# Stock-flow adjustment (SFA) for the Member States, the euro area and the EU27 for the period 2003-2006, as reported in the October 2007 EDP notification

The main factors contributing to changes in government debt other than government deficits/surpluses (the so-called stock-flow adjustment) are closely monitored by Eurostat

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The so-called stock-flow adjustment (SFA) is the difference between the change in government debt and the government deficit/surplus for a given period. Although SFAs generally have legitimate explanations, they are closely monitored by Eurostat in the framework of quality checks of the data for the excessive deficit procedure (EDP)[1], to ensure consistency across the reported data. Figure 1 shows for each Member State the 2003-2006 average SFA, together with the average government deficit/surplus (reversed sign) and the average change in government debt, expressed in percent of GDP. The main purpose of this note is to introduce the elements of SFA, and to provide an analysis of their patterns and trends. This note also contains country-specific comments.

Figure 1: Government deficit (reversed sign), Maastricht debt, and stock-flow adjustment as % of GDP: 2003-2006 averages

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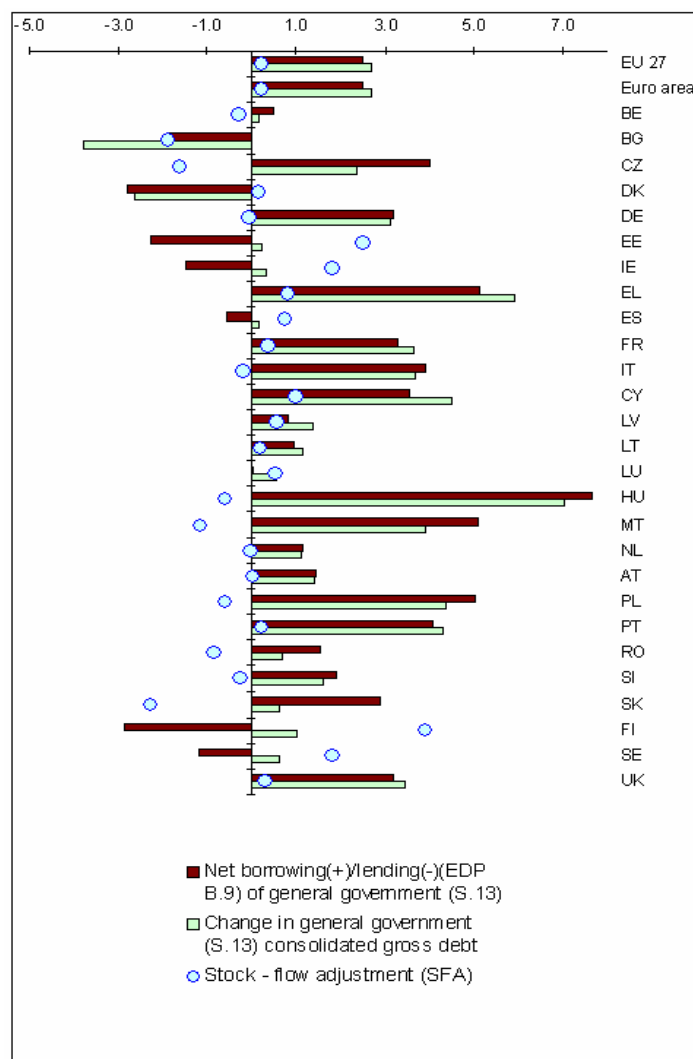
[1] *Council Regulation 3605/93, as amended, details the rules to organize the prompt and regular reporting of deficit and debt data by Member States, including deficit and debt definitions. Data under the Excessive Deficit Procedure are sent by Member States to Eurostat. For definitions of government deficit and debt and of consolidation, see the Methodological Annex.*

Introduction

The stock-flow adjustment (SFA) is the difference between the change in the stock of government debt and the flow of annual deficit/surplus. It is widely known that deficits contribute to the increase in debt levels, while surpluses reduce them. However, as Figure 1 shows, the change in government debt also reflects other elements. A positive SFA means that the government debt increases more than the annual deficit (or decreases less than implied by the surplus). On the contrary, a negative SFA means that the government debt increases less than the annual deficit (or decreases faster than implied by the surplus).

The importance of the SFA has been emphasized many times, as statistical monitoring of fiscal performance requires understanding the coherence between the two key fiscal indicators, the government deficit and debt. It has been argued that since great attention is paid to the deficit under the EU multilateral fiscal surveillance (EDP and Stability and Growth Pact), governments may have an incentive in underreporting their deficits by reporting transactions under the SFA. Some SFA items, such as Shares and other equity, Other financial assets, Net incurrence of other liabilities and Statistical discrepancies, among others, are known to be used to facilitate hiding deficits, and are thus closely monitored by Eurostat. However, SFAs generally have legitimate explanations.

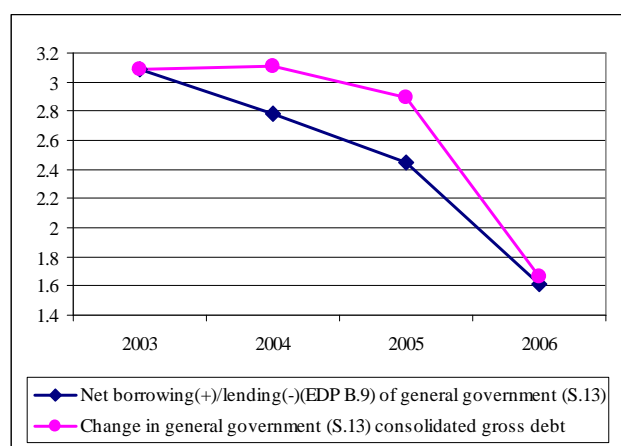**Figure 2: Evolution of change in debt and annual deficit in EU27 in percent of GDP**

Figure 2 shows that the SFA is changing in time, showing, for the EU27 aggregates, a value of 0.3% in 2004 and 0.4% of GDP in 2005, whilst being nil in 2003 and 2006. Whilst the average SFA levels for the EU27 remain modest overall, when expressed as a percent of GDP, the examination of country data shows that for many countries the SFAs are considerable for some years.

Table 1 shows the SFA for the years 2003-2006, in percent of GDP. Large regular positive SFAs can be observed for Estonia, Ireland, Finland and Sweden, and to a lesser extent for Latvia.

On the other hand big regular or very large negative values can be observed for Bulgaria, the Czech Republic and Slovakia. Several countries exhibit some large annual SFAs, though with signs that differ from year to year (Denmark, Cyprus, France, Lithuania, and the Netherlands). Some large occasional SFAs are reported by Belgium, Malta, Poland and Romania.

Almost half of the annual SFA observed for the Member States over 2003-2006 exceeded 1% of GDP, in absolute values, and about one fifth even exceeded 2% of GDP. All Member States reported at least one SFA in excess of 1% of GDP for the four years under review, except Germany (its largest SFA being -0.6% of GDP in 2004) and the United Kingdom (its highest SFA being 0.7% of GDP in 2006). The majority, about 59% of the reported country SFAs over 2003-2006 are positive, and 41% are negative.

Table 1: Stock-flow adjustment in 2003-2006, in percent of GDP

	2003	2004	2005	2006
EU 27	0.0	0.3	0.4	0.1
Euro area	0.0	0.3	0.6	-0.1
BE	-2.1	0.7	-0.5	0.7
BG	-4.3	-0.8	-3.2	0.6
CZ	-3.8	-0.1	-1.9	-0.8
DK	-1.6	1.9	-0.5	0.6
DE	0.0	-0.6	-0.2	0.4
EE	2.3	1.8	2.0	3.9
IE	1.4	1.7	1.4	2.7
EL	-0.5	0.8	0.9	1.9
ES	-0.4	0.5	1.2	1.6
FR	1.7	0.8	1.0	-2.2
IT	-1.6	0.2	0.6	-0.1
CY	2.1	2.0	0.7	-1.0
LV	0.7	1.1	0.2	0.3
LT	-0.5	-1.4	1.1	1.4
LU	0.7	-0.6	0.2	1.8
HU	0.2	-0.1	-1.9	-0.7
MT	0.9	-0.2	-0.8	-4.6
NL	-0.4	0.2	1.4	-1.4
AT	-1.2	0.7	0.4	0.0
PL	0.4	-2.9	-0.2	0.2
PT	-0.3	0.3	1.1	-0.2
RO	0.9	0.1	-1.6	-2.7
SI	-1.0	-0.5	-0.1	0.5
SK	0.3	1.0	-6.6	-3.8
FI	6.1	3.9	1.3	4.1
SE	0.8	2.0	4.2	0.3
UK	0.0	0.5	0.0	0.7

To explain the differences between Member States shown above, one has to look at the components of SFA, as it often appears that SFA components offset each other.

Table 2 Stock-flow adjustment for the Member States between 1995 and 2006, in percent of GDP

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Average	Std. dev.
BE	-1.5	-4.4	-1.1	-1.5	0.3	0.3	2.3	0.4	-2.1	0.7	-0.5	0.7	-0.5	1.7
BG	ND	ND	ND	-0.8	4.5	3.1	2.0	-8.1	-4.3	-0.8	-3.2	0.6	-0.8	3.9
CZ	-13.2	-3.6	-2.3	-1.9	-1.8	-0.8	2.2	-2.3	-3.8	-0.1	-1.9	-0.8	-2.5	3.7
DK	ND	ND	ND	ND	ND	ND	ND	ND	-1.6	1.9	-0.5	0.6	0.1	1.5
DE	ND	0.3	-0.2	0.0	0.5	1.6	-2.3	-1.3	0.0	-0.6	-0.2	0.4	-0.2	1.0
EE	ND	0.4	1.9	-0.4	-2.9	-0.3	0.2	1.7	2.3	1.8	2.0	3.9	1.0	1.8
IE	ND	-0.8	2.2	0.2	4.6	0.7	2.6	-0.1	1.4	1.7	1.4	2.7	1.5	1.5
EL	ND	ND	ND	ND	ND	ND	ND	-0.3	-0.5	0.8	1.0	2.0	0.6	1.0
ES	0.6	2.8	-0.9	-1.0	1.3	1.7	0.0	0.3	-0.4	0.5	1.2	1.6	0.6	1.1
FR	ND	0.0	-0.2	0.1	-0.5	0.1	0.1	0.7	1.7	0.8	1.0	-2.2	0.1	1.0
IT	ND	-0.8	-0.1	-1.3	0.7	0.7	1.5	-2.1	-1.6	0.2	0.6	-0.1	-0.2	1.1
CY	ND	0.4	1.9	2.1	-0.1	2.5	3.8	1.5	2.1	2.0	0.7	-1.0	1.5	1.3
LV	ND	0.8	0.6	-1.2	-0.3	-1.7	0.7	-1.5	0.7	1.1	0.2	0.3	0.0	1.0
LT	3.8	1.5	-8.0	-0.3	3.0	-1.3	-2.8	-1.1	-0.5	-1.4	1.1	1.4	-0.4	3.1
LU	2.9	1.9	3.9	3.5	3.6	6.3	6.4	2.5	0.7	-0.6	0.2	1.8	2.8	2.2
HU	ND	-2.2	-1.7	-0.4	0.7	-0.1	0.0	0.5	0.2	-0.1	-1.9	-0.7	-0.5	1.0
MT	ND	-1.8	2.9	-2.4	-1.3	-2.5	0.7	-4.0	0.9	-0.2	-0.8	-4.6	-1.2	2.2
NL	ND	-0.4	-2.3	0.5	-0.1	-0.7	0.3	-0.3	-0.4	0.2	1.4	-1.4	-0.3	1.0
AT	ND	-1.8	-4.3	0.6	2.6	0.8	2.2	0.8	-1.2	0.7	0.4	0.0	0.1	1.9
PL	ND	ND	ND	ND	ND	ND	ND	ND	0.4	-2.9	-0.2	0.2	-0.6	1.5
PT	ND	ND	ND	ND	ND	-0.3	0.9	2.2	-0.3	0.3	1.1	-0.2	0.5	0.9
RO	ND	ND	ND	4.5	4.7	5.3	5.4	2.9	0.9	0.1	-1.6	-2.7	2.2	3.1
SI	ND	ND	ND	ND	ND	ND	ND	1.6	-1.0	-0.5	-0.1	0.5	0.1	1.0
SK	ND	ND	ND	ND	ND	ND	-3.9	-9.7	0.3	1.0	-6.7	-3.9	-3.8	4.1
FI	ND	-1.4	0.1	0.4	1.2	8.5	5.9	4.3	6.1	3.9	1.3	4.1	3.1	3.0
SE	ND	-0.9	-0.7	2.2	0.7	-3.9	4.3	-0.9	0.8	2.0	4.2	0.3	0.7	2.4
UK	0.0	-0.7	-0.7	-0.1	1.0	3.3	-0.4	-0.2	0.0	0.5	0.0	0.7	0.3	1.1
EU 27	ND	ND	ND	ND	ND	ND	ND	ND	0.0	0.3	0.4	0.0	0.2	0.2
Eurozone 13	ND	ND	ND	ND	ND	ND	ND	-0.4	0.0	0.3	0.6	-0.1	0.1	0.4
Average	-1.2	-0.6	-0.5	0.1	1.1	1.1	1.4	-0.5	0.0	0.5	0.0	0.2	0.2	1.9
STd dev	6.2	1.8	2.7	1.7	2.1	2.9	2.6	3.1	2.0	1.3	2.0	2.0	1.4	1.0

Table 2 shows the SFA over a longer time span (1995-2006) than the time span applicable for the EDP October 2007 notifications (2003-2006). Not all Member States have provided Eurostat with the data, or with the information that appropriately supports the data provided.

