# Glossary:Budget deficit

Statistics Explained

A **budget deficit** occurs when a government 's expenditure is greater than its revenue.

In the European Union , Member States which are part of the euro area are required to keep their budget deficits below 3 % of gross domestic product to promote economic stability and sustainable public finances.

Under the terms of the European Union 's Stability and Growth Pact (SGP) , Member States pledged to keep their deficits and debt below certain limits: a Member State's government deficit may not exceed -3 % of its gross domestic product (GDP) in order to promote economic stability and sustainable public finances.

## Definition

For the sake of comparability between Member States, this is measured on the basis of the harmonised national accounts framework ESA 2010 :

The relevant national accounts' balancing item is **net lending (+) and net borrowing (-)** .

**Net lending (+)/ net borrowing (-)**

= Government surplus / deficit (net lending/ borrowing under EDP)

= total revenue less total expenditure

= gross saving (defined as gross disposable income less final consumption expenditure) less net capital transfers less gross acquisitions less disposals of non-financial assets

= (conceptually) net acquisition of financial assets less net incurrence of liabilities.

## Related concepts

- Deficit
- Government
- Public balance

## Statistical data

- Government finance statistics
- Structure of government debt