Statistics

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Structure of government debt in Europe

2005 data

This publication analyses the structure of government debt in Europe based on a survey[1] carried out during summer 2006.

Total government debt data have been supplied to Eurostat in the context of the Excessive Deficit Procedure (EDP) (October 2006 notifications).

At the end of 2005, the EU-25 overall government debt amounted to 63.2% of GDP. This is slightly over the figure of 62.4% recorded at the end of 2004 and the reference value of 60%.

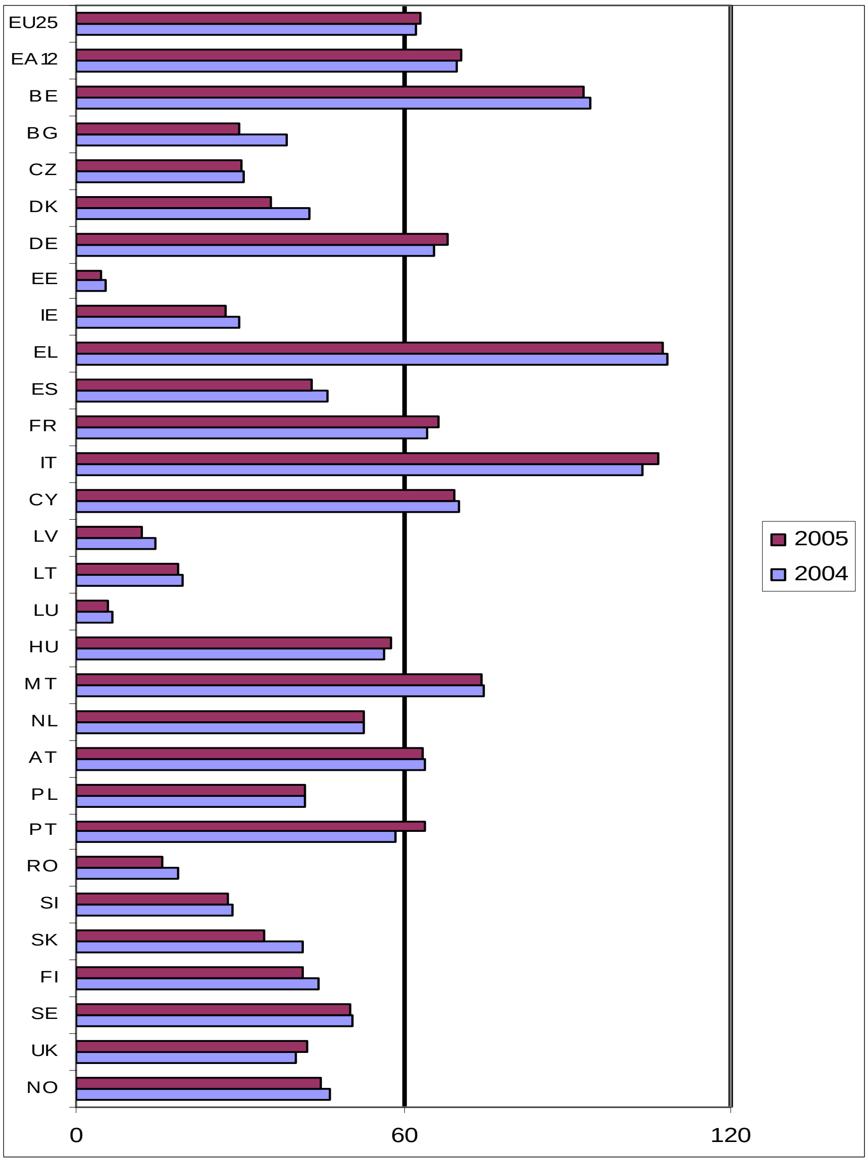

Figure 1: General government consolidated debt as percentage of GDP. Source: EDP notifications.

1 See methodological notes

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In 2005, nine EU Member States recorded a general government consolidated debt which exceeded 60% of GDP (see figure 1); which is one country more than in 2004. The government debt of Portugal rose from 58.6% in 2004 to 64.0% in 2005. Two countries, Greece and Italy, recorded a government debt exceeding 100% of GDP.

Some countries, on the other hand, have a relatively small government debt level. This is notably the case for the new Member States except Cyprus and Malta. However, the government debt of Hungary was just under the reference value of 60% of GDP.

