

Minister of Finance
Eduardo Refinetti Guardia

Executive-Secretary
Ana Paula Vitali Janes Vescovi

National Treasury Secretary
Mansueto Facundo de Almeida Junior

Assistant National Treasury Secretary
Otavio Ladeira de Medeiros

Deputy Secretaries
Adriano Pereira de Paula
Gildenora Batista Dantas Milhomem
José Franco Medeiros de Moraes
Liscio Fábio de Brasil Camargo
Pedro Jucá Maciel
Pricilla Maria Santana

Head of Fiscal and Economic Studies Department
Felipe Palmeira Bardella

Deputy Head of Fiscal and Economic Studies Department
Alex Pereira Benício

Technical Staff
Fábio Felipe Dáquilla Prates
Fernando Cardoso Ferraz
Karla de Lima Rocha
Vitor Henrique Barbosa Fabel

Assessoria de Comunicação Social
(ASCOM/Tesouro Nacional)
Phone: (61) 3412-1843
E-mail: ascom@tesouro.gov.br
Available: www.tesouro.gov.br

The **National Treasury Fiscal Balance** is a monthly publication of the National Treasury Secretariat. Reproduction in full or in part is permitted, provided the source be given proper credit.

Vol. 24, N.4 April/2018

National Treasury Fiscal Balance

Brasília, May 2018

Resultado do Tesouro Nacional / Secretaria do Tesouro Nacional. – v. 24, n. 03 (Março 2018). – Brasília : STN, 1995_.

*Mensal.
Continuação de: Demonstrativo da execução financeira do Tesouro Nacional.
ISSN 1519-2970*

*1.Finanças públicas – Periódicos. 2.Receita pública – Periódicos. 3.Despesa pública – Periódicos.
I. Brasil. Secretaria do Tesouro Nacional.*

CDD 336.005

Summary

<i>Central Government Primary Balance Overview</i>	3
<i>Yearly Balance</i>	4
Overview	4
Central Government Revenue	5
Transfers by Revenue Sharing	6
Central Government Expenditure	7
Social Security	10
<i>Monthly Balance Compared to the Same Month of the Previous Year</i>	11
Central Government Revenue	12
Transfers by Revenue Sharing	13
Central Government Expenditure	14
Social Security	15
<i>Monthly Balance Compared to the Previous Month</i>	16
Overview	16
Central Government Revenue	17
Transfers by Revenue Sharing	18
Central Government Expenditure	19
Social Security	20

Central Government Primary Balance Overview

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

current prices

	Jan-Apr					April				
	R\$ Million		Variation (2018/2017)			R\$ Million		Variation (2018/2017)		
	2017	2018	Difference	% Nominal	% Real	2017	2018	Difference	%	% Real
I. Total Revenue	460.199,6	507.492,7	47.293,1	10,3%	7,3%	126.024,6	137.706,0	11.681,3	9,3%	6,3%
II. Transfers by Revenue Sharing	76.876,9	83.980,9	7.104,0	9,2%	6,3%	17.996,6	18.497,4	500,8	2,8%	0,0%
III. Net Revenue (I-II)	383.322,7	423.511,8	40.189,2	10,5%	7,5%	108.028,0	119.208,6	11.180,6	10,3%	7,4%
IV. Total Expenditure	390.569,9	428.960,1	38.390,2	9,8%	6,8%	95.712,1	112.022,1	16.309,9	17,0%	13,9%
V. Sovereign Fund of Brazil - FSB	0,0	0,0	0,0	-	-	0,0	0,0	0,0	-	-
VI. Central Government Primary Balance (III -	-7.247,2	-5.448,3	1.799,0	-24,8%	-27,8%	12.315,9	7.186,5	-5.129,4	-41,6%	-43,2%
National Treasury and Central Bank	44.755,1	55.764,5	11.009,4	24,6%	21,3%	24.308,8	19.346,8	-4.962,0	-20,4%	-0,1%
Social Security (RGPS)	-52.002,3	-61.212,7	-9.210,4	17,7%	14,5%	-11.992,9	-12.160,3	-167,4	1,4%	-1,3%
VII. Primary Balance/GDP	-0,3%	-0,2%	-	-	-	-	-	-	-	-
Memo:										
National Treasury Primary Balance	44.999,0	56.029,1	11.030,1	24,5%	21,3%	24.524,2	19.476,9	-5.047,4	-20,6%	45,2%
Central Bank Primary Balance	-243,9	-264,6	-20,7	8,5%	5,7%	-215,5	-130,1	85,3	-39,6%	-41,2%
Social Security Primary Balance	-52.002,3	-61.212,7	-9.210,4	17,7%	14,5%	-11.992,9	-12.160,3	-167,4	1,4%	-1,3%

In April 2018, the Central Government's primary result, at current prices, was a surplus of R\$ 7.2 billion against a surplus of 12.3 billion in April 2017. This evolution is explained by the increase of R\$ 16.3 billion (17.0%) in total expenses partially offset by an increase of R\$ 11.2 billion (10.3%) in net revenue. In real terms, total expenses increased by 13.9%, mainly due to the anticipation in the payment calendar for judicial remedies in May and June 2017 for March and April 2018.

Compared to the accumulated until April 2017, at current prices, the result of the Central Government went from a deficit of R\$ 7.2 billion in 2017 to a deficit of R\$ 5.4 billion in 2018. In real terms, net revenue increased 7.5% while spending increased by 6.8%. The increase in revenue is derived from specific measures related to PIS / Cofins, from the withdrawal of the PRT / PERT and from the improvement of the main macroeconomic indicators that influence the collection. The increase in expenses is mainly due to the anticipation in the calendar of payment of judicial remedies (R\$ 20.2 bi) from May and June 2017 to March and April 2018.

Yearly Balance

Overview

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

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

	Jan-Apr		Variation	
	2017	2018	Difference	% Real
I. Total Revenue	474.457,3	509.044,7	34.587,4	7,3%
I.1 Revenues Collected by the Federal Revenue Office	302.724,4	331.297,0	28.572,6	9,4%
I.2 Fiscal Incentives	-17,9	0,0	17,9	-
I.3 Net Social Security Revenues	118.982,0	121.444,3	2.462,2	2,1%
I.4 Revenues not Collected by the Federal Revenue Office	52.768,8	56.303,5	3.534,7	6,7%
II. Transfers by Revenue Sharing	79.260,8	84.232,0	4.971,2	6,3%
III. Net Revenue (I-II)	395.196,5	424.812,6	29.616,1	7,5%
IV. Total Expenditure	402.632,2	430.178,3	27.546,1	6,8%
IV.1 Social Security Benefits	172.593,4	182.837,4	10.244,0	5,9%
IV.2 Payroll	91.651,4	96.857,3	5.205,9	5,7%
IV.3 Other Compulsory Expenses	67.427,9	73.918,0	6.490,0	9,6%
IV.4 Discretionary Expenses - All Branches	70.959,5	76.565,7	5.606,1	7,9%
V. Sovereign Fund of Brazil - FSB	-	-	-	-
VI. Central Government Primary Balance (III - IV + V)	-7.435,7	-5.365,7	2.070,1	-
National Treasury and Central Bank	46.175,6	56.027,4	9.851,8	21,3%
Social Security (RGPS)	-53.611,4	-61.393,1	-7.781,8	14,5%
Memo:				
National Treasury Primary Balance	46.427,0	56.293,1	9.866,1	21,3%
Central Bank Primary Balance	-251,3	-265,7	-14,3	5,7%
Social Security Primary Balance	-53.611,4	-61.393,1	-7.781,8	14,5%

