Independent Fiscal Institution

Fiscal Follow-Up Report

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HIGHLIGHTS

- Following the GDP result for the second quarter, the output gap was estimated at 1.7%.
- The GDP projection was revised to 2.8% in 2024 and 1.8% in 2025.
  The projection for net primary revenue for the central government in 2024 has been revised to 18.3% of GDP.
- Compensation for the payroll tax exemption could improve the performance of non-administered revenues in 2024.
- Deviations between projected revenues and realized data suggest caution when incorporating certain figures.
- Recording reductions in the primary balance target by the full amount of the appropriated credits results in a fiscal outcome better than it should be.
- The Compensation Fund provided for in the tax reform, with BRL 8 billion for 2025, is not included in the2025 PLOA.
- Net emissions and nominal interest rates have put pressure on debt growth, while the effect of nominal GDP has contributed less.
- The increase in debt in 2024 reflects the escalation of the consolidated public sector deficit.
- The IFI's new estimate is that gross debt will reach 80.0% of GDP by the end of 2024.

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Cover letter

The Fiscal Follow-up Report (RAF, in the original acronym) provides a monthly analysis of the economic situation by the Independent Fiscal Institution and meets the purposes set forth in Article 1 of Senate Resolution No. 42 of 2016. In this edition, the RAF presents a review of the short-term macroeconomic and fiscal scenario, covering the period from 2024 to 2026. This reassessment of the scenario is necessary in light of the recent release of the Revenue and Primary Expenditure Assessment Report (RARDP) for the 4th bi-monthly period of 2024 and the 2025 Annual Budget Bill (PLOA, kept here in its original acronym, as well as all acronyms of Brazilian taxes, programs, reports, institutions, etc.).

On August 30th, the Executive submitted the 2025 budget proposal to the Legislature. In general terms, in order to meet the fiscal targets set in the budget guidelines, i.e. a zero primary deficit in 2025 and a surplus of 0.5% of GDP in 2026, primary revenues will have to rise as a proportion of GDP. Along these lines, as in 2024, the 2025 PLOA foresees additional extraordinary revenue next year, as well as other revenue from legislative proposals that increase tax rates.

The need to increase revenue in order to meet fiscal targets highlights the challenges associated with the fiscal rule defined in Supplementary Law (LC) No. 200 of 2023. These challenges are heightened by the (re)introduction of rules that have affected the dynamics of certain expenditures, such as (i) the rule for adjusting the minimum wage by inflation plus economic growth from two years prior; (ii) the reinstatement of constitutional floors for health and education, linked to the performance of the net current revenue and the Federal Government's net tax revenue, respectively; and (iii) the exclusion of certain expenditure groups from the fiscal rule proposed in Complementary Law No. 200.

The RARDP for the fourth bimonthly period of 2024 presented an update of macroeconomic parameters and reassessed some of the Executive's fiscal estimates for 2024. Adjustments were made to the revenue projections, such as the exclusion of revenues from judgments within the scope of CARF and the incorporation of revenues from compensation for payroll tax exemption (Law No. 14,973). The Executive also updated the estimate for some expenses in 2024, especially the payment of social security benefits.

Updated primary balance estimates by the IFI, specifically for the fiscal year 2024, when compared to the Executive's revenue and expenditure estimates in the budget and financial programming decrees already published in 2024, highlight the downward revisions in revenue estimates and the upward adjustments in expenditure projections. In revenue, the changes were due to the difficulty of materializing extraordinary revenue of an uncertain nature. At the same time, the revisions in expenditure indicate that the dynamics of some mandatory expenses were not properly considered in the scenarios. (**Page 8**)

The new IFI projections for the short-term fiscal scenario indicate a primary balance of the central government at -0.8% of GDP in 2024, without considering the reductions allowed in the target. Considering the reductions, the deficit would be 0.5% of GDP. For 2025 and 2026, the projections are for deficits of 1.2% of GDP and 1.3% of GDP respectively, without reductions, and 0.8% of GDP considering the reductions provided for in current legislation. (**Page 15**)

The prospect of primary deficits this year and next, as well as the start of a new cycle of Selic rate hikes, will negatively affect the dynamics of public debt in the coming years. The probable increase in gross debt this year and in the following years indicates the need to assess the dynamics of the primary balances produced by the public sector and, in particular, by the central government. The IFI warns that debt sustainability depends on the Federal Government's ability to generate primary surpluses, a condition worsened by the difficulty in increasing primary revenues to offset the expenditure trajectory caused by the elements mentioned above and the fiscal space created by Constitutional Amendment No. 126, also known as the Transitional Constitutional Amendment. (**Page 25**)

Happy reading!

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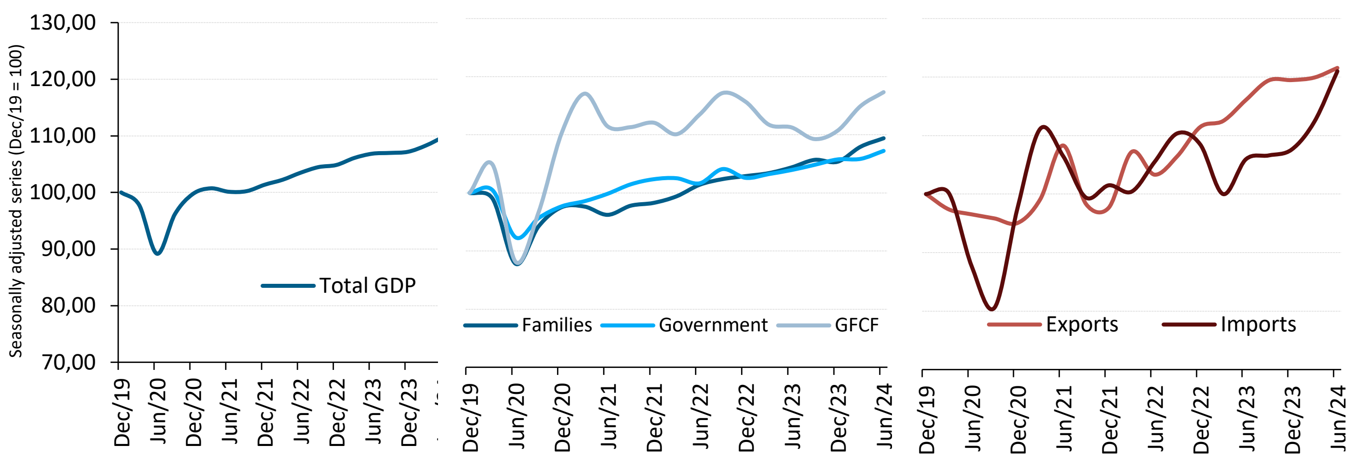
Update of short-term macroeconomic projections

The text presents the IFI's projections for the main economic variables in 2024, 2025 and 2026, with an emphasis on the revision of GDP growth. The projection for 2024 was adjusted from 2.0% to 2.8%, while that for 2025 went from 1.9% to 1.8%. These revisions reflect a combination of factors, such as the positive surprise in the second quarter result of 2024, which widened the output gap. For 2025, the impact of tighter monetary policy and a slowdown in household disposable income, mainly as a result of lower public spending compared to previous years, were also determining factors.

Gross domestic product (GDP) grew by 3.3% compared to the second quarter of last year and by 1.4% compared to the first quarter. The IFI's projection for this period was 2.7% and 0.6% respectively. The highlight was the growth of domestic demand: household consumption increased by 1.3% compared to the previous quarter, while government consumption and gross fixed capital formation grew by 1.3% and 2.1%, respectively. External demand, on the other hand, had a negative impact on GDP performance, with exports growing by 1.4%, but imports rising by 7.6%, driven by a rise in domestic absorption.

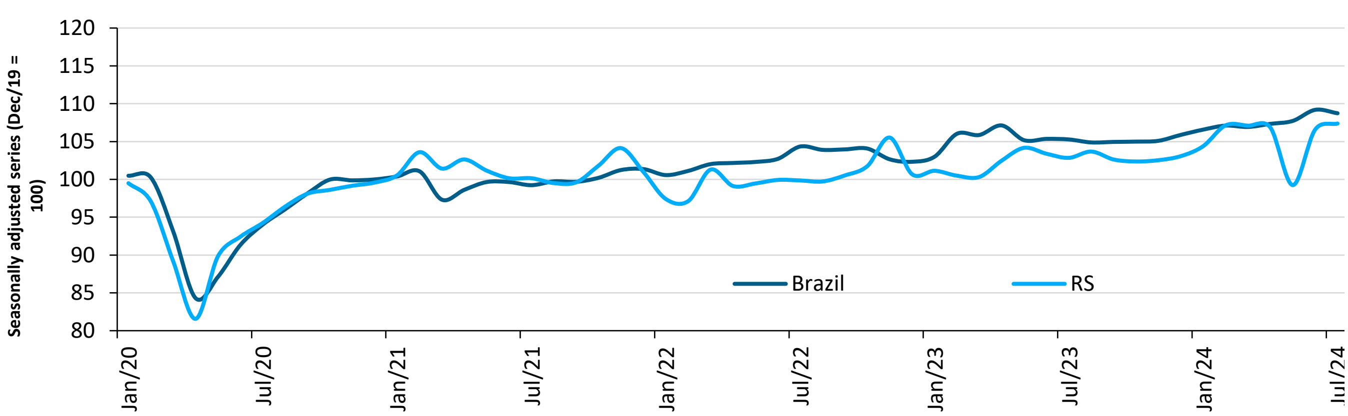
GRAPH 1. TOTAL GDP AND DEMAND COMPONENTS



Source: IBGE.

The GDP result for the second quarter is remarkable, especially considering the negative impact of the floods in Rio Grande do Sul between the end of April and the beginning of May. As shown in Graph 2, the level of activity in the state recovered in the following months, surpassing, in July, the level recorded in March, according to the Central Bank's Economic Activity Index.

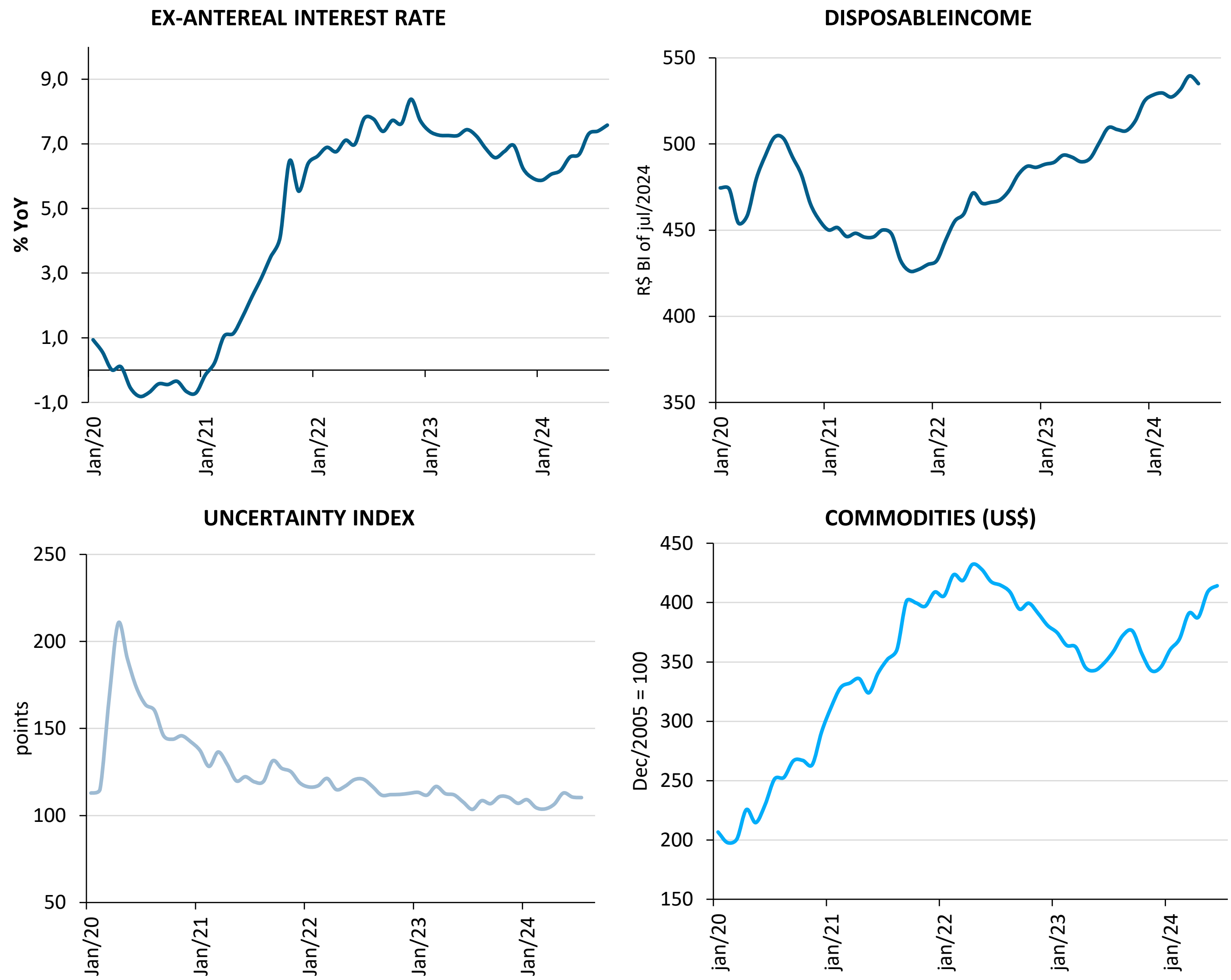
GRAPH 1. CENTRAL BANK ECONOMIC ACTIVITY INDEX



Source: Central Bank of Brazil. Prepared by: IFI.

