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# General government expenditure and revenue in the EU in 2004

In the framework of the ESA 95 transmission programme, European Union Member States have reported their provisional general government expenditure and revenue data for 2004<sup>1</sup>.

Total government expenditure in the EU-25<sup>2</sup> decreased in 2004 to an estimated 48.1% of GDP, from 48.5% in 2003. Meanwhile there was a slight fall in revenue to 45.5% of GDP, from 45.6% in the previous year. The general government deficit (more precisely, net borrowing according to the ESA 95 classification) therefore narrowed to 2.6% of GDP, from 2.9% in 2003.

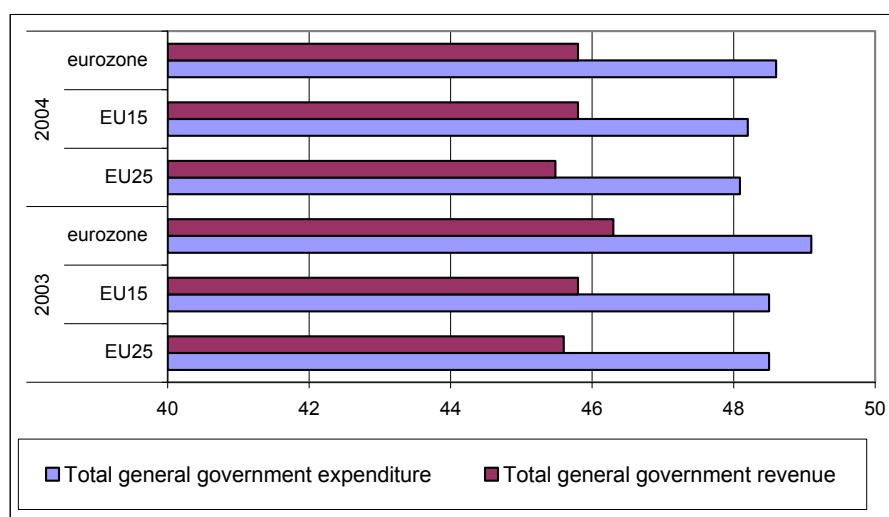


Figure 1: Total government revenue and expenditure (% of GDP)

For the euro-zone<sup>3</sup>, both government expenditure and to a lesser extent government revenue are higher than in the EU-25 (as % of GDP). Government expenditure in the euro-zone fell to 48.6% of GDP in 2004, from 49.1% in 2003. Revenue, meanwhile, declined from 46.3% of GDP to 45.8%, so the deficit was unchanged at 2.8% of GDP<sup>4</sup>.

<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. These data correspond to the end-March 2005 transmission.

<sup>2</sup> Data for EU-25 in 2004 excludes Poland (not available). Poland accounted for 1.9% of EU GDP at market prices in 2004.

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

<sup>4</sup> The deficit differs slightly from that reported at t+2 months under the Excessive Deficit Procedure (see Eurostat news release 39/2005, 18<sup>th</sup> March 2005).

## Government revenue and expenditure totals by country

	Millions of euro, 2004		% of GDP, 2004		% of GDP, 2003	
	Total general government revenue	Total general government expenditure	Total general government revenue	Total general government expenditure	Total general government revenue	Total general government expenditure
EU25	:	:	45.5	48.1	45.6	48.5
EU15	4 440 022	4 692 956	45.8	48.2	45.8	48.5
eurozone	3 465 386	3 673 627	45.8	48.6	46.3	49.1
BE	139 922	139 977	49.3	49.3	51.3	51.0
CZ	35 821	38 423	41.5	44.5	41.6	53.2
DK	114 431	109 458	58.9	56.3	57.5	56.4
DE	953 630	1 033 930	43.8	47.5	45.0	48.8
EE	3 472	3 317	39.0	37.3	38.9	35.8
EL	75 973	85 916	46.0	52.0	44.9	50.1
ES	321 235	323 619	40.2	40.5	40.0	39.6
FR	825 749	886 054	50.1	53.8	49.5	53.6
IE	52 066	50 097	35.6	34.3	34.6	34.4
IT	613 615	655 541	45.4	48.5	46.3	49.3
CY	4 927	5 454	39.7	44.0	39.1	45.4
LV	3 927	4 010	35.5	36.2	34.2	35.7
LT	5 775	6 218	32.2	34.7	32.2	34.1
LU	11 508	11 789	44.9	46.0	45.5	45.1
HU	36 010	39 484	44.8	49.2	43.5	49.8
MT	1 859	2 085	42.9	48.1	39.7	50.3
NL	215 658	226 451	46.2	48.6	45.8	49.0
AT	116 030	119 053	49.4	50.7	49.5	50.8
PL	:	:	:	:	44.3	48.1
PT	61 366	65 351	45.4	48.4	44.6	47.6
SI	11 882	12 373	45.9	47.8	46.2	48.2
SK	14 795	15 891	44.7	48.0	35.4	39.2
FI	78 635	75 849	52.5	50.7	52.9	50.8
SE	162 768	159 357	58.4	57.2	58.6	58.7
UK	697 438	750 514	40.8	43.9	40.0	43.3

