



14 May 2024

GOVERNMENT EXPENDITURE STATISTICS  
2022-2023

## **GOVERNMENT EXPENDITURE REACHES 112 BILLION EURO, CORRESPONDING TO 42.3% OF GDP (44.1% IN 2022)**

In 2023, government expenditure reached 112.4 billion euros, corresponding to 42.3% of GDP, minus 1.8 percentage points (p.p.), compared to 2022. The expenditure in percentage of GDP was lower than the average for all countries in the Euro area (7.7 p.p.).

Compared to 2022, government expenditure increased by 5.5 billion euro in nominal terms (rate of change of 5.2%). Social benefits were the most relevant economic item, representing 41.2% of total expenditure. Compensation of employees and intermediate consumption weighed 24.7% and 12.5%, respectively.

Using the classification of functions of government, in 2022, the last year for which this information is available, the structure of government expenditure was focused on the social protection function (39.7%), followed by the health function and the general public services function, which includes interest payments, with 16.2% and 13.0%, respectively.

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Statistics Portugal presents government expenditure statistics for the year 2023, 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 2024 on the Excessive Deficit Procedure (EDP), released by end March. Figures regarding 2022 and 2023 are provisional, whilst figures for 1995 to 2021 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 2023, nominal government expenditure reached 112.4 billion euro (42.3% of GDP and 1.8 p.p. less than in 2022), representing a year-on-year increase of 5.2%.

This increase, in line with previous years, reflects the growth of its main components, namely compensation of employees (7.6%), intermediate consumption (5.1%) and social benefits (3.4%). Investment rose 17.0%, an increase of 990 million euro, compared to 2022, after having already risen 17.4% and 3.4%, in 2021 and 2022, respectively.

The decreasing trend shown since 2015 in expenditure with property income (which corresponds mainly to interest paid) has come to an end, with this component rising 23.3% vis-à-vis 2022, as a result of the increase in interest rates.

The item “Other transfers”, in table 1, which comprises the expenditure on subsidies, on current and on capital transfers, maintained a prominent level in 2023, although decreasing 5.4% compared to the previous year, given a lower amount of expenditure with extraordinary policy measures.

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

	10 <sup>6</sup> Euro				
COMPONENTS	2019	2020	2021	2022*	2023*
Compensation of employees	23 146.7	23 933.8	25 038.6	25 825.1	27 787.0
Intermediate consumption	11 069.7	11 088.6	12 204.4	13 387.1	14 064.2
Property income (interest incl.)	6 337.0	5 788.5	5 193.2	4 665.8	5 752.5
Social benefits	38 825.9	40 196.1	41 707.6	44 841.3	46 346.9
of which: pensions	27 903.5	28 689.3	29 313.0	31 144.8	32 911.8
Other transfers	7 898.2	12 953.4	12 776.2	12 350.2	11 685.1
Investment	3 726.7	4 782.9	5 613.9	5 804.1	6 792.2
<b>Total expenditure</b>	<b>91 004.2</b>	<b>98 743.3</b>	<b>102 533.9</b>	<b>106 873.6</b>	<b>112 428.0</b>
Gross debt (consolidated)	249 977.5	270 495.0	269 089.0	272 427.0	263 085.0
Gross debt (consolidated) (% GDP)	116.6	134.9%	124.5%	112.4%	99.1%

