

# Fiscal Follow-Up Report

**N° 107**

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## Fiscal Rules and Economic Sustainability

Closing 2025, the Independent Fiscal Institution (IFI) releases its 107th Fiscal Follow-up Report (RAF, kept here in its original acronym, as are the acronyms of other Brazilian institutions, programs, and indicators). The publication presents revised scenarios for the main macroeconomic and fiscal variables over the short term (2025–2026) and the medium term (2027–2035).

The macroeconomic scenario for 2026—the baseline year for the projections—is one of deceleration, with a modest slowdown in the pace of Brazil’s economic growth. In RAF No. 107, we work with a projected Gross Domestic Product (GDP) growth rate of 2.3% in 2025, 1.7% in 2026, and an average growth rate of 2.2% between 2027 and 2035.

For inflation, we observe the entry of the Broad Consumer Price Index (IPCA) into the tolerance band of the inflation-targeting framework, in response to the monetary policy implemented by the Central Bank of Brazil, with the index estimated to close 2025 at 4.3%. In 2026, inflation would decline to 3.9% and converge smoothly to the center of the target (3.0%) between 2027 and 2035.

The IFI does not expect any extraordinary economic stimulus from the external sector, given the persistence of significant risks and uncertainties in the international environment. All these elements of the macroeconomic scenario affect the short- and medium-term fiscal outlook through their impacts on public revenues and expenditures and, therefore, on the primary balance, as well as on the trajectory of public debt.

A deep and structural fiscal adjustment should pursue two core objectives: (i) generating primary surpluses to halt the growth of gross debt as a share of GDP; and (ii) substantially expanding the central government’s investment capacity to address infrastructure bottlenecks and advance the essential promotion of scientific and technological innovation, thereby boosting economy-wide productivity.

The current reality is far from this ideal, marked by recurring effective primary deficits since 2014—a trend already confirmed in 2025—and by the dramatic reduction in federal investment, compressed by the exponential, automatic, and permanent growth of mandatory budgetary expenditures.

The so-called expenditure ceiling, established by Constitutional Amendment No. 95 of 2016, was repealed by the Transition Constitutional Amendment (Constitutional Amendment No. 126 of 2022) and replaced by the new fiscal framework (Complementary Law No. 200 of 2023), which introduced a rule limiting expenditure growth and modified the calculation of primary balance targets to be set by the budget guidelines.

Any fiscal rule must fulfill two fundamental roles: disciplining expenditure and anchoring expectations. In light of the extreme rigidity of Brazil’s public budget, the rapid growth of mandatory expenditures, and the difficulties in generating primary surpluses, spending exclusions from the fiscal rules have been introduced. These measures have contributed to undermining the credibility of the framework and to fueling uncertainty about the sustainability of the current fiscal regime.

The new fiscal framework was approved in the second half of 2023. As early as 2024, the targets were revised downward. In 2025, several legal exclusions were approved in the expenditure cap and in the calculation of the primary balance (Court-Ordered Debt Payments, national defense expenditures, temporary education and health expenditures, assistance to companies affected by the tariff hike imposed by the U.S. government, reimbursement of undue deductions from INSS benefits, state-owned companies’ investments under the New PAC [Growth Acceleration Program], the restructuring of Correios, among others).

The IFI estimates that, in the first three years of effectiveness of Complementary Law No. 200 of 2023, expenditures—regardless of their merit or compliance with legal provisions—exceeding BRL 170 billion will be excluded from the fiscal rules. Following the Federal Court of Accounts’ interpretation regarding the need to pursue the center of the fiscal target, the 2026 Budget Guidelines Law was amended to allow the Executive Branch to pursue the floor of the primary balance target during the 2026 budget execution. In any case, this represents a lowering of the fiscal targets.

The growing gap between the effective primary balance and the legally calculated balance, combined with the ongoing changes to the fiscal rules, has led key economic agents to abandon monitoring the fiscal performance indicators set by the framework and to base their analyses and decisions instead on the dynamics of the public debt-to-GDP ratio.

For its part, the government—unable to curb expenditure growth—has sought to increase revenues through a series of tax-raising measures adopted over the past three years. However, the strategy of fiscal adjustment through higher revenue runs up against the fact that Brazil currently leads Latin American and emerging economies in terms of tax burden, which has solidified resistance to this approach in Brazilian society and in the National Congress.

The data presented in RAF No. 107 regarding the macroeconomic assumptions—more moderate than those underpinning the government’s projections in the short and medium terms; the estimates for the behavior of expenditures, revenues, and the primary balance between 2026 and 2035; and the resulting path of the public gross debt-to-GDP ratio all unequivocally reveal the unsustainability of the current fiscal regime and its rules, as well as the inevitability that, sooner or later, the country will need to implement a more robust fiscal adjustment to ensure the foundations of a sustained development trajectory combined with fiscal balance.

Enjoy your reading! Happy 2026!

**Marcus Pestana**  
Executive Director of the IFI  
**Alexandre Andrade**  
Director of the IFI

## Highlights

### Macroeconomic Scenario

The December RAF updates the IFI's macro-fiscal projections. In the baseline scenario, real GDP is expected to grow 2.3% in 2025 and 1.7% in 2026, converging to an average rate of 2.2% per year over 2027–2035. Inflation as measured by the Broad Consumer Price Index (IPCA) is projected at 4.3% in 2025 and 3.9% in 2026, maintaining a gradual convergence toward the target. Externally, there is a slight improvement in global growth prospects in light of projections by multilateral institutions; even so, the environment remains marked by significant risks, which tends to limit the contribution of the external sector to Brazil's economic activity. **(Page 7)**

### Scenarios for Primary Revenues

Measures introduced by the Executive Branch may generate a significant increase in revenue in 2026. The budget proposal for next year included some contingent and extraordinary revenues, as well as others with a structural impact over the coming years. For the purpose of estimating the revenue increase in 2026, the IFI considers a gain of BRL 116.4 billion, bringing the central government's net revenue to 18.8% of GDP. This level of net revenue, however, would be difficult to maintain in subsequent years, given factors such as real GDP growing above potential, revenue-to-GDP elasticities above 1, and the fact that the effects of certain revenue-raising measures of an extraordinary nature tend to dissipate over time. **(Page 14)**

### Scenarios for Primary Expenditures and Primary Balance

The updated fiscal scenarios of the IFI indicate that the central government's primary balance will remain in deficit in the short term. The IFI estimates a primary balance of BRL 90.6 billion (0.7% of GDP) in 2026, which is BRL 67.3 billion lower than the target set in the 2026 Annual Budget Bill (PLOA). Considering the legal exclusions from the primary balance target, the IFI views formal compliance with the target next year as feasible at the lower bound, with a fiscal effort of approximately BRL 26.5 billion. **(Page 23)**

In the medium term, IFI projections indicate that the central government's primary deficit will increase over the projection horizon, reaching 2.2% of GDP in 2032 and declining only marginally thereafter. The realization of successive primary deficits in the coming years stems from the continued growth of primary expenditure, even if net revenue remains at levels around 18.0% of GDP. Only in the optimistic scenario does the IFI project the possibility of a primary surplus, beginning in 2033. **(Page 25)**

Throughout 2025, several measures were adopted to exclude primary expenditures from the calculation of the fiscal target and from the expenditure limit under the fiscal framework. Although these exceptions provide time for a more structural adjustment of public accounts, they contribute to worsening market perceptions regarding policymakers' commitment to long-term fiscal sustainability. Postponing discussions on a possible revision of the trajectory of mandatory expenditures tends to increase the cost of adjustment over time. **(Page 34)**

### Scenarios for Public Debt

The new macroeconomic parameters and implicit real interest rates on public debt weaken the IFI's estimated medium-term debt trajectory. Between 2027 and 2035, the public sector's primary deficits will remain relatively high. In this revision, there was a slight increase in the implicit real interest rates on public debt considered for the medium term. According to the new projections, the primary balance required to stabilize gross debt as a share of GDP rose from a surplus of 2.1% of GDP in the June 2025 revision to a surplus of 2.3% of GDP now. **(Page 41)**

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See errata at: <https://www12.senado.leg.br/ifi/publicacoes-1/relatorio/2025/dezembro/erratas>

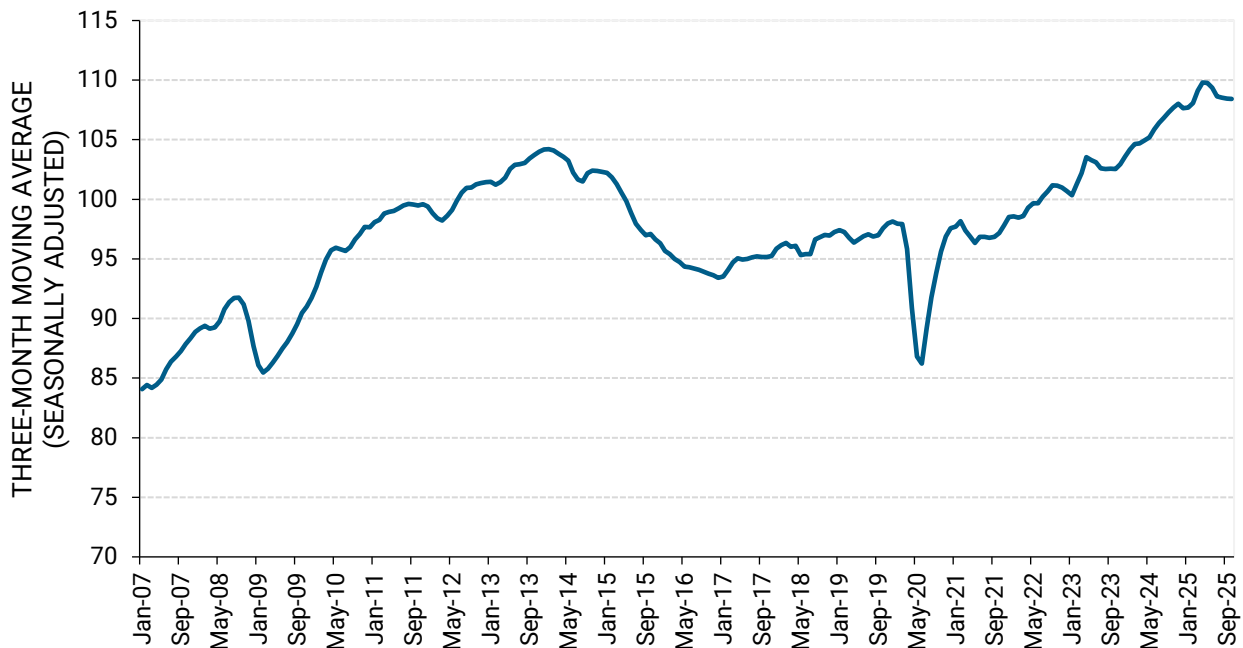
# Macroeconomic Scenario

## Introduction

The December 2025 Fiscal Follow-up Report (RAF) updates the short-term (2025–2026) and medium-term (2027–2035) projections for macrofiscal variables, incorporating the most recent information and revising assumptions to reflect current economic conditions.

Economic activity slowed in the third quarter of 2025. GDP was virtually unchanged compared with the immediately preceding quarter (seasonally adjusted series), following increases of 1.5% and 0.3% in the first and second quarters, respectively. High-frequency indicators corroborate this moderation: the IBC-Br declined by 0.2% in October, implying a statistical carry-over of -0.3% for the fourth quarter.

**GRAPH 1. CENTRAL BANK ECONOMIC ACTIVITY INDEX**



Source: Central Bank. Prepared by: IFI.

Considering the year-over-year variation in four-quarter cumulative terms, GDP growth slowed from 3.6% in the first quarter of 2025 to 3.3% and 2.7% in the second and third quarters, respectively. This outcome reflects the smaller contribution from household consumption and gross fixed capital formation, as well as the negative contribution from net exports.

**TABLE 1. CONTRIBUTIONS (IN P.P.) TO THE FOUR-QUARTER CUMULATIVE GDP GROWTH RATE**

	4Q.23	1Q.24	2Q.24	3Q.24	4Q.24	1Q.25	2Q.25	3Q.25
<b>GDP</b>	<b>3,2</b>	<b>2,8</b>	<b>2,7</b>	<b>3,1</b>	<b>3,4</b>	<b>3,6</b>	<b>3,3</b>	<b>2,7</b>
<b>Domestic Absorption</b>	<b>1,3</b>	<b>1,2</b>	<b>2,1</b>	<b>4,0</b>	<b>5,3</b>	<b>5,8</b>	<b>5,1</b>	<b>3,7</b>
Household Consumption	2,1	2,2	2,6	3,0	3,2	2,8	2,2	1,3
Government consumption	0,7	0,8	0,7	0,6	0,4	0,3	0,2	0,2
Gross fixed capital formation	-0,5	-0,5	-0,2	0,5	1,1	1,4	1,3	1,0
Change in inventories	-1,0	-1,3	-1,0	-0,2	0,6	1,3	1,4	1,1
<b>Net exports</b>	<b>2,0</b>	<b>1,5</b>	<b>0,6</b>	<b>-0,9</b>	<b>-1,9</b>	<b>-2,2</b>	<b>-1,8</b>	<b>-1,0</b>

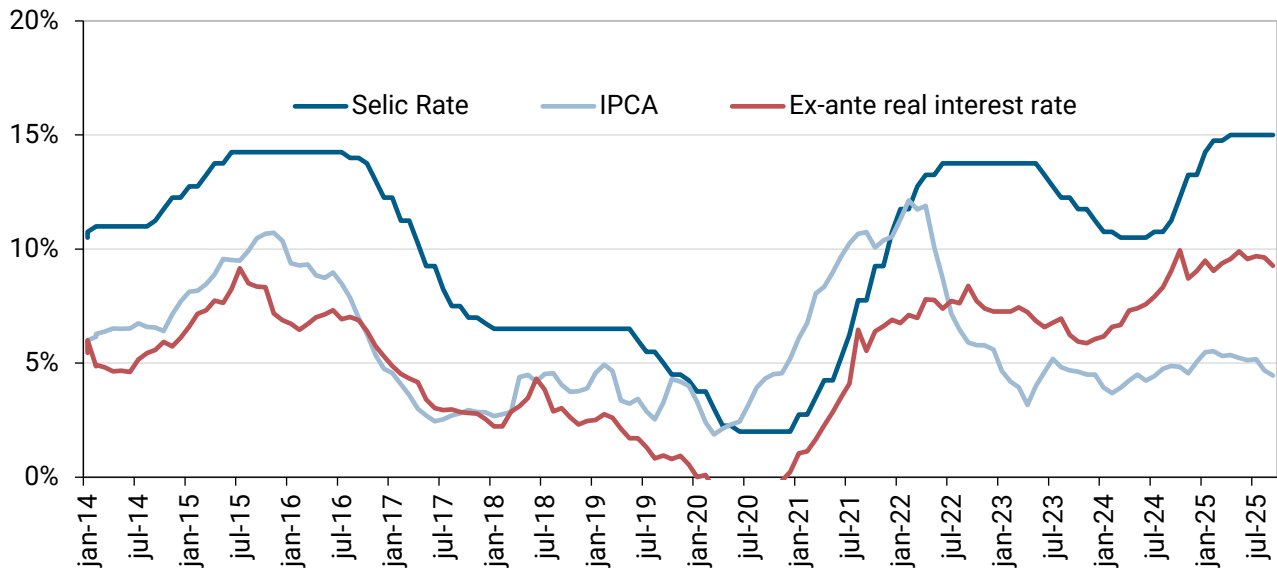
Source: IBGE. Prepared by: IFI.

In the labor market, indicators remain favorable. The unemployment rate reached 5.4% of the labor force in October, standing at a historical low and well below the historical average (9.2%). Real income continues to expand, albeit at a more moderate pace, with real growth of 3.5%. The recent decline in unemployment, however, coincides with a participation rate that remains below its pre-pandemic level, suggesting that part of this movement also reflects a reduced labor supply. In this context, the labor market remains tight, although incipient signs of cooling are already emerging, such as the decline in the employed population.

Current inflation has shown a more benign pattern in the recent period. The Broad Consumer Price Index (IPCA) accumulated over 12 months decelerated from 5.2% in September to 4.7% in October and 4.5% in November, a movement accompanied by a decrease in average core inflation, from 5.1% to 4.9% and 4.7%, respectively. Despite this easing – supported, in part, by exchange rate appreciation and the relative stability of commodity prices – services inflation remains relatively pressured, with a still-high 12-month variation (5.9% in November), consistent with the resilience of the labor market. Inflation expectations captured by the Focus Report, although on a downward path, remain unanchored, reflecting, to some extent, risk premiums associated with fiscal risk perceptions concerning the trajectory of public debt.

Monetary Policy Committee (Copom) kept the Selic rate at 15.0% per year, assessing that monetary policy in contractionary territory has contributed to the disinflation process. The Committee acknowledges the gradual moderation of economic activity and the easing of current inflation, but underscores that, given the persistence of unanchored inflation expectations, it is necessary to maintain a high degree of monetary restriction for an extended period.

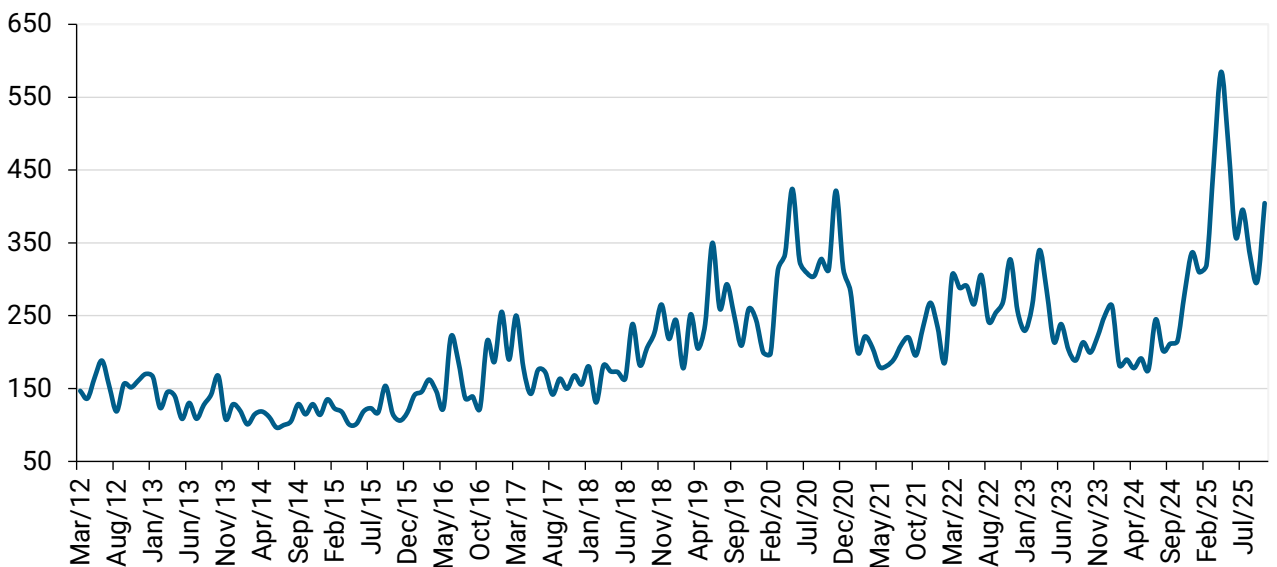
**GRAPH 2. SELIC RATE, IPCA AND EX-ANTE REAL INTEREST RATE**



Source: Central Bank, IBGE and Ipeadata. Prepared by: IFI.

On the international front, the global economy remained resilient throughout 2025, partly reflecting the bringing forward of production and trade ahead of tariff increases. Although the external environment is less uncertain than in previous months – with progress in trade negotiations and the end of the government shutdown in the United States – risks remain significant.

**GRAPH 3. GLOBAL ECONOMIC UNCERTAINTY INDEX**



Source: Economic Policy Uncertainty<sup>1</sup>.

<sup>1</sup> The Global Economic Policy Uncertainty Index (GEPU) is calculated as the GDP-weighted average of the indices of 21 countries, normalized to a mean of 100 for the 1997–2015 period. Values above 100 indicate uncertainty levels above the historical average. Available at: [https://www.policyuncertainty.com/global\\_monthly.html](https://www.policyuncertainty.com/global_monthly.html).

In the December *Economic Outlook*<sup>2</sup>, the Organization for Economic Cooperation and Development (OECD) projects a slowdown in global GDP growth from 3.3% in 2024 to 3.2% in 2025 and 2.9% in 2026. In a similar vein, the International Monetary Fund (IMF), in the October 2025 *World Economic Outlook*<sup>3</sup>, estimates global growth of 3.2% in 2025 and 3.1% in 2026. In both assessments, the continuation of global growth coexists with predominantly downside risks, associated with the intensification of trade barriers, potential asset price corrections, tightening financial conditions, and fiscal vulnerabilities in some economies. This set of factors reinforces the outlook for a smaller contribution of the external sector to Brazilian economic activity.

