Independent Fiscal Institution

Fiscal Follow-Up Report

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Projections point to recurring deficits and rising debt

The Independent Fiscal Institution (IFI) presents, in its 113th Fiscal Follow-up Report (RAF, kept here in its original acronym, as are the acronyms of other Brazilian institutions, programs, and indicators), an update of macroeconomic and fiscal scenarios and projections. In doing so, it seeks to offer a short- and medium-term outlook based on recently observed data, covering 2026 and the subsequent decade (2027-2036). These findings serve as input for the central debate on Brazil's fiscal situation, a topic that should receive special attention in the presidential election.

Even bearing in mind former Minister of Finance Pedro Malan's well-known remark that "in Brazil, even the past is uncertain," this report presents consistent projections on trends of the main economic and fiscal variables, given the current rules of the game, without, of course, accounting for structural changes and reforms that may be introduced in the future.

Added to the uncertainties already present in the national landscape are those stemming from the oil price shock resulting from conflicts in the Middle East and their impact on production chains and trade flows worldwide, as well as on inflation and international interest rates. The estimated effects of the current crisis are incorporated into the new projections presented here by the IFI.

The period covered by the projections in this RAF will also be influenced by the effective implementation of the consumption tax reform, which carries major consequences for the public finances of states and municipalities and positive effects on the efficiency and productivity of the Brazilian economy. These effects are factored into the figures projected here.

The IFI projects GDP growth of 2.0% in 2026, 1.8% in 2027, and an average of 2.3% in subsequent years. For inflation, the estimate is 5.0% this year, 4.0% in 2027, 3.5% in 2028, and convergence to the center of the inflation target in the following years, with average inflation of 3.0% p.a. Real interest rates would remain high, with the Selic rate falling from 14.0% p.a. in 2026 to 12.0% p.a. in 2027, with further reductions to a level of 8.0% p.a. in the medium term. Accordingly, ex-ante real interest rates would move from 7.5% p.a. in 2026 to 5.4% p.a. in 2027, converging to 5.0% p.a. over the projection horizon analyzed.

The behavior of the economy reflects, in addition to the adverse external scenario, the contradictory effects among restrictive monetary policy, a heated labor market, and stimuli to demand and credit stemming from various government initiatives.

Given the present uncertainties and the considerable cyclical volatility, alternative scenarios to the baseline are constructed, based on more pessimistic or more optimistic assumptions.

Net primary revenue — which is what remains after constitutional transfers to states and municipalities are deducted — is expected to reach 18.9% of GDP in 2026 and 18.7% in 2027, gradually declining to a level around 18.3% of GDP over the projection horizon. The revenue-to-GDP elasticity is expected to fall from its current level of 1.4 to 1, meaning that each additional percentage point of GDP growth will generate a corresponding one-percentage-point increase in revenue.

In recent years, the federal government has undertaken a major effort to boost revenue collection through a series of initiatives. This was compounded by economic growth that outpaced expectations, along with the recent effects of rising oil prices (royalties, special participations, and greater dividend potential from Petrobras), helping ensure compliance with fiscal targets and a minimal budget balance. RAF No. 113 analyzes these various revenue-side drivers, their results, and future prospects.

Primary expenditure is expected to reach 19.2% of GDP in 2026 and 19.3% of GDP in 2027, rising to 19.9% of GDP by 2032, before settling at around 19.4% of GDP in subsequent years. The IFI's estimates diverge from those presented in the 2027 Budget Guidelines Bill, currently under consideration in the National Congress, regarding the behavior of the primary balance and compliance itself with the fiscal targets set out under the current fiscal framework.

IFI projections indicate the persistence of recurring actual primary deficits, a trend that has characterized the Brazilian fiscal scenario since 2014. The various factors underlying this divergence are discussed here. Assuming the continuation of current budgetary and fiscal guidelines and rules, the IFI points to a concerning and challenging scenario for the next presidential term, characterized by permanent and growing annual primary deficits, difficulty in meeting fiscal targets, and the insufficiency of the expenditure cap under the fiscal framework.

Moderate economic growth, net primary revenue converging to lower levels, rising primary expenditure, and interest rates that remain significantly high are expected to result in a persistent and sharp increase in the ratio of General Government Gross Debt (DBGG) to GDP over the 2026–2036 period. Although the current trajectory has improved relative to the projections published in December 2025, the rise in indebtedness reflects a situation that could become unsustainable in the medium term.

Despite the slightly more favorable projections for the DBGG as a share of GDP, the divergence between the IFI's estimates and the more optimistic figures proposed by the government in the 2027 PLDO remains. Based on the scenarios presented in this RAF, the IFI considers that a primary surplus of 2.1% of GDP would be necessary each year in order to stabilize the debt-to-GDP ratio. Starting from the gross debt level of 80.1% of GDP recorded in April 2026, the IFI expects this ratio to rise to 82.5% in 2026, reaching 102.0% by 2032, and increasing further to 115% of GDP by 2036. This represents an extremely high level of indebtedness for an emerging economy.

In its technical, neutral, and nonpartisan perspective, free of any ideological or political bias, the IFI hopes that the publication of RAF No. 113 will contribute to the democratic debate among the various political actors in the 2026 elections on one of the most important issues for the country's future: fiscal balance and its implications.

We hope you find this report useful.

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Executive Director of the IFI
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Highlights

Macroeconomic Scenario

RAF No. 113 updates the IFI's macro-fiscal projections in light of information received since the December 2025 edition. The main revisions are concentrated in the short term and reflect a combination of more resilient economic activity, a still-heated labor market, a deteriorating inflation outlook, and increased international uncertainty stemming from the conflict in the Middle East. In the baseline scenario, GDP in volume terms is expected to grow 2.0% in 2026 and 1.8% in 2027. Inflation, as measured by the IPCA, is projected at 5.0% in 2026 and 4.0% in 2027. The Selic rate, in turn, is expected to end these years at 14.0% p.a. and 12.0% p.a., respectively. Over the medium term, the assumptions for potential growth, inflation, and the real interest rate remain unchanged. **(Page 7)**

Scenarios for Primary Revenue

Net primary revenue of the central government is expected to reach 18.9% of GDP in 2026 and 18.7% of GDP in 2027, according to the IFI's new projections. The improvement in estimates relative to the scenario presented last December is mainly due to the new assumption regarding the behavior of oil prices on the international market. The IFI now considers a higher average barrel price over the projection horizon. In the short term, in addition to oil, the more favorable projections also reflect the upward revision in economic growth for 2026 and the update of information through May. **(Page 17)**

Scenarios for Primary Expenditure and for the Primary Balance

The IFI's updated short-term fiscal scenarios indicate that formal compliance with the 2026 primary balance target is feasible, considering legal deductions and the lower bound of the primary balance target. The IFI projects a primary deficit of BRL 51.7 billion (0.4% of GDP) in 2026, a figure higher than the one estimated in the 2nd Primary Revenue and Expenditure Assessment Report of the year (2nd RARDP, covering March–April). Considering the deductions from the primary balance target, the baseline scenario indicates that the target set for 2026 will be met, with a margin of BRL 18.2 billion above the floor. **(Page 26)**

Over the medium term, the IFI's projections indicate a growing central government primary deficit over the projection horizon, which would reach 1.4% of GDP in 2032 before declining marginally thereafter. Despite the improvement relative to the December scenario, a path of primary deficits persists, with a significant impact on public finances. Under the optimistic scenario, primary surpluses could emerge from 2029 onward. **(Page 36)**

Scenarios for Gross Debt

The new macroeconomic parameters and implicit real interest rates on debt improve the medium-term trajectory of public debt as estimated by the IFI. The projections for the public sector primary balance over the 2028–2036 period have also been revised in a more favorable direction, although they remain at a significant deficit level. According to the new projections, the primary balance required to stabilize gross debt as a share of GDP has decreased from a surplus of 2.3% of GDP in the December 2025 revision to a surplus of 2.1% of GDP in the current revision. **(Page** Erro! Indicador não definido.**)**

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See errata at: https://www12.senado.leg.br/ifi/publicacoes-1/relatorio/2026/junho/erratas

Macroeconomic Scenario

Introduction

The Fiscal Follow-up Report of June 2026 presents an update of the short-term (2026–2027) and medium-term (2028–2036) projections for macro-fiscal variables. Relative to the scenario published in December 2025, the main revisions are concentrated in the short-term horizon. Economic activity proved more resilient than anticipated, while inflation resumed its upward trend after the start of the year, prompting revisions to the projections for growth, inflation, and interest rates.

In the baseline scenario, GDP is expected to grow 2.0% in 2026 and 1.8% in 2027. The IPCA is projected at 5.0% and 4.0%, respectively. The structural medium-term assumptions remain broadly unchanged.

Geopolitical tensions in the Middle East have introduced new challenges to the international scenario, with repercussions on commodity prices, global inflation, and financial conditions. In April 2026, the IFI published a preliminary assessment of the impacts of rising oil prices on the economy and public finances, through sensitivity exercises for different Brent price trajectories. The baseline scenario projections were kept unchanged, with the analysis being strictly conditional in nature.

The present edition of the RAF incorporates the developments observed since then and carries out a comprehensive revision of the macroeconomic scenario.

International Environment

Global economic conditions were relatively favorable at the start of 2026, supported by the resilience of activity in advanced economies, the dynamism of investments linked to Artificial Intelligence (AI), and the partial easing of trade tensions observed in 2025. This backdrop, however, deteriorated over the course of the first half of the year due to the escalation of the conflict in the Middle East and its effects on global energy markets.

Geopolitical tensions in the region heightened risks to global energy supply and maritime transport through the Strait of Hormuz, putting upward pressure on oil prices and related inputs such as fertilizers. This dynamic reinforced global inflationary pressures and contributed to the deterioration of short-term economic growth prospects.

GRAPH 1. BRENT OIL PRICE



Source: U.S. Energy Information Administration (EIA)

The energy shock influenced the conduct of monetary policy in advanced economies. In the United States, inflation resumed its upward trend over the first half of the year, leading the Federal Reserve to maintain a cautious stance on the pace of monetary easing — reflected in its June 17 decision to hold the benchmark interest rate in the 3.5%–3.75% p.a. range. The rise in inflation and geopolitical uncertainty also contributed to upward pressure on long-term interest rates, tightening global financial conditions.

The rapid deterioration of the international environment was also reflected in the projections of multilateral organizations. In the April 2026 World Economic Outlook[1], the International Monetary Fund (IMF) revised its global growth projection for 2026 downward, highlighting the effects of the energy shock on inflation and international financial conditions. Along similar lines, the Organisation for Economic Co-operation and Development (OECD), in its June 2026 Economic Outlook[2], emphasized the risks associated with the persistence of elevated energy prices and the maintenance of restrictive monetary conditions for a prolonged period.

For the Brazilian economy, the effects of this scenario are mixed. Rising commodity prices favor the terms of trade and part of Brazilian exports, but higher energy prices put upward pressure on domestic inflation and narrow the room for monetary easing. Additionally, the expected slowdown in global growth tends to constrain the expansion of external demand.

[1] Available at: https://www.imf.org/en/publications/weo/issues/2026/04/14/world-economic-outlook-april-2026
[2] Available at: https://www.oecd.org/en/publications/2026/06/oecd-economic-outlook-volume-2026-issue-1_8be0dba6.html

Domestic Environment

GDP

On the domestic front, GDP grew 1.1% in the first quarter of 2026 relative to the previous quarter in the seasonally adjusted series, above the 0.3% advance recorded in the fourth quarter of 2025. With this result, the statistical carry-over for the year reached 1.4%, indicating activity growth in 2026 even under the assumption of stable activity in the subsequent quarters (Table 1).

TABLE 1. GDP GROWTH IN 2026 UNDER DIFFERENT QUARTERLY VARIATIONS

Average variation (Q3 and Q4) (% variation, quarter-on-quarter, seasonally adjusted)	2026 Q2 Variation (% variation, quarter-on-quarter, seasonally adjusted)				
	-1.00%	-0.50%	0.00%	0.50%	1.00%
-1.00%	-0.1%	0.3%	0.7%	1.0%	1.4%
-0.50%	0.3%	0.7%	1.1%	1.4%	1.8%
0.00%	0.7%	1.1%	**1.4%**	1.8%	2.2%
0.50%	1.0%	1.4%	1.8%	2.2%	2.6%
1.00%	1.4%	1.8%	2.2%	2.6%	3.0%

Source: IBGE and IFI. Prepared by: IFI.

Measured by the four-quarter accumulated variation, however, GDP growth decelerated from 2.3% in December 2025 to 2.0% in March 2026. The contribution of domestic absorption fell from 1.9 p.p. to 0.9 p.p. between December 2025 and March 2026, reflecting the smaller contribution of household consumption, gross fixed capital formation, and changes in inventories. In the opposite direction, net exports expanded their contribution from 0.4 p.p. to 1.1 p.p., supported by export growth and a deceleration in imports.

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

	Sep/24	Dec/24	Mar/25	Jun/25	Sep/25	Dec/25	Mar/26
GDP	**3.1**	**3.4**	**3.6**	**3.3**	**2.7**	**2.3**	**2.0**
Internal absorption	**4.0**	**5.3**	**5.8**	**5.1**	**3.7**	**1.9**	**0.9**
Household consumption	3.0	3.2	2.8	2.2	1.3	0.9	0.8
Government consumption	0.6	0.4	0.3	0.2	0.2	0.4	0.4
Gross fixed capital formation	0.5	1.1	1.4	1.3	1.0	0.5	0.1
Changes in inventories	-0.2	0.6	1.3	1.4	1.1	0.2	-0.4
Net exports	**-0.9**	**-1.9**	**-2.2**	**-1.8**	**-1.0**	**0.4**	**1.1**

Source: IBGE and IFI. Prepared by: IFI.

Recent data suggest that the lagged effects of monetary policy may be contributing to the deceleration of economic activity, particularly through the moderation of domestic absorption. In contrast, the resilience of the labor market, real income growth, and recent demand and credit stimulus measures tend to support domestic demand, partially offsetting this process over the second half of the year.

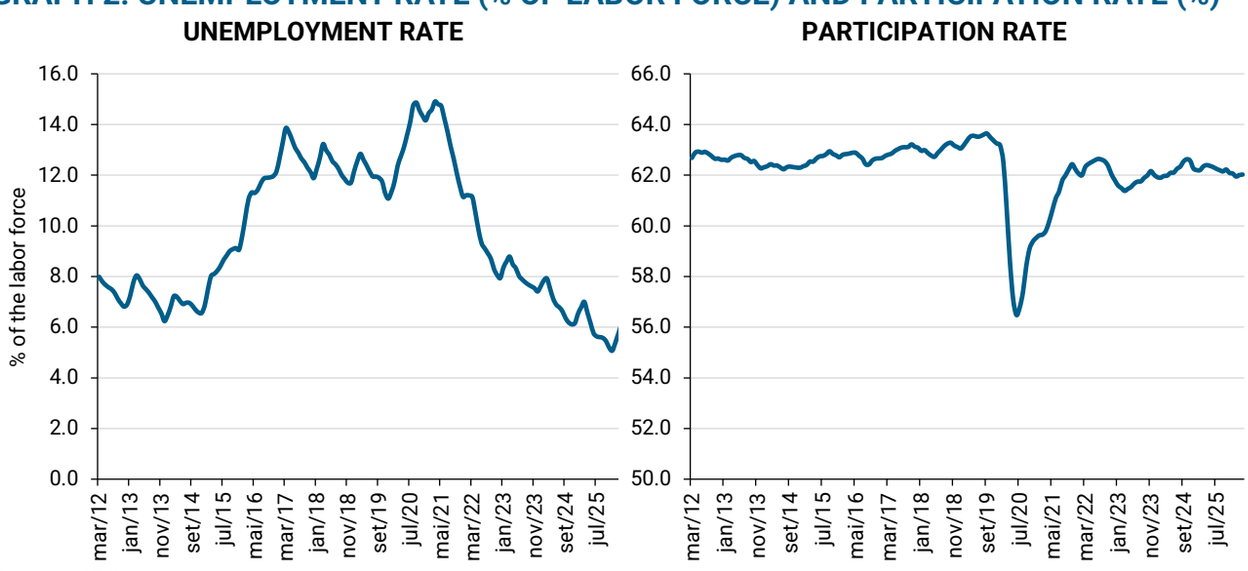
Labor Market

The labor market remained heated in the first half of 2026. In April, the unemployment rate reached 5.8%, close to the lowest levels on record.

The strong performance of the labor market is also reflected in earnings. Average real labor income grew 5.4% relative to April 2025, while the real wage bill advanced 6.5%.

The decline in unemployment, however, is occurring in a context of slower labor force growth. The participation rate remains below pre-pandemic levels, suggesting that part of the recent improvement in unemployment indicators reflects not only employment expansion but also demographic and structural factors that constrain the growth of the economically active population. This picture contributes to the maintenance of a tight labor market, even in a context of moderating job creation.

GRAPH 2. UNEMPLOYMENT RATE (% OF LABOR FORCE) AND PARTICIPATION RATE (%)



Source: IBGE.

In May 2026, the Chamber of Deputies approved, in two rounds of voting, a proposal to reduce the standard workweek to 40 hours and establish a 5x2 schedule, with no reduction in wages[3]. Given the high degree of uncertainty regarding the magnitude and direction of its effects on employment, productivity, hours worked, and the wage bill, the IFI does not incorporate specific impacts of this measure into its baseline scenario at this time, while maintaining continuous monitoring of its progress and possible economic effects.

Inflation

After starting the year on a decelerating path, inflation picked up again in the first half of 2026. The twelve-month accumulated IPCA variation rose from 3.8% in February to 4.1% in

[3] Proposed Constitutional Amendment No. 221, of 2019. Legislative history available at: https://www25.senado.leg.br/web/atividade/materias/-/materia/174386.