Two Member States recorded a particularly low level of government debt: Estonia and Luxembourg with government debt amounting to 4.5% and 6.0% of GDP respectively in 2005.

Sub-sector breakdown

The European system of accounts, ESA95 divides general government into four sub-sectors:

- Central government;
- State government;
- Local government;
- Social security funds.

For most countries, central government debt represented more than 80% of general government unconsolidated debt in 2005 (see figure 2). However, this share was much lower in three countries: Estonia (46.4%), Germany (60.7%) and Luxembourg (66.1%) and a little lower for Spain (76.7%).

For Estonia and Luxembourg, compared to other Member States, the local government played a more important role in the total debt. The share of 'local government' in the general government unconsolidated debt was 53.6% in Estonia and 33.9% in Luxembourg. For the other Member States the contribution of local government was less than 20%.

For Germany and Spain it was the state government that represented a significant part of the total debt (31.4% and 13.2% respectively). For the two other Member States that have the state government sub-sector (Belgium and Austria), the state government contribution to the debt was more limited and at approximately the same level as the local government contribution.

In all countries, the share of the sub-sector social security funds in general government unconsolidated debt was very low (less than 5%). Moreover, social security funds data are not always available separately. In three countries (Cyprus, Malta and the United Kingdom) social security is not a separate institutional sub-sector and any liabilities of this type are included in central government debt.

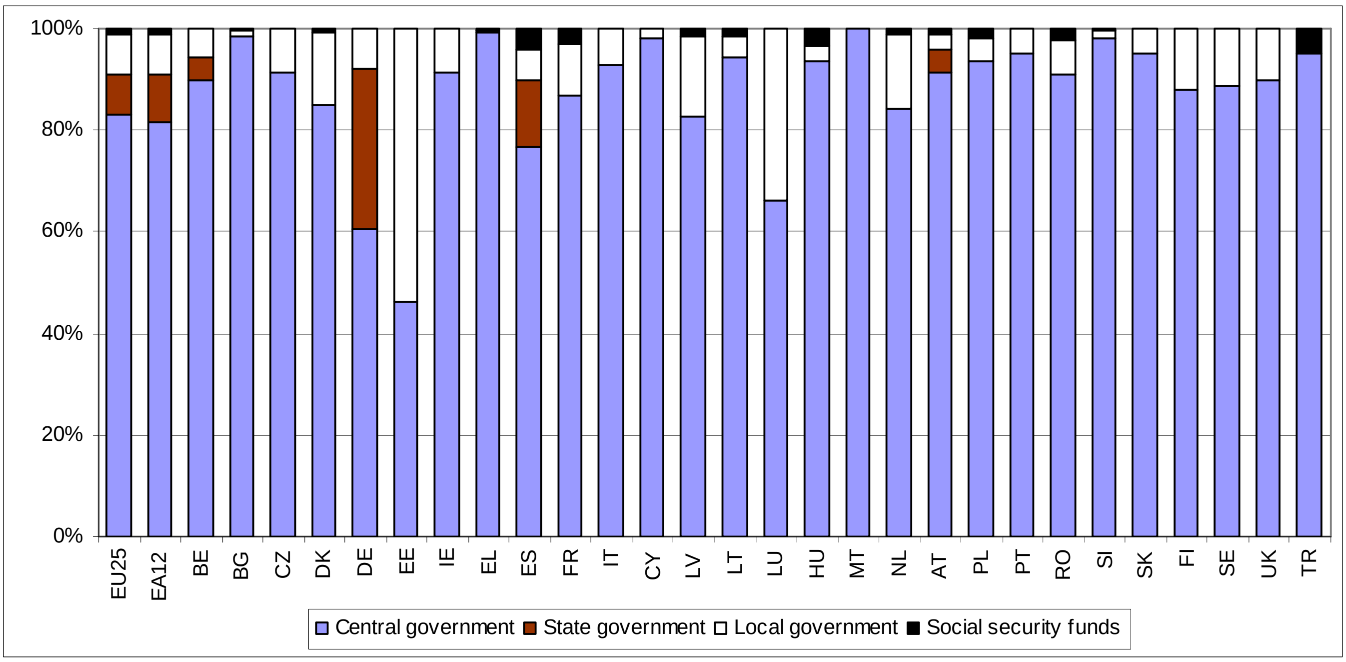

Figure 2: Breakdown of general government unconsolidated debt by sub-sector for 2005.
Source: EDP notifications.

