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*Vol. 24, N.5 May/2018*

# National Treasury Fiscal Balance

**Brasília, June 2018**

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# Central Government Primary Balance Overview

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

current prices

	Jan-May					May				
	R\$ Million		Variation (2018/2017)			R\$ Million		Variation (2018/2017)		
	2017	2018	Difference	% Nominal	% Real	2017	2018	Difference	%	% Real
I. Total Revenue	559.525,4	620.265,1	60.739,7	10,9%	7,8%	99.325,8	112.748,0	13.422,2	13,5%	10,4%
II. Transfers by Revenue Sharing	98.476,6	108.971,1	10.494,5	10,7%	7,6%	21.599,7	24.989,0	3.389,3	15,7%	12,5%
III. Net Revenue (I-II)	461.048,8	511.294,0	50.245,2	10,9%	7,9%	77.726,1	87.759,0	10.032,9	12,9%	9,8%
IV. Total Expenditure	497.683,3	531.242,8	33.559,5	6,7%	3,8%	107.113,4	102.282,7	-4.830,7	-4,5%	-7,2%
V. Sovereign Fund of Brazil - FSB	0,0	3.500,0	3.500,0	-	-	0,0	3.500,0	3.500,0	-	-
VI. Central Government Primary Balance (III - IV)	-36.634,6	-16.448,8	20.185,7	-55,1%	-56,5%	-29.387,3	-11.023,8	18.363,6	-62,5%	-63,5%
National Treasury and Central Bank	33.392,7	59.859,5	26.466,8	79,3%	74,0%	-11.362,4	4.071,8	15.434,2	-	-17,4%
Social Security (RGPS)	-70.027,3	-76.308,3	-6.281,1	9,0%	6,0%	-18.025,0	-15.095,6	2.929,3	-16,3%	-18,6%
VII. Primary Balance/GDP	-1,4%	-0,6%	-	-	-	-	-	-	-	-
Memo:										
National Treasury Primary Balance	33.753,3	60.180,4	26.427,1	78,3%	73,1%	-11.245,7	4.128,1	15.373,8	-	-79,1%
Central Bank Primary Balance	-360,6	-320,9	39,7	-11,0%	-13,3%	-116,6	-56,2	60,4	-51,8%	-53,1%
Social Security Primary Balance	-70.027,3	-76.308,3	-6.281,1	9,0%	6,0%	-18.025,0	-15.095,6	2.929,3	-16,3%	-18,6%

In May 2018, the Central Government's primary result, at current prices, was a deficit of R\$ 11.0 billion against a deficit of R\$ 29.4 billion in May 2017. This evolution is explained by the increase of R\$ 10.0 billion (12.9%) in net revenues, a reduction of R\$ 4.8 billion (4.5%) in total expenses and by the redemption of quotas of the Investment and Stabilization Tax Fund (FFIE) by the Brazilian Sovereign Wealth Fund (FSB). In real terms, total expenditure decreased by 7.2%, due to the anticipation for March 2018 of the calendar of payment of judicial remedies related to personnel and social security benefits, whereas in 2017 such payments occurred in May. In terms of revenue, we highlight the dividends paid by the BNDES and the Federal Savings Bank (CEF), with no counterpart in May last year.

Compared to the accumulated up to May 2017, at current prices, the Central Government's result went from a deficit of R\$ 36.6 billion in 2017 to deficit of R\$ 16.4 billion in 2018. In real terms, net revenue increased by 7.9% while spending grew by 3.8%. The revenue increase is mainly explained by the PIS/Cofins legislation changes, the collection of the PRT/PERT and the improvement of the main macroeconomic indicators that influence the collection. The increase in expenses is mainly due to the anticipation in the payment calendar for judicial remedies in May and June 2017 for March and April 2018. There is also a positive effect of R\$ 3.5 billion related to the redemption of FFIE quotas.

# Yearly Balance

## Overview

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

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

	Jan-May		Variation	
	2017	2018	Difference	% Real
I. Total Revenue	578.517,0	623.853,6	45.336,7	7,8%
I.1 Revenues Collected by the Federal Revenue Office	366.179,1	399.687,5	33.508,4	9,2%
I.2 Fiscal Incentives	-17,9	-1,6	16,3	-
I.3 Net Social Security Revenues	149.851,1	152.364,6	2.513,5	1,7%
I.4 Revenues not Collected by the Federal Revenue Office	62.504,7	71.803,1	9.298,4	14,9%
II. Transfers by Revenue Sharing	101.794,3	109.559,2	7.765,0	7,6%
III. Net Revenue (I-II)	476.722,7	514.294,4	37.571,7	7,9%
IV. Total Expenditure	514.414,5	534.182,0	19.767,5	3,8%
IV.1 Social Security Benefits	222.216,5	229.099,0	6.882,5	3,1%
IV.2 Payroll	118.536,1	119.825,4	1.289,3	1,1%
IV.3 Other Compulsory Expenses	79.954,4	86.298,1	6.343,7	7,9%
IV.4 Discretionary Expenses - All Branches	93.707,5	98.959,6	5.252,1	5,6%
V. Sovereign Fund of Brazil - FSB			-	-
VI. Central Government Primary Balance (III - IV + V)	-37.691,8	-16.387,6	21.304,2	-
National Treasury and Central Bank	34.673,6	60.346,7	25.673,1	74,0%
Social Security (RGPS)	-72.365,4	-76.734,3	-4.368,9	6,0%
Memo:				
National Treasury Primary Balance	35.045,9	60.669,6	25.623,8	73,1%
Central Bank Primary Balance	-372,3	-322,9	49,4	-
Social Security Primary Balance	-72.365,4	-76.734,3	-4.368,9	6,0%

At May 2018 prices, compared to 2017, there was an improvement of R\$ 21.3 billion in the Central Government primary balance result, which has been from a deficit of R\$ 37.7 billion in 2017 to R\$ 16.4 billion in 2018. This improvement was due a growth in net revenue (7.9%) above the increase in total expenditure (3.8%) and due to the positive effect of R\$ 3.5 billion related to the redemption of FFIE quotas.