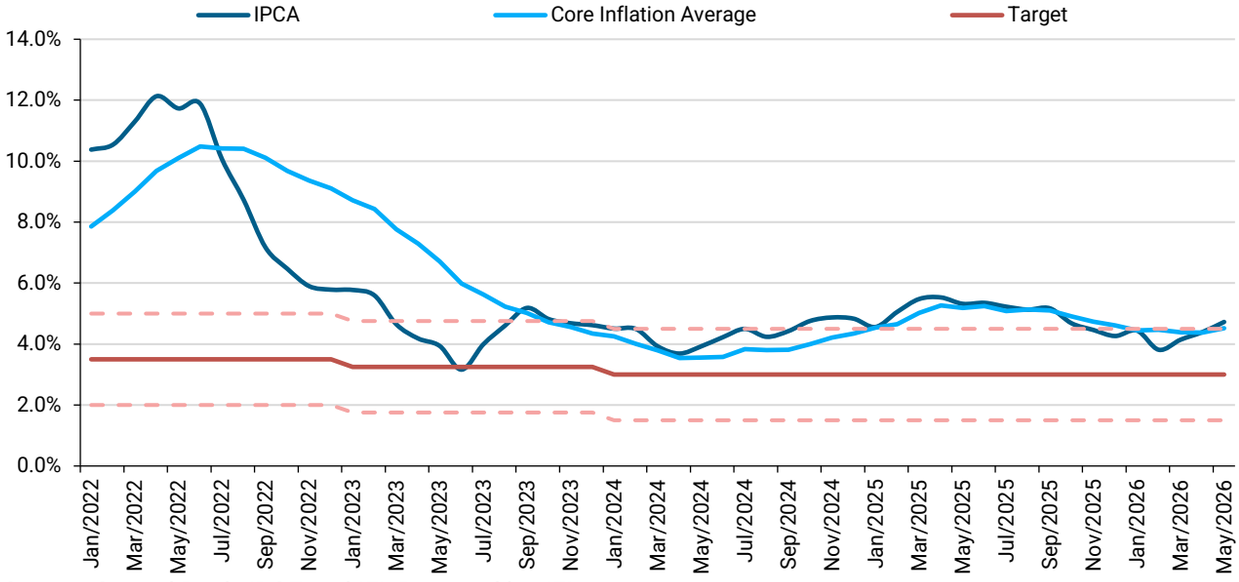
March, 4.4% in April, and reached 4.7% in May, above the upper bound of the inflation target tolerance band (Grap 3).

The acceleration of the index reflected both the behavior of administered prices and free market prices. Among administered prices, the twelve-month accumulated variation rose from 4.4% in February to 5.8% in May. Within this group, the standout contributors were gasoline price increases and electricity inflation remaining above 10%.

Free market prices also accelerated, rising from 3.6% in February to 4.3% in May. This movement was particularly influenced by food prices, whose twelve-month accumulated variation moved from -0.1% to 3.0% over the period, and by services inflation, which remained elevated and relatively stable, fluctuating between 5.7% and 6.0%. Industrial goods prices recorded a more moderate increase, from 2.5% to 2.7%.

Core inflation measures remained at around 4.5% throughout the period, showing no signs of easing in underlying inflationary pressures.

GRAP 3. CONSUMER PRICE INFLATION (IPCA)



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

Interest rate

At its June 2026 meeting, the Monetary Policy Committee (Copom) cut the Selic rate by 0.25 percentage point, from 14.50% p.a. to 14.25% p.a., continuing the monetary policy calibration process initiated in March. In its statement[4], the Committee acknowledged the recovery of economic activity in the first quarter and the resilience of the labor market, but assessed that the indicators remain consistent with a trajectory of economic deceleration in 2026.

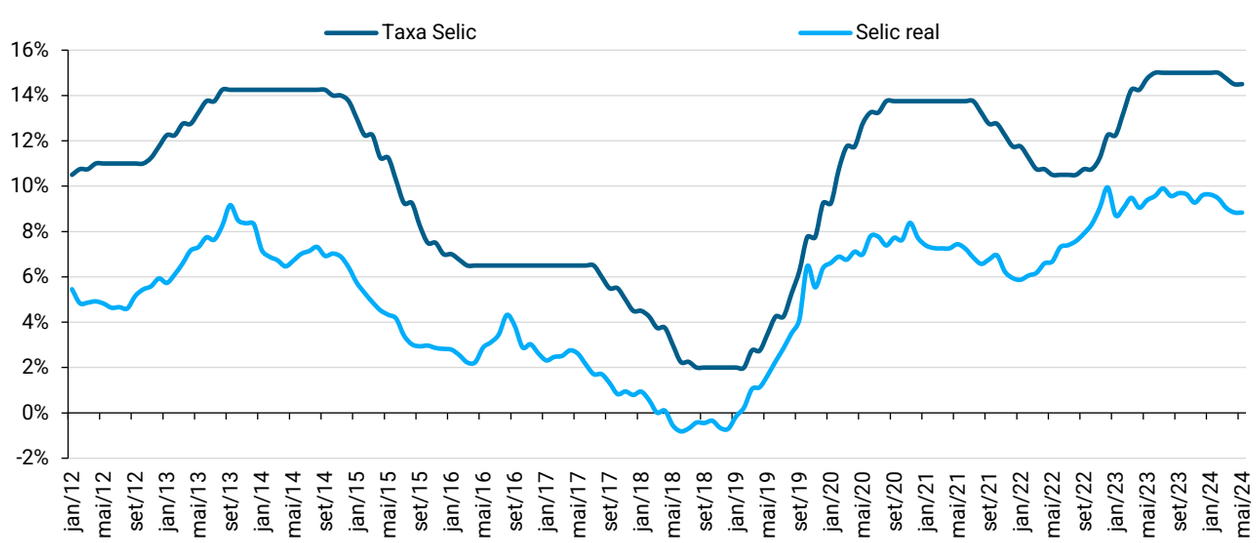
[4] Minutes of the 279th Meeting available at: https://www.bcb.gov.br/publicacoes/atascopom/17062026.

The decision took place in the context of current inflation above the upper bound of the target tolerance band and still-elevated inflation expectations. According to the Focus survey, the consensus for 2026 and 2027 stood at 5.3% and 4.1%, respectively. In the Central Bank's own reference scenario, projected inflation reaches 5.2% in 2026 and 3.7% in the fourth quarter of 2027, the current relevant monetary policy horizon. These projections are consistent with the assessment that the process of inflation convergence to the target is expected to occur gradually, requiring the maintenance of restrictive monetary conditions for a prolonged period.

The balance of risks to inflation remains elevated in both directions. On the upside, the main factors include the persistence of services inflation, the possibility of a prolonged de-anchoring of expectations, the effects of recent supply shocks related to energy and food, and the possibility of additional stimuli to aggregate demand. On the downside, the Central Bank highlights a more intense deceleration of domestic activity, a more pronounced weakening of the global economy, and a potential reduction in international commodity prices.

In this context, the Central Bank reiterated a cautious stance in the face of high uncertainty in the economic scenario and emphasized that the magnitude of future adjustments will depend on developments in activity, inflation, and expectations data, with no prior commitment regarding the pace of upcoming decisions.

GRAPH 4. SELIC RATE AND EX-ANTE REAL INTEREST RATE



Source: Central Bank and IFI. Prepared by: IFI.

Projections

In the baseline scenario, the IFI's projections assume a gradual deceleration of economic activity in the short term. Following GDP growth of 1.1% in the first quarter of 2026 relative to the previous quarter in the seasonally adjusted series, more moderate expansion is

projected in subsequent quarters, consistent with still-restrictive monetary conditions. In contrast, the heated labor market, real income growth, and recent demand and credit stimulus measures contribute to sustaining consumption and investment in the short term.

In recent months, the federal government announced a set of credit and household income support measures amounting to approximately BRL 150 billion in 2026 (equivalent to 1.0% of GDP). Among the key initiatives are the expansion of the Personal Income Tax (IRPF) exemption bracket, the expansion of earmarked credit, new modalities of mortgage credit, household debt renegotiation programs, and the expansion of the Minha Casa Minha Vida [federal housing program]. While the actual impact on activity depends on the consumption behavior of economic agents, the measures tend to support aggregate demand in the short term.

In this context, the GDP growth projection for 2026 has been revised upward, from 1.7% in the December 2025 RAF to 2.0% in the current edition. The revision reflects the combination of a higher statistical carry-over following the first quarter, the resilience of the labor market, and the incorporation of the expected effects of demand and credit stimulus measures. The annual projection stands above the statistical carry-over of 1.4% observed after the first quarter, reflecting the expectation of continued activity expansion for the remainder of the year, albeit at a more moderate pace.

Consumer price inflation is projected at 5.0% in 2026, above the upper bound of the target tolerance band. For 2027, a deceleration to 4.0% is projected.

The transmission of the oil price shock to domestic prices occurs through direct and indirect channels. The direct channel is concentrated in fuels, particularly gasoline, and depends not only on the trajectory of international oil prices but also on the degree of pass-through to domestic prices. Given the observed gap between domestic and international fuel prices, estimated by the Brazilian Association of Fuel Importers (Abicom)[5] at approximately 30% in mid-June, this scenario assumes a gradual narrowing of this differential in the short term, without full convergence to international parity prices.

The indirect channel operates through higher diesel prices and transportation costs, with gradual dissemination along the production chain. This effect is captured in the free market price inflation projections, which incorporate, among other determinants, past inflation, inflation expectations, international commodity prices converted into reais, and the level of economic activity.

The IFI's assumptions for the Brent crude oil price have been substantially revised relative to the scenario published in December 2025, reflecting developments in the conflict in the Middle East and its effects on global energy supply. While RAF No. 107 assumed Brent stabilization at around USD 66.5 per barrel over the projection horizon, the current edition

[5] PPI Reports. Disponíveis em: https://abicom.com.br/categoria/ppi/.

considers an average price of USD 85.0 per barrel in 2026, declining to USD 75.0 in 2027, and stabilizing at USD 72.0 from 2028 onward.

TABLE 3. REVISION OF BRENT CRUDE OIL PRICE ASSUMPTIONS (ANNUAL AVERAGE, USD/BARREL)

Year	RAF No. 107 (Dec/2025)	RAF No. 113 (Jun/2026)	Revision
2026	66.5	85.0	+27.8%
2027	66.5	75.0	+12.8%
2028	66.5	72.0	+8.3%

Source: IFI.

The exchange rate is projected at BRL/USD 5.18 at end-2026 and BRL/USD 5.23 at end-2027, a level consistent with the improvement in the terms of trade and the maintenance of a high interest rate differential.

Monetary policy is expected to remain in contractionary territory for a longer period than considered in the December 2025 scenario. The Selic rate is projected at 14.0% p.a. at end-2026 and 12.0% p.a. at end-2027. The *ex-ante* real interest rate declines from 7.5% p.a. to 5.4% p.a. over the same period.

Table 4 summarizes the IFI's macroeconomic projections for the baseline scenario.

TABLE 4. MACROECONOMIC SCENARIO PROJECTIONS

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Nominal GDP (BRL billion) IPCA	13,667	14,533	15,458	16,361	17,321	18,336	19,414	20,564	21,773	23,044	24,380
GDP - Nominal growth	7.3%	6.3%	6.4%	5.8%	5.9%	5.9%	5.9%	5.9%	5.9%	5.8%	5.8%
GDP - Real growth	2.0%	1.8%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.2%
Implicit GDP deflator	5.2%	4.5%	4.0%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
IPCA	5.0%	4.0%	3.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Unemployment rate (% of the labor force)	5.7%	6.4%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%
BRL/USD exchange rate (end of period)	5.18	5.23	5.31	5.36	5.41	5.47	5.52	5.58	5.63	5.69	5.75
Ex-ante real interest rate (p.a.)	7.5%	5.4%	5.2%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Selic – end of period (p.a.)	14.0%	12.0%	10.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%

Source: IFI.

Medium-term assumptions

The projections presented in Table 4 assume a gradual convergence of the economy toward equilibrium conditions over the projection horizon, broadly maintaining the structural assumptions adopted in the scenario published in December 2025.

GDP growth is assumed to converge to its potential, estimated at 2.3% per year. This trajectory is supported by moderate productivity gains, a gradual increase in the investment rate, and slower labor force growth, conditioned by demographic aging.

Inflation converges gradually to the 3.0% per year target from 2028 onward. The implicit GDP deflator evolves slightly above the IPCA, reflecting historical differences between 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 of the domestic interest rate to the international rate, adjusted for the country risk premium and the expected exchange rate depreciation.

For the international interest rate, the effective rate set by the Federal Reserve (Fed) is considered, discounted by US inflation. In the baseline scenario, US inflation is assumed to remain close to 2.0% per year, with the nominal rate converging to 3.0% per year.

The country risk premium (five-year CDS) is set at 250 basis points over the projection horizon, a level slightly above the current one, while the exchange rate follows a path of gradual depreciation, with an average variation of approximately 1.0% per year, determined by the differential between domestic and external inflation rates.

Alternative Scenarios

To make explicit the uncertainty inherent in short- and medium-term projections, the report presents three scenarios: baseline, optimistic, and pessimistic. The alternative scenarios do not represent probabilistic forecasts, but conditional exercises constructed on the basis of different assumptions for key variables in the domestic and international environment.

Relative to the baseline scenario, the alternative trajectories reflect distinct assumptions for variables such as global growth and interest rates, commodity prices, country risk, and productivity, resulting in more or less favorable outlooks for the Brazilian economy.

In the pessimistic scenario, the materialization of external risks is assumed, including the prolongation of the Middle East conflict and its effects on energy prices, the escalation of trade barriers, and a tightening of financial conditions. The persistence of domestic fiscal uncertainties, with effects on the risk premium and the cost of financing, is also considered in this scenario. In this case, real GDP would grow at an average of approximately 1.2% per year between 2028 and 2036, with real interest rates 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 activity is assumed, with faster normalization of energy prices, additional productivity and efficiency gains associated with the successful implementation of reforms, and a more austere fiscal stance, leading to a reduction in the risk premium. In this case, real GDP would grow at an average of approximately 3.4% per year between 2028 and 2036, 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 5 summarizes the IFI's macroeconomic projections for the alternative scenarios.

TABLE 5. PROJECTIONS FOR THE ALTERNATIVE SCENARIOS

Optimistic	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Nominal GDP (BRL billion) IPCA	13,708	14,621	15,655	16,743	17,916	19,172	20,522	21,980	23,535	25,193	26,962
GDP - Nominal growth	7.6%	6.7%	7.1%	7.0%	7.0%	7.0%	7.0%	7.1%	7.1%	7.0%	7.0%
GDP - Real growth	3.1%	2.8%	3.3%	3.3%	3.4%	3.4%	3.4%	3.5%	3.5%	3.4%	3.4%
Implicit GDP deflator	4.4%	3.7%	3.6%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
IPCA	4.2%	3.3%	3.1%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Unemployment rate (% of the labor force)	5.2%	5.7%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%
BRL/USD exchange rate (end of period)	4.97	5.02	5.08	5.13	5.18	5.24	5.29	5.34	5.39	5.45	5.50
Ex-ante real interest rate (p.a.)	7.0%	5.3%	4.7%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Selic – end of period (p.a.)	13.00%	11.00%	9.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Pessimistic	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**
Nominal GDP (BRL billion) IPCA	13,578	14,414	15,346	16,300	17,315	18,401	19,564	20,816	22,144	23,551	25,043
GDP - Nominal growth	6.6%	6.2%	6.5%	6.2%	6.2%	6.3%	6.3%	6.4%	6.4%	6.4%	6.3%
GDP - Real growth	0.8%	0.6%	1.2%	1.2%	1.2%	1.2%	1.3%	1.3%	1.3%	1.3%	1.3%
Implicit GDP deflator	5.7%	5.5%	5.3%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
IPCA	5.5%	5.0%	4.8%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Unemployment rate (% of the labor force)	6.2%	6.9%	7.4%	7.7%	8.0%	8.3%	8.7%	9.0%	9.3%	9.6%	9.9%
BRL/USD exchange rate (end of period)	5.43	5.48	5.63	5.77	5.92	6.06	6.22	6.37	6.53	6.69	6.86
Ex-ante real interest rate (p.a.)	7.4%	7.3%	7.4%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Selic – end of period (p.a.)	15.00%	13.00%	12.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%

Source: IFI.

Scenarios for Primary Revenue

Introductory Remarks

Based on the macroeconomic projections presented in the previous section, the IFI has also updated its projections for central government primary revenue from 2026 to 2036. This introductory section examines elements related to the current fiscal policy context and the assumptions used for the revenue projections.

The estimates presented below take into account Decree No. 12,990[6], of May 29, 2026, issued after the publication of the 2nd Primary Revenue and Expenditure Assessment Report of 2026 (2nd RARDP, covering March–April)[7], as well as the 2026 Annual Budget Law (LOA 2026) [8], monthly series from the National Treasury Secretariat (STN) updated through April, and data extracted by the IFI from the Siga Brasil Portal, updated through May 2026.

In the year-to-date through May, central government primary revenue grew 4.3% above inflation. Administered revenues (those collected by the Federal Revenue Office/RFB) and net collection for the RGPS rose 6.2% on the same basis of comparison, while non-administered revenues fell 9.7%. Net primary revenue (total revenue less revenue-sharing transfers to states and municipalities) registered an increase of 4.7% over the January–May 2025 period, according to STN and Siga Brasil data. In the first five months of 2025, net revenue had grown 3.4% in real terms.

The relatively robust performance of economic activity underpins revenue growth. For several months, revenue-to-GDP elasticities have been recording values above 1. Based on cumulative data for the first five months of 2026, the elasticity of total primary revenue relative to GDP stood at 1.4. This indicates that for every 1% increase in GDP, revenue grows by 1.4%[9]. Over the medium term, this revenue behavior is not expected to persist. The IFI assumes revenue-to-GDP elasticities equal to 1 over the medium term (2028–2036). These results are discussed in Special Study (EE) No. 16[10], of November 2021, which presented a discussion and estimates of revenue-to-GDP elasticities in Brazil.

In 2026, the volume of non-recurring revenues identified by the IFI is lower than in the previous two years. In the January–May cumulative period, these revenues totaled BRL 26.6 billion in 2024, BRL 13.9 billion in 2025, and BRL 7.5 billion this year. As explained in previous

[6] Available at: https://www.planalto.gov.br/ccivil_03/_ato2023-2026/2026/decreto/d12990.htm.
[7] Available at: https://www.tesourotransparente.gov.br/publicacoes/relatorio-de-avaliacao-de-receitas-e-despesas-primarias-rardp/2026/14.
[8] Law No. 15,346, of January 14, 2026. Available at: https://www.planalto.gov.br/ccivil_03/_ato2023-2026/2026/lei/l15346.htm.
[9] This elasticity is calculated on the basis of recurring primary revenue, a variable obtained by the IFI through its own methodology published in Special Study (EE) No. 17, of December 2021. This study is available at:: https://www2.senado.leg.br/bdsf/bitstream/handle/id/594656/EE17_Resultado_Estrutural.pdf.
[10] Page for document access: https://www2.senado.leg.br/bdsf/bitstream/handle/id/593776/EE16.pdf.

editions of this report, in which revisions to fiscal projections are presented, the IFI incorporates certain non-recurring revenues into its updated estimates.

