

Fiscal balance and debt by level of government

Fiscal balance for a given level of government (from national to local) is achieved when expenditures and revenues are balanced. The situation where revenues exceed expenses (positive balance) is called a surplus. On the contrary, a negative balance is called a deficit. While balances are consolidated across all levels of government, depending on the political and administrative structure, central and sub-central governments share different degrees of fiscal sovereignty. For example in federal countries, states have higher autonomy to contract debt and levy taxes. The general government debt (across all levels of government) might be affected by modest changes in debt by a large number of sub-central governments. Liabilities from sub-central governments resulting from the need to finance deficits through borrowing are considered as debt of the sub-central governments. However, the capacity of sub-central governments to incur debt is often limited since they are usually subject to tight fiscal rules.

In 2013, central governments had a fiscal deficit reaching on average 3.5% of GDP, 0.7 percentage points lower than the average deficit of the general government (4.2%). Greece and Slovenia were the two OECD countries with larger deficits at the central government level (close to 15% of the GDP). In contrast, Norway, Chile and New Zealand showed a surplus (12%, 2% and 0.02% of the GDP respectively). In 2014, countries such as Norway, Denmark, Germany, Estonia, and Canada also experienced a surplus. In federal (or quasi-federal) states such as Spain, the United States, Canada and Australia over a quarter of 2013 general government balances were driven by the state level.

On average, sub-central debt accounted for 20.7% of GDP in 2013. Six OECD member countries have figures above the OECD average, namely Canada (55.9%), Japan (37.3%), Germany (29.8%), Spain (29.3%), Switzerland (22.3%) and the United States (22.2%). Additionally, in 2013 and 2014 debt levels at sub-central level were on average higher in federal states, and sometimes state government debt was even higher than central government debt (e.g. Canada).

The structure of debt across levels of government between 2007 and 2013 indicates that debt for sub-central governments as a share of total debt decreased on average by 6.2 percentage points. A considerable decline in the share of sub-central debt occurred in the United States (13.7 p.p.), Estonia (11.8 p.p.), Iceland (10.9 p.p.), Denmark (8.9 p.p.), the United Kingdom (8.3 p.p.) and Ireland (7.1 p.p.). However, as overall debt levels have continued to increase in these countries, the declines can be attributed to a slower growth of the debt at the sub-central levels compared to the growth of debt at the central level.

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), a set of internationally agreed concepts, definitions, classifications and rules for national accounting. The SNA framework has been modified and most of the OECD countries have partly or entirely implemented the updated 2008 SNA methodology (see Annex A for details). Using SNA terminology, general government consists of central, state and local governments, and social security funds. State government is only applicable to the nine OECD countries that are federal states: Australia, Austria, Belgium, Canada, Germany, Mexico, Spain (considered a quasi-federal country), Switzerland and the United States.

Fiscal balance also referred to as net leading (+) or net borrowing (-) of general government, is calculated as total government revenues minus total government expenditures.

For additional information on debt, see the “methodology and definitions” section of the government gross debt indicator.

Further reading

OECD (2013), *OECD Regions at a Glance 2013*, OECD, Paris, http://dx.doi.org/10.1787/reg_glance-2013-en.

Vammalle, C. and C. Hulbert (2013), “Sub-national Finances and Fiscal Consolidation: Walking on Thin Ice”, *OECD Regional Development Working Papers*, 2013/02, OECD, <http://dx.doi.org/10.1787/5k49m8c9kcf3-en>.

Figure notes

Local government is included in state government for Australia and the United States. Australia does not operate government social insurance schemes. For Japan data for sub-sectors of general government refer to fiscal year. Social security funds are included in central government in Norway, the United Kingdom and the United States.

2.15 and 2.16: Data for Chile and New Zealand are not available. Data for Korea and Switzerland are for 2012 rather than 2013. Data for Japan, Korea, Switzerland and the United States are reported on a non-consolidated basis.

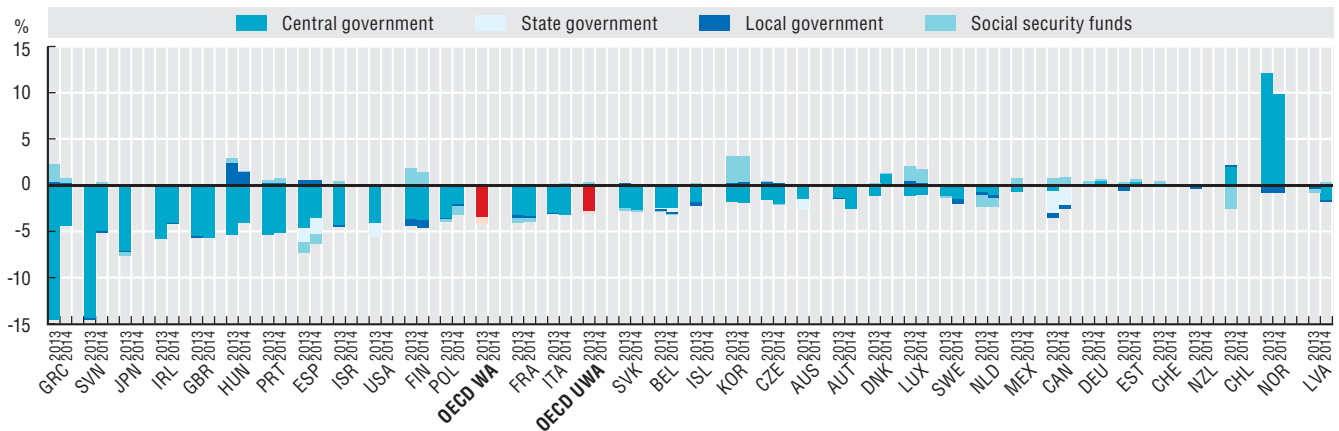
2.14: Data for Turkey are not available. Data for Chile are not included in the OECD average. Data for Colombia are for 2012 rather than 2013. Social security funds are included in central government in Ireland.

