

31 March, 2011

Excessive Deficit Procedure
1st notification 2011

EXCESSIVE DEFICIT PROCEDURE

According to EU regulations, Statistics Portugal is sending today to Eurostat the first notification of 2011 of the Excessive Deficit Procedure (EDP). Table 1 of the notification, presented below, summarizes the main results for the period 2007 - 2011.

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:31/03/2011	ESA 95 codes	Year				
		2007 Final	2008 Final	2009 Half-finalized	2010 Half-finalized	2011 Planned
Net borrowing (-)/ net lending (+)	EDP B.9					
General government	S.13	-5 332.8	-6 050.0	-16 939.7	-14 911.6	-8 046.3
- Central government	S.1311	-6 288.0	-7 000.0	-16 105.6	-15 304.7	-8 636.9
- Local government	S.1313	- 431.3	- 697.1	-1 222.7	- 353.4	- 68.5
- Social security funds	S.1314	1 386.4	1 647.2	388.6	746.5	659.1
General government consolidated gross debt		Final	Final	Half-finalized	Half-finalized	Planned
Level at nominal value outstanding at end of year		115 587.1	123 077.4	139 814.5	159 469.1	168 756.6
<i>By category:</i>						
Currency and deposits	AF.2	13 678.9	12 925.3	12 288.0	11 707.4	
Securities other than shares, exc. financial derivatives	AF.33	85 287.8	94 604.6	110 351.7	128 066.0	
Short-term	AF.331	10 224.8	16 435.1	20 405.1	20 834.6	
Long-term	AF.332	75 063.0	78 169.6	89 946.6	107 231.4	
Loans	AF.4	16 620.4	15 547.4	17 174.8	19 695.6	
Short-term	AF.41	3 257.1	2 213.7	1 726.1	3 039.9	
Long-term	AF.42	13 363.3	13 333.8	15 448.8	16 655.7	
General government expenditure on:						
Gross fixed capital formation	P.51	4 578.5	4 888.6	4 862.4	4 781.8	3 806.6
Interest (consolidated)	EDP D.41	4 977.8	5 188.4	4 871.7	5 195.0	6 327.1
<i>p.m.: Interest (consolidated)</i>	D.41 (uses)	5 084.0	5 311.2	4 903.8	5 241.1	6 327.1
Gross domestic product at current market prices	B.1*g	169 319.2	171 983.1	168 610.4	172 546.3	173 476.5
<i>Memorandum items:</i>						
Net lending (+)/Net borrowing (-) on GDP		-3.1%	-3.5%	-10.0%	-8.6%	-4.6%
General government consolidated gross debt on GDP		68.3%	71.6%	82.9%	92.4%	97.3%

As is the case since 2006, this notification was prepared under the Institutional Agreement in the field of General Government (GG) Statistics signed on the 10th of January 2006 between Statistics Portugal (National Accounts Department), Banco de Portugal (Statistics Department) and Budget Directorate-General (see note 1).

Under Council Regulation (EC) No. 479/2009 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.

Statistics Portugal has received a Dialogue Visit from Eurostat on 17th and 18th of January of this year (see note 2). This notification reflects, partially, the results of this dialogue. This dialogue, among other aspects, had, in practical terms, three effects on the compilation of the GG net borrowing. Their impacts are summarized in the table below.

	Units	2007	2008	2009	2010
Reclassification of transport companies (REFER - EPE; Metropolitano de Lisboa - EPE; Metro do Porto - SA)	Million €	631	862	883	793
	% PIB	0.4	0.5	0.5	0.5
Corporations BPN/"Financial Defeasance Structures" (a)	Million €				1800
	% PIB				1.0
BPP Guarantee called (b)	Million €				450
	% PIB				0.3

(a) In accordance with EUROSTAT Guidance from Março, the 16th, 2011 on "Financial Defeasance Structures", two societies created in the end of 2010, Parvalorem, SA and Parups, SA, which assumed Banco Português de Negócios imparities were classified on GG sector.

(b) The call of the Counter-Guarantee held by the State will have a symmetric impact. BPP stands for Banco Privado Português.

If these impacts have not taken place the GG net borrowing would have been, approximately, in each year of 2.7; 3.0; 9.5 and 6.8 GDP %.

Additionally, the GG net borrowing in 2010 was also affected by some specific significant effects namely, with impacts of opposite sign, the extraordinary acquisition of military equipment and the transfer of the responsibilities for the Portugal Telecom Pension Funds to the State.

The revision of the results for 2007 to 2009 from the previous notification (September 2010) reflects, besides the above mentioned reclassification of public transport companies in the GG, additional information that was possible to gather for this notification.

Notes:

1. Each report presents results for five years, the current year and the previous four years. For years prior to the current year, the compilation of the net lending/net borrowing is conducted by Statistics Portugal based on information mainly provided by the Budget Directorate-General. For the same period, gross debt is compiled by Banco de Portugal. For the current year, estimates of net lending/net borrowing and gross debt are a responsibility of the Ministry of Finance. Thus, the compilation of the GG net borrowing presented in this notification is, for the first time, a Statistics Portugal responsibility.

2. The Council Regulation (EC) No. 679/2010, aiming to improve the quality of statistical data in the context of the Excessive Deficit Procedure, has reviewed some rules of Council Regulation (EC) No. 479/2009, namely the occurrence of Dialogue Visits and Methodological Visits to Member States.

Under those terms, the Eurostat Dialogue Visits from Eurostat to Member States aim to review the actual data reported, to examine methodological issues, to discuss procedures and sources described in their inventories, to access the compliance with the accounting rules and to identify risks or potential problems related to the quality of the reported data.

These Dialogue Visits correspond to a common procedure in the relationship between Eurostat and the statistical authorities of the Member States, occurring regularly.