



23 September 2022
GOVERNMENT ACCOUNTS
2021

MAIN AGGREGATES OF GENERAL GOVERNMENT

General government total revenue increased by 10.6% in 2021 (+9.2 billion euro) and the current revenue increased by 8.9% (nearly, +7.7 billion euro). The three main current revenue components increased at different paces, with the most significant rise belonging to taxes on production and imports (11.0%).

Total expenditure increased by 3.8% between 2020 and 2021. This growth was the joint result of an increase in current expenditure (+5.1%) and a decrease in capital expenditure (-8.3%). The increase in current expenditure was mainly due to the 4.3% growth in the compensation of employees and to the 3.5% growth in social benefits, other than social transfers in kind. In the opposite direction, there was a reduction of 10.7% in interest payments. Capital expenditure decreased by 8.2% in 2021 due to a lower amount of capital transfers, given that gross capital formation increased by 16%.

In 2021, the GG sector presented a net borrowing of 6 215 million euro in 2021, corresponding to -2.9% of GDP (-5.8% in 2020 and +0.1% in 2019).

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 2022 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 subsector, for 2021.

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

TIME: 2021		Unit: 10 ⁶ 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	102 537	74 275	14 902	29 829
OTR	Total general government revenue	96 321	66 165	14 297	32 327
B.9	Net lending (+)/Net borrowing (-) (National Accounts balance)	-6 215	-8 109	-605	2 499

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 6 215 million euro, which corresponds to 2.9% of GDP (5.8% in 2020). 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.

The Central Government balance improved by 5.6 billion euro between 2020 and 2021, reaching -8.1 billion euro in 2021. On the contrary, the Local and Regional Government deficit increased to 605 million euro in 2021, almost the triple of 2020. The Social Security Funds balance remained positive, increasing by almost 300 million euro in comparison with 2020.

Table 2 presents the main components of GG revenue based on 2020 finalized data and 2021 half-finalized data.

Table 2. General Government revenue

		Unit: 10 ⁶ EUR	
Transaction code	Transaction label	2020	2021
OTR	Total revenue	87 074	96 321
	Current revenue	86 091	93 741
	of which		
D.2	Taxes on production and imports	29 143	32 347
D.61	Social contributions	25 599	27 267
D.5	Current taxes on income, wealth, etc...	20 093	20 708
D.9	Capital revenue	983	2 580

Compared with 2020, GG total revenue increased by 10.6% in 2021 (+9.2 billion euro) and the current revenue increased by 8.9% (nearly, +7.7 billion euro). The three main current revenue components increased at different paces, with the most significant rise belonging to taxes on production and imports (11.0%). Social contributions expenditure increased by 6.5% and current taxes on income and wealth only grew 3.1%.

Capital revenue nearly tripled, mainly due to the repayment of the margin paid in advance for loans granted under the Financial Assistance Programme to Portugal by the European Stability Mechanism.

It should be mentioned that, within the context of the COVID-19 pandemic, it was necessary to apply time adjustments to the public accounting figures. The revenue adjustments include the amounts associated with fractional payment measures for taxes and social contributions and the financing of various expenditure measures, like the acquisition of COVID-19 vaccines, supported by European Union funds, with a null impact on the balance. Overall, the impact on revenue of the measures taken within the context of the COVID-19 pandemic reached 1 163 billion euro (1.2% of total public revenue).

As such, the composition of public revenue changed with regard to 2020 in terms of a decreased importance of social contributions (-1.1 p.p.) and of current taxes on income and wealth (-1.6 p.p.), whereas the weight of taxes on production and imports, as the main source of public revenue, increased (+0.1 p.p.). Overall, the weight of current revenue decreased (-1.6 p.p.).



Table 3 presents the main components of GG expenditure for 2020 finalized data and 2021 half-finalized data.

Table 3. General Government expenditure

		Unit: 10 ⁶ EUR	
Transaction code	Transaction label	2020	2021
OTE	Total expenditure	98 743	102 537
	Current expenditure	89 749	94 288
	of which		
D.1	Compensation of employees	23 934	24 975
D.62	Social benefits other than social transfers in kind	36 153	37 414
D.41	Interest	5 787	5 170
D.9+P.5+NP	Capital expenditure	8 994	8 249

Total expenditure increased by 3.8% between 2020 and 2021. This growth was the joint result of an increase in current expenditure (+5.1%) and a decrease in capital expenditure (-8.3%).

The increase in current expenditure was mainly due to the 4.3% growth in the compensation of employees and to the 3.5% growth in social benefits, other than social transfers in kind. In the opposite direction, there was a reduction of 10.7% in interest payments (-616 million euro), in line with the decreasing trend which started in 2015. In 2014, interest costs were 8.4 billion euro and, in 2021, the amount fell to 5.2 billion euro.

