

EU27 and euro area government expenditure-to-GDP ratios falling after 10 quarters of growth

In recent years Eurostat has significantly expanded the range of integrated quarterly data available on government finances, providing a timely and increasingly high quality picture of the evolution of government finances in the EU. These data reflect both flows (non-financial and financial) and debt aspects, and cover all European Union (EU27) countries. This publication examines the main features of quarterly government accounts data during the lead-up to and through the economic and financial crisis. It is based on data transmitted by countries at the end of December 2010. Data are also presented for the euro area (EA16) countries.

Quarterly Non-Financial Accounts for General Government

EU27 government revenue was equivalent to 43.9% of GDP in the period 2009Q4-2010Q3

After reaching a peak in 2008Q1, the 4-quarter moving average of EU27 government revenue, expressed as a percentage of GDP, slowly decreased in the subsequent quarters (see Figure 1 below). For 2010Q3, the 4-quarter moving average of EU27 government revenue represented

43.9% of GDP, showing a reduction by nearly 1 percentage point (pp) in 2 years. The three main revenue components were social contributions (14.0% of GDP), indirect taxes, including VAT (13.2% of GDP) and direct taxes (12.1% of GDP). The observed drop of EU27 government revenue-to-GDP ratios over the last 2 years was mainly due to the tax components of the revenue.

The development for EA16 followed a similar path, with a slightly higher government revenue-to-GDP ratio.

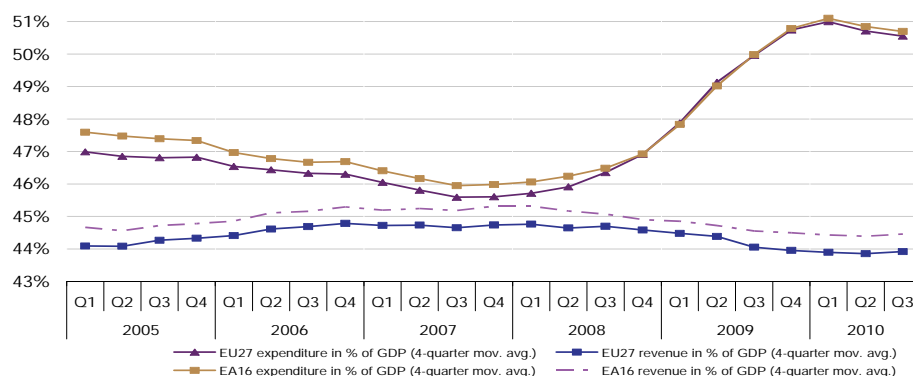
EU27 government expenditure-to-GDP ratios falling after 10 quarters of growth

EU27 4-quarter government expenditure, expressed as a percentage of GDP, rapidly increased from 45.6% in 2007Q4 to 51.0% in 2010Q1.

While remaining at a historically high level, it started to stabilise and then to fall slightly, for the first time in 2 years, from 51.0% in 2010Q1 to 50.5% in 2010Q3.

The equivalent EA16 expenditure as a percentage of GDP was on average 0.3 pp higher than in the EU27, but this gap has narrowed substantially since the second half of 2008.

Figure 1: EU27 and EA16 quarterly government revenue and expenditure, as a percentage of GDP, 4-quarter moving averages, 2005Q1-2010Q3



Source: Eurostat (online data code : [gov_q_ggnfa](#))

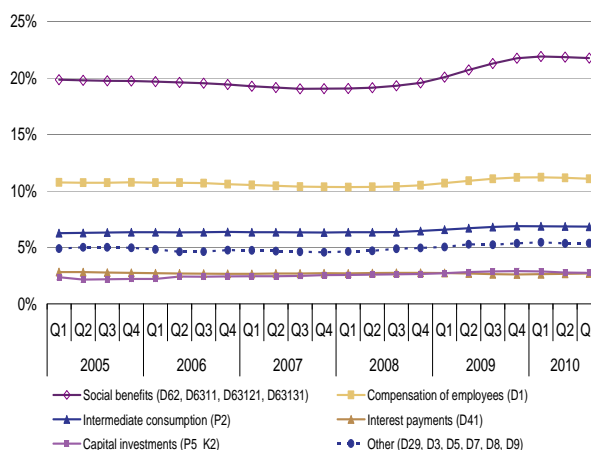
The sharp increases in government expenditure-to-GDP ratios observed during the economic downturn are due both to increasing government expenditure at current prices and to shrinking or stagnating GDP figures, the denominator of the ratios.

When analysing government expenditure by main components, social welfare spending accounted for 43.0% of EU27 total government expenditure in 2010Q1, which (in 4-quarter moving average) represents 21.9% of GDP. This category is classified under ‘Social benefits other than social transfers in kind’ and ‘Social transfers in kind related to expenditure on products supplied to households via market producers’. It typically covers risks or needs such as sickness, disability, old age and unemployment and was responsible for more than half of the increase of the expenditure-to-GDP ratio recorded between 2007Q4 and 2010Q1.

The remaining expenditure components accounted for smaller percentages of GDP and showed less variability over the analysed period (see figure 2). As a percentage of GDP (in 4-quarter moving average), compensation of employees represented 11.1% (or 21.9% of total expenditure-TE), intermediate consumption 6.8% (or 13.5% of TE), interest payments 2.7% (or 5.3% of TE), capital investments 2.8% (or 5.5% of TE) and other categories 5.4% (or 10.7% of TE).

Finally, the breakdown of government expenditure and revenue by main categories shows significant variability across countries.

Figure 2: EU27 quarterly government expenditure as a percentage of GDP, breakdown by main components, 4-quarter moving averages, 2005Q1-2010Q3



Source: Eurostat (online data code : [gov_q_ggnfa](#))

EU27 and EA16 government deficits stabilising at 6.6% and 6.2% of GDP respectively in 2010Q3

The difference between general government revenue and expenditure is known in ESA95 terminology as general government net lending(+)/net borrowing(-) (ESA95 category B.9) and is usually referred to as government deficit. This figure is an important indicator of the overall situation of government finances. It is usually expressed as a percentage of GDP.

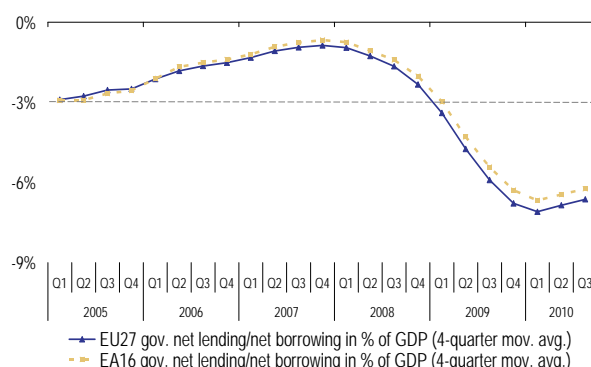
Under the effect of the financial crisis, which started in 2008, EU27 and EA16 government net lending/net borrowing steadily deteriorated and reached record levels of -7.1% and -6.7% of GDP respectively as 4-quarter moving averages, in the first quarter of 2010 (2010Q1).

