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Briefing note on the revision of general government debt according to the Excessive Deficit Procedure (EDP)

The latest data in the monthly information on general government EDP debt, which the Banco de España has published on its website today (available at this [link](#)), have been revised to reflect the usual updates to the statistical sources and the effects of the reclassification of certain units. For the sake of transparency, the Banco de España will henceforth describe the most significant changes taking place in the general government institutional setting in its regular updates on public debt. In this setting, the most significant change brought about by recent reclassifications is that the Consorcio de Compensación de Seguros (hereafter, the CCS), a public business organisation attached to the Ministry of Economic Affairs and Digital Transformation, is now considered part of the general government sector.¹

The CCS's functions relate both to insurance activities (including coverage of extraordinary risk, compulsory vehicle insurance, combined agricultural insurance and coverage of accidents in forest fires and in the nuclear field when the risks exceed the limits set for private companies) and to the liquidation of insurance companies as established under legislation addressing the regulation, supervision and solvency of insurance and reinsurance companies. The main income sources arise from the surcharges on direct insurance premiums which insurance companies must pay to the CCS in order to finance their activity and from interest on financial investments. Moreover, the CCS is the managing and administration entity of the Fondo de Reserva de los Riesgos de la Internacionalización, whose activity is registered in the general government's accounts since inception.

To date, the CCS has been treated in the national accounts as a public corporation because its income was considered to arise from the provision of insurance services. However, the Technical Committee on National Accounts (CTCN, by its Spanish acronym)² deems that, under current legislation, the CCS must be reclassified as part of the general government sector, following a thorough analysis of Regulation (EU) No 549/2013 of the European Parliament, the Council of 21 May 2013 on the European system of national and regional

¹ The full list of entities included in general government is available on the Banco de España website at: http://app.bde.es/sew_www/faces/sew_wwwias/jsp/op/InicioSesion/PantallaInicioSesion.jsp

² The first additional provision of Organic Law 6/2013, of 14 November, created the Spanish Independent Authority for Fiscal Responsibility (AIReF), together with the Technical Committee on National Accounts (CTCN) to assess and allocate the various public sector entities' economic transactions, and also classify entities by sectors, in accordance with the criteria set out in ESA 2010. This Committee comprises representatives of the National Institute of Statistics, the Banco de España and the National Audit Office.

accounts in the European Union (ESA 2010) and the Manual on Government Deficit and Debt - Implementation of ESA 2010 - 2019 edition. The CTCN's opinion is, however, subject to any possible future regulatory changes that may affect the economic nature of the CCS's activity. In short, the CTCN considers that the CCS does not sufficiently meet the methodological criteria defined in the ESA 2010 to be considered a market unit for the purpose of national accounts.

The reclassification of the CCS in the general government sector affects the balance of the general government EDP debt, since part of its investments are realised in debt securities issued by the central government and the state government, and the amount of consolidated general government debt is reduced by consolidating these securities. According to provisional information available, the face value of the CCS public debt portfolio was €3,798 million at December 2019, accounting for 0.3% of GDP at market prices and reducing the consolidated general government debt for 2019 by that amount.

For practical reasons and in consistency with the review timetables for other synthesis statistics, the reclassification of the CCS took place in the first quarter of 2020 and was effective as at December 2019.

Additional information

More detailed information about the methodology used to compile EDP debt data can be found on the Banco de España's website at this [link](#).

Next release of monthly data

The preview of the January 2020 general government EDP debt figures will be published on 17 March 2020.³

Next release of quarterly data

The 2019 fourth quarter general government EDP debt figures will be published on 31 March 2020.

³ The publication dates of the public debt statistics can be consulted on the Banco de España website at this [link](#).