



25 March 2022
Excessive Deficit Procedure
1st Notification 2022

EXCESSIVE DEFICIT PROCEDURE (1ST NOTIFICATION 2022)

According to EU regulations, Statistics Portugal presents the first notification for 2022 associated with the Excessive Deficit Procedure (EDP) to be sent to Eurostat before the end of the month¹. According to these provisional results, the net borrowing of General Government (GG) in 2021 amounted to EUR 5 977.1 million, corresponding to 2.8% of GDP (5.8 % in 2020). Gross debt of GG attained 127.4% of GDP in 2021 (135.2% of GDP in 2020).

Table 1 of the notification, presented below, summarizes the main results for the period 2018-2022 (a detailed table can be seen in the end of this press release).

Table 1 - Reporting of government deficit/surplus and debt levels
and provision of associated data

Unit: 10⁶ EUR

Member State: Portugal Data: 25/03/2022	ESA 2010 Codes	2018	2019	2020	2021	2022
		Final	Final	Final	Half- finalized	Planned
Net borrowing (-)/net lending (+)	B.9					
General government	S.13	- 716.1	247.2	-11 684.2	-5 977.1	-4 419.0
- Central government	S.1311	-3 250.1	-3 352.2	-13 645.7	-7 837.2	-6 987.0
- Local government	S.1313	499.2	624.0	- 228.3	- 563.3	- 87.0
- Social security funds	S.1314	2 034.8	2 975.5	2 189.8	2 423.4	2 655.0
General government consolidated gross debt		249 260.5	249 977.5	270 480.9	269 231.8	274 104.0
Gross domestic product at current market prices	B.1*g	205 184.1	214 374.6	200 087.6	211 277.5	226 994.0
<i>Memorandum items:</i>						
Net lending (+)/Net borrowing (-) on GDP		-0.3%	0.1%	-5.8%	-2.8%	-1.9%
General government consolidated gross debt on GDP		121.5%	116.6%	135.2%	127.4%	120.8%

Source: Statistics Portugal, Banco de Portugal, Budget Directorate-General

¹ The list of institutional units included in the GG sector, relevant for National Accounts, is published on INE's website together with this press release.



Responsibilities in the notification

The present notification was prepared under an Institutional Agreement in the field of GG Statistics, signed on the 27th of March 2017, where Statistics Portugal, Banco de Portugal and the Budget Directorate-General (Ministry of Finance) are responsible for the reporting according to the following terms:

- For 2021 and precedent years, the compilation of the Net lending / net borrowing is prepared by Statistics Portugal and the Gross debt is compiled by the Banco de Portugal.
- For the current year (2022), estimates of the Net lending/ net borrowing, gross debt and nominal GDP are the responsibility of the Ministry of Finance based on the macroeconomic and budgetary scenario to be presented in the Stability Programme for 2022.

Under Council Regulation (EC) No. 479/2009 the notifications initiate a joint work between national statistical authorities and Eurostat which, within a three-week deadline, should examine the notifications and publish the results for all Member States.

Public to National Accounts adjustments

For the compilation of GG net lending / net borrowing in National Accounts several adjustments to Public Accounting data are necessary. Public Accounting data is on a cash-basis, meaning that expenditure is recorded in the accounting period in which it is paid. In National Accounts, expenditure is recorded on an accrual-basis, that is, in the accounting period to which it refers to, regardless of the period of its payment. Accordingly, payments referring to expenditure due on other periods are not considered. Another important adjustment is related to sector delimitation of GG. As the classification of a public entity may differ under National Accounts and Public Accounting viewpoints, not all the entities included in the GG sector are coincident with those considered in the Public Accounting balance. Finally, there are transactions that, according to the conceptual framework of the National Accounts, have a specific classification, notably in the cases where entities from the GG sector acquire shares from other entities, which are recorded as expenditure (capital transfer) and not as financial transactions.

The table below details the main amendments for 2020 and 2021 in the Public to National Accounts adjustment, presented in tables 2A, 2C and 2D of the EDP notification attached to this press release.



