



September 23, 2021
PUBLIC ACCOUNTS
2020

MAIN AGGREGATES OF GENERAL GOVERNMENT

Statistics Portugal publishes the half-finalized results on the main aggregates of General Government (GG) for 2020, with 2016 as the Portuguese National Accounts benchmark year.

According to these results, the GG sector presented a net borrowing of 11 684 million euro in 2020, corresponding to -5.8% of GDP.

The GG sector accounts presented in this press release are compiled in accordance with the concepts and definitions of the European System of National and Regional Accounts 2010 (ESA 2010) and with the specific guidelines of the Manual on Government Deficit and Debt¹. These results are sent to Eurostat in accordance with the ESA 2010 data transmission programme² and are fully consistent with the second 2021 notification for the Excessive Deficit Procedure (EDP), also published today.

The following table presents the half-finalized data for the main aggregates of GG, arranged by sub-sector, for 2020.

Table 1. Main aggregates of General Government – half-finalized data

TIME: 2020 Unit: 10⁶ EUR

Transaction code	Transaction label	General Government	Central Government	Local and Regional Government	Social security funds
		S13	S1311	S1313	S1314
OTE	Total general government expenditure	98 725	72 853	13 433	29 125
OTR	Total general government revenue	87 041	59 207	13 205	31 315
B.9	Net lending (+)/Net borrowing (-) (National Accounts balance)	-11 684	-13 646	-228	2 190

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

¹ This document is available at <https://ec.europa.eu/eurostat/web/products-manuals-and-guidelines/-/KS-GQ-19-007>.

² Regulation (EU) No. 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts.



The GG sector revealed a net borrowing of 11 684 million euro, which corresponds to -5.8% of GDP and compares with a net lending of 0.1% in 2019. This negative balance was mainly driven by the Central Government subsector, but also by the Local and Regional Government, given that the Social Security Funds balance was positive.

Specifically, the Central Government balance dropped by 10 billion euro, reaching around -14 billion euro in 2020. As for the Local and Regional Government, which in 2019 had showed a surplus of more than 600 million euro, recorded a deficit of -228 million euro in 2020. The Social Security Funds balance, although positive, deteriorated by almost 800 million euro.

Table 2 presents the main components of GG revenue based on 2019 final data and 2020 half-finalized data.

Table 2. General Government revenue

		Unit: 10 ⁶ EUR	
Transaction code	Transaction label	2019	2020
OTR	Total revenue	91 251	87 041
	Current revenue	90 437	86 356
	of which		
D.2	Taxes on production and imports	32 116	29 185
D.61	Social contributions	25 360	25 606
D.5	Current taxes on income, wealth, etc...	20 884	20 110
D.9	Capital revenue	814	685

Compared with 2019, GG total revenue decreased by 4.6% in 2020 (-4.2 billion euro), due to the decrease in current revenue (-4.5%), mainly due to the decrease in taxes on production and imports (-9.1%) and, to a lesser extent, in current taxes on income and wealth (-3.7%), reflecting the strong reduction in the economic activity in 2020. On the contrary, social contributions revenue increased by 1.0%.

It should be mentioned that due to the policy measures for fractional payment of taxes and social contributions implemented in the context of the COVID-19 pandemic, an additional adjustment to the public accounting figures was necessary in order to include the future payments as revenue of the period when the activity took place. This adjustment implied the recording of an additional VAT and social contributions revenue of 229 and 111 million euro, respectively, when compared to public accounting, given the decision of postponing obligations due between the end of 2020 and the beginning of 2021, which should be recorded as 2020 revenue in national accounts.

As for capital revenue, there was a decrease of 16%.

Given these changes, the composition of public revenue changed in terms of an increased importance of social contributions (+1.6 p.p.) and of current taxes on income and wealth (+0.2 p.p.), whereas the weight of taxes on production and imports decreased (-1.7 p.p.), although remaining the main source of public revenue. The weight of capital revenue slightly decreased (-0.1 p.p.)



