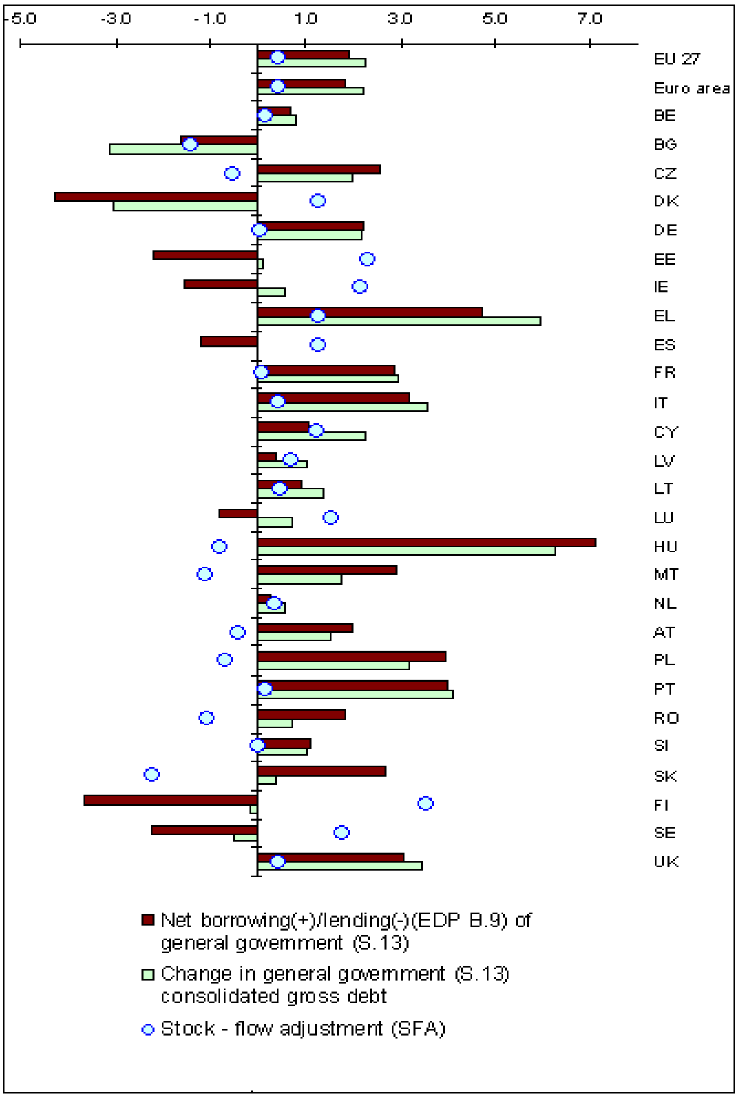
Stock-flow adjustment (SFA) for the Member States, the euro area and the EU27 for the period 2004-2007, as reported in the October 2008 EDP notification

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

The 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 during quality checks of the data for the excessive deficit procedure (EDP)[1], to ensure consistency across the reported data. Figure 1 shows the 2004-2007 average SFA for each Member State, 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: 2004-2007 averages



[1] *Council Regulation 3605/93, as amended, requires the prompt and regular reporting of deficit and debt data by Member States to Eurostat, including deficit and debt definitions. 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 an 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 an efficient statistical monitoring of fiscal performance requires understanding the coherence between the two key fiscal indicators, 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. SFAs generally have legitimate explanations, for example privatisation of government-owned corporations, however it is important that they are closely monitored because they can highlight data quality problems.

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

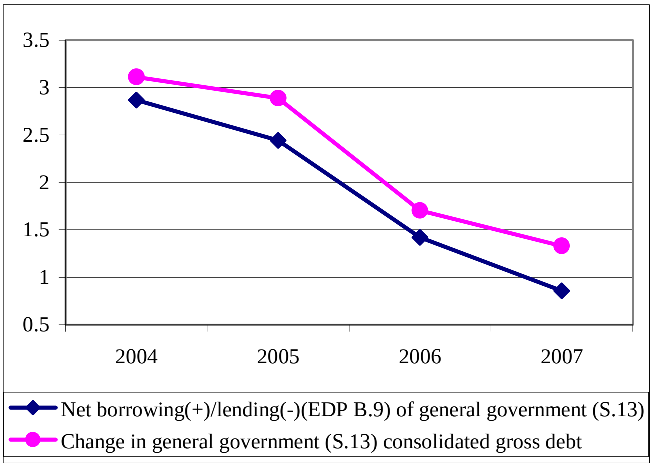


Figure 2 shows the evolution of SFA over time, it has been consistently positive in recent years for the EU27 aggregates: 0.2% of GDP in 2004, 0.4% in 2005, 0.3% of GDP in 2006 and 0.5 % of GDP in 2007. Whilst the average SFA levels for the EU27 remain modest overall, when expressed as a percent of GDP, the examination of country data shows that for many countries SFAs are considerable for some years.

Table 1 shows the SFA for the years 2004-2007, in percent of GDP. Large regular positive SFAs can be observed for Estonia, Ireland and Finland, also, to a lesser extent, Greece, Luxembourg, Spain and Sweden.

On the other hand, large or very large negative values for two or more recent years can be observed for Bulgaria, Romania, Slovakia and to a lesser extent for Malta and Hungary. Several countries exhibit some large annual SFAs, though with signs that differ from year to year (e.g. Cyprus and Lithuania). Some large occasional SFAs are reported by the Czech Republic and France.

More than half of the annual SFAs observed for the Member States over 2004-2007 exceeded 1% of GDP, in absolute values, and more than one fifth even exceeded 2% of GDP. Most Member States reported at least one SFA in excess of 1% of GDP for the four years under review, except Belgium, Germany, Slovenia and the United Kingdom. A large majority of the reported country annual SFAs over 2004-2007 are positive.

Table 1: Stock-flow adjustment in 2004-2007, in percent of GDP

	2004	2005	2006	2007
EU 27	0.2	0.4	0.3	0.4
Euro area	0.2	0.6	0.3	0.4
BE	0.5	-0.8	0.7	0.2
BG	-1.5	-3.3	0.4	-1.5
CZ	-0.1	-2.5	-0.7	1.0
DK	2.0	0.1	1.2	1.6
DE	-0.6	-0.2	0.5	0.2
EE	1.6	1.6	3.3	2.5
IE	1.8	1.9	2.8	2.1
EL	0.6	1.1	1.4	1.8
ES	0.5	1.2	1.8	1.3
FR	0.8	1.0	-2.1	0.5
IT	0.2	0.4	1.3	-0.5
CY	2.0	0.7	-1.0	3.0
LV	1.3	-0.2	0.4	1.1
LT	-1.4	1.1	1.6	0.6
LU	-0.6	0.2	2.4	4.1
HU	0.0	-2.0	-0.8	-0.5
MT	-0.1	-0.6	-4.3	0.4
NL	0.2	1.4	-1.2	0.9
AT	-2.5	0.6	-0.1	0.2
PL	-2.9	-0.2	0.2	-0.1
PT	0.3	1.1	-0.2	-0.6
RO	0.4	-1.5	-3.1	-0.2
SI	-0.5	0.0	0.5	-0.1
SK	1.0	-6.6	-3.7	0.1
FI	4.0	1.5	4.4	4.0
SE	1.9	4.1	0.2	0.7
UK	0.5	-0.1	0.7	0.5

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

Categories 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 categories.

Table 3 presents the SFA elements, as reported to the European Commission by Member States, showing EU27 figures in 2004-2007. Table 4, at the end of this document, details the SFA of each Member State for each year over 2004-2007. Cross-references to the data are made through the text. Table 4's 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 category is called *Net acquisition of financial assets.* These corrections appear here 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 category 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 *other accounts payables* (*F.7*).

A third SFA category 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(+) and Redemptions of debt above(+)/below(-) nominal value), reflecting the fact that the government debt, defined in Council Regulation 3605/93, as amended, is measured at face value (for bills and bonds issued) and therefore excludes accrued interest.

