eurostat newsrelease

22/2020 - 30 January 2020

Government finance statistics

Contingent liabilities and non-performing loans in the EU Member States in 2018

Data on contingent liabilities and non-performing loans of EU governments for the year 2018 have been published today by **Eurostat, the statistical office of the European Union**.

This publication includes data on government guarantees, liabilities related to public-private partnerships recorded off-balance sheet of government and liabilities of government controlled entities (public corporations) classified outside general government. Contingent liabilities are only potential liabilities. They may become actual government liabilities if specific conditions prevail. Similarly, non-performing loans (government assets) could imply a loss for government if these loans were not repaid. Thus, this data adds further transparency of public finances in the European Union by providing a more comprehensive picture of potential impacts on Member States' financial positions.

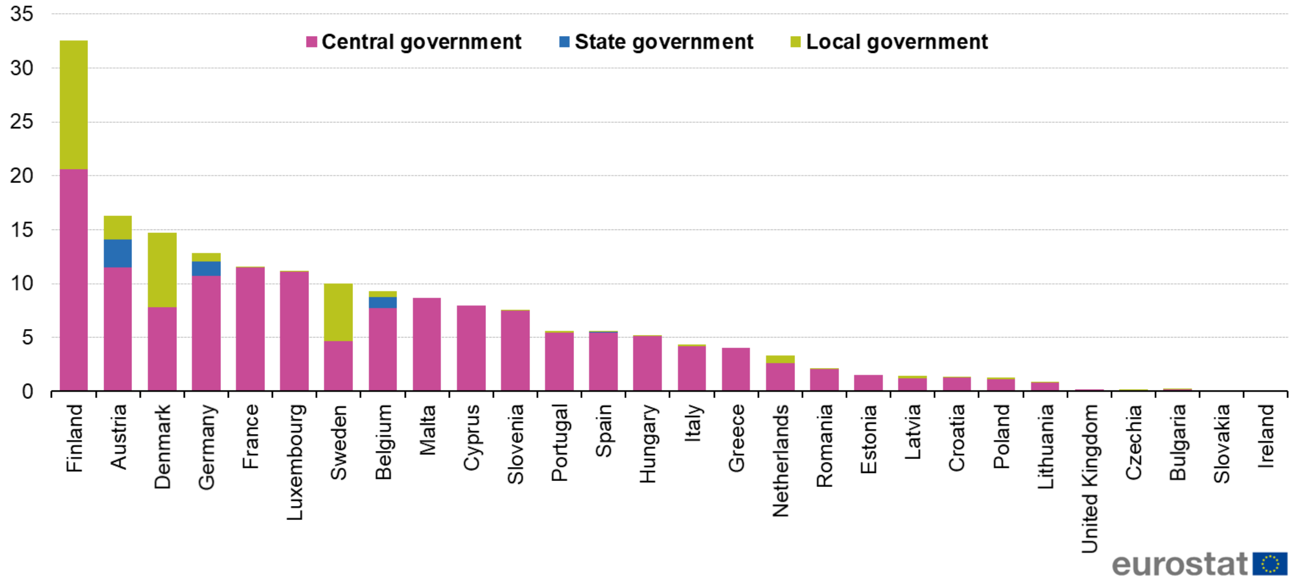
High level of government guarantees in Finland

The most common form of contingent liabilities are government guarantees on liabilities and occasionally on assets of third parties. The highest rates of government guarantees were recorded in **Finland** (32.6% of GDP), followed by **Austria** (16.3%), **Denmark** (14.8%) and **Germany** (12.8%). The lowest shares, with less than 1% of GDP, were noted in **Ireland** and **Slovakia** (close to 0%), **Bulgaria**, **Czechia** and the **United Kingdom** (all 0.2%), as well as **Lithuania** (0.9%).

In most EU Member States, the central government is the predominant guarantor, except for **Denmark**, **Finland** and **Sweden**, where levels of local government guarantees are also notable. In several countries - **Belgium**, **Spain**, **France**, **Cyprus**, **Luxembourg, Portugal** and **Finland** - a major part of the guarantees is towards financial institutions and were often granted in the context of the financial crisis.