Regarding the increase in revenue, worth notice PIS/Cofins large increase is due changes in the tax rates on fuels (Decree 9.101/17) as well as the performance of the collection associated with the of Active Debt Installments, PERT and PRT. It should also be pointed out that another source of gains has been the improvement of economic activity and macroeconomic indicators that influence the collection.

Primary expenditure, for its part, is still under pressure by raising social security benefits and payroll expenditures. There was also an increase in discretionary expenses and other compulsory expenses, the latter being greatly affected by the

anticipation in the payment schedule of judicial remedies executed in the months of May and June in 2017 for March and April of the current year.

## Central Government Revenue

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

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

	Jan-May		Variation	
	2017	2018	Difference	% Real
I. Total Revenue	578.517,0	623.853,6	45.336,7	7,8%
I.1 Revenues Collected by the Federal Revenue Office	366.179,1	399.687,5	33.508,4	9,2%
Import Tax	12.656,0	15.713,5	3.057,5	24,2%
Industrialized Products Tax (IPI)	18.108,6	23.293,1	5.184,5	28,6%
Income tax (IR)	163.144,9	170.621,0	7.476,1	4,6%
Tax on Credit Operations, Exchange and Insurance (IOF)	14.627,7	14.752,6	125,0	0,9%
Contribution to Social Security Financing (COFINS)	87.360,0	102.715,6	15.355,6	17,6%
PIS/Pasep	23.954,4	27.631,5	3.677,1	15,4%
Social Contribution on Net Corporate Profits (CSLL)	36.048,5	38.707,1	2.658,6	7,4%
Provisional Contribution on Financial Operations (CPMF)	0,0	0,0	0,0	-
CIDE - Fuels	2.453,2	2.199,9	-253,3	-10,3%
Other	7.825,9	4.053,2	-3.772,7	-48,2%
I.2 Fiscal Incentives	-17,9	-1,6	16,3	-90,9%
I.3 Net Social Security Revenues	149.851,1	152.364,6	2.513,5	1,7%
Urban	146.447,4	148.184,7	1.737,3	1,2%
Rural	3.403,7	4.179,9	776,3	22,8%
I.4 Revenues Not Collected by the Federal Revenue Office	62.504,7	71.803,1	9.298,4	14,9%
Concessions and Permissions	2.492,0	1.446,2	-1.045,8	-42,0%
Dividends	2.390,2	5.523,1	3.132,9	131,1%
Contribution to Civil Service Social Security (CPSS)	5.267,3	5.360,0	92,7	1,8%
Financial Compensation Quotas	17.139,3	22.934,2	5.794,9	33,8%
Own Revenues (source codes 50, 81 and 82)	5.887,8	5.821,4	-66,3	-1,1%
Education-Salary (social contribution for education)	9.281,2	9.311,3	30,1	0,3%
FGTS Complement (LC nº 110/01)	1.841,3	2.140,9	299,6	16,3%
Assets Operations	435,2	448,8	13,6	3,1%
Other Revenues	17.770,5	18.817,3	1.046,8	5,9%

The total revenue of the Central Government increased R\$ 45.3 billion (7.8%) in relation to accumulated up to May 2017. This behavior was due to the increase of R\$ 33.5 billion (9.2%) in revenues managed by the RFB together with the increase of R\$ 2.5 billion (1.7%) in the collection RGPS and with an increase of R\$ 9.3 billion (14.9%) in revenues not managed by the RFB.

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\$ 15.4 billion (17.6%) in Cofins and R\$ 3.7 billion (15.4%) 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 7.23% - PMC-IBGE);
- increase of R\$ 5.2 billion (28.6%) in IPI influenced mainly by growth of 4.48% in industrial production from December 2017 to April 2018

compared to production from December 2016 to April 2017;

- increase of R\$ 7.5 billion (4.6%) in the Income Tax, which was determined by the increase in IRPJ (R\$ 5.0 billion) and IRRF (R\$ 2.3billion); and
- increase of R\$ 3.1 billion (24.2%) in the Import Tax, mainly due to the 6.3% increase in the average exchange rate, a reduction in the average effective tax rate and an increase of 17.9% in the dollar value of imports.

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

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

	Jan-May	
	2017	2018
Banco do Brasil	420,7	789,8
BNB	64,5	49,0
BNDES	1.616,1	1.500,0
Caixa	0,0	2.804,3
Correios	0,0	0,0
Eletrobrás	0,0	0,0
IRB	54,3	60,1
Petrobras	0,0	187,0
Others	234,6	132,8
<b>Total</b>	<b>2.390,2</b>	<b>5.523,1</b>

It should also be noted that, for the period, there was an increase of R\$ 9.4 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 managed by RFB increased by R\$ 9.3 billion (14.9%) when compared to the same period of 2017. This increase is mainly explained by the increase of R\$ 5.8 billion in financial quotas compensation due to the increase in oil production and international prices and to increase of R\$ 3.1 billion in dividends, determined, mainly due to distribution of R\$ 2.8 billion of dividends by the Federal Savings Bank without compensation in the same period of 2017. These increases were partially offset by the reduction of concessions by R\$ 1.0 billion.

