

CENTRAL GOVERNMENT FISCAL RESULT

In December 2009, the Central Government generated a surplus equivalent to R\$ 1.7 billion, compared to R\$ 10.7 billion in November. The National Treasury contributed to the month's performance with a surplus of R\$ 11.6 million, the Social Security System (RGPS) registered a surplus of R\$ 1.8 billion while the Central Bank recorded a deficit of R\$ 68.3 million.

Central Government primary surplus reached R\$ 1.7 billion in December 2009 against R\$ 10.7 billion in November.

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

DESCRIPTION	R\$ Million			
	NOV 2009	DEC 2009	JAN-DEC 2008 2009	
I. TOTAL REVENUE	74,239.9	79,647.5	716,658.4	739,304.5
I.1. National Treasury Revenues	57,189.3	53,797.3	551,343.8	555,053.8
I.1.1 Gross Revenue (1)	59,509.0	56,927.9	564,732.6	569,846.0
I.1.2. (-) Restitutions	-2,319.7	-3,130.6	-13,387.7	-14,737.4
I.1.3. (-) Fiscal Incentives	0.0	0.0	-1.1	-54.8
I.2. Social Security Revenues	16,808.5	25,591.5	163,355.3	182,008.4
I.2.1 Social Security Revenues - Urban (2)	16,410.0	25,147.2	158,382.8	177,444.3
I.2.2 Social Security Revenues - Rural (2)	398.5	444.3	4,972.5	4,564.1
I.3. Central Bank Revenues	242.1	258.6	1,959.3	2,242.2
II. TRANSFERS TO STATES AND MUNICIPALITIES	12,176.5	13,896.2	133,075.5	127,683.8
III. TOTAL NET REVENUE (I-II)	62,063.4	65,751.3	583,582.9	611,620.7
IV. TOTAL EXPENDITURE	51,400.6	64,051.5	497,900.5	572,405.2
IV.1 Treasury Expenditures	31,144.7	39,889.5	295,907.2	344,657.0
IV.1.1. Payroll (1)	13,400.3	16,869.3	130,829.1	151,652.8
IV.1.2. Current and Capital Expenditures	17,640.5	22,878.2	164,035.5	191,824.7
IV.1.2.1. Worker Support Fund (FAT)	2,101.1	2,151.7	21,026.4	27,433.0
IV.1.2.2. Economic Subsidies and Grants (3)	722.7	700.3	5,979.8	5,410.8
IV.1.2.3. Assistance Benefits (LOAS/RMV)	1,633.9	1,641.6	16,036.2	18,946.0
IV.1.2.4. Other Current and Capital Expenditures	13,182.8	18,384.6	120,993.1	140,034.9
IV.1.2.4.1. Other Current Expenditures	9,959.1	11,411.9	92,724.4	105,898.1
IV.1.2.4.2. Other Capital Expenditures	3,223.7	6,972.7	28,268.7	34,136.7
IV.1.3. Transfer from Treasury to Central Bank	104.0	142.1	1,042.5	1,179.5
IV.2. Social Security Expenditures (Benefits)	19,924.7	23,835.0	199,562.0	224,876.4
I.2.1 Social Security Benefits - Urban (2)	15,956.6	19,097.6	159,652.1	180,026.3
I.2.2 Social Security Benefits - Rural (2)	3,968.1	4,737.5	39,910.0	44,850.1
IV.3. Central Bank Expenditures	331.2	326.9	2,431.3	2,871.8
V. SOVEREIGN FUND OF BRAZIL - SFB (4)	0.0	0.0	14,244.0	0.0
VI. CENTRAL GOVERNMENT PRIMARY RESULT (III - IV)	10,662.8	1,699.8	71,438.4	39,215.5
VI.1. National Treasury	13,868.1	11.6	108,117.1	82,713.0
VI.2. Social Security (RGPS) (5)	-3,116.3	1,756.5	-36,206.7	-42,867.9
I.2.1 Social Security (RGPS) - Urban (2)	453.3	6,049.7	-1,269.3	-2,582.0
I.2.2 Social Security (RGPS) - Rural (2)	-3,569.6	-4,293.1	-34,937.5	-40,286.0
VI.3. Central Bank (6)	-89.0	-68.3	-472.0	-629.6
VII. PRIMARY RESULT/GDP			2.38%	1.25%