Table 2 illustrates the diversity of SFAs across countries and across the years. Although the average SFA (un-weighted) across all countries and all years is only 0.2% of GDP, the standard deviation is 2.4% of GDP.

Some countries exhibit high averages in their SFAs, between 2.5% and 3.5% of GDP: Finland, Luxembourg, Romania, and between 1.5% and 2.5%: Ireland, and Cyprus, while others exhibit pronounced negative averages, such as the Czech Republic, Malta and Slovakia. Other countries show SFA averages below the threshold +/-1 % of GDP (which is already a high figure for an average).

The standard deviations of yearly SFAs expressed as % of GDP vary also across Member States, with high values for Bulgaria, the Czech Republic, the Slovak Republic (3 to 4 % of GDP range) and for Lithuania, Luxembourg, Malta, Romania, Finland and Sweden (2 to 3% range). The standard deviation tends to exhibit a minimum of about 1% of GDP. Bigger countries tend to

have lower standard deviations in SFA like Germany, France, the United Kingdom, Italy and Spain, all around 1%. This is presumably due to the law of large numbers, as the variety in SFA between each government unit tends to compensate the more, the bigger the Member State is. The standard deviations in SFAs for the Euro area and for the EU27 are even lower at 0.4% and 0.2% of GDP respectively, although covering a much smaller time span.

For a given country, SFA can have extreme values both positive and negative, which determines a "range" worth examining. This can be observed in Figure 3, which illustrates the range of SFA, the highest and the lowest SFA, and the standard deviation of SFA, in a given Member State, between 1995 and 2006. As it can be seen, SFAs are generally changing over time, meaning that they usually are not of same sign.

For some countries, such as Bulgaria, Lithuania or Slovakia, the extent of the range is explained by large negative values (such as extreme values for Slovakia in 1999 and in 2001, reflecting very large privatization operations).

The standard deviation of the SFA figure in Member States clearly shows that the yearly SFA of Bulgaria,

Greece, Malta, Slovakia, Finland and Sweden are changing the most in the twelve fiscal years presented.

The lowest variety in SFAs can be seen in Germany, Spain, France, Italy, Cyprus, Latvia, Hungary, the Netherlands, Portugal, Slovenia and the United Kingdom. These countries usually have small SFAs, which signs may nonetheless be changing from one year to the next.

Figure 3 helps highlighting the outliers in the sample: Luxembourg, Romania and Finland having high values, and Bulgaria, Lithuania and Slovakia having outstanding low values.

The other countries' high and low values are between -5 and 5 % of GDP, forming the centre part of the figure.

Figure 3: The range, minimum and maximum values of yearly SFAs in Member States, SFA in percent of GDP
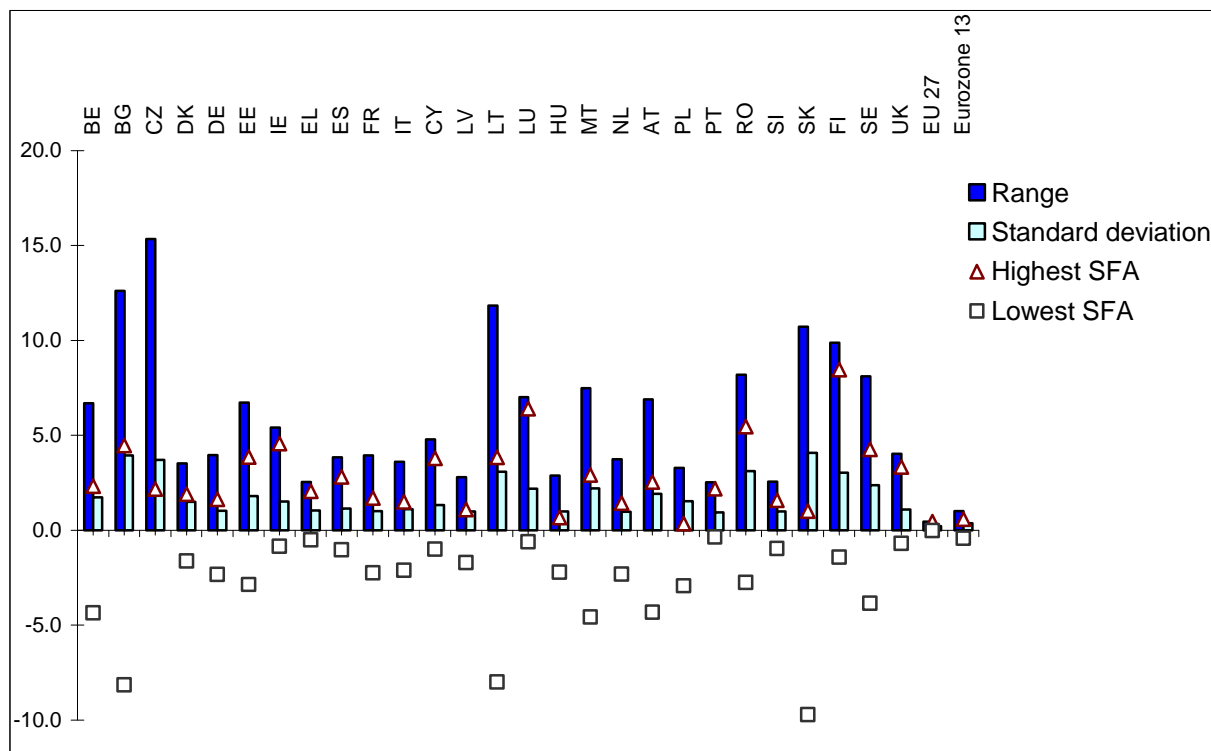

Table 2 and Figure 3 point at some large dominating SFA entries that can be related to specific one-off events. One of these relate (for negative SFA) to large privatization programs.

When excluding the item "transactions in equity" from the SFAs, the occurrence of very large negative SFA tends to disappear, and negative averages over the period become much less frequent and for much smaller amounts. It would be more appropriate to only exclude the "privatization proceeds" (see explanations below for the content of the item transaction in equity), but this information is not available at Eurostat yet for long time series.

The average (un-weighted) SFAs after exclusion of transactions in equity across all countries and all years increases to 0.6% of GDP (+0.3%), and the standard deviation falls to 2.1% of GDP (-0.2%). This illustrates the phenomenon that privatizations not only lead to reduced SFA, but also, *de facto* lead to increased volatility in SFA. Even more marked, the standard

deviation across countries, of the SFA averages, that stands at 1.4% of GDP falls markedly to 0.8% of GDP when excluding transactions in equity.

Components of stock-flow adjustment – Factors contributing to the general government debt

The SFA is made up of 15 elements. This note presents these elements grouped into main components.

Table 3 presents the SFA elements, as reported to the European Commission by Member States, showing EU27 figures in 2003-2006 for illustration. Table 4, placed at the end of the document, details the SFA of each Member State (for each year over 2003-2006). For many SFA items, this note provides a supporting graph. Cross-references to the data are made through the text. Table 4 columns are numbered, and references are included throughout the text in brackets.

The starting point of the analysis is the *deficit/surplus level* (with reverse sign: a deficit is displayed with a positive sign, a surplus with a negative sign) and its contribution to the change in general government debt.

The first SFA group is called *Net acquisition of financial assets.* These corrections appear because financial transactions are "below the line": while not contributing to the deficit, they lead to increases or decreases of the stock of debt.

A second group of SFA items comprises transactions in those liabilities that are excluded from the Maastricht debt definition: *financial derivatives (F.34)* and *Other liabilities,* mainly composed of *payables* (*F.7*).

A third SFA group includes selected other adjustments:

The *Effects of face valuation* are shown in the next three lines (Issuances above(-)/below(+) nominal value, Difference between interest (EDP D.41) accrued(-) and paid(+), Redemptions of debt above(+)/below(-) nominal value), reflecting the fact that the government debt, defined in Council Regulation 3605/93, as amended, excludes accrued interest and is measured at face value (for bills and bonds issued).

The *Appreciation (+)/depreciation (-) of foreign-currency debt* reflects the impact of changes in exchange rates on the Maastricht debt components that are denominated in foreign currencies.

The *Other changes in volume* (Changes in sector classification (K.12.1) (+/-), and Other volume changes in financial liabilities (K.7, K.8, K.10)(-)) mainly arise from the reclassification of units inside or outside general government, and other rare cases of disappearances of debt that do not transit via the deficit/surplus.

The last item is the *statistical discrepancy*, which reflects differences arising from the diversity of data sources.

Table 3 Stock-flow adjustment item for the EU27

EU-27				
October 2007 EDP notification	**2003**	**2004**	**2005**	**2006**
Net borrowing(+)/lending(-)(EDP B.9) of general government (S.13)*	**312,460**	**294,997**	**270,252**	**188,250**
Net acquisition (+) of financial assets [1]	26,883	32,694	67,209	56,712
Currency and deposits (F.2)	6,061	21,191	30,694	49,022
Securities other than shares (F.3)	-5,897	11,358	17,909	23,746
Loans (F.4)	1,602	8,351	11,150	-6,584
Shares and other equity (F.5)	1,401	-9,877	-5,975	-21,504
Other financial assets (F.1, F.6 and F.7)	23,727	1,659	13,445	12,031
Adjustments [1]	-23,767	-264	-11,722	-50,866
Net incurrence (-) of liabilities in financial derivatives (F.34)	-1,260	-1,396	-731	-1,120
Net incurrence (-) of other liabilities (F.5, F.6 and F.7)	-7,258	9,488	-17,263	-55,439
Issuances above(-)/below(+) nominal value	-761	3,778	269	9,231
Difference between interest (EDP D.41) accrued(-) and paid(+)	-9,567	-6,557	898	2,205
Redemptions of debt above(+)/below(-) nominal value	2,660	1,672	272	979
Appreciation(+)/depreciation(-)[2] of foreign-currency debt	-5,669	-7,098	4,475	-6,673
Changes in sector classification (K.12.1)(+/-)	-598	-565	-268	-446
Other volume changes in financial liabilities (K.7, K.8, K.10)(-)	-1,300	426	627	411
Statistical discrepancies	-4,002	2,440	-6,193	-92
Change in general government (S.13) consolidated gross debt [1][3]	**311,588**	**329,855**	**319,518**	**194,004**
*Memorandum item: aggregation effect***		*17,440*	*21,402*	*28,256*
*Memorandum item: change in aggregated general government debt***		*347,295*	*340,921*	*222,260*

*Please note the sign convention in this table for net borrowing / net lending: a positive entry reflects a deficit, a negative entry reflects a surplus.