In the baseline scenario, IFI projections assume, in the short term, a gradual deceleration of economic activity. Although some boost to demand is expected from fiscal measures—such as the expansion of the income tax exemption—monetary policy remains in contractionary territory, with elevated real interest rates, which tends to constrain GDP growth in the short term. Consumer inflation, on a decelerating path and with the output gap in the process of closing, creates room for the start of Selic rate cuts from the first quarter of 2026.

In the medium term, GDP growth is assumed to converge to its potential, supported by moderate productivity gains, as well as by the convergence of inflation toward the target, with the real interest rate stabilizing at a level consistent with domestic fundamentals and the external environment.

Table 2 summarizes IFI's macroeconomic projections for the baseline scenario. Revisions relative to the June scenario are concentrated in the short term. Projections for the Broad Consumer Price Index (IPCA) were adjusted downward for 2025 and 2026, as was the implicit GDP deflator, which implies slightly lower nominal growth, despite the broadly unchanged outlook for real GDP growth. In contrast, medium-term projections—particularly those for potential growth, inflation, and the level of the real interest rate—were maintained.

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<sup>2</sup> Available at: [https://www.oecd.org/en/publications/oecd-economic-outlook-volume-2025-issue\\_2\\_9f653ca1-en.html](https://www.oecd.org/en/publications/oecd-economic-outlook-volume-2025-issue_2_9f653ca1-en.html).

<sup>3</sup> Available at: [https://www.oecd.org/en/publications/oecd-economic-outlook-volume-2025-issue\\_2\\_9f653ca1-en.html](https://www.oecd.org/en/publications/oecd-economic-outlook-volume-2025-issue_2_9f653ca1-en.html).

**TABLE 2. MACROECONOMIC SCENARIO PROJECTIONS**

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2027-2035
<b>Nominal GDP (BRL/billion)</b>	<b>12.696</b>	<b>13.432</b>	<b>14.245</b>	<b>15.109</b>	<b>15.988</b>	<b>16.923</b>	<b>17.911</b>	<b>18.957</b>	<b>20.070</b>	<b>21.242</b>	<b>22.474</b>	<b>18.102</b>
GDP - Nominal growth	7,8%	5,8%	6,0%	6,1%	5,8%	5,8%	5,8%	5,8%	5,9%	5,8%	5,8%	5,9%
GDP - Real growth	2,3%	1,7%	2,0%	2,2%	2,2%	2,3%	2,3%	2,3%	2,3%	2,3%	2,2%	2,2%
Implicit GDP deflator	5,3%	4,0%	4,0%	3,8%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,6%
IPCA	4,3%	3,9%	3,5%	3,3%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,1%
Unemployment rate (% of the labor force)	5,90%	6,26%	6,72%	6,95%	6,95%	6,95%	6,95%	6,95%	6,95%	6,95%	6,95%	6,93%
BRL/USD exchange rate (end of period)	5,40	5,45	5,51	5,58	5,63	5,69	5,75	5,80	5,86	5,92	5,98	5,75
Ex ante real interest rate (p.a.)	8,0%	7,0%	6,2%	5,6%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,2%
Selic - end of period (p.a.)	15,00%	12,00%	10,50%	9,25%	8,00%	8,00%	8,00%	8,00%	8,00%	8,00%	8,00%	8,41%

Source: IFI.

## Short-term Projections

In the baseline scenario, real GDP is expected to grow 2.3% in 2025 (after a 3.4% expansion in 2024), decelerating to 1.7% in 2026, reflecting the moderation of household consumption and the weakening of investment in an environment still characterized by restrictive monetary and financial conditions.

The labor market continues to support economic activity in the short term. The unemployment rate remains at a historically low level in 2025, with a gradual increase projected for the following years, reflecting both slower employment growth and the gradual normalization of the participation rate.

Consumer inflation shows a more favorable deceleration path relative to the previous edition of the RAF. The Broad Consumer Price Index (IPCA) declines from 4.8% in 2024 to 4.3% in 2025 and 3.9% in 2026, maintaining a gradual convergence toward the target. This pattern reflects, in part, exchange rate appreciation—associated, among other factors, with the recent weakening of the U.S. dollar—which has disinflationary effects on goods prices. In contrast, services prices are expected to remain relatively pressured, consistent with the persistence of a still-tight labor market in the short term.

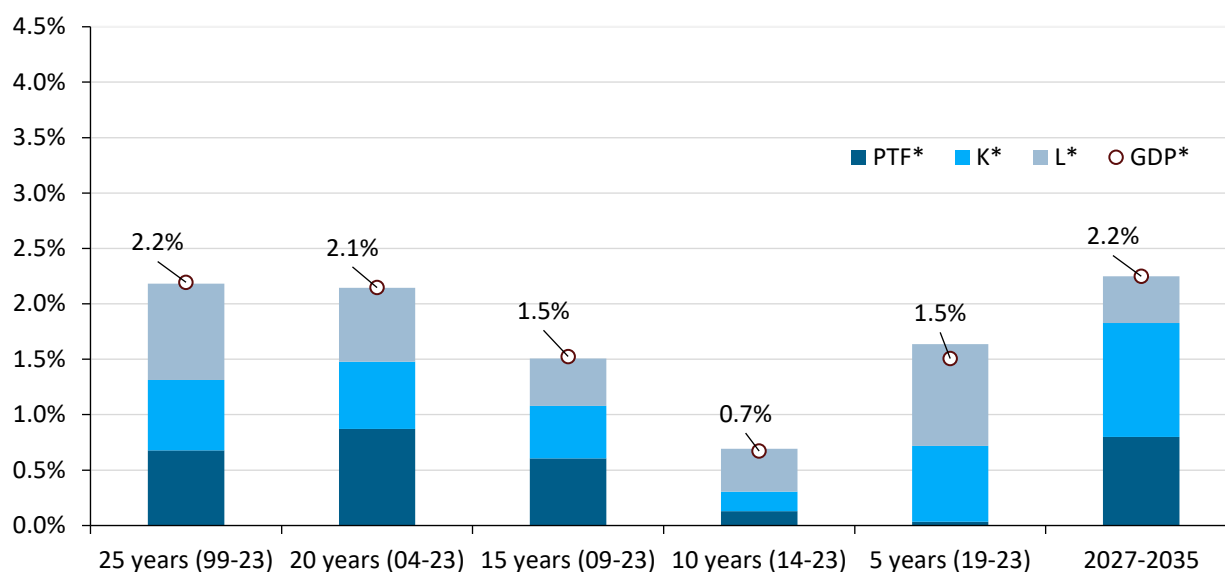
Monetary policy remains in contractionary territory. In the baseline scenario, the Selic rate is projected at 15.0% at the end of 2025 and 12.0% at the end of 2026, with the beginning of easing from the first quarter of 2026 onward. As a result, the ex-ante real interest rate declines from approximately 8.0% in 2025 to around 7.0% in 2026.

The exchange rate is projected at BRL/USD 5.40 at the end of 2025 and BRL/USD 5.45 at the end of 2026, following a gradual depreciation path over the projection horizon, consistent with inflation differentials and the risk assumptions embedded in the baseline scenario.

## Medium-term Projections

No In IFI's baseline scenario, medium-term GDP growth is projected at 2.2% p.a., based on a production-function approach. This projection assumes total factor productivity (TFP) growth aligned with the historical average, a gradual increase in the investment rate – supporting the accumulation of productive capital – and a slow pace of labor force growth, constrained by demographic aging. The decomposition of the estimated potential GDP growth rate for selected periods is presented in Graph 4.

**GRAPH 4. BREAKDOWN OF THE POTENTIAL GDP GROWTH RATE**



Source: IFI.

In the medium term, consumer inflation gradually converges to the 3.0% p.a. target. The implicit GDP deflator, in turn, is expected to rise slightly above the Broad Consumer Price Index (IPCA), reflecting historical differences between the price indices.

Over the projection horizon, the real interest rate is expected to stabilize at around 5.0% p.a., based on the assumption of convergence between the domestic interest rate and the international interest rate, adjusted for the country risk premium and the expected depreciation of the exchange rate. For the international interest rate, the effective rate set by the Federal Reserve (Fed), discounted by U.S. inflation, is considered. In the baseline scenario, U.S. inflation is assumed to be around 2.0% p.a., with the nominal rate converging toward 3.0% p.a.

The country risk trajectory is defined based on an assessment and judgment of assumptions regarding the domestic and international environments. In the baseline scenario, the risk premium (5-year CDS) is set at 250 basis points, slightly above the current level, and the average exchange rate projected for 2027–2035 is BRL/USD 5.75, with an average annual depreciation of 1.0%. It is assumed that medium-term exchange rate movements are determined by the differential between domestic and external inflation rates.

## Alternative Scenarios

To make explicit the uncertainty inherent in medium-term projections, the report presents three scenarios (baseline, optimistic, and pessimistic). Differences relative to the central trajectory stem from alternative assumptions for exogenous variables – such as global growth and interest rates, commodity prices, country risk, and productivity – resulting in more or less favorable trajectories compared with the baseline.

In the pessimistic scenario, external risks materialize (an escalation of trade barriers, asset price corrections, and tighter financial conditions) alongside persistent domestic fiscal uncertainties, affecting the risk premium and financing costs. In this case, real GDP would grow, on average, about 1.2% per year between 2027 and 2035, with the real interest rate at a higher level (approximately 7.5% p.a.), inflation above the baseline scenario, and the Selic rate stabilizing at higher levels.

In the optimistic scenario, a more favorable environment for economic activity is assumed, with additional productivity and efficiency gains associated with the successful implementation of reforms, as well as a more austere fiscal stance, leading to a reduction in the risk premium. An improvement in the external environment is also assumed. Under this hypothesis, real GDP would grow, on average, by about 3.3% per year between 2027 and 2035, with faster convergence of inflation to the target, a lower real interest rate (around 4.0% p.a.), and the Selic rate stabilizing at lower levels.

Table 3 summarizes IFI’s macroeconomic projections for the alternative scenarios.

**TABLE 3. PROJECTIONS OF ALTERNATIVE SCENARIOS**

Optimistic	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2027-2035
<b>Nominal GDP (BRL/billion)</b>	<b>12.709</b>	<b>13.481</b>	<b>14.369</b>	<b>15.358</b>	<b>16.421</b>	<b>17.569</b>	<b>18.798</b>	<b>20.118</b>	<b>21.539</b>	<b>23.057</b>	<b>24.676</b>	<b>19.101</b>
GDP - Nominal growth	7,9%	6,1%	6,6%	6,9%	6,9%	7,0%	7,0%	7,0%	7,1%	7,0%	7,0%	6,9%
GDP - Real growth	2,6%	2,6%	2,9%	3,2%	3,3%	3,4%	3,4%	3,4%	3,4%	3,4%	3,4%	3,3%
Implicit GDP deflator	5,1%	3,4%	3,6%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%	3,5%
IPCA	4,1%	3,2%	3,1%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%	3,0%
Unemployment rate (% of the labor force)	5,87%	5,96%	6,14%	6,33%	6,33%	6,33%	6,33%	6,33%	6,33%	6,33%	6,33%	6,31%
BRL/USD exchange rate (end of period)	5,15	5,23	5,28	5,34	5,39	5,45	5,50	5,56	5,61	5,67	5,72	5,50
Ex ante real interest rate (p.a.)	7,1%	6,3%	5,3%	4,7%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,0%	4,2%
Selic - end of period (p.a.)	15,00%	11,00%	9,50%	8,25%	7,00%	7,00%	7,00%	7,00%	7,00%	7,00%	7,00%	7,41%
Pessimistic	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2027-2035
<b>Nominal GDP (BRL/billion)</b>	<b>12.689</b>	<b>13.436</b>	<b>14.262</b>	<b>15.164</b>	<b>16.111</b>	<b>17.115</b>	<b>18.184</b>	<b>19.323</b>	<b>20.542</b>	<b>21.834</b>	<b>23.202</b>	<b>18.415</b>
GDP - Nominal growth	7,7%	5,9%	6,1%	6,3%	6,2%	6,2%	6,2%	6,3%	6,3%	6,3%	6,3%	6,3%
GDP - Real growth	2,0%	0,8%	1,0%	1,2%	1,2%	1,2%	1,2%	1,2%	1,2%	1,2%	1,2%	1,2%
Implicit GDP deflator	5,6%	5,1%	5,1%	5,1%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%
IPCA	4,6%	4,9%	4,6%	4,6%	4,5%	4,5%	4,5%	4,5%	4,5%	4,5%	4,5%	4,5%
Unemployment rate (% of the labor force)	5,90%	6,40%	7,05%	7,37%	7,69%	8,01%	8,33%	8,65%	8,97%	9,29%	9,60%	8,33%
BRL/USD exchange rate (end of period)	5,65	5,81	5,96	6,11	6,27	6,42	6,59	6,75	6,92	7,09	7,27	6,60
Ex ante real interest rate (p.a.)	7,5%	7,4%	7,1%	7,3%	7,5%	7,5%	7,5%	7,5%	7,5%	7,5%	7,5%	7,4%
Selic - end of period (p.a.)	15,00%	13,00%	12,50%	11,75%	11,00%	11,00%	11,00%	11,00%	11,00%	11,00%	11,00%	11,25%

Source: IFI.

## Fiscal Scenario – Primary Revenues

### Initial considerations

Based on the macroeconomic projections presented in the previous section, IFI has also updated the projections for the central government's primary revenues for the 2025–2035 period. This introductory section analyzes elements related to the current fiscal policy context and the assumptions used for the revenue projections.

The estimates presented below take into account the Primary Revenue and Expenditure Assessment Report (RARDP)<sup>4</sup> for the fifth two-month period of 2025, published on 21 November, as well as the 2026 Annual Budget Bill (PLOA)<sup>5</sup>, monthly series from the National Treasury Secretariat (STN) updated through October, and additional data extracted by IFI from the Federal Senate's Siga Brasil Portal, updated through November 2025.

In the second half of this year, revenues have shown a slowdown in their growth pace, especially administered revenues, consistent with the moderation in economic activity. Central government net primary revenue (total revenue minus revenue-sharing transfers to states and municipalities) recorded a 3.3% real increase in the cumulative result for 2025 through November, according to data from the National Treasury Secretariat (STN) and Siga Brasil. Over the same period in 2024, net revenue grew 7.7% in real terms, highlighting the relatively high comparison base against which the indicator continues to grow this year.

Despite this deceleration, the relatively robust performance of economic activity affects the revenue–GDP elasticity results. Considering the cumulative values for the first eleven months of 2025, the elasticity of total primary revenue with respect to GDP was 1.5<sup>6</sup>. This indicates that for each 1% increase in GDP, revenue grows by 1.5%. In the medium term, this pattern of revenue performance is unlikely to persist. IFI assumes revenue–GDP elasticities equal to 1 in the medium term (2027–2035). These results are presented in Special Study No. 16<sup>7</sup>, published in November 2021, which discussed and estimated revenue–GDP elasticities in Brazil.

In 2025, the amount of nonrecurring revenues estimated by IFI is lower than in 2024. In the cumulative period from January to November, these revenues totaled BRL 71.8 billion in 2024 and BRL 23.4 billion this year. As explained in previous editions of this report in which

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<sup>4</sup> Available at: <https://www.tesourotransparente.gov.br/publicacoes/relatorio-de-avaliacao-de-receitas-e-despesas-primarias-rardp/2025/17>.

<sup>5</sup> Information available at: <https://www.congressonacional.leg.br/web/orcamento/acompanhe/orcamento-anual/-/loa/2026>.

<sup>6</sup> This elasticity is calculated based on recurrent primary revenue, a variable obtained by IFI using its own methodology, published in Special Study No. 17, of December 2021. This study can be accessed at: [https://www2.senado.leg.br/bdsf/bitstream/handle/id/594656/EE17\\_Resultado\\_Estrutural.pdf](https://www2.senado.leg.br/bdsf/bitstream/handle/id/594656/EE17_Resultado_Estrutural.pdf).

<sup>7</sup> Page for accessing the document: <https://www2.senado.leg.br/bdsf/bitstream/handle/id/593776/EE16.pdf>.

revisions to fiscal projections are presented, IFI takes some nonrecurring revenues into account when updating the estimates shown.

Still in 2025, following the release of the RARDP for the 2nd two-month period of 2025<sup>8</sup>, the Executive Branch introduced some measures to raise federal revenue: (i) an increase in the rates of the Financial Operations Tax (IOF), implemented through executive decrees; and (ii) Provisional Measure (MP) No. 1,303, of June 11, 2025, aimed at increasing revenues by changing the rates of certain taxes and limiting the use of tax offset mechanisms, in addition to controlling some federal expenditures, such as the seguro-defeso benefit [unemployment insurance benefit granted to professional fishers during the closed season]. As is known, the aforementioned MP lapsed in October due to the absence of congressional deliberation on the bill.

The aim of the Executive Branch in raising the IOF and introducing the additional revenue measures contained in MP No. 1,303 was to reinforce federal revenue over the next fiscal years. The objective was to help ensure compliance with the fiscal rule defined by the expenditure cap established in Complementary Law (LC) No. 200<sup>9</sup> of 2023, as well as with the primary balance targets set in the budget guidelines. In RAF No. 103<sup>10</sup> of August 2025, IFI presented estimates of the impact on the central government's primary revenue resulting from the IOF decrees and MP No. 1,303.

These revenues were incorporated into the 2026 Annual Budget Bill (PLOA), submitted by the Executive Branch to Congress at the end of August. Other extraordinary and contingent revenue sources (dependent on legislative approval) were also presented in 2026 PLOA. Table 4 presents these revenues. The amounts shown in the table are drawn from the budget proposal and the Revenue Report<sup>11</sup> of 2026 PLOA and were compiled by IFI. The table also presents the amounts considered by IFI in the projections discussed later in this report.

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<sup>8</sup> Available at: <https://www.tesourotransparente.gov.br/publicacoes/relatorio-de-avaliacao-de-receitas-e-despesas-primarias-rardp/2025/14>.

<sup>9</sup> Available at: [https://www.planalto.gov.br/ccivil\\_03/leis/lcp/lcp200.htm](https://www.planalto.gov.br/ccivil_03/leis/lcp/lcp200.htm).

<sup>10</sup> Page for accessing the document: [https://www2.senado.leg.br/bdsf/bitstream/handle/id/757438/RAF103\\_AGO2025.pdf](https://www2.senado.leg.br/bdsf/bitstream/handle/id/757438/RAF103_AGO2025.pdf).

<sup>11</sup> See: [https://www.congressonacional.leg.br/documents/150599582/152282829/01\\_Rel\\_Receita.pdf/c46e083f-2c3d-4c0a-9de9-a32ae1eee631](https://www.congressonacional.leg.br/documents/150599582/152282829/01_Rel_Receita.pdf/c46e083f-2c3d-4c0a-9de9-a32ae1eee631).

**TABLE 4. LIST OF MEASURES WITH AN IMPACT ON CENTRAL GOVERNMENT REVENUE IN 2026 (BRL BILLION)**

Budget impact in 2026				
Measure	Legal norm/legislative proposal	2026 PLOA (BRL billion)	Impact considered in the 2026 PLOA Revenue Report (BRL billion)	Impact considered by IFI - Baseline scenario (BRL billion)
<b>Total</b>		<b>122,9</b>	<b>133,3</b>	<b>116,4</b>
<b>Contingent revenues</b>		<b>19,8</b>	<b>19,8</b>	<b>9,9</b>
Review of tax benefits	Complementary Bill (PLP) No. 182/2025 and PLP No. 128/2025	19,8	19,8	9,9
Minimum tax for individuals	Bill (PL) No. 1,087/2025 and Law No. 15,270/2025	Neutro	Neutro	Neutro
<b>Extraordinary revenues</b>		<b>30,0</b>	<b>30,0</b>	<b>30,0</b>
<i>Transação Integral Program (PTI) [tax settlement program]</i>	MF Normative Ordinance No. 1,383, dated August 29, 2024	20,0	20,0	20,0
Control of tax offset mechanisms	Provisional Measure (MP) No. 1,303/2025 and Law No. 15,265/2025	10,0	10,0	10,0
<b>Structural increase</b>		<b>42,1</b>	<b>31,2</b>	<b>31,2</b>
IOF	Decreases 12,466, 12,467, and 12,499 of 2025	31,2	31,2	31,2
Increase in IRRF, IRPF, and CSLL	Provisional Measure (MP) No. 1,303/2025	10,9	0,0	0,0
<b>Other</b>		<b>31,0</b>	<b>52,3</b>	<b>45,3</b>
Reference price for oil royalties	Law No. 15,269/2025	-	3,7	3,7
Taxation of fixed odds betting and fintechs	Bill (PL) No. 5,473/2025 and/or PLP No. 128/2025	-	4,0	4,0
Special Regime for the Chemical Industry (Reiq)	Bill (PL) No. 892/2025	-	-0,4	-0,4
Disposal of the Federal Government's right to its share of profit oil	Article 46-D of Law No. 12,351/2010	31,0	31,0	31,0
Trade defense measures	Increase in Import Tax Rates	-	14,0	7,0

Source: PLOA 2026, Relatório da Receita do PLOA 2026 e IFI. Prepared by: IFI.

