

CENTRAL GOVERNMENT FISCAL RESULT

In May 2009, the Central Government generated a deficit equivalent to R\$ 120.2 million, compared to a surplus of R\$ 10.0 billion in April. The National Treasury contributed to the month's performance with a surplus of R\$ 2.6 billion, while the Social Security System (RGPS) and the Central Bank recorded respective deficits of R\$ 2.7 billion and R\$ 23.6 million.

Central Government primary deficit reached R\$ 120.2 million in May 2009.

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

DESCRIPTION	RS Million			
	APR 2009	MAY 2009	JAN-MAY 2008	JAN-MAY 2009
I. TOTAL REVENUE	62,883.5	56,292.3	288,738.1	286,271.0
I.1. National Treasury Revenues	48,618.1	41,711.9	227,504.9	217,563.7
I.1.1 Gross Revenue (1)	48,833.3	42,248.2	228,973.1	219,242.8
I.1.2. (-) Restitutions	-187.9	-508.8	-1,468.1	-1,624.3
I.1.3. (-) Fiscal Incentives	-27.3	-27.5	0.0	-54.8
I.2. Social Security Revenues	14,089.7	14,400.8	60,560.0	67,901.2
I.2.1 Social Security Revenues - Urban (2)	13,665.1	13,926.8	58,621.5	66,061.4
I.2.2 Social Security Revenues - Rural (2)	424.6	474.0	1,938.5	1,839.7
I.3. Central Bank Revenues	175.6	179.6	673.2	806.1
II. TRANSFERS TO STATES AND MUNICIPALITIES	9,347.8	12,835.0	53,796.0	51,749.1
III. TOTAL NET REVENUE (I-II)	53,535.6	43,457.3	234,942.1	234,521.9
IV. TOTAL EXPENDITURE	43,507.0	43,577.5	181,484.4	215,239.9
IV.1 Treasury Expenditures	26,079.1	26,233.8	104,811.1	128,441.4
IV.1.1. Payroll (1)	11,099.4	10,867.4	49,571.7	60,788.6
IV.1.2. Current and Capital Expenditures	14,879.7	15,277.6	54,928.5	67,209.9
IV.1.2.1. Worker Support Fund (FAT)	1,705.4	1,930.2	6,302.6	8,720.6
IV.1.2.2. Economic Subsidies and Grants (3)	716.3	430.2	1,974.6	1,109.9
IV.1.2.3. Assistance Benefits (LOAS/RMV)	1,581.2	1,586.7	6,328.1	7,637.7
IV.1.2.4. Other Current and Capital Expenditures	10,876.7	11,330.4	40,323.2	49,741.7
IV.1.2.4.1. Other Current Expenditures	8,515.0	8,815.3	32,891.9	40,465.2
IV.1.2.4.2. Other Capital Expenditures	2,361.7	2,515.1	7,431.3	9,276.4
IV.1.3. Transfer from Treasury to Central Bank	100.1	88.8	310.9	442.9
IV.2. Social Security Expenditures (Benefits)	17,189.1	17,140.5	75,852.8	85,795.8
I.2.1 Social Security Benefits - Urban (2)	13,751.3	13,712.4	60,783.2	68,624.5
I.2.2 Social Security Benefits - Rural (2)	3,437.8	3,428.1	15,069.6	17,171.4
IV.3. Central Bank Expenditures	238.8	203.2	820.5	1,002.6
V. SOVEREIGN FUND OF BRAZIL - SFB (4)	0.0	0.0	0.0	0.0
VI. CENTRAL GOVERNMENT PRIMARY RESULT (III - IV)	10,028.7	-120.2	53,457.7	19,282.0
VI.1. National Treasury	13,191.2	2,643.1	68,897.8	37,373.2
VI.2. Social Security (RGPS) (5)	-3,099.4	-2,739.7	-15,292.9	-17,894.7
I.2.1 Social Security (RGPS) - Urban (2)	-86.2	214.3	-2,161.7	-2,563.0
I.2.2 Social Security (RGPS) - Rural (2)	-3,013.2	-2,954.1	-13,131.1	-15,331.6
VI.3. Central Bank (6)	-63.2	-23.6	-147.3	-196.5
VII. PRIMARY RESULT/GDP			4.68%	1.63%