\* provisional data

Source: Statistics Portugal, National Accounts; Banco de Portugal

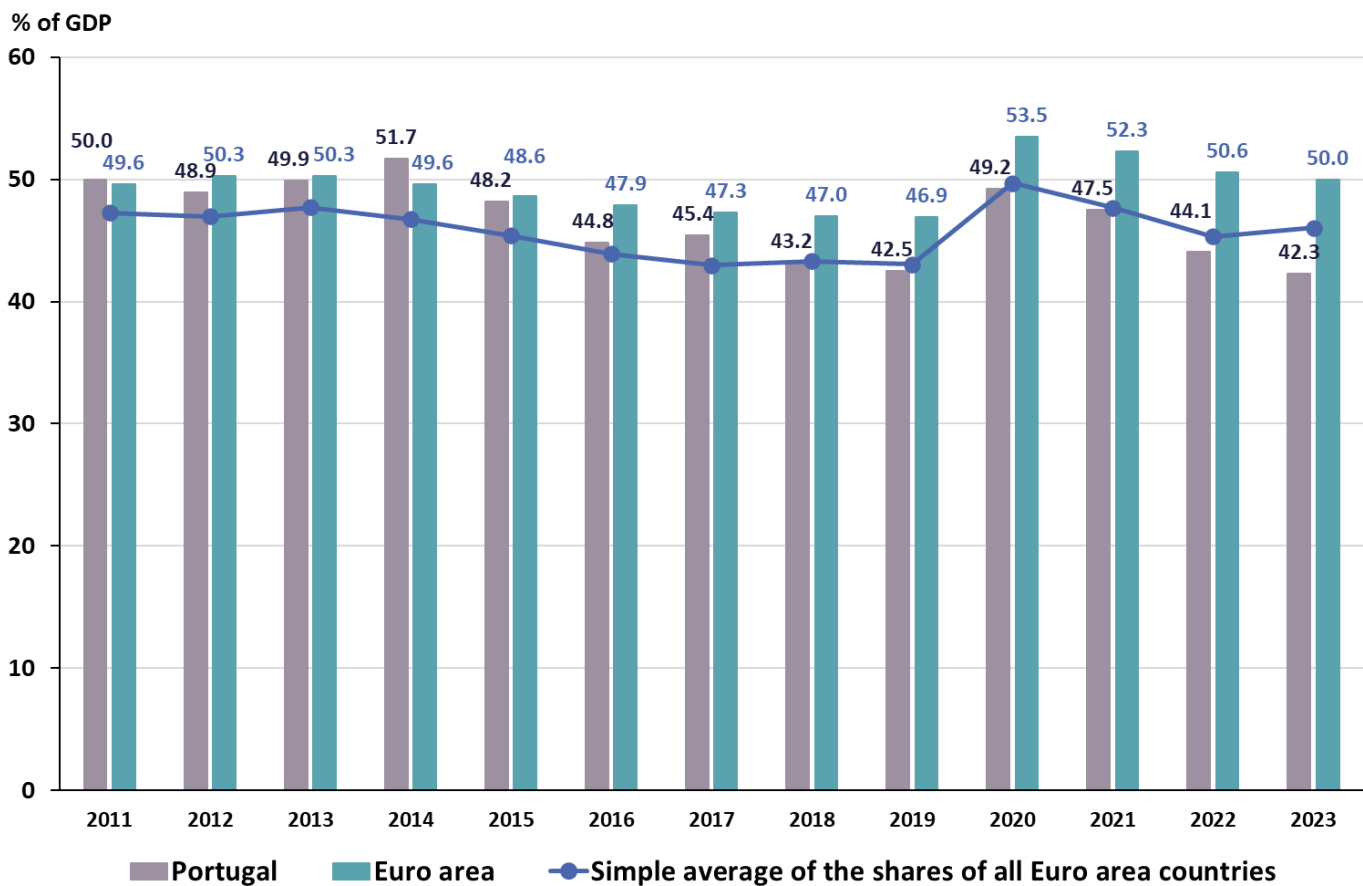
In 2023, the share of government expenditure in relation to GDP was 42.3% in Portugal, 7.7 percentage points lower than the value for the Euro area average. However, as it can be seen in the following figure, if the



comparison is made with the simple average of the shares of expenditure in GDP of the various countries in the Euro area<sup>1</sup>, Portugal presents similar values to this average since 2016.

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.

Figure 1. Government expenditure, in Portugal and Euro area, between 2011 and 2023 (% 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 2023, they represented 41.2% and 24.7% of total expenditure, respectively.

