



15 May 2023

GOVERNMENT EXPENDITURE STATISTICS
2021-2022

GOVERNMENT EXPENDITURE REACHES 107 BILLION EURO, CORRESPONDING TO 44.8% OF GDP (47.7% IN 2021)

In 2022, government expenditure reached 107.1 billion euros, corresponding to 44.8% of GDP, minus 2.9 percentage points (p.p.), compared to 2021. The expenditure in percentage of GDP was lower than the average for all countries in the Euro area (-6 p.p.).

Compared to 2021, government expenditure increased by 4.4% in nominal terms, reflecting the increase in the expenditure to mitigate the impacts of the geopolitical shock and inflation in the Portuguese economy.

Social benefits were the most relevant economic item, representing 41.7% of total expenditure. Compensation of employees and intermediate consumption weighed 24.1% and 12.7%, respectively.

Using the classification of functions of government, in 2021, the last year for which this information is available, the structure of government expenditure was focused on the social protection function (38.2%), followed by the health function and the general public services function, which includes interest payments, with 15.9% and 14.1%, respectively.

Statistics Portugal presents government expenditure statistics for the year 2022, with reference to the base year 2016 of the Portuguese National Accounts. This information is consistent with the General Government Accounts underlying the first notification of 2023 on the Excessive Deficit Procedure (EDP), released by end March. Figures regarding 2021 and 2022 are provisional, whilst figures for 1995 to 2020 have the nature of final data.

The framework of government expenditure statistics and the adopted terminology is based on the European System of National and Regional Accounts (ESA2010) and the Manual on sources and methods for the compilation of COFOG statistics, allowing the analysis and comparison of the results with other EU member states. This information is sent to Eurostat annually in the context of the SEC 2010 transmission program and complements the information from National Accounts in the field of General Government statistics. Tables with detailed information are already available in the National Accounts area of Statistics Portugal's Official Website.

This press release is organized into two distinct parts: i) total government expenditure and its economic classification; ii) functional classification of expenditure.



I. Total government expenditure and its economic classification

In 2022, nominal government expenditure reached 107.1 billion euro (44.8% of GDP and 2.9 p.p. less than in 2021), representing an increase of 4.4% compared to the previous year.

This increase reflects government measures to mitigate the impacts of the geopolitical shock and inflation in Portuguese economy, which influenced its main components, with growths in compensation of employees (3.5%), in intermediate consumption (8.8%) and in social benefits (7.4%). Investment rose 7.7%, an increase of 430 million euro, compared to 2021, after having already risen 17.5% and 28.3%, in 2021 and 2021, respectively.

On the other hand, expenditure with property income (which corresponds mainly to interest paid) decreased again (-9.4%, compared to 2021), reaching, for the first time since 2006, a nominal value lower than 5 billion euro.

The item “Other transfers”, in table 1, which comprises the expenditure on subsidies, on current and on capital transfers, maintained a high level in 2022, although decreasing 3.6% compared to the previous year, as a result of the reduction of COVID-19 related economic policy measures.

Table 1. Government expenditure’s main components and gross debt

10⁶ Euro

COMPONENTS	2018	2019	2020	2021*	2022*
Compensation of employees	22 029,6	23 146,7	23 933,8	24 974,8	25 841,2
Intermediate consumption	10 887,0	11 069,7	11 088,6	12 451,0	13 551,6
Property income (interest incl.)	6 918,5	6 337,0	5 788,5	5 172,7	4 688,9
Social benefits	37 247,5	38 825,9	40 196,1	41 608,5	44 693,8
of which: pensions	26 463,4	27 903,5	28 689,3	29 326,4	31 130,5
Other transfers	7 788,3	7 898,2	12 953,4	12 711,4	12 256,2
Investment	3 851,5	3 726,7	4 782,9	5 618,6	6 051,9
Total expenditure	88 722,5	91 004,2	98 743,3	102 536,9	107 083,6
Gross debt (consolidated)	249 260,5	249 977,5	270 494,9	269 248,1	272 585,7
Gross debt (consolidated) (% GDP)	121,5	116,6	134,9	125,4	113,9

