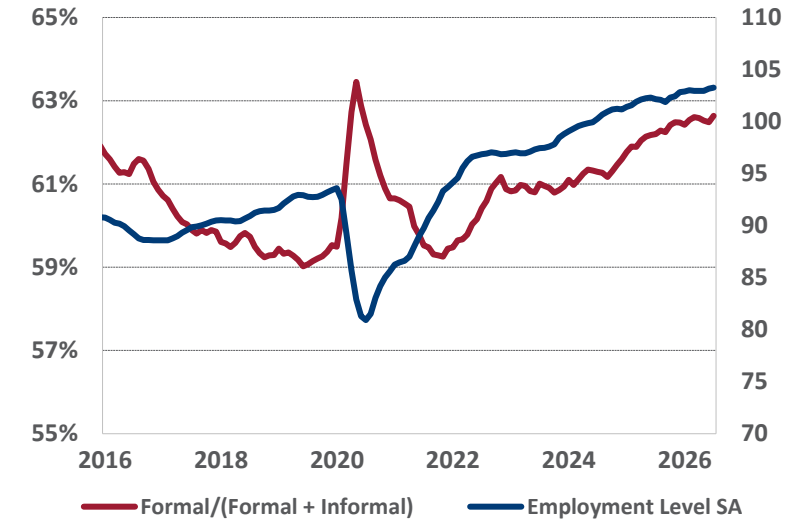


- The unemployment rate remained flat at 5.3% from the moving quarter up to July to the moving quarter up to August, in line with the market consensus (5.3%).
- Seasonally adjusted, the indicator reached 5.32%, remaining at historically low levels.
- Total employment edged up 0.1% MoM in August, reaching 103.4 million, marking the tenth consecutive monthly increase. On a year-over-year basis, employment grew 1.0%, taking the 12-month gain to 1.1%.
- The labor force participation rate remained stable at 62.2%, still well below pre-pandemic levels of around 63.5%.
- The effective average real labor income increased 0.2% MoM in August, the second consecutive gain. The indicator expanded 4.0% over the past 12 months.
- Real aggregate labor income, which combines average labor earnings and total employment, advanced 0.5% MoM, while expanding 4.8% YoY and 5.6% over the past 12 months.
- Overall, August's PNAD data reinforced the view of a still-tight labor market, with the unemployment rate remaining well below its neutral level, although employment has shown signs of losing momentum.

Brazil - Unemployment Rate



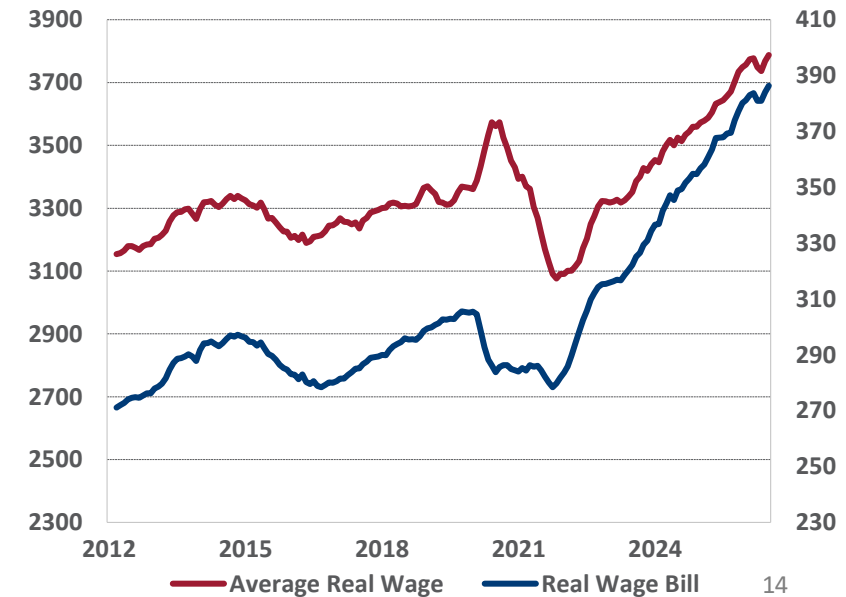
Brazil - Employment Level SA



Brazil - Workforce Participation



Brazil - Average Real Wage and Real Wage Bill

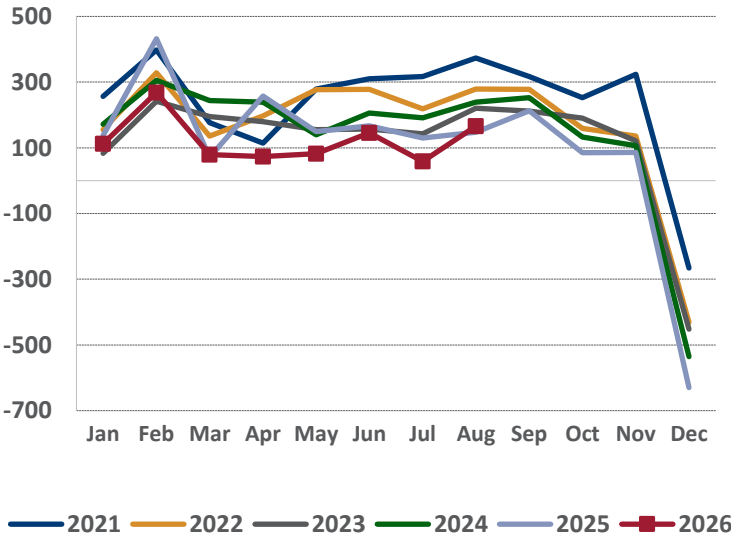


- August's CAGED report showed a net creation of 165.8k formal jobs, significantly above market expectations (106.9k).
- The 12-month cumulative job balance rose to 888k, from 877k previously, interrupting the downtrend observed over recent months.
- Despite the upside surprise, the labor market continues to show signs of gradual cooling rather than contraction.

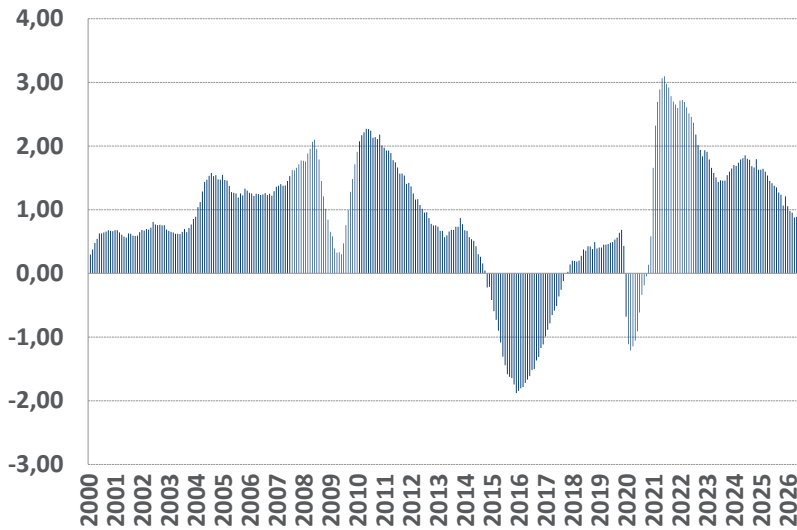
CAGED - Balance of Jobs (SA, Thousand)



CAGED - Balance of Jobs (Thousand)



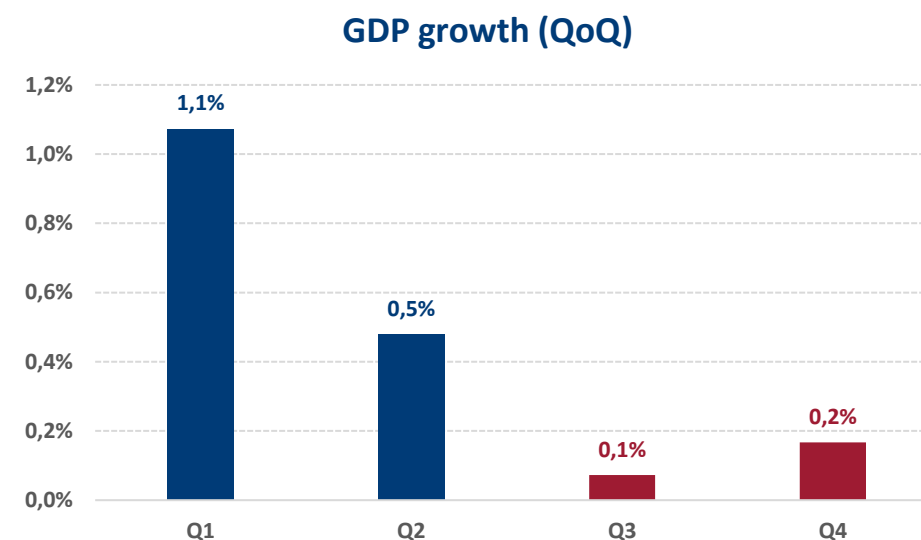
CAGED – Balance of Jobs 12 Months Acc. (Million)



