

**CENTRAL GOVERNMENT FISCAL RESULT**

In September 2009, the Central Government generated a deficit equivalent to R\$ 7.6 billion, compared to a surplus of R\$ 4.0 billion in August. The National Treasury contributed to the month's performance with a surplus of R\$ 1.6 billion, while the Social Security System (RGPS) and the Central Bank recorded respective deficits of R\$ 9.2 billion and R\$ 62.0 million.

*Central Government primary deficit reached R\$ 7.6 billion in September 2009 against to a surplus of R\$ 4 billion in August.*

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

DESCRIPTION	R\$ Million			
	AUG 2009	SEP 2009	JAN-SEP 2008 2009	
<b>I. TOTAL REVENUE</b>	<b>60,839.0</b>	<b>53,553.9</b>	<b>526,251.8</b>	<b>516,073.3</b>
<b>I.1. National Treasury Revenues</b>	<b>46,238.5</b>	<b>39,277.9</b>	<b>411,632.0</b>	<b>389,766.1</b>
I.1.1 Gross Revenue (1)	47,199.2	40,276.1	419,860.1	397,750.1
I.1.2. (-) Restitutions	-960.6	-998.1	-8,228.1	-7,929.2
I.1.3. (-) Fiscal Incentives	0.0	0.0	0.0	-54.8
<b>I.2. Social Security Revenues</b>	<b>14,400.2</b>	<b>14,091.0</b>	<b>113,356.2</b>	<b>124,743.5</b>
I.2.1 Social Security Revenues - Urban (2)	14,033.3	13,727.8	109,693.2	121,390.2
I.2.2 Social Security Revenues - Rural (2)	366.9	363.2	3,663.0	3,353.4
<b>I.3. Central Bank Revenues</b>	<b>200.3</b>	<b>185.0</b>	<b>1,263.6</b>	<b>1,563.7</b>
<b>II. TRANSFERS TO STATES AND MUNICIPALITIES</b>	<b>10,093.0</b>	<b>8,111.1</b>	<b>94,115.3</b>	<b>90,664.5</b>
<b>III. TOTAL NET REVENUE (I-II)</b>	<b>50,746.0</b>	<b>45,442.8</b>	<b>432,136.5</b>	<b>425,408.8</b>
<b>IV. TOTAL EXPENDITURE</b>	<b>46,788.4</b>	<b>53,075.4</b>	<b>351,151.9</b>	<b>409,035.1</b>
<b>IV.1 Treasury Expenditures</b>	<b>26,942.2</b>	<b>29,564.6</b>	<b>204,321.6</b>	<b>243,591.0</b>
IV.1.1. Payroll (1)	11,422.6	11,701.8	92,090.9	109,636.7
IV.1.2. Current and Capital Expenditures	15,413.3	17,760.8	111,636.6	133,125.0
IV.1.2.1. Worker Support Fund (FAT)	2,798.2	2,347.3	15,439.3	20,717.4
IV.1.2.2. Economic Subsidies and Grants (3)	312.0	809.7	2,900.6	1,854.8
IV.1.2.3. Assistance Benefits (LOAS/RMV)	1,601.7	1,610.9	11,890.3	14,041.9
IV.1.2.4. Other Current and Capital Expenditures	10,701.4	12,992.8	81,406.4	96,510.8
IV.1.2.4.1. Other Current Expenditures	8,450.7	9,691.5	63,159.7	75,943.8
IV.1.2.4.2. Other Capital Expenditures	2,250.7	3,301.3	18,246.7	20,567.0
IV.1.3. Transfer from Treasury to Central Bank	106.3	102.1	594.1	829.4
<b>IV.2. Social Security Expenditures (Benefits)</b>	<b>19,591.7</b>	<b>23,263.8</b>	<b>145,166.5</b>	<b>163,477.5</b>
I.2.1 Social Security Benefits - Urban (2)	15,666.4	18,602.7	116,178.0	130,819.7
I.2.2 Social Security Benefits - Rural (2)	3,925.3	4,661.1	28,988.4	32,657.8
<b>IV.3. Central Bank Expenditures</b>	<b>254.5</b>	<b>247.0</b>	<b>1,663.8</b>	<b>1,966.5</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>3,957.5</b>	<b>-7,632.6</b>	<b>80,984.6</b>	<b>16,373.8</b>
VI.1. National Treasury	9,203.3	1,602.2	113,195.0	55,510.6
VI.2. Social Security (RGPS) (5)	-5,191.5	-9,172.8	-31,810.3	-38,734.0
I.2.1 Social Security (RGPS) - Urban (2)	-1,633.1	-4,874.9	-6,484.9	-9,429.5
I.2.2 Social Security (RGPS) - Rural (2)	-3,558.4	-4,297.9	-25,325.4	-29,304.4
VI.3. Central Bank (6)	-54.2	-62.0	-400.2	-402.9
<b>VII. PRIMARY RESULT/GDP</b>			<b>3.78%</b>	<b>0.74%</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-SEP: %		
DISCRIMINATION	08/07	09/08
<b>Revenues</b>	<b>18.4%</b>	<b>-1.9%</b>
Treasury	18.8%	-5.3%
Social Security	16.7%	10.0%
<b>Transfers</b>	<b>23.1%</b>	<b>-3.7%</b>
<b>Net Revenue</b>	<b>17.4%</b>	<b>-1.6%</b>
<b>Expenditures</b>	<b>10.9%</b>	<b>16.5%</b>
Benefits	9.3%	12.6%
Payroll	9.5%	19.1%
Current and Capital	13.8%	19.2%
FAT	16.1%	34.2%
Subsidies	-38.9%	-36.1%
LOAS/RMV	18.9%	18.1%
Other	16.2%	18.6%
Current	9.7%	20.2%
Capital	46.0%	12.7%
<b>Estimated GDP</b>	<b>12.1%</b>	<b>3.7%</b>

