

CENTRAL GOVERNMENT FISCAL RESULT

In July 2009, the Central Government generated a surplus equivalent to R\$ 1.4 billion, compared to a deficit of R\$ 615.8 million in June. The National Treasury contributed to the month's performance with a surplus of R\$ 4.6 billion, while the Social Security System (RGPS) and the Central Bank recorded respective deficits of R\$ 3.1 billion and R\$ 63.8 million.

Central Government primary surplus reached R\$ 1.4 billion in July 2009.

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

DESCRIPTION	JUN		JUL		JAN-JUL	
	2009	2009	2008	2009	2008	2009
I. TOTAL REVENUE	55,031.9	60,323.9	407,790.0	401,680.4		
I.1. National Treasury Revenues	40,775.0	45,857.3	320,126.1	304,249.6		
I.1.1. Gross Revenue (1)	42,707.7	48,270.7	325,106.0	310,274.9		
I.1.2. (-) Restitutions	-1,932.7	-2,413.4	-4,979.9	-5,970.4		
I.1.3. (-) Fiscal Incentives	0.0	0.0	0.0	-54.8		
I.2. Social Security Revenues	14,063.9	14,287.4	86,732.9	96,252.4		
I.2.1. Social Security Revenues - Urban (2)	13,642.2	13,925.5	83,917.4	93,629.1		
I.2.2. Social Security Revenues - Rural (2)	421.7	361.8	2,815.5	2,623.3		
I.3. Central Bank Revenues	193.1	179.2	930.9	1,178.4		
II. TRANSFERS TO STATES AND MUNICIPALITIES	12,915.2	7,796.1	72,504.8	72,460.4		
III. TOTAL NET REVENUE (I-II)	42,116.7	52,527.8	335,285.2	329,220.1		
IV. TOTAL EXPENDITURE	42,732.6	51,088.5	266,705.1	309,136.2		
IV.1 Treasury Expenditures	25,067.9	33,464.5	158,486.8	187,049.1		
IV.1.1. Payroll (1)	11,348.2	14,375.4	72,617.8	86,512.2		
IV.1.2. Current and Capital Expenditures	13,631.2	18,999.6	85,417.8	99,915.9		
IV.1.2.1. Worker Support Fund (FAT)	1,925.4	4,926.0	10,876.5	15,572.0		
IV.1.2.2. Economic Subsidies and Grants (3)	-1,368.2	768.1	3,794.9	692.5		
IV.1.2.3. Assistance Benefits (LOAS/RMV)	1,598.3	1,593.2	9,171.7	10,829.3		
IV.1.2.4. Other Current and Capital Expenditures	11,475.7	11,712.2	61,574.8	72,822.1		
IV.1.2.4.1. Other Current Expenditures	8,727.0	8,722.3	48,709.7	57,807.1		
IV.1.2.4.2. Other Capital Expenditures	2,748.7	2,989.9	12,865.1	15,015.0		
IV.1.3. Transfer from Treasury to Central Bank	88.5	89.6	451.3	621.0		
IV.2. Social Security Expenditures (Benefits)	17,445.3	17,380.8	107,066.4	120,622.0		
I.2.1. Social Security Benefits - Urban (2)	13,950.0	13,912.5	85,785.8	96,468.4		
I.2.2. Social Security Benefits - Rural (2)	3,495.3	3,468.3	21,280.6	24,153.5		
IV.3. Central Bank Expenditures	219.4	243.1	1,151.8	1,465.1		
V. SOVEREIGN FUND OF BRAZIL - SFB (4)	0.0	0.0	0.0	0.0		
VI. CENTRAL GOVERNMENT PRIMARY RESULT (III - IV)	-615.8	1,439.4	68,580.1	20,083.9		
VI.1. National Treasury	2,792.0	4,596.7	89,134.5	44,740.2		
VI.2. Social Security (RGPS) (5)	-3,381.4	-3,093.5	-20,333.5	-24,369.6		
I.2.1. Social Security (RGPS) - Urban (2)	-307.8	13.0	-1,868.4	-2,839.4		
I.2.2. Social Security (RGPS) - Rural (2)	-3,073.6	-3,106.5	-18,465.1	-21,530.3		
VI.3. Central Bank (6)	-26.3	-63.8	-220.9	-286.7		
VII. PRIMARY RESULT/GDP			4.16%	1.17%		

