# Fiscal Outlook Report

– Presents the fiscal scenario and forecasts for public debt in the next 10 years in order to foster debate regarding the trajectory of the public accounts.

– Frequency: biannual.

– Based on the macroeconomic outlook prepared by the Secretariat of Economic Policy of the Ministry of Economy.

– Starting point: projections from the Primary Revenue and Expenditure Bimonthly Report as of May 2022.
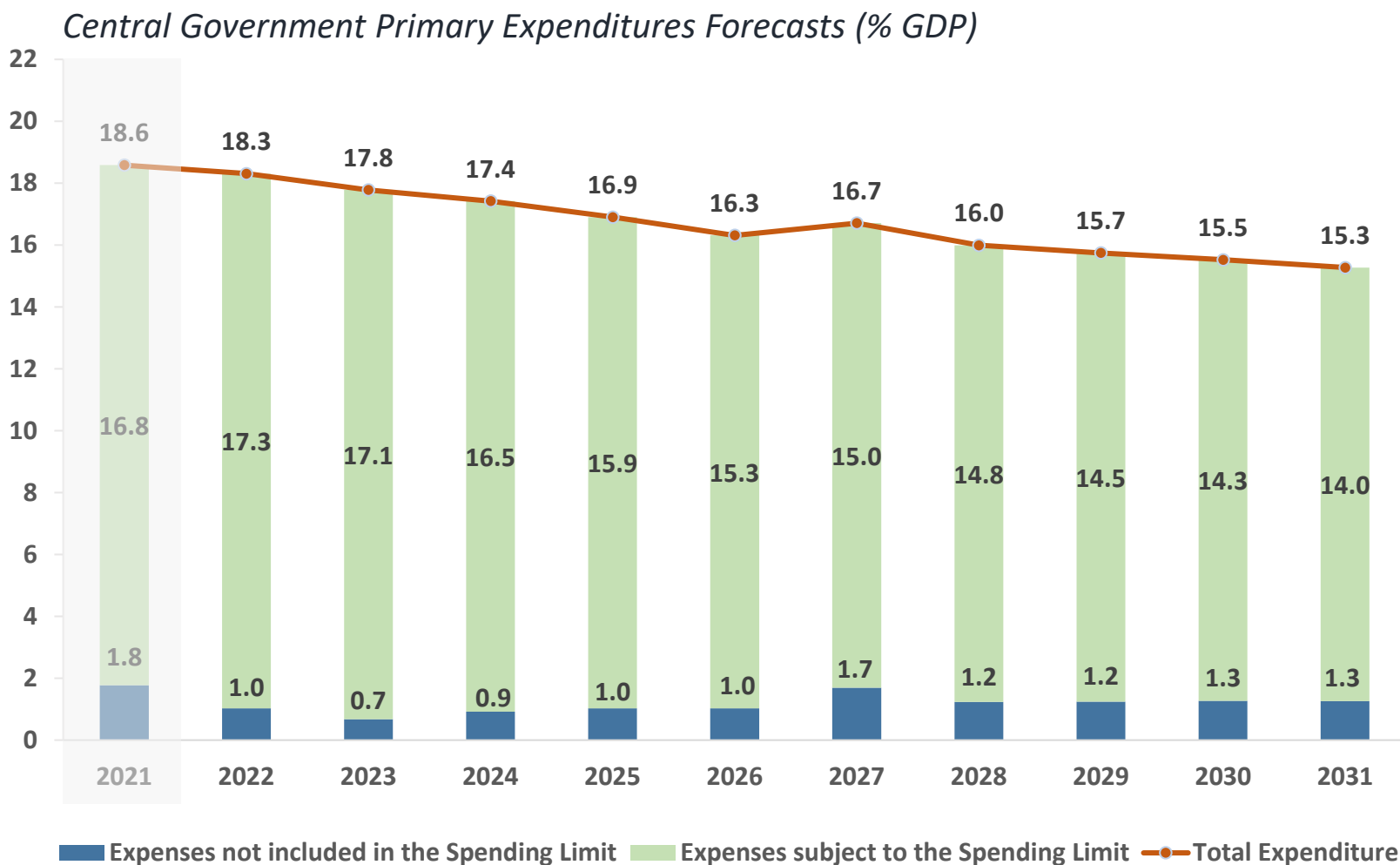
# Revenues 2022-2031



