

19/2019 - 30 January 2019

Government finance statistics

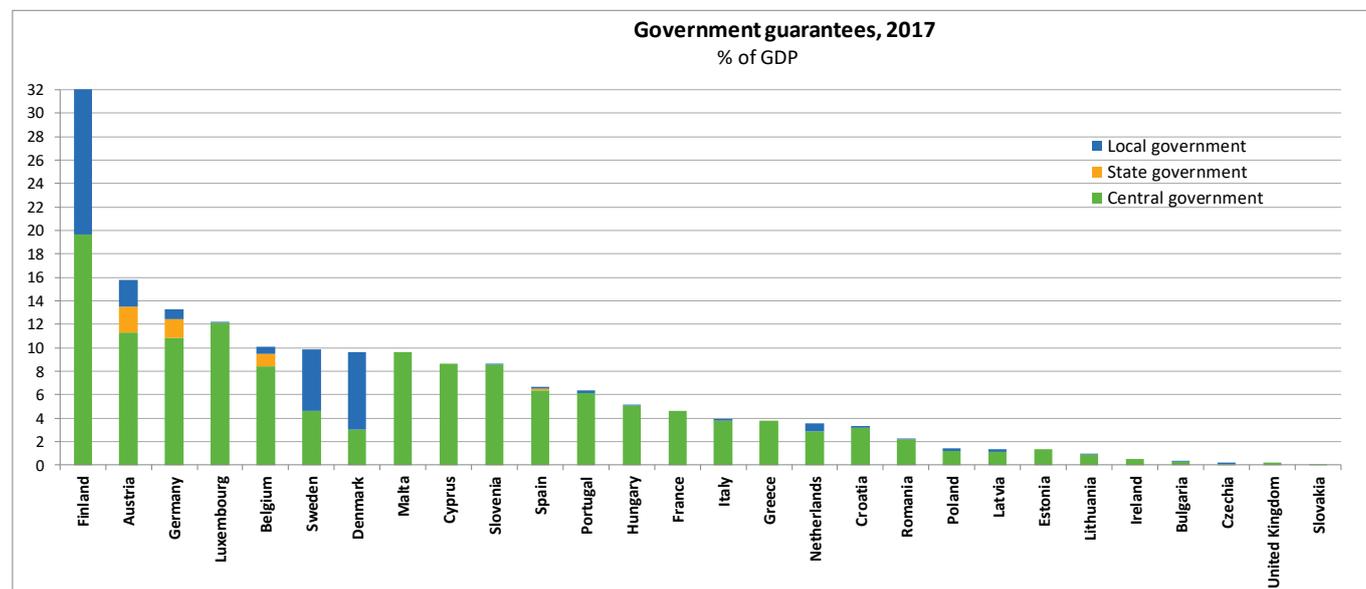
# Contingent liabilities and non-performing loans in the EU Member States in 2017

Data on contingent liabilities and non-performing loans of EU governments for the year 2017 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.

