

# General government deficit and gross debt according to EMU criteria 2008

## Revised EMU deficit and debt figures for 2008 released

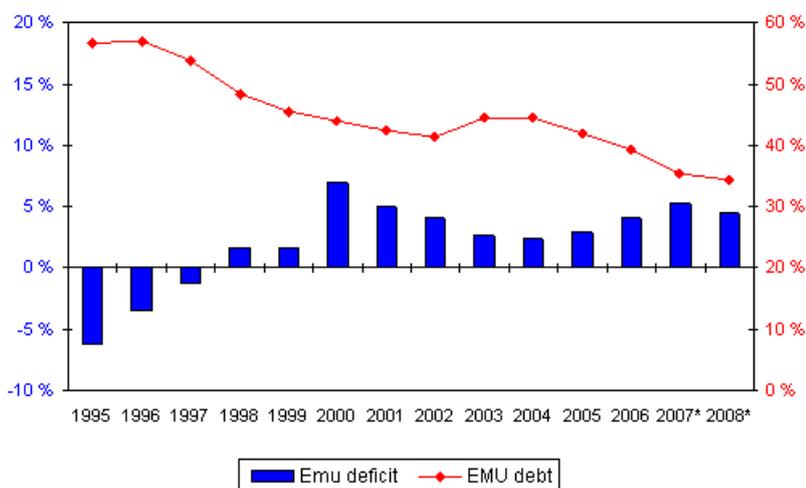
According to Statistics Finland's revised preliminary data, the general government's EMU surplus amounted to EUR 8.2 billion, of 4.5 per cent of GDP in 2008, while the respective figures in 2007 were EUR 9.4 billion and 5.2 per cent of GDP. The central government sector's surplus decreased by EUR 2.1 billion from the year before to EUR 1.7 billion. The local government sector continued to show a slight deficit, which in 2008 amounted to EUR 0.4 billion. Employment pension funds accumulated a surplus of EUR 6.8 billion. The surplus of other social security funds amounted to EUR 0.1 billion.

The amount of general government EMU debt contracted by EUR 0.2 billion to EUR 63.0 billion during 2008. Central government debt decreased by EUR 0.5 billion whereas local government debt grew by EUR 0.3 billion. At the same time, the GDP share of the EMU debt fell to 34.1 per cent from the previous year's 35.2 per cent.

Compared to the preliminary data on 2008 released in March 2009, general government surplus became revised upwards by EUR 0.5 billion and general government debt by EUR 0.9 billion. The size of the EMU debt was pushed up by the reclassification of margin deposits received by central government from its derivative contract counterparts. They are now classified as short-term loans, but were previously included in statistics as other accounts payable which do not fall within the scope of the definition of EMU debt. At the end of 2008, the margin deposits amounted to EUR 1.0 billion.

The figures derive from the data reported by Statistics Finland to the European Commission in September.

### Finland's general government EMU deficit (-) and debt, percentage of GDP



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### EMU deficit of Finnish government 1975-2008<sup>1)</sup>

