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*Vol. 24, N.8 August/2018*

# National Treasury Fiscal Balance

**Brasília, September 2018**

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# Summary

<b>Central Government Primary Balance Overview</b>	<b>3</b>
<b>Yearly Balance</b>	<b>4</b>
<b>Overview</b>	<b>4</b>
<b>Central Government Revenue</b>	<b>5</b>
<b>Transfers by Revenue Sharing</b>	<b>7</b>
<b>Central Government Expenditure</b>	<b>8</b>
<b>Social Security</b>	<b>11</b>
<b>Monthly Balance Compared to the Same Month of the Previous Year</b>	<b>12</b>
<b>Central Government Revenue</b>	<b>13</b>
<b>Transfers by Revenue Sharing</b>	<b>14</b>
<b>Central Government Expenditure</b>	<b>15</b>
<b>Social Security</b>	<b>16</b>
<b>Monthly Balance Compared to the Previous Month</b>	<b>17</b>
<b>Overview</b>	<b>17</b>
<b>Central Government Revenue</b>	<b>18</b>
<b>Transfers by Revenue Sharing</b>	<b>19</b>
<b>Central Government Expenditure</b>	<b>20</b>
<b>Social Security</b>	<b>22</b>

# Central Government Primary Balance Overview

Table 1.1 - Central Government Primary - Brazil - 2017/2018

current prices

	Jan-Aug					August				
	R\$ Million		Variation (2018/2017)			R\$ Million		Variation (2018/2017)		
	2017	2018	Difference	% Nominal	% Real	2017	2018	Difference	%	% Real
I. Total Revenue	882.460,9	971.882,6	89.421,6	10,1%	6,6%	109.667,9	114.894,0	5.226,1	4,8%	0,5%
II. Transfers by Revenue Sharing	154.094,8	171.802,1	17.707,3	11,5%	7,9%	18.105,6	22.434,5	4.328,9	23,9%	18,9%
III. Net Revenue (I-II)	728.366,2	800.080,5	71.714,3	9,8%	6,3%	91.562,3	92.459,5	897,2	1,0%	-3,1%
IV. Total Expenditure	815.110,4	862.658,4	47.548,0	5,8%	2,4%	101.673,3	112.192,8	10.519,6	10,3%	5,9%
V. Sovereign Fund of Brazil - FSB	0,0	4.021,0	4.021,0	-	-	0,0	0,0	0,0	-	-
VI. Central Government Primary Balance (III -	-86.744,2	-58.557,0	28.187,3	-32,5%	-35,2%	-10.111,0	-19.733,4	-9.622,4	95,2%	87,3%
National Treasury and Central Bank	26.528,4	64.828,7	38.300,3	144,4%	136,6%	6.777,6	-1.716,2	-8.493,8	-	2,6%
Social Security (RGPS)	-113.272,6	-123.385,7	-10.113,1	8,9%	5,4%	-16.888,6	-18.017,2	-1.128,6	6,7%	2,4%
VII. Primary Balance/GDP	-2,0%	-1,3%	-	-	-	-	-	-	-	-
Memo:										
National Treasury Primary Balance	27.080,4	65.277,7	38.197,3	141,1%	133,4%	6.863,9	-1.749,5	-8.613,4	-	-
Central Bank Primary Balance	-552,1	-449,0	103,1	-18,7%	-21,1%	-86,3	33,3	119,6	-	-
Social Security Primary Balance	-113.272,6	-123.385,7	-10.113,1	8,9%	5,4%	-16.888,6	-18.017,2	-1.128,6	6,7%	2,4%

In August 2018, the Central Government's primary result, at current prices, was a deficit of R\$ 19.7 billion against a deficit of R\$ 10.1 billion in August 2017. In real terms, net revenue decreased 3.1 % while total expenses increased by 5.9%. The reduction in net revenue was conditioned by the growth of transfers by revenue sharing (18.9% in real terms), while the increase in expenses was mainly determined by the growth of discretionary expenses and electoral campaign funding.

Compared to the accumulated until August 2017, at current prices, the result of the Central Government went from a deficit of R\$ 86.7 billion in 2017 to a deficit of 58.6 billion in 2018. In real terms, net revenue increased by 6,3% while spending grew 2.4%. The increase in revenue is due to changes in the PIS / Cofins legislation, the collection of the PRT/PERT and the improvement of the main macroeconomic indicators that influence the collection. There is also a positive effect of R\$ 4.0 billion referring to the redemption of FFIE quotas.

# Yearly Balance

## Overview

**Table 1.2 - Central Government Primary Balance - Brazil - 2017/2018**

*R\$ million - at constant prices Aug/2018- IPCA*

	Jan-Aug		Variation	
	2017	2018	Difference	% Real
I. Total Revenue	924.372,4	985.023,0	60.650,7	6,6%
I.1 Revenues Collected by the Federal Revenue Office	572.929,7	614.972,8	42.043,1	7,3%
I.2 Fiscal Incentives	-18,2	-12,2	6,0	-
I.3 Net Social Security Revenues	245.775,2	247.109,6	1.334,4	0,5%
I.4 Revenues not Collected by the Federal Revenue Office	105.685,7	122.952,8	17.267,1	16,3%
II. Transfers by Revenue Sharing	161.394,0	174.068,0	12.674,0	7,9%
III. Net Revenue (I-II)	762.978,4	810.955,0	47.976,7	6,3%
IV. Total Expenditure	853.576,3	873.775,9	20.199,6	2,4%
IV.1 Social Security Benefits	364.371,1	372.096,2	7.725,1	2,1%
IV.2 Payroll	194.708,2	196.856,7	2.148,5	1,1%
IV.3 Other Compulsory Expenses	137.369,7	132.792,4	-4.577,4	-3,3%
IV.4 Discretionary Expenses - All Branches	157.127,3	172.030,6	14.903,3	9,5%
V. Sovereign Fund of Brazil - FSB			-	-
VI. Central Government Primary Balance (III - IV + V)	-90.598,0	-58.746,1	31.851,9	-
National Treasury and Central Bank	27.998,0	66.240,6	38.242,6	136,6
Social Security (RGPS)	-118.595,9	-124.986,6	-6.390,7	5,4%
Memo:				
National Treasury Primary Balance	28.575,7	66.696,4	38.120,7	133,4
Central Bank Primary Balance	-577,7	-455,9	121,9	-
Social Security Primary Balance	-118.595,9	-124.986,6	-6.390,7	5,4%

At August 2018 prices, compared to 2017, there was an improvement of R\$ 31.9 billion in the Central Government's accumulated primary result, which went from a deficit of R\$ 90.6 billion in 2017 to a deficit of R\$ 58.7 billion in 2018. This improvement was mainly due to the growth in net revenue (6.3%) in a rate higher than the increase in total expenses (2.4%).

