Government finance statistics

Statistics Explained

Data extracted on 22 October 2018.
Planned article update: April 2019.

This article examines how key government finance statistics have developed in the European Union (EU) and the euro area (EA-19) . Specifically, it considers general government deficits , gross debt , total revenue and total expenditure , as well as taxes and social contributions , which are the main sources of government revenue.

Introduction

Government finance statistics contain crucial indicators for determining the health of the economies of the EU Member States. Under the terms of the EU's Stability and Growth Pact (SGP) , Member States pledged to keep their deficits and debt below certain limits: a Member State's government deficit may not exceed 3 % of its gross domestic product (GDP) , while its debt may not exceed 60 % of GDP. If a Member State does not respect these limits, the so-called excessive deficit procedure (EDP) is triggered. This entails several steps — including the possibility of sanctions — to encourage the Member State concerned to take appropriate measures to rectify the situation. The same deficit and debt limits are also criteria for economic and monetary union (EMU) and hence for joining the euro. Furthermore, the latest revision of the integrated economic and employment guidelines (revised as part of the Europe 2020 strategy for smart, sustainable and inclusive growth) includes a guideline to ensure the quality and the sustainability of public finances.

In 2017, the government deficit (net borrowing of the consolidated general government sector, as a share of GDP) of both the EU-28 and the euro area (EA-19) decreased compared with 2016. A reduction was also observed in the general government debt-to-GDP ratio.

General government surplus/ deficit

The EU-28's government deficit-to-GDP ratio decreased from -1.6 % in 2016 to -1.0 % in 2017, while this ratio also decreased in the EA-19 from -1.6 % to -1.0 %. 13 EU Member States — Malta (+3.5 %), Cyprus (+1.8 %), Sweden (+1.6 %), Czechia (+1.5 %), Luxembourg (+1.4 %), the Netherlands (+1.2 %), Bulgaria and Denmark (both +1.1 %), Germany (+1.0 %), Croatia (+0.9 %), Greece (+0.8 %), Lithuania (+0.5 %) and Slovenia (+0.1 %) — registered government surpluses in 2017.

There were 13 EU Member States, namely Ireland, Estonia, Latvia, Finland, Slovakia, Austria, Belgium, Poland, the United Kingdom, Hungary, Italy, France and Romania which recorded deficits in 2017 that were smaller than 3.0 % of GDP.

The lowest government deficits as a percentage of GDP were recorded in Ireland (-0.2 %), Estonia (-0.4 %), Latvia (-0.6 %) and Finland (-0.7 %).

Two Member States had deficits higher than or equal to 3 % of GDP: Spain (-3.1 %) and Portugal (-3.0 %) (see Figure 1).

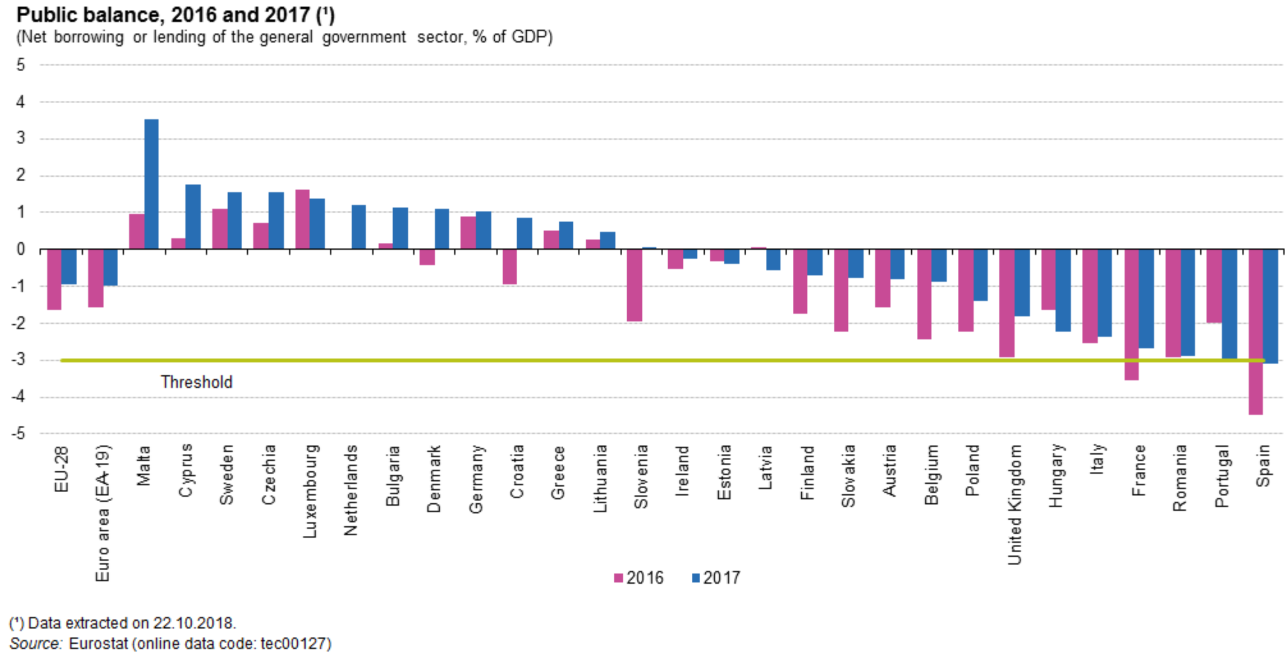

Figure 1: Public balance, 2016 and 2017(net lending or net borrowing of the general government sector, % of GDP)Source: Eurostat (tec00127)

For Spain, the reported deficits (relative to GDP) had exceeded 3.0 % during each of the three previous years, therefore covering the whole period shown in Table 1, even though deficits show a decreasing trend.

Public balance and general government debt, 2014-2017 (¹)
(% of GDP)