*Central Government Primary Revenues Forecasts (% GDP)*
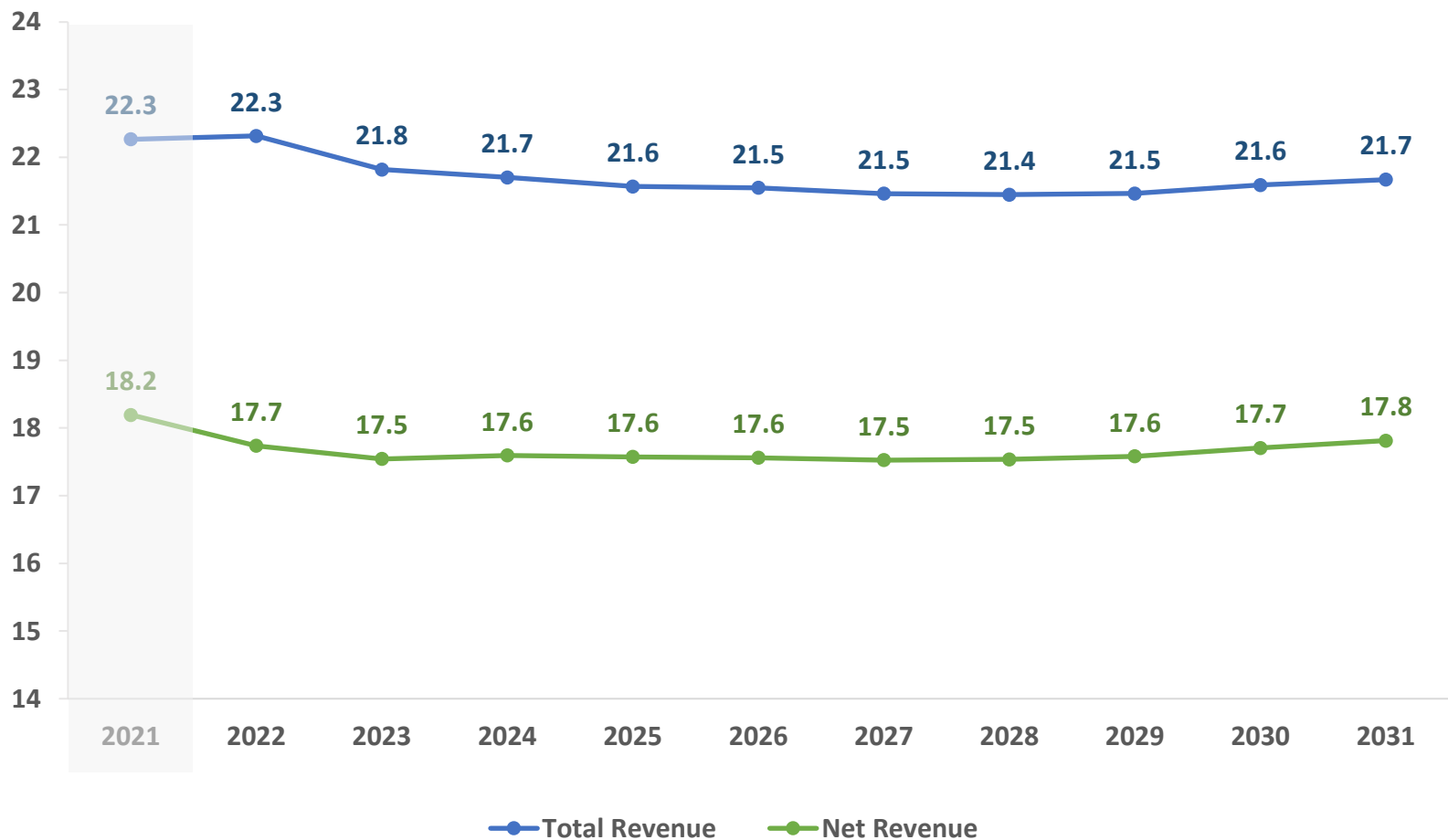
– **Stability in Net Revenues** for the entire period, at an average of 17.6% of GDP.

– Projections consider a **recovery in economic growth** of 1.5% in 2022 and 2.5% in 2023.

– **Convergence to the inflation target** in 2024 (3.0%) and **reversion in the Selic rate's rising trajectory** starting in 2023.

# Expenditures 2022-2031

*Central Government Primary Expenditures Forecasts (% GDP)*



Legend: ■ Expenses not included in the Spending Limit ■ Expenses subject to the Spending Limit ─●─ Total Expenditure

– Compliance with **the Spending Cap** for the entire horizon, with an assumption of real growth rate below GDP starting in 2027.