Government guarantees, 2018

% of GDP



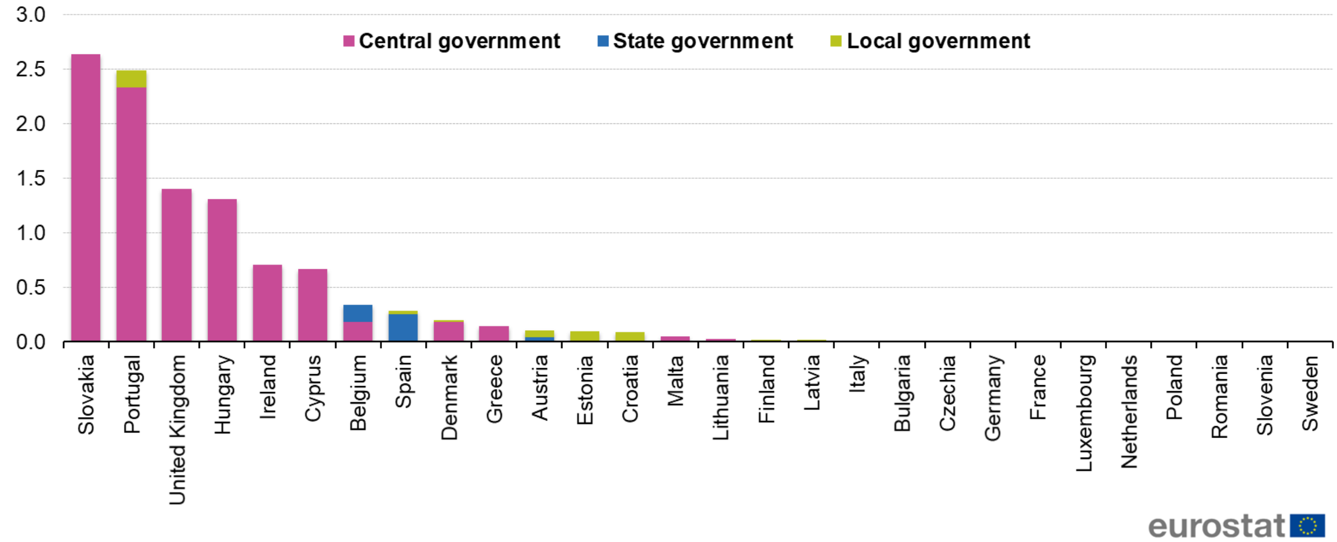
Slovakia and Portugal with largest contingent liabilities related to off-balance PPPs

In all EU Member States, liabilities related to off-balance public-private partnerships (PPPs, long-term construction contracts where assets are recorded outside government accounts) were below 3% of GDP. **Slovakia** had the highest share (2.6% of GDP), closely followed by **Portugal** (2.5%), ahead of the **United Kingdom** (1.4%) and **Hungary** (1.3%).

For 2018, ten countries reported no liabilities related to off-balance PPPs: **Bulgaria**, **Czechia**, **Germany**, **France**, **Luxembourg**, the **Netherlands**, **Poland**, **Romania**, **Slovenia** and **Sweden**. In many EU Member States, the off-balance PPPs were observed at the central government level, whereas in **Belgium**, **Estonia**, **Spain**, **Croatia** and **Austria** they were notably related to state and local governments.

