Independent Fiscal Institution

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The External Scenario is a Source of Concern

The IFI presents to Brazilian lawmakers, civil society leaders, public finance specialists, and the press the 110th Fiscal Follow-up Report (RAF, kept here in its original acronym, as are the acronyms of other Brazilian institutions, programs, and indicators).

Economic dynamics consider not only the positive performance of the main variables that reflect the functioning of the system (GDP, inflation, employment, balance of payments, etc.), but also the perceptions and expectations of key economic agents, who make investment decisions that are strategic for economic development.

Two variables have negatively affected the formation of expectations regarding the future of the Brazilian economy: fiscal fragility and the external scenario.

The global environment is currently experiencing a period of significant instability. The war involving the United States, Israel, and Iran is generating increasing uncertainty, as it has led to a substantial rise in oil prices and poses risks to global trade. Depending on the duration and scope of the conflict, Brazil may face important consequences for inflation, interest rates, and the pace of economic growth.

In the fiscal and budgetary sphere, the impacts may affect multiple elements, such as the level of revenues linked to inflation and GDP, certain expenditure items, the volume of revenue from mineral exploitation, Petrobras' results and dividend generation, and the level of the interest rate applied to public debt, among others. As a matter of prudence, the IFI chose to wait for the situation to evolve over the coming weeks — given the high level of volatility — in order to address, in the April RAF, the main repercussions and effects of the current international crisis on the short- and medium-term fiscal scenario.

In this report, we analyze the evolution of one of the main social programs in the Brazilian public budget, the Continuous Cash Benefit (BPC), established as a social assistance right in the Constitution and regulated by the Organic Law of Social Assistance (Law No. 8,742, of 1993), granted to individuals aged 65 or older and to persons with disabilities without social security coverage.

BPC totaled BRL 127.2 billion in expenditure in 2025, equivalent to 1% of GDP and 5.3% of Federal Government primary expenditure. It recorded the highest average real growth among the main primary expenditures over the past ten years. The increase in BPC spending — which may reach between 1.2% and 1.4% of GDP by 2035 — is due not only to real increases in the minimum wage, to which benefit amounts are indexed, but mainly to the rise in the number of beneficiaries.

Although the IFI's primary focus is on federal public finances, RAF No. 110 highlights the improvement in the aggregate primary balance of Brazilian municipalities in 2025. It should be noted that the fiscal situation of municipalities is highly heterogeneous, as 88% of the country's 5,570 cities (4,889) have fewer than 50 thousand inhabitants, and 44% (2,420) have fewer than 10 thousand inhabitants. Only 38% (2,118) of municipalities have Social Security Regimes for Public Servants (RPPS), while the others are linked to the General Social Security System (RGPS), administered by the INSS.

Cities with fewer than 100 thousand inhabitants obtain more than 72% of their primary revenues from federal and state transfers. In municipalities with fewer than 10 thousand inhabitants, dependence on transfers reaches 88%. Only a minority of municipalities have access to revenues from royalties derived from the exploitation of oil, minerals, and water resources for energy generation. Even so, the production of primary surpluses across all population groups of Brazilian municipalities is positive news for the country's fiscal scenario.

Happy reading!

Marcus Pestana
Executive Director of the IFI
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Highlights

Evolution of Expenditure on the Continuous Cash Benefit

Expenditure on the Continuous Cash Benefit (BPC) has been growing rapidly. In 2025, spending on the program totaled BRL 127.2 billion, equivalent to 1.0% of GDP. The increase in the number of beneficiaries has accounted for most of the recent expansion in expenditure, with particular emphasis on the rise in benefits granted to persons with disabilities and on the growing share of benefits awarded through court decisions. As a result, BPC has consolidated itself as one of the main items of mandatory Federal Government primary expenditure. **(Page 6)**

Primary Balance of Municipalities Improves in 2025

The primary balance of municipalities improved in 2025, reaching 0.05% of GDP. Despite the loss of momentum in revenues, expenditures more than offset this movement. The slowdown in revenues, due to weaker economic activity, affected subnational entities, as most depend on transfers from the states and the Federal Government. This is particularly relevant for smaller municipalities, where more than 80% of revenue comes from current and capital transfers. On the expenditure side, the primary balance recorded in 2025 was mainly influenced by the reduction in investment and other current expenditures, although there was also a slowdown in the growth of personnel spending last year. The impact of RPPS on municipalities is smaller than on states, partly because of the relative balance between revenues and expenditures, and partly because fewer than half of the country's municipalities have their own social security regime. **(Page 15)**

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Independent Fiscal Institution

Evolution of Expenditure on the Continuous Cash Benefit (BPC)

Rafael Bacciotti[1]

Introduction

In 2025, expenditure on the Continuous Cash Benefit (BPC) totaled BRL 127.2 billion in nominal terms, equivalent to 1.0% of GDP, consolidating its position as one of the main items of mandatory Federal Government primary expenditure. In real terms, spending on the program increased by 9.1% in 2025, following a 14.9% expansion in 2024. This trajectory reflects both real increases in the minimum wage and the expansion in the number of beneficiaries and has contributed to putting pressure on the Federal Government's budget execution under the current fiscal rules.

This text analyzes the evolution of expenditure on BPC, breaking down its main drivers of growth and discussing the factors associated with the acceleration observed in recent years. The topic was previously addressed by the IFI in Technical Notes No. 28[2], of 2019, and No. 50[3], of 2021, and is revisited here in light of the recent dynamics of expenditure growth.

Current rules

The Continuous Cash Benefit (BPC) is an individual, non-lifetime social assistance right, established in the Federal Constitution and regulated by Law No. 8,742, of 1993 — also known as the Organic Law of Social Assistance (LOAS).

The benefit guarantees the payment of one monthly minimum wage to beneficiaries. As it is a social assistance benefit, it does not require prior contributions to the INSS. In return, it does not provide for the payment of a thirteenth salary and does not grant entitlement to survivor's pension.

The program's target population consists of individuals aged 65 or older and persons with disabilities (PwD) of any age. In the case of persons with disabilities, proof is required of long-term physical, mental, intellectual, or sensory impairments that prevent their full and effective participation in society.

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[1] IFI. Analyst
[2] Available at:
https://www2.senado.leg.br/bdsf/bitstream/handle/id/554601/NT28_Reforma_Previdencia_Novo_BPC.pdf.
[3] Available at: https://www2.senado.leg.br/bdsf/bitstream/handle/id/593836/NT50_BPC.pdf.

As a general rule for eligibility, the gross monthly family income divided by the number of household members must be equal to or lower than one quarter of the minimum wage. Law No. 14,176[4], of 2021, introduced the possibility of expanding the income threshold to up to one half of the minimum wage, depending on factors such as the degree of disability, dependence on third parties, and the extent to which family income is committed to medical expenses not covered by the Unified Health System (SUS). However, this flexibility still lacks regulation at the administrative level.

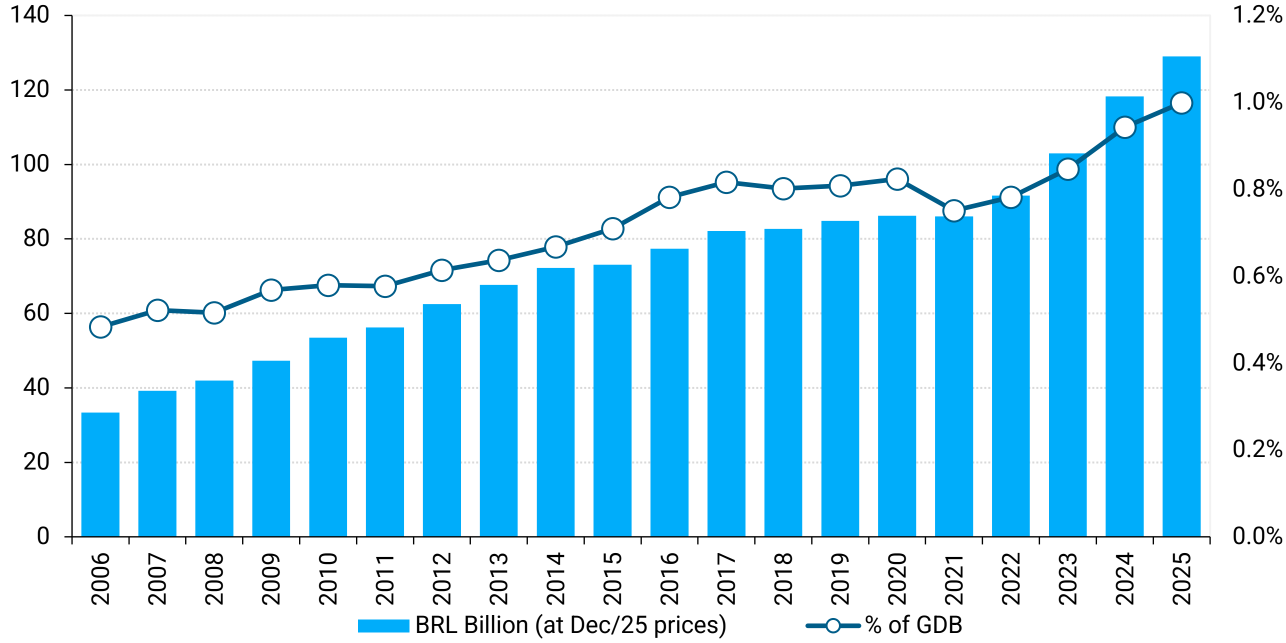
In addition to the income requirement, the applicant must reside in Brazil and be registered in the Individual Taxpayer Registry (CPF) and in the Unified Registry for Social Programs of the Federal Government (CadÚnico), which must be updated every 24 months. Under the rules established in 2024 and 2025 — Law No. 15,077[5], of 2024, and Decree No. 12,561[6], of 2025 — the maintenance of the benefit is conditional on the existence of biometric identification of the beneficiary or their legal representative in official databases (CIN, TSE, or CNH).