– Return to the pre-pandemic downward trajectory, reaching 15.3% of GDP in 2031.

– Judicial claims: premise of full impact in 2027.

– Gains from the **Social Security Reform** contribute with 1 p.p. of GDP in reduction of mandatory expenditures until 2031.

# Primary Balance 2022-2031

*Central Government Primary Balance Forecasts (% GDP)*
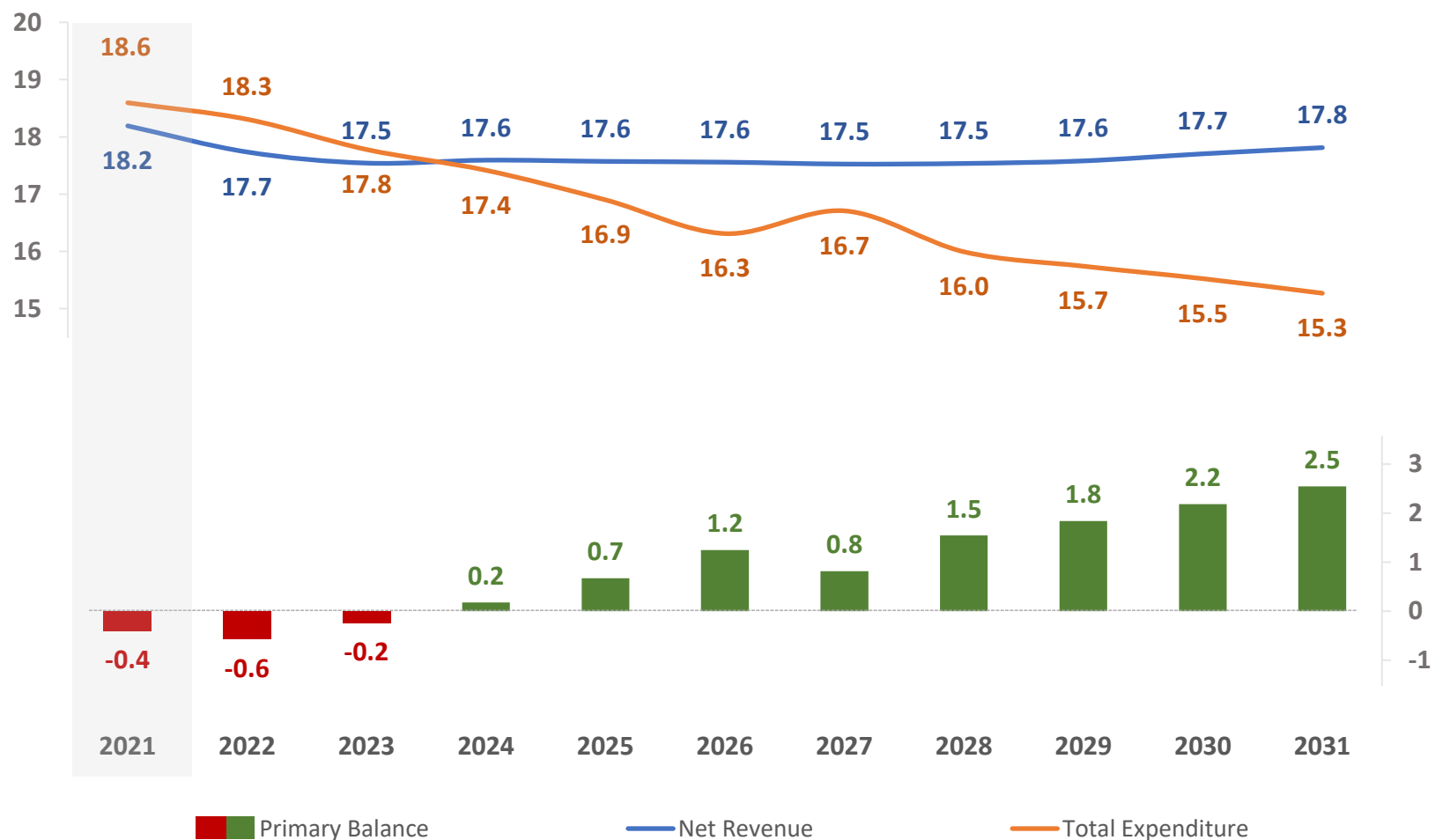


– Stable Revenues combined with decreasing expenditures in observance of the Spending Cap lead to a trajectory of fiscal consolidation.

– Reversion to a **Primary Surplus** in 2024 for the first time since 2013.

