Statistics in focus

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Contents

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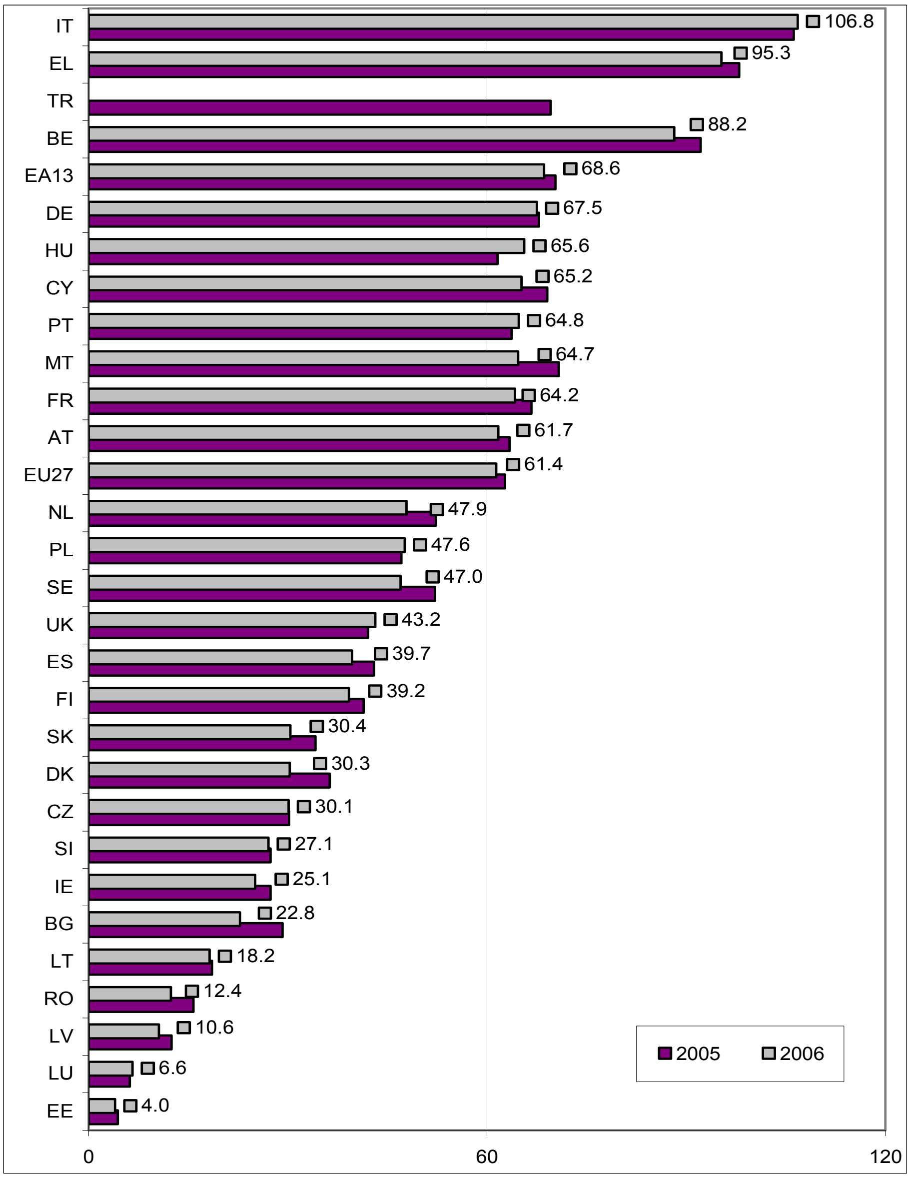
Structure of government debt in Europe, 2006

The EU-27 debt to GDP ratio reached in 2006 its lowest value since 2003

Highlights

- The general government debt-to-GDP ratio was below the 60% threshold for 17 EU Member States in 2006;
- The EU27 debt-to-GDP ratio reached in 2006 its lowest value since 2003, at 61.4%;
- Close to 80% of government debt was financed by issuing securities, while loans represented just above 15% in 2006;
- For fifteen responding EU members (including 10 euro area Members), 50% or more of the total government debt was euro denominated;
- For 24 responding EU members two thirds or more of the government debt was classified as having a maturity of longer than 1 year.