Evolution of BPC Expenditure

According to data from the National Treasury Report (RTN), expenditure on BPC totaled BRL 127.2 billion in 2025. As shown in Graph 1, the trajectory has been one of growth over the past two decades, both in real terms and as a proportion of GDP, with a more pronounced acceleration starting in 2022. In 2025, spending on BPC corresponded to 1.0% of GDP and 5.3% of Federal Government primary expenditure.

[4] Available at: https://www.planalto.gov.br/ccivil_03/_ato2019-2022/2021/lei/l14176.htm.
[5] Available at: https://www.planalto.gov.br/ccivil_03/_ato2023-2026/2024/lei/L15077.htm.
[6] Available at: https://www.planalto.gov.br/ccivil_03/_ato2023-2026/2025/Decreto/D12561.htm.

GRAPH 1. FEDERAL GOVERNMENT EXPENDITURE ON BPC



Source: National Treasury. Prepared by: IFI.

In addition to the increase in absolute terms, expenditure on BPC has grown at a faster pace than other primary expenditure items. As shown in Table 1, spending on the benefit recorded an average real growth of 5.8% per year over the past ten years, compared with 2.0% for total primary expenditure. In the most recent period, this difference becomes more evident, with increases of 12.4% in 2023, 14.9% in 2024, and 9.1% in 2025.

TABLE 1. FEDERAL GOVERNMENT PRIMARY EXPENDITURES: REAL CHANGE

	Average over the past 10 years	2023	2024	2025
Total Expenditure*	**2.0%**	**12.5%**	**-0.7%**	**3.4%**
Social Security Benefits	3.4%	7.9%	0.1%	4.1%
Personnel and Social Charges	0.0%	2.8%	-3.2%	4.3%
Continuous Cash Benefits - LOAS/RMV	**5.8%**	**12.4%**	**14.9%**	**9.1%**
Other expenses	1.0%	24.1%	-2.3%	1.2%

Source: National Treasury. Prepared by: IFI.
** Includes extraordinary Court-Ordered Debt Payments paid in 2023.*

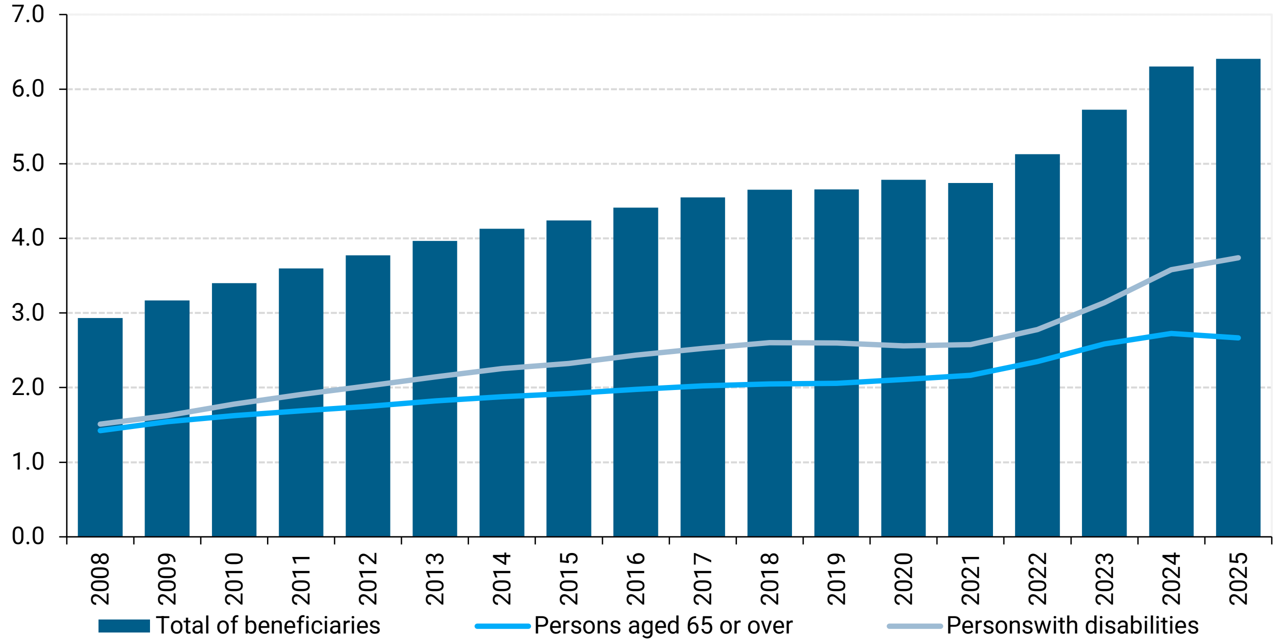
Breakdown of expenditure growth: minimum wage and number of benefits

The evolution of BPC expenditure follows two factors: the growth in the number of beneficiaries and the dynamics of the minimum wage, to which the benefit is indexed.

Graph 2, based on data from the Social Security Statistical Bulletin (BEPS), shows the evolution of the number of benefits granted between 2008 and 2025, broken down between older persons and persons with disabilities. The number of benefits shows an almost continuous increase throughout the period.

In 2025, 6.4 million benefits were granted, of which 2.7 million were for older adults (41.6%) and 3.7 million for persons with disabilities (58.4%). These 3.7 million correspond to slightly more than 18% of the total benefits granted by the National Institute of Social Security (INSS), a share that, until 2020, fluctuated around 15%.

GRAPH 2. BPC BENEFITS GRANTED BY GROUP OF BENEFICIARIES (MILLIONS)



Source: BEPS. Prepared by: IFI.

As shown in Table 2, although adjustments to the minimum wage contributed to the increase in expenditure over the period, the main cause of spending growth was the expansion in the number of beneficiaries (benefits granted).

TABLE 2. BPC: MINIMUM WAGE, BENEFITS GRANTED, AND EXPENDITURE

	2021	2022	2023	2024	2025	Var. 2025/2021*
Minimum wage (BRL as of Dec. 25)	BRL 1,399	BRL 1,409	BRL 1,460	BRL 1,504	BRL 1,539	10.1%
Benefits granted (millions)	4.7	5.1	5.7	6.3	6.4	35.1%
Total spending on the BPC (BRL billion as of Dec. 2025)	BRL 86.0	BRL 91.6	BRL 102.9	BRL 118.2	BRL 129.0	50.0%

Source: BEPS, RTN. Prepared by: IFI.
** Variation from 2021 to 2025.*

Between 2021 and 2025, the minimum wage accumulated a real increase of 10.1%, while the number of benefits grew by 35.1%. As a result, total expenditure on BPC recorded a real expansion of 50.0% in the period. In approximate terms, about 70% of the real increase in spending on the benefit can be attributed to the rise in the number of beneficiaries[7].

The expansion in the number of beneficiaries has been driven mainly by the growth in the number of persons with disabilities. Between 2021 and 2025, the number of benefits granted to this group increased by 45.1%, while benefits for older persons grew by 23.2%. As a result, the share of persons with disabilities in the total number of beneficiaries rose from 54.4% to 58.4% in the period.

TABLE 3. BPC: NUMBER OF BENEFICIARIES BY GROUP

	2021	2022	2023	2024	2025	Var. 2025/2021
Older persons (millions)	2.2	2.3	2.6	2.7	2.7	23.2%
Persons with disabilities (millions)	2.6	2.8	3.1	3.6	3.7	45.1%
Total (millions)	4.7	5.1	5.7	6.3	6.4	35.1%
Participation of PwD (%)	54.4%	54.2%	54.8%	56.8%	58.4%	+4.0 p.p.

Source: BEPS. Prepared by: IFI.

The comparison with the reference population (for eligibility purposes) shows different dynamics between the groups. In the case of older persons, the proportion of beneficiaries relative to the population aged 65 or older showed a slight decline, from 11.4% in 2010 to 10.8% in 2025, indicating relative stability in coverage. A different movement is observed in the group of persons with disabilities. The proportion of beneficiaries relative to the total population increased from 0.9% to 1.8% between 2010 and 2025, indicating an expansion of coverage for this group in the program.

[7] In simplified terms, expenditure on BPC can be approximated by: Expenditure = MW × Stock × 12, where MW represents the value of the minimum wage, Stock represents the number of beneficiaries, and 12 corresponds to the number of monthly payments in the year. In approximate terms, the change in expenditure can be decomposed as: ΔExpenditure = ΔMW + ΔStock + (ΔMW × ΔStock).

TABLE 1. PROPORTION OF OLDER PERSONS IN BPC RELATIVE TO THE POPULATION IN THIS AGE GROUP AND PROPORTION OF PERSONS WITH DISABILITIES IN BPC RELATIVE TO THE TOTAL POPULATION

	2010	2015	2020	2025	Var. 2025/2010
Older Persons	11.4%	11.3%	10.3%	10.8%	-0.6 p.p.
Persons with disabilities	0.9%	1.1%	1.2%	1.8%	+0.8 p.p.

Source: BEPS and IBGE. Prepared by: IFI.

An important aspect to consider in the granting of BPC concerns the judicialization of access to the benefit. As shown in Table 5, the share of benefits granted through court decisions (relative to the total) increased in the recent period, rising from 11.8% in 2021 to 16.4% in 2025. Among persons with disabilities, this proportion is even higher, having increased from 17.8% to 24.8% in the same period, according to data obtained by the IFI from the VisData/MDS portal[8]. The expansion of benefits granted through court decisions has therefore become one of the factors driving the growth of the program.

TABLE 5. BPC: SHARE OF BENEFITS GRANTED THROUGH COURT DECISIONS

	2021	2022	2023	2024	2025	Var. 2025/2021
Older Persons (%)	4.5%	4.4%	4.4%	4.5%	4.6%	+0.1 p.p.
Persons with disabilities (%)	17.8%	18.2%	19.4%	21.1%	24.8%	+7.0 p.p.
Total (%)	11.8%	11.9%	12.6%	13.9%	16.4%	+4.7 p.p.

Source: VisData/MDS. Prepared by: IFI.