(1) Consolidated within general government.

(2) Due to exchange-rate movements and to swap activity.

(3) A positive entry in this row means that nominal debt increases, a negative entry that nominal debt decreases.

** Aggregated data for EU27 are calculated from the nominal figures sent by Member States to Eurostat, using an average or an end of period rate as appropriate. For the EU27 aggregate, it should be noted that the "aggregation of (national) changes in government debt" (which is reported here) is not the same as the "change in aggregated debt", owing to the impact of different exchange rates used for flows and for stocks when the data are converted in euro.

The main factor contributing to the change in government consolidated gross debt is generally the deficit or surplus of the general government sector (column 1 in table 4). Figure 4 illustrates the deficit levels in 2003-2006, sorted in ascending order by the deficit level in 2006. The EU27 government deficit remained between 1.6 and 3.1% of GDP over the 2003-2006 period, decreasing year by year, while the euro area deficit remained close to that of the EU27.

Denmark, Finland, Estonia, Bulgaria and Ireland recorded surpluses in 2003-2006. Sweden had also surpluses, except for 2003. Belgium had surpluses in 2003-2004 and 2006. Spain recorded surpluses in 2005 and 2006, while recording deficits in 2003 and 2004. Luxembourg had surpluses in 2003 and 2006 and deficits in 2004 and 2005. The Netherlands had deficits except for 2006. Finally, 17 out of the 27 Member States recorded deficits in each year during this time period.

The deficit of Latvia, Lithuania, Austria, Romania and Slovenia never exceeded the 3% limit during 2003-2006.

In the period of 2003-2006, Italy, Hungary and Poland recorded deficits always above 3% of GDP. Cyprus decreased incrementally its deficit below this limit, starting from a high deficit in 2003.

Germany, Greece, Malta and the United Kingdom decreased their deficit below 3% in 2006, and France in 2005, after being three years above, while the deficit of the Slovak Republic went above the 3% limit in 2006 after being three years below. The Czech Republic deficit returned to below 3% after exceeding this limit in 2005.

The deficit of Italy, Hungary, Poland, Portugal and Slovakia exceeded the 3% limit in 2006.

The highest deficits in the examined period were shown by Malta in 2003, where the deficit amounted to 10% of GDP, by Hungary, 9.2% of GDP in 2006, 7.8% in 2005 and 7.2% in 2003, and by Greece whose deficit was 7.3% in 2004.

Figure 4: Net lending (+)/net borrowing(-) 2003-2006 in percent of GDP
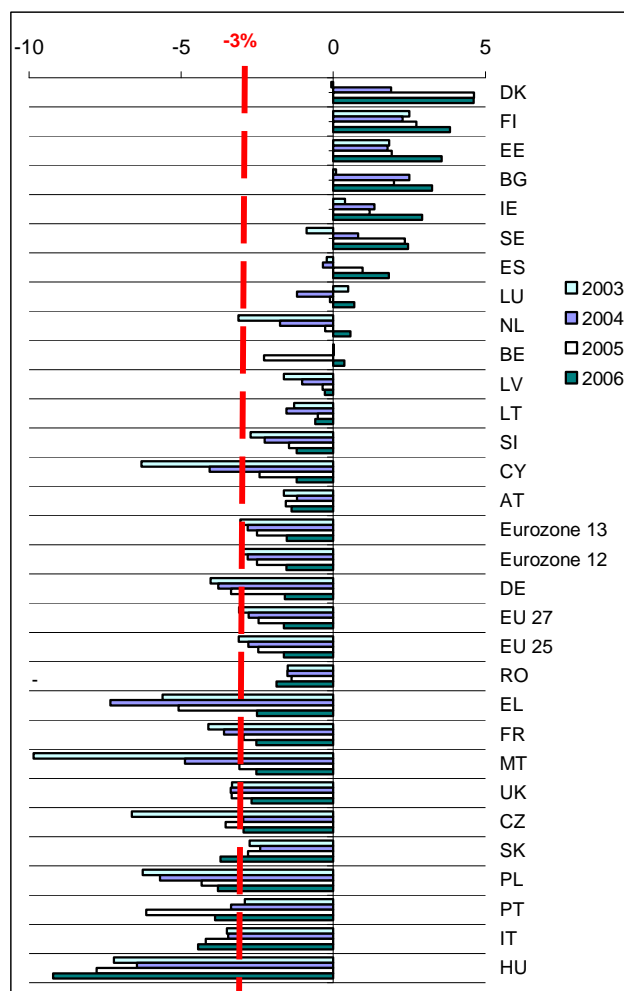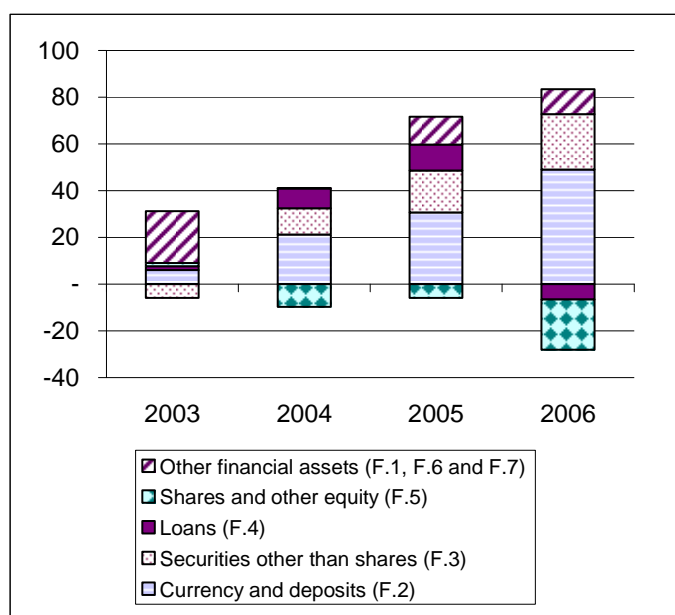
Net acquisition of financial assets

The net acquisition of financial assets is generally the main factor in the SFA. It reflects acquisition less disposal of financial assets by the general government sector in the form of: Currency and deposits (F.2), Securities other than shares (F.3), Loans granted by the government to non-governmental units (F.4), Shares and other equity (F.5) as well as Other financial assets: mainly other accounts receivable (F.7), and occasionally Monetary gold (F.1) and Insurance technical reserves (F.6).

Transactions in financial assets are reported on a consolidated basis, i.e. excluding transactions in government's own instruments. This is due to the fact that government debt is defined as consolidated within general government. The acquisition of government bonds by government units are thus not shown (in table 3 for instance) as acquisition of assets but as reduction in government debt, as if the bond had been actually redeemed. The importance of transactions between sectors can be observed when information at the level of each sub-sector of general government is provided. Such information on SFA by sub-sectors is accessible on the Eurostat web site.

Transactions in financial instruments, such as sales of shares, are without direct impact on government debt because they lead to changes in holdings of other types of financial assets, normally currency and deposits. However, there will be a subsequent impact on the debt, if government uses the proceeds to repay its debt. Changes in market value (e.g. changes due to price changes) of financial assets owned by general government are not included here. These have no impact on the government deficit nor on the change in government debt.

Figure 5 shows the components of net acquisitions of financial assets for the EU27 in 2003-2006 in billions of euro. A trend can be observed for accumulation of Currency and deposits (F.2) and of Securities other than shares (F.3), in recent years, with an impact of 0.4% and 0.2% of GDP respectively in 2006. Loans contribute with a positive sign over 2003-2005 but with a negative sign in 2006 (-0.1% of GDP). Shares and other equity (F.5) and Other financial assets (mainly F.7) also contribute significantly to annual SFAs (of the size of +/- 0.1 to 0.2% of GDP), the former predominantly with a negative sign, reflecting the impact of privatization proceeds, and the latter predominantly with a positive sign, reflecting the impact of tax receivables.

Figure 5: Net acquisition of financial assets 2003-2006 for EU27 (in billion EUR)

In principle, the information on net acquisition of financial assets must be coherent with financial accounts data published by Member States, and reported to Eurostat in the context of the ESA95 transmission programme. However, slight deviations may appear, notably due to differences in vintages.

Separate sections are devoted to each SFA element, examining data by country, focusing on large values. For analytical purposes, the Other financial assets (F.1, F.6 and F.7) item is analysed separately, together with Net incurrence of other liabilities (F.6, and F.7) and Financial derivatives (F.34).

Currency and deposits (F.2)

The F.2 position (column (5)) reflects mainly movements in government deposits at banks, which can fluctuate substantially from one year to another, in particular due to Treasury operations. Other government units (e.g. local government, social security funds) also hold bank accounts. This figure tends to increase along with economic growth, and on average Member States with high nominal GDP growth would have higher F.2 values. Transactions in F.2 might also be influenced from one year to the next by very large operations that lead to large cash inflows or outflows in a given year. For example a large bond issuance might increase the deposits of government if the receipts from the issuance are not used for another purpose like bond redemption or government spending, but are kept in the bank.

Particularly high positive values can be observed for Bulgaria (in 2003, 2004 and 2006), the Czech Republic (in 2005), Denmark (2004), Lithuania (2006), Luxembourg (2003, 2006), Malta (2003), and Finland (2003). On the other hand, negative values can be noted for Slovakia in 2005 (reflecting draw downs of cash accumulated from large privatization receipts in previous years) and for France in 2006 (reflecting enhanced liquidity management by the French Treasury in an attempt to reduce in 2006 the progression in debt).

Figure 6: Currency and deposits (F.2) 2003-2006 in percent of GDP
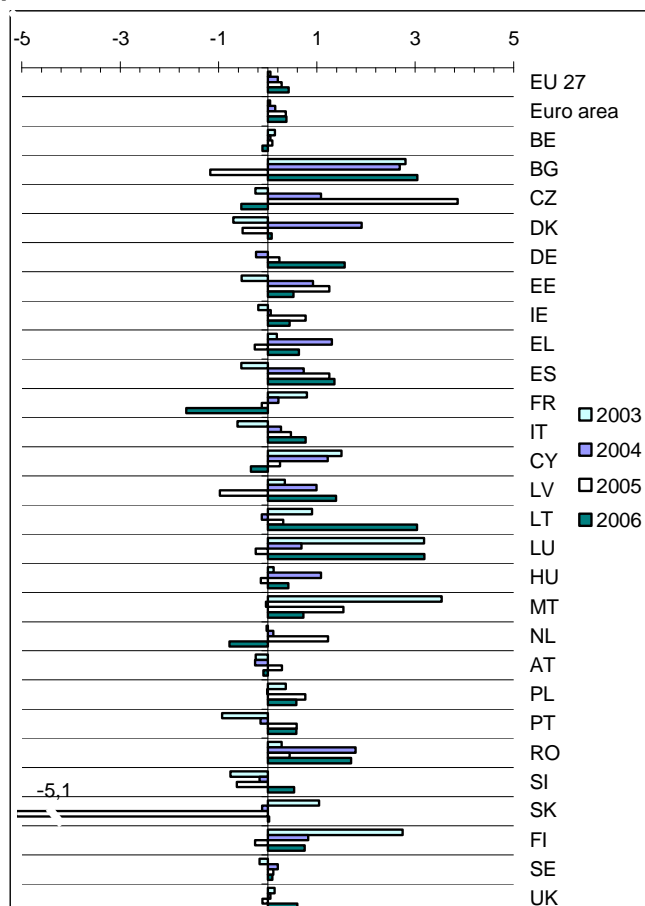

Securities other than shares (F.3)

Securities other than shares (column (6)) mainly reflect net purchases of bills, notes or bonds issued by banks, non-financial corporations, or non-residents (including foreign governments) predominantly by some asset-rich social security funds or other reserve funds. Purchases of bonds issued by resident government units are not reported here because these lead to a fall in Maastricht debt. Thus these are instead reported under the items change in debt or redemption above/below par (see below).

