March 24, 2023
GOVERNMENT ACCOUNTS
2022

MAIN AGGREGATES OF GENERAL GOVERNMENT

In 2022, the GG sector presented a net borrowing of 944 million euro in 2022, corresponding to -0.4% of GDP (-2.9% in 2021 and -5.8% in 2020).

General government total revenue increased by 10.2% in 2022 (+9.8 billion euro) and the current revenue increased by 11.3% (approximately, +10.6 billion euro). The three main current revenue components increased at different paces, with the most significant rise belonging to current taxes on income and wealth (+24.1%).

Total expenditure increased by 4.4% between 2021 and 2022 (+4.5 billion euro), with capital expenditure increasing by 15.0%, clearly above the increase in current expenditure (+3.5%). The increase in current expenditure was mainly due to the 6.9% growth in social benefits, other than social transfers in kind and, to a lower extent, to the 3.5% growth in the compensation of employees. In the opposite direction, there was a reduction of nearly 40% in the subsidies paid and of 9.4% in interest payments. Capital expenditure grew in 2022 due to increases in both gross capital formation (7.5%) and capital transfers paid (+30.5%).

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 Debt[1]. These results are sent to Eurostat in accordance with the ESA 2010 data transmission programme and are fully consistent with the first 2023 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 2022[2].

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

TIME: 2022 — Unit: 10^6 EUR

Transaction code	Transaction label	General Government S13	Central Government S1311	Local and Regional Government S1313	Social security funds S1314
OTE	Total general government expenditure	107 084	77 609	15 876	30 426
OTR	Total general government revenue	106 139	72 434	15 818	34 715
B.9	Net lending (+)/Net borrowing (-) (National Accounts balance)	-944	-5 175	-58	4 288

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] 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. This document is available at https://ec.europa.eu/eurostat/en/web/products-manuals-and-guidelines/w/ks-gq-23-002.

[2] Excel files containing additional data are made available in attachment to this press release.

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The GG sector revealed a net borrowing of 944 million euro, which corresponds to 0.4% of GDP (2.9% in 2021). 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.

GG revenue totalled 106 139 million euro, corresponding to 44.4% of GDP, while GG expenditure reached 107 084 million euros (44.8% of GDP).

The Central Government balance improved by 2.9 billion euro between 2021 and 2022, reaching -5.2 billion euro in 2022. Also, the Local and Regional Government deficit decreased to 58 million euro in 2022. The Social Security Funds balance remained positive, increasing by almost 1.8 billion euro in comparison with 2021.

Table 2 presents the main components of GG revenue based on 2021 and 2022 half-finalized data.

Table 2. General Government revenue

Transaction code	Transaction label	2021	2022	Change rate
		10^6 EUR		%
OTR	**Total revenue**	**96 321**	**106 139**	**10,2**
	Current revenue	**93 741**	**104 302**	**11,3**
	of which			
D.2	Taxes on production and imports	32 347	36 178	11,8
D.61	Social contributions	27 267	29 598	8,5
D.5	Current taxes on income, wealth, etc...	20 708	25 701	24,1
D.9	**Capital revenue**	**2 580**	**1 837**	**-28,8**

Compared with 2021, GG total revenue increased by 10.2% in 2021 (+9.8 billion euro), with the current revenue growing by 11.3% (approximately, +10.6 billion euro). The three main current revenue components increased, with the most significant rise belonging to current taxes on income and wealth (+24.1%). Taxes on production and imports increased by 11.8%, with social contributions growing by 8.5%. This performance in 2022 reflects the recovery of economic activity and the labour market as compared to the previous year 2021, still affected by the pandemic situation.

Capital revenue decreased by 28.8% in comparison with 2021 in which the repayment of the margin paid in advance for loans granted under the Financial Assistance Programme to Portugal by the European Stability Mechanism was recorded.

The composition of public revenue changed when compared with 2021, being observed an increased importance of current taxes on income and wealth (+2.7 p.p.) and of taxes on production and imports (+0.5 p.p.), which continued to be the main source of public revenue. In opposition, the share of social contributions on total revenue decreased (-0.4 p.p.). Overall, the weight of current revenue increased (+0.9 p.p.).

Table 3 presents the main components of GG expenditure for 2021 and 2022 half-finalized data.

