



September 23, 2024  
Excessive Deficit Procedure  
2<sup>nd</sup> Notification 2024

## EXCESSIVE DEFICIT PROCEDURE (2<sup>ND</sup> NOTIFICATION 2024)

According to EU regulations, Statistics Portugal presents the second notification for 2024 associated with the Excessive Deficit Procedure (EDP) to be sent to Eurostat before the end of the month<sup>1</sup>. According to these provisional results, consistent with the Portuguese National Accounts benchmark year 2021, the General Government (GG) had a positive balance, in 2023, amounting to EUR 3 246.8 million, corresponding to 1.2% of GDP (-0.3 % in 2022). Gross debt of GG attained 97.9 % of GDP in 2023 (111.2 % of GDP in 2022).

Table 1 of the notification, presented below, summarizes the main results for the period 2020-2024 (a detailed table can be seen in the end of this press release).

Table 1 - Reporting of government deficit/surplus and debt levels  
and provision of associated data

Unit: 10<sup>6</sup> EUR

Member State: Portugal Date: 23/09/2024	ESA 2010 Codes	2020	2021	2022	2023	2024
		Final	Final	Final	Half- finalized	Planned
<b>Net borrowing (-)/ net lending (+)</b>	B.9					
<b>General government</b>	S.13	-11 563.9	-6 117.0	- 757.3	3 246.8	761.0
- Central government	S.1311	-13 554.6	-7 984.7	-4 966.1	-2 073.2	-4 815.0
- Local government	S.1313	- 207.2	- 600.6	- 90.5	- 229.3	405.0
- Social security funds	S.1314	2 197.9	2 468.3	4 299.4	5 549.3	5 171.0
<b>General government consolidated gross debt</b>		<b>269 577.7</b>	<b>268 188.5</b>	<b>271 357.6</b>	<b>261 848.8</b>	<b>264 243.0</b>
<b>Gross domestic product at current market prices</b>	B.1*g	201 032.7	216 493.7	243 957.1	267 384.3	279 536.0
<i>Memorandum items:</i>						
Net lending (+)/Net borrowing (-) on GDP		-5.8%	-2.8%	-0.3%	1.2%	0.3%
General government consolidated gross debt on GDP		134.1%	123.9%	111.2%	97.9%	94.5%

Source: Statistics Portugal, Banco de Portugal, Budget Directorate-General

<sup>1</sup> Excel files containing additional data are made available in attachment to this press release, available at [Statistics Portugal](https://ine.pt). It should also be noted that the list of entities classified in the institutional sector of General Government (GG) from the perspective of National Accounts, is also available on INE's website. The new public debt data published by Banco de Portugal is available on the [Banco de Portugal website](https://bancoportugal.pt).



### Responsibilities in the notification

The present notification was prepared under an Institutional Agreement in the field of GG Statistics, signed on the 27<sup>th</sup> of March 2017, where Statistics Portugal, Banco de Portugal and the Budget Directorate-General (Ministry of Finance) are responsible for the reporting according to the following terms:

- For 2023 and precedent years, the compilation of the Net lending / net borrowing is prepared by Statistics Portugal and the Gross debt is compiled by the Banco de Portugal.
- For the current year (2024), estimates of the Net lending/ net borrowing, gross debt and nominal GDP are the responsibility of the Ministry of Finance based on macroeconomic and budgetary scenario presented in the 2024 Stability Programme.

**Under Council Regulation (EC) No. 479/2009 the notifications initiate a joint work between national statistical authorities and Eurostat which, within a three-week deadline, should examine the notifications and publish the results for all Member States.**

The results presented in this notification correspond to the first release consistent with the Portuguese National Accounts benchmark year 2021, which replaced the previous 2016 basis. The new series of national accounts is available for the period 1995 to 2023. The results for national accounts series from 1995 to 2022 are final, whereas those for 2023 have still a provisional nature.

The regular update (usually every five years) of the National Accounts benchmark year is a common practice in European Union countries. Unlike the 2011 benchmark series which incorporated deep methodological changes as a result of the ESA 2010 implementation, the 2021 benchmark series does not include significant structural methodological changes. The revisions in 2022 and 2023 are mainly due to the incorporation of more recent and complete data.

