

2012
May

Budget Outturn
Summary Report

Ministry of Finance
Budget General Directorate
Portugal

Budget Outturn

- Central Government and Social Security balance was -1.9 billion euros until April 2012, while primary balance attained -469.7 million euros.

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 - Central Government and Social Security (SOEs included)	
	April 2012		Jan - April 2012			Jan - April 2012	
	Monthly Execution	YOY Change Rate (%)	Monthly Execution Degree (%)	Accumulated Execution	Accumulated YOY Change Rate (%)	Accumulated Execution	Accumulated Execution Degree (%)
Current revenue	4.180,0	2,1	6,8	18.321,7	0,0	18.938,4	29,5
Direct taxes	974,6	37,2	6,7	3.811,4	2,8	3.811,4	26,3
Indirect taxes	1.343,0	-10,4	6,1	6.436,3	-6,8	6.665,4	29,3
Social security contributions	1.286,8	-4,2	7,3	5.571,3	-1,6	5.571,3	31,7
Other current revenue	575,6	6,1	7,4	2.502,7	22,2	2.890,4	30,8
(of which: transfers from other subsectors GG)	5,4	68,2	6,4	17,9	59,8	17,9	21,5
Capital revenue	124,6	122,6	2,5	498,8	-28,8	515,6	9,9
Sale of investment good	0,3	-137,3	0,2	0,8	-95,1	3,2	1,9
Capital transfers	120,9	178,1	2,8	328,6	-33,0	340,5	7,5
(of which: transfers from other subsectors GG)	1,7	49,5	8,5	3,2	-18,0	3,2	15,6
Other capital revenue	3,4	-74,3	0,7	169,3	-12,5	171,9	33,6
Effective revenue	4.304,6	3,7	6,4	18.820,5	-1,1	19.454,1	28,0
Current expenditure	5.380,9	4,6	7,9	19.414,1	3,2	20.006,0	28,3
Public consumption	1.681,0	-10,3	6,9	6.549,9	-6,2	7.058,6	27,2
Employees	899,3	-7,7	7,7	3.623,0	-5,0	3.844,3	31,0
Purchase of goods and services and other current expenditures	781,8	-13,0	6,2	2.926,9	-7,6	3.214,4	23,7
Subsidies	110,8	-1,1	7,2	336,7	-25,6	344,8	22,0
Interests and other charges	671,1	7,7	9,1	1.294,7	58,5	1.430,0	16,9
Current transfers	2.917,9	15,2	8,3	11.232,7	6,4	11.172,6	32,3
(of which: transfers to other subsectors GG)	238,9	27,8	9,7	713,0	4,7	648,0	33,0
Capital expenditure	249,7	-16,7	6,7	1.146,9	20,4	1.347,8	26,4
Investments	28,9	-48,3	3,0	110,4	-19,5	662,6	24,0
Capital transfers	220,6	-8,7	8,1	1.023,6	26,6	672,3	28,9
(of which: transfers to other subsectors GG)	168,4	-18,8	9,5	827,6	46,7	476,2	35,0
Other capital expenditure	0,2	-93,3	0,6	12,9	77,8	12,9	44,4
Effective Expenditure	5.630,6	3,5	7,8	20.561,0	4,1	21.353,8	28,2
Overall balance	-1.326,0			-1.740,5		-1.899,7	
<i>Memo item:</i>							
Current balance	-1.200,9			-1.092,4		-1.067,5	
Primary current expenditure	4.709,8			18.119,3		18.576,0	
Primary current balance	-529,7			202,4		362,4	
Capital balance	-125,1			-648,1		-832,2	
Primary expenditure	4.959,5			19.266,3		19.923,8	
Primary balance	-654,9			-445,8		-469,7	

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 subject. 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

- Central Government and Social Security revenue and expenditure implementation rate in comparison with the supplementary budget target attained 28% and 28.2%, respectively.

- On the revenue side, it is important to stress the behavior of components with higher weight:

- Direct taxes implementation degree was 26.3%, above the latest years average (23.8%), with a positive year-on-year change determined by IRS's¹ path, which collection has been increasing in last three months;
 - Indirect taxes revenue recorded a different result (29.3% implementation degree which compares with the latest years pattern of 31.8%), partly justified by a higher volume of VAT repayments as well as the fact that the full effects resulting from the VAT rates restructuring determined by the 2012 State Budget will be reflected in execution from May onwards;
 - Social Security contributions implementation degree was 31.7%, slightly below the corresponding 2011 level, determined by the evolution of the labour market and by the indirect effect associated with the reduction of public administration compensation of employees; and
 - Other revenue implementation degree is influenced by the integration of the one-off revenues connected with the fourth generation mobile services auction².
- On the expenditure side, main categories behavior is to be emphasized:
 - A year-on-year reduction of employees compensation (5%), underestimated in comparison with the 2012 target, since: i) the fiscal consolidation measures determined by the 2012 State Budget have underlying a deeper decrease in June and November³; and ii) lack of information in 2011 by some public entities;
 - Current transfers - mostly payment of pensions by the CGA⁴ and Social Security as well as other social benefits - increase over the same period of 2011, while observing a lower implementation degree than 2011;
 - Purchase of current goods and services with a low implementation degree. However this item does not reflect yet the effect of the payment of health sector arrears as predicted in supplementary budget; and
 - Interest and other debt charges, which implementation degree of 17.5% is higher in comparison with 2011, due to the payment of coupon in February of a new Fixed Rate Bond (OT) launched in February 2011⁵. Furthermore, it is relevant to stress the increased Treasury Bills interest charges⁶.
- State subsector deficit until April 2012 was 3.1 billion euros, explained by implementation degrees of revenue and expenditure of 26% and 29.3%, respectively. However, both the revenue and expenditure are negatively influenced by unusual factors:
 - Revenues implementation degree was 26%, 1.4 percentage points lower in comparison with the average of the most recent years, since the 2012 share of pension funds from banking institutions to the State revenue is not recorded;

¹ IRS is the direct tax applicable to personal income

² Recorded as capital revenues in the supplementary budget.

