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Contents

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Structure of government debt in Europe

2004 data

This publication analyses the structure of government debt in Europe based on a survey[1] carried out during spring and summer of 2005.

Total government debt has been supplied to Eurostat in the context of the Excessive Deficit Procedure.

At the end of 2004, the EU-25 overall government debt amounted to 63.4% of GDP. This value is slightly over the 63.0% recorded at the end of 2003 and the reference value of 60%.

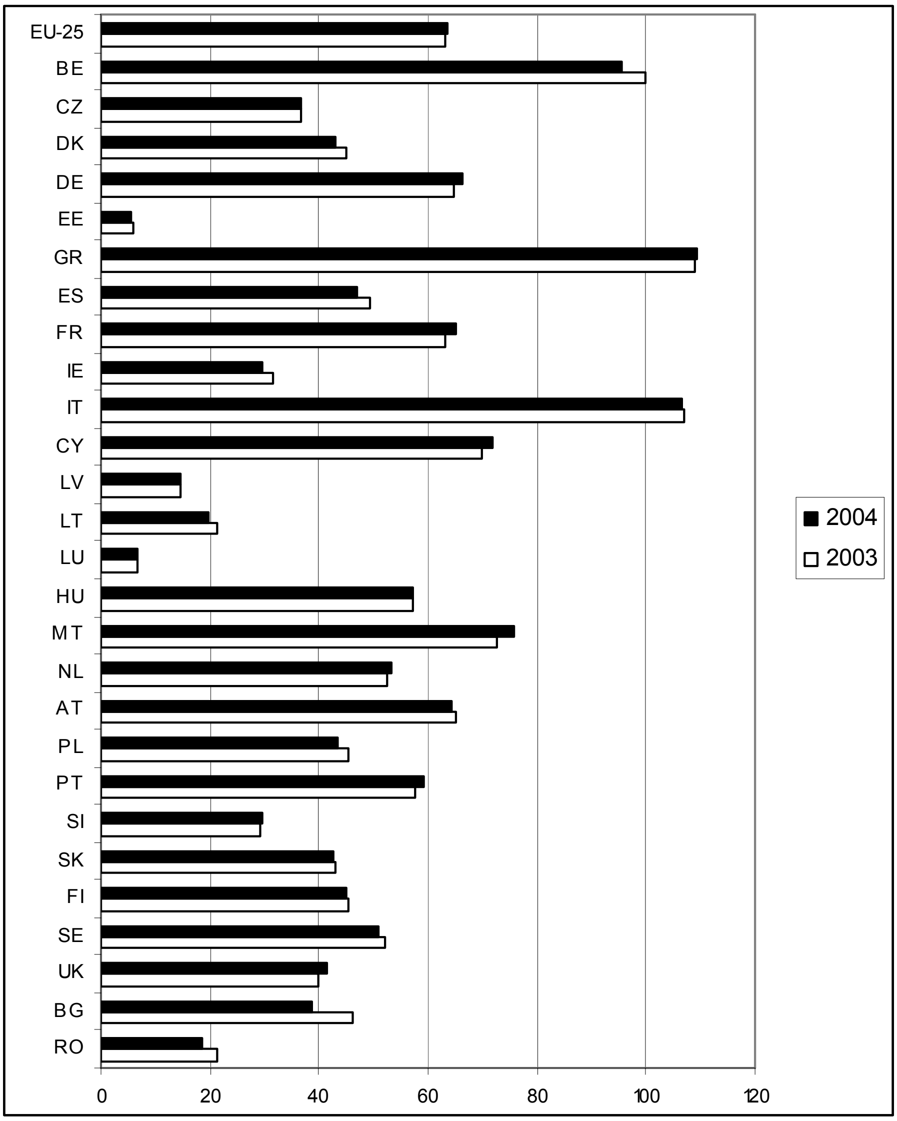

Figure 1: General government consolidated debt as percentage of GDP. Source: EDP notifications.

