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# National Treasury Fiscal Balance

Brasília, February 2019

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# Summary

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# Central Government Primary Balance Overview

Table 1.1 - Central Government Primary - Brazil - 2018/2019

current prices

	January				
	R\$ Million		Variation (2019/2018)		
	2018	2019	Difference	% Nominal	% Real (IPCA)
I. Total Revenue	156.155,9	160.970,3	4.814,5	3,1%	-0,7%
II. Transfers by Revenue Sharing	19.956,1	23.921,2	3.965,1	19,9%	15,5%
III. Net Revenue (I-II)	136.199,8	137.049,1	849,4	0,6%	-3,0%
IV. Total Expenditure	105.357,4	106.811,1	1.453,7	1,4%	-2,3%
V. Sovereign Fund of Brazil - FSB	0,0	0,0	0,0	-	-
VI. Central Government Primary Balance (III - IV + V)	30.842,4	30.238,1	-604,3	-2,0%	-5,5%
National Treasury and Central Bank	45.542,1	44.030,5	-1.511,6	-3,3%	-13,8%
Social Security (RGPS)	-14.699,8	-13.792,4	907,3	-6,2%	-9,6%
VII. Primary Balance/GDP	-	-	-	-	-
Memo:					
National Treasury Primary Balance	45.715,3	43.976,4	-1.738,9	-3,8%	171,7%
Central Bank Primary Balance	-173,2	54,1	227,3	-	-
Social Security Primary Balance	-14.699,8	-13.792,4	907,3	-6,2%	-9,6%

In January 2019, the Central Government's primary result, at current prices, was a surplus of R\$ 30.2 billion against a surplus of R\$ 30.8 billion in January 2018. In real terms, net revenue declined by 3.0 % while total expenditure decreased by 2.3%. These variations are mainly explained by the revenue of R\$ 8.2 billion from the tax regularization programs (PERT/PRT) in January 2018, while for the same programs in January 2019 the collection was R\$ 480.0 million and by the reduction in the performance of other mandatory expenses and expenses of the executive branch subject to financial programming.

# Yearly Balance

## Overview

Table 1.2 - Central Government Primary Balance - Brazil - 2018/2019

R\$ million - at constant prices Jan/2019- IPCA

	January		Variation	
	2018	2019	Difference	% Real
I. Total Revenue	162.053,1	160.970,3	-1.082,8	-0,7%
I.1 Revenues Collected by the Federal Revenue Office	113.997,5	109.200,7	-4.796,8	-4,2%
I.2 Fiscal Incentives	0,0	0,0	0,0	-
I.3 Net Social Security Revenues	29.749,1	32.317,9	2.568,8	8,6%
I.4 Revenues not Collected by the Federal Revenue Office	18.306,6	19.451,7	1.145,2	6,3%
II. Transfers by Revenue Sharing	20.709,7	23.921,2	3.211,4	15,5%
III. Net Revenue (I-II)	141.343,4	137.049,1	-4.294,2	-3,0%
IV. Total Expenditure	109.336,3	106.811,1	-2.525,2	-2,3%
IV.1 Social Security Benefits	45.004,0	46.110,3	1.106,3	2,5%
IV.2 Payroll	26.582,2	26.089,8	-492,4	-1,9%
IV.3 Other Compulsory Expenses	22.692,0	21.632,4	-1.059,6	-4,7%
IV.4 Executive Branch Expenses Subject to Financial Programming	15.058,1	12.978,6	-2.079,5	-13,8%
IV.4.1 Compulsory Expenses with Cash Control	10.277,4	8.755,5	-1.521,8	-14,8%
IV.4.2 Discretionary	4.780,7	4.223,1	-557,7	-11,7%
V. Sovereign Fund of Brazil - FSB	-	-	-	-
VI. Central Government Primary Balance (III - IV + V)	32.007,1	30.238,1	-1.769,0	-5,5%
National Treasury and Central Bank	47.262,1	44.030,5	-3.231,5	-6,8%
Social Security (RGPS)	-15.254,9	-13.792,4	1.462,5	-9,6%
Memo:				
National Treasury Primary Balance	47.441,8	43.976,4	-3.465,4	-7,3%
Central Bank Primary Balance	-179,7	54,1	233,8	-
Social Security Primary Balance	-15.254,9	-13.792,4	1.462,5	-9,6%

At January 2019 prices, the Central Government's primary result went from a surplus of R\$ 32.0 billion in January 2018 to a surplus of R\$ 30.2 billion, representing a reduction of R\$ 1.8 billion (5.5%). This result was due to the reduction in net revenue (R\$ 4.3 billion), which was higher than the reduction in total expenses (R\$ 2.5 billion).