Figure 1: General government consolidated debt as a percentage of GDP in 2005 and 2006



Source: Eurostat, EDP notifications, Septembre 2007.

General government debt below 60% of GDP in 17 Member States

In 2006, as in 2005, seventeen EU Member States recorded a general government consolidated debt below 60% of GDP (see figure 1).

The EU27 debt to GDP ratio reached in 2006 its lowest value since 2003, at 61.4%. In nominal terms however, EU27 general government debt at current prices reached its highest value, fifteen percent above its 2003 level.

One country (Italy) had government debt level exceeding 100% of GDP.

Some countries, on the other hand, have a relatively low debt level. This is the case for the new Member States except Hungary, Cyprus and Malta. Three Member States recorded a particularly low debt level: Estonia, Luxembourg and Latvia, all with government debt equal to or below 10% of GDP in 2006.

Compared to the situation in 2000, four countries (BE, ES, DK, and SK) reduced debt to GDP levels by around twenty percentage points. The largest reduction (50 percentage points) was in Bulgaria.

Sub-sector breakdown

The ESA95 divides general government into four sub-sectors:

- Central government (S.1311);
- State government (S.1312);
- Local government (S.1313);
- Social security funds (S.1314).

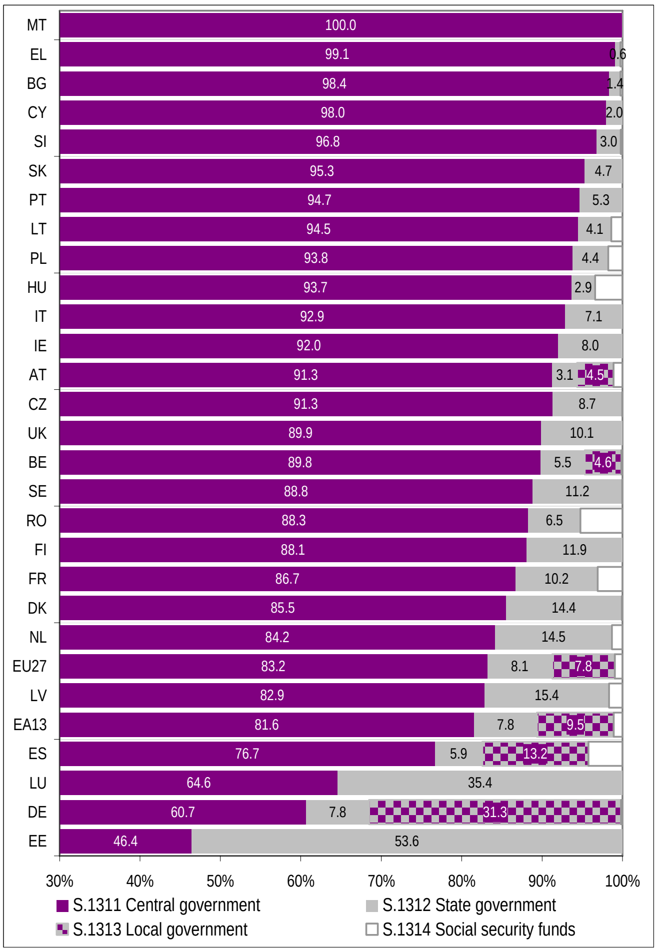
The state government sub-sector exists in only four Member States: Belgium, Germany, Spain and Austria.

For most countries (24 out of 27), central government debt represented more than three quarters of general government unconsolidated debt in 2006 (see figure 2).