Impact of consolidation[1]

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 the general government debt.

The consolidation effect is to reduce the general government debt by eliminating the intra-governmental component. The impact of consolidation is different from one country to another (see table 1). In general consolidation resulted in a reduction of general government debt by 2% to 10%.

However, for some countries, there is almost no impact at all, for example in Bulgaria, the Czech Republic, Germany, Ireland, Malta and Slovenia. Intra-governmental debt is thus negligible in these countries.

On the other hand, in Cyprus the impact of consolidation amounted to more than 50% (55.9% in 2005) which was by far the highest level in the EU-25. For Greece, Spain, Latvia, Luxembourg, Hungary and Poland, the impact was also quite high, the intra-government debt representing more than 10% of total government debt.

EU25	4.2%
Euro area 12	3.3%
Belgium	3.7%
Bulgaria	0.6%
Czech Republic	0.8%
Denmark	2.8%
Germany	1.0%
Estonia	1.2%
Ireland	0.4%
Greece	12.0%
Spain	10.3%
France	3.6%
Italy	1.5%
Cyprus	55.9%
Latvia	28.9%
Lithuania	1.3%
Luxembourg	14.7%
Hungary	11.5%
Malta	0.2%
Netherlands	6.2%
Austria	2.9%
Poland	13.6%
Portugal	7.2%
Romania	6.8%
Slovenia	0.9%
Slovakia	1.7%
Finland	7.3%
Sweden	5.6%
United Kingdom	8.7%

Table 1: 2005 intra-general government sector's debt in % of general government consolidated debt. – Source: EDP notifications

Breakdown by financial instrument

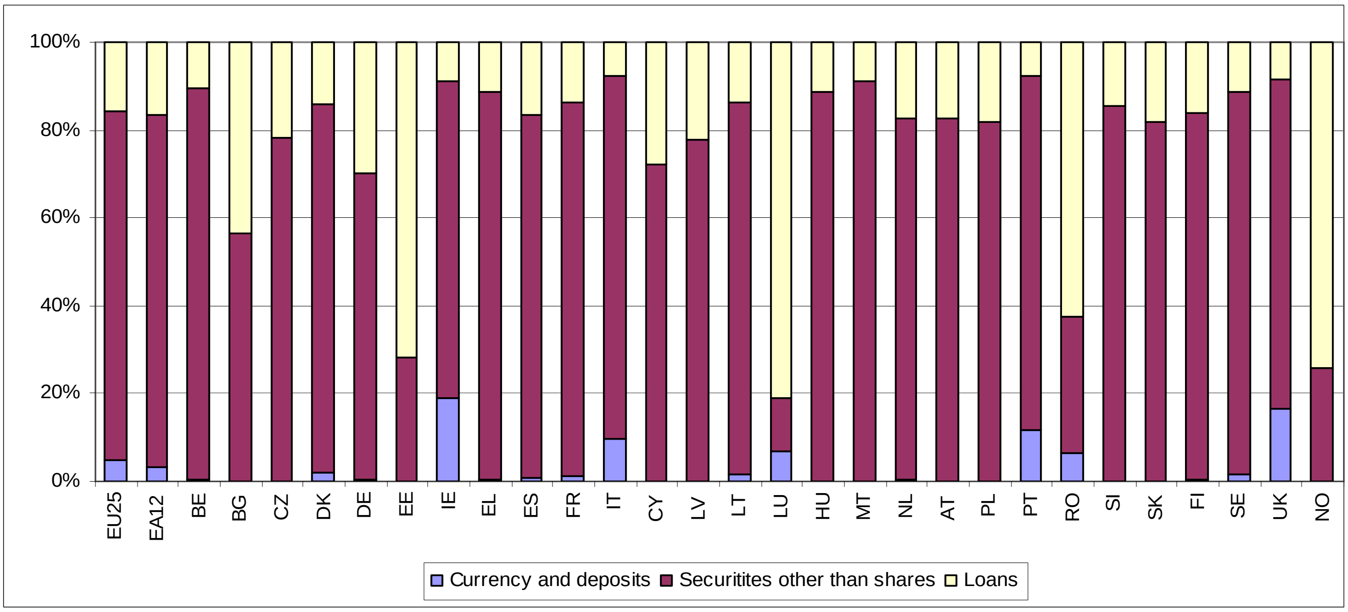

Figure 3: Breakdown of general government consolidated debt by instrument in 2005. Source: EDP notifications

[1] *see Manual on Sources and Methods for compilation of ESA95 Financial Accounts, Part II Recommendations, Issue N°4 Consolidation, and pages 38 to 42.*

The 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 a majority of countries, around 80% of the debt was financed by issuing securities, whereas loans represented less than 20%.

