Economy and finance

eurostat
Statistics in focus
34/2012

Author: Iulia STANISLAV EMINESCU

Structure of government debt in Europe in 2011

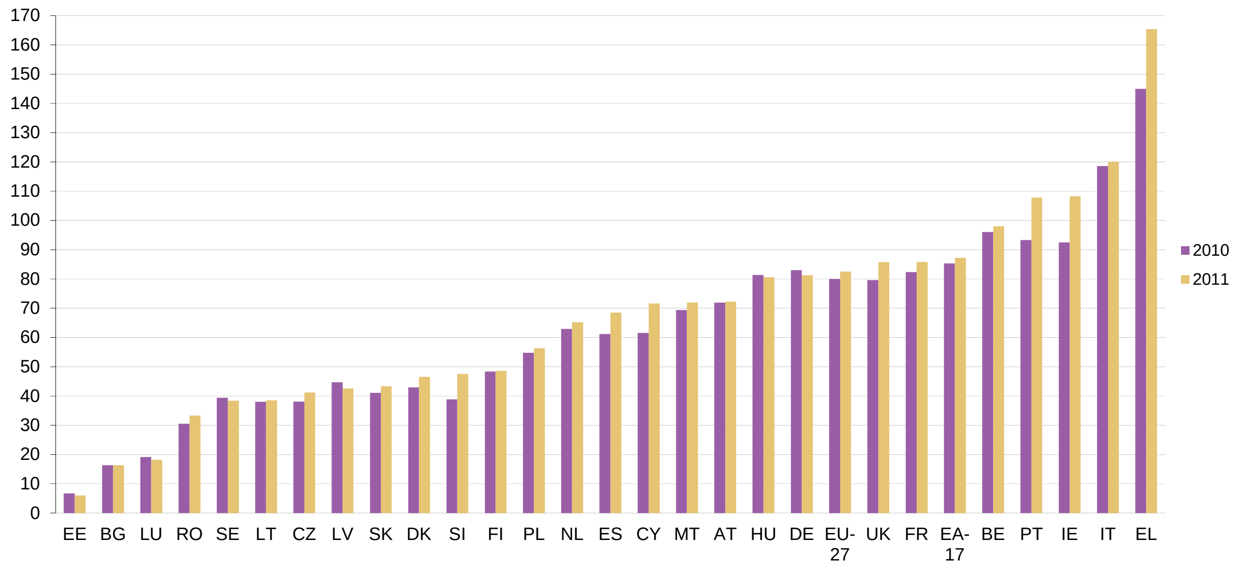
Upward trend in the EU government debt level continued in 2011

In order to analyse the debt structure in Europe, Eurostat conducts an annual survey to collect data from Member States information on debt by holder, instrument, maturity, currency of issuance, as well as guarantees granted by the government to non-government units. This publication examines the main results of the latest questionnaire, fully or partly completed by 25 countries.

Maastricht Debt as a percentage of GDP

In general the Maastricht government debt (for Maastricht debt definition see methodological note) has followed an upward trend over recent years. This trend continued for 21 EU Member States between 2010 and 2011. In contrast, Latvia, Germany, Sweden, Luxembourg, Hungary and Estonia recorded a decreased government debt level in 2011.

Figure 1: Maastricht debt as a percentage of GDP, 2010 – 2011



Source: Eurostat (online data code: gov_dd_edpt1).

14 out of 27 EU Member States reported debt to GDP ratios over the reference value of 60%. Greece recorded the highest debt ratio at 165.3%, followed by Italy (120.1%). The lowest debt to GDP ratio was observed in Estonia (6.0%). The upward trend in the government debt was confirmed by the development of the EU-27 and EA-17 debt to GDP ratios, with values over 60% in 2011.

