

# Budget Outturn Summary Report 2013

*June*

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 first semester 2013, **General Government (GG) balance** according to the Economic and Financial Adjustment Programme (EFAP) criteria attained € 3,845.7 million, a result € 2,154.3 million under the established limit.

Chart 1 – Limits and implementation of General Government

	€ Millions				
	Mar. 2013	April 2013	May 2013	June 2013	Sep. 2013
<b>EFAP limits</b>	<b>-1.900</b>			<b>-6.000</b>	<b>-7.300</b>
<b>General Government Balance (cash basis)</b>	<b>-1.435</b>	<b>-2.555</b>	<b>-1.789</b>	<b>-4.058</b>	
<b>Central Government</b>	<b>-1.469</b>	<b>-2.527</b>	<b>-2.245</b>	<b>-4.435</b>	
State	-1.852	-2.978	-2.680	-4.851	
Autonomous Services and Funds excluding reclassified SOE	773	772	955	1.015	
Reclassified State Owned Enterprises	-390	-322	-519	-598	
<b>Regional Government</b>	<b>4</b>	<b>70</b>	<b>-18</b>	<b>7</b>	
Madeira	3	41	-18	26	
Açores	1	30	0	-19	
<b>Local Government</b>	<b>-104</b>	<b>-157</b>	<b>142</b>	<b>-48,1</b>	
Municipalities reported	-104	-156	140	-51	
<b>Social Security</b>	<b>135</b>	<b>58</b>	<b>332</b>	<b>418</b>	
Adjustments underlying to the Technical Memorandum of Understanding					
Guarantees, loans and capital injections	0	0	-8	-11	
Supplementary transfer to the National Health Service					
Pension funds	-48	-48	-48	-48	
Adjustment for the arrears settled - Local Administration (€1 billion credit facility)	132	192	258	271	
<b>General Government Balance (criteria of the EFAP)</b>	<b>-1.351</b>	<b>-2.411</b>	<b>-1.588</b>	<b>-3.846</b>	<b>0</b>
<b>Gap (General Government Balance (criteria of the EFAP) minus EFAP Limit)</b>	<b>549</b>			<b>2.154,3</b>	

**Notes:**

Updated amounts with information available until July

Source: Ministry of Finance

- **Central Government and Social Security** balance recorded € -4,016.8 million (€ -1,707.8 million in the first semester 2012), while primary balance was € -224.8 million (€ 2,268.5 million in the same period 2012). On the revenue side, this evolution is influenced, on the one hand, by the one-off revenue collected in June 2012 from the remaining transfer of pension funds from credit institutions and, on the other hand, by the sale of rights to use 4th generation frequencies. On the expenditure side, it is to be stressed the payment of arrears by the NHS in 2012. Those effects taken altogether have a positive impact in the overall balance of € 2,821.2 million.
- **Central Government balanced** attained € -4,434.9 million (€ -1,981.6 million in the same period 2012), and a primary balance of € -644.2 million (€ 1,993.3 million the same period 2012). Revenue decrease 4% and expenditure increased 5,4%. In the absence of the effects above mentioned, the overall and the primary balance would have been € -4,802.8 million and € -827.9 million, respectively. Revenue would have increased 9,4%, reflecting the evolution of direct taxes, contributions to *Caixa Geral de Aposentações (CGA)*<sup>1</sup>,

<sup>1</sup> Public body that administrates the Portuguese civil servants pension scheme.



## 1. Summary

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as well as the dividends revenue from the Bank of Portugal. On its turn, expenditure would have increased 6,3% as a result of the increase in transfers to Social Security under the Basic Law and Social VAT component and the effect resulting from the reinstatement of a subsidy - with impact on pensions and allowances in charge of the CGA and Social Security and on employees compensation.

- **Social Security** overall balance recorded a surplus of € 418.1 million until June (€ 273.8 million in the same period of 2012). The YOY evolution is positively influenced by the transfers from the European Social Fund to finance job training, and also by State budget transfers. The expenditure increased 7.2% (1.1p.p less than the YOY increase rate of the revenue), result determined by the evolution of social expenditure (reflecting the effect of the reinstatement of a subsidy to the pensioners by twelfths and the increase of the expenditure with unemployment subside and measures of employment support, justified by the negative evolution of the labour market).
- **Regional and Local Government** overall balance in June amounted to € -40.7 million, to which Local Government contributed with a deficit of € 48.1 million and Regional Government contributed with a surplus of € 7.4 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 € 230.2 million.



