13. General government debt

Government debt represents governments' outstanding liabilities stemming from the need to finance deficits through borrowing. Although deficits increased in many countries since 2000, between 2000 and 2007 debt levels as a share of GDP in many countries dropped due to economic growth. However, the recent economic crisis has reversed this trend. Debt levels have sharply increased due to low GDP growth and large deficits resulting from lower revenue collections (due to tax reductions designed to stimulate the economy and/or declines in economic activity) and increased spending on stimulus measures, social transfers or support for financial institutions. As a result, the average OECD member country's public debt rose from 57% of GDP in 2007 to 74% in 2010.

Japan, Italy and Greece had the highest levels of general government debt as a share of GDP in 2010, while debt levels were lowest in countries such as Estonia and Luxembourg. Some OECD countries reduced government debt between 2000 and 2010 by running fiscal surpluses and using the excess revenues to pay down debt and/or by having an economy that grows faster than debt. Sweden, for example, reduced its debt burden by 15 percentage points, from 64% of GDP in 2000 to 49% in 2010. The debt burden per person varies considerably ranging from about USD 2 550 per person in Estonia to about USD 67 400 per person in Japan. On average, debt per person in the OECD increased by 39% between 2007 and 2010. However, the nature of government debt (*e.g.* ownership and when interest payments are due) differs across the OECD. In Japan, for instance, the majority of government debt is owned by Japanese citizens, and therefore the risk of default (and hence risk premiums) is considered to be lower. In 2009 governments' interest payments represented on average 2.4% of GDP (or 5% of general government expenditures), with an increase of 0.1 percentage points compared to 2007.

Methodology and definitions

Data on gross general government debt and GDP are from the Preliminary Version of the *OECD Economic Outlook Database*, No. 89. Population estimates are from the *OECD National Accounts Statistics*.

"Gross general government debt" refers to general government gross financial liabilities that require payments of principal and interest. These data are not always comparable across countries due to different definitions or treatment of debt components. Notably, they include the funded portion of government employee pension liabilities for some OECD countries, including Australia and the United States. The debt position of 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, which instead recommends their inclusion as a memorandum item. For most countries, data on gross debt used for the purpose of these calculations refer to the liabilities (short and long-term) in the general government as defined in the system of national accounts. This definition differs from the definition of debt under the Maastricht Treaty which is used to assess EU fiscal positions.

Gross debt is used here rather than net debt due to the difficulties in making cross-country comparisons of the value of government-held assets, and because it is more relevant in the context of debt interest payments. For more details, see *OECD Economic Outlook* "Sources and Methods" (*www.oecd.org/eco/sources-and-methods*). Gross debt per person is calculated by dividing PPP-adjusted gross debt by total population. Non-adjusted 2009 population data were used for 2010.

Interest payments are based on the *System of National Accounts* definition: under the terms of the financial instrument agreed between them, interest is the amount that the debtor becomes liable to pay to the creditor over a given period of time without reducing the amount of principal outstanding.

Further reading

OECD (2010), *OECD Economic Outlook*, Vol. 2011/1 (Preliminary Version), May 2011, OECD Publishing, Paris.

Schick, A. (2009), "Budgeting for Fiscal Space", *OECD Journal of Budgeting*, Vol. 9/2, OECD Publishing, Paris.

