

# Budget Outturn Summary Report 2013

*July*

Ministry of Finance

Budget General Directorate

**DGO**çamento

**Budget Outturn Summary Report**  
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## OVERALL BALANCE

- The **General Government (GG) provisional deficit**, according to the Economic and Financial Adjustment Program (EFAP) criteria<sup>1</sup>, amounted € 5,226 million until July.

Chart 1 – Limits and implementation of General Government

	2012 Execution	Mar. 2013	June 2013	July 2013	Sep. 2013
€ Millions					
<b>EFAP limits</b>	<b>-9.028</b>	<b>-1.900</b>	<b>-6.000</b>		<b>-7.300</b>
<b>General Government Balance (cash basis)</b>	<b>-7.135</b>	<b>-1.435</b>	<b>-4.055</b>	<b>-5.652</b>	
<b>Central Government</b>	<b>-8.049</b>	<b>-1.469</b>	<b>-4.435</b>	<b>-5.520</b>	
State	-8.896	-1.852	-4.851	-5.697	
Autonomous Services and Funds excluding reclassified SOE	1.682	773	1.015	791	
Reclassified State Owned Enterprises	-835	-390	-598	-614	
<b>Regional Government</b>	<b>-266</b>	<b>4</b>	<b>7</b>	<b>-152</b>	
Madeira	-255	3	26	-144	
Açores	-11	1	-19	-7	
<b>Local Government</b>	<b>749</b>	<b>-104</b>	<b>-46</b>	<b>-153</b>	
Municipalities reported	749	-104	-47	-138	
<b>Social Security</b>	<b>432</b>	<b>135</b>	<b>418</b>	<b>172</b>	
Adjustments underlying to the Technical Memorandum of Understanding					
Guarantees, loans and capital injections	-93	0	-11	-11	
Supplementary transfer to the National Health Service	1.500			1	
Pension funds	-2.784	-48	-48	-48	
Adjustment for the arrears settled - Local Administration (€1 billion credit facility)	13	132	272	310	
Adjustment for the arrears settled - RAM Government (€1,1 billion bank loans, with central government guarantees)				173	
<b>General Government Balance (criteria of the EFAP)</b>	<b>-8.499</b>	<b>-1.351</b>	<b>-3.843</b>	<b>-5.226</b>	
<b>Gap (General Government Balance (criteria of the EFAP) minus EFAP Limit)</b>	<b>529</b>	<b>549</b>	<b>2.157,5</b>		

**Notes:**

Updated amounts with information available until August

Source: Ministry of Finance

- **Central Government and Social Security** balance attained € -5,347.7 million (€ -3,284.5 million in the same period of 2012), having the primary balance recorded € -1,242.6 million (€ 1,050.8 million in the same period of 2012). The evolution relatively to the same period of the previous year is influenced by base effects, namely the extraordinary revenue collected in 2012 regarding the remaining part of financial institutions pension funds and the 4<sup>th</sup> generation frequency use rights and, in what concerns expenditure, by the payment of previous years' debts in the Health sector. In the absence of such effects, an improvement of € 518.8 million and € 288.6 million would be recorded in overall and primary balances, respectively.
- **Central Government** balance was € -5,520 million (€ -3,424.1 million in the same period of 2012). The primary budget was € -1,416.4 million (€ 909.5 million in the same period of 2012). Revenue decreased by 3.4% and expenditure raised 3.5%. In the absence of the above mentioned extraordinary effects, the overall and

<sup>1</sup> For balance calculation under the EFAP criteria, some operations are excluded, more significantly the amounts related to debt regularizations under the Local Economy Support Program (€ 271 million) and the incorporation of the Instituto de Financiamento da Agricultura e Pescas, I.P. pension fund (€ 48 million) in CGA.



## 1. Summary

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primary balances until July 2012 would have been € -6,006.1 million and € -1,672.5 million. Revenue would have increased 8.1%, due to the evolution of revenue from direct taxes and CGA contributions. On the other hand, expenditure would have increased in 5%, reflecting the increase in transfers to Social Security under the Basis Law and the Social VAT component, as well as the resulting effect of payment of the reinstated subsidy by twelfths in pension expenditure and other benefits paid by CGA.

- **Social Security** overall balance amounted an accumulated surplus of € 172.3 million until July, € 32.7 million higher than the registered in the same period of 2012. The State Budget transfers contributed to the revenue homologous variation of 7.4%. As to expenditure, the YOY variation of 7.3% is mainly determined by social expenditure, most of all due to the increase in expenditure with pensions – which reflects particularly the effect of the reinstated subsidy paid in twelfths – and by the unemployment subsidy and employment support, in line with previous months.
- **Regional and Local Government** overall balance recorded a deficit of € 304.3 million (€ 152.7 million in Local Administration and € 151.5 million in Regional Administration). Excluding the suppliers' debt regularization effect, under the PAEL (Local Economy Support Program) and the loan taken by the Autonomous Region of Madeira for the same purpose, the resulting budget surplus would have been of € 179.5 million for the overall subsector (€ 204.8 million in the same period of 2012).



