Instituição Fiscal Independente

SENADO FEDERAL

Fiscal Follow-up Report

November 2019

Full report [here]

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Summary

- The perspective is that growth next year is expected to be driven by the advance of private consumption and gross fixed capital formation. The contribution of domestic demand to the growth of the economy is estimated at 1.3 percentage point (p.p.) in 2019 and 2.2 p.p. in 2020. Net exports (external demand) must presente contributions of -0.3 p.p and 0.0 p.p.

- In the base scenario, the idleness of the economy (measured by the product gap) is expected to be eliminated at the end of 2022, with stimulus promoted by monetary policy. Since then, GDP would evolve in line with its potential growth (2.3%) and inflation would reach the target set by the National Monetary Council (3.5%).

- Administered revenues are expected to grow again and increase their relative importance if the scenario of consistent recovery of the economy is confirmed from 2020, which will ensure greater robustness to fiscal outcomes in the public sector, as well as contributed to the generation of primary surpluses.

- Public accounts are expect to close 2019 in better situation than expected in May by IFI in the amount of BRL 95.8 billion to the central government, due to the entry of resources from pre-salt auctions, payment of additional dividends by BNDES and recovery of revenues.

- Space generated by this reduction and the revision projections will be partially offset with increased discretionary expenses, which will close 2019 at BRL 156.3 billion.

- The calculation of the fiscal margin indicates that the space for carrying out expenses essential to the operation of the public machine will be only BRL 70.7 billion in 2021, well below the minimum required to have no shutdown. Thus, the non-compliance of the spending ceiling is projected for 2021, in the base scenario.

Summary

- The incorporation of the final effects of the promulgation of Social Security Reform, in the base, optimistic and pessimistic scenarios, produces important effects on the trajectory of the primary result and public debt. But that doesn’t nullify the need to preserve the adjustment of mandatory spending.

- There is a need to deepen the fiscal adjustment and seek mechanisms to control the increase in compulsory expenditure, otherwise the pessimistic scenario becomes more likely.

- In the bases and pessimistic scenarios, the return of the central government’s primary deficit to the positive field would happen in 2026. This trajectory of improvement of the public deficit, in the case of the base scenario would allow the gross debt of the general government (DBGG) to stop growing in 2024, when it would reach a peak of 80.7% of GDP. In the base scenario presented in May, the DBGG reached its highest peak of 85.5% of GDP in 2025.

Macroeconomic Context

- The prospect is that growth next year is expected to be driven by the advance of private consumption and gross fixed capital formation (FBCF), reflecting the low level of interest rates and the expansion of private credit. The contribution of domestic demand to the growth of the economy is estimated at 1.3 percentage point (p.p.) in 2019 and 2.2 p.p. in 2020. Net exports (external demand), in turn, must present contributions of -0.3 p.p. and 0.0 p.p..

PREVISIONS FOR GDP GROWTH BY VOLUME

	2014	2015	2016	2017	2018	2019	2020
GDP and components (real variation)	0.5%	-3.5%	-3.3%	1.1%	1.1%	**1.0%**	**2.2%**
Agricultural	2.8%	3.3%	-5.2%	12.5%	0.1%	**2.1%**	**2.5%**
Industry	-1.5%	-5.8%	-4.6%	-0.5%	0.6%	**0.0%**	**1.9%**
Services	1.0%	-2.7%	-2.3%	0.5%	1.3%	**1.4%**	**2.3%**
Household consumption	2.3%	-3.2%	-3.9%	1.4%	1.9%	**1.9%**	**2.3%**
Government consumption	0.8%	-1.4%	0.2%	-0.9%	0.0%	**-0.3%**	**0.4%**
Gross fixed capital formation	-4.2%	-13.9%	-12.1%	-2.5%	4.1%	**2.6%**	**3.2%**
Export	-1.6%	6.8%	0.9%	5.2%	4.1%	**-0.4%**	**1.7%**
Import	-2.3%	-14.2%	-10.3%	5.0%	8.5%	**1.3%**	**1.8%**
Contibutions to the real variation in GDP (p.p.)							
Domestic demand	0.4	-6.4	-4.7	1.0	1.7	**1.3**	**2.2**
Net exports	0.1	2.9	1.4	0.1	-0.6	**-0.3**	**0.0**

Source: IBGE. Elaboration and projections: IFI.

Macroeconomic Context

- In the base scenario, the idleness of the economy, measured by the product gap, is expected to be eliminated at the end of 2022, with stimulus promoted by monetary policy. Since then, GDP would evolve in line with its potential growth (2.3%) and inflation would reach the target set by the National Monetary Council (3.5%).

GROWTH RATE OF CAPITAL STOCK, WORK STOCK AND TOTAL FACTOR PRODUCTIVITY

	Capital stock	Work stock	Productivity	Potencial GDP
1997 - 2018	2.4%	2.0%	0.4%	2.6%
1997 - 2004	1.6%	2.7%	0.0%	2.3%
2005 - 2010	3.5%	1.6%	1.6%	3.9%
2011 - 2018	2.1%	1.4%	-0.2%	1.7%
2023 - 2030	**2.1%**	**0.9%**	**0.9%**	**2.3%**

Source and projections: IFI.