At April 2018 prices, compared to 2017, there was an improvement of R\$ 2.1 billion in the cumulative primary result of the Central Government, which went from a deficit of R\$ 7.4 billion in 2017 to a deficit of R\$ 5.4 billion in 2018. This improvement resulted from net revenue growth (7.5%) in a rate higher than the increase in total expenses (6.8%).

Regarding the increase in revenue, it is worth mentioning the increase in PIS / Cofins tax revenue, due in large part to the increase in fuel tax rates (Decree 9,101 / 17), as well as the performance of the collection associated with the Active Debt Installments, PERT and PRT . It should also be emphasized that another source of revenue growth has been the recovery of economic activity and macroeconomic indicators that influence the collection.

Primary expenditure, in turn, was affected mainly by the anticipation in the calendar of payment 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 Apr/2018- IPCA

	Jan-Apr		Variation	
	2017	2018	Difference	% Real
I. Total Revenue	474.457,3	509.044,7	34.587,4	7,3%
I.1 Revenues Collected by the Federal Revenue Office	302.724,4	331.297,0	28.572,6	9,4%
Import Tax	9.895,5	12.443,3	2.547,8	25,7%
Industrialized Products Tax (IPI)	14.400,8	18.385,1	3.984,3	27,7%
Income tax (IR)	138.207,4	141.877,7	3.670,2	2,7%
Tax on Credit Operations, Exchange and Insurance (IOF)	11.822,0	11.852,9	30,9	0,3%
Contribution to Social Security Financing (COFINS)	69.712,9	80.853,7	11.140,8	16,0%
PIS/Pasep	19.255,3	21.975,1	2.719,7	14,1%
Social Contribution on Net Corporate Profits (CSLL)	32.376,1	33.436,0	1.059,9	3,3%
Provisional Contribution on Financial Operations (CPMF)	0,0	0,0	0,0	-
CIDE - Fuels	1.933,5	1.746,7	-186,8	-9,7%
Other	5.120,9	8.726,6	3.605,7	70,4%
I.2 Fiscal Incentives	-17,9	0,0	17,9	-100,0%
I.3 Net Social Security Revenues	118.982,0	121.444,3	2.462,2	2,1%
Urban	116.384,5	118.266,1	1.881,6	1,6%
Rural	2.597,5	3.178,2	580,7	22,4%
I.4 Revenues Not Collected by the Federal Revenue Office	52.768,8	56.303,5	3.534,7	6,7%
Concessions and Permissions	2.089,1	974,6	-1.114,5	-53,3%
Dividends	2.052,1	707,0	-1.345,1	-65,5%
Contribution to Civil Service Social Security (CPSS)	4.209,4	4.281,2	71,9	1,7%
Financial Compensation Quotas	15.435,4	20.441,7	5.006,3	32,4%
Own Revenues (source codes 50, 81 and 82)	4.573,4	4.548,9	-24,5	-0,5%
Education-Salary (social contribution for education)	7.662,6	7.677,5	14,9	0,2%
FGTS Complement (LC nº 110/01)	1.343,3	1.256,4	-87,0	-6,5%
Assets Operations	352,1	362,9	10,8	3,1%
Other Revenues	15.051,4	16.053,4	1.002,0	6,7%

Total revenues from the Central Government increased by R\$ 34.6 billion (7.3%) compared to April 2017. This was due to the increase of R\$ 28.6 billion (9.4%) in the revenues managed by the RFB, together with the R\$ 2.5 billion (2.1%) increase in net revenue for the RGPS and the increase of R\$ 3.5 billion (6.7%) in revenue not managed by RFB. The main variation factors were:

- R\$ 11.1 billion (16.0%) increase in Cofins and R\$ 2.7 billion (14.1%) in PIS / Pasep due to the combined effect of the PIS / Cofins aliquot on fuels (Decree 9,101 / 17) and increase in the volume of sales of goods (real increase of 6.62% - PMC-IBGE);
- an increase of R\$ 4.0 billion (27.7%) in IPI mainly influenced by the 4.35% increase in industrial production from December 2017 to March 2018 compared to the production from December 2016 to March 2017;
- an increase of R\$ 2.5 billion (25.7%) in the import tax, mainly due to the increase in the average exchange rate, reduction in the average effective tax rate on imports and an increase of 19.0% in import dollars;
- an increase of R\$ 5.0 billion in Financial Compensation Quotas due mainly to the increase in production and the international price of oil; and
- Reduction of dividends and interests in R\$ 1.3 billion, largely explained by BNDES receipts in 2017, with no counterpart in 2018.

Table 1.4 - Dividends - Brazil - 2017/2018*R\$ million - at constant prices Apr/2018- IPCA*

	Jan-Apr	
	2017	2018
Banco do Brasil	146,6	476,9
BNB	64,2	48,8
BNDES	1.609,6	0,0
Caixa	0,0	0,0
Correios	0,0	0,0
Eletrobrás	0,0	0,0
IRB	54,1	59,9
Petrobras	0,0	0,0
Others	177,6	121,4
Total	2.052,1	707,0

It should also be noted that, for the period, there was an increase of R\$ 9.9 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.

Transfers by Revenue Sharing

Table 1.5 - Transfers by Revenue Sharing - Brazil - 2017/2018*R\$ million - at constant prices Apr/2018- IPCA*

	Jan-Apr		Variation	
	2017	2018	Difference	%
II. Transfers by Revenue Sharing	79.260,8	84.232,0	4.971,2	6,3%
II.1 FPM / FPE / IPI-EE	63.721,2	66.999,8	3.278,6	5,1%
II.2 Constitutional Funds	2.786,3	2.681,6	-104,7	-3,8%
Total Transfer	4.244,5	4.441,5	197,0	4,6%
Funds Surplus	-1.458,2	-1.759,9	-301,7	20,7%
II.3 Education-Salary (social contribution for education)	4.585,4	4.633,2	47,8	1,0%
II.4 Financial Compensations	7.059,9	8.870,1	1.810,2	25,6%
II.5 CIDE - Fuels	856,0	800,1	-55,9	-6,5%
II.6 Other	252,1	247,3	-4,8	-1,9%

Transfers by revenue sharing increased by R\$ 5.0 billion (6.3%) in relation to the accumulated until April 2017, from R\$ 79.3 billion in 2017 to R\$ 84, 2 billion in 2018. The main variations in the period were:

- increase of R\$ 3.3 billion (5.1%) in the Transfers of FPM / FPE / IPI-EE; and
- R\$ 1.8 billion (25.6%) increase in Financial Compensation, due to the factors previously explained on the performance of Financial Compensation revenues.