Despite high real interest rates, the expansion of GDP and domestic demand has occurred in a context of significant growth in household disposable income, driven by the mass of real labor income and government transfers. In addition, the maintenance of economic uncertainty at levels close to the historical average and the rise in commodity prices on the international market favored the producing sectors, contributing positively to investments.

GRAPH 3. REAL INTEREST RATE, HOUSEHOLD DISPOSABLE INCOME, UNCERTAINTY AND COMMODITIES

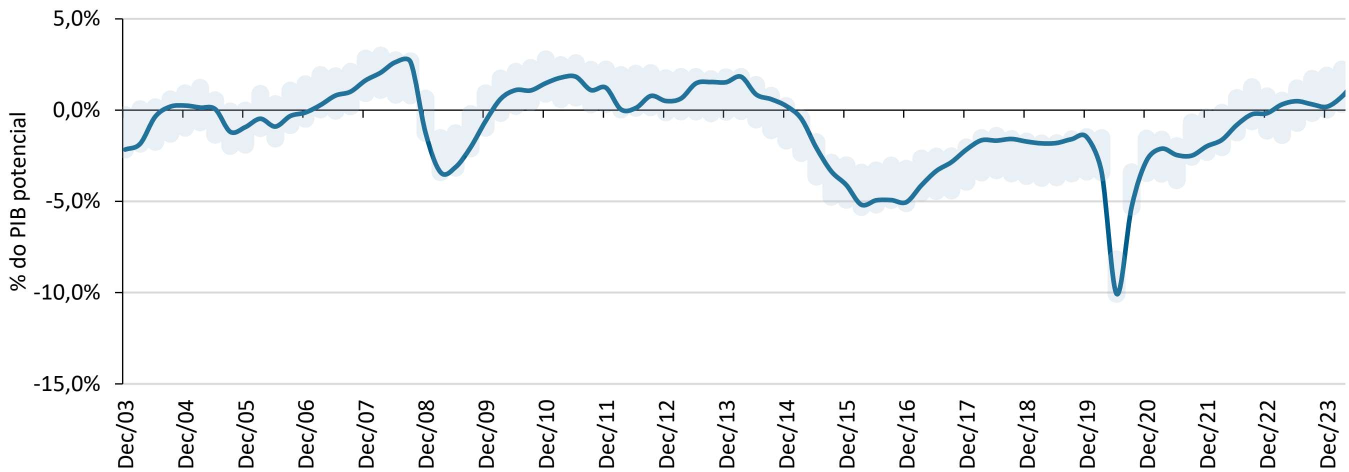


Source: IPEADATA, FGV e BCB.

The resilience of economic activity is also reflected in the evolution of the output gap, estimated by the IFI at 1.7% in the second quarter, accelerating from the previous quarter (0.8%). The confidence interval constructed using the plausibility tool[1], ranged from 0.9% to 2.8%.

[1] Data and methodological description available at: https://tinyurl.com/y6cd8h36 and https://tinyurl.com/yw92vfk9.

GRAPH 4. OUTPUT GAP



Source: IFI

July's activity indicators showed mixed signals (Table 1), with a drop in industrial production, stability in retail sales and growth in the volume of services. Despite the drop in aggregate indicators (IBC-Br and GDP Monitor) compared to June, the carry-over left for the third quarter is still positive.

TABLE 1. ECONOMIC ACTIVITY INDICATORS

Indicators	Variation compared to the previous month (seasonally adjusted)			Carry-over 3rd quarter-24
	May-24	June-24	July-24	
Industrial production	-1.5%	4.3%	-1.4%	0.9%
Broad retail sales	0.8%	0.3%	0.1%	0.6%
Volume of services	-0.5%	1.7%	1.2%	2.1%
GDP Monitor	0.1%	1.6%	-0.1%	1.0%
IBC-Br	0.4%	1.4%	-0.4%	0.6%

Source: IBGE, FGV and Central Bank.

If economic activity remains stable throughout the second half of the year, GDP growth in 2024 will be 2.5%. Considering the positive surprise of the second quarter and the expectation of a more moderate expansion of activity in the second half of the year, we have revised the GDP growth projection for 2024 from 2.0% to 2.8%. We estimate that GDP will slow down in the second half of the year, with quarterly variations of 0.5% and 0.3% in the third and fourth quarters, respectively. The market projection for 2024 GDP, according to the Central Bank's Focus Bulletin, is 2.9% with a range of one standard deviation between 2.7% and 3.2%. Table 2 shows GDP growth estimates for 2024, considering different quarterly dynamics.

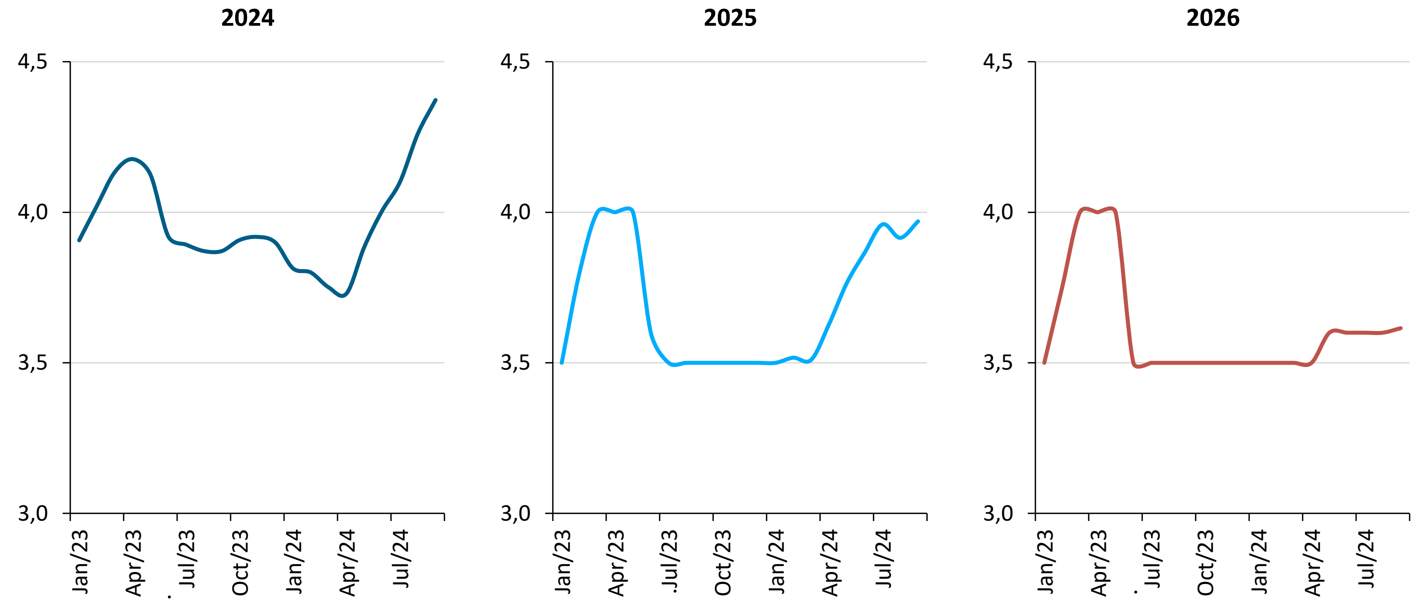
TABLE 2. GDP GROWTH IN 2024 FOR DIFFERENT QUARTERLY VARIATIONS

		Third quarter					
		-1.00%	-0.50%	0.00%	0.25%	0.50%	1.00%
Fourth quarter	-1.00%	1.8%	1.9%	2.0%	2.1%	2.1%	2.3%
	-0.50%	2.0%	2.1%	2.3%	2.3%	2.4%	2.5%
	0.00%	2.3%	2.4%	**2.5%**	2.6%	2.7%	2.8%
	0.25%	2.4%	2.5%	2.7%	2.7%	2.8%	2.9%
	0.50%	2.5%	2.7%	2.8%	2.8%	2.9%	3.0%
	1.00%	2.8%	2.9%	3.0%	3.1%	3.2%	3.3%

Source: IFI.

To control inflation and reach the target, the Central Bank initiated a new cycle of Selic rate hikes, considering the challenges posed by the strong expansion of economic activity and the depreciation of the exchange rate. Inflation expectations for this and the next few years remain above the target (3.0%) in the Focus Bulletin, as shown in Graph 5, signaling an increase in economic agents' concern about inflation control.

GRAPH 5. FOCUS BULLETIN: INFLATION EXPECTATIONS



Source: Central Bank

The IFI's projection for the IPCA was adjusted from 4.0% to 4.4% in 2024 and from 3.5% to 3.7% in 2025. Consequently, the projection for the Selic rate (end of period) was changed from 10.50% to 11.50% and from 9.50% to 10.00%. The GDP projection for 2025 was also revised from 1.9% to 1.8%, reflecting the impact of tighter monetary policy on domestic demand. The deceleration in GDP growth can also be attributed to the low carry-over left for the next year (0.8%) and the expected slowdown in household disposable income, resulting from a slower growth rate of labor income mass and social benefits compared to 2023 and 2024.

Despite the expected slowdown between 2024 and 2025, GDP growth is projected to rise to 2.3% in 2026, with inflation approaching the target. Contractionary monetary policy should help reduce the output gap, allowing GDP growth to be more in line with its potential. In the medium-term scenario, released in June, the average GDP growth rate between 2026 and 2034 is estimated at 2.2%.

Table 3 shows the short-term projections for the main macroeconomic variables in 2024, 2025 and 2026.

TABLE 3. SHORT-TERM PROJECTIONS

Variable	2023	2024	2025	2026
Nominal GDP (BRL billion)	10.856	11.579	12.249	13.020
Nominal GDP (% annual average variation)	7,7	6,7	5,8	6,3
Real GDP (% annual average variation)	2,9	2,8	1,8	2,3
GDP deflator (% annual average variation)	4,7	3,7	3,9	3,9
IPCA (% year-over-year variation in December)	4,6	4,4	3,7	3,4
Unemployment rate (% of workforce)	8,0	6,9	7,1	7,1
Wage bill (% annual average variation)	6,9	7,0	2,4	2,3
Exchange rate (BRL/US$ end of period)	4,84	5,40	5,47	5,54
Selic (% end of period)	11,75	11,50	10,00	9,00

Prepared by: IFI.

Update of short-term revenue projections based on the assessment of the 4th bi-monthly period and the 2025 PLOA

The IFI reassessed the short-term fiscal scenario. Revenue projections were revised slightly downward mainly due to an update in the values associated with revenue sources considered uncertain, such as those involving disputes over legal interpretations between taxpayers and the tax authorities. In any case, the compensations provided for in Law No. 14,973 of 2024, for the extension of the payroll tax exemption and the higher amount of dividends collected from BNDES and Petrobras may improve 2024 revenues and reduce the revenue shortfalls observed in the budget and financial programming decrees issued throughout the year.

Initial considerations

Based on the macroeconomic projections presented in the previous section, the central government's primary revenue projections were updated for the period from 2024 to 2026. This introductory section will discuss elements inherent to the current fiscal policy context and the assumptions used for revenue projections.

The following estimates take into account the Revenue and Primary Expenditure Assessment Report (RARDP) for the 4th bi-monthly period of 2024[2], as well as the 2025 Annual Budget Bill[3] (2025 PLOA), monthly series from the National Treasury Secretariat (STN), updated until July, in addition to other data extracted by the IFI from the Siga Brasil Portal of the Federal Senate, updated until August 2024.

Firstly, the revision of the economic growth projection for 2024 from 2.0% (June revision) to 2.8% in September had a positive impact on the tax revenue estimates for the second half of the year. In fact, the behavior of economic activity has played an important role in the performance of the central government's primary revenues in 2024.

Secondly, the short-term projection review incorporated into the estimates some non-recurring revenues, such as those from the Transaction Notice PGFN-RFB 6/2024[4], and some included in Law No. 14,973[5], dated September 16, 2024, which presents compensatory revenue measures for the extension of payroll tax relief. By way of illustration, the Petrobras tax deal and some of the compensatory measures for the payroll tax exemption could generate BRL 23.8 billion in revenue between September and December 2024.

