

**2012**  
**September**

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 -5.493 billion euros<sup>1</sup> until August. This value differs from cash basis approach due to transfers of pension funds from banking institutions (-2.784 billion euros), payments concerning National Health Service arrears (1.354 billion euros) and other adjustments of -45.4 million euros.
- Central Government and Social Security expenditure until August recorded a YOY variation<sup>2</sup> of 0.4% while primary expenditure decreased 1.2%. This result is explained by payments concerning National Health Service arrears of about 1.354 billion euros (contribution of 3 p.p. to YOY variation of overall expenditure). In the absence of this factor, overall expenditure and primary expenditure would have decreased 2.6% and 4.4%, respectively.

Employees' compensation decreased 15.5% (16% until July), reflecting the suspension holiday bonus and the variation of number of civil servants. It is important to stress that the YOY monthly variation in August was -11.8%.

Purchase of goods and services and other current expenditures increased 15.5% (4.2% until July) due to payments of NHS's arrears. In the absence of this factor, these expenditures would have reduced 4.8% until August (which compares with -4.1% until July).

Capital transfers YOY variation was -25.6%, in line with previous month (-25.8%), explained by base effects associated with payments in 2011 related to the settlement of financial responsibilities of the State regarding road infrastructures concessionaires, as well as cession operation of credits in 2011 by the *Caixa Geral de Aposentações* (CGA)<sup>3</sup>.

Interest expenditure increased 18.8% (+17.3% until July), which is below the target underlying to the supplementary budget. This increase is explained by payment of interest to the European Financial Stabilisation Mechanism and the IMF.

Current transfers increased 2.5% until August (2.2% until previous month), mainly explained by the unemployment benefits and pensions of the banking system. The acceleration of that item of expenditure until August, when compared with previous month is explained by pensions and other benefits of the general system of social security as well as the effect of the pensions' suspension<sup>4</sup> of retired people in July.

- Revenue increased 4.7% until August (5.2% in previous month) explained by transfers from pension funds of banking institutions (2.687 billion euros).

Tax revenue decreased 2.4%, improving 1.1 p.p. when compared with July.

<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.

<sup>4</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.

# Budget Outturn

Direct taxes increased 2.1% until August (-1.5% until previous month), explained by the anticipation of the payment of 2011 collection of the Personal income tax (IRS).

Indirect taxes decreased 5.3%, explained by the VAT variation, particularly due to increased reimbursements to economic agents.

Social contributions decreased by 6% until August (-5.6% until July), in line with the unfavourable evolution of employment and the result of the suspension of the payments of civil servants, in the case of the *Caixa Geral de Aposentações - CGA*.

