


Budget Outturn Summary Report

June 2019

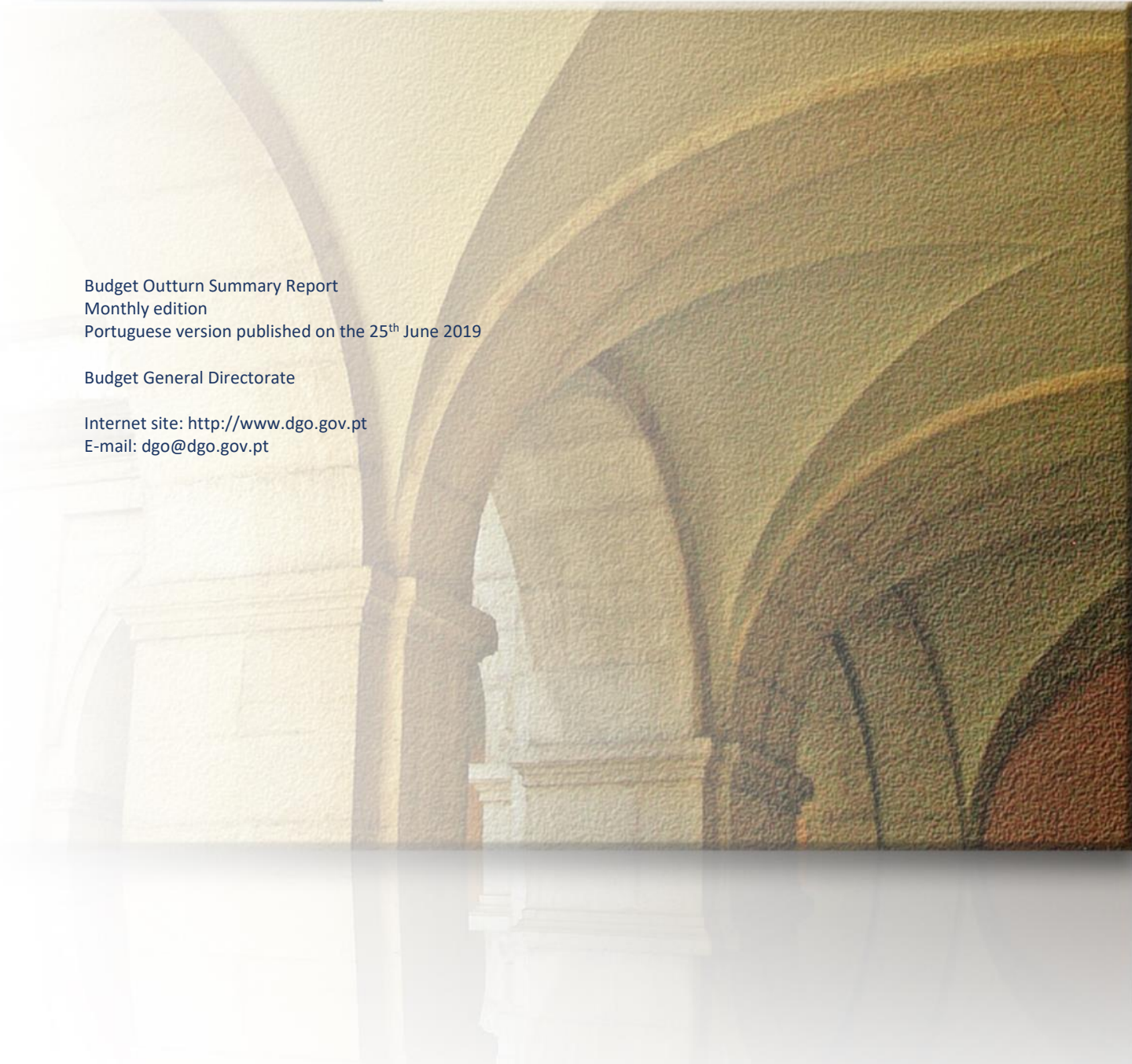
DGOçamentos
PORTUGAL
MINISTRY OF FINANCE
BUDGET GENERAL DIRECTORATE



Budget Outturn Summary Report
Monthly edition
Portuguese version published on the 25th June 2019

Budget General Directorate

Internet site: <http://www.dgo.gov.pt>
E-mail: dgo@dgo.gov.pt



- According to the June 2019 implementation data available, the **General Government balance** on a cash basis approach (that is, revenues minus payments) amounted to -536.3 million euros, which has underlying an improvement of 2,116.6 million euros, compared to the amount recorded in 2018 (-2,652.8 million euros). The primary surplus was +4,284.2 million euros, 1,715.3 million euros higher than in 2018. The evolution of the General Government balance was driven by the increase in revenue (+7.2%), which was higher than that of expenditure (1.5%).

