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Central Government Primary Balance Overview

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

current prices

| | Jan-Fev | | | | | February | | | | |
|---|-------------|-----------|-----------------------|-----------|---------------|-------------|-----------|-----------------------|-----------|---------------|
| | R\$ Million | | Variation (2019/2018) | | | R\$ Million | | Variation (2019/2018) | | |
| | 2018 | 2019 | Difference | % Nominal | % Real (IPCA) | 2018 | 2019 | Difference | % Nominal | % Real (IPCA) |
| I. Total Revenue | 262.219,7 | 275.430,6 | 13.211,0 | 5,0% | 1,2% | 106.063,8 | 114.654,3 | 8.590,5 | 8,1% | 4,1% |
| II. Transfers by Revenue Sharing | 47.758,0 | 53.218,5 | 5.460,5 | 11,4% | 7,3% | 27.801,9 | 29.287,7 | 1.485,8 | 5,3% | 1,4% |
| III. Net Revenue (I-II) | 214.461,7 | 222.212,2 | 7.750,5 | 3,6% | -0,2% | 78.261,9 | 85.366,6 | 7.104,7 | 9,1% | 5,0% |
| IV. Total Expenditure | 202.837,5 | 210.440,4 | 7.602,8 | 3,7% | -0,1% | 97.480,1 | 103.641,0 | 6.160,9 | 6,3% | 2,3% |
| V. Sovereign Fund of Brazil - FSB | 0,0 | 0,0 | 0,0 | - | - | 0,0 | 0,0 | 0,0 | - | - |
| VI. Central Government Primary Balance (III - IV + V) | 11.624,1 | 11.771,8 | 147,7 | 1,3% | -2,3% | -19.218,2 | -18.274,5 | 943,8 | -4,9% | -8,5% |
| National Treasury and Central Bank | 40.810,3 | 40.656,3 | -153,9 | -0,4% | -4,0% | -5.516,0 | -4.045,6 | 1.470,4 | -26,7% | 0,0% |
| Social Security (RGPS) | -29.186,1 | -28.884,5 | 301,6 | -1,0% | -4,7% | -13.702,2 | -14.228,9 | -526,6 | 3,8% | 0,0% |
| VII. Primary Balance/GDP | 1,1% | 1,0% | - | - | - | - | - | - | - | - |
| Memo: | | | | | | | | | | |
| National Treasury Primary Balance | 40.987,4 | 40.613,3 | -374,0 | -0,9% | -4,5% | -5.512,1 | -4.034,5 | 1.477,6 | -26,8% | - |
| Central Bank Primary Balance | -177,1 | 43,0 | 220,1 | - | - | -3,9 | -11,1 | -7,2 | 183,3% | 172,7% |
| Social Security Primary Balance | -29.186,1 | -28.884,5 | 301,6 | -1,0% | -4,7% | -13.702,2 | -14.228,9 | -526,6 | 3,8% | 0,0% |

In February 2019, the Central Government's primary result, at current prices, was a deficit of R\$ 18.3 billion, compared to a deficit of R\$ 19.2 billion in February 2018. In real terms, net revenue increased 5.0% while total expenditure increased by 2.3%. These variations are mainly explained by a real increase in Income Tax (IR) and CSLL (R\$ 4.9 billion) and by the increase in expenses related to extraordinary credits (diesel subsidy) and Executive Branch Expenses Subject to Financial Programming.

Compared to the accumulated until February, at current prices, the result of the Central Government went from a surplus of R\$ 11.6 billion in 2018 to a surplus of R\$ 11.8 billion in 2019. In real terms, the deterioration of the result was due to the reduction in revenue (0.2%) above the expense reduction (0.1%). Despite the fact that the total revenue has had gains in the period due to the improvement in economic activity and the macroeconomic and sectoral indicators that influence the collection, transfers by revenue sharing increases have overcome these gains, resulting in reduction of the net revenue in real terms. On the expenditure side, the largest changes were in Executive Branch Expenses Subject to Financial Programming and other compulsory expenses.

