Economy and finance

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Structure of government debt in Europe in 2010

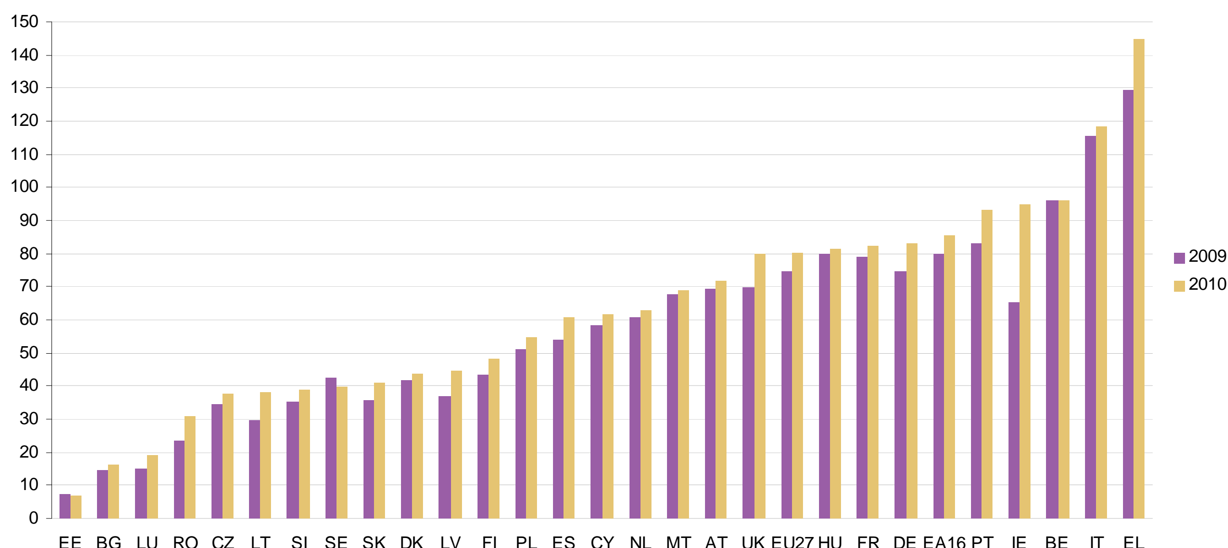
The upward trend in the EU government debt level continued in 2010, but the debt structure remained unchanged compared with 2009

In view of the increasing focus given to public finance, EU Member States are asked to provide information on their government debt structure. This information is requested in an annual survey launched by Eurostat classifying the government debt by holder, instrument, maturity, and currency of issuance, as well as providing data on guarantees granted by the government. This publication reflects the main results of the latest questionnaire, fully or partly completed by 24 Member States.

Maastricht debt as a percentage of GDP

The upward trend in the government debt (Maastricht definition) as a result of the economic crisis can be observed in a majority of countries between 2009 and 2010. The level of government debt fell in only two countries: Estonia and Sweden.

Figure 1: Maastricht debt as a percentage of GDP, 2009 - 2010



Source: Eurostat, (online data code: gov_dd_edpt1).

In 2010, 14 Member States reported debt to GDP ratios over the reference value of 60%. Greece recorded the highest debt ratio with 144.9%, followed by Italy with 118.4%. The lowest debt to GDP ratio is presented by Estonia with 6.7%. For both EU27 and EA16 the development of the Maastricht debt in terms of GDP followed a similar path, amounting to over 60% in 2010.

Analysing the relative changes in debt to GDP ratios between 2009 and 2010, the highest increase was observed in Ireland with 29.7 percentage points (pp). Greece presented the second strongest increase with 15.6 pp. Meanwhile Sweden and Estonia recorded decreases of 3.5 pp and 0.5 pp respectively.

