

10 January 2020

Fiscal Monitor: Social Security

Mixed effects

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Slowdown in new concessions of social security and assistance benefits should have reduced public spending by R\$7.6bn in 2019, of which R\$4bn is permanent. Lower expenditures will help reduce the primary deficit, which also features a relevant volume of extraordinary revenues, especially the oil and gas ToR.

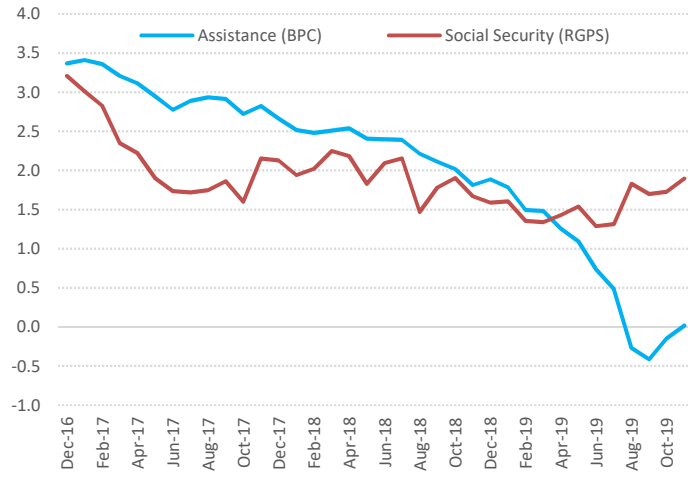
Although part of the lower spending is temporary, at R\$3.4bn, potential new gains from the auditing process of social security benefits and the entry into effect of new retirement and pension rules are more than sufficient to compensate this effect. The pent-up spending, in principle, thus doesn't pose a challenge to the public accounts in 2020.

Lower growth in number of beneficiaries reduced social security spending in 2019. The growth rate in the number of social security beneficiaries was 1.9% in November, the last data available. The gain is nearly 1p.p. below the historical average observed in the last 20 years, since 1998, close to 3% p.a. Besides the auditing process made possible by MP 871/919, the slower pace of growth in the number of beneficiaries reflects the automation of several services offered by the social security institute, such as retirement requests, I.D. updates, certificates, inspection scheduling, etc.

Spending reduction totaled R\$7.6bn in 2019. As per our estimates, the 1p.p. reduction in the vegetative growth rate of RGPS benefits and the decline in benefits awarded to the disabled, elderly and poor (BPC) reduced spending, respectively, by R\$6.1bn and R\$1.5bn. The estimate considers the average benefit of 1.4x the minimum wage for social security, which also features the 13th annual salary, and the benefits tied to the minimum wage paid by BPC. The growth rate observed in November, versus the same month last year (*chart 1*), was 1.9% and 0%, respectively, below the expected 3% and 2.5%.

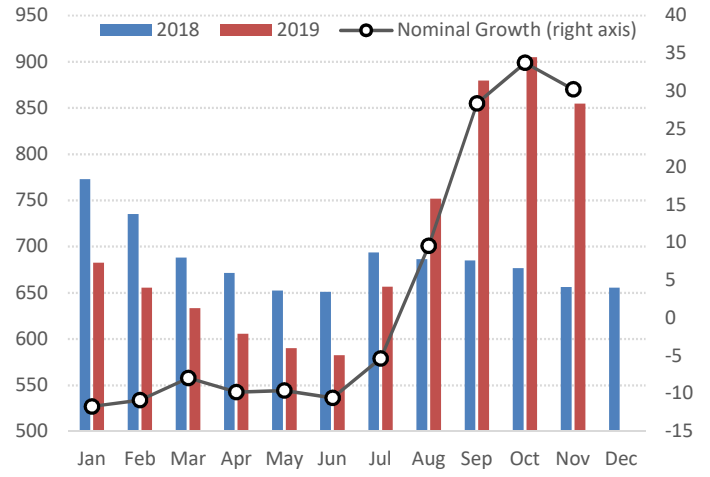
Fiscal saving from revision reduced spending by R\$4bn in 2019. Our calculations show that out of the R\$7.6bn spending reduction in 2019, 55% or R\$4.1bn refer to the gains resulting from the auditing of the concession of benefits and, thus, are permanent. The other 45% or R\$3.4bn can be attributed to the delay in the concession of new benefits due to the automation of the process, part of the agenda of increasing digital content in government activities (e-gov). As per data of the social security secretariat, in November there were 855k overdue benefits (*chart 2*), due to pending items at the social security institute or with the beneficiary himself.

Chart 1: Growth rate of social security and assistance benefits (YoY)



Source: Social Security Secretary and BTG Pactual

Chart 2: Quantity of Overdue Benefits (in Thousand and %)



Source: Social Security Secretary and BTG Pactual

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