

Budget Outturn Summary Report 2013

October

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OVERALL BALANCE

- The **General Government (GG) provisional deficit**, according to the Economic and Financial Adjustment Program (EFAP) criteria¹, amounted to € 6,409.1 million until October.

Table 1 – Limits and implementation of General Government

	€ Millions				
	2012 Execution	I quarter 2013	II quarter 2013	III quarter 2013	Oct. 2013
EFAP limits	-9.028	-1.900	-6.000	-7.300	
General Government Balance (cash basis)	-7.134,6	-1.435,4	-4.055,8	-5.412,9	-7.810,9
Central Government	-8.048,8	-1.469,4	-4.434,9	-5.008,0	-7.489,1
State	-8.896,0	-1.852,0	-4.851,2	-5.443,1	-7.717,6
Autonomous Services and Funds excluding reclassified SOE	1.682,1	772,5	1.014,6	1.019,0	867,7
Reclassified State Owned Enterprises	-834,9	-390,0	-598,4	-583,8	-639,3
Regional Government	-266,0	3,7	7,4	-722,5	-713,5
Madeira	-254,9	3,1	26,4	-719,6	-747,4
Açores	-11,1	0,6	-19,1	-2,9	33,9
Local Government	748,7	-104,4	-46,3	-109,9	-158,7
Municipalities reported	748,7	-104,0	-45,5	-107,7	-110,4
Social Security	431,5	134,7	418,1	427,5	550,5
Adjustments underlying to the Technical Memorandum of Understanding:					
Guarantees, loans and capital injections	-93,4	0,2	-11,0	-13,3	-16,8
Adjustment for the arrears settled - Health arrears clearance strategy	1.500,0			10,5	237,8
Pension funds	-2.783,9	-48,1	-48,1	-48,1	-48,1
Adjustment for the arrears settled - Local Administration	13,3	132,4	271,7	359,4	378,7
Adjustment for the arrears settled - RAM Government				804,4	850,2
General Government Balance (criteria of the EFAP)	-8.498,6	-1.351,0	-3.843,2	-4.299,9	-6.409,1
Gap (General Government Balance (criteria of the EFAP) minus EFAP L)	529,4	549,0	2.156,8	3.000,1	

- **Central Government and Social Security** balance attained € -6,938.7 million (€ -6,689.2 million in the same period of 2012), having the primary balance recorded € -43.9 million (€ 412.6 million in the same period of 2012). In the absence of some of the *one off* effects which influence the year-on-year comparison (listed on table 3), an improvement in the overall balance of € 1,236.1 million and a primary balance of € 1.029.1 million, would be observed. This evolution is a result of the adjusted revenue's increase rate which overrules the adjusted expenditure increment rate.
- **Central Government** balance reduced € 563.2 million euros, while primary balance fell € 770.3 million, when compared with the same period from previous year. Revenue increased 2.8% while expenditure increased 3.6%. In the absence of the *one-off* effects (listed on table 3), the overall balance would improve € 992 million (€ -8,573.6 million in 2012 to € -7,651.4 million in 2013) and the primary balance € 715 million (€ -1,473.8 million in 2012 to € -758.7 million in 2013). Yet, revenue would have increased 10.2%, due to the evolution of

¹ 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

direct taxes and CGA² contributions. On the other hand, expenditure would have increased 6.3%, reflecting the higher transfers to Social Security under the specific Law, as well as the effect of the reinstated subsidy payment by twelfths, related to pension and other benefits paid by CGA and Central Government employee's compensation.

- **Social Security** was € 550.5 million, € 133.8 million higher than the same period of 2012. Revenue increased 8.2% mostly explained by State Budget transfers which contributed in 6.3 p.p. to the revenue year-on-year variation. As to expenditure, the YOY variation of 6.7% is mainly determined by social expenditure (6.3 p.p.), most of which due to an increase in unemployment subsidy and employment supports expenditure.
- **Regional and Local Government** recorded a deficit of € 872.2 million (€ -158.7 million in Local Administration and € - 713.5 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 € 371.2 million for the overall sub-sector (€ 666.7 million in the same period of 2012).

² Caixa Geral de Aposentações (CGA) is the public body that administrates the Portuguese civil servants pension scheme.



OVERALL BALANCE

- The overall and primary balances of **Central Government and Social Security** until October amounted € -6,938.7 million and € -43.9 million, respectively.

