

## Local indicators take a back seat to heightened global uncertainty

### Highlights

#### **Federal revenue surprises with IOF collections and government eases budget freeze.**

Brazil's federal revenue reached BRL 234.5 billion in June, marking a real increase of 6.6 percent compared to the same month last year and setting a new record for June in the historical series. The strong result was primarily driven by a temporary hike in the IOF tax, which generated BRL 8.02 billion in revenue. This reflects legislative changes that broadened taxation on credit and foreign exchange operations, particularly for corporations. In the first half of the year, inflation-adjusted total revenue reached BRL 1.44 trillion, up 4.4 percent in real terms from the same period in 2024. The performance was supported by recent measures aimed at boosting public revenue, including the reinstatement of fuel taxation, the taxation of online betting, and the gradual reintroduction of payroll taxes. This revenue growth is a cornerstone of the government's fiscal strategy to meet its 2025 target of eliminating the primary deficit, with a tolerance of up to 0.25 percentage points of GDP. The Bi-Monthly Revenue and Expenditure Report reinforced this fiscal stance by revising upward the projected primary result, now estimated at a deficit of BRL 26.3 billion. This figure remains within the limits permitted by the new fiscal framework. However, despite the apparent improvement, the report disappointed markets by combining a smaller-than-expected spending cut with a continued heavy reliance on one-off revenue sources. Among the highlights was a BRL 25.4 billion upward revision in total primary revenue projections, of which BRL 18 billion stem from natural resource exploration. This figure is seen as optimistic, especially after Treasury Secretary Rogério Ceron cautioned that the BRL 15 billion expected from pre-salt oil auctions should not be fully booked due to declining Brent prices and the appreciation of the real, which could undermine these projections. Additionally, the government opted to fully lift the previously frozen BRL 20.7 billion in discretionary spending, contrary to expectations of a partial release. It also raised its expenditure projection by BRL 5 billion, driven by higher spending on social benefits and social security reimbursements. While the recent revenue figures help ease pressure on the fiscal target, the government's strategy remains heavily focused on increasing revenues, with limited progress on structural expenditure reforms.

#### **Inflation data do not add pressure on the Central Bank.**

The IPCA-15 inflation reading for July came in at 0.33 percent month-over-month, slightly above the market median forecast (0.31%) but marginally below our own projection (0.34%). On a 12-month basis, inflation stood at 5.30 percent. The average of core inflation measures registered a 0.30 percent monthly gain, below our forecast and broadly in line with market expectations. This indicates a deceleration in underlying inflation, which fell from 4.50 percent to 4.20 percent on a seasonally adjusted annualized basis over the three-month period.

Among the components, core services inflation remained stable overall, despite some internal variations. Upward pressure from eating out and residential rents was offset by declines in items such as voluntary vehicle insurance and condominium fees. In the industrial goods segment, outcomes were mixed, with increases in personal hygiene products and cigarettes and decreases in apparel prices, likely reflecting recent promotional discounts. Food at home showed deflation, mainly due to falling prices for fruits and root vegetables. Regulated prices rose moderately, led by health insurance adjustments and increases in gambling-related prices, partially offset by a decline in gasoline prices. From a monetary policy perspective, the data do not alter our assessment that the Central Bank will hold the Selic rate steady at 15.0 percent in its upcoming meeting. This is in line with recent Copom communication, which signaled a preference for keeping rates elevated for an extended period until inflation shows a clear path back to target and expectations are re-anchored.

