

General government gross debt

Gross government debt denotes all accrued external financial obligations. Governments accumulate debt to finance expenditures above their revenues. Sovereign debt, in the long-run, can help the accumulation of physical capital, especially when interest rates are low; but it can hinder capital accumulation when interest rates increase. If a large share of current revenues needs to be used to service interest payments on the debt, fiscal policy becomes constrained. Therefore, public debt levels can be critical for the stability of the economy.

In 2015, across OECD countries the average level of gross public debt reached 112% of GDP, rising from 73% in 2007 before the financial crisis. During this period, gross debt levels increased the most in Spain (75.1 p.p.), Slovenia (73 p.p.), Portugal (71.1 p.p.) and Greece (68.8 p.p.). After Greece's crisis unfolded, debt levels rapidly rose as yields increased in 2010, when the first bailout was announced. In 2011, yields in Portugal and Spain also increased, as Portugal requested a bailout in 2011 and Spain had a concurrent banking and sovereign debt crisis. In Slovenia, GDP growth was negative in 2009 and 2012, after briefly recovering in 2010 and 2011, so as bank recapitalisations were carried out, debt levels increased.

From 2007 to 2015, debt levels have only fallen in Norway (-16.7 p.p.), Switzerland (-5.2 p.p.) and Israel (-2.1 p.p.). The country with the highest public debt throughout this period is Japan, reaching 221.8% of GDP in 2015, followed by Greece (181.6%), Italy (157.5%) and Portugal (149.2%). While high debt levels create a drag on the economy, debt ownership matters: if debt is owned by outside investors it can be subject to a downgrade in the credit rating of the country's debt, and to an increase in interest rates, but if debt is owned by the population, like in Japan, this risk is less likely. Conversely, the OECD countries with the lowest levels of public debt were in Estonia (13%), Chile (24.5%), Turkey (27.4%) and Luxembourg (30.7%).

Per capita gross debt reached on average USD 50 245 PPP in 2015, increasing at an annual rate of 5.9% since 2007 in terms of real government debt per capita. The range of per capita gross debt among OECD countries is wide, as the highest levels are almost thirty-times the lowest: in 2015, per capita gross debt in Japan reached an estimated USD 90 345 PPP, while the per capita gross debt in Estonia was USD 3 761 PPP. Most government gross debt across OECD countries in 2015 is held in debt securities, which represent on average 83% of all public debt, ranging from 92% in the United States to 8.7% in Estonia. Loans represent 8.9% on average across OECD countries, but are a much more significant part of the liability composition in countries like Greece (79.2%) and Estonia (67.3%).

Methodology and definitions

Data are derived from the *OECD National Accounts Statistics* (database) and *Eurostat Government finance statistics* (database), which are based on the *System of National Accounts* (SNA). The updated 2008 SNA framework has

been now implemented by all OECD countries (see Annex A for details on reporting systems and sources). Debt is a commonly used concept, defined as a specific subset of liabilities identified according to the types of financial instruments included or excluded. Generally, it is defined as all liabilities that require payment or payments of interest or principal by the debtor to the creditor at a date or dates in the future. All debt instruments are liabilities, but some liabilities such as shares, equity and financial derivatives are not debt. Debt is thus obtained as the sum of these liability categories, whenever available/applicable in the financial balance sheet of the general government sector: currency and deposits; debt securities; loans; and other liabilities (i.e. insurance, pension and standardised guarantee schemes, other accounts payable as well as, in some cases special drawing rights -SDRs). According to the SNA, most debt instruments are valued at market prices, when appropriate (although some countries might not apply this valuation, in particular for debt securities).

The treatment of government liabilities in respect of their employee pension plans varies across countries, making international comparability difficult. Some OECD countries, such as Australia, Canada, Iceland, Sweden and the United States, record employment-related pension liabilities, funded or unfunded, in government debt data. For those countries, an adjusted government debt ratio is calculated by excluding from the debt these unfunded pension liabilities. Additional information on this context is provided in the StatLinks. Government debt here is recorded on a gross basis, not adjusted by the value of government-held assets. The SNA debt definition differs from the definition applied under the Maastricht Treaty, which is used to assess EU fiscal positions. For information on the calculation of government debt per capita see the section of the government revenues indicator. Figure 2.12, "Annual average growth rate of real government debt per capita" is available online in Annex F.