## Transfers by Revenue Sharing

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

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

	Jan-May		Variation	
	2017	2018	Difference	%
II. Transfers by Revenue Sharing	101.794,3	109.559,2	7.765,0	7,6%
II.1 FPM / FPE / IPI-EE	81.155,4	85.618,8	4.463,3	5,5%
II.2 Constitutional Funds	3.508,5	3.424,1	-84,4	-2,4%
Total Transfer	5.408,3	5.679,5	271,2	5,0%
Funds Surplus	-1.899,8	-2.255,4	-355,6	18,7%
II.3 Education-Salary (social contribution for education)	5.572,1	5.603,9	31,9	0,6%
II.4 Financial Compensations	10.407,4	13.843,9	3.436,5	33,0%
II.5 CIDE - Fuels	859,4	803,3	-56,1	-6,5%
II.6 Other	291,5	265,3	-26,2	-9,0%

Obs.: Data subject to change.

Transfers by revenue sharing have increased of R\$ 7.8 billion (7.6%), in relation to the accumulated until May 2017, from R\$ 101.8 billion 2017 to R\$ 109.6 billion in 2018. The main variations in the period were:

- increase of R\$ 4.5 billion (5.5%) in of FPM/FPE/IPI-EE, reflecting the increase in taxes shared (IR and IPI); and
- R\$ 3.4 billion (33.0%) 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 May/2018- IPCA

	Jan-May		Variation	
	2017	2018	Difference	% Real
IV. Total Expenditure	514.414,5	534.182,0	19.767,5	3,8%
IV.1 Social Security Benefit	222.216,5	229.099,0	6.882,5	3,1%
IV.1.1 Social Security Benefit - Urban	174.166,9	180.634,5	6.467,5	3,7%
IV.1.2 Social Security Benefit - Rural	48.049,6	48.464,5	414,9	0,9%
IV.2 Payroll	118.536,1	119.825,4	1.289,3	1,1%
IV.3 Other Compulsory Expenses	79.954,4	86.298,1	6.343,7	7,9%
Salary Allowance and Unemployment Benefit	25.409,3	23.887,5	-1.521,9	-
Assistance Benefits (LOAS/RMV)	22.966,6	23.408,3	441,6	1,9%
FGTS Complement (LC nº 110/01)	1.841,3	1.708,5	-132,8	-
Extraordinary credits (excluding PAC)	378,4	153,6	-224,8	-
(MP) 540/11, 563/12, 582/12 Exoneration	7.270,1	6.679,3	-590,9	-
FUNDEB (Federal Complementation)	6.835,7	7.115,2	279,5	4,1%
Federal District (DF) Constitutional Fund	627,7	562,3	-65,5	-
Judicial Remedies	1.286,0	12.698,9	11.413,0	887,
Subsídios, Subvenções e Proagro	9.834,7	6.948,1	-2.886,6	-
FIES primary impact (Student Funding)	1.456,0	1.193,1	-262,8	-
Others	2.048,4	1.943,3	-105,1	-
IV.4 Discretionary Expenses - All Branches	93.707,5	98.959,6	5.252,1	5,6%
Executive Branch Discretionary Expenses	89.386,9	94.013,0	4.626,1	5,2%
PAC (Growth Acceleration Program)	8.283,8	7.350,9	-932,9	-
o/w "Minha Casa Minha Vida - MCMV"	925,5	718,0	-207,5	-
Issuance of Agricultural Debt Securities (TDA)	0,0	12,1	12,1	-
Other Executive Branch Discretionary Expenses	81.103,1	86.650,0	5.547,0	6,8%
Legislative and Judiciary Branches and Prosecutor's	4.320,6	4.946,6	625,9	14,5
Memo:				
Other Current and Capital Expenditures	115.179,0	130.754,5	15.575,5	13,5
Other Current Expenditures	102.519,3	115.006,6	12.487,3	12,2
Other Capital Expenditures	12.659,7	15.747,9	3.088,2	24,4

The total expenditure of the Central Government until May 2018 reached R\$ 534.2 billion, 3.8% above that observed in the same period of 2017, when expenses totaled R\$ 514.4 billion.

This variation is due to the combined increase of R\$ 6.9 billion (3.1%) in Benefits Social Security, R\$ 1.3 billion (1.1%) in Payroll and Social Charges, R\$ 6.3 billion Other Expenses Compulsory (7.9%) and R\$ 5.3 billion (5.6%) in Discretionary Expenses.

The anticipation of the payment of judicial remedies from May and June 2017 to March and April 2018, according to the schedule agreed with the Federal Justice Council (CJF), conditioned, to a large extent, the increase in expenses with other compulsory expenses – judicial remedies (R\$ 10.7 billion).

The increase in other compulsory – judicial remedies expenses was partially offset by the reduction in subsidies and subsidies (R\$ 2.9 billion), which is a result of the rationalization of subsidy expenditures and by the decrease in unemployment benefits and insurance (R\$ 1,5billion).



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

	Jan-Mai		Variation	
	2017	2018	Difference	% Real
Total	81.103,1	86.552,0	5.448,9	6,7%
Ministry of Health	40.443,4	43.042,9	2.599,5	6,4%
Ministry of Education	11.598,6	11.407,4	-191,2	-1,6%
Ministry of Social Development	14.059,1	13.967,5	-91,6	-0,7%
Ministry of Defense	4.348,1	5.008,9	660,8	15,2%
Ministry of Science and Technology	1.455,2	1.306,0	-149,2	-10,3%
Other	9.198,5	11.819,2	2.620,7	28,5%

Discretionary expenditures - all branches were up by R\$ 5.3 billion (5.6%), explained almost entirely by the increase in other discretionary expenses (R\$ 5.5 billion), which accounted for the cost and investment of the ministries .

The amount of remnants to be paid (PR) paid (excluding financial PR) up to May 2018 was R\$ 61.3 billion, against R\$ 55.3 billion in the same period of the previous year.

