

Budget Outturn Summary Report

January 2019

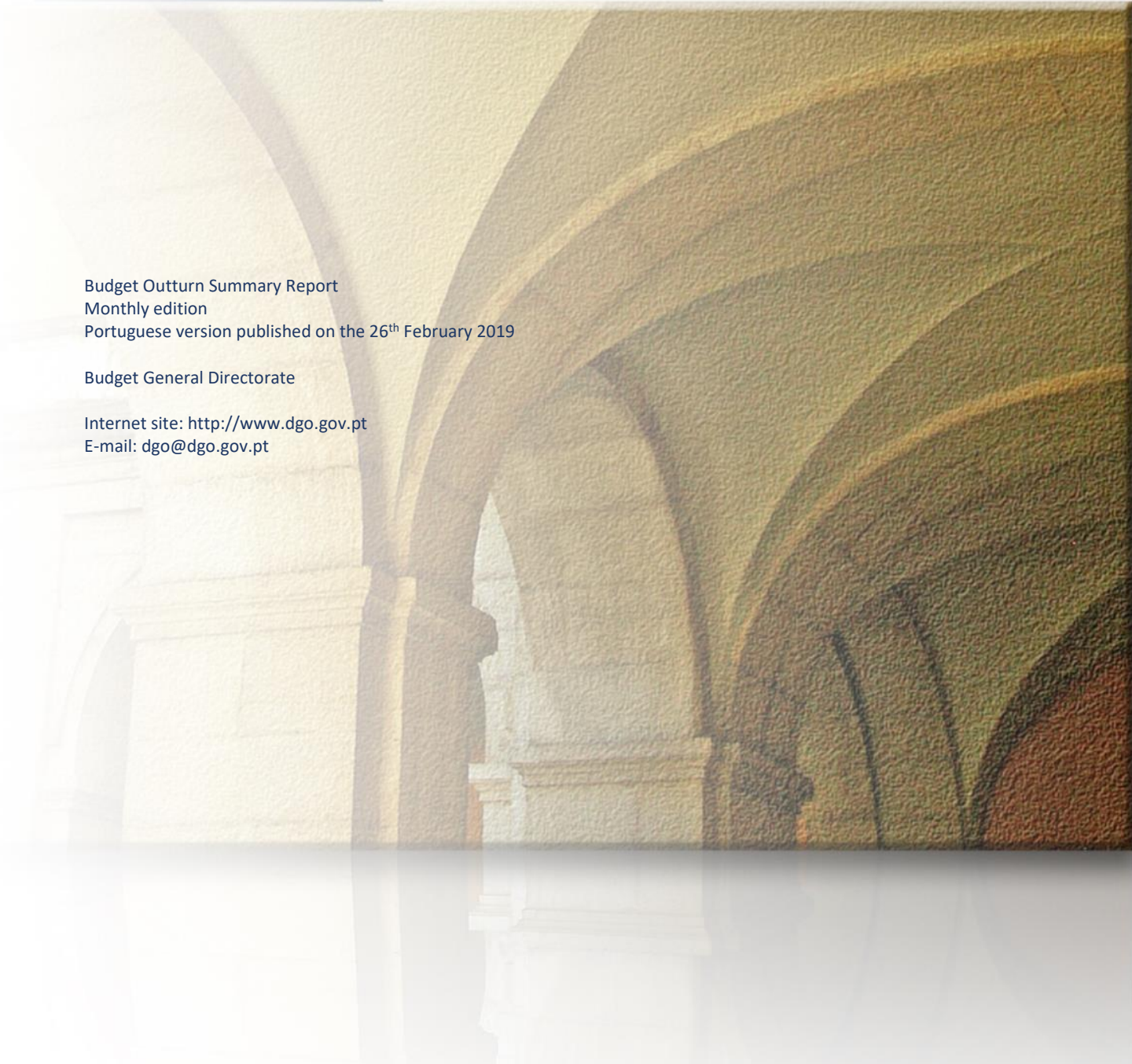
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Budget General Directorate

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- According to the January 2019 implementation data available, the **General Government balance** on a cash basis approach (that is, revenues minus payments) amounted to +1,542.1 million euros, which has underlying an improvement of 751 million euros, compared to the amount recorded in 2018 (+791.1 million euros). The primary surplus was 1,748.3 million euros, 516.7 million euros higher than in 2018.

