

**CENTRAL GOVERNMENT FISCAL RESULT**

In November 2008, the Central Government generated a primary deficit equivalent to R\$ 4.3 billion, compared to a surplus of R\$ 14.9 billion in the previous month and a primary surplus of R\$ 4.5 billion in November 2007. The National Treasury contributed to the month's performance with a deficit of R\$ 50.0 million. In their turn, the Social Security System (RGPS) and the Central Bank ended the month with respective deficits of R\$ 4.2 billion and R\$ 50.6 million.

*Central Government primary surplus reached R\$ 91.5 billion in the first eleven months of 2008, equivalent to 3.45% of estimated GDP for the period.*

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

DESCRIPTION	R\$ Million			
	OCT 2008	NOV 2008	JAN-NOV 2007	JAN-NOV 2008
<b>I. TOTAL REVENUE</b>	<b>65,795.1</b>	<b>55,273.6</b>	<b>551,751.3</b>	<b>647,316.5</b>
<b>I.1. National Treasury Revenues</b>	<b>52,056.0</b>	<b>41,496.7</b>	<b>430,060.8</b>	<b>505,180.6</b>
I.1.1. Gross Revenue (1)	53,869.0	43,743.4	442,087.2	517,468.4
I.1.2. (-) Restitutions	-1,813.0	-2,246.7	-12,016.3	-12,287.8
I.1.3. (-) Fiscal Incentives	0.0	0.0	-10.1	0.0
<b>I.2. Social Security Revenues</b>	<b>13,475.7</b>	<b>13,559.2</b>	<b>120,583.5</b>	<b>140,391.1</b>
<b>I.3. Central Bank Revenues</b>	<b>263.4</b>	<b>217.7</b>	<b>1,107.1</b>	<b>1,744.7</b>
<b>II. TRANSFERS TO STATES AND MUNICIPALITIES</b>	<b>10,182.9</b>	<b>14,261.4</b>	<b>94,139.0</b>	<b>118,559.6</b>
<b>III. TOTAL NET REVENUE (I-II)</b>	<b>55,612.3</b>	<b>41,012.2</b>	<b>457,612.4</b>	<b>528,756.9</b>
<b>IV. TOTAL EXPENDITURE</b>	<b>40,747.3</b>	<b>45,337.5</b>	<b>391,734.6</b>	<b>437,236.6</b>
<b>IV.1 Treasury Expenditures</b>	<b>25,136.1</b>	<b>27,285.3</b>	<b>228,418.2</b>	<b>256,742.9</b>
IV.1.1. Payroll (1)	10,422.2	12,456.1	103,131.4	114,969.2
IV.1.2. Current and Capital Expenditures	14,517.4	14,723.2	124,896.2	140,877.1
IV.1.2.1. Worker Support Fund (FAT)	2,297.3	1,581.0	16,823.4	19,317.5
IV.1.2.2. Economic Subsidies and Grants (2)	836.5	967.9	7,965.8	4,705.0
IV.1.2.3. Assistance Benefits (LOAS/RMV)	1,375.4	1,378.4	12,367.6	14,644.1
IV.1.2.4. Other Current and Capital Expenditures	10,008.1	10,796.0	87,739.4	102,210.5
IV.1.2.4.1. Other Current Expenditures	8,223.0	7,874.7	71,858.3	79,257.3
IV.1.2.4.2. Other Capital Expenditures	1,785.1	2,921.3	15,881.1	22,953.1
IV.1.3. Transfer from Treasury to Central Bank	196.6	106.0	390.6	896.7
<b>IV.2. Social Security Benefits</b>	<b>15,384.9</b>	<b>17,783.9</b>	<b>161,579.3</b>	<b>178,335.3</b>
<b>IV.3. Central Bank Expenditures</b>	<b>226.3</b>	<b>268.3</b>	<b>1,737.1</b>	<b>2,158.4</b>
<b>V. CENTRAL GOVERNMENT PRIMARY RESULT (III - IV)</b>	<b>14,865.0</b>	<b>-4,325.3</b>	<b>65,877.8</b>	<b>91,520.3</b>
V.1. National Treasury	16,737.0	-50.0	107,503.6	129,878.2
V.2. Social Security (RGPS) (3)	-1,909.2	-4,224.7	-40,995.8	-37,944.2
V.3. Central Bank (4)	37.2	-50.6	-630.0	-413.6
<b>VIII. PRIMARY RESULT/GDP</b>			<b>2.78%</b>	<b>3.45%</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).

