

# Budget Outturn Summary Report 2013

*May*

Ministry of Finance

Budget General Directorate

**DGOrçamento**

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

- In May, **General Government (GG) balance** according to the Economic and Financial Adjustment Programme (EFAP) criteria attained € 865 million. All GG subsectors contributed for this surplus with the exception of the Regional Government, which deficit was € 88 million. Thus, the provisional GG balance relevant for verifying the compliance of the EFAP has improved significantly, standing at € 1,536.3 million at the end of May.

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>-1.432</b> | <b>-2.544</b> | <b>-1.738</b> |               |               |
| <b>Central Government</b>  | <b>-1.469</b> | <b>-2.527</b> | <b>-2.245</b> |               |               |
| State  | -1.852        | -2.978        | -2.680        |               |               |
| Autonomous Services and Funds excluding reclassified SOE                               | 773           | 772           | 955           |               |               |
| Reclassified State Owned Enterprises   | -390          | -322          | -519          |               |               |
| <b>Regional Government</b>   | <b>4</b>      | <b>70</b>     | <b>-18</b>    |               |               |
| Madeira  | 3             | 41            | -18           |               |               |
| Açores   | 1             | 30            | 0             |               |               |
| <b>Local Government</b>  | <b>-101</b>   | <b>-146</b>   | <b>193</b>    |               |               |
| Municipalities reported  | -101          | -154          | 111           |               |               |
| <b>Social Security</b>   | <b>135</b>    | <b>58</b>     | <b>332</b>    |               |               |
| Adjustments underlying to the Technical Memorandum of Understanding                    |               |               |               |               |               |
| Guarantees, loans and capital injections   | -1            | -1            | -7            |               |               |
| Supplementary transfer to the National Health Service                                  |               |               |               |               |               |
| Pension funds  | -48           | -48           | -48           |               |               |
| Adjustment for the arrears settled - Local Administration (€1 billion credit facility) | 132           | 192           | 258           |               |               |
| <b>General Government Balance (criteria of the EFAP)</b>                               | <b>-1.348</b> | <b>-2.401</b> | <b>-1.536</b> | <b>0</b>      | <b>0</b>      |
| <b>Gap (General Government Balance (criteria of the EFAP) minus EFAP Limit)</b>        | <b>552</b>    |               |               |               |               |

**Note:**

Updated amounts with information available until the present date.

Source: Ministry of Finance

- In May, **Central Government and Social Security** balance recorded a surplus of € 555.8 million, while primary balance was € 1,230.4 million. May primary balance allowed the balance cumulative value of the first 5 months of the year to exceed the corresponding value of the same period of 2012. Until May, Central Government and Social Security balance amounted to € -1,913.1 million (€ -1,720.8 million by May 2012), the primary balance having reached € 219.4 million (€ 186.1 million in the same period of 2012). This evolution results, on the one hand, from the additional expenditure associated to the reinstatement of a subsidy - with impact on pensions and allowances in charge of the *Caixa Geral de Aposentações* (CGA)<sup>1</sup> and Social Security, as well on employee's compensation - and, on the other hand, the increase in unemployment bene-

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



## 1. Summary

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fits and employment support. This behaviour was offset by the positive performance of revenue, supported in particular by the growth of State tax revenue, mainly the growth of direct taxes by 21.8%, and contributions to social protection systems (+4.7%), as well as the dividends revenue from the Bank of Portugal.

- In May, **Central Government** attained a surplus of € 282.4 million, and a primary balance of € 957 million. This result is largely determined by the evolution of tax revenue. In cumulative terms, Central Government balance amounted to € -2,244.6 million (€ -2,036.1 million in the same period of 2012). Primary balance stood at € -113.1 million (€ -130.4 million in the same period). The evolution of the overall balance results mainly of the expenditure growth, notably derived from increased transfers to social security and pension costs in charge of the CGA - arising from additional payments relating to the reinstatement of a subsidy by twelfths - offset by the positive performance of State tax revenue, based on the growth of the IRC<sup>2</sup> and contributions to the CGA.
- **Social Security** overall balance recorded a surplus of € 331.5 million until May (€ 315.3 million in the same period of 2012). The YOY evolution is due, to a greater degree, to the anticipation of State budget transfers that occurred in May - which, taken together, contribute in 6 p.p. for the revenue growth - and also increased transfers from the European Social Fund, which show an increase of 7.9% over the same period of last year. It should be noted that, in May, Social Security balance stood at € 273.1 million.
- **Regional and Local Government** overall balance in May amounted to € 254.7 million, despite the deficit observed in this month regarding Regional Government. The cumulative balance stood at € 174.9 million, resulting from a surplus of € 192.6 million in Local Government and a deficit of € 17.7 million in Regional Government. Excluding the settlement of debts to suppliers within the PAEL<sup>3</sup>, Regional and Local Government overall balance would have been of € 432.4 million.

