Economy and finance

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Statistics in focus
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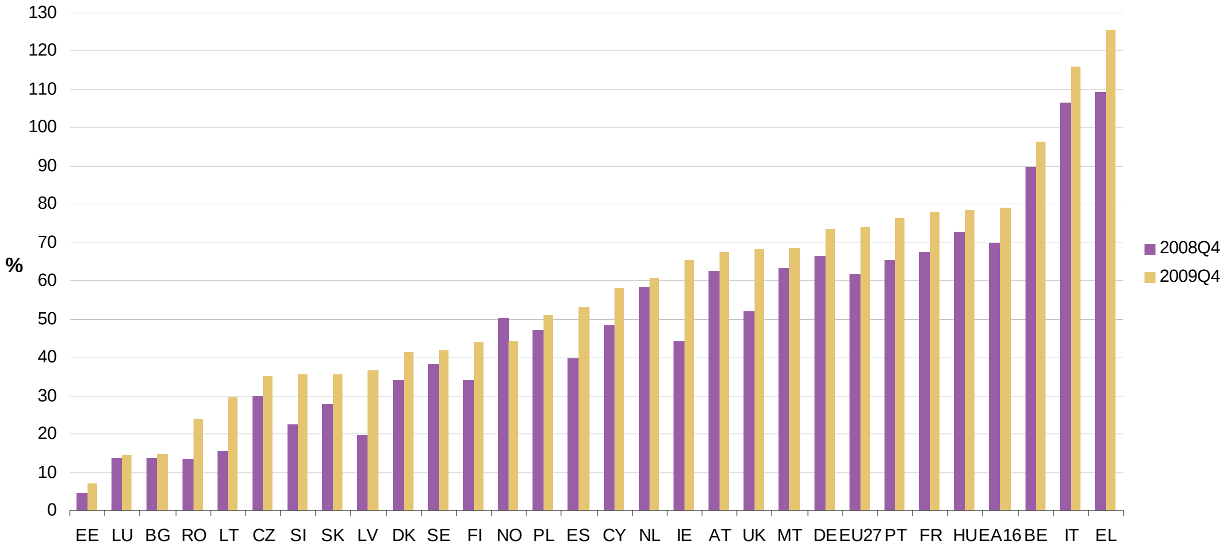
Structure of Government Debt in Europe in 2009

In order to study the structure of the debt in Europe, Eurostat produces an annual survey collecting Member States' information on debt by holder, instrument, maturity, and currency of issuance, as well as guarantees provided by the government. This publication analyses the main results of the most recent questionnaire, which was completed, fully or partly, by 23 countries. It should be noted that not all the respondents replied to all questions.

Maastricht Debt as a percentage of GDP

The economic crisis has resulted in an increase in government debt (Maastricht definition) in almost all countries between 2008 and 2009, the only exception being Norway. Figure 1 reflects this pattern.

Figure 1: Maastricht Debt as a percentage of GDP, 2008 - 2009



Source: Eurostat (online data code: gov_q_ggdebt).

Of the EU Member States plus Norway, 16 countries reported debt to GDP ratios below the reference value of 60%. The highest debt ratio is reported by Greece with 126.8%, followed by Italy with 116.0 %. The lowest debt to GDP ratio is registered by Estonia with 7.2 %. For both EU27 and EA16 the Maastricht debt in terms of GDP was over 60% in 2009.

Looking at the evolution over time, debt to GDP ratios have changed significantly. Ireland observed the strongest increase relative to GDP, with 21.2 %, followed by Latvia with 17.0 %, while the lowest increase was reported by Luxembourg at 0.9%. Norway recorded a decrease of 6.1 %.

