



**Conselho das
Finanças
Públicas**

**STATE-OWNED
ENTERPRISES
2021-2022
EXECUTIVE
SUMMARY**

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EXECUTIVE SUMMARY

State-Owned Enterprises

This report analyses 87 non-financial and 7 financial State-Owned Enterprises (SOE), representing the 149 entities that make up the SOE. In such entities, the role of shareholder exercised by the state directly or indirectly through enterprises in which it has a stake, covered a total share capital of €35.4 billion (14.6% of national GDP), an increase of €1.9 billion compared to 2021. At the end of 2022, the group of SOE entities under analysis employed 159,373 workers (+0.1% compared to 2021), representing 3.3% of national employment and 20.1% of public employment according to the DGAEP classification. The considerable recovery in economic activity was reflected in a 43.6% increase in the SOE's gross value added (GVA), which in 2022 represented approximately 4.0% of the national GDP.

Economic and financial performance

In 2022, the SOE showed a strong recovery in most economic and financial indicators. The aggregate turnover of non-financial companies in the SOE totalled €13.3 billion in 2022, up from €10.1 billion in 2021, reflecting the recovery in economic activity after the pandemic and the lifting of restrictions that were still in place.

Despite the improvement compared to 2021, the economic results of non-financial enterprises in the SOE continue to show an economic imbalance with a net loss of €1.2 billion in 2022. Although this performance reflects a significant improvement in these indicators compared to 2021, it remains insufficient to correct the sector's economic imbalance.

In 2022, the operating activity of these enterprises saw an increase of 501 workers (+0.3%) compared to 2021. This variation was influenced by the increase in workers at TAP, SA (+372) to cope with the surge in activity, and by the increase in health professionals (+339), although the pace of hiring in the health sector has slowed significantly.

Negative economic results mean that the public shareholder needs to increase SOE's capital in order to avoid a deterioration in the enterprises' financial and equity situation. In this sense, the improvement in the financial and equity situation of non-financial enterprises in the SOE compared to 2021 reflects this effort by the State, its only shareholder. The SOE's equity increased to €8.7 billion in 2022 (+€2.6 billion compared to 2021), mostly resulting from the

capital increases made by the public shareholder, through the increase in subscribed capital (€1.7 billion). These entities total liabilities rose by €0.3 billion to €55.3 billion in 2022, and assets increased by €2.8 billion to €64.0 billion. Compared to 2021, there was a positive evolution in the financial autonomy and solvency indicators, which reached 13.6% (+3.6 p.p.) and 15.8% (+4.6 p.p.), respectively. This development strengthened debt capacity (+9.5 p.p.) and the ability to meet commitments. However, even with this recovery, more than a third of these companies (30) still had negative equity in 2022, indicating a technical bankruptcy situation.

The health sector and the transport and storage sector remained the most representative of non-financial enterprises in the SOE. The health sector was responsible for the largest number of employees, turnover and relevant operating expenses, while the transport sector concentrated the majority of assets and share capital.

In the health sector, in 2022, there was a worsening of the economic results of the corporate public entities (EPE) integrated in the NHS as a result of the resumption of care activity after the pandemic, the sharp rise in inflation and, to a lesser extent, the reduction in revenue due to user charges. All the NHS EPEs analysed recorded negative net results, for an aggregate negative total of €1.3 billion, which represents an increase of €169 million compared to 2021. Despite the 7.6% increase in relevant operating expenses, turnover grew 12.9%, which resulted in an economic performance ratio improvement compared to 2021. More than half of the 42 NHS EPEs had negative equity at the end of 2022. In addition, there was a deterioration in the negative values of the profitability ratios (of sales, assets and equity) of the NHS EPEs, and a deterioration in financial autonomy, solvency and indebtedness.

In the transport sector, the activity recovered significantly in 2022, with the SOEs enterprises turnover growing by 77.3%. The Portuguese carrier TAP's sales recovery contributed to more than 86% of this increase. Despite the 56.6% increase in relevant operating expenses, the significant growth in turnover more than compensated this and the net profit for the year reached a positive €123 million, a recovery of €1.7 billion compared to 2021.

The enterprises in the other sectors saw a slight deterioration of their operating indicators in 2022, with the EBITDA of this group of enterprises reaching a positive figure of €686 million (-€24.5 million compared to 2021). These entities comprise a wide range of activities, from water collection to real estate, including TAP SGPS, the former parent company from which TAP SA split after the State took a direct stake in the latter. A greater increase in relevant operating expenses compared to the growth in turnover contributed to this evolution, which also resulted in an operating performance ratio deterioration.

Finally, the state-owned financial companies sector, not considering Parpública's stake in EFACEC, recorded a positive performance. Net income reached of €867 million in 2022 (+€230.5 million compared to 2021). This performance was strongly driven by the public bank Caixa Geral de Depósitos Group, the largest in the SOE, which benefited from the favourable interest rate environment.

Financial relationship between the State and the State-Owned Enterprises sector

In 2022, the State's net financial effort reached €3.2 billion (-45.4% compared to 2021), representing 1.3% of GDP. Revenue from dividends fell by €29 million due to the reduction in the amount handed over by the Bank of Portugal and Caixa Geral de Depósitos. In turn, State expenditure on the SOE fell by €1.5 billion, particularly due to the €1.1 billion decrease in "capital endowments and other financial assets".

Capital expenditure by SOE's non-financial companies increased by €279 million (8.9%) to €3.4 billion (1.4% of GDP) in 2022. This increase is explained in 80% by the investment spending of just six companies (TAP, SA, Infraestruturas de Portugal, Metro do Porto, Águas de Portugal ENSE - Entidade Nacional para o Sector Energético and Metropolitano de Lisboa), and in 7% by all the EPEs integrated into the NHS.

The SOE's contingent liabilities were mainly related to guarantees granted by the State. At the end of 2022, active guarantees amounted to €5 billion (1.6% of GDP), a fifth of which (€1.1 billion) was related to enterprises classified outside the General Government (GG) sector. The indebtedness of entities that are not part of the GG sector reached €3.6 billion (1.5% of GDP).