Macroeconomic Context

- The unemployment rate was stable in September, in the annual comparison reflected the growth of the occupied population (1.6%), very close to that of the workforce (1.5%).
- The increase in occupation was supported by the more robust advance in employment without a portfolio in the private sector and self-employment (4.0%).

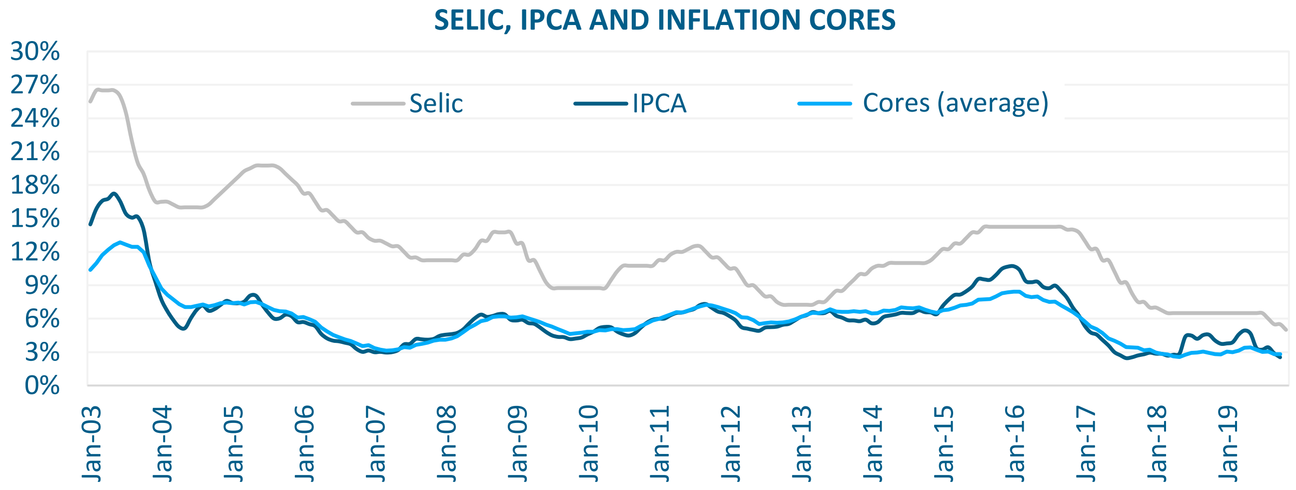
POPULATION OCCUPIED BY POSITION

Employment indicators	Absolute values (Thousand people)			Accumulated variation in 12 months			Percentage compared to the total number of occupied		
	jul/19	ago/19	set/19	jul/19	ago/19	set/19	jul/19	ago/19	set/19
Population occupied	**93,584**	**93,631**	**93,801**	**1,8%**	**1,8%**	**1,8%**	**100,0%**	**100,0%**	**100,0%**
Private sector: registered	33,146	33,042	33,075	0,0%	0,3%	0,3%	35,4%	35,3%	35,3%
Private sector: non-registered	11,658	11,795	11,838	4,5%	4,4%	4,2%	12,5%	12,6%	12,6%
Domestic worker	6,280	6,287	6,276	-0,2%	-0,4%	-0,4%	6,7%	6,7%	6,7%
Public sector	11,714	11,671	11,683	1,4%	1,0%	1,0%	12,5%	12,5%	12,5%
Employer	4,331	4,348	4,368	2,0%	1,6%	1,1%	4,6%	4,6%	4,7%
Self-employment	24,227	24,293	24,434	3,8%	4,0%	4,0%	25,9%	25,9%	26,0%
Percentage of workers who contribute to social security	**58,547**	**58,411**	**58,475**	**0,9%**	**1,0%**	**0,9%**	**62,6%**	**62,4%**	**62,3%**

Source: IBGE. Elaboration: IFI.

Macroeconomic Context

- The average inflation expected by agents for the next 12 months was 3.47% in October, below the 4.0% target set for 2020.
- The Monetary Policy Committee of the Central Bank reduced the basic interest rate (Selic) to 5.0% per year. The comfortable inflation scenario observed by both the full index and underlying inflation measures, inflationary expectations below the target and the level of high idleness in the economy create conditions for another reduction in the Selic rate. The Central Bank signaled a drop of 0.5 percentage points, ending 2019 at 4.5% per year.



Source. Central Bank of Brazil and IBGE. Elaboration: IFI

Fiscal Context

- Total central government revenue is stable in September and in the year grows 1.3% in real terms,
- Net revenue grew 3.6% real in September and 0.5% in the accumulated from January to September.
- Administered revenues, exclusive to RGPS, rose 14.8% in September and 0.7% in accumulated of the year.
- Not administered revenues continue to make greater contribution to the total revenue of the central government.

