

Fiscal Follow-Up Report

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Expenditure growth outpaces revenue, and the deficit persists

The Independent Fiscal Institution (IFI) is publishing, in August, its 115th Fiscal Follow-up Report (RAF, kept here in its original acronym, as are the acronyms of other Brazilian institutions, programs, and indicators). The report is released fewer than two months before the presidential election, when budgetary and fiscal issues are expected to play a central role in the debates, either directly or indirectly. Today, the country's main challenge is to advance public policies in essential sectors such as education, health, and public security while simultaneously significantly expanding investment in infrastructure, science, and technology, despite extreme budgetary rigidity. Rigid mandatory and discretionary expenditures continue to grow rapidly and steadily, squeezing the government's room to maneuver in financing and implementing government programs and projects.

RAF No. 115 concentrates its analysis on the data and information contained in the 3rd Primary Revenue and Expenditure Assessment Report of the year (3rd RARDP, covering May–June) – an instrument required under the Fiscal Responsibility Law (LRF) – which serves as the basis for the projections included in the Annual Budget Bill (PLOA 2027), to be submitted to the National Congress by August 31. It also incorporates information from other sources on fiscal performance in July, in order to assess whether the trends observed in the first half of the year have continued. Comparisons are made with the figures recorded in the same period of 2025 and with the IFI's own projections, presented in RAF No. 113, of June 2026.

Although the overall picture remains unchanged, it is affected by specific factors: the acceleration of parliamentary amendment payments due to electoral legislation; the decline in Bolsa Família Program expenditures, owing to the loss of the benefit's real value following the freeze on its nominal amount, as well as a significant reduction in the number of families served; and higher revenue stemming from rising oil prices since May, a consequence of the conflict in the Middle East.

The central government posted an actual primary deficit of BRL 81.2 billion in the first seven months of the year. While net revenue rose significantly, by 6.0%, above inflation, expenditure increased by 6.3% in real terms. Both the IFI and the government project an actual primary deficit of around 0.4% of GDP in 2026. Formal compliance with the target set under the 2026 Budget Guidelines Law (LDO) will be achieved only after legal expenditure deductions, which total between BRL 62.8 billion (government) and BRL 69.8 billion (IFI), together with the use of the tolerance band provided for by law. This year's central target corresponds to a primary surplus of 0.25% of GDP, or BRL 34.3 billion.

The result, even after the exclusions permitted under the legislation, is expected to be smaller, at around 0.1% of GDP. For the trajectory of public debt, what matters is the actual primary balance, which is expected to correspond to a deficit of 0.4% of GDP. To illustrate the scale of the fiscal challenge at hand, the IFI estimates that stabilizing gross debt as a share of GDP would require a surplus of 2.1% of GDP, with the largest contribution necessarily coming from the central government. The economic team has been working to manage the day-to-day execution of the budget in order to improve fiscal outcomes, but the country's desirable outlook for the future calls for a deeper and more sustainable structural adjustment.

To reinforce this assessment, RAF No. 115 also presents an update of the structural primary balance calculated by the IFI, which excludes non-recurring events and adjusts the result for the effects of the economic cycle and oil prices, for the twelve months through June 2026. The estimate is that, through the second quarter of this year, the structural deficit stood at 1.4% of GDP, compared with a structural deficit of 0.7% of GDP in the same period of 2025. This result points to a worsening trend in the fiscal imbalances present in Brazil's current reality.

We hope you find this report useful.

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Executive Director of the IFI
Alexandre Andrade
Director of the IFI

Highlights

Structural Primary Balance: Estimates for the Second Quarter of 2026

The structural deficit reached 1.4% of GDP, in the four-quarter accumulated period through June, compared with 0.7% of GDP in the same period of 2025, while the conventional balance shifted from a surplus of 0.1% of GDP to a deficit of 1.1% of GDP. The structural fiscal balance corresponds to the primary balance after removing the effects of the economic cycle and non-recurring factors, reflecting the government's underlying fiscal position. This section presents the IFI's updated estimates for the central government through the second quarter of 2026. **(Page 4)**

Between Formal Compliance with the Target and Cash Flow Pressure: The 3rd RARDP of 2026 and the Constraint Imposed by Outstanding Liabilities

The 3rd RARDP of 2026 indicates a more comfortable compliance with this year's fiscal target, with the recorded primary balance rising from BRL 4.1 billion to BRL 10.8 billion and a partial reversal of the expenditure freeze, from BRL 23.7 billion to BRL 17.9 billion. The improvement, however, stems mainly from downward revisions to certain mandatory expenditures, rather than from a reversal of the actual primary deficit, which remains at BRL 52.0 billion, supported by BRL 62.8 billion in legal expenditure deductions from the target. This section also shows that the cash flow constraint imposed by the stock of outstanding liabilities (BRL 105.5 billion) is about six times higher than the official freeze, with caucus and committee amendments standing out, as their stock already exceeds the payment limit available for 2026. **(Page** Erro! Indicador não definido.)

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Structural Primary Balance: Estimates for the Second Quarter of 2026

Rafael Bacciotti and Alexandre Andrade

Introduction

This section presents an update of the IFI's estimates for the central government's structural primary balance through the second quarter of 2026. The structural balance seeks to show the government's underlying fiscal position. To this end, the temporary effects of the economic cycle and non-recurring events are deducted from the conventional primary balance.

Broadly speaking, the conventional primary balance can be broken down into three components: non-recurring, cyclical, and structural. First, revenues and expenditures associated with atypical or temporary events are identified, which make up the non-recurring factor. Next, recurring revenues that are sensitive to economic activity are adjusted for the cycle. Royalties and special participations revenues receive specific treatment, based on the difference between the observed oil price and the trend level of the series. The balance obtained after these adjustments corresponds to the structural balance.

The estimation methodology was originally presented in IFI Special Study (EE) No. 17¹, of December 2021. This approach was subsequently revisited in later updates, including RAF No. 86², of March 2024, RAF No. 100³, of May 2025, and RAF No. 108⁴, of January 2026.

The structural balance is an estimate and does not represent a directly observed variable. The calculation is subject to uncertainties associated with the measurement of potential output and the trend oil price, the estimation of elasticities, and the classification of non-recurring events in the central government's primary revenues and expenditures.

Results

Graph 1 shows the IFI's breakdown of the primary balance, as published by the National Treasury Secretariat (STN), from 1997 to 2025.

¹ See IFI. *Simulações para o resultado primário estrutural do governo central*. Estudo Especial nº 17, dezembro de 2021. Available at:

https://www2.senado.leg.br/bdsf/bitstream/handle/id/594656/EE17_Resultado_Estrutural.pdf.

² See IFI. *Relatório de Acompanhamento Fiscal nº 86*. Março de 2024. Available at:

https://www2.senado.leg.br/bdsf/bitstream/handle/id/648335/RAF86_MAR2024.pdf.

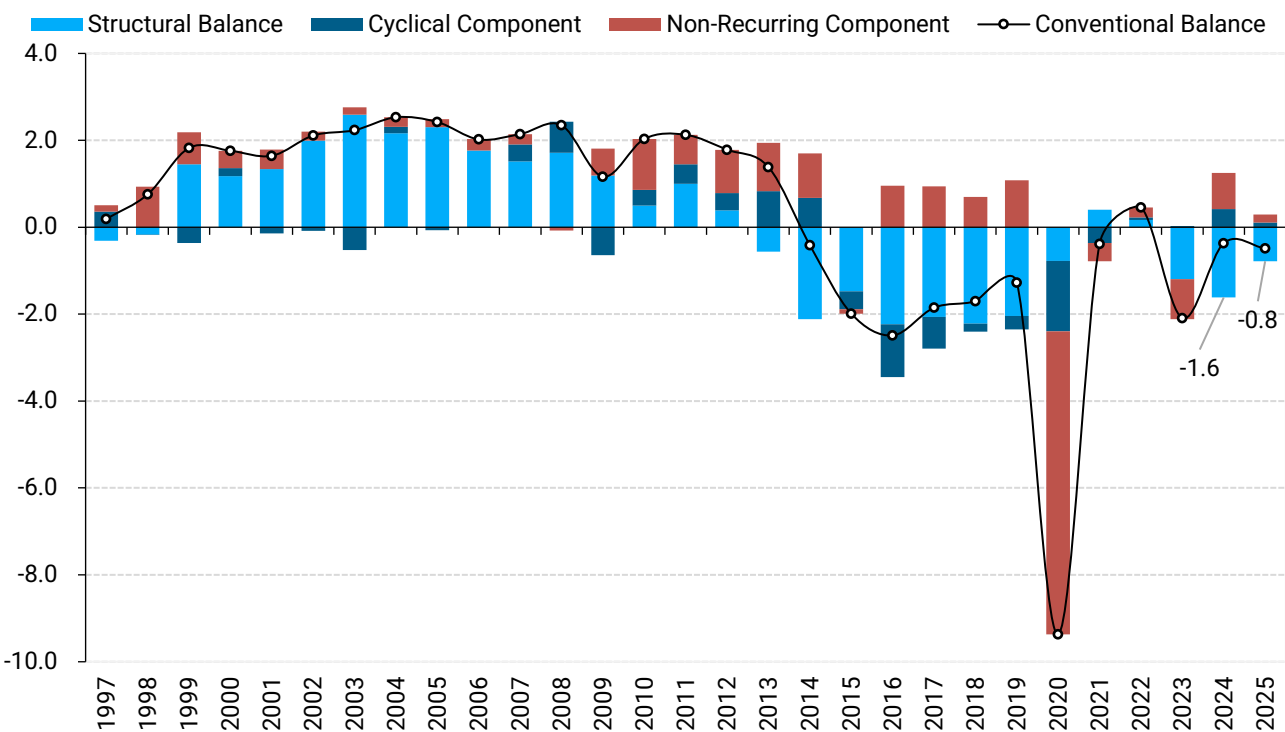
³ See IFI. *Relatório de Acompanhamento Fiscal nº 100*. Maio de 2025. Available at:

