

CENTRAL GOVERNMENT FISCAL RESULT

In June 2009, the Central Government generated a deficit equivalent to R\$ 643.8 million, compared to a deficit of R\$ 302.9 million in May. The National Treasury contributed to the month's performance with a surplus of R\$ 2.8 billion, while the Social Security System (RGPS) and the Central Bank recorded respective deficits of R\$ 3.4 billion and R\$ 26.3 million.

*Central Government
primary deficit reached
R\$ 643.8 million in June
2009.*

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

DESCRIPTION	R\$ Million			
	MAY	JUN	JAN-JUN	
	2009	2009	2008	2009
I. TOTAL REVENUE	56,292.3	55,027.6	344,945.6	341,298.6
I.1. National Treasury Revenues	41,711.9	40,770.7	270,637.7	258,334.4
I.1.1 Gross Revenue (1)	42,248.2	42,703.4	274,087.4	261,946.2
I.1.2. (-) Restitutions	-508.8	-1,932.7	-3,449.7	-3,557.0
I.1.3. (-) Fiscal Incentives	-27.5	0.0	0.0	-54.8
I.2. Social Security Revenues	14,400.8	14,063.9	73,502.7	81,965.0
I.2.1 Social Security Revenues - Urban (2)	13,926.8	13,642.2	71,112.8	79,703.6
I.2.2 Social Security Revenues - Rural (2)	474.0	421.7	2,389.9	2,261.4
I.3. Central Bank Revenues	179.6	193.1	805.2	999.2
II. TRANSFERS TO STATES AND MUNICIPALITIES	12,835.0	12,915.2	63,239.0	64,664.3
III. TOTAL NET REVENUE (I-II)	43,457.3	42,112.4	281,706.7	276,634.3
IV. TOTAL EXPENDITURE	43,760.2	42,756.2	220,328.3	258,071.3
IV.1 Treasury Expenditures	26,416.5	25,091.5	127,696.5	153,608.2
IV.1.1. Payroll (1)	10,867.4	11,348.2	59,601.5	72,136.9
IV.1.2. Current and Capital Expenditures	15,460.2	13,654.8	67,711.8	80,939.9
IV.1.2.1. Worker Support Fund (FAT)	1,930.2	1,925.4	7,534.1	10,645.9
IV.1.2.2. Economic Subsidies and Grants (3)	612.9	-1,344.6	2,495.9	-51.9
IV.1.2.3. Assistance Benefits (LOAS/RMV)	1,586.7	1,598.3	7,827.0	9,236.0
IV.1.2.4. Other Current and Capital Expenditures	11,330.4	11,475.7	49,854.8	61,109.9
IV.1.2.4.1. Other Current Expenditures	8,815.3	8,727.0	39,983.6	49,084.8
IV.1.2.4.2. Other Capital Expenditures	2,515.1	2,748.7	9,871.3	12,025.1
IV.1.3. Transfer from Treasury to Central Bank	88.8	88.5	383.2	531.4
IV.2. Social Security Expenditures (Benefits)	17,140.5	17,445.3	91,658.9	103,241.1
I.2.1 Social Security Benefits - Urban (2)	13,712.4	13,956.2	73,442.5	82,580.7
I.2.2 Social Security Benefits - Rural (2)	3,428.1	3,489.1	18,216.4	20,660.4
IV.3. Central Bank Expenditures	203.2	219.4	972.9	1,222.0
V. SOVEREIGN FUND OF BRAZIL - SFB (4)	0.0	0.0	0.0	0.0
VI. CENTRAL GOVERNMENT PRIMARY RESULT (III - IV)	-302.9	-643.8	61,378.4	18,563.0
VI.1. National Treasury	2,460.4	2,764.0	79,702.2	40,061.9
VI.2. Social Security (RGPS) (5)	-2,739.7	-3,381.4	-18,156.2	-21,276.1
I.2.1 Social Security (RGPS) - Urban (2)	214.3	-314.1	-2,329.7	-2,877.1
I.2.2 Social Security (RGPS) - Rural (2)	-2,954.1	-3,067.4	-15,826.5	-18,399.0
VI.3. Central Bank (6)	-23.6	-26.3	-167.7	-222.8
VII. PRIMARY RESULT/GDP			4.40%	1.28%

