

**2012**  
**December**

Budget Outturn  
Summary Report

Ministry of Finance  
Budget General Directorate  
Portugal





## Budget Outturn

- According to the Economic and Financial Assistance Programme (EFAP) criteria, **Central Government and Social Security overall balance** amounted to -8.639 billion<sup>1</sup> euros until the end of November. This result differs from cash basis due to specific one-off operations: transfers of pension's funds from banking institutions (2.784 billion euros), expenditure related to National Health Service's (NHS) arrears (1.408 billion euros) and other adjustments (63.2 million euros). Therefore, considering the provisional value of Regional and Local Government balance (542.1 million euros) and of PAR (-84.3 million euros), the relevant General Government balance for the purposes of PAEF in end of November stood at -8.182 billion euros. The limit of the balance for the whole year lies -9.028 billion euros.
- Central Government and Social Security year-on-year (YOY) **expenditure** change<sup>2</sup> was -1.9%, a turn over behaviour since August. This result is mostly explained by the suspension of payment of the 13<sup>th</sup> and 14<sup>th</sup> month to the public servants and to pensioners, reflected by the YOY reductions on *Compensation of Employees* and also *Current Transfers on Caixa Geral de Aposentações (CGA)*.

By its turn, primary expenditure decreased 3,5%, which compares favourably with -0,8% until October.

Note that, despite expenditure decrease, the YOY changes recorded are still influenced by the expenditure associated with NHS debt settlement relative to previous years. Excluding this effect, the rates of change that would be achieved would be -4.1% and -6%, respectively, for January-November and November.

Compensation of employees decreased 18.4% (13.7% until October), reflecting the suspension of the 13<sup>th</sup> and 14<sup>th</sup> public sector wage to public employees as well as the number of civil servants reduction. November YOY monthly variation was -47.1% which compares with 6.1% in October.

Purchase of goods and services and other current expenditures increased by 9.7% (13.2% until October) due to NHS arrears payments. In the absence of this factor, these expenditures would have decreased 5.5% (-3.6% until October).

A 13.5% increase in interest and other charges expenditure was observed (13.2% until October), but yet mostly reflecting the variation observed in October.

Current transfers increased 0.6% until November (3% until October), effect in line with lower pension expenditure of the *Caixa Geral de Aposentações (CGA)*<sup>3</sup> as a result of the suspension of payment of the 13<sup>th</sup> and 14<sup>th</sup> pension to retirees. Persists the pressure over the behaviour of unemployment subsidies and aids to employment expenditure (+23.6%) and on the other hand by the pensions paid to pensioners covered by contributory scheme of bank.

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

<sup>2</sup> YOY variation considers comparable universes. Therefore, YOY variation about Central Government as well as Autonomous and Funds Services does not integrate entities (some SOEs) that were reclassified within General Government on cash basis in 2012.

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

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Capital Transfer YOY change was -23.3%, in line with the evolution observed until October, mostly determined by the base effect of payments in 2011 associated to the settlement of State's financial responsibilities towards road infrastructure concessionaires, as well as credits cession operation by the CGA in 2011.

**Revenue** increased 0.1% until November, mainly explained by transfers from pension funds of banking institutions (2.687 billion euros). In absence of that effect, the reduction of overall revenue was 4.7% deeper than the rate observed until October (-3.7%), mostly as result of tax revenue and social contributions collected by the social security schemes.

In fact, tax revenue decreased 5.2%, a more pronounced decrease when compared with October (-4.2%), explained by the effect of personal income tax, as result of the salary reduction to public servants and reduction of pensions, and yet, the base effect of the additional taxation over income revenue in 2011.

Social contributions decreased by 6.4% until November, a more pronounced decrease when compared with October (-5.8%) – reflecting, one more time, the result of the suspension of the 13<sup>th</sup> and 14<sup>th</sup> public sector wage to public employees, in the case of the CGA.

- **Central Government and Social Security overall balance**, in November reached -7.200 billion euros. In comparable terms, overall balance was -6.497 billion euros, which reflect a YOY improvement of 1.282 billion euro). Primary balance was 316 million euros and, in comparable terms, 512 million euros, which compares favourably with -1776.3 million euros in 2011.