Figure 7 shows a marked dispersion across Member States for this item. Finland (all years), and to a lesser extent Sweden (2005, 2006), show large purchases, reflecting social security investments. Other large investments flows of some other asset-rich social security funds do not appear here because they invest primarily or exclusively in government securities (such as Cyprus and Greece), which are consolidated in this presentation, or in deposits (Luxembourg). Estonia (2003, 2006) also reports very large purchases by central government.

Noticeable negative figures, which represent disposals of notes and bonds, can be observed for Bulgaria in 2004 and for Luxembourg in 2003-2005. Bulgaria for 2005-2006, Lithuania and Romania do not report data here.

Figure 7: Securities other than shares (F.3) 2003-2006 in percent of GDP
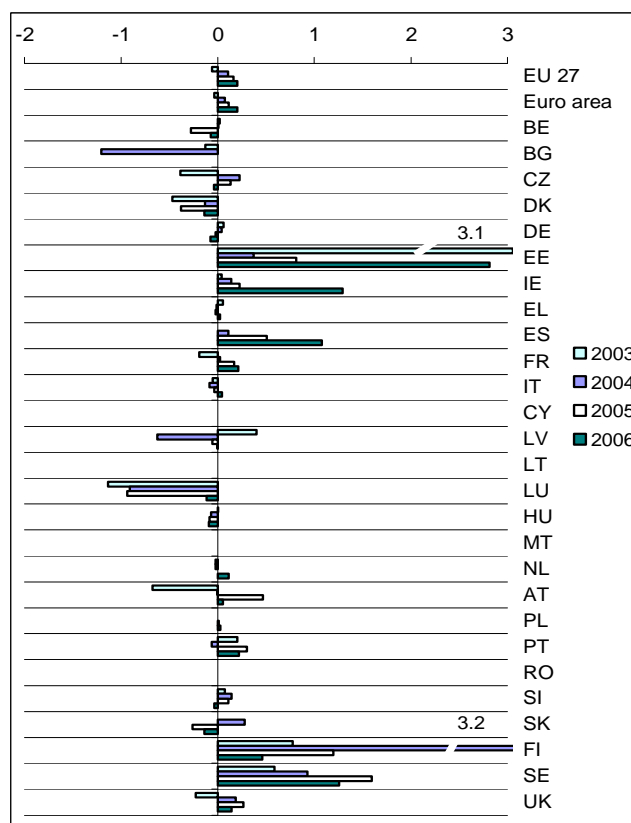
Loans (F.4)

F.4 (column (7)) comprises loans to non-government units only, since the figures in this table are consolidated. This item includes lending, notably to foreign governments, to public corporations, or to students. The value of loans grows with increased lending and decreases with loan repayments, with counterpart entries under cash. Loan cancellations are also reflected here with a counterpart entry under capital transfer (government expenditure). The size of the item reflects the prevalence of lending as part of government policy in various countries.

Loans convey an intention on the part of the lender to finance the borrower. In contrast deposit placements are mere means, by the lender, of placing its liquidities.

It should be noted that loans granted by government with little expectation of repayments at inception are to be recorded in national accounts as capital transfers (thus entering the deficit, at inception), and are thus not reported here.

Denmark (2006), Estonia (2003) and, more even pronounced, Sweden (most years) have noticeable positive values. For Sweden these notably reflect lending by local government to real estate units (which rent out properties at market value).

High negative values can be observed for Belgium (2003), the Czech Republic (2003, 2005), Malta (2003) and Slovakia (2003, 2005). For Belgium a change in financing scheme of housing loans, substituted by guarantees led, in 2003, to the quasi liquidation of the government's loan portfolio. Debt cancellations mainly explain the high negative figures for the Czech Republic, and for Slovakia in 2005.

Figure 8: Loans (F.4) 2003-2006 in percent of GDP
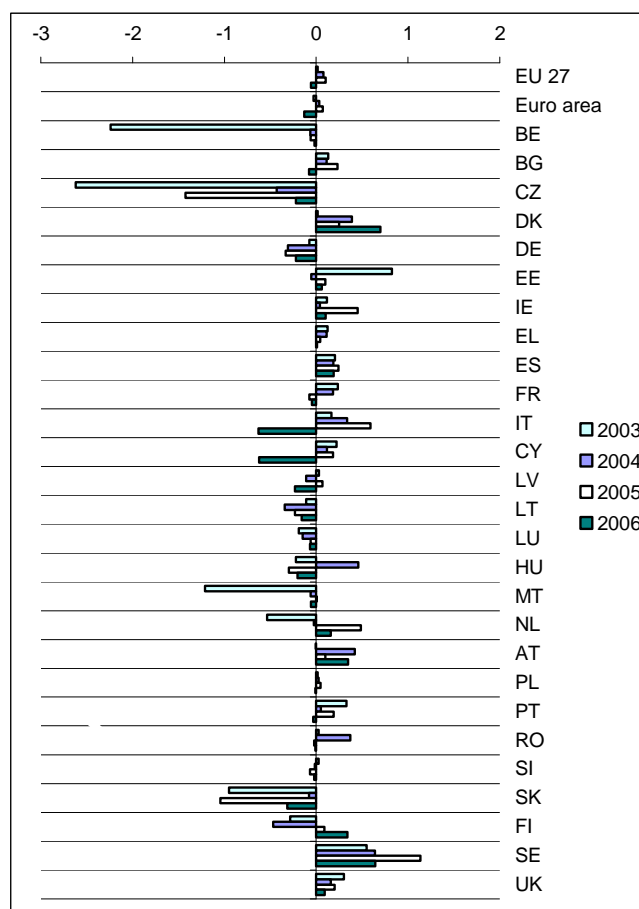
Shares and other equity (F.5)

The item Shares and other equity (column (8)) captures acquisitions less disposals by government units of equity in corporations. These may reflect privatisation proceeds, equity injections in public corporations, or portfolio investments. Figure 9 reports these various transactions on a net basis.

A decrease of shares and other equity may mirror privatisation proceeds. These can be non-negligible, notably for the recently acceded Member States. Privatisation proceeds for the EU15 Member States peaked during the 1990s. For Bulgaria (all years), the Czech Republic (2005), Lithuania (2003 and 2006), Hungary (2005), Malta (2006), Romania (2006) and Slovakia (2006), the high (negative) values in the item Shares and other equity reflect large privatisation operations. It can be noted that, in these years the currency and deposit figures (F.2, column (5)) for these countries often sharply increased, showing the proceeds in cash.

Privatisations conducted by special agencies are also reported here, as these entities are to be classified inside general government.

Figure 9: Shares and other equity (F.5) 2003-2006 in percent of GDP
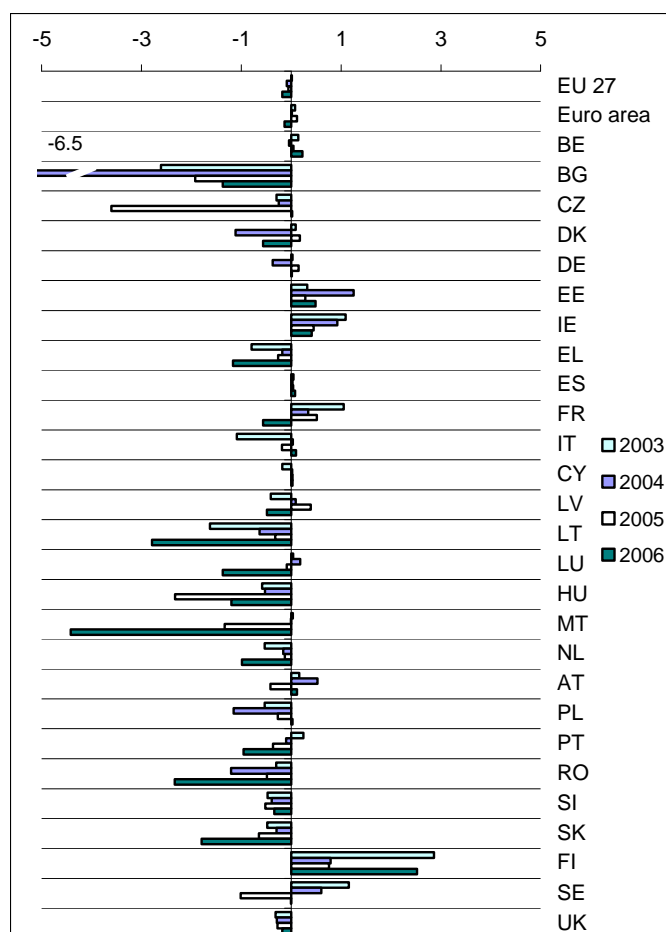
Another component of the item shares and other equity relates to equity injections by government, which cover capital injections (generally in the form of cash provided by government) to specific public corporations when government is acting similarly to a private investor with the expectation of a market return on invested funds. These are therefore not considered as government expenditure in national accounts.

Since these are not treated as expenditure of government, these are not included in the net lending/net borrowing of Member States, despite leading to a financing need and to an (indirect) increase of government debt of government.

Eurostat is particularly vigilant on the recording of capital injections: they must be recorded as government expenditure (capital transfer expenditure) whenever there is no evidence that government is acting similarly to a private investor. As an example, in the April 2007 EDP notification, Eurostat amended upwards the deficit data notified by Portugal in 2005 by 158 mn euro (0.1% of GDP) due to the reclassification by Eurostat of capital injections by government in two hospitals as capital transfers, initially reported by Portugal as equity injection. (See Press Release n° 55/2007 of 23 April 2007).

Cases of substantial equity injections (those capital injections treated as transactions in equity rather than as capital transfers) are observed in the Czech Republic (2003, *Osinek*), Denmark (all years, investments in quasi-corporations), Estonia (2003 and 2004, *Riigi Kinnisvara*, a real estate company, and 2006, Eesti Vedelkütusevaru Agentuur, an Estonian oil stockpiling agency), Germany (all years, quasi corporations), Greece (2005, ATE Bank), France (2003, France Telecom), Italy (2004, SACE), Cyprus (2006, Cyprus Airways), Latvia (2005, Hipotēku un zemes banka, a mortgage bank), Luxembourg (2006, the bank *Société Nationale de Credit et d'Investissement*), Poland (2006, *GAZ-System*), Portugal (2004, CGD Bank), Austria (2004, Austrian Railways, and all years, quasi corporations) and Romania (2006, CEC Bank).

The item Shares and other equity also captures portfolio investments in the form of purchases of quoted shares on the market made by some government units, notably asset-rich social security funds, such as in Finland and Sweden or some specific portfolio investment operations, such as the sale in 2006 of Arcelor shares by Luxembourg. This item also includes net investment in mutual funds, which are alternative investment vehicles. In particular, placements in money market mutual funds are reported here (rather than under Currency and deposits), despite being close substitutes for bank deposits.

Other financial assets (F.1, F.6 and F.7), Net incurrence of other liabilities (F.6 and F.7) and Financial derivatives (F.34)

Whereas public accounts or budget recordings are often cash based (or partly cash based) in the EU, ESA 1995 follows the accrual principle (namely recording transactions when the obligation to pay arises, not when the payment is actually made). Consequently, the impact on the financing needs of government does not directly arise from the deficit, as government revenue can be cashed, or government expenditure can be settled, at different accounting periods than the economic transaction itself. Thus two items have to be added in the transition from the deficit to the change in debt: Other financial assets (column (9)), which mainly shows the receivables of government; and Net incurrence of other liabilities (column (12)), which mainly shows the payables of government.

Other financial assets mainly include receivables of taxes and social contributions as well as amounts concerning EU transactions (amounts paid by government on behalf of the EU but not yet reimbursed by the EU), trade credits, or rare occasions of advances for expenditure such as wages or benefits paid one month in advance. The amount of other financial assets tends to increase over time because of nominal GDP growth.

By the same token, entries in net incurrence of other liabilities include (among others) deliveries of goods and services not yet paid for, as well as sums received from the EU but not yet paid out by government to the final beneficiary.

