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Government finance statistics

What is the extent of contingent liabilities and nonperforming loans in the EU Member States?

Eurostat, the statistical office of the European Union, publishes today information on contingent liabilities and non-performing loans of government in 2014. These data have been provided by the EU Member States in the context of the Enhanced Economic Governance package (the "six pack").

The contingent liabilities published in this release include government guarantees, liabilities related to public-private partnerships recorded off-balance sheet of government and liabilities of government controlled entities classified outside general government (public corporations). The liabilities are contingent in the sense that they are only potential and can materialise as actual government liabilities only if certain specific conditions prevail. Non-performing loans (government assets) could imply a loss for government if these loans were not repaid. Thus, this data collection gives a more comprehensive picture of Member States' financial positions and brings further transparency into potential impacts on public finances.

Data are country specific and closely linked to national particularities regarding the economic, financial and legal structure of the country. Significant progress has been achieved since last year's publication, nevertheless data coverage is not yet fully exhaustive for some Member States, as indicated in the country footnotes. For these reasons, data should be interpreted with caution. In particular, for the liabilities of public corporations, the data comparability is limited, because for a few Member States data reported do not include the liabilities of financial institutions and/or the liabilities of units controlled by local government.

Other aspects should be taken into account when analysing the figures for the liabilities of public corporations. Firstly, data for liabilities of public corporations are not consolidated, which means that part of the liabilities of these units could be towards entities in the same company group and these amounts cannot be identified from the data reported. Secondly, the data collection only refers to liabilities without balancing them with the assets. This aspect is very important in the case of financial institutions, which normally have both significant amounts of assets and debt liabilities. Additionally, for some of the Member States, a large part of the liabilities reported by financial institutions concern deposits held by government controlled banks.

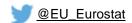
For some Member States, there are major differences between the data published last year, in the context of the first data reporting, and the data released today. Revisions and/or changes between the two reference years are mainly due to significant improvements in data coverage, updated data sources or sector reclassifications.

In the following pages, 2014 data on contingent liabilities and non-performing loans are presented, for each EU Member State, expressed as percentage of GDP. Annexes provide descriptions of the indicators and country specific information.

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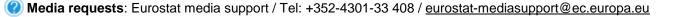
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Total general government contingent liabilities and non-performing loans in EU Member States, 2014

(% of GDP*)

	Government guarantees**			Liabilities related to off-balance public-	Liabilities of government controlled entities classified outside general government***			Non-performing
	One-off	Standardised	Total	private partnerships (PPPs)	Entities involved in financial activities	Entities involved in other activities	Total	loans (government assets)
Belgium ^a	11.1	0.5	11.6	0.1	43.2	15.0	58.2	:
Bulgaria	0.5	0.1	0.6	0.0	4.3	9.1	13.4	0.1
Czech Republic ^a	0.5	0.0	0.5	0.0	-	12.0	12.0	1.6
Denmark ^a	9.1	0.1	9.2	0.1	10.6	18.3	28.9	0.3
Germany ^a	16.4	-	16.4	-	110.5	4.6	115.1	0.2
Estonia ^a	0.0	1.6	1.6	0.2	-	8.6	8.6	0.0
Ireland ^a	13.3	0.0	13.3	1.2	56.0	9.5	65.5	1.2
Greece ^a	28.0	0.1	28.0	0.0	5.5	9.9	15.4	0.0
Spain ^a	12.8	:	12.8	0.4	34.3	3.5	37.8	0.2
France ^a	2.4	2.1	4.5	0.0	39.6	18.3	57.9	:
Croatia ^a	2.3	0.0	2.3	0.1	5.2	6.0	11.2	:
Italy ^a	1.8	0.9	2.7	0.0	25.9	18.4	44.3	0.0
Cyprus ^a	15.9	0.0	15.9	4.9	:	10.4	10.4	:
Latvia	0.9	0.4	1.3	0.0	0.2	21.8	22.0	0.1
Lithuania	0.3	0.5	0.8	0.0	0.1	6.9	7.0	0.1
Luxembourg	6.0	1.6	7.6	0.0	72.8	7.3	80.1	0.0
Hungary ^a	7.5	0.3	7.7	2.0	11.3	6.2	17.5	0.0
Malta ^a	16.8	-	16.8	0.1	4.1	25.1	29.1	0.0
Netherlands ^a	3.6	0.4	4.0	0.3	91.0	18.3	109.2	0.6
Austria ^a	26.5	0.0	26.5	0.1	19.5	14.3	33.8	2.2
Poland ^a	6.4	0.5	7.0	0.0	17.9	11.0	28.8	0.2
Portugal ^a	7.1	-	7.1	4.9	74.8	4.5	79.3	1.4
Romania	0.7	1.5	2.3	0.0	4.3	5.4	9.7	0.0
Slovenia	12.4	0.0	12.4	0.0	61.1	21.7	82.8	13.3
Slovakia	0.0	0.0	0.0	1.3	0.3	1.6	2.0	:
Finland ^a	25.0	0.9	25.8	0.0	17.9	19.9	37.8	0.1
Sweden ^a	10.2	0.0	10.2	0.0	19.5	27.6	47.1	0.8
United Kingdom ^a	8.8	0.1	8.9	1.7	54.5	1.3	55.8	0.8

See specific country notes in annex 2



[:] data not available

⁻ not applicable

GDP figures provided during the October 2015 Excessive Deficit Procedure notification are used for calculation.

