

6 Public Finances

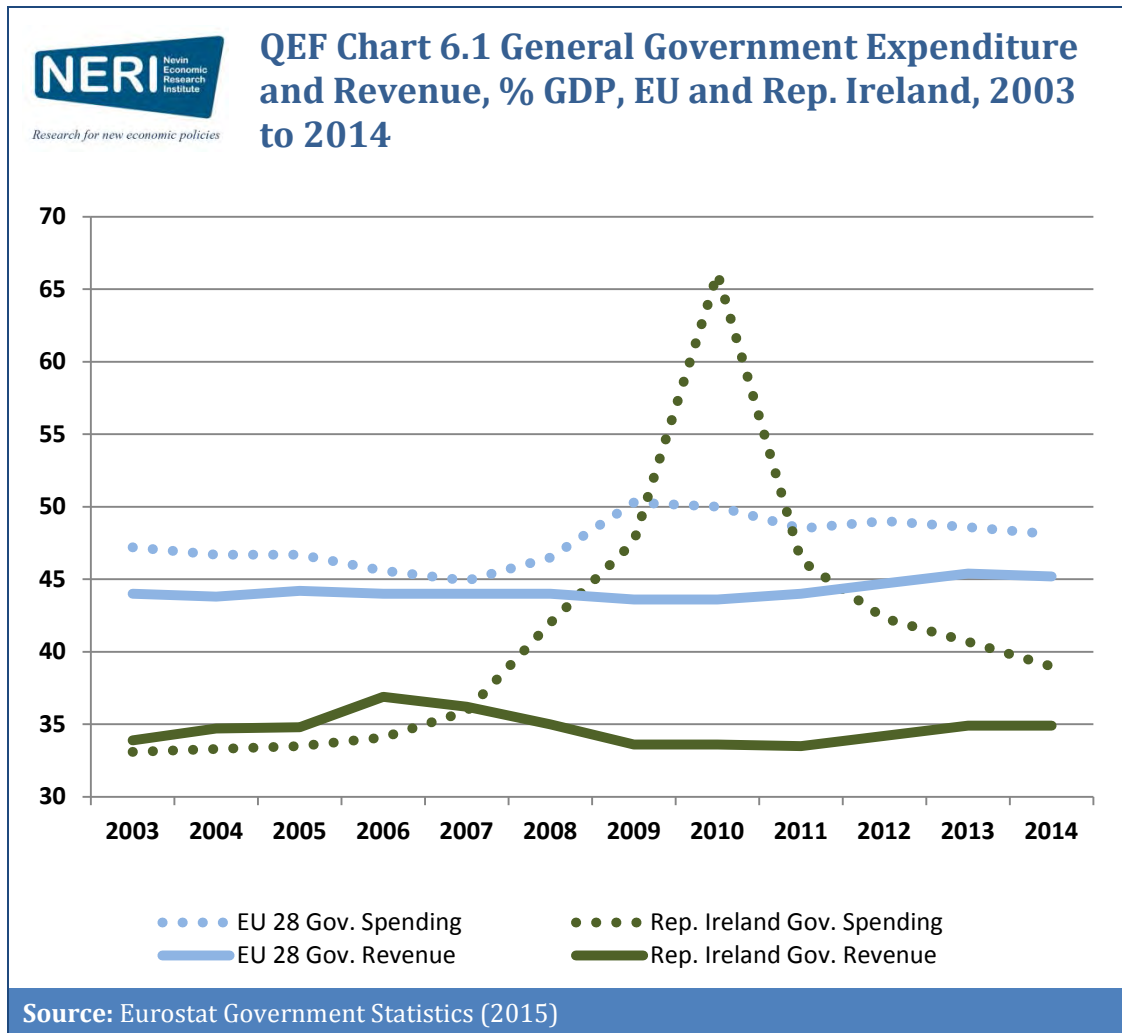
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Indicator 6.1 Trends in General Government Expenditure and Revenue, EU and ROI

