

FFR

Fiscal Follow-Up Report

JUL 18, 2024 • Nº 90

HIGHLIGHTS

- The Brazilian Real depreciated significantly against the dollar, driven mainly by local factors and uncertainties about US interest rates.
- The projection is for the Selic rate to remain at 10.5% in 2024, fall to 9.5% in 2025 and 9.0% in 2026, depending on the stability of inflation expectations at current levels.
- The Central Government had a recurring primary deficit of 1.6% of GDP in the 12 months to June.
- Indicators show that the deficit is influenced by higher growth in expenditure.
- The calculation of the minimum level of expenditure varies between 1.7% and 2% of GDP, depending on the level of implementation of recurrent public policies.
- Considering the execution level of 2% of GDP, 1.3% would be spent on rigid discretionary expenses and 0.7% on non-rigid discretionary primary expenses.



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Decisive moment for fiscal policy*

The Independent Fiscal Institution (IFI) presents to the National Congress and Brazilian society the 90th Fiscal Follow-up Report (RAF, in the original acronym), with updated information up to June 2024.

The fiscal issue continues to occupy the center of the agendas of the government, the National Congress, and society. This is a decisive moment for fiscal policy, given that it is the first year of the new fiscal framework (Complementary Law No. 200 of 2023). The second half of the year will require a tremendous effort to adjust federal public accounts to achieve the projected fiscal target. With the exception of 2022, the central government has recorded primary deficits since 2014.

The Tax Reform progresses with the consideration of complementary and ordinary legislation that will regulate the amended constitutional text. But the focus of the reform is not on the necessary fiscal adjustment, but on increasing the efficiency and productivity of the Brazilian economy. From the point of view of the tax burden, the reform was intentionally neutral, so as not to imply a loss of revenue for the federal entities.

The renegotiation of the Brazilian states' debt with the Federal Government, consolidated into a single contract since 1997, is also under discussion in the Federal Senate. The terms of this contract have raised questions about its sustainability and led to demands in the Judiciary. The discussion will cover payment terms, interest rates, conditions, use of derived resources, payment with assets, and more. The Federal Senate is expected to deliberate on the matter in August. Regardless of the new terms, there will be a significant impact on the Federal Government's debt level, as it will have to assume part of the obligations currently under the responsibility of the federated states.

The impasse regarding the payroll tax exemption will be resolved with the consideration of Bill No. 1,847 of 2024, which establishes a complete exemption in 2024 and a gradual reinstatement of the tax between 2025 and 2028. Alternative revenue sources will offset the expenses incurred by the new tax breaks resulting from the renewal of the payroll tax exemption.

Finally, there were important decisions by the Federal Supreme Court (STF, kept here in its original acronym, as well as all acronyms of other Brazilian institutions, taxes, programs, etc.) in ten cases involving the Federal Government, including one involving the General Counsel for the Federal Government (AGU) and the country's highest court, which managed to rule out the fiscal risk associated with possible additional expenses of more than BRL 169 billion. The decision on the constitutionality of the progressive social security contribution rate for public employees, introduced by the 2019 pension reform, is still pending, and could mean additional spending of more than BRL 500 billion.

RAF No. 90 begins with an important discussion on the recent exchange rate fluctuation, with a sharp drop in the value of the BRL against the dollar and its implications for inflation and monetary policy, as well as the interfaces with the fiscal challenges. The text points out not only how fiscal risk affects inflation expectations and currency devaluation, but also emphasizes that the response of monetary policy with an increase in interest rates could result in an increase in the nominal deficit and a fall in economic growth, resulting, on both sides, in an increase in the public debt/GDP ratio. (**Page 5**)

The report goes on to present fiscal data based on budget execution in recent months, revealing the magnitude of the challenge faced by the managers of fiscal policy. The recurring primary deficit was 1.6% of GDP in the 12 months ending June 2024. In order to achieve the fiscal target of zero primary deficit by 2024, a fiscal effort of 1.3 percentage points of GDP will be required.

Despite the real 8% growth in primary revenues in the first half of the year, primary expenditure recorded an even greater increase of 10.5%. Neutralizing non-recurring events (income tax on the stock of exclusive funds and offshorees, anticipated dividends from Petrobrás, atypical collection of corporate income tax and social contribution on net profit), while revenues would have grown by 6.0%, expenses would have increased by 10.9% in the first half of 2024. (**Page 9**)

Finally, the RAF takes up the discussion on the minimum level of discretionary spending needed to avoid jeopardizing the functioning of the government machine. It is worth remembering that RAF No. 89 (June 2024) issued a warning about the possibility of a fiscal bottleneck in 2027, if the current rules of fiscal and budgetary management were maintained. This is due to the progressive growth in mandatory primary expenditure, which is estimated at around 92% of total expenditure in 2022 and 2023.

The fact is that several discretionary primary expenses are difficult to cut or freeze, to such an extent that the National Treasury Secretariat has started classifying them as “rigid discretionary expenses.” These include supplementary payments to meet the minimum spending on health and education, the investment floor introduced by the new fiscal framework, and mandatory execution parliamentary amendments (individual and caucus), as well as non-compressible commitments (scholarships to students and researchers) and minimum administrative costs (rent, electricity, water, telecommunications, fuels, etc.). (**Page 17**)

The RAF points out that, despite a relative degree of subjectivity, the minimum necessary for the regular functioning of the federal public administration would involve 0.7% of GDP for supplementary payments to meet the constitutional spending requirements on health and education, 0.5% for the investment floor, and 0.1% of GDP for mandatory parliamentary amendments, totaling 1.3% for rigid discretionary primary expenses. In addition, 0.4% of GDP would be needed for administrative and extended costs and 0.3% for minimum investments to continue consolidated public policies. In other words, the RAF diagnoses the need for at least 2.0% of GDP to be spent on discretionary spending so as not to jeopardize the functioning of the government and interrupt consolidated public policies. The IFI warns that if the dynamics of public finances and their execution rules are not changed, there could be a bottleneck in the execution of the federal budget within three years.

Happy reading!

Marcus Pestana
IFI Executive Director
Alexandre Andrade
IFI Director

* Director Vilma Pinto is on medical leave.

Depreciation of the Brazilian Real and implications for monetary policy

Rafael Bacciotti

The depreciation of the exchange rate in Brazil stands out in relation to other emerging country currencies, driven mainly by the increase in domestic fiscal risk. Projections for the exchange rate and inflation have been revised upwards, influencing expectations for the Selic rate. The recent relief seen in the Brazilian currency is a positive sign that could help contain the rise in prices and avoid an even more restrictive interest rate scenario for productive activity.

Since the beginning of the year, the BRL has been depreciating against the US dollar. In December 2023, the exchange rate was BRL 4.84/US\$, rising to BRL 5.56/US\$ in June, which represents a drop of almost 15% and a reversion to 2021 levels (Graph 1).

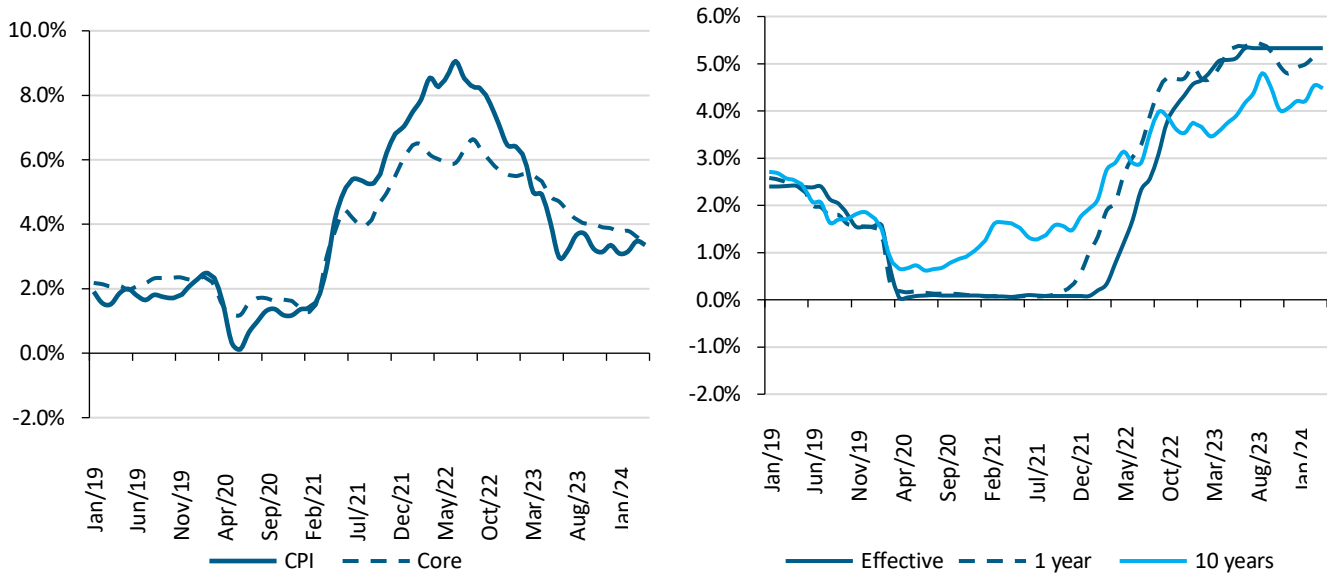
GRAPH 1. NOMINAL EXCHANGE RATE(BRL/US\$)



Source: Central Bank.

This movement partly reflects the adverse international climate, especially due to uncertainty about the cycle of falling interest rates in the United States. With the U.S. economy and labor market showing resilience, consumer inflation has been decreasing more slowly than expected by the Federal Reserve (Fed), still far from the 2.0% target. The maintenance of high interest rates to combat inflation attracts capital flows, strengthening the dollar. Market agents expect interest rates to start falling in the fourth quarter.

GRAPH 2. INFLATION AND INTEREST RATES (UNITED STATES)



Source: Federal Reserve Economic Data - FRED | ST. LOUIS FED.

In this global scenario, several currencies are losing value against the dollar, especially in emerging countries. In Brazil, the depreciation was particularly pronounced, with a 15% drop in the first half of the year, compared to approximately 3% in Peru, around 7% in Chile, Colombia, and Mexico, and about 13% in Argentina.

An econometric model regularly updated on the blog of the Brazilian Institute of Economics (Ibre) /Fundação Getúlio Vargas (FGV)¹ analyzes the fundamentals of the Brazilian currency in the short term, considering three main factors: i) global factors, such as commodity prices, the position of the dollar in relation to other developed currencies and the return on 10-year US Treasury bonds; ii) local factors, approximated by the domestic component of the country risk premium; and iii) the interest differential between the Brazilian and US economies.

Although the behavior of the Brazilian currency generally follows global fundamentals, in the cumulative period of 2024 up to June, the depreciation was mainly driven by local factors, accounting for nearly 90% of the exchange rate variation². Global factors, in turn, contributed the equivalent of 20% of the variation, while the interest rate differential acted in the opposite (negative) direction, strengthening the Real, and accounting for nearly 10%. Despite the Brazilian economy's growth exceeding expectations, the rise in the exchange rate since mid-April seems to reflect the increase in internal fiscal risk associated with the government's commitment to rebalancing the public debt as a proportion of GDP.

It's worth noting that the projections for the exchange rate at the end of this year have been constantly revised upwards in the Focus Bulletin [Central Bank's Market Bulletin]. At the same time, expectations for the Broad Consumer Price Index (IPCA) are diverging from the 3.0% target, which influenced the Monetary Policy Committee (Copom) to alter its course after a series of cuts in the base interest rate.

