

Budget Outturn Summary Report 2013

March

Ministry of Finance

Budget General Directorate

DGOrçamento

Budget Outturn Summary Report
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Budget General Directorate

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OVERALL BALANCE

- Until the end of the first quarter of 2013, the **General Government overall balance** according to the Economic and Financial Assistance Programme (EFAP) criteria, namely the Technical Memorandum of Understanding (TMU) criteria, reached € -1358 million, less € 542 than the limit 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	-4.500	-6.000
General Government Balance (cash basis)	-7.060	114	-274	-1.441		
Central Government	-7.932	-172	-311	-1.469		
State	-8.923	-737	-871	-1.852		
Autonomous Services and Funds excluding reclassified SOE	1.848	486	682	773		
Reclassified State Owned Enterprises	-857	79	-122	-390		
Regional Government	-266	93	22	4		
Madeira	-255	15	10	3		
Açores	-11	78	12	1		
Local Government	725	53	-49	-110		
Municipalities reported	648	51	-49	-80		
Social Security	413	141	65	135		
Adjustments underlying to the Technical Memorandum of Understanding						
Guarantees, loans and capital injections	-93		0	-1		
Supplementary transfer to the National Health Service	1.500					
Pension funds	-2.784			-48		
Adjustment for the arrears settled - Local Administration (€1 billion credit facility)	13	4	90	132		
General Government Balance (criteria of the EFAP)	-8.424	118	-184	-1.358	0	0
Gap (General Government Balance (criteria of the EFAP) minus EFAP Limit)	604			542		

Notes:

Updated amounts with information available until April

Source: Ministry of Finance

The limits for the II and III quarters do not reflect the revision occurred within the 7.th regular review of EFAP

- **Central Government and Social Security balance** reached € -1334.7 million (€ -434.2 million until the end of first quarter of 2012), the primary balance being € -402.2 million (€ 309.9 million until first quarter of 2012). This result is influenced by unsystematic effects, particularly by extraordinary revenue collected on rights to use frequencies of 4th generation mobile communications (€ 272 million) and the April contribution to the European Union budget advanced payment (€ 126.9 million).
- **Central Government overall balance** amounted to € -1469.4 million (€ -712.4 million until first quarter of 2012) while primary balance reached € -537.4 million (€ 31 million until March 2012). Year-on-Year evolution of the overall balance results from the annual change on interest and other charges expenditure, transfers to Social Security and pensions payments by *Caixa Geral de Aposentações* (CGA)¹ - in this case as a result of the 13th pension payment by twelfths - , the April contribution to the European Union budget advanced

¹ Public body that administrates the Portuguese civil servants pension scheme.



1. Summary

payment and also the monthly positive performance of fiscal revenue, which increased 12.5% when compared to March of 2012.

The expenditure evolution is in line with the monthly limits underlying to the State Budget Act for 2013. The performance of fiscal revenue is in line with the previsions established at the 7th regular revision of the Economic and Financial Assistance Programme (EFAP), which will be reflected on the Supplementary Budget Act to be presented to Parliament.

- **Social Security** overall surplus attained € 134.7 million (€ 278.2 million until first quarter of 2012). It reflects an improvement when compared to the previous month (€ 64.5 million), mostly explained by the revenue of transfers from the European Social Fund for job training (€ 313.7 million) and from State budget financing.
- **Local and Regional Government** presented a balance of € -106.5 million, to which Local Government contributed with a deficit of € 110.2 million and Regional Government contributed with a surplus of € 3.7 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 € 25.9 million.

2. Central Government and Social Security

OVERALL BALANCE

- Until the end of the first quarter of 2013 **Central Government and Social Security balance** attained € -1334.7 million (€ -434.2 million). On its turn, primary balance was € -402.2 million (€ 309.9 million in the same period of the previous year).
- The evolution of overall balance is influenced by unsystematic effects, particularly by extraordinary revenue collected on rights to use frequencies of 4th generation mobile communications (€ 272 million) and the April contribution to the European Union budget advanced payment (€ 126.9 million).