https://www2.senado.leg.br/bdsf/bitstream/handle/id/696036/RAF100_MAI2025.pdf.

⁴ See IFI. *Relatório de Acompanhamento Fiscal nº 108*. Janeiro de 2026. Available at:

https://www2.senado.leg.br/bdsf/bitstream/handle/id/817388/RAF108_JAN2026.pdf.

GRAPH 1. BREAKDOWN OF THE CENTRAL GOVERNMENT'S PRIMARY BALANCE – FOUR-QUARTER ACCUMULATED, AS A % OF POTENTIAL GDP



Source: STN, for the conventional balance, and IFI, for the other components. Prepared by: IFI.

In 2025, the conventional primary deficit stood at 0.5% of GDP, compared with 0.4% in 2024. This relative stability resulted from divergent movements across the components. The structural deficit declined from 1.6% of GDP in 2024 to 0.8% of GDP in 2025, an improvement of 0.8 percentage points (p.p.). Conversely, the positive balance of the cyclical component decreased from 0.4% of GDP to 0.1% of GDP, while the positive balance of the non-recurring component fell from 0.8% of GDP to 0.2% of GDP.

To detail recent developments, Table 1 presents the four-quarter accumulated results for the period from March 2025 to June 2026.

TABLE 1. BREAKDOWN OF THE CENTRAL GOVERNMENT'S PRIMARY BALANCE FOUR-QUARTER ACCUMULATED, AS A % OF POTENTIAL GDP

Period	Conventional balance	Cyclical component	Non-recurring component	Structural balance
1Q25	-0.1	0.4	0.5	-1.0
2Q25	0.1	0.4	0.5	-0.7
3Q25	-0.3	0.3	0.4	-1.0
4Q25	-0.5	0.1	0.2	-0.8
1Q26	-1.0	0.1	0.2	-1.2
2Q26	-1.1	0.1	0.2	-1.4

Source: STN, for the conventional balance, and IFI, for the other components. Prepared by: IFI.

In the four-quarter accumulated period through June 2026, the conventional primary balance registered a deficit of 1.1% of GDP, compared with a surplus of 0.1% of GDP in the same period of 2025. The deterioration of 1.2 p.p. of GDP reflected a worsening across all three components. The developments in each component are analyzed below.

Non-Recurring Component

The non-recurring balance remained positive but declined from a surplus of 0.5% of GDP in the four-quarter period ending in June 2025 to a surplus of 0.2% in the same period ending in June 2026. In nominal terms, the balance decreased from BRL 57.6 billion to BRL 22.8 billion.

This reduction was mainly due to a decline in net non-recurring revenues, which fell from BRL 87.2 billion to BRL 40.2 billion. The following changes stand out:

- dividend advances, which decreased from BRL 38.0 billion to BRL 15.6 billion;
- concessions and licensing fees, which fell from BRL 12.2 billion to zero;
- the tax settlement arising from Petrobras's adherence to PGFN/RFB Public Notice No. 6/2024, from BRL 8.5 billion to zero;
- the effect of the deferral of social security contributions and Simples Nacional payments due to the disaster in Rio Grande do Sul, from BRL 8.0 billion to zero; and
- the transfer of judicial deposits held at Caixa Econômica Federal to the Federal Treasury Single Account, under Law No. 14,973⁵ of 2024, from BRL 6.2 billion to zero.

Also worth noting in the period ending June 2026 were the atypical collections of Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL), totaling BRL 11.0 billion, as well as the tax on oil exports, amounting to BRL 4.8 billion. These inflows partially offset the reduction in other non-recurring revenues. Revenue-sharing transfers associated with the extraordinary collections were estimated by the IFI at BRL 3.4 billion, reducing their net effect on the central government's balance.

Non-recurring expenditures also declined, from BRL 29.6 billion to BRL 17.4 billion. In the period ended June 2025, the most significant item was BRL 22.6 billion in expenditures related to the disaster in Rio Grande do Sul. In the period ended June 2026, the main items were:

- advance payment of the 13th salary [mandatory annual bonus equal to one month's salary] to INSS beneficiaries - BRL 5.1 billion;
- reimbursement for improper deductions from INSS benefits - BRL 3.2 billion;

⁵ Law No. 14,973, of September 16, 2024. Available at: https://www.planalto.gov.br/ccivil_03/_ato2023-2026/2024/lei/l14973.htm.

- financial assistance to states and the Federal District - BRL 2.6 billion;
- diesel oil marketing subsidy - BRL 2.1 billion;
- payment of quotas to the Investment Guarantee Fund - BRL 2.0 billion; and
- expenditures related to the disaster in Rio Grande do Sul - BRL 1.9 billion.

Therefore, the non-recurring balance was determined mainly by the decline in atypical revenues. Net non-recurring revenues fell by BRL 47.0 billion, while non-recurring expenditures declined by BRL 12.2 billion. The reduction in expenditures offset only part of the loss in these revenues.

Cyclical Component

The cyclical component seeks to identify the portion of the fiscal balance associated with fluctuations in economic activity and the oil price. After non-recurring events are excluded, revenues sensitive to economic activity are adjusted based on the output gap and the elasticities estimated for different revenue groups. The elasticities indicate how each revenue group tends to respond to variations in economic activity and follow the methodology presented in the Special Study No. 16⁶, of November 2021. Royalties and special participations revenues receive specific treatment, which takes into account the difference between the observed oil price and its trend level.

The cyclical component remained positive but declined from 0.4% of GDP to 0.1% of GDP between the four-quarter accumulated periods through June 2025 and June 2026. This movement was consistent with the narrowing of the output gap, from 1.1% in the second quarter of 2025 to 0.5% in the second quarter of 2026⁷. The economy remained above its estimated potential level, though it moved closer to that level.

The output gap is not a directly observed variable, and its estimation is subject to uncertainty. As presented in RAF No. 114⁸, of July 2026, the IFI combines estimates obtained through univariate, multivariate, and production function methods. The central measure corresponds to the median of these estimates and is accompanied by a plausibility interval. The results may be revised as new information becomes available.

The portion associated with oil moved in the opposite direction to the narrowing of the output gap. The increase in the observed Brent price relative to its trend level raised the cyclical component associated with royalties and special participations revenues.

⁶ See IFI. *A elasticidade da receita em relação ao PIB*. Estudo Especial nº 16, novembro de 2021. Available at: <https://www2.senado.leg.br/bdsf/bitstream/handle/id/593776/EE16.pdf>.

⁷ As the Quarterly National Accounts data for the second quarter of 2026 had not yet been released when this report was prepared, the output gap for that period was estimated using the IFI's macroeconomic scenario.

⁸ See IFI. *Relatório de Acompanhamento Fiscal nº 114*. Julho de 2026. Available at: https://www2.senado.leg.br/bdsf/bitstream/handle/id/935943/RAF114_JUL2026.pdf.

Structural Balance and Fiscal Impulse

In the four-quarter accumulated period through June 2026, the structural primary deficit reached 1.4% of GDP, worsening from the 0.7% of GDP recorded in June 2025. This deterioration of 0.6 p.p. of GDP represented the largest individual contribution to the worsening of the conventional balance.