## 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	Comparable Universe (SOEs not Included)				Implementation in Real Universe (SOEs included)		
	Jan - Aug 2011	Aug 2012		Jan - Aug 2012		Jan - Aug 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>38,694.1</b>	<b>5,210.0</b>	<b>1.1</b>	<b>8.4</b>	<b>38,066.7</b>	<b>-1.6</b>	<b>39,312.3</b>	<b>61.3</b>
Direct taxes	8,227.1	1,116.0	34.8	7.7	8,400.7	2.1	8,400.7	58.1
Indirect taxes	13,790.6	1,943.9	-7.4	8.8	13,106.0	-5.0	13,556.4	59.7
Social security contributions	11,957.2	1,433.4	-8.8	8.1	11,236.0	-6.0	11,236.0	63.9
Other current revenue	4,719.2	716.8	9.2	9.2	5,324.1	12.8	6,119.3	65.2
(of which: transfers from other subsectors GG)	41.1	5.9	35.0	7.0	43.3	5.4	41.6	50.0
<b>Capital revenue</b>	<b>1,285.5</b>	<b>93.2</b>	<b>2.1</b>	<b>1.9</b>	<b>3,775.6</b>	<b>193.7</b>	<b>3,887.5</b>	<b>74.6</b>
Sale of investment good	26.2	2.0	642.9	1.5	3.8	-85.5	7.6	4.5
Capital transfers	1,017.2	86.7	15.6	2.0	3,322.1	226.6	3,429.3	75.7
(of which: transfers from other subsectors GG)	6.8	0.6	-47.3	1.5	6.3	-7.7	6.3	30.5
Other capital revenue	242.1	4.4	-72.4	1.0	449.7	85.7	450.6	88.1
<b>Effective revenue</b>	<b>39,979.6</b>	<b>5,303.2</b>	<b>1.1</b>	<b>7.9</b>	<b>41,842.3</b>	<b>4.7</b>	<b>43,199.8</b>	<b>62.3</b>
<b>Current expenditure</b>	<b>42,488.6</b>	<b>5,784.3</b>	<b>18.3</b>	<b>8.5</b>	<b>43,295.0</b>	<b>1.9</b>	<b>44,512.0</b>	<b>63.0</b>
Public consumption	15,331.2	2,597.5	35.4	10.7	15,024.1	-2.0	16,075.4	61.9
Employees	8,640.0	867.4	-11.8	7.4	7,298.5	-15.5	7,749.2	62.5
Purchase of goods and services and other current expenditures	6,691.2	1,730.2	85.0	13.8	7,725.6	15.5	8,326.2	61.3
Subsidies	914.6	95.9	4.1	6.2	795.5	-13.0	812.9	51.8
Interests and other charges	3,591.7	307.3	42.6	4.2	4,268.0	18.8	4,696.3	55.3
Current transfers	22,651.2	2,783.6	4.5	7.9	23,207.4	2.5	22,927.3	66.2
(of which: transfers to other subsectors GG)	1,339.9	240.1	64.0	9.7	1,594.5	19.0	1,300.0	66.3
<b>Capital expenditure</b>	<b>2,668.4</b>	<b>232.8</b>	<b>-10.1</b>	<b>6.2</b>	<b>2,048.1</b>	<b>-23.2</b>	<b>2,705.2</b>	<b>52.9</b>
Investments	369.5	90.9	26.4	9.3	348.8	-5.6	1,364.4	49.4
Capital transfers	2,266.7	142.8	-23.1	5.2	1,686.3	-25.6	1,324.1	57.0
(of which: transfers to other subsectors GG)	998.0	86.5	-0.5	4.9	1,275.1	27.8	912.4	67.0
Other capital expenditure	32.3	-0.9	-155.9	-2.9	13.0	-59.9	16.7	57.5
<b>Effective Expenditure</b>	<b>45,157.0</b>	<b>6,017.2</b>	<b>16.8</b>	<b>8.4</b>	<b>45,343.1</b>	<b>0.4</b>	<b>47,217.2</b>	<b>62.3</b>
<b>Overall balance</b>	<b>-5,177.4</b>	<b>-713.9</b>			<b>-3,500.8</b>		<b>-4,017.4</b>	
<i>Memo item:</i>								
Primary balance	-1,585.7	-406.6			767.1		679.0	
Adjustments related with EFAP								
Guarantees, loans and capital injections	0.0	-24.9			-45.4		-45.4	
Additional transfer to the National Health Service - arrears paym.	0.0	879.7			1,353.6		1,353.6	
Pension funds		0.0			-2,783.9		-2,783.9	
<b>Overall Balance (criteria of the EFAP)</b>	<b>-5,177.4</b>	<b>140.8</b>			<b>-4,976.5</b>		<b>-5,493.0</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

The negative values are the result of consolidation operations

## Budget Outturn

- **State subsector** deficit until August 2012 was 4.895 billion euros, comparing favourably with the corresponding 2011 result. Revenue increased 10.6%, explained by the remaining transfer of pension funds from credit institutions in 2012 as well as an improvement of tax revenue variation of 1.1 p.p. when compared with previous month. Overall expenditure recorded positive YOY variation (1.1%), while primary expenditure decreased 1.2%. In the absence of the additional transfer to NHS, overall expenditure and primary expenditure would have reduced 3.8% and 6.6%, respectively.
- **Autonomous Services and Funds** recorded a surplus of 609.2 million euros, having underlying a negative variation when compared with the same period of 2011, mainly due to the decrease of transfers from the Budget State to the NHS as well as the base effect of 2011 financial compensation for the integration of the pension fund PT in CGA. The overall balance of the reclassified SOEs amounted to -516.5 million euros, explained by investment expenditure and financial charges.
- **National Health Service balance** was 1.298 billion euros, which is explained by the additional transfer of 1.500 billion euros allocated to arrears payment underlying to the Supplementary State Budget.
- **Social Security** overall surplus attained 268.8 million euros from January to August, 458.9 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 159.5 million euros until August<sup>6</sup>, which breakdown is a surplus of Local Government (241.3 million euros) and a deficit of Regional Government (81.9 million euros).

<sup>6</sup> The Local Government data includes 238 municipalities (of a total of 308).