The decrease in net revenue results mainly from the collection in January 2018 of R\$ 8.2 billion from the tax regularization programs (PERT/PRT) against 480.0 million in January 2019.

In its turn, primary expenditure was reduced in all groups except Social Security Benefits.

## Central Government Revenue

**Tabela 1.3 - Central Government Primary Revenues - Brazil - 2018/2019**

*R\$ million - at constant prices Jan/2019- IPCA*

	January		Variation	
	2018	2019	Difference	% Real
I. Total Revenue	162.053,1	160.970,3	-1.082,8	-0,7%
I.1 Revenues Collected by the Federal Revenue Office	113.997,5	109.200,7	-4.796,8	-4,2%
Import Tax	3.365,1	3.842,1	477,0	14,2%
Industrialized Products Tax (IPI)	5.468,4	4.189,5	-1.278,9	-23,4%
Income tax (IR)	51.907,3	55.042,8	3.135,6	6,0%
Tax on Credit Operations, Exchange and Insurance (IOF)	3.080,9	2.922,2	-158,7	-5,2%
Contribution to Social Security Financing (COFINS)	24.343,7	20.243,1	-4.100,6	-16,8%
PIS/Pasep	6.683,6	5.622,9	-1.060,7	-15,9%
Social Contribution on Net Corporate Profits (CSLL)	15.743,0	14.726,5	-1.016,6	-6,5%
Provisional Contribution on Financial Operations (CPMF)	0,0	0,0	0,0	-
CIDE - Fuels	475,7	285,5	-190,2	-40,0%
Other	2.929,9	2.326,3	-603,7	-20,6%
I.2 Fiscal Incentives	0,0	0,0	0,0	-
I.3 Net Social Security Revenues	29.749,1	32.317,9	2.568,8	8,6%
Urban	28.931,3	31.715,2	2.783,8	9,6%
Rural	817,7	602,7	-215,0	-26,3%
I.4 Revenues Not Collected by the Federal Revenue Office	18.306,6	19.451,7	1.145,2	6,3%
Concessions and Permissions	439,6	497,2	57,6	13,1%
Dividends	3,8	4,2	0,4	11,8%
Contribution to Civil Service Social Security (CPSS)	1.064,4	1.049,1	-15,3	-1,4%
Exploitation of Natural Resources	7.939,2	10.170,2	2.231,0	28,1%
Own Revenues and from agreements	1.119,6	1.580,7	461,1	41,2%
Education-Salary (social contribution for education)	2.936,7	2.195,2	-741,4	-25,2%
FGTS Complement (LC nº 110/01)	480,4	474,9	-5,5	-1,1%
Assets Operations	109,4	106,9	-2,4	-2,2%
Other Revenues	4.213,6	3.373,3	-840,3	-19,9%

The total revenue of the Central Government showed a real reduction of R\$ 1.1 billion (0.7%) compared to January 2018. This behavior was due to the reduction of R\$ 4.8 billion (4.2%) in revenues collected by RFB partially offset by the increase of R\$ 2.6 billion (8.6%) in net social security revenue and R\$ 1.1 billion (6.3%) in revenues not collected by RFB.

It should be noted that the comparison for the period is hampered both by the collection in January 2018 of R\$ 8.2 billion with the tax regularization programs (PERT/PRT) and by a reclassification in January 2019, resulting from the consolidation of the debts of the taxpayers registered in the PERT. This reclassification was of the order of R\$ 2.7 billion and implied, in general terms, the reduction of PIS, COFINS and IPI with a corresponding increase in IR.