Gross incomes of the National Treasury dropped off R\$ 6.9 billion (14.7%), going from R\$ 47.2 billion in August to R\$ 40.3 billion in September. This behavior is determined mainly by the following elements: i) decrease of R\$ 7.8

billion in collection of profit share; ii) decrease of R\$ 3.3 billion in collection of other revenues, reflecting the regularization of R\$ 1.7 billion of judicial deposits recorded in August (without correspondance in September) and its classification, this month, in the original revenues accounts (IRPJ and CSLL).

Transfers to States and Municipalities showed a nominal decrease of 19.6%, going from R\$ 10.1 billion in August to R\$ 8.1 billion in September. Transfers to Constitutional funds (FPE and FPM) registered R\$ 6.4 billion, falling 11.0% 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 August, transferred in September. Other transfers diminished R\$ 1.2 billion (43.9%), mainly due to transfers of royalties and participation quotas in the working of oil and natural gas deposits.

<b>TRANSFERS TO STATES AND MUNICIPALITIES</b> BRAZIL, 2009 (R\$ million)		
<b>DISCRIMINATION</b>	<b>AUG/09</b>	<b>SEP/09</b>
Constitutional (IR/IPI/Other)	7,233.6	6,436.3
CIDE - Fuels	0.0	0.0
Comp. Law 115/2002 <sup>1</sup>	162.5	162.5
Other	2,696.9	1,512.3
<b>Total</b>	<b>10,093.0</b>	<b>8,111.1</b>

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

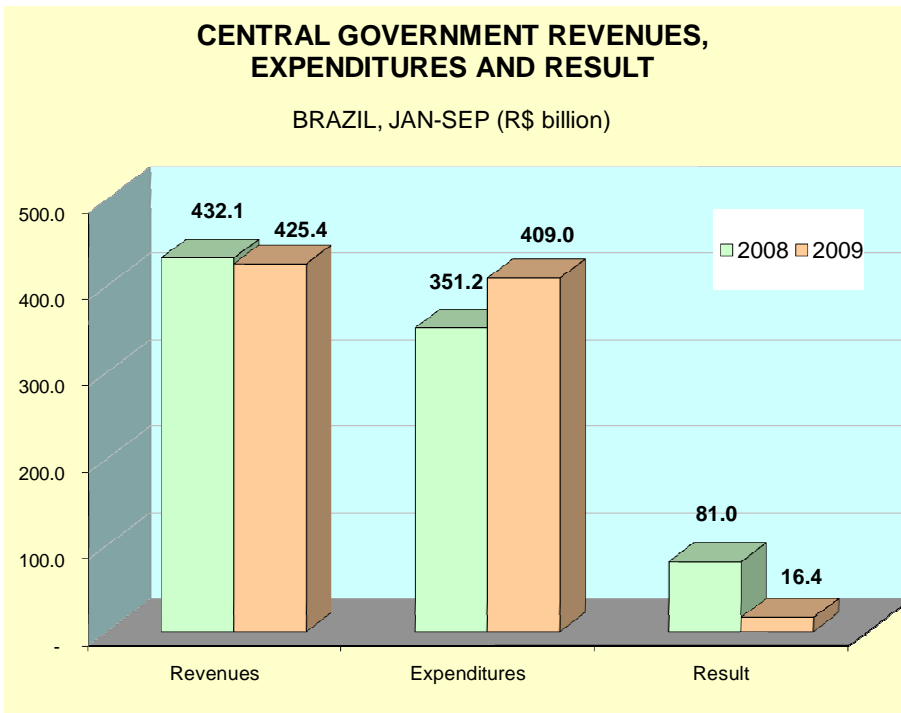
Concerning expenses, there was an increase of R\$ 2.6 billion (9.7%) in the expenditures of the National Treasury compared to August, due to the increment of R\$ 2.3 billion (15.2%) on capital and current expenditures, mainly on discretionary ones (R\$ 2.0 billion).