CENTRAL GOVERNMENT REVENUES – 2016 TO 2019 – ACCUMULATED FROM JANUARY TO SEPTEMBER (BRL BILLION CURRENT, VAR. % REAL AND % OF GDP)

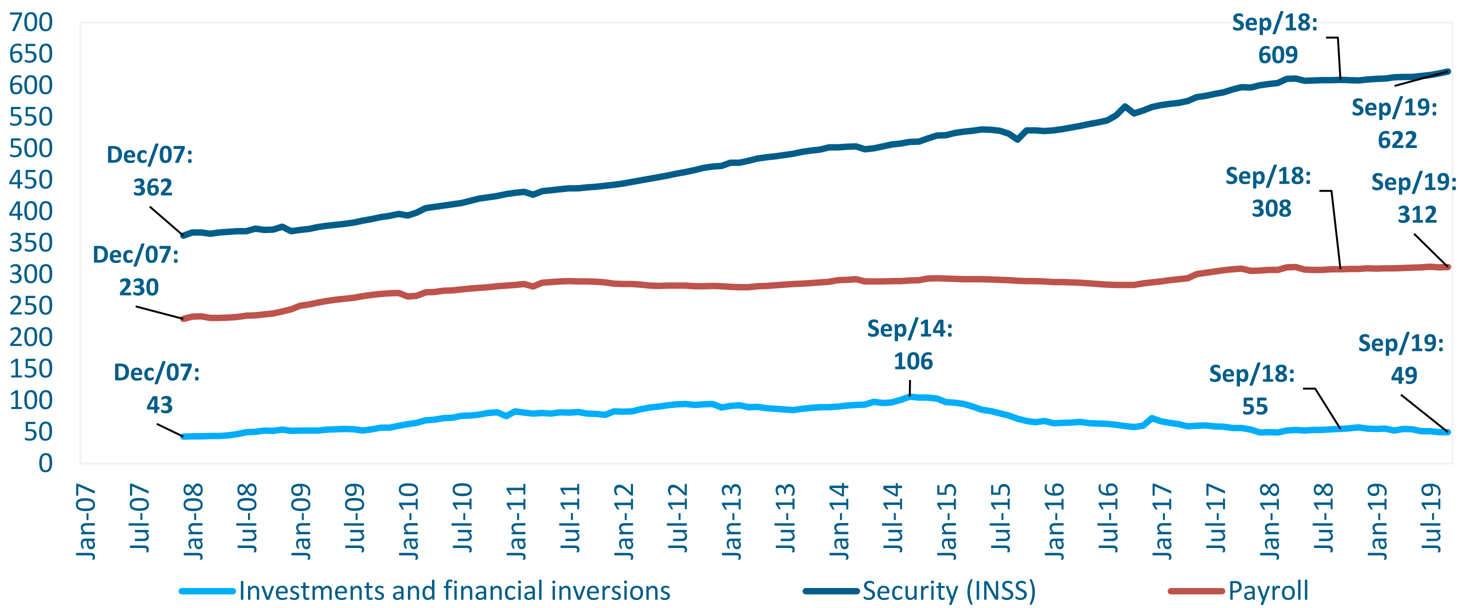
	Jan.-Sep./2016			Jan.-Sep./2017			Jan.-Sep./2018			Jan.-Sep./2019		
	BRL bi current	Var.% real	% GDP	BRL bi current	Var.% real	% GDP	BRL bi current	Var.% real	% GDP	BRL bi current	Var.% real	% GDP
Total revenue	**938.1**	**-7.0%**	**20.2%**	**986.4**	**1.3%**	**20.3%**	**1.083.4**	**6.2%**	**21.5%**	**1.139.6**	**1.3%**	**21.6%**
Administered revenues. expect RGPS	*577.7*	*-8.3%*	*12.5%*	*611.9*	*2.1%*	*12.6%*	*673.9*	*6.5%*	*13.4%*	*705.3*	*0.7%*	*13.4%*
Fiscal incentives	*0.0*	*-*	*0.0%*	*0.0*	*-*	*0.0%*	*0.0*	*-*	*0.0%*	*0.0*	*-*	*0.0%*
General Social Welfare Policy (RGPS) revenues	*254.5*	*-6.7%*	*5.5%*	*264.8*	*0.4%*	*5.5%*	*273.7*	*-0.1%*	*5.4%*	*292.4*	*2.9%*	*5.5%*
Not administered revenues	*105.9*	*-0.3%*	*2.3%*	*109.7*	*-0.3%*	*2.3%*	*135.8*	*19.5%*	*2.7%*	*141.9*	*0.6%*	*2.7%*
Transfers	**150.5**	**-9.0%**	**3.2%**	**168.3**	**7.8%**	**3.5%**	**186.8**	**7.3%**	**3.7%**	**203.6**	**4.9%**	**3.9%**
Net revenue	**787.6**	**-6.6%**	**17.0%**	**818.1**	**0.1%**	**16.9%**	**896.6**	**5.9%**	**17.8%**	**936.1**	**0.5%**	**17.7%**
GDP (BRL bi current)			**4,634.3**			**4,849.9**			**5,047.9**			**5,281.3**

Source: National Treasure and Central Bank of Brazil. Elaboration IFI.

Fiscal Context

- From 2014, the federal government began to reduce discretionary spending to accommodate increased payroll in order to continue complying with current fiscal rules.
- Public investments were reduced to less than half between September 2014 (BRL 106 billion, in the accumulated in 12 months) and September this year (BRL 49 billion).
- Social security expenses have expanded over the past 12 years, indicating that retirement and pension payments would continue to pressure on the public budget if reforms would not be approved that would correct the current dynamics of these expenses.