* provisional data

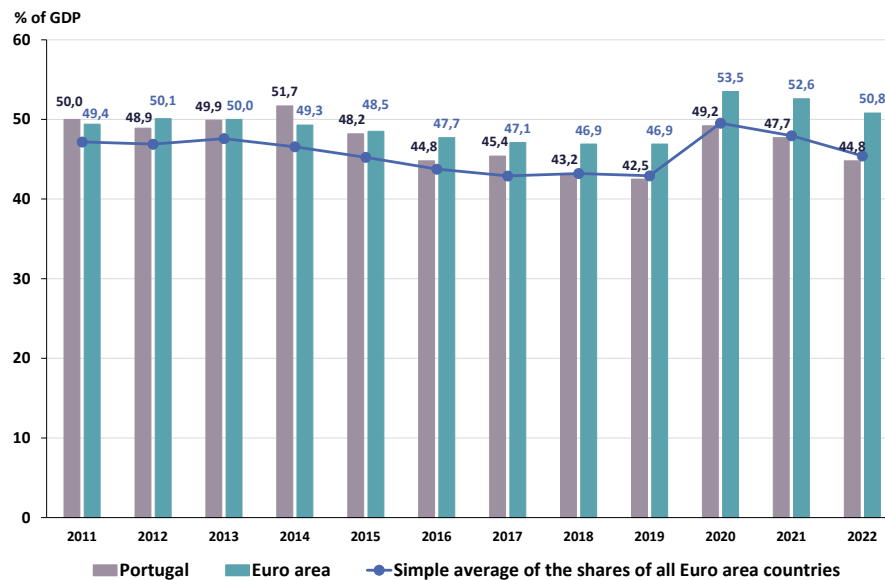
Source: Statistics Portugal, National Accounts; Banco de Portugal



In 2022, the share of government expenditure in relation to GDP was 44.8% in Portugal, 6 percentage points lower than the value for the Euro area average. However, as it can be seen in the following figure, if the comparison is made with the simple average of the shares of expenditure in GDP of the various countries in the Euro area, Portugal presents similar values in the last five years.

It should be noted that, since Portugal concluded the Economic and Financial Assistance Program, in May 2014, the share of government expenditure in GDP has always been lower than that of the Euro area countries as a whole.

Figure 1. Government expenditure, in Portugal and Euro area, between 2011 and 2022 (% of GDP)



Source: Statistics Portugal, National Accounts; Eurostat

Considering the economic classification of government expenditure, the two most important expenditure components are social benefits and compensation of employees. In 2022, they represented 41.7% and 24.1% of total expenditure, respectively.

Social benefits grew by 7.4% (3.8%, in 2020). Its main component (about 70% of total expenditure on social benefits) corresponds to pensions paid, which increased 6.2%, mainly due to the impact of the exceptional supplement for pensioners (one-off measure to mitigate the loss of purchasing power of pensioners, due to inflation) and the 0.9% increase in the number of pensioners. The remaining social benefits in cash increased by 10.4%, as a result of increased expenditure (+1 billion euro) with households to mitigate the impacts of inflation.

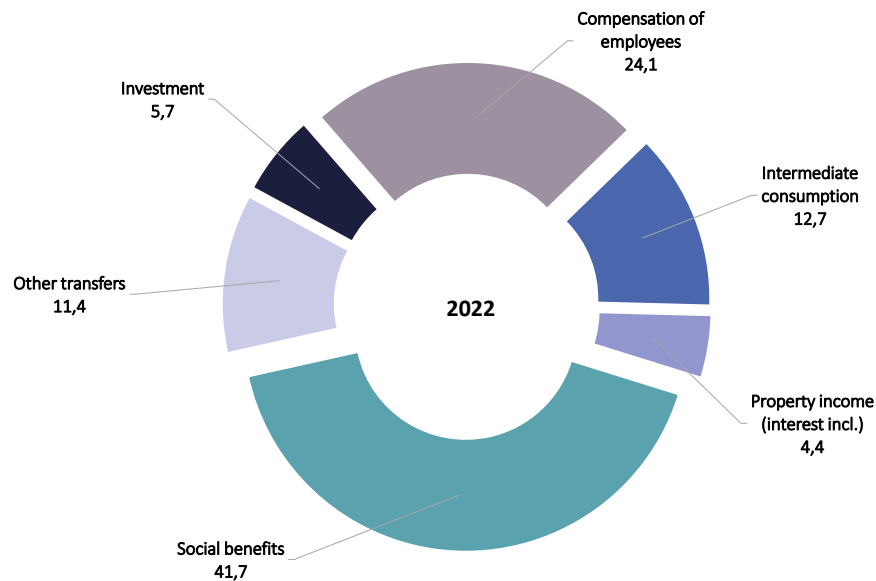
Compensation of employees grew by 3.5%, due to the increase in employment in general government (+1.2% in civil servants, compared to 2021) and the increase of expenditure arising from wage updates.