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

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

	Jan-May		Variation	
	2017	2018	Difference	% Real
<b>Agricultural price policy</b>	<b>5.004,3</b>	<b>3.556,3</b>	<b>-1.448,0</b>	<b>-28,9%</b>
Equalisation of agricultural extension	1.191,7	638,2	-553,4	-46,4%
Equalisation of rural and agroindustrial investments	1.225,5	856,5	-369,0	-30,1%
Agricultural price policy	-262,6	174,0	436,6	-
Pronaf - National programme for the strengthening of family farming	2.240,5	1.562,5	-678,0	-30,3%
PESA - Programme of financial assets rehabilitation	115,6	219,1	103,5	89,6%
Alcohol	26,6	16,5	-10,2	-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	34,3	41,2	6,9	20,0%
Coffee economy defense fund	41,2	42,9	1,7	4,1%
Revitaliza - Production development programme / capital goods	9,6	5,5	-4,1	-42,8%
Proagro - Agricultural Activity Support Program	381,9	0,0	-381,9	-
<b>Others</b>	<b>4.830,4</b>	<b>3.391,8</b>	<b>-1.438,6</b>	<b>-29,8%</b>
Proex - Export financing programme	257,2	308,2	51,0	19,8%
PSH - Subsidy programme for social interest housing	0,0	0,0	0,0	-
PSI - Investment Maintenance Program	4.547,3	2.871,9	-1.675,4	-36,8%
EQMPO - Credit Operations to Small Productive Businesses	0,0	0,0	0,0	-
EQPCD - Credit Operations to persons with disabilities	3,3	3,4	0,1	4,1%
FND - National Development Fund	0,0	0,0	0,0	-
FSA - Audiovisual Sectorial Fund	164,5	276,0	111,5	67,8%
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	24,9	22,4	-2,4	-9,8%
Sudene	0,0	0,0	0,0	-
Subsidy Recovery Revenues	0,0	-33,8	-33,8	-
PNAFE - Program for States' Fiscal and Administrative Modernization	-166,7	-56,3	110,4	-66,2%
PRODECER	0,0	0,0	0,0	-
<b>Total</b>	<b>9.834,7</b>	<b>6.948,1</b>	<b>-2.886,6</b>	<b>-29,4%</b>

## Social Security

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

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

Discriminação	Jan-May		Variation	
	2017	2018	Difference	% Real
Net Social Security Revenues	149.851,1	152.364,6	2.513,5	1,7%
Total Revenue	168.393,9	171.099,3	2.705,4	1,6%
Contributions deposited in banks	144.640,3	147.077,7	2.437,4	1,7%
Contributions from SIMPLES	15.664,2	16.641,4	977,3	6,2%
Debt Rescheduling REFIS	83,3	20,9	-62,5	-74,9%
Judicial Payments	736,0	680,1	-55,9	-7,6%
Social Security Compensation1	7.270,1	6.679,3	-590,9	-8,1%
(-) Restituição/Devolução	-297,6	-410,7	-113,1	38,0%
(-) Transferências a Terceiros	-18.245,3	-18.324,0	-78,7	0,4%
Social Security Benefit	222.216,5	229.099,0	6.882,5	3,1%
Primary Balance	-72.365,4	-76.734,3	-4.368,9	6,0%

Comparing the accumulated values of May 2018 with the same period of 2017, the Welfare deficit increased from R\$ 72.4 billion to R\$ 76.7 billion (14.5%) at April 2018 prices. This variation results of the combined effect of the following factors:

- R\$ 6.9 billion (3.1%) increase in payments of social security benefits, due to the increase of 598.1 thousand (2.0%) 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\$ 6.36 (0.5 %); and
- a real increase of R\$ 2.5 billion (1.7%) in net revenue, explained by the increase in the social security contribution (R\$ 2.4 billion, 1.7%) and by the increase in the collection of contributions from SIMPLES (R\$ 977.3 million, 6.2%), partially offset by the reduction of 590.9 million (5.9%) in the compensation of the RGPS.

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

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

Discriminação	Jan-May		Variation	
	2017	2018	Difference	% Real
Net Revenue	149.851,1	152.364,6	2.513,5	1,7%
Urbano	146.447,4	148.184,7	1.737,3	1,2%
Rural	3.403,7	4.179,9	776,3	22,8%
Benefits	222.216,5	229.099,0	6.882,5	3,1%
Urban	174.166,9	180.634,5	6.467,5	3,7%
Rural	48.049,6	48.464,5	414,9	0,9%
Primary Balance	-72.365,4	-76.734,3	-4.368,9	6,0%
Urban	-27.719,5	-32.449,8	-4.730,3	17,1%
Rural	-44.645,9	-44.284,6	361,4	-0,8%

## 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 May/2018- IPCA*

	May		Variation	
	2017	2018	Difference	% Real
I. Total Revenue	102.161	112.748	10.586,4	10,4
I.1 Revenues Collected by the Federal Revenue Office	62.243,	67.065,	4.821,5	7,7%
I.2 Fiscal Incentives	0,0	-1,6	-1,6	-
I.3 Net Social Security Revenues	30.393,	30.434,	41,4	0,1%
I.4 Revenues not Collected by the Federal Revenue Office	9.524,9	15.249,	5.725,1	60,1
II. Transfers by Revenue Sharing	22.216,	24.989,	2.772,6	12,5
III. Net Revenue (I-II)	79.945,	87.759,	7.813,8	9,8%
IV. Total Expenditure	110.171	102.282	-7.888,8	-7,2%
IV.1 Social Security Benefits	48.932,	45.530,	-3.402,5	-7,0%
IV.2 Payroll	26.518,	22.580,	-3.937,5	-
IV.3 Other Compulsory Expenses	12.256,	12.084,	-172,3	-1,4%
IV.4 Discretionary Expenses - All Branches	22.464,	22.087,	-376,5	-1,7%
V. Sovereign Fund of Brazil - FSB	0,0	3.500,0	0,0	-
VI. Central Government Primary Balance (III - IV + V)	-	-	19.202,6	-
National Treasury and Central Bank	-	4.071,8	15.758,6	-
Social Security (RGPS)	-	-	3.444,0	-
Memo:				
National Treasury Primary Balance	-11.566,8	4.128,1	15.694,9	-
Central Bank Primary Balance	-120,0	-56,2	63,8	-
Social Security (RGPS) Primary Balance	-18.539,6	-15.095,6	3.444,0	-

At May 2018 prices, the primary result of the Central Government went from a deficit of R\$ 30.2 billion in May 2017 for a deficit of R\$ 11.0 billion in the same month of 2018, which represented a decrease in the deficit in R\$ 19.2 billion (63.5%). This variation was due to net revenue increase by R\$ 7.8 billion (9.8%), together with a decrease of R\$ 7.9 billion (7.2%) of total expenditure, in addition to the redemption of R\$ 3.5 billion in FFIE quotas.