The variation in revenue collected by the RFB is mainly explained by:

- reduction of R\$ 4.1 billion (16.8%) in COFINS due to higher collection in PERT/PRT in January 2018, to the reclassification in January 2019 and reduction of PIS/COFINS tax rate on diesel oil;
- a reduction of R\$ 1.3 billion (23.4%) in IPI due to higher collection in PERT/PRT in January 2018 and to the reclassification in January 2019;
- reduction of R\$ 1.1 billion (15.9%) in PIS/PASEP

due to higher collection in PERT/PRT in January 2018, and to the reclassification in January 2019 and reduction of PIS/COFINS rate on diesel;

- a decrease of R\$ 1.0 billion (6.5%) in CSLL due to higher collection in PERT/PRT in January 2018; and
- increase of R\$ 3.1 billion (6.0%) in Income Tax concentrated in (IRRF) – Withheld Income tax - Wages (R\$ 1.7 billion), mainly due to the real gains in the collection of Private Entities (3.8%) and Public Administration (6.2%).

The increase to the Net Social Security Revenues of R\$ 2.6 billion (8.6%) can be explained in part by the change in the system of tax compensation defined in Law 13,670 of May 30, 2018, which allows cross-compensation between non-social security taxes and social security.

**Table 1.4 - Dividends - Brazil - 2018/2019**

*R\$ million - at constant prices Jan/2019- IPCA*

	January	
	2018	2019
Banco do Brasil	0,0	0,0
BNB	0,0	0,0
BNDES	0,0	0,0
Caixa	0,0	0,0
Correios	0,0	0,0
Eletrobrás	0,0	0,0
IRB	0,0	0,0
Petrobras	0,0	0,0
Others	3,8	4,2
<b>Total</b>	<b>3,8</b>	<b>4,2</b>

Revenues not collected by the RFB increased by R\$ 1.1 billion (6.3%) when compared to January 2018, mainly explained by the R\$ 2.8 billion increase in exploitation of natural resources.

## Transfers by Revenue Sharing

**Table 1.5 - Transfers by Revenue Sharing - Brazil - 2018/2019**

*R\$ million - at constant prices Jan/2019- IPCA*

	January		Variation	
	2018	2019	Difference	%
II. Transfers by Revenue Sharing	20.709,7	23.921,2	3.211,4	15,5%
II.1 FPM / FPE / IPI-EE	16.905,2	19.587,9	2.682,7	15,9%
II.2 Constitutional Funds	683,1	831,7	148,5	21,7%
Total Transfer	1.117,9	1.113,5	-4,5	-0,4%
Funds Surplus	-434,8	-281,8	153,0	-
II.3 Education-Salary (social contribution for education)	1.018,5	1.367,8	349,3	34,3%
II.4 Exploitation of Natural Resources	1.475,3	1.738,0	262,7	17,8%
II.5 CIDE - Fuels	440,7	217,3	-223,4	-
II.6 Other	187,0	178,6	-8,4	-4,5%

Obs.: Data subject to change.

Transfers by revenue sharing increased by R\$ 3.2 billion (15.5%) in relation to January 2018, going from R\$ 20.7 billion to R\$ 23.9 billion in January 2019. The main variation in the period was the increase of R\$ 2.7 billion (15.9%) in the Transfers of FPM/FPE/IPI-EE, reflecting the increase in shared taxes (IR and IPI) .

## Central Government Expenditure

Table 1.6 - Central Government Primary Expenditure - Brazil - Brasil - 2018/2019

R\$ million - at constant prices Jan/2019- IPCA

	January		Variation	
	2018	2019	Difference	% Real
IV. Total Expenditure	109.336,3	106.811,1	-2.525,2	-2,3%
IV.1 Social Security Benefit	45.004,0	46.110,3	1.106,3	2,5%
IV.1.1 Social Security Benefit - Urban	35.424,5	36.474,3	1.049,8	3,0%
IV.1.2 Social Security Benefit - Rural	9.579,4	9.636,0	56,6	0,6%
IV.2 Payroll	26.582,2	26.089,8	-492,4	-1,9%
IV.3 Other Compulsory Expenses	22.692,0	21.632,4	-1.059,6	-4,7%
Salary Allowance and Unemployment Benefit	5.726,2	5.839,4	113,2	2,0%
Assistance Benefits (LOAS/RMV)	4.693,3	4.806,9	113,6	2,4%
FGTS Complement (LC nº 110/01)	480,4	474,9	-5,5	-1,1%
Extraordinary credits (excluding PAC)	13,4	942,0	928,6	-
Compensation to RGPS due to the payroll tax reduction	923,7	1.007,0	83,3	9,0%
Fundef/Fundeb (Federal Complementation)	3.026,0	3.142,4	116,4	3,8%
Electoral Campaign Funding	0,0	0,0	0,0	-
Judicial Remedies	87,9	127,2	39,3	44,7%
Subsidies and Grants	6.273,3	4.672,4	-1.600,9	-25,5%
FIES primary impact (Student Funding)	290,2	-39,3	-329,6	-
Others	1.177,5	659,5	-518,0	-44,0%
IV.4 Discretionary Expenses - All Branches	15.058,1	12.978,6	-2.079,5	-13,8%
PAC (Growth Acceleration Program)	10.277,4	8.755,5	-1.521,8	-14,8%
Other Executive Branch Discretionary Expenses	4.780,7	4.223,1	-557,7	-11,7%
Memo:				
Other Current and Capital Expenditures	21.018,2	19.280,5	-1.737,7	-8,3%
Other Current Expenditures	19.472,8	17.970,1	-1.502,7	-7,7%
Other Capital Expenditures	1.545,4	1.310,4	-235,0	-15,2%

