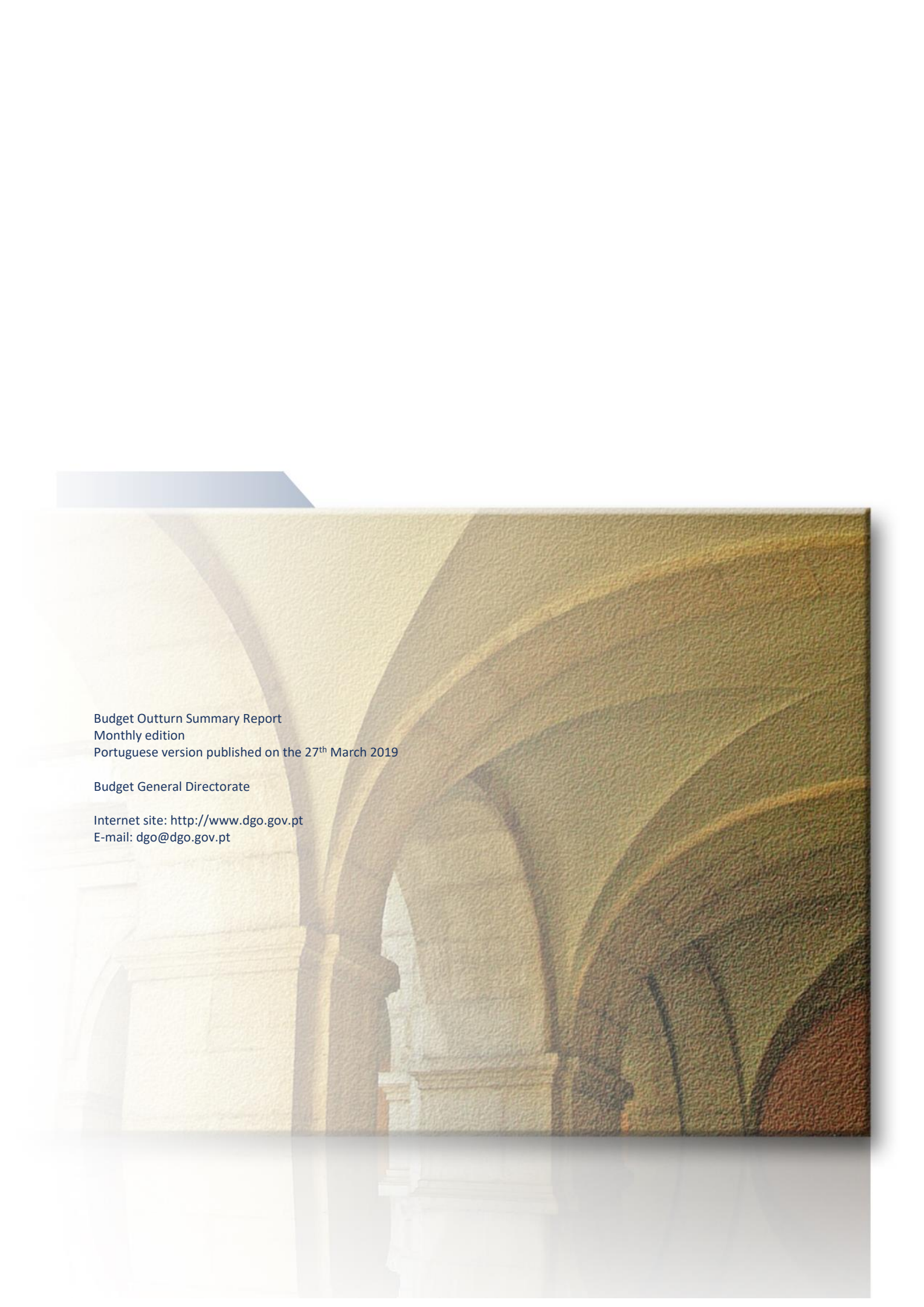


Budget Outturn Summary Report

February 2019

DGOçamentos
PORTUGAL
MINISTRY OF FINANCE
BUDGET GENERAL DIRECTORATE



Budget Outturn Summary Report
Monthly edition
Portuguese version published on the 27th March 2019

Budget General Directorate

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- According to the February 2019 implementation data available, the **General Government balance** on a cash basis approach (that is, revenues minus payments) amounted to +1,301.1 million euros, which has underlying an improvement of 1,032.2 million euros, compared to the amount recorded in 2018 (+268.9 million euros). The primary surplus was 2,817.5 million euros, 808.6 million euros higher than in 2018.