Indicator defined

Total General Government Expenditure and Revenue as a percentage of GDP

Data is the latest available as of 16 September 2015





QEF Table 6.1 General Government Expenditure and Revenue, % GDP, EU and Rep. Ireland, 2003 to 2014

| Year | EU 28 Expenditure | Rep. Ireland Expenditure | EU 28 Revenue | Rep. Ireland Revenue |
|------|-------------------|--------------------------|---------------|----------------------|
| 2003 | 47.2 | 33.1 | 44.0 | 33.9 |
| 2004 | 46.7 | 33.3 | 43.8 | 34.7 |
| 2005 | 46.7 | 33.5 | 44.2 | 34.8 |
| 2006 | 45.6 | 34.1 | 44.0 | 36.9 |
| 2007 | 44.9 | 35.9 | 44.0 | 36.2 |
| 2008 | 46.5 | 42.0 | 44.0 | 35.0 |
| 2009 | 50.3 | 47.6 | 43.6 | 33.6 |
| 2010 | 50.0 | 66.1 | 43.6 | 33.6 |
| 2011 | 48.5 | 46.3 | 44.0 | 33.5 |
| 2012 | 49.0 | 42.3 | 44.7 | 34.2 |
| 2013 | 48.6 | 40.7 | 45.4 | 34.9 |
| 2014 | 48.1 | 39.0 | 45.2 | 34.9 |

Source: Eurostat Government Statistics (2015)

Interpretation

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

The level of government revenue and the level of government spending in the Republic of Ireland are both substantially lower than the average for the EU 28 when measured as a percentage of GDP.

Technical Notes

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

Source(s)

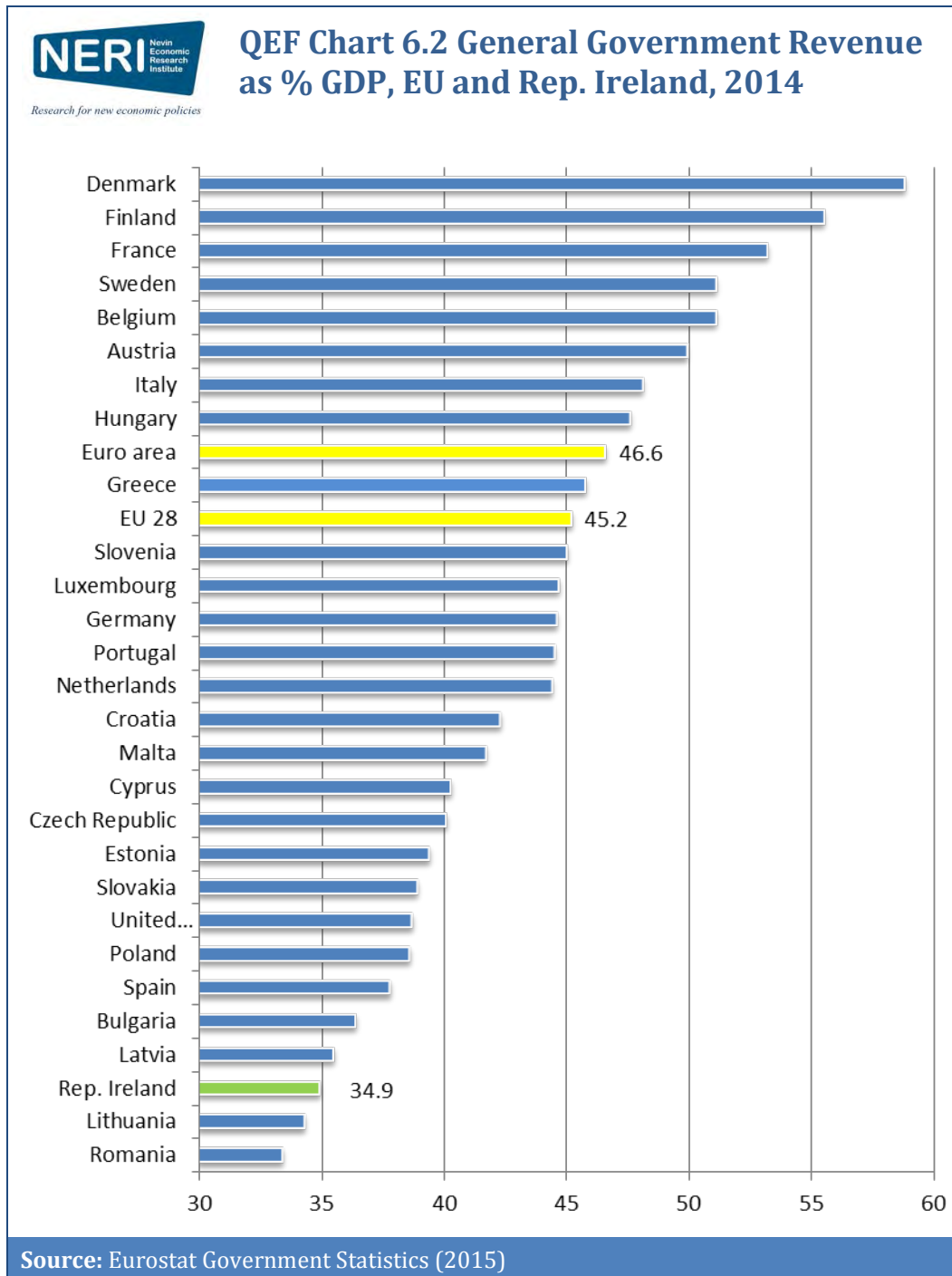
Eurostat online database available at: <http://epp.eurostat.ec.europa.eu> (t_gov_a)