In addition to economic activity, certain revenue-boosting measures adopted since 2023 also help explain the behavior of government revenues. Table 4 of RAF No. 107[11], of December 2025, presented a list of actions intended by the Executive Branch to reconstitute tax bases from 2026 onward.

The 2026 LOA projected additional collection of BRL 31.2 billion in Financial Operations Tax (IOF) revenue, due to the rate increases introduced in 2025. In addition, the LOA included other revenue-boosting measures for this year: (i) trade defense measures, with projected collection of BRL 14.0 billion through the Import Tax[12], an amount to be achieved through rate increases on capital goods and IT equipment; (ii) reduction of tax benefits and an increase in Corporate Income Tax/Social Contribution on Net Income (IRPJ/CSLL) on companies under the presumed profit regime[13], with projected collection of BRL 19.8 billion in 2026; (iii) limitations on tax credit offsets[14] (projected inflow of BRL 10.0 billion in the 2026 LOA); (iv) changes in the methodology for calculating the oil reference price (an increase of BRL 3.7 billion in 2026); (v) fixed-odds betting lottery fees[15] (an addition of BRL 4.3 billion); and (vi) the transfer of the right to appropriate the Federal Government's surplus oil (Art. 46-D of Law No. 12,351[16], of December 22, 2010), with projected inflow of BRL 31.0 billion this year. These figures are included in the aforementioned Table 4 of RAF No. 107.

In addition to these measures, another Executive Branch decision that will boost 2026 revenue collection is the temporary introduction of an Export Tax on crude oil, at a rate of 12%[17].

Relative to the figures presented in Table 4 of RAF No. 107, the IFI has updated its projection for additional Import Tax collection stemming from trade defense measures, from BRL 7.0 billion in RAF No. 107 to BRL 8.0 billion in the current edition. In the two Primary Revenue and Expenditure Assessment Reports (RARDPs) published in 2026, the Executive Branch

[11] Available at: https://www2.senado.leg.br/bdsf/bitstream/handle/id/816727/RAF107_DEZ2025.pdf.
[12] The rate increases were introduced through GECEX Resolution No. 852, of February 4, 2026. Available at: https://www.in.gov.br/web/dou/-/resolucao-gecex-n-852-de-4-de-fevereiro-de-2026-685397607.
[13] See Complementary Law No. 224, of 2025. Available at: https://www.planalto.gov.br/ccivil_03/leis/lcp/lcp224.htm.
[14] See Law No. 15,265 of 2025. Available at: https://www.planalto.gov.br/ccivil_03/_ato2023-2026/2025/lei/l15265.htm.
[15] The main legal instrument governing the general rules for the collection, distribution, and taxation of fixed-odds betting (also known as bets) at the federal level was Law No. 14,790, of 2023. The practical collection of fees, fixed concession payments, and the accountability framework were detailed and regulated through Ordinances issued by the Secretariat of Prizes and Betting of the Ministry of Finance (SPA/MF). In addition to Law No. 14,790, other regulatory instruments governing collection include: (i) SPA/MF Ordinance No. 827/2024; (ii) SPA/MF Ordinance No. 1,231/2024; and (iii) Complementary Law No. 224, of 2025.
[16] Available at: https://www.planalto.gov.br/ccivil_03/_ato2007-2010/2010/lei/l12351.htm.
[17] Established by Provisional Measure (MP) No. 1,340, of March 12, 2026, one of the legal instruments used by the Executive Branch to contain the rise in fuel prices in the first half of this year, amid the international escalation of oil barrel prices. Legislative history available at: https://www.congressonacional.leg.br/materias/medidas-provisorias/-/mpv/173051.

revised its Import Tax collection estimates. In the 1st RARDP of 2026 (covering January–February), there was a downward revision of BRL 6.8 billion, while in the 2nd RARDP (March–April), the estimate was revised upward by BRL 2.0 billion.

In the 1st RARDP of 2026, the Executive Branch included a projected collection of BRL 15.6 billion from the introduction of the Export Tax on crude oil. The estimate was marginally revised upward (by BRL 24 million) in the 2nd RARDP. The IFI likewise considered BRL 15.6 billion for the purposes of its 2026 administered revenue estimates, while classifying this collection as non-recurring revenue.

In the 2nd RARDP of 2026, the Executive Branch removed from its 2026 revenue projections the BRL 31.0 billion in receipts from the assignment of the right to appropriate the Federal Government's surplus oil, as provided for under Art. 46-D of Law No. 12,351, inserted by Law No. 15,164[18], of 2025. In the current scenario revision, the IFI has likewise ceased to include the projected revenue from this assignment.

As explained in previous editions of this RAF[19] that addressed scenario revisions, the IFI maintained its projection of a gradual reinstatement of payroll taxation under the terms of Law No. 14,973[20], of September 16, 2024. The law provides for the phased reinstatement of payroll taxes for the exempted sectors and municipalities covered by the rule, starting in 2025. For revenue projection purposes, the IFI considered a tax waiver of BRL 26.3 billion, based on the Federal Revenue Office (RFB) estimate for 2024, and the gradual reinstatement through 2027, with this amount decreasing by approximately 25% per year. By 2028, all sectors and municipalities would be contributing at the 20% social security payroll rate.

In summary, revenue collection continues to show robust performance in 2026, underpinned by economic activity, the revenue-boosting measures adopted in recent years, and the upward revision of the assumption for oil price behavior. That said, the IFI considers that some of these factors are temporary in nature, which is why the medium-term projections assume a gradual convergence of the revenue-to-GDP elasticity toward values close to unity.

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

[18] Available at: https://www.planalto.gov.br/ccivil_03/_ato2023-2026/2025/lei/l15164.htm.
[19] See, for example, RAF No. 101, of June 2025, available at: https://www2.senado.leg.br/bdsf/bitstream/handle/id/703934/RAF101_JUN2025.pdf.
[20] Available at: https://www.planalto.gov.br/ccivil_03/_ato2023-2026/2024/lei/l14973.htm.

Short-Term Projections: 2026 – 2027

Table 6 presents the IFI's new projections for central government primary revenue in 2026 and 2027, comparing them to the December 2025 projections presented in the aforementioned RAF No. 107.

TABLE 6. IFI BASELINE SCENARIO FOR CENTRAL GOVERNMENT PRIMARY REVENUE IN 2026 AND 2027 (BRL BILLIONS AND % OF GDP)

Baseline scenario (BRL billions)	Dec/25 Projections				Jun/26 Projections				Diff. Jun/26-Dec/25			
	2026	% of GDP	2027	% of GDP	2026	% of GDP	2027	% of GDP	2026	p.p. of GDP	2027	p.p. of GDP
1. Total primary revenue	**3,155.8**	**23.5%**	**3,280.5**	**23.0%**	**3,229.1**	**23.6%**	**3,395.1**	**23.4%**	**73.3**	**0.1**	**114.6**	**0.3**
Administered revenue collected by the RFB/MF, excluding RGPS and tax incentives	2,055.4	15.3%	2,147.4	15.1%	2,096.4	15.3%	2,208.1	15.2%	41.0	0.0	60.7	0.1
Net revenue for the RGPS	726.3	5.4%	777.5	5.5%	748.5	5.5%	808.5	5.6%	22.3	0.1	31.0	0.1
Non-administered revenue	374.1	2.8%	355.6	2.5%	384.2	2.8%	378.4	2.6%	10.1	0.0	22.9	0.1
Tax incentives	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0	0.0	0.0
2. Revenue-sharing transfers	**625.4**	**4.7%**	**661.8**	**4.6%**	**649.9**	**4.8%**	**674.3**	**4.6%**	**24.5**	**0.1**	**12.5**	**0.0**
3. Net revenue after transfers [(1)-(2)]	**2,530.4**	**18.8%**	**2,618.7**	**18.4%**	**2,579.2**	**18.9%**	**2,720.8**	**18.7%**	**48.8**	**0.0**	**102.1**	**0.3**

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

The changes in the 2026 and 2027 projections were due to several factors: (i) the update of data through May 2026; (ii) adjustments to revenue-to-GDP elasticities; (iii) incorporation of the direct and indirect effects of higher oil prices; (iv) the addition of revenue from the Export Tax on crude oil; and (v) the removal of the projected BRL 31.0 billion from the assignment of the right to appropriate the Federal Government's surplus oil. The most significant factor for the projections was the change in the assumption regarding oil price behavior.

For administered revenues, there was an upward revision of BRL 41.0 billion (0.0 p.p. of GDP) in the IFI's estimate for 2026, and another of BRL 60.7 billion (0.1 p.p. of GDP) for 2027. The changes were driven mainly by the indirect effects of higher oil barrel prices, adjustments to revenue-to-GDP elasticities, and the addition of revenue from the Export Tax on crude oil, the latter with effects confined to 2026.

According to IFI estimates, the elasticity of administered revenues relative to GDP stood at 1.6 in May. As mentioned earlier, it is assumed as a premise that elasticity values will converge to 1 over the medium term. Accordingly, the aforementioned elasticity adjustments involve assuming this convergence from 2028 onward, when revenues would begin to grow in line with nominal GDP.

Also according to Table 6, the estimates for net RGPS revenue collection increased by BRL 22.3 billion (0.1 p.p. of GDP) in 2026 and BRL 31.0 billion (0.1 p.p. of GDP) in 2027. This

revision was driven by the update of information through May and the upward revision of nominal GDP.

In the non-administered revenue group, the IFI's estimates increased by BRL 10.1 billion (0.0 p.p. of GDP) this year and BRL 22.9 billion (0.1 p.p. of GDP) in 2027. The upward revision in estimates was driven mainly by the oil barrel prices considered and the update of information through May (Table 6).

The assumption of higher oil prices affects estimates for dividend and natural resource extraction receipts. For dividends, higher oil prices tend to increase Petrobras's profits, although this relationship is neither linear nor automatic. As Petrobras is a vertically integrated company operating across multiple stages of the production chain, the impact of the barrel price depends on how the company's various business segments respond to the price increase.

In the exploration segment, higher oil prices tend to boost Petrobras's profits, assuming that extraction costs do not undergo significant variation. In the refining and commercialization sector, however, higher oil prices have an ambiguous impact on the company due to two factors: (i) higher raw material costs (oil for refining); and (ii) the need to import light oil and derivatives to meet domestic demand. With more expensive oil entering the refineries, the effect on profits will depend on the company's decision whether or not to fully pass on the increase to fuel prices at Brazilian distributors.

Despite being a major oil producer in the world, Brazil needs to import a portion of light oil and derivatives (such as diesel) to meet domestic demand due to technical constraints related to Brazilian refineries. Higher international oil prices may put pressure on Petrobras's profits if the company sells derivatives on the domestic market at prices that lag behind those practiced abroad. If domestic commercial prices are lower, Petrobras absorbs the loss in its distribution operations.

Thus, there are three variables that affect Petrobras's profits in a scenario of higher average international oil barrel prices: (i) the company's pricing policy; (ii) the BRL/USD exchange rate; and (iii) the volume of net exports. Regarding the latter variable, increased production in Brazilian fields tends to drive exports and positively affect the company's profits as commodity prices rise.

In summary, from the standpoint of Petrobras's profits and, consequently, the company's dividend distributions, higher oil prices tend to increase the company's margins, provided that the differential between international prices and those practiced in the domestic distribution market does not generate a loss that erodes the margin obtained in the exploration segment.

As explained in the previous section presenting the macroeconomic projections, the IFI assumes the maintenance of some lag between distribution prices practiced in the domestic market relative to the international market. Thus, the average oil price of USD 85

per barrel this year, in the baseline scenario, is expected to positively affect the Federal Government's dividend receipts by BRL 6.0 billion in 2026.

For natural resource extraction receipts, in which oil and natural gas exploration revenue accounts for approximately 90% of that total, the IFI projects an upward difference of BRL 11.8 billion relative to the estimates in RAF No. 107, of December 2025.

Also according to Table 6, the revisions to revenue-sharing transfer estimates amounted to BRL 24.5 billion (0.1 p.p. of GDP) in 2026 and BRL 12.5 billion (0.0 p.p. of GDP) in 2027.

After deducting revenue-sharing transfers, the IFI's projections for net central government primary revenue increased by BRL 48.8 billion (0.0 p.p. of GDP) in 2026 and BRL 102.1 billion (0.3 p.p. of GDP) in 2027. As a share of GDP, these new estimates correspond to 18.9% of GDP in 2026 and 18.7% of GDP next year (Table 6).

To conclude this subsection, the increase in revenue collection projected by the IFI in June 2026, compared to the scenario revision published in December 2025, is driven mainly by the direct and indirect effects of the average oil barrel price on administered and non-administered revenues. Also affecting the estimates were the incorporation of non-recurring revenue from the Export Tax on crude oil, with effects confined to 2026, the update of information through May, and the assumed convergence of revenue-to-GDP elasticity values to 1 from 2028 onward.

Medium-term projections: 2028–2035

Erro! Fonte de referência não encontrada. presents 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 for the period 2026 to 2036.

On the administered revenue side, the scenarios consider a continuous increase in collection from 2026 onward, with economic growth converging to rates of around 2.3% (baseline), 3.4% (optimistic), and 1.3% (pessimistic). Economic activity also influences net RGPS collection and certain subgroups of non-administered revenues, such as dividends, natural resource extraction, the education salary contribution, and others.

Under the baseline scenario, the Federal Government's net primary revenue reaches 18.9% of GDP in 2026 and then gradually declines in subsequent years, reaching 18.3% of GDP in 2036. This occurs due to: (i) the gradual exhaustion of the measures adopted to boost revenue collection over the past two years, such as the control of tax credit offsets and the Comprehensive Tax Settlement Program (PTTI); and (ii) the convergence of the revenue-to-GDP elasticity to 1 (one)[21]. Additionally, in the IFI's calculations, GDP has been growing

[21] As mentioned earlier, the elasticity of total primary revenue relative to GDP currently stands at 1.2.

above its long-term potential of 2.3%. In the scenario presented in the macroeconomic projections section, economic growth converges to this rate from 2028 onward.

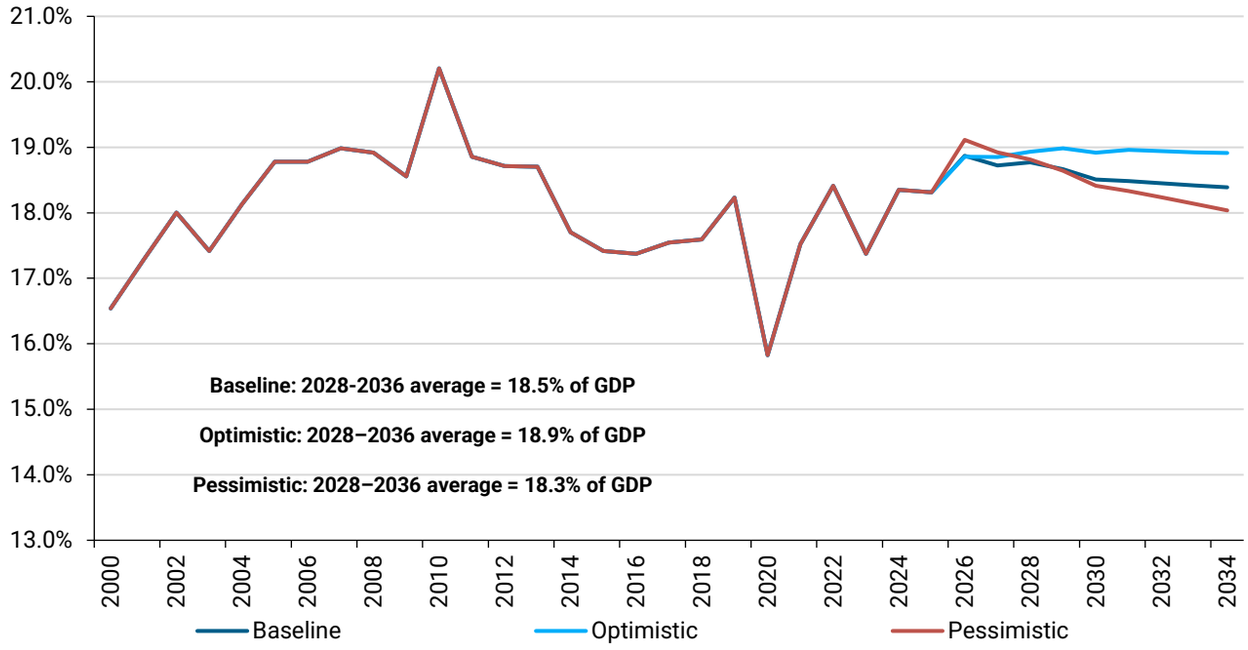
TABLE 7. IFI PROJECTIONS FOR CENTRAL GOVERNMENT PRIMARY REVENUES – % OF GDP

BASELINE SCENARIO	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Total Revenue	**23.6%**	**23.4%**	**23.4%**	**23.3%**	**23.1%**	**23.0%**	**23.0%**	**23.0%**	**22.9%**	**22.9%**	**22.9%**
Revenue administered by the RFB, excluding RGPS	15.3%	15.2%	15.1%	15.1%	15.0%	14.9%	14.9%	14.9%	14.9%	14.9%	14.9%
Net revenue for the RGPS	5.5%	5.6%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%
Revenue not administered by the RFB	2.8%	2.6%	2.6%	2.5%	2.5%	2.4%	2.4%	2.4%	2.4%	2.3%	2.3%
Revenue-sharing transfers	**4.8%**	**4.6%**	**4.6%**	**4.6%**	**4.6%**	**4.6%**	**4.6%**	**4.6%**	**4.6%**	**4.6%**	**4.6%**
Net revenue	**18.9%**	**18.7%**	**18.8%**	**18.7%**	**18.5%**	**18.5%**	**18.4%**	**18.4%**	**18.4%**	**18.4%**	**18.3%**
OPTIMISTIC SCENARIO	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**
Total Revenue	**23.6%**	**23.5%**	**23.6%**	**23.7%**	**23.6%**	**23.6%**	**23.6%**	**23.6%**	**23.6%**	**23.6%**	**23.5%**
Revenue administered by the RFB, excluding RGPS	15.4%	15.4%	15.4%	15.4%	15.3%	15.3%	15.3%	15.2%	15.2%	15.2%	15.2%
Net revenue for the RGPS	5.5%	5.6%	5.7%	5.8%	5.8%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%
Revenue not administered by the RFB	2.8%	2.6%	2.6%	2.5%	2.5%	2.5%	2.4%	2.4%	2.4%	2.4%	2.4%
Revenue-sharing transfers	**4.8%**	**4.7%**	**4.7%**	**4.7%**	**4.7%**	**4.7%**	**4.7%**	**4.7%**	**4.7%**	**4.7%**	**4.7%**
Net revenue	**18.9%**	**18.9%**	**18.9%**	**19.0%**	**18.9%**	**19.0%**	**18.9%**	**18.9%**	**18.9%**	**18.9%**	**18.9%**
PESSIMISTIC SCENARIO	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**
Total Revenue	**23.9%**	**23.5%**	**23.4%**	**23.2%**	**22.9%**	**22.8%**	**22.7%**	**22.6%**	**22.5%**	**22.4%**	**22.2%**
Revenue administered by the RFB, excluding RGPS	15.3%	15.1%	15.0%	14.9%	14.7%	14.7%	14.6%	14.6%	14.5%	14.5%	14.4%
Net revenue for the RGPS	5.5%	5.5%	5.5%	5.5%	5.5%	5.4%	5.4%	5.4%	5.3%	5.3%	5.2%
Revenue not administered by the RFB	3.1%	2.9%	2.9%	2.8%	2.7%	2.7%	2.7%	2.7%	2.6%	2.6%	2.6%
Revenue-sharing transfers	**4.8%**	**4.6%**	**4.6%**	**4.5%**	**4.5%**	**4.5%**	**4.5%**	**4.4%**	**4.4%**	**4.4%**	**4.4%**
Net revenue	**19.1%**	**18.9%**	**18.8%**	**18.6%**	**18.4%**	**18.3%**	**18.2%**	**18.1%**	**18.0%**	**17.9%**	**17.8%**

Prepared by: IFI

Finally, Graph 5 presents the projection of net revenue for the period 2026 to 2036 under the three reference scenarios. Over the medium term (2028–2036), the IFI projects that net revenue will reach an average of 18.5% of GDP under the baseline scenario. Under the optimistic scenario, this figure would be 18.9% of GDP, while under the pessimistic scenario, the estimate for net revenue over the medium term is 18.3% of GDP.

