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Banco de Portugal
EUROSYSTEM

Banco de Portugal publishes the financial accounts of General government and the public debt statistics[1]

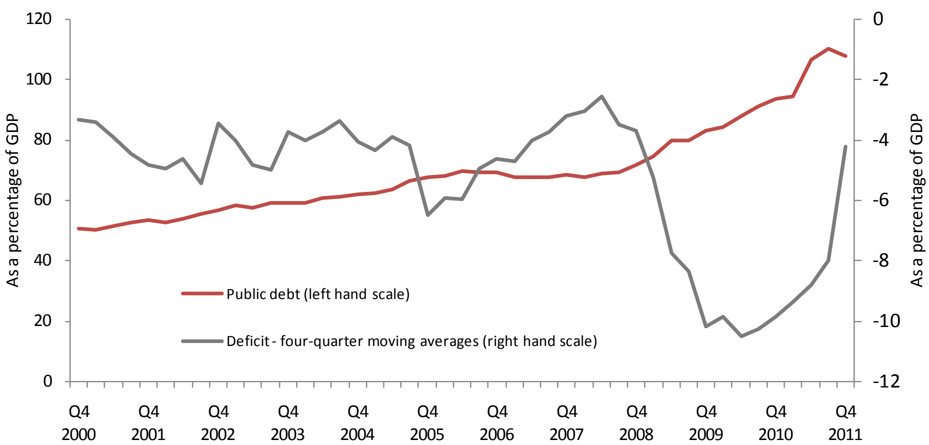
Main highlights

At the end of 2011, the public debt[2], in the Excessive Deficit Procedure definition, reached 184.3 billion euro (107.8 per cent of GDP), after 161.1 billion euro (93.3 per cent of GDP) in 2010 (see Chart 1).

The April 2012 Statistical Bulletin also presents[3] the preliminary figures for public debt in February 2012 which increased to 190.1 billion euro. This increase mainly reflects the loans received in the framework of the Economic and Financial Assistance Programme to Portugal in January 2012 (4.25 billion euro).

Chart 1

Public debt and General government deficit as a percentage of GDP



In 2011, the deficit of General government was 7.2 billion euro (4.2 per cent of GDP), which compares with 17.0 billion euro (9.8 per cent of GDP) in 2010. This figure follows the improving trend observed since the second quarter of 2010, although the result of 2011 is influenced by the transfer of pension funds from the banking sector to General government, which increased the financial saving of this sector by 6.0 billion euro (3.5 percent of GDP).

[1] The quarterly financial accounts of General government are available in chapter F of the Statistical Bulletin of Banco de Portugal and in BP*stat* |Statistics Online. Data on public debt is made available in BP*stat* |Statistics Online.

[2] This concept is equivalent to the so-called Maastricht debt. It differs from the concept of direct State debt, which is compiled monthly by the Portuguese Treasury and Debt Management Agency (IGCP) and also published by Banco de Portugal. The main differences are: i. sector delimitation – direct State debt includes only debt issued by the State, while the Maastricht debt includes the debt of all entities classified, for statistical purposes, in General government; ii. consolidation – direct State debt shows only the liabilities of the State, while the Maastricht debt is consolidated, i.e. assets of General government which are liabilities of General government are excluded; iii. accrued interest of saving certificates – direct State debt includes the accrued interest of saving certificates, which are excluded from Maastricht debt. For definitions and additional methodological issues, see the Technical note and references at the end of this document.

[3] In chapter K of the Statistical Bulletin concerning to the indebtedness of the non-financial sector.

In 2011, the deficit-debt adjustment, corresponding to the difference between the change in debt (+23.2 billion euro) and deficit (7.2 billion euro), was particularly high (15.9 billion euro), mainly due to the accumulation of deposits (10.2 billion euro) and other financial assets (3.9 billion euro).

Data analysis

Public debt reached 107.8 per cent of GDP in 2011

In 2011, General government debt was 184.3 billion euro (107.8 per cent of GDP), which represents an increase in relation to the 93.3 per cent recorded in the end of 2010. The growth of debt in 2011 was mainly explained by the loans received in the framework of the Economic and Financial Assistance Programme to Portugal, which started in the second quarter of 2011.

Until the end of 2011, an amount of 35.4 billion euro was received from the European Financial Stabilisation Mechanism (14.1 billion euro), the European Financial Stability Facility (8.1 billion euro) and the International Monetary Fund (13.1 billion euro). A significant part of these loans had not been used by the end of 2011 and were recorded as assets (deposits) of General government. The evolution of debt is also explained by the increase in loans obtained from domestic financial institutions and, in the opposite direction, by a decrease in debt securities issued and in currency and deposits, mainly through saving certificates.

Chart 2 and Chart 3 present the evolution of the debt of the Regional government and other local governments units. The total amount of the debt of Regional government increased from 0.7 billion euro in the end of 2000 (0.5 per cent of GDP) to 4.4 billion euro in the end of 2011 (3.1 per cent of GDP), mainly due to the growth of the debt of the Autonomous Region of Madeira. It should be noted, that in 2011, it was recorded debt from that region from the assumption, by the Regional Government, of debts from the corporate sector.