Table 1 – General Government consolidated accounts

Period: January	€ Millions				
	Implementation		YOY Change		Contribution (p.p.)
	2018	2019	Absolute	Relative (%)	
Current revenue	6 156,9	6 776,0	619,1	10,1	9,9
Tax	3 267,6	3 872,9	605,3	18,5	9,7
Social security contributions	1 798,2	1 886,1	87,9	4,9	1,4
Other current revenue	1 074,4	942,4	-132,0	-12,3	-2,1
Consolidation differences	16,8	74,6	57,9	-	0,9
Capital revenue	98,8	128,8	30,0	30,3	0,5
Consolidation differences	10,6	3,8	-6,8	-	-0,1
Effective revenue	6 255,8	6 904,9	649,1	10,4	
Current expenditure	5 262,3	5 160,8	-101,5	-1,9	-1,9
Compensation of employees	1 388,7	1 461,0	72,3	5,2	1,3
Purchase of goods and services	556,0	648,9	92,9	16,7	1,7
Interests and other charges	440,5	206,2	-234,3	-53,2	-4,3
Current transfers	2 719,9	2 675,7	-44,2	-1,6	-0,8
Subsidies	83,4	108,3	24,9	29,8	0,5
Other current expenditures	37,3	60,7	23,4	62,8	0,4
Consolidation differences	36,5	0,0	-36,5	-	-0,7
Capital expenditure	202,4	202,0	-0,4	-0,2	0,0
Investments	118,9	113,3	-5,6	-4,7	-0,1
Capital transfers	82,3	84,5	2,2	2,7	0,0
Other capital expenditures	1,1	1,1	0,0	-0,7	0,0
Consolidation differences	0,0	3,0	3,0	-	0,1
Effective expenditure	5 464,7	5 362,8	-101,9	-1,9	
Overall balance	791,1	1 542,1	751,0		
Primary expenditure	5 024,2	5 156,6	132,4	2,6	
Current balance	894,6	1 615,2	720,6		
Capital balance	-103,5	-73,1	30,4		
Primary balance	1 231,6	1 748,3	516,7		

Note: Cash basis amounts consolidated of flows among different subsectors; differences against the values published in 2018 are due to data updates.

Source: Budget General Directorate and Social Security Financial Management Institute

The evolution of the General Government balance was driven by the increase in revenue (+10.4%) along with a decrease in expenditure (-1.9%). Regarding revenue, tax revenue increased by 18.5% (contribution of 9.7 p.p. to the revenue YOY change rate) compared to 2018, boosted by the increase in the Value-



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Added Tax, the Tax on oil and energy products and the Tax on tobacco¹. The decrease in expenditure is mainly due to the evolution of interest and other charges (-53,2%), justified by the 2018 extraordinary payment by *Metropolitano de Lisboa, S.A.*² to the bank institution *Banco Santander Totta, S.A.* under the agreement established between public transport corporations, the Portuguese Republic and this credit institution regarding swap contracts.

As regards the revenue behavior, the observed increase (649.1 million euros compared to 2018) mainly reflects the positive evolution of tax revenue (605.3 million euros) and the contributory revenue, with reflex in the evolution of social security contributions (+4.9%, that is +87.9 million euros).

The expenditure decrease (by 101.9 million euros compared to 2018) was mainly due to the evolution of: i) Interest and other charges, with a contribution of -4.3 p.p., influenced by the regularization, in 2018, of payments related to the settlement of swap coupons by *Metropolitano de Lisboa, E.P.E.*, as above mentioned; and ii) Current transfers (contribution of -0.8 p.p.), mainly influenced by the change in the accounting of withholdings and discounts on pensions payed by *Caixa Geral de Aposentações, IP*^{3 4}. On the opposite direction, it highlights the increase in expenditure on the acquisition of current goods and services (+16.7%, with a contribution of 1.7 p.p. to the expenditure YOY growth), influenced by the evolution of the National Health Service's expenditure and the growth of compensation of employees (+5.2%, with a contribution of 1.3 p.p.), which incorporates the impact of the policy measures of salary promotion in public sector, in particular the unfreezing of promotions and progressions of careers.

- The improvement of the **General Government's balance** (+751 million euros) **by sub-sectors** was due to positive contribution from all the sub-sectors: the State sub-sector (+362.6 million euros), the Autonomous Services and Funds sub-sector (+309.4 million euros), the Regional and Local Government (+58.7 million euros) and the Social Security (+20.3 million of euros).

¹ This behavior of the Tax on oil and energy products and the Tax on tobacco was a consequence of the extension to January 2, 2019 of the term of payment of taxes, due to the day-off granted on December 31, 2018 by the Government, which had an impact on the execution of December 2018 and January 2019.

² *Metropolitano de Lisboa, S.A.* is the Portuguese public corporation responsible for the management of Lisbon City's light rail network.

