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Vol. 24, N.6 June/2018

# National Treasury Fiscal Balance

Brasília, July 2018

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# Central Government Primary Balance Overview

Table 1.1 - Central Government Primary - Brazil - 2017/2018

current prices

	Jan-Jun					June				
	R\$ Million		Variation (2018/2017)			R\$ Million		Variation (2018/2017)		
	2017	2018	Difference	% Nominal	% Real	2017	2018	Difference	%	% Real
I. Total Revenue	664.284,7	729.105,2	64.820,6	9,8%	6,5%	104.759,3	108.840,1	4.080,8	3,9%	-0,5%
II. Transfers by Revenue Sharing	116.598,4	129.475,4	12.877,1	11,0%	7,7%	18.121,8	20.508,0	2.386,2	13,2%	8,4%
III. Net Revenue (I-II)	547.686,3	599.629,8	51.943,5	9,5%	6,3%	86.637,5	88.332,2	1.694,6	2,0%	-2,3%
IV. Total Expenditure	604.165,1	636.518,1	32.353,0	5,4%	2,2%	106.481,7	105.275,3	-1.206,5	-1,1%	-5,3%
V. Sovereign Fund of Brazil - FSB	0,0	4.021,0	4.021,0	-	-	0,0	521,0	521,0	-	-
VI. Central Government Primary Balance (III - IV)	-56.478,8	-32.867,3	23.611,4	-41,8%	-43,9%	-19.844,2	-16.422,1	3.422,1	-17,2%	-20,7%
National Treasury and Central Bank	26.388,4	57.954,0	31.565,7	119,6%	113,0%	-7.004,4	-1.909,1	5.095,2	-72,7%	7,3%
Social Security (RGPS)	-82.867,1	-90.821,4	-7.954,3	9,6%	6,4%	-12.839,8	-14.513,0	-1.673,2	13,0%	8,3%
VII. Primary Balance/GDP	-1,8%	-1,0%	-	-	-	-	-	-	-	-
Memo:										
National Treasury Primary Balance	26.777,4	58.296,7	31.519,3	117,7%	111,1%	-6.975,9	-1.887,3	5.088,5	-72,9%	-
Central Bank Primary Balance	-389,0	-342,6	46,4	-11,9%	-14,2%	-28,5	-21,8	6,7	-23,5%	-26,7%
Social Security Primary Balance	-82.867,1	-90.821,4	-7.954,3	9,6%	6,4%	-12.839,8	-14.513,0	-1.673,2	13,0%	8,3%

In June 2018, the Central Government's primary result, at current prices, deficit was R\$ 16.4 billion against a deficit of 19.8 billion in June 2017. In real terms, net revenue decreased by (2.3%) as a total expenditure decreased by (5.3%). Highlights of the month:

- the increase in transfers by revenues derived from the reclassification, in the month of May 2018, of revenues collected by Federal Revenue Office;
- anticipation for April 2018 of the schedule of payment of judicial remedies related to other compulsory expenses of cost and capital, whereas in 2017 such payments occurred in June;
- redemption of the Investment and Stabilization Tax Fund (FFIE) by the Brazilian Sovereign Wealth Fund (FSB) in the amount of R\$ 521.0 million.

Compared to the accumulated until June 2017, at current prices, the result of the Central Government went from a deficit of R\$ 56.5 billion in 2017 to a deficit of R\$ 32.9 billion in 2018. In real terms, net revenue increased by 6.3% while total expenditure grew 2.2%. The revenue increase is mainly explained by the PIS/Cofins legislation changes, the collection of the PRT/PRT and the improvement of the main macroeconomic indicators that influence the collection. There is also a positive effect of R\$ 4.0 billion referring to the redemption of FFIE quotas.

# Yearly Balance

## Overview

**Table 1.2 - Central Government Primary Balance - Brazil - 2017/2018**

*R\$ million - at constant prices Jun/2018- IPCA*

	Jan-Jun		Variation	
	2017	2018	Difference	% Real
I. Total Revenue	695.165,7	740.554,4	45.388,7	6,5%
I.1 Revenues Collected by the Federal Revenue Office	437.553,8	471.782,5	34.228,7	7,8%
I.2 Fiscal Incentives	-18,2	-1,7	16,5	-
I.3 Net Social Security Revenues	182.830,1	184.634,2	1.804,0	1,0%
I.4 Revenues not Collected by the Federal Revenue Office	74.800,0	84.139,4	9.339,4	12,5%
II. Transfers by Revenue Sharing	121.994,4	131.444,0	9.449,6	7,7%
III. Net Revenue (I-II)	573.171,4	609.110,4	35.939,1	6,3%
IV. Total Expenditure	632.053,7	646.188,0	14.134,4	2,2%
IV.1 Social Security Benefits	269.511,0	276.848,4	7.337,4	2,7%
IV.2 Payroll	142.961,8	144.034,6	1.072,8	0,8%
IV.3 Other Compulsory Expenses	102.923,9	99.599,3	-3.324,6	-3,2%
IV.4 Discretionary Expenses - All Branches	116.657,0	125.705,8	9.048,7	7,8%
V. Sovereign Fund of Brazil - FSB	-	4.065,1	4.065,1	-
VI. Central Government Primary Balance (III - IV + V)	-58.882,3	-33.012,5	25.869,8	-
National Treasury and Central Bank	27.798,5	59.201,7	31.403,1	113,0
Social Security (RGPS)	-86.680,9	-92.214,2	-5.533,3	6,4%
Memo:				
National Treasury Primary Balance	28.205,3	59.550,4	31.345,2	111,1
Central Bank Primary Balance	-406,7	-348,8	58,0	-
Social Security Primary Balance	-86.680,9	-92.214,2	-5.533,3	6,4%

At June 2018 prices, compared to 2017, there was an improvement of R\$ 25.9 billion in the Central Government primary balance result, which has been from a deficit of R\$ 58.9 billion in 2017 to R\$ 33.0 billion in 2018. This improvement was due a growth in net revenue (6.3%) above the increase in total expenditure (2.2%) and due to the positive effect of R\$ 4.0 billion related to the redemption of FFIE quotas.

Regarding the increase in revenue, we highlight:

- increase in the PIS/Cofins tax collection due to a large increase in the tax rate on fuels (Decree 9.101/17);
- performance of the collection associated with the special installments, PERT and PRT programs; and
- the improvement in economic activity and in the macroeconomic indicators that influence the collection.