[1] *See methodological notes*

In 2004, as in 2003, eight EU Member States recorded a general government consolidated debt which exceeded 60% of GDP (see figure 1). However, while three countries (Italy, Greece and Belgium) exceeded the 100% level in 2003, there were only two remaining countries that went beyond this level in 2004. For Belgium, the general government debt as a percentage of GDP fell from 100.0% in 2003 to 95.7% in 2004.

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

Two Member States recorded a particularly low debt level: Luxembourg and Estonia with debt amounting to 6.6% and 5.5% of GDP respectively in 2004.

Sub-sector breakdown

The ESA95 divides general government into four sub-sectors:

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

In the survey, state and local government are not treated separately because only four countries (Belgium, Germany, Spain and Austria) have the sub-sector state government.

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 are included in central government debt.

For most of the countries, central government debt represented more than 80% of general government unconsolidated debt in 2004 (see figure 2).

However, this share was much lower in three countries: Estonia (48%), Germany (60%) and Luxembourg (72%). For these countries, the state and local governments played a more important role. The share of ‘state and local government’ in the general government unconsolidated debt was 51% in Estonia, 40% in Germany and 28% in Luxembourg.

In all countries, the share of the sub-sector social security funds in general government unconsolidated debt was very low (≤ 5%).

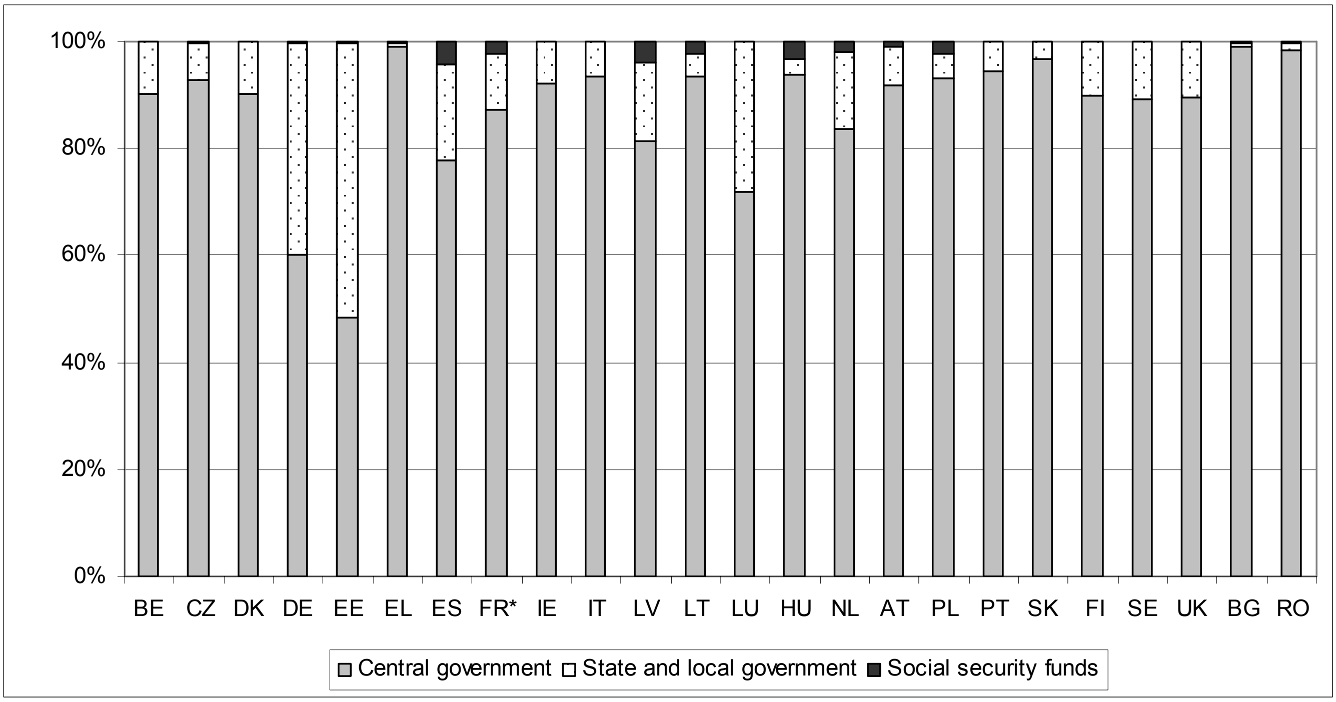

*Figure 2: Breakdown of general government unconsolidated debt by sub-sector for 2004. Source: debt survey. Missing data: CY, MT and SI. * 2003 data for ‘Currency and deposits’ of central government*

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 general government debt.