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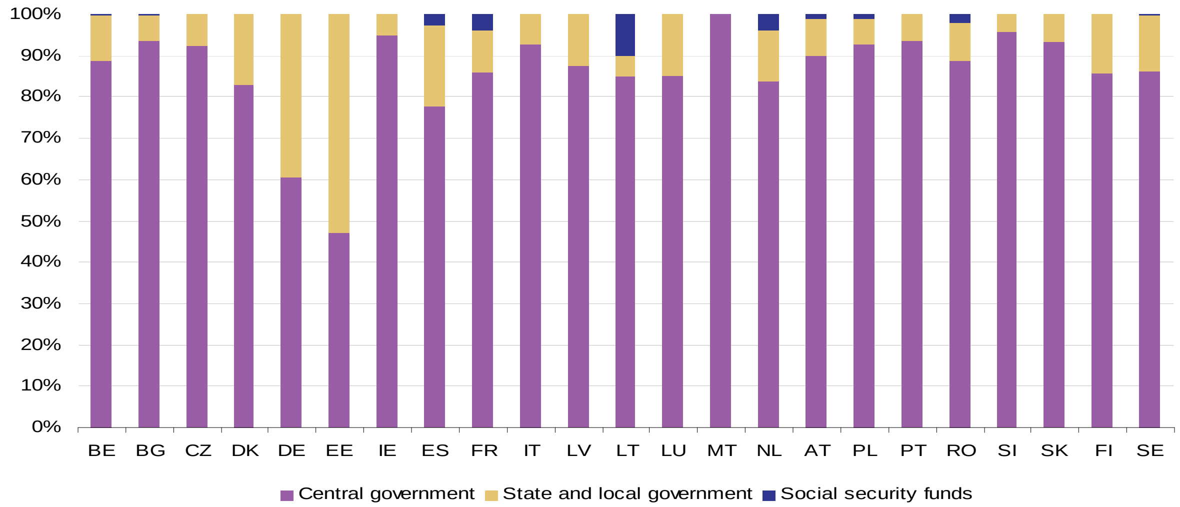
Breakdown by Subsector

According to ESA95, the general government sector (S.13) is divided into four subsectors: Central government (S. 1311), State government (S. 1312), Local government (S.1313) and Social security funds (S. 1314). Figure 2 gives an overview of the subsector breakdown.

Figure 2: Debt by Subsector, 2009



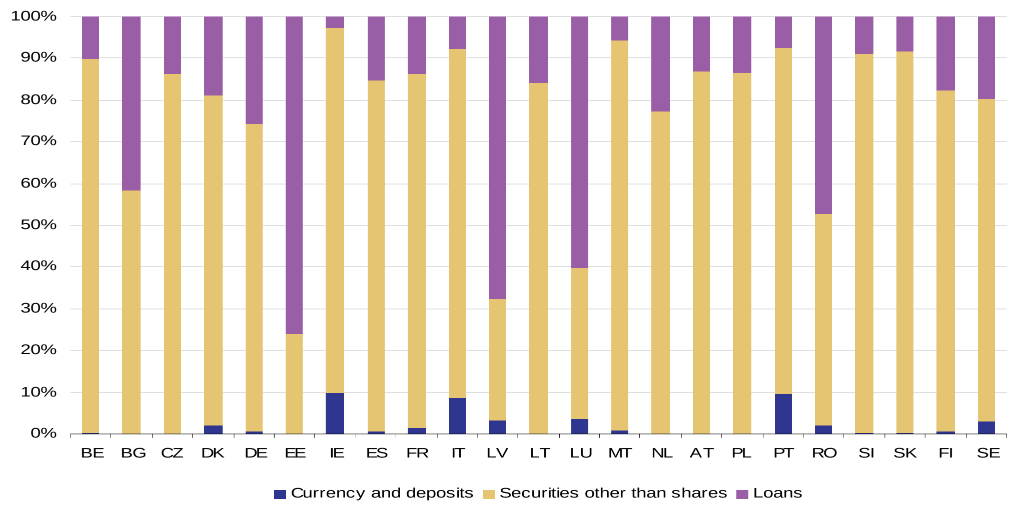
Source: Eurostat (online data codes: gov_dd_cgd, gov_dd_slgd, gov_dd_ssfd)

For most countries (21 out of 23 respondents) the central government represented more than 76.0 % of general government unconsolidated debt. This share was lower only in Estonia (47%) and Germany (60.6 %) where local and state government play a more important role than in other Member States. State and local government was also the second largest holder of the general government unconsolidated debt. Ratios of state and local government to total debt of 19.5 % and 17.0 % respectively were observed in Spain and Denmark. Social security funds were responsible in a minor way for the general government debt: contributions of less than 5.0 % were observed in 21 countries. The exception was Lithuania with a ratio of 10.0 %.

