

**CENTRAL GOVERNMENT FISCAL RESULT**

In October 2009, the Central Government generated a surplus equivalent to R\$ 11.3 billion, compared to a deficit of R\$ 7.7 billion in September. The National Treasury contributed to the month's performance with a surplus of R\$ 14.1 billion, while the Social Security System (RGPS) and the Central Bank recorded respective deficits of R\$ 2.8 billion and R\$ 69.4 million.

*Central Government primary surplus reached R\$ 14.1 billion in October 2009 against a deficit of R\$ 7.7 billion in September.*

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

DESCRIPTION	R\$ Million			
	SEP 2009	OCT 2009	JAN-OCT 2008 2009	
<b>I. TOTAL REVENUE</b>	<b>53,553.9</b>	<b>69,488.6</b>	<b>592,049.3</b>	<b>585,562.0</b>
<b>I.1. National Treasury Revenues</b>	<b>39,277.9</b>	<b>54,445.9</b>	<b>463,690.3</b>	<b>444,212.1</b>
I.1.1 Gross Revenue (1)	40,276.1	55,803.9	473,731.4	453,554.0
I.1.2. (-) Restitutions	-998.1	-1,358.0	-10,041.1	-9,287.1
I.1.3. (-) Fiscal Incentives	0.0	0.0	0.0	-54.8
<b>I.2. Social Security Revenues</b>	<b>14,091.0</b>	<b>14,864.9</b>	<b>126,831.9</b>	<b>139,608.4</b>
I.2.1 Social Security Revenues - Urban (2)	13,727.8	14,496.9	122,763.9	135,887.1
I.2.2 Social Security Revenues - Rural (2)	363.2	368.0	4,068.1	3,721.3
<b>I.3. Central Bank Revenues</b>	<b>185.0</b>	<b>177.8</b>	<b>1,527.0</b>	<b>1,741.5</b>
<b>II. TRANSFERS TO STATES AND MUNICIPALITIES</b>	<b>8,111.1</b>	<b>10,946.5</b>	<b>104,298.2</b>	<b>101,611.1</b>
<b>III. TOTAL NET REVENUE (I-II)</b>	<b>45,442.8</b>	<b>58,542.1</b>	<b>487,751.1</b>	<b>483,950.9</b>
<b>IV. TOTAL EXPENDITURE</b>	<b>53,173.7</b>	<b>47,263.1</b>	<b>391,899.2</b>	<b>456,382.9</b>
<b>IV.1 Treasury Expenditures</b>	<b>29,663.0</b>	<b>29,376.8</b>	<b>229,457.7</b>	<b>273,052.6</b>
IV.1.1. Payroll (1)	11,701.8	11,746.6	102,513.0	121,383.3
IV.1.2. Current and Capital Expenditures	17,859.1	17,526.1	126,154.0	150,735.8
IV.1.2.1. Worker Support Fund (FAT)	2,347.3	2,462.8	17,736.6	23,180.3
IV.1.2.2. Economic Subsidies and Grants (3)	908.0	1,478.0	3,737.1	3,417.6
IV.1.2.3. Assistance Benefits (LOAS/RMV)	1,610.9	1,628.5	13,265.8	15,670.5
IV.1.2.4. Other Current and Capital Expenditures	12,992.8	11,956.6	91,414.5	108,467.4
IV.1.2.4.1. Other Current Expenditures	9,691.5	8,583.3	71,382.6	84,527.1
IV.1.2.4.2. Other Capital Expenditures	3,301.3	3,373.3	20,031.9	23,940.3
IV.1.3. Transfer from Treasury to Central Bank	102.1	104.1	790.7	933.5
<b>IV.2. Social Security Expenditures (Benefits)</b>	<b>23,263.8</b>	<b>17,639.1</b>	<b>160,551.4</b>	<b>181,116.6</b>
I.2.1 Social Security Benefits - Urban (2)	18,602.7	14,152.4	128,515.8	144,972.1
I.2.2 Social Security Benefits - Rural (2)	4,661.1	3,486.7	32,035.6	36,144.5
<b>IV.3. Central Bank Expenditures</b>	<b>247.0</b>	<b>247.2</b>	<b>1,890.1</b>	<b>2,213.7</b>
<b>V. SOVEREIGN FUND OF BRAZIL - SFB (4)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>VI. CENTRAL GOVERNMENT PRIMARY RESULT (III - IV)</b>	<b>-7,731.0</b>	<b>11,279.0</b>	<b>95,851.9</b>	<b>27,568.0</b>
VI.1. National Treasury	1,503.8	14,122.6	129,934.4	69,548.4
VI.2. Social Security (RGPS) (5)	-9,172.8	-2,774.2	-33,719.5	-41,508.2
I.2.1 Social Security (RGPS) - Urban (2)	-4,874.9	-344.6	-5,752.0	-9,085.0
I.2.2 Social Security (RGPS) - Rural (2)	-4,297.9	-3,118.8	-27,967.5	-32,423.2
VI.3. Central Bank (6)	-62.0	-69.4	-363.0	-472.2
<b>VII. PRIMARY RESULT/GDP</b>			<b>3.99%</b>	<b>1.10%</b>