Yearly Balance

Overview

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

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

| | Jan-Feb | | Variation | |
|---|-----------|-----------|------------|--------|
| | 2018 | 2019 | Difference | % Real |
| I. Total Revenue | 272.939,8 | 276.121,9 | 3.182,1 | 1,2% |
| I.1 Revenues Collected by the Federal Revenue Office | 184.374,3 | 183.058,6 | -1.315,8 | -0,7% |
| I.2 Fiscal Incentives | 0,0 | 0,0 | 0,0 | - |
| I.3 Net Social Security Revenues | 60.959,3 | 64.111,5 | 3.152,2 | 5,2% |
| I.4 Revenues not Collected by the Federal Revenue Office | 27.606,1 | 28.951,8 | 1.345,7 | 4,9% |
| II. Transfers by Revenue Sharing | 49.682,2 | 53.321,4 | 3.639,1 | 7,3% |
| III. Net Revenue (I-II) | 223.257,5 | 222.800,5 | -457,0 | -0,2% |
| IV. Total Expenditure | 211.078,7 | 210.899,5 | -179,1 | -0,1% |
| IV.1 Social Security Benefits | 91.329,7 | 93.055,3 | 1.725,6 | 1,9% |
| IV.2 Payroll | 50.152,6 | 50.042,1 | -110,5 | -0,2% |
| IV.3 Other Compulsory Expenses | 37.737,6 | 36.879,5 | -858,1 | -2,3% |
| IV.4 Executive Branch Expenses Subject to Financial Programming | 31.858,7 | 30.922,6 | -936,1 | -2,9% |
| IV.4.1 Compulsory Expenses with Cash Control | 20.878,2 | 19.717,2 | -1.161,0 | -5,6% |
| IV.4.2 Discretionary | 10.980,4 | 11.205,4 | 224,9 | 2,0% |
| V. Sovereign Fund of Brazil - FSB | - | - | - | - |
| VI. Central Government Primary Balance (III - IV + V) | 12.178,9 | 11.901,0 | -277,9 | -2,3% |
| National Treasury and Central Bank | 42.549,3 | 40.844,8 | -1.704,5 | -4,0% |
| Social Security (RGPS) | -30.370,4 | -28.943,8 | 1.426,6 | -4,7% |
| Memo: | | | | |
| National Treasury Primary Balance | 42.733,9 | 40.790,5 | -1.943,4 | -4,5% |
| Central Bank Primary Balance | -184,6 | 54,4 | 238,9 | - |
| Social Security Primary Balance | -30.370,4 | -28.943,8 | 1.426,6 | -4,7% |

At February 2019 prices, the Central Government's primary result went from a surplus of R\$ 12.2 billion in the first two months of 2018 to a surplus of R\$ 11.9 billion in 2019, representing a reduction of R\$ 277.9 million (2.3%). This result was due to the reduction in net revenue (R\$ 457.0 million), which was higher than the reduction in total expenses (R\$ 179.1 million).

The decrease in net revenue results from the increase in transfers by revenue sharing above the increase in total revenues.

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 Feb/2019- IPCA

| | Jan-Feb | | Variation | |
|--|-----------|-----------|------------|--------|
| | 2018 | 2019 | Difference | % Real |
| I. Total Revenue | 272.939,8 | 276.121,9 | 3.182,1 | 1,2% |
| I.1 Revenues Collected by the Federal Revenue Office | 184.374,3 | 183.058,6 | -1.315,8 | -0,7% |
| Import Tax | 6.323,4 | 7.014,7 | 691,3 | 10,9% |
| Industrialized Products Tax (IPI) | 9.740,1 | 8.352,3 | -1.387,8 | -14,2% |
| Income tax (IR) | 78.352,4 | 85.474,0 | 7.121,5 | 9,1% |
| Tax on Credit Operations, Exchange and Insurance (IOF) | 6.116,8 | 6.311,1 | 194,3 | 3,2% |
| Contribution to Social Security Financing (COFINS) | 44.143,7 | 39.099,3 | -5.044,4 | -11,4% |
| PIS/Pasep | 12.026,6 | 11.032,1 | -994,5 | -8,3% |
| Social Contribution on Net Corporate Profits (CSLL) | 21.465,9 | 21.386,7 | -79,2 | -0,4% |
| CIDE - Fuels | 907,7 | 512,5 | -395,3 | -43,5% |
| Other | 5.297,5 | 3.875,8 | -1.421,7 | -26,8% |
| I.2 Fiscal Incentives | 0,0 | 0,0 | 0,0 | - |
| I.3 Net Social Security Revenues | 60.959,3 | 64.111,5 | 3.152,2 | 5,2% |
| Urban | 59.411,5 | 62.901,3 | 3.489,8 | 5,9% |
| Rural | 1.547,9 | 1.210,2 | -337,7 | -21,8% |
| I.4 Revenues Not Collected by the Federal Revenue Office | 27.606,1 | 28.951,8 | 1.345,7 | 4,9% |
| Concessions and Permissions | 583,2 | 641,5 | 58,3 | 10,0% |
| Dividends | 5,6 | 4,3 | -1,4 | -24,3% |
| Contribution to Civil Service Social Security (CPSS) | 2.169,6 | 2.141,4 | -28,3 | -1,3% |
| Exploitation of Natural Resources | 10.272,8 | 12.900,0 | 2.627,2 | 25,6% |
| Own Revenues and from agreements | 2.226,2 | 3.027,5 | 801,3 | 36,0% |
| Education-Salary (social contribution for education) | 4.638,6 | 3.909,0 | -729,5 | -15,7% |
| FGTS Complement (LC nº 110/01) | 482,4 | 477,0 | -5,5 | -1,1% |
| Assets Operations | 203,8 | 198,7 | -5,1 | -2,5% |
| Other Revenues | 7.023,8 | 5.652,5 | -1.371,4 | -19,5% |

(IRRF) – Withheld Income tax and R\$ 2.3 billion in (6.4%) in IRPJ.