GRAPH 5. COMPARISON OF NET REVENUE/GDP PROJECTIONS – BASELINE, OPTIMISTIC AND PESSIMISTIC SCENARIOS



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

Scenarios for Primary Expenditure and for the Primary Balance

Introductory Remarks on Short- and Medium-Term Scenarios

The projections for central government primary expenditure and primary balances are based on modeling exercises with parameters for the three reference scenarios (baseline, optimistic, and pessimistic), drawing on the macroeconomic and primary revenue projections presented in the previous sections of this RAF.

For primary expenditure projections, the rules of the Sustainable Fiscal Regime[22] (RFS) were considered, guided both by primary balance targets established in the Budget Guidelines Law (LDO) and by primary expenditure growth limits linked to the variation of Adjusted Net Revenue (RLA).

If necessary, spending cuts and freezes may be assumed, resulting in reductions in commitment and financial execution limits, which in turn influence the execution of primary expenditures subject to financial programming, in accordance with the provisions of the Fiscal Responsibility Law (LRF)[23] and the LDO.

For the fiscal targets, the parameters established in the LDO 2026[24] were used, which sets a primary surplus target of BRL 34.3 billion for the Fiscal and Social Security Budgets (OFSS), with a tolerance band of 0.25 p.p. of estimated GDP for 2026, allowing the target to be met at its lower bound, which is zero.

For subsequent years, the 2027 Budget Guidelines Bill (PLDO 2027) [25] sets primary surplus targets of 0.5%, 1.0%, 1.25%, and 1.5% of GDP for fiscal years 2027 through 2030, respectively. For the remainder of the projection horizon, from 2030 to 2036, a surplus target of 1.5% of GDP was used, in accordance with the Fiscal Targets Annex[26] of the PLDO 2026[27].

It is important to note that the primary balance estimates should produce a trajectory sufficient to stabilize the ratio of General Government Gross Debt (DBGG) to GDP, as established by the RFS. However, as demonstrated in RAF No. 112[28], of May 2026, the PLDO

[22] Established by Complementary Law (LC) No. 200, of August 30, 2023. Available at: https://www.planalto.gov.br/ccivil_03/leis/lcp/Lcp200.htm.
[23] Complementary Law No. 101, of May 4, 2000. Available at: https://www.planalto.gov.br/ccivil_03/leis/lcp/lcp101.htm.
[24] Law No. 15,321, of December 31, 2025. Available at: https://www.planalto.gov.br/ccivil_03/_ato2023-2026/2025/lei/l15321.htm.
[25] National Congress Bill (PLN) No. 2, of April 15, 2026. Available at: https://www.congressonacional.leg.br/materias/pesquisa/-/materia/173677.
[26] Available at: https://www.congressonacional.leg.br/documents/137784508/147634965/Anexo_IV.pdf/40ca7e36-66d6-42fc-bdf6-7a5f8f51deeb.
[27] Available at: https://www.congressonacional.leg.br/materias/pesquisa/-/materia/168120.
[28] Available at: https://www2.senado.leg.br/bdsf/bitstream/handle/id/865129/RAF112_MAI2026.pdf.

2027 estimates appear relatively optimistic for macroeconomic and fiscal variables. This would influence future expenditure and revenue projections, generating a scenario of primary balances that are hardly feasible without significant fiscal adjustments, consequently affecting public debt estimates.

Furthermore, as highlighted in RAF No. 106[29], of November 2025, the measures allowing expenditure deductions from the fiscal target make the fiscal results pursued by fiscal policy effectively lower than those necessary to stabilize public debt. A significant legislative change affecting these deductions was the insertion of § 21 into Art. 100 of the Federal Constitution by Constitutional Amendment (EC) No. 136, of 2025. This provision allowed the deduction of up to 90% of court-ordered debt payment expenditures from the primary balance target from 2027 onward, with this percentage decreasing by at least 10 p.p. each fiscal year.

Despite this legal possibility, in the PLDO 2027 the Executive Branch indicated that it will not use the maximum deduction level for court-ordered debt payment expenditures, having considered 39.4% of expenditures with court-ordered payments and small-value requisitions (RPVs) in the calculation of the 2027 primary balance target. Considering the figures set out in the PLDO 2027, there would therefore be a deduction of BRL 57.8 billion in court-ordered debt payment expenditures[30] from the 2027 primary balance target.

For fiscal years 2028, 2029, and 2030, the PLDO indicates the computation of 56.2%, 61.9%, and 67.9%, respectively, of court-ordered debt payment expenditures in the calculation of the primary balance target for each fiscal year. The figures actually used, however, will be presented when the PLDOs for each fiscal year are drafted. Between 2031 and 2036, the IFI arbitrarily assumed a linear growth for this deduction, with increases of 5.4 p.p. per fiscal year, until 100% is reached in 2036. In the baseline projection scenario, the total deduction would amount to BRL 400.3 billion over the 2026–2036 period.

In all three reference scenarios, expenditure estimates were made based on the assumptions described above, with differences in figures according to the grid of macroeconomic and primary revenue parameters that shape the underlying assumptions. These parameters and assumptions determine the trajectory of primary expenditures that have their own linkages and indexation rules. For non-referenced expenditures[31], assumptions were made about their trajectories in order to produce the alternative scenarios.

[29] Available at: https://www2.senado.leg.br/bdsf/bitstream/handle/id/816059/RAF106_NOV2025.pdf.
[30] As the deduction is stipulated in percentage terms, the actual deduction may be higher or lower, depending on the amounts approved in the LOA 2027, which has not yet been submitted..
[31] Referenced expenditures include those linked to revenues, such as the constitutional minimums for health and education, the Federal Government's supplementation to Fundeb, and expenditures indexed to inflation indicators, such as social security, social assistance (BPC and Lifetime Monthly Income), and labor benefits (salary allowance and unemployment insurance).

The IFI also incorporated into the scenarios the effects of Complementary Law (LC) No. 223[32], of 2025, which excludes from the expenditure limits and the primary balance target those health and education expenditures funded by the Fundo Social [Social Fund]. The law stipulates that 5% of resources collected in each fiscal year be allocated for this purpose, with a five-year validity period beginning in 2025. Based on the collected amount of BRL 48.9 billion in 2025[33], equivalent to 0.38% of GDP, the IFI considered Social Fund revenue at this proportion of GDP across the three reference scenarios. Under the baseline scenario, it is estimated that BRL 14.6 billion will be excluded from the primary balance target calculation between 2025 and 2029.

Regarding the effects of Complementary Law (LC) No. 221, of 2025, which excludes from the primary balance target expenditures on strategic national defense projects up to a limit of BRL 5 billion per year through 2031, the IFI considered that BRL 5 billion in target deductions will effectively be used during the validity period. This would result in BRL 32.5 billion[34] in expenditures excluded from the primary balance target calculation and the expenditure cap between 2025 and 2031.

Finally, the estimates were updated based on financial data available through May for all expenditures. For social security and social assistance benefit expenditures[35], the information is updated through April.

Revision of Short-Term Expenditure Projections

This section presents primary expenditure projections based on modeling exercises of fiscal aggregates, drawing on the macroeconomic parameters and primary revenue estimates presented earlier.

The IFI's new projection considers total primary expenditure of BRL 2,630.9 billion (19.2% of GDP) in 2026, compared to BRL 2,641.7 billion (19.4% of GDP) projected by the Executive Branch in the 2nd RARDP, a difference of BRL 10.8 billion.

Table 8, which presents Executive Branch and IFI estimates for the main primary expenditure aggregates of the central government, considers net values of the BRL 23.7 billion spending freeze proposed in the RARDP and set out in Decree No. 12,990[36], of May 29, 2026, as well as measures adopted by each Branch of government.

[32] Available at: https://www.congressonacional.leg.br/materias/materias-bicamerais/-/ver/plp-163-2025.
[33] As presented in the budgetary revenues of the Social Fund, shown in Graph 5.13.8 of the 2025 Management Report of the Presidency of the Republic. Available at: https://www.gov.br/planalto/pt-br/acesso-a-informacao/auditorias/prestacao-de-contas-1/2025/relatorio-de-gestao/RelatriodeGesto2025PReVPR31mar.pdf.
[34] In 2025, a deduction of BRL 2.5 billion from the primary balance target was considered under LC No. 221/2025. From 2026 onward, the amount of BRL 5 billion per fiscal year is considered.
[35] Except for Bolsa Família, for which data updated through June 2026 were considered.
[36] Available at: https://www.planalto.gov.br/ccivil_03/_ato2023-2026/2026/decreto/d12990.htm.

For social security benefits, the IFI projects execution of BRL 1,138.5 billion (8.3% of GDP) in 2026, BRL 2.8 billion above the figure projected in the 2nd RARDP, even after the upward revision made to this line item in the most recent RARDP. The Executive Branch's projection increased from BRL 1,122.4 billion (8.1% of GDP) in the LOA 2026 to BRL 1,135.7 billion (8.3% of GDP), an increase of BRL 13.4 billion.

TABLE 8. REVISIONS TO ESTIMATES FOR THE MAIN PRIMARY EXPENDITURE AGGREGATES IN 2025 AND 2026

Item	2025 Actual			LOA 2026		2nd RARDP (MAY/2026)		IFI 2026 (JUN/2026)		Diff. 2nd RARDP (MAY/2026) - IFI 2026 (JUN/2026)	
	BRL Bi.	GDP %	Part. %	BRL Bi.	GDP %	BRL Bi.	GDP %	BRL Bi.	GDP %	BRL Bi.	GDP %
Total Primary Revenue	**2,902.3**	**22.8**	**100.0**	**3,198.1**	**23.1**	**3,218.0**	**23.6**	**3,229.1**	**23.6**	**11.1**	**0.1**
Transfers to States and Municipalities	**569.7**	**4.5**	**19.6**	**607.5**	**4.4**	**636.7**	**4.7**	**649.9**	**4.8**	**13.3**	**0.1**
Net Primary Revenue after Transfers	**2,332.6**	**18.3**	**80.4**	**2,590.6**	**18.7**	**2,581.3**	**18.9**	**2,579.2**	**18.9**	**-2.1**	**0.0**
Total Primary Expenditure	**2,394.2**	**18.8**	**100.0**	**2,613.5**	**18.9**	**2,641.7**	**19.4**	**2,630.9**	**19.2**	**-10.8**	**-0.1**
Social Security Benefits	**1,026.9**	**8.1**	**42.9**	**1,122.4**	**8.1**	**1,135.7**	**8.3**	**1,138.5**	**8.3**	**2.8**	**0.0**
Personnel and Social Charges	**402.6**	**3.2**	**16.8**	**456.9**	**3.3**	**454.1**	**3.3**	**435.8**	**3.2**	**-18.3**	**-0.1**
Other Mandatory Expenditures	**390.6**	**3.1**	**16.3**	**421.0**	**3.0**	**454.8**	**3.3**	**440.5**	**3.2**	**-14.3**	**-0.1**
Salary Allowance and Unemployment Insurance	87.8	0.7	3.7	97.1	0.7	96.6	0.7	96.9	0.7	0.2	0.0
Financial Support for States and Municipalities	5.6	0.0	0.2	0.0	0.0	0.3	0.0	0.2	0.0	-0.1	0.0
Continuous Cash Benefit (LOAS/BPC)	127.2	1.0	5.3	132.0	1.0	148.0	1.1	144.5	1.1	-3.5	0.0
Extraordinary appropriations	6.4	0.0	0.3	0.0	0.0	19.4	0.1	16.8	0.1	-2.6	0.0
Federal Supplementation to Fundeb	59.7	0.5	2.5	68.4	0.5	67.7	0.5	66.3	0.5	-1.4	0.0
FCDF (Current and Capital)	4.9	0.0	0.2	5.4	0.0	5.6	0.0	5.3	0.0	-0.3	0.0
Fiscal Benefits Compensation Fund (FCBF)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Regional Development Fund (FNDR)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Legislative Branch/Judicial Branch/MPU/DPU (Current and Capital)	19.8	0.2	0.8	25.2	0.2	24.3	0.2	21.6	0.2	-2.7	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
Court-Ordered Debt Payments (Current and Capital)	42.8	0.3	1.8	45.3	0.3	45.3	0.3	45.3	0.3	0.0	0.0
Subsidies, grants, and Proagro	25.5	0.2	1.1	30.8	0.2	30.7	0.2	27.3	0.2	-3.3	0.0
Other Mandatory Expenses	6.8	0.1	0.3	12.8	0.1	13.1	0.1	12.3	0.1	-0.8	0.0
Expenditures Subject to Financial Programming	**574.3**	**4.5**	**24.0**	**0.0**	**0.0**	**596.9**	**4.4**	**616.1**	**4.5**	**19.1**	**0.1**
Mandatory with Cash Flow Control	**369.4**	**2.9**	**15.4**	**373.0**	**2.7**	**377.5**	**2.8**	**386.2**	**2.8**	**8.7**	**0.1**
Civil Servant Benefits	21.3	0.2	0.9	25.3	0.2	25.3	0.2	22.9	0.2	-2.8	0.0
Bolsa Família Program	**158.1**	**1.2**	**6.6**	**158.6**	**1.1**	**156.6**	**1.1**	**156.4**	**1.1**	**-0.3**	**0.0**
Health - Mandatory	170.5	1.3	7.1	170.3	1.2	170.1	1.2	186.0	1.4	12.9	0.1
Education - Mandatory	8.5	0.1	0.4	8.4	0.1	8.4	0.1	9.6	0.1	1.2	0.0
Other Mandatory Items with Clash Flow Control	10.9	0.1	0.5	10.4	0.1	17.1	0.1	11.3	0.1	-2.4	0.0
Discretionary Expenditure	**204.9**	**1.6**	**8.6**	**240.3**	**1.7**	**219.5**	**1.6**	**229.9**	**1.7**	**10.4**	**0.1**
Health - Discretionary	58.1	0.5	2.4	70.0	0.5	67.3	0.5	70.1	0.5	1.5	0.0
Education - Discretionary	32.7	0.3	1.4	42.2	0.3	27.9	0.2	39.3	0.3	-0.8	0.0
Other Discretionary Expenses	114.1	0.9	4.8	184.9	1.3	124.3	0.9	120.5	0.9	9.8	0.1
Resultado Primário Acima da Linha	**-61.7**	**-0.5**		**-22.9**	**-0.2**	**-59.8**	**-0.4**	**-51.7**	**-0.4**	**8.6**	**0.1**

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

Personnel and social charge expenditures were reduced to BRL 454.1 billion (3.3% of GDP) in the 2nd RARDP but remain BRL 18.3 billion above the IFI's projection of BRL 435.8 billion (3.2% of GDP).

The third relevant aggregate, encompassing other mandatory expenditures, is projected at BRL 454.8 billion (3.3% of GDP) by the RARDP, above the IFI's projection of BRL 440.5 billion (3.2% of GDP), both substantially above the LOA 2026 projection of BRL 421.0 billion (3.0% of GDP).

The main divergence between the IFI's and the Executive Branch's projections in the other mandatory expenditures group lies in Continuous Cash Benefit (BPC) payments, estimated at BRL 144.5 billion (1.1% of GDP) by the IFI and BRL 148.0 billion (1.1% of GDP) by the Executive Branch in the RARDP, a difference of BRL 3.5 billion. In the LOA 2026, the amount established was BRL 132.0 billion (1.0% of GDP), BRL 12.5 billion below the IFI's current figure.

The Executive Branch anticipates an acceleration in the volume of benefits issued due to the strategy for reducing the pending analysis backlog at the INSS, which would result in an increase in the volume of expected grants over the remainder of the year. In the context of the BPC, this revision, together with the dynamics of grants at the beginning of 2026, led the Executive Branch to increase BPC expenditure by BRL 15.9 billion relative to the amount projected in the LOA 2026.

