

**04**  
**2016**

# DEBT BULLETIN



REGIÃO AUTÓNOMA DA MADEIRA  
GOVERNO REGIONAL

REGIONAL SECRETARIAT OF FINANCE AND PUBLIC ADMINISTRATION



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## 1. INTRODUCTORY NOTE

The Autonomous Region of Madeira's Debt Bulletin (DB-RAM) is a quarterly publication, whose purpose is fundamentally based in the divulgation and analysis of the Region's global debt - financial and commercial – of all the Public Entities and the Regional Corporate Sector (SERAM). In addition, this bulletin allows the comparison of the Regional debt in the context of the Portuguese state and European Union.

Although the data is compiled on internal sources, it also follows the publication of debt statistics by Madeira's Regional Statistics Direction (DREM) and the Portuguese Central Bank (BP).

This edition concerns Regional debt statistics from 31<sup>th</sup> December 2012 until the second quarter of 2016.

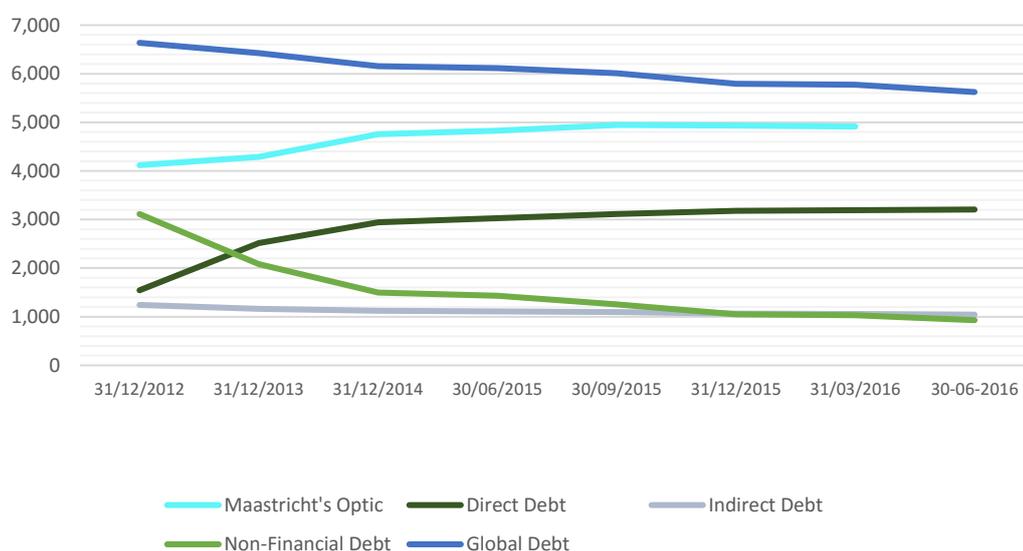
## 2. REGIONAL DEBT

On June 30<sup>th</sup> 2016, the Autonomous Region of Madeira's global debt totaled €5.623M<sup>1</sup>, representing a decrease of:

- €1.013M vis-à-vis December 31<sup>th</sup> 2012;
- €491M vis-à-vis June 30<sup>th</sup> 2015;
- And €168M vis-à-vis December 31<sup>th</sup> 2015.

The graphic presented below shows the progress of the Region's debt, following two different optics, both evidencing a clear path of continuous and consistent adjustments that have been implemented with the aim of consolidating the Region's finances and promoting its sustainability.

Graph 1 – Autonomous Region of Madeira's Debt Evolution (Values in €M)



The positive dynamic of the second quarter of 2016 is marked by a decrease, in annual terms, of all the subsets of public debt, with the exception of the financial direct debt - related to the Regional Administration - which increased, approximately, €176M as a result of the centralization and new loans by the Regional Public Administration and subsequent allocation of the funds to the

entities included in the consolidation perimeter.

Nonetheless, the Regional Corporate Sector's financial (indirect) debt decreased nearly €9M in annual terms, and the global non-financial debt decreased €500M.

More importantly, in the second quarter of 2016, Madeira's global debt decreased €491M in annual terms, and in quarterly

<sup>1</sup> Temporary value.

terms, although not as substantial, RAM's global debt decreased €148M which represents a -2.6% variation.