Table 3. Public to National Accounts adjustments

Unit: 10⁶ EUR

	2020	2021
Balance in Public Accounting	-11 815.9	-8 676.0
Accrual adjustment and sector delimitation in National Accounts	2 716.9	4 028.9
Difference between paid and due interest	1 070.8	1 013.4
Other receivables:	-734.0	301.0
<i>Temporal adjustment to taxes and social contributions</i>	-561.1	801.0
<i>Others</i>	-172.9	-500.1
Other payables:	20.3	-272.0
<i>Expenditure already incurred but not yet paid</i>	-1.6	49.2
<i>Others</i>	21.9	-321.2
Other adjustments:	-2 942.1	-2 372.3
<i>Capital injections and debt assumptions</i>	-2 134.9	-3 685.0
<i>Others</i>	-807.2	1 312.7
Balance in National Accounts	-11 684.2	-5 977.1

Source: Statistics Portugal

The net borrowing of GG in 2021 amounted to EUR 5 977.1 million, corresponding to 2.8% of GDP (5.8% of GDP in 2020).

As it can be seen from the table above, the balance in public accounts showed a significant improvement in 2021, as a result of a revenue growth (10.0%) higher than the growth of expenditure (3%).

The increase in revenue was mainly due to an increase in the revenue of taxes and social contributions reflecting a partial recovery of the economic activity and the labour market after the pandemic situation of 2020.

The increase in expenditure is mainly explained by: *i)* increase in pensions falling under the general Social Security system; *ii)* increase in goods and services expenditure on the health sector goods and acquisition of computers under the Digital School Universalization Project; *iii)* increase on compensation of employees related to the impact of the new admissions and payment of the additional work carried out in the context of the fight against COVID-19 by the National Health Service and the implementation of the measures to support the consolidation of learning in the area of Education.

In 2021 the direct budgetary impact of public policy measures in the context of the COVID-19 pandemic was still significant. With the reference to the information available included in the monthly budget execution reports published by the Directorate-General for the Budget, the impact of these measures in the net borrowing will have amounted to around -2.8% of GDP (-2.4% in 2020).

As referred in previous press releases, the adjustment "capital injections and debt assumptions" in addition to the capital injections granted to corporations classified in the GG sector, also includes the classification of some operations as capital transfer in National Accounts with an impact on the GG balance: *i)* capital increase of the Directorate-General for Treasury and Finance to TAP Air Portugal with an impact (net of the partial repayment of the loan granted by TAP S.A. to its holding company which was already part of GG debt) of EUR 640,5 million; *ii)* the granting of a guarantee by the Regional Government of the Azores to SATA Air Açores, amounting to EUR



120 million. Both transactions were recorded in national accounts as a capital transfer considering the economic and financial situation of the corporations.

The item "Others" includes the revenue from the early repayment of margin by the Portuguese State, which was retained by the European Financial Stabilisation Fund (EFSF), when the loan was originally granted under the Economic and Financial Assistance Programme, of EUR 1 114.2 million.

For a more detailed analysis of the changes in expenditure and revenue, please see the press release "Main Aggregates of General Government", also published today.

Balances of Regional and Local Government and transfers from Central Government

The table below details the net borrowing/net lending and the gross debt of (Regional and) Local Government (S1313).

Table 4. Net borrowing/net lending and gross debt of (Regional and) Local Government (S1313)

	2018	2019	2020	2021
	Unit: 10 ⁶ EUR			
Net borrowing (-)/net lending (+)				
- Regional and Local Government	499.2	624.0	- 228.3	- 563.3
<i>Regional Government of Madeira</i>	79.6	101.8	38.4	- 123.7
<i>Regional Government of Azores</i>	- 70.0	- 127.1	- 74.7	- 361.3
<i>Local Government</i>	307.2	524.5	660.3	256.8
Gross Debt				
- Regional and Local Government	10 190.1	9 965.9	10 649.0	10 877.4
<i>Regional Government of Madeira</i>	4 746.9	4 662.8	5 109.0	5 074.9
<i>Regional Government of Azores</i>	1 860.0	1 956.6	2 405.4	2 685.1
<i>Local Government</i>	3 583.2	3 346.5	3 134.6	3 117.4

Source: Statistics Portugal, Banco de Portugal

As observed in the previous table there was a decrease in the net borrowing/net lending for all the Regional and Local Government subsectors. In the case of the Regional Government of Açores the result reflects the impact of the granting of the Regional Government guarantee to SATA, Air Açores, amounting to EUR 120 million as referred above (EUR 132 million in 2020).

