

4. October expenditures were NCr\$ 137.9 million less than in September; total expenditures January through October in current prices were 34.7% greater than in the corresponding period in 1967.

5. Transfers to transportation autarquias cumulative through October are NCr\$ 695 million. No difficulty in remaining within the NCr\$ 856 million target for 1968 is anticipated (see Table II).

6. The sale of Treasury securities picked up momentum in September and continued with higher sales in October. Net sales in September are now estimated at NCr\$ 47 million and the preliminary estimate for October is NCr\$ 117 million. Net redemption of Treasury securities in 1968 which reached NCr\$ 204 million at the end of the second quarter was reduced to NCr\$ 72 million at the end of October. The monetary authorities as of October 31 were financing all of the NCr\$ 1,040.2 million cumulative fiscal deficit plus the NCr\$ 72.2 million net redemption of Treasury securities.

7. Revised 1968 fiscal target projections are: receipts at NCr\$10,100 million and expenditures at NCr\$ 11,298 million with a deficit of NCr\$ 1.2 billion. A breakdown of these targets and details on January-October performance are given in Table I. Revenues must reach a monthly average of about NCr\$ 1,000 million and expenditures must be held to a monthly average of NCr\$ 1,100 over the last two months for these targets to be reached.

8. The public employees pay raise became law on December 4 in the form submitted by the Executive. Effective January 1 the pay of civil employees will be increased 20% and military employees 25% for an average 22-23% increase in the wage bill. The Government succeeded in defeating some 133 amendments proposed by the Congress including the measure that would have raised the military pay increase to 27% via higher benefits to retired military and certain technical personnel (Embel 13921).

9. The 1969 budget has been approved by the Congress and signed by the President. Some amendments were made, including allocation for other purposes of NCr\$ 290 million of the NCr\$ 740 million pay raise reserve fund. These expenditures are not mandatory and are certain to be adjusted in the cash program. The budget law has not yet been printed.

BELTON

Enclosures:

1. Table I -GOB Budget: Cash Performance - Income and Expenditures January-October 1968
2. Table II-GOB Budget: Transfers to Transportation Entities - January-October 1968.

**TABLE I - GOB BUDGET: CASH PERFORMANCE
INCOME AND EXPENDITURES
JANUARY-OCTOBER 1968**
(in millions of new cruzeiros)

| | September | | October | | Cumulative Jan.-Oct. | | Second Rev. Target Dec. 31 | | Original Target Dec. 31 | | January-October as % of Rev. Targ. | Jan.-Oct. 1968 Jan.-Oct. 1967 |
|---|-----------|--------|---------|--------|----------------------|-------|----------------------------|-------|-------------------------|--|------------------------------------|----------------------------------|
| | 1028.9 | 920.2 | 7992.4 | 3831.6 | 10100 | 4799 | 9786 | 79 | 1.496 | | | |
| A. Revenues | | | | | | | | | | | | |
| Excise | 445.1 | 516.7 | 3831.6 | 1652.8 | 4799 | 2183 | 80 | 1.974 | | | | |
| Income | 233.9 | 206.9 | 1652.8 | 648.2 | 2183 | 777 | 76 | 1.364 | | | | |
| Import | 70.2 | 80.1 | 648.2 | 14.0 | 777 | 148 | 83 | 2.54 | | | | |
| Electric Sole Tax | 44.5 | 44.0 | 148.0 | 1235.0 | 1482 | 34 | 80 | 1.24 | | | | |
| Fuels Sole Tax | 446.9 | 150.7 | 1235.0 | 29.8 | 1482 | 677 | 83 | 1.45 | | | | |
| Minerals Tax | 3.3 | 3.5 | 29.8 | | 34 | | 88 | | | | | |
| Others | 115.0 | -51.7 | 477.0 | | 677 | | | | | | | |
| B. Expenditures | | | | | | | | | | | | |
| Current | 1071.8 | 933.9 | 9032.6 | 11298 | 11298 | 10983 | 80 | | | | | |
| Current Transfers | 208.4 | 282.4 | 2209.2 | 3015 | 3015 | 2876 | 73 | | | | | |
| Transport Entities 1/ | 297.4 | 355.6 | 3447.1 | 4327 | 4327 | 4337 | 80 | | | | | |
| Capital | (37.2) | (19.6) | (446.1) | (569) | (569) | (567) | 78 | | | | | |
| Capital Transfers | 135.6 | 25.8 | 756.2 | 775 | 775 | 570 | 98 | | | | | |
| Transport Entities 2/ | 390.4 | 270.1 | 2620.1 | 3181 | 3181 | 3200 | 82 | | | | | |
| | (17.6) | (38.9) | (248.4) | (287) | (287) | (285) | 86 | | | | | |
| C. Current Account Surplus | 483.1 | 282.2 | 2336.1 | 2758 | 2758 | 2572 | 85 | | | | | |
| D. Cash Deficit | -42.9 | -13.7 | -1040.2 | -1198 | -1198 | -1200 | | | | | | |
| E. Financing of Deficit | | | | | | | | | | | | |
| Monetary Authorities 2/ | +42.9 | +13.7 | +1040.2 | | | +1200 | | | | | | |
| Treasury Obligations 2/ | -4.1 | -103.3 | +1112.0 | | | + 600 | | | | | | |
| (negative is net redemptions) | +47.0 | +117.0 | - 72.2 | | | + 600 | | | | | | |
| 1/ Excludes transfers to highway program. | | | | | | | | | | | | |
| 2/ Preliminary estimate. | | | | | | | | | | | | |

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TABLE II - GOB BUDGET

TRANSFERS TO TRANSPORTATION ENTITIES
JANUARY-OCTOBER 1968
(in millions of new cruzeiros)

| | <u>October</u> | <u>Cumulative Jan. -Oct.</u> | <u>Revised Target Dec. 31</u> | <u>Original Target Dec. 31</u> |
|----------------|----------------|----------------------------------|---------------------------------------|--|
| <u>Current</u> | | | | |
| RPPSA | 18.6 | 446.1 | 568.9 | 567 |
| CPM | 17.4 | 396.7 | 509.3 | 495 |
| Air-lines | - | 28.7 | 34.2 | 45 |
| DNPPM | 1.2 | 2.9 | - | - |
| DNKP | - | 12.8 | 19.2 | 20 |
| DNKP | - | 5.0 | 6.2 | 7 |
| <u>Capital</u> | | | | |
| RPPSA | 46.9 | 248.4 | 286.6 | 285 |
| CPM | 20.0 | 100.2 | 118.6 | 131 |
| Air-lines | 15.4 | 62.2 | 62.3 | 46 |
| DNPPM | 4.5 | 5.4 | 5.6 | 16 |
| DNPPM | 1.5 | 24.6 | 27.6 | 24 |
| DNKP | 5.5 | 56.0 | 72.5 | 68 |
| <u>Total</u> | 65.5 | 694.5 | 855.5 | 852 |

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Dec. 12, 1968