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<sup>2</sup> Tax on Corporation Income.

<sup>3</sup> Programme to Support Local Economy.

## 2. Central Government and Social Security

### OVERALL BALANCE

- The overall and primary balances of **Central Government and Social Security** in May amounted to € 555.4 million and € 1,230.4 million, respectively. This compares with a surplus of € 147.6 million and € 624.5 million, respectively, in 2012. To this result contributed both tax and non-tax revenue, including dividends. Expenditure evolution was within the predicted values for the month of May, the primary expenditure having been lower than in April.

Chart 2 - Central Government and Social Security Consolidated Account

| Period: January to May  | € 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>5.659,0</b>    | <b>24.617,8</b>       | <b>6.451,2</b>    | <b>25.960,9</b>       | <b>14,0</b>         | <b>5,5</b>   | <b>5,3</b>                      | <b>8,7</b>                             |
| Tax   | 36.925,9        | 3.367,0           | 13.876,1              | 3.790,5           | 14.660,5              | 12,6                | 5,7          | 3,1                             | 8,8                                    |
| Direct taxes  | 16.578,6        | 1.390,9           | 5.210,4               | 1.847,1           | 6.348,8               | 32,8                | 21,8         | 4,5                             | 21,5                                   |
| Indirect taxes  | 20.347,3        | 1.976,1           | 8.665,7               | 1.943,4           | 8.311,7               | -1,7                | -4,1         | -1,4                            | 0,2                                    |
| Social security contributions                                 | 18.232,2        | 1.371,6           | 6.942,9               | 1.479,2           | 7.271,3               | 7,8                 | 4,7          | 1,3                             | 8,1                                    |
| Other current revenue   | 10.467,5        | 920,4             | 3.798,8               | 1.181,5           | 4.029,0               | 28,4                | 6,1          | 0,9                             | 9,7                                    |
| (of which: transfers from other GG subsectors)                | 82,1            | 5,8               | 23,7                  | 6,1               | 21,5                  | 5,0                 | -9,2         | 0,0                             | 23,8                                   |
| <b>Capital revenue</b>  | <b>2.320,5</b>  | <b>147,5</b>      | <b>664,3</b>          | <b>72,3</b>       | <b>522,4</b>          | <b>-51,0</b>        | <b>-21,4</b> | <b>-0,6</b>                     | <b>-60,2</b>                           |
| Sale of investment good                                       | 181,9           | 0,7               | 3,9                   | 5,4               | 20,2                  | 726,4               | 421,0        | 0,1                             | 1.128,3                                |
| Capital transfers   | 1.225,3         | 146,6             | 487,1                 | 71,3              | 375,7                 | -51,4               | -22,9        | -0,4                            | -73,2                                  |
| (of which: transfers from other GG subsectors)                | 61,0            | 1,6               | 4,8                   | 1,2               | 6,7                   | -25,2               | 41,1         | 0,0                             | 703,8                                  |
| Other capital revenue   | 913,3           | 0,2               | 173,3                 | -4,4              | 126,6                 | -2.419,2            | -27,0        | -0,2                            | -27,4                                  |
| <b>Effective revenue</b>                                      | <b>67.946,1</b> | <b>5.806,5</b>    | <b>25.282,1</b>       | <b>6.523,5</b>    | <b>26.483,3</b>       | <b>12,3</b>         | <b>4,8</b>   |                                 | <b>2,7</b>                             |
| <b>Current expenditure</b>                                    | <b>71.828,4</b> | <b>5.290,4</b>    | <b>25.286,2</b>       | <b>5.687,8</b>    | <b>27.040,3</b>       | <b>7,5</b>          | <b>6,9</b>   | <b>6,5</b>                      | <b>3,8</b>                             |
| Public consumption  | 25.278,4        | 1.939,9           | 8.988,0               | 1.969,2           | 9.222,8               | 1,5                 | 2,6          | 0,9                             | 3,2                                    |
| Employees   | 12.818,0        | 993,3             | 4.838,8               | 1.048,5           | 5.065,6               | 5,6                 | 4,7          | 0,8                             | 9,2                                    |
| Purchase of goods and services and other current expenditures | 12.460,4        | 946,6             | 4.149,2               | 920,8             | 4.157,2               | -2,7                | 0,2          | 0,0                             | -2,2                                   |
| Subsidies   | 1.800,6         | 119,3             | 464,5                 | 209,4             | 830,5                 | 75,5                | 78,8         | 1,4                             | -10,5                                  |
