

02
2017

DEBT BULLETIN



REGIÃO AUTÓNOMA DA MADEIRA
GOVERNO REGIONAL

REGIONAL SECRETARIAT OF FINANCE AND PUBLIC ADMINISTRATION

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1. Introduction

The Autonomous Region of Madeira's debt bulletin is a quarterly publication whose purpose is fundamentally based in the divulgation and analysis of the financial and commercial debt of the Regional Public Administration, Reclassified Public Entities and Regional Corporate Sector, while also providing a direct contextualization of the Regional debt vis-à-vis the Portuguese state and European Union.

The data is compiled within internal sources, following the publication of debt statistics by the Regional Statistics Direction (DREM) and the Portuguese Central Bank (BP).

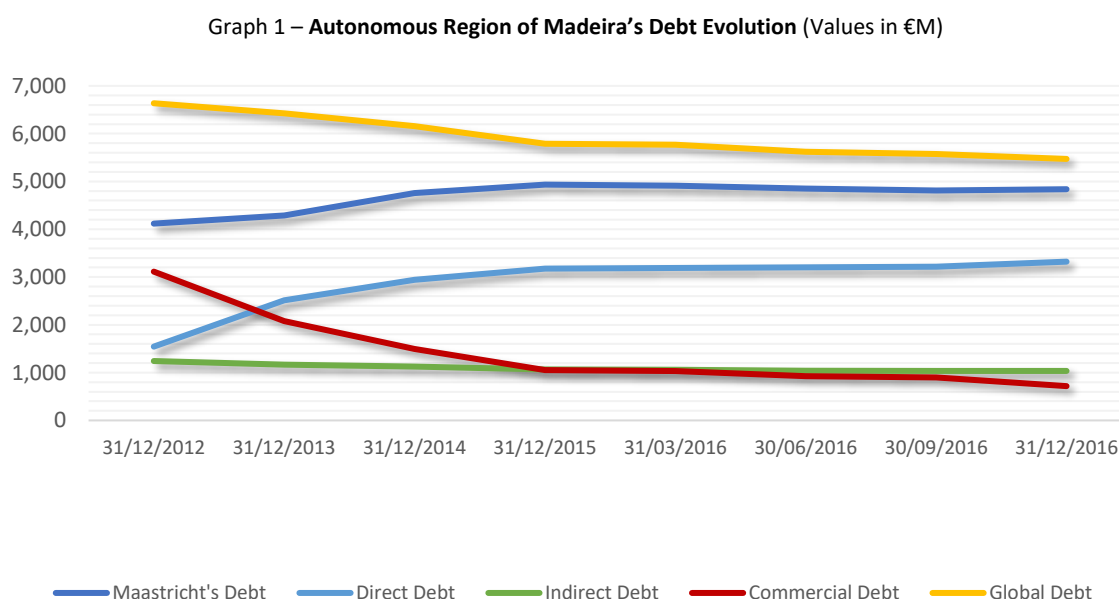
This edition concerns Regional debt statistics from 31th December 2012 until the 4th quarter of 2016.

2. Regional Debt

On December 31st 2016, the Autonomous Region of Madeira's global debt totaled €5.471M which represents a decrease of:

- €1.165M vis-à-vis December 31th 2012;
- And €321M vis-à-vis December 31st 2015.

The graphic presented below shows the progress of the Regional debt, evidencing a consistent path of continuous adjustments that have been implemented with the aim of consolidating the Region's public finances, as well as promote its sustainability.



The positive dynamic of the fourth quarter of 2016 is marked by a decrease (YoY) of all the public debt subsets apart from the Regional Public Administration's debt which increased approximately €144M given the centralization strategy that allocates the funds of new loans to the Reclassified Public Entities that are included in the consolidation perimeter.

In the 4th quarter of 2016, the global financial debt only slightly increased €13M – a variation considerably smaller than in previous years. The global commercial debt, i.e. global non-financial debt, decreased €334M in the same period.

Table 1 summarizes the evolution of Madeira's global debt since December 31th 2012, listing both the debt correspondent to the Regional Public Administration and the Regional Corporate Sector (on which the Reclassified Public Entities are included).