The debt of other local government units also shows an increasing trend between 2000 and 2010, from 1.9 billion euro in the end of 2000 (1.5 per cent of GDP) to 5.9 billion euro in the end of 2010 (3.4 per cent of GDP). In 2011, there was a slight reduction of the debt of other local government units to 5.7 billion euro (3.3 percent of GDP).

Chart 2

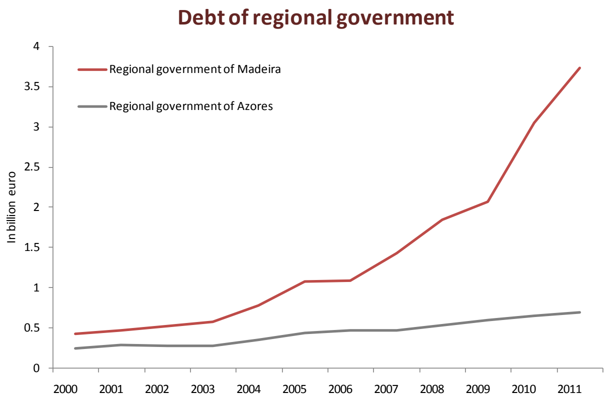
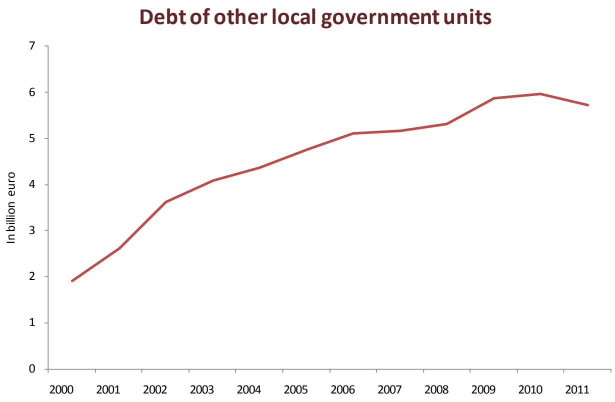


Chart 3

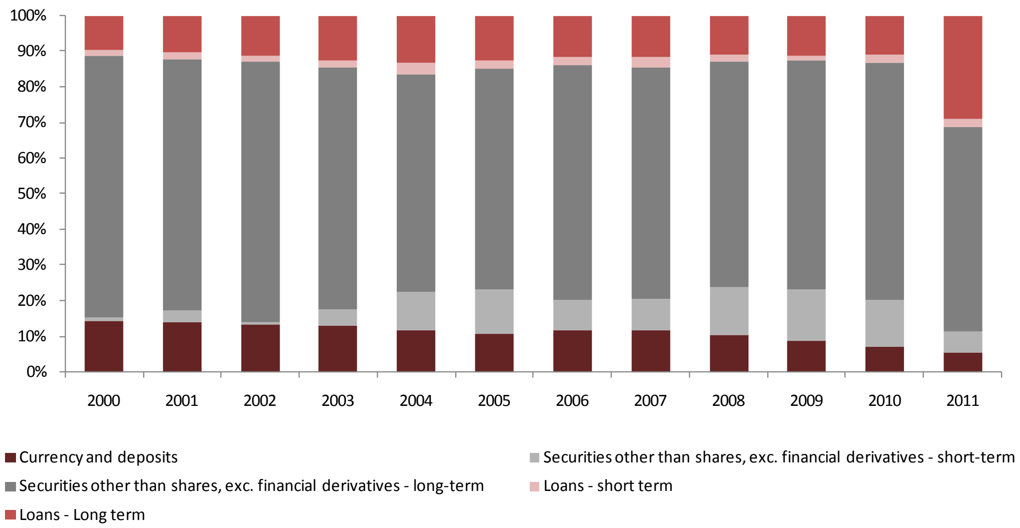


The breakdown of General government debt by financial instrument (see Chart 4) shows an increase in the weight of loans in total debt and a decrease in the weight of securities. The share of loans was 31.0 per cent of total debt in the end of 2011, which compares with 13.2 per cent in the previous year. Conversely the share of securities decreased to 63.5 per cent of total debt in the end of 2011, from 79.5 per cent in the previous year.

Additionally, 2011 also recorded a decrease of currency and deposits, due to a disinvestment of households in saving certificates which was only partially compensated by a net investment in Treasury certificates. These financial instruments are classified as deposits and are liabilities of General government.