Obs.: Data subject to change.

Central Government Expenditure

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

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

	Jan-Apr		Variation	
	2017	2018	Difference	% Real
IV. Total Expenditure	402.632,2	430.178,3	27.546,1	6,8%
IV.1 Social Security Benefit	172.593,4	182.837,4	10.244,0	5,9%
IV.1.1 Social Security Benefit - Urban	135.119,7	144.029,3	8.909,6	6,6%
IV.1.2 Social Security Benefit - Rural	37.473,6	38.808,1	1.334,4	3,6%
IV.2 Payroll	91.651,4	96.857,3	5.205,9	5,7%
IV.3 Other Compulsory Expenses	67.427,9	73.918,0	6.490,0	9,6%
Salary Allowance and Unemployment Benefit	21.943,3	20.170,0	-1.773,2	-
Assistance Benefits (LOAS/RMV)	18.147,4	18.654,1	506,7	2,8%
FGTS Complement (LC nº 110/01)	1.343,3	1.256,4	-87,0	-
Extraordinary credits (excluding PAC)	293,1	116,6	-176,5	-
(MP) 540/11, 563/12, 582/12 Exoneration	6.156,6	5.790,9	-365,7	-
FUNDEB (Federal Complementation)	5.867,1	6.126,8	259,7	4,4%
Federal District (DF) Contitucional Fund	512,5	444,2	-68,2	-
Judicial Remedies	524,0	12.492,8	11.968,8	-
Subsídios, Subvenções e Proagro	9.556,6	6.736,7	-2.819,9	-
FIES primary impact (Student Funding)	1.470,2	650,2	-820,0	-
Others	1.613,9	1.479,3	-134,6	-
IV.4 Discretionary Expenses - All Branches	70.959,5	76.565,7	5.606,1	7,9%
Executive Branch Discretionary Expenses	67.702,3	72.727,7	5.025,3	7,4%
PAC (Growth Acceleration Program)	5.495,5	5.550,7	55,2	1,0%
o/w "Minha Casa Minha Vida - MCMV"	524,0	431,9	-92,2	-
Issuance of Agricultural Debt Securities (TDA)	0,0	11,9	11,9	-
Other Executive Branch Discretionary Expenses	62.206,8	67.165,0	4.958,2	8,0%
Legislative and Judiciary Branches and Prosecutor's	3.257,2	3.838,0	580,8	17,8
Memo:				
Other Current and Capital Expenditures	88.539,6	104.741,5	16.201,9	18,3
Other Current Expenditures	80.132,9	92.609,1	12.476,2	15,6
Other Capital Expenditures	8.406,7	12.132,4	3.725,7	44,3

Table 1.7 - Other Executive Branch Discretionary Expenses - Brazil - 2017/2018

Total Central Government expenditure in the period up to April 2018 reached R\$ 430.2 billion, 6.8% higher than in the same period of 2017, when expenses totaled R\$ 402.6 billion.

This variation is due to the combined effect of R\$ 10.2 billion (5.9%) increase in Social Security Benefits, R\$ 5.2 billion (5.7%) in Payroll, R\$ 6.5 billion Other Compulsory Expenses (9.6%) and R\$ 5.6 billion (7.9%) 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 social security benefits, personnel and charges and other compulsory expenses - other cost and capital expenses being paid, in these items, R\$ 4.9 billion, R\$ 3.5 billion and R\$ 11.7 billion, respectively.

The increase in other compulsory expenses was partially offset by 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\$ 1, 8 billion).

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

	Jan-Abr		Variation	
	2017	2018	Difference	% Real
Total	62.206,8	67.088,8	4.882,0	7,8%
Ministry of Health	30.962,4	33.468,6	2.506,2	8,1%
Ministry of Education	9.032,8	7.871,5	-1.161,3	-12,9%
Ministry of Social Development	11.354,3	11.107,8	-246,5	-2,2%
Ministry of Defense	3.141,8	3.916,2	774,5	24,7%
Ministry of Science and Technology	1.096,5	1.000,5	-96,0	-8,8%
Other	6.619,0	9.724,0	3.105,1	46,9%

Discretionary expenditures - all of them were up by R\$ 5.6 billion (7.9%), explained almost entirely by the increase in other discretionary expenses (R\$ 4.9 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 April 2018 was R\$ 57.0 billion, against R\$ 51.7 billion in the same period of the previous year.

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

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

	Jan-Apr		Variation	
	2017	2018	Difference	% Real
Agricultural price policy	4.697,7	3.499,7	-1.198,0	-25,5%
Equalisation of agricultural extension	1.172,7	628,6	-544,1	-46,4%
Equalisation of rural and agroindustrial investments	1.218,3	852,7	-365,6	-30,0%
Agricultural price policy	-288,1	175,8	463,9	-
Pronaf - National programme for the strengthening of family farming	2.206,3	1.552,4	-653,9	-29,6%
PESA - Programme of financial assets rehabilitation	45,0	198,7	153,7	341,3%
Alcohol	26,5	16,4	-10,1	-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	-28,9	30,0	58,9	-
Coffee economy defense fund	31,6	39,7	8,0	25,3%
Revitaliza - Production development programme / capital goods	9,6	5,5	-4,1	-42,8%
Proagro - Agricultural Activity Support Program	304,7	0,0	-304,7	-
Others	4.859,0	3.237,0	-1.621,9	-33,4%
Proex - Export financing programme	273,1	241,4	-31,6	-11,6%
PSH - Subsidy programme for social interest housing	0,0	0,0	0,0	-
PSI - Investment Maintenance Program	4.526,5	2.848,5	-1.678,0	-37,1%
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	164,1	135,3	-28,7	-17,5%
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	24,8	22,3	-2,4	-9,8%
Sudene	0,0	0,0	0,0	-
Subsidy Recovery Revenues	0,0	-10,3	-10,2	-
PNAFE - Program for States' Fiscal and Administrative Modernization	-132,7	-3,7	129,0	-97,2%
PRODECER	0,0	0,0	0,0	-
Total	9.556,6	6.736,7	-2.819,9	-29,5%