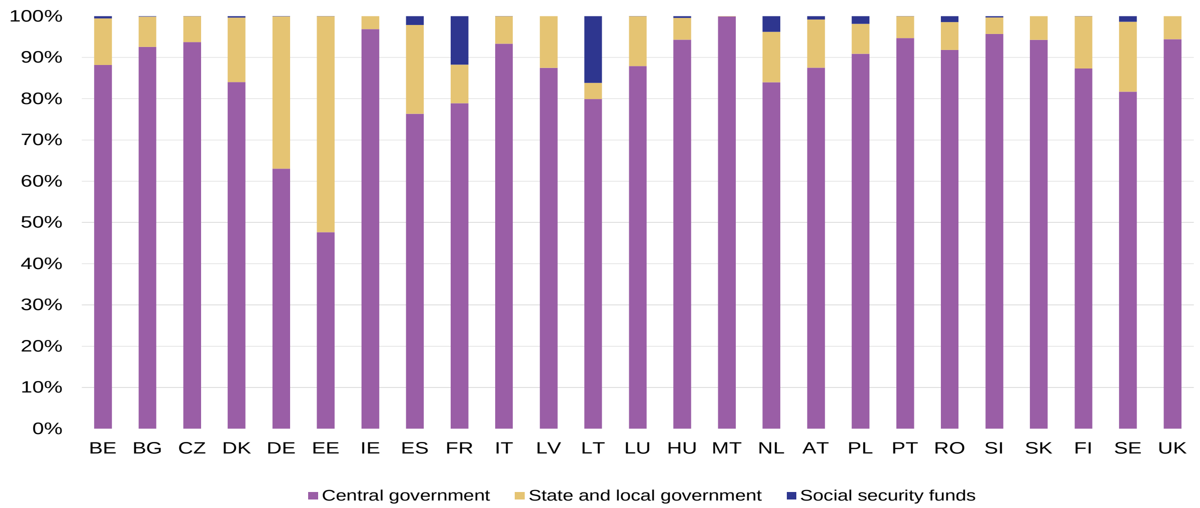
The highest increase of debt to GDP ratio was observed in Greece by 20.3 percentage points (pp). Ireland recorded the second strongest increase (15.7 pp), followed by Portugal (14.5 pp). The relative increase in the EU-27 debt (2.5 pp) was slightly higher than for the EA-17 (1.9 pp). On the other hand, six countries recorded decreases of between 2.1 pp and 0.7 pp.

eurostat EUROPEAN COMMISSION

Maastricht debt - breakdown by sub-sector

According to ESA95, the general government sector (S.13) is divided into four sub-sectors: Central government (S. 1311), State government (S. 1312), Local government (S.1313) and Social security funds (S. 1314). The breakdown by sub-sector is reflected in Figure 2.

Figure 2: Debt by sub-sector, 2011



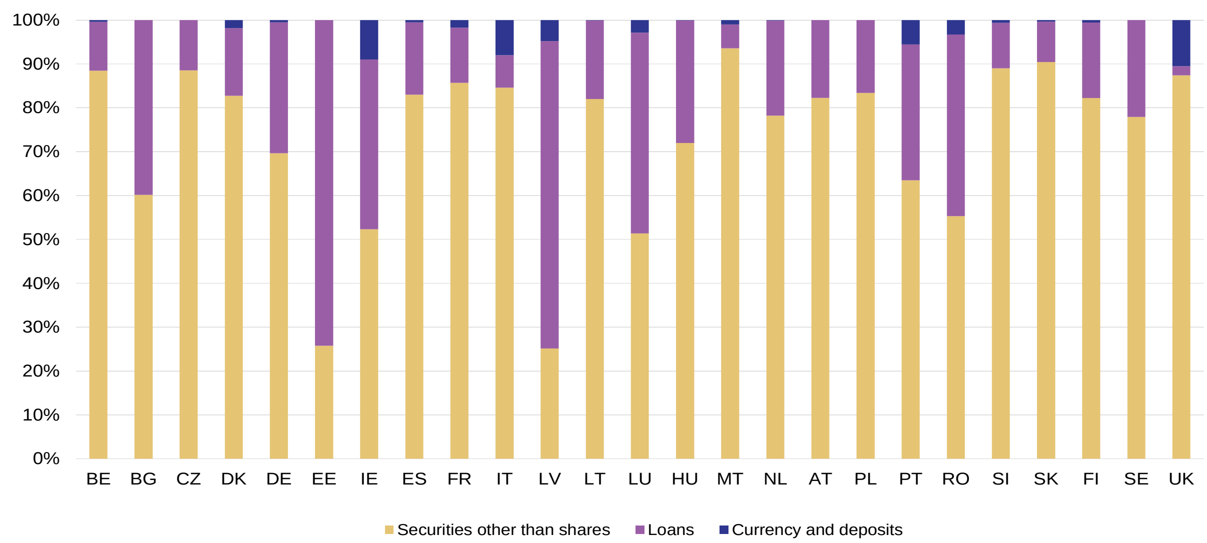
Source: Eurostat (online data code: gov_dd_ggd).

