

30 September, 2013

Excessive Deficit Procedure

2ND notification 2013

Excessive Deficit Procedure (2nd notification 2013)

According to EU regulations, Statistics Portugal is sending today to Eurostat the second notification of 2013 of the Excessive Deficit Procedure (EDP). Table 1 of the notification, presented below, summarizes the main results for the period 2009-2013.

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:30/09/2013	ESA 95 codes					
		2009 Final	2010 Final	2011 Final	2012 Half-finalized	2013 Planned
Net borrowing (-)/ net lending (+)	EDP B.9					
General government	S.13	-17 114.2	-16 981.5	-7 398.3	-10 641.2	-9 083.9
- Central government	S.1311	-16 162.4	-16 326.6	-7 250.8	-11 796.8	-9 616.8
- Local government	S.1313	-1 341.8	-1 439.6	- 586.0	855.9	601.5
- Social security funds	S.1314	390.1	784.7	438.4	299.6	- 68.6
General government consolidated gross debt		Final	Final	Final	Half-finalized	Planned
Level at nominal value outstanding at end of year		141 055.1	162 473.3	185 240.7	204 843.6	211 357.0
<i>By category:</i>						
Currency and deposits	AF.2	12 288.0	11 792.7	10 200.2	9 426.4	
Securities other than shares, exc. financial derivatives	AF.33	110 406.7	128 147.7	117 042.5	110 667.3	
Short-term	AF.331	20 405.1	20 835.0	11 080.4	11 708.4	
Long-term	AF.332	90 001.6	107 312.7	105 962.1	98 958.9	
Loans	AF.4	18 360.5	22 532.9	57 998.0	84 749.8	
Short-term	AF.41	1 726.1	3 821.2	3 958.5	1 966.4	
Long-term	AF.42	16 634.4	18 711.7	54 039.5	82 783.4	
General government expenditure on:						
Gross fixed capital formation	P.51	5 066.6	6 496.5	4 473.3	2 745.0	3 144.3
Interest (consolidated)	EDP D.41	4 780.1	4 849.9	6 889.7	7 125.9	7 453.5
p.m.: Interest (consolidated)	D.41 (uses)	4 812.2	4 895.9	6 870.9	7 154.2	7 587.5
Gross domestic product at current market prices	B.1*g	168 529.0	172 859.0	171 126.3	165 106.7	165 379.0
<i>Memorandum items:</i>						
Net lending (+)/Net borrowing (-) on GDP		-10.2%	-9.8%	-4.3%	-6.4%	-5.5%
General government consolidated gross debt on GDP		83.7%	94.0%	108.2%	124.1%	127.8%

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 2013, 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 (2013), the estimates of Net lending / net borrowing and Gross Debt are a responsibility of the Ministry of Finance.

In the compilation of the budget deficit 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 General Government. In the General Government sector are included entities which are not considered in Public Accounting, but belong to General Government sector in National Accounts. Similarly, entities which are not part of General Government sector from a National Accounts viewpoint but are included in Public Accounting are excluded. Finally, there are transactions that, accordingly with 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

	2009	2010	2011	2012
Balance in Public Accounting	-14,273.7	-11,572.4	-6,037.8	-6,852.3
Accrual adjustment and sector delimitation in National Accounts	-1,425.1	-833.2	-2,082.0	1,282.9
Difference between paid and due interest	189.3	-18.8	-611.9	-119.7
Other receivables:	-228.1	499.5	2,696.5	-3,590.7
<i>Temporal adjustment to taxes and contributions</i>	72.6	318.4	-31.3	-200.6
<i>Others</i>	-300.7	181.1	2,727.9	-3,390.0
Other payables:	-314.2	-1,355.1	-281.2	117.3
<i>Expenditure already incurred but not yet paid</i>	-226.8	-1,296.9	-335.3	179.8
<i>Others</i>	-87.3	-58.2	54.1	-62.5
Other adjustments:	-1,036.1	-3,673.8	-1,081.9	-1,478.8
<i>Capital injections</i>	-406.2	-333.8	-1,304.9	-1,666.7
<i>Debt assumptions</i>	0.0	-2,251.0	-532.1	-106.1
<i>Outros</i>	-629.8	-1,089.1	755.0	293.9
Balance in National Accounts	-17,087.7	-16,954.0	-7,398.3	-10,641.2

Comparing with the first EDP notification of 2013, the figures for 2011 and 2012 were revised due to the incorporation of recently available data. The results referring to 2011 are now final, whereas those for 2012 still have a provisional nature. Regarding the revisions on 2011, these resulted from the incorporation of final and exhaustive information, which is now available for each unit that is classified inside General Government sector. As for the revisions in the figures for 2012, these mainly reflected the incorporation of data from Simplified Corporate Information (IES) as well as data on an accrual basis, rather than on a cash basis, for a vast group of entities.

The following table details the revisions on net lending / net borrowing for 2011 and 2012, by subsector of General Government.

Data in million euro	ESA 95 Codes	2011	2012
Net borrowing (-)/ net lending (+)	EDP B.9		
General government	S.13	144.5	-45.2
- <i>Central government</i>	S.1311	69.0	-72.5
- <i>Local and Regional government</i>	S.1313	75.5	8.9
- <i>Social security funds</i>	S.1314	0.0	18.4

The table below details this balance and the gross debt of (Regional and) Local Government (S1313). It is worth mentioning the revision in the debt of the Regional Government of Madeira in 2012, amounting to 194 million euros. This revision is mainly associated with the reclassification of a public corporation inside General Government. Indeed, in accordance with the guidelines of the Manual on Government Deficit and Debt (MGDD), the deterioration of the

economic and financial situation of the corporation led to the change of the nature of its activity to a non-market activity. Therefore, from 2012 onwards, this corporation is classified inside General Government sector.

It is also worth highlighting the improvement on the balance of the Local Government in both 2011 and 2012 (88 and 81 million euros, respectively), which is due to the incorporation of additional data, and the worsening of the balance of the Regional Government of Madeira in 2012 (-72 millions) resulting from the change in the recording of the interest reduction applied to past arrears. This change is in line with recent recommendations from Eurostat to be applied in the October 2013 notification, where these kind of operations are considered as revaluation of claims rather than capital transfers received.

Unit: million euro	2009	2010	2011	2012
Net borrowing (-)/ net lending (+)				
- Regional and Local Government	-1 341.8	-1 439.6	- 586.0	855.9
<i>Regional Government of Madeira</i>	- 338.2	-1 191.5	-1 131.8	- 174.8
<i>Regional Government of Azores</i>	- 82.1	- 50.1	- 38.5	- 15.8
<i>Local Government</i>	- 921.5	- 197.9	584.4	1 046.5
Gross Debt				
- Regional and Local Government	8 525.5	9 577.2	10 110.8	9 645.8
<i>Regional Government of Madeira</i>	2 066.2	3 053.3	3 735.8	3 976.4
<i>Regional Government of Azores</i>	600.5	652.5	690.9	723.0
<i>Local Government</i>	5 858.7	5 871.4	5 684.1	4 946.4

It is worth mentioning that the transfers received by Central Government are considered in the compilation of Regional and Local Government net lending / net borrowing. In 2012, these correspond to the following amounts, expressed in millions of Euros: Regional Government of Madeira, 239.8; Regional Government of Azores, 333.8; Local Government, 2284.

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.