¹ Latest version available at: <https://tinyurl.com/mpd3zrmn>

² The positive parts, when added to the negative parts, result in 100% of the variation. In other words, in the case described, $90\% + 20\% - 10\% = 100\%$. These percentages are obtained as follows. The first step is to know that, according to the article mentioned, accumulated depreciation for the year was 11.9%, which can be broken down into three elements:

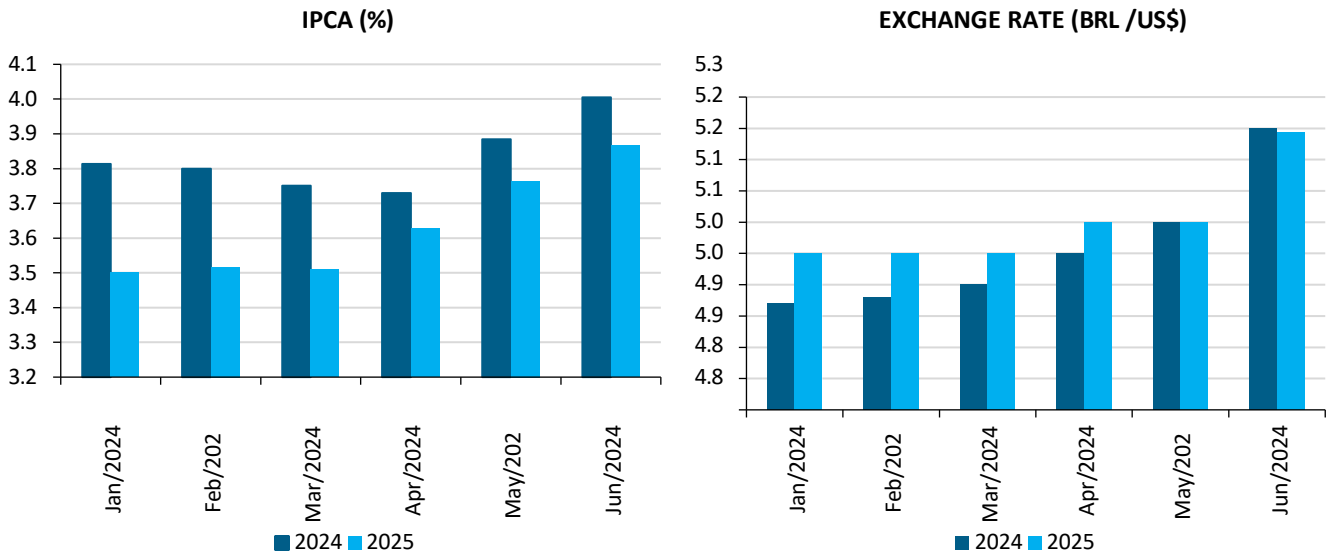
$$(\text{local factors}) + (\text{global factors}) + (\text{interest rate differential}) = 11.9 \Rightarrow \\ (10.40) + (2.47) + (-0.97) = 11.9$$

The second step is to represent the contribution of each element on the left as a new percentage, this time of the 11.9 total. To do this, we divided both sides of the equation by 11.9:

$$\frac{10.4}{11.9} + \frac{2.47}{11.9} - \frac{0.97}{11.9} = \frac{11.9}{11.9} \Rightarrow 87.4\% + 20.8\% - 8.2\% = 100\%$$

The percentages above, once rounded, correspond to those mentioned in the text.

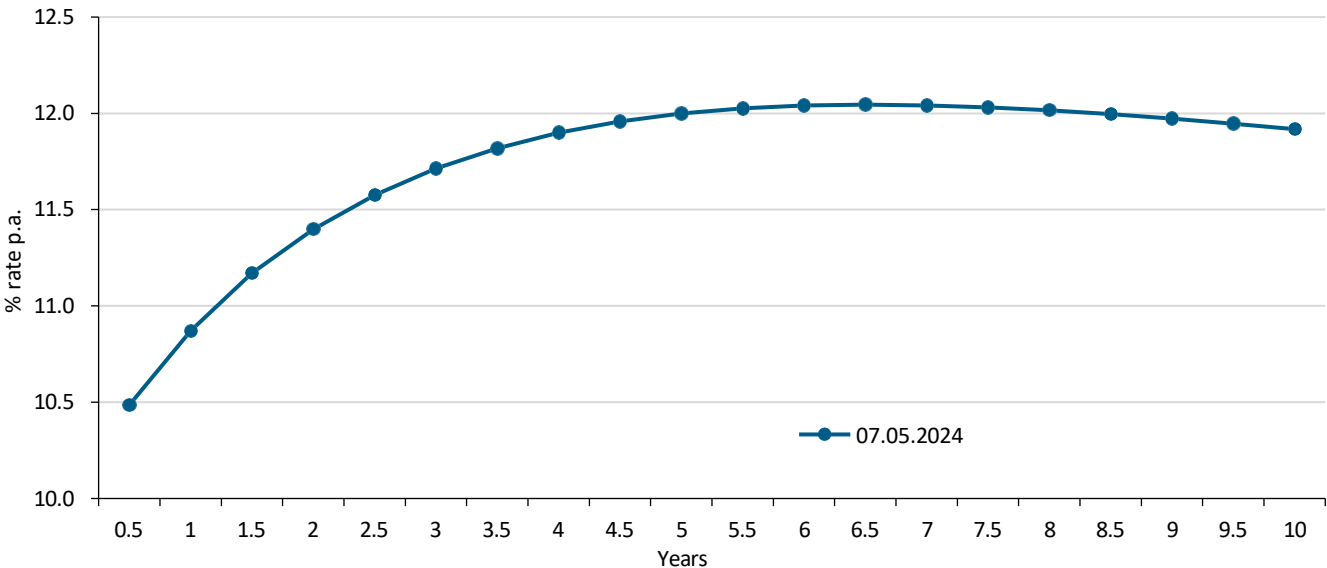
GRAPH 3. PROJECTIONS: INFLATION AND EXCHANGE RATE (FOCUS BULLETIN)



Source: Central Bank.

In this context, the yield curve rose, anticipating an increase in the Selic rate in the upcoming meetings and its maintenance at high levels for different maturities. Graph 4 shows the term structure of interest rates, calculated by the Brazilian Financial and Capital Markets Association (ANBIMA), based on secondary market trading of government securities. The yield on a six-month and one-year bond is 10.48% and 10.87%, respectively (data from July 5). Over two and three years, it rises to 11.40% and 11.71%. As for the Focus Bulletin's median projections for the end of 2024, they indicate a yield of 10.50%, with a reduction to 9.5% in 2025, and 9.0% in 2026.

GRAPH 4. NOMINAL INTEREST RATE YIELD CURVE



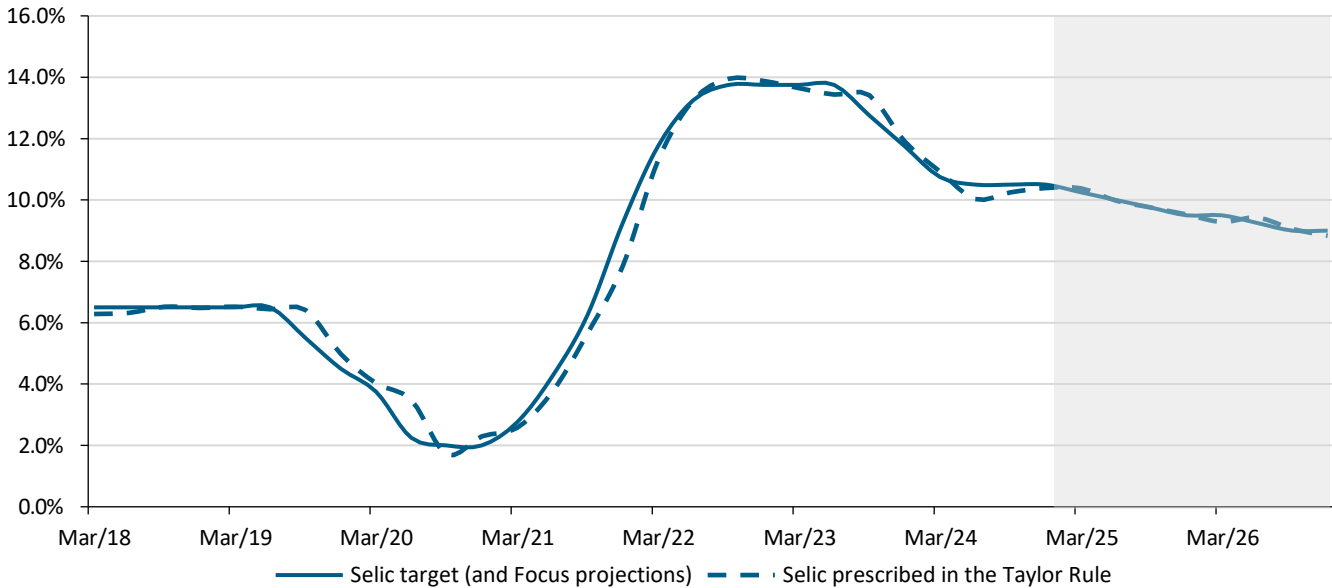
Source: Anbima.

In the June Inflation Report, the Central Bank presented an update on the parameters of the small-scale models³ used to guide the decision on the monetary policy interest rate. In this context, the Selic target follows a Taylor rule, which represents the reaction function to the deviation of inflation expectations from the target. According to this rule, the Selic target should increase the higher the neutral nominal rate (the neutral real rate plus the inflation target) and the deviation of inflation expectations from the target.

³ For more information: <https://tinyurl.com/bpafn734>

We used Taylor's rule and the parameters updated by the Central Bank to observe the prospective trajectory of the Selic target, considering the neutral real interest rate at 4.75% (also according to the Central Bank's current assessment⁴) and the evolution of inflation expectations contained in the Central Bank's market bulletin. As can be seen in Graph 5, the Selic rate projections are in line with the Selic rate prescribed in the monetary authority's reaction function, considering the most recent parameters.

GRAPH 5. SELIC RATE



Source: Central Bank and IFI.

From the same exercise, it can be seen that if inflation expectations converged towards the target of 3.0%, the terminal Selic rate, at the end of this downward cycle, would be 8.0% p.a., instead of 9.0%. On the other hand, if they were to rise to 4.5% (the upper limit of the band), the Selic target would rise to 10.8% p.a., above the current level.

The recent relief in the value of the Brazilian currency, in response to the government's signal of commitment to the fiscal framework, is positive for mitigating the rise in inflation expectations. This could reduce the need for more aggressive monetary tightening by the Central Bank, avoiding an even more restrictive interest rate environment for economic activity. The realization of a scenario with higher interest rates would amplify the current challenges for rebalancing the public debt, especially due to the prospect of an increase in the nominal deficit, a reduction in investments and in economic growth.

⁴ For more information: <https://tinyurl.com/84zhzmu7>

An analysis of the central government's recurring primary balance

Alexandre Andrade

IFI calculations show that the central government's recurring primary deficit reached 1.6% of GDP in June 2024. Although the recurring deficit has been relatively stable since February, the figures prove the need for a fiscal effort of 1.3 p.p. of GDP in the second half of the year to meet the zero primary balance target set for 2024.

Initial considerations

According to the National Treasury Secretariat (STN) and information gathered by the IFI on the Siga Brasil portal, the central government recorded a primary deficit of BRL 68.3 billion in the cumulative period of 2024 up to June, compared to a deficit of BRL 43.2 billion in the same period last year, an increase of BRL 25.1 billion. In the 12 months up to June, there was a deficit of BRL 255.6 billion (2.3% of GDP), compared to a primary deficit of BRL 51.1 billion (0.5% of GDP) recorded in the same period in 2023, an increase of BRL 204.5 billion.

The worsening of the central government's primary balance in 2024 is due to a higher growth in expenditure than in revenue. In the first half of the year, net primary revenue rose by 8.5% in real terms, against a 10.5% increase in primary expenditure on the same basis of comparison. The same behavior is observed when atypical events⁵(non-recurring) are excluded from the series. While recurring net revenue rose by 6.0% in real terms between January and June, recurring primary expenditure grew by 10.9% in the period.

