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# General government expenditure and revenue: 2005 data

In the framework of the ESA 95 transmission programme, EU Member States have reported their provisional general government expenditure and revenue data for 2005<sup>1</sup>.

Total government expenditure in the EU-25 increased in 2005 to 47.4% of GDP, from 47.2% in 2004. Meanwhile revenue also increased to 45.0% of GDP, from 44.5% in the previous year. The general government deficit (more precisely, net borrowing according to the ESA 95 classification) therefore narrowed to 2.4% of GDP, from 2.7% in 2004<sup>2</sup>.

For the euro area<sup>3</sup>, government expenditure in 2005 amounted to 47.6% of GDP, unchanged from 2004, while revenue increased to 45.2% of GDP, from 44.8% in 2004. The deficit therefore narrowed by 0.4 percentage points to 2.4% of GDP in 2005.

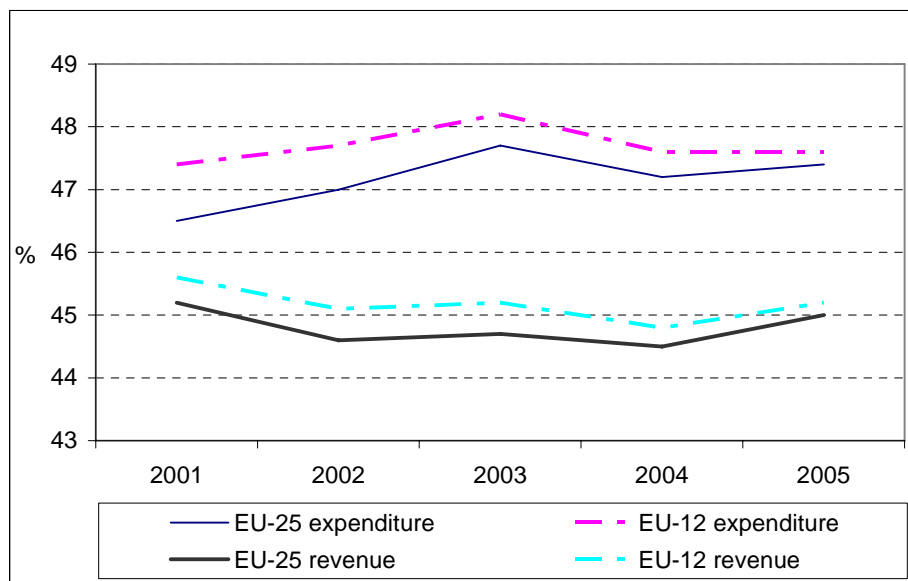


Figure 1: Total government revenue and expenditure (% of GDP)

Observing the trend over the period 2001-2005 (see figure 1), government expenditure in the EU-25 and euro area (EU-12) has tended to rise relative to GDP, though the peak was in 2003. Government revenue as a percentage of GDP declined between 2001 and 2004 in both the EU-25 and euro area, before rising in 2005.



<sup>1</sup> Commission Regulation (EC) No 1500/2000 implementing Council Regulation (EC) No 2223/96. Reporting of European System of Accounts (ESA 95) transmission table 2 by Member States to Eurostat is at t+3 and t+8 months.

<sup>2</sup> The deficit differs slightly from that reported at t+3 months under the Excessive Deficit Procedure (see Eurostat news release 48/2006, 24<sup>th</sup> April 2006). For further explanation, see page 6.

<sup>3</sup> Euro area comprises Belgium, Germany, Greece (from 1.1.2001), Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal, and Finland.