### OVERALL BALANCE

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- The overall and primary balances of **Central Government and Social Security** until July amounted € -5,347.7 million and € -1,242.6 million, respectively. These amounts compare with an overall balance of € -3,284.5 million and a primary surplus of € 1,050.8 million, respectively, in 2012. This evolution is determined by the following 2012 base effects: i) Accounting, in June 2012, of the revenue associated to the transmission of the remaining parcel of the ownership of credit institutions pension funds' assets and the BPN pension fund (€ 2,783.9 million); ii) Revenue from the sale of the 4<sup>th</sup> generation frequency use rights (€ 272 million); and iii) Previous years debt payments in the Health sector (€ 473.9 million). These effects have a net positive impact of € 2,582 million in the overall balance.

## 2. Central Government and Social Security

Chart 2 - Central Government and Social Security Consolidated Account

Period: January to July

€ Millions

	2013	2012		2013		YOY Change Rate (%)		YOY Change Rate Contrib. (p.p.)	YOY change rate implicit to Budget (%)
	Supplementary Budget	Monthly Execution	Accumulated Execution	Monthly Execution	Accumulated Execution	Execution	Accumulated		
<b>Current revenue</b>	<b>65.262,1</b>	<b>5.136,6</b>	<b>33.975,9</b>	<b>5.352,7</b>	<b>35.961,5</b>	<b>4,2</b>	<b>5,8</b>	<b>5,3</b>	<b>7,9</b>
Tax	35.330,9	2.888,5	18.853,4	2.822,2	19.830,2	-2,3	5,2	2,6	4,0
Direct taxes	15.821,6	1.446,5	7.294,5	1.519,2	8.849,0	5,0	21,3	4,1	15,9
Indirect taxes	19.509,3	1.442,0	11.558,9	1.303,0	10.981,2	-9,6	-5,0	-1,5	-4,0
Social security contributions	18.471,8	1.513,9	9.802,6	1.691,6	10.391,5	11,7	6,0	1,6	9,5
Other current revenue	11.459,4	734,1	5.319,9	838,8	5.739,8	14,3	7,9	1,1	18,7
(of which: transfers from other GG subsectors)	82,4	5,9	35,7	5,7	33,7	-2,8	-5,7	0,0	24,4
<b>Capital revenue</b>	<b>2.649,2</b>	<b>314,9</b>	<b>3.720,1</b>	<b>93,2</b>	<b>725,3</b>	<b>-70,4</b>	<b>-80,5</b>	<b>-7,9</b>	<b>-54,9</b>
Sale of investment good	187,0	0,3	4,8	8,1	33,9	2.473,1	609,6	0,1	1.124,6
Capital transfers	1.577,8	46,0	3.268,6	85,2	556,4	85,1	-83,0	-7,2	-65,6
(of which: transfers from other GG subsectors)	60,9	0,1	5,8	0,9	9,1	622,8	58,3	0,0	567,2
Other capital revenue	884,3	268,6	446,7	-0,1	135,1	-100,0	-69,8	-0,8	-30,2
<b>Effective revenue</b>	<b>67.911,3</b>	<b>5.451,5</b>	<b>37.696,0</b>	<b>5.445,9</b>	<b>36.686,9</b>	<b>-0,1</b>	<b>-2,7</b>		<b>2,3</b>
<b>Current expenditure</b>	<b>73.684,9</b>	<b>6.547,2</b>	<b>38.610,0</b>	<b>6.518,4</b>	<b>40.221,3</b>	<b>-0,4</b>	<b>4,2</b>	<b>3,9</b>	<b>6,1</b>
Public consumption	25.753,3	2.356,1	13.327,7	2.097,2	13.271,6	-11,0	-0,4	-0,1	4,0
Employees	12.803,2	977,0	6.824,8	952,1	7.079,3	-2,5	3,7	0,6	8,9
Purchase of goods and services and other current expend	12.950,1	1.379,2	6.502,9	1.145,1	6.192,2	-17,0	-4,8	-0,8	-0,4
Subsidies	2.459,0	157,0	715,1	46,6	1.020,7	-70,3	42,7	0,7	23,2
Interests and other charges	7.962,3	359,1	4.335,3	313,0	4.105,1	-12,8	-5,3	-0,6	0,4
Current transfers	37.510,2	3.675,0	20.232,0	4.061,6	21.824,0	10,5	7,9	3,9	7,8
(of which: transfers to other GG subsectors)	2.175,5	199,3	1.149,1	262,4	1.317,8	31,7	14,7	0,4	17,7
<b>Capital expenditure</b>	<b>3.861,4</b>	<b>481,0</b>	<b>2.370,5</b>	<b>258,3</b>	<b>1.813,2</b>	<b>-46,3</b>	<b>-23,5</b>	<b>-1,4</b>	<b>-14,6</b>
Investments	2.124,1	227,3	1.170,2	39,6	810,8	-82,6	-30,7	-0,9	-13,0
Capital transfers	1.622,9	244,4	1.181,6	215,6	987,8	-11,8	-16,4	-0,5	-19,5
(of which: transfers to other GG subsectors)	978,4	175,8	826,2	163,0	638,9	-7,3	-22,7	-0,5	-24,9
Other capital expenditure	114,5	9,3	18,6	3,2	14,6	-66,0	-21,8	0,0	81,3
<b>Effective Expenditure</b>	<b>77.546,3</b>	<b>7.028,2</b>	<b>40.980,5</b>	<b>6.776,7</b>	<b>42.034,5</b>	<b>-3,6</b>	<b>2,6</b>		<b>4,8</b>
<b>Overall balance</b>	<b>-9.635,0</b>	<b>-1.576,8</b>	<b>-3.284,5</b>	<b>-1.330,8</b>	<b>-5.347,7</b>				
Adjustments related to EFAP									
Guarantees, loans and capital injections	-88,2	0,0	-20,5	-0,1	-11,1				
Supplementary transfer to the National Health Service		239,3	473,9	1,0	1,0				
Pension funds	-48,1	0,0	-2.783,9	0,0	-48,1				
<b>Overall Balance (criteria of the EFAP)</b>	<b>-9.771,3</b>	<b>-1.337,5</b>	<b>-5.614,9</b>	<b>-1.329,9</b>	<b>-5.405,9</b>				
Primary expenditure	69.583,9	6.669,2	36.645,2	6.463,7	37.929,4	-3,1	3,5		
Current balance	-8.422,8	-1.410,6	-4.634,2	-1.165,7	-4.259,8				
Capital balance	-1.212,2	-166,1	1.349,6	-165,1	-1.087,9				
Primary balance	-1.672,7	-1.217,7	1.050,8	-1.017,8	-1.242,6				
Financial assets net of reimbursements	19.152,4	-1.451,0	8.151,1	251,8	3.349,8	-117,4	-58,9		
of which revenue from:									
Disposal of Capital Shares	1.040,0	0,0	160,0	0,0	0,0	-	-100,0		
Financial liabilities net of amortizations	24.994,7	1.276,0	18.285,3	23,3	18.269,1	-98,2	-0,1		