Regarding the increase in revenue, we highlight:

- increase in the PIS/Cofins tax collection due to a large increase in the tax rate on fuels (Decree 9.101/17);
- performance of the collection associated with the special installments, PERT and PRT programs; and
- the improvement in economic activity and in the macroeconomic indicators that influence the collection.

Primary expenditure, on the other hand, is still under pressure due to increases in social security benefits and personnel expenses. There was also an increase in discretionary expenses.

## Central Government Revenue

**Tabela 1.3 - Central Government Primary Revenues - Brazil - 2017/2018**

*R\$ million - at constant prices Aug/2018- IPCA*

	Jan-Aug		Variation	
	2017	2018	Difference	% Real
I. Total Revenue	924.372,4	985.023,0	60.650,7	6,6%
I.1 Revenues Collected by the Federal Revenue Office	572.929,7	614.972,8	42.043,1	7,3%
Import Tax	21.630,1	27.315,3	5.685,2	26,3%
Industrialized Products Tax (IPI)	30.145,0	36.764,0	6.619,0	22,0%
Income tax (IR)	245.232,7	248.322,1	3.089,4	1,3%
Tax on Credit Operations, Exchange and Insurance (IOF)	23.930,2	24.296,2	366,1	1,5%
Contribution to Social Security Financing (COFINS)	142.454,4	166.526,2	24.071,9	16,9%
PIS/Pasep	38.443,3	44.118,1	5.674,8	14,8%
Social Contribution on Net Corporate Profits (CSLL)	52.121,7	56.423,7	4.301,9	8,3%
Provisional Contribution on Financial Operations (CPMF)	0,0	0,0	0,0	-
CIDE - Fuels	4.021,3	3.035,2	-986,0	-24,5%
Other	14.951,1	8.172,0	-6.779,2	-45,3%
I.2 Fiscal Incentives	-18,2	-12,2	6,0	-33,1%
I.3 Net Social Security Revenues	245.775,2	247.109,6	1.334,4	0,5%
Urban	239.664,3	240.319,4	655,1	0,3%
Rural	6.110,8	6.790,2	679,4	11,1%
I.4 Revenues Not Collected by the Federal Revenue Office	105.685,7	122.952,8	17.267,1	16,3%
Concessions and Permissions	5.000,1	10.267,8	5.267,8	105,4%
Dividends	4.856,5	6.352,5	1.495,9	30,8%
Contribution to Civil Service Social Security (CPSS)	8.794,8	8.629,4	-165,4	-1,9%
Financial Compensation Quotas	26.051,1	39.738,0	13.686,9	52,5%
Own Revenues (source codes 50, 81 and 82)	9.491,9	10.041,4	549,5	5,8%
Education-Salary (social contribution for education)	14.345,7	14.246,2	-99,6	-0,7%
FGTS Complement (LC nº 110/01)	3.222,2	3.455,4	233,3	7,2%
Assets Operations	731,5	748,6	17,1	2,3%
Other Revenues	33.191,8	29.473,5	-3.718,2	-11,2%

The total revenue of the Central Government increased by R\$ 60.7 billion (7.4%) compared to accumulated until August 2017. This performance was due to the increase of R\$ 42.0 billion (7.3%) in revenues collected by RFB along with an increase of R\$ 17.3 billion (16.3%) in revenues not collected by RFB and an increase of R\$ 1.3 billion (0.5%) in net social security revenues.

It should be noted that in revenues administered by RFB there was reclassification of the stock of special installments not reclassified in November 2017 (see reports for November/2017 and Dec/2017). This reclassification, although does not impact the total revenue it influences its composition, mainly, increasing income tax, Cofins, PIS/PASEP and CSLL and reducing other revenues.

In addition to this effect, the main factors of variation of revenue managed by the RFB were:

- increase of R\$ 24.1 billion (16.9%) in Cofins and R\$ 5.7 billion (14.8%) in PIS/Pasep resulting from the combined effect on the of PIS/Cofins tax rates on the fuels (Decree 9.101/17), increase of volume of sales of goods (real increase of 5.62% - PMC-IBGE);
- increase of R\$ 6.6 billion (22.0%) in IPI influenced mainly by growth of 2.76% in industrial production from December 2017 to July 2018 compared to production from December 2016 to

July 2017;

- increase of R\$ 4.9 billion (26.3%) in the Import Tax, mainly due to the 9.5% increase in the average exchange rate, a reduction in the average effective tax rate and an increase of 25.7% in the dollar value of imports;
- step up of R\$ 4.3 billion (8.3%) in CSLL, due to the growth in revenues related to the monthly estimate of non-financial corporations; and
- increase of R\$ 3.1 billion (1.3%) in the Income Tax, which was determined by the increase in IRPJ collection (R\$ 2.7 billion); and

**Table 1.4 - Dividends - Brazil - 2017/2018**

*R\$ million - at constant prices Aug/2018- IPCA*

	Jan-Aug	
	2017	2018
Banco do Brasil	855,9	1.306,1
BNB	105,5	79,4
BNDES	3.574,4	1.522,6
Caixa	0,0	2.846,5
Correios	0,0	0,0
Eletrobrás	0,0	0,0
IRB	55,1	61,0
Petrobras	0,0	376,9
Others	265,6	160,0
<b>Total</b>	<b>4.856,5</b>	<b>6.352,5</b>

It should also be noted that, for the period, there was an increase of R\$ 10.2 billion related to the Tax Regularization Program (PERT), instituted through Law 13496/17, whose effect is distributed in different items of income (Income Tax, IPI, COFINS and CSLL), PRT and other installments of the Active Debt.

Revenues not collected by RFB increased by R\$ 16.8 billion (19.0%) when compared to the same period of 2017. This increase is mainly explained by the increase of R\$ 13.7 billion in financial quotas compensation due to the increase in the exchange rate and international oil prices and to an increase of R\$ 5.3 billion in Concessions and Permissions due to the payment in August 2018 of R\$ 7.0 billion referring to the 15<sup>th</sup> round of oil and gas concession.

