Executive summary

Analysis of the General Government budget outturn until the 3rd quarter of 2013

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In the first three quarters of 2013, the balance according to the Excessive Deficit Procedure (EDP) rules accounted for a deficit of 5.8% of GDP, a figure that practically matches the Ministry of Finance's (MF) annual estimate published in October last (which pointed to 5.9% of GDP, a figure higher than the 5.5% target laid down in the first amendment to the SB/2013). Fiscal developments up to the end of the 3rd quarter, both on the revenue and expenditure sides, suggest that the general government deficit will be lower than the latest MF estimate.

Excluding the impact of the Banif recapitalisation, the general government deficit stood at 5.2% of GDP. This outcome represents an improvement of 0.9 p.p. of GDP compared to the same period in 2012 and to the first half of 2013.

In adjusted terms, revenue recorded a year-on-year growth up to September of almost twice the growth of expenditure. This was mainly due to the major contribution of tax revenue whose rate of growth increased, standing at 2 p.p. above the implicit growth rate in the MF estimate.

As regards (adjusted) expenditure, despite a higher year-on-year growth in the 3rd quarter, the information available suggests that at the end of 2013 it will be in line with the MF estimate, and may even be lower if the low level of investment (GFCF) recorded up to September continues. Special mention is made of the positive performance of intermediate consumption, compensation of employees and unemployment benefits compared to the annual estimate. On the other hand, social transfers presented an unfavourable evolution, at a time when the effect of restoring the holiday bonus to all pensioners had not yet been felt.

In the 3rd quarter of 2013 the general government debt ratio under the Maastricht definition fell from 131.3% of GDP at the end of the 2nd quarter to 128.7% of GDP. However, this ratio remains above the goal for the end of 2013 (127.8% of GDP). Therefore, the fulfilment of that goal will depend on the outcome of the public debt reduction transactions undertaken in the final quarter of 2013, in particular the purchase of Portuguese government bonds by Social Security Funds and the use of privatisation revenue.