Note that the value of the global debt – which includes both the financial and commercial debt of the Regional Public Administration (Regional Government and Autonomous

Funds and Services), and the Regional Corporate Sector (Reclassified Public Entities and Public Entities) - is always superior in comparison with the Maastricht's optic.

Table 1 – Autonomous Region of Madeira's Global Debt (Values in €M)

	31/12/2012	31/12/2013	31/12/2014	31/12/2015	31/03/2016 (P)	30/06/2016 (P)	30/09/2016 (P)	31/12/2016 (P)
Regional Public Administration								
Financial Direct Debt	1,544	2,516	2,940	3,178	3,191	3,206	3,219	3,322
Commercial Debt	2,539	1,536	1,034	697	709	642	605	452
Sub-total	4,084	4,052	3,975	3,874	3,900	3,847	3,824	3,774
Regional Corporate Sector								
Financial Debt	1,979	1,829	1,720	1,562	1,551	1,489	1,456	1,431
Commercial Debt	573	544	461	355	321	287	291	266
Sub-total	2,552	2,373	2,181	1,917	1,872	1,776	1,747	1,697
Total	6,636	6,425	6,156	5,791	5,771	5,623	5,571	5,471
Δ Cumulative	-	-211	-480	-845	-865	-1,013	-1,065	-1,165
Δ Cumulative (%)	-	-3.2%	-7.2%	-12.7%	-13.0%	-15.3%	-16.0%	-17.6%

Although the trajectory of debt has been following a decreasing path – explained by the liquidation of commercial debt with the Region's own revenues – the Maastricht's debt increased slightly until December 2015.

This increase may be explained by 1) the reclassification, within the National accounting system, of the renegotiation of highway contracts with concessionaries and 2) new loans contracted with financial institutions. Nonetheless, the Maastricht's debt decreased €95M in the 4th quarter of 2016 YoY.

3. Direct and Indirect Debt

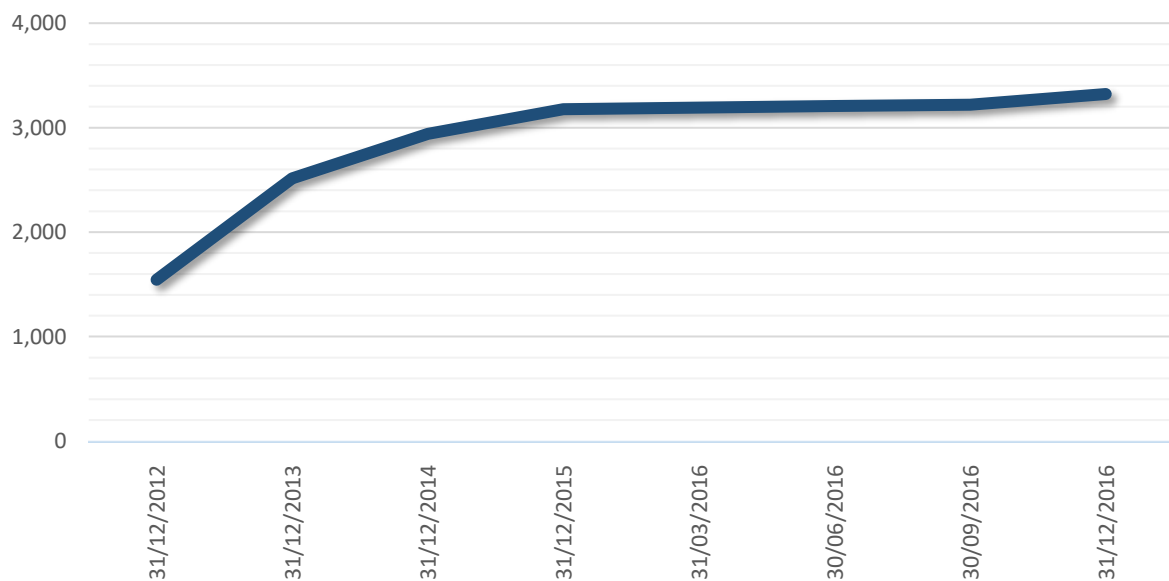
3.1. Direct Debt

At the end of the 4th quarter of 2016, the Regional Administration's public debt (represented by debt of which the Region is the debtor) totaled €3.322M which represents an increase of €144M YoY.