This trend of increasing 4-quarter moving average deficits came to an end in the second quarter of 2010 (2010Q2) which saw for the first time in 10 quarters a beginning of stabilisation and a slight reduction of EU27 and EA16 aggregate government deficits. The stabilisation of the government deficit figures is mainly explained by the decreasing trend in government expenditure.

The 4-quarter moving averages of EU27 and EA16 government deficit stood in 2010Q3 at 6.6% and 6.2% of GDP respectively, showing a reduction of nearly

0.4 pp in two quarters. These new patterns should, however, be interpreted with caution and will need to be confirmed by similar developments in subsequent quarters.

Figure 3: EU27 and EA16 quarterly government net lending (+)/net borrowing (-) as a percentage of GDP, 4-quarter moving averages, 2005Q1-2010Q3

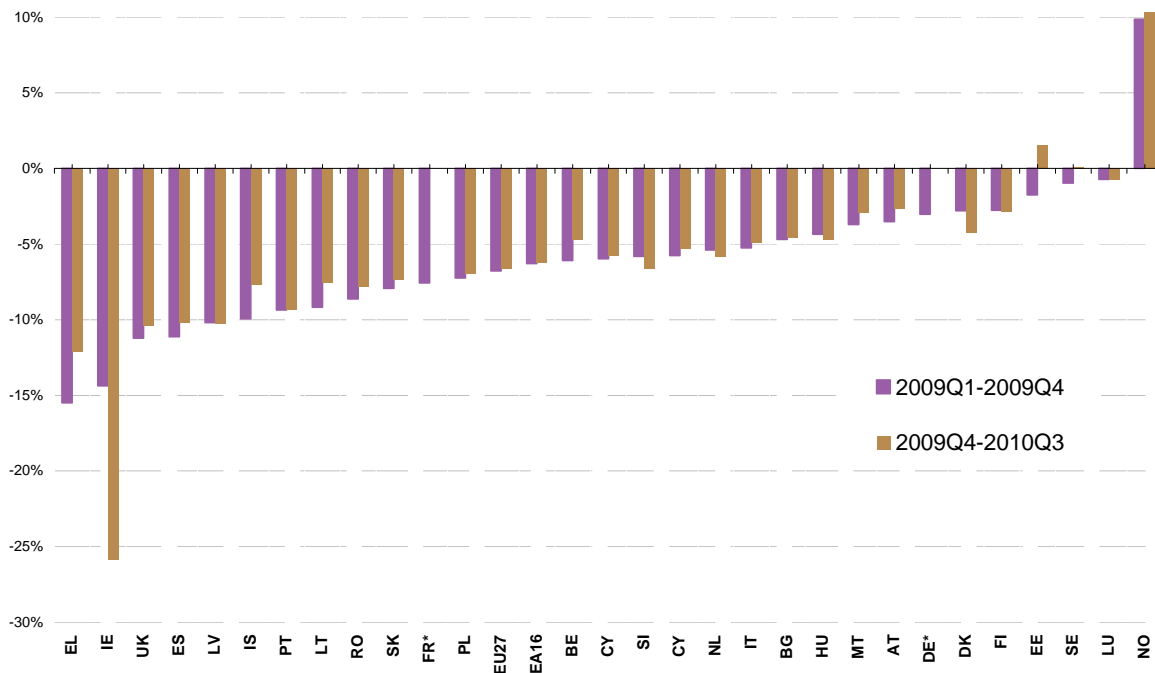


Source: Eurostat (online data code : [gov_q_ggnfa](#))

All EU countries, except Estonia and Sweden, recorded government deficits on the last 4-quarter period 2009Q4-2010Q3 (see figure 4 below). The highest deficits (above 10% of GDP) were registered by Ireland (25.8%), Greece (12.1%),

the United Kingdom (10.4%), Latvia (10.3%) and Spain (10.2%); the lowest by Luxembourg (0.8%), Austria (2.6%), Finland (2.9%) and Malta (2.9%).

Figure 4: Quarterly government net lending (+)/net borrowing (-) as percentage of GDP, 4-quarter moving averages, 2009Q1-2010Q3



(*) 2010Q1-2010Q3 data not published

Source: Eurostat (online data code: gov.g.ggnfa)

Quarterly financial accounts for general government

The government financial accounts support the analysis of how governments finance their deficits or invest their surpluses. They include data on financial transactions (net acquisition of financial assets and the net incurrence of financial liabilities) and balance sheet items (stocks of financial assets and liabilities outstanding at a point in time) for general government and its sub-sectors. Variations in stocks are explained both by the transactions and other factors. These are made up of holding gains and losses and other changes in volume. The aim of this section is to present the main characteristics of the general government financial accounts.

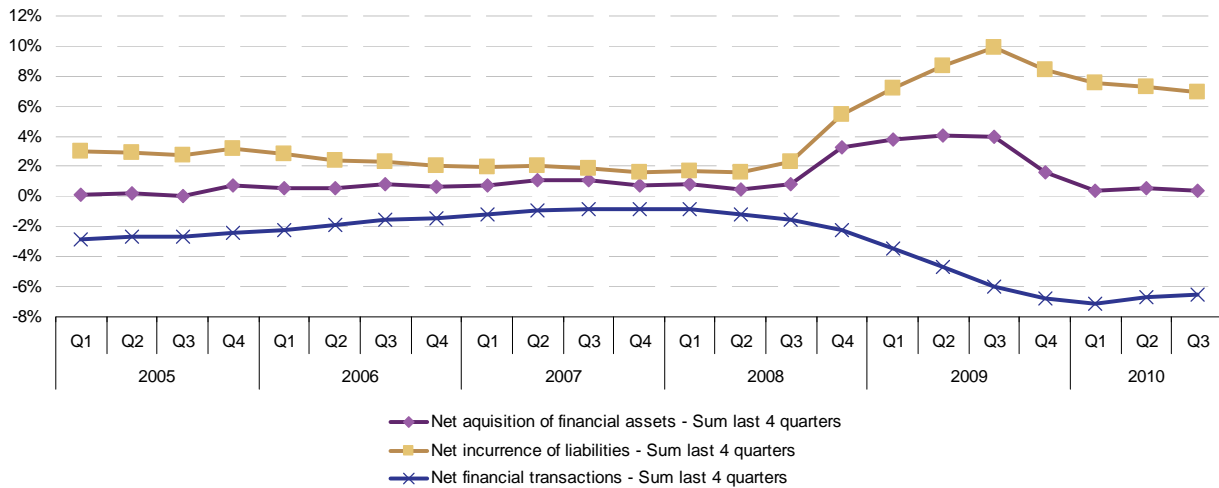
Government financing - significant increases in net incurrence of liabilities and net acquisition of financial assets, both directly linked to the economic and financial crisis

Between the first quarter of 2005 (2005Q1) and the last quarter of 2007 (2007Q4), the EU27 4-quarter moving average deficit observed from the financial

accounts fell, from 2.9% to 0.8% of GDP. Since 2008, when the economic and financial crisis spread across countries, there was a significant rise of the EU27 4-quarter deficit, (observed from the financial accounts), from 0.8% of GDP in 2008Q1 to 7.1% in 2010Q1, the highest figure for the period analysed. After 2010Q1, the EU27 4-quarter deficit started to show a form of stabilisation, including a slight reduction from 7.1% in 2010Q1 to 6.5% in 2010Q3.