Three countries, Luxembourg, Estonia and Romania make a relatively low use of securities (11.9%, 28.1% and 31.1%, respectively) and a greater use of loans (81.1%, 71.9% and 62.5% respectively). As these countries have very low levels of government debt, the use of loans is easier to manage and less expensive.

In five countries, Bulgaria, Germany, Cyprus, Latvia and the Czech Republic, the share of loans was also quite high at 43.7%, 29.9%, 27.7%, 22.1% and 21.9% respectively.

The use of currency and other deposits was in general very low, or even non-existent.

However, in three countries the share of currency and other deposits was higher than 10%. This was the case for Ireland (18.9%), the United Kingdom (16.7%), and Portugal (11.8%) and is explained by the fact 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 in these countries because deposits in institutions like post offices and in the Treasury are counted as government liabilities.

Breakdown by debt holder

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

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

As the responses were not sufficiently complete for all categories, only three were kept for the analysis: non-residents, financial corporations and other residents (S.11 and S.14+15 combined).

The main reason why the counterpart information is not very complete is that some countries have difficulties in identifying the sector of the holders of some instruments.

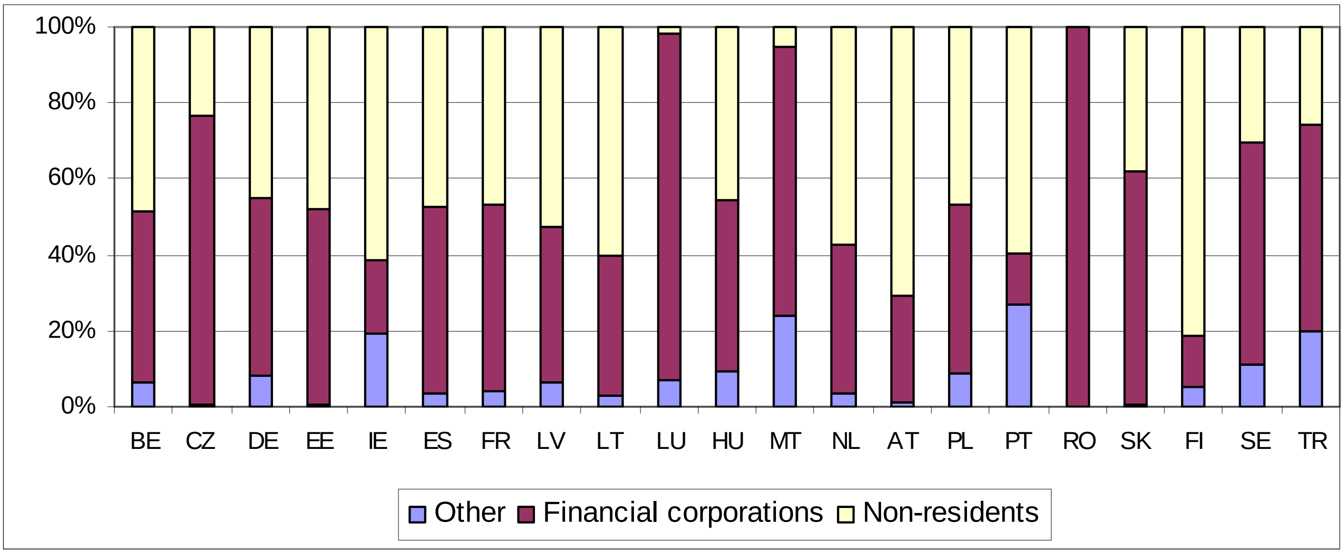

Figure 4: Breakdown of general government consolidated debt by debt holder for 2005.
Source: debt survey. Missing data: BG, DK, EL, IT, CY, SI and UK.

The breakdown by debt holder is very different from one country to another (see figure 4). In 2005 the share of financial corporations acting as debt holders was very high in Romania (100%), Luxembourg (91.3%), the Czech Republic (75.6%) and Malta (70.8%). Finland had the highest share of non-resident debt holders at 81.0%, followed by Austria (70.6%).