Breakdown by Instrument

Maastricht debt is divided into the following categories: currency and deposits (AF.2); securities other than shares, excluding financial derivatives (AF.33), and loans (AF.4). Figure 3 shows the breakdown of debt by instrument.

Figure 3: Debt by Instrument, 2009



Source: Eurostat (online data code: gov_dd_ggd)

The use of the various debt instruments by EU governments is quite similar: the preferred debt instrument of the general government remained Securities other than shares. Between 24.0 % and 94.0 % of the debt was financed by securities issuing. The main exceptions were Estonia and Latvia, where over 67.0 % of the debt was financed with loans. This instrument was also the second most used by the other countries. Currencies and deposits represented less than 4% of the total debt in 20 Member States. They accounted for between 8.0 % and 10.0 % of the debt for Ireland, Portugal and Italy.

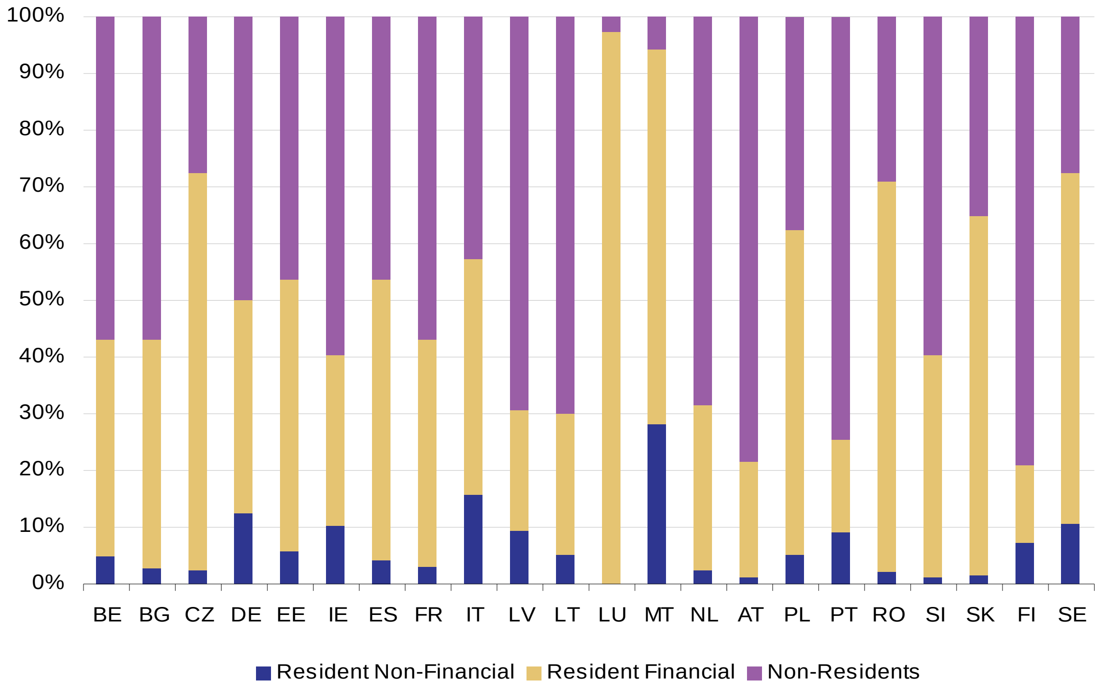
Breakdown by Debt Holder

Four categories of economic agents are distinguished according to the ESA95 classification:

1. Non-financial corporations (S.11)
2. Financial corporations (S.12)
3. Households and Non-profit Institutions serving households (S.14 + S.15)
4. Rest of the world (S.2)

In the graph below, Non-financial corporations and Households and Non-profit Institutions serving households are combined under the heading Resident Non-Financial.