(*) 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 (FIE) 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	-1.06%
Treasury	-4.55%
Social Security	11.51%
Transfers	2.25%
Net Revenue	-1.80%
Expenditures	17.13%
Benefits	12.64%
Payroll	21.03%
Current and Capital	19.54%
FAT	41.30%
Subsidies	-102.08%
LOAS/RMV	18.00%
Other	22.58%
Current	22.76%
Capital	21.82%
Estimated GDP	3.68%

Gross incomes of the National Treasury increased R\$ 455.2 million (1.1%), going from R\$ 42.2 billion in May to R\$ 42.7 billion in June. This behavior is determined mainly by the following elements: i) increase of

Revenues of Central Government in the month were influenced by collection of IRRF – Capital Earnings and other seasonal factors.

R\$ 2.8 billion in IRRF – Capital Earnings due to the semestral collection according to Law 10,892/2004; ii) decrease of R\$ 2.6 billion on dividends; and iii) decrease of R\$ 1.1 billion on concession revenues due to eventual revenues registered on the previous month, from which R\$ 699.1 million due to a biannual extension of concession contracts on telecommunication services and R\$ 461.9 million due to the 2nd payment of the auction of subconcession of a tranche of North-South Railway.

Transfers to States and Municipalities showed a nominal increase of 0.6% (R\$ 80.2 million), going from R\$ 12.8 billion in May to R\$ 12.9 billion in June. Transfers to Constitutional funds (FPE and FPM) registered R\$ 8.1 billion, decreasing 13.5% when compared to the previous month, reflecting the decrease of collection of shared tax revenues (income tax and IPI), mainly on the last ten days of May, which impacts the transfers of June.

MAIN VARIATIONS ACCUMULATED JAN-JUN: %		
DISCRIMINATION	08/07	09/08
Revenues	16.7%	-1.1%
Treasury	16.5%	-4.5%
Social Security	17.0%	11.5%
Transfers	20.8%	2.3%
Net Revenue	15.8%	-1.8%
Expenditures	9.7%	17.1%
Benefits	9.6%	12.6%
Payroll	7.7%	21.0%
Current and Capital	11.5%	19.5%
FAT	12.1%	41.3%
Subsidies	-22.1%	-102.1%
LOAS/RMV	20.3%	18.0%
Other	12.5%	22.6%
Current	8.1%	22.8%
Capital	34.5%	21.8%
Estimated GDP	11.1%	3.7%

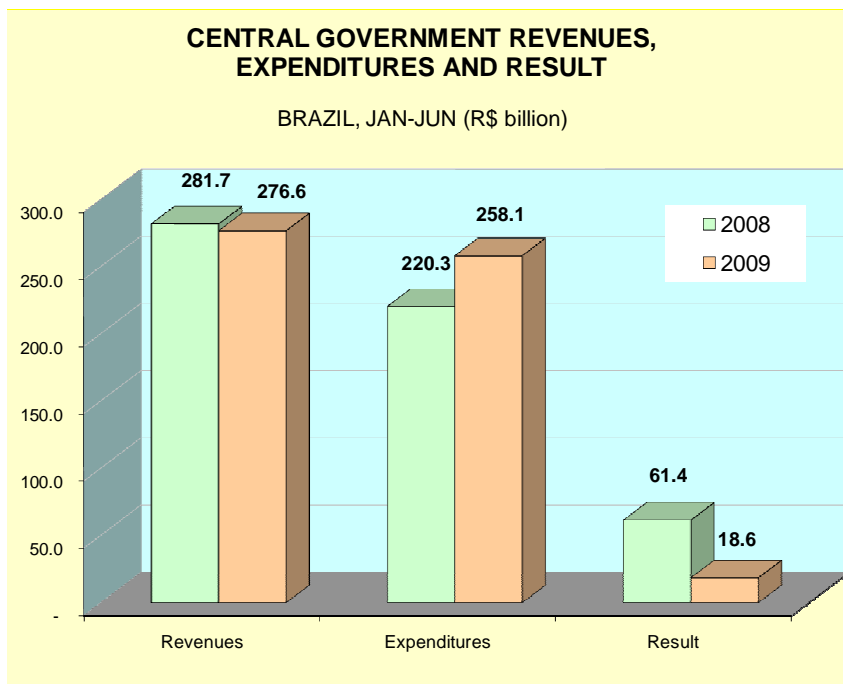
Transfers relative to LC 115/2002 reached R\$ 2.1 billion this month against R\$ 162.5 million registered in May. This increase can be explained by the financial aid transfers to states and municipalities to promote exportations, in the amount of R\$ 1,950 million, according to Provisional Measure 464/2009.