Indicator 6.2 Government Revenue as % of GDP, EU member states, 2014

Indicator defined

Total General Government Revenue as % of GDP

Data is the latest available as of 16 September 2015





QEF Table 6.2 Government Revenue as a % of GDP, 2014

| Country | % | Country | % |
|---------------------|-------------|------------------|-------------|
| Romania | 33.4 | Portugal | 44.5 |
| Lithuania | 34.3 | Germany | 44.6 |
| Rep. Ireland | 34.9 | Luxembourg | 44.7 |
| Latvia | 35.5 | Slovenia | 45.0 |
| Bulgaria | 36.4 | EU 28 | 45.2 |
| Spain | 37.8 | Greece | 45.8 |
| Poland | 38.6 | Euro area | 46.6 |
| United Kingdom | 38.7 | Hungary | 47.6 |
| Slovakia | 38.9 | Italy | 48.1 |
| Estonia | 39.4 | Austria | 49.9 |
| Czech Republic | 40.1 | Belgium | 51.1 |
| Cyprus | 40.3 | Sweden | 51.1 |
| Malta | 41.7 | France | 53.2 |
| Croatia | 42.3 | Finland | 55.5 |
| Netherlands | 44.4 | Denmark | 58.8 |

Source: Eurostat Government Statistics (2015)

Interpretation

Measured as a percentage of GDP the Republic of Ireland had third lowest level of government revenue in the European Union in 2014. Irish government revenue in 2014 was 10.3 percentage points below the EU 28 average and 11.7 percentage points below the EU 15 average.

Gross National Income (GNI) can be used as an alternative to GDP when comparing countries. However, where using GNI 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)