Chart 2 - Central Government and Social Security Consolidated Account

	€ Millions									
	Budget	2012		2013		YOY Change Rate (%)		YOY Change Rate Contrib. (p.p.)	YOY change rate implicit to Budget (%)	Accumulated Execution Degree (%)
		2013	Monthly Execution	Accumulated Execution	Monthly Execution	Accumulated Execution	Execution			
Current revenue	65.470,4	3.983,4	14.651,6	4.630,8	14.860,5	16,3	1,4	1,4	8,5	22,7
Tax	36.925,9	2.166,5	8.139,8	2.390,8	8.381,0	10,4	3,0	1,6	8,8	22,7
Direct taxes	16.578,6	1.011,5	2.856,3	1.234,3	3.360,7	22,0	17,7	3,4	21,5	20,3
Indirect taxes	20.347,3	1.155,0	5.283,5	1.156,5	5.020,3	0,1	-5,0	-1,8	0,2	24,7
Social security contributions	18.232,2	1.330,5	4.284,5	1.414,3	4.422,7	6,3	3,2	0,9	8,1	24,3
Other current revenue	10.312,3	486,4	2.227,3	825,7	2.056,7	69,8	-7,7	-1,1	8,1	19,9
(of which: transfers from other GG subsectors)	82,1	5,6	12,5	4,9	9,7	-12,4	-22,3	0,0	23,8	11,8
Capital revenue	2.475,7	179,6	386,2	115,5	379,2	-35,7	-1,8	0,0	-57,6	15,3
Sale of investment good	181,9	1,8	3,0	0,4	6,2	-76,0	108,4	0,0	1.128,3	3,4
Capital transfers	1.225,3	117,9	214,7	105,4	248,3	-10,6	15,7	0,2	-73,2	20,3
(of which: transfers from other GG subsectors)	61,0	0,0	1,5	1,6	3,9	3.377,0	166,2	0,0	703,8	6,3
Other capital revenue	1.068,5	59,9	168,5	9,7	124,7	-83,8	-26,0	-0,3	-15,1	11,7
Effective revenue	67.946,1	4.163,0	15.037,8	4.746,3	15.239,7	14,0	1,3		2,7	22,4
Current expenditure	71.828,4	4.922,9	14.490,5	5.594,2	15.825,1	13,6	9,2	8,6	3,8	22,0
Public consumption	25.278,4	1.817,8	5.227,5	1.921,1	5.386,1	5,7	3,0	1,0	3,2	21,3
Employees	12.818,0	976,8	2.888,0	1.033,5	2.996,2	5,8	3,7	0,7	9,2	23,4
Purchase of goods and services and other current expenditures	12.460,4	841,0	2.339,4	887,6	2.389,9	5,5	2,2	0,3	-2,2	19,2
Subsidies	1.800,6	91,6	232,1	218,2	396,2	138,2	70,7	1,1	-10,5	22,0
Interests and other charges	8.373,8	297,3	744,1	418,8	932,6	40,8	25,3	1,2	5,2	11,1
Current transfers	36.375,6	2.716,2	8.286,8	3.036,1	9.110,3	11,8	9,9	5,3	4,7	25,0
(of which: transfers to other GG subsectors)	2.311,0	130,8	442,9	181,8	512,4	38,9	15,7	0,4	25,1	22,2
Capital expenditure	4.021,8	260,2	981,5	240,0	749,3	-7,7	-23,7	-1,5	-10,7	18,6
Investments	2.212,9	136,4	515,7	175,0	396,3	28,3	-23,2	-0,8	-7,9	17,9
Capital transfers	1.727,5	119,8	451,2	64,0	347,6	-46,6	-22,9	-0,7	-15,0	20,1
(of which: transfers to other GG subsectors)	980,2	77,5	307,4	34,3	230,2	-55,7	-25,1	-0,5	-24,8	23,5
Other capital expenditure	81,3	4,0	14,6	1,1	5,4	-73,0	-63,4	-0,1	20,3	6,6
Effective Expenditure	75.850,2	5.183,1	15.471,9	5.834,2	16.574,4	12,6	7,1		2,9	21,9
Overall balance	-7.904,0	-1.020,1	-434,2	-1.087,9	-1.334,7					
Adjustments related to EFAP										
Guarantees, loans and capital injections	-88,2	6,6	-11,5	-0,3	-0,6					
Overall Balance (criteria of the EFAP)	-7.992,2	-1.013,6	-445,7	-1.088,2	-1.335,3					
Primary expenditure	67.476,4	4.885,8	14.727,8	5.415,4	15.641,8	10,8	6,2			23,2
Current balance	-6.357,9	-939,5	161,1	-963,4	-964,6					
Capital balance	-1.546,1	-80,6	-595,3	-124,5	-370,1					
Primary balance	469,7	-722,8	309,9	-669,1	-402,2					
Financial assets net of reimbursements	16.808,8	-65,1	778,4	-147,3	1.462,7	126,2	87,9			8,7
of which revenue from:										
Disposal of Capital Shares	1.000,0	160,0	160,0	0,0	0,0	-100,0	-100,0			0,0
Financial liabilities net of amortizations	24.123,5	-2.177,1	416,4	-1.321,6	1.549,3	-39,3	272,1			6,4

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

2. Central Government and Social Security

EXPENDITURE

- **Central Government and Social Security** expenditure increased 7.1%, 2.7 p.p. more than the previous month. Primary expenditure increased 6.2% which compares to 3.9% until February. For this evolution contributed mainly the increase, more pronounced than that observed until February, of job training actions financed by the European Social Fund, the different intra-annual profile of expenditure associated with road concessions and also the effect of the April contribution to the European Union budget advanced payment.