Chart 4

Debt by financial instrument

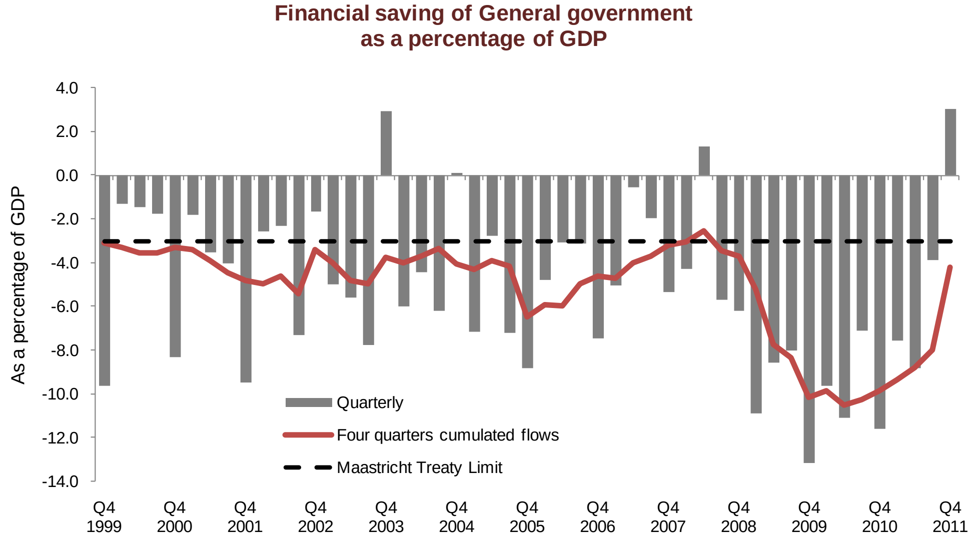


The financial saving[4] of General government was -4.2 per cent of GDP in 2011

In 2011, the borrowing needs of General government decreased to 4.2 per cent of GDP (7.2 billion euro), which compares with 9.8 per cent of GDP (17.0 billion euro) in 2010 (Chart 5). The transfer of pension funds from the banking sector to the State affected this result. Excluding this operation, General government would have recorded borrowing needs of 7.7 per cent of GDP (13.2 billion euro).

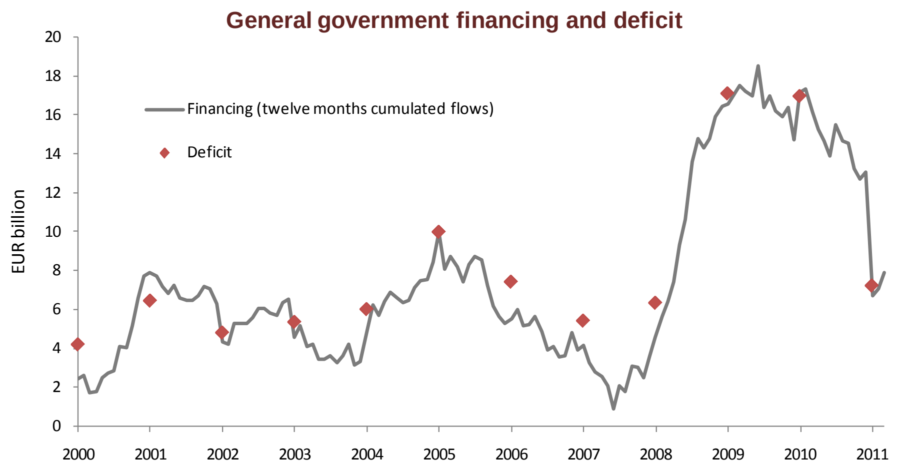
[4] The financial saving is equal to the net lending (+) / net borrowing (-), i.e. the difference between transactions in financial assets and liabilities. A positive difference between the two aggregates corresponds to a net lending or a surplus. A negative difference means that a net borrowing or a deficit occurred in the period.

Chart 5



In 2011, the financing of General government[5] is similar to the deficit. Chart 6 shows the financing accumulated over twelve months compared with the annual deficit (borrowing needs) of General government.

Chart 6



The deficit-debt adjustment was 9.3 per cent of GDP in 2011

In 2011, the change in public debt was 23.2 billion euro. This figure was much higher than the deficit recorded in 2011 (7.2 billion euro), resulting in a deficit-debt adjustment of 15.9 billion euro. This difference is explained mainly by the accumulation of General government deposits in the monetary and financial institutions (10.2 billion euro), due to the funds received in the framework of the Economic and Financial Assistance Programme to Portugal and not yet used at the end of 2011.

[5] Information on the financing of General government is available in Chapter E.1 of the Statistical Bulletin and in BP*stat* | Statistics online.

Additionally, there was an increase in other financial assets (3.9 billion euro), of which 2.7 billion euro refer to the part of the pension funds transfer that will be settled during the first half of 2012. The remaining is explained, to a great extent, by the recording of the advanced payment of the margin of the loan granted by the European Financial Stability Facility. Loans granted by General government (0.9 billion euro), including the funds granted to Greece and Ireland, in the context of the financial assistance to those countries, also contribute to the deficit-debt adjustment. Finally, transactions in interest accrued and not paid (0.5 billion) and exchange rate changes of foreign currency debt (0.6 billion euro) provide additional explanation for the difference between the two aggregates. Chart 7 shows the evolution of the deficit-debt adjustment.

Chart 7

Deficit-debt adjustment