## Transfers by Revenue Sharing

**Table 1.5 - Transfers by Revenue Sharing - Brazil - 2017/2018**

*R\$ million - at constant prices Aug/2018- IPCA*

	Jan-Aug		Variation	
	2017	2018	Difference	%
II. Transfers by Revenue Sharing	161.394,0	174.068,0	12.674,0	7,9%
II.1 FPM / FPE / IPI-EE	129.393,9	134.858,6	5.464,7	4,2%
II.2 Constitutional Funds	5.609,6	5.515,6	-94,0	-1,7%
Total Transfer	8.303,2	8.664,8	361,6	4,4%
Funds Surplus	-2.693,5	-3.149,2	-455,7	16,9%
II.3 Education-Salary (social contribution for education)	8.586,4	8.566,2	-20,2	-0,2%
II.4 Financial Compensations	16.114,4	23.604,8	7.490,4	46,5%
II.5 CIDE - Fuels	1.315,6	1.186,8	-128,8	-9,8%
II.6 Other	374,1	336,0	-38,1	-

Obs.: Data subject to change.

Transfers by revenue sharing have increased of R\$ 12.7 billion (7.9%), compared to the accumulated until August 2017, from R\$ 161.4 billion in 2017 to R\$ 174.1 billion in 2018. The main variations in the period were:

- increase of R\$ 5.5 billion (4.2%) in of FPM/FPE/IPI-EE, reflecting the increase in taxes shared (IR and IPI); and
- R\$ 7.5 billion (46.5%) increase in Financial Compensation, due to the factors previously explained on the performance of Financial Compensation revenues.

## Central Government Expenditure

**Table 1.6 - Central Government Primary Expenditure - Brazil - Brasil - 2017/2018**

*R\$ million - at constant prices Aug/2018- IPCA*

	Jan-Aug		Variation	
	2017	2018	Difference	% Real
IV. Total Expenditure	853.576,3	873.775,9	20.199,6	2,4%
IV.1 Social Security Benefit	364.371,1	372.096,2	7.725,1	2,1%
IV.1.1 Social Security Benefit - Urban	284.240,3	291.964,9	7.724,6	2,7%
IV.1.2 Social Security Benefit - Rural	80.130,8	80.131,3	0,6	0,0%
IV.2 Payroll	194.708,2	196.856,7	2.148,5	1,1%
IV.3 Other Compulsory Expenses	137.369,7	132.792,4	-4.577,4	-3,3%
Salary Allowance and Unemployment Benefit	39.020,4	37.530,7	-1.489,7	-3,8%
Assistance Benefits (LOAS/RMV)	37.411,7	37.822,6	410,9	1,1%
FGTS Complement (LC nº 110/01)	3.222,2	3.450,0	227,8	7,1%
Extraordinary credits (excluding PAC)	555,0	267,6	-287,3	-
(MP) 540/11, 563/12, 582/12 Exoneration	10.793,8	9.822,8	-971,0	-9,0%
FUNDEB (Federal Complementation)	10.008,4	10.115,4	106,9	1,1%
Federal District (DF) Constitutional Fund	0,0	1.715,2	1.715,2	-
Judicial Remedies	10.534,3	13.462,5	2.928,2	27,8
Subsidies and Grants	18.229,8	12.440,8	-5.789,0	-
FIES primary impact (Student Funding)	3.125,9	2.057,8	-1.068,1	-
Others	4.468,1	4.106,9	-361,2	-8,1%
IV.4 Discretionary Expenses - All Branches	157.127,3	172.030,6	14.903,3	9,5%
Executive Branch Discretionary Expenses	149.710,8	163.956,3	14.245,5	9,5%
PAC (Growth Acceleration Program)	14.799,4	13.910,3	-889,1	-6,0%
o/w "Minha Casa Minha Vida - MCMV" Program	1.958,7	1.793,7	-165,0	-8,4%
Issuance of Agricultural Debt Securities (TDA)	31,0	25,5	-5,5	-
Donations and Agreements	0,0	146,9	146,9	-
Other Executive Branch Discretionary Expenses	134.880,4	149.873,6	14.993,2	11,1
Legislative and Judiciary Branches and Prosecutor's Office	7.416,5	8.074,3	657,8	8,9%
Memo:				
Other Current and Capital Expenditures	199.245,9	216.496,5	17.250,7	8,7%
Other Current Expenditures	175.418,0	187.775,7	12.357,6	7,0%
Other Capital Expenditures	23.827,8	28.720,9	4.893,1	20,5

The total expenditure of the Central Government until August 2018 reached R\$ 873.8 billion, 2.4% above that observed in the same period of 2017, when expenses totaled R\$ 853.6 billion.

This variation is due to the combined increase of:

- Increase of R\$ 7.7 billion (2.1%) in Benefits Social Security;
- Growth of R\$ 2.1 billion (1.1%) in Payroll;
- Increase R\$ 14.9 billion (9.5%) in Discretionary Expenses; and
- Reduction of R\$ 4.6 billion Other Expenses Compulsory (3.3%).

The reduction in subsidies and grants (R\$ 5.8 billion) is a result of the rationalization of subsidies expenditures. The decrease in unemployment benefits and insurance (R\$ 1.8 billion) were partially offset by the increase in other compulsory – judicial remedies expenses (R\$ 2.9 billion).

**Table 1.7 - Other Executive Branch Discretionary Expenses - Brazil - 2017/2018***R\$ million - at constant prices Aug/2018- IPCA*

	Jan-Ago		Variation	
	2017	2018	Difference	% Real
Total	134.880,4	149.873,6	14.993,2	11,1%
Ministry of Health	66.397,6	72.704,0	6.306,4	9,5%
Ministry of Education	19.438,8	19.215,5	-223,3	-1,1%
Ministry of Social Development	22.595,5	23.197,2	601,7	2,7%
Ministry of Defense	8.011,1	10.571,4	2.560,3	32,0%
Ministry of Science and Technology	2.472,0	2.308,6	-163,4	-6,6%
Other	15.965,5	21.877,0	5.911,5	37,0%

Discretionary expenditures - all branches increased by R\$ 14.9 billion (11.1%), explained almost entirely by the increase in other discretionary expense, which accounted for the current expenses and investment of the ministries and for mandatory parliamentary amendments.

The amount of remnants to be paid (PR) paid (excluding financial PR) up to August 2018 was R\$ 69.9 billion, compared to R\$ 62.4 billion in the same period of the previous year.

