



ECB MONTHLY BULLETIN – EURO AREA STATISTICS METHODOLOGICAL NOTES

SECTION 6 – GOVERNMENT FINANCE

1. Introduction

The statistics in this section enable the general government fiscal position to be monitored. The tables show mainly euro area totals as a percentage of euro area gross domestic product (GDP). The government deficit and debt statistics for individual countries are also shown. In addition, the tables provide the underlying components of deficit and debt so that trends through time and the sustainability of government finances can be analysed.

The annual government finance statistics in Table 6.1 (revenue, expenditure and the deficit/surplus) are based on the general government sector in national accounts and transactions involving the EU budget, prepared according to the European System of Accounts (ESA 95). Tables 6.2, 6.3 and 6.5 use the same delimitation of the general government sector, and the financial instrument categories are consistent with the ESA 95. However, the valuation of government debt is based on the definition used for the excessive deficit procedure (EDP)¹, i.e. at nominal value, rather than market value as in ESA 95 balance sheets. The statistics for the individual countries that are used to compile the euro area aggregates in Table 6.1 are generally consistent² with those prepared by (in most countries) the national statistical institutes (NSIs) for national accounts and sent to Eurostat under the ESA 95 transmission programme and for the twice yearly EDP reporting. The tables showing the deficit and debt of the individual countries are fully consistent with the most recent EDP statistics reported by Eurostat.

The statistics in all the tables reflect decisions taken by Eurostat on the interpretation of the ESA 95

¹ The EDP was laid out in Council Regulation (EC) No 3605/93 of 22 November 1993 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community and now forms part of the Stability and Growth Pact.

² Conceptually there are differences in the definitions of total revenue and expenditure because of the way in which transactions involving the EU budget are treated. The deficit figures are consistent with those transmitted by NSIs to Eurostat under the ESA 95 transmission programme, but differ from the EDP reporting because of the different treatment of settlements under swaps and forward rate agreements (FRAs). In practice, differences will also arise because of different “vintages” of the data (due to revisions of past data).

for specific cases involving the general government sector.³

The statistics in Tables 6.3 and 6.5 are useful not only for economic analysis but also for checking the plausibility of data by comparing the deficit (a balancing item for transactions) with the change in debt (a stock).

The quarterly government finance statistics in Table 6.4 are based solely on the general government sector in national accounts, since quarterly statistics on transactions involving the EU budget are not available. This has a certain impact on quarterly government revenue and expenditure but not on the quarterly government deficit/surplus, which is based on the same methodology as the annual data.

This note explains briefly the methodological framework and the structure of the general government deficit and debt statistics. It also provides information on the data sources, gives guidance on how to download the data, and provides a contact for further explanations.

2. Methodological framework

2.1. *European System of Accounts 1995*

The methodological framework consists mainly of the ESA 95, supplemented by various EU regulations relating to the ESA 95⁴ or the EDP⁵. The statistics relate to the general government sector⁶ as defined in the ESA 95.

The essential features of the ESA 95 framework for Section 6, in the context of the general government sector, are the following:

$$\begin{aligned} & \text{Net lending (+)/net borrowing (-) (the government deficit, entity B.9 in the ESA 95)}^7 \\ & = \text{Revenue - expenditure (current and capital non-financial transactions)} \\ & = \text{Net acquisition of financial assets - net incurrence of liabilities (financial transactions)} \end{aligned}$$

and

³ Many of these decisions are explained in Eurostat's ESA 95 manual on government deficit and debt and followed consultations of the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB). Details of the manual are available at the following website address: http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1073,46587259&_dad=portal&_schema=PORTAL&p_product_code=KS-42-02-585.

⁴ In particular Council Regulation (EC) No 1500/2000 of 10 July 2000 implementing Council Regulation (EC) No 2223/96 with respect to general government expenditure and revenue, which defines total government revenue and expenditure in terms of ESA 95 components.

⁵ Council Regulation (EC) No 479/2009 of 25 May 2009 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community (codified version).

⁶ The ESA 95 defines rules that determine which organisations constitute the general government sector. The sector includes central government, local government, state government (in countries where it exists) and social security funds. The ECB statistics for revenue and expenditure also include transactions involving the EU budget.

⁷ In practice, B.9 as shown in the non-financial accounts differs from the same entity as shown in the financial accounts because of imperfect data sources. When expenditure exceeds revenue (i.e. there is a deficit), B.9 is a negative number.

Net lending (+)/net borrowing (-) + other flows⁸
= **Increase in net financial assets** (balance sheet).

2.2. Government debt

An exception to the general application of the ESA 95 in Section 6 is that debt is shown at nominal value (not market value as in ESA 95 balance sheets) and that gross debt is only a partial subset of the liabilities defined in the ESA 95. Seven categories of financial instruments are distinguished in the ESA 95. These are classified according to liquidity factors and legal characteristics. They are listed below with their ESA 95 codes for financial balance sheet data:

- Monetary gold and special drawing rights (AF.1);
- Currency and deposits (AF.2);
- Securities other than shares (AF.3);
- Loans (AF.4);
- Shares and other equity (AF.5);
- Insurance technical reserves (AF.6);
- Other accounts receivable/payable (AF.7).