	Public balance (net borrowing / lending of consolidated general government sector)				General government debt (general government consolidated gross debt)			
	2014	2015	2016	2017	2014	2015	2016	2017
EU-28	-2.9	-2.3	-1.6	-1.0	86.4	84.4	83.3	81.6
Euro area (EA-19)	-2.5	-2.0	-1.6	-1.0	91.8	89.9	89.1	86.8
Belgium	-3.1	-2.5	-2.4	-0.9	107.6	106.5	106.1	103.4
Bulgaria	-5.4	-1.7	0.2	1.1	27.1	26.2	29.6	25.6
Czechia	-2.1	-0.6	0.7	1.5	42.2	40.0	36.8	34.7
Denmark	1.1	-1.5	-0.4	1.1	44.3	39.9	37.9	36.1
Germany	0.6	0.8	0.9	1.0	74.5	70.8	67.9	63.9
Estonia	0.7	0.1	-0.3	-0.4	10.5	9.9	9.2	8.7
Ireland	-3.6	-1.9	-0.5	-0.2	104.1	76.8	73.4	68.4
Greece	-3.6	-5.6	0.5	0.8	178.9	175.9	178.5	176.1
Spain	-6.0	-5.3	-4.5	-3.1	100.4	99.3	99.0	98.1
France	-3.9	-3.6	-3.5	-2.7	94.9	95.6	98.2	98.5
Croatia	-5.1	-3.4	-0.9	0.9	84.0	83.7	80.2	77.5
Italy	-3.0	-2.6	-2.5	-2.4	131.8	131.6	131.4	131.2
Cyprus	-9.0	-1.3	0.3	1.8	108.0	108.0	105.5	96.1
Latvia	-1.5	-1.4	0.1	-0.6	40.9	36.8	40.3	40.0
Lithuania	-0.6	-0.3	0.3	0.5	40.5	42.6	39.9	39.4
Luxembourg	1.3	1.3	1.6	1.4	22.7	22.2	20.7	23.0
Hungary	-2.6	-1.9	-1.6	-2.2	76.6	76.6	75.9	73.3
Malta	-1.7	-1.0	0.9	3.5	63.7	58.6	56.3	50.9
Netherlands	-2.2	-2.0	0.0	1.2	67.9	64.6	61.9	57.0
Austria	-2.7	-1.0	-1.6	-0.8	84.0	84.8	83.0	78.3
Poland	-3.7	-2.7	-2.2	-1.4	50.4	51.3	54.2	50.6
Portugal	-7.2	-4.4	-2.0	-3.0	130.6	128.8	129.2	124.8
Romania	-1.3	-0.7	-2.9	-2.9	39.2	37.8	37.3	35.1
Slovenia	-5.5	-2.8	-1.9	0.1	80.4	82.6	78.7	74.1
Slovakia	-2.7	-2.6	-2.2	-0.8	53.5	52.2	51.8	50.9
Finland	-3.2	-2.8	-1.7	-0.7	60.2	63.6	63.0	61.3
Sweden	-1.6	0.2	1.1	1.6	45.5	44.2	42.4	40.8
United Kingdom	-5.4	-4.2	-2.9	-1.8	87.0	87.9	87.9	87.4

(¹) Data extracted on 22.10.2018.
Source: Eurostat (online data codes: tec00127 and tsdde410)

Table 1: Public balance and general government debt, 2014–2017(% of GDP)Source: Eurostat (tec00127) and (tsdde410)

The general government balance (in relation to GDP) improved in 2017 compared with 2016 in 23 EU Member States, with the largest improvements in the balance (more than 2 percentage points of GDP) being in Malta (+2.6 percentage points of GDP) and in Slovenia (+2.0 percentage points of GDP).Denmark, Croatia and Slovenia moved from a deficit in 2016 to a surplus in 2017. Bulgaria, Cyprus, Czechia, Germany, Greece, Lithuania, Malta, the Netherlands and Sweden recorded a higher surplus in 2017 than in 2016.

On the other hand, Latvia recorded a surplus in 2016 and a deficit in 2017. Estonia, Hungary and Portugal recorded a larger deficit in 2017 than in 2016. Luxembourg recorded a lower surplus in 2017 than in 2016.

Government debt

In the EU-28, the government debt-to-GDP ratio decreased from 83.3 % at the end of 2016 to 81.6 % at the end of 2017, while in the EA-19 it fell from 89.1 % to 86.8 % (see Figure 2).

A total of 15 EU Member States reported a debt ratio above 60 % of GDP at the end of 2017: the highest of these was registered by Greece (176.1 %), followed by Italy (131.2 %), Portugal (124.8 %), Belgium (103.4 %), France (98.5 %) and Spain (98.1 %).

The lowest ratios of government debt-to-GDP were recorded in Estonia (8.7 %), Luxembourg (23.0 %), Bulgaria (25.6 %), Czechia (34.7 %), Romania (35.1 %) and Denmark (36.1 %).

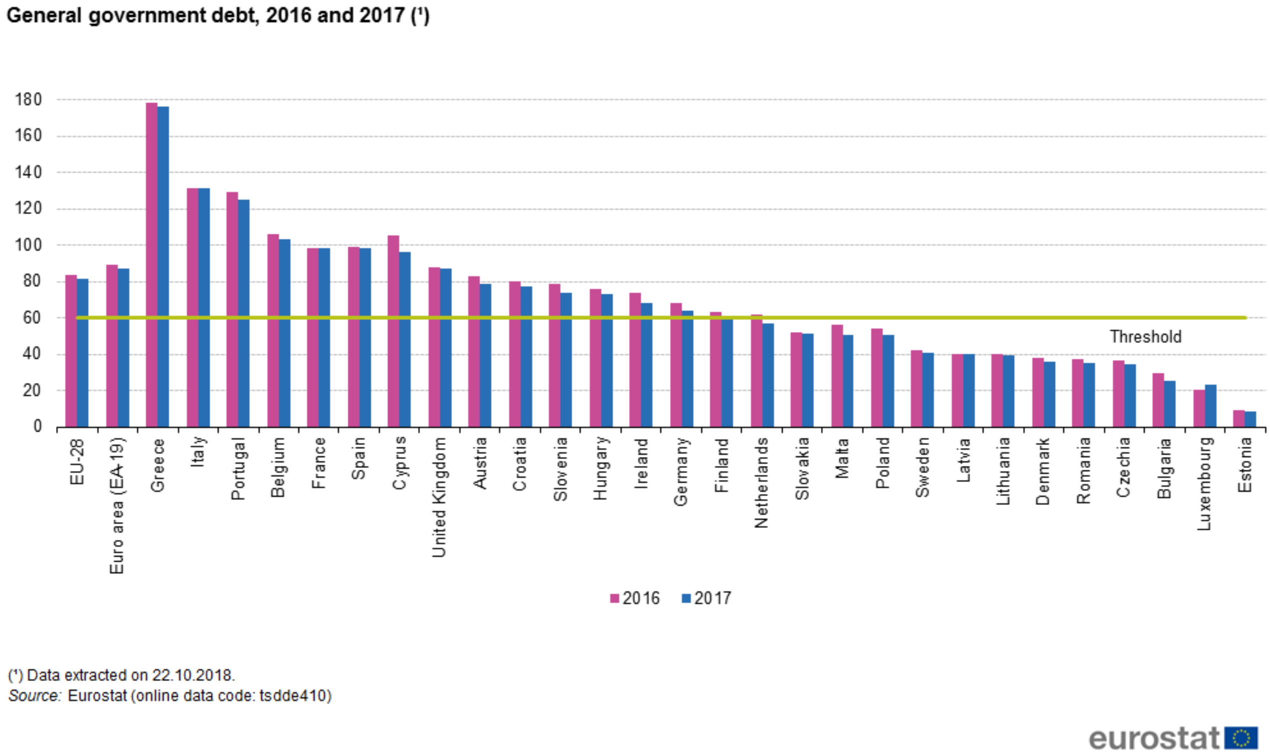

Figure 2: General government debt, 2016 and 2017(general government consolidated gross debt, % of GDP)Source: Eurostat (tsdde410)

At the end of 2017, government debt-to-GDP ratios increased for two EU Member States when compared with the end of 2016, while this ratio decreased for 26 Member States, most notably for Cyprus (-9.4 percentage points of GDP), Malta (-5.4 percentage points of GDP), Ireland (-5.0 percentage points of GDP), the Netherlands (-4.9 percentage points of GDP), Austria (-4.7 percentage points of GDP), Slovenia (-4.6 percentage points) and Portugal (-4.5 percentage points). Increases of debt-to-GDP ratios from the end of 2016 to the end of 2017 were observed in Luxembourg (2.3 percentage points) and France (0.3 percentage points).