### **On the external front, ECB holds rates steady and Trump negotiates tariffs with the EU.**

The European Central Bank kept its policy rate unchanged at 2.0 percent, following eight consecutive cuts, in line with market expectations. The accompanying statement emphasized a data-dependent approach amid high uncertainty stemming from global trade and geopolitical tensions. The ECB expressed confidence in the ongoing disinflation process, with core inflation already converging toward the 2.0 percent target. It also acknowledged that stronger-than-expected first-quarter growth was partly driven by front-loading of purchases and imports in anticipation of potential future tariff hikes. In this context, news of a potential trade agreement between the United States and the European Union was positively received by markets. The deal reportedly entails reciprocal 15 percent tariffs on imports, aiming to avoid an escalation to 30 percent starting August 1, as previously threatened by the U.S. administration. The agreement would also include mutual exemptions from tariffs on products such as aircraft, alcoholic beverages, medical devices, and European automobiles. In parallel, the U.S. formalized a separate agreement with Japan, setting a 15 percent tariff on autos and auto parts, replacing the earlier threat of a 25 percent tariff. In return, Japan committed to a substantial counterpackage, including increased investments in the United States, expanded purchases of American agricultural and industrial goods, and higher defense spending with U.S. companies. Regarding Brazil, it is worth noting that Trump reiterated this week that “some countries we’re not getting along with will pay a 50 percent tariff,” in an indirect reference to Brazil. Currently, formal negotiation channels between the Brazilian and U.S. governments remain closed. Finally, in a rare visit to the Federal Reserve, Trump once again advocated for interest rate cuts and toned down his criticism of Chair Jerome Powell. This move reinforced his effort to influence U.S. monetary policy in an already volatile global environment. For the upcoming Fed meeting, we expect rates to remain unchanged.

## Economic Calendar

In **Brazil**, the main focus will be the Central Bank's monetary policy decision, where we project the Selic rate to be held steady at 15 percent. Additionally, June labor market data and the Central Bank's economic and financial statistics will be released.

On the **international front**, attention will be on the U.S. interest rate decision, which is also expected to remain unchanged, alongside the release of economic activity and labor market indicators. In China, July PMI figures will be published.