Primary expenditure, on the other hand, is still under pressure due to increases in social security benefits and personnel expenses. There was also an increase in discretionary expenses.

## Central Government Revenue

**Tabela 1.3 - Central Government Primary Revenues - Brazil - 2017/2018**

*R\$ million - at constant prices Jun/2018- IPCA*

	Jan-Jun		Variation	
	2017	2018	Difference	% Real
I. Total Revenue	695.165,7	740.554,4	45.388,7	6,5%
I.1 Revenues Collected by the Federal Revenue Office	437.553,8	471.782,5	34.228,7	7,8%
Import Tax	15.631,5	19.496,4	3.864,8	24,7%
Industrialized Products Tax (IPI)	21.975,9	27.697,1	5.721,2	26,0%
Income tax (IR)	193.682,9	198.188,9	4.506,0	2,3%
Tax on Credit Operations, Exchange and Insurance (IOF)	17.858,8	18.177,2	318,4	1,8%
Contribution to Social Security Financing (COFINS)	106.214,2	123.444,8	17.230,7	16,2%
PIS/Pasep	28.762,0	33.056,7	4.294,7	14,9%
Social Contribution on Net Corporate Profits (CSLL)	40.529,2	43.283,5	2.754,3	6,8%
Provisional Contribution on Financial Operations (CPMF)	0,0	0,0	0,0	-
CIDE - Fuels	2.961,9	2.607,0	-354,9	-12,0%
Other	9.937,4	5.830,8	-4.106,6	-41,3%
I.2 Fiscal Incentives	-18,2	-1,7	16,5	-90,9%
I.3 Net Social Security Revenues	182.830,1	184.634,2	1.804,0	1,0%
Urban	178.474,2	179.596,3	1.122,0	0,6%
Rural	4.355,9	5.037,9	682,0	15,7%
I.4 Revenues Not Collected by the Federal Revenue Office	74.800,0	84.139,4	9.339,4	12,5%
Concessions and Permissions	2.718,9	2.630,8	-88,0	-3,2%
Dividends	4.495,5	5.726,2	1.230,7	27,4%
Contribution to Civil Service Social Security (CPSS)	6.581,9	6.505,2	-76,8	-1,2%
Financial Compensation Quotas	19.057,9	25.890,6	6.832,7	35,9%
Own Revenues (source codes 50, 81 and 82)	7.357,3	7.509,8	152,6	2,1%
Education-Salary (social contribution for education)	11.047,4	11.025,7	-21,7	-0,2%
FGTS Complement (LC nº 110/01)	2.290,7	2.596,0	305,3	13,3%
Assets Operations	523,8	538,8	15,0	2,9%
Other Revenues	20.726,6	21.716,4	989,7	4,8%

The total revenue of the Central Government increased by R\$ 45.4 billion (6.5%) compared to accumulated until June 2017. This performance was due to the increase of R\$ 34.2 billion (7.8%) in revenues collected by RFB together with an increase of R\$ 9.3 billion (12.5%) in revenues not collected by RFB and an increase of R\$ 1.8 billion (1.0%) in net social security revenues.

It should be noted that in revenues administered by RFB there was reclassification of the stock of special installments not reclassified in November 2017 (see reports for November/2017 and Dec/2017). This reclassification, although does not impact the total revenue it influences its composition, mainly, increasing income tax, Cofins, PIS/PASEP and CSLL and reducing other revenues.

In addition to this effect, the main factors of variation of revenue managed by the RFB were:

- increase of R\$ 17.2 billion (16.2%) in Cofins and R\$ 4.3 billion (14.9%) in PIS/Pasep resulting from the combined effect on the of PIS/Cofins tax rates on the fuels (Decree 9.101/17), increase of volume of sales of goods (real increase of 6.38% - PMC-IBGE);
- increase of R\$ 5.7 billion (26.0%) in IPI influenced mainly by growth of 2.43% in industrial production from December 2017 to May 2018 compared to production from December 2016 to

May 2017;

- increase of R\$ 4.5 billion (2.3%) in the Income Tax, which was determined by the increase in IRPJ collection (R\$ 5.5 billion); and
- increase of R\$ 3.9 billion (24.7%) in the Import Tax, mainly due to the 7.8% increase in the average exchange rate, a reduction in the average effective tax rate and an increase of 18.4% in the dollar value of imports.

#### Table 1.4 - Dividends - Brazil - 2017/2018

R\$ million - at constant prices Jun/2018- IPCA

	Jan-Jun	
	2017	2018
Banco do Brasil	545,2	911,9
BNB	65,3	49,6
BNDES	3.565,9	1.519,0
Caixa	0,0	2.839,7
Correios	0,0	0,0
Eletrobrás	0,0	0,0
IRB	55,0	60,9
Petrobras	0,0	189,4
Others	264,1	155,8
<b>Total</b>	<b>4.495,5</b>	<b>5.726,2</b>

It should also be noted that, for the period, there was an increase of R\$ 10.0 billion related to the Tax Regularization Program (PERT), instituted through Law 13496/17, whose effect is distributed in different items of income (Income Tax, IPI, COFINS and CSLL), PRT and other installments of the Active Debt.

Revenues not collected by RFB increased by R\$ 9.3 billion (12.5%) when compared to the same period of 2017. This increase is mainly explained by the increase of R\$ 6.8 billion in financial quotas compensation due to the increase in oil production and international prices and to increase of R\$ 1.2 billion in dividends, determined, mainly due to distribution of R\$ 2.8 billion of dividends by the Federal Savings Bank (CAIXA) without compensation in the same period of 2017.

## Transfers by Revenue Sharing

**Table 1.5 - Transfers by Revenue Sharing - Brazil - 2017/2018**

*R\$ million - at constant prices Jun/2018- IPCA*

	Jan-Jun		Variation	
	2017	2018	Difference	%
II. Transfers by Revenue Sharing	121.994,4	131.444,0	9.449,6	7,7%
II.1 FPM / FPE / IPI-EE	98.279,3	103.955,7	5.676,4	5,8%
II.2 Constitutional Funds	4.288,9	4.185,3	-103,6	-2,4%
Total Transfer	6.485,7	6.893,7	408,0	6,3%
Funds Surplus	-2.196,8	-2.708,5	-511,6	23,3%
II.3 Education-Salary (social contribution for education)	6.608,7	6.636,6	27,9	0,4%
II.4 Financial Compensations	11.636,9	15.566,0	3.929,1	33,8%
II.5 CIDE - Fuels	870,3	813,4	-56,8	-6,5%
II.6 Other	310,3	287,0	-23,3	-7,5%

Obs.: Data subject to change.