Compensation of employees increased 3.7% compared with first quarter 2012 (2.7% until February). The acceleration observed is due to the regularization of charges related to contributions to CGA and to Social Security by several central government bodies. It is also to be noted that the information on February implementation has been partially rectified².

Purchase of goods and services and other current expenditures in cumulative terms increased 2.2%, which compares to 0.3% in the previous month, this evolution being mainly attributable to the increase of the amounts associated with the regularization in budget expenditure of the advanced funds assigned by the Social Security on account of the European Social Fund.

Interest and other charges expenditure increased 25.3% until March (15% until February), explained by the financial charges of state owned enterprises of transportation reclassified into the general government perimeter.

It is also important to stress the increase of 14.7% of State direct debt interest expenditure and other charges, primarily as a result of the first coupon date of borrowings under the European Stability Mechanism. This increase was partially offset by a reduction in interest rates associated with other debt instruments, with particular emphasis on Treasury bills.

Current transfers recorded an acceleration of 0.9 p.p. when compared to the result observed until February (by memory 9%). This result is justified by the anticipation to March of the financial contribution to the EU budget of April. On the other hand, the evolution of this expenditure component is associated with the payment by twelfths of the 13th month to the beneficiaries of the pension system run by the CGA, IP and the general system of Social Security.

Subsidies increased 70.7% until first quarter 2013, comparing to 26.7% until February, which is attributable to the acceleration of the expenditure of Social Security with job training actions financed by the European Social Fund.

The slowing down of **investment** expenditure reduction (-23.2% in the first quarter which compares to -41.7% until February) is mostly justified by the volume of payments of road concessions by *Estradas de Portugal, SA*³. For the whole quarter, the decrease is mainly explained by the reduction of investment expenditure made by *Parque Escolar E.P.E.*⁴ and the fact that the execution of works are proceeding at a slower pace than originally anticipated.

² Data regarding the *Metropolitano de Lisboa, E.P.E.* (Lisbon underground network) was rectified.

³ *Estradas de Portugal* is a governmental agency (state owned enterprise) responsible for administering the roads in Portugal.

⁴ *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.



The deeper decrease on **Capital Transfers** (-22.9% until March compared with -14.4% until February) 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 (since the region is under an economic assistance programme).

REVENUE

- **Revenue** until the end of the first quarter of 2013 increased 1.3% (YOY), a result that reflects a shift in relation to the behavior observed in the previous month (by memory, -3.5%). This evolution has the contribution of the dilution of the effect associated with the different intra-annual pattern of Social Security revenues from the European Social Fund, on the one hand, and the acceleration of tax revenue on the other.
- **Tax revenue** increased 3% in the first quarter, 2.7 p.p. more when compared to the results observed in the previous month. This improvement has the contribution of the year on year monthly increase of net tax revenue of the State, particularly due to the increase of 39.1% of monthly personal income tax (IRS) net revenue and the increased voluntary collection of Value Added Tax (VAT) in March. Thus, in the first quarter of 2013, the State subsector accumulated net tax revenue increased about € 400 million over the amount collected in the same period of 2012, which represents an increase of 5.2% year on year, twice the increase observed in February (by memory, 2.6%).
- Net revenues from **direct taxes** increased 17.7% over the same period of 2012, representing an improvement of 2.4 p.p. when compared to February (by memory, 15.3%), mainly due to the increased personal income tax (IRS) revenue.
- Net **indirect taxes** revenue presents a variation of -5.0% (YOY), which represents an improvement of 1.4 p.p. when compared to the previous month (by memory, -6.4%). For this recovery was essential the strong monthly increase of net collection of Value Added Tax (VAT).
- The acceleration of **revenue contributions to Social Security systems** by 1.4 p.p. (+3.2% in the first quarter) is attributable to the evolution of contributions to the CGA, IP, explained by the nonlinear character of the payment of the monthly contribution of employers (which legal term extends until the middle of following month). The evolution of the contributions revenue was also influenced by the turning behavior of the contributions to the general system of Social Security (increase of 0.2% in the first quarter, compared with a decrease of 0.8% until February).
- **Non-tax revenue** recovered in March (-6.8% in the first quarter, compared with -23.3% until February), which is justified by the different intra-annual pattern of Security Social revenue from the European Social Fund and also the dilution of the base effect of 2012 associated with the sale of rights to use 4th generation frequencies.