Highlights

- Revision on time series data improves perspectives for 2017 GDP growth.
- Surprises on primary balance indicate significative fiscal space in the last two months and the fulfillment of fiscal targets.
- Public investment have reached the lowest level in the last two decades.
- Proposals in discussion within Congress represent R$23.3 billion on 2018 Budget.
- Major federal spending on productive sector are aimed at agricultural loans.
- Federal government controls 149 companies in different financial circumstances.

Summary

- The prospect for 2017 GDP growth has improved as IBGE revised time series data in the occasion of its third quarter GDP release, leaving a carry-over of 0.97 percent for the year. Simulations conducted by the IFI point GDP growth nearest of 1.0% by 2017. (Page 5)

- The cyclical recovery of economic activity and surprises in the amount of non-recurring revenue will enable a consolidated primary deficit below the target of R$163.1 billion. States and municipalities surplus of R$19.4 billion, compared with the R$1.1 billion target, contributes to this. With the recent liberation of R$7.5 billion, spending unfreeze between October and December should reach R$20.3 billion. (Page 8 and Page 22)

- The evolution of fiscal deficit indicates rebalancing of public accounts, but in slow pace. Interest payments fell and primary balance stopped declining on the level of 2.9% of GDP. However, nominal deficit is still 9.2% of GDP. Patrimonial adjustments policy can also generate tax gains. (Page 13)

- Public investment reached 2% of GDP by 2017, lowest level of the time series started in 1995. Investments of central, State and municipal governments as well as State-owned enterprises totaled R$127.2 billion in the last 12-month period ended in June 2017, just under half the level of 2014, corrected for inflation. (Page 18)

- Proposals under discussion in the Congress, which sum R$23.3 billion, if not approved, will impact fiscal policy in 2018, as the 2018 Budget Proposal encompasses their effects. (Page 24)

- Federal spending in the productive sector represents about 2% of total spending, the majority focused on agriculture. Grants for family farming (Pronaf) and Coffee loans stand out, with disbursements in ten years reaching around R$62 billion. (Page 26)

- Federal government controls 149 State companies and 18 of which depend on budgetary resources to keep their activity. In 2016, those resources reached R$16.8 billion. As for the 131 non-dependent ones, some generate dividends and other demand capital contributions from the National Treasury. In 2016, while dividends were R$2.8 billion, capital contributions reached R$6 billion. (Page 33)

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1 Exchange rate on 2017.12.08: R$ 3.29 per US$ 1.00.

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