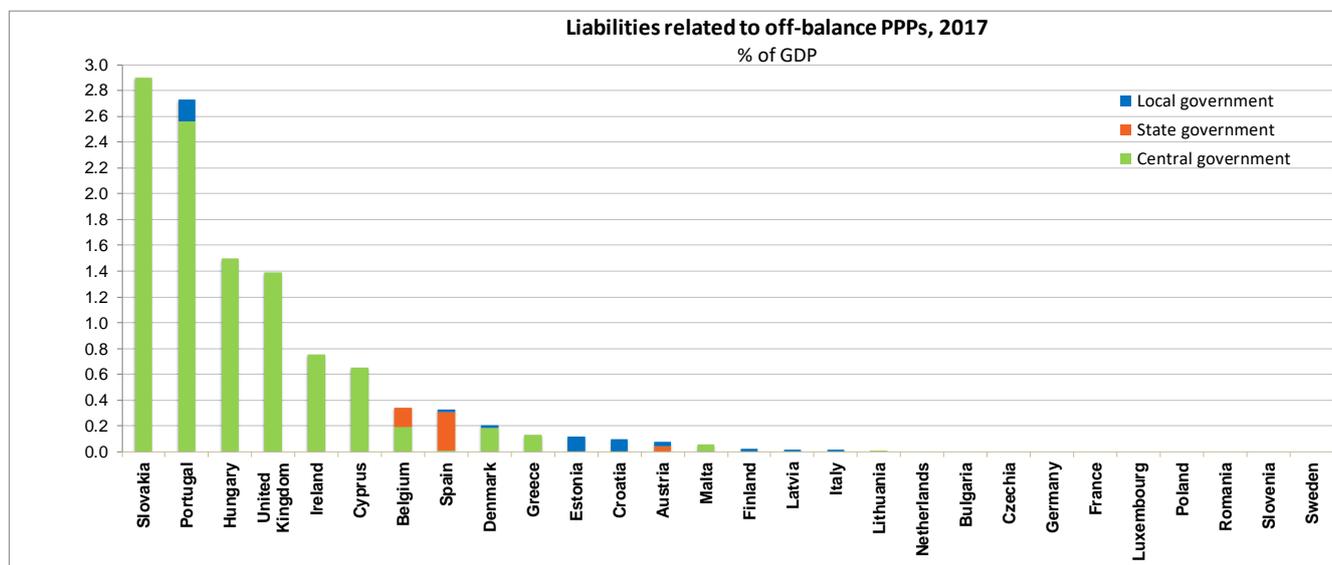
## High level of government guarantees in Finland and Austria

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** (32.0% of GDP) and **Austria** (15.8%) followed by **Germany** (13.3%) and **Luxembourg** (12.2%). The lowest shares, with less than 1%, were noted in **Slovakia** (0.02%), the **United Kingdom** and **Czechia** (both 0.2%), **Bulgaria** (0.3%) and **Ireland** (0.5%). In most EU Member States, the central government is the biggest guarantor, except in **Sweden**, **Denmark** and **Czechia**, where levels of local government guarantees are higher than of central government. In several countries - **Belgium**, **France**, **Hungary**, **Ireland**, **Luxembourg** and **Spain** - a major part of the guarantees is towards financial institutions and were often granted by government in the past in the context of the financial crisis.



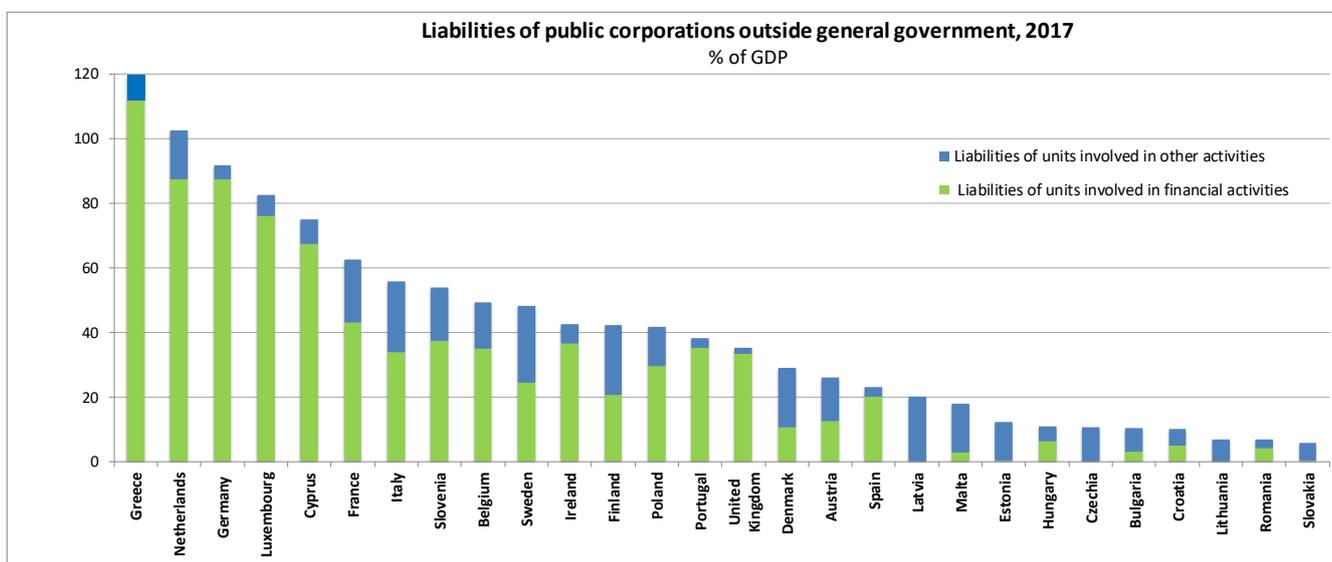
## Slovakia and Portugal with largest contingent liabilities related to off-balance public-private partnerships