As will be explained further, the increase in expenditure occurs in mandatory and ongoing expenses, such as pension benefits and assistance programs, as well as earmarked expenditures in education and health.

Among the atypical events affecting revenues, the following are mentioned: the taxation of Income Tax (IR) on the stock of exclusive funds and offshores⁶ (BRL 20.3 billion), the advance of Petrobras dividends (BRL 5.0 billion), the special installment programs known as Refis (BRL 5.0 billion), and an atypical collection of Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) (BRL 4.0 billion).

In primary expenditure, the main atypical items were the advance payment of the annual bonus (13th salary) to INSS retirees and pensioners (BRL 67.6 billion) in April, May, and June, the payment of the stock of court-ordered debts amounting to BRL 95.3 billion in December 2023, and the advance payment of the 2024 annual court-order debt schedule to February (BRL 31.8 billion). In any case, even disregarding non-recurring events on expenditure, the real increase (10.9%) in the first half of the year was significant.

Central government primary revenues in 2024

Table 1 shows the central government's primary revenue figures for the first half of the last three years, as well as the real changes compared to the same period in the previous year.

⁵ For a more detailed explanation of the calculation of the central government's recurrent primary revenue and recurrent primary expenditure, see IFI Special Study (SE) No. 17 of December 22, 2021. Page to access the document: <https://tinyurl.com/2e47tyjz>.
⁶ Law No. 14,754, of December 12, 2023.

TABLE 1. CENTRAL GOVERNMENT PRIMARY REVENUES - 2022 TO 2024 - JANUARY TO JUNE (BRL BILLION CURRENT AND REAL % CHANGE)

	Jan-Jun/22			Jan-Jun/23			Jan-Jun/24		
	Current BRL bi	Real % chan ge	GDP %	Current BRL bi	Real % chan ge	GDP %	Current BRL bi	Real % chan ge	GDP %
Total revenue	1,167.1	-44.1%	24.1%	1,157.8	-5.1%	21.9%	1,307.6	8.4%	23.4%
Administered revenue [collected by the RFB]	708.2	-45.2%	14.6%	731.2	-1.3%	13.8%	845.4	11.0%	15.2%
Tax incentives	-0.1	-	0.0%	0.0	-	0.0%	0.0	-	0.0%
RGPS revenues	247.7	-50.3%	5.1%	275.2	6.3%	5.2%	299.7	4.6%	5.4%
Non-administered revenue [not collected by RFB]	211.3	-29.0%	4.4%	151.4	-31.2%	2.9%	162.5	3.1%	2.9%
Transfers	227.3	-40.5%	4.7%	227.6	-4.2%	4.3%	256.2	8.0%	4.6%
Net revenue	939.9	-44.9%	19.4%	930.2	-5.3%	17.6%	1,051.4	8.5%	18.9%
Total revenue without atypical items*	1,094.8	11.9%	22.6%	1,163.4	1.7%	22.0%	1,279.6	5.6%	22.9%
Net revenue without atypical items*	884.1	10.7%	18.3%	937.3	1.4%	17.7%	1,034.9	6.0%	18.6%
GDP (current BRL bi)			4,837.0			5,283.8			5,577.1

Source: Prepared by IFI based on data from the National Treasury Secretariat (STN), Central Bank and Siga Brasil.

The central government's total primary revenue rose by 8.4% above inflation in the first half of 2024. This performance reflected increases of 11.0% in administered revenues, 4.6% in net collection for the General Social Security Policy (RGPS) and 3.1% in non-administered revenues. The following revenue-related elements stand out.

In administered revenues, the growth is widespread among the taxes and reflects the behavior of economic activity, the revenue measures presented in the 2024 Budget Law (LOA 2024), and the instrument of limiting the compensation of judicial tax credits, as regulated by Law No. 14,873, of May 28, 2024, originating from Provisional Measure (MP) No. 1,202, of December 29, 2023.

Net collections for the RGPS have been boosted by the performance of the labor market, which has seen robust increases in occupation levels and average income, which favors the collection of payroll taxes.

To give an idea of the effectiveness of the measures intended by the Executive to increase revenue in 2024 and the coming years, Table 2, based on information presented in the Primary Revenue and Expenditure Assessment Report (RARDP) for the second two months of 2024⁷, shows the amounts that entered the Treasury's coffers in the first four months of the year.

According to the information collected in the RARDP for the second two months of 2024, revenues from measures to increase tax collection totaled BRL 48.2 billion in 2024 up to April, i.e. 5.4% of the central government's total primary revenue in the period. Some of these measures, such as taxing the stock of exclusive funds and offshore companies, will not happen again. In addition to the absence of some of the revenues that boosted income in the first months of 2024, uncertainties persist regarding the realization of revenue from measures that have prompted legal disputes, such as the taxation of ICMS subsidies, the reinstatement of the casting vote in the Administrative Council of Tax Appeals (Carf), and the transactions provided for in Law No. 14,789 of 2023. These uncertainties have been discussed in previous editions of this RAF.

⁷ Page to access the document: <https://tinyurl.com/5ye938pw>.

TABLE 2. REVENUE MEASURES INTENDED BY THE FEDERAL GOVERNMENT IN 2024 (BRL BILLION)

Measure	LOA 2024	Amount collected between January and April 2024	Monthly average
ICMS Subsidies (Provisional Measure No. 1,185/2023 - Law No. 14,789/2023)	35.3	7.1	1.8
Fixed-odds betting Regulations. CRPCP rate 10%	0.7	0.2	0.0
New simplified taxation system (RTS) International postal shipments	2.9	0.0	0.0
CFC - <i>Offshores</i> - Exit tax - Residência + RERCT	7.0	0.3	0.1
Exclusive funds	13.3	13.3	3.3
End of the Deductibility of Interest on Equity (JCP) / adjustment of the calculation base	10.4	0.0	0.0
Carf - casting vote	54.7	6.1	1.5
Law 14,789/2023 (transaction)	31.0	10.3	2.6
Law 14,789/2023 (transaction)	12.2	3.0	0.7
Law No. 14,873 (Provisional Measure No. 1,202/2023) - Compensation	-	8.0	2.0
Total	167.6	48.2	12.0

Source: Prepared by IFI based on information from the National Treasury Secretariat (STN) in the RARDP for the 2nd two months of 2024

Returning to Table 1, the central government's net primary revenue rose by 8.5% in real terms in the first half of 2024. Disregarding non-recurring events in the series, the increase was 6.0%, indicating the influence of non-recurring factors on the behavior of revenue in the first half of the year.

Table 3 lists the non-recurring factors considered by the IFI in relation to primary revenues.

TABLE 3. NON-RECURRING PRIMARY REVENUES - 2022 TO 2024* (BRL BILLION)

Non-recurring primary revenues	2022	2023	2024*
Special installments	10.8	10.7	5.0
Concessions and licenses	42.0	3.9	0.0
Anticipation of dividends	26.4	11.4	5.0
Exclusive funds and <i>offshores</i>	-	3.9	20.3
Atypical collection of IRPJ and CSLL	44.0	5.0	4.0
Unclaimed PIS/PASEP funds	-	26.0	-
Reduction of PIS/Cofins on Fuel	-25.9	-32.7	-2.0
Fuel export tax	-	4.4	-
Total	97.3	32.6	32.4

* Accumulated from January to June

Source: Prepared by IFI based on data from the National Treasury Secretariat (STN) and Siga Brasil Portal.

The figures confirm the influence of non-recurring events on the performance of government revenues in recent years. In 2022, for example, in addition to the influence of higher commodity prices, the following events were recorded: (i) advance dividends from Petrobras (BRL 26.4 billion); (ii) atypical collections of Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) from commodity companies amounting to BRL 44.0 billion; and (iii) extraordinary concessions and licenses totaling BRL 42.0 billion (Table 3).(Table 3).

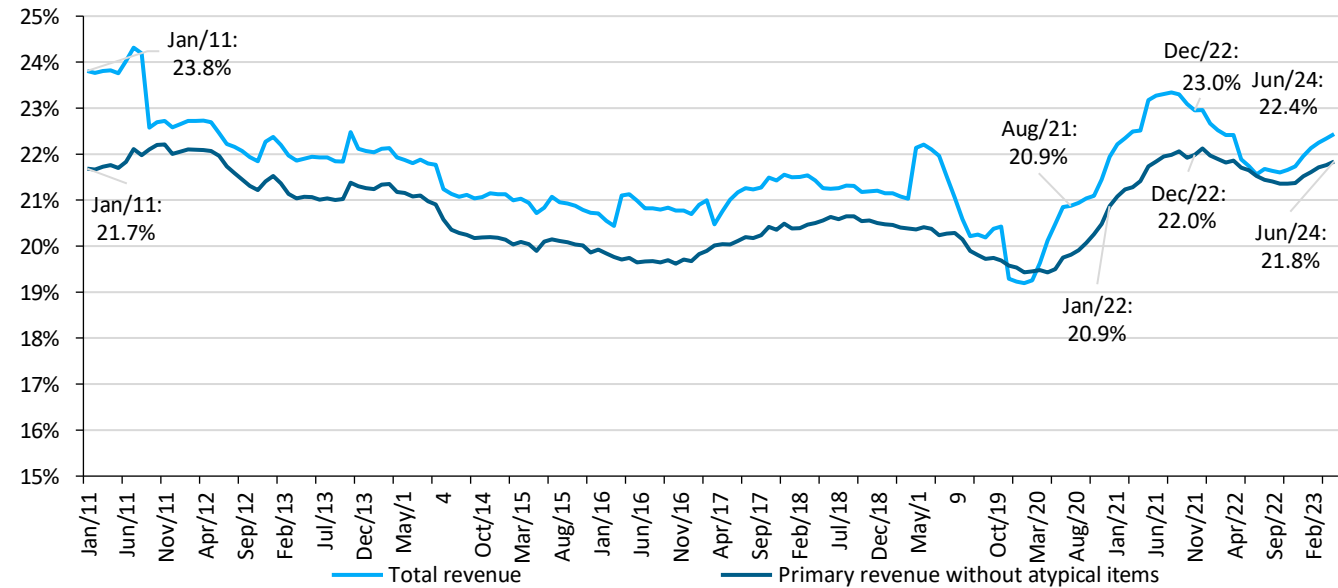
In 2023, there was a decrease in the anticipation of dividends, but this source still corresponded to BRL 11.4 billion in revenue for the central government. The source that generated the highest non-recurring revenue last year was the transfer of unclaimed funds from PIS/PASEP accounts (BRL 26.0 billion).

Moving on to 2024, the largest amount of atypical collections came from the taxation of the stock of exclusive funds and offshores, amounting to BRL 20.3 billion. Additionally, the treasury received BRL 5.0 billion from special installment programs, BRL 5.0 billion from the advance of Petrobras dividends, and BRL 4.0 billion from atypical collections of Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) (Table 3).

To give an idea of the impact of non-recurring events on the central government's primary revenue, the IFI shows, in Graph 6, the trajectory of this revenue accumulated over 12 months and as a proportion of GDP. The figure shows a difference of 0.6 p.p. of GDP (equivalent to BRL 66.2 billion) between conventional primary revenue and recurring primary revenue in the 12 months to June.

Looking at the dynamics of the two revenue series, the recurring primary was, in June (21.8% of GDP), practically at the same level as in December 2022 (22.0% of GDP), a historically high level. Conventional primary revenue, in turn, reached 22.4% of GDP in June, an increase of 0.8 p.p. of GDP compared to December 2023, which indicates the relative effectiveness of the measures implemented by the Executive to increase revenue.

GRAPH 6. 12-MONTH EVOLUTION OF CONVENTIONAL AND RECURRENT PRIMARY REVENUE - % OF GDP



Source: National Treasury Secretariat, Siga Brasil and Tesouro Gerencial. Prepared by: IFI.

Central government primary expenditure in 2024

Table 4 shows the central government's primary expenditure figures for the first half of the last three years.