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

Table 1 shows the size of the general government sector in each country in terms of its revenue and expenditure. Relative to GDP, using a combined measure (adding together the 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 code 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 several countries the data are overstated as a result of recording some of these transactions on a non-

consolidated basis. In the following countries D.4 is not consolidated: Czech Republic (2003), Denmark, Austria, Poland, Slovenia, and Sweden. In the 2004 data of Slovakia D.7 is not consolidated. The effect of consolidation is very apparent in the data of Slovakia, where the revenue and expenditure reported for 2004 (44.7% and 48.0% of GDP respectively) are much higher than for 2003.

Another big difference between the data for 2004 and 2003 concerns government expenditure in the Czech Republic. The relatively high figure for spending in 2003 (53.2% of GDP) is not only due to incomplete consolidation of intra-government transactions but is also related to exceptional transfers from government to financial and non-financial corporations.

### Main components of government expenditure

ESA 95 transmission programme table 2 ('Main aggregates of general government') provides a breakdown of transactions in expenditure and revenue according to the ESA 95 classification.

The relative importance of general government expenditure items varies considerably according to the country.

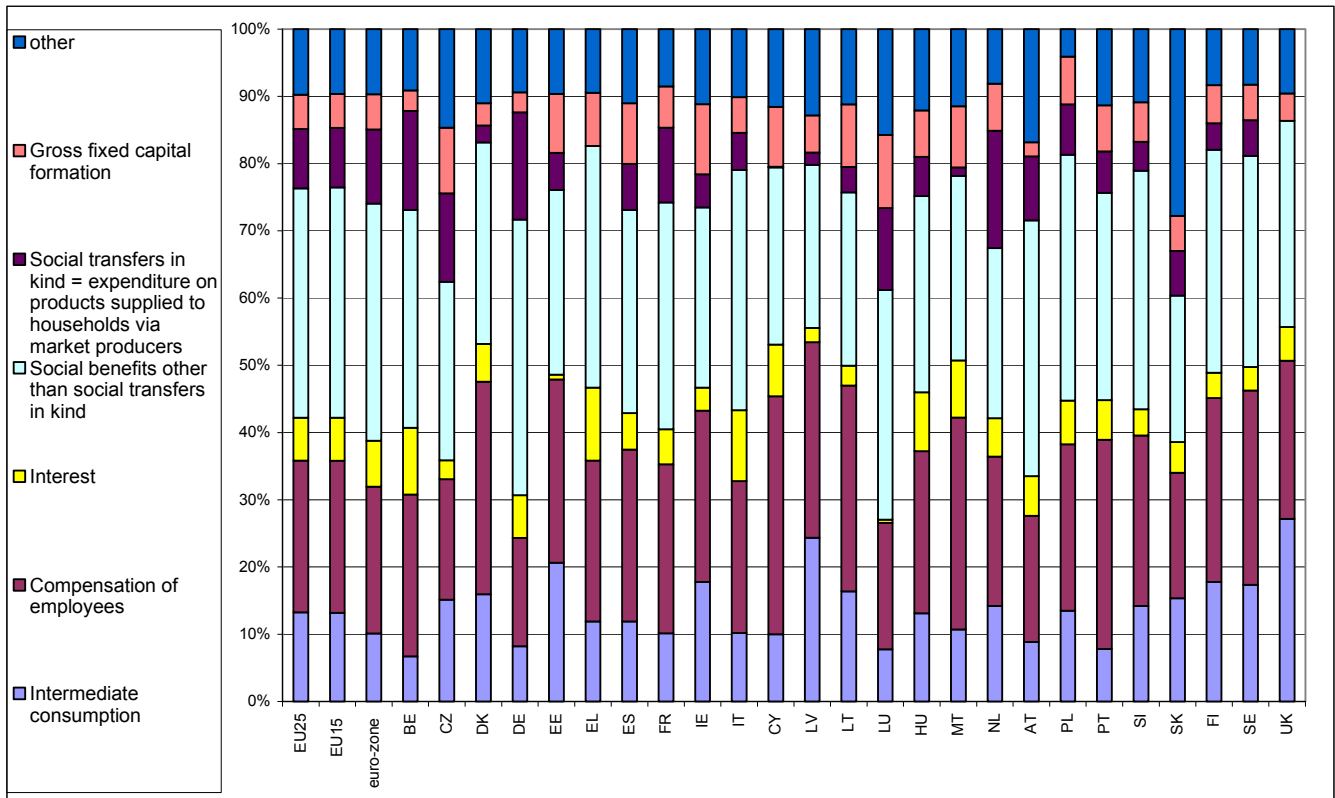


Figure 2: Main expenditure components for 2004 (PL 2003) as a percentage of total expenditure

Nevertheless, it is evident from figure 2 that social welfare spending is very significant in all countries. These are 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). Typically these payments cover risks or needs such as sickness, disability, old age, and unemployment.

Other major expenditure items are 'compensation of employees' (D.1), comprising 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. Figure 2 also shows '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). It should be recalled that the data reported in

categories D.4, D.7, and D.9 are consolidated.

In the EU-25, in 2004 the most important category of general government expenditure was 'social benefits other than social transfers in kind', accounting for 34.1% of total spending. This was followed by 'compensation of employees' (22.6%), then 'intermediate consumption' (13.2%).