Table 1 summarizes the evolution of RAM's global debt since December 31<sup>th</sup> 2012, listing both the debt correspondent to the Regional Public Administration and the Regional Corporate Sector.

Note that the value of global debt – which includes both the financial and non-financial debt of the Regional Administration (Regional Government and the Autonomous Funds and Services), and the Regional Corporate Sector (which includes all the Public Regional Reclassified 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 (Final)	31/12/2013 (Final)	31/12/2014 (Final)	30/06/2015 (Temporary)	30/09/2015 (Temporary)	31/12/2015 (Temporary)	31/03/2016 (Preliminary)	30/06/2016 (Preliminary)	30-06-2016		
									Homologous Variation	Quarterly Variation	Variation Compared with 2012
<b>REGIONAL ADMINISTRATION</b>											
Financial Direct Debt	1,544	2,516	2,940	3,029	3,112	3,178	3,191	3,206	5.8%	0.5%	107.6%
Non-Financial Debt	2,539	1,536	1,034	994	852	697	709	642	-35.4%	-9.5%	-74.7%
<b>Sub-Total</b>	<b>4,084</b>	<b>4,052</b>	<b>3,975</b>	<b>4,023</b>	<b>3,965</b>	<b>3,874</b>	<b>3,900</b>	<b>3,847</b>	<b>-4.4%</b>	<b>-1.3%</b>	<b>-5.8%</b>
<b>SERAM</b>											
Financial Indirect Debt	1,979	1,829	1,720	1,656	1,641	1,562	1,551	1,489	-10.1%	-4.0%	-24.8%
Non-Financial Debt	573	544	461	435	402	355	321	287	-34.0%	-10.5%	-50.0%
<b>Sub-Total</b>	<b>2,552</b>	<b>2,373</b>	<b>2,181</b>	<b>2,091</b>	<b>2,043</b>	<b>1,917</b>	<b>1,872</b>	<b>1,776</b>	<b>-15.1%</b>	<b>-5.1%</b>	<b>-30.4%</b>
<b>TOTAL</b>	<b>6,636</b>	<b>6,425</b>	<b>6,156</b>	<b>6,114</b>	<b>6,008</b>	<b>5,791</b>	<b>5,771</b>	<b>5,623</b>	<b>-8.0%</b>	<b>-2.6%</b>	<b>-15.3%</b>
Δ Cumulative	-	-211	-480	-522	-628	-845	-865	-1,013			
Δ Cumulative	-	-3.2%	-7.2%	-7.9%	-9.5%	-12.7%	-13.0%	-15.3%			

Although the trajectory of debt has been following a positive path – explained by the liquidation of non-financial debt with the Region's own revenues – the Maastricht's debt increased until December 2015, which can be mainly explained by the reclassification, within the National accounting system, of the renegotiation of highway contracts with concessionaries, the

loans contracted with financial institutions, and the financial aid loan established between the Autonomous Region of Madeira and the Portuguese state within the Financial and Economic Adjustment Programme (PAEF-RAM). Nonetheless, the Regional debt, based on the Maastricht's optic, throughout 2016, decreased nearly €81M since 31<sup>th</sup> December 2015.

### 3. DIRECT AND INDIRECT DEBT

#### 3.1. DIRECT DEBT

At the end of the second quarter of 2016, the Regional Administration's public debt,

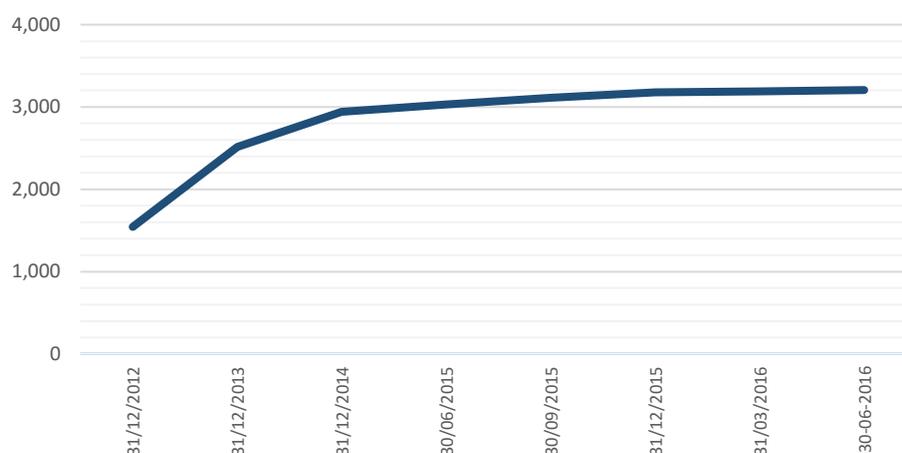
represented by the stock of debt of which the Region is a debtor, totaled €3.206M

which represents an increase of 5.8% in homologous terms and of 0.5% in comparison with June 30<sup>th</sup> 2016.

