

First notification of deficit and debt data for 2004

## Euro-zone and EU25 government deficit at 2.7% and 2.6% of GDP respectively

Government debt at 71.3% and 63.8%

In 2004, the government deficit of the **euro-zone**<sup>1</sup> and the **EU25** improved compared to 2003, while the government debt increased. In the **euro-zone**, the government deficit decreased from 2.8% of GDP in 2003<sup>2</sup> to 2.7% in 2004, and in the **EU25** it fell from 2.9% in 2003 to 2.6% in 2004. In the **euro-zone** the government debt to GDP ratio rose from 70.8% in 2003 to 71.3% in 2004, and in the **EU25** from 63.3% to 63.8%.

These results are based on the data on government deficit and debt<sup>3</sup> for 2004 transmitted by the 25 Member States to the European Commission (first notification<sup>4</sup> 2005). This notification is based on the ESA95 system of national accounts.

The attached data have been examined by **Eurostat, the Statistical Office of the European Communities**. The data are consistent with Eurostat decisions, including the most recent decision on treatment of transfers from the EU budget to the Member States<sup>5</sup>. However, for certain Member States Eurostat has to undertake further examination of deficit and debt data before the figures can be validated. Further explanations can be found under "Outstanding issues".

		2001	2002	2003	2004
<b>Euro-zone</b>	(million euro)				
GDP market prices (mp)		6 845 063	7 079 075	7 265 026	7 554 819
Government deficit (-) / surplus (+)		-119 457	-172 744	-206 643	-206 919
	% of GDP	-1.7	-2.4	-2.8	-2.7
Government debt		4 765 646	4 923 073	5 145 959	5 383 830
	% of GDP	69.6	69.5	70.8	71.3
Primary balance	% of GDP	2.2	1.2	0.6	0.6
<b>EU25</b>	(million euro)				
GDP mp		9 289 400	9 626 089	9 753 791	10 209 586
Government deficit (-) / surplus (+)		-114 008	-220 738	-282 591	-270 237
	% of GDP	-1.2	-2.3	-2.9	-2.6
Government debt		5 779 435	5 935 716	6 175 123	6 509 829
	% of GDP	62.2	61.7	63.3	63.8
Primary balance	% of GDP	2.4	1.0	0.3	0.4
<b>EU15</b>	(million euro)				
GDP mp		8 867 008	9 179 492	9 311 634	9 734 270
Government deficit (-) / surplus (+)		-96 884	-199 172	-257 372	-251 884
	% of GDP	-1.1	-2.2	-2.8	-2.6
Government debt		5 616 488	5 759 788	5 990 116	6 294 075
	% of GDP	63.3	62.7	64.3	64.7
Primary balance	% of GDP	2.5	1.2	0.4	0.4

In 2004 the largest government deficits in percentage of GDP were recorded by **Greece** (-6.1%), **Malta** (-5.2%), **Poland** (-4.8%), **Hungary** (-4.5%) and **Cyprus** (-4.2%). Six Member States continued to register a government surplus in 2004: **Denmark** (+2.8%), **Finland** (+2.1%), **Estonia** (+1.8%), **Sweden** (+1.4%), **Ireland** (+1.3%) and **Belgium** (+0.1%). In all, fourteen Member States recorded an improved public balance relative to GDP, while ten Member States registered a worsening.

In 2004 the lowest ratios of government debt to GDP were recorded in **Estonia** (4.9%), **Luxembourg** (7.5%), **Latvia** (14.4%) and **Lithuania** (19.7%). Nine Member States had a government debt ratio higher than 60% of GDP in 2004, the same as in 2003: **Greece** (110.5%), **Italy** (105.8%), **Belgium** (95.6%), **Malta** (75.0%), **Cyprus** (71.9%), **Germany** (66.0%), **France** (65.6%), **Austria** (65.2%), and **Portugal** (61.9%).

## Outstanding issues

As usual, the data reported by Member States for the 1 March notification are subject to revision afterwards, notably, but not exclusively, in the second notification due by 1 September.

Eurostat notes that there are ongoing discussions with the national statistical authorities of the following Member States, which prevent Eurostat from validating their data for the time being.

