

STATISTICAL PRESS RELEASE



BANCO DE PORTUGAL
EUROSYSTEM

N.º 7 • April 2015

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

The April 2015 edition of the Statistical Bulletin, presents data on the financial accounts of General government and the public debt statistics¹ for 2014. Also disclosed are public debt figures for February 2015.

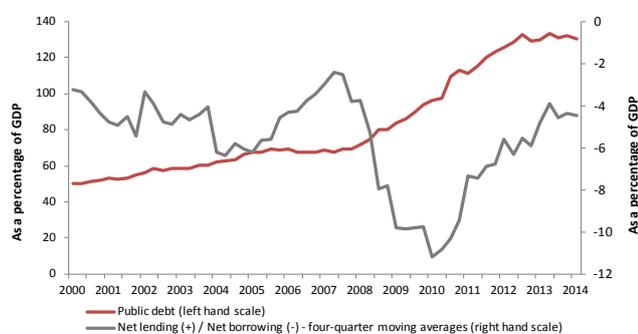
Main highlights

At the end of 2014, the public debt, in the Excessive Deficit Procedure definition², reached 225.3 billion euro (130.2 per cent of GDP), after 219.6 billion euro (129.7 per cent of GDP) in 2013 (see Chart 1).

The debt net of deposits of central government was 208.1 billion euro (120.3 per cent of GDP), which compares with 201.7 billion euro (119.1 per cent of GDP) in 2013.

Chart 1

Public debt and deficit of General government



In February 2015, public debt reached 234.6 billion euro. The increase of 9.3 billion euro, when compared with end 2014, mainly reflects net issuances of securities and saving and Treasury certificates. The

increase in public debt was offset by the increase in deposits of central government (9.4 billion euro), which resulted in a net debt of 208.0 billion euro.

In 2014, the deficit of General government was 7.7 billion euro (4.5 per cent of GDP), which compares with 8.2 billion euro (4.8 per cent of GDP) in 2013. This figure follows the improving trend observed since 2010. The 2014 result reflects the increase in the revenue from taxes (primarily in indirect taxes), while the expenditure remains relatively stable, at the level of 2013. The net borrowing of the general government sector was financed both by the increase of liabilities (5.0 billion euro) and the decrease of financial assets (2.7 billion euro).

The deficit-debt adjustment, corresponding to the difference between the change in debt (5.6 billion euro) and deficit (7.7 billion euro), was -2.1 billion euro in 2014. This figure mainly reflects the reduction of financial assets, namely the reduction of the portfolio of government in debt securities of, approximately, 4.7 billion euro.

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

² 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.

Data analysis for 2014

Public debt: 130.2 per cent of GDP

At the end of 2014, General government debt was 225.3 billion euro (130.2 per cent of GDP), which represents an increase from 129.7 per cent at the end of 2013.

Debt growth in 2014 was mainly explained by loans (4.9 billion euro), namely received in the framework of the Economic and Financial Assistance Programme to Portugal, which started in the second quarter of 2011. Under this Programme, Portugal received 5.2 billion euro in 2014. The evolution of debt is also explained by the issuance of saving and Treasury certificates, which is mirrored in the increase of 4.4 billion euro in currency and deposits. In the opposite direction, debt securities decreased 3.7 billion euro, with a reduction of 8.9 billion euro in long-term debt securities partially offset by an increase in short-term debt securities (5.3 billion euro).

The breakdown of General government debt by financial instrument (see Chart 2) shows an increase in the share of loans and currency and deposits in total debt. In contrast, a decrease in the share of securities was observed. The share of loans was 44.2 per cent of total debt at the end of 2014 (43.1 per cent in 2013). Currency and deposits, essentially saving and Treasury certificates, represented 6.6 per cent of the total debt of 2014 (4.8 per cent in 2013). Conversely, the share of securities decreased to 49.2 per cent of total debt at the end of 2014, from 52.1 per cent at the end of 2013.

Chart 2

Debt by financial instrument

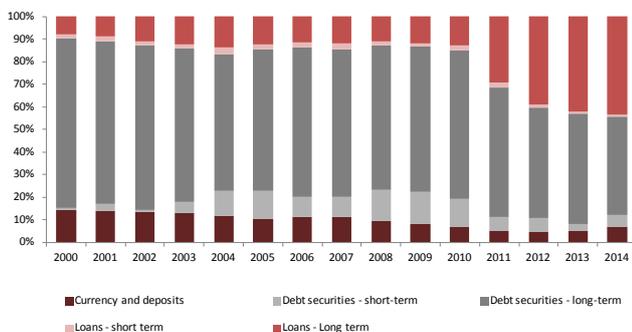


Chart 3 and Chart 4 show the evolution of the debt of the Regional government and other local governments units. The total amount of the debt of Regional government increased from 0.7 billion euro at the end of 2000 (0.5 per cent of GDP) to 5.9 billion euro at the end of 2014 (3.4 per cent of GDP), mainly due to the growth of the debt of the Autonomous Region of Madeira. In 2014, the debt of Regional government increased by 0.3 billion euro.

The debt of other local government units also shows an increasing trend between 2000 and 2014, from 2.0 billion euro at the end of 2000 (1.6 per cent of GDP) to 5.1 billion euro at the end of 2014 (2.9 per cent of GDP). In 2014, the debt of other local government units decreased 0.1 billion euro.