Table 3. General Government expenditure

Transaction code	Transaction label	2021	2022	Change rate
		10^6 EUR		%
OTE	**Total expenditure**	**102 537**	**107 084**	**4,4**
	Current expenditure	**94 288**	**97 600**	**3,5**
	of which			
D.1	Compensation of employees	24 975	25 841	3,5
D.62	Social benefits other than social transfers in kind	37 414	39 985	6,9
D.41	Interest	5 170	4 687	-9,4
D.9+P.5+NP	**Capital expenditure**	**8 249**	**9 484**	**15,0**

Total expenditure increased by 4.4% between 2021 and 2022, reflecting a stronger growth in capital expenditure (+15.0%) and a more moderate one in current expenditure (+3.5%). The increase in current expenditure was mainly due to the 6.9% growth in social benefits, other than social transfers in kind, which includes the payment of the exceptional supplement to pensioners (around 990 million euro), the support for the most deprived families (around 370 million euro) and the extraordinary support to income and social benefit holders (around 640 million euro). The compensation of employees grew by 3.5% in line with the overall current expenditure, reflecting wage and career revisions and the employment growth. Within the remaining current expenditure items, the reduction of almost 40% of the subsidies paid stands out, reflecting the decrease in spending on public employment protection measures implemented during the pandemic such as the simplified layoff, which more than offset the recording, as subsidies paid in 2022, of the additional allocation of funds to the National Electric System (SEN) for electricity tariff reduction, in the amount of 650 million euro.

In the opposite direction, there was a reduction of 9.4% in interest payments, essentially reflecting a lower interest expenditure on loans obtained under the Economic and Financial Assistance Programme, which relates to the effect of the extension of the loan from the European Financial Stabilisation Fund (EFSF) in July 2021, which resulted in a reduction in the corresponding interest rate. The interest payments reduction is in line with the decreasing trend which started in 2015: in 2014, interest costs were 8.4 billion euro and, in 2022, the amount fell to 4.7 billion euro.

The 2022 growth in capital expenditure was due to increases in both gross capital formation (+7.5%) and capital transfers paid (+36.2%). The capital transfers that most stand out in 2022 are the support granted by the Portuguese State to TAP Group (with an impact of 990 million euro) and to EFACEC (159 million euro), the support granted by the Regional Government of the Azores to SATA Air Açores (197 million euros). These transactions were recorded in national accounts as a capital transfer given the economic and financial situation of the companies in recent years. The conversion of deferred tax assets (DTA) in tax credits was also recorded as capital expenditure (245 million euro), whereas in public accounting is recorded as CIT revenue reduction.

According to the currently available information included in the Budgetary Execution released by the Directorate-General for Budget, public expenditure directly linked to the COVID-19 pandemic amounted to 2 159 million euro in 2022, representing 2.0% of total public expenditure. In 2021 and 2022, the impact amounted to 7.0 and 4.3 billion euro, respectively. 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 -0.9% of GDP in 2022 (which compares with -2,7% of GDP in 2021). Among the most important COVID-19 expenditure items are social benefits to households (0.7% of the 2022 total expenditure), subsidies to firms (0.6%), intermediate consumption (0.3%), and compensation of employees in the health sector (0.2%).

Given the above-mentioned figures, current expenditure share on total expenditure decreased (-0.8 p.p.). Conversely, capital expenditure gained relative importance in total expenditure, from 8.0% in 2021 to 8.9% in 2022. Interest costs moved from 5.0% of total expenditure, in 2021, to 4.4% in 2022.

Table 4 shows 2021 and 2022 GG main balances. The 2022 half-finalized figure reveals that the GG sector balance increased by around 5.3 billion euro between 2021 and 2022, determining a net borrowing of 944 billion euro in 2022 (0.4% of GDP). This result was due to a revenue increase (+10.2%) that more than compensated for the expenditure increase (+4.4%).

Table 4. General Government balances

Unit: 10^6 EUR

Transaction code	Transaction label	2021	2022
B.9	**Net lending (+) / Net borrowing (-)** (National Accounts Balance)	**-6 215**	**-944**
	Current balance	-547	6 702
B.9 - D.41	Primary balance	-1 045	3 742

As opposed to 2021, the primary balance (the global balance net of interest payments) was positive in 3 742 million euro, improving by 4.8 billion euro with respect to the previous year.

Date of the next press release – September 22, 2023