

CONFERENCE CALL

FISCAL POLICY REPROGRAMMING IN BRAZIL - 2015-18

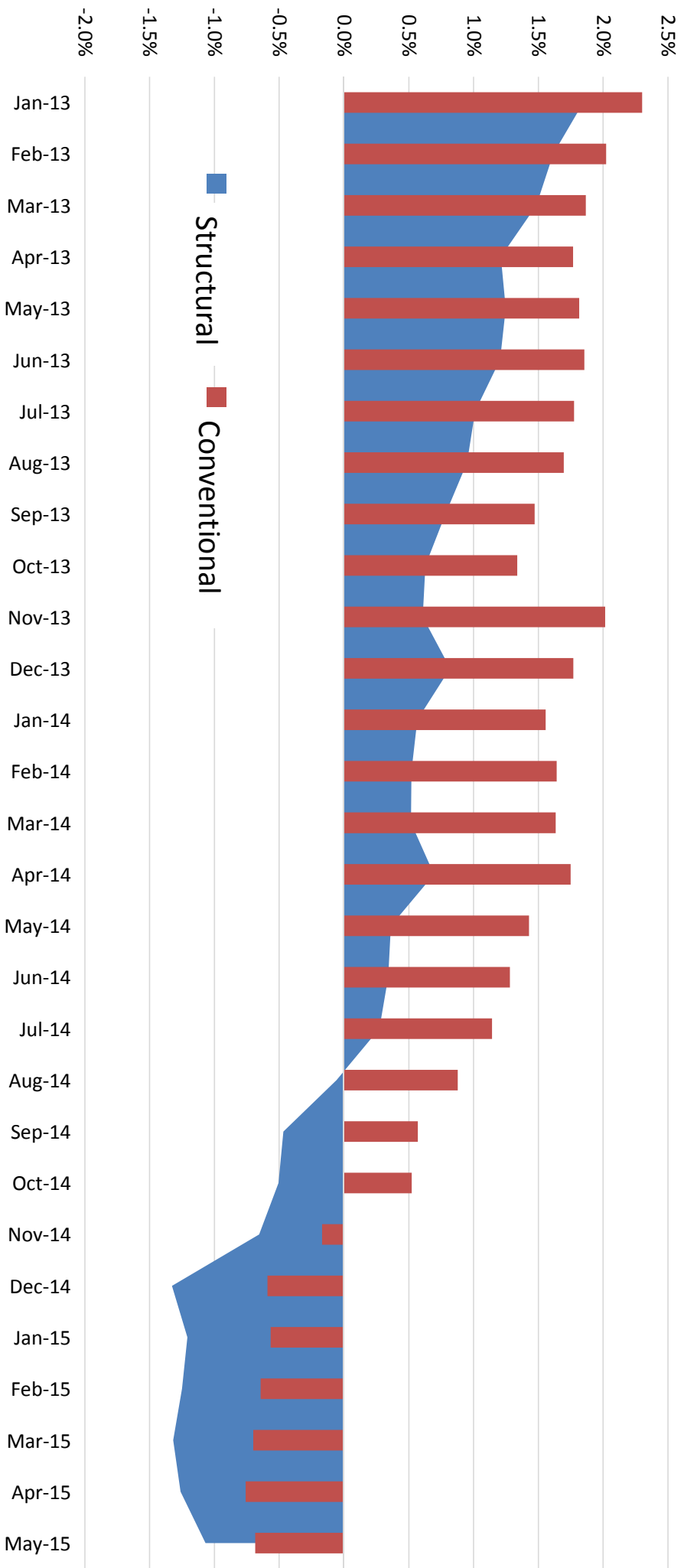
JOAQUIM LEVY – MINISTER OF FINANCE



07/23/2015