## Government revenue and expenditure totals by country

**Table 1: Government revenue and expenditure totals by country**

	Millions of euro, 2005		% of GDP, 2005		% of GDP, 2004	
	Total general government revenue	Total general government expenditure	Total general government revenue	Total general government expenditure	Total general government revenue	Total general government expenditure
EU-25	4 864 611	5 120 369	45.0	47.4	44.5	47.2
EU-15	4 638 089	4 877 934	45.3	47.6	44.7	47.4
EU-12	3 607 776	3 799 837	45.2	47.6	44.8	47.6
BE	149 320	149 478	50.1	50.1	49.4	49.5
CZ	40 804	43 381	41.5	44.1	41.7	44.6
DK	119 113	110 874	57.2	53.3	56.8	55.1
DE	974 750	1 049 250	43.4	46.7	43.2	46.9
EE	3 951	3 783	37.5	35.9	37.9	36.4
EL	75 678	83 582	41.8	46.2	42.0	48.8
ES	355 686	345 885	39.3	38.2	38.7	38.8
FR	869 426	919 102	51.2	54.2	49.9	53.6
IE	56 982	55 346	35.5	34.5	35.2	33.7
IT	623 471	683 737	44.0	48.2	44.3	47.8
CY	5 675	5 997	42.3	44.7	39.7	43.8
LV	4 651	4 629	36.4	36.2	34.9	35.9
LT	6 823	6 931	33.1	33.7	31.9	33.4
LU	12 137	12 689	42.4	44.3	42.1	43.2
HU	39 071	44 484	44.5	50.7	44.1	49.5
MT	1 980	2 128	44.2	47.5	43.4	48.5
NL	227 992	229 437	45.4	45.7	44.5	46.6
AT	118 202	122 198	48.0	49.6	48.8	50.0
PL	98 154	104 107	40.8	43.3	38.6	42.5
PT	61 582	70 380	41.8	47.8	43.2	46.4
SI	12 467	12 949	45.5	47.3	45.3	47.6
SK	12 946	14 046	34.7	37.7	35.9	38.9
FI	82 550	78 754	53.1	50.7	52.4	50.3
SE	170 127	162 469	59.1	56.4	58.3	56.7
UK	741 073	804 754	41.9	45.5	40.6	43.9

Table 1 shows the size of the general government sector in each country in terms of its revenue and expenditure. Relative to GDP, using an average measure of total revenue and expenditure of each country, Sweden has the largest government sector in the EU, followed by Denmark. The government sector is smallest in Lithuania, followed by Ireland.

It should be noted that, for the main transactions taking place between entities classified within the government sector - property income (ESA 95 category D.4), current transfers (D.7), capital transfers (D.9) - the data are consolidated. In other words, such transactions are excluded from the revenue and expenditure figures shown. However, for Denmark, Slovenia, and Sweden the data are overstated as a result of recording D.4 on a non-consolidated basis.

Looking at the changes in government revenue and expenditure as a percentage of GDP by country between 2004 and 2005, the following developments are of note. The highest growth in revenue between the two years was in Cyprus (+2.6% of GDP), followed by Poland (+2.2%). The largest decline in government revenue was experienced by Portugal (-1.4% of GDP), which also saw the second-highest growth in expenditure (+1.4%), exceeded only by the UK (+1.6%). Also between 2004 and 2005 both government revenue and expenditure in Slovakia fell by 1.2% of GDP. The biggest declines in expenditure were however in Greece (-2.6%) and Denmark (-1.8%).

## Main components of government expenditure

Table 2 ('Main general government expenditure components for 2005') provides a breakdown of transactions in expenditure and revenue. Social welfare spending – typically covering risks or needs such as sickness, disability, old age and unemployment - represents a very high proportion of total government expenditure. Such spending is classified under 'social benefits other than social transfers in kind' (ESA 95 category D.62) and 'social transfers in kind related to

expenditure on products supplied to households via market producers' (D.6311+D.63121+ D.63131).

In the EU-25, these categories accounted for 33.8% and 8.7% respectively of total government expenditure in 2005 (see figure 2).

