

EXPLANATORY NOTE

to the April 2025 reporting on government deficit and debt levels for the excessive deficit procedure

22.04.2025

This document provides information on the first Estonian reporting for 2025 on government deficit and debt levels.

Please note that Statistics Estonia (SE) is responsible for the historical data for 2021–2024, while the Ministry of Finance (MoF) provided forecasts for 2025. The cut-off date for the preparation of the forecast was 11.12.2024.

EDP tables

Comments on EDP T.1

Revision of 2023 data

Main contributor to the revision of general government net lending/net borrowing in the year 2023 was related to the correction regarding the recording of military expenditure. Following October 2024, Eurostat expressed a reservation on the quality of data reported by Estonia for 2023. The reservation was followed by a discussion between Eurostat and SE to ensure the appropriate time of recording of military expenditure. Following the discussions before and during the EDP dialogue visit in February 2025, it was concluded that the military expenditure is to be recorded in 2023 instead of 2024.

Additionally, after the October 2024 EDP notification, SE was informed that the origin and amount of the grant provided by a donor country related to a part of the military expenditures under discussion, which were given by Estonia to a third beneficiary, has changed. This resulted also in the revision of the 2023 revenues of the general government sector. Although the cash payment related to the grant from the donor country to Estonia was made in 2024, it was foreseen to cover part of the expenditure, given by Estonia to a third beneficiary, which occurred in 2023. Therefore, the grant revenue is not recorded in 2024, but recorded in the same period as expenditure, meaning in 2023.

Therefore, the data for 2023 was revised for the current April 2025 reporting and the changes following the revision of the recording of military expenditure are as follows (amounts are in million euros):

Non-financial account				Financial account			
U		R		A		L	
D.7	165.6	D.7	64.3	F.8	33.1	F.8	134.3
D.9	24.3	D.9	24.3				
B.9	-101.3			B.9f	-101.2		

Please note that the recording in the non-financial accounts will change for the October 2025 EDP notification as currently the revision of P.51 and P.52 is temporarily reflected using D.7/D.9 transactions. The current solution is used to avoid an inconsistency with GDP, as proposed as a flexibility option by Eurostat during the EDP dialogue visit in February 2025.

The main data source for compiling government finance statistics and EDP data in Estonia is the general ledger provided to SE in a public sector financial statements (PSFS) system by the State Shared Service Centre. The recording of the military expenditures in PSFS follows the Guide to Financial Accounting and Reporting in the Public Sector, according to which the expenditures should be recorded when the risks and rewards have transferred over. Based on the discussions held during the EDP dialogue visit in February 2025 it was concluded by Eurostat that the recording in GFS and EDP should follow the principle that the economic ownership transfers to the Ministry of Defence along the legal ownership. Therefore, it should be noted that the expenditure for 2024 in GFS and EDP could be currently underestimated.

Furthermore, the non-financial account data for 2023 was also revised due to a correction of the transactions related to the Recovery and Resilience Facility (RRF) grants (-9.2 million euros).

Comments on EDP T.2A

During EDP dialogue visit in January 2023, Eurostat requested that Estonian statistical authorities would detail the adjustments done by SSSC on the budget execution for the calculation of WB and will show those adjustments in EDP T.2A. Explanations for individual rows in EDP T.2A are listed below. Additionally, explanations for adjustments in EDP T.2C and T.2D are provided.

Superdividends. Eurostat requested SE to calculate superdividend tests already in the April EDP notifications. The tests have been carried out, however no superdividends are to be recorded for 2023.

Non-financial transactions in non-financial assets. Non-financial transaction in non-financial assets are not included in WB but are included in B.9. Therefore, adjustment has been made in EDP T.2A

Rerouting. The detail includes adjustment for rerouting of AS Kredex Krediidikindlustus as well as rerouting of renewable energy charge.

Reclassification. The detail includes adjustment for reclassification of SmartCap Venture Capital Fund and Green Fund.

Adjustment associated with the sale of ETS. According to the Manual on Government Deficit and Debt (MGDD) 2022, the time of recording should be accrual basis, therefore the recording of revenue differs for WB and B.9 purposes and an adjustment has been made in EDP T.2A.