From 2012 until the end of the 4th quarter of 2016, Madeira's direct debt increased mostly

as a result of the €1.5M loan contracted with the Portuguese state as part of the Financial and Economic Adjustment Programme, as well as new issues and loans contracted with financial institutions to refinance the Regional Public Administration's and the Regional Corporate Sector's debt.

Graph 2 – Autonomous Region of Madeira's Direct Debt (Values in €M)

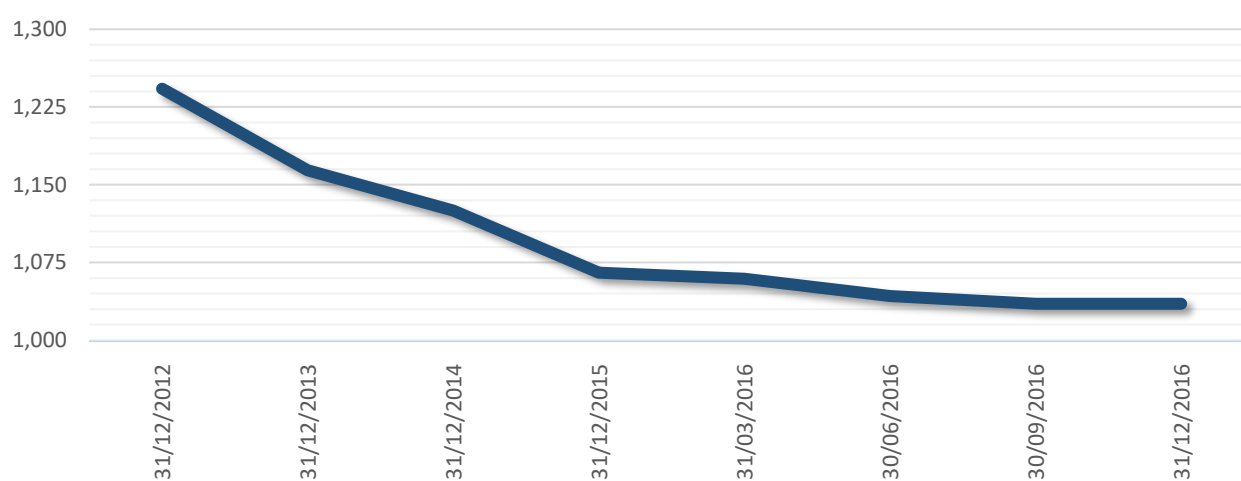


3.2. Indirect Debt

The financial debt guaranteed by the Autonomous Region of Madeira has been decreasing since 2012, mainly because the pace of amortizations outpaced the guarantees granted by the Regional Government.

In the 4th quarter of 2016, debt guaranteed by the Autonomous Region of Madeira totaled €1.035M, less €207M (-16.7%) in comparison with 31th December 2012 and less €30M (-2.8%) in homologous terms.

Graph 3 – Autonomous Region of Madeira's Indirect Debt (Values in €M)



4. Commercial Debt

The cumulative liabilities based on the reports from all the entities that apply the Law of Commitments and Late Payments established by the Directorate-General for Budget of the Ministry of Finance – totaled, in the 4th quarter of 2016, €511M of which 78.3% corresponds to commercial debt of the Regional Government and Autonomous Funds and Services.

This represents a decrease of commercial debt of 39.6% in comparison with December 31th 2015. Commercial debt of the new Reclassified Public Entities¹ decreased €176.3M since their integration within the Regional Public Administration perimeter.

The liabilities of the new Reclassified Public Entities decreased €97M YoY.

¹ The new Reclassified Public Entities include SESARAM, IHM, ARDITI, MT, CARAM and ADERAM

Table 2 – **Autonomous Region of Madeira's Liabilities** (Values in €M)

31/12/2016 (€M)	
Regional Public Administration	400
Reclassified Public Entities	111
Total	511
Total excl. new RPE	468

Commercial debt has sharply decreased from end of 2012 until the fourth quarter of 2016, (decrease of €2.015M), as a result of all the efforts to regulate payments due to suppliers. Considering the universe of Reclassified Public Entities of 2014, the decrease of commercial debt is even more significant, totaling €2.058M.