For 2026, two sources of contingent revenues were presented in the 2026 PLOA: (i) the review of tax benefits, set out in Complementary Bill (PLP) No. 182<sup>12</sup>, of 2025; and (ii) the minimum tax for individuals, established by Law No. 15,270<sup>13</sup> of 2025, originating from Bill No. 1,087, of 2025. The content of PLP No. 182 was incorporated into another bill, PLP No. 128<sup>14</sup>, of 2025. For the review of tax benefits, IFI considered half of the impact estimated in PLP No. 182 due to uncertainties surrounding the realization of the expected revenue.

Two revenue sources in the 2026 PLOA were classified as extraordinary: (i) the tax settlement program known as *Transação Integral* (PTI), established by Law No. 14,689<sup>15</sup>, of 2023, which amended Law No. 13,988<sup>16</sup>, of 2020, and regulated by Ministry of Finance Normative Ordinance No. 1,383, of 29 August 2024; and (ii) the control of PIS/Cofins tax offset mechanisms, initially set out in MP No. 1,303<sup>17</sup> and later incorporated into Bill No. 458<sup>18</sup>, of 2021, which was converted into Law No. 15,265<sup>19</sup>, of 2025. For purposes of estimating next year’s revenue impact, IFI considered the same amounts estimated by the Executive Branch: BRL 20.0 billion from the PTI and BRL 10.0 billion expected from the restrictions on tax offset mechanisms (Table 4).

Of the measures that constitute a structural increase in revenue, IFI adopted the same estimate as the Executive Branch for IOF revenue (BRL 31.2 billion). Since MP No. 1,303 lapsed, the revenue stemming from changes in the legislation of certain taxes (IRRF, IRPF, and CSLL), amounting to BRL 10.9 billion in the 2026 PLOA, was excluded both from the PLOA Revenue Report and by IFI.

Moving on to other revenue measures (as classified by IFI), the 2026 PLOA anticipates revenue of BRL 31.0 billion resulting from the introduction, by Law No. 15,164<sup>20</sup>, of 2025, of Article 46-D into Law No. 12,351<sup>21</sup>, of 2010, which governs the exploitation of oil fields in the pre-salt areas. The newly added provision allows for the transfer of the Federal Government’s rights to its share of profit oil in those areas. For purposes of estimating the revenue impact for 2026, IFI adopted the same amount calculated by the Executive Branch (Table 4).

In the Revenue Report of the 2026 PLOA, some revenue sources not included in the 2026 PLOA were considered due to the lapse of MP No. 1,303, as well as other additional items. Still regarding revenues from the exploitation of natural resources, the Revenue Report projects an additional BRL 3.7 billion in 2026 resulting from the change in the methodology

<sup>12</sup> Page tracking the bill’s proceedings in the Chamber of Deputies: <https://www.camara.leg.br/proposicoesWeb/fichadetramitacao?idProposicao=2555092>. Similar content is addressed in Bill No. 128, of 2025, whose legislative tracking page is as follows: <https://www.camara.leg.br/proposicoesWeb/fichadetramitacao?idProposicao=2520670>.

<sup>13</sup> Available at: [https://www.planalto.gov.br/ccivil\\_03/\\_ato2023-2026/2025/lei/l15270.htm](https://www.planalto.gov.br/ccivil_03/_ato2023-2026/2025/lei/l15270.htm).

<sup>14</sup> This bill was approved in the plenary session of the Chamber of Deputies on 17 November and sent for review by the Federal Senate. See: <https://www.camara.leg.br/noticias/1233924-camara-aprova-projeto-que-reduz-beneficios-fiscais-federais/>.

<sup>15</sup> Available at: [https://www.planalto.gov.br/ccivil\\_03/\\_ato2023-2026/2023/lei/l14689.htm](https://www.planalto.gov.br/ccivil_03/_ato2023-2026/2023/lei/l14689.htm).

<sup>16</sup> Available at: [https://www.planalto.gov.br/ccivil\\_03/\\_ato2019-2022/2020/lei/l13988.htm](https://www.planalto.gov.br/ccivil_03/_ato2019-2022/2020/lei/l13988.htm).

<sup>17</sup> Available at: <https://www.in.gov.br/en/web/dou/-/portaria-normativa-mf-n-1.383-de-29-de-agosto-de-2024-581205315>.

<sup>18</sup> Legislative tracking page: <https://www.camara.leg.br/proposicoesWeb/fichadetramitacao?idProposicao=2279186>.

<sup>19</sup> Available at: [https://www.planalto.gov.br/ccivil\\_03/\\_ato2023-2026/2025/lei/l15265.htm](https://www.planalto.gov.br/ccivil_03/_ato2023-2026/2025/lei/l15265.htm).

<sup>20</sup> Available at: [https://www.planalto.gov.br/ccivil\\_03/\\_Ato2023-2026/2025/Lei/L15164.htm art2](https://www.planalto.gov.br/ccivil_03/_Ato2023-2026/2025/Lei/L15164.htm art2).

<sup>21</sup> Available at: [https://www.planalto.gov.br/ccivil\\_03/\\_ato2007-2010/2010/lei/l12351.htm](https://www.planalto.gov.br/ccivil_03/_ato2007-2010/2010/lei/l12351.htm).

for calculating oil reference prices, as established by Law No. 15,269<sup>22</sup>, of 2025. For purposes of estimating the revenue impact for 2026, IFI adopted the same BRL 3.7 billion.

The Revenue Report also projects a revenue gain of BRL 4.0 billion from the taxation of fixed-odds betting and from the increase in the CSLL applied to fintechs. This revenue measure is set out in Bill No. 5,473<sup>23</sup>, of 2025, currently under consideration in the National Congress. The effects of this proposal were incorporated into the already referenced PLP No. 128, of 2025. For purposes of estimating the impact on 2026 revenue, IFI used the same amount (BRL 4.0 billion), as shown in Table 4.

Lastly, the Revenue Report includes a projected revenue gain of BRL 14.0 billion associated with trade defense measures, to be obtained through changes in Import Tax rates. Given the lack of further detail regarding this revenue source, IFI assumed, for purposes of estimating the impact on 2026 revenue, an amount of BRL 7.0 billion, notwithstanding uncertainties surrounding the realization of this revenue.

As explained in previous editions of this RAF<sup>24</sup> that addressed scenario revisions, IFI maintained the assumption of a gradual reinstatement of payroll taxation in accordance with Law No. 14,973<sup>25</sup>, of September 16, 2024. The law provides for a phased reinstatement of payroll contributions for previously exempt sectors and for municipalities covered by the rule, starting in 2025. For revenue projection purposes, IFI considered a revenue waiver of BRL 26.3 billion in 2024, according to estimates by the Federal Revenue Office (RFB), and a gradual reinstatement through 2027, with a reduction of this amount of about 25% per year. By 2028, all sectors and municipalities would be paying the 20% social security contribution rate on payroll.

To conclude this introductory section, any medium- and long-term effects on revenue stemming from the reform of consumption taxation, currently in the final stages of legislative consideration in Congress, continue to be incorporated indirectly through their impact on the economy's potential growth. The direct effects of the reform on revenue are difficult to quantify at this stage, as they would require the reform to be implemented and a data sample with sufficient information to update these parameters.

### Short-term Projections: 2025–2026

Table 5 shows the IFI's new projections for central government primary revenue in 2025 and 2026, comparing them with the June 2025 projections presented in the aforementioned RAF No. 101.

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<sup>22</sup> Available at: [https://www.planalto.gov.br/ccivil\\_03/\\_ato2023-2026/2025/lei/l15269.htm](https://www.planalto.gov.br/ccivil_03/_ato2023-2026/2025/lei/l15269.htm).

<sup>23</sup> Legislative tracking page: <https://www.congressonacional.leg.br/materias/materias-bicameras/-/ver/pl-5473-2025>.

<sup>24</sup> See, for example, RAF No. 101, dated June 2025, available at: [https://www2.senado.leg.br/bdsf/bitstream/handle/id/703934/RAF101\\_JUN2025.pdf](https://www2.senado.leg.br/bdsf/bitstream/handle/id/703934/RAF101_JUN2025.pdf).

<sup>25</sup> Available at: [https://www.planalto.gov.br/ccivil\\_03/\\_ato2023-2026/2024/lei/l14973.htm](https://www.planalto.gov.br/ccivil_03/_ato2023-2026/2024/lei/l14973.htm).

**TABLE 5. IFI BASELINE SCENARIO FOR CENTRAL GOVERNMENT PRIMARY REVENUE IN 2025 AND 2026 (BILLION BRL AND % OF GDP)**

Baseline scenario (BRL billion)	Jun/25 Revision				Dez/25 Revision				Diff. Dec/25 – Jun/25			
	2025	% of GDP	2026	% of GDP	2025	% of GDP	2026	% of GDP	2025	p.p. of GDP	2026	p.p. of GDP
<b>1. Total primary revenue</b>	<b>2.891,6</b>	<b>22,8%</b>	<b>3.074,9</b>	<b>22,8%</b>	<b>2.881,1</b>	<b>22,7%</b>	<b>3.155,8</b>	<b>23,5%</b>	<b>-10,4</b>	<b>-0,1</b>	<b>81,0</b>	<b>0,7</b>
Revenue administered by RFB/MF, excluding RGPS and without tax incentives	1.887,1	14,9%	2.020,3	15,0%	1.839,4	14,5%	2.055,4	15,3%	-47,7	-0,4	35,1	0,3
Net revenue for the RGPS	686,0	5,4%	729,7	5,4%	710,3	5,6%	726,3	5,4%	24,3	0,2	-3,4	0,0
Revenues not administered by the RFB/MF	318,4	2,5%	324,9	2,4%	331,4	2,6%	374,1	2,8%	13,0	0,1	49,2	0,4
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
<b>2. Revenue-sharing transfers</b>	<b>576,4</b>	<b>4,5%</b>	<b>623,3</b>	<b>4,6%</b>	<b>567,1</b>	<b>4,5%</b>	<b>625,4</b>	<b>4,7%</b>	<b>-9,2</b>	<b>-0,1</b>	<b>2,1</b>	<b>0,0</b>
<b>3. Net revenue after transfers [(1)-(2)]</b>	<b>2.315,2</b>	<b>18,3%</b>	<b>2.451,6</b>	<b>18,2%</b>	<b>2.314,0</b>	<b>18,2%</b>	<b>2.530,4</b>	<b>18,8%</b>	<b>-1,2</b>	<b>0,0</b>	<b>78,8</b>	<b>0,6</b>

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

The changes in the projections for 2025 stem from the update of data through November. For 2026, the differences between the June and December projections were more substantial. This reflected the revenue-enhancing measures considered, as presented in Table 4.

In administered revenues, there was a revision, the largest, of BRL 35.1 billion (0.3 p.p. of GDP) in the IFI estimate for 2026. In the group of non-administered revenues, there was an increase in the IFI's expectation of BRL 49.2 billion (0.4 p.p. of GDP) for next year, mainly due to revenues from the exploitation of natural resources (an additional BRL 36.9 billion between the June revision and the current one) and dividends and equity interests (an additional BRL 13.6 billion).

The revision in the estimate for revenue-sharing transfers was BRL 2.1 billion, considering that most of the amounts presented in Table 4 constitute revenues not shared by the Federal Government with states and municipalities. In addition, the IFI considered that the estimated amount for transfers last June was already relatively high (Table 5).

Net of revenue-sharing transfers—which were revised downward by BRL 9.1 billion for 2025 and upward by BRL 2.1 billion for 2026 between June and the present update—IFI's projection for the central government's net primary revenue fell by BRL 1.2 billion in 2025 and increased by BRL 78.8 billion in 2026. As a share of GDP, net revenue remains unchanged in 2025 (18.2% of GDP) but rises by 0.6 p.p. in 2026, reaching 18.8% of GDP (Table 5).

The increase in revenue in 2026 reflects both structural factors and other one-off items. The latter are not expected to recur in subsequent years, such as the revenues provided for in

Article 46-D of Law No. 12,351. In any event, IFI will continue to monitor revenue performance in order to incorporate new information in future scenario revisions.

### Medium-term projections: 2027–2035

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 for net revenue under the baseline, optimistic, and pessimistic scenarios over the 2025–2035 period.

On the administered revenue side, the scenarios assume a continuous increase in revenue from 2025 onward, with economic growth converging to rates of around 2.2% (baseline), 3.4% (optimistic), and 1.2% (pessimistic). Economic activity also affects net revenue for the RGPS and some subcomponents of non-administered revenues, such as dividends, revenues from the exploitation of natural resources, the Salário-Educação contribution, among others.

Under the baseline scenario, the Federal Government's net primary revenue reaches 18.8% of GDP in 2026 and then declines gradually in subsequent years, falling to 17.9% of GDP in 2035. This reflects (i) the gradual exhaustion of the revenue-enhancing measures adopted in the previous two years, such as the control of tax offset mechanisms and the tax settlement program Transação Tributária Integral; and (ii) the convergence of the revenue–GDP elasticity to 1<sup>26</sup>. In addition, in IFI's estimates, GDP has been growing above its long-term potential, estimated at 2.2%. In the scenario presented in the macroeconomic projections section, economic growth converges to this rate from 2028 onward.

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<sup>26</sup> As mentioned earlier, the elasticity of total primary revenue in relation to GDP is currently 1.2.

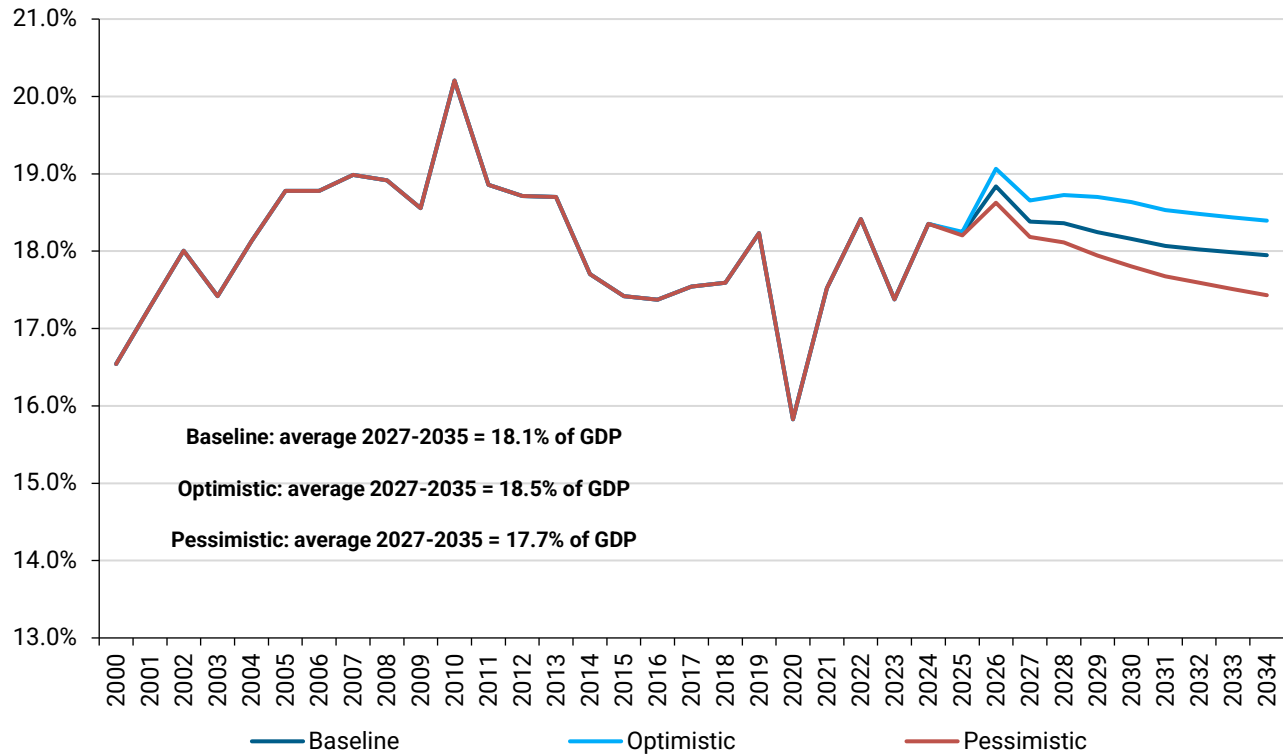
**TABLE 6. IFI PROJECTIONS FOR CENTRAL GOVERNMENT PRIMARY REVENUES – % OF GDP**

	BASELINE SCENARIO		2025		2026		2027		2028		2029		2030		2031		2032		2033		2034		2035	
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035		
<b>Total Revenue</b>	<b>22,7%</b>	<b>23,5%</b>	<b>23,0%</b>	<b>23,0%</b>	<b>22,9%</b>	<b>22,8%</b>	<b>22,6%</b>	<b>22,6%</b>	<b>22,6%</b>	<b>22,6%</b>	<b>22,6%</b>	<b>22,6%</b>	<b>22,6%</b>	<b>22,6%</b>	<b>22,6%</b>	<b>22,6%</b>	<b>22,6%</b>	<b>22,6%</b>	<b>22,6%</b>	<b>22,6%</b>	<b>22,5%</b>	<b>22,5%</b>	<b>22,5%</b>	
Revenue administered by the RFB, except for RGPS	14,5%	15,3%	15,1%	15,0%	15,0%	14,9%	14,9%	14,8%	14,8%	14,9%	14,8%	14,8%	14,8%	14,8%	14,9%	14,5%	14,5%	14,5%	14,5%	14,8%	14,8%	14,8%	14,8%	
Net revenue for the RGPS	5,6%	5,4%	5,5%	5,5%	5,5%	5,5%	5,5%	5,4%	5,4%	5,5%	5,5%	5,5%	5,5%	5,5%	5,5%	5,4%	5,4%	5,3%	5,3%	5,5%	5,5%	5,5%	5,5%	
Revenues not administered by the RFB	2,6%	2,8%	2,5%	2,5%	2,4%	2,3%	2,3%	2,4%	2,4%	2,4%	2,3%	2,3%	2,3%	2,3%	2,3%	2,3%	2,3%	2,3%	2,2%	2,2%	2,2%	2,2%	2,2%	
<b>Revenue-sharing transfers</b>	<b>4,5%</b>	<b>4,7%</b>	<b>4,6%</b>	<b>4,6%</b>	<b>4,6%</b>	<b>4,5%</b>	<b>4,6%</b>	<b>4,6%</b>	<b>4,6%</b>	<b>4,6%</b>	<b>4,5%</b>	<b>4,5%</b>	<b>4,5%</b>	<b>4,5%</b>	<b>4,5%</b>	<b>4,5%</b>	<b>4,5%</b>	<b>4,5%</b>	<b>4,5%</b>	<b>4,6%</b>	<b>4,6%</b>	<b>4,6%</b>	<b>4,6%</b>	
<b>Net Revenue</b>	<b>18,2%</b>	<b>18,8%</b>	<b>18,4%</b>	<b>18,4%</b>	<b>18,2%</b>	<b>18,2%</b>	<b>18,1%</b>	<b>18,1%</b>	<b>18,1%</b>	<b>18,2%</b>	<b>18,2%</b>	<b>17,9%</b>	<b>17,8%</b>	<b>17,8%</b>	<b>17,7%</b>	<b>17,7%</b>	<b>17,6%</b>	<b>17,6%</b>	<b>17,5%</b>	<b>17,5%</b>	<b>17,4%</b>	<b>17,4%</b>	<b>17,3%</b>	
<b>OPTIMISTIC SCENARIO</b>																								
<b>Total Revenue</b>	<b>22,7%</b>	<b>23,8%</b>	<b>23,4%</b>	<b>23,5%</b>	<b>23,4%</b>	<b>23,4%</b>	<b>23,2%</b>	<b>23,2%</b>	<b>23,1%</b>	<b>23,1%</b>	<b>23,1%</b>	<b>23,1%</b>	<b>23,1%</b>	<b>23,1%</b>	<b>23,1%</b>	<b>23,1%</b>	<b>23,1%</b>	<b>23,1%</b>	<b>23,1%</b>	<b>23,1%</b>	<b>23,1%</b>	<b>23,1%</b>	<b>23,1%</b>	
Revenue administered by the RFB, except for RGPS	14,5%	15,5%	15,4%	15,4%	15,4%	15,3%	15,3%	15,3%	15,2%	15,2%	15,2%	15,2%	15,2%	15,2%	15,2%	15,2%	15,2%	15,2%	15,2%	15,2%	15,2%	15,2%	15,2%	
Net revenue for the RGPS	5,6%	5,4%	5,5%	5,6%	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%	5,7%	
Revenues not administered by the RFB	2,6%	2,8%	2,5%	2,5%	2,4%	2,3%	2,3%	2,3%	2,2%	2,2%	2,2%	2,2%	2,2%	2,2%	2,2%	2,2%	2,2%	2,2%	2,2%	2,2%	2,2%	2,2%	2,1%	
<b>Revenue-sharing transfers</b>	<b>4,5%</b>	<b>4,7%</b>	<b>4,7%</b>	<b>4,7%</b>	<b>4,7%</b>	<b>4,7%</b>	<b>4,7%</b>	<b>4,7%</b>	<b>4,7%</b>	<b>4,7%</b>	<b>4,7%</b>	<b>4,7%</b>	<b>4,7%</b>	<b>4,7%</b>	<b>4,7%</b>	<b>4,7%</b>	<b>4,7%</b>	<b>4,7%</b>	<b>4,7%</b>	<b>4,7%</b>	<b>4,7%</b>	<b>4,7%</b>	<b>4,7%</b>	
<b>Net Revenue</b>	<b>18,2%</b>	<b>19,1%</b>	<b>18,7%</b>	<b>18,7%</b>	<b>18,7%</b>	<b>18,6%</b>	<b>18,5%</b>	<b>18,5%</b>	<b>18,4%</b>	<b>18,4%</b>	<b>18,4%</b>	<b>18,4%</b>	<b>18,4%</b>	<b>18,4%</b>	<b>18,4%</b>	<b>18,4%</b>	<b>18,4%</b>	<b>18,4%</b>	<b>18,4%</b>	<b>18,4%</b>	<b>18,4%</b>	<b>18,4%</b>	<b>18,4%</b>	
<b>PESSIMISTIC SCENARIO</b>																								
<b>Total Revenue</b>	<b>22,7%</b>	<b>23,2%</b>	<b>22,8%</b>	<b>22,7%</b>	<b>22,5%</b>	<b>22,3%</b>	<b>22,2%</b>	<b>22,1%</b>	<b>22,0%</b>	<b>21,9%</b>	<b>21,8%</b>	<b>21,8%</b>	<b>21,8%</b>	<b>21,8%</b>	<b>21,8%</b>	<b>21,8%</b>	<b>21,8%</b>	<b>21,8%</b>	<b>21,8%</b>	<b>21,8%</b>	<b>21,8%</b>	<b>21,8%</b>	<b>21,8%</b>	
Revenue administered by the RFB, except for RGPS	14,5%	15,2%	14,9%	14,8%	14,7%	14,6%	14,5%	14,5%	14,4%	14,4%	14,3%	14,3%	14,3%	14,3%	14,3%	14,3%	14,3%	14,3%	14,3%	14,3%	14,3%	14,3%	14,3%	
Net revenue for the RGPS	5,6%	5,4%	5,4%	5,4%	5,4%	5,4%	5,4%	5,4%	5,3%	5,3%	5,3%	5,3%	5,3%	5,3%	5,3%	5,3%	5,3%	5,3%	5,3%	5,3%	5,3%	5,3%	5,3%	
Revenues not administered by the RFB	2,6%	2,7%	2,4%	2,4%	2,3%	2,3%	2,3%	2,2%	2,2%	2,2%	2,1%	2,1%	2,1%	2,1%	2,1%	2,1%	2,1%	2,1%	2,1%	2,1%	2,1%	2,1%	2,1%	
<b>Revenue-sharing transfers</b>	<b>4,5%</b>	<b>4,6%</b>	<b>4,6%</b>	<b>4,6%</b>	<b>4,5%</b>	<b>4,5%</b>	<b>4,5%</b>	<b>4,5%</b>	<b>4,4%</b>	<b>4,4%</b>	<b>4,4%</b>	<b>4,4%</b>	<b>4,4%</b>	<b>4,4%</b>	<b>4,4%</b>	<b>4,4%</b>	<b>4,4%</b>	<b>4,4%</b>	<b>4,4%</b>	<b>4,4%</b>	<b>4,4%</b>	<b>4,4%</b>	<b>4,4%</b>	
<b>Net Revenue</b>	<b>18,2%</b>	<b>18,6%</b>	<b>18,2%</b>	<b>18,1%</b>	<b>17,9%</b>	<b>17,8%</b>	<b>17,7%</b>	<b>17,6%</b>	<b>17,5%</b>	<b>17,4%</b>	<b>17,3%</b>	<b>17,3%</b>	<b>17,3%</b>	<b>17,3%</b>	<b>17,3%</b>	<b>17,3%</b>	<b>17,3%</b>	<b>17,3%</b>	<b>17,3%</b>	<b>17,3%</b>	<b>17,3%</b>	<b>17,3%</b>	<b>17,3%</b>	