	Million euro				Per cent of GDP			
	Central government	Local government	Social security funds	Total	Central government	Local government	Social security funds	Total
1975	146	281	489	916	0,8	1,6	2,7	5,1
1976	734	327	533	1 594	3,6	1,6	2,6	7,8
1977	472	367	602	1 441	2,1	1,6	2,7	6,4
1978	221	325	436	982	0,9	1,3	1,8	3,9
1979	-83	346	758	1 021	-0,3	1,2	2,6	3,5
1980	-26	192	1 113	1 279	-0,1	0,6	3,3	3,8
1981	327	292	1 353	1 972	0,9	0,8	3,6	5,2
1982	-126	316	1 144	1 334	-0,3	0,7	2,7	3,1
1983	-709	332	1 126	749	-1,5	0,7	2,4	1,6
1984	41	481	1 234	1 756	0,1	0,9	2,3	3,3
1985	95	333	1 560	1 988	0,2	0,6	2,7	3,5
1986	587	346	1 485	2 418	0,9	0,6	2,4	3,9
1987	-578	34	1 647	1 103	-0,9	0,1	2,5	1,7
1988	1 436	440	2 101	3 977	1,9	0,6	2,8	5,3
1989	2 322	617	2 840	5 779	2,7	0,7	3,3	6,8
1990	922	337	3 548	4 807	1,0	0,4	4,0	5,4
1991	-3 788	-276	3 246	-818	-4,4	-0,3	3,8	-1,0
1992	-6 639	-10	2 105	-4 544	-8,0	0,0	2,5	-5,5
1993	-9 772	476	2 338	-6 958	-11,6	0,6	2,8	-8,3
1994	-10 434	1 184	3 310	-5 940	-11,8	1,3	3,8	-6,7
1995	-10 852	1 277	3 657	-5 918	-11,3	1,3	3,8	-6,2
1996	-7 680	934	3 242	-3 504	-7,7	0,9	3,3	-3,5
1997	-3 977	-455	3 052	-1 380	-3,7	-0,4	2,8	-1,3
1998	-1 656	-212	3 720	1 852	-1,4	-0,1	3,2	1,6
1999	-1 528	-199	3 681	1 954	-1,2	-0,1	3,0	1,6
2000	4 401	283	4 438	9 122	3,3	0,2	3,4	6,9
2001	2 611	-602	4 971	6 980	1,9	-0,4	3,6	5,0
2002	2 011	-443	4 284	5 852	1,4	-0,3	3,0	4,1
2003	998	-896	3 635	3 737	0,7	-0,6	2,5	2,6
2004	913	-1 146	3 869	3 636	0,6	-0,8	2,5	2,4
2005	944	-1 108	4 562	4 398	0,6	-0,7	2,9	2,8
2006	1 611	-544	5 622	6 689	1,0	-0,3	3,4	4,0
2007*	3 802	-269	5 872	9 405	2,1	-0,1	3,3	5,2
2008*	1 729	-351	6 861	8 239	0,9	-0,2	3,7	4,5

1) \* Preliminary

The table contains a time series since 1975 depicting the Finnish general government EMU deficit at the level of total general government and by sub-sector. The data are given both as absolute figures and as GDP ratios. The data corresponds to the data in the EDP report tables 1 and 2A-2D.

## General government EMU debt 1975-2008<sup>1)</sup>

	Million euro				Per cent of GDP			
	Central government	Local government	Social security funds	Total	Central government	Local government	Social security funds	Total
1975	555	560	65	1 180	3,1	3,1	0,4	6,5
1976	565	623	70	1 257	2,8	3,0	0,3	6,1
1977	973	713	70	1 756	4,3	3,2	0,3	7,8
1978	1 935	748	64	2 747	7,8	3,0	0,3	11,0
1979	2 294	882	56	3 232	7,9	3,1	0,2	11,2
1980	2 781	950	41	3 773	8,3	2,9	0,1	11,3
1981	3 349	989	38	4 377	8,9	2,6	0,1	11,6
1982	4 621	1 240	44	5 904	10,9	2,9	0,1	13,9
1983	5 852	1 399	51	7 302	12,4	3,0	0,1	15,5
1984	6 449	1 576	58	8 082	12,2	3,0	0,1	15,3
1985	7 330	1 759	98	9 188	12,7	3,1	0,2	16,0
1986	8 145	2 040	88	10 273	13,2	3,3	0,1	16,6
1987	9 395	2 424	101	11 919	14,1	3,6	0,2	17,8
1988	9 539	2 883	236	12 657	12,6	3,8	0,3	16,7
1989	8 712	3 220	292	12 224	10,3	3,8	0,3	14,4
1990	9 076	3 247	224	12 547	10,1	3,6	0,2	14,0
1991	14 307	4 167	522	18 996	16,7	4,9	0,6	22,2
1992	28 167	4 699	384	33 250	33,9	5,7	0,5	40,0
1993	41 346	4 429	629	46 404	49,3	5,3	0,7	55,3
1994	46 524	4 107	319	50 950	52,8	4,7	0,4	57,8
1995	50 511	3 774	67	54 351	52,7	3,9	0,1	56,7
1996	52 988	3 454	15	56 458	53,4	3,5	0,0	56,9
1997	54 633	3 216	9	57 858	50,8	3,0	0,0	53,8
1998	53 125	3 263	27	56 414	45,4	2,8	0,0	48,2
1999	52 740	3 073	43	55 856	43,0	2,5	0,0	45,5
2000	54 467	3 414	9	57 890	41,2	2,6	0,0	43,8
2001	55 556	3 556	10	59 122	39,7	2,5	0,0	42,3
2002	55 462	4 061	48	59 571	38,6	2,8	0,0	41,4
2003	59 710	5 017	48	64 775	41,0	3,4	0,0	44,4
2004	61 676	5 896	15	67 587	40,5	3,9	0,0	44,4
2005	58 566	7 086	1	65 653	37,3	4,5	0,0	41,8
2006	57 936	7 761	1	65 698	34,7	4,6	0,0	39,3
2007*	55 058	8 166	1	63 225	30,6	4,5	0,0	35,2
2008*	54 547	8 471	1	63 019	29,5	4,6	0,0	34,1