From 2012 until the end of the second 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 the loans contracted with financial institutions with the purpose of safeguarding debt repayments, both for the Regional Administration and the Regional Corporate Sector.

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



### 3.2. INDIRECT DEBT

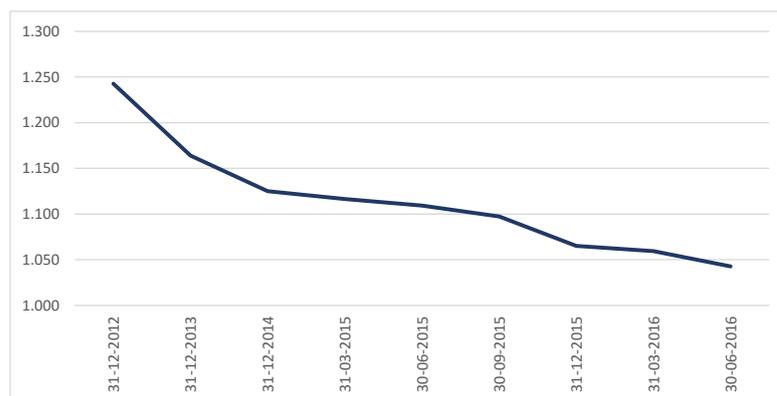
The financial debt guaranteed by the Autonomous Region of Madeira has been decreasing since 2012, mainly because the pace of amortizations has increased more than the guarantees conceded by the Regional Government.

At the second quarter of 2016, the debt guaranteed by the Autonomous Region of Madeira totaled €1.043M, having

decreased €200M (-16.1%) in comparison with 31<sup>th</sup> December 2012.

In homologous terms, the indirect debt fell €66M which represents a 6% negative variation. Moreover, in the second quarter of 2016, the debt with the Autonomous Region of Madeira's warranty decreased 1.6% in comparison with March 2016 which is explained by capital repayments that totaled €17M.

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



## 4. NON-FINANCIAL DEBT

The cumulative liabilities of the Regional Public Administration (APR) - based on the reports from all the integrated Regional Public Entities that apply the Law of Commitments and Late Payments (LCPA), established by the Directorate-General for Budget (DGO) of the Ministry of Finance – totaled, in the second quarter of 2016<sup>2</sup>, €771.8M, of which 75.9% corresponds to the Regional Government and the Autonomous Funds and Services (SFA).

This value represents a decrease of 8.9% in comparison with December 31<sup>th</sup> 2015. The debt of the new Regional Public Reclassified Entities decreased €104.7M in 2014<sup>3</sup>, since their integration within the Regional Administrative Public perimeter. Moreover, in comparison with December 31<sup>th</sup> 2015, the Regional Public Reclassified Entities' liabilities decreased €25M.

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

Situation in 30/06/2016	
Regional Government and Autonomous Funds and Services	585
Public Reclassified Entities	186
<b>Total</b>	<b>772</b>
<b>Total Excluding New EPRs</b>	<b>657</b>

The non-financial debt, i.e. commercial debt, has been decreasing sharply since 2012 – having decreased €1.754M until the

second quarter of 2016 - given the combined efforts to regulate payments due to suppliers. Considering 2004's universe of

<sup>2</sup> Temporary values

<sup>3</sup> SESARAM, IHM, ARDITI, MT, CARAM and ADERAM.

Regional Public Reclassified Entities, the reduction of liabilities until the second quarter of 2016 is even more significant, totaling €1.869M.