Transfers by revenue sharing have increased of R\$ 9.4 billion (7.7%), in relation to the accumulated until June 2017, from R\$ 122.0 billion 2017 to R\$ 131.4 billion in 2018. The main variations in the period were:

- increase of R\$ 5.7 billion (5.8%) in of FPM/FPE/IPI-EE, reflecting the increase in taxes shared (IR and IPI); and
- R\$ 3.9 billion (38.0%) increase in Financial Compensation, due to the factors previously explained on the performance of Financial Compensation revenues.

## Central Government Expenditure

**Table 1.6 - Central Government Primary Expenditure - Brazil - Brasil - 2017/2018**

R\$ million - at constant prices Jun/2018- IPCA

	Jan-Jun		Variation	
	2017	2018	Difference	% Real
IV. Total Expenditure	632.053,7	646.188,0	14.134,4	2,2%
IV.1 Social Security Benefit	269.511,0	276.848,4	7.337,4	2,7%
IV.1.1 Social Security Benefit - Urban	211.263,6	218.317,9	7.054,2	3,3%
IV.1.2 Social Security Benefit - Rural	58.247,4	58.530,5	283,2	0,5%
IV.2 Payroll	142.961,8	144.034,6	1.072,8	0,8%
IV.3 Other Compulsory Expenses	102.923,9	99.599,3	-3.324,6	-3,2%
Salary Allowance and Unemployment Benefit	29.471,4	27.428,5	-2.042,9	-6,9%
Assistance Benefits (LOAS/RMV)	27.937,6	28.388,6	451,0	1,6%
FGTS Complement (LC nº 110/01)	2.290,7	2.590,5	299,8	13,1%
Extraordinary credits (excluding PAC)	446,6	177,9	-268,7	-60,2%
(MP) 540/11, 563/12, 582/12 Exoneration	8.654,8	7.923,9	-730,9	-8,4%
FUNDEB (Federal Complementation)	7.881,2	8.168,8	287,6	3,6%
Federal District (DF) Contitucional Fund	759,4	691,4	-68,0	-9,0%
Judicial Remedies	10.109,1	13.018,7	2.909,6	28,8%
Subsídios, Subvenções e Proagro	10.181,5	7.394,4	-2.787,2	-27,4%
FIES primary impact (Student Funding)	2.684,8	1.542,7	-1.142,1	-42,5%
Others	2.506,7	2.273,9	-232,8	-9,3%
IV.4 Discretionary Expenses - All Branches	116.657,0	125.705,8	9.048,7	7,8%
Executive Branch Discretionary Expenses	111.227,0	119.699,9	8.472,9	7,6%
PAC (Growth Acceleration Program)	10.802,4	9.310,1	-1.492,3	-13,8%
o/w "Minha Casa Minha Vida - MCMV"	1.470,0	1.084,3	-385,7	-26,2%
Issuance of Agricultural Debt Securities (TDA)	10,7	12,2	1,6	14,6%
Other Executive Branch Discretionary Expenses	100.414,0	110.377,6	9.963,7	9,9%
Legislative and Judiciary Branches and Prosecutor's	5.430,0	6.005,8	575,8	10,6%
Memo:				
Other Current and Capital Expenditures	151.634,7	161.766,0	10.131,3	6,7%
Other Current Expenditures	133.947,2	140.226,3	6.279,1	4,7%
Other Capital Expenditures	17.687,6	21.539,7	3.852,1	21,8%

The total expenditure of the Central Government until May 2018 reached R\$ 646.2 billion, 2.2% above that observed in the same period of 2017, when expenses totaled R\$ 632.1 billion.

This variation is due to the combined increase of:

- Increase of R\$ 7.3 billion (2.7%) in Benefits Social Security;
- Growth of R\$ 1.1 billion (0.8%) in Payroll and Social Charges;
- Increase R\$ 9.0 billion (7.8%) in Discretionary Expenses; and
- Reduction of R\$ 3.3 billion Other Expenses Compulsory (3.2%).

The reduction in subsidies and subsidies (R\$ 2.8 billion), which is a result of the rationalization of subsidy expenditures and the decrease in unemployment benefits and insurance (R\$ 2,0 billion) were partially offset by the increase in other compulsory – judicial remedies expenses (R\$ 2.9 billion).



**Table 1.7 - Other Executive Branch Discretionary Expenses - Brazil - 2017/2018***R\$ million - at constant prices Jun/2018- IPCA*

	Jan-Jun		Variation	
	2017	2018	Difference	% Real
Total	100.414,0	110.262,8	9.848,9	9,8%
Ministry of Health	49.745,9	54.516,2	4.770,3	9,6%
Ministry of Education	14.381,4	13.602,5	-778,8	-5,4%
Ministry of Social Development	17.240,6	16.946,0	-294,6	-1,7%
Ministry of Defense	5.675,8	7.899,3	2.223,5	39,2%
Ministry of Science and Technology	1.779,9	1.632,5	-147,4	-8,3%
Other	11.590,4	15.666,4	4.076,0	35,2%

Discretionary expenditures - all branches were up by R\$ 9.0 billion (7.8%), explained almost entirely by the increase in other discretionary expense, which accounted for the cost and investment of the ministries and mandatory parliamentary amendments.

The amount of remnants to be paid (PR) paid (excluding financial PR) up to June 2018 was R\$ 64.3 billion, against R\$ 58.4 billion in the same period of the previous year.

