Economy and finance

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EU-27 government revenue and expenditure stood at 44.6 % and 49.1 % of GDP respectively in 2011

Total EU-27 government revenue surpassed pre-crisis levels

In the European Union (EU-27), the compilation of government revenue and expenditure data is well established by reference to the European System of Accounts (ESA95). This publication focuses on the developments in annual data in the context of the economic and financial crisis, examining the finances of EU governments over recent years.

Steps towards budget consolidation in 2011

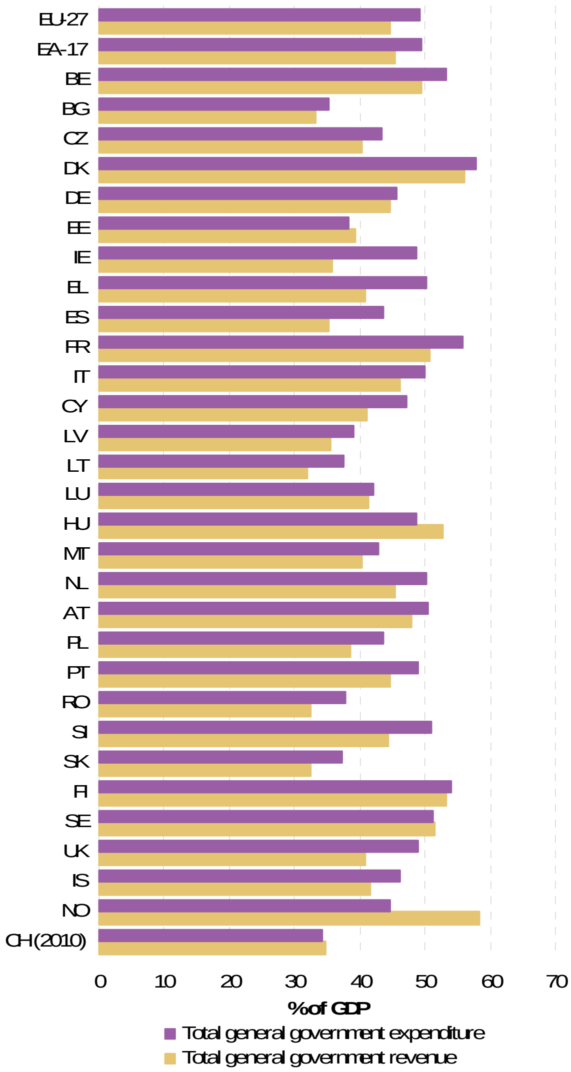
From 2008 onwards, the economic and financial crisis had generated a decrease in government revenue and an increase in government expenditure in terms of GDP. This had resulted in substantially deteriorated government deficits. In 2010 in the EU-27, revenue and expenditure tended to stabilise in terms of GDP, with a deficit of -6.4% of GDP (see methodological note on net lending (+)/net borrowing (-)).

In 2011 EU-27 general government total revenue stood at 44.6 % of GDP, while total expenditure amounted to 49.1 % of GDP, producing a deficit of -4.5 % of GDP. In the euro area (EA-17), total revenue was 45.3 % of GDP and total expenditure 49.4 % of GDP, with a deficit of -4.1% of GDP. Both areas show a clear trend towards budget consolidation in 2011. It should be kept in mind that these averages mask disparate developments in the situation of individual Member States.

Role of government in the economy

Governments play an essential role in economies, through their activities in providing public services, in re-distributing income and by limiting the volatility of business cycles through automatic stabilisers as well as possibly through active fiscal policy. The way in which they finance themselves (taxation, borrowing) and the size, pattern and function of their expenditure have major impacts on other economic actors.

Figure 1: Total general government revenue and expenditure, 2011, in % of GDP



Source: Eurostat (online data code gov_a_main)

Evolution of government revenue

Total general government revenue in the European Union stood at 44.6 % of GDP in 2011, which means that in terms of GDP, government revenue increased substantially from 2010 to 2011 by about 0.56 % of GDP. Government revenue in the euro area developed in a similar way.

In 2011 in the euro area (EA-17) total general government revenue amounted to 45.3 % of GDP, up from 44.8 % of GDP in 2010.

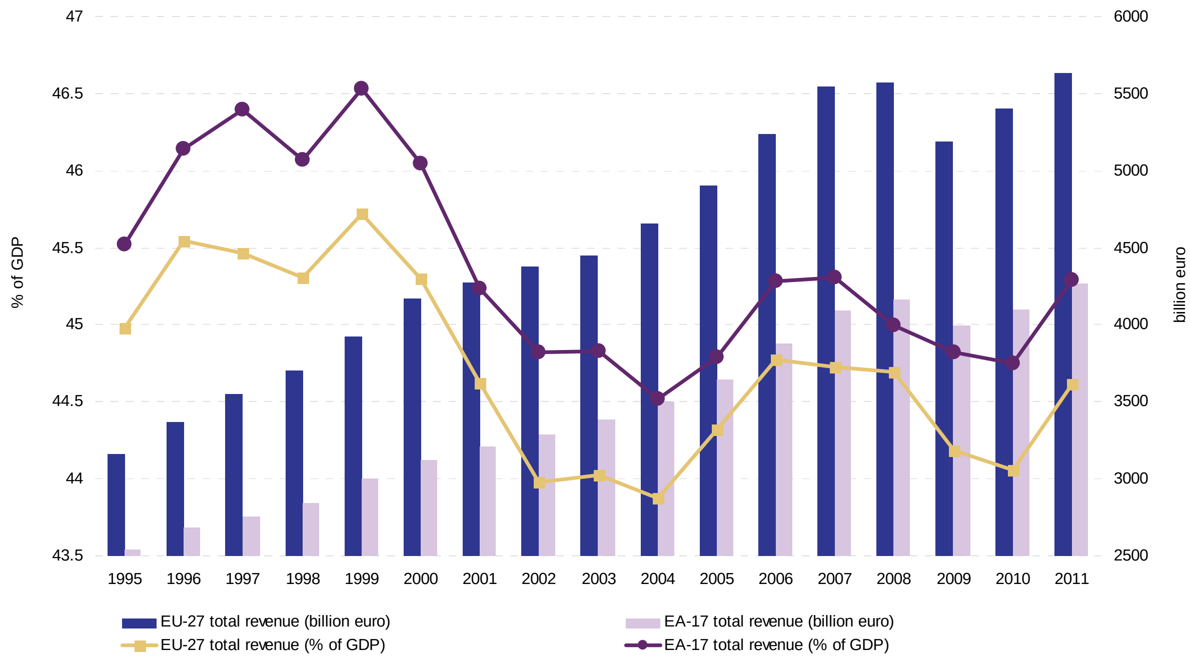
Government revenue in terms of GDP has followed a complex pattern over recent years in the EU-27 and the EA-17. For earlier years government revenue in absolute figures as well as in terms of GDP both in the euro area and in the EU-27 does not follow a similar pattern due to a different trend in GDP growth. While in absolute terms government revenues increased steadily over the 1995 to 2008 period both in the EU as a whole and in the euro area, in terms of GDP, general government revenue followed a more complex pattern. Total revenue as a percentage of GDP increased from 45.0 % of GDP in 1995 in the EU-27 to 45.6 % of GDP in 1996, then decreased slightly to reach 45.3 % of GDP in 1998 only to reach its peak in the 1995-2011 period in 1999: then, at the start of the third phase of the EMU, it stood at just over 45.7 % of GDP. Government revenue as a ratio of GDP then fell sharply in the years to 2002.