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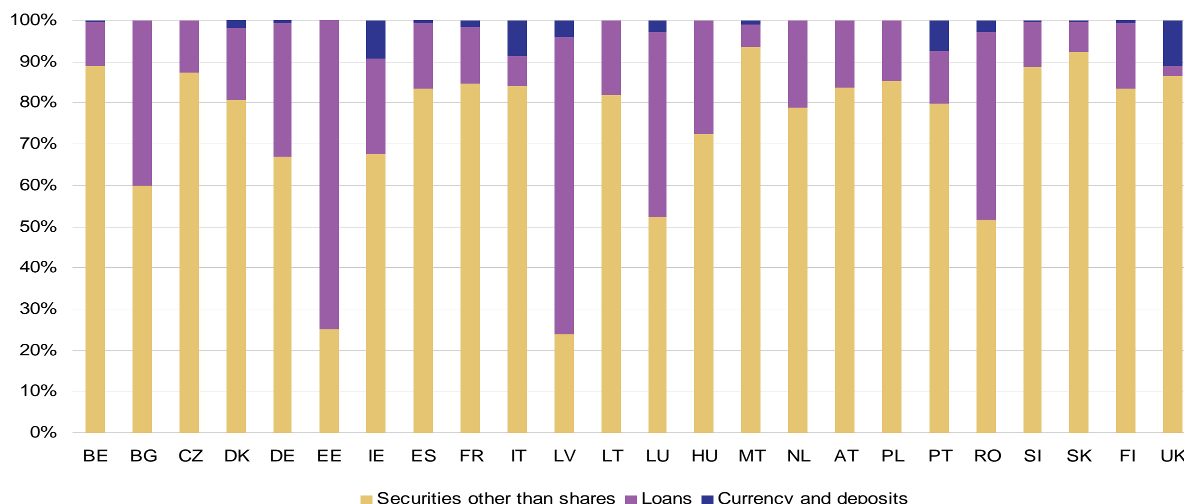
Breakdown by financial instrument

Using the ESA95 definitions, the Maastricht debt is divided into the following categories: 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 in each country is shown in Figure 2.

Figure 2: Debt by financial instrument, 2010



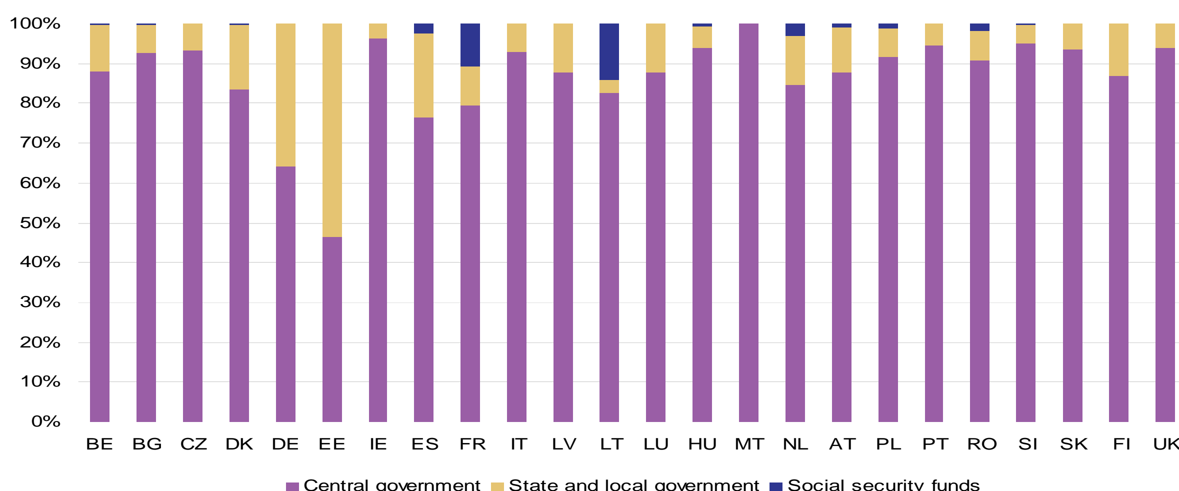
Source: Eurostat (online data codes: gov_dd_cgd, gov_dd_slgd, gov_dd_ssfd).

For 22 out of 24 survey respondents the most important category of debt instruments used by EU governments has been securities: between 51.6% and 93.7% of the debt was financed by this method. This share was lower only in Estonia and Latvia, where loans represented the preferred debt instrument, accounting for over 72% of the debt. Loans were also the second most used debt instrument by the other countries. Currencies and deposits made up less than 4% of the total debt in 20 Member States. However, they represented between 7% and 11% of the debt for Portugal, Italy, Ireland and the United Kingdom.