<b>CENTRAL GOVERNMENT BALANCE</b> BRAZIL, JAN - SEP (% GDP)		
<b>DISCRIMINATION</b>	<b>2008</b>	<b>2009</b>
National Treasury	5.28%	2.50%
Social Security	-1.48%	-1.74%
Central Bank	-0.02%	-0.02%
<b>Central Government</b>	<b>3.78%</b>	<b>0.74%</b>

Social Security deficit increased 76.7% (R\$ 4.0 billion) compared to August, going from R\$ 5.2 billion to R\$ 9.2 billion. The division of social security expenditures by clientele shows that the urban part of RGPS recorded a deficit of R\$ 4.9 billion in the month, compared to one of R\$ 1.6 billion in August, while the rural part registered a deficit of R\$ 4.3 billion this month against one of R\$ 3.6 billion in August.

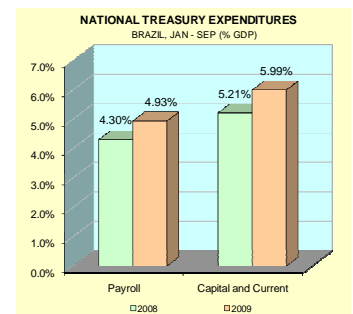
From January to September, Central Government surplus reached R\$ 16.4 billion, compared to R\$ 81.0 billion recorded in the same period of 2008. Such a behavior is due to atypical factors found both in the current and previous year. Central Government revenues, net of transfers to States and Municipalities, showed a nominal decrease of 1.6% in the period, while Central Government expenditures showed a rise of 16.5%.

*From January to September, Central Government primary surplus reached R\$ 16.4 billion, equivalent to 0.74% from GDP.*



*The behavior of National Treasury revenues from January to September of 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 5.3% (R\$ 22.1 billion) compared to the period from January to September of 2008, mainly due to the following reasons: i) change on tax legislation, mainly the IPI one; ii) decrease of 12.1% in manufacturing output in the base period January-August 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) decrease of collection of IRPJ, reflecting less profits of companies.



In nominal terms, National Treasury expenditures expanded 19.2% compared to the same period in 2008, mainly due to the following elements: i) increase of R\$ 2.4 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\$ 7.4 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\$ 2.3 billion (12.7%) in investments from January to September of 2009 compared to the same period of last year.

*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 21.8% (R\$ 6.9 billion) compared to the equivalent period in 2008, going from R\$ 31.8 billion to R\$ 38.7 billion. Net inflows increased R\$ 11.4 billion (10.0%), mainly due to the growth in overall wages, which impacts contributions on payroll. In their turn,

<b>SOCIAL SECURITY BALANCE</b>			
BRAZIL, JAN-SEP (R\$ billion)			
<b>DISCRIMINATION</b>	<b>2008</b>	<b>2009</b>	<b>%</b>
Contribution	113,356.2	124,743.5	10.0%
Urban	109,693.2	121,390.2	10.7%
Rural	3,663.0	3,353.4	-8.5%
Benefits	145,166.5	163,477.5	12.6%
Urban	116,178.0	130,819.7	12.6%
Rural	28,988.4	32,657.8	12.7%
<b>Primary Balance</b>	<b>-31,810.3</b>	<b>-38,734.0</b>	<b>21.8%</b>
Urban	<b>-6,484.9</b>	<b>-9,429.5</b>	<b>45.4%</b>
Rural	<b>-25,325.4</b>	<b>-29,304.4</b>	<b>15.7%</b>

outlays on social benefits increased R\$ 18.3 billion (12.6%), due to an expansion of 10.1% 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\$ 907.0 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\$ 9.4 billion, equivalent to 24.3% of the RGPS overall deficit, while the rural part recorded a deficit of R\$ 29.3 billion (75.7% of the RGPS deficit).