For most countries (24 out of 25 respondents) the central government represented more than 63% of general government unconsolidated debt. A different situation was experienced in Estonia, where the debt share of the local government exceeded 52%. Significant ratios of state and local government in total debt were also recorded in Germany (36.9%), Spain (21.5%), Sweden (17.0%) and Denmark (15.6%). Social security funds had a minor impact in the general government debt: contributions of less than 4% were recorded in 23 countries. In contrast, two Member States recorded higher ratios of social security funds: France (11.8%) and Lithuania (16.2%).

Maastricht debt - breakdown by financial instrument

The Maastricht debt can be grouped into the following categories according to the ESA95 classification: currency and deposits (AF.2); securities other than shares, excluding financial derivatives (AF.33), and loans (AF.4). The breakdown of debt by financial instrument is presented in the following graph.

Figure 3: Debt by financial instrument, 2011



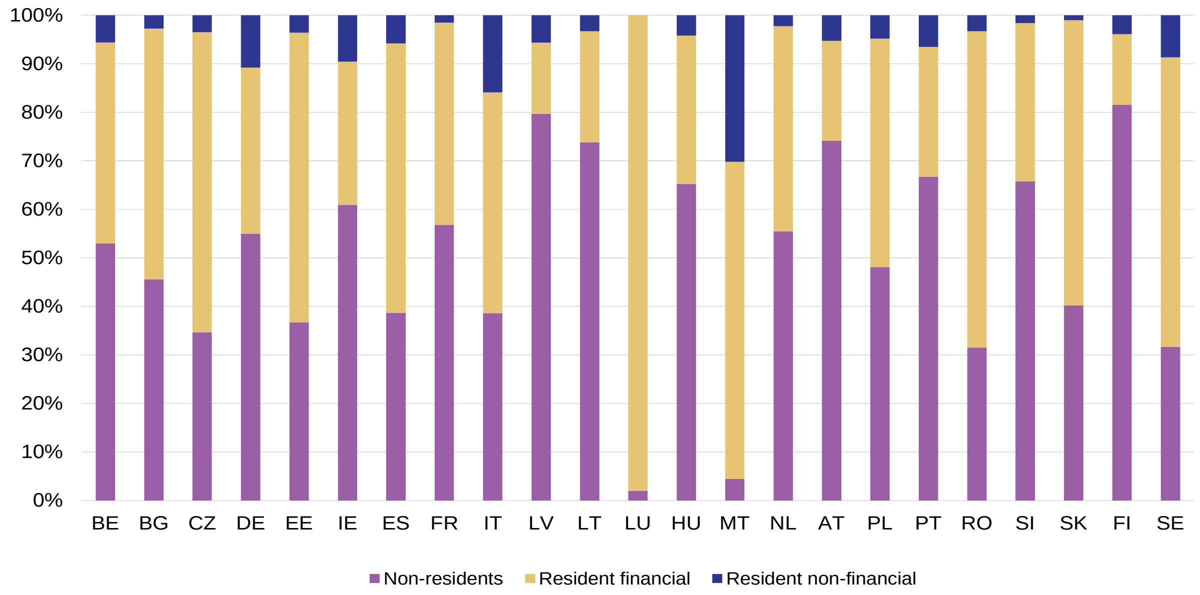
Source: Eurostat (online data codes: gov_dd_cgd, gov_dd_slgd, gov_dd_ssfd).