It is interesting to see that total general government revenues in the EU-27 experienced a sharper decline in terms of GDP in the years from 1999 to 2002 than in the years from 2007 to 2009. Then, as in 2007 to 2009, it was accompanied by a relative increase in total expenditure and a drop in GDP growth rates – although growth remained positive in 1999-2002. In the years after 2002, government revenues subsequently declined slightly further, to reach a historically low level of 43.9 % of GDP in 2004. They went on to reach 44.8 % of GDP in 2006, and declined slightly in the years up to 2008, before decreasing sharply in 2009 and easing to 44.1 % of GDP in 2010. From 2009 to 2010 government revenue still decreased slightly in terms of GDP, as GDP increased more than absolute revenue. This can be explained by the fiscal lag. At the onset of the economic crisis – from 2008 to 2009 - government revenue in the EU-27 dropped by about 0.5 percentage points (pp) of GDP.

In terms of GDP, the pattern in the EA-17 is similar to the trend in EU-27

In the euro area, government revenue followed a pattern roughly similar to the one in the EU as a whole, though revenues as a ratio of GDP remained at a slightly higher level than in the EU-27 in the period examined here. Total revenue as a percentage of GDP fell in 2008 in the euro area.

Figure 2: Evolution of total general government revenue in the EU and in the euro area, in % of GDP and in billions of euro



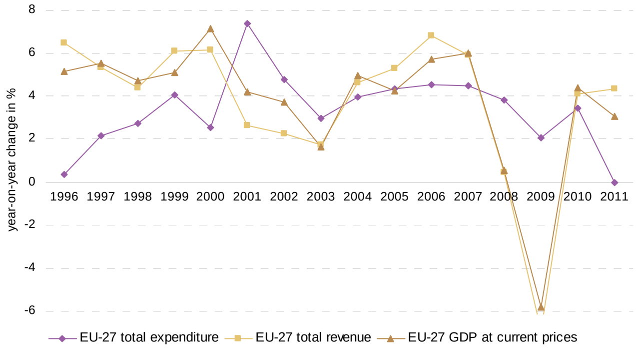
Source: Eurostat (online data code gov_a_main)

Due to the depth of the economic crisis absolute revenue declined for the first time from 2008 to 2009, before resuming growth. **In 2011 in the EU-27 total revenue in absolute numbers stood at 5 637 billion euro, while EA-17 total revenue amounted to 4 264 billion euro. This implies that in 2011 absolute revenue surpassed 2007 levels in both the European Union and the euro area.**

Comparing the percentage change of general government total revenue and expenditure in absolute terms with the evolution of the nominal gross domestic product (GDP at current prices), it can be seen that the evolution of total revenue is parallel to that of GDP – indicating an elasticity close to unity. The most recent development of revenue in 2011 – then total revenue grew stronger than GDP – can be attributed to active revenue-raising measures. From 2008 to 2009, total general government revenue in absolute terms fell by 6.9 % in the EU-27 and by 3.9 % in the EA-17. This means that government revenue experienced a sharper decline than nominal GDP, which declined by 5.8 % and 3.5 % respectively in the EU-27 and EA-17. A sharper decline of government revenue compared to GDP such as the one witnessed from 2008 and 2009 is not necessarily the result of a change in fiscal policy but can also be due to the presence of so-called 'automatic stabilisers' in the taxation system, which have the effect of flattening the business cycle somewhat – in this context by ensuring a fall in tax revenues disproportionate to the fall in output. Thus, a fall in tax revenues need not necessarily be due to a change in fiscal policy.

In 2011, the growth in total revenue as compared to nominal GDP as well as the decline in absolute total expenditure both contribute to the improvement in the public balance.

Figure 3: EU-27 general government total revenue, total expenditure and GDP at current prices, year-on-year change in %



Source: Eurostat (online data code gov_a_main, nama_gdp_c)

Government revenue – main components

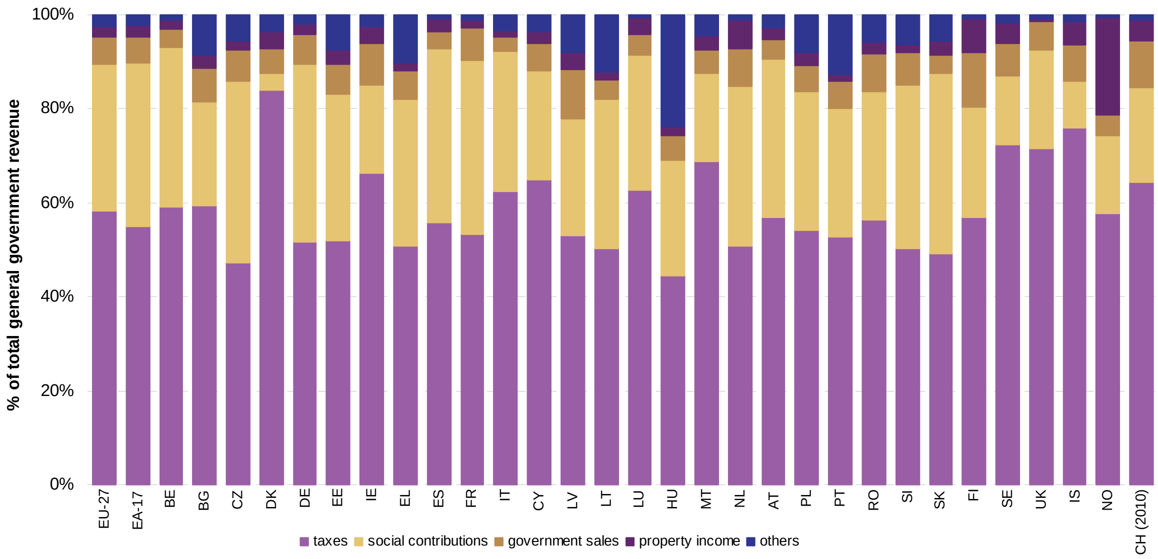
The revenue of general government consists of taxes, social contributions, sales and property income as well as current and capital transfers.

Taxes and social contributions together make up nearly 90 % of government revenue in the EU.

From figure 4, it is apparent that taxes are the most important source of revenues in all Member States and EFTA countries, the second most important component being social contributions. In the EU as a whole, these two sources of revenue provide 58.2 % and 31.2 % of total revenue respectively.