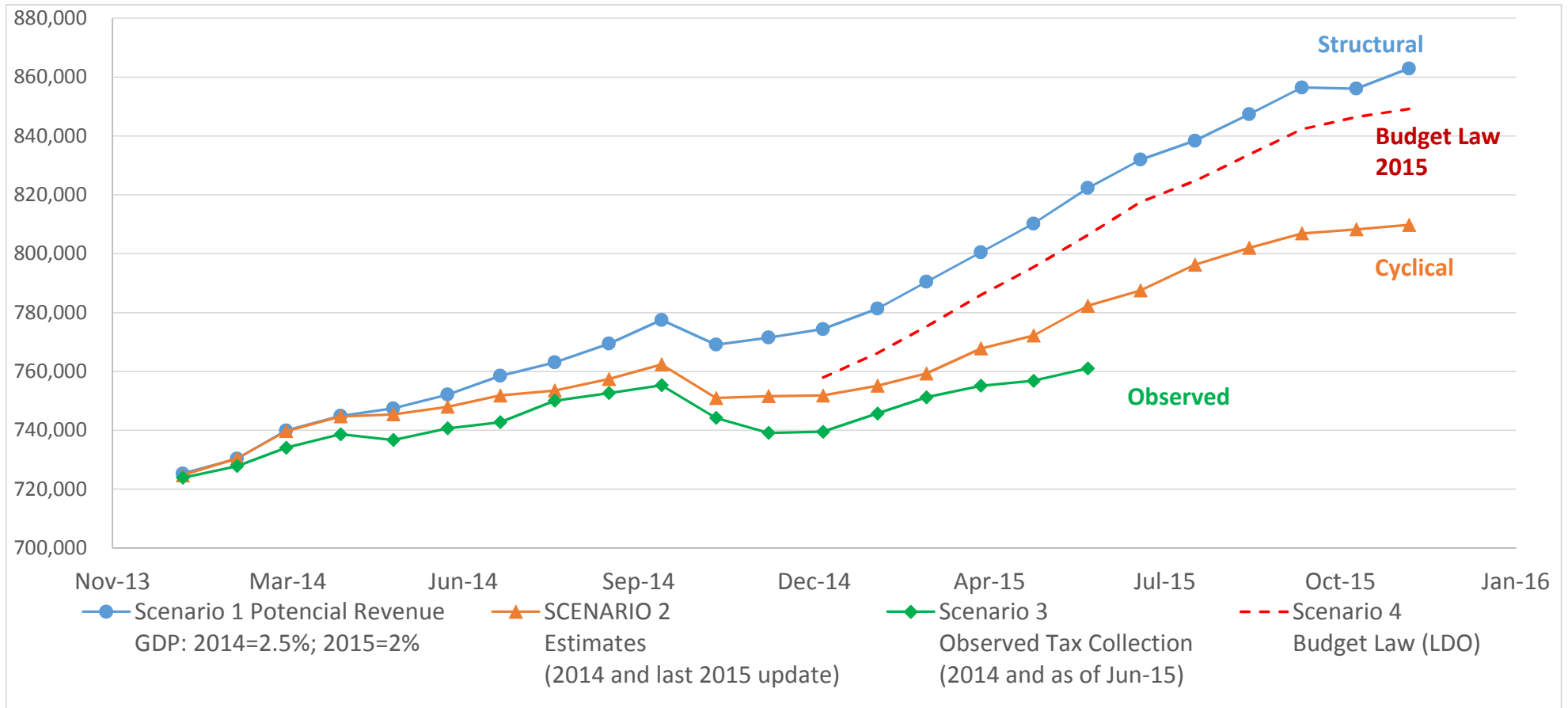
Public Sector Primary Balance

Accumulated in 12 months. % GDP



Revenues Managed by the IRS (excluding Social Security)