The *Appreciation (+)/depreciation (-) of foreign-currency debt* reflects the impact of changes in exchange rates on those 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 are not reflected in 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 2008 EDP notification	**2004**	**2005**	**2006**	**2007**
Net borrowing(+)/lending(-)(EDP B.9) of general government (S.13)*	**303,952**	**270,312**	**165,793**	**106,029**
Net acquisition (+) of financial assets (1)	21,015	84,478	75,270	90,112
Currency and deposits (F.2)	20,427	31,911	53,950	40,992
Securities other than shares (F.3)	12,433	16,247	29,817	27,662
Loans (F.4)	2,091	11,556	-7,211	4,634
Shares and other equity (F.5)	-13,667	-1,657	-25,722	-2,539
Other financial assets (F.1, F.6 and F.7)	-270	26,436	24,448	19,367
Adjustments (1)	-522	-31,748	-40,371	-29,401
Net incurrence (-) of liabilities in financial derivatives (F.34)	-964	-1,248	-372	595
Net incurrence (-) of other liabilities (F.5, F.6 and F.7)	10,190	-28,692	-44,401	-21,358
Issuances above(-)/below(+) nominal value	3,975	-806	11,092	13,101
Difference between interest (EDP D.41) accrued(-) and paid(+)	-8,525	-2,825	207	-17,325
Redemptions of debt above(+)/below(-) nominal value	1,838	540	758	184
Appreciation(+)/depreciation(-)(2) of foreign-currency debt	-6,242	1,150	-6,703	-2,977
Changes in sector classification (K.12.1)(+/-)	-1,602	-309	-835	-1,310
Other volume changes in financial liabilities (K.7, K.8, K.10)(-)	809	442	-118	-311
Statistical discrepancies	5,547	-3,404	-1,474	-2,426
Change in general government (S.13) consolidated gross debt (1)(3)	**329,994**	**319,610**	**199,216**	**164,329**
*Memorandum item: aggregation effect***		***21,383***	***28,232***	***-73,525***
*Memorandum item: change in aggregated general government debt***		***340,993***	***227,448***	***90,803***

*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 in the core and not in the memorandum item of this table) is not the same as the "change in aggregated debt", owing to the impact of different exchange rates used (for flows and for stocks) from one year to the other when the data are converted in euro.

Net lending (+) / Net borrowing (-)

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 deficits/surpluses in 2004-2007, sorted, in ascending order, by the deficit level in 2007. The EU27 government deficit remained between 0.9 and 2.9% of GDP over the 2004-2007 period, decreasing year by year, while the euro area deficit remained close to that of the EU27.

Finland, Denmark, Sweden, Estonia, Ireland and Bulgaria recorded surpluses in the whole period of 2004-2007. Spain had surpluses except for 2004. The Netherlands and Luxembourg had deficits in 2004 and 2005, while having surplus in 2006 and 2007. Belgium had a surplus in 2006 but had deficits in 2004, 2005 and 2007. Cyprus, Latvia and Slovenia had deficits in 2004-2006 but moved to surplus in 2007.

Finally, 14 out of the 27 Member States recorded deficits in each year during this period.

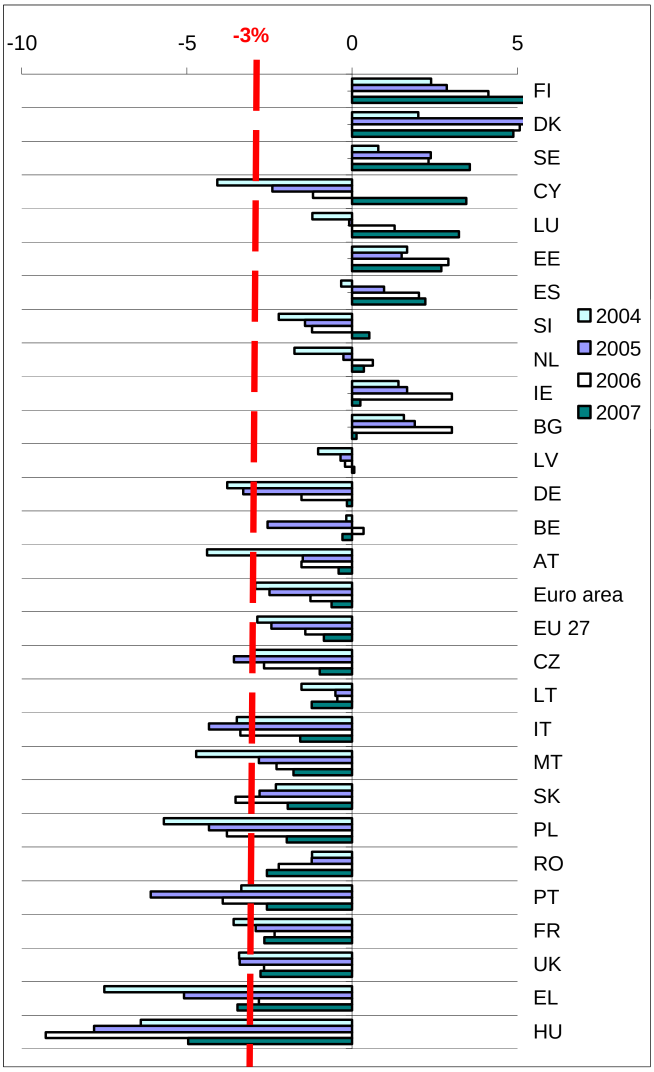
The deficits of Lithuania, and Romania did not exceed the 3% limit during 2004-2007.

During 2004-2007 Hungary always recorded deficits above 3% of GDP. Germany and the United Kingdom reduced their deficits below 3% in 2006, Austria, France and Malta in 2005, and Italy and Portugal in 2007. Cyprus incrementally reduced its deficit below this limit, starting from a deficit in 2003 (4.1% of GDP), and having a considerable surplus in 2007.

The deficit of the Slovak Republic was reported below 3% of GDP in 2004, 2005 and 2007 and above 3% in 2006. The Czech Republic deficit returned to below 3% in 2006 after exceeding this limit in 2005.

The highest deficits in the examined period were shown by Hungary, 9.3% of GDP in 2006, 7.8% in 2005 and 6.4% in 2004, by Greece whose deficit was 7.5% in 2004, by Portugal in 2005 (6.1% of GDP) and by Poland in 2004 (5.7% of GDP).

Figure 4: Net lending (+)/net borrowing(-) 2004-2007 in percent of GDP



Net acquisition of financial assets

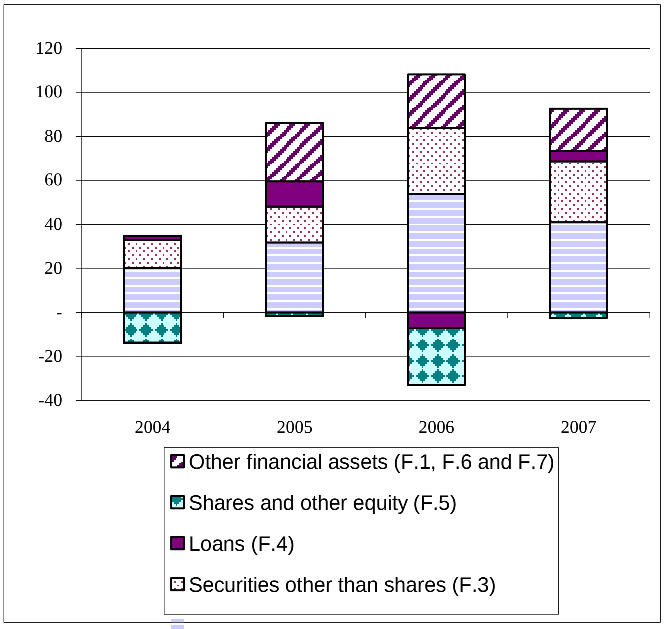
The net acquisition of financial assets is generally the main factor in the SFA. It reflects acquisition less disposal of financial assets by the general government sector in the form of: Currency and deposits (F.2), Securities other than shares (F.3), Loans granted by government to non-governmental 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 is thus not shown (in table 3 for instance) as acquisition of assets but as a reduction in government debt, as if the bond had been actually redeemed. The importance of transactions between sub-sectors can be observed when information at the level of each sub-sector of general government is provided. Such information on SFAs by sub-sectors is accessible on the Eurostat website.