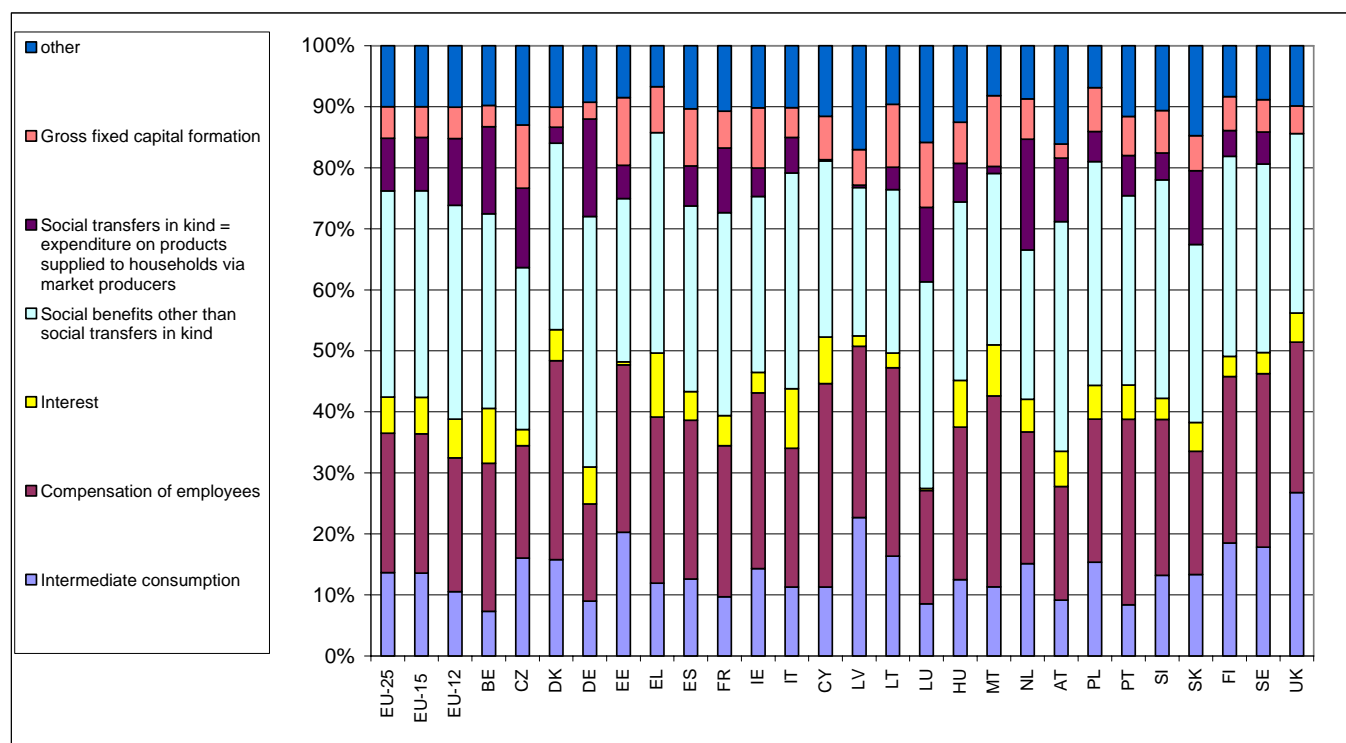


Figure 2: Main expenditure components for 2005 as a percentage of total government expenditure

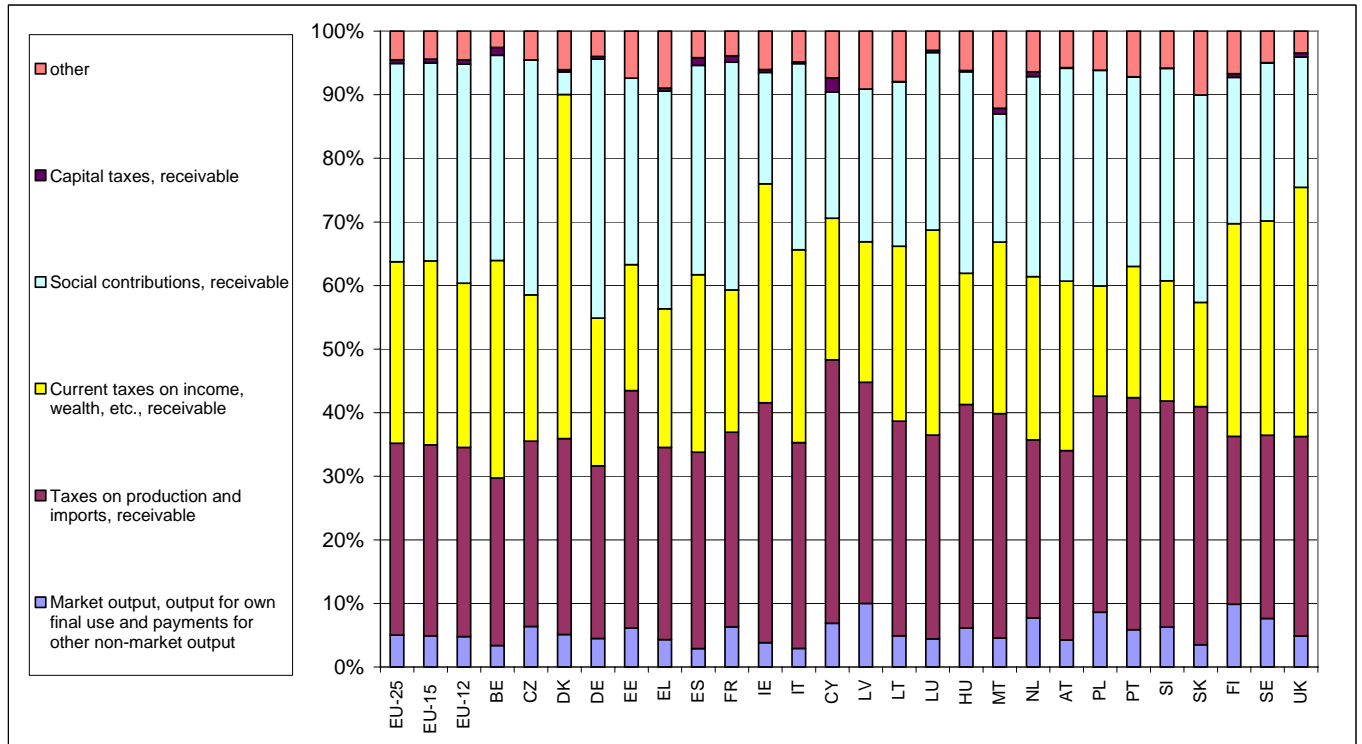
Spending on *social benefits other than social transfers in kind* ranges from 41.0% of total government expenditure in Germany, to 24.3% in Latvia. Spending on *social transfers in kind related to expenditure on products supplied to households via market producers* is highest in the Netherlands, amounting to 18.1% of government expenditure. Greece, Cyprus, and the UK have recorded nil or negligible amounts under this category, because of problems in identifying these flows. Instead, the amounts have been classified under 'intermediate consumption'.