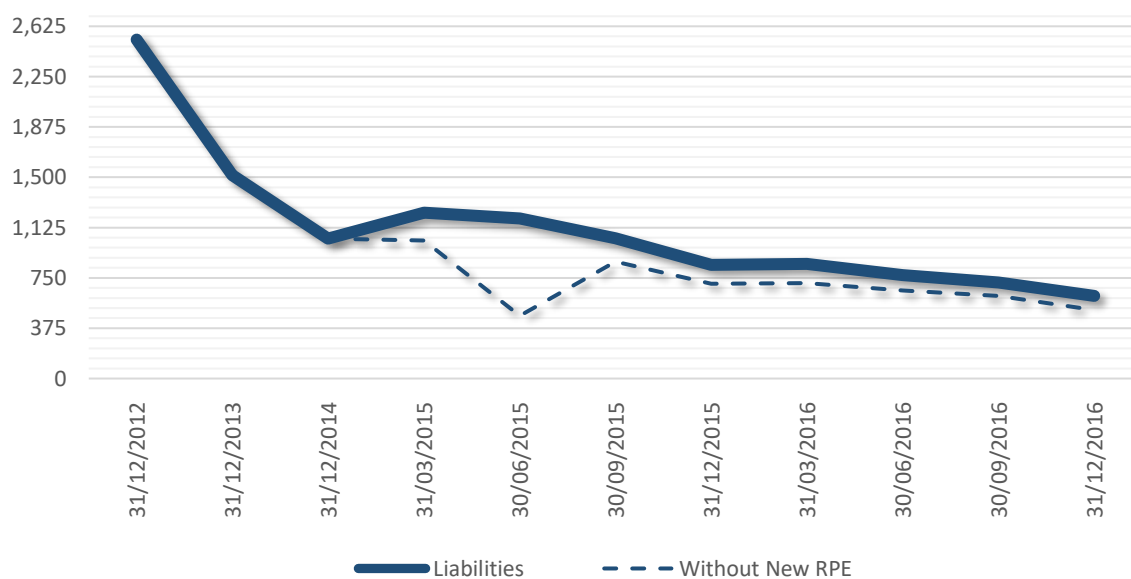
In 2016, Regional liabilities decreased 24.1% considering the universe of Reclassified Public Entities of 2014, and decreased 28.7% considering the new universe of Reclassified Public Entities which includes six new entities in the consolidation perimeter.

If we consider the commercial debt from six additional Reclassified Public Entities – included in accordance with the European Accounting System of 2010 - the decrease of the Regional Liabilities was of 28.7%.

Considering the Reclassified Public Entities of 2014, the commercial debt, at the end of 2016, decreased 33.8% YoY.

