



25 March 2022
GOVERNMENT ACCOUNTS
2021

MAIN AGGREGATES OF GENERAL GOVERNMENT

Statistics Portugal publishes the half-finalized results on the main aggregates of General Government (GG) for 2021, with 2016 as the Portuguese National Accounts benchmark year.

According to these results, the GG sector presented a net borrowing of 5 977 million euro in 2021, corresponding to 2.8% 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 first 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 sub-sector, for 2021.

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

TIME: 2021 Unit: 10⁶ 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 | 101 727 | 73 801 | 14 585 | 29 818 |
| OTR | Total general government revenue | 95 750 | 65 964 | 14 022 | 32 241 |
| B.9 | Net lending (+)/Net borrowing (-) (National Accounts balance) | -5 977 | -7 837 | -563 | 2 423 |

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 5 977 million euro, which corresponds to 2.8% 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 5.8 billion euro between 2020 and 2021, reaching -7.8 billion euro in 2021. On the contrary, the Local and Regional Government deficit increased to -563 million euro in 2021, more than the double of 2020. The Social Security Funds balance remained positive, increasing by almost 200 million euro in comparison with 2020.

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

Table 2. General Government revenue

| | | Unit: 10 ⁶ EUR | |
|------------------|---|---------------------------|---------------|
| Transaction code | Transaction label | 2020 | 2021 |
| OTR | Total revenue | 87 041 | 95 750 |
| | Current revenue | 86 356 | 93 330 |
| | of which | | |
| D.2 | Taxes on production and imports | 29 185 | 32 283 |
| D.61 | Social contributions | 25 606 | 27 149 |
| D.5 | Current taxes on income, wealth, etc... | 20 110 | 20 551 |
| D.9 | Capital revenue | 685 | 2 420 |

Compared with 2020, GG total revenue increased by 10% in 2021 (+8.7 billion euro) and the current revenue increased by +8% (nearly, +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%). Social contributions expenditure increased by 6% and current taxes on income and wealth only grew 2%.

Capital revenue more than 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 1 188 billion euro (1.2% of total public revenue).

As such, the composition of public revenue changed 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 (+0.2 p.p.). Overall, the weight of current revenue decreased (-1.7 p.p.).



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

Table 3. General Government expenditure

| | | Unit: 10 ⁶ EUR | |
|-------------------|---|---------------------------|----------------|
| Transaction code | Transaction label | 2020 | 2021 |
| OTE | Total expenditure | 98 725 | 101 727 |
| | Current expenditure | 89 982 | 93 716 |
| | of which | | |
| D.1 | Compensation of employees | 23 925 | 24 882 |
| D.62 | Social benefits other than social transfers in kind | 36 097 | 37 186 |
| D.41 | Interest | 5 791 | 5 169 |
| D.9+P.5+NP | Capital expenditure | 8 743 | 8 012 |

Total expenditure increased by 3.0% between 2020 and 2021. This growth was the joint result of an increase in current expenditure (+4.1%) and a decrease in capital expenditure (-8.4%).

The increase in current expenditure was mainly due to the 4.0% growth in the compensation of employees and to the 3.0% growth in social benefits, other than social transfers in kind. In the opposite direction, there was a reduction of 11.0% in interest payments (-623 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 (+43.5%) was due to a lower amount of capital transfers, given that gross capital formation increased by 19%. The capital transfers that most stand out 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 economic and financial situation of the company. Nevertheless, the financial support to these two companies in 2021 was below the 2020 figure (1332 million euro).

Public expenditure directly linked to the COVID-19 pandemic amounted to 7 billion euro in 2021, representing 6.9% of the total public expenditure. In 2020, the impact amounted to 4.3 billion (4.4% of total expenditure)³. Among the most important COVID-19 expenditure items are subsidies to firms (3.1% of the 2021 total expenditure), intermediate consumption (0,9%), social benefits to families (0.6%) and compensation of employees (0.4%), 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 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 0.4% of total expenditure.

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



Despite of the above-mentioned spending, current expenditure share on total expenditure increased (+1 p.p.). Conversely, capital expenditure lost relative importance in total expenditure, from 8.9% in 2020 to 7.9% in 2021. Interest costs moved from 5.9% of total revenue, in 2020, to 5.1%, 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 5.7 billion euro between 2020 and 2021, determining a net borrowing of 5.977 billion euro in 2021 (-2.8% of GDP). This result was due to a revenue increase (10.0%) that more than compensated for the expenditure increase (3.0%).

Table 4. General Government balances

| | | Unit: 10 ⁶ EUR | |
|------------------|---|---------------------------|---------------|
| Transaction code | Transaction label | 2020 | 2021 |
| B.9 | Net lending (+) / Net borrowing (-) (National Accounts Balance) | -11 684 | -5 977 |
| | Current balance | -3 626 | -386 |
| B.9 - D.41 | Primary balance | -5 893 | -808 |

Given 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 -6 billion euro (-2.9% 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 -810 million euro but improved significantly with respect to the previous year.

Date of the next press release – September 23, 2022