Breakdown by subsector

As regards the breakdown by subsector, the ESA95 divides the general government sector (S.13) into four: Central government (S. 1311), State government (S. 1312), Local government (S.1313) and Social security funds (S. 1314). This subsector breakdown may be seen in the following graph.

Figure 3: Debt by subsector, 2010



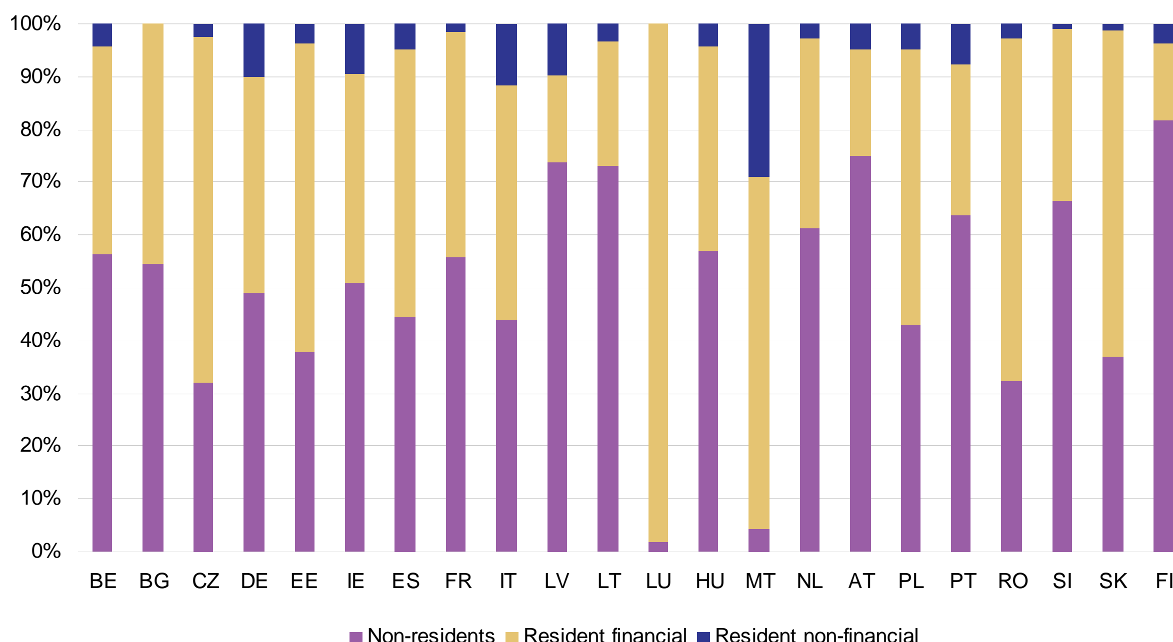
Source: Eurostat (online data code: gov_dd_ggd).

The central government is by far the most important debt holder, representing more than 64% of general government unconsolidated debt for 23 Member States. The only exception is Estonia (46.4%), where local government has the highest share but total government debt is very low. Significant ratios of state and local government to total debt were also observed in Germany (35.8%) and Spain (21.0%). Social security funds played a minor role in the general government debt: contributions of less than 4% were recorded in 22 countries. Only two of the survey respondents presented higher ratios of social security funds: France (10.7%) and Lithuania (19.3%).

Breakdown by debt holder

The graph below presents the direct holdings of general government debt by non financial residents (households, non profit institutions serving households, and non financial corporations), financial residents (financial corporations) and non residents (rest of the world).