# Fiscal Scenario – Comparison to PLDO 2023

*Comparison of STN x PLDO 2023 Forecasts (% GDP)*

| Description | 2022 | 2023 | | | 2024 | | | 2025 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2nd RARDP* | PLDO | STN | Difference | PLDO | STN | Difference | PLDO | STN | Difference |
| **TOTAL REVENUE** | 22.3 | 21.3 | 21.8 | 0.5 | 21.1 | 21.7 | 0.6 | 21.0 | 21.6 | 0.6 |
| **TRANSFERS BY REVENUE SHARING** | 4.6 | 4.1 | 4.3 | 0.2 | 4.0 | 4.1 | 0.1 | 4.0 | 4.0 | 0.0 |
| **NET REVENUE** | 17.7 | 17.2 | 17.5 | 0.3 | 17.1 | 17.6 | 0.5 | 17.0 | 17.6 | 0.6 |
| **TOTAL EXPENDITURE** | 18.3 | 17.8 | 17.8 | 0.0 | 17.3 | 17.4 | 0.1 | 16.7 | 16.9 | 0.2 |
| **CENTRAL GOVERNMENT PRIMARY BALANCE** | -0.6 | -0.6 | -0.2 | 0.4 | -0.2 | 0.2 | 0.4 | 0.3 | 0.7 | 0.4 |

*\* 2nd Bimonthly Primary Revenue and Expenditure Evaluation Report (RARDP) with adjustments to expenditures reflecting the R$ 9.961 billion blockade, in accordance to Decree nº 11.806, of May 2022.*

– **More favorable Primary Balances** in comparison to PLDO estimates.

– Primary Balance projections differ in **0.4 p.p**. for the whole period.

– Revenue projections surpass PLDO estimates mainly due to base effect **(tax collection surprised positively)**.

# Fiscal Scenario – Public Sector Primary Balance 2022-2031

*Public Sector Primary Balance Forecasts (% GDP)*

|  | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Central Government** | -0.4 | -0.6 | -0.2 | 0.2 | 0.7 | 1.2 | 0.8 | 1.5 | 1.8 | 2.2 | 2.5 |
| **Regional Governments** | 1.1 | 0.5 | -0.0 | 0.0 | 0.0 | -0.0 | -0.0 | 0.0 | 0.0 | -0.0 | -0.2 |
| **State Enterprises** | 0.0 | -0.0 | -0.0 | -0.0 | -0.0 | -0.0 | -0.0 | -0.0 | -0.0 | -0.0 | -0.0 |
| **Non-Financial Public Sector** | 0.8 | -0.1 | -0.3 | 0.2 | 0.7 | 1.2 | 0.8 | 1.5 | 1.8 | 2.1 | 2.4 |