Figure 10 presents the net impact of other assets and other liabilities. Very large values can be observed for Bulgaria (the positive entry in 2004, and the matching negative entry in 2005, reflecting privatization operations signed off in 2004 but actually settled in 2005), for Greece (reflecting in 2006 a delay in payment of a pension lump-sum, recorded as government revenue for 2006, and a noticeable accrual adjustment for military expenditure; large net receivables relating to EU flows in 2005 and 2006; and large repayments of hospital liabilities in payables in 2005), for Lithuania (notably reflecting in 2005 and 2006 large repayments of payables relating to restitutions and to confiscated Ruble deposits – the government liability was recognized in 1997 by way of a capital transfer expenditure with an impact on the deficit in 1997). Luxembourg does not report other payables/receivables.

When verifying the EDP tables, Eurostat monitors with a special attention the flows of receivables/payables, with an aim to avoid large amounts of undocumented receivables / payables. Supplementary information is to be provided by all Member States on the receivables/payables pertaining to taxes, to EU flows and to military expenditure. Member States are also invited to provide, on an *ad hoc* basis, supplementary information on other flows of receivables/payables, at their initiative or on request of Eurostat.

Figure 10: Net financial assets: Other financial assets minus Net incurrence of other liabilities
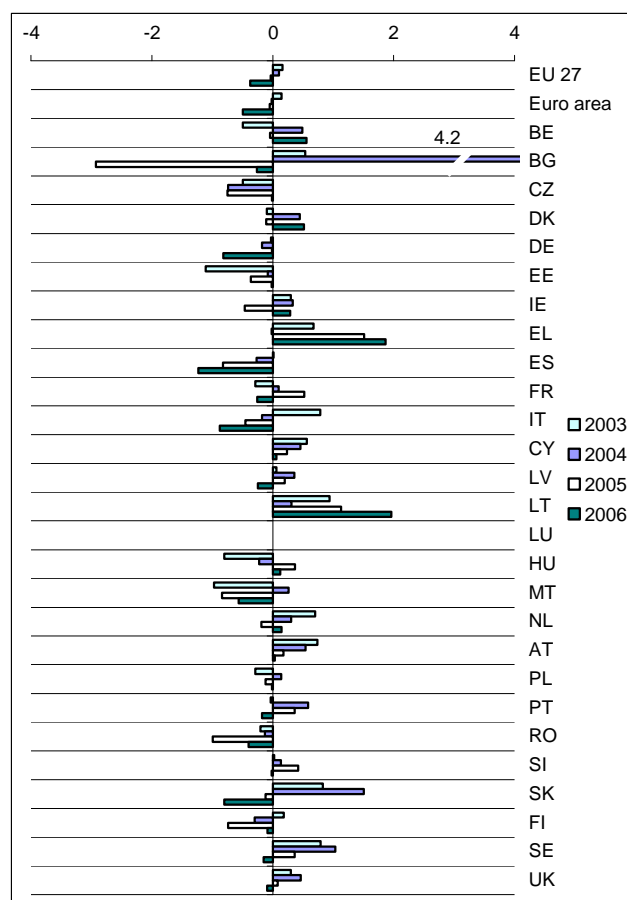
In addition, government entities, notably Treasuries, carry out operations in financial derivatives, such as swaps, futures, and options, and the cash flows related to those operations are recorded in the financial accounts. The effect of these is overall small.

Effects of face valuation

These items relate to the fact that the Maastricht debt is valued at face value.

Difference between interest (EDP D.41) accrued and paid (column (14)) must be presented here, because government expenditure on interest according to ESA 1995 requires a recording spread over time following the accrual principle, whereas the cash impact is only when interest is actually paid. As this item also captures the spreading of the premium or discount at issue, positive values may reflect the accrual impact of large amounts of bonds issued in the past at a premium. The specific adjustment for swaps (stream of payments on swaps and forward rate agreements) for the measurement of the government deficit for EDP purposes should preferably be included here (see methodological annex). The large entry for Slovakia in 2005 results from the reimbursement of an old debt to the Czech Republic, following international arbitration. Hungary (2004) shows some large values.

Governments routinely issue bonds below or above their face value (face value = par value), notably in the form of fungible bonds or in the case of zero coupon bonds (not common in Europe). When the face and the issuance values differ, this has consequences on the recording in national accounts. Since government debt must be recorded at face value but the proceeds that enter currency and deposits correspond to the issue value, the difference must be recorded as *Issuance above/below par* (see column (13)). Hence, the difference is recorded as government expenditure or revenue not at time of issuance, but only gradually over time.

By the same token, a similar adjustment must be made in the case of early redemption, when government buys back issued bonds. The difference between the repurchase value and the face value must be presented in the column *Redemptions of debt above/below par* (column (15)).

High values for Ireland in 2004 in both items *Issuance above/below par* (column (13)) and *Redemptions of debt above/below par* (column (15)) reflect large scale debt restructuring treated statistically as redemption of old debts alongside the issuance of new debt.

Figure 11: Difference between interest (EDP D.41) accrued and paid 2003-2006 in percent of GDP
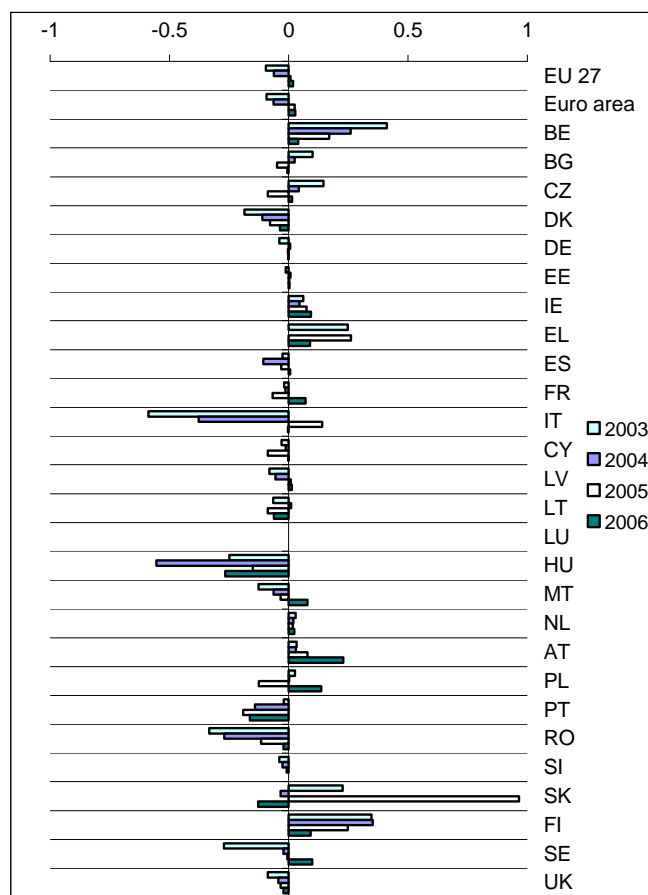
Appreciation/depreciation of foreign currency debt

When a government issues bonds denominated in a currency other than in its own currency, any following depreciation or appreciation of the national currency leads to changes in debt without an impact on the deficit/surplus. This leads to entries in Appreciation/depreciation of foreign currency debt (column (16)).

Looking at Figure 12, it is clear that the recently acceded Member States have substantial amounts of bonds denominated in foreign currency, mostly in euro or in U.S. dollars. Large values are observed but with different signs across the period for Bulgaria, Hungary, Poland, Romania and, to a lesser extent Sweden, reflecting appreciation (negative entries) and depreciation (positive entries) phases of their currency. Systematic noticeable negative values can be observed for Slovakia (all years). More in general, this SFA item loses importance with the introduction of the euro.

Figure 12: Appreciation/depreciation of foreign currency debt 2003-2006 in percent of GDP
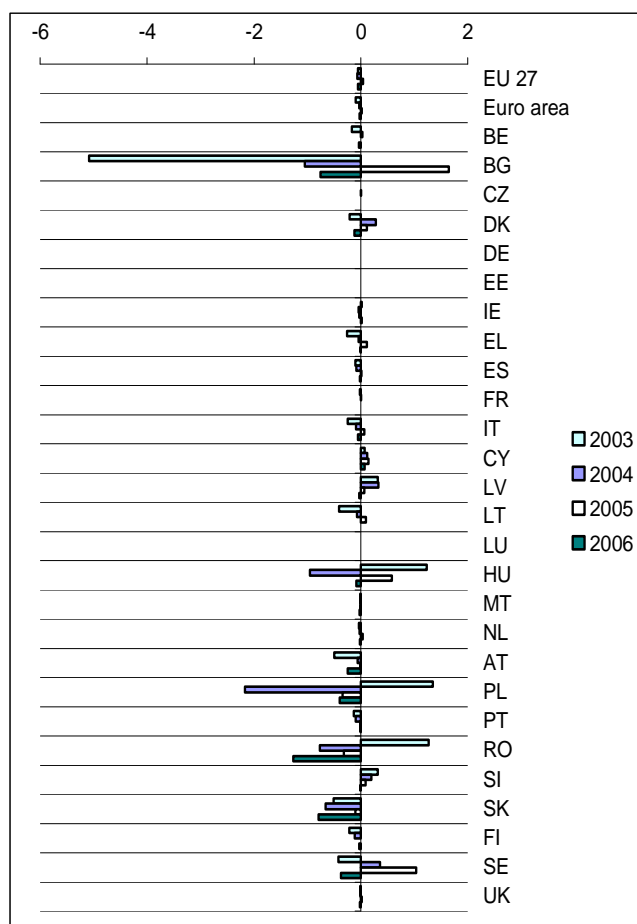
Other changes in volume: Changes in sector classification (K.12.1) (+/-) and Other volume changes in financial liabilities (K.7, K.8, K.10)(-)

It might happen that an institutional unit that was classified outside (inside) government is reclassified inside (outside) government. The impact of this is generally shown under Changes in sector classification (K.12.1) (column (17)) unless there are good reasons not to do so. Some other specific events can give rise to entries in other changes in volume.

Large values can be observed for Belgium in 2005 (reclassification of a wastewater treatment company outside government), for the Czech Republic (2003), for Latvia in 2005, for Slovenia in 2006 (adjustments related to new valuation of the restitution fund debt), for Slovakia in 2004 (resulting from the transfer of an old debt to the Czech Republic, following international arbitration) and to a lesser extent for the United Kingdom in 2003.

Bulgaria, Ireland, Greece, Spain, Cyprus, Lithuania, Luxembourg, Hungary, Austria, Poland, Romania and Sweden report zeros or no data here.

Figure 13: Other changes in volume 2003-2006 in percent of GDP
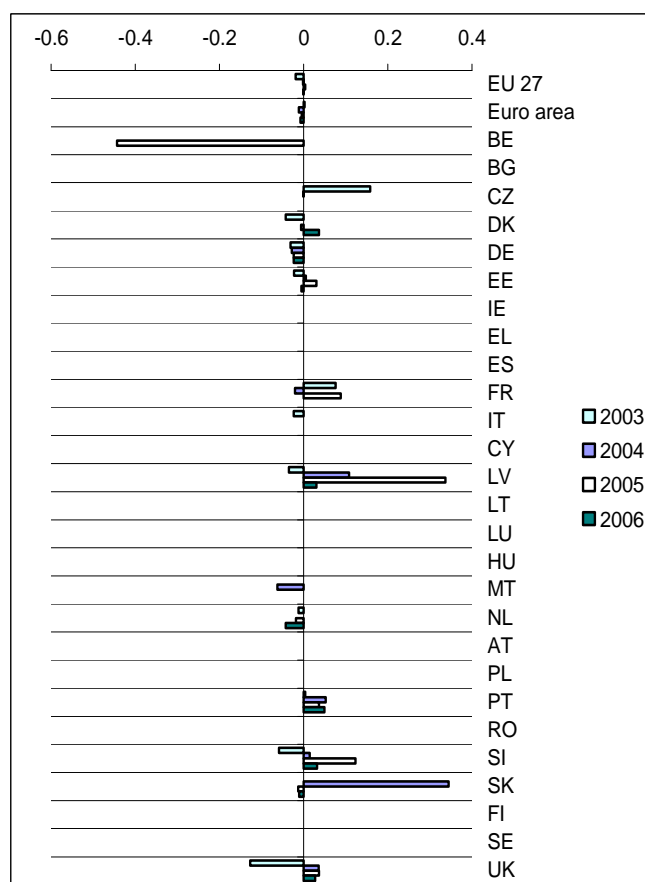
Statistical discrepancy

The government sector accounts in national accounts (ESA1995) are often compiled from a diversity of sources, which may not be fully integrated or completely homogenous, leading to differences between the revenue and expenditure data and the financing data, or between the transactions in debt and other economic flows in debt (i.e. valuation effects and other changes in volume) data, on one hand, and the change in debt data, on the other hand.