Table 1 – General Government consolidated accounts

Period: January to February							€ Millions
	Cumulative implementation		YOY Change				Contribution (p.p.)
			Absolute		Relative (%)		
	2018	2019	January	February	January	February	
Current revenue	12 680,1	14 013,9	619,1	1 333,8	10,1	10,5	10,4
Tax	7 424,8	8 406,3	605,3	981,4	18,5	13,2	7,6
Social security contributions	3 335,3	3 551,3	87,9	216,0	4,9	6,5	1,7
Other current revenue	1 896,2	1 947,2	-132,0	51,0	-12,3	2,7	0,4
Consolidation differences	23,8	109,1	57,9	85,3	-	-	0,7
Capital revenue	190,0	234,2	30,0	44,2	30,3	23,2	0,3
Consolidation differences	9,6	12,5	-6,8	2,9	-	-	0,0
Effective revenue	12 870,2	14 248,1	649,1	1 377,9	10,4	10,7	
Current expenditure	11 816,5	12 142,6	-101,5	326,1	-1,9	2,8	2,6
Compensation of employees	2 864,0	3 001,4	72,3	137,4	5,2	4,8	1,1
Purchase of goods and services	1 324,1	1 573,2	92,9	249,2	16,7	18,8	2,0
Interests and other charges	1 740,0	1 516,4	-234,3	-223,6	-53,2	-12,9	-1,8
Current transfers	5 544,7	5 733,9	-44,2	189,1	-1,6	3,4	1,5
Subsidies	156,2	168,4	24,9	12,2	29,8	7,8	0,1
Other current expenditures	163,8	143,4	23,4	-20,3	62,8	-12,4	-0,2
Consolidation differences	23,7	5,9	-36,5	-17,8	-	-	-0,1
Capital expenditure	784,9	804,4	-0,4	19,6	-0,2	2,5	0,2
Investments	629,1	626,5	-5,6	-2,6	-4,7	-0,4	0,0
Capital transfers	152,0	168,3	2,2	16,3	2,7	10,7	0,1
Other capital expenditures	3,4	6,1	0,0	2,7	-0,7	79,9	0,0
Consolidation differences	0,3	3,5	3,0	3,2	-	-	0,0
Effective expenditure	12 601,3	12 947,0	-101,9	345,7	-1,9	2,7	
Overall balance	268,9	1 301,1	751,0	1 032,2			
Primary expenditure	10 861,3	11 430,6	132,4	569,3	2,6	5,2	
Current balance	863,7	1 871,3	720,6	1 007,6			
Capital balance	-594,8	-570,2	30,4	24,6			
Primary balance	2 008,9	2 817,5	516,7	808,6			

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 (+10.7%), which was higher than that of expenditure (2.7%). Regarding revenue, tax revenue increased by 13.2% (contribution of 7.6 p.p. to the revenue YOY change rate) compared to 2018, boosted by the increase in the Value-Added Tax, the Tax on oil and energy products and the Personal Income Tax. Regarding expenditure, growth was particularly high in the acquisition of goods and services' item (18.8%), as a result of a large amount of payments of previous years debts of the National Health Service.



1. Summary

As regards the revenue behavior, the observed increase (1,377.9 million euros compared to 2018) mainly reflects the positive evolution of tax revenue (981.4 million euros)¹ and the contributory revenue, with reflex in the evolution of social security contributions (+6.5%, that is +216 million euros).

The expenditure increase (by 345.7 million euros compared to 2018) was mainly due to the evolution of:

- i) Expenditure on the acquisition of current goods and services (+18.8%, with a contribution of 2 p.p. to the expenditure YOY growth), influenced by the evolution of the National Health Service's expenditure;
- ii) Current transfers (+3.4%, contribution of +1.5 p.p.), mainly influenced by the financial contribution to the European Union budget (150.5 million euros) and the increase in pension expenditure under the general social security scheme (109.1 million euros), which was partially offset by the change in the accounting of withholdings and discounts on pensions payed by *Caixa Geral de Aposentações, IP*^{2 3}; and iii) Compensation of employees (+4.8%, with a contribution of 1.1 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. On the opposite direction, it highlights the decrease in interest and other charges (-12,9%, a contribution of -1.8 p.p.), influenced by the regularization, in 2018, of payments related to the settlement of swap coupons by *Metropolitano de Lisboa, E.P.E.*⁴ and *Metro do Porto, S.A.*⁵.