Social Security

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

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

Discriminação	Jan-Apr		Variation	
	2017	2018	Difference	% Real
Net Social Security Revenues	118.982,0	121.444,3	2.462,2	2,1%
Total Revenue	134.200,4	136.808,3	2.607,9	1,9%
Contributions deposited in banks	114.911,7	117.103,9	2.192,2	1,9%
Contributions from SIMPLES	12.524,1	13.373,3	849,2	6,8%
Debt Rescheduling REFIS	73,5	11,9	-61,6	-83,9%
Judicial Payments	534,5	528,3	-6,1	-1,1%
Social Security Compensation ¹	6.156,6	5.790,9	-365,7	-5,9%
(-) Restituição/Devolução	-191,2	-309,4	-118,3	61,9%
(-) Transferências a Terceiros	-15.027,2	-15.054,6	-27,4	0,2%
Social Security Benefit	172.593,4	182.837,4	10.244,0	5,9%
Primary Balance	-53.611,4	-61.393,1	-7.781,8	14,5%

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

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

Discriminação	Jan-Apr		Variation	
	2017	2018	Difference	% Real
Net Revenue	118.982,0	121.444,3	2.462,2	2,1%
Urbano	116.384,5	118.266,1	1.881,6	1,6%
Rural	2.597,5	3.178,2	580,7	22,4%
Benefits	172.593,4	182.837,4	10.244,0	5,9%
Urban	135.119,7	144.029,3	8.909,6	6,6%
Rural	37.473,6	38.808,1	1.334,4	3,6%
Primary Balance	-53.611,4	-61.393,1	-7.781,8	14,5%
Urban	-18.735,2	-25.763,3	-7.028,0	37,5%
Rural	-34.876,1	-35.629,9	-753,7	2,2%

Comparing the accumulated values of April 2018 with the same period of 2017, the Welfare deficit increased from R\$ 53.6 billion to R\$ 61.4 billion (14.5%) at April 2018 prices. This variation results of the combined effect of the following factors:

- R\$ 10.2 billion (5.9%) increase in payments of social security benefits, due to the aforementioned anticipation of the calendar of payments of judicial remedies in May and June of 2017 for March and April in 2018 with impact of R\$ 4, 9.1 billion in March 2018, and the increase of 613.4 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\$ 6.46 (0.5 %); and

- a real increase of R\$ 2.5 billion (2.1%) in net revenue, explained by the increase in the social security contribution (R\$ 2.2 billion, 1.9%) and the increase in the collection of R\$ 849.2 billion, 6.8%), partially offset by the reduction of 365.7 billion (5.9%) in the compensation of the RGPS.

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 Apr/2018- IPCA

	April		Variation	
	2017	2018	Difference	% Real
I. Total Revenue	105.828	107.283	1.455,0	1,4%
I.1 Revenues Collected by the Federal Revenue Office	64.264,	68.017,	3.752,7	5,8%
I.2 Fiscal Incentives	0,0	0,0	0,0	-
I.3 Net Social Security Revenues	29.849,	29.519,	-329,8	-1,1%
I.4 Revenues not Collected by the Federal Revenue Office	11.715,	9.747,3	-1.967,8	-
II. Transfers by Revenue Sharing	15.782,	17.810,	2.028,0	12,8
III. Net Revenue (I-II)	90.045,	89.472,	-573,0	-0,6%
IV. Total Expenditure	101.603	114.355	12.751,7	12,6
IV.1 Social Security Benefits	43.318,	49.690,	6.371,4	14,7
IV.2 Payroll	21.933,	25.963,	4.030,5	18,4
IV.3 Other Compulsory Expenses	15.547,	15.055,	-492,2	-3,2%
IV.4 Discretionary Expenses - All Branches	20.804,	23.646,	2.842,1	13,7
V. Sovereign Fund of Brazil - FSB	0,0	0,0	0,0	-
VI. Central Government Primary Balance (III - IV + V)	-	-	-13.324,7	115,3
National Treasury and Central Bank	1.911,8	-4.711,6	-6.623,5	-
Social Security (RGPS)	-	-	-6.701,2	49,8
Memo:				
National Treasury Primary Balance	1.876,0	-4.754,2	-6.630,2	-
Central Bank Primary Balance	35,8	42,6	6,8	18,9
Social Security (RGPS) Primary Balance	-13.469,7	-20.171,0	-6.701,2	49,8

At April 2018 prices, the Central Government's primary result went from a surplus of R\$ 12.7 billion in April 2017 to a surplus of R\$ 7.2 billion in the same month of 2018, which represented a reduction of R\$ 5.5 billion (43.2%). This variation was due to an increase of R\$ 13.7 billion (13.9%) in total expenses, partially offset by an increase in net revenue of R\$ 8.2 billion (7.4%).

Regarding the increase in net revenue, we highlight the increases in Cofins, IPI, Financial Compensations and Import Tax, offset by the reduction in revenues with Concessions and Permissions. With regard to the increase in expenses, we highlight the increase in Judgments and Precatory Judgments, as a result of the anticipation of the calendar of payments of judicial remedies in May and June 2017 for March and April in 2018. In April 2018 there were payments rounding up to R\$ 10,7 billion in judicial remedies related to other current and capital expenses (OCC).

Central Government Revenue

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

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

	April		Variation	
	2017	2018	Difference	%
I. Total Revenue	105.828,5	107.283,5	1.455,0	1,4%
I.1 Revenues Collected by the Federal Revenue Office	64.264,4	68.017,1	3.752,7	5,8%
Import Tax	2.771,5	3.182,0	410,5	14,8%
Industrialized Products Tax (IPI)	3.425,3	4.325,8	900,6	26,3%
Income tax (IR)	26.469,2	27.286,0	816,9	3,1%
Tax on Credit Operations, Exchange and Insurance (IOF)	2.465,2	2.791,6	326,4	13,2%
Contribution to Social Security Financing (COFINS)	16.521,0	17.953,1	1.432,1	8,7%
PIS/PASEP	4.536,1	4.963,4	427,3	9,4%
Social Contribution on Net Corporate Profits (CSLL)	5.649,3	5.472,1	-177,2	-3,1%
Provisional Contribution on Financial Operations (CPMF)	0,0	0,0	0,0	-
CIDE - Fuels	452,5	413,9	-38,5	-8,5%
Other	1.974,5	1.629,1	-345,4	-
I.2 Fiscal Incentives	0,0	0,0	0,0	-
I.3 Net Social Security Revenues	29.849,0	29.519,2	-329,8	-1,1%
Urban	29.188,2	28.762,9	-425,3	-1,5%
Rural	660,8	756,3	95,4	14,4%
I.4 Revenues Not Collected by the Federal Revenue Office	11.715,1	9.747,3	-1.967,8	-
Concessions and Permissions	119,5	139,7	20,2	16,9%
Dividends	1.756,2	478,4	-1.277,8	-
Contribution to Civil Service Social Security (CPSS)	1.055,6	1.049,6	-6,0	-0,6%
Financial Compensation Quotas	1.848,4	1.666,6	-181,8	-9,8%
Own Revenues (source codes 50, 81 and 82)	1.399,4	1.158,8	-240,6	-
Education-Salary (social contribution for education)	1.603,3	1.611,8	8,5	0,5%
FGTS Complement (LC nº 110/01)	854,9	790,6	-64,4	-7,5%
Assets Operations	81,3	85,1	3,8	4,7%
Other Revenues	2.996,4	2.766,7	-229,7	-7,7%

