



# Fiscal Data

with information up to June 2016



Frequently Asked Questions Series



## **“Frequently Asked Questions” Series**

### **Central Bank of Brazil**

1. Interest Rates and Bank Spreads
2. Price Indices in Brazil
3. Monetary Policy Committee (Copom)
- 4. Fiscal Data**
5. Regulated Prices
6. Public Securities and Public Debt Management
7. Brazilian Payments System
8. External Accounts
9. Country Risk
10. Inflation Targeting Regime in Brazil
11. Functions of the Central Bank of Brazil
12. Reserve Requirements
13. Market Expectations System

#### **Economic Policy Deputy Governor**

Carlos Viana de Carvalho

#### **Team**

André Barbosa Coutinho Marques

Carolina Freitas Pereira Mayrink

Henrique de Godoy Moreira e Costa

Luciana Valle Rosa Roppa

Luiza Betina Petroll Rodrigues

Manuela Moreira de Souza

Maria Cláudia Gomes P. S. Gutierrez

Márcio Magalhães Janot

#### **Coordinator**

Renato Jansson Rosek

#### **Authoring and publishing**

Investor Relations and Special Studies Department (Gerin)

Brasília-DF

*This publishing is part of the Financial Education Program of the Central Bank of Brazil (BCB).*

## Fiscal Indicators<sup>1</sup>

This paper is part of the Banco Central do Brasil's "Frequently Asked Questions" series (FAQ). This series, which is produced by the BCB's Investor Relations and Special Studies Department (Gerin), provides information on economic topics of interest to investors and the general public.

The Banco Central do Brasil (BCB) is producing this series as part of its ongoing efforts to enhance the transparency of the Brazilian economic policy and the effectiveness in communicating its actions.

---

<sup>1</sup> Gerin thanks the Economic Department of the Central Bank of Brazil for its collaboration, which was fundamental for the publishing of this material.

# Summary

<b>General View</b> .....	<b>5</b>
1. What are fiscal indicators? .....	5
2. Who produces the fiscal indicators in Brazil? .....	5
<b>Fiscal Results</b> .....	<b>6</b>
3. What are the definitions of the nominal, operational and primary results of the public sector? .....	6
4. Which entities are included in the calculation of the public sector fiscal results? .....	6
5. How are the fiscal results calculated? What is the difference between “above the line” and “below the line” calculation of the primary fiscal result? .....	7
6. What is the difference between cash and accrual regimes? .....	8
7. What was the fiscal primary result in 2015? .....	8
8. What is the impact of the liabilities’ re-structuring over the primary result in 2015? .....	9
9. What was the fiscal result by Government level in 2015? .....	10
10. What are the public sector main financing sources? .....	12
<b>Public Debt</b> .....	<b>13</b>
11. What is the General Government Gross Debt? What is its amount? .....	13
12. What is General Government Net Debt? .....	14
13. Which assets are included in the General Government Credits? .....	14
14. What is the Consolidated Net Public Sector Debt (NPSD)? .....	15
15. How has the NPSD/GDP ratio behaved recently? .....	16
16. What is the Net Fiscal Debt? .....	17
17. What is the Domestic Federal Securitized Debt (DFSD) and what is its composition by issuer? .....	18
18. What is the DFSD composition by indexer? .....	18
19. What is the meaning of “Implicit” Interest Rate? .....	20
<b>More Information About Fiscal Data</b> .....	<b>20</b>
20. How can I find out more about fiscal indicators in Brazil? .....	20



# Fiscal Indicators

## General View

### 1. What are fiscal indicators?

Fiscal indicators are measures of public sector finance evolution which allow the assessment of a country's fiscal performance over time. Fiscal indicators include cash flows (revenues, expenses and public sector borrowing requirement) and outstanding (debt and credits). The fiscal results (difference between revenues and expenses), or financing needs, are usually calculated by the nominal, operational and primary concepts.

### 2. Who produces the fiscal indicators in Brazil?

In Brazil, the main fiscal indicators for the monitoring of economic conditions are produced by the National Treasury (STN) and by the BCB.

The data calculated by the National Treasury follows the "above the line" methodology, being also responsible for consolidating and releasing the fiscal data of regional governments.

The BCB, on its turn, calculates fiscal statistics for the consolidated public sector, including the net debt and the borrowing requirements, being these calculated by the "below the line" methodology (see Question 5).

## Fiscal Results

### 3. What are the definitions of the nominal, operational and primary results of the public sector?

The nominal result is the broadest fiscal concept and represents the difference between the aggregate total revenues (including investments) and total expenditures (including interest costs), in a given period. This difference corresponds to the Public Sector Borrowing Requirement (PSBR).

The operating result corresponds to the nominal result less the “monetary correction” to the net debt. The concept of operating result is relevant in countries with high inflation, since it excludes the impact of inflation on the PSBR. The role of the monetary restatement is simply to reset the portion of the debt outstanding eroded by the price change. In countries with low inflation, where the monetary correction factor is inexpressive, the concept of operating result loses relevance and tends to be close to the nominal result<sup>2</sup>

The primary fiscal result corresponds to the nominal fiscal result excluding nominal interest payments (real interest plus monetary correction) levied on the net debt. The primary result, since it excludes nominal interest payments on the existent debt, highlights the public sector fiscal effort free of the impact stemming from the deficits incurred in the past, since net interest expenses (also called interest load) depend on the total outstanding of public debt and interest rates on that amount. If the public sector spends less than it collects, excluding interest payments, there is a primary surplus (Figure 1).

**Figure 1 –Nominal, Operational and Primary Results, and Nominal Interest**

---

Nominal Result = Change in the net fiscal debt

---

Operational Result = Nominal Result – Monetary Correction

---

Primary Result = Nominal Result – Nominal Interests = Operational Result – Real Interests

---

Nominal Interests = Real Interests + Monetary Correction

---

Source: BCB

### 4. Which entities are included in the calculation of the public sector fiscal results?

The public sector concept considered for purposes of measuring the fiscal result is the non-financial public sector plus the Banco Central do Brasil (BCB). The non-financial public sector, on its turn, is composed by the federal government, state Governments, local governments, government-owned enterprises (at the federal, state and local levels), and the National Institute of Social Security (INSS).