**Table 1.8 - Subsidies and Grants - Brazil - 2017/2018**

*R\$ million - at constant prices Jun/2018- IPCA*

	Jan-Jun		Variation	
	2017	2018	Difference	% Real
<b>Agricultural price policy</b>	<b>5.155,8</b>	<b>3.840,3</b>	<b>-1.315,5</b>	<b>-25,5%</b>
Equalisation of agricultural extension	1.218,9	652,3	-566,6	-46,5%
Equalisation of rural and agroindustrial investments	1.243,7	882,6	-361,1	-29,0%
Agricultural price policy	-215,2	182,2	397,5	-
Pronaf - National programme for the strengthening of family farming	2.283,7	1.600,6	-683,1	-29,9%
PESA - Programme of financial assets rehabilitation	123,1	308,7	185,6	150,7%
Alcohol	27,0	16,7	-10,3	-38,1%
Cocoa	0,0	0,0	0,0	-
Agricultural debt securitisation (Law 9,138/1995)	0,0	0,0	0,0	-
INCRA - Land fund/national institute of colonization and agrarian reform	21,5	71,7	50,3	234,4%
Coffee economy defense fund	56,6	49,7	-6,9	-12,2%
Revitaliza - Production development programme / capital goods	9,7	5,6	-4,2	-42,8%
Proagro - Agricultural Activity Support Program	386,8	70,0	-316,8	-81,9%
<b>Others</b>	<b>5.025,7</b>	<b>3.554,1</b>	<b>-1.471,6</b>	<b>-29,3%</b>
Proex - Export financing programme	241,8	324,4	82,6	34,2%
PSH - Subsidy programme for social interest housing	0,0	0,0	0,0	-
PSI - Investment Maintenance Program	4.607,2	2.909,6	-1.697,6	-36,8%
EQMPO - Credit Operations to Small Productive Businesses	0,0	0,0	0,0	-
EQPCD - Credit Operations to persons with disabilities	3,3	3,5	0,1	4,1%
FND - National Development Fund	0,0	0,0	0,0	-
FSA - Audiovisual Sectorial Fund	274,1	384,5	110,4	40,3%
Capitalization of Emgea	0,0	0,0	0,0	-
Itaipu	0,0	0,0	0,0	-
Economic Subventions	0,0	0,0	0,0	-
Equalisation of FDA/FDNE/FDCO	25,2	23,6	-1,6	-6,3%
Sudene	0,0	0,0	0,0	-
Subsidy Recovery Revenues	0,0	-34,4	-34,4	-
PNAFE - Program for States' Fiscal and Administrative Modernization	-125,8	-57,0	68,8	-54,7%
PRODECER	0,0	0,0	0,0	-
<b>Total</b>	<b>10.181,5</b>	<b>7.394,4</b>	<b>-2.787,2</b>	<b>-27,4%</b>

## Social Security

**Table 1.9 - Social Security (RGPS) Primary Balance - Brazil - 2017/2018**

*R\$ million - at constant prices Jun/2018- IPCA*

Discriminação	Jan-Jun		Variation	
	2017	2018	Difference	% Real
Net Social Security Revenues	182.830,1	184.634,2	1.804,0	1,0%
Total Revenue	205.017,3	206.857,7	1.840,4	0,9%
Contributions deposited in banks	176.136,2	178.002,4	1.866,2	1,1%
Contributions from SIMPLES	19.181,6	20.086,3	904,7	4,7%
Debt Rescheduling REFIS	93,4	31,0	-62,4	-66,8%
Judicial Payments	951,4	814,1	-137,2	-14,4%
Social Security Compensation1	8.654,8	7.923,9	-730,9	-8,4%
(-) Restituição/Devolução	-446,8	-461,1	-14,3	3,2%
(-) Transferências a Terceiros	-21.740,4	-21.762,5	-22,1	0,1%
Social Security Benefit	269.511,0	276.848,4	7.337,4	2,7%
Primary Balance	-86.680,9	-92.214,2	-5.533,3	6,4%

Comparing the accumulated values of June 2018 with the same period of 2017, the Welfare deficit increased from R\$ 86.7 billion to R\$ 92.2 billion (6.4%) at June 2018 prices. This variation results of the combined effect of the following factors:

- R\$ 7.3 billion (2.7%) increase in payments of social security benefits, due to the increase of 600.9 thousand (2.1%) in the number of benefits issued, partially offset by the reduction of the average real value of the benefits paid by the Pension Plan by R\$ 9.64 (0.7%); and
- a real increase of R\$ 1.8 billion (1.0%) in net revenue, explained by the increase in the social security contribution (R\$ 1.8 billion, 1.1%) and by the increase in the collection of contributions from SIMPLES (R\$ 904.7 million, 4.7%), partially offset by the reduction of 730.9 million (8.4%) in the compensation of the RGPS.

**Table 1.10 - Social Security (RGPS) Primary Balance - Brazil - 2017/2018**

*R\$ million - at constant prices Jun/2018- IPCA*

Discriminação	Jan-Jun		Variation	
	2017	2018	Difference	% Real
Net Revenue	182.830,1	184.634,2	1.804,0	1,0%
Urban	178.474,2	179.596,3	1.122,0	0,6%
Rural	4.355,9	5.037,9	682,0	15,7%
Benefits	269.511,0	276.848,4	7.337,4	2,7%
Urban	211.263,6	218.317,9	7.054,2	3,3%
Rural	58.247,4	58.530,5	283,2	0,5%
Primary Balance	-86.680,9	-92.214,2	-5.533,3	6,4%
Urban	-32.789,4	-38.721,6	-5.932,2	18,1%
Rural	-53.891,5	-53.492,6	398,9	-0,7%

## Monthly Balance Compared to the Same Month of the Previous Year

**Table 2.1 - Central Government Primary Balance - Brazil - 2017/2018**

*R\$ million - at constant prices Jun/2018- IPCA*

	June		Variation	
	2017	2018	Difference	% Real
I. Total Revenue	109.359,4	108.840,	-519,2	-0,5%
I.1 Revenues Collected by the Federal Revenue Office	66.760,8	67.058,9	298,1	0,4%
I.2 Fiscal Incentives	0,0	0,0	0,0	-
I.3 Net Social Security Revenues	31.090,9	30.349,7	-741,2	-2,4%
I.4 Revenues not Collected by the Federal Revenue Office	11.507,7	11.431,6	-76,1	-0,7%
II. Transfers by Revenue Sharing	18.917,5	20.508,0	1.590,5	8,4%
III. Net Revenue (I-II)	90.441,9	88.332,2	-2.109,7	-2,3%
IV. Total Expenditure	111.157,5	105.275,	-5.882,2	-5,3%
IV.1 Social Security Benefits	44.494,5	44.862,7	368,2	0,8%
IV.2 Payroll	22.932,1	22.699,4	-232,7	-1,0%
IV.3 Other Compulsory Expenses	21.962,0	12.213,8	-9.748,2	-44,4%
IV.4 Discretionary Expenses - All Branches	21.768,8	25.499,3	3.730,5	17,1%
V. Sovereign Fund of Brazil - FSB	0,0	521,0	0,0	-
VI. Central Government Primary Balance (III - IV + V)	-20.715,6	-16.422,1	4.293,4	-20,7%
National Treasury and Central Bank	-7.311,9	-1.909,1	5.402,8	-73,9%
Social Security (RGPS)	-13.403,6	-14.513,0	-1.109,4	8,3%
Memo:				
National Treasury Primary Balance	-7.282,2	-1.887,3	5.394,9	-74,1%
Central Bank Primary Balance	-29,7	-21,8	8,0	-26,7%
Social Security (RGPS) Primary Balance	-13.403,6	-14.513,0	-1.109,4	8,3%

reclassification of revenues collected by the RFB (see report of May/18).