³ The salaries that are suspended during the Economic and Financial Assistance Programme (EFAP) were paid in June and November during last years.

⁴ Caixa Geral de Aposentações Public - body that administrates the Portuguese civil servants pension scheme.

⁵ There were no payments of coupons of that kind of security in February 2011.

⁶ This effect will be predictably offset during the second half of 2012 due to the following issues of this security longer time length.

- On expenditure, suspension of employees compensation in June and November as well as concentration in the first two months of the transfer to RTP - Radio and Television of Portugal⁷, which is determined that the implementation degree was 0.3 percentage points higher than the 2008-2011 average pattern (29.1%).
- Autonomous Services and Funds recorded a surplus of 884 million euros, improving over the same period and consistent with the difference of 3.3 percentage points between the implementation degree of revenue and expenditure. Excluding SOEs that were reclassified, the balance stands at 1.043 billion euros. The overall balance of these entities amounted to -159 million euros, being mainly explained by investment expenditure and financial charges associated with financial liabilities.
- National Health Service (NHS) consolidated financial balance was -91 million euros. Taking into account the target underlying to the supplementary budget, it is important to stress that the balance deterioration is influenced by the fact that the additional transfer of 200 million euros from the State Budget is not reflected in the NHS's revenue.
- Social Security overall surplus attained 275.3 million euros, 451 million euros lower when compared with 2011. The path of social benefits - particularly pensions and unemployment benefits and employment support - along with the contributions revenue decrease, are in line with the supplementary budget implicit target.
- Local and Regional Government budgetary evolution until April was positive (balance of 109.2 million euros). Revenues implementation degree when compared with the target was 24.2%, while spending reached 23.6%, allowing a more favourable overall balance than expected.

⁷ Rádio e Televisão de Portugal, the portuguese public television station.

CONSOLIDATED ACCOUNT OF GENERAL GOVERNMENT – FIRST QUARTER 2012 (cash basis)

General Government (GG) first quarter overall deficit was 444.1 million euros. 2012 implementation includes the budget execution of some state-Owned Enterprises (SOE) that were reclassified within the scope of General Government.

The relevant deficit under the Economic and Financial Adjustment Programme (EFAP) criteria was 450 million euros, largely below the corresponding EFAP limit (1.9 billion euros). The difference is mainly explained by Central Government budgetary outturns.

Consolidated Account of General Government (cash basis)

€ Millions

	<u>Comparable Universe - (SOEs not Included)</u>				<u>Implementation in Real Universe - (SOEs included)</u>	
	I quarter 2011	I quarter 2012	I quarter 2012		I quarter 2012	
	Execution		Nominal variation	Accumulated YOY Change Rate (%)	Execution	Accumulated Execution Degree (%)
Current revenue	15.370,3	14.924,1	-446,2	-2,9	15.430,6	22,1
Direct taxes	3.405,2	3.119,9	-285,2	-8,4	3.119,9	18,2
Indirect taxes	5.568,7	5.270,1	-298,6	-5,4	5.439,4	23,0
Social security contributions	4.324,7	4.286,7	-38,0	-0,9	4.286,7	24,1
Other current revenue	2.071,7	2.247,3	175,6	8,5	2.584,5	23,1
Capital revenue	812,4	526,6	-285,9	-35,2	537,7	17,6
Effective revenue	16.182,7	15.450,7	-732,1	-4,5	15.968,3	21,9
Current expenditure	14.800,1	14.819,9	19,8	0,1	15.321,5	20,9
Public consumption	6.461,1	5.861,8	-599,3	-9,3	6.233,5	21,1
Employees compensation	3.651,1	3.322,8	-328,3	-9,0	3.487,1	22,9
Purchase of goods and services and other current expenditures	2.810,0	2.539,0	-271,0	-9,6	2.746,4	19,1
Subsidies	380,0	250,2	-129,8	-34,2	256,4	12,9
Interests and other charges	232,7	667,8	435,1	186,9	788,3	8,4
Current transfers	7.726,3	8.040,1	313,8	4,1	8.043,4	24,8
Capital expenditure	859,0	1.006,7	147,8	17,2	1.090,9	17,7
Investments	573,1	431,8	-141,3	-24,7	866,0	17,7
Capital transfers	275,9	560,5	284,6	103,1	212,8	18,5
Other capital expenditure	9,9	14,4	4,5	45,3	12,0	12,5
Effective Expenditure	15.659,0	15.826,6	167,6	1,1	16.412,4	20,6
Overall balance	523,7	-376,0	-899,7		-444,1	
<i>Memo item:</i>						
Primary balance	756,4	291,8	-464,6		344,2	

Source: Ministry of Finance

It is not included in 2012 the reclassified State-Owned Enterprises (SOEs) because these entities were not integrated in 2011 within the Central Administration.

Implementation degrees are calculated taking into account initial State Budget.

Taking into account the comparable universe (excluding SOEs), General Government balance was -376 million euros, which compares with a 523.7 million euros surplus in the first quarter of 2011. The explanation about different items of revenue and expenditure variation was presented in previous editions of the Summary Budget Execution, mainly in April 2012.