For the purpose of the EDP and Section 6, government debt includes only liabilities in AF.2 (currency and deposits), AF.4 (loans) and AF.33 (securities other than shares, excluding financial derivatives).

The ESA 95 categorisation of financial instruments is very general. The tables in Section 6 go deeper and analyse debt by maturity, currency denomination and residency of asset holder.

2.3. Periodicity and timeliness

The statistics in Tables 6.1, 6.2 and 6.3 are annual. The tables are normally updated twice a year, or more often if countries send revised figures to the ECB outside the regular data collection exercises. Statistics for the previous year are first published in the May issue of the Monthly Bulletin. The statistics in Tables 6.4 and 6.5 are quarterly and become available in the Monthly Bulletin about four months after the end of the quarter.

2.4. Data sources

The ECB collects the annual data on individual countries directly from the national central banks (NCBs). This collection takes place in spring and autumn each year. The main data sources for NCBs are the ESA 95-based national accounts, which are compiled in most countries by NSIs, supplemented by NCB or finance ministry data on debt at nominal value. Data on transactions involving the EU budget are then used to obtain the euro area aggregates. The ECB receives the quarterly non-financial

⁸ Includes, for example, changes in market prices and the effect of reclassifications.

accounts' data from the individual countries via Eurostat. The ECB receives the quarterly financial accounts for general government and quarterly Maastricht debt directly from the individual countries.

2.5. Aggregation

The aggregation of statistics from individual countries to produce euro area totals is based on the fixed euro conversion rates for the whole period under consideration. This fixed euro conversion rate method aggregates the euro area backdata using the irrevocable conversion rates in euro for each participating currency as adopted by the Council of the European Union.

The treatment of transactions involving the EU budget for the compilation of euro area annual aggregates has to take into account the fact that these take place in the framework of the EU as a whole, not just of the euro area. So a method is needed to determine which transactions involving the EU budget should be included in the euro area totals. EU transactions that can be attributed directly to a specific country in the euro area (such as taxes and subsidies) are included, plus a proportion of the transactions that cannot be attributed to any specific Member State (such as EU budget administrative expenditure and aid to developing countries). This proportion is based on the combined net contributions of euro area countries to the EU budget. Transfers between national governments and the EU budget are consolidated and so do not add to revenue or expenditure.

Table 6.1 – Revenue, expenditure and deficit/surplus

Government revenue and expenditure are concepts used to analyse fiscal policy. They appear often in international comparisons. The initial ESA 95 manual⁹ did not define government revenue or expenditure. However, a Commission Regulation¹⁰ extended the ESA 95 in relation to these concepts, ensuring that a common definition is used in the EU. In the Regulation, revenue and expenditure are defined with reference to ESA 95 categories and thus follow the principles laid down in the ESA 95 for the delimitation of general government, as well as the principles for the valuation and time of recording of transactions.¹¹

At the level of the individual countries, the ECB collects data on total government revenue and expenditure using definitions that include not only the transactions of the general government sector (S.13 in the ESA 95), but also transactions involving the EU budget (S.212) in the country. EU transactions include, for example, the receipt of customs duties and agricultural levies and the payment of agricultural subsidies and investment grants. These transactions are included in the ECB

⁹ European System of Accounts 1995, Office for the Official Publications of the European Communities, Luxembourg, 1996.

¹⁰ Commission Regulation (EC) No 1500/2000.

¹¹ The OECD uses the same definitions for international comparisons of government revenue and expenditure.

definitions of revenue and expenditure to obtain a better picture of the overall level of governmental activity in a country. For instance, VAT is a tax paid to government whether the final recipient is the central government or the EU. Likewise, the origin of agricultural subsidies (the central government budget or the EU budget) does not make a difference to the final recipient.

Total revenue and total expenditure are defined in ways such that the ESA 95 government deficit (ESA 95 B.9, net lending (+)/net borrowing (-)) is equal to the difference between them. Note that a deficit is shown as a negative number, and a surplus as a positive number. Revenue and expenditure are broken down into current and capital. The difference between current revenue and current expenditure is equal to gross saving. At the level of the individual countries, the inclusion of transactions involving the EU budget in the ECB definitions of total revenue and expenditure is compensated for by an imputed current transfer between the national government and the EU budget. This ensures that the deficit shown in the tables equals the general government deficit in ESA 95 national accounts.

Government revenue and expenditure are broken down into a number of other categories. Government revenue and expenditure and the government deficit are expressed as a percentage of euro area GDP at current prices, compiled in accordance with the ESA 95, to facilitate reference to the EDP criteria.

Other current transfers (D.7), interest (D.41) and capital transfers (D.92 and D.99) within the general government sector are consolidated (i.e. not included in total revenue and expenditure if paid by one part of general government to another), but transactions in goods and services, taxes and subsidies are not consolidated.

The following tables show the columns in the published tables and their correspondence with the ESA 95.