2.15: Data for Mexico are not available.

2.16: Data are consolidated within the subsectors of general government. However, at the level of general government, flows between levels of government are included. Data for Mexico and Turkey are not included in the OECD average due to missing time-series.

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

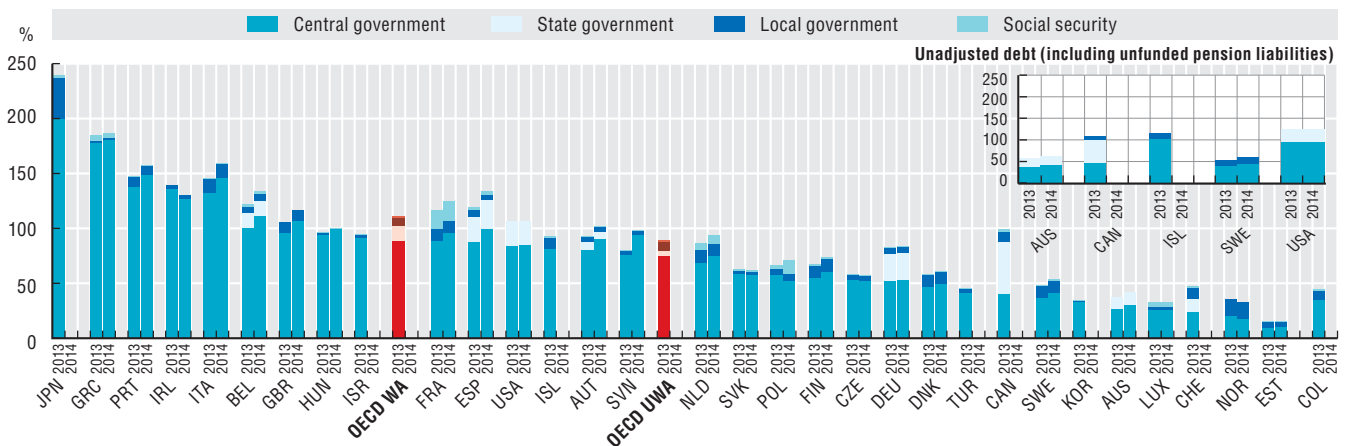
2.14. Government fiscal balances across levels of government as percentage of GDP, 2013 and 2014



Sources: OECD National Accounts Statistics (database).

StatLink <http://dx.doi.org/10.1787/888933248182>

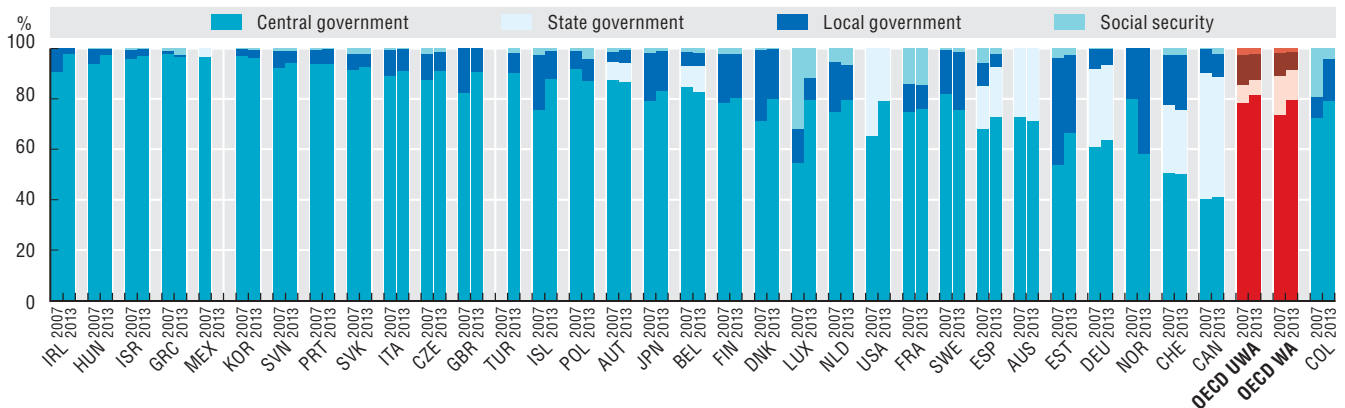
2.15. Government gross debt across levels of government as percentage of GDP, 2013 and 2014



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

StatLink <http://dx.doi.org/10.1787/888933248190>

2.16. Distribution of government gross debt across levels of government, 2007 and 2013



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

StatLink <http://dx.doi.org/10.1787/888933248201>



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