Finally, it is worth mentioning that in June 2018, there was the redemption of the last installment of FFIE (R\$ 521.0 million)

At June 2018 prices, the primary result of the Central Government went from a deficit of R\$ 20.7 billion in June 2017 for a deficit of R\$ 16.4 billion in the same month of 2018, which represented a decrease in the deficit in R\$ 4.3 billion (20.7%). This variation was due to a decrease in total expenditure of R\$ 5.9 billion (2.3%) partially offset by net revenue decrease by R\$ 2.1 billion (5.3%).

Regarding the reduction of expenses, we highlight the reduction in other compulsory expenses, due to the anticipation of the payment schedule of judicial remedies. In June 2017, R\$ 8.8 billion were paid in judicial remedies, while in 2018 this payment was made in April.

It is important to note that the increase in transfers by revenue sharing is mainly due to the

## Central Government Revenue

Tabela 2.2 - Central Government Primary Revenues - Brazil - 2017/2018

R\$ million - at constant prices Jun/2018- IPCA

	June		Variation	
	2017	2018	Difference	% Real
I. Total Revenue	109.359,4	108.840,1	-519,2	-0,5%
I.1 Revenues Collected by the Federal Revenue Office	66.760,8	67.058,9	298,1	0,4%
Import Tax	2.816,1	3.584,9	768,8	27,3%
Industrialized Products Tax (IPI)	3.639,1	4.110,6	471,4	13,0%
Income tax (IR)	28.482,4	25.418,0	-3.064,3	-10,8%
Tax on Credit Operations, Exchange and Insurance (IOF)	3.046,8	3.238,7	191,9	6,3%
Contribution to Social Security Financing (COFINS)	17.753,4	19.435,0	1.681,5	9,5%
PIS/PASEP	4.505,7	5.077,0	571,3	12,7%
Social Contribution on Net Corporate Profits (CSLL)	4.026,5	4.088,7	62,2	1,5%
Provisional Contribution on Financial Operations (CPMF)	0,0	0,0	0,0	-
CIDE - Fuels	477,8	379,4	-98,4	-20,6%
Other	2.012,9	1.726,6	-286,3	-14,2%
I.2 Fiscal Incentives	0,0	0,0	0,0	-
I.3 Net Social Security Revenues	31.090,9	30.349,7	-741,2	-2,4%
Urban	30.181,5	29.544,4	-637,1	-2,1%
Rural	909,4	805,3	-104,0	-11,4%
I.4 Revenues Not Collected by the Federal Revenue Office	11.507,7	11.431,6	-76,1	-0,7%
Concessions and Permissions	195,5	1.166,4	971,0	496,8%
Dividends	2.075,2	133,5	-1.941,7	-93,6%
Contribution to Civil Service Social Security (CPSS)	1.248,3	1.077,6	-170,6	-13,7%
Financial Compensation Quotas	1.702,6	2.667,4	964,8	56,7%
Own Revenues (source codes 50, 81 and 82)	1.395,3	1.615,0	219,7	15,7%
Education-Salary (social contribution for education)	1.649,3	1.597,1	-52,2	-3,2%
FGTS Complement (LC nº 110/01)	426,2	428,1	1,9	0,5%
Assets Operations	83,2	84,4	1,2	1,4%
Other Revenues	2.732,2	2.662,0	-70,3	-2,6%

Total revenue from the Central Government decreased of R\$ 519.2 million (0.5%), from R\$ 109.4 billion in June 2017 to R\$ 108.8 billion in June 2018. This behavior was due to an increase of R\$ 298.1 million (0.4%) in the revenue managed by RFB along with a decrease of R\$ 741.2 million (2.4%) in net social security revenues and a decrease of R\$ 76.1 million (0.7%) in revenues not collected by the RFB. The main variations in revenue not collected by the RFB were:

- reduction of R\$ 3.1 billion (10.8%) in income tax explained by the reduction in IRRF-Capital (R\$ 2.9 billion) and IRRF-Wages i (R\$ 1.3 billion); and
- increase of R\$ 1.7 billion (9.5%) in Cofins due to the combined effect on the adjustment of PIS/Cofins rates on fuels (Decree 9.101/17), and the increase in sales volume of goods of 2.20% - PMC-IBGE) between May 2018 and May 2017.

Revenues not collected by the Federal Revenue Office remained practically constant (R\$ 76.1 million reduction), with the reduction in Dividends (R\$ 1.9 billion) being offset by the increase in financial compensation quotas (R\$ 964.8 million). The reduction in dividends is explained by BNDES payments, which in 2017 occurred in the month of June while in 2018 occurred in May.

## Transfers by Revenue Sharing

**Tabela 2.3 - Transfers by Revenue Sharing - Brazil - 2017/2018**

*R\$ million - at constant prices Jun/2018- IPCA*

	June		Variation	
	2017	2018	Difference	% Real
II. Transfers by Revenue Sharing	18.917,5	20.508,0	1.590,5	8,4%
II.1 FPM / FPE / IPI-EE	16.101,3	17.258,2	1.156,8	7,2%
II.2 Constitutional Funds	736,2	721,8	-14,4	-2,0%
Total Transfer	1.009,3	1.142,7	133,5	13,2
Funds Surplus	273,1	420,9	147,9	54,2
II.3 Education-Salary (social contribution for education)	966,5	962,0	-4,4	-0,5%
II.4 Financial Compensations	1.098,4	1.547,7	449,3	40,9
II.5 CIDE - Fuels	0,0	0,0	0,0	-
II.6 Other	15,1	18,3	3,2	21,1

In June 2018, transfers by revenue sharing increased R\$ 1.6 billion (8.4%) compared to June 2017. This result is due to the evolution of revenues underlying the transfers and to the transfer in June 2018 of the amount from the reclassification of revenues collected by the RFB in May of the same year (see report of May / 18).