The extent of discrepancies can thus indicate the accuracy of the data supplied by Member States. Therefore Eurostat monitors discrepancies carefully, to determine if they are of an excessive size, or accumulate (i.e. are of a same sign) over time. In particular, a continuously positive discrepancy may raise questions on whether the deficit is appropriately measured.

However, statistical practices differ in Europe, with some compilers showing discrepancies explicitly, whilst others allocate them under various other SFA items, such as other financial assets and liabilities. Therefore for some purposes, it may be useful to consider together other assets, other liabilities and statistical discrepancies.

Discrepancies between the non-financial and the financial accounts often relate to the time of recording of Treasury or Budget transactions compared to the moment these flow through the banking system. A notable cause of discrepancies originates from the accrual recording and the difficulty to match cash and accrual data.

Luxembourg and Sweden exhibit very high annual values. For Luxembourg, these include the absence of reported payables / receivables and largely compensate over time. In contrast, for Sweden the cumulated value is rather large (at -2.6% of annual GDP), though negative. Other high cumulated discrepancies with negative values are reported by Estonia (-1%), Lithuania (-0.8%) and Austria (-0.7%). The cumulated value over 2003-2006 is positive and in excess of 0.5% of annual GDP for Hungary (0.6%), though with a generally decreasing trend (the value of its statistical discrepancy in 2006 is 0%). The statistical discrepancy for Greece, which in past notifications was high, has been noticeably reduced in 2003-2005 after successive upward revisions of the deficit; it is higher again in 2006 (0.4%) but the cumulated total over 2003-2006 remains small and negative (-0.1%).

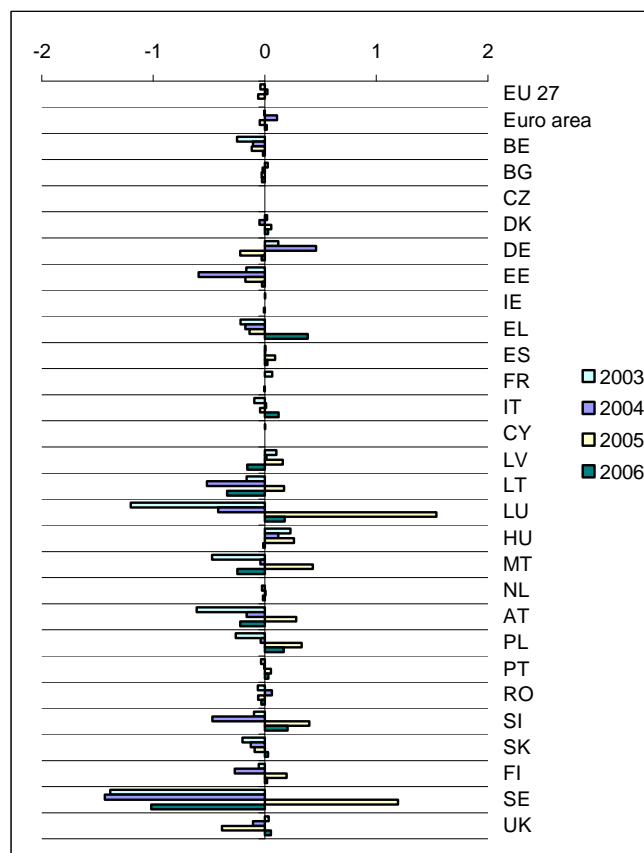**Figure 14: Statistical discrepancy 2003-2006 in percent of GDP**

Table 4: Stock-flow adjustment tables, in years 2003-2006

Stock flow adjustment to General government - 2003
October 2007 EDP notification

	Net borrowing(+)/lending(-)(EDP B.9) of general government (S.13)*	Change in general government (S.13) consolidated gross debt (2)	Stock - flow adjustment (SFA) (3)=(2)+(1)=(4)+(10)+(19)	Net acquisition (+) of financial assets (3) (4)=(5)+(6)+(7)+(8)+(9)	Currency and deposits (F.2)	Securities other than shares (F.3)	Loans (F.4)	Shares and other equity (F.5)	Other financial assets (F.1, F.6 and F.7)	Adjustments (10)=(11)+(12)+(13)+(14)+(15)+(16)+(17)	Net incurrence (-) of liabilities in financial derivatives (F.34)	Net incurrence (-) of other liabilities (F.6 and F.7)	Issuances above(-)/below(+) par	Difference between interest (EDP D.41) accrued(-) and paid(4)(+)	Redemptions of debt above(+)/below(-) par	Appreciation(+)/depreciation(-)(5) of foreign-currency debt (6)	Changes in sector classification (K.12.1)(6) (+/-)	Other volume changes in financial liabilities (K.7, K.8, K.10)(6)(-)	Statistical discrepancies (19)=(20)+(21)	Difference between financial and capital accounts (B.9f-B.9)*	Other statistical discrepancies (+/-)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
BE	0.0	-2.1	-2.1	-1.9	0.1	0.0	-2.2	0.1	0.0	0.1	0.0	-0.5	0.1	0.4	0.2	-0.2	0.0	0.0	-0.2	-0.2	0.0
BG	0.0	-4.3	-4.3	1.1	2.8	-0.1	0.1	-2.6	0.9	-5.4	-0.1	-0.3	0.0	0.1	NA	-5.1	NA	NA	0.0	0.0	NA
CZ	-6.6	2.8	-3.8	-3.0	-0.2	-0.4	-2.6	-0.3	0.5	-0.8	-0.1	-1.0	0.0	0.1	0.0	0.0	0.2	0.0	0.0	0.0	0.0
DK	-0.1	-1.5	-1.6	-0.1	-0.7	-0.5	0.0	0.1	1.0	-1.6	0.0	-1.1	0.0	-0.2	0.0	-0.2	0.0	0.0	0.0	0.0	0.0
DE	-4.0	4.1	0.0	0.0	0.0	0.1	-0.1	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1
EE	1.8	0.5	2.3	3.7	-0.5	3.1	0.8	0.3	0.0	-1.2	0.0	-1.2	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	-0.2	0.0
IE	0.4	1.0	1.4	1.3	-0.2	0.0	0.1	1.1	0.3	0.1	0.0	0.0	-0.4	0.1	0.4	0.0	NA	NA	0.0	NA	0.0
EL	-5.6	5.2	-0.5	0.5	0.2	0.1	0.1	-0.8	0.9	-0.7	0.0	-0.3	-0.5	0.2	0.0	-0.3	0.0	0.0	-0.2	0.0	-0.2
ES	-0.2	-0.2	-0.4	-0.4	-0.5	0.0	0.2	0.0	-0.1	-0.1	0.0	0.1	-0.1	0.0	0.1	-0.1	0.0	0.0	0.0	0.0	0.0
FR	-4.1	5.8	1.7	1.7	0.8	-0.2	0.2	1.1	-0.2	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.0
IT	-3.5	1.9	-1.6	-0.9	-0.6	-0.1	0.2	-1.1	0.7	-0.6	0.0	0.1	0.2	-0.6	0.0	-0.2	0.0	0.0	-0.1	-0.1	0.0
CY	-6.5	8.6	2.1	2.2	1.5	0.0	0.2	-0.2	0.7	-0.1	0.0	-0.1	0.0	-0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0
LV	-1.6	2.3	0.7	1.0	0.3	0.4	0.0	-0.4	0.6	-0.4	0.0	-0.6	0.0	-0.1	0.0	0.3	0.0	0.0	0.1	0.1	0.0
LT	-1.3	0.7	-0.5	-0.8	0.9	NA	-0.1	-1.6	0.1	0.4	NA	0.9	0.0	-0.1	NA	-0.4	0.0	0.0	-0.2	-0.2	0.0
LU	0.5	0.2	0.7	1.9	3.2	-1.1	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.2	ND	ND
HU	-7.2	7.4	0.2	-0.5	0.1	0.0	-0.2	-0.6	0.2	0.5	0.2	-1.0	0.3	-0.2	0.0	1.2	0.0	0.0	0.2	0.2	0.0
MT	-9.9	10.7	0.9	3.0	3.5	0.0	-1.2	0.0	0.6	-1.6	0.0	-1.6	0.1	-0.1	0.0	0.0	0.0	0.0	-0.5	-0.5	0.0
NL	-3.1	2.7	-0.4	-0.2	0.0	0.0	-0.5	-0.5	0.9	-0.2	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AT	-1.6	0.4	-1.2	0.1	-0.2	-0.7	0.0	0.2	0.8	-0.2	0.0	-0.1	0.0	0.0	0.0	-0.5	0.0	0.0	-0.6	-0.1	-0.6
PL	-6.3	6.6	0.4	-0.5	0.4	0.0	0.0	-0.5	-0.4	1.1	NA	0.1	-0.3	0.0	NA	1.3	NA	NA	-0.3	0.0	-0.2
PT	-2.9	2.6	-0.3	-0.1	-0.9	0.2	0.3	0.2	0.0	-0.2	0.0	-0.1	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
RO	-1.5	2.3	0.9	0.8	0.3	NA	0.0	-0.3	0.8	0.1	0.0	-1.0	0.2	-0.3	NA	1.3	NA	NA	-0.1	-0.1	0.0
SI	-2.7	1.8	-1.0	-1.2	-0.8	0.1	0.0	-0.5	-0.1	0.3	0.0	0.1	0.0	0.0	0.0	0.3	-0.2	0.1	-0.1	0.0	-0.1
SK	-2.7	3.0	0.3	0.1	1.0	0.0	-0.9	-0.5	0.5	0.4	0.0	0.4	0.3	0.2	0.0	-0.5	0.0	0.0	-0.2	-0.1	-0.1
FI	2.5	3.6	6.1	6.1	2.7	0.8	-0.3	2.9	0.0	0.1	-0.4	0.2	0.0	0.3	0.1	-0.2	0.0	0.0	-0.1	-0.1	-0.1
SE	-0.9	1.7	0.8	3.2	-0.2	0.6	0.6	1.2	1.0	-1.0	NA	-0.2	-0.1	-0.3	0.1	-0.4	NA	NA	-1.4	-1.9	0.5
UK	-3.3	3.3	0.0	0.2	0.1	-0.2	0.3	-0.3	0.3	-0.2	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	-0.1	0.0	0.0	0.0
EU 27	**-3.1**	3.1	0.0	0.3	0.1	-0.1	0.0	0.0	0.2	-0.2	0.0	-0.1	0.0	-0.1	0.0	-0.1	0.0	0.0	0.0	NC	NC
Eurozone 13	**-3.1**	3.1	0.0	0.2	0.0	0.0	0.0	0.1	0.2	-0.2	0.0	0.0	0.0	-0.1	0.0	-0.1	0.0	0.0	0.0	NC	NC