Figure 4: Debt by Debt Holder, 2009



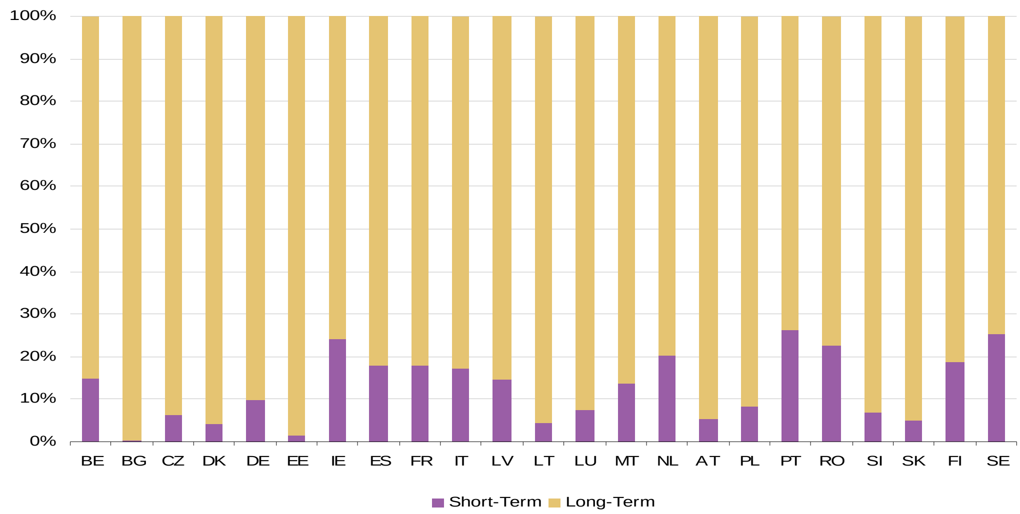
Source: Eurostat (online data code: gov_dd_ggd). Missing data: DK.

The debt share of non-residents was significant for most of the countries. It represented more than 50.0 % in 11 countries (Bulgaria, France, Belgium, Slovenia, Ireland, the Netherlands, Latvia, Lithuania, Portugal, Austria and Finland). In Italy, Estonia, Spain and Germany there was also a high percentage (over 40.0 %), while for Luxemburg and Malta the proportion was almost negligible (less than 6.0 %). The share of resident financial corporations acting as debt holders was very high in Luxembourg (with more than 97.0 %), followed by the Czech Republic, Romania, Malta, Slovakia and Sweden with percentages between 61.0 % and 70.0 %. The resident non-financial sector played a major role in Malta representing more than 28.0 % of the debt.

Maturity Breakdown

Countries were asked to provide detailed information on the time structure of their government debt based on initial maturity. The debt questionnaire subdivided the maturity structure into the categories: less than one year, one to five years, five to seven years, seven to ten years, ten to fifteen years, fifteen to thirty years, more than thirty years and more than one year. Because most of the countries didn't provide complete data, only the categories less than one year (short-term) and more than one year (long-term) are kept for the analysis. The ratio of short term and long term debt is shown in Figure 5.