The total revenue of the Central Government increased R\$ 3.2 billion (1.2%) compared to the first two months of 2018. This behavior was due to the increase of R\$ 3.2 billion (5.9%) in net social security revenue and R\$ 1.3 billion (4.9%) partially offset by the reduction of R\$ 1.3 billion (0.7%) in revenues collected by RFB.

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

- reduction of R\$ 5.0 billion (11.4%) in COFINS due to higher collection in PERT/PRT in January 2018, to the reclassification in January 2019 and to the reduction of PIS/COFINS tax rate on diesel oil;
- a reduction of R\$ 1.4 billion (14.2%) in IPI due to higher collection in PERT/PRT in the first two months of 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 reduction of R\$ 1.4 billion (26.8%) in other revenues collected by the RFB, due to the reduction of the payments in PERT/PRT, prepayments at the beginning of 2018 and the nominal reduction in judicial deposits; and
- increase of R\$ 7.1 billion (9.1%) in Income Tax, composed by increases of R\$ 4.4 billion (11.1%) in

The increase to the Net Social Security Revenues of R\$ 3.2 billion (5.2%) 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 Feb/2019- IPCA

| | Jan-Fev | |
|-----------------|------------|------------|
| | 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 | 5,6 | 4,3 |
| Total | 5,6 | 4,3 |

Revenues not collected by the RFB increased by R\$ 1.4 billion (4.9%) when compared to the first two months of 2018, mainly explained by the R\$ 2.6 billion increase in exploitation of natural resources, partially offset by the reduction of R\$ 1.4 billion (19.5%) in other revenues.

Transfers by Revenue Sharing

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

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

| | Jan-Feb | | Variation | |
|---|----------|----------|------------|-------|
| | 2018 | 2019 | Difference | % |
| II. Transfers by Revenue Sharing | 49.682,2 | 53.321,4 | 3.639,1 | 7,3% |
| II.1 FPM / FPE / IPI-EE | 38.956,1 | 41.171,6 | 2.215,5 | 5,7% |
| II.2 Constitutional Funds | 1.403,8 | 1.646,9 | 243,1 | 17,3% |
| Total Transfer | 2.585,8 | 2.485,6 | -100,2 | -3,9% |
| Funds Surplus | -1.182,1 | -838,7 | 343,4 | - |
| II.3 Education-Salary (social contribution for education) | 2.787,0 | 2.625,2 | -161,8 | -5,8% |
| II.4 Exploitation of Natural Resources | 5.894,0 | 7.457,5 | 1.563,5 | 26,5% |
| II.5 CIDE - Fuels | 442,6 | 218,2 | -224,4 | - |
| II.6 Other | 198,8 | 202,0 | 3,2 | 1,6% |

Obs.: Data subject to change.

Transfers by revenue sharing increased by R\$ 3.7 billion (7.3%) in relation to the first two months of 2018, going from R\$ 49.7 billion in 2018 to R\$ 53.3 billion in 2019. The main variations in the period were:

- the increase of R\$ 2.2 billion (5.7%) in the Transfers of FPM/FPE/IPI-EE, reflecting the increase in shared taxes (IR and IPI).
- Increase of R \$ 1.6 billion (26.5%) in Exploitation of Natural Resources, due to the factors previously explained on the performance of natural resource exploration revenues.

Central Government Expenditure

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

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

| | Jan-Feb | | Variation | |
|--|-----------|-----------|------------|--------|
| | 2018 | 2019 | Difference | % Real |
| IV. Total Expenditure | 211.078,7 | 210.899,5 | -179,1 | -0,1% |
| IV.1 Social Security Benefit | 91.329,7 | 93.055,3 | 1.725,6 | 1,9% |
| IV.1.1 Social Security Benefit - Urban | 71.831,0 | 73.555,8 | 1.724,8 | 2,4% |
| IV.1.2 Social Security Benefit - Rural | 19.498,7 | 19.499,5 | 0,8 | 0,0% |
| IV.2 Payroll | 50.152,6 | 50.042,1 | -110,5 | -0,2% |
| IV.3 Other Compulsory Expenses | 37.737,6 | 36.879,5 | -858,1 | -2,3% |
| Salary Allowance and Unemployment Benefit | 11.785,4 | 11.735,2 | -50,2 | -0,4% |
| Assistance Benefits (LOAS/RMV) | 9.487,4 | 9.749,9 | 262,5 | 2,8% |
| FGTS Complement (LC nº 110/01) | 482,4 | 477,0 | -5,5 | -1,1% |
| Extraordinary credits (excluding PAC) | 53,3 | 2.167,6 | 2.114,4 | - |
| Compensation to RGPS due to the payroll tax reduction | 1.849,9 | 1.582,2 | -267,7 | -14,5% |
| Fundef/Fundeb (Federal Complementation) | 4.040,5 | 4.172,0 | 131,6 | 3,3% |
| Electoral Campaign Funding | 1.638,7 | 1.481,5 | -157,2 | -9,6% |
| Judicial Remedies | 523,9 | 247,4 | -276,5 | -52,8% |
| Subsidies and Grants | 6.496,2 | 4.819,0 | -1.677,2 | -25,8% |
| FIES primary impact (Student Funding) | 359,6 | 115,6 | -244,0 | -67,9% |
| Others | 1.020,4 | 332,1 | -688,2 | -67,4% |
| IV.4 Executive Branch Expenses Subject to Financial Pr | 31.858,7 | 30.922,6 | -936,1 | -2,9% |
| Compulsory Expenses with Cash Control | 20.878,2 | 19.717,2 | -1.161,0 | -5,6% |
| Discretionary | 10.980,4 | 11.205,4 | 224,9 | 2,0% |
| Memo: | | | | |
| Other Current and Capital Expenditures | 32.008,6 | 31.748,1 | -260,5 | -0,8% |
| Other Current Expenditures | 28.793,9 | 28.296,6 | -497,2 | -1,7% |
| Other Capital Expenditures | 3.214,7 | 3.451,5 | 236,7 | 7,4% |

