



September 23, 2021
Excessive Deficit Procedure
2021

EXCESSIVE DEFICIT PROCEDURE (2ND NOTIFICATION 2021)

According to EU regulations, Statistics Portugal presents the second notification for 2021 associated with the Excessive Deficit Procedure (EDP) to be sent to Eurostat before the end of the month¹. According to these provisional results, the net borrowing of General Government (GG) in 2020 amounted to EUR 11 684.2 million, corresponding to -5.8% of GDP (net lending of 0.1% in 2019). Gross debt of GG attained -5.8% of GDP in 2020 (135.2% of GDP in 2019).

Table 1 of the notification, presented below, summarizes the main results for the period 2017-2021 (a detailed table can be seen in the end of this press release).

Table 1 - Reporting of government deficit/surplus and debt levels
and provision of associated data

Unit: 10⁶ EUR

Member State: Portugal Data: 23/09/2021	ESA 2010 Codes	2017	2018	2019	2020	2021
		Final	Final	Final	Half- finalized	Planned
Net borrowing (-)/ net lending (+)	B.9					
General government	S.13	-5 792.2	- 716.1	247.2	-11 684.2	-9 534.0
- Central government	S.1311	-8 351.6	-3 250.1	-3 352.2	-13 645.7	-10 134.4
- Local government	S.1313	316.8	499.2	624.0	- 228.3	- 527.3
- Social security funds	S.1314	2 242.6	2 034.8	2 975.5	2 189.8	1 127.7
General government consolidated gross debt		247 174.5	249 260.5	249 977.5	270 490.6	273 132.9
Gross domestic product at current market prices	B.1*g	195 947.2	205 184.1	214 374.6	200 087.6	213 330.5
<i>Memorandum items:</i>						
Net lending (+)/Net borrowing (-) on GDP		-3.0%	-0.3%	0.1%	-5.8%	-4.5%
General government consolidated gross debt on GDP		126.1%	121.5%	116.6%	135.2%	128.0%

Source: Statistics Portugal, Banco de Portugal, Budget Directorate-General

¹ The list of institutional units included in the GG sector, relevant for National Accounts, is published on INE's website together with this press release.



Responsibilities in the notification

The present notification was prepared under an Institutional Agreement in the field of GG Statistics, signed on the 27th of March 2017, where Statistics Portugal, Banco de Portugal and the Budget Directorate-General (Ministry of Finance) are responsible for the reporting according to the following terms:

- For 2020 and precedent years, the compilation of the Net lending / net borrowing is prepared by Statistics Portugal and the Gross debt is compiled by the Banco de Portugal.
- For the current year (2021), estimates of the Net lending/ net borrowing, gross debt and nominal GDP are the responsibility of the Ministry of Finance based on the macroeconomic and budgetary scenario, underlying the Stability Programme 2021, presented to the Assembly of the Republic.

Under Council Regulation (EC) No. 479/2009 the notifications initiate a joint work between national statistical authorities and Eurostat which, within a three-week deadline, should examine the notifications and publish the results for all Member States.

Revisions compared with the October 2019 notification

Comparing with the previous notification, the figures for 2019 and 2020 were revised due to the incorporation of recently available data. The results for 2019 are now final, whereas those for 2020 still have a provisional nature.

The revisions of the figures for 2019, as usual, are determined using final and complete information, now available for each unit classified in the General Government (GG) sector. As for 2020, the revisions mainly reflect the incorporation of data from Simplified Business Information (*Informação Empresarial Simplificada – IES*) and of data on an accrual basis, rather than cash basis, for a vast group of entities.

The main revision in 2020 occurs in the Central Government (-252 million euros) because of the incorporation of an estimate of losses associated with guarantees granted by the *Fundo de Contragarantia Mútuo* (FCGM), classified in the GG sector, for limiting the economic impacts of the COVID-19 pandemic amounting to EUR 6 330,4 million. These guarantees have characteristics of standardised guarantees covering similar types of credit risk for a large number of cases, i.e., they are issued in large numbers and under identical rules. Thus, even if the probability guarantee's call is uncertain, the fact that there are many similar guarantees makes it possible to have a reliable estimate of the number of requests for the call of the guarantees. According to the European System of National and Regional Accounts (ESA 2010) and the General Government Deficit and Debt Manual, the estimated loss associated with standardised guarantees is to be recorded at the time of their granting. Thus, as a reliable estimate for these losses has been recently provided by FCGM, it was recorded an amount of EUR 326.1 million as a capital transfer with a negative impact on the balance of the GG in 2020. As a consequence, future calls of the COVID-19 guarantees granted in 2020 will not be recorded as capital expenditure until the limit of that amount.