Figure 5: Debt by Maturity



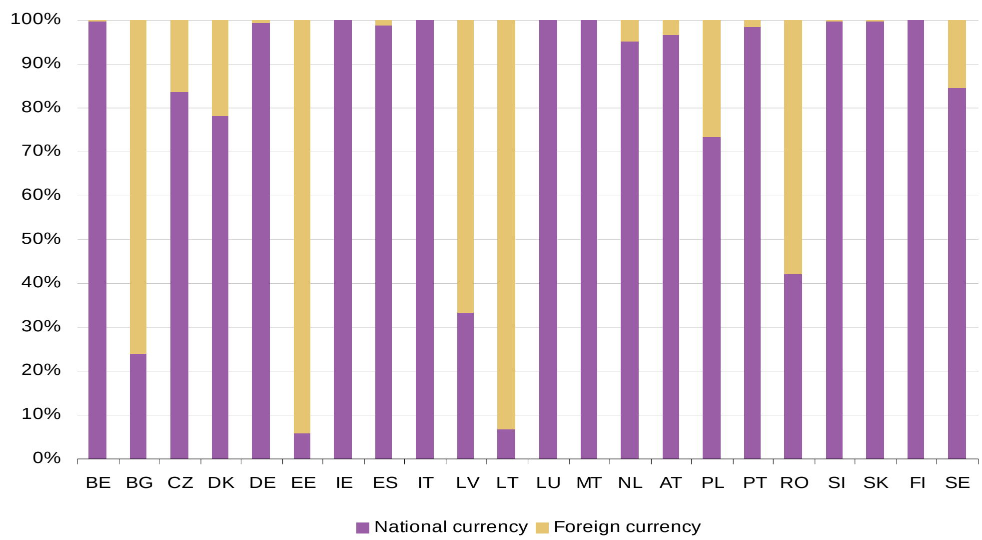
Source: Eurostat, (online data code: gov_dd_ggd).

There was a common pattern between Member States: most debt was issued on a long-term basis. Debt instruments with a maturity longer than one year represented between 73.0 % and 99.0 % of the total debt. In Bulgaria, Estonia, Lithuania and Slovakia the short-term debt was lower than 5.0 %. Only four of the survey respondents recorded a short-term debt above 20.0 % of the total debt: Romania, Ireland, Sweden and Portugal.

Currency of Issue

Only seven EU Member States out of 23 survey respondents issued less than 80.0 % of their debt in national currency. Luxembourg, Ireland and Finland showed a 100.0 % ratio of debt issued in national currency. Significant percentages (over 95.0 %) were observed in the Netherlands, Austria, Portugal, Spain, Germany, Slovakia, Slovenia, Belgium, Italy and Malta. A different situation was experienced in Estonia and Lithuania, where the share of debt issued in foreign currencies exceeded 93.0 %. This is shown in Figure 6.

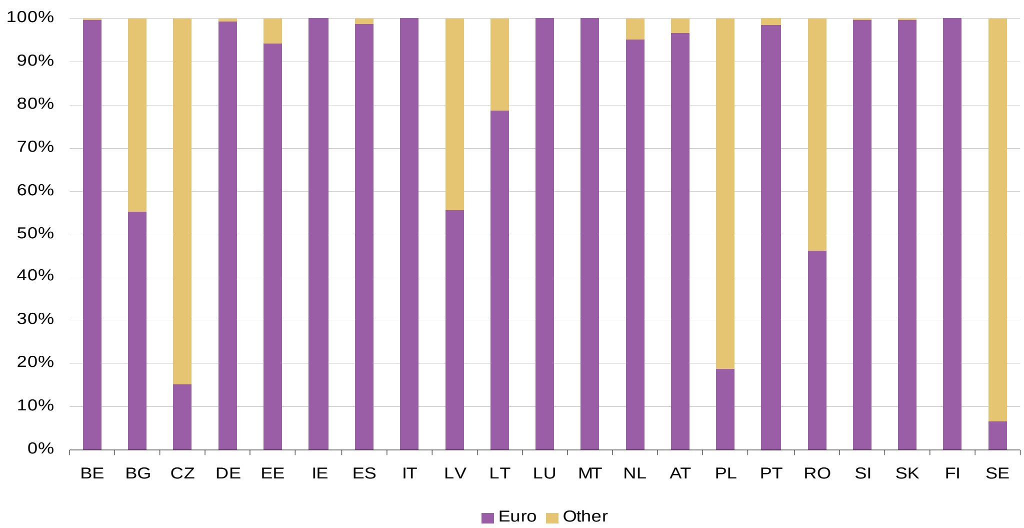
Figure 6: Debt by Currency



Source: Eurostat (online data code : gov_dd_dcur). Missing data: FR.

The share of government debt issued in euro was 100.0 % for Finland, Ireland and Luxembourg. 11 countries showed a percentage higher than 94.0 %. This was the case for Estonia, the Netherlands, Austria, Portugal, Spain, Germany, Slovakia, Slovenia, Belgium, Italy and Malta. The situation was different in Poland, the Czech Republic and Sweden, where less than 20.0 % of the total debt was issued in euro.

