

Budget Outturn Summary Report 2013

February

Ministry of Finance

Budget General Directorate

DGOrçamento

Budget Outturn Summary Report
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OVERALL BALANCE

- Until February 2013, the **General Government overall balance** according to the Economic and Financial Assistance Programme (EFAP) criteria reached € -183.6 million, according to the Technical Memorandum of Understanding (TMU) criteria, under the limit pattern established for the first quarter of 2013.

Chart 1 – Limits and implementation of General Government

	€ Millions					
	Dec. 2012	Jan. 2013	Feb. 2013	Mar. 2013	June 2013	Sep. 2013
EFAP limits	-9.028				-1.900	-6.000
General Government Balance (cash basis)	-7.060	126	-273			
Central Government	-7.932	-172	-311			
State	-8.923	-737	-871			
Autonomous Services and Funds excluding reclassified SOE	1.848	486	682			
Reclassified State Owned Enterprises	-857	79	-122			
Regional Government	-266	100	21			
Madeira	-255	15	10			
Açores	-11	85	11			
Local Government	725	57	-47			
Municipalities reported	725	56	-40			
Social Security	413	141	65			
Adjustments underlying to the Technical Memorandum of Understanding						
Guarantees, loans and capital injections	-93		-0,3			
Supplementary transfer to the National Health Service	1.500					
Pension funds from banking institutions	-2.784					
Adjustment for the arrears settled - Local Administration (€1 billion credit facility)	13	4	90,1			
General Government Balance (criteria of the EFAP)	-8.424	129	-183,6	0	0	0
Gap (General Government Balance (criteria of the EFAP) minus EFAP Limit)	604					

Notes:

Updated amounts with information available in March

The 2nd and 3rd quarters limits do not reflect the revision occurred within the 7th regular review of EFAP.

Source: Ministry of Finance

- **Central Government and Social Security balance** reached € -246.9 million (€ 586 million until February 2012), the primary balance being € 266.9 million (€ 1032.7 million until February 2012). This result is influenced by base effects, particularly by extraordinary revenue collected on rights to use frequencies of 4th generation mobile communications (€ 272 million) and the receipt of transfers from the European Social Fund, in 2013, which is expected to be received later (annual decrease of these funds is € 242 million).
- **Central Government overall balance** amounted to € -311.4 million (€ 172.5 million until February 2012) while primary balance reached € 202 million (€ 618.6 million in February 2012). Year-on-Year evolution of the overall balance results from the annual change in the expenditure on interest and other charges, transfers to Social Security and pensions payments by CGA, I.P., in this case as a result of the payment of the twelfths for the 13th pension.
- **Social Security** overall surplus attained € 64.5 million, € 348.9 million less when compared with February 2012. This result is mostly explained by the increasing trend of pensions and unemployed subsidies together



1. Summary

with a decrease in social contributions revenue and also the decrease of revenue from European Social Fund.

- **Local and Regional Government** presented a balance of € -26.5 million, to which Local Government contributed with a surplus of € 20.9 million and Regional Government contributed with a deficit of € 47.4 million. This resulted is influenced by the plan to pay delay debts of Local Government to suppliers. In the absence of that effect, the overall balance would have been of € 42.7 million.



OVERALL BALANCE

- 2013 February **Central Government and Social Security balance** attained € -246.9 million (€ -247.2 million). On its turn, primary balance was € 266.9 million (€ 1032.7 million in the same period of the previous year).
- The evolution of overall balance is influenced by base effects regarding February 2012 implementation, namely by extraordinary revenue collected on rights to use frequencies of 4th generation mobile communications (€ 272 million) and the receipt of transfers from the European Social Fund, in 2013, which is expected to be received later.

