



October 22, 2023
Excessive Deficit Procedure
2nd Notification 2023

EXCESSIVE DEFICIT PROCEDURE (2ND NOTIFICATION 2023)

According to EU regulations, Statistics Portugal presents the second notification for 2023 associated with the Excessive Deficit Procedure (EDP) to be sent to Eurostat before the end of the month¹. According to these provisional results, the net borrowing of General Government (GG) in 2022 amounted to EUR 779.1 million, corresponding to 0.3% of GDP (2.9 % in 2021). Gross debt of GG attained 112.4 % of GDP in 2022 (124.5 % of GDP in 2021).

Table 1 of the notification, presented below, summarizes the main results for the period 2019-2023 (a detailed table can be seen in the end of this press release).

Table 1 - Reporting of government deficit/surplus and debt levels
and provision of associated data

Unit: 10⁶ EUR

Member State: Portugal Date: 22/09/2023	ESA 2010 Codes	2019	2020	2021	2022	2023
		Final	Final	Final	Half- finalized	Planned
Net borrowing (-)/ net lending (+)	B.9					
General government	S.13	247.2	-11 669.0	-6 215.3	- 779.1	- 918.4
- Central government	S.1311	-3 352.2	-13 659.8	-8 057.0	-4 946.6	-5 052.5
- Local government	S.1313	624.0	- 207.2	- 607.7	- 90.7	- 27.0
- Social security funds	S.1314	2 975.5	2 197.9	2 449.3	4 258.2	4 161.1
General government consolidated gross debt		249 977.5	270 494.9	269 089.0	272 435.3	276 589.5
Gross domestic product at current market prices	B.1*g	214 374.6	200 518.9	216 053.2	242 340.8	260 631.4
<i>Memorandum items:</i>						
Net lending (+)/Net borrowing (-) on GDP		0.1%	-5.8%	-2.9%	-0.3%	-0.4%
General government consolidated gross debt on GDP		116.6%	134.9%	124.5%	112.4%	106.1%

Source: Statistics Portugal, Banco de Portugal, Directorate-General for the Budget

¹ Excel files containing additional data are made available in attachment to this press release. It should also be noted that the list of entities classified in the institutional sector of General Government (GG) from the perspective of National Accounts, is also available on INE's website.



Responsibilities in the notification

The present notification was prepared under an Institutional Agreement in the field of GG Statistics, signed on the 27th of March 2017, where Statistics Portugal, Banco de Portugal and the Directorate-General for the Budget (Ministry of Finance) are responsible for the reporting according to the following terms:

- For 2022 and precedent years, the compilation of the Net lending / net borrowing is prepared by Statistics Portugal and the Gross debt is compiled by the Banco de Portugal.
- For the current year (2023), estimates of the Net lending/ net borrowing, gross debt and nominal GDP are the responsibility of the Ministry of Finance based on macroeconomic and budgetary scenario integrated in the Stability Programme 2023 presented to the Assembly of the Republic.

Under Council Regulation (EC) No. 479/2009 the notifications initiate a joint work between national statistical authorities and Eurostat which, within a three-week deadline, should examine the notifications and publish the results for all Member States.

Revisions compared with the April 2023 notification

Comparing with the previous notification, the figures for 2021 and 2022 were revised due to the incorporation of recently available data. The results for 2021 are now final, whereas those for 2022 still have a provisional nature.

The revisions for 2021 are due to the use of final and detailed information, now available to all GG entities. Although the revision of the net borrowing in 2021 is not significant, the revisions of expenditure and revenue components are relevant.

The revisions of the figures for 2022, as usual, reflect the incorporation of data from Simplified Business Information (*Informação Empresarial Simplificada – IES*) and of data on an accrual basis, rather than cash basis, for a vast group of entities.

The main revision of the in 2022 GG net borrowing occurs in the Central Government (which improved by EUR 228.1 million) as a result of the incorporation of the information included in the General State Account, which determined an upward revision of tax revenue (VAT). Additionally, it was incorporated revised information for National Health Service (NHS) and for public corporations classified, in national accounts, in the GG sector. Finally, it is important to highlight the impact of the appropriation of the accounts of the municipalities on an accrual basis that became available for this notification.



The following table summarises the revisions by subsector:

Table 2. Revisions by subsector

Unit: 10⁶ EUR

	ESA 2010 Codes	2021	2022
		Final	Half- finalized
Net borrowing (-)/ net lending (+)	B.9		
General Government	S.13	0.2	165.3
- Central government	S.1311	52.5	228.1
- Local government	S.1313	- 3.0	- 32.5
- Social security funds	S.1314	- 49.2	- 30.3

Source: Statistics Portugal

For a more detailed analysis of the changes in expenditure and revenue, please see the press release “Main Aggregates of General Government”, also published today.

