Independent Fiscal Institution

FFR

Fiscal Follow-Up Report

DEC 19, 2024 • Nº 95

HIGHLIGHTS

- There are clear indications of a deterioration in investor expectations regarding fiscal soundness, debt sustainability, and the consistency of macroeconomic policy.
  In the medium term, GDP growth is expected to converge towards its estimated potential, which is maintained at 2.2%. The real interest rate in the medium term is estimated to be around 5.0% per year.
- Institutional advances present promising prospects in the medium and long term, including tax reform, which regulates consumption taxes, and the agreement between Mercosur and the European Union.
- IFI identifies an overestimation of extraordinary revenues or revenues pending legislative approval in the 2025 PLOA report, amounting to approximately BRL 72 billion.
- The projection for the general government's gross debt is 78.3% of GDP for 2024 and 81.4% for 2025, respectively.
- Debt estimates have deteriorated due to rising real interest rates. IFI believes that, in the medium term, net primary revenue will converge to 17.8% of GDP by 2034.
- The trajectory projected by IFI for DGBB indicates a significantly more acute trend in the worsening public debt situation compared to the 'Focus Bulletin Median,' showing strong divergence from the estimates in the Fiscal Projections Report published by the National Treasury Secretariat.

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Summary

- The December Fiscal Follow-Up Report (RAF, kept here in its original acronym, as well as all acronyms of Brazilian taxes, programs, reports, institutions, etc.) reviews short- and medium-term projections for the main macroeconomic variables, highlighting increases in GDP and inflation estimates for 2024, as well as for inflation and the Selic rate in 2025. These revisions reflect the resilience of economic activity and the labor market but also highlight the challenges posed by tighter financial conditions and exchange rate depreciation in an environment of internal and external uncertainties. In the medium term, GDP growth is expected to converge towards its estimated potential, maintained at 2.2%. (**Page 4**)

- The update of macroeconomic parameters and the incorporation of new information led to an upward revision of the IFI revenue estimates for the central government in 2024 and 2025. Since September, the last month of reviewing short-term scenarios, the projections for both revenues collected and not collected by the Federal Revenue Office have been revised upwards. There were downward revisions to the estimate of social security revenues in the short term due to a relative easing in the labor market. IFI believes that, in the medium term, net primary revenue will converge to 17.8% of GDP by 2034. This would occur in the context of a gradual exhaustion of actions to restore the tax base and specific measures aimed at increasing revenue. (**Page 9**)

- Medium-term projections, made prior to the forecast of the impact of measures to strengthen fiscal rules, indicate a worsening of expenditure and the primary balance due to macroeconomic changes and the pace of revenue growth. There is an improvement in results compared to previous projections through 2028, but this is followed by a reversal due to the postponement of the primary impacts of the tax reform funds. The primary balance targets are expected to be met in 2024 and 2025; however, after 2026, the announced measures to contain spending may be insufficient to achieve the PLDO 2025 targets, which are not particularly ambitious given the challenges of debt stabilization. The sustainability of the expenditure cap remains jeopardized by the growth of both rigid mandatory and discretionary expenditures, facing significant constraints from 2027 or from 2032, depending on the effectiveness of the reforms. (**Page 16**)

- The new macroeconomic parameters and primary balance indicators for the public sector have worsened the medium-term trajectory of public debt as estimated by the IFI. Between 2026 and 2034, larger primary deficits are expected. Simultaneously, the upward revision of the economy's real interest rate has influenced the real implicit interest rates on the debt. The new projections also indicate that the primary balance required to stabilize gross debt as a proportion of GDP has increased. Previously, in June, the IFI calculated that a primary surplus of 1.4% of GDP per year was needed to stabilize the debt; now, this figure has increased to 2.4% of GDP. (**Page 32**)

1. MACROECONOMIC CONTEXT

1.1 Introduction

The December RAF updates the short-term (2024–2025) and medium-term (2026–2034) projections for macrofiscal variables, incorporating new data and adjusting assumptions to align with the current state of the economy. The methodology used to prepare the projections is detailed in IFI Special Study (EE) No. 13[1], September 2020.

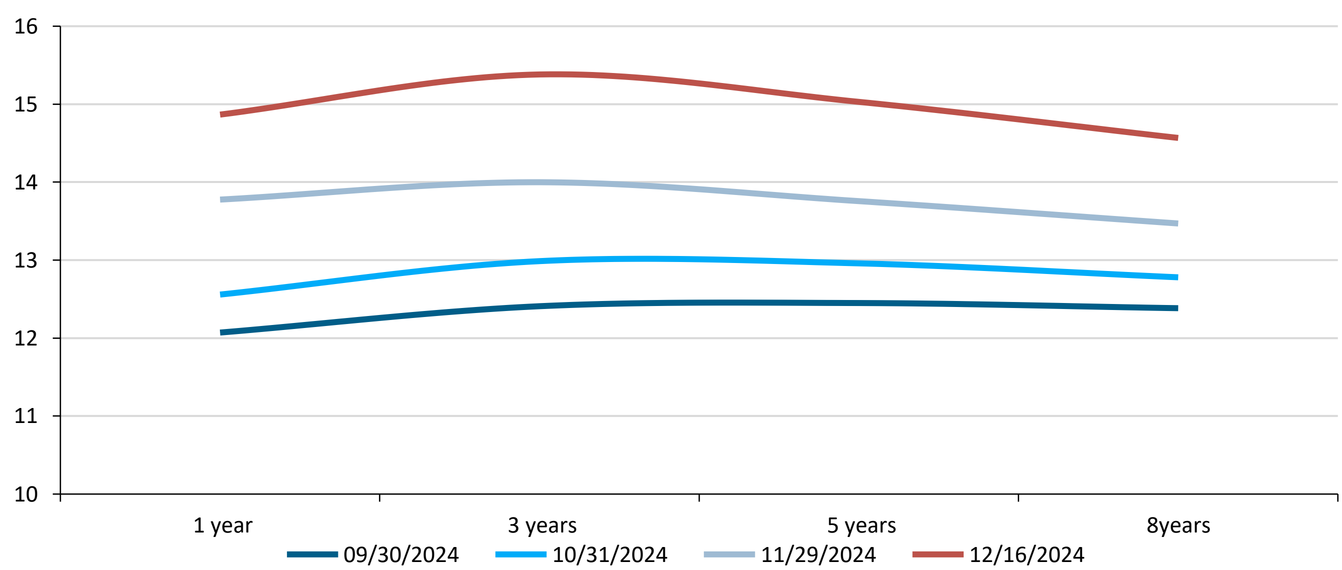
In 2023, GDP growth in volume was revised by the IBGE from 2.9% to 3.2%, following the publication of the Quarterly National Accounts. In 2024, the Brazilian economy is projected to grow by 3.5%. Although aggregate data for October indicate some slowdown in activity at the beginning of the fourth quarter, IFI estimates that GDP will grow by 0.6% compared to the previous quarter in the seasonally adjusted series. Even with this moderation, following a 0.9% expansion in the third quarter, economic activity remains above its potential level.

The inflationary scenario continues to worsen, with the IPCA projected at 4.9% for 2024, exceeding the upper limit of the target tolerance range. The devaluation of the real against the dollar, driven by concerns over fiscal deterioration and the resilience of the North American economy, has intensified inflationary pressures within a context of strong economic activity and a buoyant labor market.

Internally, this devaluation reflects the perception among economic agents that the trajectory of Brazilian public debt is unsustainable. The yield curve also reflects this worsening perception regarding the fiscal outlook. As shown in **Graph 1**, the interest rates expected by investors for fixed-rate bonds with different maturities have increased in recent months, with an acceleration following the announcement of the fiscal package.

In the external environment, the exchange rate is similarly impacted by the resilience of the North American economy, which has resulted in the Federal Reserve reducing interest rates more gradually than anticipated. Furthermore, the outcome of the US elections has created uncertainty regarding economic policy, including the potential for fiscal expansion, restrictions on labor supply, and the imposition of tariffs on imports. This new political environment could intensify inflationary pressures in the US economy in the medium term, thereby exerting additional pressure on the exchange rate.

GRAPH 1. NOMINAL INTEREST RATE TERM STRUCTURE



Source: PRO value.

[1] Available at: https://www2.senado.leg.br/bdsf/bitstream/handle/id/577405/EE13.pdf.

Given this situation, where inflation expectations remain above the target for the coming years, the Central Bank has intensified its monetary tightening cycle. The increase in the Selic rate aims to moderate economic activity throughout 2025 and reduce the widening of the product gap.

Table 1 provides a summary of IFI's macroeconomic projections for the baseline scenario, comparing them with the version released in June 2024. The increases in estimates for GDP and inflation in 2024, along with inflation and the Selic rate in 2025, are noteworthy. These revisions reflect the resilience of economic activity and the labor market, while also highlighting the challenges posed by tighter financial conditions and exchange rate depreciation. In the medium term, the projection for the real interest rate has been raised, while the estimate for GDP growth remains unchanged at an average of 2.2% from 2026 to 2034.

In addition to these changes, the review conducted by IBGE of the final GDP result for 2023, which includes both the volume and the implicit GDP deflator, has resulted in an increase in nominal GDP.

TABLE 1. MACROECONOMIC SCENARIO PROJECTIONS (BASELINE SCENARIO): CURRENT AND PREVIOUS VERSION

Baseline Scenario: December 2024	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2026 2034
Nominal GDP (BRL billion)	**10,943**	**11,809**	**12,600**	**13,408**	**14,224**	**15,048**	**15,936**	**16,884**	**17,889**	**18,958**	**20,100**	**21,305**	**17,084**
GDP - Nominal growth	8.6%	7.9%	6.7%	6.4%	6.1%	5.8%	5.9%	5.9%	6.0%	6.0%	6.0%	6.0%	6.0%
GDP - Real growth	3.2%	3.5%	1.9%	2.1%	2.2%	2.2%	2.2%	2.3%	2.3%	2.3%	2.3%	2.3%	2.2%
Implicit GDP deflator	5.2%	4.2%	4.8%	4.2%	3.8%	3.5%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.7%
IPCA	4.6%	4.9%	4.4%	3.6%	3.3%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.1%
Unemployment rate (% of labor force)	8.0%	6.9%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%
Exchange rate BRL/US$ (end of period)	4.84	5.95	5.95	6.05	6.12	6.18	6.24	6.30	6.37	6.43	6.49	6.56	6.30
Ex-ante real interest (per year))	5.9%	7.5%	7.2%	6.4%	5.8%	5.2%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	5.1%
Selic - end of period (per year)	11.75%	12.25%	14.25%	11.75%	10.5%	9.5%	8.5%	8.0%	8.0%	8.0%	8.0%	8.0%	8.9%
Baseline Scenario: June 2024	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2026 2034**
Nominal GDP (BRL billion)	**10,856**	**11,552**	**12,266**	**13,046**	**13,860**	**14,715**	**15,621**	**16,569**	**17,555**	**18,601**	**19,706**	**20,871**	**16,727**
GDP - Nominal growth	7.7%	6.4%	6.2%	6.4%	6.2%	6.2%	6.2%	6.1%	6.0%	6.0%	5.9%	5.9%	6.1%
GDP - Real growth	2.9%	2.0%	1.9%	2.3%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Implicit GDP deflator	4.7%	4.3%	4.2%	4.0%	3.9%	3.9%	3.8%	3.7%	3.6%	3.6%	3.6%	3.6%	3.8%
IPCA	4.6%	4.0%	3.5%	3.3%	3.3%	3.2%	3.2%	3.0%	3.0%	3.0%	3.0%	3.0%	3.1%
Unemployment rate (% of labor force)	8.0%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
Exchange rate BRL/US$ (end of period)	4.84	5.10	5.15	5.20	5.26	5.31	5.36	5.40	5.44	5.48	5.52	5.56	5.39
Ex-ante real interest (per year)	5.9%	5.3%	4.8%	4.4%	3.9%	4.1%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	4.0%
Selic - end of period (per year)	11.75%	10.50%	9.50%	8.5%	8.0%	7.5%	7.3%	7.0%	7.0%	7.0%	7.0%	7.0%	7.4%

Source: IFI.

The following sections present the short- and medium-term projections for the baseline scenario, along with a description of the projections for the alternative scenarios.

1.2 Short-term projections

GDP growth in the third quarter slowed compared to the previous quarter but still exceeded market expectations. After increasing by 1.1% in the first quarter and 1.4% in the second, GDP rose by 0.9% in the third quarter, based on the seasonally adjusted series. This positive performance was largely driven by the strengthening of household consumption.

Over the past four quarters, GDP grew by 3.1% in the third quarter, surpassing the 2.7% recorded in the previous period. By this metric, domestic absorption contributed 3.8 percentage points (p.p.) to total growth, while net exports detracted 0.7 p.p., reflecting a faster expansion of imports compared to exports.

TABLE 2. CONTRIBUTIONS (IN P.P.) TO THE FOUR-QUARTER ACCUMULATED GDP GROWTH RATE

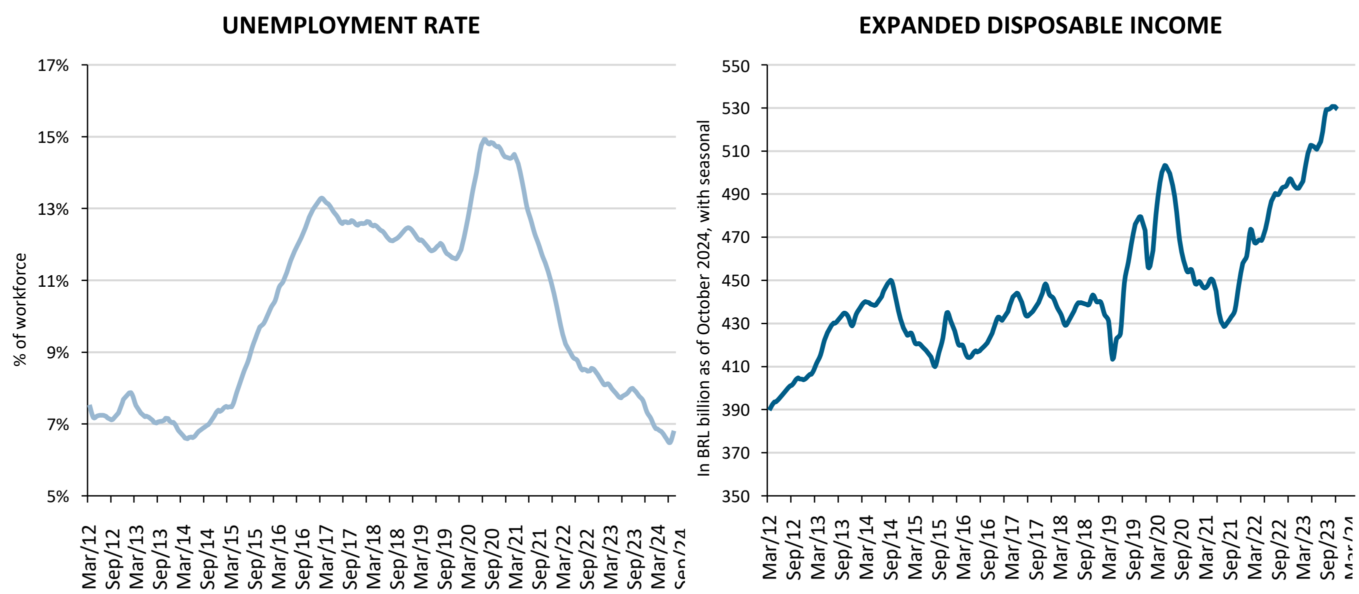
	Dec/22	Mar/23	Jun/23	Sep/23	Dec/23	Mar/24	Jun/24	Sep/24
GDP	**3.0**	**3.8**	**3.8**	**3.3**	**3.2**	**2.8**	**2.7**	**3.1**
Domestic absorption	2.1	3.4	2.8	1.4	1.3	1.2	2.0	3.8
Household consumption	2.5	2.9	2.6	2.4	2.1	2.2	2.5	2.8
Government consumption	0.4	0.3	0.4	0.5	0.7	0.8	0.7	0.6
Gross fixed capital formation	0.2	0.5	0.4	-0.2	-0.5	-0.4	-0.1	0.6
Stock variation	-1.0	-0.3	-0.6	-1.3	-1.0	-1.3	-1.0	-0.2
Net exports	0.9	0.3	1.1	2.0	2.0	1.6	0.7	-0.7

Source: IFI.

Aggregate indicators for October suggest a slowdown in economic activity starting in the fourth quarter. According to the Central Bank's Economic Activity Index (IBC-Br), the economy remained virtually stable in October compared to September. FGV's GDP Monitor indicated a decline of 0.5% based on the same comparison. Despite these signs of cooling, sectoral indicators such as retail sales and service revenue continue to show resilience, demonstrating a robust economy in the short term.

The labor market remains strong, with the unemployment rate reaching a historic low of 6.2% in the quarter ending in October. Hiring remains high, particularly in formal jobs, while wages continue to show real gains, supporting household consumption. The resilience of economic activity is also evident in the evolution of the output gap, estimated by the IFI at 1.8% in the third quarter, an increase from the previous quarter's 1.3%.

GRAPH 2. UNEMPLOYMENT RATE AND EXPANDED DISPOSABLE INCOME

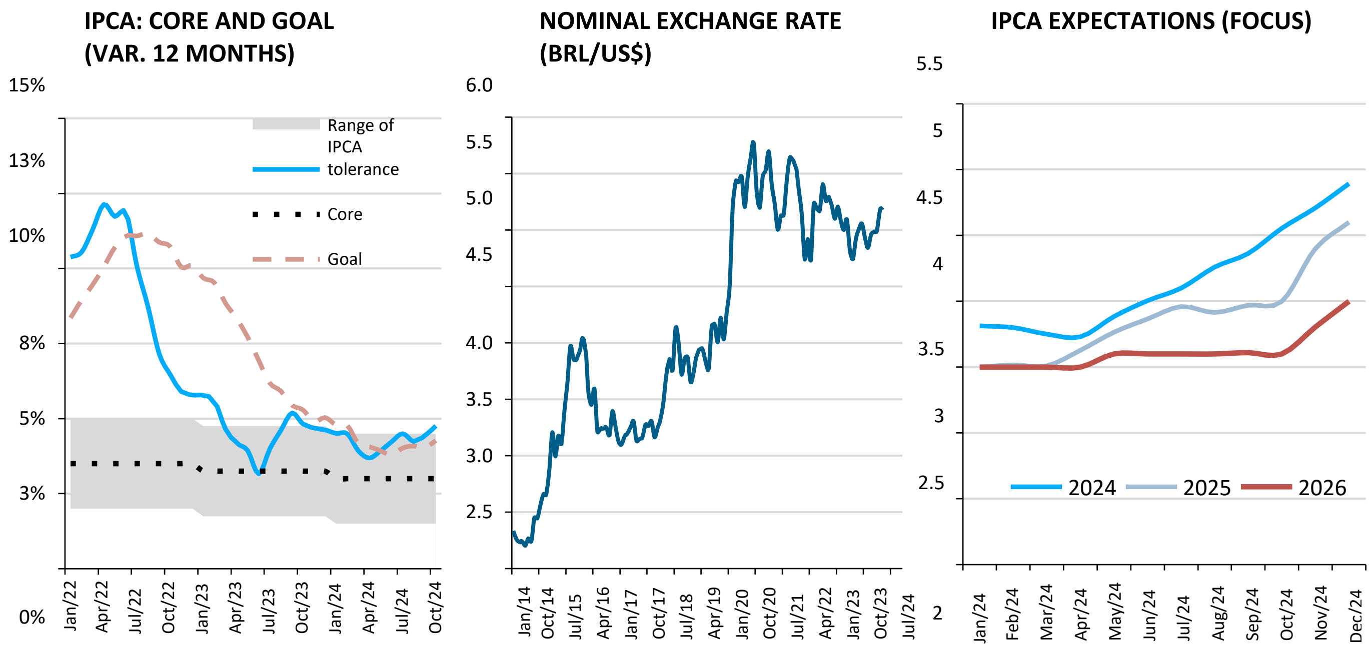


Source: IBGE and Central Bank.