# Budget Outturn

Chart 2 - Central Government and Social Security Consolidated Account - Comparison 2012 versus 2011

	€ Millions							
	Comparable Universe	Comparable Universe (SOEs not Included)					Implementation in Real Universe (SOEs included)	
	Jan - Nov 2011	November 2012			Jan - Nov 2012		Jan - November 2012	
	Accumulated Execution	Monthly Execution	YOY Change Rate (%)	Monthly Execution Degree (%)	Accumulated Execution	Accumulated YOY Change Rate (%)	Accumulated Execution	Accumulated Execution Degree (%)
<b>Current revenue</b>	<b>54,330.2</b>	<b>4,535.2</b>	<b>-14.3</b>	<b>7.4</b>	<b>51,879.9</b>	<b>-4.5</b>	<b>53,589.8</b>	<b>84.3</b>
Tax	31,647.0	2,886.5	-14.0	7.9	29,996.8	-5.2	30,615.4	82.3
Direct taxes	12,667.9	908.4	-29.8	6.3	11,859.5	-6.4	11,859.5	82.0
Indirect taxes	18,979.1	1,978.1	-4.0	9.0	18,137.3	-4.4	18,756.0	82.6
Social security contributions	16,205.6	1,290.1	-12.6	7.6	15,168.9	-6.4	15,168.9	89.1
Other current revenue	6,477.6	358.6	-21.7	4.6	6,714.1	3.7	7,805.4	83.2
(of which: transfers from other GG subsectors)	59.9	6.1	-9.1	6.4	62.5	4.2	60.6	64.3
<b>Capital revenue</b>	<b>1,393.7</b>	<b>36.3</b>	<b>-9.1</b>	<b>0.7</b>	<b>3,913.6</b>	<b>180.8</b>	<b>4,091.0</b>	<b>70.4</b>
Sale of investment good	30.1	1.6	152.6	1.2	7.3	-75.7	11.6	6.9
Capital transfers	1,088.6	49.5	377.6	1.1	3,459.8	217.8	3,631.3	80.1
(of which: transfers from other GG subsectors)	9.4	0.5	2.2	1.4	7.5	-19.8	7.5	36.7
Other capital revenue	275.0	-14.8	-151.1	-1.4	446.5	62.4	448.0	40.3
<b>Effective revenue</b>	<b>55,723.9</b>	<b>4,571.5</b>	<b>-14.2</b>	<b>6.8</b>	<b>55,793.5</b>	<b>0.1</b>	<b>57,680.8</b>	<b>83.1</b>
<b>Current expenditure</b>	<b>60,167.6</b>	<b>4,838.1</b>	<b>-25.4</b>	<b>7.0</b>	<b>59,657.0</b>	<b>-0.8</b>	<b>61,349.6</b>	<b>85.8</b>
Public consumption	21,509.9	1,605.5	-38.9	6.5	20,149.4	-6.3	21,585.9	82.0
Employees	12,255.8	914.3	-47.1	7.9	9,996.1	-18.4	10,605.2	86.3
Purchase of goods and services and other current expenditures	9,254.1	691.2	-23.0	5.3	10,153.3	9.7	10,980.7	78.3
Subsidies	1,257.6	93.0	-4.7	6.1	1,105.8	-12.1	1,130.2	72.2
Interests and other charges	6,002.1	252.9	5.4	3.4	6,812.6	13.5	7,438.1	87.7
Current transfers	31,397.9	2,886.7	-18.1	8.1	31,589.2	0.6	31,195.5	88.7
(of which: transfers to other GG subsectors)	1,850.0	177.5	15.5	7.2	2,186.6	18.2	1,768.8	89.8
<b>Capital expenditure</b>	<b>3,334.8</b>	<b>182.3</b>	<b>22.1</b>	<b>4.9</b>	<b>2,633.4</b>	<b>-21.0</b>	<b>3,531.5</b>	<b>69.0</b>
Investments	556.7	53.1	3.9	5.4	478.6	-14.0	1,743.1	62.8
Capital transfers	2,739.3	112.5	17.1	4.1	2,100.6	-23.3	1,725.6	74.5
(of which: transfers to other GG subsectors)	1,347.7	54.2	-26.4	3.1	1,544.5	14.6	1,169.5	85.9
Other capital expenditure	38.8	16.7	692.1	57.2	54.2	39.8	62.9	216.0
<b>Effective Expenditure</b>	<b>63,502.4</b>	<b>5,020.4</b>	<b>-24.4</b>	<b>6.9</b>	<b>62,290.4</b>	<b>-1.9</b>	<b>64,881.1</b>	<b>84.6</b>
<b>Overall balance</b>	<b>-7,778.5</b>	<b>-448.9</b>			<b>-6,497.0</b>		<b>-7,200.3</b>	
Adjustments related to EFAP								
Guarantees, loans and capital injections		-0.5			-63.2		-63.2	
Additional transfer to the National Health Service - arrears paym.		0.0			1,408.2		1,408.2	
Pension funds		0.0			-2,783.9		-2,783.9	
<b>Overall Balance (criteria of the EFAP)</b>	<b>-7,778.5</b>	<b>-449.4</b>			<b>-7,935.9</b>		<b>-8,639.3</b>	
<i>Memo item:</i>								
Current balance	-5,837.4	-302.9			-7,777.1		-7,759.9	
Primary current expenditure	54,165.5	4,585.2	-26.6	7.4	52,844.4	-2.4	53,911.6	85.5
Primary current balance	164.7	-50.0			-964.5		-321.8	
Capital balance	-1,941.1	-146.0			1,280.2		559.6	
Primary expenditure	57,500.2	4,767.6	-25.5	7.3	55,477.9	-3.5	57,443.1	84.3
Primary balance	-1,776.3	-196.0			315.6		237.8	
Financial assets net of reimbursements	3,396.4	1,166.0			11,315.6		11,287.9	
of which revenue from:								
Disposal of Capital Shares	0.0	0.0			160.0		160.0	
Financial liabilities net of amortizations	16,798.4	3,540.3			24,130.7		24,938.5	