1) \* Preliminary

The table contains a time series since 1975 depicting the Finnish general government EMU debt at the level of total general government and by sub-sector. The data are given both as absolute figures and as GDP ratios. The data corresponds to the data in the EDP report tables 1 and 3A-3E.

## Finnish general government gross debt and EMU debt 1995-2008<sup>1)</sup>

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007*	2008*
A. Gross debt, EUR billion	72,6	77,2	80,0	80,6	77,8	73,4	71,4	70,4	72,1	73,3	71,0	70,3	68,1	68,0
- Change, EUR billion	7,9	4,6	2,8	0,6	-2,7	-4,5	-2,0	-1,0	1,7	1,3	-2,4	-0,7	-2,2	-0,1
- Per cent of GDP	75,7	77,7	74,4	68,8	63,4	55,5	51,1	49,0	49,4	48,2	45,2	42,1	37,9	36,8
B. General government internal debt, EUR billion	18,2	20,7	22,1	24,1	22,0	15,5	12,2	10,8	7,3	5,7	5,3	4,6	4,9	5,0
- Change, EUR billion	4,5	2,5	1,4	2,0	-2,2	-6,5	-3,2	-1,4	-3,6	-1,6	-0,4	-0,7	0,3	0,1
A-B. EMU DEBT, EUR billion	54,4	56,5	57,9	56,4	55,9	57,9	59,1	59,6	64,8	67,6	65,7	65,7	63,2	63,0
- Per cent of GDP	56,7	56,9	53,8	48,2	45,5	43,8	42,3	41,4	44,4	44,4	41,8	39,3	35,2	34,1
- Change, EUR billion	3,4	2,1	1,4	-1,4	-0,6	2,0	1,2	0,4	5,2	2,8	-1,9	0,0	-2,5	-0,2

1) \* Preliminary

The table contains a time series since 1995 depicting the Finnish general government gross debt and EMU debt. The general government EMU debt, i.e. general government debt to other sectors of the economy and to rest of the world, can be calculated from the gross debt by deducting internal general government debt from the gross debt balance. The data corresponds to the data in the EDP report tables 1 and 3A.

**Comparison of central government net lending and on-budget entities net financing requirement, EUR billion<sup>1)</sup>**

	2005	2006	2007*	2008*
A Central government on-budget entities' net financing requirement according to the statement on Budget outturn	1,5	1,5	2,9	0,8
1 Financial transactions included in the budget	-1,8	-1,8	-0,8	0,0
Lending	0,1	0,1	0,1	0,1
Received loan repayments	-0,3	-0,2	-0,2	-0,2
Acquisitions of shares and equities	0,0	0,0	0,2	0,2
Sales of shares and equities	-1,5	-1,6	-0,9	-0,1
Other financial transactions	0,0	0,0	0,0	0,0
2 Difference of paid and accrued interest	0,1	0,1	0,0	0,0
3 Other accounts receivable/payable	0,3	-0,1	-0,1	-0,3
4 Surplus/deficit in extra-budgetary funds	0,4	1,7	2,1	0,9
5 Other adjustment items	0,4	0,2	-0,3	0,4
B Adjustment items, total = 1+2+3+4+5	-0,6	0,1	0,9	0,9
EMU surplus/deficit = A+B	0,9	1,6	3,8	1,7
SWAP-adjustment of interest expenditure	-0,3	-0,2	0,0	-0,1
Net lending in the ESA-95 accounts = EMU surplus/deficit + SWAP-adjustment	0,6	1,4	3,8	1,6

1) Preliminary\*

The table presents a comparison of the budget deficit and the central government net lending in national accounts for the four previous years. In Finland the budget deficit refers to the net financing requirement as recorded in the central government budget. The concept covers on-budget entities, and the budget deficit is calculated as the difference of all central government revenue and expenditure, before borrowing and amortisations.