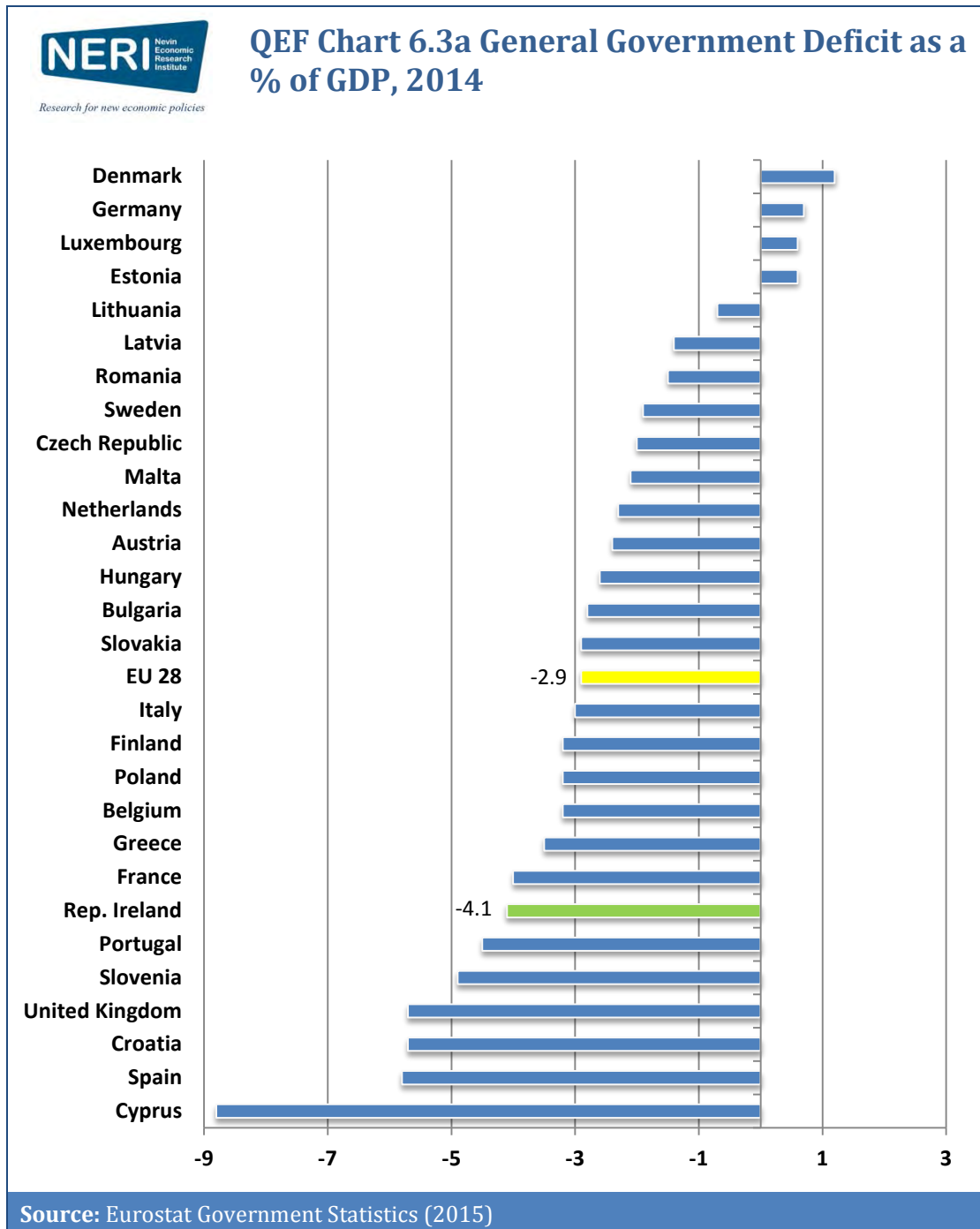
Eurostat online database available at: <http://epp.eurostat.ec.europa.eu> (t_gov_a)

Indicator 6.3a General Government Deficit as % of GDP, EU member states, 2014

Indicator defined

Total General Government Deficit as % of GDP

Data is the latest available as of 16 September 2015





QEF Table 6.3a General Government Deficit as % of GDP, 2014

| Country | % | Country | % |
|---------------------|-------------|----------------|------|
| Cyprus | -8.8 | Bulgaria | -2.8 |
| Spain | -5.8 | Hungary | -2.6 |
| Croatia | -5.7 | Austria | -2.4 |
| United Kingdom | -5.7 | Netherlands | -2.3 |
| Slovenia | -4.9 | Malta | -2.1 |
| Portugal | -4.5 | Czech Republic | -2.0 |
| Rep. Ireland | -4.1 | Sweden | -1.9 |
| France | -4.0 | Romania | -1.5 |
| Greece | -3.5 | Latvia | -1.4 |
| Belgium | -3.2 | Lithuania | -0.7 |
| Poland | -3.2 | Estonia | 0.6 |
| Finland | -3.2 | Luxembourg | 0.6 |
| Italy | -3.0 | Germany | 0.7 |
| EU 28 | -2.9 | Denmark | 1.2 |
| Slovakia | -2.9 | | |

Source: Eurostat Government Statistics (2015)

Interpretation

The Maastricht rules require EU member states to have a government deficit of no more than 3% of GDP. The latest estimates of the General Government Balance (the headline deficit) for 2014 shows that 12 out of 28 member states were in excess of this figure. In the case of the Republic of Ireland, in 2014, the 'headline' government deficit was estimated to be 4.1%. This was the seventh highest rate in the EU.