Date	Country	Event	Period	Survey	Buysidebrazil	Prior
<b>07/28/25 Monday</b>						
8:00 AM	Brazil	Construction Survey	Jul	-	-	94.0
8:25 AM	Brazil	Central Bank Weekly Economist Survey (Focus)	-	-	-	-
<b>8:30 AM</b>	<b>Brazil</b>	<b>Credit Statistics</b>	<b>Jun</b>	<b>-</b>	<b>-</b>	<b>R\$6653b</b>
11:30 AM	USA	Dallas Industrial Survey	Jul	-9.0	-	-12.7
2:30 PM	Brazil	Monthly Debt Report	Jun	-	R\$7799b	R\$7670b
3:00 PM	Brazil	Weekly Trade Balance	-	-	-	-
<b>07/29/25 Tuesday</b>						
8:00 AM	Brazil	Industry Survey	Jul	-	-	96.8
9:30 AM	USA	Trade Balance	Jun	-\$97.9b	-	-\$96.4b
10:00 AM	USA	Residential Prices (MoM)	May	-0.1%	-	-0.4%
<b>11:00 AM</b>	<b>USA</b>	<b>JOLTS</b>	<b>Jun</b>	<b>7400k</b>	<b>-</b>	<b>7769k</b>
11:00 AM	USA	Consumer Confidence	Jul	95.9	-	93.0
11:30 AM	USA	Dallas Service Sector Activity Index	Jul	-	-	-4.4
<b>07/30/25 Wednesday</b>						
6:00 AM	Eurozone	Economic Confidence Indicator	Jul	94.5	-	94.0
<b>6:00 AM</b>	<b>Eurozone</b>	<b>GDP</b>	<b>2Q (A)</b>			
		QoQ		0.0%	-	0.6%
		YoY		1.2%	-	1.5%
8:00 AM	Brazil	IGP-M (MoM)	Jul	-	-	-1.67%
8:00 AM	Brazil	Retail Survey	Jul	-	-	89.3
8:00 AM	Brazil	Services Survey	Jul	-	-	90.7
<b>9:15 AM</b>	<b>USA</b>	<b>ADP</b>	<b>Jul</b>	<b>78k</b>	<b>-</b>	<b>-33k</b>
<b>9:30 AM</b>	<b>USA</b>	<b>GDP (QoQ)</b>	<b>2Q (A)</b>	<b>2.4%</b>	<b>-</b>	<b>-0.5%</b>
9:30 AM	USA	GDP Deflator	2Q (A)	2.4%	-	3.8%
9:30 AM	USA	PCE Deflator - Core (QoQ)	2Q (A)	2.3%	-	3.5%
11:00 AM	USA	Pending Home Sales (MoM)	Jun	-0.1%	-	1.8%
2:30 PM	Brazil	Foreign Exchange Transactions	-	-	-	-
<b>3:00 PM</b>	<b>USA</b>	<b>FOMC</b>	<b>-</b>	<b>4.50%</b>	<b>4.50%</b>	<b>4.50%</b>
<b>6:30 PM</b>	<b>Brazil</b>	<b>Copom</b>	<b>-</b>	<b>15.00%</b>	<b>15.00%</b>	<b>15.00%</b>
<b>10:30 PM</b>	<b>China</b>	<b>PMI - NBS</b>	<b>Jul</b>			
		Manufacturing		49.7	-	49.7
		Services		50.3	-	50.5
		Composite		-	-	50.7
-	<b>Brazil</b>	<b>Formal Employment (Caged)</b>	<b>Jun</b>	<b>170k</b>	<b>175k</b>	<b>149k</b>
<b>07/31/25 Thursday</b>						
<b>6:00 AM</b>	<b>Eurozone</b>	<b>Unemployment Rate</b>	<b>Jun</b>	<b>6.3%</b>	<b>-</b>	<b>6.3%</b>
<b>8:30 AM</b>	<b>Brazil</b>	<b>Fiscal Statistics (Primary Result)</b>	<b>Jun</b>	<b>-</b>	<b>R\$-36.2b</b>	<b>R\$-33.7b</b>
<b>9:00 AM</b>	<b>Brazil</b>	<b>Unemployment Rate (PNAD Continua)</b>	<b>Jun</b>	<b>-</b>	<b>6.1%</b>	<b>6.2%</b>
9:30 AM	USA	Personal Income (MoM)	Jun	0.2%	-	-0.4%
9:30 AM	USA	Personal Spending (MoM)	Jun	0.4%	-	-0.1%
<b>9:30 AM</b>	<b>USA</b>	<b>PCE Deflator (MoM)</b>	<b>Jun</b>			
		Total		0.3%	-	0.1%
		Core		0.3%	-	0.2%
9:30 AM	USA	Employment Cost Index	2Q	0.8%	-	0.9%
9:30 AM	USA	Initial Jobless Claims	-	220k	-	217k
<b>10:45 PM</b>	<b>China</b>	<b>PMI Manufacturing - Caixin</b>	<b>Jul</b>	<b>50.2</b>	<b>-</b>	<b>50.4</b>
-	<b>Japan</b>	<b>BoJ Decision</b>	<b>-</b>	<b>0.50%</b>	<b>-</b>	<b>0.50%</b>
<b>08/01/25 Friday</b>						
5:00 AM	Eurozone	PMI Manufacturing	Jul (F)	49.8	-	49.8
<b>6:00 AM</b>	<b>Eurozone</b>	<b>CPI (YoY)</b>	<b>Jul (P)</b>			
		Total		1.9%	-	2.0%
		Core		2.3%	-	2.3%
<b>9:00 AM</b>	<b>Brazil</b>	<b>PIM - Industrial Production (MoM)</b>	<b>Jun</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9:30 AM</b>	<b>USA</b>	<b>Payroll</b>	<b>Jul</b>	<b>110k</b>	<b>-</b>	<b>147k</b>
9:30 AM	USA	Average Hourly Earnings (MoM)	Jul	0.3%	-	0.2%
9:30 AM	USA	Unemployment Rate	Jul	4.2%	-	4.1%
10:45 AM	USA	PMI Manufacturing	Jul (F)	-	-	49.5
<b>11:00 AM</b>	<b>USA</b>	<b>ISM Manufacturing</b>	<b>Jul</b>	<b>49.5</b>	<b>-</b>	<b>49.0</b>
11:00 AM	USA	Construction Spending (MoM)	Jun	0.0%	-	-0.3%
11:00 AM	USA	U. of Michigan Sentiment	Jul (F)	61.8	-	61.8
		Inflation expectation 1Y		-	-	4.4%
		Inflation expectation 5-10Y		-	-	3.6%
<b>In the week</b>						
-	<b>Brazil</b>	<b>Central Government Primary Result</b>	<b>Jun</b>	<b>R\$-41.0</b>	<b>R\$-38.7</b>	<b>R\$-40.6b</b>

