

**CENTRAL GOVERNMENT FISCAL RESULT**

In July, the Central Government generated a primary result surplus equivalent to R\$ 7.1 billion, compared to R\$ 7.9 billion in the previous month and R\$ 5.2 billion in July 2007. The National Treasury contributed to the month's performance with a surplus of R\$ 9.3 billion. In their turn, the Social Security System (RGPS) and Central Bank closed with respective deficits of R\$ 2.2 billion and R\$ 53.2 billion.

*The primary Central Government result in the first seven months of 2008 reached R\$ 68.4 billion, equivalent to 4.19% of estimated GDP for the period.*

**TABLE 1**  
**CENTRAL GOVERNMENT PRIMARY BALANCE(\*)**  
**BRAZIL, 2007-2008**

DESCRIPTION	R\$ Million			
	MAY 2008	JUL 2008	JAN-JUL 2007	JAN-JUL 2008
<b>I. TOTAL REVENUE</b>	<b>56,207.5</b>	<b>62,844.3</b>	<b>346,539.4</b>	<b>407,789.8</b>
<b>I.1. National Treasury Revenues</b>	<b>43,132.7</b>	<b>49,488.4</b>	<b>271,820.1</b>	<b>320,125.9</b>
I.1.1 Gross Revenue (1)	45,114.3	51,018.6	276,630.6	325,105.8
I.1.2. (-) Restitutions	-1,981.6	-1,530.2	-4,810.6	-4,979.9
I.1.3. (-) Fiscal Incentives	0.0	0.0	0.0	0.0
<b>I.2. Social Security Revenues</b>	<b>12,942.8</b>	<b>13,230.2</b>	<b>74,031.5</b>	<b>86,732.9</b>
<b>I.3. Central Bank Revenues</b>	<b>132.0</b>	<b>125.7</b>	<b>687.8</b>	<b>930.9</b>
<b>II. TRANSFERS TO STATES AND MUNICIPALITIES</b>	<b>9,442.9</b>	<b>9,265.8</b>	<b>60,080.2</b>	<b>72,504.8</b>
<b>III. TOTAL NET REVENUE (I-II)</b>	<b>46,764.6</b>	<b>53,578.5</b>	<b>286,459.1</b>	<b>335,285.0</b>
<b>IV. TOTAL EXPENDITURE</b>	<b>38,847.0</b>	<b>46,513.3</b>	<b>238,665.7</b>	<b>266,854.5</b>
<b>IV.1 Treasury Expenditures</b>	<b>22,888.5</b>	<b>30,926.9</b>	<b>139,570.9</b>	<b>158,636.3</b>
IV.1.1. Payroll (1)	10,029.8	13,016.3	66,447.6	72,617.8
IV.1.2. Current and Capital Expenditures	12,786.4	17,842.6	72,885.1	85,567.2
IV.1.2.1. Worker Support Fund (FAT)	1,231.5	3,342.4	9,199.8	10,876.3
IV.1.2.2. Economic Subsidies and Grants (2)	52.4	1,435.6	3,568.0	3,944.5
IV.1.2.3. Assistance Benefits (LOAS/RMV)	1,498.9	1,344.7	7,667.4	9,171.7
IV.1.2.4. Other Current and Capital Expenditures	9,531.6	11,719.9	52,449.9	61,574.8
IV.1.2.4.1. Other Current Expenditures	7,091.7	8,726.1	43,791.9	48,709.7
IV.1.2.4.2. Other Capital Expenditures	2,439.9	2,993.8	8,657.9	12,865.1
IV.1.3. Transfer from Treasury to Central Bank	72.3	68.1	238.2	451.3
<b>IV.2. Social Security Benefits</b>	<b>15,806.1</b>	<b>15,407.5</b>	<b>98,028.2</b>	<b>107,066.4</b>
<b>IV.3. Central Bank Expenditures</b>	<b>152.4</b>	<b>178.9</b>	<b>1,066.7</b>	<b>1,151.8</b>
<b>V. CENTRAL GOVERNMENT PRIMARY RESULT (III - IV)</b>	<b>7,917.6</b>	<b>7,065.2</b>	<b>47,793.4</b>	<b>68,430.5</b>
V.1. National Treasury	10,801.3	9,295.7	72,169.0	88,984.9
V.2. Social Security (RGPS) (3)	-2,863.3	-2,177.3	-23,996.7	-20,333.5
V.3. Central Bank (4)	-20.4	-53.2	-378.9	-220.9
<b>VIII. PRIMARY RESULT/GDP</b>			<b>3.30%</b>	<b>4.19%</b>

(\*) Data revised, subject to changes. Does not include FGTS contribution revenues or monetary restatement complement expenses as provided in Complementary Law 110/2001.

