

2012
November

Budget Outturn
Summary Report

Ministry of Finance
Budget General Directorate
Portugal

- According to the Economic and Financial Assistance Programme (EFAP) criteria, **Central Government and Social Security overall balance** amounted to -8.144 billion¹ euros until the end of October. 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 (62.7 million euros).
- Central Government and Social Security year-on-year (YOY) **expenditure** change² was 0.7%, while primary expenditure decreased 0.8%. This result was explained by a 1.408 billion euros transfer related to National Health institutions payment of arrears which had a contribution of 2.5 p.p. and 2.8 p.p. on the expenditure and primary expenditure YOY variation respectively. In the absence of this factor, overall and primary expenditure would have decreased 1.8% and 3.5%, respectively.

Compensation of employees decreased 13.7% (14.5% until September), reflecting the suspension of holiday subsidies as well as the number of civil servants reduction. October YOY monthly variation was -6.1% which compares with 4.9% in September. This result is mainly explained by the 2012/2013 scholar year cost reduction as a consequence of the reduction of the number of teachers.

Purchase of goods and services and other current expenditures increased by 13.2% (14.3% until September) due to NHS arrears payments. In the absence of this factor, these expenditures would have decreased 3.6% (-4.4% until September).

A 13.8% increase in interest and other charges expenditure was observed (20.5% until September). The monthly implementation reflects the intra-annual specific pattern, mainly explained by the lower stock of Treasury Bills with maturity in October 2012 when compared with the same period of 2011.

Current transfers increased 3% until October (3.1% until September), mainly explained on the one hand by the behaviour of unemployment subsidies and aids to employment expenditure and on the other hand by the pensions paid to pensioners covered by contributory scheme of bank. These effects were partially offset by lower pension expenditure of the *Caixa Geral de Aposentações* (CGA)³ as a result of the suspension of payment of holiday subsidies to retirees.

Capital Transfer YOY change was -24.8%, in line with the evolution observed until September (-25.2%), 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 1.6% until October (2.4% until previous month) mainly explained by transfers from pension funds of banking institutions (2.687 billion euros). Excluding this effect, revenue would have decreased 3.8% as a result of tax revenue and social security contributions behaviour.

¹ In this document billion means 10⁹ (one thousand million in short scale).

² 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.

³ Public body that administrates the Portuguese civil servants pension scheme.

In fact, tax revenue decreased 4.2%, yet a less pronounced decrease when compared with September (-4.7%), explained by the recovery of income taxes and revenue from indirect taxes, namely the VAT and tax on vehicles. It is relevant to emphasize that the voluntary collection of VAT on domestic operations until October exceeded for the first time in 2012 the cumulative values of the previous year.

Social contributions decreased by 5.8% until October - yet a less pronounced decrease when compared with September (-6%) - reflecting an unfavourable evolution of employment and the result of the suspension of the payments of civil servants, in the case of the CGA.

- **Central Government and Social Security overall balance**, in October reached -6.706 billion euros. In comparable terms, overall balance was -6.048 billion euros, which compares favourably with -6.469 billion euros in the previous year. Primary balance was 396 million euros and, in comparable terms, 512 million euros, which compares favourably with -706.8 million euros in 2011.