*Public Debt Forecasts (% GDP)*
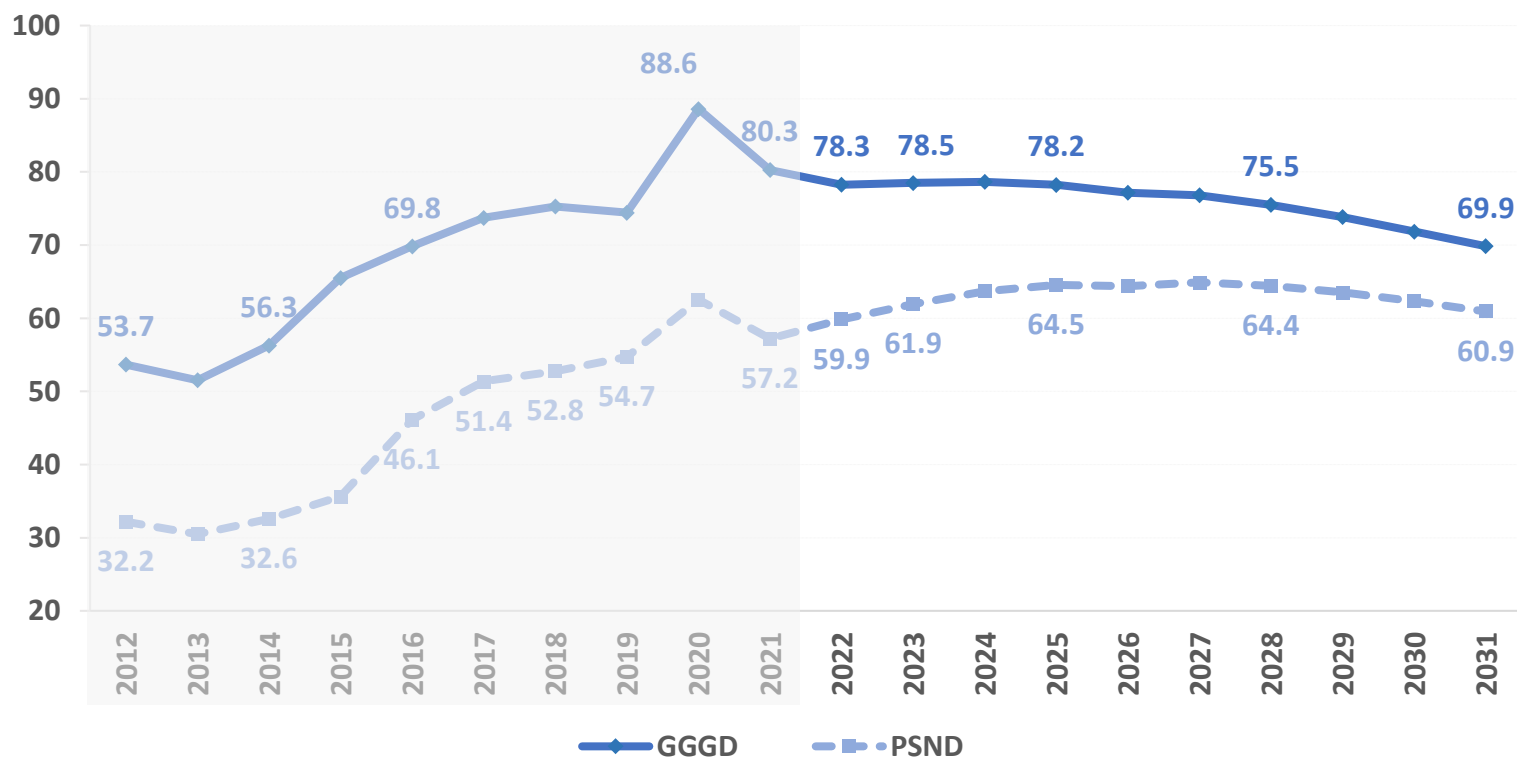


– Fiscal consolidation scenario leads to a decline in General Government Gross Debt, although still insuficient to reach the average level of emerging countries (64%) by the end of the projection horizon.
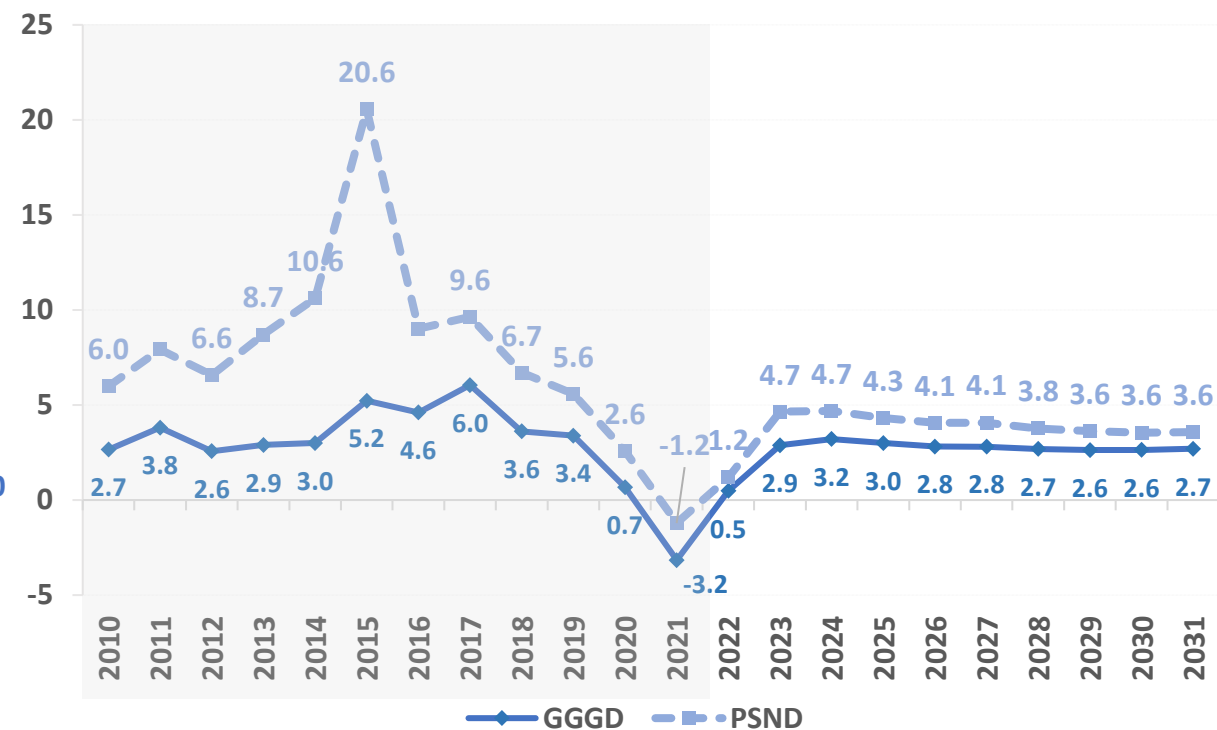
– The Public Sector Net Debt would take longer to reach stability and requires a larger fiscal effort to return to 2021 levels.

