

**2012**  
**August**

Budget Outturn  
Summary Report

Ministry of Finance  
Budget General Directorate  
Portugal



- Central Government and social Security overall balance underlying to the Economic and Financial Assistance Programme (EFAP) was -5.622 billion euros<sup>1</sup> until July. This values differ from cash basis approach, due to the exclusion of transfers of banking institutions pension funds (-2.784 billion euros), payments concerning arrears of National Health Service (474 million euros) and other adjustments of -20.5 million euros.
- It was suspended one salary (holiday bonus) of civil servants and one pension of retired people until July, as determined by the 2012 State Budget Act<sup>2</sup>.
- Central Government and Social Security expenditure until July recorded an implementation degree of 54.1% and a YOY decrease of 1.7%. The contribution of National Health Service arrears payments was 1.2 p.p.. Excluding these payments (474 million euros), the purchase of goods and services and other current expenditure YOY variation would have been -4.1% (which compares with the real 4.2% increase).

Employees' compensation decreased 16% (16.8% in the first semester), reflecting suspension of salaries in June and the variation of number of civil servants. It is important to stress that the YOY monthly variation in July was -10.7%.

Current transfers increased 2.2% until July, which compares with a variation of -4.9% in the first semester. YOY cumulative variation decreased 2.7 p.p. in July, reflecting a monthly YOY decrease of 8.3% in July due to the pensions' suspension of retired people.

Interest expenditure increased 17.3% (+20.2% in the first semester), which is below the target underlying to the supplementary budget.

- Current revenue implementation degree was 53% until July, more 8 p.p. than the end of first semester. Tax revenue decreased 3.4% and social contributions dropped 5.6% (deeper in the case of *Caixa Geral de Aposentações - CGA*<sup>3</sup> than in the Social Security subsector).

Personal income tax (IRS) and social contributions had a deeper reduction (YOY) until July than in previous months. This path is mainly explained by the loss of revenue associated with the suspension of salaries of civil servants in June, which have been partially offset by an increase of VAT monthly revenue in July.

Overall revenue variation is determined by the second transfer about pension funds from banking institutions in the end of first semester.

<sup>1</sup> In this document billion means 10<sup>9</sup> (one thousand million in short scale).

<sup>2</sup> The State Budget Act determines a cut of 2 salaries or pensions of 14 a year. This measure includes civil servants and retired people with salary or pension above 1,100€ and excludes level below 600€ as well as defines an intermediate cut in case of salary or pension within the range 600€-1,100€. Other suspension will occur in November and December for civil servants and retired people, respectively.

<sup>3</sup> Public body that administrates the Portuguese civil servants pension scheme.

# Budget Outturn

Central Government and Social Security Consolidated Account - Comparison 2012 versus 2011