In fact, in most Member States, revenue from taxes makes up over half of government total revenue. Only in Hungary (44.4 % of total revenue), the Czech Republic (47.4 %) and Slovakia (49.3 %), do tax revenues make up less than 50% of government revenues.

Figure 4: Main components of general government revenue in 2011, in % of total revenue



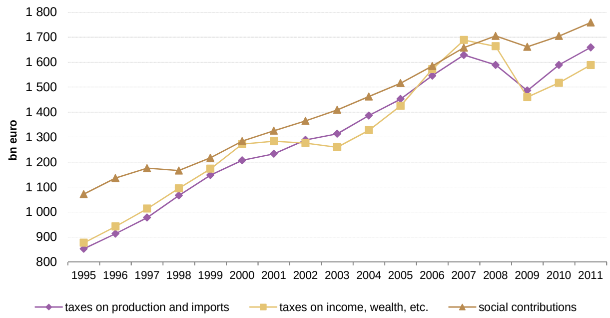
Source: Eurostat (online data code gov_a_main)

At the other end of the scale, tax revenue accounts for 84.1 % of total revenue in Denmark and 75.9 % in Iceland. In Denmark, the social security system is largely financed through the tax system, which accounts for the high share of taxes and the low revenue share of social contributions – these make up just 3.5 % of total revenue.

Within the tax category, taxes on production and imports (29.4 % of total revenue for general government in 2011) and taxes on income, wealth, etc. (28.2 %), yield, on average across the EU, similar shares of revenue. Taxes on capital make up just 0.6 % of total revenue. Between 2008 and 2009, taxes on income, wealth, etc. experienced the strongest decline of the main tax categories, falling by over 12 %. This could be due to progressive income tax systems in most Member States, which imply that when income drops the average tax rate falls. This entails a disproportionate drop in tax receipts following a drop in GDP. Also, taxes on the income and profits of corporations would be expected to fall more than GDP as profits tend to fall faster than turnover. Receipts from social contributions remained relatively stable in comparison. In figure 5 tax revenue are presented not including taxes collected on behalf of the EU institutions and not including deductions for amounts assessed but not collected.

In the EU, the share of revenue from sales of products and services by government is around 5.8 %, whereas 2.2 % comes from rent and interest received – property income. Another 2.5 % of revenue is gained from current and capital transfers. The unusually large share of the category 'other' for Hungary in 2011 is largely due to transfers of assets of pension funds to general government recorded as capital transfers, receivable.

Figure 5: Evolution of main tax categories and social contributions in the EU-27, 1995-2011, in billions of euro



Source: Eurostat (online data code: gov_a_main)

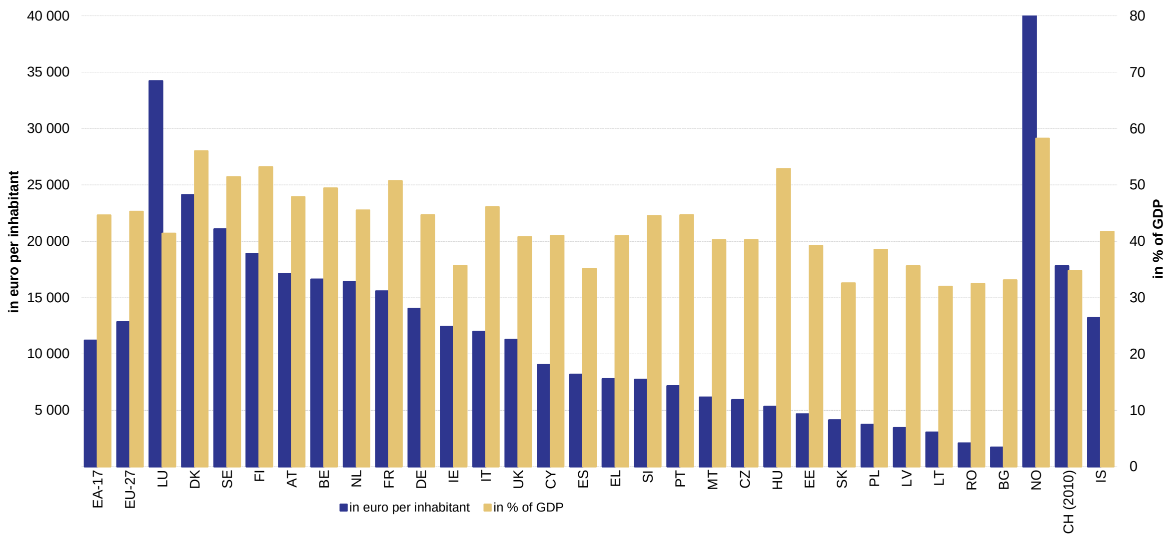
Government revenue –developments and comparisons between countries

On average, in the EU, government revenue per inhabitant amounted to just over 11 200 euro.

This figure masks a wide disparity between Member States. Among EU Member States and EFTA countries, the highest per capita government revenue was reached in Norway (EUR 40 906), Luxembourg (EUR 34 230), Denmark (EUR 24 113) and Sweden (EUR 21 074). These countries - except for Luxembourg - were also the ones where total government revenue as a percentage of GDP was highest. All three record a revenue-to-GDP share of more than 50 %. For Luxembourg, the high revenue per capita is more a reflection of the high level of GDP than of the size of the government sector.

All countries which have joined the EU after 2004, as well as Spain, Greece and Portugal, collect less revenue per inhabitant than the EU average. The lowest values are recorded for Bulgaria (EUR 1 708) and Romania (EUR 2 076). Revenue-to-GDP ratios of less than 35 % were noted for Bulgaria, Lithuania, Slovakia, Romania and Switzerland.

Figure 6: General government revenue in euro per inhabitant and in percentage of GDP, 2011



Source: Eurostat (online data code gov_a_main)

Evolution of government expenditure

Total expenditure as a ratio of GDP is far more volatile than total revenue - also in periods of relative stability - and total expenditure in absolute terms did not experience a dip similar to total revenue due to the economic and financial crisis in 2009, instead declining only in 2011 once efforts to improve the budget balance through reducing expenditure took hold. In terms of GDP, total government expenditure significantly increased in 2009, stayed relatively stable from 2009 to 2010 and decreased strongly from 2010 to 2011.

In 2011 absolute total expenditure decreases slightly

In absolute terms, total expenditure has followed a continuous upward trend in the EU-27 and the EA-17 up to 2010, before declining slightly from 2010 to 2011, the decline being more pronounced in the euro area than in the EU as a whole. In 2011, total expenditure reached about 6 201 billion euro in the EU-27 and 4 650 billion euro in the EA-17, or about 49.1 % and 49.4 % of GDP respectively. In 2010, general government total expenditure stood at 50.6 % and 51.0 % of GDP in the EU-27 and in the EA-17, so expenditure decreased in terms of GDP between 2010 and 2011.

