

CENTRAL GOVERNMENT FISCAL RESULT

In August 2009, the Central Government generated a surplus equivalent to R\$ 3.7 billion, compared to R\$ 1.5 billion in July. The National Treasury contributed to the month's performance with a surplus of R\$ 8.9 billion, while the Social Security System (RGPS) and the Central Bank recorded respective deficits of R\$ 5.2 billion and R\$ 54.2 million.

Central Government primary surplus reached R\$ 3.7 billion in August 2009 against R\$ 1.5 billion in July.

TABLE 1
CENTRAL GOVERNMENT PRIMARY BALANCE(*)
BRAZIL, 2008-2009

DESCRIPTION	R\$ Million			
	JUL 2009	AUG 2009	JAN-AUG 2008 2009	
I. TOTAL REVENUE	60,323.9	60,839.0	466,244.0	462,519.4
I.1. National Treasury Revenues	45,857.3	46,238.5	365,257.5	350,488.2
I.1.1 Gross Revenue (1)	48,270.7	47,199.1	372,041.0	357,473.9
I.1.2. (-) Restitutions	-2,413.4	-960.5	-6,783.4	-6,930.9
I.1.3. (-) Fiscal Incentives	0.0	0.0	0.0	-54.8
I.2. Social Security Revenues	14,287.4	14,400.2	99,926.2	110,652.5
I.2.1 Social Security Revenues - Urban (2)	13,925.5	14,033.3	96,671.1	107,662.4
I.2.2 Social Security Revenues - Rural (2)	361.8	366.9	3,255.0	2,990.1
I.3. Central Bank Revenues	179.2	200.3	1,060.3	1,378.7
II. TRANSFERS TO STATES AND MUNICIPALITIES	7,796.1	10,093.0	84,585.4	82,553.4
III. TOTAL NET REVENUE (I-II)	52,527.8	50,746.0	381,658.7	379,966.1
IV. TOTAL EXPENDITURE	51,018.0	47,055.9	306,808.1	356,116.1
IV.1 Treasury Expenditures	33,394.0	27,209.7	181,167.6	214,182.8
IV.1.1. Payroll (1)	14,375.4	11,422.6	82,141.8	97,934.9
IV.1.2. Current and Capital Expenditures	18,929.1	15,680.8	98,506.3	115,520.6
IV.1.2.1. Worker Support Fund (FAT)	4,926.0	2,798.2	13,527.9	18,370.2
IV.1.2.2. Economic Subsidies and Grants (3)	697.6	579.5	2,490.6	1,201.5
IV.1.2.3. Assistance Benefits (LOAS/RMV)	1,593.2	1,601.7	10,523.5	12,431.0
IV.1.2.4. Other Current and Capital Expenditures	11,712.2	10,701.4	71,964.4	83,518.0
IV.1.2.4.1. Other Current Expenditures	8,722.3	8,450.7	56,064.7	66,252.3
IV.1.2.4.2. Other Capital Expenditures	2,989.9	2,250.7	15,899.6	17,265.7
IV.1.3. Transfer from Treasury to Central Bank	89.6	106.3	519.5	727.3
IV.2. Social Security Expenditures (Benefits)	17,380.8	19,591.7	124,320.0	140,213.7
I.2.1 Social Security Benefits - Urban (2)	13,912.5	15,666.4	99,469.2	112,217.0
I.2.2 Social Security Benefits - Rural (2)	3,468.3	3,925.3	24,850.7	27,996.7
IV.3. Central Bank Expenditures	243.1	254.5	1,320.6	1,719.6
V. SOVEREIGN FUND OF BRAZIL - SFB (4)	0.0	0.0	0.0	0.0
VI. CENTRAL GOVERNMENT PRIMARY RESULT (III - IV)	1,509.8	3,690.1	74,850.5	23,850.0
VI.1. National Treasury	4,667.2	8,935.8	99,504.6	53,752.0
VI.2. Social Security (RGPS) (5)	-3,093.5	-5,191.5	-24,393.8	-29,561.2
I.2.1 Social Security (RGPS) - Urban (2)	13.0	-1,633.1	-2,798.1	-4,554.6
I.2.2 Social Security (RGPS) - Rural (2)	-3,106.5	-3,558.4	-21,595.7	-25,006.6
VI.3. Central Bank (6)	-63.8	-54.2	-260.3	-340.9
VII. PRIMARY RESULT/GDP			3.94%	1.21%

(*) 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) Data from the Social Security Ministry. The RGPS result divided between urban and rural is done with specific methodology from the Social Security Ministry.

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

(4) Expenses related to paid-in capital for the Fiscal Investment and Stabilization Fund (FFIE) from the SFB, as established by Law 11,887/2008, MP 452/2008 and Decree 6,713/2008.

(5) Contribution Revenues less Social Security Benefits.

