

31 March, 2014

Excessive Deficit Procedure
1ST notification 2014

Excessive Deficit Procedure (1st notification 2014)

According to EU regulations, Statistics Portugal is sending today to Eurostat the first notification of 2014 of the Excessive Deficit Procedure (EDP). Table 1 of the notification, presented below, summarizes the main results for the period 2009-2014.

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

Member State: Portugal Data are in millions of euros Date:31/03/2014	ESA 95 codes	2010	2011	2012	2013	2014
		Final	Final	Half-finalized	Half-finalized	Planned
Net borrowing (-)/ net lending (+)	EDP B.9					
General government	S.13	-16 981.5	-7 398.3	-10 641.2	-8 121.7	-6 793.0
- Central government	S.1311	-16 326.6	-7 250.8	-11 796.8	-8 942.1	-8 127.4
- Local government	S.1313	-1 439.6	- 586.0	855.9	408.3	986.1
- Social security funds	S.1314	784.7	438.4	299.6	412.1	348.3
General government consolidated gross debt						
Level at nominal value outstanding at end of year		162 473.3	185 240.7	204 859.7	213 630.7	214 229.0
<i>By category:</i>						
Currency and deposits	AF.2	11 792.7	10 200.2	9 426.4	10 504.4	
Securities other than shares, exc. financial derivatives	AF.33	128 147.7	117 042.5	110 667.3	109 275.0	
Short-term	AF.331	20 835.0	11 080.4	11 708.4	6 650.0	
Long-term	AF.332	107 312.7	105 962.1	98 958.9	102 625.0	
Loans	AF.4	22 532.9	57 998.0	84 765.9	93 851.3	
Short-term	AF.41	3 821.2	3 958.5	1 966.4	1 323.3	
Long-term	AF.42	18 711.7	54 039.5	82 799.5	92 528.0	
General government expenditure on: Gross fixed capital formation	P.51	6 496.5	4 473.3	2 745.0	2 375.8	3 003.2
Interest (consolidated)	EDP D.41	4 849.9	6 889.7	7 125.9	7 063.9	7 324.1
<i>p.m.: Interest (consolidated)</i>	D.41 (uses)	4 895.9	6 870.9	7 154.2	7 183.2	7 615.9
Gross domestic product at current market prices	B.1*g	172 859.0	171 126.4	165 106.7	165 666.3	168 954.7
<i>Memorandum items:</i>						
Net lending (+)/Net borrowing (-) on GDP		-9.8%	-4.3%	-6.4%	-4.9%	-4.0%
General government consolidated gross debt on GDP		94.0%	108.2%	124.1%	129.0%	126.8%

As usual since 2006, this notification was prepared under the Institutional Agreement in the field of General Government Statistics signed on the 10th of January 2006 between Statistics Portugal (National Accounts Department), Banco de Portugal (Statistics Department) and Budget Directorate-General.

For the years prior to 2014, the compilation of the Net lending / net borrowing is prepared by Statistics Portugal and the Gross Debt is compiled by Banco de Portugal.

For the current year (2014), the estimates of Net lending / net borrowing and Gross Debt are a responsibility of the Ministry of Finance.

The General Government (GG) accounts associated to the present EDP notification are the last presented accordingly with ESA95. In the next EDP notification in September 2014 the results will be compiled accordingly with the new European System of Accounts 2010 (ESA 2010).

In the compilation of GG net lending / net borrowing in National Accounts it is necessary to make several adjustments to Public Accounting data. Indeed, Public Accounting data is on a cash-basis, meaning that expenditures are recorded in the accounting period in which they are paid. On the contrary, in National Accounts, expenditure is recorded on an accrual-basis, that is, in the accounting period to which they refer to, regardless of whether their payment is made in a different period. Accordingly, payments referring to expenditure that is due to other periods are not considered. Another important adjustment is related to sector delimitation of GG. This sector includes entities which are not considered in Public Accounting, but belong to GG sector in National Accounts. Similarly, entities which are not part of GG sector from a National Accounts viewpoint but are included in Public Accounting are excluded. Finally, there are transactions that, according to the conceptual framework of the National Accounts, have a specific classification, notably in some cases where entities from the GG sector acquire shares from other entities, which are recorded as capital transfers and not as financial transactions, leading to the introduction of the corresponding adjustments.

The table below details the main adjustments presented in tables 2A, 2C and 2D of the Excessive Deficit Procedure notification attached to this press release, namely the Public to National Accounts adjustment.