This result is reflected in the financial accounts by a rise in the net incurrence of liabilities: the 4-quarter moving average rose from 2.3% of GDP in 2008Q3 to 9.9% in 2009Q3 and 6.9% in 2010Q3. The equivalent net acquisition of financial assets, which was previously usually stable between 0% and 1% of GDP, also rose significantly from the fourth quarter of 2008 (3.3%) to reach a peak of 4.1% of GDP in 2009Q2, as governments acquired assets to support financial institutions.

Figure 5: EU27 general government financial transactions (assets, liabilities and net financial transactions) as a percentage of GDP (4-quarter moving averages), 2005Q1-2010Q3



Source: Eurostat(online data code : [gov_q_ggfa](#))

Government financial balance sheet – A significant rise in the stocks of liabilities since the end of 2008

At the end of 2010Q3, the EU27 stocks of financial assets of general government reached 4,198 billion euro, while liabilities amounted to 10,478 billion euro. The resulting financial net worth was negative at -6,281 billion euro. These figures are direct quarterly data, instead of 4-quarter moving averages.

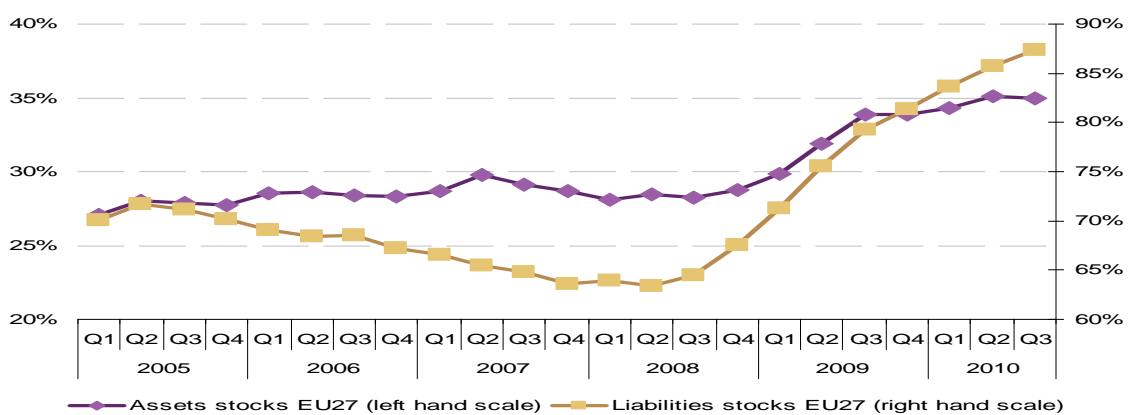
The 4-quarter moving average of stocks of financial assets was stable for the period studied at between 27% and 30% of GDP, but from the end of 2008 and

the beginning of 2009, an increasing trend was observed for this indicator.

When looking at the level of 4-quarter moving average of stocks of financial liabilities expressed as a percentage of GDP, a decreasing trend can be observed from 2005Q2 to 2008Q2, followed by a sharp increase culminating at above 85% of GDP in 2010Q3.

For the EA16, the variations of assets and liabilities stocks were similar to those of the EU27.

Figure 6: EU27 general government stocks of financial assets and liabilities as a percentage of GDP (4-quarter moving averages), 2005Q1-2010Q3



Source: Eurostat (online data code : [gov_q_ggfa](#))

Figure 7 below shows the main category components of EU27 government financial assets. These are Shares and other equity, which are equivalent to 15.1% of GDP in 2010Q3 (4-quarter moving average) and correspond predominantly to

the acquisition by governments of equity in financial institutions.

The second largest category of EU27 government financial assets is Currency and deposits, equivalent to 6.4% of GDP in 2010Q3 (4-quarter moving average). This component can contain seasonal patterns, explained by bank accounts of

government units and notably of treasuries that often maintain abundant liquid assets that can fluctuate very quickly and by large amounts. It is evident that governments have acquired greater assets in currency and deposits over the most recent quarters, as they have sought to build up liquid reserves.

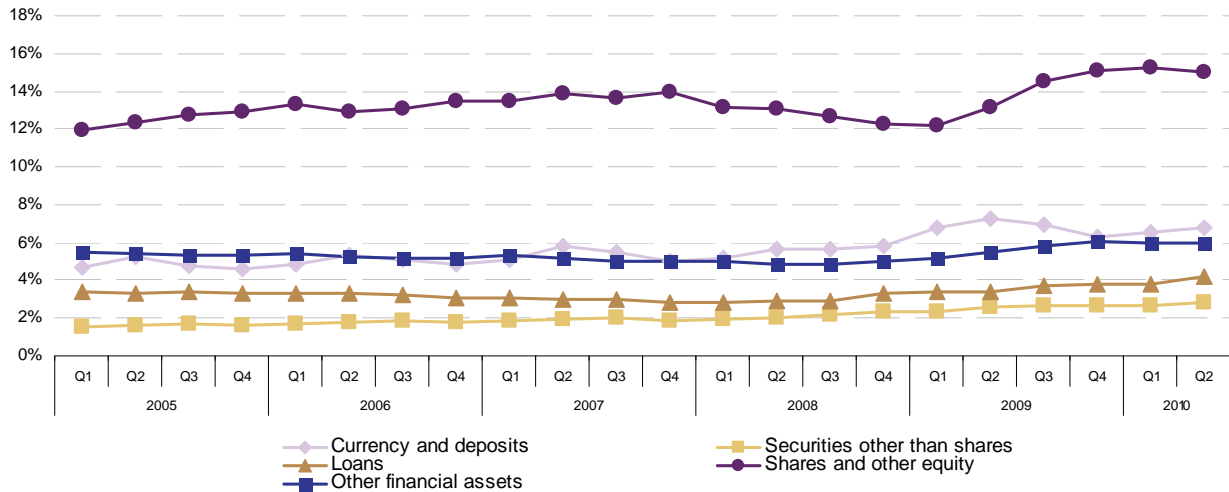
In third place, by order of importance, in EU27 government financial assets are Other financial

assets with 6.1% of GDP in 2010Q3 (4-quarter moving average).