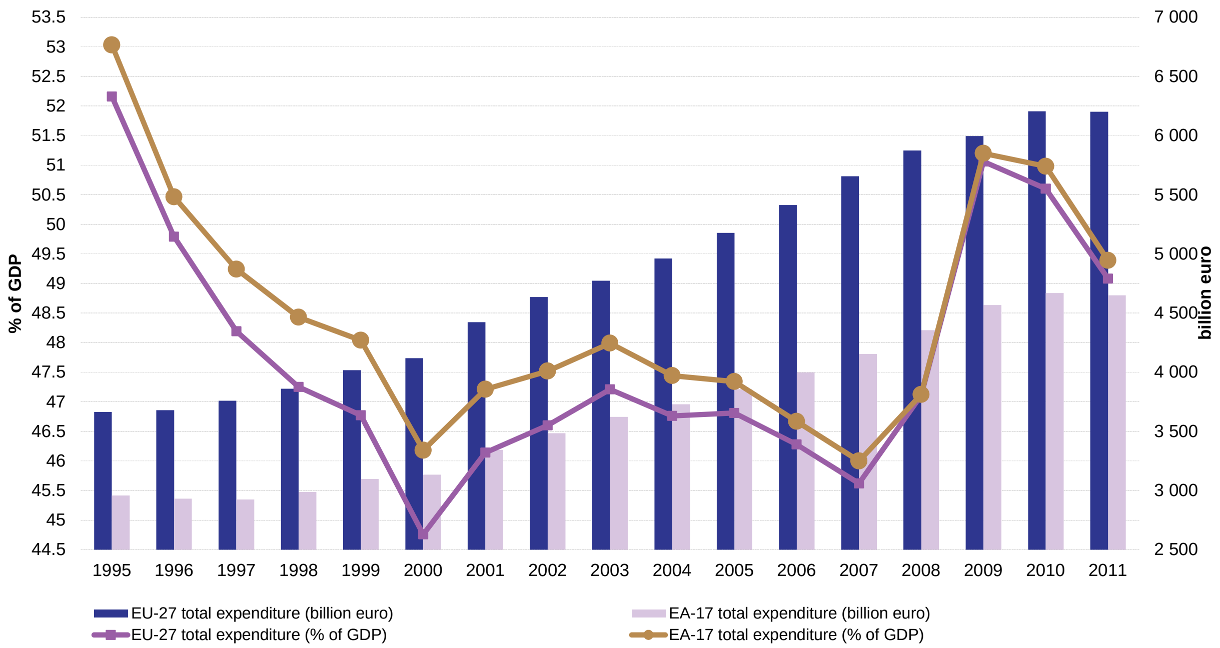
In terms of GDP, government expenditures rose sharply between 2007 and 2009, increasing from 45.6 to 51.1 % of GDP in the EU-27. The developments were similar in the euro area. Partly this is due to the denominator – GDP. Between 2008 and 2009, GDP at current prices fell by 5.8 %.

In the 1995-2011 period, government expenditure was highest in 1995 both in the EU and the euro area, reaching 55.2 % of GDP and 53.0 % respectively, before dropping to 44.8 % and 46.2 % in the years up to 2000, the low value for 2000 being to a large part due to proceeds from UMTS licence auctions recorded as negative expenditure. Total expenditure then increased to 47.2% in the EU-27 and 48.0 % in the euro area in 2003; then decreased to 45.6 % and 46.0 % respectively in 2007. The increase in expenditure in terms of GDP between 2008 and 2009 is the largest movement – increase or decrease – recorded in the 1995-2011 period.

It should be noted that, in a recession, government expenditure tends to stay stable or increase because of a rising number of the population being unemployed and relying on unemployment benefits and social assistance.

In general, expenditure in the EA-17 more or less followed the pattern of the EU as a whole, though at a slightly higher level relative to GDP.

Figure 7: Evolution of general government total expenditure in the EU and in the euro area, in % of GDP and in billions of euro



Source: Eurostat (online data code gov_a_main)

Government expenditure – main components

The main expenditure items of general government consist of the compensation of government employees, intermediate consumption, social benefits, interest on the public debt, subsidies, and gross fixed capital formation.

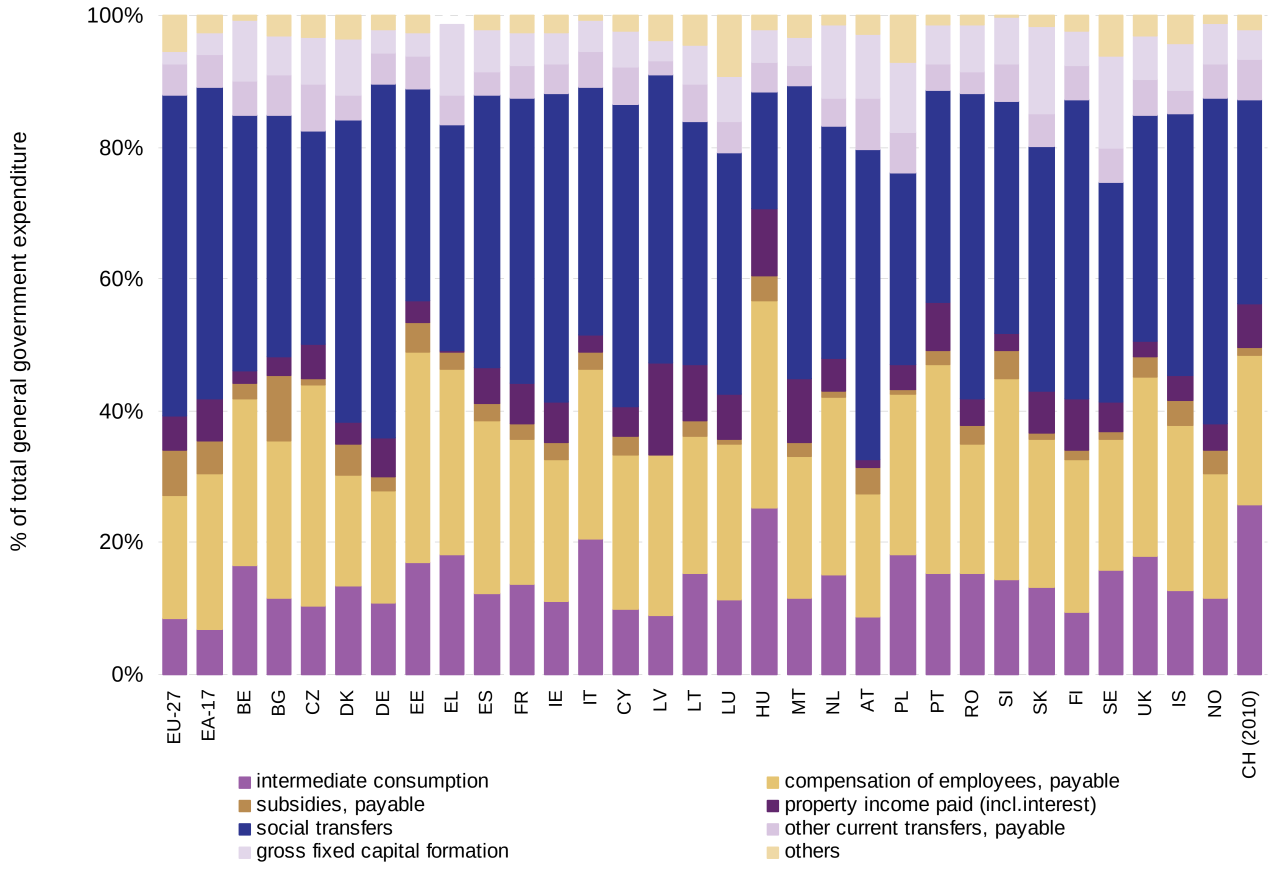
Largest share of expenditure went on social transfers