In the second quarter of 2016, RAM's liabilities decreased 7.8% considering the universe of Regional Public Reclassified Entities included in the reports of December 31<sup>th</sup> 2014, and decreased 9.6% considering

the inclusion – in January 1<sup>st</sup> 2015 - of new six Regional Public Reclassified Entities (in accordance with SEC 2010). Considering the universe of Regional Public Reclassified Entities of 2014, the non-financial debt, in the second quarter of 2016, decreased 35.1% in homologous terms. Considering all the Regional Public Administration services, the non-financial debt decreased 35.4% in homologous terms.

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



## 5. RAM'S<sup>4</sup> DEBT IN THE NATIONAL AND EUROPEAN CONTEXT

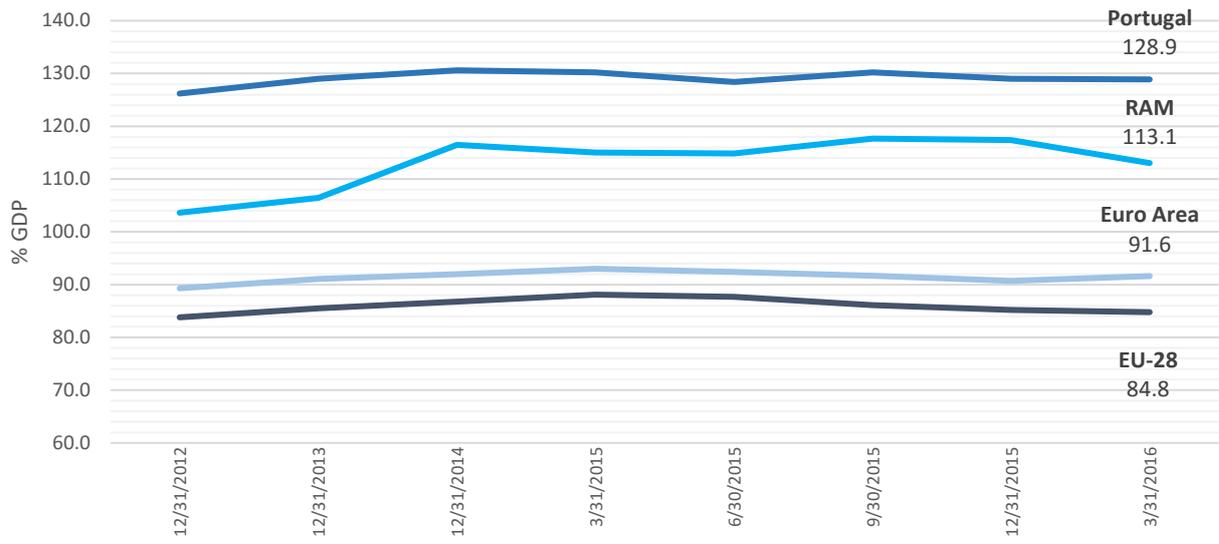
The most recent data shows that Madeira's debt to GDP ratio is smaller (113.1%) in comparison with the Portuguese state (128.9%).

Nonetheless, this ratio<sup>5</sup> was still superior in comparison with the Euro Area (84,8%).

<sup>4</sup> Maastricht's debt. Final values for 2013 and 2014, whilst 2015 is temporary and 2016 preliminary.

<sup>5</sup> 2015's GDP was estimated in accordance with the RAM's Budget Proposal.

Graph 5 – European Union, Portugal and RAM’s Public Debt (% of GDP)



