

Budget Outturn Summary Report 2013

January

Ministry of Finance

Budget General Directorate

DGOrçamento

Budget Outturn Summary Report
Monthly edition
Based on information available until the 22nd February

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- **2012 General Government overall balance** in *cash basis*, according to the updated information until February, amounted to € -7 060 million. Considering the necessary adjustments according to the Technical Memorandum of Understanding (TMU) criteria, was € -8 424 million, below the established limit in € 604 million.
- In January 2013, the **General Government overall balance** according to the Economic and Financial Assistance Programme (EFAP) criteria reached € 125 million.

Chart 1 – Limits and implementation of General Government

	€ Millions				
	Dec. 2012	Jan. 2013	Mar. 2013	June 2013	Sep. 2013
EFAP limits	-9.028		-1.900	-4.500	-6.000
General Government Balance (cash basis)	-7.060	122			
Central Government	-7.932	-172			
State	-8.923	-737			
Autonomous Services and Funds excluding reclassified SOE	1.848	486			
Reclassified State Owned Enterprises	-857	79			
Regional Government	-266	100			
Madeira	-255	15			
Açores	-11	85			
Local Government	725	53			
Municipalities reported	725	47			
Social Security	413	141			
Adjustments underlying to the Technical Memorandum of Understanding					
Guarantees, loans and capital injections	-93				
Supplementary transfer to the National Health Service	1.500				
Pension funds from banking institutions	-2.784				
Adjustment for the arrears settled - Local Administration (€1 billion credit facility)	13	4			
General Government Balance (criteria of the EFAP)	-8.424	125	0	0	0
Gap (General Government Balance (criteria of the EFAP) minus EFAP Limit)	604				

Notes:

Updated amounts with information available in February

Source: Ministry of Finance

- **Central Government and Social Security balance** reached € -31.4 million (€ 308.1 million in January 2012), the primary balance being € 77.4 million (€ 455.6 million in January 2012).

This result is influenced by the February contribution to the European Union budget advanced payment (€ 336 million). In the absence of this effect, Central Government and Social Security overall and primary balance would have been € 304.6 million and € 413.4 million respectively.

- **Central Government overall balance** amounted € -172.4 million (€ 79.3 million in January 2012) while primary balance reached € -63.8 million (€ 226.4 million in January 2012).
- **Social Security** overall surplus attained € 141 million, € 87.7 million less when compared with 2012. This result is mostly explained by the increasing trend of pensions and unemployed subsidies together with a decrease in social contributions revenue.



1. Summary

- **Local and Regional Government** presented a surplus of € 153 million, to which Regional Government contributed with a surplus of € 99.8 million and Local Government with € 53 million¹.

¹ This balance was determined based on information reported by 234 municipalities (€ 46.5 millions) and the estimated balance for the remaining.



EXPENDITURE

- Central Government and Social Security expenditure increased 9.9%, this result being mostly explained by the behaviour of current transfers, compensation of employees and other current expenditure.

Expenditure is influenced by the February contribution to the European Union budget advanced payment (€ 336 million). In the absence of this effect, YOY changes would have been 2.9%.

Compensation of employees increased 4.5% (compared with January 2012). This result reflects the repositioning of 13th payment to the civil servants and the equivalent to the pensioners of CGA, which in 2013 is paid in a twelfth basis along the year, as well as the social contributions employer rates update. It is also relevant to stress the increase of the employer contributions to the social protection systems, associated to the increase of wages.

Purchase of goods and services and other current expenditures increased by 8.5%, changes attributable to i) - the settlement of budget expenditure on advances made by Social Security under the closure of the *Third Community Support Framework*; and ii) - the increase in expenditure with activities undertaken by secondary and basic education schools and *Social Action Fund* under the Operational Programme Human Potential: This expenditure item is financed by EU funding, thus the effect on the overall balance being neutral.

Interest and other charges expenditure decreased 26.3%. Regarding public debt interest and commissions, it is at stake the lower volume of Treasury Bills due in January 2013 and the corresponding lower interest rates. As regards the financial charges paid by public authorities reclassified into the perimeter of general government, the irregular pattern of the debt service of the transport sector entities is to be emphasised.

Current transfers, excluded the effect of the advanced amount paid to the European Union Budget, increased by 7.8%. This result mainly reflects the evolution of the benefits provided under the general social security scheme, namely the unemployment allowance and employment support expenditure - which increased 33.2% - and pensions (increase of 2.6%). It is also relevant the increased payment to the EU budget, with a contribution of 3.3 p.p. to the year-on-year change rate in transfers. In addition to the advanced payment, the transfer to the European Union reflects the adjustment resulting from the revision of Gross National Income as well as the impact of the 5th and 6th amendments to the EU Budget in 2012.

The increase of subsidies (51.8%) is attributable to increased expenditure of Social Security with job training financed by the European Social Fund.