Between January and June 2024, primary expenditure grew by 10.5% in real terms. The increase in expenditure is widespread, but was more driven by the payment of social security benefits under the RGPS (+8.7%) and the Continuous Cash Benefit (BPC) (+17.3%), as well as extraordinary credits (+739%), the Federal Government's supplementation to Fundeb (Fund for the Maintenance and Development of Basic Education and the Valorization of Education Professionals) (+20.7%) and judicial sentences and court-ordered debt payments (+69.2%). In the first half of the year, there were also significant increases in mandatory expenditure with flow control (+6.1%) and discretionary expenses (+30.8%).

TABLE 4. CENTRAL GOVERNMENT PRIMARY EXPENDITURE - 2022 TO 2024 - JANUARY TO JUNE (CURRENT BRL BILLION AND REAL % CHANGE)

Breakdown	Jan-Jun22			Jan-Jun/23			Jan-Jun/24		
	BRL Billion in current values	real % change	GDP %	BRL Billion in current values	real % change	GDP %	BRL Billion in current values	real % change	GDP %
Total expenditure	885.6	-49.4%	18.3%	973.4	5.2	18.4	1,119.7	10.5	21.2
<i>Social security benefits (RGPS)</i>	415.8	-46.1%	8.6%	440.2	1.4	8.3	498.1	8.7	9.4
<i>Personnel (active and inactive)</i>	154.5	-56.6%	3.2%	163.2	1.0	3.1	173.0	1.8	3.3
<i>Salary Allowance and unemployment benefit</i>	43.7	-12.6%	0.9%	45.0	2.1	0.9	46.6	0.4	0.9
<i>Continuous Cash Benefit (BPC)</i>	37.9	-48.3%	0.8%	44.0	11.1	0.8	53.8	17.3	1.0
<i>Extraordinary Credit (except PAC)</i>	14.2	-88.7%	0.3%	1.0	93.6	0.0%	8.4	739.5	0.2
<i>Compensation to the RGPS for Payroll Exemptions</i>	3.1	-60.7%	0.1%	0.0	-	0.0%	0.0	-	0.0%
<i>Fundeb</i>	16.5	-30.4%	0.3%	19.2	11.5	0.4	24.2	20.7	0.5
<i>Court judgments and court-ordered debt payments (cost and capital)</i>	8.3	-60.0%	0.2%	18.0	108.5	0.3	31.4	69.2	0.6
<i>Subsidies, grants and Proagro</i>	9.2	13.7%	0.2%	8.5	11.7	0.2	9.9	11.7	0.2
Mandatory	822.7	-49.1%	17.0%	910.7	5.9	17.2	1,034.3	9.1	19.6
Mandatory expenditure with flow control	107.3	-31.6%	2.2%	156.1	39.1	3.0	172.5	6.1	3.3%
Discretionary	62.9	-52.9%	1.3%	62.7	-4.0%	1.2%	85.4	30.8%	1.6%
Total expenditure without atypical items*	812.2	3.4%	16.8%	931.4	9.7%	17.6%	1,291.4	10.9%	24.4%
GDP (current BRL bi)			4,837.0			5,283.8			5,577.1

Source: Prepared by IFI based on data from the National Treasury Secretariat (STN), Central Bank and Siga Brasil.

The recent dynamics of expenditure on social security benefits, the BPC, salary allowances and unemployment benefits were presented and discussed in RAF No. 89⁸, of June 2024. The strong growth observed in discretionary expenses in the first half of 2024, in turn, is explained, from the point of view of the application of resources, in health, education and transportation actions. From the perspective of the source of funds, the most significant increases occurred in the Growth Acceleration Program (PAC) with committee amendments and individual amendments.

The central government's recurrent primary expenditure rose by 10.9% in the first six months of the year, practically in line with the increase in conventional expenditure (Table 4). Table 5 shows the main non-recurring expenditure events over the last two years plus the first half of 2024.

Table 5 highlights, in relation to 2023, the court-order debt payments amounting to BRL 95.3 billion in December, resulting from the limitation imposed by Constitutional Amendment (EC) No. 113, of December 8, 2021, and EC No. 114, of December 16, 2021. It is worth mentioning that of these BRL 95.3 billion in court-ordered debts (*precatórios*), BRL 32.3 billion were scheduled to be paid in the 2024 fiscal year but were advanced to 2023. Thus, the BRL 32.3 billion were added by the IFI to the recurring expenses of February 2024, when another BRL 31.8 billion in court-ordered debts from the 2024 annual schedule were paid. The February payment was initially to be made at a later point in the year, probably in May or June, but was brought forward within the financial year.

Also in 2023, it is important to highlight the financial assistance provided by the Federal Government to the States and Municipalities. These compensations refer to: (i) the Aldir Blanc Law (Law No. 14,017, of June 29, 2020); (ii) negative variations in the State Participation Fund (FPE) and the Municipal Participation Fund (FPM) due to the loss of federal collection of the Tax on Industrialized Products (IPI), a tax shared with states and municipalities; and (iii) losses caused by Complementary Law (LC) No. 192 and LC No. 194, which caused a reduction in ICMS collection. The compensations related to (ii) and (iii) are governed by Complementary Law No. 201 of October 24, 2023.

⁸ Page to access the document: <https://tinyurl.com/5e8apd2p>.

TABLE 5. NON-RECURRING PRIMARY EXPENDITURE - 2022 TO 2024* (BRL BILLION)

Non-recurring primary expenditure	2022	2023	2024*
**Equalization of Liabilities and COVID-19 Expenses	20.8	-	-
Campo de Marte	23.9	-	-
Financial aid to States, DF [Federal District] and Municipalities	14.0	27.1	0.7
Aid for truck drivers	2.3	0.0	-
Aid for cab drivers	1.9	0.0	-
Financial Assistance from the Federal Government to the States and the DF	2.5	0.0	-
Advance Payment of the 13th Salary for INSS Beneficiaries	0.0	0.0	67.6
High school savings fund	-	6.1	-
Social security benefits - RAP extraordinary credits	-	1.0	-
Extraordinary credits	-	2.8	0.7
Court-ordered payments of government debt	-	95.3	-32.3
Calamity in Rio Grande do Sul	-	-	7.7
Total	65.4	132.3	44.5

* Accumulated from January to June
Source: Prepared by IFI based on data from the National Treasury Secretariat (STN) and Siga Brasil Portal.

According to Table 5, financial aid to states, the Federal District and municipalities amounted to BRL 27.1 billion in 2023. It is important to mention that the compensation for ICMS losses (LC No. 201), amounting to BRL 8.7 billion, which was to be paid in 2024, was advanced to 2023. In 2025, according to LC No. 201, the Federal Government will pay BRL 4.5 billion to the States, Federal District, and Municipalities as compensation.

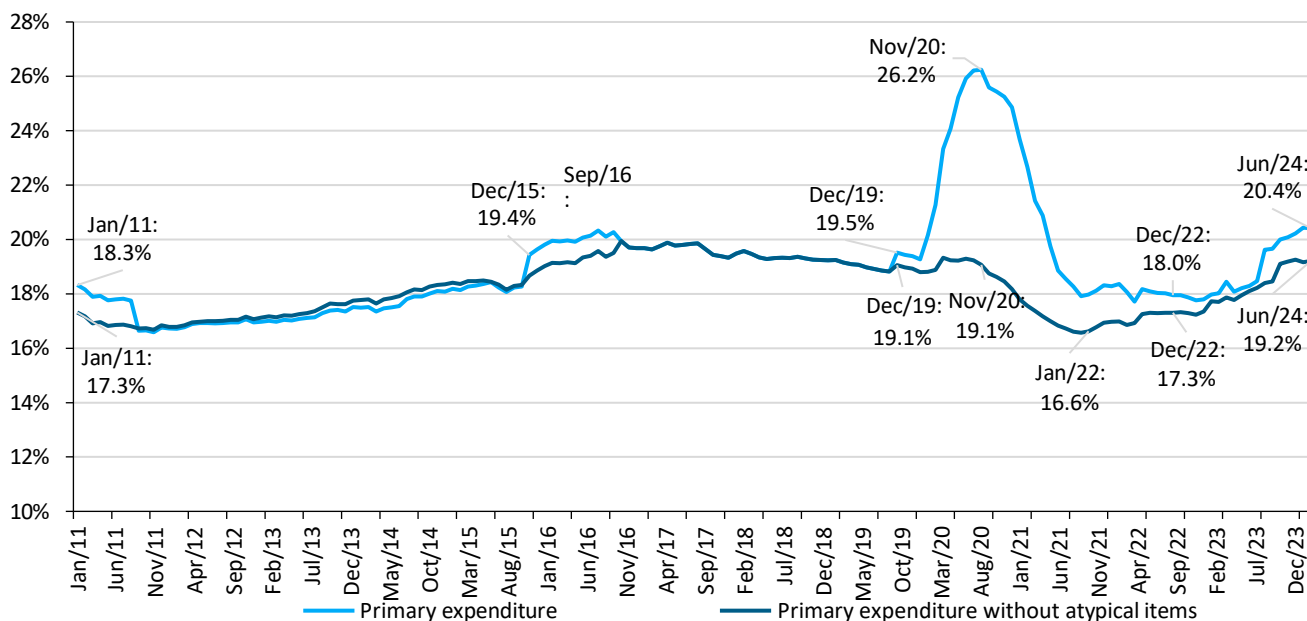
Regarding the non-recurring expense for 2024, it is worth mentioning the advance payment of the annual bonus (13th salary) to INSS retirees and pensioners, which was paid in April, May, and June. This expenditure totaled BRL 67.6 billion, according to information obtained by the IFI from the STN and Siga Brasil.

With these considerations, the Federal Government's non-recurring expenses totaled BRL 132.3 billion in 2023, while in the first half of 2024, these expenses amounted to BRL 44.5 billion. (Table 5).

Disregarding the non-recurring figures in the conventional primary expenditure series, we obtain the recurring primary expenditure series. Graph 7 shows the 12-month evolution of these two series, both as a proportion of GDP, with trajectories rising from the beginning of 2023, shortly after the enactment of Constitutional Amendment No. 126 on December 21, 2022. By way of illustration, recurrent primary expenditure rose by 1.9 p.p. of GDP between December 2022 and June 2023, according to IFI calculations.

In general terms, the following factors drove the increase in spending: (i) the rule that the minimum wage is adjusted for inflation and the real growth of the economy, which affects the dynamics of other budget spending, such as social security benefits, the BPC, unemployment benefits and salary allowances; and (ii) the return of the constitutional minimums in health and education spending, linked to the behavior, respectively, of the Federal Government's net current revenue and the Federal Government's net tax revenue. This binding ensures the expansion of expenses as revenue grows.

