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Fiscal Outlook Report

Executive Summary

Table 1 summarizes the main results of the seventh edition of the Fiscal Outlook Report regarding medium-term projections for the Brazilian fiscal outlook in the reference scenario. Covering the period from 2025 to 2035, these projections are based on the macroeconomic scenario prepared by the Economic Policy Secretariat of the Ministry of Finance (SPE/MF) in November 2025, and take into account the rules of the Sustainable Fiscal Regime – SFR (Complementary Law No. 200, August 30, 2023 – CL No. 200, 2023).

Comentado [TR1]: Padronizando pro nome que usamos em ingles sempre

Table 1 – Summary of fiscal forecasts in the reference scenario (% of GDP)
Source: Prepared by the authors

Discrimination	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Public Sector Primary Balance	-0,4	**-0,5**	**-0,2**	**-0,2**	**0,3**	**0,6**	**0,7**	**0,8**	**0,9**	**1,0**	**1,0**	**1,1**
Central Government	-0,4	**-0,6**	**-0,2**	**-0,2**	**0,3**	**0,7**	**0,7**	**0,8**	**0,9**	**1,0**	**1,1**	**1,2**
Net Revenue	18,4	18,4	19,0	18,7	19,0	19,2	19,2	19,3	19,3	18,9	18,6	18,4
Total Expenditure	18,8	19,0	19,2	18,9	18,7	18,5	18,5	18,5	18,4	17,9	17,5	17,2
Regional Governments	0,0	**0,2**	**0,0**	**0,0**	**-0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**
Federal State Enterprises	-0,1	**-0,1**	**-0,0**	**-0,1**	**-0,1**	**-0,1**	**-0,1**	**-0,1**	**-0,1**	**-0,1**	**-0,1**	**-0,1**
Interest Payments	8,1	**7,8**	**8,6**	**7,7**	**7,0**	**6,5**	**6,2**	**6,1**	**6,0**	**6,0**	**6,0**	**6,0**
Public Sector Overall Balance	-8,5	**-8,3**	**-8,8**	**-7,9**	**-6,7**	**-5,9**	**-5,5**	**-5,3**	**-5,2**	**-5,1**	**-4,9**	**-4,8**
General Government Net Debt	63,4	**67,9**	**71,1**	**73,2**	**74,3**	**74,8**	**75,2**	**75,4**	**75,5**	**75,5**	**75,3**	**75,0**
General Government Gross Debt	76,5	**79,3**	**83,6**	**86,1**	**87,4**	**88,0**	**88,2**	**88,5**	**88,6**	**88,5**	**88,3**	**88,0**

Note: The primary balance is presented following the "above the line" concept, which is more relevant for the discussion of its components and the fiscal events dealt with in this report, while the overall balance is presented by the "below the line" concept, as it is the most appropriate to compare with the fiscal statistics relating to public debt. Any differences between the sum of the primary deficit with the interest payments and the overall balance will be due to statistical discrepancies.

The macroeconomic scenario underlying this report maintains an average real GDP growth (2025–2035) of 2.7% per year, alongside an average nominal wage bill growth of 8.8% per year. The Selic rate is expected to decline until 2031, stabilizing thereafter at 6.4% per year.

In the reference scenario of this report, the net primary revenue forecast starts from the estimates of the Primary Revenue and Expenditure Assessment Report (RARDP) for the 5th bimester of 2025. After reaching 18.4% of GDP in 2025, net revenue is projected to rise steadily until it peaks at 19.3% of GDP in 2032, before declining to 18.4% of GDP by 2035. This evolution assumes the adoption of additional revenue measures to align revenues with the contracted trajectory for primary expenditures, ensuring the achievement of fiscal targets. The exercise estimates the additional revenue effort required to achieve the primary result targets defined in the Budget Guidelines Bill – PLDO 2026, approved on December 4, 2025, namely: 0.25% of GDP in 2026, 0.5% of GDP in 2027, 1.0% of GDP in 2028, and 1.25% of GDP in 2029, level assumed to remain constant from 2030 onwards.