Law No. 14,973 provides for the gradual reinstatement of payroll taxes for the exempted sectors and municipalities covered by the rule starting from the fiscal year 2025. The IFI considered, for revenue projection purposes, the tax waiver of BRL 26.3 billion, according to the Federal Revenue Office (RFB), in 2024, and the gradual reinstatement of payroll taxes until 2027, with a reduction of this amount by approximately 25% per year. By 2028, all sectors and municipalities would be paying 20% social security contribution rate on the payroll.

Short-term projections: 2024–2026

Table 4 shows the IFI's new projections for the central government's primary revenue in 2024, 2025 and 2026, comparing them to the projections from June 2024, the last month in which the estimates were updated.

[2] Link to access the document: https://tesourotransparente.gov.br/publicacoes/relatorio-de-avaliacao-de-receitas-e-despesas-primarias-rardp/2024/16.

[3] Available at: https://www.gov.br/planejamento/pt-br/assuntos/orcamento/orcamentos-anuais/2025/ploa.

[4] It is a tax settlement between Petrobras and the Office of the Attorney General of the National Treasury (PGFN) in the amount of BRL 19.8 billion. Page to access the settlement information document: https://api.mziq.com/mzfilemanager/v2/d/25fdf098-34f5-4608-b7fa-17d60b2de47d/ea8ba027-c2a0-53d0-1445-0d4d744352c8?origin=1.

[5] See: https://www.planalto.gov.br/ccivil_03/_ato2023-2026/2024/lei/l14973.htm.

In general terms, there was a slight deterioration in revenue projections for this year and the following two years due to revisions made in estimates of revenue from judgments at the Administrative Council of Tax Appeals (Carf)[6] and from tax settlements[7] carried out by the Office of the Attorney General of the National Treasury (PGFN) and the Federal Revenue Office (RFB).

For the group of administered revenues, the IFI now projects 14.3% of GDP (BRL 1,660.1 billion) in 2024, compared to 14.9% of GDP (BRL 1,715.5 billion) last June. Of this difference of BRL 55.4 billion in the projection of administered revenues in 2024 (BRL 1,660.1 billion minus BRL 1,715.5 billion), BRL 54.9 billion was due to the revision made by the IFI for revenue from judgments within the scope of Carf[8] and tax settlements provided for in Articles 13 and 14 of Law No. 14,789. In June, the IFI considered revenue of BRL 76.3 billion from these three sources to be collected in 2024. Now, this projection has been revised to BRL 21.3 billion.

Further explanations will be given below regarding revenue from laws passed in 2023 and 2024, as well as legislative proposals presented to increase revenue in 2025.

For the net revenue of the General Social Security System (RGPS), the IFI revised the 2024 estimate from 5.4% of GDP (BRL 620.4 billion) in June to 5.5% of GDP (BRL 641.8 billion) now. The increase in the projected value was due to the incorporation of more information on this revenue, which values were higher than previously projected. In any case, the relative strength of the labor market, which boosts the economy's wage bill, underpins this performance in social security collection.

The IFI projection for non-administered revenues [those not collected by the RFB], of the central government in 2024 was also revised upward, from 2.7% of GDP (BRL 316.9 billion) in June to 2.9% of GDP (BRL 339.2 billion) in September. This difference of BRL 22.3 billion can be explained by the following factors:

- An inflow of BRL 18.3 billion from compensation sources for payroll tax exemptions, to be classified as other non-administered revenues. These compensations are regulated by Law No. 14,973, dated September 16, 2024. The IFI considered the measures and values presented by the Executive in the RARDP for the 4th bi-monthly period of 2024, namely: (i) BRL 6.3 billion of funds retained at Caixa Econômica Federal; (ii) BRL 8.0 billion of judicial deposits from closed cases; and (iii) BRL 4.0 billion from debt settlement mechanisms with federal public agencies and foundations (also referred to as the regulatory agencies "Desenrola" program).
- Increase in the projection of dividends and profit-sharing, from BRL 50.5 billion in June to BRL 66.1 billion in September, due to higher payments expected from BNDES and Petrobras. The revision in the projection for dividend income was therefore BRL 15.6 billion.

The increase of BRL 33.9 billion in non-administered revenues due to the three sources considered for payroll tax exemption compensation and the revision in the estimate of dividend and profit-sharing revenues was partially offset by the reduction in the projection of concession and participation revenues (BRL 3.3 billion) and the shortfall of BRL 6.5 billion between the projection, made in June, for non-administered revenues between June and August and the actual values.

Still regarding Table 4, considering the upward revision in the estimate for revenue-sharing transfers in 2024, from BRL 514.2 billion in June to BRL 519.7 billion in September, the IFI projection for the net primary revenue of the central government decreased from 18.5% of GDP (BRL 2,138.6 billion) to 18.3% of GDP (BRL 2,121.4 billion).

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[6] According to Law No. 14,689, dated September 20, 2023, which reintroduced the casting vote within the scope of the council.

[7] These settlements are governed by Law No. 14,789 of December 29, 2023. Among other things, the aim of the legal rule is to reduce or eliminate administrative and judicial litigation over legal arguments associated with existing tax debts. To this end, taxpayers are being offered more favorable conditions to end the discussion of these disputes and join regularization programs with the tax authorities.

[8] Regarding this source of revenue, it is important to mention the lack of available information for a better assessment of the performance of this revenue. On the Carf website (http://idg.carf.fazenda.gov.br/dados-abertos), there is a presentation with information on judgments, such as the value and number of cases, rulings and resolutions. However, information is not provided on how much of the amounts from judgments and resolutions effectively turn into revenue for the Federal Revenue Office, nor on the average time for revenue realization if taxpayers appeal to judicial instances. Such information would be useful for a better assessment of this revenue source.

For 2025 and 2026, the central government's primary revenue projections have been marginally revised. The net primary revenue from transfers is expected to be at 18.5% of GDP in the next two years. In June, the IFI projected that net revenue would be 18.7% of GDP in 2025 and 18.6% of GDP in 2026. This downward revision of the projection was due to adjustments made to collections from sources considered uncertain, such as Carf.

TABLE 4. IFI BASELINE SCENARIO FOR CENTRAL GOVERNMENT PRIMARY REVENUE IN 2024, 2025 AND 2026 (BRL BILLION AND % OF GDP)

Baseline scenario (BRL billion)	Review Jun/24						Review Sep/24						Diff. Sep/24-Jun/24					
	2024	% of GDP	2025	% of GDP	2026	% of GDP	2024	% of GDP	2025	% of GDP	2026	% of GDP	2024	p.p. of GDP	2025	p.p. of GDP	2026	p.p. of GDP
1. Total primary revenue	**2.652,8**	**23,0%**	**2.846,4**	**23,2%**	**3.007,0**	**23,0%**	**2.641,0**	**22,8%**	**2.817,5**	**23,0%**	**2.997,9**	**23,0%**	**-11,8**	**-0,2**	**-29,0**	**-0,2**	**-9,1**	**0,0**
Revenue collected by the RFB/MF, except RGPS and without tax incentives	1.715,5	14,9%	1.848,6	15,1%	1.933,7	14,8%	1.660,1	14,3%	1.821,6	14,9%	1.909,2	14,7%	-55,4	-0,5	-27,0	-0,2	-24,4	-0,2
Net collection for the RGPS	620,4	5,4%	663,3	5,4%	713,1	5,5%	641,8	5,5%	678,7	5,5%	732,7	5,6%	21,3	0,2	15,4	0,1	19,6	0,2
Revenues not collected by the RFB/MF	316,9	2,7%	334,5	2,7%	360,2	2,8%	339,2	2,9%	317,2	2,6%	356,0	2,7%	22,3	0,2	-17,3	-0,1	-4,3	0,0
Tax incentives	0,0	0,0%	0,0	0,0%	0,0	0,0%	0,0	0,0%	0,0	0,0%	0,0	0,0%	0,0	0,0	0,0	0,0	0,0	0,0
2. Revenue-sharing transfers	**514,2**	**4,5%**	**556,5**	**4,5%**	**585,0**	**4,5%**	**519,7**	**4,5%**	**555,9**	**4,5%**	**583,2**	**4,5%**	**5,4**	**0,0**	**-0,6**	**0,0**	**-1,8**	**0,0**
3. Net transfer revenues ([1]-(2)]	**2.138,6**	**18,5%**	**2.290,0**	**18,7%**	**2.422,0**	**18,6%**	**2.121,4**	**18,3%**	**2.261,6**	**18,5%**	**2.414,8**	**18,5%**	**-17,2**	**-0,2**	**-28,4**	**-0,2**	**-7,2**	**0,0**

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

Measures to increase revenue

In this subsection, the IFI makes some considerations regarding the measures presented by the Executive in Law No. 14,822 of January 22, 2024 (2024 LOA) and in the 2025 PLOA. Table 5 shows a list of these measures to increase revenue in 2024 and 2025, based on information contained in the RARDP for the 4th bi-monthly period of 2024, the 2024 LOA and the 2025 PLOA.

Considering the first group of measures, that of extraordinary revenues, the IFI considers these to be sources of revenue with relative uncertainty regarding realization, for the reasons outlined in previous editions of this RAF[9]. The uncertainty regarding realization lies in the possibility of legal disputes over claims between taxpayers and the tax authorities, without a clear timeline for the revenue to enter the public treasury.

On August 29, the Executive issued Normative Ordinance MF No. 1,383, which established the Comprehensive Settlement Program (PTI), an initiative aimed at reducing tax litigation and providing new conditions for resolving disputes between taxpayers and tax administration[10]. Given that it is a request from taxpayers, according to the Ministry of Finance, the IFI considered a greater likelihood of realization for the revenues associated with these settlements. The IFI estimate considered 60% of the amount projected by the Executive for this source of revenue.

Moving on to the legislative measures impacting 2025 revenue, included in the 2025 Annual Budget Bill (2025 PLOA), the IFI chose to consider in its projections the increases in CSLL and corporate income tax rates on the interest on equity instrument (JCP), as provided for in Bill (PL) No. 3,394 of 2024, despite potential resistance to the increase in the tax burden. Depending on the progress of this bill in Congress over the next few weeks, the estimate associated with this revenue source may be revised in December of this year, when the IFI will conduct a new update of short- and medium-term macroeconomic and fiscal projections.

Still regarding Table 5, it is worth highlighting the compensatory measures presented by Congress for the extension of the payroll tax exemption, the impact of which is estimated by the RFB to be BRL 26.3 billion in 2024. Law No. 14,973, of September 16, 2024, contains a list of measures to offset the impact of the exemption on federal tax revenue. Of the measures included in the legal norm, the IFI considered those included by the Executive in the 2025 Annual Budget Bill (2025 PLOA), namely: (i) funds retained at Caixa Econômica Federal, amounting to BRL 6.3 billion; (ii) judicial deposits from closed cases (BRL 8.0 billion); and (iii) the renegotiation of fees and fines owed to regulatory agencies (BRL 4.0 billion). In due course, the IFI may include other compensatory measures in the 2024 revenue estimate.

[9] See, for example, RAF No. 82 of November 2023. Available at: https://www12.senado.leg.br/ifi/publicacoes-1/relatorio/2023/novembro/raf-relatorio-de-acompanhamento-fiscal-nov-2023.
[10] For further explanation, see: https://www.gov.br/fazenda/pt-br/assuntos/noticias/2024/setembro/fazenda-lanca-o-programa-de-transacao-integral-visando-a-regularizacao-de-passivos.