Figure 7: Debt with Euro as Issuing Currency



Source: Eurostat, (online data code : gov_dd_dcur). Missing data: DK, FR.

Impact of Consolidation

According to the Maastricht definition, general government debt has to be consolidated. This means that the debt issued by one sub-sector and held by another is not included in general government debt. Eliminating intra-governmental debt normally results in a lower reported general government debt, and this effect is illustrated in Table 1.

Table 1: Impact of consolidation

Country	Consolidation impact (in %)
BE	3.40
BG	3.01
CZ	2.27
DK	0.45
DE	0.78
EE	5.63
IE	4.46
ES	11.29
FR	3.74
IT	1.46
LV	24.98
LT	11.17

Country	Consolidation impact (in %)
LU	5.31
MT	0.00
NL	9.07
AT	5.25
PL	3.44
PT	3.75
RO	9.96
SI	1.49
SK	5.51
FI	5.38
SE	6.61

Source: Eurostat (online data codes : gov_dd_cgd, gov_dd_ggd, gov_dd_slgd, gov_dd_ssfd).

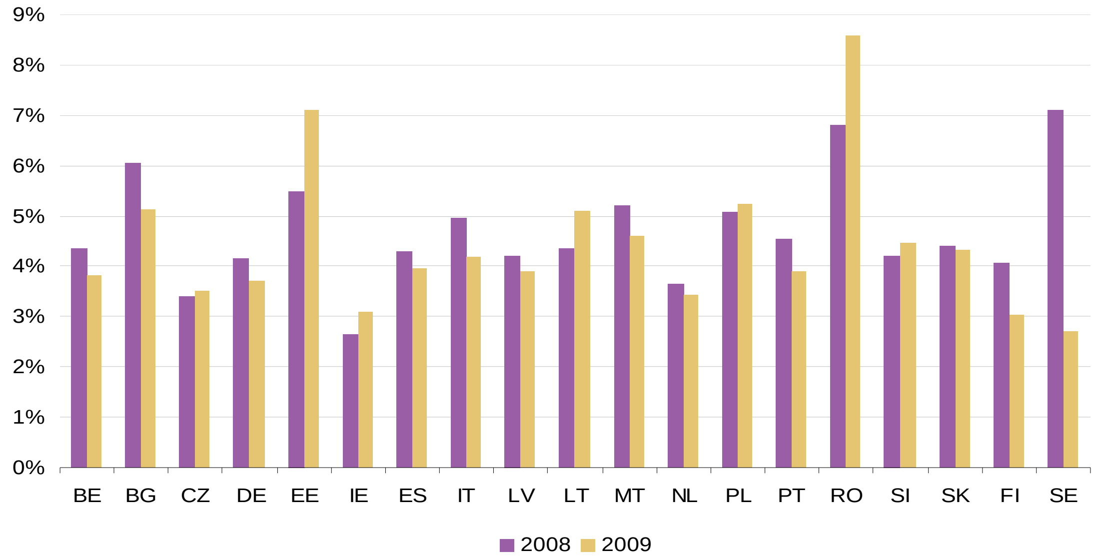
The consolidation impact was very different from country to country. For 20 of the 23 countries which answered the survey, the general government debt was reduced by less than 10%. In countries where the intra-sector debt was high, the consolidation effect was very significant. This was the case for Latvia, Spain and Lithuania with ratios between 25% and 11%. On the other hand, in some countries the effect was almost negligible, as in the case of Malta, Denmark and Germany.

Apparent Cost of Debt

Based on 19 replies from EU Member States, the analysis of apparent cost of debt[1] is reflected in Figure 8.

