26 March 2021

Main Aggregates of General Government
2020

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Statistics Portugal publishes the half-finalized results on the main aggregates of General Government (GG) for the 2020 data, with 2016 as the Portuguese National Accounts benchmark year.

According to the half-finalized estimate for 2020, the GG sector presented a net borrowing of -11 501 million euro, corresponding to -5.7% of GDP.

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]. The results presented in this press release are sent to Eurostat in accordance with the ESA 2010 data transmission programme[2] and are fully consistent with the first 2021 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 2020.

TABLE 1 – MAIN AGGREGATES OF GENERAL GOVERNMENT – HALF-FINALIZED DATA
TIME: 2020
Unit: Million euro

Transaction code	Transaction label	General Government **S13**	Central Government **S1311**	Local and Regional Government **S1313**	Social security funds **S1314**
OTE	**Total general government expenditure**	98 088	72 626	13 087	29 125
OTR	**Total general government revenue**	86 587	59 233	12 911	31 193
B.9	**Net lending (+)/Net borrowing (-)** (National Accounts balance)	-11 501	-13 394	-176	2 069

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 -11 501 million euro, which corresponds to -5.7% of GDP and compares with a net lending of 0.1% in 2019. 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.

Specifically, the Central Government balance dropped by 10 billion euro, reaching -13 billion euro in 2020. As for the Local and Regional Government, which in 2019 had showed a surplus of near 600 million euro, recorded a deficit of 176 million euro in 2020. The Social Security Funds balance, although positive, deteriorated by 900 million euro, going back to the one observed in 2018.

Table 2 presents the main components of GG revenue based on half-finalized data both for 2019 and 2020.

TABLE 2 – GENERAL GOVERNMENT REVENUE *Unit: Million euro*

Transaction code	Transaction label	2019	2020
OTR	**Total revenue**	**91 161**	**86 587**
	Current revenue	**90 486**	**85 776**
	of which		
D.2	Taxes on production and imports	32 066	29 157
D.61	Social contributions	25 274	25 566
D.5	Current taxes on income, wealth, etc…	20 849	20 081
D.9	**Capital revenue**	**676**	**811**

Compared to 2019, GG total revenue decreased by 5.0% in 2020 (4.6 billion euro), due to the decrease in current revenue (-5.2%), mainly driven by taxes on production and imports (-9.1%) and, to a lesser extent, by current taxes on income and wealth (-3.7%), reflecting the strong reduction in the economic activity in 2020. On the contrary, social contributions revenue increased by 1.2%.

It should be mentioned that due to the policy measures for fractional payment of taxes and social contributions implemented in the context of the COVID 19 pandemic, an additional adjustment was necessary in order to include the future payments as revenue of the period when the activity took place. This adjustment implied the recording of an additional VAT revenue of 236 million euro when compared to public accounting, given the decision of postponing VAT obligations due between the end of 2020 and the beginning of 2021 and that should be recorded as 2020 revenue in national accounts.

As for capital revenue, there was an increase of about 20%, particularly due to the rise in capital transfers form the European Union, which have partially directed to the financing supporting measures to firms and families in the context of the COVID-19 pandemic.

Give these changes, the composition of public revenue changed in terms of an increased importance of social contributions (+1.8 p.p.), of current taxes on income and wealth (+0.3 p.p.) and of capital revenue (+0.2 p.p.), whereas the weight of taxes on production and imports decreased (-1.5 p.p.), although remaining the main source of public revenue.

Table 3 presents the main components of GG expenditure for 2019 and 2020 half-finalized data.

TABLE 3 – GENERAL GOVERNMENT EXPENDITURE *Unit: Million euro*

Transaction code	Transaction label	2019	2020
OTE	**Total expenditure**	**90 984**	**98 088**
	Current expenditure	**84 732**	**89 733**
	of which		
D.1	Compensation of employees	22 905	23 744
D.62	Social benefits other than social transfers in kind	34 760	36 188
D.41	Interest	6 331	5 786
D.9+P.5+NP	**Capital expenditure**	**6 252**	**8 355**

Total expenditure increased by 7.8% between 2019 and 2020. This growth was the joint result of an increase in current expenditure (+5.9%) and an increase in capital expenditure (+33.6%).

The increase in current expenditure was mainly due to the 4.1% growth in social benefits, other than social transfers in kind, in an amount close to 1.4 billion euro, and also to the 3.7% growth in the compensation of employees (+838 million euro). In the opposite direction, there was a reduction of 8.6% in interest payments (-544 million euro), in line with the decreasing trend which started in 2015 (in 2014, interests costs were 8.4 billion euro and, in 2020, the amount had fallen to 5.8 billion euro).

As for the capital expenditure, the 2020 increase (+33.6%) is largely explained by the recording, as capital transfers, of the 1.2 billion euro public loan to TAP Air Portugal and the Regional Government of Azores loan guarantee to SATA Air Açores (132 million euro), due to the economic and financial situation of the companies. Capital expenditure also includes the recording of 114 million euro related to back payments of vacation bonuses due to police officers (from PSP and GNR), following a court sentence.

About half of the public expenditure annual growth is directly linked to the COVID-19 pandemic, corresponding to 3.6% of the 2020 total expenditure. Among the most important COVID-19 expenditure items are subsidies to firms (2.2% of the 2020 total expenditure) and social benefits to families (0.2%).

As a result of the above-mentioned changes, the capital expenditure share in total expenditure increased from 6.9% in 2019, to 8.5% in 2020. The current expenditure lower share was due to the negative changes in social benefits (-1.3 p.p.), compensation of employees (-1.0 p.p.) and interest payments (-1.1 p.p.).

Table 4 shows GG balances for 2019 and 2020 half-finalized data.

TABLE 4 – GENERAL GOVERNMENT BALANCES *Unit: Million euro*

Transaction code	Transaction label	2019	2020
B.9	**Net lending (+) / Net borrowing (-)** (National Accounts Balance)	**177**	**-11 501**
	Current balance	5 753	-3 957
B.9 - D.41	Primary balance	6 508	-5 715

The 2020 half-finalized estimate reveals that the GG sector balance decreased by 11.7 billion euro when compared to the 2019 results, determining a net borrowing of 11.5 billion euro in 2020 (-5.7% of GDP). This result was due both to an expenditure increase (+7.8%) and to a revenue decrease (-5.0%).

Given the currently available information included in the Budgetary Execution released by the Directorate-General for Budget, the direct impact on the GG balance of the exceptional measures of support taken in the context of the COVID-19 pandemic was around 2.3% of GDP.

The primary balance (the global balance net of interest payments) moved to a deficit, which did not happen since 2014, of -5.7 of billion euro.