Government revenue and expenditure

The importance of the general government sector in the economy may be measured in terms of total general government revenue and expenditure as a percentage of GDP. In the EU-28, total government revenue in 2017 amounted to 44.8 % of GDP (increasing from 44.6 % in 2016), and expenditure amounted to 45.8 % of GDP (down from 46.3 % in 2016). In the EA-19, total general government expenditure amounted to 47.0 % of GDP in 2017 (down from 47.5 % in 2016) and total revenue to 46.1 % of GDP (up from 46.0 % in 2016) — see Figure 3.

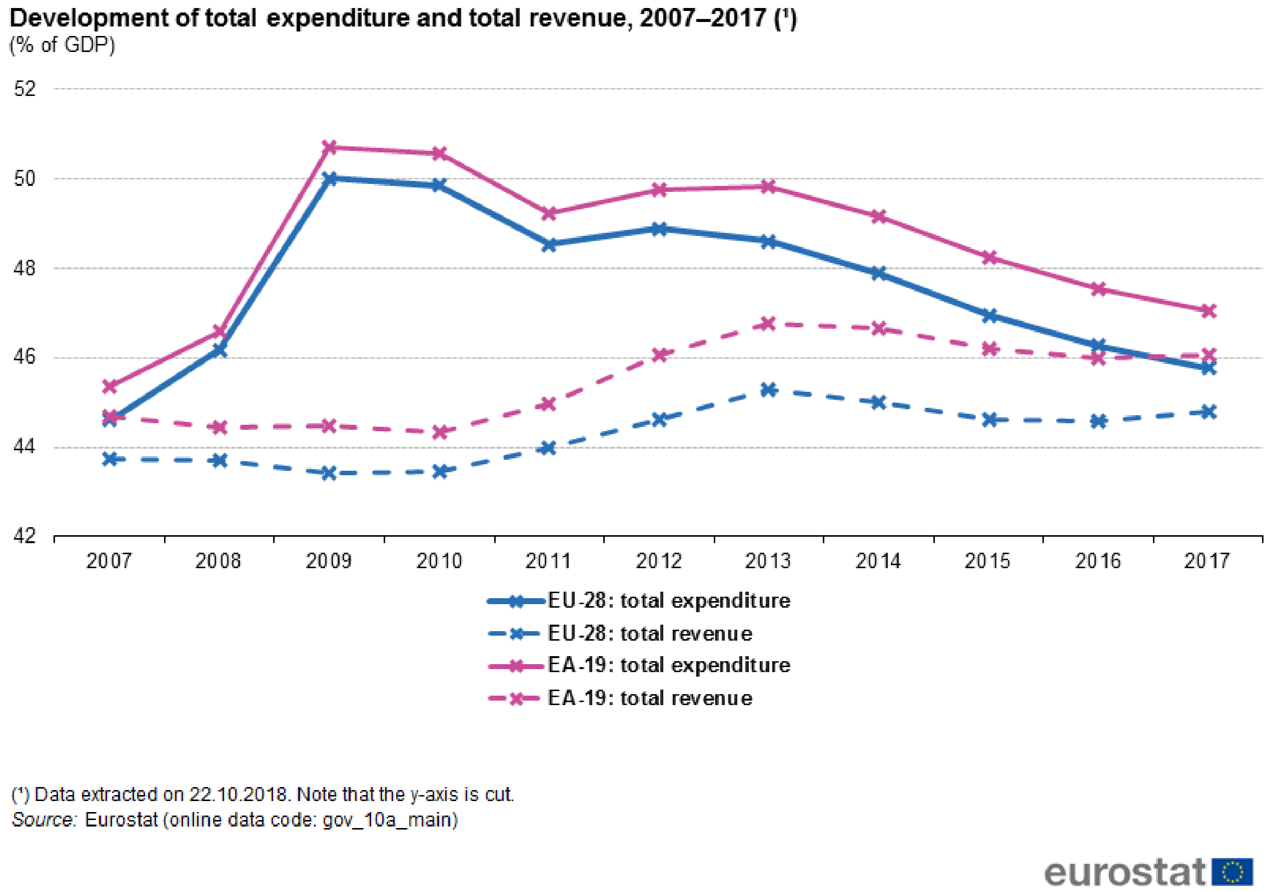

Figure 3: Development of total expenditure and total revenue, 2007–2017(% of GDP)Source: Eurostat (gov_10a_main)

EU-28 and EA-19 total expenditure as a percentage of GDP grew sharply between 2007 and 2009 to reach 50.0 % of GDP in the EU-28 in 2009 and 50.7 % of GDP in the EA-19. In both areas, total expenditure as a share of GDP then decreased between 2009 and 2011, increased in 2012 and subsequently decreased through to 2017, except that the EA-19 aggregate continued to increase slightly from 2012 to 2013.

In absolute terms, general government total expenditure grew at a relatively slow pace during the period from 2007 to 2017 in both the EU-28 and the EA-19 (except for a slight decrease in the EA-19 between 2010 and 2011; see Figure 4). In the EU-28, total expenditure in billion of euro decreased between 2015 and 2016, largely due to currency effects (depreciation of the British Pound Sterling). Revenue in both the EU-28 and the EA-19 grew at a somewhat faster pace than expenditure during the period from 2009 to 2017, thereby leading to a decrease in the deficit.

