29. Gross debt of general government

- *In 2011, 23 out of 30 OECD countries recorded debt-to-GDP ratios below 100% compared to 28 out of 31 countries in 2006. In 2011, Japan recorded the highest debt-to-GDP ratio (228%), followed by Italy (124%) and the United States (121%).*
- *Between 2006 and 2011, the highest increase in debt-to-GDP ratio was observed in Ireland (73.5 percentage points), reaching a level of 102%. The United Kingdom, Japan, and the United States also registered significant increases of at least 45 percentage points over the same period. The rapid rise in debt from 2006 to 2011 reflects the impact of the crisis on government deficits due to government interventions to support the financial system.*
- *In contrast, Norway reduced its general government debt-to-GDP ratio by around 25 percentage points between 2006 and 2011, ranking fourth (behind Estonia, Chile and Luxembourg) of the least indebted OECD countries. In Greece, government debt declined by around 12 percentage points between 2006 and 2011, reflecting the fall in market prices of Greek government bonds.*

The government debt-to-GDP ratio is a key indicator that can be used to monitor the sustainability of government finance, and to assess the government sector's overall health and its ability to incur additional debt or to manage the levels of its current debt.

Changes in government debt over time reflect the behaviour of past fiscal balances; recurring large deficits will result in higher debt levels whereas a succession of surpluses will reduce debt levels.

The higher a government's liabilities, the higher the probability of a government defaulting on loans, as perceived by markets, the higher risk premium demanded by the market, resulting in an increase in the cost of debt.

The General Government Gross Debt is one of the two headline indicators scrutinised by the European Commission to assess the soundness of EU countries' public finance, in the context of the EU Excessive Deficit Procedure (EDP), annexed to the Maastricht Treaty. This measure is also consolidated but it is based on nominal valuations, and excludes liabilities relating to financial derivatives, shares and other equity, insurance technical reserves, and other accounts payable.

Definition

The government debt-to-GDP ratio is calculated as the amount of total government debt of a country as a percentage of its GDP.

Debt is a commonly used concept, defined as a specific subset of liabilities. All debt instruments are liabilities, but some liabilities such as shares, equity and financial derivatives are usually not considered as debt. Debt is thus obtained by adding the following liability categories, whenever available/applicable in the financial balance sheet of the general government: currency and deposits, securities other than shares except financial derivatives, loans, insurance technical reserves and other accounts payable. Importantly, tradable debt such as securities issued are valued at market prices.

According to standard methodology, government debt relates to general government that "consists mainly of central, state and local government units together with social security funds imposed and controlled by those units".

Comparability

Across OECD countries, the comparability of data on general government debt can be affected through national differences in implementing the SNA definitions, especially in relation to the delineation of the government sector, to national consolidation practices and to the definitions and treatment of debt components.

Data are consolidated for all OECD countries, i.e. general government debt does not include the debt issued by one sub-sector and held by another sub-sector of the government, except for Chile, Japan, and Korea.

Text continues on p. 102.