Factors associated with the expansion of BPC expenditure

Taken together, the data indicate that the recent increase in BPC spending is primarily due to the growth in the number of beneficiaries, particularly those with disabilities, and the greater proportion of benefits awarded through court decisions. To understand this dynamic, one must examine the institutional, legislative, and administrative factors that have influenced the program's recent evolution.

[8] Available at: https://aplicacoes.cidadania.gov.br/vis/data3/data-explorer.php.

According to the findings of the Federal Court of Accounts (TCU), in Ruling No. 451/2025[9], and the analyses by Mendes and Costanzi (2024)[10],the program is undergoing a change in dynamics that has been putting pressure on public spending.

The TCU points to the expansion in the recognition of eligibility conditions for BPC, with particular emphasis on the increase in benefits granted to persons with autism spectrum disorder (ASD). This movement results from the convergence of: (i) the recognition of autism as a disability for legal purposes, established by Law No. 12,764[11], of 2012, ensuring this group's right to the benefit; (ii) the increase in diagnoses; and (iii) operational changes at the INSS aimed at accelerating the processing of applications[12].

The TCU also highlights changes in the eligibility rules that expanded the pool of beneficiaries, including Law No. 13,982[13], of 2020, which allowed the granting of more than one benefit to members of the same family. In addition, the tightening of pension rules introduced by Constitutional Amendment No. 103[14], of 2019 — the pension reform — may have shifted part of the potential demand toward BPC as an alternative form of social protection.

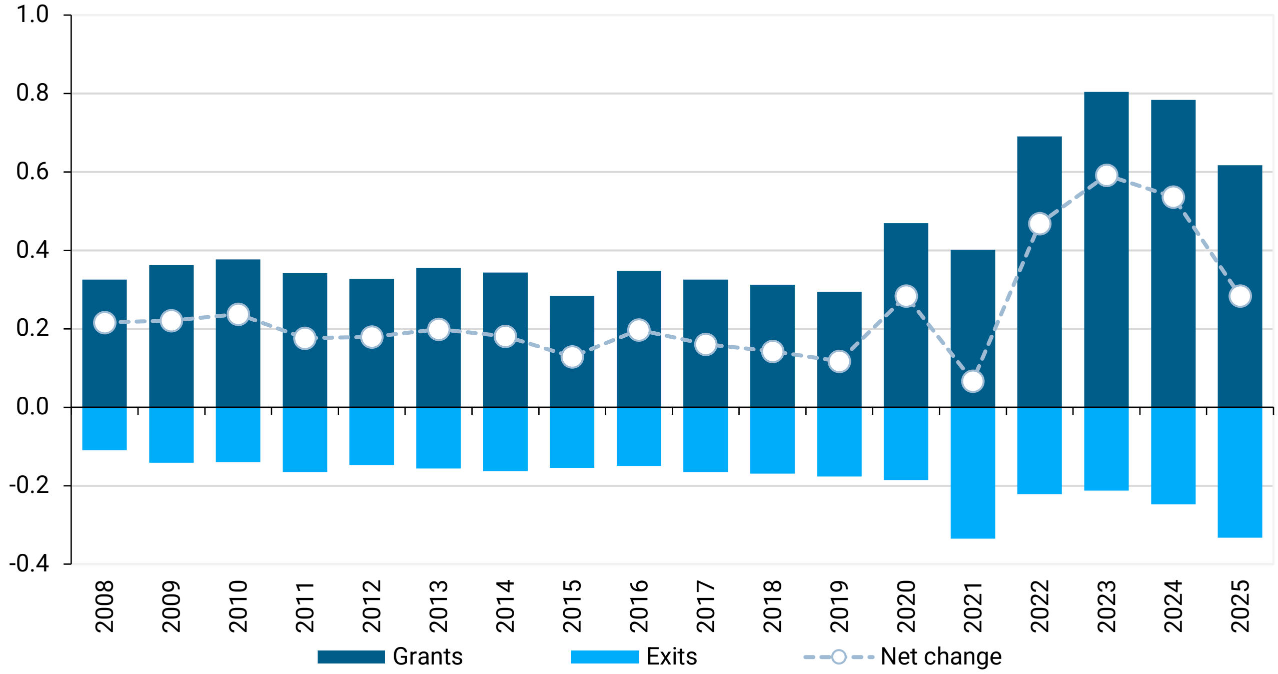
Mendes and Costanzi (2024) emphasize that the policy of real increases in the minimum wage is a relevant determinant of the expansion in expenditure. Since the benefit is indexed to the national minimum wage and the eligibility criterion is defined based on that floor, each real adjustment raises both the individual value of the benefit and the income threshold for entry into the program.

The authors also note that the rapid growth in the number of beneficiaries has been driven mainly by the surge in new grants, while the pace of terminations (due to death or income exceeding the eligibility threshold) remained relatively stable through 2024.

The most recent BEPS data (Graph 3) are consistent with this diagnosis, indicating that the increase in the number of beneficiaries results from a dynamic in which the entry of new beneficiaries generally exceeds exits from the program. However, a turning point is observed in 2025, characterized by a reduction in new entries and an increase in exits.

[9] Available at: https://pesquisa.apps.tcu.gov.br/documento/acordao-completo/*/NUMACORDAO%253A451%2520ANOACORDAO%253A2025%2520/DTRELEVANCIA%2520desc%252C%2520NUMACORDAOINT%2520desc/0.
[10] Available at: https://repositorio-api.insper.edu.br/server/api/core/bitstreams/3c36572a-6dfe-4a8d-8cfb-ee669a75fdd3/content.
[11] Available at: https://www.planalto.gov.br/ccivil_03/_ato2011-2014/2012/lei/l12764.htm.
[12] In the case of BPC for persons with disabilities, Joint Ordinance MC/MT/INSS No. 14/2021 changed the assessment procedure by allowing, in many cases, the adoption of an "average standard" of social conditions, waiving the individual evaluation carried out by social workers, whose limited availability had represented a bottleneck in the process.
[13] Available at: https://www.planalto.gov.br/ccivil_03/_ato2019-2022/2020/lei/l13982.htm.
[14] Available at: https://www.planalto.gov.br/ccivil_03/constituicao/emendas/emc/emc103.htm.

GRAPH 2. BENEFIT GRANTS AND EXITS (MILLIONS)



Source: BEPS. Prepared by: IFI.

Both studies highlight the importance of judicial decisions regarding benefit grants. These decisions have significantly influenced the program's expenditure dynamics, with limited control by the Executive Branch. This phenomenon partly reflects the discrepancy between the administrative threshold of one-quarter of the minimum wage per capita, as applied by the INSS, and the interpretations adopted by the Judiciary, which often relax the limit to one-half of the minimum wage based on an assessment of social vulnerability.

Final Considerations

In recent years, expenditure on BPC has grown significantly, reaching 1.0% of GDP (BRL 127.2 billion) in 2025. The analysis presented here indicates that this increase reflects both the indexation of the benefit to the minimum wage and the growth in the number of beneficiaries.

While real increases in the minimum wage contribute to raising the value of the benefit, the data show that the main driver of BPC expenditure growth has been the expansion in the number of beneficiaries. From 2021 to 2025, the minimum wage grew by about 10% in real terms, while the number of benefits increased by approximately 35%, accounting for most of the real increase in spending over the period.

Available projections indicate that expenditure on the program is expected to continue growing and may reach between 1.2% of GDP (National Treasury[15]) and 1.4% of GDP (IFI[16] and IBRE[17] estimates) by 2035, suggesting the persistence of fiscal pressures associated with the evolution of BPC in the medium and long term.

[15] Fiscal Projections Report – 2025 (Second Half). Available at: https://thot-arquivos.tesouro.gov.br/publicacao/53580.
[16] Fiscal Follow-up Report – December 2025. Available at: https://www2.senado.leg.br/bdsf/bitstream/handle/id/816727/RAF107_DEZ2025_Conjuntura_fiscal_despesas_resultado_primario.pdf.
[17] Um modelo de projeções fiscais de médio prazo para o Brasil: Uma análise preliminar [A Model for Medium-Term Fiscal Projections for Brazil: A Preliminary Analysis]. Available at: https://portalibre.fgv.br/sites/default/files/2025-09/td22-um-modelo-de-projecoes-fiscais-de-medio-prazo-para-o-brasil.pdf.

Instituição Fiscal Independente

Primary Balance of Municipalities Improves in 2025

Pedro Souza[18]

Introduction

After recording a high primary deficit between 2023 and 2024, municipalities reversed the trend in the middle of last year and posted a surplus at the end of the year. This text examines the primary balance of municipalities over the past three years, with emphasis on 2025, using the above-the-line methodology[19] and data obtained from Annex 6[20] of the Summary Report on Budget Execution (RREO) [21], reported in the Brazilian Public Sector Accounting and Fiscal Information System (Siconfi) [22].

Unlike the analysis presented in RAF No. 109[23], of February 2026, the option of exploring the data from the Accounting Balances Matrix (MSC) [24] is not feasible here, given the number of municipalities in the country, which makes queries through the APIs extremely difficult[25]. Therefore, this text uses the consolidated reports available through the Finances of Brazil (Finbra) tool, within the scope of Siconfi[26].

It is important to note that, starting in 2023, the primary balance of states and municipalities began to segregate revenues and expenditures linked to the Social Security Regimes for Public Servants (RPPS), intended to finance the pension systems for civil servants of the respective entities, in cases where the entity has its own regime. This change resulted from

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18 IFI Analyst.

19 The primary balance under the "above-the-line" criterion corresponds to the difference between the primary revenues and primary expenditures of the entity. The Central Bank of Brazil, in turn, compiles fiscal statistics using the "below-the-line" approach. Under this criterion, the first step is to observe the change in the net debt of the entity under analysis. This change corresponds to the nominal balance. By subtracting nominal interest expenditure, the below-the-line primary balance is obtained. The above-the-line methodology is superior because it provides greater explanatory power regarding the factors that led to the observed result, allowing the assessment of revenue and expenditure items.

