



Value rectified in the 1st paragraph of the Lead: '...(-4.4 p.p.)' was replaced by '...(-4.3 p.p.)'- 12 May 2022 at 12:00 am.

GOVERNMENT EXPENDITURE SURPASSES, FOR THE FIRST TIME, 100 BILLION EURO, IN 2021

In 2021, government expenditure reached 101.7 billion euros, corresponding to 48.1% of GDP, minus 1.2 percentage points (p.p.), compared to 2020. The expenditure in percentage of GDP was lower than the average for all countries in the Euro area (-4.3 p.p.).

Compared to 2020, government expenditure increased by 3.0% in nominal terms, reflecting the increase in the expenditure associated with the economic policy measures taken to alleviate the impact of the COVID-19 pandemic.

Social benefits were the most relevant economic item, representing 40.7% of total expenditure. Compensation of employees and intermediate consumption weighed 24.5% and 12.0%, respectively.

Using the classification of functions of government, in 2020, the last year for which this information is available, the structure of government expenditure was focused on the social protection function (38.2%), followed by the health function and the general public services function, which includes interest payments, with 14.7% and 14.4%, respectively.

Statistics Portugal presents government expenditure statistics for the year 2021, with reference to the base year 2016 of the Portuguese National Accounts. This information is consistent with the General Government Accounts underlying the first notification of 2022 on the Excessive Deficit Procedure (EDP), released by end March. Figures regarding 2020 and 2021 are provisional, whilst figures for 1995 to 2019 have the nature of final data.

The framework of government expenditure statistics and the adopted terminology is based on the European System of National and Regional Accounts (ESA2010) and the Manual on sources and methods for the compilation of COFOG statistics, allowing the analysis and comparison of the results with other EU member states. This information is sent to Eurostat annually in the context of the SEC 2010 transmission program and complements the information from National Accounts in the field of General Government statistics. Tables with detailed information are already available in the National Accounts area of Statistics Portugal's Official Website.

This press release is organized into two distinct parts: i) total government expenditure and its economic classification; ii) functional classification of expenditure.



I. Total government expenditure and its economic classification

In 2021, nominal government expenditure reached 107.7 billion euro (48.1% of GDP and 1.2 p.p. less than in 2020), representing an increase of 3.0% compared to the previous year.

With this increase, government expenditure surpasses, for the first time, 100 billion euro, as a result of the growth of its main components: compensation of employees (4.0%); intermediate consumption (8.2%); and social benefits (2.8%).

Investment rose 16.9%, an increase of 755 million euro, compared to 2020, after having already risen 22.9% in 2020.

On the other hand, expenditure with property income (which corresponds mainly to interest paid) decreased by 613 million euro (-10.6%), compared to 2020, emphasizing the noticeably downward trajectory of this component since 2015.

Expenditure on subsidies, current and capital transfers, which had risen sharply in 2020, as a result of the economic policy measures taken to lessen the impact of the COVID-19 pandemic, maintained an atypical high level in 2021, although decreasing 1.3% compared to the previous year

Figure 1. Government expenditure's main components and gross debt

	10 ⁶ Euro			
COMPONENTS	2018	2019	2020*	2021*
Compensation of employees	22 029,6	23 146,7	23 925,3	24 881,8
Intermediate consumption	10 887,0	11 069,7	11 330,8	12 258,1
Property income (interest incl.)	6 918,5	6 337,0	5 793,1	5 180,4
Social benefits	37 247,5	38 825,9	40 316,9	41 434,9
of which: pensions	26 463,4	27 903,5	28 695,7	29 337,7
Other transfers	7 788,3	7 898,2	12 778,9	12 617,5
Investment	3 851,5	3 726,7	4 580,0	5 354,6
Total expenditure	88 722,5	91 004,2	98 725,0	101 727,4
Gross debt (consolidated)	249 260,5	249 977,5	270 480,9	269 231,8
Gross debt (consolidated) (% GDP)	121,5	116,6	135,2	127,4