Brazil: GDP Forecast

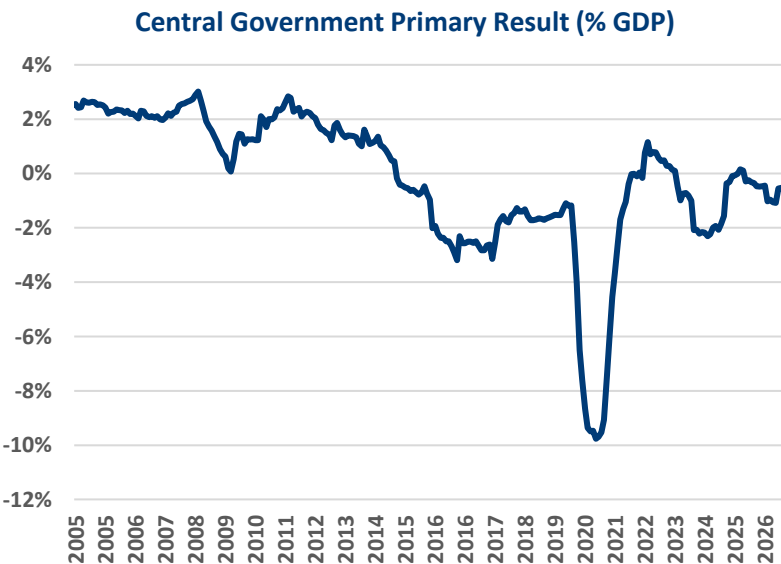
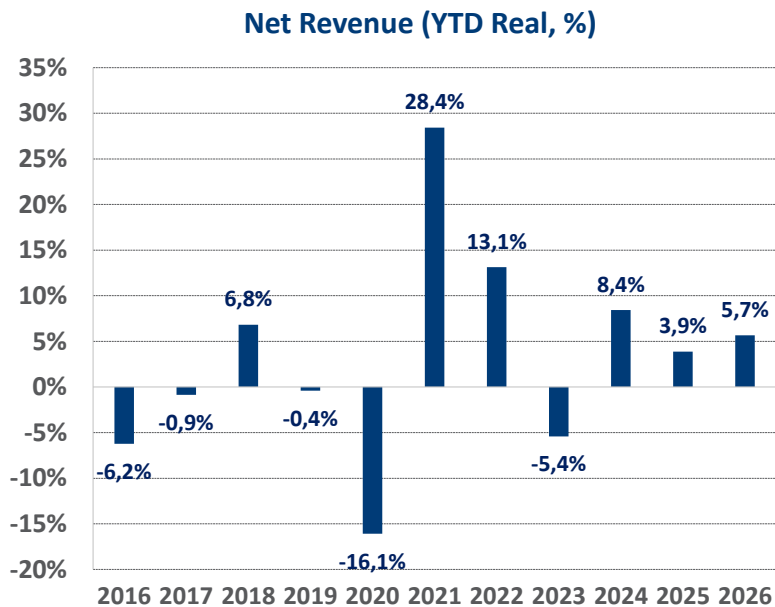
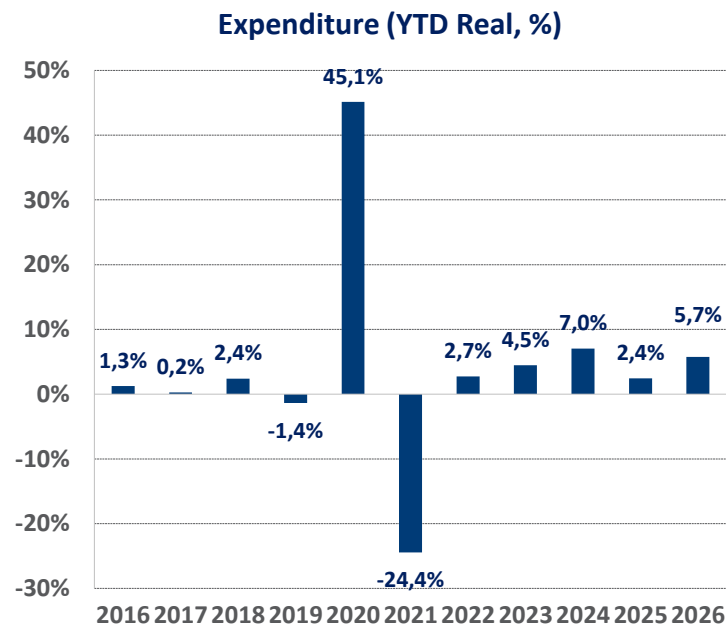
- New fiscal/credit stimulus policies and non-cyclical sectors boosted the economic growth in the first half of the year.
- The slowdown must intensify from the third quarter.

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 Communication	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%



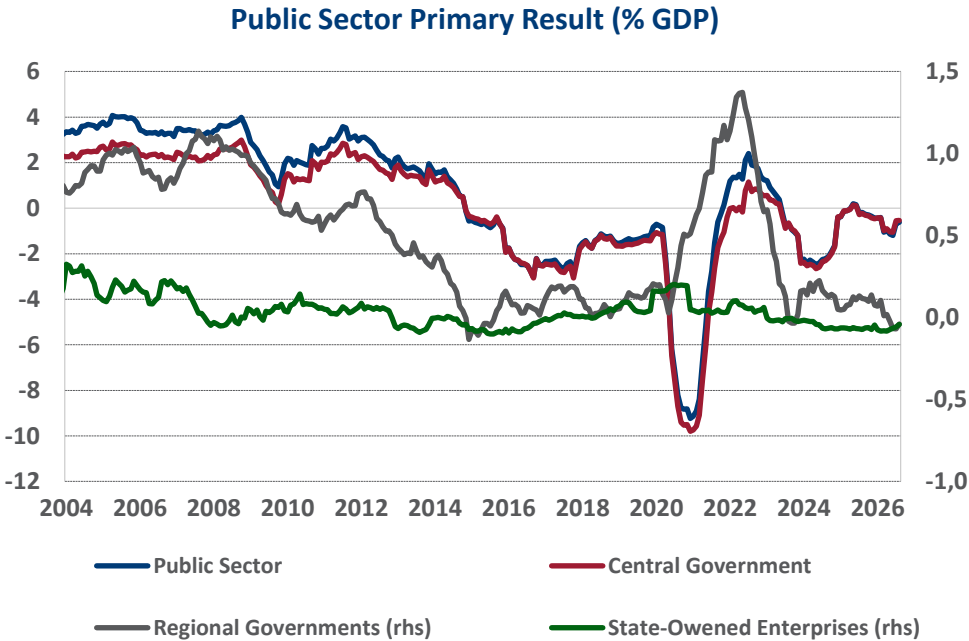
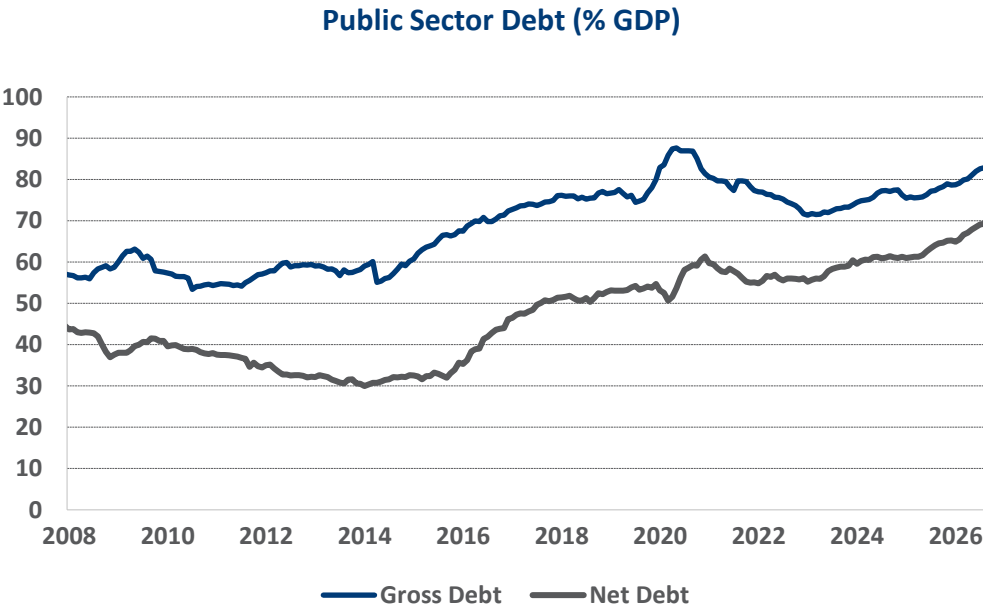
Brazil: Central Government Primary Result

- The Central Government posted a primary deficit of BRL 13.6 billion in August, better than the market consensus of a BRL 14.4 billion deficit and an improvement relative to the BRL 15.5 billion deficit recorded in the same month of 2025.
- Net revenues increased 3.5% YoY. Revenues administered by the Federal Revenue Service rose 5.6%, supported by import tax (+23.1%), reflecting higher import volumes and a higher effective tax rate, and by IPI (+20.3%), due to the tax hike on tobacco. Social security contributions rose 6.3%, while non-administered revenues increased 5.3%, mainly due to a 33.1% rise in revenues from the exploitation of natural resources.
- Total expenditure rose 1.9% YoY, driven by social security benefits (+3.3%), salary bonus and unemployment insurance (+26.8%) and extraordinary credits (+186.4%), related to fuel subsidies. There was also a BRL 4.9 billion disbursement to the Special Campaign Financing Fund (FEFC), which did not occur in 2025. Discretionary spending declined 28.1%, while personnel expenses fell 3.7%.
- Looking ahead, oil-related revenues should continue to support fiscal results, although taxes more sensitive to economic activity are beginning to lose momentum, while softer discretionary spending execution should limit expenditure pressures through year-end.



Brazil: Consolidated Public Sector Budget

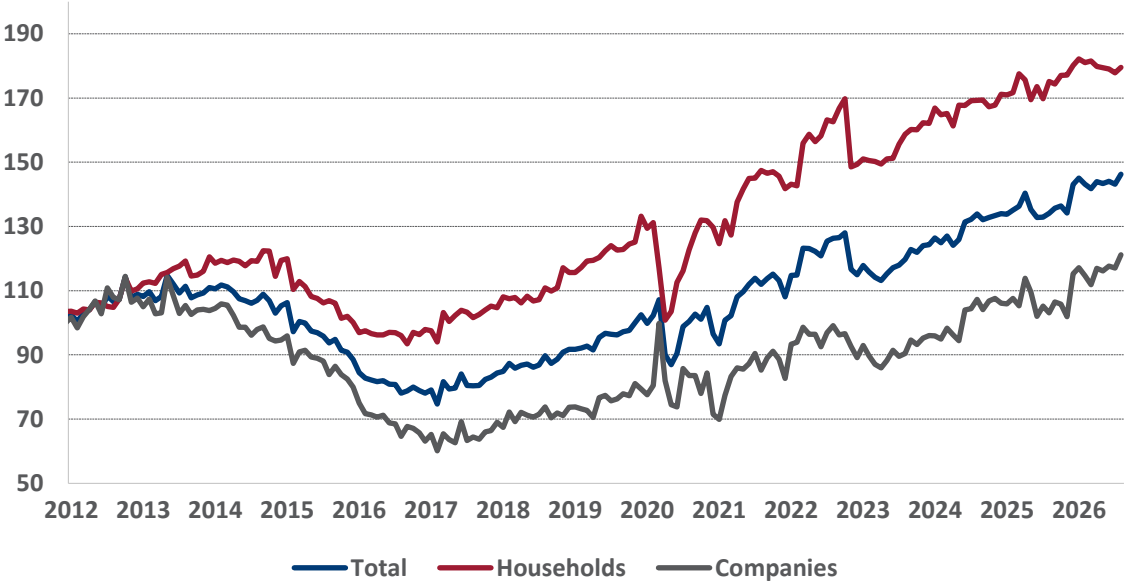
- The consolidated public sector posted a primary deficit of BRL 10.0 billion in August, better than the market consensus of a BRL 15.7 billion deficit and an improvement from the BRL 17.3 billion deficit recorded in the same month of 2025. On a rolling twelve-month basis, the public sector recorded a primary deficit of BRL 82.1 billion, equivalent to 0.6% of GDP.
- Regarding the breakdown, the central government posted a deficit of BRL 14.7 billion, while regional governments and state-owned enterprises recorded surpluses of BRL 2.7 billion and BRL 2.0 billion, respectively.
- General Government Gross Debt (GGGD) rose from 82.6% to 82.9% of GDP, reaching its highest level since March 2021, driven by nominal interest payments (+0.8 p.p.) and currency depreciation (+0.1 p.p.), partially offset by nominal GDP growth (-0.5 p.p.). Meanwhile, Net Public Sector Debt (NPSD) rose by 0.1 p.p. to 69.3% of GDP.
- Overall, surpluses from regional governments and state-owned enterprises helped, but did not prevent a public-sector deficit in August, while debt continues to rise.



