

# Budget Outturn Summary Report 2013

*August*

Ministry of Finance

Budget General Directorate

**DGO**çamento

**Budget Outturn Summary Report**  
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**Budget General Directorate**

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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 € 4.794,8 million until August.

Chart 1 – Limits and implementation of General Government

	2012 Execution	I quarter 2013	June 2013	July 2013	Aug. 2013	III quarter 2013
<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>-7.134,6</b>	<b>-1.435,4</b>	<b>-4.055,8</b>	<b>-5.644,3</b>	<b>-5.457,3</b>	
<b>Central Government</b>	<b>-8.048,8</b>	<b>-1.469,4</b>	<b>-4.434,9</b>	<b>-5.520,0</b>	<b>-5.471,2</b>	
State	-8.896,0	-1.852,0	-4.851,2	-5.696,6	-6.027,3	
Autonomous Services and Funds excluding reclassified SOE	1.682,1	772,5	1.014,6	790,8	1.112,5	
Reclassified State Owned Enterprises	-834,9	-390,0	-598,4	-614,2	-556,5	
<b>Regional Government</b>	<b>-266,0</b>	<b>3,7</b>	<b>7,4</b>	<b>-151,6</b>	<b>-474,9</b>	
Madeira	-254,9	3,1	26,4	-144,4	-476,2	
Açores	-11,1	0,6	-19,1	-7,1	1,2	
<b>Local Government</b>	<b>748,7</b>	<b>-104,4</b>	<b>-46,3</b>	<b>-145,1</b>	<b>-2,5</b>	
Municipalities reported	748,7	-104,0	-45,5	-142,1	4,4	
<b>Social Security</b>	<b>431,5</b>	<b>134,7</b>	<b>418,1</b>	<b>172,3</b>	<b>491,4</b>	
Adjustments underlying to the Technical Memorandum of Understanding						
Guarantees, loans and capital injections	-93,4	0,2	-11,0	-11,1	-12,3	
Adjustment for the arrears settled - Health arrears clearance strategy	1.500,0			1,0	10,5	
Pension funds	-2.783,9	-48,1	-48,1	-48,1	-48,1	
Adjustment for the arrears settled - Local Administration (€1 billion credit facility)	13,3	132,4	271,7	310,3	326,6	
Adjustment for the arrears settled - RAM Government (€1,1 billion bank loans, with central government guarantees)				173,4	385,7	
<b>General Government Balance (criteria of the EFAP)</b>	<b>-8.498,6</b>	<b>-1.351,0</b>	<b>-3.843,2</b>	<b>-5.218,7</b>	<b>-4.794,8</b>	
<b>Gap (General Government Balance (criteria of the EFAP) minus EFAP Limit)</b>	<b>529,4</b>	<b>549,0</b>	<b>2.156,8</b>			

**Notes:**

Updated amounts with information available until September

Source: Ministry of Finance

- **Central Government and Social Security** balance attained € -4,979.8 million (€ -4,002.9 million in the same period of 2012), having the primary balance recorded € -578.1 million (€ 693.5 million in the same period of 2012). Compared to the same period of the previous year, the evolution 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 these effects, an improvement of € 774.6 million and € 480 million would be recorded in overall and primary balances.
- **Central Government** balance was € -5,471.2 million (€ -4,271.6 million in the same period of 2012). The primary balance was € -1,071.1 million (€ 423 million in the same period of 2012). Revenue decreased by 1.6% and expenditure raised 1.8%. In the absence of the above mentioned extraordinary effects, revenue would have increased 8.4%, due to the evolution of revenue from direct taxes and CGA contributions. On the other hand, expenditure would have increased in 5.5%, reflecting the increase in transfers to Social Security under the specific Law and the Social VAT component, as well as the effect of payment of the reinstated subsidy by twelfths in pension expenditure and other benefits paid by CGA.

<sup>1</sup> For balance calculation under the EFAP criteria, some operations are excluded, more significantly the amounts related to debt regularizations under the Financial Adjustment Plan of the Autonomous Region of Madeira (€ 385.7 million), Local Economy Support Program (€ 326.6 million) and the incorporation of the Instituto de Financiamento da Agricultura e Pescas, I.P. pension fund (€ 48.1 million) in CGA.