- The improvement of the **General Government's balance** (+1,032.2 million euros) **by sub-sectors** was due to positive contribution from all the sub-sectors: the State sub-sector (+417.9 million euros), the Autonomous Services and Funds sub-sector (+317.8 million euros), Social Security (+234.5 million of euros) and the Regional and Local Government (+62 million 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 *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.

³ 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.

⁴ *Metropolitano de Lisboa, S.A.* is the Portuguese public corporation responsible for the management of Lisbon City's light rail network.

⁵ *Metro do Porto, S.A.* is the company for the management of Oporto's light rail network.

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

	€ Millions							
	Overall balance		Revenue		Expenditure		YOY Change Rate (%)	
	2018	2019	2019	2019	2019	2019	Revenue	Expenditure
Central Government and Social Security	89,8	1 060,0	12 084,9	13 363,8	11 995,1	12 303,8	10,6	2,6
Central Government (CG)	-689,4	46,2	9 173,1	10 138,4	9 862,5	10 092,1	10,5	2,3
State subsector	-719,6	-301,8	7 371,0	8 286,4	8 090,6	8 588,2	12,4	6,1
Autonomous Services and Funds	30,2	348,0	4 545,8	4 706,5	4 515,6	4 358,5	3,5	-3,5
<i>of which: CG reclassified State Owned Enterprises</i>	-426,6	-304,5	1 264,5	1 275,5	1 691,0	1 580,0	0,9	-6,6
Social Security	779,2	1 013,8	4 608,0	5 017,9	3 828,7	4 004,2	8,9	4,6
Regional Government	62,2	42,2	405,7	392,5	343,5	350,3	-3,3	2,0
Local Government	116,8	198,9	981,6	1 127,7	864,8	928,8	14,9	7,4
General Government	268,9	1 301,1	12 870,2	14 248,1	12 601,3	12 947,0	10,7	2,7

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 +1,060 million euros (+89.8 million in 2018), while the primary balance was +2,550.1 million euros (+1,812 million in 2018). Revenue's rate of growth was 10.6%, while expenditure's was 2.6%. On its turn, primary expenditure increased 5.3%.