Total revenues from the central government increased by R\$ 8.2 billion (6.3%), from R\$ 129.5 billion in April 2017 to R\$ 137.7 billion in April 2018. This increase of R\$ 5.7 billion (7.2%) in the revenue managed by the RFB together with the increase of R\$ 812.1 million (2.5%) in the net revenue for the RGPS and R\$ 1,7 billion (9.2%) in revenues not managed by the RFB. The main factors of variation of revenue managed by RFB were:

- Increase of R\$ 2.7 billion (15.2%) in COFINS revenue, mainly due to the increase in PIS / Cofins rates on fuels, as of July 2017, in addition to the 7.8% growth in volume of sales in the month of March 2018 and the growth of import volumes;
- Increases of R\$ 840.3 million (36.3%) in revenues from Import Tax and R\$ 321.3 million (31.2%) in IPI. 30.88% in the dollar value of imports, and an increase of 8.42% in the exchange rate;
- Rise of Financial Compensation (R\$ 2.6 billion, 43.2%), mainly due to the increase in the international price of oil and the exchange rate; and
- Reduction in Concessions and Permits (R\$ 1.2 billion, 82.0%), explained in large part by receipts related to airport concessions in April 2017, with no counterpart in the same month

of 2018.

Transfers by Revenue Sharing

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

R\$ milhões - a preços de mar/2018- IPCA

	April		Variation	
	2017	2018	Difference	%
II. Transfers by Revenue Sharing	15.782,6	17.810,6	2.028,0	12,
II.1 FPM / FPE / IPI-EE	12.630,5	14.357,6	1.727,2	13,
II.2 Constitutional Funds	625,2	681,5	56,3	9,0
Total Transfer	898,6	950,4	51,9	5,8
Funds Surplus	273,3	268,9	-4,4	-
II.3 Education-Salary (social contribution for education)	973,1	976,9	3,8	0,4
II.4 Financial Compensations	1.531,9	1.757,4	225,5	14,
II.5 CIDE - Fuels	0,0	0,0	0,0	-
II.6 Other	21,9	37,2	15,3	69,

In April 2018, transfers by revenue sharing remained constant at R\$ 18.5 billion compared to April 2017. There was an increase in transfers related to Financial Compensation (R\$ 212.6 million, 17.6%), 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 Apr/2018- IPCA

	April		Variation	
	2017	2018	Difference	% Real
IV. Total Expenditure	101.603,8	114.355,5	12.751,7	12,6
IV.1 Social Security Benefit	43.318,7	49.690,1	6.371,4	14,7
IV.1.1 Social Security Benefit - Urban	33.928,8	39.204,8	5.276,0	15,6
IV.1.2 Social Security Benefit - Rural	9.389,9	10.485,3	1.095,4	11,7
IV.2 Payroll	21.933,3	25.963,8	4.030,5	18,4
IV.3 Other Compulsory Expenses	15.547,2	15.055,0	-492,2	-
Salary Allowance and Unemployment Benefit	7.067,2	5.731,7	-1.335,4	-
Assistance Benefits (LOAS/RMV)	4.550,1	4.793,4	243,2	5,3%
FGTS Complement (LC nº 110/01)	854,9	790,6	-64,4	-
Extraordinary credits (excluding PAC)	67,4	40,8	-26,6	-
Provisional Measures (MP) 540/11, 563/12 and 582/12 Exoneration	1.101,2	868,5	-232,7	-
FUNDEB (Federal Complementation)	945,7	966,0	20,4	2,2%
Federal District (DF) Contitucional Fund	139,1	109,6	-29,5	-
Judicial Remedies	135,4	1.104,8	969,4	716,
Subsidies and Grants	84,0	369,3	285,3	339,
FIES primary impact (Student Funding)	201,3	-2,2	-203,5	-
Others	400,9	282,5	-118,4	-
IV.4 Discretionary Expenses - All Branches	20.804,	23.646,	2.842,1	13,7
Executive Branch Discretionary Expenses	19.758,7	22.375,9	2.617,2	13,2
PAC (Growth Acceleration Program)	1.589,5	1.707,0	117,5	7,4%
o/w "Minha Casa Minha Vida - MCMV" Program	77,5	57,8	-19,7	-
Issuance of Agricultural Debt Securities (TDA)	0,0	3,7	3,7	-
Other Executive Branch Discretionary Expenses	18.169,2	20.665,2	2.496,0	13,7
Legislative and Judiciary Branches and Prosecutor's Office (LEJU/MPU)	1.045,8	1.242,9	197,1	18,8
Memo:				
Other Current and Capital Expenditures	24.631,7	27.770,1	3.138,4	12,7%
Other Current Expenditures	3.070,7	22.327,9	19.257,2	627,1%
Other Capital Expenditures	21.561,0	5.442,2	-16.118,8	-74,8%

In April 2018, there was an increase of R\$ 13.7 billion (13.9%) in total Central Government expenditure in relation to the same month of the previous year, from R\$ 98.4 billion to R\$ 112.0 billion. This variation is mainly due to the payment of R\$ 10.7 billion in Judicial Remedies, according to a schedule agreed with the Federal Justice Council (CJF). In 2017, such payments were made in June.

In addition, expenses with Social Security Benefits (R\$ 648.1 million, 1.5%) and Payroll (R\$ 392.6 million, 1.8%) increased. Finally, the Discretionary Expenses - All Branches showed an increase of R\$ 2.0 billion (10.6%), concentrated mainly in other executive discretionary expenses (R\$ 1.8 billion, 11.5%).