It should be underlined the provisional nature of these results for Local Government, given the delays in the reporting of several municipalities, associated with difficulties in the implementation of the new accounting system for GG sector (*Sistema de Normalização Contabilística para as Administrações Públicas – SNC-AP*) in particular, in the context of the COVID-19 pandemic.



It is worth noting that the transfers received by Central Government are considered in the compilation of Regional and Local Government net lending / net borrowing. These transfers are recorded as expenditure in Central Government, so that they consolidate in the General Government Account.

The following table presents these transfers, from 2018 to 2021, included in the General Government Account.

Quadro 5. Transfers to the Regional and Local Government

Unit: 10⁶ EUR

	2018	2019	2020	2021
Transfers to General Government:				
Regional Government of Madeira	177.4	176.7	182.6	185.8
Regional Government of Azores	259.3	285.3	293.9	301.8
Local Government	2 267.5	2 285.9	2 315.3	2 553.7

Source: Statistics Portugal

As far as gross debt is concerned, and accordingly with European legislation, the following clarifications are relevant: *i)* Trade credits are excluded; *ii)* Debt of public corporations not classified inside General Government is not considered; *iii)* Debt of municipalities and parishes located in the territory of the Autonomous Regions is included in Local Government.

Date of the next press release – 23th of September 2022



Table 1a- Reporting of government deficit/surplus and debt levels
and provision of associated data

Unit: 10⁶ EUR

Member State: Portugal Data: 25/03/2022	ESA 2010 Codes	2018	2019	2020	2021	2022
		Final	Final	Final	Half-finalized	Planned
Net borrowing (-)/ net lending (+)	B.9					
General government	S.13	- 716.1	247.2	-11 684.2	-5 977.1	-4 419.0
- Central government	S.1311	-3 250.1	-3 352.2	-13 645.7	-7 837.2	-6 987.0
- Local government	S.1313	499.2	624.0	- 228.3	- 563.3	- 87.0
- Social security funds	S.1314	2 034.8	2 975.5	2 189.8	2 423.4	2 655.0
General government consolidated gross debt Level at nominal value outstanding at end of year		249 260.5	249 977.5	270 480.9	269 231.8	274 104.0
<i>By category:</i>						
Currency and deposits	AF.2	30 798.2	31 808.1	33 062.2	34 440.7	
Debt Securities	AF.3	149 327.9	151 636.2	169 244.4	164 634.3	
Short-term	AF.31	13 264.8	11 245.2	10 749.4	5 965.5	
Long-term	AF.32	136 063.1	140 390.9	158 494.9	158 668.8	
Loans	AF.4	69 134.4	66 533.3	68 174.4	70 156.9	
Short-term	AF.41	1 283.0	1 497.8	1 291.3	1 405.3	
Long-term	AF.42	67 851.4	65 035.5	66 883.1	68 751.6	
General government expenditure on:						
Gross fixed capital formation	P.51 D.41	3 790.2	3 904.4	4 451.8	5 296.8	7 317.0
Interest (consolidated)	(Empregos)	6 902.5	6 324.2	5 791.5	5 168.8	5 108.0
Gross domestic product at current market prices	B.1*g	205 184.1	214 374.6	200 087.6	211 277.5	226 994.0
<i>Memorandum items:</i>						
<i>Net lending (+)/Net borrowing (-) on GDP</i>		-0.3%	0.1%	-5.8%	-2.8%	-1.9%
<i>General government consolidated gross debt on GDP</i>		121.5%	116.6%	135.2%	127.4%	120.8%

Source: Statistics Portugal