23 out of 25 EU Member States for which data are available, classified securities other than shares as the most preferred debt instrument: between 51.4% and 93.6% of the general government debt was financed by securities issuance. Estonia and Latvia had a different breakdown, with loans accounting for over 70% of the total debt. Loans also made up between 31.0% and 45.8% of the total debt for Luxembourg, Romania, Bulgaria, Ireland and Portugal. The share of currency and deposits was negligible for 22 countries, with ratios of less than 6% of total debt. In contrast, they accounted for between 8.0% and 10.5% for Italy, Ireland and the United Kingdom.

Maastricht debt - breakdown by debt holder

As regards the breakdown by debt holder, the following graph illustrates the debt attribution to non-financial residents (non-financial corporations, households and non-profit institutions serving households), financial residents (financial corporations) and non-residents (rest of the world).

Figure 4: Debt by debt holder, 2011



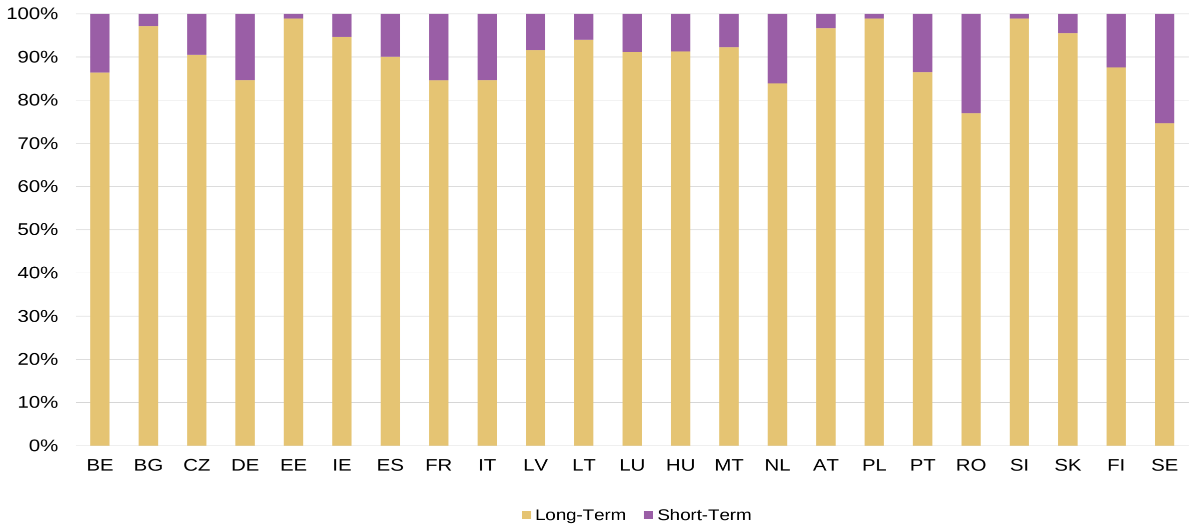
Source: Eurostat (online data code: gov_dd_ggd). Missing data: DK and UK.

The debt share of non-residents accounted for more than 31.5% of the general government debt in 21 EU Member States. Moreover, 12 countries recorded percentages higher than 50%: Finland, Latvia, Austria, Lithuania, Portugal, Slovenia, Hungary, Ireland, France, the Netherlands, Germany and Belgium. In contrast, this proportion was almost negligible in Luxembourg (less than 2%) and in Malta (less than 5%). The resident financial sector played a substantial role in Luxembourg, Malta, Romania and the Czech Republic, accounting for between 61.8% and 98%. The debt share of the resident non-financial sector was significant in Malta, representing more than 30%, followed by Italy (15.9%) and Germany (10.8%).

Maastricht debt - breakdown by maturity

Countries were asked to provide detailed information on the time structure of their government debt based on its initial maturity. The maturity was subdivided into several maturity brackets. However, because most of the countries didn't provide complete data, only two categories have been retained for the analysis: less than one year (short-term) and more than one year (long-term). The ratio of long-term and short-term debt to total debt is illustrated in Figure 5.