| Interests and other charges                                   | 8.373,8         | 476,9             | 1.906,9               | 675,0             | 2.132,6               | 41,5                | 11,8         | 0,8                             | 5,2                                    |
| Current transfers   | 36.375,6        | 2.754,2           | 13.926,8              | 2.834,2           | 14.854,4              | 2,9                 | 6,7          | 3,4                             | 4,7                                    |
| (of which: transfers to other GG subsectors)                  | 2.311,0         | 156,1             | 804,1                 | 154,3             | 900,2                 | -1,2                | 11,9         | 0,4                             | 25,1                                   |
| <b>Capital expenditure</b>                                    | <b>4.021,8</b>  | <b>368,5</b>      | <b>1.716,7</b>        | <b>280,2</b>      | <b>1.356,1</b>        | <b>-24,0</b>        | <b>-21,0</b> | <b>-1,3</b>                     | <b>-10,7</b>                           |
| Investments   | 2.212,9         | 202,3             | 864,9                 | 178,1             | 659,1                 | -12,0               | -23,8        | -0,8                            | -7,9                                   |
| Capital transfers   | 1.727,5         | 169,8             | 842,1                 | 100,7             | 687,0                 | -40,7               | -18,6        | -0,6                            | -15,0                                  |
| (of which: transfers to other GG subsectors)                  | 980,2           | 101,0             | 577,2                 | 41,5              | 442,6                 | -58,9               | -23,3        | -0,5                            | -24,8                                  |
| Other capital expenditure                                     | 81,3            | -3,6              | 9,7                   | 1,3               | 11,4                  | -136,6              | 17,5         | 0,0                             | 20,3                                   |
| <b>Effective Expenditure</b>                                  | <b>75.850,2</b> | <b>5.658,9</b>    | <b>27.003,0</b>       | <b>5.968,0</b>    | <b>28.396,4</b>       | <b>5,5</b>          | <b>5,2</b>   |                                 | <b>2,9</b>                             |
| <b>Overall balance</b>  | <b>-7.904,0</b> | <b>147,6</b>      | <b>-1.720,8</b>       | <b>555,4</b>      | <b>-1.913,1</b>       |                     |              |                                 |  |
| Adjustments related to EFAP                                   |                 |                   |                       |                   |                       |                     |              |                                 |  |
| Guarantees, loans and capital injections                      | -88,2           | -0,2              | -16,1                 | -7,4              | -7,5                  |                     |              |                                 |  |
| Pension funds   | -48,1           |                   |                       | 0,0               | -48,1                 |                     |              |                                 |  |
| <b>Overall Balance (criteria of the EFAP)</b>                 | <b>-8.040,3</b> | <b>147,4</b>      | <b>-1.736,9</b>       | <b>548,0</b>      | <b>-1.968,7</b>       |                     |              |                                 |  |
| Primary expenditure   | 67.476,4        | 5.182,0           | 25.096,1              | 5.293,1           | 26.263,8              | 2,1                 | 4,7          |                                 |  |
| Current balance   | -6.202,7        | 368,6             | -668,4                | 763,4             | -1.079,4              |                     |              |                                 |  |
| Capital balance   | -1.701,3        | -221,0            | -1.052,4              | -207,9            | -833,7                |                     |              |                                 |  |
| Primary balance   | 469,7           | 624,5             | 186,1                 | 1.230,4           | 219,4                 |                     |              |                                 |  |
| Financial assets net of reimbursements                        | 16.808,8        | 369,3             | 1.288,1               | 765,2             | 3.061,3               | 107,2               | 137,7        |                                 |  |
| 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        | 8.897,5           | 16.454,7              | 12.710,5          | 15.108,7              | 42,9                | -8,2         |                                 |  |

#### 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

## 2. Central Government and Social Security

- May cumulative overall balance stood at € -1,913.1 million (€ -1,720.8 million in the same period of 2012). On its turn, primary balance stood at € 219.4 million, which constitutes a reversal against the trend observed in recent months. It was recorded an improvement of € 33.4 million in primary balance over the same period of 2012.