TABLE 5. MEASURES APPROVED OR UNDER CONSIDERATION IN CONGRESS WITH IMPACT ON CENTRAL GOVERNMENT REVENUE IN 2024 AND 2025

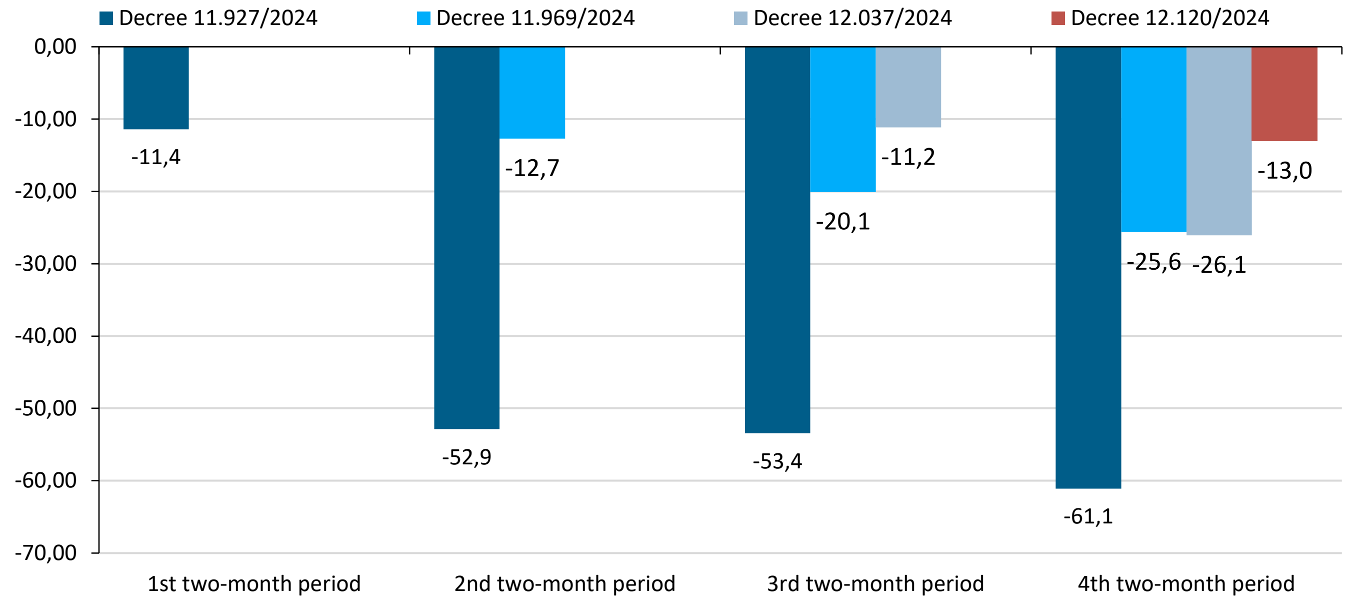
Budget impact in 2024 and 2025					
Measure	Legal norm/legislative proposal	Impact considered by the Executive Branch (BRL billion)		Impact considered by the IFI - baseline scenario (BRL billion)	
		sep-dec 2024	2025	sep-dec 2024	2025
Total		**57,6**	**166,2**	**44,3**	**79,2**
Extraordinary revenues		**24,1**	**121,5**	**15,2**	**60,3**
Carf - casting vote	Law No. 14,689, of September 20, 2023	0,8	28,6	0,8	5,1
Law No. 14,789 art. 13 (Settlement)	Law No. 14,789, of December 29, 2023	10,0	31,0	1,5	9,3
Law No. 14,789 art. 14 (Settlement)	Law No. 14,789, of December 29, 2023	5,2	15,5	4,8	10,0
Settlement of relevant and widespread legal disputes	MF Normative Ordinance No. 1,383, of August 29, 2024	-	26,5	-	15,9
Limitation on the offsetting of credits arising from judicial decisions	Law No. 14,873, of May 29, 2024	8,0	20,0	8,0	20,0
Legislative measures with an impact on revenue (2025 PLOA)			**46,7**		**20,9**
CSLL rate increase	Bill No. 3,394 of 2024	-	14,9	-	14,9
Income Tax rate increase on interest on equity (JCP	Bill No. 3,394 of 2024	-	6,0	-	6,0
Compensation for the payroll tax relief	Law No. 14,784, of December 27, 2023	-	25,8	-	-
Other measures		**33,5**		**29,1**	
Investment grants	Law No. 14,789, of December 29, 2023	9,4	-	5,0	-
Fixed-odds betting	Law No. 14,790, of December 29, 2023	0,3	-	0,3	-
PGFN-RFB tax settlement 6/2024 (Petrobras)		5,5	-	5,5	-
Compensation for payroll tax relief - funds retained in the Caixa Econômica Federal	Law no. 14,973, of September 16, 2024	6,3	-	6,3	-
Compensation for payroll tax relief - judicial deposits in closed cases	Law no. 14,973, of September 16, 2024	8,0	-	8,0	-
Compensation for payroll tax relief - regulatory agencies' "Desenrola" Program	Law no. 14,973, of September 16, 2024	4,0	-	4,0	-
Legislative measures with negative effects on revenue			**-2,0**		**-2,0**
"Reintegra Simples"		-	-0,1	-	-0,1
Pronon/Pronas	Law No. 9,250, of 1995, Law No. 12,715, of 2012 and Law No. 14,564, of 2023	-	-0,4	-	-0,4
PADIS	Law No. 11,484, of 2007 and Law No. 14,968, of 2024	-	-1,6	-	-1,6

Source: 2024 LOA, Revenue and Primary Expenditure Assessment Report for the 4th bi-monthly period of 2024, and 2025 PLOA. Prepared by: IFI.

Revenue shortfall throughout 2024

To conclude this section, some considerations are made regarding the realization of primary revenues between January and August 2024 and the Executive's estimates contained in the budget and financial programming decrees. Graph 6 shows the cumulative deviations between the projected and realized revenue for the first four two-month periods of the year.

GRAPH 6. CUMULATIVE DEVIATION BETWEEN REVENUE PROJECTED BY BUDGET AND FINANCIAL PROGRAMMING DECREE AND REALIZED PRIMARY REVENUE (BRL BILLIONS)



Fonte: Decreto nº 11.927, de 2024, e suas alterações, Resultado do Tesouro Nacional e Siga Brasil.

Decree No. 11,927 of February 22, 2024, was issued after the enactment of the 2024 Budget Law (Law No. 14,822 of January 22, 2024) with the same revenue estimate presented in the Budget Law. Based on the information contained in this decree, the primary revenue realized in the first two months of the year was BRL 11.4 billion below the projected revenue. Considering the revenue realized in the first four months of the year (1st and 2nd two-months period), the frustration of collection from the aforementioned decree increased to BRL 52.9 billion. Incorporating the revenue information accumulated up to June and August, respectively, the deviation from the values compared to that first decree of the year increased to BRL 53.4 billion and BRL 61.1 billion.

Considering Decree No. 11,969 of March 28, 2024, issued after the publication of the Fiscal Follow-up Report (RARDP) for the 1st two-month period of 2024, even though the revenue estimates were revised by the Executive, the realized revenue remained below the projected level. With the data accumulated up to April 2024, the revenue shortfall was BRL 12.7 billion, increasing to BRL 20.1 billion in the first half of the year and BRL 25.6 billion in the first eight months.

Decree No. 12,037 of May 29, 2024, and Decree No. 12,120 of July 30, 2024, were issued, respectively, after the publication of the RARDP for the 2nd two-month period of 2024 and the RARDP for the 3rd two-month period of 2024. As can be seen in Graph 6, revenue shortfalls continued to occur compared to the values projected by the Executive, even though downward revisions were included in the respective two-month evaluations.

Basically, these revisions to revenue estimates were due to re-evaluations of some extraordinary revenues, such as those from Carf. This reinforces the caution adopted by the IFI when estimating revenue associated with measures of an uncertain nature and which involve legal disputes between the tax authorities and taxpayers.

Review of short-term scenarios for expenditures and primary balance

The IFI's projections for 2024 and 2025 indicate that the zero primary surplus targets established in the 2024 LDO and the 2025 PLDO are at risk of not being met, demonstrating a deterioration in fiscal policy. The removal of public policies from the budget through parafiscal execution mechanisms, and the underestimation of expenditures, notably social security and welfare benefits, combined with doubts about the fiscal target deductions, undermine the credibility of the fiscal framework and compromise the sustainability trajectory of public debt. The need for structural reforms is reaffirmed by the growing fiscal challenges.

New projections for primary expenditure in 2024

This section presents the projections for primary expenditures, based on the modeling exercise of these fiscal aggregates and the macroeconomic and primary revenue scenarios presented earlier in this Fiscal Follow-up Report (RAF). This assessment updates the previous forecasts presented in RAF No. 89[11] of June 2024.

Initially, it is worth noting that the projections for **Total Primary Expenditure** in the current scenario are lower than those presented by the Executive Branch in the Revenue and Primary Expenditure Assessment Report (RARDP) for the 4th two-month period[12], by BRL 24.4 billion, as shown in Table 6 below.

TABLE 6. EVOLUTION OF ESTIMATES FOR EXPENDITURES AND PRIMARY BALANCE IN 2024

Item	Spent in 2023			2024 LOA		RARDP 4th two-month period 2024		IFI (Sep/2024)			Difference RARDP 4th period - IFI (Sep/2024)	
	BRL Bi.	GDP %	%Share	BRL Bi.	GDP %	BRL Bi.	GDP %	BRL Bi.	GDP %	%Share	BRL Bi.	GDP %
Net Primary Revenue after Transfers	**1,899.4**	**17.5**	**80.8**	**2,192.0**	**18.9**	**2,172.6**	**18.8**	**2,121.4**	**18.3**	**80.8**	**51.3**	**0.4**
Total Primary Expenditure	**2,129.9**	**19.6**	**100.0**	**2,182.9**	**18.9**	**2,241.5**	**19.4**	**2,217.1**	**19.1**	**100.0**	**24.4**	**0.2**
Social security benefits	**898.9**	**8.3**	**41.3**	**908.7**	**7.8**	**931.4**	**8.0**	**941.5**	**8.1**	**41.3**	**-10.1**	**-0.1**
Payroll and social charges	**363.7**	**3.4**	**16.5**	**379.2**	**3.3**	**373.2**	**3.2**	**374.1**	**3.2**	**16.5**	**-0.9**	**0.0**
Other mandatory expenditure	**357.5**	**3.3**	**17.5**	**327.2**	**2.8**	**378.9**	**3.3**	**375.0**	**3.2**	**17.5**	**3.9**	**0.0**
Salary allowance and unemployment benefit	72.9	0.7	3.3	78.0	0.7	81.8	0.7	81.8	0.7	3.3	0.0	0.0
Financial support for states and Municipalities	27.1	0.2	1.0	11.7	0.1	2.7	0.0	2.4	0.0	1.0	0.3	0.0
Continuous cash benefits	92.7	0.9	4.6	103.5	0.9	111.8	1.0	110.6	1.0	4.6	1.2	0.0
Extraordinary Credit (except PAC)	2.8	0.0	0.6	0.0	0.0	31.5	0.3	33.4	0.3	0.6	-1.8	0.0
Federal Government supplementation to Fundeb	37.5	0.3	1.9	47.0	0.4	48.7	0.4	48.0	0.4	1.9	0.7	0.0
FCDF (Current and Capital)	4.3	0.0	0.2	3.8	0.0	4.5	0.0	5.2	0.0	0.2	-0.6	0.0
Legislative/Judiciary/MPU/DPU (Current and Capital)	17.4	0.2	0.8	21.2	0.2	20.7	0.2	19.8	0.2	0.8	0.9	0.0
Kandir Law	4.0	0.0	0.2	4.0	0.0	4.0	0.0	4.0	0.0	0.2	0.0	0.0
Court Judgments and court-ordered debts (Current and Capital)	71.4	0.7	3.7	27.5	0.2	35.0	0.3	34.2	0.3	3.7	0.8	0.0
Subsidies, grants and Proagro	21.7	0.2	0.9	22.2	0.2	26.2	0.2	24.4	0.2	0.9	1.8	0.0
Other mandatory expenditure	5.9	0.1	0.3	8.4	0.1	11.9	0.1	11.3	0.1	0.3	0.6	0.0
Expenditure Subject to Financial Programming	**509.8**	**4.7**	**24.6**	**567.8**	**4.9**	**557.9**	**4.8**	**526.5**	**4.5**	**24.6**	**31.4**	**0.3**
Mandatory expenditure with flow control	**326.4**	**3.0**	**15.3**	**358.9**	**3.1**	**359.5**	**3.1**	**359.7**	**3.1**	**15.3**	**-0.2**	**0.0**

[11] Available at: https://tinyurl.com/4m4vczcf.
[12] Available at: https://tinyurl.com/ms95fkme.

Item	Spent in 2023			2024 LOA		RARDP 4th two-month period 2024		IFI (Sep/2024)			Difference RARDP 4th period - IFI (Sep/2024)	
	BRL Bi.	GDP %	%Share	BRL Bi.	GDP %	BRL Bi.	GDP %	BRL Bi.	GDP %	%Share	BRL Bi.	GDP %
Public Employee's benefits	15.4	0.1	0.7	18.3	0.2	18.6	0.2	17.2	0.1	0.7	1.4	0.0
Bolsa Família Program	166.3	1.5	-7.4	169.5	1.5	169.5	1.5	168.5	1.5	-7.4	0.9	0.0
Health	129.5	1.2	6.5	154.0	1.3	154.0	1.3	156.2	1.3	6.5	-2.2	0.0
Education	8.2	0.1	0.4	8.4	0.1	8.4	0.1	9.1	0.1	0.4	-0.7	0.0
Others	7.0	0.1	0.4	8.8	0.1	9.1	0.1	8.7	0.1	0.4	0.4	0.0
Discretionary expenditure	**183.4**	**1.7**	**9.3**	**208.9**	**1.8**	**198.4**	**1.7**	**166.8**	**1.4**	**9.3**	**31.6**	**0.3**
Above-the-line Primary Balance	**-230.5**	**-2.1**		**9.1**	**0.1**	**-68.8**	**-0.6**	**-95.7**	**-0.8**		**26.9**	**0.2**

Sources: Federal Budget Secretariat (SOF), STN and IFI. Prepared by: IFI.

It should be clarified that the methodology used for measuring the primary balance, which is employed by the IFI, requires that expenditures be estimated from a financial perspective, that is, based on payments, unlike those in the RARDP, which are programmed considering the budgetary perspective, where public expenditures are recognized upon the issuance of the commitment note.