Transactions in financial instruments, such as sales of shares, have a 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. 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 acquisition of financial assets for the EU27 in 2004-2007 in billions of euro. The net acquisition of financial assets is systematically positive over the reporting period, with a tendency for the net flow to grow over time. The accumulation of Currency and deposits (F.2) is by far the largest contributor to the net acquisition of financial assets (with a high value of 0.5% of GDP in 2006). Securities other than shares also contribute noticeably to the net acquisition of financial assets (reaching a net flow of 0.3% of GDP in 2006). Loans contribute with a positive sign over 2004-2005 and 2007 (0.1% of GDP in 2005) but with a negative sign in 2006. Shares and other equity (F.5) and Other financial assets (mainly F.7) contribute less systematically, but occasionally significantly to annual SFAs (of the size of 0 to +/-0.3% 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 accumulation of tax receivables.

Figure 5: Net acquisition of financial assets 2004-2007 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 under the ESA 1995 transmission programme. However, slight deviations may appear, notably due to differences in "vintages".

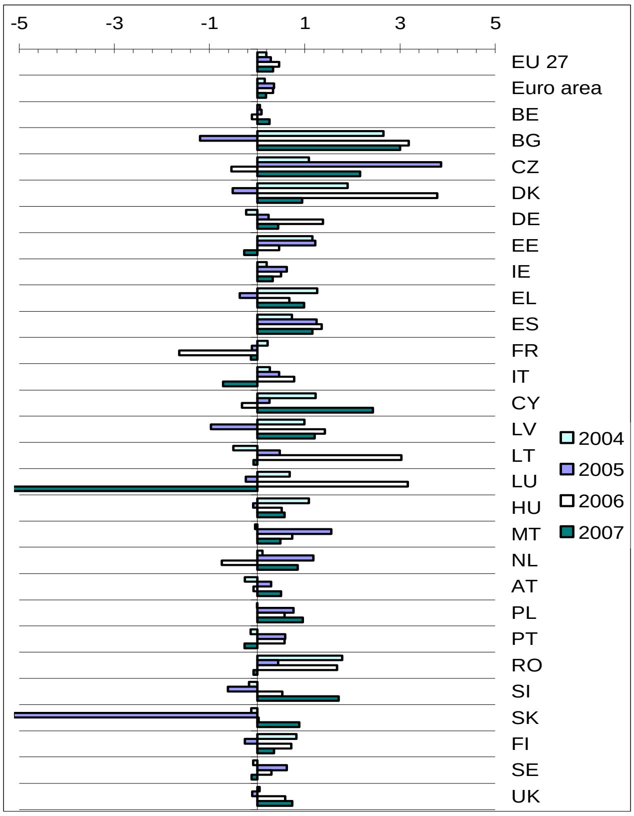
Separate sections of this report are devoted to each SFA element, examining data by country, and focusing on large values. For analytical purposes, the Other financial assets (F.1, F.6 and F.7) item is analysed separately, together with Net incurrence of other liabilities (F.6, and F.7) and Financial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

Currency and deposits (F.2)

The F.2 position (column (5)) mainly reflects movements in government deposits with banks, notably with central 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. The level of deposits tends to increase along with economic growth, and on average Member States with high nominal GDP growth would have higher F.2 balances over time. 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 2004, 2006, and 2007), the Czech Republic (in 2005 and 2007), Denmark (2004 and 2006), Cyprus (2007), Lithuania (2006), and Luxembourg (2006). 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, notably in 2002 and 2003), for Luxembourg in 2007 reflecting cash used for portfolio investments and for France in 2006 (reflecting enhanced liquidity management by the French Treasury in an attempt to reduce the increase in debt in 2006).

Figure 6: Currency and deposits (F.2) 2004-2007 in percent of GDP



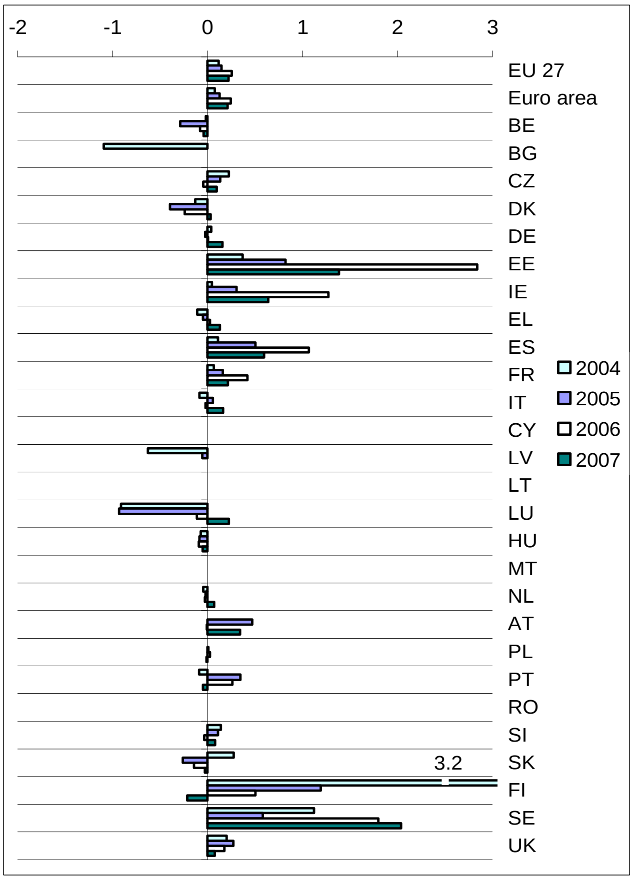
Securities other than shares (F.3)

Securities other than shares (column (6)) mainly reflect net purchases by government of bills, notes or bonds issued by banks, non-financial corporations, or non-residents (including foreign governments), predominantly by 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. Spain, Finland, and Sweden 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 (2006 and 2007) and Ireland (2006 and 2007) also report very large purchases by reserve funds in central government.

Sizeable negative figures, which represent disposals of notes and bonds, can be observed for Bulgaria in 2004, Latvia in 2004 and for Luxembourg in 2004 and 2005. Malta reports zeros, and Lithuania and Romania hold no securities other than shares.

Figure 7: Securities other than shares (F.3) 2004-2007 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 predominantly includes lending 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 transfers (government expenditure, with a deficit impact). The size of the item reflects the prevalence of lending as part of government policy in various countries.

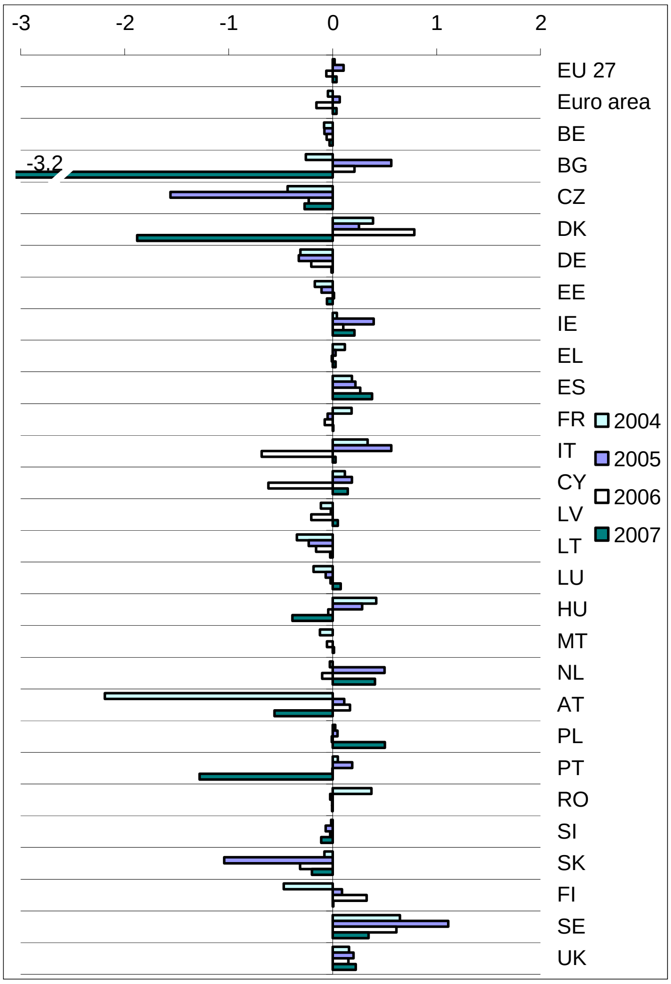
Loans convey an intention on the part of the lender to finance the borrower. In contrast deposit placements are mere means, by the lender, for placing its liquidities.