CENTRAL GOVERNMENT BALANCE BRAZIL, JAN - NOV (% GDP)		
DISCRIMINATION	2007	2008
National Treasury	4.53%	4.89%
Social Security	-1.73%	-1.43%
Central Bank	-0.03%	-0.02%
<b>Central Government</b>	<b>2.78%</b>	<b>3.45%</b>

MAIN VARIATIONS ACCUMULATED 2008/2007	
DISCRIMINATION	%
<b>Revenues</b>	<b>17.32%</b>
Treasury	17.47%
Social Security	16.43%
<b>Transfers</b>	<b>25.94%</b>
<b>Net Revenue</b>	<b>15.55%</b>
<b>Expenditures</b>	<b>11.62%</b>
Benefits	10.37%
Payroll	11.48%
Current and Capital	12.80%
FAT	14.82%
Subsidies	-40.93%
LOAS/RMV	18.41%
Other	16.49%
Current	10.30%
Capital	44.53%
<b>Estimated GDP</b>	<b>11.97%</b>

The result of the month showed a R\$ 10.1 billion (18.8%) decrease, determined mainly by seasonal elements: i) payment of the first or the only quota of the IRPJ and CSLL contribution in October due to the 3-month period ended in September, and a non-typical payment from the fuel sector, also in October, due to gains from exchange rate devaluation; and ii) the collection of the financial compensation quotas from exploration companies of oil and natural gas with reference to the 3 months ended in October. Transfers to states and municipalities, which are highly influenced by IR revenue and financial

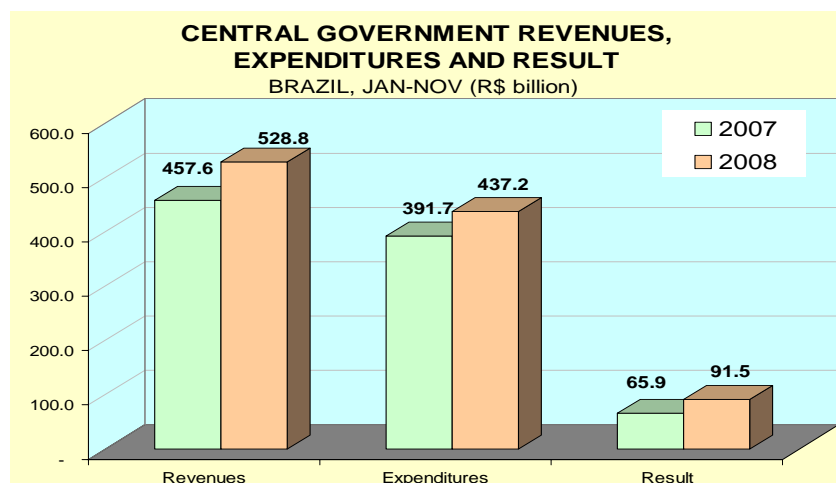
*The decrease of revenues of the National Treasury in November, compared to the previous month, is due to seasonal factors.*

compensation of the previous month, expanded R\$ 4.1 billion in November (40.1%). Regarding expenditure, there was an increase of R\$ 2.1 billion (8.6%) compared to October, from which R\$ 2.0 billion (19.5%) are related to personnel and payroll charges, mainly expenses denoted by financial impacts from payment of the annual Christmas bonus of Legislative and Judicial Branches. Current and capital outlays increased R\$ 205.8 million (1,4%).