Liabilities related to off-balance PPPs, 2018

% of GDP

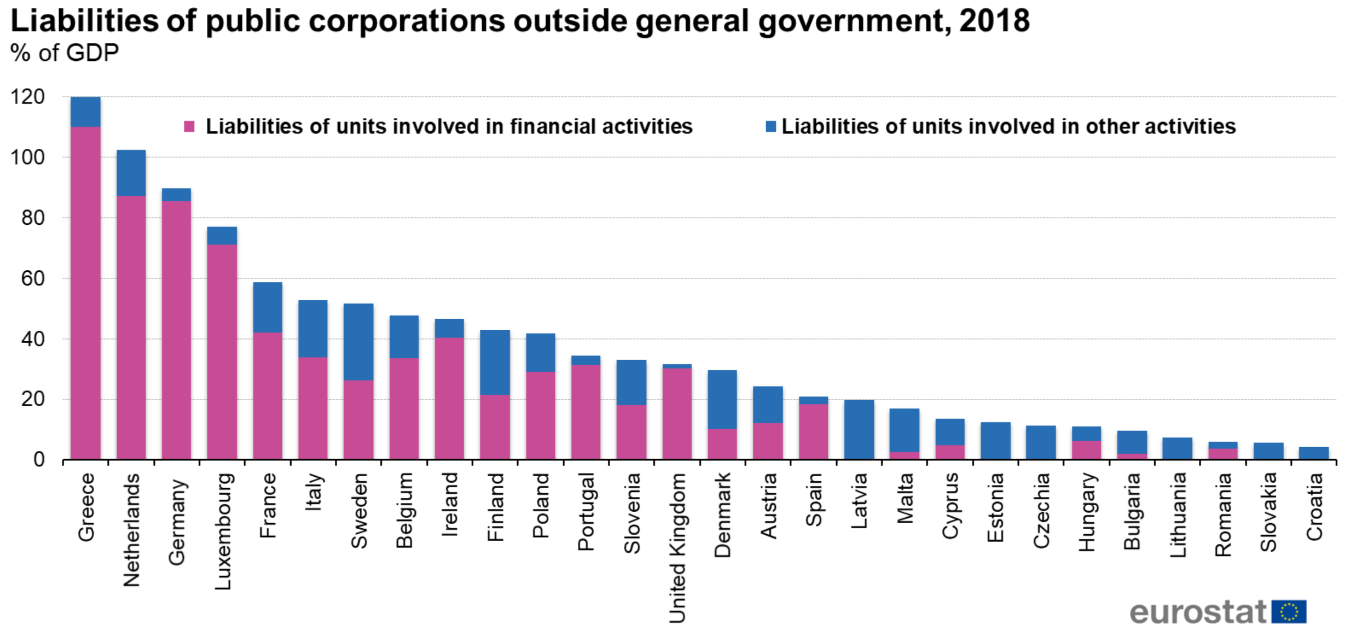


Level of liabilities of public corporations classified outside general government higher in countries with financial institutions under government control

The level of liabilities of public corporations classified outside general government differs widely in the EU Member States. There is a group of countries with significant amounts of liabilities such as **Greece** (119.9% of GDP), the **Netherlands** (102.5%), **Germany** (90.5%) and **Luxembourg** (77.1%).

The main reason for the high level of these liabilities is that the data include government controlled financial institutions, among other public banks. Most of these liabilities consist of deposits held in the public banks by households or by other kinds of private or public entities. It should be noted that, in general, financial institutions report high amounts of debt liabilities, however they also have, at the same time, significant level of assets, which are not captured in this data collection.

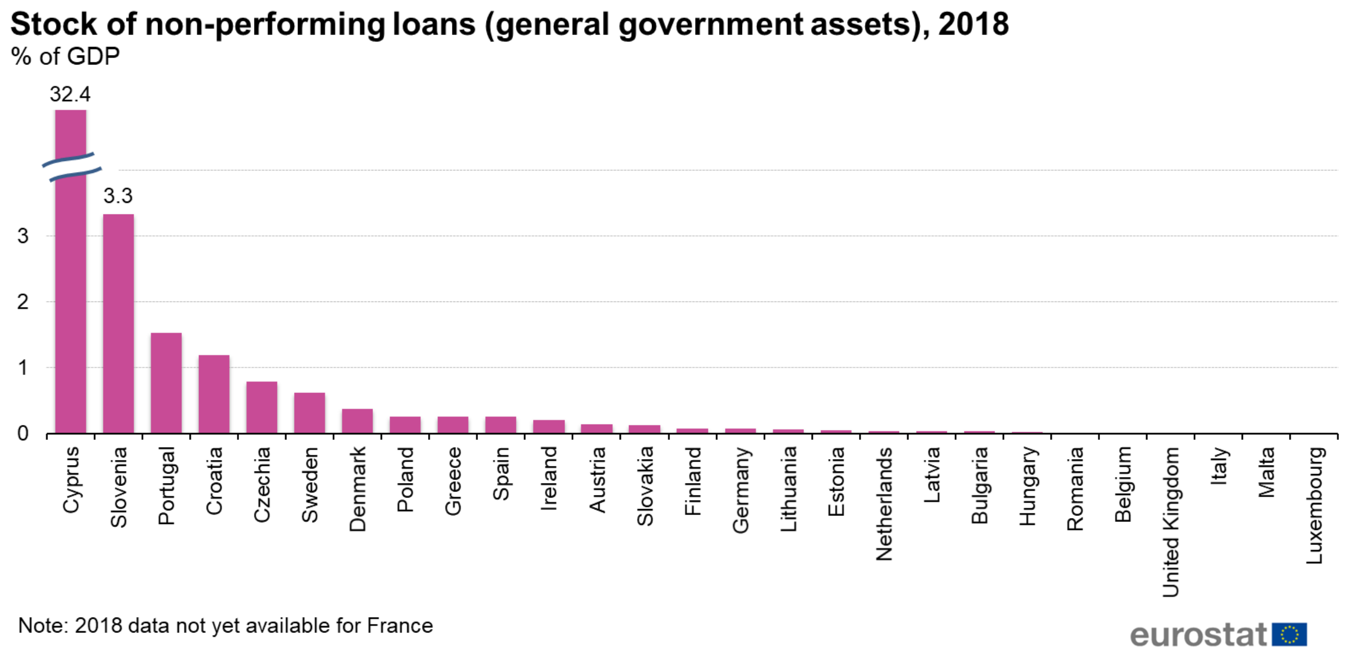
At the opposite end of scale, overall small amounts of public corporations' liabilities are recorded in **Croatia** (4.2% of GDP), **Slovakia** (5.5%), **Romania** (6.0%), **Lithuania** (7.4%) and **Bulgaria** (9.6%). Most of these countries have negligible liabilities related to financial institutions, even below 1% of GDP, as in **Croatia**, **Lithuania** and **Slovakia**.