* provisional data

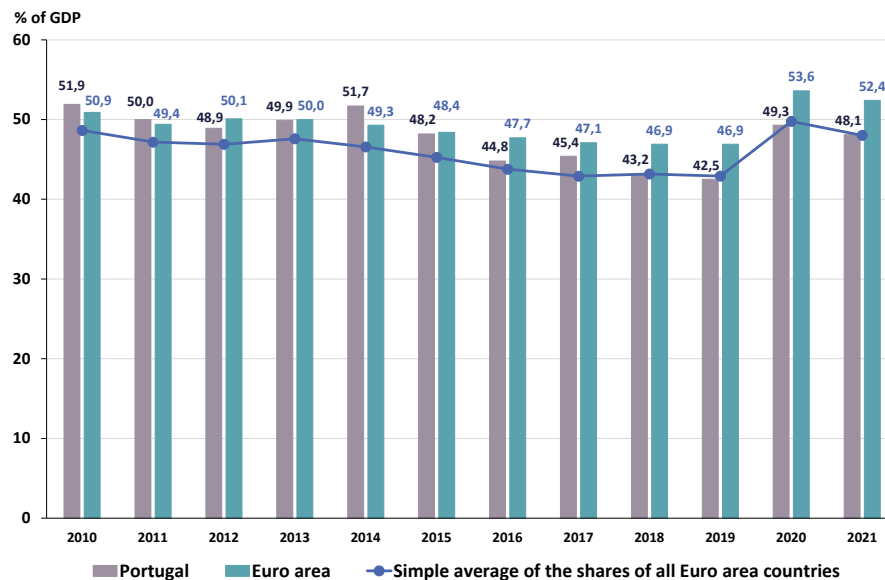
Source: Statistics Portugal, National Accounts; Banco de Portugal



In 2021, the share of government expenditure in relation to GDP was 48.1% in Portugal, 4.3 percentage points lower than the value for the Euro area average. However, as it can be seen in the following figure, if the comparison is made with the simple average of the shares of expenditure in GDP of the various countries in the Euro area, Portugal presents similar values in the last four years.

It should be noted that, since Portugal concluded the Economic and Financial Assistance Program, in May 2014, the share of government expenditure in GDP has always been lower than that of the Euro area countries as a whole.

Figure 2. Government expenditure, in Portugal and Euro area, between 2010 and 2021 (% of GDP)



Source: Statistics Portugal, National Accounts; Eurostat

Considering the economic classification of government expenditure, the two most important expenditure components are social benefits and compensation of employees. In 2021, they represented 40.7% and 24.5% of total expenditure, respectively.

Social benefits grew by 2.8% (3.8%, in 2020). Its main component (about 70% of total expenditure on social benefits) corresponds to pensions paid, which increased 2.2%, mainly due to the impact of the exceptional pension upwards revision and the 0.7% increase in the number of pensioners. The remaining social benefits in cash increased by 4.1%, as a result of increased expenditure on isolation and sickness allowances and extraordinary support to workers' income, in the context of the pandemic.

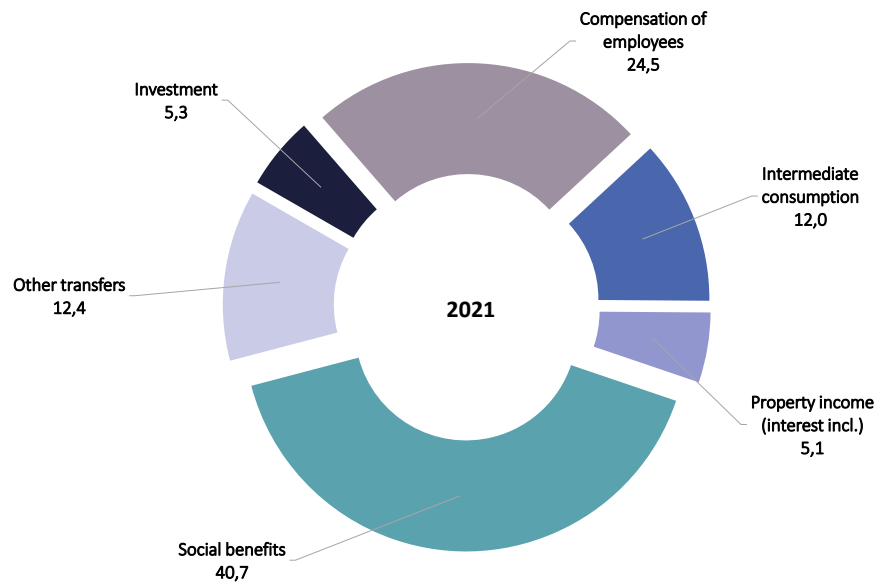
Compensation of employees grew by 4.0%, due to the increase in employment in general government, namely new admissions of doctors, nurses and other groups of health professionals, the increase in overtime payments and the increase of expenditure arising from wage increases.