SELECTED PRIMARY EXPENSES ACCUMULATED IN 12 MONTHS BRL BILLION AT PRICES OF SEP/19

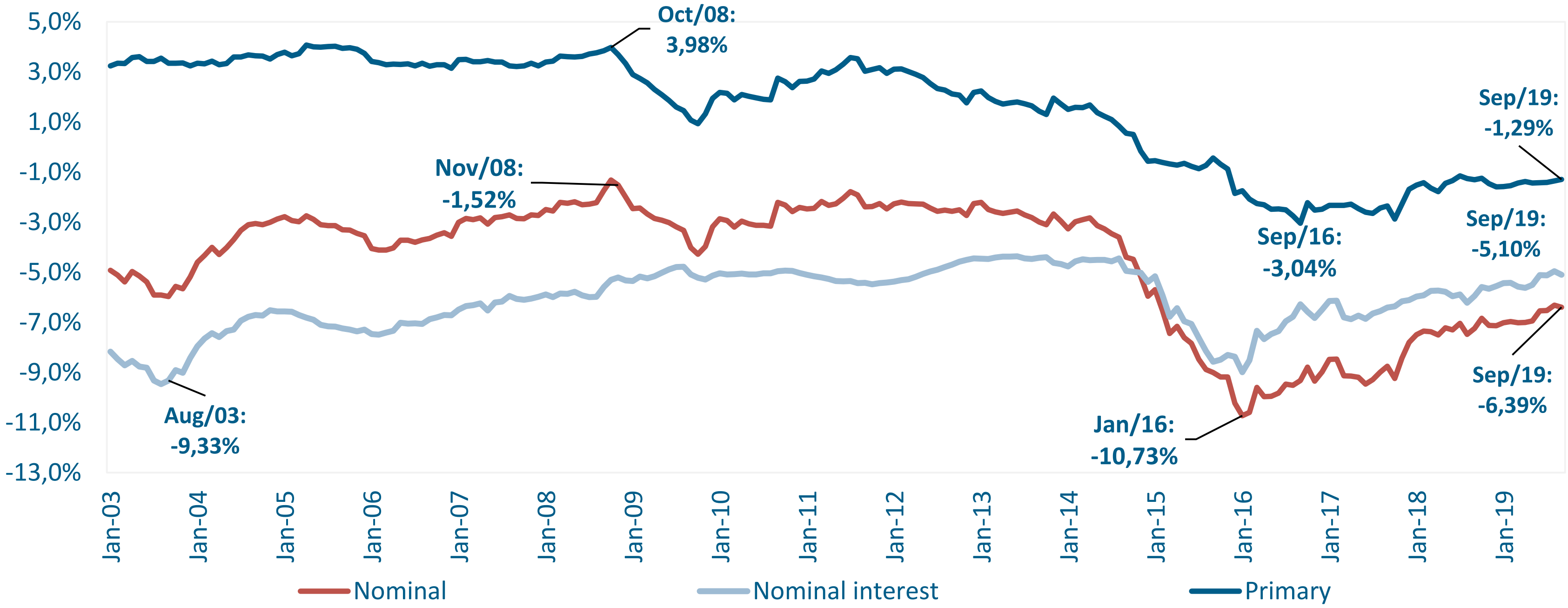


Source: National Treasure. Elaboration: IFI.

Fiscal Context

- Primary, nominal and interest-paying result of consolidated public sector continued to improve in September.
- In a context in which interest expense plays a significant role in the nominal result of the public sector, Selic rate reductions play an important role in easing, in part, the payment of interest on the rollover of public debt.

PRIMARY RESULT, NOMINAL RESULT AND INTEREST EXPENDITURE ACCUMULATED IN 12 MONTHS (% OF GDP) OF THE CONSOLIDATED PUBLIC SECTOR

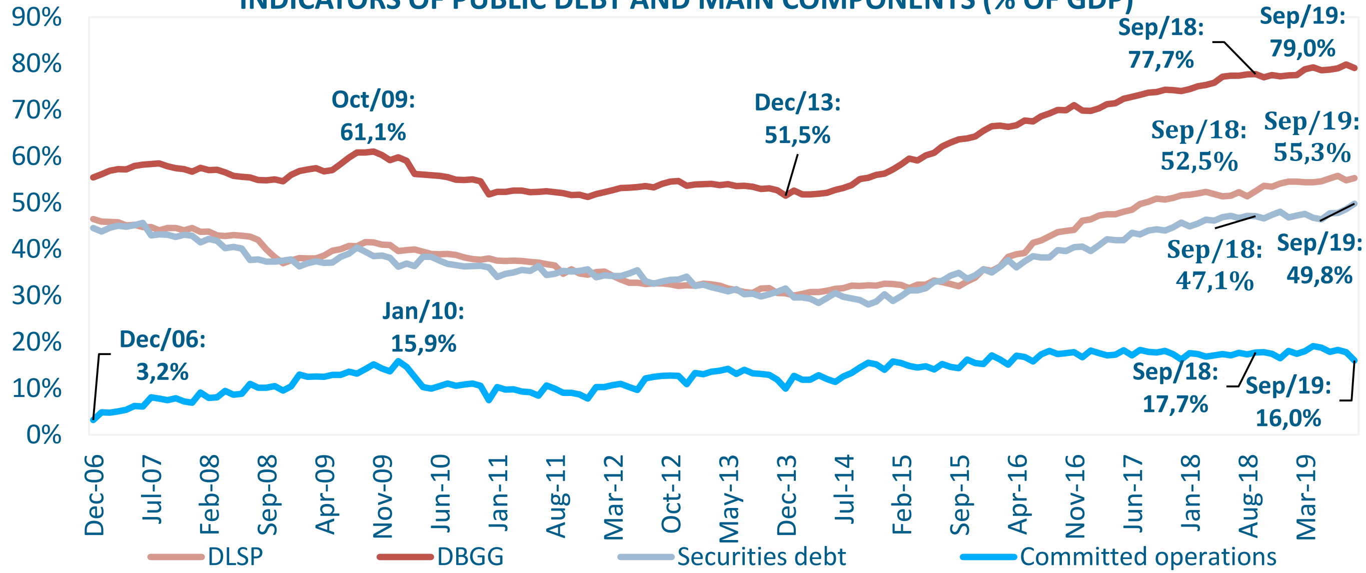


Source: Central Bank of Brazil. Elaboration: IFI.