The reduction of capital expenditure (-41.4%) is explained largely by a lower volume of expenditure by *Estradas de Portugal, S.A.*² in January 2013 (compared to the same period of last year) and the reduction of capital expenditure by *Parque Escolar, E.P.E.*³, due to the suspension of the implementation of projects, and also a slower implementation of projects than initially expected.

The reduction of capital transfers reflects the base effect of 2012 associated to the regularization of financial liabilities towards concessionaires of public services.

² *Estradas de Portugal* is a governmental agency (state owned enterprise) responsible for administering the roads in Portugal.

³ *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

REVENUE

- January revenue increased 2.7% when compared with the same period of the previous year, based on the behaviour of favourable direct tax revenue, other current revenue and capital transfers. It is relevant to stress the unfavourable evolution of indirect taxes and contributions to social protection systems.

Regarding tax revenue, highlight for the behaviour of direct taxes, particularly the Personal Income Tax (IRS) that reflects the introduction of a surcharge of 3.5% on income earned in 2013 and in the case of the Corporate Income Tax, which increased the tax rate on capital income. The consequence of the rescheduling levels of IRS was not felt in January yet.

The behaviour of non-tax revenue is mostly influenced by reimbursements from the European Union budget to *Instituto de Financiamento da Agricultura e das Pescas – IFAP, I.P.*⁴, following support provided in the last quarter of 2012 by this institute.

OVERALL BALANCE

- 2013 January Central Government and Social Security balance attained € -31.4 million (€ 308.1 million). On its turn, primary balance was € 77.4 million (€ 455.6 million in the same period of the previous year).

⁴ Public institute for agriculture financing.

2. Central Government and Social Security

Quadro 1 - Conta consolidada da Administração Central e da Segurança Social

	€ Millions					
	Accumulated Execution		YOY Change Rate		YOY change rate implicit to Budget (%)	Accumulated Execution Degree (%)
	2012	2013	In %	YOY Change Rate Contrib. (p.p.)		
Period: January						
Current revenue	5.023,5	5.071,2	1,0	0,9	6,8	7,7
Tax	2.779,7	2.760,4	-0,7	-0,4	6,6	7,5
Direct taxes	1.001,9	1.127,1	12,5	2,4	19,1	6,8
Indirect taxes	1.777,8	1.633,3	-8,1	-2,8	-1,8	8,0
Social security contributions	1.623,5	1.559,9	-3,9	-1,2	8,1	8,6
Other current revenue	620,3	750,9	21,1	2,5	5,4	7,3
(of which: transfers from other GG subsectors)	3,7	2,4	-33,0	0,0	-39,0	3,0
Capital revenue	113,4	202,5	78,5	1,7	-57,2	8,2
Sale of investment good	0,7	0,5	-26,1	0,0	107,4	0,3
Capital transfers	14,9	98,9	565,3	1,6	-73,1	8,1
(of which: transfers from other GG subsectors)	0,1	1,5	1.055,2	0,0	312,2	2,4
Other capital revenue	97,9	103,1	5,3	0,1	-6,0	9,6
Effective revenue	5.136,9	5.273,7	2,7		1,3	7,8
Current expenditure	4.444,8	5.080,0	14,3	13,2	2,2	7,1
Public consumption	1.583,8	1.681,4	6,2	2,0	-1,2	6,7
Employees	924,5	966,0	4,5	0,9	8,6	7,5
Purchase of goods and services and other current expenditures	659,3	715,4	8,5	1,2	-9,5	5,7
Subsidies	62,8	95,2	51,8	0,7	19,8	5,3
Interests and other charges	147,5	108,8	-26,3	-0,8	4,2	1,3
Current transfers	2.650,7	3.194,6	20,5	11,3	3,4	8,8
(of which: transfers to other GG subsectors)	182,0	188,3	3,5	0,1	11,5	8,1
Capital expenditure	384,0	225,1	-41,4	-3,3	-18,0	5,6
Investments	156,1	14,8	-90,5	-2,9	-18,0	0,7
Capital transfers	225,1	209,7	-6,9	-0,3	-20,4	12,1
(of which: transfers to other GG subsectors)	158,9	161,6	1,7	0,1	-26,7	16,5
Other capital expenditure	2,7	0,6	-78,6	0,0	132,5	0,7
Effective Expenditure	4.828,8	5.305,0	9,9		0,9	7,0
Overall balance	308,1	-31,4				
Adjustments related to EFAP						
Guarantees, loans and capital injections	-17,4	0,0				
Overall Balance (criteria of the EFAP)	290,7	-31,4				
Current balance	578,7	-8,8				
Primary current expenditure	4.297,3	4.971,2	15,7	14,0		
Primary current balance	726,2	100,0				
Capital balance	-270,5	-22,6				
Primary expenditure	4.681,3	5.196,3	11,0	10,7		
Primary balance	455,6	77,4				
Financial assets net of reimbursements	426,9	120,3				
of which revenue from:						
Disposal of Capital Shares	0,0	0,0				
Financial liabilities net of amortizations	481,3	342,2				

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 Estimate
The negative values are the result of consolidation operations

Source: Ministry of Finance