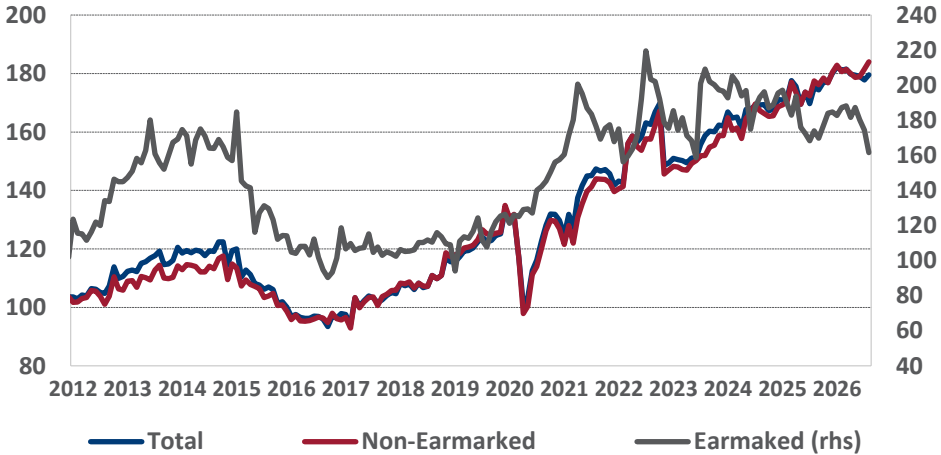
Brazil: Credit Statistics

- In August, total credit concessions rose 2.2% MoM in real terms, after a 0.6% decline in July.
- Non-earmarked concessions drove the increase, rising 5.6% MoM to companies and 1.4% to households, more than offsetting an 11.9% contraction in earmarked credit.
- Credit activity remained resilient, with real total concessions around 9.2% above their August 2025 level, although performance was uneven across segments.

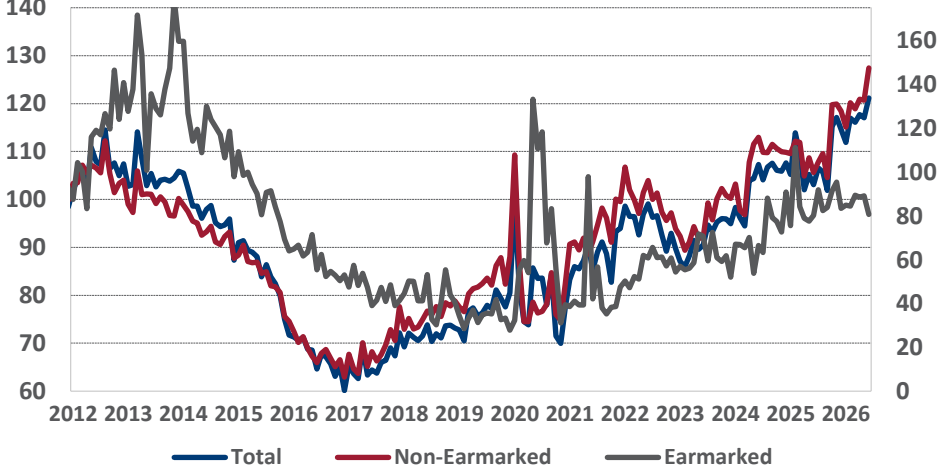
New Credit Operations SA (Real) - mar/11 = 100



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

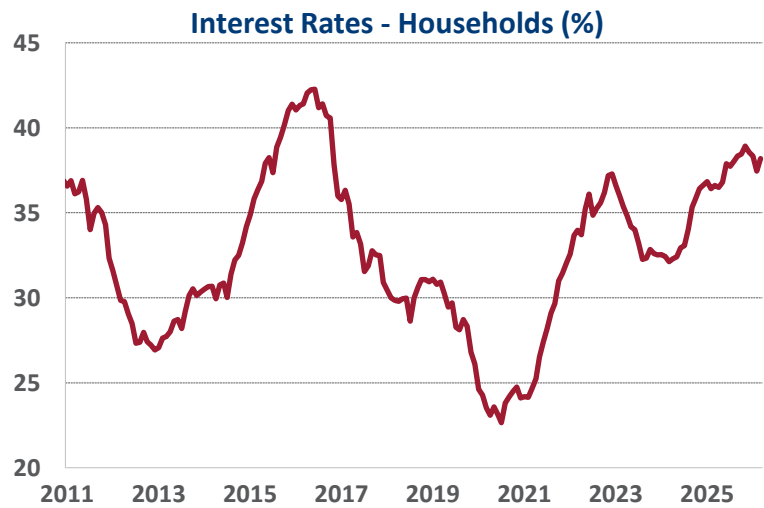
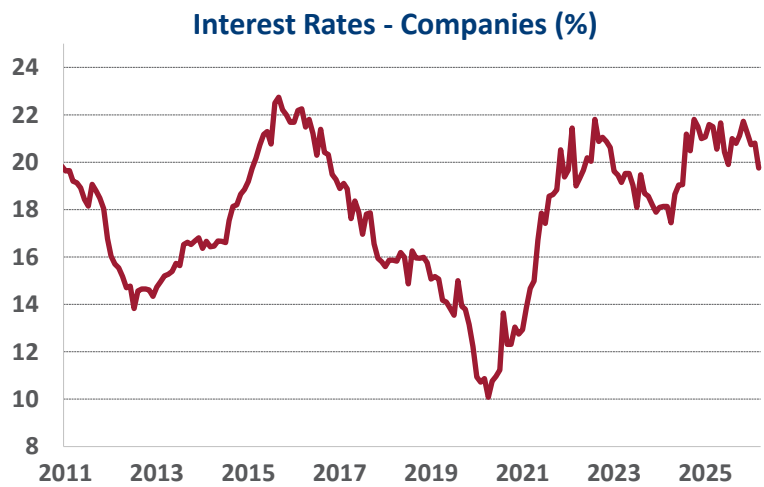
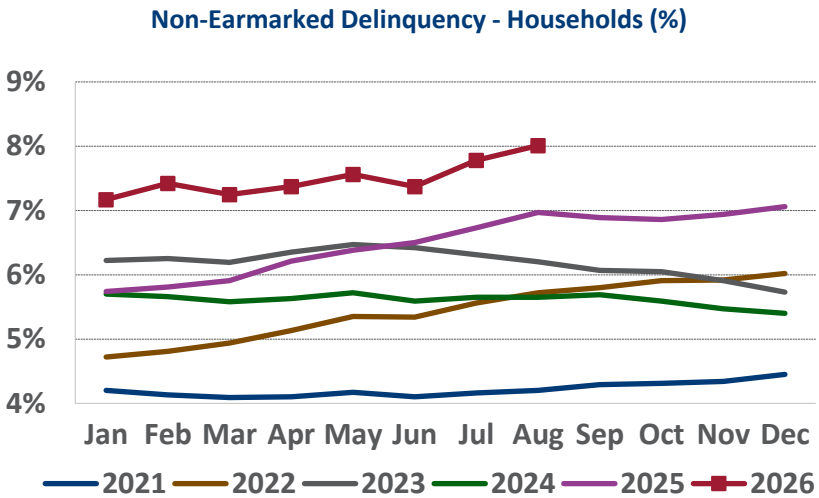
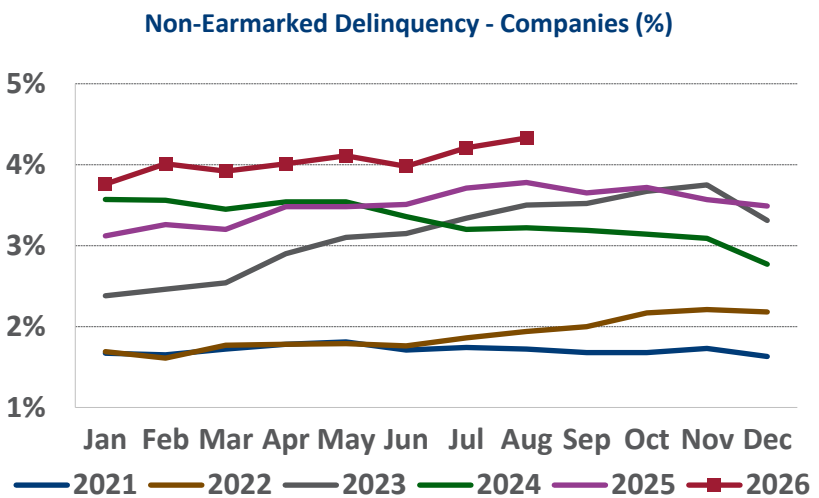