The other expenditure items shown in figure 2 and table 2 are as follows. 'Compensation of employees' (D.1) comprises wages and salaries and employers' social contributions (actual and imputed). 'Intermediate consumption' (P.2) refers to the value of goods and services consumed as inputs by a process of production, excluding fixed assets. Also itemized are 'interest' (D.41) payable on government debt, and 'gross fixed capital formation' (P.51), which essentially refers to the net acquisition of fixed assets. The 'other' category of expenditure consists mainly of 'subsidies' (D.3), 'other current transfers' (D.7), and 'capital transfers' (D.9).

**Table 2: Main general government expenditure components for 2005 in million euro**

	Intermediate consumption	Compensation of employees	Interest	Social benefits other than social transfers in kind	Social transfers in kind = expenditure on products supplied to households via market producers	Gross fixed capital formation	Other	Total
EU-25	698 511	1 170 111	303 955	1 729 217	442 938	263 398	512 241	5 120 369
EU-15	662 538	1 113 311	291 606	1 651 480	426 598	244 596	487 805	4 877 934
EU-12	400 780	832 533	241 805	1 331 036	415 122	195 655	382 908	3 799 837
BE	10 911	36 277	13 431	47 683	21 301	5 239	14 636	149 478
CZ	6 958	7 991	1 153	11 508	5 635	4 502	5 635	43 381
DK	17 503	36 144	5 648	33 854	2 929	3 633	11 162	110 874
DE	94 370	167 280	63 390	430 610	167 510	29 140	96 950	1 049 250
EE	767	1 037	20	1 011	207	420	321	3 783
EL	9 965	22 775	8 750	30 184	0	6 280	5 628	83 582
ES	43 614	89 902	16 281	105 233	22 691	32 418	35 746	345 885
FR	89 203	227 382	45 532	305 540	97 351	55 450	98 644	919 102
IE	7 916	15 951	1 854	15 941	2 591	5 468	5 625	55 346
IT	77 317	155 533	66 641	241 692	39 819	33 499	69 236	683 737
CY	677	1 998	459	1 730	13	425	695	5 997
LV	1 050	1 299	79	1 125	19	269	789	4 629
LT	1 134	2 139	168	1 855	255	716	664	6 931
LU	1 082	2 358	41	4 298	1 549	1 351	2 010	12 689
HU	5 564	11 113	3 414	13 001	2 806	3 006	5 579	44 484
MT	242	665	178	598	25	246	174	2 128
NL	34 729	49 487	12 284	56 183	41 621	15 123	20 010	229 437
AT	11 189	22 716	7 055	46 027	12 726	2 783	19 702	122 198
PL	15 995	24 414	5 763	38 180	5 112	7 512	7 131	104 107
PT	5 905	21 386	3 951	21 828	4 639	4 500	8 171	70 380
SI	1 711	3 307	451	4 636	569	902	1 374	12 949
SK	1 875	2 837	665	4 093	1 699	804	2 072	14 046
FI	14 578	21 486	2 595	25 817	3 324	4 404	6 550	78 754
SE	28 942	46 238	5 595	50 178	8 547	8 584	14 385	162 469
UK	215 313	198 397	38 558	236 413	0	36 724	79 350	804 754