In the first two months of 2019, there was a reduction of R\$ 179.1 million (0.1%) in total General Government expenditure compared to the same period of the previous year, going from R\$ 211.1 billion to R\$ 210.9 billion. This variation is due to the combined effect of the following factors:

- increase of R\$ 1.7 billion (1.9%) in Social Security Benefits, discussed in the next section;
- reduction of R\$ 110.5 million (0.2%) in Payroll;

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

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

| | Jan-Fev | | Variation | |
|---|----------|----------|------------|--------|
| | 2018 | 2019 | Difference | % Real |
| Executive Br. Expenses Subject to Fin. Program. | 31.858,7 | 30.922,6 | -936,1 | -2,9% |
| Compulsory Expenses with Cash Control | 20.878,2 | 19.717,2 | -1.161,0 | -5,6% |
| Benefits to public servants | 2.194,4 | 2.103,9 | -90,5 | -4,1% |
| Bolsa Família (Family Allowance) | 5.341,1 | 5.152,3 | -188,8 | -3,5% |
| Health | 13.092,8 | 11.710,7 | -1.382,1 | -10,6% |
| Education | 100,3 | 420,0 | 319,7 | 318,7% |
| Others | 149,7 | 330,3 | 180,6 | 120,7% |
| Discretionary | 10.980,4 | 11.205,4 | 224,9 | 2,0% |
| Health | 2.806,8 | 2.307,5 | -499,3 | -17,8% |
| Education | 2.607,5 | 2.879,4 | 271,9 | 10,4% |
| Defense | 870,3 | 713,3 | -157,0 | -18,0% |
| Transportation | 1.096,9 | 891,4 | -205,5 | -18,7% |
| Administration | 913,8 | 1.273,7 | 359,8 | 39,4% |
| Science and Technology | 393,8 | 418,9 | 25,1 | 6,4% |
| Public Safety | 233,8 | 371,4 | 137,6 | 58,8% |
| Social Protection | 178,3 | 287,2 | 108,9 | 61,1% |
| Others | 1.879,2 | 2.062,6 | 183,4 | 9,8% |

in health expenses (R\$ 1.4 billion).

- decrease by R\$ 858.1 billion (2.3%) Other Compulsory Expenses; and

- reduction of R\$ 936.1 million (2.9%) in Executive Branch Expenses subject to Financial Programming.

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

- a reduction of R\$ 1.7 billion (25.8%) in Subsidies and Grants, resulting from the rationalization process of these expenses; and

- an increase of R\$ 2.1 billion in extraordinary credits due, mainly, to the economic subsidy for the commercialization of diesel oil (Provisional Measure No. 838, 2018).

The reduction of R\$ 936.1 million (2.9%) in Executive Branch Expenses subject to Financial Programming is explained mainly by the decrease of R\$ 1.2 billion (5.6%) in Compulsory Expenses with Cash Control. This decrease, in turn, was concentrated

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

| | Jan-Fev | | Variation | |
|--|----------------|----------------|-----------------|---------------|
| | 2018 | 2019 | Difference | % Real |
| Agricultural price policy | 3.321,8 | 2.894,1 | -427,7 | -12,9% |
| Equalisation of agricultural extension | 634,5 | 516,5 | -118,0 | -18,6% |
| Equalisation of rural and agroindustrial investments | 882,2 | 763,1 | -119,1 | -13,5% |
| Agricultural price policy | 84,8 | 109,8 | 25,0 | 29,5% |
| Pronaf - National programme for the strengthening of family farming | 1.548,7 | 1.245,2 | -303,5 | -19,6% |
| PESA - Programme of financial assets rehabilitation | 182,5 | 151,3 | -31,2 | -17,1% |
| INCRA - Land fund/national institute of colonization and agrarian reform | -29,5 | 27,4 | 56,9 | - |
| Coffee economy defense fund | 18,7 | 7,7 | -10,9 | -58,5% |
| Proagro - Agricultural Activity Support Program | 0,0 | 73,2 | 73,2 | - |
| Others | 3.174,5 | 1.924,9 | -1.249,5 | -39,4% |
| Proex - Export financing programme | 182,9 | 70,0 | -112,9 | -61,7% |
| PSI - Investment Maintenance Program | 2.947,0 | 1.822,8 | -1.124,2 | -38,1% |
| FSA - Audiovisual Sectorial Fund | 0,0 | 0,0 | 0,0 | - |
| Sudene | 0,0 | 11,7 | 11,7 | - |
| Other Subsidies and Grants | 44,5 | 20,3 | -24,2 | -54,3% |
| Total | 6.496,2 | 4.819,0 | -1.677,2 | -25,8% |

