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TO

: DEPARTMENT OF STATE

INFO.

Bresilia Belém, Recife, Sao Paulo, Porto Alegre

FROM

: Amembassy, RIO DE JANEIRO

December 13, 1968

SUBJECT : Fiscal Parformance: October 1968

REF.

: CERP B-2502

Summary

AMB DCM MINECON POL AIM ECON-4 ECON/COML USAID-L ADDP

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DRAW

- 1. Cumulative fiscal data through October are revenues NCr\$ 7,992 million and expenditures NCr\$ 9,032 with a cash deficit of NCr\$ 1,040 willian. At year and revenues are expected to reach NCr\$ 10,100 million and expanditures NCr\$ 11,300 million for a cash deficit of MCr\$ 1,200 million. This performance would be very near the original cash program targets of NCr\$ 9,800 million and NCr\$ 11,000 million. There has been further improvement in the net sale of government bends and it is likely that cumulated not redemptions will be eliminated by year-end.
- October revenues of NGr\$ 920.2 million and expenditures of MCr\$ 933.9 million were both down from September. The cumulative 1968 cash deficit increased NCr\$ 13.7 million in October to NCr\$ 1,040.2 million, well below the MGr\$ 1,363 million deficit figure for the same period in 1967. January-October cumulative receipts and expenditures/about 80% of revised full year targets for 1968.
- 3. Cumulative revenues in current prices are 49.6% above the January-October 1967 period. With inflation at about a 25% annual rate, the real increase is about 20%. Receipts from the industrial products tax are nearly double (an increase of 97%); import taxes are up 154% 1/ and income and fuels sale tax receipts are more than 36% higher.
- 1/ This sizable increase in partly explained by the tariff reclassification which reised rates on many "popular" imports, a 5% rate incresse that became effective January 1968 to replace a customs fee; and improvement in collection efficiency.

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- 4. October expenditures were NCr\$ 137.9 million less than in September; tetal expenditures January through October in current prices were 34.7% greater than in the corresponding period in 1967.
- 5. Transfers to transportation autorquies 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 the 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 wilitary employees 25% for an average 22-23% increase in the wage bill. The Government succeeded in defeating semme 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 (Embtel 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 MCr\$ 290 million of the MCr\$ 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 1 -GOB Budget: Cash Perfermance - Income and Expenditures
January-October 1968

2. Table II-GOB Budget: Transfers to Transportation Entities - January-October 1968.

TABLE I - GOB BUDGET: CASH PERFORMANCE

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(in willions of new grassires)

Current Account Surplus B. Expenditures Financing of Deficit Cash Daficit (negative is not redemptions) Revenues Monetary Authorities 2/ Treasury Obligations 2/ Capital Transfers Capital Current Current Transfers Hinerals Tax Fuels Sole Tax Electric Sole Tax Tabout DCOM EXC19 Transport Entities 1 Transport Entities 1/ 1071.8 +42.9 233.9 70.2 14.5 146.9 3.3 297.4 W.5. 483.1 390.1 -42.9 +13.7 -103.3 +117.0 00ctaber 920.2 516.7 206.9 80.1 14.0 150.7 3.5 -13.7 270.1 270.1 270.1 270.1 270.1 270.1 282.2 +1040.2 Camalativ 7992.4 -1040.2 3831.6 1652.8 648.2 118.0 1235.0 477.0 2336.1 2620.1 9032.6 2209.2 3447.1 (446.1) Rov. Targe 2163 777 148 1482 7015 86711 -1198 2758 (569) 775 Original Target Dec. 31 9786 10983 2876 (567) 570 3200 (285) + 600 + 600 -1200 2572 se % of Rev. Ter 86888888 8688688 Jan. -Oct. 1968 Jan. -Oct. 1967 1.36 1.496

13, 1968

Proliminary estimate.

TABLE II - GOB BUDGET

TRANSFERS TO THANSPORTATION ENTITIES

JANUARY-OCTOBER 1968
(in millions of new cruseiros)

Total	Capital RFFSA CHM Airlines DNPFN DNEF	Current RFFSA CMM A1rlines IMPVM DNEF	
65.5	00 4 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	17.1	October
694.5	0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	12.8 25.7 26.7 2.9 12.8	Cumlative
855.5	286.6 118.6 5.6 72.5	568.9 34.2 509.3	Revised Target Dec. 31
852	8522 <u>4</u> 8	20 - 45 195 1967	Original Target Dec. 31

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