General government debt

When expenditures exceed revenues, governments need additional resources to finance their deficits, consequently they borrow money and increase the level of public debt. Changes in debt over time reflect the behaviour of past fiscal balances; recurring large deficits will result in higher debt levels. On the contrary, a succession of surpluses will reduce debt levels. In general, the higher a government's liabilities, the higher the perceived probability by markets of a government defaulting on loans and therefore the higher risk premium required by the market, which in turn, raises the cost of debt.

On average, general government debt across OECD member countries represented 78.8% of GDP in 2011; this figure varied from 10% in Estonia to 228% in Japan. Debt in the majority of the OECD member countries was higher in 2011 than it was in 2001. However, this result stems from combined patterns, with debt-to-GDP ratios dropping until 2007 mainly as a result of economic growth. Debt has continuously increased since then, mostly due to the global financial crisis, and more specifically as a result of lower revenue collections, declines in economic activity and/or additional spending on stimulus packages and interventions to support financial institutions. Over this period the biggest increases took place in Japan (76.6 percentage points), Ireland (67 p.p.), the United Kingdom (55.1 p.p.), and the United States (48.1 p.p.).

The debt burden per capita varies considerably, ranging from USD 2 207 in Estonia to USD 77 134 in Japan. On average the figure is USD 26 774 for OECD member countries. Despite the high debt levels in Japan, the majority of government debt is owned by Japanese citizens, and therefore the risk of default (and hence the need to pay risk premiums) is considered to be lower.

With the exception of Australia and Estonia, securities other than shares are the preferred debt instrument for OECD member countries. A debt structure relying highly on securities other than shares is linked to market fluctuations, affecting the cost of debt.

Methodology and definitions

Data are derived from the *OECD National Accounts 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. 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, debt 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. Consequently, 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 the following liability categories (according to the *1993 System of National Accounts*), whenever available/applicable in the financial balance sheet of the institutional sector: currency and deposits; securities other than shares, except financial derivatives; loans; insurance technical reserves; and other accounts payable. According to the SNA, most debt instruments are valued at market prices (although some countries might not apply this valuation, in particular for securities other than shares, except financial derivatives).

These data are not always comparable across countries due to different definitions or treatment of debt components. Notably, they include the unfunded government sponsored retirement schemes for some OECD countries (e.g. Australia and Canada) as well as for the countries whose data source is the IMF *Economic Outlook*. The debt position for these countries is thus overstated relative to countries that have large unfunded liabilities for pensions, and that are not recorded in the core accounts of the 1993 SNA.

The SNA definition of debt differs from the definition applied under the Maastricht Treaty, which is used to assess EU fiscal positions. Figure 3.7, Maastricht general government debt by debt holder (2011), is available on line at *http://dx.doi.org/10.1787/888932941424*.

Government debt per capita was calculated by converting government debt to USD 2011 using the OECD/Eurostat purchasing power parities (PPP) for GDP and dividing them by population. For the countries whose data source is the IMF *Economic Outlook*, an implied PPP conversion rate was used. PPP is the number of units of country B's currency needed to purchase the same quantity of goods and services in Country A. Figure 3.6, Annual growth rate of real government debt per capita (from 2001 to 2011), is available on line at *http://dx.doi.org/10.1787/888932941405*.

Further reading

OECD (2013), *OECD Factbook 2013: Economic, Environmental and Social Statistics*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/factbook-2013-en*.

Figure notes

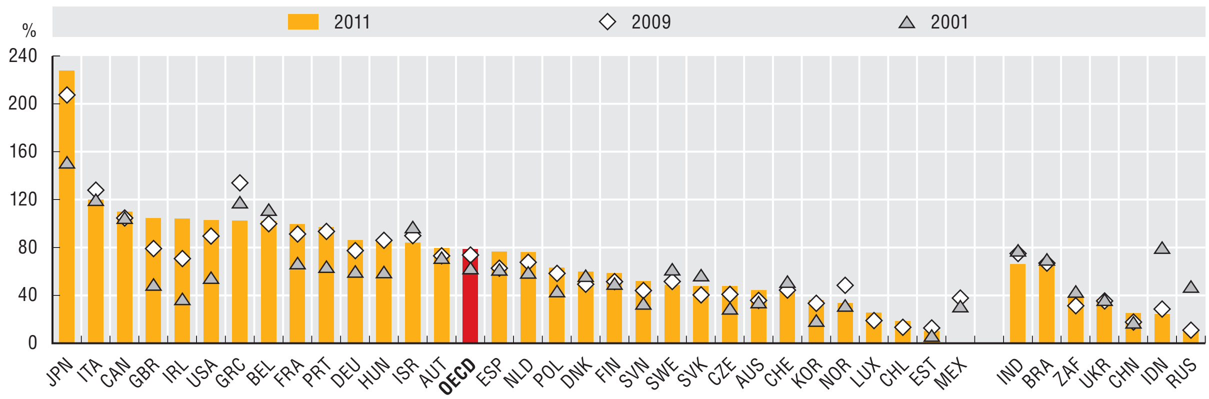
Data for Iceland, New Zealand and Turkey are not available. Data for Chile, Japan, Korea and the United Kingdom are reported on a non-consolidated basis. Data for Switzerland are for 2010 rather than 2011.