Figure 5: Debt by maturity, 2011



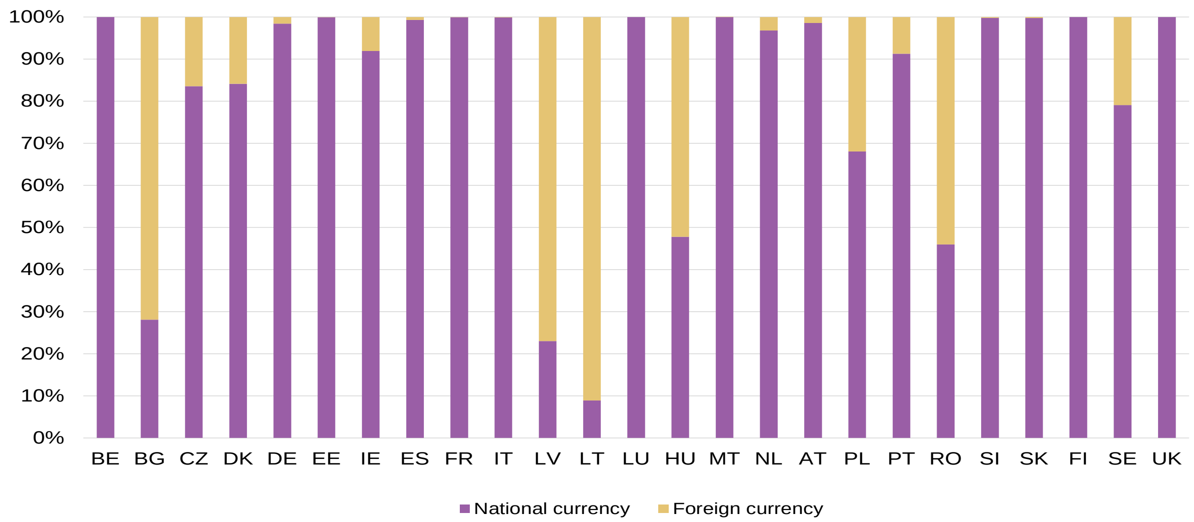
Source: Eurostat (online data code: gov_dd_ggd). Missing data: DK and UK.

The outstanding debt issued on a long-term basis accounted for between 74.6% and 98.9% of the total in 23 EU Member States, revealing a common pattern. Short-term debt levels of less than 5% were recorded in Estonia, Slovenia, Poland, Bulgaria, Austria and Slovakia. Only Sweden and Romania registered a significant short-term debt ratio (higher than 23%).

Maastricht debt - breakdown by currency

20 EU Member States issued more than 68% of their government debt in national currency. In particular, the United Kingdom, Finland, Luxembourg and Belgium issued all debt in national currency. Significant percentages (over 96%) were also observed in the Netherlands, Germany, Austria, Spain, Slovakia, Slovenia, Italy, Estonia, France and Malta. On the other hand, Lithuania issued 91.1% of debt in foreign currency, followed by Latvia (77.0%) and Bulgaria (71.9%). This is reflected in Figure 6.