## 6. APPENDIX – DETAILED INFORMATION

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

	31/12/2012 (Final)	31/12/2013 (Final)	31/12/2014 (Final)	30/06/2015 (Temporary)	30/09/2015 (Temporary)	31/12/2015 (Temporary)	31/03/2016 (Preliminary)	30/06/2016 (Preliminary)	30-06-2016		
									Homologous Variation	Quarterly Variation	Variation Compared with 2012
<b>REGIONAL ADMINISTRATION</b>											
Financial Direct Debt	1,544	2,516	2,940	3,029	3,112	3,178	3,191	3,206	5.8%	0.5%	107.6%
Non-Financial Debt	2,539	1,536	1,034	994	852	697	709	642	-35.4%	-9.5%	-74.7%
<b>Sub-Total</b>	<b>4,084</b>	<b>4,052</b>	<b>3,975</b>	<b>4,023</b>	<b>3,965</b>	<b>3,874</b>	<b>3,900</b>	<b>3,847</b>	<b>-4.4%</b>	<b>-1.3%</b>	<b>-5.8%</b>
<b>SERAM</b>											
Financial Indirect Debt	1,979	1,829	1,720	1,656	1,641	1,562	1,551	1,489	-10.1%	-4.0%	-24.8%
Non-Financial Debt	573	544	461	435	402	355	321	287	-34.0%	-10.5%	-50.0%
<b>Sub-Total</b>	<b>2,552</b>	<b>2,373</b>	<b>2,181</b>	<b>2,091</b>	<b>2,043</b>	<b>1,917</b>	<b>1,872</b>	<b>1,776</b>	<b>-15.1%</b>	<b>-5.1%</b>	<b>-30.4%</b>
<b>TOTAL</b>	<b>6,636</b>	<b>6,425</b>	<b>6,156</b>	<b>6,114</b>	<b>6,008</b>	<b>5,791</b>	<b>5,771</b>	<b>5,623</b>	<b>-8.0%</b>	<b>-2.6%</b>	<b>-15.3%</b>
Δ Cumulative	-	-211	-480	-522	-628	-845	-865	-1,013			
Δ Cumulative	-	-3.2%	-7.2%	-7.9%	-9.5%	-12.7%	-13.0%	-15.3%			

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

	31/12/2012 (Final)	31/12/2013 (Final)	31/12/2014 (Final)	30/06/2015 (Temporary)	30/09/2015 (Temporary)	31/12/2015 (Temporary)	31/03/2016 (Preliminary)	30/06/2016 (Preliminary)	30-06-2016		
									Homologous Variation	Quarterly Variation	Variation Compared with 2012
Indirect Debt	1,243	1,164	1,125	1,109	1,097	1,065	1,059	1,043	-6.0%	-1.6%	-16.1%
Δ Cumulative	-	-79	-118	-133	-145	-177	-183	-200			
Δ Cumulative	-	-6.3%	-9.5%	-10.7%	-11.7%	-14.3%	-14.7%	-16.1%			

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

	31/12/2012 (Final)	31/12/2013 (Final)	31/12/2014 (Final)	30/06/2015 (Temporary)	30/09/2015 (Temporary)	31/12/2015 (Temporary)	31/03/2016 (Preliminary)	30/06/2016 (Preliminary)	30-06-2016		
									Homologous Variation	Quarterly Variation	Variation Compared with 2012
Maastricht's Debt	4,118	4,291	4,757	4,826	4,945	4,934	4,913	4,853	0.6%	-1.2%	17.9%

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

	12/31/2012	12/31/2013	12/31/2014	6/30/2015	9/30/2015	12/31/2015	3/31/2016	6/30/2016	6/30/2016		
									Homologous Variation	Quarterly Variation	Variation Compared with 2012
<b>Liabilities *</b>	<b>2,526</b>	<b>1,515</b>	<b>1,043</b>	<b>1,194</b>	<b>1,045</b>	<b>847</b>	<b>854</b>	<b>772</b>	<b>-35.4%</b>	<b>-9.6%</b>	<b>-69.4%</b>
Δ		-1,011	-472	-42	-149	-198	7	-82			
Δ Cumulative		-1,011	-1,483	-1,332	-1,481	-1,679	-1,672	-1,754			
<b>Liabilities **</b>	<b>2,526</b>	<b>1,515</b>	<b>1,043</b>	<b>1,012</b>	<b>872</b>	<b>706</b>	<b>712</b>	<b>657</b>	<b>-35.1%</b>	<b>-7.8%</b>	<b>-74.0%</b>
Δ		-1,011	-472	-17	-141	-166	6	-56			
Δ Cumulative		-1,011	-1,483	-1,514	-1,654	-1,820	-1,814	-1,869			

\* Considering 2015's ORAM universe which includes six Regional Public Reclassified Entities (SESARAM, IHM, MT, CARAM, ARDIT I 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.