Social Security

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

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

| Discriminação | Jan-Fev | | Variation | |
|---|-----------|-----------|------------|--------|
| | 2018 | 2019 | Difference | % Real |
| Net Social Security Revenues | 60.959,3 | 64.111,5 | 3.152,2 | 5,2% |
| Total Revenue | 70.106,4 | 70.197,1 | 90,7 | 0,1% |
| Contributions deposited in banks | 60.643,2 | 60.795,0 | 151,8 | 0,3% |
| Contributions from SIMPLES | 7.343,6 | 7.502,5 | 158,9 | 2,2% |
| Debt Rescheduling REFIS | 20,1 | 24,6 | 4,5 | 22,6% |
| Judicial Payments | 257,6 | 297,2 | 39,6 | 15,4% |
| Social Security Compensation ¹ | 1.842,0 | 1.577,8 | -264,1 | -14,3% |
| (-) Restituição/Devolução | -78,0 | -201,2 | -123,1 | 157,8 |
| (-) Transferências a Terceiros | -9.330,0 | -6.023,4 | 3.306,6 | -35,4% |
| Social Security Benefit | 90.938,8 | 92.857,1 | 1.918,3 | 2,1% |
| Primary Balance | -29.979,4 | -28.745,6 | 1.233,8 | -4,1% |

Comparing the values the first two months of 2019 with the same period of 2018, the Social Security deficit decreased from R\$ 30.4 billion to R\$ 28.9 billion (4.7%) at February 2019 prices. This variation results of the combined effect of the following factors:

- R\$ 1.7 billion (1.9%) increase in payments of social security benefits, mainly due to the increase of 578.2 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\$ 6.66 (0.5%); and
- real increase of R\$ 3.2 billion (5.2%) 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\$ 3.3 billion).

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

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

| Discriminação | Jan-Fev | | Variation | |
|-----------------|-----------|-----------|------------|--------|
| | 2018 | 2019 | Difference | % Real |
| Net Revenue | 60.959,3 | 64.111,5 | 3.152,2 | 5,2% |
| Urban | 59.411,5 | 62.901,3 | 3.489,8 | 5,9% |
| Rural | 1.547,9 | 1.210,2 | -337,7 | -21,8% |
| Benefits | 91.329,7 | 93.055,3 | 1.725,6 | 1,9% |
| Urban | 71.831,0 | 73.555,8 | 1.724,8 | 2,4% |
| Rural | 19.498,7 | 19.499,5 | 0,8 | 0,0% |
| Primary Balance | -30.370,4 | -28.943,8 | 1.426,6 | -4,7% |
| Urban | -12.419,5 | -10.654,6 | 1.765,0 | -14,2% |
| Rural | -17.950,9 | -18.289,3 | -338,4 | 1,9% |

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 Feb/2019- IPCA

| | February | | Variation | |
|--|-----------|-----------|------------|--------|
| | 2018 | 2019 | Difference | % Real |
| I. Total Revenue | 110.189,9 | 114.654,3 | 4.464,3 | 4,1% |
| I.1 Revenues Collected by the Federal Revenue Office | 69.886,7 | 73.388,3 | 3.501,6 | 5,0% |
| I.2 Fiscal Incentives | 0,0 | 0,0 | 0,0 | - |
| I.3 Net Social Security Revenues | 31.082,4 | 31.654,7 | 572,3 | 1,8% |
| I.4 Revenues not Collected by the Federal Revenue Office | 9.220,8 | 9.611,2 | 390,4 | 4,2% |
| II. Transfers by Revenue Sharing | 28.883,5 | 29.287,7 | 404,2 | 1,4% |
| III. Net Revenue (I-II) | 81.306,5 | 85.366,6 | 4.060,1 | 5,0% |
| IV. Total Expenditure | 101.272,3 | 103.641, | 2.368,7 | 2,3% |
| IV.1 Social Security Benefits | 46.132,3 | 46.746,8 | 614,5 | 1,3% |
| IV.2 Payroll | 23.456,1 | 23.840,1 | 384,0 | 1,6% |
| IV.3 Other Compulsory Expenses | 14.948,1 | 15.154,7 | 206,6 | 1,4% |
| IV.4 Discretionary Expenses - All Branches | 16.735,8 | 17.899,4 | 1.163,6 | 7,0% |
| V. Sovereign Fund of Brazil - FSB | 0,0 | 0,0 | 0,0 | - |
| VI. Central Government Primary Balance (III - IV + V) | -19.965,9 | -18.274,5 | 1.691,4 | -8,5% |
| National Treasury and Central Bank | -4.916,0 | -3.182,4 | 1.733,6 | -35,3% |
| Social Security (RGPS) | -15.049,9 | -15.092,1 | -42,2 | 0,3% |
| Memo: | | | | |
| National Treasury Primary Balance | -4.911,9 | -3.171,2 | 1.740,7 | -35,4% |
| Central Bank Primary Balance | -4,1 | -11,1 | -7,0 | 172,7% |
| Social Security (RGPS) Primary Balance | -15.049,9 | -15.092,1 | -42,2 | 0,3% |