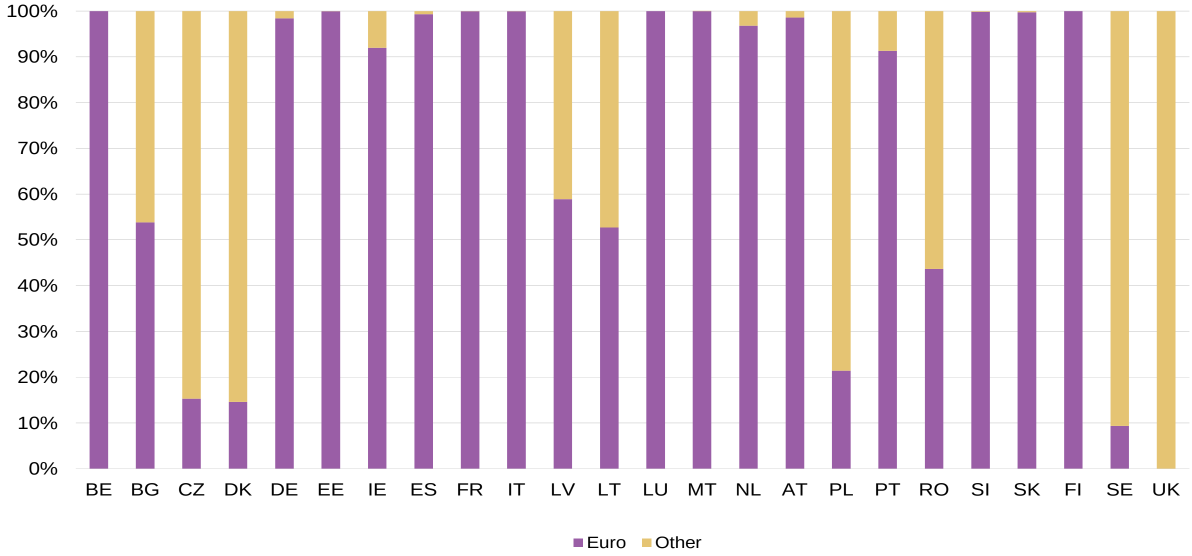
Figure 6: Debt by currency, 2011



Source: Eurostat (online data code: gov_dd_dcur).

The share of outstanding government debt issued in euro is presented in Figure 7. The debt denominated in euro is equal to the debt issued in national currency for the euro area member countries. The share of government debt issued in euro was 100% for Finland, Luxembourg and Belgium. Significant percentages (higher than 96%) were registered by the same ten EA Member States as above. Less than 21.4% of the debt was denominated in euro for Sweden, Denmark, the Czech Republic and Poland. The UK did not issue any debt in euro.

Figure 7: Outstanding debt with euro as issuing currency, 2011



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

Impact of consolidation

According to the Maastricht definition, the general government debt has to be consolidated. This means that the debt issued by one sub-sector and held by another one should be excluded from the general government debt. The result of the consolidation is usually a lower general government debt. This effect is shown in Table 1.

Table 1: Impact of consolidation as a percentage of general government debt, 2011

Country	Consolidation impact	Country	Consolidation impact
BE	3.93	**HU**	0.64
BG	4.10	**MT**	0.00
CZ	0.10	**NL**	7.20
DK	0.96	**AT**	4.33
DE	0.91	**PL**	4.40
EE	6.62	**PT**	3.70
IE	2.74	**RO**	4.76
ES	10.86	**SI**	0.77
FR	3.72	**SK**	5.06
IT	1.37	**FI**	5.66
LV	13.70	**SE**	6.40
LT	15.13	**UK**	4.62
LU	3.73		

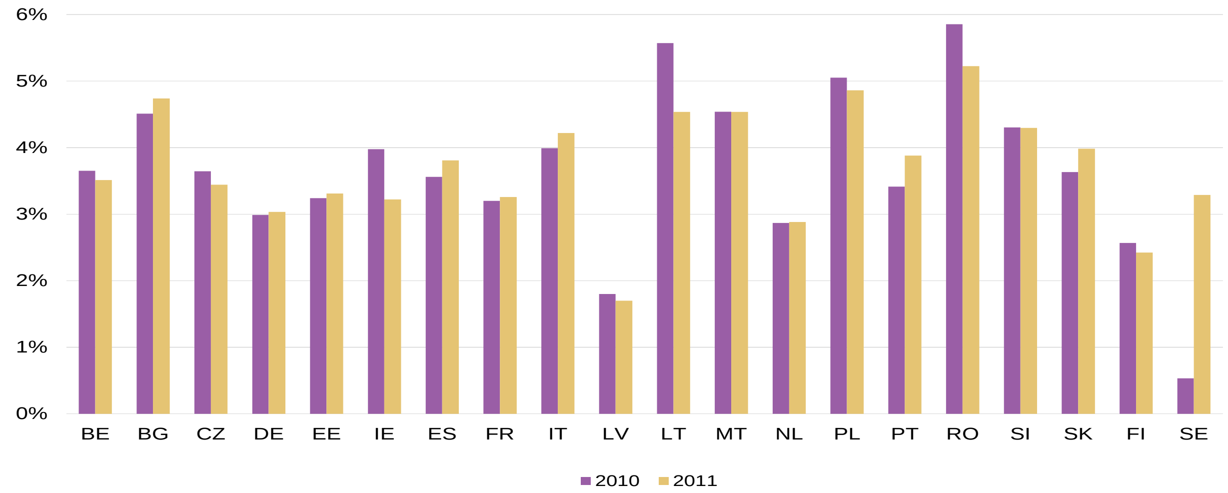
Source: Eurostat (online data codes: gov_dd_cgd, gov_dd_ggd, gov_dd_slgd, gov_dd_ssfd).