[1] *The apparent cost of debt (interest over total nominal debt) shows the differences between countries in terms of their conditions for accessing financial markets.*

Figure 8: Apparent Cost of Debt



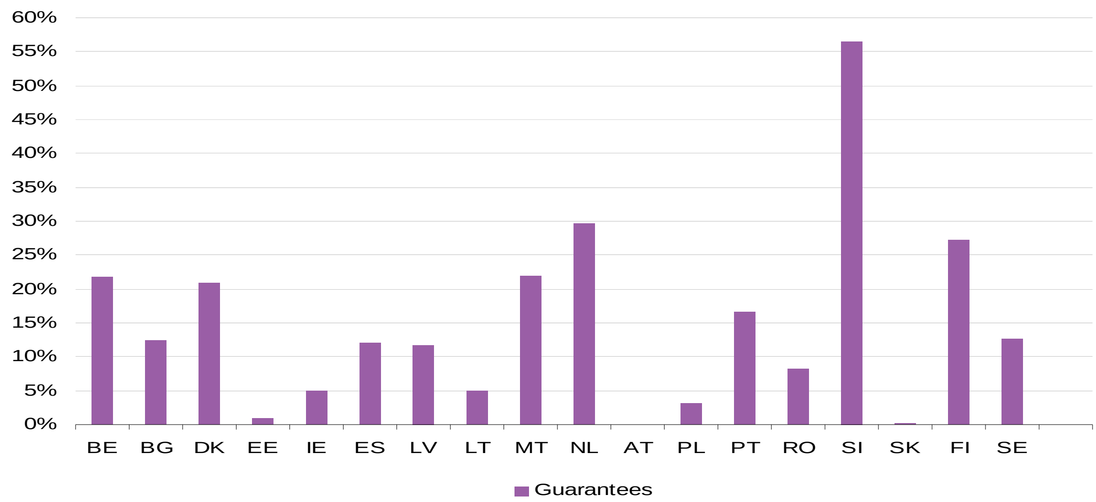
Source: Eurostat. Missing data: AT, DK, FR and LU.

The level of apparent cost of debt varied between 2.7 % in Sweden to 8.6 % in Romania. Comparing the 2008 with the 2009 data, the apparent cost of debt decreased in 12 countries. This was the case for Sweden, Finland, Bulgaria, Italy, Portugal, Malta, Belgium, Germany, Spain, Latvia, the Netherlands and Slovakia. The highest increases were experienced by Romania with 1.8 %, and by Estonia with 1.6 %.

State Guarantees

Based on 18 replies from EU Member States the analysis of state guarantees is shown in Figure 9.

Figure 9: State Guarantees



Source: Eurostat (online data code: gov_dd_guar). Missing data: CZ, DE, FR, IT and LU.

In 12 of the respondent countries, state guarantees as a percentage of total government debt did not exceed 17.0 %. In Austria, Slovakia and Estonia state guarantees weren't much used, representing less than 1%. The exceptions were Denmark, Belgium, Malta, Finland and the Netherlands with ratios between 21.0 % and 29.7 %, and Slovenia with over 56.0 %.

METHODOLOGICAL NOTES

This box gives some background explanation on general government debt. More exhaustive information and data can be found on Eurostat's homepage in the section dedicated to Government finance statistics.

MAASTRICHT DEBT

The application of the Protocol on the excessive deficit procedure (EDP) is made operational by Council Regulation (EC) No 3605/93, as amended by Council Regulation (EC) No 475/2000 and by Commission Regulation (EC) No 351/2002. The ratio of gross government debt to GDP must not exceed 60% at the end of the preceding fiscal year. It is important to note that there are some differences between ESA debt and Maastricht Debt (regarding the legislation of Maastricht debt, see Council Regulation (EC) No 1222/2004).

ESA95

Fiscal data are compiled in accordance with national accounts rules, as laid down in the European System of Accounts (ESA 1995) adopted in the form of a Council and Parliament Regulation (EC) of 25 June 1996, No 2223/96. The full text of ESA95 is available on the Eurostat internet site. The compilation of General government debt data complies with ESA95 rules, especially concerning the sector classification of institutional units, the consolidation rules, the classification of financial transactions and of financial assets and liabilities, and the time of recording but not valuation rules.

Market value:

The market value is the price of a security as determined dynamically by buyers and sellers in an open market.

