

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](#)