Another form of analysis derived from the structural primary balance consists of observing the fiscal impulse. The IFI uses two complementary measures. From the perspective of public debt sustainability, the impulse corresponds to the negative of the change in the structural balance between two comparable periods. From the perspective of aggregate demand, it corresponds to the negative of the change in the conventional balance adjusted only for the economic cycle.

The first measure assesses the fiscal policy stance by tracking changes in the underlying fiscal position. The second retains non-recurring events and, therefore, more comprehensively captures fiscal flows with the potential to affect aggregate demand. In both measures, a positive value indicates an expansionary stance, while a negative value indicates a contractionary orientation of fiscal policy.

From the sustainability perspective, the 0.8 p.p. improvement in the structural balance between 2024 and 2025 corresponded to a contractionary impulse of equal magnitude. Comparing the four-quarter accumulated periods ended in March 2025 and March 2026, the impulse was expansionary by 0.2 p.p. of GDP. Between the periods ended in June, the deterioration in the structural balance corresponded to an expansionary impulse of 0.6 p.p. of GDP.

From the aggregate demand perspective, the impulse was contractionary by 0.2 p.p. of GDP between 2024 and 2025. In the year-over-year comparisons for 2026, it was expansionary by 0.6 p.p. of GDP in the period ended March, and by 0.9 p.p. of GDP in the period ended June.

Taken together, the two measures indicate that the fiscal policy stance, contractionary in 2025, became expansionary in the year-over-year comparisons for the periods ending March and June 2026.

Concluding Remarks

In the four-quarter accumulated period, the conventional primary balance shifted from a surplus of 0.1% of GDP in June 2025 to a deficit of 1.1% of GDP in June 2026. This deterioration of 1.2 percentage points (p.p.) resulted from the increase in the structural deficit and the reduction in the positive contributions of the cyclical and non-recurring components.

The structural deficit rose from 0.7% of GDP to 1.4% of GDP over the period analyzed, representing the largest individual contribution to this change. The smaller contribution from the cyclical component was consistent with the narrowing of the output gap, partially offset by the increase in the portion associated with royalties and special participations revenues. In the non-recurring component, the decline stemmed mainly from atypical revenues no longer being captured within the four-quarter window.

From the standpoint of the fiscal policy stance, the two impulse measures used by the IFI – the sustainability and aggregate demand perspectives – converge on the same diagnosis. Fiscal policy was contractionary in 2025 but became expansionary in year-over-year comparisons for periods ending in March and June of 2026. This shift occurred amid (i) increased discretionary spending in the first half of the year, partly due to the acceleration of parliamentary amendments under Article 72, Paragraph 21 of the 2026 LDO, as detailed in the next section of this RAF, and (ii) measures to mitigate the effects of the conflict in Iran.

These methodological caveats should be considered when interpreting the results. The structural balance is an estimate, not a directly observable variable. It is subject to uncertainties related to the measurement of potential output and the trend oil price, as well as the classification of non-recurring events.

Despite these limitations, deterioration in the structural balance and the expansionary fiscal impulse are important factors to monitor when assessing the fiscal trajectory. It is also worth monitoring the possibility of a loss of momentum in the cyclical and non-recurring components, which still contribute positively to the conventional balance. Revenues associated with oil exploration are among the factors sustaining these contributions.

Between Formal Compliance with the Target and Cash Flow Pressure: The 3rd RARDP of 2026 and the Constraint Imposed by Outstanding Liabilities

Alexandre Andrade and Gustavo Queiroz

Introductory Remarks

In compliance with Article 9 of Complementary Law No. 101 of 2000 (the Fiscal Responsibility Law) and the 2026 Budget Guidelines Law (Law No. 15,321 of 2025), the Executive Branch released the Primary Revenue and Expenditure Assessment Report (RARDP) on July 24 for the third two-month period of 2026. Prepared jointly by the National Treasury Secretariat, the Federal Budget Secretariat, and the Federal Revenue Office of Brazil, the document reassesses the year's revenue and expenditure projections. When necessary, it determines the restraint of discretionary expenditures to ensure compliance with the fiscal target.

The 3rd RARDP of 2026 confirms formal compliance with the fiscal target. The primary balance, used for target assessment, rose from a surplus of BRL 4.1 billion in the 2nd two-month period to BRL 10.8 billion in the 3rd. This increase occurred without the need for expenditure restraint and with a partial reversal of the freeze on discretionary expenditures, which declined from BRL 23.7 billion to BRL 17.9 billion. Therefore, at first glance, the fiscal picture for the third two-month period appears more favorable than in May.

This reading, however, demands caution in at least two respects, which this RAF explores in greater depth. First, the actual primary balance corresponds to an actual deficit of BRL 52.0 billion, while the balance obtained after legal deductions is a surplus of BRL 10.8 billion – a gap of BRL 62.8 billion that remains close to the level observed in the second two-month period (BRL 64.4 billion). This reinforces the argument explored previously by the IFI in other RAF editions that formal compliance with the target coexists with actual primary deficits.

The second dimension concerns the constraint that the stock of outstanding liabilities imposes on the Executive Branch's payment capacity in 2026. As will be explained in more detail later, the difference between the payment limit for discretionary expenditures (BRL 225.4 billion) and the total obligations payable during the year (combining the year's budget and the outstanding liabilities on record, which amounts to BRL 330.9 billion) results in a constraint of BRL 105.5 billion. This is about six times the amount of the expenditure freeze announced in the 3rd RARDP. This is a contingent fiscal risk that traditional target-monitoring metrics fail to capture.

In light of these two dimensions, this report is organized as follows: the next section details the central government's primary balance for the first seven months of 2026, focusing on

the variations in revenues and expenditures relative to the previous year; the following section presents key figures from the 3rd RARDP, including the trajectory of the expenditure freeze throughout the year and the phasing of commitment and payment limits; finally, a subsection examines the interaction between the 2026 payment limits and the stock of outstanding liabilities, both processed and unprocessed, as a complementary measure of fiscal risk.

Considerations on the Central Government's Primary Balance between January and July 2026, and Projections (RARDP and IFI)

According to data from the National Treasury Secretariat (STN) and the Siga Brasil Portal⁹, the central government (which includes the Treasury, the INSS, and the Central Bank) recorded an accumulated primary deficit of BRL 81.2 billion between January and July 2026, compared with a deficit of BRL 70.3 billion in the same period of 2025. As shown in Table 2, net primary revenue grew 6.0% in real terms over the period, while primary expenditure rose 6.3%. Thus, although revenue collection performed more strongly than in the previous year, when it had grown 3.0%, the acceleration in expenditure – from 2.0% to 6.3% – led to a widening of the deficit by BRL 10.9 billion.

TABLE 2. CENTRAL GOVERNMENT PRIMARY BALANCE – 2025 AND 2026 (IN BRL BILLIONS AND REAL % VARIATION)

Breakdown	Jan-Jul 2025		Jan-Jul 2026		Difference between 2026 and 2025 (BRL billions)
	BRL billions	Real % var.	BRL billions	Real % var.	
1. Total primary revenue	1,667.6	3.5%	1,839.5	5.6%	171.9
2. Revenue-sharing transfers	327.9	5.7%	357.2	4.3%	29.3
3. Net primary revenue [1-2]	1,339.7	3.0%	1,482.3	6.0%	142.6
4. Primary expenditure	1,410.0	2.0%	1,563.5	6.3%	153.5
5. Primary balance [3-4]	-70.3	-	-81.2	-	-10.9