Table 6.1.1 Euro area – revenue

Description	Column number in Table 6.1.1	ESA 95 codes (U = uses, R = resources) and other information
Total revenue	1	Sum of columns 2 and 12
Current revenue	2	Sum of columns 3, 6, 8 and 11 plus receipts of “other current transfers” (includes interest, dividends and fines) not shown in the table
Direct taxes	3	D.5 R, current taxes on income and wealth, etc.
of which payable by corporations	4	Includes taxes on profits and capital gains
of which payable by households	5	Includes taxes on personal income, property and capital gains
Indirect taxes	6	D.2 R + D.2 received by the EU budget, taxes on production
of which received by EU institutions	7	D.2 received by the EU budget, including customs duties, agricultural levies and a component for VAT, all of which are treated in the ESA 95 as revenue of the rest of the world rather than of the domestic government
Social contributions	8	D.61 R = sum of columns 9 and 10 plus imputed employers’ social contributions (D.612), which are recorded in respect of unfunded pay-as-you-go pension schemes and other unfunded social insurance schemes operated by employers
of which employers’ actual social contributions	9	D.6111 R
of which employees’ social contributions	10	D.6112 R
Sales	11	P.11 R, P.12 R, P.131 R, “sales” includes output for own final use (such as capital assets produced in-house and “purchased” in the capital account), as well as actual receipts from the sale of goods and services by government units
Capital revenue	12	D.9 receipts, capital taxes, investment grants and other capital transfers
of which capital taxes	13	D.91, such as inheritance tax
Fiscal burden	14	Sum of columns 3, 6, 8 and 13

Table 6.1.2 Euro area – expenditure

Description	Column number in Table 6.1.2	ESA 95 codes (U = uses, R = resources) and other information
Total expenditure	1	Sum of columns 2 and 10
Current expenditure	2	Sum of columns 3, 4, 5 and 6

Compensation of employees	3	D.1 U, the wages of government employees plus non-wage costs such as employers' social contributions
Intermediate consumption	4	P.2 U, the purchase of goods and services by government
Interest	5	D.41 U (consolidated, so excludes payments within the general government sector), excludes settlements under swaps and FRAs, as these are treated as financial transactions in the ESA 95
Current transfers	6	Sum of columns 7 and 8 plus "other current transfers" paid (such as rent) and "other taxes on production", not shown in the table
Social payments	7	D.62 U + (D.75 U to NPISHs) + D.6311 + D.63121 + D.63131, covers social benefits and pensions paid in money, as well as services funded by government that are produced and delivered to households by market units, such as private hospitals, and by non-government non-profit institutions serving households (NPISHs), such as educational charities
Subsidies	8	-D.3 R minus D.3 R of the EU budget (subsidies paid are a negative resource in the ESA 95)
of which paid by EU institutions	9	D.3 paid by the EU budget, typically agricultural subsidies paid under the common agricultural policy, which in the ESA 95 are treated as being paid by the rest of the world rather than by the national government
Capital expenditure	10	Sum of columns 11 and 12 and the acquisition of stocks, valuables and land, less the disposal of such assets
Government investment	11	P.51 U, the acquisition of fixed capital assets such as buildings, computers and vehicles, minus the sale of such assets; "investment" here does not include the acquisition of financial assets such as shares
Capital transfers	12	-D.9 payable (consolidated) minus D.9 payable by the EU budget to non-government sectors (capital transfers payable have a negative sign in the ESA 95)
of which paid by EU institutions	13	D.9 paid by the EU budget to non-government sectors, typically investment grants for poorer regions paid via the European Regional Development Fund (ERDF)
Primary expenditure	14	Column 1 minus column 5

Table 6.1.3 Euro area – deficit/surplus, primary deficit/surplus and government consumption

Description	Column number in Table 6.1.3	ESA 95 codes (U = uses, R = resources) and other information
General government deficit (-) or surplus (+)	1	B.9 (S.13), called net lending (+)/net borrowing (-) in the ESA 95 and measured on the basis of the capital account (B.9) rather than the financial account (B.9f); it differs from EDP B.9, which treats settlements under swaps and FRAs as interest. S.13 is the ESA 95 code for the general government sector. B.9 is total revenue minus total expenditure from the previous tables
Central government deficit or surplus	2	B.9 (S.1311)
State government deficit or surplus	3	B.9 (S.1312); regional government does not exist in most countries

Local government deficit or surplus	4	B.9 (S.1313)
Social security fund deficit or surplus	5	B.9 (S.1314)
Primary deficit (-) / surplus (+)	6	Column 1 plus column 5 of the second table shows the deficit excluding the cost of interest payments
Government consumption	7	P.3 (general government final consumption) Columns 8 + 9 + 10 + 11 - 12 plus taxes paid less subsidies received on production (D.29 U, D.39 U) plus net operating surplus (B.2n); the last two items are not separately identified in the table. P.3 is a component of the expenditure measure of GDP
Compensation of employees	8	D.1 U, the wages of government employees plus non-wage costs such as employers' social contributions
Intermediate consumption	9	P.2 U, the purchase of goods and services by government
Social transfers in kind via market producers	10	D.6311 + D.63121 + D.63131, covers services funded by government that are produced and delivered to households by market units
Consumption of fixed capital	11	K.1, sometimes called "depreciation"
Sales (minus)	12	P.11 + P.12 + P.131, "sales" includes output for own final use, such as capital assets produced in-house and "purchased" in the capital account
Individual consumption expenditure	13	P.31, has the following characteristics: a) it satisfies the individual needs of household members b) it is possible to observe the consumption of the goods and services by household members c) households agree to consume the goods and services and take action to make it possible, for example by attending a school d) the consumption of the goods and services by one household means that there are less of them available for other households
Collective consumption expenditure	14	P.32, final consumption that is not individual (P.31), such as defence and statistical services

Table 6.1.4 Euro area countries – deficit (-)/surplus (+)

This shows the deficit (-)/surplus (+) of each country in the euro area, as reported by Eurostat for the EDP.