At February 2019 prices, the Central Government's primary result went from a deficit of R\$ 20.0 billion in February 2018 to a deficit of R\$ 18.3 billion in the same month of 2019, representing a reduction of R\$ 1.7 billion (8.5%) in the deficit. This variation was due to an increase of R\$ 4.1 billion (5.0%) in the net revenue, partially offset by a step up of R\$ 2.4 billion (2.3%) in total expenses.

Regarding the increase in net revenue, we should highlight the step up of Income Tax and CSLL, which grew, together, R\$ 4.9 billion (15.4%).

The increase in expenses includes extraordinary credits (diesel subsidy) and Executive Branch Expenses Subject to Financial Programming.

Central Government Revenue

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

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

| | February | | Variation | |
|--|-----------|-----------|------------|--------|
| | 2018 | 2019 | Difference | % Real |
| I. Total Revenue | 110.189,9 | 114.654,3 | 4.464,3 | 4,1% |
| I.1 Revenues Collected by the Federal Revenue Office | 69.886,7 | 73.388,3 | 3.501,6 | 5,0% |
| Import Tax | 2.943,8 | 3.156,1 | 212,3 | 7,2% |
| Industrialized Products Tax (IPI) | 4.248,3 | 4.144,8 | -103,4 | -2,4% |
| Income tax (IR) | 26.222,0 | 30.194,5 | 3.972,5 | 15,1% |
| Tax on Credit Operations, Exchange and Insurance (IOF) | 3.022,7 | 3.376,3 | 353,6 | 11,7% |
| Contribution to Social Security Financing (COFINS) | 19.695,4 | 18.769,2 | -926,2 | -4,7% |
| PIS/PASEP | 5.314,3 | 5.385,1 | 70,8 | 1,3% |
| Social Contribution on Net Corporate Profits (CSLL) | 5.655,2 | 6.597,0 | 941,8 | 16,7% |
| Provisional Contribution on Financial Operations (CPMF) | 430,0 | 225,8 | -204,2 | -47,5% |
| CIDE - Fuels | 2.355,0 | 1.539,5 | -815,5 | -34,6% |
| Other | 0,0 | 0,0 | 0,0 | - |
| I.2 Fiscal Incentives | 31.082,4 | 31.654,7 | 572,3 | 1,8% |
| I.3 Net Social Security Revenues | 30.355,7 | 31.049,8 | 694,0 | 2,3% |
| Urban | 726,7 | 604,9 | -121,7 | -16,8% |
| Rural | 9.220,8 | 9.611,2 | 390,4 | 4,2% |
| I.4 Revenues Not Collected by the Federal Revenue Office | 141,7 | 142,2 | 0,4 | 0,3% |
| Concessions and Permissions | 1,8 | 0,0 | -1,8 | -99,1% |
| Dividends | 1.100,6 | 1.087,8 | -12,9 | -1,2% |
| Contribution to Civil Service Social Security (CPSS) | 2.299,5 | 2.461,0 | 161,6 | 7,0% |
| Exploitation of Natural Resources | 1.101,7 | 1.439,9 | 338,2 | 30,7% |
| Own Revenues (source codes 50, 81 and 82) | 1.689,3 | 1.704,4 | 15,1 | 0,9% |
| Education-Salary (social contribution for education) | 0,0 | 0,0 | 0,0 | - |
| FGTS Complement (LC nº 110/01) | 94,0 | 91,3 | -2,6 | -2,8% |
| Assets Operations | 2.792,1 | 2.684,6 | -107,6 | -3,9% |
| Other Revenues | 0,0 | 0,0 | 0,0 | - |

Total revenues from the central government increased R\$ 4.5 billion (4.1%), from R\$ 110.2 billion in February 2018 to R\$ 114.7 billion in February 2019. This mainly due to an increase of R\$ 3.5 billion (50%) in revenue collected by RFB.