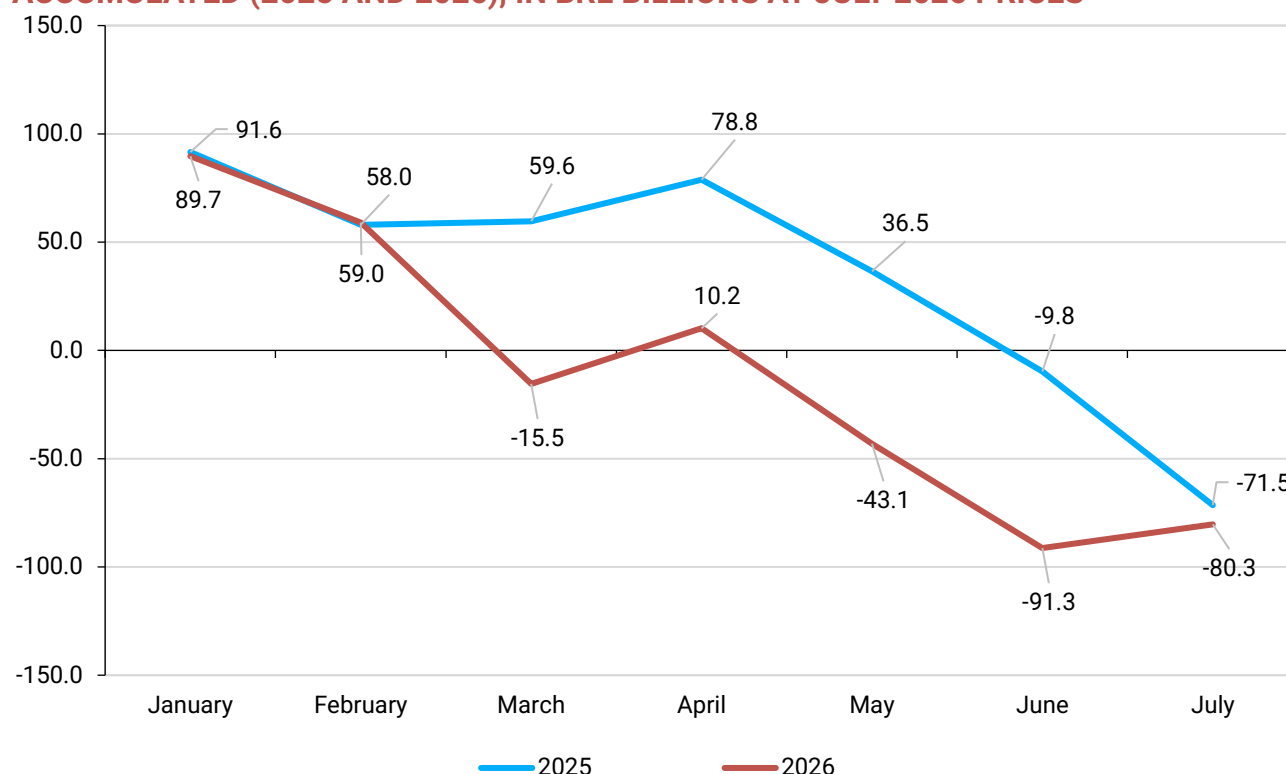
Source: National Treasury Secretariat and Siga Brasil. Prepared by: IFI.

Graph 2 shows the dynamics of this balance over the course of the year. The trajectory in 2026 deteriorated more sharply between March and June, widening the gap relative to 2025. In July, however, the accumulated balance improved, with a reduction in the deficit relative to June. The data were deflated using the IPCA, based on July 2026 prices. The weaker primary balance recorded for the 2026 accumulated period, compared with 2025, was due to higher execution of discretionary expenditures, influenced by the acceleration of parliamentary amendment payments provided for under Article 72, Paragraph 21, of Law

⁹ Available at: <https://www12.senado.leg.br/orcamento/sigabrasil>.

No. 15,321¹⁰, of December 31, 2025 (2026 LDO). This provision requires the payment of 65% of the appropriations set out in Law No. 15,346¹¹, of January 14, 2026 (2026 LOA), for mandatory individual and caucus amendments, subject to the requirements of budgetary and fiscal legislation, by the end of the first half of the year. The acceleration of 65% of these amendments¹² placed pressure on the central government's cash flow during the period covered by the first two 2026 budgetary and financial programming decrees.

GRAPH 2. CENTRAL GOVERNMENT PRIMARY BALANCE – JANUARY-JULY ACCUMULATED (2025 AND 2026), IN BRL BILLIONS AT JULY 2026 PRICES



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

On the revenue side, total primary revenue grew 5.6% in real terms between January and July 2026, compared with 3.5% in the same period of 2025 (Table 2). This performance was driven by administered revenue, which rose 6.7%, and by net RGPS revenue, which increased 6.2%.

From January to July of this year, non-administered revenue fell 1.9% in real terms. This marked a notable improvement from the 5.8% decline recorded through June. Within this group, dividends fell 58.0%, while revenue from natural resource extraction grew 17.4%. This

¹⁰ Available at: https://www.planalto.gov.br/ccivil_03/_ato2023-2026/2025/lei/l15321.htm.

¹¹ Available at: https://www.planalto.gov.br/ccivil_03/_ato2023-2026/2026/lei/l15346.htm.

¹² The 65% share in the first half of 2026 does not cover all types of amendments – only individual and state caucus amendments (primary balance result identifier RP6 and RP7), among which, specifically, special transfers, informally known as "pix amendments," and amendments earmarked for automatic transfers to health and social assistance funds. Committee amendments (RP8) and programming carried out through traditional agreements/work plans are not covered by the same provision.

acceleration was particularly pronounced in recent months: the accumulated growth of this revenue rose from 7.4% through May to 14.3% through June, and 17.4% through July.

This movement aligns with the exercises presented by the IFI in RAF No. 111 of April 2026. These exercises indicated the positive, direct, and indirect effects of the oil shock on revenue collection in the short term, effects that have indeed materialized.

Central government primary expenditure grew 6.3% in real terms in the seven-month accumulated period of 2026, compared with an increase of 2.0% recorded in the same period last year. Expenditure behavior this year was driven by: (i) the payment of social security benefits (+4.0%, compared with a 4.8% increase in 2025 through July); (ii) personnel expenditure (+6.7%, compared with a 3.7% increase in 2025); (iii) the payment of the Continuous Cash Benefit (BPC), with a real increase of 5.1% in 2026, compared with a 10.9% increase recorded in the same period of 2025; (iv) the federal supplementation to Fundeb (+7.4%, compared with 22.3% in 2025); (v) subsidies, grants, and Proagro (-14.5% this year, compared with an increase of 28.0% in 2025); and (vi) **discretionary expenditures**, which recorded a **real increase of 44.5% in this year's accumulated period through July**, compared with a decline of 20.9% in the same period of 2025. The higher execution of discretionary expenditures this year is explained by the aforementioned Article 72, Paragraph 21, of the 2026 LDO, which provided for higher amendment payments in the first half of the year¹³.

To conclude this subsection, Table 3 compares the 2026 projections presented by the Executive Branch in the second and third RARDPs with the IFI's June 2026 estimates¹⁴. With regard to the IFI's most recent projections, it is worth highlighting the estimate for the primary balance for target compliance purposes this year. While the Executive Branch, based on the 3rd RARDP, estimates a margin of BRL 10.8 billion above the lower bound of the target, the IFI's current projection for this margin is BRL 18.2 billion.

Between the 2nd and 3rd two-month periods, the Executive Branch revised total primary revenue projections for 2026 upward by BRL 19.2 billion, from BRL 3,218.0 billion to BRL 3,237.2 billion. The update incorporated revenue collected through June, as well as methodological revisions and updated macroeconomic parameters. There was an increase in expected administered revenue (+BRL 27.8 billion), partially offset by a downward revision to the projection for net RGPS revenue (-BRL 4.3 billion) and for non-administered revenue (-BRL 4.3 billion). Since revenue-sharing transfers were raised by BRL 7.0 billion, the upward revision in net primary revenue was BRL 12.3 billion.

On the expenditure side, the Executive Branch's projection rose from BRL 2,641.7 billion to BRL 2,645.6 billion this year, an increase of BRL 4.0 billion relative to the 2nd two-month period's projection. This net increase reflects a budgetary and methodological realignment.

¹³ It is important to add that, despite the LDO provision authorizing higher budget execution in the first half of this year, the data indicate that, in election years, amendment payments tend to be concentrated in the first six months of the year.

¹⁴ See RAF No. 113, of June 2026. Available at: https://www12.senado.leg.br/ifi/pdf/raf113_jun2026.pdf.

Decreases in mandatory expenditures (-BRL 2.9 billion) are offset by an increase in the estimated execution of discretionary expenditures and the opening of extraordinary appropriations.