20 Annex 6 of the RREO presents the primary balance and the nominal balance of the federative entity.

21 The RREO is a tool for fiscal management transparency provided for in Article 48 of the Fiscal Responsibility Law (Complementary Law No. 101 of 2000). Available at: https://www.planalto.gov.br/ccivil_03/leis/lcp/lcp101.htm.

22 Available at: https://siconfi.tesouro.gov.br/siconfi/index.jsf.

23 Available at: https://www12.senado.leg.br/ifi/publicacoes-1/relatorio/2026/fevereiro/relatorio-de-acompanhamento-fiscal-fev-2026.

24 The MSC is a standardized structure for the submission of detailed information extracted from the accounting systems of federative entities. Standardized through the Chart of Accounts Applied to the Public Sector (PCASP), the MSC allows queries to be performed and more detailed databases to be built on the accounting aspects of these entities. For further information, see: https://siconfi.tesouro.gov.br/siconfi/pages/public/conteudo/conteudo.jsf?id=12302.

25 An API is an application programming interface that provides mechanisms for communication between different software systems using defined protocols and specifications. In the present case, the use of an API would allow the automation of queries and the downloading of fiscal data from subnational entities. The National Treasury Secretariat provides an API for accessing Siconfi data. However, the query would require one request for each of the 5,570 Brazilian municipalities in each of the three years analyzed, which would make the processing unfeasible for the purposes of this text. Siconfi API available at: https://apidatalake.tesouro.gov.br/docs/siconfi/.

26 On the Siconfi website, the Finances of Brazil (Finbra) tool is available, allowing the download of the database containing financial information submitted by subnational entities in compliance with Article 51 of the Fiscal Responsibility Law (LRF). Available at: https://siconfi.tesouro.gov.br/siconfi/pages/public/consulta_finbra_rreo/finbra_rreo_list.jsf.

the need to increase transparency in the disclosure of information by avoiding the mixing of revenues and expenditures financed with the social security system's own resources, which may artificially improve or worsen the primary balance of subnational entities[27].

For this reason, this text considers in the analysis the period from 2023 onward, since RREO data up to 2022 include only budgetary revenues, without this intra-budgetary component. In principle, there should be no differences in the primary balance with the inclusion of intra-budgetary revenues and expenditures by type of measure, as a zero balance is expected in this type of operation. Nevertheless, increases in the recorded values of revenue and expenditure may occur from 2023 onward, which would prevent a proper year-to-year comparison of these items.

In addition, due to the heterogeneity and specific conditions of municipalities, this text required the adoption of certain methodological choices in the preparation of the dataset. The first methodological issue concerns the frequency of the data. Article 63 of Complementary Law No. 101[28], of May 4, 2000, also known as the Fiscal Responsibility Law (LRF), establishes that:

> *Art. 63. Municipalities with a population of fewer than fifty thousand inhabitants may opt to:*
> *I – apply the provisions of Art. 22 and § 4 of Art. 30 at the end of the semester;*
> *II – publish every six months:*
> *b) the Fiscal Management Report;*
> *c) the statements referred to in Art. 53.*
> *Complementary Law No. 101, of 2000. [Unofficial translation - Author's emphasis]*

Under the legislation, municipalities with a population of up to 50 thousand inhabitants may choose to publish Annexes 3 (Net Current Revenue), 4 (social security revenues and expenditures), 6 (nominal result, primary balance, and interest expenditure), and 7 (outstanding liabilities) of the RREO on a semiannual basis. Therefore, there may be an underestimation of the number of municipalities that disclose this information. As shown in Table 6, most municipalities fall below the population threshold of 50 thousand inhabitants established by the legislation, representing 87.8% of the total number of Brazilian municipalities[29]. On the other hand, these municipalities are home to 65 million people, accounting for about 30.5% of Brazil's total population (213.4 million).

[27] For more on this topic, see the previously mentioned RAF No. 109, dated February 2025.
[28] Available at: https://www.planalto.gov.br/ccivil_03/leis/lcp/lcp101.htm.
[29] Brasília appears in the estimates as a municipality. Table 6 identifies the Federal District separately due to the distinct nature of this entity, which is not included in the database of municipalities in Siconfi.

TABLE 6. NUMBER OF BRAZILIAN MUNICIPALITIES BY POPULATION

Group of municipalities	Number of municipalities	% of all municipalities	Population (in millions)	% of the total population
Above 50 thousand	681	12.2%	145.4	68.1%
Up to 50 thousand	4,889	87.8%	65.0	30.5%
Federal District	1	0.0%	3.0	1.4%
Total	**5.571**	**100.0%**	**213.4**	**100.0%**

Source: IBGE: 2025 Population Estimate submitted to the TCU[30]. Prepared by IFI.

The option adopted in this study was to use only the reports submitted in the last two-month period of each fiscal year. Although most municipalities publish data from Annexes 3 and 6 of the RREO mentioned above, others choose semiannual disclosure, which would lead to breaks in the series due to the absence of data in the other two-month periods[31].

Another methodological choice consisted of excluding municipalities that did not present data for both 2023 and 2024, in order to allow for a proper year-to-year comparison. Municipalities with negative revenue or expenditure data were also removed from the dataset[32].

There is still a relative lack of available data for 2025. As of March 14, 2026, 4,721 municipalities (84.8% of the total) had reported data in the Summary Report on Budget Execution (RREO), in Annexes 6 and 3.

To expand the set of information, the assumption was adopted that the municipalities missing from the database in 2025 experienced the same variation as their peers in the same federative unit and within the same population range. For example, if a municipality in Minas Gerais with a population between 0 and 10 thousand inhabitants did not report primary revenue data for 2025, it was assumed that its revenue grew at the same rate as the primary revenue of other municipalities in the state within the same population range.

In view of the above, Table 7 presents information on the potential coverage of municipalities and the dataset used in this text. In Brazil, 2.5 thousand municipalities have up to 10 thousand inhabitants, forming the largest group. Progressively, the number of municipalities decreases as population ranges increase. There are 14 municipalities with more than 1 million inhabitants.

[30] Data updated on January 13, 2026. Available at: https://www.ibge.gov.br/estatisticas/sociais/populacao/9103-estimativas-de-populacao.html.
[31] For example, in the fifth two-month period of 2024, 3,230 municipalities reported primary balance data. In the sixth two-month period of the same year, 5,518 municipalities reported this information.
[32] This led to situations where an entity had a percentage of revenue from transfers that exceeded 100% of its total primary revenue.

TABLE 2. RESIDENT POPULATION IN MUNICIPALITIES BY POPULATION RANGE

Group of municipalities	Number of existing municipalities	Number of municipalities in the dataset	Coverage	Current population	Population at the dataset	Coverage	Municipalities with 2025 data
Up to 10 thousand	2,469	2,331	94.4%	12.8	12.1	94.8%	266
10 to 50 thousand	2,420	2,301	95.1%	52.2	49.7	95.3%	254
50 to 100 thousand	344	337	98.0%	24.0	23.6	98.1%	28
100 to 500 thousand	290	276	95.2%	58.5	56.3	96.1%	20
500 thousand to 1 million	33	31	93.9%	23.0	21.6	94.0%	0
Above 1 million	14	13	92.9%	39.8	38.0	95.4%	0
Total	**5.570**	**5.289**	**95.0%**	**210.4**	**201.4**	**95.7%**	**568**

Source: IFI and IBGE: 2025 Population Estimate Submitted to the TCU. Prepared by IFI.

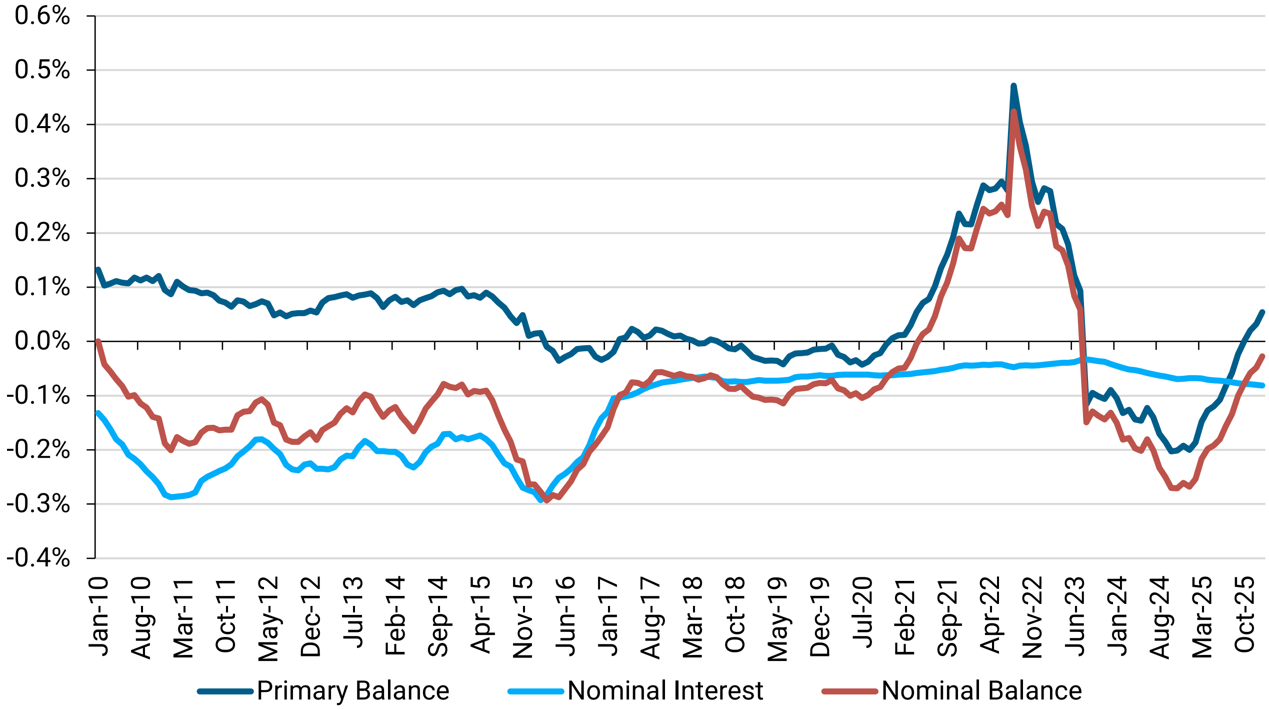
The dataset used in this study totals 5.3 thousand municipalities, covering 95% of the total in Brazil. Considering the population dimension, the dataset covers 95.7% of the population of municipalities (excluding Brasília). In addition, as explained earlier, it was necessary to impute data for 568 municipalities in 2025 due to the absence of reports in Siconfi. This corresponds to 10.7% of the dataset used for the years 2023 and 2024.