(*) 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 2009/2008	
DISCRIMINATION	%
Revenues	-1.50%
Treasury	-4.96%
Social Security	10.98%
Transfers	-0.06%
Net Revenue	-1.81%
Expenditures	15.91%
Benefits	12.66%
Payroll	19.13%
Current and Capital	16.97%
FAT	43.17%
Subsidies	-81.75%
LOAS/RMV	18.07%
Other	18.27%
Current	18.68%
Capital	16.71%
Estimated GDP	3.75%

CENTRAL GOVERNMENT BALANCE BRAZIL, JAN - JUL (% GDP)		
DISCRIMINATION	2008	2009
Total Revenue	24.73%	23.48%
Transfers	4.40%	4.24%
Net Revenue	20.33%	19.24%
Total Expenditures	16.17%	18.07%
Primary Balance	4.16%	1.17%

Gross incomes of the National Treasury increased R\$ 5.6 billion (13.0%), going from R\$ 42.7 billion in June to R\$ 48.3 billion in July. This behavior is determined mainly by the following elements: i) increases of R\$ 2.5 billion in IRPJ and R\$ 1.6 billion in CSLL due to the collection, in July, of the first or the only IRPJ

and CSLL installments for the quarter ended in June 2009; ii) decrease of R\$ 2.6 billion in IRRF – Capital Earnings due to the semestral collection in July, according to Law 10,892/2004; and iii) increase of R\$ 1.8 billion on participation quotas in the working of oil and natural gas deposits, due to the quarterly collection of royalties for July.

MAIN VARIATIONS ACCUMULATED JAN-JUL: %		
DISCRIMINATION	08/07	09/08
Revenues	17.7%	-1.5%
Treasury	17.8%	-5.0%
Social Security	17.2%	11.0%
Transfers	20.7%	-0.1%
Net Revenue	17.0%	-1.8%
Expenditures	11.7%	15.9%
Benefits	9.2%	12.7%
Payroll	9.3%	19.1%
Current and Capital	16.9%	17.0%
FAT	16.0%	43.2%
Subsidies	6.4%	-81.8%
LOAS/RMV	19.6%	18.1%
Other	17.4%	18.3%
Current	11.2%	18.7%
Capital	48.6%	16.7%
Estimated GDP	12.0%	3.7%

Transfers to States and Municipalities showed a nominal decrease of 39.6%, going from R\$ 12.9 billion in June to R\$ 7.8 billion in July. Transfers to Constitutional funds (FPE and FPM) registered R\$ 6.2 billion, decreasing 22.9% when compared to the previous month, reflecting the decrease of collection of shared tax revenues (income tax and IPI), mainly on the first ten days of July.

Transfers relative to Complementary Law 115/2002 decreased to R\$ 162.5 million (decrease of 92.3%) this month, against R\$ 2.1 billion registered in June. It can be explained by the financial aid transfers to states and municipalities to promote exportations, in the amount of R\$ 1,950.0 million in June, according to Provisional Measure 464/2009, without correspondence in July.

Other transfers decreased R\$ 1.6 billion (57.9%), due to the financial flow of Fundeb transfers set by Interministerial Order MEC/MF 408/2009. Hence, the monthly quota previously assigned for July was transferred in advance in the month of June.

Concerning expenses, there was an increase of R\$ 8.4 billion (33.5%) in the expenditures of the National Treasury compared to June, due to increases of: i) R\$ 5.4 billion (39.4%) on capital and current expenditures, and ii) R\$ 3.0 billion (26.7%) in payroll, as a result of partial payment in advance of Christmas bonus to federal workers.