---

<sup>2</sup> The PSBR on operational concept statistics end in December 2009, since it lost relevance in an environment of price stability.

The public sector is usually divided into three major groups:

- Central Government - defined as the sum of the accountings of the federal administrations (represented here by National Treasury's result), of the BCB and the public welfare system of the private sector (INSS). The result of the National Treasury also includes the social security fiscal result of the federal civil servants.
- Regional governments – the state and municipal administrations are accounted for in this group.
- State-owned enterprises – the results are considered at the three levels of government (federal, state and local)<sup>3</sup>.

## **5. How are the fiscal results calculated? What is the difference between “above the line” and “below the line” calculation of the primary fiscal result?**

The fiscal results can be calculated in two ways:

- “above the line”, which corresponds to the difference between the revenues and expenditures of the public sector; and
- “below the line”, which corresponds to the change in the total net debt (domestic or external) of the public sector.

In other words, the method “above the line” calculates the fiscal result by the difference between flows, allowing better monitoring of the budget execution for control of revenues and expenditures.

The second method, *i.e.*, “below the line”, which considers the public debt outstandings to obtain the PSBR, allows highlighting the public sector funding sources. Through the method “below the line”, the nominal result corresponds to the total variation of the net fiscal debt in the period. In the case of the primary result, it corresponds to the variation of the net fiscal debt, excluding the net financial charges.

PSBR, therefore, are a measure of the flow of resources required for the public sector to cover its expenditures in a given period. On its turn, the net debt computes, up to the considered period, the debt outstanding generated by the appropriation of savings from the other sectors of the economy, as well as the outstanding of the financial assets of the public sector.

---

<sup>3</sup> Since May 2009, net debt statistics and PSBR ceased to include, in its calculations, the companies from the Petrobras Group, in compliance with the Decree N. 6,867, from 5.29.2009, which deals with the financial programming and fiscal targets under the Federal Government scope. As of October 2010, the statistics started to exclude, as well, the companies from the Eletrobras Group, according to Decree N. 7,368, of 11.26.2010. In order to allow the comparison of the results with previous periods, the calculation of the fiscal indicators without the two Companies retroacted to December 2001.

## 6. What is the difference between cash and accrual regimes?

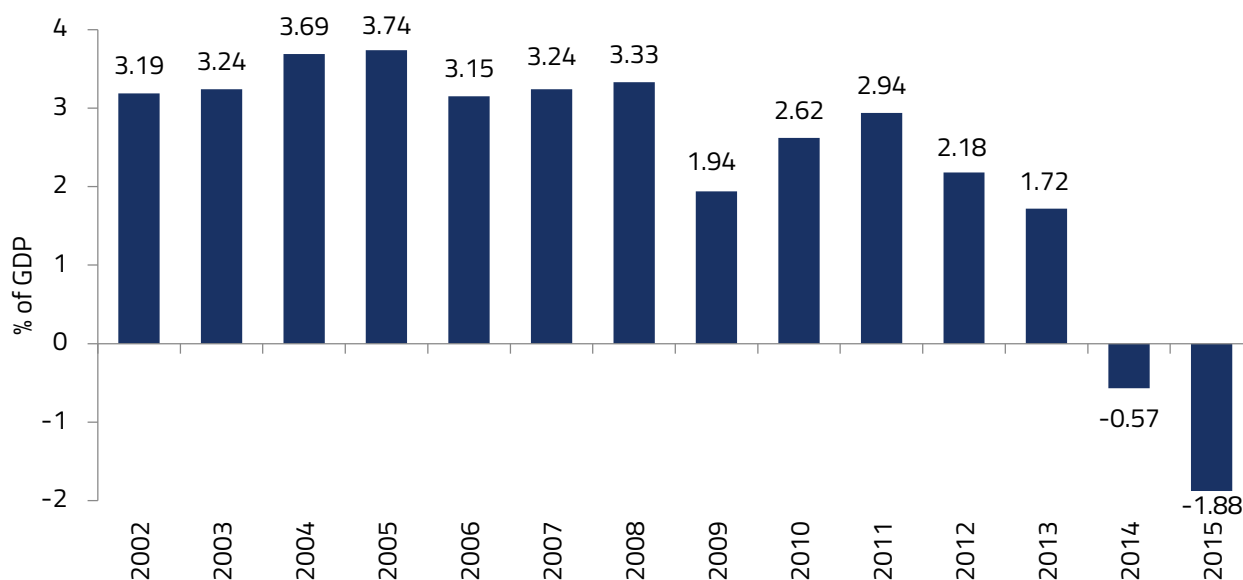
The fiscal revenues and expenditures can be accounted for on a cash or accrual basis. On a cash basis, they are recorded in the month of receipt/disbursement of resources; on an accrual basis, in the month of the event that generates the revenue/expense. For example, the salaries of civil servants related to November 2015 and paid in December impact the spending statistics in November, if they were calculated on an accrual basis, or in December, if calculated on a cash basis.

The primary fiscal result released by the BCB is accounted for on a cash basis. On the other hand, the net financial expenses (nominal interests) are calculated on an accrual basis; therefore, the Public Sector Borrowing Requirement (PSBR) according to the nominal concept, formed by the sum of the primary result and nominal interests, are calculated in a hybrid way.

## 7. What was the fiscal primary result in 2015?

The public sector registered a primary deficit of R\$111.2 billion (1.88% of GDP)<sup>4</sup> in 2015. The 12 month-accumulated result until June 2016 totaled a R\$151.2 billion deficit (2.51% of GDP). For 2016, according to the Budget Guidelines Law, the consolidated public sector primary deficit was set at R\$163.9 billion. Chart 1 presents the primary result of the consolidated public sector since 2002.