Concerning expenses, there was a decrease of R\$ 1.3 billion in the expenditures of the National Treasury compared to May, mainly due to a decrease in the same amount on subsidies, which reflects the behaviour of FND (National Development Fund), whose inflows overcame outflows this month, reaching a net result of R\$ 2.1 billion. On the other hand, payroll increased R\$ 480.8 million (4.4%).

Social Security deficit increased 23.4% compared to May, from R\$ 2.7 billion to R\$ 3.4 billion. The division of social security expenditures by clientele shows that the urban part of RGPS recorded a deficit of R\$ 314.1 million in the month, compared to a surplus of R\$ 214.3 million in May, while the rural part displayed a deficit of R\$ 3.1 billion, compared to a deficit of R\$ 3.0 billion in the previous month.

In the first semester of the year, Central Government primary result surplus reached R\$ 18.6 billion, equivalent to 1.28% from GDP.

From January to June, Central Government surplus reached R\$ 18.6 billion, compared to R\$ 61.4 billion recorded in the same period of 2008. Such a behavior is partially 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 17.1%.



Central Government gross revenue dropped 4.4% (R\$ 12.1 billion) compared to the first semester of the previous year, mainly due to the following reasons: i) change on tax legislation, mainly the IPI one; ii) decrease of 13.9% in manufacturing output in the base period January-May 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.

The behavior of revenues of the National Treasury in the first semester of the year reflects mainly the compensation of debts of Cofins, PIS/Pasep and Cide – Fuels, as well as IPI exemption.

In nominal terms, National Treasury expenditures expanded 20.3% compared to the same period in 2008, mainly due to the following elements: i) increase of R\$ 3.3 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\$ 11.2 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\$ 1.3 billion. It is also worth mentioning the increase of R\$ 2.2 billion (21.8%) in investments in the first semester of the year compared to the same period of 2008.

The increase of National Treasury expenditures in 2009 is mainly 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 21.8% in investments.

Finally, the Social Security deficit expanded 17.2% (R\$ 3.1 billion) compared to the equivalent period in 2008, going from R\$ 18.2 billion to R\$ 21.3 billion. Net inflows increased R\$ 8.5 billion (11.5%), mainly due to the

SOCIAL SECURITY BALANCE			
BRAZIL, JAN-JUN (R\$ billion)			
DISCRIMINATION	2008	2009	%
Contribution	73,502.7	81,965.0	11.5%
Urban	71,112.8	79,703.6	12.1%
Rural	2,389.9	2,261.4	-5.4%
Benefits	91,658.9	103,241.1	12.6%
Urban	73,442.5	82,580.7	12.4%
Rural	18,216.4	20,660.4	13.4%
Primary Balance	-18,156.2	-21,276.1	17.2%
Urban	-2,329.7	-2,877.1	23.5%
Rural	-15,826.5	-18,399.0	16.3%

growth in overall wages, which impacts contributions on payroll. In their turn, outlays on social benefits increased R\$ 11.6 billion (12.6%), due to an increase of 11.4% 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\$ 749.7 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\$ 2.9 billion, equivalent to 13.5% of the RGPS overall deficit, and the rural part recorded a deficit of R\$ 18.4 billion (86.5% of the RGPS deficit).