The consolidation effect is to reduce the general government debt by eliminating intra-governmental debt. The impact of consolidation is different in each country and it changes over time (see table 1). In general it reduced general government debt by between 5% and 10%.

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

On the other hand, in Denmark the impact of consolidation amounted to more than 25% (26.2% in 2004) which was by far the highest level in the EU-25. For Luxembourg, the impact was also quite high, intra-government debt representing 15.3% of total debt.

	2003	2004
Belgium	9.6%	10.8%
Czech Republic	2.2%	5.4%
Denmark	25.5%	26.2%
Germany	1.2%	1.1%
Estonia	0.9%	0.0%
Greece	10.6%	11.6%
Spain	7.0%	8.8%
France	6.4%	6.0%
Ireland	0.7%	0.4%
Italy	1.5%	1.7%
Latvia	16.3%	12.5%
Lithuania	3.1%	1.9%
Luxembourg	16.4%	15.3%
Hungary	5.3%	5.4%
Malta	0.0%	:
Netherlands	9.6%	8.9%
Austria	9.9%	9.7%
Poland	8.6%	10.9%
Portugal	4.8%	7.2%
Slovenia*	0.0%	0.0%
Slovakia	2.6%	2.6%
Finland	11.4%	2.4%
Sweden	9.0%	8.8%
United Kingdom*	9.7%	9.1%
Bulgaria	0.2%	0.2%
Romania	10.5%	9.9%

*Table 1: Intra-general government sector's debt as a percentage of general consolidated debt. Source: debt survey, * Quarterly government debt data (2003 and 2004 for SI, 2004 for UK. Missing data: CY)*

Breakdown by financial instrument

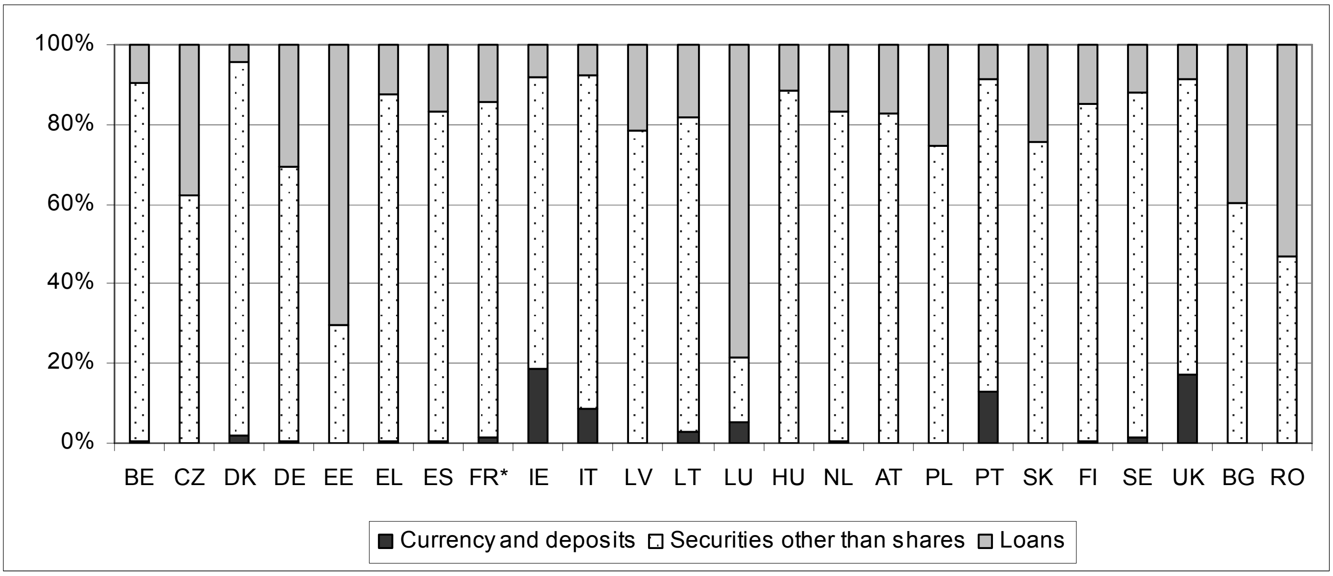

Figure 3: Breakdown of general government consolidated debt by instrument in 2004.
*Source: debt survey. Missing data: CY, MT and SI. * 2003 data for the value of currency and deposits of central government*

