

24 March 2016

Main Aggregates of General Government
2015 – Half-finalized data

Main Aggregates of General Government

Statistics Portugal presents the provisional results on the main aggregates of General Government (GG) for 2014 sent to Eurostat accordingly with the ESA 2010 data transmission programme¹.

The provisional results indicate that the GG sector presented a net borrowing balance of 7 893 million euros (4.4% of GDP), in 2015. It should be mentioned that Banif resolution operation had an impact in the deficit of 1.4% of GDP.

The General Government sector accounts are compiled in accordance with the concepts and definitions of the European System of National and Regional Accounts 2010 (ESA 2010). In addition, specific guidelines of the Manual on Government Deficit and Debt² are applied.

The results presented in this press release are fully consistent with the first notification of 2016 for the Excessive Deficit Procedure (EDP).

Table 1 presents the half-finalized data for the main aggregates of general government, differentiated by sub-sector, for 2015:

TABLE 1: MAIN AGGREGATES OF GENERAL GOVERNMENT - HALF-FINALIZED DATA
TIME: 2015

Unit: Millions of euros

Transaction code	Transaction label	General Government	Central Government	Local and Regional Government	Social security funds
		S13	S1311	S1313	S1314
TE	Total general government expenditure	86 564	65 821	10 471	23 000
TR	Total general government revenue	78 671	56 051	11 259	24 089
B.9	Net lending (+)/Net borrowing (-) (National accounts balance)	- 7 893	- 9 770	788	1 089

Note:
For total revenue (TR) and total expenditure (TE) the sum of sub-sectors does not equal the sector value, given existent consolidation of some transactions.

¹ Regulation (EU) n° 549/2003 of the European Parliament and of the Council, from 21th may 2013, on the European System of National and Regional Accounts.

² This document is available in <http://ec.europa.eu/eurostat/web/products-manuals-and-guidelines/-/KS-GO-14-010>

The net borrowing balance of the General Government sector was 7 893 millions of euros in 2015, which corresponds to 4.4% of GDP. This negative balance was driven by the Central Government, as both the Local and Regional Government and the Social Security Funds presented positive net balances.

Table 2 presents the half-finalized main components of General Government revenue for 2014 and 2015:

TABLE 2 - GENERAL GOVERNMENT REVENUE - HALF-FINALIZED DATA

Unit: Millions of euros

Transaction code	Transaction label	2014	2015
OTR	TOTAL REVENUE	77 231	78 671
	CURRENT REVENUE	75 786	77 344
	of which		
D2	Taxes on production and imports	24 593	26 072
D61	Social contributions	20 371	20 718
D5	Current taxes on income, wealth, etc...	18 974	19 458
D9	CAPITAL REVENUE	1 445	1 327

Compared to 2014, General Government revenue increased 1.9% in 2015. This evolution was largely due to improvements in current revenue, since capital revenue decreased 8.2% in the same period.

Current revenue increased 2.1% in 2015, with a relevant contribution of taxes on production and imports, which depicted a 6.0% growth. As a result of this increase, the weight of these taxes in General Government total revenue increased to 33.1% (31.8% in 2014). The other transactions within current revenue maintained a similar percentage contribution to that of 2014.

Table 3 presents the half-finalized main components of General Government expenditure for 2014 and 2015:

TABLE 3 - GENERAL GOVERNMENT EXPENDITURE - HALF-FINALIZED DATA

Unit: Millions of euros

Transaction code	Transaction label	2014	2015
OTE	TOTAL EXPENDITURE	89 677	86 564
	CURRENT EXPENDITURE	79 288	79 243
	of which		
D1	Compensation of employees	20 495	20 264
D62	Social benefits other than social transfers in kind	30 722	31 281
D41	Interest	8 502	8 192
D9+P5+NP	CAPITAL EXPENDITURE	10 389	7 321

General Government total expenditure decreased 3.5% from 2014 to 2015. This reduction was determined by the capital expenditure, which decreased 29.5% in the period under consideration, whereas current expenditure presented a small variation in the same period.

In 2014, one-off operations implied extraordinary entries that increased capital expenditure by 6.1 billion euros. These operations included the capitalization of Novo Banco, capital transfers related to the financing of STCP and Carris and the write-off of nonperforming loans of BPN Crédito, held by Parvalorem S.A. The resolution process of Banif – Banco

Internacional do Funchal, S.A., (see box in the end of the press release) also implied an extraordinary recording in 2015, in the amount of 2.5 billion euros. Not considering these one-off operations that occurred in both years, capital expenditure increased 650 million euros from 2014 to 2015, mostly due to an increase of 11.3% in investment.

Concerning current expenditure, it should be mentioned the decrease of 3.6% in interest payments and of 1.1% in compensation of employees, while social benefits, other than social transfers in kind, increased 1.8%.

Table 4 shows General Government balances for 2014 and 2015:

TABLE 4 - GENERAL GOVERNMENT BALANCES - HALF-FINALIZED DATA

Unit: Millions of euros

Transaction code	Transaction label	2014	2015
B9	Net lending (+)/Net borrowing (-) (National accounts balance)	-12 446	- 7 893
	Current Balance	- 3 502	- 1 899
B9-D41	Primary Balance	- 3 944	299

The net borrowing of the General Government sector decreased 4 553 million euros from 2014 to 2015, attaining 7 893 million euros in 2015 (4.4% of GDP), given the combined effect of a decrease in total expenditure and an increase in total revenue.

The primary balance, *i.e.* the global balance net of interest payments, increased by 4 243 million euros in 2015, moving from a nearly 4 billion euros deficit, in 2014, to a 299 million euros surplus.

Box: Treatment of the operation of Banif Resolution

In 20 December 2015, a resolution measure was applied to Banco Internacional do Funchal S.A. (Banif).

In the context of the resolution there was a public support of a capital injection amounting to € 2 255 million of which € 489 million by the Fundo de Resolução, that is an entity included in the General Government (GG) sector and € 1 766 million directly by the State.

Most assets and liabilities of the former Banif were sold to Banco Santander Totta, S.A. with the exception of the problematic assets that were transferred to an entity dedicated to the management of those assets, OITANTE, S.A. (Oitante) owned by the Fundo de Resolução. A minor part of the assets remained in Banif, which will be liquidated, as well as the shareholders positions, subordinated claims and related parties.

Considering that Oitante is a vehicle created specially to manage the problematic assets, owned by Fundo de Resolução, it was classified in the GG institutional sector accordingly with the rules established in the Manual on Government Deficit and Debt for the defeasance units.

The assets transferred to Oitante for € 746 million include € 179.2 million of real estate assets that were recorded as gross fixed capital formation impacting the deficit.

Additionally, it should be mentioned that Oitante injected € 29 million in Banco de Investimento, S.A., recorded as capital transfer impacting the deficit.

In conclusion, the Banif resolution operation determined an increase of the GG deficit in 2015 of € 2 463.2 million (1.4% of GDP) as presented in the following table:

	Unit:€ million
Capital injection - State	1.766,00
Capital injection - Fundo de Resolução	489,00
Classification of Oitante in GG	
capital injection in Banif - Banco Investimento SA	29,00
aquisition of real estate assets	179,20
Total	2.463,20