

Highlights

- **Revision on time series data improves perspectives for 2017 GDP growth.**
- **Surprises on primary balance indicate significant fiscal space in the last two months and the fulfillment of fiscal targets.**
- **Public investment have reached the lowest level in the last two decades.**
- **Proposals in discussion within Congress represent R\$23.3 billion¹ on 2018 Budget.**
- **Major federal spending on productive sector are aimed at agricultural loans.**
- **Federal government controls 149 companies in different financial circumstances.**

Summary

- **The prospect for 2017 GDP growth has improved** as IBGE revised time series data in the occasion of its third quarter GDP release, leaving a carry-over of 0.97 percent for the year. Simulations conducted by the IFI point GDP growth nearest of 1.0% by 2017. (Page 5)
- The cyclical recovery of economic activity and surprises in the amount of non-recurring revenue will enable a **consolidated primary deficit below the target of R\$163.1 billion**. States and municipalities surplus of R\$19.4 billion, compared with the R\$1.1 billion target, contributes to this. With the recent liberation of R\$7.5 billion, spending unfreeze between October and December should reach R\$20.3 billion. (Page 8 and Page 22)
- **The evolution of fiscal deficit indicates rebalancing of public accounts, but in slow pace**. Interest payments fell and primary balance stopped declining on the level of 2.9% of GDP. However, nominal deficit is still 9.2% of GDP. Patrimonial adjustments policy can also generate tax gains. (Page 13)
- **Public investment reached 2% of GDP by 2017, lowest level of the time series started in 1995**. Investments of central, State and municipal governments as well as State-owned enterprises totaled R\$127.2 billion in the last 12-month period ended in June 2017, just under half the level of 2014, corrected for inflation. (Page 18)
- **Proposals under discussion in the Congress, which sum R\$23.3 billion, if not approved, will impact fiscal policy in 2018**, as the 2018 Budget Proposal encompasses their effects. (Page 24)
- **Federal spending in the productive sector represents about 2% of total spending**, the majority focused on agriculture. Grants for family farming (Pronaf) and Coffee loans stand out, with disbursements in ten years reaching around R\$62 billion. (Page 26)
- Federal government controls 149 State companies and 18 of which depend on budgetary resources to keep their activity. In 2016, those resources reached R\$16.8 billion. As for the 131 non-dependent ones, some generate dividends and other demand capital contributions from the National Treasury. **In 2016, while dividends were R\$2.8 billion, capital contributions reached R\$6 billion**. (Page 33)

¹ Exchange rate on 2017.12.08: R\$ 3.29 per US\$ 1.00.