**Chart 1 – Public Sector Primary Result**

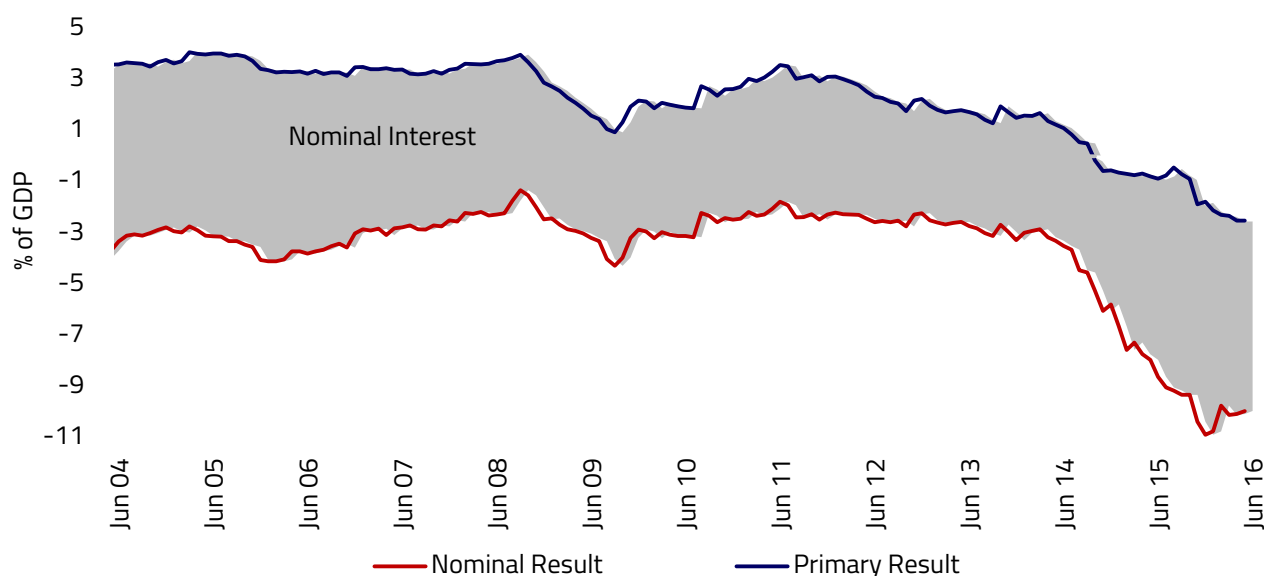


Source: BCB

<sup>4</sup> Fiscal Policy Press Release, Table III or SGS 5078 and 5793 (all references to 'SGS' regard codes of search of the referred time series at: <https://www3.bcb.gov.br/sgspub/localizarseries/localizarSeries.do?method=prepararTelaLocalizarSeries>).

The total nominal interest<sup>5</sup> levied on net debt, appropriated in 2015, totaled R\$501.8 billion (8.50% of GDP). The 12 month-accumulated result until June 2016 totaled R\$449.2 billion (7.45% of GDP). The PSBR<sup>6</sup>, in turn, totaled R\$613.0 billion (10.38% of GDP) in 2015. The 12 month-accumulated result until June 2016 totaled R\$600.5 billion (9.96% of GDP). Chart 2 and Table 1 show the evolution of the financing needs of the consolidated public sector, the applicable nominal interest and the primary fiscal result since 2003.

**Chart 2 – Primary and Nominal Results and Nominal Interests – Accumulated flows in 12 months (up to Jun/16)**



Source: BCB

**Table 1 – Primary Result, Nominal Interest and PSBR– (% of GDP)**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Primary	3.69	3.74	3.15	3.24	3.33	1.94	2.62	2.94	2.18	1.72	-0.57	-1.88
(+) Nominal Interest	6.56	7.28	6.72	5.98	5.32	5.13	5.03	5.41	4.45	4.68	5.48	8.50
=PSBR	2.88	3.54	3.57	2.74	1.99	3.19	2.41	2.47	2.27	2.96	6.05	10.38

Source: BCB

## 8. What is the impact of the liabilities' re-structuring over the primary result in 2015?

The Union accomplished, in 2015, the payment of R\$ 72,4 billion to the Banco do Brasil (BB), to the Brazilian Development Bank (BNDES), to the Special Agency for Industrial Financing

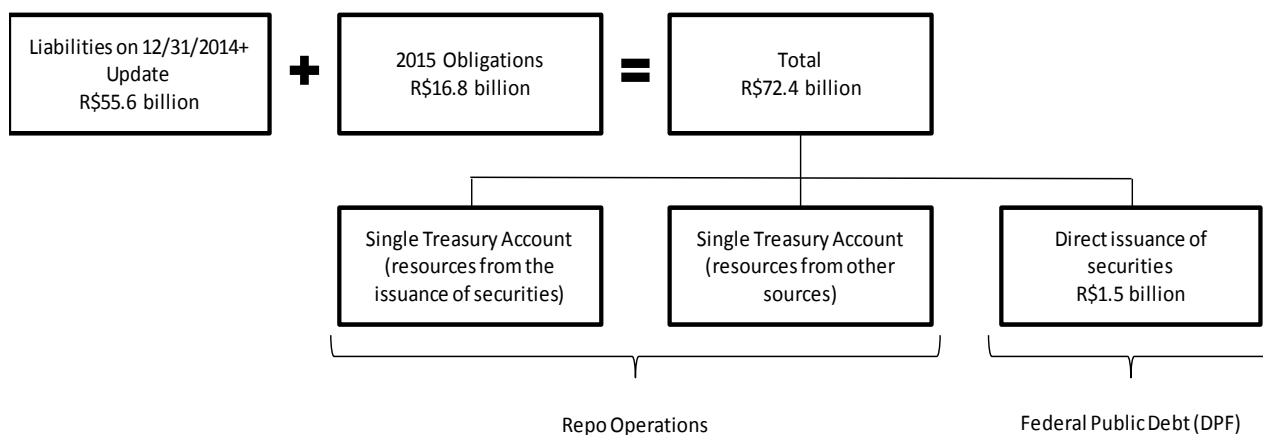
<sup>5</sup> Fiscal Policy Press Release, Table III or SGS 5045 and 5760.

<sup>6</sup> Fiscal Policy Press Release, Table III or SGS 5012 and 5727.