The IFI projection for the fourth quarter GDP indicates a variation of 0.6%, compared to the previous quarter. As a result, the economy is projected to close the year with growth of 3.5%, surpassing previous estimates of 2.0% in June and 2.8% in September. However, for 2025, a slowdown in the pace of economic growth is projected, with GDP expected to grow by 1.9%. This scenario reflects slower growth in disposable income—resulting from the combined effects of labor income, social security, and social benefits transferred to families—and the impact of the further tightening of monetary policy on domestic demand.

The IPCA estimates for 2024 and 2025 have been revised upwards, reaching 4.9% and 4.4%, respectively. This revision reflects the change in the exchange rate level, the strong dynamism of economic activity and the labor market, as well as the deterioration of inflation expectations noted in the Focus Bulletin (Graph 3). To curb inflation and align prices with the target, the Central Bank intensified its cycle of Selic rate hikes. The expectation is that the basic interest rate will rise from 12.25% per year in 2024 to 14.25% per year in the first half of 2025.

GRAPH 3. CURRENT INFLATION, EXCHANGE RATE AND INFLATION EXPECTATIONS

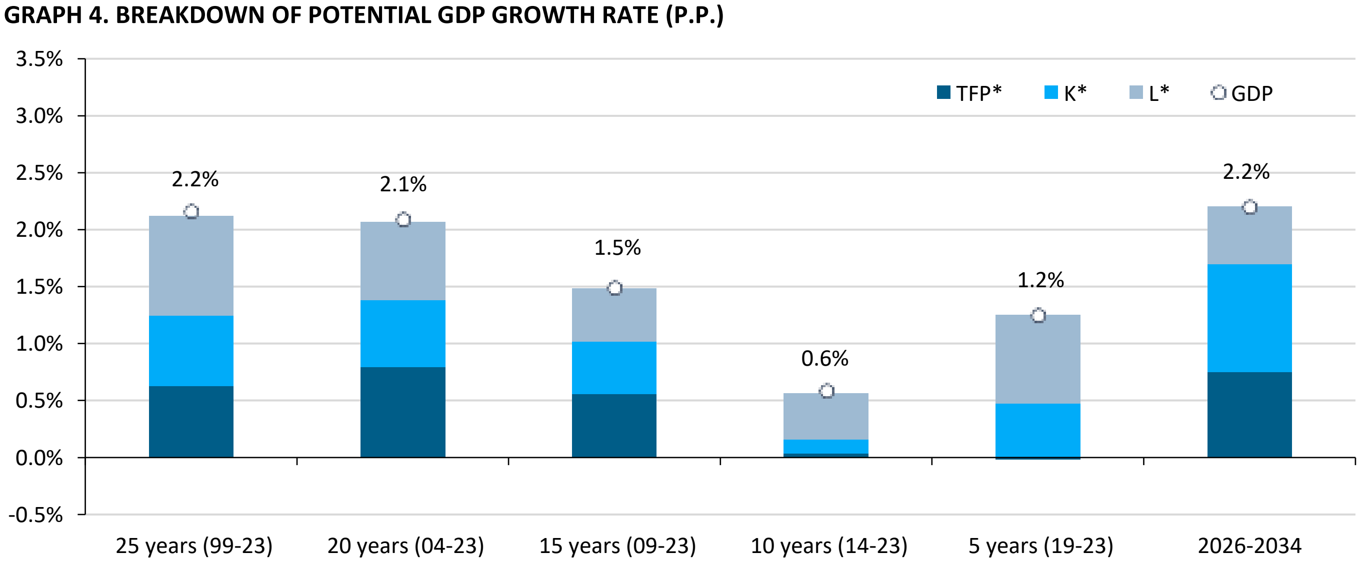


Source: Central Bank.

1.3 Medium-term projections

In the IFI baseline scenario, medium-term GDP growth is estimated at 2.2%, based on a production function approach. This projection considers an evolution of Total Factor Productivity (TFP) above the historical average, a gradual increase in the investment rate that supports the accumulation of productive capital, and a slower growth rate in the workforce due to demographic aging. The breakdown of the estimated potential GDP growth rate for selected periods is shown in Graph 4.

GRAPH 4. BREAKDOWN OF POTENTIAL GDP GROWTH RATE (P.P.)



Source: IFI.

In the medium term, consumer inflation is expected to gradually converge toward the 3.0% target. The implicit GDP deflator is expected to evolve slightly above the IPCA, reflecting historical differences in price indices, as noted in IFI Technical Note No. 18[2], July 2018.

Over the projection horizon, the real interest rate is expected to stabilize at approximately 5.0% per year, based on the assumption that the domestic interest rate will align with the international interest rate, adjusted for the country risk premium and anticipated exchange rate depreciation.

As a measure of the international interest rate, the effective interest rate set by the Federal Reserve Bank (Fed) is considered, adjusted for US inflation, based on the most recent scenario presented by the Congressional Budget Office (CBO).[3]. In the baseline scenario, it is assumed that US inflation will fluctuate around the 2.0% target, while the nominal interest rate in the US will trend toward the 3.0% per year level.

The trajectory of country risk[4] is determined by the evaluation and judgment of assumptions regarding the domestic and international environments. In the baseline scenario, the risk premium is set at 250 basis points, slightly above the current level, and the forecasted average exchange rate between 2026 and 2034 is BRL/US$ 6.30, reflecting an average depreciation of 1.0%. It is assumed that the medium-term exchange rate variation is determined by the difference between domestic and external inflation.

1.3.1 Alternative scenarios

The medium-term review report presents three scenarios—baseline, optimistic, and pessimistic—to highlight the uncertainty of projections and their dependence on different economic configurations. Deviations from the central projection arise from assumptions and judgment-based changes in the trajectory of exogenous variables, such as global growth and interest rates, commodity prices, country risk, and productivity. These changes may lead to more or less favorable scenarios compared to the baseline scenario.

In the pessimistic scenario, more adverse conditions in the international environment and the domestic fiscal landscape could further undermine confidence, financial asset prices, and inflation expectations. With inflation projections persistently high, nominal interest rate increases are expected. This scenario accounts for internal challenges in implementing structural reforms, which ultimately results in low productivity performance. Between 2026 and 2034, the average GDP growth rate is expected to be 1.1%, while the real interest rate is projected to converge to a higher level of approximately 6.7%.

In the optimistic scenario, it is possible to predict an environment more conducive to economic growth. The 1.0 p.p. difference in average GDP growth between 2026 and 2034, relative to the baseline scenario, is attributed to the more significant growth in productivity and capital stock. The average GDP growth projection for this period is 3.3%, with the real interest rate converging to approximately 4.0% per year in a scenario of controlled inflation. Table 3 presents a summary of IFI's macroeconomic projections for the baseline scenario, comparing them to the version released in June 2024, along with alternative scenarios (pessimistic and optimistic).

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2 Available at: https://www2.senado.leg.br/bdsf/bitstream/handle/id/544424/NT18_2018.pdf?sequence=1.
3 Available in: https://www.cbo.gov/data/budget-economic-data#4.
4 Represented by the five-year Credit Default Swap (CDS) variable.

TABLE 3. PROJECTIONS OF ALTERNATIVE SCENARIOS

Pessimistic	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2026 2034
Nominal GDP (BRL billion)	10,943	11,791	12,576	13,394	14,216	15,054	15,944	16,891	17,899	18,973	20,123	21,337	17,092
GDP - Nominal growth	8.6%	7.7%	6.7%	6.5%	6.1%	5.9%	5.9%	5.9%	6.0%	6.0%	6.1%	6.0%	6.0%
GDP - Real growth	3.2%	3.4%	1.1%	1.2%	1.1%	1.1%	1.1%	1.1%	1.2%	1.2%	1.2%	1.2%	1.2%
Implicit GDP deflator	5.2%	4.3%	5.5%	5.3%	4.9%	4.7%	4.7%	4.7%	4.8%	4.8%	4.8%	4.8%	4.8%
IPCA	4.6%	5.0%	5.2%	4.7%	4.4%	4.2%	4.1%	4.1%	4.2%	4.2%	4.2%	4.2%	4.2%
Unemployment rate (% of labor force)	8.0%	7.0%	7.4%	7.7%	7.9%	8.2%	8.4%	8.6%	8.8%	8.9%	9.0%	9.1%	8.5%
Exchange rate BRL/US$ (end of period)	4.84	6.15	6.27	6.44	6.59	6.73	6.87	7.02	7.17	7.32	7.47	7.63	7.03
Ex-ante real interest (per year)	5.9%	8.4%	7.8%	7.4%	7.2%	7.1%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.9%
Selic - end of period (per year)	11.75%	12.25%	15.25%	12.75%	12.5%	12.0%	11.5%	11.0%	11.0%	11.0%	11.0%	11.0%	11.5%
Optimistic	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2026 2034**
Nominal GDP (BRL billion)	10,943	11,809	12,672	13,540	14,462	15,456	16,542	17,720	18,984	20,344	21,812	23,382	18,027
GDP - Nominal growth	8.6%	7.9%	7.3%	6.8%	6.8%	6.9%	7.0%	7.1%	7.1%	7.2%	7.2%	7.2%	7.0%
GDP - Real growth	3.2%	3.7%	3.0%	3.1%	3.2%	3.2%	3.3%	3.4%	3.4%	3.4%	3.5%	3.5%	3.3%
Implicit GDP deflator	5.2%	4.1%	4.1%	3.7%	3.5%	3.5%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%
IPCA	4.6%	4.8%	3.8%	3.1%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Unemployment rate (% of labor force)	8.0%	6.8%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%	6.6%
Exchange rate BRL/US$ (end of period)	4.84	5.80	5.74	5.80	5.86	5.92	5.98	6.04	6.09	6.15	6.21	6.28	6.04
Ex-ante real interest (per year)	5.9%	6.8%	5.3%	5.3%	4.7%	3.7%	3.8%	3.8%	3.9%	3.9%	3.9%	3.9%	4.1%
Selic - end of period (per year)	11.75%	12.25%	13.75%	10.75%	9.0%	8.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.7%

Source: IFI.

2. FISCAL SCENARIOS

2.1 Scenarios for total revenue, transfers and net revenue

Based on the macroeconomic projections outlined in the previous section, the central government's primary revenue projections for the period from 2024 to 2034 have been updated. This introductory section will discuss elements inherent to the current fiscal policy context and the assumptions used for revenue projections.

The estimates presented below consider the Extemporaneous Primary Revenue and Expenditure Evaluation Report (RARDP)[5], published after the RARDP for the 5th quarter of 2024[6], as well as the 2025 Annual Budget Bill[7] (2025 PLOA), and monthly series from the National Treasury Secretariat (STN), updated through October. Additionally, other data extracted by IFI from the Siga Brasil Website of the Federal Senate, updated through November 2024, are also included.

The revision of the projections for economic growth in 2024 and 2025 positively contributed to the tax collection estimates for this year and next. In fact, the behavior of economic activity has significantly impacted the performance of the central government's primary revenues in 2024. The net primary revenue (total revenue minus revenue-sharing transfers to states and municipalities) of the central government recorded a real increase of 7.7% in the year-to-date through November 2024, according to data from the STN and Siga Brasil.

[5] Page to access the document: https://tesourotransparente.gov.br/publicacoes/relatorio-de-avaliacao-de-receitas-e-despesas-primarias-rardp/2024/19.
[6] Available at: https://tesourotransparente.gov.br/publicacoes/relatorio-de-avaliacao-de-receitas-e-despesas-primarias-rardp/2024/17.
[7] Available at: https://www.gov.br/planejamento/pt-br/assuntos/orcamento/orcamentos-anuais/2025/ploa.

This impact of economic activity on revenue collection is reflected in the revenue-GDP elasticities. Considering the accumulated values for the first eleven months of 2024, the elasticity of total primary revenue relative to GDP was 1.5. This indicates that for every 1% increase in GDP, revenue grows by 1.5%[8]. In the medium term, this trend in revenue collection is unlikely to continue. The IFI estimates revenue-GDP elasticities to be equal to one in the medium term (2026 to 2034). In 2025, IFI will publish an update of Special Study No. 16[9], from November 2021, which presented a discussion and estimates of revenue-GDP elasticities in Brazil.

As explained in RAF No. 92[10], dated September 2024, the review of projections considered certain non-recurring revenues, such as those from Transaction Notice PGFN-RFB 6/2024[11], and some provisions of Law No. 14,973[12], enacted on September 16, 2024, which outline compensatory collection measures for the extension of the payroll tax exemption. Law No. 14,973 establishes the gradual re-taxation of payroll taxes for exempt sectors and municipalities covered by the regulation, starting in 2025. For revenue projection purposes, the IFI considered a waiver of BRL 26.3 billion, as estimated by the Brazilian Federal Revenue Service (RFB), in 2024, along with the gradual re-taxation through 2027, involving a reduction of this amount by approximately 25% per year. In 2028, all sectors and municipalities are expected to collect the 20% social security contribution rate on payroll.

The IFI updated several estimates related to the measures proposed by the Executive to increase revenue, such as tax transactions and revenue collected from judgments within the scope of the Administrative Council of Tax Appeals (CARF). Expectations regarding these collections remained relatively low due to the uncertainties associated with revenue from these sources. The following Table 4 provides an update on the estimates considered by the IFI regarding the implementation of collection measures in 2025.

Regarding the revenue projections for 2024, the IFI considered two compensatory sources outlined in Law No. 14,973, totaling BRL14.3 billion. The first involves the transfer of amounts held at Caixa Econômica Federal to the Treasury Single Account, which took place in October 2024. The second source pertains to the transfer of unclaimed bank resources to the Treasury, amounting to BRL 8.0 billion.

The IFI classified this amount of BRL14.3 billion as primary revenue for the central government in 2024. In any case, it is important to note that the Central Bank issued a statement during the processing of the bill that led to Law No. 14,973[13], highlighting that using these resources as primary revenue conflicts with the Fiscal Statistics Manual[14]. For a discussion on this topic, see RAF No. 94[15], dated November 2024. In summary, since the fiscal target for the year is set by the Central Bank, the BRL 14.3 billion may not be included in the primary balance for the year, although it will be used to reduce the general government's gross debt stock.

Combining the three groups of measures—extraordinary revenues, legislative measures impacting revenue in 2025, and legislative measures in progress— the total impact would be BRL 126.4 billion, according to the Executive's projections and the modifications by the rapporteur to the 2025 PLOA Revenue Report[16], and BRL 54.4 billion, according to estimates considered by the IFI. In the 2025 PLOA, submitted by the Executive to Congress in August, the forecast for extraordinary and conditional revenues was BRL 168.2 billion[17].

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[8] This elasticity is calculated based on recurring primary revenue, which is variable and obtained by the IFI using its own methodology, as described in Special Study (EE) No. 17, December 2021. This study can be accessed at: https://www2.senado.leg.br/bdsf/bitstream/handle/id/594656/EE17_Resultado_Estrutural.pdf.

[9] Page to access the document: https://www2.senado.leg.br/bdsf/bitstream/handle/id/593776/EE16.pdf.

[10] Link to access the report: https://www2.senado.leg.br/bdsf/bitstream/handle/id/660075/RAF92_SET2024.pdf.

[11] This is a tax transaction between Petrobras and the Office of the General Counsel for the Federal Treasury (PGFN in the original acronym) in the amount of BRL 19.8 billion. Page to access the transaction information document: https://api.mziq.com/mzfilemanager/v2/d/25fdf098-34f5-4608-b7fa- 17d60b2de47d/ea8ba027-c2a0-53d0-1445-0d4d744352c8?origin=1.

[12] See: https://www.planalto.gov.br/ccivil_03/_ato2023-2026/2024/lei/l14973.htm.

[13] Bill (PL) No. 1,847, of 2024. Page where the matter is being processed: https://www.congressonacional.leg.br/materias/materias-bicamerais/-/see/pl-1847-2024.

[14] Available at: https://www.bcb.gov.br/ftp/infecon/estatisticasfiscais.pdf.

[15] Page to access the document: https://www12.senado.leg.br/ifi/pdf/raf94_nov2024.pdf.

[16] See: https://www.congressonacional.leg.br/documents/137784508/144949011/01_Rel_Receita.pdf/7e477ca7-8493-420c-a167-df2adc0d7bb6.

[17] See page 16 of the aforementioned 2025 PLOA Revenue Report.

To conclude this introductory section, any medium- and long-term effects on revenues resulting from the consumption tax reform, now in the final stages of processing in Congress, have been indirectly incorporated through their impact on the economy's potential growth. The direct effects of the reform on revenue collection are difficult to assess at this time, as this would require the reform to be implemented and a dataset with updated information to adjust these parameters.

TABLE 4. LIST OF MEASURES WITH AN IMPACT ON CENTRAL GOVERNMENT TAX COLLECTION IN 2025 (BRL BILLION)

Budget impact in 2025			
Measure	Legal norm/legislative proposal	Impact considered in the 2025 PLOA Revenue Report (BRL billion)	Impact considered by IFI - baseline scenario (BRL billion)
Total		**126.4**	**54.4**
Extraordinary revenues		**121.5**	**56.6**
Carf - casting vote	Law No. 14,689, of September 20, 2023	28.6	5.0
Law No. 14,789 Article 13 (Transaction)	Law No. 14,789, of September 29, 2023	31.0	7.8
Law No. 14,789 Article 14 (Transaction)	Law No. 14,789, of September 29, 2023	15.5	8.0
Transaction of relevant and widespread legal controversy	Normative Ordinance MF No. 1,383, of August 29, 2024	26.5	15.9
Limitation on the compensation of credits arising from court decisions	Law No. 14,873, of September 29, 2024	20.0	20.0
Legislative measures with impact on revenue (2025 PLOA)		**7.1**	**0.0**
Increase in CSLL rates*	Bill No. 3,394, of 2024	1.1	0.0
Increase in IR rate on JCP	Bill No. 3,394, of 2024	6.0	0.0
Compensation for Payroll Taxes Exemption	Law No. 14,784, of September 27, 2023	0.0	-
Legislative measures in progress - budgetary adequacy		**-2.3**	**-2.3**
Sudam/Sudene Decree	Cetad/Coest Note No. 116/2024	-0.7	-0.7
Decree Mais Leite [More Milk] Program	Cetad/Coest Note No. 042/2024	-0.1	-0.1
Recine and Audiovisual	Extension of the benefits of Recine and the Audiovisual Law until 2029 (PL No. 1,064/2024)	-0.8	-0.8
RFB Settle Program	Allows early settlement of debt installments with the RFB	0.3	0.3
Self-regularization	Sintonia Program that allows self-regularization by taxpayer with a good payment history (Bill No. 15/2024)	0.2	0.2
Drawback/Recoff	Suspension on the import of federal taxes on the acquisition of services to be exported	-1.2	-1.2

** The rapporteur of the 2025 PLOA Revenue Report, Deputy Domingos Sávio, retracted BRL13.8 billion from the two sources stipulated in the PLOA that increased CSLL and IR rates on the interest on equity mechanism. For the purpose of arranging the values in the table, this amount was discounted from the original forecast of payments with the increase in CSLL rates, namely, BRL 14.9 billion. See page 5 of the aforementioned 2025 PLOA Revenue Report.*
Source: 2025 PLOA and IFI. Elaboration: IFI.