**Table 1.8 - Subsidies and Grants - Brazil - 2017/2018**

*R\$ million - at constant prices Aug/2018- IPCA*

	Jan-Aug		Variation	
	2017	2018	Difference	% Real
<b>Agricultural price policy</b>	<b>9.171,9</b>	<b>6.692,6</b>	<b>-2.479,3</b>	<b>-27,0%</b>
Equalisation of agricultural extension	2.097,9	1.112,1	-985,9	-47,0%
Equalisation of rural and agroindustrial investments	2.278,3	1.590,2	-688,1	-30,2%
Agricultural price policy	-55,3	314,5	369,7	-
Pronaf - National programme for the strengthening of family farming	4.208,6	2.854,7	-1.353,9	-32,2%
PESA - Programme of financial assets rehabilitation	127,4	458,9	331,4	260,1%
Alcohol	48,3	28,4	-19,9	-41,2%
Cocoa	0,0	0,0	0,0	-
Agricultural debt securitisation (Law 9,138/1995)	0,0	0,0	0,0	-
INCRA - Land fund/national institute of colonization and agrarian reform	-1,8	197,7	199,5	-
Coffee economy defense fund	63,6	56,7	-6,9	-10,9%
Revitaliza - Production development programme / capital goods	17,1	9,3	-7,8	-45,5%
Proagro - Agricultural Activity Support Program	387,7	70,2	-317,5	-81,9%
<b>Others</b>	<b>9.057,9</b>	<b>5.748,2</b>	<b>-3.309,7</b>	<b>-36,5%</b>
Proex - Export financing programme	376,7	273,3	-103,4	-27,4%
PSH - Subsidy programme for social interest housing	0,0	0,0	0,0	-
PSI - Investment Maintenance Program	8.294,9	5.074,9	-3.220,0	-38,8%
EQMPO - Credit Operations to Small Productive Businesses	0,0	0,0	0,0	-
EQPCD - Credit Operations to persons with disabilities	6,6	6,7	0,1	1,6%
FND - National Development Fund	0,0	0,0	0,0	-
FSA - Audiovisual Sectorial Fund	462,3	449,2	-13,1	-2,8%
Capitalization of Emgea	0,0	0,0	0,0	-
Itaipu	0,0	0,0	0,0	-
Economic Subventions	0,0	0,0	0,0	-
Equalisation of FDA/FDNE/FDCO	49,6	44,3	-5,2	-10,6%
Sudene	0,0	0,0	0,0	-
Subsidy Recovery Revenues	-6,0	-43,0	-37,0	614,9%
PNAFE - Program for States' Fiscal and Administrative Modernization	-126,1	-57,2	69,0	-54,7%
PRODECER	0,0	0,0	0,0	-
<b>Total</b>	<b>18.229,8</b>	<b>12.440,8</b>	<b>-5.789,0</b>	<b>-31,8%</b>

## Social Security

**Table 1.9 - Social Security (RGPS) Primary Balance - Brazil - 2017/2018**

*R\$ million - at constant prices Aug/2018- IPCA*

Discriminação	Jan-Aug		Variation	
	2017	2018	Difference	% Real
Net Social Security Revenues	245.775,2	247.109,6	1.334,4	0,5%
Total Revenue	274.835,5	275.888,2	1.052,7	0,4%
Contributions deposited in banks	236.683,3	237.853,1	1.169,8	0,5%
Contributions from SIMPLES	25.944,5	26.981,7	1.037,1	4,0%
Debt Rescheduling REFIS	112,4	83,8	-28,5	-25,4%
Judicial Payments	1.301,5	1.146,8	-154,7	-11,9%
Social Security Compensation1	10.793,8	9.822,8	-971,0	-9,0%
(-) Restituição/Devolução	-795,0	-626,7	168,3	-21,2%
(-) Transferências a Terceiros	-28.265,3	-28.152,0	113,4	-0,4%
Social Security Benefit	364.371,1	372.096,2	7.725,1	2,1%
Primary Balance	-118.595,9	-124.986,6	-6.390,7	5,4%

Comparing the accumulated up to August 2018 with the same period of 2017, the social security deficit increased from R\$ 118.6 billion to R\$ 125.0 billion (5.9%) at August 2018 prices. This variation results of the combined effect of the following factors:

- R\$ 7.7 billion (2.1%) increase in payments of social security benefits, due to the increase of 584.2 thousand (2.0%) in the number of benefits issued, partially offset by the reduction of the average real value of the benefits paid by the Pension Plan by R\$ 14.01 (1.0%); and
- a real increase of R\$ 1.3 billion (0.5%).

**Table 1.10 - Social Security (RGPS) Primary Balance - Brazil - 2017/2018**

*R\$ million - at constant prices Aug/2018- IPCA*

Discriminação	Jan-Aug		Variation	
	2017	2018	Difference	% Real
Net Revenue	245.775,2	247.109,6	1.334,4	0,5%
Urban	239.664,3	240.319,4	655,1	0,3%
Rural	6.110,8	6.790,2	679,4	11,1%
Benefits	364.371,1	372.096,2	7.725,1	2,1%
Urban	284.240,3	291.964,9	7.724,6	2,7%
Rural	80.130,8	80.131,3	0,6	0,0%
Primary Balance	-118.595,9	-124.986,6	-6.390,7	5,4%
Urban	-44.576,0	-51.645,5	-7.069,5	15,9%
Rural	-74.019,9	-73.341,1	678,8	-0,9%

## Monthly Balance Compared to the Same Month of the Previous Year

**Table 2.1 - Central Government Primary Balance - Brazil - 2017/2018**

*R\$ million - at constant prices Aug/2018- IPCA*

	August		Variation	
	2017	2018	Difference	% Real
I. Total Revenue	114.266,3	114.894,0	627,7	0,5%
I.1 Revenues Collected by the Federal Revenue Office	65.386,7	65.785,3	398,6	0,6%
I.2 Fiscal Incentives	0,0	-10,5	-10,5	-
I.3 Net Social Security Revenues	31.567,8	31.331,1	-236,8	-0,8%
I.4 Revenues not Collected by the Federal Revenue Office	17.311,7	17.788,1	476,4	2,8%
II. Transfers by Revenue Sharing	18.864,8	22.434,5	3.569,7	18,9%
III. Net Revenue (I-II)	95.401,5	92.459,5	-2.942,1	-3,1%
IV. Total Expenditure	105.936,4	112.192,	6.256,4	5,9%
IV.1 Social Security Benefits	49.164,6	49.348,2	183,7	0,4%
IV.2 Payroll	22.499,5	23.489,7	990,1	4,4%
IV.3 Other Compulsory Expenses	13.283,1	14.998,1	1.715,0	12,9%
IV.4 Discretionary Expenses - All Branches	20.989,2	24.356,8	3.367,6	16,0%
V. Sovereign Fund of Brazil - FSB	0,0	0,0	0,0	-
VI. Central Government Primary Balance (III - IV + V)	-10.534,9	-19.733,4	-9.198,5	87,3%
National Treasury and Central Bank	7.061,8	-1.716,2	-8.778,0	-
Social Security (RGPS)	-17.596,7	-18.017,2	-420,4	2,4%
Memo:				
National Treasury Primary Balance	7.151,7	-1.749,5	-8.901,2	-
Central Bank Primary Balance	-89,9	33,3	123,2	-
Social Security (RGPS) Primary Balance	-17.596,7	-18.017,2	-420,4	2,4%

expenses - all branches.