For the euro-zone, however, the third most important category of expenditure was 'social transfers in kind related to expenditure on products supplied to households via market producers'. The difference between the EU-25 and euro-zone aggregates in this respect is partly explained by the treatment of social transfers in kind in the figures of the UK. In fact, for Greece and Cyprus as well as for the UK, the category 'social transfers in kind related to expenditure on products supplied to households via market producers' does not appear because the amounts have been classified under 'intermediate consumption' (these countries are not yet able to separately identify these flows). A breakdown of government expenditure by reporting EU Member State is shown in table 2.

	Intermediate consumption	Compensation of employees	Interest	Social benefits other than social transfers in kind	Social transfers in kind	Gross fixed capital formation	Other	Total
EU25	:	:	:	:	:	:	:	:
EU15	619,834	1,059,806	300,425	1,608,280	415,749	236,236	452,626	4,692,956
eurozone	370,850	802,789	250,743	1,295,565	404,527	193,732	355,422	3,673,627
BE	9,388	33,724	13,849	45,364	20,608	4,284	12,761	139,977
CZ	5,817	6,885	1,085	10,191	5,067	3,747	5,632	38,423
DK	17,475	34,562	6,182	32,781	2,764	3,634	12,061	109,458
DE	84,910	166,360	66,160	423,310	165,220	30,610	97,360	1,033,930
EE	685	904	23	910	184	290	320	3,317
EL	10,209	20,585	9,313	30,862	0	6,793	8,154	85,916
ES	38,511	82,781	17,530	97,675	22,216	29,185	35,721	323,619
FR	89,929	222,451	46,439	298,833	98,417	54,384	75,601	886,054
IE	8,906	12,761	1,724	13,423	2,460	5,228	5,596	50,097
IT	66,755	148,248	68,960	234,181	36,302	34,875	66,220	655,541
CY	547	1,929	419	1,438	5	484	633	5,454
LV	976	1,166	86	972	73	222	515	4,010
LT	1,019	1,903	184	1,602	235	580	695	6,218
LU	916	2,213	61	4,024	1,435	1,284	1,856	11,789
HU	5,187	9,515	3,452	11,515	2,317	2,720	4,779	39,484
MT	223	657	177	572	26	189	239	2,085
NL	32,172	50,318	12,939	57,293	39,521	15,811	18,397	226,451
AT	10,553	22,302	7,063	45,269	11,339	2,500	20,027	119,053
PL	12,038	22,072	5,792	32,613	6,671	6,355	3,643	89,184
PT	5,108	20,312	3,864	20,156	4,015	4,480	7,417	65,351
SI	1,757	3,139	482	4,387	534	727	1,348	12,373
SK	2,441	2,961	730	3,461	1,052	833	4,413	15,891
FI	13,492	20,734	2,841	25,175	2,995	4,299	6,313	75,849
SE	27,653	46,069	5,563	50,009	8,459	8,416	13,187	159,357
UK	203,856	176,386	37,937	229,925	0	30,454	71,957	750,514

Table 2: Main expenditure components for 2004 (PL 2003) in million euro

### Main components of government revenue

Compulsory levies in the form of taxes and social contributions accounted for around 90% of general government revenue in the EU in 2004. In figure 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).