Thus, in addition to divergences caused by differences in the methodologies and parameters used in the projections, there are discrepancies—usually minor and spread across all items—between the accounting frameworks applied to the IFI and SOF/STN models. In addition, there are other divergences, which are generally significant, related to the retention[13] of budgetary resources, which typically concentrate on flow-controlled expenditures, notably affecting discretionary expenditures[14].

The change introduced by Annex I of Decree No. 12,120[15], of July 30, 2024, which implemented the commitment and movement limit on a bi-monthly basis instead of until the end of the fiscal year as traditionally done, has a dual effect. On the one hand, it helps ensure that the execution of discretionary primary expenditures remains at a level consistent with changes in the dynamics of revenue and expenditure estimates to be verified in upcoming bi-monthly reports. On the other hand, it tends to maintain a higher level of retention.

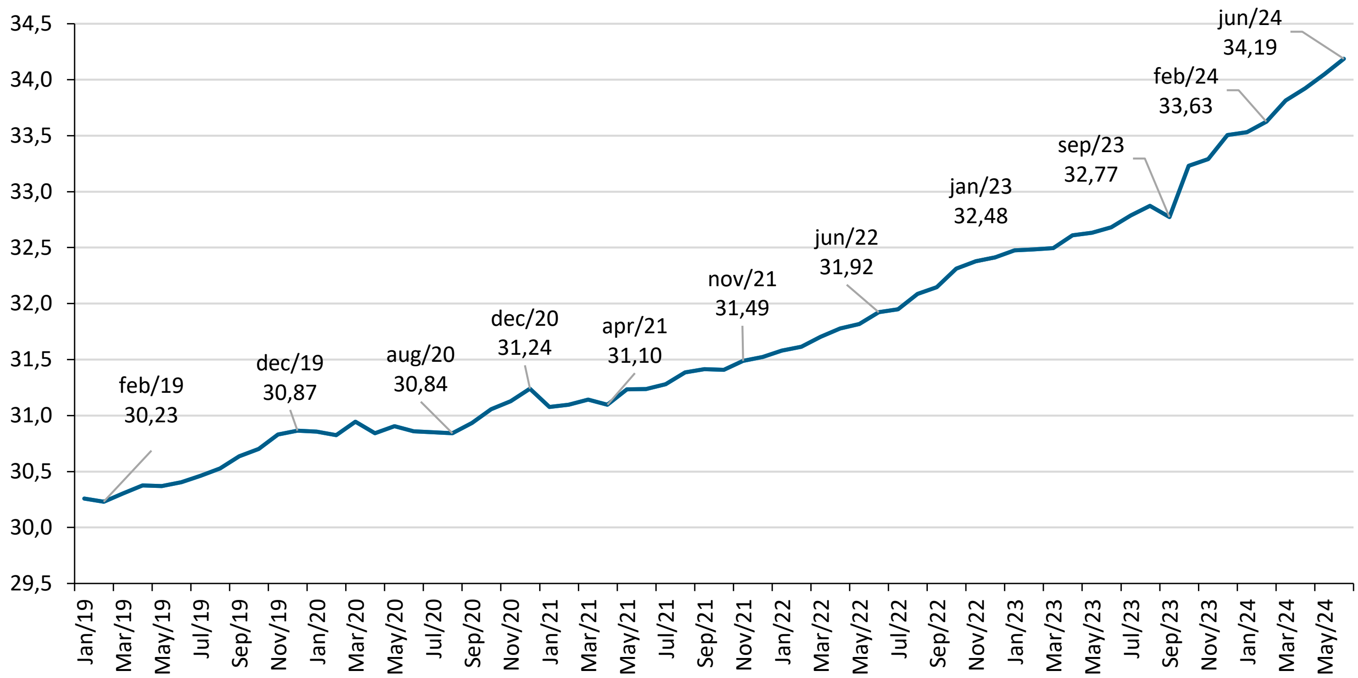
With regard to the main fiscal aggregates, the IFI's projection for **Social Security Benefits** stands at BRL 941.5 billion, which is BRL 10.1 billion higher than the government's current projection (BRL 931.4 billion) and BRL 6.5 billion lower than the IFI's previous projection (BRL 948 billion).

As mentioned in Fiscal Follow-up Report (RAF) No. 89, the previous IFI projection did not include the BRL 9 billion related to productivity measures and the review of benefits for 2024, which have been revised and reduced to BRL 6.8 billion in the current RARDP. Unlike the previous report, this time the IFI opted to adopt the full savings figure projected[16] by the Ministry of Planning's Secretariat for Monitoring and Evaluating Public Policies.

It is important to note that the administrative data available to the public, updated up to June, does not yet show a reduction in the rate of growth of benefits issued by the RGPS. Graph 7 shows the evolution of benefits issued by the General Social Security System (RGPS).

[13] For more information, see RAF No. 22 of November 2018. Available at: https://tinyurl.com/5n6yd2f7.
[14] As an example, the Fiscal Target Compliance Assessment Report for the 3rd four-month period of 2023 stated: "Table 5 shows the updated value of the retained funds of the Executive Branch bodies, which totaled BRL 19.8 billion up to December of this year Of this total, BRL 4.2 billion refers to mandatory expenditures, BRL 13.8 billion refers to discretionary expenditures (including RP8 committee amendments), and BRL 1.8 billion relates to mandatory parliamentary amendments (individual and caucus amendments)". Available at: https://tinyurl.com/mprtn4zc.
[15] The Decree deals with the Budgetary and Financial Programming for the 3rd RARDP. Available at: https://tinyurl.com/5n68h6ts.
[16] Among other factors, the approval of Law No. 14,973 of September 16, 2024, influenced this decision. Article 27 of this law authorizes the INSS to adopt precautionary measures aimed at curbing expenses and losses in the payment of benefits it manages, resulting from irregularities or fraud. Available at: https://tinyurl.com/yp2yjtbj.

GRAPH 7. EVOLUTION OF BENEFITS ISSUED UNDER THE GENERAL SOCIAL SECURITY SYSTEM (RGPS) (IN MILLIONS)



Fontes: Secretaria de Regime Geral de Previdência Social (SRGPS) e IFI.

Year-over-year, an acceleration in the issued benefits was observed, with growth increasing from 3.2% in January 2024 (BRL 33.5 million) compared to the same month in 2023 (BRL 32.5 million), to 4% in June 2024 (BRL 34.2 million), when compared to the same month of the previous year (BRL 32.7 million). On average for the first half of the year, benefits grew by 4%, while the average for the same period in 2023 grew by 2.6%.

It should also be noted that the projection for social security benefits has already been revised upwards in all RARDP this year, from BRL 908.7 billion in the Budget Law (LOA) to BRL 931.4 billion in the 4th bi-monthly report, representing an increase of BRL 22.7 billion so far.

It is therefore possible that the IFI's projection of social security expenses will be revised again, this time upwards, if the administrative data does not show the reduction projected in the 4th RARDP, which considered information updated up to August.

Payroll and Social Charges expenditure remained stable, both in the IFI projection, at BRL 374.1 billion, and in the 4th RARDP projection, at BRL 373.2 billion, as the 3rd RARDP had already acknowledged that these expenditures were overestimated by BRL 6 billion in the 2024 Annual Budget Law (LOA), in line with the previous IFI projection.

The third relevant aggregate, which includes Other Mandatory Expenditures, is projected at BRL 375 billion by the IFI, slightly below the 4th RARDP projection of BRL 378.9 billion, both of which are substantially above the Budget Law (LOA) projection of BRL 327.2 billion.

A large part of the divergence with the Budget Law is explained by expenditures with Extraordinary Credits, which, by default, are not projected in the LOA. Currently, these expenditures amount to BRL 31.5 billion in the RARDP and BRL 33.4 billion in the IFI projection, resulting in a BRL 1.8 billion higher estimate in the IFI projection. Other noteworthy divergences are in Continuous Cash Benefits and Subsidies, Grants and Proagro, both of which are projected to be slightly higher in the 4th RARDP figures, at BRL 1.2 and BRL 1.8 billion, respectively.

Regarding Expenditures Subject to Financial Programming, the large divergence of BRL 31.4 billion higher between the 4th RARDP figures (BRL 557.9 billion) and those of the IFI (BRL 526.5 billion) is due to Discretionary Expenditures, which are estimated at BRL 198.4 billion in the RARDP and BRL 166.8 billion in the IFI, a difference of BRL 31.6 billion.

A large part of this difference is due to the retention of funds, estimated[17] in the 4th RARDP at BRL 22.6 billion, with the remaining amount corresponding to the reduction in the projection of various discretionary expenditures, notably the minimum values for health and education projected by the IFI, which are BRL 9 billion lower.

This reduction in 2024 is mainly due to the decrease in the projection of excess expenditures, beyond the constitutional minimum values for health and education[18], compared to what was observed in 2023, which occurred as a result of the creation of additional fiscal space caused by Constitutional Amendment (EC) No. 126/2023[19]. This amendment allowed primary spending to be increased by BRL 145 billion for the previous year, making it possible, for example, to contribute BRL 6.1 billion in December 2023 to the Pé-de-Meia program[20].

Thus, the expenditure for this program, estimated at BRL 8 billion in 2024, will be covered by operations with resources from the Operations Guarantee Fund (FGO) and the Educational Credit Operations Guarantee Fund (FGEDUC)[21], which are funds that do not pass through the public budget, thereby reducing the projected value of discretionary primary expenditures by the IFI.

Finally, attention is drawn to the Mandatory Expenditures with Flow Control, estimated by the IFI at BRL 359.7 billion, of which BRL 168.5 billion is related to the Bolsa Família Program. These figures are consistent with the projections in the 4th RARDP.

Reaching the expenditure limit and the need for spending cuts in 2024

As seen in the previous section, the mandatory expenditures projected by the IFI are BRL 7.2 billion higher than those projected in the 4th RARDP. This would require an **additional spending cut** (on top of BRL 13.3 billion already programmed) to meet the need for adjusting projected expenditure to the limits of the fiscal framework[22]. It is important to highlight that this additional spending cut would bring budget allocations to levels close to the projected minimum discretionary expenditures necessary for maintaining the public administration, as discussed in more depth in RAF No. 90[23], of July 2024.

Even so, according to IFI projections, if no additional measures are adopted, the **central government's primary balance target will not be met for the fiscal year**, with a shortfall of BRL 29.7 billion. This contrasts with the projection in the bi-monthly report, which foresees the target being met, using the lower limit, with a surplus of BRL 407.4 million.

The divergence primarily arises from the calculation of the primary balance before the adjustments for the fiscal target deduction. The IFI estimates the level of Net Primary Revenue after Transfers to be BRL 51.3 billion lower and Total Primary Expenditure to be BRL 24.4 billion lower than the projections in the 4th RARDP.

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[17] This estimate is not formally presented in the report, but it can be inferred from the difference between the budgetary and financial accounting regimes. It reflects, in addition to the retention of funds [empoçamento] itself, the inherent difference in how expenditures are recorded under these regimes.

[18] According to the 2023 President's Accounts Report prepared by the Federal Accounting Court (TCU), "it is concluded that the Federal Government complied with the rule, exceeding the constitutional minimum for healthcare by BRL 7.17 billion" and "it is concluded that the Federal Government met the minimum expenditure requirement for maintenance and development of education in 2023, surpassing the constitutional minimum for education by BRL 34.43 billion." Available at: https://tinyurl.com/u3xudc37.

[19] Available at: https://tinyurl.com/4vjwz6p6.

[20] Available at: https://tinyurl.com/4tjsh7x8.

[21] In accordance with the provisions of Law No. 14,818 of January 16, 2024. Available at: https://tinyurl.com/5xf8h4a4.

[22] It should be noted that not the entire volume of mandatory expenditures should be considered in the calculation, as some of these expenditures are excluded from the primary expenditure limit. In any case, expenses that are within the primary expenditure limit, such as the payment of social security benefits, are the expenses that contribute most to the higher difference in the figures.

[23] Available at: https://tinyurl.com/55unpc8r.

Thus, the **above-the-line primary balance** is projected at a deficit of BRL 95.7 billion by the IFI (0.8% of GDP), in contrast to the BRL 68.8 billion deficit (0.6% of GDP) projected in the bi-monthly report, which explains the BRL 26.9 billion difference between the projections. Another point of divergence between the projections is the value of **the exclusions from the target**.

The 4th RARDP considers a deduction from the fiscal target for expenditures related to addressing the public calamity in Rio Grande do Sul, recognized by Legislative Decree No. 36[24] of May 7, 2024, and in accordance with Article 65 of the Fiscal Responsibility Law (LRF)[25], amounting to BRL 38.6 billion. It also includes a deduction for expenditures with extraordinary credits due to the climate emergency (ADPF 743)[26], amounting to BRL 0.5 billion, as well as a deduction for extraordinary credits in favor of the Judiciary and the National Council of the Public Prosecutor's Office, as per Decision 1103/2024-TCU-Plenary[27], amounting to BRL 1.4 billion, totaling BRL 40.5 billion in deductions.