[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.*

Countries were asked in the survey to provide for each sub-sector a breakdown by financial instrument. The debt is, according to the 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 2004, the use of debt instruments was different from one country to another (see figure 3). Nevertheless, in most of the countries, around 80% of the debt was financed by issuing securities, whereas loans represented less than 20%.

Two countries make relatively low use of securities (Luxembourg 16% and Estonia 30%) and make greater use of loans (Luxembourg 79% and Estonia 70%). As Luxembourg and Estonia have very low debt, the use of loans is easier to manage and less expensive.

In the Czech Republic, Germany, Bulgaria and Romania the share of loans was also quite high at 38%, 31%, 40% and 53% 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%), the United Kingdom (17%), and Portugal (13%). The reason is 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 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 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 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 holders of some instruments. The data will only be available from the 2005 dataset onwards.

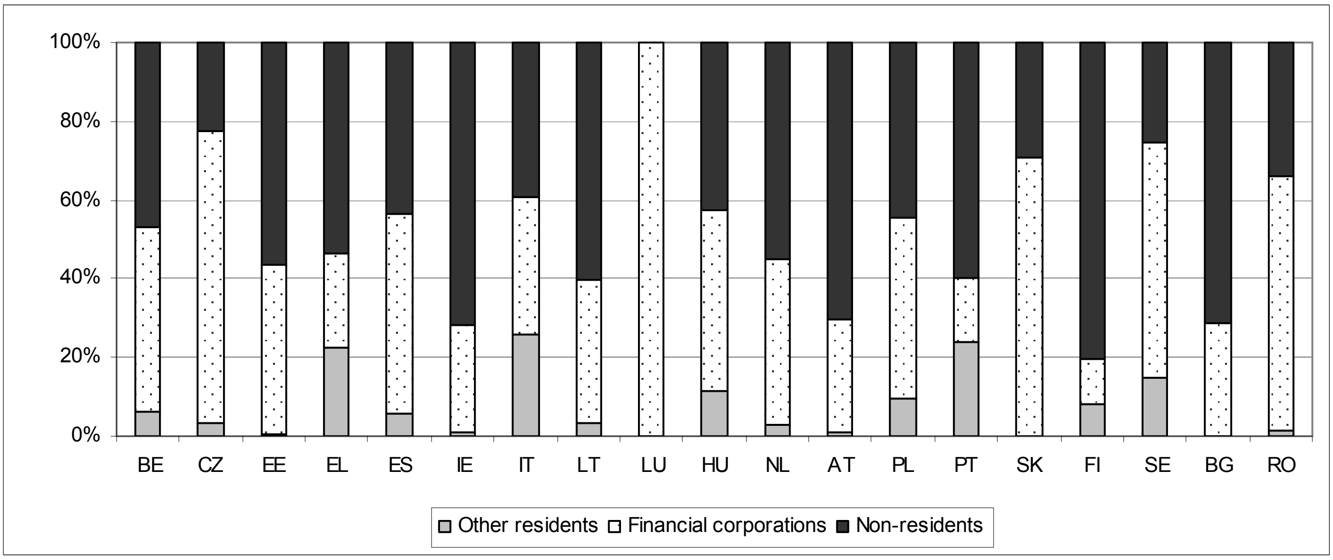

Figure 4: Breakdown of general government consolidated debt by debt holder for 2004.
Source: debt survey. Missing data: DK, DE, FR, CY, LV, MT, SI and UK.

The breakdown by debt holders is very different in each country (see figure 4).