Fiscal Context

- The increase in net public sector debt (DLSP in Portuguese) as a proportion of GDP in September compared to August stemmed from a primary deficit, incorporation of nominal interest rates, depreciation of the exchange rate of 0.6% in the month and nominal GDP growth.
- Securities debt grew 1.2 percentage point between August and September, reaching 49.8% of GDP (BRL 3,518.7 billion).
- Gross debt of general government (DBGG in Portuguese) reached 79.0% of GDP, a reduction of 0.8 percentage point compared to August, due to BNDES payments mainly and an increase of 1.3 p.p. compared to September 2018.
- Committed operations fall 1.8 p.p. of GDP in September compared to August.

INDICATORS OF PUBLIC DEBT AND MAIN COMPONENTS (% OF GDP)



Source: Central Bank of Brazil. Elaboration: IFI.

Fiscal Scenarios

- The table below presents an overview of the new scenario for total gross and net revenues.

REVENUE PROJECTIONS (% OF GDP) AND COMPARISON BETWEEN REVISIONS MADE IN MAY AND NOVEMBER 2019 FOR THE IFI BASE SCENARIO

Discrimination	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Total revenue - % of GDP													
May 2019 scenario	21,7	21,0	20,5	20,5	20,6	20,7	20,7	20,8	20,8	20,8	20,9	20,9	20,9
November 2019 scenario	21,7	22,7	21,1	21,1	21,3	21,1	21,1	21,0	20,9	20,9	20,9	20,9	20,8
Net revenue - % of GDP													
May 2019 scenario	18,0	17,3	17,0	17,0	17,0	17,1	17,1	17,1	17,1	17,1	17,1	17,1	17,1
November 2019 scenario	18,0	18,8	17,5	17,5	17,7	17,5	17,5	17,4	17,4	17,3	17,3	17,3	17,3
GDP – real growth (%)													
May 2019 scenario	1,1	1,8	2,2	2,3	2,1	2,0	2,1	2,1	2,1	2,2	2,2	2,3	2,3
November 2019 scenario	1,1	1,0	2,2	2,5	2,5	2,2	2,2	2,2	2,2	2,3	2,3	2,3	2,4
Nominal GDP - BRL billion													
May 2019 scenario	6.827,59	7.280,15	7.780,79	8.324,31	8.886,75	9.467,20	10.085,28	10.745,39	11.453,49	12.211,93	13.024,50	13.896,32	14.832,87
November 2019 scenario	6.827,59	7.159,48	7.613,56	8.124,01	8.659,06	9.206,42	9.791,61	10.415,88	11.083,56	11.797,61	12.560,35	13.376,98	14.252,20

Source: IBGE, National Treasury Secretariat and Central Bank of Brazil. Elaboration IFI.

Fiscal Scenarios

- Primary deficit of central government will end 2019 in BRL 95.8 billion. Public sector will have a deficit of BRL 86.3 billion.
- Review of revenue projections for 2019 exceed estimates of expenses by BRL 43.2 billion, explained by the composition of the effects of revenues and expenses.

CHANGES IN THE CENTRAL GOVERNMENT'S FISCAL SCENARIO

Comparativo Base 2019			
Discrimination	**May**	**November**	**Difference**
Total revenue	**1,526.7**	**1,623.4**	**96.8**
Transfers to states and municipalities	**264.3**	**280.7**	**16.5**
Net revenue	**1,262.4**	**1,342.7**	**80.3**
Primary expenditure	**1,401.4**	**1,438.5**	**37.1**
Mandatory	1,297.6	1,282.2	-15.4
Social security	626.1	625.8	-0.3
Payroll	318.6	313.0	-5.6
Allowance and insurance	56.0	54.6	-1.3
BPC	59.9	58.4	-1.5
Bolsa Família	33.6	33.6	0.0
Other mandatory	203.4	196.8	-6.7
Discretionary (Executive)	103.8	156.3	52.5
Primary result	**-139.0**	**-95.8**	**43.2**

Source: Treasury (2018) and IFI (years following).

Fiscal Scenarios

- Primary result improves for the period 2020 to 2030, from BRL 163 billion to BRL 193.4 billion. The deficit will only be converted into surplus in 2026, due to changes in the evolution of payroll.
- Spending ceiling could be broken in 2021.
- Projections of payroll predicts 100% replacement for employees who retire, but by 2021, year of ceiling disruption. Therefore, adjustments resulting from the trigger of the spending ceiling would be worth.
- If the ceiling triggers are triggered in 2021, payroll will fall to 2.3% of GDP by 2030.

