

IMF Executive Board Concludes 2025 Article IV Consultation with Brazil

July 17, 2025

- The Executive Board of the International Monetary Fund (IMF) concluded the 2025 Article IV consultation with Brazil on July 14, 2025.
- Brazil's economy has grown strongly over the past three years, surprising on the upside. Inflation rebounded in 2024 amid strong demand, a rise in food prices, and currency depreciation, exceeding the target tolerance interval. IMF staff expects growth to moderate in the near term as inflation converges to target, and then strengthen to 2.5 percent over the medium term.
- The pivot to a monetary policy tightening cycle in September 2024 was appropriate and consistent with bringing inflation and inflation expectations back to the 3 percent target. The authorities' efforts to continue improving the fiscal position, while trying to meet social spending and investment needs, are welcome and further steps are warranted. The authorities are advancing their sustainable and inclusive growth agenda.

Washington, DC: The Executive Board of the International Monetary Fund (IMF) completed the Article IV Consultation for Brazil.^[1] The authorities have consented to the publication of the Staff Report prepared for this consultation.^[2]

Brazil's economy has grown strongly over the past three years, surprising on the upside, and, as expected, is showing signs of moderation. The expansion has reflected strong consumption supported by fiscal stimulus on the demand side, and supply-side factors.

Growth is projected to moderate from 3.4 percent in 2024 to 2.3 percent in 2025, amid tight monetary and financial conditions, a scaling back of fiscal support, and heightened global policy uncertainty. Over the medium term, growth is forecasted to recover to 2.5 percent, supported by the normalization of monetary policy and supportive structural factors, notably the implementation of the efficiency-enhancing VAT reform and the acceleration in hydrocarbon production. Inflation is expected to reach 5.2 percent by end-2025, before gradually converging to the 3 percent target by end-2027.

The balance of risks to the growth outlook is tilted to the downside amid heightened global policy uncertainty. Risks to the inflation outlook are broadly balanced. In the near term, higher growth could stem from stronger-than-expected household consumption in the context of a still tight labor market. Over the medium term, upside risks stem from faster implementation of productivity-enhancing reforms and the Ecological Transformation Plan. Downside risks stem externally from a slowdown in major economies amid heightened global trade tensions and policy uncertainty; and domestically from larger-than-expected effects from monetary policy tightening and the possibility of a lower-than-envisaged fiscal effort, which—while supporting near-term growth—could increase policy uncertainty, resulting in higher borrowing costs, weaker investment, and ultimately lower growth.

Executive Board Assessment^[3]

Executive Directors welcomed the Brazilian economy's strong growth performance and falling unemployment and poverty in recent years, and commended the progress in structural reforms which has helped lift medium-term growth prospects. Noting downside risks, including from the recent increase in global policy uncertainty and heightened trade tensions, Directors encouraged the authorities to ensure the continued convergence of inflation to target, secure fiscal sustainability, and continue structural reforms to tackle long-standing challenges.

Directors commended the authorities’ efforts to continue improving the fiscal position and recommended further steps to put public debt on a firm downward path, facilitate a lower path of interest rates, and open space for priority investments. They concurred that measures to mobilize revenues, including rationalizing inefficient tax expenditures and tackling budget rigidities, would support these efforts. Directors considered that the ongoing VAT reform would simplify the tax system and boost productivity, and recommended personal income tax reforms to enhance the tax system’s progressivity and domestic revenue mobilization. An enhanced fiscal framework with a strong medium-term anchor would reinforce credibility and sustainability.

Directors commended the Central Bank of Brazil’s (BCB) clear commitment to price stability and indicated that the monetary policy tightening has been appropriate and consistent with bringing inflation back to the 3 percent target. Directors also noted that the continued credibility of both fiscal and monetary policy frameworks will be important for anchoring inflation expectations. They agreed that the flexible exchange rate regime and adequate FX reserves remain valuable shock buffers. Directors encouraged the authorities to continue to gradually phase out the financial transaction tax, which would eliminate a multiple currency practice.