A very significant consolidation effect was recorded in countries with a high intra-sector debt: Lithuania, Latvia and Spain, with ratios between 15.1% and 10.9%. By contrast, a negligible impact was observed for sixteen countries, where the effect was less than 8%. In addition, six countries showed almost no consolidation effect: Malta, the Czech Republic, Hungary, Slovenia, Germany and Denmark, with ratios of less than 1%.

Apparent average cost of government debt

The differences between countries in terms of their conditions for accessing financial markets are shown by the apparent cost of the debt (interest over total nominal debt). Based on 20 replies from EU Member States, the analysis of apparent average cost of government debt is reflected in Figure 8.

Figure 8: Apparent average cost of government debt, 2010 - 2011



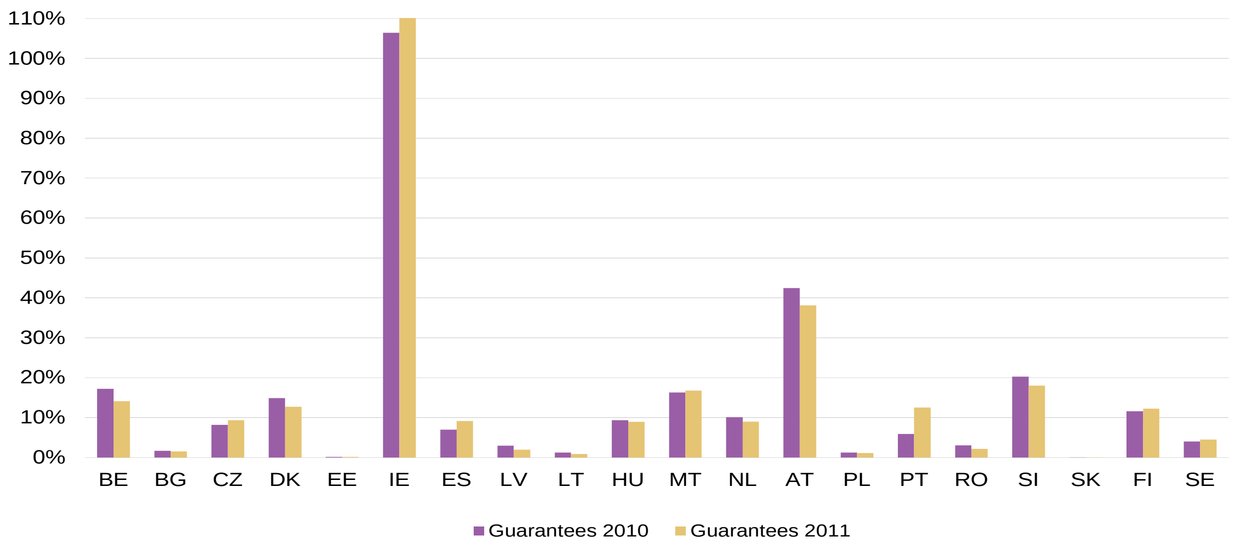
Source: Eurostat - Missing data: AT, DK, HU, LU and UK.