### DIRECT (FINANCIAL) DEBT

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) <sup>6</sup>

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

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<sup>6</sup> Definition retrieved 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

## 9. GRAPHS AND TABLES INDEX

Graph 3 – Autonomous Region of Madeira’s Debt Evolution (5)

Graph 4 – Autonomous Region of Madeira’s Direct Debt (7)

Graph 3 – Autonomous Region of Madeira’s Indirect Debt (8)

Graph 4 – Autonomous Region of Madeira’s Commercial Debt (9)

Graph 5 – European Union, Portugal and RAM’s Public Debt (10)

Table 2 – Autonomous Region of Madeira’s Global Debt (6)

Table 2 – Autonomous Region of Madeira’s Liabilities (8)

## TECHNICAL INFORMATION

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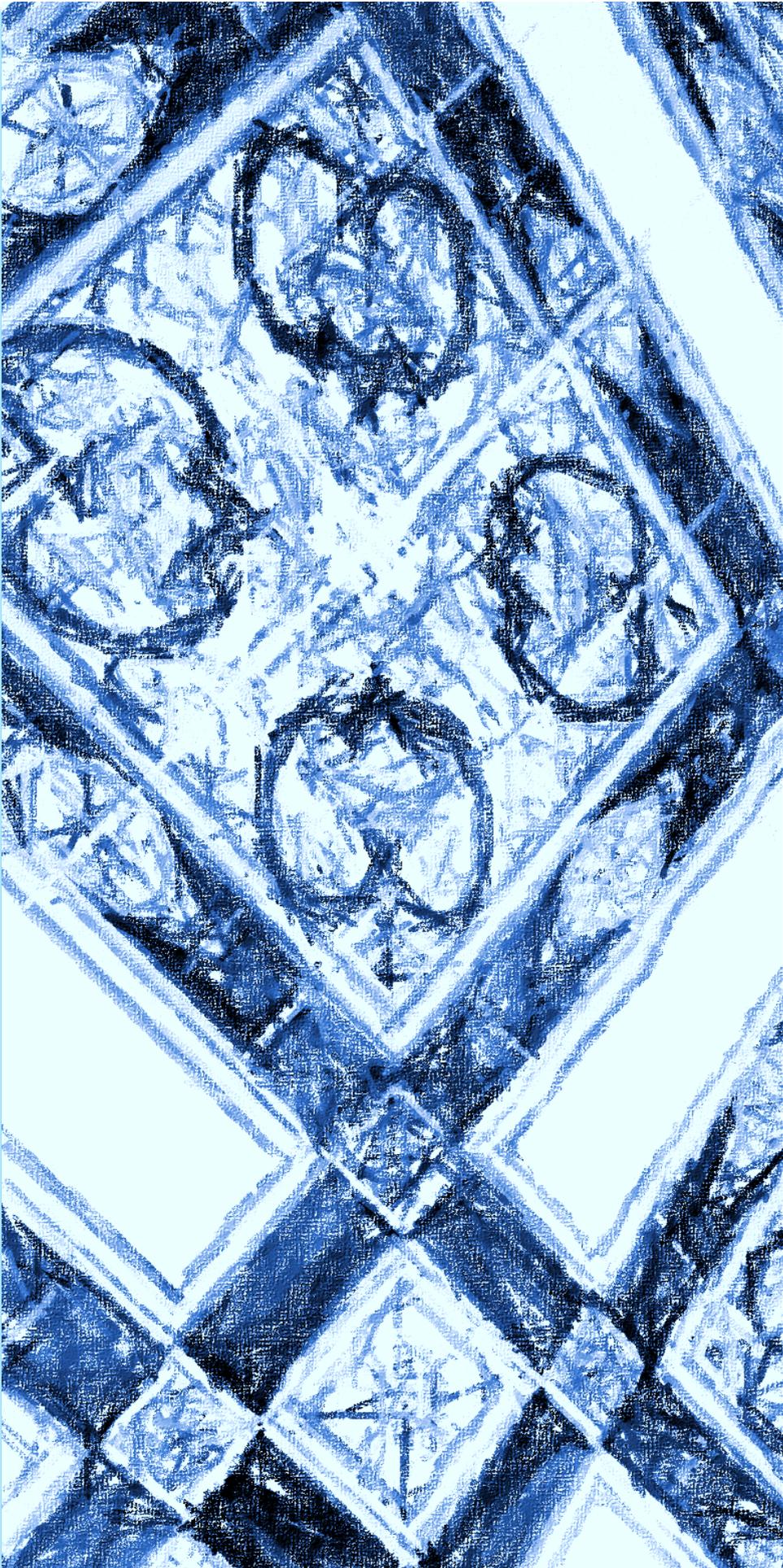
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