7 Public Finances

Indicator 7.1 Trends in General Government Expenditure and Revenue (EU27 and Republic of Ireland)

Indicator defined

Total General Government Expenditure and Revenue as a percentage of GDP.

Data is the latest available as of 30 August 2013.

Chart 7.1 Trends in General Government Expenditure and Revenue - % GDP (EU27 compared to Republic of Ireland)

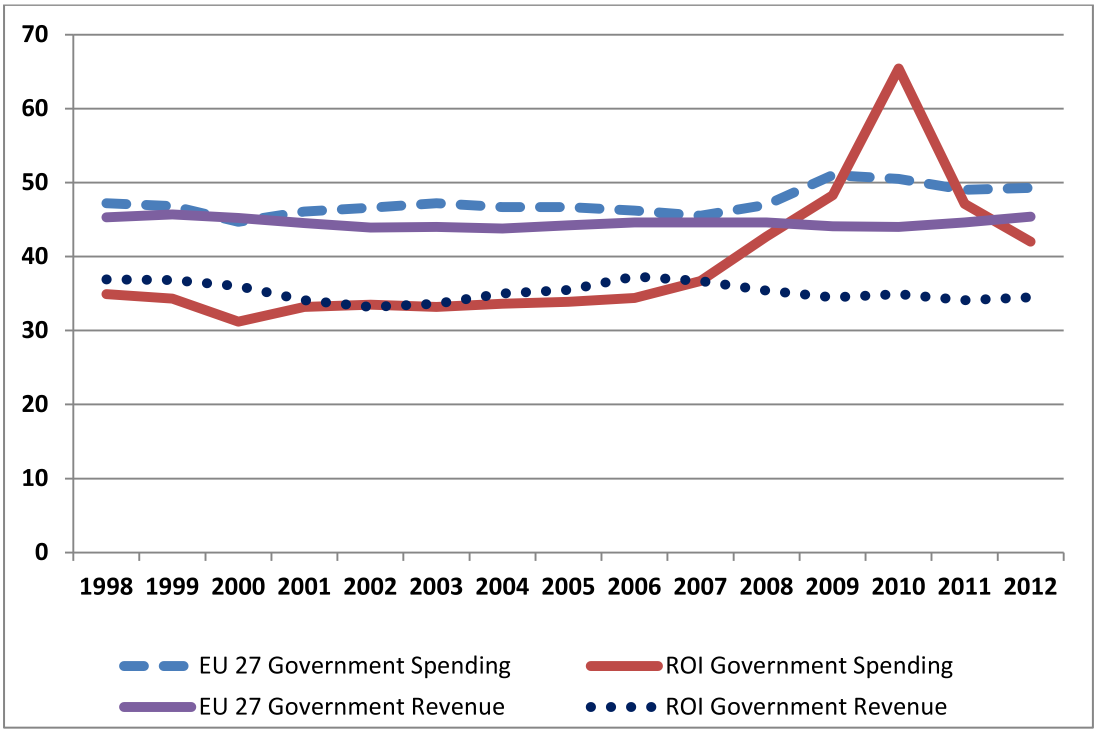

Table 7.1 Trends in General Government Expenditure and Revenue - % GDP (EU27 compared to Republic of Ireland)

Year	EU27 Government Spending	ROI Government Spending	EU27 Government Revenue	ROI Government Revenue
1998	47.1	34.7	45.2	36.8
1999	46.7	34.2	45.6	36.6
2000	44.7	31.1	45.2	36.1
2001	46.1	33.2	44.6	34.2
2002	46.6	33.5	43.9	33.2
2003	47.2	33.2	44.0	33.7
2004	46.7	33.7	43.8	35.1
2005	46.7	33.9	44.2	35.6
2006	46.2	34.5	44.7	37.4
2007	45.5	36.7	44.6	36.9
2008	47.0	42.8	44.6	35.4
2009	51.0	48.1	44.1	34.5
2010	50.6	65.5	44.1	34.9
2011	49.1	47.1	44.6	34.0
2012	49.3	42.6	45.4	34.5

Interpretation

Public expenditure relating to bank recapitalisation in each of the three years 2009, 2010 and 2011 is included in the figures for Government spending in the above table and chart.