In Ireland (61.5%), Lithuania (60.0%), Portugal (59.7%) the Netherlands (57.1%) and Latvia (52.8%), the share of non-resident debt holders was also relatively high.

On the other hand, the share attributed to the category 'other' (i.e. non-financial corporations + households and Non-profit institutions serving households) is generally small except for Ireland, Malta and Portugal.

Maturity breakdown

Countries were asked to give detailed information on the time structure of their government debt based on initial maturity. This information was in many cases difficult to obtain. Having this information for several years would make it possible to see if the maturity structure is changing over time. For the moment 14 countries have provided the information at detailed level. Most countries subdivided the maturity structure into two categories: “up to one year” and “over one year” (see table 2).

In general more than 80% of the government debt was classified as having a maturity longer than 1 year. In 8 Member States out of 22 for which the information is available, the share of short-term debt was lower than 5%: Bulgaria (0.5%), Greece (0.7%), Estonia (0.8%), Ireland (0.9%), Slovakia (2.0%), Romania (2.1%), Austria (2.7%) and Spain (4.2%).

In contrast, Sweden reported a relatively high percentage of short-term government debt (30%), followed by Luxembourg (20.2%), France (16.8%), Hungary (15.9%) and Malta (15.5%).

	<= 1 year	1-5 years	5-7 years	7-10 years	10-15 years	15-30 years	> 30 years	> 1 year
BE	10.2%	:	:	:	:	:	:	89.8%
BG	0.5%	11.6%	:	:	:	:	:	99.5%
CZ	10.9%	30.5%	6.0%	29.0%	17.9%	5.7%	0.0%	89.1%
DK	12.3%	:	:	:	:	:	:	87.7%
DE	5.5%	:	:	:	:	:	:	94.5%
EE	0.8%	31.2%	17.2%	12.4%	37.7%	0.7%	0.0%	99.2%
IE	0.9%	19.8%	15.3%	0.3%	20.4%	40.6%	2.8%	99.1%
EL	0.7%	:	:	:	:	:	:	99.3%
ES	4.2%	21.3%	10.9%	17.2%	30.2%	9.9%	6.4%	95.8%
FR	16.8%	19.3%	2.4%	6.1%	40.6%	8.9%	6.0%	83.2%
LV	7.0%	20.4%	13.2%	44.7%	9.5%	4.1%	1.1%	93.0%
LT	10.7%	17.1%	10.0%	40.8%	16.9%	4.5%	:	89.3%
LU	20.2%	:	:	:	:	:	:	79.8%
HU	15.9%	2.2%	:	:	:	:	:	84.1%
MT	15.5%	3.8%	12.4%	19.4%	25.6%	23.1%	0.2%	84.5%
AT	2.7%	:	:	:	:	:	:	97.3%
PL	7.8%	39.9%	5.6%	26.3%	7.9%	12.0%	0.5%	92.2%
RO	2.1%	86.8%	1.7%	5.6%	3.9%	0.0%	0.0%	97.9%
SI	5.5%	32.7%	3.5%	32.6%	20.7%	4.3%	0.7%	94.5%
SK	2.0%	38.4%	12.9%	33.2%	12.2%	1.4%	0.0%	98.0%
FI	8.3%	:	:	:	:	:	:	91.7%
SE	30.0%	14.4%	7.8%	6.9%	31.5%	9.3%	0.1%	70.0%
TR	8.3%	54.7%	13.5%	9.3%	7.3%	4.7%	2.1%	91.7%

Table 2: General government debt by maturity as percentage of total debt in 2005.
Source: debt survey. Missing data: IT, CY, NL, PT, UK

Short-term[1] government debt data based on EDP notifications[2]

As shown in table 2 and figure 5, there is no common maturity pattern between Member states.

The proportion of short-term debt was for some countries (Bulgaria, Austria, Greece and Estonia) almost negligible (less than 5% in 2004 and 2005) while for the United Kingdom, Sweden, Portugal, Luxembourg and Ireland, it represented nearly or more than one fifth of total government debt in both years.

Moreover, from one year to another, the proportion of short-term debt as percentage of total debt changed significantly for some Member States. In 6 countries (Romania, Slovakia, Finland, Poland, the Czech Republic and Malta) the share of short-term debt decreased by 5 percentage points or more, whereas in Sweden and Lithuania, it increased by 6.7% and 4.2% respectively.