Revenues collected by RFB increased R\$ 3.5 billion (5.0%), mainly due to:

- Increase of R\$ 4.0 billion (15.1%) in IRPJ income tax (R\$ 2.1 billion) and IRRF (R\$ 1.5 billion). Regarding IRPJ, there was a combined effect of the real increase of 69.7% in the collection of the monthly estimate, especially of non-financial institutions, and the extraordinary collection of R\$ 4.6 billion by some companies from various economic sectors. In relation to IRRF, the main explanatory factor was the increase in IRRF-Income from Labor (R\$ 722.9) million, mainly due to the real gains in the collection of Earned Labor Income from Corporate Entities (6.4%) and Administration Public (5.5%);
- an increase of R\$ 941.8 million (16.7%) in CSLL that has the same determinants as IRPJ;
- a reduction of R\$ 926.2 million (4.7%) in Cofins due to the combined effect of (i) real increase of 3.5% in sales volume (PMC-IBGE) and of 2.1% in services volume (PMS-IBGE) between January 2019 and January 2018; (ii) better performance of the Other Companies and Imports segments; (iii)

more business days compared to February 2018; and (iv) higher volume of compensation in the financial segment; and

- a decrease of R\$ 815.5 million (34.6%) in other revenues collected by RFB, mainly due to the reduction in the amount collected by the special tax regularization program (PERT).

Net revenue for the RGPS increased R\$ 572.3 million (4.9%) due to the combined effect of (i) the positive balance of jobs for January 2019 (34,313 jobs); (ii) growth of tax compensation with gains for social security income due to Law 13,670/18; and (iii) a real reduction of 0.93% in the usual salary mass of January 2019 in relation to January 2018.

Revenues not collected by RFB increased R\$ 390.4 million (4.2%), mainly due to own revenues, which grew R\$ 338.2 million (30.7%).

Transfers by Revenue Sharing

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

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

| | February | | Variation | |
|---|----------|----------|------------|--------|
| | 2018 | 2019 | Difference | % Real |
| II. Transfers by Revenue Sharing | 28.883,5 | 29.287,7 | 404,2 | 1,4% |
| II.1 FPM / FPE / IPI-EE | 21.978,3 | 21.499,5 | -478,8 | -2,2% |
| II.2 Constitutional Funds | 717,7 | 802,0 | 84,3 | 11,7 |
| Total Transfer | 1.463,1 | 1.367,3 | -95,8 | -6,5% |
| Funds Surplus | -745,4 | -565,4 | 180,1 | - |
| II.3 Education-Salary (social contribution for education) | 1.764,1 | 1.251,6 | -512,6 | - |
| II.4 Exploitation of Natural Resources | 4.412,4 | 5.712,0 | 1.299,6 | 29,5% |
| II.5 CIDE - Fuels | 0,0 | 0,0 | 0,0 | - |
| II.6 Other | 11,0 | 22,6 | 11,6 | 105,7 |

Transfers by revenue sharing increased R\$ 404.2 million (1.4%), going from R\$ 28.9 billion in February 2017 to R\$ 29.3 billion in the same month of 2019. The main variations were:

- growth of R\$ 1.3 billion (29.5%) in Exploitation of Natural Resources.
- reduction of R\$ 512.6 million (29.1%) in education-salary; and
- decrease of R\$ 478.8 billion (2.2%) in FPM/FPE/IPI-EE.

Central Government Expenditure

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

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

| | February | | Variation | |
|--|-----------|-----------|------------|--------|
| | 2018 | 2019 | Difference | % Real |
| IV. Total Expenditure | 101.272,3 | 103.641,0 | 2.368,7 | 2,3% |
| IV.1 Social Security Benefit | 46.132,3 | 46.746,8 | 614,5 | 1,3% |
| IV.1.1 Social Security Benefit - Urban | 36.254,2 | 36.924,7 | 670,6 | 1,8% |
| IV.1.2 Social Security Benefit - Rural | 9.878,1 | 9.822,1 | -56,1 | -0,6% |
| IV.2 Payroll | 23.456,1 | 23.840,1 | 384,0 | 1,6% |
| IV.3 Other Compulsory Expenses | 14.948,1 | 15.154,7 | 206,6 | 1,4% |
| Salary Allowance and Unemployment Benefit | 6.034,6 | 5.870,7 | -163,9 | -2,7% |
| Assistance Benefits (LOAS/RMV) | 4.773,9 | 4.922,4 | 148,4 | 3,1% |
| FGTS Complement (LC nº 110/01) | 0,0 | 0,0 | 0,0 | - |
| Extraordinary credits (excluding PAC) | 39,8 | 1.221,6 | 1.181,8 | - |
| Compensation to RGPS due to the payroll tax reduction | 922,2 | 570,8 | -351,4 | -38,1% |
| Fundef/Fundeb (Federal Complementation) | 1.001,4 | 1.016,2 | 14,7 | 1,5% |
| Electoral Campaign Funding | 885,9 | 942,4 | 56,5 | 6,4% |
| Judicial Remedies | 435,5 | 119,6 | -315,9 | -72,5% |
| Subsidies and Grants | 196,0 | 127,1 | -68,9 | -35,1% |
| FIES primary impact (Student Funding) | 68,1 | 155,1 | 87,0 | 127,8% |
| Others | 590,7 | 208,9 | -381,8 | -64,6% |
| IV.4 Executive Branch Expenses Subject to Financial Programr | 16.735,8 | 17.899,4 | 1.163,6 | 7,0% |
| Compulsory Expenses with Cash Control | 10.556,7 | 10.922,6 | 365,9 | 3,5% |
| Discretionary | 6.179,1 | 6.976,8 | 797,6 | 12,9% |
| Memo: | | | | |
| Other Current and Capital Expenditures | 20.579,9 | 21.964,3 | 1.384,4 | 6,7% |
| Other Current Expenditures | 18.917,2 | 19.828,9 | 911,7 | 4,8% |
| Other Capital Expenditures | 1.662,7 | 2.135,4 | 472,7 | 28,4% |

of 1999)".

