This article examines how key government finance statistics have developed in the European Union (EU) and the euro area (EA-19). Specifically, it considers general government deficits, gross debt, total revenue and total expenditure, as well as taxes and social contributions, which are the main sources of government revenue.

### Introduction

Government finance statistics contain crucial indicators for determining the health of the economies of the EU Member States. Under the terms of the EU’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), while its debt may not exceed 60% of GDP. If a Member State does not respect these limits, the so-called excessive deficit procedure (EDP) is triggered. This entails several steps —
including the possibility of sanctions — to encourage the Member State concerned to take appropriate measures to rectify the situation. The same deficit and debt limits are also criteria for economic and monetary union (EMU) and hence for joining the euro. Furthermore, the latest revision of the integrated economic and employment guidelines (revised as part of the Europe 2020 strategy for smart, sustainable and inclusive growth) includes a guideline to ensure the quality and the sustainability of public finances.

In 2019, the government deficit (net borrowing of the consolidated general government sector, as a share of GDP) of both the EU-27 and the euro area (EA-19) increased compared with 2018. A reduction was observed in the general government debt-to-GDP ratio of both areas.

**General government surplus/deficit**

The EU-27’s government deficit-to-GDP ratio increased from -0.4 % in 2018 to -0.6 % in 2019, while this ratio also increased in the EA-19 from -0.5 % to -0.6 %. For 2018, at the level of the EU and euro area, the lowest deficits in the available time series were observed.

Sixteen EU Member States — Denmark (+3.7 %), Luxembourg (+2.2 %), Bulgaria (+2.1 %), Cyprus and the Netherlands (both +1.7 %), Greece (+1.5 %), Germany (+1.4 %), Austria (+0.7 %), Malta, Slovenia and Sweden (all +0.5 %), Ireland and Croatia (both +0.4 %), Czechia and Lithuania (both +0.3 %), and Portugal (+0.2 %) — registered government surpluses in 2019.

There were 9 EU Member States, namely Latvia, Estonia, Poland, Finland, Slovakia, Italy, Belgium, Hungary and Spain, that recorded deficits in 2019 that were smaller than 3.0 % of GDP. Two Member States had deficit equal to or higher than 3.0 % of GDP: France (-3.0 %) and Romania (-4.3 %) (see Figure 1).

![](ec/prod/app/webroot/estat_home/statistics_explained/images/d/de/Public_balance_2018_and_2019_(Âź)_Net_borrowing_(-)_or_lending_( )_of_the_general_government_sector_%_of_GDP.png)

**Figure 1: Public balance, 2018 and 2019(% of GDP)**Source: Eurostat (tec00127) and (tsdde410)
The general government balance (in relation to GDP) improved in 2019 compared with 2018 in 13 EU Member States as well as the United Kingdom, with the largest improvements in the balance (of at least 1 percentage point of GDP) being in Cyprus (+5.4 percentage points of GDP) and in Denmark (+2.9 percentage points of GDP). The improvement for Cyprus in 2019 is mainly because it compares to 2018 when the restructuring of the Cyprus Cooperative Bank Ltd (CCB) - the sale of the good parts of CCB and the subsequent integration of the remaining public financial defeasance structure impacted general government accounts.

Cyprus and Portugal moved from a deficit in 2018 to a surplus in 2019, while no Member State moved from a government balance to a surplus. Bulgaria, Denmark, Ireland, Greece, Croatia, the Netherlands and Austria recorded a higher surplus in 2019 than in 2018.

No Member State moved from a government surplus to deficit. Belgium, Spain, France, Poland, Romania, Slovakia and Finland recorded a larger deficit in 2019 than in 2018. No Member State recorded the same deficit in 2019 as in 2018 while Estonia, Italy, Latvia and Hungary recorded a lower deficit in 2019 than in 2018.

Government debt

In the EU-27, the government debt-to-GDP ratio decreased from 79.6 % at the end of 2018 to 77.8 % at the end of 2019, while in the EA-19 it fell from 85.8 % to 84.1 % (see Figure 2).