### Notes:

The execution rate is calculated by reference to the supplementary budget excluding freezing

The YOY change rate is calculated by comparing the initial budget with 2012 implementation

The residual items of revenue for the 2013 Budget were adjusted between other current revenue and other capital revenue.

The negative values are the result of consolidation operations

Source: Ministry of Finance

## EXPENDITURE

- The **Central Government and Social Security** expenditure increased by 2.6%, while the primary expenditure increased by 3.5%. Excluding the effect of the previous years' debt regularizations in the Health sector until July 2012, that amounted € 473.9 million, the expenditure and primary expenditure would have increased 3.8% and 4.9% in a year on year base, respectively, which compares to 4.6% e 5.8% until June. This



evolution is influenced by the lack of information report regarding budget execution for some Autonomous Services<sup>2</sup> and by a steeper reduction of investment expenditure.

**Compensation of employees** increased 3.7% in relation to the same period of 2012, which is mainly explained by the payment in twelfths of one subsidy and by the increased of contributions rate to *Caixa Geral de Aposentações, I.P.* (CGA) and Social Security.

**Purchase of goods and services and other current expenditures** decreased 4.8%, declining more than until June (-1.5%). This evolution results from the base effect of the previous years' debt regularizations in the Health sector, due to the extraordinary transfer considered in the 1<sup>st</sup> Amendment of 2012 State Budget for such purpose. In the absence of this effect, this expenditure item would have grown 2.7%, mainly from the increase of the amounts allocated to the program contracts with hospitals.

The sharper decrease in expenditure with **interest and other charges** (a decrease of 5.3% until July, which compares with -4.6% in the first semester) is essentially justified by the effect of the amortization, in July 2012, of a bond issued under the *EMTN - Euro Medium Term Notes* program. That effect is partially cancelled by the raise in financial costs in the State Owned Enterprises of the transportation sector, given the specific in year pattern of interest payment.