In 2011, as in previous years, the largest share – 48.6 % – of general government total expenditure in the EU was devoted to the redistribution of income through social transfers in cash or in kind. The importance of social transfers has increased further from 2010 to 2011. In Germany and Norway such redistributive transactions had a relatively high importance, their shares in total expenditure reaching 53.8 % and 49.4 % respectively. The lowest shares of social transfers in total expenditure were observed for Hungary (17.9 % of total expenditure) and Poland (29.1 %).

Across the EU, 18.5 % of total expenditure was devoted to 'compensation of employees' in 2011. In the EA-17, the share of compensation of employees was substantially higher at 23.6 % of total expenditure. The share of this item was largest in the Czech Republic, Estonia, Hungary, Portugal and Slovenia, where it exceeded 30 % of total expenditure and lowest in Denmark (16.8 %), Germany (17.0 %) and Austria (18.8 %).

For the EU as a whole, 'intermediate consumption' accounted for 13.6 % of total expenditure, while subsidies accounted for 2.6 %, property income paid – this is mainly interest but also rents – accounted for 5.3 %. Public investment spending (gross fixed capital formation) accounted for 5.3 % of expenditure. Other smaller components including other current transfers and capital transfers together made up the remainder – around 8 % of total spending.

Figure 8: Main components of general government expenditure (ESA transactions), 2011, in percentage of total expenditure



Source: Eurostat (online data code: gov_a_main)

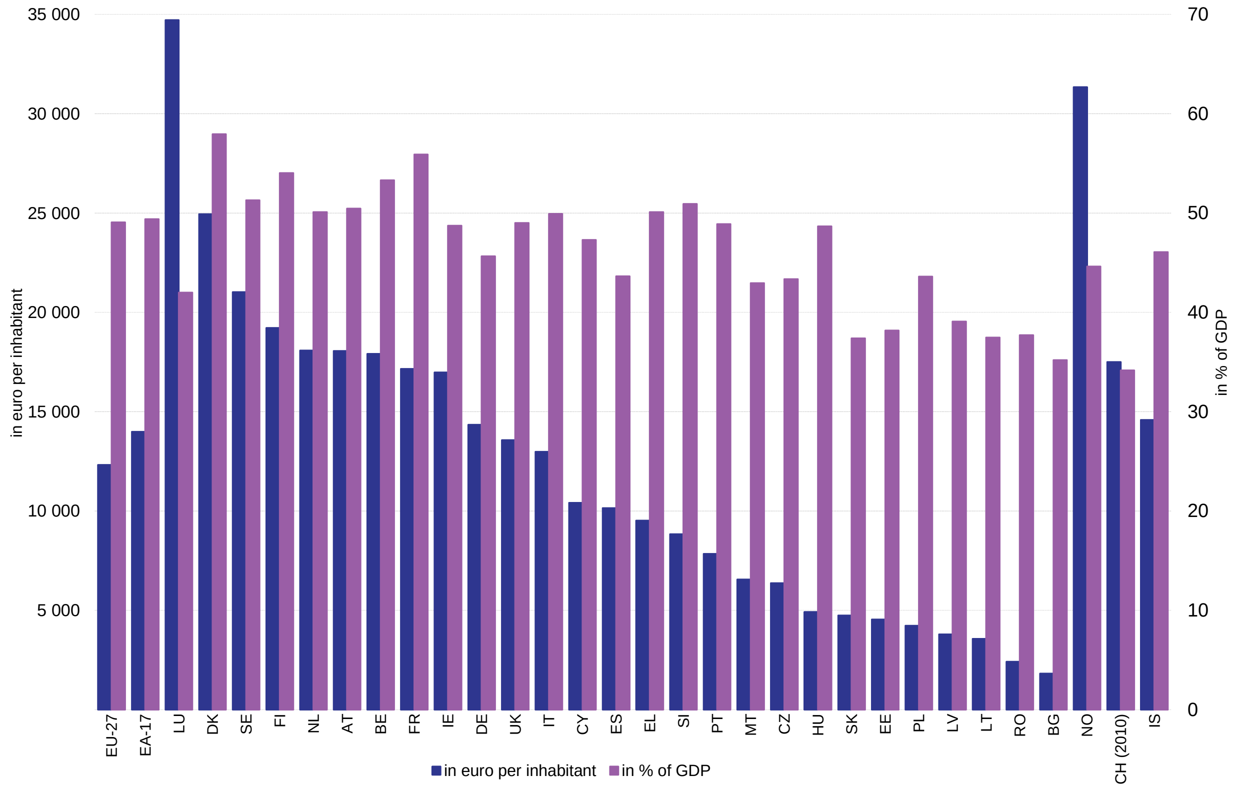
Government expenditure –developments and comparisons between countries

On average, in the EU in 2011, government expenditure per inhabitant amounted to 12 327 euro.

In the EU and EFTA countries, the highest per capita expenditure was recorded in Luxembourg, followed by Norway, Denmark, Sweden and Finland. Luxembourg and Norway have a comparatively high level of income and the amount of expenditure per inhabitant is more due to this and not to a high expenditure-to-GDP ratio. Denmark, Sweden and Finland, on the other hand, also have a relatively high GDP, but also a large government sector.

As with revenue, the level of expenditure per inhabitant shows a wide variation across EU and EFTA countries. It ranged from EUR 1 816 in Bulgaria, EUR 2 410 in Romania to EUR 31 336 in Norway and EUR 34 718 in Luxembourg. The lowest expenditure in terms of GDP was recorded in Switzerland (34.2 %), followed by Bulgaria (35.2 %), while the highest ratios were recorded in Denmark (57.9 % of GDP), France (55.9 %) and Finland (54.0 %).