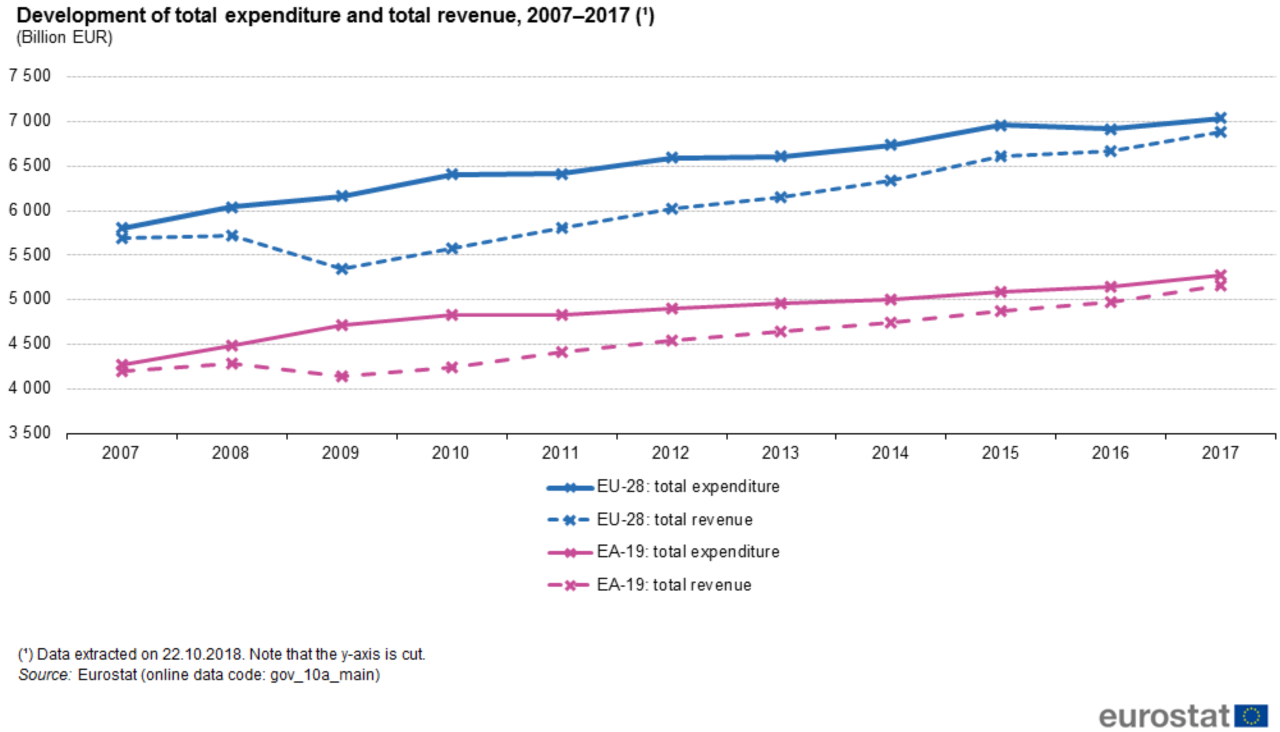

Figure 4: Development of total expenditure and total revenue, 2007–2017(billion EUR)Source: Eurostat (gov_10a_main)

While EU-28 general government expenditure increased overall by EUR 871 billion between 2009 and 2017, there was a EUR 1 534 billion increase in EU-28 general government revenue. Between 2016 and 2017, government expenditure increased by EUR 120 billion, while government revenue increased by EUR 220 billion. In the EA-19, general government expenditure increased by EUR 557 billion between 2009 to 2017, while revenue increased by EUR 1 028 billion.

The level of general government expenditure and revenue varies considerably between the EU Member States (see Figure 5). In 2017, the Member States with the highest levels of combined government expenditure and revenue as a proportion of GDP (in excess of 100 %) were France, Finland, Denmark and Belgium; Norway also recorded a ratio in excess of 100 %. In 2017, eleven Member States — Ireland, Romania, Lithuania, Bulgaria, Latvia, Malta, Cyprus, Estonia, Spain, Czechia and Slovakia — reported relatively low combined ratios (less than 80 % of GDP).

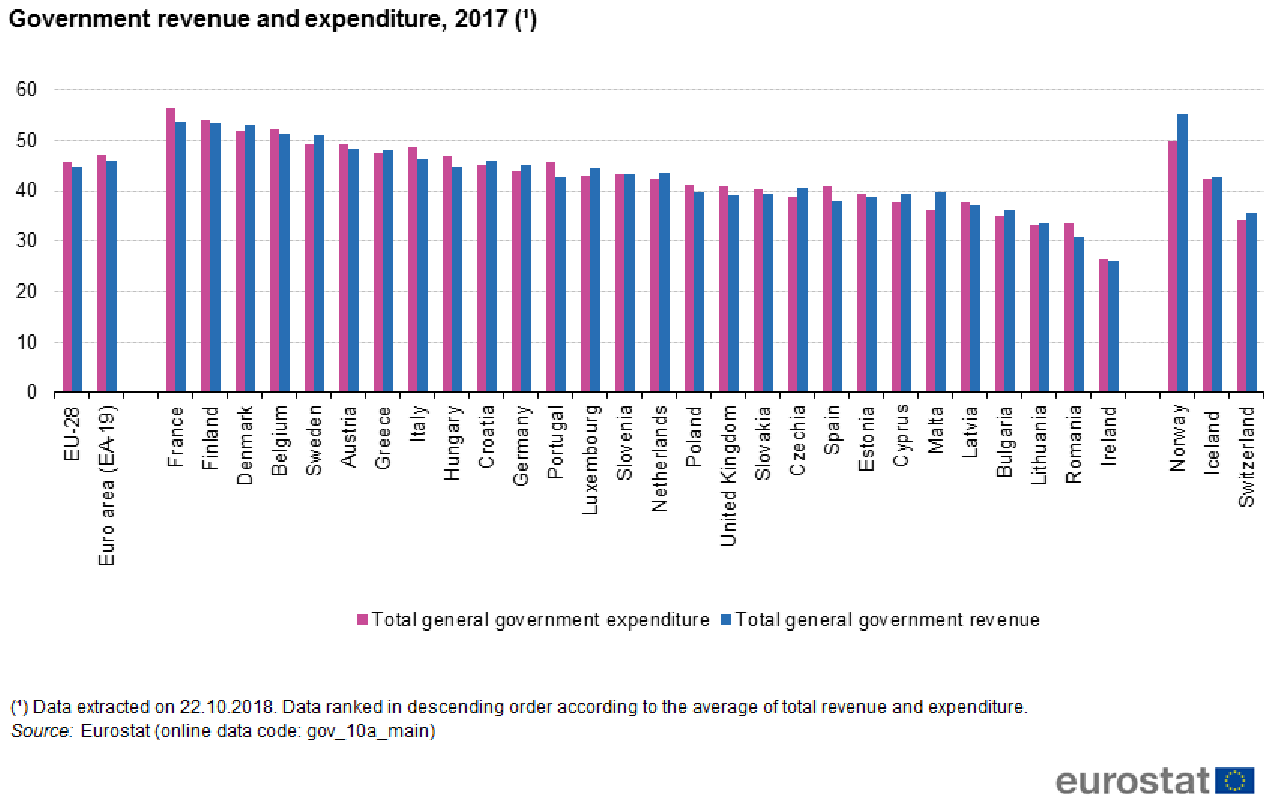

Figure 5: Government revenue and expenditure, 2017(% of GDP)Source: Eurostat (gov_10a_main)

Across the EU-28, the main components of total general government revenue are taxes and net social contributions (see Figure 6). In 2017, taxes made up 59.7 % of total revenue in the EU-28 and 56.6 % in the EA-19, while net social contributions amounted to 29.7 % of total revenue in the EU-28 and 33.1 % in the EA-19. Market output, output for own final use and payments for non-market production ('sales/fees' and own account capital formation) made up 6.9 % of total revenue in the EU-28 and an identical share of total revenue in the EA-19. Property income (mainly interest, dividends and rent) made up 1.7 % of total revenue in the EU-28 and 1.5 % in the EA-19.