Finally, Loans (4.1%) and Securities other than shares (2.9%) had lower amounts.

The percentage share of these components has been fairly stable over the years, which is explained by the asset investment strategies.

Figure 7: EU27 general government stocks of financial assets by financial instrument as a percentage of GDP(4-quarter moving averages), 2005Q1-2010Q3

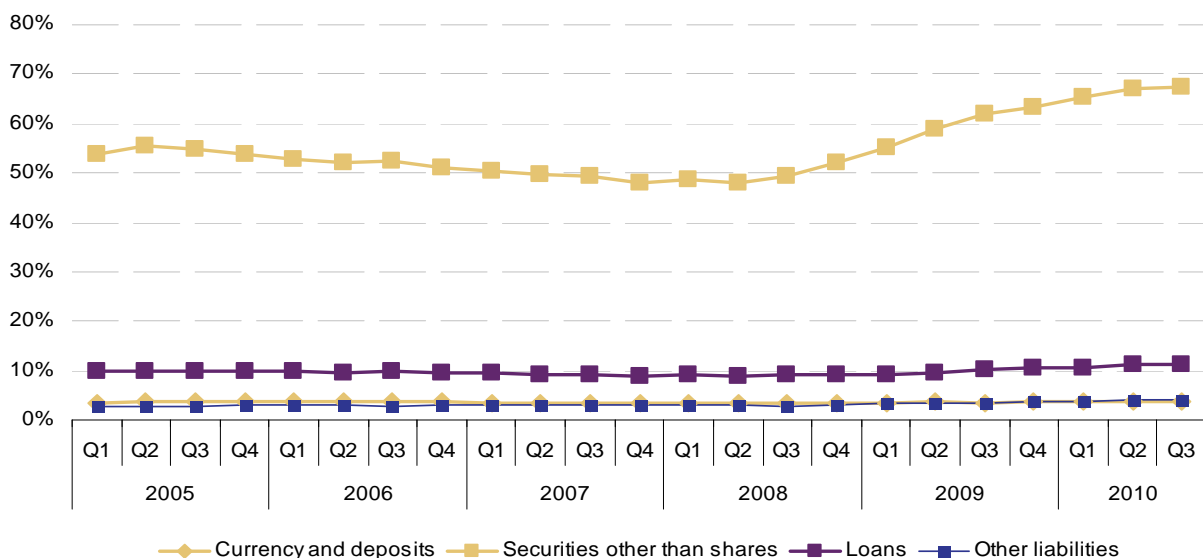


Source: Eurostat (online data code : [gov_q_ggfa](#))

Figure 8 shows that the main component of EU27 financial liabilities is made up by Securities other than shares. This category is mostly responsible for the increase of total liabilities. The 4-quarter moving average of stocks of Securities other than shares

increased by nearly 19 percentage points between 2008Q1 and 2010Q3 (from 48.7% to 67.5%) as governments financed their deficits by issuing securities. The three other components of liabilities are fairly stable over time.

Figure 8: EU27 general government stocks of financial liabilities by financial instrument as a percentage of GDP (4-quarter moving averages), 2005Q1-2010Q3



Source: Eurostat (online data code : [gov_q_ggfa](#))

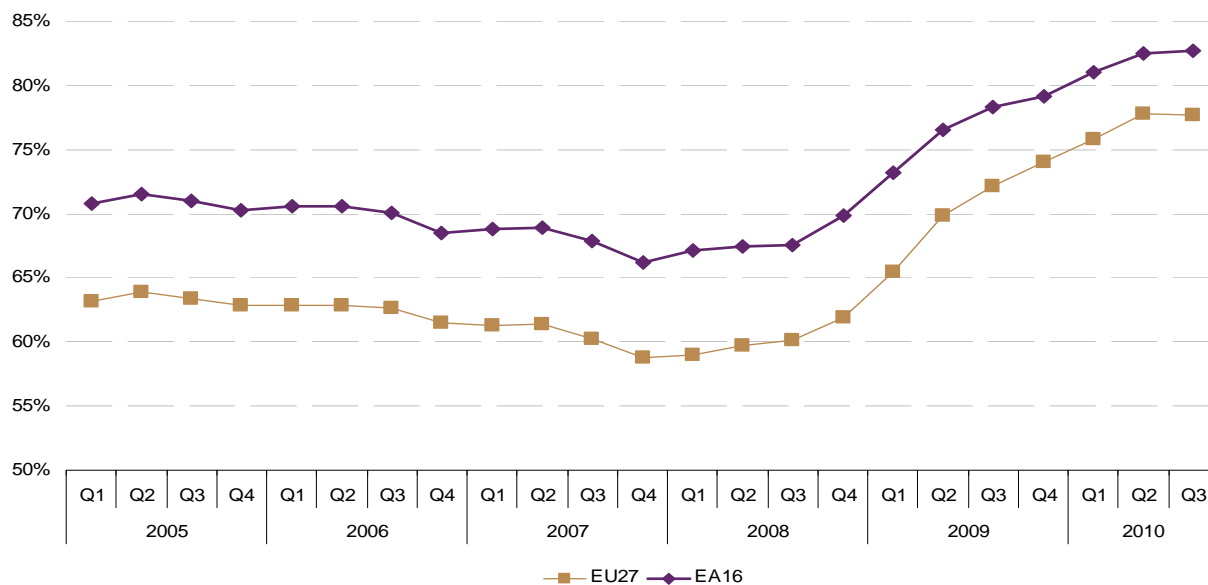
Quarterly government debt

In order to understand the evolution of government debt in the European Union, quarterly government gross debt (QGD) is analysed in this section.

[Council Regulation \(EC\) No 1222/2004](#) requires Member States to provide information about QGD, also called Maastricht debt. This includes a narrower definition of liabilities: currency and

deposits (AF.2); securities other than shares, excluding financial derivatives (AF.33); and loans (AF.4). Debt statistics cover data for general government (S.13) and its sub-sectors: central government (S.1311), state government (S.1312), local government (S.1313) and social security funds (S.1314).

Figure 9: EU27 and EA16 general government consolidated gross debt as a percentage of GDP (4-quarter moving averages), 2005Q1-2010Q3



Source: Eurostat (online data code: [gov_q_ggdebt](#))

Looking at the development of government debt in the EU27 and EA16, the economic and financial crisis has resulted in an increase in government debt (Maastricht definition) over the period 2005Q1-2010Q3. However, the period is not characterised by a clear pattern.

Between 2005Q1 and 2007Q4 the 4-quarter moving average of government debt-to-GDP ratio for EU27 generally followed a decreasing trend. A similar pattern is shown by the figures for EA16.