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)

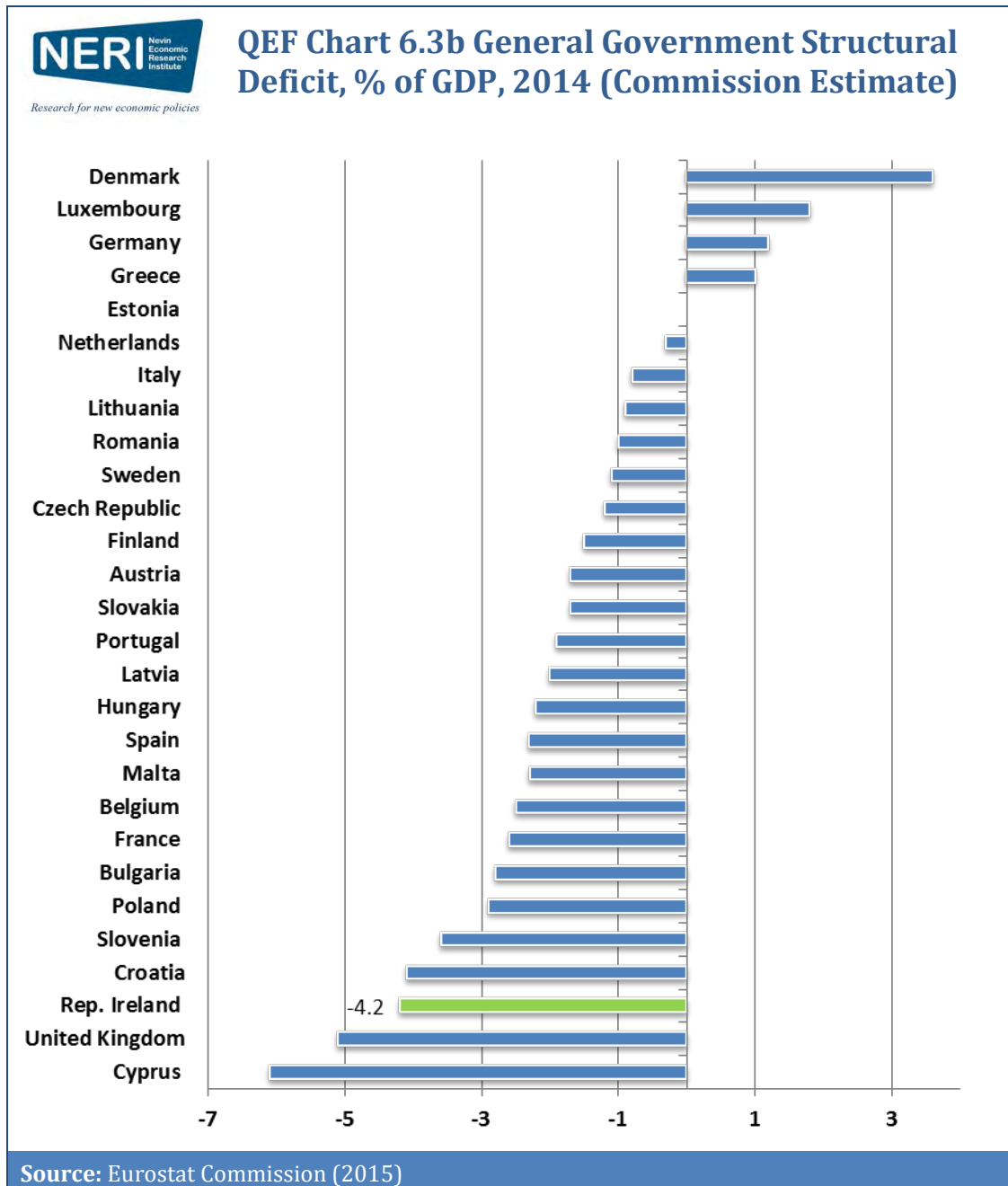
Eurostat online database available at: <http://epp.eurostat.ec.europa.eu> (t_gov_dd)