'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

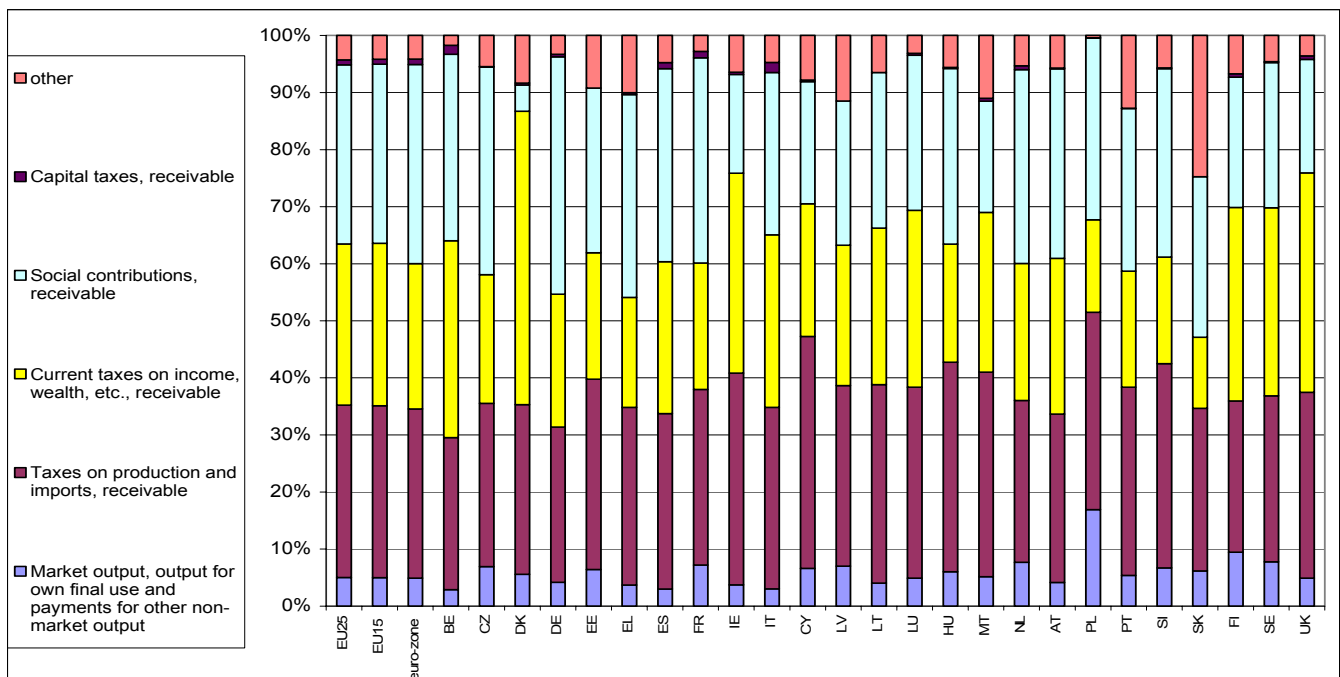


Figure 3: Main revenue components for 2004 (PL 2003) as a percentage of total revenue

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 (see ESA 95 paragraphs 4.98 - 4.102 for an explanation of imputed social contributions). The remainder of government revenue shown in figure 3 is in the form of 'market output, output for own final use and payments for other non-market output' (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). The data for D.4, D.7 and D.9 are consolidated.

'Social contributions' account for 31.4% of total government revenue in the EU, followed by 'taxes on production and imports' (30.2%), and 'current taxes on income, wealth, etc.' (28.3%). The importance of 'social contributions' is even greater in the euro-zone (34.9% of total revenue), partly explained by Germany where 41.6% of revenue is in this category. At the other extreme is Denmark, where 'social contributions' account for just 4.6% of government revenue, as the social security system is mostly funded by income tax (the category 'current taxes on income, wealth, etc.' is correspondingly the highest in the EU, at 51.4% of total revenue).

A breakdown of government revenue by reporting EU Member State is shown in The 'other' government revenue category reported by the UK for 2004 is overstated by 0.1% of GDP because of non-compliance with Eurostat's decision on UMTS (mobile phone) licences<sup>4</sup>.

