

**2012**  
**October**

Budget Outturn  
Summary Report

Ministry of Finance  
Budget General Directorate  
Portugal



# Budget Outturn

- According to the Economic and Financial Assistance Programme (EFAP) criteria, General Government overall balance<sup>1</sup> amounts to -5.568 billion<sup>2</sup> euros until the end of the 3rd quarter of 2012. 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 1 404 billion euros arrears; and other adjustments of 56.5 million euros.

Chart 1 – EFAP targets and General Government Overall Balance

	€ Millions						
	I st Quarter		II nd Quarter		III rd Quarter		Targets (accumulated values)
	Target	Implementa tion (1)	Target	Implementat ion (1)	Target	Implementa tion (1)	IV th Quarter(2)
<b>General Government Balance (cash basis)</b>	-	-438.0	-	-1 553.9	-	-4 132.3	-
Adjustments underlying to the Technical Memorandum of Understanding							
Guarantees, loans and capital injections		-12.0		-20.4		-56.5	
Supplementary transfer to the National Health Service		0.0		234.7		1 404.2	
Pension funds from banking institutions		0.0		-2 783.9		-2 783.9	
<b>General Government Balance (criteria of the EFAP)</b>	<b>-1 900.0</b>	<b>-450.0</b>	<b>-4 400.0</b>	<b>-4 123.5</b>	<b>-5 900.0</b>	<b>-5 568.5</b>	<b>-7 600.0</b>

(1) The General Government balance includes some operations classified below line, but under the Technical Memorandum of Understanding (EFAP) should affect the balance and be recorded above line.

(2) In revision after the 5th review mission.

Central Government and Social Security year-on-year (YOY) expenditure change<sup>3</sup> was 1%, while primary expenditure decreased 0.7%. This result was explained by a 1.404 billion euros transfer related to National Health institutions arrears payment which had a contribution of 2.8 p.p., and 3 p.p. on the primary expenditure YOY variation. In the absence of this factor, the overall and primary expenditure would have decreased 1.8% and 3.8%, respectively.

Compensation of employees decreased 14.5% (15.5% until August), reflecting the suspension of holiday subsidies as well as the number of civil servants reduction. September YOY monthly variation was - 4.9%, less 6.9 p.p. when compared with August (11.8%). This result is mainly explained by 2011 expenditure evolution, namely homeland security agent's compensation expenditure.

Purchase of goods and services and other current expenditures increased by 14.3% (15.5% until August) due to NHS arrears payments. In the absence of this factor, these expenditures would have decreased 4.4% (-4.8% until August).

A 20.5% increase in interest and other charges expenditure was observed (18.8% until August), which is more favourable when compared with the Supplementary Budget Act.

Current transfers increased 3.1% until September (2.5% until August), mainly explained by the implementation pattern of Portuguese contribution to the EU budget combined with a dilution of the effect of pensions reduction paid by *Caixa Geral de Aposentações*<sup>4</sup>. As a positive aspect,

<sup>1</sup> Some entities included in the Autonomous Funds and Services subsector and local government have not being reporting implementation data. Therefore the overall balance is provisory.

<sup>2</sup> In this document billion means 10<sup>9</sup> (one thousand million in short scale).

<sup>3</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>4</sup> Public body that manages the Portuguese civil servants pension scheme.

it is important to emphasise the unemployment subsidy expenditure change rate stabilization (22.9%).

Capital Transfer YOY change was -25.2%, in line with the evolution observed until August (-25.6%), 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 Caixa Geral de Aposentações (CGA), in 2011.

The investment expenditure decrease was deeper since the YOY change was -15.3% (-5.6% until August) explained by Defence expenditure namely related to Military Programme Law.

- Revenue increased 2.4% until September (4.7% until previous month) mainly explained by transfers from pension funds of banking institutions (2.687 billion euros).

Tax revenue decreased 4.7%, which represents a negative evolution in comparison with August implementation (-2.3%).

Direct taxes decreased 4.3% explained by the anticipation of the 2011 Personal income tax (IRS) collection, which influenced previous month cumulated revenue.

Indirect taxes decreased 5%, mostly explained by the variation of VAT and Tax on vehicles.

Social contributions decreased by 6% until September (same level observed until August), reflecting a 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*<sup>4</sup>.

- Central Government and Social Security overall balance, by the end of the 3<sup>rd</sup> quarter, reached -4.414 billion euros. In comparable terms, overall balance was -3.913 billion euros, which compares favourably with -4.501 billion euros in the previous year. Primary balance was 1.079 billion euros and, in comparable terms, 1.117 billion euros.