For the so-called extraordinary revenues in the 2025 PLOA, the Revenue Report of the budget proposal maintained the figures included in the draft submitted by the Executive to Congress, which forecasts an inflow of BRL 121.5 billion from rulings within the scope of CARF, tax settlements conducted by the Office of the General Counsel for the Federal Treasury (PGFN), and the Brazilian Federal Revenue Office (RFB), along with limitations on the compensation of judicial tax credits (Law No. 14,873, of 2024).

With the exception of credit compensation, which proved to be an efficient measure from a collection point of view, the estimates considered by the IFI for the other sources of extraordinary revenues represent reduced percentages of the amounts originally forecast by the Executive. These figures may change if the IFI deems it necessary. For illustration purposes, in 2024, the Executive Branch revised its initial estimate for tax collections arising from the adjudication of cases in the CARF from BRL 54.7 billion in the RARDP for the 1st Bi-Monthly Period (released in March) to BRL 847 million in the RARDP for the 4th Bi-Monthly Period (released in September), due to the relatively low inflow of these funds into the Federal Government's treasury this year.

2.1.1 Short-term projections: 2024–2025

Table 5 shows the IFI's new projections for the central government's primary revenue in 2024 and 2025, comparing them to the projections from June 2024, the last month in which the estimates were updated.

TABLE 5. IFI BASELINE SCENARIO FOR CENTRAL GOVERNMENT PRIMARY REVENUE IN 2024 AND 2025 (BRL BILLION AND % OF GDP)

	Projections in Jun/24				Projections in Dec/24				Diff. Dec/24-Jun/24			
	2024	% of GDP	2025	% of GDP	2024	% of GDP	2025	% of GDP	2024	p.p . of GDP	2025	p.p . of GDP
1. Total primary revenue	**2,641.0**	**22.8%**	**2,817.5**	**23.0%**	-2,677.4	**22.7%**	-2,923.9	**23.1%**	**36.4**	**-0.1**	**106.5**	**0.1**
Revenue collected by the RFB/MF, except RGPS and without tax incentives	1,660.1	14.3%	1,821.6	14.9%	-1,693.6	14.3%	-1,902.6	15.0%	33.5	0.0	81.0	0.1
Net collection for the RGPS	641.8	5.5%	678.7	5.5%	638.9	5.4%	678.4	5.4%	-2.8	-0.1	-0.2	-0.2
Revenues not collected by the RFB/MF	339.2	2.9%	317.2	2.6%	344.9	2.9%	342.9	2.7%	5.7	0.0	25.7	0.1
Tax incentives	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0	0.0	0.0
2. Revenue-sharing transfers	**519.7**	**4.5%**	**555.9**	**4.5%**	**523.1**	**4.4%**	**570.0**	**4.5%**	**3.4**	**-0.1**	**14.2**	**0.0**
3. Net transfer revenues ([1]-(2)]	**2,121.4**	**18.3%**	**2,261.6**	**18.5%**	**-2,154.3**	**18.2%**	**-2,353.9**	**18.6%**	**33.0**	**-0.1**	**92.3**	**0.1**

Source: National Treasury Secretariat and Siga Brasil. Prepared by: IFI.

Considering the projections for 2024, there was an improvement in the IFI's estimates between the scenario review published in September and the one published now. Total primary revenue was revised upwards by BRL 36.4 billion. This adjustment is explained by the behavior of economic activity and the revision of economic growth for the year, which influenced both administered and non-administered revenues, with estimates increasing by BRL 33.5 billion and BRL 5.7 billion, respectively.

For non-administered revenues, there was an upward revision in the expected collections of dividends and participations due to extraordinary and early dividend payments by Petrobras and BNDES. By way of illustration, in November, the BNDES paid BRL 5.8 billion in extraordinary dividends[18] to the Federal Government. Petrobras will pay BRL 5.8 billion in extraordinary dividends[19] in December, in addition to having approved the payment of interim dividends in November and December[20]. BRL 2.0 billion will be paid to the Federal Government each month.

The shortfall in net revenue estimates for the RGPS between September and now is explained by a relative stabilization in the labor market. The growth rate of the wage bill slowed in the second half of the year compared to the first. Nonetheless, labor market conditions remain relatively favorable and continue to drive social security revenues.

After deducting revenue-sharing transfers, which were revised upward by BRL 3.4 billion between September and December, the IFI's projection for the central government's net primary revenue in 2024 increased by BRL 33.0 billion.

For 2025, total primary revenue has been revised upwards by BRL 92.3 billion, while net transfer revenue has been revised upwards by BRL 64.0 billion. The main reason for this revision is the expected behavior of economic activity, despite the recent increase in basic interest rates, which should affect aggregate demand next year.

Additionally, some laws enacted in 2024 and 2025 contributed to the recovery or expansion of the tax base for certain taxes, such as Law No. 14,592 (exclusion of ICMS from the calculation base for PIS/Cofins credits), Law No. 14,596 (transfer pricing), Law No. 14,754 (which introduced income tax on exclusive and offshore investment funds), Law No. 14,789 (investment subsidies), among others.

2.1.2 Medium-term projections: 2026–2034

Table 6 presents the projections for total primary revenue and its components (revenues administered by the Federal Revenue Office, RGPS, and non-administered revenues), as well as projections for transfers to states and municipalities and net revenue under the baseline, optimistic, and pessimistic scenarios for the period from 2024 to 2034.

On the side of administered revenues, the scenarios consider a continuous increase in collections from 2024 onward, with economic growth converging to rates of around 2.2% (baseline scenario), 3.3% (optimistic), and 1.1% (pessimistic). Economic activity also influences net collections for the RGPS and some subgroups of non-administered revenues, such as dividends, natural resource exploration, the Salário-Educação contribution, among others.

Considering the baseline scenario, the Federal Government's net primary revenue reaches 18.3% of GDP in 2025, decreasing slightly in the following years to 17.8% of GDP in 2034. This is due to the gradual phasing out of measures implemented to increase revenue over the past two years.

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18 As announced by the bank in June 2024: https://agenciadenoticias.bndes.gov.br/detalhe/noticia/BNDES-aumenta-para-50-os- dividendos-pagos-ao-Tesouro-Nacional/.

19 See press release issued by the company on November 21, 2024: https://api.mziq.com/mzfilemanager/v2/d/25fdf098-34f5-4608-b7fa-17d60b2de47d/c4d77917-f599-ab3d-d637-01306ede655e?origin=1.

20 Press release available at: https://api.mziq.com/mzfilemanager/v2/d/25fdf098-34f5-4608-b7fa-17d60b2de47d/a4729c76-6d55-6dc7-ea49-91f518f2c5df?origin=1.

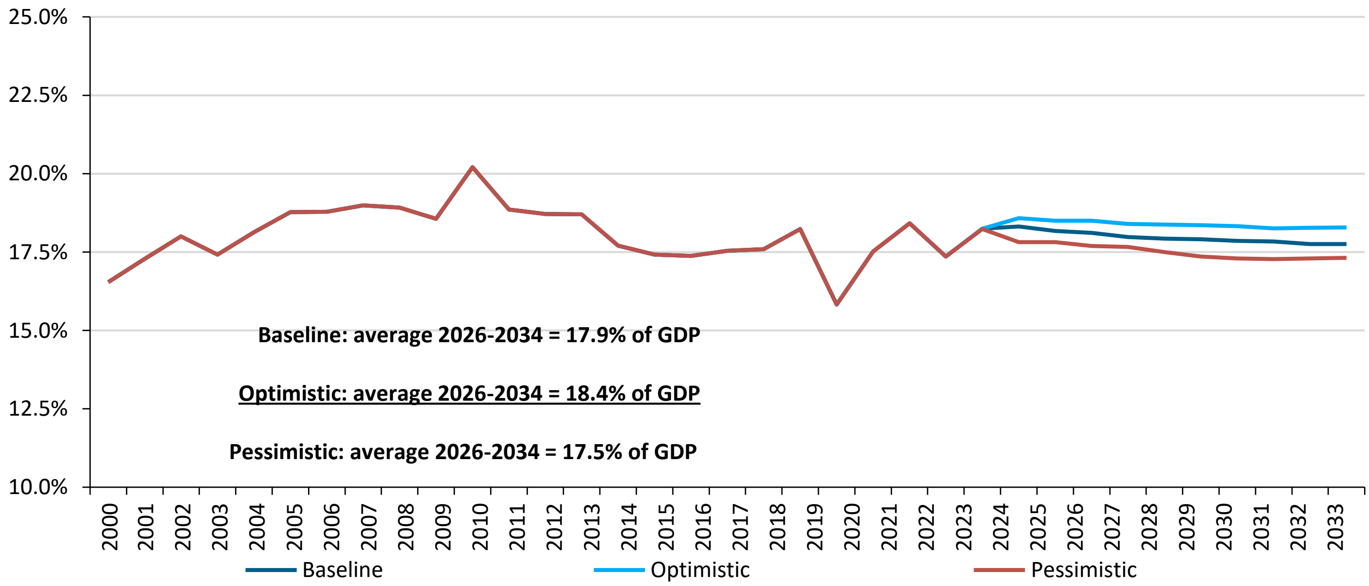
TABLE 6. IFI PROJECTIONS FOR CENTRAL GOVERNMENT PRIMARY REVENUES - % OF GDP

BASELINE SCENARIO	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Total revenue	**22.7%**	**22.8%**	**22.8%**	**22.7%**	**22.6%**	**22.6%**	**22.5%**	**22.5%**	**22.4%**	**22.3%**	**22.3%**
Revenue collected by the RFB, except RGPS	14.3%	14.8%	14.6%	14.5%	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%	14.5%
Net collection for the RGPS	5.4%	5.3%	5.4%	5.4%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Revenues not collected by RFB	2.9%	2.7%	2.8%	2.7%	2.7%	2.6%	2.6%	2.5%	2.4%	2.4%	2.3%
Revenue-sharing transfers	**4.4%**	**4.5%**	**4.6%**	**4.6%**	**4.6%**	**4.6%**	**4.6%**	**4.6%**	**4.6%**	**4.6%**	**4.6%**
Net revenue	**18.2%**	**18.3%**	**18.2%**	**18.1%**	**18.0%**	**17.9%**	**17.9%**	**17.9%**	**17.8%**	**17.8%**	**17.8%**
OPTIMISTIC SCENARIO	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**
Total revenue	**22.7%**	**23.1%**	**23.1%**	**23.1%**	**23.0%**	**23.0%**	**22.9%**	**22.9%**	**22.9%**	**22.9%**	**22.9%**
Revenue collected by the RFB, except RGPS	14.3%	15.0%	14.9%	14.9%	14.8%	14.9%	14.9%	15.0%	15.0%	15.0%	15.1%
Net collection for the RGPS	5.4%	5.4%	5.4%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Revenues not collected by RFB	2.9%	2.7%	2.8%	2.7%	2.7%	2.6%	2.5%	2.4%	2.4%	2.3%	2.3%
Revenue-sharing transfers	**4.4%**	**4.5%**	**4.6%**	**4.6%**	**4.6%**	**4.6%**	**4.6%**	**4.6%**	**4.6%**	**4.6%**	**4.6%**
Net revenue	**18.2%**	**18.6%**	**18.5%**	**18.5%**	**18.4%**	**18.4%**	**18.4%**	**18.3%**	**18.3%**	**18.3%**	**18.3%**
PESSIMISTIC SCENARIO	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**
Total revenue	**22.6%**	**22.4%**	**22.4%**	**22.3%**	**22.3%**	**22.1%**	**22.0%**	**21.9%**	**21.9%**	**21.9%**	**21.9%**
Revenue collected by the RFB, except RGPS	14.3%	14.5%	14.3%	14.3%	14.2%	14.1%	14.0%	14.0%	14.1%	14.1%	14.2%
Net collection for the RGPS	5.4%	5.3%	5.3%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%
Revenues not collected by RFB	2.9%	2.6%	2.7%	2.7%	2.6%	2.6%	2.6%	2.5%	2.4%	2.4%	2.3%
Revenue-sharing transfers	**4.4%**	**4.5%**	**4.6%**	**4.6%**	**4.6%**	**4.6%**	**4.6%**	**4.6%**	**4.6%**	**4.6%**	**4.6%**
Net revenue	**18.2%**	**17.8%**	**17.8%**	**17.7%**	**17.7%**	**17.5%**	**17.4%**	**17.3%**	**17.3%**	**17.3%**	**17.3%**

Source: National Treasury Secretariat. Prepared by: IFI.

Graph 5 shows the net revenue projection for the period from 2024 to 2034, in the three reference scenarios. In the medium term (2026-2034), the IFI forecasts that net revenue will reach an average of 17.9% of GDP in the baseline scenario. In the optimistic scenario, this percentage would be 18.4% of GDP, while in the pessimistic scenario, the estimate for average net revenue in the medium term is 17.5% of GDP.

GRAPH 5. COMPARISON BETWEEN NET REVENUE/GDP PROJECTIONS - BASELINE, OPTIMISTIC AND PESSIMISTIC SCENARIOS



Source: National Treasury Secretariat and Siga Brasil. Prepared by: IFI.

2.2 Scenarios for Expenditure and the Primary Balance

In this section, the IFI presents projections for the central government's primary expenditures and primary balances, based on a modeling exercise of these fiscal variables and the three macroeconomic and primary revenue scenarios (baseline, optimistic, and pessimistic) previously presented in this RAF.

For the projections of primary expenditures, the rules of the Sustainable Fiscal Regime[21] (RFS) were considered, guided by both primary balance targets established in the Budgetary Guidelines Law (LDO) and limits on the growth of primary expenditures linked to the variation in the Adjusted Net Revenue (RLA).

When necessary, government spending cuts or budget freezing are also calculated, resulting in reductions in the limits on commitments and financial movements, which in turn impact on the realization of primary expenses subject to financial programming, in accordance with the provisions of the Fiscal Responsibility Law (LRF) and the LDO.

Fiscal targets were set using the parameters outlined in the 2025 Budgetary Guidelines Bill (PLDO)[22], which sets a primary balance target of BRL 0.00 (zero reais) for the Fiscal and Social Security Budgets (OFSS) and provides for a tolerance range equivalent to 0.25% of the estimated 2025 Gross Domestic Product (GDP), or BRL 30.9 billion.

For the subsequent years, the 2025 PLDO establishes primary surplus targets of 0.25%, 0.50%, and 1.00% of GDP for the fiscal years 2026 to 2028, respectively. For the rest of the projection period, from 2029 to 2034, a target of 2.4% of GDP was used to produce a primary balance trajectory sufficient to stabilize the General Government Gross Debt (DBGG) ratio to GDP, as established by the RFS.

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21 Established by Complementary Law No. 200 of August 30, 2023. Available at: https://tinyurl.com/3wps6kks.
22 Bill No. 3/2024. Available at: https://tinyurl.com/3vdd8pfz.

All three scenarios were projected based on the same assumptions outlined above, differing primarily in the set of macroeconomic and primary revenue parameters that shape the underlying hypotheses, which, in turn, determine the trajectory of primary expenditures with specific linkages. For non-earmarked expenditures, assumptions were made regarding their trajectories to produce the alternative scenarios.

Compared to previous IFI reports, the current report already incorporates th**e new population projections for Brazil for the period from 2000 to 2070**[23], which were updated by the Brazilian Institute of Geography and Statistics (IBGE). The previous projections, made in 2018, have undergone significant changes.

The new IBGE projections indicate that the country's population will stop growing in 2041 and will experience faster aging and a lower birth rate compared to previous estimates. Thus, in addition to the impact on output and the labor market, the challenges are expected to be growing for social security, welfare and health spending, only partially offset by reduced pressure on education expenditures.

Another significant change compared to previous projections was the **adjustment in the primary disbursement profile of the Fiscal or Financial-Fiscal Benefits Compensation Fund (FCBF)**, created by Constitutional Amendment (EC) No. 132[24] of 2023, as previously outlined in RAF No. 92[25] of September 2024.

The previous forecas[26] showed increasing primary disbursements, starting at BRL 8 billion in 2025 and rising to BRL 32 billion in 2028. This amount would be maintained for 2029, subsequently decreasing annually until 2032, when it would return to BRL 8 billion, always in constant 2023 values, as provided for in Article 12, § 1, I of Constitutional Amendment No. 132/2023.

However, the new projections were based on Article 2 of Constitutional Amendment No. 132/2023, which introduced Article 128, § 1 of the Transitional Constitutional Provisions Act (ADCT) to account for the proportional reduction of fiscal or financial incentives and benefits between 2029 and 2032[27]. This adjustment reflects the fact that neither the Annual Budget Bill[27] (PLOA) nor the 2025 Budgetary Guidelines Bill (PLDO) includes a primary impact from the FCBF until 2028. As a result, the primary impact of BRL 160 billion, previously spread over eight years (2025 to 2032), will now be concentrated over four years, from 2029 to 2032.

This change led to an improvement in primary balances in the period from 2025 to 2028, worsening in the period from 2029 to 2032.

Finally, it is worth noting that expenditures were updated based on financial data available through November for all categories and on administrative data updated through September for social security and welfare expenditures.

2.2.1 Spending Review Measures

Two legislative changes also impacted on the fiscal projections. The first was Complementary Law (LC) No. 210[29], of November 25, 2024, which established rules on the proposal and execution of parliamentary amendments in the LOA. Among various measures[30], the establishment of new growth limits for parliamentary amendments and rules for spending cuts stands out.

For 2025, mandatory parliamentary amendments, both collective and individual, must adhere to the current criterion of proportion to Net Current Revenue (RCL), as provided in §§ 9 and 12 of Article 166 of the Federal Constitution[31]. For committee amendments, a new limit of BRL 11.5 billion was established, considering that previously the amount was determined at the discretion of each Annual Budget Law (LOA) (Complementary Law [LC, in the original acronym] No. 210/2024, Article 11, § 3).