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 - Oct 2011	October 2012			Jan - Oct 2012		Jan - October 2012	
	Accumulated Execution	Monthly Execution	YOY Change Rate (%)	Monthly Execution Degree (%)	Accumulated Execution	Accumulated YOY Change Rate (%)	Accumulated Execution	Accumulated Execution Degree (%)
Current revenue	49.041.1	4.303.9	-6.2	7.0	47.344.7	-3.5	48.882.1	76.2
Tax	28.291.7	2.379.7	1.7	6.5	27.110.3	-4.2	27.676.2	74.4
Direct taxes	11.373.4	962.5	2.4	6.7	10.951.1	-3.7	10.951.1	75.7
Indirect taxes	16.918.3	1.417.2	1.3	6.4	16.159.2	-4.5	16.725.1	73.6
Social security contributions	14.729.6	1.319.2	-3.8	7.5	13.878.8	-5.8	13.878.8	78.9
Other current revenue	6.019.8	605.1	-30.9	7.7	6.355.6	5.6	7.327.1	78.1
(of which: transfers from other GG subsectors)	53.2	6.2	-12.1	7.3	56.4	5.9	54.6	65.6
Capital revenue	1.353.8	46.9	10.7	1.0	3.877.3	186.4	4.021.4	77.2
Sale of investment good	29.5	1.2	-57.4	0.8	5.7	-80.6	9.8	5.9
Capital transfers	1.078.3	42.9	12.8	1.0	3.410.3	216.3	3.548.9	78.3
(of which: transfers from other GG subsectors)	8.9	0.0	-95.3	0.1	7.0	-21.1	7.0	34.2
Other capital revenue	246.0	2.9	74.2	0.6	461.2	87.5	462.6	90.4
Effective revenue	50.394.9	4.350.9	-6.0	6.5	51.222.0	1.6	52.903.5	76.3
Current expenditure	53.678.5	6.223.8	-1.0	9.1	54.818.9	2.1	56.328.7	79.7
Public consumption	18.883.8	1.780.2	-1.4	7.3	18.543.9	-1.8	19.846.2	76.4
Employees	10.527.1	890.8	-6.1	7.6	9.081.8	-13.7	9.631.1	77.7
Purchase of goods and services and other current expenditures	8.356.7	889.4	3.9	7.1	9.462.1	13.2	10.215.1	75.2
Subsidies	1.160.1	129.1	-23.4	8.4	1.012.9	-12.7	1.034.6	66.0
Interests and other charges	5.762.2	1.529.9	-3.7	20.8	6.559.7	13.8	7.101.8	83.7
Current transfers	27.872.4	2.784.6	2.2	7.9	28.702.5	3.0	28.346.0	81.8
(of which: transfers to other GG subsectors)	1.696.3	250.5	23.2	10.2	2.009.1	18.4	1.631.2	83.2
Capital expenditure	3.185.4	262.0	-15.5	7.0	2.451.1	-23.1	3.281.2	64.2
Investments	505.6	47.0	-19.8	4.8	425.5	-15.8	1.620.1	58.6
Capital transfers	2.643.2	193.6	-21.2	7.1	1.988.0	-24.8	1.617.7	69.6
(of which: transfers to other GG subsectors)	1.274.0	147.9	-27.3	8.3	1.490.3	17.0	1.119.5	82.2
Other capital expenditure	36.7	21.5	279.2	73.8	37.6	2.5	43.5	149.4
Effective Expenditure	56.863.9	6.485.9	-1.7	9.0	57.270.0	0.7	59.609.9	78.7
Overall balance	-6.469.0	-2.135.0			-6.048.0		-6.706.3	
Adjustments related to EFAP								
Guarantees, loans and capital injections		-6.3			-62.7		-62.7	
Additional transfer to the National Health Service - arrears paym.		4.0			1.408.2		1.408.2	
Pension funds		0.0			-2.783.9		-2.783.9	
Overall Balance (criteria of the EFAP)	-6.469.0	-2.137.3			-7.486.5		-8.144.8	
<i>Memo item:</i>								
Current balance	-4.637.3	-1.919.9			-7.474.2		-7.446.5	
Primary current expenditure	47.916.3	4.694.0	-0.1	7.7	48.259.2	0.7	49.226.9	79.2
Primary current balance	1.124.8	-390.0			-914.5		-344.7	
Capital balance	-1.831.6	-215.1			1.426.2		740.2	
Primary expenditure	51.101.7	4.956.0	-1.0	7.7	50.710.3	-0.8	52.508.0	78.0
Primary balance	-706.8	-605.1			511.7		395.5	
Financial assets net of reimbursements	3.088.9	1.074.4			10.149.6		10.130.1	
of which revenue from:								
Disposal of Capital Shares	0.0	0.0			160.0		160.0	
Financial liabilities net of amortizations	17.228.1	694.9			20.590.4		21.343.7	

Source: Ministry of Finance

Notes:

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

- **State subsector deficit** until September 2012 was 7.335 billion euros, below 2011 result (-8.817 billion euros). Revenue increased 5.6%, explained by the remaining transfer of pension funds from credit institutions in 2012, while tax revenue performance worsens, as result of the GDP contraction and the decrease of available income. Overall expenditure recorded a positive YOY variation (0.6%), while primary expenditure decreased 1.6%. In the absence of the additional

transfer to NHS, overall expenditure and primary expenditure would have reduced 3.2% and 6.1%, respectively.

- **Autonomous Services and Funds** recorded a surplus of 392.4 million euros. In comparable terms, balance decreased 258.5 million euros, mainly due to the decrease of regular State Budget transfers to the NHS, as well as the 2011 effect of financial compensation for the integration of the pension fund PT in CGA. The overall balance of reclassified State Owned Enterprises amounted to -658.3 million euros, mainly explained by investment, compensation of employees and financial charges.
- **National Health Service** balance was 1.167 billion euros, which is explained by the additional transfer of 1.500 billion euros allocated to arrears payment.
- **Social Security** overall surplus attained 236.7 million euros from January to October, 802.2 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 613.1 million euros until October⁴, to which Local Government contributed with a surplus of 670.3 million euros and the Regional Government with a deficit of 57.2 million euros.

⁴ The Local Government data includes 264 municipalities (of a total of 308).