Figure notes

Data for Australia, Canada, Iceland, Sweden and the United States are reported on an adjusted basis (i.e. excluding unfunded pension liabilities).

Data for New Zealand are not available.

Data for Turkey and Mexico are not included in the OECD average due to missing time-series or statistical discrepancies in the recording of financial instruments.

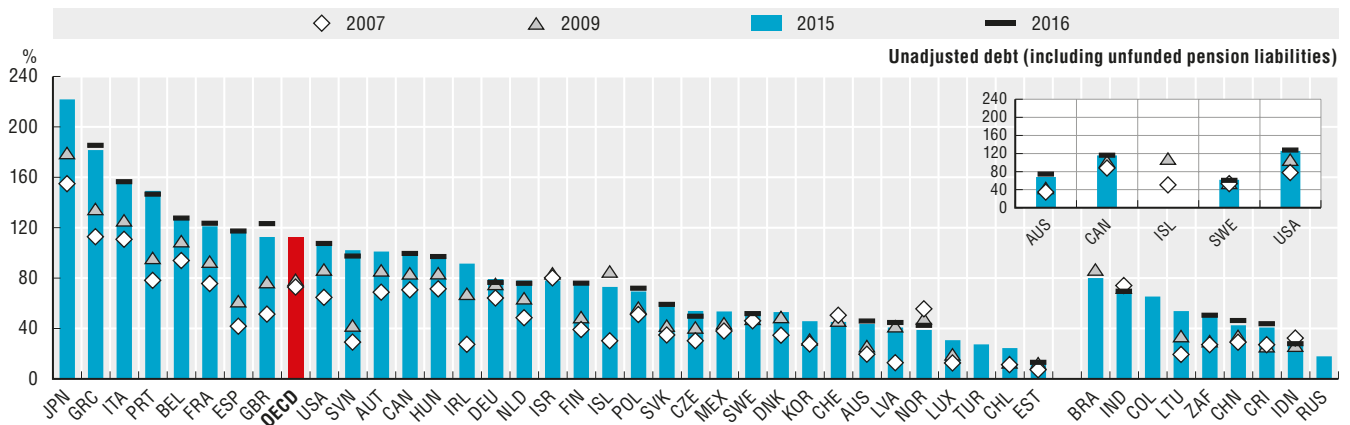
Data for Brazil are for 2014 rather than 2015.

2.9 and 2.10: Data for 2015 for Iceland are based on OECD estimates. Data for 2007 for Korea are based on OECD estimates.

2.11: Data for Iceland are not available.

Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

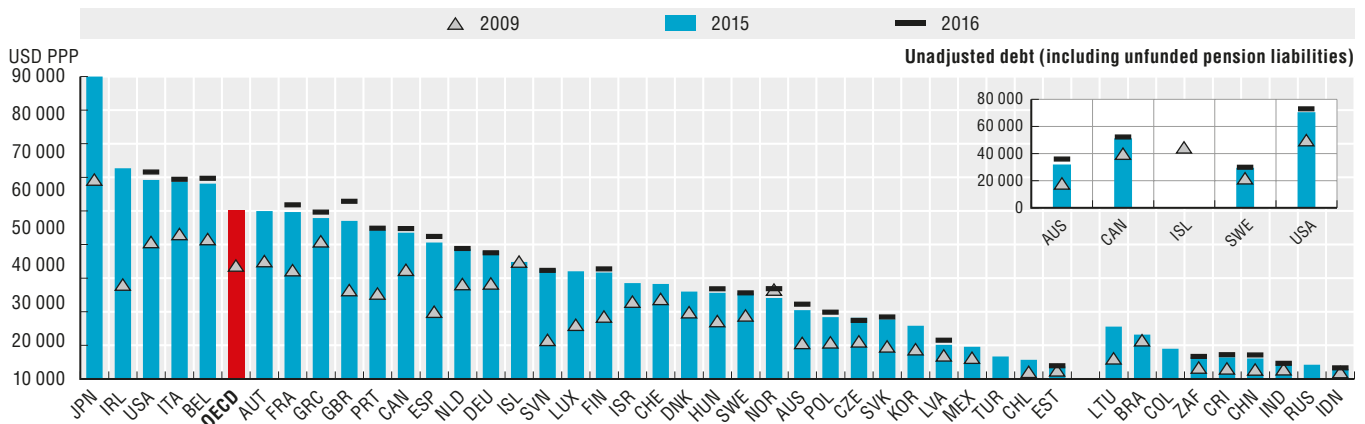
2.9. General government gross debt as a percentage of GDP, 2007, 2009, 2015 and 2016