Cyprus becomes the country with the highest level of non-performing loans

In 2018, **Cyprus** became the country with the highest stock of non-performing loans (assets) of general government, with 32.4% of GDP, far ahead of the other EU Member States. This was due to a large transaction, whereby non-performing loans from a Cypriot public financial corporation (classified outside government) were transferred to a government unit.

Three other EU Member States recorded a share higher than 1% of GDP: **Slovenia** (3.3%), **Portugal** (1.5%) and **Croatia** (1.2%). For **Slovenia** and **Portugal**, the majority of non-performing loans refer to loans of financial defeasance structures (classified inside general government). In the case of **Croatia**, the figure mainly refers to the loans of a national development bank (also classified inside general government). Data on non-performing loans are not yet available for **France**.



In the following table, 2018 data on contingent liabilities and non-performing loans for each EU Member State are presented, expressed as percentage of GDP. Significant progress has been achieved in this data collection in terms of coverage and completeness of the data. Nevertheless, for some Member States, data coverage is still not fully exhaustive, as indicated in Annex 1. The descriptions of the indicators are provided in Annex 2.

Detailed breakdowns and time series for years prior to 2018 are available in Eurostat database.

Methods and definitions

Data on contingent liabilities and potential obligations of government are provided by the EU Member States in the context of the Enhanced Economic Governance package (the "six-pack") adopted in 2011. In particular, Council Directive 2011/85 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 not part of the general government (Maastricht) debt, as defined in the Council Regulation (EC) No 479/2009 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 timetable

Revised data for past years are available in Eurostat database, along with explanatory information on revisions and/or major changes between 2017 and 2018 figures.

For more information

Eurostat website section dedicated to contingent liabilities

Eurostat database on government statistics. For some Member States, consolidated data on liabilities of public corporations are also available

Eurostat metadata on government contingent liabilities and potential obligations

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Total general government contingent liabilities and non-performing loans in EU Member States, 2018

(% of GDP*)

	Government guarantees**			Liabilities related to off-balance public-private partnerships (PPPs)	Liabilities of government controlled entities classified outside general government***			Non-performing loans (government assets)
	One-off	Standardised	**Total**		Entities involved in financial activities	Entities involved in other activities	**Total**	
Belgium	8.7	0.6	**9.3**	**0.3**	33.5	14.3	**47.8**	**-**
Bulgaria	0.1	0.1	**0.2**	**-**	2.1	7.5	**9.6**	**-**
Czechia	0.2	-	**0.2**	**-**	-	11.2	**11.2**	**0.8**
Denmark	14.7	-	**14.8**	**0.2**	10.3	19.5	**29.7**	**0.4**
Germany	12.8	-	**12.8**	**-**	85.5	5.0	**90.5**	**0.1**
Estonia	-	1.5	**1.5**	**0.1**	0.1	12.3	**12.3**	**0.1**
Ireland	-	-	**-**	**0.7**	40.3	6.3	**46.6**	**0.2**
Greece	4.0	-	**4.0**	**0.1**	110.0	9.9	**119.9**	**0.3**
Spain	5.6	-	**5.6**	**0.3**	18.3	2.7	**21.0**	**0.3**
France	9.2	2.4	**11.6**	**-**	42.1	16.5	**58.6**	**:**
Croatia	1.4	-	**1.4**	**0.1**	0.1	4.1	**4.2**	**1.2**
Italy	2.6	1.7	**4.3**	**-**	34.0	18.8	**52.8**	**-**
Cyprus	7.9	-	**7.9**	**0.7**	4.7	8.8	**13.5**	**32.4**
Latvia	0.9	0.5	**1.4**	**-**	-	19.7	**19.7**	**-**
Lithuania	0.2	0.7	**0.9**	**-**	-	7.3	**7.4**	**0.1**
Luxembourg	10.3	0.9	**11.1**	**-**	71.0	6.1	**77.1**	**-**
Hungary	5.1	0.1	**5.2**	**1.3**	6.2	4.8	**11.0**	**-**
Malta	8.7	-	**8.7**	**0.1**	2.6	14.4	**17.0**	**-**
Netherlands	3.3	-	**3.3**	**-**	87.2	15.3	**102.5**	**-**
Austria	16.3	-	**16.3**	**0.1**	12.0	12.2	**24.3**	**0.1**
Poland	0.7	0.6	**1.3**	**-**	29.1	12.6	**41.7**	**0.3**
Portugal	5.6	-	**5.6**	**2.5**	31.4	3.0	**34.3**	**1.5**
Romania	0.4	1.8	**2.1**	**-**	3.5	2.5	**6.0**	**-**
Slovenia	7.5	-	**7.5**	**-**	17.9	15.1	**33.0**	**3.3**
Slovakia	-	-	**-**	**2.6**	0.3	5.2	**5.5**	**0.1**
Finland	31.1	1.5	**32.6**	**-**	21.5	21.4	**42.9**	**0.1**
Sweden	10.0	-	**10.0**	**-**	26.1	25.5	**51.7**	**0.6**
United Kingdom	0.1	0.1	**0.2**	**1.4**	30.2	1.6	**31.7**	**-**