As for intermediate consumption, in 2021, its value reached 12.3 billion euro, representing 12.0% of total expenditure (+8,2% increase, regarding 2020).



Finally, investment represented 5.3% of total expenditure, reaching 5.4 billion euros in 2021. Compared to 2020, that is an increase of 16.9%.

Figure 3. Share of government expenditure components (% of total), in Portugal, in 2021

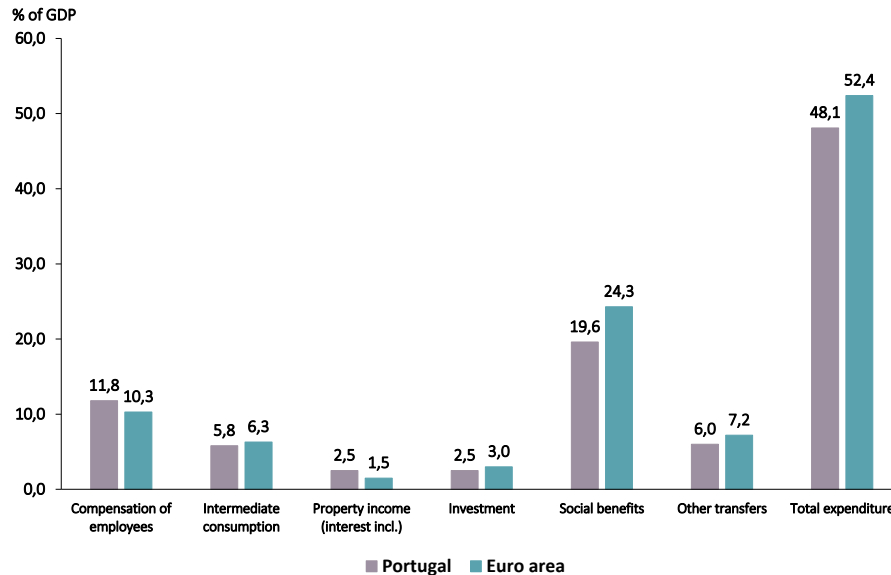


Source: Statistics Portugal, National Accounts

Comparing with the Euro area, and taking as reference the GDP, Portugal has a higher share, in expenditure on compensation of employees and in payments in property income. Regarding expenditure on social benefits, intermediate consumption and investment, the average for the group of countries in the Euro area register higher shares than Portugal.



Figure 4. Share of government expenditure components, in Portugal and Euro area, in 2021 (% of GDP)



Source: Statistics Portugal, National Accounts; Eurostat

II. Functional classification of expenditure

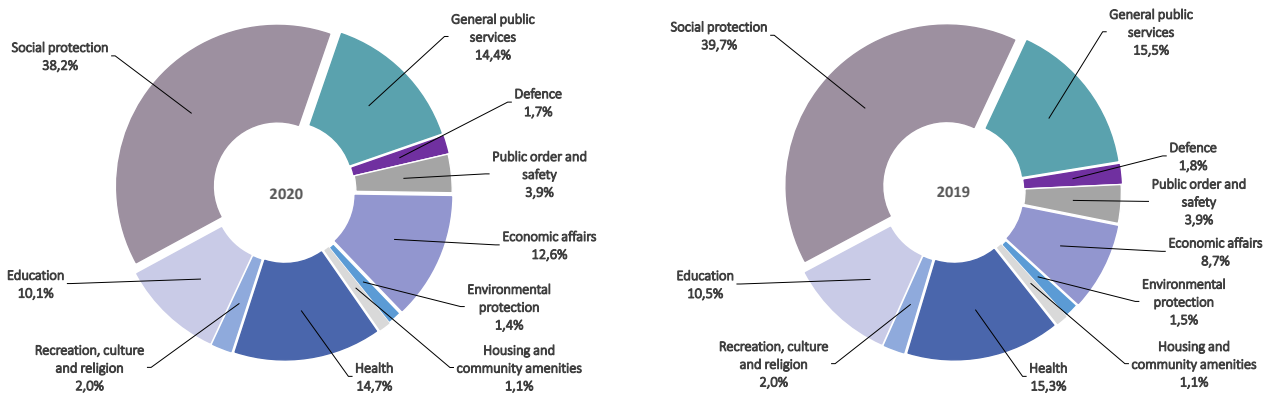
In addition to economic classification, government expenditure is also classified by functions. This classification complements the economic classification by providing information on the purposes of government expenditure, thus broadening the analytical framework for assessing its quality. Currently, 2020 is the last year for which this information is available.