**Main components of government revenue**



**Figure 3: Main revenue components for 2005 as a percentage of total government revenue**

Compulsory levies in the form of taxes and social contributions accounted for over 90% of general government revenue in the EU in 2005. In figure 3 and table 3, compulsory levies are split into the following ESA 95 categories: 'taxes on production and imports' (D.2), 'current taxes on income, wealth, etc.' (D.5), 'capital taxes' (D.91), and 'social contributions' (D.61). In the EU-25, the proportion of total government revenue under each of these categories was respectively 30.2%, 28.5%, 0.6%, and 31.2%.

'Taxes on production and imports' refers mainly to value-added tax, import and excise duties, taxes on financial and capital transactions, on land and buildings, on payroll, and other taxes on products and production. In the category 'current taxes on income, wealth, etc.' are taxes on income and on holding gains of households and corporations, current taxes on capital, taxes on international transactions, and payments for licences. The term 'capital taxes' is used in ESA 95 in the restricted sense of taxes levied at irregular and infrequent intervals on the value of assets or net worth owned, or transferred in the form of legacies or gifts. 'Social contributions' cover actual amounts receivable from employers and employees, and also imputed amounts.

The ratio of *taxes on production and imports* to total government revenue varies from 41.4% in Cyprus to 26.3% in Belgium. The range for *current taxes on income and wealth* relative to total revenue is much wider, varying from 54.1% in Denmark to 16.4% in Slovakia. However, Denmark is not strictly comparable because the social security system is mostly funded by income tax rather than by social contributions, which is the case in other countries. Consequently, the ratio of *social contributions* to total revenue is far lower in Denmark (3.5%) than in other countries. Germany has the highest proportion of *social contributions* to total revenue, with 40.7%.

The remainder of government revenue shown in figure 3 and table 3 is in the form of 'market output, output for own final use and payments for other non-market output' (ESA 95 categories P.11+P.12+P.131), and 'other' revenue, the main components of which are 'property income' (D.4), 'other current transfers' (D.7), and 'other capital transfers and investment grants' (D.92+D.99).