Figure notes

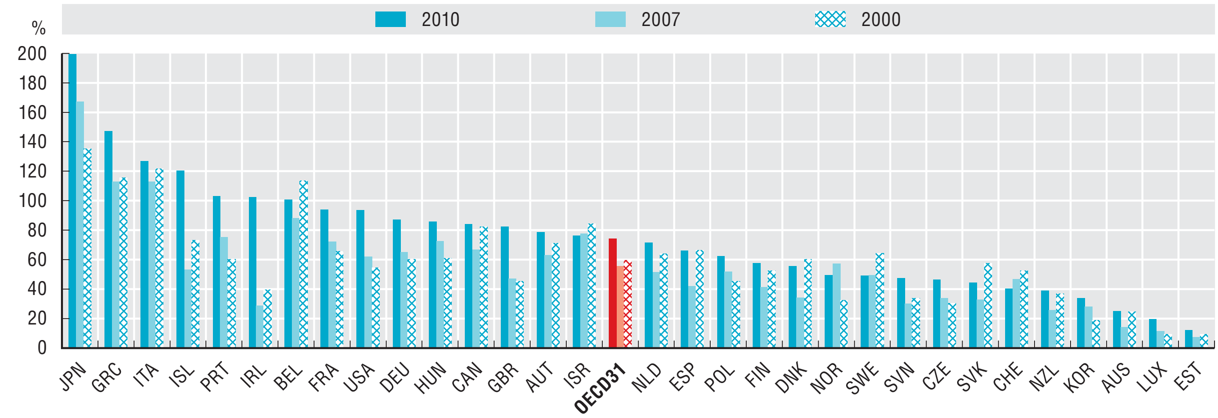
Data for Chile, Mexico and Turkey are not available. OECD averages are unweighted.

13.1: Data for Slovenia and the Czech Republic are for 2001 rather than 2000. See *StatLink* for country-specific notes.

13.3: Data for Australia, Japan, Korea and New Zealand are for 2008 rather than 2009.

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

13.1 General government gross debt as a percentage of nominal GDP (2000, 2007 and 2010)



Source: *OECD Economic Outlook*, No. 89 (Preliminary Version), May 2011.

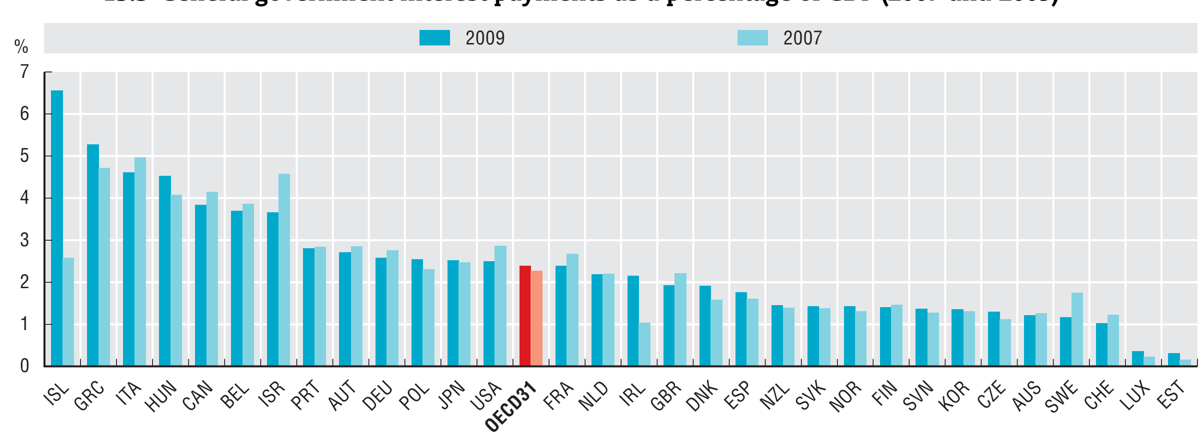
StatLink http://dx.doi.org/10.1787/888932390234

13.2 Gross public debt per person (2007 and 2010)

Source: *OECD Economic Outlook*, No. 89 (Preliminary Version), May 2011. *OECD National Accounts Statistics.*

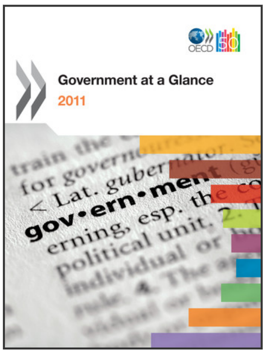
StatLink http://dx.doi.org/10.1787/888932390253

13.3 General government interest payments as a percentage of GDP (2007 and 2009)



Source: *OECD National Accounts Statistics.*

StatLink http://dx.doi.org/10.1787/888932390272



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