	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
EU25	:	:	:	:	:	:	:
EU15	222 555	1 336 402	1 263 860	1 393 757	37 758	185 690	4 440 022
euro-zone	169 270	1 027 921	883 155	1 208 563	32 852	143 625	3 465 386
BE	4 048	37 274	48 279	45 711	2 183	2 427	139 922
CZ	2 480	10 250	8 075	13 034	27	1 955	35 821
DK	6 386	34 042	58 807	5 254	403	9 538	114 431
DE	39 910	259 530	221 990	396 450	4 290	31 460	953 630
EE	222	1 158	769	1 002	0	320	3 472
EL	2 797	23 664	14 640	26 974	279	7 619	75 973
ES	9 673	98 657	85 549	108 652	3 434	15 270	321 235
FR	59 657	253 886	183 012	296 698	9 541	22 955	825 749
IE	1 948	19 317	18 235	9 008	202	3 356	52 066
IT	18 578	195 207	185 377	174 756	10 721	28 976	613 615
CY	327	2 003	1 144	1 055	13	386	4 927
LV	275	1 242	965	994	0	451	3 927
LT	232	2 009	1 582	1 576	1	374	5 775
LU	564	3 851	3 569	3 125	40	360	11 508
HU	2 177	13 216	7 453	11 081	67	2 016	36 010
MT	96	666	520	362	9	205	1 859
NL	16 577	61 167	51 734	73 224	1 516	11 440	215 658
AT	4 807	34 272	31 632	38 521	154	6 643	116 030
PL	13 876	28 386	13 300	26 120	40	346	82 067
PT	3 293	20 249	12 477	17 491	19	7 838	61 366
SI	795	4 256	2 218	3 921	16	677	11 882
SK	911	4 218	1 844	4 156	3	3 663	14 795
FI	7 420	20 847	26 662	17 952	472	5 282	78 635
SE	12 655	47 313	53 669	41 392	280	7 460	162 768
UK	34 244	227 126	268 229	138 550	4 223	25 067	697 438

Table 3: Main revenue components for 2004 (PL 2003) in million euro

<sup>4</sup> Eurostat decision 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).

## Government deficit and net saving

As already mentioned, 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 the net borrowing of the EU-25 decreased in 2004 to 2.6% of GDP, from 2.9% in the previous year. In the euro-zone the net borrowing remained equal to 2.8% 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). Negative net saving (or 'dis-saving') in 2004 fell to 1.3% of GDP, from 1.6% in 2003, in both the EU-25 and the euro-zone. A negative net saving balance requires governments to borrow and /or to sell assets.

