

Excessive Deficit Procedure

2nd Notification 2016

Excessive Deficit Procedure (2nd notification for 2016)

According to EU regulations, Statistics Portugal presents the second notification for 2016 associated with the Excessive Deficit Procedure (EDP) sent to Eurostat¹. Table 1 of the notification, presented below, summarizes the main results for the period 2012-2016.

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: 09/23/2016	ESA 2010 codes	2012 Final	2013 Final	2014 Final	2015 Half-finalized	2016 Planned
Net borrowing (-)/ net lending (+)	B.9					
General government	S.13	-9 529.1	-8 245.2	-12 402.3	-7 820.9	-4 125.4
- Central government	S.1311	-10 662.0	-8 881.6	-13 850.8	-9 751.1	-6 161.6
- Local government	S.1313	818.9	288.5	650.5	817.2	833.5
- Social security funds	S.1314	314.0	347.9	798.0	1 113.1	1 202.7
General government consolidated gross debt						
Level at nominal value outstanding at end of year		212 556.0	219 715.0	226 045.7	231 584.2	232 516.1
<i>By category:</i>						
Currency and deposits	AF.2	9 388.1	10 490.6	14 922.8	18 646.2	
Debt Securities	AF.3	116 891.1	114 284.2	111 466.3	121 763.9	
Short-term	AF.31	13 025.4	7 411.7	12 681.5	10 537.9	
Long-term	AF.32	103 865.7	106 872.5	98 784.8	111 226.0	
Loans	AF.4	86 276.9	94 940.1	99 656.6	91 174.2	
Short-term	AF.41	3 801.2	2 513.5	2 594.4	3 378.5	
Long-term	AF.42	82 475.7	92 426.6	97 062.2	87 795.7	
General government expenditure on: Gross fixed capital formation Interest (consolidated)	P.51 D.41 (uses)	4 158.3 8 214.4	3 701.1 8 258.3	3 446.3 8 483.0	4 083.8 8 191.3	3 659.6 8 489.3
Gross domestic product at current market prices	B.1*g	168 398.0	170 269.3	173 079.1	179 539.9	186 302.5
<i>Memorandum items:</i>						
Net lending (+)/Net borrowing (-) on GDP		-5.7%	-4.8%	-7.2%	-4.4%	-2.2%
General government consolidated gross debt on GDP		126.2%	129.0%	130.6%	129.0%	124.8%

Remarks:

As mentioned in the previous press release, Eurostat is currently changing the wording of the Manual on Government Deficit and Debt, in order to further clarify and ensure harmonized application by all Member-States, on the definition of the face value of the currency and deposits instrument, as the accumulated capitalization of the respective interest should be included in the gross debt of General Government. This clarification is being analysed in a permanent discussion forum of the European Statistical System which addresses methodological issues relevant for the compilation of the deficit and debt, leading to the revision of the General Government debt where applicable. In the case of Portugal, the issue is the amount of capitalized interest on Savings Certificates, which has always been reported in Table 4 of the Excessive Deficit Procedure notification (attached to this press release) and is not included in the level of the General Government consolidated debt.

¹ Together with this press release is published on INE's website the list of units classified in the General Government, relevant for National Accounts.

Responsibilities in the notification

As usual since 2006, the present 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 2015 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 (2016), the estimates of Net lending / net borrowing and Gross debt are a responsibility of the Ministry of Finance.

Under Council Regulation (EC) No. 479/2009 **the notifications originate 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.

Revisions relative to April 2016 notification

Comparing with the first EDP notification of 2016, the figures for 2014 and 2015 were revised due to the incorporation of recently available data. The results for 2014 are now final, whereas those for 2015 have still a provisional nature.

The revisions of the figures for 2014 are a result of the incorporation of final and exhaustive information, now available for each unit classified in the General Government sector. As for 2015, the revisions mainly reflect the incorporation of data from Simplified Corporate Information (IES) and of data on an accrual, rather than cash basis for a vast group of entities.

The following table details the revisions on net lending / net borrowing for 2014 and 2015, by subsector of General Government.

Unid: million euro	ESA 2010 codes	2014 Final	2015 Half-finalized
Net borrowing (-)/ net lending (+)	B.9		
General government	S.13	43.9	72.1
- <i>Central government</i>	S.1311	-65.3	19.3
- <i>Local government</i>	S.1313	104.3	28.8
- <i>Social security funds</i>	S.1314	4.9	24.0

Public to National Accounts adjustments

In the compilation of General Government (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 the period of its payment. Accordingly, payments referring to expenditure due on other periods are not considered. Another important adjustment is related to sector delimitation of GG. As the classification of a public entity may differ under National Accounts and Public Accounting viewpoints, 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 capital transfers and not as financial transactions.

The table below details the main adjustments for 2015, 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: million euro
	2015
Balance in Public Accounting	-4 979.9
Accrual adjustment and sector delimitation in National Accounts	2 849.2
Difference between paid and due interest	- 622.4
Other receivables:	195.3
<i>Temporal adjustment to taxes and contributions</i>	95.6
<i>Others</i>	99.7
Other payables:	285.7
<i>Expenditure already incurred but not yet paid</i>	291.1
<i>Others</i>	- 5.4
Other adjustments:	-5 548.7
<i>Capital injections and debt assumptions</i>	-5 534.8
<i>Others</i>	- 13.9
Balance in National Accounts	-7 820.9

The net borrowing of GG in 2015 was of € 7 821 million corresponding to 4.4% of GDP (7.2% in 2014).

As it can be observed in the previous table, one of the main adjustments is the item "other adjustments" that includes € 1 766 million related to the capital injection of the State in Banif associated with the resolution operation. The remaining impact of this operation, € 697.2 million, is included in the item "Accrual adjustment and sector delimitation in National Accounts", related to the capital injection of *Fundo de Resolução* in Banif (€ 489 million) and to the subsequent reclassification of some units of the former Banif group in the GG sector.

The remaining value corresponds to capital injections granted to corporations classified in GG sector reflected in the “accrual adjustment and sector delimitation in National Accounts” without impacting the net borrowing of GG.

Balances of Regional and Local Government and transfers from Central Government

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

Unit: million euro	2012	2013	2014	2015
Net borrowing (-)/ net lending (+)				
- Regional and Local Government	818.9	288.5	650.5	817.2
<i>Regional Government of Madeira</i>	- 204.3	83.6	114.6	180.1
<i>Regional Government of Azores</i>	- 80.7	- 9.3	- 30.5	- 26.8
<i>Local Government</i>	1 104.0	214.2	566.4	663.9
Gross Debt				
- Regional and Local Government	10 360.3	10 694.7	11 013.5	10 899.3
<i>Regional Government of Madeira</i>	4 117.7	4 290.9	4 756.9	4 934.0
<i>Regional Government of Azores</i>	1 146.5	1 262.1	1 398.9	1 460.2
<i>Local Government</i>	5 096.1	5 141.7	4 857.7	4 505.1

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. 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 2012 to 2015, included in the General Government Account.

Unit: million euro	2012	2013	2014	2015
Transfers from Central Government to:				
<i>Regional Government of Madeira</i>	239.8	241.8	173.0	172.5
<i>Regional Government of Azores</i>	333.8	318.9	252.4	251.0
<i>Local Government</i>	2 284.0	2 284.2	2 176.2	2 208.8

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.