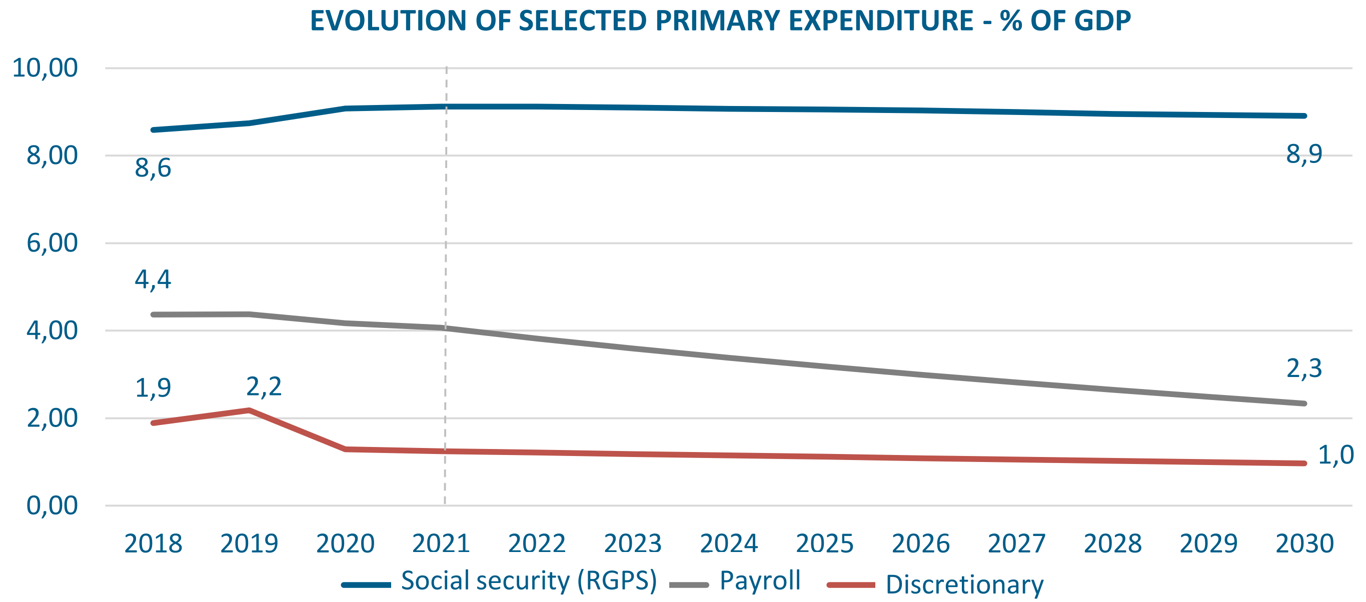
PRIMARY RESULT OF THE CENTRAL GOVERNMENT – BASE SCENARIO (BRL BILLION)

Discrimination	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Total revenue	**1,484.2**	**1,623.4**	**1,606.6**	**1,716.9**	**1,843.4**	**1,944.5**	**2,061.9**	**2,184.4**	**2,320.3**	**2,467.2**	**2,623.1**	**2,790.2**	**2,971.1**
Transfers to states and municipalities	**256.7**	**280.7**	**271.5**	**274.2**	**313.5**	**332.7**	**352.6**	**373.6**	**396.2**	**420.8**	**447.2**	**475.7**	**506.7**
Net revenue	**1,227.5**	**1,342.7**	**1,335.1**	**1,442.8**	**1,529.9**	**1,611.8**	**1,709.3**	**1,810.8**	**1,924.1**	**2,046.4**	**2,175.9**	**2,314.5**	**2,464.4**
Primary expenditure	**1,351.8**	**1,438.5**	**1,459.2**	**1,531.4**	**1,600.3**	**1,666.1**	**1,740.4**	**1,815.5**	**1,898.6**	**1,980.8**	**2,072.2**	**2,165.9**	**2,270.9**
Mandatory	1,222.9	1,282.2	1,361.2	1,430.0	1,495.2	1,557.5	1,627.9	1,699.1	1,778.2	1,856.2	1,943.2	2,032.4	2,132.7
Social security	586.4	625.8	691.3	740.7	789.7	837.4	888.3	943.3	1,001.0	1,061.2	1,124.8	1,194.4	1,269.1
Payroll	298.0	313.0	317.3	330.5	330.8	331.0	331.3	331.6	331.9	332.2	332.5	332.9	333.2
Allowance and insurance	53.6	54.6	56.7	59.5	62.4	65.4	68.5	71.8	75.3	78.9	82.7	86.7	90.9
BPC	56.2	58.4	60.8	63.3	67.1	71.1	75.3	79.8	84.5	89.6	94.8	100.4	106.2
Bolsa Família	29.9	33.6	34.7	35.9	37.2	38.5	39.9	41.3	42.7	44.2	45.7	47.3	49.0
Other mandatory	198.9	196.8	200.3	200.1	208.0	214.0	224.6	231.3	242.8	250.1	262.6	270.7	284.3
Discretionary (Executive)	128.8	156.3	98.0	101.4	105.0	108.6	112.4	116.4	120.5	124.7	129.0	133.6	138.2
Primary result	**-120.2**	**-95.8**	**-124.1**	**-88.7**	**-70.3**	**-54.3**	**-31.1**	**-4.7**	**25.4**	**65.6**	**103.7**	**148.6**	**193.4**

Source: Treasury (2018) and IFI (years following).