Table 3 presents the main components of GG expenditure for 2019 final and 2020 half-finalized data.

Table 3. General Government expenditure

Unit: 10⁶ EUR

Transaction code	Transaction label	2019	2020
OTE	Total expenditure	91 004	98 725
	Current expenditure	84 911	89 982
	of which		
D.1	Compensation of employees	23 147	23 925
D.62	Social benefits other than social transfers in kind	34 658	36 097
D.41	Interest	6 324	5 791
D.9+P.5+NP	Capital expenditure	6 093	8 743

Total expenditure increased by 8.5% between 2019 and 2020. This growth was the joint result of an increase in current expenditure (+6.0%) and an increase in capital expenditure (+43.5%).

The increase in current expenditure was mainly due to the 4.2% growth in social benefits, other than social transfers in kind, in an amount close to 1.4 billion euro, and also to the 3.4% growth in the compensation of employees (+779 million euro). In the opposite direction, there was a reduction of 8.4% in interest payments (-533 million euro), in line with the decreasing trend which started in 2015. In 2014, interest costs were 8.4 billion euro and, in 2020, the amount fell to 5.8 billion euro.

As for the capital expenditure, the 2020 increase (+43.5%) is largely explained by the recording, as capital transfers due to the economic and financial situation of the companies, of the 1.2 billion euro public loan to TAP Air Portugal and the Regional Government of Azores loan guarantee to SATA Air Açores (132 million euro). Likewise, an amount of 326 million euros was accounted, as capital transfer, for the estimated execution of counter-guarantees associated with the COVID-19 lines of support to the economy within the framework of the Portuguese system of mutual guarantee, as they are standardised guarantees from the national accounting perspective (issued in large number and according to identical rules) and that there is a reliable estimate of the expected value of the losses associated with these guarantees. Capital expenditure also includes the recording of 114 million euro related to back payments of vacation bonuses due to police officers (from PSP and GNR), following a court sentence.

About half of the public expenditure annual growth is directly linked to the COVID-19 pandemic, corresponding to 4% of the 2020 total expenditure. Among the most important COVID-19 expenditure items are subsidies to firms (2.7% of the 2020 total expenditure), intermediate consumption (0,5%) and social benefits to families (0.2%). The furlough schemes support measures, included in the subsidies paid to businesses, reached 0.9% of expenditure.

Despite of the above-mentioned spending, current expenditure share on total expenditure decreased due to the negative changes in social benefits (-1.5 p.p. in the relative share in total expenditure), compensation of



employees (-1.2 p.p.) and interest payments (-1.1 p.p.). Conversely, capital expenditure gained relative importance in total expenditure, from 6.7% in 2019 to 8.9% in 2020, reflecting the increase of more than 43%, mentioned before.

Table 4 shows GG balances for 2019 final and 2020 half-finalized data.

Table 4. General Government balances

		Unit: 10 ⁶ EUR	
Transaction code	Transaction label	2019	2020
B.9	Net lending (+) / Net borrowing (-) (National Accounts Balance)	247	-11 684
	Current balance	5 526	-3 626
B.9 - D.41	Primary balance	6 571	-5 893

The 2020 half-finalized estimate reveals that the GG sector balance decreased by 11.9 billion euro when compared with the 2019 results, determining a net borrowing of 11.7 billion euro in 2020 (-5.8% of GDP). This result was due both to an expenditure increase (+8.5%) and to a revenue decrease (-4.6%).

Given the currently available information included in the Budgetary Execution released by the Directorate-General for Budget, the direct impact on the GG national accounts balance of the exceptional measures of support taken in the context of the COVID-19 pandemic was of -4.9 billion euro (2.4% of GDP). It is worth to mention that this information may not yet reflect all the expenditure carried out in the context of the COVID-19 pandemic as the reporting entities may not have reported it as such.

The primary balance (the global balance net of interest payments) moved to a deficit, for the first time since 2014, of -5.9 of billion euro.

Date of the next press release – March 25, 2022