These amounts compare with an overall balance of € -6,689.2 million and a primary surplus of € 412.6 million, respectively, in 2012. This evolution is determined by the following 2012 and 2013 *one-off* effects (chart 3): i) 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), in 2012; ii) Revenue from the sale of the 4th generation mobile frequency use rights (€ 272 million), in 2012; iii) Revenue from the concession of the infrastructure of Civil Aviation ANA – *Aeroportos de Portugal S.A* (€ 400 million), in 2013; iv) Previous years debt payments in the Health sector (€ 1,408.2 million in 2012 and € 237.8 million in 2013).

These effects together have a net impact of € -1,647.7 million and € -162.2 million in the overall balance of 2012 and 2013, respectively. Therefore, excluding those factors, the overall and primary balance in 2012 would be € 8,337 million and € -1,235.2 million and in 2013 € -7,100.9 million and € -206.2 million. It reflects an improvement of € 1,236.1 million and € 1,029 million, respectively; revenue and expenditure YOY variation would be of 7.5% and 4.3%, respectively (see table 3).

2. Central Government and Social Security

Table 2 - Central Government and Social Security Consolidated Account

Period: January to October										€ Millions	
	2013 Supplementary Budget	2012		2013		YOY Change Rate (%)		YOY Change Rate Contrib. (p.p.)	YOY change rate implicit to Budget (%)		
	2013	Monthly Execution	Accumulated Execution	Monthly Execution	Accumulated Execution	Execution	Accumulated				
Current revenue	65.262,1	4.472,6	48.911,8	5.144,7	52.540,9	15,0	7,4	6,9	7,9		
Tax	35.330,9	2.430,6	27.686,6	2.724,4	29.256,2	12,1	5,7	3,0	4,0		
Direct taxes	15.821,6	957,8	10.955,1	1.189,9	13.196,0	24,2	20,5	4,2	15,9		
Indirect taxes	19.509,3	1.472,8	16.731,5	1.534,5	16.060,2	4,2	-4,0	-1,3	-4,0		
Social security contributions	18.471,8	1.319,1	13.878,8	1.453,4	14.856,0	10,2	7,0	1,8	9,5		
Other current revenue	11.459,4	722,9	7.346,4	966,9	8.428,8	33,8	14,7	2,0	18,7		
(of which: transfers from other GG subsectors)	82,4	6,2	54,6	7,7	54,1	24,1	-0,9	0,0	24,4		
Capital revenue	2.649,2	58,0	4.022,9	155,8	1.494,2	168,4	-62,9	-4,8	-54,9		
Sale of investment good	187,0	1,6	9,9	49,2	90,3	3.002,8	815,3	0,2	1.124,6		
Capital transfers	1.577,8	54,5	3.550,7	104,2	858,3	91,4	-75,8	-5,1	-65,6		
(of which: transfers from other GG subsectors)	60,9	0,1	7,1	0,9	13,4	612,4	88,2	0,0	567,2		
Other capital revenue	884,3	2,0	462,4	2,4	545,6	18,9	18,0	0,2	-30,2		
Effective revenue	67.911,3	4.530,6	52.934,7	5.300,5	54.035,2	17,0	2,1		2,3		
Current expenditure	73.684,9	6.403,3	56.340,7	7.279,9	58.423,1	13,7	3,7	3,5	6,1		
Public consumption	25.753,3	1.917,2	19.858,1	2.215,5	19.257,9	15,6	-3,0	-1,0	4,0		
Employees	12.803,2	945,2	9.642,4	999,3	10.119,2	5,7	4,9	0,8	8,9		
Purchase of goods and services and other current expend	12.950,1	972,0	10.215,8	1.216,2	9.138,7	25,1	-10,5	-1,8	-0,4		
Subsidies	2.459,0	131,5	1.034,6	228,8	1.693,0	74,0	63,6	1,1	23,2		
Interests and other charges	7.962,3	1.608,9	7.101,8	1.916,6	6.894,7	19,1	-2,9	-0,3	0,4		
Current transfers	37.510,2	2.745,7	28.346,1	2.919,0	30.577,5	6,3	7,9	3,7	7,8		
(of which: transfers to other GG subsectors)	2.175,5	206,4	1.631,2	199,8	1.816,9	-3,2	11,4	0,3	17,7		
Capital expenditure	3.861,4	419,1	3.283,3	378,8	2.550,7	-9,6	-22,3	-1,2	-14,6		
Investments	2.124,1	206,7	1.622,3	151,8	1.148,2	-26,6	-29,2	-0,8	-13,0		
Capital transfers	1.622,9	190,0	1.617,7	225,1	1.383,3	18,5	-14,5	-0,4	-19,5		
(of which: transfers to other GG subsectors)	978,4	144,3	1.119,6	164,7	878,3	14,2	-21,5	-0,4	-24,9		
Other capital expenditure	114,5	22,4	43,2	2,0	19,2	-91,2	-55,5	0,0	81,3		
Effective Expenditure	77.546,3	6.822,3	59.624,0	7.658,7	60.973,8	12,3	2,3		4,8		
Overall balance	-9.635,0	-2.291,7	-6.689,2	-2.358,2	-6.938,7						
Adjustments related to EFAP											
Guarantees, loans and capital injections	-88,2	-6,3	-62,7	-3,5	-16,8						
Supplementary transfer to the National Health Service		4,0	1.408,2	227,3	237,8						
Pension funds	-48,1	0,0	-2.783,9	0,0	-48,1						
Overall Balance (criteria of the EFAP)	-9.771,3	-2.294,0	-8.127,7	-2.134,5	-6.765,8						
Primary expenditure	69.583,9	5.213,4	52.522,2	5.742,1	54.079,1	10,1	3,0				
Current balance	-8.422,8	-1.930,7	-7.428,8	-2.135,2	-5.882,2						
Capital balance	-1.212,2	-361,0	739,6	-223,0	-1.056,4						
Primary balance	-1.672,7	-682,8	412,6	-441,6	-43,9						
Financial assets net of reimbursements	20.152,4	2.157,7	11.214,0	957,5	4.540,5	-55,6	-59,5				
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	28.301,6	696,3	21.357,7	358,2	21.296,6	-48,6	-0,3				