[2] EDP notifications can be used as alternative source for short-term government debt data

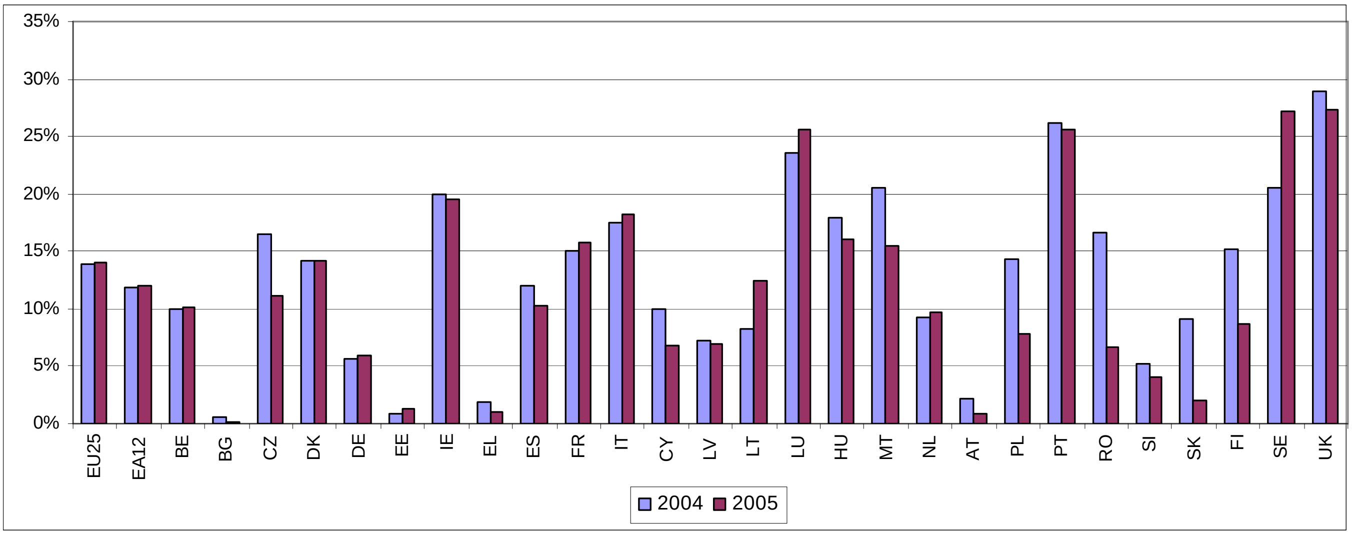

Figure 5: General government short-term debt as percentage of total debt.
Source: EDP notifications

Other aspects

Currency of issue

Nine EU Member States (out of twenty which responded) issued less than 80% of their government debt in national currency in 2005 (see figure 6). In many countries this share was equal or close to 100%: Belgium, Germany, Spain, Ireland, Luxembourg, the Netherlands, Portugal and the United Kingdom.

The share of government debt issued in foreign currency (Euro in these cases) was high in Bulgaria, Estonia, Latvia, Lithuania and Romania.

