



**Conselho das  
Finanças  
Públicas**

# **AUTONOMOUS REGIONS BUDGET OUTTURN IN 2023 EXECUTIVE SUMMARY**

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## EXECUTIVE SUMMARY

In 2023, in national accounts, the Regional Government as a whole returned to a balanced budget, although with different budgetary positions in each autonomous region: the Autonomous Region of the Azores had a deficit of 2.5% of regional GDP, while the Autonomous Region of Madeira had a surplus of 0.4% of regional GDP. The Regional Government subsector improved its budget balance from -0.2% in 2022 to 0.0% in 2023, driven by economic growth in the autonomous regions, that was higher than the national average. This positive evolution of the Regional Government's budget balance contributed 0.2 percentage points to the overall improvement of 1.5 percentage points in the GDP of the General Government (GG), resulting in a budget surplus of 1.2% of GDP.

The weight of regional public debt, according to the Maastricht definition, decreased by 0.2 percentage points of GDP, from 3.3% of GDP in 2022 to 3.1% of GDP in 2023. Both autonomous regions reduced their debt ratios. In 2023, the debt of the overall GG decreased by 13.3 percentage points of GDP to 97.9% of GDP, the lowest since 2010.

Contingent liabilities of the Autonomous Regions, expressed as a ratio of GDP, continued their downward trajectory in 2023, in line with the trend observed for the overall GG. Excluding the liabilities of public entities involved in financial activities not integrated into the GG, these liabilities amounted to 1.2% of GDP in 2023, 0.8 percentage points lower than in 2018. This ratio compares with 7.4% of GDP in 2023 for the overall GG (12.2% in 2018).

### *Autonomous Region of the Azores*

In 2023, the improvement in the budget balance of the Azores was accentuated, reaching a position close to pre-pandemic levels. The non-repetition in 2023 of the financial support from the regional government of the Azores to the SATA Air Açores, S.A. Group in the form of capital injections and guarantees, along with the end of pandemic crisis measures, were crucial for reducing the deficit from 8.3% in 2022 to 2.5% of the region's GDP (GDPR) in 2023. Despite this reduction, in 2023 the Azores budget deficit was still higher than the pre-pandemic level (1.7% of GDPR).

As a result of these developments, the Maastricht debt ratio reversed its upward trajectory for the first time in a decade and a half. In 2023, this indicator decreased by 3.5 percentage points to 59.6% of GDPR. This improvement was driven by the economic environment, which resulted in a strong positive dynamic effect that

more than offset the impact of the primary deficit of 2.2% of GDP. The overall debt of the Azores, which includes commercial debt, grew at a slower pace, reaching 3,316 million € (61.7% of GDP) mainly due to financial debt, which increased less than half of the increase recorded in 2022. Refinancing risks increased, with more than 80% of repayments due in full at maturity, concentrated in seven of the 14 years planned for debt amortization. Non-financial debt increased by 100 million €, leading to a deterioration in the average payment period (APP) to 152 days, after two consecutive years of reduction.

Contingent liabilities decreased, interrupting the upward trend recorded in previous years. In 2023, these liabilities amounted to 2,221 million € (41.3% of GDP), 218 million € less than in 2022, mainly due to a decrease in liabilities assumed towards public entities outside the budget perimeter, particularly with companies in the SATA Group, currently undergoing restructuring. This reduction was offset by the assumption of debt from these entities by the regional government in its direct debt. Despite the favourable evolution in 2023, the level of contingent liabilities remained high as a ratio of the region's product, with greater expression in liabilities related to the regional business sector, posing a significant downward risk to the Region's public finances.

#### *Autonomous Region of Madeira*

Three years after the pandemic outbreak, Madeira returned in 2023 to a position above balance, similar to the period from 2013 to 2019. In 2023, it presented a budget surplus of 0.4% of GDP, corresponding to an annual improvement of 2.7 percentage points of GDP. Excluding interest payments, there was a primary surplus of 1.7% of GDP. The positive evolution of the primary balance by 2.8 percentage points of GDP compared to 2022 fully explains the improvement in the budget balance, in a year when interest expenses increased by 0.2 percentage points of GDP.

The debt-to-GDP ratio of the region continued its downward trajectory, reaching the lowest level since 2010. In 2023, this indicator, according to the Maastricht definition, stood at 71.6% of GDP, a reduction of 8.7 percentage points of GDP compared to the previous year. This evolution was driven by both the favourable dynamic effect, reflecting economic growth, and the primary surplus.

Contingent liabilities continued their downward trend of recent years, totalling 873 million € by the end of 2023 (12.5% of GDP). The reduction of 398 million € compared to 2022 resulted from a decrease in liabilities with guarantees provided to entities in the regional business sector due to the assumption of debt from these entities by the Region. Similarly, the lower present value of future PPP obligations contributed to this reduction. These developments more than offset the increase in debt of regional public companies

outside the budget perimeter. Liabilities related to these entities represent more than half of the contingent liabilities of the Madeira's Region, justifying the continued need for budgetary transparency in order to monitor the regional public business sector.