press release

March 25, 2024
GENERAL GOVERNMENT ACCOUNTS
2023

MAIN AGGREGATES OF GENERAL GOVERNMENT

The General Government (GG) sector presented a positive balance (net lending) of EUR 3 194 million in 2023, corresponding to 1.2% of GDP (-0.3% in 2022).

Vis-à-vis 2022, GG total revenue increased by 9.0% in 2023 (+ EUR 9.5 billion), mainly as a consequence of the growth of current revenue (an 8,1% growth, EUR 8.5 billion more than in 2022).

In the same period, GG total expenditure increased by 5.2% (in EUR 5.6 billion), with current expenditure increasing 4.6%, by EUR 4.5 billion, as a result of rises in compensation of employees (with a change rate of 7.6%) and in interest payments, which grew 23.3%. Capital expenditure increased 11.1%, by EUR 1 billion.

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 2024 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 2023[2].

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

Unit: EUR 10^6

Transaction code	Transaction label	General Government	Central Government	Local and Regional Government	Social security funds
		S.13	S.1311	S.1313	S.1314
OTE	**Total Expenditure**	112 428	80 837	17 144	31 990
OTR	**Total Revenue**	115 621	78 509	16 997	37 660
B.9	**Net lending (+)/Net borrowing (-)** (National Accounts balance)	**3 194**	**-2 329**	**-148**	**5 670**

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.

The GG sector revealed a net lending of EUR 3 194 million, which corresponds to 1.2% of GDP (EUR -779 million in 2022, -0.3% of GDP). This positive balance was mainly driven by the Social Security Funds subsector, given that the Central Government and Local and Regional Government balances were negative.

The Central Government balance improved by EUR 2.6 billion between 2022 and 2023, reaching EUR -2.3 billion in 2023 (from EUR -4 947 million in 2022) and the Social Security Funds balance increased a little over EUR 1.4 billion, in the same period, attaining EUR 5.7 billion (from EUR 4 258 million in 2022). In contrast, the Local and Regional Government balance decreased by EUR 57 million in 2023, going from EUR -91 million in 2022 to EUR -148 million in 2023.

GG total revenue was of EUR 115 621 million, corresponding to 43.5% of GDP (43.8% in 2022), while GG total expenditure reached EUR 112 428 million (42.3% of GDP, that compares with 44.1% in 2022).

Table 2 presents the main components of GG revenue for 2022 and 2023, using half-finalized data.

Table 2. General Government revenue

Transaction code	Transaction label	2022	2023	Change rate
		EUR 10^6		%
OTR	**Total revenue**	**106 094**	**115 621**	**9,0**
	Current revenue	**104 615**	**113 123**	**8,1**
	of which			
D.2	Taxes on production and imports	36 330	38 453	5,8
D.61	Social contributions	29 641	32 720	10,4
D.5	Current taxes on income, wealth, etc…	25 690	28 435	10,7
D.9	**Capital revenue**	**1 480**	**2 499**	**68,9**

Compared with 2022, GG total revenue increased by 9.0% in 2023 (in EUR 9.5 billion), driven by the EUR 8.5 billion growth in current revenue (a change rate of 8.1%). The three main current revenue components increased, with the most significant rises belonging to current taxes on income and wealth (change rate of 10.7%, by more than EUR 2.7 billion) and social contributions, that increased by EUR 3 billion, by 10.4%. Taxes on production and imports increased 5.8%, with EUR 2.1 billion more than in 2022. These performances are a result of the growth in economic activity and labour market, and of the price increases, for taxes in production and imports.

Capital revenue increased 68.9% in comparison with 2022, by EUR 1 billion, boosted by the European Recovery and Resilience Plan (RRP). It is worth mentioning that this revenue, in National Accounts, is recorded in the same period that the expenditure takes place, to ensure the neutrality of the European funds in the net balance of GG.

In terms of the GG revenue structure, to be noted the 1 percentage point (p.p.) reduction in the relative weight of current taxes on income and wealth, that nevertheless remained as the main source of public revenue, accounting for 33.3% of total revenue. In line with the economic activity and labour market growth, the share of both social contributions and taxes on production and imports increased 0.4 p.p. from 2022 to 2023, with the former accounting for 24.6% and the latter for 28.3% of total revenue. Overall, the relative weight of current revenue decreased by 0.8 p.p., given the rise of capital revenue.

Table 3 presents the main components of GG expenditure for 2022 and 2023, with half-finalized data.