3.3: Data for 2001 for Chile and Luxembourg and for 2011 for Mexico are not available and these countries are not included in the OECD average. Data for Korea are for 2002 rather than 2001. Data for Denmark are for 2003 rather than 2001.

3.4 and 3.5: Data for Mexico are not available.

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

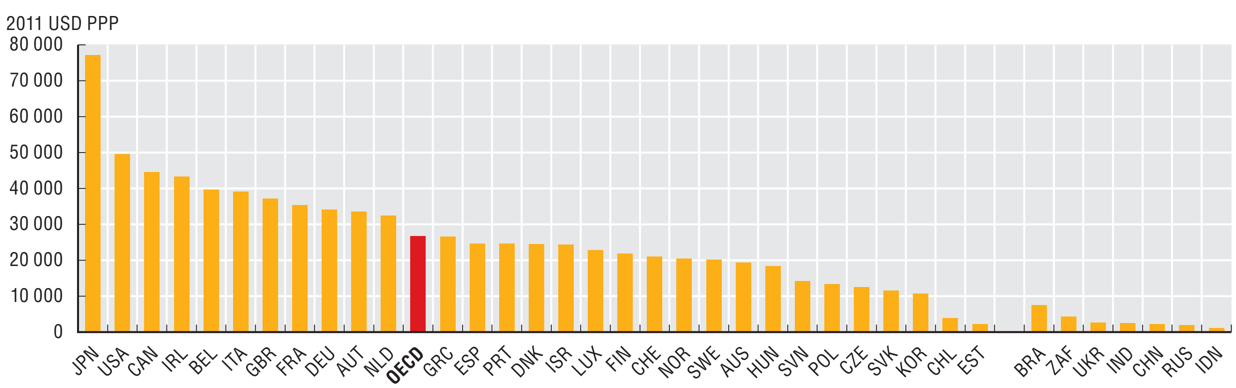
3.3. General government debt as a percentage of GDP (2001, 2009 and 2011)



Source: Data for OECD member countries: *OECD National Accounts Statistics* (database). Data for the other major economies (excluding the Russian Federation): International Monetary Fund (2013), *Economic Outlook*, April 2013, IMF, Washington, DC.

StatLink http://dx.doi.org/10.1787/888932941348

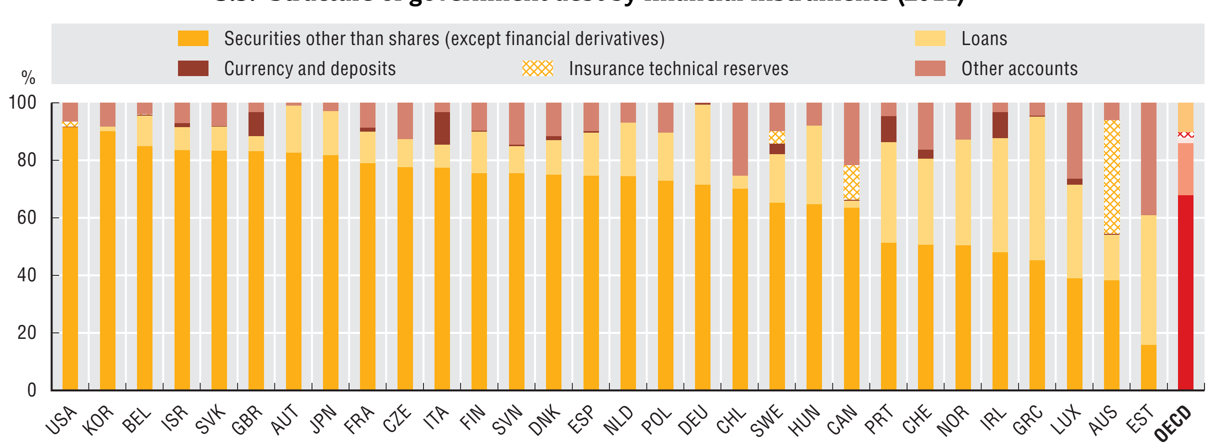
3.4. General government debt per capita (2011)



Source: Data for OECD member countries: *OECD National Accounts Statistics* (database). Data for the other major economies (excluding the Russian Federation): International Monetary Fund (2013), *Economic Outlook*, April 2013, IMF, Washington, DC.

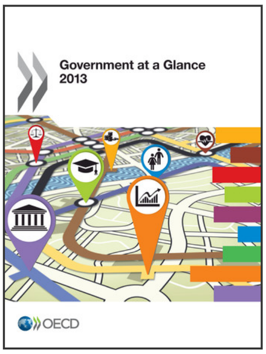
StatLink http://dx.doi.org/10.1787/888932941367

3.5. Structure of government debt by financial instruments (2011)



Source: *OECD National Accounts Statistics* (database).

StatLink http://dx.doi.org/10.1787/888932941386



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