Concessions - Companies SA (Real) - mar/11 = 100



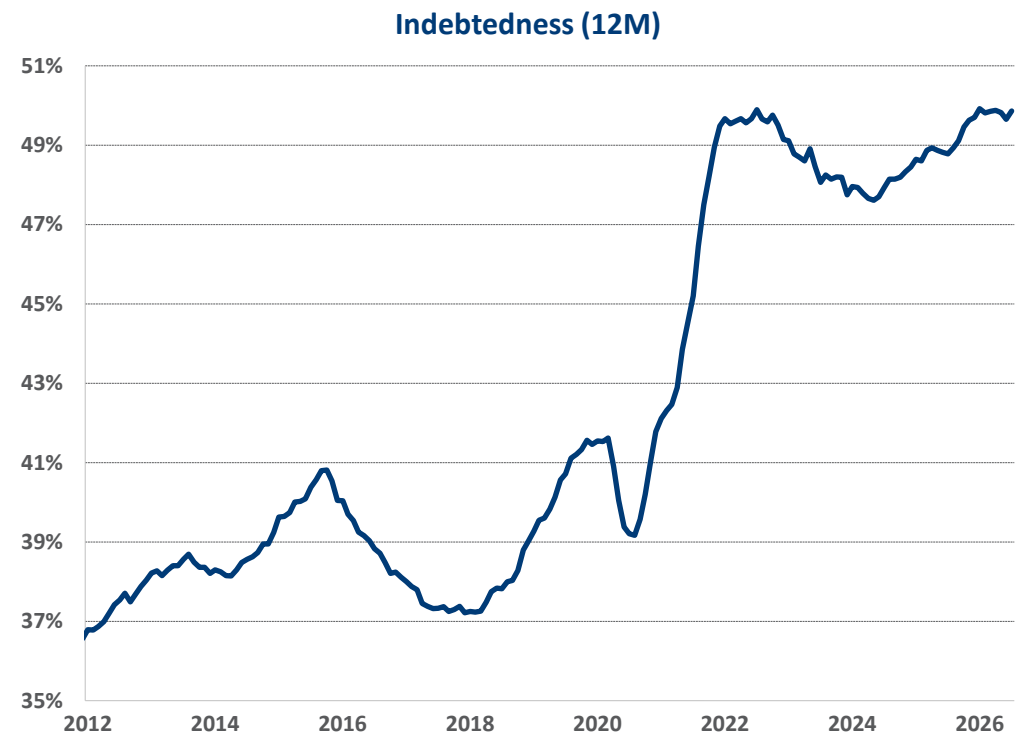
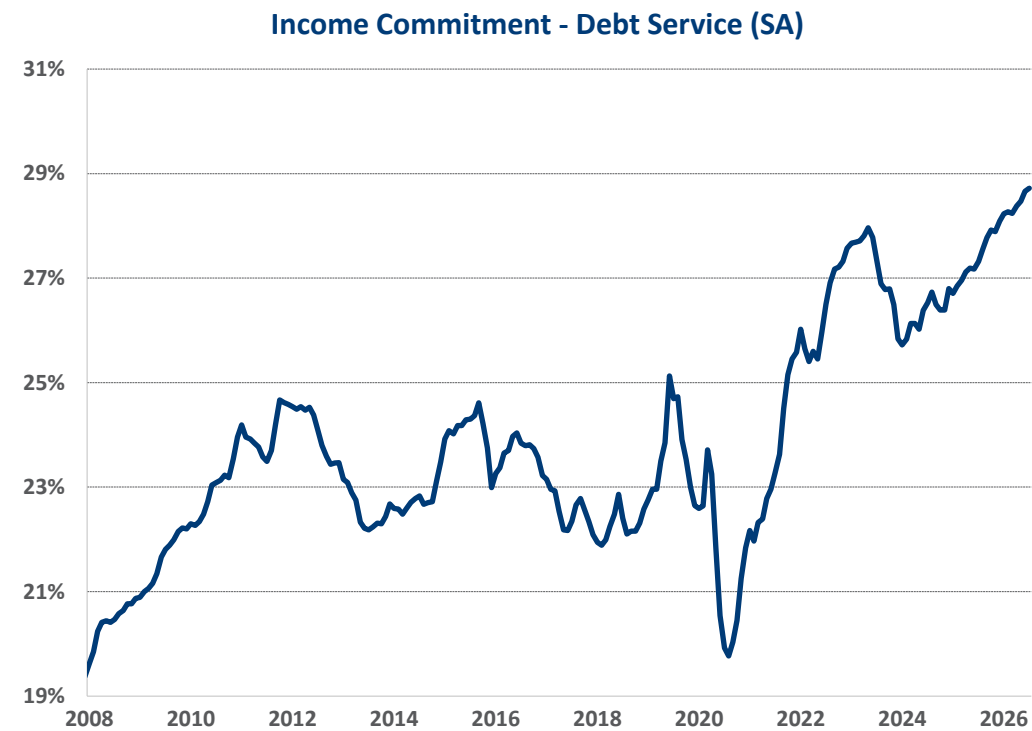
Brazil: Credit Statistics

- Lending rates remained elevated in August. Rates on new household loans rose from 37.46% to 38.18%, while rates for companies declined from 20.81% to 19.75%.
- Meanwhile, delinquency on non-earmarked loans increased in both segments, rising from 7.78% to 8.01% for households, the highest level in the series, and from 4.21% to 4.33% for companies.



Brazil: Credit Statistics

- Total household indebtedness remained high, rising from 49.65% in June to 49.86% in July, up 1.1 p.p. over twelve months.
- Meanwhile, income commitment increased from 28.66% to 28.72%, reaching a new high in the series.
- Credit conditions remained tight: the combination of high-income commitment, rising delinquency and still-elevated interest rates limits the room for credit to support consumption in the coming months, particularly for households.



Source: BOCOM BBM, BCB

Brazil: Inflation 2026

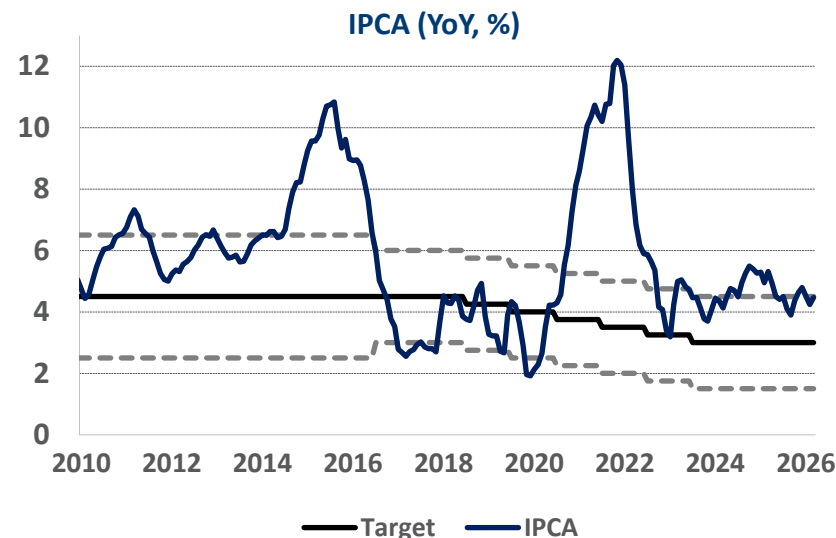
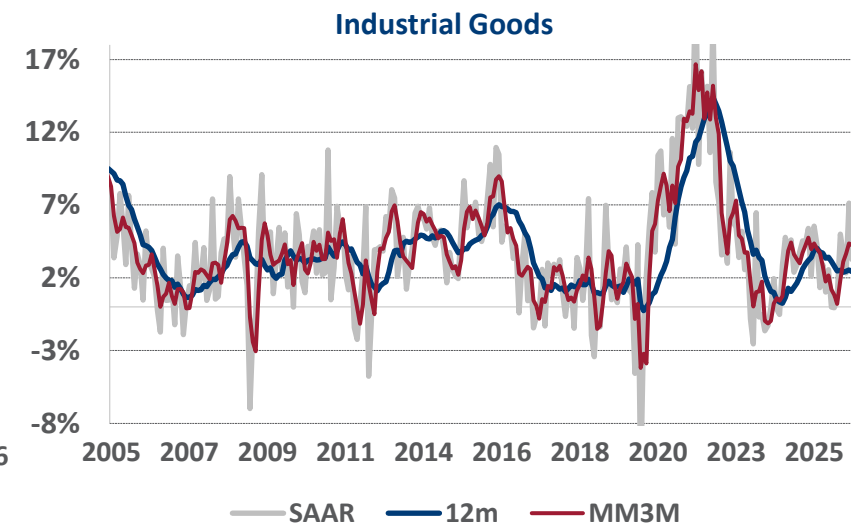
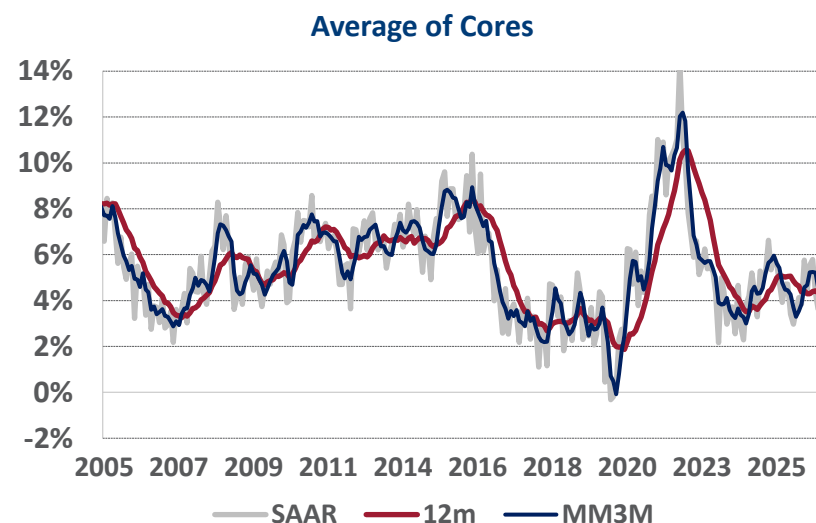
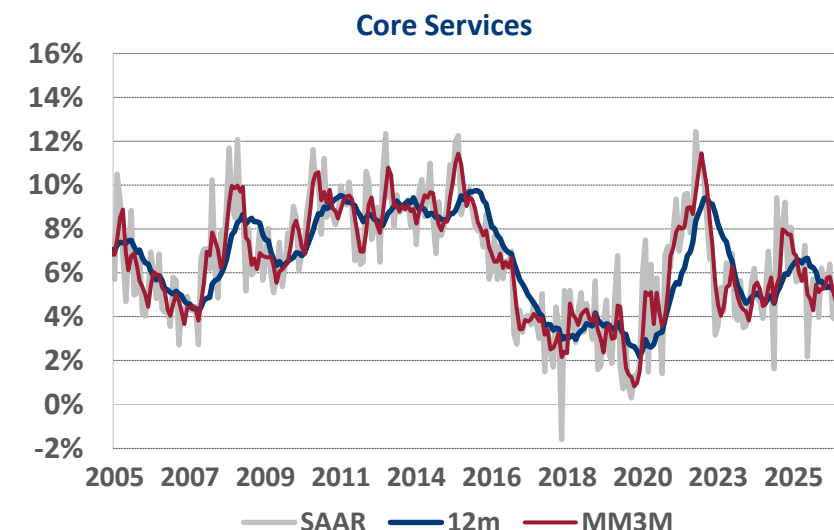
September IPCA-15 rose 0.70% MoM, above market expectations (0.53% MoM). Twelve-month inflation accelerated from 4.24% in August to 4.47% in September.