Source: Ministry of Finance and Social Security Financial Management Institute

2. Central Government and Social Security

Table 3 - Central Government Account - Comparable data, 2013 and 2012

Period: January to October										€ Millions			
	Real Execution				Adjustments 2012			Adjustments 2013		Adjusted Execution			
	2012	2013	YOY Change Rate (%)	YOY Change Rate Contrib. (p.p.)	Pension Funds from the Credit Institutions	4G Frequency Use Rights	Debt payments - Health Sector	Debt payments - Health Sector	Concession of Civil Aviation Infrastructure	2012	2013	YOY Change Rate (%)	YOY Change Rate Contrib. (p.p.)
Revenue	52,934.7	54,035.2	2.1	2.1	-2,783.9	-272.0	0.0	0.0	-400.0	49,878.8	53,635.2	7.5	7.5
Tax revenue	27,686.6	29,256.2	5.7	3.0	0.0	0.0	0.0	0.0	0.0	27,686.6	29,256.2	5.7	3.1
Direct taxes	10,955.1	13,196.0	20.5	4.2						10,955.1	13,196.0	20.5	4.5
Indirect taxes	16,731.5	16,060.2	-4.0	-1.3						16,731.5	16,060.2	-4.0	-1.3
Social security contributions	13,878.8	14,856.0	7.0	1.8						13,878.8	14,856.0	7.0	2.0
Non-tax revenue	11,369.3	9,923.0	-12.7	-2.7	-2,783.9	-272.0			-400.0	8,313.4	9,523.0	14.5	2.4
Expenditure	59,624.0	60,973.8	2.3	2.3	0.0	0.0	-1,408.2	-237.8	0.0	58,215.8	60,736.1	4.3	4.3
Current expenditure	56,340.7	58,423.1	3.7	3.5			-1,408.2	-237.8		54,932.5	58,185.4	5.9	5.6
Current Primary Expenditure:	49,238.8	51,528.4	4.6	3.8	0.0	0.0	-1,408.2	-237.8	0.0	47,830.7	51,290.6	7.2	5.9
<i>Of Which:</i>													
Employees	9,642.4	10,119.2	4.9	0.8						9,642.4	10,119.2	4.9	0.8
Purchase of goods and services and other	10,215.8	9,138.7	-10.5	-1.8			-1,408.2	-237.8		8,807.6	8,901.0	1.1	0.2
Current transfers	28,346.1	30,577.5								28,346.1	30,577.5	7.9	3.8
Interests and other charges	7,101.8	6,894.7	-2.9	-0.3						7,101.8	6,894.7	-2.9	-0.4
Capital expenditure	3,283.3	2,550.7	-22.3	-1.2						3,283.3	2,550.7	-22.3	-1.3
Overall balance	-6,689.2	-6,938.7			-2,783.9	-272.0	1,408.2	237.8	-400.0	-8,337.0	-7,100.9		
Primary expenditure	52,522.2	54,079.1	3.0	2.6	0.0	0.0	-1,408.2	-237.8	0.0	51,114.0	53,841.3	5.3	4.7
Primary balance	412.6	-43.9			-2,783.9	-272.0	1,408.2	237.8	-400.0	-1,235.2	-206.2		