Stock flow adjustment to General government - 2004
October 2007 EDP notification

	Net borrowing(+)/lending(-)(EDP B.9) of general government (S.13)*	Change in general government (S.13) consolidated gross debt (2)	Stock - flow adjustment (SFA) (3)=(2)+(1)=(4)+(10)+(19)	Net acquisition (+) of financial assets (3) (4)=(5)+(6)+(7)+(8)+(9)	Currency and deposits (F.2)	Securities other than shares (F.3)	Loans (F.4)	Shares and other equity (F.5)	Other financial assets (F.1, F.6 and F.7)	Adjustments (10)=(11)+(12)+(13)+(14)+(15)+(16)+(17)	Net incurrence (-) of liabilities in financial derivatives (F.34)	Net incurrence (-) of other liabilities (F.6 and F.7)	Issuances above(-)/below(+) par	Difference between interest (EDP D.41) accrued(-) and paid(4)(+)	Redemptions of debt above(+)/below(-) par	Appreciation(+)/depreciation(-)(5) of foreign-currency debt (6)	Changes in sector classification (K.12.1)(6) (+/-)	Other volume changes in financial liabilities (K.7, K.8, K.10)(6)(-)	Statistical discrepancies (19)=(20)+(21)	Difference between financial and capital accounts (B.9f-B.9)*	Other statistical discrepancies (+/-)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
BE	0.0	0.7	0.7	0.2	0.1	0.0	-0.1	0.0	0.2	0.7	0.0	0.3	0.1	0.3	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0
BG	2.3	-3.0	-0.8	0.4	2.7	-1.2	0.1	-5.6	4.4	-1.1	-0.1	0.0	0.0	0.0	NA	-1.1	NA	NA	0.0	0.0	NA
CZ	-3.0	2.8	-0.1	0.6	1.1	0.2	-0.4	-0.2	-0.1	-0.7	0.0	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DK	1.9	0.0	1.9	0.0	1.9	-0.1	0.4	-1.1	-1.0	1.9	0.0	1.5	0.3	-0.1	0.0	0.3	0.0	0.0	0.0	0.0	0.0
DE	-3.8	3.2	-0.6	-1.0	-0.2	0.0	-0.3	-0.4	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.5
EE	1.8	0.0	1.8	3.7	0.9	0.4	-0.1	1.3	1.2	-1.3	0.0	-1.3	0.0	0.0	0.0	0.0	0.0	0.0	-0.6	-0.6	0.0
IE	1.3	0.4	1.7	1.5	0.1	0.1	0.0	0.9	0.3	0.2	0.1	0.0	-0.7	0.0	0.8	0.0	NA	NA	0.0	NA	0.0
EL	-7.3	8.1	0.8	1.5	1.3	0.0	0.1	-0.2	0.3	-0.5	-0.1	-0.3	-0.2	0.0	0.1	0.0	0.0	0.0	-0.2	0.0	-0.2
ES	-0.3	0.8	0.5	1.1	0.7	0.1	0.2	0.0	0.1	-0.7	0.0	-0.4	-0.1	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
FR	-3.6	4.4	0.8	0.3	0.2	0.0	0.2	0.3	-0.5	0.6	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IT	-3.5	3.7	0.2	0.6	0.3	-0.1	0.3	0.0	0.0	-0.4	0.0	-0.2	0.3	-0.4	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
CY	-4.1	6.1	2.0	1.7	1.2	0.0	0.1	0.0	0.4	0.3	0.0	0.1	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0
LV	-1.0	2.1	1.1	1.4	1.0	-0.6	-0.1	0.1	1.1	-0.4	0.0	-0.7	0.0	-0.1	0.0	0.3	0.1	0.0	0.0	0.0	0.0
LT	-1.5	0.2	-1.4	-0.7	-0.1	NA	-0.3	-0.6	0.4	-0.1	NA	-0.1	0.0	0.0	NA	-0.1	0.0	0.0	-0.5	-0.5	0.0
LU	-1.2	0.6	-0.6	-0.2	0.7	-0.9	-0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.4	ND	ND
HU	-6.5	6.3	-0.1	1.9	1.1	-0.1	0.5	-0.5	0.9	-2.1	0.2	-1.2	0.4	-0.6	0.0	-1.0	0.0	0.0	0.1	0.1	0.0
MT	-4.9	4.7	-0.2	-0.3	0.0	0.0	-0.1	0.0	-0.1	0.1	0.0	0.4	-0.2	-0.1	0.0	0.0	0.0	-0.1	0.0	0.0	0.0
NL	-1.7	2.0	0.2	0.6	0.1	0.0	-0.2	-0.1	0.4	0.4	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	0.0	0.0
AT	-1.2	1.9	0.7	1.1	-0.3	0.0	0.4	0.5	0.5	-0.3	-0.3	0.1	0.0	0.0	0.0	-0.1	0.0	0.0	-0.2	-0.1	0.0
PL	-5.7	2.8	-2.9	-1.1	0.0	0.0	0.0	-1.2	0.0	-1.7	NA	0.1	0.3	0.0	NA	-2.2	NA	NA	0.0	0.0	0.0
PT	-3.4	3.6	0.3	-0.1	-0.1	0.0	0.1	-0.1	0.9	-0.4	0.0	-0.3	0.1	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
RO	-1.5	1.6	0.1	1.4	1.8	NA	0.4	-1.2	0.4	-1.4	0.0	-0.6	0.3	-0.3	NA	-0.8	NA	NA	0.1	0.0	0.0
SI	-2.3	1.7	-0.5	-0.1	-0.2	0.0	0.3	0.0	0.0	0.0	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	-0.5	0.0	-0.5
SK	-2.4	3.4	1.0	1.0	-0.1	0.3	-0.1	-0.3	1.2	0.2	0.0	0.3	0.4	0.0	-0.2	-0.7	0.0	0.3	-0.1	-0.1	0.0
FI	2.3	1.7	3.9	4.5	0.8	3.2	-0.5	0.8	0.1	-0.3	-0.1	-0.4	0.0	0.4	0.0	-0.1	0.0	0.0	-0.3	-0.2	0.0
SE	0.8	1.2	2.0	3.6	0.2	0.9	0.6	0.6	1.3	-0.2	NA	-0.2	-0.3	0.0	0.0	0.4	NA	NA	-1.4	-1.5	0.0
UK	-3.4	3.9	0.5	0.4	0.1	0.2	0.2	-0.3	0.2	0.3	0.0	0.2	0.1	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0
EU 27	**-2.8**	3.1	0.3	0.3	0.2	0.1	0.1	-0.1	0.0	0.0	0.0	0.1	0.0	-0.1	0.0	-0.1	0.0	0.0	0.0	NC	NC
Eurozone 13	**-2.8**	3.1	0.3	0.2	0.2	0.1	0.0	0.0	-0.1	0.0	0.0	0.1	0.0	-0.1	0.0	-0.1	0.0	0.0	0.1	NC	NC

Stock flow adjustment to General government - 2005

October 2007 EDP notification

	Net borrowing(+)/lending(-)(EDP B.9) of general government (S.13)*	Change in general government (S.13) consolidated gross debt (2)	Stock - flow adjustment (SFA) (3) =(2)+(1)=(4)+(10)+(19)	Net acquisition (+) of financial assets (3) (4) =(5)+(6)+(7)+(8)+(9)	Currency and deposits (F.2)	Securities other than shares (F.3)	Loans (F.4)	Shares and other equity (F.5)	Other financial assets (F.1, F.6 and F.7)	Adjustments (10)=(11)+(12)+(13)+(14)+(15)+(16)+(17)	Net incurrence (-) of liabilities in financial derivatives (F.34)	Net incurrence (-) of other liabilities (F.6 and F.7)	Issuances above(-)/below(+) par	Difference between interest (EDP D.41 accrued(-) and paid(4)(+)	Redemptions of debt above(+)/below(-) par	Appreciation(+)/depreciation(-)(5) of foreign-currency debt (6)	Changes in sector classification (K.12.1)(6)(+/-)	Other volume changes in financial liabilities (K.7, K.8, K.10)(6)(-)	Statistical discrepancies (19)=(20)+(21)	Difference between financial and capital accounts (B.9f-B.9)*	Other statistical discrepancies (+/-)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10) (17)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
BE	-2.3	1.7	-0.5	-0.3	0.1	-0.3	-0.1	0.1	-0.1	-0.1	0.0	0.1	0.1	0.2	0.0	0.0	-0.4	0.0	-0.1	-0.1	0.0
BG	2.0	-5.2	-3.2	-5.1	-1.2	NA	0.2	-1.9	-2.3	1.9	1.0	-0.7	0.0	0.0	NA	1.6	NA	NA	0.0	0.0	NA
CZ	-3.5	1.6	-1.9	-1.1	3.9	0.1	-1.4	-3.6	-0.1	-0.8	0.0	-0.7	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DK	4.6	-5.1	-0.5	-1.3	-0.5	-0.4	0.3	0.2	-0.8	0.8	0.0	0.7	0.1	-0.1	0.0	0.1	0.0	0.0	0.1	0.0	0.1
DE	-3.4	3.1	-0.2	0.0	0.2	0.0	-0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	0.0	-0.2
EE	1.9	0.1	2.0	3.4	1.3	0.8	0.1	0.3	1.0	-1.3	0.0	-1.4	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	-0.2	0.0
IE	1.2	0.2	1.4	2.3	0.8	0.2	0.5	0.5	0.4	-0.8	0.1	-0.8	-0.1	0.1	0.0	0.0	NA	NA	0.0	NA	0.0
EL	-5.1	6.0	0.9	0.2	-0.3	0.0	0.0	-0.3	0.7	0.9	0.0	0.8	-0.3	0.3	0.1	0.1	0.0	0.0	-0.1	0.0	-0.1
ES	1.0	0.3	1.2	2.1	1.3	0.5	0.2	0.0	0.0	-0.9	0.0	-0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0
FR	-2.9	4.0	1.0	0.7	-0.1	0.2	-0.1	0.5	0.2	0.3	0.0	0.3	0.0	-0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0
IT	-4.2	4.8	0.6	1.1	0.5	0.0	0.6	-0.2	0.3	-0.5	0.0	-0.7	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0
CY	-2.4	3.1	0.7	0.8	0.3	0.0	0.0	0.0	0.4	-0.1	0.0	-0.1	-0.1	-0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0
LV	-0.4	0.6	0.2	-0.1	-1.0	-0.1	0.1	0.4	0.5	0.2	0.0	-0.3	0.0	0.0	0.0	0.1	0.0	0.3	0.2	0.2	0.0
LT	-0.5	1.6	1.1	0.4	0.3	NA	-0.2	-0.3	0.6	0.5	NA	0.5	0.0	-0.1	NA	0.1	0.0	0.0	0.2	0.2	0.0
LU	-0.1	0.3	0.2	-1.3	-0.2	-0.9	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.5	ND	ND
HU	-7.8	5.8	-1.9	-1.9	-0.1	-0.1	-0.3	-2.3	0.9	-0.3	0.1	-0.5	-0.3	-0.2	0.0	0.6	0.0	0.0	0.3	0.3	0.0
MT	-3.1	2.2	-0.8	0.9	1.5	0.0	0.0	-1.3	0.7	-2.2	0.0	-1.5	-0.6	0.0	0.0	0.0	0.0	0.0	0.4	0.4	0.0
NL	-0.3	1.7	1.4	0.8	1.2	0.0	0.5	-0.1	-0.8	0.6	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AT	-1.6	2.0	0.4	0.6	0.3	0.5	0.1	-0.4	0.2	-0.5	-0.4	0.0	-0.1	0.1	0.0	0.0	0.0	0.0	0.3	0.0	0.3
PL	-4.3	4.1	-0.2	0.7	0.8	0.0	0.0	-0.3	0.1	-1.2	NA	-0.3	-0.5	-0.1	NA	-0.3	NA	NA	0.3	0.0	0.3
PT	-6.1	7.3	1.1	0.3	0.6	0.3	0.2	-0.4	-0.5	0.8	0.0	0.8	0.2	0.2	0.0	0.0	0.0	0.0	0.1	0.0	0.1
RO	-1.4	-0.3	-1.6	0.3	0.4	NA	0.0	-0.5	0.4	-1.9	-0.1	-1.4	0.0	-0.1	NA	-0.3	NA	NA	-0.1	-0.1	0.0
SI	-1.5	1.4	-0.1	-0.9	-0.6	0.1	-0.1	-0.5	0.2	0.4	0.0	0.2	0.0	0.0	0.1	0.0	0.1	0.0	0.4		
SK	-2.8	-3.8	-6.6	-7.0	-5.1	-0.3	-1.0	-0.6	0.1	0.5	0.0	-0.2	-0.2	1.0	0.0	-0.1	0.0	0.0	-0.1	-0.1	0.0
FI	2.7	-1.4	1.3	1.4	-0.3	1.2	0.1	0.8	-0.4	-0.3	-0.2	-0.4	0.0	0.2	0.0	0.0	0.0	0.0	0.2	0.2	0.0
SE	2.4	1.8	4.2	2.5	0.1	1.6	1.1	-1.0	0.7	0.5	NA	-0.3	-0.2	0.0	0.0	1.0	NA	NA	1.2	1.1	0.1
UK	-3.3	3.3	0.0	0.5	-0.1	0.3	0.2	-0.3	0.5	-0.2	0.0	-0.4	0.2	0.0	0.0	0.0	0.0	0.0	-0.4	0.1	-0.5
EU 27	**-2.5**	2.9	0.4	0.6	0.3	0.2	0.1	-0.1	0.1	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	NC	NC
Eurozone 13	**-2.5**	3.1	0.6	0.7	0.4	0.1	0.1	0.1	0.0	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NC	NC