# Public Debt Cost



**Nominal implicit interest rate and Selic rate (% per year)**
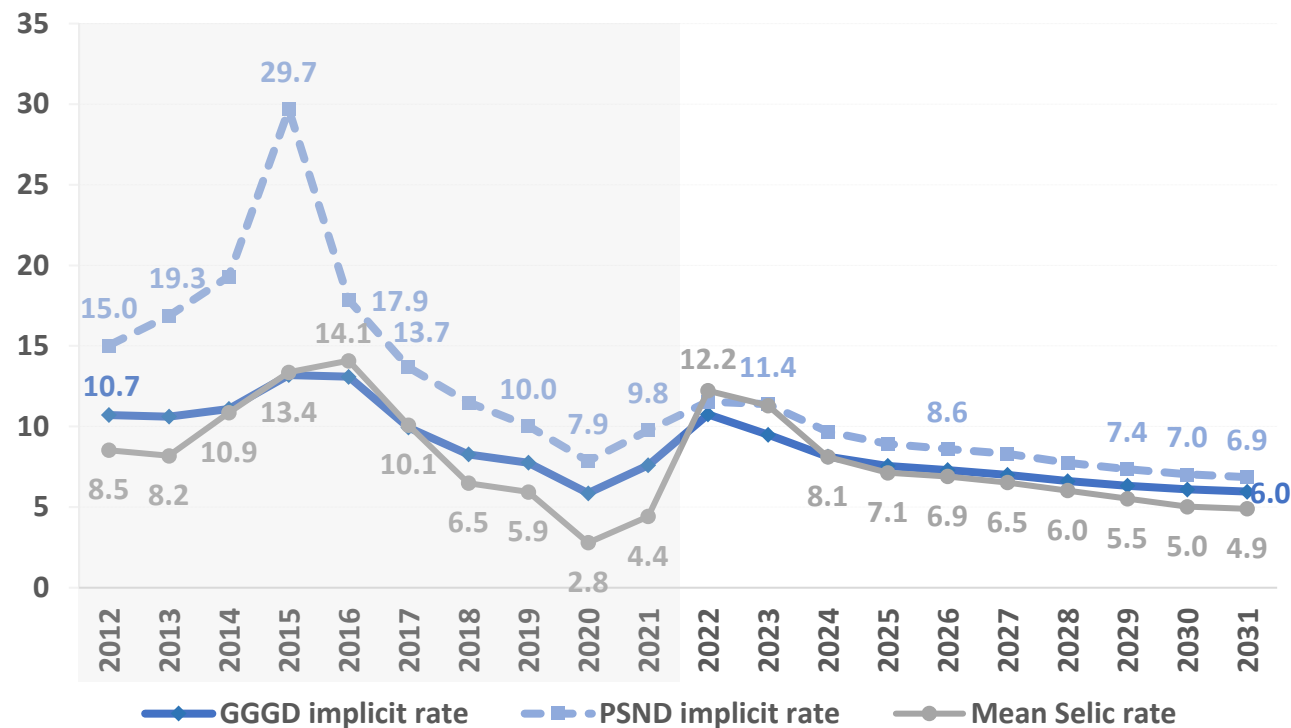
**Real implicit interest rate, adjusted by the GDP deflator (% per year)**

– The cycle of rising Selic interest rate translates into a higher nominal cost of public debt in the short run (chart on the left-hand side).

– However, the real cost of public debt (i.e. adjusted for inflation) has not risen to the same extent, contributing to a more benign trajectory of the debt-to-GDP ratio (chart on the right-hand side).