(*) 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	-0.85%
Treasury	-4.37%
Social Security	12.12%
Transfers	-3.81%
Net Revenue	-0.18%
Expenditures	18.60%
Benefits	13.11%
Payroll	22.63%
Current and Capital	22.36%
FAT	38.36%
Subsidies	-43.79%
LOAS/RMV	20.70%
Other	23.36%
Current	23.02%
Capital	24.83%
Estimated GDP	3.69%

Gross incomes of the National Treasury decreased R\$ 6.6 billion (13.5%), going from R\$ 48.8 billion in April to R\$ 42.2 billion in May. This behavior is determined mainly by the following elements: i) decrease of R\$ 2.9 billion in IRPJ and of R\$ 1.6 billion in CSLL due to the collection, in

The behavior of revenues of Central Government in the month reflected seasonal collection which took place in April: the ending period for the payment of IRPF relative to 2008, the first three months' collection of IRPJ and CSLL and the collection of the financial compensation quotas.

April, of the base period January-March 2009; ii) decrease of R\$ 1.8 billion on IRPF due to payment in April 2009 of the first or only IRPF installment for base year 2008; iii) decreased inflow of R\$ 1.7 billion on directly collected taxes, due to the annual collection of the TFF – a tax on fiscalization of telecommunications services which integrates the Telecommunications Fiscalization Fund (Fistel) – in April 2009; iv) decrease of R\$ 1.4 billion on financial compensation quotas from companies working oil and natural gas reserves due to the seasonal collection in April, of the base period January-March 2009; v) increase of R\$ 2.1 billion on dividends; and vi) increase of R\$ 1.1 billion on concession revenues, 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 37.3% (R\$ 3.5 billion). Transfers to Constitutional funds (FPE and FPM) reached R\$ 9.3 billion, with an increase of 19.4% compared to April 2009, reflecting the increase of the collection of shared tax revenues (income tax and IPI), mainly on the last ten days of April, which impact the transfers of May. Other transfers increased R\$ 2.0 billion (150.6%), as a reflect of a R\$ 755.0 million transfer to municipalities as financial support (Provisional Measure 462/2009).

MAIN VARIATIONS ACCUMULATED JAN-MAY: %		
DISCRIMINATION	2008/2007	2009/2008
Revenues	17.3%	-0.9%
Treasury	17.4%	-4.4%
Social Security	16.7%	12.1%
Transfers	26.1%	-3.8%
Net Revenue	15.4%	-0.2%
Expenditures	9.1%	18.6%
Benefits	9.4%	13.1%
Payroll	7.0%	22.6%
Current and Capital	10.5%	22.4%
FAT	18.7%	38.4%
Subsidies	-16.6%	-43.8%
LOAS/RMV	18.2%	20.7%
Other	9.9%	23.4%
Current	7.2%	23.0%
Capital	23.9%	24.8%
Estimated GDP	10.3%	3.7%

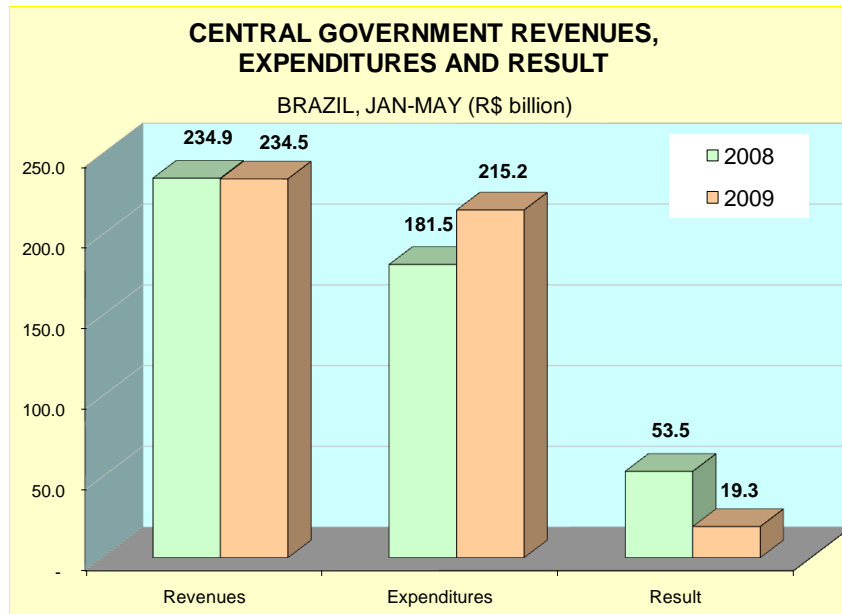
Concerning expenses, there was an increase of R\$ 154.7 million in the expenditures of the Central Government compared to April, mainly due to: i) decrease of R\$ 231.9 million on payroll; ii) increase of R\$ 224.8 million on FAT expenditure, because of the extension of the unemployment insurance benefits for some subsectors (CODEFAT Resolution 595, March 30, 2009); iii) increase of R\$ 453.7 million on “Other Current and Capital Expenditures”. On this last case, it is worth mentioning the increase of R\$ 193.4 million on discretionary expenses.