## 1. Summary

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- **Social Security** overall balance amounted an accumulated surplus of € 491.4 million until August, € 222.6 million higher than the registered in the same period of 2012. The State Budget transfers contributed to the revenue homologous variation of 7.9%. As to expenditure, the YOY variation of 6.6% 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 € 477.4 million (€ 2.5 million in Local Administration and € 474.9 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 € 236 million for the overall subsector (€ 220 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 August amounted € -4,979.8 million and € -578.1 million, respectively. These amounts compare with an overall balance of € -4,002.9 million and a primary surplus of € 693.5 million, respectively, in 2012. This evolution is determined by the following 2012 and 2013 "one-off" 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 (€ 1,314.9 million in 2012 and €10.5 million in 2013). These effects together, have a net impact on the overall balance until August 2012 of € -1,741 million and € 10.5 million in the balance of 2013. Therefore, excluding those factors, the overall and primary balance would have recorded an improvement of € 774.6 million and € 480 million, respectively, and a revenue and expenditure YOY variation would be 6% and 3.6%, respectively.

## 2. Central Government and Social Security

Chart 2 - Central Government and Social Security Consolidated Account

Period: January to August											€ Millions	
	2013	2012		2013		YOY Change Rate (%)		YOY Change	YOY change	Accumulated Execution Degree (%)		
	Supplementary Budget	Monthly Execution	Accumulated Execution	Monthly Execution	Accumulated Execution	Execution	Accumulated	Rate Contrib. (p.p.)	rate implicit to Budget (%)			
	2013											
<b>Current revenue</b>	<b>65.262,1</b>	<b>5.326,1</b>	<b>39.302,0</b>	<b>5.719,3</b>	<b>41.680,8</b>	<b>7,4</b>	<b>6,1</b>	<b>5,5</b>	<b>7,9</b>	<b>63,9</b>		
Tax	35.330,9	3.110,6	21.964,0	3.018,3	22.848,5	-3,0	4,0	2,0	4,0	64,7		
Direct taxes	15.821,6	1.110,4	8.405,0	1.151,4	10.000,5	3,7	19,0	3,7	15,9	63,2		
Indirect taxes	19.509,3	2.000,2	13.559,0	1.866,8	12.848,0	-6,7	-5,2	-1,6	-4,0	65,9		
Social security contributions	18.471,8	1.433,3	11.236,0	1.551,7	11.943,2	8,3	6,3	1,6	9,5	64,7		
Other current revenue	11.459,4	782,2	6.102,1	1.149,3	6.889,1	46,9	12,9	1,8	18,7	60,1		
(of which: transfers from other GG subsectors)	82,4	5,8	41,6	6,9	40,6	18,4	-2,3	0,0	24,4	49,3		
<b>Capital revenue</b>	<b>2.649,2</b>	<b>169,3</b>	<b>3.889,4</b>	<b>140,0</b>	<b>865,3</b>	<b>-17,3</b>	<b>-77,8</b>	<b>-7,0</b>	<b>-54,9</b>	<b>32,7</b>		
Sale of investment good	187,0	2,8	7,6	5,0	38,8	76,1	411,1	0,1	1.124,6	20,8		
Capital transfers	1.577,8	162,3	3.430,9	130,2	686,6	-19,8	-80,0	-6,4	-65,6	43,5		
(of which: transfers from other GG subsectors)	60,9	0,5	6,2	2,7	11,8	451,9	89,1	0,0	567,2	19,4		
Other capital revenue	884,3	4,1	450,8	4,7	139,8	14,9	-69,0	-0,7	-30,2	15,8		
<b>Effective revenue</b>	<b>67.911,3</b>	<b>5.495,4</b>	<b>43.191,4</b>	<b>5.859,2</b>	<b>42.546,1</b>	<b>6,6</b>	<b>-1,5</b>		<b>2,3</b>	<b>62,6</b>		
<b>Current expenditure</b>	<b>73.684,9</b>	<b>5.877,1</b>	<b>44.487,1</b>	<b>5.364,8</b>	<b>45.586,1</b>	<b>-8,7</b>	<b>2,5</b>	<b>2,3</b>	<b>6,1</b>	<b>61,9</b>		