Indicator 6.3b Commission Estimated Structural Balances, % of potential GDP, EU member states, 2014

Indicator defined

Total General Government Structural Deficit as % of GDP

Data is the latest available as of 16 September 2015





QEF Table 6.3b Commission Estimated Structural Balances, % of potential GDP, 2014

| Country | % | Country | % |
|---------------------|-------------|----------------|------|
| Cyprus | -6.1 | Slovakia | -1.7 |
| United Kingdom | -5.1 | Austria | -1.7 |
| Rep. Ireland | -4.2 | Finland | -1.5 |
| Croatia | -4.1 | Czech Republic | -1.2 |
| Slovenia | -3.6 | Sweden | -1.1 |
| Poland | -2.9 | Romania | -1.0 |
| Bulgaria | -2.8 | Lithuania | -0.9 |
| France | -2.6 | Italy | -0.8 |
| Belgium | -2.5 | Netherlands | -0.3 |
| Malta | -2.3 | Estonia | 0.0 |
| Spain | -2.3 | Greece | 1.0 |
| Hungary | -2.2 | Germany | 1.2 |
| Latvia | -2.0 | Luxembourg | 1.8 |
| Portugal | -1.9 | Denmark | 3.6 |

Source: Eurostat Government Statistics (2015)

Interpretation

One of the rules contained in the 2012 EU Fiscal Compact stipulates that a Government's 'structural deficit' should not exceed 0.5% of potential GDP for countries that have a debt-to- GDP ratio in excess of 60%.

Technical Notes

The structural balance cannot be observed directly. Calculation is based on the estimated gap between 'potential output' in the economy - where the economy is at its potential capacity - and the actual level of output. Potential output is estimated with reference to a number of factors such as the 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 on what economists refer to as the 'Non-Accelerating Wage Rate of Unemployment' (NAWRU) – i.e. the level of unemployment for which wages do not accelerate. 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 a value for the cyclical component of the deficit with the residual component identified as 'structural'.

Source(s):