The apparent average cost of debt ranged between 1.7% in Latvia to 5.2% in Romania in 2011. However, comparing the 2010 data with 2011, no significant changes were registered for 19 EU Member States. A slight decrease (less than 1%) was observed in eight countries: Lithuania, Ireland, Romania, the Czech Republic, Poland, Finland, Belgium and Latvia. The apparent cost of debt remained unchanged for Slovenia and Malta, while the other nine survey respondents recorded increases of less than 0.5%. Only Sweden recorded an increase of 2.8 %.

State guarantees

State guarantees are not part of government debt, but are contingent liabilities. Based on 20 replies from EU Member States, the ratio of state guarantees to the debt of non-government units, as a percentage of GDP, is shown in the graph below.

Figure 9: State guarantees as a percentage of GDP, 2010 - 2011



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

For 12 countries, the amount of state guarantees as a percentage of GDP did not exceed 10%. A share of less than 4% was recorded in Slovakia, Estonia, Lithuania, Poland, Bulgaria, Latvia and Romania. State guarantees accounted for between 12.2% and 18.0% in Finland, Portugal, Denmark, Belgium, Malta and Slovenia. The highest value was registered in Ireland (110.3%), followed by Austria (38.1%). Portugal and Ireland recorded the highest relative increase compared to the previous year with 6.6 pp and 4.0 pp respectively. Decreases of between 4.3 pp and 2.2 pp were noted for Austria, Belgium, Slovenia and Denmark.

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 Protocol on the excessive deficit procedure (EDP) annexed to the Maastricht Treaty specifies that the ratio of gross government debt to GDP must not exceed 60% at the end of the preceding fiscal year. The application of the Protocol is made operational by Council Regulation (EC) No 479/2009, as amended. 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 2223/1996. The full text of compilation of General government debt data complies with ESA95 rules 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. The valuation is however different. Debt liabilities in ESA95 are valued at market value, whereas Maastricht debt is valued at nominal value. All data in this publication refer to debt expressed at nominal value.

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 (EC) No 3605/1993, 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.

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).

INSTRUMENTS

Maastricht debt comprises only the following 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.33: 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.

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. Usually the sum of sub-sectors should exceed the value of the general government sector. Sub-sector data should be consolidated within each sub-sector, but not between them. ESA 95 recommends compiling both consolidated and non-consolidated financial accounts. For macro-financial analysis, the focus is on consolidated figures. The Maastricht debt is also consolidated.

The Eurostat 2011 government debt structure survey

The survey launched by Eurostat on government debt structure contains nine tables: a set of four tables (central government debt, state and local government debt, social security funds' debt and general government debt) for 2010, and the same set of tables for 2011, plus a table with additional classifications of government debt.

The survey presents breakdowns for the general government and its sub-sectors for the two latest calendar years, categorizing the debt by holder, instrument, maturity, currency of issuance, as well as guarantees granted by the government to non-government units.

ABBREVIATIONS

EA-17 (Euro area 17): BE (Belgium), DE (Germany), EE (Estonia), 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 SK (Slovakia).

EU-27 (European Union of 27 Member States): Euro area 17 countries plus BG (Bulgaria), CZ (Czech Republic), DK (Denmark), LV (Latvia), LT (Lithuania), HU (Hungary), PL (Poland), RO (Romania), SE (Sweden), and the UK (United Kingdom).

NOTES

The analysis on breakdown by currency, apparent cost of the debt and state guarantees is only based on central government data.

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

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

Journalists can contact the media support service:

Bech Building Office A4/125 L - 2920 Luxembourg
Tel. (352) 4301 33408 Fax (352) 4301 35349
E-mail: eurostat-mediasupport@ec.europa.eu

European Statistical Data Support:

With the members of the 'European statistical system', Eurostat has set up a network of support centres in nearly all Member States and in some EFTA countries.

Their mission is to provide help and guidance to Internet users of European statistical data.

Contact details for this support network can be found on our Internet site:
http://ec.europa.eu/eurostat/

All Eurostat publications can be ordered via EU-Bookshop:
http://bookshop.europa.eu/

Manuscript completed on: 26.07.2012
Data extracted on: 23.04.2012
ISSN 1977-0316
Catalogue number: KS-SF-12-034-EN-N