12m cumulated



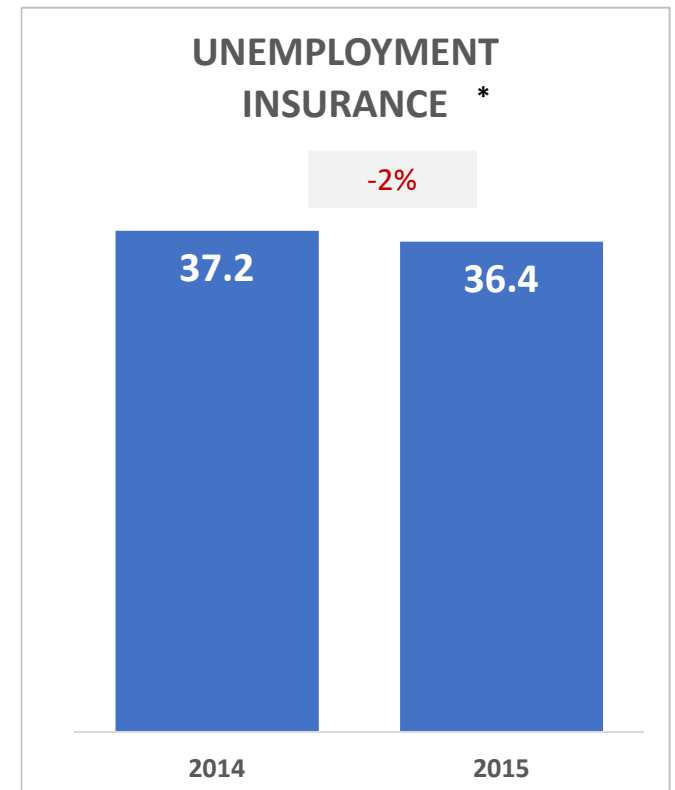
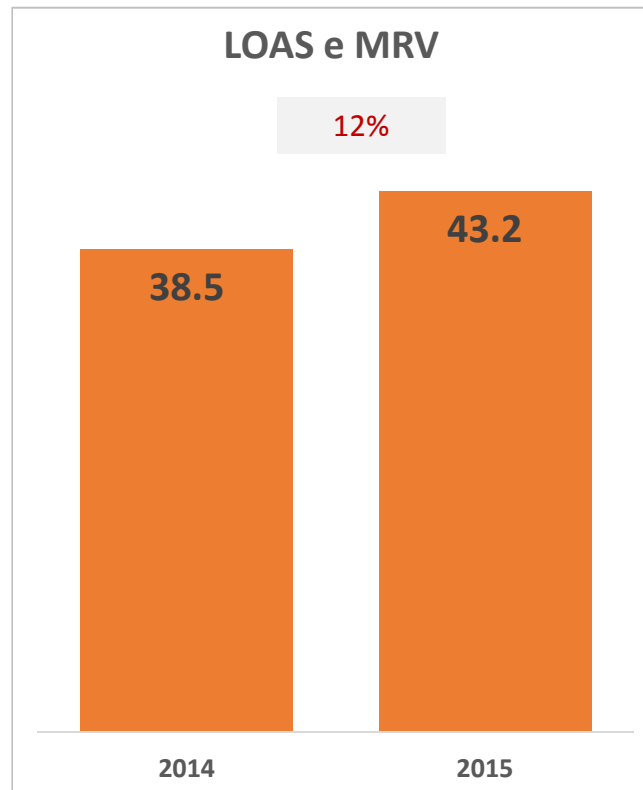
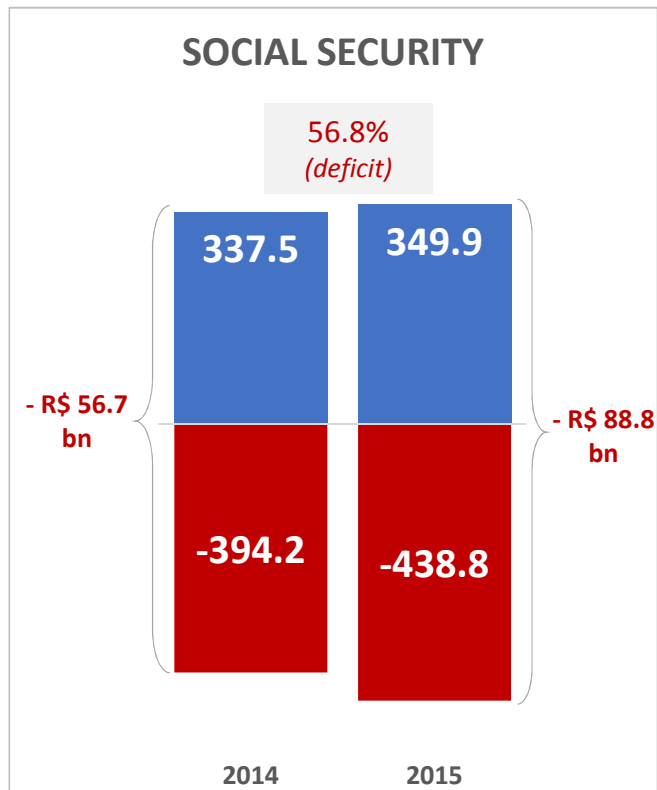
Revenues Review Breakdown

Item	Mar/Apr Review (a)	May/Jun Review (b)	Difference (c = b - a)
I. Total Revenues	1,371,702.5	1,325,311.1	(46,391.4)
Revenues Managed by IRS/MoF. excluding S.Security	848,328.1	818,877.4	(29,450.7)
Social Security Net Revenues	364,680.4	349,964.2	(14,716.2)
Revenues not-managed by the IRS/MoF	158,694.0	156,469.5	(2,224.6)
Concessions	18,078.1	18,251.6	173.5
Dividends	15,505.3	17,042.8	1,537.5
Civil Servants Pension Plan Contributions	11,462.8	11,422.0	(40.8)
Financial Compensation Counterparts	32,376.8	31,111.8	(1,265.0)
Own Revenues (sources 50 e 81)	14,118.8	14,821.3	702.4
Education-Wage	19,614.2	19,381.5	(232.7)
FGTS Extra Payments	4,045.3	4,515.3	470.0
Operations with Assets	7,500.0	3,000.0	(4,500.0)
Other Revenues	35,992.7	36,923.2	930.5
II. Transfers to States and Local Gov't	213,433.9	213,726.1	292.2
III. Net Revenues (I - II)	1,158,268.6	1,111,585.0	(46,683.6)