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

MAIN VARIATIONS		
ACCUMULATED JAN-AUG: %		
DISCRIMINATION	08/07	09/08
Revenues	18.0%	-0.8%
Treasury	18.3%	-4.0%
Social Security	16.6%	10.7%
Transfers	23.4%	-2.4%
Net Revenue	16.8%	-0.4%
Expenditures	11.4%	16.1%
Benefits	10.7%	12.8%
Payroll	9.3%	19.2%
Current and Capital	14.0%	17.3%
FAT	15.9%	35.8%
Subsidies	-41.1%	-51.8%
LOAS/RMV	19.2%	18.1%
Other	16.7%	16.1%
Current	11.0%	18.2%
Capital	42.2%	8.6%
Estimated GDP	11.9%	3.6%

CENTRAL GOVERNMENT BALANCE		
BRAZIL, JAN - AUG (% GDP)		
DISCRIMINATION	2008	2009
Total Revenue	24.56%	23.52%
Transfers	4.46%	4.20%
Net Revenue	20.11%	19.32%
Total Expenditures	16.16%	18.11%
Primary Balance	3.94%	1.21%

Gross incomes of the National Treasury reduced R\$ 1.1 billion (2.2%), going from R\$ 48.3 billion in July to R\$ 47.2 billion in August. This behavior is determined mainly by the following elements: i) decreases of R\$ 3.8 billion in IRPJ

and R\$ 1.8 billion in CSLL due to the collection, in July, of the first or the only IRPJ and CSLL installments; ii) decrease of R\$ 1.9 billion on participation quotas in the working of oil and natural gas deposits, due to the quarterly payment of royalties in July; iii) increase of R\$ 6.1 billion on collection of profit shares; and iv) increase of R\$ 1.7 billion on collection of other revenues, reflecting transfers of judicial deposits from banks to the Single Treasury Account, as stated on Provisional Measure 468/2009.

TRANSFERS TO STATES AND MUNICIPALITIES BRAZIL, 2009 (R\$ million)		
DISCRIMINATION	JUL/09	AUG/09
Constitutional (IR/IPI/Other)	6,232.7	7,233.6
CIDE - Fuels	254.0	0.0
Comp. Law 115/2002 ¹	162.5	162.5
Other	1,147.0	2,696.9
Total	7,796.1	10,093.0

¹ Includes financial support.

Transfers to States and Municipalities showed a nominal increase of 29.5%, going from R\$ 7.8 billion in July to R\$ 10.1 billion in August. Transfers to Constitutional funds (FPE and FPM) registered R\$ 7.2 billion, increasing 16.1% when compared to the previous month, reflecting the increase of collection of shared tax revenues (income tax and IPI), mainly on the last ten days of July, transferred in August. Others transfers increased R\$ 1.6 billion (135.1%), mainly due to transfers of *royalties* and participation quotas in the working of oil and natural gas deposits.

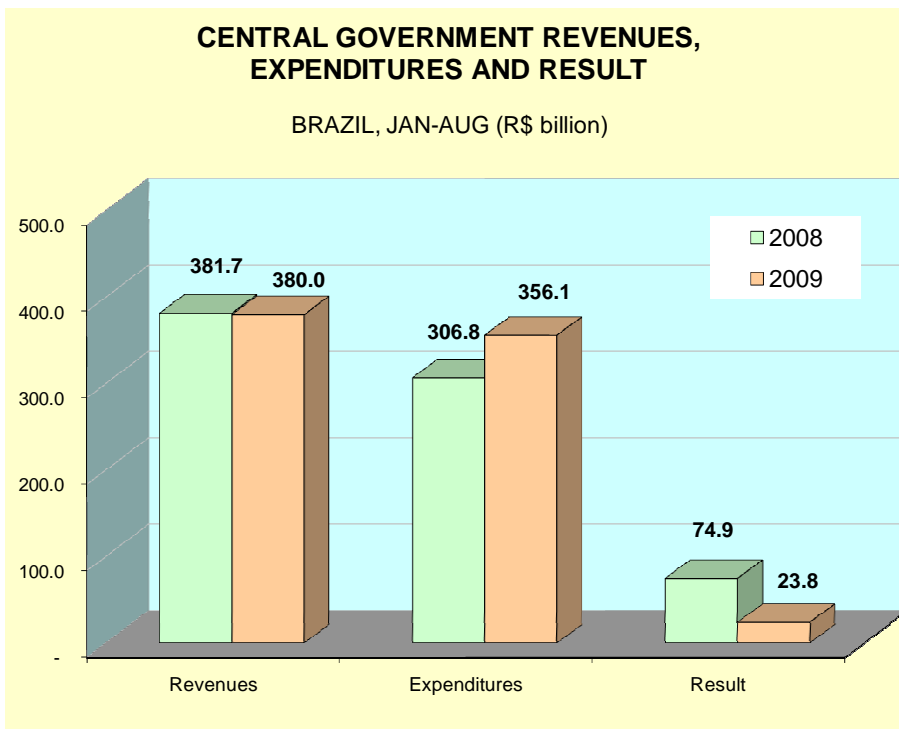
Concerning expenses, there was a decrease of R\$ 6.2 billion (18.5%) in the expenditures of the National Treasury compared to July, due to decreases of: i) R\$ 3.2 billion (17.2%) on capital and current expenditures, and ii) R\$ 3.0 billion (20.5%) in payroll, as a result of partial payment in advance of Christmas bonus to federal workers in July without correspondence in August.