Nominal value:

In Council Regulation 3605/93, as amended, the nominal value is considered equivalent to the face value of liabilities for securities. It is therefore equal to the amount (contractually agreed) that the government will have to refund to creditors at maturity.

Interest accrued on liabilities is not accounted for in the nominal valuation, unless explicitly credited.

The Eurostat 2009 debt survey

The survey launched by Eurostat on Debt Structure contains nine tables: a set of four tables (central government unconsolidated debt, state and local government unconsolidated debt, social security funds' unconsolidated debt and general government consolidated debt) for 2008, and the same set of tables for 2009, plus a table with additional classifications of government debt.

The compilation of the general government debt is coherent with the provisions of ESA95 concerning the definition of government sub-sectors, instruments and debt holders. However, its valuation rules are different from the ones of ESA95. The general government debt is defined here as the total gross debt at nominal value (and not at market value as specified in ESA95) outstanding at the end of each year of the sector of general government (S.13), with the exception of those liabilities the corresponding assets of which are held by the sector of general government. Consequently, the data of general government debt are consolidated figures. However, at the sub-sector level, the data are consolidated within each government sub-sectors but not between sub-sectors.

GENERAL GOVERNMENT

Debt statistics cover data for general government as well as its sub-sectors: central government (S.1311), local government (S.1313), social security funds (S.1314), and when applicable state government (S.1312).

According to ESA95, paragraph 2.68 "the sector general government (S.13) includes all institutional units which are other non-market producers [institutional units whose sales do not cover more than the 50% of the production costs, see ESA95 paragraph 3.26] whose output is intended for individual and collective consumption, and mainly financed by compulsory payments made by units belonging to other sectors and/or all institutional units principally engaged in the redistribution of national income and wealth".

INSTRUMENTS

AF.2: The category currency and deposits consists of currency in circulation and all types of deposits in national and in foreign currency.

AF.3: The category securities other than shares consists of financial assets that are bearer instruments, are usually negotiable and traded on secondary markets or can be offset on the market, and do not grant the holder any ownership rights in the institutional unit issuing them.

AF.4: The category loans consists of financial assets created when creditors lend funds to debtors, either directly or through brokers, which are either evidenced by non-negotiable documents or not evidenced by documents.

CONSOLIDATION

Debt figures on general government statistics and each of its sub-sectors are reported consolidated (plus a separate reporting for non-consolidated general government).

Consolidation is a method of presenting statistics for a grouping of units, such as institutional sectors or sub-sectors, as if it constituted a single unit. Consolidation thus involves a special kind of cancelling out of flows and stocks: eliminating those transactions or debtor/creditor relationships that occur between two transactors belonging to the same grouping. ESA 95 recommends compiling both consolidated and non-consolidated financial accounts. For macro-financial analysis, the focus is on consolidated figures.

ABBREVIATIONS

EA16 (Euro area 16): BE (Belgium), DE (Germany), EL (Greece), ES (Spain), FR (France), IE (Ireland), IT (Italy), LU (Luxembourg), CY (Cyprus), MT (Malta), NL (the Netherlands), AT (Austria), PT (Portugal), SI (Slovenia), FI (Finland) and Slovakia(SK).

EU27 (European Union of 27 Member States): Euro Area 16 countries plus BG (Bulgaria), CZ (Czech Republic), DK (Denmark), EE (Estonia), LV (Latvia), LT (Lithuania), HU (Hungary), PL (Poland), RO (Romania), SE (Sweden), and the UK (United Kingdom).

NOTES

Estonia joined EA17 (Euro area 17) in 2011. This publication reflects the information of EA16.

Further information

Eurostat Website: http://ec.europa.eu/eurostat

Data on “Government finance statistics”
http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/data/database
Select “Government deficit and debt”

Further information about “Government finance statistics”
http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/introduction

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European Statistical Data Support:

With the members of the ‘European statistical system’, Eurostat has set up a network of support centres in nearly every Member State and in some EFTA countries.

Their role is to provide help and guidance to Internet users of European statistics.

Contact details for this support network can be found on the Eurostat website at:
http://ec.europa.eu/eurostat/.

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