As for intermediate consumption, in 2022, its value reached 13.6 billion euro, representing 12.7% of total expenditure (increase by 8,8%, comparing with 2021).



Finally, investment represented 5.7% of total expenditure, reaching 6.1 billion euros in 2022. Compared to 2021, represents an increase of 7.7%.

Figure 2. Share of government expenditure components (% of total), in Portugal, in 2021

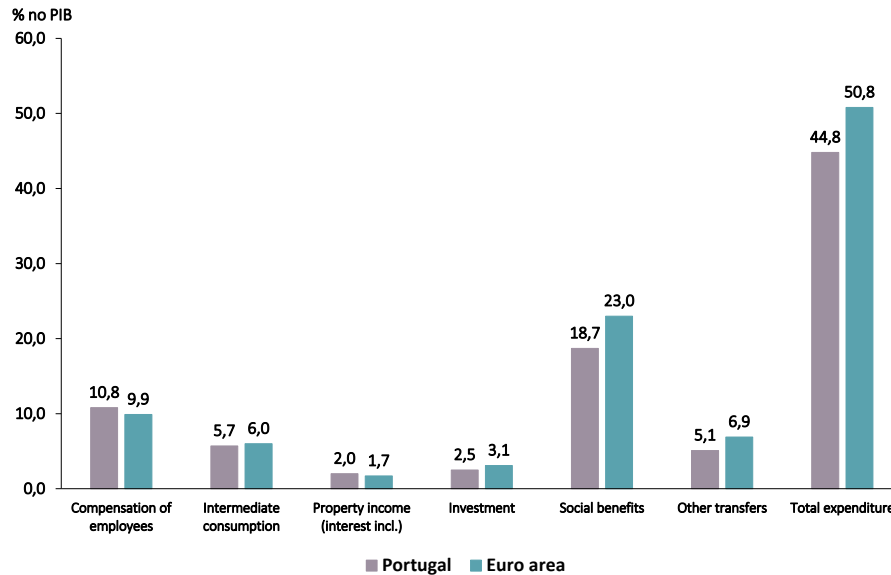


Source: Statistics Portugal, National Accounts

Comparing with the Euro area, and taking as reference the GDP, Portugal has a higher share, in expenditure on compensation of employees and in payments in property income. Regarding expenditure on social benefits, intermediate consumption and investment, the average for the group of countries in the Euro area register higher shares than Portugal.



Figure 3. Share of government expenditure components, in Portugal and Euro area, in 2021 (% of GDP)