Regarding the public calamity in Rio Grande do Sul, the IFI considered an exclusion from the target in an amount BRL 7 billion lower than the total value of the extraordinary credits opened, given that Provisional Measure (MPV) No. 1,223 of 2024[28], which opened an extraordinary credit of BRL 1.8 billion for various bodies, and MPV No. 1,225 of 2024[29], which opened an extraordinary credit of BRL 6.7 billion for rice imports, lost their effectiveness due to the expiration of the deadline[30] and are awaiting the issuance of a Legislative Decree to establish the legal relationships arising from them, in accordance with Article 62, paragraphs 3 and 11, of the Federal Constitution[31].

Given that the loss of effectiveness operates retroactively, meaning from the date of the issuance of the Provisional Measure, the expenses not committed by the end of its validity should, in theory[32], be disregarded from the primary balance target adjustment, especially since, objectively, the expense did not occur and will not occur.

In addition, even expenses that have already been committed can still be canceled in the future, without the possibility of them being committed to other expenses (in the case of expired MPVs), which would further reduce the amount to be deducted from the target. Finally, there is the possibility that the credits may be recorded as outstanding liabilities[33], generating financial effects in subsequent fiscal years, which further complicates the forecast of the financial impact in 2024.

It is interesting to note that the expenditure with extraordinary credits in the bi-monthly report is in line with the estimate by the IFI, that is, disregarding the expired and non-committed credits. However, the target adjustment is recorded at the full value of the opened credits, which appears to be an inconsistency in the projections of the 4th RARDP, **ultimately resulting in a fiscal outcome, after the adjustments, that is better than it should be.**

Another point of divergence, this time larger in the projected target discount, is that the IFI has already considered the effects of Provisional Measure No. 1,257 of 2024[34], which opened an extraordinary credit of BRL 4.4 billion for the advance payment of federal court-ordered debts scheduled for 2025 and BRL 674.4 million as financial compensation owed to the State of Rio Grande do Sul for the loss of ICMS revenue, which was not included in the bi-monthly report, offsetting part of the previous divergence.

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[24] Available at: https://tinyurl.com/5d76fuc6.
[25] Available at: https://tinyurl.com/3vvmbzyr.
[26] Available at: https://tinyurl.com/4b4hr9c5.
[27] Available at: https://tinyurl.com/58myks38.
[28] Available at: https://tinyurl.com/bdf27wvh.
[29] Available at: https://tinyurl.com/ed92btpd.
[30] Respectively on September 20, 2024, and September 21, 2024, although it had been known since July that the rice auction would no longer take place. See: https://tinyurl.com/y86jue6b.
[31] Respectively on September 20, 2024, and September 21, 2024, although it had been known since July that the rice auction would no longer take place. See: https://tinyurl.com/y86jue6b.
[32] Although the Legislative Decree may provide otherwise, in general, in honor of the Principle of Legal Security and art. 58 of Law 4.320/1964, the commitment, as long as it is not subsequently canceled, is considered to be an element that characterizes that the legal relationship has been constituted, and it is unreasonable to require the cancellation of the commitment due to the loss of validity of the MPV. The settlement, in turn, makes the legal act perfect, and the payment, finally, exhausts the effects of the loss of effectiveness of the Provisional Measure
[33] It is interesting to note that, according to the information provided by the SOF's Panel on the execution of expenses related to dealing with the Public Calamity in the state of Rio Grande do Sul, 51.3% of the credits opened have been committed so far and 43.8% have been paid (considering only primary expenses). Although there is still enough time before the end of the financial year for expenditure to be fully executed, the pace of execution seems to indicate that part of the expenditure will be registered as outstanding liabilities. Available at: https://tinyurl.com/4ffvasn9.
[34] Available at: https://tinyurl.com/574t6ume.

Regarding the amounts of court-ordered debts, Provisional Measure No. 1,257 of 2024 merely advances expenses that would already be executed outside the fiscal target and spending limit in 2025, due to ADI 7064 and 7047[35]. In the case of compensation for ICMS revenue losses, the expenses, which would only be outside the spending limit, are now also excluded from the fiscal targets, in accordance with Article 2 of Legislative Decree No. 36/2024.

Finally, there is reasonable doubt as to the scope of the decision to release expenses with extraordinary credits as a result of the climate emergency (ADPF 743). The decision[36] authorizes, "*at the discretion of the Executive Branch, the opening of extraordinary credits, without applying the provisions of § 7 of Article 4 of the Fiscal Responsibility Law, introduced by Complementary Law No. 200 of 2023, that is, without counting towards spending limits or fiscal targets, exclusively to address the severe 'pandemic' of Fires and Droughts in the Amazon and Pantanal.*"

Thus, in theory, any extraordinary credits opened for states not located in the Amazon[37] and Pantanal[38] biomes, such as São Paulo, the Federal District, Goiás, and Minas Gerais, which were also affected by the fires, would fall outside the scope of the decision. Even areas of the states of Mato Grosso and Mato Grosso do Sul that are not covered by the Pantanal biome would be excluded from the measure.

Additionally, another requirement established by Article 65, § 2, item I, subitem a) of the Fiscal Responsibility Law, which is the duration of the stated calamity, was not specified in the judicial decision. This, in theory, would allow the opening of extraordinary credits at any time while the decision remains unchanged, although the report only mentions the last four months of the fiscal year in its justification. Given the present uncertainties, the full amount of extraordinary credit opened (BRL 0.5 billion) by MPV No. 1,258 of 2024[39] was considered as a reduction.

Update of Expenditure and Primary Balance Projections for 2025

Considering the submission of the 2025 Annual Budget Bill (PLOA)[40], the IFI presents the estimates for the main components of primary expenditure, as shown in Table 7 below.

[35] Available at: https://tinyurl.com/3pspy5h9.
[36] Available at: https://tinyurl.com/bdfnubz6.
[37] See: https://tinyurl.com/3da65hry.
[38] See: https://tinyurl.com/4n7uhhmb.
[39] Available at: https://tinyurl.com/3jt8thum.
[40] Available at: https://tinyurl.com/4etcspmu.

TABLE 7. EVOLUTION OF THE ESTIMATES FOR THE MAIN COMPONENTS OF PRIMARY EXPENDITURE IN 2025

Item	2025 PLOA		IFI 2025 (Sep/2024)		Difference 2025 PLOA - 2025 IFI (Sep/2024)	
	BRL Bi.	GDP %	BRL Bi.	GDP %	BRL Bi.	GDP %
Net Primary Revenue after Transfers	**2,349.0**	**19.2**	**2,261.6**	**18.5**	**87.4**	**0.7**
Total Primary Expenditure	**2,389.5**	**19.5**	**2,408.7**	**19.7**	**-19.2**	**-0.2**
Social security benefits	**1,007.2**	**8.2**	**1,034.1**	**8.4**	**-26.9**	**-0.2**
Payroll and social charges	**413.2**	**3.4**	**406.9**	**3.3**	**6.3**	**0.1**
Other mandatory expenditure	**419.8**	**3.4**	**403.0**	**3.3**	**16.8**	**0.1**
Salary allowance and unemployment benefit	87.6	0.7	89.8	0.7	-2.2	0.0
Financial support for states and municipalities	7.3	0.1	12.1	0.1	-4.8	-4.8
Continuous cash benefits	118.4	1.0	123.0	1.0	-4.6	0.0
Extraordinary Credit (except PAC)	0.0	0.0	3.0	0.0	-3.0	0.0
Federal Government supplementation to Fundeb	56.6	0.5	56.1	0.5	0.5	0.0
FCDF (Current and Capital)	4.8	0.0	5.7	0.0	-0.9	0.0
Legislative/Judiciary/MPU/DPU (Current and Capital)	20.4	0.2	21.0	0.2	-0.6	0.0
Kandir Law	4.0	0.0	4.0	0.0	0.0	0.0
Court Judgments and Court-ordered Payments (Funding and Capital)	47.1	0.4	59.2	0.5	-12.1	-0.1
Subsidies, grants and Proagro	26.6	0.2	22.6	0.2	4.0	0.0
Other mandatory expenditure	47.0	0.4	6.6	0.1	40.4	0.3
Expenditure Subject to Financial Programming	**549.3**	**4.5**	**564.6**	**4.6**	**-15.4**	**-0.1**
Mandatory expenditure with flow control	**370.7**	**3.0**	**386.1**	**3.2**	**-15.4**	**-0.1**
Public Employee's benefits	22.1	0.2	18.6	0.2	3.5	0.0
Bolsa Família Program	**167.2**	**1.4**	**177.1**	**1.4**	**-9.9**	**-0.1**
Health	163.2	1.3	171.4	1.4	-8.2	-0.1
Education	8.4	0.1	10.0	0.1	-1.6	0.0
Others	9.8	0.1	9.0	0.1	0.8	0.0
Discretionary expenditure	**178.5**	**1.5**	**178.5**	**1.5**	**0.0**	**0.0**
Above-the-line Primary Balance	**-40.4**	**-0.3**	**-147.1**	**-1.2**	**106.6**	**0.9**

Sources: Federal Budget Secretariat (SOF), National Treasury Secretariat (STN) and IFI. Prepared by: IFI.

The initial plan was also to assess the projections for 2026 in this report, considering that this is the first budget submitted based on the Medium-Term Budgetary Framework (MOMP). However, although the PLOA presented various projections for the main components of primary expenditure in 2026, a complete primary balance statement, including all revenues and expenses, was not provided. The IFI has therefore only evaluated data for 2025.

As seen in the table above, there are significant discrepancies between the IFI's projections and the PLOA, starting with the Net Primary Revenue from Transfers, which is estimated to be BRL 87.4 billion lower. Total Primary Expenditure, on the other hand, is estimated to be BRL 19.2 billion higher in the IFI's projections.

As a result, the IFI expects a primary deficit of BRL 147.1 billion, which is BRL 106.6 billion higher than the deficit of BRL 40.4 billion expected by the PLOA. The discrepancies are explained by macroeconomic and fiscal parameters that are less favorable in the IFI's projections.

As an example, the minimum wage is projected at BRL 1,509.00 in the PLOA estimates, while the IFI projects it at BRL 1,517.00, based on an estimated INPC of 4.38% for November 2024, whereas the PLOA uses an INPC of 3.84%.

The sensitivity of primary expenditure to these parameters, according to the Fiscal Risks Annex of the 2025 PLDO[41], is BRL 391.8 million for every BRL 1.00 increase in the minimum wage and BRL 1.1 billion for every 0.1 p.p. increase in the INPC. This means that the difference in expenditure projections, solely due to the combined effect of these two parameters, amounts to BRL 8.2 billion.

Delving into the details for the main fiscal components, an underestimation of BRL 26.9 billion is observed in Social Security Benefits. It is worth noting that the IFI's estimate already accounts for the payment of extraordinary court-ordered debts in 2025, due to ADI 7064 and 7047, which are already reclassified within the respective expenditures.

Personnel expenses, on the other hand, appear to be overestimated by BRL 6.3 billion, an amount close to the overestimation in the 2024 Budget Law (LOA), suggesting that the projection was based on the parameters of the 2024 LOA rather than the 3rd RARDP, indicating a more cautious approach by the PLOA in this case.

Other mandatory expenses are overestimated by BRL 16.8 billion, according to IFI projections. A large part of this difference is due to the way the Special Reserve for Parliamentary Amendments is accounted for, which in the 2025 PLOA is estimated at BRL 39.1 billion.

This results from a directive established since the 2018 Budget Guidelines Law (LDO), which requires the use of the Contingency Reserve, intended for addressing contingent liabilities and other unforeseen fiscal risks and events[42], in accordance with Article 5, item III, subitem b) of the Fiscal Responsibility Law, to accommodate parliamentary amendments. In the 2025 PLDO, this directive is repeated in Article 13, § 5, items I and II. As the IFI already projects financial execution, the amendments are already reclassified within the respective discretionary expenses.

It is interesting to note that the Reserve for Parliamentary Amendments, combined with the spending limit filled with 92% mandatory expenditures, and the requirement that discretionary expenditures meet a minimum level of investment spending since the PLOA, in accordance with Article 10 of Complementary Law No. 200, forces the PLOA to be projected with underestimated mandatory expenditures, which will later be supplemented by blocking discretionary expenditures throughout the fiscal year.

Other mandatory expenditures, such as the salary allowance and unemployment benefit, financial support to States and Municipalities, Continuous Cash Benefits, and court-ordered payments and judgments (current and capital), are also, to a greater or lesser extent, underestimated in the 2025 PLOA.

It is interesting to note that neither the 2025 PLDO nor the 2025 PLOA make any mention of the Fiscal or Financial-Fiscal Benefits Compensation Fund (FCBF), created by Constitutional Amendment No. 132 of 2023. According to Article 12, § 1, item I of Constitutional Amendment No. 132, the Federal Government should allocate BRL 8 billion to the FCBF in 2025, adjusted by the accumulated variation of the IPCA between 2023 and 2024.