	2019	2020	2021	2022	2023	2024	2025	2026
Brazil GDP (%)	1,2	-3,3	4,8	3,0	2,9	3,4	<b>2,3</b>	<b>1,8</b>
Unemployment Rate (average, %)	12,0	13,8	13,2	9,3	8,0	6,6	<b>6,9</b>	<b>7,3</b>
IPCA (Consumer Price Index) (%)	4,3	4,5	10,1	5,8	4,6	4,8	<b>5,2</b>	<b>4,5</b>
Selic Rate (end of period, %)	4,50	2,00	9,25	13,75	11,75	12,25	<b>15,00</b>	<b>13,00</b>
Exchange Rate (end of period, R\$/US\$)	4,03	5,20	5,58	5,22	4,84	6,19	<b>5,75</b>	<b>5,85</b>
Current Account Transactions (US\$ billion)	-68,0	-28,2	-46,4	-53,6	-28,6	-56,0	<b>-69,9</b>	<b>-69,4</b>
Current Account Transactions (% of GDP)	-3,6	-1,7	-2,9	-2,8	-1,4	-2,6	<b>-3,2</b>	<b>-3,0</b>
Trade Balance - BCB (US\$ billion)	26,5	32,4	36,4	44,2	80,5	66,2	<b>52,8</b>	<b>57,9</b>
Foreign Direct Investment (US\$ billion)	69,2	37,8	46,4	87,2	62,0	71,1	<b>69,7</b>	<b>75,0</b>
Foreign Direct Investment (% of GDP)	3,7	2,6	2,8	4,5	2,8	3,2	<b>3,2</b>	<b>3,3</b>
Primary Result of the Central Government (R\$ billion)	-95,1	-743,3	-35,1	54,1	-249,1	-43,0	<b>-61,0</b>	<b>-51,0</b>
Primary Result of the Central Government (% of GDP)	-1,3	-9,8	-0,4	0,5	-2,3	-0,4	<b>-0,5</b>	<b>-0,4</b>
Primary Result of the Public Sector (R\$ billion)	-61,9	-703,0	64,7	126,0	-249,1	-47,6	<b>-52,3</b>	<b>-50,0</b>
Primary Result of the Public Sector (% of GDP)	-0,8	-9,2	0,7	1,3	-2,3	-0,4	<b>-0,4</b>	<b>-0,4</b>
Gross Public Debt (% of GDP)	74,4	86,9	77,3	71,7	74,3	76,1	<b>80,0</b>	<b>84,4</b>
United States - GDP (%)	2,5	-2,2	6,1	2,5	2,9	2,8	<b>1,7</b>	<b>2,0</b>
United States - PCE (%)	1,4	1,1	4,1	6,6	3,8	2,5	<b>3,5</b>	<b>2,8</b>
United States - Fed Funds Rate (end of period, %)	1,8	0,3	0,3	4,0	5,5	4,5	<b>4,3</b>	<b>3,8</b>

## Our team

**Andrea Bastos Damico**  
Chief Economist and CEO  
[andrea@buysidebrazil.com](mailto:andrea@buysidebrazil.com)

**Rita Milani**  
Economist  
[rita@buysidebrazil.com](mailto:rita@buysidebrazil.com)

**Rafaela de Sousa**  
Economist  
[rafaela@buysidebrazil.com](mailto:rafaela@buysidebrazil.com)

**Mirella Hirakawa**  
Research Coordinator and Partner  
[mirella@buysidebrazil.com](mailto:mirella@buysidebrazil.com)

**Thaís Rodrigues**  
Economist and Partner  
[thais@buysidebrazil.com](mailto:thais@buysidebrazil.com)

**Henrique Miareli**  
Economist  
[henrique@buysidebrazil.com](mailto:henrique@buysidebrazil.com)