Fiscal Scenarios

- Primary deficit goal of BRL 124.1 billion will allow discretionary expenditure of up to BRL 98 billion. The evolution compared discretionary expenditure to mandatory expenditure can be seen in the chart below.



Source: Treasury (2018) and IFI (years following).

Fiscal Scenarios

- Primary deficit goal of BRL 124.1 billion will allow discretionary expenditure of up to BRL 98 billion. This level can be considered low compared to BRL 125.6 billion, a value that arrives when the discretionary expenditure expected for 2019.
- Fiscal margin is calculated at BRL 91.2 billion for 2020, more than 10% higher than minimum level for the operation of the State, considered a low risk of non-compliance with the ceiling for 2020.
- Already in 2021, the risk is high of non-compliance with the ceiling due to the estimated fiscal margin of only BRL 70.7 billion and the minimum level for the operation of the machine will be BRL 80.2 billion.
- Despite the improvement in primary result projections, the challenge of controlling the dynamics of compulsory spending, in the presence of the spending ceiling, remains paramount.

Fiscal Scenarios

- The optimistic scenario predicts positive primary results as early as 2023, and no longer in 2024, as in the May RAF. Among the main changes, on the expense side, payroll stands out.
- Optimistic scenario does not include the replacement of servers that retire. The stock of servers would go from 629 thousand in 2019 to 383 thousand, a rule that would be valid until 2024 – the year the ceiling is broken.
- Falling payroll would be intense and could harm public services. The result of the simulation indicates that payroll could go from 4.4% of GDP to 1.5% of GDP between 2019 and 2030. It is necessary to consider, in the same way as in the basic scenario, about the difficulty of reducing this expenditure in such expressive proportions, given the damage to the functioning of the public machine and public programs and policies associated with non-restored personnel.
- About the pessimistic scenario, two important changes stand out. Social security expenditure becomes a better trajectory than expected in May, because Constitutional Amendment 103 was approved, no longer being an element of uncertainty to be considered in the projection of RGPS expenditure. Contemplating stability in proportion to GDP.
- The second important change is regarding the evolution of payroll, which provides for 100% replacement of the servers that retire.
- BPC, wage allowance and unemployment insurance are now corrected by higher rates in the pessimistic scenario.

Fiscal Scenarios

RISK BALANCE AND EVOLUTION OF THE PRIMARY SURPLUS

Risk of non-compliance with spending ceilings	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Optimistic scenario	Low	Low	Low	Low	Middle	High	-	-	-	-	-	-
Base scenario	Low	Low	High		-	-	-	-	-	-	-	-
Pessimistic scenario	Low	Middle	High	-	-	-	-	-	-	-	-	-
Risk of non-compliance/review of the primary result target*	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Optimistic scenario	Low	Middle	-	-	-	-	-	-	-	-	-	-
Base scenario	Low	Middle	-	-	-	-	-	-	-	-	-	-
Pessimistic scenario	Low	Middle	-	-	-	-	-	-	-	-	-	-
Primary result**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Optimistic scenario	DP	DP	DP	DP	SP	SP	SP	SP	SP	SP	SP	SP
Base scenario	DP	DP	DP	DP	DP	DP	DP	SP	SP	SP	SP	SP
Pessimistic scenario	DP	DP	DP	DP	DP	DP	DP	SP	SP	SP	SP	SP

*Source: IFI. * In the IFI scenarios, the existence of primary result target is considered only for 2019 and 2020, according to the respective LDOs. In relation to the following years, the targets are only indicative and, therefore, sensitive to tax results still unknown. **DP corresponds to primary deficit and SP the primary surplus.*

Fiscal Scenarios

- In the three scenarios, the debt level decreased, even though the trajectories maintain a similar format due to lower real interest rates, acceleration of resource returns by BNDES and extraordinary revenues.
- In the base scenario, the average primary surplus, from 2021 to 2030, went from R$ 31.5 billion to BRL 48.9 billion, average nominal GDP decreased from BRL 11,293 billion to R$ 10,927 billion and average real GDP growth increased from 2.17% to 2.31%. The most significant change, however, was borne by the real interest rate, from 4.02% to 3.23% per year.
- In the optimistic scenario, it includes an increase in the average primary from BRL 130.3 billion to BRL 205.6 billion, a reduction in nominal GDP, from R$ 11,824.1 billion to BRL 11,491.3 billion, and an increase in real GDP growth from 3.31% to 3.4%. Real interest went from 3.47% to 2.33%.
- In the pessimistic scenario, the projected average primary also improved, from BRL 12.5 billion to BRL 30.6 billion. Projected nominal GDP, on average from 2021 to 2030, went from BRL 11,973 billion to R$ 11,184 billion, with marginally lower real growth, from 1.26% to 1.24%. Real interest rates were considered fell from 5.85% to 4.74% per year.