Table 6.2 Debt

Table 6.2 shows general government consolidated debt at nominal value (sometimes called "EDP debt") in accordance with the Treaty provisions on the excessive deficit procedure. Article 1 (5) of Council Regulation (EC) No 3605/93 defines general government gross debt as:

- comprising the consolidated liabilities of the ESA 95 general government sector (S.13) in the categories currency and deposits (AF.2), securities other than shares (AF.33) excluding financial derivatives, and loans (AF.4);
- measured at "nominal value", in line with the Protocol on the excessive deficit procedure

annexed to the Treaty establishing the European Community, further defined in the Regulation as the “face value”. This means, in particular, that government debt is not affected by changes in market yields and excludes unpaid accrued interest.

The financial instrument definitions are the same as in the ESA 95.

EDP debt excludes two groups of government liabilities. These are:

a) ESA 95 liabilities not included in EDP debt:

- financial derivatives (*AF.34*) such as swaps or FRAs;
- insurance technical reserves, which include pension liabilities (*AF.6*);
- trade credits (in *AF.7*) originating from delayed payments to providers of goods and services;
- other accounts payable (in *AF.7*);
- accrued interest, whether recorded with the underlying instrument or identified separately.

b) Liabilities recognised by some accounting systems but not by the ESA 95:

- provisions for expected but uncertain future payments arising from past events;
- unfunded pension schemes operated by government units for their employees, paid out of government’s current resources and without special reserves;
- contingent liabilities;
- liabilities of entities regarded as subsidiaries of government in other accounting systems but outside the general government sector in national accounts.

Table 6.2.1 Euro area – government debt by financial instrument and sector of the holder

Description	Column number in Table 6.2.1	ESA 95 codes and other information
Total government debt	1	Sum of columns 2, 3, 4 and 5, or of rows 6 and 10, general government consolidated gross debt at nominal value (EDP debt)
Financial instruments		
Currency and deposits	2	AF.2 (excluding banknotes)
Loans	3	AF.4
Short-term securities	4	AF.331, defined as having an original maturity of 1 year or less
Long-term securities	5	AF.332, defined as having an original maturity of more than 1 year
Holders		
Domestic creditors	6	Sum of rows 7, 8 and 9, residents of the country issuing the debt

Monetary financial institutions (MFIs)	7	S.122
Other financial corporations	8	S.123 + S.124 + S.125
Other sectors	9	S.11 + S.14 + S.15
Other creditors	10	S.2, residents of countries in the euro area other than the issuing country and residents of countries outside the euro area

Table 6.2.2 Euro area – government debt by issuer, maturity and currency denomination

Description	Column number in Table 6.2.2	ESA 95 codes and other information
Total government debt	1	Sum of columns 2, 3, 4 and 5, sum of columns 6 and 7, sum of columns 9, 10 and 11, or sum of columns 12 and 14, general government consolidated gross debt at nominal value (EDP debt)
Issued by		
Central government debt	2	In each case, the sub-sector debt is defined as the liabilities of the sub-sector in financial instruments AF.2, AF.33 and AF.4, excluding any liabilities that are assets of units in the same sub-sector or of units in any other general government sub-sector
State government debt	3	
Local government debt	4	
Social security fund debt	5	
Original maturity		Original maturity is the time between the dates when the debt was incurred and when the principal has to be repaid. Deposits are treated as having zero maturity, and loans with regular repayments of interest and capital are spread over the life of the loan. For long-term bonds issued in multiple tranches, all tranches are treated as having the same original maturity
up to 1 year	6	
over 1 year	7	
of which variable interest rate	8	
Residual maturity		Residual maturity is the time between the present year ¹² and the date when the principal has to be repaid. Deposits are treated as having zero maturity, and loans with regular repayments of interest and capital are spread over the life of the loan
up to 1 year	9	
over 1 year and up to 5 years	10	
over 5 years	11	
Currencies		
Euro or participating currency	12	A participating currency is the former currency of a country that is now in the euro area
Other currencies	13	Currencies of countries outside the euro area

¹² The year of that row in the table.

Table 6.2.3 Euro area countries – government debt

This shows general government consolidated gross debt for each euro area country, as reported by Eurostat for the EDP.

Table 6.3 – Change in debt

Table 6.3 shows how and why EDP debt changes over a year and considers the relationship between the deficit and EDP debt. The ability to reconcile the change in EDP debt with the deficit is an important quality check for government finance statistics.