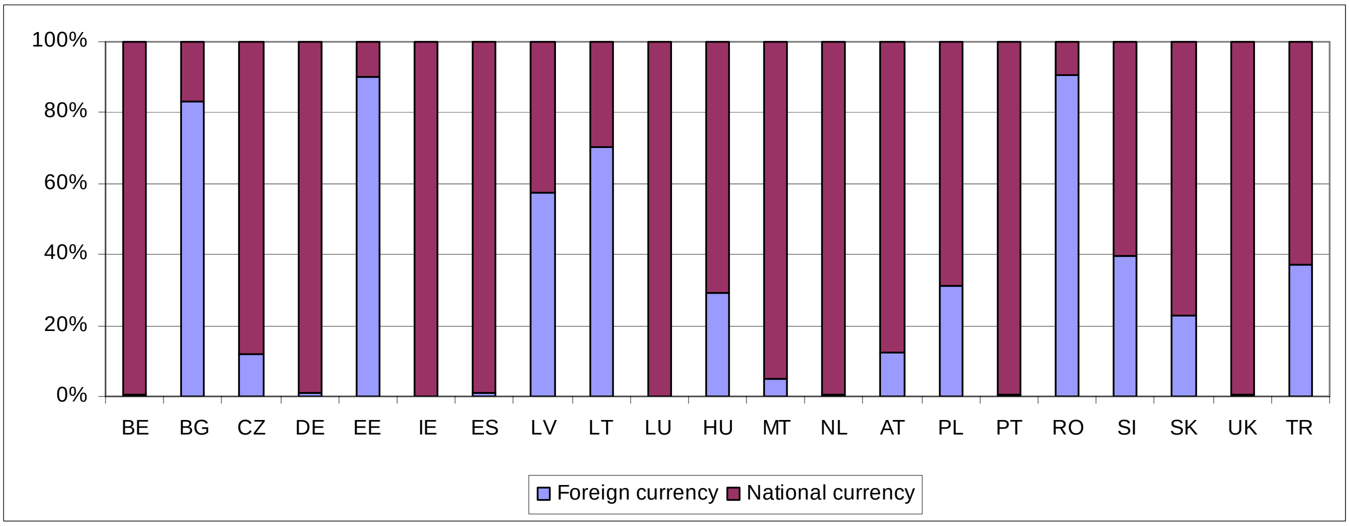

Figure 6: Breakdown of general government debt by currency of issue, 2005 data
Source: debt survey. Missing data for DK, EL, FR, IT, CY, FI, SE.

State guarantees

Based on 15 replies from EU Member States, the analysis of state guarantees can give only an incomplete picture of the situation in the European Union in 2005. (See figure 7).

In most responding countries, state guarantees as a percentage of total general government debt were not higher than 20% (except for Austria[1] and the Czech Republic). In half of the cases they did not exceed 10%.

In a majority of countries the level of state guarantees is fairly stable from 2004 to 2005, except for Slovakia where it decreased by 3% and Finland where, on the contrary it increased by 3%.

[1] The high percentage results to a large extent from risk insurance for export transactions as well as from guarantees for related refinancing operations on financial markets within the official Austrian export credit system

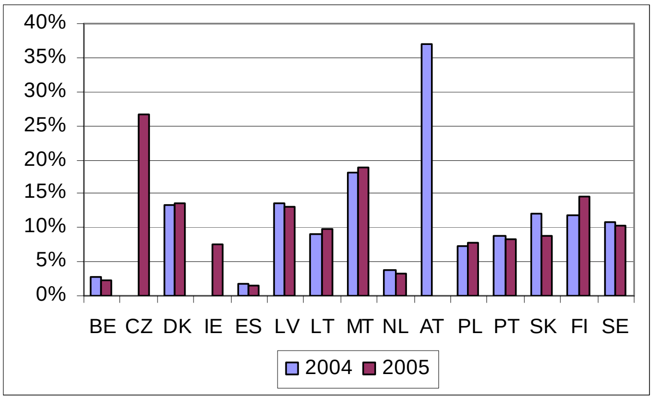

Figure 7: State guarantees as percentage of total debt. Source: debt survey. Missing data: BG, CZ (in 2004), DE, EE, IE (in 2004), EL, FR, IT, CY, LU, HU, AT (in 2005), RO, SI and UK

Apparent cost

Based on 14 replies from EU Member States, a rough indication of the apparent cost (average interest rate) of government debt can be given.

The level of apparent cost of central government varied in 2005 from 3.7% in the Czech Republic to 5.5% in Poland.

From 2004 to 2005, the apparent cost of central government decreased slightly in nearly all responding Member States and increased only in Bulgaria.

➢ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

This year is the sixth time that Eurostat has sent out to EU Member States and the Candidate Countries the survey on structure of government debt. The other surveys were conducted in 1996, 1999, 2003, 2004 and 2005. The first two surveys[1] were based on the ESA79 methodology; the following ones[2] 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 June 2006. The study compares 2004 and 2005 data covering the EU27 and, where available, Croatia, former Yugoslav Republic of Macedonia, Turkey and Norway.

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 2004, and the same set of tables for 2005, 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 the EDP notification 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 the fact that notified data have been revised. Sub-sectors were also compared since data are also notified.

The compilation of the general government debt (Masstricht 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, data are consolidated inside each government sub-sectors but not between sub-sectors.

[1] *See Statistics in Focus, Economy and Finance, 33/1997, Structure of government debt in the Member States of the European Union and 33/1999, Structure of government debt in the European Union.*

[2] *See Statistics in Focus, Economy and Finance, 19/2004 and 2/2005, Structure of government debt in Europe.*

Further information:

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