However, this share was lower in Estonia (46.4%), Germany (60.7%) and Luxembourg (64.6%). For these countries, local and state governments played a more important role. Local government debt represented 53.6% of general government unconsolidated debt in Estonia and 35.4% in Luxembourg. The share of state government debt amounted to 31.3% in Germany (the corresponding figure being much lower for the three other countries with a state government sub-sector: 13.2% for Spain, 4.6% for Belgium and 4.5% for Austria). Other Member States had a significant percentage (≥ 10%) of local government debt: Latvia (15.4%), the Netherlands (14.5%), Denmark (14.4%), Finland (11.9%), Sweden (11.2%), France (10.2%) and the United Kingdom (10.1%).

In all countries, the share of the sub-sector social security funds in general government unconsolidated debt was very low (close to or below 5%).

Figure 2: Breakdown of general government unconsolidated debt by sub-sector for 2006



Source: Eurostat, EDP notifications, April 2007.

Breakdown by financial instrument

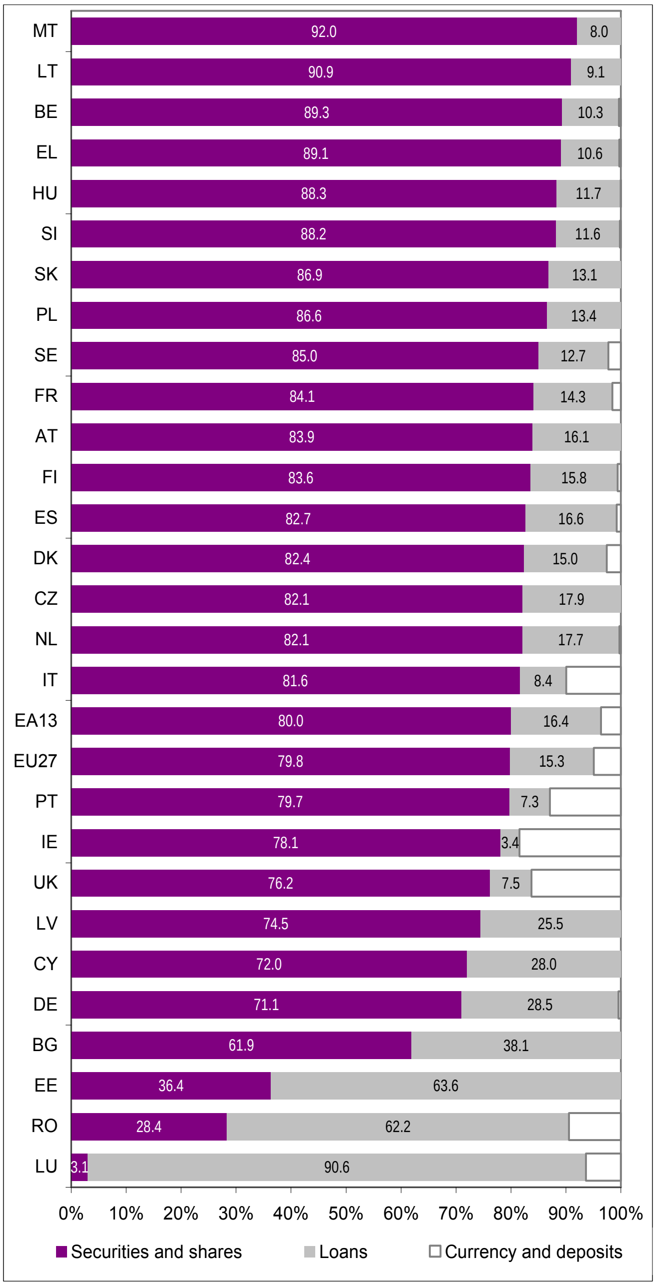
Financial instruments are classified according to types or characteristics. This makes it possible to identify the government's financial risk or exposure to e.g. the bond markets. They are classified by degree of liquidity, which can be relevant for analysis. Countries were asked in the Eurostat debt survey to provide for each sub-sector a breakdown by financial instrument. Government debt is, according to Council Regulation No 3605/93, made up of the following instruments:

- Currency and deposits (AF.2);
- Securities other than shares, excluding financial derivatives (AF.33);
- Loans (AF.4).