Breakdown by instrument

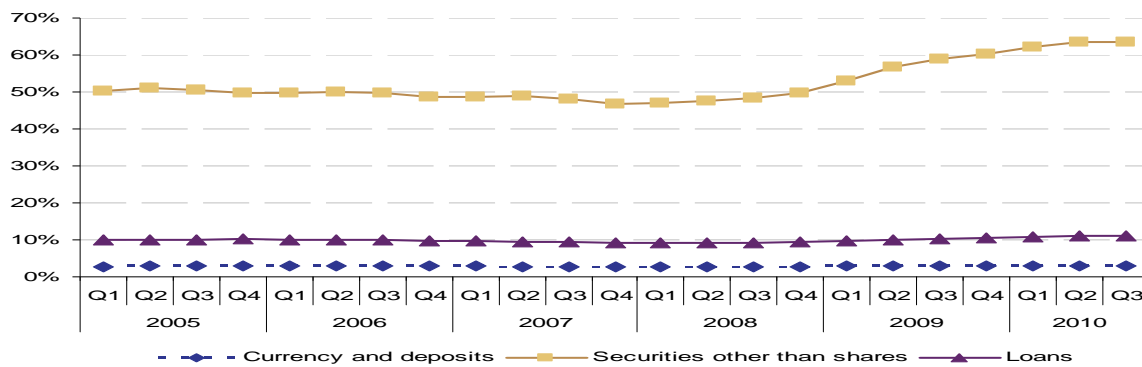
The use of debt instruments by both EU27 and EA16 is quite similar. The preferred debt instrument of general government remains Securities other than shares. Between 46.8% and 63.5% of the EU27 and between 52.9% and 67.1% of the EA16 government debt is financed by security issuing. Securities other than shares presented the strongest increase relative to GDP, as compared to the values of 2005Q1: 13.2 percentage points (pp) for the EU27 and 10.5 pp for the EA16. Loans were the second most used debt instrument.

EU27 government 4-quarter moving average debt as a percentage of GDP fell below the level of 60% from 2007Q4 to 2008Q2. The following period was characterised by an upward trend with a peak value of 77.8% in 2010Q2. The ratios for EA16 were above the reference value of 60% of GDP during the whole analysed period, reaching a peak of 82.7% in 2010Q3.

They accounted for between 9.1% and 11.2% of the EU27 debt. A slightly higher percentage was observed in EA16, where loans represented between 11.1% and 13.2% of general government debt.

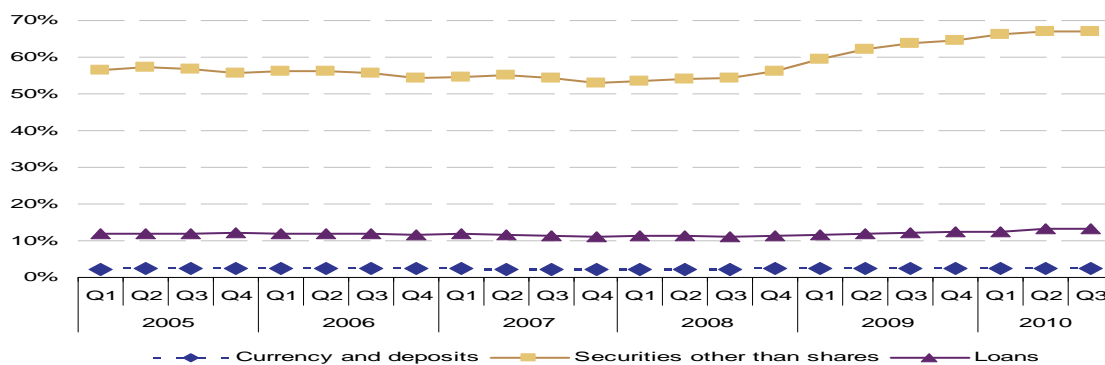
For both EU27 and EA16 the share of Currency and deposits is much lower. The evolution over time is quite stable, representing about 3.1% for the EU27 and 2.5% of EA16 government debt. It is also the only debt instrument where the EU27 percentages are higher than the equivalent EA16 ones.

Figure 10: EU27 general government consolidated gross debt by instrument as percentage of GDP (4-quarter moving averages), 2005Q1-2010Q3



Source: Eurostat (online data code: [gov_q_ggdebt](#))

Figure 11: EA16 general government consolidated gross debt by instrument as percentage of GDP (4-quarter moving averages), 2005Q1-2010Q3



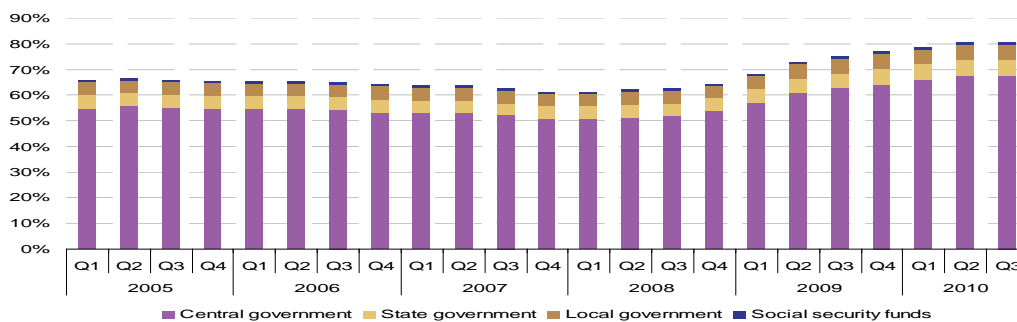
Source: Eurostat (online data code: [gov_q_ggdebt](#))

Breakdown by sub-sector

For both EU27 and EA16 central government is the main sub-sector of general government unconsolidated debt. It represented (as a percentage of GDP) 67.5% and 69.9% respectively of the EU27 and EA16 4-quarter moving average debt in the third quarter of 2010. This shows an increase of 12.6 pp and 9.7 pp respectively on the equivalent values for the first quarter of 2005.

State government was the second largest sub-sector. State government 4-quarter moving average debt-to-GDP ratios of 6.3% and 8.3% respectively were observed in EU27 and EA16. This represents an increase of 1.2 pp and 1.5 pp respectively on the equivalent values for the first quarter of 2005.