GRAPH 7. 12-MONTH EVOLUTION OF TOTAL CONVENTIONAL AND RECURRENT PRIMARY EXPENDITURE - % OF GDP

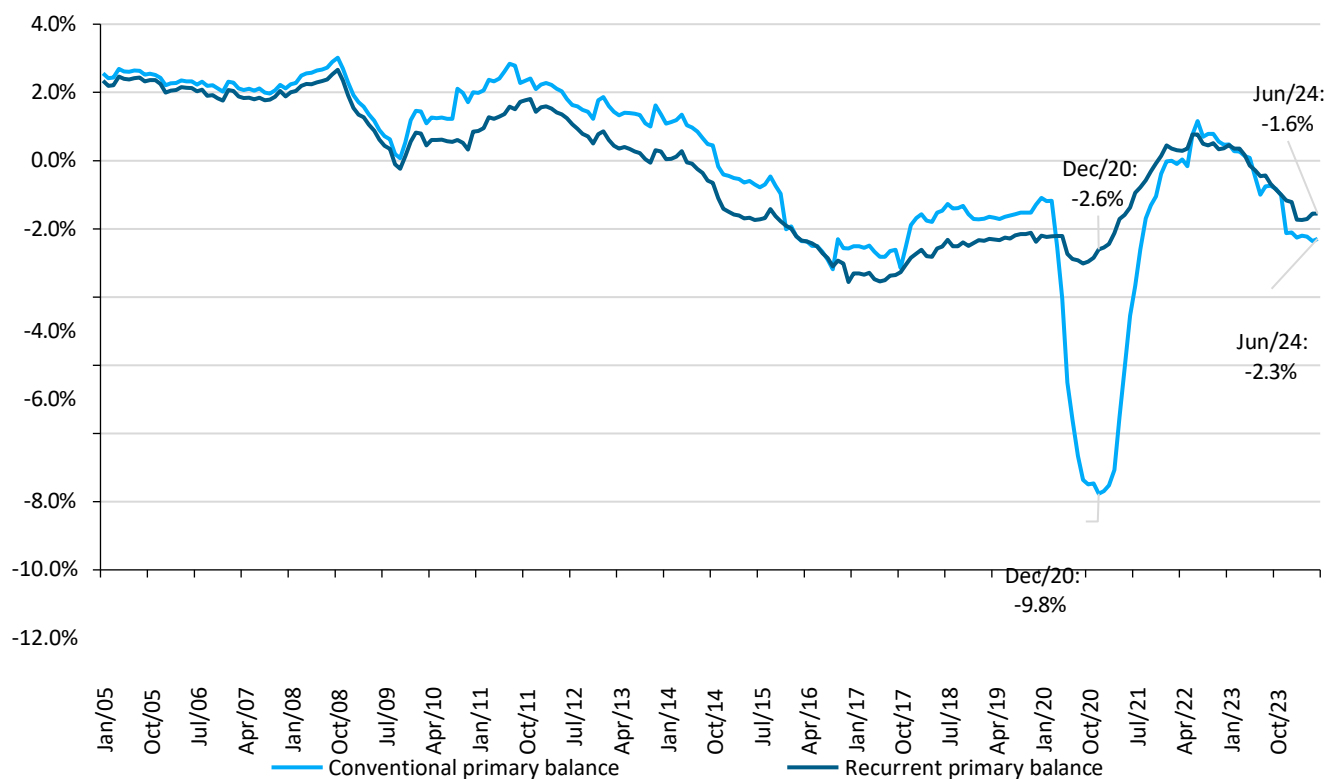


Source: National Treasury Secretariat. Prepared by: IFI.

Central government primary balance in 2024

Graph 8 presents the 12-month evolution of the conventional primary balance and the recurring primary balance of the central government, measured as a proportion of GDP.

GRAPH 8. 12-MONTH EVOLUTION OF THE CENTRAL GOVERNMENT'S CONVENTIONAL AND RECURRENT PRIMARY BALANCES (% OF GDP)

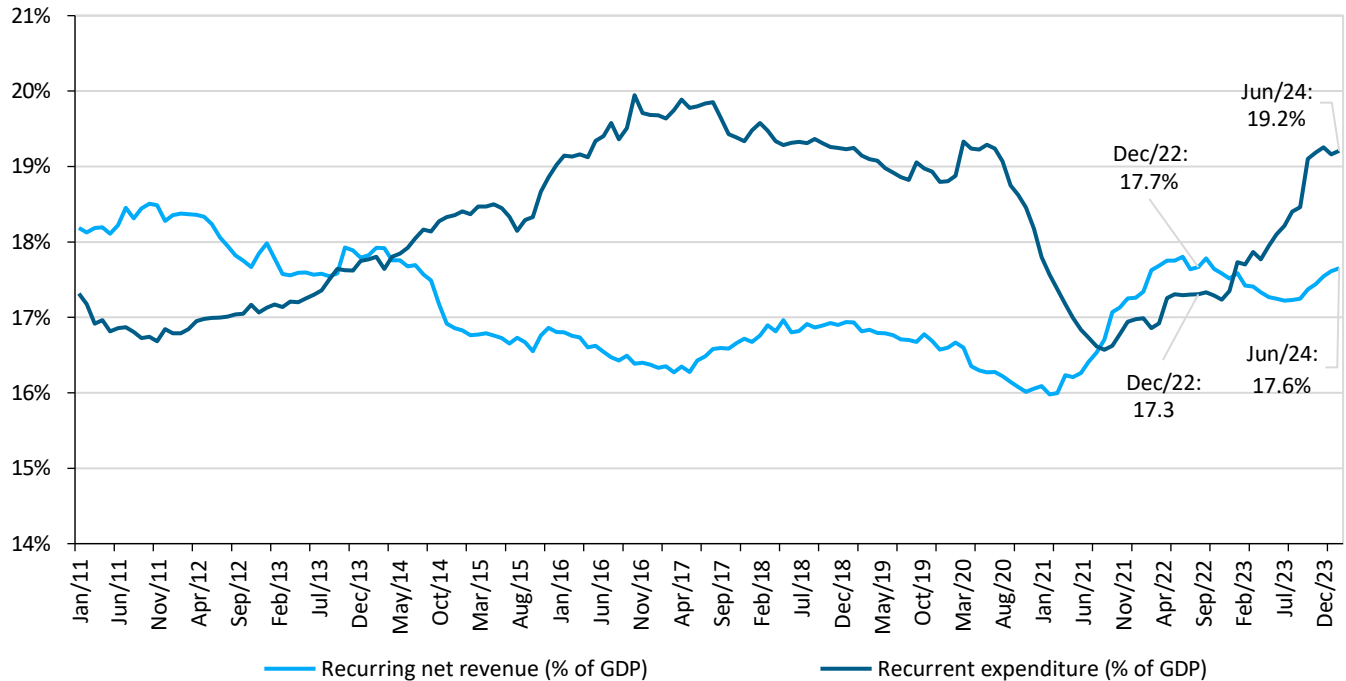


Source: National Treasury Secretariat, Siga Brasil and Tesouro Gerencial. Prepared by: IFI.

According to Graph 8, the central government had a recurring primary deficit of 1.6% of GDP in June 2024, against a conventional primary deficit of 2.3% of GDP in the period. It is possible to see a worsening in the trajectories of the series in 2023 and relative stability in 2024, as a result of the tax collection measures approved in the second half of 2023. In any case, as the recurring primary deficit suggests (1.6% of GDP in the 12 months to June 2024), in order to meet the primary balance target set for the 2024 financial year (zero deficit, with a tolerance range between -0.25% and +0.25% of GDP), it is necessary to make a fiscal effort of around 1.3 p.p. of GDP in the second half of the year.

Graph 9 shows the contribution of recurring net revenue and recurring expenditure to the path of the central government's recurring primary balance. The series are presented in 12-month cumulative terms and as a proportion of GDP. In June 2024, recurrent expenditure reached 19.2% of GDP, while recurrent net revenue reached 17.6% of GDP, resulting in the recurrent primary deficit of 1.6% of GDP shown in Graph 8. In December 2022, while recurring expenses were 17.3% of GDP, recurring net revenue was 17.7% of GDP.

GRAPH 9. 12-MONTH EVOLUTION OF RECURRENT PRIMARY REVENUE AND EXPENDITURE - % OF GDP



Source: National Treasury Secretariat. Prepared by: IFI.

Considering the changes in the series, recurrent primary expenditure grew by 1.1 p.p. of GDP in 2023 and by 0.8 p.p. of GDP in the first six months of 2024. Net revenue, in turn, fell by 0.4 p.p. of GDP in 2023 and increased by 0.4 p.p. of GDP in the first half of 2024.

Considerations on the minimum level of discretionary expenditure necessary for the functioning of the federal public administration

Eduardo Nogueira

The execution of discretionary expenses to supplement the minimums for health and education will start growing again, due to the reinstatement of the binding of constitutional minimums to revenues. *The creation of the investment floor, on the other hand, should not generate additional pressure on the execution of discretionary spending, given that it was set close to historical minimum values. Calculating the minimum level of discretionary spending is complex and depends on a number of factors, but it varies between 1.7% and 2% of GDP, depending on the level of execution of recurrent public policies.*

Introduction

The term "shutdown" of the public administration refers to the halt of government activities due to the lack of budget approval or insufficient resources necessary to fund such operations. In many governmental systems, especially in countries like the United States, the government budget must be approved by the parliament before a new fiscal year begins. If the Legislative Branch does not approve the budget or a continuing resolution to temporarily fund the government before the deadline, it results in a shutdown.

In the United States, during a *shutdown*, non-essential public services are suspended, and many government employees are placed on unpaid leave, known as "*furlough*"⁹. Services considered essential to the safety and well-being of the population, such as defense, public safety and emergency operations, continue to run, although often with limited funding and subject to operational restrictions.

Shutdowns of the public machine usually reflect political deadlocks or significant disagreements over budgetary issues. They can have substantial economic and social impacts, affecting everything from scientific research and education to the maintenance of national parks and monuments, depending on their duration and scope.

Although the concept of a *shutdown* is most commonly associated with the US government, due to its specific political and budgetary structure, other countries can face similar situations, under different names, when there are deadlocks in approving the budget or authorizing government spending.

In the Brazilian budgetary context, the term "shutdown" became popular in 2015¹⁰, when the federal government implemented the largest discretionary spending cut¹¹ since the Fiscal Responsibility Law¹² (LRF) came into effect, amounting to 1.2% of the Gross Domestic Product (GDP).

Given that mandatory primary expenses have historically tended to grow in real terms, the freeze on discretionary spending has been one of the main fiscal management tools aimed at achieving the pre-established primary balance target. Thus, discussions began on the threshold at which the public administration would become unviable, that is, what the minimum level of discretionary spending execution would be necessary for the continued provision of public services.

⁹ Available at: <https://tinyurl.com/bdhhw4dv>.

¹⁰ The term became famous in Brazil in 2013 because of the shutdown of the Barack Obama administration, the first since 1996. Available at: <https://tinyurl.com/3fwu99un>. This has probably influenced its use in Brazil since 2015.

¹¹ Available at: <https://tinyurl.com/59zeaytp>.

¹² Available at: <https://tinyurl.com/3vymbzyr>.

Throughout the period of the expenditure ceiling¹³, the topic returned to discussion several times, considering that medium-term fiscal projections already indicated the difficulty of keeping the public administration operational¹⁴. Since RAF No. 4¹⁵ of May 2017, the IFI has been working on the issue, seeking to establish both a fiscal margin and a minimum amount of discretionary spending.

In this context, the fiscal margin calculated by the IFI constituted a subset of discretionary expenses that could be compressed, considering that the set of discretionary expenses includes mandatory expenditures, such as the supplementation of health and education expenses to meet the constitutional minimum values.

At the time, the IFI calculated a tax margin of BRL 114 billion with a non-compressible amount of BRL 70 billion. These values were established based on figures reported¹⁶ by the Executive Branch in the spending freeze carried out in the first two months of 2017.

The matter returned to the agenda during the discussion of the Sustainable Fiscal Regime (RFS)¹⁷, which would replace the Expenditure Ceiling, as the original proposal sent by the Executive Branch (PLP No. 93/2023) altered the system of spending cuts and freezes provided for in the Fiscal Responsibility Law (LRF). According to the explanatory memorandum¹⁸ of the bill, the change in the logic of spending freezes, which would become optional under the proposal, was a way to prevent important policies from being discontinued due to revenue shortfalls, which are sometimes temporary.

Indeed, the historical series¹⁹ of the proportion of discretionary expenses in relation to total executed primary expenditures reached the lowest levels in the years 2022 and 2023, when mandatory expenses accounted for 92% of total primary expenditures, demonstrating that the issue remains relevant, as shown in Table 6 below:

TABLE 6. PROPORTION OF DISCRETIONARY AND MANDATORY EXPENSES IN RELATION TO EXECUTED PRIMARY EXPENDITURE

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Discretionary	14.2%	12.7%	14.1%	14.0%	12.4%	10.4%	9.4%	9.1%	9.4%	10.5%	23.3%	12.2%	8.1%	8.2%
Mandatory	85.8%	87.3%	85.9%	86.0%	87.6%	89.6%	90.6%	90.9%	90.6%	89.5%	76.7%	87.8%	91.9%	91.8%

Source: Siga Brasil Portal. Prepared by: IFI.