Recent Developments

Considering the below-the-line primary balance of municipalities, there was an improvement between the end of 2020 and mid-2022, when the restrictions established by Complementary Law (LC) No. 173, of 2020[33], enacted to address the pandemic, were in force. In addition to the receipt of financial resources, there was a prohibition on increases in mandatory expenditures, which ensured the accumulation of cash balances. At the same time, there were gains resulting from the recovery of economic activity starting in the second half of 2021, leading to higher revenues from transfers and own-source revenues. As a result of these factors, municipalities as a whole recorded a nominal surplus of 0.04% of GDP in May 2022, that is, a surplus even after accounting for nominal interest payments.

[33] Available at: https://www.planalto.gov.br/ccivil_03/leis/lcp/lcp173.htm.

GRAPH 4. PRIMARY BALANCE, INTEREST, AND NOMINAL BALANCE OF MUNICIPALITIES (% OF GDP)



Source: Central Bank of Brazil. Prepared by: IFI.

Starting in mid-2022, two factors contributed to the deterioration of the primary balance of municipalities. On the revenue side, there was a reduction in the primary revenues of the states, as a result of Complementary Law No. 194[34], of 2022, and the real decline in Federal Government primary revenues in 2023, which reduced the volume of transfers in that year. On the expenditure side, there was growth in spending on personnel and investment, as well as in other expenditures. In the case of investment, which recorded the largest real increase in the period, the rise was possibly due to the use of cash balances accumulated during the period in which Complementary Law No. 173 was in force, between 2020 and 2022[35].

Starting in 2023, therefore, the primary balance of municipalities deteriorated under the below-the-line methodology, reaching a deficit of 0.22% of GDP in March 2025. From that point onward, the trend was reversed, and municipalities ended 2025 with a surplus of 0.02% of GDP. The following sections seek to explain these results from the perspective of the above-the-line primary balance, considering the behavior of primary revenues and primary expenditures.

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[34] Available at: https://www.planalto.gov.br/ccivil_03/leis/lcp/lcp194.htm.

[35] Data for municipalities in the National Public Sector Accounts show that, from 2019 to 2022, the cash balances of municipalities increased by 83.0% in real terms. In 2023 and 2024, declines of 2.98% and 9.93%, respectively, were recorded, also in real terms, adjusted by the IPCA. Reports available at: https://www.tesourotransparente.gov.br/publicacoes/balanco-do-setor-publico-nacional-bspn/2024/114?ano_selecionado=2024.

Primary Revenues

Table 8 presents detailed data on the primary balance of municipalities over the past three years. There was real growth in total primary revenues in the period analyzed: 9.2% in 2024 and 4.2% in 2025. Last year, the volume of primary revenues totaled BRL 1,340.2 billion.

TABLE 8. PRIMARY BALANCE OF MUNICIPALITIES FROM 2023 TO 2025 (CURRENT BRL BILLION AND REAL PERCENTAGE VARIATION)

Breakdown	2023		2024		2025	
	BRL (Billion)	Real % var.	BRL (Billion)	Real % var.	BRL (Billion)	Real % var.
1 – Total Primary Revenue	**1,078.04**	**-**	**1,233.66**	**9.2%**	**1,340.19**	**4.2%**
1.1 - Taxes, fees, and betterment contributions	**259.15**	**-**	**295.35**	**8.7%**	**326.28**	**6.0%**
1.1.1 - IPTU	66.81	-	70.74	1.0%	77.96	5.7%
1.1.2 - ISS	115.26	-	134.21	11.1%	148.92	6.4%
1.1.3 - ITBI	20.00	-	23.37	11.5%	25.78	5.8%
1.1.4 - IRRF	38.82	-	47.29	16.2%	52.27	6.0%
1.1.5 - Other tax revenues	18.27	-	19.73	3.0%	21.35	3.8%
1.2 – Contributions	**19.03**	**-**	**18.67**	**-6.4%**	**19.31**	**-0.8%**
1.3 - Property income	**5.81**	**-**	**10.43**	**71.3%**	**7.20**	**-33.8%**
1.4 - Current and capital transfers	**684.54**	**-**	**781.11**	**8.8%**	**853.35**	**4.8%**
1.4.1 FPM Share	148.50	-	169.11	8.6%	189.69	7.6%
1.4.2 ICMS Share	134.06	-	150.42	7.0%	160.83	2.5%
1.4.3 IPVA Share	30.96	-	32.71	0.8%	35.15	3.1%
1.4.4 Fundeb	156.59	-	186.93	13.9%	211.69	8.6%
1.4.5 Other current transfers.	186.72	-	211.36	8.0%	222.87	1.1%
1.4.6 Capital agreements	13.67	-	14.98	4.5%	15.88	1.7%
1.4.7 Other capital transfers	14.04	-	15.61	6.0%	17.24	6.0%
1.5 Other current and capital revenues	**40.13**	**-**	**43.99**	**4.6%**	**45.43**	**-1.0%**
1.6. RPPS Revenues	**69.38**	**-**	**84.12**	**15.6%**	**92.47**	**5.4%**
2 - Primary expenditures	**1,094.61**	**-**	**1,265.75**	**10.3%**	**1,293.78**	**-2.0%**
2.1 - Personnel and Social Charges	**449.98**	**-**	**489.57**	**3.8%**	**535.38**	**4.9%**
2.2 - Other Current Expenses	**469.30**	**-**	**557.43**	**13.3%**	**571.54**	**-1.7%**
2.3 - Investments	**106.11**	**-**	**136.88**	**23.1%**	**98.35**	**-31.1%**
2.4 - Financial Investments	**1.81**	**-**	**2.49**	**31.2%**	**3.27**	**26.0%**
2.5 - RPPS Expenses	**67.42**	**-**	**79.39**	**12.3%**	**85.25**	**3.0%**
3. Primary balance	**-16.57**	**-**	**-32.09**	**-**	**46.41**	**-**
3.1 Primary Balance - RPPS	1.96	-	4.73	-	7.22	-
3.2 Primary Balance - Without RPPS	-18.53	-	-36.82	-	39.19	-

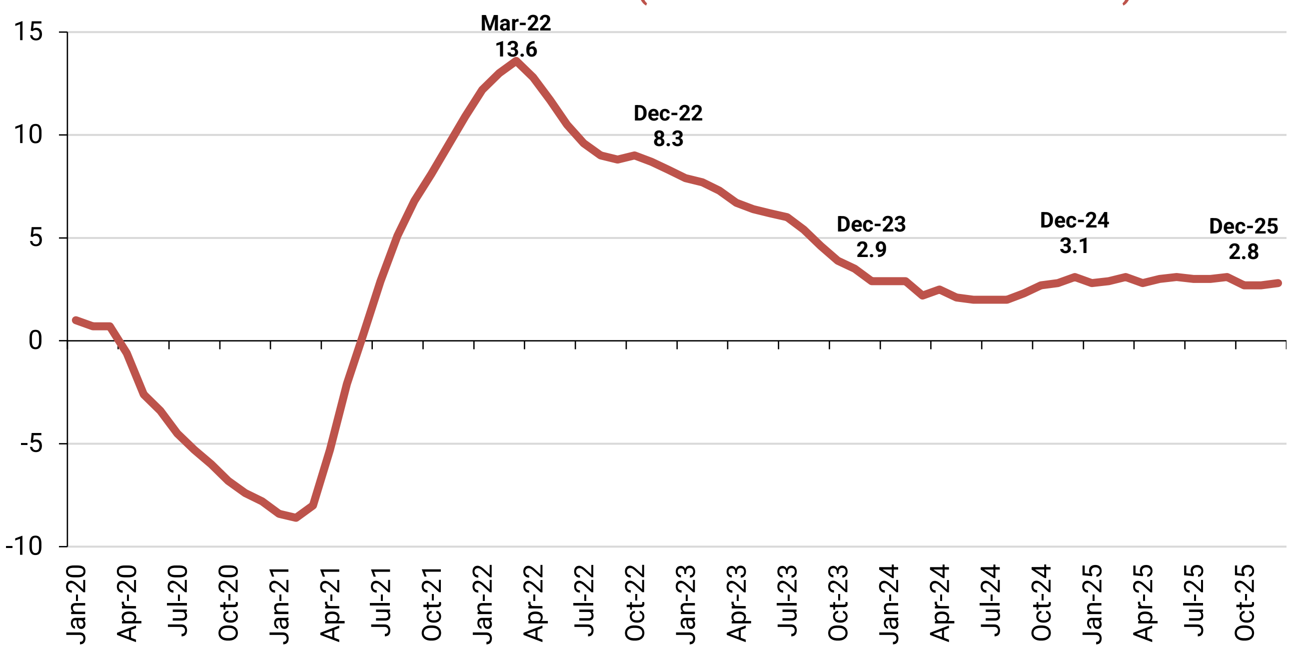
Source: Annex 6 of the Summary Report on Budget Execution (RREO), published in Siconfi – National Treasury Secretariat, and IBGE. Prepared by: IFI.

The data indicate that the main source of municipal revenue is transfers received, especially current transfers: from 2023 to 2025, these transfers accounted for about 63.5% of total municipal primary revenues.