Source: Ministry of Finance



2. Central Government and Social Security

Note on methodological change

From October onwards, a new methodology is adopted for the implementation of the budget units with lack of report. This will affect Central Government accounts and hence the higher institutional aggregates, namely, Central Government and Social Security and General Government.

In order to assure the adequate comparability, January to September implementation already released was accordingly altered.

Previously, an autonomous service or fund with lack of report in a particular month would have cumulative null values, leading to a distortion in indicators and overall results.

Therefore, in situations of lack of information, it will be deemed the last monthly report of the service.

The entities without report are identified in the Table 7 and 8 in the statistical attachments.



EXPENDITURE

- The **Central Government and Social Security** expenditure increased by 2.3%, while the primary expenditure increased by 3% (1% and 2.2% respectively until September). Excluding the effect of the previous year's debt regularizations in the Health sector until September 2012, which amounted to € 1,408.2 million and € 237.8 million in 2013, the expenditure and primary expenditure would have increased 4.3% and 5.3% in a year-on-year base, respectively (table 3). The raise of primary expenditure rate results from the acceleration of purchase of goods and services and other current expenditure.
- **Compensation of employees** increased 4.9% in cumulative terms YOY, which is mainly explained by the payment of one subsidy in twelfths and by the increase of contributions rate to *Caixa Geral de Aposentações, I.P.* (CGA) and Social Security. Comparing to September this item kept the change rate (4.9%).
- **Purchase of goods and services and other current expenditures** decreased 10.5% (-14.6% until September). This evolution results from the base effect of the previous years' debt regularizations in the Health sector which is more pronounced in 2012. In the absence of this effect, this expenditure item would have grown 1.1% (0.6% until September), mainly due to the increase of the regular amounts allocated to the program contracts with hospitals. With a lower weight, it should also be stressed the effect of the tax authorities expenditure with real estate reevaluation, within the context of the Reform of Assets Taxation.
- The decrease in expenditure with **interest and other charges** was 2.9% (-9.4% until September), which is essentially explained by the evolution of State's direct debt (-1.4% until October which compares to -8.6% September). This result is mainly explained by the concentration of Treasury Bonds interest paid in October.

On the other hand, the deepest reduction of the financial expenditure of public corporations (-11.9% in October which compares to -9.3% until September) mostly explained by the advanced payments of interest rate derivatives and also the lower amount of interests paid by *RTP – Rádio e Televisão Portuguesa, S.A.*³, resulting from the amortization of a loan to the *DEPFA Bank*.

- Year-on-Year rate of **Current transfers** stood until October at same level of September (8%), in line with stabilization of the expenditure items which compose it. The increase of this expenditure item is assignable to the growth of pension expenditure with the beneficiaries of the pension system managed by CGA and of the social security system (11.2% and 10.2% respectively), due to the payment of one reinstated subsidy in twelfths.

Noteworthy the pressure on expenditure determined by the evolution of expenditure with unemployment subsidy and employment supports, despite the wind down of the growth rate (8.4% which compares to 9.4% until September).

Finally, the growth rate of current transfers is also determined by the different allocation, when compared to 2012, between current and capital transfers to Local Government according to Local Finances Law.

³ Rádio e Televisão de Portugal is the Portuguese public broadcaster.