(1) Excludes the employer share of federal civil service CPSS payments from revenues originating in contributions to the Social Security Plan (CPSS) and personnel outlays, with no impact on the consolidated primary result.

(2) Includes outlays on grants to regional funds and, as of 2005, spending on the restructuring of liabilities.

(3) Contribution Revenues less Social Security Benefits.

(4) Administrative expenditures net of own revenues (includes transfers from the National Treasury).

MAIN VARIATIONS ACCUMULATED 2008/2007	
DISCRIMINATION	%
<b>Revenues</b>	<b>17.67%</b>
Treasury	17.77%
Social Security	17.16%
<b>Transfers</b>	<b>20.68%</b>
<b>Net Revenue</b>	<b>17.04%</b>
<b>Expenditures</b>	<b>11.81%</b>
Benefits	9.22%
Payroll	9.29%
Current and Capital	17.40%
FAT	18.22%
Subsidies	10.55%
LOAS/RMV	19.62%
Other	17.40%
Current	11.23%
Capital	48.59%
<b>Estimated GDP</b>	<b>12.92%</b>

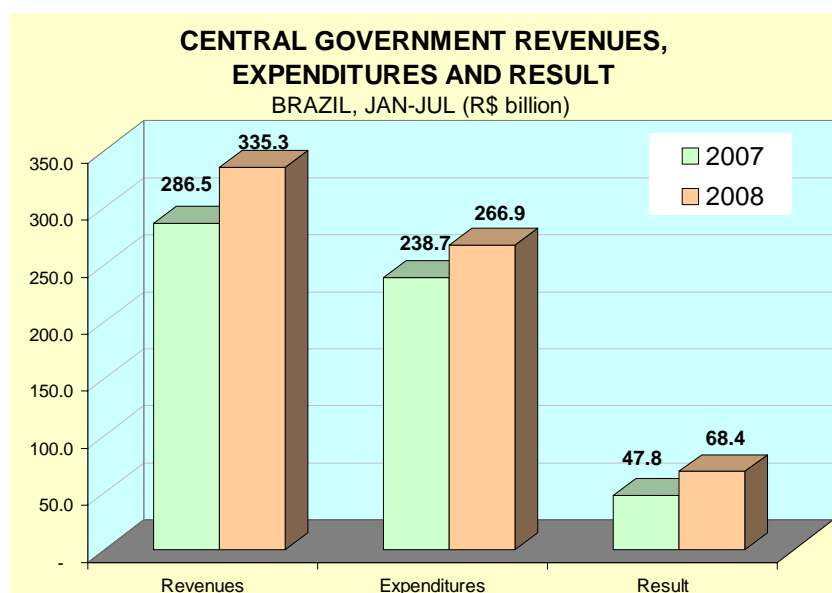
The result of the month reflected, with reference to the revenues of the National Treasury, the payment of the first or the only IRPJ and CSLL installments for the quarter ended in July 2008 (increase of R\$ 4.3 billion when compared to June); and the payment of the quarterly special participation quotas in the working of oil and natural gas deposits. Additionally, the change in the payment period of the industrialized products tax on automobiles (IPI) from a 10-daily to a monthly basis, in accordance to MP 428/2008, reflected the results as of July. Concerning the expenses of the National Treasury, there was an increase of R\$ 8.0 billion compared to June, R\$ 3.0 billion related to personnel

CENTRAL GOVERNMENT BALANCE BRAZIL, JAN - JUL (% GDP)		
DISCRIMINATION	2007	2008
National Treasury	4.99%	5.45%
Social Security	-1.66%	-1.24%
Central Bank	-0.03%	-0.01%
<b>Central Government</b>	<b>3.30%</b>	<b>4.19%</b>

and payroll charges, explained, mainly, by the anticipation of the payment of the annual Christmas bonus to federal executive branch employees. Regarding spending in the framework of the Workers Support Fund (FAT), there was an increase of R\$ 2.1 billion due to the beginning of the payment calendar of FAT outlays on wage bonuses of the 2008/2009 fiscal years (July/2008 to June/2009).