There was real growth in all types of transfers, both those originating from the states and those from the Federal Government. To a large extent, these resources derive from revenues shared by constitutional determination. These resources accounted for more than 70% of transfer revenues in 2023. Other forms of transfers arise from voluntary transfers, which involve discretionary resources from the Executive Branch and allocations resulting from parliamentary amendments.

Within tax revenues, which totaled BRL 326.3 billion in 2025, there was also real growth over the past three years. Most of these revenues come from the Tax on Services of Any Nature (ISS), which falls under municipal jurisdiction, and whose collection totaled BRL 148.9 billion in 2025 (45.6% of the tax revenues of these entities).

GRAPH 3. CHART 5. VOLUME OF SERVICES (12-MONTH PERCENT VARIATON)



Source: Monthly Survey of Trade (PMC) and Monthly Survey of Services (PMS), IBGE. Prepared by: IFI.

The real volume of revenues in the services sector increased between 2023 and 2025, although this growth slowed between mid-2022 and the end of 2023, when it remained relatively stable. This trajectory is consistent with the behavior of ISS revenues (Graph 5).

The other revenue sources account for a small share of municipal revenues. Revenue related to RPPS sources totaled BRL 92.5 billion in 2025, corresponding to 6.9% of these entities' primary revenues. The low share of this item in the composition of municipal revenues can be explained by the fact that fewer than half of the municipalities have their own pension system[36]. Most municipalities pay employer contributions directly to the federal RGPS.

Primary revenues by population size group

The heterogeneity among Brazilian municipalities reveals significant differences in the composition of primary revenues when they are grouped by population size. The data reported in Table 9 highlights the degree of dependence on transfers among some municipalities.

Smaller municipalities, in population terms, show greater reliance on transfer revenues. In 2025, primary revenues of municipalities with up to 10 thousand inhabitants totaled BRL 113.3 billion. Of this amount, BRL 99.9 billion corresponded to transfer revenues, equivalent to 88.2% of total revenues (Table 8).

TABLE 9. TOTAL PRIMARY REVENUE OF MUNICIPALITIES BY POPULATION SIZE GROUP (CURRENT BRL (BILLION) AND REAL % VARIATION)

Breakdown	2023	2024		2025	
	BRL (Billion)	BRL (Billion)	Real % var.	BRL (Billion)	Real % var.
Up to 10 mil	**88.26**	**101.72**	**9.94%**	**113.26**	**6.79%**
of which: transfers	77.79	89.51	9.77%	99.94	7.08%
% of revenue from transfers	88.1%	88.0%	-	88.2%	-
10 to 50 mil	**267.51**	**301.98**	**7.68%**	**333.89**	**6.04%**
of which: transfers	220.72	247.86	7.12%	275.97	6.79%
% of revenue from transfers	82.5%	82.1%	-	82.7%	-
50 to 100 mil	**117.43**	**135.94**	**10.42%**	**149.91**	**5.77%**
of which: transfers	83.80	98.03	11.59%	108.58	6.23%
% of revenue from transfers	71.4%	72.1%	-	72.4%	-
100 mil to 500 mil	**274.16**	**318.04**	**10.66%**	**343.08**	**3.46%**
of which: transfers	168.39	193.72	9.74%	208.56	3.26%
% of revenue from transfers	61.4%	60.9%	-	60.8%	-
500 mil to 1 million	**102.65**	**115.90**	**7.71%**	**122.91**	**1.71%**
of which: transfers	53.16	59.78	7.27%	63.62	2.07%
% of revenue from transfers	51.8%	51.6%	-	51.8%	-
Above 1 million	**228.03**	**260.08**	**8.80%**	**277.14**	**2.20%**
of which: transfers	80.68	92.20	9.01%	96.68	0.57%
% of revenue from transfers	35.4%	35.5%	-	34.9%	-

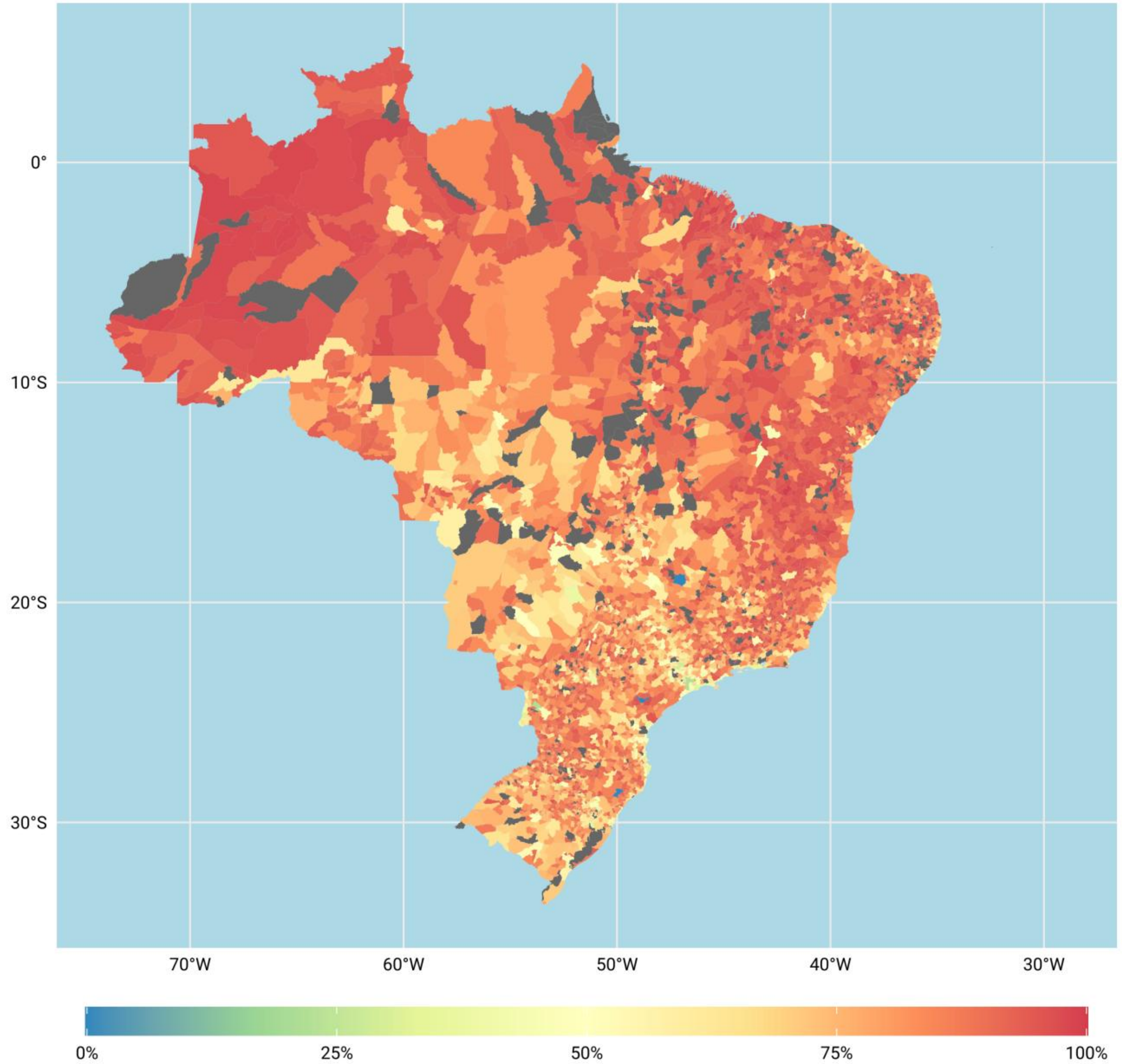
Source: Annex 6 of the Summary Report on Budget Execution (RREO), published in Siconfi – National Treasury Secretariat and IBGE. Prepared by: IFI.

[36] As of February 26, 2026, 2,102 municipalities had their own pension system. Available at: https://www.gov.br/previdencia/pt-br/assuntos/estatisticas-da-previdencia/painel-estatistico-da-previdencia/regimes-proprios-de-previdencia-social-1/painel-de-acompanhamento-da-reforma-previdenciaria/painel-de-acompanhamento-da-reforma-previdenciaria33.

In the other population groups, the share of transfers in revenues declines as resident population increases. In municipalities with more than 1 million inhabitants, for example, whose primary revenues totaled BRL 277.1 billion in 2025, 34.9% of revenues came from transfers, indicating a greater capacity for self-financing among these entities.

Figure 1 presents a map showing the share of transfers in total primary revenue of municipalities across the national territory. Most municipalities show a share of transfers in primary revenues above 50%. The black dots on the map represent municipalities for which data were not available in the database used in this analysis.

FIGURE 1. TRANSFER REVENUES AS % OF TOTAL PRIMARY REVENUE BY MUNICIPALITY IN 2025 (%)



Source: Annex 6 of the Summary Report on Budget Execution (RREO), published in Siconfi – National Treasury Secretariat and IBGE. Prepared by: IFI.

Figure 1 indicates that the share of transfers in total revenue is higher in less populous municipalities and in those located in the North and Northeast regions. In general, given their smaller population, it can be inferred that many of these municipalities do not have sufficient economic activity to generate revenue through taxation. This situation highlights the need for constant attention by these entities to economic conditions, given their degree of dependence on the economic performance of the states and the Federal Government. In municipalities in the Center-West and in part of the Southeast and South regions, the share of transfers is still significant, although there remains some capacity to generate own revenues, with transfers accounting for between 40% and 60% of total revenues.

Primary expenditures

Primary expenditures of municipalities totaled BRL 1,293.8 billion in 2025, a real decrease of 2.0% compared with 2024. According to Table 8, nearly half of these primary expenditures corresponded to personnel and social charges and to RPPS expenditures, reaching BRL 620.6 billion in 2025 (50.8% of total expenditure). In contrast to the other expenditure items, spending in these categories recorded a real increase over the period analyzed.

Other current expenditures of municipalities totaled BRL 571.5 billion in 2025, a real decrease of 1.7% compared with 2024. This item consolidates all primary expenditures not related to investment or personnel expenses, covering the operating costs of public administration, procurement, court-ordered debt payments, social benefits, and other expenditures (Table 8).