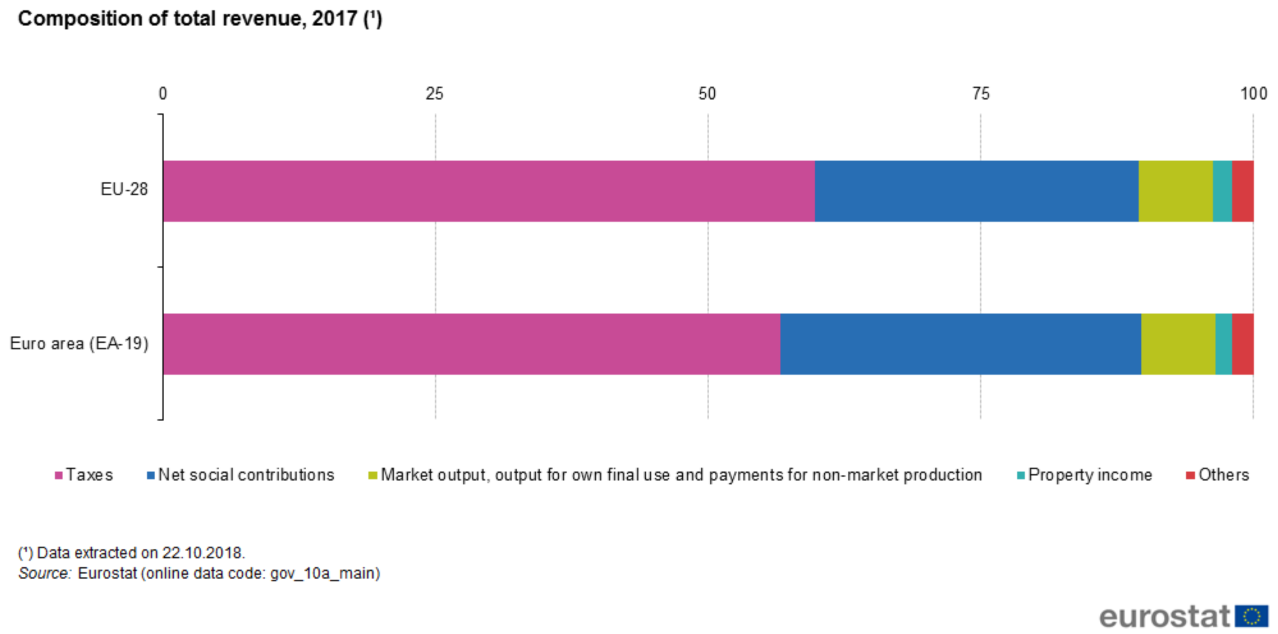

Figure 6: Composition of total revenue, 2017(% of total revenue)Source: Eurostat (gov_10a_main)

Looking at each EU Member State, the relative importance of the different revenue categories varied widely. For example, taxes made up less than 50 % of government revenue in Slovakia and Czechia in 2017, but 87.5 % of general government total revenue in Denmark and 81.5 % in Sweden.

Net social contributions had the highest share of total revenue in Lithuania and Slovakia (both 37.4% of total revenue in 2017), Czechia and Germany (both 37.2 %) and the lowest shares of total revenue in Denmark (1.7%), Sweden (6.6% of GDP) and Iceland (8.0% of GDP).

The highest share of property income was observed for Norway (21.9%) (see Figure 7).

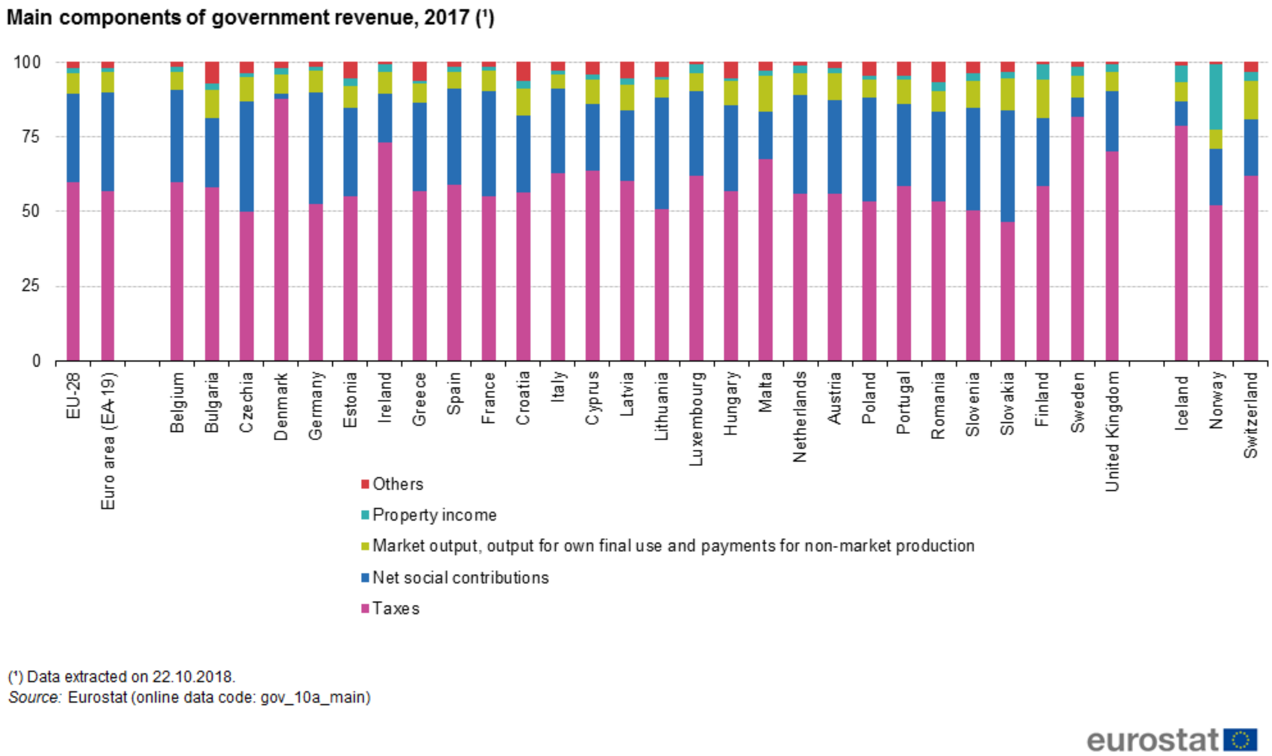

Figure 7: Main components of government revenue, 2017(% of total revenue)Source: Eurostat (gov_10a_main)

The largest proportion of EU-28 government expenditure in 2017 concerned the redistribution of income in the form of social transfers in cash or in kind (see Figures 8 and 9). Social transfers (social benefits and social transfers in kind — purchased market production) made up 45.1 % of total expenditure in the EU-28 and 47.8 % in the EA-19. Compensation of employees accounted for 21.7 % of government expenditure in the EU-28 and 20.9 % in the EA-19. Intermediate consumption made up 12.5 % of total expenditure in the EU-28 and 10.9 % of total expenditure in the EA-19. Property income paid — of which by far the largest part is made up of interest payments — accounted for 4.4 % of government expenditure both in the EU-28 and 4.2 % in the EA-19. Gross fixed capital formation (mainly investment) accounted for 6.0 % of total expenditure in the EU-28 and 5.5 % in the EA-19.