For expenditure estimates subject to financial programming, there is an upward divergence of BRL 19.1 billion between the IFI's figures (BRL 616.1 billion, or 4.5% of GDP) and those of the RARDP (BRL 596.9 billion, or 4.4% of GDP). Part of this difference is due to mandatory expenditures with cash flow control, assessed at BRL 386.2 billion (2.8% of GDP) by the IFI and BRL 377.5 billion (2.8% of GDP) in the 2nd RARDP, a difference of BRL 8.7 billion.

Of this BRL 19.1 billion difference, BRL 15.2 billion is attributable to an apparent underestimation of health expenditures, projected at BRL 186.0 billion (1.4% of GDP) by the IFI, compared to BRL 173.1 billion (1.4% of GDP) estimated in the two-month report.

The differential in health-related cash flow control expenditures (mandatory and discretionary) stems from the revenue gains presented in Table 8. The IFI considers that these two line items reach 15% of the estimated Net Current Revenue (RCL), which would provide some margin for compliance with the Public Health Actions and Services (ASPS) floor, given that these two line items account for more than 94.8% of primary appropriations associated with compliance with the constitutional health spending floor.

Finally, non-rigid discretionary expenditures[37] stand out, estimated by the IFI at BRL 120.5 billion (0.9% of GDP), above the BRL 110.7 billion projected in the 2nd RARDP of 2026 (0.8%

[37] The IFI considers that discretionary health and education expenditures are rigid in nature. This is because a large portion of these expenditures is counted toward the minimum application values for the constitutional health and education spending floors, such that spending cuts using these line items could make compliance

of GDP). These expenditures are projected slightly above the minimum limit necessary for the functioning of the public administration, estimated at 0.7% of GDP by the IFI[38].

Following the same approach as presented in the aforementioned RAF No. 107, Table 9 shows the primary balance and primary expenditure deductions for fiscal year 2026. Based on the IFI's projections, the figures indicate that compliance with the primary balance target at its lower bound is feasible, with a margin of BRL 18.2 billion. Relative to the center of the target, there would be a deviation of BRL 16.1 billion.

TABLE 9. ACTUAL PRIMARY BALANCE AND PRIMARY BALANCE FOR TARGET COMPLIANCE PURPOSES UNDER THE LDO IN 2026

Item	2025 Actual		LOA 2026		2nd RARDP (MAY/2026)		IFI 2026 (JUN/2026)		Diff. 2nd RARDP (MAY/2026) - IFI 2026 (JUN/2026)	
	BRL Bi.	GDP %	BRL Bi.	GDP %	BRL Bi.	GDP %	BRL Bi.	GDP %	BRL Bi.	GDP %
1. Actual primary balance	**-61.7**	**-0.5**	**-22.9**	**-0.2**	**-60.3**	**-0.4**	**-51.7**	**-0.4**	**8.6**	**0.1**
2. Deductions from the primary balance target	48.7	0.4	57.8	0.4	64.4	0.5	69.8	0.5	5.5	0.0
3. Offset between the central government target and state-owned enterprises	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Primary balance for target compliance purposes [1+2-3]	**-13.0**	**-0.1**	**34.9**	**0.3**	**4.1**	**0.0**	**18.2**	**0.1**	**14.1**	**0.1**
5. Primary Balance Target	0.0	0.0	34.3	0.2	34.3	0.3	34.3	0.3	0.0	0.0
7. Deviation from the primary balance target [4-5]	**-13.0**	**-0.1**	**0.7**	**0.0**	**-30.2**	**-0.2**	**-16.1**	**-0.1**	**14.1**	**0.1**
8. Lower bound of the primary balance target	-31.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9. Deviation from the lower bound of the primary balance target [4-8]	**18.0**	**0.1**	**34.9**	**0.3**	**4.1**	**0.0**	**18.2**	**0.1**	**14.1**	**0.1**

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

For fiscal year 2027, the IFI's estimates for federal primary expenditures are BRL 46.7 billion above the PLDO 2027 projection (Table 10).

with the rule unfeasible. This classification is also used by the National Treasury Secretariat in its Fiscal Projections Report. For further explanation, see RAF No. 90, of July 2024. Available at: https://www2.senado.leg.br/bdsf/bitstream/handle/id/657485/RAF90_JUL2024.pdf.

[38] See, for example, RAF No. 91, August 2024, available at: https://www2.senado.leg.br/bdsf/bitstream/handle/id/658531/RAF91_AGO2024.pdf.

TABLE 10. REVISIONS TO ESTIMATES FOR THE MAIN PRIMARY EXPENDITURE AGGREGATES IN 2027

ITEM	PLDO 2027		IFI 2027 (Jun/2026)		Diff. PLDO 2026 - IFI 2027 (Jun/2025)	
	BRL Bi.	GDP %	BRL Bi.	GDP %	BRL Bi.	GDP %
Total Primary Revenue	**3,408.2**	**23.3**	**3,395.1**	**23.4**	**-13.1**	**0.1**
Transfers to States and Municipalities	**640.0**	**4.4**	**674.3**	**4.6**	**34.3**	**0.3**
Net Primary Revenue after Transfers	**2,768.2**	**18.9**	**2,720.8**	**18.7**	**-47.4**	**-0.2**
Total Primary Expenditure	**2,760.2**	**18.8**	**2,806.9**	**19.3**	**46.7**	**0.5**
Social Security Benefits	**1,204.6**	**8.2**	**1,239.2**	**8.5**	**34.6**	**0.3**
Personnel and Social Charges	**459.3**	**3.1**	**457.1**	**3.1**	**-2.2**	**0.0**
Other Mandatory Expenditures	**437.0**	**3.0**	**464.0**	**3.2**	**26.9**	**0.2**
Salary Allowance and Unemployment Insurance	104.8	0.7	113.1	0.8	8.3	0.1
Continuous Cash Benefit (LOAS/BPC)	137.9	0.9	161.9	1.1	23.9	0.2
Extraordinary appropriations	0.0	0.0	3.8	0.0	3.8	0.0
Federal Supplementation to Fundeb	73.5	0.5	66.7	0.5	-6.7	0.0
FCDF (Current and Capital)	6.3	0.0	6.0	0.0	-0.3	0.0
Legislative Branch/Judicial Branch/MPU/DPU (Current and Capital)	41.4	0.3	23.0	0.2	-18.4	-0.1
Kandir Law	4.0	0.0	4.0	0.0	0.0	0.0
Court-Ordered Debt Payments (Current and Capital)	30.1	0.2	48.8	0.3	18.6	0.1
Subsidies, grants, and Proagro	30.7	0.2	29.1	0.2	-1.6	0.0
Other Mandatory Expenses	8.3	0.1	7.6	0.1	-0.7	0.0
Expenditures Subject to Financial Programming	**659.3**	**4.5**	**646.7**	**4.4**	**-12.6**	**-0.1**
Mandatory with Cash Flow Control	**384.6**	**2.6**	**406.3**	**2.8**	**21.8**	**0.2**
Discretionary Expenditure	**274.7**	**1.9**	**240.4**	**1.7**	**-34.3**	**-0.2**
Resultado Primário Acima da Linha	**8.0**	**0.1**	**-86.1**	**-0.6**	**-94.1**	**-0.6**

Source: PLN 2/2026 e IFI. Prepared by: IFI.

The IFI projects that social security benefit expenditures will reach BRL 1,239.2 billion (8.5% of GDP) in 2027, BRL 34.6 billion above the figure presented in the PLDO 2027. Of this difference, BRL 9.4 billion includes expenditures on social security court-ordered payments and RPVs, while the remainder is explained by the dynamics of social security benefit grants. In RAF No. 112, of May 2026, the IFI analyzed the recent trajectory of RGPS expenditures, showing that significant growth in issued benefits persists.

Another element differentiating the IFI's projections from those of the Executive Branch is the assumption regarding the growth of issued benefits. Considering the PLDO's estimated minimum wage of BRL 1,717 in 2027, and based on the projected value for this expenditure in the year excluding court-ordered payments, it would be possible to pay approximately 6.3 million BPC beneficiaries per month, a figure lower than the stock of issued benefits in April 2026.

The IFI's estimate for personnel and social charge expenditures, BRL 457.1 billion (3.1% of GDP), is BRL 2.2 billion below the Executive Branch's projection in the PLDO 2027. Starting next year, due to the effects of item II of Art. 6-A of Complementary Law (LC) No. 200, of 2023[39], the real growth of personnel expenditures will be limited to 0.6%, except for related court-ordered payments and RPVs. This limitation stems from the actual primary deficit recorded by the central government in 2025. The IFI incorporates this limitation into the baseline scenario estimates.

Other mandatory expenditures are expected to reach BRL 464.0 billion (3.2% of GDP) in 2027, BRL 26.9 billion above the PLDO 2027 projection. The largest source of divergence lies in Continuous Cash Benefit (BPC) payments, estimated by the IFI at BRL 161.9 billion (1.1% of GDP), BRL 23.9 billion above the PLDO 2027 projection. Part of this divergence stems from the inflation estimate for 2026, which, as explored in RAF No. 112, of May 2026, is more optimistic in the PLDO 2027. Accordingly, with a more optimistic inflation assumption, the Executive Branch would project lower minimum wage growth in 2027, resulting in lower BPC expenditure growth. Another source of divergence is the assumption regarding the organic growth rate of the number of benefits, which, based on PLDO 2027 data, would show a reduction, contrary to the IFI's projection.

For court-ordered debt payment expenditures (current and capital), the IFI projects BRL 48.8 billion (0.3% of GDP), BRL 18.6 billion above the PLDO 2027 projection.

Another significant discrepancy lies in the estimates for current and capital expenditures of the Legislative and Judicial Branches, the MPU, and the DPU. The PLDO 2027 estimates BRL 41.4 billion (0.3% of GDP), BRL 18.4 billion above the IFI's estimate of BRL 23.0 billion (0.2% of GDP).

For expenditures subject to financial programming, the IFI estimates a total of BRL 646.7 billion (4.4% of GDP) in 2027, BRL 12.6 billion below the Executive Branch's projection in the PLDO 2027.

Mandatory expenditures with cash flow control were estimated by the IFI at BRL 406.3 billion (2.8% of GDP) next year, BRL 21.8 billion above the PLDO projection.

For discretionary expenditures, the IFI projects a total of BRL 240.4 billion (1.7% of GDP) in 2027, BRL 34.3 billion below the PLDO projection.

[39] "Art. 6-A. In the event of an actual primary deficit of the Central Government, pursuant to § 4 of Art. 2 of this Complementary Law, as of fiscal year 2025, the following shall be prohibited in the fiscal year subsequent to the deficit and until the recording of an annual primary surplus:
I - the enactment of legislation granting, expanding, or extending tax incentives or benefits;
II - until 2030, in the annual budget bill and the annual budget law, the programming of annual real growth in personnel and social charge expenditures of each Branch or autonomous body above the lower index referred to in § 1 of Art. 5 of this Complementary Law, excluding amounts granted by court order." [unofficial translation]

Based on the primary expenditure estimates discussed above and the projection for net primary revenue, the IFI points to a primary deficit of BRL 86.1 billion (0.6% of GDP) in 2027, BRL 94.1 billion below the PLDO projection.

Table 11 presents the actual primary balance and the primary balance for target compliance purposes under the LDO in 2027.

TABLE 11. ACTUAL PRIMARY BALANCE AND PRIMARY BALANCE FOR TARGET COMPLIANCE PURPOSES UNDER THE LDO IN 2027

Item	PLDO 2027		IFI 2027 (Jun/2026)		Diff. PLDO 2027 - IFI 2027 (Jun/2026)	
	BRL Bi.	GDP %	BRL Bi.	GDP %	BRL Bi.	GDP %
1. Actual primary balance	**8.0**	**0.1**	**-86.1**	**-0.6**	**94.1**	**0.7**
2. Deductions from the primary balance target	65.7	0.5	87.0	0.6	-21.4	-0.1
3. Offset between the central government target and state-owned enterprises	0.0	0.0	0.0	0.0	0.0	0.0
4. Primary balance for target compliance purposes [1+2-3]	**73.6**	**0.6**	**0.9**	**0.0**	**72.8**	**0.6**
5. Primary Balance Target	73.2	0.6	73.2	0.5	0.0	0.0
7. Deviation from the primary balance target [4-5]	**0.4**	**0.0**	**-72.3**	**-0.5**	**72.8**	**0.5**
8. Lower bound of the primary balance target	36.6	0.3	36.6	0.3	0.0	0.0
9. Deviation from the lower bound of the primary balance target [4-8]	**37.0**	**0.3**	**-35.7**	**-0.3**	**72.8**	**0.5**

Source: PLN 2/2026 and IFI. Prepared by: IFI.

The primary balance estimated in the PLDO 2027 for fiscal target compliance purposes, considering the effects of LC No. 221, LC No. 222, and EC No. 136, is a surplus of BRL 73.6 billion (0.6% of GDP), with BRL 65.7 billion (0.5% of GDP) in expenditures deducted from the primary balance calculation. This would leave a margin of BRL 0.43 billion for compliance with the center of the primary balance target.

The IFI's estimate for LDO fiscal target compliance purposes is a primary surplus of BRL 0.9 billion (0.01% of GDP) in 2027, including estimated deductions totaling BRL 87.0 billion (0.6% of GDP)[40]. This amount would be insufficient to meet not only the center of the target (a surplus of BRL 73.2 billion) but also the lower bound (BRL 36.6 billion).

The difference between the IFI's and the Executive Branch's estimates is explained by the projections for central government net revenue and total primary expenditure. The IFI projects net revenue BRL 47.4 billion below the figure presented in the PLDO 2027. In turn, the projection for total primary expenditure is BRL 46.7 billion above the figure in the PLDO 2027. Thus, even considering the larger volume of expenditures deducted from the primary balance calculation, formal compliance with the 2027 primary balance target would not be achievable in light of the IFI's projections.

[40] Of these amounts, BRL 79.3 billion originate from EC No. 136/2025; BRL 2.8 billion from LC No. 223/2025; and BRL 5.0 billion from LC No. 221/2025.

In this context, still considering the IFI's baseline scenario projections, a spending freeze of BRL 35.7 billion in non-rigid discretionary expenditures would be necessary to meet the fiscal target next year at the lower bound of the target. The head provision of Art. 68 of the PLDO 2027 establishes that, if it becomes necessary to impose commitment and financial execution limits, the spending freeze will be calculated with reference to the lower bound of the primary balance target.

Thus, the PLDO 2027 indicates that fiscal policy will effectively pursue the lower bound of the primary balance target set for the year, which increases the risk of non-compliance with the rule should shocks occur that trigger an increase in expenditure or a decrease in primary revenue.

Compliance with the expenditure cap and need for spending freezes

Both spending cuts and freezes represent fiscal policy instruments aimed at making, at times temporary, reductions in discretionary expenditures, with the objective of aligning the pace of expenditure execution with the limits established in current legislation. The new fiscal framework, however, has established different motivations for the use of these instruments.

In accordance with Art. 71 of the LDO 2026, for the purposes of the provisions of item I of § 11 of Art. 165 of the Federal Constitution (regarding expenditure limits), the Executive, Legislative, and Judicial Branches, the Office of the Federal Attorney General (AGU), and the Federal Public Defender's Office are authorized to freeze discretionary budget appropriations in the amount necessary to comply with the individualized limits established in Art. 3 of LC No. 200, based on the information contained in the primary revenue and expenditure assessment reports.

In the PLDO 2027, this provision is set out in Art. 66. It should be recalled that, since the decision in the context of the Claim of Non-Compliance with a Fundamental Precept (ADPF) No. 854[41], budget guidelines laws have included a provision allowing the proportional freezing of parliamentary amendments, including mandatory ones, when restrictions arise from the expenditure cap established by LC No. 200.

Art. 72 of the LDO 2026, which governs the annual disbursement schedule, introduces an important innovation. In fiscal year 2026, pursuant to § 21 of the head provision of Art. 72, the Executive Branch is required to release at least 65% of the payment limit for mandatory parliamentary amendments provided for in the LOA 2026. As a result, in the event of a need for spending restraint, should execution be accelerated in view of the 2026 electoral calendar[42], there would be a smaller volume of expenditures subject to containment, or a

[41] Available at https://portal.stf.jus.br/processos/detalhe.asp?incidente=6199750.
[42] According to the findings of IFI Technical Note No. 57, of 2024, in electoral 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 elections. Available at: https://www2.senado.leg.br/bdsf/bitstream/handle/id/660953/NT57_emendas_parlamentares_2024.pdf.

reduced possibility of unexecuted expenditures due to more restrictive payment schedules, such as those used in 2025. The PLDO 2027 contains no similar provision, giving the Executive Branch greater flexibility to manage the payment schedule next year.

Fiscal year 2026 is the first to feature the exclusion of primary expenditures on court-ordered payments and RPVs from the expenditure cap, pursuant to EC No. 136. As explored by the IFI in RAF No. 103[43], of August 2025, this measure would provide some additional room within the 2026 expenditure cap due to the incorporation of supplementary appropriations opened in 2025 into the cap's calculation base. This would occur even with the reduction of the cap following the exclusion of court-ordered payments from the limit. RAF No. 106[44], of November 2025, also analyzed the degree of adherence of total primary expenditures to the expenditure limits following EC No. 136, which would result in a smaller volume of primary expenditures subject to the cap. Considering the current 2026 appropriations, 90.7% of the year's primary expenditures are subject to the cap. In 2025, the cap covered 93.7% of primary expenditures.

Revision of Medium-Term Primary Expenditure Projections

Relative to the aforementioned RAF No. 107, the current report presents more optimistic estimates over both the short- and medium-term horizons. In the short term, the improvement stems from better primary revenue estimates, which increased net revenues by BRL 48.8 billion relative to the last scenario revision.

In the medium term, in addition to the impact of changes in the macroeconomic scenario, there was an improvement in certain parameters that underpin the adjustment of some primary expenditures over time.

In general, inflation projections contribute to the differences that arise between expenditure estimates across scenarios, in addition to GDP growth. The upward revision in revenue projections acts to increase estimates for expenditures linked to revenue growth, such as those related to the minimum application in Public Health Actions and Services (ASPS) and Education Maintenance and Development (MDE) — the constitutional health and education spending floors, respectively — as well as the Federal District Constitutional Fund (FCDF).