Table 1 – General Government consolidated accounts

Period: January to June		€ Millions					
	Implementation		YOY Change				Contribution (p.p.)
	2018	2019	Absolute		Relative (%)		
			May	June	May	June	
Current revenue	37 220,2	39 668,5	1 635,5	2 448,3	5,6	6,6	6,4
Tax	21 256,4	22 748,1	862,9	1 491,8	5,3	7,0	3,9
Social security contributions	9 755,1	10 390,4	549,9	635,2	6,8	6,5	1,7
Other current revenue	6 183,3	6 416,0	167,2	232,7	3,3	3,8	0,6
Consolidation differences	25,4	114,0	55,6	88,6	-	-	0,2
Capital revenue	860,4	1 151,7	323,9	291,3	50,6	33,9	0,8
Consolidation differences	7,1	57,9	45,1	50,8	-	-	0,1
Effective revenue	38 080,6	40 820,2	1 959,4	2 739,6	6,5	7,2	
Current expenditure	38 291,1	38 837,9	323,6	546,8	1,1	1,4	1,3
Compensation of employees	9 932,9	10 361,4	320,6	428,6	4,3	4,3	1,1
Purchase of goods and services	5 689,6	5 707,6	-239,1	18,0	-5,0	0,3	0,0
Interests and other charges	5 221,7	4 820,4	-88,2	-401,3	-2,4	-7,7	-1,0
Current transfers	16 430,1	16 954,8	387,9	524,7	2,8	3,2	1,3
Subsidies	438,1	472,9	27,6	34,8	7,5	7,9	0,1
Other current expenditures	523,3	514,5	-58,3	-8,9	-14,5	-1,7	0,0
Consolidation differences	55,4	6,2	-26,9	-49,2	-	-	-0,1
Capital expenditure	2 442,3	2 518,5	63,1	76,2	3,4	3,1	0,2
Investments	1 880,2	1 919,3	31,7	39,1	2,1	2,1	0,1
Capital transfers	528,7	562,3	34,1	33,6	10,0	6,4	0,1
Other capital expenditures	12,3	25,1	4,2	12,7	47,5	103,3	0,0
Consolidation differences	21,1	11,9	-6,9	-9,2	-	-	0,0
Effective expenditure	40 733,4	41 356,5	386,7	623,0	1,2	1,5	
Overall balance	-2 652,8	-536,3	1 572,7	2 116,6			
Primary expenditure	35 511,7	36 536,0	475,0	1 024,3	1,7	2,9	
Current balance	-1 070,9	830,5	1 311,9	1 901,5			
Capital balance	-1 581,9	-1 366,8	260,7	215,1			
Primary balance	2 568,9	4 284,2	1 484,4	1 715,3			

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

Regarding revenue growth (+7.2%) was justified by the tax revenue increase (+7%, contribution of 3.9 p.p. to the revenue YOY change rate), boosted mainly by the increase in the Value-Added Tax, the Tax on oil and energy products and the Personal Income Tax, and the contributory revenue (+6.5%, contribution of 1.7 p.p.). The rise in other current revenue (+3.8%, contribution of 0.6 p.p.) was influenced by the higher

1. Summary

amount of *Banco de Portugal*¹ dividends in 2019 and *Caixa Geral de Depósitos*² dividends received in June.

The expenditure increase (+1.5%) was mainly due to the evolution of: i) Current transfers (+3.2%, contribution of 1.3 p.p. to the YOY expenditure change rate), mainly influenced by the increase in pension expenditure under the general social security scheme (+5.5%) and in the financial contribution to the European Union budget (+18.3%); and ii) Compensation of employees (+4.3%, contribution of 1.1 p.p.), which incorporates the impact of the policy measures of salary promotion in public sector, in particular the un-freezing of promotions and progressions of careers. On the opposite direction, it highlights the decrease in interest and other charges (-7.7%, a contribution of -1 p.p.), influenced by the regularization, in 2018, of payments related to the settlement of swap coupons by *Metropolitano de Lisboa, E.P.E.*³ and *Metro do Porto, S.A.*⁴ and interest paid on Treasury Bills, which essentially reflects the maturity of a series in June 2018, as well as the decrease in the outstanding balance of the series with redemption dates in June 2019 and June 2020, as a result of repurchases operations.

- The improvement of the **General Government's balance** (+2,116.6 million euros) **by sub-sectors** was due to the positive contribution from the Autonomous Services and Funds sub-sector (+1,411.5 million euros), Local Government (+297.2 million euros), Social Security (+295.6 million of euros) and the State sub-sector (+144.4 million euros). On the opposite direction, it is noteworthy the deterioration of the Regional Government balance (-32 million euros).