Also according to Table 8, capital expenditures totaled BRL 101.6 billion in 2025, a real decrease of 30.1%. Within this group, BRL 98.3 billion corresponded to investments, while BRL 3.3 billion consisted of financial investments. In 2023 and 2024, this expenditure group had recorded growth. In 2024, investments (BRL 136.9 billion) increased by 23.1% compared with 2023. The negative primary balances observed in 2023 and 2024 may have forced these entities to use their cash holdings due to insufficient revenue collection. Thus, the reduction in investments observed in 2025 may be related to the lower cash availability of municipalities.

Primary expenditures by population size group

As in the case of revenues, there is considerable heterogeneity in the composition of municipal primary expenditures. According to Table 10, there is no clear relationship between expenditure composition and total municipal population, at least not in a linear manner. For example, in general, municipal investment spending corresponds to between 6.5% and 10.8% of primary expenditures.

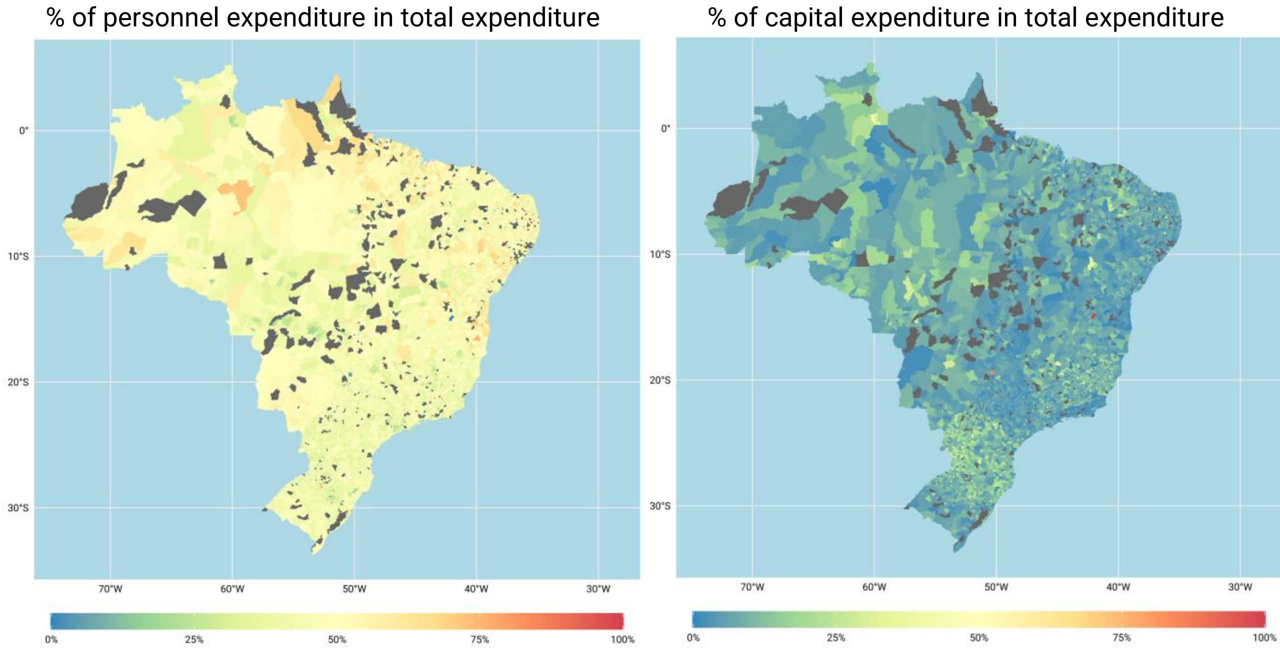
TABLE 10. PRIMARY EXPENDITURES OF MUNICIPALITIES BY POPULATION SIZE GROUP – CURRENT (BRL BILLION) AND REAL % VARIATION

Breakdown	2023	2024		2025	
	BRL (Billion)	BRL (Billion)	Real % var.	BRL (Billion)	Real % var.
Up to 10 mil	**87.60**	**103.01**	**12.2%**	**107.59**	**0.2%**
Of which: personnel	**38.64**	**41.93**	**3.5%**	**47.14**	**7.8%**
Percentage of personnel expenses	44.1%	40.7%	-	43.8%	-
Of which: Investments	**9.99**	**13.91**	**32.8%**	**11.64**	**-19.7%**
Percentage of investment expenses	11.4%	13.5%	-	10.8%	-
10 to 50 thousand	**271.63**	**307.79**	**8.1%**	**320.21**	**-0.2%**
Of which: personnel	**126.06**	**132.92**	**0.6%**	**149.45**	**7.8%**
Percentage of personnel expenses	46.4%	43.2%	-	46.7%	-
Of which: Investments	**27.51**	**34.00**	**17.9%**	**26.30**	**-25.8%**
Percentage of investment expenses	10.1%	11.0%	-	8.2%	-
50 to 100 thousand	**118.87**	**140.19**	**12.5%**	**143.99**	**-1.5%**
Of which: personnel	**52.19**	**57.44**	**5.0%**	**63.83**	**6.6%**
Percentage of personnel expenses	43.9%	41.0%	-	44.3%	-
Of which: Investments	**12.40**	**15.55**	**19.6%**	**10.32**	**-36.3%**
Percentage of investment expenses	10.4%	11.1%	-	7.2%	-
100 thousand to 500 thousand	**274.13**	**321.98**	**12.0%**	**327.64**	**-2.4%**
Of which: personnel	116.73	130.34	6.5%	141.71	4.3%
Percentage of personnel expenses	42.6%	40.5%	-	43.3%	-
Of which: Investments	24.02	30.79	22.3%	21.40	-33.3%
Percentage of investment expenses	8.8%	9.6%	-	6.5%	-
500 thousand a 1 thousandhão	**103.61**	**118.13**	**8.8%**	**120.32**	**-2.3%**
Of which: personnel	39.77	43.29	3.8%	46.22	2.4%
Percentage of personnel expenses	38.4%	36.6%	-	38.4%	-
Of which: Investments	9.14	11.85	23.6%	8.53	-30.9%
Percentage of investment expenses	8.8%	10.0%	-	7.1%	-
Above 1 thousandlion	**238.77**	**274.65**	**9.7%**	**274.03**	**-4.3%**
Of which: personnel	**76.59**	**83.64**	**4.2%**	**87.04**	**-0.2%**
Percentage of personnel expenses	32.1%	30.5%	-	31.8%	-
Of which: Investments	**23.04**	**30.78**	**27.5%**	**20.15**	**-37.2%**
Percentage of investment expenses	9.6%	11.2%	-	7.4%	-

Source: Annex 6 of the Summary Report on Budget Execution (RREO), published in Siconfi – National Treasury Secretariat and IBGE. Prepared by: IFI.

The figures reported in Table 10 indicate that municipal investment declined in 2025. Given its discretionary nature, this type of expenditure tends to fluctuate in periods requiring fiscal adjustment. Another important finding is that the share of personnel expenditure is lower in municipalities with larger populations. In municipalities with more than 1 million inhabitants, personnel spending accounts for 31.8% of total primary expenditure.

FIGURE 2. SHARE OF PERSONNEL EXPENDITURE IN TOTAL EXPENDITURE



Source: Annex 6 of the Summary Report on Budget Execution (RREO), published in Siconfi – National Treasury Secretariat and IBGE. Prepared by: IFI.

Figure 2 illustrates, from another perspective, the results reported in Table 10. In general, Brazilian municipalities spend, on average, up to 50% of primary expenditure on personnel and social charges. Capital expenditure accounts for a smaller share of primary expenditure in smaller municipalities, in population terms.

In general, municipalities show a more homogeneous share of personnel expenditure as a percentage of total primary expenditure. This does not mean, however, that personnel spending is the same across all entities. It can be observed that personnel expenditure per capita—that is, personnel spending divided by the local population—reaches higher levels in municipalities in the Center-West region. Thus, it is possible for municipalities to have a similar composition of personnel spending while, at the same time, displaying disparities in per capita amounts. This occurs, for example, in municipalities in the states of Mato Grosso do Sul and Mato Grosso.

Greater heterogeneity is observed in investment expenditure. On average, municipalities invest between 10% and 20% of their total primary expenditure. In the South region, there is a higher concentration of capital spending in the composition of expenditure. In any case, this variable underwent an adjustment in 2025, which may explain the lower and more similar values observed in that year.

Primary Balance

As explained at the beginning of this analysis, since 2023 the primary impact of municipal RPPSs has been segregated in the calculation of the primary balance. For purposes of compliance with the fiscal targets established in the Budget Guidelines Law (LDO), the

Fiscal Statements Manual (MDF) No. 13[37] provides that the primary balance of states and municipalities must be calculated excluding RPPS sources.

Thus, municipal fiscal policy seeks to comply with the primary balance target without considering the effect of revenues and expenditures linked to RPPS sources. This does not eliminate the need to calculate the RPPS balance, which must be covered by the entities in the event of a deficit, although it is not considered for purposes of compliance with the fiscal target.

As shown in Table 8, the primary balance associated with RPPS sources was in surplus for the group of municipalities from 2023 to 2025, which boosted the aggregate result in that period.

Excluding the effects of RPPSs, the primary balance of municipalities was in surplus in 2023 (BRL 48.4 billion) and 2024 (BRL 55.7 billion), in current values. In 2025, there was an aggregate deficit of BRL 3.8 billion.

Primary balance performance varies across Brazilian municipalities when the entities are grouped by population size. In order to make results comparable across different entities, the primary balance as a share of Net Current Revenue (RCL) provides a suitable metric for intermunicipal comparison.

Municipalities showed a strong improvement in the primary balance in 2025 compared with previous years across all population groups. As a percentage of Net Current Revenue (RCL), municipalities with up to 10 thousand inhabitants recorded a primary surplus of 5.4% of RCL. In municipalities with more than 1 million inhabitants, the primary balance was 1.2% of RCL, although this represented an improvement of 7.4 p.p. of RCL compared with 2024 (Table 11).

