

# Comunicato Stampa

DIFFUSO A CURA DEL SERVIZIO SEGRETERIA PARTICOLARE DEL DIRETTORIO E COMUNICAZIONE

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## **Revised estimates of general government debt following the release of Eurostat's new Manual (MGDD)**

This note contains the Bank of Italy's updated estimates for general government debt.

The main revision is due to changes to the methodology used to calculate the public debt; these changes were agreed at European level and are included in the new Manual on Government Deficit and Debt (MGDD), published by Eurostat on 2 August 2019.<sup>1,2</sup>

In particular, it has been revised the valuation criterion of some categories of deposits (non-negotiable notes), so as to include in the public debt any interest that has accrued (but has not yet been paid) as soon as capitalized (i.e. when it begins to yield further interest), rather than including it when it is paid. For Italy, this change applies to post office savings certificates (BPFs) assigned to the Ministry of Economy and Finance following the transformation of the Cassa Depositi e Prestiti into an SpA (a limited company) in 2003. Since then, there have been no general government issues of this type of liability.<sup>3</sup>

BPFs were included in public debt at face value and, according to the methodology previously agreed at European level, interest was recorded on a cash basis at the time of payment.<sup>4</sup> Until now, information on the amount of interest accrued but not yet paid was regularly made available by the Bank of Italy in the Financial Accounts, for which European statistical standards envisage a different system whereby interest is recorded on an accrual basis.

The revision has no effect on the evaluation of public finance sustainability. Annual accrued interest has always been included in general government accounts and therefore the new method of recording does not imply any revisions to net borrowing.<sup>5</sup>

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<sup>1</sup> See <https://ec.europa.eu/eurostat/web/products-manuals-and-guidelines/-/KS-GQ-19-007>.

<sup>2</sup> Other revisions are due to – besides the usual updating of sources – the extension of the perimeter of general government as defined by Istat in agreement with Eurostat (see <https://www.istat.it/en/archivio/233525>). For some entities, which last April had already been included in the perimeter of general government as of 2017 (specifically Rete ferroviaria Italiana SpA), the figures have been revised for the preceding years.

<sup>3</sup> BPFs are still issued by the Cassa Depositi e Prestiti SpA, an institution that stopped being part of the general government sector in 2003.

<sup>4</sup> The previous version of the Manual established that, for the purposes of calculating the Maastricht debt, the value of the deposits was to include accrued interest only when three conditions were jointly met: 1) interest is credited to the deposit holder; 2) it is capitalized; and 3) it is available for withdrawal at any time (and not only in the case of total withdrawal). In line with this provision, until now the valuation of BPFs for the calculation of public debt did not include accrued interest because, despite being capitalized annually, it was not credited to the deposit holder and could only be withdrawn at the time of redemption (including before reaching maturity) together with the subscribed capital.

<sup>5</sup> Following the revision of debt figures, the average cost of debt (the ratio between interest expenditure and debt) is now lower. For example in 2018 the average cost of debt amounts to 2.8 per cent, instead of 2.9 as previously estimated.

The BPFs in question were issued until 2001 and bear interest for a maximum of 30 years. In connection with the gradual redemption of outstanding BPFs, in recent years the overall amount of accrued but unpaid interest has gradually declined.

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With reference to more recent years, compared with the data released on 15 September 2019, the debt has been revised upwards overall by 58.3 billion in 2018 (to 134.8 per cent of GDP); the revision mainly reflects the effect of the new valuation criterion for the BPFs. For the preceding years the amounts of the revision are higher, also reflecting the extension of the perimeter of general government as defined by Istat in agreement with Eurostat (see the table).

Overall these revisions to the debt figures and those to the GDP figures released today by Istat lead to a higher debt-to-GDP ratio, but to a more favourable dynamics (now the 2018 debt ratio is slightly lower than the 2015 figure, instead of being higher).

In the next few days the revised public finance data will be notified to the European Commission as part of the Excessive Deficit Procedure. On 15 October 2019 the updated monthly series will be made available together with detailed information on general government borrowing requirement and debt in *The Public Finances: Borrowing Requirement and Debt*, part of the Statistics Series.

**General government debt**  
(millions of euros; end-of-period data)

|   | 2015             | 2016             | 2017             | 2018             |
|---|------------------|------------------|------------------|------------------|
| <b>Data published on 15 September (a)</b> | <b>2,173,428</b> | <b>2,220,370</b> | <b>2,269,010</b> | <b>2,321,957</b> |
| <i>per cent of GDP (1)</i>                | 131.6            | 131.4            | 131.4            | 132.2            |
| <b>Revisions (b)</b>                      | <b>65,876</b>    | <b>64,885</b>    | <b>59,687</b>    | <b>58,349</b>    |
| <i>of which: valuation of BPFs</i>        | 60,665           | 60,676           | 60,121           | 58,195           |
| <i>perimeter</i>                          | 5,157            | 4,113            | 290              | 294              |
| <b>Revised data (c=a+b)</b>               | <b>2,239,304</b> | <b>2,285,254</b> | <b>2,328,697</b> | <b>2,380,306</b> |
| <i>per cent of GDP (2)</i>                | 135.3            | 134.8            | 134.1            | 134.8            |

(1) GDP estimate published by Istat on 9 April 2019.

(2) GDP estimate published by Istat on 23 September 2019.