CENTRAL GOVERNMENT BALANCE BRAZIL, JAN - AUG (% GDP)		
DISCRIMINATION	2008	2009
National Treasury	5.24%	2.73%
Social Security	-1.29%	-1.50%
Central Bank	-0.01%	-0.02%
Central Government	3.94%	1.21%

Social Security deficit increased 67.8% (R\$ 2.1 billion) compared to July, going from R\$ 3.1 billion to R\$ 5.2 billion. The division of social security expenditures by clientele shows that the urban part of RGPS recorded a deficit of R\$ 1.6 billion in the month, compared to a surplus of R\$ 13.0 million in July, while the rural part registered a deficit of R\$ 3.6 billion this month against one of R\$ 3.1 billion in July, increasing the deficit in R\$ 451.9 million.

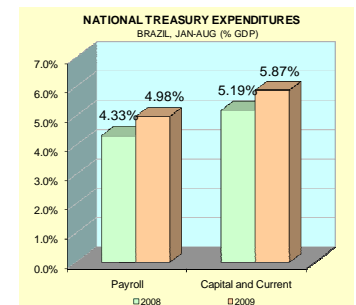
From January to August, Central Government surplus reached R\$ 23.8 billion, compared to R\$ 74.9 billion recorded in the same period of 2008. Such a behavior is due to non-typical factors found both in the current and previous year. Central Government revenues, net of transfers to States and Municipalities, showed a nominal decrease of 0.4% in the period, while Central Government expenditures showed a rise of 16.1%.

*From January to August,
Central Government
primary surplus reached
R\$ 23.8 billion, equivalent
to 1.2% from GDP.*



The behavior of revenues of the National Treasury from January to August of 2009 reflects mainly the compensation of debts of Cofins, PIS/Pasep and Cide – Fuels, as well as tax exemptions.

Central Government gross revenue dropped 3.9% (R\$ 14.6 billion) compared to the period from January to August of 2008, mainly due to the following reasons: i) change on tax legislation, mainly the IPI one; ii) decrease of 12.8% in manufacturing output in the base period January-July 2009 compared to the same period of 2008, impacting IPI collection; iii) compensation of debts in Cofins, PIS/Pasep and Cide – Fuels in 2009, because of undue payment or overpayment in the previous year; and iv) drop of collection of IRPJ, reflecting less profits of companies.



In nominal terms, National Treasury expenditures expanded 18.2% compared to the same period in 2008, mainly due to the following elements: i) increase of R\$ 2.7 billion on payments of judicially determined amounts plus court decisions regarding current outlays as well as personnel and payroll charges; ii) payments involving governmental career and wages restructuring in the public sector; and iii) dynamics of discretionary expenses, which expanded R\$ 11.8 billion, mainly because of Ministry of Health, with expenses R\$ 6.7 billion over the same category of expenditure in 2008. On the other hand, extraordinary credit expenses decreased R\$ 2.6 billion. It is also worth mentioning the increase of R\$ 1.4 billion (8.6%) in investments from January to August of 2009 compared to the same period of last year.

The increase of National Treasury expenditures in 2009 is due to payments of judicially determined amounts plus court decisions regarding current outlays and personnel and payroll charges, as well as the dynamics of discretionary expenses and the increase in investments.

Finally, the Social Security deficit expanded 21.2% (R\$ 5.2 billion) compared to the equivalent period in 2008, going from R\$ 24.4 billion to R\$ 29.6 billion. Net inflows increased R\$ 10.7 billion (10.7%), mainly due to the

SOCIAL SECURITY BALANCE			
BRAZIL, JAN-AUG (R\$ billion)			
DISCRIMINATION	2008	2009	%
Contribution	99,926.2	110,652.5	10.7%
Urban	96,671.1	107,662.4	11.4%
Rural	3,255.0	2,990.1	-8.1%
Benefits	124,320.0	140,213.7	12.8%
Urban	99,469.2	112,217.0	12.8%
Rural	24,850.7	27,996.7	12.7%
Primary Balance	-24,393.8	-29,561.2	21.2%
Urban	-2,798.1	-4,554.6	62.8%
Rural	-21,595.7	-25,006.6	15.8%

growth in overall wages, which impacts contributions on payroll. In their turn, outlays on social benefits increased R\$ 15.9 billion (12.8%), due to an increase of 10.8% on the average value of paid benefits, as a consequence of the increase of minimum wage (as well as the increase of payments above minimum wage), and the increase of 3.3% on the average quantity of paid benefits. It is important to mention the increase of R\$ 863.4 million on judicially determined amounts regarding social benefits.

The distribution of social security expenditures by clientele shows that the urban part of RGPS displayed a deficit of R\$ 4.6 billion, equivalent to 15.4% of the RGPS overall deficit, and the rural part recorded a deficit of R\$ 25.0 billion (84.6% of the RGPS deficit).