Figure 12: EU27 general government unconsolidated gross debt by sub-sector as a percentage of GDP (4-quarter moving averages), 2005Q1-2010Q3

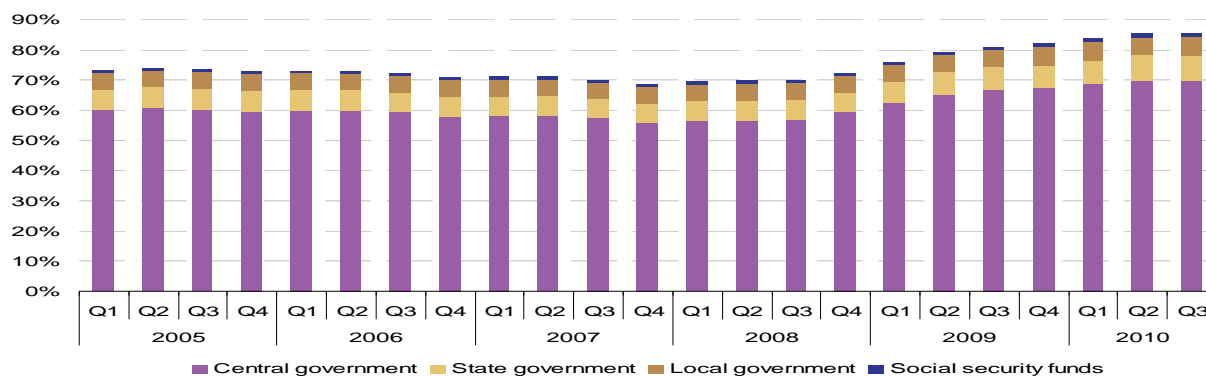


Source: Eurostat (online data code: [gov_q_ggdebt](#))

The local government debt-to-GDP ratio was quite stable over time: it accounted for 5.7% and 6.1% respectively of the EU27 and EA16 government debt. A pattern can be established between the EU27 and EA16 debt-to-GDP ratio: both ratios follow an upward trend with differences of less than 0.5 pp in favour of EA16. The share of Social security funds

debt in general government unconsolidated debt was rather negligible: 1% in EU27 and 1.3% in EA16 in the 2010Q3 4-quarter moving average debt. As with the case of local government, differences of less than 0.3 pp between EA16 and EU27 can be observed for the whole period.

Figure 13: EA16 general government unconsolidated gross debt by sub-sector as a percentage of GDP (4-quarter moving averages), 2005Q1–2010Q3



Source: Eurostat (online data code: [gov_q_ggdebt](#))

Relationship among tables

The sets of data analysed up to this point are dependent on each other and strongly related. For example, if government expenditure is higher than revenue, government must finance that deficit by means of appropriate financial instruments and transactions. The main ways for general government to finance a deficit is to increase its debt and/or sell

some of its financial assets. Therefore, it could be expected that when there is a deficit, debt increases and/or the level of government financial assets falls. This integrated approach to government data is illustrated for two quarters in the following table. The data presented in this section are direct quarterly figures, instead of 4-quarter moving averages.

Table 1

Billions of euros	EU 27	
	2010Q3	2009Q3
Revenue	1312	1243
Expenditure	1500	1448
B.9 Net lending (+)/net borrowing (-)	-188	-205
Statistical Discrepancy	-4	-3
B.9F:Net Financial Transactions	-184	-202
Debt Stock Increase	90	141
Stock Flow Adjustment	98	64

Source: Eurostat (online data codes : [gov_q_ggnfa](#), [gov_q_ggfa](#), [gov_q_ggdebt](#))

Table 1 above shows how the excess of government expenditure over revenue gives a net lending/net borrowing (B.9) with a negative sign (i.e., a deficit), which means that the government has to borrow to fill this gap. In theory, the B.9 from non-financial transactions should be equal to the B.9F from financial transactions. However, there is a statistical discrepancy due to the difference of data sources. In the example above, debt increases by less than the

deficit. This can be explained by three causes: changes in financial assets, changes in government liability categories that are not part of Maastricht debt, and/or debt valuation effects. The main impact explaining the unusually large positive stock-flow adjustment in 2009Q3 and 2010Q3 is governments' acquisitions of financial assets during the period of financial crisis, such as shares and other equity of financial institutions.

Integrated Government Finance Statistics (GFS) presentation

Eurostat releases on its website quarterly data for the general government sector in a government finance statistics template, which brings together the three data flows included in this publication. This allows the analysis of non-financial and

financial quarterly data in an integrated framework and the study of their relationships. The format of these tables is similar to the one of the annual GFS tables also available on the Eurostat web site.

Table 2: EU27 quarterly GFS table, data as a percentage of GDP, 2009Q1-2010Q3 (4-quarter moving averages)

	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3
Government revenue and expenditure							
1=2+6+7+8+9	Total revenue	44.5	44.4	44.1	44.0	43.9	43.9
2=3+4+5	Taxes	26.4	26.1	25.6	25.5	25.4	25.5
3	. Indirect taxes	12.9	12.9	12.8	12.9	12.9	13.0
3a	.. Of which, VAT	6.7	6.6	6.5	6.6	6.6	6.7
4	. Direct taxes	13.0	12.8	12.5	12.3	12.2	12.1
5	. Capital taxes	0.5	0.5	0.3	0.3	0.3	0.3
6	Social contributions	13.8	14.0	14.1	14.1	14.1	14.0
7	Sales	2.3	2.4	2.4	2.4	2.4	2.4
8	Other current revenue	1.9	1.9	1.9	1.8	1.8	1.8
9	Capital transfers receivable	0.1	0.1	0.1	0.1	0.1	0.2
10=11+12+13+14+15+16+17+18	Total expenditure	47.9	49.1	50.0	50.7	51.0	50.7
11	Intermediate consumption	6.6	6.7	6.8	6.9	6.9	6.8
12	Compensation of employees	10.7	10.9	11.1	11.2	11.2	11.1
13	Interest	2.7	2.7	2.6	2.6	2.6	2.7
14	Subsidies	1.2	1.2	1.3	1.3	1.3	1.3
15	Social benefits	20.1	20.7	21.3	21.8	21.9	21.8
15a	.. Of which other than transfers in kind	15.8	16.3	16.7	17.1	17.2	17.1
16	Other current expenditure	2.4	2.5	2.6	2.6	2.7	2.6
17	Capital transfers payable	1.5	1.6	1.4	1.5	1.5	1.4
18	Capital investments	2.7	2.8	2.9	2.9	2.9	2.8
18a	.. Of which, Gross fixed capital formation	2.7	2.8	2.9	2.9	2.9	2.8
Government deficit							
19=1-10	Net lending (+) / net borrowing (-)	-3.4	-4.7	-5.9	-6.8	-7.1	-6.9
20=19-21	Statistical discrepancy (nonfinancial - financial accounts)	<0.1	<0.1	<0.1	<0.1	<0.1	-0.1
Government financing							
21=22-28	Net financial transactions	-3.5	-4.8	-6.0	-6.8	-7.1	-6.7
22=23+24+25+26+27	Net acquisition of financial assets	4.1	4.2	3.9	1.6	0.4	0.6
23	Currency and deposits	1.7	1.7	1.4	0.2	-0.4	-0.4
24	Securities other than shares	0.6	0.5	0.3	0.2	<0.1	<0.1
25	Loans	0.6	0.5	0.7	0.2	0.2	0.3
26	Shares and other equity	0.8	1.0	0.9	0.7	0.5	0.3
27	Other financial assets	0.3	0.5	0.6	0.4	0.2	<0.1
28=29+30+31+32	Net incurrence of liabilities	7.5	9.0	9.9	8.4	7.5	7.3
29	Currency and deposits	0.4	0.3	0.2	0.1	<0.1	<0.1
30	Securities other than shares	6.4	8.0	8.9	7.4	6.8	6.0
31	Loans	0.4	0.5	0.6	0.5	0.7	1.2
32	Other liabilities	0.3	0.2	0.2	0.3	0.1	0.1
Other economic flows in government assets							
33	Other changes in financial assets	-2.2	-1.7	-0.7	1.4	2.0	1.6
34	Other changes in liabilities	3.4	5.1	5.2	3.9	1.5	1.9
35=33-34	Changes in net worth due to other changes in financial assets and liabilities	-5.6	-6.8	-5.9	-2.5	0.5	-0.3
Government balance sheet							
36=37+38+39+40+41	Financial assets	30.8	32.8	33.9	33.9	34.3	35.1
37	Currency and deposits	6.7	7.3	7.0	6.3	6.5	6.8
38	Securities other than shares	2.5	2.6	2.7	2.7	2.7	2.8
39	Loans	3.5	3.5	3.8	3.8	3.8	4.2
40	Shares and other equity	12.6	13.7	14.5	15.1	15.3	15.1
41	Other financial assets	5.4	5.7	5.9	6.1	6.0	6.2
42=43+44+45+46	Liabilities	72.1	76.3	79.4	81.4	83.6	85.8
43	Currency and deposits	3.5	3.7	3.6	3.7	3.6	3.7
44	Securities other than shares	55.4	59.1	62.1	63.2	65.4	67.5
45	Loans	9.7	10.0	10.2	10.6	10.7	11.2
46	Other liabilities	3.5	3.5	3.5	3.9	3.9	3.9
47=36-42	Financial assets net of liabilities	-41.3	-43.4	-45.5	-47.4	-49.3	-51.7
Maastricht debt							
48=49+50+51	Maastricht debt (nominal value)	65.5	69.9	72.1	74.0	75.8	77.8
49	. Currency and deposits	3.0	3.0	2.9	3.1	3.0	3.0
50	. Securities other than shares	52.9	56.8	58.9	60.3	62.1	63.5
51	. Loans	9.7	10.0	10.2	10.5	10.7	11.2