Directors welcomed that the financial system remains resilient, with banks highly liquid and adequately capitalized. While commending the authorities’ implementation of regulatory changes aimed at further strengthening financial sector resilience, Directors encouraged close monitoring and oversight of household credit risks, including in light of the recently enhanced private payroll loan program. Directors also welcomed the authorities’ leadership in the financial innovation agenda, which has promoted financial inclusion, efficiency, and competition. They concurred that providing the BCB with greater administrative and financial autonomy would support continued progress with technological innovations.

Directors commended the authorities on their leadership in multilateral cooperation, including their implementation of Brazil’s Ecological Transformation Plan and their progress in reducing deforestation. They positively noted that Brazil is on track to meet its Nationally Determined Contribution targets. Directors also emphasized that continued efforts to simplify regulations, strengthen the anti-corruption and AML/CFT frameworks, increase labor force participation, especially for women, and facilitate skills upgrading would further raise medium-term growth prospects, while extending gains in social inclusion.

Table 1. Brazil: Selected Economic Indicators, 2023-30

I. Social and Demographic Indicators

Area			
(thousands of sq. km.)			
Agricultural land (percent of land area)	30.2	Physicians per 1000 people (2024)	2.8

		Hospital beds per 1000 people (2024) 1/	2.5
Population (2024)		Access to safe water (2022)	88.0
Total (millions)	212.6		
Annual rate of growth (percent)	0.4	Education (2023)	
Density (per sq. km.)	25.0	Adult illiteracy rate	5.4
Unemployment rate 7/	6.9	Net enrollment rates, percent in:	
		Primary education	99.4
Population characteristics (2022)		Secondary education	92.2
Life expectancy at birth (years)	76.4		
Infant mortality (per thousand live births)	12.5	Poverty rate (in percent, 2023) 2/	27.4
Income distribution		GDP, local currency (2024)	R\$11,745 billion
Palma ratio (2023) 3/	3.6	GDP, dollars (2024)	US\$2,171 billion
Gini coefficient (post taxes and transfers, 2024)	50.6	GDP per capita (2024)	US\$10,214

Main export products: airplanes, metallurgical products, soybeans, automobiles, electronic products, iron ore, coffee, and oil.

II. Economic Indicators

Proj.

2023 2024 2025 2026 2027 2028 2029 2030

**National accounts
and prices**

GDP at current prices	8.6	7.3	6.2	5.8	5.8	5.9	6.0	6.1
GDP at constant prices	3.2	3.4	2.3	2.1	2.2	2.3	2.4	2.5
Consumption	3.4	4.2	2.3	1.6	1.9	2.1	2.2	2.2
Investment (GFCF)	-3.0	7.3	1.3	1.4	1.8	1.9	2.1	2.1
Consumer prices (IPCA, average)	4.6	4.4	5.3	4.2	3.3	2.9	2.9	2.9
Consumer prices (IPCA, end of period)	4.6	4.8	5.2	3.8	3.0	2.9	2.9	2.9
GDP deflator	5.2	3.8	3.8	3.6	3.5	3.5	3.5	3.5
Gross domestic investment								
Private sector	12.0	12.8	12.6	12.5	12.4	12.4	12.3	12.3
Public sector	3.8	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Gross national saving								
Private sector	21.8	19.6	22.2	21.3	19.9	18.9	18.6	18.4
Public sector	-7.3	-5.5	-7.9	-7.0	-5.6	-4.5	-4.1	-4.0

**Public sector
finances**

Central government primary balance (national representation, incl. BCB) 4/	-2.4	-0.4	-0.6	-0.4	0.3	0.8	1.2	1.4
General government NLB primary balance	-2.2	-0.2	-0.6	-0.4	0.3	0.8	1.2	1.4

