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Main Aggregates of General Government
2017 – Half-finalized data

Main Aggregates of General Government

Statistics Portugal presents the provisional results on the main aggregates of General Government (GG) for 2017 sent to Eurostat in accordance with the ESA 2010 data transmission programme¹.

According to these results, the GG sector presented a net borrowing balance of 5 736 million euro in 2017, corresponding to 3.0% of GDP. These results include the effect of the recapitalisation process of *Caixa Geral de Depósitos*, of 3 944 million euro, with an impact corresponding to 2.0% of GDP².

The GG sector accounts are compiled in accordance with the concepts and definitions of the European System of National and Regional Accounts 2010 (ESA 2010). In addition, specific guidelines of the Manual on Government Deficit and Debt³ are applied.

The results presented in this press release are fully consistent with the first notification of 2018 for the Excessive Deficit Procedure (EDP).

Table 1 presents the half-finalized data for the main aggregates of GG, differentiated by sub-sector, for 2017:

TABLE 1: MAIN AGGREGATES OF GENERAL GOVERNMENT - HALF-FINALIZED DATA

TIME: 2017

Unit: Million euro

Transaction code	Transaction label	General Government S13	Central Government S1311	Local and Regional Government S1313	Social security funds S1314
OTE	Total general government expenditure	88 550	66 849	11 196	23 631
OTR	Total general government revenue	82 841	58 318	11 784	25 864
B.9	Net lending (+)/Net borrowing (-) (National Accounts balance)	-5 709	-8 531	588	2 233

Note:

For total revenue (OTR) and total expenditure (OTE) the sum of sub-sectors does not equal the sector value, due to consolidation effects in some transactions.

¹ Regulation (EU) n° 549/2013 of the European Parliament and of the Council, from 21th may 2013, on the European System of National and Regional Accounts.

² Considering two decimal places, the net borrowing of GG corresponded to 2.96% of GDP and the effect of the CGD recapitalization process was 2.04% of GDP in 2017. Consequently, excluding this impact, the net borrowing was 0,92% of GDP.

³ This document is available in <http://ec.europa.eu/eurostat/en/web/products-manuals-and-guidelines/-/KS-GQ-16-001>

The net borrowing balance of the GG sector was 5 709 million euro in 2017, which corresponds to 3.0% of GDP. This negative balance was driven by the Central Government, as both the Local and Regional Government and the Social Security Funds presented positive net balances.

Table 2 presents the half-finalized main components of GG revenue for 2016 and 2017:

TABLE 2 - GENERAL GOVERNMENT REVENUE *Unit: Million euro*

Transaction code	Transaction label	2016	2017
OTR	Total Revenue	79 706	82 841
	Current Revenue	78 909	82 106
	of which		
D.2	Taxes on production and imports	27 347	29 028
D.61	Social contributions	21 609	22 704
D.5	Current taxes on income, wealth, etc...	19 081	19 715
D.9	Capital Revenue	796	734

Compared to 2016, GG revenue increased 3.9% in 2017. This evolution was largely due to improvements in current revenue, since capital revenue, which represents only 0.9% of total revenue, decreased by 7.8% in the same period.

Current revenue rose by 4.1% in 2017, driven by increases in the components with larger relative weight, result of the evolution of economic activity and employment: taxes on production and imports rose 6.1%, boosted by the performance of the Value Added Tax (VAT), social contributions increased 5.1% and current taxes on income and wealth showed a positive variation of 1.9%.

Capital revenue decreased 7.8%, as a result of the reduction in other capital transfers (by 52.5%, € 229 million), despite the increase in investment grants received from European Union (by 46.25%, € 156 million). This decrease in other capital transfers reflects the fact that the figures for 2016 include 302 million euro from the prepaid margins paid back to the GG by the European Financial Stability Facility, as the maturity of the loans granted under the Economic and Financial Assistance Programme was reached.

As a result of these variations, taxes on production and imports and social contributions accounted for 35.0% and 27.4% of total revenue, respectively (34.3% and 27.1% in 2016). Current taxes on income, wealth, etc... decreased 0.1 percentage points (p.p.) from 2016 to 2017, representing 23.8% of GG total revenue.

Table 3 presents the half-finalized main components of GG expenditure for 2016 and 2017:

TABLE 3 - GENERAL GOVERNMENT EXPENDITURE

Unit: Million euro

Transaction code	Transaction label	2016	2017
OTE	Total Expenditure	83 371	88 550
	Current Expenditure	79 818	80 178
	of which		
D.1	Compensation of employees	20 881	21 270
D.62	Social benefits other than social transfers in kind	31 730	32 170
D.41	Interest	7 761	7 475
D.9+P.5+NP	Capital Expenditure	3 552	8 372

GG total expenditure increased by 6.2% from 2016 to 2017, mainly due to the 135.7% growth in capital expenditure, that includes the extraordinary operation of recapitalisation of *Caixa Geral de Depósitos* (CGD)⁴, in the amount of 3 944 million euro. Not considering the impact of this operation, the variation of GG total expenditure would be 1.5%.

Capital expenditure, net of the referred extraordinary operation, increased 24.7% as a result of the growth of 22.5% in gross capital formation (investment), approximately 629 million euro.

Current expenditure rose 0.5% from 2016 to 2017. This variation resulted of the combined effect on increases in both compensation of employees and social benefits, other than social transfers in kind (in 1.9% and 1.4%, respectively) and the reduction, by 3.7%, in interest payments (of 268 million euro).

As a result of these variations, the relative weight of capital expenditure in total expenditure rose to 9.5%, from 4.3% in 2016. Conversely, the relative weight of current expenditure and its main components decreased: compensation of employees decreased from 25.0% to 24.0%, social benefits other than social transfers in kind decreased 1.7 p.p., representing 36.3% of total expenditure, and interest payments decreased 0.9 p.p., accounting for 8.4% of total expenditure.

⁴ For a more detailed analysis of the recapitalisation process of CGD, please see the press release on the "Excessive Deficit Procedure".

Table 4 shows GG balances for 2016 and 2017:

TABLE 4 - GENERAL GOVERNMENT BALANCES *Unit: Million euro*

Transaction code	Transaction label	2016	2017
B.9	Net lending (+) / Net borrowing (-) (National Accounts Balance)	-3 665	-5 709
	Current Balance	-909	1 928
B.9 - D.41	Primary Balance	4 096	1 766

The net borrowing of GG sector increased 2 070 million euro from 2016 to 2017, attaining 5 709 million euro in 2017 (3.0% of GDP, that compares with 2.0% in 2016), as a result of the combined effect of increases in both total expenditure (by 6.2%) and total revenue (by 3.9%).

The primary balance, *i.e.* the global balance net of interest payments, decreased by 2 330 million euro in 2017, moving from a 4 026 million euro surplus in 2016, to a 1 766 million euro surplus.