

CENTRAL GOVERNMENT FISCAL RESULT

In January 2009, the Central Government generated a primary surplus equivalent to R\$ 4.3 billion, compared to a surplus of R\$ 15.4 billion in January 2008. The National Treasury contributed to the month's performance with a surplus of R\$ 10.6 billion. In their turn, the Social Security System (RGPS) and the Central Bank ended the month with respective deficits of R\$ 6.3 billion and R\$ 23.6 million. The result of the month compared to the same period of the previous year reflected, mainly, non-typical factors which happened in both years, such as the behavior of revenues and the issuing of 2008 Budget only in March.

*Central Government
primary surplus in January
2009 reached
R\$ 4.3 billion.*

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

DESCRIPTION	RS Million		
	DEC	JANUARY	
	2008	2008	2009
I. TOTAL REVENUE	69,330.2	64,569.1	62,843.4
I.1. National Treasury Revenues	46,151.5	53,226.3	50,690.2
I.1.1 Gross Revenue (1)	47,252.5	53,477.4	50,866.3
I.1.2. (-) Restitutions	-1,099.9	-251.0	-176.1
I.1.3. (-) Fiscal Incentives	-1.1	0.0	0.0
I.2. Social Security Revenues	22,964.2	11,206.9	12,031.8
I.3. Central Bank Revenues	214.6	135.8	121.4
II. TRANSFERS TO STATES AND MUNICIPALITIES	14,515.9	10,217.4	10,457.2
III. TOTAL NET REVENUE (I-II)	54,814.3	54,351.6	52,386.2
IV. TOTAL EXPENDITURE	60,593.3	38,989.1	48,134.7
IV.1 Treasury Expenditures	39,093.6	22,494.7	29,620.1
IV.1.1. Payroll (1)	15,859.9	12,570.9	16,495.0
IV.1.2. Current and Capital Expenditures	23,087.8	9,900.3	13,070.9
IV.1.2.1. Worker Support Fund (FAT)	1,708.8	1,107.5	1,465.5
IV.1.2.2. Economic Subsidies and Grants (2)	1,204.3	436.0	801.8
IV.1.2.3. Assistance Benefits (LOAS/RMV)	1,392.1	1,194.3	1,386.5
IV.1.2.4. Other Current and Capital Expenditures	18,782.6	7,162.5	9,417.2
IV.1.2.4.1. Other Current Expenditures	13,467.1	5,900.3	7,923.4
IV.1.2.4.2. Other Capital Expenditures	5,315.5	1,262.3	1,493.8
IV.1.3. Transfer from Treasury to Central Bank	145.9	23.5	54.2
IV.2. Social Security Benefits	21,226.7	16,295.8	18,369.5
IV.3. Central Bank Expenditures	273.0	198.6	145.0
V. SOVEREIGN FUND OF BRAZIL - SFB (3)	14,244.0	-	0.0
VI. CENTRAL GOVERNMENT PRIMARY RESULT (III - IV)	-20,023.0	15,362.5	4,251.5
VI.1. National Treasury	-21,702.1	20,514.2	10,612.9
VI.2. Social Security (RGPS) (4)	1,737.5	-5,088.9	-6,337.7
VI.3. Central Bank (5)	-58.4	-62.7	-23.6
VII. PRIMARY RESULT/GDP		6.75%	1.75%

(*) 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) 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.

(4) Contribution Revenues less Social Security Benefits.

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

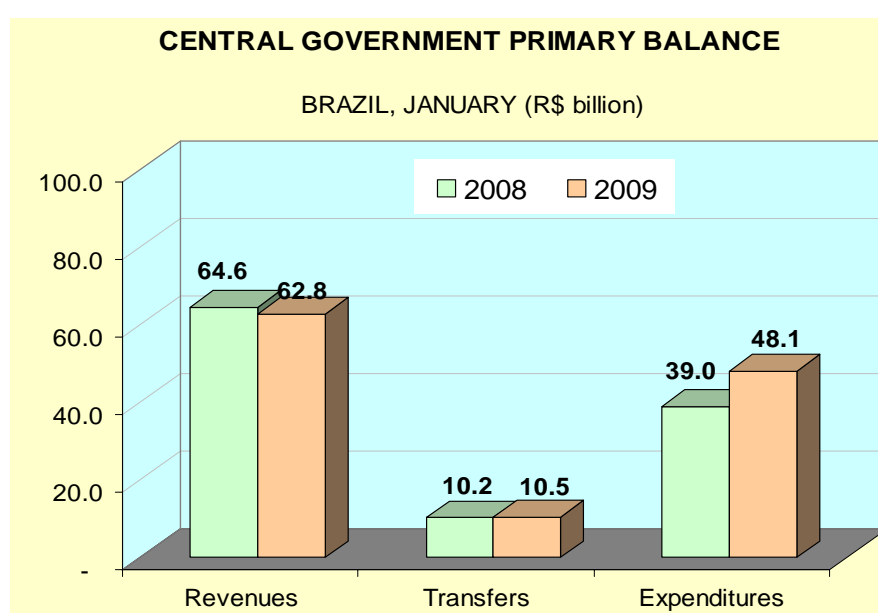
MAIN VARIATIONS ACCUMULATED 2009/2008	
DISCRIMINATION	%
Revenues	-2.67%
Treasury	-4.76%
Social Security	7.36%
Transfers	2.35%
Net Revenue	-3.62%
Expenditures	23.46%
Benefits	12.73%
Payroll	31.22%
Current and Capital	32.03%
FAT	32.33%
Subsidies	83.92%
LOAS/RMV	16.09%
Other	31.48%
Current	34.29%
Capital	18.34%
Estimated GDP	6.56%