(*) 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-DEC %		
DISCRIMINATION	08/07	09/08
Revenues	15.8%	3.2%
Treasury	15.6%	0.7%
Social Security	16.3%	11.4%
Transfers	26.0%	-4.1%
Net Revenue	13.7%	4.8%
Expenditures	9.3%	15.0%
Benefits	7.7%	12.7%
Payroll	12.4%	15.9%
Current and Capital	8.3%	16.9%
FAT	12.8%	30.5%
Subsidies	-40.3%	-9.5%
LOAS/RMV	13.0%	18.1%
Other	11.4%	15.7%
Current	7.2%	14.2%
Capital	27.9%	20.8%
Estimated GDP	12.9%	4.3%

CENTRAL GOVERNMENT BALANCE		
BRAZIL, JAN - DEC (% GDP)		
DISCRIMINATION	2008	2009
Total Revenue	23.85%	23.58%
Transfers	4.43%	4.07%
Net Revenue	19.42%	19.51%
Total Expenditures	16.57%	18.26%
Primary Balance	2.85%	1.25%

Gross incomes of the National Treasury decreased R\$ 2.6 billion (4.3%), going from R\$ 59.5 billion in November to R\$ 56.9 billion in December. This behavior is determined mainly by the following elements: i) collection, in

December, of IRRF – Capital Earnings related to investments in financial sector hold in the last semester of 2009 (Law 10,892/04); ii) collection of R\$ 3.4 billion of profit share over the same category of revenue in November; and iii) the effect of judicial and extrajudicial deposits as stated on Provisional Measure 468/2009 in accordance to the schedule stated on Regulation MF 510/2009 and Regulation MF 531/2009.

Transfers to States and Municipalities showed a nominal increase of 14.1%, going from R\$ 12.2 billion in November to R\$ 13.9 billion in December. Transfers to Constitutional funds (FPE and FPM) registered R\$ 12.0 billion, showing a growth of 31.7% when compared to the previous month, reflecting the increase of collection of shared tax revenues (income tax and IPI) mainly on the first ten days of this month. Other transfers decreased R\$ 1.2 billion (41.2%), mainly due to the transfers of royalties and participation quotas in the working of oil and natural gas deposits.

Concerning expenses, National Treasury expenditure raised R\$ 8.7 billion (28.1%) when compared to November, mainly due to the increase of R\$ 3.5 billion on payroll, the growth of R\$ 2.5 billion of discretionary expenses and the increase of R\$ 2.4 billion on PPI investments.

Social Security showed a surplus of R\$ 1.8 billion against a deficit of R\$ 3.1 billion registered in November. The division of social security expenditures by clientele shows that the urban part of RGPS recorded a surplus of R\$ 6.0 billion in the month, compared to R\$ 453.3 million in November, while the rural part registered a deficit of R\$ 4.3 billion in December against one of R\$ 3.6 billion in the previous month.

In 2009, Central Government surplus reached R\$ 39.2 billion, compared to R\$ 71.4 billion recorded in 2008. Such a behavior is due to atypical factors found both in the current and previous year. Central Government revenues, net of transfers to States and Municipalities, showed a nominal increase of 4.8% in the period, while Central Government expenditures showed a rise of 15.0%.

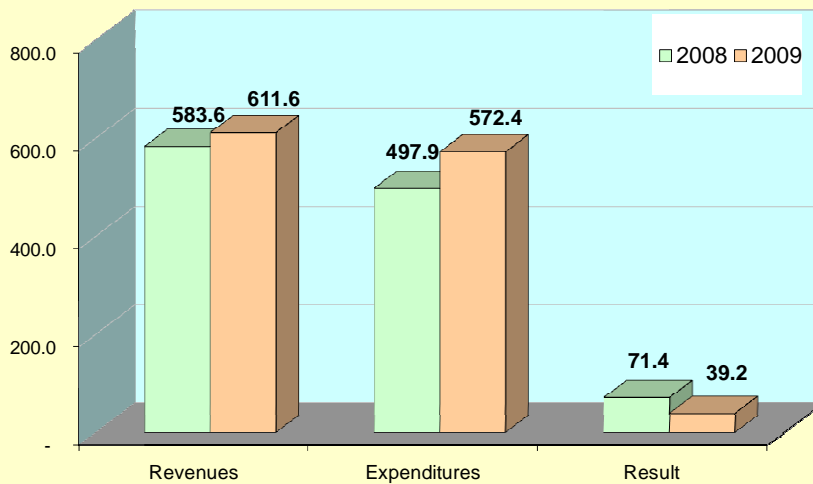
TRANSFERS TO STATES AND MUNICIPALITIES BRAZIL, 2009 (R\$ million)		
DISCRIMINATION	NOV/09	DEC/09
Constitutional (IR/IPI/Other)	9,145.5	12,046.9
CIDE - Fuels	0.0	0.0
Comp. Law 115/2002 ¹	162.5	162.5
Other	2,868.5	1,686.9
Total	12,176.5	13,896.2

¹ Includes financial support.