**Table 3: Main revenue components for 2005 in million euro**

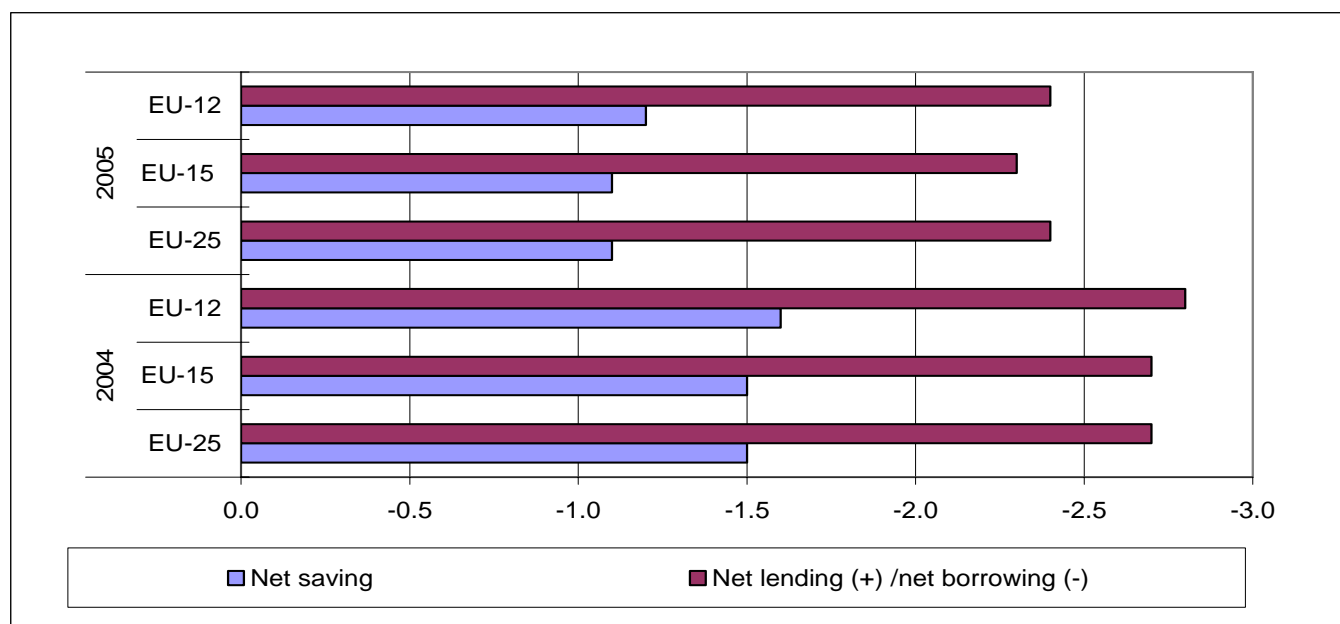
	Market output, output for own final use and payments for other non-market output	Taxes on production and imports	Current taxes on income, wealth, etc.	Social contributions	Capital taxes	Other	Total
EU-25	244 043	1 468 355	1 387 463	1 517 042	:	247 708	4 864 611
EU-15	227 835	1 391 630	1 343 047	1 442 373	29 162	204 042	4 638 089
EU-12	172 599	1 073 655	930 827	1 243 826	24 003	162 866	3 607 776
BE	5 022	39 338	51 117	48 159	1 881	3 804	149 320
CZ	2 595	11 902	9 386	15 056	21	1 844	40 804
DK	6 098	36 696	64 460	4 205	430	7 225	119 113
DE	43 820	264 860	226 270	396 950	4 100	38 750	974 750
EE	242	1 477	782	1 158	0	293	3 951
EL	3 249	22 893	16 472	25 925	374	6 765	75 678
ES	10 279	109 852	99 349	117 144	4 243	14 819	355 686
FR	54 974	266 049	194 714	311 177	8 960	33 552	869 426
IE	2 187	21 494	19 610	9 998	250	3 443	56 982
IT	18 254	201 859	189 052	182 416	1 808	30 082	623 471
CY	391	2 349	1 265	1 127	126	417	5 675
LV	465	1 617	1 027	1 117	:	424	4 651
LT	336	2 303	1 879	1 764	1	542	6 823
LU	535	3 891	3 915	3 387	45	364	12 137
HU	2 396	13 736	8 069	12 380	77	2 414	39 071
MT	90	699	535	399	18	240	1 980
NL	17 521	63 919	58 518	71 726	1 713	14 595	227 992
AT	5 021	35 210	31 487	39 591	124	6 770	118 202
PL	8 459	33 359	16 991	33 285	60	5 999	98 154
PT	3 603	22 487	12 717	18 341	19	4 415	61 582
SI	779	4 437	2 359	4 161	10	722	12 467
SK	456	4 847	2 122	4 223	1	1 297	12 946
FI	8 135	21 804	27 606	19 012	486	5 507	82 550
SE	12 978	48 992	57 352	42 266	118	8 422	170 127
UK	36 160	232 287	290 408	152 076	4 613	25 530	741 073

## Government deficit and net saving

The difference between general government expenditure and revenue results in a surplus or deficit, known in the ESA 95 methodology as '*general government net lending /net borrowing*' (ESA 95 category B.9). It can be seen in figure 4 that there was a net borrowing in 2005 in both the EU-25 and euro area equal to 2.4% of GDP.

Also shown in figure 4 is the concept of '*net saving*' (ESA 95 category B.8n). This is defined as the (positive

or negative) amount resulting from current transactions which establishes the link with accumulation. In the ESA 95 sequence of accounts, it is the balance in current transactions before taking into account capital transactions (capital transfers and net acquisitions of non-financial assets). In 2005 there was a negative net saving (or 'dis-saving') of 1.1% of GDP in the EU-25 and of 1.2% in the euro area. A negative net saving balance requires governments to borrow and /or to sell assets.



**Figure 4: General government deficit and net saving (% of GDP)**

Table 4 shows, for each country, its net saving and net lending/net borrowing position. Net lending/net borrowing in particular is seen as an important measure of government finances. It is used, for example, for the reporting of government deficit/surplus by EU Member States under the Excessive Deficit Procedure (EDP). However, the definition is slightly different under the EDP compared to national accounts: for the purpose of EDP reporting, net lending/net borrowing includes streams of interest payments resulting from swap and forward rate agreements.