Public consumption	25.753,3	2.722,5	16.050,1	1.835,7	15.107,3	-32,6	-5,9	-2,0	4,0	58,7		
Employees	12.803,2	931,9	7.756,7	1.024,3	8.103,6	9,9	4,5	0,7	8,9	63,3		
Purchase of goods and services and other current expend	12.950,1	1.790,6	8.293,5	811,5	7.003,7	-54,7	-15,6	-2,7	-0,4	54,1		
Subsidies	2.459,0	97,8	812,9	285,8	1.306,5	192,1	60,7	1,0	23,2	53,1		
Interests and other charges	7.962,3	361,1	4.696,4	296,6	4.401,7	-17,8	-6,3	-0,6	0,4	55,3		
Current transfers	37.510,2	2.695,7	22.927,7	2.946,6	24.770,6	9,3	8,0	3,9	7,8	66,0		
(of which: transfers to other GG subsectors)	2.175,5	150,9	1.300,0	144,9	1.462,6	-4,0	12,5	0,3	17,7	67,2		
<b>Capital expenditure</b>	<b>3.861,4</b>	<b>336,7</b>	<b>2.707,2</b>	<b>126,6</b>	<b>1.939,8</b>	<b>-62,4</b>	<b>-28,3</b>	<b>-1,6</b>	<b>-14,6</b>	<b>50,2</b>		
Investments	2.124,1	196,3	1.366,5	33,8	844,6	-82,8	-38,2	-1,1	-13,0	39,8		
Capital transfers	1.622,9	142,5	1.324,2	86,8	1.074,6	-39,1	-18,8	-0,5	-19,5	66,2		
(of which: transfers to other GG subsectors)	978,4	86,3	912,4	34,7	673,6	-59,8	-26,2	-0,5	-24,9	68,8		
Other capital expenditure	114,5	-2,1	16,5	6,0	20,6	-379,1	24,8	0,0	81,3	18,0		
<b>Effective Expenditure</b>	<b>77.546,3</b>	<b>6.213,8</b>	<b>47.194,3</b>	<b>5.491,4</b>	<b>47.525,9</b>	<b>-11,6</b>	<b>0,7</b>		<b>4,8</b>	<b>61,3</b>		
<b>Overall balance</b>	<b>-9.635,0</b>	<b>-718,4</b>	<b>-4.002,9</b>	<b>367,8</b>	<b>-4.979,8</b>							
Adjustments related to EFAP												
Guarantees, loans and capital injections	-88,2	-24,9	-45,4	-1,2	-12,3							
Supplementary transfer to the National Health Service		841,0	1.314,9	9,5	10,5							
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>97,7</b>	<b>-5.517,2</b>	<b>376,2</b>	<b>-5.029,7</b>							
Primary expenditure	69.583,9	5.852,7	42.497,9	5.194,7	43.124,1	-11,2	1,5					
Current balance	-8.422,8	-550,9	-5.185,1	354,4	-3.905,4							
Capital balance	-1.212,2	-167,4	1.182,2	13,4	-1.074,5							
Primary balance	-1.672,7	-357,3	693,5	664,5	-578,1							
Financial assets net of reimbursements	19.152,4	827,8	9.193,9	67,2	3.417,0	-91,9	-62,8					
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	-1.439,6	17.475,2	2.819,8	21.088,8	-295,9	20,7					

### 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 0.7%, while the primary expenditure increased by 1.5%. Excluding the effect of the previous year's debt regularizations in the Health sector



until August 2012, that amounted € 1,314.9 million and 10.5 million in 2013, the expenditure and primary expenditure would have increased 3.6% and 4.7% in a year on year base, respectively, which compares to 3.8% e 4.9% until July<sup>2</sup>. This increase was positively affected by the more pronounced fall in investment, mainly expenditure in the area of concessions and road investments.

**Compensation of employees** increased 4.5% when compared 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 15.6%, declining more than observed until July (-4.8%). 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> 2012 Supplementary Budget for such purpose. In the absence of this effect, this expenditure item would have grown 0.2%, mainly due to the increase of the amounts allocated to the program contracts with hospitals.

