

30 September, 2011

Excessive Deficit Procedure
2nd notification 2011

Excessive Deficit Procedure

According to EU regulations, Statistics Portugal is sending today to Eurostat the second 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:30/09/2011	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	-6 255.7	-17 107.1	-16 863.5	-10 024.3
- Central government	S.1311	-6 288.0	-7 031.0	-16 204.6	-16 259.1	-10 714.0
- Local government	S.1313	- 431.3	- 871.8	-1 291.1	-1 389.1	- 68.5
- Social security funds	S.1314	1 386.4	1 647.2	388.6	784.7	758.1
General government consolidated gross debt		Final	Final	Half-finalized	Half-finalized	Planned
Level at nominal value outstanding at end of year		115 587.1	123 108.4	139 944.5	161 256.6	172 628.8
<i>By category:</i>						
Currency and deposits	AF.2	13 678.9	12 925.3	12 288.0	11 791.9	
Securities other than shares, exc. financial derivatives	AF.33	85 287.8	94 604.6	110 351.7	128 092.7	
<i>Short-term</i>	AF.331	10 224.8	16 435.1	20 405.1	20 835.0	
<i>Long-term</i>	AF.332	75 063.0	78 169.6	89 946.6	107 257.7	
Loans	AF.4	16 620.4	15 578.4	17 304.9	21 371.9	
<i>Short-term</i>	AF.41	3 257.1	2 213.7	1 726.1	3 039.9	
<i>Long-term</i>	AF.42	13 363.3	13 364.8	15 578.8	18 332.0	
General government expenditure on:						
Gross fixed capital formation	P.51	4 578.5	5 059.4	4 993.4	6 196.8	4 210.9
Interest (consolidated)	EDP D.41	4 977.8	5 188.4	4 871.7	5 189.8	7 127.4
<i>p.m.: Interest (consolidated)</i>	D.41 (uses)	5 084.0	5 311.2	4 903.8	5 235.9	7 127.4
Gross domestic product at current market prices	B.1*g	169 319.2	171 983.1	168 586.6	172 798.6	171 320.6
<i>Memorandum items:</i>						
Net lending (+)/Net borrowing (-) on GDP		-3.1%	-3.6%	-10.1%	-9.8%	-5.9%
General government consolidated gross debt on GDP		68.3%	71.6%	83.0%	93.3%	100.8%

As it is the case 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 2011, the compilation of the Net borrowing / net lending is prepared by Statistics Portugal and the Gross Debt is compiled by Banco de Portugal. For the current year (2011), the estimates of Net borrowing / net lending and Gross Debt are a responsibility of the Ministry of Finance.

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.

Comparing with the last April notification, the revisions of the Net borrowing / net lending are summarized in the table below:

Data in million euro	ESA 95 Codes	2008	2009	2010
Net borrowing (-)/ net lending (+)	EDP B.9			
General government	S.13	-174.7	-68.4	-1 080.9
- Central government	S.1311	0.0	0.0	-83.4
- Local and Regional government	S.1313	-174.7	-68.4	-1 035.7
- Social security funds	S.1314	0.0	0.0	38.1

These revisions reflect mainly the recent findings on expenditures and debts of Madeira's Regional Government (ARM). The impact of these changes on the Net lending/net borrowing is as follows:

	2008	2009	2010
million euro	-174.7	-68.4	-975.0
% GDP	-0.10	-0.04	-0.56

These values differ slightly from those indicated in the joint press release of INE and Banco de Portugal of 16 September 2011 by the incorporation of additional information on payables that have not been reported to the statistical authorities.

The revision of the Gross Debt of General Government occurs only in 2010 and amounts to 786.5 million euro (+0.5% of GDP), of which 695.5 million euro relate to the revision of the account of the Regional Government of Madeira. The revision of debt is lower than the revision of deficit, since the share of trade credits that was discounted with the financial sector (through operations of factoring without recourse) was already recorded in the debt for EDP purposes.

Comparing with the EDP notification of April, the deficit of the General Government Accounts of 2010, excluding the impact of the changes on the ARM accounts, was revised upwards by 106 million euro (0.06% of GDP), due mainly to the following factors:

- Towards the worsening of the deficit: a revision of the account of the National Health Service (about 236 million euro) and a revision of the account of Local Government (about 68 million);
- Towards the improvement of the deficit: revisions of the accounts of the State (about 56 million), of the Autonomous Funds and Services excluding SNS (about 88 million euro) and of the Social Security Funds (roughly 38 million euro).

The evolution of the Net borrowing/net lending and of the Gross Debt of Regional and Local Government were as follows:

Unit: million euro	Year			
	2007	2008	2009	2010
Net borrowing (-)/ net lending (+)				
- Regional and Local Government	- 431.3	- 871.8	-1 291.1	-1 389.1
<i>Regional Government of Madeira</i>	- 226.1	- 236.8	- 332.5	-1 189.7
<i>Regional Government of Azores</i>	- 75.5	- 41.5	- 77.5	- 53.6
<i>Local Government</i>	- 129.6	- 593.6	- 881.1	- 145.8
Gross Debt				
- Regional and Local Government	7 055.1	7 687.7	8 532.9	9 660.4
<i>Regional Government of Madeira</i>	1 425.8	1 847.9	2 066.1	3 110.4
<i>Regional Government of Azores</i>	469.8	536.7	600.5	652.5
<i>Local Government</i>	5 159.5	5 303.1	5 866.3	5 897.4

It is worth mentioning that the transfers received from the Central Government are considered in the compilation of Regional and Local Government Net borrowing/net lending. In 2010, those transfers attained the following values, in millions of euro: Regional Government of Madeira, 261.0; Regional Government of Azores, 364.2; Local Government, 2524.7. These transfers are recorded as expenditures in the Central Government accounts and consolidate in the General Government accounts.

In relation to Gross Debt, according to the 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.