Stock flow adjustment to General government - 2006

October 2007 EDP notification

	Net borrowing(+)/lending(-)(EDP B.9) of general government (S.13)*	Change in general government (S.13) consolidated gross debt (2)	Stock - flow adjustment (SFA) (3) =(2)+(1)=(4)+(10)+(19)	Net acquisition (+) of financial assets (3) (4) =(5)+(6)+(7)+(8)+(9)	Currency and deposits (F.2)	Securities other than shares (F.3)	Loans (F.4)	Shares and other equity (F.5)	Other financial assets (F.1, F.6 and F.7)	Adjustments (10)=(11)+(12)+(13)+(14)+(15)+(16)+(17)	Net incurrence (-) of liabilities in financial derivatives (F.34)	Net incurrence (-) of other liabilities (F.6 and F.7)	Issuances above(-)/below(+) par	Difference between interest (EDP D.41 accrued(-) and paid(4)(+)	Redemptions of debt above(+)/below(-) par	Appreciation(+)/depreciation(-)(5) of foreign-currency debt (6)	Changes in sector classification (K.12.1)(6)(+/-)	Other volume changes in financial liabilities (K.7, K.8, K.10)(6)(-)	Statistical discrepancies (19)=(20)+(21)	Difference between financial and capital accounts (B.9f-B.9)*	Other statistical discrepancies (+/-)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10) (17)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
BE	0.4	0.3	0.7	0.6	-0.1	-0.1	0.0	0.2	0.5	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BG	3.2	-2.7	0.6	2.4	3.0	NA	-0.1	-1.4	0.8	-1.8	0.0	-1.1	0.0	0.0	NA	-0.8	NA	NA	0.0	0.0	NA
CZ	-2.9	2.2	-0.8	-0.4	-0.5	0.0	-0.2	0.0	0.4	-0.4	0.0	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DK	4.6	-4.0	0.6	1.8	0.1	-0.1	0.7	-0.6	1.7	-1.2	0.0	-1.2	0.1	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
DE	-1.6	2.0	0.4	0.5	1.6	-0.1	-0.2	-0.7	-0.1	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EE	3.6	0.3	3.9	4.4	0.5	2.8	0.1	0.5	0.5	-0.5	0.0	-0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IE	2.9	-0.3	2.7	2.7	0.4	1.3	0.1	0.4	0.4	0.0	0.0	-0.2	0.0	0.1	0.0	0.0	NA	NA	0.0	NA	0.0
EL	-2.5	4.4	1.9	1.5	0.6	0.0	0.0	-1.2	2.0	0.0	0.0	-0.2	0.0	0.1	0.1	0.0	0.0	0.0	0.4	0.0	0.4
ES	1.8	-0.2	1.6	2.8	1.4	1.1	0.2	0.1	0.1	-1.2	0.0	-1.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FR	-2.5	0.3	-2.2	-1.9	-1.7	0.2		-0.6	0.2	-0.3	0.0	-0.4	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IT	-4.4	4.4	-0.1	0.8	0.8	0.0	-0.6	0.4	0.5	0.0	-1.3	0.4	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CY	-1.2	0.2	-1.0	-0.8	-0.3	0.0	-0.6	0.0	0.1	-0.1	NA	0.0	-0.2	0.0	NA	0.1	NA	NA	0.0	0.0	NA
LV	-0.3	0.5	0.3	2.7	1.4	0.0	-0.2	-0.5	2.0	-2.3	0.0	-2.3	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	-0.2	0.0
LT	-0.6	2.0	1.4	0.6	3.0	NA	-0.2	-2.8	0.5	1.2	NA	1.5	-0.2	-0.1	NA	0.0	0.0	0.0	-0.3	-0.3	0.0
LU	0.7	1.1	1.8	1.6	3.2	-0.1	-0.1	-1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	ND	ND
HU	-9.2	8.5	-0.7	-0.5	0.4	-0.1	-0.2	-1.2	0.5	-0.2	0.1	-0.4	0.0	-0.3	0.0	-0.1	0.0	0.0	-0.01	0.0	0.0
MT	-2.5	-2.0	-4.6	-3.8	0.7	0.0	-0.1	-4.4	-0.1	-0.5	0.0	-0.5	-0.1	0.1	0.0	0.0	0.0	0.0	-0.2	-0.2	0.0
NL	0.6	-1.9	-1.4	-1.0	-0.8	0.1	0.2	-1.0	0.5	-0.4	0.0	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AT	-1.4	1.4	0.0	0.4	-0.1	0.1	0.3	0.1	0.0	-0.2	-0.2	0.1	0.0	0.2	0.0	-0.2	0.0	0.0	-0.2	-0.3	0.1
PL	-3.8	4.0	0.2	0.8	0.6	0.0	0.0	0.2	-0.8	NA	-0.2	-0.3	0.1	NA	-0.4	0.0	NA	0.2	0.1	0.1	
PT	-3.9	3.7	-0.2	-0.1	0.6	0.2	0.0	-1.0	0.1	-0.1	0.0	-0.3	0.2	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RO	-1.9	-0.9	-2.7	-0.4	1.7	NA	0.0	-2.3	0.2	-2.3	-0.4	-0.6	0.0	0.0	NA	-1.3	NA	NA	0.0	-0.1	0.0
SI	-1.2	1.7	0.5	0.0	0.0	0.0	-0.3	-0.2	0.3	0.0	0.1	0.0	0.0	0.0	0.2	0.0	0.2				
SK	-3.7	-0.1	-3.8	-2.6	0.0	-0.1	-0.3	-1.8	-0.3	-1.3	0.0	-0.5	0.1	-0.1	0.0	-0.8	0.0	0.0	0.0	0.0	0.0
FI	3.8	0.3	4.1	3.9	0.7	0.5	0.3	2.5	-0.2	0.2	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SE	2.5	-2.2	0.3	2.1	0.1	1.3	0.6	0.0	0.1	-0.8	NA	-0.3	-0.3	0.1	0.0	-0.4	NA	NA	-1.0	-1.3	0.3
UK	-2.7	3.3	0.7	0.8	0.6	0.1	0.1	-0.2	0.1	-0.2	0.0	-0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EU 27	**-1.6**	1.7	0.1	0.5	0.4	0.2	-0.1	-0.2	0.1	-0.4	0.0	-0.5	0.1	0.0	0.0	-0.1	0.0	0.0	0.0	NC	NC
Eurozone 13	**-1.5**	1.5	-0.1	0.4	0.4	0.2	-0.1	-0.1	0.0	-0.4	0.0	-0.5	0.1	0.0	0.0	0.0	0.0	0.0	0.0	NC	NC

METHODOLOGICAL ANNEX

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The **Legal base** for the excessive deficit procedure (EDP) is Article 104 of the Treaty establishing the European Community and Protocol V on the excessive deficit procedure annexed to the Treaty. Article 104 states that:

1. Member States shall avoid excessive government deficits.
2. The Commission shall monitor the development of the budgetary situation and of the stock of government debt in the Member States with a view to identifying gross errors. In particular it shall examine compliance with budgetary discipline on the basis of the following two criteria:
(a) whether the ratio of the planned or actual government deficit to gross domestic product exceeds a reference value, unless:
- either the ratio has declined substantially and continuously and reached a level that comes close to the reference value,
- or, alternatively, the excess over the reference value is only exceptional and temporary and the ratio remains close to the reference value;
(b) whether the ratio of government debt to gross domestic product exceeds a reference value, unless the ratio is sufficiently diminishing and approaching the reference value at a satisfactory pace.

The reference values are 3% for the deficit and 60% of GDP for the government debt in the annexed Protocol.

Source of fiscal data: Council Regulation 3605/93, as amended, defines the data to be reported by Member States to the European Commission in the context of the EDP reporting[2]: the notification tables 1-4. The basis for the comments and graphs in this document is mostly EDP table 3A, namely the table "*Provision of the data which explain the contributions of the deficit/surplus and the other relevant factors to the variation in the debt level (general government)*".
Detailed data, including tables as reported by Member States, can be found on the Eurostat website in the free data section as well as in the dedicated *Government Finance Statistics* section.

Deficit: The Protocol on the excessive deficit procedure annexed to the Treaty requires that the government deficit or surplus is the net borrowing or net lending as defined by the European System of Accounts (ESA) of the general government sector[3].

The net lending/net borrowing (B.9) is the balancing item of the capital account in ESA95. It is also calculated as the difference between total revenue and total expenditure of the general government sector as defined in the Commission Regulation 1500/2000 amending ESA95 to include the definition of total expenditure and total revenue of general government. See, for further details on B.9 of general government, ESA95 § 8.49-8.50.
The EDP B.9 (i.e. the deficit relevant to fiscal surveillance) differs from B.9 by the "stream of payments on swaps and forward rate agreements", which are included in interest for the EDP procedure (EDP D.41), but which are excluded in interest in the framework of ESA95 (D.41).

Government gross debt:[4] According to the protocol annexed to the Treaty, the government debt is the gross debt outstanding at the end of the year of the general government sector measured at nominal value and consolidated. Council Regulation 3605/93[5], as amended, defines further the government debt as the sum of government liabilities in currency and deposits (AF.2), in securities other than shares, excluding financial derivatives (AF.33) and in loans (AF.4). The Regulation further defines that nominal value for securities excludes accrued interest and correspond to face value.

Consolidation: Member States debt data should be reported consolidated at the level of the general government sector. Consolidation means presenting a grouping of units as if they were one unique unit. This involves the elimination from both uses/assets and resources/liabilities of all reciprocal transactions as well as revaluations, other changes in volumes and stocks that occur between units which belong to the same grouping: in this case to the general government sector (or its sub-sector)[6]. Government gross debt is to be consolidated: therefore holdings of government debt by government units must be excluded.
By the same token, all items reported in EDP table 3A should be also presented on a consolidated basis: not only those related to transactions (e.g. a loan given by central government to a local government unit should be removed from the calculation of the consolidated debt of general government sector as well as from the calculation of loans assets), but also valuation adjustments (such as issuance and redemptions of debt above and/or below par, as well as foreign exchange valuation) and other economic flows adjustments (other volume changes in financial liabilities.

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[2] *Excessive Deficit Procedure (EDP) reporting as requested in the Protocol annexed to the Treaty on European Union (see Official Journal C 191 of 29 July 1992) and related legal acts.*

[3] *ESA95 §2.68-70 describes the general government sector as the institutional sector principally engaged in redistribution of national income and wealth and /or mainly producing non-market output intended for individual and collective consumption, and mainly financed by compulsory payment. For more information on general government sector see also ESA95 §1.28, §2.68-74 and Tables 2.1 and A IV.5.notably*

[4] *The outstanding general government consolidated debt at the end of each year is provided by Member States in table 1 of the EDP notification, according to the European legislation.*

[5] *Official Journal L332, 31.12.1993, 9.7. Regulation as last amended by Commission Regulation (EC) No 351/2002 (OJ L 55, 26.2.2002, p.23).*

[6] *See ESA95 § 1.58 and SNA § 2.80-2.84.*