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23 Available at: https://tinyurl.com/bde49mtu.
24 Available at: https://tinyurl.com/bxptzn22.
25 Available at: https://tinyurl.com/yc3z44c5.
26 Carried out in accordance with Technical Note No. 53 of December 2023. Available at: https://tinyurl.com/5yd2f7pt.
27 Thus, the new projections consider a primary impact of BRL16 billion in 2029, BRL 32 billion in 2030, BRL 48 billion in 2031 and BRL 64 billion in 2032, at constant 2023 values.
28 Bill No. 26/2024. Available at: https://tinyurl.com/4r8xc7cu.
29 Available at: https://tinyurl.com/3rjtdjhn.
30 See, for example: https://tinyurl.com/vfpua5nm.
31 Available at: https://tinyurl.com/3ffa7c9b.

This limit represents a reduction in the amount available for committee amendments compared to what was foreseen in 2024, given that the current allocation is BRL 15.4 billion, of which BRL 1.3 billion was blocked after the publication of Decree No. 12,279[32], of November 29, 2024, which provides for budgetary and financial programming and establishes the monthly disbursement execution schedule of the Federal Executive Branch for the year 2024.

From 2026 onwards, the growth limit for individual and state bench amendments must follow the limits of the Sustainable Fiscal Regime. Thus, public spending will be adjusted by the Broad National Consumer Price Index (IPCA) for the previous year, plus an increase equivalent to 70% or 50% of the real growth in primary revenue over the previous two years (LC 210/2024, art. 11, § 4, I).

For committee amendments, which are not among those with mandatory execution, the baseline limit is the global amount from the previous year, adjusted by the variation of the Broad Consumer Price Index (IPCA) over the 12 months ending in June of the year prior to the Annual Budget Law (LOA) being drafted (LC 210/2024, Art. 11, § 4, II).

Thus, the new limits imposed by Complementary Law 210/2024—whether by unlinking the growth of parliamentary amendments from the pace of growth of Net Current Revenue (RCL) in the case of mandatory individual or collective amendments, or by establishing growth limits for committee amendments[33]—can effectively reduce the growth rate of parliamentary amendments, contributing to the sustainability of the fiscal framework.

Another important rule allows the spending cuts of parliamentary amendment appropriations to the same proportion as discretionary expenditures, provided that the priorities defined by the Legislative Branch are observed (LC [Complementary Law] 210/2024, Art. 12).

However, the regulation of the application of spending cuts to parliamentary amendments was removed[34] from the text during the project's legislative process. Thus, the matter will likely continue to be regulated annually by the LDO. Currently, both the 2024 Budgetary Guidelines Law (Law No. 14,791/2023[35], Art. 69, § 4) and the 2025 Budgetary Guidelines Bill (Bill No. 3/2024, Art. 66, § 4) prohibit spending cuts from affecting mandatory individual and collective amendments. Finally, the law also mandates that at least 50% of committee amendments be allocated to public health actions and services (LC 210/2024, Article 4, § 4).

The second legislative change that impacted expenditure projections, including for 2024, was the issuance of Provisional Measure (MP) No. 1,274[36] of November 22, 2024, which amended the Aldir Blanc National Policy for Cultural Promotion. The Aldir Blanc Law provided for the transfer of BRL 15 billion over five years starting in 2023, totaling five fixed installments of BRL 3 billion.

The provisional measure changed the text of the law, establishing that the execution will be up to BRL 3 billion per year, making future transfers conditional on the execution of cultural projects by states and municipalities. Thus, in addition to the impact of BRL 1.3 billion in the current financial year[37], the measure should generate lower disbursements in future financial years due to the introduction of conditions not previously foreseen.

It is important to note that the Executive Branch published the Report on the Evaluation of Primary Revenues and Expenditures (RARDP) – Extraordinary Assessment[38], on November 29, 2024, given that the RARDP for the 5th Bi-Monthly Period[39], published four days earlier, had not accounted for the impacts of the aforementioned MP No. 1,274/2024.

Finally, the impact of the new measures to strengthen the fiscal rule[40] presented by the executive branch should be highlighted. However, it is worth remembering that these measures are actually the third package presented by the executive branch to reduce public spending over the course of 2024.

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32 Available at: https://tinyurl.com/2p9ktar8.
33 As an example, the allocation in the LOA for committee amendments more than doubled between 2023 and 2024 (it grew by 124.9%).
34 Available at: https://tinyurl.com/mts4j5jr.
35 Available at: https://tinyurl.com/ymt97xut.
36 Available at: https://tinyurl.com/ycx2mk59.
37 See, for example: https://tinyurl.com/bdfmu5r3.
38 Available at: : https://tinyurl.com/26tpd66t.
39 Available at: : https://tinyurl.com/vy98jt4a.
40 Available at: : https://tinyurl.com/4hy25z7z.

The first package was presented on April 15, 2024, in the Fiscal Targets Annex of the 2025 PLDO, item IV.5 – Fiscal Impact of Recommendations Resulting from the Evaluation of Public Policies, which outlined three cost-saving measures related to the payment of social security benefits under the General Social Security System (RGPS) and four measures related to the Agricultural Activity Guarantee Program (Proagro).

The cost-saving measures for the RGPS amounted to BRL 28.6 billion over four years (2025 to 2028), while the measures for Proagro were projected to save BRL 8.7 billion in the same period, totaling BRL 37.3 billion over four years[41].

The second package was presented on August 28, 2024. The "Revisar para Repriorizar" [Revise to Reprioritize] Program[42] was intended to be implemented across four axes between 2023 and 2025. Axis 1 - Vertical Review: an ongoing strategy since 2023, aimed at improving efficiency in each revised public policy; Axis 2 - Integration of Public Policies: intended to enhance policy design, reduce waste, and increase coverage; Axis 3 - Modernization of Linkages: aimed at curbing the inertial growth of mandatory and other expenditures; Axis 4 - Review of Federal Subsidies: intended to eliminate or reduce subsidies, with a focus on addressing regressivity.

Of the total projected savings for Axis 1 (the only axis detailed), amounting to BRL 25.9 billion in 2025, BRL 19.9 billion would come exclusively from spending review actions, while the remaining BRL 6.1 billion would be achieved through expenditure rescheduling or reallocation measures.

The largest impacts of the measures would stem from revisions to the granting of the Continuous Cash Benefit (BPC), totaling BRL 6.4 billion, through actions involving re-evaluations by medical experts and updates to the Unified Registry for Social Programs (CadÚnico).

Another portion, totaling BRL 7.3 billion, would come from the National Social Security Institute (INSS), through thorough analyses of benefit approvals via AtestMed[43] and precautionary and administrative measures.

The reassessment of disability benefits under the Ministry of Social Security (MPS) would contribute an additional BRL 3.2 billion in savings. The reassessment of disbursements under the Agricultural Activity Guarantee Program (Proagro) would contribute an additional BRL 1.9 billion, while stricter criteria for granting the Defeso Insurance [benefit for fishers during the no-fishing season] would generate savings of BRL 1.1 billion.

In the area of expenditure rescheduling and reallocation, savings would be achieved through the Bolsa Família Program (BRL 2.3 billion), personnel expenses and social charges (BRL 2 billion), and once again through Proagro (BRL 1.8 billion). Of all the measures presented, the only legal change was the establishment of stricter criteria for the review of social benefits by the INSS, allowing for the precautionary blocking of resources in situations of fraud (art. 27 of Law No. 14,973[44], of September 16, 2024).

Finally, the third package, presented on November 29, 2024, known as the "Plano Brasil mais forte: governo eficiente, país justo" [Stronger Brazil Plan: Efficient Government, Just Nation][45], provided a preliminary impact estimate of BRL 327 billion between 2025 and 2030[46]. This package encompasses a series of measures divided into various projects, some of which are already in effect, while others are pending further regulation, such as those targeting "supersalaries" [excessively high salaries].

The primary elements of the four measures have already been preliminarily analyzed by the IFI in Comment No. 23[47] of November 29, 2024, even before[48] the formal presentation of the bills and constitutional amendments. The following section will provide a detailed overview of these measures.

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41 Divided as follows: RGPS - BRL 7.2 billion, BRL 7.2 billion, BRL 7.1 billion, and BRL 7.0 billion; and Proagro - BRL 2.0 billion, BRL 2.1 billion, BRL 2.2 billion, and BRL 2.3 billion, respectively, for the years 2025 to 2028.
42 Available at: https://tinyurl.com/4nm382w6.
43 AtestMed is an INSS system that allows people to apply for temporary incapacity benefit (formerly sickness benefit) through document analysis, without the need to go through an in-person medical examination.
44 Available at: https://tinyurl.com/48mka4ua.
45 Available at: https://tinyurl.com/mr3jnft5.
46 Divided as follows: BRL 30.6 billion in 2025, BRL 41.3 billion in 2026, BRL 49.2 billion in 2027, BRL 57.5 billion in 2028, BRL 68.6 billion in 2029, and BRL 79.9 billion in 2030.
47 Available at: https://tinyurl.com/5cay9bax.
48 It should also be added that, after the formal presentation of the bills, the Consultancy on Budgets, Oversight and Control of the Federal Senate (CONORF)
presented an extensive Information Note on the measures. Available at: https://tinyurl.com/yck56x9s.

The first measure, Bill (PL) No. 4,614/2024[49], introduces proposals that amend various public policies. Regarding the minimum wage, the bill subjects real increases to the limits on primary expenditure growth established by Complementary Law No. 200/2023 until 2030 (Article 4 of Bill No. 4,614/2024, regulating Article 3, § 4, of Law No. 14,663/2023).

With regard to the Bolsa Família Program, the bill modifies eligibility rules, allows changes to the parameters for continued participation, and establishes a maximum threshold for single-person households enrolled in the program (Article 8 of Bill No. 4,614/2024, amending Article 6 and including Article 12-A in Law No. 14,601/2023).

Regarding the Continuous Cash Benefit (BPC), the bill prohibits income deductions not provided for by law (Article 6 of Bill No. 4,614/2024, adds § 3-A to Article 20 of Law No. 8,742/1993); modifies the calculation of family income for benefit eligibility (Article 6 of Bill No. 4,614/2024, adds § 3-A to Article 20 of Law No. 8,742/1993, and Article 9 of Bill No. 4,614/2024, repeals provisions of Law No. 8,742/1993 and Law No. 10,741/2003); defines the concept of family for benefit purposes (Article 6 of Bill No. 4,614/2024, amends § 1 and adds § 1-A to Article 20 of Law No. 8,742/1993); sets a deadline of up to 24 months for updating registration information (Article 6 of Bill No. 4,614/2024, amends Article 21-B of Law No. 8,742/1993); mandates that federal bodies provide information (Article 6 of Bill No. 4,614/2024, amends Article 35 of Law No. 8,742/1993); requires the inclusion of the International Classification of Diseases (ICD) code (Article 6 of Bill No. 4,614/2024, adds § 3 to Article 40-B of Law No. 8,742/1993); and revises the evaluation criteria for the degree of disability (Article 6 of Bill No. 4,614/2024, amends § 2 of Article 20 of Law No. 8,742/1993).

Regarding social benefits, the bill mandates the use of biometric documentation for granting, maintaining, and renewing benefits (Article 1 of Bill No. 4,614/2024); sets a maximum deadline of 24 months for updating registration information in the Unified Registry for Social Programs (CadÚnico) (Article 2 of Bill No. 4,614/2024); and requires public utility concessionaires to provide information (Article 3 of Bill No. 4,614/2024).

Finally, the bill that amends Proagro, making the program's funding subject to budget availability (Article 5 of Bill No. 4,614/2024, adding Article 66-B to Law No. 8,171/1991), and adjusts the correction of the Federal District Constitutional Fund (FCDF), limiting it, starting in 2025, to the previous year's appropriation adjusted by the IPCA (Article 7 of Bill No. 4,614/2024, adding Article 2-A to Law No. 10,633/2002).

The second measure, Complementary Bill (PLP) No. 210/2024[50], introduces changes to the fiscal framework to implement automatic adjustment measures (triggers) related to tax benefits and payroll expenses, applicable both in cases of nominal reductions in discretionary spending and in the event of a primary deficit in the Central Government.

According to the bill, starting in the 2025 fiscal year, in the event of a primary deficit in the Central Government, the granting, expansion, or extension of tax incentives or benefits is prohibited. Additionally, until 2030, the annual real growth of payroll expenses and social charges is limited to the lower real growth rate provided in Article 5, § 1, of Complementary Law No. 200/2023 (0.6%), except in cases of judicial rulings. The bill also authorizes the Federal Executive Branch to limit the use of credits for offsetting tax or contribution debts (Article 1 of PLP No. 210/2024, adding Article 6-A to LC No. 200/2023).

The same triggers apply, starting with the 2027 budget bill, in the event of a nominal reduction in discretionary spending (Article 1 of PLP No. 210/2024, adding Article 6-B to LC No. 200/2023). The bill also allows unrestricted use, between 2025 and 2030, of the financial surplus from the Diffuse Rights Defense Fund (FDD), the National Anti-Drug Fund (FUNAD), the Merchant Marine Fund (FMM), the National Civil Aviation Fund (FNAC), the National Traffic Safety and Education Fund (FUNSET), the Army Fund, the Aeronautical Fund, and the Naval Fund (Article 2 of PLP No. 210/2024).

[49] Available at: https://tinyurl.com/mrk9uwz7.
[50] Available at: https://tinyurl.com/yt3d6s25.

The bill also authorizes spending cuts and the freezing of parliamentary amendment appropriations up to the same proportion applied to other discretionary expenditures, limited to 15% of the appropriations identified as amendments, in compliance with current fiscal regulations (Article 3 of PLP No. 210/2024). Finally, the PLP limits the growth of expenditures arising from the creation or extension of social security benefits by the Federal Government, following the rules for adjusting the expenditure growth limit (Art. 1 of Bill No. 210/2024, adding Article 5-A to LC No. 200/2023).

The third measure presented in PEC 45/2024[51] proposes the amendment of various constitutional provisions. In particular, it is worth highlighting the provision for a complementary law to be enacted to regulate exceptions to the public service remuneration ceiling (Article 1 of Constitutional Amendment Bill No. 45/2024, amending § 11 of Article 37 of the Federal Constitution of 1988) and the amendment to the rules for accessing the salary allowance, gradually restricting eligibility based on the maximum remuneration for receiving the benefit. The current amount of BRL 2,640.00 would be adjusted annually, starting in 2026, based on the National Consumer Price Index (INPC), provided that the resulting value is not less than one and a half minimum wages, currently equivalent to BRL 2,118.00 (Article 1 of Constitutional Amendment Bill No. 45/2024, amending Article 239 of the Federal Constitution of 1988).

The Constitutional Amendment Bill (PEC) also incorporates into the constitutional text the prohibition of unregulated deductions in income calculations for the BPC (Article 1 of PEC No. 45/2024, adding a sole paragraph to Article 203 of the Federal Constitution of 1988) and mandates the enactment of a complementary law to establish conditions and limits for granting, expanding, or extending tax incentives or benefits (Article 1 of PEC No. 45/2024, adding Item IX to Article 163 of the Federal Constitution of 1988). It also authorizes the Executive Branch to reduce or limit, during the drafting and execution of budget laws, expenditures related to the granting of subsidies, grants, and financial benefits, including those for compensation and reimbursements for economic losses (Article 2 of PEC No. 45/2024, adding Article 139 to the ADCT).

The bill also addresses the earmarking of expenditures by subjecting, until 2032, the growth of expenditures resulting from the creation, amendment, or extension of legal or constitutional revenue earmarking to the primary expenditure growth limit established by Complementary Law No. 200/2023 (Art. 2 of PEC No. 45/2024, adding Art. 138 to the ADCT). The PEC also extends the Revenue Unlinking Mechanism (DRU) until 2032 and modifies its calculation base to reduce budget rigidity (Article 2 of PEC No. 45/2024, amending Article 76 of the ADCT).

Finally, the bill allocates up to 20% of the Federal Government's contribution to Fundeb [Fund for the Maintenance and Development of Basic Education and the Appreciation of Education Professionals] to promote full-time education (Art. 1 of PEC No. 45/2024, adding Item XIV to Art. 212-A of the Federal Constitution of 1988) and repeals the obligation to execute discretionary expenditures (Art. 1 of PEC No. 45/2024, repealing §§ 10 and 11 of Art. 165 of the Federal Constitution of 1988).

The fourth measure is Bill No. 4,920/2024[52], which eliminates the granting of pensions in cases where active-duty officers lose their rank or position, and for enlisted personnel contributing to the military pension fund with more than 10 years of service, unless discharged for disciplinary reasons or not classified as reservists, as a result of a court ruling or an administrative act ("*morte ficta*" [presumed death]). However, it introduces a reclusion allowance equal to half of the last remuneration of the former military member (Art. 1 of Bill No. 4,920/2024, adding Art. 20-A to Law No. 3,765/1960).

The proposal also eliminates the pension reversion mechanism, no longer allowing successive grants for beneficiaries of the 2nd and 3rd orders (Art. 1 of Bill No. 4,920/2024, amending Art. 24 of Law No. 3,765/1960), and sets the minimum age for military personnel to enter the paid reserve upon request at fifty-five years. However, it authorizes a reduction in service time exceeding thirty-five years, while maintaining the *ficto* [presumed] computation of service time in special locations (Art. 2 of Bill No. 4,920/2024). It establishes a transition rule until 2032 (Art. 4 of Bill No. 4,920/2024) for those who have not acquired vested rights (Art. 3 of Bill No. 4,920/2024).

The bill sets the contribution for medical, hospital, and social assistance for military personnel and their pensioners at 3.5% per month, with this percentage to be fully implemented by January 2026 (3% until April 1, 2025) and applied to the components of the pension or retirement benefits (Art. 6 of Bill No. 4,920/2024).

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[51] Available at: https://tinyurl.com/5aafv979.
[52] Available at: https://tinyurl.com/2v25nv86.

The package includes the phasing of appointments and public examinations in 2025 (a measure without any planned legal provision) and measures already in effect, such as Complementary Law No. 210/2024, which addresses parliamentary amendments, and Provisional Measure No. 1,274/2024, which amends the Aldir Blanc Law.

Despite the IFI's efforts to map out the possible impacts of the measures, and the National Congress' concentrated efforts to approve the bills[53], the possible impact of the four measures that are not yet in force will not be considered in the fiscal projections in this report.

The reasons are both technical and political. On the technical side, no technical notes or calculation records have been provided to support the savings announced by the Executive Branch, which would facilitate verification and re-estimation of the figures. On the political side, there are no guarantees[54] that the projects will be approved, at least with the same impact announced by the Executive Branch.

Furthermore, all sixteen sectoral expenditure reports[55] of the 2025 PLOA were approved without incorporating the proposed spending cut measures, and the current expectation is that the 2025 LOA will be voted on Thursday, December 19, 2024 (the publication date of this RAF)[56], prior to the definitive approval of the spending containment measures.