**Current transfers** have raised 7.9%, which results mainly from the payment of the reinstated subsidy in twelfths to the beneficiaries of the pension system managed by CGA and the social security system, on one hand, and from the evolution of expenditure with unemployment subsidy and employment support, on the other hand.

This expenditure item recorded an acceleration of 0.6 p.p. compared to the result registered until June (7.3%), which is mainly justified by the evolution of Portugal's financial contribution to the EU budget. In effect, while the funding request by the European Commission, in June and July 2012, was 50% of the assigned budget twelfth, in the proportion owed by Portugal, in 2013 it corresponded to the total amount of the twelfth.

**Subsidies** increased 42.7%, in spite the available information is not complete. Excluding this effect, the evolution registered in the previous month (74.5%) would have carried out. This evolution is influenced in 2013 by the Social Security increase in expenditure with job training actions financed by the European Social Fund – which costs were partially reclassified to this expenditure item<sup>3</sup>. It should also be referred the dilution of the effect of the anticipation of the Cabinet resolution approving the allocation of compensatory subsidies to corporations for providing public services.

**Investment** expenditure decreased 30.7% until July, having contributed in greater measure for this result the reduction of investments in the public school network by *Parque Escolar, E.P.E.*, either by the postponement or the suspension of projects. The decrease is more significant than the registered until June (-18.2%), which is explained by the evolution of expenditure associated to road concessions contracts.

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<sup>2</sup> The analysis of the budget execution of Central Government until July is influenced, either in the total as more expressively in some particular items, by the lack of report of some Autonomous Services that are identified in chart 7 of this Budget Outturn Appendix.

<sup>3</sup> Following the recommendation of the Accounts Court, the amounts allocated by Social Security to other General Government subsectors for job training actions purposes have passed to be accounted, in 2013, as subsidies while, in 2012, were registered as transfers.

## 2. Central Government and Social Security

The reduction in **capital transfers** (-16.4%) is justified by the different allocation between current and capital natures of the amounts transferred on account of the Financial Stabilization Fund, under the Local Finance Law. This behavior is quite in line with the recorded in the previous month.

### REVENUE

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- **Revenue** until July decreased 2.7% year on year, determined by the accounting in June 2012 of the revenue collected from the remaining transfer of pension funds from credit institutions<sup>4</sup> and the revenue from the sale in 2012 of the 4<sup>th</sup> generation frequency use rights. Excluding these base effects, revenue would have increased 5.9% in relation to the same period of 2012.
- Central Government and Social Security **tax revenue** increased 5.2% until July, by comparison with the same period of 2012. Personal income tax (IRS) and corporation tax (IRC) kept growing relatively to 2012. Nevertheless, the increase in direct taxes is mitigated by the base effect associated with the significant increase, from June to July 2012, of the revenue collected under the Fiscal Regularization Exceptional Regime (RERT III).
- Revenue from **direct taxes** in cumulative terms increased 21.3% over the same period of 2012, which is mainly explained by the revenue increase from the personal income tax (IRS). This evolution has the contribution of the effect derived from the increase in withholding - a result of the application of the tables of tax on income withholding from employment and pensions, and the growth of those applicable to capital and real estate income -, alongside with the positive impact that resulted from enhanced control over withholding delivered by employers.

The growth of corporation tax (IRC) is also to be noted (+7%), reflecting the increase of payment advances and additional advances made by companies in July, after the good performance in IRC collection in May 2013

- The **indirect taxes** accumulated revenue presents a variation of -5% year on year. This result is explained by the evolution in VAT revenue – due to the increase in reimbursements, in particular to export companies – and in the Tobacco Tax.
- The revenue of **contributions to Social Security systems** presents an increase of 6% until July (comparing with 5% in the first semester 2013), which is due to the evolution of the contributions to CGA, since its in year execution pattern depends on the distribution over time of the payments made by employers along the period legally settled.
- **Non-tax revenue** decreased 28.5%. Excluding the mentioned effects of the accounting of the credit institutions pension funds' assets and of the revenue from the sale of the 4<sup>th</sup> generation frequency use rights, non-tax revenue would have grown 8% mainly due to the Bank of Portugal dividend increase and to the interest of contingent capital bonds (*coco bonds*). The deceleration in comparison with the previous month (12.1%), is associated with the evolution of Social Security revenue from the European Social Fund.

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<sup>4</sup> Under nr. 5 of article nr. 6.º of the Law-Decree nr. 127/2011, of December 31<sup>st</sup>, “The assets ownership transmission is made by the credit institutions in the following terms: a) Until December 31<sup>st</sup> 2011, the equivalent amount to, at least, 55% of the current provisory value of the responsibilities (...); b) Until June 30<sup>th</sup> 2012, the remaining amount to complete the current definitive value of the responsibilities (...).”