TABLE 3. EXECUTIVE BRANCH AND IFI PROJECTIONS FOR THE CENTRAL GOVERNMENT'S PRIMARY BALANCE IN 2026

Breakdown	2nd RARDP and Decree No. 12,990, of May 29, 2026		3rd RARDP and Decree No. 13,085, of July 30, 2026		IFI (Jun/26)		Difference between 3rd RARDP and 2nd RARDP		Difference between IFI (Jun/26) and 3rd RARDP	
	BRL billions	GDP %	BRL billions	GDP %	BRL billions	GDP %	BRL billions	GDP %	BRL billions	p.p. of GDP
1. Total primary revenue	3,218.0	23.6	3,237.2	23.7	3,229.1	23.6	19.2	0.1	-8.1	0.0
2. Revenue-sharing transfers	636.7	4.7	643.6	4.7	649.9	4.8	7.0	0.0	6.3	0.1
3. Net primary revenue [1-2]	2,581.3	18.9	2,593.6	19.0	2,579.2	18.9	12.3	0.0	-14.4	-0.1
4. Primary expenditure	2,641.7	19.4	2,645.6	19.3	2,630.9	19.2	4.0	0.0	-14.7	-0.1
5. Central Government Primary Balance [3-4]	-60.3	-0.4	-52.0	-0.4	-51.7	-0.4	8.3	0.1	0.3	0.0
6. Primary Balance Target (LDO 2026)	34.3	0.3	34.3	0.3	34.3	0.3	0.0	0.0	0.0	0.0
7. Lower Bound of the Primary Balance Target (LDO 2026)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8. Expenditures not considered in the Primary Balance (EC 136, ADPF 1236, and LCs 221 and 223)	64.4	0.5	62.8	0.5	69.8	0.5	-1.6	0.0	7.1	0.1
9. Primary Balance for Compliance with the LDO 2026 [5+8]	4.1	0.0	10.8	0.1	18.2	0.1	6.7	0.0	7.4	0.1
10. Adjustment to the Target [6-9]	30.2	0.2	23.5	0.2	16.1	0.1				
11. Adjustment to the Lower Bound of the Target [7-9]	-4.1	-0.0	-10.8	-0.1	-18.2	-0.1				

Source: RARDP for the 2nd and 3rd Two-Month Periods of 2026 and IFI. Prepared by: IFI.

Among mandatory expenditures, the main revisions in the 3rd RARDP occurred in the following aggregates: (i) personnel and social charges (-BRL 4.3 billion), due to the execution of this expenditure in the first half of the year; (ii) the Continuous Cash Benefit (-BRL 3.2 billion), reflecting refinements to the projection models; (iii) social security benefits (-BRL 2.7 billion), as the pace of growth in benefit claims fell short, in the first half of the year, of what had been projected in the 2nd RARDP, even though there was greater speed in processing the backlog of pending claims (a reduction in the INSS queue); (iv) court rulings and court-ordered debt payments (-BRL 2.1 billion), due to the frustration and cancellation of court-ordered debt payment schedules that were not actually withdrawn, as well as updates to financial execution recorded in Siafi through June; and (v) salary allowance and unemployment benefit (+BRL 1.6 billion), reflecting a revision of macroeconomic

parameters, which raised the estimated number of beneficiaries, in line with the dynamics of the formal labor market.

On the other hand, the 3rd RARDP brought an increase in the forecast for extraordinary appropriations (+BRL 4.1 billion) compared with the May assessment (2nd two-month period). This revision reflected the enactment of new provisional measures and progress on projects of emergency relevance: (i) funding for an economic subsidy (BRL 6.8 billion) to producers and importers of petroleum-derived fuels¹⁵; (ii) reimbursement of improper deductions to INSS beneficiaries¹⁶ (BRL 547.0 million) resulting from a new Federal Supreme Court (STF) ruling, which presumes the good faith of beneficiaries contesting such deductions; and (iii) subsidy for independent sugarcane producers in the Northeast (BRL 270.0 million)¹⁷. These amounts were partially offset by the lapse in effectiveness of Provisional Measure No. 1,344¹⁸ of 2026, which reduced the expenditure forecast by BRL 3.0 billion due to its unused appropriation.

The 3rd RARDP also presented an upward revision to the estimate for mandatory expenditures with cash flow control, by BRL 3.5 billion this year, due to the increase in appropriations to meet the constitutional health spending floor (revised upward because of a higher projection for annual net current revenue), which raised expenditure projections for primary care under the Ministry of Health.

Constraints, Revenue and Expenditure Deviations, and Commitment and Payment Limits

Table 4 presents a comparison of discretionary expenditure constraint amounts across the three two-month assessments published in 2026. There are two possible types of constraints: expenditure freezes and spending cuts. Under Complementary Law (LC) No. 200¹⁹, of 2023, an expenditure freeze (*bloqueio*) applies when mandatory expenditures subject to the cap grow beyond expectations, tending to exceed the individualized limit set out in the legislation, thereby compressing the space available for discretionary expenditures in the budget.

Spending cuts (*contingenciamento*), in turn, governed by LC No. 101²⁰, of 2000, also known as the Fiscal Responsibility Law (LRF), are applied when a shortfall in primary revenue puts compliance with the fiscal target at risk. As the Executive Branch's estimates for the 2026

¹⁵ Under Provisional Measure No. 1,358, of 2026, and Provisional Measure No. 1,363, of 2026. Available at: <https://www.congressonacional.leg.br/materias/medidas-provisorias/-/mpv/174149> and <https://www.congressonacional.leg.br/materias/medidas-provisorias/-/mpv/174397>, respectively.

¹⁶ Under Provisional Measure No. 1,378, of July 20, 2026. Available at: <https://www.congressonacional.leg.br/materias/medidas-provisorias/-/mpv/175246>.

¹⁷ Under Provisional Measure No. 1,374, of 2026. Available at: <https://www.congressonacional.leg.br/materias/medidas-provisorias/-/mpv/174924>.

¹⁸ Available at: <https://www.congressonacional.leg.br/materias/medidas-provisorias/-/mpv/173213>.

¹⁹ Available at: https://www.planalto.gov.br/ccivil_03/leis/lcp/lcp200.htm.

²⁰ Available at: https://www.planalto.gov.br/ccivil_03/leis/lcp/lcp101.htm.

primary balance have remained above the lower bound of the target's tolerance band, there has been no need to apply spending cuts thus far.

TABLE 4. DISCRETIONARY EXPENDITURE CONSTRAINTS IN THE THREE TWO-MONTH ASSESSMENTS OF 2026 (IN BRL BILLIONS)

Breakdown	LOA 2026	1 st RARDP	2 nd RARDP	3 rd RARDP	Variation (2 nd to 3 rd RARDP)
1. Mandatory expenditure subject to the cap	2,154.2	2,156.3	2,178.6	2,172.9	-5.7
2. Discretionary expenditure subject to the cap	237.5	238.0	237.8	237.7	0.0
3. Total expenditure subject to the cap [1+2]	2,391.7	2,394.3	2,416.4	2,410.6	-5.7
4. Expenditure Cap (LC nº 200/2023)	2,392.7	2,392.7	2,392.7	2,392.7	
5. Initial budgetary space under the LOA 2026	1.0	0.0	0.0	0.0	
6. Constraint (freezes) required for mandatory expenditures [3-4]	0.0	1.6	23.7	17.9	-5.7

Source: 2026 LOA, 1st RARDP 2026, 2nd RARDP 2026, and 3rd RARDP 2026. Prepared by: IFI.

According to Table 4, the 1st RARDP recorded a marginal shortfall of BRL 1.6 billion relative to the expenditure cap under LC No. 200. In the 2nd two-month period, the upward revision to the projection of mandatory expenditures subject to the cap (item 1 of the table) forced the Executive Branch to adopt a freeze of BRL 22.1 billion, resulting in an accumulated freeze, at that point, of BRL 23.7 billion (item 6 of the table). In the 3rd two-month period, this constraint was partially reversed, by BRL 5.7 billion, with the downward revision to expenditures subject to the cap, resulting in an accumulated freeze of BRL 17.9 billion, in effect for the year to date.