In 2004 the share of financial corporations acting as debt holders was high for Luxembourg (100.0%), the Czech Republic (73.8%), Slovakia (70.8%) and Romania (65.0%).

Finland had the highest share of non-resident debt holders at nearly 80%.

In Ireland, Bulgaria and Austria the share of non-resident debt holders was also relatively high at 72.0%, 71.1% and 70.4% respectively.

Maturity breakdown

In the survey the countries were asked to give detailed information on the time structure of the debt based on the 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 13 countries are able to give information at this detailed level. Most countries subdivide the maturity structure into "up to one year" and "over one year" (see table 2).

In general about 80% of the debt was classified as having a maturity of longer than 1 year. In some countries the share of short-term debt was lower than 5%: Estonia (0.4%), Greece (1.6%), Ireland (0.9%), Austria (4.2%) and Bulgaria (0.7%).

However, two Member States recorded a short-term debt higher than 20%: Denmark (25.9%) and Sweden (27.4%).

	≤ 1 year	1-5 years	5-7 years	7-10 years	10-15 years	15-30 years	> 30 years	> 1 year
BE	9.9	:	:	:	:	:	:	90.1
CZ	13.5	30.2	8.6	22.4	12.7	7.1	0.0	86.5
DK	25.9	35.2	6.6	11.5	5.9	3.8	11.1	74.1
DE	5.7	:	:	:	:	:	:	94.3
EE	0.4	31.5	3.7	34.3	21.7	8.4	0.0	99.6
EL	1.6	:	:	:	:	:	:	98.4
ES	6.6	21.4	13.0	12.6	32.1	10.2	4.1	93.4
FR	12.3	:	:	:	:	:	:	87.7
IE	0.9	15.5	15.1	0.8	17.0	30.1	2.1	80.7
IT	:	:	:	:	:	:	:	:
CY	:	:	:	:	:	:	:	:
LV	5.9	22.0	13.1	38.9	9.8	10.0	0.3	94.1
LT	5.7	27.4	5.7	52.1	2.8	5.4	1.0	94.3
LU	16.6	:	:	:	:	:	:	83.4
HU	17.7	1.9	:	:	:	:	:	82.3
MT	:	:	:	:	:	:	:	:
NL	:	:	:	:	:	:	:	:
AT	4.2	:	:	:	:	:	:	95.8
PL	14.3	37.6	1.1	27.2	2.6	16.1	1.1	85.7
PT	13.9	12.6	16.3	12.5	38.3	5.5	0.9	86.1
SI	:	:	:	:	:	:	:	:
SK	13.9	34.7	10.9	27.0	12.3	1.2	0.0	86.1
FI	13.8	:	:	:	:	:	:	86.2
SE	27.4	13.4	13.0	6.4	29.7	9.9	0.1	72.6
UK	:	:	:	:	:	:	:	:
BG	0.7	9.5	7.9	7.0	39.2	35.2	0.2	99.3
RO	17.0	12.4	17.1	12.8	8.2	32.4	0.1	83.0

Table 2: General government debt by maturity as percentage of total debt in 2004.
Source: debt survey.

Short-term[1] data based on EDP notifications

As table 2 and figure 5 show, there is no common maturity pattern.

The proportion of short-term debt was for some countries (Austria, Bulgaria, Estonia and Greece) almost negligible (less than 5% in 2003 and 2004) while for the United Kingdom it represented one third of total debt.

Moreover, from one year to another, the proportion of short-term debt as percentage of total debt changed significantly for some Member States. In the Czech Republic and Ireland the share of short-term debt decreased from 19% to 13% and from 25% to 19% respectively, whereas in Portugal it increased from 20% in 2003 to 27% in 2004.