Social benefits grew by 3.4% (7.5%, in 2022). Its main component (about 71.0% of total expenditure on social benefits) corresponds to pensions paid, pension charges that increased 5.7%, reflecting the burden associated

<sup>1</sup> The use of the simple average (unweighted) of the shares of expenditure in GDP allows for decreasing the impact on the average due to big countries with high relative weights.



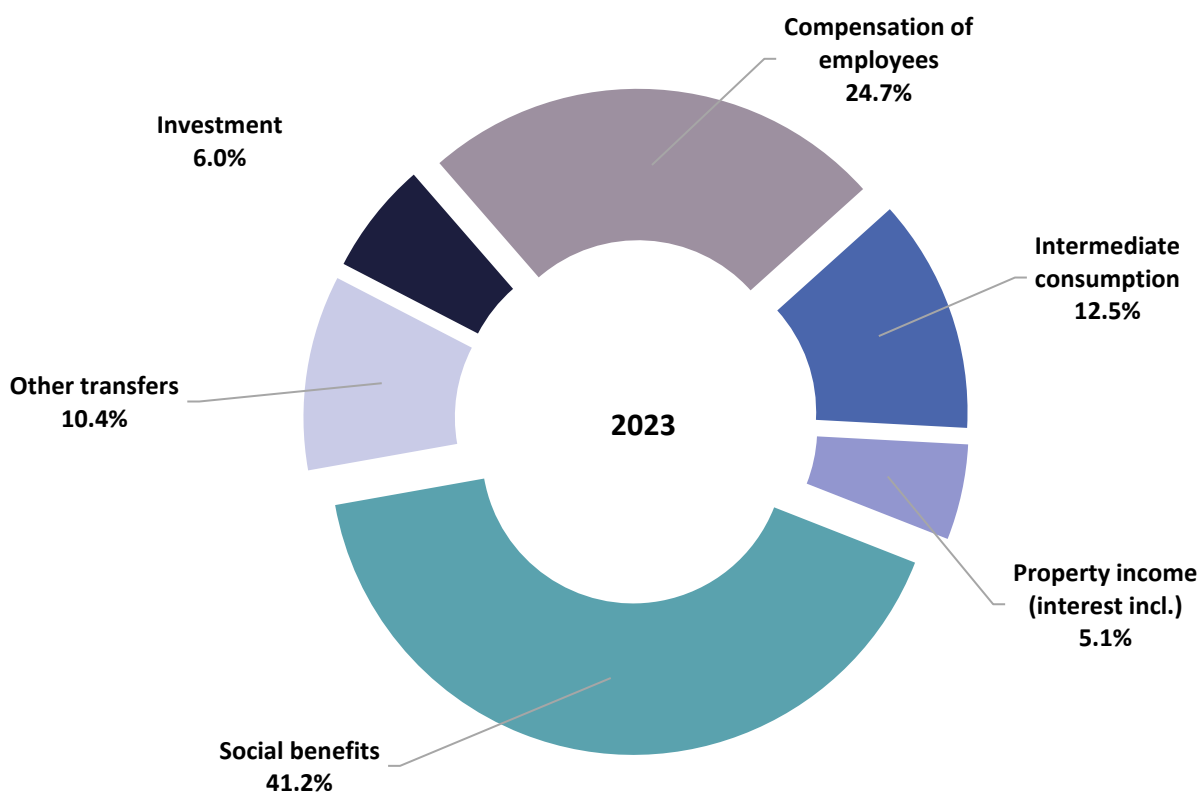
with the automatic and interim pension update, as well as the increase in the costs associated with most social benefits.

Compensation of employees grew by 7.6%, due to effects of wages upgrades and remuneration valuations (the number of civil servants increased only by 0.4%, compared to 2022).

As for intermediate consumption, in 2023, its value reached 14.1 billion euro, representing 12.5% of total expenditure (increase by 5.1%, comparing with 2022).

