

CENTRAL GOVERNMENT FISCAL RESULT

In March 2009, the Central Government generated a primary surplus equivalent to R\$ 6.5 billion, compared to a deficit of R\$ 1.1 billion in February. The National Treasury contributed to the month's performance with a surplus of R\$ 9.7 billion, while the Social Security System (RGPS) showed a deficit of R\$ 3.1 billion. In its turn, the Central Bank recorded a deficit of R\$ 113.8 million.

Central Government primary surplus reached R\$ 6.5 billion in March 2009.

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

DESCRIPTION	R\$ Million			
	FEB 2008	MAR 2008	JAN-MAR 2008	JAN-MAR 2009
I. TOTAL REVENUE	48,344.8	55,907.0	170,366.7	167,095.2
I.1. National Treasury Revenues	35,003.7	41,539.8	134,700.4	127,233.7
I.1.1. Gross Revenue (1)	35,364.1	41,930.8	135,507.0	128,161.3
I.1.2. (-) Restitutions	-360.4	-391.0	-806.6	-927.6
I.1.3. (-) Fiscal Incentives	0.0	0.0	0.0	0.0
I.2. Social Security Revenues	13,169.2	14,209.6	35,268.4	39,410.6
I.2.1 Social Security Revenues - Urban (2)	12,867.7	13,868.7	34,276.0	38,469.5
I.2.2 Social Security Revenues - Rural (2)	301.5	340.9	992.4	941.1
I.3. Central Bank Revenues	171.9	157.6	397.9	450.9
II. TRANSFERS TO STATES AND MUNICIPALITIES	10,934.3	8,174.7	31,459.6	29,566.3
III. TOTAL NET REVENUE (I-II)	37,410.5	47,732.3	138,907.1	137,528.9
IV. TOTAL EXPENDITURE	38,526.5	41,261.4	107,720.4	128,198.3
IV.1 Treasury Expenditures	22,625.7	23,649.8	62,212.7	76,171.4
IV.1.1. Payroll (1)	11,181.5	11,145.3	31,109.1	38,821.8
IV.1.2. Current and Capital Expenditures	11,336.5	12,412.5	30,930.0	37,095.7
IV.1.2.1. Worker Support Fund (FAT)	1,553.8	2,065.6	3,678.3	5,084.9
IV.1.2.2. Economic Subsidies and Grants (3)	375.7	-1,446.9	1,092.5	6.4
IV.1.2.3. Assistance Benefits (LOAS/RMV)	1,467.8	1,615.5	3,663.0	4,469.8
IV.1.2.4. Other Current and Capital Expenditures	7,939.1	10,178.3	22,496.2	27,534.6
IV.1.2.4.1. Other Current Expenditures	6,728.7	8,482.9	18,605.3	23,135.0
IV.1.2.4.2. Other Capital Expenditures	1,210.4	1,695.4	3,891.0	4,399.6
IV.1.3. Transfer from Treasury to Central Bank	107.8	92.0	173.6	254.0
IV.2. Social Security Expenditures (Benefits)	15,756.4	17,340.3	45,020.5	51,466.2
I.2.1 Social Security Benefits - Urban (2)	12,599.5	13,872.2	36,111.5	41,160.7
I.2.2 Social Security Benefits - Rural (2)	3,156.9	3,468.1	8,909.0	10,305.5
IV.3. Central Bank Expenditures	144.3	271.4	487.2	560.7
V. SOVEREIGN FUND OF BRAZIL - SFB (4)	0.0	0.0	0.0	0.0
VI. CENTRAL GOVERNMENT PRIMARY RESULT (III - IV)	-1,116.0	6,470.9	31,186.7	9,330.6
VI.1. National Treasury	1,443.6	9,715.3	41,028.1	21,496.0
VI.2. Social Security (RGPS) (5)	-2,587.2	-3,130.6	-9,752.2	-12,055.6
I.2.1 Social Security (RGPS) - Urban (2)	268.2	-3.5	-1,835.5	-2,691.2
I.2.2 Social Security (RGPS) - Rural (2)	-2,855.4	-3,127.2	-7,916.7	-9,364.4
VI.3. Central Bank (6)	27.6	-113.8	-89.2	-109.8
VII. PRIMARY RESULT/GDP			4.69%	1.35%

(*) 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	-1.92%
Treasury	-5.54%
Social Security	11.74%
Transfers	-6.02%
Net Revenue	-0.99%
Expenditures	19.01%
Benefits	14.32%
Payroll	24.79%
Current and Capital	19.93%
FAT	38.24%
Subsidies	-99.42%
LOAS/RMV	22.03%
Other	22.40%
Current	24.35%
Capital	13.07%
Estimated GDP	4.22%

Gross incomes of the National Treasury increased R\$ 6.6 billion (18.6%), going from R\$ 35.4 billion in February to R\$ 41.9 billion in March. This behavior is determined mainly by the following elements: i) increase of R\$ 3.0 billion on IRPJ and of R\$ 1.3 billion on CSLL, because March is the ending period for the payment relative to 2008; ii) increase of R\$ 1.1 billion on

The behavior of revenues of Central Government in the month is due to the ending period for the payment of IRPJ and CSLL relative to 2008, as well as the collection of IRRF – Labor Earnings, which expanded because of the distribution of profit shares by companies from the financial sector.

IRRF – Labor Earnings, due to the distribution of profit shares by companies from the financial sector in February, impacting the collection of March; and iii) increase of R\$ 0.8 billion in Cofins. Contrariwise, there was an inflow of R\$ 559.4 million on dividends in March, compared to the previous month.