In February 2019, there was an increase of R\$ 2.4 billion (2.3%) in total central government spending in relation to the same month of the previous year, going from R\$ 101.3 billion to R\$ 103.6 billion. This variation is mainly due to (i) the "vegetative" pressure of social security benefits and payroll, which together accounted for R\$ 1.0 billion, (ii) the execution of R\$ 1.2 billion in extraordinary credits due to the economic subsidy for the commercialization of diesel oil (Provisional Measure nº 838, of 2018); and (iii) by the increase of R\$ 1.2 billion (7.0%) in Executive Branch Expenses Subject to Financial Programming.

The increase in Executive Branch Expenses Subject to Financial Programming had as its main determinant the increase in discretionary expenses. This, in turn, was due to (i) the annual installment of R\$ 500 million referring to the capitalization of FG-Fies (totaling R\$ 3 billion over 6 years) and (ii) the execution of R\$ 495, 1 million in the budget action "0027 - Coverage of the Guarantees Provided by the Union in Export Credit Insurance Operations (Law No. 9,818

Table 2.5 - Other Executive Branch Discretionary Expenses - Brazil - 2017/2018

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

| | February | | Variation | |
|---|----------|----------|------------|--------|
| | 2018 | 2019 | Difference | % Real |
| Executive Br. Expenses Subject to Fin. Program. | 16.735,8 | 17.899,4 | 1.163,6 | 7,0% |
| Compulsory Expenses with Cash Control | 10.556,7 | 10.922,6 | 365,9 | 3,5% |
| Benefits to public servants | 1.208,1 | 1.087,5 | -120,6 | -10,0% |
| Bolsa Família (Family Allowance) | 2.559,6 | 2.544,9 | -14,7 | -0,6% |
| Health | 6.599,9 | 6.707,9 | 108,1 | 1,6% |
| Education | 99,1 | 419,0 | 319,9 | 322,9% |
| Others | 90,1 | 163,3 | 73,3 | 81,3% |
| Discretionary | 6.179,1 | 6.976,8 | 797,6 | 12,9% |
| Health | 1.354,4 | 1.421,3 | 66,9 | 4,9% |
| Education | 1.623,5 | 1.944,8 | 321,4 | 19,8% |
| Defense | 519,5 | 391,6 | -127,9 | -24,6% |
| Transportation | 655,8 | 533,4 | -122,4 | -18,7% |
| Administration | 454,0 | 1.014,8 | 560,9 | 123,6% |
| Science and Technology | 323,3 | 198,1 | -125,1 | -38,7% |
| Public Safety | 132,0 | 205,2 | 73,2 | 55,5% |
| Social Protection | 122,4 | 145,9 | 23,5 | 19,2% |
| Others | 994,3 | 1.121,5 | 127,2 | 12,8% |

Social Security

Tabela 2.6 - Social Security (RGPS) Primary Balance - Brazil - 2017/2018

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

| | February | | Variation | |
|----------------------------------|-----------|-----------|------------|--------|
| | 2018 | 2019 | Difference | % Real |
| Net Social Security Revenues | 31.082,4 | 31.654,7 | 572,3 | 1,8% |
| Total Revenue | 34.488,3 | 34.099,4 | -388,8 | -1,1% |
| Contributions deposited in banks | 30.205,2 | 29.995,9 | -209,4 | -0,7% |
| Contributions from SIMPLES | 3.247,7 | 3.370,8 | 123,1 | 3,8% |
| Debt Rescheduling REFIS | 10,9 | 150,1 | 139,2 | - |
| Judicial Payments | 102,2 | 11,8 | -90,4 | -88,5% |
| Social Security Compensation | 922,2 | 570,8 | -351,4 | -38,1% |
| (-) Restituição/Devolução | -42,0 | -113,5 | -71,5 | 170,3% |
| (-) Transferências a Terceiros | -3.363,9 | -2.331,2 | 1.032,7 | -30,7% |
| Social Security Benefit | 46.132,3 | 46.746,8 | 614,5 | 1,3% |
| Primary Balance | -15.049,9 | -15.092,1 | -42,2 | 0,3% |

The primary result of Social Security went from a deficit of R\$ 15.0 billion in February 2018 to a deficit of R\$ 15.1 billion in February 2019, representing a difference of R\$ 42.2 million. The increase in Social Security Benefits was influenced by the increase in the number of benefits issued (590.7 thousand (2.0%)), partially offset by the decrease of R\$ 6.52 (0.5%) in the average value of benefits.