It is therefore likely that the expenditure projected in this report will be altered downwards in the next revision of the projections, as the proposed measures are already expected to have an impact starting in 2025. As an example, the minimum wage is projected in this report under the current rules, at BRL 1,528.00. If the proposal is approved, the amount would be reduced to BRL 1,517.00, generating savings of BRL 6.1 billion in 2025, according to the IFI model.

It is noteworthy that the impact calculated for the minimum wage by the IFI model is higher than the impact estimated in the Fiscal Risks Annex of the 2025 PLDO, which suggests that this BRL 11.00 difference would generate an impact of BRL 4.3 billion. It is also higher than the amount disclosed by the Executive Branch in the spending review package, which was BRL 2.2 billion, indicating that this impact may be underestimated[57] in the Ministry of Finance's calculations.

In fact, curbing the real appreciation of the minimum wage is the measure with the greatest impact presented, accounting, for instance, for BRL 35.0 billion in savings in 2030 out of the BRL 79.9 billion estimated by the Ministry of Finance (43.8% of the total). Another noteworthy point is that many measures have a stipulated end date, which compromises the impact of the measures in the medium term.

2.2.2 Short-term primary expenditure projections: 2024–2025

This section presents the projections for primary expenditures, based on a modeling exercise of these fiscal aggregates, grounded in the macroeconomic and primary revenue scenarios outlined earlier in this RAF. This assessment updates the previous forecasts presented in RAF No. 92[58], of September 2024.

Firstly, it should be noted that the projections for total primary expenditure are BRL 32.1 billion lower than those estimated by the Executive Branch in the Report on the Evaluation of Primary Revenues and Expenditures (RARDP) – Extraordinary Assessment.

With regard to the main fiscal aggregates, the IFI projection for social security benefits is in line with the latest forecast from the extraordinary assessment. It should also be noted that the projection for social security benefits has already been revised upwards in all RARDP this year, from BRL 908.7 billion in the Budget Law (LOA) to BRL 939.6 billion in the 4th bi-monthly report, representing an increase of BRL 30.9 billion so far.

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53 Available at: https://tinyurl.com/7j7vvrfs.
54 Available at: https://tinyurl.com/2hxjw679.
55 Available at: https://tinyurl.com/27ztj36u.
56 Available at: https://tinyurl.com/4ya8jb6m.
57 As mentioned above, given that no technical notes or calculations have been released, it is not possible to verify how the values were estimated in the proposals.
58 Available at: https://tinyurl.com/yc3z44c5.

Payroll expenses and social charges saw a slight reduction, both in the IFI's projection, to BRL 370.4 billion, and in the RARDP Extraordinary Assessment, to BRL 371.3 billion. This adjustment reflects the acknowledgment in the 3rd RARDP that these expenditures were overestimated by BRL 6 billion in the 2024 LOA, aligning with the IFI's earlier projections.

The third relevant aggregate, encompassing other mandatory expenditures, is projected at BRL 358.8 billion by the IFI, below the RARDP projection of BRL 372.2 billion, both significantly higher than the 2024 LOA projection of BRL 327.2 billion.

A significant part of the divergence with the LOA is explained by expenditures on extraordinary credits, which are not typically projected in the LOA. These currently amount to BRL 27.6 billion in the RARDP and BRL 23.2 billion in the IFI's projection, resulting in a BRL 4.4 billion difference, as shown in Table 7 below.

TABLE 7. EVOLUTION OF THE ESTIMATES FOR THE MAIN PRIMARY EXPENDITURE AGGREGATES

Item	Spent in 2023			2024 LOA		Extraordinary RARDP (Nov/2024)		IFI 2024 (Dec/2024)		Difference Ext. RARDP (Nov/2024) - IFI (Dec/2024)	
	BRL BILLION	GDP %	% Share	BRL BILLION	GDP %	BRL BILLION	GDP %	BRL BILLION	GDP %	BRL BILLION	GDP %
Net Primary Revenue after Transfers	**1,899.4**	**17.4**	**80.4**	**2,192.0**	**18.6**	**-2,171.6**	**18.4**	**-2,154.6**	**18.2**	**17.0**	**0.1**
Total Primary Expenditure	**2,129.9**	**19.5**	**100.0**	**2,182.9**	**18.5**	**-2,236.0**	**18.9**	**-2,203.9**	**18.7**	**32.1**	**0.3**
Social security benefits	**898.9**	**8.2**	**41.6**	**908.7**	**7.7**	**939.6**	**8.0**	**939.9**	**8.0**	**-0.3**	**0.0**
Payroll and social charges	**363.7**	**3.3**	**16.5**	**379.2**	**3.2**	**371.3**	**3.1**	**370.4**	**3.1**	**0.9**	**0.0**
Other mandatory expenses	**357.5**	**3.3**	**18.1**	**327.2**	**2.8**	**372.2**	**3.2**	**358.8**	**3.0**	**13.4**	**0.1**
Salary Allowance and Unemployment Benefit	72.9	0.7	3.5	78.0	0.7	81.6	0.7	81.0	0.7	0.6	0.0
Financial support for states and municipalities	27.1	0.2	0.9	11.7	0.1	1.7	0.0	1.7	0.0	0.0	0.0
Continuous cash benefits	92.7	0.8	4.7	103.5	0.9	112.4	1.0	111.0	0.9	1.4	0.0
Extraordinary credits	2.8	0.0	0.7	0.0	0.0	27.6	0.2	23.2	0.2	4.4	0.0
Federal Government supplementation to Fundeb	37.5	0.3	2.0	47.0	0.4	49.4	0.4	47.4	0.4	2.0	0.0
FCDF (Current and Capital)	4.3	0.0	0.2	3.8	0.0	4.5	0.0	5.1	0.0	-0.5	0.0
Legislative/Judiciary/MPU/DPU (Current and Capital)	17.4	0.2	0.8	21.2	0.2	20.7	0.2	19.9	0.2	0.8	0.0
Kandir Law	4.0	0.0	0.2	4.0	0.0	4.0	0.0	4.0	0.0	0.0	0.0
Judicial Rulings and Court-Ordered Debt Payments (current and capital)	71.4	0.7	3.7	27.5	0.2	35.0	0.3	34.3	0.3	0.7	0.0
Subsidies, grants and Proagro	21.7	0.2	0.8	22.2	0.2	23.6	0.2	19.9	0.2	3.7	0.0
Other mandatory expenses	5.9	0.1	0.5	8.4	0.1	11.7	0.1	11.4	0.1	0.3	0.0
Expenditure Subject to Financial Programming	**509.8**	**4.7**	**23.8**	**567.8**	**4.8**	**552.9**	**4.7**	**534.8**	**4.5**	**18.1**	**0.2**
Mandatory expenditure with flow control	**326.4**	**3.0**	**15.3**	**358.9**	**3.0**	**360.0**	**3.0**	**357.8**	**3.0**	**2.2**	**0.0**
Public employee's benefits	15.4	0.1	0.8	18.3	0.2	19.0	0.2	17.7	0.2	1.3	0.0
Bolsa Família Program	**166.3**	**1.5**	**7.3**	**169.5**	**1.4**	**169.5**	1.4	**168.2**	1.4	**1.3**	0.0
Health	129.5	1.2	6.5	153.5	1.3	154.2	1.3	153.5	1.3	0.7	0.0
Education	8.2	0.1	0.4	8.4	0.1	8.4	0.1	9.4	0.1	-1.0	0.0
Others	7.0	0.1	0.4	9.4	0.1	9.0	0.1	9.1	0.1	-0.1	0.0
Discretionary expenditure	**183.4**	**1.7**	**8.5**	**208.9**	**1.8**	**192.8**	**1.6**	**177.0**	**1.5**	**15.9**	**0.1**
Health	38.3	0.3	2.3	55.8	0.5	59.8	0.5	53.4	0.5	6.4	0.1
Education	35.0	0.3	1.6	25.9	0.2	25.9	0.2	26.9	0.2	-0.9	0.0
Other Discretionary Expenses	110.2	1.0	4.6	127.1	1.1	107.1	0.9	96.8	0.8	10.3	0.1
Above-the-line Primary Balance	**-230.5**	**-2.1**		**9.1**	**0.1**	**-64.4**	**-0.5**	**-49.3**	**-0.4**	**-15.1**	**-0.1**

Sources: Federal Budget Secretariat (SOF), National Treasury Secretariat (STN) and IFI. Prepared by: IFI.

According to the monitoring panel for expenditures related to addressing the public calamity in Rio Grande do Sul[59], out of the current appropriation of BRL 33.7 billion, BRL 27.8 billion has been committed (82.4% of the appropriation), BRL 22.0 billion has been settled, and BRL 21.7 billion has been paid (64.5% of the appropriation and 78.2% of the commitments).

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[59] Available at: https://tinyurl.com/5n7htvsj.

However, these figures are expected to increase by the end of the year, as the panel does not account for the impacts of Provisional Measure No. 1,278[60], dated December 11, 2024, which authorizes the Federal Government to participate in a fund aimed at supporting the rehabilitation and recovery of infrastructure in areas affected by extreme weather events, as well as infrastructure projects related to climate change mitigation and adaptation.

This privately managed fund may be created, administered, managed, and represented judicially and extrajudicially by Caixa Econômica Federal, with a total amount of BRL 6.5 billion. This is a new fund to be implemented in the coming years, outside the annual budgets, using the fiscal space created by the use of the exceptions provided for in the LRF. Therefore, it falls outside the expenditure limits and the primary balance target for 2024.

Another noteworthy divergence lies in subsidies, grants, and Proagro, in continuous cash benefits, and in the Federal Government's contribution to Fundeb, with the IFI's projection being lower than the figures in the RARDP Extraordinary Assessment by BRL 3.7 billion, BRL 1.4 billion, and BRL 2.0 billion, respectively.

Regarding expenditures subject to financial programming, the significant divergence of BRL 18.1 billion higher in the RARDP figures (BRL 552.9 billion) compared to the IFI figures (BRL 534.8 billion) is primarily due to discretionary expenditures, estimated at BRL 192.8 billion in the RARDP and BRL 177.0 billion in the IFI, a difference of BRL 15.9 billion.

A significant portion of this difference is due to the accumulation of unspent funds, estimated by the IFI at BRL 14.5 billion. This amount corresponds to the difference between the BRL 32.1 billion projected by the IFI as underpayment of expenditures and the BRL 17.6 billion frozen in the RARDP Extraordinary Assessment, with the remainder attributable to differences in accounting perspectives.

Finally, mandatory expenditures with flow control, estimated by the IFI at BRL 257.8 billion, of which BRL 168.2 billion pertains to the Bolsa Família Program, are highlighted and align with the projections in the RARDP.

2.2.3 Observance of the Expenditure Limit and the Need for Spending Cuts

Spending cuts and freezes are fiscal policy instruments aimed at implementing, sometimes temporary, reductions in discretionary expenditures to align the pace of spending execution with the limits established in current legislation. The new fiscal framework, however, established different motivations for the use of these instruments.

As provided in the 2024 Budgetary Guidelines Law (Law No. 14,791/2024, Art. 69, § 2), for the purposes of Item I of § 11 of Art. 165 of the Federal Constitution of 1988 (regarding expenditure limits), the Executive, Legislative, and Judiciary Branches, as well as the Federal Public Prosecutor's Office and the Federal Public Defender's Office, are authorized to **impose spending cuts on discretionary budget** appropriations in the amount necessary to comply with the individualized limits established in Art. 3 of LC No. 200/2023, based on the information provided in the primary revenue and expenditure assessment reports.

The current allocation of budgetary appropriations is BRL 2,761.6 billion, and the opening of an extraordinary credit totaling BRL 6.5 billion is anticipated to meet the provisions of Provisional Measure No. 1,278/2024, raising the total appropriations to BRL 2,768.1 billion. Considering that the RARDP Extraordinary Assessment projects budgetary appropriations at BRL 2,773.5 billion, there is either **an excess freeze of BRL 5.4 billion** or additional appropriations[61] that are not specified in the report.

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[60] Available at: https://tinyurl.com/y5kcs5pp.

[61] On December 18, 2024, the National Congress approved various appropriations to the 2024 budget totaling BRL 5.7 billion. However, BRL 4.0 billion pertains to the supplementation of financial expenses (RP 0), funded by the incorporation of the financial surplus recorded in the 2023 balance sheet, and is therefore not included in the calculation of primary expenditure limits. The remaining amount consists of primary appropriations resulting from the cancellation of other primary appropriations already included in the LOA, thus having no additional primary impact. Available at: https://tinyurl.com/38sa394k.

2.2.4 Achievement of the Primary Balance Target and the Need for Spending Cuts

The spending cuts, in turn, are provided for in the Fiscal Responsibility Law (LC No. 101/2000, Art. 9), pursuant to Item I of § 11 of Art. 165 of the Federal Constitution of 1988 (regarding the achievement of fiscal targets). The law establishes that if, at the end of a two-month period, it is determined that revenue performance may not support compliance with the primary or nominal balance targets set in the Fiscal Targets Annex, the branches of government and the Public Prosecutor's Office must implement, through their own acts and within 30 days, the necessary limitations on commitments and financial transactions, according to the criteria established by the Budget Guidelines Law.

As can be seen in Table 7, before the deductions provided for in the fiscal rules, the IFI projects a **primary deficit of BRL 49.3 billion for the 2024 fiscal year**, equivalent to 0.4% of GDP. After applying the allowable deductions, totaling BRL 30.4 billion, and the lower limit of the target, set at BRL 28.8 billion, the result for the fiscal year is expected to **exceed the target by BRL 9.9 billion**.

The target adjustments stem from the use of the lower margin of 0.25% of GDP, introduced by the new fiscal framework in the Fiscal Responsibility Law (LC No. 101/2000, Art. 4, § 5, IV), and the exclusion of extraordinary credits allocated to address the public calamity in Rio Grande do Sul, projected by the IFI at BRL 28.7 billion; to combat fires in the Pantanal and the Amazon, amounting to BRL 746.4 million; and to cover housing assistance payments for the Judiciary and the Public Prosecutor's Office, totaling BRL 1.3 billion, based on the Fiscal Responsibility Law (LC No. 101/2000, Art. 65, § 1) and decisions[62] by the Federal Supreme Court (STF) and the Federal Court of Accounts (TCU)[63], respectively.

It is important to note that, as discussed in the previous section, in relation to the revenue projection for the 2024 financial year, the IFI considered two compensatory sources presented in Law No. 14,973/2024, totaling BRL 14.3 billion. If these revenues are not accounted for by the Central Bank, **the 2024 target would be missed by a margin of BRL 4.4 billion.**

However, as provided for in the 2024 Budget Guidelines Law (Law No. 14,791/2023, Art. 3, § 2), compensation between the targets established for the Fiscal and Social Security Budgets (OFSS) and the Global Spending Program (PDG) may occur during the execution of the 2024 LOA. According to the 2024 LDO, the target for the PDG is a deficit of BRL 7.3 billion, of which up to BRL 5.0 billion can be deducted from the Investment Budget (OI) for the New PAC (Growth Acceleration Program).

As provided in Annex XIII of Decree No. 12,279/2024, which amends the budgetary and financial programming and establishes the monthly disbursement execution schedule for the Federal Executive Branch for the 2024 fiscal year, there is a surplus of BRL 4.0 billion in meeting the primary balance target for federal state-owned companies, considering an investment of BRL 2.5 billion in the New PAC [Growth Acceleration Program], which is therefore below the limit established in the LDO.

Therefore, **merely increasing disbursements for the PAC in state-owned companies**[64] by BRL 400 million, or curbing operational expenses, **would suffice to use the Investment Budget surplus to offset any potential shortfall in meeting the target for the OFSS**, even without considering revenues pending recognition by the Central Bank.

2.2.5 Revision of Medium-Term Primary Expenditure Projections

Compared to RAF No. 89[65], dated June 2024, which provided the latest medium-term forecasts, the current report shows an improvement in short-term scenarios and a deterioration in the medium-term outlook, due to the postponement of the primary impact of the FCBF, as previously discussed in the section on the assumptions used to construct the scenarios. Overall, the figures are marginally worse than in the previous forecast.

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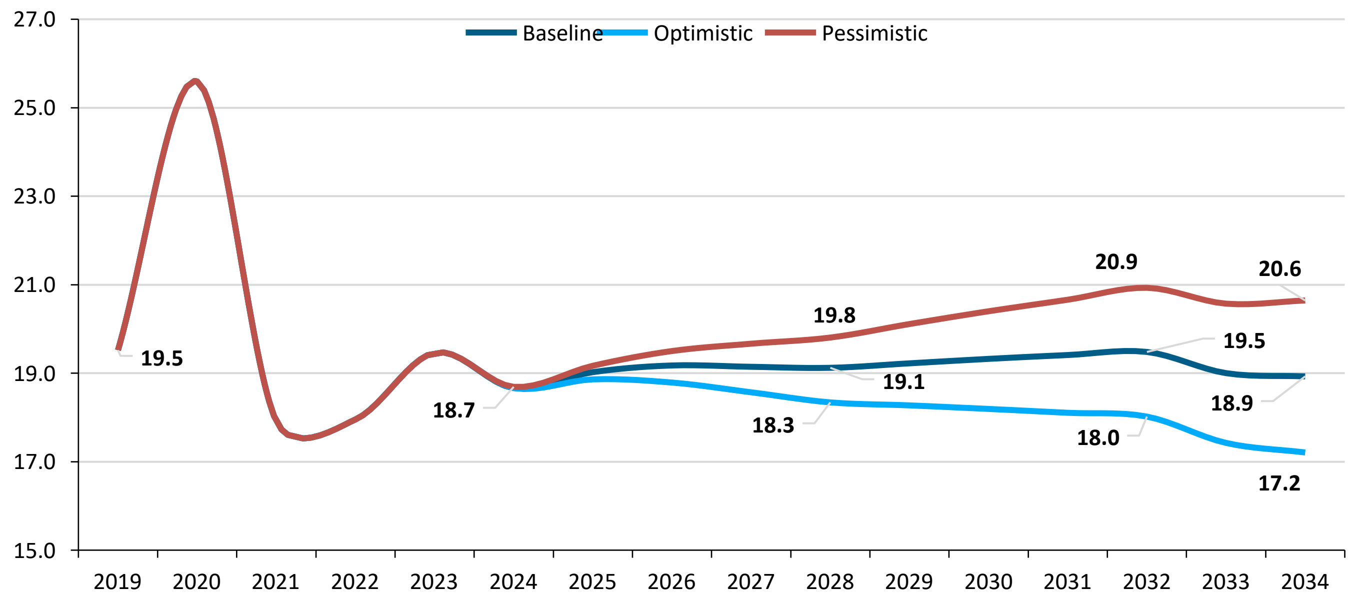
62 Available at: https://tinyurl.com/2s3sfmrx.
63 Available at: https://tinyurl.com/3w8536ad.
64 On December 18, 2024, Congress approved more than BRL 1.0 billion for investments by state-owned companies. Available at: https://tinyurl.com/bdhnxvt5.
65 Available at: https://tinyurl.com/52zwfrrv.

The increase in GDP, inflation, and real revenue growth tends to raise the rates of expenditure linked to the minimum wage as well as those tied to revenues. In the baseline scenario, primary expenditure as a proportion of GDP peaks in 2032, consuming the equivalent of 19.5% of GDP, and slowly falls until it reaches 18.9% of GDP at the end of the projection horizon.