In the specific case of the General Government, the 2023 edition of the Manual on Government Deficit and Debt (MGDD) clarified the methodological procedures for the recording of some transactions.

In addition, there was a reclassification of a reduced number of entities in the institutional sector of GG.

### Revisions compared to the April 2024 notification

Vis-à-vis the first EDP notification of 2024, the figures for 2022 and 2023 were revised due not only to the implementation of the 2021 benchmark but also to the incorporation of recently available data. The results for 2022 are now final, whereas those for 2023 are half-finalized.



The revisions of the figures for 2022 were determined by the use of final and detailed information, now available for all units classified in the General Government sector. Although the change in net borrowing in 2022 is not significant, changes in expenditure and revenue components are relevant<sup>2</sup>.

As for 2023 the revisions mainly reflect the incorporation of data from Simplified Business Information (Informação Empresarial Simplificada – IES) and of data on an accrual basis, rather than cash basis, for a vast group of entities. For 2023, the change in the overall balance of General Government is also not relevant, but the changes in expenditure and revenue components are significant.

The main revision of the GG balance in 2023 occurred in the Central Government (which improved by 255.4 million euros) mainly due to the incorporation of the information underlying the General State Account. Additionally, revised information was also integrated for the accounts of the National Health Service (NHS) and for public corporations classified, in national accounts, in the GG sector. Finally, it is important to highlight the impact of the use of the accounts of the municipalities on an accrual basis that became available for this notification. The revision of the balance of the Social Security Funds was due to the incorporation of new information on expenditure associated with pensions.

The following table summarizes the revisions of general government balances by subsector.

**Table 2. Revisions of general government balances by subsector**

Unit: 10<sup>6</sup>EUR

	ESA 2010 Codes	2020	2021	2022	2023
		Final	Final	Final	Half-finalized
<b>Net borrowing (-)/ net lending (+)</b>	B.9				
<b>General Government</b>	<b>S.13</b>	<b>105.1</b>	<b>98.2</b>	<b>21.9</b>	<b>53.3</b>
- Central government	S.1311	105.1	72.2	- 19.5	255.4
- Local government	S.1313	0.0	7.0	0.1	- 81.5
- Social security funds	S.1314	0.0	19.0	41.3	- 120.7

Source: Statistics Portugal

### Public to National Accounts adjustments

For the compilation of GG net lending / net borrowing in National Accounts several adjustments to Public Accounting data are necessary. Public Accounting data is on a cash-basis, meaning that expenditure is recorded in the accounting period in which it is paid. In National Accounts, expenditure is recorded on an accrual-basis, that is, in the accounting period to which it refers to, regardless of the period of its payment. Accordingly, payments referring to expenditure due on other periods are not considered.

<sup>2</sup> The press release on the main aggregates of General Government, also published today, presents additional details about revenue and expenditure components.



Another important adjustment is related to sector delimitation of GG. As the classification of a public entity may differ in National Accounts compared to Public Accounting, not all the entities included in the GG sector are coincident with those considered in the Public Accounting balance.

Finally, there are transactions that, according to the conceptual framework of the National Accounts, have a specific classification, notably in the cases where entities from the GG sector acquire shares from other entities, which are recorded as expenditure (capital transfer) and not as financial transactions.

The table below details the main amendments for 2023 in the Public to National Accounts adjustment, presented in tables 2A, 2C and 2D of the EDP notification attached to this press release.

Table 3. Public to National Accounts adjustments

	Unit: 10 <sup>6</sup> EUR
	2023
<b>Balance in Public Accounting</b>	<b>7 221.1</b>
Accrual adjustment and sector delimitation in National Accounts	-535.8
<i>Caixa Geral de Aposentações</i>	-2 953.3
<i>Autonomous Services and Funds</i>	411.1
<i>Public Entities classified in GG</i>	2 006.4
Difference between paid and due interest	710.9
Other receivables:	-13.8
<i>Temporal adjustment to taxes and social contributions</i>	-386.8
<i>Others</i>	373.0
Other payables:	-651.5
<i>Expenditure already incurred but not yet paid</i>	-158.4
<i>Others</i>	-493.1
Other adjustments:	-3 484.1
<i>Capital injections and debt assumptions</i>	-3 256.6
<i>Others</i>	-227.5
<b>Balance in National Accounts</b>	<b>3 246.8</b>