A total of 11 EU Member States reported a debt ratio above 60 % of GDP at the end of 2019: the highest of these was registered by Greece (176.6 %), followed by Italy (134.8 %), Portugal (117.7 %), Belgium (98.6 %), France (98.1 %), Cyprus and Spain (both 95.5 %).

The lowest ratios of government debt-to-GDP were recorded in Estonia (8.4 %), Bulgaria (20.4 %), Luxembourg (22.1 %), Czechia (30.8 %), Denmark (33.2 %), Sweden (35.1 %) and Romania (35.2 %).
At the end of 2019, government debt-to-GDP ratios increased for four EU Member States when compared with the end of 2018, while this ratio decreased for 21 Member States, most notably for Cyprus (-5.1 percentage points of GDP), Ireland (-4.8 percentage points of GDP), Greece (-4.6 percentage points of GDP), Slovenia and Portugal (-4.3 percentage points of GDP), and Hungary (-3.9 percentage points of GDP).

The debt to GDP ratio for Italy and France remained unchanged between 2018 and 2019.

Increases of debt-to-GDP ratios from the end of 2018 to the end of 2019 were observed in Lithuania (2.4 percentage points), Luxembourg (1.1 percentage points), Romania (0.5 percentage points) and Estonia (0.1 percentage points).

**Government revenue and expenditure**

The importance of the general government sector in the economy may be measured in terms of total general government revenue and expenditure as a percentage of GDP. In the EU-27, total general government revenue in 2019 amounted to 46.2 % of GDP (same as in 2018), and expenditure amounted to 46.7 % of GDP (increasing from 46.6 % in 2018). In the EA-19, total general government expenditure amounted to 47.1 % of GDP in 2019 (increasing from 47.0 % in 2018) and total revenue to 46.5 % of GDP (same as in 2018) — see Figure 3.
Total expenditure as a percentage of GDP reached 50.6% of GDP in the EU-27 in 2009 and 50.9% of GDP in the EA-19. In both areas, total expenditure as a share of GDP then decreased between 2010 and 2011, increased in 2012 and subsequently decreased through to 2018 only to slightly increase again in 2019.

In absolute terms, general government total expenditure grew slower pace during the period from 2011 to 2018 in both the EU-27 and the EA-19 than general government total revenue, thereby leading to a decrease in the deficit. However, in 2019 expenditure grew faster than revenue in both the EU-27 and the EA-19, resulting in an increase in the deficit.
While EU-27 general government expenditure increased overall by EUR 1 148 billion between 2009 and 2019, there was a EUR 1 709 billion increase in EU-27 general government total revenue in the same period. However, between 2018 and 2019, government expenditure increased by EUR 217 billion, while government revenue increased by EUR 195 billion. In the EA-19, general government expenditure increased by EUR 889 billion between 2009 to 2019, while revenue increased by EUR 1 389 billion. Between 2018 and 2019, government expenditure increased by EUR 179 billion, while government revenue increased by EUR 155 billion (see Figure 4).

The level of general government expenditure and revenue varies considerably between the EU Member States (see Figure 5). In 2019, the Member States with the highest levels of combined government expenditure and revenue as a proportion of GDP (in excess of 100 %) were France, Finland, Denmark and Belgium; Norway also recorded a ratio in excess of 100 %. In 2019, eight reporting countries — Ireland, Romania, Lithuania, Bulgaria, Malta, Latvia, Estonia as well as the United Kingdom — reported relatively low combined ratios (less than 80 % of GDP).
Across the EU-27, the main components of total general government revenue are taxes and net social contributions (see Figure 6). In 2019, taxes made up 58.1 % of total revenue in the EU-27 and 56.8 % in the EA-19, while net social contributions amounted to 30.8 % of total revenue in the EU-27 and 32.4 % in the EA-19. Market output, output for own final use and payments for non-market production (‘sales/ fees’ and own account capital formation) made up 7.0 % of total revenue in the EU-27 and a 7.1 % share of total revenue in the EA-19. Property income (mainly interest, dividends and rent) made up 1.7 % of total revenue in the EU-27 and 1.7 % in the EA-19.
Looking at each EU Member State, the relative importance of the different revenue categories varied widely. For example, taxes made up less than 50 % of government revenue in Slovakia, Romania, Czechia and Slovenia in 2019, but 87.8 % of general government total revenue in Denmark and 80.5 % in Sweden.