Additionally, it should be mentioned, that the revision in the Social Security sector figures is to a large extent linked to the recording in revenue of the requests by entities for regularisation of deferred contributions of November and December 2020 (EUR 109.7 million).

The following table details the revisions on net lending / net borrowing for 2019 and 2020, by subsector of General Government:

Table 2. Revisions of the net/borrowing net lending of the GG

Unit: 10⁶ EUR

	ESA 2010 Codes	2019	2020
		Final	Provisional
Net borrowing (-)/ net lending (+)	B.9		
General Government	S.13	70.3	- 183.0
- Central government	S.1311	31.0	- 252.0
- Local government	S.1313	35.5	- 52.2
- Social security funds	S.1314	3.8	121.2

Source: Statistics Portugal

Public to National Accounts adjustments

For the compilation of GG net lending / net borrowing in National Accounts several adjustments to Public Accounting data are necessary. Public Accounting data is on a cash-basis, meaning that expenditure is recorded in the accounting period in which it is paid. In National Accounts, expenditure is recorded on an accrual-basis, that is, in the accounting period to which it refers to, regardless of the period of its payment. Accordingly, payments referring to expenditure due on other periods are not considered. Another important adjustment is related to sector delimitation of GG. As the classification of a public entity may differ under National Accounts and Public Accounting viewpoints, not all the entities included in the GG sector are coincident with those considered in the Public Accounting balance. Finally, there are transactions that, according to the conceptual framework of the National Accounts, have a specific classification, notably in the cases where entities from the GG sector acquire shares from other entities, which are recorded as expenditure (capital transfer) and not as financial transactions.

The table below details the main amendments for 2019 and 2020 in the Public to National Accounts adjustment, presented in tables 2A, 2C and 2D of the EDP notification attached to this press release.



Table 3. Public to National Accounts adjustments

Unit: 10⁶ EUR

	2019	2020
Balance in Public Accounting	-634.8	-11 815.9
Accrual adjustment and sector delimitation in National Accounts	2 891.9	2 716.9
Difference between paid and due interest	795.4	1 070.8
Other receivables:	-198.9	-734.0
<i>Temporal adjustment to taxes and social contributions</i>	202.8	-561.1
<i>Others</i>	-401.8	-172.9
Other payables:	118.7	20.3
<i>Expenditure already incurred but not yet paid</i>	77.4	-1.6
<i>Others</i>	41.3	21.9
Other adjustments:	-2 725.1	-2 942.1
<i>Capital injections and debt assumptions</i>	-3 394.6	-2 134.9
<i>Others</i>	669.4	-807.2
Balance in National Accounts	247.2	-11 684.2

Source: Statistics Portugal

The net borrowing of GG in 2020 amounted to EUR 11 684.2 million, corresponding to 5.8% of GDP (net lending of 0.1% in 2019).

As it can be seen from the above table, the balance in public accounting deteriorates significantly in 2020, reflecting the budgetary impacts of the measures taken by the government in the context of the COVID-19 pandemic. With reference to the information available included in the monthly budget execution reports published by the Directorate-General for the Budget, the impact of these measures in the net borrowing will have amounted to around -2.5% of GDP.

As referred in the previous notification, the adjustment "capital injections and debt assumptions", in addition to the capital injections granted to enterprises classified in the GG sector, also includes some transactions recorded as capital transfer in National Accounts with an impact on the balance of GG: *i)* recording of the retroactive payment obligation for unpaid holiday supplements to police officers resulting from a court decision amounting to EUR 114 million; *ii)* the granting of a guarantee by the Regional Government of Açores to SATA Air Açores of EUR 132 million, registered as a capital transfer considering the economic and financial situation of the corporation.

The item "other" includes the loan from the Directorate-General for Treasury and Finance to TAP Air Portugal amounting to EUR 1 200 million, classified as a capital transfer considering the economic and financial situation of the corporation.

For a more detailed analysis of the changes in expenditure and revenue, please see the press release "Main Aggregates of General Government", also published today.



Balances of Regional and Local Government and transfers from Central Government

The table below details the net borrowing/net lending and the gross debt of (Regional and) Local Government (S1313).