Figure 9: General government expenditure in euro per inhabitant and in percentage of GDP, 2011



Source: Eurostat (online data code: gov_a_main)

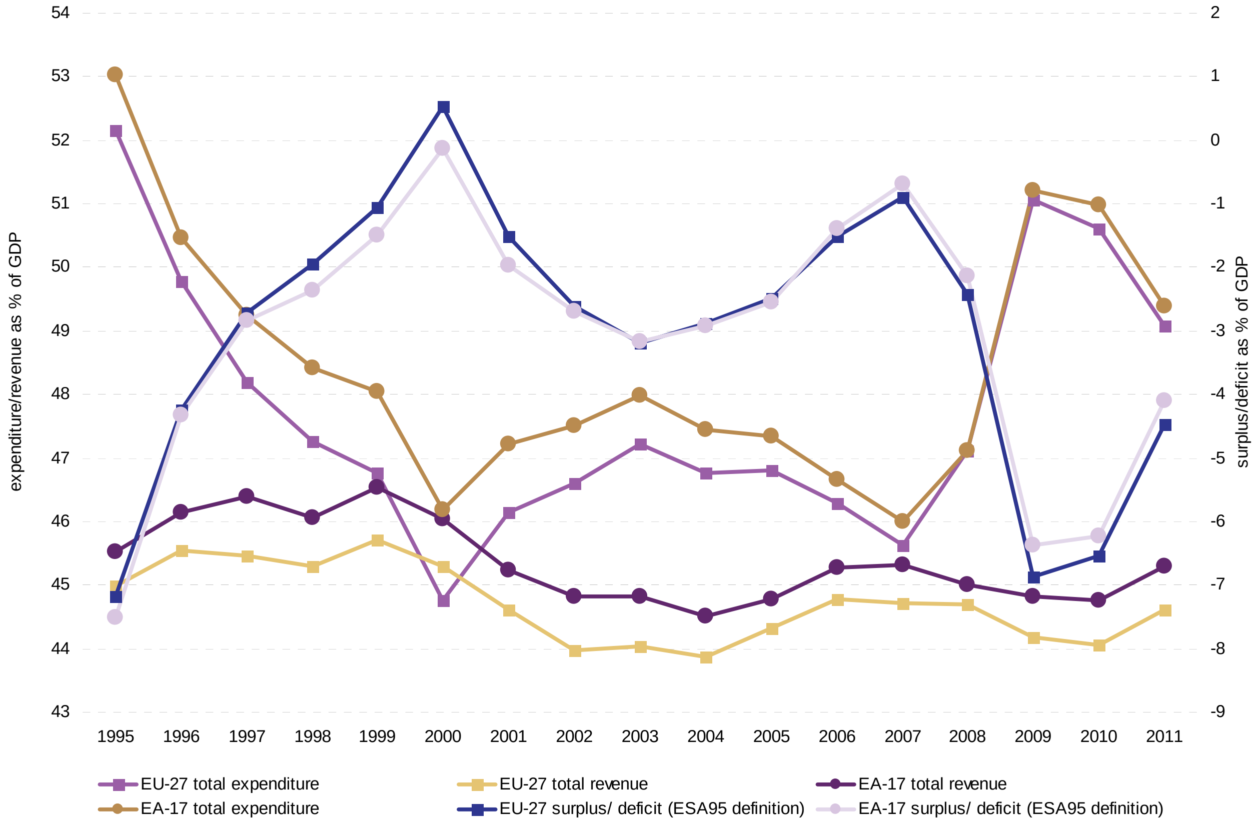
Government deficits – improvements in 2011

The government balance is the difference between government total revenue and total expenditure – in the ESA95 terminology it is also called net borrowing/net lending. The ESA definition differs very slightly from that used for the purpose of the Excessive Deficit Procedure (see methodological notes). In figure 10, the government balance is shown on the secondary axis for the EU and the euro area.

Deficit recorded for almost the entire 1995-2011 period

It is immediately apparent that the EU-27 government balance has been in deficit for almost the entire 1995-2011 period, with the only slight surplus of 0.5 % of GDP recorded in 2000 for the EU-27, but not for the euro area.

Figure 10: Evolution of total general government revenue, expenditure and deficit, 1995-2011, in % of GDP



Source: Eurostat (online data code: gov_a_main)

The highest deficit was not recorded in 2009 as could be expected, but rather in 1995, when net borrowing/net lending stood at -7.5 % of GDP in the euro area and at -7.2 % in the EU-27. This is however strongly influenced by a one-off event in Germany: the liquidation of the 'Treuhandanstalt' and some other holdings of ex-GDR assets/liabilities.

However, we can also see that the large increase in deficit between 2008 and 2009 was the largest movement in net borrowing/net lending in a single year. Then EU-27 government deficit increased from -2.4 % of GDP in 2008 to -6.9% of GDP in 2009. Likewise, the EA-17 moved from -2.1 % of GDP to -6.4 %. In figure 10, total revenue and expenditure are plotted on the left axis, while the deficit/ surplus is plotted on the right axis. From this we get an indication that the large increase in deficit is to a larger part due to a change in expenditure (in terms of GDP, absolute expenditure continued to grow when GDP fell) rather than revenue.

In 2010, deficit in the EU stood at -6.5 % of GDP and decreased to -4.5 % of GDP in 2011– this is the largest positive movement recorded over the time period.

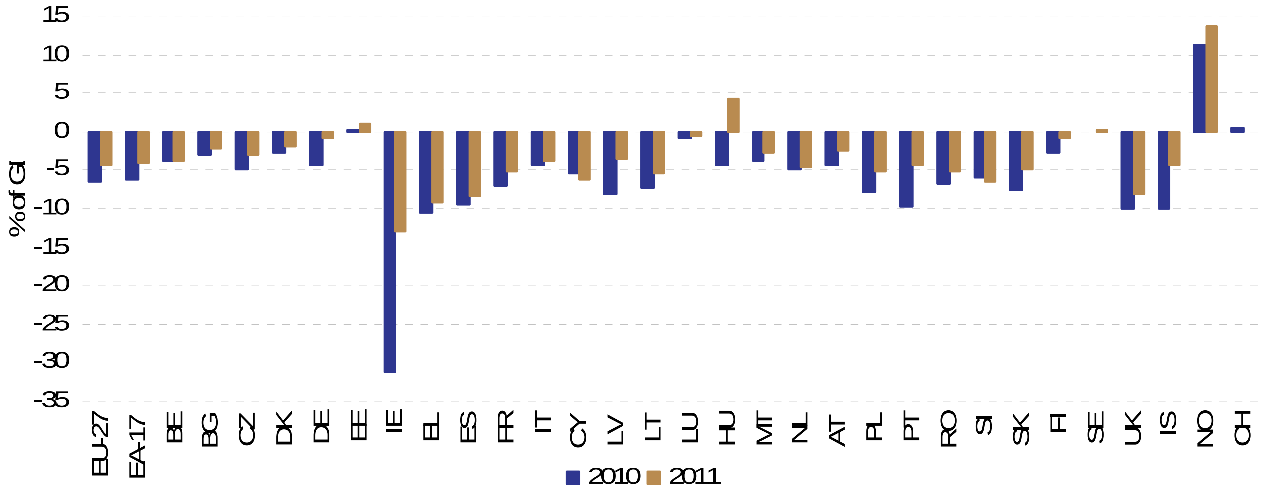
Similarly in the euro area, general government deficit decreased from 6.2 % of GDP in 2010 to -4.1 % of GDP in 2011.