Source: SOF/STN

Mandatory Expenditures

2014 Observed/ 2015 – May/Jun Review
R\$ bn

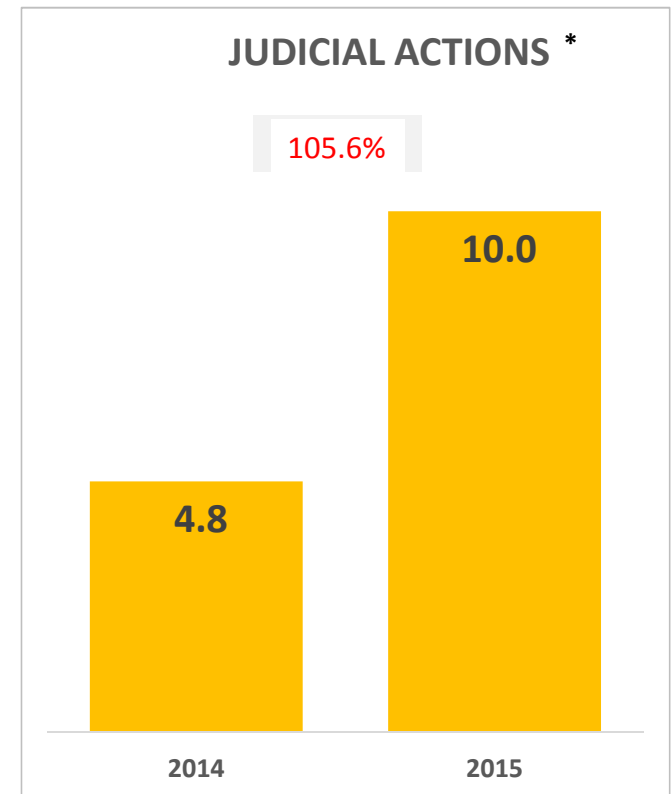
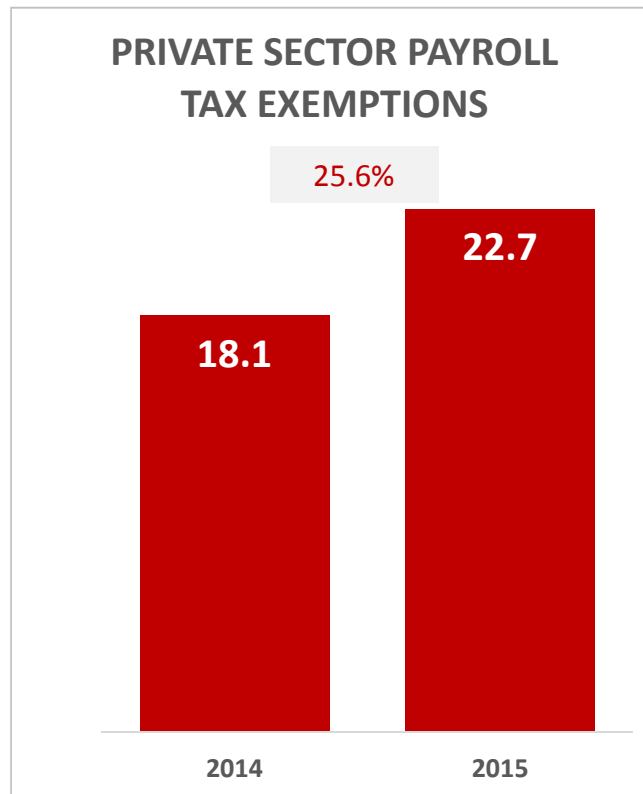
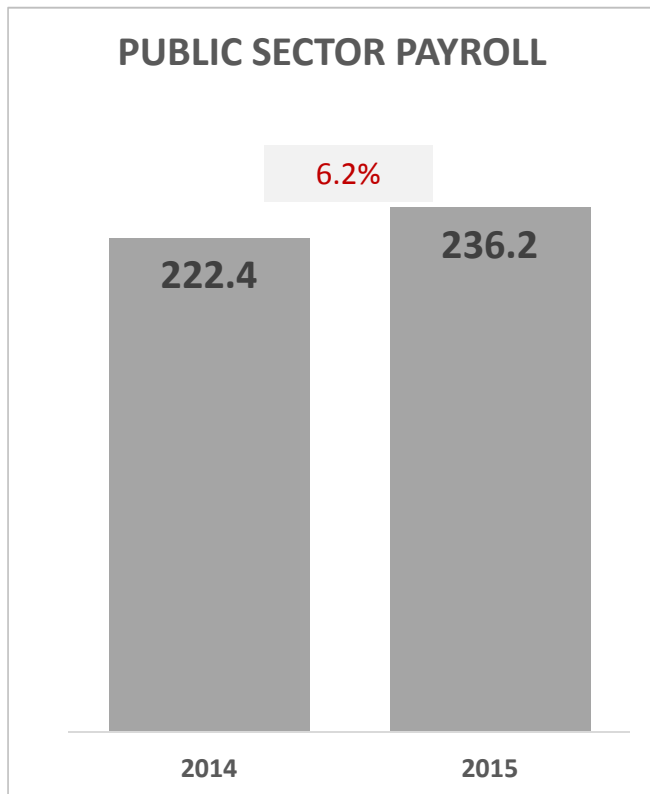