2. Central Government and Social Security

- **Subsidies** increased 63.6% (62.1% until September), evolution influenced by the increase in Social Security expenditure with job training actions financed by the European Social Fund – which costs were partially reclassified to this expenditure item⁴ - , and, with a minor impact, the increase of expenditure with support granted by the *Instituto de Emprego e Formação Profissional, I.P.*⁵.
- **Investment** expenditure decreased 29.2% until October (-29.6% until September), mostly reflecting the reduction of investments in the public school network by *Parque Escolar, E.P.E.*⁶, resulting either of the postponement or the suspension of projects. This effect is partially offset by the increase of expenditure associated to road concessions by *Estradas de Portugal, S.A.*⁷.
- The reduction in **capital transfers** is in line with previous month (-14.5% which compares to -18.9% until September), being mostly explained by the capital transfers to the Local Government under the Local Finance Law, as written above, this result being related to the increase of current transfers due to a different allocation when compared to 2012.

REVENUE

- **Revenue** until October increased⁸ 2.1% year on year (0.7% until September), result influenced by base effects associated to the accounting, in 2012, of the revenue collected from the remaining transfer of pension funds from credit institutions⁹ and the revenue from the sale in 2012 of the 4th generation frequency use rights and, in 2013, the revenue from the operation of concession of the infrastructure of Civil Aviation ANA – *Aerportos de Portugal S.A.*.

Excluding these base effects, revenue would have increased 7.5% in relation to the same period of 2012 and 6.6% while comparing to September, result justified by the positive evolution of fiscal revenue.

- Central Government and Social Security **tax revenue** increased 5.7% (4.6% until September), showing the positive performance of State subsector tax revenue as a result of the generalized improvement on direct and indirect taxes.

This positive evolution is not influenced by the revenue collected under the Exceptional Regularization Regime of Tax and Social Security Debts) which started only on the 1st of November.

⁴ 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.

⁵ Institute for Employment and Job Training

⁶ *Parque Escolar* is a governmental corporation which aim is that of 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.

⁷ *Estradas de Portugal* is a governmental agency (state owned enterprise) responsible for administering the roads in Portugal.

⁸ Cumulative implementation and YOY cumulative rate of variation until September referred in this report were updated in relation to the previous month due to the methodological change highlighted earlier in this document.

⁹ Under nr. 5 of article nr. 6.º of the Law-Decree nr. 127/2011, of December 31st, “The assets ownership transmission is made by the credit institutions in the following terms: a) Until December 31st 2011, the equivalent amount to, at least, 55% of the current provisory value of the responsibilities (...); b) Until June 30th 2012, the remaining amount to complete the current definitive value of the responsibilities (...).”



- **Direct taxes** until October kept the trend of growth observed until September (20.5% which compares to 20.1% until September).

In fact, Personal Income Tax (IRS) increased 29.9% (30.6% until September), mostly explained by the higher amounts of tax withholding over capital and real estate income, alongside with the positive impact that resulted from enhanced control over withholding delivered by employers.

On other hand, revenue from Corporation Income Tax (IRC) increased 9.3% (8.5% until September) which is justified by the additional payments on account made by the major corporations and also the payments on account made in September.

- Revenue from **indirect taxes** shows an improvement of YOY change rate of 1.5 p.p., which results from a recovering of collection of all indirect taxes. It is important to stress that the monthly volunteer collection of VAT in domestic market and also the customs VAT shows YOY improvements. This result is in line with the slightly recover of the economy and the enhanced control and action against tax evasion and the underground economy.

It is also important to refer the improvement of Tax on Oil and Energy Products (ISP) performance (-2.4% until October while until September it was -2.6%), the Stamp Tax (-1% until October while until September it was -1.6%), and yet Tax on Vehicles (-7.8% until October while until September it was -9.7%).

- The revenue of **contributions to Social Security systems** presents an increase of 7% until October (6.7% until September), due to the evolution of the contributions to Social Security, which YOY rate until October was 1.1% (0.6% until September). It is important to refer the increase observed since May.

On its side, the contributions to CGA and to public health subsystems maintained the growth levels observed in the previous month (34.1% and 3.6% until October, respectively), reflecting, in the first case, the increase of the fee paid by the public entities, and in both cases, the payment in twelfths of one subsidy.

- **Non-tax revenue** decreased 12.7 %. Excluding the mentioned one-off effects, non-tax revenue would have grown 14.5% (11.5% until September) mainly due to the increase of Bank of Portugal dividend and to the interest of contingent capital bonds (*coco bonds*) and the Social Security revenue from the European Social Fund.