838, 2018).

In January 2019, there was a reduction of R\$ 2.5 billion (2.3%) in total General Government expenditure in relation to the same month of the previous year, going from R\$ 109.3 billion to R\$ 106.8 billion. This variation is due to the combined effect of the following factors:

- increase of R\$ 1.1 billion (2.5%) in Social Security Benefits, discussed in the next section;
- reduction of R\$ 492.4 million (1.9%) in Payroll;
- decrease by R\$ 1.1 billion (4.7%) Other Compulsory Expenses; and
- reduction of R\$ 2.1 billion (13.8%) in Executive Branch Expenses subject to Financial Programming.

The behavior of expenses in Other Compulsory Expenses was mainly due to:

- a reduction of R\$ 1.6 billion (25.5%) in Subsidies and Grants, resulting from the rationalization process of these expenses;
- decrease of R\$ 329.6 million in the primary impact of FIES; and
- an increase of R\$ 928.6 million in extraordinary credits due, mainly, to the economic subsidy for the commercialization of diesel oil (Provisional Measure No.



**Table 1.7 - Executive Branch Expenses Subject to Financial Programming - 2018/2019**

*R\$ million - at constant prices Jan/2019- IPCA*

	January		Variation	
	2018	2019	Difference	% Real
Executive Br. Expenses Subject to Fin. Program.	15.058,1	12.978,6	-2.079,5	-13,8%
Compulsory Expenses with Cash Control	10.277,4	8.755,5	-1.521,8	-14,8%
Benefits to public servants	982,1	1.011,9	29,9	3,0%
Bolsa Família (Family Allowance)	2.769,5	2.595,8	-173,8	-6,3%
Health	6.465,1	4.980,5	-1.484,6	-23,0%
Education	1,3	1,1	-0,2	-15,1%
Others	59,3	166,2	106,9	180,1%
Discretionary	4.780,7	4.223,1	-557,7	-11,7%
Health	1.446,1	885,1	-561,1	-38,8%
Education	979,8	933,3	-46,5	-4,7%
Defense	349,3	321,3	-28,0	-8,0%
Transportation	439,2	357,5	-81,7	-18,6%
Administration	457,9	258,5	-199,4	-43,6%
Science and Technology	70,2	220,5	150,3	214,1%
Public Safety	101,4	165,9	64,6	63,7%
Social Protection	55,7	141,1	85,5	153,5%
Others	881,1	939,9	58,7	6,7%

The reduction of R\$ 2.1 billion (13.8%) in Executive Branch Expenses subject to Financial Programming is explained mainly by the decrease of R\$ 1.5 billion (14.8%) in Compulsory Expenses with Cash Control. This decrease, in turn, was concentrated in health expenses (R\$ 1.5 billion).

The amount of remnants paid (RP) paid up to January 2019 corresponded to R\$ 72.3 million, against R\$ 40.6 million in the same period of the previous year. This growth is a result of the change in the payment order system established at the end of 2018.