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.

Bulgaria (2005), Denmark (2006), Italy (2005), the Netherlands (2005 and 2007) and Sweden (most years) have significant positive values. For Sweden these largely reflect substantial lending by local government to real estate units (which rent out properties at market rates).

High negative values can be observed for Bulgaria (2007 – Iraq debt cancellation), the Czech Republic (2005), Denmark (2007), Austria (2004), Portugal (2007) and Slovakia (2005). Debt cancellations benefiting foreign governments mainly explain the high negative figures for the Czech Republic and for Slovakia in 2005. The high negative figure in 2004 for Austria is related to a debt restructuring benefiting ÖBB (national railways) that took the legal form of a debt assumption by government, which was recorded in ESA 1995 as a debt cancellation (implying a disposal of a loan). The high negative figure for Portugal in 2007 is related to the conversion of large amounts of loans into shares by the Portuguese government in a dam company (Cahora Bassa) in Mozambique.

Figure 8: Loans (F.4) 2004-2007 in percent of GDP



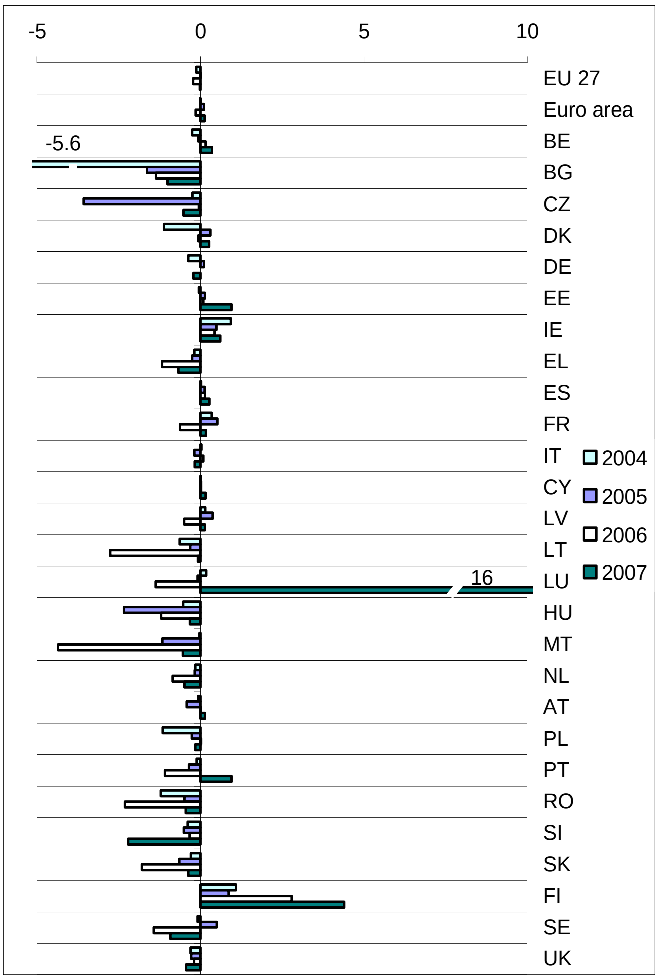
Shares and other equity (F.5)

The item Shares and other equity (column (8)) captures acquisitions less disposals of equity in corporations by government units. These may reflect privatisation proceeds, superdividends, 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 significant, particularly for recently acceded Member States. Privatisation proceeds for the EU15 Member States peaked during the 1990s. For Bulgaria (all years), the Czech Republic (2005), Lithuania (2006), Hungary (2005), Malta (2006), Romania (2006), Slovenia (2007) 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 received in cash.

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

Figure 9: Shares and other equity (F.5) 2004-2007 in percent of GDP



Another reason for decreases in shares and other equity results from the application of the so-called "superdividend test", which prescribes that distributions (to their owners) by public corporations in excess of their operational profit (excluding holding gains/losses) have to be recorded as financial transactions ("withdrawal of equity" - akin to a partial liquidation) rather than government revenue. Such reclassifications are carried out by many Member States, and also concerns distributions by Central banks.

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, but are considered a financing need and therefore an (indirect) increase of government debt. The practice of some Member States of classifying government units as quasi corporations results in high reported levels of equity injections.

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, or the investment of Luxembourg in 2007.

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 these 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.

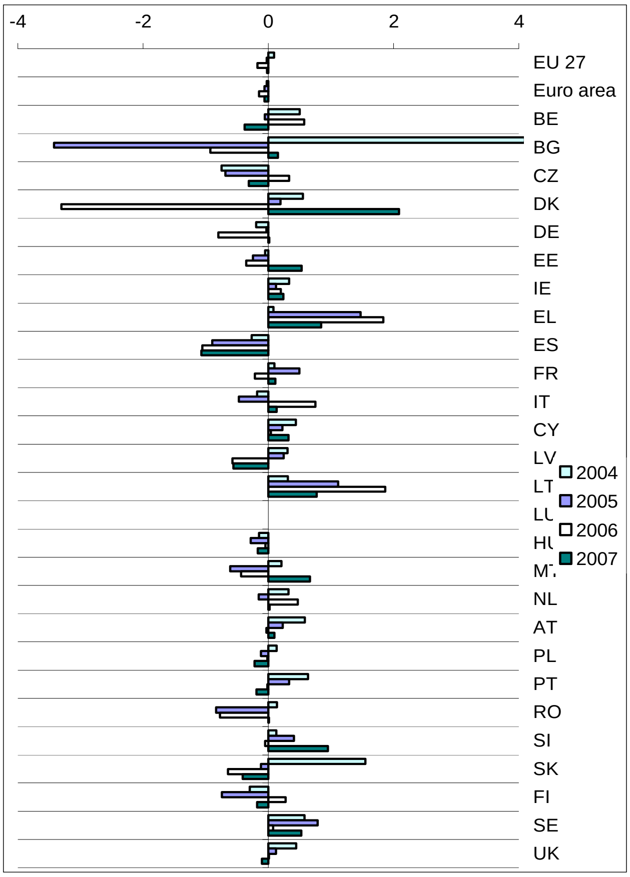
Other financial assets mainly include receivables of taxes and social contributions as well as amounts concerning EU transactions (amounts paid by government on behalf of the EU but not yet reimbursed by the EU), trade credits, advances for expenditure such as military equipment and on rare occasions wages or benefits paid one month in advance, etc. The absolute 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: a delay in the payment of lump-sums, against the transfer of pension obligations, that are recorded as government revenue in 2006 and 2007; a noticeable accrual adjustment for military expenditure in 2006 and 2007; large net receivables relating to EU flows in 2005, 2006 and 2007; and large repayments of hospital liabilities in payables in 2005), for Lithuania (mostly reflecting in 2005, 2006 and 2007 large repayments of payables relating to restitutions and to converted Ruble deposits). Large flows are observed for Denmark for 2006 and 2007, notably reflecting the impact of rebalancing effects, and for Slovakia due to an increase in VAT receivables that appear as a result of the time delay in VAT cash receipts upon accession to the EU.

Luxembourg continues to not report data on other payables/receivables to Eurostat, and in the absence of information these are set to zero for the purpose of the EDP assessment and for this analysis.
When verifying the EDP tables, Eurostat closely monitors flows of receivables/payables, to avoid large amounts of undocumented receivables / payables. Supplementary information is provided by all Member States to Eurostat 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.