Source: Eurostat (online data codes : [gov_q_ggnfa](#), [gov_q_gqfa](#), [gov_q_gqdebt](#))

Table 3: EA16 quarterly GFS table, data as a percentage of GDP, 2009Q1-2010Q3 (4-quarter moving averages)

	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3
Government revenue and expenditure							
1=2+6+7+8+9	Total revenue	44.9	44.7	44.6	44.5	44.4	44.5
2=3+4+5	Taxes	25.3	25.0	24.7	24.6	24.5	24.6
3	. Indirect taxes	12.9	12.8	12.8	12.8	12.8	12.9
3a	.. Of which, VAT	6.5	6.5	6.5	6.5	6.5	6.7
4	. Direct taxes	12.1	11.9	11.6	11.4	11.3	11.3
5	. Capital taxes	0.3	0.3	0.3	0.4	0.4	0.3
6	Social contributions	15.4	15.6	15.7	15.7	15.7	15.6
7	Sales	2.2	2.2	2.2	2.2	2.3	2.3
8	Other current revenue	1.9	1.9	1.9	1.9	1.9	1.9
9	Capital transfers receivable	<0.1	<0.1	<0.1	<0.1	<0.1	0.1
10=11+12+13+14+15+16+17+18	Total expenditure	47.8	49.0	50.0	50.8	51.1	50.7
11	Intermediate consumption	5.3	5.4	5.5	5.6	5.6	5.5
12	Compensation of employees	10.3	10.5	10.7	10.8	10.8	10.7
13	Interest	3.0	2.9	2.9	2.8	2.8	2.8
14	Subsidies	1.3	1.3	1.4	1.4	1.4	1.4
15	Social benefits	21.9	22.5	23.0	23.5	23.7	23.6
15a	. Of which other than transfers in kind	16.4	16.9	17.3	17.7	17.8	17.7
16	Other current expenditure	2.3	2.3	2.4	2.5	2.5	2.5
17	Capital transfers payable	1.2	1.3	1.3	1.4	1.5	1.5
18	Capital investments	2.6	2.8	2.8	2.8	2.8	2.6
18a	. Of which, Gross fixed capital formation	2.6	2.7	2.8	2.8	2.7	2.6
Government deficit							
19=1-10	Net lending (+) / net borrowing (-)	-3.0	-4.3	-5.4	-6.3	-6.7	-6.2
20=19-21	Statistical discrepancy (nonfinancial - financial accounts)	0.1	0.2	0.1	<0.1	<0.1	-0.3
Government financing							
21=22-28	Net financial transactions	-3.1	-4.5	-5.6	-6.3	-6.6	-6.0
22=23+24+25+26+27	Net acquisition of financial assets	4.1	4.0	3.7	1.3	-0.4	<0.1
23	Currency and deposits	1.5	1.6	1.3	0.3	-0.7	-0.5
24	Securities other than shares	0.8	0.5	0.4	0.3	<0.1	-0.1
25	Loans	0.7	0.5	0.7	<0.1	<0.1	0.6
26	Shares and other equity	0.9	1.1	0.9	0.4	0.3	0.3
27	Other financial assets	0.2	0.3	0.4	0.3	<0.1	<0.1
28=29+30+31+32	Net incurrence of liabilities	7.2	8.5	9.2	7.6	6.2	6.0
29	Currency and deposits	0.1	0.2	0.1	<0.1	<0.1	<0.1
30	Securities other than shares	6.3	7.6	8.3	6.6	5.4	4.7
31	Loans	0.3	0.4	0.6	0.7	0.7	1.3
32	Other liabilities	0.5	0.3	0.2	0.2	<0.1	0.2
Other economic flows in government assets							
33	Other changes in financial assets	-1.4	-1.1	0.2	1.9	1.6	1.0
34	Other changes in liabilities	6.5	7.6	7.9	4.7	0.8	0.7
35=33-34	Changes in net worth due to other changes in financial assets and liabilities	-7.8	-8.8	-7.6	-2.8	0.8	<0.1
Government balance sheet							
36=37+38+39+40+41	Financial assets	30.7	32.2	32.7	32.5	32.5	33.3
37	Currency and deposits	7.1	7.7	7.0	6.3	6.5	7.1
38	Securities other than shares	2.5	2.6	2.6	2.6	2.6	2.6
39	Loans	3.4	3.3	3.5	3.5	3.5	3.8
40	Shares and other equity	12.4	13.2	14.1	14.3	14.5	14.3
41	Other financial assets	5.3	5.5	5.6	5.7	5.5	5.5
42=43+44+45+46	Liabilities	80.0	82.8	85.4	86.4	88.7	89.7
43	Currency and deposits	3.1	3.2	3.1	3.2	3.2	3.1
44	Securities other than shares	61.9	64.4	67.0	67.3	69.4	70.6
45	Loans	11.6	11.9	12.1	12.3	12.5	13.2
46	Other liabilities	3.5	3.3	3.2	3.6	3.6	3.6
47=36-42	Financial assets net of liabilities	-49.3	-50.5	-52.7	-53.9	-56.2	-57.9
Maastricht debt							
48=49+50+51	Maastricht debt (nominal value)	73.2	76.5	78.3	79.2	81.0	82.7
49	. Currency and deposits	2.3	2.4	2.3	2.4	2.4	2.3
50	. Securities other than shares	59.4	62.2	63.9	64.5	66.1	67.1
51	. Loans	11.6	11.9	12.1	12.3	12.5	13.2