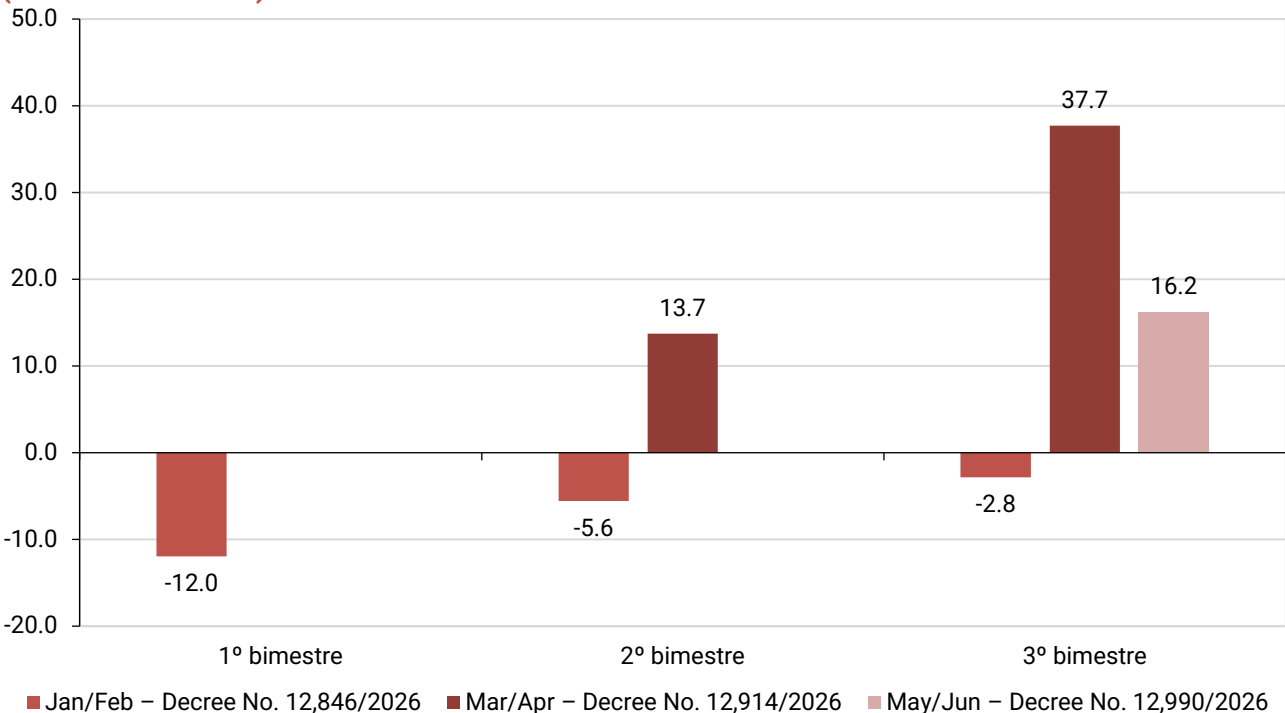
Graph 3 presents the deviations between actual and projected revenue figures under the budgetary programming decrees. This information can be read as follows: Decree No. 12,846, of February 12, 2026, was issued after the 2026 LOA was enacted. Based on the estimates in that decree and, consequently, in the 2026 LOA, there was a shortfall in primary revenue throughout the first half of the year (the first, second, and third two-month periods).

In the 1st RARDP, revenue and expenditure estimates for the year were updated by the Executive Branch, which, based on this update, issued Decree No. 12,914²¹, on March 30. At that time, the effects stemming from the oil price shock were incorporated into the estimates using the information available up to that point. Decree No. 12,914 revised the year's revenue projections upward. Based on the figures set out in that decree, actual revenue exceeded the projected amount in the 2nd and 3rd two-month periods of 2026.

²¹ Available at: https://www.planalto.gov.br/ccivil_03/_ato2023-2026/2026/decreto/d12914.htm.

Finally, based on the projections set out in Decree No. 12,990²², of May 29, 2026, issued after the publication of the 2nd RARDP, the accumulated deviation between actual and estimated revenue reached BRL 16.2 billion in the first-half accumulated period, indicating that the oil price shock, through its direct and indirect effects, continued to push federal revenue collection above projections.

GRAPH 3. ACCUMULATED DEVIATIONS OF PRIMARY REVENUE RELATIVE TO THE FIGURES SET OUT IN THE 2026 BUDGETARY AND FINANCIAL PROGRAMMING DECREES (IN BRL BILLIONS)



Source: 2026 Budgetary and Financial Programming Decrees, National Treasury Secretariat, Siga Brasil, and IFI. Prepared by: IFI.

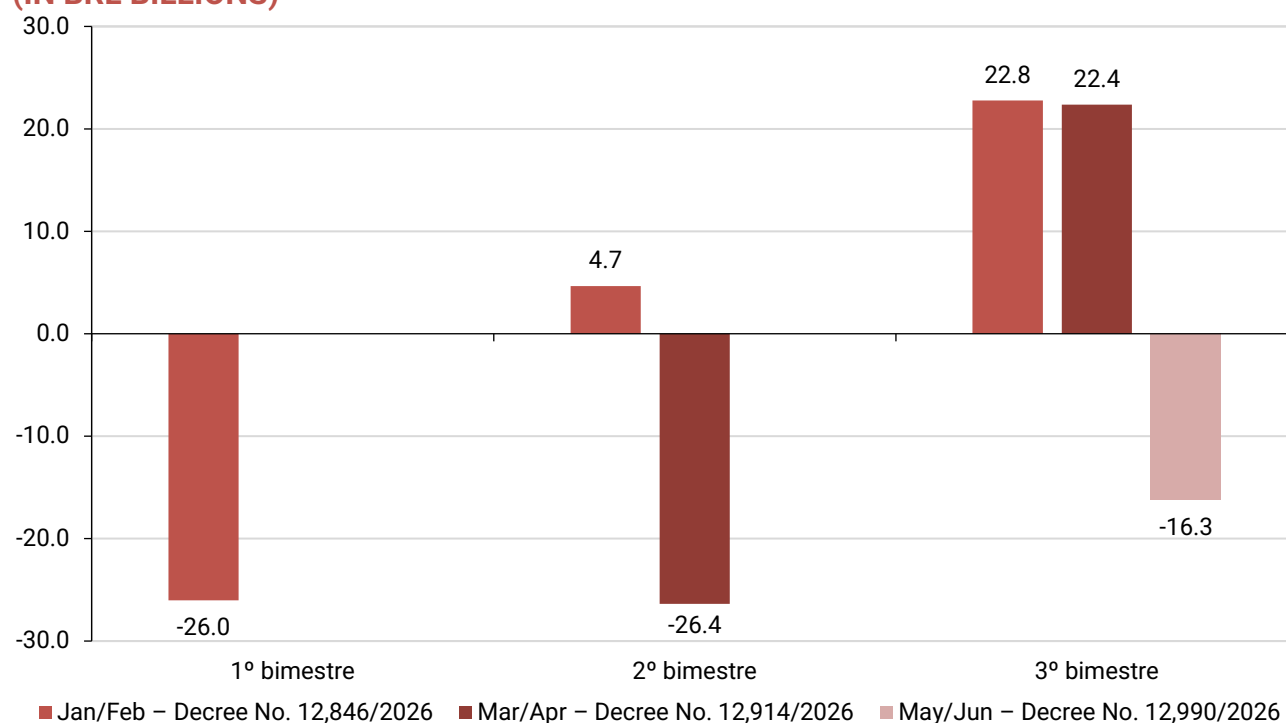
In other words, the figures show that revenue performance in the first half of the year supports the absence of any need for spending cuts. In the accumulated period from January to June, primary revenue exceeded the amount projected in the budget.

The BRL 16.2 billion deviation is explained as follows: (i) a positive surprise of BRL 22.1 billion in administered revenue; (ii) partially offset by a shortfall of BRL 0.9 billion in net RGPS revenue; and (iii) a further shortfall of BRL 5.0 billion in non-administered revenue.

Graph 4 presents the accumulated deviations between actual and projected values for the central government's primary expenditure in 2026. The data show both positive and negative deviations between January and June of this year. In the 3rd two-month period specifically, the financial execution of primary expenditure was BRL 16.3 billion below the amount estimated in the aforementioned Decree No. 12,990 (2nd RARDP of 2026).

²² Available at: https://www.planalto.gov.br/ccivil_03/_ato2023-2026/2026/decreto/d12990.htm.

GRAPH 4. ACCUMULATED DEVIATIONS OF PRIMARY EXPENDITURE RELATIVE TO THE FIGURES SET OUT IN THE 2026 BUDGETARY AND FINANCIAL PROGRAMMING DECREES (IN BRL BILLIONS)



Source: 2026 Budgetary and Financial Programming Decrees, National Treasury Secretariat, Siga Brasil, and IFI. Prepared by: IFI.

The negative deviation of BRL 16.3 billion between the executed and estimated primary expenditure figures is explained by the following factors: (i) execution of BRL 9.2 billion below projections in the payment of social security benefits; (ii) execution of BRL 4.0 billion below estimates in other mandatory expenditures, mainly in the payment of the Continuous Cash Benefit (BPC) and in spending on subsidies, grants, and Proagro; and (iii) execution of BRL 2.3 billion below projections in personnel and social charges expenditures.

Expenditure subject to cash flow control totaled BRL 305.0 billion in the first half of this year. The deviation between the actual and projected amounts for these expenditures was as follows: (i) -BRL 18.7 billion in relation to Decree No. 12,846 (2026 LOA); (ii) -BRL 17.5 billion in relation to Decree No. 12,914 (1st RARDP); and (iii) -BRL 0.7 billion in relation to Decree No. 12,990 (2nd RARDP).