At August 2018 prices, the primary result of the Central Government went from a deficit of R\$ 10.5 billion in August 2017 to a deficit of R\$ 19.7 billion in the same month of 2018, which represented an increase in the deficit of R\$ 9.2 billion (87.3%). This variation was due to a reduction of R\$ 2.9 billion (3.1%) in net revenue and to a step up in total expenditure of R\$ 6.3 billion (5.9%).

Regarding the reduction in net revenue, we highlight the increase of R\$ 3.6 billion (18.9%) in revenue transfers due to the good revenue performance of July 2018.

The increase in expenses is explained by the combined effect of increases of R\$ 1.0 billion (4.4%) in expenses with Payroll, of R\$ 1.7 billion (12.9%) in other compulsory expenses and of R\$ 3.4 billion (16.0%) in discretionary

## Central Government Revenue

Tabela 2.2 - Central Government Primary Revenues - Brazil - 2017/2018

R\$ million - at constant prices Aug/2018- IPCA

	August		Variation	
	2017	2018	Difference	% Real
I. Total Revenue	114.266,3	114.894,0	627,7	0,5%
I.1 Revenues Collected by the Federal Revenue Office	65.386,7	65.785,3	398,6	0,6%
Import Tax	3.121,4	3.933,2	811,8	26,0%
Industrialized Products Tax (IPI)	3.912,0	4.473,3	561,3	14,3%
Income tax (IR)	22.639,9	20.079,4	-2.560,5	-11,3%
Tax on Credit Operations, Exchange and Insurance (IOF)	2.921,2	3.027,8	106,6	3,6%
Contribution to Social Security Financing (COFINS)	19.069,4	22.738,6	3.669,2	19,2%
PIS/PASEP	5.034,4	5.734,1	699,7	13,9%
Social Contribution on Net Corporate Profits (CSLL)	4.641,2	5.051,8	410,6	8,8%
Provisional Contribution on Financial Operations (CPMF)	0,0	0,0	0,0	-
CIDE - Fuels	536,6	206,6	-330,0	-61,5%
Other	3.510,7	540,6	-2.970,1	-84,6%
I.2 Fiscal Incentives	0,0	-10,5	-10,5	-
I.3 Net Social Security Revenues	31.567,8	31.331,1	-236,8	-0,8%
Urban	30.679,2	30.462,2	-217,1	-0,7%
Rural	888,6	868,9	-19,7	-2,2%
I.4 Revenues Not Collected by the Federal Revenue Office	17.311,7	17.788,1	476,4	2,8%
Concessions and Permissions	1.907,4	7.180,2	5.272,8	276,4%
Dividends	350,3	612,5	262,2	74,8%
Contribution to Civil Service Social Security (CPSS)	1.095,6	1.044,1	-51,5	-4,7%
Financial Compensation Quotas	1.625,9	2.752,9	1.127,0	69,3%
Own Revenues (source codes 50, 81 and 82)	1.156,0	1.226,5	70,4	6,1%
Education-Salary (social contribution for education)	1.649,5	1.601,1	-48,4	-2,9%
FGTS Complement (LC nº 110/01)	465,1	424,7	-40,4	-8,7%
Assets Operations	83,4	84,4	1,0	1,2%
Other Revenues	8.978,4	2.861,8	-6.116,6	-68,1%

Total revenue from the Central Government increased R\$ 627.7 million (0.5%), from R\$ 114.3 billion in August 2017 to R\$ 114.9 billion in August 2018. This result was due to an increase of R\$ 398.6 million (0.6%) in the revenue managed by the Federal Revenue Office and along with a decrease of R\$ 236.8 million (0.8%) in net social security revenues and a growth of R\$ 476.4 million (2.8%) in revenues not collected by the RFB. The main variations in revenue collected by the Federal Revenue Office were:

- increase of R\$ 3.7 billion (19.2%) in Cofins due to the combined effect of compensations of tax credits and to the increase in sales volume of goods of 3.0% - PMC-IBGE) between July 2018 and July 2017.

- reduction of R\$ 2.6 billion (11.3%) in Income Tax, influenced by the amount of refunds and compensations; and

- a decrease of R\$ 3.0 billion (84.6%) in other revenues collected by the Federal Revenue Office, explained by the collection in August 2017 of funds related to the PRT / PERT installment programs and the nominal reduction of 10.74% in the collection of Lotteries.

The variation in Revenues not collected by the Federal Revenue Office is explained (i) by the increase in Concessions and Permissions (R\$ 5.3 billion), due to the receiving associated with the

15<sup>th</sup> round of oil sharing; (ii) the growth of R\$ 1.1 billion in Financial Compensation, explained by the increase in the exchange rate and the international oil

price; (iii) partially offset by the decrease of R\$ 6.1 billion in other revenues, due to the collection of R\$ 6.0 billion in August/17 referring to the devolution of unclaimed judicial remedies under Law 13.463/2017.

## Transfers by Revenue Sharing

**Tabela 2.3 - Transfers by Revenue Sharing - Brazil - 2017/2018**

*R\$ million - at constant prices Aug/2018- IPCA*

	August		Variation	
	2017	2018	Difference	% Real
II. Transfers by Revenue Sharing	18.864,8	22.434,5	3.569,7	18,9
II.1 FPM / FPE / IPI-EE	14.140,3	14.813,7	673,4	4,8%
II.2 Constitutional Funds	670,4	694,1	23,7	3,5%
Total Transfer	916,5	979,1	62,6	6,8%
Funds Surplus	246,1	285,0	38,9	15,8
II.3 Education-Salary (social contribution for education)	971,6	956,1	-15,5	-1,6%
II.4 Financial Compensations	3.050,3	5.953,4	2.903,1	95,2
II.5 CIDE - Fuels	0,0	0,0	0,0	-
II.6 Other	32,2	17,2	-15,0	-

In August 2018, transfers by revenue sharing increased R\$ 3.6 billion (18.9%) compared to August 2017. This result is mainly due to the increase of R\$ 2.9 billion in Financial Compensation, explained by the increase in Financial Compensation collection in July/18 compared to July/17. It is also worth highlighting the growth of transfers related to FPM / FPE / IPI-EE, explained by increase of taxes that compose the distribution base.