Figure 4: Debt by debt holder, 2010



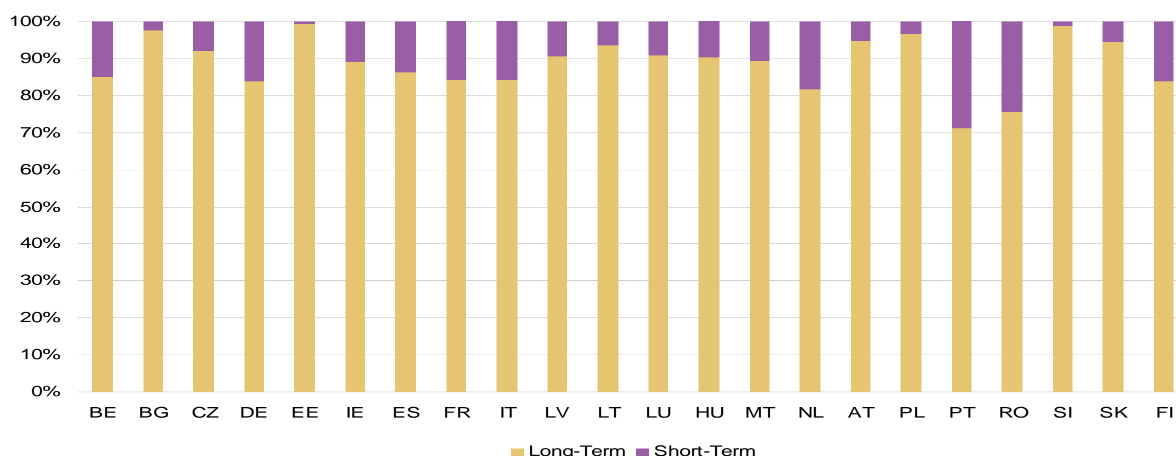
Source: Eurostat (online data code: gov_dd_ggd). Missing data: DK and UK.

For the majority of the countries the non-residents were the most important government direct debt holders. More than 50% of the government debt was attributed to this category of economic agents. This is the case for 12 countries (Finland, Austria, Latvia, Lithuania, Slovenia, Portugal, the Netherlands, Hungary, Belgium, France, Bulgaria and Ireland). Germany, Spain, Italy and Poland followed with a significant percentage of more than 40%. However, in Luxembourg, the proportion of non-residents is almost negligible (less than 2%). By contrast, the debt share of financial corporations was very high in Luxembourg, Malta, the Czech Republic, Romania and Slovakia, accounting for between 61% and 98%. The resident non-financial sector was significant in Malta, representing more than 28% of the debt, followed by Italy with 11.4% and Germany with 10%.

Breakdown by maturity

The debt questionnaire aims to provide detailed information on the time structure of the government debt based on its initial maturity. The maturity was subdivided into several categories; however, only two categories were kept for the analysis, because most of the countries did not provide complete data – short-term debt (less than one year) and medium and long-term debt (more than one year). The ratio of short-term to medium and long-term debt is illustrated in Figure 5.

Figure 5: Debt by maturity, 2010



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

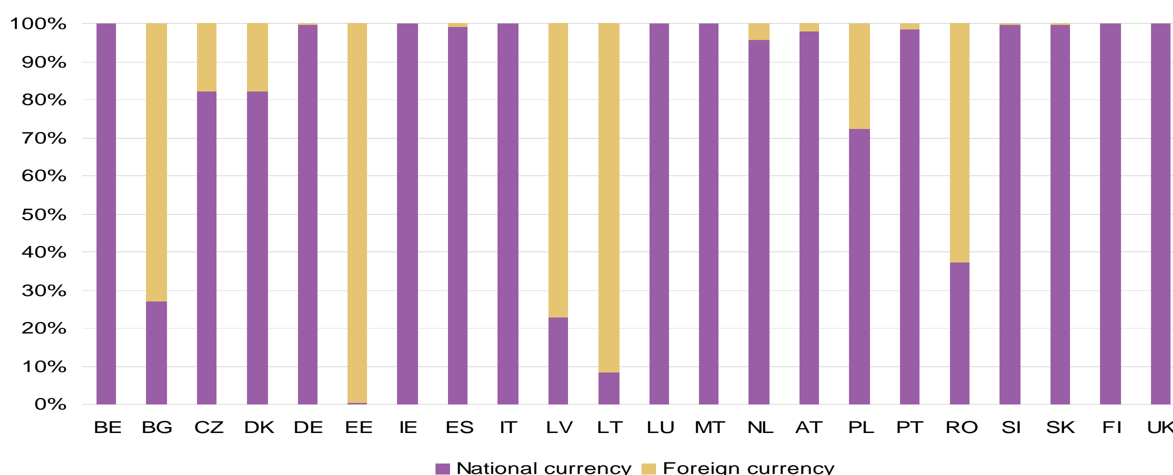
The breakdown reveals a clear pattern: most of the outstanding debt was issued on a medium and long-term basis. Between 71% and 99% of the debt was classified as having a maturity of longer than one year.