Source: Statistics Portugal, National Accounts; Eurostat

II. Functional classification of expenditure

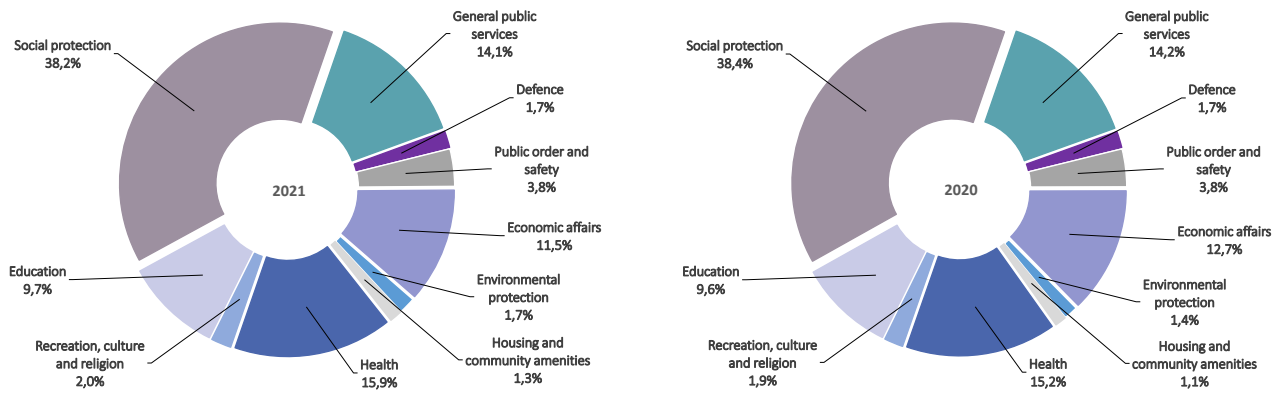
In addition to economic classification, government expenditure is also classified by functions (COFOG). This classification complements the economic classification by providing information on the purposes of government expenditure, thus broadening the analytical framework for assessing its quality. Currently, 2021 is the last year for which this information is available.

The main function of government expenditure has been social protection, significantly far from the other categories considered in this classification. In 2021, its weight in total expenditure was 38.2%. This was followed by health and then by general public services function (which includes interest paid) with a value of 15.9% and 14.1% of total expenditure, respectively. Finally, expenditure on economic affairs registered a value of 11.5% and the education function displayed a value of 9.7%.

Comparing with 2020, it can be seen that expenditure with health was the one who gained more share (+0.7 p.p.), with a 9.2% increase in nominal values. On the other hand, expenditure on economic affairs lost importance (-1.2 p.p.), reflecting the reduction in capital transfers paid (-1.694 billion euros), since subsidies increased (+580 million euros).



Figure 4. Government expenditure by function (% of total), in 2020 and 2021

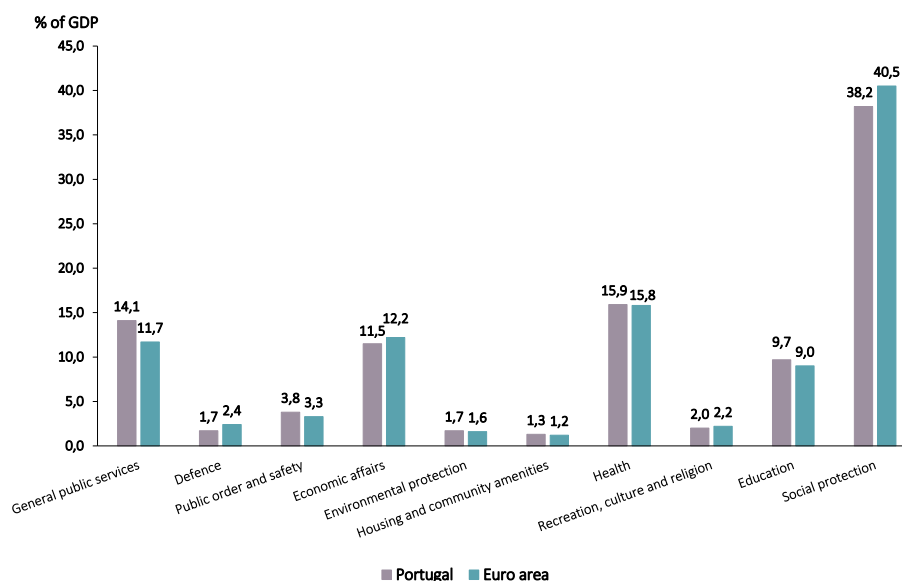


Source: Statistics Portugal, National Accounts

Comparing the structure of public expenditure by functions with the Euro Area, in 2021, Portugal showed a higher share of expenditure in the functions of education, health, public order and safety and general public services (which includes interest paid). On the other hand, the group of countries in the Euro area presented greater share in the functions of social protection, economic affairs and defence.

Despite those differences, figure 5 shows that, overall, the profile of government expenditure by functions between Portugal and the group of countries in the Euro area is quite similar.

Figure 5. Government expenditure by functions, in Portugal and in the Euro area, in 2021



Source: Statistics Portugal, National Accounts; Eurostat