(\*) 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 JAN-OCT: %		
DISCRIMINATION	08/07	09/08
<b>Revenues</b>	<b>18.6%</b>	<b>-1.1%</b>
Treasury	19.1%	-4.2%
Social Security	16.6%	10.1%
<b>Transfers</b>	<b>23.3%</b>	<b>-2.6%</b>
<b>Net Revenue</b>	<b>17.6%</b>	<b>-0.8%</b>
<b>Expenditures</b>	<b>10.9%</b>	<b>16.5%</b>
Benefits	9.0%	12.8%
Payroll	10.1%	18.4%
Current and Capital	13.5%	19.5%
FAT	16.2%	30.7%
Subsidies	-37.2%	-8.6%
LOAS/RMV	18.6%	18.1%
Other	16.0%	18.7%
Current	10.6%	18.4%
Capital	40.6%	19.5%
<b>Estimated GDP</b>	<b>12.3%</b>	<b>4.2%</b>

Gross incomes of the National Treasury rose R\$ 15.5 billion (38.6%), going from R\$ 40.3 billion in September to R\$ 55.8 billion in October. This behavior is determined mainly by the following elements: i) increases of R\$ 6.3 billion and R\$

1.7 billion in collection of IRPJ and CSLL, respectively, due to the collection of the first or the only installments of these taxes for the quarter ended in September and the effect of judicial and extrajudicial deposits as stated on Provisional Measure 468/2009 and Regulation MF 510/2009; ii) increase of R\$ 3.7 billion in collection of other revenues, reflecting the incoming of judicial e extrajudicial deposits in October and the regularization of deposits recorded in Spetember (Provisional Measure 468/2009 and Regulation MF 510/2009); and iii) increase of R\$ 2.6 billion in collection of the financial compensation quotas from companies working oil and natural gas reserves with reference to the 3 months ended in September.

Transfers to States and Municipalities showed a nominal increase of 35.0%, going from R\$ 8.1 billion in September to R\$ 10.9 billion in October. Tranfers to Constitutional funds (FPE and FPM) registered R\$ 7.4 billion, growing 15.5% when compared to the previous month, reflecting the increase of collection of shared tax revenues (income tax and IPI) through the entire period considered as tax base. Other transfers raised R\$ 1.4 billion (94.8%), mainly due to the financial support transferred to municipalities (R\$ 904.9 million), as stated on Law 12,058/2009.

TRANSFERS TO STATES AND MUNICIPALITIES BRAZIL, 2009 (R\$ million)		
DISCRIMINATION	SEP/09	OCT/09
Constitutional (IR/IPI/Other)	6,436.3	7,431.5
CIDE - Fuels	0.0	406.4
Comp. Law 115/2002 <sup>1</sup>	162.5	162.5
Other	1,512.3	2,946.2
<b>Total</b>	<b>8,111.1</b>	<b>10,946.5</b>

<sup>1</sup> Includes financial support.

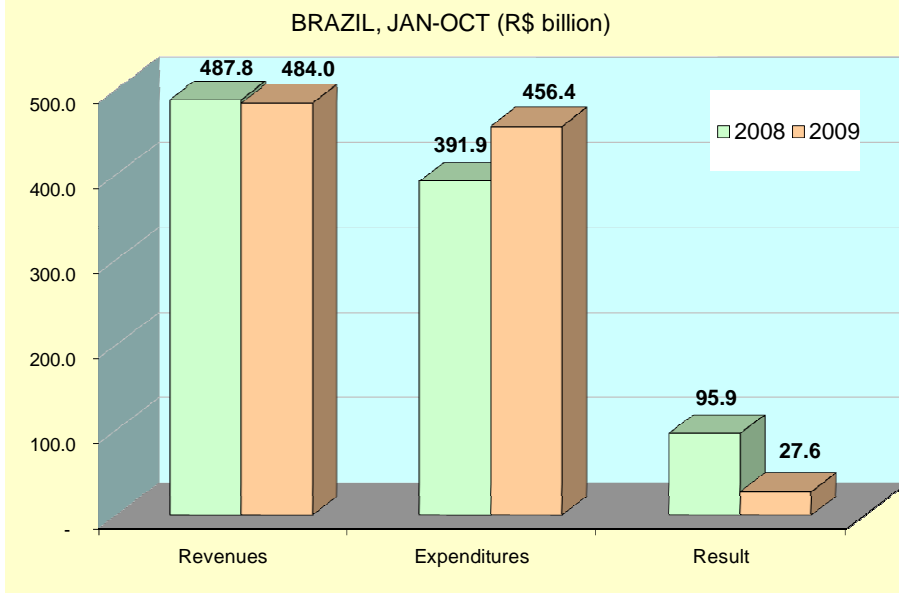
Concerning expenses, there was a decrease of R\$ 286.2 million (1.0%) in the expenditures of the National Treasury compared to September, due to the reduction of R\$ 333.0 million (1.9%) on capital and current expenditures, mainly on discretionary ones (R\$ 1.2 billion), partially compensated by the raise of subsidies and economic subventions.