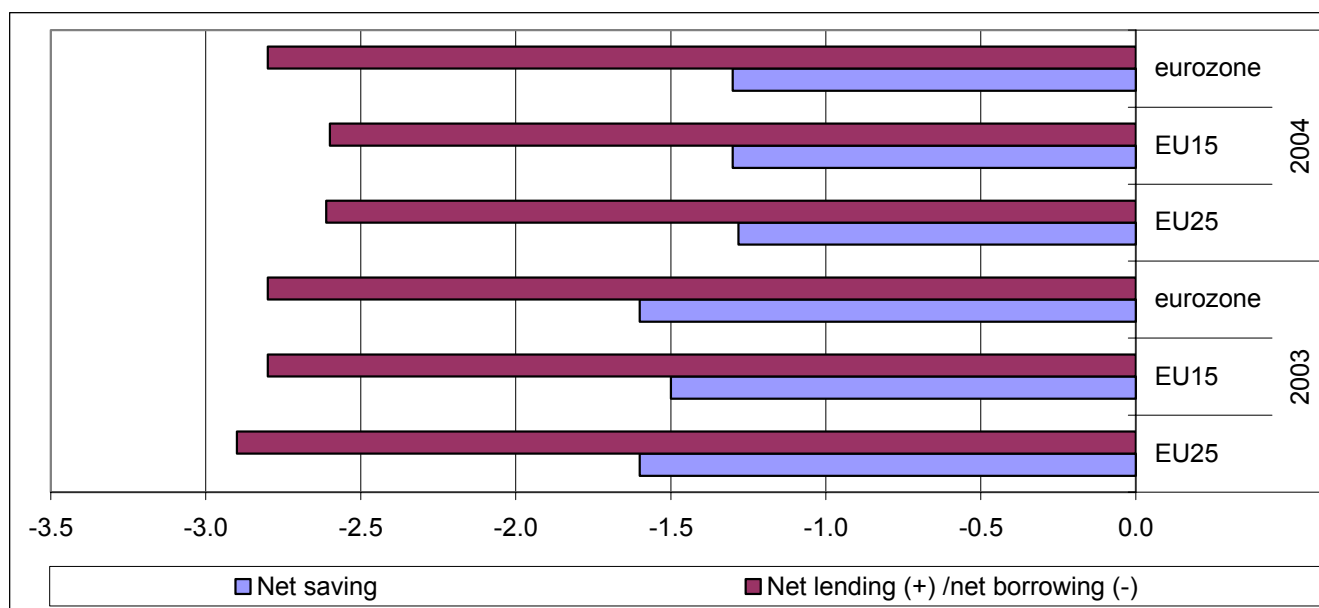


Figure 4: General government deficit and net saving (% of GDP)

Table 4 shows, for each reporting 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, as the definition of government deficit/surplus for the reporting of EU Member States under the Excessive Deficit Procedure (EDP).

It should be noted that figures presented here may differ from those reported under the EDP because of a difference in time of reporting. EDP data for the previous year's outcome (in this case, 2004) are first notified to the European Commission at t+2 months, whereas table 2 of the national accounts (ESA 95) transmission programme is first reported at t+3 months. Revisions may occur in the intervening period because of the provisional nature of the data.

Also, the accounting treatment of swaps and forward rate agreements differs under the EDP than in national accounts. For the purpose of EDP reporting, net lending/net borrowing includes streams of interest payments resulting from swap and forward rate agreements. For most countries, however, this methodological difference has little or no impact on the data.

Using the net saving measure rather than net lending/net borrowing, quite a different picture of government finances emerges in many countries. For example, in 2004 the general government financial position in Greece and Cyprus are much closer to balance, while that of Spain and Luxembourg turns positive. For most countries, the government financial position looks stronger in both 2003 and 2004 when measured by net saving rather than by net lending/net borrowing.

	Millions of euro, 2004		% of GDP, 2004		% of GDP, 2003	
	Net saving	Net lending (+) /net borrowing (-)	Net saving	Net lending (+) /net borrowing (-)	Net saving	Net lending (+) /net borrowing (-)
EU25	:	:	-1.3	-2.6	-1.6	-2.9
EU15	-123 286.7	-252 933.1	-1.3	-2.6	-1.5	-2.8
eurozone	-99 365.3	-208 240.8	-1.3	-2.8	-1.6	-2.8
BE	-946.3	-55.2	-0.3	0.0	-0.9	0.3
CZ	-732.4	-2 602.0	-0.8	-3.0	-3.1	-11.6
DK	4 208.3	4 973.1	2.2	2.6	0.7	1.0
DE	-61 000.0	-80 300.0	-2.8	-3.7	-2.7	-3.8
EE	307.5	155.0	3.5	1.7	5.6	3.1
EL	-2 485.0	-9 943.0	-1.5	-6.0	-0.5	-5.2
ES	24 055.0	-2 384.0	3.0	-0.3	2.8	0.4
FR	-39 534.0	-60 305.0	-2.4	-3.7	-2.9	-4.1
IE	5 277.0	1 969.5	3.6	1.3	3.0	0.2
IT	-19 260.0	-41 926.0	-1.4	-3.1	-1.9	-3.0
CY	-91.2	-526.4	-0.7	-4.2	-2.9	-6.3
LV	-90.7	-82.7	-0.8	-0.7	-2.2	-1.5
LT	71.9	-443.6	0.4	-2.5	0.5	-1.9
LU	863.0	-281.8	3.4	-1.1	4.2	0.5
HU	-3 397.8	-3 474.4	-4.2	-4.3	-5.5	-6.2
MT	-238.2	-225.9	-5.5	-5.2	-5.5	-10.6
NL	-6 193.0	-10 793.0	-1.3	-2.3	-2.0	-3.2
AT	2 171.2	-3 022.9	0.9	-1.3	0.4	-1.3
PL	:	:	:	:	-1.7	-3.8
PT	-5 628.2	-3 985.3	-4.2	-3.0	-3.4	-3.0
SI	125.3	-490.7	0.5	-1.9	0.5	-2.0
SK	-1 109.6	-1 096.1	-3.4	-3.3	-4.2	-3.7
FI	3 315.0	2 786.0	2.2	1.9	2.5	2.1
SE	4 931.0	3 411.2	1.8	1.2	0.6	-0.1
UK	-33 060.7	-53 076.7	-1.9	-3.1	-2.0	-3.3

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

# ***Further information:***

## **Databases**

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

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