In 2006, the use of debt instruments varied from one country to another (see figure 3). Nevertheless, in the EU, close to 80% of the debt was financed by issuing securities, while loans represented just above 15%. Three countries make relatively low use of securities (Luxembourg 3.1%, Romania 28.4% and Estonia 36.4%) and make greater use of loans (Luxembourg 90.6%, Romania 62.2% and Estonia 63.6%). As these countries have a very low government debt, the use of loans is easier to manage and less expensive.

Liabilities in currency and other deposits were in general very low, or even non-existent. However, in three countries the share of currency and other deposits was higher than 10%: Ireland (18.4%), the United Kingdom (16.3%), and Portugal (12.9%). The reason is that the figures for the instrument 'other deposits' (AF.29) of the debt-holder 'households and non-profit institutions serving households' (S.14+15) are much higher because deposits in institutions like post offices and in the Treasury are counted as government liabilities.

Figure 3: Breakdown of general government consolidated debt by instrument in 2006



Source: Eurostat, Debt survey.

Breakdown by debt holder

The survey distinguishes four categories of economic agents, according to ESA95 classification:

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

The responses were for the first time sufficiently complete to allow a full breakdown

Table 1: Breakdown by general government consolidated debt by debt holder in 2006

	Non-residents (S.2)	Financial corporations (S.12)	Other residents (S.14+S.15)	Non-financial corporations (S.11)
BE	48.5%	46.0%	3.4%	2.1%
BG	64.3%	25.9%	:	:
CZ	22.9%	74.6%	0.2%	2.3%
DE	45.8%	43.1%	:	:
EE	57.0%	40.3%	0.0%	2.7%
IE	62.3%	18.9%	18.7%	0.1%
ES	50.6%	45.3%	1.8%	2.4%
FR	52.4%	45.3%	0.9%	1.4%
LV	54.0%	37.0%	:	:
LT	68.4%	30.9%	0.3%	0.4%
LU	2.0%	91.6%	:	:
HU	46.9%	44.4%	7.2%	1.6%
MT	4.5%	70.8%	:	:
AT	75.8%	23.1%	0.4%	0.6%
PL	39.5%	54.6%	2.6%	3.3%
PT	72.2%	13.7%	12.9%	1.2%
RO	27.8%	62.4%	2.6%	7.2%
SK	42.2%	57.2%	0.1%	0.5%
FI	80.1%	13.7%	1.3%	4.9%
SE	23.7%	67.1%	5.1%	4.1%

Source: Eurostat, Debt survey
BG, DE, LV, LU, MT: Breakdown by S14&S15 and S11 not available.

The breakdown by debt holder is very different in each country (see table 1). In 2006 the share of financial corporations acting as debt holders was high for Luxembourg (91.6%), the Czech Republic (74.6%), Malta (70.8%) and Sweden (67.1%). Finland, Austria and Portugal had the highest share of non-resident debt holders, with 80.1%, 75.8% and 72.2% respectively. Ten out of twenty countries providing data, reported over half of the government debt to be held by non-residents in 2006.

Maturity breakdown

In the survey, the countries were asked to give detailed information on the time structure of the debt based on its initial maturity. This information was in many cases difficult to obtain. For the moment 13 countries are able to give information at a very detailed level. Most countries subdivide the maturity structure only into “up to one year” and “over one year” (see table 2).

For the 24 responding countries over two thirds of the debt was classified as having a maturity of longer than one year. In nine countries the share of short-term debt was lower than 5%. The use of short term debt was non existent in Slovakia and Bulgaria for which all government debt has more than one year maturity. Four Member States recorded a short-term debt higher than 20%: Sweden (31.2%), Ireland (23.9%), Portugal (23.6%) and Luxembourg (21.3%).