Since the FCBF has not yet been regulated, it is possible that the creation of an accounting fund is being planned until 2028, considering that disbursements will only take place between 2029 and 2032. Thus, **the primary impact of the fund would be postponed to 2029**, but it would have a more severe effect on primary expenditure, diverging from the smooth behavior projected by the IFI in Technical Note No. 53[43] of December 2023.

As for **expenditure subject to financial programming**, the table above shows that the IFI's discretionary expenses are in line with those projected in the PLOA. Thus, the difference of BRL 15.4 billion less in the PLOA projection is entirely due to **mandatory expenses with flow control**, notably the Bolsa Família Program.

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[41] Available at: https://tinyurl.com/y4z4bnxn.
[42] The Federal Accounting Court (TCU), through Decision 2937/2018-TCU-Plenary and Decision 521/2024-TCU-Plenary, has already established that the misuse of the Contingency Reserve undermines the Federal Government's ability to promote fiscal sustainability, referred to as the indefinite non-growth of public debt as a proportion of GDP. Available at: https://tinyurl.com/32v6mpbm e https://tinyurl.com/m9j424s3.
[43] Available at: https://tinyurl.com/3ra7jrwn.

Unlike the PLOA, the IFI has already projected the impact of fully funding the "**Auxílio Gás" Program** [Gas Assistance] entirely from the budget, given the signs presented by the economic team[44] that the program's removal from the budget would be reversed.

It should be added that the real impact of the announced spending review programs is still unclear. The 2025 PLDO presented[45] an initial version of the "Recommendations Resulting from the Public Policy Evaluation," which, if fully implemented, would represent savings of BRL 37.3 billion from 2025 to 2028.

Subsequently, the "Revisar para Repriorizar" Program [Revise to Reprioritize Program][46] projected savings of BRL 25.9 billion in 2025 alone, more than four times higher than what was presented in the 2025 PLDO. Given the difficulty in testing the presented estimates, **the savings amounts were not incorporated into the baseline scenario** shown in the table above.

Thus, a significant portion of the discrepancies in mandatory expenses, in addition to the issue of the reserve for amendments, may be related to the full incorporation of these measures in the projection presented in the 2025 PLOA. It is therefore possible that in future spending reviews for 2025, at least part of the announced savings will be incorporated into the IFI's baseline scenario.

Finally, regarding the achievement of fiscal targets, IFI's projections indicate a shortfall of BRL 72 billion beyond the lower limit of the target, already accounting for BRL 44.1 billion in extraordinary court-ordered payments to be made next year, suggesting that this would be the amount requiring spending cuts.

Given that discretionary expenses have already been projected at the minimum required to maintain the administrative machinery, due to the growth in mandatory expenses, if the IFI's projections materialize, **there would be no room for spending cuts in 2025.**

Conclusion

IFI's fiscal projections for 2024 and 2025 indicate that if no additional measures are taken, the zero primary balance targets set in both the 2024 Budget Guidelines Law (LDO) and the 2025 Budget Guidelines Bill (PLDO) will not be met. In addition, the expected fiscal result for 2025 will be worse than that projected for 2024. It is worth noting that the targets in the 2025 PLDO have already been reduced compared to those projected in the 2024 PLDO, reinforcing the perception of fiscal policy deterioration.

The removal of public policies from the budget, for implementation through parafiscal mechanisms, such as the "Pé-de-Meia" Program in 2024 and, eventually, the "Auxílio Gás" Program and the Compensation Fund for Tax or Financial-Fiscal Benefits in 2025, contribute to the loss of credibility of the fiscal framework.

Additionally, the underestimation of expenses, notably for social security and assistance benefits, the uncertainties regarding the increasing deductions from fiscal targets, and the shift in fiscal policy orientation towards merely achieving the lower limit of the target, cast significant doubts on the trajectory of public debt sustainability.

The results of the spending review programs, which are modest in the face of the challenges posed, combined with revenue shortfalls compared to the projections in the LOA, indicate the need for structural reforms. As seen in RAF No. 91[47], of August 2024, preserving the Sustainable Fiscal Regime necessarily requires a review of expenses associated with public policies that automatically increase due to mandatory earmarking.

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[44] Available at: https://tinyurl.com/3szwdfv2.
[45] According to Annex IV.5 of the 2025 PLDO, page 40, previously mentioned.
[46] Available at: https://tinyurl.com/4myvxkan.
[47] Available at: https://tinyurl.com/4ed6vwvc.

Public Debt: Recent developments and short-term outlook

The general government's gross debt (DBGG) has been on an upward trend in recent years as a result of recurring fiscal deficits. Stabilizing the DBGG is now a priority within the Sustainable Fiscal Regime (RFS), which links primary balance targets to debt. The IFI's scenario review points out that debt will continue to grow in the short term, requiring stricter and more structural fiscal adjustments. The scenario of high interest rates and a smaller contribution of nominal GDP growth to the debt exacerbates the short-term fiscal challenge.

Introduction

Projecting scenarios for Gross General Government Debt (DBGG) is crucial to understanding the sustainability of public finances and the challenges the government faces in keeping its indebtedness under control. As part of the fiscal rules, the Sustainable Fiscal Regime (RFS), established by Complementary Law No. 200 of 2023, formally incorporated the DBGG indicator into the new fiscal framework. Now, the primary balance targets must be compatible with stabilizing gross debt in relation to GDP over a 10-year horizon[48].

Despite the complexities of the aforementioned rule, developing scenarios for the gross debt is useful for better understanding the fiscal performance of the public sector. To reinforce the importance of public debt projections, it is worth mentioning that unsustainable debt growth could jeopardize the country's fiscal space, increasing the risk of a crisis of confidence or the need for stricter fiscal adjustments.

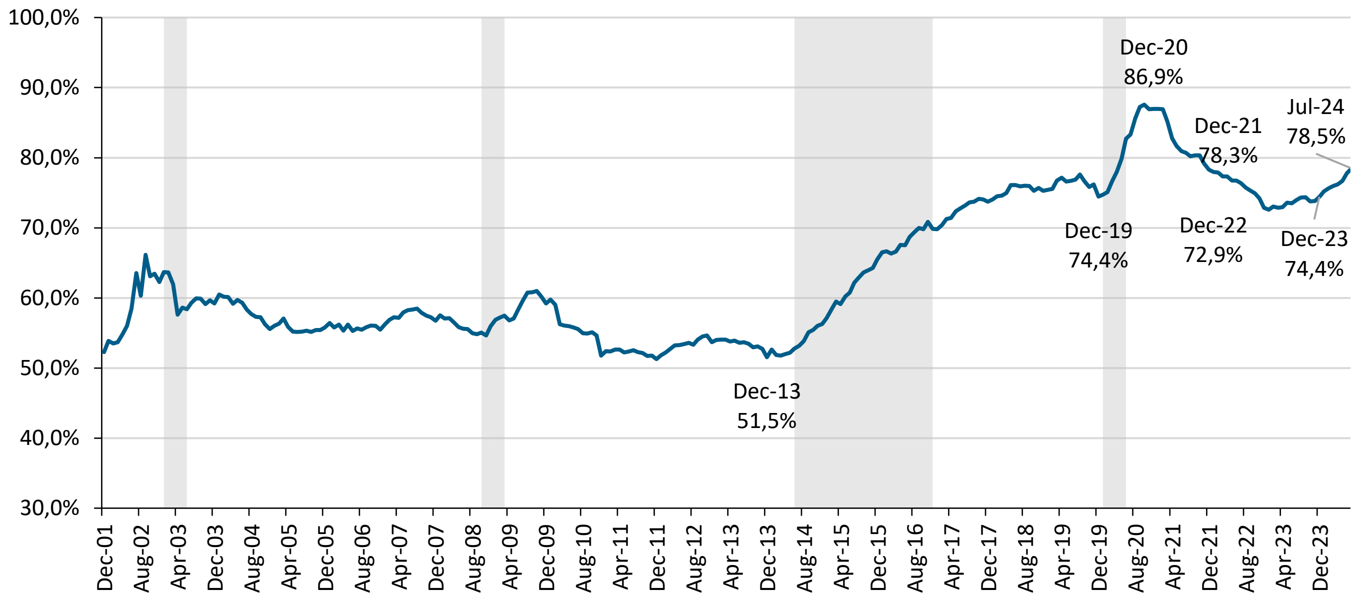
Before going into the prospective figures, it is important to carry out an in-depth analysis of the composition and recent evolution of the public debt. Graph 8 shows the evolution of the General Government Gross Debt, as calculated by the Central Bank, along with recession markers for the period from December 2001 to July 2024. It can be seen that gross debt grew sharply between 2014 and 2016, with further increases until 2018, when it showed relative stability.

This process of debt control lasted until the end of 2019, when the DBGG reached 74.4% of GDP. The 2020 pandemic caused a temporary increase in government indebtedness, since much of the spending needed to deal with the crisis came from issuing public debt bonds. The years 2021 and 2022 saw a reduction in debt, with the DBGG reaching levels below the pre-pandemic period (72.9% of GDP). The main factor contributing to this debt reduction was the GDP growth during those two years.

The worsening fiscal deficit and the monetary tightening implemented by the Central Bank led to a reversal of the declining trajectory of public debt. In 2023, DBGG was at the same level as in 2019 (pre-pandemic year) and the most recent data shows the debt reaching one of the highest levels in the historical series, with only 2020 and part of 2021 as exceptions.

[48] Article 11 of Complementary Law No. 200, of 2023, amended Article 4, item III, paragraph 5, of the Fiscal Responsibility Law (LRF) to establish that the fiscal targets annex of the Federal Government's Budget Guidelines Law (LDO) must include "the expected effect and the compatibility, over a period of 10 (ten) years, of meeting the primary balance targets on the convergence trajectory of public debt, highlighting the level of fiscal results consistent with the stabilization of the General Government Gross Debt (DBGG) relative to the Gross Domestic Product (GDP)'. See: https://www.planalto.gov.br/ccivil_03/leis/lcp/lcp200.htm.

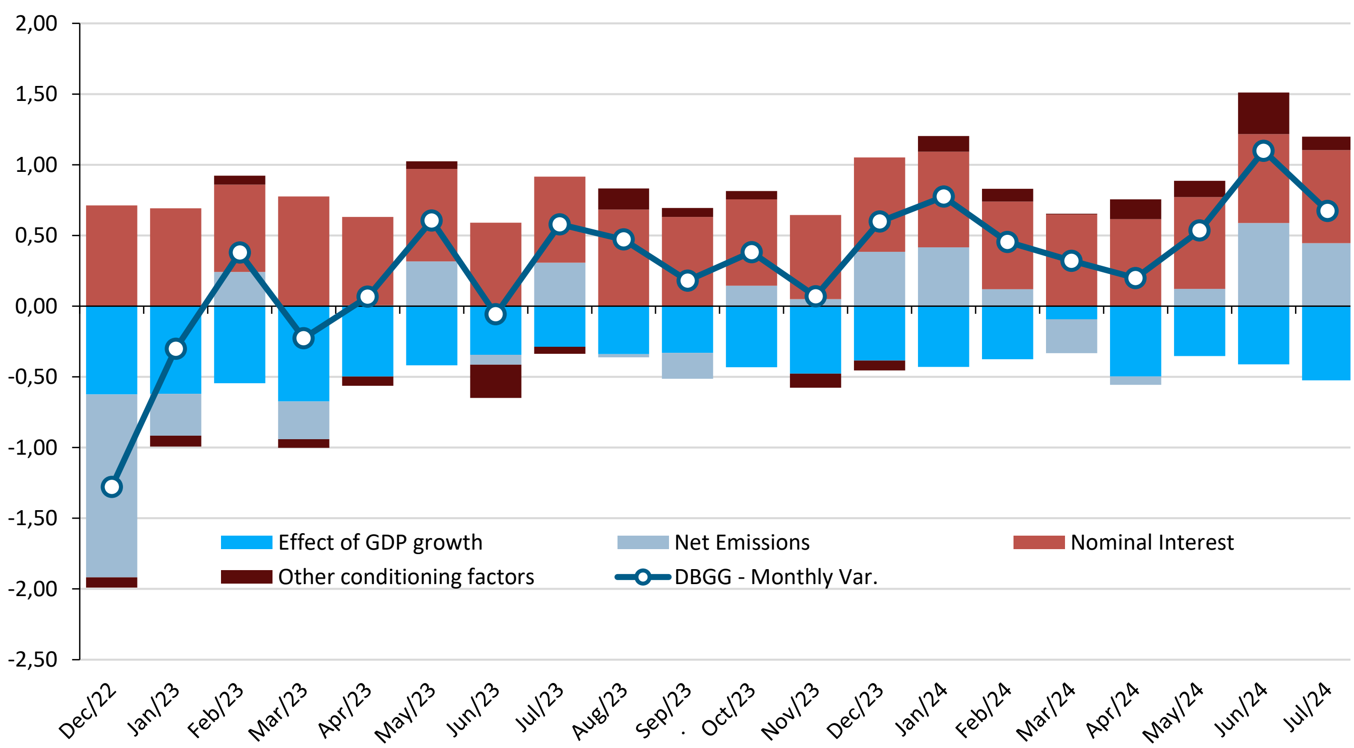
GRAPH 8 GENERAL GOVERNMENT GROSS DEBT (% OF GDP)



Fonte: Banco Central do Brasil, CODACE e IFI. Elaboração: IFI.