• Including Fishermen Insurance

Note: LOAS and MRV – Social Benefits conceded by Organic Law of Social Security (LOAS) and Lifetime Monthly Income (MRV)

Mandatory Expenditures

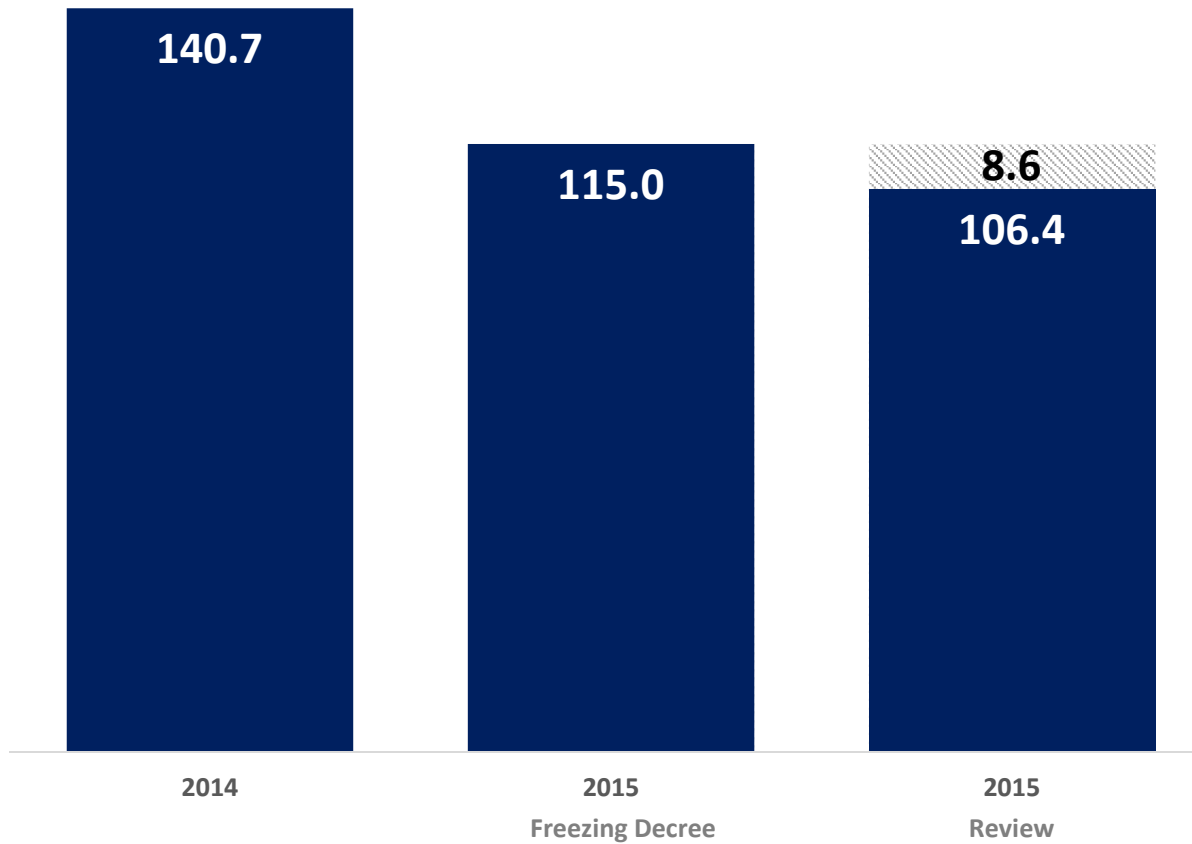
2014 Observed / 2015 – May/Jun Review
R\$ bn



* Excluding those originated in social security and food support affairs.

