Subnational public debt

The financial and economic crisis led to a strong deterioration in both general government deficits and debt in most OECD countries. Falling revenues (due to the decline in economic activity and tax reductions designed to stimulate the economy) coincided with sharp increases in government spending (social transfers, stimulus measures or support for financial institutions).

At end of 2012, the general government gross debt in the OECD area (30 countries) represented 113% of GDP, and more than 140% of GDP in Japan, Greece and Italy (Figure 3.7).

On average in the OECD area, subnational government (SNG) debt accounted for 22% of GDP. SNG debt is unevenly distributed among OECD countries. At the state level (in federal or quasi-federal countries) debt varies from 6% of GDP in Austria to 21% in Spain, 27% in Germany and 52% in Canada. At the local level, it ranges from less than 2% in Greece to 38% in Japan (Figure 3.7).

The relatively small share of local government debt is driven by legal restrictions to local borrowing. In a majority of countries, local governments can borrow only for the long term to finance investment ("golden rule"). Moreover, local borrowing is generally governed by strict prudential rules defined by central or state governments.

Large differences among local governments are observed. For example, 4 out of the 17 autonomous communities in Spain and 2 out of the 10 provinces in Canada hold around three-quarters of the State's debt. Similarly, 3 out of the 16 Länder in Germany accounted for almost half of regional government debt in 2012.

SNG debt per capita varies greatly, ranging from 340 USD in Korea to 18 250 USD in the canadian provinces (Figure 3.8).

SNG fiscal balance reached -3.5% of SNG revenues in 2012 in the OECD area. SNG debt, defined here as "Maastricht debt" (i.e. resulting mainly from borrowing), represented 107% of SNG revenues. In Germany, Spain (autonomous communities), Canada (provinces) and the United States, SNG deficits exceed 5% of revenues while debt is above 100% of revenues (Figure 3.9).

Definition

The general government gross debt definition here used is based on the System of National Accounts (SNA). It includes the sum of the following liabilities: currency and deposits (AF.2); securities other than shares (AF.33); loans (AF.4); insurance technical reserves (AF.6); other accounts payable (AF.7). Some liabilities such as shares, equity and financial derivatives are not included in this definition. According to the SNA, most debt instruments are valued at market prices.

These data are not always comparable across countries due to different definitions or treatment of debt components (e.g. pensions) or valuation (market vs. nominal prices).

The general government comprises: central government, states (relevant only for countries having a federal or quasi-federal system of government), local government and social security funds. Subnational government (SNG) is here defined as the sum of the two subsectors states and local governments.

The SNA definition of gross debt differs from the one applied under the Maastricht Protocol. The "Maastricht debt" excludes not only financial derivatives, shares and other equity, but also insurance technical reserves and other accounts payable. It corresponds roughly to borrowing. The debt according to the Maastricht definition is valued at nominal prices and not at market prices.

Fiscal balance is the difference between government revenues and expenditure. A fiscal deficit occurs when, in a given year, a government spends more than it receives in revenues. A government runs a surplus, instead, when revenues exceed expenditures.

Source

OECD *National Accounts Statistics* (database), *http://dx.doi.org/10.1787/na-data-en*.

Reference years and territorial level

2012; National Economic Accounts: levels of government.

2010 Switzerland; 2011 Canada, Iceland, Israel and Japan.

No data for Chile, New Zealand, Mexico and Turkey.

Data are consolidated except for Japan, Korea and the United States.

Figure notes

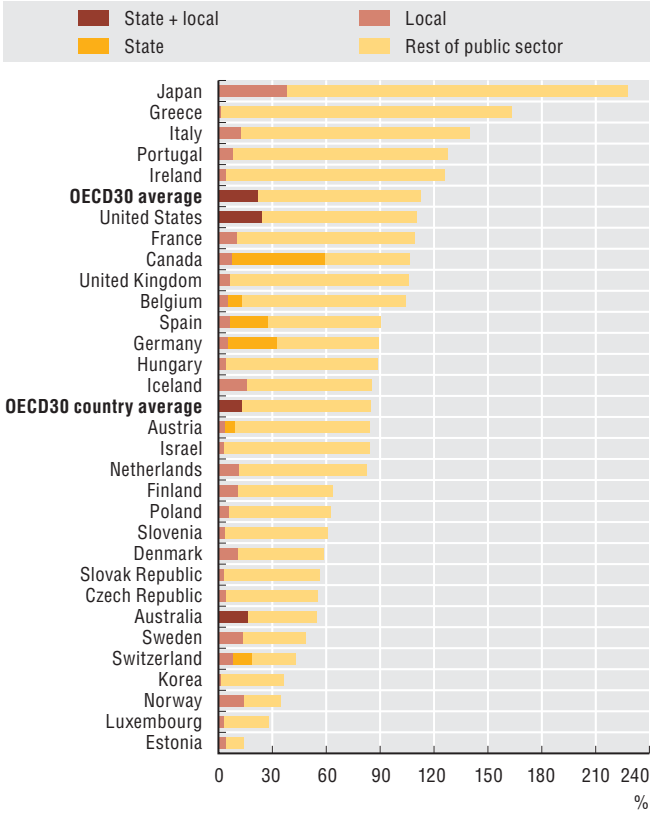
3.7-3.9: Data in federal countries are split between states (S) and local (L) levels (except for the United States and Australia).