Looking at the evolution of total revenue and total expenditure as a percentage of GDP, it becomes apparent that the reduction in deficit in 2011 is both due to a reduction of expenditure – both in terms of GDP and absolute numbers – and increases in revenue due to revenue-raising measures and renewed growth in many Member States. The contribution of the reduction in expenditure is larger than that of the increase in revenue.

Government deficits/ surpluses –developments and comparisons between countries

In 2010, Ireland ran a government deficit of 31.2 % of GDP, a consequence of providing help to its banking sector. Greece (-10.5 %), the United Kingdom (-10.1 %), Portugal (-9.8 %) and Spain (-9.3 %) as well as Iceland (-10.1 %) also continued to run sizable deficits. In contrast with this, Estonia was the only EU Member State with a government surplus, of about 0.3 % of GDP. Norway also continued to run a large surplus of over 10 % of GDP. Among EU Member States, Luxembourg and Sweden were those with the smallest deficit.

Figure 11: General government surplus (+)/deficit (-), 2010-2011, in % of GDP

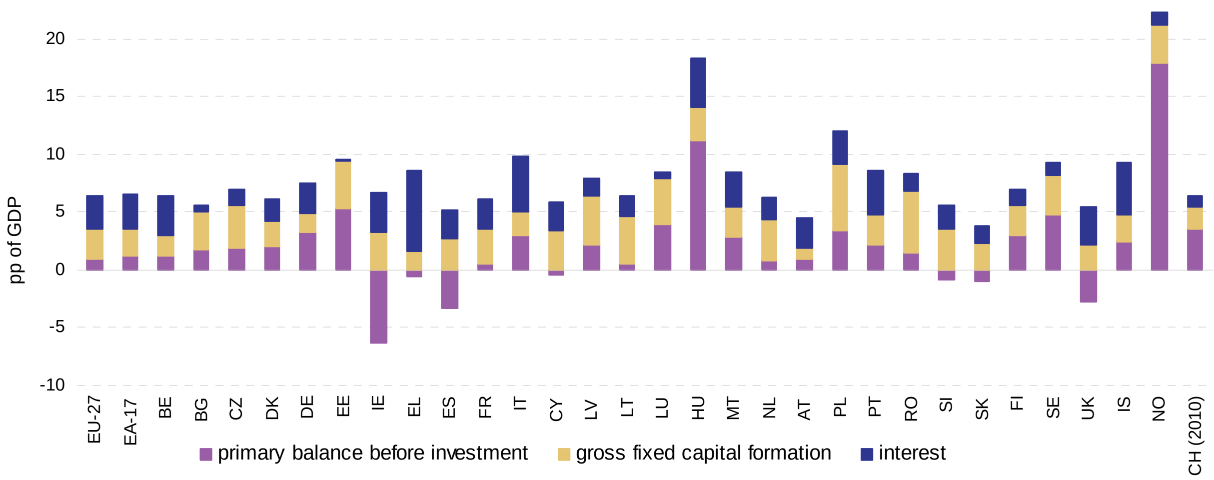


Source: Eurostat (online data code: gov_a_main)

In 2011 the EU-27 and EA-17 deficit improved to -4.5 % and -4.1 % of GDP respectively. Three Member States - Estonia, Hungary and Sweden - and Norway recorded surpluses. In all Member States except Cyprus and Slovenia an improvement in the budget balance is visible from 2010 to 2011. The largest deficit is recorded in Ireland (-13.0 % of GDP, due help to its banking sector), followed by Greece, the United Kingdom and Spain.

Primary government deficits/ surpluses – comparisons between countries

Figure 12: Primary balance before investments, gross fixed capital formation (GFCF) and interest paid, 2011, in pp of GDP



Source: Eurostat (online data code: gov_a_main)

The deficit or surplus can be decomposed into three elements: primary government surplus/deficit before gross fixed capital formation (investment, GFCF) and interest payments.

In 2011 the primary balance was in surplus in the EU as a whole and in the euro area – it stood at +1.0 % and +1.3 % of GDP respectively, a turn from a primary deficit in the previous year. 20 Member States and all three EFTA countries recorded primary surpluses. The primary surplus was largest in Hungary (+11.2 % of GDP) and Norway among the EFTA countries at +18.0% of GDP. Estonia and Sweden continued to report large primary surpluses at +5.3 and 4.7 % of GDP respectively. The primary deficits were largest in Ireland (-6.4 % of GDP), Spain (-3.3 %) and the UK (-2.8 %). Slovakia, Slovenia, Greece and Cyprus also recorded primary deficits.

In 2011 interest payments made up over 7 % of GDP in Greece, which is the highest value recorded. At the other side of the scale, interest payments were equivalent to less than 1% of GDP in Luxembourg (0.5 % of GDP), Bulgaria (0.6 %), Estonia (0.9 %) and Switzerland (0.9 %).

Public investment spending was highest in Poland (5.8 % of GDP) and Romania (5.2 %) and lowest in Austria (1.0 % of GDP).

METHODOLOGICAL NOTES

This box gives some background information on the data sources used in the preparation of this publication as well as on the methodological concepts and technical terms and codes used. More exhaustive information and additional data can be found on Eurostat's website in the section dedicated to government finance statistics.

Reporting of data to Eurostat

Annual government finance statistics (GFS) data are collected by Eurostat on the basis of the European System of Accounts (ESA95) transmission programme, in table 0200 'Main aggregates of general government', table 0900 'Detailed tax receipts by sector' and table 1100 'General government expenditure by function'. As all GFS data are compiled within the ESA95 framework, they follow all methodological guidelines set out in ESA95 and the common rules adopted for national accounts.

The legal requirement for transmission of table 0200 data by EU Member States is at year t+3 and at t+9 months after the end of the reference period. As this publication mainly relies on table 0200 data, data corresponds to the end-March 2012 transmission of table 0200. Switzerland reports table 2 data at t+8 months; therefore the latest available year is 2010. Table 0900 data is reported at t+9 after the end of the reference period and table 11 data is reported at t+12 after the end of the reference period. Due to updates in GDP slight differences with data reported on 23rd of April exist, wherever government data is expressed as a ratio of GDP.

Definition of government

The data relate to the general government sector of the economy, as defined in ESA95, paragraph 2.68: 'All institutional units which are other non-market producers [institutional units whose sales do not cover more than the 50% of the production costs, see ESA95 paragraph 3.26] whose output is intended for individual and collective consumption, and mainly financed by compulsory payments made by units belonging to other sectors, and/or all institutional units principally engaged in the redistribution of national income and wealth. General government comprises the sub-sectors central government (S.1311), state government (S.1312 - where applicable), local government (S.1313), and social security funds (S.1314 - where applicable).