Discretionary Expenditures – Susceptible to Budget Cuts

2014 Observed/ 2015 – May/Jun Review
R\$ bn



Mandatory Expenditures Review Breakdown

Description	Mar/Apr Review (a)	May/Jun Review (b)	Difference (c) = (b) - (a)
A) Positive variations			11,693.6
Bonus Wage and Unemployment Insurance	41,955.3	45,811.1	3,855.8
Extraordinary credits	1,345.0	4,833.4	3,488.4
Judicial actions (and <i>Precatórios</i>) – OCC	8,550.6	9,981.2	1,430.6
Social Security Benefits	437,472.3	438,850.5	1,378.2
Public Sector Payroll	235,583.8	236,208.9	625.1
FGTS Extra Payments	5,245.4	5,715.4	470.0
LOAS / RMV*	42,940.8	43,179.9	239.1
Expenditures related to Agreements and Donations (Executive Branch)	1,713.5	1,904.0	190.5
Legislative. Judiciary Branches	13,094.2	13,110.1	15.9
B) Negative Variations			(329.2)
Funds FDA. FDNE and FDCO	503.0	203.0	(300.0)
Transfers to ANA – Revenues over water resources	327.4	298.2	(29.2)
Total	-	-	11,364.4

*Organic Law of Social Security (LOAS) and Lifetime Monthly Income (MRV)
Source: SOF/STN.

Summary of Central Govt's Revenues. Expenditures and Primary Balance Review

	Relative changes compared to Mar/Apr Review R\$ mn
Reduction on Net Revenues Estimates	46,683.6
Increase on Mandatory Expenditure Estimates	11,364.4
Subtotal	58,048.0
Additional Cut on Discretionary Spending	8,600.0
Proposed Reduction on Primary Balance Target	49,448.0
Subtotal	58,048.0

Source: SOF/STN

2015's Reprogramming

Coverage	LDO 2015 (Budget Guidelines Law)		New Budget Guidelines Law Project		Variation	
	R\$ bn	% of GDP	R\$ bn	% of GDP	R\$ bn	% of GDP
Public Sector	66.3	1.19	8.7	0.15	57.6	1.04
Central Government	55.3	0.99	5.8	0.10	49.5	0.89
State-owned Companies	0.0	0.00	0.0	0.00	0.0	0.00
Regional Government	11.0	0.20	2.9	0.05	8.1	0.15