The Social Security deficit reached R\$ 4.2 billion in November, R\$ 2.3 billion over the result registered in the previous month (increase of 121.3%). This situation reflects the financial impacts of the payment of the second quota of the annual Christmas bonus.

In the year, Central Government surplus was 38.9% higher than in the same period of 2007 (R\$ 91.5 billion, against R\$ 65.9 billion). As a consequence, the primary surplus moved from 2.78% to 3.45% of estimated GDP for the period. Central Government revenues, remaining after transfers to the states and municipalities, expanded 3.2% above nominal GDP growth in the period (11.97%), while Central Government outlays registered a decline of 0.3%.

MAIN REAL VARIATIONS (ABOVE NOMINAL GDP GROWTH) (% ACCUMULATED JAN-OCT)		
DISCRIMINATION	07/06	08/07
<b>Revenues</b>	<b>3.3%</b>	<b>4.8%</b>
Treasury	3.4%	4.9%
Social Security	3.4%	4.0%
<b>Transfers</b>	<b>2.6%</b>	<b>12.5%</b>
<b>Net Revenue</b>	<b>3.5%</b>	<b>3.2%</b>
<b>Expenditures</b>	<b>2.5%</b>	<b>-0.3%</b>
Benefits	0.6%	-1.4%
Payroll	1.4%	-0.4%
Current and Capital	6.2%	0.7%
FAT	13.4%	2.6%
Subsidies	22.4%	-47.2%
LOAS/RMV	6.1%	5.8%
Other	3.7%	4.0%
Current	1.9%	-1.5%
Capital	13.1%	29.1%



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 interests increased 20.74%, including debts subject to judicial charging, compared to the first eleven months of 2007. In light of their legislative impact, the major changes introduced in 2008 were: i) extinction of CPMF and upward movement in IOF rates, scheduled to go into effect since January; ii) quota reduction of 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 and IPI on beverage as of September.

The major increases in tax and contribution revenues were as follows: i) IRPJ (R\$ 16.1 billion or 25.2%) and CSLL (R\$ 9.6 billion and 30.5%), as a result of increases under the items Monthly Tax Estimate and Presumed Profits, whose inflows are based mainly on the earnings of financial institutions, as well as the non-typical inflow of R\$ 2.2 billion with reference to debts from previous fiscal years; ii) IRRF – Labor Earnings (R\$ 8.7 billion or 23.4%), due to the growth in overall wages and to the difference in taxable events that resulted from the transition rule set down by Law 11,196/2005 (article 70, paragraph); iii) Cofins (R\$ 18.3 billion or 19.7%), due to the increase of imported goods and the increase of the earnings of enterprises. Finally, other revenues expanded 38.4%, to a great extent as a result of the R\$ 3.6 billion increase in inflows from concession companies exploring oil and natural gas reserves and from permissions of cell telephone services; due to the increase of R\$ 6.4 billion on dividends, as well as a R\$ 8.1 billion in financial compensation quotas, as a result of increased international market oil prices in the majority of the year.

In nominal terms, transfers to states and municipalities expanded 25.9% (R\$ 24.4 billion), thus surpassing growth in Treasury revenues (17.5%). These transfers totaled 4.5% of GDP, against 4.0% of GDP in 2007. Constitutional transfers (FPM and FPE) expanded 24.8% (R\$ 18.0 billion) in the period, above estimates of nominal GDP growth (12.0%) and fully in line with the behavior of shared taxes (income tax and IPI).

National Treasury expenditure expanded 12.4% (R\$ 28.3 billion) compared to the first eleven months of 2007. Nominal increase on personnel and payroll charges reached 11.5% (R\$ 11.8 billion), reflecting, among other reasons, payments involving the restructuring of careers in government service from the three branches of the Brazilian Government. However, these outflows were 0.4% below the nominal GDP growth rate. Outlays on the civil service payroll, which accounted for 4.35% of GDP at the end of November 2007, dropped to 4.33% of GDP in the same period of 2008.