Finally, investment represented 6.0% of total expenditure, reaching 6.8 billion euro in 2023. Compared to 2022, this represents an increase of 17.0% and is a direct effect of the application of funds received via the European Recovery and Resilience Facility.

Figure 2. Share of government expenditure components (% of total), in Portugal, in 2023

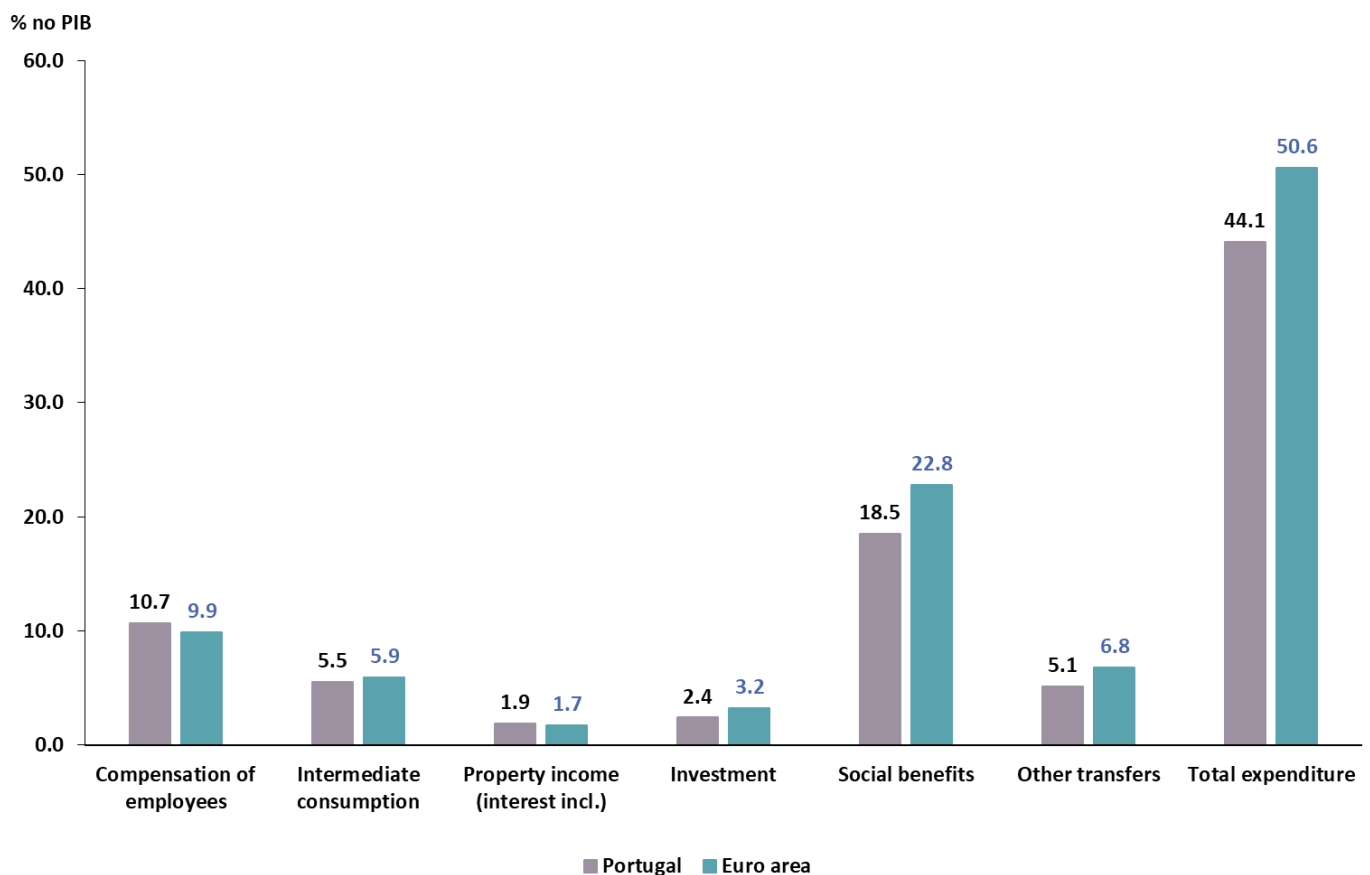


Source: Statistics Portugal, National Accounts



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 2023 (% of GDP)