Data on guarantees do not include: 1) Government guarantees issued within the guarantee mechanism under the Framework Agreement of the European Financial Stability Facility (EFSF); 2) Derivative-type guarantees meeting the ESA2010 definition of a financial derivative; 3) Deposit insurance guarantees and comparable schemes; 4) Government guarantees issued on events which occurrence is very difficult to cover via commercial insurance (earthquakes, large scale flooding, etc.).

*** Only those entities whose liabilities exceed 0.01% of GDP are included in the aggregate of each country.

Annex 1: Brief description of indicators

Council Directive 2011/85, art 14(3) requires the publication of relevant information on *contingent liabilities with* potentially large impacts on public budgets, including government guarantees, non-performing loans, and liabilities stemming from the operation of public corporations by the EU Member States. Implementation guidance is provided in the Eurostat decision of 22 July 2013 on Supplement on contingent liabilities and potential obligations to the EDP related questionnaire.

Guarantees are arrangements whereby the guarantor undertakes to a lender that if a borrower defaults, the guarantor will make good the loss the lender would otherwise suffer. A one-off guarantee is defined as individual, and guarantors are not able to make a reliable estimate of the risk of calls. One-off guarantees are linked to debt instruments (e.g. loans, bonds). Data refer to the total stock of debt guaranteed by government units. Standardised guarantees are guarantees that are issued in large numbers, usually for fairly small amounts, along identical lines. It is not possible to estimate precisely the risk of each loan being in default but it is possible to estimate how many, out of a large number of such loans, will default. Examples are mortgage loan guarantees, student loan guarantees, etc. Data refer to the total stock of assets covered by the standardised guarantees. While the provisions for standardised guarantees are considered an actual liability, the total stock of assets covered by standardised guarantee is regarded as a contingent liability.

Public-private partnerships (PPPs) are complex, long-term contracts between two units, one of which is normally a corporation (or a group of corporations, private or public) called the operator or partner, and the other normally a government unit called the grantor. PPPs involve a significant capital expenditure to create or renovate fixed assets by the corporation, which then operates and manages the assets to produce and deliver services either to the government unit or to the general public on behalf of the public unit. Public-private partnership recorded off-balance sheet of government means that the assets are not considered as economically owned by government and the gross-fixed capital formation is not recorded as an expenditure of government at the moment it is incurred. Total outstanding liabilities related to PPPs recorded off-balance sheet of government are expressed as the adjusted capital value. This is an initial contractual capital value that is progressively reduced over time by the amount of "economic depreciation" which is calculated on the basis of estimates or actual data. The adjusted capital value reflects the current value of the asset at the time of reporting. The amount is deemed to reflect the gross fixed capital formation and debt impact in the case that government would have to take over the assets during the life of the contract.

Liabilities of government controlled entities classified outside general government (public corporations) are defined as the stock of liabilities at the end of the year, based on the business accounts of corporations. These government controlled entities are classified outside general government due to their behaviour as market units. For a better picture of the extent of liabilities depending on the sector activities, these liabilities are split into liabilities of entities involved in financial activities and entities involved in other activities. Entities involved in financial activities include units classified according to NACE Rev 2 Division 64: "Financial service activities, except insurance and pension funding", but excluding sub-division 6411 "National Bank"; Division 65: "Insurance, reinsurance and pension funding, except compulsory social security"; and Division 66: "Activities auxiliary to financial services and insurance activities". Entities involved in other activities refer to units performing all other activities.

Non-performing loans (government assets): a loan is non-performing when payments of interest or principal are past due by 90 days or more, or interest payments equal to 90 days or more have been capitalized, refinanced, or delayed by agreement, or payments are less than 90 days overdue, but there are other good reasons (such as a debtor filing for bankruptcy) to doubt that payments will be made in full. Data are reported at nominal value.

It is to be underlined that the above indicators have a heterogeneous nature and represent different types of potential impact on public finance. Additionally, in some cases, the same fiscal risk might be reflected by two or more indicators. For instance, when a government guarantees the liability of a government controlled entity classified outside general government, the potential risks are covered both by data presented for 'Guarantees' and 'Liabilities of government controlled entities classified outside general government'. Therefore, evaluating the total risk for public finance by summing up the indicators could overestimate the potential impact.



Annex 2: Member State specific footnotes

Detailed country specific footnotes are available in the Eurostat website.

Belgium

<u>Guarantees</u>: Data coverage is not exhaustive for local government.

Liabilities of public corporations: Data coverage is not exhaustive for local government.

Czech Republic

<u>Guarantees:</u> Data coverage is not exhaustive. Data for enterprises included in the general government sector are not fully complete; however, all significant entities are covered.

Non-performing loans: The majority of non-performing loans refer to loans of national development banks classified in the general government sector.