Table 2: General government debt by maturity as a percentage of total debt in 2006

	À moins d'un an	À plus d'un an	1-5 ans	5-7 ans	7-10 ans	10-15 ans	15-30 ans	Plus de 30 ans
SE	31.2	68.8	16.4	1.8	6.6	34.6	9.3	0.1
IE	23.9	76.1	16.0	11.9	0.0	16.6	31.1	0.5
PT	23.6	76.4	8.2	11.0	1.5	44.1	11.7	0.0
LU	21.3	78.7	:	:	:	:	:	:
IT	18.3	81.7	:	:	:	:	:	:
HU	16.2	83.8	2.6	:	:	:	:	:
MT	12.2	87.8	5.1	12.3	20.8	25.7	23.6	0.2
DK	11.9	88.1	:	:	:	:	:	:
FR	11.5	88.5	:	:	:	:	:	:
BE	10.8	89.2	:	:	:	:	:	:
FI	10.8	89.2	:	:	:	:	:	:
CZ	9.8	90.2	30.9	6.2	27.3	19.9	4.0	1.9
RO	9.5	90.5	8.9	20.9	23.6	9.9	26.1	1.0
PL	6.2	93.8	36.3	5.0	35.5	7.2	8.8	0.9
DE	6.1	93.9	:	:	:	:	:	:
ES	4.8	95.2	23.2	7.7	17.4	30.3	9.9	6.8
LV	4.7	95.3	14.7	12.5	50.3	6.7	8.8	2.4
SI	4.7	95.3	31.9	2.2	26.4	23.2	10.9	0.6
LT	2.3	97.7	9.1	24.1	45.3	15.6	3.6	0.0
AT	1.8	98.2	:	:	:	:	:	:
EE	1.1	98.9	29.2	8.9	29.7	25.9	5.1	0.0
EL	0.8	99.2	:	:	:	:	:	:
BG	0.0	100.0	:	:	:	:	:	:
SK	0.0	100.0	31.1	14.8	31.9	19.4	2.7	0.0

Source: Eurostat, Debt survey.

Development of short-term debt as a percentage of total debt

As tables 2 and 3 show, there is no common maturity pattern. The proportion of short-term debt was for some countries (Slovakia, Bulgaria, and Greece) almost negligible (less than 1% in 2006) while for Sweden it represented almost one third of total debt.

Moreover, from one year to another, the proportion of short-term debt as a percentage of total debt changed significantly for some Member States. In 2002 the Czech Republic and Romanian short-term debt represented 41.4% and 30.1% of total debt respectively. This share was reduced to less than ten percent in 2006. The use of short term finance increased between 2002 and 2006 in seven Member States, particularly in Sweden, Portugal and Italy.

Table 3: Development of short-term debt as a percentage of total debt

	1998	2002	2003	2004	2005	2006
SE	21.2	10.0	26.8	27.0	29.3	31.2
IE	14.6	17.7	10.4	0.9	0.7	23.9
PT	4	1.4	6.0	13.9	25.6	23.6
LU	25.4	15.9	12.8	17.6	25.9	21.3
IT	11	8.3	8.6	72.9	18.2	18.3
HU	17.2	22.0	19.6	17.7	15.9	16.2
MT	15.8	23.8	22.2	20.5	15.5	12.2
DK	7.6	:	:	25.9	12.3	11.9
FR	31.4	12.6	14.2	13.8	14.2	11.5
BE	14.4	9.3	8.5	10.2	10.1	10.8
FI	4.7	12.4	14.2	14.7	8.6	10.8
CZ	:	41.4	19.1	16.1	11.1	9.8
RO	28.5	30.1	12.6	17.0	6.2	9.5
PL	:	14.6	14.9	14.3	7.1	6.2
DE	3.8	5.1	5.9	5.3	5.4	6.1
ES	7.9	5.8	5.5	5.5	4.9	4.8
LV	15.7	5.3	10.7	7.2	6.9	4.7
SI	1.7	8.2	:	5.8	4.0	4.7
LT	23.9	5.2	6.9	5.7	10.6	2.3
AT	6.2	2.9	3.2	4.2	2.7	1.8
EE	4.4	2.8	1.3	0.4	1.2	1.1
EL	9.4	0.9	2.0	1.6	1.0	0.8
BG	:	:	0.6	0.7	0.1	0.0
SK	16.7	14.6	13.7	14.3	2.0	0.0

Source: Eurostat, Debt survey.