(Finame), to the Time of Service Guarantee Fund (FGTS) and to the Brazilian Federal Savings Bank (CEF), with impact on the primary result in the period. Out of this total, R\$55.6 billion referred to debits from previous periods, paid in line with the decision of the Audit Court of Brazil.

The source of resources can be seen in Figure 2 below.

**Figure 2 – Payment and Source of Resources – Liabilities’ Re-structuring**



Source: STN

The BCB released<sup>7</sup>, at the Fiscal Policy Press Release of January 2016, with data referring to December 2015, the monthly evolution, in individualized terms, of the outstandings of the referred liabilities, as well as the monthly impacts that these amounts had at the Public Sector Net Debt and in the fiscal primary and nominal results in the previous periods (Tables 43 to 45 of the Fiscal Press Release).

The fiscal statistics released by the Banco Central do Brasil started to incorporate, since December 2015, these outstandings described above, with the due impacts at the fiscal results, having considering the monthly results occurred in the accounting of the creditors’ entities (Banco do Brasil, Caixa Econômica Federal, Finame e FGTS) as basis, (Banco do Brasil, Caixa Econômica Federal, Finame e FGTS), which follow the accrual regime. Through November 2015, the methodological pattern adopted in the fiscal statistics released by the Banco Central do Brasil captured the impacts of these obligations by the time of the payments made by the National Treasury, by reducing the resources in the Single Treasury Account.

*More details can be found at the [National Treasury Result of December 2015](#) (available in Portuguese).*

## 9. What was the fiscal result by Government level in 2015?

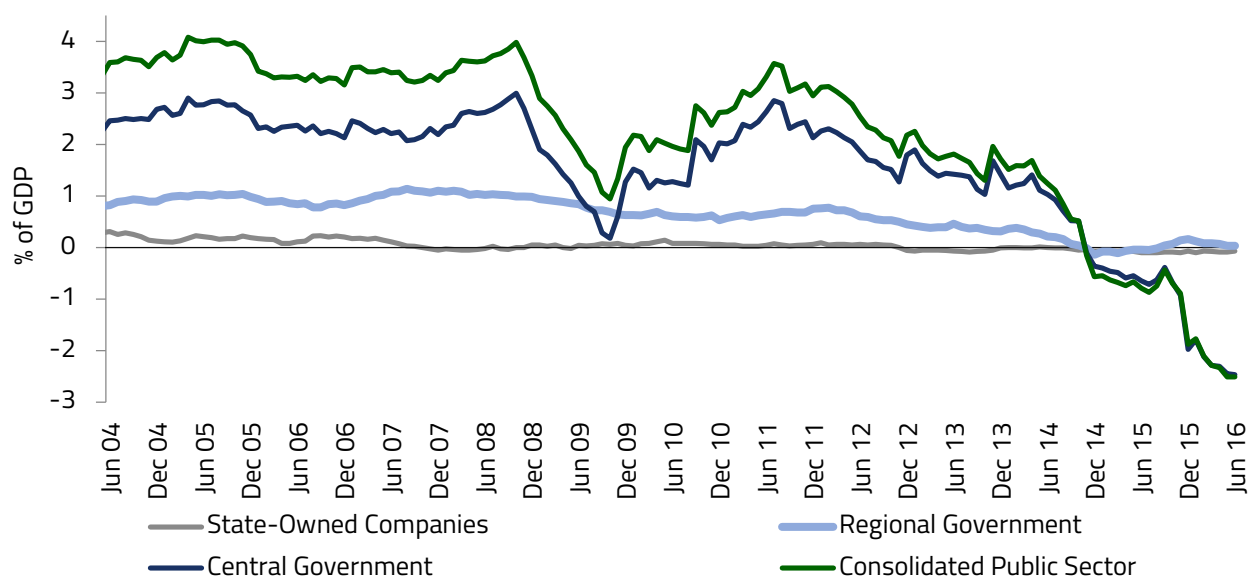
As mentioned in question 3, the fiscal result is determined by considering the non-financial public sector plus the BCB. The non-financial public sector, on its turn, is composed of the three

<sup>7</sup> Fiscal Policy Press Release Jan/2016, Tables XLIII to XLV.

government spheres (federal, state, municipal) and by the state-owned enterprises also at federal, state and local level, and by the National Social Security Institute (INSS)<sup>8</sup>.

Chart 3 and Table 2 display the primary results broken down by level of government, showing the amount of fiscal effort carried out by the central government<sup>9</sup> (federal government<sup>10</sup>, Central Bank<sup>11</sup> and INSS<sup>12</sup>) and regional governments<sup>13</sup> (state<sup>14</sup> and local<sup>15</sup>) and by state-owned companies<sup>16</sup> (excluding Petrobras and Eletrobras Groups).

**Chart 3 – Primary Result of the Public Sector – by Government Level – Accumulated Flows in 12 months (up to Jun/16)**



Source: BCB

<sup>8</sup> As highlighted in Footnote 2, Petrobras and Eletrobras are excluded of public sector for fiscal statistics.

<sup>9</sup> Fiscal Policy Press Release, Table III or SGS 5002, 5717, 5035, 5750, 5068 and 5783.

<sup>10</sup> Fiscal Policy Press Release, Table III or SGS 5003, 5718, 5036, 5751, 5069 and 5784.

<sup>11</sup> Fiscal Policy Press Release, Table III or SGS 5004, 5719, 5037, 5752, 5070 and 5785.

<sup>12</sup> Fiscal Policy Press Release, Table III.

<sup>13</sup> Fiscal Policy Press Release, Table III or SGS 5005, 5720, 5038, 5753, 5071 and 5786.

<sup>14</sup> Fiscal Policy Press Release, Table III or SGS 5006, 5721, 5039, 5754, 5072 and 5787.

<sup>15</sup> Fiscal Policy Press Release, Table III or SGS 5007, 5722, 5040, 5755, 5073 and 5788.

<sup>16</sup> Fiscal Policy Press Release, Table III or SGS 5008, 5723, 5041, 5756, 5074 and 5789.