Table 3. General Government expenditure

Transaction code	Transaction label	2022	2023	Change rate
		EUR 10^6		%
OTE	**Total expenditure**	**106 874**	**112 428**	**5,2**
	Current expenditure	**97 656**	**102 192**	**4,6**
	of which			
D.1	Compensation of employees	25 825	27 787	7,6
D.62	Social benefits other than social transfers in kind	40 100	41 739	4,1
D.41	Interest	4 664	5 752	23,3
D.9+P.5+NP	**Capital expenditure**	**9 217**	**10 236**	**11,1**

Total expenditure increased by 5.2% between 2022 and 2023, reflecting the growth of 11.1% in capital expenditure and of 4.6% in current expenditure.

The increase in current expenditure was mainly forged by the increases in compensation of employees (growth of 7.6%, by almost EUR 2 billion) and in interest payments (an increase of EUR 1 billion, that corresponds to a variation of 23.3%), as a result of the wages upgrades and remuneration valuations of the civil servants that began to take place in 2023 and of the considerable rise in interest rates. The increase in Interest payments terminates the decreasing trend that started in 2015.

As for social benefits other than social transfers in kind, the increase was of EUR 1.6 billion, that corresponds to a 4.1% growth, and reflects the burden associated with the automatic and interim pension update, as well as the increase in the costs associated with the majority of social benefits. Social benefits other than social transfers in kind continue to include public policy measures to mitigate the effects of high prices of various goods and services, namely energy prices, as a result of the geopolitical conflict, although to a lesser degree than in the previous year (EUR 580 million in 2023, that compares with EUR 2 billion in 2022).

In the remaining components of current expenditure, it is worth highlighting the reduction of 25.5% in subsidies paid, that mostly refers to the lower amount of the additional allocation of funds to the National Electric System (SEN) for electricity tariff reduction, a measure to mitigate the impact of the geopolitical conflict, recorded as subsidies paid, and that was of EUR 650 million in 2022 and of EUR 200 million in 2023.

The 2023 growth in capital expenditure was mostly due to the increase in gross capital formation (+17.5%) boosted by the RRP European funds (an increase of EUR 1 billion).

Capital transfers increased by less than 1%, maintaining the level recorded in 2022, and reflecting several extraordinary measures of capital expenditure. In 2023, these included the amount related to the reprivatisation of EFACEC (with a net impact of EUR 166 million), the recording of additional losses on credits that will not be recovered, held by *Parvalorem*, S.A. (amounting to EUR 916 million), the conversion of deferred tax assets (DTA) of *Novo Banco* in tax credits (EUR 117 million) and the recording of the decision of the Supreme Administrative Court that determined the payment of EUR 227.6 million by the State to EDP - *Energias de Portugal*, as refund of the amount paid in 2009 for the rights of exploitation of the *Fridão* Dam concession, whose construction did not occur. As stated in the Press release of March 2023, in 2022 these capital transfers included the support granted to the TAP Group (EUR 990 million), to SATA Air *Açores* (EUR 197 million) and to EFACEC (EUR 159 million) and a DTA conversion of EUR 245 million.

Given the above-mentioned figures, current expenditure share on total expenditure decreased -0.5 p.p. given the rise of capital expenditure, from 8.6% in 2022 to 9.1% in 2023. Expenditure with social benefits other than social transfers in kind decreased 0.4 p.p., from 37.5% of total expenditure to 37.1%, in opposition to the rise in the relative share of compensation of employees (from 24.2% to 24.7%) and interest payments, from 4.4% in 2022 to 5.1% in 2023.

Table 4 shows the half-finalised data for GG main balances in 2022 and 2023.

Table 4. General Government balances

Unit: EUR 10^6

Transaction code	Transaction label	2022	2023
B.9	**Net lending (+) / Net borrowing (-)** (National Accounts Balance)	**-779**	**3 194**
	Current balance	6 958	10 931
B.9 - D.41	Primary balance	3 885	8 945

The 2023 figures reveals that the GG sector balance increased by almost EUR 4 billion between 2022 and 2023, determining a net lending of EUR 3 194 billion in 2023 (1.2% of GDP), that compares with a net borrowing of EUR 779 million in 2022 (-0.3% of GDP). This result was due to a revenue increase (9.0%) that more than compensated the increase in expenditure (5.2%).

The primary balance, *i.e.* the global balance net of interest payments, was positive, as in 2022, by EUR 8.9 billion, improving a little over EUR 5 billion with respect to the previous year.

Date of the next press release – September 23, 2024