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

	April		Variation	
	2017	2018	Difference	% Real
Total	18.169,2	20.665,2	2.496,0	13,7%
Ministry of Health	8.882,8	9.978,0	1.095,2	12,3%
Ministry of Education	2.607,2	2.568,1	-39,2	-1,5%
Ministry of Social Development	2.852,1	3.024,8	172,7	6,1%
Ministry of Defense	1.110,9	1.041,7	-69,2	-6,2%
Ministry of Science and Technology	328,3	334,0	5,6	1,7%
Other	2.387,8	3.718,6	1.330,8	55,7%

Social Security

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

	April		Variation	
	2017	2018	Difference	% Real
Net Social Security Revenues	29.78	29.45	-329,1	-1,1%
Total Revenue	32.99	32.70	-286,7	-0,9%
Contributions deposited in banks	28.80	28.72	-81,0	-0,3%
Contributions from SIMPLES	2.921,	2.984,	63,1	2,2%
Debt Rescheduling REFIS	10,0	143,3	133,3	-
Judicial Payments	151,6	-18,3	-169,9	-
Social Security Compensation	1.098,	866,6	-232,2	-21,1%
(-) Restituição/Devolução	-74,2	-90,2	-16,0	21,6%
(-) Transferências a Terceiros	-	-	-26,4	0,8%
Social Security Benefit	43.22	49.58	6.357,4	14,7%
Primary Balance	-	-	-	49,8%

The primary result of Social Security went from a deficit of R\$ 12.3 billion in April 2017 to a deficit of R\$ 12.2 billion in April 2018, representing an increase of R\$ 164.0 million in the primary result. Income from Social Security Benefits increased by R\$ 648.1 million (1.5%), due to the increase of 639.1 thousand (2.2%) in the number of benefits issued, partially offset by the reduction of the average real amount of the benefits paid by Social Security in R\$ 4.61 (0.4%).

Net Income from RGPS increased by R\$ 812.1 million (2.5%), mainly due to the growth of 512.9 million (1.8%) in Social Security Contribution.

Monthly Balance Compared to the Previous Month

Overview

Table 3.1 - Central Government Primary Balance - Brazil - 2018

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

	2018		Variation	
	March	April	Difference	%
I. Total Revenue	106.39	107.28	891,3	0,8
I.1 Revenues Collected by the Federal Revenue Office	67.478,	68.017,	538,7	0,8
I.2 Fiscal Incentives	0,0	0,0	0,0	-
I.3 Net Social Security Revenues	30.025,	29.519,	-506,6	-
I.4 Revenues not Collected by the Federal Revenue Office	8.888,0	9.747,3	859,3	9,7
II. Transfers by Revenue Sharing	27.888,	17.810,	-	-
III. Net Revenue (I-II)	78.504,	89.472,	10.968,	14,
IV. Total Expenditure	97.774,	114.35	16.581,	17,
IV.1 Social Security Benefits	44.542,	49.690,	5.147,6	11,
IV.2 Payroll	22.647,	25.963,	3.316,0	14,
IV.3 Other Compulsory Expenses	13.575,	15.055,	1.480,0	10,
IV.4 Discretionary Expenses - All Branches	17.009,	23.646,	6.637,6	39,
V. Sovereign Fund of Brazil - FSB	0,0	0,0	0,0	-
VI. Central Government Primary Balance (III - IV + V)	-	-	-	29,
National Treasury and Central Bank	-	-	41,9	-
Social Security (RGPS)	-	-	-	38,
Memo:				
National Treasury Primary Balance	-4.749,6	-4.754,2	-4,6	0,1
Central Bank Primary Balance	-3,9	42,6	46,5	-
Social Security (RGPS) Primary Balance	-14.516,8	-20.171,0	-5.654,2	38,

In April 2018, the primary result of the Central Government was a surplus of R\$ 7.2 billion, against a deficit of R\$ 24.5 billion in March 2018, at constant April prices. There was an increase in net revenue of R\$ 29.4 billion (32.7%), mainly due to the seasonally concentrated collection in April. On the total expenditure side, there was a reduction of R\$ 2.3 billion (2.0%).

Central Government Revenue

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

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

	2018		Variation	
	March	April	Difference	%
I. Total Revenue	106.392,2	107.283,5	891,3	0,8%
I.1 Revenues Collected by the Federal Revenue Office	67.478,4	68.017,1	538,7	0,8%
Import Tax	2.842,4	3.182,0	339,6	11,9%
Industrialized Products Tax (IPI)	4.101,9	4.325,8	224,0	5,5%
Income tax (IR)	25.318,4	27.286,0	1.967,7	7,8%
Tax on Credit Operations, Exchange and Insurance (IOF)	2.918,5	2.791,6	-126,9	-4,3%
Contribution to Social Security Financing (COFINS)	19.016,7	17.953,1	-1.063,6	-5,6%
PIS/PASEP	5.131,2	4.963,4	-167,8	-3,3%
Social Contribution on Net Corporate Profits (CSLL)	5.460,3	5.472,1	11,8	0,2%
Provisional Contribution on Financial Operations (CPMF)	0,0	0,0	0,0	-
CIDE - Fuels	415,2	413,9	-1,3	-0,3%
Other	2.273,8	1.629,1	-644,8	-
I.2 Fiscal Incentives	0,0	0,0	0,0	-
I.3 Net Social Security Revenues	30.025,8	29.519,2	-506,6	-1,7%
Urban	29.337,3	28.762,9	-574,4	-2,0%
Rural	688,5	756,3	67,8	9,8%
I.4 Revenues Not Collected by the Federal Revenue Office	8.888,0	9.747,3	859,3	9,7%
Concessions and Permissions	136,8	139,7	2,8	2,1%
Dividends	1,8	478,4	476,7	-
Contribution to Civil Service Social Security (CPSS)	1.062,7	1.049,6	-13,1	-1,2%
Financial Compensation Quotas	2.220,2	1.666,6	-553,7	-
Own Revenues (source codes 50, 81 and 82)	1.063,8	1.158,8	95,1	8,9%
Education-Salary (social contribution for education)	1.631,1	1.611,8	-19,2	-1,2%
FGTS Complement (LC nº 110/01)	0,0	790,6	790,6	-
Assets Operations	88,9	85,1	-3,8	-4,3%
Other Revenues	2.682,7	2.766,7	84,0	3,1%

In April 2018, total revenues from the Central Government increased by R\$ 30.1 billion (28%) compared to the previous month, from R\$ 107.6 billion in March 2018 to R\$ 137, 7 billion in April 2018. This variation results from the combined effect of the following factors:

- Increase of R\$ 11.7 billion (42.7%) in income tax and R\$ 1.8 billion (32.3%) in CSLL due to the collection of the first quota or single quota of the IRPF in April and , also of the collection of the 1st quota or single quota of IRPJ / CSLL as a result of the closure, in March / 18, of the quarterly calculation;
- Increase of R\$ 2.3 billion (12.9%) in COFINS and R\$ 436.1 (28.4%) million in PIS / Pasep, mainly due to the increase in PIS / Cofins tax rates on fuels, starting in July 2017;
- Increase of R\$ 9.6 million (95.6%) in revenues not managed by RFB: increase of R\$ 6.8 billion in Financial Compensation, due to the quarterly collection of Special Participation for the exploration of oil and natural gas; and growth of R\$ 3.8 billion in other unmanaged revenues, influenced by the inflow of R\$ 1.5 billion of Redi-BC's resources.