Prepared by: IFI.

Lastly, Graph 5 presents the projection of net revenue for the 2025–2035 period under the three reference scenarios. In the medium term (2027–2035), IFI projects that net revenue will average 18.1% of GDP in the baseline scenario. In the optimistic scenario, this ratio would reach 18.5% of GDP, while in the pessimistic scenario, the medium-term estimate for net revenue is 17.7% of GDP.

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



Source: National Treasury Secretariat and Central Bank. Prepared by: IFI.

# Fiscal Scenario – Expenditures and Primary Balance

## Assumptions for Short- and Medium-term Scenarios

In this section, IFI presents the projections for primary expenditure and primary balances of the central government, based on a modeling exercise of these fiscal variables under three reference scenarios (baseline, optimistic, and pessimistic), drawing on the macroeconomic and primary revenue projections presented in the previous sections of this RAF.

For the projections of primary expenditure, the rules of the Sustainable Fiscal Regime<sup>27</sup> (RFS) were applied, guided both by the primary balance targets established in the Budget Guidelines Law (LDO) and by limits on the growth of primary expenditure linked to the variation in Adjusted Net Revenue (RLA).

Within this framework, the possibility of spending freezes or contingencies is also considered, which may lead to reductions in commitment and cash-disbursement limits and, consequently, affect the execution of primary expenditures subject to financial programming, in accordance with the Fiscal Responsibility Law<sup>28</sup> (LRF) and the LDO.

For the definition of the fiscal targets, the parameters set out in the 2025 Budget Guidelines Law<sup>29</sup> (LDO) were used. The LDO establishes a primary balance target of BRL 0.00 (zero) for the Fiscal and Social Security Budgets (OFSS) and sets a tolerance band equivalent to 0.25 p.p. of the Gross Domestic Product (GDP) estimated for 2025, which corresponds to BRL 30.9 billion.

For the subsequent years, the 2026 Budget Guidelines Bill<sup>30</sup> (PLDO) sets primary surplus targets of 0.25%, 0.50%, 1.00%, and 1.25% of GDP for fiscal years 2026 to 2029, respectively. For the remainder of the projection horizon, that is, from 2030 to 2035, the estimated surplus of 1.25% of GDP was used, as provided in the Fiscal Targets Annex<sup>31</sup> of the 2026 PLDO<sup>32</sup>.

It is important to emphasize that the estimate of primary balances should be sufficient to generate a trajectory capable of stabilizing the General Government Gross Debt (DBGG) as a share of GDP, as required by the RFS. However, the estimates in the 2026 PLDO appear relatively optimistic with respect to the macroeconomic, revenue, and expenditure scenarios, as shown in RAF No. 100, of May 2025<sup>33</sup>.

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<sup>27</sup> Established by Complementary Law (LC) No. 200, dated August 30, 2023. Available at: [https://www.planalto.gov.br/ccivil\\_03/leis/lcp/Lcp200.htm](https://www.planalto.gov.br/ccivil_03/leis/lcp/Lcp200.htm).

<sup>28</sup> Complementary Law No. 101, of May 4, 2000. Available at: [https://www.planalto.gov.br/ccivil\\_03/leis/lcp/lcp101.htm](https://www.planalto.gov.br/ccivil_03/leis/lcp/lcp101.htm).

<sup>29</sup> Law No. 15,080, of December 30, 2024. Available at: [https://www.planalto.gov.br/ccivil\\_03/\\_ato2023-2026/2024/lei/l15080.htm](https://www.planalto.gov.br/ccivil_03/_ato2023-2026/2024/lei/l15080.htm).

<sup>30</sup> National Congress Bill (PLN) No. 2, dated April 15, 2025. Available at: <https://www.congressonacional.leg.br/materias/pesquisa/-/materia/168120>.

<sup>31</sup> Available at: [https://www.congressonacional.leg.br/documents/137784508/147634965/Anexo\\_IV.pdf/40ca7e36-66d6-42fc-bdf6-7a5f8f51deeb](https://www.congressonacional.leg.br/documents/137784508/147634965/Anexo_IV.pdf/40ca7e36-66d6-42fc-bdf6-7a5f8f51deeb).

<sup>32</sup> Available at: <https://www.congressonacional.leg.br/materias/pesquisa/-/materia/168120>.

<sup>33</sup> Available at: [https://www2.senado.leg.br/bdsf/bitstream/handle/id/696036/RAF100\\_MAI2025.pdf](https://www2.senado.leg.br/bdsf/bitstream/handle/id/696036/RAF100_MAI2025.pdf).

In addition, as highlighted in RAF No. 106<sup>34</sup>, of November 2025, measures that allow for the deduction of expenditures from the fiscal target make the fiscal outcomes pursued by fiscal policy effectively lower than those required to stabilize public debt.

The expenditure projections in the three reference scenarios were prepared by IFI based on the assumptions analyzed earlier, differing mainly in the set of macroeconomic parameters and primary revenue projections that shape the underlying hypotheses. These parameters and assumptions determine the trajectory of primary expenditures that are subject to specific indexation rules or statutory links. For non-indexed expenditures<sup>35</sup>, assumptions were made regarding their expected evolution in order to construct the alternative scenarios.

In relation to IFI's earlier work, this report revises previous estimates and incorporates the effects of legislative changes into the scenarios, such as Constitutional Amendment (EC) No. 136<sup>36</sup>, of 2025, and Complementary Law (LC) No. 221<sup>37</sup>, of 2025. EC 136 fully removed expenditures on court-ordered payments from the RFS limits and, starting in 2027, introduced partial deductions of these expenditures from the primary balance targets. LC 221 excluded expenditure on strategic investments in the national defense sector from the fiscal target and from the expenditure cap for fiscal years 2025 to 2031. The potential impact of this measure is the exclusion of BRL 33 billion from the primary balance target and from the expenditure cap over the projection horizon<sup>38</sup>.

In a change from what was proposed in RAF No. 101, of June 2025, and considering the amendment introduced by EC 136/2025 to the monetary updating of court-ordered payments and Small Value Requests (RPVs), the projection revision presented here assumes that expenditure on judicial rulings and court-ordered payments will grow at a slower pace: from the 5% per year above inflation considered in June to 3.5% per year in this revision.

The IFI also incorporated into the projections the effects of Bill No. 163 (PLP 163)<sup>39</sup>, of 2025, which excludes from the expenditure cap and from the primary balance target the health and education expenditure financed with resources from the Social Fund. The measure establishes that 5% of the revenues collected in each fiscal year shall be allocated for this purpose for five fiscal years starting from its publication date, allowing for its application already in fiscal year 2025. As the PLP has already been sent for presidential sanction, IFI incorporated the impact of the measure into the primary balance projections for compliance with the LDO, given the low likelihood of vetoes by the Executive Branch. Accordingly, based

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<sup>34</sup> Available at: [https://www2.senado.leg.br/bdsf/bitstream/handle/id/816059/RAF106\\_NOV2025.pdf](https://www2.senado.leg.br/bdsf/bitstream/handle/id/816059/RAF106_NOV2025.pdf).

<sup>35</sup> The referenced expenditures include those linked to specific revenue earmarks—such as the constitutional minimums for health and education, the Federal Government's supplementation to Fundeb—as well as expenditures indexed to inflation metrics, such as social security benefits, social assistance benefits (BPC and Lifetime Monthly Income), and labor-related benefits (salary allowance and unemployment benefit).

<sup>36</sup> Available at: [https://www.planalto.gov.br/ccivil\\_03/constituicao/emendas/emc/emc136.htm](https://www.planalto.gov.br/ccivil_03/constituicao/emendas/emc/emc136.htm).

<sup>37</sup> Available at: [https://www.planalto.gov.br/ccivil\\_03/LEIS/LCP/Lcp221.htm](https://www.planalto.gov.br/ccivil_03/LEIS/LCP/Lcp221.htm).

<sup>38</sup> The measure sets a limit of up to BRL 5 billion per fiscal year and allows 60% of this amount to be disregarded in 2025.

<sup>39</sup> Available at: <https://www.congressonacional.leg.br/materias/materias-bicameras/-/ver/plp-163-2025>.

on the BRL 37.5 billion collected in 2024<sup>40</sup>, equivalent to 0.32% of GDP, IFI assumed this share of GDP to remain fixed across the three reference scenarios. In the baseline scenario, the impact amounts to BRL 11.4 billion from 2025 to 2029, that is, expenses excluded from the fiscal rules.

Lastly, it should be noted that expenditures were updated based on financial data available through November for all expenditure categories, and on administrative data updated through October for social security and social assistance benefits<sup>41</sup>.

## Review of Short-Term Primary Expenditure Projections

This section presents the projections for primary expenditure based on the modeling exercise conducted for these fiscal aggregates, using the macroeconomic and primary revenue scenarios discussed earlier. This revision updates the projections presented in RAF No. 101, of June 2025.

To begin with, IFI's projection for total primary expenditure in 2025 is BRL 2,384.6 billion (18.8% of GDP), while the Executive Branch's projection, updated in the RARDP for the 5th two-month period, stands at BRL 2,415.7 billion (19.0% of GDP), a difference of BRL 30.4 billion.

It is worth noting that the amount shown in Table 7 is net of the BRL 7.7 billion spending freeze proposed in the RARDP and implemented by the Executive Branch through Decree No. 12,763<sup>42</sup>, of 28 November 2025, as well as through actions taken independently by each Branch.

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<sup>40</sup> As presented in the Social Fund's budgetary revenues, according to the 2024 Financial Statements and Explanatory Notes of the Office of the Presidency of the Republic. Available at: <https://www.gov.br/planalto/pt-br/aceso-a-informacao/auditorias/demonstracoes-contabeis>.

<sup>41</sup> Except for the Bolsa Família Program, which used data updated through November 2025.

<sup>42</sup> Available at: [https://www.planalto.gov.br/ccivil\\_03/\\_ato2023-2026/2025/decreto/D12763.htm](https://www.planalto.gov.br/ccivil_03/_ato2023-2026/2025/decreto/D12763.htm).

**TABLE 7. EVOLUTION OF ESTIMATES FOR THE MAIN PRIMARY EXPENDITURE AGGREGATES IN 2024 AND 2025**

Item	Realizado 2024			LOA 2025		5° RARDP (NOV/2025)		IFI 2025 (DEZ/2025)		Dif. 5° RARDP (NOV/2025) - IFI 2025 (DEZ/2025)	
	R\$ Bi.	% PIB	Part. %	R\$ Bi.	% PIB	R\$ Bi.	% PIB	R\$ Bi.	% PIB	R\$ Bi.	% PIB
<b>Total Primary Revenue</b>	<b>2.679,4</b>	<b>22,8</b>	<b>100,0</b>	<b>2.930,3</b>	<b>23,3</b>	<b>2.922,0</b>	<b>23,0</b>	<b>2.881,1</b>	<b>22,7</b>	<b>40,9</b>	<b>0,3</b>
<b>Transfers to states and municipalities</b>	<b>517,7</b>	<b>4,4</b>	<b>19,3</b>	<b>570,2</b>	<b>4,5</b>	<b>579,4</b>	<b>4,6</b>	<b>567,1</b>	<b>4,5</b>	<b>12,3</b>	<b>0,1</b>
<b>Net Primary Revenue after Transfers</b>	<b>2.161,8</b>	<b>18,4</b>	<b>80,7</b>	<b>2.360,1</b>	<b>18,7</b>	<b>2.342,7</b>	<b>18,4</b>	<b>2.314,0</b>	<b>18,2</b>	<b>28,6</b>	<b>0,2</b>
<b>Total Primary Expenditure</b>	<b>2.204,7</b>	<b>18,8</b>	<b>100,0</b>	<b>2.389,6</b>	<b>19,0</b>	<b>2.415,1</b>	<b>19,0</b>	<b>2.384,6</b>	<b>18,8</b>	<b>30,4</b>	<b>0,2</b>
<b>Social Security Benefits</b>	<b>938,5</b>	<b>8,0</b>	<b>43,1</b>	<b>1.015,4</b>	<b>8,1</b>	<b>1.028,9</b>	<b>8,1</b>	<b>1.026,4</b>	<b>8,1</b>	<b>2,6</b>	<b>0,0</b>
<b>Payroll and Social Charges</b>	<b>367,4</b>	<b>3,1</b>	<b>16,7</b>	<b>411,7</b>	<b>3,3</b>	<b>408,6</b>	<b>3,2</b>	<b>400,7</b>	<b>3,2</b>	<b>7,9</b>	<b>0,1</b>
<b>Other Mandatory Expenditure</b>	<b>358,4</b>	<b>3,1</b>	<b>15,4</b>	<b>378,8</b>	<b>3,0</b>	<b>401,3</b>	<b>3,2</b>	<b>395,1</b>	<b>3,1</b>	<b>6,2</b>	<b>0,0</b>
Salary Allowance and Unemployment Benefit	80,7	0,7	3,7	88,1	0,7	90,1	0,7	88,2	0,7	1,8	0,0
Financial Assistance to States and Municipalities	1,7	0,0	0,2	4,8	0,0	5,4	0,0	4,7	0,0	0,7	0,0
Continuous Cash Benefits (LOAS/BPC)	111,1	0,9	5,2	119,1	0,9	127,6	1,0	128,1	1,0	-0,6	0,0
Extraordinary Appropriations	25,7	0,2	1,2	0,0	0,0	10,9	0,1	6,1	0,0	4,9	0,0
Supplementation to Fundeb	47,5	0,4	2,3	57,0	0,5	59,7	0,5	59,9	0,5	-0,1	0,0
FCDF (current and capital)	4,8	0,0	0,2	4,8	0,0	4,9	0,0	5,2	0,0	-0,4	0,0
Legislative/Judiciary/MPU/DPU (current and capital)	19,6	0,2	0,9	20,4	0,2	21,0	0,2	20,1	0,2	0,9	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)	34,3	0,3	0,2	47,1	0,4	43,4	0,3	48,0	0,4	-4,6	0,0
Subsidies, Grants, and Proagro	17,8	0,2	0,8	26,1	0,2	21,7	0,2	24,3	0,2	-2,6	0,0
Other Mandatory Expenditure	11,1	0,1	0,5	7,4	0,1	12,8	0,1	6,6	0,1	6,2	0,0
<b>Expenditure Subject to Financial Programming</b>	<b>540,4</b>	<b>4,6</b>	<b>24,8</b>	<b>583,7</b>	<b>4,6</b>	<b>576,3</b>	<b>4,5</b>	<b>562,4</b>	<b>4,4</b>	<b>13,8</b>	<b>0,1</b>
Mandatory with Flow Control	356,7	3,0	16,4	362,6	2,9	365,0	2,9	369,3	2,9	-4,3	0,0
Benefits for civil servants	18,7	0,2	0,9	22,6	0,2	22,4	0,2	21,4	0,2	1,0	0,0
<b>Bolsa Familia Program</b>	<b>168,0</b>	<b>1,4</b>	<b>7,6</b>	<b>158,6</b>	<b>1,3</b>	<b>158,6</b>	<b>1,2</b>	<b>158,5</b>	<b>1,2</b>	<b>0,2</b>	<b>0,0</b>
Health	152,4	1,3	7,2	163,2	1,3	164,4	1,3	170,9	1,3	-6,5	-0,1
Education	8,0	0,1	0,4	8,4	0,1	8,4	0,1	8,3	0,1	0,1	0,0
Other	9,6	0,1	0,4	9,7	0,1	11,2	0,1	10,2	0,1	1,0	0,0
Mandatory Expenditure	183,7	1,6	8,4	221,2	1,8	211,2	1,7	193,1	1,5	18,1	0,1
Health	51,4	0,4	2,3	61,4	0,5	59,8	0,5	53,0	0,4	6,8	0,1
Education	28,6	0,2	1,3	33,8	0,3	34,8	0,3	31,7	0,2	3,1	0,0
Other Discretionary Expenditure	103,7	0,9	4,8	125,9	1,0	116,6	0,9	108,4	0,9	8,2	0,1
<b>Above-the-Line Primary Balance</b>	<b>-42,9</b>	<b>-0,37</b>		<b>-29,6</b>	<b>-0,2</b>	<b>-72,4</b>	<b>-0,6</b>	<b>-71,3</b>	<b>-0,6</b>	<b>-1,1</b>	<b>-0,01</b>

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

IFI's projection for social security benefits, at BRL 1,026.4 billion (8.1% of GDP), is BRL 2.6 billion lower than the amount projected in the RARDP for the 5th two-month period of 2025. It is worth noting that the projection for social security benefits was revised upward in the latest RARDP, increasing from BRL 1,015.4 billion (8.1% of GDP) in the 2025 Annual Budget Law (LOA) to BRL 1,028.9 billion (8.1% of GDP), an increment of BRL 13.5 billion.