1 *Short-term debt = currency and deposits + short-term securities + short-term loans*

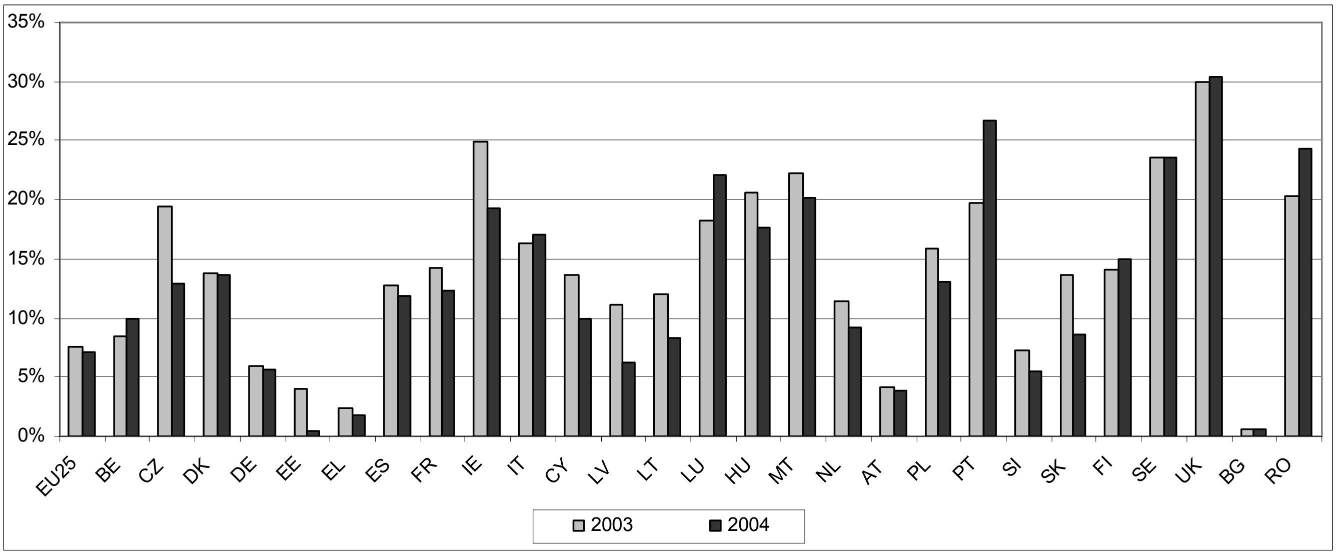

Figure 5: General government short-term debt as percentage of total debt.
Source: EDP notifications

Other aspects

Currency of issue

Six EU Member States out of 18 respondents issued less than 80% of their debt in national currency in 2004 (see figure 6). In many countries this share was close to 100%: Belgium, Germany, Greece, Spain, Luxembourg, Portugal, Finland and the United Kingdom.

The share of debt issued in foreign currency (Euro in these cases) was very high in Estonia, Lithuania and Latvia. In Bulgaria and Romania the share of debt issued in foreign currency is also very high.