The main function of government expenditure has been social protection, significantly far from the other categories considered in this classification (COFOG). In 2020, its weight in total expenditure was 38.2%. This was followed by health and then by general public services function (which includes interest paid) with a value of 14.7% and 14.4% of total expenditure, respectively. Finally, expenditure on economic affairs registered a value of 12.6% and the education function displayed a value of 10.1%.

Comparing with 2019, it can be seen that the measures to fight the pandemic influenced the relative weight of expenditure on economic affairs (+3.9 p.p.), with a 58% increase in expenditure under this heading, mainly as a result of the increase in subsidies paid and the capital injection in the national aviation flag company (TAP Air Portugal). As a result, most of the other components recorded a reduction in their relative weight in 2020, namely health expenditure (-0.6 p.p., despite the 4.1% increase), which nevertheless became the second most important (third position in 2019).



Figure 5. Government expenditure by function (% of total), in 2019 and 2020

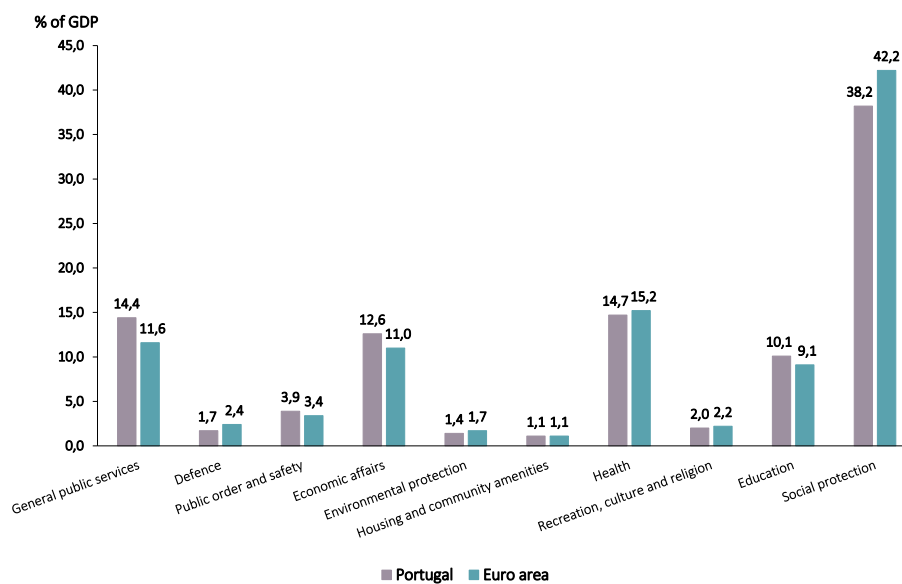


Source: Statistics Portugal, National Accounts

Comparing the structure of public expenditure by functions with the Euro Area, in 2020, Portugal showed a higher share of expenditure in the functions of education, economic affairs, public order and safety and general public services (which includes interest paid). On the other hand, the group of countries in the Euro area presented greater share in the functions of social protection, health and defence.

Despite those differences figure 6 shows that, overall, the profile of government expenditure by functions between Portugal and the group of countries in the Euro area is quite similar.

Figure 6. Government expenditure by functions, in Portugal and in the Euro area, in 2020



Source: Statistics Portugal, National Accounts; Eurostat