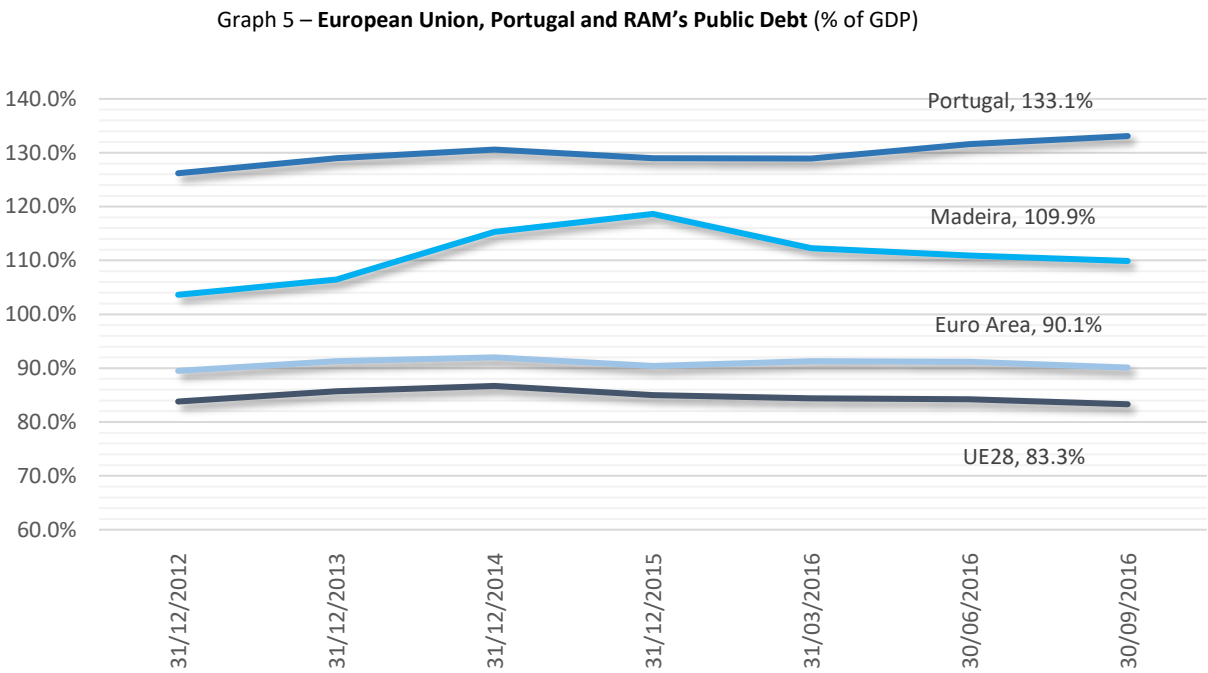
Considering all the Regional Public Administration's services, commercial debt decreased 39.6% YoY.

Graph 4 – **Autonomous Region of Madeira's Commercial Debt** (Values in €M)



5. Regional Debt in the National and European Context

The most recent data shows that Madeira's comparison with the Portuguese state debt-to-GPD ratio is smaller (109.9%) in (133.1%).



6. Appendix – Detailed Information

Autonomous Region of Madeira's Global Debt (Values in €M)

	31/12/2012	31/12/2013	31/12/2014	31/12/2015	31/03/2016 (P)	30/06/2016 (P)	30/09/2016 (P)	31/12/2016 (P)	31/12/2016		
									YoY Variation	Quarterly Variation	Variation Vis-à-vis 2012
Regional Public Administration											
Direct Financial Debt	1,544	2,516	2,940	3,178	3,191	3,206	3,219	3,322	4.5%	3.2%	115.1%
Commercial Debt	2,539	1,536	1,034	697	709	642	605	452	-35.2%	-25.3%	-82.2%
Sub-total	4,084	4,052	3,975	3,874	3,900	3,847	3,824	3,774	-2.6%	-1.3%	-7.6%
Regional Corporate Sector											
Financial Debt	1,979	1,829	1,720	1,562	1,551	1,489	1,456	1,431	-8.4%	-1.7%	-27.7%
Commercial Debt	573	544	461	355	321	287	291	266	-25.0%	-8.6%	-53.6%
Sub-total	2,552	2,373	2,181	1,917	1,872	1,776	1,747	1,697	-11.5%	-2.9%	-33.5%
Total	6,636	6,425	6,156	5,791	5,771	5,623	5,571	5,471	-5.5%	-1.8%	-17.6%
Δ Cumulative	-	-211	-480	-845	-865	-1,013	-1,065	-1,165			
Δ Cumulative (%)	-	-3.2%	-7.2%	-12.7%	-13.0%	-15.3%	-16.0%	-17.6%			

Autonomous Region of Madeira's Indirect Debt (Values in €M)

	31/12/2012	31/12/2013	31/12/2014	31/12/2015	31/03/2016 (P)	30/06/2016 (P)	30/09/2016 (P)	31/12/2016 (P)	31/12/2016		
									YoY Variation	Quarterly Variation	Variation Vis-à-vis 2012
Indirect Debt	1,243	1,164	1,125	1,065	1,059	1,043	1,035	1,035	-2.8%	0.0%	-16.7%
Δ Cumulative	-	-79	-118	-178	-183	-200	-207	-129			
Δ Cumulative (%)	-	-6.3%	-9.5%	-14.3%	-14.7%	-16.1%	-16.7%	-11.1%			