# 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 - Sept 2011	September 2012		Jan - Sept 2012		Jan - September 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>44 455.0</b>	<b>4 974.0</b>	<b>-13.7</b>	<b>8.0</b>	<b>43 040.8</b>	<b>-3.2</b>	<b>44 413.7</b>	<b>69.2</b>
Direct taxes	10 433.9	1 587.9	-28.0	11.0	9 988.6	-4.3	9 988.6	69.0
Indirect taxes	15 519.1	1 636.1	-5.3	7.4	14 742.0	-5.0	15 253.8	67.2
Social security contributions	13 358.4	1 323.7	-5.5	7.5	12 559.6	-6.0	12 559.6	71.4
Other current revenue	5 143.6	426.4	0.5	5.5	5 750.5	11.8	6 611.7	70.5
(of which: transfers from other GG subsectors)	46.2	6.9	35.5	8.1	50.2	8.7	48.4	58.2
<b>Capital revenue</b>	<b>1 311.4</b>	<b>54.8</b>	<b>111.8</b>	<b>1.1</b>	<b>3 830.3</b>	<b>192.1</b>	<b>3 962.8</b>	<b>76.0</b>
Sale of investment good	26.8	0.7	41.7	0.5	4.5	-83.0	8.3	4.9
Capital transfers	1 040.2	45.3	96.8	1.1	3 367.4	223.7	3 494.6	77.1
(of which: transfers from other GG subsectors)	8.3	0.7	-50.7	2.0	7.0	-15.4	7.0	34.1
Other capital revenue	244.4	8.7	276.4	1.9	458.4	87.6	459.9	89.9
<b>Effective revenue</b>	<b>45 766.4</b>	<b>5 028.8</b>	<b>-13.1</b>	<b>7.5</b>	<b>46 871.1</b>	<b>2.4</b>	<b>48 376.5</b>	<b>69.7</b>
<b>Current expenditure</b>	<b>47 392.1</b>	<b>5 300.1</b>	<b>8.1</b>	<b>7.8</b>	<b>48 595.1</b>	<b>2.5</b>	<b>49 928.7</b>	<b>70.7</b>
Public consumption	17 078.9	1 739.6	-0.5	7.2	16 763.7	-1.8	17 932.3	69.0
Employees	9 578.7	892.6	-4.9	7.6	8 191.0	-14.5	8 686.5	70.1
Purchase of goods and services and other current expenditures	7 500.2	847.1	4.7	6.8	8 572.7	14.3	9 245.8	68.1
Subsidies	991.5	88.2	14.6	5.7	883.7	-10.9	903.1	57.6
Interests and other charges	4 174.1	761.9	30.8	10.4	5 029.8	20.5	5 492.9	64.7
Current transfers	25 147.6	2 710.4	8.6	7.7	25 917.8	3.1	25 600.4	73.9
(of which: transfers to other GG subsectors)	1 493.0	164.2	7.2	6.7	1 758.6	17.8	1 424.7	72.6
<b>Capital expenditure</b>	<b>2 875.4</b>	<b>140.9</b>	<b>-31.9</b>	<b>3.8</b>	<b>2 189.1</b>	<b>-23.9</b>	<b>2 862.2</b>	<b>56.0</b>
Investments	447.0	29.7	-61.7	3.1	378.5	-15.3	1 413.4	51.2
Capital transfers	2 397.4	108.1	-17.3	3.9	1 794.4	-25.2	1 427.7	61.5
(of which: transfers to other GG subsectors)	1 070.5	67.3	-7.2	3.8	1 342.4	25.4	975.2	71.6
Other capital expenditure	31.0	3.2	-351.4	10.9	16.1	-48.0	21.1	72.6
<b>Effective Expenditure</b>	<b>50 267.5</b>	<b>5 441.0</b>	<b>6.5</b>	<b>7.6</b>	<b>50 784.1</b>	<b>1.0</b>	<b>52 790.9</b>	<b>69.7</b>
<b>Overall balance</b>	<b>-4 501.1</b>	<b>-412.2</b>			<b>-3 913.0</b>		<b>-4 414.3</b>	
Adjustments related to EFAP								
Guarantees, loans and capital injections		-11.1			-56.5		-56.5	
Additional transfer to the National Health Service - arrears paym.		50.6			1 404.2		1 404.2	
Pension funds		0.0			-2 783.9		-2 783.9	
<b>Overall Balance (criteria of the EFAP)</b>	<b>-4 501.1</b>	<b>-372.7</b>			<b>-5 349.2</b>		<b>-5 850.5</b>	
<i>Memo item:</i>								
Current balance	-2 937.1	-326.1			-5 554.3		-5 515.0	
Primary current expenditure	43 218.1	4 538.2	5.0	7.5	43 565.2	0.8	44 435.8	71.5
Primary current balance	1 236.9	435.8			-524.5		-22.1	
Capital balance	-1 564.0	-86.2			1 641.3		1 100.6	
Primary expenditure	46 093.5	4 679.2	3.3	7.2	45 754.3	-0.7	47 298.0	70.3
Primary balance	-327.0	349.6			1 116.8		1 078.5	
Financial assets net of reimbursements	3 042.7	647.9			9 075.2		9 056.4	
<i>of which revenue from:</i>								
Disposal of Capital Shares	0.0	0.0			160.0		160.0	
Financial liabilities net of amortizations	21 140.3	2 236.1			19 895.5		20 647.3	

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 5 153.3 billion euros, below 2011 result (6.459 billion euros). Revenue increased 6.4%, 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 (1.4%), while primary expenditure decreased 1.1%. In the absence of the additional transfer to NHS, overall expenditure and primary expenditure would have reduced 2.9% and 6.1%, respectively.
- **Autonomous Services and Funds** recorded a surplus of 494.7 million euros. In comparable terms, balance decreased 158.5 million euros, mainly due to the decrease of 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 SOEs amounts to -501.3 million euros, mainly explained by investment and financial charges.
- **National Health Service** balance was 1.192 billion euros, which is explained by the additional transfer of 1.500 billion euros allocated to arrears payment.
- The overall surplus from Social Security attained 244.2 million euros from January to September, 559.4 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 282 million euros until 3<sup>rd</sup> quarter<sup>5</sup>, to which the Local Government contributed with a surplus of 353.2 million euros and the Regional Government with a deficit of 71.2 million euros

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<sup>5</sup> The Local Government data includes 270 municipalities (of a total of 308).