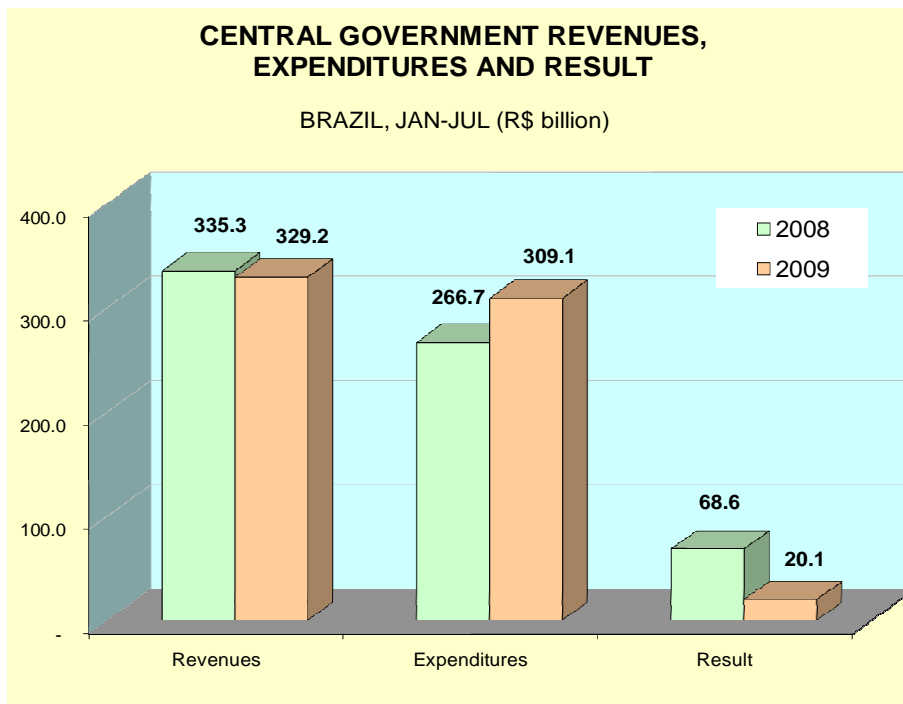
Social Security deficit decreased 8.5% (R\$ 287.9 million) compared to June, from R\$ 3.4 billion to R\$ 3.1 billion. The division of social security expenditures by clientele shows that the urban part of RGPS recorded a surplus of R\$ 13.0 million in the month, compared to a deficit of R\$ 307.8 million in June, while the rural part displayed a deficit of R\$ 3.1 billion, just as in the previous month.

From January to July, Central Government surplus reached R\$ 20.1 billion, compared to R\$ 68.6 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 1.8% in the period, while Central Government expenditures showed a rise of 15.9%.

TRANSFERS TO STATES AND MUNICIPALITIES BRAZIL, 2009 (R\$ million)		
DISCRIMINATION	JUN/09	JUL/09
Constitutional (IR/IPI/Other)	8,079.4	6,232.7
CIDE - Fuels	0.0	254.0
Comp. Law 115/2002 ¹	2,112.5	162.5
Other	2,723.2	1,147.0
Total	12,915.2	7,796.1

¹ Includes financial support.

In the first seven months of the year, Central Government primary surplus reached R\$ 20.1 billion, equivalent to 1.17% from GDP.



Central Government gross revenue dropped 4.6% (R\$ 14.8 billion) compared to the first seven months of the previous year, mainly due to the following reasons: i) change on tax legislation, mainly the IPI one; ii) decrease of 13.4% in manufacturing output in the base period January-June 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 18.0% 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\$ 11.1 billion, mainly because of Ministry of Health, with expenses R\$ 5.8 billion over the same category of expenditure in 2008. On the other hand, extraordinary credit expenses decreased R\$ 1.9 billion. It is also worth mentioning the increase of R\$ 2.2 billion (16.7%) in investments in the first seven months of the year compared to the same period of 2008.

Finally, the Social Security deficit expanded 19.8% (R\$ 4.0 billion) compared to the equivalent period in 2008, going from R\$ 20.3 billion to R\$ 24.4 billion. Net inflows increased R\$ 9.5 billion (11.0%), mainly due to the growth in overall wages, which impacts contributions on payroll. In their turn,

The behavior of revenues of the National Treasury in the first seven months of the year reflects mainly the compensation of debts of Cofins, PIS/Pasep and Cide – Fuels, as well as tax exemptions.

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 of 16.7% in investments.

outlays on social benefits increased R\$ 13.6 billion (12.7%), due to an increase of 11.1% 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\$ 821.7 million on judicially determined amounts regarding social benefits.

SOCIAL SECURITY BALANCE			
BRAZIL, JAN-JUL (R\$ billion)			
DISCRIMINATION	2008	2009	%
Contribution	86,732.9	96,252.4	11.0%
Urban	83,917.4	93,629.1	11.6%
Rural	2,815.5	2,623.3	-6.8%
Benefits	107,066.4	120,622.0	12.7%
Urban	85,785.8	96,468.4	12.5%
Rural	21,280.6	24,153.5	13.5%
Primary Balance	-20,333.5	-24,369.6	19.8%
Urban	-1,868.4	-2,839.4	52.0%
Rural	-18,465.1	-21,530.3	16.6%

The distribution of social security expenditures by clientele shows that the urban part of RGPS displayed a deficit of R\$ 2.8 billion, equivalent to 11.7% of the RGPS overall deficit, and the rural part recorded a deficit of R\$ 21.5 billion (88.3% of the RGPS deficit).