The deficit is general government net lending (+)/net borrowing (-) (*B.9*) in national accounts. A negative value for *B.9* indicates a deficit and a positive figure indicates a surplus. *B.9* is government revenue less expenditure measured over a period of time (one year in the case of the Section 6 tables).

EDP debt is the stock of the government's outstanding debt measured at a point in time (at the end of the calendar year in the case of the Section 6 tables). EDP debt is mainly the result of the accumulation of deficits over time, but the relationship is not exact. The reasons for this are understood and comprise the deficit-debt adjustment (DDA). The annual deficit plus the DDA equals the change in debt over the year. In other words:

$$\begin{aligned} & \text{EDP debt at the start of the year} + \text{deficit } (-B.9) + \text{DDA} \\ = & \text{EDP debt at the end of the year.} \end{aligned}$$

The DDA is not just a residual; it can be defined in terms of specific components. To understand these components, it is worth noting four relationships.

First, in the ESA 95, the net acquisition of financial assets minus the net incurrence of liabilities is net borrowing (*B.9f*) as reported in the financial transactions account. This can differ from *B.9* as reported in the capital account owing to imperfect data sources. The difference is called the statistical discrepancy or the statistical adjustment. The deficit is *B.9* as reported in the capital account. This gives:

$$\begin{aligned} & \text{Net incurrence of liabilities (financial transactions)} \\ - & \text{Net acquisition of financial assets (financial transactions)} \\ = & \text{Deficit } (-B.9) + \text{statistical discrepancy } (B.9 \text{ minus } B.9f) \end{aligned}$$

Second, transactions in liabilities in the ESA 95 can be divided into those that are EDP debt instruments (*AF.2*, *AF.33* and *AF.4*) and those that are not. This gives:

$$\begin{aligned} & B.9f \text{ (net lending/net borrowing as shown in the financial account)} \\ = & \text{Net acquisition of financial assets} \end{aligned}$$

- Net incurrence of EDP debt liabilities
- Net incurrence of other (non-EDP debt) liabilities

Third, in the ESA 95, the change in the balance sheet stocks of a financial instrument over a year is equal to financial transactions during the year and other flows (the *K* series of accounts) during the year. Applying this rule to EDP debt instruments leads to:

- EDP debt instruments at the end of the year, consolidated
- EDP debt instruments at the start of the year, consolidated
- = Incurrence less redemption of EDP debt liabilities, consolidated
(transactions valued at face value, includes uplift for index-linked instruments)
- + Net increase in value of EDP debt instruments due to exchange rate changes, consolidated (valued at face value, part of category *K.11* in the ESA 95)
- + Increase in value of EDP debt instruments due to other volume changes
(valued at face value, categories *K.7*, *K.8*, *K.10* and *K.12* in the ESA 95, consolidated)

Fourth, transactions and other flows in EDP debt instruments measured at market value, as in the ESA 95, will differ from transactions in EDP debt instruments measured at face value. An adjustment for this (called the market-to-face-value adjustment) can be defined as follows:

- Market-to-face-value adjustment (for liabilities that are EDP debt instruments)
- = Net incurrence of liabilities, through transactions, measured at face value
- Net incurrence of liabilities, through transactions, measured at market value
- + Net increase in liabilities arising from exchange rate changes measured at face value
- Net increase in liabilities arising from exchange rate changes measured at market value
- + Net increase in liabilities arising from other volume changes measured at face value
- Net increase in liabilities arising from other volume changes measured at market value

Bringing these four relationships together gives:

- Deficit (-*B.9*)
- + Statistical discrepancy (*B.9* minus *B.9f*)
- + Net acquisition of financial assets (ESA 95 financial transactions)
- Net acquisition by government units of financial assets that are liabilities of other government units (consolidation of financial transactions)
- Net incurrence of liabilities that are not EDP debt instruments

- (ESA 95 financial transactions)
- + Net increase in value of EDP debt instruments due to exchange rate changes, market value, consolidated (part of category *K.11* in the ESA 95)
- + Increase in value of EDP debt instruments due to other volume changes, consolidated, market value (categories *K.7*, *K.8*, *K.10* and *K.12* in the ESA 95)
- + Market-to-face-value adjustment
- = Net increase, at face value, in liabilities that are EDP debt instruments (change in debt)

For the purpose of Table 6.3, some of the components in the equation above are rearranged. Transactions in financial assets are split into those regarded as “key assets” (financial instruments *F.2*, *F.331*, *F.332*, *F.4* and *F.5*) and the remainder, which are combined with transactions in non-EDP debt liabilities. The market-to-face-value adjustment is combined with the increase in value due to exchange rate movements.

The first part of Table 6.3 also uses a concept called the general government borrowing requirement (GGBR), which is consolidated transactions in EDP debt instruments at market value as measured in the ESA 95. This means that the change in debt can be shown in two ways, using the formulae derived above, as shown in the diagram below.

