

EXPLANATORY NOTE

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

30.09.2025

This document provides information on the second 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 24.09.2025

EDP tables

Comments on EDP T.2A

Working balance for 2024 has been revised by -48.4 EUR million. The changes are elaborated in the following table.

	Revision	Comments
State budget revenues (1=2+3)	38.7	
Tax revenues (2)	-	
Non-tax revenues (3=4+5+6+7)	38.7	
<i>Sale of goods and services (4)</i>	0.2	
<i>Grants received (5)</i>	29.9	The revision was due to delayed recording of foreign grant revenue +30.3 EUR million. Domestic grant revenue was revised downwards -0.4 EUR million.
<i>Other revenues (6)</i>	0.6	
<i>Financial revenues (7)</i>	8.0	The revision concerned interest and other financial revenues. No revisions in dividends.
State budget expenditures (8=9+10+11+12)	86.1	

<i>Allowances given and other transfers (9)</i>	55.7	Social transfers were revised downwards - 4.6 EUR million, targeted financing and other transfers were revised upwards +60.3 EUR million.
<i>Operating expenditures (10)</i>	-4.3	Compensation to employees was revised upwards +1.7 EUR million and operating expenditure was revised downwards -6.0 EUR million.
<i>Other operating expenses (11)</i>	-	
<i>Acquisition and renovation of tangible and intangible assets (12)</i>	34.8	The revision is mainly related to revisions in assets of Ministry of Defence.
State budget revenues minus expenditure and investments (13=1-8)	-47.4	The remaining -1.0 EUR million of WB revision is due to revision in amortisation expenditure, which changed from 356.2 EUR million in April 2025 reporting to 357.2 EUR million for October 2025 reporting.

Several adjustments in T.2A were corrected for October 2025 reporting. For example, the line "Rerouting" includes amounts for rerouted standardised guarantees and renewable energy charge. Previously, the adjustment included in T.2A had a wrong sign as, for example, D.21 revenues collected in 2023 exceeded D.39 expenditure by 15.5 EUR million. Therefore, B.9 is more positive than WB and 15.5 EUR million of revenue should be added to WB to reach the same recording as B.9. Additionally, the amounts related to reclassification of funds were corrected in line "Reclassification". The lines "Difference between accrual tax interest and cash figures", "Depreciation", "Residual value of assets sold" were corrected for 2023.

Expenditure related to guarantees in D.99 was revised for 2023-2024, as the initial expenditure estimate in 2023 was too high and negative revenue occurred in 2024. Impact on central government deficit was +2.7 EUR million. Therefore, adjustments for 2023-2024 were added to the line "Difference in recording provisions for standardised guarantees".

Regarding the adjustment "Difference in recording of military expenditure" it can be elaborated that the following amounts were included in the WB for 2023 and 2024 (in EUR million):

	2023	2024
WB	0	= 101.3 + 17.6
B.9	101.3	= 45.8 + 17.6
Adjustment in T.2A	= 0 - 101.3 = -101.3	= 118.9 - 63.4 = 55.5

Additionally, adjustment line "Foreign grant revenue for financial transactions" has been added to eliminate the 10.5 EUR million grant revenue from WB in 2024 as the revenue is not recorded among the foreign grant revenue for B.9.

Other changes in adjustments for 2024 are mainly due to updates in general ledgers. Regarding the changes impacting B.9 of central government, please see explanations under revisions.

Statistics Estonia is aware of the larger discrepancies for 2022 and 2023 (0.13% of GDP in both years) and continues to investigate the underlying reasons and searching for possible explanations.

Comments on EDP T.2C

Compared to April 2025, WB in local government accounts was revised by 0.3 EUR million in 2023 to eliminate an error and -1.1 EUR million in 2024.

The adjustment for "Difference between the accrual-based working balance (starting from 2019) and cash-based D.5" now stands corrected for 2023 and is updated for 2024. Additionally, the adjustment "Capital injections" is updated for 2024 following the capital injection test.

Regarding the changes impacting B.9 of local government, please see explanations under revisions.

Comments on EDP T.2D

Compared to April 2025 reporting, WB in social security accounts was revised by 1.2 EUR million in 2024.

There were no revisions in adjustments. Regarding the changes impacting B.9 of social security, please see explanations under revisions.

Main revisions in the non-financial accounts

Revisions in 2021

Compared to April 2025 notification, B.9 for 2021 has been revised upwards by 12.1 EUR million. This was due to elimination of two errors.

S.1311: Affecting central government subsector, the expenditure for standardised guarantees (D.99) was revised upwards by 0.9 EUR million as the amount was previously excluded due to a technical error.

S.1313: Additionally, 13.0 EUR million of revenue was recorded in local government subsector following the rerouting of the concession.

S.1314: No revisions.

Revisions in 2022

Compared to April 2025 notification, B.9 for 2022 has been revised upwards by 32.3 EUR million.