In all EU Member States, liabilities related to off-balance public-private partnerships (PPPs), which are long-term construction contracts where assets are not recorded in government accounts, were below 3% of GDP. **Slovakia** had the highest share (2.9% of GDP), followed by **Portugal** (2.7%), **Hungary** (1.5%) and the **United Kingdom** (1.4%). For 2017, ten countries reported no liabilities related to off-balance PPPs: the **Netherlands, Bulgaria, Czechia, Germany, France, Luxembourg, Poland, Romania, Slovenia** and **Sweden**. In many EU Member States, the off-balance PPPs were observed at the central government level, whereas in **Austria, Belgium** and **Spain**, they were notably related to state government. In five countries – **Croatia, Estonia, Finland, Latvia** and **Italy** – the off-balance PPPs were exclusively undertaken by the subsector of local government.



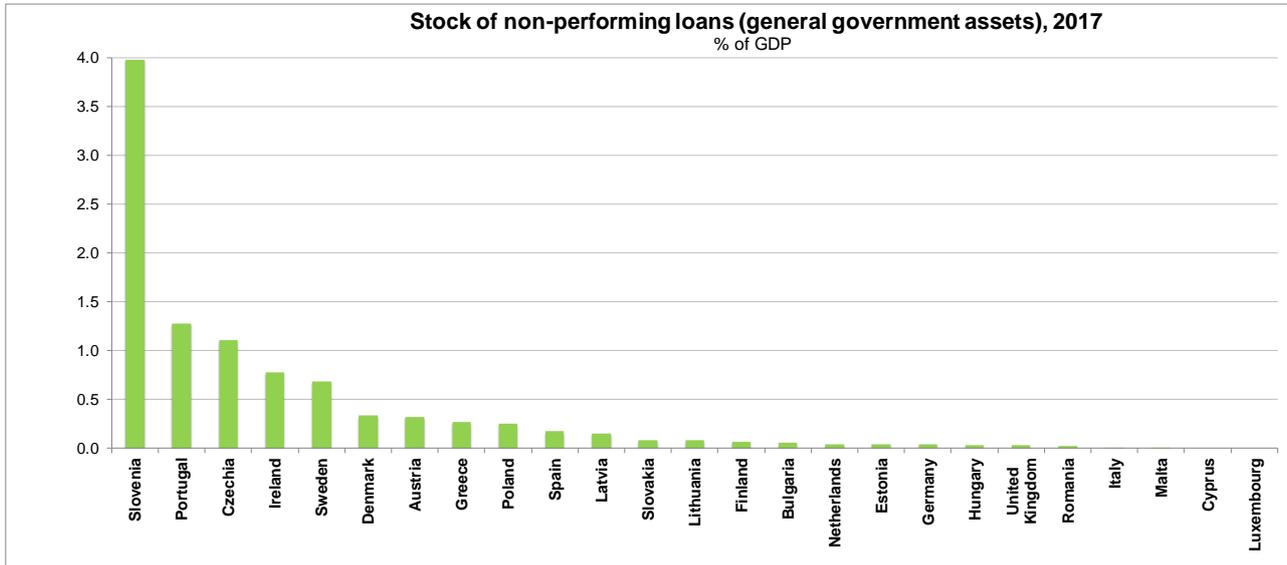
## Level of liabilities of public corporations classified outside general government higher in countries with financial institutions under government control

