

21 September 2018

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 to be sent to Eurostat before the end of the month in accordance with the ESA 2010 data transmission programme¹.

According to these results, the GG sector presented a net borrowing of 5 762 million euro in 2017, corresponding to 3.0% of GDP. These results include the effect of the recapitalisation process of *Caixa Geral de Depósitos (CGD)*, of 3 944 million euro, with an impact corresponding to 2.0% of GDP.

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 Debt² are applied.

The results presented in this press release are fully consistent with the second 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	88 872	66 991	11 382	23 630
OTR	Total general government revenue	83 110	58 499	11 868	25 875
B.9	Net lending (+)/Net borrowing (-) (National Accounts balance)	-5 762	-8 493	486	2 244

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

The net borrowing balance of the GG sector was 5 762 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 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	79 890	83 110
	Current Revenue	78 839	82 311
	of which		
D.2	Taxes on production and imports	27 337	29 042
D.61	Social contributions	21 626	22 685
D.5	Current taxes on income, wealth, etc...	19 060	19 719
D.9	Capital Revenue	1 051	798

Compared to 2016, GG total revenue increased 4.0% in 2017, mainly due to improvements in current revenue.

Current revenue rose by 4.4% 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 6.2%, boosted by the performance of the Value Added Tax (VAT), social contributions increased 4.9% and current taxes on income and wealth showed a positive variation of 3.5%.

Capital revenue decreased 24.0%, as a result of the decrease in other capital transfers (by 30.1%, € 137 million), and in investment grants received from European Union (by 19.8%, € 118 million). As a result of these variations, taxes on production and imports and social contributions accounted for 34.9% and 27.3% of total revenue, respectively (34.2% and 27.1% in 2016). Current taxes on income and wealth decreased 0.2 percentage points (p.p.) from 2016 to 2017, representing 23.7% of GG total revenue.

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

TABLE 3 - GENERAL GOVERNMENT EXPENDITURE *Unit: Million euro*

Transaction code	Transaction label	2016	2017
O.TE	Total Expenditure	83 564	88 872
	Current Expenditure	79 945	80 286
	of which		
D.1	Compensation of employees	20 897	21 299
D.62	Social benefits other than social transfers in kind	31 754	32 159
D.41	Interest	7 800	7 437
D.9+P.5+NP	Capital Expenditure	3 620	8 586

GG total expenditure increased by 6.4% from 2016 to 2017, mainly due to the 137.2% growth in capital expenditure, that includes the recapitalisation operation of *Caixa Geral de Depósitos* (CGD), in the amount of 3 944 million euro. Not considering the impact of this operation, the variation of GG total expenditure would be 1.6%.

Capital expenditure, net of the referred extraordinary operation, increased 28.2% as a result of the growth of 24.9% in gross capital formation (investment), approximately 716 million euro.

Current expenditure rose 0.4% 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 1.3%, respectively) and the reduction, by 4.7%, in interest payments (of 364 million euro).

As a result, the relative weight of capital expenditure in total expenditure rose to 9.7%, from 4.3% in 2017. 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 1.8 p.p., representing 36.2% of total expenditure, and interest payments decreased 1.0 p.p., accounting for 8.4% of total expenditure.

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)	-3 674	-5 762
	Current Balance	-1 106	2 025
B.9 - D.41	Primary Balance	4 126	1 674

The net borrowing of GG sector increased 2 088 million euro from 2016 to 2017, attaining 5 762 million euro in 2017 (3.0% of GDP, that compares with 2.0% of GDP in 2016), as a result of the combined effect of increases in both total expenditure (by 6.4%) and total revenue (by 4.0%)³.

The primary balance, *i.e.* the global balance net of interest payments, decreased by 2 425 million euro in 2017, moving from a 4 126 million euro surplus in 2016, to a 1 674 million euro surplus.

Revisions

This press release presents data revisions in both years, comparing with the information presented last March. The data from 2016 is now final and includes revisions due to the incorporation of final and exhaustive information, now available for all units classified in the GG sector.

The figures for 2017 are still provisional. The information includes revisions that mainly reflect the incorporation of revised data from Local Government and National Health Service (SNS), of data collected from Simplified Corporate Information (IES) and the use of data on an accrual basis, rather than on a cash basis, for a vast group of entities.

As a result of these revisions, the net borrowing of the GG declined by 9 million euro, in 2016, and by 53 million euro, in 2017.

³ Considering two decimal places, the net borrowing of GG corresponded to 2.96% of GDP and the effect of the CGD recapitalisation process to 2.03% of GDP in 2017.