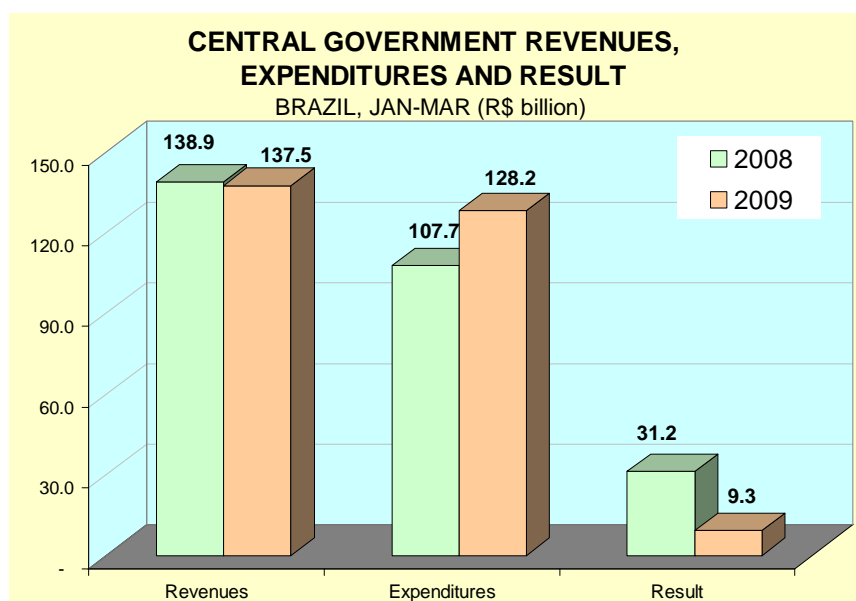
Transfers to States and Municipalities showed a nominal decrease of 25.2% (R\$ 2.8 billion). Transfers to Constitutional funds (FPE and FPM) reached R\$ 6.6 billion, with a decrease of 20.1% compared to February 2009, reflecting the drop of the collection of income tax and IPI, mainly on the last ten days of February, which impact the transfers of March.

Concerning expenses, there was an increase of R\$ 1.0 billion in the expenditures of the Central Government compared to February, mainly due to the dynamics of discretionary expenses, which increased R\$ 2.2 billion, going from R\$ 6.8 billion in February to R\$ 9.0 billion in March.

Social Security deficit increased 21.0% (R\$ 543.4 million) compared to February, going from R\$ 2.6 billion to R\$ 3.1 billion, especially due to the raise of minimum wage from R\$ 415.00 to R\$ 465.00 (increase of 12.0%) since February 1st, 2009. The division of social security expenditures by clientele shows that the urban part of RGPS recorded a deficit of R\$ 3.5 million in the month, compared to a surplus of R\$ 268.2 million in February, while the rural part displayed a deficit of R\$ 3.1 billion, compared to a deficit of R\$ 2.9 billion in the previous month.

In the first quarter of the year, Central Government primary surplus reached R\$ 9.3 billion.

In the first quarter of the year, Central Government surplus reached R\$ 9.3 billion, compared to R\$ 31.2 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 1.0% in the period, while Central Government expenditures showed a rise of 19.0%.



Central Government gross revenue dropped 5.4% (R\$ 7.3 billion) compared to the first quarter of the previous year, mainly due to the following reasons: i) drop of collection of IRPJ, reflecting less profits of companies in the last quarter of 2008 compared to the same period of 2007; ii) decrease of 17.2% in manufacturing output in the first two months of 2009 compared to the same period of 2008, impacting IPI collection; iii) compensation of debts of R\$ 3.6 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 on taxable events from January to March 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 nominal terms, National Treasury expenditures expanded 22.4% compared to the same period in 2008, mainly due to the following elements: i) increase of R\$ 2.3 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\$ 5.8 billion, mainly because of Ministry of Health, with expenses R\$ 2.0 billion over the same category of expenditure in 2008. On the other hand, extraordinary credit expenses decreased R\$ 997.2 million (68.3%).

Finally, the Social Security deficit expanded 23.6% (R\$ 2.3 billion) compared to the equivalent period in 2008, going from R\$ 9.8 billion to R\$ 12.1 billion. Net inflows increased R\$ 4.1 billion (11.7%). This growth was explained primarily by growth in overall wages, which impacts contributions on

The behavior of revenues of the National Treasury in the first quarter of the year is mainly due to the compensation of R\$ 3.6 billion in debts of Cofins, PIS/Pasep and Cide – Fuels.

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.

SOCIAL SECURITY BALANCE BRAZIL, JAN-MAR (R\$ billion)			
DISCRIMINATION	2008	2009	%
Contribution	35,268.4	39,410.6	11.7%
Urban	34,276.0	38,469.5	12.2%
Rural	992.4	941.1	-5.2%
Benefits	45,020.5	51,466.2	14.3%
Urban	36,111.5	41,160.7	14.0%
Rural	8,909.0	10,305.5	15.7%
Primary Balance	-9,752.2	-12,055.6	23.6%
Urban	-1,835.5	-2,691.2	46.6%
Rural	-7,916.7	-9,364.4	18.3%

payroll. In their turn, outlays on social benefits increased R\$ 6.4 billion (14.3%), due to an increase of 12.6% 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 3.3% on the average quantity of paid benefits. It is important to mention the increase of R\$ 655.5 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\$ 2.7 billion, equivalent to 22.3% of the RGPS overall deficit, and the rural part recorded a deficit of R\$ 9.4 billion (77.7% of the RGPS deficit).