³ *Caixa Geral de Aposentações* (CGA) is the public body that administrates the Portuguese civil servants pension scheme. However, from 2006 onwards, the new civil servants became part of the general social security scheme, so that the pension system managed by CGA has been closed since that year.

⁴ As a consequence of the adoption of the new accounting system in the Public Administration. This establishes different procedures for the accounting of deductions at source on pensions in relation to the procedure in force until 2018. In fact, the CGA may deliver retentions on pensions in the following month and, only at that moment, the corresponding accounting as budgetary expenditure occurs.

Table 2 – General Government budgetary implementation by sub-sectors – revenue, expenditure and balance

Period: January		€ Millions							
	Overall balance		Revenue		Expenditure		YOY Change Rate (%)		
	2018	2019	2019	2019	2019	2019	Revenue	Expenditure	
Central Government and Social Security	541,2	1 233,5	5 838,1	6 458,8	5 296,9	5 225,3	10,6	-1,4	
Central Government (CG)	37,8	709,8	4 252,2	4 801,4	4 214,4	4 091,6	12,9	-2,9	
State subsector	-220,4	142,3	3 306,0	3 896,1	3 526,4	3 753,9	17,9	6,5	
Autonomous Services and Funds	258,2	567,6	2 289,6	2 361,2	2 031,4	1 793,6	3,1	-11,7	
<i>of which: CG reclassified State Owned Enterprises</i>	-127,4	91,7	558,2	619,1	685,7	527,4	10,9	-23,1	
Social Security	503,4	523,7	2 447,3	2 590,3	1 943,9	2 066,6	5,8	6,3	
Regional Government	89,7	99,7	253,4	240,5	163,8	140,9	-5,1	-14,0	
Local Government	160,2	208,9	535,4	625,9	375,2	417,0	16,9	11,2	
General Government	791,1	1 542,1	6 255,8	6 904,9	5 464,7	5 362,8	10,4	-1,9	

Note: Cash basis amounts not consolidated of flows among different sub-sectors; differences against the values published in 2018 are due to data updates.

Source: Budget General Directorate

- **Central Government and Social Security surplus** (cash basis) in 2019 amounted to -1,233.5 million euros (+541.2 million in 2018), while the primary balance was +1,430.1 million euros (+970.6 million in 2018). Revenue's rate of growth was 10.6%, while expenditure decreased 1.4%. On its turn, primary expenditure increased 3.3%.

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Table 3 - Central Government and Social Security consolidated account

Period: January					€ Millions
Revenue/expenditure/balance	2018	2019	YOY change		YOY Change
	Implementation		Absolute	Relative (%)	Rate Contrib. (p.p.)
Current revenue	5 767,8	6 408,2	640,4	11,1	11,0
Tax	3 002,1	3 602,8	600,8	20,0	10,3
Direct taxes	1 258,5	1 402,2	143,7	11,4	2,5
Indirect taxes	1 743,6	2 200,7	457,0	26,2	7,8
Social security contributions	1 797,8	1 886,1	88,3	4,9	1,5
Current transfers	268,6	217,0	-51,6	-19,2	-0,9
Other current revenue	696,1	586,7	-109,4	-15,7	-1,9
Consolidation differences	3,3	115,6			
Capital revenue	70,3	50,6	-19,7	-28,0	-0,3
Sale of investment good	9,3	5,3	-4,1	-43,5	-0,1
Capital transfers	50,5	43,4	-7,1	-14,1	-0,1
Other capital revenue	3,0	1,9	-1,1	-35,8	0,0
Consolidation differences	7,5	0,0			
Effective revenue	5 838,1	6 458,8	620,7	10,6	
Memo Item:					
<i>Tax and contributions revenue</i>	4 799,9	5 489,0	689,0	14,4	11,8
<i>Non tax revenue</i>	1 038,2	969,9	-68,4	-6,6	-1,2
Current expenditure	5 149,9	5 047,7	-102,2	-2,0	-1,9
Employees	1 129,2	1 195,4	66,2	5,9	1,2
Purchase of goods and services	414,1	500,9	86,8	21,0	1,6
Interests and other charges	429,4	196,5	-232,9	-54,2	-4,4
Current transfers	3 046,6	2 988,5	-58,1	-1,9	-1,1
Subsidies	83,1	106,8	23,6	28,4	0,4
Other current expenditure	29,7	53,1	23,4	78,6	0,4
Consolidation differences	17,7	6,6			
Capital expenditure	147,1	177,6	30,6	20,8	0,6
Investments	39,6	40,0	0,4	1,1	0,0
Capital transfers	107,3	133,4	26,1	24,4	0,5
Other capital expenditure	0,3	0,2	0,0	-1,9	0,0
Consolidation differences	0,0	4,0			
Effective Expenditure	5 296,9	5 225,3	-71,6	-1,4	
Memo Item:					
<i>Current and capital transfers</i>	3 153,9	3 121,9	-32,0	-1,0	-0,6
<i>Other current and capital expenditure</i>	30,0	53,3	23,3	77,9	0,4
Overall balance	541,2	1 233,5	692,3		
Primary expenditure	4 867,5	5 028,8	161,3	3,3	3,0
Current balance	618,0	1 360,6	742,6		
Capital balance	-76,8	-127,0	-50,3		
Primary balance	970,6	1 430,1	459,4		