In the optimistic scenario, spending decreases slightly until 2032, when it reaches 18.0% of GDP, followed by a more vigorous reduction, reaching 17.2% of GDP in 2034. In the pessimistic scenario, on the other hand, primary expenditure continues to grow almost continuously, from 18.7% in 2024 to 20.9% in 2032. After a slight decline in 2033, expenditures begin to rise again in 2034, reaching 20.6% of GDP, as shown in Graph 6 below:

GRAPH 6. IFI SCENARIOS FOR THE FEDERAL GOVERNMENT'S PRIMARY EXPENDITURE (GDP %)



Sources: STN and IFI. Prepared by: IFI

2.3 Medium-Term Primary Balance Target Scenarios

For the same reasons explained earlier, the primary balances worsened in the three projected scenarios. They also indicate an improvement in 2033 due to the conclusion of FCBF payments, although this is quickly reversed in subsequent years due to the growth of the National Fund for Regional Development (FNDR).

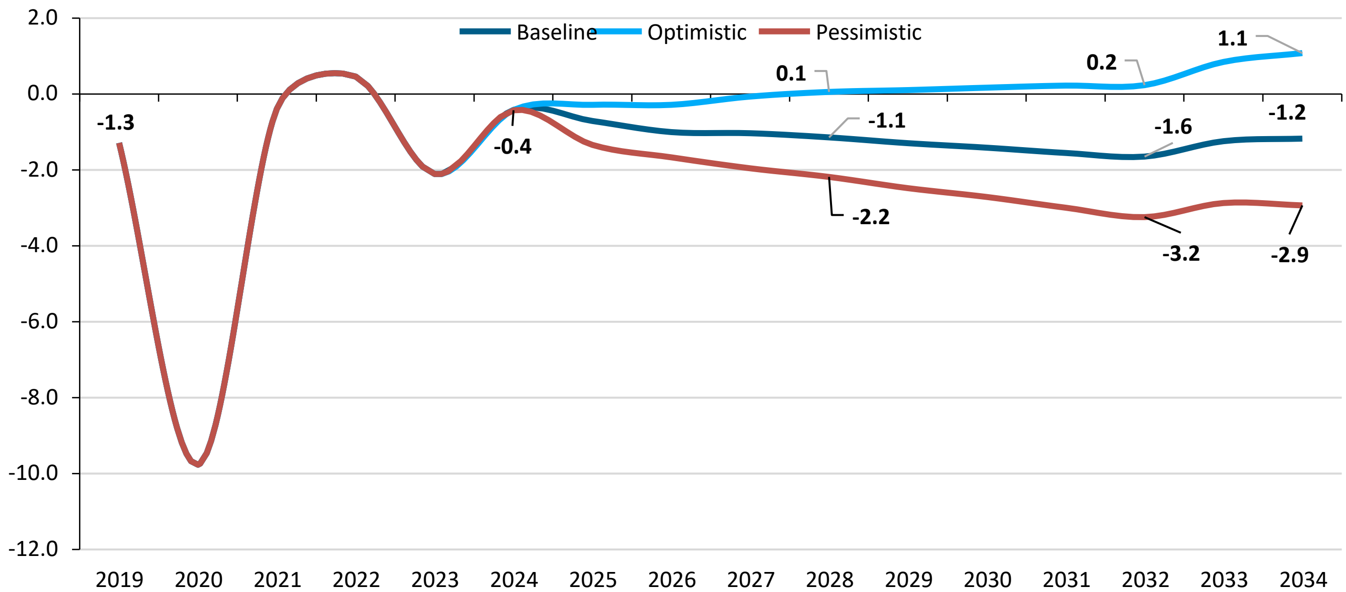
There has also been an increase in uncertainty regarding the projections due to greater variability introduced in the parameters as a result of changes to the rules linking expenditure to revenues. Thus, the projection exhibits greater variance, spreading more across potential outcomes over time.

In the baseline scenario, the primary deficit grows from 0.4% of GDP in 2024 to 1.6% of GDP in 2032, then begins to decrease until it reaches 1.2% of GDP in 2034. Thus, the baseline scenario shows primary deficits throughout the whole projection horizon.

In the optimistic scenario, the deficit falls from 0.4% of GDP in 2024 to a surplus of 0.2% of GDP in 2028. From 2028 onwards, the primary balance turns positive, growing to 1.1% of GDP by 2034. In the pessimistic scenario, the deficit increases from 0.4% of GDP in 2024 to 3.2% of GDP in 2032, with a slight reduction to 2.9% in 2034, remaining in deficit territory throughout the entire projection horizon.

It is important to highlight that **not even in the optimistic scenario are primary surpluses achieved at levels sufficient to stabilize the Gross General Government Debt (DBGG)** relative to GDP, estimated at 2.4% of GDP, as shown in Graph 7 below.

GRAPH 7. IFI SCENARIOS FOR THE FEDERAL GOVERNMENT'S PRIMARY BALANCE (GDP %)



Sources: STN and IFI. Prepared by: IFI

2.3.1 Achievement of the Primary Balance Targets in the Budget Guidelines Law

It is interesting to note[66] that the 2025 PLDO was the first prepared in accordance with § 5 of Art. 4 of the Fiscal Responsibility Law (LRF), as amended by the Sustainable Fiscal Regime (RFS). Thus, in addition to presenting annual targets for the fiscal year in question and for the next three years, rather than two, Annex IV of the Bill includes the medium-term fiscal framework, with projections for the main fiscal aggregates shaping the reference scenarios. The framework differentiates between primary and financial expenditures, as well as mandatory and discretionary expenditures, and outlines the expected effects and compatibility of achieving primary balance targets over a 10-year period with the trajectory of public debt convergence.

The monitoring of the primary targets has therefore been expanded in this report to reflect the changes brought about by the new sustainable fiscal framework. The evolution of the scenarios, with their respective tolerance bands, can be seen in Graph 8.

As seen below, in the baseline scenario, the primary balance targets are reached in 2024 and would only be met in 2025 with a spending cut of BRL 14.4 billion. For 2026, the required spending cut would amount to BRL 78.7 billion, which would reduce discretionary expenditures below the minimum necessary for the functioning of the public administration.

However, **it is important to highlight, once again, that the projections do not take into account the potential outcomes of the spending control package announced by the Executive Branch**. If the projected reductions in mandatory expenditures outlined in the package materialize, the targets for 2025 and 2026 would be met, as the package aims to save BRL 30.6 billion in 2025 and BRL 71.9 billion by 2026 (when a spending cut of BRL 6.8 billion would still be required).

However, from 2027 onward, the measures may prove insufficient, given that the gap between the projected deficit in the baseline scenario and the savings announced with the measures would exceed the amount that could be cut without causing a shutdown of public administration operations.

On the other hand, in the optimistic scenario, the measures to strengthen the fiscal rule would be sufficient until 2028, while in the pessimistic scenario, the measures would already be insufficient starting in 2025.

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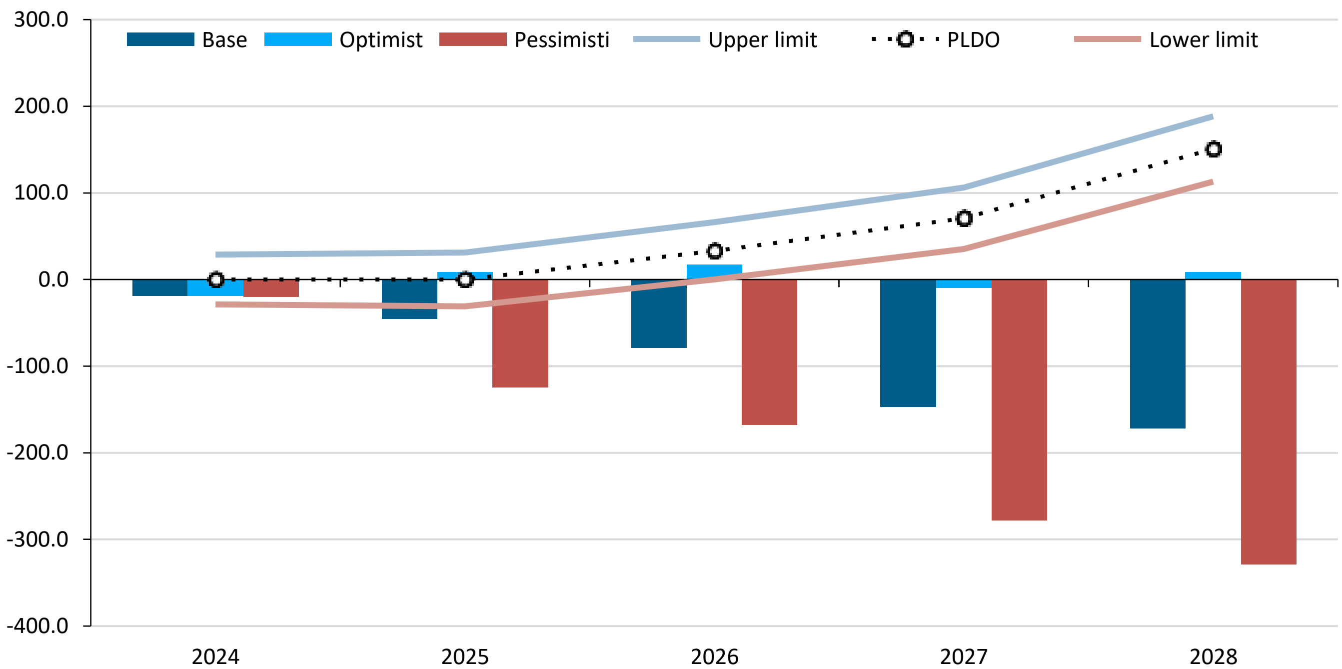
[66] According to the Statement of Reasons for the 2025 PLDO. Available at: https://tinyurl.com/32tacpr5.

GRAPH 8. IFI SCENARIOS FOR PRIMARY TARGET (BRL BILLION)



Source: IFI and 2025 PLDO. Prepared by: IFI.

2.3.2 Sufficiency of the Primary Expenditure Limit under the Sustainable Fiscal Regime

As a general rule, discretionary expenses are projected as the residual amount between the primary expenditure limit, established in the fiscal framework, and the mandatory expenses subject to the limit. Thus, expenditures not subject to the limit, exempted from the limit under Art. 3, § 2 of LC No. 200/2023, do not affect the establishment of discretionary expenditures but only impact fiscal targets, unless they are also exempted for that purpose.

The so-called "rigid discretionary expenditures"[67] are also projected. These refer to the portion of spending allocated to minimum health and education expenditures within the discretionary budget, as well as the mandatory execution of individual and caucus amendments. These rigid expenditures constrain the non-rigid discretionary expenditures, which are those that can be freely allocated.

Moreover, as previously noted in other reports[68], there are legal exemptions regarding the application of spending cuts to these expenditures, which makes the projection relatively more subject to uncertainties. Finally, it was observed that the growth rate of mandatory expenditures has accelerated, sharply reducing the available space for projecting discretionary expenditures in the medium term.

Eventually, due to the projection dynamics, non-rigid discretionary expenditures ended up falling below the minimum level necessary to sustain governmental operations, even creating a negative margin in a given period. In other words, projected mandatory expenditures and rigid discretionary expenditures would exceed the expenditure limit established under the fiscal regime.

Thus, a minimum limit of non-rigid discretionary expenses was assumed in the projection, set at 0.7% of GDP, and an indicator of the sufficiency of the expenditure limit was calculated separately. So, when the value becomes negative, it indicates that the tax system has become unsustainable. The results for the fiscal year can be seen in Graph 9.

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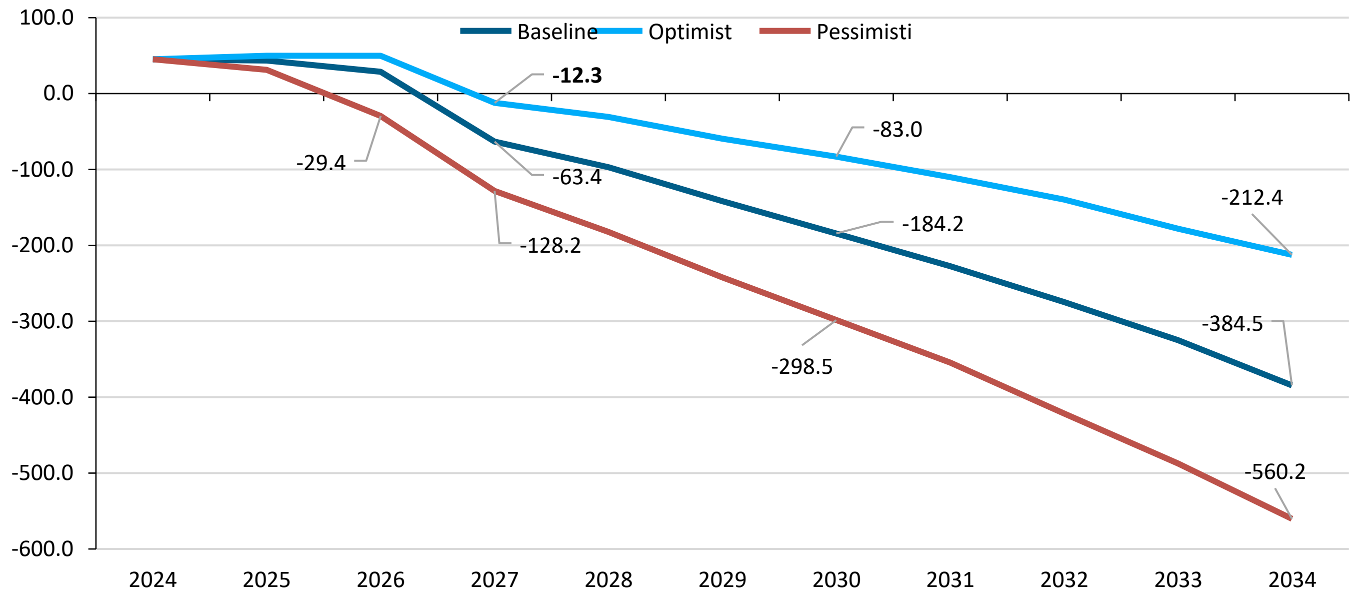
[67] For more details, see RAF No. 90, dated July 2024. Available at: https://tinyurl.com/3xfdx8fw.

[68] The 2024 LDO (Art. 71, § 18, II), reiterated in the 2025 PLDO (Art. 68, § 17, II), established an indiscriminate amount of appropriations subject to spending cuts, resulting in a required spending cut smaller than that provided for in Art. 7, § 2 of LC No. 200/2023. When consulted about the discrepancy between the rules, the Federal Court of Accounts (TCU) has not yet issued an opinion on the matter.

GRAPH 9. (IN)SUFFICIENCY OF THE RFS EXPENDITURE LIMIT (BRL BILLION)



Source: STN and IFI. Prepared by: IFI.

As can be seen, in the three projected scenarios, the rate of growth of mandatory expenditure and rigid discretionary expenses ends up consuming all the fiscal space available. For the baseline and optimistic scenarios, the shortfall occurs in 2027 and for the pessimistic scenario in 2026. As discussed in previous reports, the return of court-ordered debt payments (precatórios) within the expenditure limits (and fiscal targets) in 2027 will put pressure on the sustainability of the fiscal framework.

Another relevant fact is that the Executive Branch may issue a supplementary appropriation during the execution of the 2025 LOA, amounting to BRL 14.5 billion, due to the observation that the accumulated variation in the Broad Consumer Price Index (IPCA) as of December 2024 (estimated at 4.93% by the IFI) will exceed the 12-month accumulated variation up to June 2024 (4.23%), which was used to project the expenditure limit for the 2025 PLOA.

However, this amount will not be incorporated into the calculation base for the following years, as occurred in 2024 (LC 200/2023, art. 4, § 1). In the medium term, the exclusion of these amounts from the expenditure limit baseline represents another dysfunction of the RFS and tends to further constrain the limit, considering that expenditures adjusted for inflation continue to incorporate past adjustments.

Thus, the analysis indicates a structural issue within the Sustainable Fiscal Regime, which is unable to support the growth of mandatory or rigid discretionary expenditures beyond the real growth limit of the expenditure cap itself, ranging from 0.6% to 2.5% per year, especially in scenarios of rising inflation toward the end of the fiscal year.

It should be emphasized once again that **the projections do not consider the potential outcomes of the spending control package announced by the Executive Branch**. If the projected reductions in mandatory expenses set out in the package come to fruition, it is likely that the fiscal framework's survival horizon will be extended until 2032.

2.3.3 Conclusion

The medium-term expenditure and primary balance projections have worsened, on the margin, as a result of changes in macroeconomic variables and in the rate of growth of primary revenues. On the other hand, there was an improvement in the results up to 2028 and a worsening in the following ones, due to the postponement of the primary impact of the tax reform funds on consumption.

The new medium-term projections indicate that the primary balance targets will be met in 2024 and 2025, using the lower limit of the target and the deductions provided for by law or mandated by judicial and administrative decisions.

From 2026 onwards, it is likely that the package of measures to strengthen fiscal rules will be insufficient to achieve the targets set out in the 2025 PLDO. Even if the targets are met, it is important to highlight that projections indicate the targets are insufficient to establish a sustainable trajectory for the DBGG-to-GDP ratio, as they are not ambitious enough given the challenges of debt stabilization.

The growth rate of mandatory expenditures and rigid discretionary expenditures undermines the sustainability of the fiscal regime starting in 2027. The package of measures proposed by the Executive Branch could extend the fiscal framework's viability horizon until 2032, provided the impact matches or exceeds the announced estimates.

3. PUBLIC DEBT SCENARIOS

According to the Central Bank, the Gross General Government Debt (DBGG, in the original acronym) reached 77.9% of GDP in October[69], an increase of 4.1 p.p. compared to December 2023. The increase in the indicator this year was mainly due to the reduced influence of GDP growth on the debt. According to the conditioning factors of gross debt published by the Central Bank, over 12 months, GDP's contribution to the debt-to-GDP ratio resulted in a reduction of 5.0 percentage points in October, compared to 5.7 percentage points in December 2023. At the same time, interest expenditure remained at almost the same level (+7.4 p.p. in October, compared to +7.5 p.p. of GDP in December 2023).

These lower contributions of nominal GDP to the fall, or even stability, of the debt-to-GDP ratio should continue in the coming months due to the expectation of lower economic growth in 2025 compared to 2024 (and even to 2023). The likely primary deficits of the public sector in the coming years and higher interest rates will increase gross indebtedness.

The scenarios outlined by the IFI for the evolution of the gross debt in the coming years take into account the Sustainable Fiscal Regime, governed by Complementary Law No. 200 of 2023. The simulations indicate that even with the implementation of the new fiscal rule, which will limit the growth of the central government's primary expenditures to percentages of net revenue variation, public debt stabilization would only be achieved through a sustained increase in revenues. This appears unlikely in the context of high tax burdens in the country.