Currency breakdown

Euro area governments issued the majority of their debt in euro (between 93.9% and 100%). An additional five countries (RO, BG, LV, LT, and EE) issued close to or over half of their total general government debt in euro (see figure 4).

For the remaining non euro area countries, the majority of debt was issued in national currency. The use of national currency in this group ranged from 99.7% in the UK to 62.7% in Slovenia.

In Bulgaria, Romania and Turkey, the share of debt issued in foreign currency not including the euro, was highest. For these countries, the debt in US dollars accounted for between 16 and 20% of total government debt in 2006.

Figure 4: Breakdown of general government debt by currency of issue in 2006

Source: Eurostat, Debt survey.
(*) Central government debt has been used instead of general government.

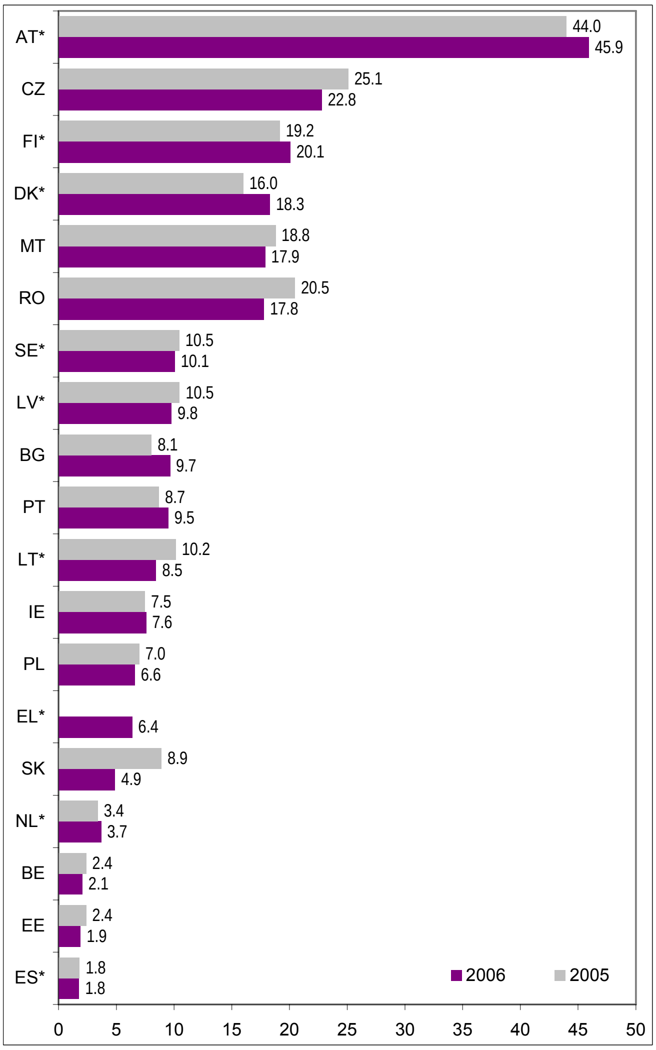
State guarantees

In several European Union Member States, the government guarantees the debt of certain enterprises (in particular in the sectors of transport and energy). This practice allows enterprises to have access to financial resources at a more advantageous cost, and moreover ensures successful borrowing: the creditor is certain that, in case of difficulty of the debtor, the State will immediately intervene to honour the liability. The State guarantee may be given to an enterprise on a one-off basis, at the issuing of a particular debt, or concern all borrowing, by law or by specific enterprise status provisions[1].

Based on 19 replies from EU Member States, the analysis of state guarantees can give only an incomplete picture of the situation in the European Union (see figure 5). In most of the responding countries state guarantees as a percentage of total general government debt was not higher than 20%; in many cases they did not exceed 10%. The level of state guarantees was the highest (for the responding countries) in Austria where it was close to 46% in 2006. For most responding countries a downward trend can be seen. The exceptions are Denmark, Austria, Bulgaria, Portugal and Finland where the level of state guarantees increased slightly between 2005 and 2006.