Source: Budget General Directorate and Social Security Financial Management Institute

- **Regional and Local Government** recorded a balance (cash basis) of 308.5 million euros, that is +58.7 million euros in comparison with the previous year. Local Government showed a balance of 208.9 million euros and Regional Government of 99.7 million euros, +48.7 million euros and +10 million euros than until January 2017, respectively.

- The **stock of public entities' arrears** at the end of January 2019 amounted to 741 million euros, representing a reduction of 446 million euros regarding January 2018 and an increase of 34 million euros over December 2018.

Table 4 – Arrears (overdue for more than 90 days) - Stock in the end of the period (consolidated)

Period: January														€ Millions		
Subsector	2018												2019	monthly variation	YOY variation	
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan*			
General Government	1 187	1 265	964	916	969	1 028	1 033	1 037	1 127	1 112	1 162	707	741	34	-446	
Central Government excl. Health Subsector	18	19	21	23	24	24	27	27	30	28	28	18	17	-1	-1	
Health Subsector	4	5	10	9	9	3	5	2	3	3	4	2	1	-1	-3	
National Health Service - SOE Hospitals	951	1 024	705	655	705	773	773	773	859	851	903	484	530	47	-421	
Reclassified Public Enterprises	12	12	12	12	12	12	12	13	13	12	12	12	17	5	5	
Local Government	105	107	111	114	113	110	110	112	111	106	103	91	78	-14	-28	
Regional Government	96	98	104	104	106	105	107	109	111	112	112	100	98	-2	2	
Other Entities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Non-reclassified Public Enterprises	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total	1 188	1 266	964	916	969	1 029	1 034	1 037	1 128	1 112	1 163	708	741	34	-446	

(*) January 2019 - Provisional data. In the case of non-reclassified public enterprises, and since that this information is not available, the stock is the same of the previous month

Source: Compiled by Budget General Directorate (DGO) based on data collected by Local Government Directorate (DGAL), DGO, Azores Autonomous Region Budget and Treasury Regional Directorate and Madeira Autonomous Region Budget and Treasury Regional Directorate.

The year-on-year reduction, as well as the monthly increase, was attributable to the National Health Service's institutions belonging to the State-Owned Enterprises (SOE) sector (-421 million euros and +47 million euros, respectively).

- Until January 2019, the **operations with different impact on the National Accounts** were as follows.

Table 5 – Explanatory factors contributing to the year-on-year change with a differentiated effect on National Accounts

Period: January					€ Millions
	Impact on cash basis approach		Impact on National Accounts (European Standard Accounts)		Difference of approaches
	2 018	2 019	2 018	2 019	(impact on the year-on-year change rate)
	(1)	(2)	(3)	(4)	[(4)-(3)] - [(2)-(1)]
Overall balance	-316	-145	-140	-145	-176
Revenue	106	0	0	0	106
Refund payments on European Union budget own resources	103	0	0	0	103 (a)
F-16 aircraft sales to the Republic of Romania	3	0	0	0	3 (b)
Expenditure	421	145	140	145	281
Contribution of Portugal to the European Union budget	152	145	140	145	12 (c)
Payment of interest charges due to swap contracts (following legal proceedings)	269	0	0	0	269 (d)

Explanatory notes:

(a) The European Union's refunds are made in the year following the budgets that gave rise to them, so that, in National Accounts, they were accounted for in those years. The amounts received in 2018 relate to 2017.

(b) In National Accounts, the operation is recorded at the moment of the delivery, deducting the corresponding amount to the gross fixed capital formation.

(c) In National Accounts, the impact of the financial contribution to the European Union on expenditure is based on the year of the budget to which the contribution relates.



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(d) It is at stake the settlement of outstanding payments until the conclusion of the agreement due to legal proceedings relating to swap contracts. In National Accounts, this expenditure - referring to *Metro do Porto*, *Metropolitano de Lisboa* and the Autonomous Region of Madeira - is considered a financial transaction, thus not having an impact on the overall balance.