### OVERALL BALANCE

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- The overall and primary balances of **Central Government and Social Security** until June amounted to € -4,016.8 million and € -224.8 million, respectively. This compares with € -1,707.8 million and € 2,268.5 million, respectively, in 2012. This evolution is determined by the following base effects: i) the accounting in June 2012 of the revenue from the remaining transfer of pension funds from credit institutions (€ 2,783.9 million); ii) the revenue from the sale of rights to use 4<sup>th</sup> generation frequencies (€ 272 million); and also iii) in the expenditure side, the arrears paid by National Health Service (NHS) in 2012 (€ 234.7 million). In the absence of those effects, there would have been an improvement of the overall balance and primary balance by € 512.1 million and € 327.9 million, respectively.

## 2. Central Government and Social Security

Chart 2 - Central Government and Social Security Consolidated Account

Period: January to June	€ Millions									
	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			
<b>Current revenue</b>	<b>65.625,6</b>	<b>4.221,5</b>	<b>28.839,3</b>	<b>4.648,0</b>	<b>30.608,8</b>	<b>10,1</b>	<b>6,1</b>	<b>5,5</b>	<b>8,5</b>	
Tax	36.925,9	2.088,7	15.964,9	2.347,5	17.008,0	12,4	6,5	3,2	8,7	
Direct taxes	16.578,6	637,6	5.848,0	981,0	7.329,8	53,9	25,3	4,6	21,4	
Indirect taxes	20.347,3	1.451,2	10.116,9	1.366,4	9.678,2	-5,8	-4,3	-1,4	0,1	
Social security contributions	18.232,2	1.345,8	8.288,7	1.428,5	8.699,9	6,1	5,0	1,3	8,1	
Other current revenue	10.467,5	787,0	4.585,8	872,0	4.901,0	10,8	6,9	1,0	8,4	
(of which: transfers from other GG subsectors)	82,1	6,2	29,9	6,5	28,0	4,8	-6,3	0,0	23,9	
<b>Capital revenue</b>	<b>2.320,5</b>	<b>2.740,9</b>	<b>3.405,2</b>	<b>109,7</b>	<b>632,2</b>	<b>-96,0</b>	<b>-81,4</b>	<b>-8,6</b>	<b>-60,5</b>	
Sale of investment good	181,9	0,6	4,5	5,6	25,8	852,7	478,1	0,1	1.090,9	
Capital transfers	1.225,3	2.735,5	3.222,6	95,5	471,2	-96,5	-85,4	-8,5	-73,3	
(of which: transfers from other GG subsectors)	61,0	0,8	5,6	1,4	8,2	68,0	45,1	0,0	567,9	
Other capital revenue	913,3	4,8	178,2	8,6	135,2	79,0	-24,1	-0,1	-27,9	
<b>Effective revenue</b>	<b>67.946,1</b>	<b>6.962,4</b>	<b>32.244,5</b>	<b>4.757,7</b>	<b>31.241,0</b>	<b>-31,7</b>	<b>-3,1</b>		<b>2,4</b>	
<b>Current expenditure</b>	<b>71.828,4</b>	<b>6.776,6</b>	<b>32.062,8</b>	<b>6.662,6</b>	<b>33.702,9</b>	<b>-1,7</b>	<b>5,1</b>	<b>4,8</b>	<b>3,4</b>	
Public consumption	25.278,4	1.983,6	10.971,5	1.951,6	11.174,4	-1,6	1,8	0,6	2,1	
Employees	12.818,0	1.009,0	5.847,8	1.061,7	6.127,3	5,2	4,8	0,8	9,0	
Purchase of goods and services and other current expenditures	12.460,4	974,6	5.123,7	889,9	5.047,1	-8,7	-1,5	-0,2	-4,2	
Subsidies	1.800,6	93,6	558,1	143,6	974,1	53,4	74,5	1,2	-9,8	
Interests and other charges	8.373,8	2.069,3	3.976,2	1.659,5	3.792,1	-19,8	-4,6	-0,5	5,6	
Current transfers	36.375,6	2.630,1	16.556,9	2.908,0	17.762,4	10,6	7,3	3,6	4,6	
(of which: transfers to other GG subsectors)	2.311,0	145,7	949,8	155,1	1.055,3	6,5	11,1	0,3	25,1	
<b>Capital expenditure</b>	<b>4.021,8</b>	<b>172,7</b>	<b>1.889,4</b>	<b>198,8</b>	<b>1.554,9</b>	<b>15,1</b>	<b>-17,7</b>	<b>-1,0</b>	<b>-11,0</b>	
Investments	2.212,9	77,9	942,9	112,1	771,2	43,9	-18,2	-0,5	-9,3	
Capital transfers	1.727,5	95,1	937,2	86,6	772,3	-9,0	-17,6	-0,5	-14,3	
(of which: transfers to other GG subsectors)	980,2	73,2	650,4	33,2	475,8	-54,6	-26,8	-0,5	-24,8	
Other capital expenditure	81,3	-0,3	9,3	0,1	11,4	-118,1	22,2	0,0	28,8	
<b>Effective Expenditure</b>	<b>75.850,2</b>	<b>6.949,3</b>	<b>33.952,3</b>	<b>6.861,4</b>	<b>35.257,8</b>	<b>-1,3</b>	<b>3,8</b>		<b>2,5</b>	
<b>Overall balance</b>	<b>-7.904,0</b>	<b>13,1</b>	<b>-1.707,8</b>	<b>-2.103,7</b>	<b>-4.016,8</b>					
Adjustments related to EFAP										
Guarantees, loans and capital injections	-88,2	-4,3	-20,4	-2,7	-11,0					
Supplementary transfer to the National Health Service		208,9	234,7							
Pension funds	-48,1	-2.687,1	-2.783,9		-48,1					
<b>Overall Balance (criteria of the EFAP)</b>	<b>-8.040,3</b>	<b>-2.469,5</b>	<b>-4.277,4</b>	<b>-2.106,4</b>	<b>-4.076,0</b>					
Primary expenditure	67.476,4	4.880,0	29.976,0	5.201,9	31.465,8	6,6	5,0			
Current balance	-6.202,7	-2.555,1	-3.223,5	-2.014,7	-3.094,1					
Capital balance	-1.701,3	2.568,2	1.515,8	-89,1	-922,8					
Primary balance	469,7	2.082,4	2.268,5	-444,2	-224,8					
Financial assets net of reimbursements	16.808,8	8.314,0	9.602,1	36,7	3.098,0	-99,6	-67,7			
of which revenue from:										
Disposal of Capital Shares	1.000,0	0,0	160,0	0,0	0,0	-	-100,0			
Financial liabilities net of amortizations	24.123,5	554,7	17.009,4	3.137,0	18.245,7	465,6	7,3			