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** (119.6% of GDP), the **Netherlands** (102.7%), **Germany** (91.7%), **Luxembourg** (82.5%) and **Cyprus** (74.8%). 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 these 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 these liabilities are recorded in **Slovakia** (5.7% of GDP), **Romania** (6.7%), **Lithuania** (6.8%) and **Croatia** (9.9%). Most of these countries have negligible liabilities related to financial institutions, even below 1%, as in **Lithuania** (0.1%) and **Slovakia** (0.3%).



## Slovenia holds the highest level of non-performing loans

**Slovenia** has the highest stock of non-performing loans (asset) of general government. It stands at 4.0% of GDP, ahead of the two other EU Member States that recorded a share higher than 1%: **Portugal** (1.3%) and **Czechia** (1.1%). For **Slovenia** as well as for **Portugal** and **Ireland**, the majority of non-performing loans refer to loans of financial defeasance structure(s) which are classified in the general government sector. In the case of the **Czechia**, the figure mainly refers to the loans of national development banks classified in general government and to intergovernmental loans. Data are not yet available for three countries - **Belgium**, **Croatia** and **France**.



In the following table, 2017 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 2017 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 2016 and 2017 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, 2017**  
(% 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	
<b>Belgium</b>	9.4	0.6	<b>10.1</b>	<b>0.3</b>	34.9	14.4	<b>49.4</b>	:
<b>Bulgaria</b>	0.2	0.1	<b>0.3</b>	<b>0.0</b>	3.1	7.3	<b>10.4</b>	<b>0.1</b>
<b>Czechia</b>	0.2	0.0	<b>0.2</b>	<b>0.0</b>	-	10.6	<b>10.6</b>	<b>1.1</b>
<b>Denmark</b>	9.6	0.0	<b>9.7</b>	<b>0.2</b>	10.5	18.4	<b>28.9</b>	<b>0.3</b>
<b>Germany</b>	13.3	0.0	<b>13.3</b>	<b>0.0</b>	87.4	4.4	<b>91.7</b>	<b>0.0</b>
<b>Estonia</b>	0.0	1.3	<b>1.4</b>	<b>0.1</b>	0.3	12.0	<b>12.3</b>	<b>0.0</b>
<b>Ireland</b>	0.5	0.0	<b>0.5</b>	<b>0.8</b>	36.6	5.9	<b>42.5</b>	<b>0.8</b>
<b>Greece</b>	3.8	0.0	<b>3.8</b>	<b>0.1</b>	111.9	7.6	<b>119.6</b>	<b>0.3</b>
<b>Spain</b>	6.7	0.0	<b>6.7</b>	<b>0.3</b>	20.2	2.8	<b>23.0</b>	<b>0.2</b>
<b>France</b>	2.5	2.1	<b>4.7</b>	<b>0.0</b>	43.1	19.4	<b>62.5</b>	:
<b>Croatia</b>	3.3	0.0	<b>3.3</b>	<b>0.1</b>	4.9	5.0	<b>9.9</b>	:
<b>Italy</b>	2.5	1.4	<b>3.9</b>	<b>0.0</b>	34.0	21.7	<b>55.6</b>	<b>0.0</b>
<b>Cyprus</b>	8.4	0.2	<b>8.7</b>	<b>0.7</b>	67.5	7.4	<b>74.8</b>	<b>0.0</b>
<b>Latvia</b>	0.9	0.5	<b>1.4</b>	<b>0.0</b>	-	19.9	<b>19.9</b>	<b>0.2</b>
<b>Lithuania</b>	0.3	0.7	<b>1.0</b>	<b>0.0</b>	0.1	6.7	<b>6.8</b>	<b>0.1</b>
<b>Luxembourg</b>	11.3	0.9	<b>12.2</b>	<b>0.0</b>	76.0	6.5	<b>82.5</b>	<b>0.0</b>
<b>Hungary</b>	5.0	0.1	<b>5.1</b>	<b>1.5</b>	6.3	4.7	<b>10.9</b>	<b>0.0</b>
<b>Malta</b>	9.6	0.0	<b>9.6</b>	<b>0.1</b>	2.8	15.1	<b>17.9</b>	<b>0.0</b>
<b>Netherlands</b>	3.6	0.0	<b>3.6</b>	<b>0.0</b>	87.3	15.3	<b>102.7</b>	<b>0.0</b>
<b>Austria</b>	15.8	0.0	<b>15.8</b>	<b>0.1</b>	12.5	13.5	<b>26.0</b>	<b>0.3</b>
<b>Poland</b>	0.7	0.7	<b>1.4</b>	<b>0.0</b>	29.7	12.1	<b>41.7</b>	<b>0.3</b>
<b>Portugal</b>	6.4	0.0	<b>6.4</b>	<b>2.7</b>	35.2	3.1	<b>38.2</b>	<b>1.3</b>
<b>Romania</b>	0.4	1.8	<b>2.2</b>	<b>0.0</b>	4.0	2.7	<b>6.7</b>	<b>0.0</b>
<b>Slovenia</b>	8.6	0.0	<b>8.6</b>	<b>0.0</b>	37.5	16.3	<b>53.8</b>	<b>4.0</b>
<b>Slovakia</b>	0.0	0.0	<b>0.0</b>	<b>2.9</b>	0.3	5.4	<b>5.7</b>	<b>0.1</b>
<b>Finland</b>	30.8	1.2	<b>32.0</b>	<b>0.0</b>	20.5	21.8	<b>42.4</b>	<b>0.1</b>
<b>Sweden</b>	9.9	0.0	<b>9.9</b>	<b>0.0</b>	24.4	23.7	<b>48.1</b>	<b>0.7</b>
<b>United Kingdom</b>	0.1	0.1	<b>0.2</b>	<b>1.4</b>	33.4	2.0	<b>35.3</b>	<b>0.0</b>

