

Highlights

- **2017 projected central government primary deficit was revised to R\$156.2 billion¹.**
- **Recurrent primary balance reaches -3.2% of GDP in June 2017 (in 12-month period).**
- **Public debt maintain its upward trajectory, having grown 0.6% of GDP in June 2017.**
- **Taxes assigned to the “Sistema S” organizations reached some R\$21 billion in 2016.**

Summary

- **We reviewed our projection for central government primary deficit from R\$144.1 billion to R\$156.2 billion in 2017.** For 2018, the projected deficit increased from R\$166.2 billion to R\$153.3 billion.
- **Recurrent primary balance (net of non-recurrent revenues) advances to a deficit of 3.2% of GDP in the twelve-month period closed in June.** The official primary balance (includes non-recurrent revenues) advanced to a deficit of 2.6% of GDP, also in June, following relative stability in the level of 2.3% of GDP in the first four months of the year. The good performance of subnational governments partially offsets the deterioration.
- **Public debt grows 0.6% of GDP in June, maintaining the upward trend started in 2014.** This percentage corresponds to R\$37.8 billion and results from a R\$19.6 billion primary deficit, a R\$31.5 billion net interest and other conditions that reduced debt in R\$13.3 billion.
- **The debt stabilizing primary balance reaches 5.2% of GDP in the twelve-month period closed in June.** The success of fiscal consolidation in the medium term will depend on a combination of strengthening primary balance, recovery of economic growth and reduction of interest rates.
- **International environment has been favourable for Brazilian economy.** In July’s World Economic Outlook, the IMF maintained its projections for the global GDP growth in 2017 and 2018 (3.5% and 3.6%, respectively).
- Informal relations in the labour market are more pronounced in the construction and farming sectors and occur mostly in the low-income and low-skilled population groups. Data from the Continuous National Household Sample Survey (PNAD Contínua) show the **inverse relationship between income and the informality rate.**
- “Sistema S” organizations provide services of public interest, which are funded with **tax revenues**. These resources reached about **R\$21 billion** in 2016. Because of the **mandatory** nature of tax revenues, resources should be well employed and with maximum **transparency**. In relation to this last point, TCU’s recent audit pointed out that **there is still a lot to improve.**

¹ Exchange rate on 2017.8.23: R\$ 3.14 per US\$ 1.00.