Autonomous Region of Madeira's Public Debt (Maastricht Convention) (Values in €M)

	31/12/2012	31/12/2013	31/12/2014	31/12/2015 (P)	31/03/2016 (P)	30/06/2016 (P)	30/09/2016 (P)	31/12/2016 (P)	31/12/2016		
									YoY Variation	Quarterly Variation	Variation Vis-à-vis 2012
Maastricht's Debt	4,118	4,291	4,757	4,934	4,913	4,853	4,811	4,839	-1.9%	0.6%	17.5%

Non-financial Debt of the Regional Public Administration (Values in €M)

	12/31/2012	12/31/2013	12/31/2014	12/31/2015	3/31/2016	6/30/2016	9/30/2016	12/31/2016	12/31/2016		
									YoY Variation	Quarterly Variation	Variation Vis-à-vis 2012
Liabilities	2,526	1,515	1,043	847	854	772	717	511	-39.6%	-28.7%	-79.8%
Δ		-1,011	-472	-197	7	-82	-55	-206			
Δ Cumulative		-1,011	-1,483	-1,679	-1,672	-1,754	-1,809	-2,015			
Liabilities (RPE of 2014)	2,526	1,515	1,043	706	712	657	616	468	-33.8%	-24.1%	-81.5%
Δ		-1,011	-472	-337	6	-56	-41	-148			
Δ Cumulative		-1,011	-1,483	-1,820	-1,814	-1,869	-1,910	-2,058			

* Considering 2015's ORAM universe which includes six Regional Public Reclassified Entities (SESARAM, IHM, MT, CARAM, ARDITI and ADERAM).

** Values for 2016 are temporary.

7. Concepts

LIABILITIES

A liability corresponds to an obligation from past events, whose liquidation is expected to be an outflow of resources from the entity which has incorporated an economic benefit from that obligation. It is settled over time through the transfer of economic benefits including money, goods, provisions and loans contracted.

NON-FINANCIAL DEBT

Corresponds to commercial and administrative debt integrated in the liabilities, due within twelve months after its balance sheet date.

FINANCIAL DIRECT DEBT

Financial debt which the Regional Public Administration is the debtor, i.e. direct liabilities of the Regional Public Administration and its subsectors.

INDIRECT DEBT

Contingent liabilities from guarantees and warranties conceded by the Autonomous Region of Madeira.

NON-FINANCIAL SERAM'S DEBT

Debt to suppliers and other non-financial creditors, in accordance with the percentage held by the Autonomous Region of Madeira within the Regional Public Reclassified Entities and highway concessionaries.

SERAM'S FINANCIAL DEBT

Debt due to financial institutions, following a perspective of consolidation given the percentage held by the Autonomous Region of Madeira within the Regional Public Reclassified Entities and highway concessionaries.

PUBLIC DEBT (MAASTRICHT CONVENTION) ²

General government gross debt according to the convergence criteria set out in the Maastricht Treaty which comprises currency, bills and short-term bonds, other short-term loans and other medium- and long-term loans and bonds, defined according to ESA 95. Debt is consolidated within the general government. Financial liabilities such as trade credits extended to the government are not included, and debt is valued at nominal value (face value). Gross debt according to the Maastricht criterion differs from the SNA based general government gross financial liabilities concept of the OECD in essentially two respects. First, gross debt according to the Maastricht criterion does not include, in the terminology of the SNA, trade credits and advances. Second, there is a difference in valuation methodology in that government bonds are to be valued at nominal values.

GLOBAL DEBT

Includes the total of debt – financial and non-financial – of the Regional Administration (Regional Government and Autonomous Funds and Services), as well as the Autonomous Region of Madeira's Corporate Sector, which includes the spectrum of all the Regional Public Reclassified Entities

² Definition from the OECD Glossary of Statistical Terms

8. Acronyms and Abbreviations

APR	Regional Public Administration
DGO	Directorate-General for Budget (Ministry of Finance)
DREM	Madeira's Regional Statistics Direction
EPR	Regional Reclassified Public Entities
LCPA	Law of Commitments and Late Payments
PAEF-RAM	Economic and Financial Adjustment Programme of the Autonomous Region of Madeira
RAM	Autonomous Region of Madeira
SFA	Autonomous Funds and Services
SEC 2010	European System of National and Regional Accounts
SERAM	Autonomous Region of Madeira's Corporate Sector
VH	Homologous Variation