**Table 1.8 - Subsidies and Grants - Brazil - 2018/2019**

*R\$ million - at constant prices Jan/2019- IPCA*

	January		Variation	
	2018	2019	Difference	% Real
<b>Agricultural price policy</b>	<b>3.240,0</b>	<b>2.730,5</b>	<b>-509,5</b>	<b>-15,7%</b>
Equalisation of agricultural extension	624,0	495,3	-128,8	-20,6%
Equalisation of rural and agroindustrial investments	877,9	748,5	-129,4	-14,7%
Agricultural price policy	60,8	39,9	-20,9	-34,4%
Pronaf - National programme for the strengthening of family farming	1.506,6	1.226,9	-279,7	-18,6%
PESA - Programme of financial assets rehabilitation	161,1	143,5	-17,6	-10,9%
Alcohol	16,9	9,1	-7,8	-46,3%
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	-20,1	27,5	47,6	-
Coffee economy defense fund	7,1	0,2	-6,9	-97,8%
Revitaliza - Production development programme / capital goods	5,6	3,3	-2,4	-41,8%
Proagro - Agricultural Activity Support Program	0,0	36,5	36,5	-
<b>Others</b>	<b>3.033,3</b>	<b>1.941,9</b>	<b>-1.091,4</b>	<b>-36,0%</b>
Proex - Export financing programme	79,2	101,9	22,7	28,7%
PSI - Investment Maintenance Program	2.932,7	1.814,0	-1.118,8	-38,1%
EQMPO - Credit Operations to Small Productive Businesses	0,0	0,0	0,0	-
EQPCD - Credit Operations to persons with disabilities	3,5	3,5	0,0	-0,7%
FSA - Audiovisual Sectorial Fund	0,0	0,0	0,0	-
Itaipu	0,0	0,0	0,0	-
Equalisation of FDA/FDNE/FDCO	22,2	20,8	-1,4	-6,5%
Sudene	0,0	6,0	6,0	-
Subsidy Recovery Revenues	-3,0	-4,2	-1,3	43,4%
PNAFE - Program for States' Fiscal and Administrative Modernization	-1,4	0,0	1,4	-100,0%
PRODECER	0,0	0,0	0,0	-
<b>Total</b>	<b>6.273,3</b>	<b>4.672,4</b>	<b>-1.600,9</b>	<b>-25,5%</b>

## Social Security

**Table 1.9 - Social Security (RGPS) Primary Balance - Brazil - 2018/2019**

*R\$ million - at constant prices Jan/2019- IPCA*

Discriminação	January		Variation	
	2018	2019	Difference	% Real
Net Social Security Revenues	29.749,1	32.317,9	2.568,8	8,6%
Total Revenue	35.765,8	36.097,7	331,9	0,9%
Contributions deposited in banks	30.567,3	30.799,1	231,8	0,8%
Contributions from SIMPLES	4.109,8	4.131,7	21,9	0,5%
Debt Rescheduling REFIS	9,2	12,9	3,7	40,0%
Judicial Payments	155,8	147,1	-8,8	-5,6%
Social Security Compensation <sup>1</sup>	923,7	1.007,0	83,3	9,0%
(-) Restituição/Devolução	-36,2	-87,7	-51,4	142,1
(-) Transferências a Terceiros	-5.980,5	-3.692,2	2.288,3	-38,3%
Social Security Benefit	45.004,0	46.110,3	1.106,3	2,5%
Primary Balance	-15.254,9	-13.792,4	1.462,5	-9,6%

Comparing the values of January 2019 with the same period of 2018, the Social Security deficit decreased from R\$ 15.3 billion to R\$ 13.8 billion (9.6%) at January 2019 prices. This variation results of the combined effect of the following factors:

- R\$ 1.1 billion (2.5%) increase in payments of social security benefits, mainly due to the increase of 566.8 thousand (1.9%) in the number of benefits issued; and
- real increase of R\$ 2.6 billion (8.6%) in net revenue. Contributed to this increase the tax offsets in favor of social security income (Law 13,670/18) and the reduction in the transfers (R\$ 2.3 billion).

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

*R\$ million - at constant prices Jan/2019- IPCA*

Discriminação	January		Variation	
	2018	2019	Difference	% Real
Net Revenue	29.749,1	32.317,9	2.568,8	8,6%
Urban	28.931,3	31.715,2	2.783,8	9,6%
Rural	817,7	602,7	-215,0	-26,3%
Benefits	45.004,0	46.110,3	1.106,3	2,5%
Urban	35.424,5	36.474,3	1.049,8	3,0%
Rural	9.579,4	9.636,0	56,6	0,6%
Primary Balance	-15.254,9	-13.792,4	1.462,5	-9,6%
Urban	-6.493,2	-4.759,1	1.734,0	-26,7%
Rural	-8.761,7	-9.033,3	-271,6	3,1%