Regarding the increase in net revenue, the main events were the dividends paid by Caixa Econômica Federal (R\$ 2.8 billion) and by the BNDES (R\$ 1.5 billion) in May 2018, without counterpart last year. About the reduction of expenditure, it is worth mentioning that the reductions in Social Security Benefits and Payroll, were due to the anticipation of the payments of judicial remedies. In May 2017 R\$ 10.0 billion were paid while in 2018 the payment of court orders was carried out in March.

## Central Government Revenue

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

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

	May		Variation	
	2017	2018	Difference	% Real
I. Total Revenue	102.161,6	112.748,0	10.586,4	10,4%
I.1 Revenues Collected by the Federal Revenue Office	62.243,6	67.065,2	4.821,5	7,7%
Import Tax	2.720,9	3.220,4	499,5	18,4%
Industrialized Products Tax (IPI)	3.650,3	4.834,4	1.184,2	32,4%
Income tax (IR)	24.384,6	28.175,7	3.791,2	15,5%
Tax on Credit Operations, Exchange and Insurance (IOF)	2.758,4	2.852,3	93,9	3,4%
Contribution to Social Security Financing (COFINS)	17.368,2	21.538,5	4.170,3	24,0%
PIS/PASEP	4.622,0	5.568,5	946,5	20,5%
Social Contribution on Net Corporate Profits (CSLL)	3.542,8	5.137,3	1.594,5	45,0%
Provisional Contribution on Financial Operations (CPMF)	0,0	0,0	0,0	-
CIDE - Fuels	512,0	446,2	-65,7	-12,8%
Other	2.684,5	-4.708,3	-7.392,8	-
I.2 Fiscal Incentives	0,0	-1,6	-1,6	-
I.3 Net Social Security Revenues	30.393,1	30.434,5	41,4	0,1%
Urban	29.597,4	29.445,5	-151,8	-0,5%
Rural	795,7	989,0	193,3	24,3%
I.4 Revenues Not Collected by the Federal Revenue Office	9.524,9	15.249,9	5.725,1	60,1%
Concessions and Permissions	394,6	467,7	73,1	18,5%
Dividends	329,8	4.813,2	4.483,4	-
Contribution to Civil Service Social Security (CPSS)	1.041,1	1.061,7	20,6	2,0%
Financial Compensation Quotas	1.642,1	2.361,7	719,5	43,8%
Own Revenues (source codes 50, 81 and 82)	1.296,1	1.254,4	-41,7	-3,2%
Education-Salary (social contribution for education)	1.587,9	1.603,1	15,1	1,0%
FGTS Complement (LC nº 110/01)	492,6	879,5	386,9	78,5%
Assets Operations	81,7	84,5	2,8	3,4%
Other Revenues	2.658,9	2.724,2	65,4	2,5%

Total revenue from the Central Government increased of R\$ 10.6 billion (10.4%), from R\$ 102.2 billion in May 2017 to R\$ 112.7 billion in May 2018. This behavior was due to an increase of R\$ 4.8 billion (7.7%) in the revenue managed by RFB together with an increase of R\$ 41.4 million (0.1%) in net social security revenues and an increase of R\$ 5.7 billion (60.1%) in revenues not managed by the RFB. The main variations in revenue not managed by the RFB were:

- Increase in Dividends (R\$ 4.5 billion), explained mainly by receipts of R\$ 2.8 billion of Caixa and R\$ 1.5 billion from BNDES in May 2018, without any counterpart in the same month of 2017; and
- Rise of Financial Compensation (R\$ 719.5 million, 43.8%), mainly due to the increase in the international price of oil and the exchange rate.

It is important to highlight that in May 2018 the RFB promoted the reclassification of the residue from the special installments not reclassified in reclassification occurred in November 2017 (see reports of Nov/17 and Dec/17). Although the reclassification does not change the amount of the collection in the month, it affects the comparisons intertemporal changes in the items of affected taxes.

## Transfers by Revenue Sharing

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

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

	May		Variation	
	2017	2018	Difference	% Real
II. Transfers by Revenue Sharing	22.216,4	24.989,0	2.772,6	12,5
II.1 FPM / FPE / IPI-EE	17.179,3	18.350,9	1.171,6	6,8%
II.2 Constitutional Funds	711,1	730,5	19,5	2,7%
Total Transfer	1.146,9	1.220,3	73,4	6,4%
Funds Surplus	435,8	489,7	53,9	12,4
II.3 Education-Salary (social contribution for education)	968,4	952,2	-16,1	-1,7%
II.4 Financial Compensations	3.319,2	4.938,3	1.619,1	48,8
II.5 CIDE - Fuels	0,0	0,0	0,0	-
II.6 Other	38,4	17,0	-21,3	-

In May 2018, transfers by revenue sharing increased R\$ 2.8 billion compared to May 2017. There was an increase in transfers related to Financial Compensation (R\$ 1.6 billion, 48.8%), due to the growth of the collection with the tax that forms the distribution base.