## Central Government Expenditure

Table 2.4 - Central Government Primary Expenditure - Brazil - 2017/2018

R\$ million - at constant prices Jun/2018- IPCA

	June		Variation	
	2017	2018	Difference	% Real
IV. Total Expenditure	111.157,5	105.275,3	-5.882,2	-5,3%
IV.1 Social Security Benefit	44.494,5	44.862,7	368,2	0,8%
IV.1.1 Social Security Benefit - Urban	34.902,2	35.407,4	505,2	1,4%
IV.1.2 Social Security Benefit - Rural	9.592,4	9.455,4	-137,0	-1,4%
IV.2 Payroll	22.932,1	22.699,4	-232,7	-1,0%
IV.3 Other Compulsory Expenses	21.962,0	12.213,8	-9.748,2	-44,4%
Salary Allowance and Unemployment Benefit	3.741,9	3.240,1	-501,8	-13,4%
Assistance Benefits (LOAS/RMV)	4.681,6	4.685,4	3,8	0,1%
FGTS Complement (LC nº 110/01)	426,2	860,5	434,3	101,9%
Extraordinary credits (excluding PAC)	63,4	22,3	-41,1	-64,8%
Provisional Measures (MP) 540/11, 563/12 and 582/12 Exoneration	1.293,0	1.160,4	-132,6	-10,3%
FUNDEB (Federal Complementation)	959,3	963,9	4,6	0,5%
Federal District (DF) Constitutional Fund	123,7	122,0	-1,7	-1,4%
Judicial Remedies	8.807,0	159,7	-8.647,2	-98,2%
Subsidies and Grants	222,9	358,7	135,8	60,9%
FIES primary impact (Student Funding)	1.210,5	334,6	-875,9	-72,4%
Others	432,5	306,2	-126,3	-29,2%
IV.4 Discretionary Expenses - All Branches	21.768,	25.499,	3.730,5	17,1%
Executive Branch Discretionary Expenses	20.713,8	24.502,3	3.788,5	18,3%
PAC (Growth Acceleration Program)	2.414,2	1.866,5	-547,6	-22,7%
o/w "Minha Casa Minha Vida - MCMV" Program	532,9	357,3	-175,6	-32,9%
Issuance of Agricultural Debt Securities (TDA)	10,7	0,0	-10,7	-100,0%
Other Executive Branch Discretionary Expenses	18.289,0	22.635,8	4.346,8	23,8%
Legislative and Judiciary Branches and Prosecutor's Office (LEJU/MPU)	1.055,0	997,0	-58,0	-5,5%
Memo:				
Other Current and Capital Expenditures	35.004,4	29.364,0	-5.640,5	-16,1%
Other Current Expenditures	30.136,1	23.770,6	-6.365,5	-21,1%
Other Capital Expenditures	4.868,3	5.593,4	725,0	14,9%

In June 2018, there was a reduction of R\$ 5.9 billion (5.3%) in total central government expenditure in relation to the same month of the previous year, going from R\$ 111.2 billion to R\$ 105.3 billion. This variation is due, mainly, to the change in the calendar of payments of judicial remedies. In June 2017 there were payments of R\$ 8.8 billion of judicial remedies. In 2018, such payments were made in April.

In addition to the reduction in Other Compulsory Expenses (R\$ 9.7 billion, 44.4%), explained by the decrease in Judicial Remedies, another significant change in expenses was an increase of R\$ 3.7 billion (17.1%) of Discretionary Expenses - All Branches. This increase is due, in large part, to the growth in expenses with mandatory parliamentary amendments.

**Table 2.5 - Other Executive Branch Discretionary Expenses - Brazil - 2017/2018***R\$ million - at constant prices Jun/2018- IPCA*

	June		Variation	
	2017	2018	Difference	% Real
Total	18.289,0	22.620,3	4.331,3	23,7%
Ministry of Health	8.792,9	10.930,9	2.138,0	24,3%
Ministry of Education	2.636,6	2.051,4	-585,2	-22,2%
Ministry of Social Development	3.004,3	2.802,5	-201,8	-6,7%
Ministry of Defense	1.272,9	2.827,2	1.554,3	122,1%
Ministry of Science and Technology	306,3	310,0	3,7	1,2%
Other	2.275,9	3.698,2	1.422,3	62,5%

## Social Security

**Tabela 2.6 - Social Security (RGPS) Primary Balance - Brazil - 2017/2018***R\$ million - at constant prices Jun/2018- IPCA*

	June		Variation	
	2017	2018	Difference	% Real
Net Social Security Revenues	31.090,9	30.349,7	-741,2	-2,4%
Total Revenue	34.501,6	33.602,5	-899,1	-2,6%
Contributions deposited in banks	29.673,4	29.071,5	-601,9	-2,0%
Contributions from SIMPLES	3.320,0	3.235,2	-84,9	-2,6%
Debt Rescheduling REFIS	9,0	125,5	116,5	-
Judicial Payments	206,1	9,9	-196,2	-95,2%
Social Security Compensation	1.293,0	1.160,4	-132,6	-10,3%
(-) Restituição/Devolução	-145,5	-45,2	100,3	-68,9%
(-) Transferências a Terceiros	-3.265,2	-3.207,6	57,6	-1,8%
Social Security Benefit	44.494,5	44.862,7	368,2	0,8%
Primary Balance	-13.403,6	-14.513,0	-1.109,4	8,3%

The primary result of Social Security went from a deficit of R\$ 13.4 billion in June 2017 to a deficit of R\$ 14.5 billion in June 2018, representing a reduction of R\$ 1.1 billion in the primary result. This variation is mainly due to the decrease of R\$ 741.2 million (2.4%) in the Net Social Security Revenues.