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

Period: January to June	€ Millions							
	Overall balance		Revenue		Expenditure		YOY Change Rate (%)	
	2018	2019	2019	2019	2019	2019	Revenue	Expenditure
Central Government and Social Security	-2 921,2	-1 069,7	34 963,3	37 410,1	37 884,5	38 479,9	7,0	1,6
Central Government (CG)	-4 767,1	-3 211,2	26 718,7	28 496,2	31 485,8	31 707,4	6,7	0,7
State subsector	-4 619,8	-4 475,3	20 696,9	22 443,0	25 316,7	26 918,3	8,4	6,3
Autonomous Services and Funds	-147,4	1 264,1	14 405,9	15 615,6	14 553,2	14 351,5	8,4	-1,4
of which: CG reclassified State Owned Enterprises	-1 115,5	216,5	4 443,1	5 468,5	5 558,6	5 252,0	23,1	-5,5
Social Security	1 845,9	2 141,5	13 224,6	14 172,9	11 378,7	12 031,5	7,2	5,7
Regional Government	-119,2	-151,2	1 114,0	1 101,9	1 233,2	1 253,1	-1,1	1,6
Local Government	387,5	684,7	3 700,3	4 187,1	3 312,7	3 502,5	13,2	5,7
General Government	-2 652,8	-536,3	38 080,6	40 820,2	40 733,4	41 356,5	7,2	1,5

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** balance (cash basis) in 2019 amounted to -1,069.7 million euros (-2,921.2 million in 2018), while the primary balance was +3,581.3 million euros (+2,166.9 million in 2018).

¹ The Portuguese central bank.

² A Portuguese public credit institution.

³ *Metropolitano de Lisboa, S.A.* is the Portuguese public corporation responsible for the management of Lisbon City's light rail network.

⁴ *Metro do Porto, S.A.* is the company for the management of Oporto's light rail network.

Revenue's rate of growth was 7%, while expenditure's was 1.6%. On its turn, primary expenditure increased 3.1%.

Table 3 - Central Government and Social Security consolidated account

Period: January to June							€ Millions
Revenue/expenditure/balance	2018	2019	YOY cumulative change				YOY Change Rate Contrib. (p.p.)
	Cumulative implementation		Absolute		Relative (%)		
			May	June	May	June	
Current revenue	34 325,7	36 716,9	2 172,8	2 391,2	8,1	7,0	6,8
Tax	19 148,5	20 581,1	1 394,1	1 432,5	9,7	7,5	4,1
Direct taxes	6 884,9	7 153,2	310,7	268,3	7,9	3,9	0,8
Indirect taxes	12 263,6	13 427,8	1 083,4	1 164,2	10,3	9,5	3,3
Social security contributions	9 754,8	10 390,4	550,2	635,6	6,8	6,5	1,8
Current transfers	827,1	847,4	18,6	20,2	2,6	2,4	0,1
Other current revenue	4 553,5	4 677,0	52,4	123,5	1,4	2,7	0,4
Consolidation differences	41,7	221,1					
Capital revenue	637,7	693,3	84,0	55,6	18,4	8,7	0,2
Sale of investment good	57,7	69,9	25,0	12,2	71,9	21,2	0,0
Capital transfers	552,7	559,7	28,6	7,0	7,2	1,3	0,0
Other capital revenue	20,2	11,1	-7,4	-9,0	-46,0	-44,8	0,0
Consolidation differences	7,1	52,5					
Effective revenue	34 963,3	37 410,1	2 256,8	2 446,8	8,2	7,0	
Memo Item:							
<i>Tax and contributions revenue</i>	28 903,3	30 971,4	1 944,3	2 068,1	8,6	7,2	5,9
<i>Non tax revenue</i>	6 060,0	6 438,7	312,5	378,7	6,4	6,2	1,1
Current expenditure	36 105,9	36 611,8	308,6	505,9	1,1	1,4	1,3
Employees	8 130,2	8 416,3	233,7	286,0	3,9	3,5	0,8
Purchase of goods and services	4 278,6	4 302,8	-221,9	24,1	-6,1	0,6	0,1
Interests and other charges	5 088,1	4 651,1	-119,6	-437,1	-3,3	-8,6	-1,2
Current transfers	17 757,4	18 322,9	419,1	565,5	2,8	3,2	1,5
Subsidies	404,5	434,1	21,0	29,6	6,1	7,3	0,1
Other current expenditure	397,1	438,6	-10,1	41,5	-3,4	10,4	0,1
Consolidation differences	49,9	46,1					
Capital expenditure	1 778,7	1 868,1	85,7	89,4	6,4	5,0	0,2
Investments	1 191,2	1 175,9	-14,0	-15,3	-1,5	-1,3	0,0
Capital transfers	551,3	675,4	112,8	124,1	30,8	22,5	0,3
Other capital expenditure	2,6	4,9	0,5	2,3	25,1	90,5	0,0
Consolidation differences	33,5	11,9					
Effective Expenditure	37 884,5	38 479,9	394,3	595,4	1,3	1,6	
Memo Item:							
<i>Current and capital transfers</i>	18 308,7	18 998,3	531,9	689,6	3,5	3,8	1,8
<i>Other current and capital expenditure</i>	399,7	443,5	-9,6	43,8	-3,2	11,0	0,1
Overall balance	-2 921,2	-1 069,7	1 862,5	1 851,5			
Primary expenditure	32 796,4	33 828,8	514,0	1 032,4	1,9	3,1	2,7
Current balance	-1 780,2	105,1	1 864,2	1 885,3			
Capital balance	-1 141,0	-1 174,8	-1,7	-33,9			
Primary balance	2 166,9	3 581,3	1 742,8	1 414,4			