Furthermore, Estonia, Slovenia, Bulgaria, Poland and Austria recorded a short-term debt lower than 5%. In two countries the short-term debt exceeded 24%: Romania and Portugal.

Breakdown by currency

Debt denominated in national currency accounted for over 72% of outstanding government debt in 17 EU Member States. Moreover, for the United Kingdom, Luxemburg, Ireland and Finland, 100% of the government debt was in national currency. Significant national currency debt ratios (over 95%) were also observed in the Netherlands, Austria, Portugal, Spain, Slovakia, Slovenia, Germany, Italy, Belgium and Malta, all member countries of the euro area. The government debt issued in foreign currencies played a major role only in Estonia and Lithuania, where the stock of debt denominated in foreign currencies exceeded 91.5%. Also the debt of Latvia, Bulgaria and Romania is in majority denominated in foreign currency. This is reflected in Figure 6.

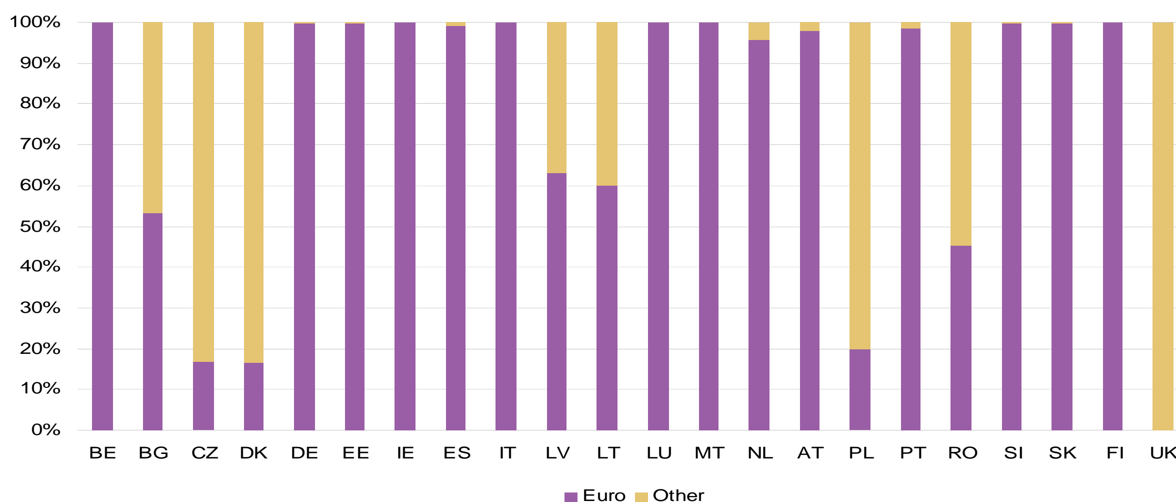
Figure 6: Debt by currency, 2010



Source: Eurostat (online databcode: gov_dd_dcur). Missing data: FR and HU.

Figure 7 presents the share of outstanding government debt issued in euro. For the euro area member countries, the ratios in euro are the same amounts as for national currency. 100% of the stock of government debt was denominated in euro for Finland, Ireland and Luxemburg. The same ten EA Member States as above and Estonia showed a percentage higher than 95% of debt issued in euro in 2010. By contrast in Denmark, the Czech Republic and Poland, less than 20% of the total debt was denominated in euro. The United Kingdom reported 100% of the government debt in other currency, equal to the one in national currency.

Figure 7: Outstanding debt with euro as issuing currency, 2010



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

Impact of consolidation

General government debt has to be consolidated according to the Maastricht definition. This means that general government debt does not include the debt issued by one government sub-sector and held by another. The result of any intra-governmental debt elimination is a lower general government debt. Table 1 illustrates this effect in percentage of total non consolidated debt.