A feature of fiscal adjustment as pursued in the Republic of Ireland, both before and after the November 2010 Troika Agreement, is that it has leaned on expenditure and not on revenue. When measured as a percentage of GDP, the entire adjustment is on the expenditure side with the share of total revenue in GDP staying roughly constant over the remainder of the adjustment period.

Technical Notes

Total General Government Revenue includes taxes and other receipts of public authorities

Source(s)

Eurostat online database available at: http://epp.eurostat.ec.europa.eu (gov_a_main)

Indicator 7.2 Government Revenue as a % of GDP (EU27 and Republic of Ireland)

Indicator defined

Total General Government Revenue as % of GDP

Data is the latest available as of 13 November 2013.

Chart 7.2 General Government Revenue % GDP 2012

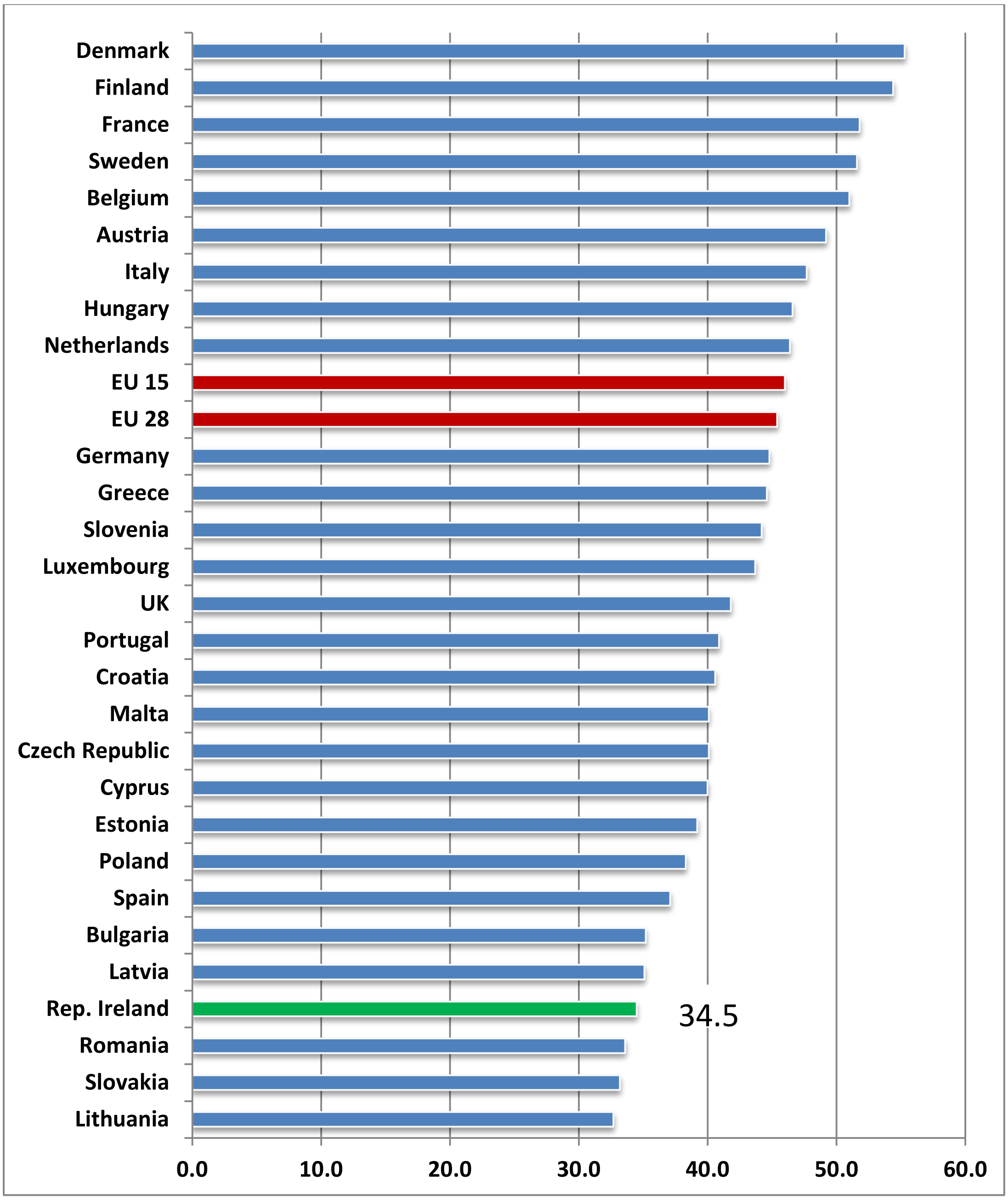

Table 7.2 General Government Revenue % GDP 2012

Country	%	Country	%
Lithuania	32.7	Luxembourg	43.7
Slovakia	33.2	Slovenia	44.2
Romania	33.6	Greece	44.6
Rep. Ireland	**34.5**	Germany	44.8
Latvia	35.1	**EU 28**	**45.4**
Bulgaria	35.2	**EU 15**	**46.0**
Spain	37.1	Netherlands	46.4
Poland	38.3	Hungary	46.6
Estonia	39.2	Italy	47.7
Cyprus	40.0	Austria	49.2
Czech Republic	40.1	Belgium	51.0
Malta	40.1	Sweden	51.6
Croatia	40.6	France	51.8
Portugal	40.9	Finland	54.4
UK	41.8	Denmark	55.3

Interpretation

As an alternative to comparing countries with reference to GDP Gross National Income (GNI) may be used. However, where GNI is used it is necessary to deduct an estimate for corporate taxes on repatriated profits which appears as part of GDP but not GNI.

Technical Notes

Total General Government Revenue includes taxes and other receipts of public authorities

Source(s)

Eurostat online database available at: http://epp.eurostat.ec.europa.eu (gov_a_main)

Indicator 7.3a General Government Deficit as a % of GDP (EU member states)

Indicator defined

Total General Government Deficit as % of GDP

Data is the latest available as of 13 November 2013.

Chart 7.3a General Government Deficits % GDP (2012)