**Table 2 – PSBR by Government Level (current values)**

	2014		2015	
	R\$ million	% of GDP	R\$ million	% of GDP
<b>Nominal</b>	<b>343,916</b>	<b>6.05</b>	<b>613,035</b>	<b>10.38</b>
Central Government	271,542	4.77	513,896	8.70
Federal Government 1/	294,216	5.17	544,184	9.22
BCB	-22,675	-0.40	-30,288	-0.51
Regional Governments	64,695	1.14	89,090	1.51
State Government	59,714	1.05	73,260	1.24
Municipal Government	4,982	0.09	15,830	0.27
State-Owned Companies	7,679	0.14	10,048	0.17
<b>Nominal Interests</b>	<b>311,380</b>	<b>5.48</b>	<b>501,786</b>	<b>8.50</b>
Central Government	251,070	4.41	397,240	6.73
Federal Government 1/	273,860	4.82	428,228	7.25
BCB	-22,789	-0.40	-30,987	-0.52
Regional Governments	56,905	1.00	98,775	1.67
State Government	46,468	0.82	82,335	1.39
Municipal Government	10,437	0.18	16,439	0.28
State-Owned Companies	3,405	0.06	5,771	0.10
<b>Primary</b>	<b>32,536</b>	<b>0.57</b>	<b>111,249</b>	<b>1.88</b>
Central Government	20,472	0.36	116,656	1.98
Federal Government [1]	20,357	0.36	115,956	1.96
BCB	115	0.00	699	0.01
Regional Governments	7,790	0.14	-9,684	-0.16
State Government	13,246	0.23	-9,075	-0.15
Municipal Government	-5,455	-0.10	-609	-0.01
State-Owned Companies	4,274	0.08	4,278	0.07
GDP	5,687,309	100.00	5,904,331	100.00

Source: BCB. [1] includes INSS.

## 10. What are the public sector main financing sources?

Historically, the Brazilian public sector has run a positive borrowing requirement (nominal deficits). The public sector can be financed domestically or externally, either through the increase of liabilities (for example, issuance of securitized debt and banking debt), or through the reduction of its assets (for example, reduction of the Single Treasury Account).

In 2015, domestic borrowing financed 100.0% of the PSBR. Table 3 illustrates the consolidated public sector's financial uses and sources for 2014 and 2015<sup>17</sup>.

<sup>17</sup>Fiscal Policy Press Release Table XXVIII or <http://www.bcb.gov.br/?TIMESERIESEN> Special series / Public Sector Net Debt and Borrowing Requirements / PSBR – Uses and Sources.

**Table 3 – Uses and Sources – Consolidated Public Sector – Accumulated Flows in the Year**

	2014		2015	
	R\$ million	% of GDP	R\$ million	% of GDP
<b>Uses (= PSBR)</b>	<b>343,916</b>	<b>6.05</b>	<b>613,035</b>	<b>10.38</b>
Primary	32,536	0.57	111,249	1.88
Internal Interest	310,550	5.46	499,619	8.46
Real Interest	220,705	3.88	210,926	3.57
Monetary Correction	89,845	1.58	288,694	4.89
External Interest	831	0.01	2,167	0.04
<b>Sources</b>	<b>343,916</b>	<b>6.05</b>	<b>613,035</b>	<b>10.38</b>
Domestic Financing	334,882	5.89	631,515	10.70
Security Debt	434,291	7.64	559,132	9.47
Bank Debt	-118,707	-2.09	74,358	1.26
Others	19,298	0.34	-1,974	-0.03
Foreign Financing	9,034	0.16	-18,480	-0.31
GDP	5,687,309	100.0	5,904,331	100.0

Source: BCB. (+) deficit / (-) superavit

## Public Debt

### 11. What is the General Government Gross Debt? What is its amount?

The General Government Gross Debt (DBGG)<sup>18</sup>, a fiscal indicator widely used for the purposes of international comparison, covers the total debt liability of the federal government (including INSS) with the private sector (public securities), the financial sector, the BCB and the rest of the world.

The DBGG considers, besides the financing securities of the National Treasury, the repo operations carried out by the BCB, thus covering the entire federal debt in the market<sup>19</sup>. The General Government Gross Debt, in December 2015, totaled R\$3,927.5 billion, equivalent to 66.5% of GDP (Table 4). In June 2016, the General Government Gross Debt totaled R\$4,130.8 billion, equivalent to 68.5% of GDP.

<sup>18</sup> Fiscal Policy Press Release, Table XIX or SGS 13761 and 13762.

<sup>19</sup> Repo operations are transactions of purchase (resale agreements) and / or sale (with repurchase commitment) of public securities in the market that the BCB conducts to control liquidity in the economy. They are performed with securities issued by the National Treasury, with a view that the Central Bank, obeying a device of the Complementary Law 101/2000 (Fiscal Responsibility Law), can't issue securities.

**Table 4 – General Government Gross Debt – Domestic and External**

	2014		2015	
	R\$ billion	% of GDP	R\$ billion	% of GDP
Domestic Debt	3,063	53.9	3,665	62.1
External Debt	189	3.3	262	4.4
<b>General Government Gross Debt</b>	<b>3,252</b>	<b>57.2</b>	<b>3,928</b>	<b>66.5</b>

Source: BCB

## 12. What is General Government Net Debt?

The General Government Net Debt<sup>20</sup> is the balance between the total debits and credits of federal (including INSS), state and municipal governments. The difference between the two concepts (Gross and Net Debt) is given by the credit of the General Government, the balance of the non-earmarked securities in the Portfolio of BCB and the balance of foreign exchange equalization (net financial transactions with foreign exchange reserves and foreign exchange derivative transactions). Net debt, in December 2015, totaled R\$2,272.2 billion, equivalent to 38.5% of GDP (Table 5). In June 2016, the Net Debt totaled R\$2,627.1 billion, equivalent to 43.6% of GDP.

