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February Consolidated Public Sector Account

Although positive, February fiscal data reflect past economic condition

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The consolidated government registered a primary result of -R$11.8bn in February, slightly below our projection (-R$9.5bn) but above market consensus (-R$20bn). As for the nominal result, the consolidated government registered a deficit of -R$41.0bn, slightly better than our projection (-R$42.6bn) and market consensus (-R$43.3bn). As a result, gross debt rose from 89.4% to 90.0% of GDP. In the same direction, net debt rose from 61.4% to 61.6% of GDP. In general, the fiscal data at the beginning of the year have been positively surprising. However, these figures reflect a past dynamic and do not capture the new measures of social distancing implemented recently nor the new spending approved in March. We expect a deterioration in fiscal data, mainly from April.

The consolidated government recorded a primary result of -R$11.8bn in February, slightly below our projection (-R$9.5bn), but above market consensus (-R$20bn). The central government recorded a primary deficit of -R$22.5bn, in line with the Treasury data released yesterday. Regional governments, which continue to record a fiscal result above the historical average, had a primary surplus of R$10.5bn. State companies' primary surplus was R$212mn.

Interest payments totaled R$29.2bn in the month, below our projection (R$33.1bn). The result of swap operations contributed to increase this amount by R$5.1bn. Thus, the consolidated government's nominal deficit totaled -R$41.0bn, above our projection (-R$42.6bn) and the median of the market (-R$43.3bn). This result contributed to an increase in gross debt, from 89.4% to 90.0% of GDP. In the same direction, net debt rose from 61.4% to 61.6% of GDP.

Finally, it is worth noting that the total resources from the Treasury available at the Central Bank grew from 19.2% to 21.1% of GDP (+R$148bn). The monthly federal public debt report had already indicated that the Treasury's liquidity cushion grew from R$806bn in January to R$933bn in February. These resources will still be complemented by (i) the payback of R$38bn from BNDES in March, (ii) the payback of another R$62bn over the year, and (iii) the resources freed-up from public funds, which should total ~R$140bn. These resources will be important to help pay the debt maturing throughout the year, especially in April, when we will have R$350.5bn in public debt securities maturing.

Although positive, fiscal data for February (as well as for January) reflect past economic conditions. Tax collection does not yet reflect stricter social distancing measures adopted recently, and public spending continues to benefit from a very small Covid-19 budget - spending on vaccines is still running below R$1bn per month and the new emergency aid will begin to be paid in April - and from the execution of discretionary expenses at a rate of 1/18 per month. All of these factors are expected to deteriorate, especially as of April.

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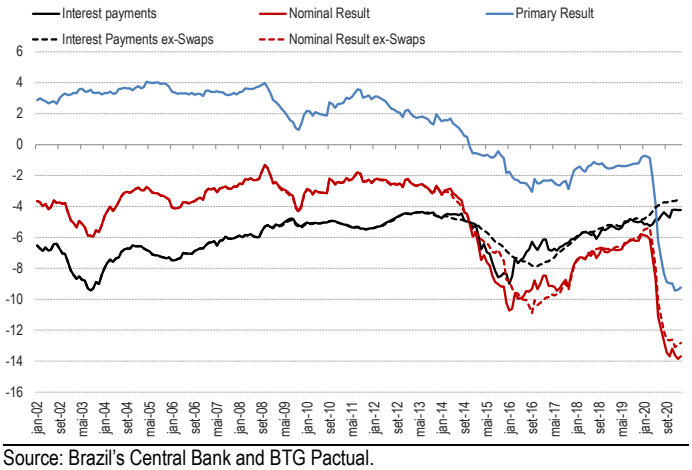
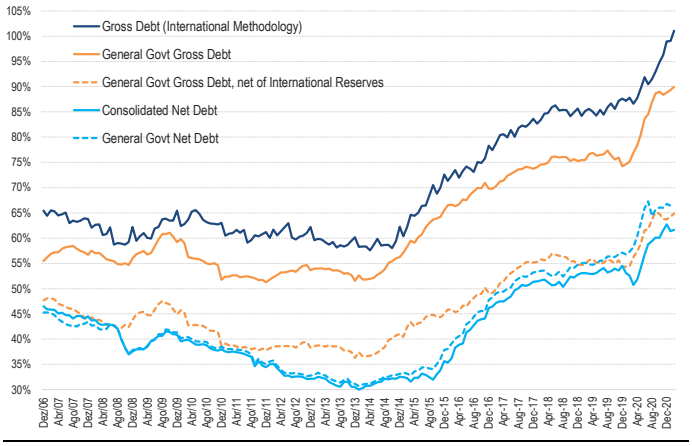
Chart 1: Consolidated Public Sector Accounts (rolling 12-months as % of GDP)



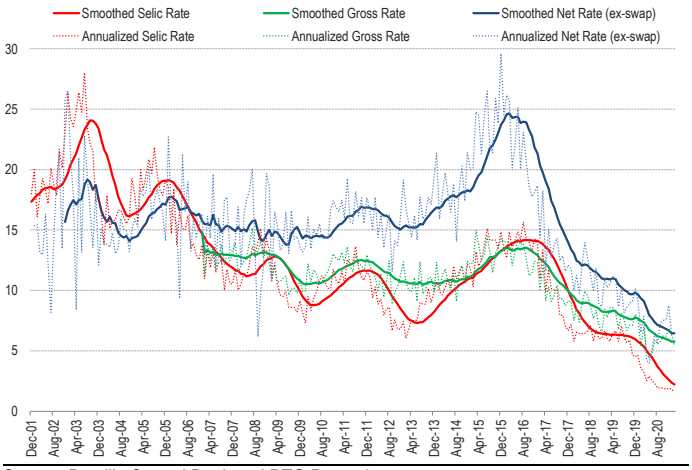
Source: Brazil's Central Bank and BTG Pactual.

Chart 2: Different Measures of Public Debt (% of GDP)



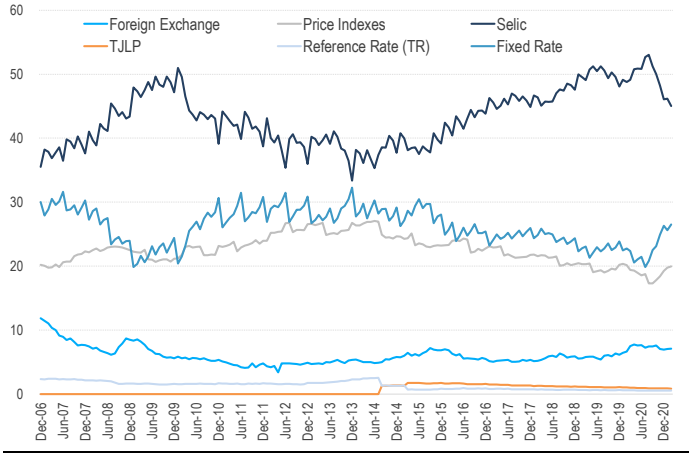
Source: Brazil's Central Bank and BTG Pactual.

Chart 3: Cost to Rollover the Public Debt (rolling 12-months)



Source: Brazil's Central Bank and BTG Pactual.

Chart 4: Breakdown of Gross Debt by Indexes (% of total)



Source: Brazil's Central Bank and BTG Pactual.

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