

# Economic Watch

## Brazil

Madrid, 29 April 2011  
Economic Analysis

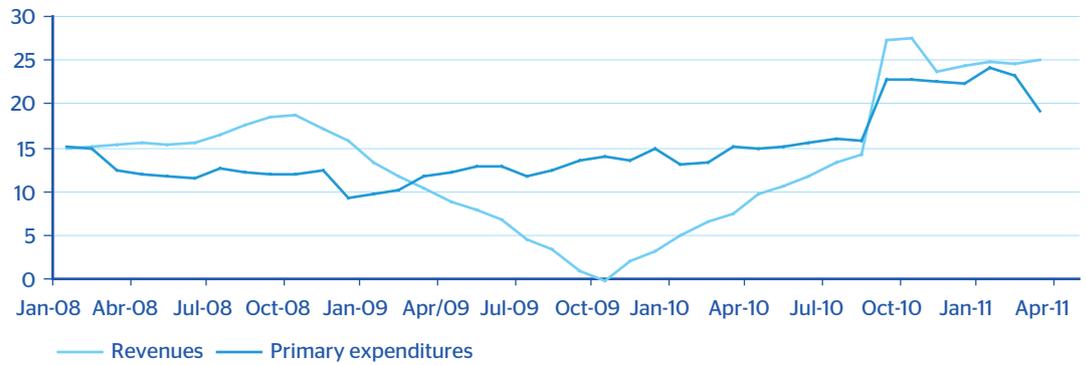
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## Brazil: fiscal expenditures trend down

- The public sector's primary result (excluding interest rates payments) reached R\$13.600 million in March and has now accumulated to R\$39.262 million (4.2% of GDP) in the first quarter of the year and R\$121.858 million in the last 12-months (3.2% of GDP).
- These figures compare well with previous results. The primary surplus observed in March contrasts with the R\$159 million deficit observed in the same month last year. In the first quarter of this year, the primary result was 106% higher than in the first quarter of 2010. The 12-month surplus moved up to 3.2% of GDP from 2.9% in February and 2.8% at the end of 2010.
- The improvement of the fiscal result is related to a more modest expansion of the central government's expenditures in comparison to the growth of its revenues: the former expanded 7.1%/y/y while the latter expanded 19.5%/y/y in the first quarter of the year.
- The expenditures of the central government in the last 12 months grew 19.1%/y/y in March, a much more benign pace than observed at the end of 2010 (22.4%/y/y).
- The recent moderation of public expenditures creates a positive outlook towards the government's ability to deliver the fiscal adjustment promised in February and to meet the R\$119billion (2.9% of GDP) primary surplus target for the year.
- The total result of the public sector (which included interest rates payments) reached -2.3% of GDP in March, lower than in February (-2.6% of GDP) and lower than at the end of 2010 (2.5% of GDP), as the negative impact of higher interest rate payments (related to a higher SELIC rate) was lower than the positive impact of the better primary result.
- The net debt of the public sector remained stable at 39.9% of GDP. We expect this figure to trend gradually down and to be around 39.0% by the end of this year. The net debt of the public sector remained stable at 39.9% of GDP. We expect this figure to trend gradually down and to be around 39.0% by the end of this year.

Chart 1

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



Source Tesouro Nacional

For more on Brazil, [click here](#)

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