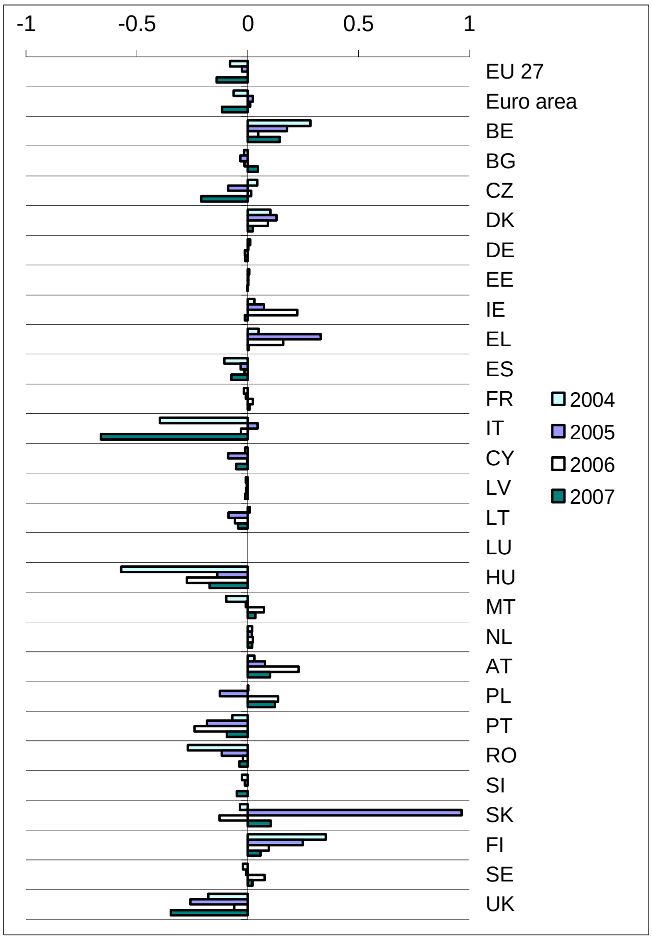
Difference between interest (EDP D.41) accrued and paid (column (14)) is presented here because government expenditure on interest according to ESA 1995 requires a recording spread over time following the accrual principle, whereas the cash impact is only when interest is actually paid. As this item also captures the spreading over time 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 negative values relating to its relatively fast growing indebtedness, and Italy reported a high negative figure for 2004 and 2007.

Governments routinely issue bonds below or above their face value (face value = par value), often in the form of fungible bonds or zero coupon bonds (not common in Europe). When the face and issuance values differ, this has consequences on recording in the EDP. 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, which in concept has the nature of "interest", is recorded as government expenditure or revenue not at time of issuance, but only gradually over time.

Similarly an 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 debt alongside the issuance of new debt.

Figure 11: Difference between interest (EDP D.41) accrued and paid 2004-2007 in percent of GDP

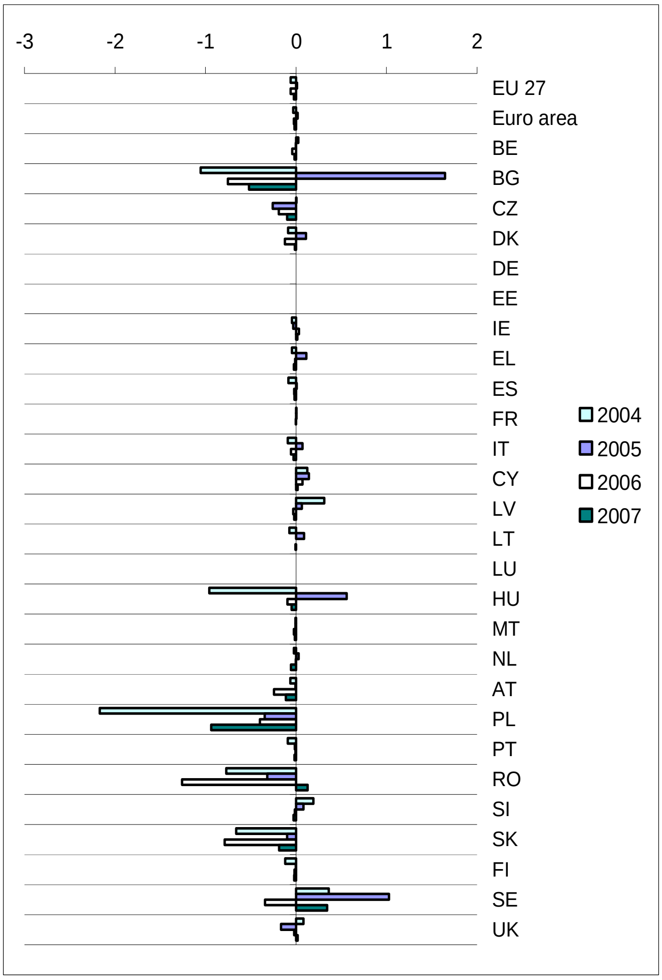


Appreciation/depreciation of foreign currency debt

When a government issues debt denominated in a currency other than in its own currency, any subsequent 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 many of the recently acceded Member States' governments have substantial amounts of debt 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, Romania and Sweden, reflecting appreciation (negative entries: reduction in debt, when expressed in national currency) and depreciation (positive entries: increase in debt) phases of their currency. Systematic negative values can be observed for Slovakia and Poland (all years). In general, this SFA item loses importance with the introduction of the euro.

Figure 12: Appreciation/depreciation of foreign currency debt 2004-2007 in percent of GDP



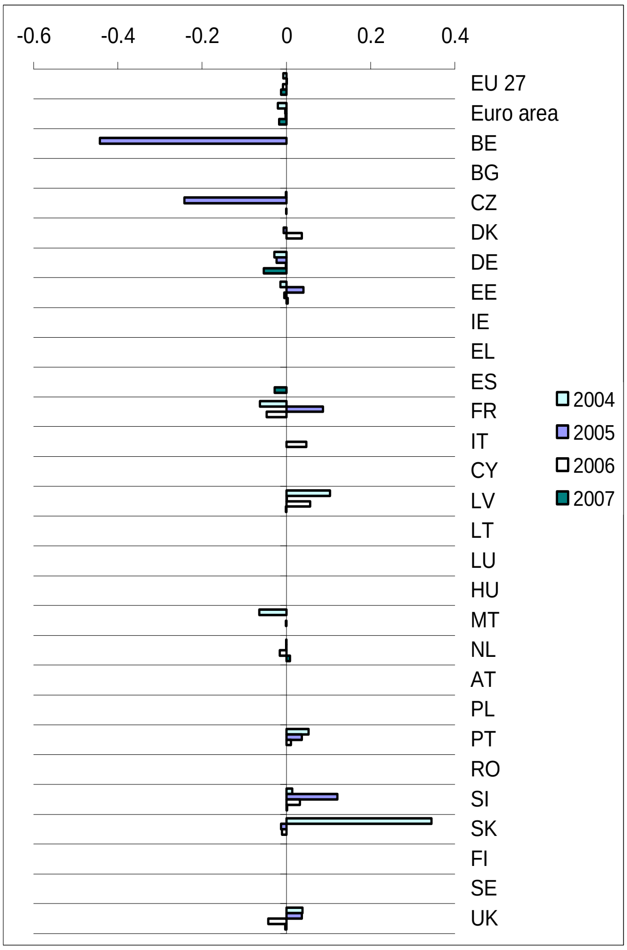
Other changes in volume: Changes in sector classification (K.12.1) (+/-) and Other volume changes in financial liabilities (K.7, K.8, K.10)(-)

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 (2005, due to an update in valuation of debt), for Slovenia in 2006 (adjustments related to updates in valuation of the restitution fund debt), and for Slovakia in 2004 (resulting from the recording of an old debt to the Czech Republic, following international arbitration).

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

Figure 13: Other changes in volume 2004-2007 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 draw into question whether the deficit is appropriately measured.

However, statistical practices differ in Europe, with some compilers showing discrepancies explicitly, whilst others (such as the Czech Republic, France and Cyprus) allocate them under various other SFA items, such as other financial assets and liabilities. It may be useful in some cases 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 applicable to ESA 1995 data 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 they, to some limited extent, compensate over time. For Sweden the cumulated value is rather large, though with a negative sign (sum over 2004-2007: -2.3% of annual GDP).

Other high cumulated discrepancies with negative values are reported by Finland (-1.2%). The cumulated value over 2004-2007 is positive and in excess of 0.4% of annual GDP for Latvia (0.8%).