Source: Statistics Portugal, National Accounts; Eurostat



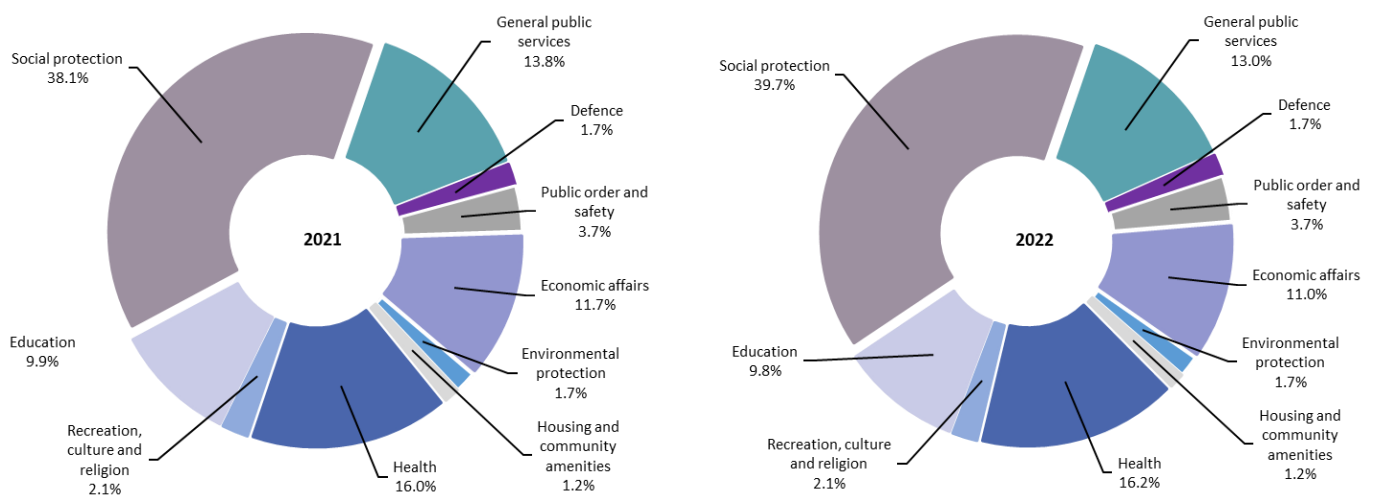
## II. Functional classification of expenditure

In addition to the 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, 2022 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 2022, its weight in total expenditure was 39.7%. This was followed by health and then by general public services function (which includes interest paid) with a value of 16.2% and 13.0% of total expenditure, respectively. Finally, expenditure on economic affairs registered a value of 11.0% and the education function displayed a value of 9.8%.

Comparing with 2021, expenditure with social benefits was the component that gained more share (+1.6 p.p.), with an 8.5% increase in nominal values. On the other hand, expenditure on general public services and economic affairs lost importance (-0.8 p.p. and -0.7 p.p., respectively), reflecting the reduction in interest paid (-526.7 billion euro) and subsidies (-1.5 billion euro).