Transfers by Revenue Sharing

Table 3.3 - Transfers by Revenue Sharing - Brazil - 2018

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

Discriminação	2018		Variation	
	March	April	Difference	% Real
II. Transfers by Revenue Sharing	27.888,1	17.810,6	-10.077,5	-36,1%
II.1 FPM / FPE / IPI-EE	21.220,9	14.357,6	-6.863,3	-32,3%
II.2 Constitutional Funds	693,0	681,5	-11,4	-1,6%
Total Transfer	1.412,7	950,4	-462,2	-32,7%
Funds Surplus	-719,7	-268,9	450,8	-62,6%
II.3 Education-Salary (social contribution for education)	1.703,3	976,9	-726,4	-42,6%
II.4 Financial Compensations	4.260,3	1.757,4	-2.502,9	-58,7%
II.5 CIDE - Fuels	0,0	0,0	0,0	-
II.6 Other	10,6	37,2	26,6	250,1%

In April 2018, transfers by revenue sharing increased by R\$ 732.9 million (4.1%), totaling R\$ 18.5 billion, compared to R\$ 17.8 billion in the previous month. This behavior was mainly due to the increase of R\$ 670,8 million (4.7%) in the FPM / FPE / IPI-EE group.

Central Government Expenditure

Tabela 3.4 - Central Government Primary Expenditure - Brazil - 2018

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

	2018		Variation	
	March	April	Difference	% Real
IV. Total Expenditure	97.774,3	114.355,5	16.581,1	17,0
IV.1 Social Security Benefit	44.542,5	49.690,1	5.147,6	11,6
IV.1.1 Social Security Benefit - Urban	35.004,8	39.204,8	4.200,0	12,0
IV.1.2 Social Security Benefit - Rural	9.537,7	10.485,3	947,6	9,9%
IV.2 Payroll	22.647,8	25.963,8	3.316,0	14,6
IV.3 Other Compulsory Expenses	13.575,0	15.055,0	1.480,0	10,9
Salary Allowance and Unemployment Benefit	5.826,6	5.731,7	-94,9	-
Assistance Benefits (LOAS/RMV)	4.609,4	4.793,4	183,9	4,0%
FGTS Complement (LC nº 110/01)	0,0	790,6	790,6	-
Extraordinary credits (excluding PAC)	38,4	40,8	2,4	6,2%
Provisional Measures (MP) 540/11, 563/12 and 582/12 Exoneration	890,4	868,5	-21,9	-
FUNDEB (Federal Complementation)	966,9	966,0	-0,9	-
Federal District (DF) Contitucional Fund	106,2	109,6	3,4	3,2%
Judicial Remedies	420,5	1.104,8	684,2	162,
Subsídios, Subvenções e Proagro	186,6	369,3	182,7	97,9
FIES primary impact (Student Funding)	65,8	-2,2	-67,9	-
Others	464,1	282,5	-181,6	-
IV.4 Discretionary Expenses - All Branches	17.009,0	23.646,6	6.637,6	39,0
Executive Branch Discretionary Expenses	1.269,8	1.738,5	468,6	36,9
PAC (Growth Acceleration Program)	1.253,3	1.707,0	453,7	36,2
o/w "Minha Casa Minha Vida - MCMV" Program	98,0	57,8	-40,2	-
Issuance of Agricultural Debt Securities (TDA)	0,0	3,7	3,7	-
Other Executive Branch Discretionary Expenses	14.883,8	20.665,2	5.781,4	38,8
Legislative and Judiciary Branches and Prosecutor's Office (LEJU/MPU)	14.883,8	20.665,2	5.781,4	38,8
Memo:				
Other Current and Capital Expenditures	19.931,0	27.770,1	7.839,1	39,3%
Other Current Expenditures	18.330,5	22.327,9	3.997,3	21,8%
Other Capital Expenditures	1.600,4	5.442,2	3.841,8	240,0%

In April 2018, the total expenditure of the Central Government registered the amount of R\$ 112.0 billion, representing a reduction of R\$ 2.3 billion (2.0%), compared to March 2018. This variation is explained mainly by reductions in Social Security Benefits (R\$ 4.7 billion, 9.5%) and in Payroll (R\$ 3.5 billion, 13.5%), due to the payment in March of judicial remedies related to these items.

There was also a reduction in Discretionary Expenses - All Branches (R\$ 3.1, billion, 13.0%). On the other hand, Other Compulsory Expenses increased by R\$ 8.9 billion (59.4%), due to the increase in Judgments and Precepts, explained by the calendar of payment of court orders in 2018, which concentrated the annual payments in April.

Tabela 3.5 - Other Executive Branch Discretionary Expenses - Brazil -

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

Discriminação	2018		Variation	
	March	April	Difference	% Real
Total	14.883,8	20.665,2	5.781,4	38,8%
Ministry of Health	7.697,1	9.978,0	2.280,9	29,6%
Ministry of Education	1.758,4	2.568,1	809,6	46,0%
Ministry of Social Development	2.631,1	54,1	-2.577,0	-
Ministry of Defense	1.163,7	46,8	-1.116,9	-
Ministry of Science and Technology	262,5	334,0	71,4	27,2%
Other	1.370,9	7.684,2	6.313,3	460,5

Social Security

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

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

Discriminação	2018		Variation	
	March	April	Difference	% Real
Net Social Security Revenues	29.95	29.45	-505,5	-
Total Revenue	33.21	32.70	-509,6	-
Contributions deposited in banks	29.08	28.72	-359,7	-
Contributions from SIMPLES	3.128,	2.984,	-144,0	-
Debt Rescheduling REFIS	98,4	143,3	44,9	45,6
Judicial Payments	10,5	-18,3	-28,8	-
Social Security Compensation	888,5	866,6	-21,9	-
(-) Restituição/Devolução	-40,5	-90,2	-49,7	122,
(-) Transferências a Terceiros	-	-	53,8	-
Social Security Benefit	44.44	49.58	5.136,3	11,6
Primary Balance	-	-	-	38,9

In April 2018, the General Social Security System (RGPS) registered a deficit of R\$ 12.2 billion, against a deficit of R\$ 4.7 billion in the previous month. The reduction of the deficit of R\$ 8.0 billion (39.7%) is mainly due to the decrease of R\$ 4.7 billion (9.5%) in social security benefits due to the payment in March of judicial remedies related to benefits.

In addition, R\$ 2.3 billion in RGPS Compensation was highlighted, since, as the offset occurs with four months of lag in relation to the collection, the compensation in April refers to the collection of the month of December, which is seasonally higher due to its incidence on the Christmas Bonus.