Expenditures on Payroll and Social Charges were revised downward to BRL 408.6 billion (3.2% of GDP) in the two-month report, still BRL 7.9 billion above IFI's projection of BRL 400.7 billion (3.2% of GDP).

The third relevant aggregate, which comprises Other Mandatory Expenditure, is projected at BRL 401.3 billion (3.2% of GDP) in the RARDP, slightly above IFI's projection of BRL 395.1 billion (3.2% of GDP), both substantially higher than the projection in the 2025 Annual Budget Law (LOA), of BRL 378.8 billion (3.0% of GDP).

The main divergence between the projections within this group lies in the category of other mandatory expenditure, estimated at BRL 6.6 billion (0.1% of GDP) by IFI—BRL 6.6 billion above the RARDP projection of BRL 12.8 billion (0.1% of GDP).

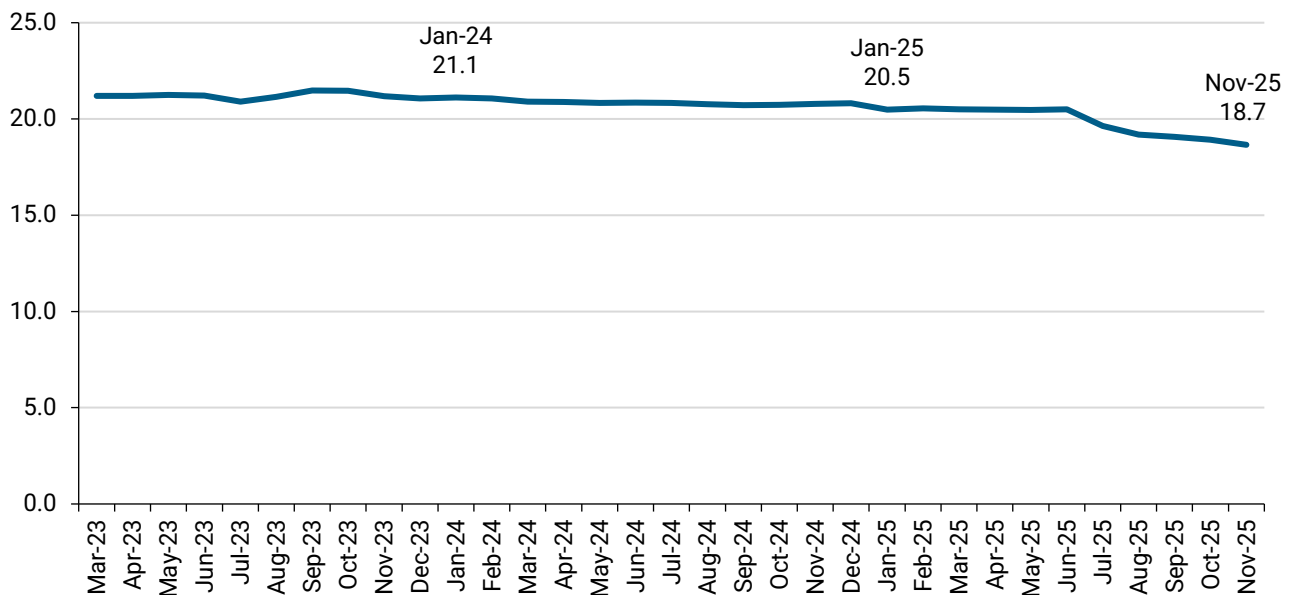
For expenditures subject to financial programming, there is a smaller divergence of BRL 13.8 billion between IFI's estimate (BRL 562.4 billion, or 4.4% of GDP) and the RARDP figure (BRL 583.7 billion, or 4.6% of GDP). Part of this difference stems from mandatory expenditures with cash-flow control, assessed at BRL 369.3 billion (2.9% of GDP) by IFI and BRL 365.0 billion (2.9% of GDP) in the two-month report, a difference of BRL 4.3 billion.

Of this difference, BRL 6.5 billion is attributable to an apparent underestimation of health expenditure, projected at BRL 170.9 billion (1.3% of GDP) by IFI, compared with BRL 164.4 billion (1.3% of GDP) estimated in the two-month report. Expenditure on the Bolsa Família Program (PBF) declined in comparison with recent reports, resulting in a significant saving, with a projection of BRL 158.5 billion (1.2% of GDP), BRL 0.2 billion below the amount in the RARDP. Data on the number of beneficiary families shows a reduction in the number of benefits in 2025, as analyzed in RAF No. 105, of October 2025<sup>43</sup>. Graph 6 illustrates that the number of PBF beneficiary families fell by 1.8 million between January and November 2025, which explains the downward revision in the program's budgeted expenditures.

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<sup>43</sup> Available at: <https://www12.senado.leg.br/ifi/publicacoes-1/relatorio/2025/outubro/relatorio-de-acompanhamento-fiscal-out-2025>.

**GRAPH 6. NUMBER OF FAMILIES BENEFITING FROM THE BOLSA FAMÍLIA PROGRAM (IN MILLIONS)**



Source: VISData, Ministry of Social Development. Prepared by: IFI.

Lastly, nonrigid discretionary expenditures<sup>44</sup> are estimated by IFI at BRL 108.4 billion (0.9% of GDP), below the BRL 116.3 billion projected in the RARDP for the 5th two-month period of 2025 (0.9% of GDP). These expenditures are projected slightly above the minimum level required for the functioning of the public administration, estimated by IFI at 0.7% of GDP<sup>45</sup>.

The projection contained in the RARDP does not take into account the potential effect of unspent appropriations, which corresponds to the difference between the payment limits set out in the Budget and Financial Programming Document (DPOF) and the amount actually executed during the fiscal year. As a result, it is possible that the financial execution of discretionary expenditures will be effectively lower than the level projected by the government at year-end.

This point is particularly relevant this year, given the phasing of both commitment limits and payment limits, with full execution authority being released only in December. Thus, financial execution is likely to remain below the limits established in the Budget and Financial Programming Decrees (DPOFs), which match the figures contained in the RARDP<sup>46</sup>.

In line with what was presented in the previously referenced RAF No. 106, Table 8 shows the primary balance and the deductions from primary expenditures for fiscal year 2025. Based

<sup>44</sup> IFI considers discretionary expenditures on health and education to be rigid. This is because a large share of these expenditures is **accounted for** when meeting the constitutional minimums for health and education, meaning that any spending freeze applied to these items could hinder compliance with those requirements. This classification is also used by the National Treasury Secretariat in the Fiscal Projections Report. For further details, see RAF No. 90, of July 2024. Available at: [https://www2.senado.leg.br/bdsf/bitstream/handle/id/657485/RAF90\\_JUL2024.pdf](https://www2.senado.leg.br/bdsf/bitstream/handle/id/657485/RAF90_JUL2024.pdf).

<sup>45</sup> See, for example, RAF No. 91, of August, 2024.

<sup>46</sup> In the Assessment Report on Compliance with Fiscal Targets for the 2nd four-month period of 2025, the volume of unspent appropriations in expenditures subject to cash-flow control stood at BRL 15.1 billion, meaning that, up to that point, BRL 15.1 billion less had been paid than could have been executed. If this pattern persists, the outturn for these expenditures will be close to IFI's estimate. Available at: <https://www.tesourotransparente.gov.br/publicacoes/relatorio-de-avaliacao-do-cumprimento-das-metas-fiscais/2025/28>.

on IFI's projections, the figures indicate that meeting the primary balance target at the lower bound of the tolerance band is feasible, with a margin of BRL 5.6 billion.

**TABLE 8. EFFECTIVE PRIMARY BALANCE AND PRIMARY BALANCE FOR LDO COMPLIANCE IN 2025**

Item	Realized 2024		2025 LOA		5° RARDP (NOV/2025)		IFI 2025 (DEC/2025)		Diff. 5° RARDP (NOV/2025) - IFI 2025 (DEC/2025)	
	BRL Bi.	BRL Bi.	BRL Bi.	% GDP	BRL Bi.	% GDP	BRL Bi.	% GDP	BRL Bi.	% GDP
<b>1. Effective Primary Balance</b>	<b>-42,9</b>	<b>-42,9</b>	<b>-29,5</b>	<b>-0,2</b>	<b>-72,4</b>	<b>-0,6</b>	<b>-71,3</b>	<b>-0,6</b>	<b>-1,1</b>	<b>0,0</b>
2. Deductions from the primary balance target	31,9	31,9	44,1	0,3	44,5	0,3	49,0	0,4	-4,5	0,0
3. Offset between the central government's target and that of federal state-owned companies	0,0	0,0	0,0	0,0	3,0	0,0	3,0	0,0	0,0	0,0
4. Primary balance for LDO compliance [1+2-3]	-11,0	-11,0	14,6	0,1	-31,0	-0,2	-25,3	-0,2	-5,6	0,0
5. Primary Balance Target	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
7. Deviation from the primary balance target [4-5]	-11,0	-11,0	14,6	0,1	-31,0	-0,2	-25,3	-0,2	-5,6	0,0
8. Lower bound of the primary balance target	-28,8	-28,8	-31,0	-0,2	-31,0	-0,2	-31,0	-0,2	0,0	0,0
9. Deviation from the lower bound of the primary balance target [7-4]	17,7	17,7	45,6	0,4	0,0	0,0	5,6	0,0	-5,6	0,0

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

As mentioned earlier, the RARDP projection does not account for potential unspent appropriations, so the fiscal target projected by the Executive Branch shows no margin, given that the spending freeze reflects only the minimum amount required to reach the lower bound of the target.

IFI's projections for the Federal Government's primary expenditures in 2026 are BRL 20.4 billion above the projection in the 2026 PLOA. The preliminary report incorporates the additional BRL 13.23 billion resulting from the re-estimate of net revenue in the Revenue Report. As the 2026 PLOA was still under discussion at the time this RAF was prepared, the figures presented in Table 9 assume, as a premise, that the allocation of discretionary expenditures in health, education, and other discretionary items follows the same proportions used in the RARDP for the 5th two-month period of 2025.

**TABLE 9. EVOLUTION OF ESTIMATES FOR THE MAIN PRIMARY EXPENDITURE AGGREGATES IN 2026**

Item	2026 PLOA - Preliminary Revenue Report		IFI - 2026 (Dec/2025)		Diff. 2026 PLOA (2025 LDO) - IFI 2026 (Dec/2025)	
	BRL Bi.	% GDP	BRL Bi.	%GDP	BRL Bi.	% GDP
<b>Total Primary Revenue</b>	<b>3.198,1</b>	<b>23,1</b>	<b>3.155,8</b>	<b>23,5</b>	<b>42,2</b>	<b>-0,5</b>
<b>Transfers to States and Municipalities</b>	<b>608,4</b>	<b>4,4</b>	<b>625,4</b>	<b>4,7</b>	<b>-17,0</b>	<b>-0,3</b>
<b>Net Primary Revenue after Transfers</b>	<b>2.590,6</b>	<b>18,7</b>	<b>2.530,4</b>	<b>18,8</b>	<b>60,2</b>	<b>-0,2</b>
<b>Total Primary Expenditure</b>	<b>2.613,9</b>	<b>18,9</b>	<b>2.621,1</b>	<b>19,5</b>	<b>-7,2</b>	<b>-0,7</b>
<b>Social Security Benefits</b>	<b>1.128,5</b>	<b>8,2</b>	<b>1.132,7</b>	<b>8,4</b>	<b>-4,2</b>	<b>-0,3</b>
<b>Payroll and Social Charges</b>	<b>456,9</b>	<b>3,3</b>	<b>434,6</b>	<b>3,2</b>	<b>22,2</b>	<b>0,1</b>
<b>Other Mandatory Expenditure</b>	<b>416,8</b>	<b>3,0</b>	<b>443,4</b>	<b>3,3</b>	<b>-26,6</b>	<b>-0,3</b>
Salary Allowance and Unemployment Benefit	97,7	0,7	98,9	0,7	-1,2	0,0
Financial Support for States and Municipalities	1,8	0,0	1,5	0,0	0,3	0,0
Continuous Cash Benefits (LOAS/BPC)	131,1	0,9	143,2	1,1	-12,0	-0,1
Extraordinary Appropriations	0,0	0,0	6,3	0,0	-6,3	0,0
Supplementation to Fundeb	68,4	0,5	72,2	0,5	-3,8	0,0
FCDF (Current and capital)	5,4	0,0	5,8	0,0	-0,4	0,0
Legislative /Judiciary /MPU/DPU (current and capital)	25,2	0,2	21,3	0,2	3,9	0,0
Kandir Law	4,0	0,0	4,0	0,0	0,0	0,0
Judicial rulings and court-ordered debt payments (current and capital)	45,3	0,3	52,6	0,4	-7,4	-0,1
Subsidies, Grants, and Proagro	24,2	0,2	25,7	0,2	-1,5	0,0
Other Mandatory Expenditure	13,7	0,1	11,9	0,1	1,8	0,0
<b>Expenditures Subject to Financial Programming</b>	<b>611,7</b>	<b>4,4</b>	<b>610,3</b>	<b>4,5</b>	<b>1,4</b>	<b>-0,2</b>
Mandatory with Flow Control	371,5	2,7	393,1	2,9	-21,6	-0,2
Benefits for civil servants	24,8	0,2	24,0	0,2	0,8	0,0
<b>Bolsa Família Program</b>	<b>159,5</b>	<b>1,2</b>	<b>159,6</b>	<b>1,2</b>	<b>-0,1</b>	<b>0,0</b>
Health	168,8	1,2	189,8	1,4	-20,9	-0,2
Education	8,4	0,1	9,2	0,1	-0,8	0,0
Other	10,0	0,1	10,6	0,1	-0,6	0,0
<b>Discretionary Expenditure</b>	<b>240,2</b>	<b>1,7</b>	<b>217,2</b>	<b>1,6</b>	<b>23,0</b>	<b>0,0</b>
Health	68,0	0,5	58,9	0,4	9,1	-0,4
Education	39,6	0,3	35,2	0,3	4,4	-0,3
Other Discretionary Expenditure	132,6	1,0	123,2	0,9	9,4	-0,9
<b>Above-the-Line Primary Balance</b>	<b>-23,3</b>	<b>-0,2</b>	<b>-90,6</b>	<b>-0,7</b>	<b>67,3</b>	<b>0,5</b>

Source: PLN 15/2025 and IFI. Prepared by: IFI.

For 2026, the IFI estimates that spending on social security benefits will reach BRL 1,132.7 billion (8.4% of GDP), an amount BRL 4.3 billion higher than that included in the 2026 PLOA. To this projection, the IFI added BRL 7.3 billion<sup>47</sup>, in 2026, for maternity-leave benefit

<sup>47</sup> The amount corresponds to the committed expenditures for the benefit in 2025, with a 50% increase in the total and an additional increase reflecting the adjustment of the minimum wage. As the measure entails a certain degree of uncertainty, this growth was adopted as an assumption. The Executive Branch considered BRL 8.5 billion when preparing the 2026 PLOA, according to JOINT TECHNICAL NOTE No. 21626717/2025/DIRBEN-DIROFL/INSS.

expenditures, as a result of ADIs 2110<sup>48</sup> and 2111<sup>49</sup>, which eliminated the qualifying period for the benefit.

The IFI's estimate for Payroll and Social Charges expenditure, in turn, of BRL 434.6 billion (3.2% of GDP), is BRL 22.2 billion lower than the amount included in the 2026 PLOA. As discussed in RAF No. 100<sup>50</sup> of May 2025, the Executive Branch has presented projections for personnel expenditure that exceed the amount effectively executed in the subsequent fiscal year. This apparent practice may secure some leeway in complying with fiscal rules, since the financial execution of these expenditures tends to be effectively lower than estimated, which can create room to avoid a spending freeze through a re-estimation of this item or by ensuring that the expenditure actually executed remains below the figure estimated at the end of the fiscal year.

The IFI projects that Other Mandatory Expenditure will amount to BRL 443.3 billion (3.3% of GDP) in 2026, a total BRL 26.6 billion lower than projected in the 2026 PLOA. The main source of divergence lies in the payment of the Continuous Cash Benefit (BPC), estimated by the IFI at BRL 143.2 billion (1.1% of GDP), BRL 12 billion below the amount set in the 2026 PLOA. Up to October 2025, the benefit covered 6.5 million people, a figure 3.5% higher than that observed one year earlier. Although the growth rates of expenditure on this benefit have been declining in recent months, a relatively robust pace of expansion persists.

For expenditures subject to flow control, the IFI estimates an amount of BRL 610.3 billion (1.4% of GDP) in 2026, BRL 1.4 billion below the figure projected by the Executive Branch in the 2026 PLOA.

Mandatory expenditures subject to flow control were estimated by the IFI at BRL 393.1 billion (2.9% of GDP) for next year, BRL 21.6 billion above the amount provided for in the PLOA. The main source of divergence lies in health expenditures, which the IFI projects to be BRL 20.9 billion higher than the amount set in the PLOA.

For discretionary expenditures, the IFI projects an amount of BRL 217.2 billion (1.6% of GDP) in 2026, BRL 23 billion below the figure provided for in the PLOA. In virtually all subgroups of discretionary expenditure, the IFI's projection is lower than that presented in the budget proposal.

Based on the estimates of primary expenditure discussed above and the projection for net primary revenue, the IFI estimates a primary deficit of BRL 90.6 billion (0.7% of GDP) in 2026, BRL 67.3 billion below the amount projected in the PLOA.

Table 10 presents the effective primary balance and the primary balance for the purposes of complying with the targets set out in the Budget Guidelines Law in 2026.

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<sup>48</sup> Available at: <https://portal.stf.jus.br/processos/detalhe.asp?incidente=1795150>.

<sup>49</sup> Available at: <https://portal.stf.jus.br/processos/detalhe.asp?incidente=1795149>.

<sup>50</sup> Available at: [https://www2.senado.leg.br/bdsf/bitstream/handle/id/696036/RAF100\\_MAI2025.pdf](https://www2.senado.leg.br/bdsf/bitstream/handle/id/696036/RAF100_MAI2025.pdf).

**TABLE 10. EFFECTIVE PRIMARY BALANCE AND PRIMARY BALANCE FOR LDO COMPLIANCE IN 2026**

Item	2026 PLOA - Preliminary Revenue Report		IFI 2026 (Dec/2025)		Diff. 2026 PLOA (2025 LDO) - IFI 2026 (Dec/2025)	
	BRL Bi.	% GDP	BRL Bi.	BRL Bi.	% GDP	R\$ Bi.
1. Effective Primary Balance	-23,3	-0,2	-90,6	-0,7	67,3	0,7
2. Deductions from the primary balance target	64,8	0,5	64,1	0,5	0,7	-0,5
3. Offset between the central government's target and that of federal state-owned companies	0,0	0,0	0,0	0,0	0,0	0,0
4. Primary balance for LDO compliance [1+2-3]	41,5	0,3	-26,5	-0,2	68,0	0,2
5. Primary Balance Target	34,3	0,2	34,3	0,3	0,0	-0,3
7. Deviation from the primary balance target [4-5]	7,2	0,1	-60,8	-0,5	68,0	0,5
8. Lower bound of the primary balance target	0,0	-0,2	0,0	-0,7	0,0	0,7
9. Deviation from the lower bound of the primary balance target [7-4]	41,5	0,3	-26,5	-0,2	68,0	0,2

Source: PLN 15/2025 and IFI. Prepared by: IFI.

The primary balance estimated in the 2026 PLOA for meeting the target set out in the Budget Guidelines Law (LDO), considering the effects of LC No. 221 and Bill No. 163 of 2025, is a surplus of BRL 41.5 billion (0.3% of GDP), including BRL 64.8 billion (0.5% of GDP) in expenditure deductions<sup>51</sup>. Thus, there would be a margin of BRL 7.2 billion for meeting the midpoint of the primary balance target.

The IFI's estimate, for purposes of meeting the fiscal target set out in LDO, is a primary deficit of BRL 26.5 billion (0.2% of GDP), including the estimated deductions, which amount to BRL 64.1 billion (0.5% of GDP). This figure would be insufficient to meet either the midpoint of the target (a surplus of BRL 34.3 billion) or the lower bound of the primary balance target (BRL 0.00). The main factor explaining the difference between the IFI's estimates and those of the Executive Branch is the projection for the central government's net revenue. The IFI projects net revenue to be BRL 60.2 billion lower than that presented in the 2026 PLOA.

In this context, in light of the IFI's baseline projections, a spending freeze of BRL 26.5 billion in nonrigid discretionary expenditures would be required to meet the 2026 fiscal target at the lower bound of the target range. It is important to add that, unlike what occurred in the 2025 LDO, the caput of Art. 73 of the 2026 LDO explicitly provides that the necessary spending freeze will be calculated considering the lower bound of the tolerance range for the primary balance target. Thus, fiscal policy will effectively aim for the floor of the target, which may entail a risk of noncompliance with the rule in the event of shocks that increase expenditure or reduce primary revenue.