The decrease in expenditure with interest and other charges 6.3% (5.3% until July), is essentially explained by the evolution of State's direct debt (-5.1%). This is mainly explained by the effect of the paying back, in August 2012, of a bond issued under the EMTN - Euro Medium Term Notes program and by the absence of Treasury refunds in August 2013 (opposing to what happened in 2012).

Although having a smaller contribution to the year to year variation of this expenditure, there is a reduction of the financial expenditure of public enterprises in the transport area, resulting from advanced payments derivative contracts of interest rate. The inflection observed in the behaviour of this component (down 8.2% in August, compared with a rise of 5.8% in July) is the result of a correction made in August by *Metroropolitano de Lisboa, EPE*<sup>3</sup>

**Current transfers** have raised 8% (7.9% until July), 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 (11.5% and 10.1% respectively), on one hand, and from the evolution of expenditure with unemployment subsidy and employment support (9.8%), on the other hand. Noteworthy, the growth of this kind of expenditure, is slowing since June (11.8% and 10.5% in June and July, respectively).

**Subsidies** increased 60.7%, being this evolution influenced 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>4</sup>.

**Investment** expenditure decreased 38.2% until August, having the reduction of investments in the public school network by *Parque Escolar, E.P.E.*, contributed in greater measure for this result either by the postponement or the suspension of projects. The decrease is more significant than the registered until July (-30.7%), which is explained by the execution pattern of expenditure associated to road concessions by *Estradas de Portugal, S.A.*

<sup>2</sup> The analysis of the budget execution of Central Government until July was influenced, either in the total as more expressively in some particular items, by the lack of report of some Autonomous Services with some impact on employees, purchasing of goods and services and subsidies items.

<sup>3</sup> The correction resulted in the elimination in August of a value that had been improperly considered duplicated in the information report of July.

<sup>4</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** (-18.8 %) is justified by the allocation between current and capital natures of the amounts transferred on account of the Financial Stabilization Fund, under the Local Finance Law, which differs from the previous year .

### REVENUE

- **Revenue** until August decreased 1.5% year on year ( 2.7% until July), determined by the accounting in June 2012 of the revenue collected from the remaining transfer of pension funds from credit institutions<sup>5</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 6 % .
- Central Government and Social Security **tax revenue** increased 4% until August, a slowdown comparing to the preceding month (5.2%). Personal income tax (IRS) and corporation tax (IRC) grew 30.1% and 6.1%, respectively, which compares positively with the State Budget targets to each of these revenue items).
- Revenue from **direct taxes** in cumulative terms increased 19 % (21.3% until July), over the same period of 2012, which is mainly explained by the revenue increase from the personal income tax (IRS) and to a lesser extent, by corporation income tax (IRC), which is mitigated by the revenue collected under the Fiscal Regularization Exceptional Regime (RERT III).

This evolution was influenced by the effect from the increase in withholding - as a result of the application of the tables of tax on income withholding from employment and pensions, as well as 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. Yet, it reflects the result of the liquidation of personal tax (IRS) for the year 2012.

- The **indirect taxes** accumulated revenue presents a variation of -5.2% year on year (5.2 % until July). This result is explained by the evolution in VAT revenue – due to the increase in reimbursements, in particular to export companies. Until August, VAT reimbursements increased 7.9% and until July raised 4.4% YOY.
- The revenue **related to contributions to Social Security systems** presents an increase of 6.3% until August, due to the evolution of the contributions to CGA (6% until July), since it's in year execution pattern depends on the distribution over time of the payments made by employers along the period legally settled.

Noteworthy, the contributions to Social Security revenue has been presenting a slight increase since May.

- **Non-tax revenue** decreased 22.4% (-28.5% until July). 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 11.8% mainly due to the Bank of Portugal dividend increase and to the interest of contingent capital bonds (*coco bonds*) and the Social Security revenue from the European Social Fund. The reversal behavior of Social Security revenue (growth of 7.4%, compared with a decrease of 0.8% in July), determined the acceleration on non-tax revenue while compared to the previous month (8%).

<sup>5</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 (...)" .