Expenses from Social Security Benefits increased by R\$ 368.2 million (0.8%), influenced by the increase of 614.7 thousand (2.1%) in the number of benefits issued, partially offset by the reduction of the average real value of the benefits paid by the Pension Plan by R\$ 25.64 (2.0%);



# Monthly Balance Compared to the Previous Month

## Overview

**Table 3.1 - Central Government Primary Balance - Brazil - 2018**

*R\$ million - at constant prices Jun/2018- IPCA*

	2018		Variation	
	May	June	Difference	% Real
I. Total Revenue	114.168,	108.840,1	-5.328,5	-4,7%
I.1 Revenues Collected by the Federal Revenue Office	67.910,2	67.058,9	-851,3	-1,3%
I.2 Fiscal Incentives	-1,7	0,0	1,7	-100,0%
I.3 Net Social Security Revenues	30.818,0	30.349,7	-468,3	-1,5%
I.4 Revenues not Collected by the Federal Revenue Office	15.442,1	11.431,6	-4.010,5	-26,0%
II. Transfers by Revenue Sharing	25.300,2	20.508,0	-4.792,2	-18,9%
III. Net Revenue (I-II)	88.868,4	88.332,2	-536,3	-0,6%
IV. Total Expenditure	103.571,	105.275,3	1.703,7	1,6%
IV.1 Social Security Benefits	46.103,8	44.862,7	-1.241,1	-2,7%
IV.2 Payroll	22.865,1	22.699,4	-165,7	-0,7%
IV.3 Other Compulsory Expenses	12.236,7	12.213,8	-22,8	-0,2%
IV.4 Discretionary Expenses - All Branches	22.365,9	25.499,3	3.133,4	14,0%
V. Sovereign Fund of Brazil - FSB	3.544,1	521,0	0,0	-85,3%
VI. Central Government Primary Balance (III - IV + V)	-11.159,0	-16.422,1	-5.263,2	47,2%
National Treasury and Central Bank	4.126,8	-1.909,1	-6.036,0	-
Social Security (RGPS)	-15.285,8	-14.513,0	772,8	-5,1%
Memo:				
National Treasury Primary Balance	4.183,8	-1.887,3	-6.071,1	-
Central Bank Primary Balance	-56,9	-21,8	35,1	-61,7%
Social Security (RGPS) Primary Balance	-15.285,8	-14.513,0	772,8	-5,1%

In June 2018, the primary result of the Central Government was a deficit of R\$ 16.4 billion, compared to a deficit of R\$ 11.2 billion in May 2018 at constant June prices. There was a reduction of R\$ 0.5 billion (0.6%) in net revenue, mainly due to the decrease of R\$ 4.0 billion (26.6%) in revenues not collected by RFB, explained by the income in May, of R\$ 4.8 billion in dividends (R\$ 2.8 billion CAIXA and R\$ 1.5 billion BNDES). Total expenditure increased by R\$ 1.7 billion (1.6%), mainly due to the increase of R\$ 3.1 billion (14.0%) in Discretionary Expenses, influenced by the increase in expenses with mandatory parliamentary amendments. Finally, the redemption of the last two installments of the Fiscal Investment and Stabilization Fund (FFIE) should be highlighted: R\$ 3.5 billion in May and R\$ 521.0 million in June.

## Central Government Revenue

**Table 3.2 - Central Government Primary Revenues - Brazil - 2017/2018**

*R\$ million - at constant prices Jun/2018- IPCA*

	2018		Variation	
	May	June	Difference	% Real
I. Total Revenue	114.168,6	108.840,1	-5.328,5	-4,7%
I.1 Revenues Collected by the Federal Revenue Office	67.910,2	67.058,9	-851,3	-1,3%
Import Tax	3.261,0	3.584,9	323,9	9,9%
Industrialized Products Tax (IPI)	4.895,4	4.110,6	-784,8	-16,0%
Income tax (IR)	28.530,8	25.418,0	-3.112,7	-10,9%
Tax on Credit Operations, Exchange and Insurance (IOF)	2.888,3	3.238,7	350,5	12,1%
Contribution to Social Security Financing (COFINS)	21.809,9	19.435,0	-2.374,9	-10,9%
PIS/PASEP	5.638,7	5.077,0	-561,6	-10,0%
Social Contribution on Net Corporate Profits (CSLL)	5.202,1	4.088,7	-1.113,4	-21,4%
Provisional Contribution on Financial Operations (CPMF)	0,0	0,0	0,0	-
CIDE - Fuels	451,8	379,4	-72,5	-16,0%
Other	-4.767,6	1.726,6	6.494,2	-
I.2 Fiscal Incentives	-1,7	0,0	1,7	-
I.3 Net Social Security Revenues	30.818,0	30.349,7	-468,3	-1,5%
Urban	29.816,6	29.544,4	-272,2	-0,9%
Rural	1.001,5	805,3	-196,1	-19,6%
I.4 Revenues Not Collected by the Federal Revenue Office	15.442,1	11.431,6	-4.010,5	-26,0%
Concessions and Permissions	473,6	1.166,4	692,9	146,3%
Dividends	4.873,9	133,5	-4.740,4	-97,3%
Contribution to Civil Service Social Security (CPSS)	1.075,0	1.077,6	2,6	0,2%
Financial Compensation Quotas	2.391,4	2.667,4	276,0	11,5%
Own Revenues (source codes 50, 81 and 82)	1.270,2	1.615,0	344,9	27,1%
Education-Salary (social contribution for education)	1.623,3	1.597,1	-26,2	-1,6%
FGTS Complement (LC nº 110/01)	890,6	428,1	-462,5	-51,9%
Assets Operations	85,5	84,4	-1,2	-1,4%
Other Revenues	2.758,5	2.662,0	-96,6	-3,5%

In June 2018, total revenues from the Central Government decreased by R\$ 5.3 billion (4.7%) compared to the previous month, from R\$ 114.2 billion in May 2018 to R\$ 108.8 billion in June 2018. This variation results from the combined effect of the following factors:

- Reduction of R\$ 851.3 million (1.3%) in revenues collected by the Federal Revenue Office. The variation of the internal headings was influenced by the reclassification of taxes carried out in May by the Federal Revenue Office; and
- Decrease of R\$ 4.0 billion (26.0%) in revenues not collected by the RFB: reduction of R\$ 4.7 billion in Dividends and Participation, explained by the receipt of R\$ 2.8 billion from Caixa (CEF) and R\$ 1.5 billion from BNDES.