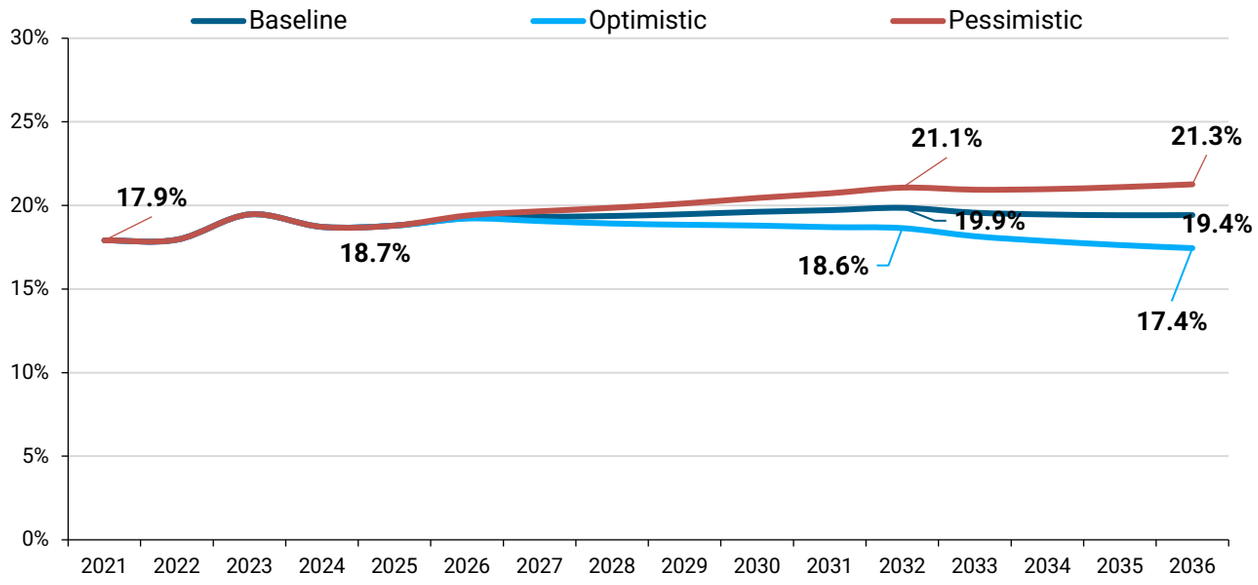
In the period from 2029 to 2032, the main factors putting upward pressure on federal primary expenditures are disbursements from the Regional Development Fund (FNDR) and the Fiscal Benefits Compensation Fund (FCBF). Contributions to the FCBF will end in 2032.

In the IFI's baseline scenario, primary expenditures as a share of GDP grow continuously until reaching a peak of 19.9% of GDP in 2032. From that point, they begin to decline in 2033 and stabilize at 19.4% of GDP in 2035.

[43] Available at: https://www2.senado.leg.br/bdsf/bitstream/handle/id/757438/RAF103_AGO2025.pdf.
[44] Available at: https://www2.senado.leg.br/bdsf/bitstream/handle/id/816059/RAF106_NOV2025.pdf.

The sustained expansionary character of expenditures in the baseline scenario is also present in the alternative scenarios, although the optimistic scenario additionally incorporates part of the expenditure savings effects set out in Annex IV.6 of the PLDO 2027. The differences are explained by the magnitude of expenditures as a share of GDP and by the macroeconomic parameters underpinning the behavior of certain primary expenditures, as can be observed in Graph 6:

GRAPH 6. IFI SCENARIOS FOR FEDERAL PRIMARY EXPENDITURES (% OF GDP)



Sources: STN and IFI. Prepared by: IFI.

Scenarios for the primary balance over the medium term

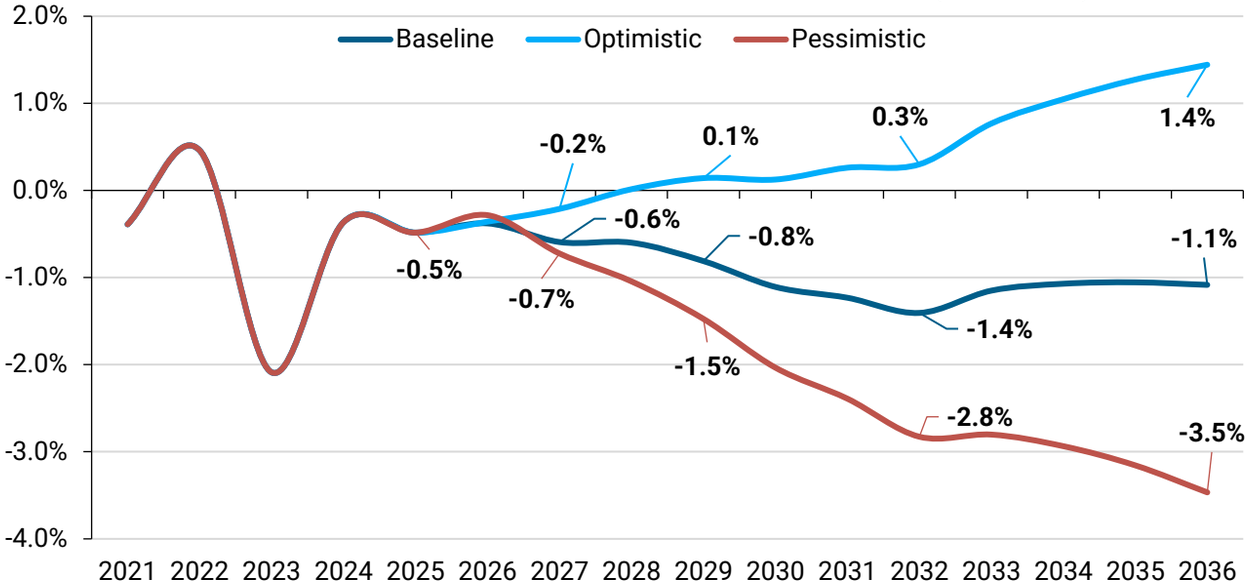
For the same reasons presented earlier, the primary balance estimates have worsened across all three reference scenarios. The primary balance projections for 2033 improved due to the conclusion of FCBF payments, although the picture reverses in subsequent years due to the growth of Federal Government contributions to the Regional Development Fund (FNDR).

In the baseline scenario, the central government primary deficit grows from 0.5% of GDP in 2025 to 1.4% of GDP in 2032, improving marginally in 2033, when it would stabilize at 1.1% of GDP through 2036. Thus, the IFI's baseline scenario projects recurring primary deficits throughout the entire projection horizon.

In the optimistic scenario, the trajectory shows a relative improvement through 2032, when a surplus of 0.3% of GDP would be recorded. From 2033 onward, the primary balance trajectory reaches a surplus of 1.4% of GDP by 2036.

The pessimistic scenario, in turn, reflects a situation of fiscal deterioration, with unfavorable macroeconomic variables, resulting in a deficit of 3.5% of GDP by 2036.

GRAPH 7. IFI SCENARIOS FOR THE FEDERAL PRIMARY BALANCE (% OF GDP)

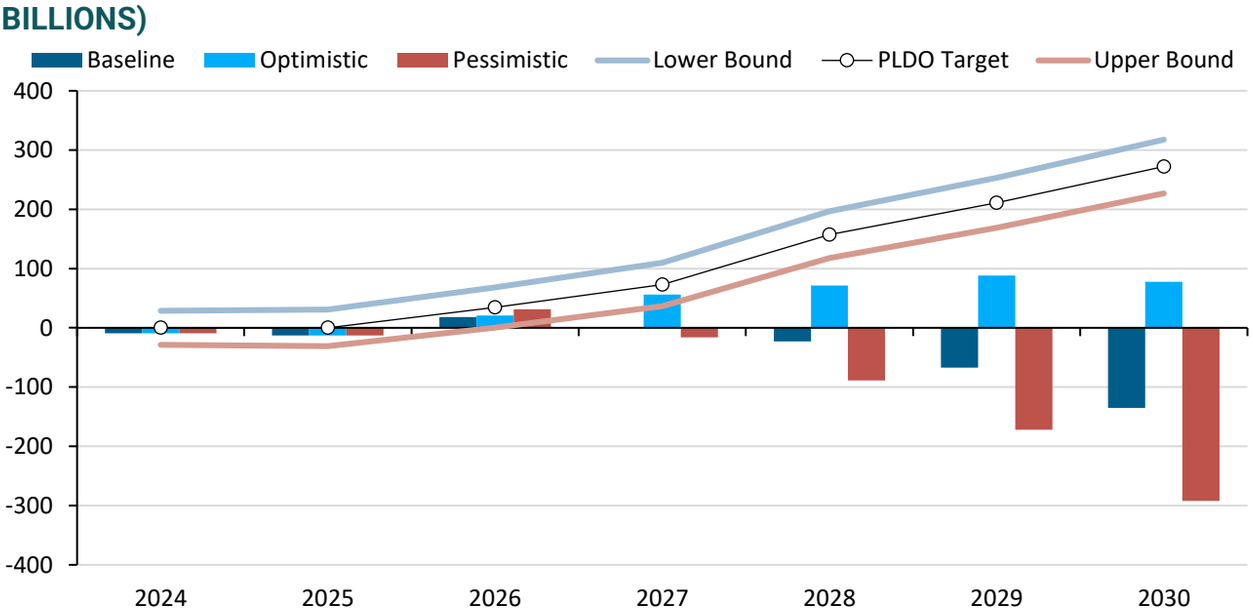


Sources: STN and IFI. Prepared by: IFI.

Compliance with the LDO primary balance targets

The LDO 2026 and the PLDO 2027 were drafted in accordance with § 5 of Art. 4 of the LRF, as amended by the RFS. Accordingly, in addition to presenting annual targets for the relevant fiscal year, they now include projections for the following three fiscal years rather than two. Thus, the monitoring of primary balance targets has been expanded in the present report to reflect the changes introduced by the new Sustainable Fiscal Regime. Trends in the scenarios, with their respective tolerance bands, can be observed in Graph 8.

GRAPH 8. IFI SCENARIOS FOR PRIMARY BALANCE TARGET COMPLIANCE (BRL BILLIONS)



Sources: LDO 2026, PLDO 2027 and IFI. Prepared by: IFI.

According to Graph 8, in the IFI's baseline scenario, the primary balance targets would be met in 2026 at the lower bound of the target, due to the BRL 23.7 billion spending freeze already implemented in the 2nd RARDP of 2026. For 2027, a spending freeze of BRL 35.7 billion would be necessary, which is feasible, although it represents a challenge for the conduct of fiscal policy.

From 2028 onward, based on the IFI's projections and assuming current fiscal targets in the budget guidelines remain unchanged, the Executive Branch will need to pursue other revenue-boosting measures and/or expenditure containment to avoid disruption to the functioning of the public administration, given the more ambitious fiscal targets and the projected deterioration of the primary balance through 2030.

It should be noted that the results presented in Graph 8 consider the fiscal target deductions, meaning that the actual primary balance recorded is lower than that illustrated in the Graph.

In the optimistic scenario, the fiscal target would be met at the lower bound in both 2026 and 2027. In 2028, the necessary spending freeze would leave non-rigid discretionary expenditures below 0.7% of GDP, making the adjustment unfeasible without affecting the functioning of the public administration.

Finally, in the pessimistic scenario, compliance with the target at the lower bound would be possible in 2026. In 2027, a spending freeze of BRL 52.6 billion would be necessary, making compliance with the primary balance target unfeasible from that year onward.

Notably, in 2026, the primary balance projected under the pessimistic scenario is higher than in other years. This stems mainly from the gains arising from inflation and the assumptions for oil price behavior on the international market. Although revenue estimates are better under the pessimistic scenario relative to the other IFI reference scenarios, the effects of higher inflation would be transmitted to expenditures in subsequent fiscal years, driving primary expenditure increases that carry through the entire projection horizon.

The fiscal targets set in the PLDO 2027 represent a challenge even under the IFI's optimistic scenario. Measures that exclude expenditures from fiscal rules help ensure formal compliance but leave the underlying drivers unaddressed: the projected growth of mandatory and rigid discretionary primary expenditures. In this context, the fiscal space for discretionary expenditures becomes increasingly constrained.

The outlook is for formal compliance with the primary balance target in 2026, driven by revenue gains stemming from the direct and indirect effects of oil prices, as well as the possibility of lower growth in primary expenditures. The LDO 2026 allows state-owned enterprises under the Comprehensive Plan of Expenditures (PDG) to run a deficit of up to BRL 21.6 billion in the fiscal year, considering deductions for the PAC (of up to BRL 5 billion) and for economic-financial rebalancing plans (of up to BRL 10 billion). Furthermore, during the passage of the LDO 2026, the possibility of offsetting between targets was removed, meaning that a negative result from state-owned enterprises will not directly affect the

central government's primary balance in the event that an offset becomes necessary. This would not eliminate the possibility of Treasury contributions in case of need, a measure that has an impact on primary expenditure.

The PLDO 2027 once again considers the possibility of deducting up to BRL 10 billion for economic-financial rebalancing plans from the state-owned enterprises' primary balance target, again without the possibility of offsetting between targets.

Insufficiency of the Primary Expenditure Cap under the Sustainable Fiscal Regime

Insufficiency of the primary expenditure cap under the sustainable fiscal regime

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

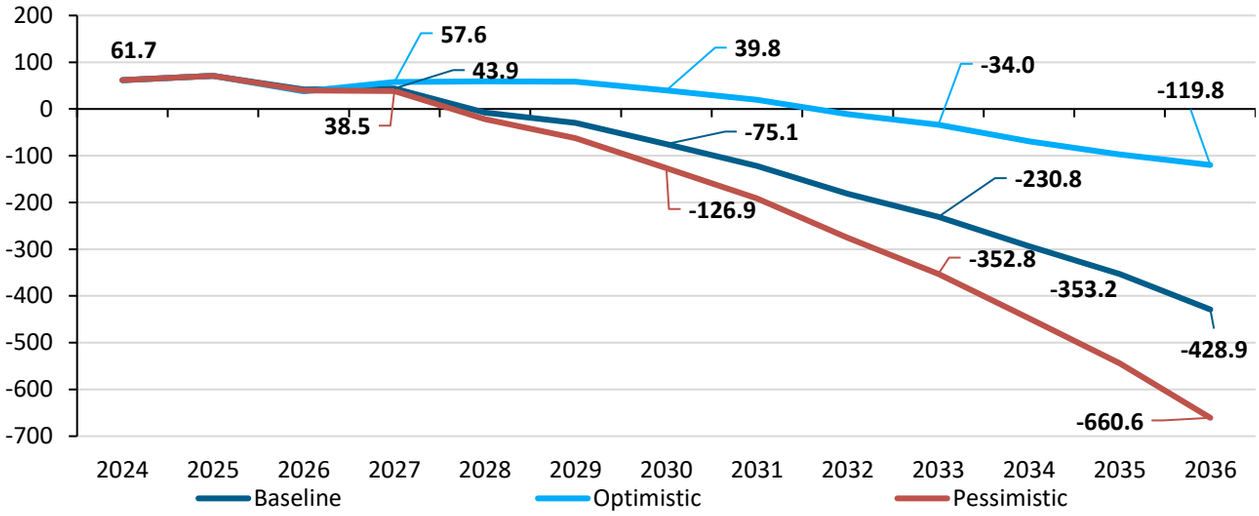
"Rigid discretionary expenditures" are also projected. They correspond to the portion of the minimum health and education spending allocated to discretionary line items and to individual and caucus parliamentary amendments, whose execution is mandatory, and which also compress non-rigid discretionary expenditures, i.e., those that can be more freely projected.

Finally, it has been observed that the growth rate of mandatory expenditures has accelerated since 2023, due to the changes introduced by the RFS (with respect to earmarked and indexed expenditures) and the growth of parliamentary amendments, leading to a marked reduction in the available space for projecting discretionary expenditures over the medium term, as discussed in the aforementioned RAF No. 91, of August 2024. Furthermore, as noted in the introduction, the growth rate of court-ordered debt payment expenditures is also higher than projected in the LDO.

In certain cases, given the projection dynamics, non-rigid discretionary expenditures would end up falling below a minimum level capable of sustaining government operations, at times generating negative fiscal space in a given period. In other words, projected mandatory and rigid discretionary expenditures would exceed the expenditure cap set under the fiscal regime.

Accordingly, a minimum floor for non-rigid discretionary expenditures was assumed in the projection, set at 0.7% of GDP, with a separate expenditure cap sufficiency indicator calculated. Thus, when this indicator turns negative, it signals that the fiscal regime has become unsustainable. The results of this exercise can be followed in Graph 9.

GRAPH 9. INSUFFICIENCY OF THE RFS EXPENDITURE CAP (BRL BILLIONS)



Sources: STN and IFI. Prepared by: IFI.

In all three reference scenarios, the growth rate of mandatory and rigid discretionary expenditures ends up consuming all available fiscal space. In the baseline scenario, the insufficiency occurs from 2028 onward; in the optimistic scenario, from 2032 onward.

As discussed at the beginning of this subsection, measures were introduced to exempt expenditures from fiscal rules. However, expenditures subject to the limits of LC No. 200 continue to grow throughout the entire projection horizon, putting pressure on discretionary expenditures.

Thus, the exercise carried out by the IFI and reproduced in Graph 9 indicates that there is a structural issue in the functioning of the Sustainable Fiscal Regime, which is unable to accommodate the growth of mandatory and rigid discretionary expenditures within the expenditure cap's own growth limit, even with the exemptions in place.

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

Concluding Remarks

Although the IFI's current estimates for the central government primary balance are more favorable than those published last December, no structural improvement in fiscal variables has been identified. On the revenue side, the more favorable estimates stem from the change in the assumption regarding oil price behavior on the international market. The IFI considers higher average barrel prices compared to the scenario published in December 2025. This assumption may be revised in future scenario updates.

On the expenditure side, no changes were made to the rules governing the formation of primary expenditures. The legislative changes introduced by Complementary Laws No. 221 and No. 223, and by Constitutional Amendment No. 136, exempted expenditures from the primary balance target calculation and from the expenditure cap under Complementary Law No. 200. The execution of such expenditures, however, will continue to affect the actual primary balance of the central government, the variable that truly matters for gross debt dynamics.

In general terms, the pattern of growth in certain mandatory primary expenditure aggregates above the variation permitted by the fiscal framework rule (2.5%) persists, which will continue to compress the space for non-rigid discretionary expenditures in the budget. This, in turn, makes it more difficult to achieve primary balances consistent with public debt stabilization and significantly increases the risk of the expenditure cap becoming insufficient, which would render the rule ineffective, in light of the projections presented by the IFI in this RAF.