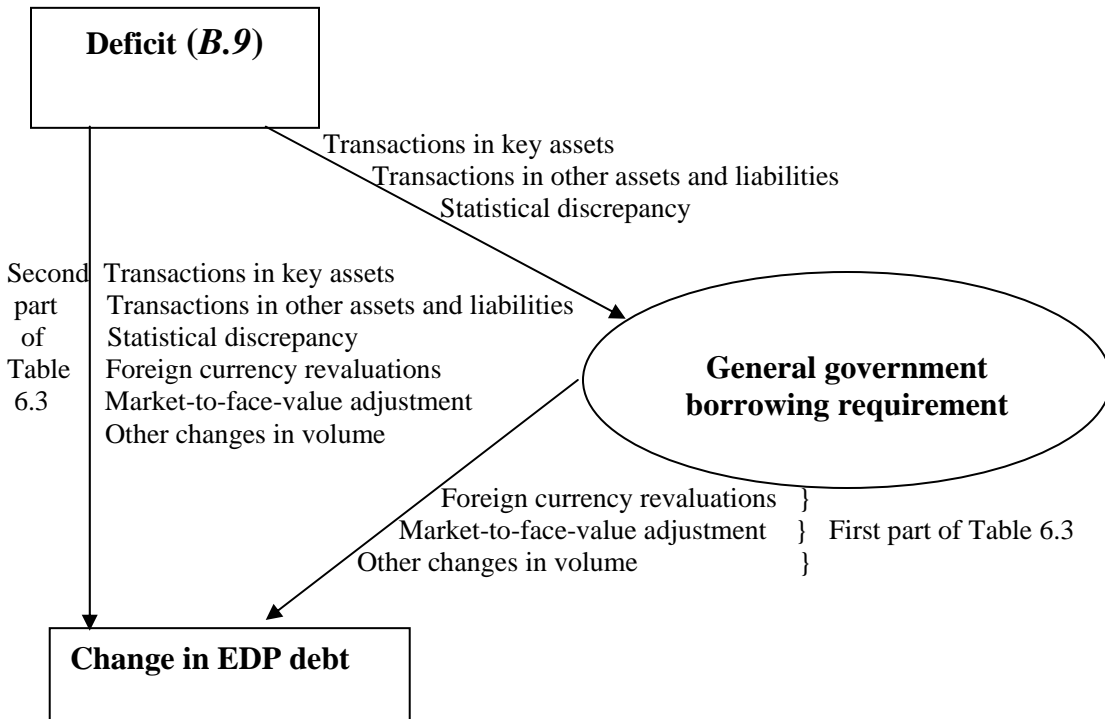


Table 6.3.1 Euro area – change in debt by source, financial instrument and sector of the holder

Description	Column number in Table 6.3.1	ESA 95 codes and other information
Total change in government debt	1	Sum of columns 2, 3, 4 and 5, sum of columns 5, 6, 7 and 8, or sum of columns 9 and 12, equals aggregated government debt ¹³ at end of the year minus aggregated government debt at the start of the year
Source of change		
Borrowing requirement	2	Final transactions in (net incurrence of) liabilities in instruments F.2, F.33, F.4, excluding transactions between units in the general government sector; also known as the general government borrowing requirement (GGBR) Transactions in EDP debt instruments at market prices (consolidated)
Valuation effects	3	K.11 in liabilities AF.2, AF.33, AF.4 This covers exchange rate changes affecting debt denominated in foreign currency, or swapped into foreign currency, and the market-to-face-value adjustment discussed in the text above. This adjustment is needed mainly for bonds sold at a discount or premium relative to face value and for accruing unpaid interest, which is recorded in the ESA 95 as a transaction in bonds but has no impact on debt at nominal value
Other changes in volume	4	K.7, K.8, K.10, K.12 in liabilities AF.2, AF.33, AF.4, includes, for example, reclassifications between sectors and write-offs of debt
Financial instruments		
Currency and deposits	5	AF.2 (excluding banknotes)
Loans	6	AF.4
Short-term securities	7	AF.331
Long-term securities	8	AF.332
Holders		
Domestic creditors	9	Residents of the country issuing the debt
Monetary financial institutions (MFIs)	10	S.122
Other financial corporations	11	S.123 + S.124 + S.125
Other creditors	12	S.2, residents of euro area countries other than the issuing country and residents of countries outside the euro area

¹³ The sum of the government debt of each country.