MAIN REAL VARIATIONS (ABOVE NOMINAL GDP GROWTH) (% ACCUMULATED JAN-JUL)		
DISCRIMINATION	2007/2006	2008/2007
<b>Revenues</b>	2.5%	4.2%
Treasury	2.4%	4.3%
Social Security	3.2%	3.8%
<b>Transfers</b>	2.3%	6.9%
<b>Net Revenue</b>	2.5%	3.7%
<b>Expenditures</b>	2.2%	-1.0%
Benefits	1.6%	-3.3%
Payroll	3.2%	-3.2%
Current and Capital	2.4%	4.0%
FAT	10.1%	4.7%
Subsidies	-31.3%	-2.1%
LOAS/RMV	7.1%	5.9%
Other	4.0%	4.0%
Current	2.6%	-1.5%
Capital	11.2%	31.6%

In the year, the Central Government result was 43.2% higher than in the same period of 2007 (R\$ 68.4 billion, against R\$ 47.8 billion). As a consequence, the primary result moved from 3.30% to 4.19% of estimated GDP for the period. Central Government revenues, net of transfers to the states and municipalities, expanded 3.7% above nominal GDP growth in the period (12.9%), while Central Government outlays registered a decline of 1.0%.



*The Central Government revenue increase of 17.7% in 2008 is mainly a result of economic growth, with evident impacts on business profits, and recovery of debts in arrears, with significant reflections on the growth of payments of fines and interest.*

The behavior of revenues reflects the excellent performance of the economy as well as the administrative measures taken by the RFB and PGFN in their efforts to recover debts. Collection of fines and interest increased 53.8%, including debts subject to judicial charging, compared to the first seven months of 2007. In light of their legislative impact, the major alterations introduced in 2008 were: i) extinction of the CPMF and upward movement in IOF rates, scheduled to go into effect as of January; ii) quota reduction of the CIDE – Fuels on gasoline and diesel and upward movement in CSLL rates from 9% to 15% on the earnings of financial institutions, with effect from June on; and iii) change in the payment period of the industrialized products tax (IPI) on automobiles from a 10-daily to a monthly basis, as of July. The major increases in tax and

contribution revenues were as follows: i) IRPJ (31.3%) and CSLL (36.3%), as a result of increases under the items Monthly Estimate and Presumed Profits, the inflows of which are based mainly on the earnings of financial institutions, as well as the non-typical inflow of R\$ 1.9 billion with reference to debts from previous fiscal years; ii) IRRF – Labor Earnings (26.7%), due to growth in overall wages and to the difference in generating facts that resulted from the transition rule set down in Law 11,196/2005 (article 70, paragraph); iii) import tax (35.1%), due to growth in taxed imports, expressed in dollars; and iv) IRPF (18.0%), as a result of capital gains taxes on property transfers. Finally, other revenues expanded 26.7%, to a great extent as a result of the R\$ 3.3 billion increase in inflows from concession companies working oil and natural gas reserves and from cell telephone services, as well as a R\$ 4.9 billion in financial compensation quotas, as a result of increased international market oil prices.

In nominal terms, transfers to states and municipalities expanded 20.7% (R\$ 12.4 billion), thus surpassing growth in Treasury revenues (17.5%). These transfers totaled 4.44% of GDP, against 4.15% of GDP in 2007. Constitutional transfers (FPM and FPE) expanded 23.6% (R\$ 11.0 billion) in the period, above estimates of nominal GDP growth (12.9%) and fully in line with the behavior of shared taxes (income tax and IPI).