Source: SOF/STN

Target Reduction Clause conditional on specific revenue loss

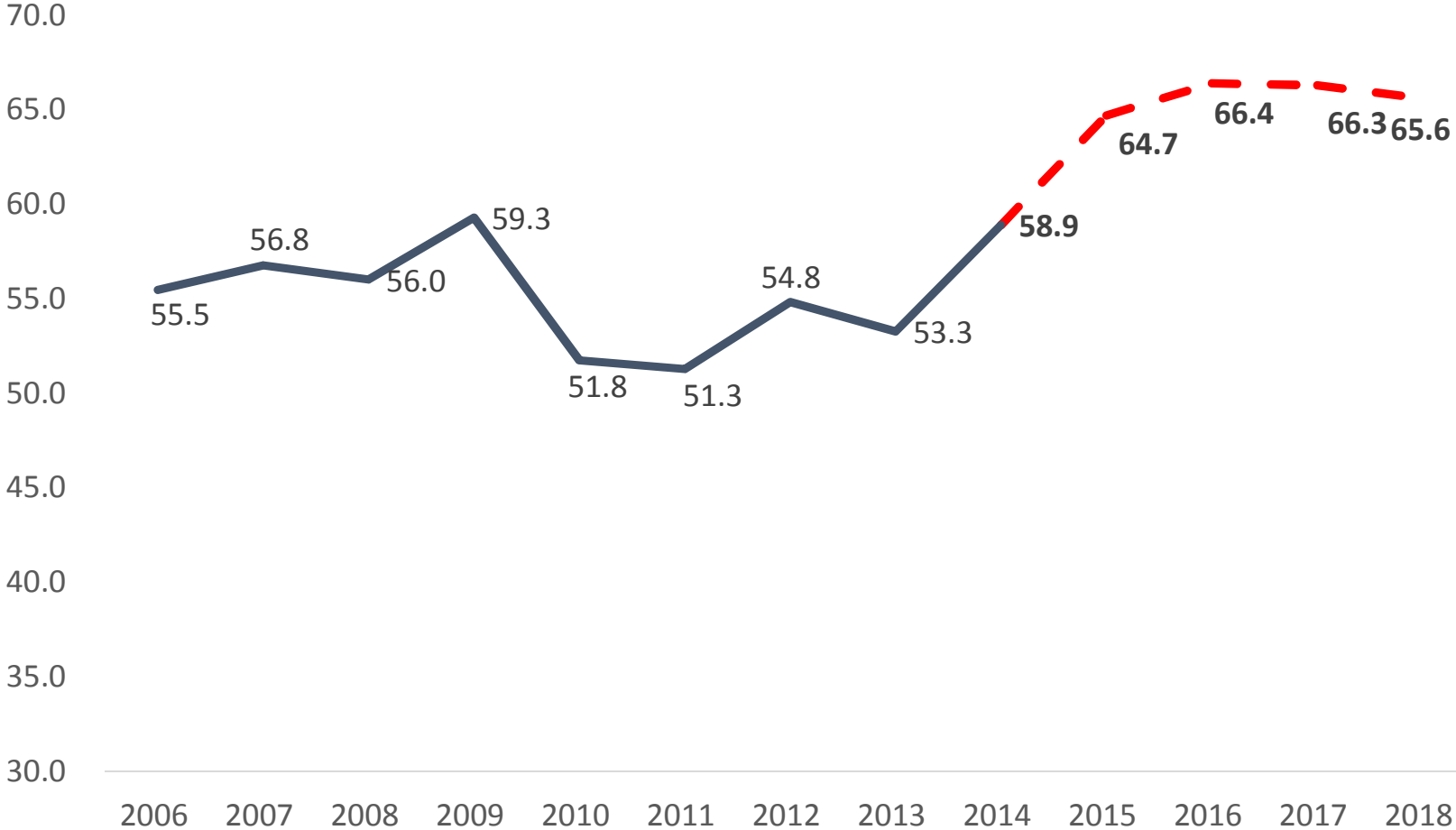
- The report estimates consider additional revenues which are dependent on the legislative process and market conditions.
- The proposed fiscal target includes a reduction clause up to R\$ 26.4 billion if there is frustration on the following revenues collection:
 - Due Tax Debit Recovery Measures - R\$ 10 billion
 - Regularization of Expatriated Assets - up to R\$ 11.4 billion
 - Concessions and Permits - up to R\$ 5 billion

New Fiscal Rebalancing Program

% GDP	2015	2016	2017	2018
PS* Primary Balance	0.15	0.7	1.3	2.0
Net PS Debt	36.3	37.8	38.4	38.0
General Gov't Gross Debt	64.7	66.4	66.3	65.6
PS Nominal Balance	-6.47	-4.58	-3.23	-2.36

*Non-Financial Public Sector
Source: MP, MF and BCB.

