



BUDGETARY  
DEVELOPMENT OF  
LOCAL  
GOVERNMENT  
2019  
EXECUTIVE  
SUMMARY



May 2020



## EXECUTIVE SUMMARY

According to provisional data on budgetary implementation in public accounts, in 2019 the municipalities reached a surplus of 568 M€, 112 M€ more than in 2018. However, this change represents less than half of the increase expected by the Ministry of Finance (MF) for Local Government in the State Budget for 2019 (OE/2019).

The revenue of the municipalities grew 8.1%, a higher pace than that foreseen in the State Budget for 2019. About one third of this variation was due to the sale of former Feira Popular land by the Municipality of Lisbon, a property revenue that came to fruition in the 1<sup>st</sup> half of 2019 and that was not included in the MF forecast for Local Government, presented in the State Budget for 2019. The transfers, in particular those from the Central Government to the municipalities also contributed to the favourable evolution of the revenue, registering an increase of 275 M€. Tax revenue showed a lower-than-expected growth, as a result of the fall in the property tax IMI revenue, which was more than offset by positive contributions from other municipal taxes, in particular the municipal surcharge.

Municipal expenditure grew by 7.1% in 2019, driven by current primary expenditure that accounts for more than half the annual increase in that aggregate, as a result of the high growth in personnel expenditure (7.7%). In addition, capital expenditure, in particular investment, grew at a higher rate in 2019 than forecast for the subsector.

Expenditure payable by municipalities decreased in 2019, both from non-financial liabilities and from accounts payable. Debt already overdue and in arrears also decreased, although there were worsening situations in some municipalities. As regards the average payment term (PMP), at the end of 2019 its evolution points to a national average of 28 days, the same as in 2018, remaining below the 30 days considered as the general rule for the payment of commercial transactions. Nevertheless, the number of municipalities with a PMP of more than 90 days will have increased in the last quarter of the year.

Total municipal debt – financial and non-financial – considered for the purpose of the legal limit decreased: excluding non-budgetary debts and the exceptions provided for by law, there was a reduction from 470 M€ in 2019 to 3.75 M€. Based on this indicator alone, 21 out of

308 municipalities were above the total debt limit on 31 December 2019 (at the end of 2018 there were 24 municipalities in this situation). Despite this overall improvement, 38 municipalities will have registered an increase in their total municipal debt contributing to a worsening of their financial situation.