Source: Ministry of Finance

## Notes:

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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 second supplementary budget

The negative values are the result of consolidation operations

- **State subsector** deficit until November 2012 was 7.724 billion euros, which compares favorably with 9.784 billion euros in the previous year, this result being explained by the increase of revenue in 3.1% side by side with an expenditure decrease of 2.3%.

The revenue increase is explained by the remaining transfer of pension funds from credit institutions in 2012 to the State. In absence of this effect, the revenue YOY variation would be of -4.8%, consequence of tax revenue performance worsening, as result of the GDP contraction and the decrease of disposable income.

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Yet, in the absence of the additional transfer to NHS, overall expenditure and primary expenditure would have reduced 5.7% and 8.7%, respectively. This outcome is explained by the public servants salary cuts, the reductions of the regular transfers to NSH and also to the Universities.

- **Autonomous Services and Funds** recorded a surplus of 409 million euros. In comparable terms, balance increased 70 million euros, as result of decrease of expenditure with Compensation of Employees and pensions, as well as the 2011 effect of financial compensation for the integration of the PT pension fund in CGA. The overall balance of reclassified State Owned Enterprises amounted to -703 million euros, mainly explained by investment, compensation of employees and financial charges.
- **National Health Service** balance was 1.238 billion euros, which is explained by the additional transfer of 1.500 billion euros allocated to arrears payment.
- **Social Security** overall surplus attained 115.2 million euros from January to November, 847.9 million euros less when compared with the same period of 2011. This result is explained by the decrease in social contributions revenue along with unemployment and employment support subsidies expenditure increase.
- **Local and Regional Government** presented a surplus of 542.1 million euros until November<sup>4</sup>, to which Local Government contributed with a surplus of 616 million euros and the Regional Government with a deficit of 73.9 million euros.

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<sup>4</sup> The Local Government data includes 274 municipalities (of a total of 308).