



**Conselho das
Finanças
Públicas**

AUTONOMOUS REGIONS BUDGET OUTTURN IN 2024 EXECUTIVE SUMMARY

January 2026

Report no.

01/2026

EXECUTIVE SUMMARY

In 2024, the Autonomous Regions recorded positive economic growth, albeit at a slower pace than in previous years. In the Azores, the region's gross domestic product slowed down again, but still increased by 2.3% in real terms, exceeding Portugal's GDP growth (2.1%) by 0.2 percentage points, driven by tourism and related services, which continued to be one of the main drivers of the region's economy. Despite this performance, GDP per capita remained below the national average and far from the European average: 82.4% of Portugal's and 72.5% of the EU27 average. In Madeira, the pace of economic growth also slowed, growing by 1.5% in real terms, a third of that recorded in 2023 and less than the growth for the country as a whole. According to INE, this slowdown reflected in particular the reduction in gross value added (GVA) from services provided to businesses, associated with lower activity at the Madeira International Business Centre. Nevertheless, Madeira's GDP per capita converged with that of the European Union for the fourth consecutive year, reaching 88.3% of the EU27 (+4.7 p.p. more than in 2023 and +5.9 p.p. more than that recorded by Portugal).

In fiscal terms, from a national accounting perspective, the Regional Administration maintained a balanced budget and reinforced the downward trend in the public debt ratio. Despite the different budgetary positions, evidenced by the improvement in the positive balance of the Autonomous Region of Madeira (RAM) and the deterioration of the deficit of the Autonomous Region of the Azores (RAA), the Regional Government (RG) as a whole maintained a balanced budget in relative terms, equivalent to 0.0% of Portugal's GDP, thus not contributing to the deterioration of the fiscal surplus of the General Government (GG) as a whole, which fell by 0.8 p.p. of GDP in 2024. The regional public debt ratio, as defined by Maastricht, maintained a downward trajectory, falling from 3.0% of GDP in 2023 to 2.9% in 2024, benefiting for the second consecutive year from the contribution of both regions. The RAM recorded the most significant reduction, while the RAA continued the reduction in the debt ratio that began in 2023. Reflecting these developments, the RG contributed to the decrease in the GG debt ratio in 2024, which stood at 93.6% of GDP, the lowest figure since 2010.

Autonomous Region of the Azores (RAA)

In 2024, the RAA interrupted the downward trend of the fiscal imbalance observed in the previous three years. From a national accounting perspective, the fiscal deficit increased to 4.3% of Regional GDP (RGDP) (2.5% in 2023), reflecting a deterioration of 1.8 p.p.. This result was entirely due to the growth in regional public

expenditure by 2.2 p.p. of RGDP, associated, in part, with the integration of the companies SATA Air Açores, S.A. and SATA Gestão de Aeródromos, S.A. into the fiscal perimeter of this autonomous region. Primary current expenditure remained high, increasing by 1.3 p.p. to 28% of GDP in 2024, which reduced the capacity of tax revenue to cover its financing. As a result of this development, even excluding interest, the primary deficit worsened to 3.7% of GDP, accentuating the inability to generate sufficient resources to service the debt. Interest charges rose again to 0.6% of GDP (+0.3 p.p. compared to 2023). This fiscal performance reflects a structural deterioration in the region's public accounts, with significant implications for its medium-term financial sustainability.

Despite the worsening balance, the RAA debt ratio under the Maastricht definition decreased for the second consecutive year. In 2024, this indicator fell by 0.6 p.p. of GDP to 59% of GDP. This development reflects a favourable dynamic effect, resulting from nominal regional product growth exceeding the cost of interest, as well as the favourable effect of deficit-debt adjustments (-1 p.p. of GDP), which more than offset the aforementioned negative impact of the primary deficit (3.7% of GDP). In absolute terms, the debt stock reached €3,394 million, an increase of €191 million, partly explained by the incorporation of the debt of two companies of the SATA Group.