The growth of various mandatory primary expenditures, coupled with the vulnerability of spending control measures, will make achieving the central government's primary balance targets more challenging. The IFI's projections for gross debt, considering the macroeconomic and fiscal scenarios discussed earlier, indicate an increase in the indicator throughout the entire projection horizon (2024-2034) in the baseline scenario.

Of course, this debt trajectory could change if the government manages to raise the recurring revenue considered when calculating the primary expenditure limits. The scenarios indicate that possible revenue frustrations will not only make it difficult to meet fiscal targets but will also jeopardize the credibility of fiscal policy.

3.1 Projections

In the scenario review presented last June, the IFI projected the Gross General Government Debt (DBGG), an indicator calculated by the Central Bank, at 78.0% of GDP for December 2024. The projection for the indicator has now been revised to 78.3% of GDP by the end of the year (Graph 10). The two estimates are not comparable due to the revision made by the IBGE to the Quarterly National Accounts series in December (when the GDP result for the third quarter of 2024 was released). This IBGE review takes place annually and affects the national accounts figures for the current year and the previous year. In the case of this latest review, 2023 and 2024.

In addition to revising real economic growth for 2023 upward, the IBGE also adjusted the implicit GDP deflator and nominal GDP values, which were higher last year. As a result, the debt-to-GDP ratio was lower in 2023, reflecting the new national accounts figures. For illustration, before this revision, the DBGG for December 2023 was 74.4% of GDP. Now, based on calculations by the IFI[70], the DBGG is estimated to have ended last year at 73.8% of GDP (Graph 10).

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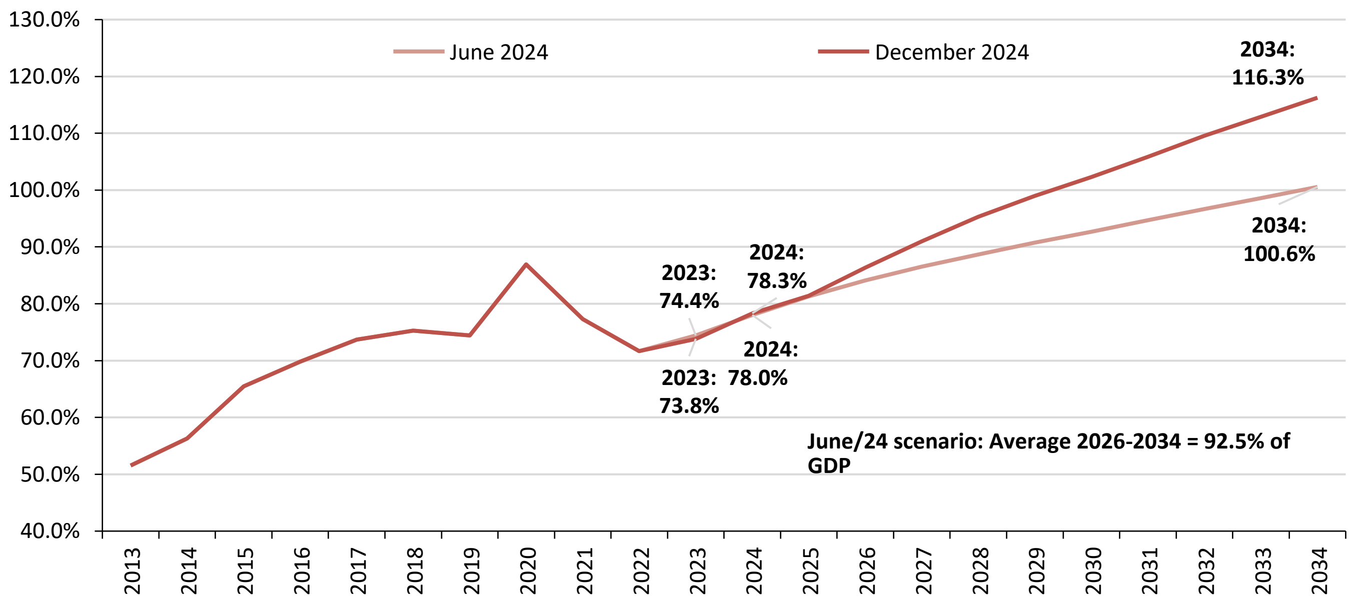
[69] This is an estimate made by the IFI based on the most recent information from the IBGE regarding the Quarterly National Accounts and from the Central Bank.

[70] It is important to note that this calculation was performed by the IFI based on the new values from the Quarterly National Accounts and the monthly GDP series calculated by the Central Bank. The official figures for the DBGG as a proportion of GDP will be released by the Central Bank at the end of December 2024, when the Central Bank will update the monthly GDP series with the revision made by the IBGE.

GRAPH 10. IFI PROJECTIONS FOR DBGG AT SELECTED TIMES (2024-2034) - % OF GDP



Prepared by: IFI

Graph 10 also shows the new values estimated by the IFI for gross debt from 2024 to 2034 in the baseline scenario. There was a sharp increase in projections in December compared to the scenario published in June. Basically, this was due to worsening projections for the public sector's primary deficit and the implicit real interest on the debt.

Considering the short-term estimates, there was an improvement in the primary deficit projection for 2024, in December, compared to June (0.4% of GDP against 0.7% of GDP). For the real implicit interest rate on the debt, the estimate remained practically unchanged (6.3% p.a. before and 6.1% p.a. now). For 2025, there was a deterioration in the projected real implicit interest rate on debt, which increased from 5.9% per year in June to 7.8% per year now.

In the medium term (from 2026 onward), both the projections for the primary balance of the public sector and the real implicit interest rates on gross debt have worsened. Table 8 compares the average projections for some of the variables that affect the dynamics of public sector indebtedness in the scenario revisions presented by the IFI last June and now in December.

TABLE 8. MAIN MACROECONOMIC AND FISCAL ASSUMPTIONS FOR DEBT SCENARIOS – AVERAGES FROM 2026 TO 2034 BASED ON THE REVISIONS PRESENTED IN JUN/2024 AND DEC/2024 IN THE BASELINE SCENARIO

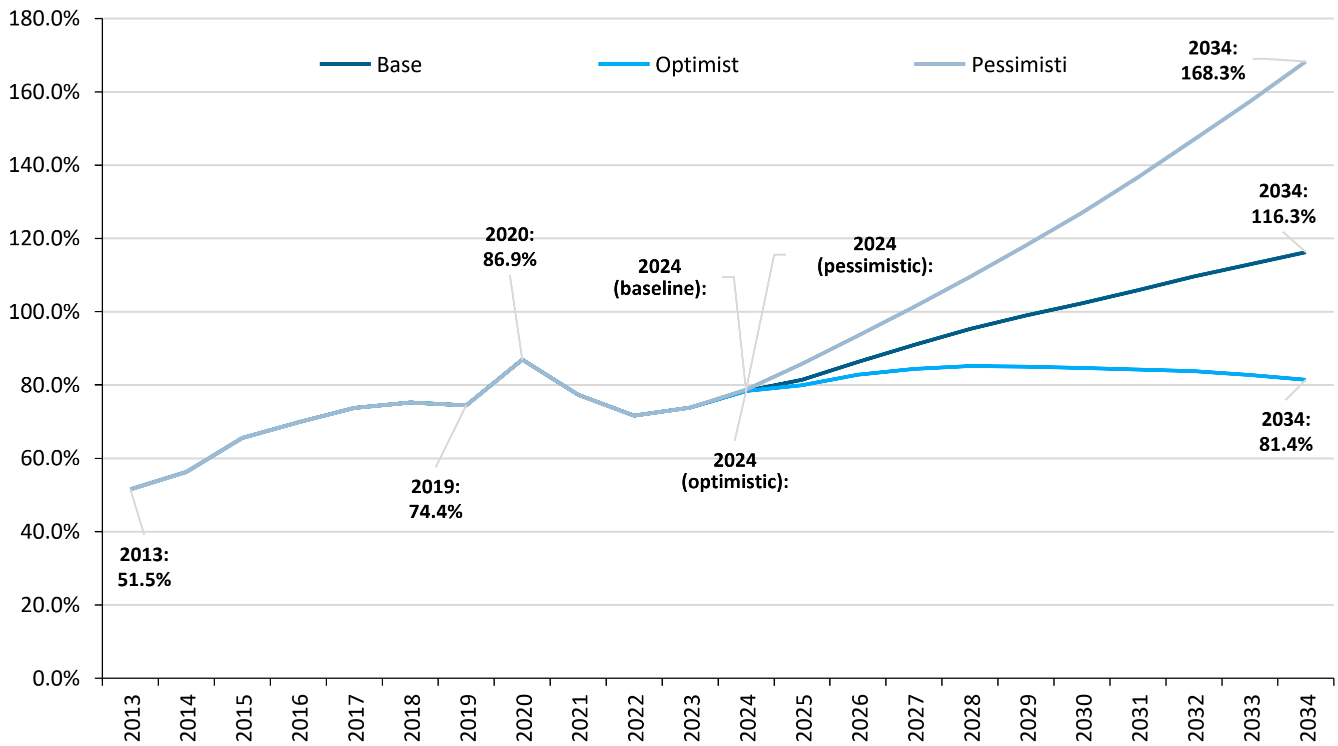
Baseline scenario		
	Jun/24	**Dec/24**
Consolidated Public Sector Primary Balance (BRL billion)	-165.8	-226.6
Consolidated Public Sector Primary Balance (% of GDP)	-1.0%	-1.3%
Nominal GDP (BRL billion)	16,727	17,084
Real GDP growth (%)	2.2%	2.2%
Implicit real debt rate (% p.a.)	4.2%	5.6%
Gross debt (% of GDP)	**92.5%**	**101.8%**

Source: IFI.

According to Table 8, the annual average of the public sector primary deficit projected by the IFI in June was 1.0% of GDP, which has now been raised to 1.3% of GDP. The real implicit interest on the debt went from 4.2% p.a., on average from 2026 to 2034, to 5.6% p.a. in December. The change in the trajectory of implicit interest rates was a determining factor in the worsening of debt estimates in the years ahead. The increase in projected interest rates is explained by the upward cycle of the Selic rate, initiated by the Central Bank in the second half of 2024, as well as by the worsening of risk premiums and the increase in the economy's neutral interest rate, as explained in the Macroeconomic Context section of this RAF.

The expected growth in gross debt over the next few years exposes the challenges of meeting the central government's primary balance targets. The targets are fundamentally based on increasing recurring primary revenue, as well as controlling primary expenditure. It is important to highlight the risks that could undermine the projected economic growth and the potential shortfalls of the measures proposed by the Executive Branch to increase revenue in the coming years. Such events can affect confidence in the sustainability of public accounts in the medium and long term. Graph 11 consolidates the expected trajectories in the three IFI scenarios.

GRAPH 11. IFI PROJECTIONS FOR DBGG IN THE DIFFERENT SCENARIOS - % OF GDP



Prepared by: IFI.

Table 9, in turn, presents the projections for the DBGG as a percentage of GDP under the IFI's three medium-term scenarios.

TABLE 9. DBGG PROJECTIONS AS % OF GDP UNTIL 2034 - JUN/24 RAF AND CURRENT

Year	Baseline		Optimistic		Pessimistic	
	Jun/24	Dec/24	Jun/24	Dec/24	Jun/24	Dec/24
2017	73.7%	73.7%	73.7%	73.7%	73.7%	73.7%
2018	75.3%	75.3%	75.3%	75.3%	75.3%	75.3%
2019	74.4%	74.4%	74.4%	74.4%	74.4%	74.4%
2020	86.9%	86.9%	86.9%	86.9%	86.9%	86.9%
2021	77.3%	77.3%	77.3%	77.3%	77.3%	77.3%
2022	71.7%	71.7%	71.7%	71.7%	71.7%	71.7%
2023	74.4%	73.8%	74.4%	73.8%	74.4%	73.8%
2024	78.0%	78.3%	77.2%	78.3%	79.3%	78.7%
2025	81.3%	81.4%	78.6%	80.0%	84.3%	85.8%
2026	84.1%	86.3%	78.3%	82.8%	90.2%	93.4%
2027	86.5%	91.0%	77.4%	84.4%	96.7%	101.3%
2028	88.7%	95.3%	76.4%	85.2%	103.7%	109.5%
2029	90.8%	99.0%	75.4%	85.0%	111.6%	118.1%
2030	92.7%	102.3%	73.9%	84.6%	119.9%	127.0%
2031	94.7%	105.9%	72.3%	84.2%	128.9%	136.7%

Year	Baseline		Optimistic		Pessimistic	
	Jun/24	Dec/24	Jun/24	Dec/24	Jun/24	Dec/24
2032	96.6%	109.6%	70.4%	83.8%	138.5%	147.0%
2033	98.6%	112.9%	68.3%	82.7%	148.8%	157.4%
2034	100.6%	116.3%	65.9%	81.4%	159.8%	168.3%

Source: IFI.

Table 10 updates the exercise usually presented by the IFI to illustrate the primary balance required to stabilize the DBGG as a proportion of GDP. Here, the exercise aims to stabilize the debt at 73.8% of GDP, the level of the indicator at the end of 2023.

TABLE 10. PRIMARY BALANCE REQUIRED TO STABILIZE GROSS DEBT AT 73.8% OF GDP (2023 LEVEL)

DBGG in 2023		Real Implicit Interest Rate on the DBGG (% p.a.)							
73.8%		0.5%	1.0%	2.0%	3.5%	4.2%	4.5%	5.0%	5.6%
Real GDP (% p.a.)	0.5%	0.0%	0.4%	1.1%	2.2%	2.7%	2.9%	3.3%	3.7%
	1.0%	-0.4%	0.0%	0.7%	1.8%	2.3%	2.6%	2.9%	3.4%
	1.5%	-0.7%	-0.4%	0.4%	1.5%	2.0%	2.2%	2.5%	3.0%
	2.2%	-1.3%	-0.9%	-0.2%	0.9%	1.4%	1.6%	2.0%	2.4%
	2.5%	-1.4%	-1.1%	-0.4%	0.7%	1.2%	1.4%	1.8%	2.2%
	3.0%	-1.8%	-1.4%	-0.7%	0.4%	0.9%	1.1%	1.4%	1.9%
	3.5%	-2.1%	-1.8%	-1.1%	0.0%	0.5%	0.7%	1.1%	1.5%

Source: Prepared by: IFI

Table 10 shows the increase in the effort needed to stabilize the public debt based on the IFI's new macroeconomic and fiscal projections. Considering the gross debt level at the end of 2023, 73.8% of GDP, a consolidated public sector primary surplus of 2.4% of GDP per year would be required to stabilize the debt (assuming an average real economic growth of 2.2% and real implicit interest rates of 5.6% per year). Last June, the required primary surplus calculated to stabilize the debt was 1.4% of GDP.

The exercise presented in the table indicates the required primary balance to stabilize the debt under different levels of economic growth and interest rates. For instance, higher economic growth reduces the primary balance needed for stabilization. Assuming real interest rates of 2.0% p.a. and GDP growth of 3.5%, even a primary deficit of 1.1% of GDP would stabilize the gross debt at the December 2023 level (73.8% of GDP).

Finally, Table 11 shows the projections for the primary and nominal balances, as well as interest expenditure in the three reference scenarios. The projections indicate the persistence of significant nominal deficits due to relatively high interest expenditures. Only in the optimistic scenario, in which the public sector achieves primary surpluses from 2027 onwards, does the nominal deficit fall more sharply.

TABLE 11. NOMINAL BALANCE, PRIMARY BALANCE, AND INTEREST EXPENDITURE OF THE CONSOLIDATED PUBLIC SECTOR (% OF GDP)

Year	Baseline			Optimistic			Pessimistic		
	Nominal balance	Primary balance	Interest	Nominal balance	Primary balance	Interest	Nominal balance	Primary balance	Interest
2018	-7.0%	-1.5%	5.4%	-7.0%	-1.5%	5.4%	-7.0%	-1.5%	5.4%
2019	-5.8%	-0.8%	5.0%	-5.8%	-0.8%	5.0%	-5.8%	-0.8%	5.0%
2020	-13.3%	-9.2%	4.1%	-13.3%	-9.2%	4.1%	-13.3%	-9.2%	4.1%
2021	-4.3%	0.7%	5.0%	-4.3%	0.7%	5.0%	-4.3%	0.7%	5.0%
2022	-4.6%	1.2%	5.8%	-4.6%	1.2%	5.8%	-4.6%	1.2%	5.8%
2023	-8.9%	-2.3%	6.6%	-8.9%	-2.3%	6.6%	-8.9%	-2.3%	6.6%
2024	-8.0%	-0.4%	7.7%	-8.1%	-0.4%	7.8%	-8.5%	-0.4%	8.1%
2025	-9.6%	-0.7%	8.9%	-8.8%	-0.1%	8.7%	-12.0%	-1.7%	10.3%

Year	Baseline			Optimistic			Pessimistic		
	Nominal balance	Primary balance	Interest	Nominal balance	Primary balance	Interest	Nominal balance	Primary balance	Interest
2026	-9.7%	-1.1%	8.6%	-8.0%	-0.1%	7.9%	-12.5%	-2.0%	10.5%
2027	-9.4%	-1.0%	8.4%	-6.9%	0.1%	7.0%	-12.9%	-2.3%	10.6%
2028	-9.3%	-1.2%	8.1%	-6.2%	0.1%	6.3%	-13.4%	-2.4%	11.0%
2029	-8.8%	-1.3%	7.5%	-5.3%	0.2%	5.4%	-14.3%	-2.8%	11.5%
2030	-8.7%	-1.4%	7.2%	-5.1%	0.2%	5.3%	-15.2%	-3.3%	11.9%
2031	-8.7%	-1.6%	7.1%	-4.9%	0.3%	5.2%	-16.5%	-3.6%	12.9%
2032	-8.8%	-1.7%	7.1%	-4.9%	0.3%	5.2%	-17.8%	-3.9%	13.9%
2033	-8.4%	-1.3%	7.1%	-4.3%	0.9%	5.2%	-18.5%	-3.5%	15.0%
2034	-8.3%	-1.2%	7.1%	-4.0%	1.1%	5.2%	-19.7%	-3.6%	16.1%

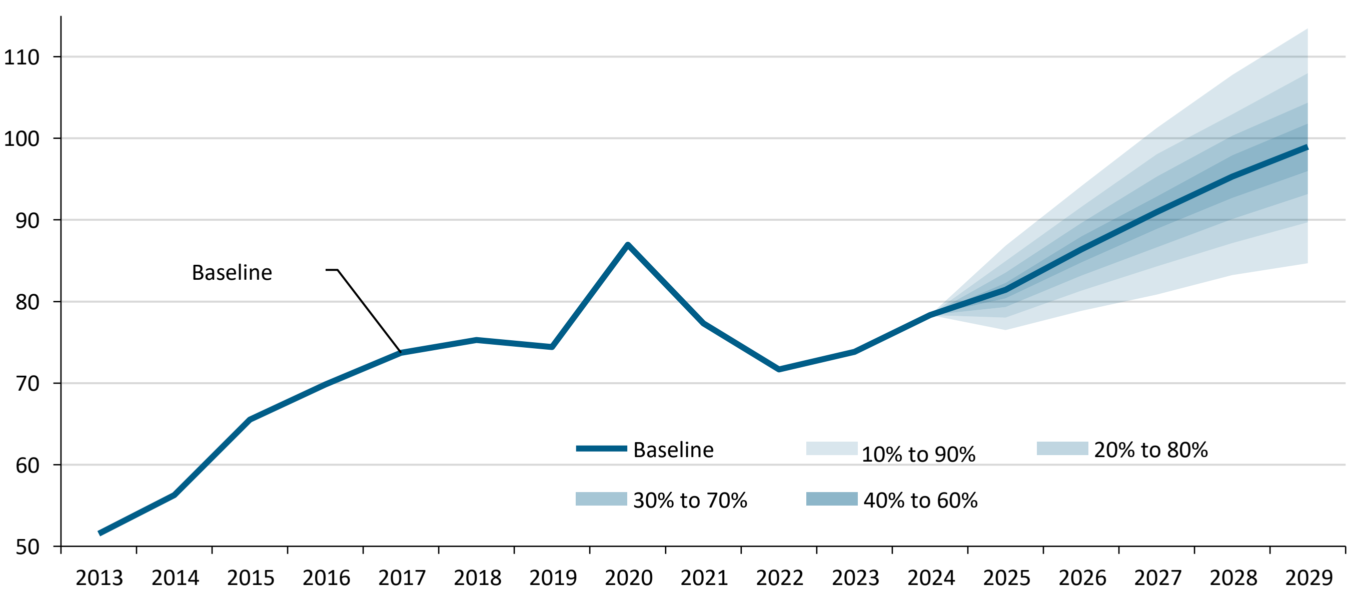
Source: IFI.