## Central Government Expenditure

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

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

	May		Variation	
	2017	2018	Difference	% Real
IV. Total Expenditure	110.171,5	102.282,7	-7.888,8	-7,2%
IV.1 Social Security Benefit	48.932,7	45.530,2	-3.402,5	-7,0%
IV.1.1 Social Security Benefit - Urban	38.506,7	36.029,0	-2.477,7	-6,4%
IV.1.2 Social Security Benefit - Rural	10.426,0	9.501,2	-924,8	-8,9%
IV.2 Payroll	26.518,0	22.580,6	-3.937,5	-
IV.3 Other Compulsory Expenses	12.256,7	12.084,4	-172,3	-1,4%
Salary Allowance and Unemployment Benefit	3.378,3	3.636,7	258,4	7,7%
Assistance Benefits (LOAS/RMV)	4.746,7	4.679,6	-67,1	-1,4%
FGTS Complement (LC nº 110/01)	492,6	447,1	-45,5	-9,2%
Extraordinary credits (excluding PAC)	84,1	36,6	-47,5	-
Provisional Measures (MP) 540/11, 563/12 and 582/12 Exoneration	1.088,9	865,2	-223,8	-
FUNDEB (Federal Complementation)	945,2	963,9	18,7	2,0%
Federal District (DF) Contitucional Fund	113,2	116,3	3,0	2,7%
Judicial Remedies	759,8	156,2	-603,7	-
Subsidies and Grants	239,9	184,5	-55,4	-
FIES primary impact (Student Funding)	-20,1	540,3	560,5	-
Others	428,1	458,0	30,0	7,0%
IV.4 Discretionary Expenses - All Branches	22.464,4	22.087,4	-376,5	-1,7%
Executive Branch Discretionary Expenses	21.413,7	20.994,4	-419,3	-2,0%
PAC (Growth Acceleration Program)	2.766,3	1.778,0	-988,3	-
o/w "Minha Casa Minha Vida - MCMV" Program	399,3	284,4	-115,0	-
Issuance of Agricultural Debt Securities (TDA)	0,0	0,1	0,1	-
Other Executive Branch Discretionary Expenses	18.647,4	19.216,3	568,9	3,1%
Legislative and Judiciary Branches and Prosecutor's Office (LEJU/MPU)	1.050,4	1.093,2	42,8	4,1%
Memo:				
Other Current and Capital Expenditures	26.285,2	25.594,0	-691,3	-2,6%
Other Current Expenditures	22.065,8	22.027,0	-38,8	-0,2%
Other Capital Expenditures	4.219,4	3.567,0	-652,4	-15,5%

In May 2018, there was a reduction of R\$ 7.9 billion (7.2%) in total central government expenditure in relation to the same month of the previous year, going from R\$ 110.2 billion to R\$ 102.3 billion. This variation is due, mainly, to the change in the payments of judicial remedies. In May 2017 there were payment of R\$ 10.0 billion of judicial remedies referring mainly to social security benefits and payroll. By 2018, such payments were made in March.

Therefore, there was a reduction of R\$ 3.4 Social Security Benefits, and the payment of judicial remedies in this heading in May 2017 was R\$ 4.9 billion. Likewise, there was a decrease of R\$ 3.9 billion in Payroll, difference due to the payment in May 2017 of R\$ 4.6 billions in judicial remedies.

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

	May		Variation	
	2017	2018	Difference	% Real
Total	18.647,4	19.194,8	547,5	2,9%
Ministry of Health	9.357,1	9.440,4	83,3	0,9%
Ministry of Education	2.529,6	3.504,3	974,7	38,5%
Ministry of Social Development	2.659,4	2.815,3	155,9	5,9%
Ministry of Defense	1.193,8	1.077,0	-116,8	-9,8%
Ministry of Science and Technology	354,4	301,5	-52,9	-14,9%
Other	2.553,1	2.056,3	-496,8	-19,5%

## Social Security

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

	May		Variation	
	2017	2018	Difference	% Real
Net Social Security Revenues	30.39	30.43	41,4	0,1%
Total Revenue	33.65	33.74	87,0	0,3%
Contributions deposited in banks	29.26	29.50	236,4	0,8%
Contributions from SIMPLES	3.089,	3.214,	124,7	4,0%
Debt Rescheduling REFIS	9,5	149,6	140,1	-
Judicial Payments	199,4	9,0	-190,4	-95,5%
Social Security Compensation	1.088,	865,2	-223,8	-20,5%
(-) Restituição/Devolução	-	-	5,6	-5,3%
(-) Transferências a Terceiros	-	-	-51,2	1,6%
Social Security Benefit	48.93	45.53	-	-7,0%
Primary Balance	-	-	3.444,0	-18,6%

The primary result of Social Security went from a deficit of R\$ 18.5 billion in May 2017 to a deficit of R\$ 15.1 billion in May 2018, representing a reduction of R\$ 3.4 billion in the primary result. Expenses from Social Security Benefits diminished by R\$ 3.4 billion (7.0%), due change in the calendar of payments of judicial remedies relating to this item, which in 2018 were carried out in March and in 2017 were carried out in May.

The Net Income of the RGPS remained practically constant, with real growth of 0.1%.