Figure 4. Government expenditure by function (% of total), in 2021 and 2022



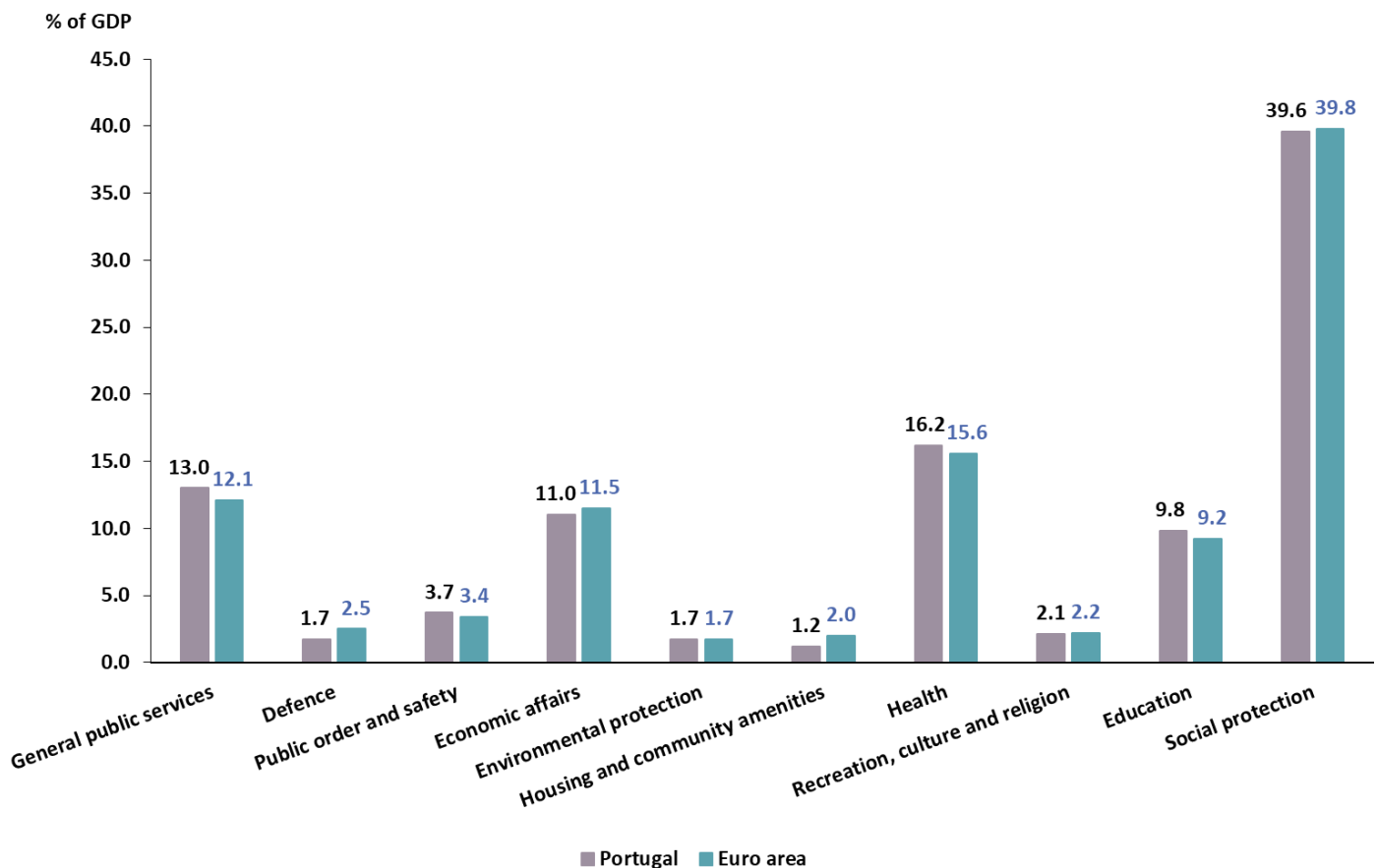
Source: Statistics Portugal, National Accounts



Comparing the structure of public expenditure by functions with the Euro Area, in 2022, 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 defence, economic affairs, housing and community amenities, recreation culture and religion and social protection.

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 2022



Source: Statistics Portugal, National Accounts; Eurostat