National accounts data on deficit/surplus (i.e. net borrowing/lending) are obtained from net financing requirement via several correction items. In national accounts, net borrowing/lending may not be influenced by items representing financial transactions (changes in receivables and liabilities), such as lending, received loan repayments or other financial investments.

More incidental adjustment items are represented by the emission and exchange rate gains and losses which appear in the central government budget in so far as they are not included in national accounts interest items. Divergences from cash based calculations also arise because of taxes, subsidies and interests being recorded in some cases not on a cash basis (but on an accrual basis or a time adjusted basis), and because of other recording or timing differences.

Central government EMU surplus/deficit is obtained by summing items A and B of the table. National accounts data on central government surplus is obtained by adding the co-called swap-adjustment of the interest expenditure.

The table shows that significant differences when compared with the budget surplus are caused especially by the selling of shares and equities, which do not improve the EMU deficit in national accounts. By contrast, the central government surplus in national accounts is increased typically by surplus in the extra-budgetary funds.

The data corresponds to the data in the EDP notification table 2A.

## Comparison of local government net lending and the annual margin in the profit and loss statement of local government, EUR billion <sup>1)</sup>

	2005	2006	2007*	2008*
A Annual margin in the Statistics of Activities and Finances of Municipalities and Joint municipalities	1,5	2,1	2,4	2,4
1 Tax differential due to source	0,0	0,1	0,2	-0,1
2 Property income from enterprises outside the sector	0,3	0,3	0,4	0,4
3 Annual margin effect of enterprises outside the sector	-0,7	-0,8	-0,8	-0,8
4 Annual balance of Åland and other units not included in the Statistics of Activities and Finances of Municipalities and Joint municipalities	0,0	0,0	0,0	0,0
5 Investments	-2,4	-2,4	-2,5	-2,8
6 Net effect of capital transfers	0,1	0,1	0,1	0,1
7 Other adjustment items, incl statistical discrepancy	0,1	0,1	-0,1	0,3
B Adjustment items, total = 1+2+3+4+5+6+7	-2,6	-2,6	-2,7	-2,8
C Net lending in the accounts (EMU-surplus/deficit) = A+B	-1,1	-0,5	-0,3	-0,4

1) \* Preliminary

The table presents a comparison of municipalities' and joint municipal boards' annual margin and local government net lending in national accounts for the four previous years. The data corresponds to the data in the EDP notification table 2C.

The table presents a comparison of the municipalities' and joint municipal boards' annual margin and the national accounts local government net lending for the four previous years. The starting point for the comparison calculations of the national accounts and the concepts of its basic data is the annual margin in municipalities' and joint municipal boards' profit and loss account, which is conceptually clear and the most followed key figure in local government accounts. The annual margin indicates the difference of the revenue and expenditure from the local government's actual activities, i.e. how much of the annual revenue remains after all costs and expenditure from usual activities have been covered. In the long term, the annual margin should be sufficient to cover depreciations/investments.

As national accounts and local government accounts are independent systems operating with their own classifications and concepts, there are differences between the annual margin and the local government deficit (net lending) in national accounts. These differences can be outlined as follows:

1) Timing. In national accounts, income taxes are recorded on an accrual basis whereas local government accounts use the cash basis. Hence a timing adjustment must be made in the comparison calculations (adjustment 1).

2) Definition of sectors. Municipal financial statements use the so called "consolidated municipality" principle, which means that all municipal enterprises are included in the annual margin. The income and expenditure flows between a municipality and a municipal enterprise have been consolidated from the annual margin. By contrast, national accounts take the "sectoral view", in which a part of the enterprises are classified as enterprises (adjustment 3), and they therefore affect local government net lending only through the compensation paid to the municipality or joint municipal board for the basic capital (adjustment 2).

3) Coverage. In addition, the calculations must be adjusted for the effect on the net lending of the local government sector of items not included in the annual margin. The most significant of all adjustments to the annual margin are the investments included in these items. In addition, capital transfers and the annual margin of the Regional Government of Åland must be taken into account (adjustments 4, 5 and 6).

Other adjustments (adjustment 7) include the effect of revaluations included in the annual margin, the effect of the reinvested earnings from investment funds entered as property income as well as statistical discrepancies that cannot be explained.