Source: Eurostat (online data codes : [gov_q_ggnfa](#), [gov_q_ggfa](#), [gov_q_ggdebt](#))

METHODOLOGICAL NOTES

QUARTERLY ACCOUNTS OF GENERAL GOVERNMENT

Eurostat releases quarterly flow and stock data for the general government sector, using an integrated structure which combines the data from quarterly non-financial accounts for general government (QNFAGG), quarterly financial accounts for general government (QFAGG) and quarterly government debt (QGD). This publication is released in the dedicated [Government Finance Statistics](#) (GFS) section of the Eurostat web site. The regulations relative to these three data flows are available on Eurostat's web site in the section dedicated to [government statistics](#):

ESA95

Fiscal non-financial and financial accounts data are compiled in accordance with national accounts rules, as laid down in the 1995 European System of Accounts (ESA95) adopted in the form of a Council and Parliament Regulation (EC) of 25 June 1996, [No 2223/96](#). The full text of [ESA95](#) is available on the Eurostat web site.

QUARTERLY NON-FINANCIAL ACCOUNTS FOR GENERAL GOVERNMENT (QNFAGG)

The aim of QNFAGG is to compile, report and present quarterly government expenditure, revenue and their components. Government revenue and expenditure are concepts used to analyse fiscal policy. Total revenue and total expenditure are defined in ways such that the ESA95 government net lending/net borrowing (ESA95 B.9.) is equal to the difference between the former and the latter. Note that a deficit (net borrowing) is shown as a negative number, and a surplus (net lending) as a positive number.

Government quarterly revenue and expenditure, and their components are reported in the framework of the *European Parliament and Council Regulation (EC) No 1221/2002* on quarterly non-financial accounts for general government (QNFAGG).

COMPUTATION OF QNFAGG AGGREGATES FOR THE EU27 AND EA16

Although the QNFAGG data of Germany and France are under embargo and not published for recent quarters (2010Q1-2010Q3), they were used as input in order to compute the EU27 and the EA16 aggregates over these quarters.

QUARTERLY FINANCIAL ACCOUNTS FOR GENERAL GOVERNMENT (QFAGG)

Quarterly financial accounts for general government include data on financial transactions and balance sheet items for general government (consolidated and non-consolidated) and its sub-sectors. The primary classification of financial instruments comprises: 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), and Other accounts receivable/payable (AF.7). The compilation of quarterly financial accounts data complies with ESA95 rules.

The reliability of data reported by Member States has been assessed and reported to the European parliament and the Council. This report has been recently updated and is available on Eurostat's web site in the section dedicated to [government finance statistics](#):

QUARTERLY GOVERNMENT DEBT (QGD)

Quarterly government debt is constituted by the liabilities of general government in the following categories: AF.2 (currency and deposits), AF.33 (securities other than shares, excluding financial derivatives) and AF.4 (loans). QGD must comply with ESA95 regulations concerning the classification of institutional units, consolidation rules, classification of financial liabilities and recording time.

However, the valuation rules are different from those of ESA95. While in ESA95 assets and liabilities must generally be recorded at their market value at the end of the accounting period, QGD is recorded at nominal value. The market value is the price of a security as determined dynamically by buyers and sellers in an open market while the nominal value is considered equivalent to the face value of liabilities for securities. It is therefore equal to the amount (contractually agreed) that the government will have to refund to creditors at maturity. Moreover, in the definition of Maastricht debt, interest accrued on liabilities is not accounted for in the nominal valuation, unless explicitly credited.

GENERAL GOVERNMENT

Debt statistics cover data for general government as well as its sub-sectors: central government (S.1311), local government (S.1313), social security funds (S.1314), and when applicable state government (S.1312).

According to ESA95, paragraph 2.68 "the sector general government (S.13) includes all institutional units which are other non-market producers [institutional units whose sales do not cover more than 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".

ANALYSIS OF QUARTERLY SERIES BY MEANS OF 4-QUARTER MOVING AVERAGES

Quarterly government finance statistics are reported to Eurostat in the form of non-seasonally adjusted (raw) figures. However, a certain number of the reported series contain seasonal patterns (partly explained by the link with the seasonality of economic activity and by the budgetary planning practices of national governments), which make it difficult to carry out direct cross country and overtime analyses that are meaningful.

To overcome this difficulty presenting the percentage of GDP, in this publication (except in the section [Relationship among tables](#), on page 8 and at the beginning of the section [Government financial balance sheet on page 4](#)) the analyses focus on 4-quarter moving averages, with a view to removing, to a large extent, the distortions linked with seasonality. Therefore, apart from the two above mentioned exceptions, all references to a specific quarter in the main text of this publication refer to the 4-quarter moving average ending in that quarter.

ABBREVIATIONS

EA16 (Euro Area 16): BE (Belgium), DE (Germany), EL (Greece), ES (Spain), FR (France), IE (Ireland), IT (Italy), CY (Cyprus), LU (Luxembourg), MT (Malta), NL (the Netherlands), AT (Austria), PT (Portugal), SI (Slovenia), SK (Slovakia) and FI (Finland).

EU27 (European Union of 27 Member States): Euro Area 16 countries plus BG (Bulgaria), CZ (Czech Republic), DK (Denmark), EE (Estonia), LV (Latvia), LT (Lithuania), HU (Hungary), PL (Poland), RO (Romania), SE (Sweden), and the UK (United Kingdom).

IS (Iceland), NO (Norway).

NON INCLUSION OF ESTONIAN DATA IN THE CALCULATION OF EURO AREA AGGREGATES

Although Estonia joined the euro area on 1st January 2011 as its 17th member, the euro area aggregates presented in this publication only include the data of the 16 countries which were member of the euro area (EA16), up to the 3rd quarter of 2010 (2010Q3). This choice is justified by the fact that the data analysed in the publication entirely refer to a period prior to the date of accession of Estonia to the euro area.

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

More information about "Government finance statistics"

http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/introduction

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Their role is to provide help and guidance to Internet users of European statistics.

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