The main upward pressure came from the reversal of the Itaipu bonus in electricity bills, which rose 7.42% MoM, alongside airfares, gasoline and cigarettes.

Core services inflation advanced 0.28% MoM, slightly below market expectations (0.31% MoM). Its three-month moving average seasonally adjusted annualized rate (3MMA SAAR) accelerated from 4.59% in August to 5.20% in September, while the 12-month rate rose from 5.03% to 5.30%.

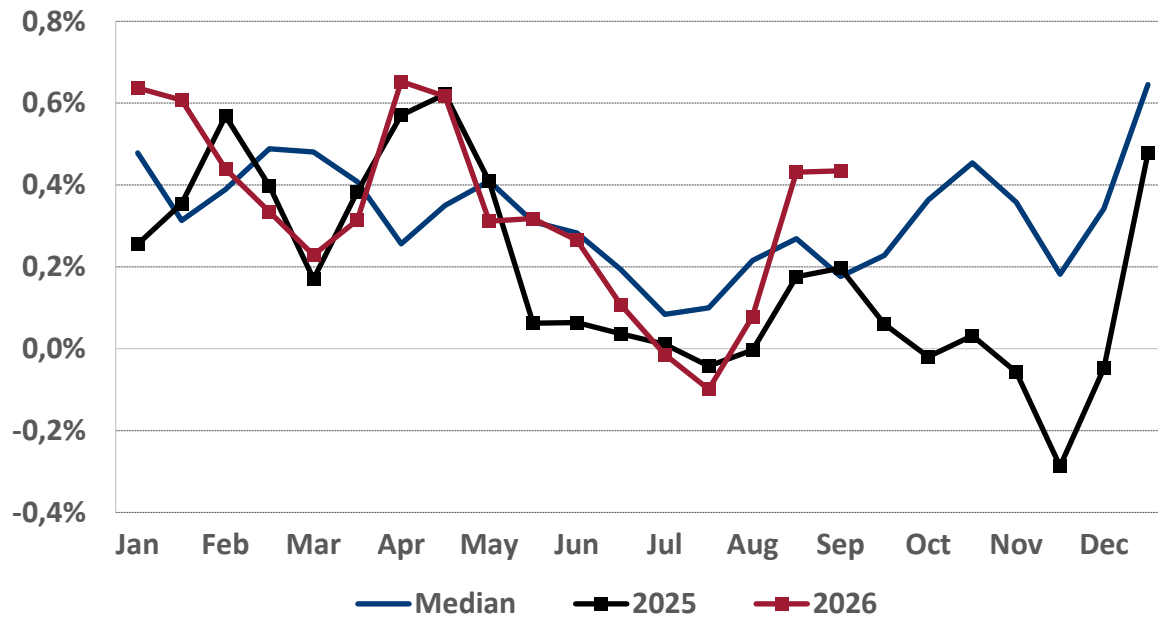
The average of core inflation measures rose 0.34% MoM. Its 3MMA SAAR accelerated from 3.87% to 4.30%, while the 12-month rate increased from 4.17% to 4.32%.

September's IPCA-15 showed a less favorable composition, with market-set prices accounting for the entire upside deviation and surprising across food, services and industrial goods. With the Itaipu credit exhausted, the electricity effect runs its course in September and should no longer pressure the headline from October onward, but underlying and labor-intensive services remain the main source of resilience.

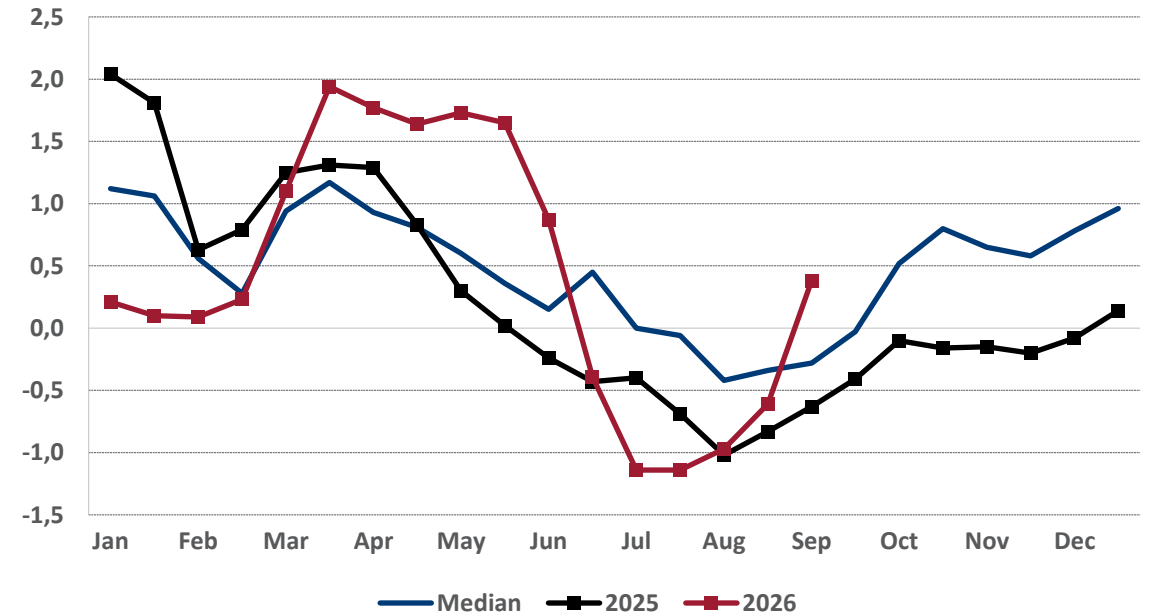


- Industrial goods inflation rose 0.43% MoM in September, above market expectations (0.28% MoM).
- Food-at-home prices rose 0.38% MoM, above market consensus (0.13% MoM), the first increase after three consecutive monthly declines. The rise was mainly driven by tubers, roots and vegetables and by meat, while fruits and dairy products partially offset the upward movement.
- The food deflation seen since June appears to have run its course and food inflation is expected to accelerate into 4Q26 on El Niño effects and firmer meat prices.

Industrial Goods (MoM, %)



Food at Home (MoM, %)

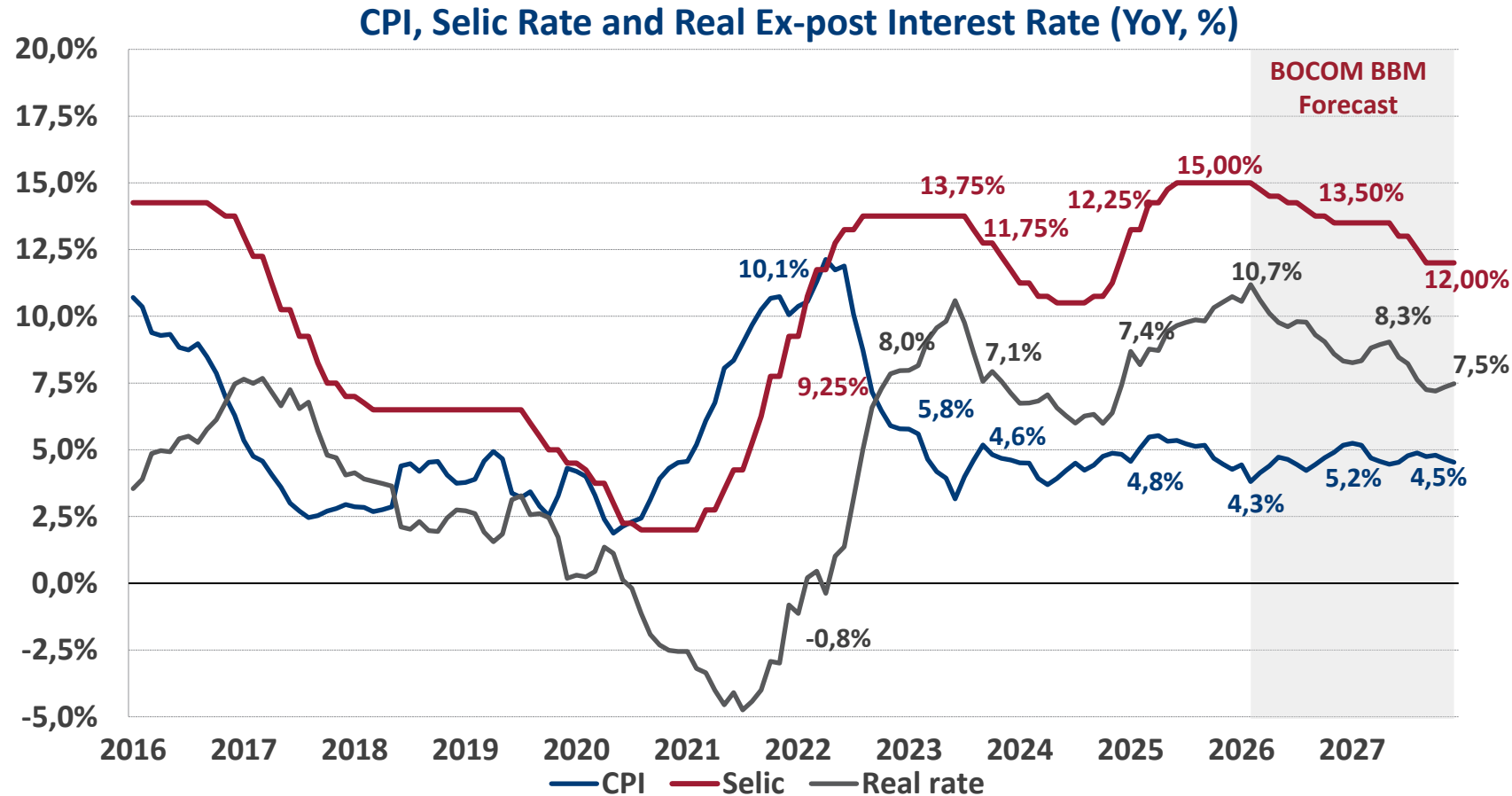


Brazil: Inflation Outlook

I We forecast inflation at 5.2% this year and 4.5% in 2027.