### EXPENDITURE

- **Central Government and Social Security** expenditure increased by 5.2%, 0.1 p.p. higher than the preceding month. This evolution is determined by the behaviour of public debt interest and other charges, which increased 11.8% (1.9 % until April). Nonetheless, primary expenditure slowed to 4.7% (5.3% until April), to which contributed the behaviour of contributions to international organizations, Social Security benefits, as well as transfers to the autonomous regions under the respective finance law, which record a different intra-annual pattern this year.

**Compensation of employees** increased 4.7% compared to May 2012 (4.5% until April), 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.

**Purchase of goods and services and other current expenditures** in cumulative terms increased 0.2%, slowing down by 0.9 p.p. on the previous month, this evolution remaining mainly attributable to the effect 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. In the absence of this effect, this expenditure item would have decreased 1.7%.

**Interest and other charges** expenditure increased 11.8% until May, (1.9% until April). This evolution is explained mainly by the significant acceleration of public debt interest and other charges (18.4% until May compared until 1.4% in April). In May, it took place the first coupon payment of a loan from the European Financial Stability Facility, which, together with the increase of interest associated with loans from the International Monetary Fund (IMF), explains the observed variation in that item of expenditure.

**Current transfers** recorded a deceleration of 0.9 p.p. compared to the result observed until April (7.6%). This result is explained, on the one hand, by the settlement of contributions to International Organizations debts in 2012 and, secondly, by the slowing expenditure on Social Security benefits, especially those relating to unemployment benefits and employment support.

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 unfavorable evolution of unemployment benefits and employment support, which growth rate nevertheless has a downward trend since the beginning of the year.

**Subsidies** increased 78.8%, 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.



The less deeper reduction of **investment** expenditure (-23.8% until May, compared with -27.4% in the first four months) is mostly justified by the evolution of investment made by *Parque Escolar E.P.E.*<sup>4</sup> in public schools, by the postponement or suspension of projects.

The sharper decline in **capital transfers** (-18.6% in May compared with -13% in April) still reflects the different periodicity of transfers to the Regional Government of Madeira under the Legal framework of Regional Finances. In fact, in April 2013 it occurred the second quarter transfer, while, in 2012, the transfers were allocated on a monthly basis to the settlement of debts to suppliers.

### REVENUE

- **Revenue** until May grew 4.8% year on year, accelerating 2.3 p.p. compared to the results observed until April. Contributed to that evolution with higher expression the favourable evolution of central government tax revenue - which grew by 8% over the same period of 2012 - and the increase in the amount corresponding to the part of the Bank of Portugal's balance for the year handed in May 2013 to the State by way of dividends.
- Central Government and Social Security **tax revenue** grew by 5.7% until May, which represents an increase of 2.3 p.p. compared to the result observed in the previous month. This improvement was explained mainly by the State tax revenue monthly growth of 14.4%. Thus, in the first five months of 2013, the cumulative State tax revenue grew by € 1,035.2 million compared to the amount collected in the same period of 2012, which represents an increase of 7.9% year on year.
- Revenue from **direct taxes** in cumulative terms increased 21.8% over the same period of 2012, while May monthly growth was 32.8%, mainly due to the significant growth of revenue from corporation income tax (IRC). In particular, it is to be noted the effect of the limitation on the deduction of tax losses, on the one hand, and the operationalization of the Large Taxpayers Unit, on the other hand, with impact on the growth of the IRC voluntary collection and on the increased number of corporations actually paying this tax.
- **Indirect taxes** revenue presents a variation of -4.1% year on year, which represents an improvement of 0.7 p.p. regarding the previous month (-4.8%). To this result contributed the recovery of revenue from the tax on Oil and Energy Products (ISP) and Stamp Duty.
- The acceleration of **revenue contributions to Social Security systems** by 0.7 p.p. (+4% until April) is attributable to the evolution of the contributions to the CGA, which reflects the effect of debt settlement by some entities of the Central Government. Albeit to a lesser degree of importance, it is noteworthy the inflection of the contributions to the Social Security behaviour (which grew by 0.1%, while, until April, had fallen 0.4%).
- **Non-tax revenue** increased by 2%, a result that reflects an inflection against the observed behaviour until April (a decrease of 2.9%), which is justified, to a greater extent, by the effect of the aforementioned increase in dividend income for the year 2012 of the Bank of Portugal (€ 359.3 million which compares with

<sup>4</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.



## 2. Central Government and Social Security

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€ 18.7 million delivered in the previous year). For this result also contributed the dilution of the 2012 base effect associated with the sale of rights to use 4th generation frequencies.