Table 1: Impact of consolidation, 2010

Country	Consolidation impact (in %)
BE	3.51
BG	3.73
CZ	0.18
DK	0.40
DE	0.72
EE	5.99
IE	3.22
ES	12.26
FR	3.51
IT	1.35
LV	16.35
LT	13.07

Country	Consolidation impact (in %)
LU	3.74
HU	1.00
MT	0.00
NL	7.78
AT	5.07
PL	3.88
PT	3.73
RO	6.62
SI	1.11
SK	4.56
FI	4.36
UK	5.17

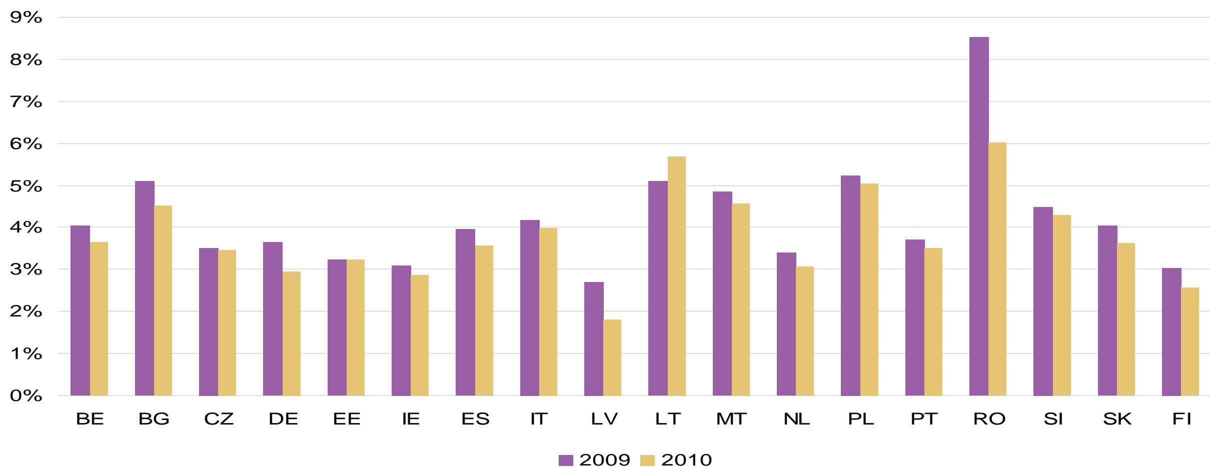
Source: Eurostat (online data codes: gov_dd_cgd, gov_dd_ggd, gov_dd_slgd and gov_dd_ssfd).

The impact of consolidation is limited for a majority of countries. For 21of the 24 survey respondents, the general government debt was reduced by less than 8%. A significant consolidation effect was obtained in countries with a high intra-sector debt. This was the case for Latvia, Lithuania and Spain, with ratios between 16.4% and 12.3%. On the other hand, the consolidation impact was negligible or there was no impact at all, in the case of Denmark, the Czech Republic and Malta.

Apparent average cost of government debt

The apparent average cost of debt (interest over total nominal debt) shows the differences between countries in terms of their cumulated past conditions for accessing financial markets. This data is not relevant for current issuance. Based on 18 replies from EU Member States, the analysis of average apparent cost of debt as of 2009-2010 is shown in Figure 8.

Figure 8: Apparent average cost of government debt, 2009 - 2010



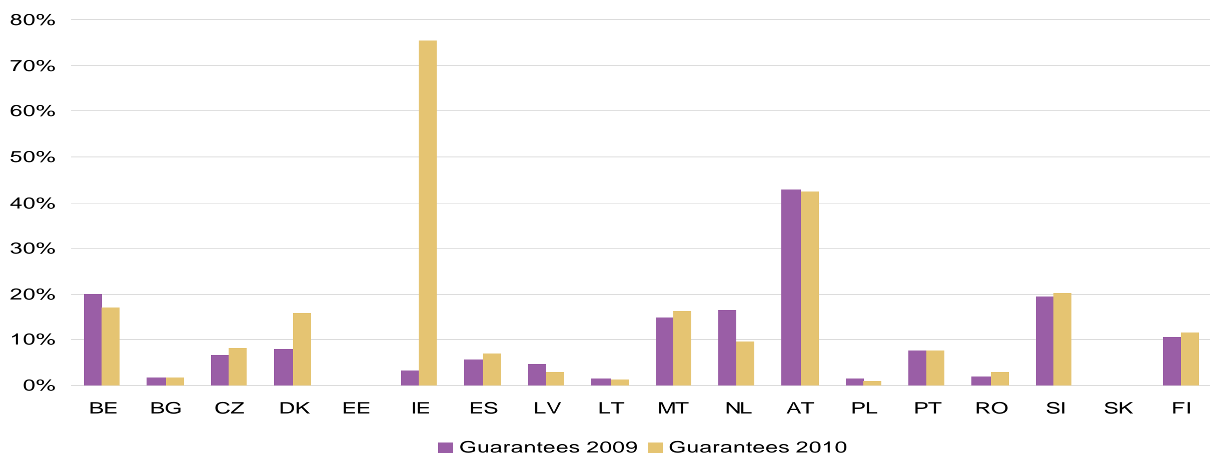
Source: Eurostat. Missing data: AT, DK, FR, HU, LU and UK.