**Table 5 – General Government's Gross and Net Debt**

	2014		2015	
	R\$ billion	% of GDP	R\$ billion	% of GDP
<b>General Government Gross Debt</b>	<b>3,252</b>	<b>57.2</b>	<b>3,927</b>	<b>66.5</b>
(+) Credits of General Government	-1,580	-27.8	-1,918	-32.5
(+) Free Securities in the BCB portfolio	308	5.4	373	6.3
(+) Foreign Exchange Equalization	-65	-1.1	-111	-1.9
<b>General Government Net Debt</b>	<b>1,916</b>	<b>33.7</b>	<b>2,272</b>	<b>38.5</b>

Source: BCB

## 13. Which assets are included in the General Government Credits?

General Government Credits<sup>21</sup> include assets with varying degrees of liquidity. Among the liquid assets the government taxes already collected by the banking system and still not transferred and the National Treasury deposits at the BCB (Single Treasury Account). Among the assets with lower degree of liquidity, foreign credits destined to federal financial institutions, credits with the Worker Support Fund (FAT), and resources destined to funds and programs (Table 6).

<sup>20</sup> Fiscal Policy Press Release, Table XVII or SGS 4501 and 4536.

<sup>21</sup> Fiscal Policy Press Release, Table XVII.

**Table 6 – General Government Credits**

	2014		2015	
	R\$ billion	% of GDP	R\$ billion	% of GDP
<b>1) Internal credits</b>	<b>-1,579.5</b>	<b>-27.8</b>	<b>-1,917.5</b>	<b>-32.5</b>
1.1) Availability of the General Government	-674.3	-11.9	-944.8	-16.0
Applications of Social Security	-0.2	0.0	-0.2	0.0
Levy Payable	-2.4	0.0	-5.4	-0.1
Demand Deposits	-10.9	-0.2	-9.9	-0.2
Cash at BCB	-605.9	-10.7	-881.9	-14.9
Applications in Commercial Banking State	-54.9	-1.0	-47.4	-0.8
1.2) Credits to Financial Officers Institutions	-545.6	-9.6	-567.4	-9.6
Hybrid Instruments of Capital and Debt	-57.7	-1.0	-52.9	-0.9
Credit from BNDES	-487.9	-8.6	-514.5	-8.7
1.3) Investments in Funds and Programs	-136.3	-2.4	-154.2	-2.6
1.4) Credits with State	-7.5	-0.1	-7.8	-0.1
1.5) Other Federal Government Credits	-13.7	-0.2	-16.6	-0.3
1.6) FAT funds in the Banking Network	-202.2	-3.6	-226.7	-3.8
<b>2) Foreign Credits</b>	<b>-0.4</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.0</b>
<b>1+2) General Government's Credit</b>	<b>-1,579.9</b>	<b>-27.8</b>	<b>-1,917.6</b>	<b>-32.5</b>

Source: BCB

## 14. What is the Consolidated Net Public Sector Debt (NPSD)?

The Net Public Sector Debt (NPSD)<sup>22</sup> consolidates the net debt of non-financial public sector and the BCB with the financial system (public and private), to the financial sector and to the rest of the world.

The NPSD is a broadest debt concept, since it encompasses the federal, state and local governments, the BCB, the Social Security System and the State-Owned enterprises. In December 2015, the Consolidated Net Public Sector Debt totaled R\$2,136.9 billion (36.2% of GDP). The General Government net debt<sup>23</sup> reached R\$2,272.2 billion (38.5% of GDP), the net debt of the BCB<sup>24</sup> was negative (net credits) at R\$187.6 billion (-3.2% of GDP) and the net debt of state-owned companies<sup>25</sup> accounted for R\$52.3 billion (0.9% of GDP) (Table 7). In June 2016, the Consolidated Net Public Sector Debt totaled R\$2,529.7 billion (42.0% of GDP). The General Government Net Debt reached R\$2,627.1 billion (43.6% of GDP), the Net Debt of the BCB was negative (net credits) at R\$152.1 billion (-2.5% of GDP) and the Net Debt of State-Owned Companies accounted for 54.7 billion (0.9% of GDP).

<sup>22</sup> Fiscal Policy Press Release, Table IX or SGS 4478 and 4513.

<sup>23</sup> Fiscal Policy Press Release, Table XVII or SGS 4501 and 4536.

<sup>24</sup> Fiscal Policy Press Release, Table XVII or <http://www.bcb.gov.br/?TIMESERIESEN> Special series / Public Sector Net Debt and Borrowing Requirements /Gross and net general government debt historical series (methodology effective as of 2008) .

<sup>25</sup> Fiscal Policy Press Release, Table XVII or <http://www.bcb.gov.br/?TIMESERIESEN> Special series / Public Sector Net Debt and Borrowing Requirements /Gross and net general government debt historical series (methodology effective as of 2008).

**Table 7 – Net Public Sector Debt**

	2014		2015	
	R\$ billion	% of GDP	R\$ billion	% of GDP
Net Debt of General Government	1,916	33.7	2,272	38.5
(+) BCB Net Debt	-72	-1.3	-188	-3.2
(+) State Net Debt	39	0.7	52	0.9
<b>Net Public Sector Debt</b>	<b>1,883</b>	<b>33.1</b>	<b>2,137</b>	<b>36.2</b>

Source: BCB

## 15. How has the NPSD/GDP ratio behaved recently?

The NPSD/GDP ratio begins in December 2001 and reached its highest level in September 2002 (62.4%), remaining in a downward trend up to 2013. In 2014, when a primary deficit was recorded – the first of the yearly historical series started in 2002 – the NPSD/GDP ratio increased compared to the previous year, a movement that was maintained in the following year. In June 2016, the NPSD/GDP ratio reached 42.0%.

**Chart 4 – Net Public Sector Debt (up to Jun/16)**

Source: BCB

Table 8 presents the main conditioning factors<sup>26</sup> that affected the NPSD in 2014 and 2015. It can be observed that the variation in the NPSD in 2015 corresponded to 3.1% of GDP. Contributed to this increase the appropriated nominal interest, with 8.5 p.p. of GDP, the foreign exchange rate appreciation, with -6.5 p.p.; the change in parity of the basket of currencies that

<sup>26</sup> Fiscal Policy Press Release, Table XVII or <http://www.bcb.gov.br/?TIMESERIESEN Special series / Public Sector Net Debt and Borrowing Requirements / Net Debt evolution – Conditioning factors>.

comprises the net external debt, with 0.4 pp; and the primary deficit, with 1.9 p.p. These amounts were partially offset by the effect of nominal GDP growth, which accounted for 1.2 p.p.