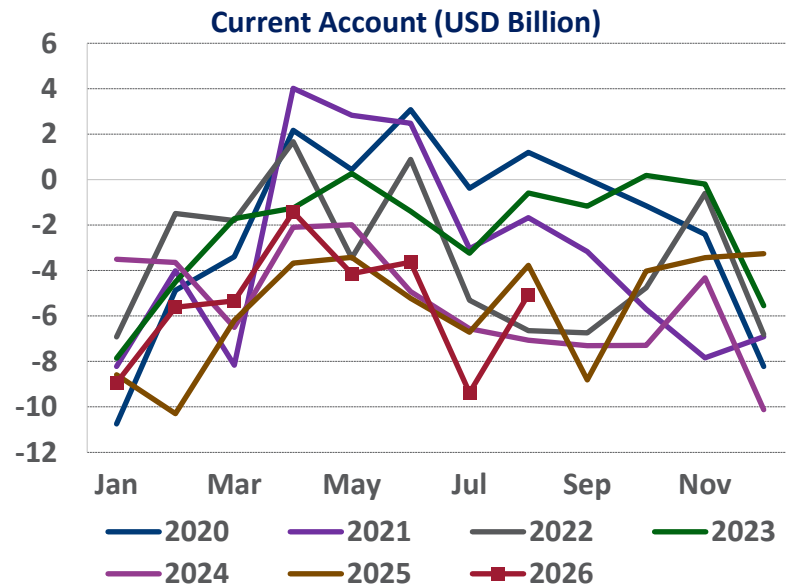
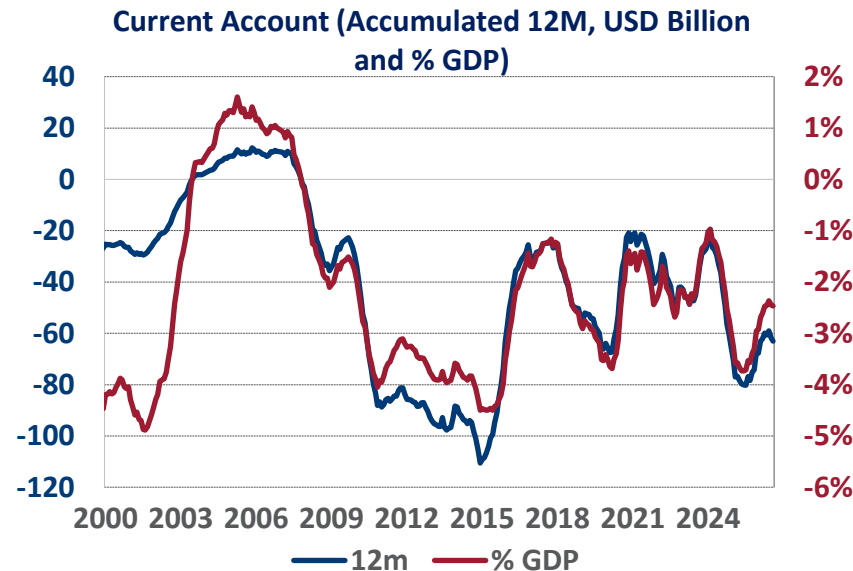
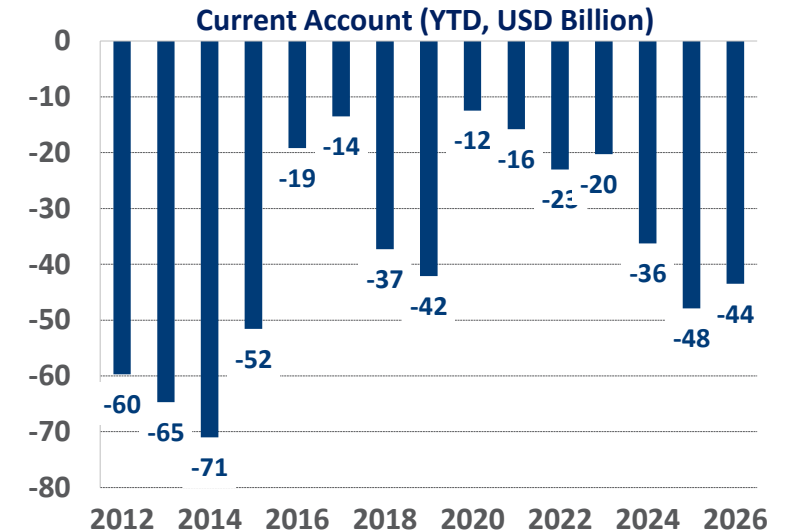
IPCA (% annual)									
	Weight	2020	2021	2022	2023	2024	2025	2026	2027
Regulated	26.6	2.6	16.9	-3.8	9.1	4.7	5.3	4.6	4.2
Industrial goods	23.6	3.2	11.9	9.5	1.1	2.9	2.4	3.4	3.4
Durable goods	10.3	4.5	12.9	6.1	-0.4	1.5	0.5	1.8	2.0
Semi-durable goods	5.9	-0.1	10.2	15.7	2.7	2.1	3.5	2.0	3.2
Non-durable goods	7.3	4.0	11.9	9.5	1.7	5.4	3.9	6.6	5.3
Food at home	15.7	18.2	8.2	13.2	-0.5	8.2	1.4	7.4	5.5
Services	34.1	1.7	4.8	7.6	6.2	4.6	5.8	5.8	5.0
Food away from home	5.6	4.8	7.2	7.5	5.3	6.3	7.0	6.6	5.7
Related to minimum wage	5.2	1.5	3.3	6.2	5.5	5.2	6.7	6.4	4.6
Sensitive to economic activity	8.2	0.2	5.1	6.3	9.5	0.9	5.4	5.9	4.2
Inertial	15.0	1.6	4.2	8.8	5.1	6.0	5.2	5.1	4.9
IPCA		4.5	10.1	5.8	4.6	4.8	4.3	5.2	4.5

- The COPOM reduced the Selic rate from 14.00% to 13.75% per year at its September meeting, a widely expected 25 bps cut, while maintaining an asymmetric balance of risks tilted to the upside. The committee kept its inflation projection for 1Q28 unchanged at 3.2% and acknowledged a gradual moderation in activity, concentrated in more cyclical sectors, with underlying inflation now below the upper limit of the tolerance band. Overall, there were very minor changes in the statement. Nonetheless, it acknowledges more improvements than challenges moving forward, and this leaves the door open for the continuation of the easing cycle. As the budget for further cuts is now very limited, the next steps will be guided by new data as they become available.



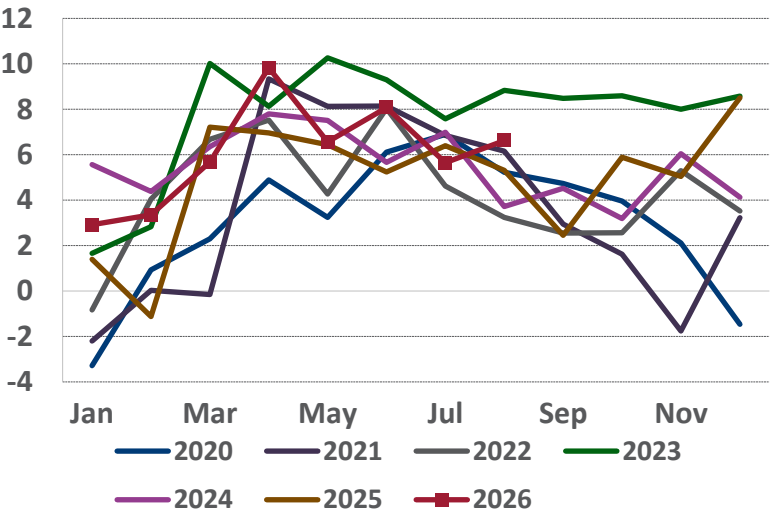
Brazil: Balance of Payments

- The Brazilian current account posted a deficit of USD 5.1 billion in August 2026, wider than market consensus of USD 4.9 billion.
- On a 12-month rolling basis, the current account deficit widened to USD 63.0 billion, equivalent to 2.47% of GDP, from USD 61.8 billion and 2.44% of GDP in July.

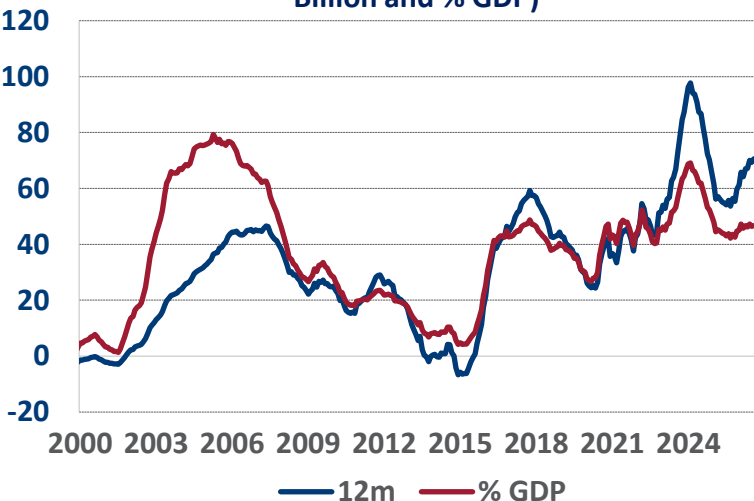


- The merchandise trade balance recorded a surplus of USD 6.6 billion in August, compared with the USD 5.3 billion surplus registered in August 2025.
- Exports reached USD 33.3 billion, up 12.1% YoY, as higher prices more than offset modest volume growth. Imports totaled USD 26.7 billion, a 9.4% YoY increase, also supported by higher prices.
- On a 12-month rolling basis, the trade surplus stood at USD 70.6 billion, slightly above USD 69.3 billion in July.