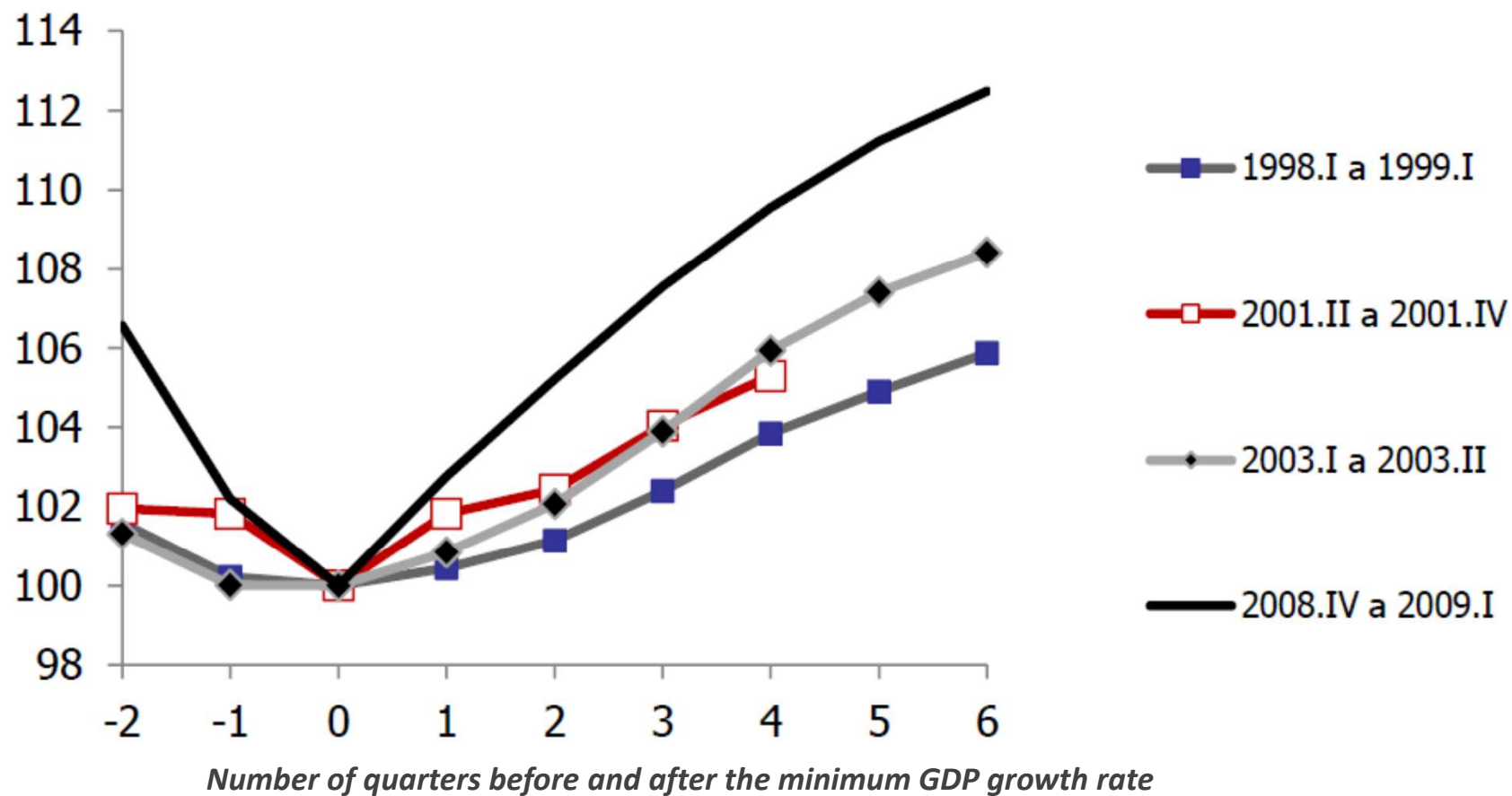
General Gov't Gross Debt Estimates – % of GDP



Source: BCB.

Business cycles in %

QUARTERLY DATA



Measures to strengthen economic activity - investment and productivity

INFRASTRUCTURE

Concessions: continuity and extension of the concession program in traditional sectors and opening of new sectors

On-going concessions: authorization of new investments in existing concessions (railways, ports, roads, electricity sector)

REGULATION

Improvement of regulatory frameworks

New concessions: return rates adherent to market conditions

Improvement of IBAMA – environmental licensing processes (application of information and procedures)

Definition of Telecom regulatory framework post 2025. enabling investment decisions and sector consolidation

INFRASTRUCTURE - REGULATION

Preserving concessions contracts' stability - establishing limits of changes in conditions or terms of the subscription bonus. It is now mandatory to conduct preliminary impact assessment, submitted to public consultation and the contract amendment (General Law on Concessions).

Measures to strengthen economic activity - investment and productivity

COMPETITION AND NEW INVESTMENTS

Selling off public assets. Revamping oil and gas sectors

COMPETITION AND BUSINESS ENVIRONMENT

Caixa Seguridade's IPO and IRB's (Reinsurance Institute) IPO. Measures to open Brazilian reinsurance market already taken.

Pace up tax simplification agenda

Accelerate SINTER – simplification and reduction of the time and cost of properties regularization, decreasing legal risk in real estate transactions and promoting mortgages (reducing housing loans risk)

COMMERCIAL INTEGRATION AND STRENGTHENING PRODUCTIVITY

Review the MERCOSUL Common Tariff (TEC) in order to improve the effective protection structure in the country and increase industrial competitiveness;

Adjusting measures to support selected industries, increasing the impact and compatibility with international commitments;

Strengthen trade facilitation measures;

Accelerate the implementation of Authorized Economic Operator (AEO) bilateral agreements;

Complete the implementation of the Foreign Trade Portal

Integrate *Porto Sem Papel* to Single Foreign Trade Portal } => easing exports red tape;

THANK YOU