Social Security deficit decreased 69.8% (R\$ 6.4 billion) compared to September, going from R\$ 9.2 billion to R\$ 2.8 billion. The division of social security expenditures by clientele shows that the urban part of RGPS recorded a surplus of R\$ 344.6 million in the month, compared to a deficit of R\$ 4.9 million in September, while the rural part registered a deficit of R\$ 3.1 billion in October against one of R\$ 4.3 billion in the previous month.

From January to October, Central Government surplus reached R\$ 27.6 billion, compared to R\$ 95.9 billion recorded in the same period of 2008. Such a behavior is due to atypical factors found both in the current and previous year. Central Government revenues, net of transfers to States and Municipalities, showed a nominal decrease of 0.8% in the period, while Central Government expenditures showed a rise of 16.5%.

*From January to October,  
Central Government  
primary surplus reached  
R\$ 27.6 billion, equivalent  
to 1.10% from GDP.*

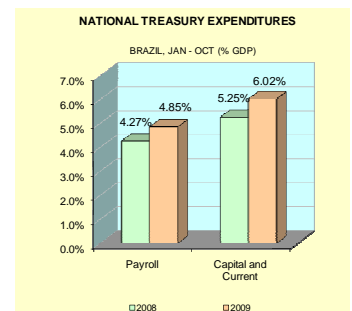
### CENTRAL GOVERNMENT REVENUES, EXPENDITURES AND RESULT



CENTRAL GOVERNMENT BALANCE BRAZIL, JAN - OCT (% GDP)		
DISCRIMINATION	2008	2009
National Treasury	5.41%	2.78%
Social Security	-1.40%	-1.66%
Central Bank	-0.02%	-0.02%
<b>Central Government</b>	<b>3.99%</b>	<b>1.10%</b>

*The behavior of National Treasury revenues from January to October 2009 reflects mainly the compensation of debts in Cofins, PIS/Pasep and Cide – Fuels, as well as tax exemptions.*

Central Government gross revenue dropped off 4.3% (R\$ 20.2 billion) compared to the period from January to October of 2008, mainly due to the following reasons: i) change on tax legislation, mainly the IPI one; ii) decrease of 11.6% in manufacturing output in the base period January-September 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; iv) decrease of collection of IRPJ, reflecting less profits of companies; and v) decrease of R\$ 6.2 bilhões (26.8%) on participation quotas in the working of oil and natural gas deposits due to the reduction of international prices of oil.



In nominal terms, National Treasury expenditures expanded 19.0% 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 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\$ 14.9 billion, mainly because of Ministry of Health, with expenses R\$ 7.3 billion over the same category of expenditure in 2008. On the other hand, extraordinary credit expenses decreased R\$ 2.5 billion. It is also worth mentioning the expansion of R\$ 3.9 billion (19.5%) in investments from January to October of 2009 compared to the same period of last year.

*Investments increased 19.5% (R\$ 3.9 billion) from January to October 2009 compared to the same period of 2008*

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

Finally, the Social Security deficit expanded 23.1% (R\$ 7.8 billion) compared to the equivalent period in 2008, going from R\$ 33.7 billion to

<b>SOCIAL SECURITY BALANCE</b>			
BRAZIL, JAN-OCT (R\$ billion)			
<b>DISCRIMINATION</b>	<b>2008</b>	<b>2009</b>	<b>%</b>
<b>Contribution</b>	126,831.9	139,608.4	10.1%
Urban	122,763.9	135,887.1	10.7%
Rural	4,068.1	3,721.3	-8.5%
<b>Benefits</b>	160,551.4	181,116.6	12.8%
Urban	128,515.8	144,972.1	12.8%
Rural	32,035.6	36,144.5	12.8%
<b>Primary Balance</b>	<b>-33,719.5</b>	<b>-41,508.2</b>	<b>23.1%</b>
Urban	<b>-5,752.0</b>	<b>-9,085.0</b>	<b>57.9%</b>
Rural	<b>-27,967.5</b>	<b>-32,423.2</b>	<b>15.9%</b>

R\$ 41.5 billion. Net inflows increased R\$ 12.8 billion (10.1%), mainly due to the growth in overall wages, which impacts contributions on payroll. In their turn, outlays on social benefits increased R\$ 20.6 billion (12.8%), due to an expansion of 9.6% on the average value of paid benefits, as a consequence of the increase of minimum wage (as well as the rise 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\$ 989.3 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\$ 9.1 billion, equivalent to 21.9% of the RGPS overall deficit, while the rural part recorded a deficit of R\$ 32.4 billion (78.1% of the RGPS deficit).