The 2026 LDO, unlike previous LDOs, removed the possibility of offsetting the fiscal targets of the Global Spending Program (PDG) against the target of the Fiscal and Social Security

<sup>51</sup> measures were estimated by the IFI based on data from the 2026 PLOA, since they were approved only after the start of the PLOA 2026's legislative process. For Bill No. 168/2025, 5% of the PLOA revenues under sources 1147 and 1149 were considered, totaling BRL 1.96 billion. For LC 221/2025, BRL 5 billion were considered, based on the amount of expenditures of the Ministry of Defense under the PAC. The remaining BRL 57.8 billion had already been included as deductions related to court-ordered debt payments due to ADIs 7047 and 7064.

Budget (OFSS)<sup>52</sup>. Thus, there is a lower risk that the target for state-owned companies will compromise the central government's target, as occurred in 2025. On the other hand, the Executive Branch will have one fewer instrument to offset the OFSS target should the PDG result improve in the 2026 fiscal year.

## Compliance with the expenditure cap and need for a spending freeze

Both spending freezes and spending blocks are fiscal policy instruments aimed at implementing, at times temporary, cuts in discretionary expenditures, with the purpose of aligning the pace of expenditure execution with the limits established in current legislation. The new fiscal framework, however, introduced different motivations for the use of these instruments.

According to the provisions of Art. 67 of the 2025 LDO, for the purposes of item I of §11 of Art. 165 of the Federal Constitution (regarding expenditure limits), the Executive, Legislative, and Judiciary Branches, the Federal Prosecution Service, and the Federal Public Defender's Office are authorized to carry out the blocking of 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 contained in the reports on the assessment of primary revenues and expenditures.

In the 2026 LDO, submitted for presidential sanction, this provision appears in Art. 71, with the inclusion of §3, which incorporates the possibility of blocking parliamentary amendments in the same proportion as the total possible containment. This possibility has existed since the Claim of Breach of a Fundamental Precept (ADPF) 854<sup>53</sup>. Although it was not explicitly stated in the 2025 LDO, this provision made it possible to partially block mandatory amendments in the 2025 fiscal year, due to the risk of noncompliance with the expenditure limit.

Art. 72, which regulates the annual disbursement schedule, introduces an important innovation. In the 2026 fiscal year, under §21 of the caput, the Executive Branch is required to release at least 65% of the payment limit for mandatory parliamentary amendments provided for in the 2026 Budget Law. As a result, in the event that containment becomes necessary, if execution is accelerated in view of the 2026 electoral cycle<sup>54</sup>, there would be a smaller volume of expenditures subject to containment or a reduced likelihood of non-executed expenditures due to more restrictive payment schedules, such as those applied in 2025.

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<sup>52</sup> In the 2026 PLDO, this provision was included in §2 of Art. 3 of the PLDO, which was removed on the floor of the National Congress. The final version of the 2026 LDO was published on January 12, 2025 and is available at: <https://www.congressonacional.leg.br/materias/pesquisa/-/materia/168120>.

<sup>53</sup> Available at <https://portal.stf.jus.br/processos/detalhe.asp?incidente=6199750>.

<sup>54</sup> In Technical Note No. 57 of 2024, it is shown that, in election years, the financial execution of mandatory parliamentary amendments is concentrated in the first half of the year, given the restrictions on voluntary transfers in the three months preceding the elections. Available at: [https://www2.senado.leg.br/bdsf/bitstream/handle/id/660953/NT57\\_emendas\\_parlamentares\\_2024.pdf](https://www2.senado.leg.br/bdsf/bitstream/handle/id/660953/NT57_emendas_parlamentares_2024.pdf).

In 2025, the updated appropriation for budget credits subject to the expenditure cap amounted to BRL 2,265.8 billion, and the fiscal framework's expenditure cap—already including the opening of an additional appropriation<sup>55</sup> in the amount of BRL 12.4 billion—stands at BRL 2,261.4 billion. Thus, the RARDP determined a spending block of BRL 4.4 billion.

For the 2026 fiscal year, the PLOA submitted does not take into account the effects of EC 136/2025, which permanently increased the expenditure cap by BRL 13.4 billion in the fiscal year and excluded court-ordered debt payments from the limits. This, together with other recently approved exceptions, reduces the pressure on the expenditure cap established by LC 200/2023, although it does not address the problem arising from the real increase in mandatory primary expenditures above 2.5%.

## Revision of Medium-Term Primary Expenditure Projections

Compared with RAF No. 101 of June 2025, which presented the most recent medium-term forecasts, the current report provides more optimistic estimates, both for the short term and the medium term. In the short term, the improvement stems from the fact that the reduction in the expenditure estimate was greater than the revision to the revenue projection.

In the medium term, in addition to the impact of changes in the macroeconomic scenario, the revision to the methodology for calculating expenditures on judicial rulings and court-ordered debt payments stands out, as previously discussed in the section on the assumptions underlying the construction of the scenarios.

Overall, lower inflation projections help reduce the expenditure estimates from one scenario to the next. In contrast, higher revenue projections lead to increases in expenditures that are tied to revenue growth, such as the minimum allocations for Public Health Actions and Services (ASPS) and for Maintenance and Development of Education (MDE)—the health and education floors, respectively.

In the period from 2029 to 2032, the main factors that may put upward pressure on the Federal Government's primary expenditures are the disbursements of the National Fund for Regional Development (FNDR) and the Fiscal or Financial-Fiscal Benefits Compensation Fund (FCBF). The FCBF ends its contributions in 2032.

In the baseline scenario, primary expenditures as a share of GDP increase continuously until they reach a peak in 2032, amounting to 20.2% of GDP. They begin to decline in 2033 and stabilize at 19.8% of GDP.

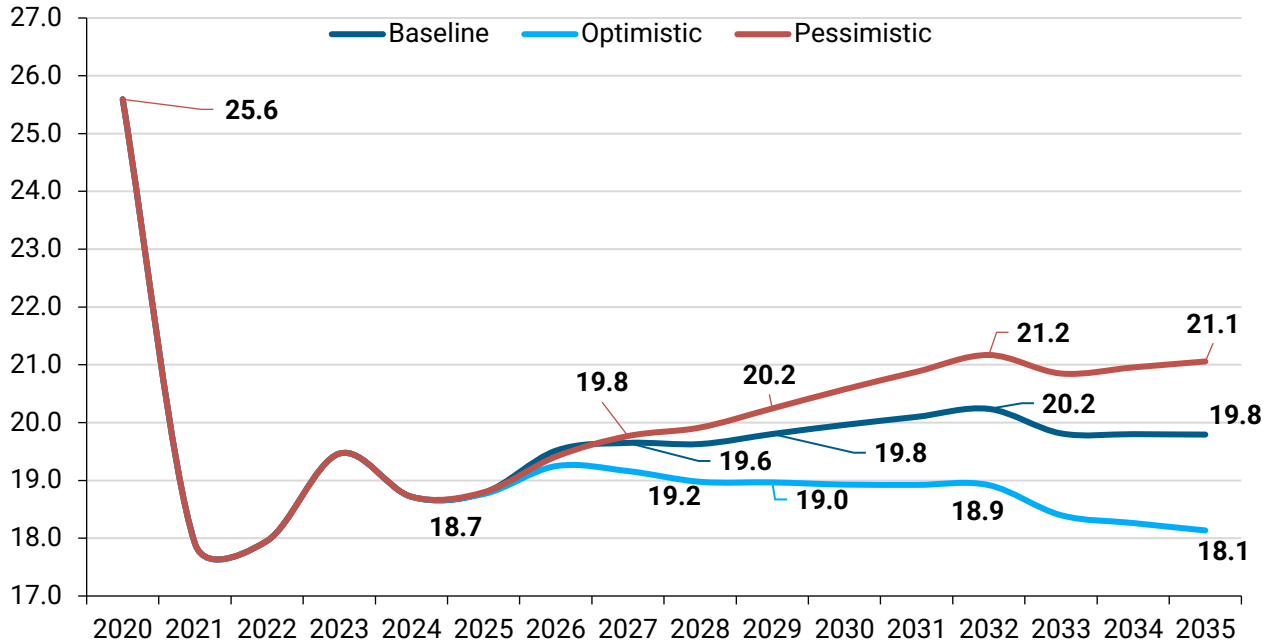
The continued expansion of expenditures in the baseline reference scenario is also observed in the alternative scenarios. The differences arise from the magnitude of

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<sup>55</sup> To comply with §1 of Art. 4 of LC No. 200/2023, referring to the difference between the IPCA variation recorded from July 2023 to June 2024 (4.23%) and that recorded from January to December 2024 (4.83%).

expenditures as a share of GDP and from the macroeconomic parameters that underpin the behavior of certain primary expenditures, as shown in GRAPH 7:

**GRAPH 7. IFI SCENARIOS FOR FEDERAL PRIMARY EXPENDITURE (% OF GDP)**



Sources: STN and IFI. Prepared by: IFI.

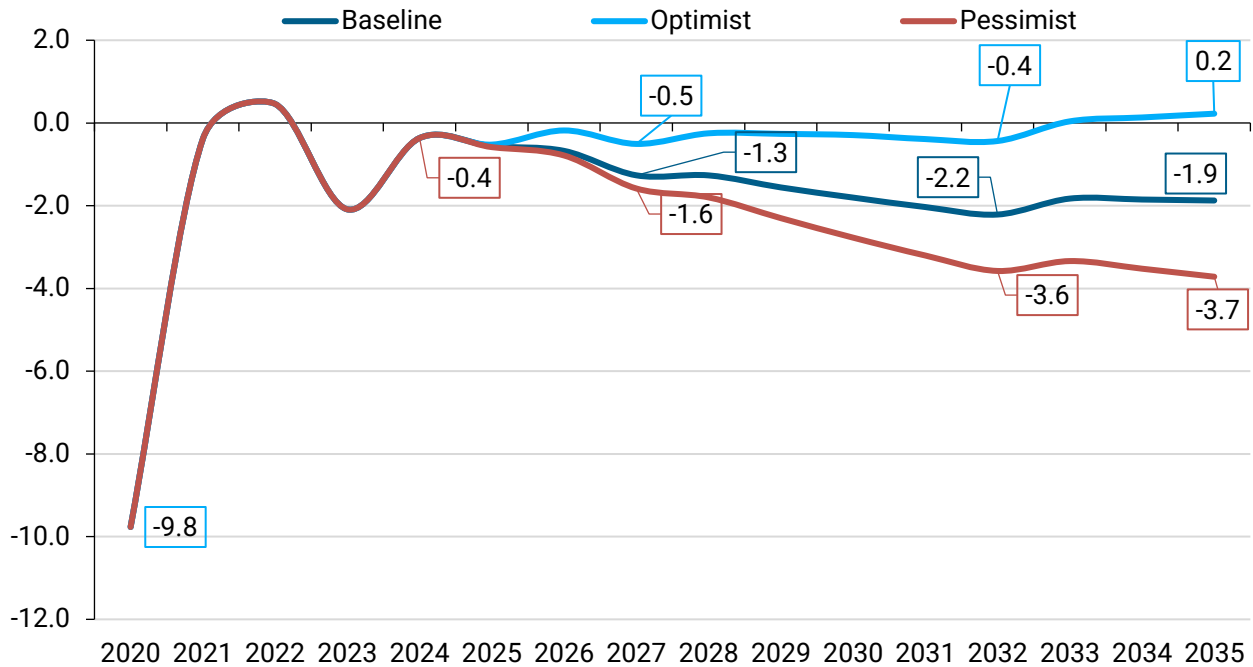
### Medium-Term Scenarios for the Primary Balance Targets

For the same reasons discussed earlier, the primary balances show, overall, a deterioration across the three reference scenarios considered. The primary projections display an improvement in 2033, due to the end of FCBF payments, although this improvement is subsequently reversed as a result of the Federal Government’s increasing contributions to the National Fund for Regional Development (FNDR).

In the baseline scenario, the central government’s primary deficit increases from 0.4% of GDP in 2024 to 2.2% of GDP in 2032, improving marginally in 2033, when it would stabilize at 1.9% of GDP. Thus, the IFI’s baseline scenario projects recurrent primary deficits throughout the entire projection horizon.

In the optimistic scenario, the primary deficit fluctuates between 0.3% of GDP and 0.5% of GDP from 2026 to 2032. From 2033 onward, the primary balance improves, reaching a surplus of 0.2% of GDP in 2035.

**GRAPH 8. IFI SCENARIOS FOR FEDERAL PRIMARY BALANCE (% OF GDP)**

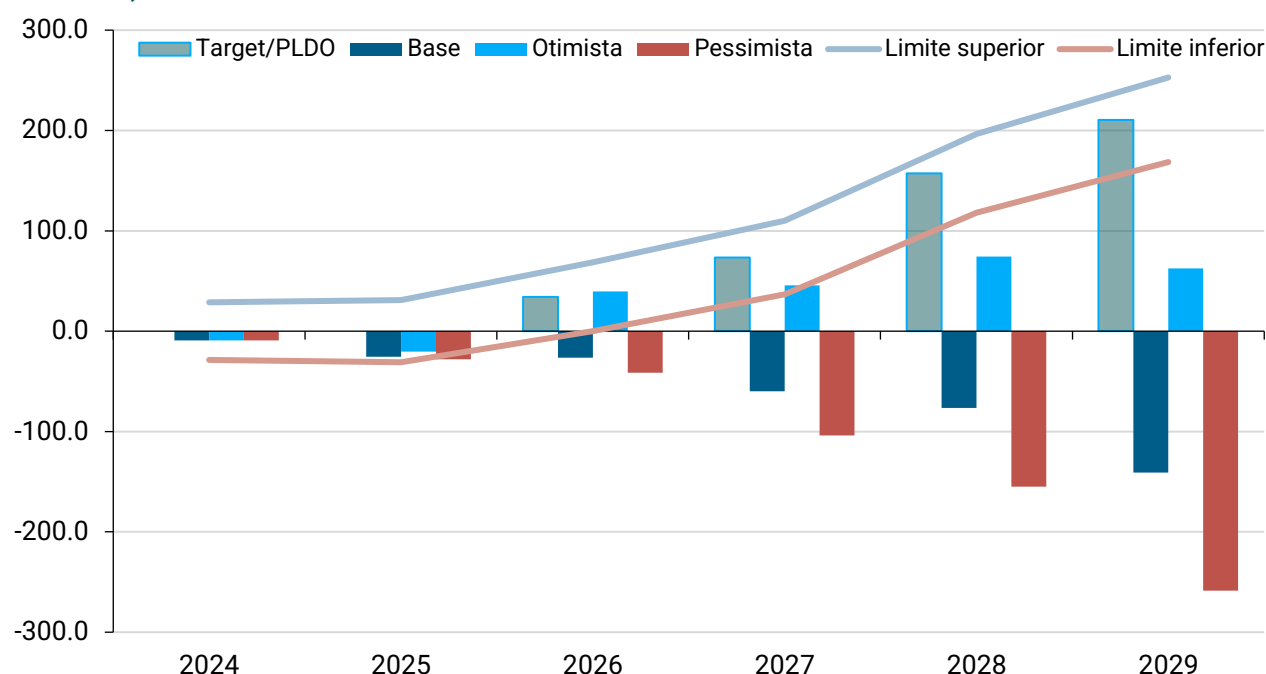


Sources: STN and IFI. Prepared by: IFI.

### Compliance with the LDO Primary Balance Targets

The 2026 LDO was prepared in accordance with §5 of Art. 4 of the Fiscal Responsibility Law, as amended by the Sustainable Fiscal Regime. Thus, in addition to presenting annual targets for the fiscal year to which it refers and for the following three years—rather than two—the monitoring of primary balance targets has been expanded in this report to reflect the changes introduced by the new sustainable fiscal framework. The evolution of the scenarios, with their respective tolerance bands, can be seen in GRAPH 8.

**GRAPH 9. IFI SCENARIOS FOR COMPLIANCE WITH THE PRIMARY BALANCE TARGET (BRL BILLIONS)**



Sources: PLDO 2026 and IFI. Prepared by: IFI.

As seen, in the baseline scenario, the primary balance targets would be met in 2025 at the lower bound of the target range, due to the BRL 7.4 billion spending freeze already implemented in the RARDP for the 5th two-month period of 2025. For 2026, the required spending freeze would amount to BRL 26.5 billion, which is feasible, although it represents a challenge for the conduct of fiscal policy.

From 2027 onward, according to the IFI's projections and assuming the fiscal targets set in the budget guidelines remain in place, the Executive Branch will need to seek additional revenue-enhancing and expenditure-containing measures to avoid a shutdown of government operations, given the more demanding fiscal targets and the projected deterioration of the primary balance through 2029.

It is worth noting that the results shown in GRAPH 9 above already incorporate the deductions from the fiscal targets, so the effective primary balance is lower than the value illustrated in the graph.

In the optimistic scenario, the fiscal target would be met at the lower bound in 2025, with the midpoint of the target achieved in 2026. In 2027, there would be a possibility of meeting the lower bound, but from 2028 onward, the target would not be met, since the required containment would reduce nonrigid discretionary expenditures to a level below 0.7% of GDP.

Finally, in the pessimistic scenario, there would be a possibility of meeting the lower bound of the target in 2025. In 2026, a spending freeze of BRL 41.5 billion would be required, and from 2027 onward, meeting the fiscal target would no longer be possible.

The fiscal targets set out in the 2026 LDO represent a challenge, even under the IFI's optimistic scenario. Measures that exclude expenditures from the fiscal rules help ensure the formal compliance with those rules, but do not address the real issue: the expected growth of mandatory primary expenditures and rigid discretionary expenditures, given the outlook for primary revenues.

For 2026, there are uncertainties regarding the effectiveness of revenue-enhancing measures, as well as uncertainty about their impact. Additional risks, such as the situation of state-owned companies – particularly the Postal Service (Correios) – may affect the conduct of fiscal policy next year.

The 2026 LDO allows PDG companies to run a deficit of up to BRL 21.6 billion in the fiscal year, considering the deductions related to the PAC (up to BRL 5 billion) and to economic-financial restructuring plans (up to BRL 10 billion). However, if results do not improve, capital injections from the central government may be required, compromising the primary balance for the year.

### Insufficiency of the Sustainable Fiscal Regime's Primary Expenditure Cap

As a general rule, discretionary expenditures are projected as the residual between the primary expenditure cap established by the fiscal framework and the mandatory expenditures subject to the cap. Thus, expenditures excluded from the cap under Art. 3, §2 of LC No. 200/2023 do not influence the determination of discretionary expenditures; they affect only the fiscal targets, provided they are not also excluded for that purpose.

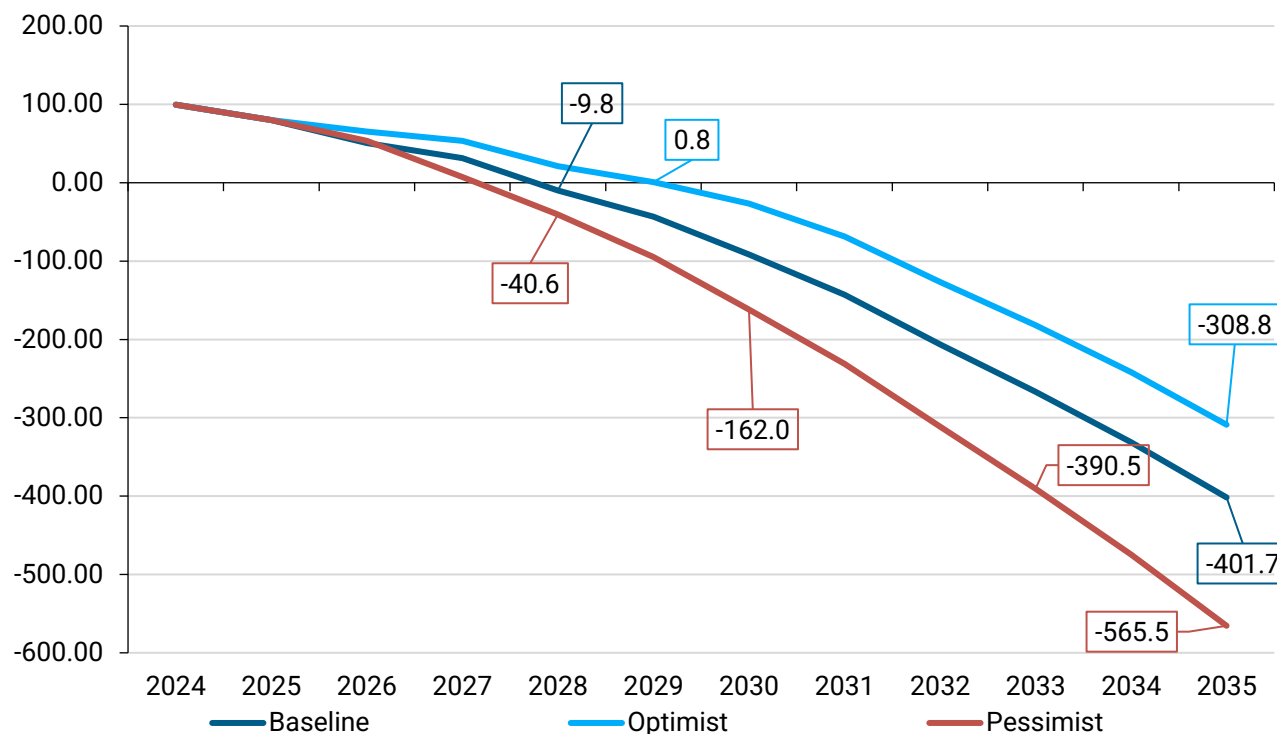
In addition, "rigid discretionary expenditures" are projected. These correspond to the share of minimum health and education spending allocated to discretionary items and to mandatory individual and state caucus amendments, which also compress nonrigid discretionary expenditures – those that can be projected with greater flexibility.