**Table 8 – Conditioning Factors to the Evolution of the NPSD**

	2014		2015	
	R\$ billion	% of GDP	R\$ billion	% of GDP
<b>NPSD - Cumulative Change in Year</b>	<b>256.8</b>	<b>2.5</b>	<b>253.7</b>	<b>3.1</b>
Conditioning Factors	256.8	4.5	253.7	4.3
PSBR	343.9	6.0	613.0	10.4
Primary	32.5	0.6	111.2	1.9
Nominal Interest	311.4	5.5	501.8	8.5
Foreign Exchange Adjustment	-96.1	-1.7	-385.7	-6.5
Internal Debt linked to Foreign Exchange	-2.8	0.0	-16.6	-0.3
External Debt - Methodological	-93.2	-1.6	-369.2	-6.3
External Debt - Other Adjustments	12.5	0.2	21.8	0.4
Recognition of Debt	-3.5	-0.1	4.6	0.1
Privatizations	0.0	0.0	0.0	0.0
<b>GDP Growth Effect - Debt</b>		<b>-2.0</b>		<b>-1.2</b>
<b>GDP accumulated in the year – current prices</b>	<b>5,687.3</b>		<b>5,904.3</b>	

Source: BCB.

## 16. What is the Net Fiscal Debt?

The BCB calculates the Net Fiscal Debt from the data of NPSD, excluding the effects of methodological adjustments and equity. These adjustments are performed in order to remove from the current flow the values that do not represent current fiscal effort expended during the period under review and cannot be counted towards the financing needs of the public sector.

The methodological adjustment represents the change in debt due to the impact of exchange rate fluctuations on the net external debt<sup>27</sup> and on the share of domestic debt indexed to the exchange rate<sup>28</sup>.

Equity adjustments<sup>29</sup> include the recognition of the public sector debt generated in the past ("skeletons") and that have already produced macroeconomic impact. As these liabilities represent deficits that have already occurred, their recognition does not impact on the financing needs calculation, but have become part of the total net debt balance, impacting the outstanding and the debt service. Similarly, the effects of privatization of companies (sales revenues and

<sup>27</sup> <http://www.bcb.gov.br/?TIMESERIESEN> Special series / Public Sector Net Debt and Borrowing Requirements / Net public debt (R\$ million and % of GDP) or SGS 10822 and 10828.

<sup>28</sup> <http://www.bcb.gov.br/?TIMESERIESEN> Special series / Public Sector Net Debt and Borrowing Requirements / Net public debt (R\$ million and % of GDP) or SGS 10824 and 10830.

<sup>29</sup> <http://www.bcb.gov.br/?TIMESERIESEN> Special series / Public Sector Net Debt and Borrowing Requirements / Net public debt (R\$ million and % of GDP) or SGS 10821 and 10827.

transfers of debts to the private sector)<sup>30</sup> are also excluded from the calculation of the net fiscal debt.

Table 9 shows that in December 2015 the Net Fiscal Debt<sup>31</sup> reached R\$2,556 billion (43.3% of GDP). In June 2016, the net Fiscal debt balance reached R\$2,753 billion (45.7% of GDP).

**Table 9 – Net Fiscal Debt and Net Public Sector Debt**

	2014		2015	
	R\$ billion	% of GDP	R\$ billion	% of GDP
<b>Net Fiscal Debt</b>	<b>1,942.6</b>	<b>34.2</b>	<b>2,555.6</b>	<b>43.3</b>
(+) Adjustment Method. Domestic Debt	104.0	1.8	87.5	1.5
(+) Adjustment Method. Foreign Debt	-187.7	-3.3	-535.1	-9.1
(+) Adjustment of the Balance Sheet	100.3	1.8	104.9	1.8
(+) Adjustment of the Privatization	-76.0	-1.3	-76.0	-1.3
<b>Net Public Sector Debt</b>	<b>1,883.1</b>	<b>33.1</b>	<b>2,136.9</b>	<b>36.2</b>

Source: BCB.

The difference between the net fiscal debt outstanding in December 2014 (R\$1,942.6 billion) and the net fiscal debt outstanding in 2015 (R\$2,555.6 billion) corresponded to the financing needs of the public sector or to the nominal fiscal result of the period (R\$613.0 billion). That is, the absolute variation in net fiscal debt in a period is equal to the nominal deficit of the consolidated public sector in the same period.

## **17. What is the Domestic Federal Securitized Debt (DFSD) and what is its composition by issuer?**

The Domestic Federal Securitized Debt (DFSD)<sup>32</sup> is the outstanding of securities at the financial market issued by the National Treasury, and it reached R\$2,650.2 billion in December 2015 and R\$2,837.9 billion in June 2016. It is important to notice that Article 34 of the Fiscal Responsibility Law (Complimentary Law N. 101), of May 2000, has prohibited the issuance of public debt securities by the BCB since 2002.

## **18. What is the DFSD composition by indexer?**

In June 2016, including the derivative instruments like foreign exchange swaps, 14.6% of DFSD were indexed to the Selic rate; 5.5% to foreign exchange, 26.8% to price indexes or

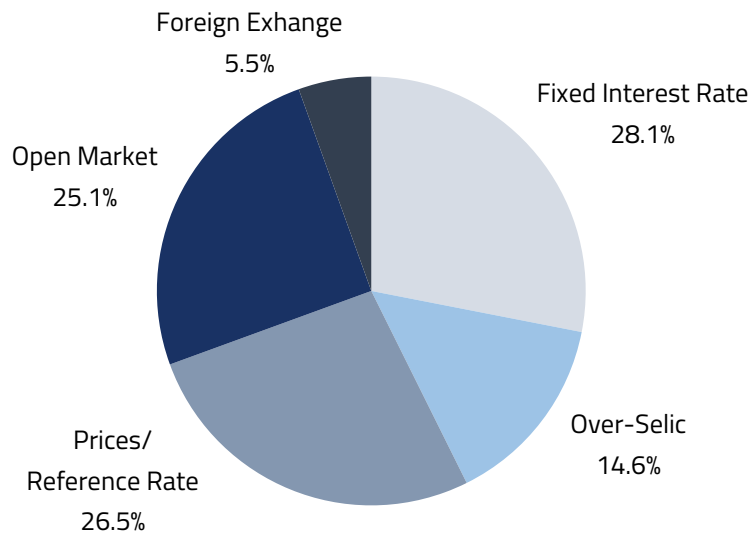
<sup>30</sup> <http://www.bcb.gov.br/?TIMESERIESEN> Special series / Public Sector Net Debt and Borrowing Requirements / Net public debt (R\$ million and % of GDP) or SGS 10820 and 10826.