- **Greece:** Eurostat is not in a position to validate the figures for Greece. This is mainly due to a newly communicated inconsistency in the recording of flows between Greece and the EU budget. In addition, data for government deficit for the years 2002 and 2003 have also been revised by the Greek authorities in their March 2005 notification. These revisions were mainly due to the fact that a new law concerning the repayment of debt of hospitals was adopted at the end of 2004 by the Greek government. This revealed that unpaid expenditure by hospitals for the past years had not been properly booked when expenditure was incurred. Moreover, data on expenditure arrears of hospitals and on government expenditure for the Olympic Games are not yet final. This could lead to a further upward revision in the deficit figures.
- **Italy:** Eurostat is not in a position to validate the figures for Italy. This is mainly due to the recording of payments to government by financial institutions which act as tax collectors on behalf of the government (*concessionari d'imposta*), the sectoral classification of government-owned entities (ISPA), the treatment of a securitisation operation, the recording of transactions with the EU budget, inconsistencies between data on cash and accrual bases and statistical discrepancies in government accounts. The clarification of these issues could lead to an upward revision in the government deficit, most notably for 2003 and 2004.

Eurostat notes that there are ongoing discussions with the national statistical authorities of the following Member States which may lead to a subsequent revision of the data.

- **Portugal:** There are ongoing discussions between Eurostat and Portugal on the consistency between accrual and cash-based data provided by Portugal, for the period 2001-2004.
- **Latvia:** There are ongoing discussions between Eurostat and Latvia on the recording of payments to the EU budget. This issue could lead to a downward revision in the government deficit for 2004.
- **Lithuania:** There are ongoing discussions between Eurostat and Lithuania on the recording of restitutions of confiscated property and compensation for losses incurred during the changeover from the Ruble to the Lita. These issues could lead to a downward revision in the government deficit for 2004 and earlier years.

Eurostat intends to settle these issues as soon as possible in cooperation with Member States' statistical authorities.

1. Euro-zone: Belgium, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, Netherlands, Austria, Portugal and Finland.
2. In the previous notification, the 2003 government deficits for the euro-zone and the EU25 were 2.7% and 2.8% of GDP respectively. The government debt of the euro-zone was 70.7% of GDP and of the EU25 63.3% of GDP. See News Release 117/2004 of 23 September 2004.
3. According to the 'Maastricht Treaty' (Protocol on the excessive deficit procedure), government deficit (surplus) means the net borrowing (net lending) of the whole general government sector (central government, state government, local government and social security funds). It is calculated according to national accounts concepts (European System of Accounts, ESA95). Government debt is the consolidated gross debt of the whole general government sector outstanding at the end of the year (in nominal value). Primary surplus means the government deficit/surplus excluding interest charges (consolidated). However, interest data for Sweden are not consolidated.
  - Table of euro-zone, EU25 and EU15 aggregates: the data are in euro. For those countries not belonging to the euro-zone, the rate of conversion into euro is as follows:
    - for deficit / surplus and GDP data, the annual average exchange rate;
    - for the stock of government debt, the end of year exchange rate.
  - Table of national data: these are in national currencies, including euro for the euro-zone countries.
  - Figures for the year 2004 are partly estimated. They might be revised in the next notification, due at end-August 2005.

4. According to Council Regulation No 3605/93, as amended by Council Regulation No. 475/2000 and Commission Regulation (EC) No 351/2002.
5. See News Release 22/2005, 15 February 2005.

*For further information on the methodology of statistics reported under the excessive deficit procedure, please see the Eurostat publication "**ESA95 manual on government deficit and debt**", second edition (2002), 240 pages, ISBN 92-894-3231-4, PDF file free of charge from the Eurostat website, paper copy 37 EUR (excluding VAT). Recent additions on securitisation, capital injections, classification of funded pension schemes and impact on government finance, lump sum payments to government in the context of the transfer of pension obligations, and long term contracts between government units and non-government partners are available on the Eurostat website.*

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## GDP, deficit/surplus and debt in the EU (in national currencies)