Source: Budget General Directorate and Social Security Financial Management Institute

- **Regional and Local Government** recorded a balance (cash basis) of 533.5 million euros, that is +265.1 million euros in comparison with the previous year. Local Government showed a balance of 684.7 million euros and Regional Government of -151.2 million euros, +297.2 million euros and -32 million euros than until June 2018, respectively.
- The **stock of public entities' arrears** at the end of June 2019 amounted to 713 million euros, representing a reduction of 316.6 million euros regarding June 2018 and of 145.2 million euros over May 2019.

1. Summary

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

Period: January to June														€ Millions	
Subsector	2018							2019						monthly variation	YOY variation
	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June*		
General Government	1 029,2	1 034,4	1 037,6	1 128,4	1 113,4	1 164,0	707,9	741,8	738,7	744,9	822,2	857,8	712,6	-145,2	-316,6
Central Government excl. Health Subsector	24,2	26,7	27,2	30,5	27,7	28,2	17,7	16,6	19,1	21,9	23,1	24,6	25,1	0,5	0,9
Health Subsector	3,1	4,6	2,4	3,1	3,0	4,1	2,0	1,4	1,7	2,7	3,4	7,6	10,5	3,0	7,5
National Health Service - SOE Hospitals	773,2	773,4	773,0	859,0	851,4	902,9	483,8	530,3	520,1	519,8	587,1	626,5	480,4	-146,2	-292,8
Reclassified Public Enterprises	12,1	12,1	12,8	12,8	12,1	12,1	12,1	16,7	16,7	18,6	18,0	18,0	18,0	0,0	5,9
Local Government	111,3	110,8	113,0	112,0	107,5	104,3	92,1	78,3	76,8	79,2	83,0	77,2	73,4	-3,8	-37,9
Regional Government	105,4	106,8	109,2	111,0	111,7	112,4	100,2	98,4	104,2	102,7	107,6	103,8	105,1	1,3	-0,2
Other Entities	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,0	0,0
Non-reclassified Public Enterprises	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,0	0,0
Total	1 029,7	1 034,8	1 038,0	1 128,8	1 113,9	1 164,4	708,4	742,2	739,2	745,4	822,7	858,2	713,0	-145,2	-316,6

(*) June 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 was attributable to the National Health Service's institutions belonging to the State-Owned Enterprises (SOE) sector and to the Local Government (-292.8 million euros and -37.9 million euros, respectively). Compared to the previous month, the decrease was mainly due to the NHS – SOE hospitals (-146.2 million euros).

- Until June 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 June					€ 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	2 019	2 018	2 019	
	(1)	(2)	(3)	(4)	[(4)-(3)] - [(2)-(1)]
Overall balance	-1 092	-1 095	-849	-1 018	-167
Revenue	126	0	0	0	126
Refund payments on European Union budget own resources	116	0	0	0	116 (a)
F-16 aircraft sales to the Republic of Romania	10	0	0	0	10 (b)
Expenditure	1 218	1 095	849	1 018	292
Contribution of Portugal to the European Union budget	861	1 018	849	1 018	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	51	0	0	0	51 (e)
Guarantee given to the Credit Recovery Fund	0	76	0	0	-76 (f)

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.

(f) The guarantee given to the Credit Recovery Fund of non-qualified commercial paper investors of *Espírito Santo Internacional (ESI)* and *RioForte* holding was recorded in national accounts in 2018 at the time of grant.