Table 6.3.2 Euro area – deficit-debt adjustment

Description	Column number in Table 6.3.2	ESA 95 codes and other information
Change in debt	1	Column 3 minus column 2, equals government debt at end of the year minus government debt at the start of the year
Deficit (-) or surplus (+)	2	General government net lending (+)/net borrowing (-) (B.9) as measured in the capital account
Deficit-debt adjustment	3	Sum of columns 4, 11, 12, 13 and 14
Transactions in main financial assets held by government	4	Sum of columns 5, 6, 7 and 8
Currency and deposits	5	F.2
Loans	6	F.4
Securities other than shares	7	F.331 + F.332, excludes transactions in derivatives (included in “other” below)
Shares and other equity	8	F.5
of which privatisations	9	Government sales of shares in a public corporation to a unit outside the public sector
of which equity injections	10	Government purchases of shares or other equity (F.5) in a public corporation, or withdrawals of funds (-) from the accumulated assets of a public corporation
Valuation effects	11	K.11 in liabilities AF.2, AF.33, AF.4, covers exchange rate changes affecting debt denominated in foreign currency, or swapped into foreign currency, and the market-to-face-value adjustment discussed in the text above. This adjustment is needed mainly for bonds sold at a discount or premium relative to face value and for accruing unpaid interest, which is recorded in the ESA 95 as a transaction in bonds but has no impact on debt at nominal value
Exchange rate effects	12	K.11 in liabilities AF.2, AF.33, AF.4, covers exchange rate changes affecting debt denominated in foreign currency or swapped into foreign currency
Other changes in volume	13	K.7 + K.8 + K.10 + K.12 in liabilities AF.2 + AF.33 + AF.4, includes, for example, reclassifications between sectors and write-offs of debt
Other	14	This includes: a) the statistical discrepancy in national accounts between the deficit measured on the basis of the capital account and that measured on the basis of the financial account (B.9 minus B.9f) b) transactions in liabilities that are in instruments not

		<p>included in the definition of government debt</p> <p>c) transactions in assets not included in “main financial assets”</p> <p>The transactions recorded here are mainly in respect of accounts payable/receivable (such as trade credit and the difference between accrual and payment of taxes) and financial derivatives</p>
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Table 6.4 – Quarterly revenue, expenditure and deficit/surplus

Like the annual data, the quarterly government finance statistics are based on the ESA 95. Compared with the annual data shown in Table 6.1, however, there is one conceptual difference. While annual government revenue and expenditure include transactions involving the EU budget (S.212) with non-government sectors in the euro area countries, quarterly data (with the exception of VAT paid to the EU) are not available for these transactions. This also implies that the transactions between national governments and the EU are not consolidated when the country data are aggregated for Table 6.4. As the treatment of transactions involving the EU budget does not affect the annual government deficit/surplus (see Section 3 of these notes), the quarterly and annual deficits/surpluses are consistent. Table 6.4 shows the euro area totals for government revenue, expenditure and deficit as a percentage of non-adjusted euro area quarterly GDP at current prices. Euro area quarterly GDP is compiled by Eurostat in accordance with ESA 95 accounting rules and is based on the available country data;¹⁴ it does not include the EU institutions. Eurostat releases the figure 65 days after the end of the reference quarter. Quarterly and annual GDP figures are consistent.

Table 6.4.1 Euro area – quarterly revenue

Description	Column number in Table 6.4.1	ESA 95 codes (U = uses, R = resources) and other information
Total revenue	1	Sum of columns 2 and 6
Current revenue	2	Sum of columns 3, 4, 5, 6 and 7 plus receipts of “other current transfers” (includes fines) not shown in the table
Direct taxes	3	D.5 R, current taxes on income and wealth, etc.
Indirect taxes	4	D.2 R, taxes on production
Social contributions	5	D.61 R, cash payments by employees, employers and the self-employed to government as part of social insurance schemes, and imputed social contributions in respect of government occupational

¹⁴ All euro area countries except Portugal and Luxembourg compile non-adjusted quarterly GDP at current prices. These two countries are accounted for in Eurostat’s estimation procedure using annual data.

		pension schemes
Sales	6	P.11 R, P.12 R, P.131 R, “sales” includes output for own final use (such as capital assets produced in-house and “purchased” in the capital account), as well as actual receipts from the sale of goods and services by government units
Property income	7	D.4 R, property income such as rent, interest and dividends received
Capital revenue	8	D.9, receipts, capital taxes, investment grants and other capital transfers
of which capital taxes	9	D.91, such as inheritance tax
Fiscal burden	10	Sum of columns 3, 4, 5 and 9

Table 6.4.2 Euro area – quarterly expenditure and deficit/surplus

Description	Column number in Table 6.4.2	ESA 95 codes (U = uses, R = resources), And other information
Total expenditure	1	Sum of columns 2 and 9
Total current expenditure	2	Sum of columns 3, 4, 5 and 6
Compensation of employees	3	D.1 U, the wages of government employees plus non-wage costs such as employers’ social contributions
Intermediate consumption	4	P.2 U, the purchase of goods and services by government
Interest	5	D.41 U (consolidated, so excludes payments within the general government sector), excludes settlements under swaps and FRAs, which are treated as financial transactions in the ESA 95
Current transfers	6	Sum of rows 7 and 8 plus “other current transfers” paid (such as rent), “other taxes on production” and current transfers paid to international organisations, not shown in the table
Social benefits	7	D.62 U + D.6311 + D.63121 + D.63131, covers social benefits and pensions paid in money, as well as services funded by government that are produced and delivered to households by market units, such as private hospitals
Subsidies	8	-D.3 R (subsidies paid are a negative resource in the ESA 95)
Capital expenditure	9	Sum of columns 10 and 11 plus P.52 U, P.53 U, K.2, the net acquisition of stocks, valuables and land and other non-produced assets
Government investment	10	P.51 U, the acquisition of fixed capital assets such as buildings, computers and vehicles, minus the sale of such assets; “investment” here does not include the acquisition of financial assets such as shares
Capital transfers	11	-D.9 payable (consolidated) (capital transfers payable have a negative sign in the ESA 95)
Deficit (-)/surplus (+)	12	B.9 (S.13), called net lending (+)/net borrowing (-) in the ESA 95, and measured on the basis of the capital account (B.9) rather than the financial account (B.9f); it differs from EDP B.9, which treats settlements under swaps and FRAs as interest. S.13 is the ESA 95 code for the general government sector. B.9 is revenue minus expenditure