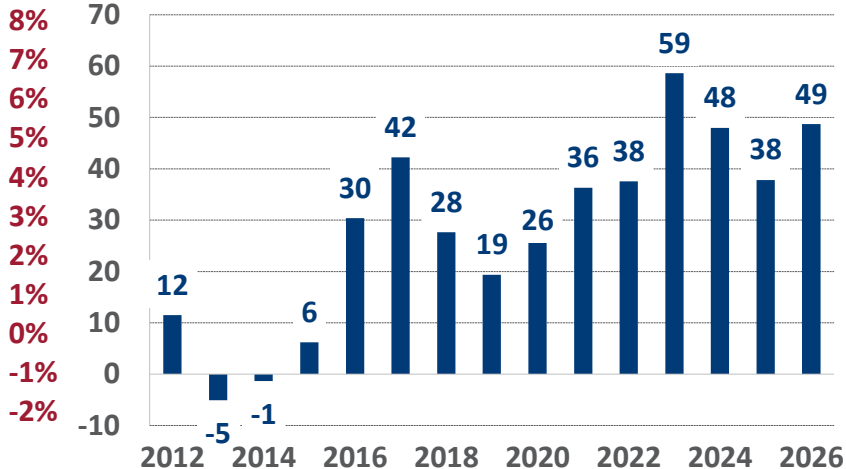
Balance on Goods (USD Billion)



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



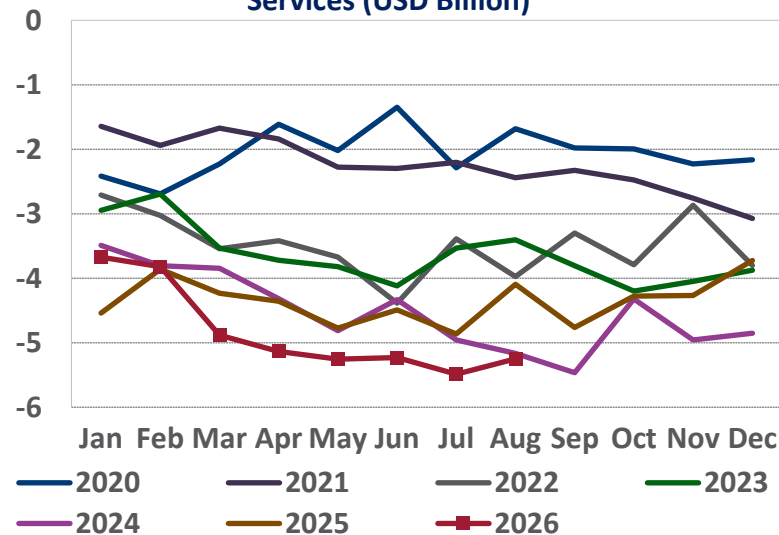
Balance on Goods (YTD, USD Billion)



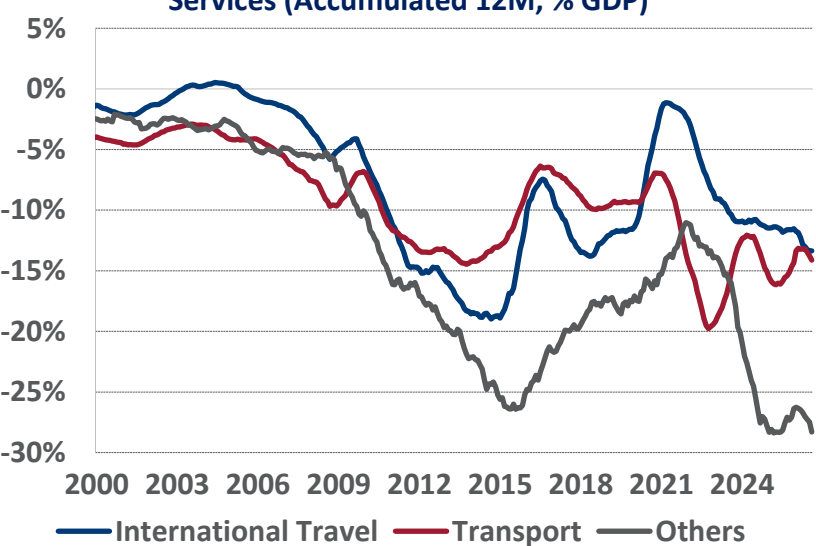
Brazil: Balance of Payments

- The services account registered a deficit of USD 5.3 billion in August, wider than the USD 4.1 billion deficit recorded in August 2025.
- Transportation expenses increased amid higher international freight costs, while net expenses in telecommunications, computing and information services more than doubled; travel expenses remained broadly stable at USD 1.0 billion.
- The primary income account posted a deficit of USD 7.0 billion in August, wider than the USD 5.4 billion deficit registered in August 2025.
- On a 12-month rolling basis, the services deficit reached USD 55.8 billion, from USD 54.6 billion in July.

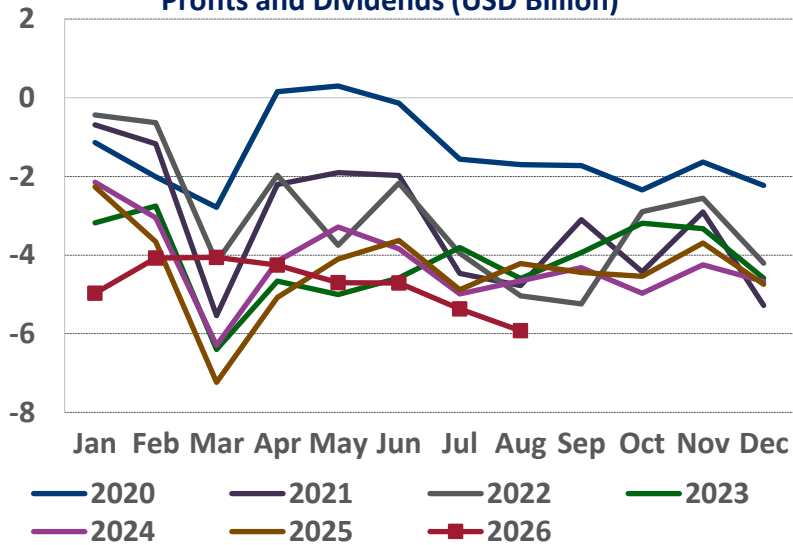
Services (USD Billion)



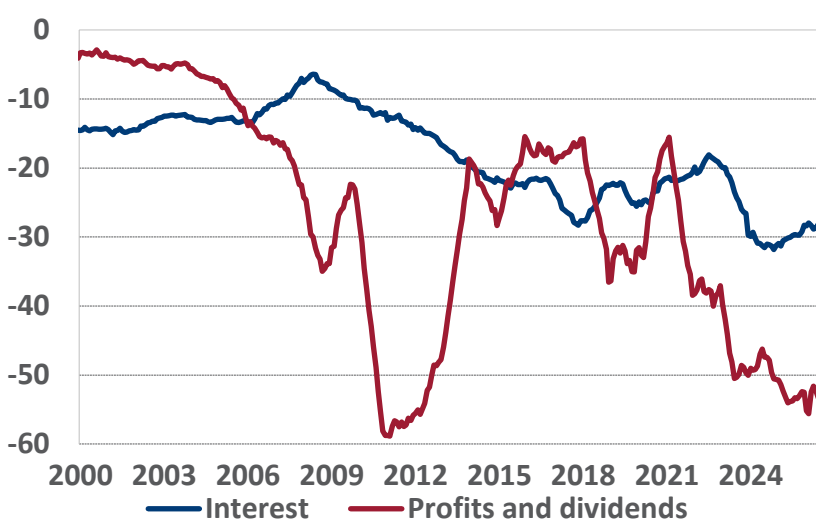
Services (Accumulated 12M, % GDP)



Profits and Dividends (USD Billion)

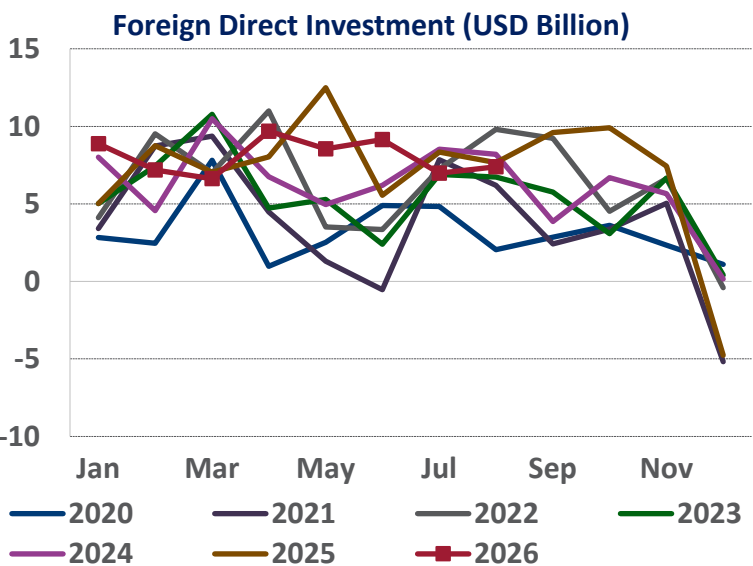
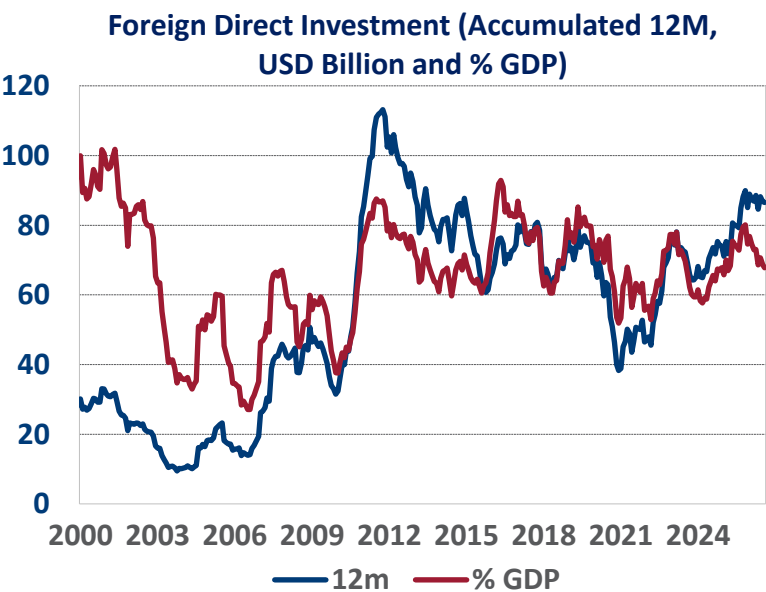
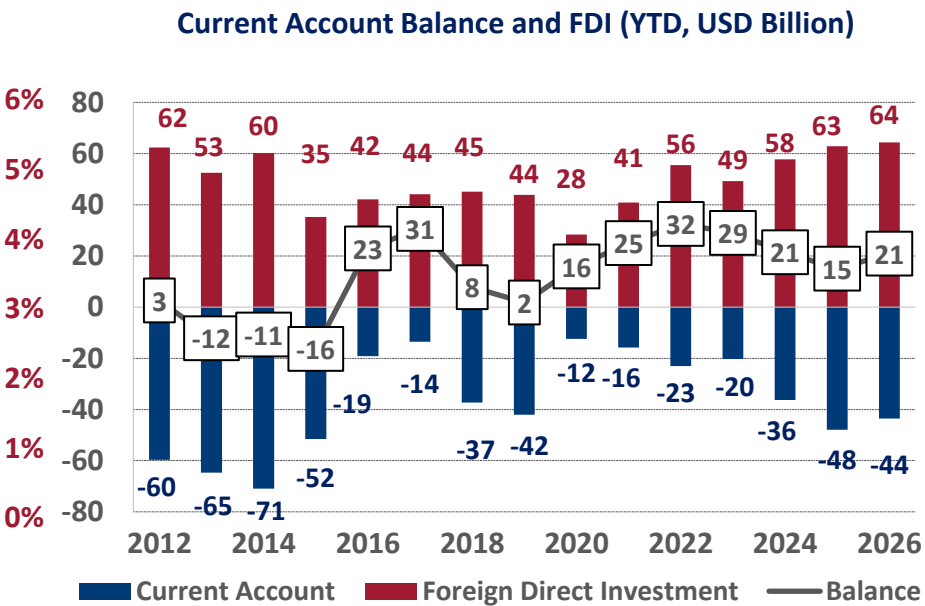


Primary Income (Accumulated 12M, USD Billion)



Brazil: Balance of Payments

- Foreign Direct Investment registered net inflows of USD 7.4 billion in August, above market consensus of USD 6.9 billion and compared with USD 7.7 billion recorded in August 2025.
- On a 12-month rolling basis, FDI inflows stood at USD 86.6 billion, equivalent to 3.39% of GDP, from USD 86.8 billion and 3.44% of GDP in July.
- Year-to-date FDI inflows reached USD 64.4 billion, USD 1.5 billion above the same period of 2025, supported by stronger equity capital inflows.