Sources: OECD National Accounts Statistics (database); Eurostat Government finance statistics (database). Data for the other major economies (apart from Brazil) and for Costa Rica are from the IMF Economic Outlook (April 2017).

StatLink <http://dx.doi.org/10.1787/888933531497>

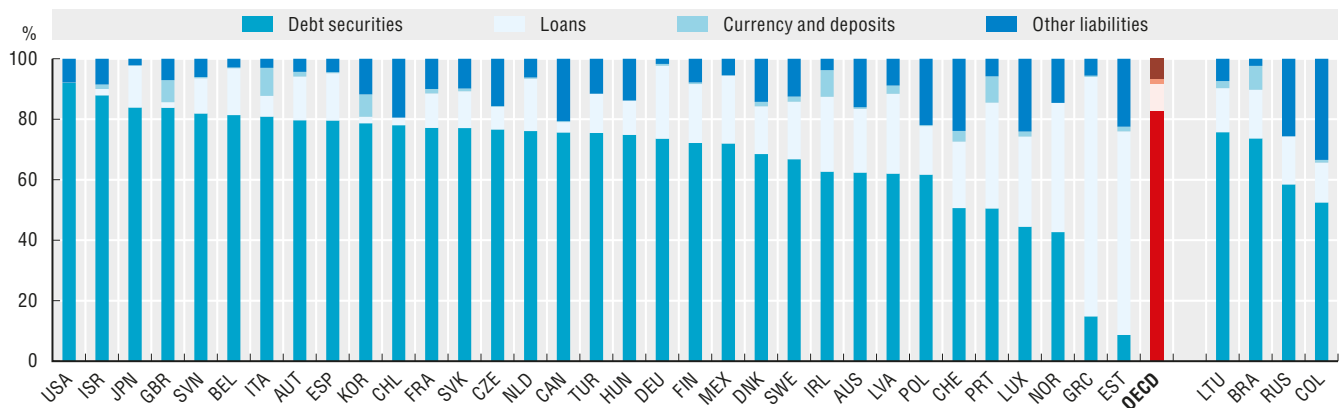
2.10. General government gross debt per capita, 2009, 2015 and 2016



Sources: OECD National Accounts Statistics (database); Eurostat Government finance statistics (database). Data for the other major economies (apart from Brazil) and for Costa Rica are from the IMF Economic Outlook (April 2017).

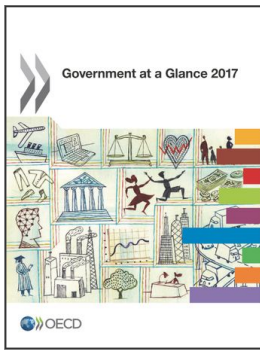
StatLink <http://dx.doi.org/10.1787/888933531516>

2.11. Structure of government gross debt by financial instruments, 2015



Sources: OECD National Accounts Statistics (database); Eurostat Government finance statistics (database).

StatLink <http://dx.doi.org/10.1787/888933531535>



From:
Government at a Glance 2017

Access the complete publication at:
https://doi.org/10.1787/gov_glance-2017-en

Please cite this chapter as:

OECD (2017), "General government gross debt", in *Government at a Glance 2017*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/gov_glance-2017-11-en

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