## Central Government Expenditure

Table 2.4 - Central Government Primary Expenditure - Brazil - 2017/2018

R\$ million - at constant prices Aug/2018- IPCA

	August		Variation	
	2017	2018	Difference	% Real
IV. Total Expenditure	105.936,4	112.192,8	6.256,4	5,9%
IV.1 Social Security Benefit	49.164,6	49.348,2	183,7	0,4%
IV.1.1 Social Security Benefit - Urban	37.080,6	37.424,4	343,7	0,9%
IV.1.2 Social Security Benefit - Rural	12.083,9	11.923,8	-160,1	-1,3%
IV.2 Payroll	22.499,5	23.489,7	990,1	4,4%
IV.3 Other Compulsory Expenses	13.283,1	14.998,1	1.715,0	12,9%
Salary Allowance and Unemployment Benefit	4.918,6	5.196,5	278,0	5,7%
Assistance Benefits (LOAS/RMV)	4.681,6	4.718,0	36,4	0,8%
FGTS Complement (LC nº 110/01)	465,1	424,7	-40,4	-8,7%
Extraordinary credits (excluding PAC)	50,6	60,6	10,0	19,8%
Provisional Measures (MP) 540/11, 563/12 and 582/12 Exoneration	1.014,7	919,9	-94,8	-9,3%
FUNDEB (Federal Complementation)	1.149,0	963,9	-185,1	-16,1%
Federal District (DF) Constitutional Fund	0,0	1.715,2	1.715,2	-
Judicial Remedies	128,9	132,3	3,5	2,7%
Subsidies and Grants	316,7	370,6	53,9	17,0%
FIES primary impact (Student Funding)	-49,2	-40,5	8,7	-17,7%
Others	607,2	536,7	-70,4	-11,6%
IV.4 Discretionary Expenses - All Branches	20.989,	24.356,	3.367,6	16,0%
Executive Branch Discretionary Expenses	20.010,6	23.311,8	3.301,2	16,5%
PAC (Growth Acceleration Program)	2.166,5	2.688,5	522,0	24,1%
o/w "Minha Casa Minha Vida - MCMV" Program	226,3	426,1	199,8	88,3%
Issuance of Agricultural Debt Securities (TDA)	5,5	9,5	4,0	73,7%
Other Executive Branch Discretionary Expenses	17.838,7	20.613,8	2.775,1	15,6%
Legislative and Judiciary Branches and Prosecutor's Office (LEJU/MPU)	978,6	1.045,0	66,4	6,8%
Memo:				
Other Current and Capital Expenditures	24.228,5	28.985,2	4.756,7	19,6%
Other Current Expenditures	21.290,2	25.236,0	3.945,8	18,5%
Other Capital Expenditures	2.938,3	3.749,1	810,9	27,6%

In August 2018, there was an increase of R\$ 6.3 billion (5.9%) in total central government expenditure compared to the same month of the previous year, going from R\$ 105.9 billion to R\$ 112.2 billion. This variation is due, mainly, to the increase of R\$ 3.4 billion (16.0%) in expenses discretionary powers - all powers.

Other compulsory expenditure increased by R\$ 1.7 billion (12.9%) mainly due to the expenditure in Electoral Campaign Funding, which totaled R\$ 1.7 billion in 2018, without a counterpart in 2017.

**Table 2.5 - Other Executive Branch Discretionary Expenses - Brazil - 2017/2018***R\$ million - at constant prices Aug/2018- IPCA*

	August		Variation	
	2017	2018	Difference	% Real
Total	17.838,7	20.599,6	2.760,9	15,5%
Ministry of Health	8.596,2	8.953,3	357,2	4,2%
Ministry of Education	2.373,8	2.971,4	597,7	25,2%
Ministry of Social Development	3.297,9	3.258,5	-39,4	-1,2%
Ministry of Defense	1.139,9	1.456,7	316,8	27,8%
Ministry of Science and Technology	307,1	359,8	52,7	17,2%
Other	2.123,9	3.599,9	1.475,9	69,5%

## Social Security

**Tabela 2.6 - Social Security (RGPS) Primary Balance - Brazil - 2017/2018***R\$ million - at constant prices Aug/2018- IPCA*

	August		Variation	
	2017	2018	Difference	% Real
Net Social Security Revenues	31.567,8	31.331,1	-236,8	-0,8%
Total Revenue	34.984,5	34.603,1	-381,4	-1,1%
Contributions deposited in banks	30.348,5	30.039,9	-308,6	-1,0%
Contributions from SIMPLES	3.401,8	3.406,8	5,0	0,1%
Debt Rescheduling REFIS	9,3	227,5	218,3	-
Judicial Payments	210,3	9,0	-201,2	-95,7%
Social Security Compensation	1.014,7	919,9	-94,8	-9,3%
(-) Restituição/Devolução	-175,2	-101,8	73,3	-41,9%
(-) Transferências a Terceiros	-3.241,5	-3.170,2	71,2	-2,2%
Social Security Benefit	49.164,6	49.348,2	183,7	0,4%
Primary Balance	-17.596,7	-18.017,2	-420,4	2,4%

The Social Security primary result went from a deficit of R\$ 17.6 billion in August 2017 to a deficit of R\$ 18.0 billion in August 2018, a difference of R\$ 420.4 million in the primary result. This variation is due to the combined effect of the reduction in net social security revenues (R\$ 236.8 million) and higher expenses related to benefits (R\$ 183.7 million).

The increase in Social Security Benefits expenses was influenced by the step up of 434.4 thousand (1.5%) in the number of benefits issued, and by the reduction of the average real value of benefits paid by social security in R\$ 27.32 (1.4%).

