

28 March, 2013

Excessive Deficit Procedure *

1st notification 2013

Excessive Deficit Procedure (1st notification 2013)

According to EU regulations, Statistics Portugal is sending today to Eurostat the first notification of 2013 of the Excessive Deficit Procedure (EDP). Table 1 of the notification, presented below, summarizes the main results for the period 2009-2012.

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: 28/03/2013	ESA 95 codes					
		2009 Final	2010 Final	2011 Half-finalized	2012 Half-finalized	2013 Planned
Net borrowing (-)/ net lending (+)	EDP B.9					
General government	S.13	-17 114.2	-16 981.5	-7 542.8	-10 596.0	-8 975.5
- Central government	S.1311	-16 162.4	-16 326.6	-7 319.8	-11 724.2	-9 691.2
- Local government	S.1313	-1 341.8	-1 439.6	- 661.5	847.0	674.4
- Social security funds	S.1314	390.1	784.7	438.4	281.2	41.4
General government consolidated gross debt						
Level at nominal value outstanding at end of year		141 055.1	162 473.3	185 240.7	204 485.0	201 111.5
<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	110 661.4	
Short-term	AF.331	20 405.1	20 835.0	11 080.4	11 702.5	
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	84 397.2	
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	82 430.8	
General government expenditure on:						
Gross fixed capital formation	P.51	5 066.6	6 496.5	4 435.5	3 056.7	3 088.4
Interest (consolidated)	EDP D.41	4 780.1	4 849.9	6 937.8	7 265.4	7 179.3
p.m.: Interest (consolidated)	D.41 (uses)	4 812.2	4 895.9	6 919.0	7 293.7	7 341.3
Gross domestic product at current market prices	B.1*g	168 529.0	172 859.0	171 064.8	165 409.2	164 337.8
<i>Memorandum items:</i>						
Net lending (+)/Net borrowing (-) on GDP		-10.2%	-9.8%	-4.4%	-6.4%	-5.5%
General government consolidated gross debt on GDP		83.7%	94.0%	108.3%	123.6%	122.4%

(*) – Changed version at 15:15 after correction of minor mistakes, notably in tables 3A and 3B.

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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.

This notification presents the first estimates for the net borrowing of the general Government sector for 2012.¹

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.

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 Account adjustment.

¹ It is worth mentioning that comparing with the previous notification, data prior to 2012 was revised due to the inclusion of the public corporations Transtejo – Transportes Tejo, SA and Soflusa – Sociedade Fluvial de Transportes, SA inside the General Government sector, according to the guidelines of the February 2013 edition of the Manual on Government Deficit and Debt. The impact of this change on General Government deficit is not significant, ranging from 10.9 million Euros in 2009 to 22 million Euros in 2012 (0.01% of GDP).

	Unit: millions of euro			
	2009	2010	2011	2012
Balance in Public Accounting	-14.273,7	-11.572,4	-6.037,8	-6.898,9
Accrual adjustment and sector delimitation in National Accounts	-1.425,1	-833,2	-2.141,2	1.073,2
Difference between paid and due interest	189,3	-18,8	-575,5	-119,7
Other receivables:	-228,1	499,5	2.696,5	-3.584,0
<i>Temporal adjustment to taxes and contributions</i>	72,6	318,4	-31,3	-202,6
<i>Others</i>	-300,7	181,1	2.727,9	-3.381,4
Other payables:	-314,2	-1.355,1	-346,3	321,4
<i>Expenditure already incurred but not yet paid</i>	-226,8	-1.296,9	-335,3	264,6
<i>Others</i>	-87,3	-58,2	-11,1	56,8
Other adjustments:	-1.036,1	-3.673,8	-1.102,2	-1.388,2
<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	-100,0
<i>Outros</i>	-629,8	-1.089,1	734,8	378,5
Balance in National Accounts	-17.087,7	-16.954,0	-7.506,4	-10.596,0

In 2012, the net borrowing of General Government corresponded to 10596 million Euros, which amounts to 6.4% of GDP. As conveyed by the previous table, one of the main adjustments to the balance in Public Accounting is associated with "other receivables", which in 2012 includes: i) the cancelation of the part of the revenue recorded in Public Accounting in 2012 referring to the transfer of banking sector's pension funds to General Government, which had been recorded for the full amount in National Accounts in 2011; ii) the cancelation of the revenue associated with the sale of the airports concession to ANA – Aeroportos de Portugal, SA, which was considered a financial operation in terms of National Accounts.

It is also worth mentioning the fact that "other adjustments" include a capital increase in Caixa Geral de Depósitos (amounting to 750 million Euros) and the conversion of shareholder loans granted by Parública, Participações Públicas (SGPS) into a capital increase in Sagestamo – Sociedade Gestora de Participações Sociais Imobiliárias, SA (also amounting to 750 million Euros), both included in "Capital injections" with an impact of around 0.9% of GDP (both recorded as capital transfers from General Government). In 2012, the adjustment "Debt assumptions" corresponds to an estimate of the impairments that were transferred from BPN to the public corporations Parvalorem, SA and Parups, SA in March 2012, deteriorating General Government deficit in 0.06% of GDP.

The table below details this balance and the gross debt of (Regional and) Local Government (S1313). The balance of the Regional Government of Madeira exhibits a significant improvement in 2012, after two years in which it was negatively affected by several extraordinary events, namely the recording of debt assumptions referring to expenditure not considered in previous years.

Unit: million euro	2009	2010	2011	2012
Net borrowing (-)/ net lending (+)				
- Regional and Local Government	-1 341,8	-1 439,6	- 661,5	847,0
<i>Regional Government of Madeira</i>	- 338,2	-1 191,5	-1 126,1	- 102,4
<i>Regional Government of Azores</i>	- 82,1	- 50,1	- 31,7	- 15,8
<i>Local Government</i>	- 921,5	- 197,9	496,3	965,1
Gross Debt				
- Regional and Local Government	8 525,5	9 577,2	10 110,8	9 444,2
<i>Regional Government of Madeira</i>	2 066,2	3 053,3	3 735,8	3 782,8
<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	4 938,4

It is worth mentioning that the transfers received by Central Government as 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, 271.4; Regional Government of Azores, 358.4; Local Government, 2311.

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.