Table 29.1. **Gross debt of general government**

Percentage of GDP

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Australia	40.7	36.2	34.7	33.6	30.9	29.0	27.7	26.8	25.8	27.8	35.5	39.5	43.9	56.5
Austria	70.8	70.8	71.7	72.8	71.1	70.6	70.6	66.0	62.4	67.2	73.1	78.0	79.8	85.3
Belgium	119.4	113.6	111.9	108.2	103.3	98.2	95.9	91.6	87.9	92.7	99.8	99.6	102.1	104.2
Canada	114.2	104.7	105.1	103.7	98.7	94.2	93.0	91.4	86.3	90.8	104.6	106.2	109.9	112.3
Chile	..	..	..	..	..	..	17.4	14.1	12.2	12.4	13.4	15.6	18.3	18.6
Czech Republic	24.4	25.1	29.3	31.5	33.2	33.0	32.7	32.5	30.9	34.3	40.8	44.7	47.8	55.7
Denmark	..	..	..	..	56.6	53.6	45.4	41.0	34.3	41.4	49.3	53.1	59.9	59.3
Estonia	10.9	6.8	6.7	7.6	8.4	8.6	8.2	8.0	7.3	8.5	12.6	12.4	9.6	13.3
Finland	54.9	52.5	50.1	49.7	51.1	51.3	48.5	44.7	40.4	39.7	51.5	57.0	58.6	64.4
France	69.0	67.9	67.2	70.7	75.2	77.1	78.9	73.9	73.0	79.2	91.4	95.5	99.2	109.3
Germany	61.7	60.9	60.2	62.6	66.0	69.1	71.7	69.8	65.7	69.8	77.4	86.0	85.6	88.5
Greece	102.8	116.3	118.4	116.9	110.7	113.1	114.9	120.4	117.8	121.3	137.9	130.2	108.8	164.2
Hungary	67.8	62.0	59.9	60.9	61.9	65.2	68.5	72.1	73.0	76.5	86.0	87.4	86.5	89.7
Iceland	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Ireland	52.8	40.2	37.1	35.4	34.1	32.7	32.7	28.7	28.4	49.2	70.1	87.3	102.3	125.8
Israel	..	..	97.4	101.6	107.0	104.9	102.3	90.4	88.1	87.6	89.9	86.7	84.2	..
Italy	128.7	123.9	123.1	121.8	119.3	119.7	122.5	121.3	116.4	118.8	132.1	130.8	123.8	141.7
Japan	131.1	141.5	151.4	161.8	172.3	178.8	180.2	180.0	180.0	184.2	207.3	210.6	228.0	..
Korea	..	..	..	19.2	19.7	23.3	25.5	28.6	28.7	29.9	33.3	34.2	35.8	37.6
Luxembourg	..	..	..	..	..	..	..	11.5	11.3	19.3	19.2	26.1	26.3	30.2
Mexico	33.6	31.1	31.2	33.2	32.7	31.0	31.2	28.9	28.2	30.1	37.7	..	..	..
Netherlands	71.6	63.9	59.4	60.3	61.4	61.9	60.7	54.5	51.5	64.8	67.6	71.9	76.2	82.7
New Zealand	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Norway	29.1	32.6	31.9	39.4	48.8	50.7	47.6	58.7	56.6	55.2	49.0	49.3	33.9	34.4
Poland	46.6	45.4	43.8	55.0	55.6	53.3	54.1	54.2	50.4	55.5	57.6	61.4	61.6	63.0
Portugal	62.3	62.4	64.2	68.0	70.2	73.5	77.7	77.5	75.5	80.8	94.0	98.1	97.2	127.9
Slovak Republic	53.4	58.6	57.2	49.9	48.3	45.9	37.4	35.0	33.5	32.2	40.4	45.9	48.3	56.9
Slovenia	..	..	33.6	34.7	34.1	34.9	34.0	33.8	29.5	28.8	43.3	47.5	51.0	61.1
Spain	69.5	66.6	62.0	60.4	55.4	53.5	50.8	46.3	42.4	47.8	62.8	67.8	78.2	92.4
Sweden	73.0	64.0	62.0	61.8	60.4	59.9	60.6	54.0	49.2	47.8	51.5	48.8	49.2	48.7
Switzerland	55.9	56.0	55.3	61.5	60.5	61.0	59.1	52.8	52.8	48.3	47.4	46.1	46.2	..
Turkey	..	..	..	..	..	..	..	..	..	..	..	..	..	..
United Kingdom	47.9	45.8	41.0	41.7	42.0	44.2	46.4	46.0	46.9	57.3	72.1	81.6	97.0	101.0
United States	65.5	61.5	63.9	70.5	71.4	79.1	78.1	75.6	75.8	91.9	105.0	115.3	120.6	122.5
Euro area	..	..	..	..	..	..	..	..	..	..	..	..	..	..
OECD-Total	..	..	..	..	..	..	..	..	..	..	..	..	..	..
China	..	..	..	..	..	..	..	..	..	..	..	..	..	..
India	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Indonesia	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Russian Federation	..	..	..	..	..	..	..	..	..	..	..	..	..	..
South Africa	..	..	..	..	..	..	..	..	..	..	..	..	..	..

StatLink http://dx.doi.org/10.1787/888933002642

The treatment of government liabilities in respect of their employee pension plans is diverse across countries, making international comparability difficult. In particular, according to the 1993 SNA, only the funded component of the government employee pension plans should be reflected in its liabilities. However, the new 2008 SNA recognises the importance of the liabilities of employers' pension schemes, regardless of whether they are funded or unfunded. For pensions provided by government to their employees, countries have some flexibility in the recording of the unfunded liabilities in the set of core tables.

