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Banco de Portugal publishes public debt of August 2015 and revisions to previous periods

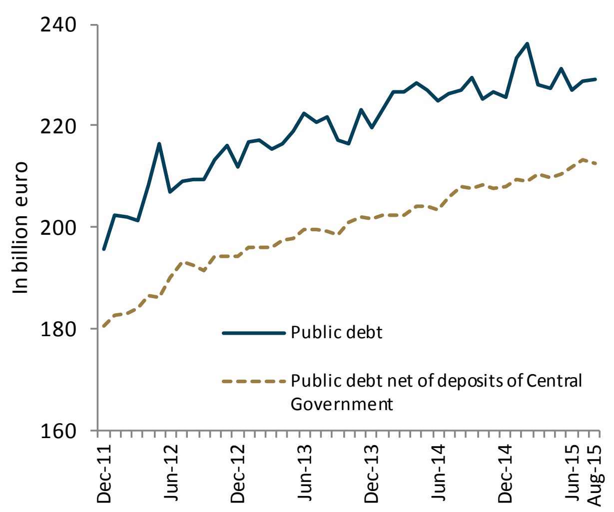
Banco de Portugal publishes today in table A.15 of the Statistical Bulletin and in BP*stat*, public debt data of August 2015 and revisions to previously published figures.

Main highlights

At the end of 2014, the public debt, in the Excessive Deficit Procedure definition[1], reached 225.8 billion euro. This figure includes an upward revision of 0.5 billion euro. Public debt as a percentage of GDP remained at 130.2 percent, due to the revision of GDP in the same direction.

Chart 1

Public debt



In August 2015, public debt reached 229.1 billion euro, an increase of 3.3 billion euro when compared with end 2014. This increase mainly reflects net issuances of securities (7.4 billion euro) and the increase in deposit liabilities (3.3 billion euro), namely in saving and Treasury certificates (2.8 billion euro). In the opposite direction, loans decreased 7.4 billion euro, mainly through the early repayment of loans granted by the International Monetary Fund (8.4 billion euro).

It should be noted that besides the increase in public debt there was a decrease in deposits of central government (1.2 billion euro), which resulted in an increase of 4.5 billion euro of net debt of deposits of Central Government to 212.7 billion euro at the end of August 2015.

Main changes in public debt

The data now published incorporate revisions to the previously published figures. These revisions mainly reflect the inclusion of the accounts payable of cash collaterals related with interest and exchange rate financial derivatives received by General Government. These contracts are performed by General Government in the management of public debt, receiving from the counterparties amounts, called margin accounts, which are recorded in their assets as deposits.

In this context, margin accounts correspond to the amounts that the counterparties deliver to general government as collateral to cover potential losses arising from these contracts. The amount to be delivered depends on variable criteria, namely the market value of the derivative.

The margin accounts affect both the asset side (through deposits) and the liability side (through loans) of the General Government, being neutral in the net wealth of this sector. Thus, these amounts lead to an increase in public debt, since this aggregate is assessed in gross terms, given the rules of the European system of national and regional accounts in the European Union (ESA 2010).

Additionally, changes resulting from the update of the list of entities of the General Government sector and from other sources of information used in the preparation of the EDP notification of September 2015 were also incorporated in the stock of public debt.

Although there was an upward revision on the nominal amount of public debt, the ratios of public debt to GDP of December 2014 and June 2015 remain unchanged, due to the revision of GDP in the same direction.

Chart 2 and Table 1 summarize the changes in public debt data.

Chart 1

Public debt as a percentage of GDP

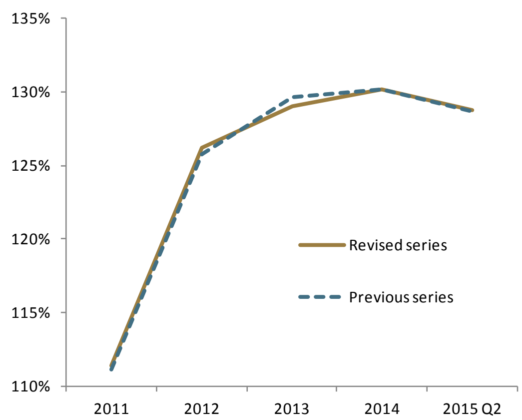


Table 1

Impact of revisions in public debt data

	2011	2012	2013	2014	2015 Q2
					10^6 euros
Maastricht debt	**196 231**	**212 535**	**219 649**	**225 767**	227 079
Revisions	542	751	4	486	1 623
o.w. Counterpart of margin accounts	643	858	99	928	2 073
					As a percentage of GDP
Maastricht debt	**111.4%**	**126.2%**	**129.0%**	**130.2%**	**128.7%**

[1] Eurostat intends to revisit the current wording of the Manual on Government Deficit and Debt, in order to further clarify and ensure harmonized application by all Member-States, on the definition of the face value of the currency and deposits instrument, as the accumulated capitalization of the respective interest should be included in the gross debt of General Government. This clarification will be made in a permanent discussion forum of the European Statistical System which addresses methodological issues relevant for the compilation of the deficit and debt, leading to the revision of the General Government debt where applicable. In the case of Portugal the issue is the amount of capitalized interest on Savings Certificates, which has always been reported in the Excessive Deficit Procedure notification and is not included in the level of the General Government consolidated debt.