To understand the escalation of the debt over the last two years, an analysis of its composition is necessary. Thus, analyzing the composition of the debt through its conditioning factors, there is pressure from net issuances in 2024, accompanied by a still significant effect of nominal interest rates — see Graph 9. The graph below also illustrates the impact that nominal GDP growth has on the variation of the gross debt.

GRAPH 9 MONTHLY EVOLUTION OF DBGG CONDITIONING FACTORS (P.P. OF GDP)



Source: Central Bank of Brazil. Prepared by: IFI.

Table 8 shows, on a year-to-date basis, the composition of the DBGG conditioning factors for the months of December from 2019 to 2023 and for July 2024.

TABLE 8. DBGG CONDITIONING FACTORS -YEAR-TO-DATE (% AND P.P. OF GDP)

	2019	2020	2021	2022	2023	Jul/24
DBGG - Balance (% of GDP)	**74.4**	**86.9**	**77.3**	**71.7**	**74.4**	**78.5**
DBGG - Year-to-date variation	**-0.8**	**12.5**	**-9.6**	**-5.6**	**2.7**	**4.1**
Conditioning Factors:	**3.1**	**14.7**	**3.9**	**2.6**	**7.9**	**6.6**
Financing needs - DBGG	2.9	13.4	3.5	2.9	8.1	5.8
Net emissions	-2.7	8.8	-2.0	-4.4	0.6	1.4
Nominal interest	5.5	4.6	5.5	7.3	7.5	4.4
Exchange Rate Adjustment on DBGG	0.2	1.3	0.4	-0.3	-0.3	0.7
foreign exchange-linked domestic debt	0.0	0.2	0.0	0.0	0.0	0.1
External debt - methodological	0.1	1.1	0.3	-0.3	-0.3	0.6
External debt - other adjustments 3/	-0.1	0.0	-0.1	-0.1	-0.1	-0.1
Debt recognition	0.1	0.0	0.1	0.1	0.1	0.2
Privatization	0.0	0.0	0.0	0.0	0.0	0.0
Effect of GDP growth on debt	**-3.9**	**-2.2**	**-13.5**	**-8.2**	**-5.1**	**-2.6**

Source: Central Bank of Brazil. Prepared by: IFI.

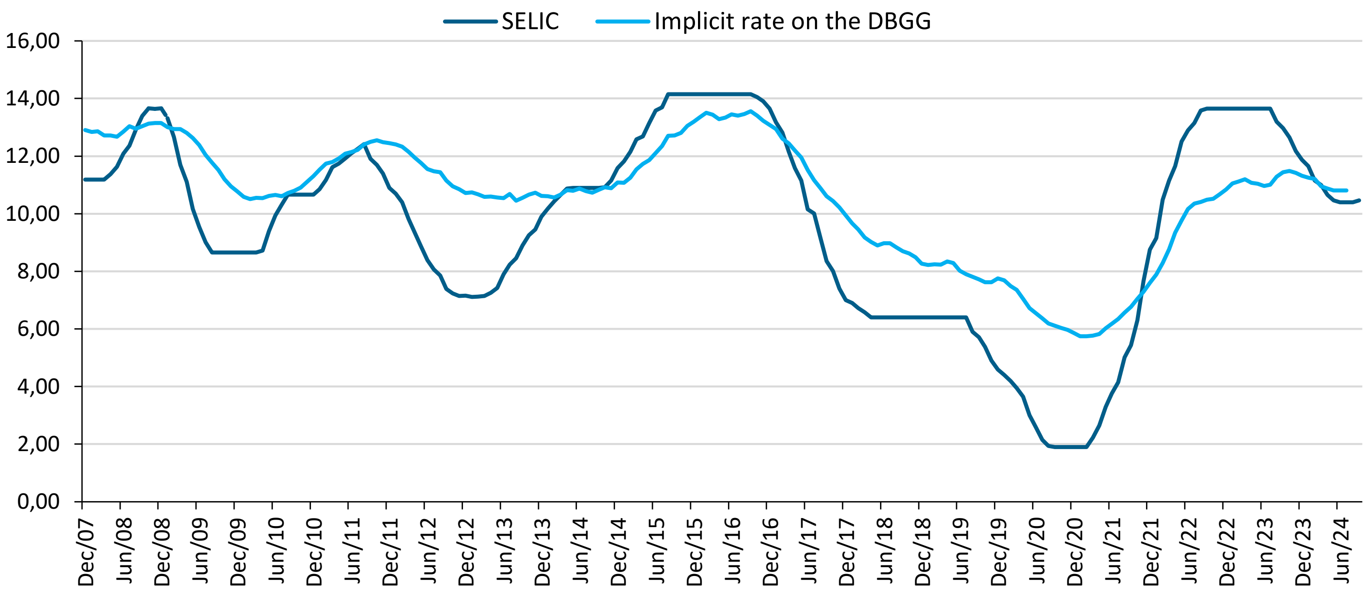
It can be observed that while the debt growth for the entire year of 2023 was 2.7 percentage points (p.p.) of GDP, in the year-to-date for the first seven months of 2024, this increase has already reached 4.1 p.p. of GDP. It is noted that the effect of the factors driving debt growth is smaller than observed in 2023—6.6% of GDP in 2024, compared to 7.9% in 2023. However, the impact of nominal GDP growth on the debt has contributed less in 2024 compared to previous years.

Net issuances in the year-to-date for 2024 also show a greater debt-increasing effect compared to 2023, highlighting the impact of the escalating fiscal deficit on the debt. Nominal interest rates, on the other hand, amounted to 4.4% of GDP in 2024 up to July, compared to 7.5% of GDP for the entire year of 2023.

In addition to the composition of the debt through its conditioning factors, the duration, or average maturity of the debt, is also an important indicator for measuring the government's resilience regarding the refinancing of its obligations. A longer average maturity indicates that the government has more time to manage its debt, reducing the need for short-term refinancing, which is especially important during times of crisis or rising interest rates. However, to extend the debt's maturity, the government may need to offer higher risk premiums to investors, which increases the average cost of the debt in the short term.

The average cost of debt is another key factor in analyzing public debt sustainability, representing the amount the government pays annually to service its debt, including interest and amortizations. This cost is influenced by various factors, such as the composition of the debt, the behavior of domestic and foreign interest rates, inflation and investors' perception of risk. To reflect this factor, it can be observed from Graph 10 below a reduction in the evolution of the implicit interest rate on the DBGG. With the start of a new cycle of SELIC rate hikes, it is possible that this indicator will rise again in the short term.

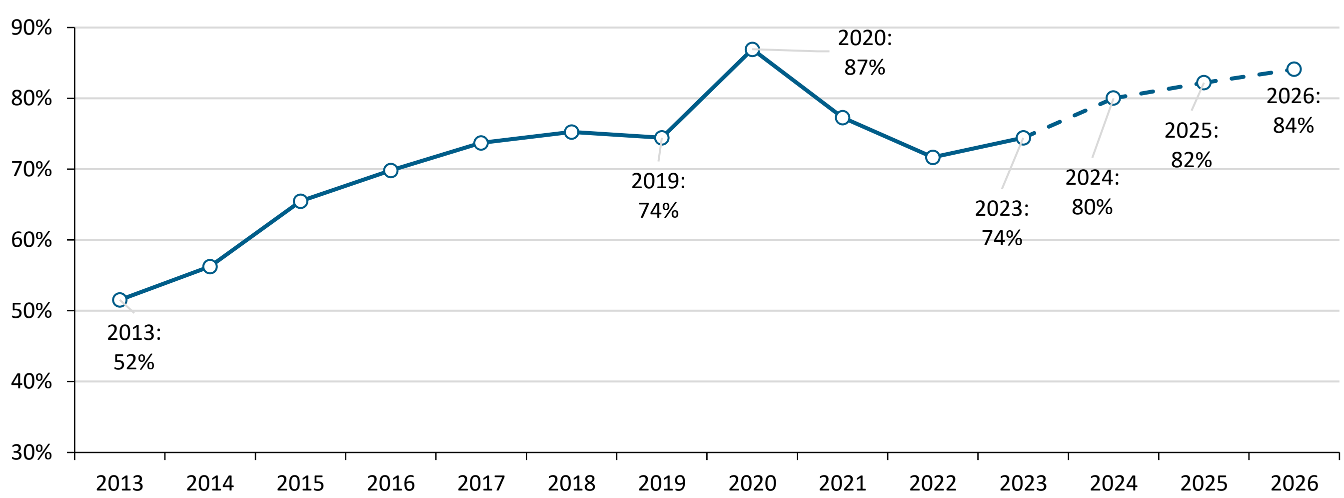
GRAPH 10. IMPLICIT INTEREST RATE ON THE DBGG AND SELIC (NOMINAL% P.A.)



Fonte: Banco Central do Brasil. Elaboração: IFI.

Considering the macroeconomic parameters presented in the first section and the expected trajectory of the public sector's primary balances, the DBGG is projected to increase as a proportion of GDP in the coming years—see Graph 11. Such an increase in debt highlights the challenges in meeting the central government's current primary balance targets, which fundamentally depend on raising primary revenues.

GRAPH 11. DBGG SCENARIO AS A % OF GDP



Fonte: Banco Central do Brasil e IFI. Elaboração: IFI.

Table 9 updates the exercise regularly presented by the IFI to illustrate the primary balance required to stabilize the DBGG as a proportion of GDP, given different scenarios for the implicit interest rate on the debt and GDP growth. In this case, the goal is to stabilize the debt at 78.5% of GDP, which was the level of the indicator in July of this year. Table 9 shows that the higher the interest rate and the lower the economic growth, the greater the primary balance required to keep public debt stable. Conversely, higher economic growth and lower interest rates reduce the primary balance needed to maintain debt stability

TABLE 9. CONDITIONING FACTORS OF DBGG - YEAR-TO-DATE (% AND P.P. OF GDP)

DBGG in t		Real Implicit Interest Rate on the DBGG							
78.5%		0.5%	1.0%	2.0%	3.5%	4.2%	4.5%	5.0%	5.5%
Real GDP (% p.a.)	0.5%	0.0%	0.4%	1.2%	2.3%	2.9%	3.1%	3.5%	3.9%
	1.0%	-0.4%	0.0%	0.8%	1.9%	2.5%	2.7%	3.1%	3.5%
	1.5%	-0.8%	-0.4%	0.4%	1.5%	2.1%	2.3%	2.7%	3.1%
	2.2%	-1.3%	-0.9%	-0.2%	1.0%	1.5%	1.7%	2.1%	2.5%
	2.5%	-1.5%	-1.1%	-0.4%	0.8%	1.3%	1.5%	1.9%	2.3%
	3.0%	-1.9%	-1.5%	-0.8%	0.4%	0.9%	1.1%	1.5%	1.9%
	3.5%	-2.3%	-1.9%	-1.1%	0.0%	0.5%	0.8%	1.1%	1.5%

Source: IFI.

In the scenario review presented in June 2024, the IFI projected the gross debt at 78.0% of GDP for 2024. Now, the projection for the indicator is 80.0% of GDP at the end of the year (Graph 11). This revision was driven by: (i) the recent debt trajectory; (ii) the high-interest rate scenario; and (iii) the expectation of a slight deterioration in the consolidated public sector primary deficit for 2024, now at 0.8% of GDP, compared to the 0.7% deficit expected in June. Although the projection for the consolidated public sector primary deficit remained relatively stable compared to the last scenario review for 2024, in the medium term, the IFI estimates an increase in this deficit due to the worsening trajectory of the central government's primary balances.

Finally, Table 10 presents the main economic and fiscal assumptions influencing the gross debt scenario.

TABLE 10. MAIN MACROECONOMIC AND FISCAL ASSUMPTIONS FOR DEBT SCENARIOS – AVERAGES FROM 2024 TO 2026 – IN IFI'S BASELINE SCENARIOS

Baseline scenario		
	Jun/24	Sep/24:
Public Sector Primary Balance (BRL billion)	-92.8	-135.7
Public Sector Primary Balance (% of GDP)	-0.8%	-1.1%
Nominal GDP (BRL billion)	12,288	12,283
Real GDP growth (%)	2.1%	2.3%
Real implicit interest rate on debt (% p.a.)	5.9%	6.4%
Gross debt (% of GDP)	**81.1%**	**82.1%**

Source: IFI.

IFI projections

SHORT TERM

IFI projections	2024			2025		
	Jul/24	Aug/24	Comparision	Jul/24	Aug/24	Comparision
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	=
Dívida Bruta do Governo Geral (% do PIB)	78,02	78,02	=	81,28	81,28	=

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