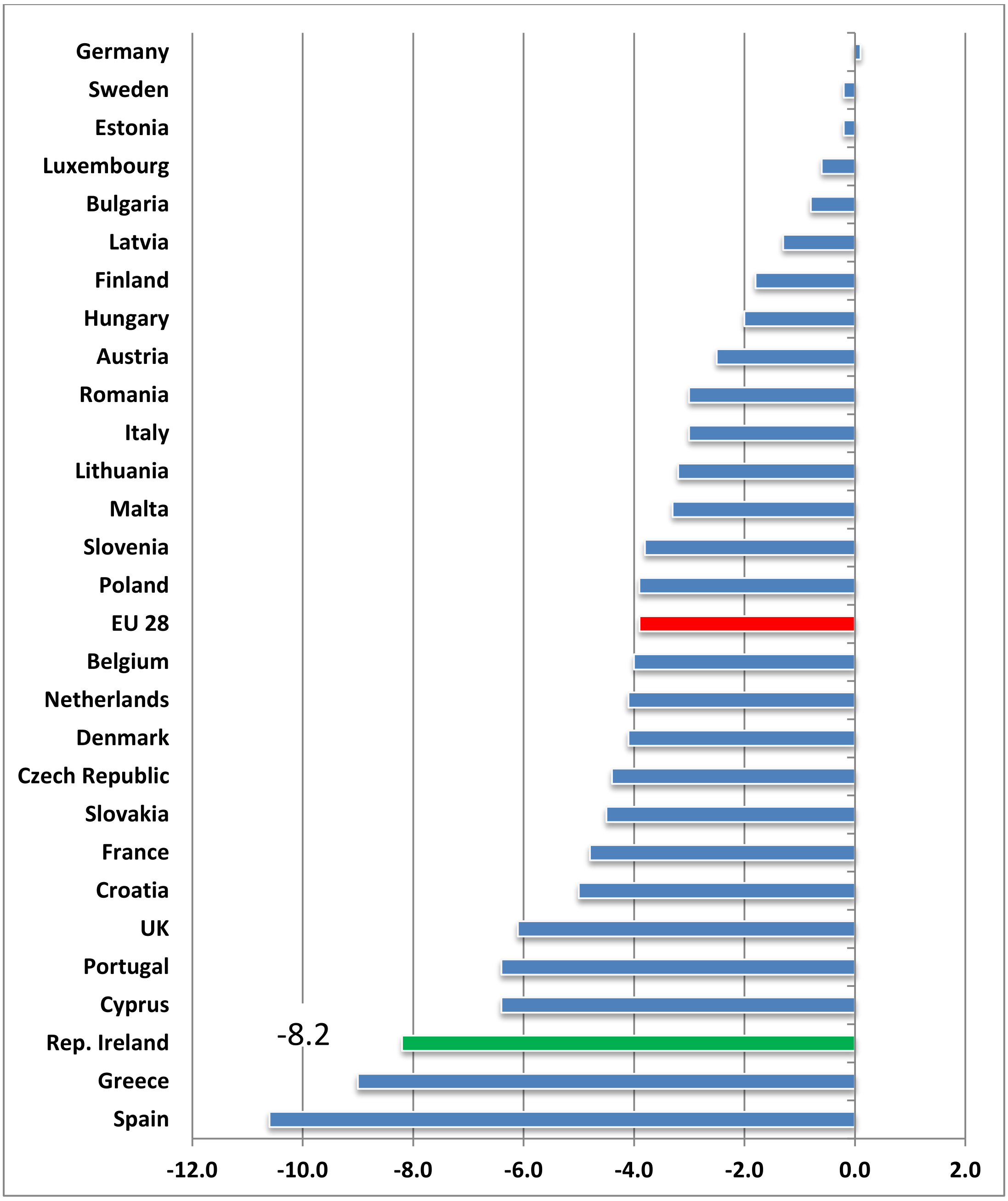

Table 7.3a General Government Deficit % GDP (2012)

Country	%	Country	%
Germany	0.1	Poland	-3.9
Estonia	-0.2	Belgium	-4.0
Sweden	-0.2	Denmark	-4.1
Luxembourg	-0.6	Netherlands	-4.1
Bulgaria	-0.8	Czech Republic	-4.4
Latvia	-1.3	Slovakia	-4.5
Finland	-1.8	France	-4.8
Hungary	-2.0	Croatia	-5.0
Austria	-2.5	UK	-6.1
Italy	-3.0	Cyprus	-6.4
Romania	-3.0	Portugal	-6.4
Lithuania	-3.2	**Rep. Ireland**	**-8.2**
Malta	-3.3	Greece	-9.0
Slovenia	-3.8	Spain	-10.6
EU 28	**-3.9**		

Interpretation

The Maastricht rules require European member states to aim for a Government deficit of no more than 3%. The latest estimates of General Government Balance (the headline deficit) for 2011 shows that 18 out of 27 member states were in excess of this figure. In the case of the Republic of Ireland, in 2012, the 'headline' government deficit was estimated to be 7.6%.

Technical Notes

The General Government Deficit (or General Government Balance) is the difference between General Government Expenditure and General Government Revenue in any given year. An excess of expenditure over revenue is expressed as a percentage of GDP and is shown as a negative value.

Source(s)

Eurostat online database available at: http://epp.eurostat.ec.europa.eu (gov_dd_edpt1)

Indicator 7.3b Estimated General Government Structural Deficit as % of GDP (EU countries)

Indicator defined

Total General Government Structural Deficit as % of GDP

Data is the latest available as of 13 November 2013.