OECD figures: both weighted (OECD average) and unweighted (OECD country) averages are shown.

3.9: Debt is defined according to the Maastricht protocol.

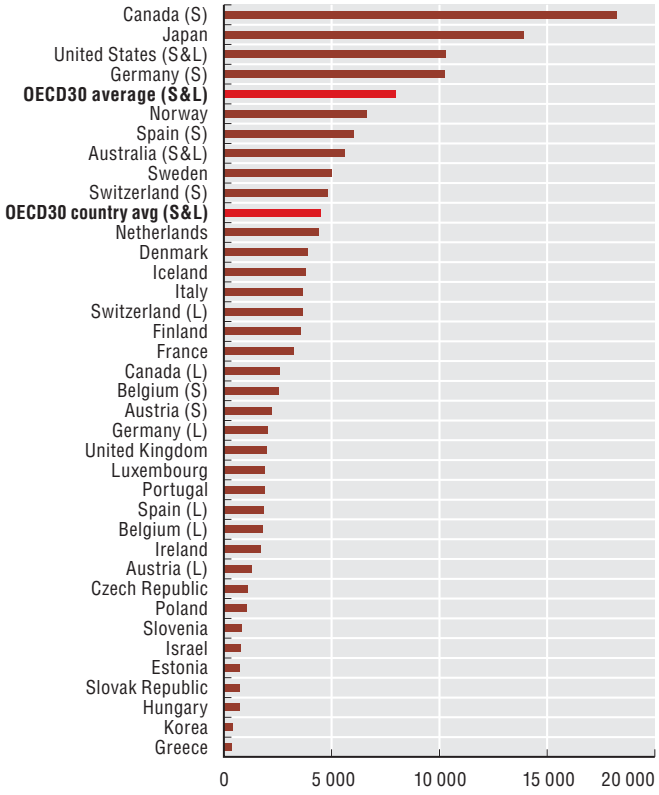
Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

3.7. General government gross debt (as a % of GDP) and breakdown by levels of government, 2012



StatLink http://dx.doi.org/10.1787/888932914083

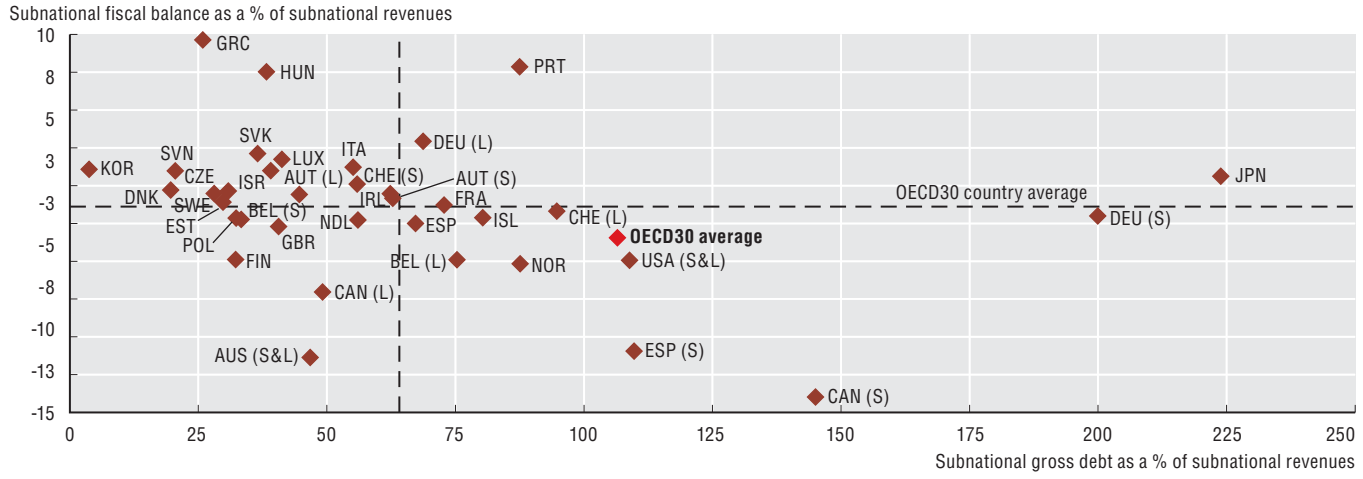
3.8. Subnational government gross debt, 2012, constant 2005 USD per capita



StatLink http://dx.doi.org/10.1787/888932914102

3.9. Subnational gross debt and fiscal balance as % of subnational revenue, 2012

Maastricht debt definition



StatLink http://dx.doi.org/10.1787/888932914121