1. Summary

Table 3 - Central Government and Social Security consolidated account

Period: January to February							€ Millions
Revenue/expenditure/balance	2018	2019	YOY cumulative change				YOY Change Rate Contrib. (p.p.)
	Cumulative implementation		Absolute		Relative (%)		
			January	February	January	February	
Current revenue	11 964,8	13 241,9	640,4	1 277,1	11,1	10,7	10,6
Tax	6 924,4	7 872,1	600,8	947,7	20,0	13,7	7,8
Direct taxes	2 365,4	2 565,4	143,7	200,0	11,4	8,5	1,7
Indirect taxes	4 559,0	5 306,7	457,0	747,6	26,2	16,4	6,2
Social security contributions	3 334,9	3 551,3	88,3	216,4	4,9	6,5	1,8
Current transfers	341,9	392,8	-51,6	51,0	-19,2	14,9	0,4
Other current revenue	1 353,3	1 291,5	-109,4	-61,8	-15,7	-4,6	-0,5
Consolidation differences	10,2	134,2					
Capital revenue	120,2	121,9	-19,7	1,7	-28,0	1,4	0,0
Sale of investment good	14,9	14,6	-4,1	-0,4	-43,5	-2,3	0,0
Capital transfers	91,9	94,5	-7,1	2,6	-14,1	2,8	0,0
Other capital revenue	6,3	3,5	-1,1	-2,8	-35,8	-44,2	0,0
Consolidation differences	7,1	9,3					
Effective revenue	12 084,9	13 363,8	620,7	1 278,9	10,6	10,6	
Memo Item:							
<i>Tax and contributions revenue</i>	10 259,3	11 423,4	689,0	1 164,0	14,4	11,3	9,6
<i>Non tax revenue</i>	1 825,6	1 940,4	-68,4	114,8	-6,6	6,3	1,0
Current expenditure	11 349,1	11 631,5	-102,2	282,4	-2,0	2,5	2,4
Employees	2 332,3	2 431,2	66,2	98,9	5,9	4,2	0,8
Purchase of goods and services	969,6	1 193,9	86,8	224,3	21,0	23,1	1,9
Interests and other charges	1 722,2	1 490,1	-232,9	-232,1	-54,2	-13,5	-1,9
Current transfers	6 042,8	6 203,5	-58,1	160,6	-1,9	2,7	1,3
Subsidies	154,7	164,2	23,6	9,6	28,4	6,2	0,1
Other current expenditure	111,5	124,4	23,4	12,9	78,6	11,5	0,1
Consolidation differences	15,9	24,2					
Capital expenditure	646,0	672,3	30,6	26,3	20,8	4,1	0,2
Investments	474,3	453,0	0,4	-21,3	1,1	-4,5	-0,2
Capital transfers	170,3	214,9	26,1	44,6	24,4	26,2	0,4
Other capital expenditure	0,6	0,9	0,0	0,3	-1,9	58,3	0,0
Consolidation differences	0,9	3,5					
Effective Expenditure	11 995,1	12 303,8	-71,6	308,7	-1,4	2,6	
Memo Item:							
<i>Current and capital transfers</i>	6 213,1	6 418,4	-32,0	205,3	-1,0	3,3	1,7
<i>Other current and capital expenditure</i>	112,1	125,3	23,3	13,2	77,9	11,8	0,1
Overall balance	89,8	1 060,0	692,3	970,2			
Primary expenditure	10 272,9	10 813,7	161,3	540,8	3,3	5,3	4,5
Current balance	615,7	1 610,4	742,6	994,7			
Capital balance	-525,9	-550,4	-50,3	-24,5			
Primary balance	1 812,0	2 550,1	459,4	738,1			

Source: Budget General Directorate and Social Security Financial Management Institute

- **Regional and Local Government** recorded a balance (cash basis) of 241.1 million euros, that is +62 million euros in comparison with the previous year. Local Government showed a balance of 198.9 million euros and Regional Government of 42.2 million euros, +82.1 million euros and -20 million euros than until February 2017, respectively.
- The **stock of public entities' arrears** at the end of February 2019 amounted to 738 million euros, representing a reduction of 528 million euros regarding February 2018 and of 4 million euros over January 2019.

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

Period: January to February													€ Millions			
Subsector	2018												2019		monthly variation	YOY variation
	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	fev*			
General Government	1 265	964	916	969	1 029	1 034	1 037	1 128	1 112	1 163	707	741	738	-3	-527	
Central Government excl. Health Subsector	19	21	23	24	24	27	27	30	28	28	18	17	19	3	0	
Health Subsector	5	10	9	9	3	5	2	3	3	4	2	1	2	0	-3	
National Health Service - SOE Hospitals	1 024	705	655	705	773	773	773	859	851	903	484	530	520	-10	-504	
Reclassified Public Enterprises	12	12	12	12	12	12	13	13	12	12	12	17	17	0	5	
Local Government	107	111	114	113	111	110	112	111	106	103	92	78	76	-2	-31	
Regional Government	98	104	104	106	105	107	109	111	112	112	100	98	104	6	7	
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	1 266	965	917	970	1 029	1 034	1 037	1 128	1 113	1 163	708	741	738	-4	-528	

(*) February 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 decrease, was attributable to the National Health Service's institutions belonging to the State-Owned Enterprises (SOE) sector (-504 million euros and -10 million euros, respectively).

- Until February 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 to February					€ Millions
	Impact on cash basis approach		Impact on National Accounts (European Standard Accounts)		Difference of approaches (impact on the year-on-year change rate) [(4)-(3)] - [(2)-(1)]
	2 018 (1)	2 019 (2)	2 018 (3)	2 019 (4)	
Overall balance	-620	-538	-376	-538	-244
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	725	538	376	538	350
Contribution of Portugal to the European Union budget	388	538	376	538	12 (c)
Payment of interest charges due to swap contracts (following legal proceedings)	306	0	0	0	306 (d)
Devolution of the civil protection fee by the City Hall of Lisbon	32	0	0	0	32 (e)

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.

(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.

(e) In National Accounts, the devolution of the civil protection fee was registered in 2017.