In the broader concept of debt, relevant under the terms of the Autonomous Regions Finance Law (LFRA), the regional debt of the Azores, which includes commercial debt, continued on an upward trajectory, continuing to represent a risk factor for the sustainability of regional finances. By the end of 2024, regional debt totalled €3,493 million (60.7% of GDP), an increase of €177 million compared to 2023, mainly explained by financial debt (+€120 million) essentially to finance the fiscal deficit. The RAA remains vulnerable to debt refinancing risks. The amount of repayments due from 2026 (inclusive) to 2030 and then in 2032 and 2026 is substantially higher than in 2025, double on average, which increases the Region's exposure to refinancing pressures, especially in scenarios of greater volatility in the financial markets. Non-financial debt reached €436 million, an increase by €57 million vis-à-vis 2023, despite debt operations with maturities of more than one year for debt consolidation and settlement of arrears, which led to an increase in net debt in 2024, in breach of the provisions of the 2024 State Budget Law. Average payment terms (APT) stood at 138 days, more than double the legal limit, but 14 days less than in 2023.

Autonomous Region of Madeira (RAM)

The RAM recorded an improvement in its fiscal balance for the third consecutive year. The fiscal surplus reached 2.3% of GDP in 2024, representing an improvement of 2 p.p. of GDP compared to 2023. This improvement was entirely due to the increase in regional public

revenue by 2.4 p.p. of GDP, reaching a nominal growth rate of 17.1%, almost twice the expenditure growth. The primary surplus increased to 3.6% of GDP, continuing to contribute to consolidating and strengthening the sustainability of public finances.

The RAM debt ratio, as defined by Maastricht, continued to decline at a faster pace than that observed for the GG as a whole.

Accumulating a reduction of 50 p.p. of GDP since 2020, the debt ratio stood at 65.8% of GDP, 6 p.p. less than in 2023, reaching its lowest level since 2009. Contributing favourably to this improvement were the dynamic effect (resulting from nominal regional product growth exceeding the cost of interest) and the primary surplus recorded in 2024, which more than offset the unfavourable effect of the deficit-debt adjustment. This reduction also occurred in absolute terms. The region's debt stock under the Maastricht definition reached €4,925 million, €77 million less than in 2023.

Madeira's regional debt under the LFRA decreased but remained above the pre-pandemic level. At the end of 2024, the debt totalled €4,840 million, €127 million less than at the end of the previous year. The largest contribution to this reduction was made by non-financial debt, at €73 million, reflecting a decrease in liabilities to suppliers and other creditors. Although the RAM had the possibility of contracting debt for more than one year for debt consolidation purposes and the regularization of overdue payments up to the amount of €75 million, the authorisation provided for in the 2024 State Budget Law remained unused. Financial debt fell for the third consecutive year, standing at €4,696 million, €55 million less than in 2023. The reduction in the Region's direct debt by €38.2 million contributed to this decrease.

Compliance with the fiscal balance rule and the debt limit established in the Autonomous Regions Finance Law

After a four-year suspension, the application of the LFRA rules was resumed in 2024, revealing non-compliance by both Autonomous Regions with the fiscal rules on budget balance and debt limits. The technical exercise, carried out based on the data available for 2024 reveals that regarding the fiscal balance rule, both the RAA and the RAM exceeded the negative value of 5% of net current collected revenue, established in Article 16(3) of the LFRA. Regarding the debt limit, both regions also exceeded the legal limit, although the RAM complied with the minimum annual reduction of one-twentieth of the excess, as stipulated in Article 7(1) of the LFRA. Had the rules not been suspended between 2020 and 2023, there would have been a breach of the debt limit, with an increase in the debt excess in the RAA, while in the RAM an effort to reduce this excess would have been observed, which continued in 2024.

This report demonstrates the need to strengthen ex ante fiscal supervision, as ex post assessment alone limits the ability to prevent

deviations. Currently, only Madeira provides sufficient forward-looking information to allow for this type of assessment. The limited effectiveness of the current fiscal discipline rules highlights the need to review the LFRA in order to preserve budgetary sustainability and strengthen its applicability, in particular through gradual adjustment mechanisms and the recognition of regional differences.

At a time when the revision of the LFRA has the formal commitment of the Government of the Republic, it is essential to ensure its coordination with the ongoing revision of the Fiscal Framework Law, which will incorporate, among other aspects, the changes resulting from the recent reform of European economic governance. The effectiveness of the new fiscal framework depends on the definition of clear, enforceable rules that are aligned with European restrictions, as well as specific standards that operationalise the role of the CFP in monitoring and evaluating compliance with these rules, promoting their transparency and credibility. Rules designed to ensure the sustainability of regional finances are essential, but they must be designed to guarantee conditions for their compliance, monitoring and effective consequences in the event of non-compliance.