

17 April, 2015

## Excessive Deficit Procedure

1<sup>st</sup> notification 2015 – revised

### Excessive Deficit Procedure (revision of the 1<sup>st</sup> notification for 2015)

#### Downward revision of the General Government Deficit in 105.4 million euro

According to EU regulations, Statistics Portugal sent to Eurostat a revised version of the first notification for 2015 related to the Excessive Deficit Procedure published on 26 of March. This revision refers only to the results for 2014, improving the net borrowing of General Government from -7822.3 to -7716.6 million euro (although maintaining the deficit in 4.5% of GDP). This revision was mainly due to the incorporation of information recently obtained related to the contribution of Portugal to the European Union Budget.

It is important to recall again that the results for 2014 maintain a provisional nature notably because there is not yet sufficient information to have a final recording of the capitalization of "Novo Banco".

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:17/04/2015	ESA 2010 codes	2011	2012	2013	2014	2015
		Final	Final	Half-finalized	Half-finalized	Planned
<b>Net borrowing (-)/ net lending (+)</b>	B.9					
General government	S.13	<b>-12 967,5</b>	<b>-9 450,1</b>	<b>-8 180,9</b>	<b>-7 716,9</b>	<b>-4 860,1</b>
- Central government	S.1311	-13 162,5	-10 583,0	-9 004,2	-8 945,1	-6 719,4
- Local government	S.1313	- 242,5	818,9	400,6	445,2	924,3
- Social security funds	S.1314	437,5	314,0	422,6	783,0	935,0
<b>General government consolidated gross debt</b>						
<b>Level at nominal value outstanding at end of year</b>		<b>Final</b>	<b>Final</b>	<b>Half-finalized</b>	<b>Half-finalized</b>	<b>Planned</b>
		<b>195 689,6</b>	<b>211 784,3</b>	<b>219 644,6</b>	<b>225 280,4</b>	<b>223 603,0</b>
<i>By category:</i>						
Currency and deposits	AF.2	10 143,0	9 388,1	10 490,6	14 922,1	
Debt Securities	AF.3	123 921,9	116 797,1	114 402,5	110 750,1	
Short-term	AF.31	12 027,0	13 025,4	7 411,7	12 681,5	
Long-term	AF.32	111 894,9	103 771,8	106 990,8	98 068,6	
Loans	AF.4	61 624,7	85 599,1	94 751,5	99 608,2	
Short-term	AF.41	4 486,0	2 948,7	2 415,0	1 661,2	
Long-term	AF.42	57 138,6	82 650,4	92 336,5	97 947,0	
<b>General government expenditure on:</b>						
<b>Gross fixed capital formation</b>	P.51	6 139,5	4 158,3	3 533,8	3 486,6	4 372,7
<b>Interest (consolidated)</b>	D.41 (uses)	7 604,4	8 214,4	8 318,6	8 580,3	8 886,3
<b>Gross domestic product at current market prices</b>	B.1*g	176 166,6	168 398,0	169 394,9	173 053,3	178 245,0
<i>Memorandum items:</i>						
Net lending (+)/Net borrowing (-) on GDP		-7,4%	-5,6%	-4,8%	-4,5%	-2,7%
General government consolidated gross debt on GDP		111,1%	125,8%	129,7%	130,2%	125,4%

As mentioned in the Press Release that published the results of the first notification sent in March, under Council Regulation (EC) Nº. 479/2009 amended by the Commission Regulation (EU) Nº 220/2014, 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 (MS). The present revision is mainly due to additional information related to the contributions of MS to the European Union (EU) budget in the framework of the so-called own resources, obtained after sending the notification.

The contributions to the EU budget are set out in EU regulations, notably Regulation 1150/2000. In the specific case of resources based on Value Added Tax and Gross National Income (the so-called "VAT and GNI-based own resources"), a mechanism has been established to reflect in the calculation of budget contributions of each MS, the revisions in statistical data. The EU budget surpluses are indirectly returned to MS through "amending budgets", which may be passed to the MS during the budgetary year in question (reducing the GNI contributions in the current year) or in the following year (reducing the GNI contributions in the following year).

Considering the concerns raised by MS on the level of net contributions which they were being asked to pay due to revisions in their GNI data in 2014, the Own Resources Regulation was amended by Council Regulation 1377/2014 of 18 December 2014, establishing the possibility for MS to delay the payments.

As a result of this decision, Eurostat published a guidance note on 17 of March 2015 establishing the statistical recording of EU budgetary contributions in 2014, irrespective of the time of payment or of receipt (see note on the following address: <http://ec.europa.eu/eurostat/documents/1015035/2041357/Statistical-recording-EU-budgetary-contributions-20150317.pdf/9fcc5d2b-1a4d-4d35-bc81-5ea072f37642>).

In the case of Portugal it should be recorded in the GG accounts of 2014, an amount to be paid (121.6 million euro) and an amount to be received (120.8 million euro). The first was actually paid on 1 December 2014 and recorded in the EDP notification sent in March. In the case of the second flow, and following the Eurostat guidance related with the application of the principle of accrual, although the actual receipt only takes place in 2015, it must be recorded as revenue in 2014. Information obtained after sending the notification enabled the recording of that flow.

Additionally there was a reclassification of capital increases in international financial institutions amounting 15.4 million euro as a capital transfer with a negative impact on the net borrowing. These transactions were incorrectly recorded as a financial transaction due to a change in the way of registration in public accounting that, in the meantime, it was possible to clarify.

The changes introduced led to an improvement of 105.4 million euro in the net borrowing of GG that remains in -4.5% of GDP, as published on 26 of March.

It is important to recall that the results for 2014 maintain a provisional nature notably because there is not yet sufficient information to have a final recording of the capitalization of "Novo Banco".