General government NLB structural primary balance (in percent of potential GDP)	-1.5	-1.4	-0.9	-0.5	0.2	0.8	1.2	1.4
General government NLB	-7.7	-6.2	-8.5	-7.6	-6.2	-5.1	-4.8	-4.6
Net public sector debt	60.4	61.5	65.7	70.2	72.6	74.0	74.7	74.3
General government gross debt, Authorities' definition	73.8	76.5	80.9	84.5	86.4	87.4	87.8	87.8
General government gross deb	84.0	87.3	91.6	95.5	97.6	98.6	99.0	98.9
Of which: Foreign currency linked	3.5	4.5	4.6	4.6	4.7	4.7	4.8	4.8

Money and credit

Base money 5/	20.4	13.2	6.2	5.8	5.8	5.9	6.0	6.1
Broad money 6/	15.6	12.4	6.2	5.8	5.8	5.9	6.0	6.1
Bank loans to the private sector	7.0	11.3	9.2	7.5	6.6	5.9	6.0	6.1

Balance of payments

Trade balance	92.3	65.8	60.7	64.8	67.4	70.8	73.5	76.6
Exports	343.8	339.9	342.1	350.1	360.3	373.3	386.8	400.3
Imports	251.5	274.0	281.5	285.3	292.9	302.5	313.4	323.8
Current account	-27.9	-61.2	-51.6	-51.4	-51.4	-51.3	-52.4	-53.0
Capital account and financial account	26.6	69.5	51.6	51.4	51.4	51.3	52.4	53.0
Foreign direct investment (net inflows)	37.3	46.8	48.4	50.5	52.4	54.4	56.5	58.7

Terms of trade (percentage change)	2.4	-0.7	-2.0	-1.2	-1.0	-0.5	-0.6	-0.7
Merchandise exports (in US\$, annual percentage change)	1.1	-1.2	0.7	2.3	2.9	3.6	3.6	3.5
Merchandise imports (in US\$, annual percentage change)	-12.9	8.9	2.7	1.4	2.7	3.3	3.6	3.3
Total external debt (in percent of GDP)	33.4	33.1	34.7	35.4	35.2	34.9	34.5	34.0

Memorandum items:

Output Gap	0.4	1.1	0.8	0.4	0.2	0.0	0.0	0.0
Current account (in percent of GDP)	-1.3	-2.8	-2.4	-2.3	-2.2	-2.1	-2.0	-1.9
Unemployment rate 7/	8.0	6.9	7.1	7.3	7.3	7.4	7.4	7.4
Gross official reserves (in US\$ billions)	355	330	330	330	330	330	330	330
REER (annual average in percent; appreciation +)	4.9	-4.2	...	...	...	...	...	...

Sources: Central Bank of Brazil, Ministry of Finance, IBGE, IPEA, and Fund staff estimates.

1/ Includes inpatient beds and complementary beds.

2/ Computed by IBGE using World Bank's threshold for upper-middle income countries (US\$5.5/day).

3/ Share of income of the top 10% divided by share of income of the bottom 40%.

4/ Includes federal government, Central Bank, and the social security system (INSS). The 2023 primary balance excludes pandemic-related funds from PIS/PASEP, as per BCB definition.

5/ Currency issued, required deposits held at the Central Bank plus other Central Bank liabilities to other depository corporations.

6/ Currency outside depository corporations, transferable deposits, other deposits and securities other than shares.

7/ Unemployment rate for 2022, 2023, and 2024 shows the average of March, June, September, and December.

[1] ^(#_ftnref1) Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] ^(#_ftnref2) Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The staff report will be shortly published on the [www.imf.org/Brazil](https://www.imf.org/en/Countries/BRA) (<https://www.imf.org/en/Countries/BRA>) page.

[3] ^(#_ftnref3) At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.IMF.org/external/np/sec/misc/qualifiers.htm> (<http://www.IMF.org/external/np/sec/misc/qualifiers.htm>).

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