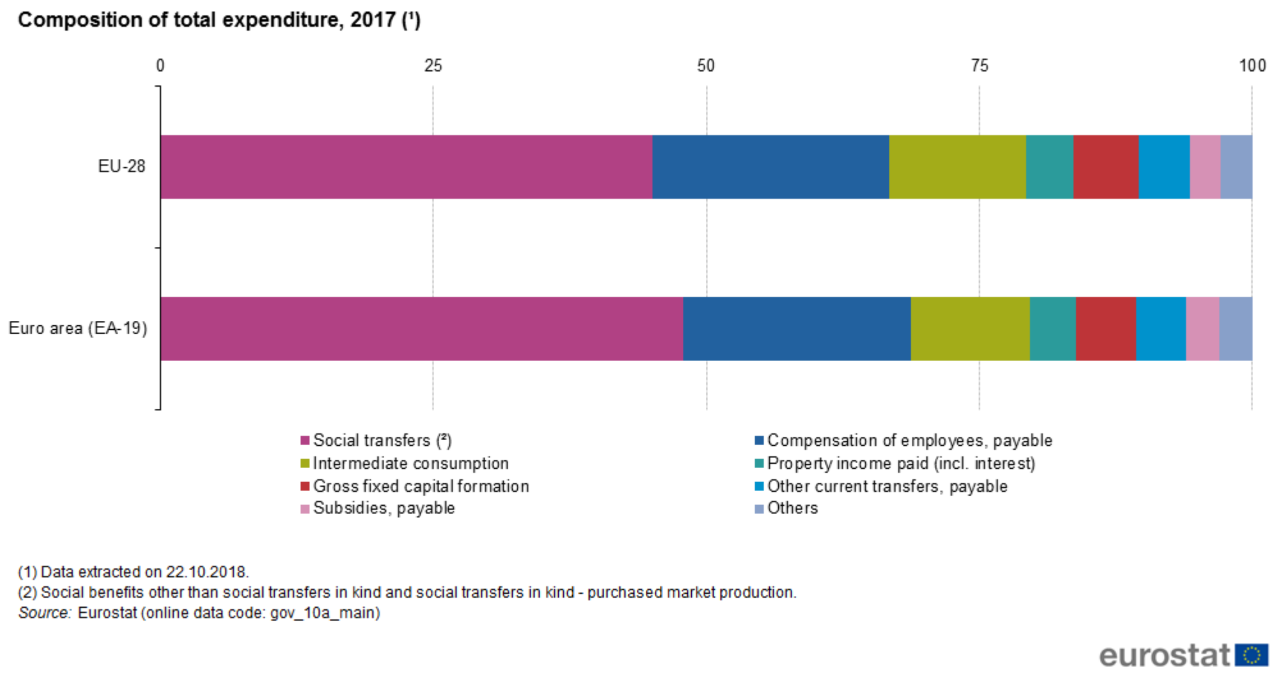

Figure 8: Composition of total expenditure, 2017(% of total expenditure)Source: Eurostat (gov_10a_main)

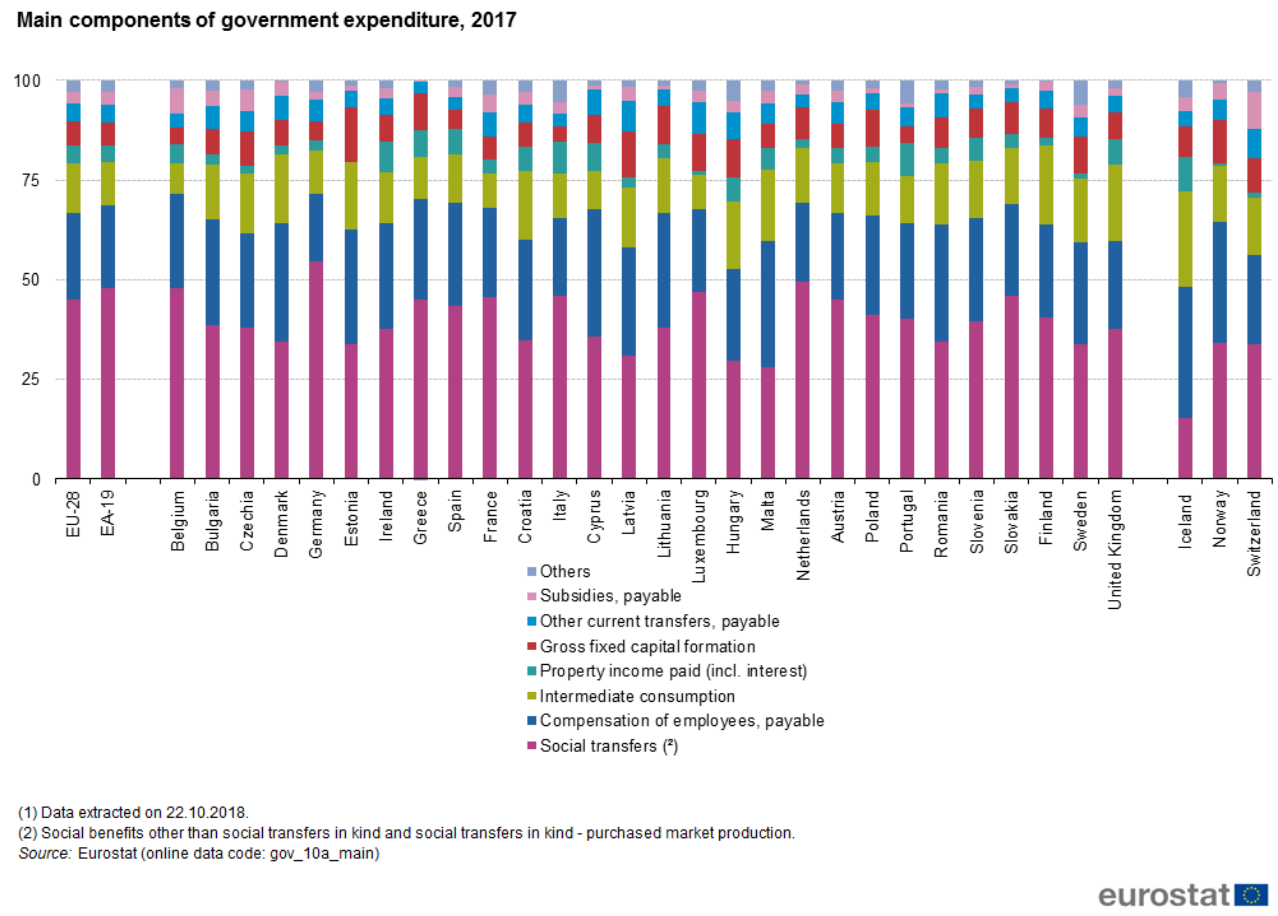

Figure 9: Main components of government expenditure, 2017(% of total expenditure)Source: Eurostat (gov_10a_main)

The main types of government revenue are current taxes on income and wealth, etc., taxes on production and imports , and net social contributions . For the EU-28, taxes on production and imports amounted to an equivalent of 13.4 % of GDP in 2017, current taxes on income, wealth, etc. to 13.1 % of GDP, and net social contributions to 13.3 % of GDP. Relative to GDP, the revenue from taxes on production and imports grew over the period 2009–2014 in the EU-28, its share relative to GDP rising by 1.0 percentage points (see Figure 10). Between 2014 and 2017, taxes on production and imports remained stable as a ratio to GDP. Current taxes on income and wealth, etc. reached - as a ratio to GDP - a low point in 2009 and 2010 at 12.1 % of GDP, before growing to 13.1 % of GDP in 2017. Net social contributions increased from 13.1% of GDP in 2015 to 13.3% of GDP in 2017.