Figure 14: Statistical discrepancy 2004-2007 in percent of GDP

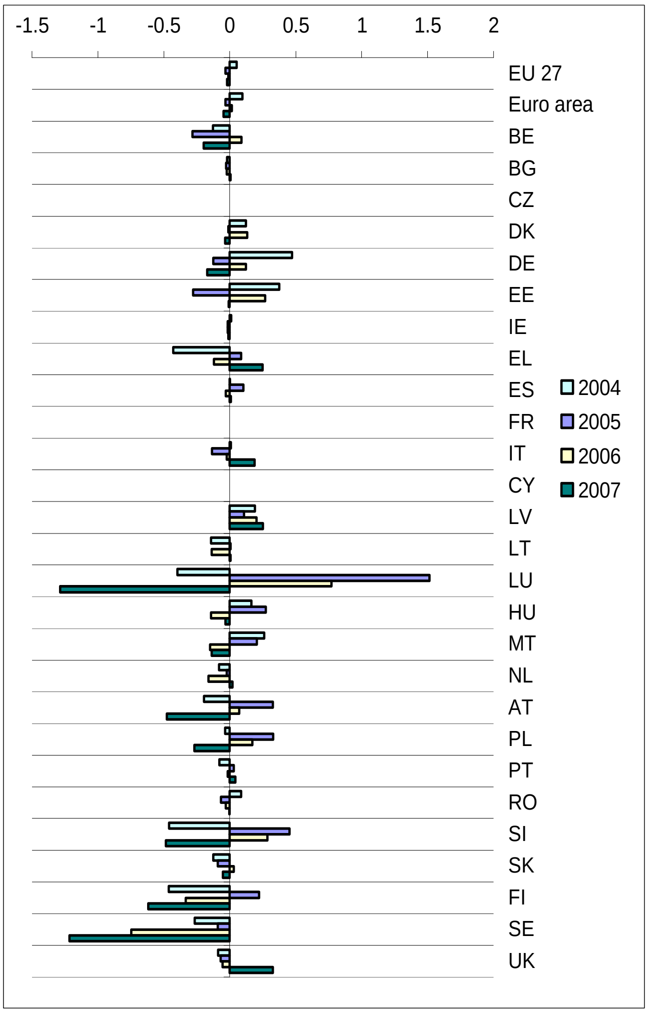


Table 4: Stock-flow adjustment tables, in years 2004-2007

Stock flow adjustment to General government - 2007

October 2008 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)	Net acquisition (+) of financial assets (3)	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	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	Difference between financial and capital accounts (B.9f-B.9)*	Other statistical discrepancies (+/-)
	(1)	(2)	(3) =(2)+(1)=(4)+(10)+(19)	(4) =(5)+(6)+(7)+(8)+(9)	(5)	(6)	(7)	(8)	(9)	(10)=(11)+(12)+(13)+(14)+(15)+(16)+(17)+(18)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19) =(20)+(21)	(20)	(21)
BE	-0.3	0.4	0.2	0.6	0.3	0.0	0.0	0.4	0.0	-0.2	0.0	-0.4	0.1	0.1	0.0	0.0	0.0	0.0	-0.2	-0.2	0.0
BG	0.1	-1.6	-1.5	-1.0	3.0	0.0	-3.2	-1.0	0.2	-0.4	0.0	0.0	0.0	0.0	NA	-0.5	NA	NA	0.0	0.0	0.0
CZ	-1.0	2.0	1.0	1.9	2.2	0.1	-0.3	-0.5	0.4	-0.9	0.0	-0.7	0.1	-0.2	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
DK	4.9	-3.3	1.6	-0.6	0.9	0.0	-1.9	0.3	0.0	2.2	0.0	2.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DE	-0.2	0.3	0.2	0.5	0.4	0.2	0.0	-0.2	0.1	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0	-0.1	0.0	-0.2	0.0	-0.2
EE	2.7	-0.2	2.5	3.0	-0.3	1.4	-0.1	0.9	1.0	-0.5	0.0	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IE	0.2	1.8	2.0	1.9	0.3	0.6	0.2	0.6	0.2	0.1	0.0	0.1	0.0	0.0	0.0	0.0	NA	NA	0.0	NA	0.0
EL	-3.5	5.3	1.8	1.6	1.0	0.1	0.0	-0.7	1.2	-0.1	0.0	-0.3	0.2	0.0	0.0	0.0	NA	NA	0.2	NA	0.2
ES	2.2	-0.9	1.3	2.3	1.2	0.6	0.4	0.3	-0.1	-0.9	0.0	-0.9	0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FR	-2.7	3.1	0.5	0.3	-0.1	0.2	0.0	0.2	0.1	0.2	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IT	-1.6	1.1	-0.5	-0.1	-0.7	0.2	0.0	-0.2	0.6	-0.6	0.0	-0.5	0.6	-0.7	0.0	0.0	0.0	0.0	0.2	0.2	0.0
CY	3.5	-0.4	3.0	3.0	2.4	0.0	0.1	0.2	0.3	0.0	0.0	0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
LV	0.1	1.0	1.1	2.0	1.2	0.0	0.1	0.1	0.6	-1.2	0.0	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.3	0.0
LT	-1.2	1.8	0.6	0.1	-0.1	NA	0.0	-0.1	0.3	0.4	NA	0.5	0.0	0.0	NA	0.0	0.0	0.0	0.0	0.0	0.0
LU	3.2	0.8	4.1	5.3	-11.1	0.2	0.1	16.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.3	ND	ND
HU	-5.0	4.5	-0.5	-0.1	0.6	-0.1	-0.4	-0.3	0.1	-0.4	0.1	-0.2	0.0	-0.2	0.0	-0.1	0.0	0.0	-0.03	0.0	0.0
MT	-1.8	2.2	0.4	0.9	0.5	0.0	0.0	-0.5	0.9	-0.3	0.0	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0
NL	0.3	0.5	0.9	0.8	0.8	0.1	0.4	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
AT	-0.4	0.6	0.2	0.5	0.5	0.3	-0.6	0.1	0.1	0.1	0.1	0.0	0.0	0.1	0.0	-0.1	0.0	0.0	-0.5	0.1	-0.6
PL	-2.0	1.9	-0.1	1.5	1.0	0.0	0.5	-0.2	0.2	-1.3	NA	-0.4	-0.1	0.1	NA	-0.9	0.0	NA	-0.3	-0.1	-0.2
PT	-2.6	1.9	-0.6	-0.4	-0.3	0.0	-1.3	0.9	0.2	-0.2	0.0	-0.4	0.3	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RO	-2.6	2.4	-0.2	0.6	-0.1	NA	0.0	-0.4	1.1	-0.8	0.2	-1.1	0.1	0.0	NA	0.1	0.0	0.0	0.0	0.0	0.0
SI	0.5	-0.6	-0.1	0.3	1.7	0.1	-0.1	-2.2	0.8	0.1	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	-0.5	0.0	-0.5
SK	-1.9	2.1	0.1	0.1	0.9	0.0	-0.2	-0.4	-0.2	0.1	0.0	-0.3	0.4	0.1	0.0	-0.2	0.0	0.0	-0.1	0.0	0.0
FI	5.3	-1.3	4.0	5.1	0.4	-0.2	0.0	4.4	0.6	-0.5	0.2	-0.7	0.0	0.1	0.0	0.0	0.0	0.0	-0.6	-0.4	-0.2
SE	3.6	-2.9	0.7	2.0	-0.1	2.0	0.3	-0.9	0.6	-0.1	-0.2	-0.1	-0.2	0.0	0.0	0.3	NA	NA	-1.2	-0.5	-0.8
UK	-2.8	3.2	0.5	0.5	0.7	0.1	0.2	-0.4	-0.1	-0.3	0.0	0.0	0.0	-0.3	0.0	0.0	0.0	0.0	0.3	0.0	0.3
EU 25	**-0.8**	1.3	0.5	0.7	0.3	0.2	0.0	0.0	0.1	-0.2	0.0	-0.2	0.1	-0.1	0.0	0.0	0.0	0.0	0.0	NC	NC
EU 27	**-0.9**	1.3	0.5	0.7	0.3	0.2	0.0	0.0	0.2	-0.2	0.0	-0.2	0.1	-0.1	0.0	0.0	0.0	0.0	0.0	NC	NC
Eurozone 15	**-0.6**	1.1	0.5	0.8	0.2	0.2	0.0	0.1	0.2	-0.2	0.0	-0.2	0.2	-0.1	0.0	0.0	0.0	0.0	0.0	NC	NC