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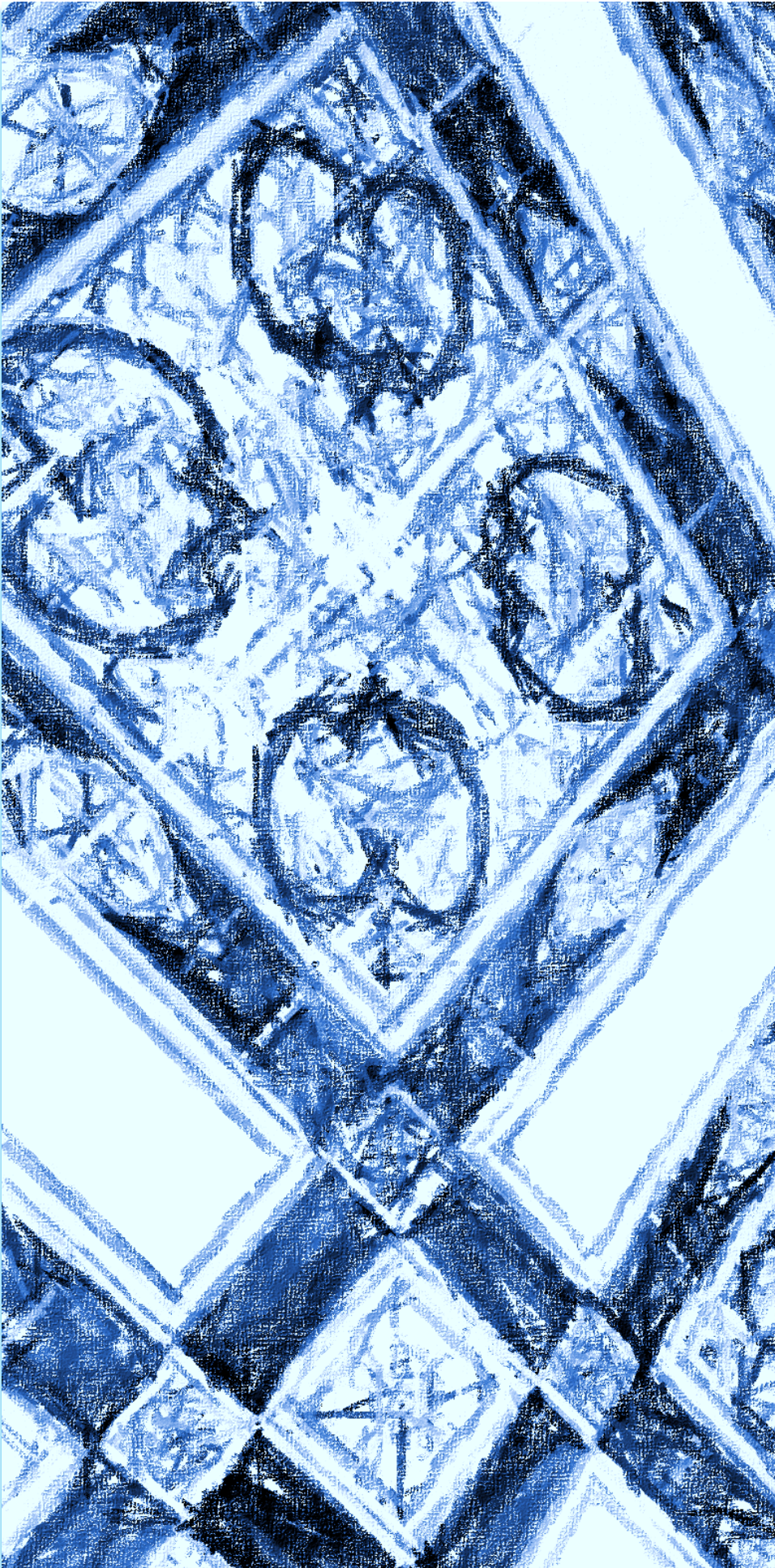
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