: data not available - below 0.05% of GDP The figures shown in the tables may not exactly add up due to rounding.

* GDP figures provided during the October 2019 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) and the European Stability Mechanism (ESM); 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 Member State.

Source data: gov_cl_guar (government guarantees), gov_cl_ppp (liabilities related to off-balance PPPs), gov_cl_liab (liabilities of public corporations outside general government) and gov_cl_npl (non-performing loans)

Annex 1: Completeness and coverage

Detailed country specific footnotes are available in the Eurostat website.

Guarantees:

Greece: Data coverage is not exhaustive for one-off guarantees provided by local government; however, the amounts are not expected to be significant.

France: Data coverage has improved since last year, however data for local government is not exhaustive.

Hungary: There is no data collection from reclassified small state-owned or local government-owned public corporations and non-profit institutions on guarantees provided.

Poland: Data coverage is not exhaustive for standardised guarantees of local government.

Finland: Data include guarantees provided by a financial public corporation classified outside of government.

Finland and **Sweden**: Local government data are not fully consolidated, leading to overestimation (guarantees provided to units already inside general government).

Off-balance PPPs:

Austria: In 2018, there were two new off-balance PPP projects.

Finland: Data coverage for local government may not be exhaustive due to lacking data sources.

United Kingdom: Data are based on PPPs by the central government. Although some contracts are administered by local authorities, the risk is assumed to be ultimately borne by the central government.

Liabilities of public corporations:

Reference year

France and Austria: Data refer to 2017.

Italy: Data mainly refer to 2018 and 2017.

Netherlands: Data refer to 2017 and was not updated compared to the last press release. Nevertheless, the GDP for 2017 was updated with the latest GDP figures provided to Eurostat in October 2019.

Data coverage

Belgium and **Poland:** Data coverage is not fully exhaustive for some minor units; however, the amounts are not expected to be significant.

Greece: Data coverage is not fully exhaustive for some small units at central and local government.

France and **Ireland:** Data coverage is not fully exhaustive for local government.

Other

Czechia, Estonia and **Latvia**: There are no entities involved in financial activities having liabilities exceeding 0.01% of GDP.

Germany, Greece, Luxembourg and **Netherlands:** The significant amount of liabilities concerns deposits accepted by banks under government control.

Netherlands: For the majority of units, data are consolidated at the enterprise group level.

Non-performing loans (NPLs):

Belgium: Data are not available for local government, the amounts concerned are expected to be insignificant.

Czechia, Portugal and **Finland:** NPL data are not exhaustive.

Greece: Data are not available for social security funds; however, the amounts are not expected to be significant.

Croatia: NPL data for local government are not available.

Italy: NPL data for local government are available since 2016. NPL data are not available for social security funds.

Cyprus: NPLs for 2018 are explained by the transfer of assets from the ex-Cyprus Cooperative Bank to a government unit.

Slovenia: The majority of non-performing loans refer to assets of a 'bad bank', a financial defeasance structure classified in the general government sector.

United Kingdom: Data are not available for local government; however, the amounts are not expected to be significant.

Annex 2: 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 government 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 (public corporations) classified outside general government are defined as the stock of liabilities at the end of the year, based on the business accounts of corporations and reported either as business liabilities or as Maastricht liabilities by the Member States. 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.