Chart 7.3b Estimated General Government Structural Deficits % GDP (2012)

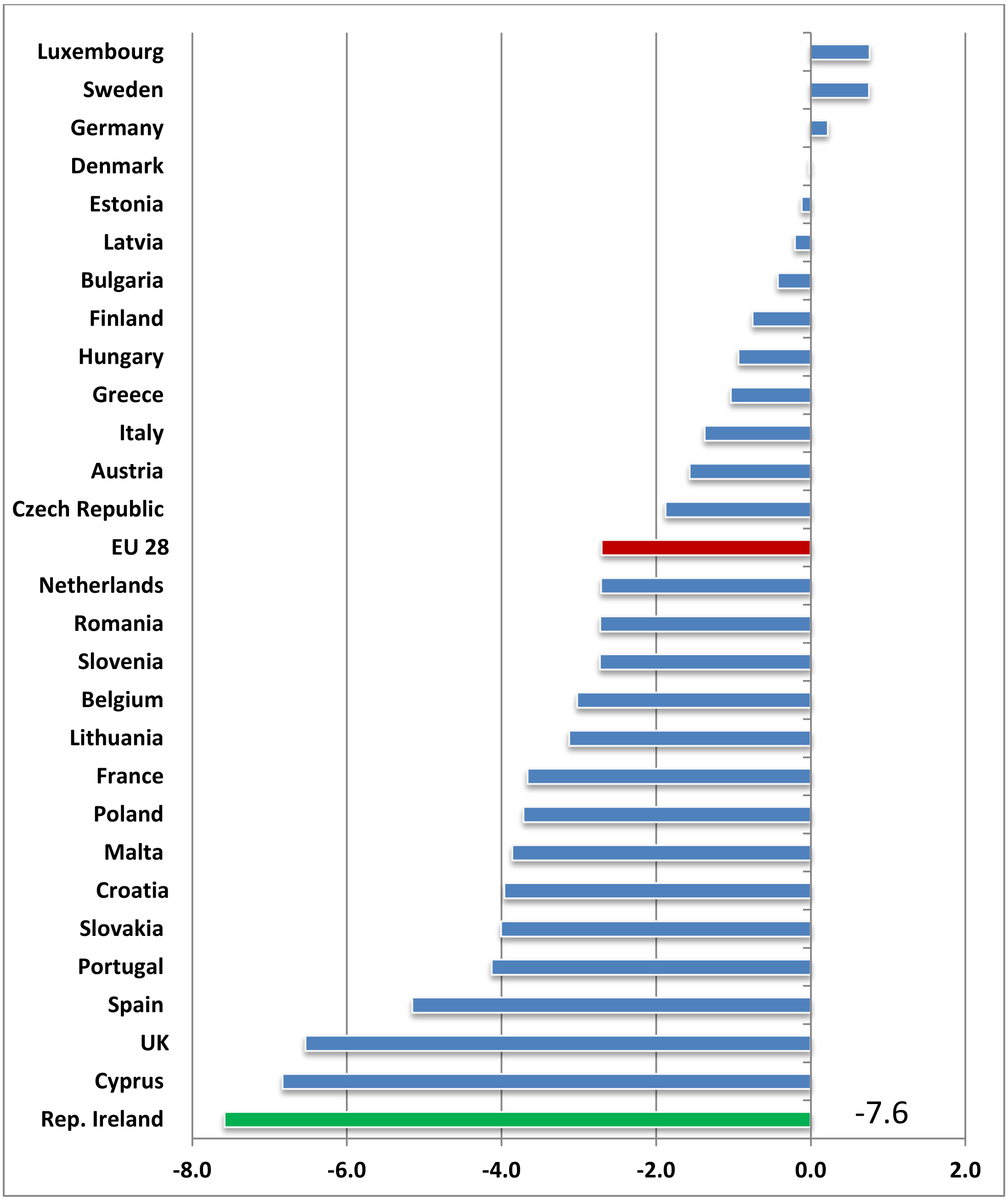

Table 7.3b Estimated General Gov. Structural Deficits % GDP

Country	%	Country	%
Luxembourg	0.8	Romania	-2.7
Sweden	0.8	Slovenia	-2.7
Germany	0.2	Belgium	-3.0
Denmark	0.0	Lithuania	-3.1
Estonia	-0.1	France	-3.7
Latvia	-0.2	Poland	-3.7
Bulgaria	-0.4	Malta	-3.9
Finland	-0.8	Croatia	-4.0
Hungary	-0.9	Slovakia	-4.0
Greece	-1.0	Portugal	-4.1
Italy	-1.4	Spain	-5.2
Austria	-1.6	UK	-6.5
Czech Republic	-1.9	Cyprus	-6.8
EU 28	-2.7	**Rep. Ireland**	**-7.6**
Netherlands	-2.7		

Interpretation

One of the rules contained in the 2012 EU Fiscal Compact stipulates that a Government's 'structural deficit' should not be greater than 0.5% of GDP for countries that have a debt-to- GDP ratio of over 60%. Using estimates published by the European Commission in November 2013 for 2012 seven EU member states (Denmark, Germany, Sweden, Estonia, Luxembourg, Latvia, and Bulgaria) were compliant with this rule. Finland is also compliant. Finland is permitted a structural deficit of 1% as its debt/GDP ratio is below 60%.

Technical Notes

The calculation of the structural deficit is based on the estimated gap between 'potential output' in the economy (if it were working at full capacity) and the actual output. Potential output is estimated with reference to such factors as the degree of spare capacity in an economy, the level of technology in a country, the total stock of capital and the potential supply of labour. The measure of the potential supply of labour, and therefore the structural deficit, depends crucially on what economists refer to as the 'non-accelerating wage rate of unemployment' (NAWRU) – the level of unemployment for which wages do not accelerate Currently, the estimate used by the European Commission for the NAWRU in the Republic of Ireland is 13.4% in 2012 (AMECO database). The difference between actual and potential GDP is referred to as the 'output gap'. The value of the output gap is negative when potential GDP exceeds actual GDP. Economists use the estimated output gap to derive the estimated cyclical component of the Government deficit.

Source(s):

European Commission (2012a) AMECO Database. (code: UBLGAPS)

Indicator 7.4 Gross General Government Debt as a % of GDP (EU countries)

Indicator defined

Total General Government Debt as % of GDP

Data is the latest available as of 13 November 2013.

Chart 7.4 Gross General Government Debt % GDP (2012)