Net social contributions had the highest share of total revenue in 2019 in Czechia (37.6%), followed by Germany (37.2 %), Slovakia (36.7%) and Slovenia (36.4 %) and the lowest shares of total revenue in Denmark (1.5%) and Sweden (6.9% of GDP) as well as in Iceland (8.1% of GDP).

The highest share of property income was observed for Norway (22.2%) (see Figure 7).
The largest proportion of EU-27 government expenditure in 2019 concerned the redistribution of income in the form of social transfers in cash or in kind (see Figures 8 and 9). Social transfers (social benefits and social transfers in kind — purchased market production) made up 46.1% of total expenditure in the EU-27 and 47.8% in the EA-19. Compensation of employees accounted for 21.7% of government expenditure in the EU-27 and 21.0% in the EA-19. Intermediate consumption made up 11.9% of total expenditure in the EU-27 and 11.3% of total expenditure in the EA-19. Property income paid — of which by far the largest part is made up of interest payments — accounted for 3.3% of government expenditure in the EU-27 and 3.5% in the EA-19. Gross fixed capital formation (mainly investment) accounted for 6.4% of total expenditure in the EU-27 and 5.9% in the EA-19.
The main types of government revenue are current taxes on income and wealth, etc., taxes on production and imports, and net social contributions. For the EU-27, taxes on production and imports amounted to an equivalent of 13.5 % of GDP in 2019, current taxes on income, wealth, etc. to 13.0 % of GDP, and net social contributions to 14.2 % of GDP. Relative to GDP, the revenue from taxes on production and imports grew over...
the period 2009–2014 in the EU-27, its share relative to GDP rising by 0.9 percentage points (see Figure 10). Between 2014 and 2018, taxes on production and imports remained stable as a ratio to GDP. Current taxes on income and wealth, etc. reached - as a ratio to GDP - a low point in 2010 at 11.7 % of GDP, before growing to 13.0 % of GDP in 2019. Net social contributions remained comparatively stable as a ratio to GDP - ranging between 14.1 % and 14.4 % of GDP between 2009 and 2019.

Figure 10: Main categories of taxes and social contributions, EU-27, 2009–2019 (% of GDP)

There was considerable variation in the structure of tax revenue across the EU Member States in 2019 (see Figure 11). As may be expected, those Member States that reported relatively high levels of expenditure tended to be those that also raised more taxes (as a proportion of GDP) for general government. For example, in 2019, the highest revenue to GDP ratio from the main categories of taxes and social contributions was 47.3% of GDP recorded in Denmark, followed by 46.7 % recorded in France. The proportion of GDP accounted for by such revenue was below 30 % in two Member States (Ireland and Romania).
The difference between total revenue and total expenditure — including capital expenditure (in particular, gross fixed capital formation) — equals net lending/net borrowing of general government, which is also one balancing item of the government non-financial accounts.

**Delineation of general government**

The general government sector consists of institutional units which are non-market producers whose output is intended for individual and collective consumption, and are financed by compulsory payments made by units belonging to other sectors, and institutional units principally engaged in the redistribution of national income and wealth (ESA 2010 §2.111). The general government sector is subdivided into four subsectors: central government, state government (where applicable), local government, and social security funds (where applicable).
**Definition of main indicators**

The public balance is defined as general government net borrowing/net lending reported for the excessive deficit procedure and is expressed in relation to GDP. According to the protocol on the excessive deficit procedure, government debt is the gross liabilities in currency and deposits, debt securities, and loans outstanding at the end of the year of the general government sector measured at nominal (face) value and consolidated.

The main revenue of general government consists of taxes, social contributions, sales and property income. It is defined in ESA 2010 by reference to a list of categories: market output, output for own final use, payments for non-market output, taxes on production and imports, other subsidies on production, property income, current taxes on income, wealth, etc., net social contributions, other current transfers and capital transfers.