# Monthly Balance Compared to the Previous Month

## Overview

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

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

	2018		Variation	
	April	May	Difference	% Real
I. Total Revenue	138.281,	112.748,0	-25.533,4	-18,5%
I.1 Revenues Collected by the Federal Revenue Office	85.600,2	67.065,2	-18.535,1	-21,7%
I.2 Fiscal Incentives	0,0	-1,6	-1,6	-
I.3 Net Social Security Revenues	32.935,7	30.434,5	-2.501,2	-7,6%
I.4 Revenues not Collected by the Federal Revenue Office	19.745,4	15.249,9	-4.495,5	-22,8%
II. Transfers by Revenue Sharing	18.572,6	24.989,0	6.416,4	34,5%
III. Net Revenue (I-II)	119.708,	87.759,0	-31.949,8	-26,7%
IV. Total Expenditure	112.470,	102.282,7	-10.187,5	-9,1%
IV.1 Social Security Benefits	45.144,6	45.530,2	385,5	0,9%
IV.2 Payroll	22.559,1	22.580,6	21,5	0,1%
IV.3 Other Compulsory Expenses	24.101,5	12.084,4	-12.017,1	-49,9%
IV.4 Discretionary Expenses - All Branches	20.664,9	22.087,6	1.422,7	6,9%
V. Sovereign Fund of Brazil - FSB	0,0	3.500,0	0,0	-
VI. Central Government Primary Balance (III - IV + V)	7.238,6	-11.023,8	-18.262,3	-
National Treasury and Central Bank	19.447,5	4.071,8	-15.375,6	-79,1%
Social Security (RGPS)	-12.208,9	-15.095,6	-2.886,7	23,6%
Memo:				
National Treasury Primary Balance	19.578,1	4.128,1	-15.450,0	-78,9%
Central Bank Primary Balance	-130,6	-56,2	74,4	-57,0%
Social Security (RGPS) Primary Balance	-12.208,9	-15.095,6	-2.886,7	23,6%

In May 2018 (at constant prices), the primary result of the Central Government was deficit of R\$ 11.0 billion, against a surplus of R\$ 7.2 billion in April 2018. There was a reduction of net revenue of R\$ 31.9 billion (26.7%), mainly because of a seasonal concentration of revenues in the month of April. There was a reduction in total R\$ 10.2 billion (9.1%) in total expenditure, due to mainly due to the reduction of R\$ 12.0 billion (49.9%) in other compulsory expenses conditioned by the payment, in April, of judicial remedies.

## Central Government Revenue

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

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

	2018		Variation	
	April	May	Difference	% Real
I. Total Revenue	138.281,4	112.748,0	-25.533,4	-18,5%
I.1 Revenues Collected by the Federal Revenue Office	85.600,2	67.065,2	-18.535,1	-21,7%
Import Tax	3.168,5	3.220,4	52,0	1,6%
Industrialized Products Tax (IPI)	4.673,4	4.834,4	161,0	3,4%
Income tax (IR)	39.095,0	28.175,7	-10.919,3	-27,9%
Tax on Credit Operations, Exchange and Insurance (IOF)	3.167,8	2.852,3	-315,5	-10,0%
Contribution to Social Security Financing (COFINS)	20.359,2	21.538,5	1.179,3	5,8%
PIS/PASEP	5.421,1	5.568,5	147,4	2,7%
Social Contribution on Net Corporate Profits (CSLL)	7.266,7	5.137,3	-2.129,3	-29,3%
Provisional Contribution on Financial Operations (CPMF)	0,0	0,0	0,0	-
CIDE - Fuels	458,1	446,2	-11,9	-2,6%
Other	1.990,5	-4.708,3	-6.698,8	-
I.2 Fiscal Incentives	0,0	-1,6	-1,6	-
I.3 Net Social Security Revenues	32.935,7	30.434,5	-2.501,2	-7,6%
Urban	31.947,0	29.445,5	-2.501,5	-7,8%
Rural	988,7	989,0	0,3	0,0%
I.4 Revenues Not Collected by the Federal Revenue Office	19.745,4	15.249,9	-4.495,5	-22,8%
Concessions and Permissions	272,9	467,7	194,8	71,4%
Dividends	224,0	4.813,2	4.589,2	-
Contribution to Civil Service Social Security (CPSS)	1.141,3	1.061,7	-79,7	-7,0%
Financial Compensation Quotas	8.635,1	2.361,7	-6.273,4	-72,7%
Own Revenues (source codes 50, 81 and 82)	1.245,5	1.254,4	8,9	0,7%
Education-Salary (social contribution for education)	1.593,2	1.603,1	9,8	0,6%
FGTS Complement (LC nº 110/01)	0,0	879,5	879,5	-
Assets Operations	84,7	84,5	-0,2	-0,2%
Other Revenues	6.548,6	2.724,2	-3.824,4	-58,4%

In May 2018, total revenues from the Central Government decreased by R\$ 25.5 billion (18,5%) compared to the previous month, from R\$ 138.3 billion in April 2018 to R\$ 112,8 billion in May 2018. This variation results from the combined effect of the following factors:

- Reduction of R\$ 10.9 billion (27.9%) in the Tax of Income and R\$ 2.1 billion (29.3%) in CSLL in reason for the collection of the 1st quota or single quota of the IRPF in April and, also, of the 1st quota or single quota of IRPJ/CSLL (calculated quarterly and payed in the following month); and
- Decrease of R\$ 4.5 billion (22.8%) in revenues not managed by the RFB: reduction of R\$ 6.3 billion in financial compensation due to the quarterly collection of the Special Participation for oil exploration and natural gas; partially offset by increase of R\$ 4.6 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 May/2018- IPCA*

Discriminação	2018		Variation	
	April	May	Difference	% Real
II. Transfers by Revenue Sharing	18.572,6	24.989,0	6.416,4	34,5%
II.1 FPM / FPE / IPI-EE	15.088,6	18.350,9	3.262,3	21,6%
II.2 Constitutional Funds	694,8	730,5	35,7	5,1%
Total Transfer	998,3	1.220,3	222,0	22,2%
Funds Surplus	-303,4	-489,7	-186,3	61,4%
II.3 Education-Salary (social contribution for education)	969,2	952,2	-17,0	-1,8%
II.4 Financial Compensations	1.427,5	4.938,3	3.510,8	245,9%
II.5 CIDE - Fuels	374,2	0,0	-374,2	-100,0%
II.6 Other	18,2	17,0	-1,2	-6,4%

In May 2018, transfers by revenue sharing increased by R\$ 6.4 billion (34.5%), totaling R\$ 25.0 billion, compared to R\$ 18.6 billion in the previous month. This behavior was mainly due to the increases in Financial Compensation and FPM / FPE / IPI-EE, which were determined by the collection of seasonally concentrated in the last ten days of April of the taxes that make up the distribution base, notably income tax and compensation financial institutions.