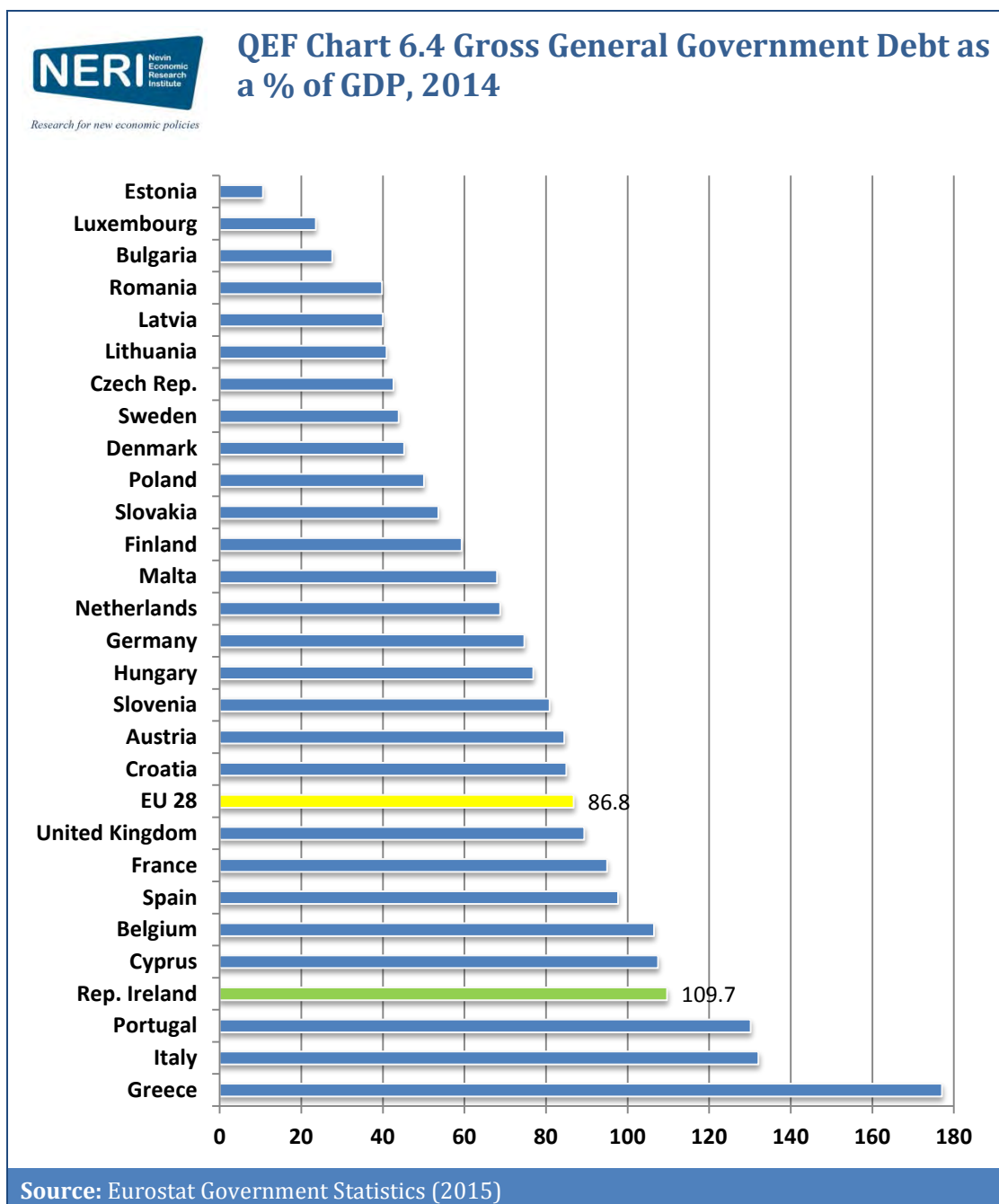
European Commission (2015) Cyclical Adjustment on Budget Balances – Spring 2015: http://ec.europa.eu/economy_finance/db_indicators/gen_gov_data/adjustment/index_en.htm

Indicator 6.4 General Government Gross Debt as % of GDP, EU member states, 2014

Indicator defined

Gross General Government Debt as % of GDP

Data is the latest available as of 16 September 2015





QEF Table 6.4 General Government Gross Debt as % of GDP, 2014

| Country | % | Country | % |
|---------------------|--------------|-------------|------|
| Greece | 177.1 | Netherlands | 68.8 |
| Italy | 132.1 | Malta | 68.0 |
| Portugal | 130.2 | Finland | 59.3 |
| Rep. Ireland | 109.7 | Slovakia | 53.6 |
| Cyprus | 107.5 | Poland | 50.1 |
| Belgium | 106.5 | Denmark | 45.2 |
| Spain | 97.7 | Sweden | 43.9 |
| France | 95.0 | Czech Rep. | 42.6 |
| United Kingdom | 89.4 | Lithuania | 40.9 |
| EU 28 | 86.8 | Latvia | 40.0 |
| Croatia | 85.0 | Romania | 39.8 |
| Austria | 84.5 | Bulgaria | 27.6 |
| Slovenia | 80.9 | Luxembourg | 23.6 |
| Hungary | 76.9 | Estonia | 10.6 |
| Germany | 74.7 | | |

Source: Eurostat Government Statistics (2015)

Interpretation

A rule contained in the 2012 EU Fiscal Compact stipulates that where the gross general government debt-to-GDP ratio exceeds 60% countries must reduce it by 1/20 of the excess per annum. In 2014 the Republic of Ireland at 109.7% of GDP was one of 16 EU member states 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 ESA2010): currency and deposits, debt securities and loans.

Source(s)

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