Source: Statistics Portugal

The balance of GG was positive in 2023, standing at EUR 3 246.8 million, which corresponded to 1.2% of GDP (-0.3% of GDP in 2022). The balance in public accounts showed a significant improvement in 2023 (EUR 7 221.1 million), which was reflected, to a lesser extent, in an improvement in the national accounts balance. The revenue growth (9.7%) was higher than the growth of expenditure (5.9%). The increase in revenue was mainly due to an increase in the revenue of taxes and social contributions. Current expenditure increased by 4.9% and capital expenditure by 17.2%.

GG expenditures in 2023 reflect the effects of some public policy measures to mitigate the effects of high prices of various goods and services, namely energy prices, as a result of the geopolitical conflict, although to a lesser degree than in the previous year.



As referred in the previous notification of the EDP press release, among the various measures implemented, we highlight the following: *i)* support to needy households; *ii)* national public contribution of European funds to support agricultural production and fisheries sectors; *iii)* compensation of employees, in particular due to the effects of wages upgrades and remuneration valuations; *iv)* pension charges reflecting the burden associated with the automatic and interim pension update, as well as the increase in the costs associated with the majority of social benefits and *vi)* additional allocation of funds to the National Electric System (SEN) for tariff reduction (EUR 200 million), considered in the “*Accrual adjustment and sector delimitation in National Accounts - Autonomous Services and Funds*”, as it corresponds to an expenditure assumed in 2023 but not yet paid.

It should be noted that the improvement in the public accounts balance is influenced by the transfer of the liabilities held by the Pension Fund from *Caixa Geral de Depósitos (CGD)* and the corresponding assets to *Caixa Geral de Aposentações (CGA)*, amounting to EUR 3 018.3 million. In national accounts this effect is included in “*Accrual adjustment and sector delimitation in National Accounts - CGA*”. According to the European System of Accounts (ESA 2010), to the extent that the assets of the transferred funds cover the obligation assumed with the future payment of pensions, the transfer of a pension fund is considered a financial transaction at the time it occurs, with no impact on GG net balance. In the future, the payment of pensions will be offset by a current transfer received, neutralizing the impact on the GG net balance, until the amount initially received with the transfer from the pension fund is spent.

As referred in previous press releases, the adjustment “*capital injections and debt assumptions*” includes capital injections granted to public corporations classified in the GG sector (EUR 3 068.2 million) with no impact on the national accounts balance, being also reflected in the item “*Accrual adjustment and sector delimitation in National Accounts – Public Entities classified in GG*”.

Additionally, in the “*Accrual adjustment and sector delimitation in National Accounts – Public Entities classified in GG*”, the following stand out: *i)* recording of additional losses of non-recoverable claims (EUR 915.9 million) held by *Parvalorem, S.A.*, in addition to the losses initially estimated for *BPN*’s portfolio; *ii)* reprivatisation of *Efacec Power Solutions, SGPS, SA.*, which implied the recording of a capital expenditure of the GG sector amounting to EUR 166,2 million.

In the adjustments considered under “*Other adjustments - other*”, the following stand out: *i)* conversion of deferred tax assets (DTA) of *Novo Banco* amounting to EUR 117 million; *ii)* the decision of the Supreme Administrative Court that determined the payment of EUR 249 million by the State.

The two transactions correspond to commitments made in 2023 with a negative impact on the national accounts balance. However, as these amounts were not yet paid, they are included in the adjustment to the public accounting balance.

For a more detailed analysis of the changes in expenditure and revenue, please see the press release “*Main Aggregates of General Government*”, also published today.



## Balances of Regional and Local Government and transfers from Central Government

The table below details the net borrowing/net lending and the gross debt of (Regional and) Local Government (S1313).