		2001	2002	2003	2004
<b>Belgium</b>	(million euro)				
GDP mp		254 153	261 124	269 546	283 472
Government deficit (-) / surplus (+)		+1 586	+314	+962	+230
	% of GDP	+0.6	+0.1	+0.4	+0.1
Government debt		274 448	275 117	269 414	270 966
	% of GDP	108.0	105.4	100.0	95.6
Primary balance	% of GDP	7.2	6.1	5.7	4.8
<b>Czech Republic</b>	(million CZK)				
GDP mp		2 315 255	2 414 669	2 550 800	2 751 100
Government deficit (-) / surplus (+)		-137 036	-163 011	-297 585	-83 415
	% of GDP	-5.9	-6.8	-11.7	-3.0
Government debt		630 016	740 344	977 913	1 028 625
	% of GDP	27.2	30.7	38.3	37.4
Primary balance	% of GDP	-4.8	-5.2	-10.3	-1.8
<b>Denmark</b>	(million DKK)				
GDP mp		1 325 512	1 360 709	1 396 608	1 448 540
Government deficit (-) / surplus (+)		+41 760	+22 711	+17 100	+39 900
	% of GDP	+3.2	+1.7	+1.2	+2.8
Government debt		633 160	642 794	624 763	618 438
	% of GDP	47.8	47.2	44.7	42.7
Primary balance	% of GDP	6.3	4.5	3.8	5.1
<b>Germany</b>	(million euro)				
GDP mp		2 074 000	2 107 300	2 128 200	2 177 000
Government deficit (-) / surplus (+)		-58 600	-77 500	-81 300	-80 300
	% of GDP	-2.8	-3.7	-3.8	-3.7
Government debt		1 232 500	1 283 600	1 366 400	1 437 200
	% of GDP	59.4	60.9	64.2	66.0
Primary balance	% of GDP	0.4	-0.5	-0.7	-0.6
<b>Estonia</b>	(million EEK)				
GDP mp		104 338	116 869	125 832	137 941
Government deficit (-) / surplus (+)		+281	+1 677	+3 848	+2 426
	% of GDP	+0.3	+1.4	+3.1	+1.8
Government debt		4 607	6 176	6 706	6 808
	% of GDP	4.4	5.3	5.3	4.9
Primary balance	% of GDP	0.5	1.7	3.3	2.0
<b>Greece</b>	(million euro)				
GDP mp		131 317	141 669	153 472	165 280
Government deficit (-) / surplus (+)		-4 716	-5 783	-7 934	-10 148
	% of GDP	-3.6	-4.1	-5.2	-6.1
Government debt		150 695	158 885	167 722	182 702
	% of GDP	114.8	112.2	109.3	110.5
Primary balance	% of GDP	3.7	2.2	0.6	-0.4
<b>Spain</b>	(million euro)				
GDP mp		653 927	698 589	744 754	798 672
Government deficit (-) / surplus (+)		-3 389	-1 960	+2 358	-2 254
	% of GDP	-0.5	-0.3	+0.3	-0.3
Government debt		378 212	384 132	382 757	390 517
	% of GDP	57.8	55.0	51.4	48.9
Primary balance	% of GDP	2.6	2.6	2.8	1.9
<b>France</b>	(million euro)				
GDP mp		1 475 584	1 526 821	1 557 547	1 625 319
Government deficit (-) / surplus (+)		-22 700	-48 700	-65 800	-59 800
	% of GDP	-1.5	-3.2	-4.2	-3.7
Government debt		840 787	901 390	995 561	1 065 661
	% of GDP	57.0	59.0	63.9	65.6
Primary balance	% of GDP	1.6	-0.2	-1.3	-0.8

