

2012
April

Budget Outturn
Summary Report

Ministry of Finance
Budget General Directorate
Portugal

Budget Outturn

- The general government balance on cash basis comparable with the underlying target to the Economic and Financial Adjustment Programme (EFAP) was -450 million euros in first quarter 2012, which is a better result than the limit defined by the EFAP for that period.
- Central Government and Social Security recorded a balance of -483 million euros on cash basis in first quarter of 2012. The deficit would have been 415 million euros in comparable terms, *i.e.* excluding State-Owned Enterprises (SOE) that were reclassified into the Central Government in 2012, which compares with 558 million euros in same period of 2011.
- There are some factors that contribute to the difference between the results for the first quarters of 2011 and 2012. In fact, the amount of interest paid in the first quarter of 2011 was much lower than in 2012. In fact, the primary balance in 2012 was 209 million euros (752 million euros in 2011).
- In 2012, it is important to stress the transfer of capital to the *RTP – Rádio e Televisão de Portugal*¹ in order to repay loans (348 million euros), the payment of pensions resulting from the transfer of the pension fund of the banking system in the first quarter 2012 (130 million euros) and the revenue associated with the auction for the fourth generation mobile services (272 million euros).
- The base effect of some factors in the first quarter 2011, mostly revenue of *IRC – Imposto sobre o Rendimento das Pessoas Coletivas*² in January 2011 and the accounting of *CGA - Caixa Geral de Aposentações*³ capital revenue due to the transmission of the PT pension fund in about 300 million euros.
- Taking into account primary balances in 2011 and 2012 adjusted by the effects mentioned previously, the comparable results are 452⁴ million euros and 415 million respectively. It is important to stress that the State Budget Law for 2012 provides a set of measures with incidence both on revenue and expenditure which effects will only be reflected in the central government and social security's accounts after the end of the first semester.

¹ Rádio e Televisão de Portugal, the portuguese public television station

² IRC is the direct tax applicable to companies and similar legal persons

³ Public body that administrates the Portuguese civil servants pension scheme

⁴ Including the base effect about IRC mentioned before

Budget Outturn

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

	Comparable Universe - Central Government and Social Security (SOEs not Included)					Implementation in Real Universe	
	March 2012			jan - March 2012		jan - March 2012	
	Monthly Execution	YOY Change Rate (%)	Monthly Execution Degree (%)	Accumulated Execution	Accumulated YOY Change Rate (%)	Accumulated Execution	Accumulated Execution Degree (%)
	€ Millions						
Current revenue	3.865,0	-7,5	6,2	14.141,7	-0,6	14.638,0	22,7
Direct taxes	1.009,2	1,9	7,0	2.836,8	-5,4	2.836,8	19,8
Indirect taxes	1.095,5	-13,8	4,9	5.093,2	-5,8	5.262,6	22,9
Social security contributions	1.330,5	-2,9	7,5	4.284,5	-0,8	4.284,5	24,1
Other current revenue	429,8	-21,3	5,5	1.927,1	28,0	2.254,1	24,0
(of which: transfers from other subsectors GG)	5,6	149,6	6,6	12,4	56,4	12,4	15,0
Capital revenue	176,2	-19,6	9,6	374,2	-42,0	386,2	18,0
Sale of investment good	0,3	-97,0	0,2	0,6	-96,8	2,9	1,7
Capital transfers	114,0	-34,6	7,7	207,7	-53,5	214,7	12,3
(of which: transfers from other subsectors GG)	0,0	-89,9	0,2	1,5	-46,8	1,5	7,1
Effective revenue	4.041,1	-8,1	6,3	14.515,9	-2,4	15.024,2	22,5
Current expenditure	4.725,1	3,0	7,1	14.033,2	2,7	14.524,6	21,0
Public consumption	1.720,1	-4,6	7,6	4.868,8	-4,7	5.261,6	21,6
Employees	922,3	-0,8	7,9	2.723,7	-4,0	2.888,0	23,3
Purchase of goods and services and other current expenditures	797,8	-8,6	7,3	2.145,1	-5,5	2.373,5	19,8
Subsidies	89,4	-54,5	5,8	226,0	-33,6	232,1	14,8
Interests and other charges	200,9	383,7	2,5	623,6	221,5	744,1	8,1
Current transfers	2.714,8	6,6	7,9	8.314,8	3,6	8.286,8	24,4
(of which: transfers to other subsectors GG)	130,9	-17,2	5,3	474,2	-4,0	442,9	22,6
Capital expenditure	180,4	-10,5	5,0	897,2	37,4	982,3	19,6
Investments	53,4	19,4	5,5	81,4	0,3	515,7	18,7
Capital transfers	120,4	-21,8	4,6	803,0	41,7	451,2	20,3
(of which: transfers to other subsectors GG)	78,1	-3,2	4,4	659,2	84,9	307,4	22,6
Other capital expenditure	6,6	127,3	22,7	12,8	162,4	15,4	53,1
Effective Expenditure	4.905,5	2,5	7,0	14.930,4	4,3	15.506,9	20,9
Overall balance	-864,4			-414,5		-482,7	
<i>Memo item:</i>							
Current balance	-860,1			108,5		113,4	
Primary current expenditure	4.524,2	-0,5	7,7	13.409,6	-0,5	13.780,5	23,0
Primary current balance	-659,3			732,1		857,5	
Capital balance	-4,3			-523,0		-596,1	
Primary expenditure	4.704,7	-0,9	7,6	14.306,8	1,3	14.762,8	22,7
Primary balance	-663,6			209,1		261,4	