### 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 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

- **Central Government and Social Security** expenditure increased by 3.8% while primary expenditure increased 5%. In the absence of the arrears paid by NHS in June 2012 (€ 234.7 millions), the expenditure and the primary expenditure would have increased 4.6% and 5.8% respectively, result which compares to 5.2% and 4.7% until May. The acceleration of primary expenditure was mostly determined by the anticipation of the payments of program contracts by the NHS, by the behaviour of the contribution to EU budget and also by the investment expenditure.



**Compensation of employees** increased 4.8% compared to the same period 2012, mostly explained by the reinstatement of one monthly salary to public employees, paid by twelfths, as well as the increase of contributions rate to CGA and to Social Security. This result is in line with the previous month.

**Purchase of goods and services and other current expenditures** in cumulative terms decreased 1.5%, an inflexion when compared with the previous month (+0.2% until May 2013). This evolution is mainly attributable to the base effect of the debts regularization by NHS, financed by the transfer adjusted at the 1<sup>st</sup> Amendment of 2012 State Budget. In the absence of this effect, this expenditure item would have increased 3.2%, which is mostly justified by the advancement of program contracts' payment by the NHS.

**Interest and other charges** expenditure decreased 4.6%, an inflexion when compared to the previous month (+11.8% until May). This evolution is mainly justified by the effect of the amortization in June 2012 of the line "OT21Jun2012" of Fixed Rate Bonds.

**Current transfers** recorded an acceleration of 0.6 p.p. compared to the result observed until May (6.7%). This result is explained, by the change of procedure by the European Commission in 2013 in matter of funding request. In fact, in June 2012 it was only requested 50% of the budget twelfth assigned to Portugal, while, in 2013 it was requested the whole budget twelfth.