Finally, it was observed that the growth rate of mandatory expenditures has accelerated since 2023, as a result of the changes introduced by the Sustainable Fiscal Regime (with respect to earmarked and indexed expenditures) and the expansion of parliamentary amendments. This has led to a sharp reduction in the space available for projecting discretionary expenditures over the medium term, as shown in the previously referenced RAF No. 91 of August 2024. In addition, as noted in the introduction, the growth rate of expenditure on judicial rulings and court-ordered debt payments is also higher than that projected in the LDO.

At times, given the projection dynamics, nonrigid discretionary expenditures end up falling below a minimum level capable of sustaining government operations, even generating negative space in certain periods. In other words, the projected mandatory expenditures and rigid discretionary expenditures would exceed the expenditure cap established under the fiscal regime.

Accordingly, a minimum level for nonrigid discretionary expenditures was assumed in the projections, set at 0.7% of GDP, and a separate indicator of expenditure cap sufficiency was calculated. Thus, when this indicator turns negative, it signals that the fiscal regime has become unsustainable. The results of this exercise can be seen in Graph 10.

**GRAPH 10. INSUFFICIENCY OF THE RFS EXPENDITURE CAP (BRL BILLIONS)**



Sources: STN and IFI. Prepared by: IFI.

Across the three projected reference scenarios, the growth pace of mandatory expenditures and rigid discretionary expenditures ends up absorbing all available fiscal space. In the baseline scenario, insufficiency arises from 2028 onward. In the Optimist scenario, from 2029 onward.

In RAF No. 103 of August 2025, the IFI analyzed EC 136/2025 (then PEC 68/2023). The amendment fully removed court-ordered debt payments from the expenditures subject to the limits set out in LC 200/2023. The change in the methodology for updating court-ordered debt payments, which now considers IPCA variation plus simple interest of 2% per year, should help improve the dynamics of this expenditure in the coming years. As already mentioned, these expenditures were also partially deducted from the primary balance targets.

The innovations introduced by EC 136 create some breathing room for meeting the primary balance target over the medium term, provided that reforms are implemented to curb the growth of public expenditures throughout the duration of the expenditure cap rule.

As discussed at the beginning of this subsection, measures were introduced to exclude certain expenditures from the fiscal rules. Nevertheless, the growth rate of expenditures

subject to the limits set out in LC 200 continues to rise throughout the entire projection horizon, putting pressure on discretionary expenditures.

Accordingly, the exercise carried out by the IFI and shown in Graph 9 indicates the existence of a structural issue in the operation of the Sustainable Fiscal Regime, which is unable to sustain the growth of mandatory expenditures and rigid discretionary expenditures beyond the growth rate of the expenditure cap itself, even with the exemptions in place.

As discussed in RAF No. 106 of November 2025, the Executive Branch has presented a combination of mechanisms that make the outcome pursued by fiscal policy effectively lower than that set out in the fiscal targets. These mechanisms, which should serve as exceptions for unforeseen circumstances, are increasingly becoming part of the framework governing fiscal policy, as evidenced by the recent legislative changes approved.

## Scenarios for Public Debt

### Initial Considerations

According to information from the Central Bank and the IBGE, compiled by the IFI, the General Government Gross Debt (DBGG) reached 78.3% of GDP in October<sup>56</sup>, an increase of 0.9 p.p. compared with October 2024 and a further rise of 0.5 p.p. relative to September. Over the first ten months of 2025, DBGG followed a trajectory of continuous increase. The indicator did not rise further only because of the behavior of nominal GDP over the period.

Based on Central Bank information on the drivers of DBGG, the effect of GDP growth on the debt was negative by 5.6 p.p. over the 12 months through October 2025. This means that GDP growth reduced the DBGG-to-GDP ratio by 5.6 p.p. Over the same period, the underlying drivers exerted a positive effect of 6.5 p.p. of GDP, with 8.6 p.p. stemming from interest expenditure. Net gross debt issuances reduced the DBGG-to-GDP ratio by 1.8 p.p. in the 12 months ended in October 2025.

The contribution of nominal GDP to the debt-to-GDP ratio is expected to decline gradually over the course of 2026, in light of the IFI's projections presented in this RAF. The implicit GDP deflator, which is expected to grow by 5.3% in 2025, is projected to increase by 4.0% next year. According to the IFI's medium-term scenario projections, the deflator is expected to converge to an average annual growth rate of 3.5% from 2029 onward. At the same time, the likely primary deficits of the public sector in the coming years and relatively high real interest rates will keep gross indebtedness, as a share of GDP, on an upward trajectory.

The scenarios outlined by the IFI for the evolution of gross debt in the coming years take into account the Sustainable Fiscal Regime, governed by Complementary Law No. 200 of 2023. The simulations carried out indicate that, even under the new fiscal rule that limits the growth of central government primary expenditures to percentages of variation in net revenue, the stabilization of public debt would only be achieved with a sustained increase in revenues.

The growth of several mandatory primary expenditures, combined with the vulnerability of expenditure containment measures, makes compliance with 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 upward trajectory throughout the entire projection horizon (2025–2035) under the baseline scenario.

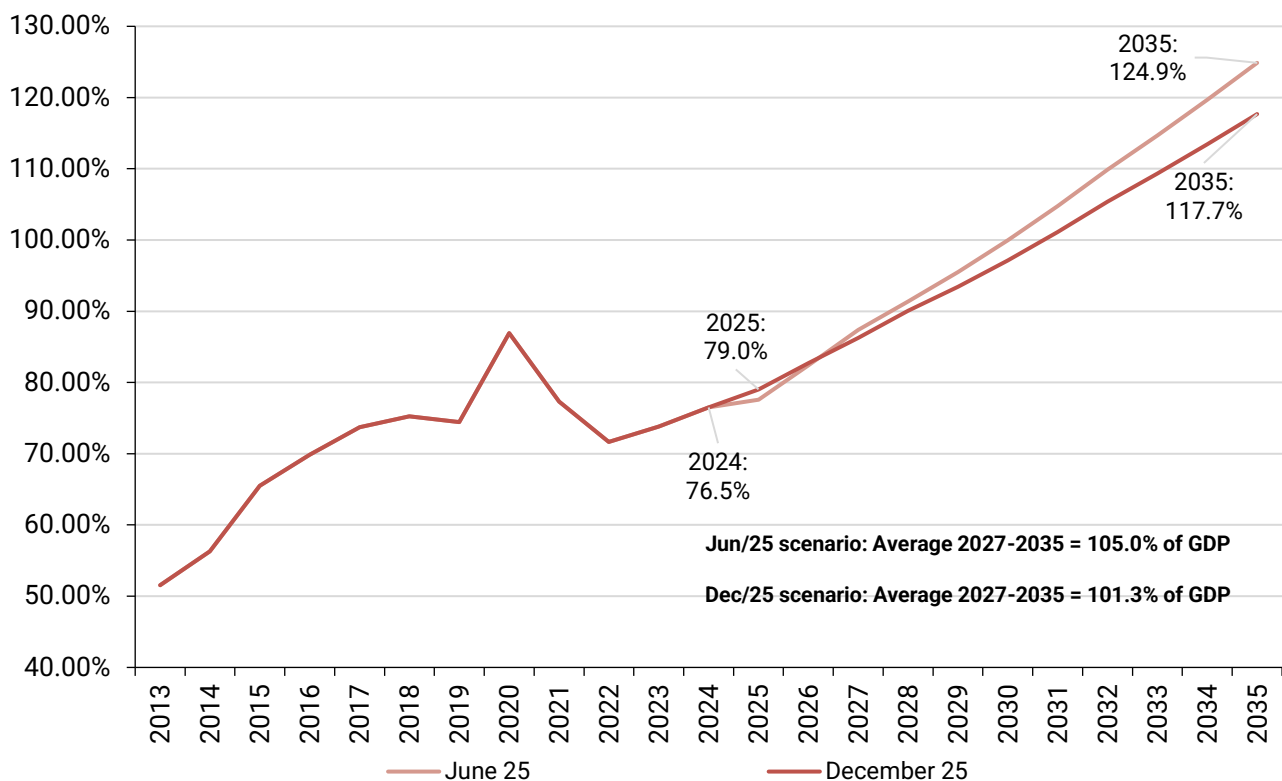
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<sup>56</sup> This is an estimate produced by the IFI based on the most recent information from the IBGE's Quarterly National Accounts and Central Bank.

## Projections

In the scenario review presented in RAF No. 101 of June 2025, the IFI projected DBGG—an indicator calculated by the Central Bank—at 77.6% of GDP at the end of 2025. Now, incorporating information from the Quarterly National Accounts for the third quarter of 2025, as well as the revision of the series by the IBGE, the projection for DBGG has been revised to 79.0% of GDP at the end of 2025 (GRAPH 11).

**GRAPH 11. IFI PROJECTIONS FOR DBGG AT SELECTED POINTS (2024–2034) – % OF GDP**



Source: Central Bank. Prepared by: IFI.

As discussed in previous editions of this RAF, the DBGG as a share of GDP was lower at the end of 2024 due to the sale of approximately USD 30 billion in international reserves, which reduced DBGG by 1.3 p.p. of GDP, according to IFI calculations. The sale of international reserves reduced gross debt as a result of the decline in the stock of repurchase agreements, an instrument used by the Central Bank to regulate liquidity in the economy and keep the Selic rate at the target set by the Monetary Policy Committee (Copom).

In addition to the projection for DBGG in 2025, Graph 11 presents the trajectory of gross indebtedness under the baseline scenario through 2035, comparing it with the trend presented by the IFI last June. The slight improvement in the debt trajectory occurred, as will be discussed below, due to the revision of projections for the consolidated public sector primary balance, which includes the general government.

Considering the short-term estimates, the projections for the public sector primary deficit changed only marginally from June to the present. In June, the IFI projected a public sector

primary deficit of 0.7% of GDP in 2025 and 1.1% of GDP in 2026. The current estimates point to a deficit of 0.5% of GDP this year and 0.7% of GDP in 2026. The improvement in the projection for this indicator stemmed from a reduction in the projected primary deficit of the central government. The projection for the implicit real interest rate on gross debt in 2025 stood at 6.2% per year in June and has now increased to 8.0% per year. For 2026, the estimate for this indicator was 6.8% per year in June and is now also 8.0% per year. This deterioration resulted from the incorporation of new information on the debt’s implicit rate.

In the medium term (from 2027 onward), the projections for the public sector primary balance improved compared with the estimates from June 2025. Table 11 presents a comparison of the average projections for selected variables that affect the dynamics of public sector indebtedness, based on the scenario revisions presented by the IFI last June and now (December 2025).

**TABLE 11. MAIN MACROECONOMIC AND FISCAL ASSUMPTIONS FOR THE MEDIUM-TERM DEBT SCENARIOS – REVISIONS PRESENTED IN JUN/25 AND DEC/25 (AVERAGE FOR 2027–2035), BASELINE SCENARIO**

Baseline Scenario		
	jun/25	dec/25
Primary Balance (BRL billion)	-458,8	-321,7
Primary Balance (% of GDP)	-2,5%	-1,7%
Nominal GDP (BRL billion)	18.295	18.102
Real GDP growth (%)	2,2%	2,2%
Implicit real interest rate on debt (% per year)	5,1%	5,2%
<b>Gross debt (% of GDP)</b>	<b>105,0%</b>	<b>101,3%</b>

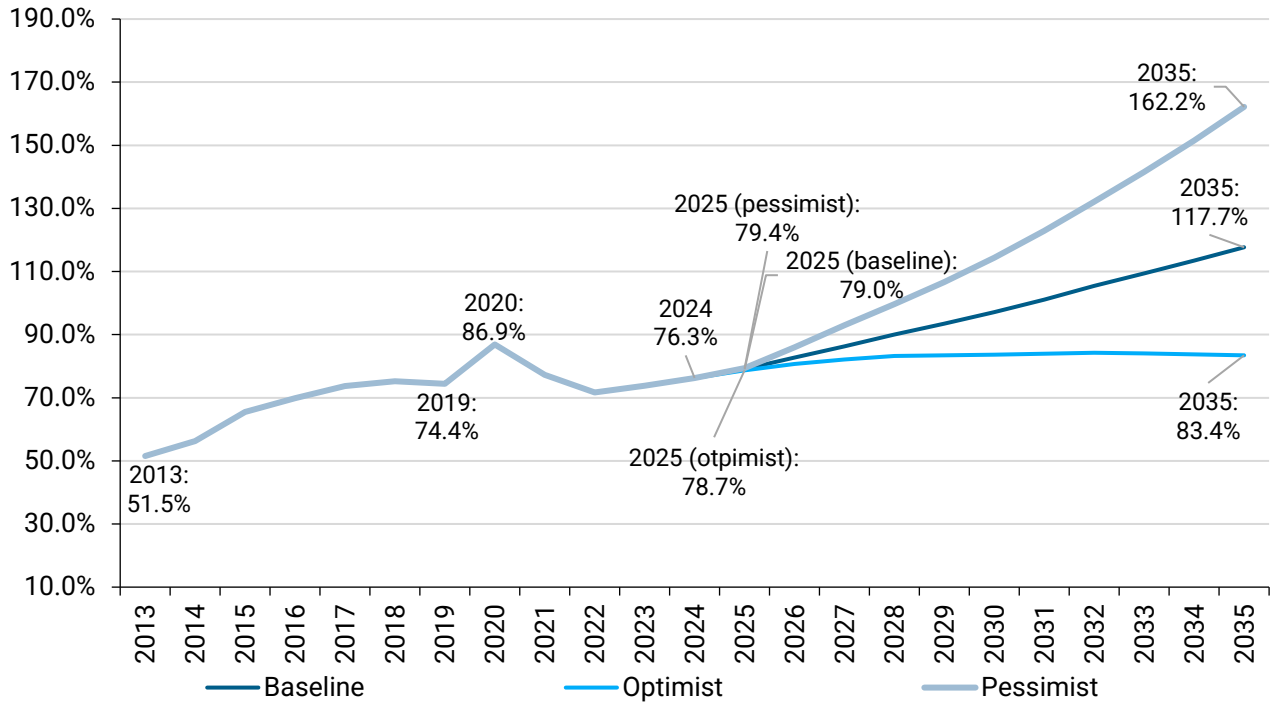
Source: IFI.

According to Table 11, the annual average public sector primary deficit projected by the IFI in June stood at 2.5% of GDP and has now been revised down to 1.7% of GDP. The implicit real interest rate on debt, in turn, increased from 5.1% per year in June to 5.2% per year now. The higher average real interest rate estimated by the IFI partially offsets the effects of the lower primary deficit on the medium-term debt trajectory.

Although there has been an improvement in the trajectory of the public sector primary balances projected by the IFI, the estimates still point to continued deficits in the coming years. Moreover, the expected growth of gross debt over the projection horizon highlights the challenges to meeting the currently established primary balance targets of the central government. These targets rely fundamentally on increases in recurring primary revenues, in addition to controlling primary expenditure. It is important to underscore the risks to projected economic growth and the potential shortfalls in the measures envisaged by the Executive Branch to raise revenue in the coming years. The materialization of such risks could undermine confidence in the sustainability of public finances over the medium and

long term. Graph 12 consolidates the expected trajectories for DBGG, as a share of GDP, across the IFI's three reference scenarios.

**GRAPH 12. IFI PROJECTIONS FOR DBGG ACROSS SCENARIOS - % OF GDP**



Source: Banco Central. Prepared by: IFI.

Table 12 presents the projections for DBGG as a percentage of GDP in the IFI's three medium-term scenarios.

**TABLE 12 DBGG PROJECTIONS (% OF GDP) THROUGH 2035 – JUN/25 VS. CURRENT**

Year	Baseline		Optimist		Pessimist	
	Jun/25	Dec/25	Jun/25	Dec/25	Jun/25	Dec/25
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	73,8%	73,8%	73,8%	73,8%	73,8%	73,8%
2024	76,5%	76,3%	76,5%	76,3%	76,5%	76,3%
2025	77,6%	79,0%	76,4%	78,7%	78,4%	79,4%
2026	82,4%	82,7%	79,6%	80,7%	84,6%	86,0%
2027	87,4%	86,2%	82,5%	82,1%	91,8%	93,0%
2028	91,4%	90,1%	84,6%	83,3%	99,0%	99,7%
2029	95,5%	93,4%	85,5%	83,5%	106,9%	106,6%
2030	100,0%	97,1%	86,4%	83,6%	115,7%	114,4%
2031	104,8%	101,1%	87,4%	83,9%	125,4%	122,9%
2032	109,9%	105,4%	88,5%	84,2%	135,9%	132,2%
2033	114,7%	109,4%	89,1%	84,1%	146,6%	141,5%
2034	119,7%	113,5%	89,6%	83,8%	158,1%	151,5%
2035	124,9%	117,7%	90,1%	83,4%	170,3%	162,2%

Source: Central Bank (actual data). Prepared by: IFI.

Table 13 updates the exercise, routinely presented by the IFI, that illustrates the annual primary balance required to stabilize DBGG as a share of GDP—in this case, to stabilize the debt at 79.0% of GDP, the level projected by the IFI for the end of 2025.

**TABLE 13. ANNUAL PRIMARY BALANCE REQUIRED TO STABILIZE GROSS DEBT AT 79.0% OF GDP (2025 LEVEL)**

DBGG in t		Implicit real interest rate on DBGG						
79,0%		0,5%	1,0%	2,0%	3,5%	4,0%	4,5%	5,2%
Real GDP (% p.a.)	0,5%	0,0%	0,4%	1,2%	2,4%	2,8%	3,1%	3,7%
	1,0%	-0,4%	0,0%	0,8%	2,0%	2,3%	2,7%	3,3%
	1,5%	-0,8%	-0,4%	0,4%	1,6%	1,9%	2,3%	2,9%
	2,2%	-1,3%	-1,0%	-0,2%	1,0%	1,4%	1,7%	2,3%
	2,5%	-1,5%	-1,2%	-0,4%	0,8%	1,2%	1,5%	2,1%
	3,0%	-1,9%	-1,5%	-0,8%	0,4%	0,8%	1,2%	1,7%
	3,5%	-2,3%	-1,9%	-1,1%	0,0%	0,4%	0,8%	1,3%

Source: Prepared by: IFI.

Table 13 shows the effort required to stabilize public debt based on the IFI’s latest macroeconomic and fiscal projections. Considering the level of gross indebtedness projected for the end of 2025—79.0% of GDP—a consolidated public sector primary surplus

of 2.3% of GDP per year would be needed to stabilize the debt (with average real economic growth of 2.2% and an implicit real interest rate of 5.2% per year). Last June, the primary surplus required to stabilize the debt, as calculated by the IFI, was 2.1% of GDP. In other words, slightly higher implicit real interest rates and a higher level of indebtedness increase the effort required to stabilize gross debt as a share of GDP, even though there has been some improvement in the medium-term primary deficit projections.

The exercise presented in Table 13 shows the primary balance required to stabilize the debt under different combinations of economic growth and interest rates. For example, higher economic growth reduces the primary balance needed for stabilization. Under the assumption of a real interest rate of 2.0% per year and GDP growth of 3.5% per year, even a primary deficit of 1.1% of GDP would stabilize gross debt at the level projected by the IFI for December 2025 (79.0% of GDP).

Finally, Table 14 presents the projections for the primary and nominal balances, as well as interest expenditure, across the three reference scenarios. The projections indicate the persistence of significant nominal deficits due to relatively high interest expenditure. Even in the Optimist scenario, the public sector records primary (and nominal) deficits throughout the entire projection horizon.