Stock flow adjustment to General government - 2006

October 2008 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)	Net acquisition (+) of financial assets (3)	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	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	Difference between financial and capital accounts (B.9f-B.9)*	Other statistical discrepancies (+/-)
	(1)	(2)	(3) =(2)+(1)=(4)+(10)+(19)	(4) =(5)+(6)+(7)+(8)+(9)	(5)	(6)	(7)	(8)	(9)	(10)=(11)+(12)+(13)+(14)+(15)+(16)+(17)+(18)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19) =(20)+(21)	(20)	(21)
BE	0.3	0.3	0.7	0.4	-0.1	-0.1	-0.1	0.2	0.5	0.2	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0
BG	3.0	-2.7	0.4	1.5	3.2	0.0	0.2	-1.4	-0.5	-1.2	0.0	-0.4	0.0	0.0	NA	-0.8	NA	NA	0.0	0.0	0.0
CZ	-2.7	2.0	-0.7	-0.2	-0.5	0.0	-0.2	-0.1	0.6	-0.5	0.0	-0.3	0.0	0.0	0.0	-0.2	0.0	0.0	0.0	0.0	0.0
DK	5.1	-3.8	1.2	3.6	3.8	-0.2	0.8	-0.1	-0.7	-2.5	0.0	-2.6	0.1	0.1	0.1	-0.1	0.0	0.0	0.1	0.0	0.1
DE	-1.5	2.0	0.5	0.4	1.4	0.0	-0.2	0.0	-0.7	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1
EE	2.9	0.4	3.3	3.7	0.5	2.8	0.0	0.1	0.3	-0.6	0.0	-0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.3	ND
IE	3.0	-0.2	2.8	2.7	0.5	1.3	0.1	0.4	0.4	0.1	0.0	-0.2	0.0	0.2	0.0	0.0	NA	NA	0.0	NA	0.0
EL	-2.8	4.2	1.4	1.6	0.7	0.0	0.0	-1.2	2.1	0.0	0.0	-0.2	0.0	0.2	0.1	0.0	NA	NA	-0.1	NA	-0.1
ES	2.0	-0.2	1.8	2.9	1.4	1.1	0.3	0.1	0.1	-1.0	0.0	-1.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FR	-2.4	0.3	-2.1	-1.4	-1.6	0.4	-0.1	-0.6	0.5	-0.7	0.0	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IT	-3.4	4.7	1.3	0.9	0.8	0.0	-0.7	0.1	0.8	0.4	0.0	0.0	0.4	0.0	0.0	-0.1	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	0.0	0.0	-0.2	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
LV	-0.2	0.6	0.4	2.7	1.4	0.0	-0.2	-0.5	2.0	-2.5	0.0	-2.5	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.2	0.0
LT	-0.4	2.0	1.6	0.5	3.0	NA	-0.2	-2.8	0.4	1.1	NA	1.4	-0.2	-0.1	NA	0.0	0.0	0.0	-0.1	-0.1	0.0
LU	1.3	1.2	2.4	1.7	3.2	-0.1	0.0	-1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	ND	ND
HU	-9.3	8.5	-0.8	-0.5	0.5	-0.1	0.0	-1.2	0.3	-0.2	0.1	-0.3	0.4	-0.3	0.0	-0.1	0.0	0.0	-0.1	-0.1	0.0
MT	-2.3	-2.0	-4.3	-3.8	0.7	0.0	-0.1	-4.4	-0.2	-0.3	0.0	-0.3	-0.1	0.1	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0
NL	0.6	-1.8	-1.2	-0.6	-0.7	0.0	-0.1	-0.9	1.1	-0.4	0.0	-0.6	0.2	0.0	0.0	0.0	0.0	0.0	-0.2	0.0	-0.2
AT	-1.5	1.5	-0.1	0.1	-0.1	0.0	0.2	0.0	0.0	-0.2	-0.2	0.0	0.0	0.2	0.0	-0.2	0.0	0.0	0.1	-0.1	0.1
PL	-3.8	4.0	0.2	0.8	0.6	0.0	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	-0.3	0.6	0.3	0.0	-1.1	-0.1	0.1	0.0	0.1	0.2	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RO	-2.2	-0.9	-3.1	-0.6	1.7	NA	0.0	-2.3	0.0	-2.5	-0.4	-0.8	0.0	0.0	NA	-1.3	0.0	0.0	0.0	0.0	0.0
SI	-1.2	1.7	0.5	0.0	0.5	0.0	0.0	-0.3	-0.2	0.2	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.3
SK	-3.5	-0.1	-3.7	-2.5	0.0	-0.1	-0.3	-1.8	-0.3	-1.2	0.0	-0.4	0.1	-0.1	0.0	-0.8	0.0	0.0	0.0	0.0	0.0
FI	4.1	0.3	4.4	4.4	0.7	0.5	0.3	2.8	0.0	0.4	0.0	0.2	0.0	0.1	0.0	0.0	0.0	0.0	-0.3	-0.4	0.0
SE	2.3	-2.1	0.2	1.8	0.3	1.8	0.6	-1.4	0.6	-0.9	0.1	-0.5	-0.3	0.1	0.0	-0.3	NA	NA	-0.7	-0.6	-0.2
UK	-2.7	3.3	0.7	1.0	0.6	0.2	0.2	-0.2	0.3	-0.3	0.0	-0.2	0.1	-0.1	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0
EU 27	**-1.4**	1.7	0.3	0.6	0.5	0.3	-0.1	-0.2	0.2	-0.3	0.0	-0.4	0.1	0.0	0.0	-0.1	0.0	0.0	0.0	NC	NC
Eurozone 15	**-1.3**	1.5	0.3	0.5	0.3	0.2	-0.2	-0.1	0.2	-0.2	0.0	-0.4	0.1	0.0	0.0	0.0	0.0	0.0	0.0	NC	NC