Table 4. Net borrowing/net lending and gross debt of (Regional and) Local Government (S1313)

	2017	2018	2019	2020
	Unit: 10 ⁶ EUR			
Net borrowing (-)/ net lending (+)				
- Regional and Local Government	316.8	499.2	624.0	- 228.3
<i>Regional Government of Madeira</i>	79.6	101.8	38.4	- 123.7
<i>Regional Government of Azores</i>	- 70.0	- 127.1	- 74.7	- 361.3
<i>Local Government</i>	307.2	524.5	660.3	256.8
Gross Debt				
- Regional and Local Government	10 328.2	10 190.1	9 965.9	10 649.0
<i>Regional Government of Madeira</i>	4 803.7	4 746.9	4 662.8	5 109.0
<i>Regional Government of Azores</i>	1 690.4	1 860.0	1 956.6	2 405.4
<i>Local Government</i>	3 834.1	3 583.2	3 346.5	3 134.6

Source: Statistics Portugal, Banco de Portugal

As observed in the previous table there was a deterioration of the net borrowing/net lending for all the Regional and Local Government subsectors, as a result of a reduction in the revenue and an increase in the expenditure. This was particularly intense in the Regional Government of Açores, reflecting the impact of the granting of the Regional Government guarantee to SATA, Air Açores, amounting to EUR 132 million as referred above.

It should be underlined the provisional nature of these results for Local Government, given the delays in the reporting of several municipalities, associated with difficulties in the implementation of the new accounting system for GG sector (*Sistema de Normalização Contabilística para as Administrações Públicas – SNC-AP*) in particular, in the context of the COVID-19 pandemic.

It is worth noting that the transfers received by Central Government are considered in the compilation of Regional and Local Government net lending / net borrowing. These transfers are recorded as expenditure in Central Government, so that they consolidate in the General Government Account.

The following table presents these transfers, from 2017 to 2020, included in the General Government Account.



Quadro 5. Transfers to the Regional and Local Government

Unit: 10⁶ EUR

	2017	2018	2019	2020
Transfers to General Government:				
<i>Regional Government of Madeira</i>	172.8	177.4	176.7	182.6
<i>Regional Government of Azores</i>	250.5	259.3	285.3	293.9
<i>Local Government</i>	2 347.8	2 267.5	2 285.9	2 766.3

Source: Statistics Portugal

As far as gross debt is concerned, and accordingly with 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.

Date of the next press release – 25th of March 2022



Table 1a - Reporting of government deficit/surplus and debt levels
and provision of associated data

Unit: 10⁶ EUR

Member State: Portugal Data: 23/09/2021	ESA 2010 Codes	2017	2018	2019	2020	2021
		Final	Final	Final	Half-finalized	Planned
Net borrowing (-)/ net lending (+)	B.9					
General government	S.13	-5 792.2	- 716.1	247.2	-11 684.2	-9 534.0
- Central government	S.1311	-8 351.6	-3 250.1	-3 352.2	-13 645.7	-10 134.4
- Local government	S.1313	316.8	499.2	624.0	- 228.3	- 527.3
- Social security funds	S.1314	2 242.6	2 034.8	2 975.5	2 189.8	1 127.7
General government consolidated gross debt						
Level at nominal value outstanding at end of year		247 174.5	249 260.5	249 977.5	270 490.6	273 132.9
<i>By category:</i>						
Currency and deposits	AF.2	29 462.3	30 798.2	31 808.1	33 062.2	
Debt Securities	AF.3	142 151.4	149 327.9	151 636.2	169 255.2	
Short-term	AF.31	15 400.4	13 264.8	11 245.2	10 761.9	
Long-term	AF.32	126 751.1	136 063.1	140 390.9	158 493.2	
Loans	AF.4	75 560.8	69 134.4	66 533.3	68 173.3	
Short-term	AF.41	1 446.2	1 283.0	1 497.8	1 291.3	
Long-term	AF.42	74 114.6	67 851.4	65 035.5	66 882.0	
General government expenditure on:						
Gross fixed capital formation	P.51	3 496.5	3 790.2	3 904.4	4 451.8	5 628.2
Interest (consolidated)	D.41 (Empregos)	7 398.9	6 902.5	6 324.2	5 791.5	5 456.2
Gross domestic product at current market prices	B.1*g	195 947.2	205 184.1	214 374.6	200 087.6	213 330.5
<i>Memorandum items:</i>						
<i>Net lending (+)/Net borrowing (-) on GDP</i>		-3.0%	-0.3%	0.1%	-5.8%	-4.5%
<i>General government consolidated gross debt on GDP</i>		126.1%	121.5%	116.6%	135.2%	128.0%