PREMISES RELEVANT TO THE BASE, OPTIMISTIC AND PESSIMISTIC SCENARIOS OF GROSS DEBT

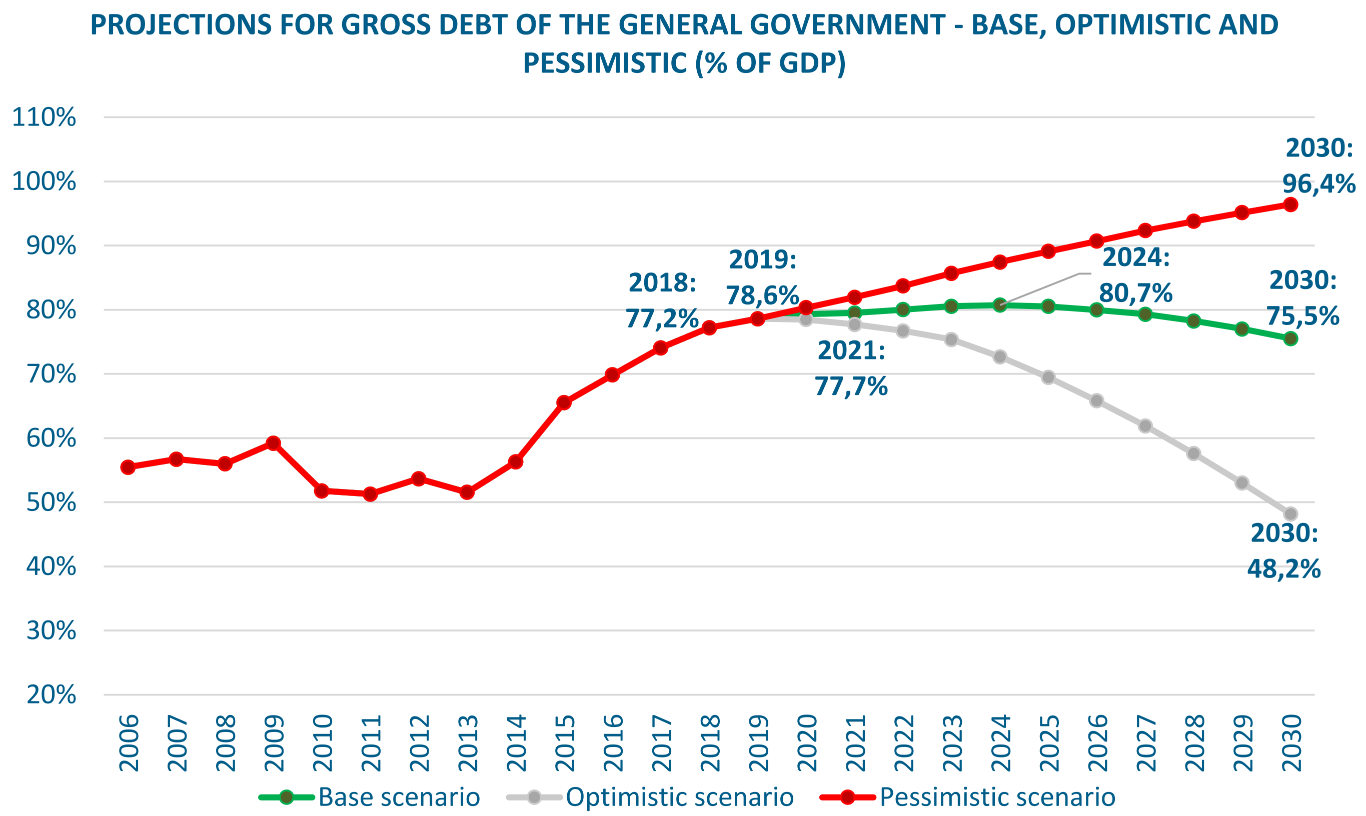
	Average 2021-2030					
	Base scenario		Optimistic scenario		Pessimistic scenario	
	May/19	Nov/19	May/19	Nov/19	May/19	Nov/19
Primary result (BRL billion)	31.5	48.9	130.3	205.6	12.5	30.6
Nominal GDP (BRL billion)	11,292.8	10,926.8	11,824.1	11,491.3	11,973.0	11,184.4
Real GDP growth (%)	2.17%	2.31%	3.31%	3.40%	1.26%	1.24%
Real interest rate (%)	4.02%	3.23%	3.47%	2.33%	5.85%	4.74%

Source: IFI.

Fiscal Scenarios

- The accelerated return of BNDES resources, scheduled at BRL 124.76 billion by year-end, combined with the expected improvement in primary result (BRL 45.7 billion) represents BRL 143.9 billion or 1.3%. of GDP.
- Peak debt/GDP in the base scenario falls from 85.5% (2025) to 80.7% (2024). From 2025, a path of stabilization and slow fall has started to reach 75.5% of GDP in 2030 – but it would still be a high level, both in relation to the country's history and the average observed in emerging countries.
- The primary surplus would have to be between 0.8% and 1.0% of GDP on average to ensure that this achievement would not be reversed, thus ensuring minimum conditions of debt sustainability.
- In the optimistic scenario, we are projecting a fall in debt/GDP from 2020 onwards, converging to 48.2% of GDP by 2030. In the pessimistic scenario, higher real interest rates would return debt to a systematic upward trajectory until 2030, 96.4% of GDP.
- To prevent this last scenario from being confirmed, it will be necessary to make a significant increase in the primary fiscal effort. First, reduce the current deficit and then start generating surplus, which will depend on changes in the evolution of compulsory spending, especially the expenses of public service personnel.

Fiscal Scenarios



Source: IFI.