Regarding primary expenditure, the forecast also uses the 5th RARDP of 2025 as a basis and projects its evolution according to the SFR rules. That is, the real growth of the expenditure limit equals a proportion of the real growth of Adjusted Net Revenue (RLA), constrained by upper and lower growth limits of 2.5% and 0.6%, respectively. To this dynamic, projections of expenditures not subject to the limit are added. In effect, in the reference scenario, primary expenditure starts at 18.8% of GDP in 2024, reaches 19.2% of GDP in 2026, an d decreases until it reaches 17.2% of GDP in 2035. This reduction in expenditure becomes more pronounced from 2032 onwards, reflecting the diminishing impact of the Fiscal Benefits Compensation Fund (FBCF), created under the Tax Reform and excluded from the expenditure limit.

Mandatory expenditures subject to the expenditure limit show an average real growth of 2.4% p.a. between 2025 and 2035, with emphasis on the increasing evolution of expenditures with social security benefits under the General Social Security Regime – RGPS, the Continuous Cash Benefit – BPC, and expenditures associated with minimum spending threshold in health and education. Such growth is slightly lower than projected for the expenditure limit, allowing discretionary expenditures a real growth of 2.6% per year, higher than the estimated growth for the expenditure limit.

The reference scenario presents the Central Government's primary balance according to the 5th RARDP for 2025 and sufficient to meet the center of fiscal targets from 2026 onwards, reaching a deficit of 0.2% of GDP in 2026, considering the exceptions for expenditures with excess court-ordered payments (EC 136/2025) and the expenditure of R$ 4.5 billion on strategic defense projects for the purposes of calculating fiscal targets. From 2027, an upward trajectory of primary surpluses for the Central Government is expected, following fiscal targets, rising from 0.2% of GDP in 2027 to 1.16% of GDP in 2035. For 2030 to 2035, according to the ten-year projection of PLDO 2026, it is assumed that the level of 1.25% of GDP for the Central Government's primary balance target will be maintained.

Regarding the evolution of public debt, the reference scenario forecasts of this report indicate that the Gross General Government Debt – GGGD and the Net General Government Debt – NGGD reach, at the end of 2025, 79.3% and 67.9% of GDP, respectively. The GGGD shows an upward trajectory until it reaches 88.6% of GDP in 2032, decreasing to 88.0% of GDP in 2035. The NGGD follows a similar trajectory, also growing until 2032, then beginning a downward trajectory in the following years, reaching 75.0% of GDP in 2035.

The GGGD-to-GDP ratio should record an increase of 2.8 p.p. of GDP in 2025 compared to 2024, with interest payments being the main factor pressuring the debt. It is noteworthy that the change in the GGGD trajectory since the last report is due to the difference in the Macroeconomic Parameters, with higher interest rates and lower GDP, but is mainly driven by a more negative primary balance due to the exclusion of expenditures from the balance targets.

The report estimates the fiscal effort required to stabilize or reduce the debt to GDP ratio over time. Stabilizing the GGGD at the 2025 level would require an average primary balance of 1.3% of GDP — about 0.8 p.p. above the reference scenario — demanding even greater effort in the short term. Alternatively, a constant increase in the primary balance of 0.8 p.p. per year, although insufficient to avoid the initial rise in debt, would lead to a gradual convergence to the 2025 level in the medium term.

The report also provides GGGD projections for alternative fiscal scenarios, to show how the debt projection is sensitive to different fiscal scenarios and macroeconomic assumptions. The report complements the reference scenario with alternative projections based on the median forecasts from Central Bank's Focus survey for macroeconomic variables and Public Sector Primary Balance, as well as sensitivity exercises that show how shocks in interest rates, growth, and primary balance can significantly alter the debt trajectory. It also presents stochastic simulations for GGGD and NGGD, highlighting the uncertainty associated with public debt evolution and reinforcing the importance of prudent fiscal management and solid macroeconomic fundamentals.