**Table 4. Net borrowing/net lending and gross debt of (Regional and) Local Government (S1313)**

	2020	2021	2022	2023
	Unit: 10 <sup>6</sup> EUR			
<b>Net borrowing (-)/ net lending (+)</b>				
- Regional and Local Government	- 207.2	- 600.6	- 90.5	- 229.3
<i>Regional Government of Madeira</i>	- 128.5	- 213.6	- 145.6	24.6
<i>Regional Government of Azores</i>	- 372.5	- 384.4	- 403.4	- 133.4
<i>Local Government</i>	293.9	- 2.7	458.5	- 120.5
<b>Gross Debt</b>				
- Regional and Local Government	10 685.0	10 882.2	11 216.3	11 313.5
<i>Regional Government of Madeira</i>	5 126.5	5 089.9	5 031.0	5 002.3
<i>Regional Government of Azores</i>	2 405.4	2 708.9	3 063.5	3 202.8
<i>Local Government</i>	3 153.1	3 083.5	3 121.8	3 108.4

Source: Statistics Portugal, Banco de Portugal

It should be noted that in this notification the Local Government 2023 results, still provisional, incorporate accounts of the Municipalities in the “*Sistema de Normalização Contabilística para as Administrações Públicas – SNC-AP*”.

It is worth noting that the transfers received by Central Government are considered in the compilation of Regional and Local Government net lending / net borrowing. These transfers are recorded as expenditure in Central Government, so that they consolidate in the General Government Account.

The following table presents these transfers, from 2020 to 2023, included in the General Government Account.

**Table 5. Transfers to the Regional and Local Government**

	2020	2021	2022	2023
	Unit: 10 <sup>6</sup> EUR			
<b>Tranfers to General Government:</b>				
Regional Government of Madeira	182.6	185.8	173.8	181.2
Regional Government of Azores	293.9	301.8	281.2	288.9
Local Government	2 315.3	2 553.7	2 444.7	2 607.5

Source: Statistics Portugal



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As far as gross debt is concerned, and accordingly with European legislation, the following clarifications are relevant: *i)* Trade credits are excluded; *ii)* Debt of public corporations not classified inside General Government is not considered; *iii)* Debt of municipalities and parishes located in the territory of the Autonomous Regions is included in Local Government.

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**Date of the next press release** – March 21, 2025

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EXCESSIVE DEFICIT PROCEDURE –OCTOBER 2024



Table 1a - Reporting of government deficit/surplus and debt levels  
and provision of associated data

Unit: 10<sup>6</sup> EUR

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<b>Net borrowing (-)/ net lending (+)</b>	B.9					
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- Central government	S.1311	-13 554.6	-7 984.7	-4 966.1	-2 073.2	-4 815.0
- Local government	S.1313	- 207.2	- 600.6	- 90.5	- 229.3	405.0
- Social security funds	S.1314	2 197.9	2 468.3	4 299.4	5 549.3	5 171.0
<b>General government consolidated gross debt</b>						
<b>Level at nominal value outstanding at end of year</b>		<b>269 577.7</b>	<b>268 188.5</b>	<b>271 357.6</b>	<b>261 848.8</b>	<b>264 243.0</b>
<i>By category:</i>						
Currency and deposits	AF.2	32 107.8	33 386.4	38 396.6	47 156.1	
Debt Securities	AF.3	169 088.4	164 488.3	162 145.3	147 005.7	
Short-term	AF.31	10 749.4	5 965.5	6 286.2	2 134.5	
Long-term	AF.32	158 338.9	158 522.8	155 859.0	144 871.3	
Loans	AF.4	68 381.5	70 313.9	70 815.8	67 687.0	
Short-term	AF.41	1 213.9	1 202.4	1 487.7	548.5	
Long-term	AF.42	67 167.5	69 111.5	69 328.0	67 138.5	
<b>General government expenditure on:</b>						
<b>Gross fixed capital formation</b>	P.51	4 645.4	5 589.3	5 806.5	6 952.7	9 388.0
	D.41					
<b>Interest (consolidated)</b>	(Empregos)	5 697.1	5 117.8	4 608.0	5 526.1	6 354.0
<b>Gross domestic product at current market prices</b>	B.1*g	201 032.7	216 493.7	243 957.1	267 384.3	279 536.0
<i>Memorandum items:</i>						
<i>Net lending (+)/Net borrowing (-) on GDP</i>		-5.8%	-2.8%	-0.3%	1.2%	0.3%
<i>General government consolidated gross debt on GDP</i>		134.1%	123.9%	111.2%	97.9%	94.5%

Source: Statistics Portugal