The level of apparent average cost of debt was between 1.8% (Latvia) and 6.0% (Romania) in 2010. Comparing 2010 with 2009, a slight decrease (less than 1%) is observed in the average apparent cost of debt in 15 countries (Latvia, Germany, Bulgaria, Finland, Slovakia, Belgium, Spain, the Netherlands, Malta, Ireland, Portugal, Slovenia, Italy, Poland and the Czech Republic). For Romania there was a decrease of 2.5%. An increase of 0.6% was recorded by Lithuania, while the apparent average cost of debt remained unchanged for Estonia.

State guarantees

Countries were additionally asked about the amount of state guarantees. These do not form part of government debt, but are a contingent liability. Based on 18 replies from EU Member States the value of state guarantees on the debt of non-government units as a proportion of GDP debt is shown in Figure 9.

Figure 9: State guarantees as a percentage of GDP, 2009 - 2010



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

The impact of state guarantees as a percentage of GDP offers a very different picture from country to country. In 11 Member States the value of state guarantees debt did not exceed 10%. A share of less than 3% was recorded in Estonia, Slovakia, Poland, Lithuania, Bulgaria, Romania and Latvia. State guarantees made up between 11.6% and 42.4% in Finland, Denmark, Malta, Belgium, Slovenia and Austria, while the highest value was registered in Ireland with over 75.4%. Ireland and Denmark recorded the highest relative increase of state guarantees as a percentage of GDP compared to the previous year with 72.2 pp and 8.0 pp respectively. This was mainly due to increases in guarantees granted on some financial institutions' assets and liabilities; while there was a decrease of 6.9 pp in the Netherlands state guarantees given on the debt of non-government units.

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 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 2223/96. The full text of ESA95 is available on the Eurostat internet site. The 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 3605/93, 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 (plus a separate reporting for non-consolidated general government).

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. 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 2010 government debt structure survey

The survey launched by Eurostat on government debt structure contains 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 2009, and the same set of tables for 2010, plus a table with additional classifications of government debt.

ABBREVIATIONS

EA16 (Euro area 16): BE (Belgium), DE (Germany), 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).

EU27 (European Union of 27 Member States): Euro Area 16 countries plus BG (Bulgaria), CZ (Czech Republic), DK (Denmark), EE (Estonia), LV (Latvia), LT (Lithuania), HU (Hungary), PL (Poland), RO (Romania), SE (Sweden), and the UK (United Kingdom).

NOTES

Estonia joined EA17 (Euro area 17) in 2011. This publication reflects the information of EA16.

The Maastricht Debt data in percentage of GDP are consistent with the October 2011 EDP notification. Due to the different dates of reply by Member States, the analysis on breakdown by financial instrument, subsector, debt holder, maturity, currency, apparent cost of the debt and state guarantees is based on 19 questionnaires consistent with the April 2011 notification (BE, BG, DE, EE, IE, ES, FR, IT, LV, LT, LU, HU, MT, AT, PT, RO, SI, FI, UK) and five with the October 2011 EDP notification (CZ, DK, NL, PL, SK).

The analysis on breakdown by currency, apparent average cost of the debt and state guarantees reflects 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

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European Statistical Data Support:

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

Their role is to provide help and guidance to Internet users of European statistics.

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