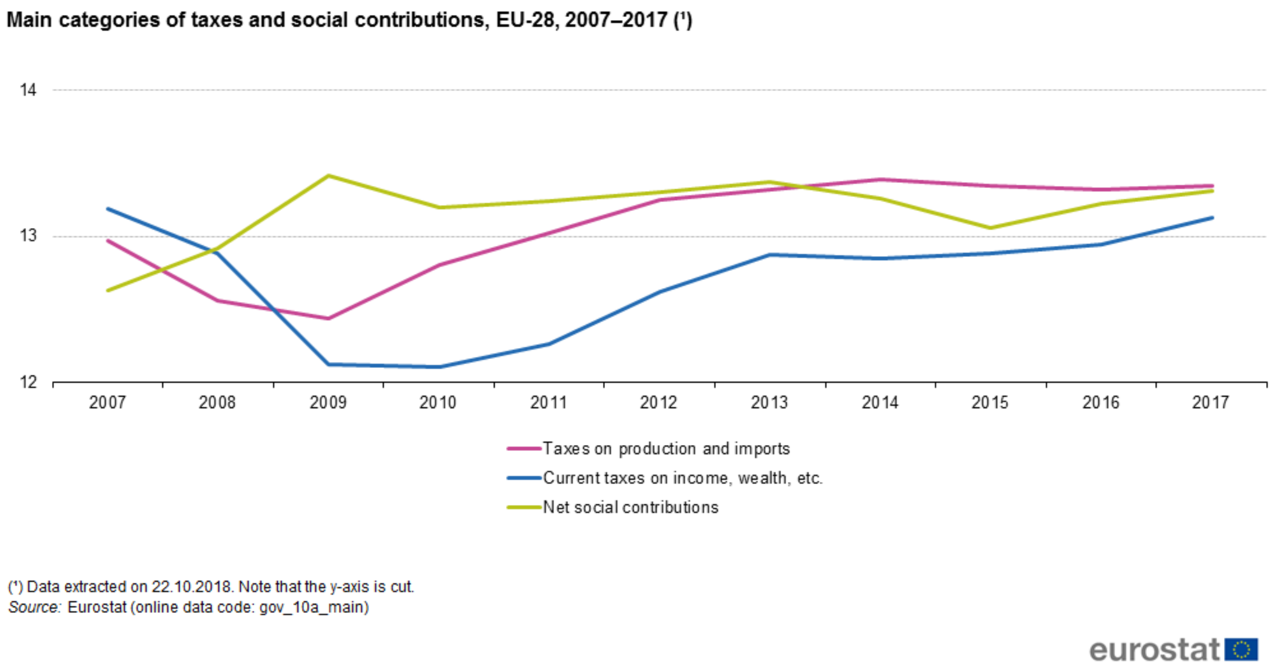

Figure 10: Main categories of taxes and social contributions, EU-28, 2007–2017(% of GDP)Source: Eurostat (gov_10a_main)

There was considerable variation in the structure of tax revenues across the EU Member States in 2017 (see Figure 11). As may be expected, those Member States that reported relatively high levels of expenditure tended to be those that also raised more taxes (as a proportion of GDP) for general government. For example, in 2017, the highest revenue to GDP ratio from the main categories of taxes and social contributions was 47.9% of GDP recorded in France, followed by 47.0 % recorded in Denmark. The proportion of GDP accounted for by such revenue was below 30 % in four Member States (Ireland, Romania, Bulgaria, Lithuania) as well as Switzerland.

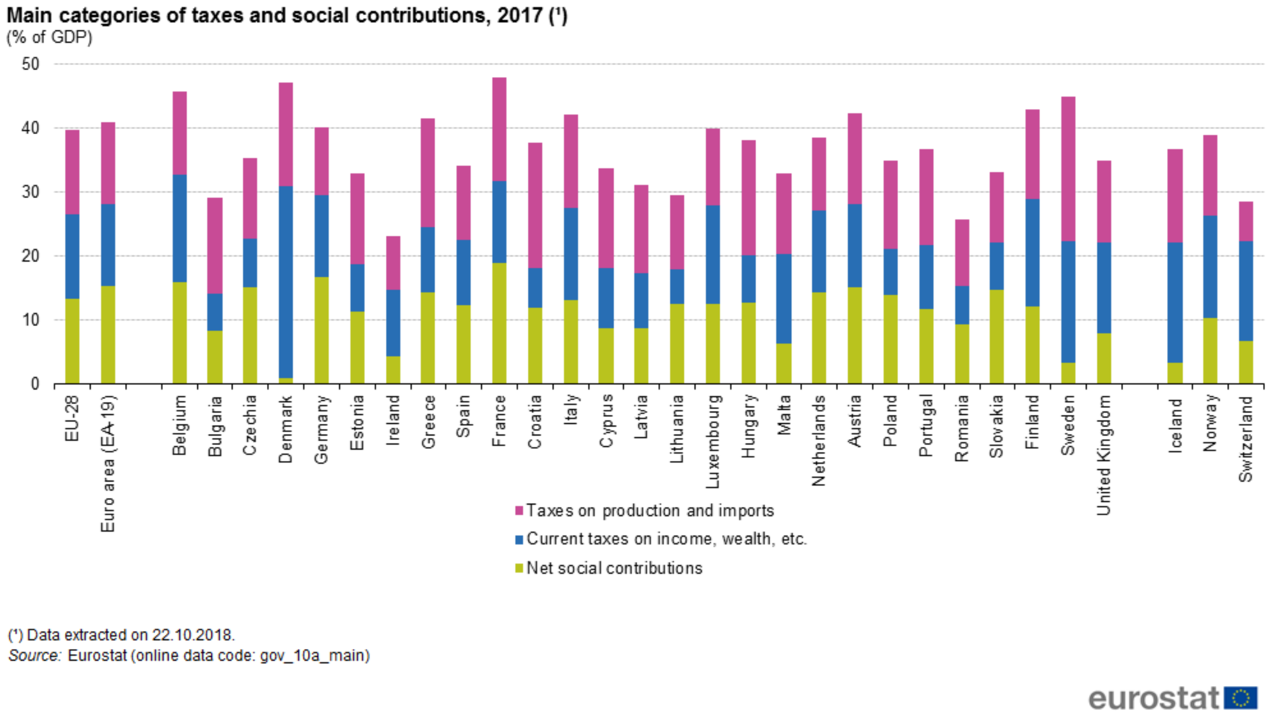

Figure 11: Main categories of taxes and social contributions, 2017(% of GDP)Source: Eurostat (gov_10a_main)