[37] Available at: https://www.gov.br/tesouronacional/pt-br/contabilidade-e-custos/manuais/manual-de-demonstrativos-fiscais-mdf.

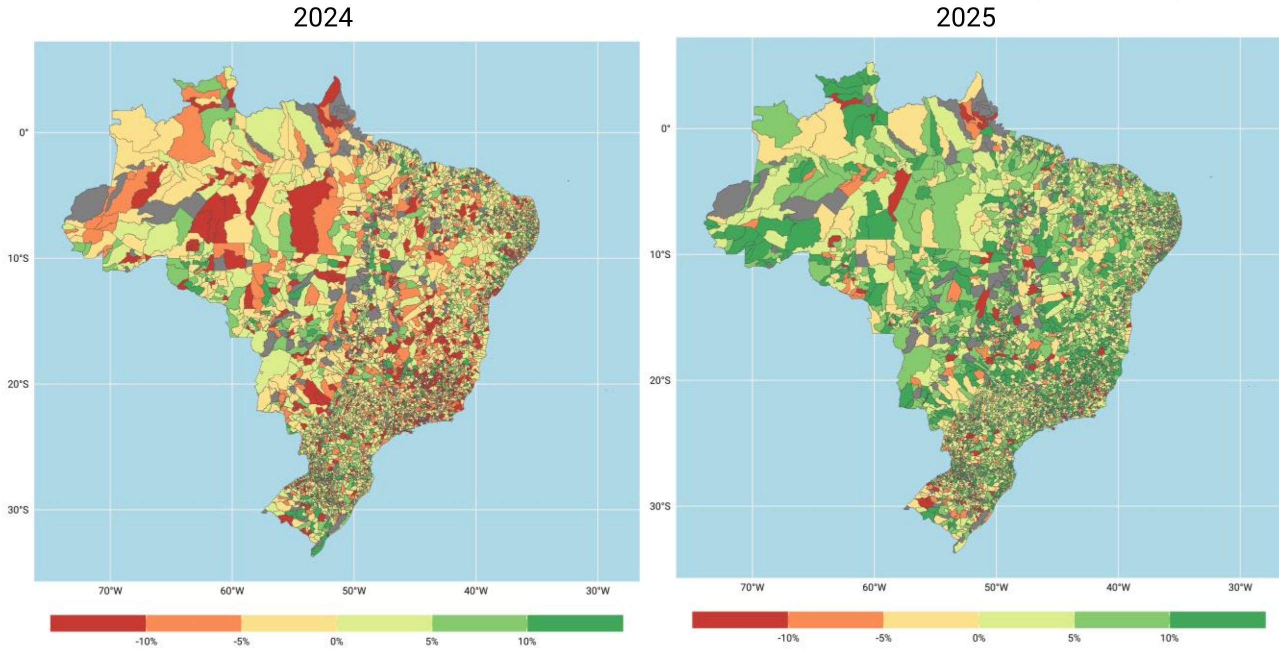
TABLE 11. PRIMARY BALANCE OF MUNICIPALITIES BY POPULATION SIZE GROUP - CURRENT BRL (BILLION) AND % OF RCL

Breakdown	2023		2024		2025	
	BRL (Billion)	% da RCL	BRL (Billion)	% da RCL	BRL (Billion)	% da RCL
Up to 10 thousand	**0.67**	**0.82%**	**-1.28**	**-1.36%**	**5.67**	**5.40%**
of which: RPPS primary balance	-0.04	-0.05%	0.14	0.15%	0.10	0.10%
of which: primary balance excluding RPPS	0.71	0.87%	-1.42	-1.51%	5.56	5.30%
10 to 50 thousand	**-4.12**	**-1.70%**	**-5.80**	**-2.05%**	**13.67**	**4.34%**
of which: RPPS primary balance	-0.17	-0.07%	0.48	0.17%	0.91	0.29%
of which: primary balance excluding RPPS	-3.95	-1.63%	-6.29	-2.22%	12.77	4.05%
50 to 100 thousand	**-1.44**	**-1.28%**	**-4.25**	**-3.32%**	**5.92**	**4.16%**
of which: RPPS primary balance	0.30	0.27%	-0.30	-0.24%	0.69	0.48%
of which: primary balance excluding RPPS	-1.74	-1.55%	-3.95	-3.08%	5.23	3.67%
100 thousand to 500 thousand	**0.03**	**0.01%**	**-3.94**	**-1.30%**	**15.45**	**4.70%**
of which: RPPS primary balance	1.34	0.50%	2.57	0.85%	3.86	1.17%
of which: primary balance excluding RPPS	-1.31	-0.49%	-6.51	-2.14%	11.59	3.53%
500 thousand to 1 million	**-0.96**	**-0.97%**	**-2.23**	**-1.99%**	**2.59**	**2.18%**
of which: RPPS primary balance	-0.64	-0.65%	-0.07	-0.06%	-0.52	-0.44%
of which: primary balance excluding RPPS	-0.32	-0.32%	-2.16	-1.93%	3.12	2.63%
Above 1 million	**-10.75**	**-5.08%**	**-14.58**	**-6.15%**	**3.11**	**1.22%**
of which: RPPS primary balance	1.18	0.56%	1.91	0.81%	2.19	0.86%
of which: primary balance excluding RPPS	-11.93	-5.64%	-16.49	-6.95%	0.92	0.36%

Source: Annexes 3 and 6 of the Summary Report on Budget Execution (RREO), published in Siconfi by the National Treasury Secretariat, and data from IBGE. Prepared by: IFI.

Comparing the information shown in Figure 3, it is possible to observe heterogeneity in primary balances when measured as a share of Net Current Revenue (RCL). In 2024, as shown in Table 11, primary deficits predominated among municipalities, with only a few recording surpluses of up to 10% of RCL. In 2025, this pattern reversed, with only a few municipalities registering primary deficits greater than 10% of their respective RCLs.

FIGURE 1. PRIMARY BALANCE OF MUNICIPALITIES IN 2024 AND 2025 (% OF RCL)



Source: Annexes 3 and 6 of the Summary Report on Budget Execution (RREO), published in Siconfi by the National Treasury Secretariat, and data from IBGE. Prepared by: IFI.

Conclusion

The improvement in the primary balance of municipalities in 2025 resulted from a reduction in expenditure combined with slower revenue growth. The weakening of economic activity affected the main sources of municipal revenue, namely constitutional transfers from the states and the Federal Government, as well as the ISS, whose impact is greater in more populous municipalities. The reversal in the real growth of primary expenditures also provided some relief, although this reversal occurred in discretionary spending, such as capital expenditures.

As discussed in Fiscal Follow-up Report (RAF) No. 109, of February 2026, which analyzed the fiscal results of the states, the combination of expenditure growth and a slowdown in primary revenue tends to lead to fiscal adjustment through temporary expenditure items. This pattern was also observed in municipalities in 2025, after two years of worsening primary deficits.

Unlike what occurred in the states, the impact of RPPS on the primary balance of municipalities is more stable, resulting in a more balanced relationship between the regime's own revenues and expenditures. In some population groups, the pension systems contribute positively to the aggregate primary balance of the entities.

This may be explained by the fact that RPPSs are still in a phase of capital accumulation, in which there is less pressure from pension expenditures. This result should be interpreted with caution, since the segregation of the RPPS primary balance was introduced precisely to prevent the primary balance of the entities from being distorted by the behavior of revenues and expenditures associated with the regime.

The smaller number of municipalities with their own pension systems also contributes to this result, as it shifts responsibility for payments to inactive personnel to the Federal Government, under the RGPS. This does not eliminate employer obligations or legal claims related to the issue, but it removes the need to maintain a separate pension institution in most subnational entities.

Data on municipal balances indicates that most of the improvement from 2024 to 2025 resulted from an adjustment on the expenditure side, particularly through reductions in capital spending and other current expenditures, and occurred mainly in the balance excluding the direct influence of RPPS. Despite the slowdown in primary revenue, there was no real decline in these revenue items. The strong dependence on transfers in many municipalities may have led to an earlier containment of spending in 2025.

The data also indicates that there has not been a significant reversal in structural expenditures. Personnel spending continued to record real growth in 2025, although at a slower pace than in previous years.

The improvement in the fiscal situation of municipalities vis-à-vis the states and the Federal Government can be considered positive. In general, municipalities have limited capacity to generate their own revenue, which makes expenditure-side adjustments necessary. Data from the National Public Sector Accounts (BNSP) show that, in 2023 and 2024, municipalities' cash holdings declined, which could have resulted in liquidity constraints in subsequent years if expenditure adjustments had not taken place.

IFI PROJECTIONS

SHORT TERM

IFI Projections	2026			2027		
	Feb/26	Mar/26	Comparison	Feb/26	Mar/26	Comparison
GDP – real growth (% p.a.)	1.7	1.7	=	2.0	2.0	=
GDP – nominal (BRL billion)	13.432.1	13.432.1	=	14.244.8	14.244.8	=
IPCA – accumulated (% in the year)	3.9	3.9	=	3.5	3.5	=
Exchange rate – end of period (BRL/USD)	5.5	5.5	=	5.5	5.5	=
Employment – growth (%)	0.8	0.8	=	0.5	0.5	=
Wage bill – growth (%)	3.6	3.6	=	2.7	2.7	=
Selic – end of year (% p.a.)	12.0	12.0	=	10.5	10.5	=
Ex-ante real interest rates (% p.a.)	7.0	7.0	=	6.2	6.2	=
Consolidated Public Sector Primary Balance (% of GDP)	-0.7	-0.7	=	-1.3	-1.3	=
of which central government	-0.7	-0.7	=	-1.3	-1.3	=
Net Nominal Interest (% of GDP)	7.9	7.9	=	7.5	7.5	=
Nominal Balance (% of GDP)	-8.6	-8.6	=	-8.8	-8.8	=
General Government Gross Debt (% of GDP)	82.7	82.7	=	86.2	86.2	=

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