Persists the effect of pressure on the behaviour of this expenditure item arising, on the one hand, from the payment of the reinstated subsidy by twelfths to the beneficiaries of the pension system run by the CGA and the social security system and, on the other hand, the unfavourable evolution of unemployment benefits and employment support.

**Subsidies** increased 74.5%, maintaining essentially the behaviour observed in previous months, which is attributable to the increase of Social Security expenditure with job training actions financed by the European Social Fund and also the effect of the reclassification, to this expenditure item, of transfers to other General Government subsectors. Though to a lesser degree of importance, it should be referred the effect of the anticipation of the Cabinet resolution approving the allocation of compensatory subsidies to corporations for providing public services.

**Investment** expenditure decreased 18.2% until the first semester, which is mostly justified by the evolution of investment made by *Parque Escolar E.P.E.*<sup>2</sup> in public schools, by the postponement or suspension of projects. The reduction is less deeper than in May (by memory, -23.8%), as result of the road concessions paid in 2013 by *Estradas de Portugal, S.A.*<sup>3</sup>, also partly resulting from the reclassification of the VAT associated to the above referred road concessions contracts.

The decline in **capital transfers** is slightly less pronounced (-17.6% in June compared with -18.6% in May), which reflects a different implementation pattern in the financing given by IFAP, I.P.<sup>4</sup> under the PRODER

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<sup>2</sup> *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.

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

<sup>4</sup> The IFAP, IP (Agriculture and Fisheries Financing Institute) is a governmental agency which mission is that of proceeding to the validation and payment of various measures defined at national and Community level, in agriculture, rural development, fisheries and related sectors, and proposing policies and strategies information technology and communication in agriculture and fisheries.

## 2. Central Government and Social Security

(program for rural development) and also given by FCT, I.P.<sup>5</sup> in order to finance R&D and international co-operation among Universities.

### REVENUE

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- **Revenue** until June decreased 3.1% year on year (which compares with the YOY increase of 4.8% until May), determined by the accounting in June 2012 of the revenue collected from the remaining transfer of pension funds from credit institutions (€ 2,783.9 million). In absence of this effect, revenue would have increased 6%, an acceleration of 1.2 p.p. when compared with the previous month. Contributed to that evolution with higher expression the favourable behaviour of central government tax revenue - which grew by 9% over the same period of 2012 – and also the increase of the Social Security revenue from European Social Fund.
- Central Government and Social Security **tax revenue** grew by 6.5% until June, which represents an increase of 0.8 p.p. compared to the result observed in the previous month. This improvement was explained mainly by the State tax revenue monthly growth of 12.4%. Thus, in the first half of 2013, the cumulative State tax revenue grew by € 1,043.1 million compared to the amount collected in the same period of 2012.
- Revenue from **direct taxes** in cumulative terms increased 25.3% over the same period of 2012, while June monthly growth was 53.9%, mainly due to the significant growth of revenue from personal income tax (IRS). In particular, it is to be noted the effect due to the growth of withholding - a result of the application of the tables of withholding tax on income from employment and pensions and the growth of which over capital income and building - and the positive impact resulting from enhanced control over withholding delivered by employers.
- **Indirect taxes** revenue presents a variation of -4.3% year on year, which represents a slightly worsen of 0.2 p.p. regarding the previous month. To this result contributed the evolution of VAT and the Stamp Duty which was partly compensated with the recovery of revenue from Tax on Vehicle (ISV) and from Oil and Energy Products (ISP).
- The revenue of **contributions to Social Security systems** presents a year on year increase of 5% until June which is attributable to the evolution of the contributions to the CGA, keeping the behaviour of previous month.
- **Non-tax revenue** decreased by 30.8%, a result that reflects an inflection against the observed behaviour until May (by memory, an increase of 2%), which is justified by the effect already referred above, the accounting in June 2012 of the remaining transfer of pension funds from credit institutions and the sale of rights to use 4th generation frequencies. In absence of those effects, the non-tax revenue would have increased 12.1% (which would have compared to 11.2% until May), evolution based on the acceleration of Social Security revenue from the European Social Fund.

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<sup>5</sup> The mission of Foundation for Science and Technology is a public foundation which mission consists in promoting, financing, following and evaluating science and technology institutions, programs, projects, qualification of human resources and infra-structures for scientific research and technological development.