S.1311: Firstly, double recording of expenditure related to agricultural subsidies was corrected. After receiving more detailed information regarding agricultural subsidies, we balance the transactions between subsidies (D.3) and current/capital transfers (D.7/D.9). The impact of the correction on B.9 is +17.8 EUR million. Also, elimination of error related to research and development (P.5) was done, impacting the central government deficit by -1.0 EUR million. Net non-life insurance premiums were also revised upwards increasing central government expenditure by 0.3 EUR million. Non-life insurance claims were revised upwards, increasing central government revenue by 0.4 EUR million.

S.1313: Additionally, 14.6 EUR million of revenue was recorded in local government subsector following the rerouting of the concession. Net non-life insurance premiums were revised upwards increasing local government expenditure by 0.1 EUR million. Non-life insurance claims were revised upwards, increasing local government revenue by 0.1 EUR million.

S.1314: No revisions.

Revisions in 2023

Compared to April 2025 notification, B.9 for 2023 has been revised upwards by 149.4 EUR million.

S.1311: After investigating the extraordinarily high investment expenditure for hospitals, it was discovered that an incorrect cash flow code for reclassification of assets had been used in accounting, resulting in double-accounting of expenditure in statistics. Impact of the corrections on central government deficit was +108.1 EUR million. Secondly, double recording of expenditure related to agricultural subsidies was corrected. After receiving more detailed information regarding agricultural subsidies, we balance the transactions between subsidies (D.3) and current/capital transfers (D.7/D.9). Expenditure related to guarantees in D.99 was revised for 2023-2024, as the initial expenditure estimate in 2023 was too high in general ledgers (accounting) and negative revenue occurred in 2024. Impact on central government deficit was +2.7 EUR million.

S.1313: For local government subsector, concession revenue was imputed and estimate on investments was replaced with actual amounts as well as interest expenditure was revised, resulting in an impact on local government deficit -7.2 EUR million. Additionally, due to changes in accounting codes used for recording expenditure of general nursing home care services paid by the local government, transactions D.62, D.632, D.73, D.75 were revised and local government deficit was improved by +10.8 EUR million.

S.1314: Regarding social security subsector, B.9 for 2023 was revised upwards by 2.7 EUR million increasing also the discrepancy between WB and B.9. The revision was applied due to a technical error as the neutralisation of inventory transfer from S.1311 to S.1314 did not apply correctly, resulting the B.9 for S.1311 being 2.2 EUR million more negative and S.1314 being 2.2 EUR million more positive. Additionally, the recording of D.63 has been revised, improving the social security B.9 by 0.5 EUR million.

Revisions in 2024

Compared to April 2025 notification, B.9 for 2024 has been revised downwards by 87.4 EUR million. Revisions not mentioned below are mainly due to updates in general ledgers.

S.1311: Expenditure related to guarantees in D.99 was revised for 2023-2024, as the initial expenditure estimate in 2023 was too high in general ledgers (accounting) and negative revenue occurred in 2024. Impact on central government deficit -2.7 EUR million. The transactions of reclassified funds were imputed, resulting in B.9 impact of +7.7 EUR million. Additionally, military expenditure for 2024 was revised by -45.8 EUR million as expenditure related to Factory Acceptance Tests (FATs) is now included in 2024. Additionally, 17.6 EUR million of prepayments for fixed assets were reclassified to the acquisition of fixed assets, impacting B.9.

S.1313: Following the capital injection test, 8.0 EUR million of financial transactions were reclassified to expenditures. The rerouting of the concession (imputation of revenue, revision of initial investment and interest expenditure estimate) had a B.9 impact of -8.8 EUR million.

S.1314: No revisions.

Main revisions in the financial accounts

The main revisions in 2021 and 2022 concern S.1311 AF.89 liabilities and AF.89 assets relating to agricultural subsidies. The revisions resulted in the transactions of AF.89 liabilities being revised by -11.1 EUR million in 2021, -5.7 EUR million in 2022 and +6.8 EUR million in 2023. The revisions in the transactions of AF.89 assets were changed by +10.5 EUR million in 2021, +0.4 EUR million in 2022 and -15.3 EUR million in 2023.

Additionally, the recording of AF.31 liabilities of S.1311 were revised in 2023 and 2024, in order to have a balanced recording in the financial and non-financial accounts. It resulted in AF.31 liabilities being revised by -8.7 EUR million in 2023 and -8.9 EUR million in 2024. The revision did not impact Maastricht debt. It only impacted the recording in the financial accounts.

Another revision in 2023 and 2024 was due to the update of data concerning the concession as the annual reports were now available. This resulted in the S.1313 AF.42 liability being revised upwards by +23.3 EUR million in 2023 and +28.9 EUR million in 2024. Additionally, the impact of the reclassification of units following the regular market/non-market test, resulted in S.1313 AF.42 liability being revised upwards by +5.7 EUR million in 2023. There was no revision in 2024 regarding this matter, as the units were included in S.1313 in 2024 already in the April 2025 EDP notification.

Main revisions in 2024 were due to the updates in data sources, mainly in general ledgers.

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