2. Central Government and Social Security

Chart 2 - Central Government and Social Security Consolidated Account

Period: January to February										€ Millions
	2012		2013		YOY Change Rate (%)		YOY Change Rate Contrib. (p.p.)	YOY change rate implicit to Budget (%)	Accumulated Execution Degree (%)	
	Monthly Execution	Accumulated Execution	Monthly Execution	Accumulated Execution	Monthly	Accumulated				
Current revenue	5.644,8	10.668,2	5.158,4	10.229,6	-8,6	-4,1	-4,0	8,5	15,6	
Tax	3.193,6	5.973,3	3.229,8	5.990,2	1,1	0,3	0,2	8,8	16,2	
Direct taxes	842,8	1.844,7	999,3	2.126,4	18,6	15,3	2,6	21,5	12,8	
Indirect taxes	2.350,7	4.128,5	2.230,5	3.863,8	-5,1	-6,4	-2,4	0,2	19,0	
Social security contributions	1.330,5	2.954,0	1.448,5	3.008,4	8,9	1,8	0,5	8,1	16,5	
Other current revenue	1.120,7	1.741,0	480,2	1.231,0	-57,2	-29,3	-4,7	8,1	11,9	
(of which: transfers from other GG subsectors)	3,2	6,8	2,3	4,8	-27,5	-30,5	0,0	23,8	5,8	
Capital revenue	93,1	206,6	61,2	263,7	-34,3	27,6	0,5	-57,6	10,7	
Sale of investment good	0,5	1,1	5,2	5,7	993,7	401,8	0,0	1.128,3	3,1	
Capital transfers	81,9	96,8	44,1	142,9	-46,2	47,7	0,4	-73,2	11,7	
(of which: transfers from other GG subsectors)	1,3	1,4	0,8	2,3	-35,2	64,3	0,0	703,8	3,8	
Other capital revenue	10,7	108,7	11,9	115,0	11,0	5,9	0,1	-15,1	10,8	
Effective revenue	5.737,9	10.874,8	5.219,7	10.493,3	-9,0	-3,5		2,7	15,4	
Current expenditure	5.122,7	9.567,6	5.151,0	10.230,9	0,6	6,9	6,4	3,8	14,2	
Public consumption	1.825,9	3.409,7	1.783,6	3.465,0	-2,3	1,6	0,5	3,2	13,7	
Employees	986,8	1.911,3	996,7	1.962,7	1,0	2,7	0,5	9,2	15,3	
Purchase of goods and services and other current expenditures	839,1	1.498,5	786,9	1.502,3	-6,2	0,3	0,0	-2,2	12,1	
Subsidies	77,8	140,5	82,7	178,0	6,4	26,7	0,4	-10,5	9,9	
Interests and other charges	299,2	446,7	405,0	513,8	35,3	15,0	0,7	5,2	6,1	
Current transfers	2.919,9	5.570,6	2.879,6	6.074,2	-1,4	9,0	4,9	4,7	16,7	
(of which: transfers to other GG subsectors)	130,1	312,0	142,3	330,6	9,4	5,9	0,2	25,1	14,3	
Capital expenditure	337,3	721,3	284,2	509,3	-15,8	-29,4	-2,1	-10,7	12,7	
Investments	223,2	379,3	206,5	221,3	-7,5	-41,7	-1,5	-7,9	10,0	
Capital transfers	106,2	331,4	74,0	283,7	-30,3	-14,4	-0,5	-15,0	16,4	
(of which: transfers to other GG subsectors)	71,1	229,9	34,2	195,9	-51,8	-14,8	-0,3	-24,8	20,0	
Other capital expenditure	7,9	10,7	3,7	4,3	-53,3	-59,8	-0,1	20,3	5,3	
Effective Expenditure	5.460,0	10.288,8	5.435,1	10.740,2	-0,5	4,4		2,9	14,2	
Overall balance	277,8	586,0	-215,5	-246,9						
Adjustments related to EFAP										
Guarantees, loans and capital injections	-0,7	-18,1	-0,3	-0,3						
Overall Balance (criteria of the EFAP)	277,2	567,9	-215,8	-247,2						
Primary expenditure	5.160,8	9.842,1	5.030,1	10.226,4		3,9				
Current balance	522,0	1.100,7	7,5	-1,3						
Capital balance	-244,2	-514,7	-222,9	-245,6						
Primary balance	577,1	1.032,7	189,5	266,9						
Financial assets net of reimbursements	416,6	843,5	1.489,7	1.610,0						
of which revenue from:										
Disposal of Capital Shares	0,0	0,0	0,0	0,0						
Financial liabilities net of amortizations	2.112,2	2.593,5	2.528,8	2.870,9						

Notes:

The execution rate is calculated by reference to the initial budget excluding freezing
The YOY change rate is calculated by comparing the initial budget with 2012 provisory implementation
The negative values are the result of consolidation operations

Source: Ministry of Finance

EXPENDITURE

- **Central Government and Social Security** expenditure increased 4.4%, 5.5 p.p. less than the previous month. For this evolution contributed the dilution of the effect associated with the advanced payment of the February contribution to the budget of the European Union (EU), which occurred in January. The expenditure increase is mostly explained by the behaviour of current transfers, interest and other charges, subsidies and compensation of employees which was balanced by the decrease of capital expenditure.