It is worth noting that the RFS preserved the application of the prohibitions set forth in items I to IX of Article 167-A of the Federal Constitution, within the scope of expenses subject to the expenditure limit, in the event that the proportion of mandatory primary expenditure exceeds 95% of total primary expenditure, according to the amount calculated in the previous financial year.

In terms of GDP, the figures for 2022 and 2023 also mark the lowest in the series that began in 2010. Table 7 below also shows the evolution of expenditure over the years. Between 2010 and 2016, before the Expenditure Ceiling, mandatory expenditure rose by 2.8 percentage points (p.p.) of GDP, from 18.1% to 20.9% of GDP. On the other hand, discretionary expenditure was squeezed, falling 0.8 p.p. from 3.0% of GDP to 2.2%.

¹³ Available at: <https://tinyurl.com/5frxyw9f>.

¹⁴ Available at: <https://tinyurl.com/4tbbyac9>.

¹⁵ Available at: <https://tinyurl.com/4752x3jc>.

¹⁶ “After the reassessment of revenues and primary expenditures for the first two months of 2017, a need to reduce discretionary expenses by approximately BRL 58 billion was identified. However, the spending freeze was limited to BRL 42 billion, with one of the justifications being the impact that a BRL 58 billion limitation would have on the functioning of public policies. Therefore, the spending freeze of BRL 42 billion, which applied to a fiscal margin of BRL 114 billion, suggests a non-compressible amount of around BRL 70 billion”.

¹⁷ Available at: <https://tinyurl.com/bdz5btpe>.

¹⁸ Available at: <https://tinyurl.com/2ntvzfz>.

¹⁹ In the present study, a unique database was used, containing various qualitative and quantitative classifiers of expenditures executed between 2010 and 2023, in order to maintain internal consistency. Thus, it was possible to perform a series of data cross-references to identify the various overlaps among the different discretionary expenses detailed throughout the text. It is important to note that, in order to maintain internal consistency, external consistency was partially lost, i.e. the values indicated in the study are not exactly the same as those indicated in the official series. It happens because each expense has its own methodology for calculation. The constitutional minimums for health, education, and the calculation of administrative costs, for example, have relatively incompatible methodologies. As such, the figures presented throughout the study are not exactly the same as those calculated using official methodologies. However, this difference, apart from not being very significant, has no impact on the main conclusions of this work.

TABLE 7. EVOLUTION OF DISCRETIONARY, MANDATORY AND TOTAL PRIMARY EXPENDITURE IN RELATION TO GDP

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Discretionary (% of GDP)	3.0%	2.6%	3.0%	3.0%	2.7%	2.3%	2.2%	2.1%	2.2%	2.5%	6.9%	2.7%	1.8%	2.0%
Mandatory (% of GDP)	18.1%	18.3%	18.3%	18.4%	19.0%	20.0%	20.9%	20.9%	20.8%	21.0%	22.6%	19.5%	20.8%	21.9%
Primary (% of GDP)	21.1%	20.9%	21.3%	21.4%	21.7%	22.3%	23.1%	23.0%	23.0%	23.4%	29.5%	22.2%	22.6%	23.9%

Source: Siga Brasil and IBGE. Prepared by: IFI.

In the initial three years of the Expenditure Ceiling rule, between 2017 and 2019, mandatory expenditure remained stable at 21% of GDP, allowing for a small decompression of discretionary expenses by 0.4 p.p., from 2.1% to 2.5% of GDP. The year 2020 marked the peak in discretionary and mandatory spending, due to the extraordinary expenses incurred in dealing with the Covid-19 pandemic.

In 2021, there is already a return to control of public spending, with a reduction of 3.1 p.p. and 4.2 p.p., respectively. In 2022 and 2023, there was an increase in mandatory expenditures and a reduction in discretionary ones.

In real terms, adjusted by the 2023 IPCA, the year 2013 showed the highest value for discretionary expenditures, totaling BRL 283.2 billion. The lowest value occurred in 2017, the first year of the Expenditure Ceiling, with BRL 189.9 billion, representing a real-term reduction of BRL 93.2 billion compared to the highest value. This demonstrates the significant variability in the execution of discretionary expenditures, as shown in Table 8 below.

TABLE 8. EVOLUTION OF EXECUTED DISCRETIONARY EXPENSES (BRL BILLION) IN CURRENT AND CONSTANT VALUES (2023) AND VARIATION IN RELATION TO THE PREVIOUS YEAR

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
in current values	116.6	116.0	144.4	159.5	155.3	138.9	136.9	137.9	151.8	181.5	523.5	245.0	184.0	212.3
Constant values	247.1	230.8	271.5	283.2	259.2	209.4	194.2	189.9	201.5	231.0	637.7	271.2	192.5	212.3
Variation		-6.6%	17.7%	4.3%	-8.5%	-19.2%	-7.3%	-2.2%	6.1%	14.6%	176.0%	-57.5%	-29.0%	10.3%

Source: Siga Brasil and IBGE. Prepared by: IFI.

The proposal for optional spending freezes initially included in PLP No. 93/2023 was altered during discussions in the National Congress, and the approved version maintained spending freezes as a mandatory measure, in line with the original terms of the Fiscal Responsibility Law (LRF). Nonetheless, it preserved a "minimum level of discretionary expenditures necessary for the regular functioning of the public administration," as established in § 2 of Article 7 of Complementary Law 200/2023²⁰, which established the Sustainable Fiscal Regime.

According to the regulation, this minimum level is 75% of the amount authorized in the respective Annual Budget Law (LOA). Non-compliance with the lower limit of the primary balance target does not constitute a violation of the LRF for the responsible agent who observes the spending freeze while preserving the minimum level of discretionary expenditures.

An initial assessment of the historical series of executed discretionary expenditures, compared to the initial appropriation authorized in the LOA, seems to corroborate that such a measure would be a good indicator of the minimum level of expenditures. This is evident as the only year this limit was not observed was 2015. Additionally, 2022 was the second period with the lowest execution percentage in relation to the initial appropriation set in the LOA (though slightly above 75%), as shown in Table 9 below:

²⁰ Available at: <https://tinyurl.com/yu5rfu2m>.

TABLE 9. EXECUTED DISCRETIONARY EXPENDITURE, APPROPRIATION AUTHORIZED IN THE BUDGET AND EXECUTION PERCENTAGE

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Executed Expenditure (a)	116.6	116.0	144.4	159.5	155.3	138.9	136.9	137.9	151.8	181.5	523.5	245.0	184.0	212.3
Initial appropriation (b)	128.6	143.3	164.1	181.4	185.0	200.6	142.3	161.1	139.1	137.7	135.6	129.2	235.2	208.1
a/b (%)	90.6%	81.0%	88.0%	87.9%	84.0%	69.3%	96.2%	85.6%	109.1%	131.8%	386.2%	189.7%	78.2%	102.0%

Source: Siga Brasil Portal. Prepared by: IFI.

However, some points must be considered. First of all, it should be noted that the law mentions authorized (and not updated) expenditure, i.e. it ignores the additional credits that modify the amount authorized in the budget law over the course of the year.

Secondly, the executed amount does not exactly correspond to the updated LOA expenditure value minus the spending freezes, considering that not all appropriations are executed due to inefficiencies in the budget execution process, something relatively common for some discretionary expenses.

Finally, given the dynamic growth of mandatory expenses and the requirements of the primary balance targets, it is possible that the amounts authorized in the LOA for the execution of discretionary expenditures may come very close to (or even fall short of) the minimum necessary for the execution of public policies²¹. Thus, a 25% cut in discretionary spending would be enough to make government action unfeasible.

In fact, the reference value used in the RFS, referred to as the "minimum level of discretionary expenses necessary for the regular functioning of the public administration", is closer to a minimum spending cut value, given that, under normal conditions, the executive branch would not have many incentives²² to reduce the margin for discretionary expenses beyond this limit.

Spending cuts margin

If the reference value in the legislation does not actually correspond to the reference value for a shutdown of the public administration, we return to the previous point where it is necessary to determine what this value would be, now also considering the new rules established in the Sustainable Fiscal Regime (RFS) regarding the investment floor.

To this end, the current structure of the public budget, organized into work programs that contain qualitative and quantitative information on budget execution, is available to estimate some aggregates among discretionary expenses.

Unlike what was proposed in the aforementioned RAF No. 4/2017, which defined the fiscal margin as the difference between the expenditure ceiling and the mandatory and non-compressible expenses of the Federal Government, this report aims to identify the reference value that could be subjected to spending cuts without failing to comply with the legal conditions affecting discretionary expenses, in addition to preserving a minimum level of operating expenses.

²¹ As seen in item "2.2.2.3 Sufficiency of the Sustainable Fiscal Regime expenditure limit" of RAF 89. Available at: <https://tinyurl.com/4m4vczcf>.

²² The fact that the manager is not punished for spending cuts up to the minimum level of discretionary expenses does not remove the need to adopt the other measures in the following year if the target is not met (reducing the growth of expenses to 50% and prohibiting increases in mandatory expenditure). Thus, in theory, there would still be incentives to seek compliance with the target. However, given Brazil's history of constantly changing the fiscal targets established in the LDO, it is more likely that, faced with the need for such a significant cut in discretionary spending, the executive branch will seek to change the fiscal target rather than comply with it.

Rigid discretionary expenses

The National Treasury Secretariat (STN) has adopted the term "rigid discretionary expenses" in the Fiscal Projections Report²³ to refer to discretionary expenses that must be compulsorily executed in order to meet the minimum percentages for health and education, the investment floor established by the Sustainable Fiscal Regime (RFS), and the mandatory execution of parliamentary amendments. These expenses are detailed below.

Constitutional minimums for health and education

The Federal Constitution, in its articles 198 and 212, and the Fiscal Responsibility Law, in its Art. 25, § 1, item IV, subitem "b", provide the legal basis for the minimum federal expenditures on health and education, which are tied to specific revenue concepts. More specifically, federal expenditures on public health actions and services²⁴ (ASPS) must be at least 15% of Net Current Revenue (RCL), and expenditures on maintenance and development of education²⁵ (MDE) must be at least 18% of Net Tax Revenue (RLI).

It is noted that this binding is associated with the current year's flow, meaning that the revenue recorded up to December serves as the reference for the minimum expenditure, which must also be carried out by December. This creates difficulties in meeting the minimum requirements throughout the budget execution, which are even harder to anticipate given the volatility²⁶ of these revenues (RCL and RLI).

It is important to note that these are only minimum expenditure requirements. There are no restrictions preventing the government from spending more on these policies, which indeed happens every year. This is largely due to the contemporaneity of revenue and expenditure calculations and the volatility of the reference revenues.

It is also worth noting that the dynamics of health and education expenditures had been altered by the Expenditure Ceiling, which stipulated that the minimum expenditure on ASPS and MDE, as well as individual and caucus amendments, would be based on a baseline adjusted by the same variation as the Expenditure Ceiling (IPCA). However, Constitutional Amendment 126/2022 established that with the enactment of the Sustainable Fiscal Regime (RFS), these provisions are repealed, and the rules previously stipulated in articles 198 and 212 of the Constitution are once again in force.

Thus, the repeal of art. 110 of the Transitional Constitutional Provisions Act (ADCT) with the enactment of the RFS resulted in the return to the constitutional rule of linking minimum expenditures on health and education to revenue.

It is important to note that most of the expenditure that counts towards the minimum spending on health and education is classified as mandatory expenditure and that not all expenditure classified as health or education counts towards the constitutional minimum.