## GDP, deficit/surplus and debt in the EU (in national currencies)

		2001	2002	2003	2004
<b>Ireland</b>	(million euro)				
GDP mp		115 433	127 992	134 786	146 025
Government deficit (-) / surplus (+)		+1 033	-470	+270	+1 953
	% of GDP	+0.9	-0.4	+0.2	+1.3
Government debt		41 358	41 762	43 113	43 709
	% of GDP	35.8	32.6	32.0	29.9
Primary balance	% of GDP	2.4	1.0	1.5	2.5
<b>Italy</b>	(million euro)				
GDP mp		1 218 535	1 260 598	1 300 928	1 351 794
Government deficit (-) / surplus (+)		-35 963	-32 656	-37 792	-40 877
	% of GDP	-3.0	-2.6	-2.9	-3.0
Government debt		1 348 360	1 362 074	1 383 088	1 429 917
	% of GDP	110.7	108.0	106.3	105.8
Primary balance	% of GDP	3.6	3.2	2.4	2.0
<b>Cyprus</b>	(million CYP)				
GDP mp		6 104	6 370	6 805	7 234
Government deficit (-) / surplus (+)		-139	-284	-428	-306
	% of GDP	-2.3	-4.5	-6.3	-4.2
Government debt		3 777	4 153	4 752	5 204
	% of GDP	61.9	65.2	69.8	71.9
Primary balance	% of GDP	1.1	-1.3	-2.8	-0.9
<b>Latvia</b>	(million LVL)				
GDP mp		5 168	5 689	6 322	7 299
Government deficit (-) / surplus (+)		-109	-155	-95	-55
	% of GDP	-2.1	-2.7	-1.5	-0.8
Government debt		772	802	908	1 054
	% of GDP	14.9	14.1	14.4	14.4
Primary balance	% of GDP	-1.1	-1.9	-0.7	0.0
<b>Lithuania</b>	(million LTL)				
GDP mp		48 379	51 643	56 179	61 801
Government deficit (-) / surplus (+)		-972	-780	-1 085	-1 532
	% of GDP	-2.0	-1.5	-1.9	-2.5
Government debt		11 101	11 591	12 046	12 162
	% of GDP	22.9	22.4	21.4	19.7
Primary balance	% of GDP	-0.4	-0.1	-0.6	-1.5
<b>Luxembourg</b>	(million euro)				
GDP mp		22 020	22 806	23 956	25 627
Government deficit (-) / surplus (+)		+1 360	+523	+117	-282
	% of GDP	+6.2	+2.3	+0.5	-1.1
Government debt		1 592	1 714	1 709	1 930
	% of GDP	7.2	7.5	7.1	7.5
Primary balance	% of GDP	6.5	2.6	0.8	-0.9
<b>Hungary</b>	(million HUF)				
GDP mp		14 849 800	16 740 400	18 568 000	20 216 000
Government deficit (-) / surplus (+)		-547 300	-1 423 700	-1 160 400	-900 835
	% of GDP	-3.7	-8.5	-6.2	-4.5
Government debt		7 744 970	9 293 246	10 567 086	11 650 547
	% of GDP	52.2	55.5	56.9	57.6
Primary balance	% of GDP	1.0	-4.5	-2.2	-0.2
<b>Malta</b>	(million MTL)				
GDP mp		1 718	1 756	1 815	1 869
Government deficit (-) / surplus (+)		-111	-103	-190	-97
	% of GDP	-6.4	-5.9	-10.5	-5.2
Government debt		1 073	1 101	1 304	1 401
	% of GDP	62.4	62.7	71.8	75
Primary balance	% of GDP	-2.8	-1.9	-6.7	-1.1

### GDP, deficit/surplus and debt in the EU (in national currencies)

		2001	2002	2003	2004
<b>Netherlands</b>	(million euro)				
GDP mp		429 345	445 160	454 276	465 307
Government deficit (-) / surplus (+)		-322	-8 561	-14 748	-11 540
	% of GDP	-0.1	-1.9	-3.2	-2.5
Government debt		227 075	234 208	246 538	259 162
	% of GDP	52.9	52.6	54.3	55.7
Primary balance	% of GDP	3.3	1.1	-0.3	0.4
<b>Austria</b>	(million euro)				
GDP mp		212 731	218 274	223 713	231 634
Government deficit (-) / surplus (+)		+543	-466	-2 504	-3 094
	% of GDP	+0.3	-0.2	-1.1	-1.3
Government debt		142 798	145 483	146 325	150 928
	% of GDP	67.1	66.7	65.4	65.2
Primary balance	% of GDP	3.8	3.1	2.0	1.7
<b>Poland</b>	(million PLN)				
GDP mp		760 595	781 112	814 922	883 656
Government deficit (-) / surplus (+)		-29 358	-27 989	-36 665	-42 768
	% of GDP	-3.9	-3.6	-4.5	-4.8
Government debt		279 393	321 454	369 695	385 697
	% of GDP	36.7	41.2	45.4	43.6
Primary balance	% of GDP	-0.7	-0.7	-1.6	-2.2
<b>Portugal</b>	(million euro)				
GDP mp		122 550	128 458	130 511	134 947
Government deficit (-) / surplus (+)		-5 336	-3 465	-3 804	-3 953
	% of GDP	-4.4	-2.7	-2.9	-2.9
Government debt		68 466	75 142	78 387	83 578
	% of GDP	55.9	58.5	60.1	61.9
Primary balance	% of GDP	-1.2	0.3	0.0	-0.1
<b>Slovenia</b>	(million SIT)				
GDP mp		4 761 815	5 314 494	5 747 168	6 194 500
Government deficit (-) / surplus (+)		-133 170	-126 894	-115 423	-117 322
	% of GDP	-2.8	-2.4	-2.0	-1.9
Government debt		1 339 627	1 569 305	1 687 223	1 823 938
	% of GDP	28.1	29.5	29.4	29.4
Primary balance	% of GDP	-0.4	0.0	0.1	0.0
<b>Slovakia</b>	(million SKK)				
GDP mp		1 009 839	1 098 658	1 201 196	1 325 486
Government deficit (-) / surplus (+)		-60 579	-62 674	-44 742	-43 868
	% of GDP	-6.0	-5.7	-3.7	-3.3
Government debt		492 186	475 387	511 770	578 071
	% of GDP	48.7	43.3	42.6	43.6
Primary balance	% of GDP	-2.0	-2.1	-1.2	-1.1
<b>Finland</b>	(million euro)				
GDP mp		135 468	140 284	143 337	149 742
Government deficit (-) / surplus (+)		+7 047	+5 980	+3 533	+3 146
	% of GDP	+5.2	+4.3	+2.5	+2.1
Government debt		59 355	59 566	64 945	67 561
	% of GDP	43.8	42.5	45.3	45.1
Primary balance	% of GDP	7.9	6.5	4.5	4.0
<b>Sweden</b>	(million SEK)				
GDP mp		2 269 100	2 352 900	2 438 400	2 540 300
Government deficit (-) / surplus (+)		+57 100	-6 800	+3 700	+36 800
	% of GDP	+2.5	-0.3	+0.2	+1.4
Government debt		1 232 074	1 233 897	1 267 970	1 301 334
	% of GDP	54.3	52.4	52.0	51.2
Primary balance	% of GDP	5.7	2.8	2.3	3.2