Primary deficit (-)/surplus (+)	13	Row 12 plus row 5, the deficit excluding the cost of interest payments
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Table 6.5 – Quarterly debt and change in debt

Table 6.5 shows general government consolidated debt at nominal value (sometimes called “EDP debt” or “Maastricht debt”). The definitions of annual debt data in Table 6.2 also apply to the quarterly debt data in Table 6.5.

The stock data in Table 6.5.1 are for each quarter expressed as a percentage of the sum of GDP in that particular quarter and the previous three quarters:

$$\text{Debt ratio}_t = \text{Debt}_t / (\text{GDP}_t + \text{GDP}_{t-1} + \text{GDP}_{t-2} + \text{GDP}_{t-3})$$

The causes underlying the difference between the debt ratio in quarter t and quarter t-4 are examined in Chart C29. The primary deficit/surplus equals the deficit/surplus excluding interest payments; the larger the primary deficit, the larger the increase in debt. Interest expenditure increases the debt, whereas GDP growth causes a decline in the debt-to-GDP ratio. The difference between these two effects, i.e. between the implicit interest rate and GDP growth, is captured in the growth/interest rate differential. The deficit-debt adjustment has already been explained in detail in the section on Table 6.3.

The change in debt in Table 6.5.2 is expressed in terms of quarterly GDP rather than the four-quarter moving sum of GDP used in Table 6.5.1 and Chart C29, and is computed as follows:

$$\text{Change}_t = (\text{Debt}_t - \text{Debt}_{t-1}) / \text{GDP}_t$$

This computation allows for a comparison with other fiscal variables, such as the deficit and the borrowing requirement, which are also expressed in terms of quarterly GDP.

In Chart C28 the longer-term developments in the deficit, the change in debt and the borrowing requirement are plotted not using the quarterly values from Table 6.5.2, but rather using the four-quarter moving sums of these values (i.e. the sum of the value in quarter t and the values in the three previous quarters) expressed as a percentage of the four-quarter moving sum of GDP.

Table 6.5.1 Euro area – government debt by financial instrument

Description	Column number in Table 6.5.1	ESA 95 codes and other information
Total government debt	1	Sum of columns 2, 3, 4 and 5
Financial instruments		
Currency and deposits	2	AF.2 (excluding banknotes)
Loans	3	AF.4
Short-term securities	4	AF.331, defined as having an original maturity of 1 year or less
Long-term securities	5	AF.332, defined as having an original maturity of more than 1 year

Table 6.5.2 Euro area – deficit-debt adjustment

Description	Column number in Table 6.5.2	ESA 95 codes and other information
Change in debt	1	Column 3 minus column 2; equals government debt at the end of the quarter minus government debt at the start of the quarter
Deficit (-) or surplus (+)	2	General government net lending (+)/net borrowing (-) (B.9) as measured in the capital account; equals columns 4 plus 10 minus 11; also equals columns 3 plus 9 minus 11
Deficit-debt adjustment	3	Sum of columns 4, 9 and 10
Transactions in main financial assets held by government	4	Sum of columns 5, 6, 7 and 8
Currency and deposits	5	F.2
Loans	6	F.4
Securities	7	F.331 + F.332, excludes transactions in derivatives (included in “other” below)
Shares and other equity	8	F.5
Valuation effects and other changes in volume	9	K.11 in liabilities AF.2, AF.33 and AF.4, covers exchange rate changes affecting debt denominated in foreign currency, or swapped into foreign currency, and the market-to-face-value adjustment

		and K.7 + K.8 + K.10 + K.12 in liabilities AF.2 + AF.33 + AF.4; includes, for example, reclassifications between sectors and debt write-offs
Other	10	This includes: a) the statistical discrepancy in national accounts between the deficit measured on the basis of the capital account and that measured on the basis of the financial account (B.9 minus B.9f) b) transactions in liabilities that are in instruments not included in the definition of government debt c) transactions in assets not included in “main financial assets” The transactions recorded here are mainly in respect of accounts payable/receivable (such as trade credit and the difference between accrual and payment of taxes) and financial derivatives
Borrowing requirement	11	Final transactions in (net incurrence of) liabilities in instruments F.2, F.33 and F.4, excluding transactions between units in the general government sector; also known as the general government borrowing requirement (GGBR) Transactions in EDP debt instruments at market prices (consolidated)

3. Downloading of data and contacts

The data presented in Tables 6.1 to 6.5 of the “Euro area statistics” section of the Monthly Bulletin are available for downloading at the following website address:

<http://www.ecb.europa.eu/stats/acc/gov/html/index.en.html>.

If you have any questions related to euro area government finance statistics, please contact ecb_gst1@ecb.europa.eu.