National Treasury spending expanded 13.7% (R\$ 19.1 billion) compared to the first seven months of 2007. Nominal increase on personnel and payroll charges reached 9.3% (R\$ 6.2 billion), reflecting, among other reasons, payments involving the restructuring of careers in government service. However, these outflows were 3.2% below the nominal GDP growth rate. Outlays on the civil service payroll, which accounted for 4.59% of GDP at the end of July 2007, dropped to 4.44% of GDP in the same period of 2008.

In its turn, spending on subsidies and economic grants registered a nominal increase of R\$ 376.5 million compared to the same period of the previous year. This heading posted a reduction of 0.01 p.p. of GDP, moving from 0.25% in 2007 to 0.24% in 2008. This behaviour is mainly explained by the increase of outflows from the National Development Fund (R\$ 625.3 million), partially balanced by the Federal Government Acquisitions (falloff of R\$ 384.4 million).

With regard to other current and capital outlays, compared to the cumulative amount through July of last year, growth came to 17.4% (R\$ 9.1 billion) with 11.2% (R\$ 4.9 billion) referring to current outlays and 48.6% (R\$ 4.2 billion) to capital spending. Therefore, though current outlays closed 1.5% below estimated nominal GDP growth for the period, capital spending

TRANSFERS TO STATES AND MUNICIPALITIES BRAZIL, JAN - JUL (% GDP)		
DISCRIMINATION	2007	2008
Constitutional (IR, IPI and others)	3.22%	3.53%
CIDE - Fuels	0.10%	0.08%
Complementary Law 115/2002 <sup>1</sup>	0.18%	0.07%
Other	0.66%	0.76%
<b>Total</b>	<b>4.15%</b>	<b>4.44%</b>

<sup>1</sup> Includes financial support

*Personnel and payroll charges expenditure reached 3.2% below nominal estimated GDP growth rate for the period.*

NATIONAL TREASURY EXPENDITURES BRAZIL, JAN - JUL (% GDP)		
DISCRIMINATION	2007	2008
<b>Payroll</b>	<b>4.59%</b>	<b>4.44%</b>
<b>Capital and Current</b>	<b>5.04%</b>	<b>5.24%</b>
FAT Expenditures	0.64%	0.67%
Subsidies and Grants <sup>1</sup>	0.25%	0.24%
LOAS/RMV	0.53%	0.56%
Other	3.63%	3.77%
<b>Transfers to Central Bank</b>	<b>0.02%</b>	<b>0.03%</b>

<sup>1</sup> Includes outlays on grants to regional funds and, as of 2005, spending on the restructuring of liabilities.

expanded 31.6% above GDP growth.

*Through July 2008, while current expenditures decreased 1.5% below the estimated GDP growth compared to the same period of 2007, capital outlays grew 31.6% above GDP growth. The RGPS deficit dropped from 1.66% of GDP to 1.24% of GDP in the same period.*

The Social Security deficit reached R\$ 20.3 billion in the first seven months of 2008, against R\$ 24.0 billion in the same period of 2007 (reduction of 15.3%). Net inflows increased from R\$ 74.0 billion to R\$ 86.7 billion (17.2%). This growth was driven mainly by inflows of Social Security contributions, which increased from R\$ 75.3 billion to R\$ 89.6 billion (increase of 19.0%), explained primarily by growth in overall wages, which impacts contributions on payroll. In their turn, outlays on benefits increased R\$ 9.0 billion (9.2%), reaching a volume of R\$ 107.1 billion. Just as in previous months, the primary deficit of the RGPS declined as a proportion of GDP, dropping to 1.24%, 0.42 p.p. below the level registered in the same period of 2007 (1.66%).

SOCIAL SECURITY BENEFITS			
BRAZIL, AVERAGE JAN - JUL			
DISCRIMINATION	2007	2008	%
Quantity RGPS*	21.7	22.3	2.5%
Average Value RGPS*	553.6	591.3	6.8%

(\*) in millions  
(\*\*) in R\$ 1.00

SOCIAL SECURITY BALANCE		
BRAZIL, JAN - JUL (% GDP)		
DISCRIMINATION	2007	2008
Contribution	5.12%	5.31%
Benefits	6.78%	6.55%
<b>Primary Balance</b>	<b>-1.66%</b>	<b>-1.24%</b>

