

2012
January

Budget Outturn
Summary Report

Ministry of Finance
Budget General Directorate
Portugal

Budget Outturn

- Central Government and Social Security recorded a deficit of 5.9 billion¹ euros on cash basis in 2011 (11.5 billion euros in 2010), having implicit a 5.6 billion euros improvement, when compared with the previous year.
- It is relevant to stress the positive primary balance of 0.2 billion euros in 2011, which compares with a primary deficit of 6.5 billion euros in 2010.
- This development resulted from an increase in effective revenue of 7% while the effective expenditure decreased by 1.8%. It should be noted that the reduction in primary expenditure was more marked, standing at 3.5%.

Central Government and Social Security Consolidated Execution - 2011 / 2010 Comparison					€ Millions
	2010 Execution	2011 Provisional	Absolute change	In %	
Current revenue	57.860,3	60.713,0	2.852,7	4,9	
Direct taxes	13.589,6	15.000,9	1.411,3	10,4	
Indirect taxes	19.766,4	20.318,2	551,8	2,8	
Social Security contributions	17.898,1	18.138,6	240,5	1,3	
Other current revenue	6.606,2	7.255,2	649,1	9,8	
of which: transfers from other general government subsectors	38,4	66,1	27,7	72,3	
Capital revenue	3.485,9	4.951,5	1.465,7	42,0	
of which: transfers from other general government subsectors	5,8	9,7	3,9	66,2	
Effective revenue	61.346,1	65.664,5	4.318,4	7,0	
Current Expenditure	68.272,0	67.386,5	-885,5	-1,3	
Public Consumption	25.921,4	24.335,0	-1.586,4	-6,1	
Employees	14.818,1	13.393,4	-1.424,7	-9,6	
Purchase of goods and services and other current expenditure	11.103,3	10.941,6	-161,7	-1,5	
Subsidies	1.991,7	1.805,8	-185,8	-9,3	
Interests	4.988,5	6.072,0	1.083,5	21,7	
Current transfers	35.370,4	35.173,7	-196,7	-0,6	
of which: transfers to other general government subsectors	2.090,7	2.015,4	-75,4	-3,6	
Capital expenditure	4.568,6	4.140,7	-427,9	-9,4	
Investment	1.853,5	768,9	-1.084,7	-58,5	
Capital transfers	2.626,6	3.329,5	702,8	26,8	
of which: transfers to other general government subsectors	1.543,5	1.430,7	-112,8	-7,3	
Other capital expenditure	88,5	42,4	-46,0	-52,0	
Effective Expenditure	72.840,7	71.527,2	-1.313,4	-1,8	
Overall Balance	-11.494,5	-5.862,7	5.631,8		
Current balance	-10.411,8	-6.673,5	3.738,3		
Primary current expenditure	63.283,5	61.314,5	-1.969,0	-3,1	
Primary current balance	-5.423,2	-601,5	4.821,7		
Capital balance	-1.082,7	810,8	1.893,5		
Primary expenditure	67.852,1	65.455,2	-2.396,9	-3,5	
Primary balance	-6.506,0	209,3	6.715,3		

Source: Ministry of Finance

- For the revenue's behavior contributed:
 - The accounting of revenue associated with the transfer of pension funds of credit institutions recorded in 2011 (about 3.3 billion euros);

¹ Considering the short scale of the large-number naming system (billion means a thousand millions (10⁹)).