As for the capital expenditure, the 2021 decrease was due to a lower amount of capital transfers, given that gross capital formation increased by 16%. The capital transfers that most stand out in 2021 are the support granted by the Portuguese State to TAP Air Portugal (with a net impact of 640 million euro) and the recording of the guarantee of the Regional Government of the Azores to the financing obtained by SATA Air Açores in the amount of 120 million euro, given the companies economic and financial situation. Nevertheless, the financial support to these two companies in 2021 was below the 2020 figure (1 332 million euro).

Public expenditure directly linked to the COVID-19 pandemic amounted to 7 043 million euro in 2021, representing 6.9% of the total public expenditure. In 2020, the impact amounted to 4.3 billion euro (4.4% of total expenditure)³. Among the most important COVID-19 expenditure items are subsidies to firms (3.3% of the 2021 total expenditure), intermediate consumption (0.9%), social benefits to households (0.6%) and compensation of employees (0.6%), especially in the health sector. In addition, an estimate of the losses associated with the guarantees granted by the Mutual Guarantee Fund (FCGM) within the COVID-19 financial support to firms, classified in the GG institutional sector, and the direct support to TAP Air Portugal were recorded as capital transfers (0.7%). The furlough schemes support measures, included in the subsidies paid to firms, reached 1.4% of total expenditure.

³ According to the currently available information included in the Budgetary Execution released by the Directorate-General for Budget.



Given the above-mentioned figures, current expenditure share on total expenditure increased (+1.1 p.p.). Conversely, capital expenditure lost relative importance in total expenditure, from 9.1% in 2020 to 8.0% in 2021. Interest costs moved from 5.9% of total expenditure, in 2020, to 5.0%, in 2021.

Table 4 shows 2020 and 2021 GG main balances. The 2021 half-finalized estimate reveals that the GG sector balance increased by around 5.5 billion euro between 2020 and 2021, determining a net borrowing of 6 215 billion euro in 2021 (-2.9% of GDP). This result was due to a revenue increase (10.6%) that more than compensated for the expenditure increase (3.8%).

Table 4. General Government balances

		Unit: 10 ⁶ EUR	
Transaction code	Transaction label	2020	2021
B.9	Net lending (+) / Net borrowing (-) (National Accounts Balance)	-11 669	-6 215
	Current balance	-3 658	-547
B.9 - D.41	Primary balance	-5 882	-1 045

Taking 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 -5.9 billion euro (-2.7% of GDP). 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.

As in 2020, the primary balance (the global balance net of interest payments) was negative in -1 045 million euro but improved by 4 837 million euro with respect to the previous year.



Revisions

This press release presents data revisions in both 2020 and 2021, comparing with the information released last March. Data for 2020 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.

Figures for 2021 are still provisional. The information includes revisions that reflect the incorporation of revised data for the National Health Service (SNS) and the use of additional data on an accrual basis, rather than on a cash basis, for a vast group of entities, namely for Local Government.

As a result of these revisions vis-à-vis March's release, the 2020 GG net borrowing declined by 15 million euro, and the 2021 GG net borrowing increased by 238 million euro.

Table 5. Revisions vis-à-vis 2022 first notification

	Unit: 10 ⁶ EUR	
Transaction label	2020	2021
Total revenue	33	571
Current revenue	-265	411
Capital revenue	298	160
Total expenditure	18	810
Current expenditure	-233	572
Capital expenditure	252	237
Net lending (+) / Net borrowing (-)	15	-238

On the revenue side, there was an upward revision in both years. However, a component analysis shows a negative correction in current revenue in 2020 – explained by the reduction in the value of market output (-327 million euro) – and positive correction in 2021 – mainly due to current transfers received (+227 million euro), current taxes on income and wealth (+157 million euro) and social contributions (+118 million euro). With regard to capital revenue, the upward revisions that most stand out are the capital transfers received by the Local Government in 2020, and mainly by the Central Government in 2021.

As noted in current revenue, there is also a current expenditure negative correction in 2020 and a positive one in 2021. In addition to the revisions associated with in-kind social benefits in 2020 (-177 million euro) and social benefits other than social transfers in kind in 2021 (+228 million euro), the adjustment in intermediate consumption (-247 million euro in 2020 and +204 million euro in 2021) was decisive. The revisions in this latter aggregate mainly reflect the latest information from the SNS and local authorities and, as intermediate consumption is an integral part of the GG final consumption expenditure, they have also resulted in GDP. Capital expenditure was revised upwards in both years because of the update in gross capital formation figures, especially also for Local Government and for the SNS.

Date of the next press release – March 24, 2023