Stock flow adjustment to General government - 2005

October 2008 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)	Net acquisition (+) of financial assets (3)	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	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	Difference between financial and capital accounts (B.9f-B.9)*	Other statistical discrepancies (+/-)
	(1)	(2)	(3) =(2)+(1)=(4)+(10)+(19)	(4) =(5)+(6)+(7)+(8)+(9)	(5)	(6)	(7)	(8)	(9)	(10)= (11)+(12)+(13)+(14)+(15)+(16)+(17)+(18)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19) =(20)+(21)	(20)	(21)
BE	-2.6	1.7	-0.8	-0.5	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	-0.3	-0.3	0.0
BG	1.9	-5.2	-3.3	-5.0	-1.2	0.0	0.6	-1.6	-2.8	1.7	0.8	-0.7	0.0	0.0	NA	1.6	NA	NA	0.0	0.0	0.0
CZ	-3.6	1.1	-2.5	-1.0	3.9	0.1	-1.6	-3.6	0.2	-1.5	0.0	-0.9	0.0	-0.1	0.0	-0.3	0.0	-0.2	0.0	0.0	0.0
DK	5.2	-5.1	0.1	-0.6	-0.5	-0.4	0.3	0.3	-0.3	0.8	0.0	0.5	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
DE	-3.3	3.1	-0.2	-0.1	0.2	0.0	-0.3	0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1
EE	1.5	0.1	1.6	2.8	1.2	0.8	-0.1	0.1	0.8	-0.9	0.0	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	-0.3	0.0
IE	1.7	0.2	1.9	2.3	0.6	0.3	0.4	0.5	0.5	-0.4	0.1	-0.4	-0.1	0.1	0.0	0.0	NA	NA	0.0	NA	0.0
EL	-5.1	6.2	1.1	0.1	-0.4	-0.1	0.0	-0.3	0.7	0.9	0.0	0.7	-0.3	0.3	0.1	0.1	NA	NA	0.1	NA	0.1
ES	1.0	0.3	1.2	2.1	1.3	0.5	0.2	0.1	0.0	-1.0	0.0	-0.9	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	1.2	-0.1	0.2	0.0	0.5	0.7	-0.1	0.0	-0.2	-0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
IT	-4.3	4.8	0.4	1.3	0.5	0.1	0.6	-0.2	0.4	-0.7	0.0	-0.8	0.0	0.0	0.0	0.1	0.0	0.0	-0.1	-0.1	0.0
CY	-2.4	3.1	0.7	0.8	0.3	0.0	0.2	0.0	0.3	-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	0.1	-0.2	-0.3	-1.0	-0.1	0.0	0.4	0.4	-0.1	0.0	-0.2	0.0	0.0	0.0	0.1	0.0	0.0	0.1	0.1	0.0
LT	-0.5	1.6	1.1	0.6	0.5	NA	-0.2	-0.3	0.6	0.5	NA	0.5	0.0	-0.1	NA	0.1	0.0	0.0	0.0	0.0	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	-2.0	-2.0	-0.1	-0.1	0.3	-2.3	0.2	-0.2	0.1	-0.5	-0.3	-0.1	0.0	0.6	0.0	0.0	0.3	0.3	0.0
MT	-2.8	2.2	-0.6	0.6	1.6	0.0	0.0	-1.2	0.2	-1.5	0.0	-0.9	-0.6	0.0	0.0	0.0	0.0	0.0	0.2	0.1	0.1
NL	-0.3	1.6	1.4	1.1	1.2	0.0	0.5	-0.2	-0.4	0.3	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AT	-1.5	2.1	0.6	0.7	0.3	0.5	0.1	-0.4	0.2	-0.4	-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	7.2	1.1	0.4	0.6	0.3	0.2	-0.4	-0.4	0.7	0.0	0.7	0.2	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RO	-1.2	-0.3	-1.5	0.5	0.4	NA	0.0	-0.5	0.6	-2.0	-0.1	-1.4	0.0	-0.1	NA	-0.3	0.0	0.0	-0.1	-0.1	0.0
SI	-1.4	1.4	0.0	-0.9	-0.6	0.1	-0.1	-0.5	0.2	0.4	0.0	0.2	0.0	0.0	0.0	0.1	0.0	0.1	0.5	0.0	0.5
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	2.9	-1.4	1.5	1.5	-0.3	1.2	0.1	0.9	-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	4.1	3.7	0.6	0.6	1.1	0.5	0.9	0.5	-0.2	-0.1	-0.2	0.0	0.0	1.0	NA	NA	-0.1	0.2	-0.2
UK	-3.4	3.3	-0.1	0.6	-0.1	0.3	0.2	-0.3	0.5	-0.6	0.0	-0.4	0.2	-0.3	0.0	-0.2	0.0	0.0	-0.1	0.0	-0.1
EU 27	**-2.4**	2.9	0.4	0.8	0.3	0.1	0.1	0.0	0.2	-0.3	0.0	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NC	NC
Eurozone 15	**-2.5**	3.1	0.6	0.8	0.4	0.1	0.1	0.1	0.2	-0.2	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NC	NC

Stock flow adjustment to General government - 2004

October 2008 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)	Net acquisition (+) of financial assets (3)	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	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	Difference between financial and capital accounts (B.9f-B.9)*	Other statistical discrepancies (+/-)
	(1)	(2)	(3) =(2)+(1)=(4)+(10)+(19)	(4) =(5)+(6)+(7)+(8)+(9)	(5)	(6)	(7)	(8)	(9)	(10)= (11)+(12)+(13)+(14)+(15)+(16)+(17)+(18)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19) =(20)+(21)	(20)	(21)
BE	-0.2	0.7	0.5	-0.1	0.1	0.0	-0.1	-0.3	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	1.6	-3.0	-1.5	-0.3	2.7	-1.1	-0.3	-5.6	4.0	-1.2	-0.1	0.0	0.0	0.0	NA	-1.1	NA	NA	0.0	0.0	0.0
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	2.0	0.0	2.0	0.2	1.9	-0.1	0.4	-1.1	-0.9	1.7	0.0	1.4	0.2	0.1	0.1	-0.1	0.0	0.0	0.1	0.0	0.1
DE	-3.8	3.2	-0.6	-1.0	-0.2	0.0	-0.3	-0.4	-0.2	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	1.7	0.0	1.6	2.4	1.2	0.4	-0.2	-0.1	1.1	-1.2	0.0	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.4	0.0
IE	1.4	0.4	1.8	1.6	0.2	0.0	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	-7.5	8.1	0.6	1.4	1.3	-0.1	0.1	-0.2	0.3	-0.3	0.0	-0.2	-0.2	0.1	0.1	0.0	NA	NA	-0.4	NA	-0.4
ES	-0.3	0.8	0.5	1.1	0.7	0.1	0.2	0.0	0.1	-0.6	0.0	-0.3	-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	0.1	0.2	0.3	-0.5	0.5	0.0	0.6	0.0	0.0	0.0	0.0	-0.1	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	0.3	0.3	0.0	0.1	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
LV	-1.0	2.4	1.3	1.5	1.0	-0.6	-0.1	0.2	1.1	-0.3	0.0	-0.8	0.0	0.0	0.0	0.3	0.1	0.0	0.2	0.2	0.0
LT	-1.5	0.2	-1.4	-1.1	-0.5	NA	-0.3	-0.6	0.4	-0.1	NA	0.0	0.0	0.0	NA	-0.1	0.0	0.0	-0.1	-0.1	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	-6.4	6.4	0.0	1.9	1.1	-0.1	0.4	-0.5	1.0	-2.1	0.2	-1.1	0.4	-0.6	0.0	-1.0	0.0	0.0	0.2	0.2	0.0
MT	-4.7	4.7	-0.1	-0.3	0.0	0.0	-0.1	0.0	-0.1	-0.1	0.0	0.3	-0.2	-0.1	0.0	0.0	0.0	-0.1	0.3	0.2	0.0
NL	-1.7	2.0	0.2	-0.2	0.1	0.0	0.0	-0.2	-0.1	0.5	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1
AT	-4.4	1.9	-2.5	-2.1	-0.3	0.0	-2.2	-0.1	0.5	-0.2	-0.3	0.1	0.0	0.0	0.0	-0.1	0.0	0.0	-0.2	-0.2	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	0.5	-0.1	-0.1	0.1	-0.1	0.8	-0.2	0.0	-0.2	0.1	-0.1	0.0	-0.1	0.0	0.0	-0.1	0.0	-0.1
RO	-1.2	1.6	0.4	1.7	1.8	NA	0.4	-1.2	0.8	-1.4	0.0	-0.6	0.3	-0.3	NA	-0.8	0.0	0.0	0.1	0.0	0.1
SI	-2.2	1.7	-0.5	-0.1	-0.2	0.1	0.0	-0.4	0.3	0.0	0.0	-0.2	0.0	0.0	0.0	0.2	0.0	0.0	-0.5	0.0	-0.5
SK	-2.3	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	-0.1
FI	2.4	1.7	4.0	4.8	0.8	3.2	-0.5	1.1	0.1	-0.3	-0.1	-0.4	0.0	0.4	0.0	-0.1	0.0	0.0	-0.5	-0.4	0.0
SE	0.8	1.1	1.9	2.2	-0.1	1.1	0.6	-0.1	0.6	0.0	0.0	0.0	-0.3	0.0	0.0	0.4	NA	NA	-0.3	-0.1	-0.2
UK	-3.4	3.9	0.5	0.3	0.1	0.2	0.2	-0.3	0.2	0.2	0.0	0.2	0.1	-0.2	0.0	0.1	0.0	0.0	-0.1	-0.1	0.0
EU 27	**-2.9**	3.1	0.2	0.2	0.2	0.1	0.0	-0.1	0.0	0.0	0.0	0.1	0.0	-0.1	0.0	-0.1	0.0	0.0	0.1	NC	NC
Eurozone 15	**-2.9**	3.1	0.2	0.1	0.2	0.1	0.0	0.0	-0.1	0.0	0.0	0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.1	NC	NC

METHODOLOGICAL ANNEX

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 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].

Net lending/net borrowing (B.9) is the balancing item of the capital account in ESA 1995. 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 ESA 1995 to include the definition of total expenditure and total revenue of general government. For further details on B.9 of general government see ESA 1995 § 8.49-8.50.
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 from interest in the framework of ESA 1995 (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 data relating to 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 links: transactions as well as revaluations, other changes in volumes and stocks, that occur or exist between units which belong to the same grouping — in this case to the general government sector (or its sub-sector)[6]. Thus, 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.

[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] *ESA 1995 §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 ESA 1995 §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 ESA 1995 § 1.58 and SNA § 2.80-2.84.*