# Monthly Balance Compared to the Previous Month

## Overview

**Table 3.1 - Central Government Primary Balance - Brazil - 2018**

*R\$ million - at constant prices Aug/2018- IPCA*

	2018		Variation	
	July	August	Difference	% Real
I. Total Revenue	126.239,	114.894,0	-11.345,8	-9,0%
I.1 Revenues Collected by the Federal Revenue Office	76.273,4	65.785,3	-10.488,0	-13,8%
I.2 Fiscal Incentives	0,0	-10,5	-10,5	-
I.3 Net Social Security Revenues	30.701,5	31.331,1	629,6	2,1%
I.4 Revenues not Collected by the Federal Revenue Office	19.265,0	17.788,1	-1.476,9	-7,7%
II. Transfers by Revenue Sharing	19.883,6	22.434,5	2.550,9	12,8%
III. Net Revenue (I-II)	106.356,	92.459,5	-13.896,8	-13,1%
IV. Total Expenditure	113.845,	112.192,8	-1.652,3	-1,5%
IV.1 Social Security Benefits	45.235,5	49.348,2	4.112,7	9,1%
IV.2 Payroll	28.987,1	23.489,7	-5.497,4	-19,0%
IV.3 Other Compulsory Expenses	17.956,0	14.998,1	-2.957,9	-16,5%
IV.4 Discretionary Expenses - All Branches	21.666,5	24.356,8	2.690,3	12,4%
V. Sovereign Fund of Brazil - FSB	0,0	0,0	0,0	-
VI. Central Government Primary Balance (III - IV + V)	-7.489,0	-19.733,4	-12.244,4	163,5%
National Treasury and Central Bank	7.045,1	-1.716,2	-8.761,3	-
Social Security (RGPS)	-14.534,1	-18.017,2	-3.483,1	24,0%
Memo:				
National Treasury Primary Balance	7.184,6	-1.749,5	-8.934,1	-
Central Bank Primary Balance	-139,5	33,3	172,8	-
Social Security (RGPS) Primary Balance	-14.534,1	-18.017,2	-3.483,1	24,0%

In August 2018, the primary result of the Central Government was a deficit of R\$ 19.7 billion, compared to a deficit of R\$ 7.5 billion in July 2018 at August constant prices. There was a reduction of R\$ 13.9 billion (13.1%) in net revenue, mainly because of the collection, in July, of the 1st quota or single quota of CSLL and the participation of oil and gas. There was a step down in total expenditure (R\$ 1.7 billion, 7.9%), mainly to the seasonal increases in Payroll and in subsidies and grants in July.

## Central Government Revenue

**Table 3.2 -Central Government Primary Revenues - Brazil - 2017/2018**

R\$ million - at constant prices Aug/2018- IPCA

	2018		Variation	
	July	August	Difference	% Real
I. Total Revenue	126.239,8	114.894,0	-11.345,8	-9,0%
I.1 Revenues Collected by the Federal Revenue Office	76.273,4	65.785,3	-10.488,0	-13,8%
Import Tax	3.839,0	3.933,2	94,2	2,5%
Industrialized Products Tax (IPI)	4.527,1	4.473,3	-53,8	-1,2%
Income tax (IR)	29.578,4	20.079,4	-9.499,1	-32,1%
Tax on Credit Operations, Exchange and Insurance (IOF)	3.047,6	3.027,8	-19,8	-0,6%
Contribution to Social Security Financing (COFINS)	20.046,8	22.738,6	2.691,8	13,4%
PIS/PASEP	5.248,0	5.734,1	486,1	9,3%
Social Contribution on Net Corporate Profits (CSLL)	7.984,6	5.051,8	-2.932,8	-36,7%
Provisional Contribution on Financial Operations (CPMF)	0,0	0,0	0,0	-
CIDE - Fuels	215,4	206,6	-8,8	-4,1%
Other	1.786,6	540,6	-1.246,0	-69,7%
I.2 Fiscal Incentives	0,0	-10,5	-10,5	-
I.3 Net Social Security Revenues	30.701,5	31.331,1	629,6	2,1%
Urban	29.830,1	30.462,2	632,0	2,1%
Rural	871,3	868,9	-2,4	-0,3%
I.4 Revenues Not Collected by the Federal Revenue Office	19.265,0	17.788,1	-1.476,9	-7,7%
Concessions and Permissions	450,5	7.180,2	6.729,6	-
Dividends	0,1	612,5	612,4	-
Contribution to Civil Service Social Security (CPSS)	1.064,5	1.044,1	-20,5	-1,9%
Financial Compensation Quotas	11.032,4	2.752,9	-8.279,5	-75,0%
Own Revenues (source codes 50, 81 and 82)	1.280,4	1.226,5	-53,9	-4,2%
Education-Salary (social contribution for education)	1.593,0	1.601,1	8,1	0,5%
FGTS Complement (LC nº 110/01)	428,5	424,7	-3,9	-0,9%
Assets Operations	124,1	84,4	-39,7	-32,0%
Other Revenues	3.291,5	2.861,8	-429,6	-13,1%

In August 2018, total revenues from the Central Government decreased R\$ 11.3 billion (9.0%) compared to the previous month, from R\$ 126.2 billion in July 2018 to R\$ 114.9 billion in August 2018. This variation results from the combined effect of the following factors:

- Reduction of R\$ 10.5 billion (13.8%) in revenues collected by the Federal Revenue Office mainly due to the decrease of R\$ 2.9 billion (36.7%) in CSLL and of R\$ 9.5 billion (32.1%) in income tax due to the payment in July of the 1st quota or single quota of the CSLL / IRPJ related to the quarterly calculation ended in the month of June/2018; and
- An decrease of R\$ 7.8 billion (67.8%) in non-administered by RFB: a reduction of R\$ 8.4 billion in financial compensation quotas due to the quarterly collection of part of the revenue related to oil and natural gas exploration, partially offset by the receiving of R\$ 7.2 billion in Concessions, which mainly to the anticipation of payments associated with the 15th round of oil concession and gas.

## Transfers by Revenue Sharing

**Table 3.3 - Transfers by Revenue Sharing - Brazil - 2018**

*R\$ million - at constant prices Aug/2018- IPCA*

Discriminação	2018		Variation	
	July	August	Difference	% Real
II. Transfers by Revenue Sharing	19.883,6	22.434,5	2.550,9	12,8%
II.1 FPM / FPE / IPI-EE	15.839,9	14.813,7	-1.026,2	-6,5%
II.2 Constitutional Funds	635,6	694,1	58,5	9,2%
Total Transfer	775,4	979,1	203,7	26,3%
Funds Surplus	-139,8	-285,0	-145,2	103,8%
II.3 Education-Salary (social contribution for education)	957,5	956,1	-1,4	-0,2%
II.4 Financial Compensations	2.048,1	5.953,4	3.905,4	190,7%
II.5 CIDE - Fuels	371,4	0,0	-371,4	-100,0%
II.6 Other	31,1	17,2	-13,9	-44,7%

In August 2018, transfers by revenue sharing increased by R\$ 2.6 billion (12.8%), totaling R\$ 22.4 billion, compared to R\$ 19.9 billion in the previous month. This behavior was mainly due the transfer in August of revenues seasonally concentrated in July, notably income tax and Financial Compensations.