Chart 3

Debt of regional government

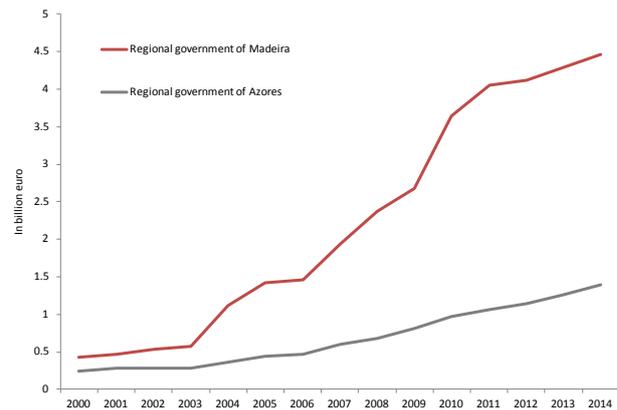
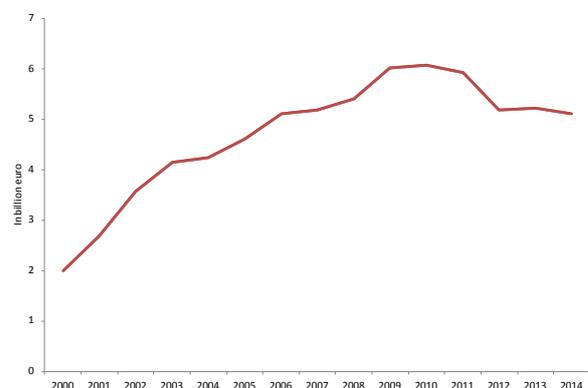


Chart 4

Debt of other local government units



Financial saving³ of General government: -4.5 per cent of GDP

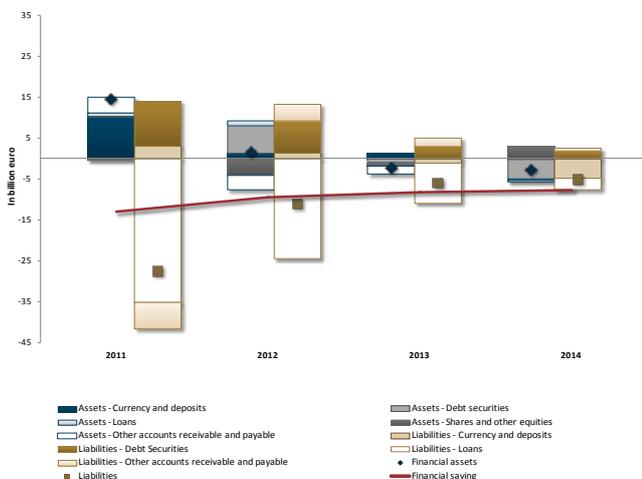
In 2014, the net borrowing of General government decreased, when compared to the previous year. The financial saving was -4.5 per cent of GDP (-7.7 billion euro), which compares with -4.8 per cent of GDP (-8.2 billion euro) in 2013 (Chart 5).

The deficit was financed mainly by the increase of liabilities (5.0 billion euro), mainly due to the growth of currency and deposits (4.8 billion euro) and loans (2.8 billion euro). The increase of currency and deposits and loans was partially offset by the decrease in debt securities issued (-1.8 billion euro).

In 2014, a decrease in financial assets (2.7 billion euro) was also observed. This reduction is explained mainly by a decrease of debt securities (-4.7 billion euro), namely due to the redemption of contingent capital instruments (-3.3 billion euro) and the reduction in securities issued by non-residents in the portfolio of Social Security Funds (-1.3 billion euro). These reductions were partially offset by an increase of 2.9 billion euro in shares and other equity, through the subscription of shares of the Novo Banco⁴ by the Resolution Fund (+4.9 billion euro) and, in the opposite direction, the sale of shares in the context of privatization processes (-1.7 billion euro).

Chart 5

Financial saving of general government



Note: negative figures in liabilities stand for increases of these items.

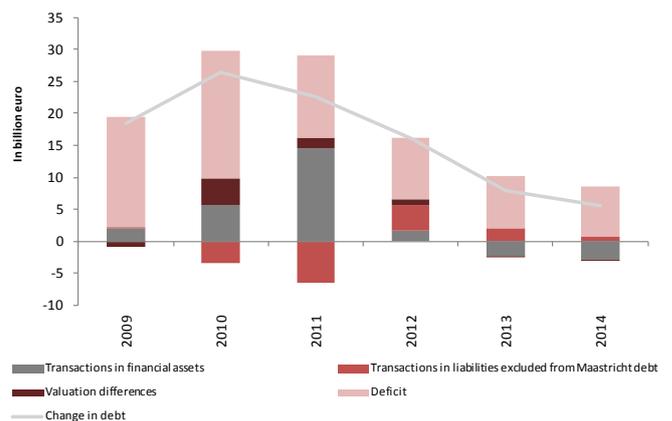
Deficit-debt adjustment: -1.3 per cent of GDP

In 2014, the increase in public debt was 5.6 billion euro. This change was lower than the deficit recorded in 2014 (7.7 billion euro), resulting in a deficit-debt adjustment of -2.1 billion euro (Chart 6).

The deficit of 7.7 billion euro is not completely reflected in the public debt increase, since part was financed through the sale of financial assets (-2.7 billion euro). This was partly offset by additional financing needs generated by the repayment of liabilities excluded from Maastricht debt (0.8 billion euro).

Chart 6

Deficit-debt adjustment



³ 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.

⁴ The recording, in national accounts, of the capitalization of Novo Banco by the Resolution Fund is provisional. Thus, this operation has no impact on General government net borrowing and is recorded as a financial transaction.