<u>Liabilities of public corporations:</u> Data refer to 2013. There are no entities involved in financial activities having liabilities exceeding 0.01% of GDP.

Denmark

Guarantees: Data are not available for standardised guarantees of local government.

Germany

<u>Guarantees:</u> Data include neither institutional commitments of government bodies in the form of the so-called 'Anstaltslast', provided to public law institutions, nor the so-called 'Gewährträgerhaftung'. Related risks to government budgets have, however, been disclosed as government potential obligations, within the total amount of liabilities of government controlled entities classified outside the general government sector.

Off-balance PPPs: All assets of PPP projects are recorded on the government's balance sheet.

<u>Liabilities of public corporations:</u> Data reported refer to 2013. A significant amount of liabilities concerns deposits accepted by banks under government control.

Estonia

<u>Liabilities of public corporations:</u> There are no entities involved in financial activities having liabilities exceeding 0.01% of GDP.

Ireland

Guarantees: Data coverage is not exhaustive for one-off guarantees of local government.

Non-performing loans: The figure for 2014 is provisional. The majority of non-performing loans refer to loans of a financial defeasance unit classified in the general government sector.

Liabilities of public corporations: Data cover only public corporations controlled by the central government.

Greece

Guarantees: Data coverage is not exhaustive for one-off guarantees of local government.

Non-performing loans: Data are not available for social security funds; however the amounts are not expected to be significant. Liabilities of public corporations: Data coverage is not exhaustive for the local government. The liabilities of financial institutions that have received significant financial support from the Greek government are not included, as the extent to which government is controlling these entities is being assessed.

Spain

<u>Guarantees</u>: Data are not available for standardised guarantees, however if such guarantees exist the amounts are negligible. <u>Non-performing loans</u>: Data are not available for local government; however the amounts of the loans granted by local entities are not significant.

France

Guarantees: Data are not available for local government and social security funds.

Liabilities of public corporations: Data refer to 2013.

Croatia

Guarantees: Data on one-off guarantees are not available for local government.

Ital

Non-performing loans: Data are not available for local government and social security funds.

<u>Liabilities of public corporations:</u> Data refer either to 2014 or 2013. For a small percentage of units (approx. 5% of the total amount of units), data for 2012 are reported.

Cyprus

Guarantees, off-balance PPPs and non-performing loans: Data refer to 2013.

<u>Liabilities of public corporations:</u> Data refer to 2012 and are not exhaustive. Data for some public corporations are not available and the liabilities of public corporations involved in financial activities are not included.

Hungary

<u>Guarantees</u>: Data include guarantees provided to units classified outside budgetary central or local government, but classified in the general government sector.

Malta

Guarantees: Standardised guarantee schemes do not exist.

Liabilities of public corporations: Data do not include public corporations controlled by local government.

Netherlands

<u>Liabilities of public corporations:</u> For a majority of units, data are consolidated at an enterprise group level. The significant amount of liabilities concerns financial institutions under government control.

Austria



Off-balance PPPs: Data are not available for central government.

Non-performing loans: The majority of non-performing loans refer to loans of a financial defeasance structure classified in the general government sector.

Poland

Guarantees: Data are not available for standardised guarantees of local government.

Portugal

Guarantees: Standardised guarantee schemes do not exist.

Non-performing loans: Data coverage is not exhaustive. The majority of non-performing loans refer to loans of a financial defeasance structure classified in the general government sector.

Slovenia

Off-balance PPPs: Data are not available for local government.

<u>Non-performing loans</u>: The majority of non-performing loans refer to loans of a financial defeasance structure (bad bank) classified in the general government sector.

<u>Liabilities of public corporations</u>: The significant amount of liabilities concerns deposits of public banks under government control.

Finland

Off-balance PPPs: Data coverage might be not exhaustive.

Non-performing loans: Data coverage is not exhaustive for central government. Data are not available for local government and social security funds.

Sweden

Off-balance PPPs: Data coverage might be not exhaustive.

United Kingdom

Off-balance PPPs: Data coverage is not exhaustive for local government.

Non-performing loans: Data are not available for local government.

<u>Liabilities of public corporations:</u> Data provided are consolidated at group level.

Methods and definitions

Data on contingent liabilities and potential obligations of government are collected in the context of the Enhanced Economic Governance package (the "six-pack") adopted in 2011. In particular, <u>Council Directive 2011/85</u> on requirements for budgetary frameworks of the Member States requires the Member States to publish relevant information on contingent liabilities with potentially large impacts on public budgets, including government guarantees, non-performing loans, and liabilities stemming from the operation of public corporations, including the extent thereof.

Contingent liabilities are however not part of the general government (Maastricht) debt as defined in the <u>Council Regulation</u> (<u>EC) No 479/2009</u> of 25 May 2009 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community.

Revision and time table

Revised data for past years are available in the Eurostat <u>dedicated database</u>, along with explanatory information on revisions and/or major changes between the figures for 2013 and 2014.

For more information

Eurostat website section dedicated to contingent liabilities.

Eurostat database on government statistics.

Eurostat metadata on government contingent liabilities and potential obligations.