	Unit: millions of euro			
	2010	2011	2012	2012
Balance in Public Accounting	-11,572.4	-6,037.8	-6,852.3	-8,367.2
Accrual adjustment and sector delimitation in National Accounts	-833.2	-2,082.0	1,282.9	1,015.5
Difference between paid and due interest	-18.8	-611.9	-119.7	-171.5
Other receivables:	499.5	2,696.5	-3,590.7	-563.9
<i>Temporal adjustment to taxes and contributions</i>	<i>318.4</i>	<i>-31.3</i>	<i>-200.6</i>	<i>36.5</i>
<i>Others</i>	<i>181.1</i>	<i>2,727.9</i>	<i>-3,390.0</i>	<i>-600.5</i>
Other payables:	-1,382.7	-281.2	117.3	968.2
<i>Expenditure already incurred but not yet paid</i>	<i>-1,324.5</i>	<i>-335.3</i>	<i>179.8</i>	<i>1,025.3</i>
<i>Others</i>	<i>-58.2</i>	<i>54.1</i>	<i>-62.5</i>	<i>-57.1</i>
Other adjustments:	-3,673.8	-1,081.9	-1,478.8	-1,002.7
<i>Capital injections</i>	<i>-333.8</i>	<i>-1,304.9</i>	<i>-1,666.7</i>	<i>-1,210.2</i>
<i>Debt assumptions</i>	<i>-2,251.0</i>	<i>-532.1</i>	<i>-106.1</i>	<i>0.0</i>
<i>Outros</i>	<i>-1,089.1</i>	<i>755.0</i>	<i>293.9</i>	<i>207.5</i>
Balance in National Accounts	-16,981.5	-7,398.3	-10,641.2	-8,121.7

Net borrowing of General Government attained 8,121.7 million euro in 2013, corresponding to 4.9% of GDP.

Comparing to the previous year, the improvement exhibited in the 2013 balance was largely due to the increase in the revenue from taxes and social contributions¹, partly reflecting the extraordinary revenue associated with the one-off debt regularisation scheme for outstanding tax and social security contributions, amounting to 1,280 million euro.

The previous table shows that one of the main adjustments in 2013 to the Public Accounting budget corresponds to expenses already incurred but not yet paid. Namely, these include payments made by the Regional Administration of Madeira that referred to expenditure made in previous years and were therefore excluded from the balance in National Accounts.

Also worth mentioning is the inclusion in "other adjustments – capital injections" of 700 million euro corresponding to the capital increase in BANIF – Banco Internacional do Funchal, SA. This amount was recorded in national accounts as a capital transfer made by General Government.

The table below details the net lending/ net borrowing and the gross debt of (Regional and) Local Government (S1313). It is worth highlighting the positive balance exhibited by Regional Administration of Madeira in 2013, following several years in which its balance was affected by extraordinary effects, such as the recording of a debt assumption corresponding to expenditure not recorded in previous periods.

¹ Please see press release "Main Aggregates of General Government" published together with this press release.

Unit: million euro	2010	2011	2012	2013
Net borrowing (-)/ net lending (+)				
- Regional and Local Government	-1 439.6	- 586.0	855.9	408.3
<i>Regional Government of Madeira</i>	-1 191.5	-1 131.8	- 174.8	90.1
<i>Regional Government of Azores</i>	- 50.1	- 38.5	- 15.8	- 7.9
<i>Local Government</i>	- 197.9	584.4	1 046.5	326.1
Gross Debt				
- Regional and Local Government	9 577.2	10 110.8	9 661.4	9 826.7
<i>Regional Government of Madeira</i>	3 053.3	3 735.8	3 992.1	4 097.9
<i>Regional Government of Azores</i>	652.5	690.9	723.0	770.9
<i>Local Government</i>	5 871.4	5 684.1	4 946.4	4 958.0

It is also worth noting that the transfers received by Central Government are considered in the compilation of Regional and Local Government net lending / net borrowing. In 2013, these corresponded to the following amounts, expressed in millions of Euros: Regional Government of Madeira, 278.4; Regional Government of Azores, 347.4 Local Government, 3,107.1.

These transfers are recorded as expenditure in Central Government, so that they consolidate in the General Government Account.

As far as gross debt is concerned, according to 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.

Under Council Regulation (EC) No. 473/2009 the notifications begin a joint work between national statistical authorities and Eurostat which, within a three weeks deadline, should examine the notifications and publish the final results for all Member States.