The main expenditure items consist of the compensation of (government) employees, social benefits (social benefits and social transfers in kind for market production purchased by general government), interest on the public debt, subsidies, and gross fixed capital formation. Total general government expenditure is defined in ESA 2010 by reference to a list of categories: intermediate consumption, gross capital formation, compensation of employees, other taxes on production, subsidies, property income, current taxes on income, wealth, etc., social benefits other than social transfers in kind, social transfers in kind - purchased market production, other current transfers, adjustments for the change in pension entitlements, capital transfers, and transactions in non-produced assets.

General government data reported for main aggregates of general government in the ESA 2010 framework must be consolidated for certain national accounts transactions, meaning that specific transactions between institutional units within the general government sector — property income, other current transfers and capital transfers — are eliminated or cancelled out. For these transactions, subsector data should be consolidated within each subsector but not between subsectors. Thus, data at the sector level should equal the sum of the subsector data, except for the items covering property income, other current transfers and capital transfers, which are consolidated. For these latter items, and consequently total revenue and total expenditure, the sum of the subsectors should exceed the value of the sector.

Taxes and social contributions correspond to revenues which are levied (in cash or in kind) by central, state and local governments, and social security funds. These levies (generally referred to as taxes) are organised into three main areas, covered by the following headings:

- taxes on income and wealth, etc. including all compulsory, unrequited payments levied periodically by general government on the income and wealth of enterprises and households;
- taxes on production and imports, including all compulsory, unrequited payments levied by general government with respect to the production and importation of goods and services, the employment of labour, the ownership or use of land, buildings or other assets used in production;
- net social contributions, including all employers’ and households’ actual social contributions, imputed social contributions that represent the counterpart to social benefits paid directly by employers, as well as two additional imputed items (households’ social contribution supplements and social insurance scheme services charges).

**Context**

The global financial and economic crisis of 2007-2008 resulted in serious challenges being posed to many European governments. The main concerns were linked to the ability of national administrations to be able to service their debt repayments, take the necessary action to ensure that their public spending was brought under control, while at the same time trying to promote economic growth.

The disciplines of the Stability and Growth Pact (SGP) are intended to keep economic developments in the EU, and the euro area countries in particular, broadly synchronised. Furthermore, the SGP is intended to prevent EU Member States from taking policy measures which would unduly benefit their own economies at the expense of others. There are two key principles to the SGP: namely, that the deficit (planned or actual) must not exceed 3 % of GDP and that the debt-to-GDP ratio should not be more than (or should be falling towards) 60 %. The SGP was substantially reinforced in 2011, as was EU economic governance in general.

Each year, EU Member States provide the European Commission with detailed information on their economic policies and the state of their public finances. Euro area countries provide this information in the context of the
stability programmes, while other Member States do so in the form of convergence programmes. The European Commission assesses whether the policies are in line with agreed economic, social and environmental objectives and may choose to issue a warning if it believes a deficit is becoming abnormally high. This action can lead to the Council finding the existence of an excessive deficit, which requires a deadline to be set for its correction.

Other articles

- Government expenditure by function — online publication
- Government finance statistics - quarterly data
- Structure of government debt
- Tax revenue statistics
- Integrated government finance statistics presentation

Publications


Main tables

- Government statistics (t_gov), see:

Government finance statistics (EDP and ESA2010) (t_gov_gfs10)

Database

- Government statistics (gov), see:

Government finance statistics (EDP and ESA2010) (gov_gfs10)
Government contingent liabilities and potential obligations (gov_cl)

Dedicated section

- Government finance and EDP statistics

Methodology

- Government deficit and debt (ESMS metadata file — gov_10dd_esms)
- Government revenue, expenditure and main aggregates (ESMS metadata file — gov_10a_main_esms)
- Main national accounts tax aggregates (ESMS metadata file — gov_10a_taxag)
- General government expenditure by function (COFOG) (ESMS metadata file — gov_10a_exp_esms)
- Quarterly financial accounts for general government (ESMS metadata file — gov_10q_ggfa_esms)
- Quarterly government debt (ESMS metadata file — gov_10q_ggdebt_esms)
- Quarterly non-financial accounts for general government (ESMS metadata file — gov_10q_ggnfa_esms)
External links

- European Commission — Stability and Growth Pact

View this article online at http://ec.europa.eu/eurostat/statistics-explained/index.php/Government_finance_statistics