: data not available

- not applicable

\* GDP figures provided during the October 2018 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 Member State.

## Annex 1: Completeness and coverage

*Detailed country specific footnotes are available in the Eurostat website.*

### **Guarantees:**

**Czechia:** Data coverage is not exhaustive. Data for enterprises included in the general government sector are not complete, however all significant entities are covered.

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

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

**France:** Data are not available for local government.

**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 the guarantees granted by Finnvera Plc, a unit classified outside general government, which also provides export credit guarantees in Finland.

**Finland and Sweden:** Data for local government not fully consolidated, which may lead to possible overestimation of total guarantees.

### **Off-balance PPPs:**

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

**The Netherlands:** Following the change in the recording, all PPPs are now reported on the government's balance sheet.

**Finland:** Data coverage for local government might be not exhaustive.

### **Liabilities of public corporations:**

#### ***Reference Year***

**France, Czechia and Austria:** Data are provided for reference year 2016 (for the majority of the Member States, data refer to 2017).

**Germany:** Data for financial corporations' liabilities refer to 2017 (majority of the liabilities), while data for other corporations' liabilities refer to 2016.

**Italy:** Data mainly refer to the years 2017, 2016 and 2015.

#### ***Data coverage***

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

**Cyprus:** Data coverage is not exhaustive for non-financial corporations controlled by central and local government.

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

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

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

### **Non-performing loans:**

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

**Spain:** Data coverage is not exhaustive for local government; however the amounts are not expected to be significant.

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

**Portugal:** Data coverage is not exhaustive.

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

**Finland:** Data are not available for local government.

**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.