## Comparison of the net lending of the sub-sector Social security funds and the deficit/surplus of funds, EUR billion <sup>1)</sup>

	2005	2006	2007*	2008*
A Surplus/deficit according to the profit and loss account of sub-sector Other social security funds (S.13149)	-0,1	0,3	0,5	0,2
1 Net lending according to national accounts of sub-sector Employment pension schemes (S.13141)	4,6	5,3	5,4	6,8
Property income	2,9	3,2	3,5	4,5
Social contributions, receivable	12,5	13,2	14,1	15,0
Funded social benefits, payable	-11,4	-11,9	-12,5	-13,2
Other income and expenditure of the sub-sector according to national accounts	0,6	0,8	0,3	0,4
2 Other adjustment items	-0,0	-0,0	0,0	-0,1
B Adjustment items, total = 1+2	4,6	5,3	5,4	6,7
Net lending in the accounts (EMU-surplus/deficit) = A+B	4,6	5,6	5,9	6,9

1) \* Preliminary The table presents a comparison of the net lending of the sub-sector Social security funds and the deficit/surplus of funds for the previous four years.

In addition to national accounts net lending, Finland publishes no deficit/surplus level for the sub-sector Social security funds (S.1314). In particular, no balance figure exists for the sub-sector Employment pension schemes (S.13141), which could systematically be compared with net lending in national accounts.

Therefore, the table presents as the starting figure the surplus/deficit of the sub-sector "Other social security funds", which is based on the financial statement data of the institutions belonging to this sub-sector. The effect of the Employment pension schemes sub-sector on the surplus/deficit is presented as a carry-over item (1) in the table. A carry-over item is the employment pension schemes' net lending in the latest published national accounts sector accounts; the key components of the net lending are also specified in the table.

Possible other differences are presented in adjustment item 2.

The data corresponds to the data in the EDP notification table 2D.

## Items influencing the changes in EMU debt, EUR billion <sup>1)</sup>

	2005	2006	2007*	2008*
A Reported general government net lending with the opposite sign	-4,4	-6,7	-9,4	-8,2
B General government net acquisition of financial assets, consolidated (plus-sign = increase)	2,4	7,4	8,5	8,1
B.1 Deposits	-0,4	1,2	0,6	0,8
B.2 Investment in securities other than shares	1,9	0,9	-1,0	3,4
B.3 Lending	0,1	0,5	-0,1	3,5
B.4 Investment in shares	1,4	4,7	7,9	0,4
B.5 Other financial assets	-0,6	0,1	1,0	0,0
C Net acquisition of debt not included in EMU debt, consolidated	-0,6	0,0	-0,3	1,0
D Effect of exchange rates	0,0	0,0	-0,7	-0,1
E Other (interest recorded on accrual basis, emission and capital gain/loss, statistical discrepancy)	0,7	-0,6	-0,5	-1,0
Change in EMU debt = A+B+C+D+E (plus sign indicates an increase in debt)	-1,9	0,0	-2,5	-0,2

### 1) Preliminary\*

The table presents the items influencing the change in EMU debt for the previous four years. Many other factors besides deficits influence general government indebtedness and its changes. The table shows the contributions of the deficit as well as the other factors to the change in EMU debt.

This table illustrates how much general government invested in financial assets, what was the change in non-EMU debt (accruals and deferred income etc.) as well as how much exchange rates and other differences in recording influenced the change in EMU debt during the previous four years. These differences in recording stem from the time-adjustment of interests and the recording of profits or loss from debt emissions or premature amortisations.

Net lending in national accounts (A.) is recorded into the table with the opposite sign; the surplus of the past few years (positive net lending) has decreased the need for new debt. Change in the general government EMU debt during the previous year is obtained by summing items A-E of the table. The items with the positive sign increase the debt. As EMU debt shows general government debt to other sectors, all items have been consolidated, that is, general government internal claims and debts have been deducted.

EMU debt does not cover all the financial assets specified in ESA95. The influence of derivatives, trade credits and accruals and deferred income on the change in EMU debt is shown in part C of the table. Other items influencing the change in the debt (E.) are, among others, capital losses due to debt conversion, differences in the cash- and accruals-based entries as well as a possible statistical discrepancy between the sector accounts and the financial accounts of the national accounts.

The data corresponds to the data in the EDP notification tables 3A.

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