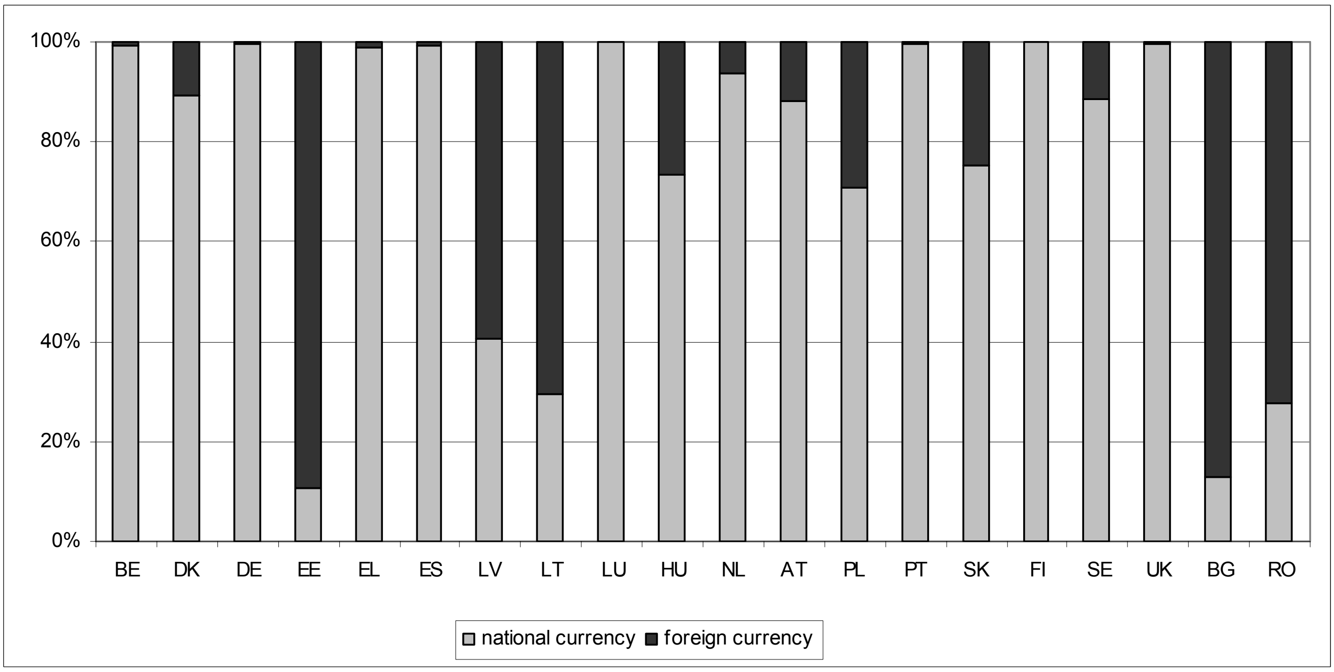

Figure 6: Breakdown of general government debt by currency of issue, 2004 data.
Source: debt survey. Missing data for CZ, FR, IE, IT, CY, MT and SI.

State guarantees

Based on 13 replies from EU Member States plus Bulgaria and Romania, the analysis of state guarantees can give only an incomplete picture of the situation in the European Union. (See figure 7).

In most of the responding countries state guarantees as a percentage of total general government debt was not higher than 15%; in many cases they do not exceed 10%.

The level of state guarantees was the highest for the responding countries in Denmark where it was close to 25%. For most responding countries a downward trend can be seen. The exceptions are Belgium, Denmark, Greece and Bulgaria where the level of state guarantees increased very slightly between 2003 and 2004.

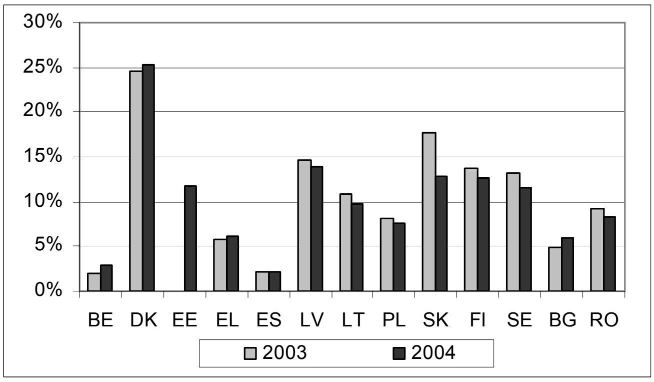

Figure 7: State guarantees as percentage of total debt. Source: debt survey. Missing data: CZ, DE, FR, IE, IT, CY, LU, HU, MT, NL, AT, PT, SI and UK

Apparent cost

Based on only 8 replies from EU Member States plus Bulgaria and Romania, only a rough indication of the apparent cost (average interest rate) of government debt can be given.

The level of apparent cost varied in 2004 in the European Union from 4.0% in Sweden to 6.0% in Poland. Bulgaria had, at 4.5%, a level close to the European Union, whereas in Romania the level of apparent cost was somewhat higher, at 7.5%.

Comparing 2003 with 2004, the apparent cost decreased slightly in nearly all responding countries (it increased only in Sweden).

➢ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

This year is the fifth 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 and 2004. 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 January 2005. The study compares 2003 and 2004 data covering the EU25 and, where available, Bulgaria and Romania.

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 2003, and the same set of tables for 2004, 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 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.

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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:

Data:EUROSTAT Website/Home page/Economy and finance/Data

- **Economy and finance**
  - Main economic indicators
  - National accounts (including GDP) (Changes to National Accounts in 2005)
  - **Government statistics**
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