There are other reasons why the figures for table 2 of

the ESA 95 transmission programme can differ from those reported under the EDP. Differences sometimes occur due to revisions made after the official reporting dates<sup>1</sup>. Additionally there are some inconsistencies in the two sets of data arising from compilation difficulties, for example in the reporting of interest on a consolidated basis. It should also be noted that the UK's net borrowing figures notified under the EDP are adjusted by Eurostat to ensure compliance with Eurostat's decision on UMTS (mobile phone) licences<sup>2</sup>, whereas the UK's national accounts data (and also those of Denmark) reported to Eurostat do not comply with this decision.

<sup>1</sup> Since the publication of the officially reported data on 24 April 2006 (Eurostat news release, 48/2006) there have been no revisions to ESA table 2, but some changes in GDP have had a minor impact on ratios to GDP.

<sup>2</sup> Eurostat news release No 81/2000: sales of UMTS licences should be recorded as disposals of non-financial non-produced assets (K.2 in the ESA 95 classification).

**Table 4: General government net lending (+)/net borrowing (-) and net saving by country**

	Millions of euro, 2005		% of GDP, 2005		% of GDP, 2004	
	Net saving	Net lending (+) /net borrowing (-)	Net saving	Net lending (+) /net borrowing (-)	Net saving	Net lending (+) /net borrowing (-)
EU-25	-117 436.9	-255 758.0	-1.1	-2.4	-1.5	-2.7
EU-15	-110 191.0	-239 845.2	-1.1	-2.3	-1.5	-2.7
EU-12	-91 854.4	-192 061.8	-1.2	-2.4	-1.6	-2.8
BE	-43.7	-157.9	0.0	-0.1	-0.3	-0.1
CZ	-436.3	-2 577.4	-0.4	-2.6	-0.5	-2.9
DK	7 678.2	8 239.8	3.7	4.0	1.2	1.7
DE	-57 570.0	-74 500.0	-2.6	-3.3	-2.8	-3.7
EE	377.2	167.9	3.6	1.6	3.3	1.5
EL	-2 287.0	-7 904.0	-1.3	-4.4	-2.4	-6.8
ES	33 492.0	9 801.0	3.7	1.1	2.6	-0.2
FR	-37 260.0	-49 676.0	-2.2	-2.9	-2.7	-3.7
IE	4 987.0	1 636.0	3.1	1.0	3.8	1.6
IT	-34 731.0	-60 266.0	-2.5	-4.3	-2.2	-3.5
CY	-24.8	-321.8	-0.2	-2.4	-1.2	-4.1
LV	164.7	21.8	1.3	0.2	-0.6	-0.9
LT	239.7	-107.9	1.2	-0.5	0.5	-1.5
LU	748.1	-551.8	2.6	-1.9	2.9	-1.1
HU	-5 253.2	-5 412.7	-6.0	-6.2	-5.3	-5.4
MT	-222.6	-148.3	-5.0	-3.3	-5.2	-5.1
NL	2 305.0	-1 445.0	0.5	-0.3	-1.2	-2.1
AT	1 406.0	-3 995.7	0.6	-1.6	0.9	-1.2
PL	-1 688.5	-5 952.5	-0.7	-2.5	-1.9	-3.9
PT	-7 053.8	-8 798.4	-4.8	-6.0	-4.2	-3.2
SI	202.3	-481.9	0.7	-1.8	0.7	-2.3
SK	-604.4	-1 100.2	-1.6	-2.9	-3.0	-3.0
FI	4 153.0	3 796.0	2.7	2.4	2.8	2.1
SE	9 833.6	7 658.0	3.4	2.7	2.2	1.6
UK	-35 848.4	-63 681.2	-2.0	-3.6	-2.0	-3.2

Focusing on the net saving measure rather than net lending/net borrowing, the government financial position tends to look stronger for most countries. For example, in 2005 the general government financial position in Greece is much closer to balance (negative net saving

1.3% of GDP, net borrowing 4.4% of GDP), while that of Luxembourg is positive (net saving 2.6%, net borrowing 1.9%). However, for Malta, negative net saving is somewhat higher than net borrowing (5.0% and 3.3% of GDP respectively).

## ***Further information:***

### **Data:**

[EUROSTAT Website/Economy and finance/Government statistics/Main aggregates of general government, including total revenue and expenditure/Full table](#)

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