

EXPLANATORY NOTE

to the October 2016 reporting on government deficits and debt levels for the excessive deficit procedure

23.09.2016

This document provides information on the second Estonian reporting for 2016 on government deficits and debt levels. There were some major revisions and compilation related corrections to data reported for the notification in March 2016. Further explanations are provided below in dedicated sections and in tables 1.1 and 1.2 of questionnaire related to EDP notification tables.

Please note that Statistics Estonia is responsible for the historical data for 2012–2015, when the Ministry of Finance provided forecasts for 2016. The cut-off date for the preparation of the forecast was 15.09.2016.

Major revisions and methodological changes

Euro coins

According to the advice provided by Eurostat on 10th of August 2016, euro coins issued by Bank of Estonia were recorded as liabilities of general government sector.

In the note of advice no further guidelines were provided about how to record other transactions and/or assets associated with this inclusion in the liability. Due to the limited timeframe there was no time to carry out the suggestion about bilateral clarification. Therefore, the preliminary approach adopted by Statistics Estonia and Bank of Estonia to offset the implemented liabilities was to record an accompanying AF.29 asset.

Therefore, as a result of the change in recording of the euro coins the following changes occurred:

- Government and central government subsector debt increased. The amount of changes can be seen in the table 1.2 of questionnaire accompanying EDP notification tables.
- Government and central government subsector assets increased.
- There was no effect on the general government net-lending/net-borrowing.

Deposits of the social security funds

According to the advice provided by Eurostat on 29th of July 2016 on intra-governmental deposits, notably deposits of Social Security Funds held by State Treasury, were recorded as the AF.2 liability of the central government sub-sector.

As a result of the change in recording the following changes occurred:

- Central government subsector debt increased. The amount of change can be seen in the table 1.2 of questionnaire accompanying EDP notification tables.
- General government consolidated debt didn't change, because the liabilities were between government subsectors and are therefore consolidated out.
- There was no effect on the general government net-lending/net-borrowing.

Capital injections to new public companies

In 2015 capital injections in total amount of 72.7 million euro were made into two new public companies. Since the result of the analysis carried out about abovementioned transactions didn't support the idea that government was acting similarly to private investors, the injections were recorded as capital transfers.

As a result both general government and central government net-lending/net-borrowing decreased in 2015.