Scenarios for Gross Debt

Scenarios for Public Debt

According to data from the Central Bank and IBGE, compiled by the IFI, General Government Gross Debt (DBGG) reached 80.1% of GDP in April[45], an increase of 0.3 p.p. of GDP compared to the previous month. In the cumulative period from January to April 2026, the DBGG rose 1.5 p.p. of GDP. Relative to April 2025, the indicator increased 4.5 p.p. of GDP.

Regarding the DBGG drivers, the effect of GDP growth on the debt was negative 5.2 p.p. in the twelve-month period ended April 2026, according to the Central Bank. This means that GDP growth subtracted 5.2 p.p. from the DBGG-to-GDP ratio. Conversely, debt drivers had a positive effect of 9.7 p.p. of GDP, of which 9.2 p.p. stemmed from interest expenditure. Net gross debt issuances added 0.9 p.p. to the DBGG-to-GDP ratio in the twelve months ended April.

In light of the projections presented in this RAF, the contribution of nominal GDP to containing the debt-to-GDP ratio is expected to gradually diminish through 2029. This movement reflects, in particular, the projected deceleration of the implicit GDP deflator, whose variation is expected to decline from 5.2% in 2026 to 4.5% in 2027 and 4.0% in 2028. According to the IFI's medium-term scenario projections, the deflator converges to an average annual variation of 3.5% from 2029 onward. At the same time, the likely public sector primary deficits in the coming years and relatively high real interest rates will keep gross debt, as a share of GDP, on an upward trajectory.

The scenarios drawn up by the IFI for developments in gross debt in the coming years take into account the Sustainable Fiscal Regime, established under Complementary Law No. 200, of 2023. This new fiscal rule limits the growth of central government primary expenditure to percentages tied to the variation in net revenue. Even so, the simulations conducted indicate that the stabilization of public debt would only be achieved through continued revenue growth. Added to this is the growth of various mandatory primary expenditures, which, given the vulnerability of spending containment measures, makes compliance with the central government's primary balance targets more challenging.

In summary, although the revised macroeconomic and fiscal parameters produce some improvement in the projected debt trajectory, the diagnosis remains adverse. Nominal GDP growth continues to help contain the DBGG-to-GDP ratio, but this effect tends to lose strength as the deflator decelerates as expected. At the same time, persistent primary deficits, high real interest rates, and pressures on mandatory expenditures keep gross debt

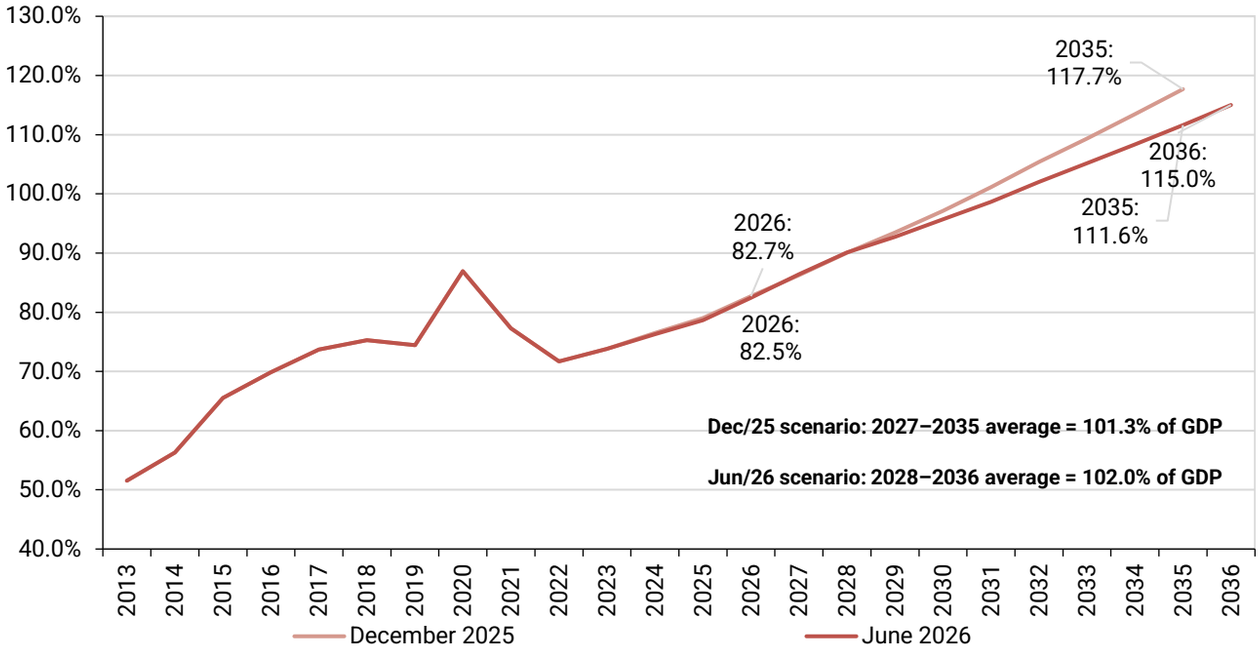
[45] This is an estimate made by the IFI based on the most recent IBGE data for the Quarterly National Accounts and Central Bank data.

on an upward trajectory in the baseline scenario throughout the entire projection horizon (2026–2036).

Projections

In the scenario revision presented in the aforementioned RAF No. 107, of December 2025, the IFI projected the DBGG, an indicator calculated by the Central Bank, at 82.7% of GDP at the end of 2026. Now, with the incorporation of Quarterly National Accounts data for the first quarter of 2026, the projection for the DBGG has fallen to 82.5% of GDP at the end of this year (Graph11).

GRAPH 10 IFI PROJECTIONS FOR THE DBGG AT SELECTED POINTS IN TIME (2026–2036) — % OF GDP



Source: Central Bank. Prepared by: IFI.

In addition to the projection for the DBGG in 2026, Graph11 presents the trajectory of gross debt, under the baseline scenario, through 2036, comparing it to the trend presented by the IFI last December. As will be seen further ahead, the improvement in the debt trajectory occurred mainly due to the more favorable 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 marginally from December to now. The IFI's projection was for a public sector primary deficit of 0.7% of GDP in 2026 and 1.3% of GDP in 2027. The estimates are now for a deficit of 0.5% of GDP this year and 0.7% of GDP in 2027. The reduction in the projection for the central government primary deficit explains the improvement.

The projection for the implicit real rate on gross debt in 2026 was 8.0% p.a. in December, decreasing to 7.8% p.a. now. For 2027, the estimate was 6.7% p.a. in December, rising to

7.8% p.a. now. This deterioration in the estimate for the implicit rate in 2027 stems from the incorporation of new data for the indicator and the expectation of a slower reduction in the economy's base interest rate under the current monetary policy easing cycle.

Over the medium term (from 2028 onward), the public sector primary balance projections improved relative to the December 2025 estimates. Table 12 presents a comparison between the average projections for certain variables that affect the dynamics of public sector indebtedness, under the scenario revisions presented by the IFI last December and now (June 2026).

TABLE 12. MAIN MACROECONOMIC AND FISCAL ASSUMPTIONS FOR THE MEDIUM-TERM DEBT SCENARIOS — REVISIONS PRESENTED IN DEC/25 (2027–2035 AVERAGE) AND JUN/26 (2028–2036 AVERAGE), BASELINE SCENARIO

Baseline scenario		
	Dec/25	Jun/26
Primary balance (BRL billions)	-321.7	-211.2
Primary balance (% of GDP)	-1.7%	-1.1%
Nominal GDP (BRL billions)	18,102	19,628
Real GDP growth (%)	2.2%	2.3%
Real Implicit Interest Rate on Debt (% p.a.)	5.2%	5.0%
Gross debt (% of GDP)	**101.3%**	**102.0%**

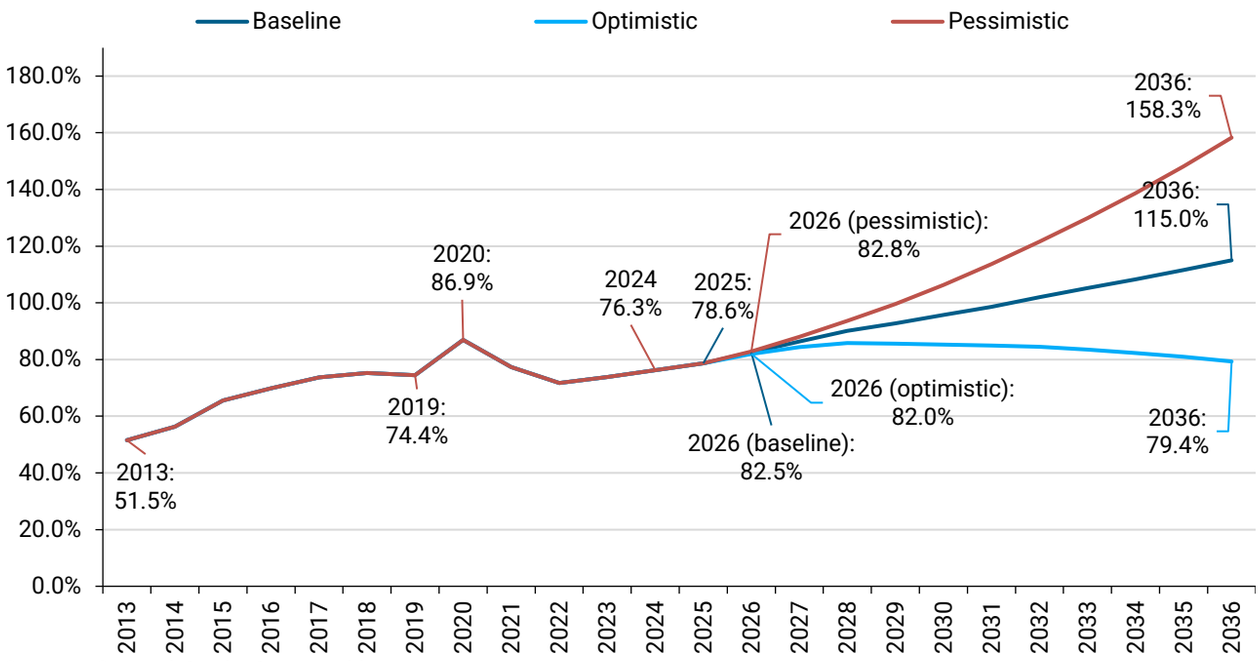
Source: IFI.

According to Table 12, the average annual public sector primary deficit projected by the IFI in December was 1.7% of GDP, a projection now reduced to 1.1% of GDP. The implicit real interest rate on debt fell from 5.2% p.a. in December to 5.0% p.a. now. The expected dynamics of these two variables explain the improvement in the expected trajectory for gross debt over the projection horizon considered (2026 to 2036), with the primary balance having the greater effect.

Even though the estimates considered for the consolidated public sector primary deficits are lower over the next ten years, relative to the IFI's last scenario revision, continued deficits would still occur in the coming years. The expected growth of gross debt over the projection horizon exposes the challenges to meeting the central government primary balance targets currently set out in the budget guidelines.

The targets rest fundamentally on the increase of recurring primary revenues, in addition to the containment of primary expenditure. It is important to highlight the risks to the projected growth of the economy and the possible setbacks to some of the measures intended by the Executive Branch to boost revenue collection in the coming years. The materialization of such risks could affect confidence in the sustainability of public finances over the medium and long term. Graph11 consolidates the expected trajectories for the DBGG, as a share of GDP, under the IFI's three reference scenarios.

GRAPH11. IFI PROJECTIONS FOR THE DBGG UNDER THE DIFFERENT SCENARIOS — % OF GDP



Source: Central Bank. Prepared by: IFI.

Table 13 presents the projections for the DBGG as a percentage of GDP under the IFI's three medium-term scenarios.

TABLE 13. PROJECTIONS FOR THE DBGG AS A % OF GDP THROUGH 2036 — DEC/25 RAF AND CURRENT RAF

Year	Baseline		Optimistic		Pessimistic	
	Dec/25	Jun/26	Dec/25	Jun/26	Dec/25	Jun/26
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	76.3%	76.3%	76.3%	76.3%	76.3%	76.3%
2025	79.0%	78.6%	78.7%	78.6%	79.4%	78.6%
2026	82.7%	82.5%	80.7%	82.0%	86.0%	82.8%
2027	86.2%	86.4%	82.1%	84.4%	93.0%	88.0%
2028	90.1%	90.1%	83.3%	85.8%	99.7%	93.7%
2029	93.4%	92.7%	83.5%	85.6%	106.6%	99.6%
2030	97.1%	95.7%	83.6%	85.3%	114.4%	106.3%
2031	101.1%	98.6%	83.9%	84.9%	122.9%	113.6%

Year	Baseline		Optimistic		Pessimistic	
	Dec/25	Jun/26	Dec/25	Jun/26	Dec/25	Jun/26
2032	105.4%	102.0%	84.2%	84.5%	132.2%	121.7%
2033	109.4%	105.2%	84.1%	83.5%	141.5%	129.9%
2034	113.5%	108.3%	83.8%	82.3%	151.5%	138.7%
2035	117.7%	111.6%	83.4%	80.9%	162.2%	148.1%
2036		115.0%		79.4%		158.3%

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

Table 14 updates the exercise, always presented by the IFI, which illustrates the annual primary balance required to stabilize the DBGG as a share of GDP. The exercise considers debt stabilization at 78.6% of GDP, the level observed in December 2025.

TABLE 14. ANNUAL PRIMARY BALANCE REQUIRED TO STABILIZE GROSS DEBT AT 78.6% OF GDP (2025 LEVEL)

DBGG in t		Implicit Real Interest Rate on the DBGG						
78.6%		0.5%	1.0%	2.0%	3.5%	4.0%	4.5%	5.0%
Real GDP (% p.a.)	0.5%	0.0%	0.4%	1.2%	2.3%	2.7%	3.1%	3.5%
	1.0%	-0.4%	0.0%	0.8%	1.9%	2.3%	2.7%	3.1%
	1.5%	-0.8%	-0.4%	0.4%	1.5%	1.9%	2.3%	2.7%
	2.0%	-1.2%	-0.8%	0.0%	1.2%	1.5%	1.9%	2.3%
	2.3%	-1.4%	-1.0%	-0.2%	0.9%	1.3%	1.7%	2.1%
	2.5%	-1.5%	-1.2%	-0.4%	0.8%	1.2%	1.5%	1.9%
	3.0%	-1.9%	-1.5%	-0.8%	0.4%	0.8%	1.1%	1.5%
	3.5%	-2.3%	-1.9%	-1.1%	0.0%	0.4%	0.8%	1.1%

Prepared by: IFI.

Table 14 highlights the effort required to stabilize public debt based on the IFI's new macroeconomic and fiscal projections. Considering the level of gross indebtedness observed at the end of 2025, 78.6% of GDP, a consolidated public sector primary surplus of 2.1% of GDP per year would be necessary to stabilize the debt (with average real economic growth of 2.3% and an implicit real interest rate of 5.0% p.a.). Last December, the primary balance required to stabilize the debt, as calculated by the IFI, was 2.3% of GDP. In other words, the slightly lower implicit real interest rate and the lower primary deficit reduce the effort required to stabilize gross debt as a share of GDP.

The exercise reproduced in Table 14 indicates the primary balance required to stabilize the debt for different levels of economic growth and interest rates. For example, higher economic growth reduces the primary balance values required to stabilize the debt. Under the assumption of real interest rates of 2.0% p.a. and GDP growth of 3.5% p.a., even a primary deficit of 0.8% of GDP would stabilize gross debt at the level observed in December 2025 (78.6% of GDP).

Finally, Table 15 presents the projections for the primary and nominal balances, as well as interest expenditure, under the three reference scenarios. The projections indicate the persistence of substantial nominal deficits, due to relatively high interest expenditure. Even under the optimistic scenario, the public sector records primary (and nominal) deficits throughout the entire projection horizon.