## Transfers by Revenue Sharing

**Table 3.3 - Transfers by Revenue Sharing - Brazil - 2018**

*R\$ million - at constant prices Jun/2018- IPCA*

Discriminação	2018		Variation	
	May	June	Difference	% Real
II. Transfers by Revenue Sharing	25.300,2	20.508,0	-4.792,2	-18,9%
II.1 FPM / FPE / IPI-EE	18.582,1	17.258,2	-1.324,0	-7,1%
II.2 Constitutional Funds	736,0	721,8	-14,3	-1,9%
Total Transfer	1.235,6	1.142,7	-92,9	-7,5%
Funds Surplus	-499,6	-420,9	78,7	-15,7%
II.3 Education-Salary (social contribution for education)	964,2	962,0	-2,2	-0,2%
II.4 Financial Compensations	5.000,5	1.547,7	-3.452,8	-69,0%
II.5 CIDE - Fuels	0,0	0,0	0,0	-
II.6 Other	17,3	18,3	1,1	6,2%

In June 2018, transfers by revenue sharing decreased by R\$ 4.8 billion (18.9%), totaling R\$ 20.5 billion, compared to R\$ 25.3 billion in the previous month. This behavior was mainly due to decreases in Financial Compensation and FPM / FPE / IPI-EE, which were determined by the seasonally concentrated collection in the last ten days of April of the taxes that are part of the distribution base, notably income tax and financial compensations.

## Central Government Expenditure

Tabela 3.4 - Central Government Primary Expenditure - Brazil - 2018

R\$ million - at constant prices Jun/2018- IPCA

	2018		Variation	
	May	June	Difference	% Real
IV. Total Expenditure	103.571,5	105.275,3	1.703,7	1,6%
IV.1 Social Security Benefit	46.103,8	44.862,7	-1.241,1	-2,7%
IV.1.1 Social Security Benefit - Urban	36.483,0	35.407,4	-1.075,6	-2,9%
IV.1.2 Social Security Benefit - Rural	9.620,9	9.455,4	-165,5	-1,7%
IV.2 Payroll	22.865,1	22.699,4	-165,7	-0,7%
IV.3 Other Compulsory Expenses	12.236,7	12.213,8	-22,8	-0,2%
Salary Allowance and Unemployment Benefit	3.682,5	3.240,1	-442,5	-
Assistance Benefits (LOAS/RMV)	4.738,5	4.685,4	-53,1	-1,1%
FGTS Complement (LC nº 110/01)	452,8	860,5	407,7	90,1%
Extraordinary credits (excluding PAC)	37,1	22,3	-14,7	-
Provisional Measures (MP) 540/11, 563/12 and 582/12 Exoneration	876,1	1.160,4	284,4	32,5%
FUNDEB (Federal Complementation)	976,1	963,9	-12,1	-1,2%
Federal District (DF) Constitutional Fund	117,7	122,0	4,3	3,6%
Judicial Remedies	158,1	159,7	1,6	1,0%
Subsídios, Subvenções e Proagro	186,8	358,7	171,9	92,0%
FIES primary impact (Student Funding)	547,1	334,6	-212,6	-
Others	463,8	306,2	-157,6	-
IV.4 Discretionary Expenses - All Branches	22.365,9	25.499,3	3.133,4	14,0%
Executive Branch Discretionary Expenses	21.258,9	24.502,3	3.243,4	15,3%
PAC (Growth Acceleration Program)	1.800,4	1.866,5	66,1	3,7%
o/w "Minha Casa Minha Vida - MCMV" Program	287,9	357,3	69,4	24,1%
Issuance of Agricultural Debt Securities (TDA)	0,1	0,0	-0,1	-
Other Executive Branch Discretionary Expenses	19.458,4	22.635,8	3.177,4	16,3%
Legislative and Judiciary Branches and Prosecutor's Office (LEJU/MPU)	1.107,0	997,0	-110,1	-9,9%
Memo:				
Other Current and Capital Expenditures	25.916,4	29.364,0	3.447,5	13,3%
Other Current Expenditures	22.349,4	23.770,6	1.421,2	6,4%
Other Capital Expenditures	3.567,0	5.593,4	2.026,4	56,8%

In June 2018, the total expenditure of the Central Government recorded the amount of R\$ 105.3 billion, representing an increase of R\$ 1.7 billion (1.6%), compared to May 2018. This variation is mainly explained by the growth of R \$ 3.1 billion (14.0%) of Discretionary Expenses – All Branches, due to June increase in expenses with mandatory parliamentary amendments.

**Tabela 3.5 - Other Executive Branch Discretionary Expenses - Brazil - 2018**

*R\$ million - at constant prices Jun/2018- IPCA*

Discriminação	2018		Variation	
	May	June	Difference	% Real
Total	19.436,7	22.620,3	3.183,6	16,4%
Ministry of Health	9.559,4	10.930,9	1.371,5	14,3%
Ministry of Education	3.548,5	2.051,4	-1.497,1	-42,2%
Ministry of Social Development	2.850,7	2.802,5	-48,2	-1,7%
Ministry of Defense	1.090,6	2.827,2	1.736,6	159,2%
Ministry of Science and Technology	305,3	310,0	4,7	1,5%
Other	2.082,2	3.698,2	1.616,0	77,6%

## Social Security

**Tabela 3.6 - Social Security (RGPS) Primary Balance - Brazil - 2018**

*R\$ million - at constant prices Jun/2018- IPCA*

Discriminação	2018		Variation	
	May	June	Difference	% Real
Net Social Security Revenues	30.818,0	30.349,7	-468,3	-1,5%
Total Revenue	34.168,9	33.602,5	-566,3	-1,7%
Contributions deposited in banks	29.877,1	29.071,5	-805,6	-2,7%
Contributions from SIMPLES	3.255,2	3.235,2	-20,0	-0,6%
Debt Rescheduling REFIS	151,5	125,5	-26,0	-17,2%
Judicial Payments	9,1	9,9	0,8	9,0%
Social Security Compensation	876,1	1.160,4	284,4	32,5%
(-) Restituição/Devolução	-101,3	-45,2	56,0	-55,3%
(-) Transferências a Terceiros	-3.249,6	-3.207,6	42,0	-1,3%
Social Security Benefit	46.103,8	44.862,7	-1.241,1	-2,7%
Primary Balance	-15.285,8	-14.513,0	772,8	-5,1%

In June 2018, the General Social Security System (RGPS) registered a deficit of R\$ 14.5 billion compared to a deficit of R\$ 15.3 billion in the previous month. The decrease in Social Security primary deficit of R\$ 772.8 million (5.1%) is due to the reduction of R\$ 1.2 billion in benefits (2.7%) partially offset by the reduction of R\$ 468.3 million (1.5%) in the net revenue of the RGPS.