Public to National Accounts adjustments

For the compilation of GG net lending / net borrowing in National Accounts several adjustments to Public Accounting data are necessary. Public Accounting data is on a cash-basis, meaning that expenditure is recorded in the accounting period in which it is paid. In National Accounts, expenditure is recorded on an accrual-basis, that is, in the accounting period to which it refers to, regardless of the period of its payment. Accordingly, payments referring to expenditure due on other periods are not considered. Another important adjustment is related to sector delimitation of GG. As the classification of a public entity may differ under National Accounts and Public Accounting viewpoints, not all the entities included in the GG sector are coincident with those considered in the Public Accounting balance. Finally, there are transactions that, according to the conceptual framework of the National Accounts, have a specific classification, notably in the cases where entities from the GG sector acquire shares from other entities, which are recorded as expenditure (capital transfer) and not as financial transactions.

The table below details the main amendments for 2021 and 2022 in the Public to National Accounts adjustment, presented in tables 2A, 2C and 2D of the EDP notification attached to this press release.



Table 3. Public to National Accounts adjustments

Unit: 10⁶ EUR

	2021	2022
Balance in Public Accounting	-8 867,9	-3 599,1
Accrual adjustment and sector delimitation in National Accounts	3 799,1	3 381,2
Difference between paid and due interest	1 013,4	1 136,3
Other receivables:	410,3	567,9
<i>Temporal adjustment to taxes and social contributions</i>	916,6	648,8
<i>Others</i>	-506,2	-80,9
Other payables:	-19,9	-119,7
<i>Expenditure already incurred but not yet paid</i>	25,9	-103,0
<i>Others</i>	-45,8	-16,8
Other adjustments:	-2 550,2	-2 145,8
<i>Capital injections and debt assumptions</i>	-3 824,6	-3 902,5
<i>Others</i>	1 274,4	1 756,7
Balance in National Accounts	-6 215,3	-779,1

Source: Statistics Portugal

The net borrowing of GG in 2022 amounted to EUR 779.1 million, corresponding to 0.3% of GDP (2.9% of GDP in 2021).

As it can be seen from the table above, the balance in public accounts showed a significant improvement in 2022 which led to a higher increase in revenue (10.1%) than in expenditure (4.2%), in national accounts.

As referred in the previous press release, the increase in revenue was mainly due to an increase in the revenue of taxes and social contributions, reflecting the recovery of the economic activity and the labour market vis-à-vis 2021, still influenced by the pandemic situation.

GG expenditures in 2022 reflect the effects of some public policy measures in the context of the COVID-19 pandemic, to a lesser extent than in the previous two years, and also new measures to mitigate the effects of high prices of various goods and services, namely energy prices, as a result of the geopolitical conflict. Among the various measures implemented, we highlight the following: *i)* exceptional supplement to pensioners and extraordinary support to holders of income and social benefits; *ii)* support to most deprived households; *iii)* expenditure on the acquisition of goods and services in the health sector, notably the expenditure on COVID-19 tests, acquisition of medicines, complementary means of diagnosis and clinical consumption material in the National Health Service; *iv)* expenditure of the Directorate-General for Health with COVID-19 vaccines; *v)* compensation of employees, in particular due to the effects of wages upgrades and remuneration valuations; *vi)* additional allocation of funds to the National Electric System (SEN) for tariff reduction.

In 2022, based on the available information included in the monthly budget execution bulletins of the Directorate-General for the Budget, the direct impact on the national accounting balance of these public policy measures will have amounted to around -2.2% of GDP (-2.7% in 2021).

As referred in previous press releases, the adjustment "capital injections and debt assumptions", in addition to the capital injections granted to corporations classified in the GG sector (EUR 2 693.2 million) also includes some



transactions classified in national accounts as capital transfers, namely: *i)* capital increase, through the Directorate General of the Treasury and Finance, in the TAP Group, of EUR 990 million²; *ii)* capital injection and guarantees granted by the Regional Government of the Azores to SATA Air Açores, amounting to EUR 197 million. Both transactions were recorded in national accounts as a capital transfer considering the economic and financial situation of the corporations in recent years, with significant accumulated losses.

In the adjustments considered under "other", the following stand out: *i)* the reclassification, as a financial transaction, of EUR 420.6 million associated with the conversion of deferred tax assets (DTA) of *Caixa Geral de Depósitos* into reimbursable tax credit; *ii)* the reclassification, as a financial operation, of the extraordinary support to the National Gas System, in the amount of EUR 1 billion, as the transfer to the network operator in 2022 is considered an advance. In this latter case, the recording of expenditure in national accounts is expected to occur in 2023, when corporations effectively benefit from the reduction of natural gas prices applicable to the consumption at that time.

Balances of Regional and Local Government and transfers from Central Government

The table below details the net borrowing/net lending and the gross debt of (Regional and) Local Government (S1313).