### GDP, deficit/surplus and debt in the EU (in national currencies)

		2001	2002	2003	2004
<b>United Kingdom<sup>1</sup></b>	(million GBP)				
GDP mp		994 309	1 044 145	1 101 241	1 158 026
Government deficit (-) / surplus (+)		+6 716	-18 074	-36 977	-36 893
	% of GDP	+0.7	-1.7	-3.4	-3.2
Government debt		385 324	400 303	437 396	481 440
	% of GDP	38.8	38.3	39.7	41.6
Primary balance	% of GDP	3.1	0.3	-1.3	-1.1

1. The United Kingdom's reported data have been adjusted by Eurostat to record all the UMTS licence proceeds in 2000, according to Eurostat's decision (News Release 81/2000 of 14 July 2000); as a consequence of this adjustment, the UK government surplus was increased by GBP 21 932 million (2.3% of GDP) in 2000 and decreased by GBP 1 044 million (-0.1% of GDP) in 2001. The deficit in 2002 and 2004 was increased by GBP 1 044 million (-0.1% of GDP), and in 2003 by GBP 1 045 million (-0.1% of GDP).

## Annex

### Classification of funded pension schemes in case of government responsibility or guarantee

On 2 March 2004 Eurostat published a decision on classification of funded pension schemes in case of government responsibility or guarantee (News Release 30/2004). As announced on that occasion, Eurostat organised bilateral discussions with several Member States on the implementation of the decision. In the context of these discussions, it appeared that some Member States might need a transitional period to implement the decision and to avoid disruptions in the conduct of their budgetary policies. This transitional period will expire with the notification of March 2007. Therefore, all Member States will have to abide by the decision in the context of the March 2007 EDP notification at the latest. At present, Denmark, Hungary, Poland, and Sweden have classified their defined contribution funded pension schemes inside the government sector.

Until the expiry of the transitional period, the inclusion of the above pension schemes in general government will reduce the deficit or increase the surplus of general government and it will decrease the debt of general government. In the March 2005 EDP notification, the impact for the Member States concerned was, in percentage of GDP:

#### Deficit / Surplus

	2001	2002	2003	2004
Denmark	1.1%	1.0%	1.0%	1.1%
Hungary	0.7%	0.7%	0.9%	0.9%
Poland	1.5%	1.9%	1.7%	2.0%
Sweden	0.9%	0.9%	0.9%	1.0%

#### Debt

	2001	2002	2003	2004
Denmark	1.4%	1.6%	1.3%	1.2%
Hungary	1.4%	1.7%	2.2%	3.1%
Poland	1.8%	2.5%	3.3%	4.1%
Sweden	0.0%	1.3%	1.3%	1.3%