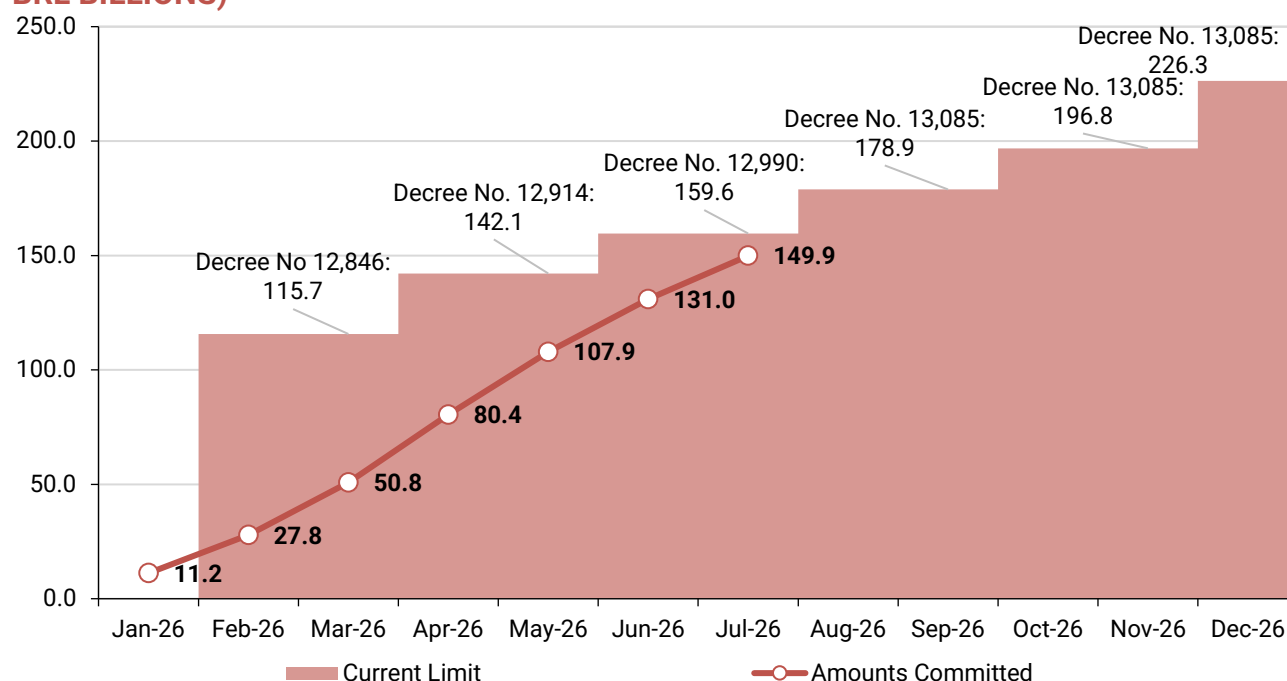
Mandatory expenditure subject to cash flow control totaled BRL 189.6 billion in the first half of the year, while discretionary expenditure totaled BRL 115.4 billion. Within discretionary expenditure, the payment of mandatory parliamentary amendments and other amendments amounted to BRL 31.9 billion in the period, while other discretionary expenditure totaled BRL 83.5 billion. Based on Decree No. 12,990 (2nd RARDP), the deviations in the first six months of the year were as follows: (i) -BRL 1.2 billion in mandatory expenditure subject to cash flow control; (ii) +BRL 4.7 billion in amendments (mandatory and other); and (iii) -BRL 4.2 billion in other discretionary expenditure. These figures indicate relatively high execution of parliamentary amendments in the first six months of the year.

As in the previous year, the mechanism of phasing applies to the execution of discretionary expenditure in the 2026 fiscal year. This mechanism is governed by Articles 71, 72, and 73 of the 2026 Budget Guidelines Law, as well as by Articles 1 and 11 (I, "b") of the aforementioned Decree No. 12,846, which effectively sets and divides the commitment and movement limits for discretionary expenditure into periods this year.

A commitment represents the first stage in the execution of an expenditure. The existence of a commitment limit, as established in the budgetary programming decrees, constitutes a constraint on its execution. In practice, this means that budgetary units within the Executive Branch may only initiate discretionary expenditure up to the limit set.

Graph 5 shows the amounts committed to discretionary spending from January to July of 2026. The limit set for June and July was BRL 159.6 billion under Decree No. 12,990. Discretionary expenditures committed through July totaled BRL 149.9 billion, which is BRL 9.7 billion below the limit established under the phasing schedule. The BRL 159.6 billion limit corresponds to 70.5% of the discretionary expenditures authorized for 2026. Should any impediments arise that prevent the full commitment of these expenditures, the remaining amounts can no longer be committed. This results in savings and consequently improves the primary balance for both the current fiscal year and the following one, as a smaller stock of outstanding liabilities is recorded.

GRAPH 5. COMMITMENT AMOUNTS AND LIMITS FOR DISCRETIONARY EXPENDITURE (IN BRL BILLIONS)



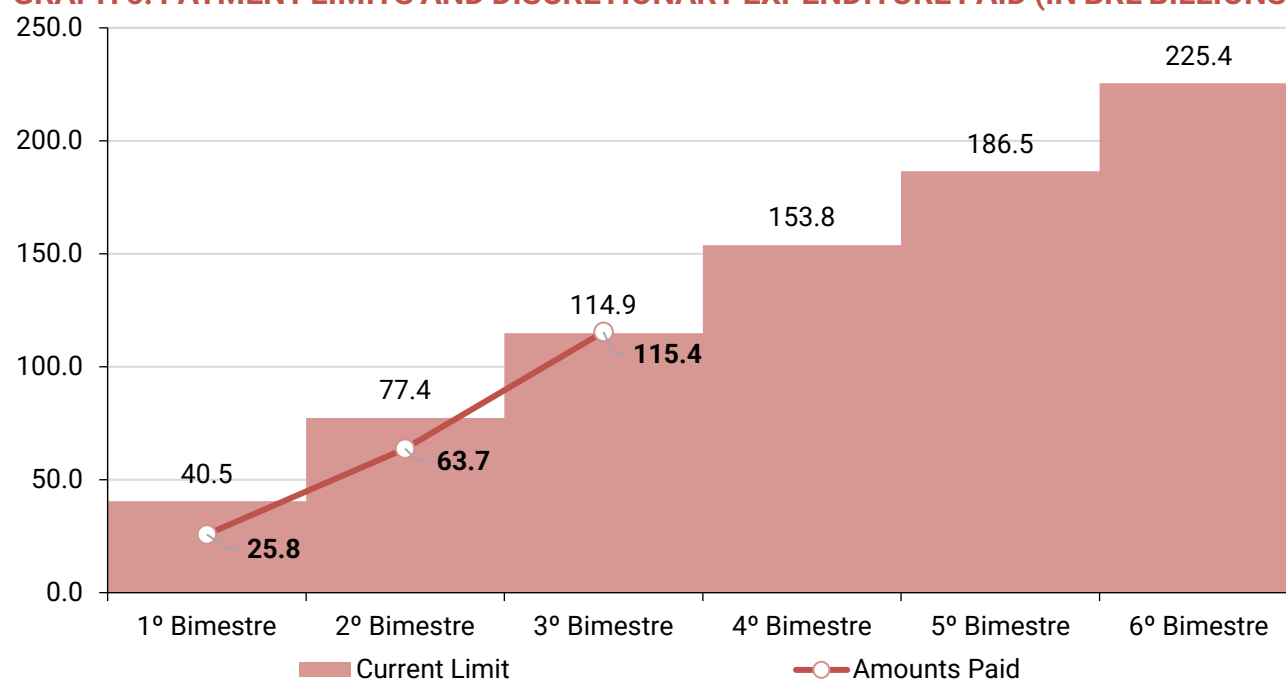
Source: Siga Brasil and DPOFs. Prepared by: IFI.

* Includes discretionary expenditure, mandatory parliamentary amendments, and committee amendments.

Another constraint on the execution of discretionary expenditure this year stems from payment limits. These limits restrict financial execution in order to align the disbursement flow of Executive Branch expenditure subject to cash flow control with the central

government's primary revenue projections, ensuring compliance with the primary balance target²³. As shown in Graph 6, by the end of the 3rd two-month period of 2026, discretionary expenditure exceeded the payment limit set under the Budgetary and Financial Programming Decree (DPOF)²⁴ by BRL 0.5 billion, with BRL 115.4 billion paid against a limit of BRL 114.9 billion.

GRAPH 6. PAYMENT LIMITS AND DISCRETIONARY EXPENDITURE PAID (IN BRL BILLIONS)



Source: Siga Brasil and DPOFs. Prepared by: IFI

* Includes discretionary expenditure, mandatory parliamentary amendments, and committee amendments.