In 2009, Central Government primary surplus reached R\$ 39.2 billion, equivalent to 1.25% from GDP.

CENTRAL GOVERNMENT REVENUES, EXPENDITURES AND RESULT

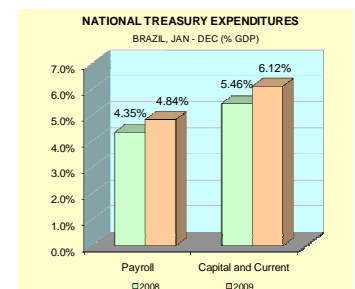
BRAZIL, JAN-DEC (R\$ billion)



CENTRAL GOVERNMENT BALANCE BRAZIL, JAN - DEC (% GDP)		
DISCRIMINATION	2008	2009
National Treasury	3.60%	2.64%
Social Security	-1.20%	-1.37%
Central Bank	-0.02%	-0.02%
Central Government	2.38%	1.25%

The behavior of National Treasury revenues in 2009 reflects mainly the regularization of judicial deposits, as well as compensation of debts in Cofins, PIS/Pasep and Cide – Fuels and tax exemptions.

Central Government gross revenue showed a rise of 0.9% (R\$ 5.1 billion) compared to 2008, mainly due to the following reasons: i) increase of R\$ 13.3 billion in collection of profit share; ii) growth of R\$ 12.3 billion in other revenues reflecting the effect of judicial and extrajudicial deposits as stated on Provisional Measure 468/2009 in accordance to the schedule stated on Regulation MF 510/2009 and Regulation MF 531/2009; iii) decrease of R\$ 8.7 billion in collection of IPI due to the change on its legislation and the decrease of 9.3% in manufacturing output in the base period January-November 2009 compared to the same period of 2008; iv) compensation of debts in Cofins, PIS/Pasep and Cide – Fuels in 2009, because of undue payment or overpayment in the previous year; and v) decrease of R\$ 5.6 billion on participation quotas in the working of oil and natural gas deposits due to the reduction of international prices of oil.



Investments increased 20.8% (R\$ 5.9 billion) in 2009 compared to 2008.

In nominal terms, National Treasury expenditures expanded 16.5% compared to 2008, mainly due to the following elements: i) increase of R\$ 2.2 billion on payments of judicially determined amounts plus court decisions regarding 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\$ 14.5 billion, mainly because of Ministry of Health, with expenses of R\$ 7.1 billion over the same category of expenditure in 2008. On the other hand, extraordinary credit expenses decreased R\$ 3.5 billion. It is also worth mentioning the expansion of R\$ 5.9 billion (20.8%) in investments in 2009 compared to 2008, while other current expenses grew up R\$ 13.2 billion (14.2%).

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

SOCIAL SECURITY BALANCE BRAZIL, JAN-DEC (R\$ billion)			
DISCRIMINATION	2008	2009	%
Contribution	163,355.3	182,008.4	11.4%
Urban	158,382.8	177,444.3	12.0%
Rural	4,972.5	4,564.1	-8.2%
Benefits	199,562.0	224,876.4	12.7%
Urban	159,652.1	180,026.3	12.8%
Rural	39,910.0	44,850.1	12.4%
Primary Balance	-36,206.7	-42,867.9	18.4%
Urban	-1,269.3	-2,582.0	103.4%
Rural	-34,937.5	-40,286.0	15.3%

Finally, the Social Security deficit expanded 18.4% (R\$ 6.7 billion) compared to 2008, going from R\$ 36.2 billion to R\$ 42.9 billion. Net inflows increased R\$ 18.7 billion (11.4%), mainly due to the growth in overall wages, which impacts contributions on payroll. In their turn, outlays on social benefits increased R\$ 25.3 billion (12.7%), due to an expansion of 10.1% on the average value of paid benefits, as a consequence of the increase of minimum wage (as well as the rise 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\$ 1.0 billion 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\$ 2.6 billion, equivalent to 6.0% of the RGPS overall deficit, while the rural part recorded a deficit of R\$ 40.3 billion (94.0% of the RGPS deficit).