General administrative expenses, social security, debt payments, canceled outstanding liabilities and investments in infrastructure that are not directly related to the maintenance and development of education²⁷ or the provision of health services²⁸ are generally not eligible expenses for calculating the minimums.

To facilitate the calculation of these expenses, Expenses Identifiers (IU) were created: six for Health (in 2013) and eight for Education (in 2018). These identifiers serve as tools²⁹ to assess the commitment of discretionary expenditures to meeting the constitutional minimum amounts. The result can be seen in Table 10 below.

²³ Available at: <https://tinyurl.com/ynt59nzi>.

²⁴ Defined in Complementary Law 141/2012. Available at: <https://tinyurl.com/2jxxz74>.

²⁵ Defined in Law 9,394/96. Available at: <https://tinyurl.com/vzs8mt2e>.

²⁶ Box 3 of the Fiscal Projections Report by the STN, previously mentioned, delves deeper into the issue of revenue volatility.

²⁷ Available at: <https://tinyurl.com/5n73uu9j>.

²⁸ Available at: <https://tinyurl.com/3bbc6u9s>.

²⁹ We reconstructed the minimum spending on health and education so that the historical series since 2010 could be utilized. However, the values prior to the use of the Expenditure Identifiers are estimates and should not be regarded as absolute figures. The calculation of these values is a complex task and does not adhere to consistent criteria over time, as noted in the previous footnotes.

TABLE 10. EVOLUTION OF SUPPLEMENTS FOR MEETING THE MINIMUM REQUIREMENTS FOR HEALTH AND EDUCATION IN CURRENT AND CONSTANT VALUES (2023) (BRL BILLION)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Current ASPS	9.3	9.9	12.3	13.8	15.5	15.7	19.0	27.2	25.5	28.3	64.7	53.2	31.2	43.7
Current MDE	15.4	19.3	26.5	28.9	31.4	29.8	26.2	22.0	20.5	22.3	18.9	17.4	18.7	27.1
Constant ASPS	19.8	19.6	23.1	24.5	25.9	23.7	26.9	37.5	33.8	36.1	78.8	58.9	32.6	43.7
Constant MDE	32.7	38.3	49.9	51.3	52.3	45.0	37.1	30.4	27.3	28.4	23.0	19.2	19.6	27.1

Source: Siga Brasil Portal. Prepared by: IFI.

It is possible to observe that the commitment of discretionary expenditures to the minimum values for health and education exhibits distinct behaviors. In real terms, discretionary expenditures on ASPS start from a minimum level in 2011 and reach a maximum value in 2023 (excluding the years 2020 and 2021, which showed extraordinary health expenses due to the Covid-19 pandemic), with some fluctuations over time.

In turn, discretionary expenditures on MDE, in real terms, showed growth between 2010 and 2014 (when they reached the maximum value of the series), followed by a sharp reduction (63.2%) between 2014 and 2021 (the year they hit the minimum value), with recovery occurring in 2022 and 2023.

As a proportion of GDP, there was an inversion between the minimum values for health and education, which were 0.2% and 0.4%, respectively, in 2010, and shifted to 0.4% and 0.2% in 2023, totaling the same 0.6% of GDP as at the beginning of the series, as observed in Table 11 below.

TABLE 11. EVOLUTION OF SUPPLEMENTS TO MEET THE MINIMUM REQUIREMENTS FOR HEALTH AND EDUCATION IN RELATION TO GDP

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
ASPS (% of GDP)	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%	0.8%	0.6%	0.3%	0.4%
MDE (% of GDP)	0.4%	0.4%	0.6%	0.5%	0.5%	0.5%	0.4%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%

Source: Siga Brasil and IBGE. Prepared by: IFI.

From 2024 onwards, it is likely that the execution of discretionary spending to complement the minimum for health and education will grow again³⁰, to percentages close to, or higher than, those observed before the Expenditure Ceiling (totaling 0.8% of GDP). This follows the trend of increasing total expenditures on ASPS and MDE due to the return of the binding of constitutional minimums to revenue.

Investment floor

The Sustainable Fiscal Regime establishes (art. 10, main section and paragraphs 1 and 2) an "investment floor" equivalent to 0.6% of the GDP estimated in the PLOA for primary expenses categorized in the expenditure classification groups (GND) 4 (investments) and 5 (financial inversions). In the last case, when the expenditure is intended for housing programs that include in their objectives the subsidized or financed provision of new or used housing units in urban or rural areas, such as the "Minha Casa, Minha Vida" Program³¹ (PMCMV), for example.

³⁰ In 2022, for example, according to the President of the Republic's Accountability Report, the minimum expenditure by the rule prior to the Expenditure Ceiling (18% of the Net Tax Revenue) would have been BRL 90.7 billion, but only BRL 84 billion was spent on MDE. For ASPS, BRL 151.8 billion was spent, while the minimum calculated by the current rule (15% of the Net Current Revenue) would have been BRL 188 billion. Thus, under the current rule, an additional BRL 42.9 billion would be needed to meet the constitutional minimum (divided between mandatory and discretionary expenditures). Available at: <https://tinyurl.com/32bkub2y>.

³¹ Until 2012, expenditure on the program was all classified as current expenditure. Since 2013, due to the enactment of Law 12,693/2012, expenditures have been primarily executed through financial inversions, although there are still current expenditures associated with the program. Available at: <https://tinyurl.com/3x5bb8vh>.

The version of the bill presented by the Executive Branch stipulated that the budget allocations for these actions could not be inferior to the investments planned in the Annual Budget Law for 2023, duly adjusted each year for inflation (IPCA). However, the final text ended up linking the allocations to the GDP projected in the PLOA.

It is worth noting that if optimistic macroeconomic projections in the Annual Budget Law (LOA) are adopted and do not materialize, causing revenue shortfalls, it is likely that the investment floor will not be met in execution (only in the budget), given that investment expenses remain subject to spending cuts.

To understand the impact of the new rule, it is possible to conduct a retrospective analysis and examine how investment expenditures behaved over the period (when the floor did not exist), as demonstrated in Table 12 below.

TABLE 12. EVOLUTION OF INVESTMENTS IN CURRENT AND CONSTANT VALUES (2023) (BRL BILLION)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Investments (GND 4) - discretionary	52.76	47.67	65.61	65.52	54.97	36.72	37.45	44.45	42.50	40.45	43.85	43.16	46.14	65.28
Inversions (GND 5) - discretionary (MCMV)	0.0	0.0	7.6	10.7	14.5	5.0	4.5	2.1	2.6	3.4	1.7	1.1	1.0	7.8
Investments (GND 4) - mandatory	0.6	0.8	1.1	1.2	1.0	0.9	0.7	0.6	1.6	2.1	3.4	3.0	5.1	3.4
TOTAL - current	53.4	48.4	74.2	77.4	70.5	42.6	42.6	47.2	46.7	45.9	48.9	47.2	52.2	76.5
TOTAL - constant	113.1	96.4	139.5	137.5	117.6	64.2	60.4	65.1	62.1	58.5	59.6	52.2	54.6	76.5

Source: Siga Brasil and IBGE. Prepared by: IFI.

It is possible to see the significant reduction (62.5%) in investments, in real terms, from BRL 139.5 billion in 2012 to BRL 52.2 billion in 2021. There was some recovery in 2023 with the fiscal space created by the Transition Constitutional Amendment No.³², but still below the figures seen between 2010 and 2014.

It is also possible to evaluate whether the executed investment expenditures, based on the GDP projected in the LOA and the actual nominal GDP, are close to the reference value in the legislation. This evaluation can determine if the investment floor set by the Sustainable Fiscal Regime (RFS) will increase the need for executing rigid discretionary expenditures. The results can be seen in Table 13 below.

TABLE 13. EVOLUTION OF INVESTMENTS IN RELATION TO PROJECTED GDP IN THE LDO AND ACTUAL GDP (BRL BILLION)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
GDP - LDO	3,377.60	3,802.83	4,510.37	5,027.50	5,397.95	5,734.49	6,336.50	6,247.06	7,244.29	7,549.33	7,875.50	8,150.40	8,886.40	10,470.30
0.6% PIB - LDO	20.27	22.82	27.06	30.17	32.39	34.41	38.02	37.48	43.47	45.30	47.25	48.90	53.32	62.82
Investments / PIB LDO	1.58%	1.27%	1.65%	1.54%	1.31%	0.74%	0.67%	0.76%	0.65%	0.61%	0.62%	0.58%	0.59%	0.73%
Nominal GDP	3,885.85	4,376.38	4,814.76	5,331.62	5,778.95	5,995.79	6,269.33	6,585.48	7,004.14	7,389.13	7,609.60	9,012.14	10,079.68	10,867.76
Investments / Nominal GDP	1.37%	1.11%	1.54%	1.45%	1.22%	0.71%	0.68%	0.72%	0.67%	0.62%	0.64%	0.52%	0.52%	0.70%

Source: Siga Brasil, annual LDOs and IBGE. Prepared by: IFI.

Two conclusions emerge from the analysis of the data presented. The first is that, most of the time (in 10 of the last 14 years evaluated), actual GDP was higher than the GDP forecast in the LOA, which means that, if the trend continues, the proportion of investments in relation to nominal GDP should be lower than that estimated in the LDO.

The second is that the reference value, 0.6% of GDP estimated in the LOA, is equivalent to the historical minimum investments as a proportion of GDP observed in 2021 and 2022. If the Executive Branch's proposal were in force, the investment floor would be set at higher values, close to those observed between 2015 and 2018.

³² Available at: <https://tinyurl.com/mtuijj6m>.

Finally, it should be noted that there is an overlap between investments and minimum spending on health and education. During the period analyzed, between 2010 and 2023, 20% of discretionary expenditures on investments were also counted as expenses for ASPS and MDE.

Mandatory parliamentary amendments

Mandatory execution of parliamentary³³ amendments is regulated by Article 166, paragraphs 9 to 12, of the Federal Constitution, which establishes that individual amendments will be equivalent to 2% of the Net Current Revenue (RCL) of the fiscal year prior to the submission of the PLOA, while caucus amendments will be mandatory in the amount of 1% of the same revenue.

Similarly to what happened with the constitutional minimums for health and education, during the time of the Expenditure Ceiling, mandatory parliamentary amendments were adjusted by the value of the IPCA. Now, they are once again indexed to revenue.

Until 2013 there was no specific identifier for parliamentary amendments in the budget. In 2014, the Primary Balance (RP) Identifier 6 was created to indicate individual amendments. Between 2016 and 2019, Budget Plans (PO) were used to indicate caucus, committee and rapporteur amendments. In 2017, RP 7 was created for mandatory caucus amendments, and in 2020, RP 8 and RP 9 were established for committee and rapporteur amendments, respectively.

Using these indicators³⁴, it is possible to verify that parliamentary amendments are predominantly allocated to health expenses and investments. On average, between 2010 and 2023, considering the mandatory amendments, 43.4% were used for expenses classified as ASPS, 1.7% for MDE, 45.9% for investments and 9% for other discretionary expenses.

Taking non-mandatory amendments into account, the distribution among ASPS, MDE, investments, and other expenses was, on average, 0.3%, 1.4%, 96.6%, and 1.7%, respectively. Considering all the parliamentary amendments, the distribution was 35.1%, 1.6%, 55.7% and 7.6% respectively.

Thus, on average, 92.4% of parliamentary amendments are also counted towards meeting the constitutional minimums and the investment floor.

Non-rigid discretionary expenditures

Non-rigid discretionary expenditures are primarily composed of administrative costs, expanded operational costs, and other recurring and non-recurring expenses.

Administrative costs and expanded operational costs

According to the definition³⁵ established by the Ministry of Management and Innovation in Public Services (MGI), the administrative costs of the Federal Government comprise a wide range of expenses that form the basis for providing public services. These include current expenses related to administrative support such as electricity, water, telephone, support staff, and other similar costs.