Box 1 - Closing of the Brazilian Sovereign Fund

During the course of 2018, as part of its ongoing effort to improve the fiscal institutions of the country, the National Treasury Secretariat conducted the negotiations to implement the closing process of the legal and operational activities of the Brazilian Sovereign Fund - FSB, in accordance with the guidelines governmental organizations announced on May 24, 2016 and in the context of the 15 priority measures of the new economic agenda.

The closure of the FSB results from the perception, evidenced in recent years, that there is no real need and legitimacy for maintaining a sovereign wealth fund in the current Brazilian macroeconomic context. In general, wealth funds are created to manage excess resources from the exploitation of limited natural resources. Eventually, some countries with fiscal surpluses and consistent current account surpluses (twin surpluses) have tried to provide resources to these funds in order to soften these excesses over time.

The context of creation of the FSB, at the end of 2008, seemed to suggest that the country would meet the conditions for the constitution of a wealth fund. In that year, the central government obtained an excess of the primary surplus in the order of 0.5% of GDP, which constituted the initial funding of the FSB. At the same time, the country came from an increasing accumulation of international reserves due to the significant balance of payments balances. The conjuncture of the time seemed to indicate that the country in fact had the necessary structural conditions to have a sovereign fund in function of the current account surpluses obtained by the prospects brought about by the country's degree of investment and by the pre-salt discoveries.

Subsequent experience, however, showed that structural conditions were no more than conjunctural. First, because the excesses of fiscal surpluses were not confirmed in later years. Secondly, because of the changes in the regulatory framework for oil exploration and international price issues that have removed the impetus from private initiative and attributed a heavy burden to Petrobras in the exploitation of pre-salt resources. Third, a number of macroeconomic issues were still not adequately addressed so that fluctuations in interest rates, inflation and exchange rates reflected these imbalances, especially in the fiscal area.

The conclusion of the FSB activities is a natural consequence of this historical context and of the prospective scenario that can be seen. In fact, it is not consistent to maintain a wealth fund in the current context of the country, which accumulates successive and expressive fiscal deficits in relation to GDP and which has not yet completed its fiscal consolidation process. In this scenario, the fragility that lies in the government's need to raise funds in the market at a higher cost than the profitability that these investments could potentially generate is clear.

In addition, it should be noted that the Fiscal Fund for Investment and Stabilization of Investments - FFIE of the Sovereign Fund had an initial contribution of R \$ 14.2 billion in 2008, but in the years of 2012 and 2015, redemptions of R \$ 12.4 billion and 0.9 billion respectively, resulting in a positive primary impact on the public accounts in those years. Thus, in 2016, the FFIE only had an equity of approximately R \$ 2 billion, an unimpressive balance to fulfill its legal functions effectively. Any other contribution to this fund would generate a negative fiscal impact and an increase in public indebtedness, which would not make sense given the country's fiscal situation.

Thus, in May 2016, the Ministry of Finance pointed to the extinction of the Sovereign Fund as a measure in the scope of the process of fiscal consolidation and redemption of fiscal institutions. In May 2017, the National Treasury Secretariat, as Executive Secretariat of the Deliberative Council of the Brazilian Sovereign Fund - CDFSB, informed the strategic decision that resulted in the need to dispose of Banco do Brasil shares held by FFIE through a gradual program of alienation. This program was successful, producing a neutral impact on the price of the asset and allowing the demobilization of these assets and increase the liquidity of the portfolio.

The maintenance of the current model of operation of the FSB, without any financial resources to carry out its functions, is counterproductive from a legal, technical and operational point of view. In the law creating the FSB are devices that, with the lack of resources in the fund, lose their meaning and raise financial and operational costs. For example, devices that require resources while unredeemed to remain retained in the National Treasury Single Account and determine that redemption can only be performed to mitigate the effects of business cycles. This model is inadequate, since it implies a high opportunity cost insofar as it determines the maintenance of idle resources in Treasury account, and it can not be used to remove a high and high cost public debt.

Likewise, it should be noted that the maintenance of a dedicated structure of personnel and of governance is lost, according to the norms that regulate the FSB, since it generates costs and bureaucracy. Likewise, it is not necessary to continue the requirement of periodically producing management and performance reports for a fund that does not have equity, which requires the maintenance of a dedicated personnel structure and the allocation of budgetary resources for its maintenance.

With the proposed revocation of the FSB creation law and consequent extinction of the FSB (MP nº 830/2018), it will be possible to use linked resources, now idle ("repositories") in the Single Account, in the discharge of public debt, collaborating in an essential way to comply with the Golden Rule established by art. 167 of the Federal Constitution and, above all, for the process of fiscal consolidation and improvement of the country's fiscal institutions.

Box 2 - Bimonthly Report on the Evaluation of Primary Revenue and Expenses - 2nd Quarter of 2018

In compliance with the Fiscal Responsibility Law (LRF) and the Budgetary Guidelines Law of 2018 (LDO 2018), the Executive Branch published, on 05/22/2018, the Report on the Evaluation of Primary Revenues and Expenditures for the 2nd Quarter of 2018 presenting a projection of the Central Government's primary revenue and expenditure items for the current year, noting the collection of federal revenues and the realization of primary expenditures up to April 2018, as well as updated macroeconomic parameters.

The 2nd Quarter Report on the update of the economic scenario changed the real GDP growth forecast for 2018, from the last evaluation, from 2.97% to 2.50%, and decreased the estimate of the variation of the inflation index (IPCA) for 2018 from 3.6% to 3.4%.

In relation to the 1st Bimester Primary Revenue and Expenses Evaluation Report, revenue estimates increased by R \$ 7.6 billion, mainly due to the R \$ 6.4 billion increase in the collection of Revenue not Administered by RFB, with a highlight to the collection with Concessions and Permits, from R \$ 20.4 billion to R \$ 22.7 billion in 2018. This change occurred mainly in the oil sector, and the increase in revenues was not only greater because it was chosen for withdrawing the revenues related to the capitalization of Eletrobras (R \$ 12.2 billion). There was also an increase in Financial Compensation (+ R \$ 2.1 billion), due to the increase in the international oil price and the exchange rate.

On the expenditure side, there was an increase of R \$ 1.4 billion in compulsory expenses, mainly explained by the increase of R \$ 1.2 billion in expenses with Extraordinary Credits due to the publication of Provisional Measure no. 825/2018 for actions arising from Intervention In the State of Rio de Janeiro in the area of Public Security (Decree 9.288 / 2018).

Therefore, in view of the combination of the factors mentioned, the 2nd Quarter 2018 Primary Revenue and Expenses Evaluation Report would indicate the possibility of increasing commitment and financial movement without compromising the primary target foreseen in the LDO 2018. The projections for expenditure contained in the report are close to the limit established by Constitutional Amendment No. 95/2016, therefore there is no room for expansion of discretionary primary expenditures.