A few OECD countries, such as Australia, Canada, Iceland, Sweden, and the United States record pension liabilities, be it funded or unfunded, in the general government debt data. For 2012, if these unfunded pension liabilities were excluded the debt to GDP ratio would be, 30.7% for Australia, 98.4% for Canada, 46.3% for Sweden and 102.4% for the United States. For more details on this adjusted general government debt to GDP ratio, please see the chapter on general government in the *OECD Factbook*, 2014 edition.

More generally, gross debt figures have to be treated with care, as they only provide a partial view of fiscal sustainability. Net (financial) debt or net worth figures, taking into account financial and/or non-financial assets, generally provide a better picture (see also Section 30). Also guarantees and contingent liabilities in general are not included in the data on government debt.

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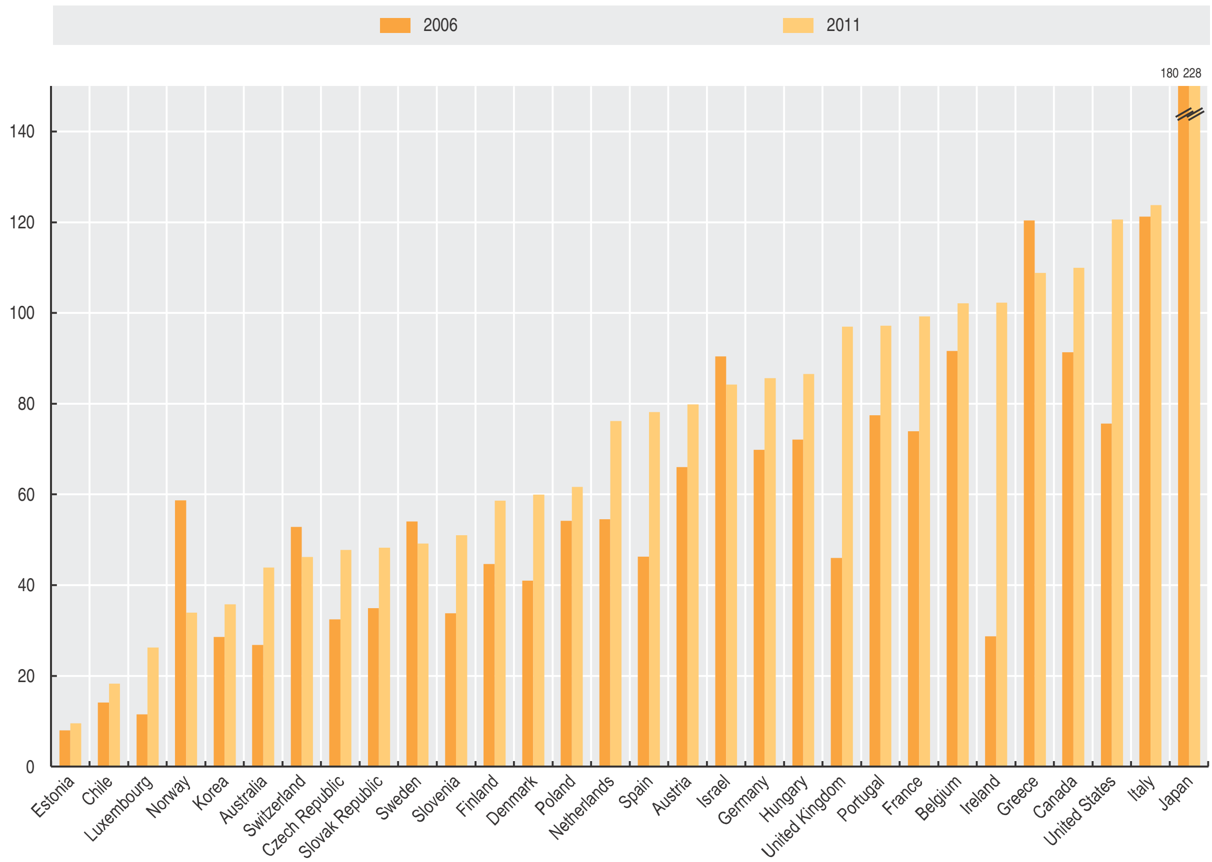
Figure 29.1. **Gross debt of general government**

Percentage of GDP, 2006 and 2011



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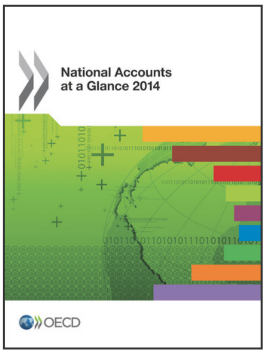

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