State guarantees were not much used in Spain, Estonia and Belgium, representing around two percent of the total government debt in 2006.

Figure 5: State guarantees as a percentage of total general government debt by Member State in 2005 and 2006



Source: Eurostat, Debt survey.
(*)Central government debt has been used instead of general government.

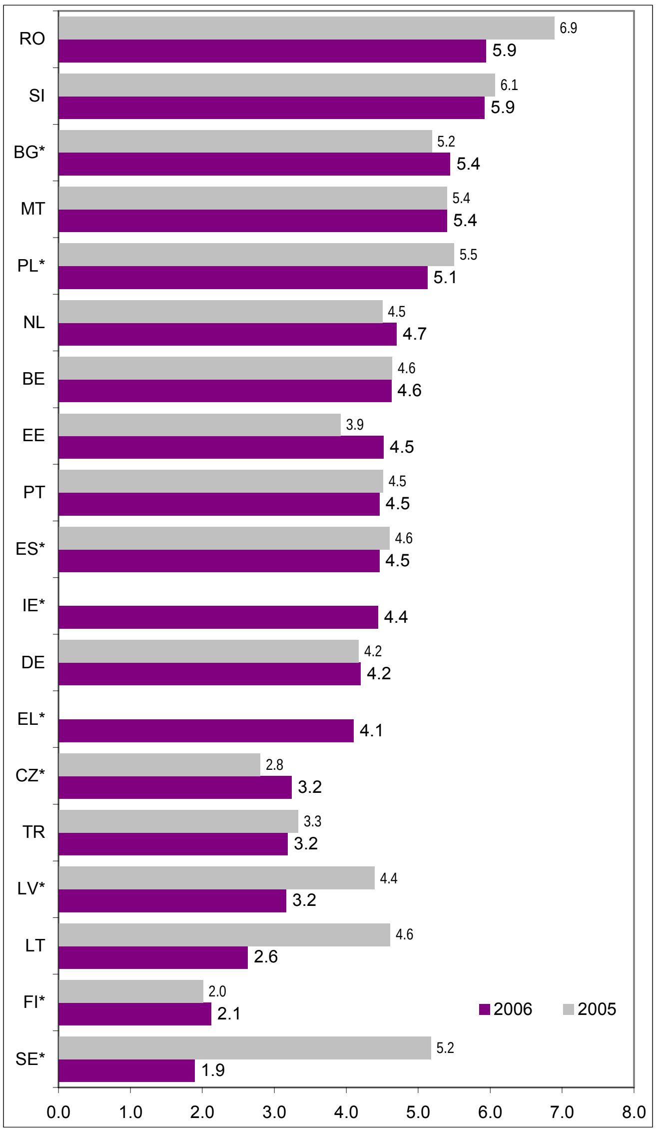
[1] *Source : ESA manual on government deficit and debt.*

Apparent cost of debt

Based on 19 replies from EU Member States, only a rough indication of the apparent cost (average interest rate) of government debt can be given. The level of apparent cost varied in 2006 for the European Union from 1.9% in Sweden to 5.9% in Romania (see figure 6).

For the majority of countries only a small change in cost for government debt was observed between 2005 and 2006. However, for four reporting countries the changes were substantial (SE, LT, LV and RO). The cost was for all of them reduced but the change was particularly strong for Sweden where apparent cost dropped from 5.2% to 1.9%.

Figure 6: Apparent cost of general government debt by Member State in 2005 and 2006



Source: Eurostat, Debt survey.
(*)Central government debt has been used instead of general government.

Impact of consolidation

Government debt figures must be consolidated according to the Maastricht definition. This means that debt issued by one sub-sector and held by another is not included in general government debt. The consolidation effect reduces the general government debt by eliminating intra-governmental debt.