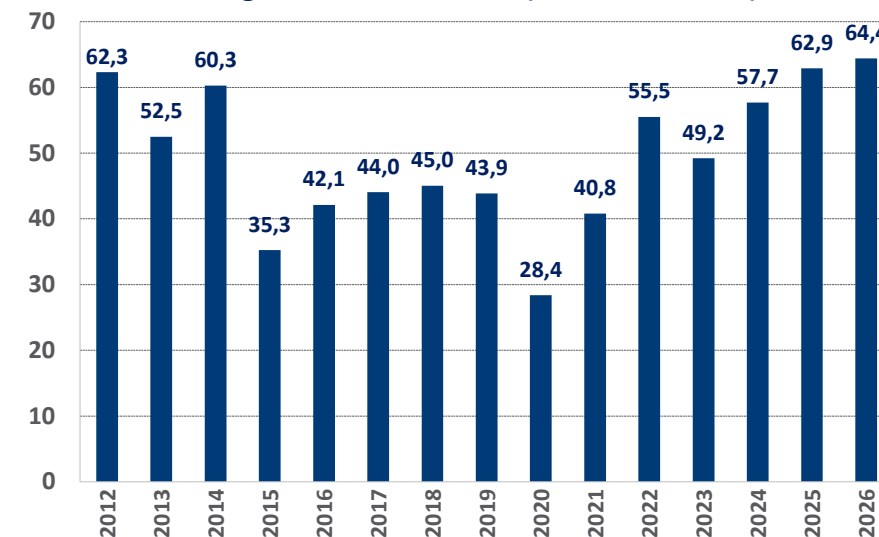


In September, the Brazilian real weakened, moving from around 5.14 to 5.20. The depreciation was broadly in line with emerging-market peers. Globally, news flow was limited, although expectations of diplomatic progress between the US and Iran grew, including a possible reopening of the Strait of Hormuz. Domestically, the presidential race, now in its final stretch, became the main political focus. Meanwhile, the September IPCA-15 came in above market expectations with an unfavorable composition, including higher underlying services and core inflation. Robust foreign direct investment continued to provide an important external buffer. Overall, attractive carry and solid external financing continued to support the BRL, but election-related uncertainty and a less favorable inflation mix weighed on the currency over the month.

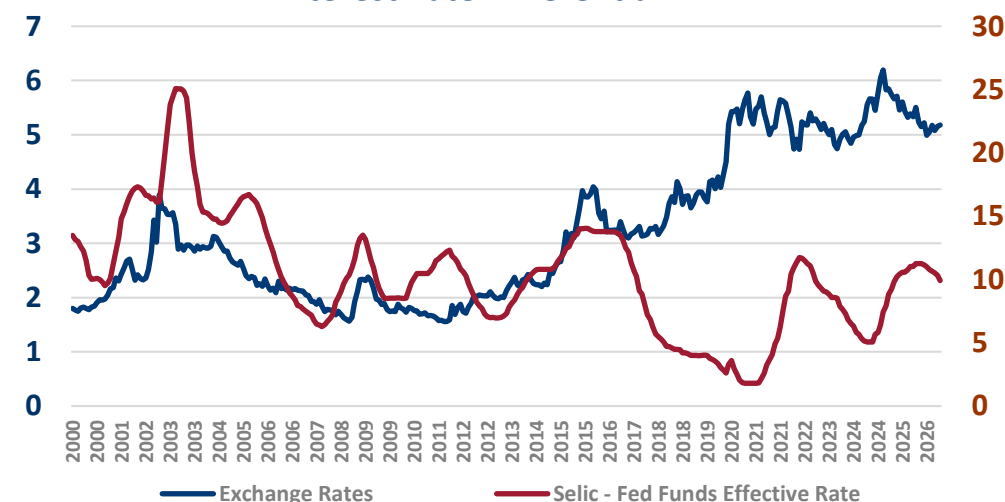
Terms of Trade x BRL



Foreign Direct Investment (YTD, USD Billion)

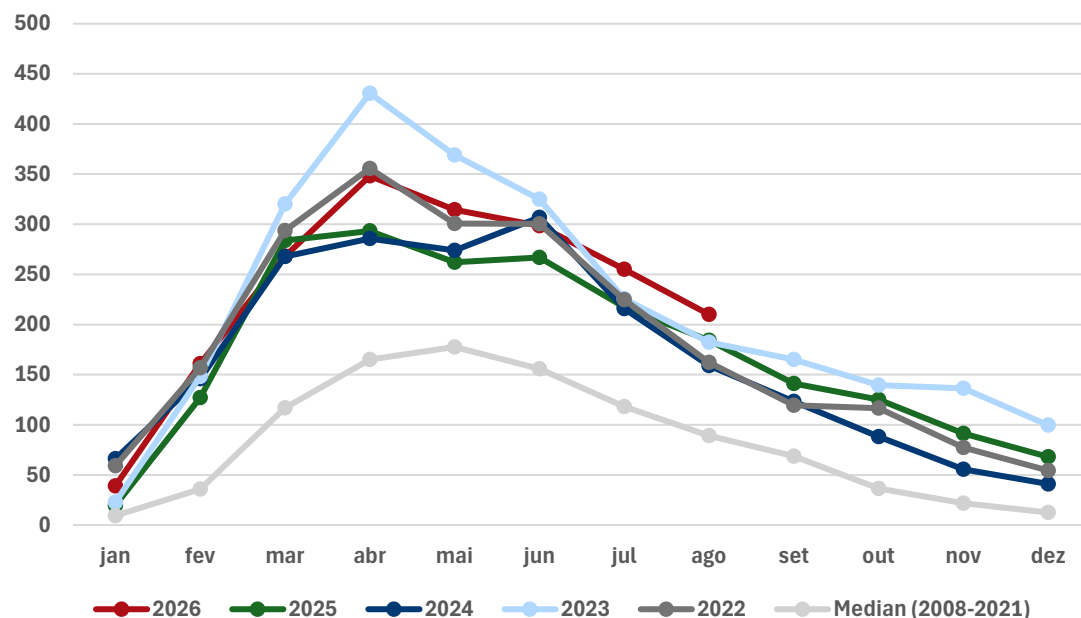


Interest Rate Differential x BRL

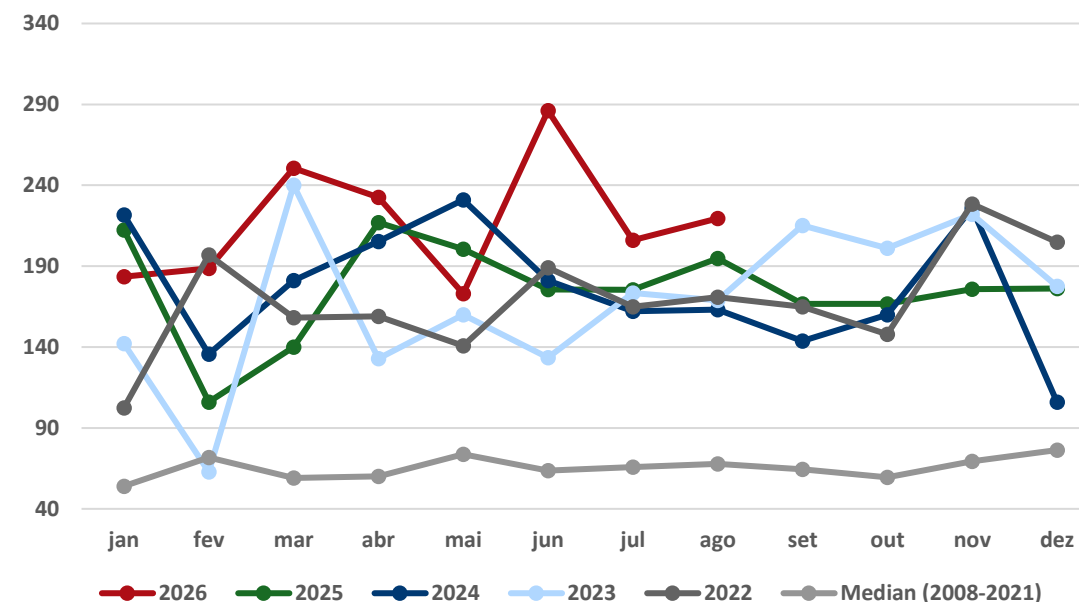


- In August, exports totaled US\$33.16 billion and imports US\$25.76 billion, resulting in a trade surplus of US\$7.39 billion.
- Export performance was positive across the three major sectors, with growth in Agriculture (+11.4%, USD 7.39bn), Extractive Industries (+16.4%, USD 8.35bn), and Manufacturing (+10.2%, USD 17.17bn), resulting in an overall increase in total exports. The main positive contributions came from soybeans, unroasted coffee, crude oil, copper ores, poultry and fuel oils.
- Imports also expanded, with growth in Agriculture (+7.4%, USD 0.47bn) and Manufacturing (+13.4%, USD 24.12bn), while Extractive Industries fell (-41.3%, USD 1.03bn), driving an overall increase in total imports. The increase was mainly influenced by fuel oils, pharmaceuticals, valves and tubes, fish and vegetables (fresh or chilled).

Brazil: Soy Exports
USD Million Daily Average



Brazil: Crude Oil Exports
USD Million Daily Average



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