

Brazil

Economic Watch

Madrid, 31 March 2011

Economic Analysis

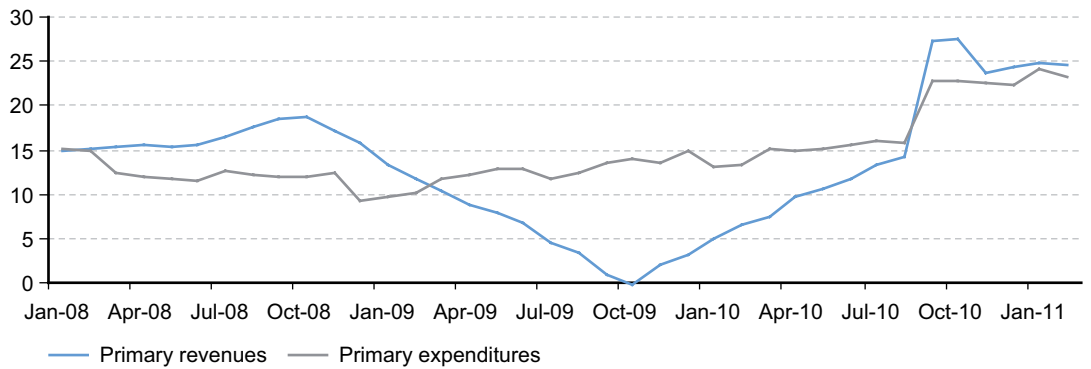
Enestor Dos Santos
enestor.dossantos@grupobbva.com
+34 91 537 68 87

Fiscal accounts in Brazil: February data show signs of moderation in expenditures

- The yearly primary surplus of the public sector moved up to 2.9% of GDP in February from 2.8% in January. The total fiscal result, however, remained practically stable at -2.6% of GDP as interest payments increased to 5.5% of GDP from 5.4% in January due to the recent upward adjustment of the SELIC.
- The yearly primary surplus of the central government (which includes only Federal Government, Central Bank and Social System) reached 2.2% of GDP. The primary surplus of regional governments and state-owned companies reached 0.7% of GDP.
- The most positive news was that expenditures slowed down in February: central government's primary expenditures expanded 7.1%/y/y in February, a much more benign pace than in January (23.6%/y/y). On the other hand, central government's primary revenues expanded 17.3%/y/y in February (23.0%/y/y in January) driven by the dynamism of the economy. All in all, the primary surplus of the central government reached R\$ 2.530 million in the month (in comparison to a R\$ 701 million deficit in the same month last year).
- As the graph below shows, 12-month central government's primary expenditures remained very strong but also presented some correction (to 23.3%/y/y from 24.2%/y/y). The expansion of 12 month central government's revenues remained practically unchanged at 24.7% y/y.
- Public sector's net debt remained practically unchanged at 39.9% of GDP.
- We expect fiscal expenditures to continue losing some steam in coming months and public sector's primary surplus to near the 2.9% target by the end of the year.

Chart 1

Central government's revenues and expenditures (accumulated in 12 months; %y/y)



Source Tesouro Nacional

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