<sup>31</sup> <http://www.bcb.gov.br/?TIMESERIESEN> Special series / Public Sector Net Debt and Borrowing Requirements / Net public debt (R\$ million and % of GDP) or SGS 10825 and 10831.

<sup>32</sup> Fiscal Policy Press Release, Table XXXVI or SGS 4154.

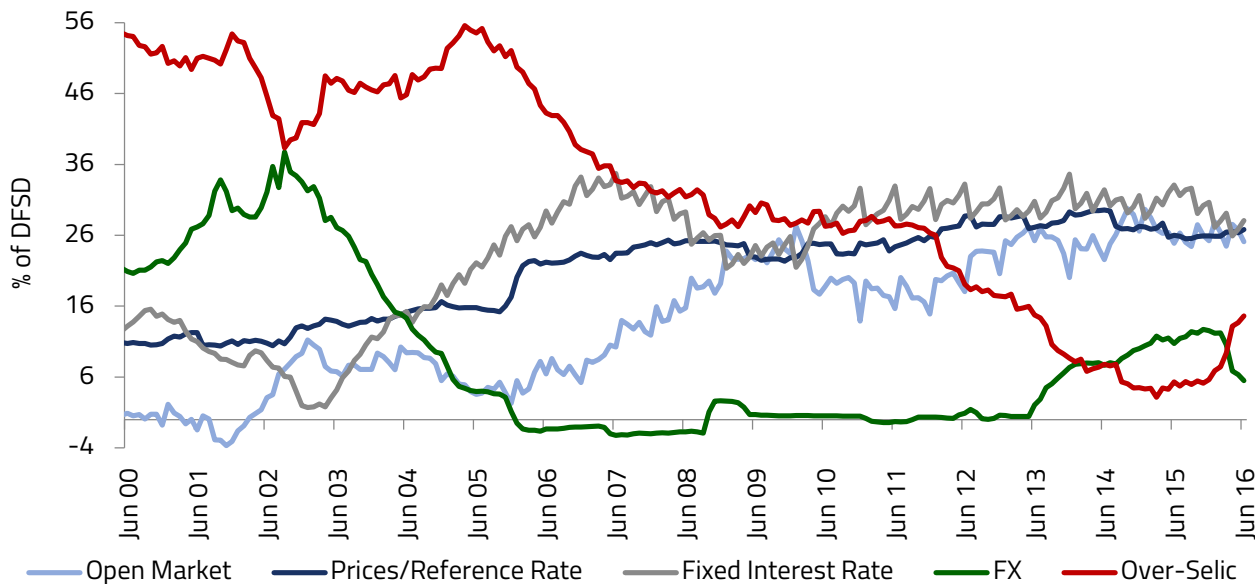
Reference Rate (TR); and 28.1% were fixed rate bonds (Chart 6)<sup>33</sup>. Chart 7 shows the evolution of the DFSD by indexer since June 2000, custody position, with the disclosure of open market operations carried out by the BCB (positive values indicate funding taken by the Central Bank).

**Chart 6 – Composition of the DFSD by Indexer with Exchange Rate Swaps (Jun/16)**



Source: BCB.

**Chart 7 – Evolution of the DFSD by Indexer (up to Jun/16)**



Source: BCB.

<sup>33</sup> Fiscal Policy Press Release, Table XXXVIII or <http://www.bcb.gov.br/?TIMESERIESEN> Special series / Public Sector Net Debt and Borrowing Requirements / Federal securities debt – stock, maturity profile and participation by indexing factor.

## 19. What is the meaning of “Implicit” Interest Rate?

The Domestic Federal Securitized Debt (DFSD) is composed of assets and liabilities with different rates of return. For instance, the monetary base has zero cost, the domestic securitized debt has its remuneration linked to several indexes, and the external debt financial return is determined by the external funding costs. Therefore, the implicit interest rate represents the average of the various interest rates on the NPSD’s liabilities and its assets. In 2015, the implicit rate<sup>34</sup> on NPSD corresponded to 29.7%.

## More Information About Fiscal Data

### 20. How can I find out more about fiscal indicators in Brazil?

The BCB publishes, monthly, the “[Fiscal Policy Press Release](#)”, with the latest fiscal data from the public sector. In addition to the text summary, the “Press Release” presents a series of tables with the latest fiscal indicators and prior periods, for comparison purposes.

Another source of information for fiscal data is the publication “Results from the National Treasury,” released monthly in the [National Treasury website](#). The National Treasury website also provides various reports about fiscal enforcement, as well as documents on the recent trajectory of public debt.

Data historical series related to the tables and graphs presented in this text may be checked at the [Central Bank webpage](#), clicking on English, on the right upper side of the screen, and then, selecting by subject ⇒ Public Finance, or by code, using the codes informed in the notes, and tables from the Press Release.

Fiscal data can also be found in the BCB’s “[Economic Indicators](#)” publication. Fiscal indicators can be found in chapter IV – Finances. All data presented in this document can be downloaded by accessing the [time series available on the BCB’s website](#).

Finally, those interested in learning more about the methodology of calculation of fiscal indicators released by the Central Bank, can access the “[Manual de Estatísticas Fiscais](#) publicadas pelo Departamento Econômico do Banco Central”, available for consultation at the BCB website in Portuguese.

---

<sup>34</sup> Fiscal Policy Press Release, Q XIV or <http://www.bcb.gov.br/?TIMESERIESEN> Special series / Public Sector Net Debt and Borrowing Requirements / Implicit interest rate (% p.m. and annualized)