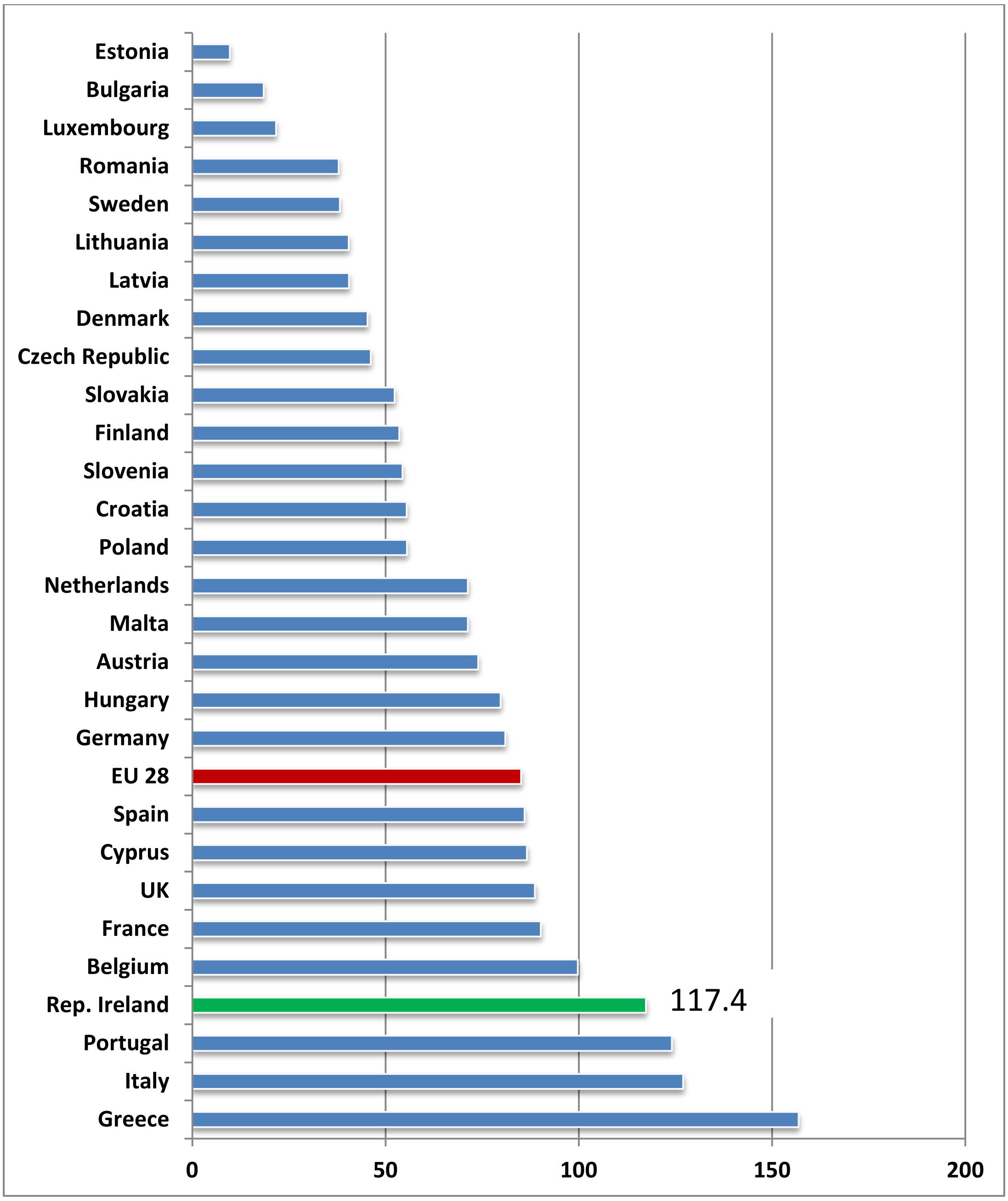

Table 7.4 General Government Debt % GDP (2012)

Country	%	Country	%
Estonia	9.8	Netherlands	71.3
Bulgaria	18.5	Austria	74
Luxembourg	21.7	Hungary	79.8
Romania	37.9	Germany	81
Sweden	38.2	**EU 28**	**85.1**
Lithuania	40.5	Spain	86
Latvia	40.6	Cyprus	86.6
Denmark	45.4	UK	88.7
Czech Republic	46.2	France	90.2
Slovakia	52.4	Belgium	99.8
Finland	53.6	**Rep. Ireland**	**117.4**
Slovenia	54.4	Portugal	124.1
Croatia	55.5	Italy	127
Poland	55.6	Greece	156.9
Malta	71.3		

Interpretation

A rule contained in the 2012 EU Fiscal Compact stipulates that where the government debt-to- GDP ratio exceeds 60% countries must reduce it by 1/20 per annum. In 2012 the Republic of Ireland was among 14 EU member states that were above the 60% threshold.

Technical Notes

Gross General Government Debt is defined as the total consolidated gross debt at nominal value at the end of the year in the following categories of government liabilities (as defined in ESA95): currency and deposits (AF.2), securities other than shares excluding financial derivatives (AF.3, excluding AF.34), and loans (AF.4).

Source(s)

Eurostat online database available at: http://epp.eurostat.ec.europa.eu (gov_dd_edpt1)