- The growth in direct tax revenue (10.4%), above the estimate included in the 2012 State Budget Report in about 1 percentage point. To this growth contributed to a large extent the one-time surcharge in the context of the personal income tax (IRS) and tax coercive collection;
 - The 2.8% increase in indirect taxes, which however has lagged behind that implicit to the 2012 State Budget Report in 0.5 p.p.; and
 - The 1.3% increasing in social security contributions. However, these revenues amounted to a level below that provided in 2012 State Budget Report by 1.6 p.p..
- The decrease in consolidated expenditure is mainly explained by:
 - The 9.6% reduction in employees' compensation, more than estimated in the 2012 State Budget Report;
 - Restraining measures in Central Administration investment expenditure, and
 - The effect of payment of financial charges relating to the delivery of military equipment in 2010 (one billion euros).
 - Regarding expenditure variations in the opposite direction are to be stressed:
 - Increase in public debt interest and other charges, which nevertheless still stood at a level lower (around 0.3 billion euros) than estimated for 2011 in the 2012 State Budget Report; and
 - Capital transfers for settlement of State financial liabilities in the area of road concessions (0.8 billion euros).
- State subsector deficit was 7.2 billion euros in 2011, having underlying an improvement of 7.1 billion euros when compared with 2010. Revenue increased 14.5%, which is mostly explained by the transfer of credit institutions pension funds (contribute of 0.9 p.p.), the collection of the one-time surcharge in the context of the personal income tax (IRS) and the VAT with the increase the normal tax from 21% to 23%. Effective expenditure decrease (3.6%) was pressured by the increase of the public debt interest payments (21.5%). The primary expenditure decreased 6.4%, mostly explained by the decrease of the expenditure with employees' compensation, transfers to Social Security and to National Health Service (NHS) as well as the settlement of financial responsibilities².
 - Central Government's Autonomous Services and Funds recorded a surplus of 902 million euros, less 1 192 million euros in comparison with 2010, which is explained by a decrease of revenue (-7.9%) and a decrease of expenditure (-3.7%). This outcome is mostly attained by factoring revenues accounted by the Caixa Geral de Aposentações, IP (CGA)³ related with the process of transfer of PT Comunicações⁴ pension funds, which started on December 2010 and is taking place until 2012, as well as a reduction of by reduction with the purchase of current goods and services and employees' compensation, essentially by the NHS.
 - NHS consolidated accrual balance was 275 million euros until December, reflecting a YOY positive variation of 85 million euros. This outcome reflects a stronger reduction in expenditure than the revenue variation in 0.6 p.p.. The decrease in spending on health care contracts agreed with NHS

² The operations of this nature had the greatest impact in 2010, considering the settlement of liabilities arising from the delivery of military equipment (worth 1.001 million euros) and concession area of road infrastructure (151 million euros). Under the latter, the financial charges in 2011 amounted to 849 million euros.

³ Public body that administrates the Portuguese civil servants pension scheme.

⁴ Portugal Telecom is a telecommunications operator.

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hospitals was deeper than the reduction in transfers from the State Budget to NHS (the system major revenue).

- Social Security surplus reached 429 million euros until December, 260 million euros less when compared with the same period of the previous year, as a result of a more pronounced reduction recorded in revenues than the decrease reported in spending (-1.3% and -0.3% respectively).

General Government Sub-Sectors' Revenue, Expenditure and Budget Balance

€ Million

	Time Frame	Revenue		Expenditure		Budget Balance		Year-on-Year Change Rate (%)	
		2010	2011	2010	2011	2010	2011	Revenue	Expenditure
Central Government									
State	January to December	36.287	41.537	50.565	48.732	-14.278	-7.195	14,5	-3,6
Autonomous Funds and Services	January to December	26.526	24.430	24.431	23.527	2.095	903	-7,9	-3,7
Social Security	January to December	23.857	23.538	23.168	23.108	689	429	-1,3	-0,3

Note: Figures on cash basis, not consolidated

Source: Ministry of Finance

- Regional Government balance reached -6 million euros until November, it represents deterioration comparing to October (40 million euros). Local Government reached a surplus, although lower than the previous quarter.

General Government Sub-Sectors' Revenue, Expenditure and Budget Balance

€ Million

	Time Frame	Revenue		Expenditure		Budget Balance		Year-on-Year Change Rate (%)	
		2010	2011	2010	2011	2010	2011	Revenue	Expenditure
Regional Government	January to October	-	1.887	-	1.894	-	-6	-	-
Local Government	III rd Quarter	5.133	5.071	4.988	4.884	145	187	-1,2	-2,1

Note: Figures on cash basis, not consolidated

Source: Ministry of Finance

- Comparison of implementation data with the underlying 2011 State Budget Report target is as follows:

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Revenue and Expenditure versus 2011 State Budget Report (Year-on-Year Change Rate in %)

		State	Autonomous Funds and Services	Regional Government	Local Government	Social Security
Overall Revenue	SB 2011	6,7	-7,8	-0,2	-1,2	1,0
	Execution	14,5	-7,9	7,6	-1,2	-1,3
Tax Revenue	SB 2011	4,6	0,9	2,9	-1,8	2,5
	Execution	6,0	-1,8	4,2	-6,8	2,5
Overall Expenditure	SB 2011	-1,5	-2,7	-2,8	-2,5	0,0
	Execution	-3,6	-3,7	5,5	-2,1	-0,3
Primary Expenditure	SB 2011	-4,0	-2,7	-3,0	-2,6	0,0
	Execution	-6,4	-3,8	4,8	-2,5	-0,3

Note: Figures relate to implementation of SB until December 2011, with exception of the Local and Regional Government (third quarter).

Source: Ministry of Finance