## Central Government Expenditure

Tabela 3.4 - Central Government Primary Expenditure - Brazil - 2018

R\$ million - at constant prices Aug/2018- IPCA

	2018		Variation	
	July	August	Difference	% Real
IV. Total Expenditure	113.845,2	112.192,8	-1.652,3	-1,5%
IV.1 Social Security Benefit	45.235,5	49.348,2	4.112,7	9,1%
IV.1.1 Social Security Benefit - Urban	35.699,0	37.424,4	1.725,4	4,8%
IV.1.2 Social Security Benefit - Rural	9.536,6	11.923,8	2.387,3	25,0%
IV.2 Payroll	28.987,1	23.489,7	-5.497,4	-
IV.3 Other Compulsory Expenses	17.956,0	14.998,1	-2.957,9	-
Salary Allowance and Unemployment Benefit	4.839,9	5.196,5	356,6	7,4%
Assistance Benefits (LOAS/RMV)	4.647,8	4.718,0	70,2	1,5%
FGTS Complement (LC nº 110/01)	428,5	424,7	-3,9	-0,9%
Extraordinary credits (excluding PAC)	28,7	60,6	32,0	111,5
Provisional Measures (MP) 540/11, 563/12 and 582/12 Exoneration	960,1	919,9	-40,2	-4,2%
FUNDEB (Federal Complementation)	963,1	963,9	0,9	0,1%
Federal District (DF) Constitutional Fund	161,8	132,6	-29,2	-
Judicial Remedies	280,2	132,3	-147,9	-
Subsídios, Subvenções e Proagro	4.658,1	370,6	-4.287,5	-
FIES primary impact (Student Funding)	551,9	-40,5	-592,3	-
Others	435,9	2.119,4	1.683,4	386,2
IV.4 Discretionary Expenses - All Branches	21.666,5	24.356,8	2.690,3	12,4%
Executive Branch Discretionary Expenses	20.657,4	23.311,8	2.654,4	12,8%
PAC (Growth Acceleration Program)	1.889,4	2.688,5	799,1	42,3%
o/w "Minha Casa Minha Vida - MCMV" Program	280,7	426,1	145,4	51,8%
Issuance of Agricultural Debt Securities (TDA)	3,8	9,5	5,7	153,0
Other Executive Branch Discretionary Expenses	18.764,3	20.613,8	1.849,6	9,9%
Legislative and Judiciary Branches and Prosecutor's Office (LEJU/MPU)	1.009,1	1.045,0	35,9	3,6%
Memo:				
Other Current and Capital Expenditures	25.357,4	28.985,2	3.627,8	14,3%
Other Current Expenditures	21.973,9	25.236,0	3.262,1	14,8%
Other Capital Expenditures	3.383,5	3.749,1	365,7	10,8%

In August 2018, the total expenditure of the Central Government recorded the amount of R\$ 112.2 billion, a decrease of R\$ 1.7 billion (1.5%), compared to July 2018. This variation is explained by the combined effect of (i) the decrease of R\$ 5.5 billion in Payroll due to the payment in July of the Christmas bonus of public servants from the Executive Branch; (ii) decrease of R\$ 4.3 billion in Subsidies and Grants, explained by the system of payments established in accordance with the Court of Accounts' decisions no. 825/2015 and no. 3,297/2015 (see Box 1 of the RTN December 2015); (iii) increase of R\$ 4.1 billion (9.1%) in Social Security Benefits, due to the payment in August of the first installment of the 13<sup>th</sup> salary for half of the beneficiaries who receive up to a minimum wage; and (iv) growth of R\$ 2.7 billion (12.4%) in discretionary expenses - all branches.

**Tabela 3.5 - Other Executive Branch Discretionary Expenses - Brazil - 2018**

R\$ million - at constant prices Aug/2018- IPCA

Discriminação	2018		Variation	
	July	August	Difference	% Real
Total	18.746,7	20.599,6	1.852,9	9,9%
Ministry of Health	9.103,7	8.953,3	-150,4	-1,7%
Ministry of Education	2.608,9	2.971,4	362,5	13,9%
Ministry of Social Development	2.952,0	3.258,5	306,5	10,4%
Ministry of Defense	1.196,5	1.456,7	260,2	21,7%
Ministry of Science and Technology	312,4	359,8	47,3	15,2%
Other	2.573,1	3.599,9	1.026,7	39,9%

## Social Security

**Tabela 3.6 - Social Security (RGPS) Primary Balance - Brazil - 2018**

*R\$ million - at constant prices Aug/2018- IPCA*

Discriminação	2018		Variation	
	July	August	Difference	% Real
Net Social Security Revenues	30.701,5	31.331,1	629,6	2,1%
Total Revenue	33.931,2	34.603,1	671,9	2,0%
Contributions deposited in banks	29.383,8	30.039,9	656,0	2,2%
Contributions from SIMPLES	3.440,4	3.406,8	-33,6	-1,0%
Debt Rescheduling REFIS	103,2	227,5	124,4	120,6%
Judicial Payments	43,7	9,0	-34,7	-79,4%
Social Security Compensation	960,1	919,9	-40,2	-4,2%
(-) Restituição/Devolução	-62,6	-101,8	-39,2	62,6%
(-) Transferências a Terceiros	-3.167,1	-3.170,2	-3,1	0,1%
Social Security Benefit	45.235,5	49.348,2	4.112,7	9,1%
Primary Balance	-14.534,1	-18.017,2	-3.483,1	24,0%

In August 2018, the General Social Security System (RGPS) registered a deficit of R\$ 18.0 billion compared to a deficit of R\$ 14.5 billion in the previous month. The increase in Social Security primary deficit of R\$ 3.5 billion (24.0%) is due to the combined effect of an increase of R\$ 4.1 billion in benefits and a step up of R\$ 629.6 million (2.1%) in net social security revenues. The increase in Social Security Benefits is due to the payment in August of the first installment of the 13<sup>th</sup> salary for half of the beneficiaries who receive up to a minimum wage.