Also according to Graph 6, the limits set under the DPOFs show that, by the end of the 4th two-month period (July and August), the Executive Branch may pay BRL 153.8 billion, which corresponds to 68.2% of the payment limit (BRL 225.4 billion) set for the fiscal year. By the end of the 5th two-month period, the payment limit is BRL 186.5 billion (82.7%). Accordingly, 17.3% of discretionary expenditure for 2026 can be paid in a single two-month period (November and December). This would allow, in the event of a sharp shortfall in the year's estimated revenue, for expenditure restraint to still be applied in time.

²³ Article 2 of Decree No. 12,846, of 2026, already referenced in this report, establishes: "Article 2. The payment of primary expenditure subject to cash flow control in fiscal year 2026, including outstanding liabilities from prior years (...), shall observe the amounts authorized and the payment schedules set out in this Decree." [Unofficial translation].

²⁴ Decree No. 12,990 was issued on May 29. When the actual figures for June were taken into account, the accumulated payment of BRL 115.4 billion exceeded the limit set by the Decree (BRL 114.9 billion). Decree No. 13,085, of July 30, by incorporating the execution recorded, raised the accumulated limit for the 3rd two-month period to BRL 115.4 billion.

Discretionary Expenditure Payment Limits and Outstanding Liabilities

To conclude this subsection, some considerations are presented regarding the 2026 payment limits for discretionary expenditure in relation to the current stock of outstanding liabilities on record (processed and unprocessed) as of December 31, 2025. Table 5 presents this information. The analysis of these figures is important for the following reasons.

First, the payment limit (Annexes II-V of the DPOF) represents the amount the Treasury will actually disburse in financial resources over the course of 2026. The stock of outstanding liabilities (RAP) constitutes an obligation already incurred (commitments made in prior fiscal years) but not yet disbursed. Thus, comparing the payment limit with the stock of outstanding liabilities (RAP) reveals the level of sufficiency for the payment of outstanding liabilities.

Second, the announced freeze in the 3rd two-month period (BRL 17.9 billion) measures the compatibility between the projected primary expenditure and the primary expenditure limit under LC No. 200. However, the freeze does not indicate whether there is sufficient cash to cover commitments (RAP) from previous years. The current outstanding liability stock recorded in 2025 (BRL 105.5 billion) is approximately six times higher than the freeze on expenditures in effect after the 3rd RARDP.

TABLE 5. 2026 DISCRETIONARY EXPENDITURE PAYMENT LIMIT (3RD RARDP) AND CURRENT STOCK OF OUTSTANDING LIABILITIES (RAP) ENROLLED IN 2025 (IN BRL BILLIONS)

Category	Payment Limit	Processed RAP	Unprocessed RAP	Total RAP	RAP/Payment Limit (%)
Discretionary Expenditure (RP2/RP3) by Agency	180.5	9.0	61.2	70.1	38.8%
Individual Parliamentary Amendments (RP6)	26.6	0.4	8.4	8.8	33.0%
State Caucus Amendments (RP7)	8.7	0.3	10.5	10.8	124.3%
Committee Amendments (RP8)	9.7	0.3	11.7	12.0	123.6%
Rapporteur Amendments (RP9)	0.0*	1.5	2.4	3.9	-
Total	225.5	11.5	94.1	105.5	46.8%

* Rapporteur amendments have no authorized payment amount under Annex XVII of the DPOF.
Source: Decree No. 12,846/2026, Annexes VIII and XVII, as amended by Decree No. 13,085/2026 (3rd RARDP).
Prepared by: IFI.

Third, it is important to distinguish between processed (BRL 11.5 billion) and unprocessed (BRL 94.1 billion) outstanding liabilities, since not all of the BRL 105.5 billion will affect the Treasury's cash flow this year. The worst case scenario would be the payment of the entire amount of unprocessed outstanding liabilities, which are subject to settlement, cancellation, or payment spread out over the coming years. In other words, of the total amount of

outstanding liabilities recorded in the 2026 budget, BRL 11.5 billion corresponds to obligations due this year.

In short, comparing the payment limits for discretionary expenditures with the stock of outstanding liabilities makes it possible to measure the extent of the mismatch between assumed obligations and the capacity to pay them – an underlying measure of contingent fiscal risk.

The figures in Table 5 indicate that the current amounts of outstanding liabilities recorded under caucus amendments (RP7) and committee amendments (RP8) warrant attention, as the stock of outstanding liabilities for these amendments exceeds the entire payment limit authorized for 2026. This means that, technically, there are no cash resources available to pay the outstanding liabilities for these amendments.

For discretionary expenditure under budget identifiers RP2 and RP3, the relationship between outstanding liabilities and the payment limit is more comfortable (38.8%). Historically, this type of expenditure has shown greater execution predictability than parliamentary amendments.

A final consideration concerns the amounts of processed and unprocessed outstanding liabilities. The figures in Table 5 indicate that the share of processed and unprocessed outstanding liabilities is roughly stable across budget identifiers. With the exception of rapporteur amendments, unprocessed outstanding liabilities account for more than 85% of the stock of outstanding liabilities on record. In other words, the materialization of this expenditure depends on future settlement, reinforcing the fact that this stock will not necessarily translate into payment pressure as early as 2026.

Concluding Remarks

The 3rd RARDP of 2026 points to a somewhat more comfortable scenario of formal compliance with this year's fiscal target than that observed in the two previous two-month assessments. The primary balance recorded for target purposes rose from BRL 4.1 billion to BRL 10.8 billion, along with a BRL 5.7 billion reversal of the freeze on discretionary expenditure. This improvement mainly reflects downward revisions to projected mandatory expenditures, such as personnel and social charges, social security benefits, the BPC, and court-ordered debt payments. However, it does not reflect a structural reversal in the actual primary balance's trajectory, which remains projected to post a BRL 52.0 billion deficit for the year.

The magnitude of the legal deductions that underpin compliance with the target reinforces this reading. These deductions totaled BRL 62.8 billion in the 3rd two-month period, close to the BRL 64.4 billion level observed in the 2nd. Without them, the fiscal target could not have been met. Formal compliance with the target should therefore be interpreted with

caution. It substantially stems from legally authorized deductions that reduce the recorded balance. These deductions do not alter the trajectory of the actual primary balance.

This situation is further complicated by a second layer of fragility: the payment capacity constraint imposed by the stock of outstanding liabilities. Comparing the payment limit for discretionary expenditure (BRL 225.4 billion) with the total obligations payable in 2026 (BRL 330.9 billion) reveals a constraint of BRL 105.5 billion, about six times the officially reported freeze. Although a significant portion of this stock (BRL 94.1 billion, or 89% of the total) consists of unprocessed outstanding liabilities, subject to cancellation or being spread out over future fiscal years, the concentration of this constraint in caucus and committee amendments points to a budgetary pressure point that is likely to recur, and possibly worsen, in the coming years. The stock of these amendments alone already exceeds the entire payment limit available for these budget items in 2026.

This risk is not cyclical. The federal government's total stock of outstanding liabilities grew from BRL 186.3 billion ten years ago to BRL 310.8 billion at the start of 2025, and to BRL 391.6 billion at the start of 2026. This reflects a trajectory of persistent accumulation, resulting in a stock that competes for financial resources with the expenditure of the current fiscal year itself. It is worth noting the need to reform Law No. 4,320, of 1964, to more strictly regulate the recording and cancellation of outstanding liabilities. In the absence of changes to this legal framework, this component of contingent fiscal risk will remain relevant for the monitoring of public accounts in the coming years.

Lastly, it is worth highlighting a factor specific to 2026 that tends to intensify pressure on outstanding liabilities in the coming years: the acceleration, provided for under Article 72, Paragraph 21, of the 2026 LDO, of the payment of 65% of individual and state caucus amendments by the end of the first half of the year, a pattern typical of election years. This front-loaded execution, while explaining part of the deterioration in the primary balance observed between January and July of this year relative to 2025, also raises the risk that unexecuted amounts within the fiscal year will simply be recorded as new outstanding liabilities in the 2027 budget. Monitoring the remaining two-month assessments of 2026, together with the evolution of the stock of outstanding liabilities, will be essential to assess whether the fragility identified in this report deepens or stabilizes over the rest of the fiscal year.

IFI PROJECTIONS

SHORT TERM

IFI Projections	2026			2027		
	Jul/26	Aug/26	Comparison	Jul/26	Aug/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	▲
Wage bill – 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 rates (% 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	▲



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