Source data for tables and graphs

- Government finance statistics: tables and figures

Data sources

Under the terms of the excessive deficit procedure, EU Member States are required to provide the European Commission with their government deficit and debt statistics before 1 April and 1 October of each year. In addition, Eurostat collects more detailed data on government finance statistics within the framework of the transmission programme which results in the submission of national accounts data. The main aggregates for general government are provided to Eurostat twice a year, whereas statistics on the functions of government (COFOG) should be transmitted within one year after the end of the reference period and detailed tax and social contribution receipts within nine months after the end of the reference period. Quarterly non-financial and financial accounts as well as quarterly general government gross debt are provided four times a year.

The data presented in this article correspond to some of the main indicators of the general government sector, which are compiled on a national accounts (ESA 2010) basis.

The difference between total revenue and total expenditure — including capital expenditure (in particular, gross fixed capital formation) — equals net lending/net borrowing of general government, which is also one balancing item of the government non-financial accounts.

Delineation of general government

The general government sector consists of institutional units which are non-market producers whose output is intended for individual and collective consumption, and are financed by compulsory payments made by units belonging to other sectors, and institutional units principally engaged in the redistribution of national income and wealth (ESA 2010 §2.111). The general government sector is subdivided into four subsectors: central government , state government (where applicable), local government , and social security funds (where applicable).

Definition of main indicators

The public balance is defined as general government net borrowing/net lending reported for the excessive deficit procedure and is expressed in relation to GDP. According to the protocol on the excessive deficit procedure, government debt is the gross liabilities in currency and deposits, debt securities, and loans outstanding at the end of the year of the general government sector measured at nominal (face) value and consolidated.

The main revenue of general government consists of taxes, social contributions, sales and property income. It is defined in ESA 2010 by reference to a list of categories: market output, output for own final use, payments for non-market output, taxes on production and imports, other subsidies on production, property income, current taxes on income, wealth, etc., net social contributions, other current transfers and capital transfers.

The main expenditure items consist of the compensation of (government) employees, social benefits (social benefits and social transfers in kind for market production purchased by general government), interest on the public debt, subsidies, and gross fixed capital formation. Total general government expenditure is defined in ESA 2010 by reference to a list of categories: intermediate consumption, gross capital formation, compensation of employees, other taxes on production, subsidies, property income, current taxes on income, wealth, etc., social benefits other than social transfers in kind, social transfers in kind - purchased market production, other current transfers, adjustments for the change in pension entitlements, capital transfers, and transactions in non-produced assets.

General government data reported for main aggregates of general government in the ESA 2010 framework must be consolidated for certain national accounts transactions, meaning that specific transactions between institutional units within the general government sector — property income, other current transfers and capital transfers — are eliminated or cancelled out. For these transactions, subsector data should be consolidated within each subsector but not between subsectors. Thus, data at the sector level should equal the sum of the subsector data, except for the items covering property income, other current transfers and capital transfers, which are consolidated. For these latter items, and consequently total revenue and total expenditure, the sum of the subsectors should exceed the value of the sector.

Taxes and social contributions correspond to revenues which are levied (in cash or in kind) by central, state and local governments, and social security funds. These levies (generally referred to as taxes) are organised into three main areas, covered by the following headings:

- taxes on income and wealth, etc. including all compulsory, unrequited payments levied periodically by general government on the income and wealth of enterprises and households;
- taxes on production and imports, including all compulsory, unrequited payments levied by general government with respect to the production and importation of goods and services, the employment of labour, the ownership or use of land, buildings or other assets used in production;
- net social contributions, including all employers' and households' actual social contributions, imputed social contributions that represent the counterpart to social benefits paid directly by employers, as well as two additional imputed items (households' social contribution supplements and social insurance scheme services charges).

Context

The global financial and economic crisis of 2007-2008 resulted in serious challenges being posed to many European governments. The main concerns were linked to the ability of national administrations to be able to service their debt repayments, take the necessary action to ensure that their public spending was brought under control, while at the same time trying to promote economic growth.

The disciplines of the Stability and Growth Pact (SGP) are intended to keep economic developments in the EU, and the euro area countries in particular, broadly synchronised. Furthermore, the SGP is intended to prevent EU Member States from taking policy measures which would unduly benefit their own economies at the expense of others. There are two key principles to the SGP: namely, that the deficit (planned or actual) must not exceed 3 % of GDP and that the debt-to-GDP ratio should not be more than (or should be falling towards) 60 %. The SGP was substantially reinforced in 2011, as was EU economic governance in general.

Each year, EU Member States provide the European Commission with detailed information on their economic policies and the state of their public finances. Euro area countries provide this information in the context of the stability programmes, while other Member States do so in the form of convergence programmes. The European Commission assesses whether the policies are in line with agreed economic, social and environmental objectives and may choose to issue a warning if it believes a deficit is becoming abnormally high. This action can lead to the Council finding the existence of an excessive deficit, which requires a deadline to be set for its correction.

Other articles

- Government expenditure by function — online publication
- Government finance statistics - quarterly data
- Integrated government finance statistics presentation
- Structure of government debt
- Tax revenue statistics

Publications

- Government finance statistics — Summary tables, Data 1995-2016 — 2/2017 edition

Main tables

- Government statistics (t_gov) , see:

Government finance statistics (EDP and ESA2010) (t_gov_gfs10)

Database

- Government statistics (gov) , see:

Government finance statistics (EDP and ESA2010) (gov_gfs10)

Government contingent liabilities and potential obligations (gov_cl)

Dedicated section

- Government finance and EDP statistics

Methodology

- Government deficit and debt (ESMS metadata file — gov_10dd_esms)
- Government revenue, expenditure and main aggregates (ESMS metadata file — gov_10a_main_esms)
- Main national accounts tax aggregates (ESMS metadata file — gov_10a_taxag)
- General government expenditure by function (COFOG) (ESMS metadata file — gov_10a_exp_esms)
- Quarterly financial accounts for general government (ESMS metadata file — gov_10q_ggfa_esms)
- Quarterly government debt (ESMS metadata file — gov_10q_ggdebt_esms)
- Quarterly non-financial accounts for general government (ESMS metadata file — gov_10q_ggnfa_esms)

- Manual on government deficit and debt — implementation of ESA 2010 — 2016 edition
- Manual on quarterly financial accounts for general government — 2017 edition
- Manual on quarterly non-financial accounts for general government — 2011 edition
- Manual on sources and methods for the compilation of COFOG statistics — Classifications of the Functions of Government — 2011 edition

External links

- European Commission — Stability and Growth Pact

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