**TABLE 14. NOMINAL BALANCE, PRIMARY BALANCE, AND INTEREST EXPENDITURE OF THE CONSOLIDATED PUBLIC SECTOR (% OF GDP)**

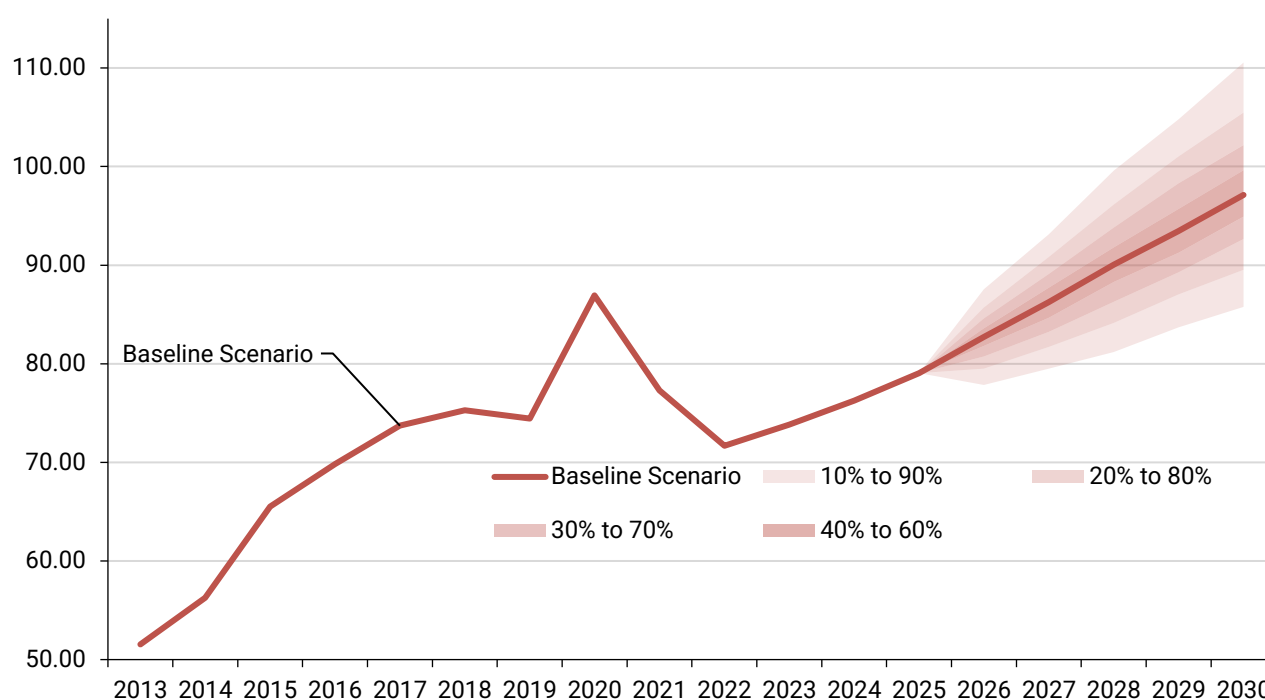
Year	Baseline			Optimist			Pessimist		
	Nominal Balance	Primary Balance	Interest	Nominal Balance	Primary Balance	Interest	Nominal Balance	Primary Balance	Interest
2018	-7,0%	-1,5%	5,4%	-7,0%	-1,5%	5,4%	-7,0%	-1,5%	5,4%
2019	-5,8%	-0,8%	5,0%	-5,8%	-0,8%	5,0%	-5,8%	-0,8%	5,0%
2020	-13,3%	-9,2%	4,1%	-13,3%	-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	-8,8%	-2,3%	6,6%	-8,8%	-2,3%	6,6%	-8,8%	-2,3%	6,6%
2024	-8,5%	-0,4%	8,1%	-8,5%	-0,4%	8,1%	-8,5%	-0,4%	8,1%
2025	-8,5%	-0,5%	8,0%	-8,3%	-0,3%	8,0%	-8,9%	-0,9%	8,0%
2026	-8,6%	-0,7%	7,9%	-7,1%	0,0%	7,1%	-10,0%	-1,1%	8,8%
2027	-8,8%	-1,3%	7,5%	-6,9%	-0,4%	6,5%	-11,5%	-1,9%	9,6%
2028	-8,5%	-1,3%	7,2%	-6,2%	-0,2%	6,0%	-12,1%	-2,0%	10,1%
2029	-8,4%	-1,6%	6,9%	-5,6%	-0,2%	5,5%	-12,9%	-2,5%	10,4%
2030	-8,6%	-1,8%	6,8%	-5,4%	-0,2%	5,2%	-13,9%	-3,0%	10,9%
2031	-8,8%	-2,0%	6,7%	-5,1%	-0,3%	4,8%	-14,8%	-3,4%	11,4%
2032	-8,8%	-2,2%	6,6%	-4,7%	-0,3%	4,4%	-15,6%	-3,8%	11,8%
2033	-8,5%	-1,8%	6,6%	-4,1%	0,1%	4,2%	-16,0%	-3,5%	12,5%
2034	-8,3%	-1,9%	6,5%	-3,5%	0,2%	3,8%	-16,7%	-3,7%	13,0%
2035	-8,4%	-1,9%	6,5%	-3,3%	0,3%	3,6%	-17,7%	-3,9%	13,8%

Fonte: IFI.

## Stochastic Scenarios for Debt

The analyses above can be complemented with the simulation of 1,500 alternative (stochastic) scenarios around the baseline scenario. This exercise<sup>57</sup> allows for measuring the risk of debt trajectories deviating from the central projection. Graph 13 below presents these trajectories in the form of probability bands through 2030<sup>58</sup>.

**GRAPH 13. BASELINE SCENARIO AND STOCHASTIC SCENARIOS (FAN CHART) FOR DBGG (% OF GDP)**



Source: IFI. Explanatory note: the values on the left axis indicate the percentage that DBGG represents of GDP. The percentages shown in the legend indicate probability bands that visually overlap from the outside in. For example, 20% of the simulated values fall within the central band labeled “40% to 60%” (since  $60 - 40 = 20$ ). Likewise, 80% of the values fall within the outermost band labeled “10% to 90%” (since  $90 - 10 = 80$ ).

Table 15 indicates that the probability of DBGG exceeding 90% of GDP in any year between 2026 and 2030 is 81.6%. The annual analysis shows that the risk of DBGG surpassing this threshold increases over the projection horizon, exceeding 50% in 2028.

<sup>57</sup> For explanations regarding the methodology, check 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](https://www2.senado.leg.br/bdsf/bitstream/handle/id/651183/NT54_Sensibilidade_cenarios_estocasticos_divida.pdf).

<sup>58</sup> The probabilities are not calculated beyond five years ahead, as explained in Special Study No. 18, p. 45: “The reason for restricting the simulation to a shorter horizon is that stochastic scenarios cease to be realistic over longer horizons. In other words, the width of the fan chart becomes so large that it loses analytical usefulness.”

**TABLE 15. PROBABILITY ESTIMATES**

Probabilities					
<b>Overall</b>					
Probability that DBGG will cross the 90% of GDP threshold in any year between 2026 and 2030					81,6%
<b>Annual</b>					
	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>
Probability that DBGG will be above 90% of GDP, in each year	2,3%	25,1%	50,3%	65,7%	78,9%

Prepared by: IFI.

- *Interpretation note:* in both the “overall” and “annual” cases, the probabilities include situations in which DBGG rises above 90% in a given year after having crossed that threshold in an earlier year. They also include situations in which DBGG falls back below 90% even after having been above that threshold in previous years.

- *Mathematical note:* letting  $D_t$  denote the debt-to-GDP ratio in year  $t$ , the “overall” probability is given by  $1 - P(D_{2026} \leq 0,9, D_{2027} \leq 0,9, D_{2028} \leq 0,9, D_{2029} \leq 0,9, D_{2030} \leq 0,9)$ .

The “annual” probabilities are given by

$$P(D_{2026} > 0,9) , P(D_{2027} > 0,9) , P(D_{2028} > 0,9) , P(D_{2029} > 0,9) e P(D_{2030} > 0,9).$$

In other words, the “overall” probability is calculated from the **joint** distribution, whereas the “annual” probabilities are calculated from the **marginal distributions**.

A synthetic measure of the uncertainty surrounding the baseline scenario is the width of the fan chart, defined as the difference between the 90th and 10th percentiles of the distribution of simulated DBGG trajectories. In this edition, at the end of the simulation horizon (2030), that width stands at approximately 27.7 p.p. of GDP.

The width of the fan chart also makes it possible to perform a plausibility test for the deterministic Optimist and Pessimist scenarios presented earlier in this report. If those scenarios lie close to the lower and upper bounds of the fan chart in 2030 – corresponding to the 10th and 90th percentiles of the distribution – they are considered consistent with the recent historical volatility of Brazil’s macro-fiscal variables.

Accordingly, the DBGG projected for 2030 in the deterministic Optimist scenario, at 83.6% of GDP, lies close to the lower bound of the fan chart for that year, estimated at 85.6% of GDP. In the Pessimist scenario, the debt-to-GDP ratio reaches 114.4% of GDP in 2030, slightly above the upper bound of the fan chart, estimated at 110.5% of GDP. Even so, its proximity to the upper edge indicates that this scenario is consistent with the estimated distribution of stochastic trajectories.

**TABLE 16. IFI PROJECTIONS FOR THE CENTRAL GOVERNMENT PRIMARY BALANCE – BASELINE SCENARIO (% OF GDP)**

Breakdown	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Gross Revenue	22,7	22,7	23,5	23,0	23,0	22,9	22,8	22,6	22,6	22,6	22,5	22,5
Revenue-sharing transfers to E&M	4,4	4,5	4,7	4,6	4,6	4,6	4,6	4,6	4,6	4,6	4,6	4,6
Net Revenue	18,4	18,2	18,8	18,4	18,4	18,2	18,2	18,1	18,0	18,0	17,9	17,9
Primary Expenditure	18,7	18,8	19,5	19,6	19,6	19,8	20,0	20,1	20,2	19,8	19,8	19,8
<b>Mandatory</b>	<b>17,2</b>	<b>17,3</b>	<b>17,9</b>	<b>18,1</b>	<b>18,1</b>	<b>18,3</b>	<b>18,5</b>	<b>18,6</b>	<b>18,8</b>	<b>18,4</b>	<b>18,4</b>	<b>18,4</b>
Social security benefits	8,0	8,1	8,4	8,6	8,6	8,7	8,8	8,9	8,9	9,0	9,0	9,1
Payroll and Social Charges	3,1	3,2	3,2	3,2	3,1	3,1	3,0	3,0	2,9	2,9	2,8	2,8
Continuous Cash Benefits	0,9	1,0	1,1	1,1	1,1	1,2	1,2	1,3	1,3	1,3	1,4	1,4
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
Supplementation to Fundeb	0,4	0,5	0,5	0,6	0,6	0,6	0,6	0,6	0,6	0,6	0,6	0,6
Constitutional Fund of the Federal District	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 to subnational entities	0,0	0,0	0,0	0,0	0,0	0,2	0,4	0,5	0,7	0,3	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)	0,3	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4
Benefits for civil servants	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2
Health (Mandatory)	1,3	1,3	1,4	1,4	1,4	1,4	1,4	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	0,1	0,1	0,1	0,1	0,1
Extraordinary Appropriations	0,2	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	1,4	1,2	1,2	1,2	1,1	1,1	1,1	1,1	1,0	1,0	1,0	0,9
Other Mandatory Expenditures	0,2	0,1	0,2	0,2	0,2	0,2	0,2	0,1	0,1	0,1	0,1	0,1
<b>Discretionary Expenditure</b>	<b>1,6</b>	<b>1,5</b>	<b>1,6</b>	<b>1,6</b>	<b>1,6</b>	<b>1,5</b>	<b>1,5</b>	<b>1,5</b>	<b>1,5</b>	<b>1,4</b>	<b>1,4</b>	<b>1,4</b>
<b>Primary Balance</b>	<b>-0,4</b>	<b>-0,6</b>	<b>-0,7</b>	<b>-1,3</b>	<b>-1,3</b>	<b>-1,6</b>	<b>-1,8</b>	<b>-2,0</b>	<b>-2,2</b>	<b>-1,8</b>	<b>-1,9</b>	<b>-1,9</b>
Memo:												
<b>Nominal GDP (BRL Billion)</b>	<b>11.779,3</b>	<b>12.695,7</b>	<b>13.432,1</b>	<b>14.244,8</b>	<b>15.109,0</b>	<b>15.988,3</b>	<b>16.923,4</b>	<b>17.911,3</b>	<b>18.957,4</b>	<b>20.070,5</b>	<b>21.241,6</b>	<b>22.473,5</b>

**TABLE 17. IFI PROJECTIONS FOR THE CENTRAL GOVERNMENT PRIMARY BALANCE – OPTIMIST SCENARIO (% OF GDP)**

Breakdown	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Gross Revenue	22,7	22,7	23,8	23,4	23,5	23,4	23,4	23,2	23,2	23,1	23,1	23,1
Revenue-sharing transfers to E&M	4,4	4,5	4,7	4,7	4,7	4,7	4,7	4,7	4,7	4,7	4,7	4,7
Net Revenue	18,4	18,2	19,1	18,7	18,7	18,7	18,6	18,5	18,5	18,4	18,4	18,4
Primary Expenditure	18,7	18,8	19,2	19,2	19,0	19,0	18,9	18,9	18,9	18,4	18,3	18,1
Mandatory	17,2	17,2	17,7	17,7	17,5	17,5	17,5	17,5	17,6	17,1	16,9	16,8
Social security benefits	8,0	8,1	8,4	8,4	8,4	8,3	8,3	8,3	8,3	8,3	8,3	8,3
Payroll and Social Charges	3,1	3,2	3,1	3,0	2,9	2,8	2,7	2,6	2,5	2,4	2,4	2,3
Continuous Cash Benefits	0,9	1,0	1,1	1,2	1,2	1,2	1,3	1,3	1,3	1,4	1,4	1,4
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
Supplementation to Fundeb	0,4	0,5	0,6	0,6	0,6	0,6	0,6	0,6	0,6	0,6	0,6	0,6
Constitutional Fund for the Federal District	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 to subnational entities	0,0	0,0	0,0	0,0	0,0	0,2	0,3	0,5	0,6	0,3	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)	0,3	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4
Benefits for civil servants	0,2	0,2	0,2	0,2	0,2	0,1	0,1	0,1	0,1	0,1	0,1	0,1
Health (Mandatory)	1,3	1,3	1,4	1,4	1,4	1,4	1,4	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	0,1	0,1	0,1	0,1	0,1	0,1
Extraordinary Appropriations	0,2	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	1,4	1,2	1,2	1,1	1,1	1,1	1,0	1,0	0,9	0,9	0,9	0,8
Other Mandatory Expenditure	0,2	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1
Discretionary Expenditure	1,6	1,5	1,5	1,5	1,5	1,5	1,4	1,4	1,4	1,3	1,3	1,3
Primary Balance	-0,4	-0,5	-0,2	-0,5	-0,3	-0,3	-0,3	-0,4	-0,4	0,0	0,1	0,2

Memo:

Nominal GDP (BRL Billion)	11.779,3	12.708,8	13.480,6	14.368,8	15.358,4	16.420,8	17.568,8	18.798,3	20.117,9	21.539,5	23.056,9	24.676,2
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**TABLE 18. IFI PROJECTIONS FOR THE CENTRAL GOVERNMENT PRIMARY BALANCE – PESSIMIST SCENARIO (% OF GDP)**

Breakdown	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
<b>Gross Revenue</b>	22,7	22,7	23,2	22,8	22,7	22,5	22,3	22,2	22,1	22,0	21,9	21,8
Revenue-sharing transfers to E&M	4,4	4,5	4,6	4,6	4,6	4,5	4,5	4,5	4,5	4,4	4,4	4,4
<b>Net Revenue</b>	18,4	18,2	18,6	18,2	18,1	17,9	17,8	17,7	17,6	17,5	17,4	17,3
<b>Primary Expenditure</b>	18,7	18,8	19,4	19,8	19,9	20,2	20,6	20,9	21,2	20,8	21,0	21,1
<b>Mandatory</b>	17,2	17,3	17,9	18,2	18,4	18,8	19,1	19,4	19,7	19,4	19,5	19,7
Social security benefits	8,0	8,1	8,4	8,7	8,8	9,0	9,1	9,2	9,3	9,4	9,5	9,6
Payroll and Social Charges	3,1	3,2	3,2	3,2	3,2	3,1	3,1	3,1	3,1	3,1	3,1	3,1
Continuous Cash Benefits	0,9	1,0	1,1	1,2	1,2	1,3	1,3	1,4	1,4	1,5	1,5	1,6
Salary Allowance and Unemployment Benefit	0,7	0,7	0,7	0,8	0,8	0,8	0,9	0,9	0,9	0,9	0,9	0,9
Supplementation to Fundeb	0,4	0,5	0,5	0,6	0,6	0,6	0,6	0,6	0,6	0,6	0,6	0,6
Constitutional Fund for the Federal District	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 to subnational entities	0,0	0,0	0,0	0,0	0,0	0,2	0,4	0,5	0,7	0,3	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)	0,3	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,5
Benefits for civil servants	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2
Health (Mandatory)	1,3	1,3	1,4	1,4	1,4	1,4	1,4	1,4	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 Appropriations	0,2	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	1,4	1,2	1,2	1,2	1,2	1,1	1,1	1,1	1,1	1,1	1,1	1,0
Other Mandatory Expenditure	0,2	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1
<b>Discretionary Expenditure</b>	1,6	1,5	1,5	1,5	1,5	1,5	1,5	1,5	1,4	1,4	1,4	1,4
<b>Primary Balance</b>	-0,4	-0,6	-0,8	-1,6	-1,8	-2,3	-2,8	-3,2	-3,6	-3,3	-3,5	-3,7

Memo:

<b>PIB nominal (R\$ bilhões)</b>	11.779,3	12.688,5	13.436,2	14.262,1	15.164,3	16.111,1	17.115,4	18.183,7	19.322,6	20.541,9	21.833,6	23.201,8
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## IFI PROJECTIONS

### SHORT TERM

Projeções da IFI	2025			2026		
	nov/25	dec/25	Comparison	nov/25	dec/25	Comparison
GDP – real growth (% p.a.)	2,37	2,33	▼	1,70	1,70	▼
GDP – nominal (BRL billion)	12.671,53	12.695,72	▲	13.478,72	13.432,13	▼
IPCA – accumulated (% in the year)	5,28	4,33	▼	4,31	3,89	▼
Exchange rate – end of period (BRL/USD)	5,78	5,40	▼	5,91	5,45	▼
Employment – growth (%)	1,10	1,70	▲	0,85	0,76	▼
Wage bill – growth (%)	3,43	5,26	▲	2,56	3,62	▲
Selic – end of year (% p.a.)	14,75	15,00	▲	12,50	12,00	▼
Ex-ante real interest rates (% p.a.)	8,08	8,04	▼	7,05	6,98	▼
Consolidated Public Sector Primary Balance (% of GDP)	-0,69	-0,54	▲	-1,15	-0,72	▲
of which central government	-0,62	-0,56	▲	-1,03	-0,67	▲
Net Nominal Interest (% of GDP)	8,41	8,01	▼	8,32	7,91	▼
Nominal Balance (% of GDP)	-9,10	-8,54	▲	-9,47	-8,64	▲
General Government Gross Debt (% of GDP)	77,57	79,04	▲	82,38	82,70	▲

### MEDIUM TERM

	Projection											
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
GDP – real growth (% p.a.)	<b>3,42</b>	2,33	1,70	1,97	2,22	2,24	2,27	2,26	2,26	2,29	2,26	2,22
GDP – nominal (BRL billion)	<b>11.779</b>	12.696	13.432	14.245	15.109	15.988	16.923	17.911	18.957	20.070	21.242	22.474
IPCA – accumulated (% in the year)	<b>4,83</b>	4,33	3,89	3,52	3,26	3,00	3,00	3,00	3,00	3,00	3,00	3,00
Exchange rate – end of period (BRL/USD)	<b>6,19</b>	5,40	5,45	5,51	5,58	5,63	5,69	5,75	5,80	5,86	5,92	5,98
Employment – growth (%)	<b>2,83</b>	1,70	0,76	0,54	0,70	0,90	0,87	0,79	0,73	0,72	0,67	0,63
Wage bill – growth (%)	<b>7,52</b>	5,26	3,62	2,73	2,22	2,24	2,27	2,26	2,26	2,29	2,26	2,22
Selic – end of year (% p.a.)	<b>12,25</b>	15,00	12,00	10,50	9,25	8,00	8,00	8,00	8,00	8,00	8,00	8,00
Ex-ante real interest rates (% p.a.)	<b>9,95</b>	8,04	6,98	6,24	5,62	5,00	5,00	5,00	5,00	5,00	5,00	5,00
Consolidated Public Sector Primary Balance (% of GDP)	<b>-0,40</b>	-0,54	-0,72	-1,30	-1,27	-1,56	-1,80	-2,03	-2,21	-1,83	-1,85	-1,87
of which central government	<b>-0,39</b>	-0,56	-0,67	-1,27	-1,27	-1,56	-1,80	-2,03	-2,21	-1,83	-1,85	-1,87
Net Nominal Interest (% of GDP)	<b>8,09</b>	8,01	7,91	7,52	7,24	6,87	6,83	6,75	6,57	6,64	6,45	6,51
Nominal Balance (% of GDP)	<b>-8,50</b>	-8,54	-8,64	-8,82	-8,51	-8,42	-8,64	-8,78	-8,78	-8,47	-8,30	-8,39
General Government Gross Debt (% of GDP)	<b>76,3</b>	79,0	82,7	86,2	90,1	93,4	97,1	101,1	105,4	109,4	113,5	117,7

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