Source: Ministry of Finance

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 initial budget

- The balance for State subsector was -1 637 million euros in 2012 until March, which compares with a deficit of 892 million euros in the same period of 2011.
 - Receipts decreased by 4.4% determined by tax revenue behavior of the (-5.8%), which was justified by the factors mentioned above, mostly the fact that collected revenue in first quarter 2012 does not reflect the full impact of the measures planned in the State Budget Law for 2012;
 - Spending increased 3.5%, while primary expenditure declined 0.7%. The evolution of the expenditure was influenced by the transfer of about 348 million euros for the *RTP - Rádio e Televisão de Portugal, SA*, in order to repay loans. Excluding this fact⁵, spending and primary expenditure would have changed 0% and -4.3%, respectively.

- Autonomous Services and Funds⁶ recorded a surplus of 876 million euros. Excluding reclassified SOEs, the balance would have been 944 million euros, which is explained a decrease of purchase of goods and services of National Health Service (NHS), as well as the decrease of capital transfers to other entities not belonging to general government. Those reclassified entities recorded a balance of -68 million euros, reflecting spending of investment as well as financial charges, mostly *REFER*⁷ and *Estradas de Portugal*⁸.

- National Health Service (NHS) consolidated accrual deficit was 74 million euros in first quarter, less 81 million euros than a year earlier. This result reflects a weaker reduction in revenue than in spending; mostly the reduction in transfers from the State Budget to NHS was deeper than the decrease in spending on health care contracts agreed with NHS hospitals.

- Social Security surplus was 278 million euros until March 2012, around 301 million euros lower than the same period of previous year. This result is explained by the increase in the social transfers, mostly pensions - including of retired people belonging to the scheme of banking regime that has been integrated in Social Security - and expenditure with unemployment benefits as well as the reduction of contributions to Social Security. It is important to stress that the 2012 Supplementary Budget takes into account a worse path to social transfers and contributions, predicting a lower balance.

⁵ This transfer was paid in the first two months of 2012 by the total amount.

⁶ Autonomous Services and Funds subsector integrates in 2012 some SOEs that were reclassified as above mentioned.

⁷ *REFER* is a public company responsible for providing the public service of managing the national railway network infrastructure in Portugal.

⁸ *Estradas de Portugal* is a public company responsible for managing the national road network infrastructure in Portugal

Budget Outturn

Central Administration and Social Security Revenue, Expenditure and Budget Balance - 2012 / 2011

€ Millions

	Time Frame	Revenue		Expenditure		Balance		YOY Change Rate (%)	
		2011	2012	2011	2012	2011	2012	Revenue	Expenditure
Central Government									
State	January-March	9.004	8.610	9.896	10.247	-892	-1.637	-4,4	3,5
Autonomous Funds and Services without SOEs	January-March	5.700	5.622	4.829	4.678	871	944	-1,4	-3,1
SOE	January-March		889		957		-68		
Social Security	January-March	5.744	5.806	5.164	5.528	580	278	1,1	7,1

Note: Figure on cash basis, not consolidated.

Source: Ministry of Finance

- Regional Government and Local Government recorded surplus in 2012 until March, 19 million euros for the both subsectors⁹.

Regional and Local Revenue, Expenditure and Budget Balance - 2012 / 2011

€ Millions

	Time Frame	Revenue		Expenditure		Balance		YOY Change Rate (%)	
		2011	2012	2011	2012	2011	2012	Revenue	Expenditure
Regional Government	January-March	436	418	424	399	12	19	-4,1	-6,1
Local Government	January-March	1.036	982	1.015	963	21	19	-5,2	-5,2

Note: Figure on cash basis, not consolidated.

Source: Ministry of Finance

⁹ Data about Autonomous Region of Madeira does not include information about SOEs that were reclassified. The Local Government data include 234 municipalities (of a total of 308).