€ Millions

	Comparable Universe (SOEs not Included)						Implementation in Real Universe (SOEs included)	
	Comparable Universe	June 2012			Jan - July 2012		Jan - July 2012	
	Jan - July 2011	Monthly Execution	YOY Change Rate (%)	Monthly Execution Degree (%)	Accumulated Execution	Accumulated YOY Change Rate (%)	Accumulated Execution	Accumulated Execution Degree (%)
<b>Current revenue</b>	<b>33,539.5</b>	<b>4,930.3</b>	<b>-5.7</b>	<b>8.0</b>	<b>32,856.7</b>	<b>-2.0</b>	<b>34,017.8</b>	<b>53.0</b>
Direct taxes	7,399.3	1,440.3	-8.9	10.0	7,284.7	-1.5	7,284.7	50.3
Indirect taxes	11,691.1	1,384.3	-1.0	6.3	11,162.1	-4.5	11,555.5	50.9
Social security contributions	10,386.2	1,514.0	-15.8	8.6	9,802.6	-5.6	9,802.6	55.7
Other current revenue	4,062.8	591.8	31.7	7.6	4,607.3	13.4	5,375.0	57.3
(of which: transfers from other subsectors GG)	36.7	5.8	-70.3	6.8	37.4	1.8	35.7	42.9
<b>Capital revenue</b>	<b>1,194.2</b>	<b>310.7</b>	<b>453.9</b>	<b>6.3</b>	<b>3,682.4</b>	<b>208.3</b>	<b>3,720.0</b>	<b>71.4</b>
Sale of investment good	26.0	0.4	-32.3	0.3	1.8	-93.1	4.8	2.9
Capital transfers	942.2	37.1	4.0	0.9	3,235.4	243.4	3,268.7	72.1
(of which: transfers from other subsectors GG)	5.7	0.1	-88.3	0.4	5.7	-0.4	5.7	27.8
Other capital revenue	226.1	273.2	1,275.5	58.9	445.2	96.9	446.5	87.3
<b>Effective revenue</b>	<b>34,733.8</b>	<b>5,241.0</b>	<b>-0.8</b>	<b>7.8</b>	<b>36,539.1</b>	<b>5.2</b>	<b>37,737.8</b>	<b>54.4</b>
<b>Current expenditure</b>	<b>37,598.0</b>	<b>6,465.9</b>	<b>1.1</b>	<b>9.5</b>	<b>37,510.6</b>	<b>-0.2</b>	<b>38,659.0</b>	<b>54.7</b>
Public consumption	13,412.2	2,197.2	20.5	9.1	12,426.5	-7.3	13,376.7	51.5
Employees	7,656.4	915.0	-10.7	7.8	6,431.1	-16.0	6,824.8	55.1
Purchase of goods and services and other current expenditure:	5,755.8	1,282.3	60.5	10.2	5,995.4	4.2	6,551.8	48.2
Subsidies	822.5	154.6	71.0	10.0	699.7	-14.9	715.1	45.6
Interests and other charges	3,376.2	345.3	-6.3	4.7	3,960.7	17.3	4,335.3	51.1
Current transfers	19,987.1	3,768.7	-8.3	10.7	20,423.8	2.2	20,231.9	58.4
(of which: transfers to other subsectors GG)	1,193.6	296.8	60.9	12.0	1,354.4	13.5	1,149.1	58.6
<b>Capital expenditure</b>	<b>2,409.4</b>	<b>324.8</b>	<b>7.3</b>	<b>8.7</b>	<b>1,815.3</b>	<b>-24.7</b>	<b>2,370.5</b>	<b>46.3</b>
Investments	297.5	64.0	115.2	6.6	257.9	-13.3	1,170.2	42.4
Capital transfers	2,081.1	253.6	-7.3	9.3	1,543.6	-25.8	1,181.6	50.9
(of which: transfers to other subsectors GG)	911.1	185.0	-10.2	10.4	1,188.6	30.5	826.2	60.7
Other capital expenditure	30.8	7.2	-2,335.8	24.9	13.8	-55.1	18.6	64.0
<b>Effective Expenditure</b>	<b>40,007.4</b>	<b>6,790.7</b>	<b>1.4</b>	<b>9.4</b>	<b>39,325.9</b>	<b>-1.7</b>	<b>41,029.5</b>	<b>54.1</b>
<b>Overall balance</b>	<b>-5,273.6</b>	<b>-1,549.6</b>			<b>-2,786.9</b>		<b>-3,291.7</b>	
<i>Memo item:</i>								
Primary balance	-1,897.4	-1,204.4			1,173.8		1,043.6	
Adjustments related with EFAP								
Guarantees, loans and capital injections		0.0			-20.5		-20.5	
Additional transfer to the National Health Service - arrears paym.		239.3			473.9		473.9	
Pension funds		0.0			-2,783.9		-2,783.9	
<b>Overall Balance (criteria of the EFAP)</b>		<b>-1,310.3</b>			<b>-5,117.3</b>		<b>-5,622.2</b>	

Source: Ministry of Finance

## Remarks:

2011 execution doesn't include State-owned enterprises (SOE), as these entities were integrated in the Central Government in 2012 on the Autonomous Services and Funds subsector.

For 2012 it is presented the real and comparable execution, excluding the SOE in order to obtain comparable universes.

The execution rate is calculated by reference to the supplementary budget

■ **State subsector** deficit until July 2012 was 3.980 billion euros, below result 2011. Revenue increased 11.4%, explained by the remaining transfer of credit institutions pension funds in 2012. Overall expenditure and primary expenditure recorded negative YOY variation (-0.7% and -3.2% respectively).

■ **Autonomous Services and Funds** recorded a surplus of 548.5 million euros, improving over the same period of 2011 due to the additional transfer to the National Health Service (NHS) of 750 million euros allocated to arrears payment determined by the Supplementary State Budget (1.500 billion euros in 2012 as a whole). An important reduction in spending is observed (-3.8% YOY) resulting from the reduction of employees' compensation as well as current and capital transfers, the latest being due to transfers of credits in 2011 by the CGA. The overall balance of the reclassified entities (some SOEs) amounted to -504.8 million euros, which is mainly explained by the investment expenditure.

## Budget Outturn

- **National Health Service balance** was 507.7 million euros, which is explained by the first additional transfer of 750 million euros allocated to arrears payment underlying to the Supplementary State Budget (1.500 billion euros at total in 2012).
- **Social Security** overall surplus attained 139.6 million euros from January to July, 162 million euros lower when compared with the same period 2011. This path is explained by the increase of social benefits as well as by the reduction of contributions revenue.
- **Local and Regional Government** recorded a surplus of 168.5 million euros until July<sup>4</sup>, which breakdown is a surplus of Local Government (231.5 million euros) and a deficit of Regional Government (62.9 million euros).

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<sup>4</sup> The Local Government data includes 241 municipalities (of a total of 308).