3.1.1 Stochastic Debt Scenarios

To measure the risk of certain debt trajectories materializing in the future, the analyses above can be expanded by incorporating the simulation of 1,500 alternative (stochastic) scenarios around the baseline scenario. Graph 12 presents these trajectories in the form of probability bands[71]. Table 12 is more explicit, numerically presenting some key estimates.

It is estimated that the probability of DBGG crossing the threshold of 90% of GDP at some point between 2025 and 2029 is 82.9%. Looking at it on an annual basis, Table 12 shows, in the second row, that the risk of the DBGG being above 90% increases over the years. For example, the probability for 2027 is over 50%.

GRAPH 12. BASELINE SCENARIO AND STOCHASTIC SCENARIOS (FAN CHART) FOR DBGG (% OF GDP)



Source: IFI. Explanatory note: the values on the left axis indicate the percentage of GDP represented by the DBGG. The percentages indicated in the legend at the bottom of the graph represent probability bands that visually overlap, from the outermost to the innermost. For example, 20% of the simulated values fall within the central band labeled "40% to 60%" (since 60 - 40 = 20). Similarly, 80% of the values fall within the outermost band labeled "10% to 90%" (since 90 - 10 = 80).

[71] For explanations about the methodology, see Special Study No. 18 and Technical Note No. 54, published by the IFI, available at: https://www2.senado.leg.br/bdsf/bitstream/handle/id/645203/EE18.pdf and https://www2.senado.leg.br/bdsf/bitstream/handle/id/651183/NT54_Sensibilidade_cenarios_estocasticos_divida.pdf

TABLE 12. PROBABILITY ESTIMATES

Probability					Estimate
General					
Probability of the DBGG Crossing the 90% of GDP Threshold in **Any Year** Between 2025 and 2029	-82.9%				
Annual					
	2025	**2026**	**2027**	**2028**	**2029**
Probability of the DBGG Exceeding 90% of GDP **in Each Year**	2.6%	28.4%	55.3%	70.4%	79.3%

Prepared by: IFI.
- Interpretation note: In both the "general" and "annual" cases, the probabilities include situations where the DBGG exceeds 90% in a given year (e.g., 2028), having already crossed the 90% threshold in a prior year (e.g., 2026). *It also includes situations in which the DBGG falls below 90%, even after being above this threshold in previous years.*
- Mathematical note: *with D_t representing the debt at time t, the "general" probability is given by:* $1-(D_{2025} \leq 0{,}9, D_{2026} \leq 0{,}9, D_{2027} \leq 0{,}9, D_{2028} \leq 0{,}9, D_{2029} \leq 0{,}9)$.
The "annual" probabilities are given by $P(D_{2025} > 0{,}9)$, $P(D_{2026} > 0{,}9)$, $P(D_{2027} > 0{,}9)$, $P(D_{2028} > 0{,}9)$ *and* $P(D_{2029} > 0{,}9)$.
In other words, the "general" probability is calculated based on the **joint** distribution, while the "annual" probabilities are calculated based on the **marginal** distributions.

The first figure reported above (82.9%, the "general" case in Table 12) is much higher than that estimated in the last RAF scenario review (June 2024, 49.6%). The explanation for the increase, as in that instance, remains the same: debt in the baseline scenario began to grow at a faster pace. Since the fan chart is always constructed around the baseline scenario (which represents the median), the likelihood of the DBGG exceeding 90% of GDP also increased.

The width of the fan chart serves as a measure of uncertainty in relation to the trajectories. This width hardly increased compared to June. In that report, the difference between the 90% and 10% percentiles in the last simulated year (2028) was 26.3 p.p. of GDP. In this RAF, it is 28.8 p.p. of GDP (in 2029). This stability occurs even though the sample was expanded to include 2024. That is, the 2024 values of the baseline scenario for the variables relevant to the simulation were considered realized, given that the end of the year is very near. As a result, this year also became part of the sample used to draw the shocks that feed the stochastic scenarios[72].

Another utility of the fan chart's width is to provide a plausibility test for the deterministic optimistic and pessimistic scenarios presented earlier in this report. The DBGG in 2029, under the optimistic scenario (85% of GDP), is very close to the lowest percentile of the fan chart (84.7% of GDP). In other words, this scenario is consistent with the recent historical volatility of Brazil's macro-fiscal variables. A similar conclusion applies to the pessimistic scenario. The DBGG in 2029 would be 118.1% of GDP in this case, close to the highest percentile of the fan chart, which is 113.5% of GDP.

[72] The historical series used to generate the scenarios is annual and consists of the following years: 2013 to 2019, 2022 to 2024. Therefore, the most critical years of the Covid-19 pandemic (2020 and 2021) were not considered. For methodological considerations on the choice of historical interval, see IFI´s Technical Note No. 54, mentioned above.

TABLE 13. IFI PROJECTIONS FOR THE CENTRAL GOVERNMENT'S PRIMARY BALANCE - BASELINE SCENARIO (% OF GDP)

Breakdown	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Gross Revenue	**21.5**	**22.7**	**22.8**	**22.8**	**22.7**	**22.6**	**22.6**	**22.5**	**22.5**	**22.4**	**22.3**	**22.3**
Revenue-sharing transfers to states and municipalities	**4.1**	**4.4**	**4.5**	**4.6**	**4.6**	**4.6**	**4.6**	**4.6**	**4.6**	**4.6**	**4.6**	**4.6**
Net Revenue	**17.4**	**18.2**	**18.3**	**18.2**	**18.1**	**18.0**	**17.9**	**17.9**	**17.9**	**17.8**	**17.8**	**17.8**
Primary Expenditure	**19.5**	**18.7**	**19.0**	**19.2**	**19.1**	**19.1**	**19.2**	**19.3**	**19.4**	**19.5**	**19.0**	**18.9**
Mandatory	**17.8**	**17.2**	**17.5**	**17.7**	**17.7**	**17.7**	**17.8**	**17.9**	**18.0**	**18.1**	**17.7**	**17.6**
Social security benefits	8.2	8.0	8.3	8.5	8.6	8.7	8.7	8.7	8.8	8.8	8.8	8.8
Payroll and social charges	3.3	3.1	3.2	3.1	3.1	3.0	2.9	2.9	2.8	2.8	2.7	2.7
Continuous cash benefits	0.8	0.9	1.0	1.0	1.1	1.1	1.1	1.2	1.2	1.2	1.2	1.3
Salary allowance and unemployment benefit	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Federal Government supplementation to Fundeb	0.3	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Federal District Constitutional Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Kandir Law	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial support for sub-national entities	0.2	0.0	0.0	0.0	0.0	0.0	0.2	0.4	0.5	0.7	0.3	0.3
Subsidies, grants and Proagro	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Judicial Rulings and Court-Ordered Debt Payments (current and capital)	0.7	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Public employee’s benefits	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Health (mandatory)	1.2	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Education (mandatory)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other branches (current and capital)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1
Extraordinary credit	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bolsa Família Program	1.5	1.4	1.4	1.4	1.4	1.3	1.3	1.2	1.2	1.2	1.1	1.1
Other mandatory expenses	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Discretionary expenditure	**1.7**	**1.5**	**1.5**	**1.5**	**1.5**	**1.4**	**1.4**	**1.4**	**1.4**	**1.3**	**1.3**	**1.3**
Primary balance	**-2.1**	**-0.4**	**-0.7**	**-1.0**	**-1.0**	**-1.1**	**-1.3**	**-1.4**	**-1.6**	**-1.6**	**-1.2**	**-1.2**
Memo:												
Nominal GDP (BRL billion)	**10,943.3**	**11,808.8**	**12,600.3**	**13,407.8**	**14,224.5**	**15,048.0**	**15,935.9**	**16,883.8**	**17,889.2**	**18,958.3**	**20,100.1**	**21,305.1**

TABLEA 14. IFI PROJECTIONS FOR THE CENTRAL GOVERNMENT'S PRIMARY BALANCE - OPTIMISTIC SCENARIO (% OF GDP)

Breakdown	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Gross Revenue	**21.5**	**22.7**	**23.1**	**23.1**	**23.1**	**23.0**	**23.0**	**22.9**	**22.9**	**22.9**	**22.9**	**22.9**
Revenue-sharing transfers to states and municipalities	**4.1**	**4.4**	**4.5**	**4.6**	**4.6**	**4.6**	**4.6**	**4.6**	**4.6**	**4.6**	**4.6**	**4.6**
Net Revenue	**17.4**	**18.2**	**18.6**	**18.5**	**18.5**	**18.4**	**18.4**	**18.4**	**18.3**	**18.3**	**18.3**	**18.3**
Primary Expenditure	**19.5**	**18.7**	**18.9**	**18.8**	**18.6**	**18.3**	**18.3**	**18.2**	**18.1**	**18.0**	**17.4**	**17.2**
Mandatory	**17.8**	**17.2**	**17.4**	**17.3**	**17.1**	**16.9**	**16.9**	**16.8**	**16.8**	**16.7**	**16.1**	**15.9**
Social security benefits	8.2	8.0	8.2	8.3	8.2	8.2	8.2	8.1	8.0	8.0	7.9	7.9
Payroll and social charges	3.3	3.1	3.1	3.0	2.9	2.8	2.7	2.6	2.5	2.4	2.3	2.3
Continuous cash benefits	0.8	0.9	1.0	1.0	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.2
Salary allowance and unemployment benefit	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Federal Government supplementation to Fundeb	0.3	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Federal District Constitutional Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Kandir Law	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial support for sub-national entities	0.2	0.0	0.0	0.0	0.0	0.0	0.2	0.3	0.5	0.6	0.2	0.2
Subsidies, grants and Proagro	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Judicial Rulings and Court-Ordered Debt Payments (current and capital)	0.7	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2
Public employee’s benefits	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Health (mandatory)	1.2	1.3	1.4	1.4	1.3	1.3	1.3	1.4	1.4	1.4	1.4	1.4
Education (mandatory)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other branches (current and capital)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1
Extraordinary credit	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bolsa Família Program	1.5	1.4	1.4	1.3	1.3	1.2	1.2	1.1	1.1	1.0	1.0	0.9
Other mandatory expenses	0.1	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Discretionary expenditure	**1.7**	**1.5**	**1.5**	**1.5**	**1.4**	**1.4**	**1.4**	**1.4**	**1.3**	**1.3**	**1.3**	**1.3**
Primary balance	**-2.1**	**-0.4**	**-0.3**	**-0.3**	**-0.1**	**0.1**	**0.1**	**0.2**	**0.2**	**0.2**	**0.8**	**1.1**
Memo:												
Nominal GDP (BRL billion)	**10,943.3**	**11,808.6**	**12,671.9**	**13,539.6**	**14,462.5**	**15,456.0**	**16,542.3**	**17,719.9**	**18,984.0**	**20,343.9**	**21,812.1**	**23,381.7**

TABLE 15. IFI PROJECTIONS FOR THE CENTRAL GOVERNMENT'S PRIMARY BALANCE - PESSIMISTIC SCENARIO (% OF GDP)

Breakdown	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Gross Revenue	**21.5**	**22.7**	**22.4**	**22.4**	**22.3**	**22.3**	**22.1**	**22.0**	**21.9**	**21.9**	**21.9**	**21.9**
Revenue-sharing transfers to states and municipalities	**4.1**	**4.4**	**4.5**	**4.6**	**4.6**	**4.6**	**4.6**	**4.6**	**4.6**	**4.6**	**4.6**	**4.6**
Net Revenue	**17.4**	**18.2**	**17.8**	**17.8**	**17.7**	**17.7**	**17.5**	**17.4**	**17.3**	**17.3**	**17.3**	**17.3**
Primary Expenditure	**19.5**	**18.7**	**19.2**	**19.5**	**19.7**	**19.8**	**20.1**	**20.4**	**20.7**	**20.9**	**20.6**	**20.6**
Mandatory	**17.8**	**17.2**	**17.7**	**18.0**	**18.2**	**18.4**	**18.7**	**19.0**	**19.2**	**19.5**	**19.2**	**19.3**
Social security benefits	8.2	8.0	8.4	8.7	8.8	9.0	9.1	9.2	9.3	9.4	9.5	9.6
Payroll and social charges	3.3	3.1	3.2	3.2	3.2	3.2	3.1	3.1	3.1	3.1	3.1	3.1
Continuous cash benefits	0.8	0.9	1.0	1.1	1.1	1.1	1.2	1.2	1.2	1.3	1.3	1.3
Salary allowance and unemployment benefit	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Federal Government supplementation to Fundeb	0.3	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Federal District Constitutional Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Kandir Law	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial support for sub-national entities	0.2	0.0	0.0	0.0	0.0	0.0	0.2	0.4	0.5	0.7	0.3	0.3
Subsidies, grants and Proagro	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Judicial Rulings and Court-Ordered Debt Payments (current and capital)	0.7	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Public employee's benefits	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Health (mandatory)	1.2	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Education (mandatory)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other branches (current and capital)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Extraordinary credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bolsa Família Program	1.5	1.4	1.4	1.4	1.4	1.4	1.4	1.3	1.3	1.3	1.3	1.3
Other mandatory expenses	0.1	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Discretionary expenditure	**1.7**	**1.5**	**1.5**	**1.5**	**1.5**	**1.4**	**1.4**	**1.4**	**1.4**	**1.4**	**1.4**	**1.4**
Primary balance	**-2.1**	**-0.4**	**-1.4**	**-1.7**	**-2.0**	**-2.1**	**-2.6**	**-3.0**	**-3.4**	**-3.7**	**-3.3**	**-3.3**
Memo:												
Nominal GDP (BRL billion)	**10,943.3**	**11,791.0**	**12,576.3**	**13,394.0**	**14,215.8**	**15,054.1**	**15,944.2**	**16,891.2**	**17,899.1**	**18,973.3**	**20,122.5**	**21,337.3**

IFI projections

SHORT TERM

IFI projections	2024			2025		
	Nov/24	Dec/24	Comparison	Nov/24	Dec/24	Comparison
GDP - real growth (% p.a.)	2.81	3.53	▲	1.80	1.86	▲
GDP - nominal (BRL billion)	11,578.66	11,808.80	▲	12,249.07	12,600.26	▲
IPCA - accumulated (% in the year)	4.42	4.93	▲	3.66	4.44	▲
Exchange rate - end of period (BRL/US$)	5.40	5.95	▲	5.47	5.95	▲
Employment - growth (%)	2.50	2.70	▲	1.20	1.02	▼
Payroll - growth (%)	7.01	6.81	▼	2.41	2.24	▼
Selic - end of period (% p.a.)	11.50	12.25	▲	10.00	14.25	▲
Ex-ante real interest (% p.a.)	6.17	7.50	▲	5.48	7.18	▲
Consolidated Public Sector Primary Balance (% of GDP)	-0.83	-0.36	▲	-1.10	-0.71	▲
of which Central Government	-0.83	-0.42	▲	-1.20	-0.71	▲
Net Nominal Interest (% of GDP)	8.08	7.68	▼	7.48	8.91	▲
Nominal Balance (% of GDP)	-8.90	-8.03	▲	-8.58	-9.62	▼
General Government Gross Debt (% of GDP)	80.01	78.33	▼	82.21	81.42	▼

MEDIUM TERM

		Projections										
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
GDP - real growth (% p.a.)	**3.24**	3.53	1.86	2.13	2.16	2.18	2.22	2.27	2.27	2.29	2.34	2.31
GDP - nominal (BRL billion)	**10,943**	11,809	12,600	13,408	14,224	15,048	15,936	16,884	17,889	18,958	20,100	21,305
IPCA - accumulated (% in the year)	**4.62**	4.93	4.44	3.64	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Exchange rate - end of period (BRL/US$)	**4.84**	5.95	5.95	6.05	6.12	6.18	6.24	6.30	6.37	6.43	6.49	6.56
Employment - growth (%)	**1.37**	2.70	1.02	1.17	1.19	1.20	1.22	1.25	1.25	1.26	1.29	1.27
Payroll - growth (%)	**6.91**	6.81	2.24	2.13	2.16	2.18	2.22	2.27	2.27	2.29	2.34	2.31
Selic - end of period (% p.a.)	**11.75**	12.25	14.25	11.75	10.50	9.50	8.50	8.00	8.00	8.00	8.00	8.00
Ex-ante real interest (% p.a.)	**5.94**	7.50	7.18	6.38	5.78	5.21	4.78	4.81	4.83	4.84	4.84	4.84
Consolidated Public Sector Primary Balance (% of GDP)	**-2.29**	-0.36	-0.71	-1.05	-1.04	-1.17	-1.32	-1.45	-1.59	-1.68	-1.28	-1.21
of which Central Government	**-2.44**	-0.42	-0.71	-1.00	-1.03	-1.14	-1.29	-1.41	-1.55	-1.65	-1.24	-1.17
Net Nominal Interest (% of GDP)	**6.62**	7.68	8.91	8.63	8.39	8.12	7.51	7.23	7.11	7.11	7.07	7.07
Nominal Balance (% of GDP)	**-8.91**	-8.03	-9.62	-9.68	-9.43	-9.29	-8.84	-8.68	-8.70	-8.79	-8.35	-8.28
General Government Gross Debt (% of GDP)	**73.8**	78.3	81.4	86.3	91.0	95.3	99.0	102.3	105.9	109.6	112.9	116.3

Federal Senate Translation and Interpretation Service – SETRIN
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January 20, 2024.

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