Table 4. Net borrowing/net lending and gross debt of (Regional and) Local Government (S1313)

	2019	2020	2021	2022
	Unit: 10 ⁶ EUR			
Net borrowing (-)/ net lending (+)				
- Regional and Local Government	624.0	- 207.2	- 607.7	- 90.7
<i>Regional Government of Madeira</i>	38.5	- 128.5	- 213.0	- 142.1
<i>Regional Government of Azores</i>	- 74.7	- 372.5	- 385.0	- 395.1
<i>Local Government</i>	660.2	293.9	- 9.6	445.5
Gross Debt				
- Regional and Local Government	9 965.9	10 646.0	10 856.8	11 199.6
<i>Regional Government of Madeira</i>	4 662.8	5 112.0	5 077.1	5 008.8
<i>Regional Government of Azores</i>	1 956.6	2 405.4	2 708.9	3 063.5
<i>Local Government</i>	3 346.5	3 128.6	3 070.8	3 127.3

Source: Statistics Portugal, Banco de Portugal

As observed in the previous table there was an improvement in the net borrowing/net lending for the Regional Government of Madeira and Local Government subsectors. In the case of the Regional Government of Açores the higher net borrowing reflects the impact of the support given by the Regional Government to SATA, Air Açores, amounting to EUR 197 million recorded as capital transfer (EUR 135 million corresponding to the

² In 2022 the amount actually paid corresponded to 303.9 million euros, and the remaining amount is expected to be paid in 2023 and 2024. The full amount of this capital increase was recorded in national accounts in 2022, when the commitment was made.



granting of guarantees and EUR 62 million as capital injection). In addition, the Regional Government of Açores assumed the debt of two public companies in the amount of EUR 22.3 million, also recorded in national accounts as capital transfer.

It should be noted that in this notification the Local Government 2022 results, still provisional, incorporate accounts of the Municipalities in the “*Sistema de Normalização Contabilística para as Administrações Públicas – SNC-AP*”. In this regard, it is important to note the improvement in quality and the degree of coverage of information on municipalities in 2022 compared to 2021 as it was possible to include in this notification the accounts on an accrual basis for almost all municipalities.

It is worth noting that the transfers received by Central Government are considered in the compilation of Regional and Local Government net lending / net borrowing. These transfers are recorded as expenditure in Central Government, and as such consolidate in the General Government Account.

The following table presents these transfers, from 2019 to 2022, included in the General Government Account.

Table 5. Transfers to the Regional and Local Government

	2019	2020	2021	2022
Transfers from the State:				
Regional Government of Madeira	176.7	182.6	185.8	173.8
Regional Government of Azores	285.3	293.9	301.8	281.2
Local Government	2 285.9	2 315.3	2 552.1	2 395.7

Unit: 10⁶ EUR

Source: Statistics Portugal

As far as gross debt is concerned, and accordingly with European legislation, the following clarifications are relevant: *i)* Trade credits are excluded; *ii)* Debt of public corporations not classified inside General Government is not considered; *iii)* Debt of municipalities and parishes located in the territory of the Autonomous Regions is included in Local Government.

Date of the next press release – 25th of March 2024



Table 1a - Reporting of government deficit/surplus and debt levels
and provision of associated data

Unit: 10⁶ EUR

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		Final	Final	Final	Half-finalized	Planned
Net borrowing (-)/ net lending (+)	B.9					
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- Social security funds	S.1314	2 975.5	2 197.9	2 449.3	4 258.2	4 161.1
General government consolidated gross debt						
Level at nominal value outstanding at end of year		249 977.5	270 494.9	269 089.0	272 435.3	276 589.5
<i>By category:</i>						
Currency and deposits	AF.2	31 808.1	33 062.1	34 440.7	39 641.6	
Debt Securities	AF.3	151 636.2	169 244.4	164 634.3	162 291.3	
Short-term	AF.31	11 245.2	10 749.4	5 965.5	6 286.2	
Long-term	AF.32	140 390.9	158 494.9	158 668.8	156 005.1	
Loans	AF.4	66 533.3	68 188.3	70 014.1	70 502.4	
Short-term	AF.41	1 497.8	1 291.3	1 205.8	1 473.7	
Long-term	AF.42	65 035.5	66 897.1	68 808.3	69 028.7	
General government expenditure on:						
Gross fixed capital formation	P.51	3 904.4	4 641.9	5 583.7	5 773.1	8 338.2
Interest (consolidated)	D.41 (Empregos)	6 324.2	5 786.9	5 190.9	4 664.2	5 895.4
Gross domestic product at current market prices	B.1*g	214 374.6	200 518.9	216 053.2	242 340.8	260 631.4
<i>Memorandum items:</i>						
<i>Net lending (+)/Net borrowing (-) on GDP</i>		0.1%	-5.8%	-2.9%	-0.3%	-0.4%
<i>General government consolidated gross debt on GDP</i>		116.6%	134.9%	124.5%	112.4%	106.1%

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