The impact of consolidation is different in each country and it changes over time (see table 4). In general it reduces general government debt by between 5% and 10%. However, for some countries, there is almost no impact at all, for example in Malta, Estonia, the Czech Republic and Bulgaria. Intra-governmental debt is negligible in these countries. On the other hand, in Cyprus and Latvia the impact of consolidation amounted to 48.7% and 58.0% respectively, by far the highest levels in the EU27. For Romania, the impact was also quite high, with intra-government debt representing 23.9% of total debt in 2006.

Table 4: Intra general government sector's debt as a percentage of total general consolidated debt, from 2002 to 2006

	2002	2003	2004	2005	2006
MT	0.0	0.0	0.0	0.0	0.0
EE	2.5	2.0	1.9	1.2	0.6
CZ	1.2	1.3	0.9	0.8	0.6
BG	0.3	0.3	0.4	0.6	0.8
DE	1.3	1.2	1.1	1.0	1.0
DK	1.3	1.3	1.2	1.1	1.0
PL	2.9	0.8	0.8	1.0	1.1
IT	3.0	1.5	1.7	1.5	1.1
LT	3.4	3.1	1.9	1.3	1.2
HU	2.9	4.5	4.7	4.4	1.5
SI	:	:	:	:	1.8
SK	1.7	1.0	1.3	1.7	2.3
AT	1.7	2.0	2.0	2.9	3.1
BE	5.2	3.7	3.6	3.7	4.0
FR	3.7	3.6	3.7	3.8	4.6
SE	4.8	4.7	4.3	4.3	5.2
NL	6.5	7.3	6.7	6.2	5.6
FI	10.5	9.0	7.4	7.3	6.2
PT	3.7	4.8	7.0	7.2	6.9
IE	6.1	6.4	6.5	7.0	7.3
UK	11.7	9.7	8.9	8.7	8.4
ES	6.3	7.4	9.4	10.2	10.0
LU	19.3	18.7	16.5	14.3	11.4
GR	9.4	10.6	11.6	12.0	12.1
RO	17.2	14.6	13.5	14.9	23.9
LV	22.5	19.8	20.4	28.9	48.7
CY	57.8	55.0	53.4	55.9	58.0

Source: Eurostat, Debt survey.

➢ ESSENTIAL INFORMATION – 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.

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.

THE EUROSTAT 2007 DEBT SURVEY

This year is the seventh time that Eurostat has sent out to EU Member States and the Candidate Countries the survey on the structure of government debt. The other surveys were conducted in 1996, 1999, 2003, 2004, 2005 and 2006. The first two surveys were based on the ESA79 methodology; the following ones used the ESA95 methodology. The aim of the study is to update the statistical information contained in the 'Structure of government debt in Europe' published in May 2007. The study compares 2002 up to 2006 data covering the EU27 and EU candidate countries. The survey contained 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 2005, and the same set of tables for 2006, plus a table with additional classifications of government debt. As the data of the survey are not always complete enough to cover all EU Member States the data of EDP notifications in the context of Council Regulation (EC) No 3605/93 are also used for this study.

A cross check between the survey and EDP notifications has been made for general government consolidated debt. For some countries there were slight differences which were explained by vintage issues. Sub-sectors were also compared since the sub-sector data are also notified. 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

Euro area 13: BE (Belgium), DE (Germany), EL (Greece), ES (Spain), FR (France), IE (Ireland), IT (Italy), LU (Luxembourg), NL (the Netherlands), AT (Austria), PT (Portugal), SI (Slovenia). and FI (Finland).

EU-27 (European Union of 27 Member States): Euro Area 13 countries plus BG (Bulgaria), CZ (Czech Republic), DK (Denmark), EE (Estonia), CY (Cyprus), LV (Latvia), LT (Lithuania), HU (Hungary), MT (Malta), PL (Poland), RO (Romania), SK (Slovakia), SE (Sweden), and the UK (United Kingdom).

Further information:

Data: EUROSTAT Website/Home page/Economy and finance/Data

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