Definition of general government revenue and expenditure

Government revenue and expenditure are defined in Commission Regulation 1500/2000 and use as reference a list of ESA95 categories:

Government revenue comprises the following categories:

P.11, P.12, P.131, market output, output for own final use and payments for other non-market output. It includes **'market output**' (P.11), **'output for own final use**' (P.12) and **'payments for other non-market output'** (P.131);

D.2, 'taxes on production and imports' consist of compulsory, unrequited payments, in cash or in kind which are levied by general government, or by the institutions of the European Union, in respect of 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. These taxes are payable whether or not profits are made;

D.39, 'other subsidies on production, receivable';
D.4, 'property income, receivable';
D.5, 'current taxes on income, wealth, etc.', cover all compulsory, unrequited payments, in cash or in kind, levied periodically by general government and by the rest of the world on the income and wealth of institutional units, and some periodic taxes which are assessed neither on the income nor the wealth;
D.61, 'social contributions': includes 'actual social contributions' (D.611) and 'imputed social contributions' (D.612);

D.7, 'other current transfers, receivable';

D.9, 'capital transfers' are different from current transfers by the fact that they involve the acquisition or disposal of an asset, or assets, by at least one of the parties to the transaction. Whether made in cash or in kind, they should result in a commensurate change in the financial, or non-financial, assets shown in the balance sheets of one or both parties to the transaction. Adjustments for taxes assessed but never collected are recorded as negative revenue (D.995).

> D.91,'capital taxes' consist of taxes levied at irregular and very infrequent intervals on the values of the assets or net worth owned by institutional units or on the values of assets transferred between institutional units as a result of legacies, gifts inter vivos or other transfers;

Government expenditure comprises the following categories:

P.2, 'intermediate consumption': the purchase of goods and services by government;
P.5, 'gross capital formation' consists of: (a) gross fixed capital formation (P.51); (b) changes in inventories (P.52); (c) acquisitions less disposals of valuables (P.53); where

> P.51, 'gross fixed capital formation': consists of acquisitions, less disposals, of fixed assets during a given period plus certain additions to the value of non-produced assets realised by the productive activity of producer or institutional units. Fixed assets are tangible or intangible assets produced as outputs from processes of production that are themselves used repeatedly, or continuously, in processes of production for more than one year;

D.1, 'compensation of employees': the wages of government employees plus non-wage costs such as social contributions;

D.29, 'other taxes on production, payable',
D.3, 'subsidies, payable',
D.4, 'property income, payable', consists of : (a) 'interest, payable (D.41) and (b) 'other property income, payable (D.42+D.43+D.44+D.45), where

> D.41, 'interest': excludes settlements under swaps and forward rate arrangements (see also section on the Excessive Deficit Procedure), as these are treated as financial transactions in the ESA 95;

D.5, 'current taxes on income, wealth, etc, payable';
D.62, social payments: cover social **benefits** and pensions paid in money;
D.6311, D.63121, D.63131, 'Social transfers in kind related to expenditure on products supplied to households via market producers';
D.7, 'other current transfers, payable';
D.8, 'adjustment for the change in net equity of households in pension fund reserves'
D.9, 'capital transfers payable'
K.2, 'acquisitions less disposals of non-financial non-produced assets': public investment spending. Non-financial non-produced assets consist of land and other tangible non-produced assets that may be used in the production of goods and services, and intangible non-produced assets.

Total receipts from taxes and social contributions

Are defined here as D.2+D.5+D.611+D.612+D.91-D.995: total receipts from taxes and social contributions (including imputed social contributions) after deduction of amounts assessed but unlikely to be collected. Taxes collected on behalf of the 'institutions of the European Union' (sector S.212) are collected in ESA95 table 0900 and but are not included in data as presented in this publication. Four different indicators of tax revenue exist at the EU level and the one used here is the broadest measure. For more information about the different measures in use, please refer to the statistics explained page on tax revenue statistics.

Consolidation

General government data reported in ESA tables 0200 and 1100 must be consolidated, meaning that specific transactions between institutional units within the general government sector – D.4 (property income), D.7 (other current transfers) and D.9 (capital transfers) – are eliminated or cancelled out. Sub-sector data should be consolidated within each sub-sector but not between sub-sectors. Thus data at sector level should equal the sum of sub-sector data, except for items D.4, D.7, and D.9, which are consolidated. For these latter items and consequently total revenue and total expenditure, the sum of sub-sectors should exceed the value of the sector.

Net lending (+)/net borrowing (-) – the government surplus or deficit

The difference between general government expenditure and revenue is the public surplus or deficit, known in the ESA 95 methodology **as 'general government net lending (+)/net borrowing (-)' (ESA 95 category B.9)**. 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), but allowing for a different accounting treatment of swaps and forward rate agreements. For the purpose of EDP reporting, net lending/net borrowing includes streams of interest payments resulting from swap and forward rate agreements. Thus the 'net borrowing/net lending (B.9) used in national accounts differs slightly from the one used for EDP purposes (EDP B.9). For most countries, however, the difference between the two measures is very small.

In the ESA95 framework, net lending/net borrowing (B.9) is defined formally as

+ net saving (B.8n)
+ capital transfers, receivable (D.9)
- capital transfers, payable (D.9)
- gross capital formation (P.5)
+ consumption of fixed capital (K.1)
- acquisitions less disposals of non-financial non-produced assets (K.2)

Time of recording

In the ESA95 system, recording is on an accrual basis, that is, when ‘economic value is created, transformed or extinguished, or when claims and obligations arise, are transformed or are cancelled.' For taxes and social contributions, a greater degree of flexibility is accorded, as these are often recorded on a cash basis in national systems. For more information, please refer to the statistics explained page on tax revenue statistics.

Classification of the Functions of Government (COFOG)

Is one of four classifications of expenditure according to purpose used in national accounts. COFOG data are compiled within the ESA95 framework in table 1100. For more information please refer to the 'statistics explained' page on government finance statistics.

Gross Domestic Product

Throughout this publication, nominal GDP, i.e. GDP at current prices is used.

Abbreviations

Euro area 17 (EA-17): BE (Belgium), DE (Germany), EE (Estonia), IE (Ireland), EL (Greece), ES (Spain), FR (France), IT (Italy), CY (Cyprus), LU (Luxembourg), MT (Malta), NL (the Netherlands), AT (Austria), PT (Portugal), SI (Slovenia), SK (Slovakia) and FI (Finland).

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

In addition data for three EFTA countries – IS (Iceland), NO (Norway) and CH (Switzerland) - reported in the framework of the ESA95 transmission programme is presented.

pp: percentage points

More information

Data used in this publication is collected by the European Commission from the Member States, Iceland, Norway and Switzerland. More data can be found in Eurostat's online database under the theme economy and finance. Users might also like to refer to the integrated GFS data publications. These present GFS data in a user-friendly fashion and are published twice yearly. More information about government finance statistics can be found at the 'statistics Explained' page on this topic.

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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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