## Central Government Expenditure

Tabela 3.4 - Central Government Primary Expenditure - Brazil - 2018

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

	2018		Variation	
	April	May	Difference	% Real
IV. Total Expenditure	112.470,2	102.282,7	-10.187,5	-9,1%
IV.1 Social Security Benefit	45.144,6	45.530,2	385,5	0,9%
IV.1.1 Social Security Benefit - Urban	35.610,7	36.029,0	418,2	1,2%
IV.1.2 Social Security Benefit - Rural	9.533,9	9.501,2	-32,7	-0,3%
IV.2 Payroll	22.559,1	22.580,6	21,5	0,1%
IV.3 Other Compulsory Expenses	24.101,5	12.084,4	-12.017,1	-
Salary Allowance and Unemployment Benefit	3.071,3	3.636,7	565,5	18,4%
Assistance Benefits (LOAS/RMV)	4.719,0	4.679,6	-39,5	-0,8%
FGTS Complement (LC nº 110/01)	0,0	447,1	447,1	-
Extraordinary credits (excluding PAC)	24,4	36,6	12,2	49,8%
Provisional Measures (MP) 540/11, 563/12 and 582/12 Exoneration	3.148,8	865,2	-2.283,7	-
FUNDEB (Federal Complementation)	1.264,5	963,9	-300,6	-
Federal District (DF) Constitutional Fund	122,9	116,3	-6,6	-5,4%
Judicial Remedies	10.925,8	156,2	-10.769,6	-
Subsídios, Subvenções e Proagro	92,9	184,5	91,6	98,6%
FIES primary impact (Student Funding)	306,4	540,3	233,9	76,3%
Others	425,5	458,0	32,5	7,7%
IV.4 Discretionary Expenses - All Branches	20.664,9	22.087,6	1.422,7	6,9%
Executive Branch Discretionary Expenses	19.648,1	20.994,4	1.346,3	6,9%
PAC (Growth Acceleration Program)	1.905,8	1.778,0	-127,8	-6,7%
o/w "Minha Casa Minha Vida - MCMV" Program	197,2	284,4	87,1	44,2%
Issuance of Agricultural Debt Securities (TDA)	8,2	0,1	-8,1	-
Other Executive Branch Discretionary Expenses	17.734,1	19.216,3	1.482,2	8,4%
Legislative and Judiciary Branches and Prosecutor's Office (LEJU/MPU)	1.016,9	1.093,2	76,4	7,5%
Memo:				
Other Current and Capital Expenditures	36.807,0	25.594,0	-11.213,0	-30,5%
Other Current Expenditures	33.232,8	22.027,0	-11.205,8	-33,7%
Other Capital Expenditures	3.574,2	3.567,0	-7,2	-0,2%

In May 2018, the total expenditure of the Central Government recorded the amount of R\$ 102.3 billion, representing a reduction of R\$ 10.2 billion (9.1%), compared to April.

This variation is mainly explained by the decrease of R\$ 12.0 billion (49.9%) in Other Compulsory Expenses, due to the payment, in April, of judicial remedies related to other compulsory expenses.

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

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

Discriminação	2018		Variation	
	April	May	Difference	% Real
Total	17.715,2	19.194,8	1.479,6	8,4%
Ministry of Health	8.518,7	9.440,4	921,7	10,8%
Ministry of Education	2.329,4	3.504,3	1.174,9	50,4%
Ministry of Social Development	2.915,6	57,1	-2.858,6	-98,0%
Ministry of Defense	987,3	53,2	-934,2	-94,6%
Ministry of Science and Technology	284,3	301,5	17,2	6,0%
Other	2.679,8	5.838,4	3.158,5	117,9%

## Social Security

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

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

Discriminação	2018		Variation	
	April	May	Difference	% Real
Net Social Security Revenues	32.935,7	30.434,5	-2.501,2	-7,6%
Total Revenue	36.235,6	33.743,7	-2.491,9	-6,9%
Contributions deposited in banks	29.666,7	29.505,3	-161,4	-0,5%
Contributions from SIMPLES	3.273,9	3.214,6	-59,2	-1,8%
Debt Rescheduling REFIS	135,5	149,6	14,1	10,4%
Judicial Payments	10,8	9,0	-1,8	-16,7%
Social Security Compensation	3.148,8	865,2	-2.283,7	-72,5%
(-) Restituição/Devolução	-144,0	-100,0	44,0	-30,5%
(-) Transferências a Terceiros	-3.155,9	-3.209,2	-53,2	1,7%
Social Security Benefit	45.144,6	45.530,2	385,5	0,9%
Primary Balance	-12.208,9	-15.095,6	-2.886,7	23,6%

In May 2018, the General Social Security System (RGPS) registered a deficit of R\$ 15.1 billion against deficit of R\$ 12.2 billion in the previous month. This increase in Social Security primary balance of R\$ 2.9 billion (23.6%) is due to the combined effect of an increase of R\$ 385.5 million in benefits and by the reduction of R\$ 2.5 billion (7.6%) in the net revenue of the RGPS.

The reduction in net revenue is largely explained by the reduction of R\$ 2.3 billion in Compensation RGPS, therefore, as the compensation occurs with four months of lag in relation to the collection, the compensation in April refers to the collection of the month December, which is seasonally higher because of its incidence on the 13th salary.