Adjustment associated with the sale of 5g licenses. According to MGDD2022, the time of recording should be accrual basis, therefore the recording of revenue differs for WB and B.9 purposes and an adjustment has been made in EDP T.2A.

Net lending/net borrowing of other central government bodies. Details are added because these units are classified inside the subsector, but not reported in the working balance compiled by SSSC. B.9 figures of groups of other central government sector units are reported specifically for EDP purposes.

Capital injections. The adjustment includes expense not included in the WB or difference in recording of the expense between WB and B.9.

Losses from doubtful receivables. Doubtful receivables are recorded as an expenditure in WB if the bills are not paid by deadline and predefined amount of time has passed. These movements are not included in expenditures in B.9.

Revaluations in assets. Revaluations (profit/loss from revaluation of shares, revaluation due to change in currency exchange rate, revaluation in inventories) are reported in WB whereas not recorded in B.9 and therefore adjusted accordingly.

Difference between accrual-based tax interest and cash figures. Adjustment for difference between accrual-based tax interest and cash figures is made because tax interest in WB is accrual based. In GFS tax interests are recorded as cash-based amounts. No time-adjustment is implemented because data is available only for tax interest as total and not for each tax separately.

Removal of consolidation and adjustment figures imputed by the SSSC. SSSC makes consolidation entries to achieve the necessary consolidation logic for the PSFS and WB. However, the amounts are included as revenue/expenditure in B.9 compiled by SE and therefore the adjustment has been made.

Change in pension and other provisions. Expenditures from actuarial changes in pension and other provisions are replaced with actual pay out amounts and therefore adjustment has been made.

Provisions for the temporary suspension of second pension pillar payments (4%). Expenditures from actuarial changes in pension provisions for the temporary suspension of second pension pillar payments (4%) are adjusted.

Depreciation. Depreciation is eliminated from the WB.

Changes in inventories. Changes in inventories are not included in WB but are included in B.9. Therefore, adjustment has been made in EDP T.2A.

Residual value of assets sold. Residual value of assets sold is not included in the WB but according to MGDD2022 the amounts to be recorded in non-financial account are the full amounts of the proceeds of the sale.

Difference in recording loans not expected to be repaid. Delayed revenue approach (MGDD2022 chapter 4.9.2) was applied to the expected losses on loans and therefore an adjustment is made in EDP T.2A for 2020-2022.

Difference in recording provisions for standardised guarantees. Delayed revenue approach (MGDD2022 chapter 7.4.3) was applied to the provisions for standardised guarantees and therefore an adjustment is made in EDP T.2A for 2020-2022.

Difference in recording interest on suspension of second pension pillar payments. According to MGDD2022, the time of recording should be accrual basis, therefore the recording of expenditure differs for WB and B.9 purposes for 2020-2023 and an adjustment has been made in EDP T.2A.

Difference in the recording of military expenditure. The recording of expenditure differs for WB and B.9 purposes as of 2023 and an adjustment has been made in EDP T.2A.

Discrepancy. This line includes various amounts of adjustments which are not included in other details. Therefore, this amount represents unexplained difference (residual).

Comments on EDP T.2C

Superdividends. Eurostat requested SE to calculate superdividend tests already in the April EDP notifications. The tests have been carried out and an adjustment has been added, however no superdividends are to be recorded for 2023.

Net lending/net borrowing of other local government bodies. Details are added because these units are classified inside the subsector, but not reported in the WB of local government accounts. B.9 figures of groups of other local government sector units are reported specifically for EDP purposes.

Capital injections. The adjustment includes expense not included in the WB or difference in recording of the expense between WB and B.9.

Difference between the accrual-based working balance and cash-based D.5 (transfer to local government). Please see the explanation for EDP T.2A.

Discrepancy. This line includes various amounts of adjustments which are not included in other details. Therefore, this amount represents unexplained difference (residual).

Comments on EDP T.2D

Gross capital formation. The adjustment includes the part of gross capital formation recorded only on balance sheets and not in profit-loss accounts.

Differences between taxes recorded as social contribution. The adjustment shows the difference in government sector accounts and tax revenues recorded in the reports of units included into current subsector.

Depreciation. Depreciation is eliminated from the WB.

Discrepancy. This line includes various amounts of adjustments which are not included in other details. Therefore, this amount represents unexplained difference (residual).

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