Social Security deficit decreased 11.6% (R\$ 359.6 million) compared to April, going from R\$ 3.1 billion to R\$ 2.7 billion. It is important to mention that this is the best collection of the data series since 1995 (excluding revenues of November and December, which reflect the annual Christmas bonus for pensioners and for retired people). The division of social security expenditures by clientele shows that the urban part of RGPS recorded a surplus of R\$ 214.3 million in the month, compared to a deficit of R\$ 86.2 million in April, while the rural part displayed a deficit of R\$ 2,954.1 million, compared to a deficit of R\$ 3,013.2 million in the previous month.

From January to May, Central Government surplus reached R\$ 19.3 billion, compared to R\$ 53.3 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 0.2% in the period, while Central Government expenditures showed a rise of 18.6%.

The behavior of revenues of the National Treasury in the first five months of the year is mainly due to the compensation of R\$ 4.0 billion in debts of Cofins, PIS/Pasep and Cide – Fuels.



Central Government gross revenue dropped 4.2% (R\$ 9.7 billion) compared to the first five months of the previous year, mainly due to the following reasons: i) drop of collection of IRPJ, reflecting less profits of companies; ii) decrease of 14.7% in manufacturing output in the base period January-May 2009 compared to the same period of 2008, impacting IPI collection; iii) compensation of debts of R\$ 4.0 billion in Cofins, PIS/Pasep and Cide – Fuels in 2009, because of undue payment or overpayment in the previous year; and iv) change on the IPI – Automobiles’ chart of taxable events from January to June 2009, as well as the introduction of the same mechanism to the stock of vehicles that remained unsold up to December 12th, 2008 (Decree 6,687/2008).

In the first five months of the year, Central Government primary surplus reached R\$ 19.3 billion, equivalent to 1.63% of GDP.

In nominal terms, National Treasury expenditures expanded 22.5% compared to the same period in 2008, mainly due to the following elements: i) increase of R\$ 2.5 billion on payments of judicially determined amounts plus court decisions regarding current outlays and 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\$ 10.0 billion, mainly because of Ministry of Health, with expenses R\$ 4.9 billion over the same category of expenditure in 2008. On the other hand,

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 24.8% in investments.

extraordinary credit expenses decreased R\$ 1.5 billion (60.7%). It is also worth mentioning the increase of R\$ 1.8 billion (24.8%) in investments in the first five months of the year compared to the same period of 2008.

SOCIAL SECURITY BALANCE BRAZIL, JAN-MAY (R\$ billion)			
DISCRIMINATION	2008	2009	%
Contribution	60,560.0	67,901.2	12.1%
Urban	58,621.5	66,061.4	12.7%
Rural	1,938.5	1,839.7	-5.1%
Benefits	75,852.8	85,795.8	13.1%
Urban	60,783.2	68,624.5	12.9%
Rural	15,069.6	17,171.4	13.9%
Primary Balance	-15,292.9	-17,894.7	17.0%
Urban	-2,161.7	-2,563.0	18.6%
Rural	-13,131.1	-15,331.6	16.8%

Finally, the Social Security deficit expanded 17.0% (R\$ 2.6 billion) compared to the equivalent period in 2008, going from R\$ 15.3 billion to R\$ 17.9 billion. Net inflows increased R\$ 7.3 billion (12.1%). This growth was explained primarily by growth in overall wages, which impacts contributions on payroll. In their turn, outlays on social benefits increased R\$ 9.9 billion (13.1%), due to an increase of 11.6% 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 3.4% on the average quantity of paid benefits. It is important to mention the increase of R\$ 680.7 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\$ 2.6 billion, equivalent to 14.3% of the RGPS overall deficit, and the rural part recorded a deficit of R\$ 15.3 billion (85.7% of the RGPS deficit).