In its turn, spending on subsidies and economic grants registered a nominal decrease of R\$ 3.3 billion compared to the same period of the previous year. This heading posted a reduction of 16 basis points of GDP, moving from 0.34% in 2007 to 0.18% in 2008. This behaviour is mainly explained by the R\$ 1.4 billion expenses in agriculture securitization in 2007, not observed in

*The Central Government revenue increase of 17.3% in 2008 is mainly a result of economic growth, with evident impacts on business profits, and recovery of debts in arrears, with significant reflects on the growth of payments of fines and interest.*

TRANSFERS TO STATES AND MUNICIPALITIES BRAZIL, JAN - NOV (% GDP)		
DISCRIMINATION	2007	2008
Constitutional (IR, IPI and others)	3.05%	3.40%
CIDE - Fuels	0.08%	0.06%
Complementary Law 115/2002 <sup>1</sup>	0.15%	0.15%
Other	0.69%	0.86%
<b>Total</b>	<b>3.97%</b>	<b>4.47%</b>

<sup>1</sup> Includes financial support

*Personnel and payroll charges expenditure reached 0.4% below nominal estimated GDP growth rate for the period.*

NATIONAL TREASURY EXPENDITURES BRAZIL, JAN - NOV (% GDP)		
DISCRIMINATION	2007	2008
<b>Payroll</b>	<b>4.35%</b>	<b>4.33%</b>
<b>Capital and Current</b>	<b>5.27%</b>	<b>5.31%</b>
FAT Expenditures	0.71%	0.73%
Subsidies and Grants <sup>1</sup>	0.34%	0.18%
LOAS/RMV	0.52%	0.55%
Other	3.70%	3.85%
<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.

*Until November 2008, while current expenditures decreased 1.5% below the estimated GDP growth compared to the same period of 2007, capital outlays grew 29.1% above GDP growth. The RGPS deficit dropped from 1.73% of GDP to 1.43% in the same period.*

2008, as well as the increase in net inflows from the National Development Fund (R\$ 1.1 billion) and the reduction of expenses related to the Federal Government Acquisition program (falloff of R\$ 464.2 million).

With regard to other current and capital outlays, compared to the cumulative amount through November 2007, growth came to 16.5% (R\$ 14.5 billion), from which 10.3% (R\$ 7.4 billion) refer to current outlays and 44.5% (R\$ 7.1 billion) to capital expenditure. Therefore, though current outlays closed 1.5% below estimated nominal GDP growth for the period, capital spending expanded 29.1% above GDP growth.

The Social Security deficit reached R\$ 37.9 billion in the first eleven months of 2008, against R\$ 41.0 billion in the same period of 2007 (reduction of 7.4%). Net inflows increased from R\$ 120.6 billion to R\$ 140.4 billion (16.4%). This growth was driven mainly by inflows of social security contributions, which moved from R\$ 122.7 billion to R\$ 144.6 billion (increase of 17.9%), explained primarily by growth in overall wages, which impacts contributions on payroll. In their turn, outlays on benefits increased R\$ 16.8 billion (10.4%), reaching a volume of R\$ 178.3 billion. Just as in previous months, RGPS primary deficit declined as a proportion of GDP, dropping to 1.43%, 30 b.p. below the level registered in the same period of 2007 (1.73%).

SOCIAL SECURITY BENEFITS BRAZIL, AVERAGE JAN - NOV			
DISCRIMINATION	2007	2008	%
Quantity RGPS*	21.8	22.4	2.6%
Average Value RGPS*	610.8	653.5	7.0%

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

SOCIAL SECURITY BALANCE BRAZIL, JAN - NOV (% GDP)		
DISCRIMINATION	2007	2008
Contribution	5.08%	5.29%
Benefits	6.81%	6.72%
<b>Primary Balance</b>	<b>-1.73%</b>	<b>-1.43%</b>

### SOCIAL SECURITY REVENUES AND EXPENDITURES

BRAZIL, 2007/2008 (R\$ billion)