TABLE 15. NOMINAL BALANCE, PRIMARY BALANCE, AND INTEREST EXPENDITURE OF THE CONSOLIDATED PUBLIC SECTOR (% OF GDP)

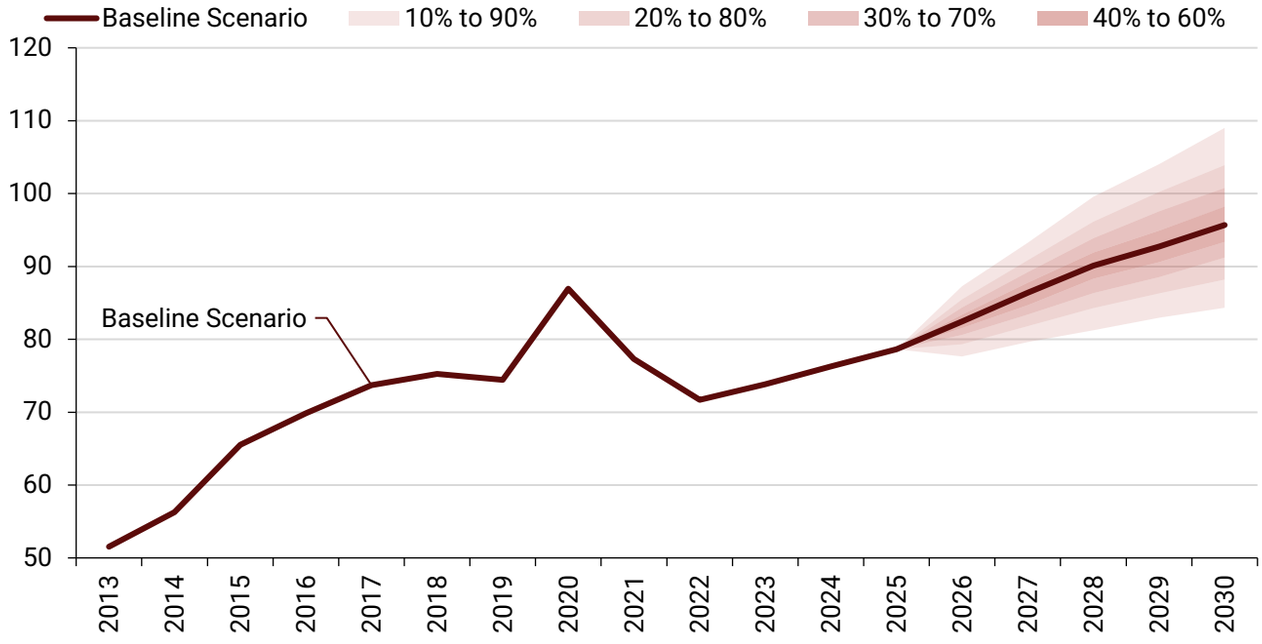
Year	Baseline			Optimistic			Pessimistic		
	Nominal balance	Primary balance	Interest	Nominal balance	Primary balance	Interest	Nominal balance	Primary balance	Interest
2018	-7.0%	-1.5%	5.4%	-7.0%	-1.5%	5.4%	-7.0%	-1.5%	5.4%
2019	-5.8%	-0.8%	5.0%	-5.8%	-0.8%	5.0%	-5.8%	-0.8%	5.0%
2020	-13.3%	-9.2%	4.1%	-13.3%	-9.2%	4.1%	-13.3%	-9.2%	4.1%
2021	-4.3%	0.7%	5.0%	-4.3%	0.7%	5.0%	-4.3%	0.7%	5.0%
2022	-4.6%	1.2%	5.8%	-4.6%	1.2%	5.8%	-4.6%	1.2%	5.8%
2023	-8.8%	-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	-8.3%	-0.4%	7.9%	-8.3%	-0.4%	7.9%	-8.3%	-0.4%	7.9%
2026	-9.0%	-0.5%	8.5%	-8.8%	-0.5%	8.3%	-9.3%	-0.7%	8.6%
2027	-9.2%	-0.7%	8.5%	-7.9%	-0.3%	7.6%	-9.9%	-1.1%	8.8%
2028	-8.6%	-0.6%	8.0%	-6.7%	0.1%	6.8%	-9.8%	-1.4%	8.4%
2029	-7.7%	-0.8%	6.8%	-5.4%	0.2%	5.6%	-10.5%	-1.8%	8.7%
2030	-7.9%	-1.1%	6.8%	-5.1%	0.2%	5.3%	-11.2%	-2.2%	9.0%
2031	-7.8%	-1.2%	6.6%	-4.7%	0.4%	5.0%	-12.0%	-2.6%	9.4%
2032	-7.8%	-1.4%	6.4%	-4.3%	0.4%	4.7%	-12.9%	-3.0%	9.9%
2033	-7.5%	-1.2%	6.4%	-3.6%	0.9%	4.4%	-13.4%	-3.0%	10.4%
2034	-7.4%	-1.1%	6.4%	-2.8%	1.1%	3.9%	-14.3%	-3.1%	11.2%
2035	-7.3%	-1.1%	6.3%	-2.3%	1.4%	3.7%	-15.1%	-3.4%	11.8%
2036	-7.3%	-1.1%	6.2%	-2.0%	1.5%	3.5%	-16.1%	-3.7%	12.5%

Source: IFI.

Stochastic scenarios for the debt

The analyses above can be complemented by simulating 1,500 alternative (stochastic) scenarios around the baseline scenario. This exercise[46] makes it possible to measure the risk of debt trajectories materializing that deviate from the central projection. Graph 12, below, presents probability bands through 2030[47].

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



Source: IFI. Explanatory note: the values on the left axis indicate the DBGG as a percentage of GDP. The percentages shown in the legend indicate probability bands that overlap visually, 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 16 indicates that the probability of the DBGG exceeding 90% of GDP, in any given year between 2026 and 2030, is 78.9%. The year-by-year analysis shows that the risk of the DBGG standing above this level increases over the projection horizon, surpassing 50% in 2028.

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

[47] Probabilities are not calculated beyond a five-year horizon, as explained in EE 18, p. 45: the simulation is restricted to a shorter horizon because stochastic scenarios cease to be realistic over long horizons, meaning that the fan chart becomes so wide that it loses analytical usefulness.

TABLE 16. PROBABILITY ESTIMATES

			Probability		
Overall					
Probability that the DBGG will cross the 90% of GDP threshold in any given year between 2026 and 2030			78.9%		
Annual					
	2026	**2027**	**2028**	**2029**	**2030**
Probability that the DBGG will be above 90% of GDP, in each year	1.9%	25.5%	50.8%	62.4%	75.0%

Prepared by: IFI.
- Interpretation note: in both the "overall" and "annual" cases, the probabilities include situations in which the DBGG is above 90% in a given year, having crossed the 90% threshold in some earlier year. They also include situations in which the DBGG falls back below 90%, even after having stood above that threshold in previous years.
- Mathematical note: letting D_t be the debt-to-GDP ratio in 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

$$P(D_{2026} > 0.9)\ ,\ P(D_{2027} > 0.9)\ ,\ P(D_{2028} > 0.9)\ ,\ P(D_{2029} > 0.9)\ \text{ and }\ P(D_{2030} > 0.9).$$

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 trajectories for the DBGG. In the current edition, at the end of the simulation horizon (2030), this width stands at approximately 24.7 p.p. of GDP.

The width of the fan chart also makes it possible to run a plausibility test for the deterministic optimistic and pessimistic scenarios presented earlier in this report. If these scenarios fall close to the lower and upper bounds of the fan chart in 2030 — corresponding to the 10th and 90th percentiles of the distribution — they can be considered consistent with the recent historical volatility of Brazilian macro-fiscal variables.

In this sense, the DBGG projected for 2030 under the deterministic optimistic scenario, 85.3% of GDP, is close to the lower bound of the fan chart in the same year, estimated at 84.3% of GDP. Under the pessimistic scenario, the debt-to-GDP ratio reaches 106.3% of GDP in 2030, slightly below the upper bound of the fan chart, estimated at 109.1% of GDP. Both deterministic scenarios therefore fall within the 10%-to-90% confidence interval estimated by the stochastic scenarios, which reinforces their plausibility in light of the recent historical volatility of Brazilian macro-fiscal variables.

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

Breakdown	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Gross Revenue	**22.8**	**23.6**	**23.4**	**23.4**	**23.3**	**23.1**	**23.0**	**23.0**	**23.0**	**22.9**	**22.9**	**22.9**
Revenue-Sharing Transfers to States & Municipalities	**4.5**	**4.8**	**4.6**	**4.6**	**4.6**	**4.6**	**4.6**	**4.6**	**4.6**	**4.6**	**4.6**	**4.6**
Net Revenue	**18.3**	**18.9**	**18.7**	**18.8**	**18.7**	**18.5**	**18.5**	**18.4**	**18.4**	**18.4**	**18.4**	**18.3**
Primary Expenditure	**18.8**	**19.2**	**19.3**	**19.4**	**19.5**	**19.6**	**19.7**	**19.9**	**19.6**	**19.5**	**19.4**	**19.4**
Mandatory	**17.2**	**17.6**	**17.7**	**17.7**	**17.9**	**18.0**	**18.2**	**18.3**	**18.1**	**18.0**	**17.9**	**18.0**
Social Security Benefits	8.1	8.3	8.5	8.6	8.7	8.8	8.8	8.9	8.9	9.0	9.0	9.1
Personnel and Social Charges	3.2	3.2	3.1	3.1	3.0	3.0	2.9	2.8	2.8	2.7	2.7	2.6
Continuous Cash Benefit (BPC)	1.0	1.1	1.1	1.2	1.2	1.2	1.3	1.3	1.3	1.4	1.4	1.4
Salary Allowance and Unemployment Insurance	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Federal Supplementation to Fundeb	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Federal District Constitutional Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Kandir Law	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Benefits Compensation Fund (FCBF)	0.0	0.0	0.0	0.0	0.1	0.2	0.3	0.4	0.1	0.0	0.0	0.0
Regional Development Fund (FNDR)	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.2	0.3	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
Court-Ordered Debt Payments (Current and Capital)	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4
Civil Servant Benefits	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1
Health (mandatory)	1.3	1.4	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Education (mandatory)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other Branches (current and capital)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1
Extraordinary appropriations	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bolsa Família Program	1.2	1.1	1.1	1.1	1.1	1.1	1.0	1.0	1.0	0.9	0.9	0.9
Other mandatory expenses	0.2	0.2	0.1	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Discretionary expenditure	**1.6**	**1.7**	**1.7**	**1.6**	**1.6**	**1.6**	**1.6**	**1.5**	**1.5**	**1.5**	**1.5**	**1.4**
Primary Balance	**-0.5**	**-0.4**	**-0.6**	**-0.6**	**-0.8**	**-1.1**	**-1.2**	**-1.4**	**-1.2**	**-1.1**	**-1.1**	**-1.1**
Memo:												
Nominal GDP (BRL/billions)	**12,738.6**	**13,667.1**	**14,533.4**	**15,457.7**	**16,361.0**	**17,320.9**	**18,336.0**	**19,413.5**	**20,563.6**	**21,772.7**	**23,043.8**	**24,379.9**

TABLE 18. IFI PROJECTIONS FOR THE CENTRAL GOVERNMENT PRIMARY BALANCE – OPTIMISTIC SCENARIO (% OF GDP)

Breakdown	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Gross Revenue	**22.8**	**23.6**	**23.5**	**23.6**	**23.7**	**23.6**	**23.6**	**23.6**	**23.6**	**23.6**	**23.6**	**23.5**
Revenue-Sharing Transfers to States & Municipalities	**4.5**	**4.8**	**4.7**	**4.7**	**4.7**	**4.7**	**4.7**	**4.7**	**4.7**	**4.7**	**4.7**	**4.7**
Net Revenue	**18.3**	**18.9**	**18.9**	**18.9**	**19.0**	**18.9**	**19.0**	**18.9**	**18.9**	**18.9**	**18.9**	**18.9**
Primary Expenditure	**18.8**	**19.2**	**19.1**	**18.9**	**18.8**	**18.8**	**18.7**	**18.6**	**18.2**	**17.9**	**17.6**	**17.4**
Mandatory	**17.2**	**17.5**	**17.4**	**17.3**	**17.3**	**17.2**	**17.2**	**17.1**	**16.7**	**16.4**	**16.2**	**16.0**
Social Security Benefits	8.1	8.3	8.5	8.5	8.4	8.4	8.3	8.3	8.2	8.1	8.1	8.0
Personnel and Social Charges	3.2	3.2	3.1	3.0	2.9	2.8	2.7	2.6	2.5	2.4	2.3	2.3
Continuous Cash Benefit (BPC)	1.0	1.1	1.1	1.1	1.1	1.1	1.2	1.2	1.2	1.2	1.2	1.3
Salary Allowance and Unemployment Insurance	0.7	0.7	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Federal Supplementation to Fundeb	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Federal District Constitutional Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Kandir Law	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Benefits Compensation Fund (FCBF)	0.0	0.0	0.0	0.0	0.1	0.2	0.3	0.4	0.1	0.0	0.0	0.0
Regional Development Fund (FNDR)	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.2	0.3	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
Court-Ordered Debt Payments (Current and Capital)	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Civil Servant Benefits	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	1.4	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	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bolsa Família Program	1.2	1.1	1.1	1.1	1.0	1.0	0.9	0.9	0.9	0.8	0.8	0.8
Other mandatory expenses	0.2	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Discretionary expenditure	**1.6**	**1.7**	**1.6**	**1.6**	**1.6**	**1.6**	**1.5**	**1.5**	**1.5**	**1.4**	**1.4**	**1.4**
Primary Balance	**-0.5**	**-0.4**	**-0.2**	**0.0**	**0.1**	**0.1**	**0.3**	**0.3**	**0.8**	**1.0**	**1.3**	**1.4**
Memo:												
Nominal GDP (BRL/billions)	**12,738.6**	**13,707.8**	**14,621.4**	**15,655.1**	**16,743.3**	**17,916.1**	**19,172.1**	**20,522.0**	**21,979.7**	**23,534.6**	**25,193.0**	**26,961.8**

TABLE 19. IFI PROJECTIONS FOR THE CENTRAL GOVERNMENT PRIMARY BALANCE – PESSIMISTIC SCENARIO (% OF GDP)

Breakdown	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Gross Revenue	**22.8**	**23.9**	**23.8**	**24.1**	**24.3**	**24.4**	**24.6**	**24.8**	**24.9**	**25.0**	**25.2**	**25.4**
Revenue-Sharing Transfers to States & Municipalities	**4.5**	**4.8**	**4.7**	**4.8**	**4.8**	**4.8**	**4.9**	**4.9**	**4.9**	**4.9**	**5.0**	**5.0**
Net Revenue	**18.3**	**19.0**	**19.1**	**19.3**	**19.5**	**19.6**	**19.8**	**19.9**	**20.0**	**20.1**	**20.2**	**20.3**
Primary Expenditure	**18.8**	**19.4**	**19.6**	**19.9**	**20.1**	**20.4**	**20.7**	**21.1**	**20.9**	**21.0**	**21.1**	**21.3**
Mandatory	**17.2**	**17.7**	**18.0**	**18.2**	**18.5**	**18.8**	**19.1**	**19.5**	**19.4**	**19.4**	**19.6**	**19.8**
Social Security Benefits	8.1	8.4	8.7	8.9	9.0	9.1	9.3	9.4	9.5	9.6	9.7	9.9
Personnel and Social Charges	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.1	3.1	3.1
Continuous Cash Benefit (BPC)	1.0	1.1	1.1	1.2	1.2	1.3	1.3	1.4	1.4	1.4	1.5	1.5
Salary Allowance and Unemployment Insurance	0.7	0.7	0.8	0.8	0.8	0.9	0.9	0.9	0.9	0.9	1.0	1.0
Federal Supplementation to Fundeb	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Federal District Constitutional Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Kandir Law	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fiscal Benefits Compensation Fund (FCBF)	0.0	0.0	0.0	0.0	0.1	0.2	0.3	0.4	0.1	0.0	0.0	0.0
Regional Development Fund (FNDR)	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.3	0.3	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
Court-Ordered Debt Payments (Current and Capital)	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Civil Servant Benefits	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	1.4	1.4	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
Education (mandatory)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other Branches (current and capital)	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1
Extraordinary appropriations	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bolsa Família Program	1.2	1.2	1.2	1.1	1.1	1.1	1.1	1.1	1.1	1.0	1.0	1.0
Other mandatory expenses	0.2	0.2	0.1	0.2	0.1	0.2	0.1	0.2	0.1	0.1	0.1	0.1
Discretionary expenditure	**1.6**	**1.7**	**1.7**	**1.7**	**1.6**	**1.6**	**1.6**	**1.6**	**1.6**	**1.5**	**1.5**	**1.5**
Primary Balance	**-0.5**	**-0.4**	**-0.5**	**-0.5**	**-0.6**	**-0.9**	**-1.0**	**-1.2**	**-1.0**	**-0.9**	**-0.9**	**-0.9**
Memo:												
Nominal GDP (BRL/billions)	**12,738.6**	**13,578.3**	**14,413.6**	**15,345.6**	**16,299.5**	**17,315.1**	**18,400.8**	**19,564.1**	**20,816.1**	**22,143.8**	**23,551.4**	**25,043.2**

Independent Fiscal Institution

IFI PROJECTIONS

SHORT TERM

IFI Projections	2026			2027		
	May/26	Jun/26	Comparison	May/26	Jun/26	Comparison
GDP - real growth (% p.a.)	1.7	2.0	▲	2.0	1.8	▼
GDP - nominal (BRL billion)	13,432.1	13,667.1	▲	14,244.8	14,533.4	▲
IPCA - accumulated (% in the year)	3.9	5.0	▲	3.5	4.0	▲
Exchange rate - end of period (BRL/USD)	5.5	5.2	▼	5.5	5.2	▼
Employment - growth (%)	0.8	1.1	▲	0.5	0.7	▲
Payroll - growth (%)	3.6	5.1	▲	2.7	3.4	▲
Selic - end of period (% p.a.)	12.0	14.0	▲	10.5	12.0	▲
Ex-ante real interest rate (% p.a.)	7.0	7.5	▲	6.2	5.5	▼
Consolidated Public Sector Primary Balance (% of GDP)	-0.7	-0.5	▲	-1.3	-0.7	▲
of which central government	-0.7	-0.4	▲	-1.3	-0.6	▲
Net Nominal Interest (% of GDP)	7.9	8.6	▲	7.5	8.5	▲
Nominal Balance (% of GDP)	-8.6	-9.0	▼	-8.8	-9.2	▼
General Government Gross Debt (% of GDP)	82.7	82.5	▼	86.2	86.4	▲

MEDIUM TERM

		Projections										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
GDP - real growth (% p.a.)	**2.29**	2.03	1.79	2.27	2.26	2.29	2.28	2.30	2.34	2.30	2.26	2.22
GDP - nominal (BRL billion)	**12,739**	13,667	14,533	15,458	16,361	17,321	18,336	19,414	20,564	21,773	23,044	24,380
IPCA - accumulated (% in the year)	**4.26**	4.97	4.00	3.50	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Exchange rate - end of period (BRL/USD)	**5.50**	5.18	5.23	5.31	5.36	5.41	5.47	5.52	5.58	5.63	5.69	5.75
Employment - growth (%)	**1.79**	1.10	0.71	0.91	1.04	0.95	0.82	0.74	0.72	0.67	0.62	0.58
Payroll - growth (%)	**6.07**	5.14	3.41	2.27	2.26	2.29	2.28	2.30	2.34	2.30	2.26	2.22
Selic - end of period (% p.a.)	**15.00**	14.00	12.00	10.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Ex-ante real interest rate (% p.a.)	**8.16**	7.49	5.45	5.22	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Consolidated Public Sector Primary Balance (% of GDP)	**-0.43**	-0.48	-0.65	-0.65	-0.81	-1.11	-1.23	-1.41	-1.15	-1.07	-1.05	-1.08
of which central government	**-0.46**	-0.38	-0.59	-0.60	-0.81	-1.11	-1.23	-1.41	-1.15	-1.07	-1.05	-1.08
Net Nominal Interest (% of GDP)	**7.91**	8.55	8.54	7.99	6.84	6.76	6.61	6.37	6.39	6.38	6.28	6.22
Nominal Balance (% of GDP)	**-8.34**	-9.03	-9.19	-8.64	-7.65	-7.87	-7.85	-7.78	-7.54	-7.45	-7.33	-7.31
General Government Gross Debt (% of GDP)	**78.6**	82.5	86.4	90.1	92.7	95.7	98.6	102.0	105.2	108.3	111.6	115.0



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