Gross incomes of the National Treasury showed a R\$ 2.6 billion (4.9%) decrease in January 2009, when compared to January 2008, going from

R\$ 53.5 billion to R\$ 50.9 billion. This behavior is determined mainly by the following elements: i) strong anticipation of the payment, in January 2008, of IRPJ and CSLL related to the 2007 fiscal year, reflecting profits from that year; ii) reduction of 14.5% of industrial production in December 2008 compared to the same month of 2007, which impacts the collection of industrialized products tax (IPI); iii) compensation, in January 2009, of debts from Cofins and PIS/Pasep totalling R\$ 811.0 million, because of undue payment or overpayment done in previous period; iv) changing on the IPI-Automobile chart on taxable events from January to March 2009, as well as the introduction of the same mechanism to the stock of vehicles not negotiated until December 12, 2008 (Decree 6,687/2008); and v) postponing of the payment of Simples – Nacional (a kind of tax privilege regime with simplified and reduced tariffs applicable to small enterprises since July 1st, 2007 – Complementary Law 123/2006) to taxable events with competence in December 2008 (Resolution CGSN 49/2008). Besides, the collection of IRRF – Labor Earnings increased R\$ 1.4 billion (30.3%), 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).

The increase of revenues of the National Treasury in 2009 reflected, principally, the behavior of the economy by the end of 2008 compared to the same period of 2007, as well as the tax incentives implemented in the beginning of 2009.

Central Government revenues, remaining after transfers to the states and municipalities, decreased R\$ 1.0 billion (14.5%) compared to January 2008, because of the following elements: i) reduction of R\$ 700.1 million in the collection of dividends; and ii) decrease of R\$ 625.1 million on the inflows of financial compensation quotas.



In nominal terms, transfers to states and municipalities expanded 2.3% (R\$ 239.8 million). Constitutional transfers (FPM and FPE) expanded R\$ 406.5 million in January 2009, compared to January 2008, partially compensated by the decrease of R\$ 197.7 million on transfers from CIDE – Fuels.

National Treasury expenditures expanded 31.7% compared to January 2008, mainly due to the following elements: i) increase of R\$ 1.9 billion on payments of judicially determined amounts plus court decisions regarding current outlays and personnel and payroll charges; ii) payments involving governmental career restructuring from the three branches of the Brazilian Government; and iii) dynamics of discretionary expenses, which expanded R\$ 2.7 billion, mainly because of Ministry of Health, with expenses R\$ 1.7 billion over the same category of expenditure of January 2008. On the other hand, discretionary expenses decreased R\$ 579.1 million (83.9%).

The Social Security deficit expanded 24.5% (R\$ 1.2 billion) compared to January 2008, increasing from R\$ 5.1 billion against R\$ 6.3 billion. Net inflows increased R\$ 824.9 million (7.4%). This growth was driven mainly by inflows of social security contributions, which moved from R\$ 12.2 billion to R\$ 13.8 billion (increase of 12.4%), explained primarily by growth in overall wages, which impacts contributions on payroll. According to the Employment Monthly Research (PME), wages increased 21.2% in December 2008 compared to December 2007. In their turn, outlays on social benefits increased R\$ 2.1 billion (12.7%), due to an 8.8% increase 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\$ 616.3 million on judicially determined amounts and outlays on social benefits in January 2009, compared to January 2008.

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

SOCIAL SECURITY BALANCE			
BRAZIL, JANUARY (R\$ billion)			
DISCRIMINATION	2007	2008	%
Contribution	11,206.9	12,031.8	7.4%
Benefits	16,295.8	18,369.5	12.7%
Primary Balance	-5,088.9	-6,337.7	24.5%