Compensation of employees increased 2.7% compared with February 2012 (4.5% until January). This result reflects the reposition of the 13th payment to the civil servants, which in 2013 is paid on a twelfth basis along the year, as well as the social contributions employer rates update. The observed deceleration comparing to January is explained by the dilution of the base effect associated with regularization of responsibilities relating to social security systems by the Police services.

Purchase of goods and services and other current expenditures in cumulative terms have not changed significantly compared with that in 2012.

Interest and other charges expenditure increased 15% until February, reflecting a shift over the behaviour observed in the previous month (decrease of 26.3%).

Public debt charges showed a YOY increase of 8.8%. By its turn, charges of this nature paid by State Owned Enterprises reclassified into general government increased, standing out the behavior of the *Rede Ferroviária Nacional - REFER, EPE*¹ - due to the different pattern of intra-annual execution of these charges - and the transport sector entities.

Current transfers increased 9%, a deceleration when compared to January (20.5%). This result is justified by the dilution of the effect associated with the advanced payment of the February contribution to the European Union (EU) budget, which occurred in January. Yet, it has been observed an acceleration of expenditure associated with benefits provided under the general social security scheme, and also by CGA, I.P..

Subsidies increased 26.7% until February (51.8% until January), which is attributable to the partial dilution of the increased expenditure of Social Security with job training financed by the European Social Fund.

The reduction of **investment** expenditure (-41.7% until February 2013) is still in line with the previous month trend and, being largely explained by a lower volume of expenditure by *Estradas de Portugal, S.A.*² and the reduction of capital expenditure by *Parque Escolar, E.P.E.*³, due to the suspension of projects implementation of and also a slower implementation of projects than initially expected. It is a less deep decrease than in January (90.5%) since the execution of investment payments to the road concessionaires has begun in February.

A deeper decrease on **Capital Transfers** (-14.4% until February which compared to -6.9% in January) reflects the base effect of the monthly transfer to the Regional Government of Madeira under the Legal framework of Regional Finances to pay the Region debts to suppliers, while in 2013 it is being transferred on a quarterly basis to Madeira Region (since the region is under an economic assistance programme).

REVENUE

- **Tax revenue** had a favourable behaviour compared to the previous month (increase of 0.3% which compares with -0.7% in January). This improvement is a result of a better performance of State subsector tax

¹ REFER is the Portuguese rail infrastructure manager.

² *Estradas de Portugal* is a governmental agency (state owned enterprise) responsible for administering the roads in Portugal.

³ *Parque Escolar* is a corporation governed by public law corporate and has for object the planning, management, development and execution of the modernisation programme for the public network of secondary and other schools under the responsibility of the Ministry of Education.

2. Central Government and Social Security

revenue which YOY increase until February is of 2.6%, based on an increase of direct taxes YOY change rate in February and a less negative indirect taxes YOY change rate.

Regarding **direct taxes**, highlight for the behaviour of the Personal Income Tax (IRS) which February monthly revenue increased 22.9% when compared to January, leading to an increase of YOY cumulative change rate from 8.4% in January to 15% in February. Yet, the effect of IRS brackets rescheduling determined by the 2013 Budget Act was not totally reflected on February revenue.

By its turn, the less pronounced decrease of indirect taxes revenue (-6.4% until February, comparing with -8.1% in January) was based on the recovery of State revenue from the Value Added Tax (from -4 % to -3%) and Vehicle Tax (from -51.4% to -33.8%).

- The inflection of the **contributions to social security systems** revenue behavior (increase of 1.8% until February compared with a decrease of 3.9% in January) was based on the behavior of contributions to CGA, I.P., which is explained by the effect of the enlargement of the contributory base salary exempted in 2012, as well as the increase of monthly contribution of employers (from 15 to 20%). The behavior of contributions was also influenced by the lower slowing down of contributions to the general social security scheme (-0.8% until February compared with -2.5% in January).
- The inflexion of **non-tax revenue** is influenced by base effects, particularly by extraordinary revenue collected on rights to use frequencies of 4th generation mobile communications and the receipt of transfers from the European Social Fund, in 2013, which is expected to be received later.