Within the organizational structure of public administration bodies, what is traditionally referred to as the “support area” – responsible for the logistical management of each entity, whether a ministry, university, autonomous agency, foundation, etc. – effectively corresponds to the expenses that provide the necessary support for achieving the final-purpose expenditures, which are the actual delivery of goods and services to society.

³³ Available at: <https://tinyurl.com/3trcp3cf>.

³⁴ The results were obtained only by consulting the primary balance indicators. Although some amounts that are only recognized through consultation with the budget plan are not included, the presented results remain valid, as there are constraints for the allocation of expenses to the health function. Furthermore, parliamentarians consistently prefer to allocate expenditures to investments for the amounts not subject to earmarking.

³⁵ Available at: <https://tinyurl.com/5fm2nw2r>.

Based on the analysis of the classification of federal public expenditures by type of expenditure at the highest level of detail, i.e. by sub-element, and on the basis of budget execution, the most representative sub-elements of expenditures for the operational costs of the bodies and entities of the Federal Executive Branch were identified and classified into cost items, which were then organized into nine groups.³⁶

Thus, according to the MGI's definition, administrative costs cover a restrictive list of 242 sub-elements of expenditure carried out by the Executive Branch. The values and other information can be reviewed in the Administrative Costing Panel³⁷. For this assessment, other branches and autonomous bodies were included in the calculation of administrative costs, while maintaining the selection of expenditure sub-elements. Additionally, expanded operational costs were included, encompassing other sub-elements of expenditure that are not accounted for by the MGI but are directly related to the elements of expenditure that comprise administrative costs³⁸.

With the exception of investment expenditures, there are also significant overlaps between administrative and expanded operational costs and the other discretionary expenses previously mentioned. On average, 27.3% of administrative costs are accounted for as minimum health and education costs or come from parliamentary amendments.

In expanded operational costs, the overlaps are greater, as they include, for example, the purchase of hospital or educational materials, which are not included in administrative costs. On average, 59.6% of the expanded operational costs are accounted for as minimum health and education costs or come from parliamentary amendments. Adding administrative and expanded operational costs, the overlaps amount to 33.9% of total costs.

Table 14 highlights the evolution, in constant values (2023), of discretionary expenditure on administrative and expanded operational costs over the period.

TABLE 14. EVOLUTION OF ADMINISTRATIVE AND EXPANDED OPERATIONAL COSTS IN CONSTANT VALUES (2023) (BRL BILLION)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Administrative costs	62.9	60.6	64.6	64.7	64.7	59.4	58.7	57.4	55.9	53.3	47.6	43.7	47.4	50.2
Expanded costs	18.4	16.8	17.4	17.2	17.1	14.7	17.7	14.2	12.9	13.5	12.7	12.5	9.1	12.1
Total costs	81.2	77.3	82.0	81.9	81.9	74.2	76.4	71.5	68.8	66.8	60.4	56.2	56.5	62.2

Source: Siga Brasil and IBGE. Prepared by: IFI.

In real terms, it can be seen that there was a 31.5% reduction in spending on costs in the period between 2012, the highest value in the series (BRL 82 billion), and 2021, the lowest value in the period (BRL 56.2 billion). In 2023, based on the fiscal space created by the Transition Constitutional Amendment, operational costs increased by 10% compared to 2022.

Other recurring and non-recurring expenses

The other recurring and non-recurring expenses represent the group that, in theory, can be compressed with a greater degree of flexibility (mainly non-recurring expenses), although this means, in the case of recurring expenses, the reduction of already established public policies and, in the case of non-recurring expenses, the non-implementation of a specific public policy.

³⁶ Defined as follows: support services; consumable materials; information and communication technology; rental and maintenance of real estate; electricity and water; rental and maintenance of movable property; travel and per diem expenses; general communication and telecommunications services; and other services.

³⁷ Available at: <https://tinyurl.com/tkwsy6ps>.

³⁸ In other words: temporary employment; per diems – civilian; per diems – military; consumable materials; cultural, artistic, scientific, sports, and other awards; materials, goods, or services for free distribution; travel and transportation expenses; other personnel expenses arising from outsourcing contracts; consulting services; other third-party services – individuals; labor leasing; other third-party services – legal entities; information and communication technology services – legal entities; and acquisition of products for resale.

The main recurring public policies (executed by discretionary expenses) are: aid to students and researchers; financial aid to individuals³⁹; the Minha Casa, Minha Vida [social housing program for low-income families]; other aids and contributions⁴⁰; and participation in the equity of state-owned companies⁴¹.

Non-recurring public policies involve one-off actions with significant resource expenditures that do not occur every year. The main non-recurring public policies executed during the period were: extraordinary expenditures for the Covid-19 Public Health Emergency; the National Support Program for Micro and Small Companies (Pronampe)⁴²; the Petrobras onerous transfer⁴³; settlement of accounts for Campo de Marte Airport⁴⁴; the Emergency Credit Program for Small and Medium Companies⁴⁵; capitalization of the Brazilian Navy Projects Management Company (Emgeprom) for the construction of floating assets for the Brazilian Navy⁴⁶; diesel price subsidy⁴⁷; extraordinary aid for truck drivers, taxi drivers⁴⁸, and artisanal fishermen⁴⁹; high school savings fund⁵⁰, among others.

Retrospective calculation projections

Although it is a task with a high degree of subjectivity, it is possible to estimate the minimum margin of discretionary expenses based on the previously discussed details. Table 15 below shows the consolidation of expenditure, as a percentage of GDP, gradually discounting the overlaps between the categories. Thus, the minimums for health and education are presented with full values, investments exclude the constitutional minimums, parliamentary amendments exclude the minimums and investments, and so on.

TABLE 15. EVOLUTION OF DISCRETIONARY PRIMARY EXPENDITURE IN RELATION TO GDP

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Discretionary	3.0%	2.6%	3.0%	3.0%	2.7%	2.3%	2.2%	2.1%	2.2%	2.5%	6.9%	2.7%	1.8%	2.0%
ASPS	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%	0.8%	0.6%	0.3%	0.4%
MDE	0.4%	0.4%	0.6%	0.5%	0.5%	0.5%	0.4%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%
Investments	1.2%	0.9%	1.2%	1.2%	1.0%	0.6%	0.5%	0.6%	0.5%	0.5%	0.5%	0.4%	0.4%	0.6%
Parliamentary amendments	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
Administrative costs	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.4%	0.4%	0.4%	0.3%	0.3%	0.3%	0.3%
Expanded costs	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Non-recurring	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.6%	4.7%	0.8%	0.3%	0.1%
Recurring	0.5%	0.5%	0.4%	0.4%	0.3%	0.5%	0.4%	0.3%	0.3%	0.3%	0.2%	0.3%	0.3%	0.3%

Source: Siga Brasil and IBGE. Prepared by: IFI.

³⁹ Practically all forms of income transfer to individuals, with the exception of the Bolsa Família Program.

⁴⁰ Budgetary expenditures intended to cover investment or financial inversion expenses of other levels of government or non-profit public and private entities.

⁴¹ Budgetary expenditures for the establishment or increase of capital in industrial, agricultural, commercial, or financial companies through the subscription of shares representing their equity capital.

⁴² Available at: <https://tinyurl.com/4vsvjwxj>.

⁴³ Available at: <https://tinyurl.com/3w77pz2s>.

⁴⁴ Available at: <https://tinyurl.com/4d7sbvts>.

⁴⁵ Available at: <https://tinyurl.com/4wnm83nm>.

⁴⁶ Available at: <https://tinyurl.com/2bmxem9c>.

⁴⁷ Available at: <https://tinyurl.com/22hakb9c>.

⁴⁸ Available at: <https://tinyurl.com/37pkpdba>.

⁴⁹ Available at: <https://tinyurl.com/4n7wffdv>.

⁵⁰ Available at: <https://tinyurl.com/muup69e2>.

Thus, according to the data observed, starting from 2024, 0.7% of GDP would be needed to complement the fulfillment of the constitutional minimums, 0.5% for the investment floor, and 0.1% for mandatory amendments, totaling 1.3% of GDP for the execution of rigid discretionary expenses.

In addition, 0.4% of GDP would be needed for administrative and expanded operational costs, and 0.3% for the continuity of already established public policies, totaling 0.7% of GDP in non-rigid discretionary expenditure. In theory, non-recurring expenses could be completely discontinued⁵¹. Thus, minimum spending on discretionary expenses would be expected to be 1.7% of GDP, excluding the implementation of recurrent public policies, and 2% of GDP if they are included.

For 2024, given the projected GDP⁵² of BRL 11.4 trillion, rigid discretionary expenses would amount to BRL 148 billion, and non-rigid discretionary expenses would be BRL 80 billion, totaling BRL 228 billion. The PLOA projected BRL 225.8 billion for discretionary expenses, and the final version of the LOA projected BRL 228.3 billion. Following the overturning of the presidential veto and the opening of additional credits, the current appropriation for discretionary expenses is BRL 247.1 billion.

Finally, it is necessary to emphasize once again that the execution of discretionary expenses depends on the amount allocated to mandatory expenses for meeting the minimum requirements for health and education, as well as the intersection between rigid discretionary expenses, such as fulfilling the investment floor through mandatory parliamentary amendments or carrying out investments in actions associated with the minimum requirements for health and education.

It is also important to mention the fact that discretionary spending was assessed from a budgetary perspective. This means that there can be a difference, which may be more or less significant depending on the characteristics of the expenses, between the budgetary and financial perspectives.

The budget can be more demanding, given that the expenses executed can be registered as outstanding liabilities and have their financial execution diluted over time, impacting less on the financial perspective in the short term. The counterpart would be the accumulation of outstanding liabilities over time, as observed in the RAF No. 86⁵³.

On the other hand, the budgetary perspective can be less stringent, considering the possibility of initially underestimating the allocation of mandatory expenses in the LOA to accommodate discretionary expenses (and fulfill the investment floor, for example), and subsequently replacing them with expenses from parliamentary amendments (which must be allocated to a specific reserve in the LOA until execution). This approach creates room for the reallocation of mandatory expenses throughout the fiscal year.

Thus, all these factors can influence the fluctuation of discretionary expenses between the budgetary and financial perspectives. On average, however, 1.3% of GDP is needed for rigid discretionary expenses and 0.7% of GDP for non-rigid discretionary expenses. For this reason, these values were taken into account in the planning of discretionary expenses in medium-term fiscal projections.

⁵¹ However, this would imply the discontinuation of all discretionary public policies, which does not seem to be a viable scenario.

⁵² Available at: <https://tinyurl.com/3nkdupf4>.

⁵³ Available at: <https://tinyurl.com/33vxx2ve>.

IFI projections

SHORT TERM

IFI projections	2024			2025		
	Jun/24	Jul/24	Comparison	Jun/24	Jul/24	Comparison
GDP - real growth (% p.a.)	2.02	2.02	=	1.90	1.90	=
GDP - nominal (BRL billion)	11,551.56	11,551.56	=	12,265.82	12,265.82	=
IPCA - accumulated (% in the year)	4.04	4.04	=	3.48	3.48	=
Exchange rate - end of period (BRL/US\$)	5.10	5.10	=	5.15	5.15	=
Employment - (%) growth	1.75	1.75	=	0.99	0.99	=
Payroll - (%) growth	4.90	4.90	=	1.90	1.90	=
Selic - end of period (% p.a.)	10.50	10.50	=	9.50	9.50	=
Ex-ante real interest rate (% p.a.)	5.33	5.33	=	4.75	4.75	=
Consolidated Public Sector Primary Balance (% of GDP)	-0.65	-0.65	=	-0.72	-0.72	=
of which Central Government	-0.65	-0.65	=	-0.72	-0.72	=
Net Nominal Interest (% of GDP)	7.20	7.20	=	6.86	6.86	=
Nominal Balance (% of GDP)	-7.85	-7.85	=	-7.58	-7.58	=
General Government Gross Debt (% of GDP)	78.02	78.02	=	81.28	81.28	=





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